Investment Monthly – November 2020

US election in focus

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Summary

Macro Outlook

- The "swoosh recovery" continues, with developed markets (DM) likely to reach pre-crisis levels of activity in late 2021/early 2022
- However, after the initial surge, growth is now set to moderate as economies enter the next phase of the recovery: the "flatter part of the swoosh"
- After the crisis, there are relative winners (China, industrialised Asia) and relative losers (emerging markets ex Asia, smaller oil exporters, frontier economies, and the UK)
- The global economy needs ongoing policy support. There is little risk of inflation in the near term

Policy outlook

- Global central banks have rapidly expanded balance sheets since March to maintain the flow of credit and accommodate fiscal easing
- The **US Federal Reserve (Fed)** has moved to average inflation targeting which implies "lower for even longer" rates
- The **European Central Bank (ECB)** has indicated it expects to use the full amount of purchases allowed under its emergency bond buying programme
- The broadening recovery in mainland China and financial stability concerns mean that the **People's Bank Of China (PBOC)** remains focused on targeted micro measures and fine-tuning
- Covid-19 has driven debt-to-GDP ratios significantly higher. There is a significant risk of a fiscal policy error if stimulus is withdrawn too early

House View

- Pricing in many markets is consistent with a swoosh recovery. We think that is a reasonable scenario and have no big quarrel with market-pricing
- Our Q4 scenario is for range-bound markets. Market risks are balanced
- The hurdle for positive surprises is higher than before. But there are still a handful of asset classes – Asia high-yield, China bonds, selected equities – that continue to offer us relatively-high expected returns
- Core government bonds offer low yields and their diversification properties are under question. This points to a "great rebalancing" into alternative assets

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Fiscal policy error	Stimulus fatigue sets-in & policy support is withdrawn too early
Covid control	Virus 2nd wave & economic scarring means long run recovery is slow
Political uncertainty	US elections + Brexit + Trade tensions can still shock markets

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

House view

We believe risk-taking should be fairly cautious at this point given that we have entered the flatter part of the swoosh recovery and valuations have risen. We favour quality equities and selected fixed-income assets (e.g. Asia high-yield)

- **Equities** – Pricing is mostly consistent with our baseline "swoosh" recovery scenario. Uncertainty around Covid-19, US politics and policy support are near-term headwinds, but we see overall risks as balanced
- **Government bonds** – Poor prospective returns and low yields on core DM government bonds makes a strong case for diversifying portfolios into a wider set of alternative asset classes
- **Corporate bonds** – Central bank action remains a crucial support for this asset class, although spreads have come down materially over the last couple of months. Asian bonds remain the most attractive versus other global opportunities

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 November 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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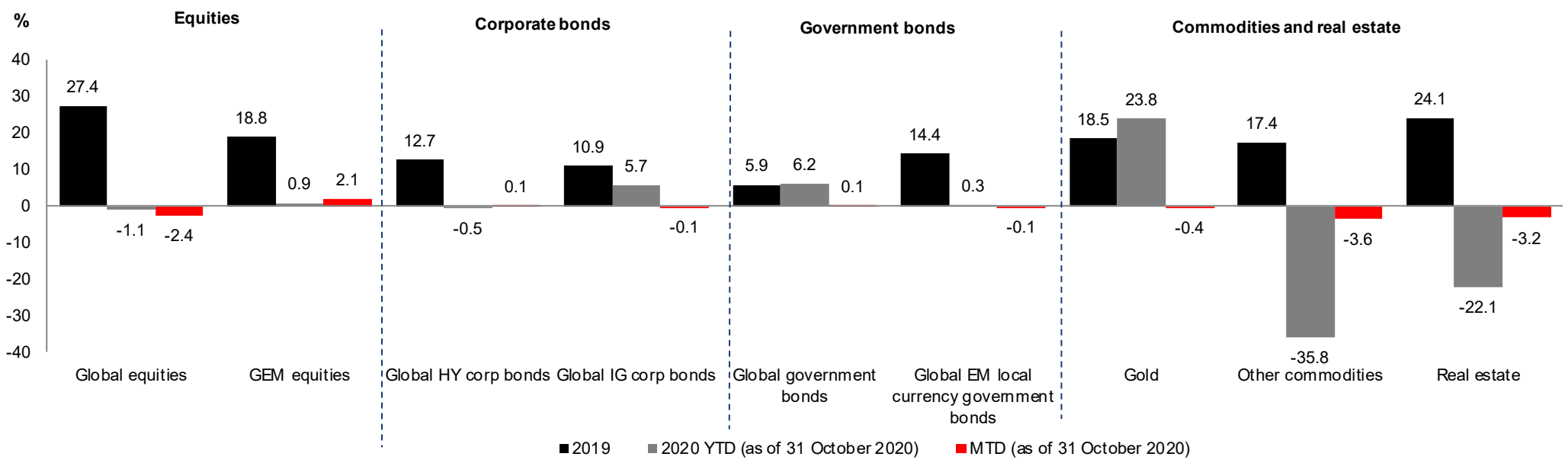
Asset class performance at a glance

