

Investment Weekly

This week in detail

The cabinet of the UK government backed a draft withdrawal treaty outlining terms for the UK's departure from the European Union. Nevertheless, there remain significant hurdles, including ratification

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The week ahead

In the coming week, investor focus will turn to a plethora of US housing market data releases and the flash November eurozone PMIs

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Market moves

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Equities

Global equities fell amid a decline in crude oil prices; European stocks were weighed down by political uncertainty

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Bonds

Core government bond markets rose on weak risk appetite amid rising political concerns

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Currencies

The British pound was weighed down by Brexit uncertainty; the euro rose against the US dollar

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Commodities

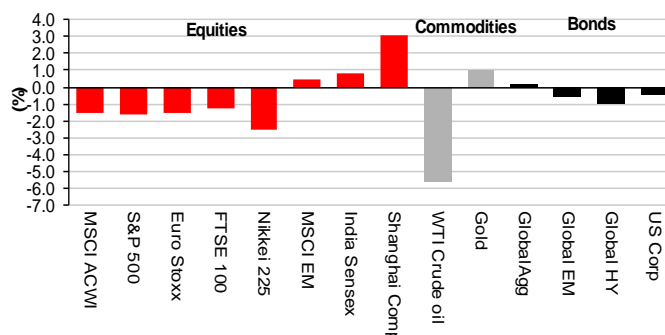
Crude oil prices extended decline amid rising US inventories

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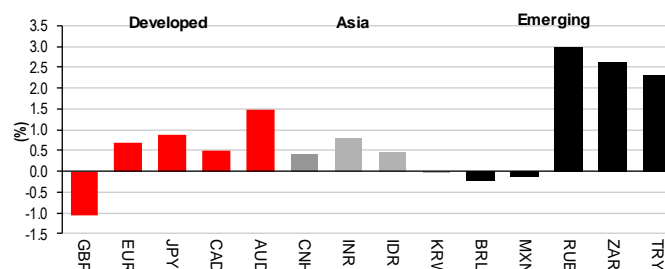
Market data

Market trends

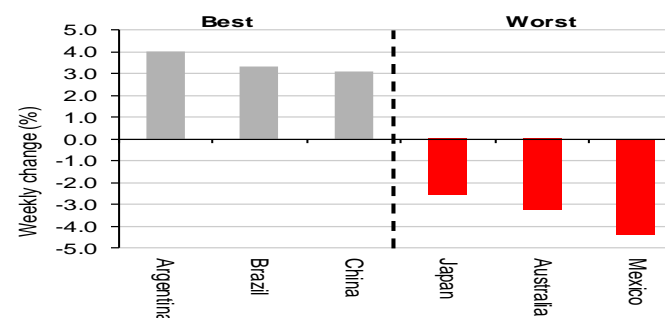
Movers and shakers



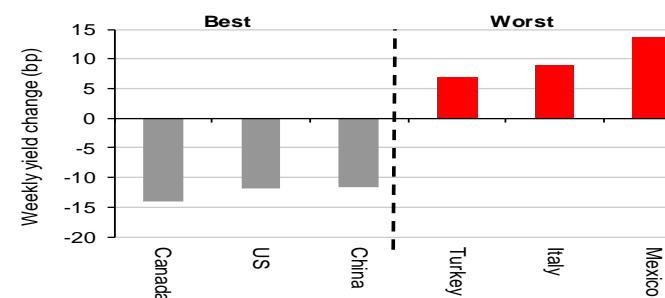
Currencies (versus USD)



Equities



Bonds (10-year yields)



