IW
Investment Weekly

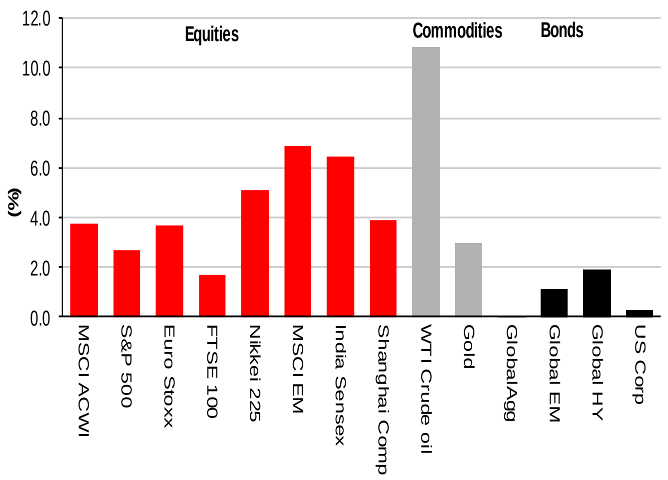
04 March 2016

For Professional Client and Institutional Investor Use Only

- Global equities rallied this week, with risk appetite boosted by higher oil prices, improved global macro data, monetary stimulus in China and continuing expectations of accommodative central bank policy, especially from the European Central Bank (ECB)
- The People's Bank of China (PBoC) cut the reserve requirement ratio (RRR) by 50bps with PBoC Governor Zhou Xiaochuan also tweaking the description of the monetary policy stance to be prudent with a slight easing bias
- US nonfarm payrolls rose by a much better than expected 242,000 in February (versus expectations of 195,000), from an upwardly revised 172,000 in January, leaving the prior two-month net revision at 30,000. However, less encouraging was a slight decline in average hourly earnings by 0.1% mom
- In the coming week, investors will keep a close eye on any announcements at China's National People's Congress (NPC) as well as the outcome of the eagerly anticipated ECB monetary policy meeting

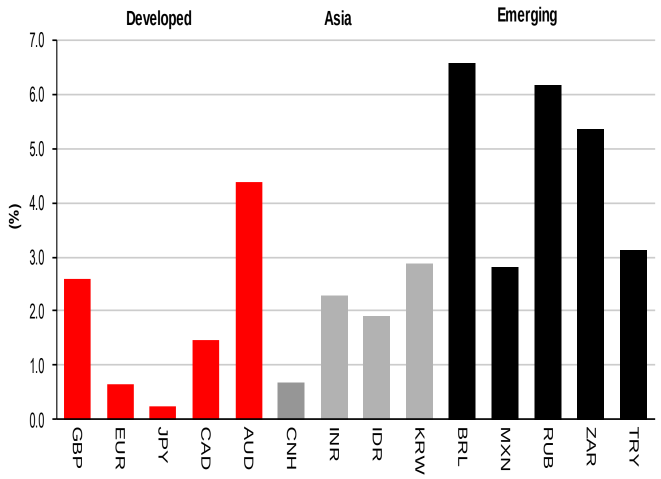
Movers and shakers

Global equities rallied this week amid higher oil prices

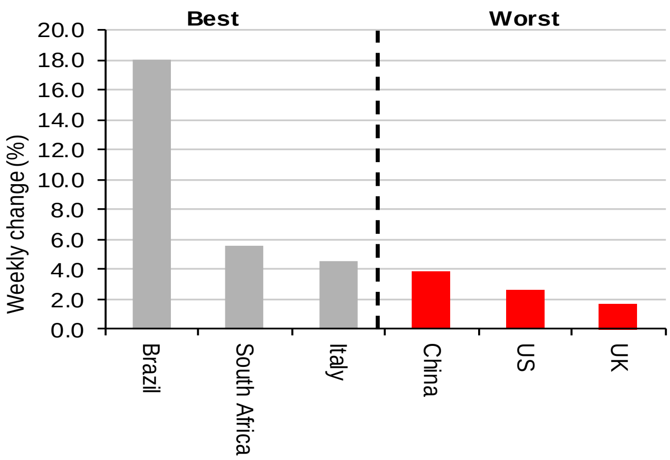


Currencies (versus US dollar)

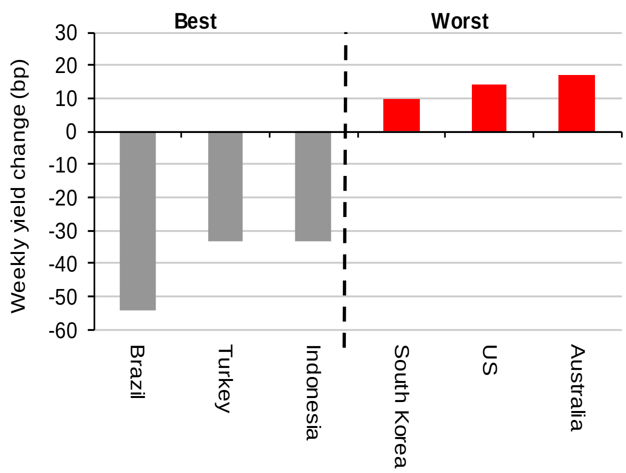
Emerging market currencies rose sharply against the US dollar



Equities



Bonds (10-year)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 March 2016.
All the above charts relate to 26/02/2016–04/03/2016.
Past performance is not an indication of future returns.