Global equities fell in October as a number of European countries imposed tighter Covid-19 restriction measures

- **Government bonds** – US Treasuries fell over the month (yields rose) amid rising expectations of further significant US fiscal stimulus
- **Commodities** – Oil prices fell as European lockdowns weighed on the demand outlook, while a ceasefire in Libya saw a surge in output from the country's oil fields



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 October 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 goods spending (especially groceries, autos), while the housing market is very buoyant ◆ However, spending on services continues to lag amid ongoing social distancing measures, while the labour market recovery remains more tentative ◆ The US election outcome will impact the timing and scope for further fiscal stimulus	◆ **US equities** remain attractive given their exposure to tech and quality stocks. Cyclical parts of the market (smaller to medium-sized companies and those in the financial, industrial and materials sectors) could benefit from fresh government stimulus measures ◆ Prospective returns for **US Treasuries look** low but remain attractive versus other government bond markets. Meanwhile, a "lower-for-even-longer" rate regime limits the risk of higher yields
Europe	◆ High frequency indicators signal that the recovery in the **eurozone** is slowing following a strong initial bounce back amid rising virus case numbers and elevated uncertainty ◆ The **UK** recovery is set to be very strong in Q3, but rising unemployment and Covid-19 infections, weak confidence, and the risk of a no-deal Brexit are significant headwinds	◆ We believe an overweight stance on **eurozone equities** remains justified amid supportive policy, and as investors reach for potential gains outside of the US amid the ongoing "swoosh recovery" ◆ **European government bond** valuations look very unattractive and we think their diversification properties are limited
Asia	◆ Mainland **China's** economy has rebounded rapidly as the country has successfully supressed the virus and provided significant policy support. Furthermore, the recovery is broadening out into the consumer sector ◆ The economic recovery in **India** has been relatively sluggish given very high Covid-19 case growth and ongoing restrictions on mobility. The banking sector remains vulnerable ◆ **Japan's** recovery remains on track amid policy support and ongoing suppression of the virus. But high global uncertainty is likely to weigh on demand for investment goods	◆ A rapid rebound in economic activity supports our overweight view on **China equities**. We continue to prefer **Asian EM equities** to other EM markets and retain our overweight view ◆ Despite macro challenges, our overweight stance on **Indian equities** is still warranted amid a decent economic recovery, a record monsoon, and tailwinds from landmark reforms ◆ **Japanese equities** are attractively valued but we think there are challenges in unlocking this value potential. We remain neutral
Other EM	◆ Case growth in **Brazil** is high but stable and looser restrictions since late-May have prompted a robust recovery in many sectors. But constrained policy space is a key risk ◆ Weak domestic demand, low oil prices and limited fiscal policy support are headwinds to **Russia's** economic recovery, although a relatively small share of services is a plus ◆ Recovery prospects in **MENA** 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 ◆ We believe investors should look for "EM fortresses" that can be resilient to multiple headwinds. For us, the bright spot is North Asia where a growth recovery in mainland China can be a tailwind

