Investment Monthly – September 2020

Balanced risks for markets

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Summary

Macro Outlook

- With lockdowns having mostly been lifted, economic activity has picked up sharply across a range of economies, albeit from historically depressed levels. However, the pace of recovery remains uncertain, especially beyond Q3
- Our most likely scenario is a "swoosh" type recovery for the global economy; after a sharp rebound, economic activity is likely to recover more gradually. Developed markets are unlikely to reach pre-crisis levels of activity until 2022
- Following the initial shock, we are already witnessing the emergence of relative winners (China, industrialised Asia) and losers (emerging markets ex Asia, smaller oil exporters, frontier economies, and the UK)
- The global economy needs ongoing support and positive virus developments. The biggest downside risks to our "swoosh" scenario are fiscal policy mistakes or renewed lockdowns across economies

Central Banks

- While the pace of balance sheet expansion at most central banks has slowed recently, monetary policy is expected to remain highly supportive of economies
- In particular, to boost activity following the Covid-19 shock, ultra-loose monetary policy continues to support fiscal stimulus efforts by governments
- The **US Federal Reserve (Fed)** is likely to commit to a near-zero interest rate policy and tolerate above-target inflation until demand makes a full recovery
- The **European Central Bank (ECB)** has affirmed to use the full EUR1.35tn envelope for asset purchases, helping borrowing costs for sovereign borrowers in the eurozone to stay low and stable
- The **People's Bank of China (PBoC)** has paused its easing cycle amid a rebound in activity in Q2 but has left space to support government bond issuance or if conditions deteriorate

Key Views

- We think pricing in many markets is consistent with our baseline expectation of a "swoosh" style economic recovery with some tentative signs of the more optimistic rapid recovery scenario being discounted. Overall, we do not have a big quarrel with market pricing at this point
- There are upside risks to markets, linked to better news and price momentum. Meanwhile, downside risks include the re-emergence of the virus, policy error, or long-term damage to economies. We view these risks as roughly balanced which means markets could be range-bound in the coming months
- Risk-taking can be rewarded by the market, but after the fastest rally on record, the hurdle for positive surprise is higher than it was, and prospective returns have fallen considerably
- A handful of asset classes – Asia high-yield, local-currency emerging market debt, fallen angels and selected equities – still offer relatively-high expected returns. For us, now is also the time to think hard about diversifying portfolios out of core government bonds into a wider set of alternative asset classes

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
Political risk returns	Political risks & trade tensions are neglected and can shock markets

Source: HSBC Global Asset Management, Global Investment Strategy, September 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

We think current market pricing remains broadly consistent with a "swoosh" economic recovery. We still favour risky asset classes such as selected global equities, and bonds issued by Asian corporates and emerging market governments (in local currency)

- **Global equities** – Although prospective returns have recently fallen, we think valuations remain relatively attractive with pricing in most markets consistent with our baseline "swoosh" recovery scenario. Risks are balanced in our view
- **Government bonds** – There is uncertainty as to whether bonds can retain their diversification properties as policy support increasingly relies on targeted fiscal easing measures. We also estimate poor valuations and thus remain "underweight"
- **Corporate bonds** – Central bank action remains a crucial support for this asset class. Asian bonds are particularly attractive to us, alongside high-yield bonds (especially "fallen angels" that were previously investment grade)

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 (strategic):
– No change
↑ Upgraded versus last month
↓ Downgraded versus last month

