Investment Monthly – March 2021

Hyper-sensitive markets

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Summary

Macro Outlook

- We are in the **restoration phase of the economic cycle**. Activity remains below pre-Covid levels in major economies, other than China
- The pace of recovery will depend on vaccine delivery and continued policy support. For laggard economies, there is **scope for cyclical catch-up in 2021**. There appears to be some upside for Developed Market consumers
- Stressed corporate balance sheets, fragile confidence and risks around vaccine rollout and virus mutations mean the **global economy needs ongoing policy support**
- Near-term volatility aside, **inflation is likely to remain modest over the medium term**, but upside risks have increased in the US

Policy outlook

- Global central banks continue to expand balance sheets, and deploy **lower-for-even longer interest rates**. We expect limited fiscal drag in DMs this year
- The **US Federal Reserve's** average inflation targeting framework implies willingness to look through higher inflation, and a delayed policy take-off
- Compared to the West, **monetary policy in China** is set to become relatively hawkish. Across Asia, incremental stimulus will be more limited
- **US-China relations** set to become more rules-based and collaborative under President Biden, with renewed co-operation in some areas

House View

- The key question for investors is: has the market rally in growth-sensitive assets now played out?
- Consensus beliefs are rooted in sustained policy support and vaccine effectiveness. But with valuations now richer, small disappointments to this scenario can affect markets. **We call this "hyper-sensitivity"**
- We now need to take **a nimble approach to backing the recovery trade**. For example, in Emerging Markets, we think the risk-reward of ASEAN is better than Latam
- US bond yields have moved higher, driven by a rational re-pricing of inflation risks. **It will be important to monitor US Treasury yields closely**
- We still see mild dollar weakness ahead, particularly against EM currencies

Key Risks

Growth disappointment	Risks of vaccine-resistant strains impact market sentiment and extend lockdown measures
Animal spirits	Earlier availability of vaccine or greater-than-expected policy support could boost animal spirits
Policy tightening	Vaccine complacency or stimulus fatigue could mean that policy support is withdrawn too early

Source: HSBC Global Asset Management, Global Investment Strategy, March 2021. The views expressed are those of HSBC Global Asset Management, they were held at the time of preparation, and are subject to change.
Please refer to Basis of Views and Definitions section for additional information.

House view

The recent market rally has embedded a lot of good news on the growth outlook so even small disappointments could undermine risk asset performance. This market "hyper-sensitivity" means we need to take a more nimble approach to backing the recovery trade

- **Equities** – Relative valuations and the ongoing economic recovery amid policy support continue to point to an overweight allocation, but risks from higher bond yields and virus developments need to be monitored closely
- **Government bonds** – US Treasury valuations have improved as investors have priced in rising inflation risks. Higher yields also mean they have more scope to offer diversification benefits in our multi-asset portfolios
- **Corporate bonds** – Spreads for investment grade bonds remain consistent with an underweight position. Nevertheless, Asian and high-yields bonds continue to look relatively attractive

Equities

Asset Class	House view	View move
Global	▲	–
US	▲	–
UK	▲	–
Eurozone	▲	–
Japan	↔	–
Emerging Markets (EM)	▲	–
CEE & Latam	↔	–

Government bonds

Asset Class	House view	View move
Developed Market (DM)	▼	–
US	▼	–
UK	▼	–
Eurozone	▼	–
Japan	▼	–
EM (local currency)	▲	–

Corporate bonds

Asset Class	House view	View move
Global investment grade (IG)	▼	–
USD IG	▼	–
EUR & GBP IG	▼	–
Asia IG	▲	–
Global high-yield	▲	–
US high-yield	▲	–
Europe high-yield	↔	–
Asia high-yield	▲	–

Alternatives

Asset Class	House view	View move
EM aggregate bond (USD)	↔	–
Gold	↔	–
Other commodities	↔	–
Real estate	↔	–

Asian assets

Asset Class	House view	View move
EM Asian government bonds (USD)	▼	–
Asia ex-Japan equities	▲	–
China	▲	–
India	▲	–
Hong Kong	▲	–
Singapore	▲	–
South Korea	▲	–
Taiwan	▲	–

House view represents a >12-month investment view across major asset classes in our portfolios

