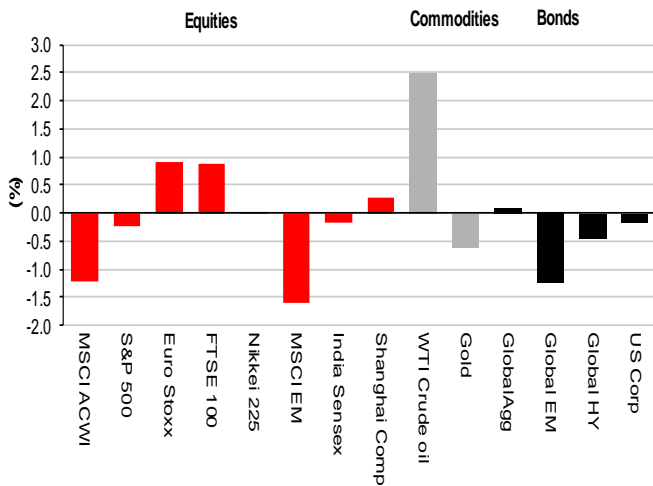


- ▶ US equities fell this week amid disappointing economic data and corporate earnings releases, while European stocks finished higher
- ▶ As expected, the US Federal Open Market Committee (FOMC) kept the fed funds target range unchanged at 1.50%-1.75%. The post-meeting statement emphasised that the 2% inflation objective is a “symmetric” one, allowing for some overshoot as well as undershoot of inflation
- ▶ US nonfarm payrolls rose by 164,000 in April, from an upwardly revised 135,000 in March. However, wage growth came in weaker than expected
- ▶ In the coming week, investor focus will turn to US inflation data as well as the Bank of England monetary policy decision

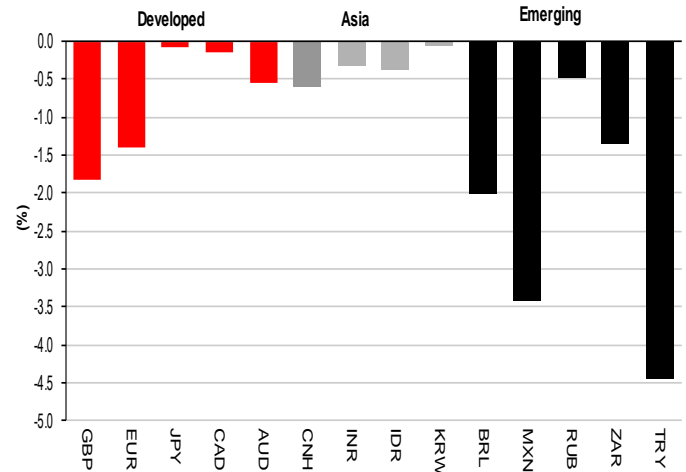
Movers and shakers

US stocks fell while European equities rose this week

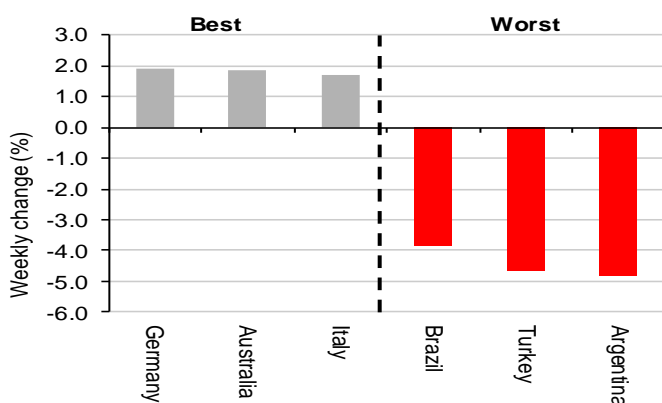


Currencies (versus USD)

