

This week in detail
Chinese monthly economic indicators came in weaker-than-expected

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The week ahead
The gathering of major central bankers in Jackson Hole is the highlight of the calendar

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US equities outperformed on easing trade concerns and upbeat earnings

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Demand for perceived “safe-haven” bonds rose in a risk-off environment

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Developed market currencies were little changed against the US dollar

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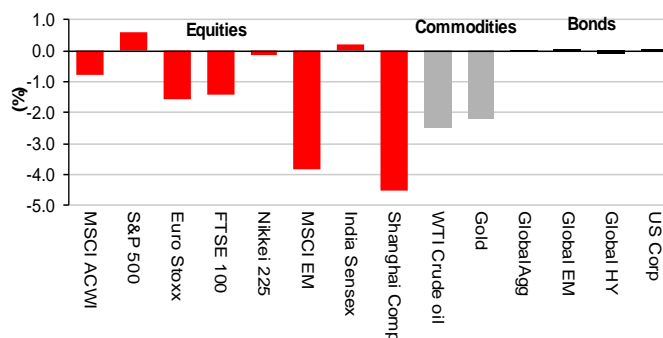
Commodities
Commodity prices fell amid broader risk aversion

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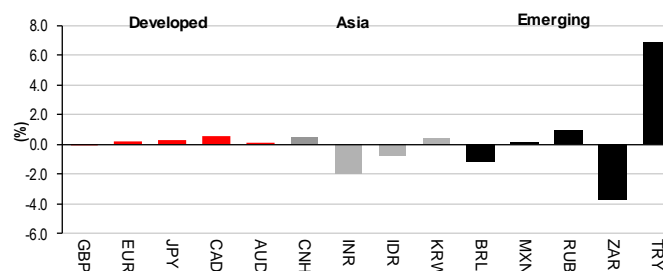
Market data

Market trends

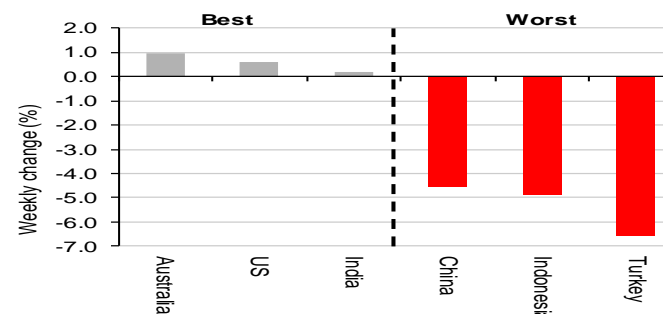
Movers and shakers



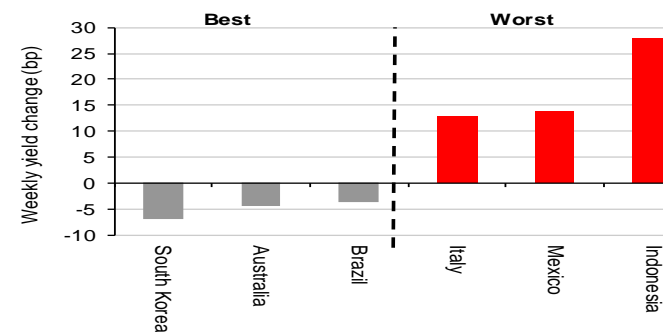
Currencies (versus USD)



Equities



Bonds (10-year yields)



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Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 17 August 2018. All the above charts relate to 10/08/2018 – 17/08/2018. **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 13 August	India	CPI (yoy)	Jul	4.5%	4.2%	4.9%
Tuesday 14 August	China	Industrial production (yoy)	Jul	6.3%	6.0%	6.0%
	China	Retail sales (yoy)	Jul	9.1%	8.8%	9.0%
	UK	ILO unemployment rate (3 months)	Jun	4.2%	4.0%	4.2%
	Germany	Zew survey expectations	Aug	-21.3	-13.7	-24.7
	Eurozone	GDP (seasonally adjusted, qoq) 2nd estimate	Q2	0.3%	0.4%	0.3%
Wednesday 15 August	Eurozone	Industrial production (seasonally adjusted, mom)	Jun	-0.4%	-0.7%	1.4%
	UK	CPI (yoy)	Jul	2.5%	2.5%	2.4%
	US	Retail sales advance (mom)	Jul	0.1%	0.5%	0.2%
Thursday 16 August	US	NAHB housing market index	Aug	67	67	68
	Japan	Trade balance adjusted (JPY bn)	Jul	20.7	-45.6	83.17
	US	Housing starts (mom)	Jul	7.4%	0.9%	-12.9%
Friday 17 August	Eurozone	CPI (yoy)	Jul F	2.1%	2.1%	2.0%
	US	Uni. of Michigan consumer sentiment	Aug P	98.0	95.3	97.9

