

# Investment Weekly

## This week in detail .....

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## The week ahead .....

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## Currencies .....

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## Commodities .....

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## Market Data .....

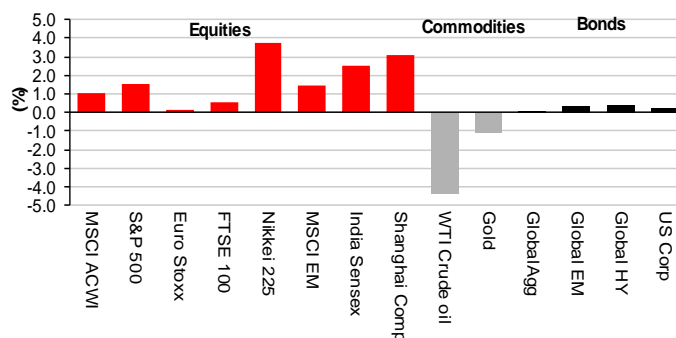
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## Market Trends .....

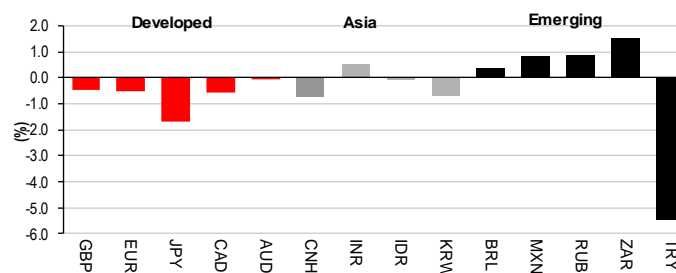
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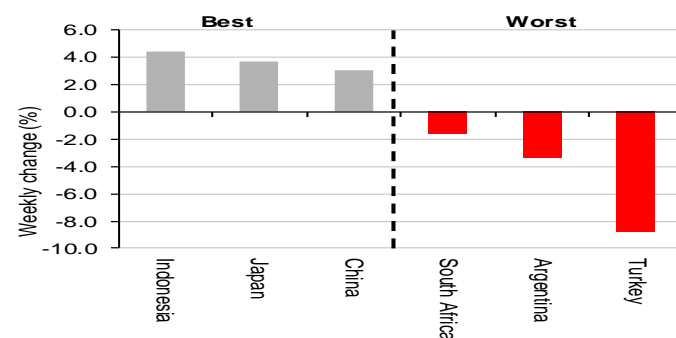
## Movers and shakers



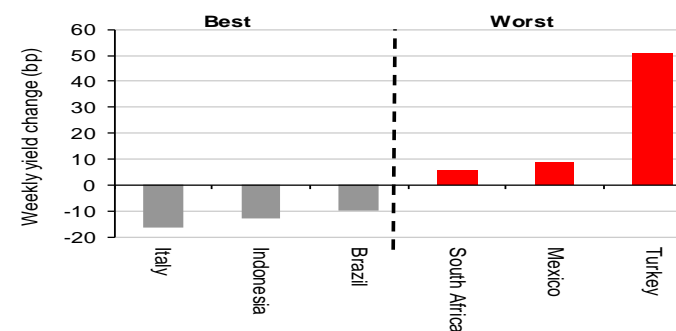
## Currencies (vs. USD)



## Equities



## Bonds (10-year yields)



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Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 13 July 2018. All the above charts relate to 06/07/2018 – 13/07/2018.. **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 09 July	Mexico	CPI (yoy)	Jun	4.6%	4.7%	4.5%
Tuesday 10 July	China	CPI (yoy)	Jun	1.9%	1.9%	1.8%
	Germany	ZEW Expectation of Economic Growth	Jul	-18.9	-24.7	-16.1
	Canada	Bank of Canada Interest Rate Decision	Jul	1.50%	1.50%	1.25%
Thursday 12 July	Eurozone	Industrial Production (seasonally adjusted, mom)	May	1.2%	1.3%	-0.8%
	India	CPI (yoy)	Jun	5.3%	5.0%	4.9%
	India	Industrial Production (yoy)	May	4.4%	3.2%	4.8%
	US	CPI (yoy)	Jun	2.9%	2.9%	2.8%
Friday 13 July	China	Trade Balance (USD bn)	Jun	27.7	41.6	24.2
	Japan	Industrial Production (mom)	May F	-	-0.2%	-0.2%
	US	University of Michigan Index of Consumer Sentiment	Jul P	98.0	97.1	98.2

