IW
Investment Weekly

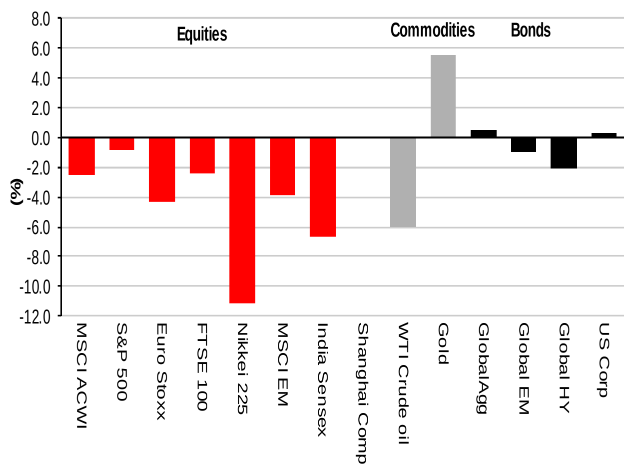
12 February 2016

For Professional Client and Institutional Investor Use Only

- This week's market moves – reflecting lingering global growth fears, a further decline in oil prices and concerns over the health of the banking sector – echoes the broad theme of risk aversion seen in 2016 so far, with major equity indices and bond yields plummeting, while "safe-haven" assets such as the yen and gold have outperformed strongly
- US Federal Reserve (Fed) Chair Janet Yellen's testimony contained little new information on the monetary policy outlook. She continued to highlight the Federal Open Market Committee's (FOMC) expectation for "gradual" increases in the federal funds rate and that the Fed is in "wait and see mode" as the lasting impact of market volatility on the economic outlook remains to be seen
- In the coming week, Chinese trade data could weigh on market tone after the week-long holiday absence. Other key data releases include inflation data from China, the US and the UK, as well as US housing market data

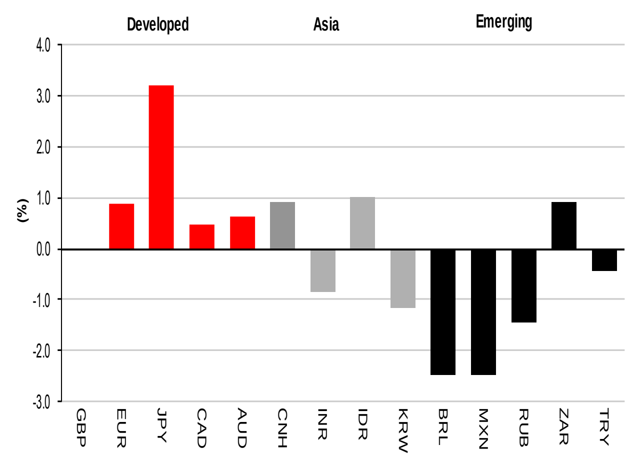
Movers and shakers

Global equities extended declines amid heightened risk aversion

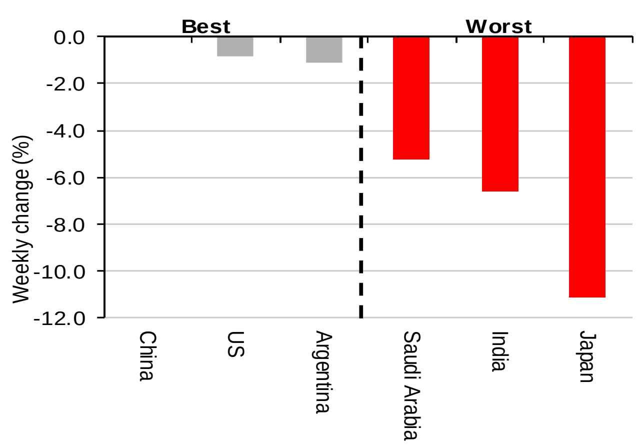


Currencies (versus US dollar)

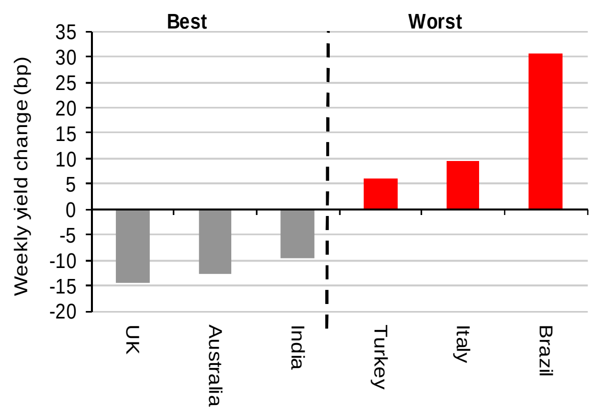
The Japanese yen surged this week against the US dollar



Equities



Bonds (10-year)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 12 February 2016.
All the above charts relate to 05/02/2016–12/02/2016.
Past performance is not an indication of future returns.

