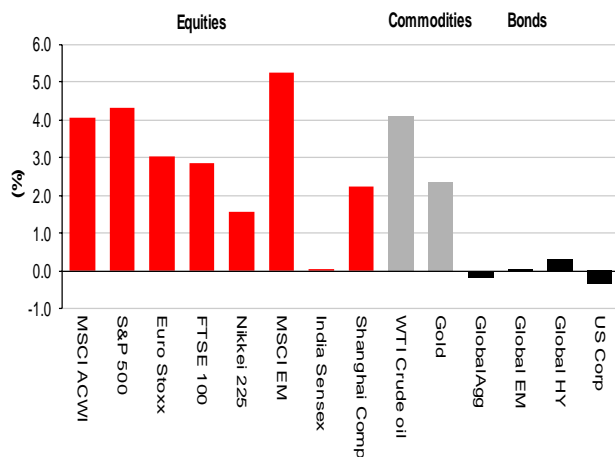


- ▶ Global equities rebounded this week, following the previous week's large losses, amid improved risk sentiment and easing volatility
- ▶ In the US, January CPI inflation data showed signs of rising cyclical price pressures while retail sales in the same month unexpectedly fell
- ▶ In the coming week, investor focus will turn to German survey data, January meeting minutes from the Federal Open Market Committee (FOMC) and European Central Bank (ECB) and UK Q4 GDP data

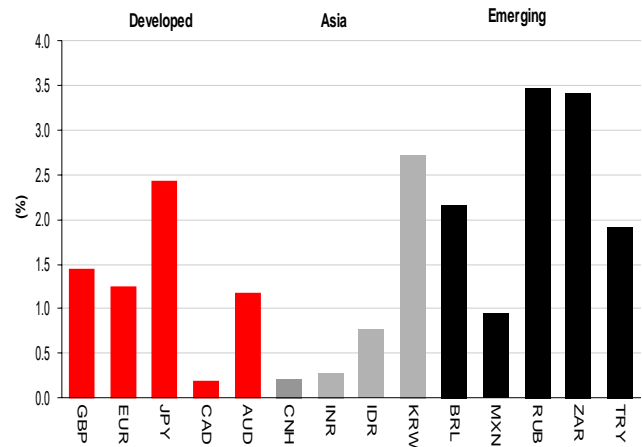
### Movers and shakers

Global equities rallied, following the previous week's losses

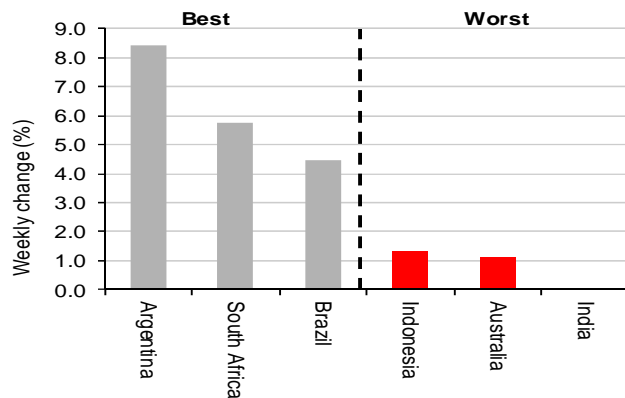


### Currencies (versus USD)

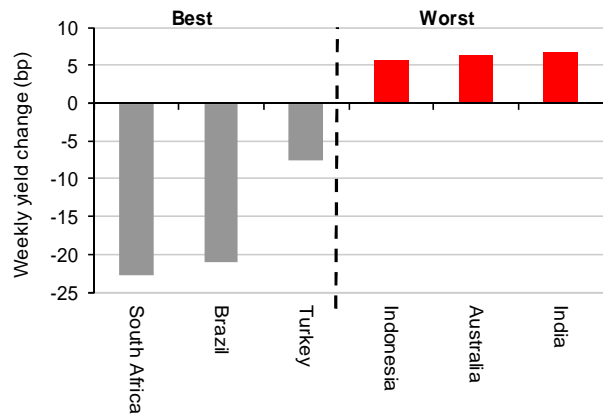
Most currencies gained against the US dollar



### 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 16 February 2018. All the above charts relate to 09/02/2018 – 16/02/2018.

Past performance is not an indication of future returns.

## Macro Data and Key Events

Past Week (12-16 February 2018)

| Date                  | Country  | Indicator  | Data as of | Survey | Actual | Prior |
|-----------------------|----------|--|------------|--------|--------|-------|
| Monday 12 February    | India    | CPI (yoy)  | Jan        | 5.1%   | 5.1%   | 5.2%  |
|                       | India    | Industrial Production (yoy)                        | Dec        | 6.1%   | 7.1%   | 8.8%  |
| Tuesday 13 February   | UK       | CPI (yoy)  | Jan        | 2.9%   | 3.0%   | 3.0%  |
| Wednesday 14 February | Japan    | GDP (seasonally adjusted, qoq annualised)          | Q4 P       | 1.0%   | 0.5%   | 2.2%  |
|                       | Eurozone | GDP (seasonally adjusted, qoq) 2nd estimate        | Q4 P       | 0.6%   | 0.6%   | 0.6%  |
|                       | Eurozone | Industrial Production (seasonally adjusted, mom)   | Dec        | 0.1%   | 0.4%   | 1.3%  |
|                       | US       | CPI (yoy)  | Jan        | 1.9%   | 2.1%   | 2.1%  |
| Thursday 15 February  | US       | Retail Sales Advance (mom)                         | Jan        | 0.2%   | -0.3%  | 0.0%  |
|                       | US       | Industrial Production (mom)                        | Jan        | 0.2%   | -0.1%  | 0.4%  |
|                       | US       | NAHB/Wells Fargo Housing Market Index              | Feb        | 72     | 72     | 72    |
|                       | US       | Housing Starts (mom)                               | Jan        | 3.5%   | 9.7%   | -6.9% |
| Friday 16 February    | US       | University of Michigan Index of Consumer Sentiment | Feb P      | 95.5   | 99.9   | 95.7  |

