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04 September 2018
For client use

Investment Monthly

Still a strong investment case for emerging market assets

Key takeaways

- We remain overweight global equities and local-currency emerging market (EM) government bonds. We also retain our underweight stance on developed market (DM) government bonds, and our neutral view on global investment-grade (IG) and high-yield (HY) corporate bonds
- US stocks rallied in August on the back of strong earnings results and economic data releases
- Speaking at the Fed's annual central banking gathering, Fed Chair Powell continued to stress the gradual pace of monetary policy tightening in the months ahead
- Eurozone activity growth is stabilising at a level which is consistent with robust GDP growth. This follows a moderation in activity earlier this year after a very strong 2017
- The People's Bank of China (PBoC) stepped up efforts to stem capital outflow risks. Signs of stabilising growth momentum in China should help investor sentiment
- Over the past few months, Japanese wages and inflation data has started to pick up slightly, giving some credibility to the Bank of Japan's inflation projections

We remain overweight in EM assets amid improving valuations

In 2018, EM economies have lost growth momentum and experienced a reversal of foreign capital flows. This has come amid increasing global trade tensions, rising US interest rates, a stronger US dollar (USD), and higher oil prices. Looking ahead, US-China trade tensions remain a risk to the outlook, although recent progress in US-Mexico trade relations is a positive development. Importantly, the structural characteristics of EM economies are significantly better than in previous episodes of EM market volatility, whilst recent policy easing in China should help support EM activity in the short-term. Meanwhile, the risk of a further spike in the USD is limited by a very gradual Fed tightening path. Overall, with the sell-off in **EM assets** having improved prospective returns, we retain our overweight stance. We find **local-currency EM government debt** particularly attractive.

Investments, annuity and insurance products:

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HSBC

Elsewhere, our views are also unchanged. We continue to believe that **global equities** are the best asset class to benefit from still robust economic growth, and remain overweight. We also maintain our underweight positioning in **DM government bonds**, which continue to offer us low sustainable returns. Nevertheless, we find **US Treasuries** relatively attractive, particularly shorter-dated notes. Finally, we remain neutral **global corporate bonds**, with a preference for US and Asia, which we think offer better valuations than European counterparts.

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 investment grade (IG)	**N**	–
USD IG	N	–
EUR and GBP IG	UW	–
Asia	N	–
Global high-yield	**N**	–
US	N	–
Europe	UW	–
Asia	N	–

Other

Asset class	View	View Move
EM agg bond (USD)	**N**	–
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 June 2018, HSBC Global Asset Management's long-term expected return forecasts which were generated as at 31 May 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, EUR and GBP, and Asia investment-grade corporate bonds are determined relative to the global investment-grade corporate bond universe.

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 in our view 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. **Risks to consider:** Fairly narrow implied equity risk premiums 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:** Corporate fundamentals remain strong, the earnings growth outlook looks solid in our opinion (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. **Risks to consider:** Further Fed policy tightening poses risks, especially as the US economic cycle matures. 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. **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 premiums 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. Economic activity indicators have stabilised following a moderation earlier this year. **Risks to consider:** EU-US trade barriers pose a significant risk to the outlook, as does the new populist government in Italy and Brexit negotiations.
Japan	Overweight	—	**Rationale of overweight views:** The relative valuation is attractive, in our view, whilst policy is supportive. Large corporate cash reserves provide firms with the scope to boost dividends or engage in stock repurchases. The trend in earnings growth remains positive. **Risks to consider:** Although there has been a pick-up in investment, a moderation in world trade growth will weigh on GDP growth this year. Other headwinds include a consumption tax increase planned for October 2019, and weak wage growth. Protectionism is a key risk.
Emerging Markets (EM)	Overweight	—	**Rationale of overweight views:** EM economic growth remains solid, although there are some notable exceptions. We think valuations offer a decent margin of safety, and 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. **Risks to consider:** There could be some near-term volatility as worries persist around the pace of 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
Past performance is not an indication of future returns.

