

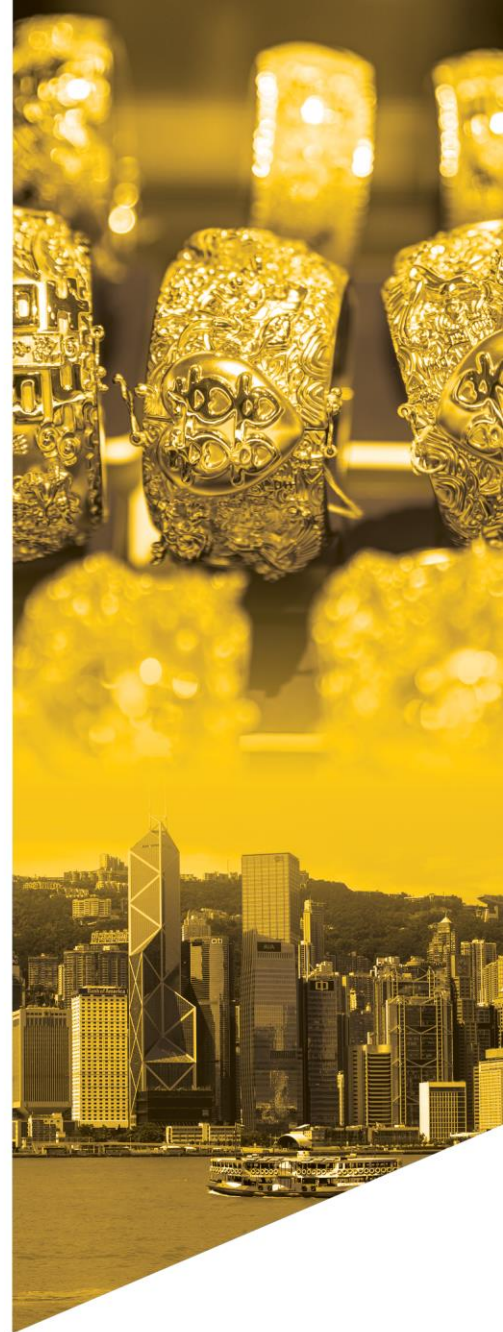
Hong Kong's Wealth Management Outlook

China's World Wealth Hub Hong Kong Could Surpass Switzerland

Hong Kong's private wealth assets under management could nearly double to \$2.3 trillion by 2030, our scenario shows, as China's growing affluence increases investment through the city's unique cross-border financial infrastructure, even with China's strict controls on capital flows. **HSBC** and **Standard Chartered** may win share from **UBS**, which has cut jobs in Asia after its Credit Suisse merger. Hong Kong's family office lead over Singapore is set to widen as it overtakes Switzerland as the world's top cross-border wealth center.

- **Rising Chinese Wealth:** Mainland China household wealth growth may slow just slightly to 9% annually for the next six years from 2018-23's 10%, despite the country's property crisis and economic slowdown.
- **Offshore Focus:** Chinese demand for higher-yielding offshore investments could rise 16% a year through 2030, with US and Hong Kong interest rates likely remaining higher than in mainland China beyond 2027 based on forward curves.
- **Hong Kong's Appeal:** Hong Kong's private wealth management industry should benefit from cross-border inflows as well as local households' rising affluence. Hong Kong's visa programs and tax breaks target wealthy migrants and family offices.

Featured in This Report: Bloomberg Intelligence's **proprietary market-sizing models** on mainland China's household wealth and Hong Kong's private wealth AUM, used throughout this report and available on the Bloomberg Terminal, produce growth forecasts that are backed by wealth data from government and financial institutions. Our methodology is detailed on page 39.



Oct. 24, 2024



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More detailed analysis and interactive graphics are available on the Bloomberg Terminal

Section 1. Executive Summary

\$80 Trillion

Mainland China personal investable assets by 2030

\$387 Billion

AUM in Hong Kong family offices by then, in our scenario

54%

of HSBC's wealth and personal banking international revenue was from Hong Kong in 1H

Hong Kong Banks' Potential for Trillions

Hong Kong's financial infrastructure gives it an edge in attracting wealth inflows from high-net worth individuals from mainland China and across the rest of Asia. Affluent mainland households could accelerate diversification overseas via Hong Kong's established cross-border market access programs as China's capital account remains closed, while some could migrate to the city. Wealth managers operating in the city could benefit from accelerating net new money sourced from both local households and offshore residents.

Key Research Topics

- **Richer China:** Personal investable assets in mainland China could soar 83% from 2023-30 to \$80 trillion, with overseas investments rising to 11% of households' investable assets by 2030, up from its 8% in 2023, supported by wealth reallocation from property investments and bank deposits.
- **A Base for Capital Flight:** Hong Kong's cross-border wealth may reach \$2.8 trillion in 2025, overtaking Switzerland as the world's largest cross-border wealth hub. China's Greater Bay Area could more than double the addressable client base of Hong Kong's private wealth firms.
- **UBS' Loss May Be Hong Kong Banks' Gain:** HSBC and Standard Chartered may be best positioned to win share of wealth inflows after UBS cut jobs in the region as it absorbed Credit Suisse. Fed rate cuts could stimulate investor risk appetite and drive a shift out of deposits, money market and bond investments.
- **Family-Office Friendly:** Hong Kong's family office assets under management (AUM) could double to \$387 billion by 2030 from 2023, led by Chinese and Asian ultra-rich. The city could widen its lead over Singapore in single family offices, as shown in Figure 21. Heightened geopolitical risk may spur existing family offices to diversify further abroad.

Performance and Valuation

The MSCI China Financials Index outperformed the MSCI World Financial Index by 10% from Jan. 1-Oct. 15, led by China's stock market rally after Beijing announced a supercharged stimulus package on Sept. 24. A-share listed insurers, banks and brokers outperformed the CSI 300 Index amid the country's economic and housing woes, possibly on capital market overhauls in April called the National Nine Articles, rotation into value high-dividend names amid falling time deposit rates and government bond yields. Hong Kong banks face earnings pressure from Fed interest rate cuts despite robust wealth inflows. Prudential and AIA's expanding new-business profit on strong cross-border sales could drive its price to embedded value. HKEX's valuation, which derated over the past three years, may hinge on a sustained rebound in stock market turnover and IPOs. Property developers such as China Vanke and New World Development trade at price-to-book multiples over one standard deviation below their five-year average.

Section 2. Catalysts to Watch

China Stimulus, Flows May Spur Growth

Hong Kong's banks, insurers, brokers and wealth managers could benefit from rising demand for financial products in the city and strong cross-border inflows from China, even before the country's sweeping September stimulus and any future policy changes. Key to watch: Net new money in Asia disclosed by global banks like HSBC, Standard Chartered and UBS (see Figure 23), and inflows into Hong Kong and Singapore banks including BOCHK and DBS. Hong Kong life insurers' rise in new annual premium equivalent could propel sales at AIA, Manulife and Sun Life. Chinese brokers' international subsidiaries like Citic Securities' CLSA and Guotai Junan International could see financial product sales continue to surge. Net new paying customers of online brokers like Futu Holdings could gain from an influx of wealthy migrants into Hong Kong.

Critical Milestones:

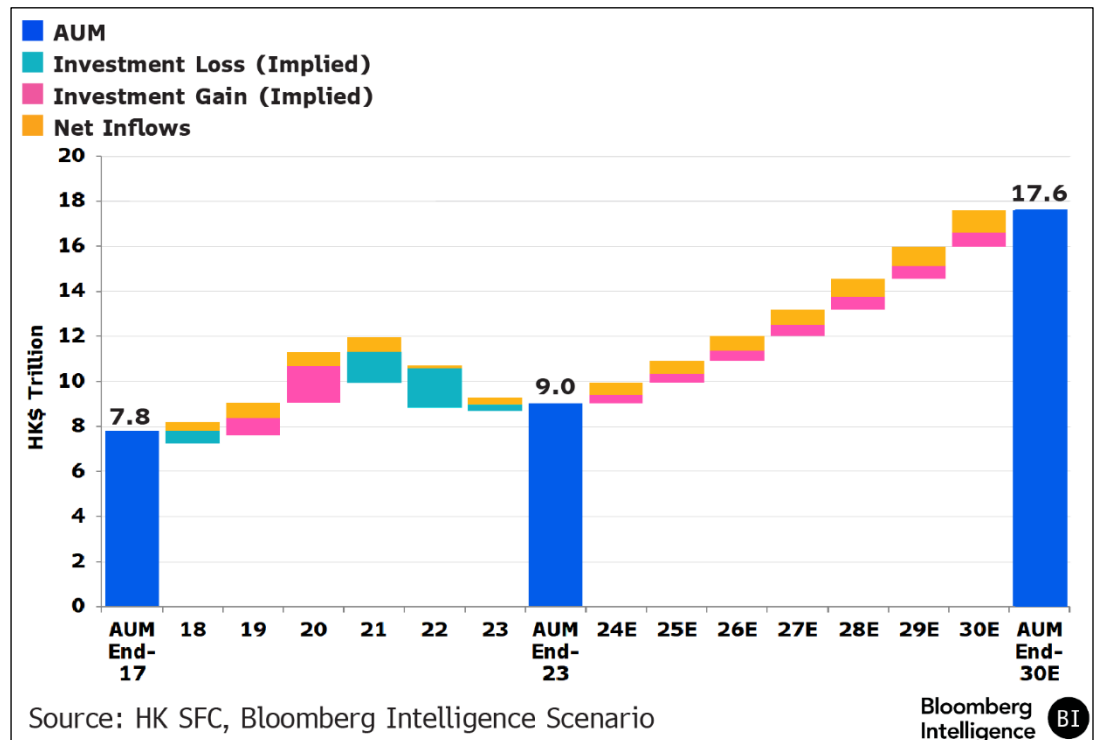
- **From November:** Monthly data on southbound activity through cross-border channels including the Wealth Management Connect, Mutual Recognition of Funds Scheme and Stock Connect could show strong demand for offshore investments
- **4Q24/2025:** Potential regulatory enhancements to cross-border market access programs
- **January 2025:** Geopolitical risks for Hong Kong's position as a financial center could increase with the inauguration of a new US government
- **February/March:** 4Q/2H earnings for financial peers. Hong Kong firms including AIA and HSBC report earnings semi-annually
- **3Q 2025:** The Securities and Futures Commission's annual survey of the city's asset and wealth management industry should be released
- **2025/26:** Hong Kong overtakes Switzerland as the world's largest cross-border wealth hub in our scenario

Section 3. Hong Kong's Local, Offshore Wealth

Private Wealth in Hong Kong Set to Double

Hong Kong's private-wealth AUM could nearly double over seven years to reach \$2.3 trillion by 2030 in our scenario, as wealthy Chinese seek offshore diversification through the city and new migrants drive local resident's wealth. Hong Kong's \$3.8 trillion of total household wealth in 2023 rises 7.5% annually through 2030 in our model.

Figure 1: Hong Kong Private Banking; Private Wealth Industry



3.1 Mainland Chinese Account for Growing Share of Assets

Hong Kong's private wealth under management could rise to HK\$17.6 trillion (\$2.3 trillion) by 2030 from 2023's HK\$9 trillion if average annual investment returns reach 4%, and to HK\$13.6 trillion even without investment gains. Every 10% of mainland Chinese individual investments overseas Hong Kong can capture could add 5-6% to the city's private wealth under management.

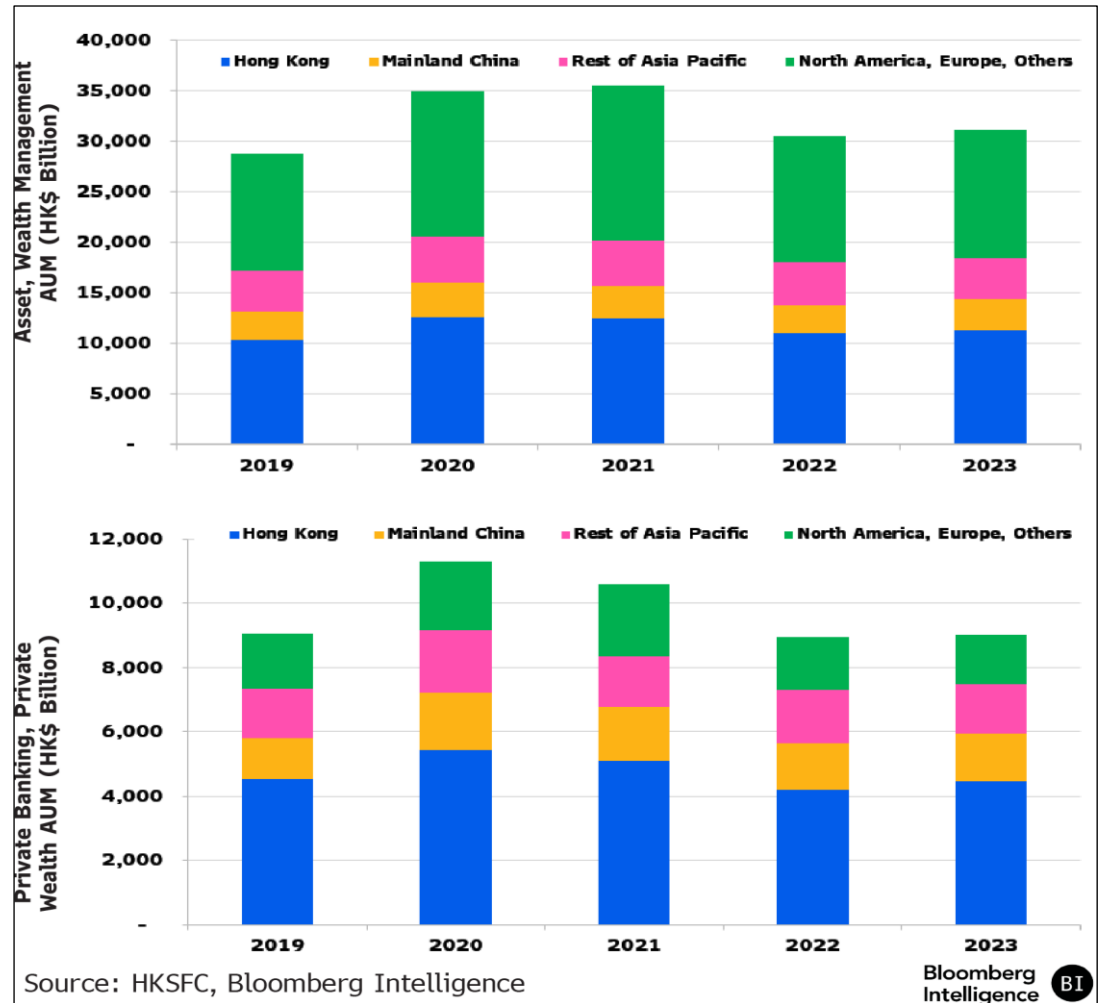
Hong Kong's private-wealth inflows should be fueled by easier cross-border market access, higher interest rates in the city than mainland China and the government's push to attract wealthy migrants and family offices. We assume inflows accelerate to an average of 6% of opening AUM in 2024-30, more than the 5.3% average in 2018-23. The city has had annual net inflows since 2018 according to the SFC, despite fears of capital flight amid anti-government protests, emigration during the pandemic and the stock-market slump.

Hong Kong has long been a preferred wealth destination for mainland Chinese due to its proximity, cultural similarities, low tax rate, business-friendly regulations, global access and product diversity. Wealthy Chinese are a key source of net new money for both onshore and offshore AUM for the city. Hong Kong and mainland Chinese investors could account for over three quarters of the city's private wealth and private banking AUM by 2030, we calculate, up from two-thirds in 2023, based on the Securities and Futures Commission's survey of 1,192 firms. If asset management is included, Hong Kong and mainland Chinese investors' contribution is lower at 46% of the city's AUM, due to the higher proportion of assets sourced from overseas institutional investors.

Local Hong Kong investors' AUM, which accounts for nearly half of the city's private-wealth sector, could be supported by new migrants. Most applications for Hong Kong's talent-immigration programs and capital investment entrant scheme originate in mainland China. Mainland Chinese investors accounted for 17% of Hong Kong's private wealth AUM at year-end 2023, up from 14% five years ago.

