

# Investment Weekly

This week in detail .....

European Union (EU) officials were reported to be holding a Brexit Summit on 17-18 November, at which they aim to agree on a formal Brexit arrangement before the transition period begins in March next year

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The week ahead .....

In the coming week, the US Federal Reserve (Fed) is widely expected to lift the federal funds rate by 25 basis points to 2.00-2.25%

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Market moves .....

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Equities .....

Global stock markets rallied as investors shrugged off trade tensions

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Bonds .....

US Treasuries and core European bonds closed lower as trade tensions forced investors to assess inflation outlook

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Currencies .....

British pound ended flat against the US dollar as strong data releases were largely offset by Brexit concerns

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Commodities .....

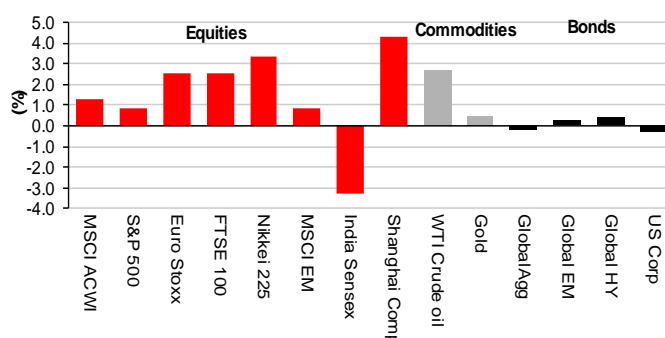
Crude oil prices rose sharply this week, partly due to reports showing a decline in crude inventories

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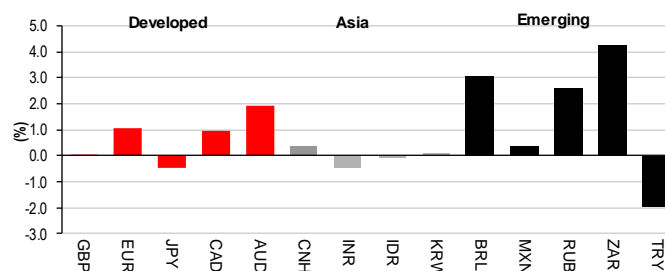
Market data .....

Market trends .....

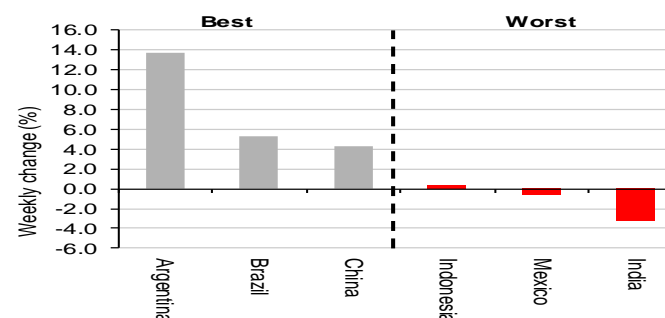
## Movers and shakers



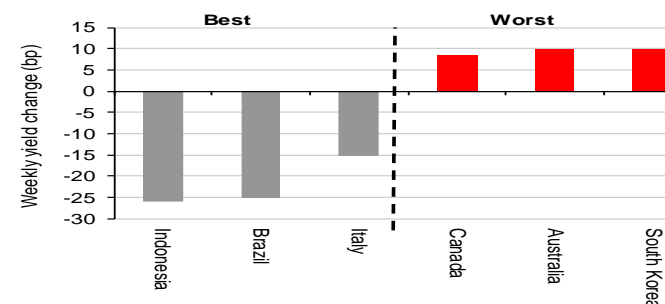
## Currencies (versus USD)



## Equities



## Bonds (10-year yields)



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Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 21 Sep 2018. All the above charts relate to 14/09/2018 – 21/09/2018.  
**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 17 September	Eurozone	CPI (yoy)	Aug F	2.0%	2.0%	2.1% P
Tuesday 18 September	US	NAHB housing market index	Sep	66	67	67
Wed. 19 September	Japan	Bank of Japan interest rate decision	Sep	-0.10%	-0.10%	-0.10%
	Brazil	COPOM interest rate decision	Sep	6.50%	6.50%	6.50%
	Japan	Trade balance adjusted (JPY bn)	Aug	-144.1	-190.4	-102.3
	UK	CPI (yoy)	Aug	2.4%	2.7%	2.5%
	US	Housing starts (mom)	Aug	5.7%	9.2%	-0.3%
Thursday 20 September	South Africa	Reserve Bank interest rate decision	Sep	6.50%	6.50%	6.50%
	UK	Retail sales ex auto fuel (yoy)	Aug	2.4%	3.5%	4.0%
	US	Existing home sales (mom)	Aug	0.5%	0.0%	-0.7%
Friday 21 September	Japan	National CPI ex fresh food, energy (yoy)	Aug	0.3%	0.4%	0.3%
	Eurozone	Markit composite PMI	Sep P	54.4	54.2	54.5