P – Preliminary, Q – Quarter, F – Final

US housing data were lacklustre this week, continuing the soft trend in recent months

Headline US **retail sales** for July rose 0.5% mom (0.1% expected); excluding auto and gas, sales rose 0.6% mom (0.4% expected), and important for Q2 GDP, sales in the control group rose 0.5% mom (0.4% expected). However, June figures were revised downwards across the board. Looking beyond monthly volatility, retail sales still reflect a healthy consumer sector. **The NAHB housing index** fell 1pt from 68 to 67 in August, as expected. Recent readings show that the index and its underlying components have continued the downward trend since the turn of the year on growing affordability concerns. **Housing starts** rose just 0.9% mom to 1,168k annualised in July (versus 7.4% mom expected) after falling a downwardly revised 12.9% mom in June. Lastly, the preliminary release of the **University of Michigan consumer sentiment** unexpectedly fell to 95.3 in August from 97.9 in July. This was driven by a drop 7.4pt drop in the current conditions component, while the expectations component was unchanged.

The second estimate of Q2 eurozone GDP growth was revised higher

UK headline **CPI inflation** edged up to 2.5% yoy in July, as expected, with the “recreation and culture” and “transport” categories (mainly passenger transport fares and petrol prices) contributing the most to the upward shift. Meanwhile, core inflation held steady at 1.9%. The **unemployment rate** in the three months to June unexpectedly fell to 4.0% (versus an anticipated hold at 4.2%), the lowest rate since March 1975. Meanwhile, total pay growth over the same period fell to 2.4% yoy, versus expectation of no change at 2.5%. At their last meeting, the Bank of England continued to project an uptick in wage growth over the coming quarters amid a tight labour market. Over to mainland Europe, the **German ZEW Expectation of Economic Growth Survey** rose by a larger than expected 11.0 points to -13.7 in August. The recovery over the month is likely to have been largely driven by an improvement in relations between the European Union and the US over the question of tariffs. The **second estimate of Q2 eurozone GDP** growth was revised up to 0.4% qoq (from 0.3%), pushing the annual growth rate to 2.2% yoy (previously estimated at 2.1%). Meanwhile, **industrial production** in June declined by 0.7% mom (versus at consensus at -0.4%). This left y-o-y rate at 2.5%, maintaining at longer-run trend yoy growth rate at a still robust 3.4%.

The Chinese economy showed signs of slowing further in July

The **Chinese economy** continued to slow in July, with monthly indicators coming in below expectations. **Industrial production** stabilised at 6.0% yoy (versus expectations of 6.3%), amid government efforts to reduce corporate leverage and on the back of lingering trade war concerns. Meanwhile, **fixed asset investment** slowed to 5.5% yoy on a year-to-date basis, due to a 2.7% contraction in infrastructure spending. On a more positive note, private investment and housing activity accelerated. Lastly, **retail sales** decelerated to 8.8% yoy amid falling car sales.

India's CPI inflation fell to 4.2% yoy in July, from a downwardly revised 4.9% in June, and below expectations of a decline to 4.5%. The dip was largely driven by weaker food price inflation. Core inflation also fell, but remained above the Reserve Bank of India's 4% (+/- 2%) inflation target.

