

## **10 themes to watch for in 2024: Opportunities in a Complex World**

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The global economy has defied a hard landing in 2023. As 2024 unfolds, a new but more complex economic landscape is taking shape. Major central banks are prepared to keep interest rates high, and growth paths and inflation patterns across the world will diverge. There is an added layer of complexity which includes the busy election calendar, the multipolar world, and the unknown path and effects of the two devastating wars.

Here are ten themes to watch out for in 2024:

**#1: No hard landing in 2024:** Global economic growth should be well below normal, but the US engine continues to run due to a strong US consumer base, investments supported by government stimulus and innovation in tech and healthcare. The latest signals from the US economy are consistent with a soft landing. There are some tailwinds to global growth in 2024, including strong real household income growth, less drag from monetary and fiscal tightening, and a recovery in manufacturing activity. Overall, we think that those calling for a global recession might again be proven wrong.

**#2: Inflation to normalise further:** More disinflation for 2024. Although the normalisation in goods and labor markets has played out, its full disinflationary effect will continue, and core inflation should fall nearer to central bank's target. Over in Asia, disinflation is on track, with inflation now expected to return to central bank target ranges in 2024 for most Asian countries, well ahead of most other regions.

**#3: Past the peak, prepare for rate cuts in 2H 2024:** There is good news on the interest rates front. Rising rates were the number one challenge for bond and stock markets in 2023, as central banks kept hiking for longer than expected. But as inflation is down markedly, the major western central banks have now paused. US rate cuts may occur in the second half of 2024, but its pace and magnitude may be less than market's expectations. Nevertheless, peak and possible rate cuts should help ease rate volatility and support asset valuations.

**#4: Election year to add uncertainty:** It will be a busy election calendar in 2024 with Mexico, India, Indonesia, Taiwan, the EU, and probably the UK going to the polls. It is difficult to predict election outcomes with certainty, but the outcomes will add two-way volatility to markets. All eyes will be on the US election in November. Primarily, concerns over government debt sustainability and the fiscal path forward may play a role in deciding who wins the US presidential election.

**#5 Dollar to remain strong:** We expect the USD to remain strong in 2024 due to softer global growth and comparatively higher US yields. Furthermore, relatively stronger US growth bodes well for the USD. We are selective on emerging markets (EM) currencies as tight global financial conditions are increasing downside economic risks for EM. De-

dollarisation – which may be a popular headline in 2024 but unlikely to happen anytime soon – poses little risk of changing the global currency order in the near future.

**#6: Don't write off China:** Chinese growth is held back by challenges in the property sector, but more deficit spending should put a floor under growth. We are seeing early green shoots in China as service consumption is picking up, lifting overall domestic economic activity. Near-term growth in China should benefit from further policy stimulus, but China's multi-year slowdown will likely continue.

**#7: Rise of ASEAN and India:** As China slows, secular growth opportunities are opening up in South Asia, thanks to tailwinds of global supply chain reorientation and favourable demographics. Global supply chain diversification is driving strong foreign direct investments (FDI) inflows into India and ASEAN to tap into their large and young working populations to improve cost advantages. In India, services exports surged by 10.8% to reach USD28.03billion in October 2023<sup>1</sup> due to the rise of Global Capability Centres set up by multinational companies. In ASEAN, Indonesia and Thailand are key beneficiaries of FDI inflow into the electric vehicle (EV) sector<sup>2</sup>, while Singapore, Vietnam and Malaysia stand to gain from strong foreign investment in the technology and consumer electronic industries<sup>3</sup>.

**#8: Broadening of US equity exposure to benefit from soft landing:** The US economy should continue to outperform the bearish consensus. High tech valuations are warranted by strong structural growth in areas such as generative artificial intelligence (AI), robotics and new energy transition. If there is a US soft landing, the resilient economy should support other sectors such as healthcare, financial, and consumer goods. In 2024, we should see a quality growth leaders emerge from technology to other sectors.

**#9: AI innovation to become mainstream:** AI and generative AI have been reshaping the world through the rapid evolution of large language models (LLMs), transforming both companies and consumers alike. The impact of AI, robots and automation will become mainstream in many industries, outside of technology, from manufacturing and automotive to retail and healthcare. AI will automate repetitive tasks, enhancing customer experiences and promoting innovation. For example, the healthcare industry has started to use robotics and AI in surgeries to perform intricate procedures with great precision and accuracy<sup>4</sup>.

**#10: Obesity drugs a game-changer for healthcare:** Demand for obesity drugs is going to accelerate in 2024. Obesity is known to be the root cause for many illnesses like heart

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<sup>1</sup> [India services exports: India services exports rise 10.8% to \\$28.03 bln in October - The Economic Times \(indiatimes.com\)](https://www.indiatimes.com)

<sup>2</sup> [South-east Asia's EV investment race | fDi Intelligence – Your source for foreign direct investment information - fDiIntelligence.com](https://fdiintelligence.com)

<sup>3</sup> [ASEAN Foreign Direct Investment Inflows Reach Record High | S&P Global \(spglobal.com\)](https://www.spglobal.com)

<sup>4</sup> [AI and robotics are transforming healthcare: Why AI and robotics will define New Health: Publications: Healthcare: Industries: PwC](https://www.pwc.com)

diseases and diabetes<sup>5</sup>. Recent clinical trials have raised the efficacy of the obesity drug. However, in the near term, supply shortages of the obesity drug could limit growth<sup>6</sup>. The good news is that the industry's pipeline has rapidly expanded to unlock new treatment options that includes oral medicines in place of weekly injections.

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<sup>5</sup> [The Relationship Between Obesity, Diabetes and the Heart \(mountelizabeth.com.sg\)](http://mountelizabeth.com.sg)

<sup>6</sup> [Obesity Drug Demand Outstrips Supply - WSJ](#)