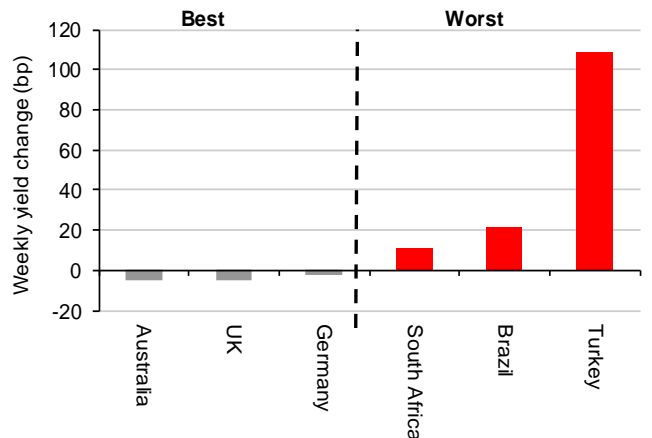
Most currencies fell against the US dollar this week



Equities



Bonds (10-year)



This commentary provides a high-level overview of the recent economic environment and is for information purposes only. It is a marketing communication and does not constitute investment advice or a recommendation to any reader of this content to buy or sell investments; nor should it be regarded as investment research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 May 2018. All the above charts relate to 27/04/2018 – 04/05/2018.

Past performance is not an indication of future returns.

Macro Data and Key Events

Past Week (30 April–04 May 2018)

Date	Country	Indicator	Data as of	Survey	Actual	Prior
Monday 30 April	China	Official Manufacturing PMI	Apr	51.3	51.4	51.5
	US	PCE Core (yoy)	Mar	1.9%	1.9%	1.6%
	US	Personal Spending (mom)	Mar	0.4%	0.4%	0.0%
	Mexico	GDP Seasonally Adjusted (qoq) (first estimate)	Q1	0.7%	1.1%	0.8%
	US	Pending Home Sales (mom)	Mar	0.7%	0.4%	2.8%
Tuesday 01 May	Australia	Reserve Bank of Australia Interest Rate Decision	May	1.5%	1.5%	1.5%
	US	ISM Manufacturing Index	Apr	58.5	57.3	59.3
Wednesday 02 May	Eurozone	Unemployment Rate	Mar	8.5%	8.5%	8.5%
	Eurozone	GDP (seasonally adjusted, qoq) (first estimate)	Q1	0.4%	0.4%	0.7%
	US	FOMC Interest Rate Decision	May	1.75%	1.75%	1.75%
Thursday 03 May	US	ISM Non-Manufacturing Index	Apr	58.0	56.8	58.8
	Eurozone	CPI Estimate (yoy)	Apr	1.3%	1.2%	1.4%
Friday 04 May	Eurozone	Markit Composite PMI	Apr F	55.2	55.1	55.2 P
	US	Change in Nonfarm Payrolls (000s)	Apr	193	164	135

P – Preliminary, Q – Quarter, F – Final

- ▶ In the **US**, the White House confirmed that **President Donald Trump would extend steel tariff exemptions on the European Union, Canada and Mexico** until 1 June to allow further talks, while agreement in principle has been reached with Australia, Brazil and Argentina, with details to be “finalized shortly.” The **FOMC kept the Fed funds target range** unchanged at 1.50%-1.75%. The policy statement reaffirmed further gradual tightening and an accommodative monetary policy stance. Importantly, it was emphasised that the 2% objective is a “symmetric” one, allowing for some overshoot as well as undershoot of inflation.
- ▶ The **US** employment report painted a mixed picture. **Nonfarm payrolls** increased by 164,000 in April, below the consensus forecast of 193,000, but revisions added an aggregate 30,000 to the previous two months. The unemployment rate dipped to 3.9%, from 4.1% in March, the lowest rate since December 2000. However, wage growth was only 0.1% mom, disappointing forecasts of a 0.2% mom rise, leaving the annual rate at 2.6% yoy.
- ▶ **Eurozone GDP growth** slowed to 0.4% qoq in Q1 from an upwardly revised 0.7% in the previous quarter (+0.6% previously). However, some of the moderation is likely related to temporary factors such as bad weather during the quarter. **Eurozone CPI inflation** fell to 1.2% in April in the flash estimate, from 1.4% in March, and was below expectations of a decline to 1.3%. Core inflation also fell more than expected to 0.7% in April (consensus +0.9%), from 1.0% in the prior month. Softer price pressures during the month may reflect the lagged impact of euro strength, although caution is warranted given distortions around the timing of Easter.
- ▶ Finally, **Mexico’s Q1 GDP** surprised to the upside and increased by 1.1% qoq, the biggest increase since 2016.