The week ahead

Macro Data and Key Events

Date	Country	Indicator	Data as of	Survey	Prior
Tuesday 21 August	Japan	Machine tool orders (yoy)	Jul F	-	13.0%P
Wednesday 22 August	US	Existing home sales (mom)	Jul	0.9%	-0.6%
	US	FOMC minutes from 1 August meeting			
Thursday 23 August	Eurozone	Markit composite PMI	Aug P	54.4	54.3
	US	New home sales (mom)	Jul	3.0%	-5.3%
Friday 24 August	Japan	National CPI ex fresh food, energy (yoy)	Jul	0.3%	0.2%
	US	Durable goods orders (mom)	Jul P	-0.3%	0.8%
	US	Fed's annual Jackson Hole central banking symposium			
	Mexico	GDP seasonally adjusted (qoq)	Q2 F	-	-0.1% P

P – Preliminary, Q – Quarter, F – Final

The annual gathering of central bankers in Jackson Hole is the key event of next week

US

The Federal Reserve Bank of Kansas City will host the annual **Jackson Hole** central banking symposium from 23-25 August next week. This year's topic is "Changing Market Structure and Implications for Monetary Policy". Important for US Federal Reserve (Fed) watchers, Fed Chair Powell will deliver a speech on "Monetary policy in a changing economy" on Friday.

The statement of the August meeting saw FOMC participants marginally upgrade their assessment of economic growth from "solid" to "strong", but did not convey how trade uncertainty and a flattening yield curve would affect policy decisions in the future. These will be the key factors to watch out for when scrutinising the **minutes**, released on Wednesday.

Recent housing market data has been soft, with homebuilder sentiment and June housing starts coming in lower than expected. Affordability concerns on the back of rising construction costs and mortgage rates are offsetting the positive impact of a tightening labour market. Nevertheless, both **July existing home sales and new home sales** are expected to rebound by +0.9% mom and +3.0% mom from -0.6% and -5.3% in June.

Headline durable goods orders are expected to decrease by 0.3% mom from +0.8% previously. It will be important to gauge if trade uncertainty has meaningfully derailed the robust trend in capital goods non-defence ex aircraft component, a proxy for business investment.

Europe

The flash **eurozone PMIs** for August are anticipated to edge up slightly. The composite index may increase by 0.1 points to 54.4, roughly in line with the current three-month moving average, and still consistent with above-potential GDP growth in the region.

Japan

Japan's CPI inflation for July is expected to increase by 0.1 percentage points, with core inflation (CPI excluding fresh food and energy) also seen accelerating, from 0.2% yoy to 0.3%, as suggested by the leading index for the region of Tokyo. Headline CPI is expected to increase to 1.0% yoy (+0.7% in June), boosted by the gradual depreciation of the yen and high crude oil prices observed until mid-July. However, the overall inflation trend should remain subdued as household consumption remains relatively weak.

Market moves

Equities

US equities little changed amid easing trade concerns and upbeat earnings; European stocks sold off for a third consecutive week

Bonds

Demand for perceived “safe-haven” assets rose in a risk-off environment

Currencies

The US dollar edged up against euro and sterling

Commodities

Commodity prices fell amid broader risk aversion

Equities

US stocks swung between gains and losses to close little changed over the week (S&P 500 up 0.6%), with investor sentiment boosted by news that the US and China are set to resume trade talks and upbeat corporate earnings reports. This outweighed the drag to risk appetite from geopolitical concerns and sharp declines in crude oil prices.

European equities sold off, marking a third consecutive week of losses, with large declines on Wednesday as a sharp pull back in commodity prices dampened broader risk sentiment. However, there was some paring back of losses later in the week amid improving sentiment around global trade. The EURO STOXX 50 Index shed 1.6% dragged lower by health care stocks. At the country level, Germany's DAX lost 1.7% while Italy's FTSEMIB underperformed (-3.2%).

In Asia, **stock markets** continued to fall amid renewed geopolitical tensions that weighed on EM currencies. Activity data were also fairly soft, including Japanese exports, Malaysian Q2 GDP growth, and India's trade deficit. Onshore Chinese shares retreated, with the Shanghai Composite down 4.5% and Hong Kong's Hang Seng losing 4.1%, despite news of a resumption of US-China trade talks. Most other markets dropped by 1% to 5% over the week, with the exception of Japan and India, where the Nikkei 225 and the Sensex closed little changed.

Bonds

US Treasury yields fell and prices rose this week on demand for perceived “safe-haven” assets in a risk-off environment. US 10-year Treasury yields fell 1bps to 2.86% and two-year treasury yields ended little changed at 2.61%.

