# IM

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For client use

# Investment monthly

## Global equities dip amid rising protectionism concerns

### Key takeaways

- We remain overweight on global equities and local-currency emerging market (EM) government bonds. We also retain our underweight stance on developed market (DM) government bonds, and global investment grade (IG) and high-yield (HY) corporate bonds
- Global equities fell in March, amid increasing concerns over global trade protectionism following US President Trump's announcements of tariffs on imports
- The Fed hiked policy rates by 25bp in March. New projections signalled two more hikes this year, and a total of three for 2019, from two in its previous forecast
- Eurozone survey indicators have moderated in Q1, although they remain consistent with solid GDP growth. Furthermore, the underlying trend in hard data is stable
- Financial regulation reform in China is helping to reduce domestic policy risks amid external challenges (including US trade policy). Tax cuts should also help the corporate sector
- In Japan, the yen rose in March amid heightened risk aversion and a gradual pickup in core inflation. However, the BoJ reiterated its commitment to loose monetary policy

### Severe US-China trade confrontation can be avoided

The US announcement of tariffs on Chinese imports has raised concerns over the beginning of a global trade war. However, there are reasons to suggest this scenario can be avoided. We expect China's overall appetite for retaliation to be limited, whilst there is space for negotiations. For the time being, the global economy remains in a "balanced expansion" across sectors and regions, with the economic impact of tariffs announced so far likely to be negligible. Therefore, given current valuations, we think **global equities and EM assets** remain the best asset classes to benefit from the positive economic backdrop. Nevertheless, trade tensions require monitoring, as does some softening in European and Japanese cyclical data.

Meanwhile, cyclical inflation pressures are building gradually and globally. This is likely to keep global central banks on a gradual path of policy normalisation. In this environment, and with **DM government bonds** still offering low sustainable returns, remaining underweight in this asset class continues to make sense to us. However, we prefer **US Treasuries** to other global bond markets given the higher yields on offer. Finally, credit valuations remain relatively unattractive in our view, even if fundamentals are still supportive. We remain underweight in **DM corporate bonds,** and prefer a mix of government bonds and equities.

### Investments, annuity and insurance products:

| | | | | |
|---|---|---|---|---|
| **ARE NOT A BANK DEPOSIT OR OBLIGATION OF THE BANK OR ANY OF ITS AFFILIATES** | **ARE NOT FDIC INSURED** | **ARE NOT INSURED BY ANY FEDERAL GOVERN-MENT AGENCY** | **ARE NOT GUARANTE ED BY THE BANK OR ANY OF ITS AFFILIATES** | **MAY LOSE VALUE** |



HSBC

### Equities

| Asset class | View | View Move |
|---|---|---|
| **Global** | **OW** | – |
| US | N | – |
| UK | N | – |
| Eurozone | OW | – |
| Japan | OW | – |
| Emerging Markets (EM) | OW | – |
| Asia ex Japan | OW | – |
| CEE & Latam | N | – |

### Government bonds

| Asset class | View | View Move |
|---|---|---|
| **Developed Market (DM)** | **UW** | – |
| US | UW | – |
| UK | UW | – |
| Eurozone | UW | – |
| Japan | UW | – |
| **EM (local currency)** | **OW** | – |

### Corporate bonds

| Asset class | View | View Move |
|---|---|---|
| **Global invest-ment grade (IG)** | **UW** | – |
| USD IG | UW | – |
| EUR and GBP IG | UW | – |
| Asia | N | – |
| **Global high-yield** | **UW** | – |
| US | UW | – |
| Europe | UW | – |
| Asia | N | – |

### Other

| Asset class | View | View Move |
|---|---|---|
| **EM agg bond (USD)** | **UW** | – |
| **Gold** | **N** | – |
| **Other commodities** | **N** | – |
| **Real estate** | **N** | – |

# Long-term asset class positioning (>12 months)

**Basis of Views and Definitions of 'Long term Asset class positioning' tables**

Views are based on regional HSBC Global Asset Management Asset Allocation meetings held throughout March 2018, HSBC Global Asset Management's long-term expected return forecasts which were generated as at 28 February 2018, our portfolio optimisation process and actual portfolio positions.

**Icons:**

↑ View on this asset class has been upgraded — No change ↓ View on this asset class has been downgraded

Underweight, overweight and neutral classifications are the high-level asset allocations tilts applied in diversified, typically multi-asset portfolios, which reflect a combination of our long-term valuation signals, our shorter-term cyclical views and actual positioning in portfolios. The views are expressed with reference to global portfolios. However, individual portfolio positions may vary according to mandate, benchmark, risk profile and the availability and riskiness of individual asset classes in different regions.