HSBC Global Asset Management

Macro Data and Key Events

Past Week (08-12 February 2016)

Date	Country	Indicator	Data as of	Survey	Actual	Prior
Monday 8 February	India	GDP Annual Estimate (yoy)	Q4	7.4%	7.6%	7.2%
Tuesday 9 February	US	NFIB Index of Small Business Optimism	Jan	94.5	93.9	95.2
	Germany	Industrial Production (yoy)	Dec	-0.6%	2.2%	0.10%
Wednesday 10 February	US	Fed Chair Yellen Speaks to the House Financial Services Committee				
Thursday 11 February	US	Fed Chair Yellen Speaks to the Senate Banking Committee				
Friday 12 February	India	CPI (yoy)	Jan	5.4%	5.7%	5.6%
	India	Industrial Production (yoy)	Dec	-0.9%	-1.3%	-3.2%
	Eurozone	GDP, Seasonally Adjusted (qoq)	Q4 P	0.3%	0.3%	0.3%
	US	Retail Sales Advance (mom)	Jan	0.1%	0.2%	-0.1%

P – Preliminary

- Market instability has raised doubts about the prospects of a March hike in the key Fed policy rate. **Fed Chair Janet Yellen's** prepared remarks to the House Financial Services Committee contained little new information on the monetary policy outlook, and were roughly in line with comments made by Vice Chair Stanley Fischer and New York Fed President William Dudley over the past couple of weeks. She continued to highlight the FOMC's expectation for "gradual" increases in the federal funds rate. Yellen acknowledged that recent economic data has been mixed and that recent market turmoil might impede economic growth. On inflation, Yellen still attributed the low levels of inflation to the recent decline in energy prices with mostly unchanged expectations: the Committee expects inflation to remain low. Interestingly, she downplayed the recent decline in inflation expectations metrics, still thinking that they have remained "reasonably stable." The overall message was that the Fed is in "wait and see mode" as the lasting impact on market volatility on the economic outlook remains to be seen. **Retail sales** increased by 0.2% mom in January, a bit more than consensus expectations of 0.1% mom. Core retail sales were also firm, rising by 0.6% mom in January. The gains reflected solid increases for non-store retailers (a category that includes online retailers), which rose by 1.6%. Other categories were mixed: general merchandise stores (+0.8%) and apparel (+0.2%) increased, while sales in department stores (-0.8%) and sporting goods stores (-2.1%) declined. Although nominally this series looks uninspiring at 3.4% yoy against a 2009-2015 average of 4.4%, much of this weakness is driven by the 14% decline in gasoline station sales since June 2015.
- **In Europe, German industrial production** disappointed, contracting by 1.2% mom in December, after a 0.1% mom decline in November. This implies that industrial production shrank by 0.8% qoq during Q4, suggesting that only the services sector contributed to GDP growth in this quarter. Output declined in all major product groups, with energy production hit by warm weather while capital goods were affected by some weakness in investment. Only construction grew over the quarter. The order flow suggests that the decline was due mainly to weak external demand, from both eurozone countries and further afield, while the domestic economy is holding up relatively well. Meanwhile, leading indicators suggest that a speedy rebound of production is unlikely.
- The **eurozone** recovery maintained its pace in Q4 2015, as **GDP** expanded by 0.3% qoq in Q4, the same rate as in Q3. The full-year average was 1.5%, the strongest since 2011. As this is clearly above potential growth, estimated at 0.9%, the eurozone is making progress in its recovery and the output gap continues to narrow. The individual components are not yet known, but growth was likely driven by domestic demand (i.e., public and private consumption and investment), while the external sector likely subtracted. There was some dispersion among individual countries. Two countries, Greece and Finland, are in a technical recession. Greece's economy shrank by 0.6% qoq in Q4 (after -1.4% qoq in Q3), while Finland's GDP contracted by 0.1% qoq in Q4, after -0.6% qoq in Q3. Among the larger countries, Spain performed best, maintaining its growth speed of 0.8% qoq, while Italy and France slowed their speed of expansion by 0.1pp to +0.1% qoq and +0.2% qoq respectively. Germany maintained its growth rate of +0.3% qoq.
- **India's real GDP growth** (market prices) moderated to 7.3% yoy in Q4 2015 from 7.7% in Q3, which was above expectations (consensus of 7.1%). The details were mixed. Private consumption growth rose to 6.4% yoy from 5.6% yoy in Q3, suggesting that the pickup in urban discretionary demand because of low inflation more than offset weak rural demand. Net exports contributed positively to growth (0.5pp versus -0.1 pp in Q3), as import contraction outpaced the fall in exports. However, fixed investment growth fell to 2.8% yoy from 7.6% in Q3, which could be due to weak external demand and tighter financial conditions. Furthermore, according to the **advance estimate for FY16** (for the year ending March 2016), GDP growth (market prices) is likely to rise 7.6% yoy from 7.2% yoy in FY15. Much of the growth acceleration in FY16 is likely to be driven by an acceleration in real private consumption growth (lower inflation), a marginal pickup in fixed investment and a positive contribution from net exports (lower imports).
- **India's CPI inflation** edged up to 5.7% yoy in January from 5.6% in December, above consensus expectations of 5.4%. The pickup was entirely driven by higher food price inflation, which rose sharply to an 11-month high of 6.8% yoy in January from 6.4% yoy in December. However, core CPI inflation moderated to 5.2% yoy in January, from 5.4% yoy in December, owing to favourable base effects. **Industrial production** growth contracted 1.3% yoy, following a 3.4% contraction in November, which was weaker than expectations of -0.2%. Sequentially, industrial production rose a muted 1.6% mom, seasonally adjusted, despite a large 5% fall in November, as production in December was hit by the Chennai floods**.**