P – Preliminary, F – Final

The US administration said it would implement 10% tariffs on an extra USD200 billion of Chinese imports

US CPI inflation rose to 2.9% yoy in June, in line with market expectations

China's trade surplus rose sharply in June as there may have been some frontloading of shipments to the US

The **US administration** said it would implement 10% **tariffs** on an extra USD200 billion worth of Chinese imports, prompting Beijing to promise to “fight back as usual.” **US CPI inflation** rose by 0.1 percentage points (ppt) to 2.9% yoy in June, in line with market expectations. US inflation has been steadily accelerating amid solid economic growth. The **University of Michigan Index of Consumer Sentiment** declined 1.1 points in July to 97.1, more than the expected dip to 98.0, with an increasing share of respondents worrying about the impact of tariffs.

**UK Foreign Secretary Boris Johnson resigned** his position in response to UK Prime Minister Theresa May's plans to maintain close ties to the European Union (EU) after Brexit. This followed the departure of the Brexit Secretary David Davis on Sunday night.

In Europe, the **German ZEW Expectation of Economic Growth Survey** fell by 8.6 points to -24.7 in July, well below market expectations of a smaller decline to -18.9. This leaves the index at its lowest level since August 2012. The decline in sentiment in Germany has coincided with the US administration's threat to impose auto tariffs on the EU. Meanwhile, **eurozone industrial production** rebounded by 1.3% mom in May, following a decline of 0.8% in April. This left annual growth in output at 2.4% yoy in May, slightly below longer-term trend growth at just above 3% yoy. The recovery in industrial activity over the month could support a rebound in eurozone Q2 GDP growth, following a weak Q1.

As anticipated, the **Bank of Canada** raised its overnight lending rate by 25 basis points (bps) to 1.50%. Policymakers expect headline inflation to accelerate to 2.5% yoy by the end of 2018 (0.5 ppt above target) amid higher gasoline prices. Escalating trade tensions were acknowledged, but measures announced so far were expected to have a “modest” impact.

**China's** headline **CPI inflation** for June edged higher to 1.9% yoy from 1.8% in May. Vehicle fuel prices ticked up on higher oil prices, while food price inflation remained modest. Overall, inflation remains benign, with slowing credit growth and softer end-demand helping to cushion against pressures from energy prices and higher tariffs on agricultural goods imports from the US. **China's** trade surplus expanded to USD41.6 billion in June from USD24.2 billion in May. There may have been some frontloading of shipments to the US and agricultural imports from the US, as well as lower demand for intermediate goods for export processing. Softer import demand for select industrial commodities likely indicates still tepid investment demand.

**India's CPI inflation** rose to 5.0% yoy in June, from 4.9% yoy in the prior month, although below market expectations of an increase to 5.3%. Looking ahead, inflation risks are tilted to the upside amid higher oil prices, rupee weakness, recently announced increases to Minimum Support Prices (MSPs), higher housing and other benefits, and upbeat economic activity. Therefore, the Reserve Bank of India may deliver further policy tightening this year. Meanwhile, India's industrial production fell to 3.2% yoy in May. However, trend growth remains robust and the manufacturing PMI points to a continued robust expansion.

**CPI inflation in Mexico** rose to 4.7% yoy in June, more than the anticipated acceleration to 4.6% yoy. This was due to non-core price developments, such as rising gasoline prices. Nonetheless, inflation has been moderating in 2018 and the central bank expects its 2%-4% yoy target range to be reached by the end of this year.

