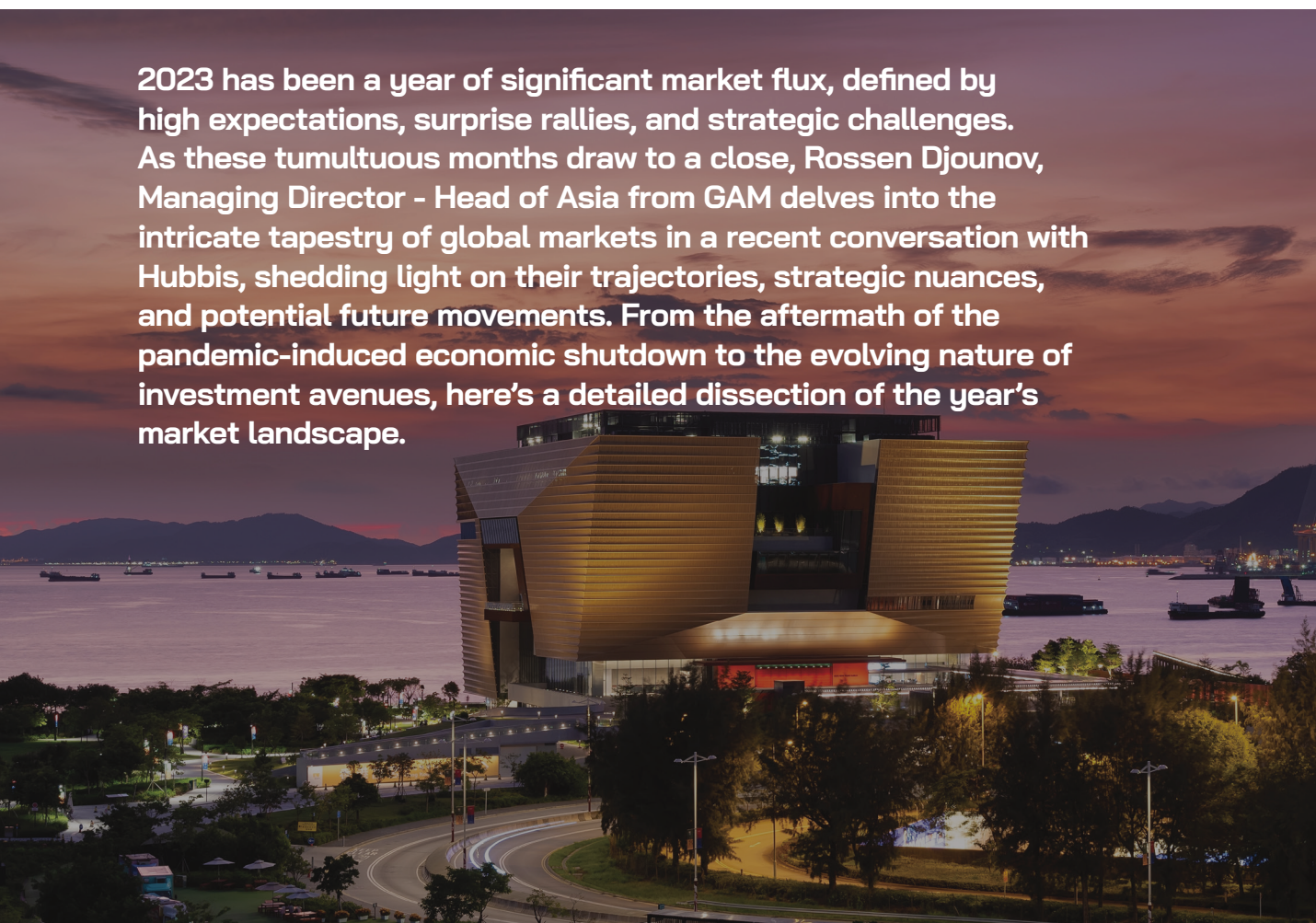


# Unravelling the Market Mystique: A Deep Dive with GAM's Head of Asia

2023 has been a year of significant market flux, defined by high expectations, surprise rallies, and strategic challenges. As these tumultuous months draw to a close, Rossen Djounov, Managing Director - Head of Asia from GAM delves into the intricate tapestry of global markets in a recent conversation with Hubbis, shedding light on their trajectories, strategic nuances, and potential future movements. From the aftermath of the pandemic-induced economic shutdown to the evolving nature of investment avenues, here's a detailed dissection of the year's market landscape.



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[View Rossen Djounov's LinkedIn Profile](#)

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Rossen is one of the 30+ speakers at our upcoming [HUBBIS INVESTMENT FORUM in Hong Kong 2023](#) - which we are hosting at the [Mandarin Oriental Hotel](#) - on Wednesday 27th September 2023.

[Find out more HERE.](#)



**ROSSEN DJOUNOV**  
GAM Investments

**Opening the conversation,**

Rossen broke down the topics at hand into the trends and observations that GAM have taken note of in 2023, providing some direction for the months ahead.

**US Market Dynamics and the Global Interest Rate Landscape**

In contrast, the US was seen by market participants as overpriced, notes Rossen, with significant pressure resulting from the hawkish rhetoric of the Federal Reserve. Despite this, the markets remarkably rallied, grounded on the expectation that a strong consumer base and a reasonably sound economy would prevent a hard landing and recession. This placed market analysts in a dilemma, sandwiched between the impressive performance of generally growth-oriented risk assets in the US, which most investors had underestimated, and the underperformance in China and Asia, where many investors had overcommitted based on their prior year's predictions.

churn huge amounts of profit and continuously outperform market expectations both on the top and the bottom line," he reports. Their unwavering success presented challenges in identifying a clear strategic direction in the current market landscape.