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 12 February 2016.
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Coming Week (15-19 February 2016)

Date	Country	Indicator	Data as of	Survey	Prior
Monday 15 February	Japan	GDP Annualised, Seasonally Adjusted (qoq)	Q4 P	-0.8%	1.0%
	China	Trade Balance (USD)	Jan	60.6bn	60.1bn
Tuesday 16 February	UK	CPI Inflation (yoy)	Jan	0.3%	0.2%
	Germany	ZEW Indicator of Economic Sentiment	Feb	0.0	10.2
	US	NAHB/Wells Fargo Housing Market Index	Feb	61	60
Wednesday 17 February	UK	ILO Unemployment Rate (3 Months)	Dec	5.0%	5.1%
	US	Housing Starts (mom)	Jan	2.3%	-2.5%
	US	Industrial Production (mom)	Jan	0.4%	-0.4%
	US	Fed Releases Minutes from 26-27 January Meeting			
Thursday 18 February	Japan	Trade Balance, Adjusted (JPY)	Jan	62.1bn	36.6bn
	Eurozone	ECB Account of the Monetary Policy Meeting			
	China	CPI Inflation (yoy)	Jan	1.9%	1.6%
Friday 19 February	US	CPI Inflation (yoy)	Jan	1.3%	0.7%

P – Preliminary

US

- In the coming week, US markets are closed on Monday for Presidents' Day.
- Data on **housing starts** and building permits has provided some positive signs for residential construction demand and activity in the near to medium term. While multifamily starts have returned to pre-recession levels, single-family starts, which have lagged behind, grew 10% last year. Solid gains in housing starts are expected to continue this year, due to improving labour markets and incomes, low mortgage rates, favourable demographics and a low supply of homes available for sale.
- New home sales nearly rose to a new cycle high in December, helped by unusually mild winter weather. But the turmoil in US equity and credit markets in early 2016 appears to be having a negative impact on overall business confidence. The **NAHB/Wells Fargo** Housing Market Index is expected to remain at a solid 61 in February.
- The ISM manufacturing survey has been in contraction territory for four straight months. As such, **industrial production** is expected to remain tepid in January. The U.S. Bureau of Labor Statistics reported that aggregate hours worked in the mining industry fell in January. As such, mining production could decline in January for a fifth consecutive month as the industry continues to deal with low energy prices. On the flip side, total production likely saw a boost from colder weather conditions in January (relative to December). Thus, there was more heating demand in January, which likely led to higher utilities production. Taking all these inputs into consideration, industrial production is likely to rise 0.4% in January.
- The **Fed releases the minutes** from its 26-27 January FOMC meeting. On 10 February, Fed Chair Janet Yellen told Congress the central bank still expects to raise interest rates gradually while making it clear that continued market turmoil could throw policymakers off the course of the multiple increases they have forecast for 2016. The minutes should enable us to better understand how the Committee thinks the recent economic and financial developments might affect the economic outlook and, importantly, the path of monetary policy. Any discussions about the Committee's expectation for rate hikes this year and the sizable gap with market's expectations for rates will also be important. It will also be worth noting the reasoning behind the FOMC making some subtle changes to its statement of long-term strategy. The new statement says the FOMC will be "concerned" if inflation deviates "persistently" from its target and mentions for the first time that the FOMC's 2% target is symmetric.
- Headline **CPI** is expected to fall 0.1% mom in January, led by a further decline in gasoline prices. The yoy rate of CPI inflation should climb to 1.3% due to base effects. Core CPI is expected to rise 0.2% mom in January, with the yoy rate staying at 2.1%. The annual revisions to CPI will also be released on 17 February, as the U.S. Bureau of Labor Statistics recalculates seasonal factors.

Europe

- In Europe, **European Central Bank (ECB)** President Mario Draghi is going to give his regular quarterly testimony to the Economic and Monetary Affairs Committee of the European Parliament on Monday. He is expected to talk about the implications of the ECB and the US Fed adopting diverging monetary policy stances and about the risks related to the ECB's asset purchase programme. ECB watchers will be keen to find clues on the next monetary policy actions, but Draghi is unlikely to divulge much information on this.
- The **ECB** is going to publish the account of the monetary policy meeting at which Draghi announced that the Governing Council would "reassess" its monetary policy stance at the March meeting. The report may reveal how split the Governing Council is on the need for further monetary easing.

