Mid-Year Investment Outlook

The trend accelerator

June 2020

For Professional Clients and Institutional Investors only

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HSBC
Global Asset
Management

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Message from our Global CIO

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Welcome to our mid-year outlook for 2020 – six months that surely rank as the most extraordinary of our careers. Indeed, it is hard to put the enormity of what we have just been through into context. A global pandemic, economies collapsing faster than during the Great Depression, higher volatility in some markets than ever before – and all of this while many of us were confined to home.

Nevertheless, amidst the bankruptcies and soaring unemployment there is plenty to be hopeful about. Governments and policy makers responded at pace. Financial markets stayed open and showed resilience. Lessons from the 2008 crisis were applied. Most importantly, in our opinion, although covid-19 has upended the world, it is also proving an accelerator of existing trends.

The latter is one of the main themes in this report. Trends that were accelerated by the pandemic include a steepening trade-off between risk and return, the use of technology, a focus on sustainability (see page 5 for a special interview with our Head of Responsible Investment), resilient Asia, low inflation and workforce flexibility.

These long-run developments impact all asset classes and together with the market reaction to the crisis, have given rise to a range of investment opportunities. The key is to be selective and specific, understanding how the risk and reward differs by company, sector and geography. And in the following pages our investment heads describe what covid-19 means for the major asset classes and give their outlook for the rest of 2020 and beyond.

Executive summary

Macro and strategy

The pandemic and lockdown brought the world economy to a sudden stop in the first half of 2020. Despite a rapid policy response, global growth collapsed. Meanwhile, the fastest bear market ever gave way to one of the steepest rallies. We do not fully agree that prices have a disconnect with fundamentals, however.

In principle, macro systems can rebound quicky from self-enforced closures. A V-shape is possible. But our baseline is for a swoosh-shaped recovery. This assumes a ramp-up of testing and tracing, only isolated further outbreaks, and a vaccine available in the middle of 2021.

There are many downside risks: a second wave of infections, solvency and debt problems, or policy support ending too soon. Economies may suffer permanent damage. We put a 60 per cent probability on our swoosh outcome. The best positioned economies belong to China and industrialised Asia. Less resilient are emerging markets ex-Asia, smaller oil exporters, frontier nations and the eurozone.

Strategy wise, the pandemic has accentuated the already steep trade-off between risk and returns. The diversification properties of government bonds are set to deteriorate as macro policy shifts from rate cuts and quantitative easing towards more targeted measures. Therefore, investors need to think harder about how they diversify. Alternatives – liquid and illiquid – should play a greater role.

Covid-19 is accelerating trends already in play before the crisis. Some, such as increased take-up of technology and sustainabilility issues are positive for long-run returns. Others are less so, such as the retreat of globalisation and rise of economic populism.

Multi-asset

While the sell-off in March was typical in that riskier assets led the declines, the subsequent rally was not. It has been relatively defensive. Even within risky assets, safer ones have outperformed.

The massive monetary and fiscal action has reduced tail risk and markets are suggesting an event-driven bear market, which does not morph into a cyclical one. Long-term investors can afford to be a bit more relaxed. For those with a shorter-term horizon, however, there are still some cyclical risks and it may be opportune to take some risk off the table after the rally since March.

Our approach is to build risk-on/risk-off portfolios that can perform well in different scenarios. We are neutral on equities, balancing cyclical markets such as Brazil with defensive ones such as the US and developed Asia. In fixed income we favour assets supported by central banks. We are overweight credit and investment grade bonds while cautious on emerging market bonds.

Exposure to government bonds has been reduced. They are unattractive from a valuation perspective and their hedging properties are not helped by near-zero interest rates. We believe alternatives can be more useful here, while diversifying via other defensive assets, including gold and currencies such as the dollar, Swiss franc and yen.

Selection by sector and geography is key, while specific asset classes are cheap versus history. Examples include Canadian, Australian, Polish and Brazilian equities. Likewise, the Norwegian krona and Mexican peso sit at historically low valuations right now. US breakeven inflation rates are also compelling.

Equities

Equity investors experienced a one third drop in dollar terms across developed and emerging stock markets by mid-March. The recovery has been uneven, however. Many US technology and onshore Chinese shares have raced ahead – accelerating pre-crisis themes. Meanwhile, many emerging markets are still reeling.

What do current valuations reflect? Analysts have roughly halved their earnings forecasts for 2020 and do not expect a recovery to pre-covid-19 levels for four years. This is too bearish. We assume a one third cut in earnings in developed and Latin American markets this year, with emerging Asia down a fifth and China just six per cent. Our equity model suggests the return from equities over and above risk free assets remains compelling. We prefer Asia, with a focus on China, South Korea, Taiwan and Hong Kong. They are attractively valued, have a lower exposure to commodities and oil, and have shown to be better equipped to cope with the covid-19 crisis.

Similarly, a number of e-commerce companies have shown resilient business models. And selective healthcare names will benefit from post-covid spending. We also have seen the rift between defensive and value stocks widen dramatically, with the former looking even more expensive and the latter trading at historic lows.

Fixed-income

Covid-19 is also reinforcing trends that were already forming in fixed income, such as low inflation connected to workforce vulnerability, secular deleveraging, a dispersion in the level of central bank support between countries, and an acceleration in sustainability. Some trends will reverse. A wave of defaults and downgrades will tighten credit and squeeze balance sheets. We do not expect the demand for oil to rebound to previous levels.

Another key driver will be a renewed ‘low for long’ theme in developed market interest rates. We expect there to be more yield curve control by central banks, in order to lower public debt to GDP ratios. We anticipate very directional curves, with a flattening bias. Tactical opportunities may arise in the euro periphery.

In credit, we expect some bifurcation within developed markets, with a split between companies that are in or out of scope of central bank programmes. The high yield market will bifurcate the most. Regionally, we see relative value in Asia, where yields have increased and the region has proved more effective in coping with the pandemic, alongside a rapid monetary and fiscal response.

Credit selection remains crucial given divergent paths of companies and industries. There is also a country dimension, with higher risks in frontier markets that are more exposed to the turmoil in commodities and global trade. Our high-yield preference is the US over Europe. For leveraged loans, higher risk and illiquity premiums have increased their relative attractiveness, even if further downgrades lie ahead.

Liquidity

The first half saw a global liquidity event in money markets. There was a sharp widening of the spread between three-month Libor and the overnight swap rate, a metric many investors monitor. While spreads have since narrowed, stresses remain. The differing actions taken by major central banks have had an impact on how money markets have behaved.

Our response has been to build short-term liquidity in our funds by increasing the amount of assets maturing overnight and within one week. The crisis has also shown our concentration policies to be effective tools in managing liquity risk. A five per cent maximum rule for individual clients proved its worth, while we learned from previous crises which clients are more prone to redeem.

Credit risk and the preservation of capital is just as important to money market investors. Therefore, another focus is minimising the risk of credit rating migration below the minimum rating level required, which could force us to become sellers. We cannot ignore market risk either, given the spectre of ultra-low (and in more cases, negative) interest rates for the foreseeable future.

Alternatives

Listed property suffered steep declines in March, while unlisted property was helped by the fact that values are not live. We feel the listed property sell-off was an overreaction. Dividend yields have risen dramatically, exceeding six per cent at one point in March. For direct property, however, we expect further price declines. As with other asset classes, the pandemic is accelerating familiar themes – for example the reduction in face-to-face retail and value of logistics properties. While the immediate impact on office demand may be negative, we do expect high quality, well-located spaces to retain their value.

Hedge funds showed resilience through the first quarter, with an average decline of around seven per cent. This compares favourably to most other asset classes. Within hedge funds, relative value strategies struggled as did long/short equity strategies. Notably, there were various hedge fund segments that were able to preserve capital through the crisis. Regardless of which economic rebound scenario comes to fruition, we believe hedge funds can continue to deliver the consistent returns they have demonstrated recently due to a diversity in sources of returns.