**"Overweight"** implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks, HSBC Global Asset Management has (or would have) a positive tilt towards the asset class.

**"Underweight"** implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks, HSBC Global Asset Management has (or would) have a negative tilt towards the asset class.

**"Neutral"** implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks HSBC Global Asset Management has (or would have) neither a particularly negative or positive tilt towards the asset class

For global investment-grade corporate bonds, the underweight, overweight and neutral categories for the asset class at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, USD investment-grade corporate bonds and EUR and GBP investment-grade corporate bonds are determined relative to the global investment-grade corporate bond universe.

Source: HSBC Global Asset Management. All numbers rounded to one decimal place
Past performance is not an indication of future returns.

## Equities

| Asset class | View | Movement | Rationale |
|---|---|---|---|
| **Global** | **Overweight** | — | **Rationale of overweight views:** Our measure of the global equity risk premium (excess return over cash) is still reasonable given where we are in the profits cycle. Global economic growth remains solid, driving global equity markets to deliver positive returns over the long term. Overall, support from still-loose monetary policy and fiscal policy (if needed) will, in the medium and longer term, likely outweigh any headwinds from more modest Chinese growth, monetary policy normalisation in DM economies, and political uncertainty in many regions.<br>**Risks to consider:** Fairly narrow implied equity risk premia limit the ability of the market to absorb bad news. Episodic volatility may be triggered by concerns surrounding global trade protectionism, Chinese growth, and/or a potentially more rapid than expected Fed, ECB or BoJ normalisation of policy, coupled with political risks. A notable and persistent deterioration of the global economic outlook could also dampen our view. |
| US | Neutral | — | **Positive factors:** Despite a recent pickup in market volatility, corporate fundamentals remain strong, the earnings growth outlook looks solid (with upside risks from tax reform), and the US macroeconomic backdrop is still robust. Overall, our measure of the implied risk premium (excess returns over cash) remains consistent with a neutral positioning.<br>**Risks to consider:** The magnitude of the boost to GDP growth from tax reform is likely to be small given where we are in the cycle. A more rapid than expected tightening of Fed policy also poses risks. We are getting closer to the critical point where we need to reassess whether we are being offered enough return to take on equity risk in this market. Risks from US protectionism also need to be considered, especially if further rounds of tit-for-tat actions materialise. |
| UK | Neutral | — | **Positive factors:** Major UK equity indices are heavily weighted to financial and resource stocks which should benefit from higher commodity prices and rising interest rates. Overall, however, current valuations are consistent with a neutral positioning, in our view.<br>**Risks to consider:** The prospective reward for bearing equity risk in the UK is relatively low compared to other markets. The UK economy is underperforming amid low real wage growth and Brexit-related uncertainty. |
| Eurozone | Overweight | — | **Rationale of overweight views:** Eurozone equities benefit from relatively high implied risk premia and scope for better earnings news given the region's earlier point in the activity cycle. Ultra-low ECB policy interest rates are likely to persist until the end of the decade.<br>**Risks to consider:** Political risks remain amid the outcome of Italian general elections, lingering tensions in Spain (Catalonia) and Brexit-related uncertainty. A weaker UK economy may dent exports to a significant trading partner. ECB monetary policy may also be less accommodative than expected. |
| Japan | Overweight | — | **Rationale of overweight views:** The relative valuation is attractive, in our view, whilst monetary and fiscal policy is supportive. Large corporate cash reserves provide firms with the scope to boost dividends or engage in stock repurchases. Earnings momentum remains positive.<br>**Risks to consider:** Although there has been a pick-up in investment, domestic economic fundamentals are relatively sluggish. |
| Emerging Markets (EM) | Overweight | — | **Rationale of overweight views:** EM economic growth momentum continues to look good (especially relative to stable growth in DM). Based on current pricing, we also think there is still significant potential for (selected) EM currencies to appreciate over the medium term. Unhedged exposures to EM Asia offer the best risk-adjusted rewards, in our view.<br>**Risks to consider:** There could be some near-term volatility as worries persist around the uncertain path for future Fed tightening, the potential for increased trade protectionism, economic transition in China, and the robustness of the global economy as a whole. Geopolitical uncertainty also poses risks. |