BI
Hong Kong remains preferred destination for mainland wealth

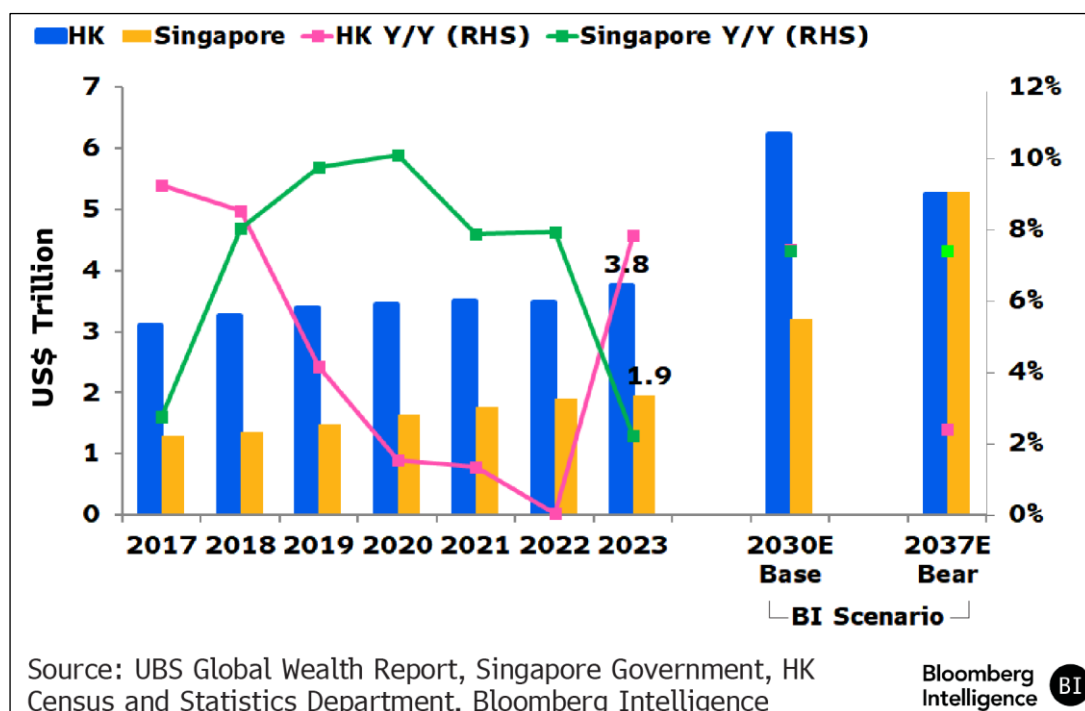
Figure 2: Hong Kong's Assets Under Management, by Investor Base



3.2 Household Wealth Pool Nearly Double Singapore's

Growth in Hong Kong's household wealth, which rebounded to 8% in 2023 could gain momentum led by a rebound in the influx of wealthy migrants through Hong Kong's talent and capital investment entrant schemes. The city's household wealth lagged Singapore between 2018-22 due to anti-government protests and pandemic travel restrictions. Our scenario is for Hong Kong's and Singapore's wealth to rise 7.5% annually on average in 2023-30. In BI's bear scenario for Hong Kong where household wealth grows at 2.4% in line with average annual growth in 2018-22, it might still take until 2037 for Singapore's wealth pool to catch up.

Figure 3: Total Household Wealth in Singapore vs. Hong Kong



Hong Kong's pool of wealth at \$3.8 trillion and median wealth per adult of \$206,859 are both nearly double that of Singapore, we calculate, from UBS's wealth data.

3.3 Hong Kong Woos-Skilled Talent

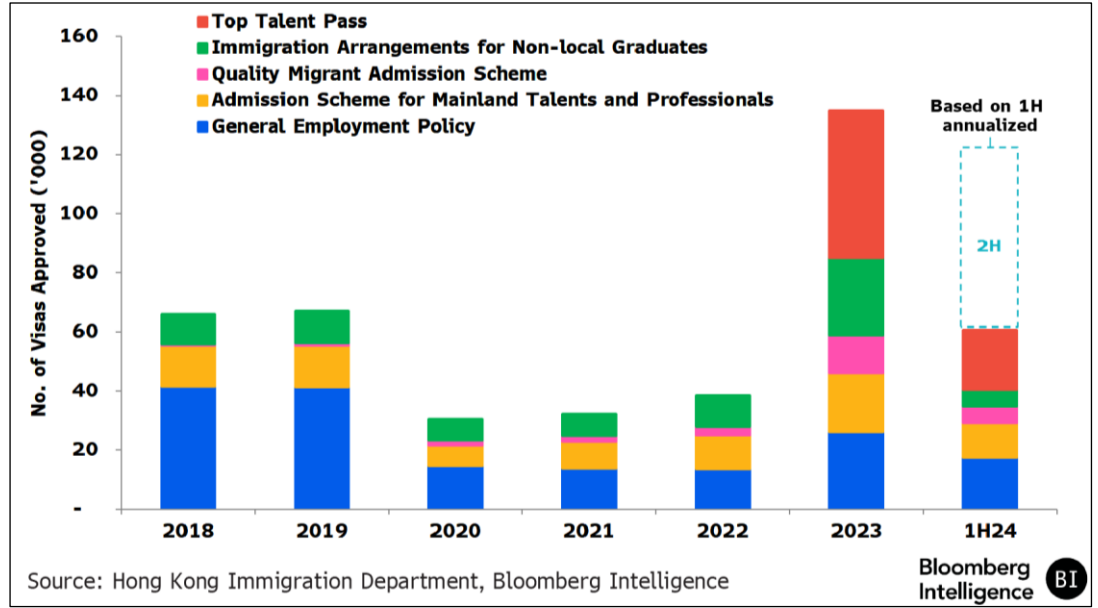
Hong Kong's various talent admission programs, aimed at bringing wealthy and high-income talent to the city, attracted over 320,000 applications in 2023 and 1H24. Hong Kong approved over 135,000 applications under its various employment immigration schemes in 2023, 3.5 times that of 2022, and another 60,878 applications in 1H24. Around 130,000 people under the visa approvals arrived in Hong Kong in the 18 months ended in June, far more than the government's annual target of 35,000 in 2023 through 2025. The Top Talent Pass Scheme, launched in December 2022, targets professionals with annual salaries of HK\$2.5 million or more, and graduates with a bachelor's degree from the world's top 100 universities. The new capital

investment entrance scheme for those who invest HK\$30 million or more saw 339 applications in the three months since launch on March 1.

Conversely, the growth in size of Singapore's foreign workforce may slow as the city-state tightens rules to support locals' employment prospects. New applicants for Singapore's Employment Pass (EP) from 2025 on need to earn at least S\$5,600 (\$4,280) per month, up from S\$5,000 previously. Singapore had 383,900 foreign professionals with an EP or S Pass visa, yet the annual net increase decelerated to 18,700 in 2023 from 2022's post-Covid surge of 41,700.

BI
135,000 visas approved last year, 3.5x 2022's

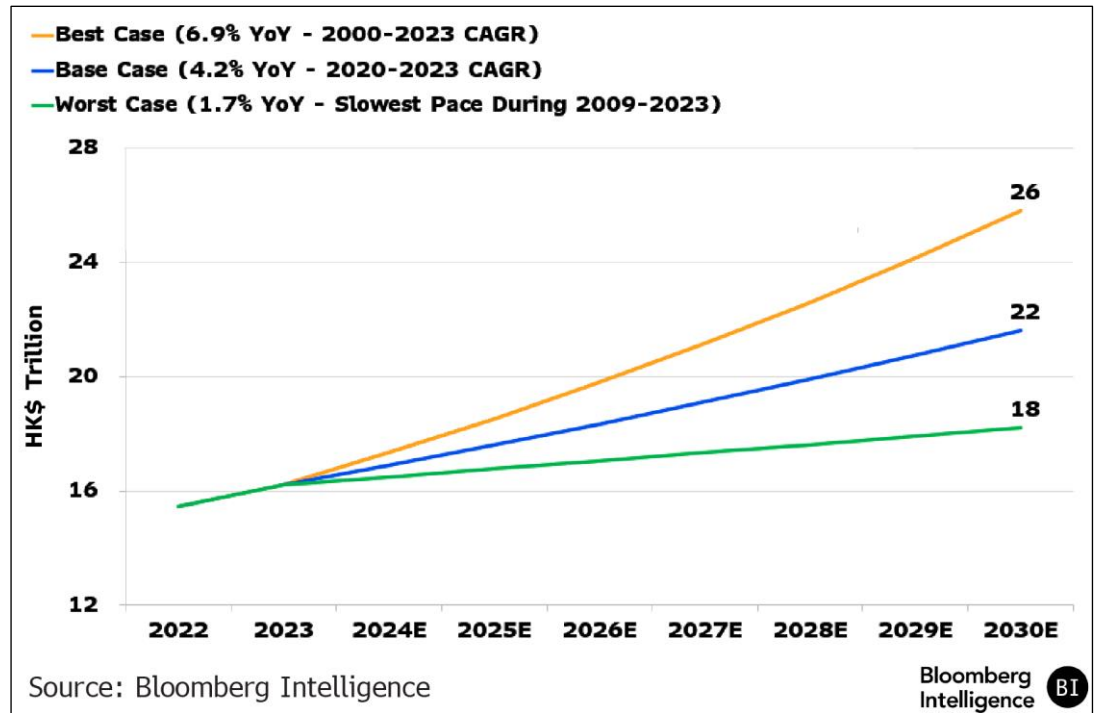
Figure 4: Visas Granted Under Hong Kong's Talent Admission Schemes



The influx of newcomers, particularly from mainland China, might help offset Hong Kong's natural population decline as deaths surpass births. The government expects the city's population to rise by 93,700 to 7.6 million by midyear 2026. Hong Kong's population extended its rebound to 7.5 million in late 2023 after rising to 7.47 million a year earlier, powered by a net inflow of 51,700 residents, which includes an inflow of 40,800 one-way permit holders from mainland China. The year 2023 finished with a natural decline of 21,200, with 33,200 births and 54,400 deaths.

BI
Hong Kong's deposit base could reach \$2.8 trillion by 2030

Figure 5: Hong Kong Deposit Estimates, Contributions From Mainland

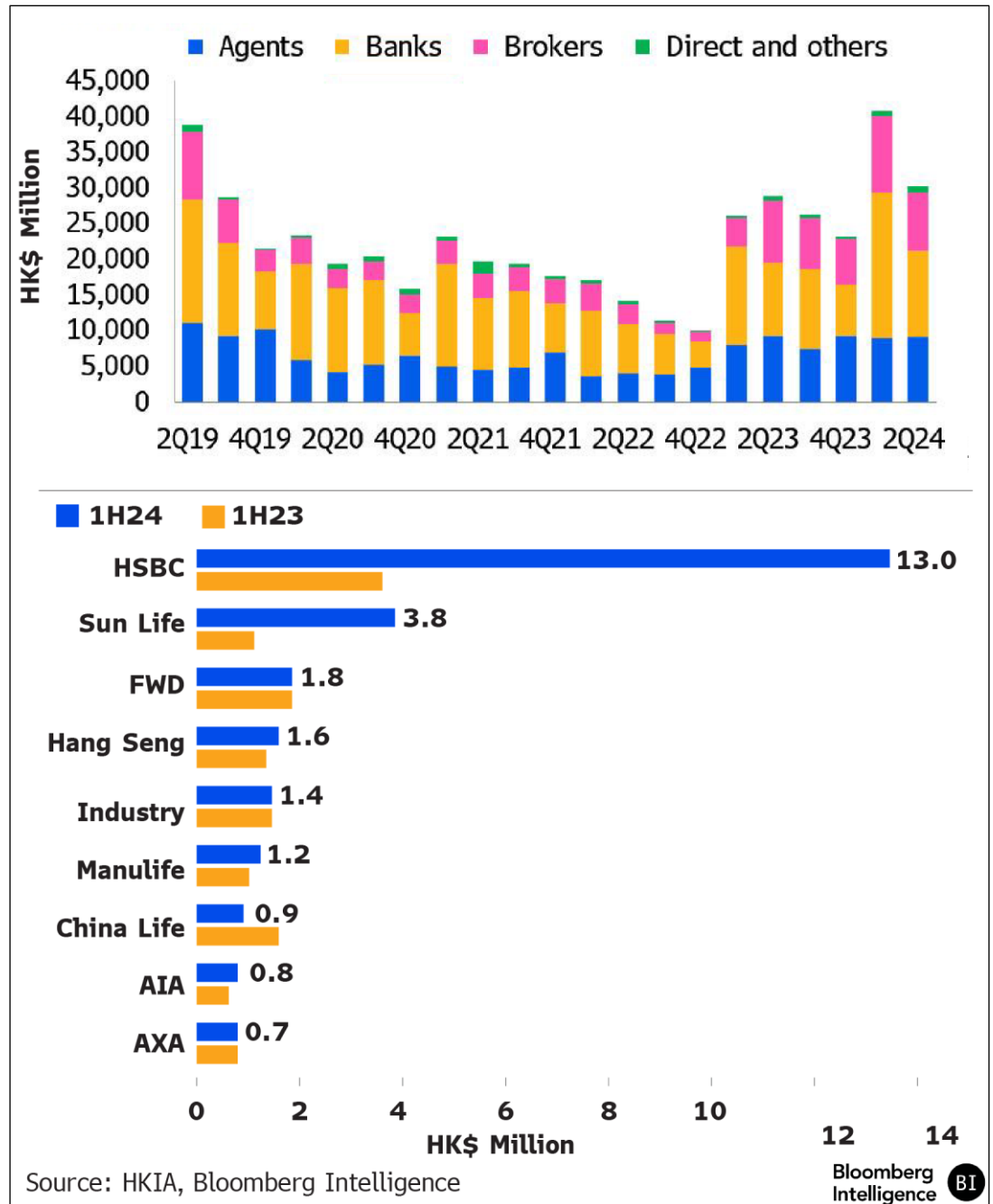


Hong Kong's deposit base could reach HK\$21.6 trillion (\$2.8 trillion) by 2030, according to our analysis, vs. HK\$16.2 trillion at the end of 2023, assuming 2020-23's growth pace with increasing contributions from mainland China. In the long term, Hong Kong and US dollars might retain yield premiums vs. the yuan until China's economy recovers. Middle class mainland Chinese investors may have a growing propensity to funnel assets into the city, shown by the southbound Stock Connect sales surge. More of mainlanders' investments may be allocated to the city's deposits, which could reach HK\$25.8 trillion in 2030 in our best-case scenario.

3.4 Life Premiums, Property Demand Could Rise

Hong Kong life insurers' new annual premium equivalent (APE) could exceed pre-pandemic highs, as bank and broker channels propel sales at HSBC, BOC Life, CTF Life and Sun Life amid strong demand for wealth-management products at home and abroad. AIA, Prudential and Manulife may hire more agents amid an influx of middle-income migrants. Banks, brokers and agents made up 45.5%, 26.6% and 25.5% of industry APE in 1H, respectively. Banks' vast customers base will continue to serve Hong Kong life insurers well, especially among high-net-worth clients. Broker channel new APE surpassed agencies in 1H for the first time in at least 10 years, as both offshore and local clients find Hong Kong life insurance products attractive. Agency-led peers AIA, Prudential and Manulife will benefit from the influx of talent as they seek work and have strong ties to the mainland.

Figure 6: New Annual Premium Equivalent by Channel



Hong Kong's home investment demand could strengthen if the US 10-year government bond yield -- currently at about 3.7% -- falls below the city's residential rental yield. The spread might gradually edge closer to turning positive for the first time since April 2022, especially if the risk-free rate keeps retreating from last October's approximately 5% peak. The rental yield for Hong Kong's residential units smaller than 431 sq ft rose to 3.6% in July, according to Rating and Valuation Department data.

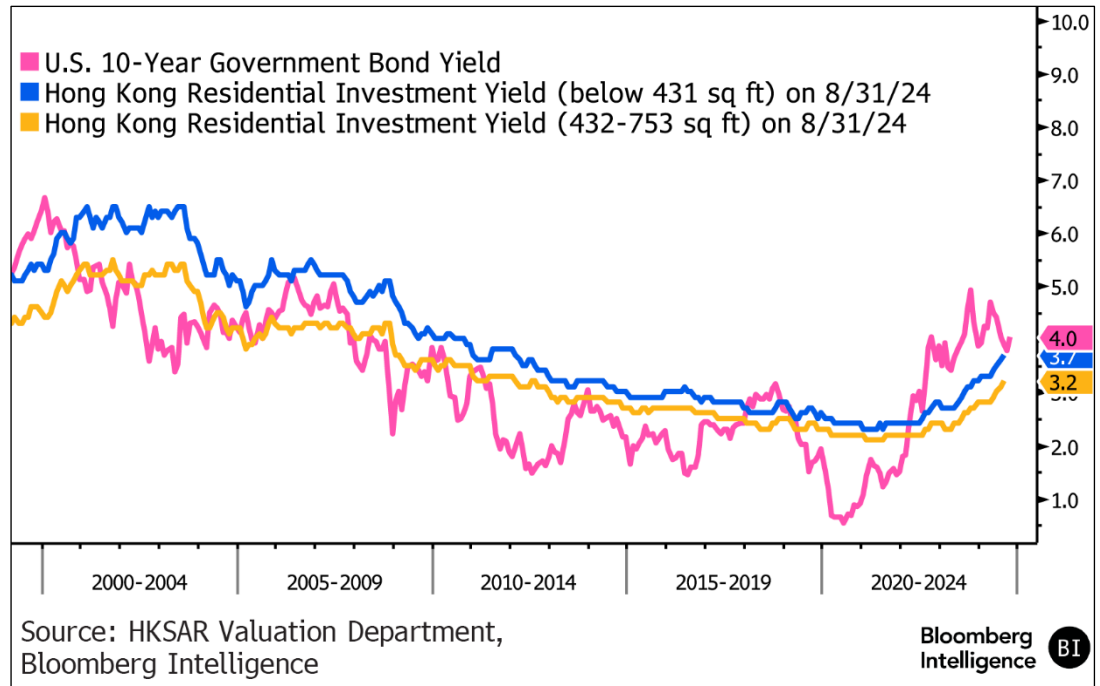
The recent mortgage-rate cut could open a window for major developers like Sun Hung Kai to step up sales of their residential projects. Henderson Land could find it easier to sell its

redevelopment projects comprising mainly small apartments, mainly powered by the recovery in investment demand.

BI

Positive yield spread spurs Hong Kong home investment

Figure 7: US Treasury Bond vs. Hong Kong Home-Rental Yields



Hong Kong's home sales volume could rebound in 2025, driven by the potential decline in mortgage rates. Secondary home prices might also recover from their eight-year low after tumbling more than 26% from an August 2021 peak. (See Figure 16 for mainland Chinese buyers of Hong Kong homes.) Housing market weakness may persist a bit longer until the rental yield spread over the risk-free rate turns positive, a key buy signal for investors. Developers with heavy debt might still rush to sell at cut-rate prices.

