IW Investment Weekly

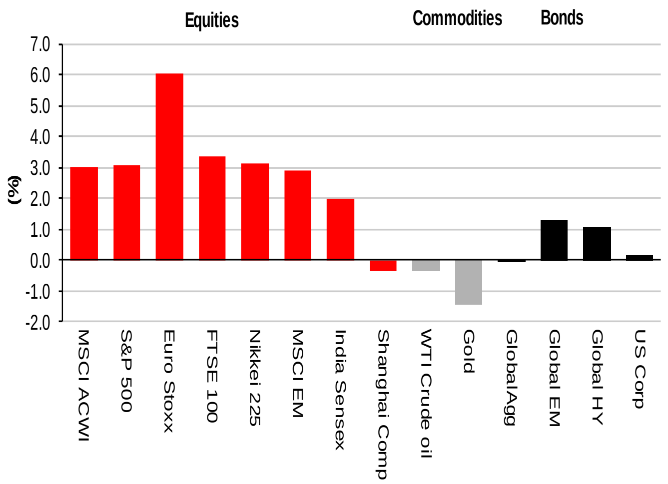
09 December 2016

For Professional Client and Institutional Investor Use Only

- Global equities rallied as stronger data supported investor risk appetite, with US benchmarks repeatedly hitting fresh record highs
- In Sunday's referendum, Italian voters rejected constitutional reform by a wide margin of 59% to 41%, prompting Prime Minister Matteo Renzi to resign
- At its December policy meeting, the European Central Bank (ECB) kept policy rates on hold and announced an extension of its Asset Purchase Programme by nine months (to December 2017) at a reduced pace of EUR60 billion a month (from EUR80 billion currently)
- The final Federal Open Market Committee (FOMC) meeting of the year will be the key focus next week

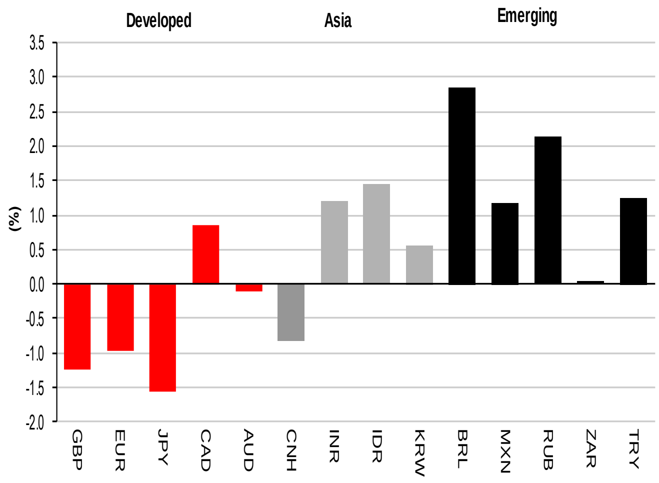
Movers and shakers

European equities outperformed on ECB's dovish tweak

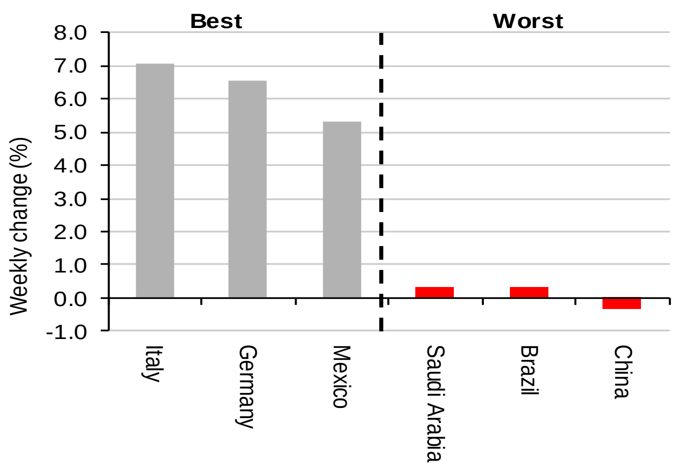


Currencies (versus US dollar)

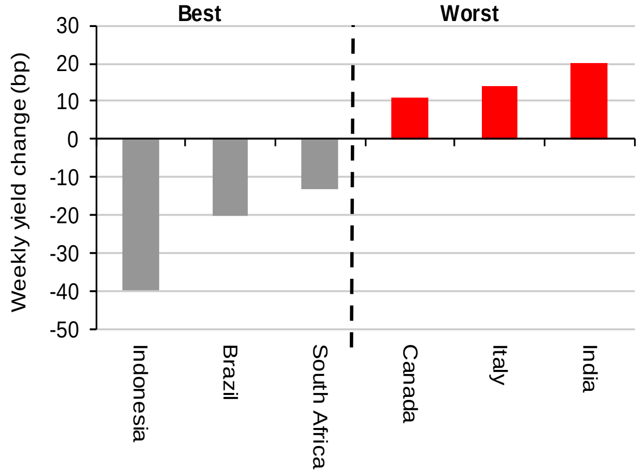
Most emerging market currencies rose firmly against the greenback



Equities



Bonds (10-year)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 09/12/2016.
All the above charts relate to 02/12/2016 – 09/12/2016.
Past performance is not an indication of future returns.