Private markets have seen a hit to valuations, but dealmakers learned from the financial crisis, limiting their exposure to cyclical companies and employing less debt. Furthermore, managers have been proactive, boosting liquidity to strengthen their positions or to use opportunistically. Deal activity is down, as are distributions. However, it is a postive environment for new money. Recent vintages still have most of their capital to call and substantial cash to invest.

In high yield, depressed values may have strayed from fundamentals, particularly for infrastructure assets with steady cash flows. Within investment grade, some assets are suffering from credit stresses, particularly those exposed to vulnerable sectors such as travel. However, investment grade has broadly remained resilient and fairly priced in our view. Most infrastructure debt projects are typically decoupled from economic cycles. Transport, however, is one sector where we will see cashflows impacted by the speed of recoveries. Infrastructure debt remains attractive, offering excess yield over corporate investment grade credit, with assets that are also more defensive.

Covid-19 and responsible investing

Q&A with Melissa McDonald

Head of Responsible Investment

Has the pandemic pushed sustainability down the agenda?

The indication so far is no. The European Union, for example, is pushing ahead with the New Green Deal. Governments are talking about using this opportunity to accelerate the transition to a low carbon economy – increasing investment into renewable energy and building out infrastructure in terms of green buildings, different fuel sources, the transition to the electrification of cars and so on.

This makes sense. The magnitude of the economic and societal impacts from the global pandemic will affect how we live our lives and do business for years to come. For our clients also, the pandemic only further elevates the importance of evaluating sustainable investment considerations as part of any investment discussion.

I would like to see the next phase of government support for businesses conditional on certain sustainability criteria. Likewise, investors could say to companies and governments that human capital, workforce and infrastructure resiliency are all key to the deployment of capital.

Rather than down the agenda, we have seen social issues in particular come to the fore during the pandemic. People of lower socio-economic status have been impacted more, for example. HSBC is working together with industry peers to encourage companies to take social considerations even more seriously.

Can you give an example of how investors are responding?

We are a signatory to an open letter drawn up by a coalition led by the Office of the New York City Comptroller, Domini Impact Investments and the Interfaith Centre for Corporate Responsibility. It asks American companies to take whatever steps they can in order to retain staff, provide sick leave and prioritise health and safety. The letter also encourges bosses to be financially prudent and keep paying suppliers. These are the right things to do to protect our society at a crucial time. They make sense from an investment perspective too.

Doesn't monitoring commitments require better disclosure?

Absolutely – sunlight really is the best disinfectant. HSBC was one of the early supporters and adopters of the Task Force on Climate-Related Financial Disclosure (TCFD), which is working towards making such reporting mandatory. Personally, I would like to see this applied to public and private companies as society as a whole has also a right to understand the climate impact of all institutions.

We are also part of the workforce disclosure initiative, which is equally important. I am not saying that every item of employee information should be made public, but there are some ideas on the table that are sensible on a widespread basis, especially around diversity, pay and so on.

Investors have the legitimacy and firepower to drive change. The Climate Action 100+ group, for example, of which we are a founding member, now represents $35tn in assets and is pushing for TCFD disclosure. Companies not meeting requirements are being subject to shareholder resolutions. Eventually, the cost of capital should be lower for companies that have been disclosing as investors are better able to understand the risks and opportunities.

How has the pandemic affected governance?

As I said above, the social aspects of work have come to the fore during this crisis. That makes sound corporate governance, with resilience at its core, even more important in my view. For example, some argue that boards should have representation beyond just shareholders. Workers already have a seat at the table in some countries, but maybe the idea should be expanded to include other stakeholders too.

And given the shock to the system, I believe there is going to be even more commitment and determination to move towards a more sustainable future. The sustainability community has always considered the risks, such as a pandemic, that could lead to systemic interruptions and now mainstream investors are beginning to take a closer look at them. Companies will have to respond to their investor base of course – but also their customers as well as other stakeholders. I am more optimistic and confident about the actions companies will take, than I was early on in the crisis.

Governance pressure will also come from the general population. Less talked about is how this might play out in emerging economies. For example, citizens in poorer nations have been suffering – some of them for all of their lives – in dirty, crowded cities. The drop in economic activity has lowered pollution to levels never seen before. It will be hard to go back from that, at least completely.

Macro outlook

Q&A with Joe Little

Global Chief Strategist

We are in the midst of a recession of historic proportions – how did we get to this point?

The global pandemic and lockdown are extraordinary by any measure. What began as regional shock to supply chains evolved quickly into a brutal collapse in global demand. Confidence, consumer spending and the corporate sector retrenched aggressively. Measures to flatten the epidemiological curve deepend the recession curve, which, according to the International Monetary Fund (IMF), has caused the biggest economic crisis since the Great Depression.

In response, policy makers have been bold and rapid. Measures have varied country-to-country, but include: interest rate cuts, purchases of financial assets, liquidity injections, targeted lending for banks and businesses, as well as direct fiscal stimulus, loans and guarantees, and regulatory measures. We have also seen countries coordinate monetary and fiscal policies, representing a dramatic shift to the post-2010 orthodoxy.

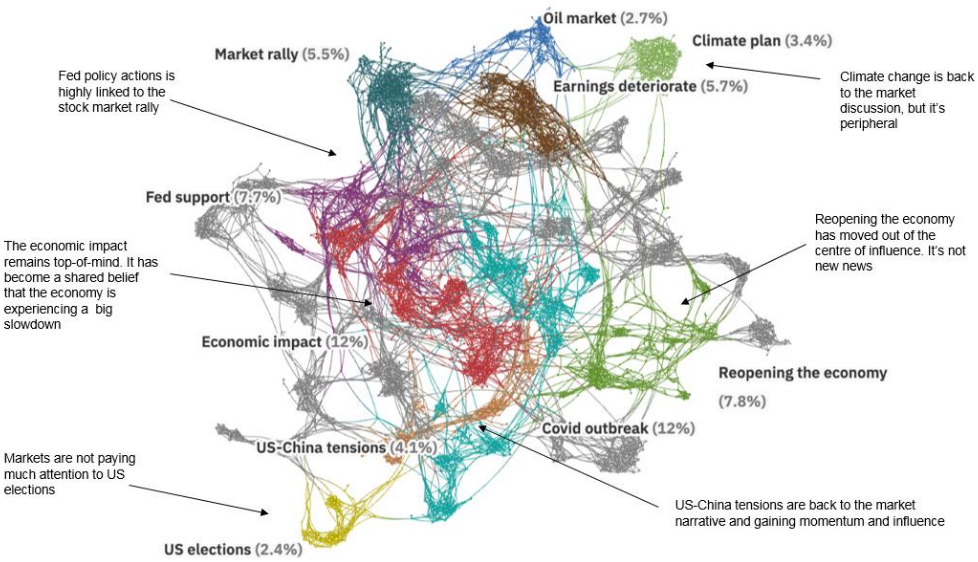
Today, our global Nowcast model, which tracks output in real-time, suggests that global growth is running at a minus double digit annual rate, with China and industrial Asia faring better. The world economy came to a sudden stop – as if electricity to the system had been turned off.

This in turn caused a surge in risk aversion in financial markets. Global equities fell by a third in just over a month – the fastest bear market on record. Credit spreads widened by hundreds of basis points and haven assets such as the dollar and treasuries strengthened. Liquidity in many areas of the financial markets dried up.

Subsequent economic and market shockwaves are too numerous to list in full. Oil prices in the red, companies collapsing, millions of workers furloughed, and vulnerable emerging markets hit with collapsing trade, tourism, remittances, and capital flight. The abrupt contraction in credit conditions risked compromising the entire economic system, forcing central banks to act.

