IW Investment Weekly

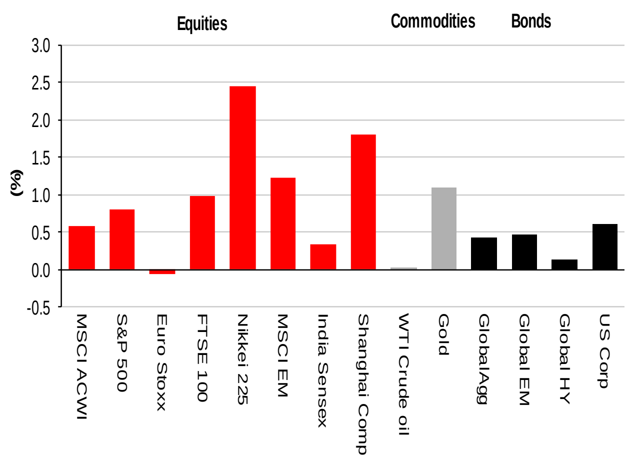
10 February 2017

For Professional Client and Institutional Investor Use Only

- Global equity indices edged higher this week on upbeat corporate earnings and Trump stimulus hopes, offsetting US and European political uncertainty
- US President Donald Trump promised a "*phenomenal"* tax plan within a few weeks' time
- Defying expectations of a 25bps rate cut, the Reserve Bank of India (RBI) kept its policy repo rate unchanged at 6.25%, in order to further assess the transitory effects of the government's demonetisation efforts on inflation and growth
- In the coming week, US Federal Reserve Chair Janet Yellen's monetary policy testimony to both the Senate Banking and House Financial Services Committees will be closely scrutinised for any clues on the likely trajectory of US interest rates

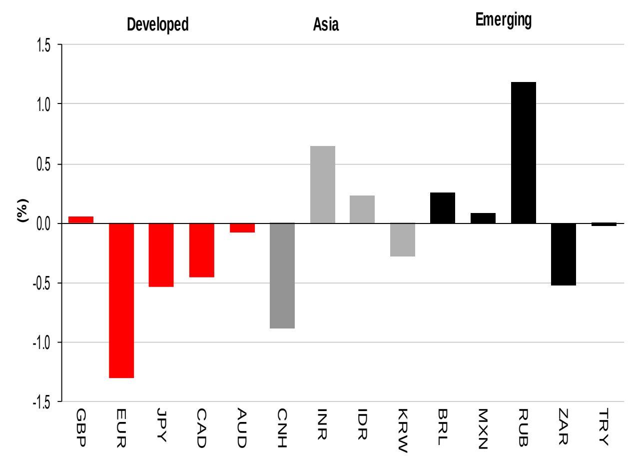
Movers and shakers

Global equities edged higher amid upbeat earnings

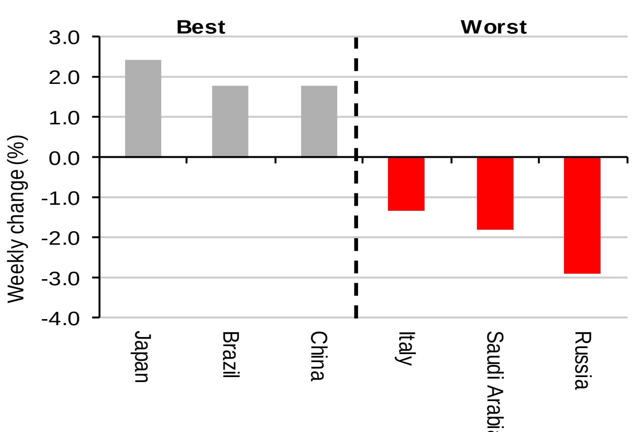


Currencies (versus US dollar)

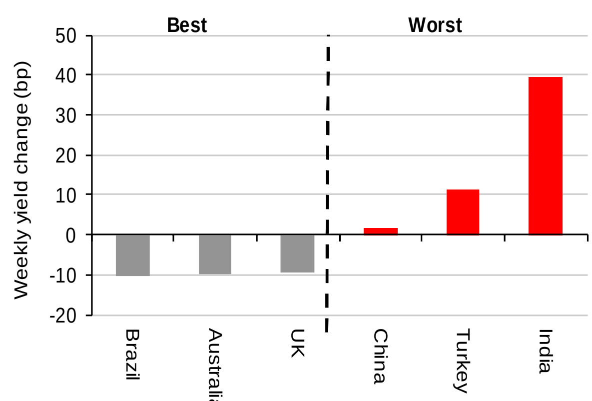
The US dollar gained against most major currencies



Equities



Bonds (10-year)



Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 10 February 2017
All the above charts relate to 03/02/2017 – 10/02/2017
Past performance is not an indication of future returns

HSBC Global Asset Management

Macro Data and Key Events

Past Week (06 – 10 February 2017)

