Investment Weekly

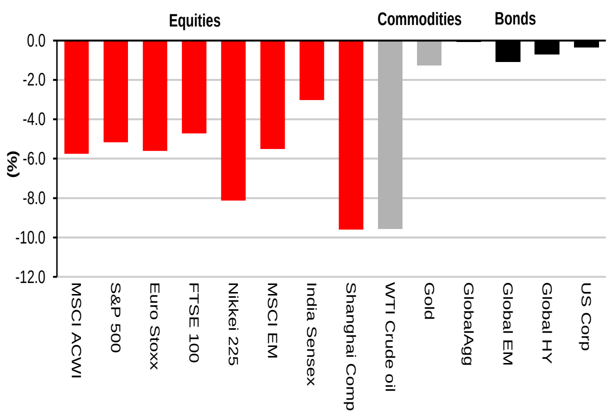
09 February 2018

For Professional Client and Institutional Investor Use Only

- Global stock markets fell sharply this week after higher than expected US wage growth triggered fears about rising inflation and higher interest rates. The US will release its inflation numbers in the coming week, which could exacerbate the equity market adjustment
- US Congress passed a bipartisan two-year budget deal to end the second government shutdown in three weeks. The deal also suspended the federal debt ceiling until March 2019
- The Bank of England (BoE) lifted its UK growth outlook and the tone of the statement was quite hawkish, with the Monetary Policy Committee (MPC) stating that its new forecasts implied *"monetary policy would need to be tightened somewhat earlier and by a somewhat greater extent ... than anticipated"* in November
- In the coming week, investor focus will turn to a plethora of US macro data, including CPI inflation, retail sales and housing market data

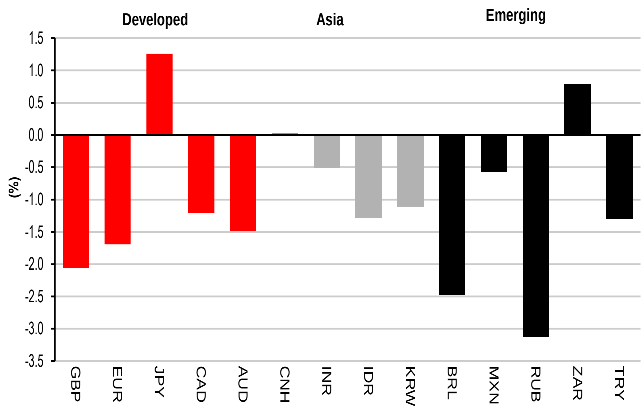
Movers and shakers

Global equities sold off sharply this week

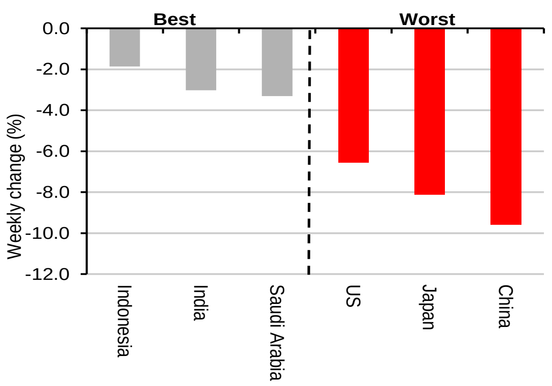


Currencies (versus US dollar)

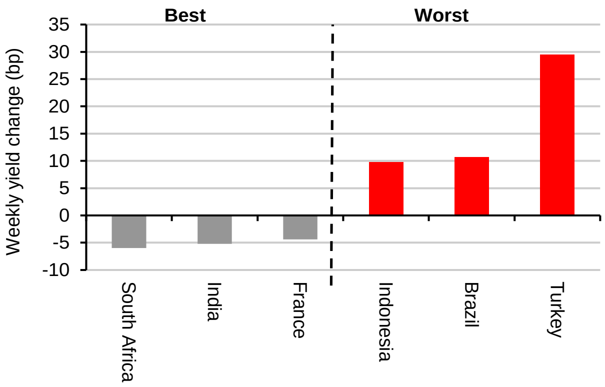
Most currencies fell against the US dollar this week



Equities



Bonds (10-year)



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Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 9 February 2018.
All the above charts relate to 02/02/2018 – 09/02/2018.

Past performance is not an indication of future returns.

HSBC Global Asset Management

Macro Data and Key Events

SPECIAL SECTION:

Global equity markets sold off on concerns over rising inflationary pressures; volatility index spiked

Global equity markets had a turbulent week, with the US S&P 500 Index collapsing 5.2% and the EURO STOXX 50 Index tumbling 5.6%. Volatility has also spiked higher, with the VIX (an implied measure of S&P 500 Index volatility) jumping to levels not seen since 2011.