Coming Week (07-11 May 2018)

Date	Country	Indicator	Data as of	Survey	Prior
Monday 07 May	Germany	Factory Orders (working day adjusted, yoy)	Mar	5.0%	3.5%
Tuesday 08 May	China	Trade Balance (USD bn)	Apr	27.5	-5.0
	Germany	Industrial Production (seasonally adjusted, mom)	Mar	0.9%	-1.6%
Wednesday 09 May	Mexico	CPI (yoy)	Apr	-	5.0%
Thursday 10 May	China	CPI (yoy)	Apr	1.9%	2.1%
	UK	Bank of England Interest Rate Decision/Inflation Report	May	0.50%	0.50%
	Brazil	IBGE Inflation IPCA (yoy)	Apr	0.0%	2.7%
	US	CPI (yoy)	Apr	2.5%	2.4%
Friday 11 May	India	Industrial Production (yoy)	Mar	-	7.1%
	US	University of Michigan Index of Consumer Sentiment	May P	98.3	98.8

P – Preliminary

US

- ▶ US inflation has been gradually picking up, amid robust economic activity and the fading effects of temporary drags such as mobile service plan price declines in 2017. **Headline CPI** inflation in April is expected to rise to 2.5% yoy, bolstered by rising gasoline prices. Monthly core CPI is likely to remain at 0.2% mom, but base effects could push up the annual pace to 2.2% yoy.
- ▶ The **University of Michigan Index of Consumer Sentiment** is likely to ease to 98.3 in May. However, this is still an elevated reading. Consumers continue to be largely upbeat about their financial situation, reflecting recent tax cuts and a solid labour market. Household inflation expectations also remain an area of interest as the FOMC cited low survey observations as one reason to keep the pace of rate tightening gradual.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 May 2018.

Past performance is not an indication of future returns.

Europe

- ▶ Following an unexpectedly large decrease in **German industrial production** in February (mainly due to strikes), a rebound is likely in March. Market consensus expectations are for a 0.8% gain, although this would leave annual growth at 3%, below the recent trend rate.
- ▶ The **Bank of England** is likely to keep policy on hold at its May meeting. At its last meeting in March, the Monetary Policy Committee stated an “an ongoing tightening of monetary policy” would be required to return inflation to target, fuelling expectations of a rate hike this month. However, a recent run of poor data (including Q1 GDP and March CPI inflation) and dovish comments from Governor Mark Carney on 19 April led to a collapse in market expectations of action. The meeting is also accompanied by the releases of the latest Inflation Report, which is likely to see a downgrade of growth and inflation forecasts.

Emerging markets

- ▶ **China’s CPI inflation** for April is expected to slow for the second consecutive month, from 2.1% yoy in March to 1.9%, mostly due to lower food prices, particularly for pork, as suggested by high-frequency data. However, cost-push inflation is expected to gain some traction in April with the producer price index accelerating slightly from 3.1% yoy to 3.4%.
- ▶ **China’s external trade data** for April is likely to show an acceleration in exports and imports, resulting in a sharp rebound in the trade balance from a small deficit in March (-USD5.0 billion) to a sizeable surplus (+USD27.5 billion) in April.

Market Moves

US equities dip amid some disappointing economic data and corporate earnings releases

- ▶ **US equity** indices fell this week, dragged lower by a sharp fall in telecom stocks amid investor scepticism over a takeover announcement in the sector. Some disappointing economic data and corporate earnings releases also weighed on investor sentiment, along with lingering concerns over US-China trade tensions and US interest rate hikes as the FOMC reaffirmed its intention for further gradual policy tightening. Overall, the S&P 500 Index fell 0.2%.
- ▶ Meanwhile, **European indices** edged up over the holiday-shortened week, boosted by a weaker euro that supported export-dependent stocks. Overall, the EURO STOXX 50 Index gained 0.9%, with health care and IT stocks providing the largest positive contribution. At the country level, Germany’s DAX outperformed (+1.9%) and France’s CAC 40 was little changed (+0.6%) amid disappointing corporate earnings reports in the banking sector.
- ▶ In **Asia**, lingering trade war concerns and the Fed reaffirming its tightening stance weighed on most equity markets. Hong Kong’s Hang Seng Index and Korea’s KOSPI both fell 1.2%. More positively, the Shanghai Stock Exchange Composite Index gained 0.3% and Japan’s Nikkei 225 was little changed in a holiday-shortened week.