Core European government bonds rose this week on the back of dampened investor risk appetite, with benchmark German 10-year bund yields down 1bps to 0.30%. Riskier peripheral European bonds underperformed, with Italian 10-year bonds yields up 13bps to 3.12% amid lingering concerns over the country's ongoing budget negotiations.

Currencies

The **British pound** edged 0.1% lower against the US dollar as Brexit related uncertainty continued to weigh, offsetting better than expected unemployment and retail sales data. Meanwhile, the **euro** pared back earlier losses amid receding global trade concerns to eventually end the week 0.2% higher

The majority of **Asian currencies** depreciated against the US dollar over the week, although there was a stabilisation at the end of the week amid optimism around US-China trade talks. The Indian rupee in particular depreciated sharply (1.9%), reaching all-time lows, after the trade deficit for July hit a five-year high. The Chinese yuan dropped by about 0.5%. The yen outperformed, with an appreciation of 0.3%, supported by its perceived safe-haven status.

Commodities

Crude oil prices fell again this week (WTI was down 2.6% to USD65.9 per barrel), with most of the decline occurring on Wednesday after the U.S. Energy Information Administration weekly report showed that US stockpiles unexpectedly increased last week, by the most since March 2017.

Meanwhile, despite the risk-off mood in global markets this week, **gold prices** also fell (-2.2% to USD1,185 per ounce) amid a broader sell-off in commodity prices.

Market data

Equity Indices	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
World									
MSCI AC World Index (USD)	512	-0.8	-0.8	-1.1	8.3	-0.3	551	470	15.5
North America									
US Dow Jones Industrial Average	25,669	1.4	2.2	3.9	18.0	3.8	26,617	21,600	16.5
US S&P 500 Index	2,850	0.6	1.4	4.8	17.3	6.6	2,873	2,417	17.7
US NASDAQ Composite Index	7,816	-0.3	-0.5	5.9	25.6	13.2	7,933	6,177	23.3
Canada S&P/TSX Composite Index	16,324	0.0	-1.2	1.1	8.6	0.7	16,586	14,786	15.8
Europe									
MSCI AC Europe (USD)	451	-1.5	-3.6	-7.3	-2.3	-7.6	524	444	13.9
Euro STOXX 50 Index	3,373	-1.6	-2.4	-6.1	-2.6	-3.7	3,709	3,262	13.6
UK FTSE 100 Index	7,559	-1.4	-0.9	-2.9	2.3	-1.7	7,904	6,867	13.4
Germany DAX Index*	12,211	-1.7	-3.6	-6.9	0.1	-5.5	13,597	11,727	12.9
France CAC-40 Index	5,345	-1.3	-1.4	-4.9	3.8	0.6	5,657	4,995	14.2
Spain IBEX 35 Index	9,417	-1.9	-3.1	-7.8	-9.8	-6.2	10,643	9,328	12.3
Italy FTSE MIB Index	20,415	-3.2	-7.1	-14.2	-6.3	-6.6	24,544	20,236	11.2
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	519	-3.3	-3.1	-8.5	-1.3	-8.8	617	515	12.9
Japan Nikkei-225 Stock Average	22,270	-0.1	-1.9	-2.5	13.0	-2.2	24,129	19,240	15.9
Australian Stock Exchange 200	6,339	1.0	2.2	4.0	9.7	4.5	6,348	5,639	16.2
Hong Kong Hang Seng Index	27,213	-4.1	-3.4	-12.1	-0.5	-9.0	33,484	26,871	11.1
Shanghai Stock Exchange Composite Index	2,669	-4.5	-4.6	-15.4	-18.3	-19.3	3,587	2,666	10.7
Hang Seng China Enterprises Index	10,514	-3.9	-0.7	-14.4	-2.7	-10.2	13,963	10,360	7.6
Taiwan TAIEX Index	10,691	-2.7	-0.8	-1.3	3.1	0.5	11,270	10,189	13.7
Korea KOSPI Index	2,247	-1.6	-2.2	-8.2	-4.9	-8.9	2,607	2,218	8.9
India SENSEX 30 Index	37,948	0.2	3.9	8.0	19.3	11.4	38,076	31,082	20.2
Indonesia Jakarta Stock Price Index	5,784	-4.8	-1.3	-0.6	-1.8	-9.0	6,693	5,558	14.8
Malaysia Kuala Lumpur Composite Index	1,783	-1.2	2.7	-3.8	0.4	-0.7	1,896	1,658	17.2
Philippines Stock Exchange PSE Index	7,584	-2.8	2.7	-1.4	-6.1	-11.4	9,078	6,924	17.6
Singapore FTSE Straits Times Index	3,209	-2.3	-0.9	-9.3	-1.8	-5.7	3,642	3,176	12.9
Thailand SET Index	1,690	-0.9	3.9	-3.5	7.7	-3.6	1,853	1,562	15.7
Latam									
Argentina Merval Index	26,239	-2.3	-2.0	-17.5	15.5	-12.7	35,462	22,654	6.3
Brazil Bovespa Index*	76,029	-0.6	-2.7	-9.1	11.8	-0.5	88,318	67,866	11.4
Chile IPSA Index	5,243	-0.5	-2.0	-7.9	2.6	-5.8	5,895	4,847	15.3
Colombia COLCAP Index	1,529	0.2	-1.4	0.2	3.9	1.0	1,598	1,415	13.3
Mexico S&P/BMV IPC Index	48,265	-0.2	-0.9	5.4	-5.4	-2.2	51,621	44,429	16.8
EEMEA									
Russia MOEX Index	2,255	-0.9	-2.4	-2.9	16.2	6.9	2,379	1,921	5.7
South Africa JSE Index	56,648	-1.8	1.0	-2.6	2.2	-4.8	61,777	53,027	13.7
Turkey ISE 100 Index*	88,735	-6.5	-3.2	-12.9	-16.9	-23.1	121,532	84,655	6.5