# The week ahead

## Macro data and key events

Date	Country	Indicator	Data as of	Survey	Prior
Monday 16 July	China	Retail Sales (yoy)	Jun	8.8%	8.5%
	China	GDP (yoy)	Q2	6.7%	6.8%
	China	Industrial Production (yoy)	Jun	6.5%	6.8%
	US	Retail Sales Advance (mom)	Jun	0.6%	0.8%
Tuesday 17 July	UK	ILO Unemployment Rate (3 months)	May	4.2%	4.2%
	US	Industrial Production (mom)	Jun	0.5%	-0.1%
	US	NAHB/Wells Fargo Housing Market Index	Jul	69	68
	US	Fed's Powell to Deliver Semi-Annual Testimony before Senate Panel			
Wednesday 18 July	UK	CPI (yoy)	Jun	2.6%	2.4%
	Eurozone	CPI (yoy)	Jun F	2.0%	2.0%
	US	Housing Starts (mom)	Jun	-1.9%	5.0%
	US	US Federal Reserve Releases Beige Book			
Thursday 19 July	South Africa	Reserve Bank Interest Rate Decision		6.5%	6.5%
	Japan	Trade Balance Adjusted (JPY bn)	Jun	155.0	-296.8
	UK	Retail Sales ex Auto Fuel (yoy)	Jun	3.7%	4.4%
Friday 20 July	Japan	National CPI ex Fresh Food, Energy (yoy)	Jun	0.4%	0.3%

Q – Quarter, F – Final

In the coming week, US retail sales data will be in focus along with Fed Chair Jerome Powell's testimony to Congress

### US

In the **US**, the latest **Beige Book** – the US Federal Reserve's (Fed) compendium of economic anecdotes – is likely to show still robust economic activity, reaffirming policymakers' outlook for gradual policy tightening. Comments on the effect of trade tensions are likely to be scrutinised. The overall solid US backdrop will be highlighted by **Fed Chair Jerome Powell's semi-annual monetary policy report to Congress**. Legislators could raise questions on the effect of recently imposed tariffs on the policy outlook, yield curve flattening and regulatory issues. **Retail sales** are expected to rise by 0.6% mom in June. Household spending has rebounded in recent months, bolstered by a solid labour market and tax cuts. **Industrial production** is projected to advance by 0.5% mom in June, following an unexpected 0.1% mom dip in May caused by disruptions in the auto parts supply chain. Turning to housing, the **NAHB/Wells Fargo Housing Market Index** is forecast to edge up one point to 69 in July. The measure remains at elevated levels due to firm buyer demand, but has eased lately amid rising input costs. Finally, **housing starts** for June are expected to decline 1.9% mom after a 5.0% mom jump in May amid a surge in the volatile multi-family component.

### Europe

The **UK unemployment rate** in the three months to May is expected to hold at 4.2%. Any signs of faster wage growth are likely to boost the prospect of a Bank of England rate hike next month. **CPI inflation** is anticipated to edge up to 2.6% yoy, mainly on the back of higher petrol and utility prices. Core inflation may hold at 2.1% yoy. Finally, **retail sales** (excluding auto fuel) are expected to rise by 0.3% mom in June, following a robust 1.3% gain in the prior month. This would maintain a recovery in the underlying trend that began in April.

### Emerging markets and Japan

**China's industrial production** growth likely edged lower to 6.5% yoy in June, partly due to base effects and fewer working days versus last June. Urban **fixed asset investment (FAI)** growth may ease further to 6.0% yoy (year-to-date) from 6.1%, but this would imply a modest recovery in month-on-month FAI growth. **Retail sales** growth may have rebounded to 8.8% yoy in June from 8.5% in May, partly due to a favourable holiday effect, but auto sales likely remained a drag on growth. Overall, **Q2 GDP growth** likely moderated to 6.7% yoy from 6.8% in Q1 amid tighter credit conditions and softer domestic demand growth.

**Japan's trade surplus** for June is expected to rebound to JPY155 billion from a deficit of JPY297 billion in May. **Japan's CPI inflation** for June is expected to rise slightly, with core inflation (excluding fresh food and energy) accelerating, from 0.3% yoy to 0.4%, as suggested by the leading index for the Tokyo region. Headline CPI is expected to rise to 0.8% yoy (0.7% in May), boosted by a weaker yen and higher crude oil prices.