Tactical view:
View related to shorter-term investment horizon

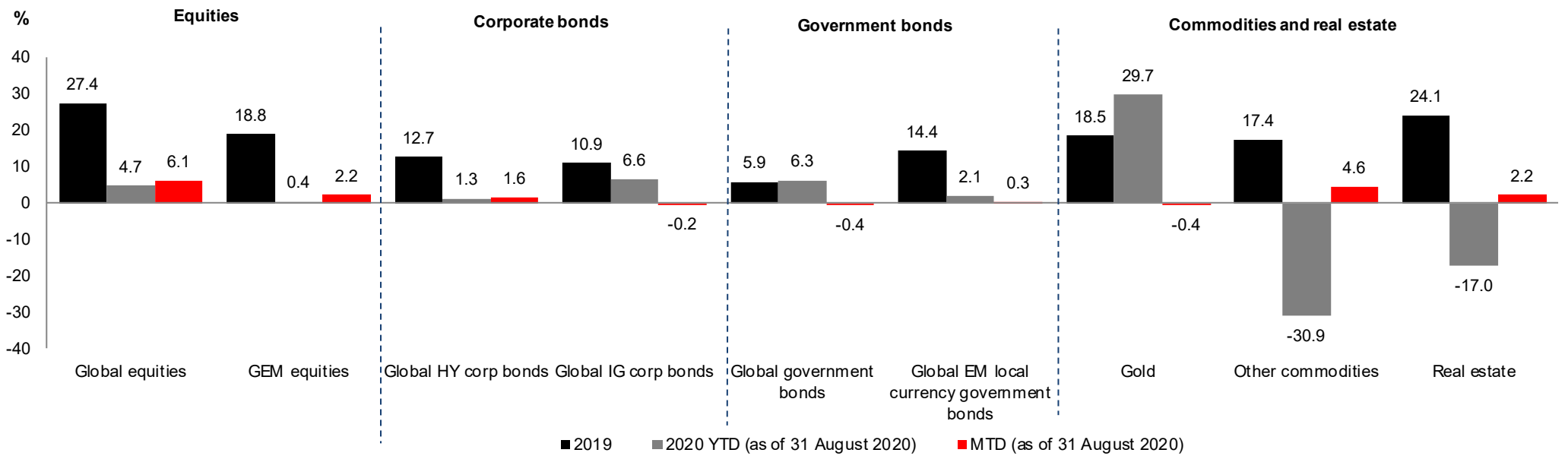
Source: HSBC Global Asset Management, as at September 2020, and subject to change. The views expressed are those of HSBC Global Asset Management, they were held at the time of preparation, and are subject to change. Please refer to Basis of Views and Definitions section for additional information

Asset Class Performance at a glance

Global equities rallied in August as global central banks and governments continued to provide policy support amid an ongoing economic recovery

- **Government bonds** – Longer-dated core bonds fell amid improving global economic data, signs of declining US Cvoid-19 case growth, heavy issuance, and as the Fed confirmed it would allow inflation to overshoot its 2% target
- **Commodities** – Oil prices rose on the back of declining US crude inventories and as Hurricane Laura disrupted US production, gold prices held steady

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 31 August 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	◆ Many sectors of the US economy have recovered quickly, including spending on goods, housing, and durable goods orders (particularly for autos) ◆ However, spending on services continues to lag amid ongoing social distancing measures, while the labour market recovery remains more tentative ◆ Downside risks to the outlook remain elevated Covid-19 case growth, and a further delay in extending the top-up to unemployment insurance. Consumer confidence has taken a hit from the delay in enacting another round of fiscal stimulus	◆ We still hold an overweight view on US equities. However, a more cautious stance is warranted in the short-term amid domestic political uncertainty and unfavourable Covid-19 case dynamics ◆ We remain underweight US Treasuries, although we recognise that valuations are attractive versus other government bond markets and Federal Reserve action limits the risk of higher yields
Europe	◆ High frequency indicators signal that the recovery in the eurozone is slowing following the initial bounce back and amid rising virus case numbers. Germany is outperforming. ◆ The UK recovery is set to be very strong in Q3, but the end of the government's job retention scheme in October and the risk of a no-deal Brexit are significant headwinds	◆ We believe an overweight stance on eurozone equities remains justified amid supportive policy. However, pressure on dividends and rising virus case growth are downside risks ◆ We now hold a negative view on UK equities in the short-term due to macro risks, dividend weakness, and poor momentum
Asia	◆ **China:** China's economy has rebounded rapidly as the country has successfully supressed the virus and provided significant policy support. However, a weak global economy is a headwind to the export sector, while household demand remains soft ◆ **India:** India's economy faces headwinds from an underwhelming government fiscal response and strained banking sector. Positively, however, the virus curve is flattening ◆ **Japan:** Japan's recovery benefits from a healthy banking and corporate sector, strong policy support and a broad suppression of the virus. External demand also remains weak	◆ **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:** Japanese equities are attractively valued although low structural growth and constrained Bank of Japan (BoJ) policy space means we hold a neutral view
Other EM	◆ **Brazil:** The country remains at the epicentre of the pandemic, although there is evidence that the situation is getting under control. The government has introduced household income support measures, although further action is constrained by poor fiscal dynamics ◆ **Russia:** Weak domestic demand, low oil prices and limited fiscal policy support are headwinds to economic recovery, although a relatively small share of services is a plus ◆ **MENA:** The region's recovery prospects are constrained by low oil prices and weak tourism flows. Some countries such as Saudi Arabia are already introducing austerity measures. Geopolitical risks also remain	◆ 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 ◆ For us, the bright spot is EM Asia where a growth recovery in China can be a tailwind