HSBC Global Asset Management

Macro Data and Key Events

Past Week (04-09 December 2016)

Date	Country	Indicator	Data as of	Survey	Actual	Prior
Sunday 04 December	Italy	Referendum on Constitutional Reform	-	-	-	-
Monday 05 December	Turkey	CPI (yoy)	Nov	7.4%	7.0%	7.2%
	Eurozone	Markit Composite PMI	Nov F	54.1	53.9	54.1 P
	US	ISM Non-Manufacturing Index	Nov	55.5	57.2	54.8
Tuesday 06 December	Australia	Reserve Bank of Australia Interest Rate Decision	Dec	1.50%	1.50%	1.50%
	Germany	Factory Orders (Working Day Adjusted, yoy)	Oct	1.6%	6.3%	2.9%
	South Africa	GDP (qoq Annualised)	Q3	0.6%	0.2%	3.5%
	Eurozone	GDP (qoq Seasonally Adjusted)	Q3 F	0.3%	0.3%	0.3% P
Wednesday 07 December	Germany	Industrial Production (Working Day Adjusted, yoy)	Oct	1.6%	1.2%	1.3%
	India	RBI Interest Rate Decision (Repurchase Rate)	Dec	6.00%	6.25%	6.25%
	Canada	Bank of Canada Interest Rate Decision	Dec	0.50%	0.50%	0.50%
Thursday 08 December	Japan	GDP (qoq Annualised Seasonally Adjusted)	Q3 F	2.3%	1.3%	2.2% P
	China	Trade Balance (USD bn)	Nov	46.9	44.6	48.8
	Eurozone	ECB Interest Rate Decision	Dec	-0.40%	-0.40%	-0.40%
	Mexico	CPI (yoy)	Nov	3.3%	3.3%	3.1%
Friday 09 December	China	CPI (yoy)	Nov	2.2%	2.3%	2.1%
	Brazil	IBGE Inflation IPCA (yoy)	Nov	7.1%	7.0%	7.9%
	US	University of Michigan Index of Consumer Sentiment	Dec P	94.5	98.0	93.8

P – Preliminary, Q – Quarter, F – Final

- In the US, **November's ISM Non-Manufacturing Index** release came in notably stronger (57.2) than expected (55.5), reaching its highest level in over a year, against 54.8 in the previous month. This was driven by a strong rebound in both the business activity (61.7 versus 57.7 prior) and employment (58.2 versus 53.1 prior) subcomponents, which also reached their highest reading since October 2015. Meanwhile, new orders fell slightly this month but remained strong (57.0 versus 57.7 prior). On Friday, December's preliminary release of the **University of Michigan Index of Consumer Sentiment** rose from 93.8 to 98.0, its highest since January 2015 (consensus 94.5). The breakdown showed both the current conditions and expectations components were stronger than expected and November's prints, with current conditions rising to the highest level since August 2005. Also positively, the percentage of respondents thinking household finances are better than a year ago inched higher for the second consecutive month, now at 48% (the highest since June this year). Meanwhile, inflation expectations ticked down, from 2.4% to 2.3% for the next 12 months and from 2.6% to 2.5% for the next five to 10 years.

- At its highly anticipated **December** policy meeting, the **ECB** kept policy rates on hold and announced an extension of its Asset Purchase Programme by nine months (to December 2017) at a reduced pace of EUR60 billion a month (from EUR80 billion currently). The statement confirmed that if "the outlook becomes less favourable….the Governing Council intends to increase the programme in terms of size and/or duration." At the press conference, ECB President Mario Draghi also confirmed that the parameters of the programme would be tweaked (taking effect from January 2017) to reduce the minimum maturity eligibility from two years to one year and including purchases below the bank's deposit rate (-0.4%) "to the extent necessary." The bank's new staff projections – which now include forecasts for 2019 – were broadly unchanged for both GDP growth (1.7% in both 2016 and 2017 and then 1.6% in 2018 and 2019) and inflation (1.3% in 2017, 1.5% in 2018 and 1.7% in 2019). Draghi stated that the option to reduce the monthly purchase amount received "very, very broad consensus" and was made because the risk of deflation has "largely disappeared," also dismissing the idea that the announcement represents a taper of the programme. The final estimate of **eurozone Q3 GDP** was confirmed at 0.3% qoq. The breakdown of components showed a slight uptick in the contribution of household consumption to growth (to +0.2ppts) amid an improving labour market and subdued inflation. Meanwhile, net trade and fixed investment made no contribution overall, with stock-building making up the difference (+0.1ppts). Moving to Germany, **October factory orders** came in much better than expected, up by 4.9% mom against forecasts of +0.6% mom, and following an upwardly revised -0.3% mom in the previous month (from -0.6%). This was driven by the rebound in capital goods orders (+7.2% mom from -1.2% mom in September), with strong gains across domestic (+7.7% mom) and foreign (+6.9% mom) orders. However, on a trend basis, orders growth looks less impressive with the 12-month moving average rate at 0.5% mom. Also in the same month, **industrial production** rose 0.3% mom, below expectations of 0.8% mom, leaving the yoy rate slightly lower at 1.2%, although above its six-month moving average. Support during the month came from construction (+1.7% mom), while energy and intermediate goods were a drag (both -0.5% mom).

- **UK industrial production** fell 1.3% mom in October, below consensus expectations and the sharpest monthly decline in over four years. October's soft reading was partly driven by a temporary shutdown of a North Sea oilfield. However, the weakness was broad-based, with three of the five industrial sectors contracting, including manufacturing (-0.9% mom).

- **Japan's Q3 GDP** revision surprised to the downside, falling from 2.2% qoq annualised in the prior release to 1.3% (consensus at 2.3%) on weaker than expected private non-residential investment (-0.4%, down from 0.0% previously estimated). Overall, private domestic demand remained very weak, down 0.1% over the quarter.

- As expected, **Mexico's CPI inflation** inched higher for the fifth straight month in November, coming at 3.3% yoy against 3.1% previously. This is also the second consecutive month that headline inflation is above the mid target of 3%, although it remained

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 09/12/2016.
Past performance is not an indication of future returns.

below the upper bound of 4%. Worries over inflation on the back of a weaker peso prompted the Central Bank to raise interest rates in November by 50bps. The next interest rate decision, due December 15, will likely see further tightening carefully weighed against the greater downside risks to growth. Consensus forecasts for 2017 GDP growth are currently at 1.8%, against 2.1% for 2016.