P – Preliminary, F – Final

### US President Trump formally announced the implementation of the next round of punitive tariffs on imports from China

**US President Trump** formally announced the implementation of the next round of punitive tariffs on imports from China this week. The levies will take effect on 24 September and will cover USD200 billion of goods, including some consumer goods. The initial tariff rate will be 10%, rising to 25% on 1 January 2019 in the absence of a deal with China. In terms of data releases, the **US NAHB housing market index** held steady at 67 in September, against expectations for a dip to 66. Both current (74) and 6-month projected sales (74) indicators improved in September. **Existing home sales** also held steady at an annualised rate of 5,340,000 in August, coming in lower than an expected rise to 5,370,000 (0.5% mom). The latest release came after a 4-month decline in housing re-sales, amid rising prices and tight supply of homes.

### EU officials were reported to be holding a Brexit Summit on 17-18 November

In Europe, there were media reports that **EU officials will hold a Brexit Summit on 17-18 November**, at which they aim to agree on a formal Brexit arrangement before the transition period begins in March next year. On the data front, the final headline **eurozone CPI inflation** slowed 0.1 percentage points to 2.0% yoy in August, while core inflation eased to 1.0% yoy from 1.1% yoy in July. The details showed that energy inflation edged down from 9.5% yoy to 9.2% yoy in August. Services inflation ticked down from 1.4% yoy to 1.3% yoy, while non-energy industrial goods inflation fell from 0.5% yoy to 0.4% yoy. Overall, with core inflation still around the 1% mark, it remains to be seen whether modest gains in labour costs could lead to a sustained pick-up in consumer price inflation. **UK headline CPI inflation** rose to 2.7% yoy in August, from 2.5% yoy in the prior month. This was well above consensus expectations of a decline to 2.4% yoy. Core inflation also unexpectedly accelerated, from 1.9% yoy to 2.1% yoy in August. The main contribution to the upward shift came from volatile components, namely recreation and culture, transport (mainly fares) and clothing and footwear.

### Brazil's central bank left the SELIC policy rate at 6.50%

After a two-day policy meeting and in a 7-2 vote, the **Bank of Japan** kept its monetary policy unchanged, with short term rates at -0.1% and 10-year Japanese government bond (JGB) yields at about 0.0%. In addition, the indicative target of "about JPY80 trillion" of annual JGB buying was maintained. The economic assessment was also left mostly unchanged, with the economy seen as "expanding moderately" and the rate of inflation gradually converging to 2%, mainly due to a positive output gap and rising inflation expectations. **Japanese headline CPI inflation** rose 1.3% yoy in August, up from 0.9% in July (consensus at 1.1%), and was temporarily boosted by a sharp increase in fresh food prices (from 4.3% yoy in July to 8.7% yoy) due to short term supply constraints on the back of bad weather. **CPI ex-fresh food and energy** edged up from 0.3% yoy to 0.4% yoy in August. Interestingly, service prices gained traction (+0.6% yoy and +0.5% mom) mainly due to an increase in accommodation expenses and a less rapid decline in the costs of communications.

In **Brazil**, the **central bank's monetary policy committee (COPOM)** left the SELIC policy rate at 6.50%, aiming to support a slower than expected economic recovery. Policy makers stated that the main risks are associated with monetary policy normalisation in certain advanced economies and the lingering trade tensions.