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

Equities

View:
▲ Overweight
↔ Neutral
▼ Underweight

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

Tactical view:
View related to shorter-term investment horizon

Asset class	Strategic View	Rationale	Risks to consider	Tactical view	Rationale
Global	▲	The Covid-19 pandemic represents a very significant challenge for the global economy. However, we believe the equity risk premium (excess return over risk-free assets) remains attractive amid lower developed market government bond yields Substantial policy easing has reduced downside tail risks	There is high uncertainty about how quickly the global economy will recover to pre-virus levels of output. Much of this will depend on the duration of the pandemic. Corporate earnings growth in this environment requires close monitoring Policy mistakes are also possible, including a premature withdrawal of fiscal support, driven by politicians' "stimulus fatigue" Many equity markets have recently recovered, dampening prospective returns. Higher government bond yields may also pose a risk to current pricing of many equity markets	↔	Market volatility remains fairly high and there is elevated uncertainty over the economic outlook
US	▲	We believe the market is pricing in our baseline economic scenario of a "swoosh" recovery, although there are some tentative signs of the more optimistic rapid recovery scenario being discounted Exposure to big tech companies is also beneficial in our view	Following the recent rally there is now a higher hurdle for positive surprises A Democratic clean sweep of Congress in the upcoming US elections could mean higher corporate taxes and market-unfriendly regulations. More generally there is a risk of fiscal policy under-delivery	↔	The dynamics of the economic recovery are highly uncertain. US case growth remains high, although on a downward trend
Eurozone	▲	The EU's new joint recovery fund can help support the medium-term growth prospects of more vulnerable European economies We also think the fund should help diminish the risk of more economically fragile member states exiting the Eurozone, which can help compress the "political risk premium" we believe is embedded in the pricing of European risk assets Furthermore, the ECB has so far been proactive and innovative in its policy approach	Eurozone containment measures have been relatively strict, resulting in a deep initial downturn. 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 Covid-19 case growth is rising again in most countries and 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 government and the Bank of England (BoE) have implemented a comprehensive and coordinated package of economic stimulus measures aimed at supporting businesses and employment	The economic recovery in the UK is lagging the eurozone, with a large share of services in the economy (that is more affected by social distancing) being a headwind 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. However, any related GBP weakness could be a positive for firms with foreign-currency revenues	▼	Economic uncertainty is high. Brexit adds another layer of complexity Low oil prices are weighing on earnings of energy companies, which have a high representation in UK indices A number of UK companies have cut or deferred dividend payments. Finally, momentum has been weak
Japan	↔ —	Japanese equities are attractively valued although low structural growth and constrained BoJ policy space means we hold a neutral view 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)	▲ —	We estimate 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	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. Covid-19 case growth is stabilising in Latin America		

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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 We think governments are increasingly likely to depend on targeted fiscal measures to support growth, which may deteriorate the diversification properties of bonds	Current policy settings mean that bond prices are unlikely to be volatile or result in a sharp jump in yields		
US	▼ —	We believe prospective risk-adjusted returns look unattractive versus other asset classes. The US government is unleashing record levels of fiscal stimulus There is uncertainty about whether 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 look unattractive and governments are easing fiscal policy. 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. 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	Strategicview	Rationale	Risks to consider	Tactical view	Rationale
Emerging markets (EM) local currency	▲ —	We measure high prospective returns, although this is mainly due to declines in most EM currencies	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	↔	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)	↔ —	The recent narrowing of spreads means prospective returns are consistent with a neutral positioning in our view DM central banks are engaged in significant purchases	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		
USD investment grade	↔ —	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. US Covid-19 case growth remains high		
EUR and GBP investment grade	↔ —	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 Recent 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	↔	Downside risks remain as downgrades and defaults pick up

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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	▲ —	Valuations still look reasonable and compare favourably with the start of the year. 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	↔	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	▲ —	We believe prospective risk adjusted returns are consistent with our overweight position. The Fed has enacted measures to support the market	US HY credits remain vulnerable to the corporate profits and default outlook. Low oil prices pose a significant headwind to energy names	↔	
Asia high-yield	▲ —	In our view 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. Default rates should remain relatively low Recent USD weakness is positive for corporates with USD denominated debt	Many export-dependent Asian economies are vulnerable to the weak global economy 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	↔	

