YOUR FINANCES AND ALL THAT MATTERS TO YOU

Liquid

BY HSBC BANK MALAYSIA BERHAD

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OFF THE CUFF

Marching Ahead Into 2019

It's amazing how time flies! It feels like only yesterday that I arrived in this amazing country to take on my new role as Head of Retail Banking and Wealth Management at HSBC Malaysia. And already, the year has come to an end.

For me, personally, the past few months have been invigorating and exciting as I settled into calling Malaysia home while learning about our business, and most importantly about you – our customers – here in Malaysia.

Looking back, I think most would agree that 2018 has had its share of ups and downs. While hopes were high for the global economy to perform strongly at the start of the year, things have taken a downward turn since the US-China trade tensions escalated. Coupled with higher US interest rates and a stronger US Dollar, global economies started to feel the pinch as the year progressed. So we take a look at the year that was, and look ahead to what 2019 might hold for the global economy and potentially your investments.

With the US-China trade war escalating and possibly having a major impact on how the world economy may fare in 2019, we are also following up with an update on the situation, and the spill over effect the trade war may have on the global markets – and more specifically on the Malaysian economy.

While we may head into 2019 with questions hanging over our heads about the state of the global economy, I am very much upbeat about the prospects the year ahead could bring. I look forward to working together with the great team here in Malaysia to continue to gain a better understanding of your needs, and putting you first to help you achieve your financial and life goals.

I look forward to the opportunity to meet some of you during my time here to get to know you, and also learn about what we can do better to help elevate your experience with HSBC.

Enjoy the holiday season and happy reading!

Tara Latini
Country Head
Retail Banking and Wealth Management

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The State of the World

As 2018 draws to a close and we look ahead to 2019, it's time to take stock of the ups and downs the global economy went through this year and what next year may hold for the world and your investments.

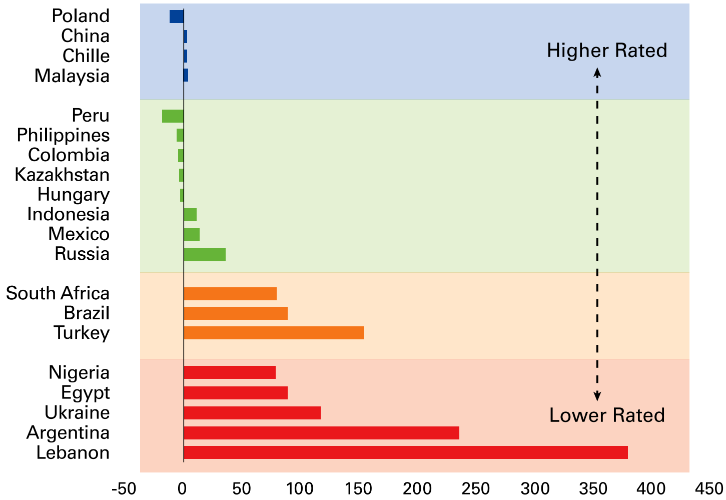
A decade removed from the global financial crisis that shook markets and sent the world into a tailspin, it would appear that the global economy is going strong.[1]

While the world economy might not hit the 3.9% growth rate for 2018 and 2019 as projected by the International Monetary Fund (IMF) in early 2017, it is still expected to achieve steady growth through 2018 and 2019 at 3.7% – exceeding the growth achieved in any of the years between 2012 and 2016 – as many economies have reached or are nearing full employment and as earlier deflationary fears have dissipated.[2]

But we shouldn't rest easy as there could be clouds over the horizon with global expansion reaching a plateau.[1] According to the IMF's Global Financial Stability Report published in October 2018, short-term risks to the financial system have increased somewhat over the past six months – with escalating trade tensions, increased policy uncertainties in a number of countries, and financial market pressures starting to put the squeeze on some emerging market economies.[1]

Costlier credit

The stronger dollar and higher US interest rates have made overseas borrowing more expensive for emerging markets, especially those with lower credit ratings. (change in foreign currency spreads, in basis points, since mid-March)



Visual sourced from World Economic Forum, Ten years after the financial crisis, the global economy is stronger but vulnerable, 10 October 2018. No specified date provided.

A bumpy 2018

Strong and synchronised global growth in 2017 offered hope for more of the same in 2018.[3] Alas, 2017 has given way to a weaker and more varied picture in 2018 and as we head into next year.[3]

Economic growth may have remained robust in the United States in 2018, but signs of deteriorating momentum have emerged in much of the rest of the world since the start of the year.[3] Cyclical indicators point to slower and more uneven growth in the global economy for the rest of 2018 and into 2019.[3]

The biggest economic story of 2018 has probably been the escalating global trade tensions – particularly between the United States and China – which has kept financial markets on edge.[4] The IMF has warned that global economies are going to suffer from the US-China trade clash, saying in a statement in October 2018 that while global growth currently remained "steady", the risks are "increasingly skewed to the downside amid heightened trade tensions and on-going geopolitical concerns." [5]

The west's leading economic think-tank, the Organisation for Economic Cooperation and Development (OECD) has also expressed its concern about the effects of the protectionists measures imposed since the start of 2018.[6] "Global trade growth slowed in the first half of 2018, with trade tensions already having adverse effects on confidence and investment plans," said OECD.[6] It added that increased trade tensions and uncertainty about trade policies were a "significant source of downside risk to global investment, jobs and living standards." [6]

Beyond escalating trade tensions, the US has also had a role to play in the increasing pressures on emerging market economies in 2018.[1] The stronger US Dollar and higher US interest rates have made overseas borrowing more expensive for emerging markets, especially those with larger credit needs and weaker economic conditions or policy frameworks.[1]

Growth has proven to be less balanced than hoped in 2018.[2] Not only have some downside risks that the IMF's last World Economic Outlook report been realised, the likelihood of further negative shocks to the organisation's growth forecast has risen.[2]

Headwinds in 2019

As we look ahead to 2019, several key factors will likely influence how the global economy performs.