Core government bond yields fell on perceived safe haven demand and soft macro data

- ▶ **US Treasury** yields were little changed this week, with 10-year yields down 1 bp to 2.95%. Support came from weak investor risk appetite amid soft economic data. Both the Treasury quarterly funding announcement and the FOMC May meeting statement contained few surprises for investors.
- ▶ Core **European government bonds** rose this week (yields fell), boosted by the weak April eurozone CPI prints. Benchmark German 10-year bund yields fell 3 bps to 0.54% and UK 10-year gilt yields declined 5 bps to 1.40%. In the periphery, Italian 10-year bond yields rose (prices fell) 6 bps to 1.79%, on lingering domestic political concerns amid a stalemate in negotiations to form a government.

US dollar rallied on relative optimism over US economic outlook versus the rest of the world

- ▶ The **US dollar index**, which tracks the performance of the US dollar against major developed market currencies, rose for the third consecutive week to levels last seen in December 2017. Economic data continues to suggest diverging economic performance between the US and Europe. Overall, the euro and British pound depreciated against the greenback, by 1.4% and 1.8% respectively.
- ▶ Most **Asian currencies** depreciated slightly against the US dollar this week. The Singapore dollar underperformed (-0.8%) on the back of heightened inflation expectations as April’s Nikkei PMI came in stronger than expected and the unemployment rate fell to its lowest level in two years. The Thai baht fell 0.8% amid capital outflows. The Philippine peso bucked the regional trend, gaining 0.4%, on policy rate hike expectations following remarks by Governor Nestor Espenilla. The Japanese yen ended the week little changed.

Crude oil prices were up slightly amid lingering uncertainty over Iran deal

- ▶ Global **crude oil** benchmarks were up slightly this week, with Brent crude up 0.4% to USD75.00 per barrel and WTI climbing 2.5% to USD69.80 per barrel. This narrowed the sizeable price gap that had opened up between the two since early March. Both benchmarks were hit by a stronger US dollar and data showing a sharp increase in US crude inventories last week. However, support came from lingering uncertainty over the Iranian nuclear deal.
- ▶ Finally, the stronger US dollar also hit **gold prices** (-0.6% to USD1,315 per ounce). There was little overall reaction to the FOMC meeting and the US employment report.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 May 2018.