Since the middle of March financial markets began to stabilise, and then rally. The extent of the rebound has varied across asset classes and regions – the US and Asia faring better, for example, while emerging markets lag. However, it is hard to over-state the damage that has been done to the global economy. It has been a truly remarkable first half of the year.

Figure 1: Visual representation of main themes being discussed across financial media - the market narrative remains focused on downside risks



Source: HSBC Global Asset Management, Quid. May 2020. For illustrative purposes only.

Is there now a big disconnect between the market and the gloomy economy?

The fastest bear market of all time has given way to one of the fastest rallies. The Nasdaq, for example, is already back to January levels. This rapid reversal has tempted many commentators to label the stock-market action as irrational. But this view is incorrect.

First remember that investment markets are forward-looking – often a long way so – whereas economic data is lagging. For example, unemployment rates typically keep rising well after equities have bottomed. With a third wiped off stock prices early in the pandemic, investors were already fearing the worst.

Second, bolder than expected policy support has improved the outlook for the real economy and lifted animal spirits. In 2008, it took two months after Lehman collapsed for the Federal Reserve (Fed) to cut rates and initiate the first round of quantitative easing. This time it happened in less than two weeks. And policy innovation has kept going. More forward guidance and 'yield curve control' could be next, even if the Fed is for now reluctant to follow Europe down the path of negative rates.

Bold policy does two things: it improves the economic outlook and shifts investors' view of the distribution of future outcomes. In other words, part of this recovery in markets reflects the fact that the 'disaster premium' is being priced-out, as extreme risks diminish.

Third, while the global economic data remain bad, parts of China and industrialised Asia have begun the road to recovery faster than many expected. Asia has been the lead indicator through this crisis and the latest statistics (city-level data, coal consumption, cargo shipping, property sales and so on) show a clear back-to-work dynamic.

Finally, the stock market is not the economy. Since mid-March, the rebound has been led by technology and healthcare – sectors you would except to be winning. Parts of the economy most impacted by the pandemics, such as hospitality and tourism, are not large index weights. And even though it appears that US equities have dramatically outperformed the rest of the world, that gap is not so large on a sector-normalised basis.

Altogether, it means that we do not see a big disconnect between stocks and the macro picture.

How can we think about scenarios for what comes next?

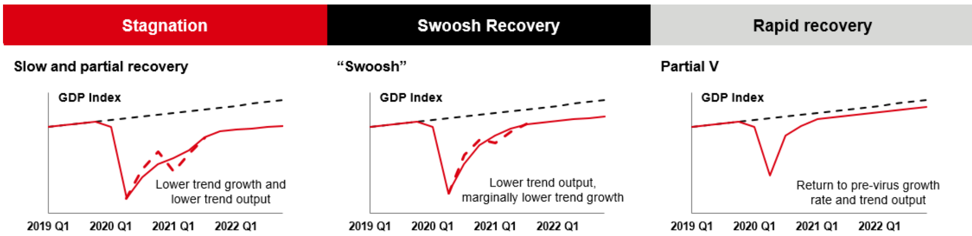
A big question for investors is how fast the macro system can restart. Clearly the virus needs to be manageable, which means we need case growth to slow meaningfully, as well as a wider roll-out of testing and tracing.

Can economies power up again with the flip of a switch? When you think about it, they do this each Monday morning, so in principle the system should be able to recover quicky from this type of self-enforced closure. The nature of the crisis is not the same as it was in 2008.

That said, it is reasonable to expect set-backs and a restart may take time. To continue our metaphor, the electricity grid is compromised and pylons are down. And there may be lasting damage too. Academics have long studied the prolonged effects on economies of intense cyclical slumps.

Figure 2 shows our three likeliest scenarios. If policy measures can prevent second-round effects, then a V-shaped recovery is possible. Parts of Asia appear to be on this trend and that is encouraging. But the longer the crisis goes on elsewhere, the harder it is to achieve such a perfect recovery. Post-virus economies could face the so-called 'Anna Karenina principle' – there are many ways to fail, but only one way to succeed.

Figure 2: Possible realities for the macro-economy



Source: HSBC Global Asset Management, as at May 2020.
Any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Global Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Our baseline is for more of a swoosh-shaped recovery. This assumes a ramp-up of testing and tracing, only isolated further outbreaks of the virus and a vaccine available in the middle of 2021, with some restrictions persisting until mid-2021. Working backwards, it means the recovery has begun already in this quarter. By the end of next year, the global economy should be fully-established on a new, lower trajectory but a roughly similar trend growth rate.

There are downside risks. Different economies have differing capacities to deal with crises, for example around policy flexibility. The risk of a second wave of infections also looms. Another worry is economies suffer permanent damage, for example to trade flows or labour markets.

Can you expand on the probabilities for those scenarios? What are the balance of risks?

There is always uncertainty, but the outlook is especially hard to predict at the moment given the variety of factors involved. There is the virus itself, how individuals and business respond, politics and innovative central bank policies to name a few. It means that there are many possible outcomes for the macro system. Investors need to think in probability terms while regularly updating their scenarios.

At present, we would put a 60 per cent probability on our swoosh-shaped scenario for the global economy. This is already more pessimistic than consensus and the IMF's projections. Drilling down, we see the emergence of cyclical winners such as China and industrialised Asia, while the relative losers include emerging markets ex-Asia, smaller oil exporters, frontier economies, and the eurozone.

The biggest risk to the above is a policy mistake. The global crisis-mode response has been as good as we could have hoped. But after the liquidity measures, the solvency challenges remain. We also wonder if a form of 'stimulus fatigue' could eventually set in. That said, there is plenty of capacity to use up before inflation becomes a risk and investors seem readier than ever to let governments break fiscal taboos.

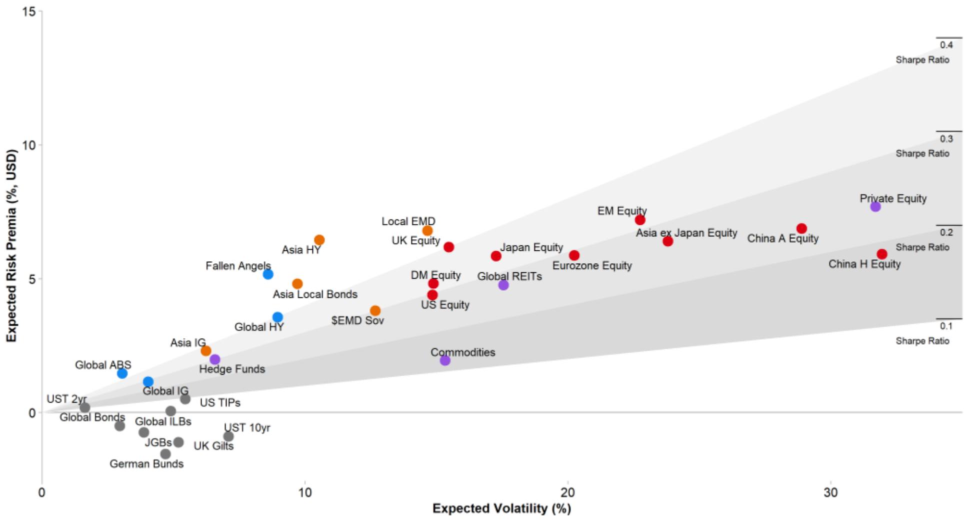
Of course, crisis support packages mean that debt to GDP ratios have ballooned. Fiscal conservatism will inevitably become more popular. Governments are unlikely to stay radical. This could mean a premature tapering of policy support and, effectively, a decision to lock-in the current state before economies are fully back to normal.

So our baseline scenario is for a swoosh-shaped recovery with a balance of risks that leans more towards a prolonged slump than a V-shaped bounceback.

What does this mean for investment strategy?

Market moves during the crisis have merely accentuated the already steep trade-off between risk and returns. Current prices suggest sub-inflation returns for core government bonds over the medium term while riskier asset classes are discounting much higher rewards. Figure 3 illustrates this using our risk premia framework that models over 300 different asset classes.