China Q2 GDP and June activity data will be scrutinised closely

# Market moves

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## Equities

Most global stock markets rose as earnings optimism outweighed trade concerns

## Bonds

Policy-sensitive shorter-dated Treasuries fell amid evidence of firming inflation; Italian bonds rallied

## Currencies

Most currencies weakened against the US dollar amid trade concerns; sterling retreated on UK political tensions

## Commodities

Oil prices fell as US-China trade tensions escalated

## Equities

**US equities** advanced this week as optimism over the earnings season, amid recent robust US economic data, helped to overshadow ongoing uncertainty over US-China trade relations. However, some of these gains were erased on Wednesday as the US administration began the process of imposing an additional 10% tariff on USD200 billion worth of Chinese imports. Overall, the S&P 500 Index rose 1.5% with technology stocks outperforming.

Most **European equity** indices also rose this week amid a rebound in eurozone industrial production for May and as investor attention turned away from trade concerns and towards the earnings season. However, a re-emergence of global trade tensions on Wednesday erased some of the earlier gains. The EURO STOXX 50 Index finished the week at 0.2% with gains led by technology stocks and industrials. At the country level, Germany's DAX added 0.4% and the UK's FTSE 100 Index gained 0.6% on a weaker sterling. Peripheral markets underperformed, with Spain's IBEX 35 retreating 1.7%.

**Asian stock markets** posted gains this week, as investors refocused on corporate earnings and economic data and away from trade concerns. The Trump administration released a proposed list of another USD200 billion of Chinese products that will be subject to an additional 10% import tariff, although China refrained from announcing how it plans to retaliate and both countries signalled they were open to resuming negotiations. Chinese stocks were also helped by hopes for policy support and Japanese stocks got a lift from a weaker yen. Meanwhile, Indian stocks also advanced amid investor optimism over corporate earnings, a stronger rupee and lower crude oil prices.

## Bonds

**US Treasuries** sold off slightly over the week, pushing 10-year yields higher by 1 bp to 2.83%. While increasing risk appetite pushed yields higher (prices lower) at the beginning of the week, concerns about trade frictions supported prices later in the week. More policy-sensitive shorter-dated Treasuries underperformed as producer price data indicated firming inflationary pressure in June, and an auction for three-month bills encountered only tepid demand.

**European government bonds** yields were little changed this week, broadly tracking trade-related shifts in risk appetite. French 10-year yields dropped by 2 bps to 0.62% and German equivalents gained 5 bps to 0.34%. Italy outperformed its European peers, with 10-year yields falling by 16 bps to 2.55%. Meanwhile, UK gilt yields were barely changed as political concerns offset the prospect of imminent rate hikes by the Bank of England given solid data releases this week. Ten-year gilt yields closed the week at 1.27%.

## Currencies

The **British pound** retreated this week against the US dollar (-0.5%) on UK political tensions amid Boris Johnson's resignation as the UK foreign secretary and as US President Donald Trump suggested that the UK's current Brexit plans may prevent a bilateral UK-US trade deal. Similarly, the euro also fell (-0.5%) following the weaker than expected ZEW survey data release in Germany and as trade tensions persisted.

**Asian currencies** other than the Indian rupee weakened against a broadly higher US dollar this week, with the Japanese yen underperforming amid a recovery in risk appetite. Gains in the rupee came amid US-dollar selling by banks and exporters, weaker than expected June inflation data and a drop in oil prices. The Chinese yuan depreciated amid continuing trade tensions, despite data showing robust export growth and a larger than expected trade surplus for June.

## Commodities

**Crude oil** prices fell this week, with the bulk of the decline occurring on Wednesday given concerns around demand as US-China trade war tensions escalated. Investors shrugged off the larger than expected decline in US crude inventories last week (-12.6 million barrels, according to official data). Overall, Brent crude fell 2.8% to close at USD74.9 a barrel.

**Gold** prices also fell this week (-1.1% to USD1,241 per troy ounce), mainly on the back of US dollar strength and failing to benefit from global trade tensions.