Date	Country	Indicator	Data as of	Survey	Actual	Prior
Monday 06 February	Germany	Factory Orders (Working Day Adjusted, yoy)	Dec	4.2%	8.1%	2.0%
Tuesday 07 February	Australia	Reserve Bank of Australia Interest Rate Decision	Feb	1.50%	1.50%	1.50%
	Germany	Industrial Production (Seasonally Adjusted, mom)	Dec	0.3%	-3.0%	0.5%
Wednesday 08 February	India	RBI Interest Rate Decision (Repurchase Rate)	Feb	6.00%	6.25%	6.25%
	Brazil	IBGE Inflation IPCA (yoy)	Jan	5.4%	5.4%	6.3%
Thursday 09 February	Mexico	CPI (yoy)	Jan	4.7%	4.7%	3.4%
	Mexico	Banco de Mexico Interest Rate Decision	Feb	6.25%	6.25%	5.75%
Friday 10 February	China	Trade Balance (USD bn)	Jan	48.5	51.4	40.7
	India	Industrial Production (yoy)	Dec	1.2%	-0.4%	5.7%
	US	University of Michigan Index of Consumer Sentiment	Feb P	98.0	95.7	98.5

P – Preliminary

- February's **University of Michigan Index of Consumer Sentiment** preliminary release edged lower to 95.7 from 98.5. The current conditions index changed little at 111.2 against 111.3 previously, while expectations fell to 85.7 from 90.3, with both subseries still very close to January's 13-year high. Interestingly, long-term consumer inflation expectations (during the next five to 10 years) dipped from January's 2.6% to 2.5%, still above their all-time low of 2.3% yoy in December. However shorter-term inflation expectations rose more dramatically, increasing from December's 2.2% to 2.8% in February.

- **Germany factory orders** rose 5.2% mom in December, well above consensus expectations (+0.7%) and more than reversing the downwardly revised 3.6% drop in the prior month. The positive print mirrors the recent firming of the German manufacturing PMI and was largely driven by capital goods orders (+9.7% mom), particularly from other eurozone countries (+19.5% mom). This leaves the annual growth rate at 8.1% yoy (its highest since July 2011), boding well for German manufacturing prospects as 2017 progresses. However, following two consecutive monthly gains, **industrial production** unexpectedly fell 3.0% mom in December (consensus +0.3%, +0.5% prior), leaving the annual rate at -0.7% yoy (+1.0% yoy on six- and 12-month moving average basis). The underlying details showed capital goods output declined the most (-5.4% mom), followed by manufacturing and mining (-3.4%). Nevertheless, December's solid factory orders could suggest a rebound in the months ahead.

- The **Reserve Bank of India (RBI)** kept its policy repo rate unchanged at 6.25%, against a consensus forecast of a 25bp cut, in order to assess the transitory effects of demonetisation on inflation and growth. The RBI reiterated its commitment to "*bringing headline CPI inflation closer to 4.0% on a durable basis and in a calibrated manner*", and changed the monetary policy stance from accommodative to neutral. The RBI expects headline CPI inflation in Q4 of fiscal year (FY) 2017 to be below its target of 5.0% yoy, and forecasts inflation of 4.0-4.5% in H1 FY 2018 and 4.5-5.0% in H2 FY 2018. However, it highlighted three upside risks to inflation: rising global oil prices; exchange rate volatility; and the full effects of the house rent allowances under the 7th Central Pay Commission award which have not yet been factored in the baseline inflation path. On the other hand, the RBI assesses that "*the focus of the Union budget on growth revival without compromising on fiscal prudence should bode well for limiting upside risks to inflation*." The RBI forecasts a recovery in GVA growth in FY18, to 7.4% from 6.9% in FY17, given that: discretionary consumer spending held back by demonetisation is likely to rebound; economic activity in cash-intensive sectors and the unorganised sector is expected to be rapidly restored; the demonetisation-induced ease in bank funding conditions has led to a sharp improvement in transmission of policy rate cuts to lending rates; and the focus of the budget on boosting capital expenditure, the rural economy and affordable housing should contribute to growth. **India's industrial production** (IP) unexpectedly fell 0.4% yoy in December (against consensus expectations of +1.2%), having risen 5.7% in November. A decline in manufacturing production and a slowdown in electricity output offset a pickup in mining output. Consumer goods IP fell 6.8%, with durable goods IP down sharply (-10.3%) led by a decline in auto production and the gems and jewellery industry. Capital goods and intermediate goods IP also fell. This indicates weakness in consumer and investment demand, although infrastructure-related output held up. Overall, the IP data likely reflected short-term demand disruption from demonetisation, however the improvement in the January manufacturing PMI suggests activity could recover in the coming months.

