Investment Monthly – July 2020

Switching to recovery mode

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Summary

Macro Outlook

- Economic activity is now starting to pick up across a range of economies as lockdowns are lifted. However, the pace of recovery remains uncertain, especially beyond Q3
- Our most likely scenario is a "swoosh" type recovery for the global economy; a sharp rebound in the near-term followed by a more gradual recovery.
- Following the initial shock, we are already witnessing the emergence of cyclical winners (China, industrialised Asia) and relative losers (emerging markets ex Asia, smaller oil exporters, frontier economies, and the UK)
- The global economy needs ongoing support, with little risk of inflation in the near term. The biggest downside risk to this "swoosh" scenario is a policy mistake. "Stimulus fatigue" could set-in over the second half of 2020

Central Banks

- Balance sheets at most major central banks have expanded rapidly since March to maintain the flow of credit to the corporate sector and accommodate government pledges to ease fiscal policy
- Policy makers have continued to support economies in recent weeks. The **US Federal Reserve (Fed)** is now purchasing corporate debt of individual issuers, rather than just exchange traded funds (ETFs)
- The **European Central Bank (ECB)** boosted its emergency purchase programme by EUR600bn while the **Bank of England (BoE)** has committed to a further GBP100bn of asset purchases
- China is ramping-up fiscal support. Bond issuance by the central/local governments has recently surged
- But amid sharply rising public debt levels, there is a risk of "stimulus fatigue" which could constrain the economic recovery from COVID-19

Key Views

- The fastest bear market of all time has given way to the fastest recovery, driven by a reduction in downside tail risks and laggards catching-up
- Global equities seems to discount a "swoosh" style recovery scenario, which is in line with economist and market projections. Right now, we don't have a big quarrel with market pricing
- The key question for investors is what to do from here. Expected returns for risky assets remain attractive, but have worsened since March. Meanwhile, the macro and corporate outlook remains tricky and is tilted to the downside
- Risks are now balanced. After the moves in markets of the last couple of months, a period of range-bound trading is likely – like in 2010 after the global financial crisis
- This means we want to continue to hold risky asset classes., especially the ones that offer attractive income flows such as Asia high-yield and selective equity markets

Key Risks

Multiple Equilibria

Uncertainty remains the pervasive feature of the macro environment. This creates scope for episodic volatility in investment markets

Fiscal policy error	Stimulus fatigue sets-in & policy support is withdrawn too early
Scarring effects of crisis	High unemployment is sticky, long run recovery is slow; virus 2nd wave
Geopolitical risk returns	Political risks & trade tensions are neglected and can shock markets

Source: HSBC Global Asset Management, Global Investment Strategy, July 2020
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

Investment Views

Global equities seems to discount a "swoosh" style recovery scenario and we think risks are balanced. We continue to hold an overweight view on attractively valued asset classes such as global equities and corporate bonds

- **Global equities** – On a strategic, longer-term basis we remain "overweight" amid recently improved valuations. However, we are less positive on eurozone, Japan, and EM ex Asia equities amid policy challenges and structural headwinds
- **Government bonds** – Prospective returns look very low and there is uncertainty as to whether bonds can retain their diversification properties as policy support increasingly relies on targeted fiscal easing measures. We remain "underweight"
- **Corporate bonds** – We are seeing an acceleration in corporate downgrades and defaults, although a recent widening of spreads and central bank support means we have a more constructive stance relative to the beginning of 2020

Equities

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

Government bonds

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

Corporate bonds & Alternatives

Asset Class	Strategic view	View move	Tactical view
Global investment grade (IG)	▲	–	↔
USD IG	▲	–	↔
EUR & GBP IG	▲	–	↔
Asia IG	▲	–	↔
Global high-yield	▲	–	↔
US high-yield	▲	–	↔
Europe high-yield	▲	–	↔
Asia high-yield	▲	–	
EM agg bond (USD)	↔	–	
Gold	↔	–	
Other commodities	▼	–	
Real estate	↔	–	