The abrupt market moves can be attributed to two factors. Firstly, data released on Friday 2 February showed US average hourly earnings in January rising by 2.9% yoy (a nine-year high), which fuelled concerns over increasing inflationary pressures in the US economy. Prospects of higher inflation pushed government bond yields higher, but also drove equity market weakness. This is because higher interest rates may raise corporate debt servicing costs, which can reduce net earnings. They also increase the risk-free rate at which future returns are discounted, hitting risky asset class valuations. Secondly, on a more micro scale, algorithmic trading related to low-volatility strategies can amplify market corrections, especially after the extremely benign environment for volatility that prevailed in 2017.

It is important to note that the sell-off occurred after a long streak of gains, with the S&P 500 Index repeatedly hitting fresh record highs in January. Relative to a year ago, the index is still up over 10%. In fact, New York Federal Reserve (Fed) President William Dudley downplayed the importance of the recent market correction to the economic outlook this week, calling it “small potatoes.”

Regarding the inflation outlook, it is unclear whether stronger wage growth would necessarily translate into higher inflation prints in the future, a view shared by Dallas Fed President Robert Kaplan. Looking ahead, Fed Chair Jerome Powell’s testimony to the House of Representatives’ Financial Services Committee on 28 February will be closely scrutinised for clues over the Fed’s interest rate trajectory. One day later, the US’s core PCE for January, the Fed’s preferred inflation gauge, will capture investor attention.

Past Week (05-09 February 2018)

Date	Country	Indicator	Data as of	Survey	Actual	Prior
Monday 05 February	Eurozone	Markit Composite PMI	Jan F	58.6	58.8	58.6 P
	US	ISM Non-Manufacturing Index	Jan	56.7	59.9	56.0
Tuesday 06 February	Australia	Reserve Bank of Australia Interest Rate Decision	Feb	1.50%	1.50%	1.50%
	Germany	Factory Orders (working day adjusted, yoy)	Dec	3.0%	7.2%	9.1%
Wednesday 07 February	Brazil	COPOM Interest Rate Decision	Feb	6.75%	6.75%	7.00%
	India	RBI Interest Rate Decision (Repurchase Rate)	Feb	6.00%	6.00%	6.00%
Thursday 08 February	China	Trade Balance (USD billion)	Jan	54.7	20.3	55.7
	Brazil	IBGE Inflation IPCA (yoy)	Jan	2.98%	2.86%	3.0%
	UK	Bank of England Interest Rate Decision	Feb	0.50%	0.50%	0.50%
	Mexico	Banco de Mexico Interest Rate Decision	Feb	7.50%	7.50%	7.25%
Friday 09 February	China	CPI (yoy)	Jan	1.5%	1.5%	1.8%
	Russia	Central Bank of Russia Interest Rate Decision	Feb	7.50%	7.50%	7.75%

P – Preliminary, F – Final

- The **US Congress agreed to a two-year spending deal**, ending an overnight government shutdown. The bill includes short-term government funding until 23 March while lawmakers fill in the details of a two-year budget agreement of approximately USD300 billion in increased spending (not including interest spending). Broadly, the plan includes an expansion in defence and domestic spending, an increase in the debt ceiling to a level that is estimated to be reached in March 2019, and hurricane relief assistance. The spending plan did not include immigration provisions for the children of undocumented immigrants, a key issue that had been stalling negotiations. Elsewhere, the **Senate Committee on Banking narrowly approved** (13-12) President Donald Trump’s **Fed nominee Marvin Goodfriend**. His confirmation will now be voted in the full senate, where approval may not be certain. In terms of data, the **US ISM Non-Manufacturing Index** rose to 59.9 in January, exceeding expectations of a smaller pick-up to 56.7, from December’s 56.0. Business activity and new orders, which had dipped for two consecutive months, rebounded to 59.8 and 62.7 respectively. Encouraging for the labour market outlook, the employment sub-component rose to a record high of 61.6, from 56.3.
- In Germany, **the CDU and the SPD have reached an agreement to form the next coalition government,** with the SPD likely to gain the finance and foreign affairs ministry posts as part of the concession. The SPD has held these two ministries before, back in the 2005-2009 grand coalition government. For now, Angela Merkel, the CDU leader, has reaffirmed her commitment to a “solid” fiscal policy.
- The **BoE** voted unanimously to keep the Bank’s policy rate at 0.50% in the MPC’s first meeting of 2018, while maintaining its current stock of asset purchases at GBP445 billion, as expected. However, the Bank revised up economic growth and (short-term) inflation forecasts. The tone of the language was hawkish, with the MPC stating that its new forecasts implied "monetary policy would need to be tightened somewhat earlier and by a somewhat greater extent ... than anticipated" in November. A stronger than expected global economy and improving wages underpinned the Bank’s more hawkish position. Governor Carney noted the move in market interest rate pricing since November, and refused to be drawn on the prospects of a hike in May. This seemed to be in recognition of the risks posed by both Brexit negotiations in March as well as the potential for growth momentum to slow.
- In Asia**, China trade data for January** was substantially distorted by seasonal factors. While the Lunar New Year holiday for 2018 will take place later in February, it occurred in January last year, generating strong base effects. Imports jumped 36.9% yoy (up from +4.5% yoy in December), with above average readings with most trading partners, but surprisingly not with Australia and Brazil, two key commodity suppliers of China. Exports growth were roughly unchanged from December (+11.1% yoy; previously at +10.9% yoy). As imports surprised to the upside, the trade surplus shrank, falling from USD55.7 billion in December to USD20.3 billion.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 9 February 2018.