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Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 16 November 2018. All the above charts relate to 09/11/2018 – 16/11/2018. **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 12 November	India	CPI (yoy)	Oct	3.6%	3.3%	3.7%
	India	Industrial Production (yoy)	Sep	4.3%	4.5%	4.7%
Tuesday 13 November	Germany	ZEW Expectation of Economic Growth	Nov	-26.0	-24.1	-24.7
Wednesday 14 November	Japan	GDP (seasonally adjusted, qoq annualised)	Q3 P	-1.0%	-1.2%	3.0%
	China	Retail Sales (yoy)	Oct	9.2%	8.6%	9.2%
	China	Industrial Production (yoy)	Oct	5.8%	5.9%	5.8%
	Eurozone	GDP (seasonally adjusted, qoq)	Q3 P	0.2%	0.2%	0.2%
	Eurozone	Industrial Production (seasonally adjusted, mom)	Sep	-0.4%	-0.3%	1.1%
	US	CPI (yoy)	Oct	2.5%	2.5%	2.3%
Thursday 15 November	US	Retail Sales Advance (mom)	Oct	0.5%	0.8%	-0.1%
	Mexico	Banco de Mexico Interest Rate Decision	Nov	8.00%	8.00%	7.75%
Friday 16 November	Eurozone	CPI (yoy)	Oct F	2.2%	2.2%	2.2%
	US	Industrial Production (mom)	Oct	0.2%	0.1%	0.2%

P – Preliminary, Q – Quarter, F – Final

The cabinet of the UK government backed a draft withdrawal treaty outlining terms for the UK's departure from the EU

Japan's economy contracted in Q3 primarily due to weather conditions

Chinese industrial production growth picked up slightly in October, although retail sales disappointed

In the **US**, **CPI inflation** rose 0.2 percentage points to 2.5% yoy in October, in line with market expectations. The gains were underpinned by a jump in gasoline and electric utility costs along with a rebound in used vehicle prices during the month. Overall, headline inflation has slowed from the 2.9% yoy pace recorded in July, but building capacity pressures are likely to keep the US Federal Reserve's (Fed) gradual tightening on track. Meanwhile, **US retail sales** grew 0.8% mom in October, outpacing expectations for a 0.5% mom rise. The release continued to show broad advances across categories, but was mostly driven by jumps in vehicle and fuel spending. Overall, the latest data suggests that consumer spending is likely to remain on a firm footing, albeit growing at a slower pace than earlier in the year.

In **Europe**, the cabinet of the **UK government backed a draft withdrawal treaty** outlining terms for the UK's departure from the European Union (EU). This ends months of uncertainty over whether or not the UK and EU could agree on the exit terms ahead of the UK's scheduled exit from the bloc on 29 March 2019. The agreement opens the way for a special Brexit summit of European leaders on 25 November. The agreement also needs to be ratified by the UK parliament at a later date.

In terms of European data releases, the **German ZEW Expectation of Economic Growth** survey unexpectedly rose to -24.1 in November, defying expectations of a decline to -26.0 (from -24.7 in the previous month). Nevertheless, the index remains close to lows last seen in 2012 amid this year's deterioration in the global economic and trade cycle, and lingering political risks in Europe (namely Brexit and Italy).

In Asia, **Japan's Q3 GDP growth** was weaker than expected, down 1.2% qoq annualised (consensus at -1.0%), the second negative quarterly reading since the beginning of the year. Most of the decline is related to natural disasters like typhoons over the quarter and the Hokkaido earthquake in September.

China's industrial production picked up slightly to 5.9% yoy in October, from 5.8% in September. **Urban fixed asset investment (FAI)** growth came in better than expected, at 5.7% yoy (YTD) from 5.4% in September, led by a rebound in infrastructure investment on recent policy support including a step-up in local government special bond issuance. Manufacturing FAI also gained further momentum, while real estate FAI growth eased further. Meanwhile, **retail sales** surprised to the downside, slowing to 8.6% yoy in October, from 9.2% in September (consensus +9.2%), with auto sales remaining a key drag. Overall, the data shows the government's infrastructure push has started to impact the data.

India's headline CPI inflation fell to 3.3% yoy in October from 3.7% in September. The fall in headline inflation was led mainly by base effects and a decline in food inflation. **India's industrial production growth** moderated slightly to 4.5% yoy in September from 4.7% in August. The reading was broadly in line with consensus expectations.