P – Preliminary, Q – Quarter

- ▶ In the **US**, headline **CPI inflation** beat market expectations, rising 0.5% mom in January, reflecting a 3.0% rise in energy prices and bringing the annual inflation rate to 2.1% yoy (consensus +1.9% yoy). Core inflation rose 0.3% mom, beating expectations of 0.2%, the largest monthly climb since March 2005. But the year-on-year rate remained stable at 1.8% yoy (consensus +1.7% yoy). In conjunction with the January employment report, the data is likely to continue to keep markets on edge about pending wage and inflation pressures. **US retail sales** unexpectedly declined 0.3% mom in January, missing projections of a 0.2% rise. Retail sales excluding autos and the key retail control measure (autos, gasoline and building materials) were both flat. However, on a trend annual growth basis, the control group measure reached close to a three-year high, and is set against a backdrop of euphoric consumer sentiment and still-healthy employment growth. Meanwhile, **US industrial production** edged down 0.1% mom in January, missing expectations for 0.2% growth. The result was driven by a decline in mining industry output (-1.0% mom). More positively, the year-on-year rate remained healthy (+3.7%). In terms of housing market data, the **NAHB/Wells Fargo Housing Market Index** stayed unchanged at 72, matching consensus estimates. This remains close to the 18-year-high level reached in December (74) as a dip in present sales (down one point to 78) was offset by increased expectations of future sales (up two points to 78). Prospective buyer traffic remained unchanged at 54. **Housing starts** beat estimates of a 3.5% mom rise and jumped 9.7% in January. The result followed a sharp 6.9% mom decline in December (upwardly revised from a decline of +8.2% mom) and is positive news as residential demand has been outpacing available inventory for some time. Meanwhile, building permits also jumped 7.4% mom from a decrease of -0.2% in the prior month. Overall, housing demand is being underpinned by robust employment and relatively low mortgage rates, although recent tax reforms have made home ownership less attractive in some segments. The **University of Michigan Index of Consumer Sentiment** unexpectedly surged higher in February to the second-highest level since 2004 as potential concerns over recent stock market volatility were likely offset by a robust job market and the perceived impact of recent tax cuts. Year-ahead inflation expectations were unchanged at 2.7%. Finally, in prepared remarks at his ceremonial swearing in, new **US Fed Chair Jerome Powell** reiterated that “we are in the process of gradually normalizing both interest rate policy and our balance sheet with a view to extending the recovery...” Elsewhere, he noted that “we will remain alert to any developing risks to financial stability.”
- ▶ In Germany, the **potential for a new grand coalition government seems to have increased** as the SPD elected a new party leader, Andrea Nahles, who noted “I’ll lobby in favour of entering into a grand coalition” with Angela Merkel’s bloc. Looking ahead, the earlier agreement between Merkel and the SPD needs to be approved by the 460,000 SPD members, which is expected to wrap up in early March. In terms of data, **eurozone Q4 2017 GDP growth** was confirmed at 0.6%, in line with the first release and a tad weaker than in the previous two quarters (+0.7% qoq). The full detail of the components will not be available until the third release on 7 March. Based on the detail available so far from individual countries, it seems that growth was driven by strong investment and exports, while private consumption might have eased a little from previous quarters. The **UK’s CPI inflation** was unchanged at 3.0% yoy in January, against market expectations of a drop to 2.9%. The latest outturn was also in line with the Bank of England’s estimate, implicit in its latest forecasts from the February Inflation Report. The core inflation rate (excluding energy, food, alcohol and tobacco) accelerated to 2.7% in January from 2.5% previously.
- ▶ In Asia, **Japan’s GDP growth** for Q4 came in weaker than expected at a 0.5% qoq annualised rate (consensus: +1.0%), while growth for Q3 was revised down from 2.5% to 2.2%. Private consumption contributed the most to GDP growth (+0.3 ppt), as consumption rebounded after a decline in Q3. Despite tight labour market conditions, real compensation of employees dropped 0.4%, suggesting consumption may weaken in Q1. Meanwhile, a surge in imports offset the positive contribution from exports to GDP growth. **India’s** January **CPI inflation** came in at 5.1% yoy, down from 5.2% in December. CPI excluding food and fuel remained steady at 5.1% yoy. Food inflation came in lower at 4.6% yoy (+4.9% previously), largely on the back of the arrival of new crops in the market. However, base effects are expected to keep food inflation high, at least in the first half of FY19. **India’s industrial production** grew 7.1% yoy in December (versus +8.8% yoy in November), higher than the consensus estimate of 6.0% yoy. After a strong rebound in November, growth momentum was expected to ease in December.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 16 February 2018.

**Past performance is not an indication of future returns.**

## Coming Week (19-23 February 2018)

| Date                  | Country  | Indicator   | Data as of | Survey | Prior |
|-----------------------|----------|---|------------|--------|-------|
| Monday 19 February    | Japan    | Trade Balance, adjusted (JPY bn)                      | Jan        | 143.9  | 86.8  |
| Tuesday 20 February   | Germany  | ZEW Expectation of Economic Growth                    | Feb        | 16.2   | 20.4  |
| Wednesday 21 February | Eurozone | Markit Composite PMI                                  | Feb P      | 58.4   | 58.8  |
|                       | UK       | ILO Unemployment Rate (3 months)                      | Dec        | 4.3%   | 4.3%  |
|                       | UK       | Bank of England Governor Mark Carney Speaks in London |            |        |       |
|                       | US       | Existing Home Sales (mom)                             | Jan        | 0.5%   | -3.6% |
|                       | US       | Fed Publishes Minutes of 31 Jan. FOMC Meeting         | Feb        | 1.5%   | -3.6% |
| Thursday 22 February  | Germany  | Ifo Business Climate Index                            | Feb        | 117.0  | 117.6 |
|                       | UK       | GDP (qoq)   | Q4 P       | 0.5%   | 0.5%  |
|                       | Japan    | National CPI ex Fresh Food and Energy (yoy)           | Jan        | 0.3%   | 0.3%  |
|                       | Eurozone | ECB Minutes from the January Meeting                  |            |        |       |
| Friday 23 February    | Eurozone | CPI (yoy)   | Jan F      | 1.3%   | 1.4%  |
|                       | Mexico   | GDP, seasonally adjusted (qoq)                        | Q4 F       | -      | 1.0%  |