▲ Overweight
↔ Neutral
▼ Underweight

View move:
– No change
↑ Upgraded versus last month
↓ Downgraded versus last month

Source: HSBC Global Asset Management, as at March 2021, and subject to change. The views expressed are those of HSBC Global Asset Management, they were held at the time of preparation, and are subject to change.
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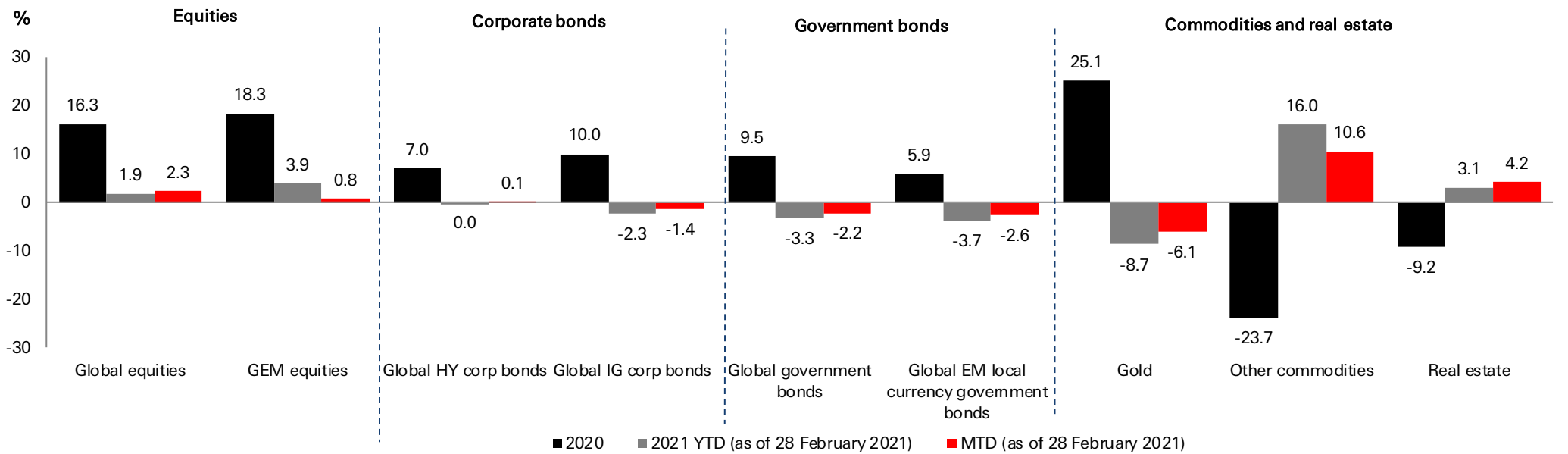
Asset class performance at a glance

Global equities edged higher in February as investors priced in a brightening economic outlook amid ongoing Covid-19 vaccinations and US fiscal stimulus hopes

- **Government bonds** – Longer-dated US Treasuries lost further ground over the month (yields rose) on the back of investor concerns over higher future inflation due to a stronger economic outlook
- **Commodities** – Oil prices rose amid rising optimism over the demand recovery and supply disruptions in the US; gold prices fell as higher bond yields raised the opportunity cost of holding the zero-yielding precious metal



Past performance is not an indication of future performance

Note: Asset class performance is represented by different indices

Global Equities: MSCI ACWI Net Total Return USD Index. **Global Emerging Market Equities**: MSCI Emerging Market Net Total Return USD Index. **Corporate Bonds:** Bloomberg Barclays Global HY Total Return Index value unhedged. Bloomberg Barclays Global IG Total Return Index unhedged. **Government bonds**: Bloomberg Barclays Global Aggregate Treasuries Total Return Index. JP Morgan EMBI Global Total Return local currency. **Commodities and real estate:** Gold Spot $/OZ/ Other commodities: S&P GSCI Total Return CME. **Real Estate**: FTSE EPRA/NAREIT Global Index TR USD

Source: Bloomberg, all data above as of close of 28 February 2021 in USD, total return, month-to-date terms

Please refer to Basis of Views and Definitions section for additional information.