# The week ahead

## Macro Data and Key Events

Date	Country	Indicator	Data as of	Survey	Prior
Monday 24 September	Germany	IFO business climate	Sep	103.2	103.8
Tuesday 25 September	US	S&P CoreLogic Case Shiller composite-20 (yoy)	Jul	6.2%	6.3%
	US	Conference Board consumer confidence	Sep	131.5	133.4
Wed. 26 September	US	New home sales (mom)	Aug	0.6%	-1.7%
	US	FOMC interest rate decision	Sep	2.25%	2.00%
Thursday 27 September	US	GDP annualised (qoq)	Q2 F	4.3%	4.3% P
	US	Durable goods orders (mom)	Aug P	1.7%	-1.7%
	US	Pending home sales (mom)	Aug	-0.2%	-0.7%
Friday 28 September	Japan	Jobless rate	Aug	2.5%	2.5%
	Japan	Industrial production (mom)	Aug P	1.5%	-0.2%
	UK	GDP (qoq)	Q2 F	0.4%	0.4% P
	Eurozone	CPI estimate (yoy)	Sep	2.1%	2.0%
	US	PCE core (yoy)	Aug	2.2%	2.3%

P – Preliminary, Q – Quarter, F – Final

The Fed is widely expected to lift the fed funds rate by 25 basis points (bps) to 2.00-2.25%

Flash estimates of eurozone September inflation is expected to edge up slightly from August's prints

## US

For the US next week, the **Federal Open Market Committee (FOMC)** is widely expected to lift the fed funds target range by 25 bps to 2.00-2.25%. Policymakers have signalled a gradual pace of rate hikes amid healthy payroll gains, robust activity, and steady inflation.

Following the underwhelming CPI print, **PCE core** for August is expected to edge lower to 2.2% yoy, from 2.3% previously.

Turning to housing, the **S&P Case-Shiller 20-City composite** of home prices is forecast to dip 0.2% mom in the three months to July. This will modestly cool the annual pace to 6.2% yoy (+6.31% yoy prior) amid increasing affordability concerns and tight inventory of existing homes. Meanwhile, **new home sales** are expected to grow 0.6% mom to 631,000, with the recent trend slowing for the same reasons. **Pending home sales** are out later in the week and are predicted to edge 0.2% mom lower.

The **Conference Board consumer confidence** index is expected to stay at euphoric territory, cooling just 1.9 points to 131.5 in August.

**Durable goods orders** are anticipated to advance 1.7% mom in August, boosted by a bounce in commercial jet orders. The core non-defense capital goods ex-aircraft measure is envisaged to increase by 0.4% mom, downshifting after four months of solid gains.

## Europe

**Germany's Ifo Business Climate Index** is expected to stabilise at around the 103 level in September. This follows a large rebound in the index in August, following significant declines in early 2018, as the overall eurozone economic environment stabilised and the EU negotiated a ceasefire in trade tensions with the US.

The flash estimate for **eurozone inflation** in September is expected to edge up slightly August's prints, with both headline and core inflation rising 0.1 percentage points to 2.1% and 1.1% yoy respectively. This would return the headline number to July's rate, which is the highest since December 2012. Core inflation pressures remain muted for the time being, however.

## Emerging markets

**Japan's jobless rate** is expected to stabilize at 2.5% in August, as survey-based signals (the employment component of the Economy Watchers Survey and EPA consumer confidence survey, as well as the manufacturing PMI) during the month were little changed, although mostly edging down slightly.

**Japan industrial production** for August is expected to rebound by 1.5% mom, after three straight months of losses, although concerns about US-China trade tensions will continue to weigh on exporters.

# Market moves

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## Equities

Global stock markets rallied as investors shrugged off trade tensions

## Bonds

US Treasuries and core European bonds closed lower as trade tensions forced investors to assess inflation outlook

## Currencies

British pound ended flat against the US dollar as strong macro data releases were offset by Brexit concerns

## Commodities

Crude oil prices rose strongly this week, partly thanks to reports showing a decline in crude inventories last week

## Equities

**US stock markets** started the week off lower, as President Trump announced a 10% tariff on USD200 billion worth of Chinese imports starting on 24th September. However stocks recouped their losses amid fading trade war concerns and a strong rally in technology shares. Overall, the S&P 500 Index gained 0.8%. **Canada's S&P/TSX Composite Index** also rallied this week, up 1.3% on investor hopes of a NAFTA deal.

**European equities** tracked US stocks to end the week higher, with investor sentiment lifted by news that China is planning to cut tariffs on non-US imports from the majority of its trading partners, possibly as soon as next month. The regional EURO STOXX 50 Index rallied 2.6%. All other national bourses also rose this week: Spain's IBEX 35 gained 2.4%, France's CAC 40 rose 2.6% and UK's FTSE 100 rose 1.0%.