P – Preliminary, Q – Quarter, F – Final

### US

- ▶ The **FOMC's 31 January meeting minutes** will be a focus for investors next week. The committee's post-meeting statement reaffirmed a gradual pace of rate increases, and the US Federal Reserve (Fed) already incorporated a tax reform boost in its December economic projections. Furthermore, January's higher than expected nonfarm payroll wage data was released after the meeting. Nevertheless, the minutes may provide greater details around the Fed's inflation and policy outlook for the rest of the year, as well as how the committee is monitoring financial stability risks.
- ▶ **US existing home sales** are pencilled in to rise 0.5% mom to an annualized rate of 5.6 million in January, just above the current 12-month trailing annualized rate of 5.55 million. The release will follow December's 3.6% drop in resales amid low inventory, but there continues to be a steady uptrend, supported by relatively low mortgage costs and robust employment.

### Europe

- ▶ In Europe, **Germany's ZEW Expectation of Economic Growth** is expected to dip by 4.2 points in February to 16.2. This is slightly below the recent trend rate and is likely to reflect the large sell-off in financial assets at the beginning of the month given that this survey is predominantly drawn from finance professionals. Similarly, the **Ifo Business Climate Index** is expected to decline slightly in February (-0.6 points to 117.0), although this is from the record high set in the prior month. Only a much larger decline in the index is likely to trigger concerns over the health of the German economy.
- ▶ The February **eurozone PMIs** are expected to moderate slightly in the preliminary estimate, with the composite measure seen declining 0.4 points to 58.8. This follows a slight deceleration in Q4 GDP growth, suggesting that sentiment indicators continue to overstate the pace of growth, and a gradually easing tailwind from global trade. Nevertheless, this would still leave the index close to levels last seen in 2006.
- ▶ At the **ECB's January policy meeting**, ECB President Mario Draghi confirmed the possibility that asset purchases could end in September. The release of the minutes from this meeting could shed some light on how and when the bank will tweak its forward guidance (currently explicitly linking asset purchases to the bank reaching its inflation target) to provide room for this to happen. Any discussion around recent euro strength will also be of interest.
- ▶ In the UK, the **unemployment rate** in the three months to December is expected to hold at 4.3%, remaining at its lowest rate since June 1975. Interestingly, this is now above the Bank of England's estimate of the "equilibrium" rate of unemployment of 4.25% (previously 4.50%), suggesting that the labour market will need to tighten further before wage growth accelerates.
- ▶ The second estimate of **Q4 UK GDP** is likely to confirm growth of 0.5% over the quarter. Any positive surprise is likely to boost the likelihood of a near-term rate hike by the Bank of England, following hawkish signals provided at the 8 February meeting.

### Japan

- ▶ **Japan's core inflation** (CPI excluding fresh food and energy) is expected to remain unchanged in January, at 0.3% yoy, as core inflation in the region of Tokyo, which leads national data by one month, showed a similar trend last month. More generally, the appreciation of the yen since the beginning of the year will likely reduce imported inflation in the next few months and hence weigh on overall inflation. Domestic services prices, a proxy for domestic underlying inflationary pressures, have also remained flattish over the past two years.
- ▶ **Japan's trade surplus** is expected to rebound in January, to JPY143.9 billion seasonally adjusted. Q4 GDP growth slowed down sharply, implying a deceleration in imports, which are expected at 7.8% yoy in January, down from 14.9% in the prior month. Meanwhile, export growth is expected to increase slightly to 9.4% yoy, from 9.3% in December.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 16 February 2018.

**Past performance is not an indication of future returns.**

## Market Moves

### Global equities rebound amid improved risk sentiment and easing volatility

- ▶ **US equities** closed up this week, snapping two consecutive weeks of losses, amid improved risk appetite and easing volatility. This was despite the upbeat CPI data release for January, which was offset by weaker than expected jobless claims and manufacturing data releases, with the latter helping to moderate worries about an overheating economy. Overall, the S&P 500 Index closed up 4.3%, amid broad-based sector gains led by technology stocks following strong earnings releases.
- ▶ After three weeks of falling stock prices, European markets gained some ground this week. Rising crude oil prices and positive earnings surprises supported the market recovery, while investors shrugged off renewed weakness in the US dollar. The EURO STOXX 50 Index rose 3.0% with all sectors gaining and industrials outperforming, while the telecommunication sector lagged the broader market. All national markets participated in the rally. The French CAC 40 was in the lead, rising 4.0% on the week. The UK's FTSE 100 Index gained 2.9%.
- ▶ In **Asia**, equity markets also gained in a shortened trading week, with many country indices closed for the Lunar New Year holidays. Investors took a positive lead from the improved risk sentiment in the US and European markets, amid easing concerns about inflation and asset class volatility. In China, the Shanghai Stock Exchange Composite Index added 2.2% and offshore stocks listed in Hong Kong's Hang Seng Index rose 5.4%. Meanwhile, Japan's Nikkei 225 Index erased earlier losses in the week to close up 1.6% despite a weaker than expected GDP print for Q4 and a stronger yen versus the US dollar.

### US Treasuries continued to decline amid higher than expected CPI inflation data

- ▶ **US Treasuries** declined this week amid higher than expected CPI inflation data, although President Donald Trump's call for reducing existing public investment programmes alleviated some concerns about rising issuance of long-term Treasuries, supporting the long end of the curve. Overall, two-year yields rose by 12 bps to 2.19% and 10-year yields were broadly flat at 2.87%.
- ▶ **European sovereign bonds** largely followed movements in US markets this week, with yields jumping on Wednesday, as global markets adjusted to strong US inflation data. After peaking on Thursday, this movement ebbed off as other US data releases eased concerns about an overheating economy. Overall, core European yields ended the week little changed, although in the periphery, Italian bonds outperformed with yields dropping 6 bps to 1.98%.