HSBC Global Asset Management

Macro Data and Key Events

Past Week (29 February – 04 March 2016)

Date	Country	Indicator	Data as of	Survey	Actual	Prior
Monday 29 February	Japan	Industrial Production (mom)	Jan P	3.2%	3.7%	-1.7%
	Eurozone	CPI Estimate (yoy)	Feb	0.0%	-0.2%	0.3%
	US	Pending Home Sales (mom)	Jan	0.5%	-2.5%	0.9%
Tuesday 1 March	China	Caixin Manufacturing PMI	Feb	48.4	48.0	48.4
	US	ISM Manufacturing Index	Feb	48.5	49.5	48.2
	Eurozone	Unemployment Rate	Jan	10.4%	10.3%	10.4%
Wednesday 2 March	Brazil	Selic Rate	Mar	14.25%	14.25%	14.25%
	US	Beige Book				
Thursday 3 March	Brazil	GDP (qoq)	Q4	-1.6%	-1.4%	-1.7%
	US	ISM Non-Manufacturing Composite Index	Feb	53.1	53.4	53.5
	US	Factory Orders (mom)	Jan	2.1%	1.6%	-2.9%
	Eurozone	Markit Composite PMI	Feb F	52.7	53.0	52.7
Friday 4 March	US	Change in Nonfarm Payrolls	Feb	195k	242k	172k

P – Preliminary, Q – Quarter, F – Final

- In the **US**, the most anticipated release this week was Friday's employment report, which showed **nonfarm payrolls** rising a much better than expected 242,000 in February (versus expectations of 195,000), from an upwardly revised 172,000 in January (previously 151,000), leaving the prior two-month net revision at 30,000. The unemployment rate held at an eight-year low of 4.9% even as the participation rate edged up slightly to 62.9%. The breakdown of the February report also showed private-sector service jobs rising 245,000, following an increase of 153,000 in January, with the retail and healthcare sectors registering another strong month of gains (+55,000 and +57,000 respectively). However, pockets of weakness in the US economy were exposed as manufacturing and mining employment declined (-34,000 combined). Finally, average hourly earnings fell by 0.1% mom, leaving the annual gain at 2.2% (2.5% previously). In terms of the housing market, **pending home sales** declined by 2.5% mom in January (versus a +0.5% consensus), the biggest drop since December 2013, after a 0.9% gain in December. The latest fall could reflect credit constraints for certain buyers, poor January weather, falling stock levels and reduced affordability levels. Meanwhile, the **ISM Non-Manufacturing Composite Index** fell slightly (by 0.1 points) in February to 53.4, although it narrowly beat estimates of a decline to 53.1 and remains firmly in expansionary territory. The stabilisation in this index should allay fears of a slowdown in the crucial US services sector; however, of slight concern was the decline in the employment index to 49.7, its lowest reading since February 2014. Elsewhere, there was better news coming out of the manufacturing sector as the **ISM Manufacturing Index** rose to 49.5 in February, its highest reading since September 2015, from 48.2 in the previous month. This beat expectations for a smaller increase to 48.5. Positively, readings for new orders, production and employment all improved, suggesting that US manufacturing may have found a bottom. However, the decline of the new exports index to 46.5, its lowest in five months, highlights remaining headwinds from sluggish global growth and a stronger US dollar. **US factory orders** also rebounded to increase by 1.6% in January, after falling by 2.9% in December. Although this increase was driven by the volatile transportation series (+11.4%), orders for non-defence capital goods excluding aircraft – seen as a better measure of business confidence and spending plans – increased by 3.4%. Finally, the release of the **US Federal Reserve (Fed) Beige Book** – prepared for the 15-16 March Federal Open Market Committee meeting – described business contacts across the country as "generally optimistic about future economic growth." Consumer spending rose in the majority of the reporting districts, but some noted consumers seemed "reluctant to spend," possibly due to financial market volatility, economic uncertainty and a reluctance to increase existing debt levels. The majority of districts reported modest gains in labour market conditions, with wage growth varying from flat to strong, and seven districts reported difficulty finding skilled workers. Also interesting was that four out of the eight districts reported a positive outlook for manufacturing growth, although eight districts reported "significant headwinds" due to weak demand from the energy sector. The mixed picture highlights the difficulties facing Fed policymakers when they next meet on 15-16 March.
- In Europe, data showed that the **eurozone** remains plagued by deflationary pressures as the **Consumer Price Index** fell 0.2% yoy in February, marking the lowest inflation rate in a year, following a rise of 0.3% yoy in January. Base effects in energy prices explain most of the drop, but core inflation also weakened and slowed by 0.3 percentage points to 0.7% yoy in February. Unusual discounts on clothing due to the mild winter weather may explain some of the weakness in goods prices, but the decline in services shows that underlying inflationary pressures are largely absent. It also highlights the challenges the ECB is facing in reaching its inflation target. More positively, however, the eurozone **unemployment rate** dropped further to 10.3% in January from 10.4% in December, continuing its slow but steady downward trend. The labour market improved in almost all eurozone countries, although France was one of the few exceptions, where unemployment rose by 0.1 percentage point to 10.2%. Meanwhile, the final **eurozone PMIs** for February were revised up (+0.3 points to 53.0 and 53.3 for the composite and services readings respectively, and +0.2 points to 51.2 for manufacturing), marginally reducing the decline from January's level. However, both the January and February readings remain below the levels of Q4 2015, with the manufacturing sector seeming to be increasingly affected by the decline in global demand.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 March 2016.
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- The **Caixin China Manufacturing PMI** dropped 0.4 points to 48.0 in February, reaching its lowest level since last September, highlighting ongoing weakness in the Chinese industrial sector. Even more concerning is the decline of the employment index to its lowest since January 2009. It is, however, important to take into account that Chinese data for January and February is usually distorted due to the Lunar New Year in February. The underlying trend will therefore only be visible once data for March is available. Nevertheless, the reading shows that the economy will require ongoing support from fiscal and monetary stimulus measures, such as this week's 50bp cut in the RRR by the **PBoC**, effective 1 March.
- As expected, **Japan's industrial production** for January rebounded sharply (+3.7% mom) after the negative readings observed in November and December. The rebound was broad-based, with gains in producer and consumer goods, but investment goods were, by far, the biggest contributors. Nevertheless, the year-on-year rate remains weak at -3.8% and the outlook remains fragile.
- The extent of the economic malaise facing **Brazil** was highlighted this week as **Q4 GDP** came in at -1.4% qoq. Although this was 0.2 percentage points stronger than expected, the breakdown showed general weakness, with consumer spending contracting by 1.3% qoq and fixed investment falling by 4.9% qoq. Although both exports and imports contracted, the fall in the latter was larger, reflecting poor domestic demand conditions and a weaker currency, resulting in net exports posting a positive contribution to growth. Meanwhile, the **Central Bank of Brazil** decided to keep its benchmark **Selic rate** at 14.25% in a split vote, with two of the eight monetary policy committee members voting for a 50bp hike. Policymakers decided to avoid tightening monetary conditions, despite above-inflation target, given the country's fragile economic conditions.