Asian assets

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

View:
▲ Overweight
↔ Neutral
▼ Underweight

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

Tactical view:
View related to shorter-term investment horizon

Source: HSBC Global Asset Management, as at July 2020, 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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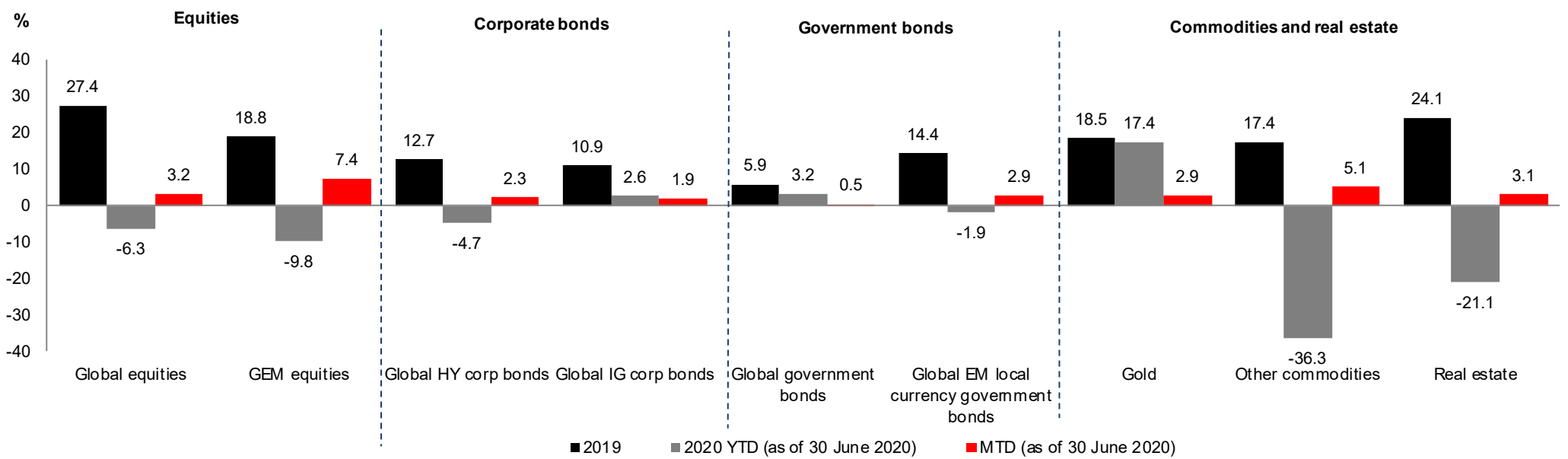
Asset Class Performance at a glance

Global equities edged higher in June as economies continued to unwind COVID-19 containment measures and amid better-than-expected US economic data releases

- **Government bonds** – Core bonds were little changed over the month; in Europe, peripheral spreads narrowed further as the ECB expanded its asset purchase programme
- **Commodities** – Crude oil prices rose on a more positive demand outlook as OPEC+ producers reiterated their commitment to supply cuts

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 30 June 2020 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	◆ While consumption and employment have collapsed as a result of lockdowns, consumer confidence has remained above levels during the 2008-09 global financial crisis ◆ The Fed has managed to engineer continued loose financial conditions and avoided large negative wealth effects for households ◆ This supports the view that as the lockdown is eased, spending can initially recover at a reasonable pace. However, virus case growth dynamics are relatively unfavourable	◆ We hold an overweight view on US equities. Valuations have improved and US policy easing has been aggressive. The US also benefits from medical/technological resources to fight the outbreak ◆ We remain underweight US government bonds, although we recognise that Treasury valuations are attractive versus other government bond markets
Europe	◆ Eurozone countries have re-opened their economies, and case growth remains broadly under control in contrast with the US ◆ The UK's economic policy response to the crisis has been timely and robust, although problems with developing adequate test-and-trace infrastructure increases the risks of a second wave of infections. A disruptive hard Brexit at the end of 2020 is also possible	◆ We believe a neutral strategic stance on European equities is warranted given political challenges to coordinated policy support, although there has been some progress in recent weeks ◆ UK equities, in our view, benefit from highly attractive valuations and a robust economic policy response to the crisis. We remain overweight
Asia	◆ **China:** China has seen a notable recovery from supply-side disruptions with improvements in the industrial, construction, real estate, tech and auto sectors, but the services sector is lagging and recent outbreaks need to be monitored closely ◆ **India:** COVID-19 has hit India's economy hard, with case growth remaining on an upward trend amid constraints to mass testing and densely populated cities ◆ **Japan:** Japan along with other industrialised Asian economies have relaxed containment measures amid lower infection rates and appear better prepared for exit given their testing and contact tracing capacity	◆ **China:** A rapid rebound in economic activity supports our overweight view on China equities. We continue to prefer Asian EM to other EM equity markets and retain our overweight view ◆ **India:** We believe a cautious tactical view on Indian equities is warranted given significant economic headwinds posed by the virus ◆ **Japan:** Relatively constrained policy space warrants a neutral strategic view on Japanese equities
Other EM	◆ **Brazil:** The country's healthcare system has been overwhelmed by COVID-19 amid a relatively lax programme of containment measures. The economy is also facing headwinds from rising political uncertainty and low commodity prices ◆ **Russia:** Pre-existing sluggish growth and subdued domestic demand are now challenged further by lower oil prices and COVID-19 disruption ◆ **MENA:** The region's economic growth prospects are not only constrained by the impact of COVID-19, but also low oil prices and ongoing geopolitical risks	◆ We think it makes sense to be selective on EM assets ◆ Many EM economies (especially outside of Asia) have limited capacity to manage the current health and economic crises, and are exposed to low commodity prices and investor outflows ◆ Meanwhile, relative valuations versus DMs have narrowed ◆ The bright spot is EM Asia where a growth recovery in China can be a tailwind