# 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)
<b>Equity Indices</b>									
<b>World</b>									
MSCI AC World Index (USD)	515	1.0	-0.9	0.9	9.4	0.4	551	470	15.6
<b>North America</b>									
US Dow Jones Industrial Average	25,019	2.3	-0.7	2.7	16.1	1.2	26,617	21,471	16.2
US S&P 500 Index	2,801	1.5	0.9	5.5	14.4	4.8	2,873	2,417	17.5
US NASDAQ Composite Index	7,826	1.8	1.7	10.1	24.7	13.4	7,844	6,177	23.6
Canada S&P/TSX Composite Index	16,561	1.2	1.8	8.4	9.4	2.2	16,586	14,786	15.9
<b>Europe</b>									
MSCI AC Europe (USD)	467	-0.1	-1.5	-3.9	1.9	-4.2	524	452	14.0
Euro STOXX 50 Index	3,455	0.2	-0.7	0.2	-2.1	-1.4	3,709	3,262	14.0
UK FTSE 100 Index	7,662	0.6	-0.5	5.5	3.4	-0.3	7,904	6,867	13.8
Germany DAX Index*	12,541	0.4	-2.7	0.8	-0.8	-2.9	13,597	11,727	13.1
France CAC-40 Index	5,429	1.0	-0.4	2.1	3.7	2.2	5,657	4,995	14.7
Spain IBEX 35 Index	9,735	-1.7	-1.7	-0.3	-8.7	-3.1	10,758	9,328	12.7
<b>Asia Pacific</b>									
MSCI AC Asia Pacific ex Japan (USD)	538	0.8	-5.8	-5.8	4.3	-5.6	617	510	13.1
Japan Nikkei-225 Stock Average	22,597	3.7	-1.6	3.8	12.4	-0.7	24,129	19,240	16.4
Australian Stock Exchange 200	6,268	-0.1	4.1	7.5	9.3	3.4	6,306	5,639	16.0
Hong Kong Hang Seng Index	28,525	0.7	-7.2	-7.4	8.3	-4.7	33,484	26,296	11.4
Shanghai Stock Exchange Composite Index	2,831	3.1	-7.2	-10.4	-12.0	-14.4	3,587	2,691	11.3
Hang Seng China Enterprises Index	10,746	1.2	-10.7	-12.4	0.6	-8.2	13,963	10,450	7.5
Taiwan TAIEX Index	10,865	2.4	-2.8	-0.9	3.9	2.1	11,270	10,189	13.9
Korea KOSPI Index	2,311	1.7	-6.4	-5.9	-4.1	-6.3	2,607	2,244	9.1
India SENSEX 30 Index	36,542	2.5	2.2	6.9	14.1	7.3	36,740	31,082	19.1
Indonesia Jakarta Stock Price Index	5,944	4.4	-0.8	-5.2	2.0	-6.5	6,693	5,558	15.2
Malaysia Kuala Lumpur Composite Index	1,722	3.5	-2.4	-7.8	-1.8	-4.2	1,896	1,658	16.4
Philippines Stock Exchange PSE Index	7,399	3.0	-2.7	-6.3	-6.8	-13.5	9,078	6,924	17.0
Singapore FTSE Straits Times Index	3,260	2.1	-3.9	-6.9	0.8	-4.2	3,642	3,176	13.0
Thailand SET Index	1,644	1.8	-4.4	-7.0	4.1	-6.3	1,853	1,556	15.1
<b>Latam</b>									
Argentina Merval Index	26,514	-4.0	-12.3	-16.1	20.6	-11.8	35,462	20,845	7.7
Brazil Bovespa Index*	76,594	2.1	6.2	-9.2	17.5	0.3	88,318	64,599	11.5
Chile IPSA Index	5,305	0.4	-4.1	-5.8	6.4	-4.7	5,895	4,847	15.6
Colombia COLCAP Index	1,547	-0.7	-0.4	0.5	3.7	2.2	1,598	1,415	15.8
Mexico S&P/BMV IPC Index	48,406	-1.2	3.5	-0.7	-5.0	-1.9	51,772	44,429	17.2
<b>EEMEA</b>									
Russia MOEX Index	2,346	0.0	3.3	7.9	19.7	11.2	2,379	1,904	6.0
South Africa JSE Index	56,364	-1.7	-3.5	-0.4	5.7	-5.3	61,777	52,906	14.0
Turkey ISE 100 Index*	89,898	-8.9	-3.9	-18.0	-13.7	-22.1	121,532	88,169	6.6