- January's headline **Mexican CPI** rose 1.7% mom, in line with expectations. This saw annual inflation leap to 4.7%, from 3.4% yoy, its highest rate since September 2012. Much of the increase came from higher energy prices as a result of deregulation, with additional pressures driven by the Mexican Peso's large depreciation against the US dollar. Against this backdrop, **Banxico** raised interest rates by 50bps to 6.25%, in line with expectations, maintaining the bank's tightening cycle that began in late-2015. In the policy statement, the central bank expressed concern over inflation expectations and that headline inflation could remain above target for some time. However, the bank still expects inflation to converge towards the middle of its target range (around 3%) by end 2018.

- **China's external trade data** for January came in stronger than expected. Exports rose 7.9% yoy (consensus at 3.2%), up from -6.2% in December. Similarly, imports gathered pace from 3.1% yoy in December to 16.7% (consensus at +10.0%). As a result, the trade surplus rebounded to USD51.35 billion (USD40.71 billion in December), its highest level in a year. Although seasonal biases (the lunar new year occurred in January in 2017 and in February last year) and strong base effects explain most of the improvement, and the underlying export and import trend confirms the modest rebound observed in Q4.

- **Brazilian IPCA inflation** slowed to 5.35% yoy versus expectations of 5.40%, and 6.29% in the prior month. The decline was broad based, with services inflation continuing to moderate, dropping to 6.2% yoy from 6.5% previously. Similarly, regulated prices (4.5% yoy from 5.5% prior) and non-regulated prices (5.6% yoy from 6.5% previously) also softened. This marks the second straight month where inflation has been in the COPOM's 4.5-6.5% target range, having spent January 2015 until November 2016 above this range.

Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 10 February 2017.
Past performance is not an indication of future returns

Coming Week (13 – 17 February 2017)

Date	Country	Indicator	Data as of	Survey	Actual
Monday 13 February	Japan	GDP Annualised Seasonally Adjusted (qoq)	Q4 P	1.1%	1.3%
	India	CPI (yoy)	Jan	3.2%	3.4%
Tuesday 14 February	China	CPI (yoy)	Jan	2.4%	2.1%
	Japan	Industrial Production (yoy)	Dec F		3.0%
	UK	CPI (yoy)	Jan	1.9%	1.6%
	Germany	Zew Survey Expectations	Feb	15.0	16.6
	Eurozone	GDP (qoq Seasonally Adjusted)	Q4 P	0.5%	0.5%
	Eurozone	Industrial Production (Seasonally Adjusted, mom)	Dec	-1.5%	1.5%
	US	Fed Chair Yellen Testifies on Monetary Policy to the Senate Banking Panel			
Wednesday 15 February	Sweden	Riksbank Interest Rate Decision	Feb	-0.50%	-0.50%
	UK	ILO Unemployment Rate (3 months)	Dec	4.8%	4.8%
	US	CPI (yoy)	Jan	2.4%	2.1%
	US	Retail Sales Advance (mom)	Jan	0.1%	0.6%
	US	Industrial Production (mom)	Jan	0.0%	0.8%
	US	NAHB Housing Market Index	Feb	68	67
	US	Fed Chair Yellen Testifies on Monetary Policy to House Panel			
Thursday 16 February	US	Housing Starts (mom)	Jan	0.3%	11.3%
	Eurozone	ECB Account of the Monetary Policy Meeting			
Friday 17 February	UK	Retail Sales ex Auto Fuel (yoy)	Jan	3.9%	4.9%

P – Preliminary, Q – Quarter, F – Final

US

- In the coming week, the US economy's health and whether it is sufficiently strong to warrant a near-term rise in interest rates will be the dominant question for financial markets. More light on this matter will be shed on 14 February by **Fed Chair Janet Yellen** when she delivers her **monetary policy testimony** to the Senate Banking Committee. The testimony will be repeated, but with an additional Q&A session, in front of the House Financial Services Committee on 15 February. There has been little change in US economic momentum since Yellen last spoke in mid-January, although her concern around a continued lack of momentum in wage growth might persist. The February Federal Open Market Committee (FOMC) meeting's statement highlighted a balanced assessment of the outlook, combined with a continued firming of sentiment, but this is yet to be materialised in terms of improved activity which is still running at a "*moderate*" pace. Yellen may also sound cautious about the prospects for a March hike, without ruling it out entirely, reiterating her assertion that every meeting should be considered "*live*". Finally, she is expected to provide further insight into her thinking on the Fed's balance sheet unwinding strategy. This was first discussed by her prdecessor Ben Bernanke in January 2009, not long after the start of Quantitative Easing (QE). Financial markets will be mindful of Bernanke's 2013 mention of the FOMC's consideration of slower asset purchases, causing the so-called "taper tantrum".

- January's **CPI inflation** release is expected to show that prices rose 2.4% yoy, the highest level since March 2012 and up firmly from 0.8% yoy in July 2016 as energy price base effects edge towards their peak. However, the more stable core measure, excluding food and energy, is forecast to dip slightly (-0.1ppts to 2.1% yoy). Furthermore, the Fed's preferred measure of inflation - the core Personal Consumption Expenditure (PCE) price index – is currently sitting around 1.6%, somewhat below the Fed's 2.0% target

- January's headline **US retail sales** are anticipated to expand by an anaemic 0.1% mom, due to a sharp drop in auto sales in December (-4.4% mom to 17.5 million annualised), partially offsetting higher pump prices during the month. Retail sales ex-autos and gasoline are expected to show a robust start to the year at +0.3% mom, following a flat print in December.