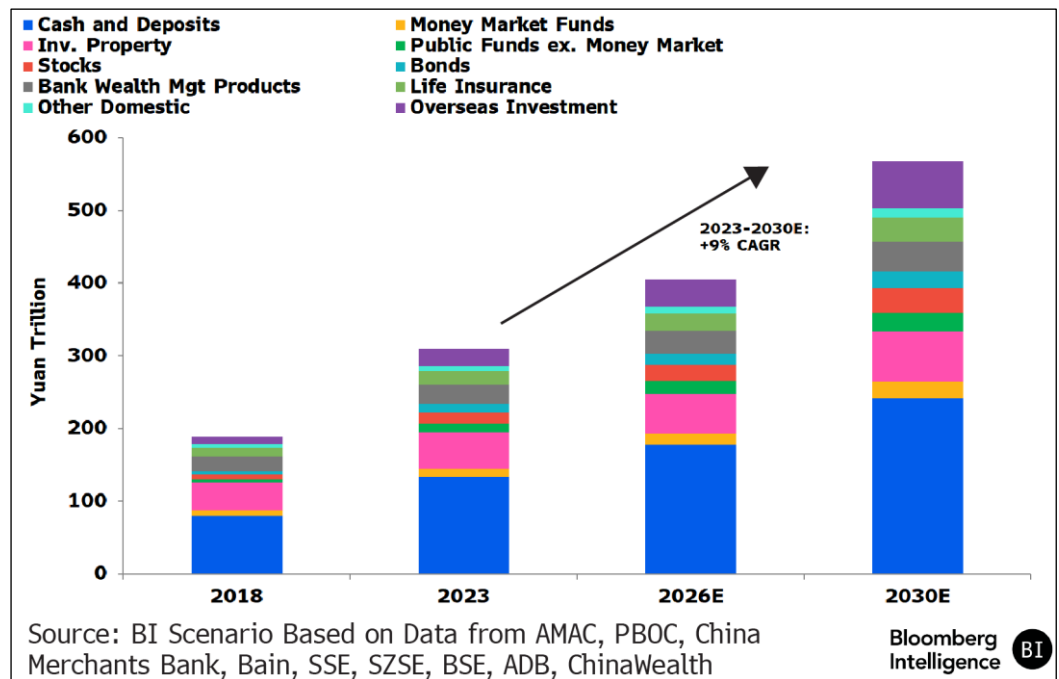
Hong Kong's residential mortgage rate might have room to drop further in 4Q and 2025 after HSBC cut its prime lending rate by 25 basis points to 5.625% on Sept. 19. The city's one-month Hibor fell to about 3.6% from over 5.6% in December 2023. Mortgages at HSBC, Standard Chartered and other major banks are subject to an interest rate of one-month Hibor plus 1.3%, with a cap currently at 3.875% based on their prime lending rates. This means mortgage rates could hold at 3.875% unless lenders cut their prime rates further, or if Hibor falls below 2.575%.

Section 4. China's Wealth Reallocation

Chinese Wealth Creation Undimmed by Property Pain

China's wealth creation could soar 83% in 2023-30 to 568 trillion yuan (\$80 trillion), despite the drumbeat of malaise, including cratering consumer confidence and a debt-pummeled property sector. Overseas investments and onshore capital market products could gain from wealth reallocation from property investments and bank deposits.

Figure 8: Mainland China: Personal Investable Assets



4.1 Large Population of High Net Worth and Middle Class

Mainland Chinese households' investable wealth could grow 9% annually, on average, to 568 trillion yuan by 2030 from 310 trillion in 2023, in our scenario, which is detailed in Figure 32. That's slightly slower than 10% annual growth during 2018-23, reflecting persisting macroeconomic challenges, which government stimulus, accommodative monetary policy and capital market reforms are designed to tackle. China's wealth creation has slowed as seen in the downward spiral in home prices.

Our scenario takes into account consensus estimates for China's nominal GDP of 5.3%-6.1% and M2 money supply of 7.5-8% in 2024-26 as well as Chinese households' savings rate, which soared to 32% of disposable income in 2023.

Mainland China ranks second globally to the US by number of dollar millionaires and ultra-high-net-worth individuals. Its millionaire count may rise to 6.5 million in 2028 from 6 million in 2023, according to UBS estimates, a slower growth pace than regional peers due to its falling

population and emigration. Yet, total investable assets held by high-net-worth individuals -- those with 10 million yuan or more -- could still rise to about 214 trillion yuan by 2030, we calculate, from about 127 trillion yuan in 2024, based on data from Bain and China Merchants Bank, China's largest private bank.

China's middle class -- comprising more than 500 million people in 2024 -- is the world's largest, with potential for wealth management opportunities in the mass-affluent segment.

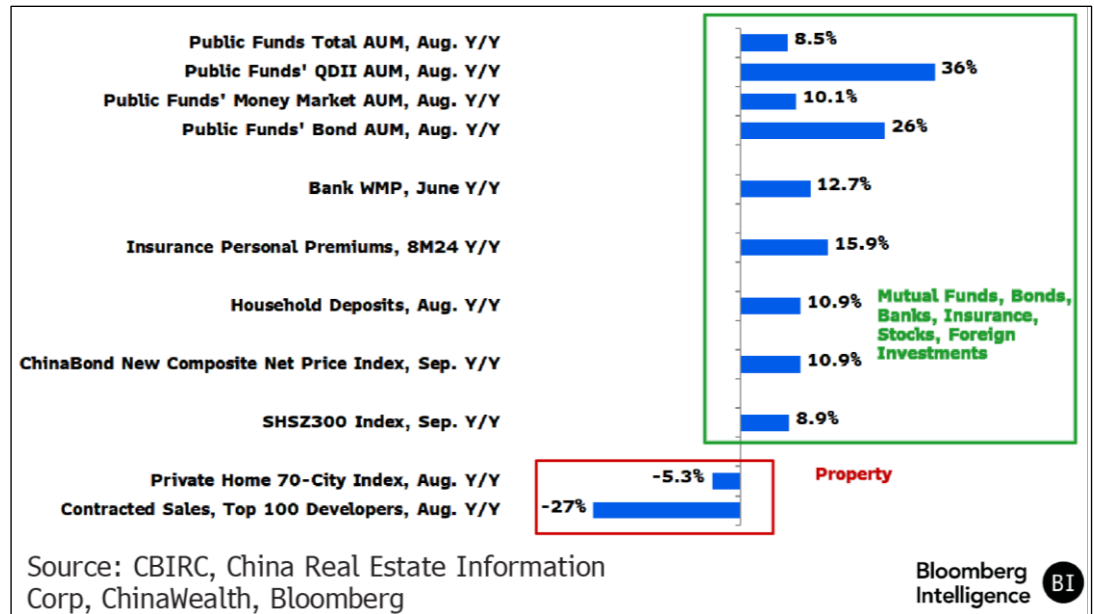
4.2 Policy, Structural Trends Prompt Allocation Shift

China's battered property sector, deposit-rate cuts and reduced shadow-banking activity could send investors toward lower-risk, higher-yielding mutual funds, insurance products, bonds, and overseas investments. China's stock market, which rallied in late September on the back of Beijing's stimulus package, will likely be volatile. Households' demand for overseas assets and financial products in Hong Kong could remain brisk on the yawning interest rate gap between the city and mainland China. Capital market product sales could grow at 12%, and overseas investments at 16% annually during 2022-24, the highest among investments, the Bain-CMB survey indicated.

The government's common-prosperity drive could boost retail participation, helping capital navigate a structural shift into financial investments and out of deposits as China's aging population approaches retirement. Retail allocation to mutual funds is low, at less than 4% of household financial assets, according to China Merchants Bank data, vs. 22-23% in the US and Europe.

Contracted sales at China's 100 biggest developers plunged 27% in August, year-over-year. The nation's deposit growth could slow to 10% by year-end vs. 11% in July, we calculate. Demand for banks' wealth-management products has bounced back in the year since the 2Q23 trough due to relatively higher returns than time deposits amid rate cuts, and as lenders continue to shift toward net-asset-value-based products without implicit return guarantees. QDII funds, which provide overseas exposure, may need higher regulatory quotas to sustain growth.

Figure 9: Recent China Financial-Market Indicators

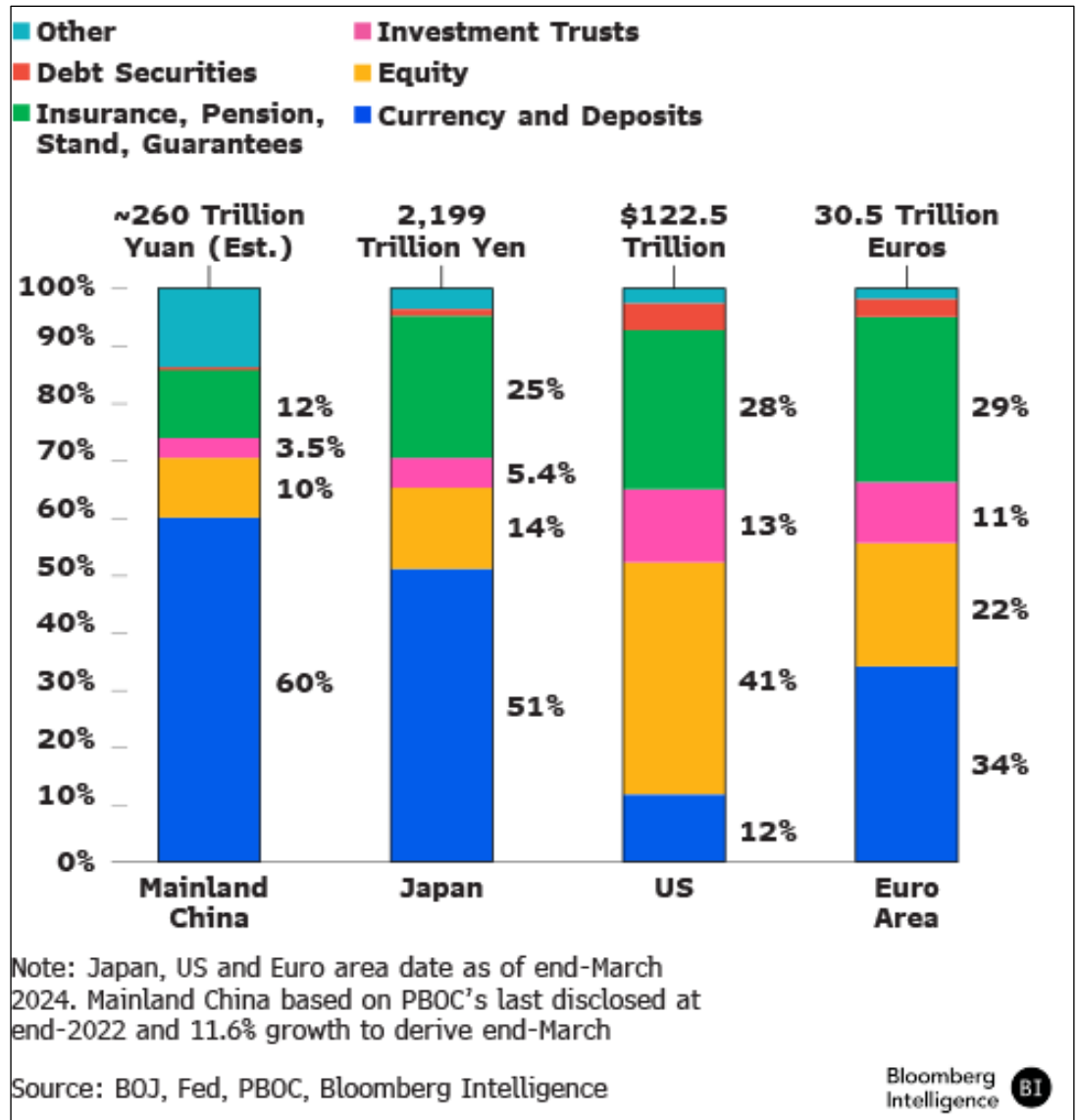


Chinese households have plenty of cash savings to deploy into higher-yielding capital markets products should their risk tolerance return. China contributed 28% to global savings in 2023, and its gross savings rate at 46% of GDP is the highest among major economies, according to IMF and World Bank data. Mainland Chinese households held 60% of their financial assets in cash and deposits, higher than Japan's 51%, the euro zone's 34% and the US's 12%, based on government data. Financial assets exclude real estate.

BI

**Excess Deposits
Could Power
Investments**

Figure 10: Household Financial Assets



China's housing market risks a negative feedback loop where buyers' fear of home-price declines crushes sales volume, which in turn prompts developers to cut prices further. More cities might rescind control over new-home prices after Zhengzhou and Wuhan, giving developers more flexibility in offering discounts to purge inventory. The government's push to buy unsold homes and convert them into public housing is unlikely to improve the sector's supply-demand imbalance. The top 100 developers' contracted sales fell 37% in the first eight months from a year ago. Downbeat sentiment threatens to weigh on transactions in 4Q and 2025, risking commission income for companies such as KE Holdings, China's largest property agency.

Just 47 billion yuan, or 8% of the total 580-billion-yuan (\$80 billion) property rescue fund under the People's Bank of China (PBOC) was drawn down as of June 30, suggesting even a war chest isn't moving the needle amid limited utilization. Only 12.1 billion yuan, or 4% of the resource pool's 300 billion yuan, had been deployed to purchase developers' unsold inventory for

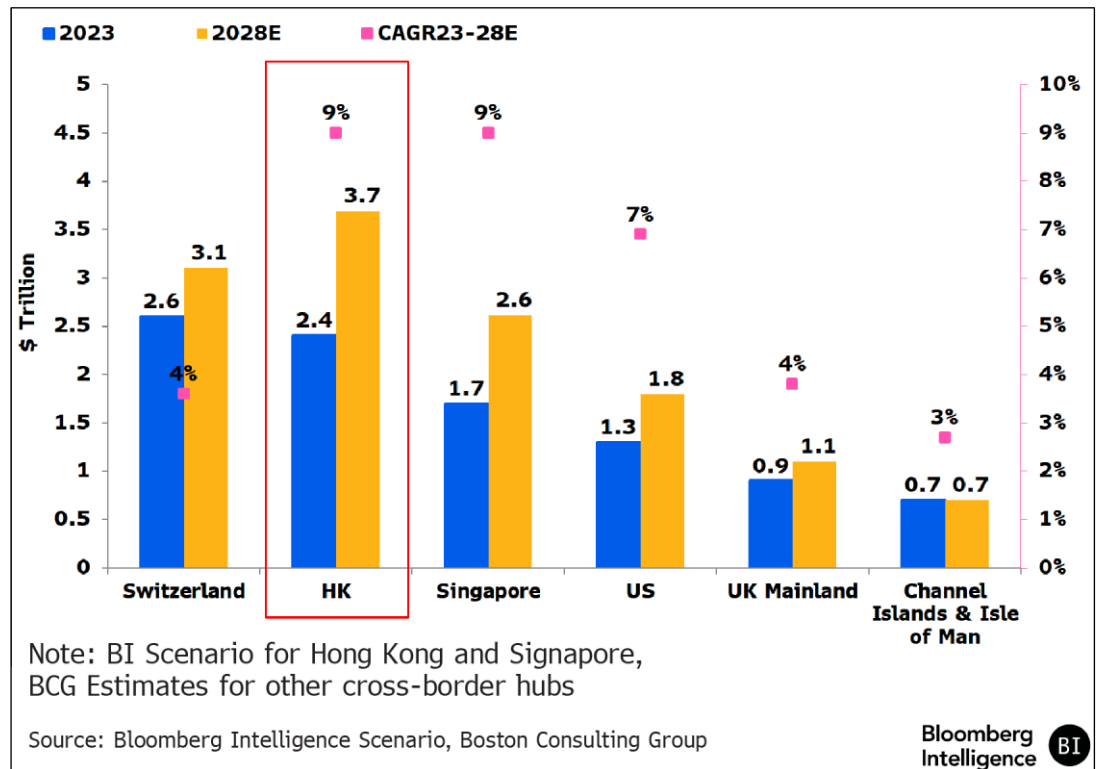
affordable housing in the 1.5 months following the policy announcement. While local authorities' lack of profit incentive is the key hurdle to put the affordable housing funds to use, banks' reluctance to lend to developers is likely the reason for the low usage of the 200 billion yuan set aside for housing project delivery. Only 7%, or 14.1 billion of the allocation was drawn down as of June since the program's introduction in November 2022.

Section 5. Cross-Border Hub

Hong Kong Could Overtake Switzerland Next Year

Hong Kong's cross-border wealth management could overtake Switzerland next year as Asia's growing affluence and policy support attract inflows and the rich's diversification needs rise with geopolitical risks. Flows from mainland China could surge, helping non-resident assets in the city after lagging Singapore in 2020-23.

Figure 11: Largest Cross-Border Wealth Destination



5.1 Underinvested Chinese Taking More Wealth Abroad

Hong Kong could manage \$2.8 trillion of cross-border wealth by 2025, we calculate, using Boston Consulting Group data, overtaking Switzerland, which it trailed last year (\$2.4 trillion to \$2.6 trillion, as shown in Figure 11). Hong Kong has Beijing's support in attracting wealth flows to and from mainland China via its cross-border financial infrastructure and remains a preferred destination due to its proximity, cultural similarities, low tax rate, business-friendly regulations, global access and product diversity. Singapore could have an edge in attracting clients in the South and Southeast Asia region, including with Islamic products, and those worried about Beijing's tightening grip on Hong Kong.

Mainland China will likely remain Hong Kong's biggest source of cross-border wealth, but the rich in other parts of Asia could also accelerate investment diversification via the city amid heightened

geopolitical risk. The head of Citibank's international personal banking unit in Hong Kong said its high-net-worth international personal banking clients double in the first eight months this year, of which 70% were from mainland China, with Taiwan, Singapore, Malaysia, the Philippines and other Southeast Asian countries accounting for the rest.