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Market Data

	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)
Equity Indices									
World									
MSCI AC World Index (USD)	505	-1.2	0.2	-5.0	10.5	-1.6	551	455	15.3
North America									
US Dow Jones Industrial Average	24,263	-0.2	0.0	-4.9	15.8	-1.8	26,617	20,553	16.1
US S&P 500 Index	2,663	-0.2	0.7	-3.6	11.5	-0.4	2,873	2,353	16.9
US NASDAQ Composite Index	7,210	1.3	2.4	-0.4	18.7	4.4	7,637	5,997	21.8
Canada S&P/TSX Composite Index	15,729	0.4	3.7	0.8	2.2	-3.0	16,421	14,786	15.6
Europe									
MSCI AC Europe (USD)	478	-1.4	1.4	-5.1	7.0	-1.9	524	441	14.1
Euro STOXX 50 Index	3,551	0.9	6.3	0.8	-2.1	1.3	3,709	3,262	14.2
UK FTSE 100 Index	7,567	0.9	7.6	1.7	4.4	-1.6	7,793	6,867	14.0
Germany DAX Index*	12,820	1.9	7.2	0.3	1.4	-0.8	13,597	11,727	13.4
France CAC-40 Index	5,516	0.6	7.3	2.8	2.7	3.8	5,567	4,995	15.0
Spain IBEX 35 Index	10,104	1.8	6.2	-1.0	-8.3	0.6	11,184	9,328	13.3
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	563	0.0	1.1	-5.8	15.6	-1.1	617	483	13.4
Japan Nikkei-225 Stock Average	22,473	0.0	5.4	-3.4	15.6	-1.3	24,129	19,240	16.3
Australian Stock Exchange 200	6,063	1.8	5.2	-1.0	3.2	0.0	6,150	5,630	16.2
Hong Kong Hang Seng Index	29,927	-1.2	1.4	-8.2	21.2	0.0	33,484	24,359	11.6
Shanghai Stock Exchange Composite Index	3,091	0.3	-1.3	-10.7	-1.2	-6.5	3,587	3,017	12.2
Hang Seng China Enterprises Index	11,891	-1.5	0.3	-12.2	17.9	1.5	13,963	9,882	7.8
Taiwan TAIEX Index	10,529	-0.2	-2.7	-5.4	5.6	-1.1	11,270	9,896	13.6
Korea KOSPI Index	2,461	-1.2	2.2	-2.5	9.8	-0.2	2,607	2,225	9.7
India SENSEX 30 Index	34,915	-0.2	5.7	-0.4	15.9	2.5	36,444	29,824	18.6
Indonesia Jakarta Stock Price Index	5,792	-2.1	-5.9	-12.6	2.2	-8.9	6,693	5,578	14.7
Malaysia Kuala Lumpur Composite Index	1,842	-1.2	1.4	-1.5	4.7	2.5	1,896	1,708	16.4
Philippines Stock Exchange PSE Index	7,546	-2.3	-5.6	-14.4	-2.7	-11.8	9,078	7,499	16.9
Singapore FTSE Straits Times Index	3,545	-0.9	6.2	0.4	9.8	4.2	3,642	3,190	14.1
Thailand SET Index	1,780	0.1	3.2	-2.6	13.1	1.5	1,853	1,532	16.2
Latam									
Argentina Merval Index	28,553	-4.8	-8.8	-12.5	36.1	-5.0	35,462	20,462	9.5
Brazil Bovespa Index*	83,118	-3.8	-1.5	-1.1	28.1	8.8	88,318	60,315	12.6
Chile IPSA Index	5,622	-1.2	1.4	-3.5	15.8	1.0	5,895	4,718	17.5
Colombia COLCAP Index	1,547	-1.2	3.3	-1.3	12.4	2.2	1,598	1,368	15.7
Mexico S&P/BMV IPC Index	46,992	-2.7	-1.0	-6.8	-4.1	-4.8	51,772	45,785	16.3
EEMEA									
Russia MOEX Index	2,289	-0.5	1.1	0.3	14.5	8.5	2,377	1,775	6.3
South Africa JSE Index	57,649	0.3	5.6	-1.7	7.9	-3.1	61,777	50,750	14.9
Turkey ISE 100 Index*	102,599	-4.7	-10.0	-13.1	10.3	-11.0	121,532	93,000	7.2

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

	1-week Change (%)	1-month Change (%)	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)
Equity Indices - Total Return							
Global equities	-1.2	0.4	-4.4	-0.9	12.6	22.1	50.4
US equities	-1.4	-0.4	-4.4	-1.1	11.7	29.4	74.8
Europe equities	-1.3	2.0	-4.0	-0.7	10.1	11.8	28.7
Asia Pacific ex Japan equities	0.1	1.2	-5.4	-0.6	18.6	18.9	34.8
Japan equities	-0.4	1.6	-3.3	1.5	19.0	24.6	45.8
Latam equities	-5.5	-5.8	-8.6	1.5	12.4	14.0	-14.1
Emerging Markets equities	-1.6	-1.4	-7.2	-1.3	18.7	16.3	22.8

All total returns quoted in US dollar terms and subject to one-day lag.

Data sourced from MSCI AC World Total Return Index, MSCI USA Total Return Index, MSCI AC Europe Total Return Index, MSCI AC Asia Pacific ex Japan Total Return Index, MSCI Japan Total Return Index, MSCI Emerging Markets Latin America Total Return Index and MSCI Emerging Markets Total Return Index.