Figure 3: Expected risk/reward across asset classes (market-implied risk premia)



Source: HSBC Global Asset Management, as at May 2020.
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Lower government bond yields mean worse prospective returns. Worse still, their diversification properties are set to deteriorate as macro policy shifts from rate cuts and quantitative easing towards more targeted measures. German and Japanese bonds are showing the way, with post-crisis yields above where they were this time last year.

Investors need to think harder about how they diversify, therefore. High quality credit with yield pick-up looks interesting (for example, global Investment Grade, Asian credits) as does emerging market fixed income on a selective basis. More emphasis on regional allocation, styles and sectors also follows. And alternatives – liquid and illiquid – should play a greater role too.

Finally, it is likely that the pandemic is accelerating economic and social trends that were already in play before the crisis. Many of these will have profound implications for investment decision making. We see four areas of change, with building momentum, that are particularly relevant.

First, in terms of trade and physical connectivity the virus is helping push the post-1990 era of hyper-globalisation into retreat. Such warnings have been wrong before, and indeed globalisation need not go into reverse. But at a minimum, investors will have to adapt to a new regionalisation and more politicised rule books.

Second, economic populism is becoming more entrenched. Whatever your view on this, it seems unlikely now that socio-economic models will converge any time soon. The Asian model will be distinct from the European model, or an American one.

Third, humans have surely made a leap in terms of how they use technology through the crisis phase. At the macro level, this may finally end the sluggishness in productivity growth that has baffled economists for more than a decade. This would be unambiguously positive for returns.

Finally, environmental and social issues should move higher on the agenda if a pre-covid-19 obsession with economic efficiency is replaced by more of a focus on system resilience. The time may have come for initiatives such the Green New Deal, and for an inclusive approach to growth with a much greater focus on social justice.

Multi-asset outlook

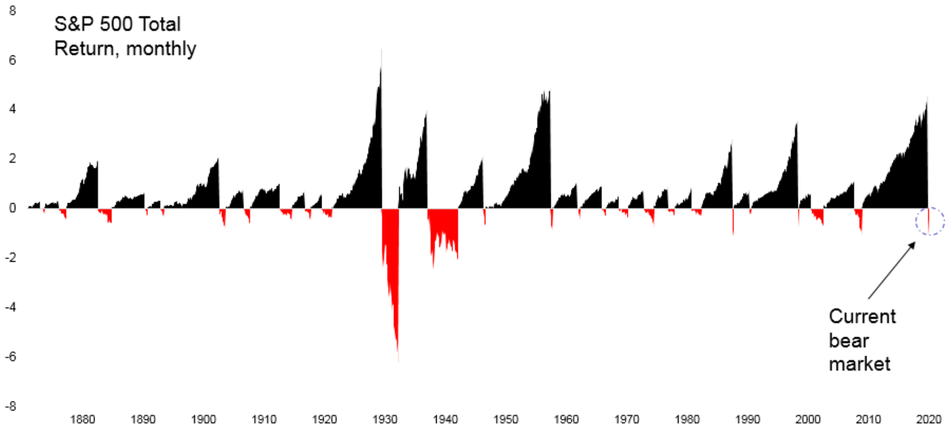
Q&A with Jean-Charles Bertrand

Global CIO Multi-Asset

What happened in the sell-off?

The performance story this year has come in two distinct phases, the first being the sell-off in March. While its speed was surprising, comparable to event-driven bear markets like that of 1987, the relative returns of asset classes were typical. Oil led declines, followed by emerging market equities, then developed equities (ex-US), and US equities. High yield and hard currency emerging market debt outperformed equities, while investment grade credit was only slightly negative and flat in the US. Haven assets such as US treasuries, gold, Japanese yen and Swiss francs delivered positive returns.

Figure 4: Fastest bear market on record



Source: HSBC Global Asset Management, GFD, May 2020.
Past performance is not a guarantee of future performance.

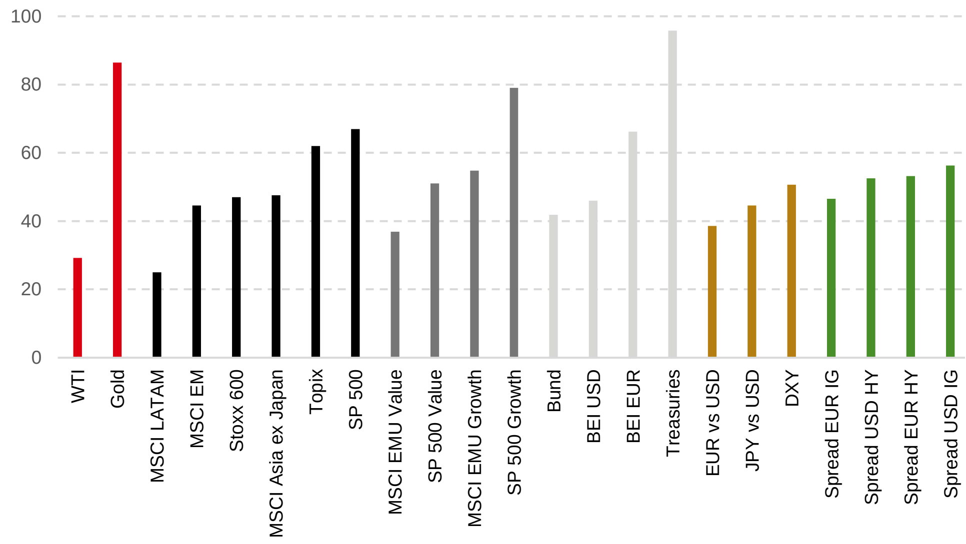
What's happened in the subsequent rally?

The rally that followed, however, was not from the playbook. For a start, it has been relatively defensive. Government bonds remain near their year to date highs, with interest rates being held low and stable. Gold has also performed well, contrary to recoveries in the past where safe assets suffered as as risk appetites returned.

Even within risky assets, defensive ones have outperformed. US stocks have fared better than other equity markets, for example. Likewise, in emerging markets, a more defensive Asia has outperformed Latin America. Taking this trend further, growth has trumped value, which is rare. Usually, value-oriented, cyclical stocks do well when markets rebound.

Overall, risky assets have recovered almost half of their losses very quickly.

Figure 5: Percentage retracement to the 2020 peak in each asset class



Source: Bloomberg, Datastream and HSBC Global Asset Management, as at 26 May 2020.
Past performance is not a guarantee of future performance.

Can the defensive rally continue?

With such a strong and rapid recovery, it is reasonable to question if the market rally can confinue. The massive monetary and fiscal action has reduced tail risk, which is positive for risky assets. Markets appear to be validating the argument that this will ultimately be an event-driven bear market that does not morph into a cyclical one. The assumption is that the global economy can recover relatively quickly as underlying weakness is not structural, allowing losses to be speedily recouped.

Nonetheless, there are cyclical risks. Implementing policy actions and stimulus is relatively simple. The actual process of restarting an economy is riskier. Social distancing has mitigated the spread of covid-19 however we are far from so-called herd immunity. Infection rates could rise again as economies re-open. Testing and contact-tracing will help, but not every country is ready.

It is positive that China is getting back on track, but its economy is manufacturing-focused and easier to restart than service-led economies. It is also worth noting that data remain weak in other sectors such as travel and entertainment. China has returned to work, but its people are not yet socilaising or spending to the same degree.

Therefore, market expectations for a rapid normalisation may be optimistic. If global growth is slower to pick up this increases the prospects for broader cyclical issues to emerge. The risks of second-round effects across economies remains prevalent, such as corporate defaults and fragilities in the eurozone and some emerging economies. Markets are currently applying a low probability to these risks.

How can we prepare portfolios for the extent of unknowns?