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- The **German ZEW Indicator of Economic Sentiment** is expected to show that investor confidence has worsened in February. Current conditions may still be assessed as good: the market expects the corresponding index to fall back just to December's value of 55.0 from a January peak at 59.7. However, given the recent sell-off in financial markets and growing pessimism about the economic outlook, the expectations component will likely show a sharper drop to 10.0, from 10.2 in January, significantly below the long-term average of 17.5.
- The **UK labour market** report is expected to show that the unemployment rate declined a further 0.1pp to 5.0% in the three months to December. In spite of the buoyant employment, wage growth likely softened. The market estimates that average weekly earnings (ex-bonus) growth slowed to 1.8% yoy from 1.9% in the three months to November. In its latest Inflation Report, the Bank of England judged that "the unemployment rate is currently around its long-run equilibrium level," but also noted that the weakness in wage growth may suggest the equilibrium rate is actually lower. Sluggish wage growth is a main reason for low inflation in the UK.
- **UK consumer prices** are expected to grow 0.3% yoy in January, marking a modest acceleration from 0.2% yoy in December, which was the highest inflation rate in the past 11 months. The pickup was due to base effects in the energy component and an extraordinary increase in air fares. Core inflation, which is a better measure of domestic price pressures, probably softened to 1.3% yoy in January from 1.4% yoy in December. The retail price index, which is relevant for inflation-linked securities, is expected to pick up to 1.4% yoy from 1.2% yoy in December. Overall, price pressures remain muted and there are no indications this could change any time soon.

Emerging markets and Japan

- **Japan GDP** for Q4 is expected to fall back into negative territory after the 1.0% qoq annualised gain in Q3. Private consumption showed signs of weakness in the last three months of 2015, with the synthetic consumption index falling by more than 0.7% qoq. Moreover, private non-residential investment is also expected to be soft, as was suggested by machine tools orders, which were down 4.3% qoq in Q4. On the positive side, net trade is likely to contribute positively to GDP growth as export volumes rose slightly while imports dropped more significantly. Overall, growth for Q4 is expected to be negative, at -0.8% qoq annualised.
- Monthly Chinese data is out next week. At this time of the year, Chinese data always needs to be read carefully because of the impacts around the timing of the Chinese New Year. In **China**, external trade data for January will likely continue to decline as global demand for Chinese goods remains depressed, especially in emerging markets, although the depreciation of the renminbi provides some support. The new export orders component of the PMI survey came in at 46.9 in January, while imports were at 46.4, their lowest in almost four years. **Exports** are expected to fall by 1.8% yoy and **imports** by 3.6%. Overall, the **trade surplus** is likely to come in slightly higher than in December, at USD60.6 billion. In a separate report, consumer inflation for January will be published on Thursday. Food price inflation probably increased in the run-up to the Lunar New Year holiday, pushing headline **CPI inflation** up from 1.6% in December to 1.9% in January. PPI inflation is still expected to have declined for a 47th month, by 5.4%.

Market Moves

Global equity markets extended declines on lingering global growth fears amid concerns over the health of the banking sector as well as a renewed decline in oil prices

- In the US, the S&P 500 Index fell again this week (-0.8%), led by a sharp sell-off in banking stocks amid increasing concerns about the knock-on impact of lower oil prices on energy producers' financials, as well as a flattening yield curve (lower long-term interest rates) on the sector's overall profitability. This was underpinned by a theme of broad risk aversion, fuelled by investor uncertainty about the future path of US interest rates, following last Friday's nonfarm payrolls report, with Fed Chair Janet Yellen's testimony to Congress providing only brief support to the market as it highlighted the downside risks to US growth prospects. Rising concerns over the impact of global monetary policy also weighed on sentiment, as did a further fall in oil prices, which pushed energy sector stocks lower. Overall, this week's losses pushed the S&P 500 Index to its lowest level since April 2014, with year-to-date losses deep in negative territory (-8.8%).
- It was another bad week for European stocks, as a wave of risk aversion swept through global financial markets, centred on fears over the health of the global economy. This was fuelled by disappointing industrial production data for Germany on Tuesday and comments from Fed Chair Janet Yellen that highlighted the downside risks to US growth. Furthermore, the Swedish central bank's move to cut policy rates deeper into negative territory exacerbated ongoing concerns about banks' profitability in a low interest rate environment, as earnings reports in the sector also disappointed this week. The EURO STOXX 50 Index finished the week lower (-4.3%), led by falls in financial stocks. Meanwhile, all other major European bourses declined sharply. Overall, this pushes the EURO STOXX 50 Index year-to-date losses deep into the red (-15.6%), with Spain's IBEX 35 experiencing an even larger fall (-17.0%) as the country endures a continuing political stalemate following last December's general election.
- Asian stock markets fell sharply this week, closely tracking US and European stock fluctuations, as well as crude oil prices. Fed Chair Yellen's relatively dovish stance adopted during her testimony before Congress, which lowered the prospect of further US monetary tightening and the potential for further capital outflows out of Asia, did little to offset heightened risk aversion centred on global growth concerns and the health of the overall banking sector. Losses were concentrated in Japan where a sharply higher yen pushed the export-sensitive Nikkei 225 Index down sharply (-11.1%), with a set of disappointing earnings results and increasing pessimism about the impact of recent Bank of Japan policy action also weighing on sentiment. Hong Kong's Hang Seng Index

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caught up with the regional trend (opening on Thursday after the Lunar New Year holidays), finishing the week down (-5.0%). Mainland Chinese equity markets remained closed for the full week for the Lunar New Year holidays. Overall, this week's moves leave Asian indices sharply down in year-to-date terms, led by the Hang Seng China Enterprises Index (-22.3%) and Shanghai Stock Exchange Composite Index (-21.9%), which have been battered by fears over the Chinese economy, followed closely by Japan's Nikkei 225 Index (-21.4%).