Base case views and implications

	Monthly macroeconomic update	Base case view and implications
US	◆ Vaccine rollout and further fiscal stimulus is a major positive for the 2021 outlook ◆ Recent data has shown a significant pickup in consumer spending, while housing activity remains very buoyant ◆ Inflation is set to pick up markedly in the coming months, mainly due to base effects. However, this is unlikely to translate into sustained inflationary pressure	◆ We remain constructive on **US equities**. Significant tech and quality exposure remains a positive, while cyclical parts of the market can potentially benefit from fresh fiscal stimulus ◆ Prospective returns for **US Treasuries** have improved further and remain attractive versus other government bond markets. A dovish Fed limits the risk of significantly higher yields
Europe	◆ The near-term outlook remains challenging as the pace of vaccine rollout in the EU remains relatively disappointing. This is in stark contrast to the UK's rapid progress ◆ Positively, the rate of new infections across the region is broadly stable. Overall, given Europe's economic underperformance last year, activity should rebound strongly in 2021	◆ A strong cyclical recovery later in 2021 combined with a dovish ECB and relatively generous government income support schemes supports our overweight view on **eurozone equities** ◆ **European government bond** valuations remain unattractive and diversification properties limited in our view. We prefer US Treasuries
Asia	◆ **China** is expected to remain a cyclical outperformer, with the services sector taking the reins in terms of growth. Nevertheless, the recovery could slow later in 2021 as policy stimulus fades and the global recovery shifts to domestically focussed services sectors ◆ **India's** economic activity appears to be gradually returning to pre-Covid levels, although a fragile banking sector and relatively weak fiscal policy support are headwinds ◆ **Japan** is well positioned for a strong recovery in 2021 given its favourable access to vaccines, although the pace of rollout has so far been relatively slow	◆ A rapid rebound in economic activity supports our overweight view on **China equities**. We are also positive on other **North Asia markets** given their suppression of the virus and exposure to China ◆ **India and ASEAN** have been laggard markets in 2020 but are set to benefit materially from the widespread distribution of the vaccine ◆ **Japanese equities** are attractively valued but we think there are challenges in unlocking this value potential. We remain neutral
Other EM	◆ **Brazil** was Latin America's economic outperformer last year, although headwinds this year are considerable amid vaccination challenges and a withdrawal of fiscal support ◆ **Russia's** economy is less exposed to social distancing measures versus other emerging markets, and benefits from the recent uptick in oil prices ◆ Gulf economies should experience a strong recovery this year amid rapid Covid-19 vaccination, combined with higher oil prices and production. However, other parts of **MENA** are likely to lag amid fiscal constraints and a lack of vaccine access	◆ The global economic recovery and a dovish Fed support the outlook for EM assets. **EM fixed income** offers attractive valuations, with scope for gains in EM currencies against the US dollar ◆ For **EM equities**, we think the risk-reward of ASEAN is better than Latam. The bright spot remains North Asia which benefits from exposure to mainland China and defensive characteristics

Source: HSBC Global Asset Management. As at 1 March 2021. The views expressed were held at the time of preparation, and are subject to change
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Asset class positioning

Equities

House view represents a >12-month investment view across major asset classes in our portfolios

▲ Overweight
↔ Neutral
▼ Underweight

View move:
– No change
↑ Upgraded versus last month
↓ Downgraded versus last month