Source: HSBC Global Asset Management. As at 2 November 2020. 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	▲ —	Covid-19 is a major challenge for the global economy. But market pricing is broadly consistent with our baseline scenario of a "swoosh" style recovery. Substantial policy easing has reduced down-side tail risks	There is high uncertainty about when the global economy will recover to pre-virus levels of output. Policy mistakes are also possible, including a premature withdrawal of fiscal support. Higher government bond yields also pose a risk to current pricing
US	▲ —	US indices' exposure to big tech companies and quality names is beneficial in our view. Cyclical parts of the market could benefit from fresh government stimulus measures	There are some tentative signs that investors are pricing in a rapid recovery scenario. This means there is now a higher hurdle for positive surprises. US political and policy uncertainty is elevated. There is a risk of fiscal policy under-delivery
UK	↔ —	Policy support has been substantial. Investors may be attracted to the exposure of UK indices to cyclical sectors as the "swoosh" recovery progresses. But the balance of risks points to a neutral position	The economic recovery is relatively weak, with downside risks from a no-deal Brexit and premature withdrawal of fiscal policy support. Indices are exposed to vulnerable cyclical sectors with a number of companies having cut or deferred dividends
Eurozone	▲ —	Policy progress has been substantial, particularly with the EU's new joint recovery fund. Investors may also reach for potential gains outside of the US amid the ongoing "swoosh recovery"	We believe Eurozone growth is structurally weak. There is potential for government pressure to maintain low dividends during the crisis. Appetite for further fiscal policy support may also be waning
Japan	↔ —	Japanese equities are attractively valued but we think there are challen-ges in unlocking this value potential. Economic growth is structurally weak and Bank of Japan policy space is constrained	Japan's export sector is vulnerable to the weak global economic environment. In particular, demand for investment goods is likely to be hit by elevated uncertainty
Emerging Markets (EM)	▲ —	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 EM economies (especially outside of Asia) have limited capacity to manage the crisis, and are exposed to low commodity prices and investor outflows

Asset class	House view	Rationale	Positive factors to consider
CEE & Latam	▼ —	Low commodity prices is a headwind to already weak growth momentum in Latin America and Russia. Many EM economies (mainly outside of Asia) have limited capacity to manage the current health and economic crises	Valuations have recently improved. There is some scope for commodity prices to continue to recover. Despite weak healthcare systems, EM countries with young populations may be less vulnerable to the pandemic

Source: HSBC Global Asset Management. As at 2 November 2020. 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)	▼ —	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	▼ —	Prospective returns are historically very low. 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 versus other government bond markets. 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's borrowing requirements remain substantial	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 issuing high levels of fresh debt. The Covid-19 crisis has highlighted limited diversification benefits	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	House view	Rationale	Risks to consider
Emerging markets (EM) local currency	▲ —	Prospective returns are relatively high, 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

Source: HSBC Global Asset Management. As at 2 November 2020. The views expressed were held at the time of preparation, and are subject to change.
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Asset class positioning

Corporate Bonds

Asset class	House view	Rationale	Risks to consider
Global investment grade (IG)	↔ —	DM central banks are engaged in significant purchases, although spreads have materially fallen in recent months	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 businesses. US corporate fundamentals are broadly robust	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 Bank of England (BoE) have increased their net asset purchases substantially, including corporate bonds. These could be ramped up amid ongoing growth and inflation challenges	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 due to growth outperformance 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 still look reasonable despite high default rates, and income return is relatively attractive. Fed and ECB actions are supporting the market. We continue to prefer Asia credits to DM	It will be crucial to monitor any spillover from the struggling energy sector to the wider market. We advocate a defensive positioning, looking for higher quality issuers, and avoiding vulnerable 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 to the corporate profits and default outlook. Low oil prices pose a significant headwind to energy names
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 are picking up. European political risks remain
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	Many export-dependent Asian economies are vulnerable to the fragile global growth picture. China's economy and default rates need to be monitored closely