The US-China trade standoff looks set to continue. Tensions have soared recently with US President Donald Trump's administration rolling out billions of dollars in new tariffs against China.[5] And the US's hard line approach seems likely to remain with US Treasury Secretary Steven Mnuchin downplaying global concerns expressed by the IMF.[5]

Pushing back against growing global unease over the US-China trade fight, Mnuchin said pressuring Beijing into adopting more open trade policies would be good for all.[5] However this sentiment is not necessarily shared by others who worry that the trade conflict will be bad for all economies including the US, China, Asia and the rest of the world.[5]

In addition, if growth in the US continues at a robust pace buoyed by a pro-cyclical fiscal package and drives US interest rates and the US Dollar higher[2], pressures on emerging market economies would possibly broaden and intensify leading to increased financial

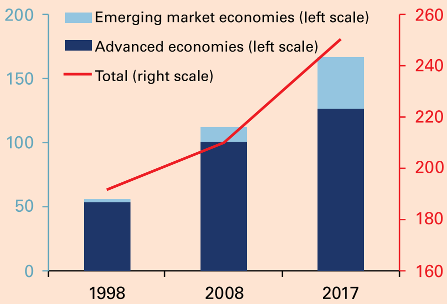
…a better solution is to maintain a long-term view of your investment…

stability risks.[1] Analysis suggests that in the medium term, there is a 5% probability that emerging market economies will experience portfolio debt outflows of US$100 billion or more – a level similar in magnitude to outflows experienced during the global financial crisis a decade ago.[1]

There are other potential factors that could cause a sharp rise in stability risks as we look ahead.[1] These include a broader escalation of trade tensions, a no-deal Brexit, renewed concerns about fiscal policy in some highly indebted Euro area countries, and a faster-than-expected normalisation of monetary policy in advanced countries.[1]

Due to potential rising risks, the IMF has downgraded the projected 2019 growth in advanced economies by 0.1% including downgrades for the Euro area, the United Kingdom and Korea.[2] The negative revisions for emerging and developing economies are more severe at 0.4% for 2019.[2]

Borrowing binge
Debt owed by governments, companies and households has risen sharply since the crisis. (trillion of dllars, percent of GDP)



Visual sourced from World Economic Forum, Ten years after the financial crisis, the global economy is stronger but vulnerable, 10 October 2018. No specified date provided.

The revisions for emerging markets are geographically diverse, however, encompassing important economies in Latin America (Argentina, Brazil and Mexico), emerging Europe (Turkey), South Asia (India), East Asia (Indonesia and Malaysia), the Middle East (Iran) and Africa (South Africa).[2] Broadly, the IMF sees signs of lower investment and manufacturing, coupled with weaker trade growth.[2]

The investing conundrum

So what do you do as an investor in such times of uncertainty?

It is natural to get spooked and start questioning your investment strategies during volatile times.[7] However, it is important to realise that market volatility is inevitable – it is the nature of markets to go up and down.[7] Trying to time the market is difficult, so a better solution is to maintain a long-term view of your investments and ignore the short-term fluctuations.[7]

Staying invested in times of market volatility may seem counterintuitive, but it may potentially insulate you from losses associated with trying to time the market.[8] It is almost impossible to time the top to determine when to get out, and just as difficult to recognise the bottom and when to get back in and invest again.[8] Attempting to time your investment moves in tandem with market fluctuations rather than staying the course can further increase your losses during these volatile times.[8]

Taking a contrarian view, market volatility can create opportunities, which you can use to your advantage as an investor.[8] Volatility can provide discounted entry points for investors whose time horizon and investment strategy is long-term.[8] In effect, you will be lowering the dollar-cost averaging of your investments.[8]

It is also a potential opportunity to invest in assets you may have on the sidelines, and liquidate and redeploy underperforming assets to put your money to work while the opportunities present themselves inline with your risk tolerance and overall long-term investment portfolio strategy.[8]

Seeking out opportunities

Amidst volatility and potential downside risks in the market, there are still opportunities for investors.

…Asian emerging markets have been resilient economically compared to other emerging economies…

Although emerging markets and developed economies are facing headwinds, HSBC Global Asset Management believes emerging market fundamentals remain robust and the global growth story is still intact.[9] HSBC Global Asset Management expects periodic weakness to create opportunities to target undervalued "bright spots" in emerging market assets.[9]

There has been a clear loss of economic growth momentum in emerging market countries in 2018, but the deterioration has not been uniform across the emerging market space according to HSBC Global Asset Management.[10] Asian emerging markets have been more resilient economically compared to other emerging economies, and corporate earnings have also been stronger in Asia compared to Latin America.[10] Meanwhile, there have been signs of weakness in other emerging markets outside of Asia including a deteriorating trend in Latin America growth.[10] Expected interest rate hikes from the US Federal Reserve and the expected end of quantitative easing in Europe will likely reduce global liquidity, which presents bigger downside risks to economies with weaker fundamentals.[10]