Asset class	House view	Rationale	Risks to consider
Global	▲ –	Global economic recovery prospects are boosted by the rollout of vaccines. Markets exposed to cyclical sectors can continue to perform well even as bond yields rise. Value stocks can also do well in this environment	There is still uncertainty about the timeline around vaccine rollouts and thus the speed of the recovery. The rally in risky assets over recent months means higher government bond yields pose a threat to equity valuations
US	▲ –	US indices' exposure to quality names, mega-cap tech, and the digital economy is beneficial in our view. US stocks also offer diversification properties in a scenario of a disappointing economic recovery	US indices have a relatively high weight to "growth" stocks that are expected to see earnings growth further out into the future and thus are particularly vulnerable to higher interest rates
UK	▲ –	An improving global economic outlook is likely to benefit UK indices' heavy exposure to cyclical sectors which have lagged in their performance over the past year. The UK's immunisation programme is progressing rapidly	Macro headwinds from the virus remain considerable in the near term, with downside risks from a premature withdrawal of fiscal policy support
Eurozone	▲ –	We see scope for the region's markets to play catch up following last year's underperformance. Exposure to value stocks, a potential strong cyclical recovery later in 2021, and a dovish ECB are also positives	Eurozone growth is structurally weak. There is potential for government pressure to maintain low dividends. Appetite for further fiscal policy support may also be waning
Japan	↔ –	Japanese equities are attractively valued but we think there are challenges in unlocking this value potential. Economic growth is structurally weak and Bank of Japan policy space is constrained	Japan's export sector is heavily reliant on machinery and thus vulnerable to relatively soft global capital expenditure trends. More positively, Japanese companies benefit from a strong balance sheet position
Emerging Markets (EM)	▲ –	We think the outlook for EM asset classes remains broadly positive amid a backdrop of global economic recovery and US dollar weakness. The bright spot is EM Asian markets which can benefit from China's strong recovery	From a valuation perspective, EM equities in aggregate are not particularly cheap versus other equity markets. The principal risk is around a loss of recovery momentum and the direct/indirect effects of the virus. Vaccine rollouts are likely to lag DMs
CEE & Latam	↔ –	EMs outside of Asia can perform well in a backdrop of global economic recovery and higher commodity prices, but new virus variants and slow vaccine rollout remain key challenges	Near term macro challenges remain substantial amid rising virus transmission. There is uncertainty over the speed of vaccine rollout in 2021. We think the risk-reward of ASEAN is better than Latam

Source: HSBC Global Asset Management. As at 1 March 2021. The views expressed were held at the time of preparation, and are subject to change
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Asset class positioning

Government Bonds

Asset class	House view	Rationale	Positive factors to consider
Developed Markets (DM)	▼ —	We estimate that the bond risk premium remains negative in bunds, gilts, and Japanese government bonds. This means that in effect we are being penalised for owning bonds relative to cash	Current policy settings mean that bond prices are unlikely to be volatile or result in a sharp jump in yields. The recent pick up in yields has improved prospective returns, especially for longer-dated US Treasuries
US	▼ —	The US government remains in fiscal policy loosening mode. There is also scope for US inflation to surprise to the upside	Prospective returns for US Treasuries have recently risen, and we think higher yields increase their ability to act as a reliable diversifier asset (for example in a scenario of disappointing growth outcomes)
UK	▼ —	Prospective risk-adjusted returns continue to look poor to us. The UK government's borrowing requirements are substantial. The probability of a Bank of England rate cut has fallen following positive vaccine developments	The Bank of England's policy measures remain supportive
Eurozone	▼ —	Valuations look unattractive and governments are issuing high levels of fresh debt. The Covid crisis has highlighted limited diversification benefits	The ECB's bond-buying programme provides a major support to prices. Periphery spreads could tighten further on the back of the EU recovery fund
Japan	▼ —	Japanese government bonds (JGBs) are overvalued, in our view	The "Yield Curve Control" framework should limit volatility. The risk of significantly higher yields in the near-term is very limited

Asset class	House view	Rationale	Risks to consider
Emerging markets (EM) local currency	▲ —	Prospective returns are relatively high, although this is mainly due to our views that EM currencies are undervalued. The potential for further dollar weakness in 2021 supports the outlook for this asset class	Bond yields are at historical lows. Diverging economic impacts from the spread of Covid-19 along with different political regimes in the EM universe also mean that being selective is key

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Asset class positioning

Corporate Bonds

Asset class	House view	Rationale	Positive factors to consider
Global investment grade (IG)	▼ —	Spreads have come down materially over the last few months. Prospective returns have become unattractive, particularly for longer-duration bonds. We maintain a defensive positioning	Spreads are likely to remain tight on the back of ongoing central bank purchases and the prospect of a strong economic growth recovery in 2021. We are more positive on shorter-duration bonds and Asia IG
USD investment grade	▼ —	Valuations are relatively unattractive, especially for longer-duration bonds. US IG may come under pressure from any unexpected worsening of corporate fundamentals	The Fed is backstopping the market and the US government has introduced measures to support businesses. US corporate fundamentals are broadly robust
EUR and GBP investment grade	▼ —	Spreads are at historically tight levels. It will be important to monitor trends in corporate fundamentals	The ECB and the Bank of England (BoE) are engaged in substantial corporate bond purchases. European economies have scope for a strong cyclical rebound in 2021 given their underperformance last year