Source: HSBC Global Asset Management. As at 1 July 2020. The views expressed were held at the time of preparation, and are subject to change.
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Asset class positioning

View:
▲ Overweight
↔ Neutral
▼ Underweight

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

Tactical view:
View related to shorter-term investment horizon

Equities

Asset class	Strategic View	Rationale	Risks to consider	Tactical view	Rationale
Global	▲ —	While the COVID-19 pandemic represents a very significant challenge for the global economy, the equity risk premium (excess return over risk-free assets) remains attractive amid lower developed market government bond yields. Substantial policy easing and reduced spread of COVID-19 have reduced downside tail risks	Global growth risks remain tilted to the downside with high uncertainty about how quickly the global economy will recover to pre-virus levels of output. Corporate earnings growth requires close monitoring An important risk to monitor is for a policy mistake and a premature withdrawal of fiscal support, driven by politicians' "stimulus fatigue" Many equity markets have recently recovered, dampening prospective returns	↔	Market volatility remains high and there is elevated uncertainty over the economic outlook
US	▲ —	US policymakers have acted in a timely and coordinated manner, with the US benefiting from significant economic, medical, and technological resources to fight the outbreak. Corporate earnings have also been outperforming other regions, and exposure to big tech companies has been beneficial	Corporate earnings have come under significant pressure and defaults are increasing. The dynamics of the economic recovery is highly uncertain, especially given relatively unfavourable case growth numbers		
Eurozone	↔ —	There are ongoing political challenges to significant co-ordinated fiscal policy support, while the ECB is pushing against the limits of its mandate. This is in the context of the eurozone's weak pre-crisis economic performance, the risk of a hard Brexit later this year, and the potential for government pressure to maintain low dividends during the crisis Nevertheless, prospective risk-adjusted returns are attractive in our view. The ECB has so far been proactive and innovative in its policy approach, while the German government has engaged in very significant fiscal easing. Case growth is under control in most countries	Eurozone containment measures have been relatively strict, resulting in a deep initial downturn There is uncertainty over the effectiveness of contact tracing infrastructure in the coming months		