**Asian stock markets** excluding India, posted weekly gains, led by Chinese and Japanese stocks, amid signs of easing trade tensions and taking a positive lead from US equities. Japan's Nikkei 225 and China's Shanghai Composite rose 3.4% and 4.3%, respectively. Indian stocks ended the week lower, dragged down by financials shares on Friday.

## Bonds

**US Treasury yields** rose and prices fell for a fourth consecutive week with much of the weakness occurring on Tuesday, as US-China trade tensions forced investors to assess the outlook for inflation. Overall, two-year Treasury yields rose 2 bps to 2.80% and 10-year yields rose 7 bps to 3.06%. **Canadian government bond yields** also rose, with 10-year bond yields adding 9 bps to 2.43% amid better than expected manufacturing sales and retail sales ex auto releases for July.

**Core European government bond** yields edged up (prices fell) this week amid increased supply in the region including bond auctions from Germany, France and Spain. Benchmark German 10-year yields closed up 1 bp to 0.46%, while UK equivalents underperformed (10-year yields rose 2 bps to 1.55%) amid higher than expected CPI and retail sales data for August. In contrast, 10-year Italian bonds rose (yields fell 15 bps to 2.83%) as investor focus remained on the progress over budget talks.

## Currencies

The **British pound** ended flat against the US dollar this week, supported by stronger than expected retail sales data. However, sterling later pared back some of these gains on Friday following reports that UK Prime Minister Theresa May rejected the EU's Brexit offer around the Irish border. The **euro** also gained (+1.1%) against the greenback.

**EM Asian currencies** appreciated against a generally weaker USD this week, amid improved risk sentiment. However, the Japanese yen weakened on reduced demand for safe assets.

## Commodities

**Crude oil** prices rose this week, with big gains occurring on both Tuesday and Wednesday. The support came from reports that Saudi Arabia would be comfortable letting Brent oil prices rise above USD80 a barrel, and that US's crude inventories declined last week. WTI rose 3.0% to USD70.8 a barrel and Brent oil prices rose 0.9% to USD78.8 a barrel.

**Gold** prices rose this week (+0.5% to USD 1,199 per troy ounce) on a softer US dollar.

# 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)
<b>World</b>									
MSCI AC World Index (USD)	526	1.3	1.7	3.3	8.2	2.6	551	482	15.9
<b>North America</b>									
US Dow Jones Industrial Average	26,744	2.3	3.6	9.3	19.6	8.2	26,769	22,219	17.1
US S&P 500 Index	2,930	0.8	2.3	6.5	17.2	9.6	2,941	2,488	18.1
US NASDAQ Composite Index	7,987	-0.3	1.6	3.6	24.4	15.7	8,133	6,344	23.8
Canada S&P/TSX Composite Index	16,224	1.3	-0.4	-0.7	5.0	0.1	16,586	14,786	15.7
<b>Europe</b>									
MSCI AC Europe (USD)	467	2.1	1.7	1.6	-1.9	-4.3	524	444	14.0
Euro STOXX 50 Index	3,431	2.6	0.6	0.8	-3.1	-2.1	3,709	3,262	13.9
UK FTSE 100 Index	7,490	1.0	-1.0	-0.9	3.1	-2.6	7,904	6,867	13.5
Germany DAX Index*	12,431	2.5	0.4	-0.6	-1.3	-3.8	13,597	11,727	13.3
France CAC-40 Index	5,494	2.6	1.6	3.4	4.3	3.4	5,657	5,038	14.6
Spain IBEX 35 Index	9,590	2.4	0.4	-1.2	-6.9	-4.5	10,643	9,111	12.5
Italy FTSE MIB Index	21,537	3.1	3.6	-0.6	-4.2	-1.4	24,544	20,236	11.8
<b>Asia Pacific</b>									
MSCI AC Asia Pacific ex Japan (USD)	523	0.6	-1.4	-4.6	-3.3	-8.2	617	506	13.1
Japan Nikkei-225 Stock Average	23,870	3.4	7.4	5.2	17.3	4.9	24,129	20,214	16.8
Australian Stock Exchange 200	6,195	0.5	-1.4	-0.6	9.5	2.1	6,374	5,649	16.0
Hong Kong Hang Seng Index	27,954	2.4	0.7	-4.6	-0.6	-6.6	33,484	26,220	11.4
Shanghai Stock Exchange Composite Index	2,797	4.3	2.3	-2.7	-16.7	-15.4	3,587	2,644	11.3
Hang Seng China Enterprises Index	11,027	4.3	2.7	-3.0	-1.5	-5.8	13,963	10,197	8.3
Taiwan TAIEX Index	10,972	1.0	1.7	0.3	3.7	3.1	11,270	10,189	14.1
Korea KOSPI Index	2,339	0.9	3.0	0.1	-2.8	-5.2	2,607	2,218	9.3
India SENSEX 30 Index	36,842	-3.3	-3.8	4.0	13.8	8.2	38,990	31,082	19.7
Indonesia Jakarta Stock Price Index	5,958	0.4	0.2	2.3	0.9	-6.3	6,693	5,558	15.6
Malaysia Kuala Lumpur Composite Index	1,811	0.4	0.7	7.0	2.2	0.8	1,896	1,658	17.6
Philippines Stock Exchange PSE Index	7,383	-0.4	-1.6	4.0	-10.9	-13.7	9,078	6,924	17.1
Singapore FTSE Straits Times Index	3,218	1.8	0.6	-2.5	0.1	-5.4	3,642	3,103	13.0
Thailand SET Index	1,756	2.0	3.6	7.4	5.1	0.1	1,853	1,585	16.3
<b>Latam</b>									
Argentina Merval Index	34,327	13.8	31.8	11.2	39.7	14.2	35,462	24,335	9.4
Brazil Bovespa Index*	79,444	5.3	5.7	13.4	5.1	4.0	88,318	69,069	11.7
Chile IPSA Index	5,462	2.0	4.0	1.4	3.3	-1.8	5,895	4,847	15.8
Colombia COLCAP Index	1,483	-1.0	-3.3	-3.3	-0.1	-2.0	1,598	1,415	13.2
Mexico S&P/BMV IPC Index	49,332	-0.6	0.0	6.2	-2.4	0.0	51,121	44,429	17.1
<b>EEMEA</b>									
Russia MOEX Index	2,427	2.8	5.9	8.1	17.8	15.0	2,435	2,038	5.7
South Africa JSE Index	57,164	1.0	0.0	1.7	2.3	-3.9	61,777	53,027	13.7
Turkey ISE 100 Index*	97,988	3.4	8.7	3.1	-5.8	-15.0	121,532	84,655	7.2