### The dollar fell against most currencies amid improved risk appetite

- ▶ Both the **euro and the British pound** appreciated against the US dollar this week, as investor risk appetite improved and as investors pulled out of their US dollar "safe-haven" positions. The euro appreciated by 1.2%, amid the increased probability of a German "grand coalition" and stronger than expected manufacturing data. Sterling appreciated by 1.4%, despite weaker than expected retail sales data.
- ▶ The **Japanese yen** appreciated by 2.4% against the US dollar this week, at one point strengthening past 106 to the dollar for the first time since late 2016, as the market seemed unperturbed by the re-nomination of Governor Haruhiko Kuroda to lead the Bank of Japan. Elsewhere, most Asian currencies appreciated on the back of improved risk sentiment, with the Thai baht, South Korean won, Singapore dollar and Malaysian ringgit all gaining more than 1%. China's renminbi fell by 0.6% in a holiday-shortened week, and the Philippine peso dropped 1% as the country posted its largest trade deficit on record for a single month in December 2017.

### Oil and gold prices boosted by US dollar weakness

- ▶ **Oil prices** rose this week, boosted by US dollar weakness and as the U.S. Energy Information Administration weekly report showed a weaker than expected increase in crude oil inventories last week. Overall, Brent crude gained 3.3% to close at USD64.9 a barrel, having recently peaked at above USD70 in late January.
- ▶ Meanwhile, **gold prices** also rose (+2.4% to USD1,347 per troy ounce) on the back of a weaker US dollar, strong US inflation readings (boosting inflation hedging demand) and an increase in physical buying ahead of the Lunar New Year holiday.

## Market Data

|   | Close   | 1-week<br>Change<br>(%) | 1-month<br>Change<br>(%) | 3-month<br>Change<br>(%) | 1-year<br>Change<br>(%) | YTD<br>Change<br>(%) | 52-week<br>High | 52-week<br>Low | Fwd<br>P/E<br>(X) |
|---|---------|-------------------------|--------------------------|--------------------------|-------------------------|----------------------|-----------------|----------------|-------------------|
| <b>Equity Indices</b>                   |         |                         |                          |                          |                         |                      |                 |                |                   |
| <b>World</b>                            |         |                         |                          |                          |                         |                      |                 |                |                   |
| MSCI AC World Index (USD)               | 521     | 4.1                     | -2.5                     | 4.9                      | 17.3                    | 1.6                  | 551             | 442            | 15.8              |
| <b>North America</b>                    |         |                         |                          |                          |                         |                      |                 |                |                   |
| US Dow Jones Industrial Average         | 25,219  | 4.3                     | -2.2                     | 7.5                      | 22.3                    | 2.0                  | 26,617          | 20,380         | 17.0              |
| US S&P 500 Index                        | 2,732   | 4.3                     | -1.6                     | 5.7                      | 16.4                    | 2.2                  | 2,873           | 2,322          | 17.5              |
| US NASDAQ Composite Index               | 7,239   | 5.3                     | 0.2                      | 6.6                      | 24.5                    | 4.9                  | 7,506           | 5,769          | 22.0              |
| Canada S&P/TSX Composite Index          | 15,453  | 2.8                     | -5.2                     | -3.0                     | -2.6                    | -4.7                 | 16,421          | 14,786         | 15.3              |
| <b>Europe</b>                           |         |                         |                          |                          |                         |                      |                 |                |                   |
| MSCI AC Europe (USD)                    | 491     | 4.1                     | -3.6                     | 3.9                      | 18.5                    | 0.6                  | 524             | 408            | 14.1              |
| Euro STOXX 50 Index                     | 3,427   | 3.0                     | -5.4                     | -3.9                     | 3.5                     | -2.2                 | 3,709           | 3,280          | 13.7              |
| UK FTSE 100 Index                       | 7,295   | 2.9                     | -5.9                     | -1.2                     | 0.2                     | -5.1                 | 7,793           | 7,073          | 13.9              |
| Germany DAX Index*                      | 12,452  | 2.8                     | -6.0                     | -4.6                     | 5.9                     | -3.6                 | 13,597          | 11,694         | 12.9              |
| France CAC-40 Index                     | 5,282   | 4.0                     | -4.2                     | -1.0                     | 7.8                     | -0.6                 | 5,567           | 4,806          | 14.6              |
| Spain IBEX 35 Index                     | 9,832   | 2.0                     | -6.5                     | -2.5                     | 2.9                     | -2.1                 | 11,184          | 9,383          | 12.9              |
| <b>Asia Pacific</b>                     |         |                         |                          |                          |                         |                      |                 |                |                   |
| MSCI AC Asia Pacific ex Japan (USD)     | 577     | 4.1                     | -2.8                     | 3.8                      | 23.5                    | 1.4                  | 617             | 461            | 13.7              |
| Japan Nikkei-225 Stock Average          | 21,720  | 1.6                     | -9.3                     | -2.8                     | 12.3                    | -4.6                 | 24,129          | 18,225         | 17.5              |
| Australian Stock Exchange 200           | 5,904   | 1.1                     | -2.4                     | -0.7                     | 1.5                     | -2.7                 | 6,150           | 5,630          | 15.9              |
| Hong Kong Hang Seng Index               | 31,115  | 5.4                     | -2.5                     | 7.2                      | 29.1                    | 4.0                  | 33,484          | 23,439         | 12.2              |
| Shanghai Stock Exchange Composite Index | 3,199   | 2.2                     | -6.9                     | -5.9                     | -0.9                    | -3.3                 | 3,587           | 3,017          | 12.5              |
| Hang Seng China Enterprises Index       | 12,536  | 5.3                     | -2.0                     | 8.7                      | 19.9                    | 7.1                  | 13,963          | 9,882          | 8.0               |
| Taiwan TAIEX Index                      | 10,421  | 0.5                     | -5.1                     | -1.9                     | 6.7                     | -2.1                 | 11,270          | 9,563          | 13.4              |
| Korea KOSPI Index                       | 2,422   | 2.5                     | -4.0                     | -4.5                     | 16.3                    | -1.9                 | 2,607           | 2,068          | 9.3               |
| India SENSEX 30 Index                   | 34,011  | 0.0                     | -2.2                     | 2.7                      | 20.2                    | -0.1                 | 36,444          | 28,146         | 22.3              |
| Indonesia Jakarta Stock Price Index     | 6,592   | 1.3                     | 2.5                      | 9.2                      | 22.6                    | 3.7                  | 6,686           | 5,331          | 16.9              |
| Malaysia Kuala Lumpur Composite Index   | 1,838   | 1.0                     | 0.7                      | 7.0                      | 7.7                     | 2.3                  | 1,881           | 1,691          | 16.4              |
| Philippines Stock Exchange PSE Index    | 8,612   | 1.3                     | -2.9                     | 4.9                      | 18.2                    | 0.6                  | 9,078           | 7,146          | 18.8              |
| Singapore FTSE Straits Times Index      | 3,444   | 2.0                     | -3.0                     | 3.1                      | 11.2                    | 1.2                  | 3,612           | 3,079          | 13.9              |
| Thailand SET Index                      | 1,806   | 1.1                     | -0.9                     | 6.8                      | 14.6                    | 3.0                  | 1,848           | 1,529          | 16.3              |
| <b>Latam</b>                            |         |                         |                          |                          |                         |                      |                 |                |                   |
| Argentina Merval Index                  | 32,677  | 8.4                     | -2.5                     | 19.8                     | 67.0                    | 8.7                  | 35,462          | 18,718         | 11.7              |
| Brazil Bovespa Index*                   | 84,525  | 4.5                     | 5.9                      | 16.6                     | 24.6                    | 10.6                 | 86,213          | 60,315         | 13.4              |
| Chile IPSA Index                        | 5,622   | 1.3                     | -2.2                     | 5.8                      | 28.8                    | 1.0                  | 5,895           | 4,331          | 19.1              |
| Colombia COLCAP Index                   | 1,521   | 1.3                     | -1.2                     | 5.9                      | 13.1                    | 0.5                  | 1,598           | 1,316          | 13.5              |
| Mexico Index                            | 48,883  | 2.3                     | -1.2                     | 2.4                      | 3.4                     | -1.0                 | 51,772          | 46,588         | 16.1              |
| <b>EEMEA</b>                            |         |                         |                          |                          |                         |                      |                 |                |                   |
| Russia MICEX Index                      | 2,255   | 2.6                     | -0.1                     | 5.7                      | 5.0                     | 6.9                  | 2,328           | 1,775          | 6.5               |
| South Africa JSE Index                  | 59,122  | 5.8                     | -2.5                     | -0.7                     | 12.4                    | -0.6                 | 61,777          | 50,737         | 16.5              |
| Turkey ISE 100 Index*                   | 116,511 | 2.6                     | 1.8                      | 8.9                      | 32.1                    | 1.0                  | 121,532         | 87,245         | 8.4               |