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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 very 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	↔ ▬	Global real estate equity prices remain around 20% below their pre-pandemic levels in USD terms despite having risen by almost 40% from their mid-March 2020 low point. Dividend yields from the sector offer a wide margin over general equities and developed market government bonds. Although volatility remains high, we believe prospective long-run returns imply a sufficiently attractive 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 decline or be deferred. Other property types, 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
Other commodities	↔ ▬	We think there is scope for certain commodities to perform well in the coming months. For example, copper and other industrial commodities could benefit from a continuation of the "swoosh" global economic recovery and strong rebound in China Cuts to miners' exploration budgets and Covid-19 related disruptions also mean that new supply is limited	Spot commodity prices remain vulnerable to the fragile global economy and the risk of further Covid-19 lockdowns

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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	▲ ▬	Economic data and higher frequency data in July and August have reaffirmed signs of a recovery that is broadening out across the economy and have shown up in continued industrial profit growth, however the pace of recovery is moderating The latest monetary policy report indicates an easing bias in the second half of the year but with a focus on targeted support, providing liquidity injections rather than further policy rate cuts Impact from summer floods remain contained and renewed national strategic focus on the domestic economy provides a tail-wind for domestic-oriented sectors	Unemployment remains a large concern as consumer spending has been slow to recover and private sector investment has not rebounded yet The pace of monetary policy support will be balanced by concerns of financial stability US-China tensions have been a key risk, particularly in technology industries

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Asset class positioning

Asian assets cont'd

Asset class	Strategic View	Rationale	Risks to consider	Tactical view	Rationale
India equities	▲	Increased central bank liquidity has resulted in lower costs of capital and higher retail investor participation continues to benefit Indian equities Monetary policy stance remains accommodative and further rate cuts could be unlocked on easing inflation	The fiscal policy response to the pandemic has been relatively muted and reflective of the limited fiscal space due to a wide fiscal deficit and challenged tax revenues The spike in food inflation caused by supply chain disruptions during lockdown has been slow to ease as the economy has continued to reopen, delaying monetary policy support	↔	Coronavirus cases in India continue to surge and weigh on consumer activity. There is elevated uncertainty over the sustainability of increased retail participation
Hong Kong equities	▲	Hong Kong remains an attractive listing hub underpinned by greater primary and secondary market activity Bold fiscal measures and accommodative global monetary conditions provide some offset to overall economic weakness	Mobility and activity have been slow to recover as coronavirus cases in the third-wave have started to taper, weighing on consumption. Also a recovery in hospitality and tourism-exposed sectors is uncertain as international borders remain closed Headline impact of measures resulting from geopolitical tensions have been limited however remain key risks and overhangs on sentiment	↔	A resurgence of coronavirus and another round of lockdowns may cause lasting shock to the economy, prolonging the recovery
Singapore equities	▲	A further and fifth round of fiscal stimulus extends some support measures until next year, minimising downside risks to employment and consumption Global demand has started to stabilise along with Singapore's non-oil domestic exports, with particularly robust demand in electronics and pharmaceuticals Singapore's perception as a regional safe haven has improved amid geopolitical tensions	Mobility trends and household consumption behaviour have been slow to normalise following relaxation of lockdown measures Regulatory caps on dividends of financial companies, that make up a significant share of listed equities, lowers prospective equity returns	↔	Resurgence of COVID-19 in parts of Europe and Asia may weigh on external demand outlook

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Asset class positioning

Asian assets cont'd

Asset class	Strategic view	Rationale	Risks to consider
South Korea equities	▲	Incremental data suggests Korean exports and manufacturing have rebounded and remain on a recovery path amid stabilising global demand. Exports' exposure to attractive sectors such as technology and healthcare have continued to outperform Recent resurgent wave of COVID-19 is likely to be more manageable given policy experience in testing, contact tracing and containment The equity risk premium looks attractive to us	A resurgence of coronavirus cases has prompted a series of new social distancing measures that raise prospects of lockdowns, potentially bringing some economic activity to a standstill
Taiwan equities	▲	Taiwan's macroeconomic growth has been resilient amid containment of COVID-19 and recovery in external conditions underlines Taiwan's export demand Taiwan equities benefit from strong tech demand and leadership in techno-logy and electronic component manufacturing. Net equity flows into technology companies have remained positive	Private consumption has slowed as a result of the impact of COVID-19 on sentiment and has lagged the recovery in industrial sectors The technology sector remains exposed to potential geopolitical risks; and trade protectionism and a relocation of supply chains remain medium-term risks