For long-term investors there remains asymmetry to the upside in risk assets. For those with a shorter-term horizon (12 months or less) however, it may be opportune to take some risk off the table after the rally since March. Near-term vulnerabilities could provide attractive re-entry points later in the year.

Our approach is to build risk-on/risk-off portfolios that can perform well in different scenarios, through effective defensive and pro-risk allocations. We take a moderate pro-risk exposure by overweighting corporate bonds, while also favouring gold. On equities we are relatively neutral, but have implemented defensive or barbell strategies, combining cyclical and much more defensive markets. For instance, we currently overweight US equities as a defensive market. Emerging markets equities are underweight in aggregate, but we look to take positions within more defensive markets such as Asia, as well as more cyclical markets such as Brazil.

While from a valuation perspective emerging markets equities offer a compelling long-term investment case in our view, they are very heterogeneous and we evaluate based on various factors. Technical metrics such as trend and momentum, along with macro conditions, are less favourable to the broad emerging market equity universe.

Generally, we favour assets supported by central banks. We are overweight credit and investment grade bonds where spreads have become attractive and backstops by the Fed and European Central Bank (ECB) limit downside risk. We are more neutral on high yield where support is limited, for instance in America where only the fallen angels segment is supported.

In the eurozone, we believe that there is some valid concern for debt sustainability and are strategically cautious on Italy. However, the recent French-German proposal for the Covid Recovery

Fund is a positive surprise and will help spreads to stabilise and potentially compress in the short-and medium-term.

Our exposure to government bonds has been reduced. They are not very attractive from a valuation perspective and their hedging properties become increasingly limited as interest rates approach zero – leaving prices rangebound. We have a preference for bond markets with relatively high carry and real rates, such as Australia and New Zealand.

In this context, we believe alternatives can be more useful in shielding portfolios if there is a reversal in risky markets, particularly CTAs/trend following strategies. We also think it is important to diversify through other defensive assets, including gold and currencies such as the dollar, Swiss franc and yen, depending on the portfolio.

Although carry on the yen is negative as interest rates are close to zero worldwide, spreads have become less negative and less relevant. Likewise, gold could be seen as somewhat expensive now, but prices should be supported if real interest rates stay relatively low for an extended period, as we believe they will.

Looking at emerging bond markets, we are relatively cautious. We see some vulnerability in the high yield segment of hard currency emerging market debt. And while emerging market currencies have become attractive from a valuation perspective, carry support has weakened further to aggressive central banks' rates cuts across the emerging world.

Where do you see long-term opportunities?

Valuation wise, portfolios can benefit from the fact that some asset classes are deeply discounted relative to history, despite the gains since March. Examples in developed markets would include Canadian and Australian equities. In emerging markets, Polish and Brazilian equities stand out.

Likewise, the Norwegian krona and Mexican peso sit at historically low valuations right now. And US breakeven inflation rates are also attractive as long-term holdings in our view, although they will likely be under pressure from the collapse in oil prices in the near-term.

There are very inexpensive markets from a sector perspective too, but we do not see these as opportunities to pursue for now. Most have fundamental issues clouding their long-term outlook, due to the fallout from the covid-19 pandemic and resulting changes in consumer behaviour.

Global equities outlook

Q&A with Bill Maldonado

Global CIO Equities, CIO Asia Pacific

What's the year-to-date story in global equity markets?

We started 2020 in reasonably good shape. The global economy had seen a mild pick-up in growth from the second quarter of 2019. Tensions around trade disputes were easing and America and China were inching closer to reaching an agreement. Earnings were trending positively with interest rates remaining relatively low. All this set the stage for a good start to the year.

However, as the covid-19 story began to unfold in late January, a number of sharp sell-offs resulted in a one third drop in dollar terms across developed and emerging equity markets by mid-March. The sudden crash in crude oil prices in the same period compounded the crisis.

Since then, equity markets have rebounded 20 to 30 per cent as governments and central banks pulled on various fiscal and monetary levers. The recovery has been uneven, however. US technology stocks raced ahead and onshore Chinese equities have clawed back most of their losses. Meanwhile, certain emerging markets (India, Indonesia, the Philippines, Brazil and Colombia) are still reeling from the currency impact, local dynamics and worries that the pandemic is not behind them.

Do equities reflect fundamentals at this point?

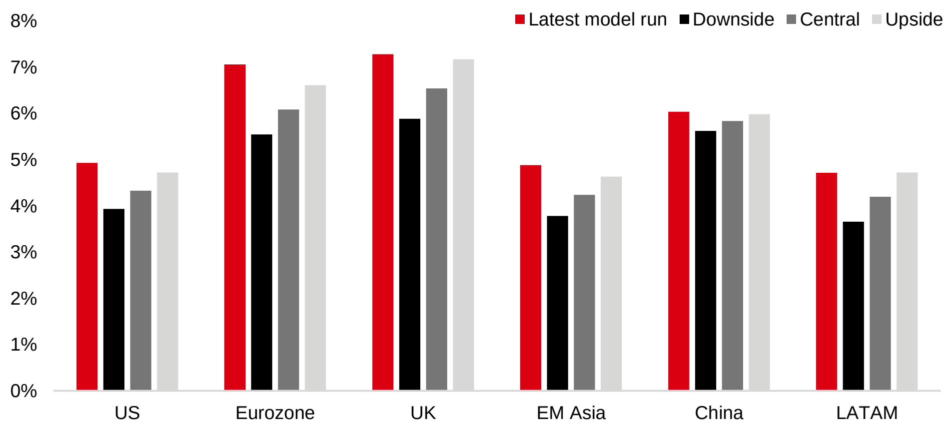
The supposed paradox of investors piling into equities amidst a gloomier-than-ever outlook for global economic growth has been playing out over the past several weeks. As always, this inspires much commentary. As mentioned earlier, the simple explanation is that markets are forward looking. Investors also probably underestimated the amount of liquidity that has been pumped into the global financial system.

The 'go big and go early' lessons of the global financial crisis were put in practice by almost every major central bank in the world, helping to underpin confidence. Combined with historically low interest rates this has helped equity markets as investors bet on continued policy support and an eventual cure/vaccine for the pandemic.

After the rally, do current equity valuations still reflect our fundamental outlook? At the lowest point this year, analysts were factoring in a significant reduction in earnings for 2020 – in some cases estimates were halved – and an anemic recovery back to pre-covid-19 levels in four years' time. We believe both scenarios are too bearish.

Based on the correlation between economic growth and earnings, and using our own GDP forecasts, we project an earnings contraction of around a third across developed and Latin American markets this year. Meanwhile, emerging Asia equity earnings are expected to contract by a fifth, with China especially resilient with a contraction of just six per cent.

Figure 6: Modelled equity risk premium for each scenario versus 31 March model run



Source: HSBC Global Asset Management, as at 31 March 2020.
Any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Global Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Despite a significant hit to earnings and dividends, our equity model suggests that the return investors can expect from equities over and above risk free assets – the so-called equity risk premium – remains attractive. Even in our downside scenario, the ERPs for the eurozone, UK and China are relatively high. That is because risk premia are reduced from elevated starting points in the case of Europe and the UK (see above) whereas for China it is a result of the relatively benign GDP growth assumptions. Though there are several unknowns that could potentially impact our projections, we believe that in the long run – despite any near term hit to earnings and dividends – equities currently look well priced.

How do you expect equity markes will fare under different economic re-start scenarios?

Market sentiment is currently being driven by three main forces in our view: the progression of the pandemic in various parts of the world, the economic impact that has started to come through (and the affect on earnings) and finally policy support measures.

The future course of the virus is unknown with no vaccine in sight and reoccurring infections in some parts of the world. Containment measures have adversely impacted economic growth, corporate earnings and household incomes. Massive stimulus measures were put in place around the world, with governments and central banks adopting a 'whatever it takes' stance.