Coming Week (07-11 March 2016)

Date	Country	Indicator	Data as of	Survey	Prior
5-16 March	China	National People's Congress			
Monday 7 March	Germany	Factory Orders, Working Day Adjusted (yoy)	Jan	0.0%	-2.7%
Tuesday 8 March	Japan	GDP Annualised, Seasonally Adjusted (qoq)	Q4 F	-1.6%	-1.4% P
	Japan	BoP Current Account Adjusted (JPY)	Jan	1654.8bn	1635.4bn
	Eurozone	GDP Seasonally Adjusted (qoq)	Q4 P	0.3%	0.3%
	China	Trade Balance (USD)	Feb	50.8bn	63.3bn
	US	NFIB Index of Small Business Optimism	Feb	94.2	93.9
	Germany	Industrial Production, Seasonally Adjusted (mom)	Jan	0.5%	-1.2%
Wednesday 9 March	Brazil	IBGE Inflation IPCA (yoy)	Feb	10.8%	10.7%
Thursday 10 March	China	CPI (yoy)	Feb	1.8%	1.8%
	China	New Yuan Loans (CNY)	Feb	1,200bn	2,510bn
	Eurozone	ECB Monetary Policy Decision (Including Deposit Facility Rate)	Mar	-0.4%	-0.3%
Friday 11 March	India	Industrial Production (yoy)	Jan		-1.3%

P – Preliminary, Q – Quarter, F – Final

US

- In a light week for **US** data, it will be interesting to see whether business sentiment held up during February amid financial market volatility and economic uncertainty with the release of the **National Federation of Independent Business Index of Small Business Optimism**. Following a small dip to 93.9 in January, expectations are for a slight rebound to 94.2 in February. Of particular interest will be labour market indicators, such as the share of firms planning to raise compensation, which hit a fresh post-recession high in January (27%, previous: 22%). Meanwhile, any further signs of falling output prices could indicate downside risks to US corporate profit growth.