Asset class	View	Movement	Rationale
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. We think Asian currencies are also poised to appreciate in the medium term. **Risks to consider:** A further rise in US Treasury yields is a key risk, along with DM central bank policy normalisation. 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, whilst Mexico's economy is resilient. We believe Poland, Russia and Hungary offer attractive risk premiums. **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 (robust global activity, the risk of cyclical inflationary pressures, and gradual DM central bank policy normalisation), global bond yields could move higher still. **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 is at the forefront of building inflationary pressures. A more meaningful pick-up in inflation is a key risk scenario. **Positive factors:** Two-year Treasury yields are above US dividend yields. To us, this means we no longer need to be exposed to unwanted risks in order to reach target income levels. We also believe 10-year Treasuries can benefit from recession fears. This is set against a backdrop of "price stability". We hold this position with a positive bias (ie close to neutral).
UK	Underweight	—	**Rationale of underweight views:** Prospective returns for UK gilts continue to look poor, and we are being penalised for bearing interest-rate risk. **Positive factors:** Although the BoE has signalled a gradual tightening path, amid downside risks to growth and inflation heading back toward target, monetary policy is likely to remain relatively accommodative.
Eurozone	Underweight	—	**Rationale of underweight views:** Similarly, core European bonds are overvalued, in our view. A key risk is the termination of the ECB Asset Purchase Programme this year. **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 has started to modify its yield targeting framework. **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:** Most countries offer, in our view, 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. **Risks to consider:** A more aggressive than expected tightening of Fed policy and a rapid gain in the US dollar are key risks. Diverging economic and political regimes in the EM universe also 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)	**Neutral**	—	**Positive factors:** Prospective returns on IG corporate bonds have improved this year. The macro environment remains supportive for credits – implied recession probabilities remain very low. The risk of defaults and downgrades appears limited for now. **Risks to consider:** Although credit premiums have risen, the margin of safety against negative shocks, such as a deterioration in the data or default outlook, is not large. We still believe we can access growth at a better price through equity exposures.
USD investment grade	Neutral	—	**Positive factors:** Prospective returns on US IG corporate bonds have improved this year. US IG debt looks more attractive to us than European credit. We think carefully-selected US credit may outperform. **Risks to consider:** The "duration" of US IG corporate bonds — a measure of their sensitivity to shifts in underlying interest rates — is historically high, making them vulnerable to a faster pace of Fed tightening, in our view.
EUR and GBP investment grade	Underweight	—	**Rationale of underweight views:** EUR IG prospective returns are weighed down by a negative duration risk premium ie we are being penalised for bearing interest-rate risk. **Positive factors:** For the time being, the ECB's corporate bond-buying programme and pledge to reinvest maturing assets for "an extended period of time" 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. Robust underlying activity in EM Asia and a neutral monetary policy stance in most countries are also supportive. **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	**Neutral**	—	**Positive factors:** Prospective returns on HY corporate bonds have improved this year. 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. **Risks to consider:** US HY credits remain vulnerable to a deterioration in economic data or the default outlook. A more aggressive Fed tightening cycle is a key risk.
US HY	Neutral	—	**Positive factors:** Prospective returns on US HY corporate bonds have improved this year. 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. **Risks to consider:** US HY credits remain vulnerable to a deterioration in economic data or the default outlook. A more aggressive Fed tightening cycle is a key risk.
Europe HY	Underweight	—	**Rationale of underweight views:** The carry offered by Euro HY is unattractive compared to European equities. The ECB's Asset Purchase Programme (APP), which has so far been positive for this asset class, will be terminated by the end of this year. Overall, our measure of prospective risk-adjusted returns in EUR HY is consistent with an underweight positioning. **Positive factors:** The robust eurozone recovery, coupled with spill-over effects from the ECB 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 is robust and inflationary pressures appear relatively stable. **Risks to consider:** A faster pace of Fed monetary 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.

Source: HSBC Global Asset Management. All numbers rounded to one decimal place
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Other

Asset class	View	Movement	Rationale
EM agg bond (USD)	**Neutral**	—	**Positive factors:** Prospective returns on EM hard-currency bonds have improved this year. Investors' reach for yield may continue to support this asset class. **Risks to consider:** 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.
Gold	**Neutral**	—	**Positive factors:** Gold futures can offer reasonable diversification benefits to our multi-asset portfolios and have some inflation-hedging characteristics. **Risks to consider:** Based on our expected returns framework, prospective returns on gold futures look poor at present 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. **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:** At the end of July 2018, global real estate equities offered a dividend yield of 3.9%, 156 basis points above that of wider equities, which is attractive in a low interest rate environment. In the long run, rents are linked to wider economic growth and offer a partial inflation hedge. Based on our outlook for rental growth and dividends, we believe real estate equities are priced to deliver reasonably attractive long-run returns compared to DM government bonds. **Risks to consider:** Real estate equities focused on retail property are susceptible to the pressures of ecommerce and changing shopping habits, although this is partly offset by strong demand for logistics buildings. A serious escalation in global trade disputes could harm occupier demand generally, particularly for countries heavily reliant on exports. Unexpected rises in interest rates could adversely affect prices in the short term. Brexit continues to cast a shadow on the UK, particularly in relation to Central London offices.