Source: HSBC Global Asset Management. All numbers rounded to one decimal place
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| | | | |
|---|---|---|---|
| Asia ex Japan | Overweight | — | **Rationale of overweight views:** We think Asia ex Japan equities have particularly attractive risk adjusted returns and a reasonable "margin of safety" in current valuations should a less favourable macro backdrop emerge. Asian earnings growth is strong. Asian currencies are also poised to appreciate in the medium term.<br>**Risks to consider:** A further rise in Treasury yields is a key risk. DM central bank policy normalisation could raise uncertainty. Other risks include US protectionist policies; geopolitical events; commodity-price and/or currency volatility; faltering global growth; and renewed concerns about China's growth and financial stability. |
| CEE & Latam | Neutral | — | **Positive factors:** Brazil exited recession in Q1 2017 and has embarked on an ambitious reform agenda, whilst Mexico's economy is resilient. We believe Poland, Russia and Hungary offer attractive risk premiums.<br>**Risks to consider:** Geopolitical tensions are high and unpredictable. We think high local cash rates and sovereign yields in many countries diminish the case for bearing equity risk. |

## Government bonds

| Asset class | View | Movement | Rationale |
|---|---|---|---|
| **Developed Markets (DM)** | **Underweight** | — | **Rationale of underweight views:** Prospective returns still look low relative to competing asset classes. In a bond-unfriendly environment (strong global activity, the risk of cyclical inflationary pressures, and gradual DM central bank policy normalisation), global bond yields could move higher still.<br>**Positive factors:** Government bonds can still deliver diversification benefits should there be a renewal of economic growth concerns. Also, "secular stagnation" forces remain (ageing populations, low productivity and investment), and the global pool of safety assets is limited. |
| US | Underweight | — | **Rationale of underweight views:** The US labour market is at (or close to) full employment so underlying inflationary pressures may build, especially following tax reform. A more meaningful pick-up in inflation is a key risk scenario.<br>**Positive factors:** Our measure of the implied term premium (a measure of the compensation for bearing risk associated with unexpected interest rate changes) on 10-year US Treasuries is now positive. We believe this asset class increasingly offers decent protection against a renewal of economic recession fears, and we hold this position with a positive bias. |
| UK | Underweight | — | **Rationale of underweight views:** Prospective returns for UK gilts continue to look poor, and with UK inflation above target, the monetary policy backdrop is also unfavourable.<br>**Positive factors:** Amid downside risks to growth, UK monetary policy is likely to remain accommodative for a longer period. |
| Eurozone | Underweight | — | **Rationale of underweight views:** Similarly, core European bonds are overvalued, in our view. A key risk is the eventual termination of the ECB Asset Purchase Programme.<br>**Positive factors:** Core inflationary pressures in the region remain subdued, which should keep accommodative monetary policy in place for an extended period of time. |
| Japan | Underweight | — | **Rationale of underweight views:** Japanese government bonds (JGBs) are overvalued, in our view. The BoJ has also recently reduced the amount of its JGB purchases and could modify its yield targeting framework.<br>**Positive factors:** The "Yield Curve Control" framework should limit volatility and reduce the risk of significantly higher yields in the near term. |
| **Emerging markets (EM)** | **Overweight** | — | **Rationale of overweight views:** Despite the recent strong performance, most countries still offer high prospective returns, especially relative to the opportunity set. Our estimate of the sustainable return on EM currencies reinforces our choice to hold this position unhedged.<br>**Risks to consider:** A more aggressive than expected tightening of Fed policy. Diverging economic and political regimes in the EM universe mean that being selective is key. |

Source: HSBC Global Asset Management. All numbers rounded to one decimal place
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## Corporate bonds