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

|                                      | 1-week<br>Change<br>(%) | 1-month<br>Change<br>(%) | 3-month<br>Change<br>(%) | YTD<br>Change<br>(%) | 1-year<br>Change<br>(%) | 3-year<br>Change<br>(%) | 5-year<br>Change<br>(%) |
|--------------------------------------|-------------------------|--------------------------|--------------------------|----------------------|-------------------------|-------------------------|-------------------------|
| <b>Equity Indices - Total Return</b> |                         |                          |                          |                      |                         |                         |                         |
| Global equities                      | 4.1                     | -2.3                     | 5.3                      | 1.8                  | 19.5                    | 29.3                    | 62.2                    |
| US equities                          | 4.3                     | -1.4                     | 6.0                      | 2.4                  | 18.0                    | 35.5                    | 92.7                    |
| Europe equities                      | 4.2                     | -3.4                     | 4.2                      | 0.8                  | 21.8                    | 18.1                    | 35.5                    |
| Asia Pacific ex Japan equities       | 4.2                     | -2.7                     | 4.1                      | 1.5                  | 26.8                    | 30.0                    | 38.2                    |
| Japan equities                       | 2.8                     | -4.1                     | 5.2                      | 2.2                  | 20.9                    | 35.5                    | 70.9                    |
| Latam equities                       | 5.3                     | 3.7                      | 14.3                     | 10.1                 | 19.6                    | 26.8                    | -8.6                    |
| Emerging Markets equities            | 5.2                     | -1.2                     | 7.2                      | 3.9                  | 30.0                    | 31.0                    | 27.0                    |

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.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 16 February 2018.

**Past performance is not an indication of future returns.**

## Market Data (continued)

|  | Close | 1-week<br>Change<br>(%) | 1-month<br>Change<br>(%) | 3-month<br>Change<br>(%) | 1-year<br>Change<br>(%) | YTD<br>Change<br>(%) |
|--|-------|-------------------------|--------------------------|--------------------------|-------------------------|----------------------|
| <b>Bond indices - Total Return</b>                     |       |                         |                          |                          |                         |                      |
| BarCap GlobalAgg (Hedged in USD)                       | 508   | -0.2                    | -1.0                     | -1.0                     | 1.9                     | -1.3                 |
| JPM EMBI Global  | 787   | 0.0                     | -2.9                     | -1.5                     | 3.7                     | -2.6                 |
| BarCap US Corporate Index (USD)                        | 2,826 | -0.3                    | -2.3                     | -1.5                     | 3.1                     | -2.6                 |
| BarCap Euro Corporate Index (Eur)                      | 246   | 0.1                     | -0.5                     | -0.7                     | 2.0                     | -0.5                 |
| BarCap Global High Yield (Hedged in USD)               | 464   | 0.3                     | -1.6                     | -0.1                     | 4.9                     | -0.9                 |
| Markit iBoxx Asia ex-Japan Bond Index (USD)            | 193   | -0.2                    | -1.5                     | -1.3                     | 2.1                     | -1.6                 |
| Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD) | 251   | 0.0                     | -1.1                     | 0.3                      | 4.1                     | -0.5                 |