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

Equity Indices - Total Return	1-week Change (%)	1-month Change (%)	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)
Global equities	-0.7	-0.6	-0.5	1.1	10.4	29.0	51.4
US equities	0.2	1.1	4.8	7.3	18.6	40.4	83.9
Europe equities	-1.4	-3.3	-6.5	-5.3	0.5	10.1	18.4
Asia Pacific ex Japan equities	-3.2	-2.8	-7.4	-7.1	1.4	31.9	33.9
Japan equities	-0.8	-0.4	-4.9	-3.1	7.1	18.1	38.0
Latam equities	-1.1	-2.7	-7.3	-8.7	-6.6	27.6	-9.4
Emerging Markets equities	-3.8	-4.4	-9.6	-10.3	-1.7	28.1	20.0

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.

	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
Bond indices - Total Return						
BarCap GlobalAgg (Hedged in USD)	516	0.0	0.0	1.4	1.1	0.4
JPM EMBI Global	768	0.0	-1.4	-0.1	-3.4	-4.9
BarCap US Corporate Index (USD)	2,842	0.0	0.5	2.2	-0.6	-2.0
BarCap Euro Corporate Index (Eur)	247	-0.1	0.3	0.9	0.6	0.0
BarCap Global High Yield (Hedged in USD)	464	-0.1	0.0	0.2	1.1	-0.9
Markit iBoxx Asia ex-Japan Bond Index (USD)	193	-0.1	0.9	1.0	-0.9	-1.7
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	245	-0.3	2.4	-0.7	-0.7	-2.9