| Asset class | View | Movement | Rationale |
|---|---|---|---|
| **Global investment grade (IG)** | **Underweight** | — | **Rationale of underweight views:** Low implied credit premiums mean that the margin of safety against negative shocks, such as a slight deterioration in the data or default outlook, is very thin. We prefer a mix of government bonds and equities to credit.<br>**Positive factors:** The macro environment remains supportive for credits – implied recession probabilities are near zero. The risk of defaults and downgrades appear limited for now. |
| USD investment grade | Underweight | — | **Rationale of underweight views:** Apart from low implied credit premiums, the "duration" of US IG corporate bonds — a measure of their sensitivity to shifts in underlying interest rates — is at record highs, making them vulnerable to a more aggressive pace of Fed tightening.<br>**Positive factors:** US investment grade debt looks more attractive to us than European credit. We think carefully selected US credit may outperform. |
| EUR and GBP investment grade | Underweight | — | **Rationale of underweight views:** Alongside a compressed credit risk premium, EUR IG prospective returns are also weighed down by a negative duration risk premium i.e. we are being penalised for bearing interest-rate risk.<br>**Positive factors:** For the time being, the ECB's corporate bond-buying programme remains supportive. Default rates also remain low. |
| Asia IG | Neutral | — | **Positive factors:** Within the IG universe, the carry offered by Asian credits looks attractive relative to DM. Our measure of the implied credit risk premium is also relatively high. Accelerating underlying activity in EM Asia and a neutral monetary policy stance in most countries is also supportive.<br>**Risks to consider:** A more aggressive than expected Fed policy normalisation poses a key risk, particularly for corporates who borrow in US dollars. Risks from rising protectionism cannot be ignored either, while the extent of Chinese leverage remains a long-term issue. |
| **Global high-yield** | **Underweight** | — | **Rationale of underweight views:** Our measure of implied high-yield (HY) credit risk premiums (compensation for bearing credit risk) are low. Our measures show we are better rewarded by equities as a way to benefit from a strong economic backdrop.<br>**Positive factors:** HY bonds are more exposed to growth than to interest rate risk. Corporate fundamentals are solid amid robust global economic activity, and defaults are low. We prefer higher-rated HY bonds. |
| US HY | Underweight | — | **Rationale of underweight views:** The recent compression of credit risk premiums makes US HY credits even more vulnerable to even a slight deterioration in the data or default outlook. A sustained fall in commodity prices and a more aggressive Fed tightening cycle all pose risks.<br>**Positive factors:** Broad-based strength in US economic activity continues to support corporate fundamentals. Tax reforms will also help. Default rates are relatively low. HY bonds also have a shorter effective duration, making them more exposed to growth than to interest rate risk. |
| Europe HY | Underweight | — | **Rationale of underweight views:** The carry offered in Euro HY has declined over the past year and now looks less attractive when compared to European equities. The ECB APP, which has so far been positive for this asset class, is likely to be terminated by 2019. Overall, our measure of prospective risk-adjusted returns in EUR HY is consistent with an underweight positioning.<br>**Positive factors:** The robust eurozone recovery, coupled with spill-over effects from the ECB Asset Purchase Programme (APP) remain supportive. The default outlook also looks benign. |
| Asia HY | Neutral | — | **Positive factors:** The carry offered by Asian High Yield looks attractive to us given the alternatives, with relatively high prospective risk-adjusted returns. Economic momentum continues to build and inflationary pressures appear to have mostly stabilised.<br>**Risks to consider:** A Fed error in its normalisation of monetary policy poses a key risk, particularly for corporates who borrow in US dollars. Risks from rising protectionism cannot be ignored either, while the extent of Chinese leverage remains a long-term issue. |

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## Other

| Asset class | View | Movement | Rationale |
|---|---|---|---|
| **EM agg bond (USD)** | **Underweight** | — | **Rationale of underweight views:** Dollar-denominated EM bonds have performed well over 2017. Consequently, prospective risk-adjusted returns now look poor relative to the opportunity set. The risk of a more hawkish Fed and stronger USD poses a significant risk to USD-denominated debt holdings in the EM universe. USD debt leverage is high in some economies.<br>**Positive factors:** Investors' reach for yield may continue to support EM hard-currency bonds. |
| **Gold** | **Neutral** | — | **Positive factors:** Gold futures can offer reasonable diversification benefits to our multi-asset portfolios and have some inflation-hedging characteristics.<br>**Risks to consider:** Based on our expected returns framework, prospective returns on gold futures look poor today given current market pricing. This is due to the large negative expected roll yield (the cost of renewing futures contracts) and a negative expected spot price return. |
| **Other commodities** | **Neutral** | — | **Positive factors:** Commodity futures can offer reasonable diversification benefits to our multi-asset portfolios and have some inflation-hedging characteristics.<br>**Risks to consider:** Based on our expected returns framework, prospective returns on commodity futures look poor today given current market pricing. This is primarily because there is a large negative expected roll yield (the cost of renewing futures contracts). |
| **Real estate** | **Neutral** | — | **Positive factors:** We believe real estate equities are priced to deliver reasonably attractive long-run returns compared to developed-marked government bonds based on current dividend yields and our outlook for dividend growth. At the end of February 2018, the dividend yield from real estate equities exceeded that from wider equities by some 1.8 percentage points, the highest premium since November 2009. In the long run, rents are positively related to wider economic growth and offer a partial inflation hedge.<br>**Risks to consider:** Stronger economic growth and potential inflation pressures have resulted in increases in some government bond yields, which have negatively impacted real estate equities. Although improved economic conditions are associated with more demand from occupiers of property (which is positive for rents, other things being equal), real estate equities can be sensitive to rises in government bond yields in the short term. Some retailers that do not have any online presence are suffering from the impact of internet shopping and this could continue to impact retail-focused stocks. The UK's decision to leave the EU has reduced rental growth prospects in central London and increased uncertainty around future occupier demand. |