Source: HSBC Global Asset Management. As at 2 November 2020. 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 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
Gold	▲	Gold has performed very well this year amid elevated uncertainty and lower real interest rates and could be more range-bound in Q4. However, the environment of "lower-for-even-longer" interest rates 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	We measure poor prospective returns. 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 a continuation of the "swoosh" global economic recovery and strong rebound in China. USD weakness would also be a tailwind. 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
Real estate	↔	Global real estate equity prices have lagged wider equities and remain around 25% below their pre-pandemic levels in USD terms. Dividend yields from the sector offer a significant margin over general equities and developed market government bonds. Despite continued high volatility, we believe prospective long-run returns imply a sufficiently attractive premium over extremely low policy rates.	Covid-19 dominates the market although the impact varies by country. Sectors such as leisure, entertainment and many parts of the retail market are particularly exposed in countries experiencing coronavirus restrictions. In the short term, rental income from such sectors will decline or be deferred. Other property types, such as warehousing/logistics, are experiencing healthy demand and rent collection rates remain high.

Source: HSBC Global Asset Management. As at 2 November 2020. 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. Valuations are reasonable and a tech sector bias remains 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 a global recession or heightened US-China political tensions
China equities	▲ ▬	Normalising economic activity and improving business conditions have supported a recovery in consumption demand and stronger corporate earnings. Policy priority on new infrastructure adds to tailwinds	Domestic labour market conditions remain unfavourable, while elevated tensions between the US and China are likely to persist
India equities	▲ ▬	Robust economic recovery and a record monsoon have boosted optimism along with tailwinds from landmark reforms	Valuations are richly valued, while interest rate cuts face constraints due to elevated inflation
Hong Kong equities	▲ ▬	Hong Kong remains an attractive listing hub underpinned by greater primary and secondary market activity	Uncertainty around Covid-19 and prolonged international border restrictions weigh on large economic sectors, in addition to geopolitical tensions
Singapore equities	▲ ▬	Equity valuations and prospective dividend returns are attractive and Singapore remains sensitive to a global economic recovery with a high proportion of cyclical sectors	Resurgence of Covid-19 across Europe and parts of the US weigh on the external demand outlook
South Korea equities	▲ ▬	Strong rebound in economic activity supported by export demand has underpinned an improving corporate earnings profile	A strong Korean won adds some pressure to export margins, and lingering Covid-19 risks weigh on old economy sectors while clouding the external demand outlook.
Taiwan equities	▲ ▬	Taiwan benefits from broad demand for technology products and improving demand for electronic machinery and parts, particularly driven by solid demand from China	Prospective returns for Taiwanese equities have dampened after the recent rally, while geopolitical risks linger

Source: HSBC Global Asset Management. As at 2 November 2020. The views expressed were held at the time of preparation, and are subject to change.
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Market data