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Asset class positioning

Equities cont'd

Asset class	Strategic view	Rationale	Risks to consider	Tactical view	Rationale
UK	▲ —	The UK equity risk premium (excess return over cash) remains comfortably above that for other developed market (DM) equities The UK government and the Bank of England (BoE) have implemented a comprehensive and coordinated package of economic stimulus measures aimed at supporting businesses and employment	Corporate earnings are coming under significant pressure and defaults are increasing There is a risk that the UK exits its transition period with the EU at the end of this year with no trade deal in place	↔	Uncertainty over the UK economic outlook is high, with UK-EU negotiations adding an additional layer of complexity Low oil prices will put additional strain on earnings of energy companies, which have a proportionally high representation in UK equity indices
Japan	↔ —	Policy support is constrained relative to other countries by already ultra-low interest rates and a high government debt level. Meanwhile, Japan's economic growth was very weak prior to the COVID-19 outbreak However, valuations are very attractive, in our view, while Japan (along with other industrialised Asian economies) has made good progress in tackling the spread of COVID-19	Japan's manufacturing sector is vulnerable to the very weak global economic environment and large inventories accumulated before the COVID-19 crisis		
Emerging Markets (EM)	▲ —	Valuations are broadly similar to DM equities. In our view, the bright spot is EM Asian markets which can benefit from China's growth recovery and further policy actions Ultra-loose Fed policy and lower oil prices are significant tailwinds to many EM economies	From a valuation perspective, EM equities are not particularly cheap versus other equity markets. Many EMs are at an earlier stage of the COVID-19 outbreak versus China The impact of the COVID-19 outbreak will lead to further deterioration in EM earnings. Lower oil prices are a major headwind to EM petro-economies. Overall, being selective is key	↔	Many EM economies (especially outside of Asia) have limited capacity to manage the COVID-19 crisis, and are exposed to low commodity prices and investor outflows
Asset class	**Strategic view**	**Rationale**	**Positive factors to consider**	**Tactical view**	**Rationale**
CEE & Latam	▼ —	Low commodity prices is a major headwind to already weak growth momentum in Latin America and Russia. CEE economies are vulnerable to a manufacturing slowdown in Europe given supply chains Many EM economies (mainly outside of Asia) have limited capacity to manage the current health and economic crises. COVID-19 case growth remains on an upward trend in a number of Latin American countries	There is some scope for commodity prices to recover, particularly as China's economy restarts Despite weak healthcare systems, EM countries with young populations may be less exposed to virus-related fatalities		

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Asset class positioning

Government Bonds

Asset class	Strategic view	Rationale	Positive factors to consider	Tactical view	Rationale
Developed Markets (DM)	▼ —	Government bond prospective returns look very low and the market is already pricing in a very pessimistic growth scenario We think governments are increasingly likely to depend on targeted fiscal measures to support growth, which may deteriorate the diversification properties of bonds	Major DM central banks have significantly expanded their bond purchase programmes, supporting demand. Inflation is structurally subdued and should allow monetary policy to remain ultra-accommodative Unexpected bad news in the COVID-19 situation could cause additional deterioration of investor risk appetite		
US	▼ —	Prospective risk-adjusted returns look unattractive versus other asset classes. The US government is unleashing record levels of fiscal stimulus There is uncertainty if Treasuries can act as an effective diversifier asset	Valuations look attractive to us, versus other government bond markets, especially up to five-year bonds. Disappointing economic data or pandemic news could see a further rally Low inflation and a "lower-for-longer" interest rate outlook should help cap yields		
UK	▼ —	Prospective risk-adjusted returns continue to look very poor to us. The UK government is engaging in massive fiscal stimulus	The Bank of England has introduced supportive policy measures and signalled it is ready to do more should the situation further deteriorate		
Eurozone	▼ —	Valuations are unattractive and governments are easing fiscal policy, particularly Germany. Weak government finances in the periphery is a key risk	The ECB has significantly ramped up its bond-buying programme and signalled it is ready to do more		
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	Strategicview	Rationale	Risks to consider	Tactical view	Rationale
Emerging markets (EM) local currency	▲ —	Prospective returns have increased following the recent sell-off, mainly due to declines in most EM currencies	Bond yields are reaching 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	↔	We think a recovery in EM currencies is unlikely in the near-term. Many EM economies have limited capacity to manage the crisis

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Asset class positioning

Investment grade corporate Bonds

Asset class	Strategic View	Rationale	Risks to consider	Tactical View	Rationale
Global investment grade (IG)	▲ —	Spreads remain higher than the beginning of 2020 while DM central banks are engaged in significant purchases The gradual lifting of lockdowns in many economies supports the corporate outlook. Liquidity in IG bond markets has also recently improved	It will be crucial to monitor trends in corporate profitability, which could surprise to the downside We maintain a defensive positioning, looking for higher quality issuers, and avoiding impacted sectors	↔	Rising spreads already reflect the economic impact of COVID-19 and a deterioration in earnings. Downside risks remain as downgrades and defaults pick up
USD investment grade	▲ —	US IG valuations have improved this year and thus offer us a better margin of safety against downside economic risks. The Fed is purchasing IG corporate bonds for the first time in its history while the US government has introduced measures to support big businesses The pre-virus backdrop for US corporate fundamentals was broadly robust, with typical levels of leverage, and a healthy ability to pay debt interest expenses	US IG may come under further pressure from any unexpected deterioration in corporate fundamentals	↔	
EUR and GBP investment grade	▲ —	EUR IG prospective returns have improved this year on the back of rising spreads The ECB and the BoE have increased their net asset purchases substantially, including corporate bonds. These could be ramped up further should risks continue to mount	Moody's expected a sharp rise in default rates in 2020 even before the outbreak of COVID-19. It will be important to monitor trends in corporate fundamentals	↔	
Asia investment grade	▲ —	There is a valuation gap versus DM counterparts while Asian corporates may outperform on the back of growth outperformance in the region	A stronger US dollar poses a risk, particularly for corporates with USD denominated debt	↔	