The week ahead

Macro data and key events

Date	Country	Indicator	Data as of	Survey	Prior
Monday 19 November	Japan	Trade Balance Adjusted (JPY bn)	Oct	-48.3	-238.9
	US	NAHB/Wells Fargo Housing Market Index	Nov	67	68
Tuesday 20 November	US	Housing Starts (mom)	Oct	2.0%	-5.3%
	UK	Bank of England's Governor Mark Carney Testifies on the November Inflation Report			
Wednesday 21 November	US	Durable Goods Orders (mom)	Oct P	-2.1%	0.7%
	US	University of Michigan Index of Consumer Sentiment	Nov F	98.3	98.3
	US	Existing Home Sales (mom)	Oct	1.0%	-3.4%
	Japan	National CPI ex Fresh Food, Energy (yoy)	Oct	0.4%	0.4%
Thursday 22 November	South Africa	Reserve Bank Interest Rate Decision	Nov	6.75%	6.50%
Friday 23 November	Eurozone	Markit Composite PMI	Nov P	53.0	53.1
	Mexico	GDP (seasonally adjusted, qoq)	Q3 F	-	0.9%

P – Preliminary, Q – Quarter, F – Final

In the coming week, investor focus will turn to a plethora of US housing market data releases...

...as well as the flash November eurozone PMIs

US

In a holiday shortened week (Thanksgiving on Thursday), the US economic data calendar is dominated by housing market releases. The **NAHB/Wells Fargo Housing Market Index** is expected to moderate to 67 in November from 68 in October following a moderation in sales. While there have been some signs of easing housing demand recently, homebuilders continue to see elevated prospective buyer traffic. Moreover, residential construction employment increased solidly in October, suggesting that homebuilding activity remained healthy.

Housing starts are expected to rebound 2.0% to 1,230,000 in October from a 5.3% fall in September. A decent 1.7% mom increase in September's building permits suggests a rebound in housing starts in October is likely. Some of the expected rebound in October will likely be driven by a sharp rebound in multifamily housing starts, which tend to be highly volatile.

Headline **durable goods orders** are expected to decline sharply by 2.1% mom in October, from 0.7% mom in September, dragged lower by aircraft and transportation orders. Excluding transportation, durable orders are expected to rise 0.4% in October after remaining flat in September.

Existing home sales are expected to rebound in October by 1.0% from a 3.4% contraction in September as pending home sales, which track sale contract signings, increased modestly.

Europe

The **flash eurozone PMIs** for November may have been little changed from the previous month, with consensus expectations for the composite PMI to edge down 0.1 points to 53.0. This could leave the index at its lowest level since September 2016, suggesting still soft momentum in the eurozone economy amid external headwinds.

Asia and emerging markets

Japan's trade balance may have reported a seasonally adjusted JPY48.3 billion deficit in October (following a deficit of JPY238.9 billion in September), as exports probably rebounded from a plunge caused by natural disasters. Meanwhile, CPI inflation excluding fresh food and energy is expected to stabilise at 0.4% yoy. This measure has failed to breach 0.5% since mid-2016, highlighting the ongoing challenges faced by the Bank of Japan in returning inflation to target.

In **South Africa**, the combination of a weak currency and a worse than expected medium-term budget has tilted the balance of risks in favour of a 25-bp rate hike to 6.75% on Thursday.

Market moves

Equities

Global equities fell amid the fall in crude oil prices; European stocks were weighed by political uncertainty

Bonds

Core government bond markets rose on weak risk appetite amid rising political concerns

Currencies

The British pound was weighed down by Brexit uncertainty; the euro rose against the US dollar

Commodities

Crude oil prices extended decline amid rising US inventories

Equities

US equities retreated this week, with the S&P 500 Index finishing 1.6% lower with telecoms, materials and energy stocks underperforming, following the sharp drop in crude oil prices. Risk sentiment was also dampened by lingering trade and global growth concerns, although there was some paring back of losses on Thursday amid better than expected retail sales data for October. In Canada, the S&P/TSX Composite Index tracked US stocks, ending the week 0.8% lower.