US Treasuries extended gains on global risk aversion and lower oil prices

- US Treasuries gained again this week (yields declined) on perceived "safe-haven" demand as global stocks and oil prices declined. Moreover, the perceived dovish stance of Fed Chair Yellen, who emphasised the fact that interest rate hikes will be gradual while highlighting downside risks to the US growth outlook, supported the Treasury market. However, gains were pared on Friday following the better than expected US retail sales data. Overall, benchmark Treasury 10-year yields ended lower (-9bps to 1.75%) as did two-year yields (-1bps to 0.71%), leaving the yield curve flatter, with the spread between the two- and 10-year notes narrowing to 104bps, its lowest since early 2008. In year-to-date terms, 10-year Treasury yields have now fallen by 52bps, leaving them at roughly a one-year low.
- Core European bond yields declined (prices rose) slightly this week on perceived "safe-haven" flows amid renewed oil price declines and some disappointing macro data (particularly German industrial production), while peripheral yields rose as risk aversion took hold amongst a backdrop of lingering political risk, not least the political stalemate in Spain following last December's general election. Yields on 10-year German bonds declined (-4bps to 0.26%). In the periphery, Italian and Spanish 10-year yields rose (+10bps to 1.65% and +10bps to 1.74%, respectively). Portuguese government bonds were especially hard hit, with 10-year yields rising sharply (+72bps to 3.84%) as investors feared the country could lose its last investment grade rating following the European Commission's recent assessment that the new Portuguese government's budget is at risk of non-compliance. Overall, German and French 10-year yields have fallen this year (37bps and 34bps respectively) to approach record lows last seen in April 2015, and equivalent two-year yields continue to register fresh lows.

US dollar extends falls as Yellen highlights downside risks to US growth outlook; yen surges to 15-month high against US dollar on perceived "safe-haven" demand amid heightened global risk aversion

- The euro climbed further against the US dollar this week (+0.9%). The single currency continues to find support from general financial market risk aversion, pushing investors to unwind euro-funded carry trades. Meanwhile, the US dollar remained on a downward trend on the back of falling expectations of further US interest rate increases this year, with investors broadly shrugging off Fed Chair Janet Yellen's comments this week acknowledging the downside risks to the US growth outlook and also suggesting the Fed had not taken a March interest rate increase off the table. Elsewhere, the British pound remained flat against the US dollar (+0.0%). Although finding support from a weaker US dollar, the pound continues to face downward pressure from economic data misses (the industrial and construction sectors surprised to the downside this week) as well as lingering concerns over a potential departure of the UK from the European Union ("Brexit").
- Asian currencies were mixed against the US dollar this week, generally ending the week between +/-1%, as the US dollar weakened on expectations that US interest rates will remain lower for longer. The yen was the most significant outlier, rising sharply against the US dollar (+3.2%) to reach its highest level since late 2014 on perceived "safe-haven" demand amid heightened global risk aversion. The higher-yielding Indonesian rupiah gained (+1.0%) as data released last Friday showed GDP rose by a slightly better than expected 5.0% yoy in Q4 2015. Elsewhere, the Korean won fell (-1.2%) amid lingering concerns over the health of the South Korean economy as well as rising geopolitical tensions in the region. Finally, the Indian rupee also fell (-0.9%) on increasing concerns about the ability of Prime Minister Narendra Modi to push through important economic reforms.
- Meanwhile, other non-Asian emerging market currencies mainly fell against the US dollar this week on the back of heightened investor risk aversion and a fresh sell-off in oil. The oil-sensitive Mexican peso (-2.5%) and Russian rouble (-1.4%) were among the worst performers, with the peso also hit by fears of contagion from a slowing US economy. Furthermore, the decline in the peso came even after the Mexican central bank stepped up its defence of the currency, purchasing USD400 million worth of pesos in auctions on Monday. Elsewhere, the South African rand bucked the trend (+0.9%), supported by a rebound in gold and platinum prices (South Africa being a major exporter of both) as well as data showing better than expected manufacturing production in December (+1.8 mom versus 0.1% mom consensus).

Crude oil prices extend falls on continuing theme of oversupply; gold prices surge to one-year high amid investor jitters and weaker US dollar

- WTI oil prices fell this week (-4.7% at USD29.4 per barrel), extending last week's losses despite the softer tone to the US dollar, as Venezuela's oil minister concluded a tour of oil-producing nations on Sunday night with no agreement to curb output weighing on investor sentiment. Furthermore, news of fresh deals between Iran and European buyers added to lingering oversupply concerns, with the International Energy Agency's monthly report highlighting that excess supply may average 1.75 million barrels per day during the first half of 2016, compared with last month's estimate of 1.5 million barrels per day. Meanwhile, Wednesday's U.S. Energy Information Administration weekly report showed crude stocks fell by 754,000 barrels last week (versus +3.2 million expected). However, inventories at Cushing, Oklahoma, the delivery point for US crude oil futures contracts, rose by 523,000 barrels to their highest level on record, raising storage capacity concerns and pushing the Brent-WTI spread to its highest level since

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November 2015. Losses were pared on Friday following comments from the energy minister of the United Arab Emirates, who said OPEC was willing to speak with other producers about trimming output. Overall, Brent crude prices fell (-4.1% at USD32.7). Despite a slight rebound in late January, Brent and WTI year-to-date losses remain significant (-12.4% and -20.5% respectively).