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

<b>Equity Indices - Total Return</b>	1-week Change (%)	1-month Change (%)	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)
Global equities	0.9	-0.9	1.4	1.4	11.3	27.8	53.4
US equities	1.4	0.9	5.9	5.7	16.1	38.7	79.1
Europe equities	-0.2	-1.5	-2.7	-2.2	4.7	11.6	29.1
Asia Pacific ex Japan equities	1.0	-5.3	-4.7	-4.1	7.1	26.9	41.0
Japan equities	0.7	-4.8	-3.5	-3.0	10.0	20.9	33.5
Latam equities	1.8	3.3	-14.5	-7.8	-2.0	11.6	-5.3
Emerging Markets equities	1.2	-5.1	-7.5	-6.2	5.2	21.8	27.4

All total returns quoted in USD 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 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.

<b>Bond indices - Total Return</b>	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	516	0.0	0.9	0.6	2.0	0.3
JPM EMBI Global	778	0.3	1.8	-2.2	-0.9	-3.8
BarCap US Corporate Index (USD)	2,827	0.2	1.0	-0.2	-0.1	-2.6
BarCap Euro Corporate Index (Eur)	246	0.3	0.7	0.0	1.3	-0.2
BarCap Global High Yield (Hedged in USD)	464	0.4	0.2	-1.1	1.8	-1.1
Markit iBoxx Asia ex-Japan Bond Index (USD)	191	0.3	-0.1	-1.3	-0.8	-2.6
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	239	0.5	-2.1	-5.0	-2.2	-5.3

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

<b>Currencies (vs USD)</b>	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 (%)
<b>Developed markets</b>									
EUR/USD	1.17	1.17	1.18	1.23	1.14	1.20	1.26	1.14	-0.5
GBP/USD	1.32	1.33	1.34	1.42	1.29	1.35	1.44	1.28	-0.5
CHF/USD	1.00	1.01	1.01	1.04	1.03	1.03	1.09	0.99	-1.2
CAD	1.32	1.31	1.30	1.26	1.27	1.26	1.34	1.21	-0.6
JPY	112.38	110.47	110.34	107.35	113.28	112.69	114.73	104.56	-1.7
AUD	1.35	1.35	1.32	1.29	1.29	1.28	1.37	1.23	-0.1
NZD	1.48	1.46	1.42	1.36	1.37	1.41	1.50	1.32	-1.1
<b>Asia</b>									
HKD	7.85	7.85	7.85	7.85	7.81	7.81	7.85	7.79	0.0
CNY	6.69	6.64	6.40	6.28	6.78	6.51	6.78	6.24	-0.7
INR	68.53	68.88	67.64	65.22	64.45	63.87	69.09	63.25	0.5
MYR	4.05	4.04	3.99	3.88	4.29	4.05	4.30	3.85	-0.3
KRW	1,123	1,116	1,086	1,070	1,136	1,067	1,150	1,054	-0.7
TWD	30.60	30.49	29.89	29.31	30.36	29.73	30.68	28.96	-0.4
<b>Latam</b>									
BRL	3.85	3.86	3.72	3.42	3.21	3.31	3.97	3.08	0.3
COP	2,860	2,872	2,859	2,712	3,045	2,986	3,080	2,685	0.4
MXN	18.89	19.04	20.64	18.04	17.68	19.66	20.96	17.45	0.8
<b>EEMEA</b>									
RUB	62.45	62.99	62.51	62.17	59.80	57.69	65.04	55.56	0.9
ZAR	13.27	13.47	13.31	12.07	13.21	12.38	14.57	11.51	1.5
TRY	4.84	4.57	4.65	4.10	3.57	3.80	4.97	3.39	-5.8