Asset class	House view	Rationale	Risks to consider
Asia investment grade	▲ —	There is a valuation gap versus DM counterparts, while Asian corporates may outperform due to relatively robust economies in the region. USD weakness is a positive for corporates with USD-denominated debt	Pockets of issuers remain vulnerable to the Covid-19 crisis. A focus on quality issuers remains important
Global high-yield	▲ —	Valuations look fairly reasonable despite high default rates. Fed and ECB actions are supporting the market. We continue to prefer Asia credits to DM	Valuations have become less attractive in recent months amid a tightening of spreads. Default rates are expected to peak in Q1 2021, although this could be delayed if pandemic developments disappoint
US high-yield	▲ —	Prospective risk adjusted returns are still fairly attractive. The Fed has enacted measures to support the market	Market action over the past few months has compressed spreads. This means that the credit risk premium (the reward for owning credits over government bonds) has fallen. There are also uncertainties on the default outlook
Europe high-yield	↔ —	Monetary policy is ultra-accommodative, with the ECB introducing measures to support the market. However, valuations are consistent with a neutral position	Underlying corporate fundamentals are fragile in the current environment while default rates remain on an upward trend. European political risks remain, although are significantly less pronounced than in recent years
Asia high-yield	▲ —	Asia HY can benefit from policy support in China and an emerging V-shaped recovery in Asia. Default rates should remain low and spreads look attractive relative to other global opportunities	China's economy and default rates need to be monitored closely

Source: HSBC Global Asset Management. As at 1 March 2021. The views expressed were held at the time of preparation, and are subject to change
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Asset class positioning

Alternatives

Asset class	House view	Rationale	Risks to consider
EM aggregate bond (USD)	↔ ▬	Valuations are consistent with a neutral position. Near-term macro and virus headwinds are offset by a positive longer-term outlook amid vaccine rollout and a rebound in global growth	The near-term outlook remains challenging for EM economies and corporates. Many have limited fiscal and monetary power while their healthcare systems are weak. Defaults are expected to increase
Gold	↔ ▬	Gold has performed very well over the past year amid pandemic uncertainty and lower real interest rates. The environment of "lower-for-even-longer" interest rates and rising inflation risks remains a very favourable backdrop Gold can also offer reasonable diversification benefits to multi-asset portfolios in a world of low bond yields and where bonds are potentially losing their diversification properties However, further upside could be limited as economies recover, geopolitical tensions ease, and uncertainty falls	Higher bond yields, a stronger US dollar, and a reduction in global economic and geopolitical uncertainty remain key risks
Other commodities	↔ ▬	Copper and other industrial commodities could benefit from inflation hedging demand, a rollout of vaccines and a rebound in global growth in 2021. USD weakness would also be a tailwind. Cuts to miners' exploration budgets and Covid-19 related disruptions also mean that new supply is limited	In the near term, spot commodity prices remain vulnerable to global growth disappointments. Our valuation measures are consistent with a neutral positioning
Real estate	↔ ▬	Having lagged wider equities at the start of the pandemic, real estate equities rebounded strongly on news of successful vaccine trials. Despite recent outperformance, dividend yields from the sector still offer a significant premium over wider equities and developed market government bonds. For investors able to accept continued high volatility, we believe prospective long-run returns imply a sufficiently attractive premium over extremely low policy rates	The impact of Covid-19 continues to vary by country and sector. Sectors such as leisure, entertainment and many parts of the retail market are particularly exposed in countries experiencing Covid restrictions. Other property types, such as warehousing/logistics, are experiencing healthy demand and rent collection rates remain high. Successful rollout of vaccines could lead to a strong rebound in sectors that have suffered most from the pandemic. Brexit concerns continue to overshadow the UK

Source: HSBC Global Asset Management. As at 1 March 2021. The views expressed were held at the time of preparation, and are subject to change
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Asset class positioning