European stocks also fell following disappointing German Q3 GDP data and the ongoing stand-off between the EU and Italy. Risk sentiment was further weighed down by increased Brexit concerns as a series of ministerial resignations led to doubts over whether UK Prime Minister Theresa May will be able to pass the withdrawal deal through parliament. The EURO STOXX 50 Index shed 1.5% while Germany's DAX underperformed (-1.6%). Meanwhile, the UK's FTSE 100 Index closed down 1.3%. All other major European bourses also fell.

Asian stock markets ended the week mixed, as investors weighed hopes of progress in US-China trade talks amid mixed economic data and corporate earnings, while technology and crude prices contributed to volatility in the markets. Japan's Nikkei 225 Index posted a weekly loss of 2.6% as the country's Q3 GDP growth came in weaker than expected. The Shanghai Stock Exchange Composite Index rallied (+3.1%) on US-China trade optimism and as policymakers pledged more funding support to private enterprises and small companies. India's SENSEX 30 Index ended the week 0.8% higher, amid foreign fund inflows as crude oil prices declined and the rupee rose.

Bonds

US Treasuries rose this week (yields fell), boosted by perceived "safe-haven" demand as equities sold off, and amid lower inflation expectations as crude oil prices fell. Ten-year Treasury yields fell 12 bps to 3.06% and two-year yields closed 12 bps lower at 2.80%. Meanwhile, Canadian 10-year yields fell 14 bps to 2.36%.

In Europe, **core government bond yields** also fell, with the bulk of the price action occurring on Thursday amid Brexit-related concerns. Benchmark German 10-year bund yields edged 4 bps lower to 0.37%, and UK equivalents underperformed (-8 bps to +1.41%). Meanwhile, peripheral European bonds declined, led by weakness in Italy amid the ongoing dispute between the country's government and the European Commission.

Currencies

The **British pound** fell against the US dollar this week (-1.1%) – with most of the losses occurring on Thursday – weighed down by the resignation of UK Brexit Secretary Dominic Raab, which followed UK Prime Minister Theresa May gaining cabinet approval for a withdrawal deal with the EU. Meanwhile, the **euro** gained (+0.7%), with the dollar weighed down by dovish comments from Fed Vice Chairman Richard Clarida, who focused on the prospect of a weaker growth and inflation outlook.

Most **Asian currencies** appreciated against the US dollar this week, led by gains in the Japanese yen and Indian rupee. Sentiment toward Asian currencies was helped by hopes of easing US-China trade tensions and a fall in crude oil prices. Meanwhile, gains in the Indonesian rupiah and Philippine peso came as both country's central banks hiked rates.

Commodities

Crude oil prices fell this week as OPEC revised down its demand forecasts for next year while data showed US output and inventories continuing to rise. Some support came later in the week amid signals that OPEC and allied producers are considering production cuts as soon as next year, and as the US government imposed sanctions on Saudi officials. Overall, WTI declined 5.6% to USD56.8 a barrel.

Gold prices rose this week (+1.0% to USD1,222 per troy ounce) as Brexit concerns supported demand for perceived "safe-haven" assets. Dovish comments from Fed Vice Chairman Richard Clarida on Friday also boosted the non-interest-bearing precious metal.

