

Investment Weekly

This week in detail

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The week ahead

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Market moves

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Equities

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Bonds

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Currencies

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Commodities

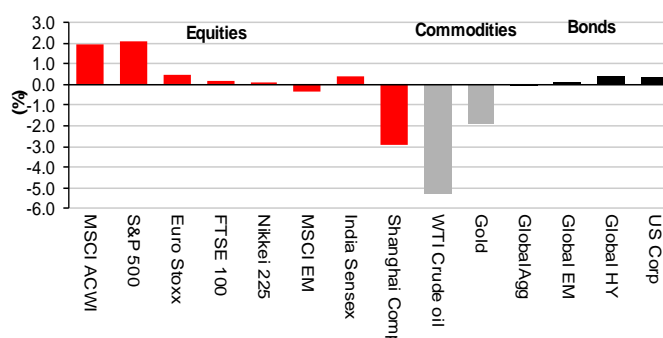
Oil prices dipped on easing concerns over tightening supplies; gold also lower on stronger US dollar

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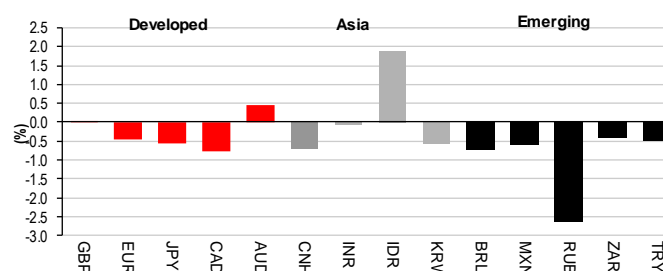
Market data

Market trends

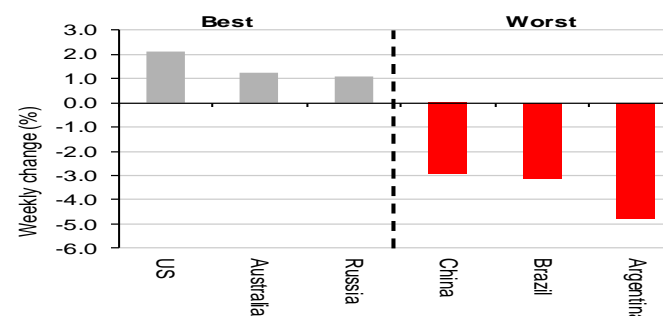
Movers and shakers



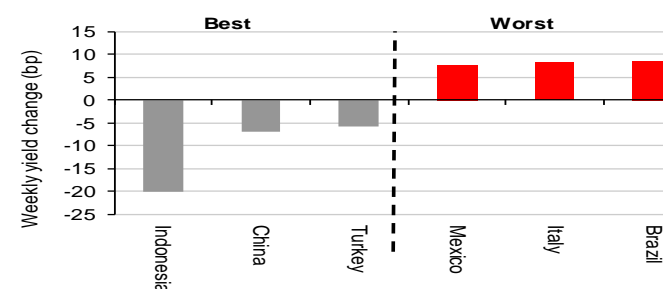
Currencies (versus USD)



Equities



Bonds (10-year yields)



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Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 9 November 2018. All the above charts relate to 02/11/2018 – 09/11/2018.

Past performance is not an indication of future returns.