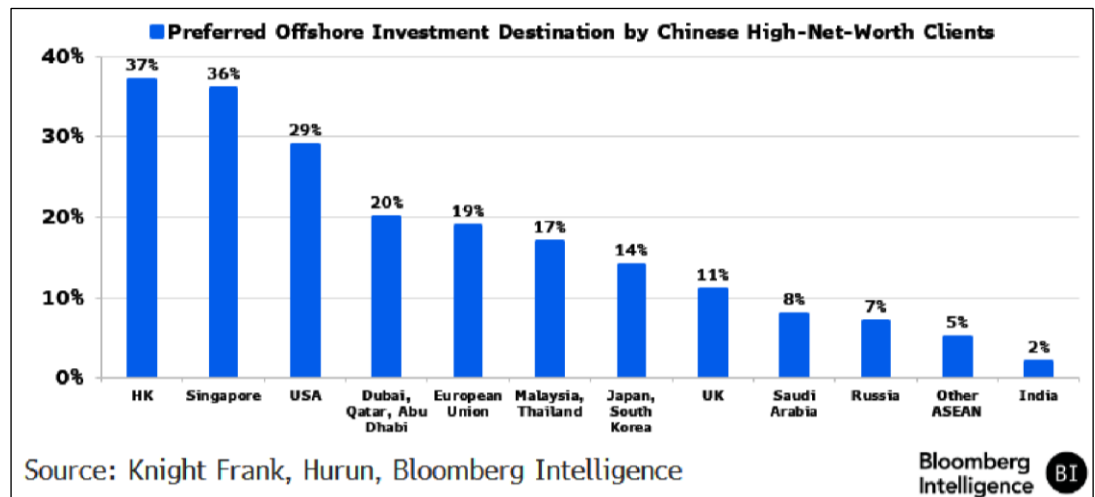
Assets booked by non-residents in Hong Kong should pick up pace after lagging Singapore in 2020-23, with both hubs' cross-border wealth rising by 9% per year through 2028, we calculate.

Hong Kong and Singapore are the most preferred offshore investment destinations of wealthy Chinese, with their number likely rising faster than most Asian markets during 2023-28. Hong Kong could sustain its wealth business growth story, even with Singapore posing a formidable challenge. China's ultra-high-net-worth investors (UHNWI) -- with assets starting at \$30 million -- may reach 144,897 in 2028, implying 8% annual growth from 2023. Only India may have a faster growth pace, at 8.5%. Ultra-high net worth investors in mainland China (98,551) surpassed the combined number for 12 other Asian markets (82,471).

BI

China's rich prefer Hong Kong and Singapore

Figure 12: Chinese Preferred Offshore Investment Destination



Hong Kong surpasses other destinations as the most preferred offshore investment hub by wealthy Chinese, according to Hurun's survey, followed by Singapore. The US ranks third.

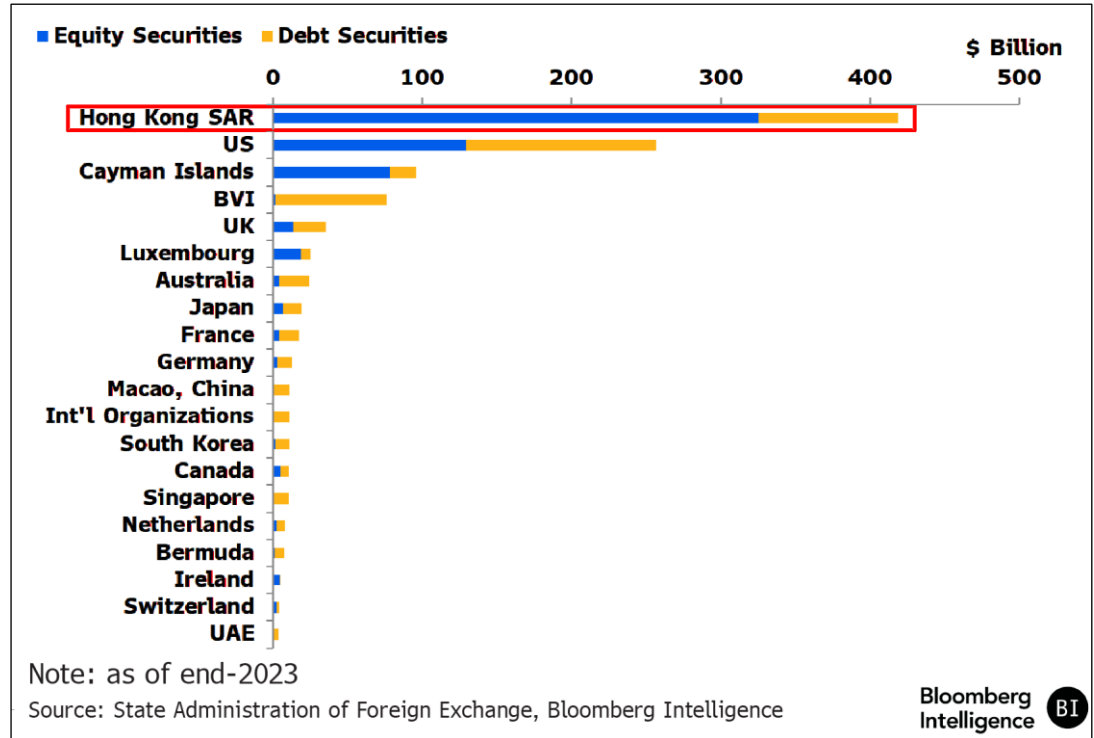
Mainland Chinese are substantially underinvested overseas relative to other markets but may accelerate diversification as policymakers ease cross-border capital market access and relax investment restrictions. Mainland investors are still in the early stages of investing overseas compared to those in other major economies.

5.2 Urgency to Diversify, Access and Interest Rates

Mainland China's foreign portfolio investment (FPI) assets of \$1.1 trillion in 2023 ranks outside of the top 15 markets globally. Its FPI is equal to 6% of GDP -- far less than the UK and Japan which exceed 100% and the US's 56%, we calculate, based on IMF data, indicating plenty of room to grow. FPI involves an investor purchasing financial assets like stocks, investment funds and bonds

in foreign countries. Hong Kong attracts over half of mainland outbound portfolio investments and could grow in dominance, leveraging its unrivaled financial structure connecting mainland China's capital markets.

Figure 13: China's Foreign Portfolio Assets 2023, Top 20 Markets

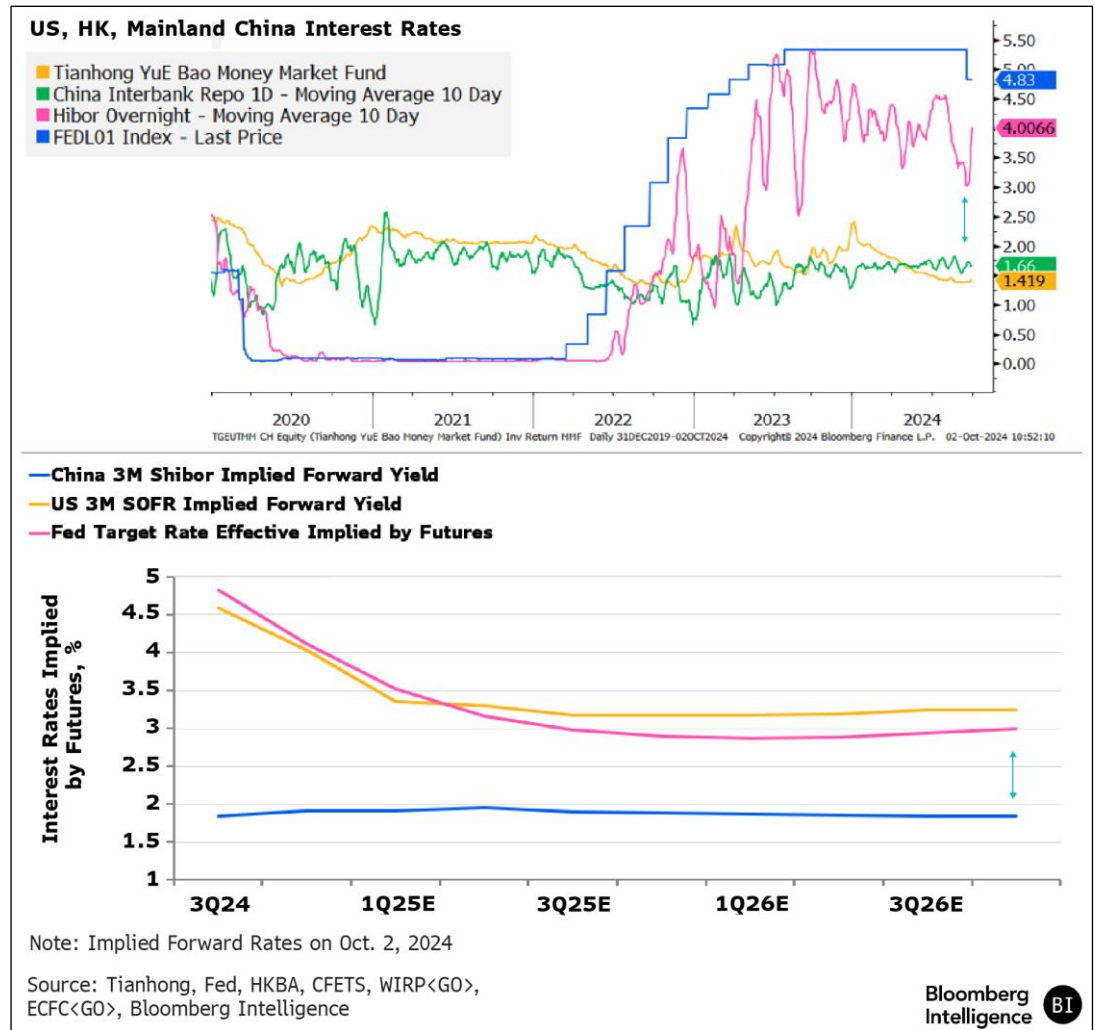


China's securities regulator (CSRC) announced new policies in April benefiting Hong Kong, including expanding the scope of the Stock Connect to allow exchange-traded funds with greater international exposure, adding real estate investment trusts and yuan-denominated stocks to the stock link, enhancing the Mutual Recognition of Funds (MRF) program and encouraging company listings in the city. The city accounts for over half of mainland China's equity and 20% of debt portfolio investments abroad in 2023.

BI

US-China interest-rate differential might continue

Figure 14: Interest Rate Differential Could Spur Demand



Short-term interest rates in Hong Kong may remain higher than in mainland China beyond 2026, futures and consensus estimates imply. Fed interest rate cuts could fuel a shift from low-risk deposits and money market funds to other financial products, yet interest rates are likely to remain higher offshore than onshore in mainland China. Beijing may mull further monetary easing depending on the effectiveness of its September stimulus package.

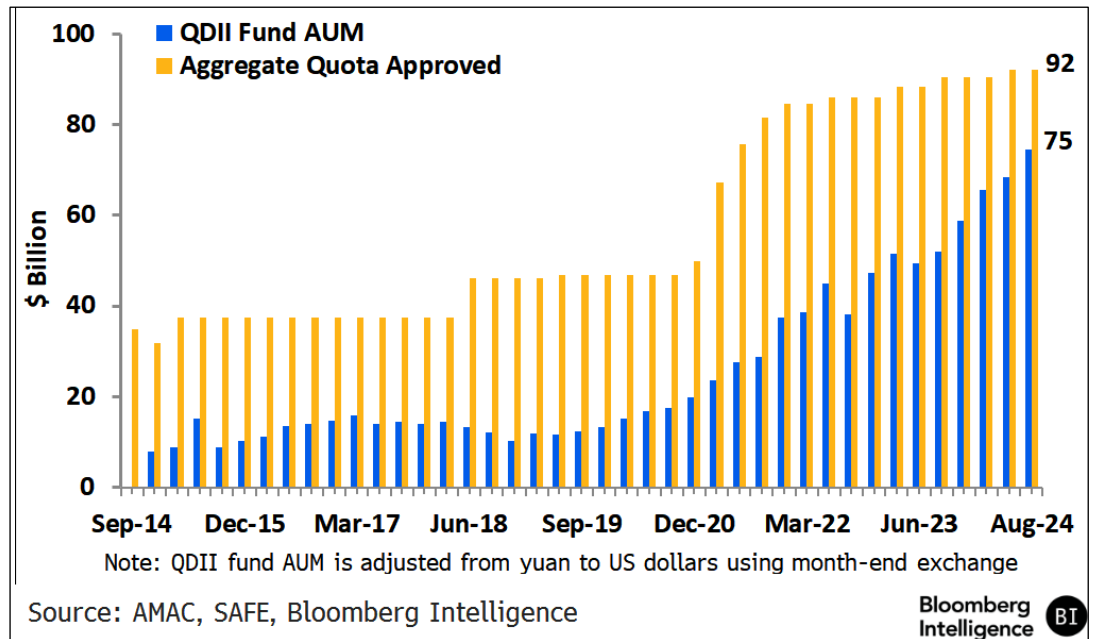
The fed funds rate could fall to 2.9% by December 2025 from 4.83% at the end of September, futures imply according to WIRP<GO>, weighing on yields of US dollar products and Hong Kong dollar products given Hong Kong's dollar peg. But it would still be much higher than the seven-day annualized yield of 1.4% at the end of September for Tianhong's YuE Bao, China's largest money-market fund. Hibor's deviation from SOFR reflects change in the city's aggregate balance and local liquidity conditions.

5.3 More QDII Quotas Needed to Meet Demand

BI

China's Surging Demand for Mutual Funds

Figure 15: QDII Funds AUM Outpacing China's Mutual Fund Industry AUM



Mainland Chinese investor demand for Hong Kong financial products may be fueled by a three-pronged push from an urgency to diversify, authorities gradually expanding market access and the interest rate differential. The crackdown on the use of unofficial channels to tap overseas markets -- such as a ban on cross-border brokerage business in 2023 which hit Futu Holdings and Up Fintech (also known as Tiger Brokers in Asia) -- could divert activity to Hong Kong's established links, including the Wealth Management Connect, Stock Connect and MRF Scheme, which have witnessed exponential growth so far in 2024. Hong Kong life insurers' new APE could rise by more than 25% in 2024 after doubling in 2023, led by savings and long-term wealth accumulation products.

Growth in China's Qualified Domestic Institutional Investor (QDII) funds could be constrained by the lack of new investment quotas from the State Administration of Foreign Exchange (SAFE) despite robust mainland investor demand fueled by portfolio diversification overseas. Some funds tracking US equity indices including the Nasdaq 100 Technology Index and S&P 500 Index have been popular and traded at sizable premiums to their net asset values. QDII funds' assets under management, which surged 44% annually on average in the five years to 529 billion yuan at the end of August, far outpacing 17% growth in China's public funds AUM, should decelerate.

Some fund managers have already exhausted their individual QDII quotas. For the asset management industry as a whole, there is only \$18 billion of unused quota remaining out of the total \$92 billion aggregate quota. Banks, insurers and trusts have separate QDII quotas totaling \$76 billion at the end of August.

5.4 MRF Funds, ETFs, Crypto and Other Products

Hong Kong based fund managers that tap retail customers onshore via the mutual recognition of funds program, including those managed by JPMorgan, HSBC, Amundi and Value Partners, could soon get a wave of inflows as Beijing regulators look to loosen restrictions, adding punch to already record southbound sales this year. Enhancements to the MRF program are part of a broader range of measures announced by the CSRC in April to promote capital markets cooperation with Hong Kong. The cap on the value of fund units sold to mainland investors could rise to 80% of their assets from 50% based on the CSRC's subsequent proposal in June. In addition to raising the investment cap, investment management functions, which until now were required to be performed locally, can be handed off to some overseas managers. The date of implementation has yet to be made final.

Since the launch of the Stock Connect program, which facilitates cross-border trading of stocks and exchange-traded funds in 2014, the southbound link attracted net inflows of HK\$3.4 trillion into Hong Kong's stock market by the end of September. Regulators have expanded the channel's scope over the past decade and further easing of eligibility criteria may catalyze future flows. New ETF eligibility rules implemented in July lowering the minimum weighting of Hong Kong equities to 60% from 90% could help meet demand for international exposure via the Stock Connect.

Hong Kong's ETF market could reach \$130 billion by 2035, with 8% annual growth as our scenario. The increase could lie in the wide range of products that Hong Kong offers, with the most recent addition in virtual assets. We could see more products such as leverage and inverse strategies on virtual assets such as Bitcoin and Ether, or even baskets of these digital currencies. Other product offerings such as covered calls, Chinese equities and fixed income could also help fuel the growth of ETFs.