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	1.14	1.17	1.18	1.17	1.20	1.26	1.13	0.2
GBP/USD	1.27	1.28	1.31	1.35	1.29	1.35	1.44	1.27	-0.1
CHF/USD	1.00	1.00	1.00	1.00	1.04	1.03	1.09	0.99	0.0
CAD	1.31	1.31	1.32	1.28	1.27	1.26	1.34	1.21	0.6
JPY	110.50	110.83	112.88	110.77	109.57	112.69	114.73	104.56	0.3
AUD	1.37	1.37	1.35	1.33	1.27	1.28	1.39	1.23	0.2
NZD	1.51	1.52	1.47	1.45	1.37	1.41	1.53	1.34	0.9
Asia									
HKD	7.85	7.85	7.85	7.85	7.82	7.81	7.85	7.79	0.0
CNY	6.88	6.85	6.71	6.37	6.68	6.51	6.94	6.24	-0.5
INR	70.16	68.84	68.46	67.70	64.15	63.87	70.40	63.25	-1.9
MYR	4.11	4.09	4.05	3.97	4.30	4.05	4.30	3.85	-0.5
KRW	1,125	1,129	1,124	1,081	1,137	1,067	1,150	1,054	0.4
TWD	30.79	30.73	30.51	29.90	30.31	29.73	30.88	28.96	-0.2
Latam									
BRL	3.91	3.86	3.84	3.70	3.18	3.31	3.97	3.08	-1.2
COP	3,030	2,945	2,871	2,905	2,990	2,986	3,080	2,685	-2.9
MXN	18.89	18.91	18.89	19.74	17.85	19.66	20.96	17.57	0.1
EEMEA									
RUB	67.12	67.73	62.63	62.17	59.22	57.69	69.36	55.56	0.9
ZAR	14.64	14.09	13.27	12.61	13.26	12.38	15.55	11.51	-3.9
TRY	6.02	6.43	4.80	4.46	3.53	3.80	7.24	3.39	6.4

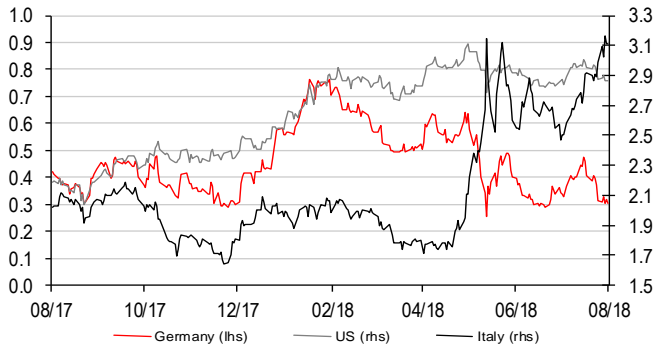
Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2017	1-week Basis Point Change *
US Treasury yields (%)							
3-Month	2.03	2.04	2.01	1.90	1.00	1.38	-1
2-Year	2.61	2.60	2.62	2.56	1.30	1.88	0
5-Year	2.74	2.74	2.76	2.94	1.75	2.21	0
10-Year	2.86	2.87	2.86	3.11	2.19	2.41	-1
30-Year	3.02	3.03	2.97	3.25	2.77	2.74	-1
10-year bond yields (%)							
Japan	0.09	0.10	0.04	0.06	0.04	0.04	0
UK	1.24	1.24	1.26	1.56	1.09	1.19	-1
Germany	0.30	0.32	0.34	0.64	0.42	0.42	-1
France	0.66	0.67	0.63	0.87	0.72	0.78	-1
Italy	3.12	2.99	2.47	2.11	2.02	2.01	13
Spain	1.45	1.40	1.25	1.40	1.43	1.56	4
China	3.65	3.56	3.49	3.72	3.63	3.90	10
Australia	2.55	2.59	2.66	2.92	2.64	2.63	-4
Canada	2.27	2.30	2.12	2.52	1.85	2.05	-3

*Numbers may not add up due to rounding

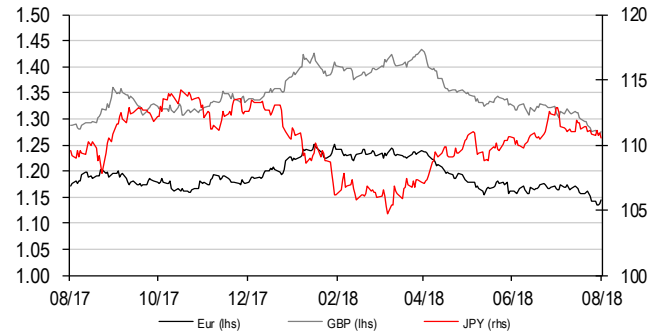
Commodities	Latest	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,185	-2.2	-3.5	-8.2	-8.0	-9.1	1,366	1,160
Brent Oil	71.8	-1.4	-0.6	-8.5	40.4	11.5	80	52
WTI Crude Oil	65.9	-2.6	-1.9	-7.0	37.2	11.6	73	48
R/J CRB Futures Index	189	-1.5	-1.2	-7.3	7.3	-2.6	207	175
LME Copper	5,938	-4.1	-3.5	-13.7	-8.5	-18.1	7,348	5,773