Asian assets

Asset class	House view	Rationale	Positive factors to consider
EM Asian government bonds (USD)	▼ —	While a cautious Fed in the US is positive for the asset class, Asian bond spreads look particularly tight compared with other EM regions, reducing their relative attractiveness	From a long-term perspective, we believe sound economic fundamentals, stable inflation and credit quality are supportive

Asset class	House view	Rationale	Risks to consider
Asia ex-Japan equities	▲ —	North Asia is "first-in-first-out" of the crisis and continues to benefit from a V-shaped recovery in China, while broad sector exposure is favourable	It will be important to monitor that short-term action does not run too far ahead of fundamentals. The region is not immune to global virus risks or higher global yields, while geopolitical tensions linger
China equities	▲ —	China's economic recovery is strong and broadening out across sectors that have lagged such as services. The dual circulation strategy and focus on quality growth create long-term structural growth opportunities	Policy normalisation could mean less of a liquidity boost to the market and potentially higher financing costs for Chinese corporates; uncertainty lingers over US-China relations, particularly in technology industries
India equities	▲ —	Covid-19 virus concerns have lessened; while an expanded government budget and focus on structural reforms add to tailwinds	Valuations are elevated and higher global yields add to near-term headwinds. We see risks of economic scarring from the pandemic amid fiscal constraints and debt sustainability concerns
Hong Kong equities	▲ —	Hong Kong remains an attractive listing hub underpinned by greater primary and secondary market activity; cyclical and financial sector exposure benefit from reflation; HK benefits from strong Chinese growth	The risk of prolonged international border restrictions due to the global and local virus situation; substantial pandemic-related stimulus has narrowed fiscal policy space; HK is exposed to global demand/trade outlook
Singapore equities	▲ —	Singapore stands to benefit from a global rotation into cyclical sectors, with the potential for a travel/tourism revival following vaccine rollout; the city state can attract higher FDI[1] amid regional supply chain shifts	Singapore is exposed to global growth uncertainty due to near-term difficult pandemic situation and the risk of prolonged international border restrictions. Domestic labour market slack has increased with fiscal impulse set to fade
South Korea equities	▲ —	Strong 2021 earnings growth is expected given Korea's robust recovery. Structural tech demand and broader sector exposures are positives. Korea is a key RCEP[2] beneficiary	Valuations are rich and higher global rates weigh on long-duration sectors such as tech. Geopolitical tensions remain a potential overhang
Taiwan equities	▲ —	Taiwan's economic growth profile has been robust and benefits from a strong cyclical and structural tech story, with the recent recovery broadening beyond tech and supported by private-sector/government investment (e.g. 5G)	Taiwan is exposed to global economic uncertainty and geopolitical risks. Valuations are elevated; it also faces risks of being marginalised/excluded from the regional trade pack, and deterioration in cross-strait relations

[1] Foreign direct investment. Source: HSBC Global Asset Management. As at 1 March 2021. [2]The Regional Comprehensive Economic Partnership. The views expressed were held at the time of preparation, and are subject to change
Please refer to Basis of Views and Definitions section for additional information.