This week in detail

Macro data and key events

Date	Country	Indicator	Data as of	Survey	Actual	Prior
Monday 05 November	Turkey	CPI (yoy)	Oct	25.0%	25.2%	24.5%
	US	ISM Non-Manufacturing Index	Oct	59.0	60.3	61.6
Tuesday 06 November	Australia	Reserve Bank of Australia Interest Rate Decision	Nov	1.50%	1.50%	1.50%
	Germany	Factory Orders (working day adjusted, yoy)	Sep	-2.8%	-2.2%	-1.8%
	Eurozone	Markit Composite PMI	Oct F	52.7	53.1	52.7 P
	US	Midterm Elections				
Wednesday 07 November	Germany	Industrial Production (seasonally adjusted, mom)	Sep	0.0%	0.2%	0.1%
	Brazil	IBGE Inflation IPCA (yoy)	Oct	4.7%	4.6%	4.5%
Thursday 08 November	China	Trade Balance (USD bn)	Oct	35.2	34.0	31.3
	Mexico	CPI (yoy)	Oct	4.9%	4.9%	5.0%
	US	FOMC Interest Rate Decision	Nov	2.25%	2.25%	2.25%
Friday 09 November	China	CPI (yoy)	Oct	2.5%	2.5%	2.5%
	UK	GDP (qoq)	Q3	0.6%	0.6%	0.4%
	US	University of Michigan Index of Consumer Sentiment	Nov P	98.0	98.3	98.6

P – Preliminary, Q – Quarter, F – Final

The US midterm elections resulted in a split Congress, with the Democrats taking the House of Representatives and the Republicans holding the Senate, as widely expected

UK GDP growth rose to 0.6% qoq in Q3, although this may reflect some temporary effects

In the US, as widely expected, the midterm elections resulted in a split Congress, with the Democrats taking the House of Representatives and the Republicans holding the Senate. Importantly, this outcome may limit the potential for further significant tax cuts over next two years. Meanwhile, the **Federal Open Market Committee (FOMC)** left the federal funds target range unchanged at 2.00%-2.25%. Policymakers anticipated further gradual tightening amid strong job gains and robust economic activity, leaving the door open for a rate hike before year-end. Meanwhile, inflation has trended near the 2% yoy objective while economic risks were characterised as “roughly balanced.” In terms of data releases, the **ISM Non-Manufacturing Index** eased 1.3 points to 60.3, higher than an expected reading of 59. Overall, the survey’s results continued to indicate solid economic growth despite ongoing trade tensions, rising input prices and supply bottlenecks.

In Europe, German industrial data came in better than expected, although the trend in annual growth of both factory orders and output remains negative amid global trade tensions and a slowing world economy and trade growth.

UK GDP growth rose to 0.6% qoq in Q3, in line with expectations and up from 0.4% in Q2. There was a strong positive contribution from net trade (+0.8 pts), although this may reflect a surge in car exports ahead of the implementation of new emission testing standards. Meanwhile, household consumption was likely boosted by hot summer weather conditions.

In Asia, China’s trade surplus widened to USD34.0 billion from USD31.3 billion in September, boosted by front-loading of shipments to the US ahead of the imposition of more severe tariffs, as well as renminbi depreciation. Positively, import demand for key commodities also picked up, potentially an early sign of a recovery in domestic demand and investment. Meanwhile, **China’s CPI inflation** was stable at 2.5% yoy in October, as a moderation in food price inflation was offset by an uptick in non-food inflation amid vehicle fuel price hikes.

Finally, in **Latin America, Brazil’s inflation rate** (on the IBGE inflation IPCA measure) rose slightly to 4.6% yoy in October, less than an expected 4.7% yoy. The reading broadly matches the central bank’s inflation target (+4.5% yoy) and policymakers anticipate the gauge will stay near the current level for the remainder of 2018. Meanwhile, **Mexico’s CPI inflation** eased to 4.9% yoy in October, in line with expectations. Inflation has been converging to the central bank’s 2.0%-4.0% yoy target range at a slower than expected pace amid upside surprises for energy prices. The central bank now projects inflation to end this year at 4.5% yoy.