As a result, HSBC Global Asset Management has downgraded emerging market equities from overweight to neutral, but remain overweight on Asian emerging market equities (ex-Japan) on the back of comparatively robust economic growth in the region compared to other emerging markets like Latin America, and better structural characteristics.[10] HSBC Global Asset Management is also overweight on emerging markets local currency bonds with the belief that prospective returns remain relatively attractive including returns on offer from emerging markets currency exposure.[10]

Beyond that, HSBC Global Asset Management remains overweight on developed Asian equities including markets like Japan, Singapore and Hong Kong. Prospective returns are attractive, valuations are favourable and corporate earnings growth remains strong.[10] Relative valuations for Japan is particularly attractive whilst policy is supportive.[10] Large corporate cash reserves provide firms with the scope to boost dividends or engage in stock repurchases. The trend in earnings growth remains positive as well.[10]

Elsewhere, HSBC Global Asset Management sees opportunities in European[11] and global equities.[10] European equities look very attractive on a relative basis as they have been underperforming their developed market peers due to reduced growth momentum, tighter financial controls, higher inflation and geopolitical/trade-induced volatility.[11] Having seen the largest outflows of any region in recent months, Europe has been neglected and has become increasingly undervalued.[11] HSBC Global Asset Management believes the macroeconomic environment in Europe remains supportive for relatively uniform earnings growth over the next 12 months as we move into 2019.[11]

Based on current valuations, investors can potentially benefit from global equities as the current macroeconomic backdrop remains supportive for risk assets and the corporate sector continues to be robust.[10] In what can be seen as a positive sign for the asset class, global equity markets edged up in September 2018 with investors broadly shrugging off escalating trade tensions between the US and China.[10] HSBC Global Asset Management believes global equities still offer attractive rewards amidst the risks to the global growth outlook.[10]

To learn more about where the global economy and markets may be heading in 2019, and how you can position your investments to potentially take advantage of the market ups and downs, speak to your Relationship Manager today.

Sources: 1 World Economic Forum, Ten years after the financial crisis, the global economy is stronger but vulnerable, 10 October 2018. **2** World Economic Forum, The IMF has a warning about global growth, 10 October 2018. **3** Reuters, Global economic outlook is darkening: Kemp, 14 August, 2018. **4** CNBC, US and China could soon prompt a 'big slowdown' in global growth, former bank regulator warns. **5** Channel News Asia, 'Window of opportunity narrowing' on global growth: IMF, 14 October 2018. **6** The Guardian, Global economic growth has peaked, warns OECD, 20 September 2018. **7** Investopedia, Tips for investors in volatile markets, 30 January 2018. **8** CNBC, How investors can take advantage of market volatility, 3 April 2018. **9** HSBC Global Asset Management, Where there is volatility, there is opportunity, August 2018. **10** HSBC Global Asset Management, Investment Monthly: Within EM equities, Asia remains a positive story, 2 October 2018. **11** HSBC Global Asset Management, Europe Insights: ECB on track for a cautious normalisation, September 2018.

The 21st Century Cold War

What started out as a tit-for-tat game of dare between US President Donald Trump and China has turned into a full-blown trade war. As the two economic powerhouses go at each other, the rest of the world is hoping with baited breath…

So, it has come to pass.

US President Donald Trump's tough talk and pledge to renegotiate trade relations with China and correct the growing trade deficit between the two countries by levying high taxes in speeches stretching back to his 2015 presidential campaign has become a full-blown trade war between the United States and China.[1]

How did we get to this point?

The US took the first step when Trump imposed tariffs on solar panels and washing machines on 22 January 2018.[1] China, which produces 65% of the world's solar modules, did not receive the decision well.[1] Next, on 1 March 2018, Trump raised import taxes on steel and aluminium by 25% and 10% respectively.[1] While only 6% of US imports come from China, Beijing issued a strong warning that it would take proper measures to safeguard its legitimate rights and interest.[1]

On 2 April 2018, China hit back with tariffs on US$2.4 billion of US exports to China matching the US tax on Chinese steel and aluminium imports.[1] The Trump administration reacted immediately on 3 April 2018 by announcing possible tariffs on US$50 billion worth of Chinese imports.[1] At that time, some still held hope that US and China would find room at the negotiation table to reach an agreement before a full-blown trade war materialised.[2] But it wasn't to be.

CHINA-US TIT FOR TAT:

A CHRONOLOGY OF THE IMPOSITION OF TARIFFS SO FAR...

Jan 23

The US imposes 30% tariff on foreign solar panels, to be reduced to 15% after four years. China is the world's largest producer of solar panels. It also announced tariffs of 20% on the first 1.2 million units of washing machines imported during the year.

March 23

US imposes new tariffs on US$3 billion of steel and aluminium imports from China.

April 2

China retaliates with new tariffs on 128 categories of products, including pork, fruit and nuts, steel pipe for the oil industry, and ethanol, worth US$3 billion.

June 15

US Imposes 25% tariff on US$50 billion worth of Chinese goods, mostly industrial products.

June 16

China retaliates with 25% tariff on US$34 billion worth of US goods, including soyabean, beef, whiskey and off-road vehicles.

Sept 17

US announces 10% duties on US$200 billion worth of Chinese imports, starting Sept 24, rising to 25% next year.

Sept 18

Beijing slaps new tariffs of between 5% and 10% on US$60 billion worth of American goods.