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

Equity Indices - Total Return	1-week Change (%)	1-month Change (%)	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)
Global equities	1.3	1.9	3.8	4.1	10.3	42.1	49.9
US equities	0.8	2.4	6.7	10.8	18.7	54.7	83.2
Europe equities	2.1	1.8	2.1	-1.9	0.9	22.2	17.8
Asia Pacific ex Japan equities	0.6	-1.1	-3.5	-6.1	-0.8	40.2	28.1
Japan equities	3.8	4.9	1.4	1.1	10.4	36.6	38.1
Latam equities	3.1	0.8	5.1	-9.4	-13.3	37.9	-15.5
Emerging Markets equities	0.9	-0.5	-2.9	-8.7	-4.2	36.3	15.1

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 (%)
<b>Bond indices - Total Return</b>						
BarCap GlobalAgg (Hedged in USD)	514	-0.2	-0.6	0.1	0.7	-0.1
JPM EMBI Global	772	0.3	0.2	1.0	-3.9	-4.4
BarCap US Corporate Index (USD)	2,826	-0.3	-0.8	1.0	-1.3	-2.6
BarCap Euro Corporate Index (Eur)	246	0.2	-0.4	-0.2	0.2	-0.5
BarCap Global High Yield (Hedged in USD)	468	0.4	0.7	1.3	0.9	-0.1
Markit iBoxx Asia ex-Japan Bond Index (USD)	192	-0.1	-0.4	0.5	-1.5	-1.9
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	245	0.1	0.0	0.8	-1.9	-2.8