- November's **China CPI inflation** picked up for a third straight month, coming in above consensus at 2.3% yoy. Food prices continued to increase, from 3.7% yoy in October (and 1.3% in August) to 4.0%, on the back of rising prices of fresh vegetables. Apart from higher food prices, non-food prices were supported by energy price increases. Meanwhile, **PPI inflation** came in much stronger than expected, rising 3.3% yoy in November, compared with a 1.2% increase in October (consensus at 2.2%). The price recovery, mostly driven by heavy industries, became more broad-based, as 29 out of 36 sectors surveyed emerged out of deflation, up from 25 in October. The **trade balance** fell to USD44.6 billion in November from a downwardly revised USD48.8 billion in the previous month. Imports rose 6.7% yoy, compared to an expected fall of -1.9%, as shipments from the US, Japan and Europe increased sharply. Export growth was flat (0.1% yoy) against consensus forecasts of a -5.0% drop. The resilience in the exports data was broad-based.
- **The Reserve Bank of India (RBI)** surprised investors at its December policy meeting by leaving the policy repo rate unchanged at 6.25%, against expectations of a 25bp rate cut. The RBI stated that the negative impact of demonetarisation on growth and inflation is likely to be transitory and also expressed concerns over higher food and energy prices. The RBI believed it was prudent to "wait and watch" for now, but maintained an accommodative policy stance, keeping the door open to easing if inflation falls on a sustained basis. The RBI also announced that the incremental cash reserve ratio of 100% will be withdrawn from 10 December, as the increase in the ceiling for issue of securities under the Market Stabilisation Scheme, to INR6 trillion from INR300 billion previously, has boosted the RBI's firepower to absorb liquidity. The RBI lowered its growth projection for FY17 to 7.1% from 7.6% previously, while maintaining its baseline CPI inflation projection of 5.0% by March 2017 with risks tilting to the upside.
- Brazil's **IBGE inflation IPCA** fell from 7.9% yoy in October to 7.0% in November (consensus 7.1%). The decline in the yoy rate was broad-based, led by food and beverage inflation, which fell 2.2ppt to 10.2% yoy. This echoed the minutes from COPOM's November meeting, which highlighted that the continued deep recession has weighed on inflation, especially in the food and services sector. The Central Bank could therefore ease monetary policy further in January to stimulate growth, having already done so in the last two consecutive meetings.
- In **Turkey, consumer prices** rose by 0.5% mom in November, well below expectations of 0.9%, with annual inflation declining to 7.0% yoy from 7.2% in October. Despite weakness in domestic demand, inflationary pressures are likely to increase going forward due to the recent sharp drop in the lira, combined with the impact of a special consumption tax hike in tobacco products. This could see annual CPI inflation end the year at around 8.0%. Ongoing lira depreciation may also push the Central Bank of Turkey to tighten policy further at its 20 December policy meeting.

Coming Week (12-16 December 2016)

Date	Country	Indicator	Data as of	Survey	Prior
Monday 12 December	Turkey	GDP (yoy)	Q3	0.3%	3.1%
Tuesday 13 December	India	CPI (yoy)	Nov	3.9%	4.2%
	China	Industrial Production (yoy)	Nov	6.1%	6.1%
	China	Retail Sales (yoy)	Nov	10.2%	10.0%
	UK	CPI (yoy)	Nov	1.1%	0.9%
	Germany	ZEW Expectation of Economic Growth	Dec	14.0	13.8
Wednesday 14 December	Japan	Tankan Large Manufacturers Index	Q4	10	6
	UK	ILO Unemployment Rate (3 Months)	Oct	4.8%	4.8%
	Eurozone	Industrial Production (Seasonally Adjusted, mom)	Oct	0.2%	-0.8%
	US	Retail Sales Advance (mom)	Nov	0.3%	0.8%
	US	FOMC Interest Rate Decision	Dec	0.75%	0.50%
Thursday 15 December	Eurozone	Markit Composite PMI	Dec P	53.8	53.9
	UK	Retail Sales, ex Auto Fuel (mom)	Nov	0.0%	2.0%
	UK	Bank of England Interest Rate Decision	Dec	0.25%	0.25%
	US	CPI (yoy)	Nov	1.7%	1.6%
	Mexico	Banco de Mexico Interest Rate Decision	Dec	5.50%	5.25%
Friday 16 December	Eurozone	CPI (yoy)	Nov F	0.6%	0.6% P
	Russia	Central Bank of Russia Interest Rate Decision	Dec	10.00%	10.00%
	US	Housing Starts (mom)	Nov	-7.0%	25.5%

P – Preliminary, Q – Quarter, F – Final

US

- This week's US highlight will be the final **FOMC meeting** of 2016. The market is fully pricing in the first rate hike in a year and only the second in over a decade. This would take the federal funds target rate to a range of 0.50%-0.75%. While the election of Donald Trump has seen notable market moves, there is unlikely to be significant changes to the US Federal Reserve's (Fed) own forecasts. The FOMC is not likely to want to appear to be delivering a knee-jerk change at this meeting and spook the market, especially given the continued improvement in domestic data and relatively benign international environment, Mexico aside. September's so-called "dot-plot" indicates a forecast between two to three rate hikes in each of the next three years. Any change to the Fed's assessment of the balance of risks from "roughly balanced" at the last minute would be of interest to the market.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 09/12/2016.
Past performance is not an indication of future returns.

- The key US data release this week will be **November's retail sales**. The headline release should reflect weaker auto sales (-0.9% mom) for the first time since August, while gasoline and gasoline prices (-3.0% mom) also fell. This is expected to see the headline index rise 0.3% mom after October's strong 0.8%. More importantly for Q4 GDP, the control group (excluding autos, gas and building materials) is forecast to rise firmly (+0.4%) albeit at a slower pace than October (+0.8%). A continuation of the strong start to Q4 would continue to reassure the market and confirm that the improvement in consumer sentiment has translated into greater spending. **November's CPI inflation** release is expected to show that prices rose 1.7% yoy, the highest level since October 2014 and up firmly from 1.1% yoy in August 2016. The more stable core measure, excluding food and energy, is expected to rise to 2.2% yoy. The continued strength of the labour market and likely expansionary fiscal policy will likely keep the Fed mindful of inflationary pressures. Importantly, the Fed's preferred measure of inflation, the personal consumption expenditure core price index, is not released until the end of December.