Source: The Edge Malaysia Weekly, The 21st century cold war, 1-7 October 2018

After a couple of rounds of trade negotiations, the latest being held at the end of August 2018, US and China have made no progress in resolving the dispute.[3] In fact, the US slapped China with another US$200 billion in new tariffs starting on 24 September.[4] Add to that the US$50 billion of tariffs the US had already imposed on Chinese imports, and the total US tariffs on imported Chinese goods now stands at US$250 billion.[4] For its part, China has imposed tariffs on almost US$100 billion worth of US exports to China.[4] So, the trade war is in full swing.

A global contagion

The consensus is the trade war is not only bad for the US and China, but it will also adversely affect the rest of the world through supply chains and financial markets.[5] While experts have been able to put solid work into gauging the potential effect of the trade war on US and China, predicting the contagion impact on the rest of the world has been more difficult.[5] For example, which countries would be worst affected by the trade war?[5] What is the nature, scale and breadth of the spill over?[5] Does every country stand to lose?[5]

China holds an important position in the global supply chain.[5] It is linked to the manufacturing of many products that have been, or will be, hit by the US tariffs.[5] Based on China's customs data, over 30% of the country's total exports in 2017 were processed and assembled products that incorporated inputs and components from other countries.[5] This means even though the final goods may have been labelled "Made in China," the profits were not made by Chinese producers alone.[5]

Take electronic products, for example, which rely heavily on the global supply chain.[5] Over 40% of the added value in mainland China exports can be traced to external partners, including technology leaders in Asia like Japan, South Korea, Taiwan and Singapore, which are important creators of the value embedded in China's exports around the world.[5]

This interconnectedness means that the impact of the trade war will be contagious.[5] As Chinese exports to the US decline, the country's import of components and inputs from other partners will drop in tandem, potentially sending shock waves through global production lines.[5] Japan, South Korea and Taiwan appear most vulnerable, by dollar amount.[5] But in terms of gross domestic product, Singapore looks to be the most exposed to the fallout of the trade war, followed by Taiwan, Malaysia, South Korea and Vietnam.[5]

Assuming 25% tariffs on US$250 billion of Chinese goods, the direct impact on the partner economies could range from about 0.2% of GDP for South Korea to over 0.6% for Singapore.[5] While Asia will bear the worse of the trade war, some European economies like Germany, Switzerland and Britain, will also likely feel some pain – generally less than 0.1% of GDP.[5]

But, it's not all bad news.[5] For China's competitors in the US market, there could be potential gains in market share.[5] Assuming that China's loss will be redistributed proportionally to its competitors, beneficiary economies would include Mexico, Taiwan, Canada, South Korea and Japan.[5] For Mexico, China's market share could be worth up to 1.2% of its GDP.[5]

Impact on Malaysia

As mentioned earlier, Malaysia could be a victim of the potential fallout from the US-China trade war. However, there are differing views depending on whom you ask.

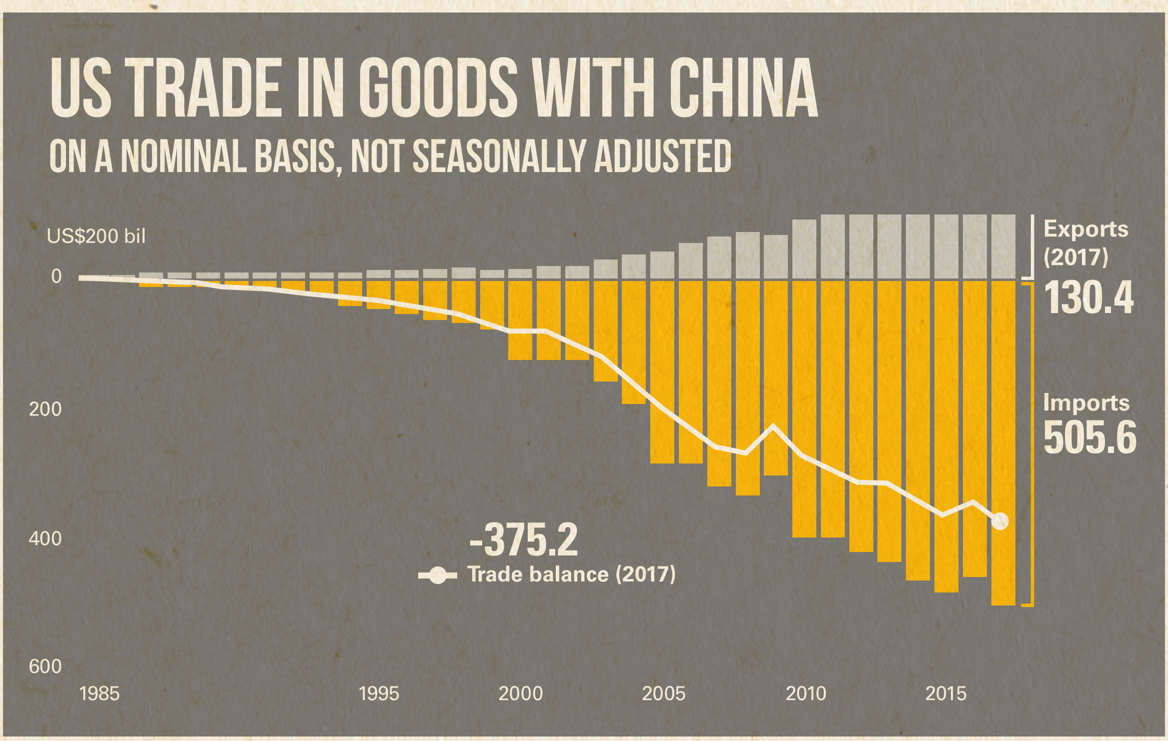
Malaysia and China are closely intertwined in terms of economic relations and trade.[6] For nine consecutive years, China has been Malaysia's largest trading partner.[6] In 2017, Malaysia's exports to China were valued at RM126.15 billion, an increase of 28% year-on-year, with the biggest contributors being the electrical and electronics sector, as well as petroleum and rubber products.[6] Meanwhile, Malaysian imports of Chinese goods increased 15.5% year-on-year to RM164.5 billion.[6]