<b>Bonds</b>	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2017	1-week Basis Point Change *
<b>US Treasury yields (%)</b>							
3-Month	1.97	1.94	1.92	1.75	1.03	1.38	3
2-Year	2.58	2.54	2.57	2.36	1.36	1.88	4
5-Year	2.72	2.72	2.83	2.67	1.89	2.21	1
10-Year	2.83	2.82	2.97	2.83	2.34	2.41	1
30-Year	2.93	2.93	3.09	3.03	2.92	2.74	0
<b>10-year bond yields (%)</b>							
Japan	0.04	0.03	0.05	0.03	0.08	0.04	1
UK	1.27	1.27	1.37	1.43	1.30	1.19	0
Germany	0.34	0.29	0.48	0.51	0.60	0.42	5
France	0.62	0.64	0.84	0.74	0.88	0.78	-2
Italy	2.55	2.71	2.80	1.79	2.32	2.01	-16
Spain	1.26	1.31	1.40	1.23	1.70	1.56	-5
China	3.50	3.53	3.68	3.72	3.57	3.90	-3
Australia	2.63	2.62	2.78	2.74	2.69	2.63	0
Canada	2.13	2.13	2.32	2.24	1.91	2.05	0

\*Numbers may not add up due to rounding

<b>Commodities</b>	Latest	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,241	-1.1	-4.5	-7.7	2.0	-4.7	1,366	1,213
Brent Oil	74.9	-2.8	-2.4	3.2	54.7	12.0	81	47
WTI Crude Oil	71.0	-3.8	6.6	5.4	54.1	17.5	75	45
R/J CRB Futures Index	194	-2.2	-3.2	-3.0	11.1	-0.1	207	173
LME Copper	6,228	-0.9	-14.2	-8.8	6.0	-14.1	7,348	5,858

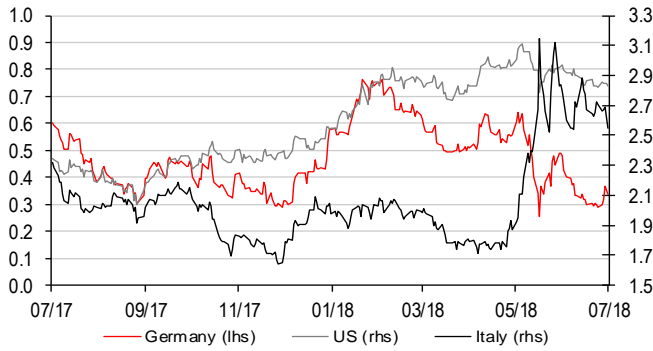
Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 13 July 2018.

Past performance is not an indication of future returns

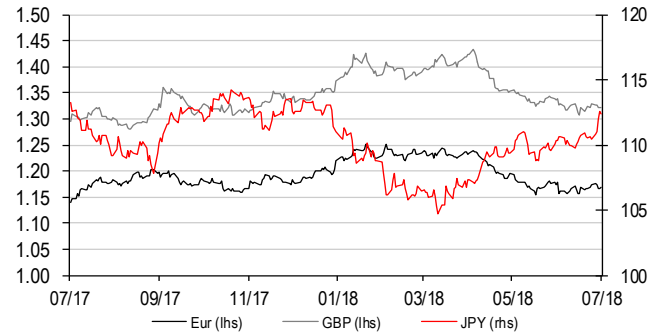
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# Market Trends