Europe

- Having unexpectedly edged lower in October, **UK CPI inflation** is anticipated to tick up in November, by 0.2ppts to 1.1% yoy, boosted by higher petrol prices over the month. Meanwhile, the plunge in the sterling since June's referendum vote – reflected in the spike in producer price input inflation to 12.2% yoy in October – could also start to feed into consumer prices. Meanwhile, the **ILO unemployment** rate for the three months to October is expected to hold steady at 4.8%, reflecting the general robustness of the UK economy following June's Brexit vote. The November claimant count rate is also anticipated to remain at 2.3%, although the change in jobless claims during the month should remain firmly above the 12-month moving average of -210 (+6,800 expected). A strong labour market, along with subdued inflation and low borrowing costs, continues to support UK consumers. However, **retail sales (excluding auto fuel)** for November are expected to be unchanged over the month (0.0% mom), following the prior month's surprisingly strong gain (+2.0% mom). This should push the annual growth rate down to 5.9%, although remaining well above recent trend rates. The minutes released following the last **Bank of England** policy meeting in early November saw the Monetary Policy Committee shift from a dovish to neutral bias, stating "there are limits to the extent to which above-target inflation can be tolerated" and that in future, rates "could respond in either direction to the economic outlook." It also added that the Committee's previous guidance that it would cut the bank rate again this year had "expired." Therefore, given that the inflation and growth outlook has not materially changed since then, the Monetary Policy Committee is likely to keep policy unchanged at its December meeting.
- **Eurozone industrial production** is anticipated to edge up by 0.2% mom during October. This follows the weakness seen in September (-0.8% mom) and reflects Germany's already released October industrial production print, which, although disappointing slightly, rose 0.3% mom. Overall, however, the eurozone industrial sector remains weak, with the 12-month yoy rate having edged lower since the beginning of the year to just above 1.0%. The **preliminary eurozone PMIs** for December are expected to remain broadly stable, with the composite indicator edging slightly lower to 53.8. The eurozone economy remains supported by growth in employment, subdued inflation and low financing costs, although rising political risks in the shape of the recent referendum in Italy, ongoing Brexit developments and next year's general elections may have weighed on sentiment.
- In **Germany**, amid recent evidence of a pickup in economic activity, the December **ZEW survey** prints are expected to edge up further. General resilience in financial markets is likely to have supported sentiment (the ZEW draws upon an investor-heavy sample base). The **expectations** component is anticipated to gain 0.2pts to 14.0.

Emerging markets and Japan

- **India's CPI inflation** for November is expected to come in lower than in October, at 3.9% yoy (4.2% previously) as the normalisation of monsoon rainfall at the end of the season may have eased food price inflation. As inflation remains below 5%, the RBI may consider another 25bp rate cut before the end of the fiscal year (March 2017), but the decision will depend heavily on improvements in the transmission channels of monetary policy, particularly the willingness of commercial banks to pass on to borrowers the interest cuts made by the RBI.
- After the stabilisation seen in October, **China's industrial production** for November is likely to confirm its stable trend, at 6.1% yoy (after 6.1% in September and October). China's industrial production has hovered between 6.0% and 6.3% since April 2016. The manufacturing PMI surveys for November were mixed (official PMI was up, but the Caixin PMI was down). Moreover, exports were fairly flat in November and the ongoing reduction of overcapacity in sectors like steelmaking and coal could prove a constraint. **Retail sales** growth for November is expected to accelerate slightly, from 10.0% yoy to 10.2%, with car sales remaining supported by tax incentives until year-end.
- Following the US election result and the associated increase in Mexican peso volatility, the **Bank of Mexico** is again widely expected to raise interest rates, this time by 25bps from 5.25%, after November's 50bps increase. This would be in line with market expectations for the FOMC occurring the prior day. The sharp post-election rise in the peso is likely to have continued to stoke the bank's concern around increased inflation pass-through. November saw a surprise slowing of the rate of increase in core inflation. However, headline inflation rose further above the central bank's 3% target for the second straight month.
- **Turkey's Q3 GDP** is to be released on Monday. Consensus is looking for an annual growth rate of 0.3% yoy (-1.5% qoq), significantly below H1's growth of 3.9%, as the economy was hit by the July coup attempt and consequently saw a sharp decline in industrial production (-3.2% over a year ago).
- The **Bank of Japan's Tankan survey** of business conditions for Q4 will be released on Wednesday. Its main component, the Large Manufacturers Index, is expected to come in at 10, up from 6 in Q3. The monthly Reuters Tankan Index showed a significant rebound, from -2 in August to 15 in December, a one-year high. The 12% depreciation of the yen since the end of September has improved the outlook of most exporters and the latest government stimulus package is supporting the prospect of domestic demand.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 09/12/2016.
Past performance is not an indication of future returns.

Market Moves

Global equities rallied on heightened investor risk appetite

- **US equities** rose this week, as benchmarks repeatedly hit fresh record highs. Risk appetite remained elevated, despite the "no" vote in Italy's referendum and struggling oil prices. On the data front, the November ISM Non-Manufacturing Index reached its highest level in over a year. The ECB's decision to extend its Asset Purchase Programme by nine months, albeit at a slower pace, reassured investors that any removal of accommodative monetary policy would only be uber-gradual. Overall, the S&P 500 Index closed higher for the fourth time in five weeks (+3.1%). Financial shares outperformed as the profitability outlook is boosted by a steepening yield curve.
- Over in Europe, major equity bourses also rallied across the board. The regional **EURO STOXX 50 Index** had its best week since December 2011 (+6.0%), with all major industries, apart from healthcare, closing higher. Elsewhere, Germany's DAX outperformed (+6.6%) as consumer discretionary shares, an export-sensitive sector, were also buoyed by a weaker euro. Meanwhile, gains in the UK's FTSE100 Index were more modest (+3.3%).
- **Asian equities rallied** this week, supported by heightened risk appetite among investors at a global level and upbeat macro data, especially in China, where imports and inflation surprised to the upside, suggesting the economy could be gathering pace. The depreciation of the yen continued to support Japanese equities. The Nikkei 225 Index ended the week up 3.1%. Korean stocks rose 2.7% as political uncertainty receded with the passing of a bill to impeach President Park Geun-hye. Chinese stock markets bucked the regional trend and declined, as the market only partly erased a sell-off on Monday that followed comments by China Securities Regulatory Commission Chairman Liu Shiyu on recent aggressive buying by insurers. The Shanghai Stock Exchange Composite Index fell 0.3%, while the Shenzhen Stock Exchange Composite Index dropped 0.7%, despite the official launch of the Shenzhen-Hong Kong Stock Connect on Monday 5 December.