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Asset class positioning

High-yield corporate Bonds

Asset class	Strategic View	Rationale	Risks to consider	Tactical view	Rationale
Global high-yield	▲ —	Spreads on high yield bonds are fairly high in our view. The credit risk premium (compensation for bearing corporate default risk) looks attractive. The Fed and ECB have implemented measures to support the market We continue to prefer Asia credits to DM	Default rates are expected to increase this year, and it will be crucial to monitor any spillover from the struggling energy sector to the wider market There is significant uncertainty over the extent of the expected deterioration in global economic growth and corporate fundamentals	↔	Rising spreads already reflect the economic impact of COVID-19 and a deterioration in earnings. Downside risks remain as downgrades and defaults pick up Furthermore, we advocate a defensive positioning within high yield, looking for higher quality issuers, and avoiding impacted sectors. We are also aware of liquidity issues in some sectors
US high-yield	▲ —	Prospective risk adjusted returns are consistent with our overweight position. The Fed has enacted measures to support the market	US HY credits remain vulnerable the corporate profits and default outlook. Low oil prices pose a significant headwind to energy names	↔	
Asia high-yield	▲ —	Asia HY offers a decent buffer against bad news given its attractive valuation against the opportunity set, including US and European HY Many Asian economies have managed to contain the spread of COVID-19 and can benefit from a growth recovery in China	A stronger US dollar poses a risk, particularly for corporates with USD denominated debt. Many export-dependent Asian economies are vulnerable to the deteriorating global growth picture China's macroeconomic performance and default rates need to be monitored closely		
Europe high-yield	▲ —	Valuations are consistent with our overweight position Monetary policy is ultra-accommodative, with the ECB possibly introducing measures to support the market this year	Underlying corporate fundamentals are fragile in the current environment while default rates are picking up European political risks remain. We remain neutral on a tactical basis	↔	

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Asset class positioning

Alternatives

Asset class	Strategic View	Rationale	Risks to consider
Gold	↔ ▬	Gold futures can offer reasonable diversification benefits to multi-asset portfolios in a world of low bond yields and where bonds are potentially losing their diversification properties. Gold has performed well since the outbreak of COVID-19 in the context of elevated uncertainty and lower interest rates	In our view, prospective returns on gold futures look poor. This is due to a negative expected roll yield (the cost of renewing futures contracts) and a negative expected spot-price return
Real Estate	↔ ▬	Despite a partial recovery, global real estate equity markets are around 25% below pre-crisis levels in USD terms. Dividend yields remain elevated, providing a wide margin over wider equity markets and developed market government bonds. We continue to believe that the market has over-discounted the negative impact that the virus will have on property markets globally. For investors able to accept continued high volatility, we believe prospective long-run returns imply a sufficient premium over extremely low policy rates	COVID-19 dominates the market. Sectors such as leisure, entertainment and many parts of the retail market are particularly exposed. In the short term, rental income from such sectors will likely fall. Some sectors, such as logistics, are experiencing healthy demand and rent collection rates remain high. The impact on rental growth and future dividends remains highly uncertain, particularly in the short term
EM agg bond (USD)	↔ ▬	Valuations have recently improved and reflect the higher downside risks to the EM outlook	The current environment is tricky for many EM economies and corporates. Many have limited fiscal and monetary power while their healthcare systems are weak. Defaults are expected to increase

Asset class	Strategic View	Rationale	Positive factors to consider
Other commodities	▼ ▬	Although commodities look attractively priced after the recent sell off, there is very high uncertainty if demand and/or supply can adjust quickly enough in the near-term to support a price recovery We measure a negative expected roll yield (cost of renewing futures contracts) for many commodities (particularly in the energy complex)	Spot commodity prices remain vulnerable to the weak global economy, although this may be offset by the economic recovery in China (the world's biggest consumer of a number of commodities)