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# Global equities dip amid rising protectionism concerns

### Markets: global equities fell again in March amid rising protectionism risks; Treasuries gained amid investor risk aversion

- **Global equities** fell in March, amid increasing concerns over global trade protectionism following US President Trump's announcements of tariffs on imports, whilst technology shares were hit by concerns of regulation in the sector. The MSCI AC World index closed 2.5% lower
- Meanwhile, investor risk aversion boosted longer-dated **DM government bonds**, with 10-year Treasury yields declining by 12bp to 2.74%. Policy-sensitive two-year Treasury yields rose slightly, however, as the Fed raised interest rates at their March meeting
- Finally, **oil prices** reversed the bulk of losses seen in February, with WTI crude up 5.4% over the month. One source of support was a slightly weaker **US dollar** (all data above as of close of 30 March in local currency, price return, month-to-date terms)

### US: Fed raised interest rate projection in March, but "gradualism" remains in place

- The Fed hiked policy rates by 25bp in March, with new projections showing policymakers' increasing confidence in the economic outlook. The new "dot" plot signalled two more hikes this year, and a total of three for 2019, from two in its previous forecast
- Congress passed an "omnibus" appropriations bill which extends government funding until 30 September, avoiding the third government shutdown in 2018. However, issues around the Deferred Action for Childhood Arrivals scheme remain unresolved
- The final release of Q4 GDP came in at 2.9% qoq annualised (qoqa), 0.4 percentage points (ppts) higher than the previous estimate. Growth in consumer consumption, the key driver of economic activity, was revised 0.2ppts higher to 4.0% qoqa
- Meanwhile, February inflation was in line with expectations. PCE core, the Fed's preferred measure of inflation, rose 0.2% mom, leaving the annual rate at 1.6%. In a different report, CPI inflation ex food and energy rose 1.8% yoy

### Europe: softness in data not necessarily a cause for concern; Bank of England signals near-term rate hike

- **Eurozone** survey indicators have moderated in Q1, and some January hard data has been surprisingly negative e.g. factory orders and industrial production (IP). This may reflect the lagged impact of euro strength and moderating world trade growth
- However, this is not necessarily a cause for concern. Survey numbers remain elevated (above 2017 levels) and consistent with solid GDP growth. Furthermore, the underlying trend in hard data (German factory orders, retail sales, IP) is more stable
- At their March meeting, the **Bank of England's** Monetary Policy Committee (MPC) stated that "an ongoing tightening of monetary policy" would be required for inflation to return to target. This supports the prospect of another rate hike in 2018

### Asia: Chinese financial regulation reform is helping to reduce policy risks; BoJ reiterates commitment to loose policy

- In **China**, government restructuring (especially around the financial regulatory framework) is helping to reduce domestic policy risks amid external challenges (including US trade policy). Recent tax cuts should also help the corporate sector
- In **India**, a modest growth recovery continues while core inflation holds steady, despite lingering concerns over macro stability and public sector banks. Policies affecting inflation and fiscal dynamics remain in focus ahead of a heavy election cycle
- In **Japan**, the yen rose in March amid heightened risk aversion and a gradual pickup in core inflation. However, BoJ Governor Kuroda reiterated at parliament his commitment to loose monetary policy

### Other EM: positive economic growth momentum continues

- **Brazil's** Monetary Policy Committee (Copom) cut the Selic policy rate by 25bp to a new record low of 6.50% at its March meeting. The accompanying statement was dovish, signalling more easing to come, as inflation remains significantly below target
- **Mexico's** data releases over March were mostly in line with expectations. Encouragingly, there have been signs of progress in NAFTA negotiations, with the US making concessions regarding the automotive sector's rules of origin
- **South Africa's** central bank cut its policy rate by 25bp to 6.50%, as inflation slowed to a three-year low in February. Meanwhile, industrial production and retail sales fell in January, but on a trend basis, the 6-month moving averages are still positive
- **Turkish** activity data continues to show the economy growing at a solid pace, with Q4 GDP coming at 1.8% qoq (1.2% expected). Recently, the IMF lifted its forecast for Turkish growth in 2018 and 2019, but warned of the danger of overheating