The week ahead

Macro data and key events

Date	Country	Indicator	Data as of	Survey	Prior
Monday 12 November	India	CPI (yoy)	Oct	3.6%	3.8%
	India	Industrial Production (yoy)	Sep	4.3%	4.3%
Tuesday 13 November	UK	ILO Unemployment Rate (3 months)	Sep	4.0%	4.0%
	Germany	ZEW Expectation of Economic Growth	Nov	-25.0	-24.7
	Japan	GDP (seasonally adjusted, qoq annualised)	Q3 P	-0.9%	3.0%
Wednesday 14 November	China	Retail Sales (yoy)	Oct	9.2%	9.2%
	China	Industrial Production (yoy)	Oct	5.8%	5.8%
	Japan	Industrial Production (mom)	Sep F	-	-1.1%
	UK	CPI (yoy)	Oct	2.5%	2.4%
	Eurozone	GDP (seasonally adjusted, qoq)	Q3 P	0.2%	0.2% P
	Eurozone	Industrial Production (seasonally adjusted, mom)	Sep	-0.4%	1.0%
	US	CPI (yoy)	Oct	2.5%	2.3%
	US	Industrial Production (mom)	Oct	0.2%	0.3%
Thursday 15 November	US	Retail Sales Advance (mom)	Oct	0.6%	0.1%
	Mexico	Banco de Mexico Interest Rate Decision	Nov	8.00%	7.75%
Friday 16 November	Eurozone	CPI (yoy)	Oct F	2.2%	2.2% P
	US	Industrial Production (mom)	Oct	0.2%	0.3%

P – Preliminary, Q – Quarter, F – Final

In the coming week, China activity data for October will be closely scrutinised, along with US inflation data

US

Headline **CPI inflation** is expected to pick up by 0.2 ppts to 2.5% yoy in October. Inflation has slowed from the 2.9% yoy pace recorded in July, but building capacity pressures are likely to keep the Fed's gradual tightening on track. Removing the volatile food and energy components, core CPI is forecast to remain at 2.2% yoy.

Retail sales are expected to rise 0.6% mom in October, following two soft releases. The prior report was weighed down by a slip in restaurant and gasoline spending but saw broad advances.

Finally, **industrial production** is projected to advance 0.2% mom in October. This could edge up capacity utilisation to 78.2%, still well below the prior peak of 81.1% (Dec 2007). In the details, the manufacturing sector is pencilled in to grow 0.3% mom, mirroring healthy readings from ISM factory surveys.

Europe

The **German ZEW Expectation of Economic Growth** survey is anticipated to fall to -25.0 in November, which would take the index to its lowest level since 2012. The possible deterioration comes amid slowing German growth and lingering political risks.

The **UK unemployment rate** in the three months to September is expected to hold at 4.0%, while regular pay growth (excluding bonuses) over the same period is also anticipated to remain steady, at 3.1% yoy. Emerging wage growth pressure has been a key plank of the Bank of England's gradual policy tightening stance.

UK CPI inflation may edge up slightly in October, to 2.5% yoy on the headline measure, likely boosted by base effects from petrol prices.

Finally, **UK Prime Minister Theresa May** will be working to secure full cabinet backing for a Brexit plan, which may involve the UK entering into an indefinite "temporary" customs union. This could pave the way for a special Brexit summit this month.

Japan's economy is expected to register another quarter of negative growth in Q3

Japan and emerging markets

Japan's GDP is expected to decline by 0.3% qoq in Q3 (-0.9% annualised), the sharpest drop since the end of 2015 and the second negative quarter this year. Private consumption is seen as a key factor weighing on the economy, and capital expenditure is expected to remain flat, reflecting corporate caution in the context of mounting trade tensions.

China's industrial production likely stabilised at 5.8% yoy in October, with recent weakness in the manufacturing PMI index and a decline in coal consumption by power plants suggesting activity remained relatively tepid. **Urban fixed asset investment** may have ticked up to 5.5% yoy (ytd) from 5.4% in September, boosted by a modest rebound in infrastructure. **Retail sales growth** is expected to have been stable at 9.2% in October, weighed on by slower housing-related and auto sales. However, some support likely came from personal income tax cuts effective on 1 October.

India's CPI inflation likely eased further to 3.6% yoy in October from 3.8% in September, on the back of base effects and subdued food price inflation.

Meanwhile, the **Bank of Mexico** is anticipated to hike its overnight policy rate by 25 bps to 8.0%. Inflation is trending above the 2.0%-4.0% yoy target band and policymakers have said that the balance of risks remained to the upside after the prior meeting. An increase will also maintain Mexico-US interest rate differentials amid ongoing tightening from the US Fed.