The US-China trade war raises concerns for Malaysia's external trade and its related domestic sectors, which depend substantially on exports.[6] Malaysia is one of the most export-reliant economies in the world – in 2017, the country's exports of goods and services represented nearly 71.5% of GDP.[6]

According to World Bank Group lead economist and acting Malaysian country manager Richard Record, it is natural for Malaysia to face risks relating to uncertainty in the external environment like any highly open economy.[6]

"Escalation of protectionist tendencies would have a disproportionate adverse impact on Malaysia, given its high level of integration with the global economy and financial markets, and its dependence on global value chains as a source of growth."[6]

Adds Record, "Elsewhere, the possibility of financial market disruptions has increased amid shifting monetary policy expectations in advanced economies, which could spread across emerging economies including Malaysia,



Source: The Edge Malaysia Weekly, The 21st century cold war, 1-7 October 2018 through heightened financial market volatility, reversals in capital flows, and pressures on exchange rates."[6]

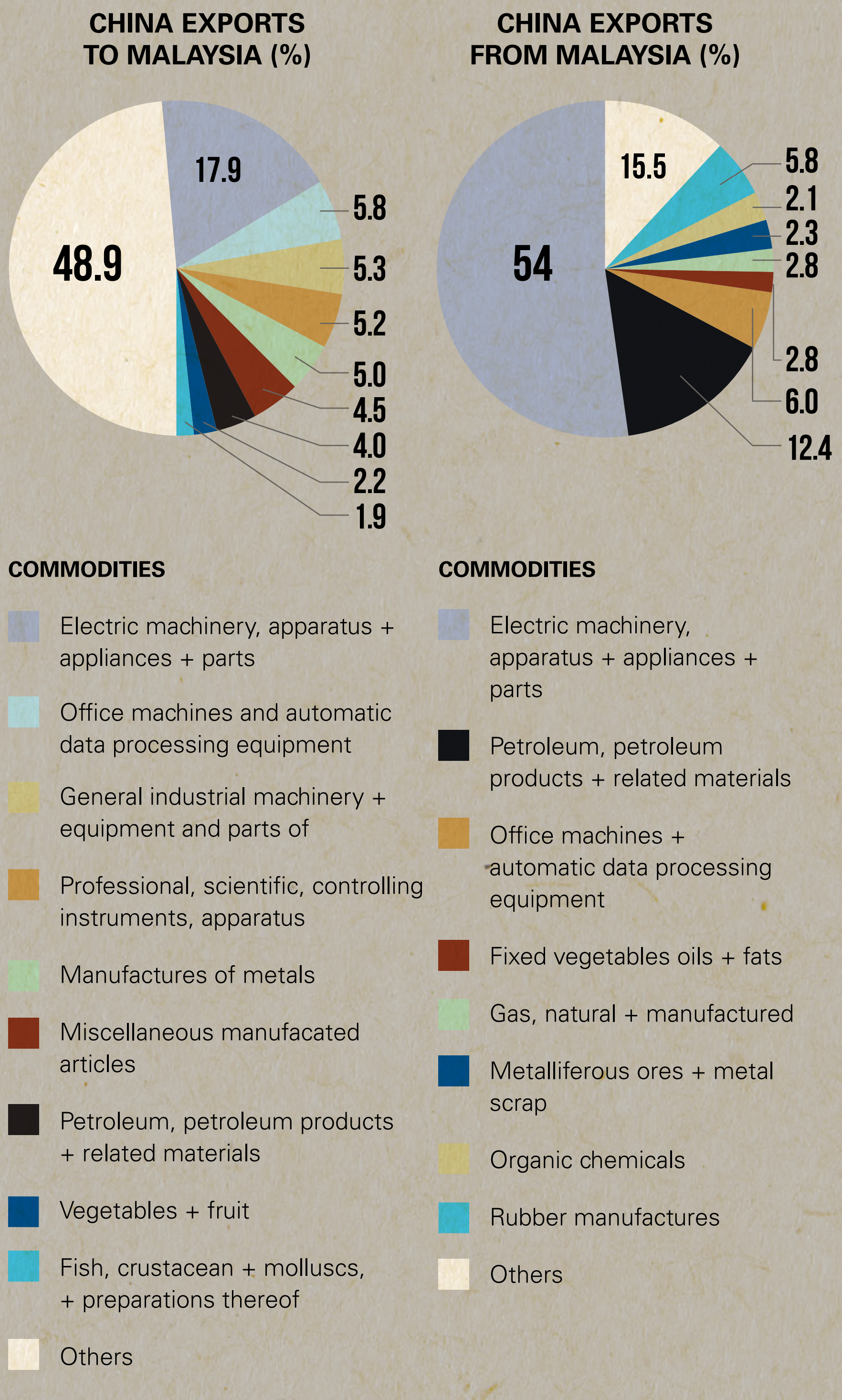
One local economist predicts the indirect effect of the US-China trade war potentially slicing 0.5% of Malaysia's GDP, which based on Malaysia's 2017 GDP of RM1.35 trillion would translate to about RM6.8 billion.[6] Taking on a more cautionary view, Socio-Economic Research Centre executive director Lee Heng Guie says Malaysia's GDP growth could fall to below 4% in 2019 if US and China continue to hike tariffs on over US$1 trillion worth of imports cumulatively.[6]