In terms of restart scenarios, China provides some helpful indicators, being first in and out of lockdown. There was a relatively quick recovery in the supply side of the economy in March and April, with factories opening and people returning to work. However, demand remains below pre-covid levels amidst higher unemployment. Even so, the equity market has staged a convincing recovery.

Whether the lessons from China apply globally remains to be seen. There could be different but equally uneven recoveries, perhaps where demand is more resilient but the supply side takes longer to get back on track. Some emerging markets have their own non-virus related problems. Obviously, a major development such as the availability of a vaccine could trigger a rally in equity markets.

We believe regional and country differentiation has come to the fore during this crisis, highlighting the importance of selectivity. Though some of the more developed economies have borne the brunt of infections and fatalities, emerging markets suffered a double-whammy. Weak health systems have struggled while global economic and financial shocks hurt activity, currencies and funding.

Where do you see opportunities, risks and potential changes across regions and sectors?

Our preferred region for equities remains Asia, but with a bigger focus on the more developed markets such as China, South Korea, Taiwan and Hong Kong. In addition to being attractively valued, they have lower exposure to commodities and oil, and have proven themselves to be better equipped to cope with the covid-19 crisis. This matters because a prominent risk remains the absence of an effective cure or vaccine.

Much has been written about the changes we are seeing in human behaviour, supply-demand dynamics, consumption patterns and environmental factors due to the pandemic. While we are doubtful about the lasting impact of many of these, other themes which were already forming have been fast-tracked by the pandemic and may influence equity opportunities for years to come.

For example, a number of e-commerce enabled companies have proven to have robust business models and can potentially reap the benefits of changing consumption behaviour in future. While the valuations of these stocks are looking quite rich at the moment, the 'winner-takes-all' dynamic of this industry could provide some justification for the market leaders at least.

Likewise, it is reasonable to expect public and private entities to take steps to strengthen healthcare infrastructure, increase capacity and build adequate buffers – which is a positive for companies in related sectors. In China, for example, we expect rising demand for vaccinations in light of better awareness of disease prevention and a relatively low vaccination rate against influenza (less than five per cent versus 30 to 50 per cent in the developed world).

Finally, during the course of this crisis, we have seen the rift between defensive and value stocks widen dramatically, with the former looking more expensive than ever and the latter trading at historic lows. While we cannot predict when this gap is likely to close, it is worth noting that being underweight value and overweight the most expensive part of the market is risky at the moment.

Global fixed income outlook

Q&A with Xavier Baraton

Global CIO Fixed Income, Private Debt and Alternatives

What themes have emerged as a result of the economic crisis?

We see the covid-19 pandemic, like most shocks and major events, as an accelerator of pre-existing patterns, more than a disruptor. It is reinforcing key trends that were already developing in fixed income.

- Low inflation connected to workforce vulnerability, which has been exacerbated by the spike in unemployment.
- Secular deleveraging striking back. With most debt to GDP ratios rising by 15 to 20 percentage points, there is risk of snowballing effects as governments struggle to generate enough surplus to curb the ratio – similar to what has been the case in Japan for some time.
- Explicit central bank support, or the absence of it, causing dispersion between countries. This is particularly the case within emerging markets, where some central banks have the ammunition and willingness to go outside the classic toolbox while other have not.
- Acceleration of responsible investing, in particular social apects due to the pandemic's disproportionate impact on lower income groups. This may also reinforce deglobalisation and result in the repatriation of manufacturing capacity and carbon footprints in the process.

However, the pandemic is also a credit shock, causing some trends to reverse. In response to a wave of defaults and downgrades, credit will tighten and balance sheets need urgent repair. Although we expect environmental considerations to remain prominent, evaluations of business imperatives in some regions will likely shift, as trade-offs between jobs and climate impacts are evaluated.

Nonetheless, we do believe that long-term changes in society resulting from the pandemic, such as increased use of technology and remote working, will bring forward the end of an era for fossil fuel. We do not expect demand for oil to rebound to where it had been in the past, accelerating the transition to renewable energy and challenging oil investments.

Another key driver will be the renewed 'low for long' theme in developed market interest rates, with a trading range resulting in modest returns. We expect there will be more curve control by central banks in developed markets, in order to lower public debt to GDP ratios that are well above 100 per cent. Years of effort to control government finances have been ruined in months.

In this environment, we anticipate very directional curves, with a flattening bias. The short end of the curve is anchored, leaving expectations centred around low, single digit, to negative returns generally.

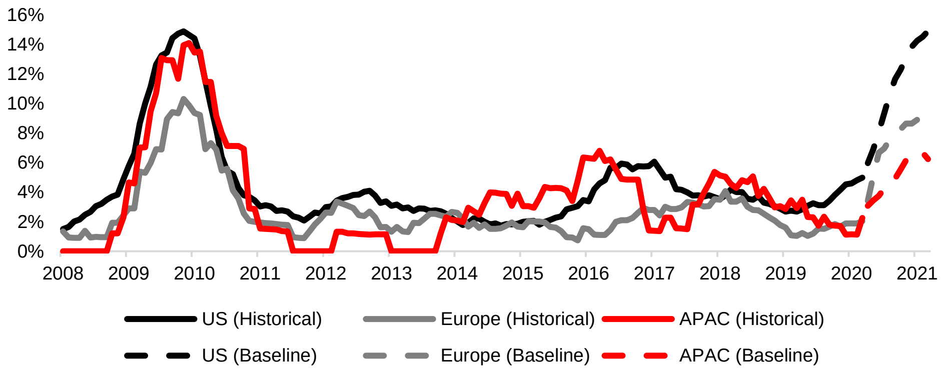
Where do you see opportunities and vulnerabilities?

There may be tactical opportunities in the euro periphery. We expect the ECB to continue to support European countries, and believe concerns over a eurozone break-up are exaggerated. Nevertheless, we anticipate sustained volatility as a result of fragile public finances and downgrade risk in Italy, for instance. Spain, Portugal, Northern Ireland and Greece are on a more predictable path generally, and in better fiscal shape than they were in the past.

Moving on to credit, we expect some bifurcation within developed markets, with a split between companies that are in scope of central bank programs, and those that are not. Those in scope are becoming de facto instruments of monetary policy given the explicit support. This creates strong incentive for companies to maintain their investment grade ratings in order to benefit from lower spreads and cheaper funding.

Companies not in scope will be challenged. With investors asking for better quality right now, the high yield market will bifurcate the most until memories of this crisis fade. Funding challenges will magnify concerns over credits in low B and below territory, adding to industry-specific issues (for example in retail, leisure, transportation and energy).

Figure 7: Trailing 12-month high-yield default rate (historical and baseline forecast)



Source: Moody's and HSBC Global Asset Management, as at 31 March 2020.
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Regionally, we see relative value in Asia, where yields have increased. This preference is also driven by the region's effectiveness in coping with the pandemic, along with a rapid monetary and fiscal response. Asian markets have more latitude to digest rises in public deficits and their societies are better equipped for the current environment due to social discipline and broad use of technology.

Credit selection remains crucial however, given divergent paths of companies and industries. There is also a country dimension to consider, with higher risks in frontier markets that are more exposed to the current turmoil in commodities and global trade. Default rates will likely increase on corporates, and potentially on sovereigns.

Latin America is particularly troubled by the pandemic and this is already reflected in spreads. As of mid May, the health crisis has not reached its peak in many parts of the region and the macroeconomic impact is uncertain, leading us to maintain a neutral position.

Within the high yield space, our preference is the US over Europe based on the relative paths to economic recovery. Europe has had a wider spread of covid-19 infections and constrained public finances are being exacerbated by measured progress on collegiate policy response.