Market moves

Equities

US equities rallied following the US election results, and amid upbeat economic data releases

Bonds

Shorter-dated US Treasuries fell, as the Fed reiterated the need for further gradual rate hikes

Currencies

US dollar supported by Fed; British pound flat amid Brexit progress

Commodities

Oil prices dipped on easing concerns over tightening supplies; gold also lower on stronger US dollar

Equities

US equities rallied this week, with the S&P 500 Index finishing 2.1% higher. The market enjoyed strong gains on Wednesday following the US midterm election results. Investor risk appetite was also supported by stronger than expected ISM non-manufacturing data for October. Although equity markets mostly shrugged off the FOMC meeting, stocks lost some positive momentum towards the end of the week as energy and technology stocks dragged. In Canada, the S&P/TSX Composite Index tracked US stocks to end the week 1.0% higher.

European stocks lacked clear direction at the start of the week, as fading hopes of a breakthrough in the US-China trade dispute set an uneasy tone to the market in the run-up to the US midterm elections. Investor risk appetite picked up on Wednesday following the US election results and solid corporate earnings results, although stocks fell towards the end of the week. Overall, the EURO STOXX 50 Index ended the week 0.5% higher, while Italy's FTSE MIB underperformed (-0.7%).

Asian stock markets ended a volatile week on a soft note, as investors assessed the implication of a spilt US Congress and the prospect of higher US interest rates, as well as mixed corporate earnings and economic data. Energy shares were largely lower amid lower oil prices. The lift to investor sentiment from better than expected China trade data was short-lived, as concerns over China's growth outlook lingered. Japan's Nikkei 225 Index ended flat; China's Shanghai Stock Exchange Composite Index was down 2.9%; and Hong Kong's Hang Seng Index was 3.3% lower. Meanwhile, India's SENSEX 30 Index posted a weekly gain of 0.4% as lower oil prices lifted sentiment amid upbeat earnings results.

Bonds

Longer-dated **US Treasuries** ended little changed this week, while short-term US Treasuries fell (yields rose) as the US Federal Reserve (Fed) left interest rates unchanged but reiterated the need for further gradual rate increases. Ten-year Treasury yields fell 3 bps to 3.18% and two-year yields closed 2 bps higher at 2.92%. Meanwhile, Canadian 10-year yields fell 3 bps to 2.51%.

In **Europe**, Italian 10-year **government bond** yields rose 8 bps to 3.40% as the European Commission projected the country's deficit could increase to almost 3% of GDP next year, 0.5% higher than the government's forecast. UK gilts also came under pressure amid reports that the UK government was nearing an agreement on a Brexit withdrawal deal with the European Union. Overall, the benchmark German 10-year bund yield ended little changed at 0.41%.

Currencies

The **euro** fell against the US dollar this week (-0.5%), with most losses coming on the back of a stronger US dollar following the FOMC meeting, as policymakers anticipated further gradual tightening, leaving the door open for a rate hike before year-end. Meanwhile, the British pound remained flat against the US dollar (+0.0%), supported by signs of progress in Brexit negotiations.

Most **Asian currencies** weakened against the US dollar this week, as the dollar rebounded after the Fed meeting. The Chinese yuan fell as the People's Bank of China set a weaker reference rate, while foreign exchange reserves fell for a third straight month in October. The Indonesian rupiah rose sharply this week, however, boosted by data showing economic growth was still running above 5% yoy in Q3.

Commodities

Crude oil prices fell again this week, with the bulk of declines occurring later in the week on the back of easing concerns over tightening supplies, with US crude inventories rising sharply last week. Further pressure came from reports that OPEC and its allies have boosted production, with Iraq close to securing a deal to restart oil exports from the disputed territory of Kirkuk. WTI fell 5.3% to USD59.8 a barrel.

Gold prices also edged lower this week (-1.9% to USD1,210 per troy ounce) amid gains in the US dollar towards the end of the week, and a larger than expected increase in US PPI inflation data released on Friday.