Europe

- The highlight of the calendar next week is the **ECB's March monetary policy meeting**. The ECB is expected to cut the deposit rate by a further 10bps to -0.4%, while leaving the other two policy rates, the main refinancing rate and the marginal lending rate, at their current levels of +0.05% and +0.30%. In order to mitigate the impact of negative deposit rates on bank profitability, the Governing Council may decide to introduce a tiered system of deposit rates, as the Bank of Japan has done. Most economists also expect an increase in asset purchases, currently EUR60 billion per month. Minor changes to the design of the asset purchase programme or tweaks to other ECB programmes, such as Targeted Long-Term Refinancing Operations, are also possible. A recent weakening of core inflation and inflation expectations since the last meeting makes the case for further easing more compelling. However, recent statements by policymakers revealed that the Governing Council had not yet reached a consensus on which policy tools are to be used. There is therefore the possibility that market expectations are left unmet. The ECB may also revise lower its forecasts for growth and inflation.
- The **eurozone economy** will likely be confirmed to have grown by 0.3% qoq in Q4 2015. This report will also reveal the split into demand components. Private and government consumption are expected to have been the main drivers of growth as in previous quarters. Fixed investment may also have performed well, based on GDP reports for France and Germany, and construction may have performed well given the very mild winter weather.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 March 2016.
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- In **Germany,** the weakening of business sentiment in the beginning of the year signals that **German factory orders** may have declined for a second month in January, leaving the annual growth rate flat. Meanwhile, **German industrial production** may still have expanded slightly in January, after falling sharply by 1.2% mom in December; however, any rebound is likely to be constrained by continuing weakness in external demand.
- On Tuesday, **Bank of England Governor Mark Carney** and the Deputy Governor for Financial Stability Jon Cunliffe are testifying to the British Parliament on Britain's referendum on European Union membership. They will likely explain the implications for the British economy if a vote to leave the EU is successful.

Emerging markets

- **China's National People's Congress,** running between 5-16 March, should give investors fresh insight into Chinese policymakers' priorities for the world's second-largest economy, with Premier Li Keqiang laying out the government budget and official GDP target for 2016 as well as outlining the latest five-year development plan. Meanwhile, data is likely to show that China's exports (in US dollar terms) contracted 15% yoy in February following a 11.2% fall in January, given persistently weak external demand, consistent with the below-50 reading for the new export order index in the official manufacturing PMI. Meanwhile, the yoy import contraction could narrow slightly due to a low base, while domestic (investment) demand remains weak. Therefore, the February **trade surplus** could narrow, but likely remained large at USD 50.8 billion. Chinese **CPI inflation** is expected to stay relatively stable in February amid a rise in food prices driven by holiday demand and a higher base. However, PPI deflation could ease, as indicated by the rise in the purchasing price sub-index and base effects, but likely stayed deep in contractionary territory. Meanwhile, **new yuan loans** are expected to return to a more normal level of CNY1.2 trillion in February after a CNY2.5 trillion surge in January.
- **Brazilian inflation** remains well above the Central Bank's 4.5% target and is unlikely to ease in February given recent food price increases due to heavy rainfall, higher transportation costs after many cities increased bus fares, and schools raising tuition fees at the beginning of the academic year (which starts in February), based on last year's inflation rate of 10.7%. Expectations are for consumer prices as measured by the IPCA-15 index to edge up by 0.1 percentage point to 10.8% yoy.

Market Moves

Global equities rallied this week amid higher oil prices, improved macro data and Chinese stimulus

- US equities extended their recent rally this week, buoyed by an increase in risk appetite amid some upbeat corporate earnings results and positive US macro data. The S&P 500 Index finished the week higher (+2.7%), reaching multi-week highs, amid reduced volatility as the Volatility Index, also called the "fear gauge", dropped to its lowest levels since the beginning of the year. Energy shares outperformed on higher oil prices while healthcare stocks closed up only modestly after Moody's raised concerns over the industry's earnings growth, cutting the sector outlook to "stable" from "positive."
- It was another good week for European equities amid some better than expected global data releases, especially in the US, easing concerns about global growth, which is also important given the importance of US export markets for European companies. European stocks also benefited from the prospect of more ECB easing at its March meeting after eurozone inflation dived into the red again in January. Overall, the EURO STOXX 50 Index gained sharply (+3.7%). Financial stocks were in the lead, benefiting from news that the ECB was looking into measures to mitigate the impact of negative interest rates on banks' profitability. Mining stocks also rose on higher metal prices on speculation of further stimulus from China. In spite of its large weight of mining stocks, the FTSE 100 Index underperformed (+1.7%) amid lingering "Brexit" fears.
- Asian stock markets rallied last week, as upbeat US macro data eased investor concerns about a global economic slowdown, while a rally in oil prices and China's cut to the reserve requirement ratio also boosted sentiment. Japan's Nikkei 225 Index finished the week higher (+5.1%). China's Shanghai Stock Exchange Composite Index also ended up (+3.9%), amid speculation the government would announce more measures to support growth at the National People's Congress meeting. The market rally came despite Moody's downgrade of the outlook for China's sovereign credit rating. India's SENSEX 30 Index rallied (+6.4%) after the fiscal year 2017 budget showed the government's commitment to fiscal consolidation and maintaining macro stability, which would allow the Reserve bank of India to cut policy rates further.