European bond yields moved higher despite ECB's Asset Purchase Programme extension

- **US Treasuries** fell slightly (yields rose) last week. This was despite better than expected US economic data, as Treasuries rose (yields declined) on Wednesday ahead of the ECB; however, this decline was reversed on Thursday as the ECB announced it would slow its rate of purchases going forward. Overall, 10-year Treasury yields gained 9bps to 2.47%, while a smaller 3bps gain to 1.13% in two-year yields saw a marginal steepening of the yield curve.
- **European bond** yields moved another leg higher this week following the "no" vote in Italy's referendum on constitutional reform. Upbeat economic data, including October's retail sales release, also contributed to the uptick in yields. The moves came despite the ECB extending the length of its Asset Purchase Programme, albeit at a slower pace of bond buying of EUR60 billion per month. Overall, German 10-year bund yields closed the week up 8bps to 0.36% while French 10-year yields rose 9bps to 0.81%. Elsewhere, Italian 10-year yields rose 14bps to 2.04% and UK 10-year gilt yields closed the week up 7bps to 1.45%.

The euro tumbled on ECB's dovish tweak; most Asian currencies appreciated against the US dollar

- **The euro** swung between gains and losses, before eventually finishing the week lower against the US dollar (-1.0%). Although it was able to shrug off concerns over the "no" result from Sunday's Italy referendum, the common currency depreciated sharply on Thursday following the ECB's policy decision. At the press conference, ECB President Mario Draghi stressed that the policy announcement did not represent a taper of the Asset Purchase Programme. Elsewhere, the **British pound** also fell against the greenback this week (-1.2%), during which UK headline centred around the Supreme Court hearing over whether triggering Article 50 would require parliamentary approval. Some data points were also weaker than expected, including industrial and manufacturing production for October.
- **Most Asian currencies** appreciated against the US dollar over the week. The biggest movement was observed in Indonesia, where the rupiah gained 1.4%, supported by the agreement reached on 30 November among OPEC members to cut oil output and more generally by the more upbeat outlook for commodities. The Malaysian ringgit also benefitted from the commodity play, appreciating by 0.6%. The Indian rupee appreciated for a second week as investors continued to assess the impact of the currency note demonetisation, especially after the RBI unexpectedly decided to keep its policy on hold, judging that the impact of the demonetisation would be transitory. The yen saw the sharpest depreciation (-1.6%), especially after the ECB announced the extension of its Asset Purchase Programme.

Crude oil prices edged down ahead of this weekend's meeting between OPEC and non-OPEC producers

- **Crude oil** prices fluctuated between gains and losses this week as investors continued to assess the details surrounding OPEC's latest agreement to cut production. On Tuesday, oil prices fell for the first time since last week's meeting as data showed OPEC production reaching a fresh all-time high of 34.2 million barrels per day in November. However, oil prices recovered some of these losses later in the week on speculation that the upcoming meeting between OPEC and non-OPEC producers in Vienna over the weekend could result in a deal to cut production further. WTI crude oil ended the week down 0.4% to USD51.5 per barrel and Brent crude oil closed down 0.2% to USD54.3 per barrel.
- **Gold** prices fell slightly this week as a brief surge in "safe-haven" demand following the result of the Italian referendum on constitutional reform quickly unwound. Investor risk appetite improved as the week progressed, reducing the demand for "safe-haven" assets such as gold. Overall, gold prices closed the week down 1.5% to USD1,160.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 09/12/2016.
Past performance is not an indication of future returns.