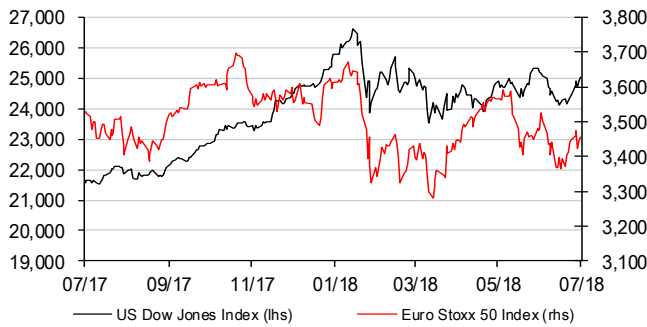
**Government bond yields (%)**



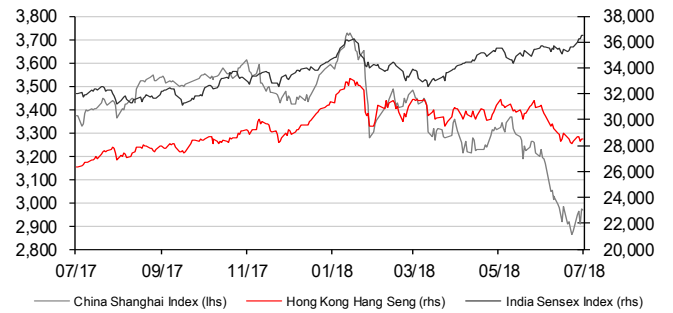
**Major currencies (vs. USD)**



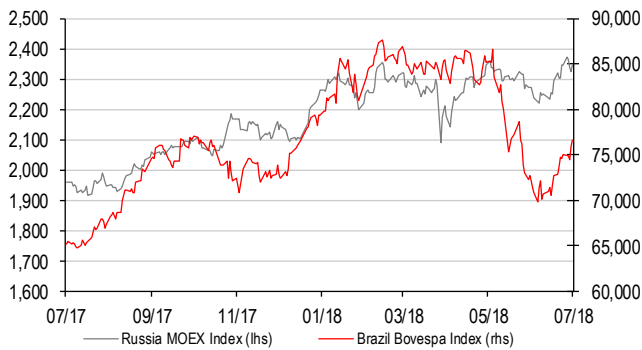
**Global equities**



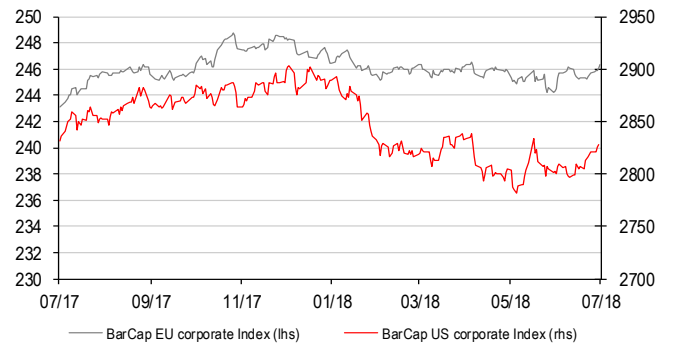
**Emerging Asian equities**



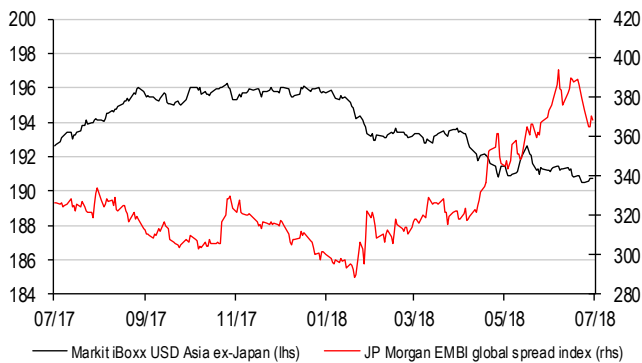
**Other emerging equities**



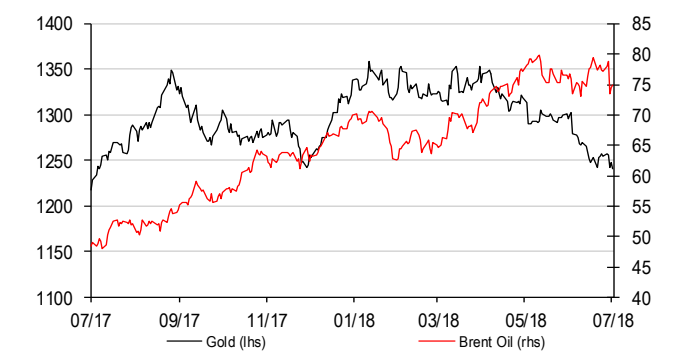
**Global credit indices**



**Emerging markets spreads (USD indices)**



**Commodities (USD)**





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