US Treasuries extend falls this week amid upbeat US macro data; shorter-term European bonds outperform amid expectations of further ECB easing measures

- US Treasuries fell again this week, with heightened risk appetite offsetting the support from increasing inflation expectations amid higher oil prices. Upbeat US macro data released during the week also supported expectations of Fed tightening this year. Overall, 10-year Treasury yields ended the week up (+11bps to 1.87%). Meanwhile, policy-sensitive two-year yields rose slightly less (+7bps to 0.86%).
- Core European government bond yields rose (prices fell) for longer maturities this week, as improving sentiment and receding worries about the growth outlook tempered demand for "safe-haven" assets, with higher oil prices also boosting inflation expectations. German and French 10-year yields gained (+9bps and +8bps to +0.24% and +0.58% respectively). However, bonds with shorter maturities outperformed due to increased expectations of further ECB measures, and peripheral debt gained amid heightened risk appetite.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 March 2016.
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Euro reversed early-week losses to end higher against weaker US dollar; emerging market currencies also boosted by heightened risk appetite

- The euro opened this week in negative territory as investors increased their euro-funded carry trades amid continued improvement in risk appetite. Losses were exacerbated by higher expectations of ECB monetary easing next week following a disappointing eurozone's flash CPI estimate for February (-0.2% yoy). However, the euro rebounded on Thursday and Friday to finish the week higher (+0.7%) as the US dollar fell amid signs of weakness in US service-sector employment and the US nonfarm payrolls report came in mixed. Meanwhile, the British pound rose sharply this week (+2.6%), also supported by signs of technical buying following recent heavy losses, offset only slightly by data released on Wednesday showing the UK services PMI print for February falling to a two-year low, raising some concerns over the health of the UK economy.
- Asian currencies strengthened against the US dollar this week as upbeat US macro data, rising commodity prices and expectations that Chinese policymakers would take more steps to support growth and stabilise the Chinese yuan bolstered risk appetite. Foreign fund inflows boosted the Korean won (+2.9%) amid optimism that global economic growth would improve. The ringgit gained (+2.2%), despite disappointing January trade data, as oil prices rose. The Indian rupee also rallied on foreign fund inflows amid investor optimism following the fiscal year 2017 budget, which struck a balance between fiscal prudence/macro stability and growth objectives. Finally, within this climate, the Japanese yen underperformed due to its "safe-haven" status, although it still ended the week higher (+0.3%).
- Meanwhile, heightened risk appetite pushed most non-Asian currencies higher against the US dollar this week. The Brazilian real rallied the most (+6.6%), supported further by higher commodity prices, a better than expected Q4 GDP print and rising hopes that President Dilma Rousseff could be impeached, ending months of political gridlock. The Russian rouble also rose sharply (+6.2%) as oil prices booked in another large weekly rally.

Oil gains amid continuing hopes of production agreements and signs of increased demand prospects

- WTI oil prices rallied this week (+10.8% to USD36.3 per barrel), as market sentiment improved following broadly positive macro data, supporting demand-side prospects, and reiterated comments from major producers to coordinate supply cuts and return oil prices to "normal" levels. Meetings to discuss these proposals are likely to take place later this month, with 15 countries (exporting 73% of the world's oil) publicly confirming their support to act. The credibility of these intentions was further supported by news that the Saudi Arabian government requested a large bank loan to support its weakened fiscal position. Meanwhile, on Wednesday, the U.S. Energy Information Administration reported a higher than expected increase in crude inventories to a new record high of 518 million barrels. However, this was offset by other positive indicators in the report; refineries are responding to increased demand for cheap gasoline by lifting production, which is reflected in a higher refinery utilisation rate and a decrease in gasoline stockpiles. This also pushed the benchmark US gasoline contract higher. Finally, the report also showed that US crude production fell to its lowest level since late 2014. Elsewhere, the weaker US dollar also provided support. Brent crude also rose (+10.8% to USD38.9 per barrel).
- Gold snapped a two-week losing streak to close up this week (+3.0% at USD1,259 per ounce), reaching its highest level since February 2015, as rising inflation expectations outweighed the downward pressure from reduced demand for perceived "safe-haven" assets amid heightened risk appetite. Further gains came on Thursday and Friday on the back of a weaker US dollar.