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

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 May 2018.

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Market Data (continued)

	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
Bond indices - Total Return						
BarCap GlobalAgg (Hedged in USD)	512	0.1	-0.3	0.6	1.6	-0.5
JPM EMBI Global	773	-1.2	-2.6	-3.6	-0.8	-4.3
BarCap US Corporate Index (USD)	2,801	-0.2	-0.9	-1.8	0.7	-3.5
BarCap Euro Corporate Index (Eur)	246	0.0	0.0	0.0	1.3	-0.4
BarCap Global High Yield (Hedged in USD)	464	-0.5	-0.3	-1.2	2.7	-1.0
Markit iBoxx Asia ex-Japan Bond Index (USD)	192	-0.1	-0.7	-1.2	0.4	-2.1
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	248	-0.4	-1.2	-2.1	0.8	-1.8

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

	Latest	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2017	52-week High	52-week Low	1-week Change (%)
Currencies (vs USD)									
Developed markets									
EUR/USD	1.20	1.21	1.23	1.25	1.10	1.20	1.26	1.08	-1.4
GBP/USD	1.35	1.38	1.41	1.41	1.29	1.35	1.44	1.26	-1.8
CHF/USD	1.00	1.01	1.04	1.07	1.01	1.03	1.09	0.99	-1.2
CAD	1.28	1.28	1.28	1.24	1.37	1.26	1.38	1.21	-0.1
JPY	109.12	109.05	106.78	110.17	112.46	112.69	114.73	104.56	-0.1
AUD	1.33	1.32	1.30	1.26	1.35	1.28	1.36	1.23	-0.6
NZD	1.42	1.41	1.37	1.37	1.46	1.41	1.47	1.32	-0.9
Asia									
HKD	7.85	7.85	7.85	7.82	7.78	7.81	7.85	7.78	0.0
CNY	6.36	6.33	6.30	6.30	6.90	6.51	6.91	6.24	-0.5
INR	66.87	66.66	65.15	64.06	64.17	63.87	66.94	63.25	-0.3
MYR	3.94	3.92	3.87	3.89	4.33	4.05	4.35	3.85	-0.5
KRW	1,077	1,077	1,060	1,080	1,133	1,067	1,158	1,054	0.0
TWD	29.72	29.63	29.19	29.23	30.15	29.73	30.64	28.96	-0.3
Latam									
BRL	3.53	3.46	3.33	3.22	3.19	3.31	3.57	3.08	-2.0
COP	2,823	2,806	2,794	2,842	2,980	2,986	3,103	2,685	-0.6
MXN	19.27	18.61	18.10	18.59	19.05	19.66	19.91	17.45	-3.5
EEMEA									
RUB	62.46	62.16	57.44	56.54	58.38	57.69	65.04	55.56	-0.5
ZAR	12.50	12.33	11.88	12.09	13.66	12.38	14.57	11.51	-1.4
TRY	4.23	4.04	4.00	3.77	3.55	3.80	4.29	3.39	-4.7

	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2017	1-week Basis Point Change
Bonds							
US Treasury yields (%)							
3-Month	1.83	1.80	1.70	1.47	0.87	1.38	2
2-Year	2.50	2.48	2.29	2.14	1.31	1.88	1
5-Year	2.78	2.80	2.62	2.59	1.89	2.21	-2
10-Year	2.95	2.96	2.80	2.84	2.35	2.41	-1
30-Year	3.12	3.12	3.04	3.09	3.00	2.74	0
10-year bond yields (%)							
Japan	0.04	0.05	0.03	0.08	0.02	0.04	-1
UK	1.40	1.44	1.37	1.58	1.12	1.19	-5
Germany	0.54	0.57	0.50	0.77	0.39	0.42	-3
France	0.78	0.79	0.72	1.02	0.82	0.78	-1
Italy	1.79	1.74	1.74	2.04	2.25	2.01	6
Spain	1.29	1.26	1.16	1.46	1.59	1.56	4
China	3.64	3.65	3.74	3.92	3.58	3.90	-1
Australia	2.77	2.82	2.63	2.83	2.64	2.63	-5
Canada	2.33	2.32	2.18	2.36	1.54	2.05	1