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Asset class positioning

Asian assets

Asset class	Strategic 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	Strategic View	Rationale	Risks to consider
Asia ex-Japan equities	▲ ▬	We think this asset class offers attractive risk-adjusted returns. EM Asian economies can benefit from a growth recovery in China We prefer EM Asian equities to other parts of EM	The region is not immune to a global recession or increased US-China political tensions Other risks include unpredictable geopolitics, commodity-price and/or currency volatility
China equities	▲ ▬	The latest economic indicators suggest a robust recovery in activity with May industrial profits showing positive year-on-year growth There has been continued policy support including expanding credit to SMEs and there is adequate capacity for broad-based monetary policy easing Chinese equities feature a high degree of skew towards the online and digital economy and continued catalysts include further capital market liberalisation	The government response to contain localised outbreaks has been swift and strong, re-implementing lockdowns where they have appeared. Enhanced testing capacity and active surveillance has meant lockdowns have been selective and targeted The labour market remains under significant pressure. Coverage of unemployment insurance schemes is modest and in response policy makers have announced a series of measures to support the labour market. Heightened tensions between the US and China continue to create large uncertainties

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Asset class positioning

Asian assets cont'd

Asset class	Strategic View	Rationale	Risks to consider	Tactical view	Rationale
India equities	▲	Prospective risk-adjusted returns remain relatively attractive and high frequency indicators of economic activity have generally improved, albeit gains have been incremental. Amid rising coronavirus cases, fatalities have remained relatively low allowing governments to cautiously reopen Monetary and fiscal policy support has seen unprecedented liquidity being put into the system supporting risk assets	COVID-19 case growth remains high and India's path to reopening has been mixed with some states extending lockdowns India entered the COVID-19 pandemic with several macroeconomic challenges including slowing growth. Private consumption has slowed amid expectations of a permanent shock to income and high unemployment is a headwind to the consumption outlook	↔	The ongoing spread of COVID-19 has resulted in some states extending lockdowns. Tight fiscal space has seen policy support largely focused on the financial sector and on agricultural reforms, with direct fiscal support limited
Hong Kong equities	▲	Hong Kong has been one of the leading countries in fighting COVID-19 and has largely suppressed local infections, meaning that social distancing restrictions have been largely relaxed and work resumption has effectively normalised Accommodative global monetary policy rates ease pressure on Hong Kong interest rates	The labour market in Hong Kong continues to face pressures, particularly in the retail, hospitality and tourism segments Short-term negative sentiment and political tensions remain risks	↔	Hong Kong's economy is likely to see a significant recession in H1. The economic outlook is very uncertain
Singapore equities	▲	Policy measures have been supportive, providing a material offset to the slowdown following the COVID-19 outbreak Prospective risk-adjusted returns remain attractive. The perception of Singapore as a regional safe haven as improved amid geopolitical uncertainties	Singapore has seen an extended lockdown period which has lengthened the road to recovery. Border controls are likely to remain in place affecting tourism, travel and hospitality sectors implying weak consumption momentum Subdued external demand conditions weigh on trade flows which Singapore is largely dependent on	↔	Singapore is highly exposed to global trade conditions, and the outlook remains weak. The recovery from the gradual reopening of the economy is likely to be slow and protracted

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Asset class positioning

Asian assets cont'd

Asset class	Strategic view	Rationale	Risks to consider
South Korea equities	▲	Korea has been economically robust having avoided nationwide lockdown policies Policy measures have been supportive and monetary policy remains dovish. Corporate governance reform is a longer-term positive catalyst	Downside risks to Korea's exports remain as external demand conditions are weak Geopolitical tensions on the Korean peninsula create volatility and uncertainty
Taiwan equities	▲	Accommodative fiscal and monetary policy provide support to growth. The coronavirus situation in Taiwan has been well contained and domestic economic activity has continued to improve Taiwan has benefited from robust demand for technology goods related to distance learning and work from home practices	Exports have been weighed on by non-tech segments and generally from weaker external demand. Trade protectionism and a localisation of supply chains remain as medium-term risks