Source: HSBC Global Asset Management. All numbers rounded to one decimal place
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# Market data

| Equity Indices | Close | MTD Change (% ) | 3M Change (% ) | 1-year Change (% ) | YTD Change (% ) | 52-week High | 52-week Low | Fwd P/E (X) |
|---|---|---|---|---|---|---|---|---|
| **World** | | | | | | | | |
| MSCI AC World Index (USD) | 506 | -2.4 | -1.4 | 12.2 | -1.4 | 551 | 444 | 15.3 |
| **North America** | | | | | | | | |
| US Dow Jones Industrial Average | 24,103 | -3.7 | -2.5 | 16.3 | -2.5 | 26,617 | 20,380 | 16.0 |
| US S&P 500 Index | 2,641 | -2.7 | -1.2 | 11.5 | -1.2 | 2,873 | 2,329 | 16.5 |
| US NASDAQ Composite Index | 7,063 | -2.9 | 2.3 | 19.4 | 2.3 | 7,637 | 5,805 | 20.9 |
| Canada S&P/TSX Composite Index | 15,367 | -0.5 | -5.2 | -1.4 | -5.2 | 16,421 | 14,786 | 15.1 |
| **Europe** | | | | | | | | |
| MSCI AC Europe (USD) | 476 | -1.7 | -2.4 | 11.4 | -2.4 | 524 | 419 | 13.7 |
| Euro STOXX 50 Index | 3,362 | -2.3 | -4.1 | -3.4 | -4.1 | 3,709 | 3,262 | 13.3 |
| UK FTSE 100 Index | 7,057 | -2.4 | -8.2 | -4.2 | -8.2 | 7,793 | 6,867 | 13.2 |
| Germany DAX Index* | 12,097 | -2.7 | -6.4 | -1.3 | -6.4 | 13,597 | 11,727 | 12.4 |
| France CAC-40 Index | 5,167 | -2.9 | -2.7 | 1.5 | -2.7 | 5,567 | 4,980 | 14.1 |
| Spain IBEX 35 Index | 9,600 | -2.4 | -4.4 | -7.7 | -4.4 | 11,184 | 9,328 | 12.5 |
| **Asia Pacific** | | | | | | | | |
| MSCI AC Asia Pacific ex Japan (USD) | 564 | -2.4 | -1.0 | 16.9 | -1.0 | 617 | 473 | 13.3 |
| Japan Nikkei-225 Stock Average | 21,454 | -2.8 | -5.8 | 12.5 | -5.8 | 24,129 | 18,225 | 15.4 |
| Australian Stock Exchange 200 | 5,759 | -4.3 | -5.0 | -2.3 | -5.0 | 6,150 | 5,630 | 15.4 |
| Hong Kong Hang Seng Index | 30,093 | -2.4 | 0.6 | 23.8 | 0.6 | 33,484 | 23,724 | 11.6 |
| Shanghai Stock Exchange Composite Index | 3,169 | -2.8 | -4.2 | -1.3 | -4.2 | 3,587 | 3,017 | 12.2 |
| Hang Seng China Enterprises Index | 11,998 | -3.1 | 2.5 | 15.9 | 2.5 | 13,963 | 9,882 | 7.9 |
| Taiwan TAIEX Index | 10,906 | 0.8 | 2.5 | 10.7 | 2.5 | 11,270 | 9,622 | 13.9 |
| Korea KOSPI Index | 2,446 | 0.8 | -0.9 | 13.0 | -0.9 | 2,607 | 2,118 | 9.5 |
| India SENSEX 30 Index | 32,969 | -3.6 | -3.2 | 11.2 | -3.2 | 36,444 | 29,241 | 17.8 |
| Indonesia Jakarta Stock Price Index | 6,189 | -6.2 | -2.6 | 10.7 | -2.6 | 6,693 | 5,577 | 15.9 |
| Malaysia Kuala Lumpur Composite Index | 1,863 | 0.4 | 3.7 | 6.5 | 3.7 | 1,881 | 1,708 | 16.4 |
| Philippines Stock Exchange PSE Index | 7,980 | -5.8 | -6.8 | 8.8 | -6.8 | 9,078 | 7,318 | 17.9 |
| Singapore FTSE Straits Times Index | 3,428 | -2.6 | 0.7 | 8.0 | 0.7 | 3,612 | 3,114 | 13.7 |
| Thailand SET Index | 1,776 | -2.9 | 1.3 | 12.4 | 1.3 | 1,853 | 1,532 | 15.9 |
| **Latam** | | | | | | | | |
| Argentina Merval Index | 31,115 | -5.7 | 3.5 | 53.7 | 3.5 | 35,462 | 20,060 | 9.8 |
| Brazil Bovespa Index* | 85,366 | 0.0 | 11.7 | 30.8 | 11.7 | 88,318 | 60,315 | 12.8 |
| Chile IPSA Index | 5,542 | -1.1 | -0.4 | 15.0 | -0.4 | 5,895 | 4,718 | 17.7 |
| Colombia COLCAP Index | 1,456 | -1.5 | -3.8 | 6.3 | -3.8 | 1,598 | 1,358 | 13.8 |
| Mexico Index | 46,125 | -2.8 | -6.5 | -5.6 | -6.5 | 51,772 | 45,785 | 15.8 |
| **EEMEA** | | | | | | | | |
| Russia MICEX Index | 2,286 | -0.5 | 8.3 | 13.0 | 8.3 | 2,353 | 1,818 | N/A |
| South Africa JSE Index | 55,475 | -4.9 | -6.8 | 6.1 | -6.8 | 61,777 | 50,750 | 14.5 |
| Turkey ISE 100 Index* | 114,930 | -3.4 | -0.3 | 28.7 | -0.3 | 121,532 | 87,998 | 8.2 |