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 (%)
<b>Developed markets</b>									
EUR/USD	1.17	1.16	1.16	1.16	1.19	1.20	1.26	1.13	1.1
GBP/USD	1.31	1.31	1.29	1.32	1.36	1.35	1.44	1.27	0.0
CHF/USD	1.04	1.03	1.02	1.01	1.03	1.03	1.09	0.99	0.9
CAD	1.29	1.30	1.30	1.33	1.23	1.26	1.34	1.23	0.9
JPY	112.59	112.06	110.31	109.99	112.48	112.69	114.73	104.56	-0.5
AUD	1.37	1.40	1.36	1.36	1.26	1.28	1.41	1.23	1.8
NZD	1.50	1.53	1.49	1.46	1.37	1.41	1.54	1.34	2.0
<b>Asia</b>									
HKD	7.81	7.85	7.85	7.85	7.80	7.81	7.85	7.79	0.5
CNY	6.86	6.87	6.85	6.49	6.59	6.51	6.94	6.24	0.2
INR	72.20	71.86	69.83	67.99	64.80	63.87	72.97	63.25	-0.5
MYR	4.13	4.14	4.10	4.02	4.20	4.05	4.24	3.85	0.2
KRW	1,116	1,117	1,119	1,112	1,133	1,067	1,150	1,054	0.1
TWD	30.67	30.74	30.71	30.32	30.22	29.73	30.88	28.96	0.2
<b>Latam</b>									
BRL	4.05	4.17	4.05	3.77	3.14	3.31	4.21	3.12	2.9
COP	3,000	3,023	2,980	2,953	2,916	2,986	3,111	2,685	0.8
MXN	18.83	18.89	18.96	20.31	17.88	19.66	20.96	17.73	0.3
<b>EEMEA</b>									
RUB	66.46	68.16	67.16	63.65	57.92	57.69	70.84	55.56	2.5
ZAR	14.32	14.93	14.39	13.58	13.28	12.38	15.70	11.51	4.1
TRY	6.29	6.17	6.08	4.72	3.50	3.80	7.24	3.48	-2.0

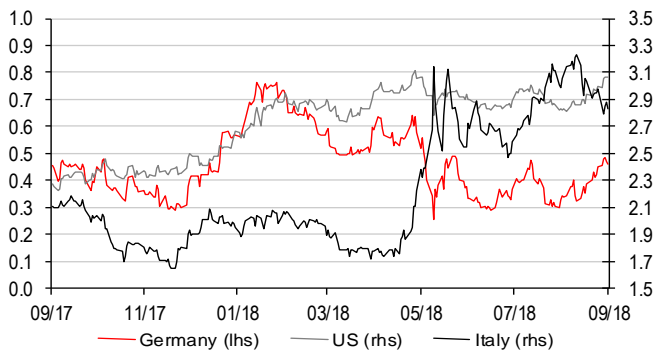
Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2017	1-week Basis Point Change *
<b>US Treasury yields (%)</b>							
3-Month	2.16	2.14	2.06	1.93	1.03	1.38	2
2-Year	2.80	2.78	2.60	2.54	1.44	1.88	2
5-Year	2.95	2.90	2.71	2.77	1.89	2.21	5
10-Year	3.06	3.00	2.83	2.90	2.28	2.41	7
30-Year	3.20	3.13	2.99	3.04	2.81	2.74	7
<b>10-year bond yields (%)</b>							
Japan	0.13	0.11	0.08	0.03	0.03	0.04	1
UK	1.55	1.53	1.27	1.28	1.37	1.19	2
Germany	0.46	0.45	0.33	0.33	0.45	0.42	1
France	0.78	0.77	0.67	0.70	0.74	0.78	1
Italy	2.83	2.98	2.98	2.72	2.10	2.01	-15
Spain	1.49	1.48	1.36	1.33	1.61	1.56	1
China	3.70	3.68	3.66	3.60	3.64	3.90	2
Australia	2.70	2.60	2.54	2.67	2.83	2.63	10
Canada	2.43	2.35	2.26	2.14	2.12	2.05	9

\*Numbers may not add up due to rounding

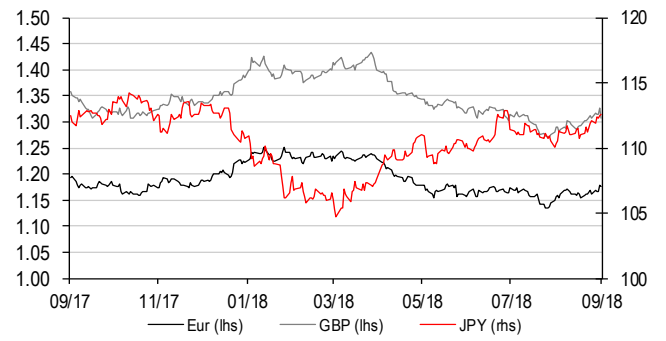
Commodities	Latest	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,199	0.5	0.2	-5.4	-7.1	-8.0	1,366	1,160
Brent Oil	78.8	0.9	8.1	9.2	42.8	23.1	80	55
WTI Crude Oil	70.8	3.0	8.2	11.0	37.9	21.3	72	51
R/J CRB Futures Index	194	1.8	2.1	-0.2	5.8	0.1	207	180
LME Copper	6,082	1.8	0.6	-10.4	-5.8	-16.1	7,348	5,773