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<br>Ago | 1-month<br>Ago | 3-months<br>Ago | 1-year<br>Ago | Year End<br>2017 | 52-week<br>High | 52-week<br>Low | 1-week<br>Change<br>(%) |
|----------------------------|--------|---------------|----------------|-----------------|---------------|------------------|-----------------|----------------|-------------------------|
| <b>Developed markets</b>   |        |               |                |                 |               |                  |                 |                |                         |
| EUR/USD                    | 1.24   | 1.23          | 1.23           | 1.18            | 1.07          | 1.20             | 1.26            | 1.05           | 1.2                     |
| GBP/USD                    | 1.40   | 1.38          | 1.38           | 1.32            | 1.25          | 1.35             | 1.43            | 1.21           | 1.4                     |
| CHF/USD                    | 1.08   | 1.06          | 1.04           | 1.01            | 1.00          | 1.03             | 1.09            | 0.98           | 1.3                     |
| CAD                        | 1.26   | 1.26          | 1.24           | 1.28            | 1.31          | 1.26             | 1.38            | 1.21           | 0.2                     |
| JPY                        | 106.21 | 108.80        | 110.45         | 113.06          | 113.24        | 112.69           | 115.51          | 105.55         | 2.4                     |
| AUD                        | 1.26   | 1.28          | 1.26           | 1.32            | 1.30          | 1.28             | 1.36            | 1.23           | 1.2                     |
| NZD                        | 1.35   | 1.38          | 1.38           | 1.46            | 1.39          | 1.41             | 1.47            | 1.32           | 1.8                     |
| <b>Asia</b>                |        |               |                |                 |               |                  |                 |                |                         |
| HKD                        | 7.82   | 7.82          | 7.82           | 7.81            | 7.76          | 7.81             | 7.83            | 7.76           | 0.0                     |
| CNY                        | 6.34   | 6.30          | 6.44           | 6.63            | 6.85          | 6.51             | 6.92            | 6.25           | -0.6                    |
| INR                        | 64.22  | 64.40         | 64.04          | 65.32           | 67.07         | 63.87            | 67.15           | 63.25          | 0.3                     |
| MYR                        | 3.89   | 3.94          | 3.96           | 4.18            | 4.45          | 4.05             | 4.46            | 3.87           | 1.1                     |
| KRW                        | 1,063  | 1,092         | 1,063          | 1,101           | 1,142         | 1,067            | 1,161           | 1,058          | 2.7                     |
| TWD                        | 28.98  | 29.31         | 29.56          | 30.11           | 30.77         | 29.73            | 31.14           | 28.96          | 1.1                     |
| <b>Latam</b>               |        |               |                |                 |               |                  |                 |                |                         |
| BRL                        | 3.23   | 3.30          | 3.22           | 3.28            | 3.09          | 3.31             | 3.41            | 3.05           | 2.1                     |
| COP                        | 2,838  | 2,941         | 2,865          | 3,016           | 2,876         | 2,986            | 3,103           | 2,760          | 3.5                     |
| MXN                        | 18.52  | 18.70         | 18.77          | 19.06           | 20.38         | 19.66            | 20.55           | 17.45          | 0.9                     |
| <b>EEMEA</b>               |        |               |                |                 |               |                  |                 |                |                         |
| RUB                        | 56.42  | 58.37         | 56.54          | 59.69           | 57.62         | 57.69            | 61.01           | 55.59          | 3.3                     |
| ZAR                        | 11.60  | 11.99         | 12.28          | 14.16           | 13.03         | 12.38            | 14.57           | 11.56          | 3.3                     |
| TRY                        | 3.75   | 3.82          | 3.80           | 3.86            | 3.67          | 3.80             | 3.98            | 3.39           | 1.9                     |

| <b>Bonds</b>                   | Close | 1-week<br>Ago | 1-month<br>Ago | 3-months<br>Ago | 1-year<br>Ago | Year End<br>2017 | 1-week<br>Basis<br>Point<br>Change |
|--------------------------------|-------|---------------|----------------|-----------------|---------------|------------------|------------------------------------|
| <b>US Treasury yields (%)</b>  |       |               |                |                 |               |                  |                                    |
| 3-Month                        | 1.59  | 1.55          | 1.42           | 1.25            | 0.52          | 1.38             | 4                                  |
| 2-Year                         | 2.19  | 2.07          | 2.01           | 1.71            | 1.20          | 1.88             | 12                                 |
| 5-Year                         | 2.63  | 2.54          | 2.35           | 2.07            | 1.94          | 2.21             | 9                                  |
| 10-Year                        | 2.87  | 2.85          | 2.54           | 2.38            | 2.45          | 2.41             | 2                                  |
| 30-Year                        | 3.13  | 3.16          | 2.83           | 2.83            | 3.05          | 2.74             | -3                                 |
| <b>10-year bond yields (%)</b> |       |               |                |                 |               |                  |                                    |
| Japan                          | 0.05  | 0.06          | 0.08           | 0.05            | 0.09          | 0.04             | -1                                 |
| UK                             | 1.58  | 1.57          | 1.30           | 1.31            | 1.26          | 1.19             | 1                                  |
| Germany                        | 0.70  | 0.74          | 0.56           | 0.38            | 0.35          | 0.42             | -4                                 |
| France                         | 0.95  | 0.98          | 0.83           | 0.73            | 1.01          | 0.78             | -3                                 |
| Italy                          | 1.98  | 2.04          | 1.96           | 1.83            | 2.14          | 2.01             | -6                                 |
| Spain                          | 1.46  | 1.47          | 1.49           | 1.54            | 1.59          | 1.56             | -2                                 |
| China                          | 3.89  | 3.90          | 3.97           | 3.94            | 3.40          | 3.90             | 0                                  |
| Australia                      | 2.92  | 2.86          | 2.77           | 2.58            | 2.80          | 2.63             | 6                                  |
| Canada                         | 2.32  | 2.35          | 2.17           | 1.97            | 1.75          | 2.05             | -3                                 |

\*Numbers may not add up due to rounding.