**China putting investors on the qui vive**

Complicating matters are continuous negative reports from China. "We've seen consecutive highly negative weak numbers on both exports and imports on domestic consumption and fixed investment from the private sector in particular, as well as very, very weak credit growth numbers. So in more recent weeks, the markets rolled over, partially frightened by the weakness in China," says

*« "We've seen consecutive highly negative weak numbers on both exports and imports on domestic consumption and fixed investment from the private sector in particular, as well as very, very weak credit growth numbers." »*

In the aftermath of the COVID-related lockdowns, there were high expectations for the Chinese market. Many experts predicted a phenomenon termed "revenge consumption" in China, reports Rossen, describing a surge in spending due to extended confinement. Although the year commenced with promise for China, the enthusiasm gradually dissipated, affecting global sentiment and more risky assets.

Interest rate increases worldwide became a defining feature. "Bond markets initially rallied as markets were expecting interest rate cuts by the feds in early 2024, but subsequently sold off and technology shares continued to lead the market. Markets were driven by a very narrow set of stocks, again, and observers coin the phrase the magnificent seven, the super large growth tech stocks, which continued to

Rossen. Nevertheless, all was not grim. Indications from the Federal Reserve hinted at a potential culmination in the interest rate cycle, even as inflationary pressures in the US seemed to diminish. Meanwhile, Japan has exceeded expectations in terms of corporate earnings and economic growth, reports Rossen. Still, the volatility across different regions and asset markets led to a cautious approach among private investors.

### The rise of alternatives

A noteworthy development has been the rising demand for alternative investments. “Anything that is lowly correlated or uncorrelated to traditional assets that has idiosyncratic drivers of performance has been well bid up,” comments Rossen. Insurance-linked securities, emerging markets, investment-grade fixed income, hedge funds, and private markets have reportedly become prominent choices.

### The path ahead

Looking to the future, there’s a reluctance to adopt a wholly pessimistic stance. Many forecast

that the Federal Reserve might soon conclude its interest rate tightening regime. Such a development could engender a broader leadership scope within equities and fixed income. In particular, emerging markets present themselves as lucrative, boasting compelling equity valuations. Japan has also consistently surpassed economic and corporate forecasts.

However, China remains an enigma. Even with its attractive market valuations, the specter of a value trap looms large. There’s optimism surrounding potential significant economic stimuli from the Chinese government. Yet, the

existing interventions, especially for the real estate sector, are seen as lacking.

Considering the cautious posture of a large portion of the investment community and the abundant cash reserves of private wealth investors, many anticipate a sustained market upswing once current hurdles are overcome. It’s expected that fresh capital will re-enter risk assets. The precise moments and catalysts for this shift are yet undetermined. Yet, a clearer stance from the Federal Reserve and the resilience of corporate profits, despite economic headwinds, might serve as crucial determinants. ■



### Want to find out more?

We are very much looking forward to hearing from Rossen at our upcoming [HUBBIS INVESTMENT FORUM - Hong Kong 2023](#) – which we are hosting at the **Mandarin Oriental Hotel** – on **Wednesday 27th September 2023**.

Rossen is chairing the panel discussion at **9.45am - Navigating more challenging investment markets** – which covers many of the topics covered in this article – and includes key private wealth gatekeepers - **Hanzhi Ding**, CEO & CIO, BIL Wealth Management, **Jaye Chiu**, Head of Investment Products & Advisory, Bank of East Asia, **Timothy Tsang**, Head of Investment Solutions and Deputy Head of Markets, Investments & Structuring, Hong Kong Branch, Indosuez Wealth Management, **Martin W. Hennecke**, Head of Asia Investment Advisory, St. James's Place and **Isaac Poole**, Global Chief Investment Officer Portfolio Manager, Oreana Financial Services.

The event is being attended by 300+ key decision makers, management, and front office personnel at a significant segment of the wealth management industry in Hong Kong. Including product gatekeepers and advisers at Private Banks, Retail Banks, Securities Firms, IFAs. Independent Asset Management Firms (IAM), External Asset Managers (EAM), Multi-Family Offices (MFO) and Single-Family Offices (SFO). Also in attendance are lawyers and tax advisers who provide advise to UHNW clients.

We are also excited to be hearing from Rossen's colleague, **GAM's Gregoire Mivelaz**, Fund Manager and member of Atlanticomnium's Management Committee, who will be delivering a workshop at the event at **2.40pm** – focused on this topic - **Discover the Hidden Potential: Unveiling the Benefits of Investing in Subordinated Debt of European Financials**. Gregoire will lead the workshop to share his views on the current market and outlook of AT1 CoCos and subordinated debt. With a focus on the subordinated debt of European financial companies, GAM's Credit Opportunities strategy has successfully navigated different cycles since 1985. Recently the team has decided to tactically increase exposure to AT1 CoCos based on their ongoing analysis. Why do the team still believe that this can deliver the best outcome for investors after the event of Credit Suisse's AT1 bond write-off in early this year?

Find out more about our **Hubbis Investment Forum in Hong Kong** [HERE](#).

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