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Market data

June 2020

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)	525	3.0	18.7	0.3	-7.1	581	379	21.8
North America								
US Dow Jones Industrial Average	25,813	1.7	17.8	-3.0	-9.6	29,569	18,214	23.7
US S&P 500 Index	3,100	1.8	20.0	5.4	-4.0	3,394	2,192	24.9
US NASDAQ Composite Index	10,059	6.0	30.6	25.6	12.1	10,222	6,631	37.5
Canada S&P/TSX Composite Index	15,515	2.1	16.0	-5.3	-9.1	17,971	11,173	24.8
Europe								
MSCI AC Europe (USD)	415	3.7	14.4	-9.3	-14.5	492	307	20.0
Euro STOXX 50 Index	3,234	6.0	16.0	-6.9	-13.6	3,867	2,303	19.6
UK FTSE 100 Index	6,170	1.5	8.8	-16.9	-18.2	7,727	4,899	18.4
Germany DAX Index*	12,311	6.2	23.9	-0.7	-7.1	13,795	8,256	19.2
France CAC-40 Index	4,936	5.1	12.3	-10.9	-10.9	6,111	3,632	20.6
Spain IBEX 35 Index	7,231	1.9	6.6	-21.4	-21.4	10,100	5,815	23.0
Italy FTSE MIB	19,376	6.5	13.6	-8.8	-17.6	25,483	14,153	22.4
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	513	7.8	17.6	-2.8	-7.2	575	384	16.9
Japan Nikkei-225 Stock Average	22,288	1.9	17.8	4.8	-5.8	24,116	16,358	21.4
Australian Stock Exchange 200	5,898	2.5	16.2	-10.9	-11.8	7,197	4,403	21.0
Hong Kong Hang Seng Index	24,427	6.4	3.5	-14.4	-13.3	29,175	21,139	11.4
Shanghai Stock Exchange Composite Index	2,985	4.6	8.5	0.2	-2.1	3,127	2,647	12.5
Hang Seng China Enterprises Index	9,759	2.1	1.7	-10.3	-12.6	11,502	8,290	8.5
Taiwan TAIEX Index	11,621	6.2	19.7	8.3	-3.1	12,198	8,524	18.1
Korea KOSPI Index	2,108	3.9	20.2	-1.0	-4.1	2,277	1,439	15.0
India SENSEX 30 Index	34,916	7.7	18.5	-11.4	-15.4	42,274	25,639	21.2
Indonesia Jakarta Stock Price Index	4,905	3.2	8.1	-22.9	-22.1	6,468	3,912	16.4
Malaysia Kuala Lumpur Composite Index	1,501	1.9	11.1	-10.2	-5.5	1,695	1,208	20.0
Philippines Stock Exchange PSE Index	6,208	6.3	16.7	-22.4	-20.6	8,420	4,039	17.6
Singapore FTSE Straits Times Index	2,590	3.2	4.4	-22.0	-19.6	3,387	2,208	14.2
Thailand SET Index	1,339	-0.3	18.9	-22.6	-15.2	1,748	969	20.6
Latam								
Argentina Merval Index	38,687	2.3	58.7	-7.4	-7.2	48,989	22,061	9.2
Brazil Bovespa Index*	95,056	8.8	30.2	-5.9	-17.8	119,593	61,691	30.3
Chile IPSA Index	3,959	8.5	13.5	-21.9	-15.2	5,194	2,851	3.1
Colombia COLCAP Index	1,112	1.5	-1.1	-28.2	-33.1	1,682	881	10.7
Mexico S&P/BMV IPC Index	37,716	4.4	9.2	-12.6	-13.4	45,955	32,503	17.4
EEMEA								
Russia MOEX Index	2,743	0.3	9.3	-0.8	-9.9	3,227	2,074	10.6
South Africa JSE Index	54,362	7.7	22.2	-6.6	-4.8	59,105	37,178	13.8
Turkey ISE 100 Index*	116,525	10.4	30.0	20.8	1.8	124,537	81,936	10.1

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

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 30 June 2020.

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

Past performance is not an indication of future returns.

Market data (continued)

June 2020

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	19.2	-6.3	2.1	19.6	36.7	2.3
US equities	21.6	-2.5	7.8	34.5	61.8	1.9
Europe equities	15.3	-12.8	-6.8	0.0	7.5	3.0
Asia Pacific ex Japan equities	18.4	-6.1	-0.3	10.1	23.5	2.9
Japan equities	11.6	-7.1	3.1	9.2	18.5	2.5
Latam equities	19.1	-35.2	-32.5	-20.1	-15.1	3.6
Emerging Markets equities	18.1	-9.8	-3.4	5.8	15.1	2.7