According to another Malaysian economist with a leading local bank, it is impossible for Malaysia to totally shield itself from a "China crisis," given the country's close relationship with the Malaysian economy.[6] He says a "China crisis" will trigger a global economic slowdown and recession, as well as global financial market volatility and correction.[6] He estimates that a one percentage point drop in China's real GDP growth will shave 0.7 percentage points off Malaysia's real GDP growth.[6]

The new Malaysian government, however, seems to hold an opposing view to local experts.[6] New Deputy International Trade and Industry Minister Ong Kian Ming does not think Malaysia will be caught in the middle of the US-China trade spat.[6] Ong says while China may be Malaysia's largest trading partner, the country's trade volume with China is not even half of Malaysia's total trade volume.[6] He also thinks Malaysia can perhaps benefit from any trade diversion from other countries including the US, China and the European Union.[6]

Commenting in Parliament in August 2018, Ong said interest among companies from both the US and China to invest in Malaysia have risen following the trade war.[7]

CHINA'S EXPORTS TO MALAYSIA MORE DIVERSIFIED



Source: The Edge Malaysia Weekly, The 21st century cold war, 1-7 October 2018

"I feel interest in investing in Malaysia has become more apparent after the 14th General Elections. Now, as a result of the US-China trade war, companies from both these countries are showing rising interest towards investing in Malaysia."[7]

The deputy minister added that the International Trade and Industry Ministry was undertaking an evaluation as to whether the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) could provide greater benefits in terms of attracting foreign investments resulting from the trade war.[7]

"I feel there is certainly good from the aspect of entering new markets. Although the US has withdrawn from the pact, we still have three new markets, namely Canada which is the world's 10th biggest economy, Mexico the 15th largest and also Peru," Ong commented further on the CPTPP.[7]

Prime Minister Dr Mahathir Mohamad backs Ong's view saying Malaysia was likely to benefit from the trade war between the US and China in terms of attracting foreign investors.[8] He says there is a possibility that investors would look to invest in countries that were not involved in the dispute like Malaysia.[8]

US election respite

For those hoping that the US midterm elections on 6 November 2018 will bring a change the country's China policy, diplomatic observers and experts believe it is unlikely to happen, even if the Democrats win.[9]

Zhao Quansheng, director of the Centre for Asian Studies at American University in Washington, told an event in Beijing that there was a "bipartisan consensus" in Washington in favour of a hard line against China.[9]

Even if Trump and the Republicans lose in the midterms, it is expected that the sentiments the US President has fanned in Washington will persist.[9] Observers predict that the Democrats will likely support US businesses that want action to curb what they see as unfair Chinese trade practices, such as the alleged theft of intellectual property and forced technology transfers.[9] The current mood in Washington is seen as increasing the chances that a Democrat-controlled Congress is likely to keep up the pressure for a tough line against China.[9]

Regardless, the US President's authority on trade policy under the law is "enormous" and will remain so even if Trump ends up facing a Democrat-controlled Congress.[10]

On their part, China's top brass believe that the trade dispute will likely get a lot worse before it gets better.[10] Furthermore, they have decided that there is no point trying to negotiate an outcome with the Trump administration with the November midterms looming.[10]

It looks likely that this trade war will continue into 2019…

Sources: 1 The Washington Post, The U.S.-China trade war has begun. Here's how things got to this point, 6 July 2018. **2** Forbes, Fears of a Trade War With China Are Receding, 25 April 2018. **3** Financial Times, US-China trade negotiations end with little progress, 24 August 2018. **4** The Edge Malaysia Weekly, The 21st century cold war, 1-7 October 2018. **5** South China Morning Post, Who might be hurt by fallout from the US-China trade war? Singapore, Taiwan, Malaysia, to name a few, 29 August 2018. **6** The Star, Trade war fallout on Malaysia, 21 July 2018. **7** New Straits Times, US-China trade war benefits Malaysia, 29 August 2018. **8** The Star, Experts: US-China trade war may have negative impact on Malaysia, 7 August 2018. **9** South China Morning Post, Will the US change its China policy if the Democrats win the midterms or is that wishful thinking from Beijing? 21 October 2018. **10** Australian Financial Review, Trump's trade war: 'The midterms will change nothing', 21 September 2018.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5 December Destinations for the Holiday Season

Travel savvy this holiday season and discover new experiences to remember

With the year winding to a close and the holiday season approaching, it's the perfect time to think about holiday destinations you could visit to celebrate Christmas and ring in the New Year. Perhaps escape to the white sandy beaches of a tropical island? Or celebrate a white Christmas in Europe? Here are five picks for a December to remember…

1. Germany[1]

If you want to soak in all the trimmings of a traditional European Christmas, then Germany is the place to be this December. Experience the festive season like you've never experienced at Germany's Christmas markets or Weihnachtsmarkt, where the romance of the holiday season truly comes alive amongst the snow-dusted market stalls selling handcrafted trinkets, fir trees adorned with ornaments, and the cinnamon scent of glühwein – a traditional German mulled wine.