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)	500	2.0	-2.3	-4.2	0.2	-2.6	551	470	15.1
North America									
US Dow Jones Industrial Average	25,989	2.8	-1.7	1.9	10.8	5.1	26,952	23,243	16.3
US S&P 500 Index	2,781	2.1	-3.4	-2.5	7.6	4.0	2,941	2,533	17.0
US NASDAQ Composite Index	7,407	0.7	-4.3	-6.1	9.7	7.3	8,133	6,631	21.6
Canada S&P/TSX Composite Index	15,274	1.0	-3.7	-7.0	-5.0	-5.8	16,586	14,640	14.5
Europe									
MSCI AC Europe (USD)	438	1.3	-1.8	-6.6	-7.6	-10.2	524	414	13.4
Euro STOXX 50 Index	3,229	0.5	-2.8	-7.6	-10.6	-7.8	3,687	3,091	13.5
UK FTSE 100 Index	7,105	0.2	-1.8	-8.2	-5.1	-7.6	7,904	6,852	12.7
Germany DAX Index*	11,529	0.1	-3.7	-9.0	-12.5	-10.7	13,597	11,051	12.6
France CAC-40 Index	5,107	0.1	-4.0	-7.2	-5.6	-3.9	5,657	4,897	13.7
Spain IBEX 35 Index	9,135	1.6	-1.4	-6.4	-9.9	-9.1	10,643	8,628	12.2
Italy FTSE MIB Index	19,258	-0.7	-4.0	-11.0	-14.9	-11.9	24,544	18,411	10.6
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	492	0.1	-0.1	-9.2	-12.4	-13.6	617	459	12.5
Japan Nikkei-225 Stock Average	22,250	0.0	-5.2	-1.5	-2.7	-2.3	24,448	20,347	15.9
Australian Stock Exchange 200	5,922	1.2	-2.0	-6.0	-2.1	-2.4	6,374	5,625	15.1
Hong Kong Hang Seng Index	25,602	-3.3	-2.2	-10.5	-12.1	-14.4	33,484	24,541	10.7
Shanghai Stock Exchange Composite Index	2,599	-2.9	-4.5	-7.0	-24.2	-21.4	3,587	2,449	10.6
Hang Seng China Enterprises Index	10,431	-2.4	0.1	-5.3	-11.2	-10.9	13,963	9,903	8.1
Taiwan TAIEX Index	9,830	-0.8	-6.1	-10.9	-8.5	-7.6	11,270	9,401	12.8
Korea KOSPI Index	2,086	-0.5	-7.4	-9.4	-18.2	-15.5	2,607	1,986	8.6
India SENSEX 30 Index	35,159	0.4	2.5	-7.5	5.7	3.2	38,990	32,484	19.6
Indonesia Jakarta Stock Price Index	5,874	-0.5	1.3	-3.2	-2.8	-7.6	6,693	5,558	15.4
Malaysia Kuala Lumpur Composite Index	1,708	-0.3	-3.7	-5.4	-2.2	-4.9	1,896	1,658	16.6
Philippines Stock Exchange PSE Index	6,969	-2.4	-1.3	-10.9	-18.2	-18.6	9,078	6,791	16.3
Singapore FTSE Straits Times Index	3,078	-1.2	-2.8	-7.5	-10.1	-9.5	3,642	2,956	12.6
Thailand SET Index	1,669	-0.8	-1.7	-3.1	-2.0	-4.9	1,853	1,585	15.2
Latam									
Argentina Merval Index	29,912	-4.8	1.0	11.2	7.0	-0.5	35,462	24,618	9.1
Brazil Bovespa Index*	85,641	-3.1	-0.5	8.7	17.4	12.1	89,598	69,069	13.0
Chile IPSA Index	5,180	1.5	-2.4	-2.2	-4.8	-6.9	5,895	4,847	16.1
Colombia COLCAP Index	1,420	2.1	-5.2	-7.3	-1.4	-6.2	1,598	1,379	12.7
Mexico S&P/BMV IPC Index	44,264	-2.6	-8.7	-10.1	-9.1	-10.3	51,121	42,817	15.0
EEMEA									
Russia MOEX Index	2,403	1.1	-1.7	4.1	10.1	13.9	2,502	2,065	5.4
South Africa JSE Index	53,295	-1.8	-1.6	-7.8	-11.0	-10.4	61,777	50,033	12.8
Turkey ISE 100 Index*	92,839	-1.4	-4.0	-4.5	-15.8	-19.5	121,532	84,655	7.2