- Meanwhile, gold prices rose sharply this week (+5.5% at USD1,238 per ounce), the biggest weekly gain since October 2011, pushing the yellow metal to its highest level in over a year. The latest leg up in prices has been driven by its perceived "safe-haven" status amid heightened global risk aversion, with further falls in the US dollar and lower expectations of US policy tightening this year also encouraging buying. This was reinforced by the Swedish central bank's move to push interest rates deeper into negative territory, prompting a fall in core European bond yields, lowering the opportunity cost of holding the non-yield generating asset. Overall, gold has had a phenomenal start to 2016 with year-to-date gains firmly in double digits (+16.6%).

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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)	357	-2.6	-4.5	-11.4	-15.9	-10.6	444	351	14.3
North America									
US Dow Jones Industrial Average	15,974	-1.4	-3.3	-8.4	-11.1	-8.3	18,351	15,370	14.5
US S&P 500 Index	1,865	-0.8	-3.8	-8.9	-10.7	-8.8	2,135	1,810	15.5
US NASDAQ Composite Index	4,338	-0.6	-7.4	-13.3	-10.7	-13.4	5,232	4,210	18.1
Canada S&P/TSX Composite Index	12,381	-3.0	0.1	-5.7	-18.7	-4.8	15,525	11,531	15.3
Europe									
MSCI AC Europe (USD)	364	-3.3	-5.1	-12.5	-18.7	-11.3	479	356	13.4
Euro STOXX 50 Index	2,756	-4.3	-10.1	-18.6	-19.4	-15.6	3,836	2,673	12.1
UK FTSE 100 Index	5,708	-2.4	-3.7	-7.6	-16.4	-8.6	7,123	5,500	14.8
Germany DAX Index*	8,968	-3.4	-10.2	-16.8	-17.9	-16.5	12,391	8,699	11.2
France CAC-40 Index	3,995	-4.9	-8.8	-17.7	-15.5	-13.8	5,284	3,892	12.8
Spain IBEX 35 Index	7,921	-6.8	-11.2	-21.9	-25.0	-17.0	11,885	7,746	11.9
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	362	-3.9	-3.1	-13.0	-23.8	-11.9	525	357	11.7
Japan Nikkei-225 Stock Average	14,953	-11.1	-13.2	-24.1	-16.8	-21.4	20,953	14,866	14.9
Australian Stock Exchange 200	4,765	-4.2	-3.2	-7.0	-17.0	-10.0	5,997	4,707	15.1
Hong Kong Hang Seng Index	18,320	-5.0	-7.1	-20.0	-25.0	-16.4	28,589	18,279	9.2
Shanghai Stock Exchange Composite Index	2,763	0.0	-8.6	-23.9	-12.9	-21.9	5,178	2,638	11.3
Hang Seng China Enterprises Index	7,505	-6.8	-11.1	-27.9	-36.3	-22.3	14,963	7,499	5.8
Taiwan TAIEX Index	8,063	0.0	3.8	-4.3	-15.1	-3.3	10,014	7,203	12.1
Korea KOSPI Index	1,835	-4.3	-2.9	-7.9	-5.5	-6.4	2,190	1,801	10.7
India SENSEX 30 Index	22,986	-6.6	-6.9	-11.1	-20.2	-12.0	30,025	22,600	16.3
Indonesia Jakarta Stock Price Index	4,714	-1.8	4.5	5.7	-11.8	2.6	5,524	4,034	14.4
Malaysia Kuala Lumpur Composite Index	1,644	-1.1	0.1	-1.2	-8.1	-2.9	1,868	1,504	15.4
Philippines Stock Exchange PSE Index	6,654	-1.6	5.1	-3.7	-13.7	-4.3	8,137	6,084	16.3
Singapore FTSE Straits Times Index	2,540	-3.2	-5.6	-14.2	-25.7	-11.9	3,550	2,528	11.0
Thailand SET Index	1,276	-2.3	1.7	-7.8	-20.9	-0.9	1,620	1,221	13.0
Latam									
Argentina Merval Index	11,276	-1.1	5.8	-14.5	21.0	-3.4	14,597	8,660	12.3
Brazil Bovespa Index*	39,808	-1.9	0.7	-15.1	-19.6	-8.2	58,575	37,046	10.3
Chile IPSA Index	3,667	0.3	4.0	-3.3	-7.5	-0.3	4,148	3,419	13.7
Colombia IGBC Index	8,799	1.1	11.1	-1.1	-16.6	2.9	11,030	7,822	24.0
Mexico Index	42,416	-1.9	3.4	-3.9	-1.5	-1.3	46,078	39,257	18.0
EEMEA									
Russia MICEX Index	1,726	-3.1	2.1	-0.8	-4.3	-2.0	1,874	1,570	5.8
South Africa JSE Index	48,590	-2.3	0.4	-6.7	-7.5	-4.2	55,355	45,976	16.2
Turkey ISE 100 Index*	70,937	-4.4	-1.1	-13.6	-17.6	-1.1	88,652	68,230	8.1