Market data
February 2021

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)	657	2.2	6.3	28.2	1.7	687	379	19.8
North America								
US Dow Jones Industrial Average	30,932	3.2	4.4	21.7	1.1	32,010	18,214	20.4
US S&P 500 Index	3,811	2.6	5.2	29.0	1.5	3,950	2,192	22.2
US NASDAQ Composite Index	13,192	0.9	8.1	54.0	2.4	14,175	6,631	32.5
Canada S&P/TSX Composite Index	18,060	4.2	5.1	11.1	3.6	18,580	11,173	16.4
Europe								
MSCI AC Europe (USD)	501	2.3	5.6	17.3	0.7	521	307	16.4
Euro STOXX 50 Index	3,636	4.5	4.1	9.2	2.4	3,743	2,303	18.2
UK FTSE 100 Index	6,483	1.2	3.5	-1.5	0.4	6,904	4,899	14.7
Germany DAX Index*	13,786	2.6	3.7	15.9	0.5	14,169	8,256	15.6
France CAC-40 Index	5,703	5.6	3.3	7.4	2.7	5,834	3,632	18.3
Spain IBEX 35 Index	8,225	6.0	1.8	-5.7	1.9	9,014	5,815	18.3
Italy FTSE MIB	22,849	5.9	3.6	3.9	2.8	23,652	14,153	13.9
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	694	1.3	11.5	36.3	4.7	746	384	17.4
Japan Nikkei-225 Stock Average	28,966	4.7	9.6	37.0	5.5	30,715	16,358	23.7
Australian Stock Exchange 200	6,673	1.0	2.4	3.6	1.3	6,938	4,403	19.7
Hong Kong Hang Seng Index	28,980	2.5	10.0	10.9	6.4	31,183	21,139	13.1
Shanghai Stock Exchange Composite Index	3,509	0.7	3.5	21.8	1.0	3,732	2,647	13.0
Hang Seng China Enterprises Index	11,247	0.3	6.6	9.2	4.7	12,272	8,290	10.9
Taiwan TAIEX Index	15,954	5.4	16.3	41.3	8.3	16,579	8,524	17.6
Korea KOSPI Index	3,013	1.2	16.3	51.6	4.9	3,266	1,439	14.2
India SENSEX 30 Index	49,100	6.1	11.2	28.2	2.8	52,517	25,639	29.2
Indonesia Jakarta Stock Price Index	6,242	6.5	11.2	14.5	4.4	6,505	3,912	16.0
Malaysia Kuala Lumpur Composite Index	1,578	0.7	1.0	6.4	-3.0	1,696	1,208	9.8
Philippines Stock Exchange PSE Index	6,795	2.8	0.1	0.1	-4.8	7,432	4,039	18.7
Singapore FTSE Straits Times Index	2,949	1.6	5.1	-2.1	3.7	3,057	2,208	15.5
Thailand SET Index	1,497	2.0	6.3	11.7	3.3	1,562	969	19.4
Latam								
Argentina Merval Index	48,432	0.4	-11.3	38.5	-5.5	56,114	22,061	9.8
Brazil Bovespa Index*	110,035	-4.4	1.0	5.6	-7.5	125,324	61,691	10.8
Chile IPSA Index	4,573	6.6	13.4	10.9	9.5	4,697	2,851	15.0
Colombia COLCAP Index	1,359	0.8	8.1	-12.3	-5.5	1,574	881	12.4
Mexico S&P/BMV IPC Index	44,593	3.7	6.7	7.9	1.2	46,925	32,503	14.0
EEMEA								
Russia MOEX Index	3,347	2.1	7.7	20.2	1.8	3,521	2,074	7.5
South Africa JSE Index	66,138	5.9	15.8	29.6	11.3	67,785	37,178	12.6
Turkey ISE 100 Index*	1,471	-0.1	14.6	38.8	-0.4	1,582	819	7.4

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

Please refer to Basis of Views and Definitions section for additional information.

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 28 February 2021

Past performance is not an indication of future returns

Market data (continued)

February 2021

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	6.6	1.9	30.2	34.2	94.6	1.8
US equities	5.7	1.6	33.4	49.8	117.0	1.5
Europe equities	5.7	1.0	20.3	13.0	52.8	2.5
Asia Pacific ex Japan equities	11.9	4.9	39.3	29.6	111.0	2.0
Japan equities	4.6	0.5	28.4	16.4	70.5	2.0
Latam equities	1.3	-9.5	-6.0	-21.5	40.2	2.2
Emerging Markets equities	11.5	3.9	36.0	20.3	103.2	1.8

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)	586	-1.6	-1.8	0.3	-2.1
JPM EMBI Global	899	-2.6	-2.0	1.0	-3.7
BarCap US Corporate Index (USD)	3,454	-1.7	-2.6	2.8	-3.0
BarCap Euro Corporate Index (Eur)	264	-0.8	-0.7	1.1	-0.9
BarCap Global High Yield (USD)	547	0.1	2.1	7.2	0.1
BarCap US High Yield (USD)	2354	0.4	2.6	9.4	0.7
BarCap pan-European High Yield (USD)	502	0.7	2.2	6.5	1.2
BarCap EM Debt Hard Currency	458	-1.3	-0.4	3.8	-2.2
Markit iBoxx Asia ex-Japan Bond Index (USD)	227	-0.7	0.0	3.2	-0.7
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	289	0.3	2.3	5.1	0.5

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

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 28 February 2021

Past performance is not an indication of future returns

Please refer to Basis of Views and Definitions section for additional information.