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)	425	3.0	3.3	2.3	6.2	6.3	425	351	17.4
North America									
US Dow Jones Industrial Average	19,757	3.1	6.3	9.2	12.9	13.4	19,758	15,451	18.1
US S&P 500 Index	2,260	3.1	4.5	6.2	10.3	10.5	2,260	1,810	19.0
US NASDAQ Composite Index	5,444	3.6	3.7	6.2	8.4	8.7	5,450	4,210	22.6
Canada S&P/TSX Composite Index	15,312	1.7	3.7	5.3	18.4	17.7	15,348	11,531	20.3
Europe									
MSCI AC Europe (USD)	393	3.6	0.9	-2.6	-5.0	-4.5	418	354	15.7
Euro STOXX 50 Index	3,198	6.0	4.6	4.7	-2.4	-2.1	3,345	2,673	15.2
UK FTSE 100 Index	6,954	3.3	0.6	2.6	13.5	11.4	7,130	5,500	16.8
Germany DAX Index*	11,204	6.6	5.2	6.0	5.8	4.3	11,232	8,699	13.9
France CAC-40 Index	4,764	5.2	4.9	6.1	2.7	2.7	4,781	3,892	15.3
Spain IBEX 35 Index	9,170	6.5	3.0	1.6	-6.8	-3.9	10,000	7,580	16.1
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	439	1.9	1.5	-3.0	8.6	6.6	459	357	14.6
Japan Nikkei-225 Stock Average	18,996	3.1	16.9	12.0	-1.6	-0.2	19,869	14,864	19.1
Australian Stock Exchange 200	5,561	2.1	7.8	4.1	9.5	5.0	5,611	4,707	16.5
Hong Kong Hang Seng Index	22,761	0.9	1.5	-5.6	4.4	3.9	24,364	18,279	12.5
Shanghai Stock Exchange Composite Index	3,233	-0.3	3.3	5.0	-6.9	-8.7	3,685	2,638	15.5
Hang Seng China Enterprises Index	9,868	0.9	5.2	-1.9	3.2	2.1	10,210	7,499	8.6
Taiwan TAIEX Index	9,393	2.2	5.0	2.5	14.1	12.6	9,400	7,628	15.2
Korea KOSPI Index	2,025	2.7	3.4	-0.6	3.9	3.2	2,074	1,818	11.8
India SENSEX 30 Index	26,747	2.0	-1.9	-7.1	6.8	2.4	29,077	22,495	18.3
Indonesia Jakarta Stock Price Index	5,308	1.2	-2.0	0.5	18.9	15.6	5,492	4,331	17.6
Malaysia Kuala Lumpur Composite Index	1,641	0.8	-0.4	-2.7	-1.1	-3.0	1,729	1,601	16.5
Philippines Stock Exchange PSE Index	7,043	2.3	-1.1	-7.1	2.8	1.3	8,118	6,084	17.9
Singapore FTSE Straits Times Index	2,956	1.3	6.0	2.9	3.3	2.5	2,981	2,528	14.2
Thailand SET Index	1,526	1.6	1.1	5.6	17.6	18.5	1,558	1,221	15.8
Latam									
Argentina Merval Index	17,197	1.5	1.0	7.6	29.3	47.3	18,432	9,200	28.8
Brazil Bovespa Index*	60,501	0.3	-4.4	4.3	31.2	39.6	65,291	37,046	15.6
Chile IPSA Index	4,268	1.6	-0.6	4.3	19.9	16.0	4,484	3,419	15.8
Colombia COLCAP Index	1,325	1.4	-2.2	-5.2	24.7	14.8	1,419	1,046	13.8
Mexico Index	46,913	5.3	-1.0	1.0	10.7	9.2	48,956	39,924	20.6
EEMEA									
Russia MICEX Index	2,209	3.7	9.8	8.9	27.4	25.4	2,220	1,583	7.4
South Africa JSE Index	50,900	3.3	-0.2	-4.6	2.8	0.4	54,704	45,976	15.7
Turkey ISE 100 Index*	75,727	3.2	-0.6	-1.7	1.5	5.6	86,931	68,230	9.0

*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	2.4	8.1	8.1	12.5	56.0
US equities	5.8	11.2	11.1	29.3	92.3
Europe equities	-2.5	-1.7	-2.3	-8.5	28.7
Asia Pacific ex Japan equities	-2.4	9.8	12.1	2.0	27.6
Japan equities	1.8	4.4	5.4	11.8	50.4
Latam equities	-2.0	29.6	22.9	-22.2	-28.7
Emerging Markets equities	-3.1	13.1	13.2	-6.8	6.4

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 09/12/2016.
Past performance is not an indication of future returns.

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)	497	-0.1	-1.3	-2.2	3.3	3.5
JPM EMBI Global	735	1.3	-2.7	-4.4	8.3	9.5
BarCap US Corporate Index (USD)	2,711	0.2	-1.1	-2.7	4.7	5.5
BarCap Euro Corporate Index (Eur)	239	0.1	-1.0	-1.8	3.8	4.0
BarCap Global High Yield (USD)	429	1.0	0.4	0.7	13.3	14.6
Markit iBoxx Asia ex-Japan Bond Index (USD)	186	0.3	-1.3	-1.5	5.2	5.4
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	235	0.3	-0.4	0.1	12.3	12.8

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	1.06	1.07	1.09	1.12	1.10	1.09	1.16	1.05
GBP/USD	1.26	1.27	1.24	1.33	1.52	1.47	1.52	1.18
CHF/USD	0.98	0.99	1.02	1.03	1.02	1.00	1.06	0.98
CAD	1.32	1.33	1.34	1.30	1.36	1.38	1.47	1.25
JPY	115.32	113.51	105.67	102.69	121.44	120.22	123.56	99.02
AUD	1.34	1.34	1.31	1.33	1.38	1.37	1.46	1.28
NZD	1.40	1.40	1.37	1.37	1.49	1.46	1.58	1.34
Asia								
HKD	7.76	7.76	7.76	7.76	7.75	7.75	7.83	7.75
CNY	6.91	6.88	6.79	6.69	6.43	6.49	6.92	6.44
INR	67.42	68.23	66.44	66.68	66.84	66.15	68.86	66.07
MYR	4.42	4.45	4.24	4.07	4.27	4.29	4.47	3.84
KRW	1,166	1,173	1,149	1,098	1,179	1,175	1,245	1,090
TWD	31.82	31.89	31.45	31.53	32.85	32.86	33.79	31.01
Latam								
BRL	3.38	3.48	3.23	3.27	3.75	3.96	4.17	3.10
COP	3,006	3,088	3,001	2,919	3,285	3,175	3,453	2,817
MXN	20.39	20.63	19.84	18.90	17.07	17.21	21.39	16.90
EEMEA								
RUB	62.46	63.79	63.81	64.83	69.32	72.52	85.96	61.83
ZAR	13.80	13.80	13.45	14.42	14.97	15.47	17.92	13.17
TRY	3.48	3.52	3.21	2.97	2.92	2.92	3.59	2.79