October 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)	551	-2.5	-0.2	3.1	-2.5	595	379	21.7
North America								
US Dow Jones Industrial Average	26,502	-4.6	0.3	-2.0	-7.1	29,569	18,214	21.9
US S&P 500 Index	3,270	-2.8	0.0	7.7	1.2	3,588	2,192	23.8
US NASDAQ Composite Index	10,912	-2.3	1.5	31.6	21.6	12,074	6,631	35.6
Canada S&P/TSX Composite Index	15,581	-3.4	-3.6	-5.5	-8.7	17,971	11,173	22.1
Europe								
MSCI AC Europe (USD)	405	-5.9	-5.8	-12.1	-16.5	492	307	19.3
Euro STOXX 50 Index	2,958	-7.4	-6.8	-17.9	-21.0	3,867	2,303	19.2
UK FTSE 100 Index	5,577	-4.9	-5.4	-23.1	-26.1	7,690	4,899	18.2
Germany DAX Index*	11,556	-9.4	-6.1	-10.2	-12.8	13,795	8,256	17.2
France CAC-40 Index	4,594	-4.4	-4.0	-19.8	-19.8	6,111	3,632	20.2
Spain IBEX 35 Index	6,452	-3.9	-6.2	-30.3	-30.3	10,100	5,815	26.0
Italy FTSE MIB	17,943	-5.6	-6.0	-20.9	-23.7	25,483	14,153	19.7
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	570	2.4	3.4	9.3	3.2	589	384	18.1
Japan Nikkei-225 Stock Average	22,977	-0.9	5.8	0.2	-2.9	24,116	16,358	23.1
Australian Stock Exchange 200	5,928	1.9	0.0	-11.0	-11.3	7,197	4,403	20.0
Hong Kong Hang Seng Index	24,107	2.8	-2.0	-10.4	-14.5	29,175	21,139	12.8
Shanghai Stock Exchange Composite Index	3,225	0.2	-2.6	10.1	5.7	3,459	2,647	14.5
Hang Seng China Enterprises Index	9,760	3.9	-2.8	-7.3	-12.6	11,502	8,290	9.5
Taiwan TAIEX Index	12,546	0.2	-0.9	10.5	4.6	13,032	8,524	18.1
Korea KOSPI Index	2,267	-2.6	0.8	8.8	3.2	2,458	1,439	16.6
India SENSEX 30 Index	39,614	4.1	5.3	-1.3	-4.0	42,274	25,639	25.0
Indonesia Jakarta Stock Price Index	5,128	5.3	-0.4	-17.7	-18.6	6,349	3,912	19.0
Malaysia Kuala Lumpur Composite Index	1,467	-2.5	-8.5	-8.2	-7.7	1,618	1,208	17.1
Philippines Stock Exchange PSE Index	6,324	7.8	6.7	-20.7	-19.1	8,217	4,039	22.7
Singapore FTSE Straits Times Index	2,424	-1.7	-4.2	-25.0	-24.8	3,286	2,208	16.5
Thailand SET Index	1,195	-3.4	-10.1	-25.4	-24.4	1,643	969	21.6
Latam								
Argentina Merval Index	45,290	9.8	-8.0	29.4	8.7	56,114	22,061	21.3
Brazil Bovespa Index*	93,952	-0.7	-8.7	-12.4	-18.8	119,593	61,691	39.1
Chile IPSA Index	3,540	-2.7	-11.9	-25.4	-24.2	5,001	2,851	19.4
Colombia COLCAP Index	1,137	-3.0	0.2	-30.4	-31.6	1,682	881	12.7
Mexico S&P/BMV IPC Index	36,988	-1.3	-0.1	-14.7	-15.1	45,955	32,503	18.4
EEMEA								
Russia MOEX Index	2,691	-7.4	-7.6	-7.0	-11.7	3,227	2,074	10.0
South Africa JSE Index	51,685	-4.8	-7.2	-8.4	-9.5	59,105	37,178	12.5
Turkey ISE 100 Index*	1,112	-2.9	-1.3	13.0	-2.8	1,245	819	9.7

Past performance is not an indication of future returns.

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 31 October 2020. Indices expressed as total returns. All others are price returns.

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

Market data (continued)

October 2020

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	0.2	-1.1	4.9	17.5	47.7	2.2
US equities	0.7	4.0	11.0	34.5	71.2	1.8
Europe equities	-5.0	-14.0	-9.3	-7.8	8.4	2.9
Asia Pacific ex Japan equities	3.9	5.2	11.8	12.0	54.3	2.5
Japan equities	6.9	-2.3	0.3	5.6	28.4	2.4
Latam equities	-12.0	-36.8	-33.1	-29.7	3.2	3.3
Emerging Markets equities	2.6	0.9	8.3	5.9	46.4	2.3