For leveraged loans, the pandemic came at a moment of exuberance coupled with end of cycle characteristics. Asset backed securities (ABS) has been one of the most negatively impacted asset classes and has only recovered roughly a quarter of losses. Higher risk and illiquity premiums have now increased the relative attractiveness of the asset class, even if it will be affected by further downgrades.

As of mid-May, more than half of BBB credit loan obligations (CLOs) are on credit watch negative. This reflects the massive shock to leveraged loans and commercial mortgage-backed securities (CMBS), with underlying commercial real estate debt defaults from hotels, retailers, and so on. This will not necessarily lead to default for many investment grade, or quality high yield structures. As such, this is an interesting segment to consider, but it will be slow to rebound.

What are key considerations that will affect your views going forward?

When evaluating the outlook, an important long-term consideration is the debt overhang, as companies and governments pile on more debt. This does not bode well for a prolonged recovery. In a best-case scenario with a fast rebound, we will see further spread compression more quickly, with positive earnings surprises and lower default rates. A more rapid pick up in global trade would benefit emerging markets, but would not materially affect our investment preferences.

In a bleaker scenario with a very slow recovery, companies do not invest and governments have to raise taxes to reduce deficits. This would result in secular stagnation, magnifying existing challenges such as demographics, and ultimately leave central banks working hand in hand with governments to extend debt that is never repaid (à la Japan). The nationalisation of debt, with yields getting lower and lower, is not a wholly negative scenario for credit.

Global alternatives outlook

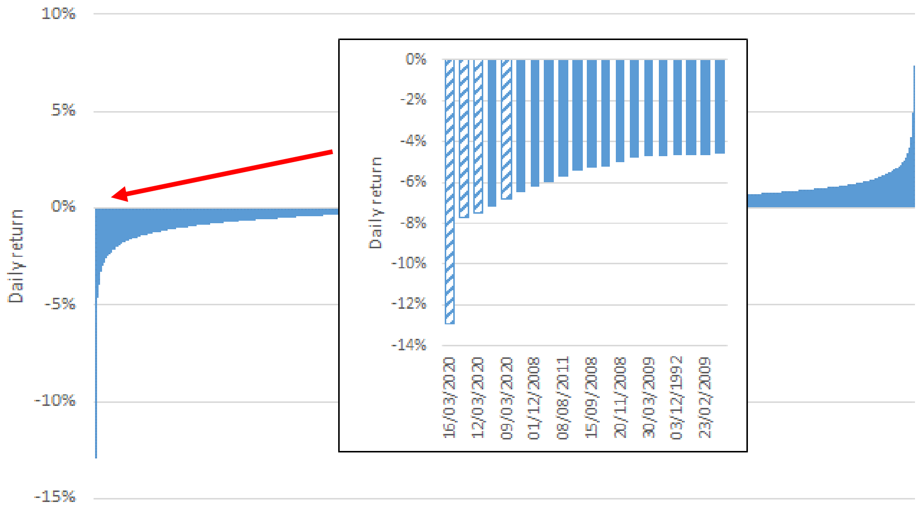
Q&A with Xavier Baraton

Global CIO Fixed Income, Private Debt and Alternatives

What's the story in property markets?

Volatility in March was particularly pronounced for listed property markets, including four of the five biggest one-day declines going back to 1990 in the month. The worst affected segments have been hospitality, leisure, and parts of retail. Logistics markets have held up better. However, to a large extent the sell-off was indiscriminate, with only a partial recovery since.

Figure 8: Largest one-day declines - FTSE EPRA Nareit Developed Index



Source: FTSE EPRA Nareit Developed Total Return Index, as of 27 March 2020.
Past performance is not a guarantee of future performance.

How has this impacted long-term trends?

For unlisted property funds the impact has been more muted, primarily due to the fact that values are estimated rather than based on live prices. Income has clearly been impacted though, with landlords having to come to agreements on rent concessions with those tenants experiencing difficulties. Again, impacts vary from sector to sector.

An important point to note is that direct property markets largely stopped operating due to covid-19 restrictions across countries. By this we mean that tenants and agents were not able to look at new property, while investors could not undertake inspections for purchases or sales. Given the additional uncertainty associated with valuations in these circumstances, some unlisted property funds have temporarily suspended dealing.

Within listed property equities, we feel that the correction was an overreaction. With the decline in prices, dividend yields have risen dramatically, exceeding six per cent at one point in March, compared with the average of just under four per cent over the past 30 years. Our view is that over the next 12 months there will be a dramatic decline in dividends globally, before a gradual recovery thereafter. Even taking this into account, along with a conservative long-term growth trajectory, we believe prospective returns are attractive.

For direct property, we expect further price declines as valuations adjust and prospective long run returns subsequently improve. The extension of near-zero interest rates will aid property markets given their ability to generate yield, along with the increased risk premium available for long-term investors.

As with other asset classes, the pandemic is accelerating trends we were already seeing – for example in the reduction in face-to-face retail. Successful retailers will be those that build on connections between their online and physical stores to offer an appealing and functional shopping experience. This increases the value of logistics properties, particularly with companies looking to shore up supply chains and make them more resilient.

While the immediate impact on office demand may be negative given what will now be much broader acceptance and use of remote working, we do expect high quality, well-located offices to retain value. A key driver of demand for office space over recent years has been co-working, due to its ability to support innovation and cross-collaboration. We expect this to continue as lockdown measures are relaxed over time, and believe the crisis will speed up the separation of quality spaces from others.

How have hedge funds performed through the market volatility?

Hedge funds have shown resilience through the first quarter downturn, with an average decline of around seven per cent across the industry. This compares favourably to other asset classes, considering that a 60/40 portfolio of equities and bonds would have been down 13 per cent.

Within hedge funds, relative value strategies struggled, with falls across fixed income relative value, merger arbitrage, statistical arbitrage and structured credit. Negative returns were driven by massive dislocations, as elevated volatility and a collapse in liquidity, combined with leverage, provided the ingredients for steep declines.

Long/short equity strategies also suffered in the first quarter. But dropping only 11 to 12 per cent is half the downside experienced in long-only equities on average. Notably, there were various hedge fund segments which were able to preserve capital through the crisis. For instance, market neutral and multi-strategy managers were down only three to four per cent. Even more impressively, systematic and discretionary macro managers posted a positive performance. They took advantage of volatility to drive positive returns across styles (directional trading or relative value), asset classes and regions.

We expect volatility to remain elevated. In particular, this should create further opportunities for macro managers. Dislocations in structured credit could also be an interesting source of profits. Looking at distressed credit, some sectors and companies will struggle, causing defaults to rise and creating turbulence in the near-term. Managers with a long-term approach will benefit through the next cycle.

Regardless of which economic rebound scenario comes to fruition, we believe hedge funds can continue to deliver the consistent returns they have demonstrated recently – capturing the market upside of 2019 while limiting the declines this year. This is due to the diversity in sources of returns across the various strategies.

Market liquidity is a key risk we are monitoring, which could negatively impact returns across relative value strategies and less liquid asset classes.

What's happened in private markets?

Private markets have seen a hit to valuations in the same manner as public markets, but probably to a lesser extent, particularly in equities. Firms structuring deals in the past few years learned useful lessons from the financial crisis, limiting their exposure to cyclical companies and employing less debt. Furthermore, managers have been proactive, boosting liquidity since February to strengthen their positions or to use opportunistically.

As is always the case in this type of situation, deal activity has dried up. And we expect companies will be held onto longer as sponsors await improved valuations. This will decrease distributions to investors. While there will certainly be some companies in private markets that require restructuring of debts and renegotiation of terms, we estimate this is only five to 15 per cent of the market.

We see a positive environment for new money being deployed. Recent vintages still have the majority of their capital to call and have substantial cash to invest. Diversification is key for investors, and we expect strength in the current vintage will offset weakness in existing assets.