*Numbers may not add up due to rounding

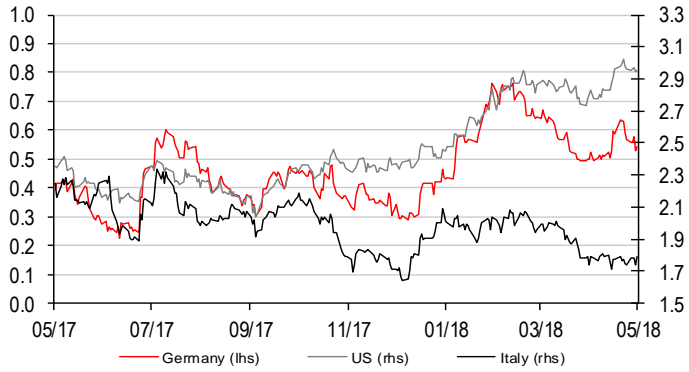
	Latest	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Commodities								
Gold	1,315	-0.6	-1.3	-1.3	7.1	0.9	1,366	1,205
Brent Oil	75.0	0.4	10.2	9.3	54.9	12.1	75	44
WTI Crude Oil	69.8	2.5	10.1	6.6	53.3	15.5	70	42
R/J CRB Futures Index	203	0.9	5.7	2.9	14.8	4.8	204	166
LME Copper	6,827	0.4	1.5	-3.1	23.2	-5.8	7,313	5,463

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 May 2018.

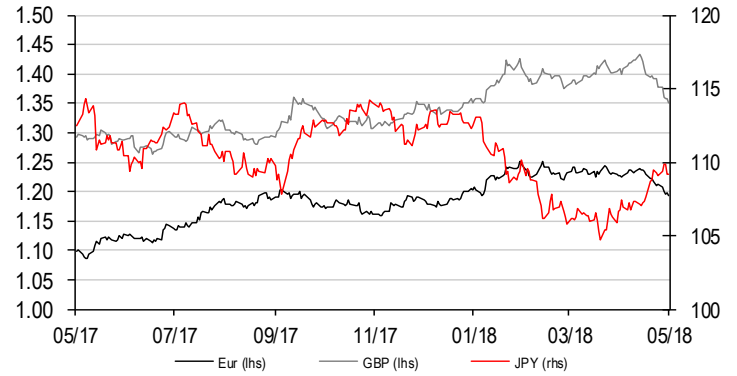
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Market Trends

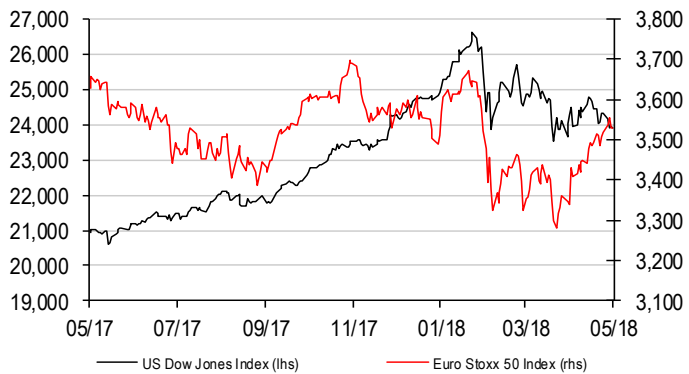
Government bond yields (%)



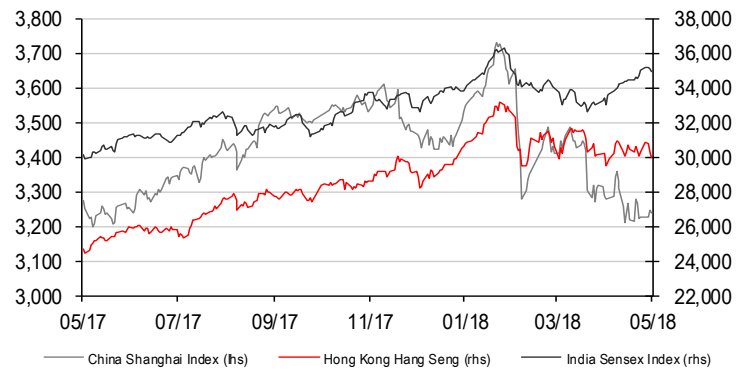
Major currencies (versus USD)