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Still a strong investment case for emerging market assets

Markets: US stocks rallied amid positive earnings results; US dollar rose against most currencies

- **Global equity markets** rose in August, with US stocks outperforming on the back of strong earnings results and economic data releases. Emerging market stocks declined, however, amid ongoing US-China trade tensions, whilst European stocks also fell as the US administration rejected an offer from the European Union for both sides to eliminate auto tariffs
- In terms of **currencies**, the British pound underperformed other DM currencies amid lingering Brexit-related concerns. Most EM currencies sold off against the US dollar, although major Asian currencies held up relatively well
- Meanwhile, ten-year **Treasuries** gained (yields fell) amid increased demand for perceived safe-haven assets as EM assets sold off. In Europe, Italian bonds fell sharply on the back of lingering concerns over the country's ongoing budget negotiations
- Finally, **crude oil prices** rose, supported by data showing that US inventories fell over the month

US: An historically-exceptional Q2 earnings season; Powell sees few signs of economic overheating

- The Q2 corporate earnings season has been very strong, with the percentage of S&P 500 companies that have beaten earnings expectations the highest on record. Against this backdrop, the S&P 500 index rose to fresh highs during the month
- Speaking at the Fed's annual central banking gathering, Fed Chair Powell continued to stress the gradual pace of monetary policy tightening in the months ahead. Importantly, he saw few signs of economic overheating
- Our Nowcast still tracks economic activity of more than 3% in the US. Meanwhile, housing data continued to be soft amid rising mortgage rates and construction costs, as well as labour shortages
- July core consumer price index (CPI) and personal consumption expenditures (PCE) indices came largely in line with expectations, at 2.4% yoy and 2.0% yoy, respectively. Going forward, inflation is likely to remain around the Fed's 2% target, although there are upside risks due to the impact of recent fiscal stimulus

Europe: stabilising eurozone activity following slowdown earlier this year; Bank of England hiked rates as expected

- In the **eurozone**, the second estimate of Q2 GDP growth was revised up to 0.4% qoq (from 0.3%), matching the previous quarter's rate of expansion. Meanwhile, most indicators point to eurozone investment and hiring having remained generally robust
- Overall, activity growth is stabilising at a level which is consistent with robust and above-potential GDP growth. This follows a moderation in activity at the beginning of the year after a very strong 2017
- The **Bank of England** hiked rates as expected in August, and signalled further gradual rate increases. The Bank's ability to push ahead with further tightening will depend on Brexit developments and the trajectory for wage growth

Asia: China's central bank introduces measures to stem capital outflow risks; India GDP growth accelerates

- Recent steps taken by **China's** policymakers should support economic growth in the near-term, whilst the People's Bank of China (PBoC) has stepped up efforts to stem capital outflow risks. Signs of stabilising growth momentum should help investor sentiment

Source: HSBC Global Asset Management. All numbers rounded to one decimal place
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- **India's** GDP growth rose to a nine-quarter high of 8.2% yoy in Q2, largely driven by higher domestic demand and base effects. Growth should normalise going forward but remain solid despite risks from tighter financial conditions and higher oil prices
- At the end of July, the Bank of **Japan** downgraded its inflation forecasts and increased the flexibility of its market operations. Over the past few months, wages and inflation started to pick up slightly, giving some credibility to the BoJ inflation scenario

Other EM: Chinese policy easing should support near-term activity; US and Mexico agree new trade deal