- The February release of the **NAHB/Wells Fargo Housing Market Index**, which measures homebuilder confidence, is expected to rise by one point to 68, from December's post-crisis high of 69 and reflecting continued strength in the housing market. January's **Housing Starts** are expected to see little change after a recent volatile run, increasing by 0.3% mom (annualised 1,230,000), following a sharp 11.3% mom rise in December, 16.5% drop in November and a 25.5% increase in October. The continued strength of the labour market and high levels of affordability are likely to continue to support the housing market going forward. However, this may be dampened somewhat by the recent rise in mortgage interest rates, although they remain historically very low.

Europe

- January's **UK CPI inflation** is expected to accelerate further, by 0.3 ppts to a two-and-a-half-year high of 1.9% yoy. Oil price effects should play a significant role in the acceleration, while weaker sterling is likely to feed into some components, particularly food prices as retailers begin to pass on higher import costs to consumers. Meanwhile, amid continuing signs of UK economic resilience, the **ILO unemployment rate** for the three months to December is expected to hold firm at 4.8%, with wage growth also anticipated to stay at just below 3% yoy. Any upside surprise in wages could embolden the hawks on the Bank of England's Monetary Policy Committee, with the last set of minutes showing some members were now "*a little closer*" to "*the limits to the degree to which above-target inflation could be tolerated".* Finally, January **retail sales** (excluding auto fuel) are expected to increase over the month (+0.7% mom), following December's unexpected large 2.0% decline. This would leave the annual rate at 3.9% yoy, the lowest rate of expansion since June 2016. Any downside surprise is likely to reflect the adverse impact of rising headline inflation on real spending power and a potential deterioration in consumer confidence, which has thus far weathered Brexit related uncertainty.

- The February **German ZEW** survey of the current situation is forecast to stabilise, having risen unexpectedly sharply in the prior

Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 10 February 2017.
Past performance is not an indication of future returns

month (+13.8pts to 77.3 to its highest level since July 2011) amid robust activity data and domestic equity markets. However, the **expectations** component is anticipated to decline (-1.6pts to 15.0), remaining below its long-term average (24.0), weighed on by European political uncertainty (predominantly around Brexit and upcoming elections).

- Following Germany's unexpectedly large drop in December **industrial production**, the **eurozone** wide print is also expected to shrink (-1.5% mom). However, given the robustness of sentiment indicators in the sector (including the January Eurozone manufacturing PMI and EC Industrial Confidence indicators at their highest level since 2011), supportive demand conditions and a surge in German factory orders in December, a rebound is likely in the coming months.

Emerging markets/Japan

- **Japan's Q4 GDP** growth is expected at 1.1% (qoq annualised), down from 1.3% in Q3, but still stronger than Japan's trend growth (around 0.5%-0.75% per year), hence consistent with the Bank of Japan's (BoJ)'s expectation of a gradual closing output gap and a convergence of inflation towards the BoJ target (2%) over the next two years. Fixed investment is expected to be Japan's main growth engine, supported by the government's recent fiscal stimulus package and inventory rebuilding by private businesses, after some downward adjustments in the first half of the year. Meanwhile, private consumption is anticipated to have remained flat, mainly due to Q4's decline in real wages (for the first time since the end of 2015).
- **India's CPI inflation** in January likely slowed to 3.2% yoy, down from December's 3.4% as food prices remained fairly weak, especially for pulses and vegetables. However, energy prices, particularly gasoline, rose substantially over the past year (+17% yoy in Mumbai), which may limit the potential for a downside surprise.
- **China's CPI inflation** for January is expected to increase from 2.1% yoy in December to 2.4%, mostly due to higher food prices on the back of the Lunar New Year celebrations at the end of January. Last year, the celebrations took place in mid-February, suggesting strong positive base effects will play out. Moreover, cost-push inflation has been gaining traction since the end of last year, with the producer price index rising at the fastest pace in five years.