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- **China CPI inflation** came in line with expectations, down from 1.8% yoy in December to 1.5% in January, mainly due to seasonal factors (the Lunar New Year fell in January last year and will take place in February this year, creating significant base effects). Upward pressures are limited by the fact that, despite the cold weather, food prices have remained stable over the past two months. Core inflation moderated from 2.2% to 1.9%, the lowest reading since February 2017. Meanwhile, **PPI inflation** also eased, from 4.9% yoy to 4.3%, mainly due to softer producer goods prices (from +6.4% to +5.7%), showing some signs of easing cost inflation pressure.
- As expected, the **Reserve Bank of India** (RBI) decided, in a 5-1 vote and for a third consecutive meeting, to leave its policy rates unchanged. The benchmark repurchase rate will remain at 6.00% and the cash reserve ratio at 4.00%. The RBI raised its end of March CPI inflation forecast to 5.1%, up from a range of 4.3%-4.7%, and projected a range of 5.1%-5.6% in the first half of the next fiscal year. Economic growth is expected to reach 7.2% in the next fiscal year, up from an estimated 6.6% for the current year, as the negative impact of the Goods and Services Tax starts to fade, capital goods production improves further and the recapitalization of the public banking sector improves credit flows.
- As expected, the **Central Bank of Brazil** cut the SELIC rate by 25 bps to 6.75%, the lowest on record. The move comes as the economy continues to recover from a recent deep recession. With inflation and activity gradually picking up, the central bank signalled a pause to the easing cycle for its next meeting and projected that the overnight rate would end 2018 at its current level. However, policymakers were careful to note that they stood ready for additional moderate monetary easing, should there be major changes to their economic assessment, outlook risks or inflation forecasts. Meanwhile, baseline inflation projections remained unchanged for 2018 and 2019 (+4.2% yoy) compared to the prior meeting.
- The **Central Bank of Russia** cut its key rate by 25 bps to 7.50% and its communication in the press release following the MPC meeting turned more dovish. It stated that short-term inflationary risks have abated and that inflation will remain somewhat below 4% this year. The Bank also provided some forward guidance and said that neutral monetary policy may be achieved this year.
- As anticipated, the **Bank of Mexico** increased its overnight rate by 25 bps to 7.50%. Policymakers now expect inflation to slow to its 3.0% target by the first quarter of 2019 – pushed back from the end of 2018 – and highlighted that risks were biased to the upside. This was mainly due to narrowing economic slack (particularly in the labour market) and the prospect of an unfavourable outcome to the NAFTA renegotiation process. The Governing Board also cited the Fed's tightening cycle and the possibility of an acceleration (given expansive fiscal policy) as another factor contributing to the decision. The spread between the Fed funds midpoint rate and the Mexican overnight rate now stands at 612.5 bps, an eight-year high.

Coming Week (12-16 February 2018)

Date	Country	Indicator	Data as of	Survey	Prior
Monday 12 February	India	CPI (yoy)	Jan	5.1%	5.2%
	India	Industrial Production (yoy)	Dec	6.1%	8.4%
Tuesday 13 February	UK	CPI (yoy)	Jan	2.9%	3.0%
Wednesday 14 February	Japan	GDP (seasonally adjusted, qoq annualised)	Q4 P	0.9%	2.5%
	Eurozone	GDP (seasonally adjusted, qoq) 2nd estimate	Q4 P	0.6%	0.6%
	Eurozone	Industrial Production (seasonally adjusted, mom)	Dec	-0.2%	1.0%
	US	CPI (yoy)	Jan	1.9%	2.1%
	US	Retail Sales Advance (mom)	Jan	0.3%	0.4%
Thursday 15 February	US	Industrial Production (mom)	Jan	0.2%	0.9%
	US	NAHB/Wells Fargo Housing Market Index	Feb	72	72
Friday 16 February	US	Housing Starts (mom)	Jan	2.8%	-8.2%
	US	University of Michigan Index of Consumer Sentiment	Feb P	95.5	95.7