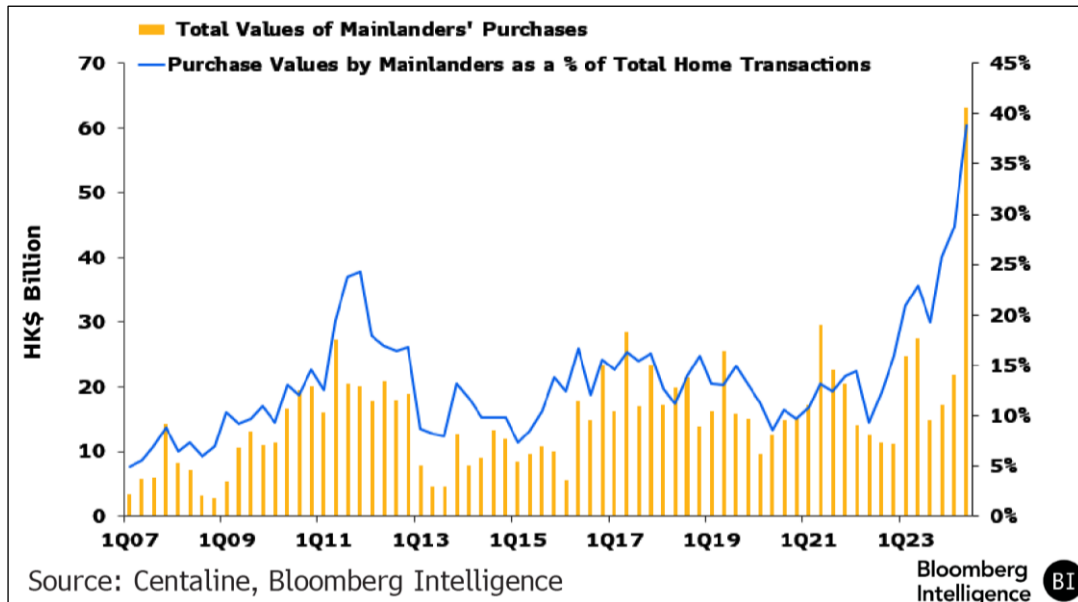
Hong Kong may remain the most crypto-friendly market in Asia with AUM potential of \$1 billion in the next few years. The government introduced a licensing regime for virtual-asset service providers that allows retail investors to access SFC-regulated trading platforms and approved both spot- and futures-based Bitcoin and Ether ETFs. Hong Kong is one of the few that offers low taxes on crypto trading and allows foreign-listed crypto ETFs to trade.

5.5 China's Luxury Homebuyers May Look South Again

Mainland China's aspiring luxury homebuyers could power Hong Kong's new-home sales in 2025, despite a possible sequential 2H24 decline from 1H's high base helped by February's removal of extra stamp duties for non-local buyers. The latest data finds that luxury homes in Hong Kong, particularly from state-owned developers, could woo more mainland buyers. Non-permanent Hong Kong residents might have balked at buying, put off by 30% residential stamp duties over the past decade. The secondary home-price rebound was short-lived, as overall prices began falling in late March. Many newcomers to Hong Kong via the Top Talent Pass Scheme might prefer renting to avoid sizable capital outlays, potentially limiting home-purchase demand in the short term.

A record-high HK\$63 billion worth of primary and secondary homes were sold to mainland Chinese buyers in 2Q, representing about 39% of the total consideration of residential transactions during the period.

Figure 16: Mainland Chinese Buyers of Hong Kong Homes



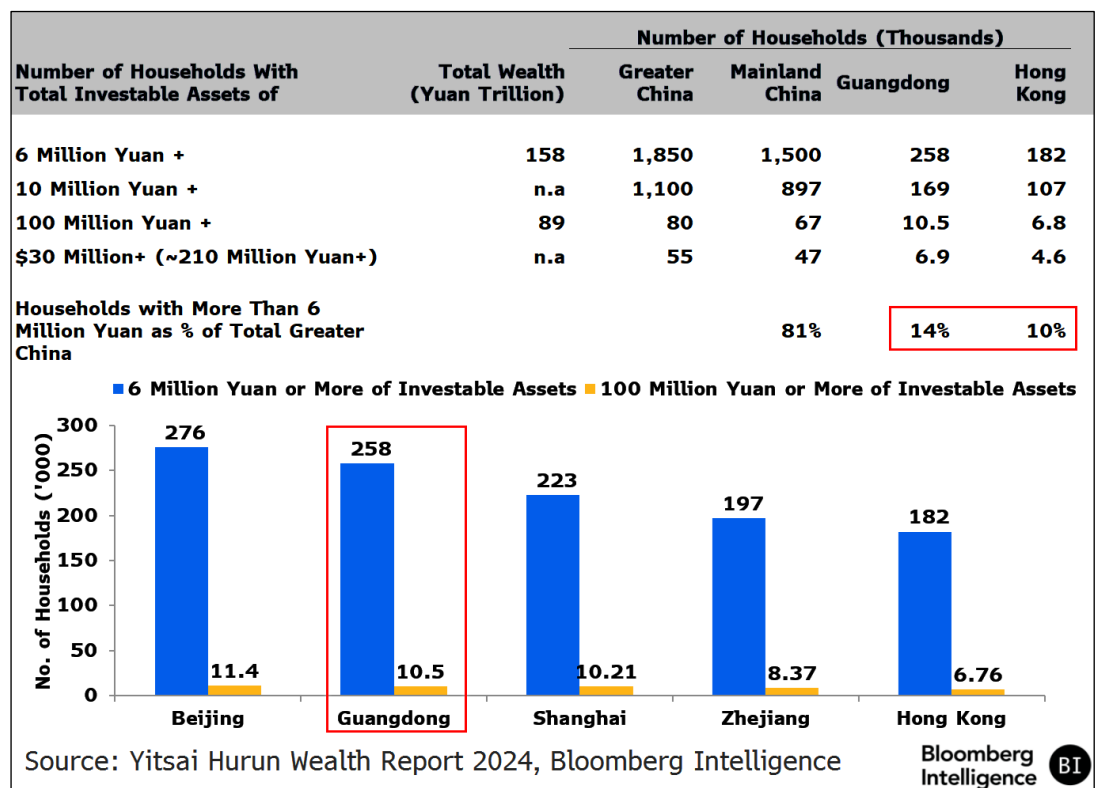
Section 6. China's Greater Bay Area

Springboard for Hong Kong Wealth Products

China grouped Hong Kong with its mainland hinterland -- previously known as Canton and the Pearl River Delta -- and Macau since 2017 as the Greater Bay Area, with the goal of developing the region into a "vibrant world-class city cluster." It had a population of over 86 million last year, 11 times that of Hong Kong, and GDP of almost \$2 trillion. Beijing allowed Hong Kong wealth products and funds to be sold in the GBA under the Wealth Management Connect (WMC) program launched in October 2021 and enhanced in February 2024.

BI
Guangdong has more wealthy households than Shanghai

Figure 17: Number of Wealthy Households by Investable Assets



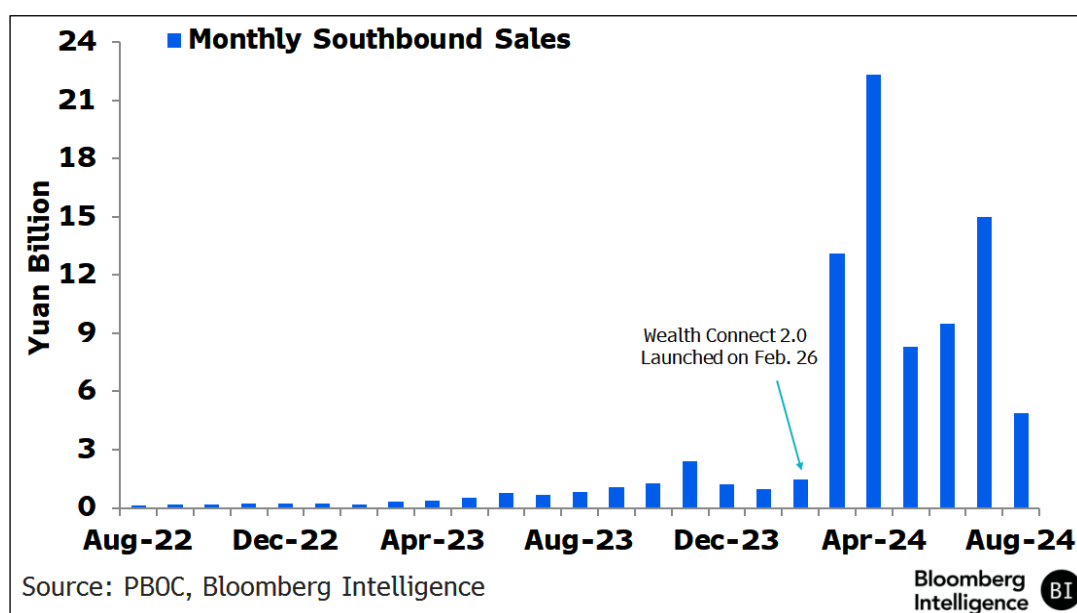
High-net-worth individuals and mass affluent clients in the nine Guangdong province cities of the Greater Bay Area could keep funneling funds to Hong Kong, a critical boost to the city's wealth business through 2030. Guangdong province ranked second behind Beijing by number of wealthy households in China. Proximity and easy travel are set to boost southbound wealth flows.

Guangdong's 258,000 and Hong Kong's 182,000 wealthy households, which have more than 6 million yuan (\$843,182) of investable assets, combined account for about a quarter of the country's total, according to a report by the Hurun Institute. Guangdong province alone could contribute 19 trillion yuan, or 15% of nationwide high-net-worth investable assets (127 trillion yuan) in 2024 based on CMB and Bain's China Wealth report. About half a million residents with over 10

million yuan of investable assets -- 12% of China's 3.9 million HNWIs -- live in Guangdong, within the GBA.

Sales of Hong Kong investment products to mainland China investors via the southbound WMC channel could gain momentum, even after surging exponentially to a record 75.5 billion yuan in the first eight months this year. Fed rate cuts may fuel demand for mutual funds from time deposits. More investors can take advantage of enhancements to the program since Feb. 26, including a higher individual investment quota of 3 million yuan vs. 1 million yuan previously, easier eligibility criteria for participants and a wider distribution network including securities firms vs. only banks previously. Residents in the nine Greater Bay Area cities registered via the hukou system with average annual income of at least 400,000 yuan in the past three years or household net financial assets of over 1 million (gross 2 million yuan) can participate in the southbound link.

Figure 18: Southbound Wealth Management Connect Gross Sales



The number of southbound mainland Chinese investors grew exponentially to reach 71,500 in August. This is just a fraction of the half a million residents with over 10 million yuan of investable assets that live in Guangdong. The 150-billion-yuan southbound quota for the WMC is equal to about 13% of annual incremental household savings in Guangdong province, we calculate. Guangdong province's 13.4 trillion yuan of household deposits at the end of August is about 9% of China's total and is more than double Hong Kong's \$875.5 billion we calculate, assuming households account for 40% of Hong Kong's system deposits.

Southbound WMC investment quotas and eligibility criteria are more restrictive than the MRF program, but Hong Kong funds are regulated in the city, bypassing the China securities regulator's lengthy approval process. The WMC is restricted to eligible GBA investors who meet minimum thresholds for net assets, income and investment experience. Cross-border remittance is in yuan. MRF funds are open to retail investors in China, and remittances can be in both yuan or foreign currencies. The aggregate quota of the MRF program is 300 billion yuan, double that of

WMC. MRF funds are restricted to sourcing 50% of their AUM from the mainland, which would rise to 80% under proposed changes in June. The WMC has no such limit.

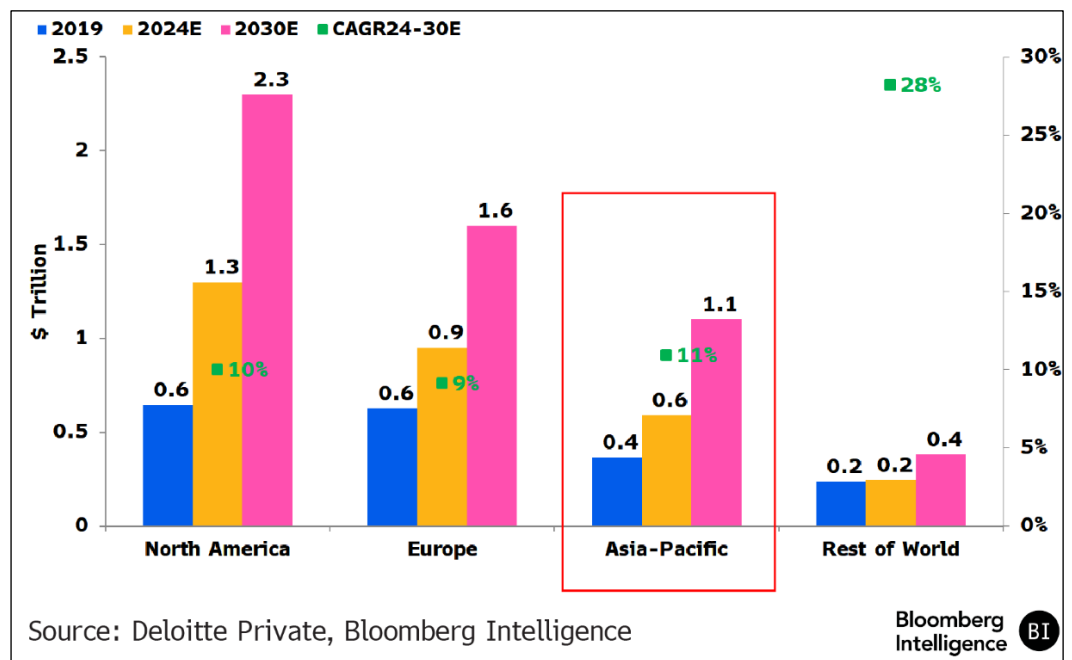
Section 7. Family Offices

Assets Under Management May Hit HK\$3 Trillion by 2030

Hong Kong's family offices and private trusts had \$193 billion of AUM in 2023, according to the regulator's survey, or about a third of the region's AUM, and could double to HK\$3 trillion (\$386 billion) by 2030, we calculate, if growth keeps pace with the rest of the region. Family office AUM in the Asia-Pacific region could rise 11% per year on average to \$1.1 trillion by 2030 from \$590 billion in 2024, outpacing annual global growth of 9.7% according to Deloitte. Singapore doesn't disclose AUM of family offices.

BI
Asia-Pacific family office AUM growth leads the world

Figure 19: AUM of Family Offices, \$ Trillion



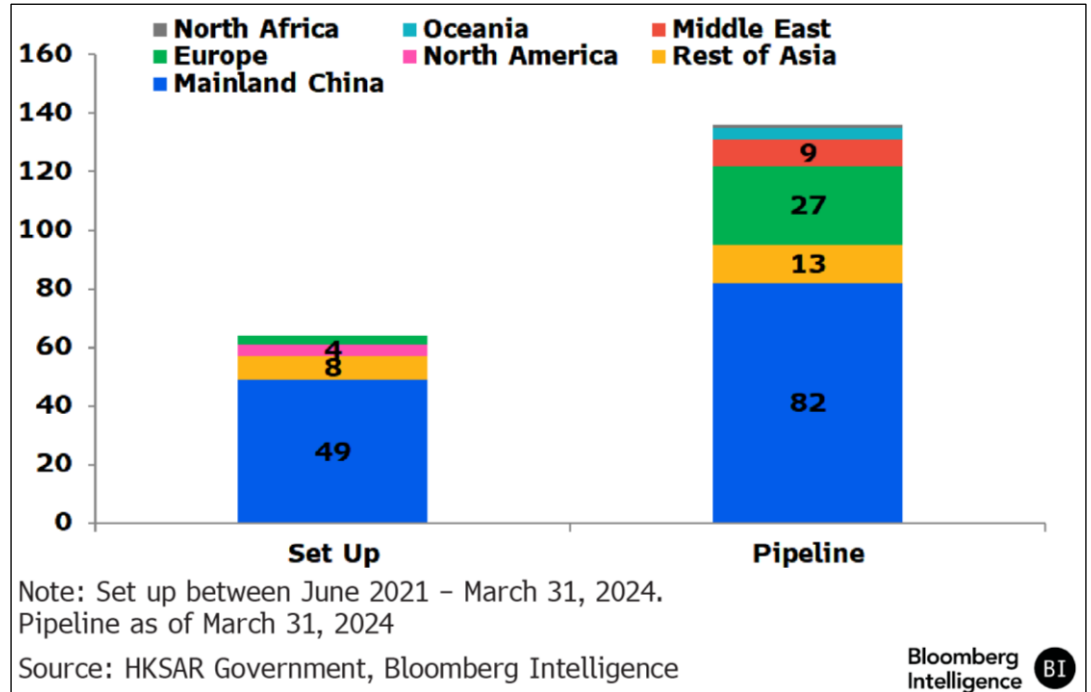
7.1 Asia to Lead Wealth Creation

The number of ultra-high net worth individuals in the Asia-Pacific region with over \$30 million of wealth could grow 6.5% annually to around 251,600 by 2028, accounting for about 31% of the world's total, according to Knight Frank data. Greater China could overtake the euro zone by 2028 with over 161,000 ultra-high net worth individuals, we calculate. The family-office space in Asia is still young compared to the US and Europe as most wealth in the region is self-made and concentrated in the first or second generation. But offices are becoming more sophisticated and diverse.

The rising popularity of family offices is driven by increasingly concentrated wealth, interest to preserve and transfer wealth to the next generation, liquidity events from large-scale sales of family-owned businesses and a desire for more tailored investment strategies and services.

Existing family offices may also look to set up branches in other regions, sparked by diversification needs amid rising geopolitical risk, dual citizenship and expansion of global businesses.