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Market Data

Equity Indices	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
World									
MSCI AC World Index (USD)	387	3.8	4.1	-4.9	-9.8	-3.0	444	351	15.7
North America									
US Dow Jones Industrial Average	17,007	2.2	3.6	-4.7	-6.0	-2.4	18,351	15,370	15.5
US S&P 500 Index	2,000	2.7	4.4	-4.4	-4.7	-2.2	2,135	1,810	16.8
US NASDAQ Composite Index	4,717	2.8	4.6	-8.3	-5.0	-5.8	5,232	4,210	19.9
Canada S&P/TSX Composite Index	13,213	3.2	3.4	-1.1	-12.4	1.6	15,525	11,531	16.8
Europe									
MSCI AC Europe (USD)	391	4.0	2.6	-6.5	-13.9	-4.9	479	356	15.0
Euro STOXX 50 Index	3,037	3.7	4.5	-8.8	-15.2	-7.0	3,836	2,673	13.5
UK FTSE 100 Index	6,199	1.7	5.1	-0.6	-10.4	-0.7	7,123	5,500	16.2
Germany DAX Index*	9,824	3.3	4.6	-8.6	-13.8	-8.6	12,391	8,699	12.3
France CAC-40 Index	4,457	3.3	5.4	-5.5	-9.4	-3.9	5,284	3,892	14.3
Spain IBEX 35 Index	8,812	5.5	4.1	-12.6	-20.3	-7.7	11,885	7,746	13.4
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	399	5.9	5.9	-3.5	-17.9	-3.0	525	357	13.0
Japan Nikkei-225 Stock Average	17,015	5.1	-0.2	-12.8	-9.0	-10.6	20,953	14,866	17.6
Australian Stock Exchange 200	5,090	4.3	2.2	-1.2	-13.8	-3.9	5,996	4,707	16.4
Hong Kong Hang Seng Index	20,177	4.2	5.2	-9.3	-17.5	-7.9	28,589	18,279	10.5
Shanghai Stock Exchange Composite Index	2,874	3.9	3.3	-18.5	-12.4	-18.8	5,178	2,638	12.1
Hang Seng China Enterprises Index	8,558	6.5	7.3	-13.0	-27.1	-11.4	14,963	7,499	6.7
Taiwan TAIEX Index	8,644	2.8	7.2	2.9	-10.2	3.7	10,014	7,203	13.1
Korea KOSPI Index	1,956	1.8	2.1	-1.0	-2.1	-0.3	2,190	1,801	11.4
India SENSEX 30 Index	24,646	6.4	1.3	-3.9	-16.1	-5.6	30,025	22,495	17.6
Indonesia Jakarta Stock Price Index	4,851	2.5	4.0	7.6	-11.0	5.6	5,524	4,034	16.8
Malaysia Kuala Lumpur Composite Index	1,692	1.7	2.2	1.5	-7.3	0.0	1,868	1,504	16.2
Philippines Stock Exchange PSE Index	6,899	1.9	3.7	-0.3	-12.1	-0.8	8,137	6,084	17.1
Singapore FTSE Straits Times Index	2,837	7.1	10.9	-1.5	-16.9	-1.6	3,550	2,528	12.7
Thailand SET Index	1,380	2.7	6.4	3.4	-11.7	7.1	1,575	1,221	14.5
Latam									
Argentina Merval Index	13,269	2.6	16.2	1.5	37.2	13.7	14,597	8,660	15.1
Brazil Bovespa Index*	49,085	18.0	20.2	8.2	-2.7	13.2	58,575	37,046	13.4
Chile IPSA Index	3,838	3.4	4.7	6.2	-3.1	4.3	4,148	3,419	14.4
Colombia IGBC Index	9,591	4.4	10.6	19.1	-5.5	12.2	11,030	7,822	25.3
Mexico Index	44,849	3.2	2.5	4.3	3.6	4.4	46,078	39,257	19.2
EEMEA									
Russia MICEX Index	1,878	3.4	5.1	7.0	6.8	6.6	1,878	1,570	6.5
South Africa JSE Index	52,201	5.6	5.2	5.9	-1.3	3.0	55,355	45,976	17.9
Turkey ISE 100 Index*	77,191	3.0	3.6	3.9	-5.9	7.6	88,652	68,230	8.7

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

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)
Global equities	-5.1	-3.4	-8.5	15.6	24.0
US equities	-4.7	-2.6	-4.3	35.8	61.8
Europe equities	-7.3	-5.8	-12.7	2.8	2.9
Asia Pacific ex Japan equities	-3.9	-3.6	-16.3	-8.8	-3.5
Japan equities	-5.4	-6.0	-4.6	17.5	11.3
Latam equities	1.3	7.7	-20.4	-43.6	-50.0
Emerging Markets equities	-3.6	-1.6	-18.1	-19.3	-22.3

All total returns quoted in US dollar 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 Emerging Markets Latin America Total Return Index and MSCI Emerging Markets Total Return Index.
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 and HSBC Global Asset Management. Data as at close of business 04 March 2016.
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Market Data (continued)

Bond indices - Total Return	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	491.4	0.0	0.7	2.4	2.5	2.3
JPM EMBI Global	689.1	1.1	3.0	1.9	2.6	2.7
BarCap US Corporate Index (USD)	2600.4	0.3	0.8	0.6	-0.8	1.2
BarCap Euro Corporate Index (Eur)	232.8	0.2	0.7	1.1	-0.8	1.1
BarCap Global High Yield (USD)	377.1	1.9	2.7	-1.1	-2.6	0.9
HSBC Asian Bond Index	389.40	0.3	0.8	2.1	2.8	2.3