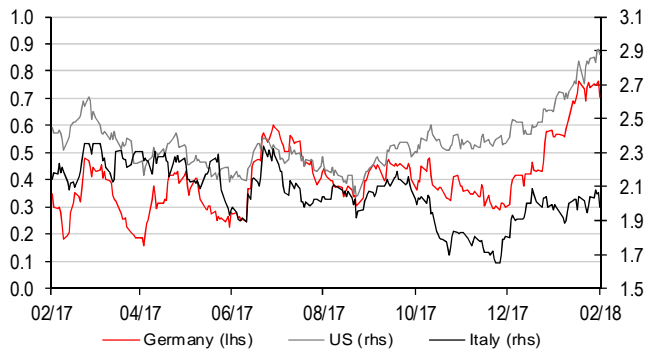
| <b>Commodities</b>    | Latest | 1-week<br>Change<br>(%) | 1-month<br>Change<br>(%) | 3-month<br>Change<br>(%) | 1-year<br>Change<br>(%) | YTD<br>Change<br>(%) | 52-week<br>High | 52-week<br>Low |
|-----------------------|--------|-------------------------|--------------------------|--------------------------|-------------------------|----------------------|-----------------|----------------|
| Gold                  | 1,347  | 2.4                     | 0.6                      | 5.3                      | 8.7                     | 3.4                  | 1,366           | 1,195          |
| Brent Oil             | 64.9   | 3.3                     | -6.2                     | 5.7                      | 16.6                    | -3.0                 | 71              | 44             |
| WTI Crude Oil         | 61.6   | 4.1                     | -3.3                     | 11.8                     | 15.5                    | 2.0                  | 67              | 42             |
| R/J CRB Futures Index | 194    | 2.7                     | -0.8                     | 2.8                      | 0.4                     | -0.1                 | 201             | 166            |
| LME Copper            | 7,182  | 6.3                     | 1.5                      | 6.6                      | 19.7                    | -0.9                 | 7,313           | 5,463          |

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 16 February 2018.

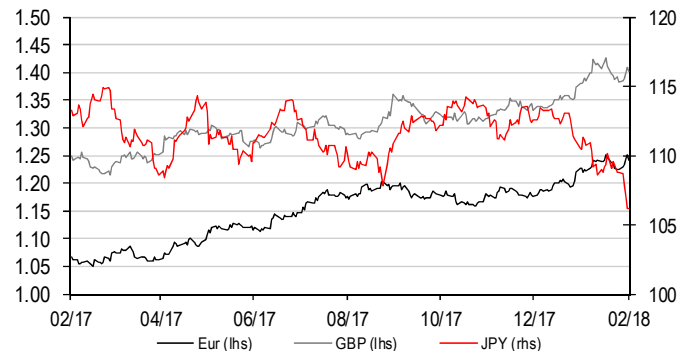
**Past performance is not an indication of future returns.**

# Market Trends

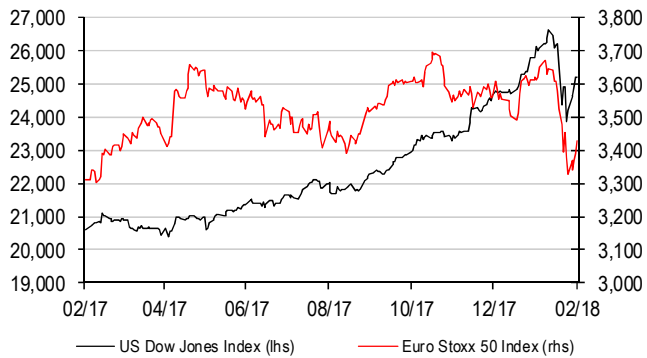
## Government bond yields (%)