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Market data

August 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)	585	6.0	14.8	14.5	3.5	588	379	23.8
North America								
US Dow Jones Industrial Average	28,430	7.6	12.0	7.7	-0.4	29,569	18,214	24.8
US S&P 500 Index	3,500	7.0	15.0	19.6	8.3	3,515	2,192	26.8
US NASDAQ Composite Index	11,775	9.6	24.1	47.9	31.2	11,830	6,631	40.2
Canada S&P/TSX Composite Index	16,514	2.1	8.7	0.4	-3.2	17,971	11,173	24.2
Europe								
MSCI AC Europe (USD)	446	3.8	11.5	2.5	-8.1	492	307	21.3
Euro STOXX 50 Index	3,273	3.1	7.3	-4.5	-12.6	3,867	2,303	20.8
UK FTSE 100 Index	5,964	1.1	-1.9	-17.3	-20.9	7,690	4,899	19.4
Germany DAX Index*	12,945	5.1	11.7	8.4	-2.3	13,795	8,256	21.3
France CAC-40 Index	4,947	3.4	5.4	-9.7	-9.7	6,111	3,632	21.8
Spain IBEX 35 Index	6,970	1.3	-1.8	-20.9	-20.9	10,100	5,815	26.2
Italy FTSE MIB	19,634	2.8	7.9	-7.9	-16.5	25,483	14,153	22.9
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	571	3.6	20.0	15.5	3.4	583	384	18.7
Japan Nikkei-225 Stock Average	23,140	6.6	5.8	11.8	-2.2	24,116	16,358	23.2
Australian Stock Exchange 200	6,060	2.2	5.3	-8.2	-9.3	7,197	4,403	22.0
Hong Kong Hang Seng Index	25,177	2.4	9.6	-2.1	-10.7	29,175	21,139	12.0
Shanghai Stock Exchange Composite Index	3,396	2.6	19.0	17.7	11.3	3,459	2,647	14.7
Hang Seng China Enterprises Index	9,991	-0.5	4.5	-0.9	-10.5	11,502	8,290	8.7
Taiwan TAIEX Index	12,591	-0.6	15.1	18.6	5.0	13,032	8,524	18.9
Korea KOSPI Index	2,326	3.4	14.6	18.2	5.8	2,458	1,439	17.1
India SENSEX 30 Index	38,628	2.7	19.1	3.5	-6.4	42,274	25,639	24.5
Indonesia Jakarta Stock Price Index	5,238	1.7	10.2	-17.2	-16.8	6,414	3,912	19.2
Malaysia Kuala Lumpur Composite Index	1,525	-4.9	3.5	-5.4	-4.0	1,618	1,208	21.2
Philippines Stock Exchange PSE Index	5,884	-0.7	0.8	-26.3	-24.7	8,217	4,039	19.7
Singapore FTSE Straits Times Index	2,533	0.1	0.9	-18.5	-21.4	3,286	2,208	16.4
Thailand SET Index	1,311	-1.3	-2.4	-20.8	-17.0	1,680	969	22.1
Latam								
Argentina Merval Index	46,835	-4.9	23.8	90.3	12.4	56,114	22,061	11.9
Brazil Bovespa Index*	99,369	-3.4	13.7	-1.7	-14.1	119,593	61,691	43.6
Chile IPSA Index	3,767	-6.2	3.3	-21.6	-19.3	5,194	2,851	18.5
Colombia COLCAP Index	1,216	7.2	11.0	-22.0	-26.9	1,682	881	12.8
Mexico S&P/BMV IPC Index	36,841	-0.5	2.0	-13.6	-15.4	45,955	32,503	15.9
EEMEA								
Russia MOEX Index	2,966	1.9	8.5	8.3	-2.6	3,227	2,074	11.7
South Africa JSE Index	55,476	-0.4	9.9	0.4	-2.8	59,105	37,178	13.9
Turkey ISE 100 Index*	1,079	-4.3	2.2	11.5	-5.7	1,245	819	11.3

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

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 31 August 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)