Word has it that Nuremberg, Munich, Cologne and Frankfurt have the best and biggest markets. Once you've ticked those off, you can follow the festive spirit through the Christmas markets of Belgium, Austria, Hungary and the Czech Republic too.

2. South Africa[1]

It's a long flight, but it's worth it. South Africa is a traveller's paradise with stunning coastal roads, towering mountain ranges, national parks teeming with the big five wildlife animals, a vibrant and diverse culture, and a food scene to rival that of any European country. December is the official start of summer here, so while the Northern hemisphere shivers through winter, South Africa welcomes you with long, warm summer days.

For an epic safari experience, Kruger National Park in northeastern South Africa is green and full of life, while in Cape Town the beaches are buzzing, the views from Table Mountain are at their clearest and prettiest, and the mood is infectiously cheerful.

3. Finland[1]

If you want to experience what winter is really like and celebrate a white Christmas, then why not escape to a true winter wonderland. Finnish Lapland is a true Arctic wonderland – snow-dusted fir forests, rushing waterfalls, gentle reindeer and a vast, white wilderness that's guaranteed to leave you breathless. Strap on your hiking boots and explore the taigas, rustle up some huskies and experience the rush of a real dog sled,

watch the sun go down over the pristine peaks, and then enjoy a traditional Sami meal or sauna while the skies dance with the Aurora Borealis. You may even bump into a jolly bearded man in a red suit around the 25th too – rumour has it Santa's workshop is right here.

4. St. Barth's, Caribbean[2,3]

Laid-back with the Caribbean lifestye yet sophisticated with European influence, St. Barth's in the Caribbean is an A-lister's sunny paradise of choice with the world's most perfect beaches, restaurants, hotels and villas. If you love laid-back luxury as you soak up the sun and the fine life, you'll be immediately hooked. By day, you can explore the diversity of the island's 16 beaches – each with its own distinct personality where you will find visitors enjoying the translucent azure water and stretches of soft, white sandy beaches. As the sun sets, you can glam up for dinner at one its swanky restaurants, often serving up French-influenced cuisine. To end the night, you can head to one of St. Barth's nightclubs or lounges for a drink or two.

5. Uruguay[3]

Want a beach holiday with a difference? Then this South American beauty is for you. Most of Uruguay's never ending white-sand beaches are practically empty even in high season. Lasting just a few weeks in December, it's the best time to come as things get lively – think Ibiza and Mykonos-style fun of the Mediterranean. Wooden-shack restaurants, beach bars and artsy little hotels open their doors for the Buenos Aires party crowd who hop across the River Plate for Christmas and New Year fun.

But if you want a beach to yourself, you can still find it around little hippy towns like Jose Ignacio, La Barra and Punta del Este.

Travel tips to save on your holiday

If you're planning an overseas holiday this December, chances are you will need foreign currency. By planning well, you could potentially save money on foreign exchange to pay for an extra meal or more shopping.[4]

Whether it's changing currency at a moneychanger, using your credit card or withdrawing money from an ATM abroad, you'll need to pay some fees for the foreign currency.[4] Research from the University of Woolhampton in its Travel Money Savings Report, for instance, shows that rates can vary by 6.25% or more depending on where you exchange money.[4] Here are some useful tips:

1. Find the actual exchange rate for the currency you need.[4] Online services such as XE.com show interbank rates and give you a reference point.[4]

2. Shop around for the moneychanger that offers the best rate instead of going to just any moneychanger when you need to change foreign currency.[4]

3. If you are planning on using a credit card to pay for your holiday, pick one that offers travel benefits – which may save you money.[4] The HSBC Premier Travel credit card, for example, offers discounts on holiday bookings through Agoda, Expedia as well as airlines, complimentary access to 850 airport lounges worldwide, Wallet Protection Insurance and complimentary Grab ride to the airport*.

4. For those of you who travel frequently, consider opening a foreign currency account and use money in that account for your overseas spending.[4]

5. Travel with a credit card that allows you to enjoy discounts and savings when you use it overseas. The HSBC Premier Travel credit card gives you access to great offers from over 19,000 local merchants in over 160 countries covering shopping, dining and travel. In addition, you will earn 1:1 Air Miles for every RM1 spent on your holidays abroad*.

To find out more about how you can get more out of your holiday with the HSBC Premier Travel credit card, contact us today.

Sources: 1 The Journal by Intrepid Travel, The top 11 destinations for travel in December 2018, 13 September 2017. **2** Vogue, A beginner's guide to St. Barth's, 29 June 2016. **3** Conde Nast Traveller, Where to go on holiday in December: 10 top destinations. **4** Today Online, Save money when you use foreign currencies, 1 September 2018.

Amended Terms & Conditions: For HSBC Premier Travel Mastercard® credit card 2018. This programme is only applicable to Primary cardholder. Air Miles awarded are capped at 20,000 Air Miles for overseas spend and 30,000 Air Miles for local spend per calendar month. Earn 1 Air Mile for every RM4 local spend. Each Eligible Cardholder is entitled to a maximum number of 12 complimentary visits a year. Lounge access for the 13th and subsequent visit and accompanying guests (including Supplementary Cardholders) will be charged a nominal fee of USD27 per person, per visit. The charges may be revised at their discretion. 7% discount on Expedia is applicable for 1 hotel room booking. Both Agoda and Expedia's discounts are subject to their respective Terms and Conditions. Eligible Cardholders who purchase airline ticket(s) of RM2,500 and above based on airline categories that correspond with any Merchant Category Code will receive a Grab promotional code of RM80 ("Grab Promo Code").