*Indices expressed as total returns. All others are price returns.

Source: HSBC Global Asset Management. All numbers rounded to one decimal place
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# Market data (cont'd)

| Equity indices – total return | 3-month change (%) | YTD change (%) | 1-year change (%) | 3-year change (%) | 5-year change (%) |
|---|---|---|---|---|---|
| Global equities | -1.0 | -1.0 | 14.4 | 25.4 | 55.3 |
| US equities | -0.8 | -0.8 | 13.1 | 31.5 | 80.5 |
| Europe equities | -1.8 | -1.8 | 14.5 | 13.9 | 33.8 |
| Asia Pacific ex Japan equities | -0.6 | -0.6 | 19.9 | 26.8 | 37.4 |
| Japan equities | 0.8 | 0.8 | 18.4 | 25.9 | 53.3 |
| Latam equities | 8.0 | 8.0 | 17.2 | 34.7 | -9.0 |
| Emerging Markets equities | 1.4 | 1.4 | 23.5 | 29.6 | 27.5 |

All total returns quoted in USD terms.

Data sourced from MSCI AC World Total Return Index, MSCI USA Total Return Index, MSCI AC Europe Total Return Index, MSCI AC Asia Pacific ex Japan Total Return Index, MSCI Japan Total Return Index, MSCI Latam Total Return Index and MSCI Emerging Markets Total Return Index.

| Bond indices – total return | Close | MTD change (%) | 3-month change (%) | 1-year change (%) | YTD change (%) |
|---|---|---|---|---|---|
| BarCap GlobalAgg (Hedged in USD) | 514 | 0.8 | -0.1 | 2.5 | -0.1 |
| JPM EMBI Global | 794 | 0.4 | -1.8 | 3.0 | -1.8 |
| BarCap US Corporate Index (USD) | 2,835 | 0.3 | -2.3 | 2.8 | -2.3 |
| BarCap Euro Corporate Index (Eur) | 246 | -0.1 | -0.4 | 1.7 | -0.4 |
| BarCap Global High Yield (Hedged in USD) | 465 | -0.3 | -0.7 | 4.5 | -0.7 |
| Markit iBoxx Asia ex-Japan Bond Index (USD) | 193 | 0.0 | -1.4 | 1.6 | -1.4 |
| Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD) | 250 | -0.6 | -0.7 | 2.7 | -0.7 |

