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## **SURVEY SHOWS WEALTHY INDIVIDUALS ARE EAGER TO INVEST IN EMERGING MARKETS DESPITE CONCERNS OVER DOUBLE DIP IN THE ECONOMY**

HSBC Premier, the international wealth management service of the HSBC Group, one of the world's leading financial and banking services organisations, today announced the results of a survey it has conducted to gauge the impact of on-going financial crisis on individual investors and their investment decisions.

The survey was conducted in December 2009<sup>1</sup> among 832 individuals aged 30-69 years, living in Tokyo and Chiba, Kanagawa and Saitama Prefectures. For analysis purposes, the respondents were classified into two groups, namely "mass affluent" defined as individuals with financial assets of at least 10 million yen, and "non-mass affluent" defined as those individuals with financial assets below 10 million yen.

The survey found that 47 per cent of the mass affluent group expressed an interest in overseas investment, especially in emerging markets, despite concern about there being a double dip in the economy.

Some of the other key highlights of the survey results include:

- 1) Both the mass and non-mass affluent have strong concerns over the future of the economy, with 58 per cent of mass affluent individuals and 49 per cent of non-mass affluent individuals expecting a double dip in the economy during the second quarter of 2010.
- 2) Almost half (47 per cent) of mass affluent and approximately a third (30 per cent) of non-mass affluent individuals are interested in making overseas investments in emerging markets such as India, China and Brazil.
- 3) While 73 per cent of the non-mass affluent group are keen on minimising expenditure, mass affluent individuals are more positive toward actively managing their wealth and "learning more about asset management" and "proactively gathering information about investment markets."

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## Summary of Main Survey Findings

### **Growing interest in overseas investment opportunities, particularly emerging markets' equity investment trusts**

76 per cent of the mass affluent and 46 per cent of the non-mass affluent are planning to make future investments, in particular in time deposits and savings and domestic equity. Compared with the April 2009 survey, interest in emerging markets equity investment trusts among the mass affluent increased by 6 per cent to 21 per cent and now exceeds interest in investing in domestic equity investment trusts.

47 per cent of the mass affluent and 30 per cent of the non-mass affluent expressed an interest in overseas investments. In particular, male mass affluent individuals in their 30s showed a keen interest in the opportunities available in Brazil, China and India. The reason most frequently cited for this was, "Since the population is large and the size of the domestic market is large, or expected to be large." Strong interest was also shown towards Vietnam and other southeastern Asian countries which are at an early stage of economic development and are expected to grow strongly over the mid-to-long term.

Interest in foreign equity / emerging markets also increased among the non-mass affluent compared with the last survey.

When asked which currencies the respondents were interested in investing in, the U.S. dollar, euro and Australian dollar were equally popular among the mass affluent, which reflects the declining interest and confidence in the U.S. dollar. This was highlighted by 64 per cent of the mass affluent and 55 per cent of the non-mass affluent saying that they "Feel nervous about the reliability of the U.S. dollar as the world's leading currency",

The renminbi was the fourth most popular currency among both groups.

### **Mass affluent proactive toward investment while non-mass affluent sit tight**

Mass affluent individuals showed a more proactive attitude toward gathering information for investment decisions with 60 per cent saying they would like to learn more about asset management and 54 per cent saying that they plan to proactively gather information about financial markets. 47 per cent of respondents said that they would like to receive professional advice from an independent expert.

### **Survey shows wealthy individuals are eager to invest in emerging markets/3**

On the other hand, non-mass affluent individuals are more cautious amid the current economic environment, which was reflected in answers such as “I’m curtailing my expenditure as the economy remains weak” (73 per cent) and “I think it’s more important not to make a loss rather than making a profit, with regard to asset management” (54 per cent). However, they also recognise the opportunities presented by emerging markets with 43 per cent saying “I think emerging markets will lead the global economy going forward”.

When asked who they would consult with regarding wealth management, both mass affluent and non-mass affluent individuals (36 per cent of the mass affluent and 28 per cent of the non-mass affluent) answered, “financial planners”, followed by “family, friends & acquaintances” (24 per cent and 20 per cent of mass affluent and non-mass affluent respondents, respectively).

### **Over 50 per cent of respondents have seen their assets decline in value over the past 12 months**

50 per cent of mass affluent individuals said that their financial assets had decreased in value over the past year, compared with 57 per cent among the non-mass affluent group. The decline among the mass affluent was due primarily to fluctuations in market values of investment products including “decreased equities prices”, while that among the non-mass affluent was due to a more passive attitude toward investing, and them digging into savings and deposits for living expenses. Conversely, 27 per cent of mass affluent individuals experienced an increase in the value of financial assets over the same period for reasons such as “interest income on deposits and savings held” and “cut backs on spending allocated to savings and wealth management.”

### **Concern over economic double dip**

58 per cent mass affluent and 49 per cent non-mass affluent individuals expected a double dip in the economy, with approximately 50 per cent of respondents expecting the double dip to occur within six months. With regard to the timing of the economic recovery, over half of the respondents said that it will take either three to four years or that they do not know when it would happen, reflecting the uncertainty over the future economic recovery.

### **Yen/Dollar Rate and Nikkei Stock Average to trade within a tight range in 2010**

The common view among all respondents is that the yen/dollar exchange rate will trade within a tight range throughout 2010. They also expect the Japanese equity market to trade within a tight range throughout the year, highlighting uncertainty about the general direction of the markets.

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### **Interest in overseas banking accounts**

A total of 26 per cent of the mass affluent and 16 per cent of the non-mass affluent are interested in opening an overseas bank account. The level of interest is relatively high in the mass affluent group particularly among men in age groups “30 to 39” and “40 to 49” where more than 30 per cent of individuals expressed interest.

In terms of the countries and areas in which the respondents are interested in opening an account, “Hong Kong” ranks first among the mass affluent. Meanwhile, “U.S.” comes first among the non-mass affluent. Since in the previous survey, the U.S. was the most popular country for both groups, interest in Greater China has heightened considerably over the past 8 months. The main reason why individuals are interested in opening an account in Hong Kong, Singapore and China was “Because I would be able to invest in financial instruments that are not available in Japan.”

### **Notes**

#### **1 The survey was conducted on 16-17 December, 2009**

#### **Notes to editors:**

##### **1. HSBC Holdings plc**

HSBC Holdings plc, the parent company of the HSBC Group, is headquartered in London. The Group serves customers worldwide from around 8,500 offices in 86 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. With assets of US\$2,422 billion at 30 June 2009, HSBC is one of the world’s largest banking and financial services organisations. HSBC is marketed worldwide as ‘the world’s local bank’.

##### **2. The Hongkong and Shanghai Banking Corporation Limited in Japan**

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. It established its first branch in Japan in Yokohama in 1866, making it the oldest bank operating in Japan today. It has branch offices in Tokyo and Osaka, providing commercial banking, private banking and personal wealth management services.

##### **3. HSBC Premier**

Launched in 2000 and with international services starting in May 2007, HSBC Premier is the first truly global personal wealth management service offering individually tailored financial solutions for the growing number of mass affluent individuals. Globally, HSBC Premier serves over 2.6 million customers through 300 international Premier Centres in 42 countries and territories. In Japan, HSBC Premier launched in January 2008 targeting individuals with liquid financial assets exceeding JPY10 million. HSBC Premier operates seven branches in the Tokyo Metropolitan (Akasaka, Ginza, Hiroo, Ikebukuro, Marunouchi, Yokohama) and Kansai (Kobe) areas.

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