P – Preliminary, Q – Quarter

US

- On Monday, President Donald Trump will deliver his **2019 Budget** outlining plans to generate USD11.5 trillion in infrastructure upgrades to public works such as roads, bridges and airports.
- Headline **US CPI** is expected to pick up 0.1 ppt to 0.3% mom in January, meaning the annual rate would slow to 1.9% yoy from 2.1% in December. Removing the volatile food and energy categories, core CPI may slow to 1.7% yoy, from 1.8%. Although inflation could gradually accelerate as the economy grows above capacity in the next year, core CPI has been tracking between 1.7%-1.8% yoy since May 2017.
- January **retail sales** are forecasted to increase 0.3% mom. This is lower than December's 0.4% mom pace and will come as auto sales continue to normalise from a post-hurricane surge in September. However, the underlying trend should remain healthy and growth for the core retail sales control group gauge could rise by 0.1 ppt to 0.4% mom.
- **Industrial production** is expected to grow by 0.2% mom in January, after a utilities-led jump in December (+0.9% mom). Meanwhile, manufacturing activity is projected to grow 0.3% mom, picking up 0.2 ppts from the prior release. Continuing economic expansion and elevated new order readings in ISM surveys suggest some acceleration in near-term factory activities.
- Turning to housing, the **NAHB/Wells Fargo Housing Market Index** is anticipated to stay unchanged at 72. This remains close to the 18-year high of 74 reached in December. Overall housing demand is being underpinned by robust employment levels and relatively low mortgage rates, although recent tax reforms have made home ownership less attractive in some segments.
- US **housing starts** are expected to rise 2.8% mom in January, after slipping 8.2% in December. The December fall came after two months of post-hurricane rebuilding gains. While building permits also dipped 0.2% mom, single home permits (a larger and less

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volatile segment) rose by 1.9% mom in December.

- Finally, the **University of Michigan Index of Consumer Sentiment** is projected to dip 0.2 pts to a still elevated 95.5. To be sure, there may be some downside risk from recent financial market volatility, but consumers should remain supported by a solid labour market.

Europe

- The preliminary estimate of **eurozone GDP** was 0.6% qoq in Q4 2017 (+2.7% yoy), in line with consensus, and 0.1 ppt weaker than in Q2 and Q3 (both revised upwards by 0.1 ppt). The second estimate of eurozone's Q4 GDP growth is expected to remain unchanged at 0.6% qoq. However, there is a risk of an upward revision because hard data (industrial production, retail sales and construction output) has been strong.

- **Eurozone industrial production** (IP) rose by 1.0% mom in November, with the production of capital goods increasing the most (+3.0% mom). This was largely driven by the 3.4% mom rebound in Germany, more than erasing October's holiday-related fall. In December, the manufacturing PMI increased by 0.5pts to 60.6, a new all-time high. However, the prints released so far are a bit of a mixed bag: in Germany IP fell by 0.6% mom in December, in Spain it increased by 0.9% mom, and in Ireland (which accounts for around 5% of eurozone IP) it grew by 3.0% mom. Overall, eurozone IP is expected to drop 0.2% mom in December.

- The headline rate of **UK CPI inflation** edged down from 3.1% yoy to 3.0% in December. The core rate dropped by 0.2 ppt, to 2.5% yoy. Despite this, RPI inflation rose unexpectedly, from 3.9% to 4.1% yoy. Relative to CPI, the uptick in RPI partly reflected the pass-through of higher mortgage interest payments, but was also due to a range of methodological differences related to coverage and weighting. The headline CPI inflation is expected to decline slightly to 2.9% yoy in January, while core inflation is expected to stay flat at 2.5% yoy, thanks to the inflationary effect of past falls in sterling beginning to unwind.

Japan and emerging markets

- **Japan's GDP growth for Q4** is expected to come in at 0.9% (qoq, annualised rate), down from 2.5% in Q3 but still stronger than Japan's trend growth (around +0.5%-+0.75% per year). This is consistent with the Bank of Japan's (BoJ) scenario of a gradual closing of the output gap and a convergence of inflation towards the BoJ inflation target (+2.0%) over the next two years. Fixed investment is expected to be Japan's main growth engine as suggested by strong machine-tool orders at the end of last year and relatively firm capital expenditure plans in the Tankan survey. Meanwhile, private consumption is expected to rebound slightly after its decline in Q3, mainly due to the fact that real wage growth has been soft recently.

- **India's CPI inflation** likely slowed to 5.1% yoy in January, down from 5.2% in December, as food prices may have stabilised due to seasonal factors. However, energy prices, particularly gasoline and diesel, rose substantially over the past four months (+15% since mid-October in Mumbai), which may limit the potential for a further decline in CPI inflation.

- **India's industrial production** is also expected to have slowed down between November and December, from 8.4% yoy to 6.1% yoy, allowing producers to adjust their production after the sharp acceleration observed in November and consistent with the recent direction of the manufacturing PMI.

Market Moves

Global equity markets tumbled on US inflation concerns

- The US stock market sell-off deepened for a second consecutive week as equity markets entered correction territory amid investor concerns over the recent sharp rise in government bond yields and asset market volatility. Market sentiment remained fragile despite upbeat corporate earnings and economic data, as algorithmic trading related to low-volatility strategies amplified the weakness. All sectors within the S&P 500 Index were in the red amid a sharp fall in crude oil prices. The S&P 500 Index ended the week 5.2 % lower and the Dow Jones Industrial Average Index shed 5.2%.

- European equity markets also declined across the board, tracking the significant weakness in US markets, amid global concerns over rising government bond yields and building inflationary pressures. The EURO STOXX 50 Index slid 5.6%. At the country level, the UK's FTSE 100 Index shed 4.7% following a more hawkish tone from the BoE, while Germany's DAX ended 5.3% lower and Spain's IBEX 35 underperformed in the region (-5.6%).