Figure 20: Family Offices Set Up In Hong Kong Helped by InvestHK



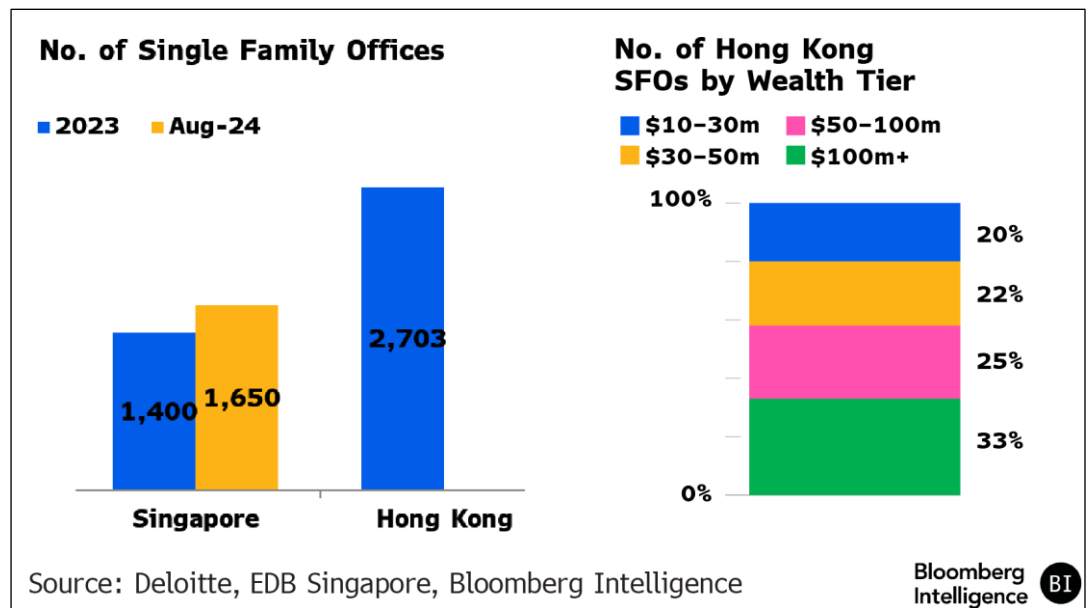
Singapore and Hong Kong are Asia's key financial hubs. Singapore could have an edge with ultra-high-net-worth individuals in Southeast Asia, Islamic finance and those wary of Beijing's influence over Hong Kong. Yet Hong Kong offers advantages in terms of the size of the asset-management industry, the pool of cross-border wealth, a lower tax burden for corporations and wealthy individuals, a larger IPO and private equity market, established capital markets infrastructure connected with mainland China, and closer proximity to the mainland. The Greater Bay Area is among the wealthiest regions in China.

The Hong Kong government's preferential policies and tax breaks for single family offices (SFOs) and the capital investment entrant scheme (CIES) launched in March to attract ultra-high-net worth individuals, contrasts with Singapore's tighter anti-money laundering and tax rules.

BI

Hong Kong's lead over Singapore could widen

Figure 21: Single Family Offices in Hong Kong and Singapore

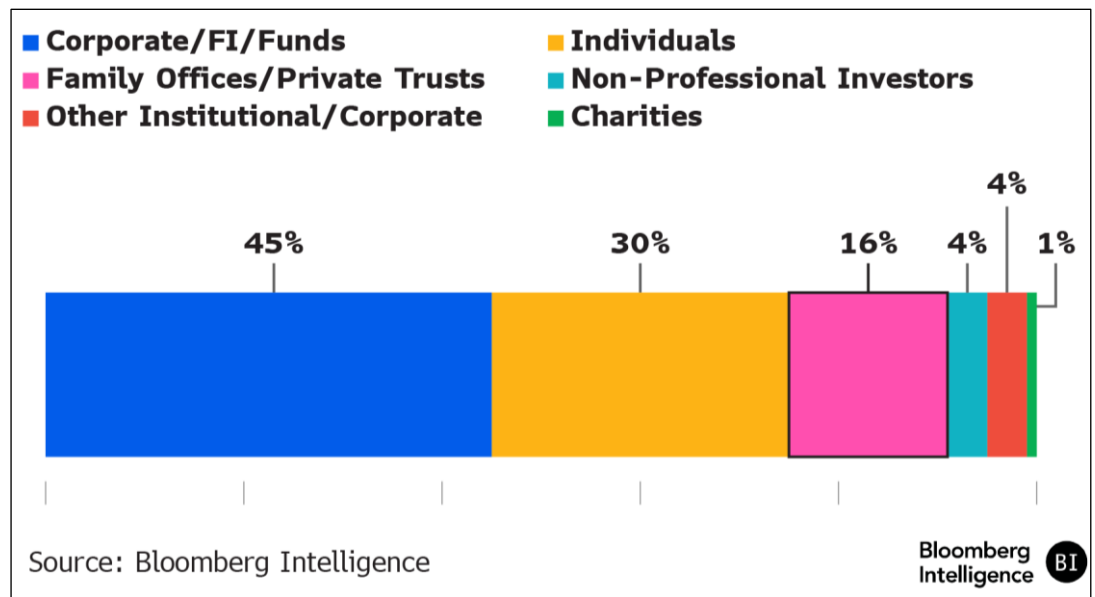


Singapore banks that serve SFOs need to adhere to more-detailed know-your-client checks and tighter residency requirements. Tougher anti-money-laundering controls which went live on April 1 are part of the Monetary Authority of Singapore's wider plan to close legal loopholes after the island-state's S\$3 billion money-laundering scandal linked to illicit online gambling in China. Despite the scandal, Singapore is the world's fifth-least corrupt country, according to Transparency International.

Hong Kong had about 2,700 SFOs in 2023, according to a Deloitte survey commissioned by the Hong Kong government. About a third of SFOs in Hong Kong were set up by ultra-high-net-worth individuals with more than \$100 million and another 25% with \$50-\$100 million in assets. In Singapore, there were 1,650 SFOs at the end of August, up from 1,400 in 2023. Hong Kong numbers are estimates because no regulatory pre-approval is required to set up an SFO, unlike in Singapore where SFOs need approval from the Monetary Authority.

Hong Kong's family offices and private trusts' AUM of HK\$1.5 trillion contribute 16% of the city's private banking and wealth industry, according to the regulator's survey.

Figure 22: Hong Kong's Private Banking and Wealth AUM by Client Type, 2023



Hong Kong has comparatively less-stringent requirements than Singapore on local business spending and the number of investment professionals required for larger-sized family offices to be eligible for tax concessions. Family-owned investment holding vehicles managed by SFOs in Hong Kong with capital of over HK\$240 million are exempt from profit tax

The Hong Kong government could exceed a goal announced in 2022 to attract more than 200 large family offices to set up in the city by 2025. InvestHK -- a government agency responsible for foreign investment -- helped 64 family offices set up or expand from June 2021 through the end of March, as shown in Figure 20. Another 136 family offices were in the pipeline then, mostly from mainland China, followed by Southeast Asia, Europe and Middle East. More may have set up without the assistance of InvestHK.

The CIES, aimed at those that invest at least HK\$30 million, received 339 applications between its launch on March 1 and the end of June, with total funds of more than HK\$10 billion. Family offices could look to tap CIES visa holders for capital.

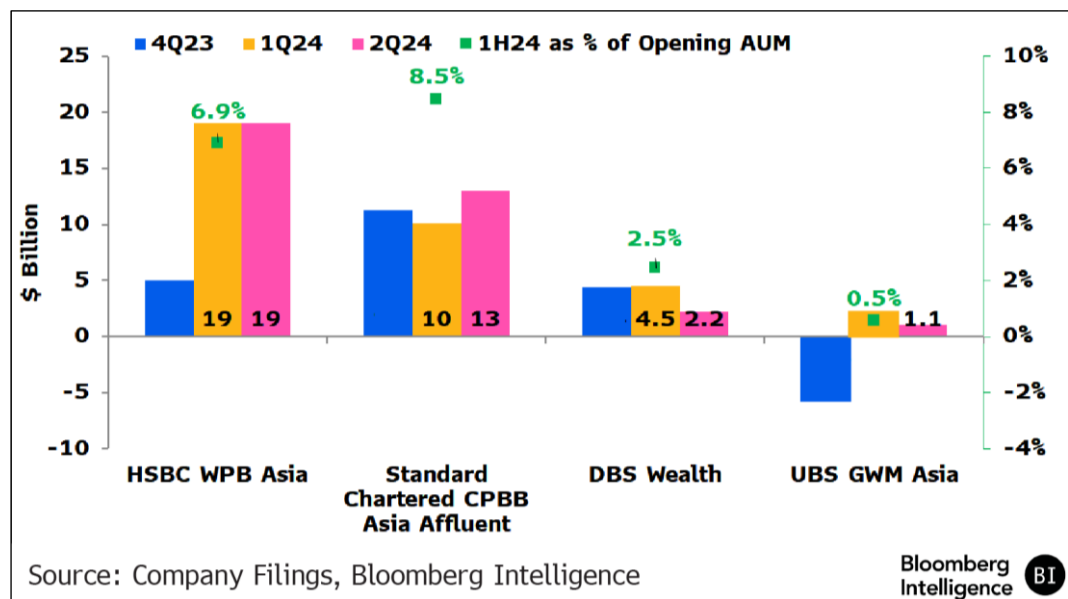
Section 8. Competitive Landscape

HSBC, StanChart May Gain More Asia Wealth Share

HSBC and Standard Chartered's wealth business could sustain strong inflows in Asia, benefiting from UBS' job cuts in the region and from Hong Kong's push to attract cross-border wealth and talent. Faster expansion in Asia could mean higher profit margin for global firms. Expanding cross-border market access, growing diversification needs amid rising geopolitical risk and the US-China interest-rate differential should propel an influx of mainland customers and activity through programs like the WMC and MRF.

BI
HSBC and StanChart booked \$61 billion in Asia in 1H24

Figure 23: Net New Money (\$ Billion)

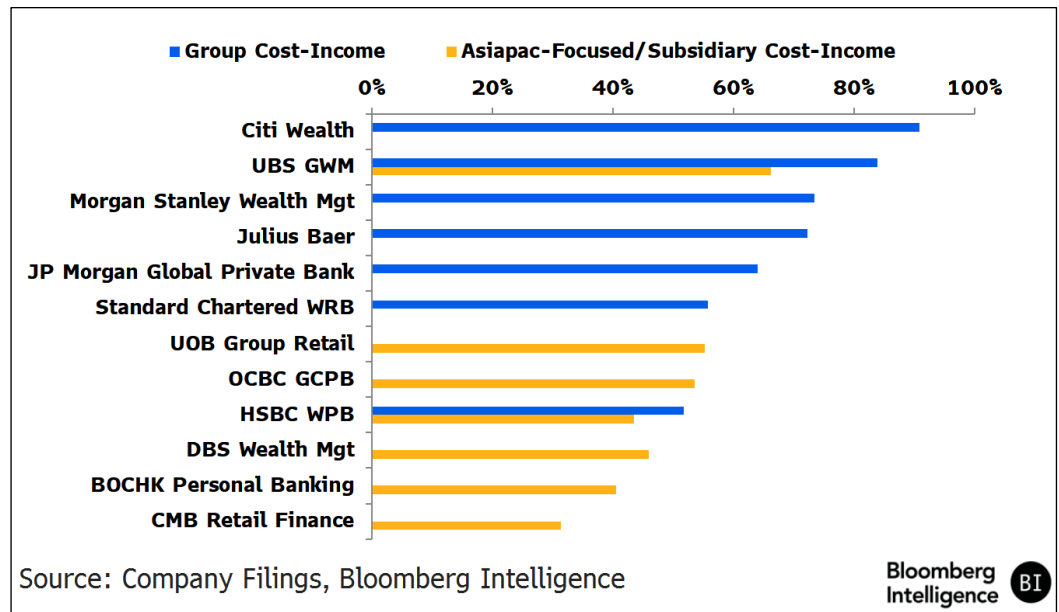


8.1 Asia's Lower Cost-to-Income Than the Rest of the World

Within the footprint of global firms like UBS and HSBC, the 1H cost-income ratio of their wealth units in the Asia-Pacific region was 66% and 43%, far less than the 84% and 52% for their global-wealth business. The cost-income ratios of large Hong Kong- and Singapore-based banks ranged from 41-55% in 1H. China Merchants Bank's retail finance cost-income ratio was even lower at 31%. CMB runs China's largest private bank by AUM but does not disclose its cost-income separately.

Firms are tapping generative AI to boost efficiencies across the value chain, improve client interaction, scale personalization and beef up compliance. In a 2024 study by Accenture, Asia-focused wealth managers' cost-income ratio could drop to 49% from 80% over three years with the help of genAI vs. 74% without genAI.

Figure 24: Global vs. Asia Wealth Firms' Cost Income, 1H



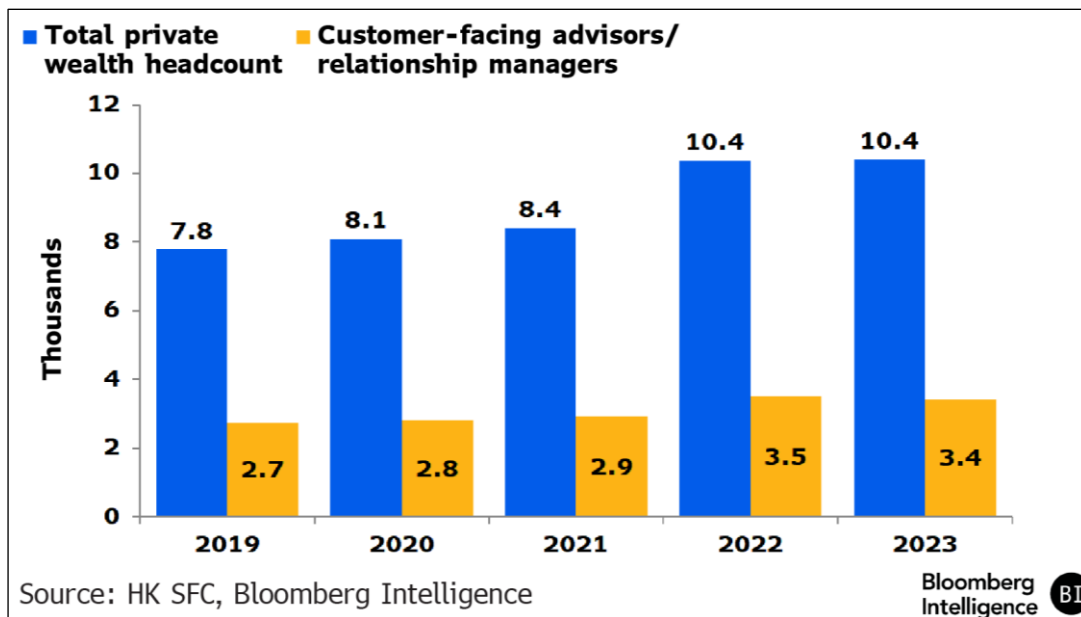
Hiring by Hong Kong's private wealth management industry could pick up after a pause in 2023, in stark contrast with a shrinking investment-banking headcount amid an IPO slump. Private-wealth headcount rose 0.3% to 10,401 in 2023, according to a survey by the SFC, despite a smaller labor force in the finance industry and the city overall. Competition for experienced private-wealth managers could intensify as large companies such as HSBC, Standard Chartered, UBS, DBS and mainland Chinese firms vie for market share in Asia's wealth hub.

HSBC has said the city has a shortage of relationship managers to meet demand and DBS's North Asia business head said in May that the bank planned to increase its private banking workforce in Hong Kong by 25% this year.

UBS' adviser head count in the Asia-Pacific region fell 8% sequentially in 1H and its net new client assets trailed large Hong Kong and Singapore peers. Singapore authorities are tightening anti-money-laundering and sanctions-screening rules. Yet DBS, OCBC and UOB have an edge with Southeast Asia's wealthy and affluent Chinese seeking to move funds further abroad.

BI
More private bankers in Hong Kong despite shrinking labor force

Figure 25: Private-Wealth Head Count in Hong Kong



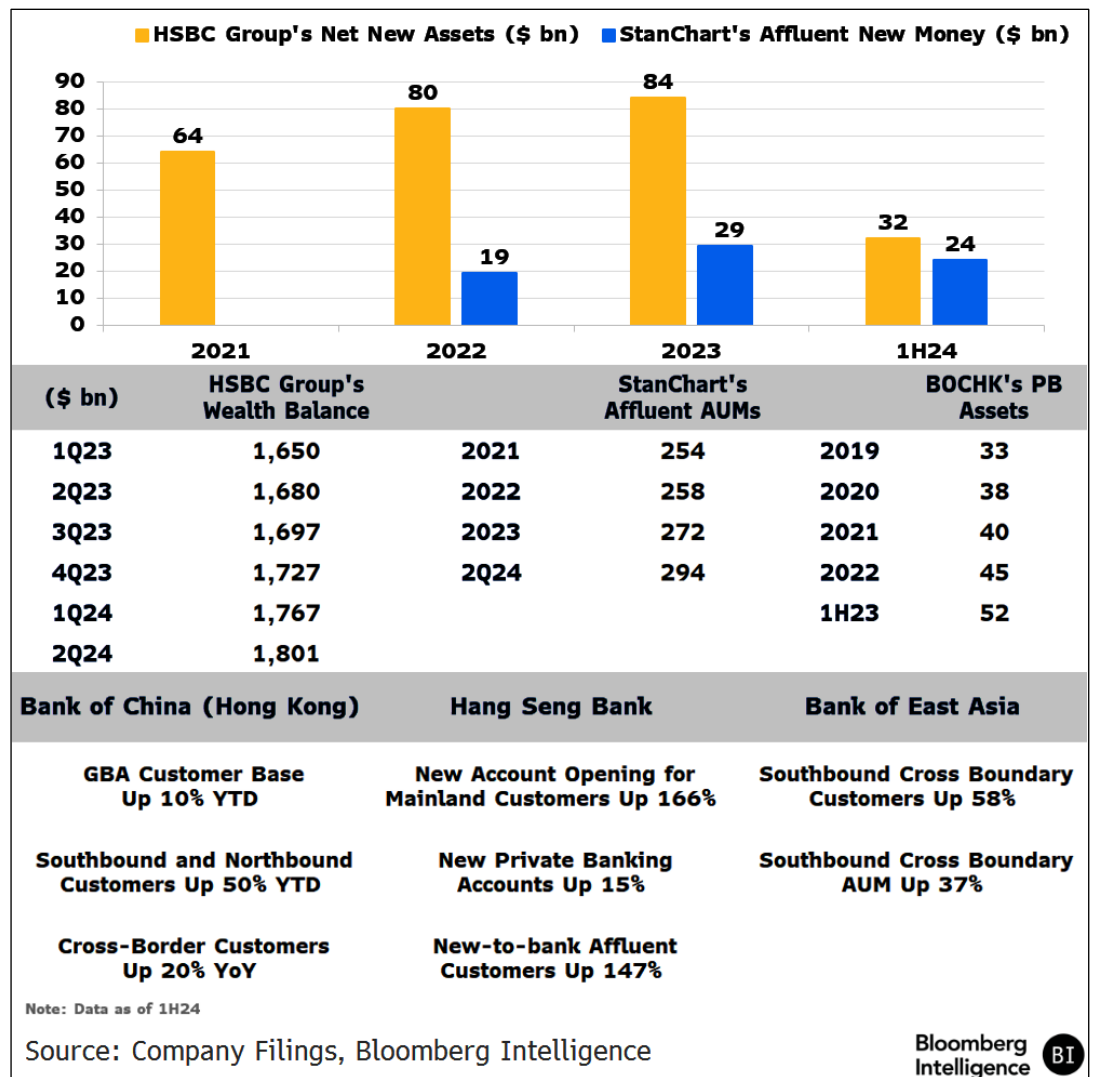
8.2 HSBC, Hong Kong Peers' Retail Edge Over Global Peers

Hong Kong-based lenders like HSBC and BOCHK will likely retain their edge in targeting the lower end of the high-net-worth segment (\$1 million+) and mass affluent segment (\$200,000+), more so than private banking. An influx of wealthy mainland migrants and access to onshore customers who are starting to invest overseas via Hong Kong's unique cross-border financial infrastructure amid Beijing's capital controls could give Hong Kong firms an edge over global peers.