- EM economies have lost growth momentum in 2018 amid trade tensions, rising US interest rates, a stronger US dollar, and higher oil prices. Aggregate EM inflation has also edged up on the back of FX weakness
- Policy easing in China should help support EM activity in the short term, whilst the USD has stabilised. But US-China trade tensions are a risk to the outlook. Recent monetary policy tightening in some EMs may also weigh on growth
- **Mexico** struck a new trading relationship with the US. The deal was a welcome development in terms of the outlook for Mexico's economy, although the new auto content rules are likely to reduce the country's competitiveness in the sector

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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)	523	0.6	2.8	9.3	1.9	551	476	15.8
North America								
US Dow Jones Industrial Average	25,965	2.2	6.3	18.3	5.0	26,617	21,710	16.6
US S&P 500 Index	2,902	3.0	7.3	17.4	8.5	2,917	2,447	18.0
US NASDAQ Composite Index	8,110	5.7	9.0	26.1	17.5	8,133	6,335	24.2
Canada S&P/TSX Composite Index	16,263	(1.0)	1.3	6.9	0.3	16,586	14,786	15.7
Europe								
MSCI AC Europe (USD)	461	(3.2)	(0.9)	(0.7)	(5.5)	524	444	14.0
Euro STOXX 50 Index	3,393	(3.8)	(0.4)	(0.8)	(3.2)	3,709	3,262	13.7
UK FTSE 100 Index	7,432	(4.1)	(3.2)	0.0	(3.3)	7,904	6,867	13.4
Germany DAX Index[1]	12,364	(3.4)	(1.9)	2.6	(4.3)	13,597	11,727	13.1
France CAC-40 Index	5,407	(1.9)	0.2	6.3	1.8	5,657	5,038	14.4
Spain IBEX 35 Index	9,399	(4.8)	(0.7)	(8.7)	(6.4)	10,643	9,328	12.3
Italy FTSE MIB Index	20,269	(8.8)	(7.0)	(6.5)	(7.2)	24,544	20,236	11.1
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	535	(1.5)	(4.9)	0.4	(6.1)	617	515	13.3
Japan Nikkei-225 Stock Average	22,865	1.4	3.0	16.4	0.4	24,129	19,240	16.1
Australian Stock Exchange 200	6,319	0.6	5.1	10.6	4.2	6,374	5,639	16.2
Hong Kong Hang Seng Index	27,889	(2.4)	(8.5)	(0.3)	(6.8)	33,484	26,871	11.3
Shanghai Stock Exchange Composite Index	2,725	(5.3)	(12.0)	(18.9)	(17.6)	3,587	2,653	10.9
Hang Seng China Enterprises Index	10,876	(1.4)	(9.2)	(3.7)	(7.1)	13,963	10,360	7.7
Taiwan TAIEX Index	11,064	0.1	1.7	4.5	4.0	11,270	10,189	14.1
Korea KOSPI Index	2,323	1.2	(4.1)	(1.7)	(5.9)	2,607	2,218	9.2
India SENSEX 30 Index	38,645	2.8	9.4	21.8	13.5	38,990	31,082	20.5
Indonesia Jakarta Stock Price Index	6,018	1.4	0.6	2.6	(5.3)	6,693	5,558	15.4
Malaysia Kuala Lumpur Composite Index	1,820	2.0	4.5	2.6	1.3	1,896	1,658	17.6
Philippines Stock Exchange PSE Index	7,856	2.4	4.8	(1.3)	(8.2)	9,078	6,924	18.2
Singapore FTSE Straits Times Index	3,213	(3.2)	(6.3)	(1.9)	(5.6)	3,642	3,176	12.9
Thailand SET Index	1,722	1.2	(0.3)	6.5	(1.8)	1,853	1,585	16.0
Latam								
Argentina Merval Index	29,294	0.0	2.6	24.2	(2.6)	35,462	23,503	7.3
Brazil Bovespa Index[1]	76,678	(3.2)	(0.1)	8.2	0.4	88,318	69,069	11.5
Chile IPSA Index	5,270	(3.0)	(3.4)	2.3	(5.3)	5,895	4,847	15.5
Colombia COLCAP Index	1,543	1.1	(0.3)	4.1	1.9	1,598	1,415	13.7
Mexico S&P/BMV IPC Index	49,548	(0.3)	10.9	(3.2)	0.4	51,371	44,429	17.1
EEMEA								
Russia MOEX Index	2,346	1.1	1.9	16.0	11.2	2,379	1,993	5.8
South Africa JSE Index	58,668	2.2	4.5	3.8	(1.4)	61,777	53,027	14.1
Turkey ISE 100 Index[1]	92,723	(4.4)	(7.9)	(15.7)	(19.6)	121,532	84,655	6.9