*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	-12.0	-11.4	-15.2	5.3	15.0
US equities	-10.9	-10.9	-11.9	24.8	47.2
Europe equities	-14.0	-13.0	-18.2	-7.6	-3.7
Asia Pacific ex Japan equities	-12.0	-11.2	-21.0	-16.2	-8.3
Japan equities	-18.6	-17.7	-13.1	4.8	-0.3
Latam equities	-16.1	-8.5	-33.9	-53.3	-55.8
Emerging Markets equities	-14.2	-10.1	-24.8	-27.5	-26.0

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 EM 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 12 February 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)	490.6	0.5	1.5	2.5	2.1	2.1
JPM EMBI Global	663.7	-1.0	-0.2	-2.1	-0.4	-1.0
BarCap US Corporate Index (USD)	2588.8	0.3	0.0	0.6	-1.5	0.7
BarCap Euro Corporate Index (Eur)	230.0	-0.5	0.0	-0.2	-1.8	-0.1
BarCap Global High Yield (USD)	359.0	-2.1	-3.3	-6.6	-6.1	-4.0
HSBC Asian Bond Index	386.29	-0.1	0.9	1.3	2.4	1.5

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	1.13	1.12	1.09	1.08	1.14	1.09	1.17	1.05
GBP/USD	1.45	1.45	1.44	1.52	1.54	1.47	1.59	1.41
CHF/USD	1.02	1.01	1.00	1.00	1.07	1.00	1.10	0.97
CAD	1.39	1.39	1.43	1.33	1.25	1.38	1.47	1.19
JPY	113.25	116.87	117.65	122.61	119.11	120.22	125.86	110.99
AUD	1.41	1.42	1.43	1.40	1.29	1.37	1.46	1.23
NZD	1.51	1.51	1.53	1.53	1.35	1.46	1.60	1.29
Asia								
HKD	7.79	7.79	7.76	7.75	7.75	7.75	7.83	7.75
CNY	6.57	6.57	6.57	6.37	6.25	6.49	6.60	6.18
INR	68.24	67.65	66.87	66.31	62.31	66.15	68.47	61.66
MYR	4.16	4.15	4.41	4.37	3.60	4.29	4.48	3.54
KRW	1,211.54	1,197.54	1,210.30	1,158.30	1,110.78	1,175.06	1,221.09	1,065.21
TWD	33.02	33.18	33.49	32.72	31.56	32.86	33.79	30.35
Latam								
BRL	4.00	3.90	4.03	3.77	2.82	3.96	4.25	2.82
COP	3,382.94	3,333.49	3,275.40	3,036.84	2,388.30	3,174.50	3,452.55	2,351.76
MXN	18.91	18.44	17.90	16.74	14.92	17.21	19.44	14.76
EEMEA								
RUB	78.66	77.54	76.96	66.69	65.39	72.52	85.96	48.14
ZAR	15.88	16.03	16.67	14.31	11.71	15.47	17.92	11.36
TRY	2.93	2.92	3.03	2.87	2.47	2.92	3.08	2.43

Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2015
US Treasury yields (%)						
3-Month	0.28	0.29	0.21	0.13	0.01	0.16
2-Year	0.71	0.72	0.92	0.87	0.62	1.05
5-Year	1.21	1.24	1.54	1.71	1.49	1.76
10-Year	1.75	1.84	2.10	2.31	1.98	2.27
30-Year	2.60	2.67	2.88	3.09	2.58	3.02
Developed market 10-year bond yields (%)						
Japan	0.08	0.02	0.22	0.30	0.39	0.26
UK	1.41	1.56	1.75	2.01	1.66	1.96
Germany	0.26	0.30	0.53	0.61	0.32	0.63
France	0.65	0.63	0.92	0.92	0.64	0.99
Italy	1.65	1.55	1.61	1.61	1.65	1.59
Spain	1.74	1.64	1.83	1.83	1.62	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	1,238	5.5	13.9	14.1	1.3	16.6	1,263	1,046
Brent Oil	32.7	-4.1	5.9	-25.9	-42.7	-12.4	70	27
WTI Crude Oil	29.4	-4.7	-3.3	-29.5	-42.5	-20.5	63	26
R/J CRB Futures Index	160	-1.0	-1.1	-14.0	-29.1	-9.0	234	155
LME Copper	4,445	-4.0	2.1	-7.8	-22.6	-5.5	6,481	4,318

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 12 February 2016.
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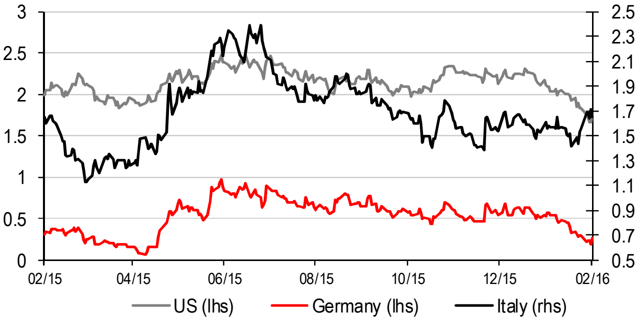
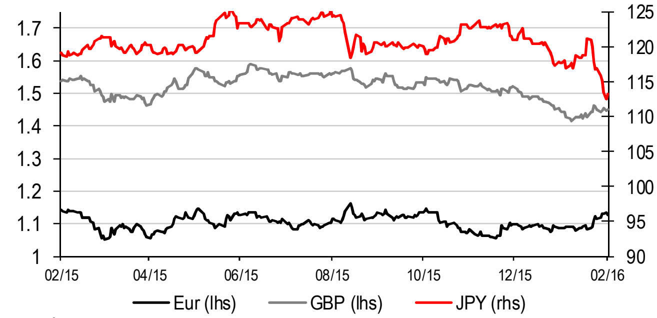
Market Trends