Market Moves

Global equity indices edged higher on upbeat corporate earnings and Trump stimulus hopes, offsetting US and European political uncertainty

- **US equities** initially fell this week on lingering policy uncertainty surrounding the Trump administration, however a combination of some solid earnings reports and prospects for business-friendly tax adjustments "*in two or three weeks*", according to US President Trump, buoyed US bourses from Thursday onwards. The S&P 500 Index touched a record high to finish the week up (+0.8%). Consumer stocks were among the best performers and energy producers fell amid oil price weakness.
- **European equities** swung between gains and losses this week. Risks of protectionist and anti-European Union Marine Le Pen winning France's upcoming presidential elections weighed on sentiment. Nevertheless, upbeat corporate updates, especially in the healthcare sector, provided support towards the end of the week. Overall, the regional EURO STOXX 50 Index finished little changed while Germany's export-sensitive DAX posted minor gains (+0.1%) amid a weaker euro. Elsewhere, UK's FTSE 100 outperformed (+1.0%), led higher by defensive sectors such as health care, consumer staples and utilities.
- **Asian equities** rose this week, with market sentiment supported by heightened global risk appetite and a positive macro outlook, especially after China's external trade data for January beat market expectations. Japanese stocks outperformed other bourses in the region with the Nikkei 225 Index closely tracking yen fluctuations and closing up 2.4%. At the opposite end of the performance spectrum, India's SENSEX 30 Index ended the week little changed as the Reserve Bank of India surprised investors by keeping policy rates unchanged, defying consensus expectations of a 25bps cut.

US Treasuries and core European bonds gained amid rising French election risks; Greek bonds closed up on news of easing disputes over bailout programme

- **US Treasuries** rose (yields fell) over the week, as concerns over the implications of the outcome of the French elections for the European Union persisted. Early-week fading optimism about the prospects for US President Donald Trump-led fiscal stimulus and lower inflation expectations supported demand for fixed income assets, however gains were pared later in the week after Trump said he would announce a major tax plan in due course. Overall, 10-year treasury yields closed 6bp lower at 2.41% whilst policy sensitive two-year yields edged 1bp lower to 1.19%.
- **Core European government bonds** also gained (yields fell) with benchmark German 10-year bunds outperforming as yields closed 9bp lower to 0.32%. The primary market also saw strong demand for government debt as the country sold EUR2.28 billion of 10-year notes at a bid-cover ratio 2.2, well above the last auction (1.8) and the highest since March 2015. Equivalent maturity French bond yields edged 3bp lower to 1.05% despite lingering concerns over the outcome of the upcoming presidential election. In the periphery, Greek 10-year government bond yields finished lower, supported by news of European creditors and the IMF potentially agreeing to overcome previous disputes regarding the country's bailout programme.

US dollar gained on Trump fiscal stimulus hopes

- This week saw the **euro** dip against the US dollar (-1.3%), weighed on by rising uncertainty over the outcome of the French presidential election amid US dollar strength, following US President Trump's promise of a "*phenomenal*" tax plan. Meanwhile, the **British pound** was little changed (+0.1%). UK economic data continues to suggest economic resiliency, but Brexit related concerns returned to focus as the country's MPs voted overwhelmingly in favour of triggering Article 50 of the Lisbon treaty, formally notifying the EU of the UK's intention to withdraw from the bloc.

Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 10 February 2017.
Past performance is not an indication of future returns

- Most **Asian** currencies were little changed against the US dollar over the week, hovering in a very narrow range (+/- 0.6%). The notable outliers were the Singapore dollar (-0.7%) and the Japanese yen (-0.5%), weakening after US President Trump said he would announce major tax cuts and reforms in the coming weeks, increasing demand for the greenback. Meanwhile, the Indian rupee outperformed (+0.6%) after the RBI unexpectedly decided to keep its policy rates unchanged and changed its policy stance from accommodative to neutral.

Oil prices buoyed by record OPEC compliance of agreed output cuts

- **WTI oil prices** were little changed this week. Prices dipped earlier in the week amid data showing a rise in the US oil rig count and as the Energy Information Administration (EIA) revised up its oil output forecasts for 2018 from 9.3 to 9.53 million barrels per day. However, prices recovered after Wednesday's EIA weekly report which showed gasoline inventories unexpectedly declined last week (-0.9 million barrels, consensus at +1.6 million), offsetting a sharp increase in crude inventories (+13.8 million barrels). Further support came from the International Energy Agency monthly report released on Friday which showed OPEC members reached a record initial month compliance rate of 90% of agreed output cuts during January. Overall, WTI crude did not change (at USD53.9 per barrel), whilst Brent declined (-0.4% to USD56.6 per barrel).
- Despite a stronger US dollar, **gold prices** edged higher this week (+1.1% to USD1,234), supported by rising political uncertainty in the US, as well as in Europe ahead of this year's raft of general elections on the continent.

Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 10 February 2017.
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)	439	0.6	2.3	6.6	22.6	4.1	440	351	16.3
North America									
US Dow Jones Industrial Average	20,269	1.0	2.1	7.8	27.4	2.6	20,298	15,503	16.9
US S&P 500 Index	2,316	0.8	2.1	6.9	25.1	3.5	2,319	1,810	17.8
US NASDAQ Composite Index	5,734	1.2	3.3	10.1	33.9	6.5	5,743	4,210	21.7
Canada S&P/TSX Composite Index	15,729	1.6	2.0	6.7	29.1	2.9	15,737	11,986	17.1
Europe									
MSCI AC Europe (USD)	409	-0.7	1.2	6.1	11.8	2.3	415	354	14.4
Euro STOXX 50 Index	3,271	-0.1	-1.1	7.4	17.3	-0.6	3,342	2,673	14.0
UK FTSE 100 Index	7,259	1.0	-0.2	6.3	28.0	1.6	7,354	5,500	14.8
Germany DAX Index*	11,667	0.1	0.7	9.8	29.4	1.6	11,893	8,699	13.5
France CAC-40 Index	4,828	0.1	-1.2	6.6	18.9	-0.7	4,930	3,892	14.3
Spain IBEX 35 Index	9,378	-0.9	-0.8	7.1	15.2	0.3	9,624	7,580	13.6
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	461	1.5	4.4	5.3	24.0	8.0	462	362	13.6
Japan Nikkei-225 Stock Average	19,379	2.4	0.4	11.7	23.3	1.4	19,615	14,864	18.6
Australian Stock Exchange 200	5,721	1.8	-0.7	7.4	19.8	1.0	5,828	4,760	16.1
Hong Kong Hang Seng Index	23,575	1.9	3.6	3.2	22.2	7.2	24,364	18,279	11.8
Shanghai Stock Exchange Composite Index	3,197	1.8	1.1	0.8	15.7	3.0	3,301	2,639	13.6
Hang Seng China Enterprises Index	10,125	4.6	4.8	6.1	25.7	7.8	10,210	7,499	8.2
Taiwan TAIEX Index	9,666	2.2	3.4	5.6	19.9	4.5	9,688	7,954	13.8
Korea KOSPI Index	2,075	0.1	1.5	3.6	8.2	2.4	2,092	1,818	9.7
India SENSEX 30 Index	28,334	0.3	5.3	3.0	19.3	6.4	29,077	22,495	19.3
Indonesia Jakarta Stock Price Index	5,372	0.2	1.2	-1.4	13.5	1.4	5,492	4,628	15.5
Malaysia Kuala Lumpur Composite Index	1,699	0.8	1.6	2.8	3.3	3.5	1,729	1,612	16.0
Philippines Stock Exchange PSE Index	7,235	0.1	-1.8	0.7	9.0	5.8	8,118	6,499	17.3
Singapore FTSE Straits Times Index	3,100	1.9	3.1	9.4	20.1	7.6	3,104	2,532	14.4
Thailand SET Index	1,585	0.1	0.8	4.7	21.5	2.7	1,601	1,271	14.8
Latam									
Argentina Merval Index	19,503	1.6	3.8	20.2	71.9	15.3	19,721	10,856	15.7
Brazil Bovespa Index*	66,125	1.8	6.4	8.0	63.8	9.8	66,594	38,928	13.0
Chile IPSA Index	4,312	1.2	3.3	2.3	17.3	3.9	4,326	3,622	15.3
Colombia COLCAP Index	1,347	-1.6	-1.8	2.1	12.2	-0.3	1,419	1,187	11.9
Mexico Index	47,797	1.2	4.2	5.7	12.4	4.7	48,956	41,757	17.6
EEMEA									
Russia MICEX Index	2,162	-2.9	-3.4	5.8	24.9	-3.2	2,294	1,688	6.6
South Africa JSE Index	52,687	0.8	1.8	2.3	9.1	4.0	54,704	47,275	14.9
Turkey ISE 100 Index*	87,473	-1.0	13.0	14.6	22.1	11.9	89,538	69,436	8.8

*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	6.5	3.8	24.7	17.3	49.9
US equities	7.0	3.4	27.1	33.4	84.5
Europe equities	6.6	2.6	15.5	-5.6	25.6
Asia Pacific ex Japan equities	5.2	7.6	27.0	12.5	20.8
Japan equities	5.5	4.4	24.8	18.3	45.7
Latam equities	10.8	9.3	52.7	-4.7	-29.3
Emerging Markets equities	6.1	7.4	29.7	6.3	0.5

All total returns quoted in USD terms.
Data sourced from MSCI AC World Total Return Index, MSCI USA Total Return Index, MSCI AC Europe Total Return Index, MSCI AC Asia Pacific ex Japan Total Return Index, MSCI Japan Total Return Index, MSCI Latam Total Return Index and MSCI Emerging Markets Total Return Index.
Total return includes income from dividends and interest as well as appreciation or depreciation in the price of an asset over the given period.

Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 10 February 2017.
Past performance is not an indication of future returns

Market Data (cont)

Bond indices - Total Return	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	499	0.4	0.0	-0.5	1.9	0.0
JPM EMBI Global	759	0.5	1.6	2.2	13.9	2.6
BarCap US Corporate Index (USD)	2,745	0.6	0.1	0.2	5.9	0.7
BarCap Euro Corporate Index (Eur)	241	0.3	0.2	0.0	4.5	-0.1
BarCap Global High Yield (USD)	441	0.1	1.0	3.9	21.8	2.1
Markit iBoxx Asia ex-Japan Bond Index (USD)	189	0.5	0.6	0.3	5.4	1.4
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	240	0.5	1.0	1.8	16.8	2.2

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

Currencies (vs USD)	Latest	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2016	52-week High	52-week Low
Developed markets								
EUR/USD	1.06	1.08	1.06	1.09	1.13	1.05	1.16	1.03
GBP/USD	1.25	1.25	1.22	1.26	1.45	1.23	1.50	1.18
CHF/USD	1.00	1.01	0.98	1.01	1.03	0.98	1.06	0.97
CAD	1.31	1.30	1.32	1.35	1.39	1.34	1.40	1.25
JPY	113.22	112.61	115.77	106.83	113.35	116.96	118.66	99.02
AUD	1.30	1.30	1.36	1.31	1.41	1.39	1.42	1.28
NZD	1.39	1.37	1.43	1.39	1.50	1.44	1.53	1.34
Asia								
HKD	7.76	7.76	7.75	7.76	7.79	7.76	7.79	7.75
CNY	6.88	6.87	6.92	6.81	6.57	6.95	6.96	6.45
INR	66.88	67.32	68.18	66.63	67.86	67.92	68.86	66.07
MYR	4.44	4.43	4.48	4.28	4.12	4.49	4.50	3.84
KRW	1,151	1,148	1,195	1,150	1,198	1,206	1,245	1,090
TWD	31.06	31.02	31.93	31.60	33.18	32.33	33.50	30.84
Latam								
BRL	3.12	3.12	3.19	3.39	3.93	3.26	4.08	3.10
COP	2,854	2,852	2,955	3,117	3,392	3,002	3,442	2,817
MXN	20.35	20.36	21.81	20.58	18.94	20.73	22.04	17.05
EEMEA								
RUB	58.31	59.00	60.16	65.69	79.26	61.54	80.09	58.10
ZAR	13.34	13.27	13.74	14.12	15.88	13.74	16.31	13.17
TRY	3.70	3.70	3.79	3.25	2.92	3.52	3.94	2.79

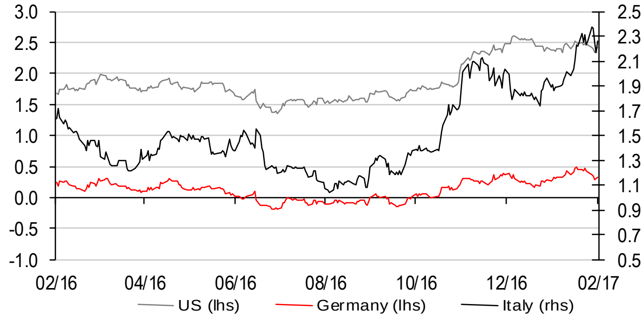
Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2016
US Treasury yields (%)						
3-Month	0.53	0.50	0.51	0.47	0.31	0.50
2-Year	1.19	1.20	1.19	0.92	0.69	1.19
5-Year	1.89	1.91	1.88	1.56	1.12	1.93
10-Year	2.41	2.46	2.38	2.15	1.67	2.44
30-Year	3.01	3.09	2.97	2.95	2.49	3.07
Developed market 10-year bond yields (%)						
Japan	0.08	0.10	0.06	-0.05	0.02	0.04
UK	1.25	1.35	1.36	1.34	1.41	1.24
Germany	0.32	0.41	0.28	0.27	0.24	0.20
France	1.05	1.08	0.80	0.67	0.61	0.68
Italy	2.26	2.26	1.91	1.90	1.64	1.81
Spain	1.69	1.67	1.47	1.39	1.72	1.38

Commodities	Latest	1-week ago (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,234	1.1	3.9	-2.0	3.1	7.1	1,375	1,121
Brent Oil	56.6	-0.4	5.5	23.5	83.5	-0.4	58	30
WTI Crude Oil	53.9	0.0	6.0	20.6	96.2	0.2	55	26
R/J CRB Futures Index	194	0.4	1.5	5.8	24.1	0.8	196	155
LME Copper	5,822	0.9	1.1	3.9	31.0	5.2	6,046	4,430

Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 10 February 2017.
Past performance is not an indication of future returns

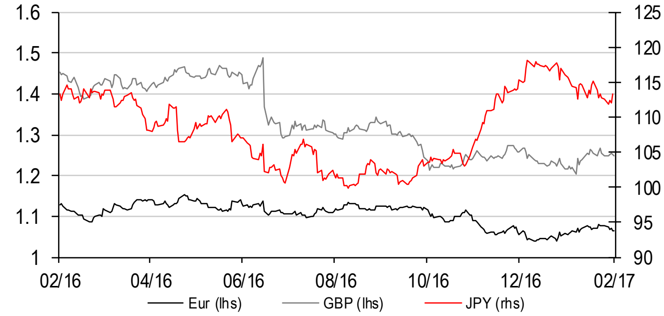
Market Trends

Government bond yields (%)