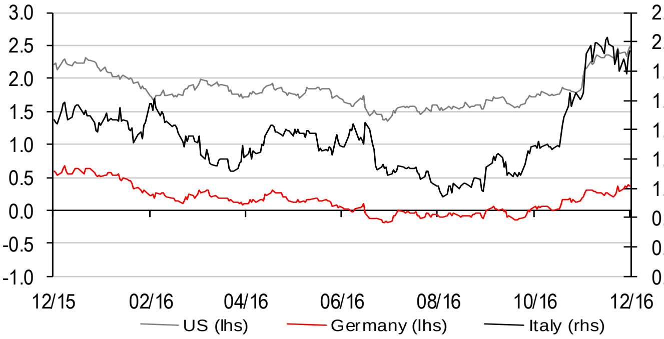
Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2015
US Treasury yields (%)						
3-Month	0.53	0.46	0.43	0.34	0.25	0.16
2-Year	1.13	1.10	0.89	0.78	0.92	1.05
5-Year	1.89	1.82	1.47	1.22	1.64	1.76
10-Year	2.47	2.38	2.06	1.67	2.22	2.27
30-Year	3.15	3.06	2.85	2.39	2.97	3.02
Developed market 10-year bond yields (%)						
Japan	0.06	0.03	-0.07	-0.02	0.30	0.26
UK	1.45	1.38	1.26	0.86	1.88	1.96
Germany	0.36	0.28	0.20	0.01	0.60	0.63
France	0.81	0.72	0.54	0.30	0.92	0.99
Italy	2.04	1.90	1.75	1.25	1.57	1.59
Spain	1.51	1.54	1.27	1.08	1.63	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	1,160	-1.5	-9.2	-12.6	8.1	9.3	1,375	1,048
Brent Oil	54.3	-0.2	17.2	13.2	35.5	45.7	55	27
WTI Crude Oil	51.5	-0.4	13.7	12.2	38.5	39.0	52	26
R/J CRB Futures Index	192	0.1	4.3	5.2	8.1	9.0	196	155
LME Copper	5,782	0.4	6.8	24.8	26.2	22.9	6,046	4,318

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 09/12/2016.
Past performance is not an indication of future returns.

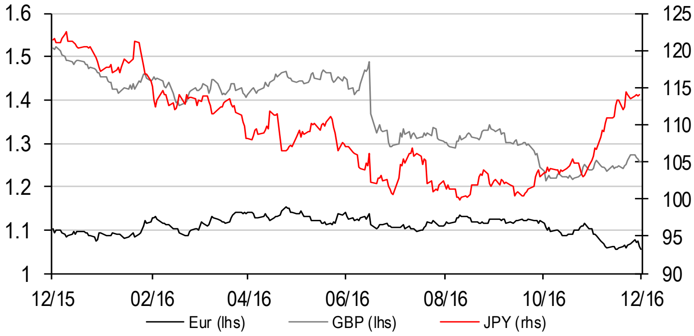
Market Trends

Government bond yields (%)



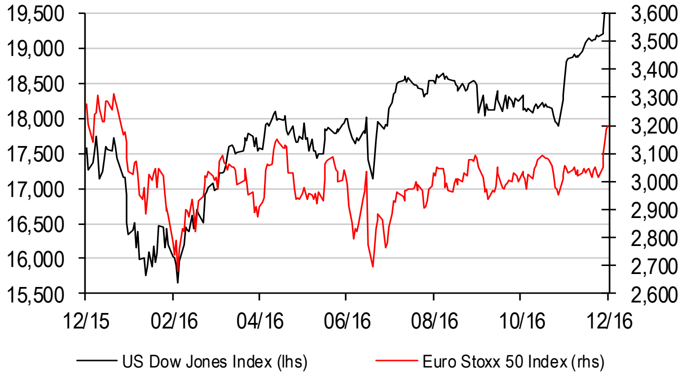
Yields based on 10 year government bonds

Major currencies (versus USD)