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

Currencies (vs USD)	Latest	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2015	52-week High	52-week Low
Developed markets								
EUR/USD	1.10	1.09	1.12	1.09	1.11	1.09	1.17	1.05
GBP/USD	1.42	1.39	1.46	1.51	1.53	1.47	1.59	1.38
CHF/USD	1.01	1.00	1.01	1.00	1.04	1.00	1.10	0.97
CAD	1.33	1.35	1.38	1.34	1.24	1.38	1.47	1.19
JPY	113.74	114.00	116.78	123.11	119.68	120.22	125.86	110.99
AUD	1.34	1.40	1.39	1.36	1.28	1.37	1.46	1.23
NZD	1.47	1.51	1.49	1.48	1.32	1.46	1.60	1.29
Asia								
HKD	7.76	7.78	7.79	7.75	7.76	7.75	7.83	7.75
CNY	6.51	6.54	6.57	6.40	6.27	6.49	6.60	6.18
INR	67.10	68.63	67.57	66.69	62.26	66.15	68.79	62.10
MYR	4.11	4.21	4.15	4.22	3.65	4.29	4.48	3.54
KRW	1,203.35	1,238.05	1,202.06	1,156.53	1,097.70	1,175.06	1,245.13	1,065.21
TWD	32.96	33.34	33.38	32.70	31.44	32.86	33.79	30.35
Latam								
BRL	3.75	4.00	3.89	3.75	2.98	3.96	4.25	2.88
COP	3,157.11	3,342.05	3,319.70	3,201.91	2,541.43	3,174.50	3,452.55	2,351.76
MXN	17.77	18.27	18.28	16.66	15.06	17.21	19.44	14.76
EEMEA								
RUB	71.88	76.32	76.85	68.04	61.83	72.52	85.96	48.14
ZAR	15.34	16.17	15.86	14.37	11.81	15.47	17.92	11.67
TRY	2.90	3.00	2.91	2.89	2.56	2.92	3.08	2.54

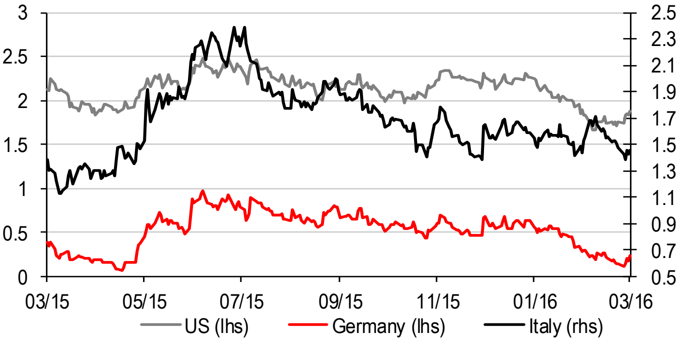
Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2015
US Treasury yields (%)						
3-Month	0.26	0.31	0.29	0.21	0.01	0.16
2-Year	0.86	0.79	0.70	0.94	0.65	1.05
5-Year	1.37	1.24	1.23	1.71	1.59	1.76
10-Year	1.87	1.76	1.84	2.27	2.12	2.27
30-Year	2.69	2.64	2.68	3.01	2.72	3.02
Developed market 10-year bond yields (%)						
Japan	-0.05	-0.07	0.05	0.34	0.40	0.26
UK	1.48	1.40	1.57	1.92	1.88	1.96
Germany	0.24	0.15	0.30	0.68	0.38	0.63
France	0.58	0.50	0.63	1.00	0.68	0.99
Italy	1.46	1.47	1.53	1.65	1.39	1.59
Spain	1.56	1.57	1.64	1.73	1.36	1.77

Commodities	Latest	1-week ago (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,259	3.0	9.0	15.9	4.9	18.6	1,280	1,046
Brent Oil	38.9	10.8	12.8	-9.6	-35.8	4.3	70	27
WTI Crude Oil	36.3	10.8	14.5	-9.1	-29.5	-1.9	63	26
R/J CRB Futures Index	169	4.3	3.1	-8.0	-24.5	-4.3	234	155
LME Copper	4,855	3.2	3.6	5.3	-16.9	3.2	6,481	4,318

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 March 2016.
Past performance is not an indication of future returns.

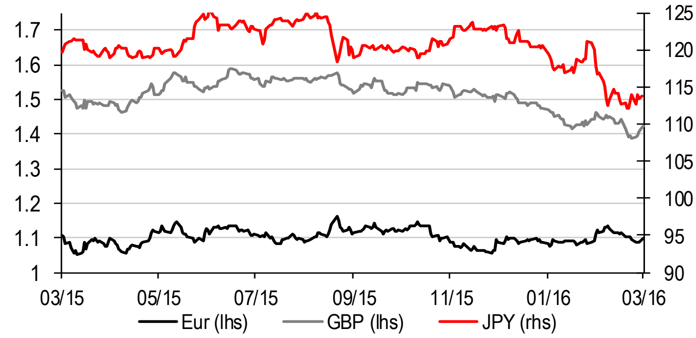
Market Trends

Government bond yields (%)