## Major currencies (versus USD)



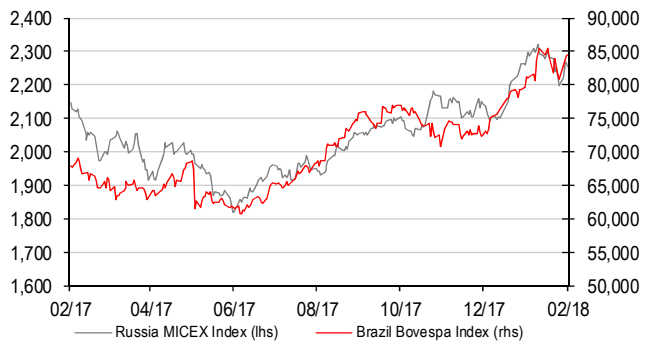
## Global equities



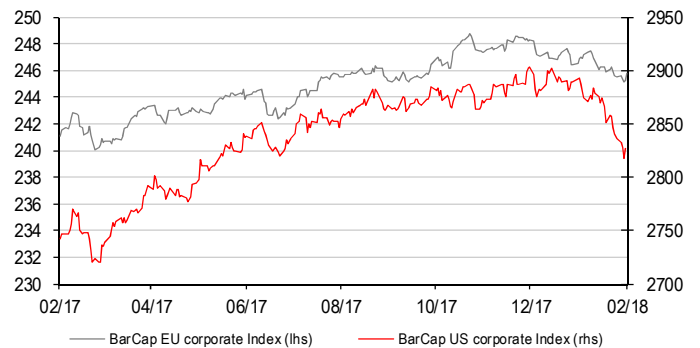
## Emerging Asian equities



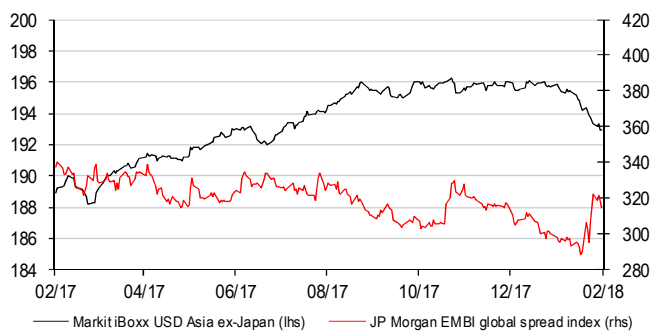
## Other emerging equities



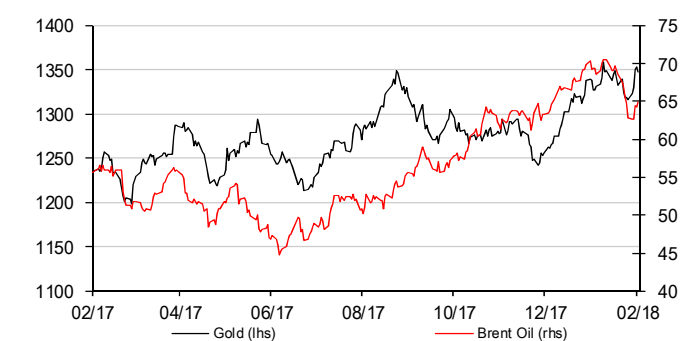
## Global credit indices



## Emerging markets spreads (USD indices)



## Commodities (USD)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 16 February 2018.

**Past performance is not an indication of future returns.**

**For Professional Clients and intermediaries within countries set out below; and for Institutional Investors and Financial Advisors in Canada and the US. This document should not be distributed to or relied upon by Retail clients/investors.**

**The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. Past performance contained in this document is not a reliable indicator of future performance whilst any forecasts, projections and simulations contained herein should not be relied upon as an indication of future results. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. Mutual fund investments are subject to market risks, read all scheme related documents carefully.**

The contents of this document may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. All non-authorised reproduction or use of this document will be the responsibility of the user and may lead to legal proceedings. The material contained in this document is for general information purposes only and does not constitute advice or a recommendation to buy or sell investments. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. We do not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements. This document has no contractual value and is not by any means intended as a solicitation, nor a recommendation for the purchase or sale of any financial instrument in any jurisdiction in which such an offer is not lawful. The views and opinions expressed herein are those of HSBC Global Asset Management Global Investment Strategy Unit at the time of preparation, and are subject to change at any time. These views may not necessarily indicate current portfolios' composition. Individual portfolios managed by HSBC Global Asset Management primarily reflect individual clients' objectives, risk preferences, time horizon, and market liquidity.

We accept no responsibility for the accuracy and/or completeness of any third party information obtained from sources we believe to be reliable but which have not been independently verified.

HSBC Global Asset Management is a group of companies in many countries and territories throughout the world that are engaged in investment advisory and fund management activities, which are ultimately owned by HSBC Holdings Plc. HSBC Global Asset Management is the brand name for the asset management business of HSBC Group. The above communication is distributed by the following entities: in the UK by HSBC Global Asset Management (UK) Limited, which is authorised and regulated by the Financial Conduct Authority; in France by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026); in Germany by HSBC Global Asset Management (Deutschland) GmbH which is regulated by BaFin; in Austria by HSBC Global Asset Management (Österreich) GmbH which is regulated by the Financial Market Supervision in Austria (FMA); in Switzerland by HSBC Global Asset Management (Switzerland) Ltd whose activities are regulated in Switzerland and which activities are, where applicable, duly authorised by the Swiss Financial Market Supervisory Authority. Intended exclusively towards qualified investors in the meaning of Art. 10 para 3, 3bis and 3ter of the Federal Collective Investment Schemes Act (CISA); in Hong Kong by HSBC Global Asset Management (Hong Kong) Limited, which is regulated by the Securities and Futures Commission; in Canada by HSBC Global Asset Management (Canada) Limited which is registered in all provinces of Canada except Prince Edward Island; in Bermuda by HSBC Global Asset Management (Bermuda) Limited, of 6 Front Street, Hamilton, Bermuda which is licensed to conduct investment business by the Bermuda Monetary Authority; in India by HSBC Asset Management (India) Pvt Ltd. which is regulated by the Securities and Exchange Board of India; In the United Arab Emirates, Qatar, Bahrain & Kuwait by HSBC Bank Middle East Limited which are regulated by relevant local Central Banks for the purpose of this promotion and lead regulated by the Dubai Financial Services Authority. In Oman by HSBC Bank Oman S.A.O.G regulated by Central Bank of Oman and Capital Market Authority of Oman. In Taiwan by HSBC Global Asset Management (Taiwan) Limited which is regulated by the Financial Supervisory Commission R.O.C. (Taiwan); in Singapore by HSBC Global Asset Management (Singapore) Limited, which is regulated by the Monetary Authority of Singapore. HSBC Global Asset Management (Singapore) Limited is also an Exempt Financial Adviser and has been granted specific exemption under Regulation 36 of the Financial Advisers Regulation from complying with Sections 25 to 29, 32, 34 and 36 of the Financial Advisers Act, Chapter 110 of Singapore; and in the US by HSBC Global Asset Management (USA) Inc. which is an investment advisor registered with the US Securities and Exchange Commission. Unless and until HSBC Global Asset Management (USA) Inc. and you have entered into an investment management agreement, HSBC Global Asset Management (USA) Inc. is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, to you, or to any retirement account(s) for which you act as a fiduciary.

#### INVESTMENT PRODUCTS:

- Are not a deposit or other obligation of the bank or any of its affiliates;
- Not FDIC insured or insured by any federal government agency of the United States;
- Not guaranteed by the bank or any of its affiliates; and
- Are subject to investment risk, including possible loss of principal invested.

Copyright © HSBC Global Asset Management Limited 2018. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Global Asset Management Limited.

Expiry: March 16, 2018  
DK1800098A