- In Asia, equity markets fell sharply during the week, taking a negative lead from US and European markets, as concerns about inflation and monetary policy for this year outweighed the still supportive economic signals. Chinese shares underperformed, with the Shanghai Stock Exchange Composite Index shedding 9.6%, and offshore stocks listed in Hong Kong dropping by 12.1% amid a sell-off in financials and commodity producers. Japanese shares were also affected by the appreciation of the yen, which added to risk aversion among investors. The Nikkei 225 Index ended down 8.1%. Indian shares showed greater resilience. The SENSEX 30 Index finished the week down 3.0%, supported by the upward revision of RBI's economic growth for the next fiscal year.

Most core government bond yields were little changed; US Treasury auction saw soft demand

- US 10-year Treasury yields fell sharply and prices rose on Monday as the equity market rout raised demand for perceived "safe-haven" assets. Yields nevertheless recovered over the week, following soft demand in the primary market. For example, Wednesday's USD24 billion 10-year note auction drew a yield of 2.8%, the highest in four years, and a bid-to-cover ratio of 2.34, the lowest since September 2017. Overall, two-year yields ended the week at 2.07% and 10-year yields added 1 bp to 2.85%.

- Similarly, the overall weekly yields movement was limited in the eurozone government bond space. In the core, benchmark German 10-year bund yields shed 2 bps to 0.74% and the periphery saw Spanish equivalents add 1 bp to 1.47%. In the UK, 10-year gilt yields fell 1 bp to 1.57%, following a slightly more hawkish than expected BoE February monetary policy meeting.

US dollar rallied against most currencies amid equity market rout

- Both the euro and the British pound depreciated against the US dollar this week, as the world's reserve currency found some

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 9 February 2018.

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support amid extreme equity market volatility. The soft performance for the euro and sterling occurred despite (i) positive signs from the German coalition talks and (ii) the BoE signalling that interest rates could rise "earlier" and at a "somewhat greater extent" than previously envisioned. Overall, the euro finished down 1.7%, its first decline in eight weeks, and sterling fell 2.1%.

- The yen appreciated by 1.2% against the US dollar over the week. The Japanese currency benefited from stronger demand for a perceived "safe haven" amid heightened equity volatility. Elsewhere in the region, most currencies depreciated, with the Korean won, the Indonesian rupiah, the Malaysian ringgit and the Thai baht all losing more than 1%. The Philippines peso bucked the trend, gaining slightly even after the decision of the central bank to keep its policy rates unchanged, which weighed on the peso. The Indian rupee and the Taiwan dollar were little changed.

Crude oil prices tumbled this week on oversupply concerns; gold also fell

- Crude oil prices tumbled this week with WTI crude oil prices closing down by 9.5% to USD59.2 and Brent oil prices finishing 8.7% lower at USD62.6. The majority of the decline occurred on Wednesday, after the U.S. Energy Information Administration reported that crude output from American wells rose to 10.25 million barrels a day last week, reigniting worries over a supply glut. A stronger US dollar also exerted some downward pressure.
- Gold prices fell for the second consecutive week (-1.3% to USD1,316 per troy ounce) on a stronger dollar. Interestingly, the observed equity market rout did not materially support this perceived "safe-haven" asset.