With this in mind, we see three distinct waves of opportunities this year:

- Wave one: Mispriced securities trading at depressed levels. Managers are already capitalising via distressed debt deals and large private investments in public companies.
- Wave two: Private lending that previously would have been bank financed. Even quality companies are showing a willingness to pay high prices for liquidity in order to de-risk their liquidity needs for the next one to two years.
- Wave three: Mergers and acquisitions as companies look to consolidate and strengthen positions. We expect this to develop later in the year given a lag before valuation expectations reset and diligence processes complete.

Although we consider this an attractive environment to pursue deal making, the downturn may be more prolonged than some are expecting. As highlighted earlier, while China's recovery is cause for hope, consumer spending still remains weak. Businesses can re-open, but are workers willing to spend their money given lingering worries?

There is a risk of changing consumer behaviour and secondary and tertiary impacts on businesses. These will be unpredictable and may affect companies that today we consider relatively insulated from the pandemic fallout. We mitigate these risks through how investments are structured. Typically, the capital being provided only funds quality companies and offers a long runway (one to two years), far beyond the expected shutdown period.

How has infrastructure debt fared?

Much of our infrastructure debt assets have benefited from being within senior secured tranches, experiencing less mark-to-market volatility than other areas of the credit spectrum through the first quarter turbulence. With margins having roughly doubled from pre-March levels, value has improved materially and we are now seeing interesting opportunities in infrastructure debt projects offering fundamentally sound cash flows.

In the high yield segment where more significant price correction has occurred, values may have strayed from fundamentals. Although this correction is reasonable given the prevailing risks, we think it may be slightly overdone, particularly for infrastructure assets with steady cash flows. We believe there are currently opportunities that are overly tainted by high yield credit ratings.

Within investment grade, some assets are suffering from credit stress, particularly those exposed to more vulnerable sectors such as travel. However, the investment grade segment has broadly remained resilient and fairly priced in our view.

Would projects be challenged by a weaker recovery?

Recovery scenarios should not be a key driver for most infrastructure debt projects given they are typically decoupled from economic cycles. For instance, in our renewable energy investments, operational procedures have been put in place to protect staff and we do not see any fundamental change to the cash flow potential of the assets. These projects are still being utilised to full potential to support essential services such as providing power.

Transport is one particular sector where we will see impacts to cashflows based on the speed of reopening economies. Under different models it may take up to a year or more for transport, especially in the aviation segment, to return to prior levels.

As highlighted in the earlier fixed income discussion, we expect an acceleration in the transition to green energy. Large offshore wind and solar pricing is already competitive with non-renewables, justifying investment without subsidies. The crisis has also shown our ability to operate with lower carbon generation (albeit at reduced capacity). Moving into next year and beyond, we think a market will begin to develop for sustainable infrastructure debt as a distinct asset class.

Where do you see opportunities?

Infrastructure debt remains attractive, in our view, offering relative value through excess yield over corporate investment grade credit, with assets that are more defensive during times of economic uncertainty. Alongside growth in renewable energy and associated battery storage, we expect there will be opportunities in projects related to fibre optics and data centres, with wider need for high-speed connectivity across societies that are now less dependent on working in large offices.

Global liquidity outlook

Jonathan Curry

Global CIO Liquidity, CIO Americas

What has the story been in liquidity markets?

There was a significant reduction in liquidity at the beginning of March, which worsened to a point where liquidity was extremely challenging in the secondary market. In the US dollar market, this was exacerbated by some investors switching from prime money market funds (which invest in credit) to US government and Treasury funds.

The environment led to a sharp widening of the spread between three-month Libor and the overnight swap rate. In the US dollar market, the spread widened from ten basis points in late February to 138 basis points by late March, primarily due to liquidity rather than credit concerns and compares with a widening to 200 basis points in 2008. While spreads have since compressed, stresses remain, with the dollar spread at roughly 30 basis points now.

The differing actions taken by major central banks have had an impact on how money markets have behaved. The Fed has implemented programs designed to support dollar and dollar prime money market funds with the Money Market Liquidity Facility. In contrast, the ECB's Pandemic Emergency Purchase Programme and the Bank of England's Covid Corporate Financing Facility have not led to a significant improvement in euro and sterling liquidity.

The reason for this is because the Europe and UK programs do not provide any direct support to money markets since bank debt is not eligible. Bank debt makes up a significant majority of the issuance in money markets globally. Indeed, it is fortunate for all that the liquidity conditions in the sterling and to a lesser extent euro money markets have not been heavily tested to date.

How have you responded to the turbulence?

Our response has been to build short-term liquidity in our money market funds by increasing the amount of assets maturing overnight and within one week. This strategy supports any potential increase in redemption activity while reducing the weighted average life of our funds. With the credit spreads of tier one short-term rated credits having narrowed meaningfully since the widest levels in late March, and with downward credit rating migration a clear risk, we believe it is prudent to lower the sensitivity of our funds to potential credit spread widening.

Beyond liquidity concerns, credit risk is of high importance for money market investors whose interest is also the preservation of capital. Therefore, another focus of ours is on minimising the risk of credit rating migration below the minimum rating level required, which could force us to become sellers in an illiquid market. We manage this with effective credit analysis and through the setting of prudent maturity limits for each approved issuer.

Credit rating migration risk is heightened due to the impact of the pandemic on bank and sovereign credit quality. We believe credit spreads in these sectors have not fully priced this in, nor the probability of a slower than expected recovery impacting credit quality. We have also adopted a more cautious approach to corporate issuers, which are becoming more challenging to assess. A lack of reliable data or guidance from many corporates, combined with an unclear approach by governments on support for certain industries, justifies this more cautious view.

With central banks and governments pulling out all the stops to prevent a slump, we now face the spectre of ultra-low (and in more cases, negative) interest rates for the foreseeable future. However, in the case of the developed market currencies (excluding the euro), we do not expect official policy rates to move into the red. This is based on statements by each central bank. However, it should be noted that an apparently softer stance by the governor of the Bank of England, and its chief economist, has seen both explicitly fail to rule out negative rates for the UK.

Prudently, we must prepare for negative rates, whether official rates or market rates. For example, during March there was a period when the US treasury bill curve out to nine months was negative. If this situation had continued, treasury money market fund yields would likely have moved into negative territory regardless of official rates remaining positive. We cannot ignore market risk, nor even the slight chance that the Fed or Bank of England move official rates negative. A prudent approach dictates preparation and monitoring.

Likewise, the crisis has shown our client concentration policies to be effective tools in managing liquity risk. The five per cent target maximum rule for individual clients proved its worth. We have also noticed similar client behaviour to that experienced during the financial and eurozone sovereign crises – that particular types of clients are more prone to redeem. Therefore, the importance of our client-type concentration limits has been emphasised once again. In fact, a case can be made to widen this control to capture at least one more type of client.

In evaluating the fund repercussions of this pandemic alongside previous crises, it is increasingly clear to us that country risk, specifically banking sector country risk, stands out as another issue that deserves more attention in terms of fund protection measures. When a financial crisis occurs, its impact is typically not idiosyncratic but affects the banking sector in a country as a whole.

Contributors

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Joanna Munro is HSBC Global Asset Management's Global Chief Investment Officer, based in London. Her most recent role was as Global Head of Stewardship and Fiduciary Governance (since 2014) and Chair of the UK asset management business (since 2016). Joanna's previous roles included Regional CEO for Asia and CEO for HSBC Multimanager. She joined HSBC in 2005 as Global Chief Investment Officer for HSBC Investments, including Multimanager, Liquidity, Asset Allocation and Solutions. Joanna started working in the industry in 1986. She has a BA (Hons) in Mathematics and Engineering from Queens' College in Cambridge, an MSc in Economics from the London School of Economics and an MBA from Stanford University as well as an MA in Creative Writing from Goldsmiths London. She is also an ASIP (Associate of the Society of Investment Professionals), a member of the Investment Association Board and a founding member of the Diversity Project.

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