Mainland China's ultra-high-net-worth individuals may already be heavily invested in Hong Kong and have already set up private banking accounts. They will likely continue to diversify their assets abroad, benefiting Hong Kong, Singapore and other wealth hubs. China's common-prosperity push and tax audits might weigh more heavily on this segment.

Of HSBC Group's \$1.8 trillion wealth balance in June, private banking accounted for just \$479 billion, with \$234 billion in Asia. Standard Chartered's affluent client assets totaled \$294 billion, most of which comes from Hong Kong, mainland China, Singapore and South Korea. Its private banking assets reached \$138 billion in Asia in 2023, based on Asian Private Banker. Mainland flows also fuel wealth growth at domestic-focused banks, reflective in BOCHK's Greater Bay Area customers, Hang Seng's non-Hong Kong resident accounts and BEA's cross-border customers.

Figure 26: HSBC, StanChart, Hong Kong Banks' Wealth Business

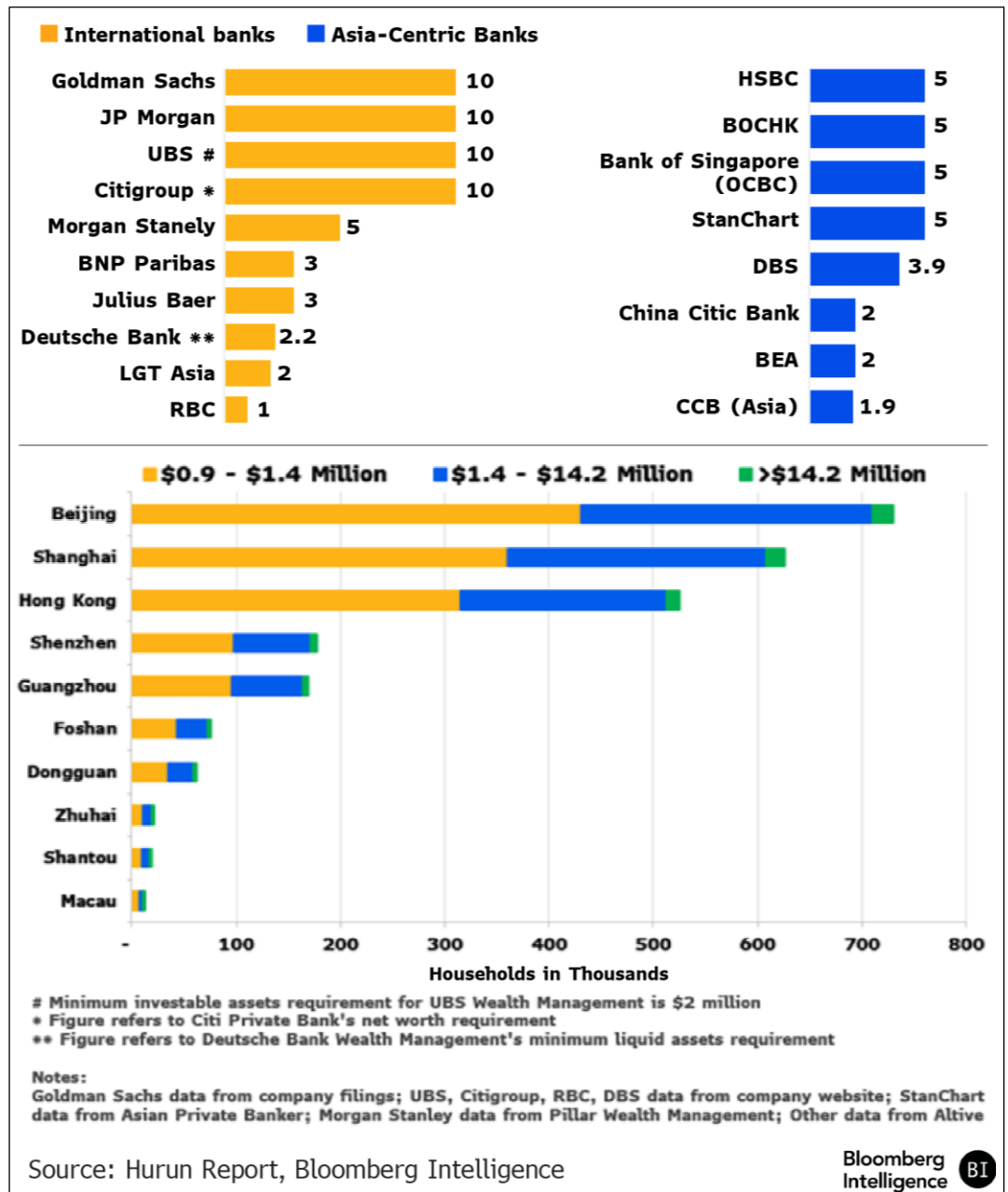


Goldman Sachs, JPMorgan and UBS's private banking businesses require at least \$10 million to get in the door, while some rivals may settle for \$2-5 million. HSBC, BOCHK and other commercial banks with sprawling branch networks in Hong Kong and the mainland are better positioned to draw retail wealth assets. In Beijing, Shanghai and eight Greater Bay area cities, households with assets of \$800,000-\$1.4 million accounted for 58% of the 2.4 million households surveyed by Hurun. Those with assets of \$1.4-\$13.8 million account for 39%.

BI

China's 'Retail Rich' Opportunity

Figure 27: PB Minimum Investable Assets, Affluent Households



UBS, HSBC, JP Morgan, Morgan Stanley, DBS and other global wealth managers -- which operate Asia's largest private banks outside of mainland China -- are vying for fund inflows in Hong Kong. HSBC and Standard Chartered's wealth strategy continues to gain traction as mainland Chinese customers scurry to purchase insurance and wealth products in the city. China's top 20 private banks saw onshore wealth under management rise despite the economic slowdown, according to Asia Private Banker.

Figure 28: Private Banking Asia AUM League

Leading Private Banks in Asia (ex-China Onshore)	2023			Singapore/HK Banks' Total Wealth Mgt Inc Private Bank	2023	
	Asia AUM \$ Billion	Y/Y	Asia As % of Total		AUM \$ Billion	Y/Y
Europe-Centric				HSBC Asia Pacific		
UBS Wealth Mgt (inc. CS)	645	6%	17%	Standard Chartered Affluent	272	5%
Julius Baer	140	4%	28%	DBS	276	23%
LGT	115	16%	42%	OCBC (Inc Bank of Singapore)	199	2%
BNP Paribas Wealth Mgt	80	0%	18%	UOB	133	14%
Deutsche Bank Private Bank	76	8%	23%			
US-Centric				China's Onshore Private Banks		
JP Morgan Private Bank	169	26%	17%	CMB	590	10%
Morgan Stanley Private Wealth Mgt	151	6%	3%	ICBC	433	17%
Citi	140	4%	n.a.	BOC	379	11%
Goldman Sachs Private Wealth Mgt	90	0%	18%	ABC	373	20%
Asia-Centric				CCB	357	13%
HSBC	354	20%	47%	Ping An Bank	270	18%
DBS	201	24%	n.a.	BoCom	164	8%
Standard Chartered	138	0%	n.a.	Citic Bank	145	9%
Bank of Singapore (OCBC)	116	-3%	n.a.	Industrial	120	6%
UOB Private Wealth	94	16%	n.a.	Minsheng	107	7%

Source: Asian Private Banker, Company Filings, Bloomberg Intelligence

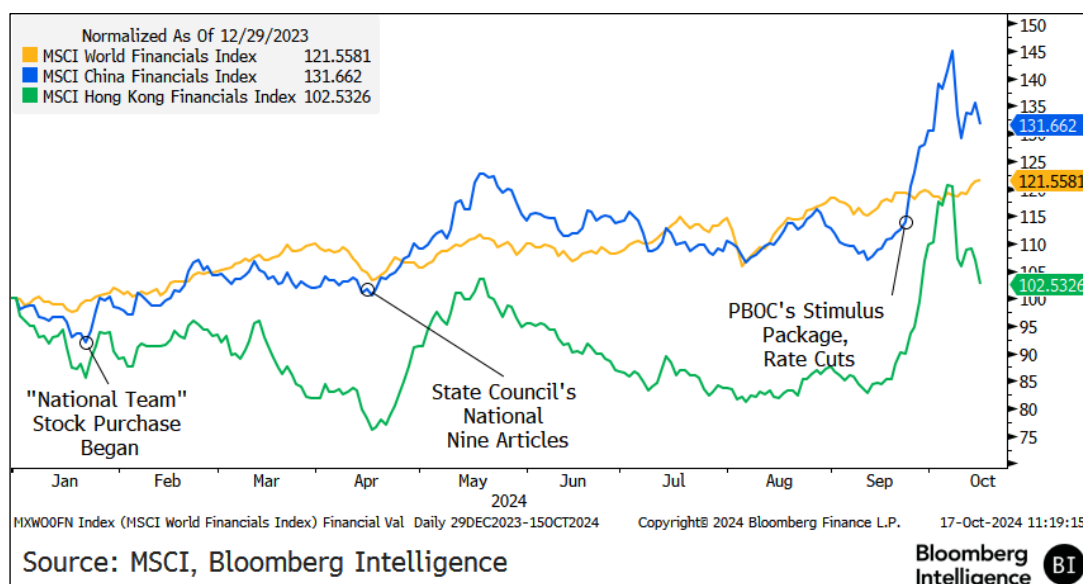
Key challenges may include a lack of clarity on policy direction and regulations, investors' differing appetites, a limited pool of talent with relevant language and skill sets, product knowledge and understanding of the local market, as well as fierce competition with local mainland Chinese firms.

Section 9. Performance and Valuation

China Banks, Insurers, Brokers Outperform Index

Hong Kong financial firms' valuations could hinge on strategic execution to capture cross-border revenue opportunities, while mainland-Chinese peers may depend more on the effectiveness of government stimulus, capital market reforms and their role in helping authorities execute state objectives. Policy-driven rallies of China's property developers could be tactical, given their ongoing structural problems.

Figure 29: Financials Indexes Price Performance



9.1 Performance: Property Developers' Problems

Share price performance of mainland China's financial firms outperformed global peers from Jan. 1-Oct. 15, according to MSCI indexes, boosted by Beijing's supercharged stimulus package in late September and the National Nine Articles in April. Hong Kong-listed peers fared relatively worse partly due to earnings pressure from Fed interest rate cuts and the city's IPO slump.

Insurers, banks and brokerages listed in mainland China outperformed the S&P China A 300 Index by 12-31 percentage points between Jan.1-Oct. 15, likely due to government policy support for capital markets outlined in April and rotation into value-dividend stocks. Beijing's stimulus package announced in late September gave an added boost, especially for insurers and brokers, whose earnings can benefit from better investment return and deeper stock market liquidity. Hong Kong Exchanges & Clearing, which underperformed the Hang Seng Index by 5% between Jan.1-Oct 15, could benefit from stronger cash equities and derivatives trading activity and emerging signs of life for IPOs.

Policy-driven rallies of China's property developers could be tactical. Housing stimulus could be positive for sentiment on China's property developers. Yet, the sector still faces ongoing structural problems as well as substantial difficulties in implementing sweeping measures to bail out the industry. Chinese banks we cover including China Merchants Bank, which runs China's largest private bank, face a further threat of mortgage-rate cuts.

9.2 Valuation: Uncertain Policy Pressures

Figure 30: Valuations of Selected Financial Companies

Ticker	Company Name	Market Cap (\$ Billion)	Last Price (LC)	6M Share Price Perf. (%)	12 Month Forward P/E (x)		12 Month Forward P/B (x)		ROE%	
					24E	25E	24E	25E	24E	25E
Banks										
5 HK	HSBC	158	67.60	8.4	6.9	7.1	0.9	0.9	13.5	12.6
2888 HK	Standard Chartered	27	84.00	29.0	7.1	6.3	0.6	0.5	8.8	8.8
2388 HK	BOCHK	34	25.15	11.0	7.4	7.4	0.8	0.7	11.0	10.5
3988 HK	Bank of China	189	3.77	15.6	4.7	4.6	0.4	0.4	9.3	8.9
3968 HK	China Merchants Bank	135	39.05	23.0	6.3	6.0	0.9	0.8	14.9	14.1
DBS SP	DBS	86	39.40	21.6	10.4	10.6	1.7	1.6	17.1	15.9
OCBC SP	OCBC	52	15.14	10.4	9.1	9.2	1.2	1.1	13.6	12.7
UOB SP	UOB	41	32.36	9.4	9.1	8.9	1.1	1.1	12.9	12.6
UBSG SW	UBS	111	27.66	6.7	21.0	15.0	1.2	1.1	5.2	7.4
JPM US	JPMorgan	630	221.48	21.1	12.2	13.2	1.9	1.8	17.0	14.4
MS US	Morgan Stanley	182	112.28	29.1	16.1	14.6	2.0	1.9	12.2	12.9
Insurers										
1299 HK	AIA	90	63.65	34.7	13.8	12.4	2.2	2.0	14.3	15.6
2378 HK	Prudential	24	67.90	(1.7)	11.4	9.1	1.4	1.3	12.0	14.1
SLF CN	Sun Life	33	78.76	12.6	11.7	10.7	2.0	1.8	17.0	17.6
2628 HK	China Life	140	15.60	74.9	7.4	7.5	0.8	0.7	11.1	10.2
2318 HK	Ping An	133	48.45	59.6	6.3	6.1	0.8	0.8	13.5	12.8
Diversified Financials										
388 HK	HKEX	50	305.80	36.3	31.3	29.6	7.3	7.2	23.4	24.2
6030 HK	Citic Securities	52	19.66	71.0	13.1	11.3	1.0	0.9	7.7	8.5
2611 HK	Guotai Junan Securities	21	10.70	36.8	9.6	8.5	0.5	0.5	6.0	6.5
FUTU US	Futu Holdings	15	106.35	87.3	22.8	18.4	4.1	3.4	18.7	19.7
TIGR US	Up Fintech (Tiger Brokers)	1.0	7.31	129.9	24.5	18.3	2.1	1.8	9.8	12.0
806 HK	Value Partners	0.4	1.73	0.6	23.1	13.8	0.9	0.8	3.9	6.0
Property										
16 HK	Sun Hung Kai	32	86.00	20.6	10.5	10.1	0.4	0.4	3.9	4.0
12 HK	Henderson Land	16	25.15	7.2	11.3	11.9	0.4	0.4	3.3	3.1
BEKE US	KE Holdings	27	22.31	72.3	22.8	19.4	2.4	2.4	8.8	9.3
2202 HK	China Vanke	14	6.71	75.7	n.a.	n.a.	0.3	0.3	(3.4)	0.0

Note: Share prices on Oct. 15, 2024

Source: EQRV<GO>, MODL<GO>, Bloomberg Intelligence

Valuation of Chinese financial firms could hinge on the effectiveness of government stimulus and capital market reform vs. risks as financial intermediaries helping authorities execute policies such as potential contribution to a stock stabilization fund and further mortgage rate cuts. Potential for further M&A within the brokerage sector after Guotai Junan and Haitong's proposed combination could also drive valuations.

Hong Kong lenders including HSBC, Standard Chartered and BOCHK face an uncertain path amid Fed cuts and lingering commercial-property risks, despite benefiting from accelerating

wealth inflows. Prudential and AIA's price-to-embedded value could be supported by expanding new-business profit on strong cross-border sales in their primary market of Hong Kong and robust pension and health insurance needs in mainland China. Hong Kong developers Sun Hung Kai and Henderson Land's steep discount to book valuations could reflect earnings risk from weakness in contracted sales, shrinking margin and interest burden on debt.

Futu Holdings and Up Fintech's price-book multiples may be supported by accelerating customer acquisitions in Hong Kong and other markets outside of mainland China. The worst of China's crackdown on cross-border brokerage services offered by these two online brokers passed in 2023 when regulators clarified that their ban was limited to new onshore mainland customers and didn't affect existing accounts. Valuation of Hong Kong-listed asset manager Value Partners could depend on investment performance and growing cross-border fund distribution as it leverages its shareholder GF Securities.