Market data

	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
Equity Indices									
World									
MSCI AC World Index (USD)	487	-1.5	-2.8	-4.8	-2.0	-5.1	551	470	14.7
North America									
US Dow Jones Industrial Average	25,413	-2.2	-1.5	-0.6	8.3	2.8	26,952	23,345	15.9
US S&P 500 Index	2,736	-1.6	-2.6	-3.7	5.8	2.3	2,941	2,533	16.7
US NASDAQ Composite Index	7,248	-2.1	-5.2	-7.2	6.7	5.0	8,133	6,631	21.2
Canada S&P/TSX Composite Index	15,156	-0.8	-2.7	-6.6	-4.9	-6.5	16,586	14,640	14.3
Europe									
MSCI AC Europe (USD)	425	-2.0	-3.7	-5.8	-10.1	-13.0	524	414	13.0
Euro STOXX 50 Index	3,181	-1.5	-2.4	-5.8	-10.8	-9.2	3,687	3,091	13.3
UK FTSE 100 Index	7,014	-1.3	-0.6	-7.2	-5.1	-8.8	7,904	6,852	12.4
Germany DAX Index*	11,341	-1.6	-3.7	-7.3	-13.1	-12.2	13,597	11,051	12.4
France CAC-40 Index	5,025	-1.6	-2.9	-6.1	-5.8	-5.4	5,657	4,897	13.4
Spain IBEX 35 Index	9,057	-0.9	-0.2	-3.9	-10.2	-9.8	10,643	8,628	12.0
Italy FTSE MIB Index	18,878	-2.0	-4.3	-8.0	-15.0	-13.6	24,544	18,411	10.4
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	486	0.4	0.7	-6.4	-12.6	-14.7	617	459	12.5
Japan Nikkei-225 Stock Average	21,680	-2.6	-3.9	-2.3	-3.0	-4.8	24,448	20,347	15.5
Australian Stock Exchange 200	5,731	-3.2	-2.4	-9.4	-3.6	-5.5	6,374	5,625	14.7
Hong Kong Hang Seng Index	26,184	2.3	2.8	-3.4	-9.8	-12.5	33,484	24,541	11.0
Shanghai Stock Exchange Composite Index	2,679	3.1	5.2	-1.0	-21.2	-19.0	3,587	2,449	10.9
Hang Seng China Enterprises Index	10,584	1.5	3.8	1.0	-8.2	-9.6	13,963	9,903	8.2
Taiwan TAIEX Index	9,797	-0.3	-1.8	-8.3	-7.8	-7.9	11,270	9,401	12.8
Korea KOSPI Index	2,092	0.3	-2.5	-6.6	-17.5	-15.2	2,607	1,986	8.8
India SENSEX 30 Index	35,457	0.8	0.8	-5.9	7.1	4.1	38,990	32,484	20.2
Indonesia Jakarta Stock Price Index	6,012	2.4	3.6	4.0	-0.4	-5.4	6,693	5,558	15.8
Malaysia Kuala Lumpur Composite Index	1,706	-0.1	-1.8	-4.0	-0.7	-5.0	1,896	1,658	16.7
Philippines Stock Exchange PSE Index	7,083	1.6	1.4	-5.8	-13.7	-17.2	9,078	6,791	16.6
Singapore FTSE Straits Times Index	3,084	0.2	1.6	-4.0	-7.7	-9.4	3,642	2,956	12.6
Thailand SET Index	1,635	-2.0	-3.7	-2.7	-3.3	-6.8	1,853	1,585	15.1
Latam									
Argentina Merval Index	31,109	4.0	5.7	15.5	14.1	3.5	35,462	24,618	8.6
Brazil Bovespa Index*	88,515	3.4	3.3	15.2	22.1	15.9	89,598	69,069	13.5
Chile IPSA Index	5,191	0.2	0.9	-1.2	-2.3	-6.7	5,895	4,847	16.0
Colombia COLCAP Index	1,437	1.2	-2.8	-5.8	0.0	-5.1	1,598	1,379	12.7
Mexico S&P/BMV IPC Index	42,319	-4.4	-12.2	-11.9	-11.4	-14.3	51,121	41,284	14.4
EEMEA									
Russia MOEX Index	2,373	-1.3	-1.8	4.9	11.3	12.5	2,502	2,065	5.4
South Africa JSE Index	52,096	-2.3	-2.2	-7.9	-12.5	-12.5	61,777	50,033	12.5
Turkey ISE 100 Index*	93,616	0.8	-4.9	7.4	-12.5	-18.8	121,532	84,655	7.2