*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	2.0	-2.3	-3.8	-0.9	2.2	30.0	40.0
US equities	3.0	-2.5	-1.6	6.0	9.9	40.3	69.3
Europe equities	1.3	-1.7	-6.2	-7.8	-4.9	13.6	9.1
Asia Pacific ex Japan equities	0.1	0.0	-8.6	-11.5	-10.0	27.6	20.3
Japan equities	0.1	-5.5	-5.2	-6.4	-5.7	17.9	31.0
Latam equities	-2.9	-3.9	0.2	-4.4	-2.4	42.6	-6.6
Emerging Markets equities	-0.3	0.0	-7.5	-12.4	-10.2	26.3	12.3

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.

Bond indices - Total Return	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	513	0.0	0.2	-0.5	-0.1	-0.4
JPM EMBI Global	766	0.0	-0.4	-1.1	-3.7	-5.2
BarCap US Corporate Index (USD)	2,795	0.3	-0.5	-1.3	-2.9	-3.7
BarCap Euro Corporate Index (Eur)	245	0.2	0.1	-0.7	-1.1	-0.7
BarCap Global High Yield (Hedged in USD)	467	0.4	0.1	0.1	0.7	-0.3
Markit iBoxx Asia ex-Japan Bond Index (USD)	191	0.0	-0.4	-0.8	-2.4	-2.5
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	242	0.3	-1.6	-1.4	-3.8	-4.0

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	1.13	1.14	1.15	1.15	1.16	1.20	1.26	1.13	-0.5
GBP/USD	1.30	1.30	1.31	1.28	1.31	1.35	1.44	1.27	0.0
CHF/USD	0.99	1.00	1.01	1.01	1.01	1.03	1.09	0.99	-0.2
CAD	1.32	1.31	1.29	1.31	1.27	1.26	1.34	1.23	-0.8
JPY	113.83	113.20	112.96	111.08	113.47	112.69	114.55	104.56	-0.6
AUD	1.38	1.39	1.41	1.36	1.30	1.28	1.42	1.23	0.4
NZD	1.48	1.50	1.54	1.51	1.44	1.41	1.56	1.34	1.3
Asia									
HKD	7.83	7.82	7.83	7.85	7.80	7.81	7.85	7.79	-0.2
CNY	6.96	6.89	6.92	6.82	6.64	6.51	6.98	6.24	-1.0
INR	72.50	72.44	74.39	68.68	64.94	63.87	74.48	63.25	-0.1
MYR	4.18	4.16	4.16	4.07	4.21	4.05	4.20	3.85	-0.5
KRW	1,128	1,122	1,135	1,117	1,116	1,067	1,145	1,054	-0.5
TWD	30.77	30.66	30.97	30.64	30.18	29.73	31.17	28.96	-0.4
Latam									
BRL	3.73	3.70	3.71	3.80	3.25	3.31	4.21	3.12	-0.8
COP	3,180	3,184	3,061	2,914	3,012	2,986	3,228	2,685	0.1
MXN	20.14	20.01	19.04	18.69	19.04	19.66	20.96	17.94	-0.6
EEMEA									
RUB	67.96	66.18	66.24	66.67	59.29	57.69	70.84	55.56	-2.7
ZAR	14.36	14.30	14.56	13.71	14.25	12.38	15.70	11.51	-0.4
TRY	5.46	5.43	6.10	5.55	3.87	3.80	7.24	3.72	-0.5