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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)	501	-5.7	-5.1	0.5	14.6	-2.4	551	435	15.3
North America									
US Dow Jones Industrial Average	24,191	-5.2	-4.7	3.1	19.9	-2.1	26,617	20,062	16.4
US S&P 500 Index	2,620	-5.2	-4.8	1.4	13.5	-2.0	2,873	2,297	16.9
US NASDAQ Composite Index	6,874	-5.1	-4.0	1.8	20.3	-0.4	7,506	5,685	21.1
Canada S&P/TSX Composite Index	15,035	-3.7	-7.9	-6.5	-3.7	-7.2	16,421	14,786	14.8
Europe									
MSCI AC Europe (USD)	472	-6.5	-5.4	-0.5	15.0	-3.3	524	407	13.6
Euro STOXX 50 Index	3,326	-5.6	-8.2	-7.9	1.5	-5.1	3,709	3,244	13.3
UK FTSE 100 Index	7,092	-4.7	-8.3	-5.2	-1.9	-7.7	7,793	7,073	13.5
Germany DAX Index*	12,107	-5.3	-9.5	-8.2	4.0	-6.3	13,597	11,548	12.6
France CAC-40 Index	5,079	-5.3	-8.1	-6.1	5.2	-4.4	5,567	4,770	14.0
Spain IBEX 35 Index	9,640	-5.6	-7.5	-4.9	2.1	-4.0	11,184	9,318	12.6
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	555	-7.3	-6.0	-1.2	20.9	-2.6	617	457	13.2
Japan Nikkei-225 Stock Average	21,383	-8.1	-10.3	-6.5	13.1	-6.1	24,129	18,225	17.3
Australian Stock Exchange 200	5,838	-4.6	-4.9	-3.5	3.1	-3.7	6,150	5,630	15.7
Hong Kong Hang Seng Index	29,507	-9.5	-4.8	1.3	25.4	-1.4	33,484	23,439	11.5
Shanghai Stock Exchange Composite Index	3,130	-9.6	-8.3	-8.7	-1.7	-5.4	3,587	3,017	12.2
Hang Seng China Enterprises Index	11,902	-12.1	-2.9	1.3	18.1	1.6	13,963	9,882	7.6
Taiwan TAIEX Index	10,372	-6.8	-5.0	-3.5	8.1	-2.5	11,270	9,563	13.3
Korea KOSPI Index	2,364	-6.4	-5.8	-7.3	14.4	-4.2	2,607	2,068	9.1
India SENSEX 30 Index	34,006	-3.0	-1.3	2.3	20.0	-0.1	36,444	28,102	22.0
Indonesia Jakarta Stock Price Index	6,506	-1.9	2.1	7.7	21.1	2.4	6,686	5,331	16.7
Malaysia Kuala Lumpur Composite Index	1,820	-2.7	-0.4	4.2	7.8	1.3	1,881	1,691	16.2
Philippines Stock Exchange PSE Index	8,504	-3.5	-4.7	-0.2	17.2	-0.6	9,078	7,146	18.6
Singapore FTSE Straits Times Index	3,377	-4.3	-4.2	-1.4	9.7	-0.8	3,612	3,065	13.7
Thailand SET Index	1,786	-2.2	-0.5	4.9	12.8	1.9	1,848	1,529	16.2
Latam									
Argentina Merval Index	30,143	-7.6	-6.2	7.8	56.2	0.3	35,462	18,718	11.0
Brazil Bovespa Index*	80,899	-3.7	2.6	10.9	24.5	5.9	86,213	60,315	13.0
Chile IPSA Index	5,549	-4.8	-2.8	1.9	29.2	-0.3	5,895	4,261	18.7
Colombia COLCAP Index	1,501	-4.3	-3.0	4.2	11.5	-0.8	1,598	1,316	13.2
Mexico Index	47,799	-5.2	-3.8	-1.9	1.2	-3.2	51,772	46,588	16.2
EEMEA									
Russia MICEX Index	2,197	-3.7	-1.3	0.6	1.1	4.1	2,328	1,775	6.4
South Africa JSE Index	55,903	-4.7	-7.0	-6.6	7.7	-6.1	61,777	50,737	15.4
Turkey ISE 100 Index*	113,590	-3.8	-1.2	3.0	27.9	-1.5	121,532	87,245	8.2

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

Equity Indices - Total Return	1-week Change (%)	1-month Change (%)	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)
Global equities	-5.8	-5.1	0.7	-2.3	16.7	26.9	55.6
US equities	-6.5	-6.0	0.3	-3.3	13.3	31.2	82.2
Europe equities	-5.0	-3.9	1.4	-1.7	20.1	17.8	31.8
Asia Pacific ex Japan equities	-5.6	-4.2	1.0	-0.8	26.4	28.2	36.7
Japan equities	-5.3	-4.9	0.1	-0.7	20.0	35.1	62.1
Latam equities	-5.0	1.0	7.7	5.5	19.4	22.0	-12.8
Emerging Markets equities	-5.5	-3.4	2.9	0.5	28.4	28.2	23.5

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

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Market Data (continued)

Bond indices - Total Return	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	509	-0.1	-0.8	-0.9	1.9	-1.2
JPM EMBI Global	793	-1.1	-2.0	-0.3	4.5	-1.8
BarCap US Corporate Index (USD)	2,841	-0.4	-1.4	-1.3	3.5	-2.1
BarCap Euro Corporate Index (Eur)	246	-0.1	-0.7	-1.0	1.8	-0.6
BarCap Global High Yield (Hedged in USD)	466	-0.7	-1.2	0.4	5.6	-0.6
Markit iBoxx Asia ex-Japan Bond Index (USD)	194	-0.2	-1.0	-1.1	2.6	-1.2
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	252	-0.4	-0.6	0.1	4.9	-0.1

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 2017	52-week High	52-week Low	1-week Change (%)
Developed markets									
EUR/USD	1.23	1.25	1.19	1.16	1.07	1.20	1.25	1.05	-1.7
GBP/USD	1.38	1.41	1.35	1.31	1.25	1.35	1.43	1.21	-2.1
CHF/USD	1.06	1.07	1.02	1.01	1.00	1.03	1.08	0.98	-0.9
CAD	1.26	1.24	1.25	1.27	1.31	1.26	1.38	1.21	-1.2
JPY	108.80	110.17	112.65	113.47	113.25	112.69	115.51	107.32	1.2
AUD	1.28	1.26	1.28	1.30	1.31	1.28	1.36	1.23	-1.4
NZD	1.38	1.37	1.40	1.44	1.39	1.41	1.47	1.32	-0.6
Asia									
HKD	7.82	7.82	7.82	7.80	7.76	7.81	7.83	7.76	0.0
CNY	6.30	6.30	6.53	6.64	6.87	6.51	6.92	6.25	0.0
INR	64.40	64.06	63.72	64.94	66.85	63.87	67.15	63.25	-0.5
MYR	3.94	3.89	4.01	4.21	4.44	4.05	4.46	3.87	-1.4
KRW	1,092	1,080	1,067	1,116	1,146	1,067	1,161	1,058	-1.1
TWD	29.31	29.23	29.55	30.18	31.04	29.73	31.14	29.01	-0.3
Latam									
BRL	3.30	3.22	3.25	3.25	3.13	3.31	3.41	3.04	-2.5
COP	2,941	2,842	2,910	3,012	2,861	2,986	3,103	2,760	-3.5
MXN	18.70	18.59	19.24	19.04	20.35	19.66	20.55	17.45	-0.6
EEMEA									
RUB	58.37	56.54	56.87	59.29	58.92	57.69	61.01	55.59	-3.2
ZAR	11.99	12.09	12.34	14.25	13.40	12.38	14.57	11.80	0.8
TRY	3.82	3.77	3.77	3.87	3.68	3.80	3.98	3.39	-1.3

Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2017	1-week Basis Point Change
US Treasury yields (%)							
3-Month	1.55	1.47	1.42	1.22	0.54	1.38	8
2-Year	2.07	2.14	1.97	1.63	1.18	1.88	-7
5-Year	2.54	2.59	2.33	2.01	1.87	2.21	-5
10-Year	2.85	2.84	2.55	2.34	2.39	2.41	1
30-Year	3.16	3.09	2.90	2.82	3.00	2.74	7
10-year bond yields (%)							
Japan	0.06	0.08	0.07	0.03	0.09	0.04	-2
UK	1.57	1.58	1.28	1.26	1.24	1.19	-1
Germany	0.74	0.77	0.46	0.37	0.31	0.42	-2
France	0.98	1.02	0.82	0.75	0.98	0.78	-3
Italy	2.04	2.04	2.03	1.81	2.17	2.01	0
Spain	1.47	1.46	1.51	1.53	1.62	1.56	1
China	3.90	3.92	3.91	3.91	3.42	3.90	-2
Australia	2.86	2.83	2.67	2.60	2.64	2.63	3
Canada	2.35	2.36	2.20	1.93	1.68	2.05	-1

*Numbers may not add up due to rounding

Commodities	Latest	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,316	-1.3	0.3	2.4	7.1	1.0	1,366	1,195
Brent Oil	62.6	-8.7	-9.0	-2.1	12.5	-6.4	71	44
WTI Crude Oil	59.2	-9.5	-6.0	3.6	11.7	-2.0	67	42
R/J CRB Futures Index	189	-4.5	-2.9	-1.7	-2.2	-2.8	201	166
LME Copper	6,845	-2.8	-3.6	0.5	17.6	-5.5	7,313	5,463

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 9 February 2018.

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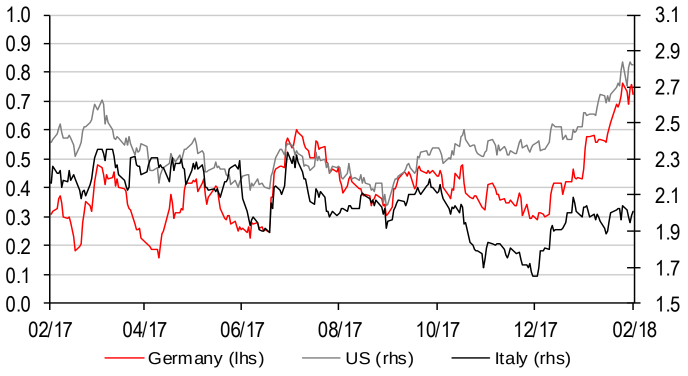
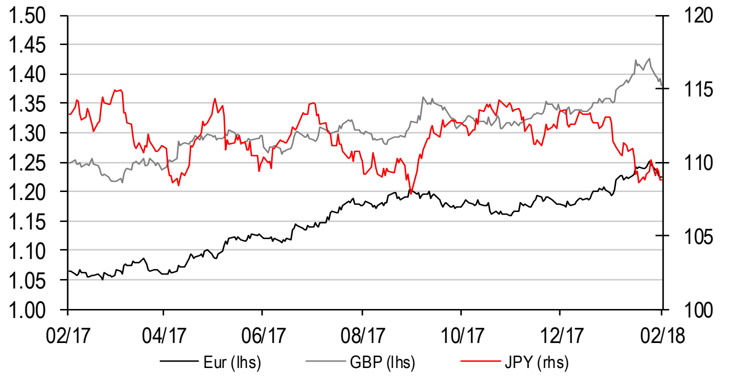
Market Trends

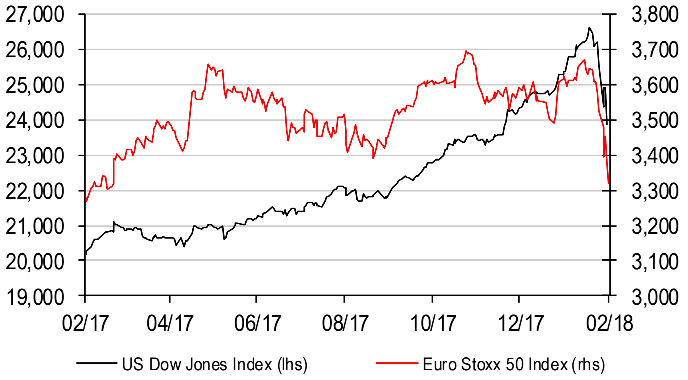
Government bond yields (%)