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

	1-week Change (%)	1-month Change (%)	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)
Equity Indices - Total Return							
Global equities	-1.5	-2.7	-4.4	-3.4	-0.1	28.8	34.4
US equities	-1.8	-2.8	-3.8	3.2	6.8	38.2	62.1
Europe equities	-2.0	-3.6	-5.5	-10.5	-7.5	12.2	4.7
Asia Pacific ex Japan equities	0.5	0.9	-5.8	-12.5	-10.2	30.4	18.6
Japan equities	-1.6	-3.9	-4.3	-8.0	-5.2	17.4	23.6
Latam equities	-1.5	-6.7	2.4	-6.5	-2.9	41.0	-11.4
Emerging Markets equities	0.5	-0.3	-3.6	-13.5	-10.7	29.3	9.8

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

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

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

Bond indices - Total Return	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	514	0.2	0.3	-0.4	0.3	-0.1
JPM EMBI Global	760	-0.6	-1.4	-1.0	-4.8	-5.9
BarCap US Corporate Index (USD)	2,787	-0.4	-0.9	-2.0	-2.9	-4.0
BarCap Euro Corporate Index (Eur)	244	-0.5	-0.5	-1.2	-1.4	-1.2
BarCap Global High Yield (Hedged in USD)	462	-1.0	-1.4	-0.6	-0.6	-1.5
Markit iBoxx Asia ex-Japan Bond Index (USD)	191	0.1	-0.3	-0.7	-2.0	-2.3
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	241	-0.5	-1.9	-1.7	-3.8	-4.5

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

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	1.14	1.13	1.16	1.14	1.18	1.20	1.26	1.12	0.7
GBP/USD	1.28	1.30	1.32	1.27	1.32	1.35	1.44	1.27	-1.1
CHF/USD	1.00	0.99	1.01	1.00	1.01	1.03	1.09	0.99	0.6
CAD	1.31	1.32	1.29	1.32	1.28	1.26	1.34	1.23	0.5
JPY	112.83	113.83	112.25	110.90	113.06	112.69	114.55	104.56	0.9
AUD	1.36	1.38	1.40	1.38	1.32	1.28	1.42	1.23	1.4
NZD	1.45	1.48	1.52	1.52	1.46	1.41	1.56	1.34	2.0
Asia									
HKD	7.83	7.83	7.84	7.85	7.81	7.81	7.85	7.79	0.0
CNY	6.94	6.96	6.91	6.89	6.63	6.51	6.98	6.24	0.3
INR	71.93	72.50	73.47	70.16	65.32	63.87	74.48	63.25	0.8
MYR	4.19	4.18	4.15	4.10	4.18	4.05	4.20	3.85	-0.3
KRW	1,129	1,128	1,128	1,130	1,101	1,067	1,145	1,054	0.0
TWD	30.89	30.77	30.85	30.83	30.11	29.73	31.17	28.96	-0.4
Latam									
BRL	3.74	3.73	3.72	3.90	3.28	3.31	4.21	3.12	-0.3
COP	3,167	3,180	3,052	3,023	3,016	2,986	3,228	2,685	0.4
MXN	20.17	20.14	18.75	18.98	19.06	19.66	20.96	17.94	-0.2
EEMEA									
RUB	65.99	67.96	65.36	66.83	59.69	57.69	70.84	55.56	2.9
ZAR	13.99	14.36	14.16	14.74	14.16	12.38	15.70	11.51	2.5
TRY	5.33	5.46	5.69	5.83	3.86	3.80	7.24	3.72	2.3

Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2017	1-week Basis Point Change *
US Treasury yields (%)							
3-Month	2.34	2.34	2.30	2.05	1.25	1.38	0
2-Year	2.80	2.92	2.87	2.62	1.71	1.88	-12
5-Year	2.88	3.04	3.02	2.74	2.07	2.21	-16
10-Year	3.06	3.18	3.16	2.87	2.38	2.41	-12
30-Year	3.32	3.38	3.33	3.03	2.83	2.74	-7
10-year bond yields (%)							
Japan	0.10	0.12	0.14	0.10	0.05	0.04	-2
UK	1.41	1.49	1.61	1.24	1.31	1.19	-8
Germany	0.37	0.41	0.49	0.32	0.38	0.42	-4
France	0.76	0.79	0.84	0.67	0.73	0.78	-2
Italy	3.49	3.40	3.45	3.11	1.83	2.01	9
Spain	1.63	1.60	1.64	1.44	1.54	1.56	4
China	3.36	3.49	3.59	3.61	3.94	3.90	-13
Australia	2.68	2.76	2.71	2.56	2.58	2.63	-8
Canada	2.36	2.51	2.50	2.26	1.97	2.05	-14

*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	1,222	1.0	-0.3	4.0	-4.5	-6.3	1,366	1,160
Brent Oil	67.0	-4.5	-17.3	-6.9	13.3	5.8	86	59
WTI Crude Oil	56.8	-5.6	-20.8	-11.8	5.2	-2.2	77	54
R/J CRB Futures Index	187	-0.6	-6.2	-0.6	-0.5	-3.4	207	183
LME Copper	6,184	2.1	-0.5	4.1	-8.2	-14.7	7,348	5,773

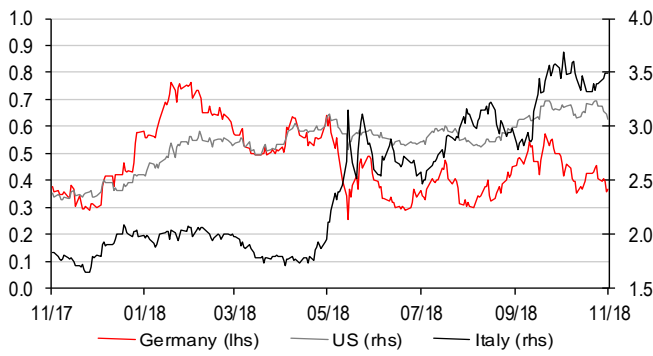
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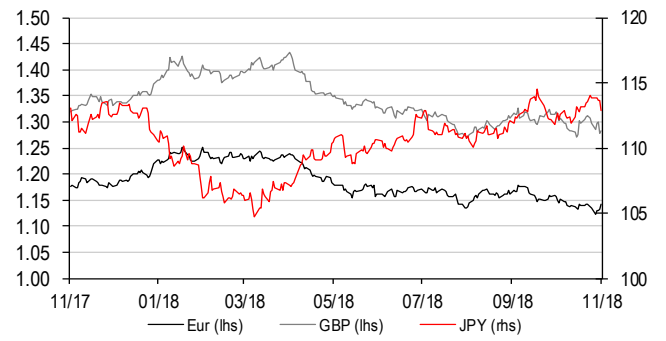
16/11/2018 Investment Weekly 6

Market Trends

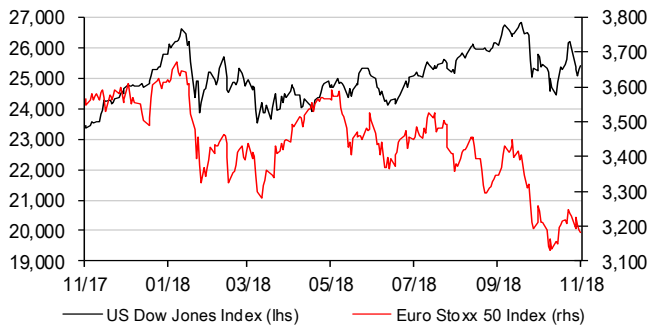
Government bond yields (%)