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	2.34	2.31	2.23	2.04	1.22	1.38	3
2-Year	2.92	2.90	2.89	2.65	1.63	1.88	2
5-Year	3.04	3.03	3.06	2.81	2.01	2.21	0
10-Year	3.18	3.21	3.21	2.93	2.34	2.41	-3
30-Year	3.38	3.45	3.37	3.07	2.82	2.74	-7
10-year bond yields (%)							
Japan	0.12	0.12	0.16	0.11	0.03	0.04	-1
UK	1.49	1.49	1.72	1.30	1.26	1.19	0
Germany	0.41	0.43	0.55	0.37	0.37	0.42	-2
France	0.79	0.78	0.89	0.71	0.75	0.78	0
Italy	3.40	3.32	3.47	2.89	1.81	2.01	8
Spain	1.60	1.57	1.60	1.39	1.53	1.56	3
China	3.49	3.55	3.63	3.55	3.91	3.90	-6
Australia	2.76	2.69	2.77	2.65	2.60	2.63	6
Canada	2.51	2.53	2.57	2.33	1.93	2.05	-3

*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	1,210	-1.9	1.7	-0.2	-5.9	-7.2	1,366	1,160
Brent Oil	69.6	-4.4	-17.7	-4.2	14.4	9.9	86	59
WTI Crude Oil	59.8	-5.3	-20.1	-8.7	7.9	3.0	77	54
R/J CRB Futures Index	188	-2.0	-5.9	-2.1	-1.8	-2.8	207	183
LME Copper	6,155	-2.0	-2.2	-1.1	-9.6	-15.1	7,348	5,773

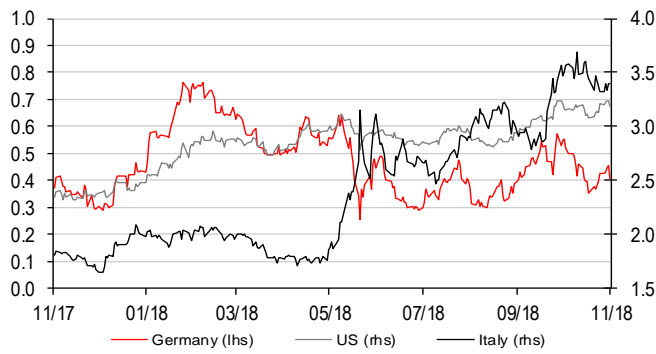
Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 9 November 2018.

Past performance is not an indication of future returns.

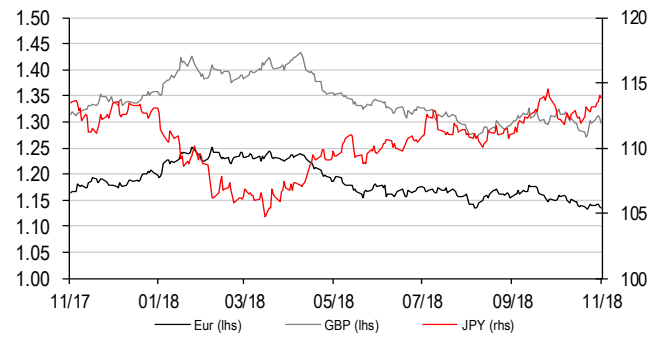
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Market trends

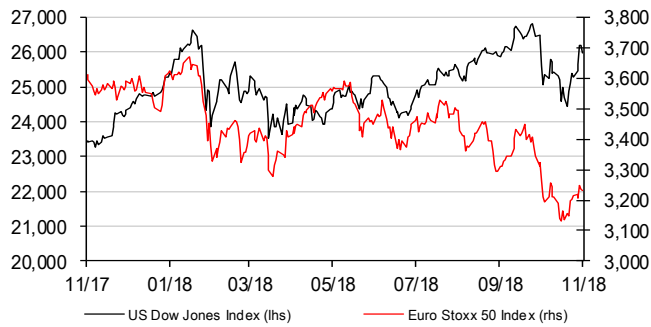
Government bond yields (%)