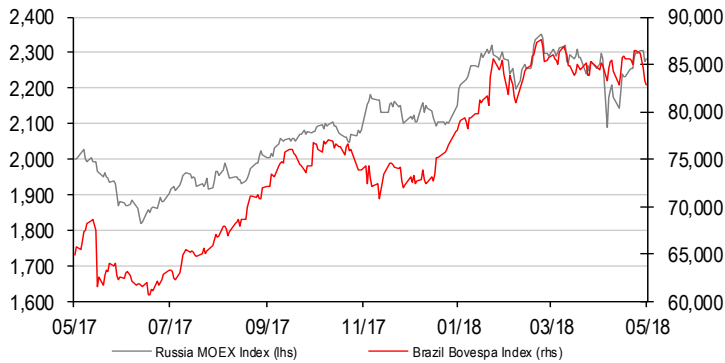
Global equities



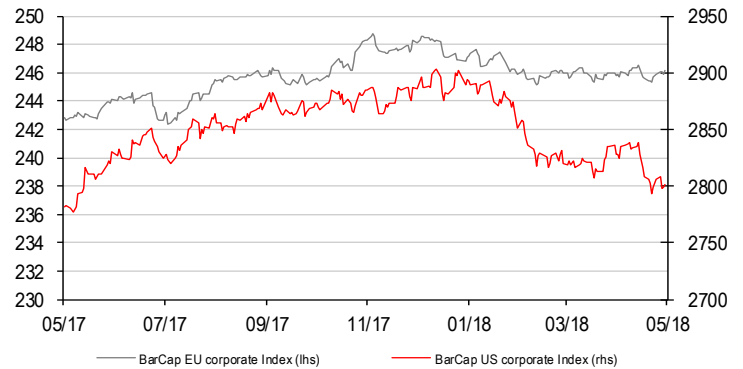
Emerging Asian equities



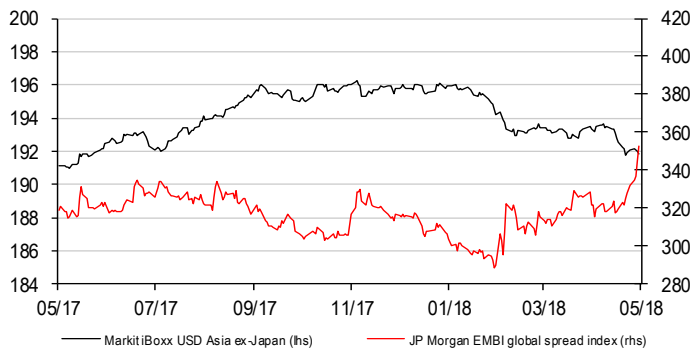
Other emerging equities



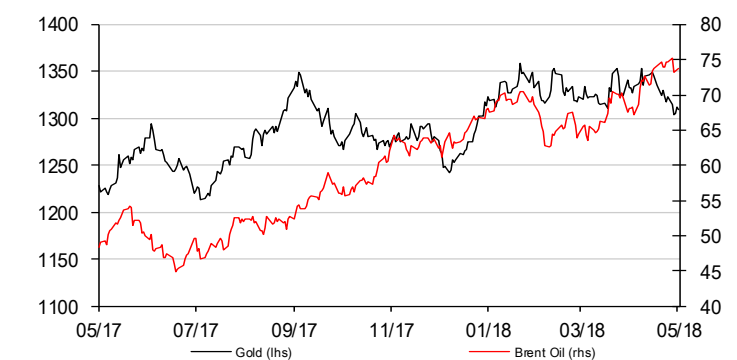
Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 04 May 2018.

Past performance is not an indication of future returns.

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Expiry: June 1, 2018

DK1800205A

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