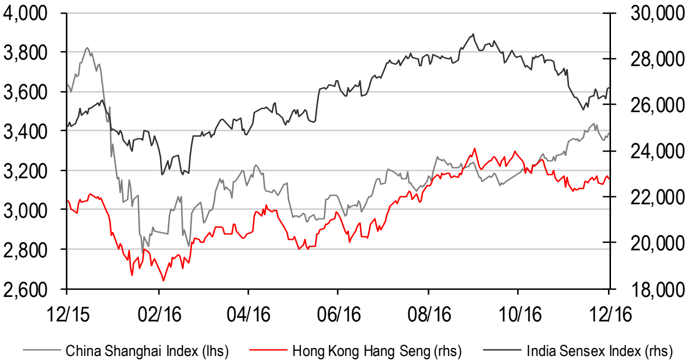


All values versus USD

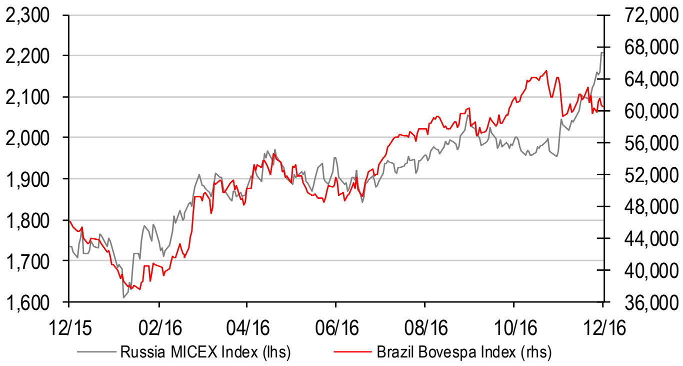
Global equities



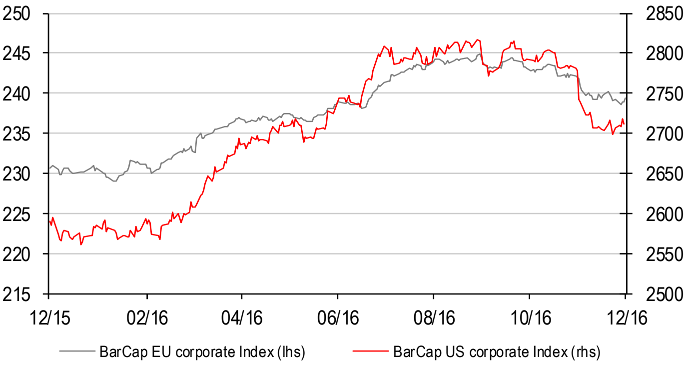
Emerging Asian equities



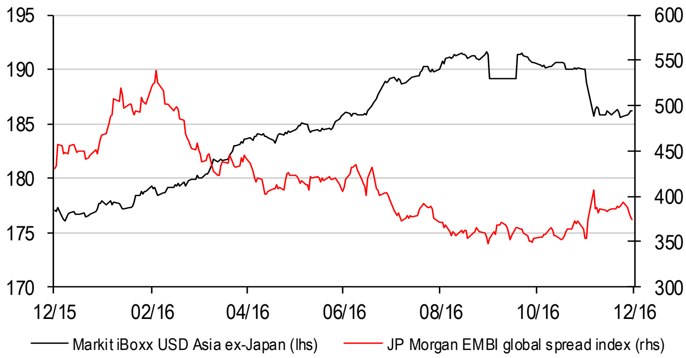
Other emerging equities



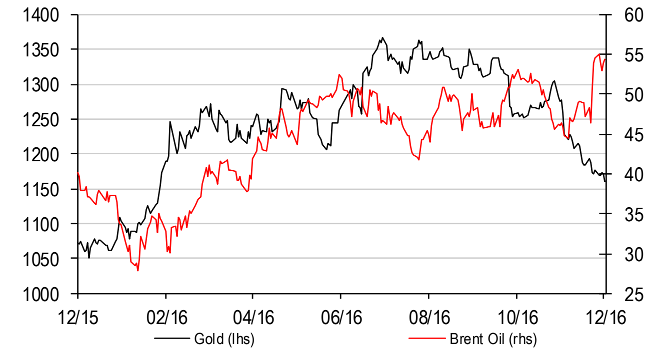
Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 09/12/2016.
Past performance is not an indication of future returns.

For Professional Clients and intermediaries within countries set out below; and for Institutional Investors and Financial Advisors in Canada and the US. This document should not be distributed to or relied upon by Retail clients/investors.

The contents of this document may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. All non-authorised reproduction or use of this document will be the responsibility of the user and may lead to legal proceedings. The material contained in this document is for general information purposes only and does not constitute advice or a recommendation to buy or sell investments. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. We do not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements. This document has no contractual value and is not by any means intended as a solicitation, nor a recommendation for the purchase or sale of any financial instrument in any jurisdiction in which such an offer is not lawful. The views and opinions expressed herein are those of HSBC Global Asset Management Global Investment Strategy Unit at the time of preparation, and are subject to change at any time. These views may not necessarily indicate current portfolios' composition. Individual portfolios managed by HSBC Global Asset Management primarily reflect individual clients' objectives, risk preferences, time horizon, and market liquidity.

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Past performance contained in this document is not a reliable indicator of future performance whilst any forecasts, projections and simulations contained herein should not be relied upon as an indication of future results. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. Mutual fund investments are subject to market risks, read all scheme related documents carefully.

We accept no responsibility for the accuracy and/or completeness of any third party information obtained from sources we believe to be reliable but which have not been independently verified.

HSBC Global Asset Management is a group of companies in many countries and territories throughout the world that are engaged in investment advisory and fund management activities, which are ultimately owned by HSBC Holdings Plc. HSBC Global Asset Management is the brand name for the asset management business of HSBC Group. The above communication is distributed by the following entities: in the UK by HSBC Global Asset Management (UK) Limited, who are authorised and regulated by the Financial Conduct Authority; in France by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026); in Germany by HSBC Global Asset Management (Deutschland) GmbH which is regulated by BaFin; in Switzerland by HSBC Global Asset Management (Switzerland) Ltd whose activities are regulated in Switzerland and which activities are, where applicable, duly authorised by the Swiss Financial Market Supervisory Authority. Intended exclusively towards qualified investors in the meaning of Art. 10 para 3, 3bis and 3ter of the Federal Collective Investment Schemes Act (CISA); in Hong Kong by HSBC Global Asset Management (Hong Kong) Limited, which is regulated by the Securities and Futures Commission; in Canada by HSBC Global Asset Management (Canada) Limited which is registered in all provinces of Canada except Prince Edward Island; in Bermuda by HSBC Global Asset Management (Bermuda) Limited, of 6 Front Street, Hamilton, Bermuda which is licensed to conduct investment business by the Bermuda Monetary Authority; in India by HSBC Asset Management (India) Pvt Ltd. which is regulated by the Securities and Exchange Board of India; in the United Arab Emirates, Qatar, Bahrain, Kuwait & Lebanon by HSBC Bank Middle East Limited which are regulated by relevant local Central Banks for the purpose of this promotion and lead regulated by the Dubai Financial Services Authority; in Oman by HSBC Bank Oman S.A.O.G regulated by Central Bank of Oman and Capital Market Authority of Oman; in Taiwan by HSBC Global Asset Management (Taiwan) Limited which is regulated by the Financial Supervisory Commission R.O.C. (Taiwan); in the US by HSBC Global Asset Management (USA) Inc. is an investment advisor registered with the US Securities and Exchange Commission;

INVESTMENT PRODUCTS:

- Are not a deposit or other obligation of the bank or any of its affiliates;
- Not FDIC insured or insured by any federal government agency of the United States;
- Not guaranteed by the bank or any of its affiliates; and
- Are subject to investment risk, including possible loss of principal invested.

and in Singapore by HSBC Global Asset Management (Singapore) Limited, which is regulated by the Monetary Authority of Singapore. HSBC Global Asset Management (Singapore) Limited, or its ultimate and intermediate holding companies, subsidiaries, affiliates, clients, directors and/or staff may, at anytime, have a position in the markets referred herein, and may buy or sell securities, currencies, or any other financial instruments in such markets. HSBC Global Asset Management (Singapore) Limited is a Capital Market Services License Holder for Fund Management. HSBC Global Asset Management (Singapore) Limited is also an Exempt Financial Adviser and has been granted specific exemption under Regulation 36 of the Financial Advisers Regulation from complying with Sections 25 to 29, 32, 34 and 36 of the Financial Advisers Act, Chapter 110 of Singapore.

CA#M1600530

Expiry: January 6, 2017

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 09/12/2016.
Past performance is not an indication of future returns.