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)	593	0.0	-0.4	4.3	4.7
JPM EMBI Global	884	-0.1	-1.5	2.0	0.3
BarCap US Corporate Index (USD)	3,449	-0.2	-1.8	7.1	6.4
BarCap Euro Corporate Index (Eur)	263	0.8	1.3	1.3	1.6
BarCap Global High Yield (USD)	512	0.2	0.1	1.8	-0.8
BarCap US High Yield (USD)	2208	0.5	0.4	3.5	1.1
BarCap pan-European High Yield (USD)	471	0.3	1.4	1.2	-1.2
BarCap EM Debt Hard Currency	446	-0.1	-0.8	3.5	1.9
Markit iBoxx Asia ex-Japan Bond Index (USD)	224	-0.1	-0.2	4.7	4.2
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	276	-0.5	-0.2	2.0	0.9

Past performance is not an indication of future returns.

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

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

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Market data (continued)

October 2020

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2019
US Treasury yields (%)					
3-Month	0.09	0.09	0.08	1.52	1.54
2-Year	0.15	0.13	0.11	1.52	1.57
5-Year	0.38	0.28	0.20	1.52	1.69
10-Year	0.87	0.68	0.53	1.69	1.92
30-Year	1.66	1.46	1.19	2.18	2.39
Developed market 10-year bond yields (%)					
Japan	0.04	0.01	0.01	-0.14	-0.02
UK	0.26	0.23	0.10	0.63	0.82
Germany	-0.63	-0.52	-0.53	-0.41	-0.19
France	-0.34	-0.24	-0.19	-0.10	0.12
Italy	0.76	0.87	1.01	0.92	1.41
Spain	0.13	0.25	0.34	0.23	0.46

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,879	-0.4	-4.9	24.2	23.8	2,075	1,446
Brent Oil	37.5	-8.5	-13.5	-37.8	-43.2	72	16
WTI Crude Oil	35.8	-11.0	-11.1	-33.9	-41.4	66	-40
R/J CRB Futures Index	145	-2.5	0.7	-18.2	-22.1	188	101
LME Copper	6,719	0.7	4.8	15.9	8.8	7,034	4,371

Past performance is not an indication of future returns.

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

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

Market data (continued)

October 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	94.04	93.89	93.35	97.35	96.39	102.99	91.75
EUR/USD	1.16	1.17	1.18	1.12	1.12	1.20	1.06
GBP/USD	1.29	1.29	1.31	1.29	1.33	1.35	1.14
CHF/USD	1.09	1.09	1.09	1.01	1.03	1.11	1.00
CAD	1.33	1.33	1.34	1.32	1.30	1.47	1.30
JPY	104.7	105.5	105.8	108.0	108.6	112.2	101.2
AUD	1.42	1.40	1.40	1.45	1.43	1.81	1.35
NZD	1.51	1.51	1.51	1.56	1.49	1.83	1.47
Asia							
HKD	7.75	7.75	7.75	7.84	7.79	7.84	7.75
CNY	6.69	6.79	6.98	7.04	6.96	7.18	6.64
INR	74.11	73.77	74.82	70.93	71.38	76.92	70.52
MYR	4.16	4.16	4.24	4.18	4.09	4.45	4.05
KRW	1,135	1,170	1,191	1,164	1,156	1,294	1,125
TWD	28.58	29.02	29.38	30.45	29.99	30.58	28.52
Latam							
BRL	5.74	5.61	5.22	4.02	4.02	5.97	3.98
COP	3,865	3,828	3,733	3,380	3,287	4,237	3,239
MXN	21.18	22.11	22.28	19.23	18.93	25.78	18.52
ARS	78.32	76.18	72.32	59.65	59.87	78.35	59.39
EEMEA							
RUB	79.40	77.66	74.13	64.14	61.95	82.87	60.88
ZAR	16.24	16.75	17.07	15.10	14.00	19.35	13.93

Past performance is not an indication of future returns.

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

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 **October 2020**, HSBC Global Asset Management's long-term expected return forecasts which were generated as **at 30 September 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 **30 September 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 October 2020**.

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