August 2020

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	15.3	4.7	16.5	29.5	62.6	2.1
US equities	16.3	11.0	23.1	49.7	92.4	1.7
Europe equities	12.5	-5.7	5.4	4.9	21.4	2.7
Asia Pacific ex Japan equities	21.2	5.2	18.3	16.1	62.1	2.6
Japan equities	5.9	-1.6	10.2	13.4	32.6	2.4
Latam equities	9.5	-32.6	-23.6	-26.6	7.7	3.2
Emerging Markets equities	19.5	0.4	14.5	8.7	51.4	2.3

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)	591	-0.7	0.9	3.3	4.3
JPM EMBI Global	900	0.3	7.0	3.8	2.1
BarCap US Corporate Index (USD)	3,465	-1.4	3.8	7.5	6.9
BarCap Euro Corporate Index (Eur)	260	0.2	3.0	-0.8	0.5
BarCap Global High Yield (USD)	519	1.4	7.3	4.2	0.5
BarCap US High Yield (USD)	2219	1.0	6.7	4.7	1.7
BarCap pan-European High Yield (USD)	472	1.5	5.6	1.8	-1.0
BarCap EM Debt Hard Currency	452	0.7	6.9	5.8	3.4
Markit iBoxx Asia ex-Japan Bond Index (USD)	226	0.5	4.5	5.9	5.0
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	283	2.1	8.1	6.1	3.2

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 31 August 2020.

Past performance is not an indication of future returns.

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

Market data (continued)

August 2020

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2019
US Treasury yields (%)					
3-Month	0.09	0.08	0.12	1.98	1.54
2-Year	0.13	0.11	0.16	1.50	1.57
5-Year	0.27	0.20	0.30	1.39	1.69
10-Year	0.70	0.53	0.65	1.50	1.92
30-Year	1.47	1.19	1.41	1.96	2.39
Developed market 10-year bond yields (%)					
Japan	0.05	0.01	0.00	-0.28	-0.02
UK	0.31	0.10	0.18	0.48	0.82
Germany	-0.40	-0.53	-0.45	-0.70	-0.19
France	-0.10	-0.19	-0.08	-0.41	0.12
Italy	1.09	1.01	1.47	1.00	1.41
Spain	0.41	0.34	0.56	0.10	0.46

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,968	-0.4	13.7	29.4	29.7	2,075	1,446
Brent Oil	45.3	4.6	28.2	-25.1	-31.4	72	16
WTI Crude Oil	42.6	5.8	20.1	-22.7	-30.2	66	-40
R/J CRB Futures Index	153	6.6	15.9	-10.1	-17.5	188	101
LME Copper	6,667	4.0	24.0	18.0	8.0	6,830	4,371

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 31 August 2020.

Past performance is not an indication of future returns.

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

Market data (continued)

August 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	92.14	93.35	98.34	98.92	96.39	102.99	91.75
EUR/USD	1.19	1.18	1.11	1.10	1.12	1.20	1.06
GBP/USD	1.34	1.31	1.23	1.22	1.33	1.35	1.14
CHF/USD	1.11	1.09	1.04	1.01	1.03	1.11	1.00
CAD	1.30	1.34	1.38	1.33	1.30	1.47	1.30
JPY	105.9	105.8	107.8	106.3	108.6	112.2	101.2
AUD	1.36	1.40	1.50	1.48	1.43	1.81	1.35
NZD	1.49	1.51	1.61	1.58	1.49	1.83	1.48
Asia							
HKD	7.75	7.75	7.75	7.84	7.79	7.85	7.75
CNY	6.85	6.98	7.14	7.16	6.96	7.19	6.81
INR	73.62	74.82	75.62	71.41	71.38	76.92	70.36
MYR	4.16	4.24	4.35	4.21	4.09	4.45	4.05
KRW	1,188	1,191	1,238	1,211	1,156	1,294	1,151
TWD	29.41	29.38	30.02	31.33	29.99	31.42	29.23
Latam							
BRL	5.49	5.22	5.34	4.15	4.02	5.97	3.97
COP	3,741	3,733	3,731	3,442	3,287	4,237	3,239
MXN	21.89	22.28	22.18	20.06	18.93	25.78	18.52
ARS	74.18	72.32	68.53	59.50	59.87	74.28	53.94
EEMEA							
RUB	74.01	74.13	70.14	66.72	61.95	82.87	60.88
ZAR	16.94	17.07	17.55	15.20	14.00	19.35	13.93

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 31 August 2020.

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 **August 2020**, HSBC Global Asset Management's long-term expected return forecasts which were generated as **at 31 July 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 July 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 **31 August 2020**.

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