Government bond yields (%)



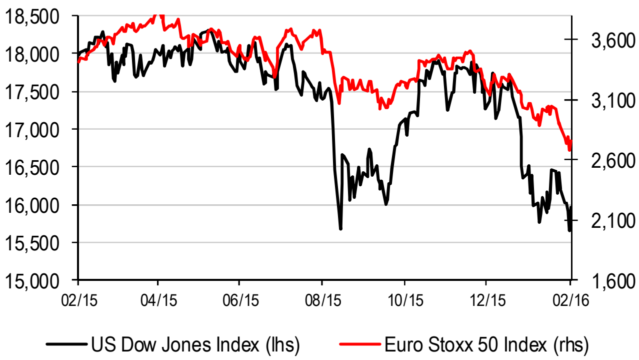
Yields based on 10 year government bonds

Major currencies (versus US dollar)

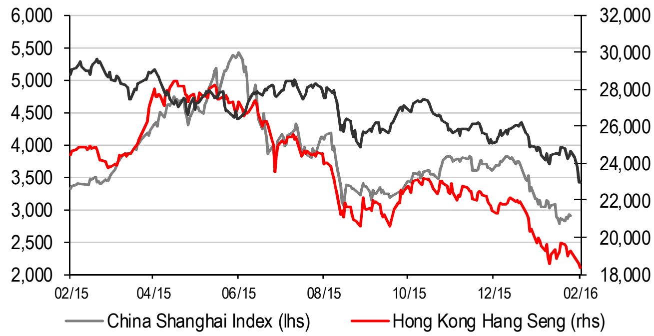


All values versus USD

Global equities

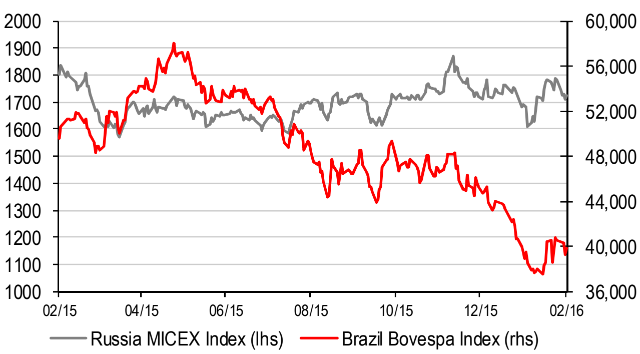


Emerging Asian equities

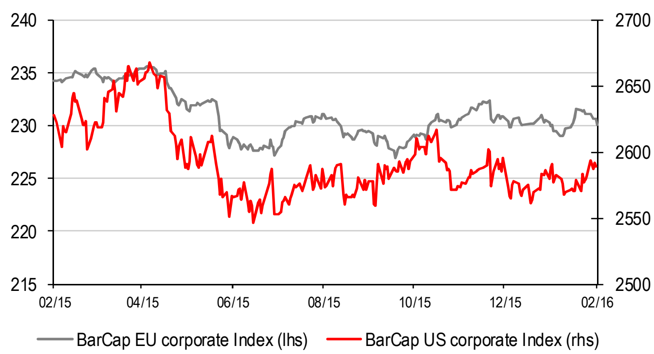


China Shanghai Index closed for week of 8-12 Feb)

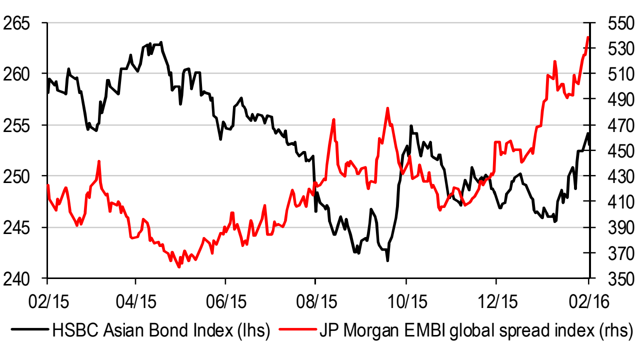
Other emerging equities



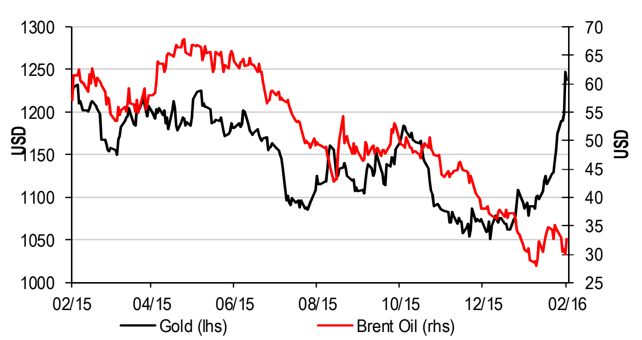
Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



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