Section 10. Methodology

Bloomberg Intelligence’s Hong Kong private wealth under management and mainland China’s household wealth allocation calculators provides forecasts out to 2030. The model will evolve due to changing macroeconomic growth and investment return assumptions.

Figure 31: Private Wealth Inflows to Accelerate

Hong Kong's Private Banking and Private Wealth Management Industry, HK\$ Billion	2018	2023	2026E	2030E	CAGR	
					2023E-2026E	2026-2030E
AUM at End of Year	7.6	9.0	12.0	17.6	10%	10%
Annual Net Inflows	0.38	0.34	0.65	0.96		
Implied Annual Investment Performance	(0.57)	(0.28)	0.44	0.64		
Growth					USER INPUT	
Annual Net Inflows as % of Opening AUM	5%	4%	6%	6%	6%	6%
Investment Performance	-7%	-3%	4%	4%	4%	4%
AUM Y/Y	-2%	1%	10%	10%		
Hong Kong's Incremental AUM From Mainland China:						
Mainland China Total Personal Overseas Investments*	11.4	26.2	41.8	73.1	17%	15%
% of Mainland China's Personal Overseas Investments Flowing to HK			10%	10%	10%	10%
As % of HK's Opening Private Banking and Wealth AUM			5.3%	6.0%		
*Adjusted to HK\$ Based on Historical and Forward Exchange Rates						
Source: Source: BI Scenario Based on Data from HKSF, China Merchants Bank and Bain						

BI’s default Hong Kong’s private wealth AUM scenario assumes net inflows accelerate to an average of 6% of opening AUM in 2024-30, more than the 5.3% average in 2018-23, which was suppressed by anti-government protests and emigration during the pandemic, and annual investment returns of 4%.

Figure 32: China's Household Wealth Allocation: Our Scenario

RMB Trillion	2018	2023	2024E	2025E	2026E	2030E	CAGR		
							2018-2023	2023E-2026E	2026-2030E
Mainland China's Total Personal Investable Assets*	189	310	337	371	405	568	10.4%	9.4%	8.8%
Cash and Deposits	80	134	148	163	178	242	11%	10%	8%
Money Market Funds	8	11	15	15	16	22	8%	12%	9%
Inv. Property	38	50	46	50	55	69	6%	3%	6%
Public Funds ex. MMF	4	12	15	16	17	26	23%	12%	11%
Stocks	7	16	17	20	22	33	18%	12%	11%
Bonds	4	11	12	14	16	24	20%	12%	11%
Bank Wealth Mgt Products	21	27	28	30	32	40	5%	6%	6%
Life Insurance	12	18	20	22	24	34	9%	10%	9%
Other Domestic	5	7	8	9	9	13	6%	8%	8%
Overseas Investment	10	24	28	32	37	65	19%	16%	15%
Mix							USER INPUT		
Cash and Deposits	42%	43%	44%	44%	44%	43%			
Money Market Funds	4%	4%	4%	4%	4%	4%			
Inv. Property	20%	16%	14%	14%	14%	12%			
Public Funds ex. MMF	2%	4%	4%	4%	4%	5%			
Stocks	4%	5%	5%	5%	5%	6%			
Bonds	2%	4%	4%	4%	4%	4%			
Bank Wealth Mgt Products	11%	9%	8%	8%	8%	7%			
Life Insurance	6%	6%	6%	6%	6%	6%			
Other Domestic	3%	2%	2%	2%	2%	2%			
Overseas Investment	5%	8%	8%	9%	9%	11%			

* Excludes own home

Source: BI Scenario Based on Data from AMAC, PBOC, China Merchants Bank, Bain, SSE, SZSE, BSE, ADB, ChinaWealth

We assume mainland China's total personal investable assets grow at 9% CAGR in 2023-30. The growth rate of each type of investment accounts for our estimates, consensus macroeconomic forecasts and results of a 2023 survey by China's largest private bank, China Merchants Bank and Bain & Company.

Growth rates for cross-border wealth AUM are based on data from Boston Consulting Group for wealth hubs outside of Asia. BI's growth assumption of 9% both Hong Kong and Singapore is higher than BCG's 6% forecast for Hong Kong and slightly more than BCG's 8.5% estimate for Singapore, reflecting recent policy initiatives and data on private bank's wealth inflows.

We assume Hong Kong household wealth assumes growth resumes to a pre-pandemic 7.5% between 2023-30 and the city's deposits grow 4.2% growth with substantial contributions from mainland Chinese residents.

Section 11. Company Impacts

Financial Firms' Differing Strategies, Fortunes

Hong Kong's banks, insurers, asset managers, brokers and exchange are poised to benefit from wealth inflows into the city over the next several years. Companies will need to form strategies to play to their strength in tapping clients across the onshore and offshore wealth spectrum.

11.1 HSBC \$600 Billion Platform May Drive 10% CAGR



54%

of wealth and personal banking international revenue comes from Hong Kong

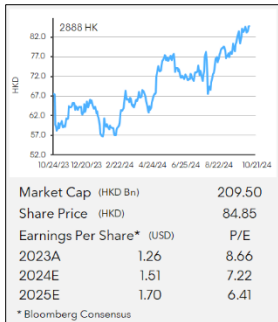
\$209 Billion

of private banking AUM in Asia

Company Outlook: HSBC's investment case is predicated on maintaining a balance between investment, growth and efficiency, with key objectives of new CEO Georges Elhedery including better non-rate income-generation capacity and operating leverage. A further lowering of sensitivity to interest-rate cuts bodes well for HSBC's prospects, likely underpinning new mid-teens ROTE guidance for 2025. HSBC is well capitalized (15% CET1 in 2Q vs. the 14-14.5% target range), but further buybacks and cash payouts have become increasingly less of a driver for the shares. HSBC's about \$600 billion of client assets (2Q) across the wealth spectrum, from mass affluent to ultra-high-net worth clients, ranks its second to UBS in Asia, and this business could grow as it seeks to diversify revenue amid expected global monetary easing. The management of China's relationship with the West could remain challenging.

Wealth Hub Impact: HSBC's dominance in Hong Kong remains a powerful lever to wealth growth. Hong Kong contributed 54% of the \$5.4 billion in group wealth and personal banking's international revenue in 1H. New customers reach 345,000 in Hong Kong, 77% more than in 1H23. Private banking AUM reached \$209 billion in Asia. As the city's largest banking group, HSBC is well positioned to tap a broad base of mainland Chinese retail investors awaiting allocation offshore, which makes more sense amid Beijing's capital controls.

11.2 Standard Chartered Could Beat 2026 Wealth Targets



33%

of retail and wealth revenue from Asia

\$138 Billion

of private banking AUM in Asia

Company Outlook: Standard Chartered's expanded price-to-book multiple -- to above 0.5x from as low as 0.4x -- suggests it can achieve 12% return on tangible equity guidance for 2026, with 12.3% baked in by consensus. The UK lender's priorities remain balance-sheet efficiency, cost management and capital returns; its recent business shift ensures revenue sensitivity to inevitable rate cuts is lower. The wealth business is a key growth driver and a timely cost refocus critical to keeping 2024-26 operating jaws positive. Some \$2.7 billion of shareholder returns announced to date and robust CET1 capital at 2Q make the more than \$5 billion returns target in 2024-26 look easy.

Wealth Hub Impact: Standard Chartered's investments in wealth management have helped the business' AUM reach \$294 billion in 2Q, making it the third largest Asia wealth manager. Some \$23 billion in net new money year-to-date is equivalent to 16% annualized growth in AUM, with affluent new-to-bank clients increasing above 60,000 on a quarterly basis in the past 12 months. That should help sustain growth momentum, with the wealth unit's revenue momentum up 27% in 2Q. Private banking AUM reached \$138 billion in Asia. The bank's Asia footprint should help capture cross-border flows in the region and deliver or even exceed its 2026 wealth-management growth targets. The unit is about a third of StanChart's retail and wealth division, and consensus' 4-5% revenue growth estimate for the division in 2025-26 may underestimate its potential.

11.3 BOC Hong Kong's Promising Earnings Growth



40%

Rise in southbound, Chinese customers this year to date

70%

Increase in Greater-Bay Area customer base in 2023

Company Outlook: BOC Hong Kong's earnings growth could reach double digits in 2024 after finishing 1H with a 18% gain, powered by resilient revenue trends and stable asset quality. Net interest margin could be upheld by higher returns from debt securities holdings and capped deposit costs in 2H, despite falling Hibor and loan yields. Card fees may recover on a steady domestic economy, while cross-border wealth business is also a fee driver. Its nonperforming-loan ratio stayed largely flat at 1.06%, with little loan-quality threat from Hong Kong's commercial property downturn. Credit costs stand a chance of beating consensus for full-year 2024 after 1H's HK\$2.1 billion charges. Revenue pressure may loom larger in 2025, when the Fed likely accelerates rate cuts.

Wealth Hub Impact: BOC Hong Kong is the second largest banking group in the city, only behind HSBC Group including Hang Seng Bank. Its sprawling branch network and status as Bank of China's subsidiary have well positioned it to capture wealth flows from mainland citizens. Its Greater Bay Area customer base surged 70% last year, with wealth connect customers up 80%. BOCHK acquired 200,000 new cross-border customers in 2023. BI estimates its private banking AUM at about \$50 billion.

11.4 DBS Well Positioned for Hong Kong, Singapore Flows



\$396 Billion
of wealth AUM

24%
of revenue from Greater China

Company Outlook: DBS could see fee income rise through 2025 on tailwinds from more wealth AUM and as it continues to build its private-banking and family-office offerings. With S\$396 billion assets managed at the end of 1H, generating a 24% rise in wealth-management-fee income to S\$1.05 billion. Founded as the Development Bank of Singapore, it can leverage the country's easy access to diverse investment opportunities and has launched the first bank-backed digital-asset-trading service. It leads local peers OCBC and UOB.

Wealth Hub Impact: With 62% of its revenue from Singapore, 15% from Hong Kong, 9% from the rest of Greater China, and 7% from the rest of South and Southeast Asia, DBS is well positioned to capture wealth flows, although it lacks global connectivity. If its wealth assets were to rise by 10%, including the consequential rise in private-equity deals, its overall revenue could increase by 6-8% we estimate.

11.5 HKEX's Earnings Leveraged to Market Activity



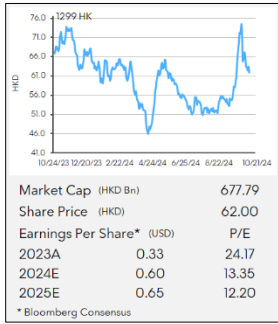
6%
incremental profit for every 10% rise in securities turnover

11%
revenue contribution from the Stock Connect

Company Outlook: Hong Kong Exchanges & Clearing's earnings growth may be fueled by robust stock and derivatives trades as well as greater activity via cross-border programs. IPO capital raised showed signs of life in 3Q after falling to a 16-year trough in 1Q, and could continue to accelerate as more Chinese firms pursue dual-primary status to participate in the southbound Stock Connect. Investment income might benefit from larger margin fund balances despite US Fed rate cuts. Commodities revenue from the London Metal Exchange could gain from metal-price volatility.

Wealth Hub Impact: Beyond the stimulus-led rally since late September, HKEX's cash-equities and equity-derivatives revenue is likely to be supported by growing demand for cross-border access. Mainland investors' southbound buying of Hong Kong shares will be fueled by diversification needs, expansion of the program's scope, H shares' discount to A shares and more dual-primary listed companies in Hong Kong, which are eligible for inclusion in the link, like Alibaba. Every 10% rise in average daily turnover for Hong Kong and the Stock Connect vs. our scenario could lift HKEX's 2025 profit by another 6%.

11.6 AIA's New-Business Value Robust on China Sales



15%

Growth in new-business value next year

60%

of embedded value from Hong Kong and mainland China

Company Outlook: AIA's new-business value may rise by 15% or more in 2025, boding well for contractual service margin and operating profit after tax. These and its robust capital position should support acquisition plans, dividends and share buybacks. Strong demand for Hong Kong's participating and savings products from mainland visitors would continue to be the key NBV driver, while onshore sales in mainland China could be buoyed by geographical expansion and product launches. While its Singapore and Malaysia units are capturing strong high-net-worth segments demand, protection products and unit-linked policies continue to resonate well with customers in Thailand.

Wealth Hub Impact: Strong demand for insurance products by mainland visitors will continue to be the key driver of AIA's new business value growth in 2025, as close to half of its group NBV come from mainland customers (onshore and offshore). The insurer's sales agency force also benefits from an influx of middle-income class migrants as they're not only potential customers, but can also join as sales agents.

11.7 Citic Securities' Scale Supports Offshore Expansion



Over 14 Million

retail clients in China

15%

pre-tax profit contribution from Hong Kong unit CLSA

Company Outlook: Citic Securities, China's largest securities firm, could leverage its scale as authorities push for two to three investment banks to compete on the global stage. Profit at the Hong Kong unit CLSA might benefit from strong demand for wealth-management products and a pick up in deals in the city, while cost controls stay tight. The company could prioritize expansion in Southeast Asia and Middle East. Inflows into China AMC, its public funds unit, may offset revenue pressure from regulatory fee caps. Investment banking fees could fall as authorities stay cautious on approving onshore IPOs.

Wealth Hub Impact: CLSA, Citic Securities' Hong Kong headquartered subsidiary, contributed 15% to the group's 1H pre-tax profit, one of the highest among H-share brokerage peers. Its Hong Kong business could benefit from the company's vast client base in mainland China and strong standing with regulators. The broker was reported to be among the first batch of 10 securities firms selected to participate in Wealth Management Connect. Securities firms were added to the list of eligible market participants to distribute products as part of enhancement made under WMC 2.0 implemented in February.

11.8 Sun Hung Kai Could Draw More Mainland Homebuyers



HK\$25 Billion

Hong Kong sales target in fiscal 2025 ending June

2.6 Million sq ft

Total gross floor area of office space in International Gateway Centre

Company Outlook: Sun Hung Kai Properties could maintain its lead in Hong Kong's home sales, thanks to its sizable land bank and diversified product mix to attract demand from mainland Chinese. Potential mortgage-rate cuts might help the developer to exceed its contracted-sales target of HK\$25 billion in fiscal 2025 ending June. It may be positioned to take advantage of rising office demand in West Kowloon to support rental growth, having secured UBS as its new project's pioneer anchor tenant in 2026.

Wealth Hub Impact: Demand for Sun Hung Kai's Hong Kong luxury homes could hinge on a potential resurgence in mainland Chinese buyers following February's removal of extra stamp duties for non-locals, particularly those ultra-high net worth individuals with ample liquidity who could be willing to buy amid falling home prices. Its new commercial project named International Gateway Centre (IGC) atop the High Speed Rail West Kowloon Terminus could attract solid office leasing demand from wealth managers, family offices and mainland Chinese firms.

11.9 Vanke's Liquidity Risk Rises With China Property Crisis



104 Billion Yuan

of debt maturing through mid-2025

180 Billion Yuan

in January-September sales, China's third-largest developer

Company Outlook: Vanke's solvency in 2025 and 2026 could be increasingly at risk of an unrelenting sales slide, with a step-up in policy support ineffective in boosting consumer sentiment amid structural challenges in the Chinese housing sector. The developer's contracted sales could be poised for an extended slump as weakening cash flow sabotages its project pipeline while buyers' weariness of private developers' presales poses roadblock to a sales recovery.

Wealth Hub Impact: Fear of catching a falling knife amid a persistent downturn in China home prices is set to deter investment demand for properties, whether in the mass market or luxury segment. A bleak outlook for jobs and the economy threatens to pose hurdles to demand for first homes and upgrades.

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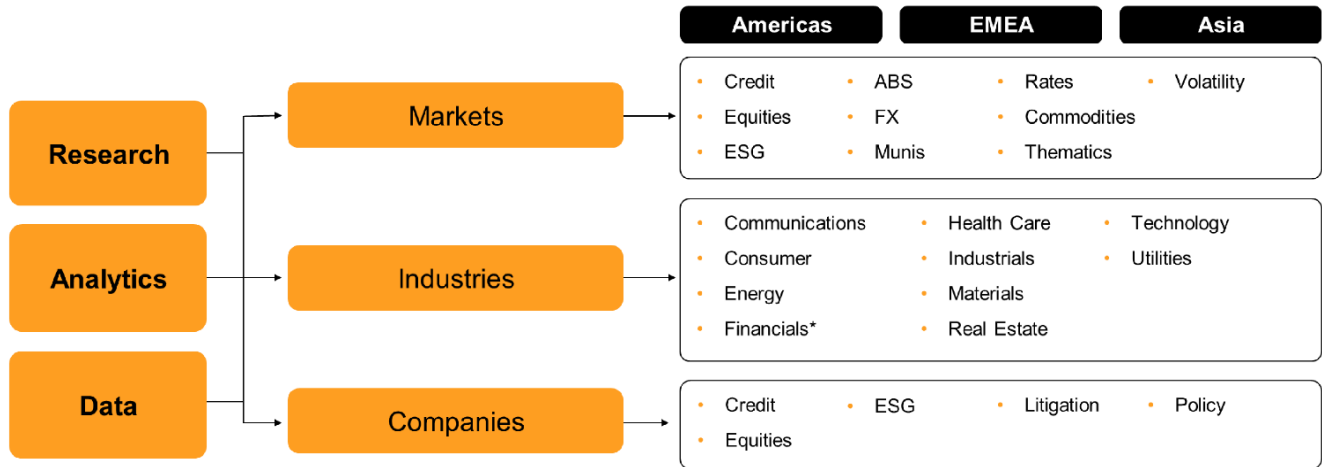
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