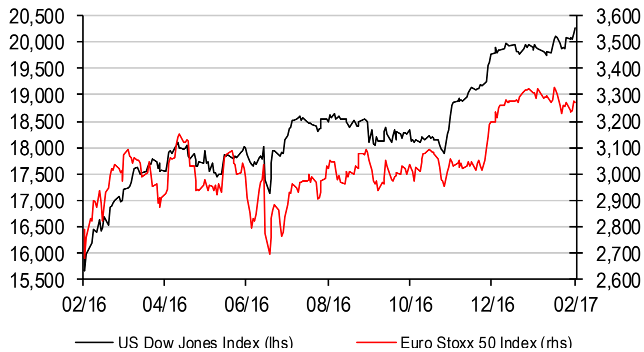
Yields based on 10 year government bonds

Major currencies (versus US dollar)

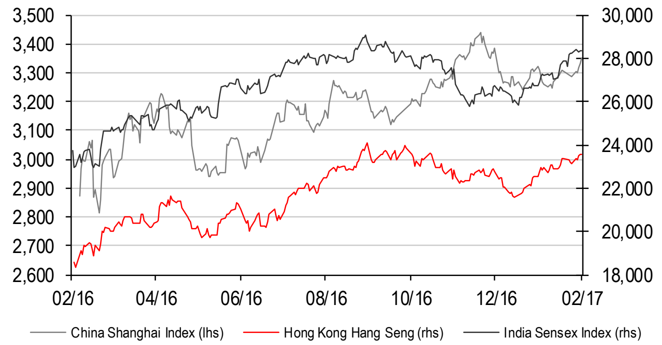


All values versus USD

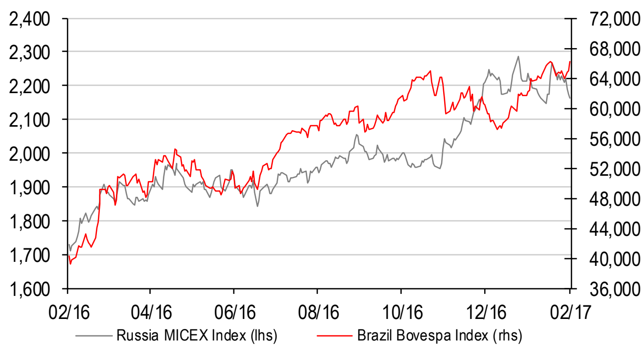
Global equities



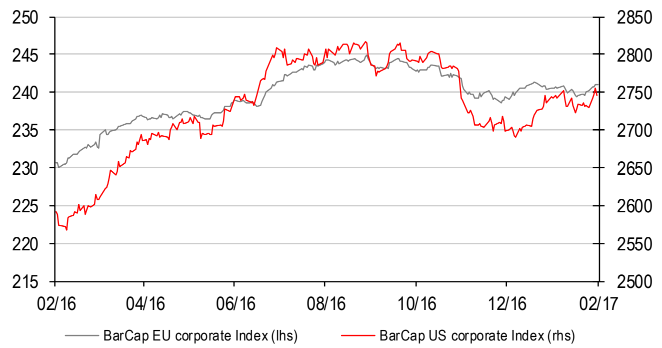
Emerging Asian equities



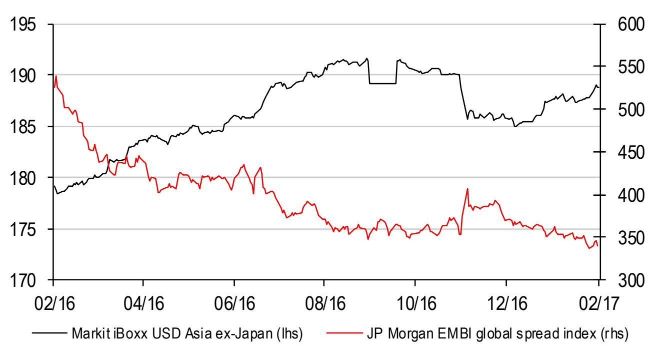
Other emerging equities



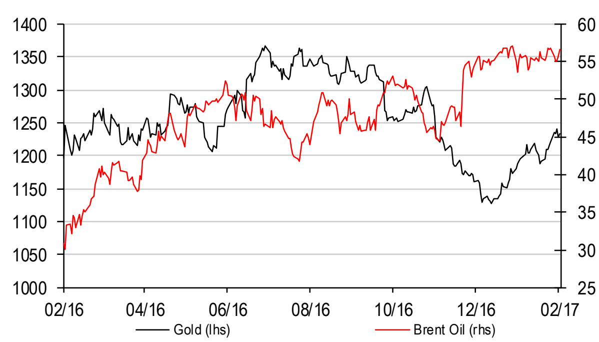
Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 10 February 2017.
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.

Expiry: 10 March 2017

DK1700074A

Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 10 February 2017.
Past performance is not an indication of future returns