HSBC'S FUND SELECTION
short-term fund performance

RISK RATING	NAME OF FUNDS	ASSET TYPE	1 MONTH (01.10.18 to 31.10.18) %	3 MONTHS (01.08.18 to 31.10.18) %	6 MONTHS (01.05.18 to 31.10.18) %	1 YEAR (01.11.17 to 31.10.18) %	3 YEARS (01.11.15 to 31.10.18) %
5	RHB Gold and General Fund	Equity	0.19	-8.75	-7.85	-12.65	32.05
4	CIMB-Principal Greater China Equity Fund	Equity	-10.34	-11.03	-10.56	-11.68	26.47
4	Franklin U.S. Opportunities Fund - MYR Class	Equity	-10.04	-5.76	0.18	6.70	24.10
4	RHB GS US Equity Fund	Equity	-5.37	-1.54	3.73	8.88	23.72
4	Franklin U.S. Opportunities Fund - USD Class	Equity	-10.02	-5.80	0.01	7.01	22.77
3	Eastspring Investments Equity Income Fund	Equity	-4.29	-3.69	-2.60	2.23	22.50
3	CIMB-Principal Asia Pacific Dynamic Income Fund (Class USD)	Equity	-9.46	-11.51	-15.50	-9.80	21.92
3	Affin Hwang Select Opportunity Fund	Equity	-4.02	-4.28	-8.66	-6.50	21.28
4	Manulife Investment Asia-Pacific REIT Fund	Equity	-5.20	-4.16	-0.64	-3.18	20.90
3	CIMB-Principal Asia Pacific Dynamic Income Fund (Class SGD)	Equity	-8.31	-9.99	-11.68	-8.25	20.32
3	Affin Hwang Select Dividend Fund	Equity	-4.33	-5.81	-7.79	-4.83	19.69
5	Manulife India Equity Fund	Equity	-4.54	-12.27	-7.77	-10.36	18.95
3	CIMB-Principal Asia Pacific Dynamic Income Fund (Class MYR)	Equity	-8.45	-8.98	-9.99	-11.09	18.00
4	RHB US Focus Equity Fund	Equity	-12.79	-10.58	-7.77	-6.72	17.59
3	Affin Hwang Select Asia (ex Japan) Opportunity Fund	Equity	-6.27	-9.63	-12.21	-11.52	17.31
4	Advantage Asia Pacific ex Japan Dividend	Equity	-8.97	-8.55	-8.48	-11.74	16.92
2	AmTactical Bond	Fixed Income	0.24	1.12	2.86	3.28	16.15
4	Eastspring Investments Global Emerging Markets Fund	Equity	-8.15	-9.19	-10.72	-14.04	15.46
2	Affin Hwang Select Balanced Fund	Allocation	-3.21	-2.62	-4.26	-1.75	15.04
1	CIMB Islamic Sukuk Fund	Fixed Income	0.24	1.30	2.61	4.48	14.93

Risk Tolerance Rating

Very Cautious
RISK RATING 1
- You are generally comfortable with achieving minimal level of return potential on your investment coupled with minimal risks.
- Capital values of products that are potentially suitable for you can fluctuate and may fall below your original investment. In normal market conditions fluctuation is expected to be minimal (although this is not guaranteed), and you are comfortable with this level of fluctuation.

Cautious
RISK RATING 2
- You are generally comfortable with achieving a low level of return potential on your investment coupled with a low level of risk.
- Capital values of products that are potentially suitable for you can fluctuate and may fall below your original investment. In normal market conditions fluctuation is expected to be low (although this is not guaranteed), and you are comfortable with this level of fluctuation.

Balanced
RISK RATING 3
- You are generally comfortable with achieving a moderate level of return potential on your investment coupled with a moderate level of risk.
- Capital values can fluctuate and may fall below your original investment. Fluctuation is expected to be higher than products that are suitable for investors in lower risk tolerance categories, but not as much as for higher risk tolerance categories.

Adventurous
RISK RATING 4
- You are generally comfortable with achieving a high level of return potential on your investment coupled with high level of risk.
- Capital values can fluctuate significantly and may fall quite substantially below your original investment. You understand the risk/reward equation, and are comfortable with this level of fluctuation.

Speculative
RISK RATING 5
- You are generally comfortable with maximising your return potential on investment coupled with maximised risk.
- Capital values can fluctuate widely and may fall substantially below your original investment. You understand the risk/reward equation, and are comfortable with this level of fluctuation.

You should consider investment products that have the same or lower product risk rating as your risk tolerance rating.
Talk to your Relationship Manager for more information on the above funds.

• Investors are advised to read and understand the contents of the respective product offering documents or prospectus before investing. Among others, investors should consider the fees and charges involved. The price of units and distributions payable, if any, may go down as well as up. Top Performing Unit Trusts Funds distributed by HSBC (ranked by 3 Years Performance Growth %). Data is sourced from Morningstar Asia Limited on November 9, 2018.
* Asset Type is based on Morningstar Asia Limited classification.