Market Trends

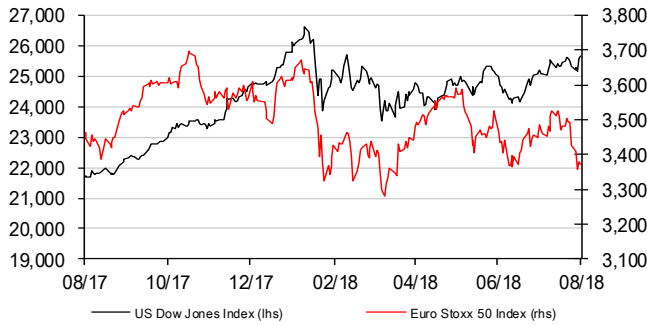
Government bond yields (%)



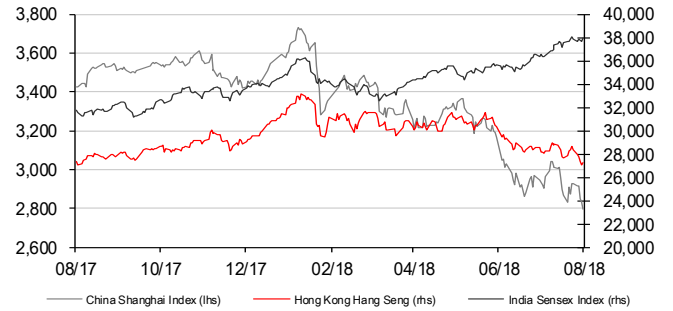
Major currencies (versus USD)



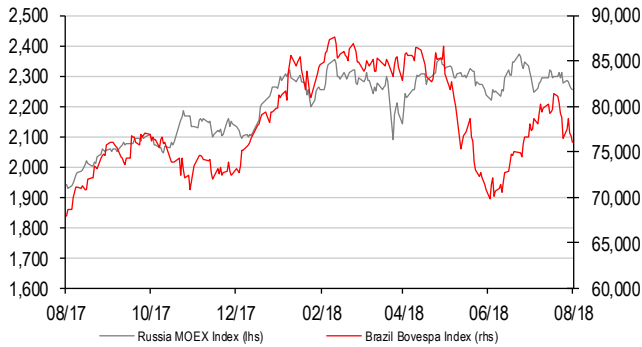
Global equities



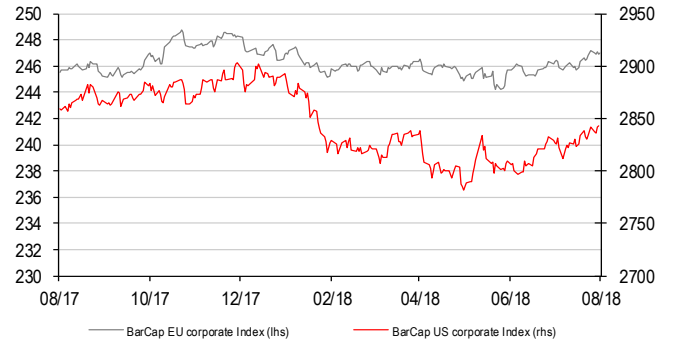
Emerging Asian equities



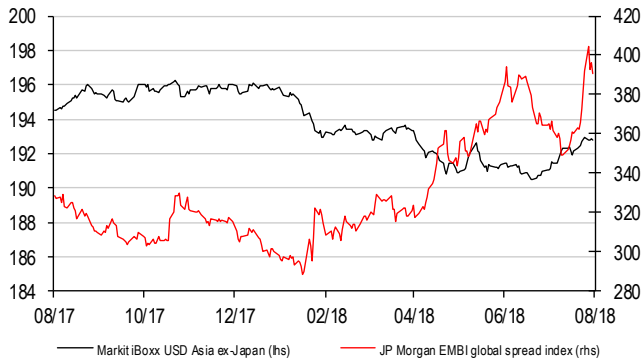
Other emerging equities



Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



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