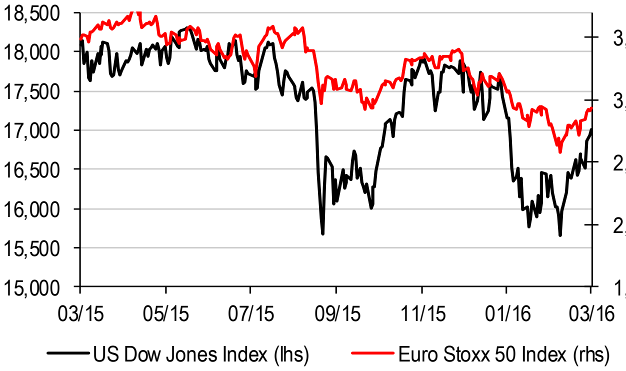
Yields based on 10 year government bonds

Major currencies (versus US dollar)

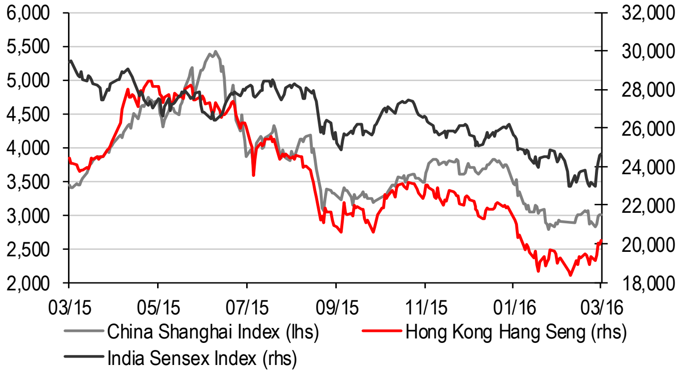


All values versus USD

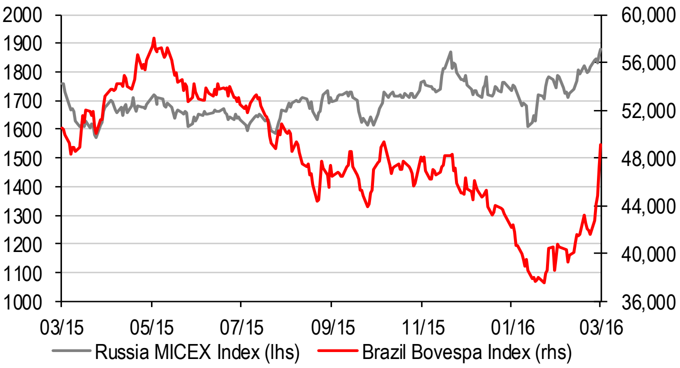
Global equities



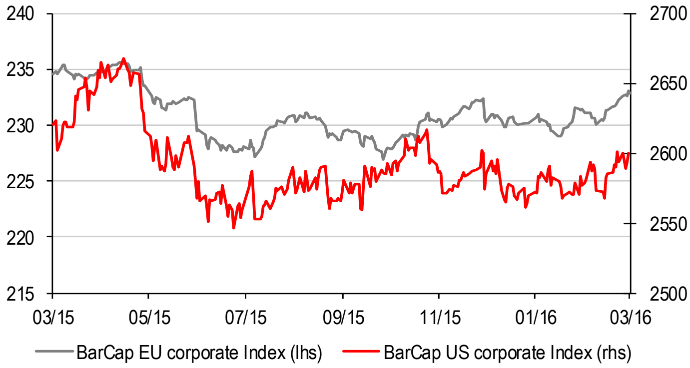
Emerging Asian equities



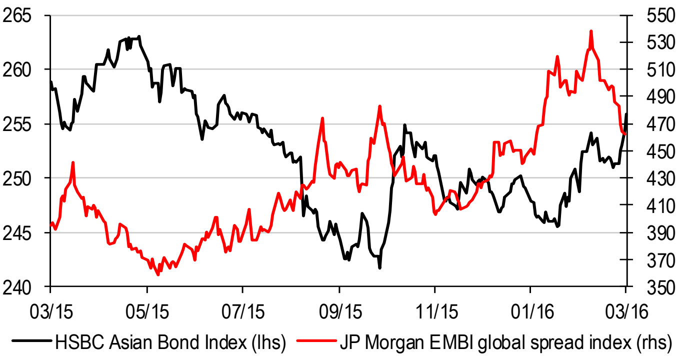
Other emerging equities



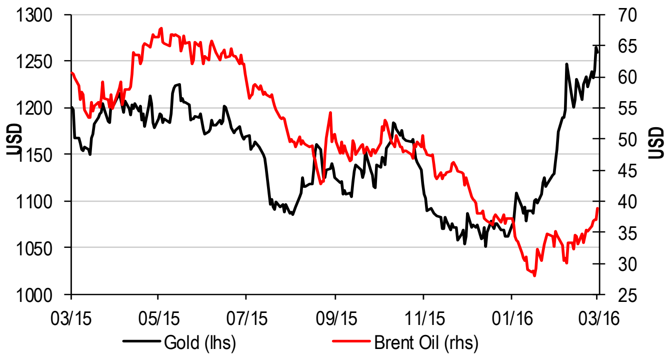
Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 March 2016.
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Expiry: 11 March 2016

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 March 2016.
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