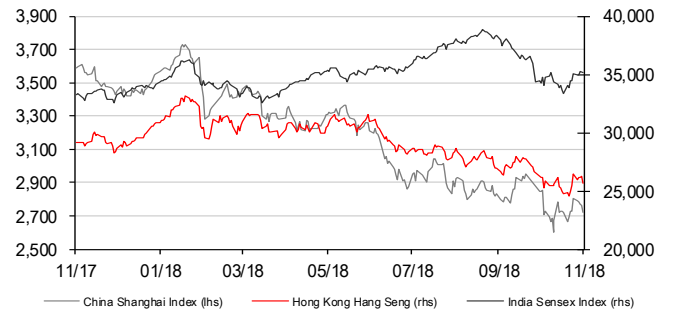
Major currencies (versus USD)



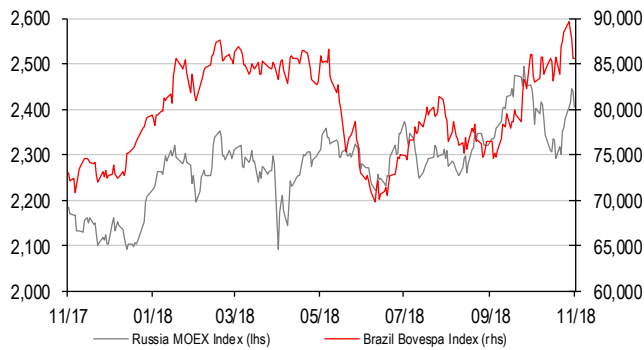
Global equities



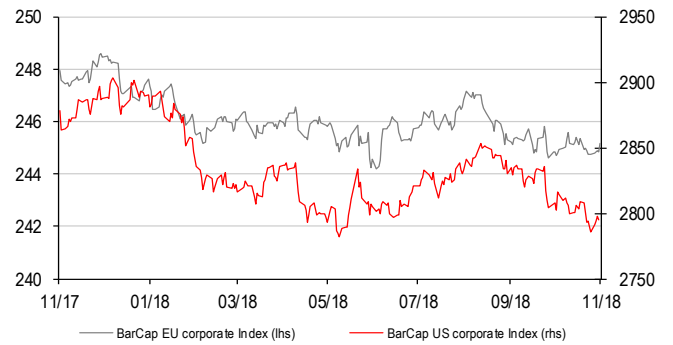
Emerging Asian equities



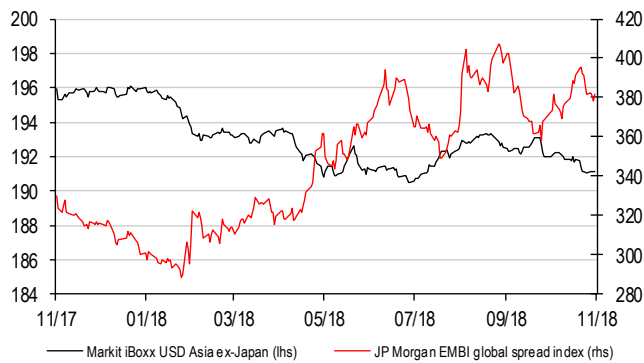
Other emerging equities



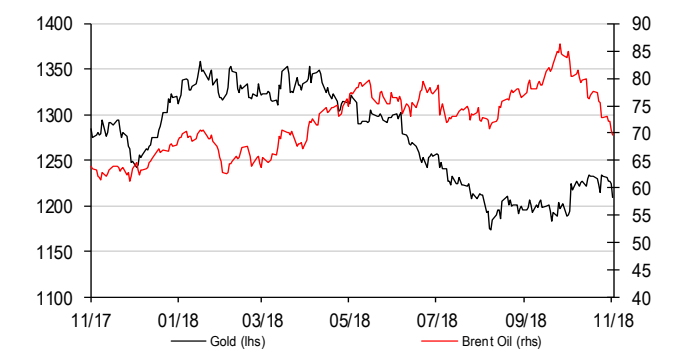
Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



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