Market data (continued)
February 2021

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2020
US Treasury yields (%)					
3-Month	0.03	0.05	0.07	1.27	0.06
2-Year	0.13	0.11	0.15	0.91	0.12
5-Year	0.73	0.42	0.36	0.94	0.36
10-Year	1.40	1.07	0.84	1.15	0.91
30-Year	2.15	1.83	1.57	1.68	1.64
Developed market 10-year bond yields (%)					
Japan	0.16	0.05	0.03	-0.16	0.02
UK	0.82	0.33	0.30	0.44	0.19
Germany	-0.26	-0.52	-0.57	-0.61	-0.57
France	-0.01	-0.28	-0.33	-0.29	-0.34
Italy	0.76	0.64	0.63	1.10	0.54
Spain	0.42	0.10	0.08	0.28	0.04

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,734	-6.1	-2.4	9.4	-8.7	2,075	1,452
Brent Oil	66.1	18.3	39.0	30.9	27.7	68	16
WTI Crude Oil	61.5	17.8	35.6	37.4	26.8	64	-40
R/J CRB Futures Index	190	9.3	19.0	19.4	13.5	196	101
LME Copper	9,077	15.5	19.7	61.1	16.9	9,617	4,371

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 28 February 2021

Past performance is not an indication of future returns

Please refer to Basis of Views and Definitions section for additional information.

Market data (continued)

February 2021

Currencies (vs USD)	Latest	End of last mth.	3-mths Ago	1-year Ago	Year End 2020	52-week High	52-week Low
Developed markets							
DXY index	90.88	90.58	91.87	98.13	89.94	102.99	89.21
EUR/USD	1.21	1.21	1.19	1.10	1.22	1.23	1.06
GBP/USD	1.39	1.37	1.33	1.28	1.37	1.42	1.14
CHF/USD	1.10	1.12	1.10	1.04	1.13	1.14	1.01
CAD	1.27	1.28	1.30	1.34	1.27	1.47	1.25
JPY	106.6	104.7	104.3	107.9	103.3	111.7	101.2
AUD	1.30	1.31	1.36	1.54	1.30	1.81	1.25
NZD	1.38	1.39	1.43	1.60	1.39	1.83	1.34
Asia							
HKD	7.76	7.75	7.75	7.79	7.75	7.80	7.75
CNY	6.47	6.43	6.58	6.99	6.53	7.18	6.42
INR	73.47	72.95	74.05	72.18	73.07	76.92	72.04
MYR	4.05	4.04	4.07	4.22	4.02	4.45	4.00
KRW	1,124	1,119	1,106	1,215	1,087	1,294	1,080
TWD	27.88	28.02	28.57	30.29	28.09	30.53	27.77
Latam							
BRL	5.60	5.47	5.36	4.47	5.19	5.97	4.45
COP	3,645	3,570	3,597	3,524	3,428	4,237	3,374
MXN	20.86	20.57	20.18	19.64	19.91	25.78	19.16
ARS	89.83	87.31	81.31	62.21	84.15	89.85	62.10
EEMEA							
RUB	74.57	75.88	76.44	66.84	74.04	82.87	65.31
ZAR	15.12	15.16	15.47	15.66	14.69	19.35	14.40

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 28 February 2021

Past performance is not an indication of future returns

Please refer to Basis of Views and Definitions section for additional information.

Basis of Views and Definitions of 'Asset class positioning' tables

- Views are based on regional HSBC Global Asset Management Asset Allocation meetings held throughout **February 2021**, HSBC Global Asset Management's long-term expected return forecasts which were generated as **at 31 January 2021**, 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.
- For Asia ex Japan equities, the underweight, overweight and neutral categories for the region at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, individual country views are determined relative to the Asia ex Japan equities universe as of **31 January 2021.**
- Similarly, for EM government 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, EM Asian Fixed income views are determined relative to the EM government bonds (hard currency) universe as of **28 February 2021**.

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