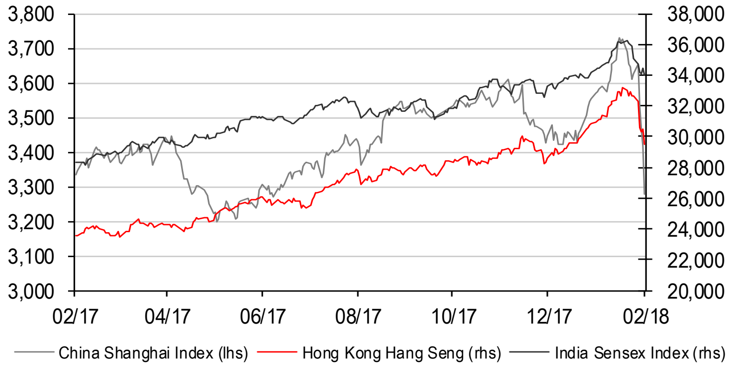
Major currencies (versus USD)



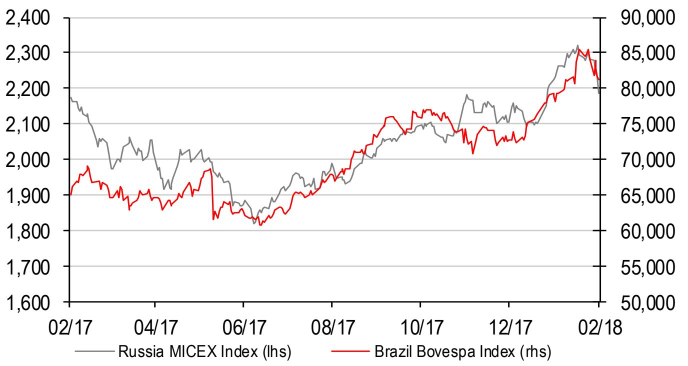
Global equities



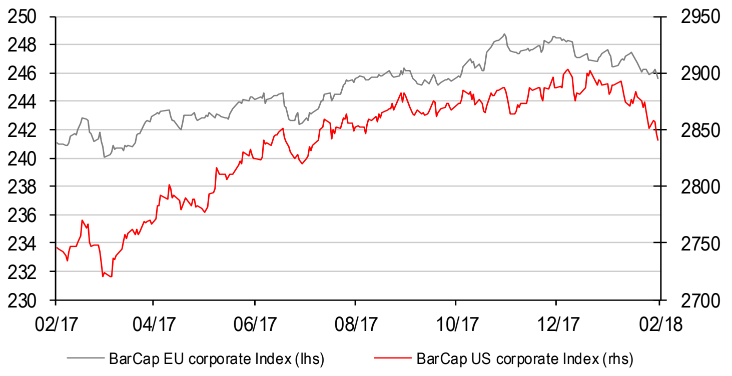
Emerging Asian equities



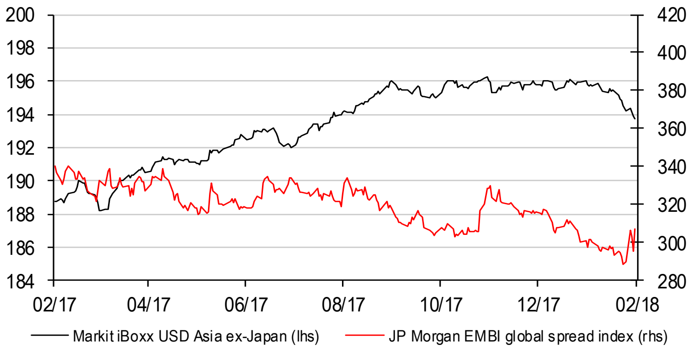
Other emerging equities



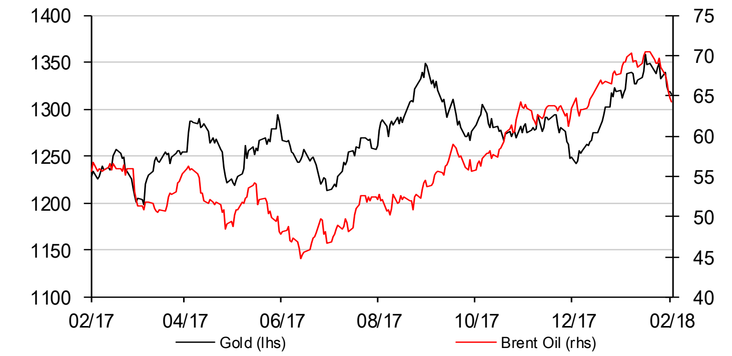
Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 9 February 2018.

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