Note:
1. 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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Equity Indices – Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)
Global equities	3.3	3.4	11.4	39.9	58.7
US equities	7.6	9.7	19.1	53.0	90.3
Europe equities	(0.4)	(3.1)	2.2	18.8	26.1
Asia Pacific ex Japan equities	(3.8)	(4.2)	3.1	43.9	41.4
Japan equities	(1.9)	(1.4)	9.0	27.5	45.9
Latam equities	(3.0)	(11.1)	(11.8)	29.5	(7.5)
Emerging Markets equities	(4.7)	(7.2)	(0.7)	38.3	27.9

All total returns quoted in USD terms and subject to one-day lag.

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)	517	0.3	0.5	0.7	0.4
JPM EMBI Global	766	(1.9)	(0.9)	(4.6)	(5.1)
BarCap US Corporate Index (USD)	2,844	0.5	0.7	(1.0)	(2.0)
BarCap Euro Corporate Index (Eur)	246	0.0	0.2	0.1	(0.4)
BarCap Global High Yield (Hedged in USD)	464	(0.9)	0.4	0.3	(1.0)
Markit iBoxx Asia ex-Japan Bond Index (USD)	193	0.5	0.6	(1.1)	(1.4)
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	245	(0.1)	0.4	(1.1)	(2.6)

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	2.09	2.02	1.89	0.99	1.38
2-Year	2.63	2.67	2.43	1.33	1.88
5-Year	2.74	2.85	2.70	1.70	2.21
10-Year	2.86	2.96	2.86	2.12	2.41
30-Year	3.02	3.08	3.03	2.73	2.74
Developed market 10-year bond yields (%)					
Japan	0.10	0.06	0.03	0.00	0.04
UK	1.43	1.33	1.23	1.03	1.19
Germany	0.33	0.44	0.34	0.36	0.42
France	0.68	0.73	0.66	0.66	0.78
Italy	3.23	2.72	2.77	2.04	2.01
Spain	1.47	1.40	1.49	1.55	1.56

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

Past performance is not an indication of future returns.

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	1.16	1.17	1.17	1.19	1.20	1.26	1.13
GBP/USD	1.30	1.31	1.33	1.29	1.35	1.44	1.27
CHF/USD	1.03	1.01	1.01	1.04	1.03	1.09	0.99
CAD	1.30	1.30	1.30	1.25	1.26	1.34	1.21
JPY	111.0	111.9	108.8	110.0	112.7	114.7	104.6
AUD	1.39	1.35	1.32	1.26	1.28	1.40	1.23
NZD	1.51	1.47	1.43	1.39	1.41	1.53	1.34
Asia							
HKD	7.85	7.85	7.84	7.83	7.81	7.85	7.79
CNY	6.83	6.82	6.41	6.59	6.51	6.94	6.24
INR	71.00	68.55	67.41	63.91	63.87	71.11	63.25
MYR	4.11	4.07	3.98	4.27	4.05	4.27	3.85
KRW	1,113	1,119	1,077	1,128	1,067	1,150	1,054
TWD	30.72	30.63	29.96	30.17	29.73	30.88	28.96
Latam							
BRL	4.06	3.76	3.72	3.15	3.31	4.21	3.08
COP	3,048	2,889	2,890	2,946	2,986	3,080	2,685
MXN	19.09	18.65	19.91	17.89	19.66	20.96	17.61
EEMEA							
RUB	67.47	62.53	62.41	58.04	57.69	69.36	55.56
ZAR	14.69	13.28	12.70	13.00	12.38	15.55	11.51
TRY	6.54	4.91	4.53	3.45	3.80	7.24	3.39

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,201	(1.9)	(7.5)	(9.1)	(7.8)	1,366	1,160
Brent Oil	77.4	4.3	(0.2)	47.8	15.8	81	52
WTI Crude Oil	69.8	1.5	4.1	47.8	15.5	75	46
R/J CRB Futures Index	193	(0.8)	(4.9)	6.7	(0.5)	207	180
LME Copper	5,975	(5.2)	(12.8)	(12.0)	(17.6)	7,348	5,773

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