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)	589	0.5	2.4	6.1	3.9
JPM EMBI Global	865	2.9	11.2	1.5	-1.9
BarCap US Corporate Index (USD)	3,403	2.0	9.0	9.5	5.0
BarCap Euro Corporate Index (Eur)	256	1.3	5.3	-0.4	-1.2
BarCap Global High Yield (USD)	494	2.1	11.8	-1.4	-4.4
BarCap US High Yield (USD)	2100	1.0	10.2	0.0	-3.8
BarCap pan-European High Yield (USD)	457	2.2	11.5	0.4	-4.2
BarCap EM Debt Hard Currency	434	2.5	9.6	2.1	-0.8
Markit iBoxx Asia ex-Japan Bond Index (USD)	220	1.8	6.2	5.2	2.2
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	271	3.6	11.9	1.6	-1.1

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 30 June 2020.

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

Past performance is not an indication of future returns.

Market data (continued)

June 2020

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2019
US Treasury yields (%)					
3-Month	0.13	0.12	0.06	2.09	1.54
2-Year	0.15	0.16	0.25	1.75	1.57
5-Year	0.29	0.30	0.38	1.77	1.69
10-Year	0.66	0.65	0.67	2.01	1.92
30-Year	1.41	1.41	1.32	2.53	2.39
Developed market 10-year bond yields (%)					
Japan	0.02	0.00	0.01	-0.16	-0.02
UK	0.17	0.18	0.35	0.83	0.82
Germany	-0.46	-0.45	-0.47	-0.33	-0.19
France	-0.11	-0.08	-0.02	-0.01	0.12
Italy	1.26	1.47	1.52	2.10	1.41
Spain	0.46	0.56	0.67	0.39	0.46

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,781	2.9	12.9	26.3	17.4	1,789	1,382
Brent Oil	41.2	16.5	81.0	-38.2	-37.7	72	16
WTI Crude Oil	39.3	10.7	91.7	-32.8	-35.7	66	-40
R/J CRB Futures Index	138	4.3	13.3	-23.8	-25.7	188	101
LME Copper	6,015	11.9	21.5	0.4	-2.6	6,343	4,371

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 30 June 2020.
Please refer to Basis of Views and Definitions section for additional information.

Past performance is not an indication of future returns.

Market data (continued)

June 2020

Currencies (vs USD)	Latest	End of last mth.	3-mths Ago	1-year Ago	Year End 2019	52-week High	52-week Low
Developed markets							
DXY index	97.39	98.34	99.05	96.13	96.39	102.99	94.65
EUR/USD	1.12	1.11	1.10	1.14	1.12	1.15	1.06
GBP/USD	1.24	1.23	1.24	1.27	1.33	1.35	1.14
CHF/USD	1.06	1.04	1.04	1.02	1.03	1.09	1.00
CAD	1.36	1.38	1.41	1.31	1.30	1.47	1.30
JPY	107.9	107.8	107.5	107.9	108.6	112.2	101.2
AUD	1.45	1.50	1.63	1.42	1.43	1.81	1.41
NZD	1.55	1.61	1.68	1.49	1.49	1.83	1.47
Asia							
HKD	7.75	7.75	7.75	7.81	7.79	7.85	7.75
CNY	7.07	7.14	7.08	6.87	6.96	7.19	6.84
INR	75.51	75.62	75.63	69.03	71.38	76.92	68.29
MYR	4.29	4.35	4.32	4.13	4.09	4.45	4.05
KRW	1,203	1,238	1,219	1,155	1,156	1,294	1,151
TWD	29.56	30.02	30.26	30.99	29.99	31.73	29.42
Latam							
BRL	5.47	5.34	5.21	3.85	4.02	5.97	3.72
COP	3,758	3,731	4,065	3,211	3,287	4,237	3,164
MXN	22.99	22.18	23.67	19.22	18.93	25.78	18.52
ARS	70.46	68.53	64.40	42.48	59.87	70.52	41.50
EEMEA							
RUB	71.20	70.14	78.58	63.22	61.95	82.87	60.88
ZAR	17.35	17.55	17.84	14.09	14.00	19.35	13.81

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 30 June 2020.

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

Past performance is not an indication of future returns.

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

- Views are based on regional HSBC Global Asset Management Asset Allocation meetings held throughout **June 2020**, HSBC Global Asset Management's long-term expected return forecasts which were generated as **at 31 May 2020**, 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 May 2020.**
- 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 **30 June 2020**.

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