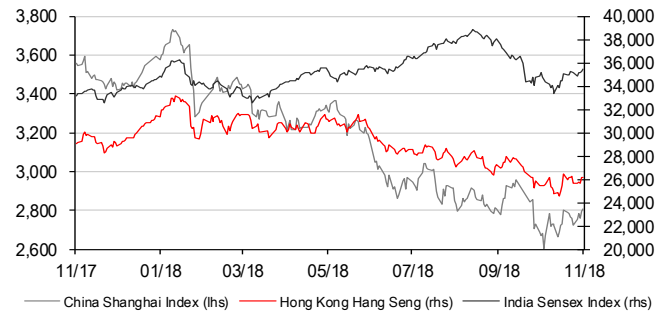
Major currencies (versus USD)



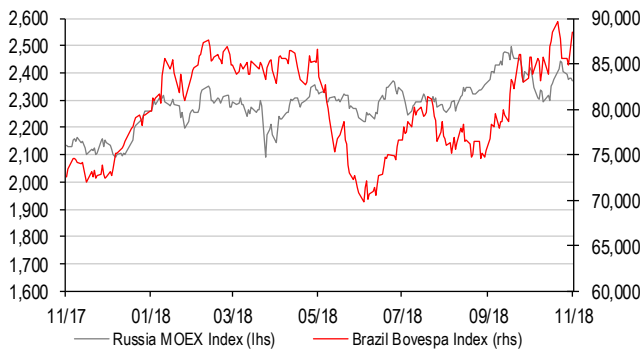
Global equities



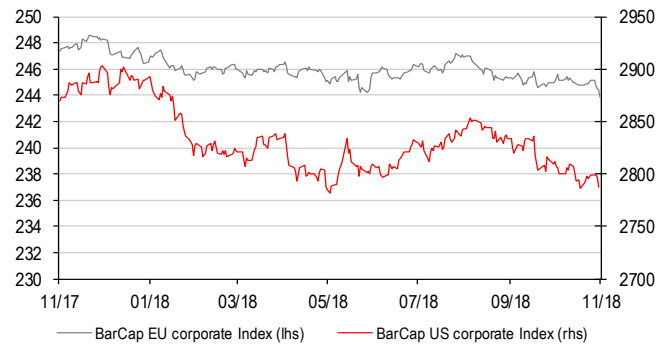
Emerging Asian equities



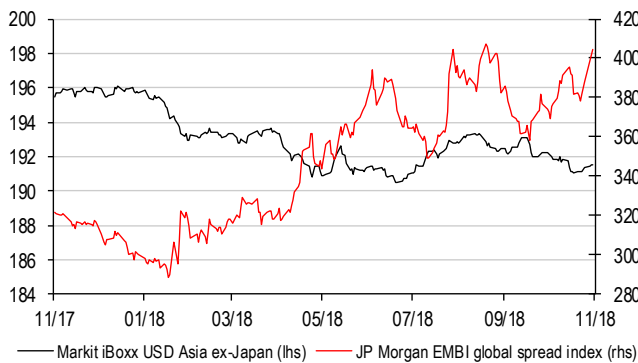
Other emerging equities



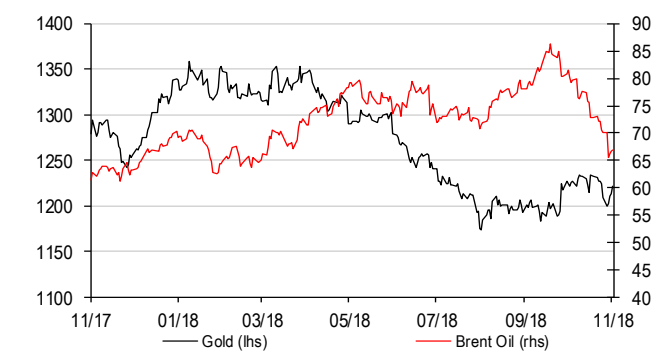
Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



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

Past performance is not an indication of future returns.

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