# Market trends

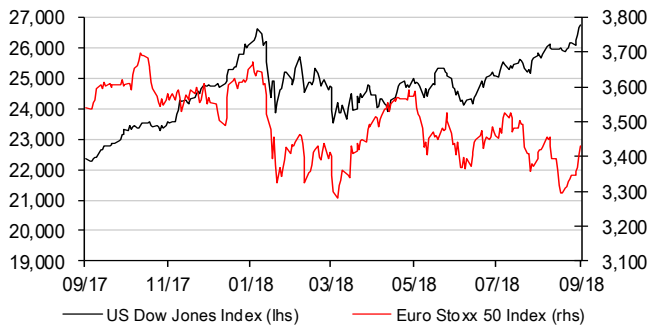
**Government bond yields (%)**



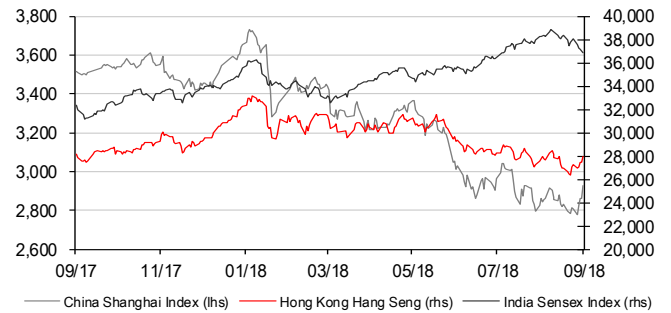
**Major currencies (versus USD)**



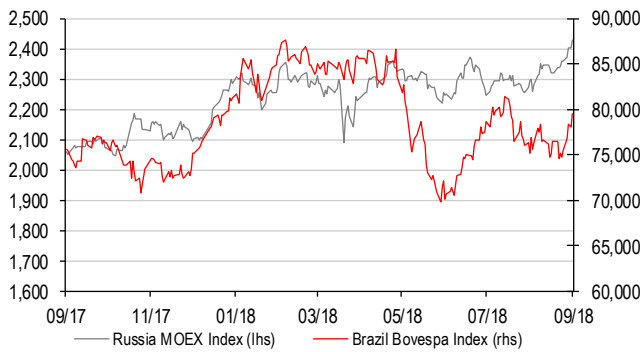
**Global equities**



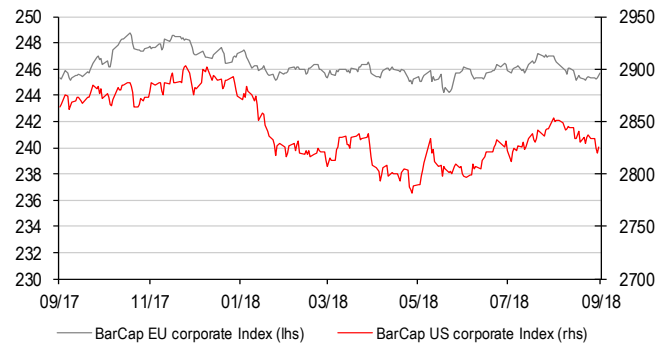
**Emerging Asian equities**



**Other emerging equities**



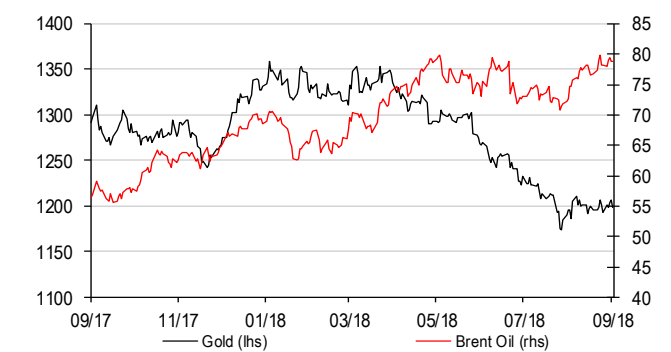
**Global credit indices**



**Emerging markets spreads (USD indices)**



**Commodities (USD)**



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