Total return includes income from dividends and interest as well as appreciation or depreciation in the price of an asset over the given period

| Bonds | Close | End of last mth. | 3-months ago | 1-year ago | Year-end 2017 |
|---|---|---|---|---|---|
| **US Treasury yields (%)** | | | | | |
| 3-Month | 1.70 | 1.65 | 1.38 | 0.76 | 1.38 |
| 2-Year | 2.27 | 2.25 | 1.88 | 1.28 | 1.88 |
| 5-Year | 2.56 | 2.64 | 2.21 | 1.96 | 2.21 |
| 10-Year | 2.74 | 2.86 | 2.41 | 2.42 | 2.41 |
| 30-Year | 2.97 | 3.12 | 2.74 | 3.03 | 2.74 |
| **Developed market 10-year bond yields (%)** | | | | | |
| Japan | 0.04 | 0.05 | 0.04 | 0.06 | 0.04 |
| UK | 1.35 | 1.50 | 1.19 | 1.12 | 1.19 |
| Germany | 0.49 | 0.65 | 0.42 | 0.33 | 0.42 |
| France | 0.72 | 0.92 | 0.78 | 0.94 | 0.78 |
| Italy | 1.78 | 1.97 | 2.01 | 2.14 | 2.01 |
| Spain | 1.16 | 1.53 | 1.56 | 1.63 | 1.56 |

Source: HSBC Global Asset Management. All numbers rounded to one decimal place
Past performance is not an indication of future returns.

# Market data (cont'd)

| Currencies (vs USD) | Latest | End of last mth. | 3-mths ago | 1-year ago | Year-end 2017 | 52-week high | 52-week low |
|---|---|---|---|---|---|---|---|
| **Developed markets** | | | | | | | |
| EUR/USD | 1.23 | 1.22 | 1.20 | 1.07 | 1.20 | 1.26 | 1.06 |
| GBP/USD | 1.40 | 1.38 | 1.35 | 1.25 | 1.35 | 1.43 | 1.24 |
| CHF/USD | 1.05 | 1.06 | 1.03 | 1.00 | 1.03 | 1.09 | 0.99 |
| CAD | 1.29 | 1.28 | 1.26 | 1.33 | 1.26 | 1.38 | 1.21 |
| JPY | 106.3 | 106.7 | 112.7 | 111.9 | 112.7 | 114.7 | 104.6 |
| AUD | 1.30 | 1.29 | 1.28 | 1.31 | 1.28 | 1.36 | 1.23 |
| NZD | 1.38 | 1.39 | 1.41 | 1.43 | 1.41 | 1.47 | 1.32 |
| **Asia** | | | | | | | |
| HKD | 7.85 | 7.83 | 7.81 | 7.77 | 7.81 | 7.85 | 7.77 |
| CNY | 6.28 | 6.33 | 6.51 | 6.89 | 6.51 | 6.91 | 6.24 |
| INR | 65.18 | 65.18 | 63.87 | 64.92 | 63.87 | 65.89 | 63.25 |
| MYR | 3.86 | 3.92 | 4.05 | 4.42 | 4.05 | 4.44 | 3.85 |
| KRW | 1,064 | 1,083 | 1,067 | 1,117 | 1,067 | 1,158 | 1,054 |
| TWD | 29.11 | 29.28 | 29.73 | 30.31 | 29.73 | 30.69 | 28.96 |
| **Latam** | | | | | | | |
| BRL | 3.31 | 3.25 | 3.31 | 3.15 | 3.31 | 3.41 | 3.08 |
| COP | 2,794 | 2,864 | 2,986 | 2,884 | 2,986 | 3,103 | 2,760 |
| MXN | 18.18 | 18.84 | 19.66 | 18.71 | 19.66 | 19.91 | 17.45 |
| **EEMEA** | | | | | | | |
| RUB | 57.34 | 56.35 | 57.69 | 56.10 | 57.69 | 61.01 | 55.56 |
| ZAR | 11.84 | 11.80 | 12.38 | 13.28 | 12.38 | 14.57 | 11.51 |
| TRY | 3.96 | 3.80 | 3.80 | 3.65 | 3.80 | 4.04 | 3.39 |

| Commodities | Latest | MTD change (%) | 3-month change (%) | 1-year change (%) | YTD change (%) | 52-week high | 52-week low |
|---|---|---|---|---|---|---|---|
| Gold | 1,325 | 0.5 | 1.7 | 6.6 | 1.7 | 1,366 | 1,205 |
| Brent Oil | 70.3 | 6.8 | 5.1 | 32.7 | 5.1 | 71 | 44 |
| WTI Crude Oil | 64.9 | 5.4 | 7.5 | 29.0 | 7.5 | 67 | 42 |
| R/J CRB Futures Index | 195 | 0.7 | 0.8 | 5.3 | 0.8 | 201 | 166 |
| LME Copper | 6,714 | -3.1 | -7.4 | 12.7 | -7.4 | 7,313 | 5,463 |

Source: HSBC Global Asset Management. All numbers rounded to one decimal place
Past performance is not an indication of future returns.

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