

# Investment Weekly

This week in detail .....

The US and Mexico agreed on a revised trade deal. However, US trade talks with Canada ended without a deal at Friday's deadline

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The week ahead .....

In the coming week, US nonfarm payrolls are likely to show continued labour market tightening

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Currencies .....

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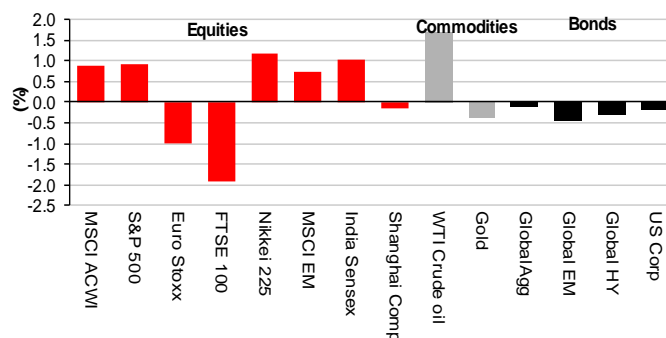
Oil prices boosted by US inventories data; gold down slightly amid stronger dollar

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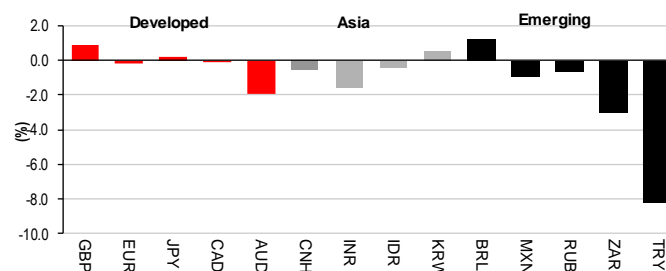
Market data .....

Market trends .....

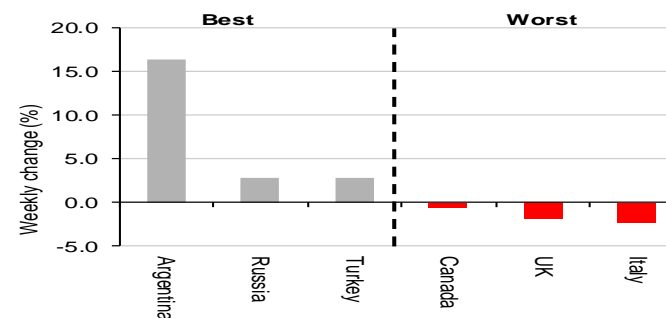
## Movers and shakers



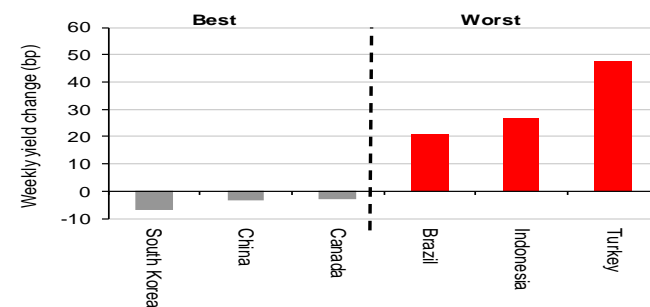
## Currencies (versus USD)



## Equities



## Bonds (10-year yields)



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Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 31 August 2018. All the above charts relate to 24/08/2018 – 31/08/2018. **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 27 August	Germany	IFO business climate	Aug	101.8	103.8	101.7
Tuesday 28 August	US	S&P CoreLogic Case Shiller composite-20 (yoy)	Jun	6.4%	6.3%	6.5%
	US	Conference Board consumer confidence	Aug	126.6	133.4	127.9
Wednesday 29 August	US	GDP annualised (qoq)	Q2 S	4.0%	4.2%	4.1%P
	US	Pending home sales (mom)	Jul	0.3%	-0.7%	1.0%
Thursday 30 August	US	PCE core (yoy)	Jul	2.0%	2.0%	1.9%
	Canada	GDP (qoq annualised)	Q2	3.1%	2.9%	1.4%
Friday 31 August	Japan	Jobless rate	Jul	2.4%	2.5%	2.4%
	Japan	Industrial production (mom)	Jul P	0.2%	-0.1%	-1.8%
	China	Official Manufacturing PMI	Aug	51.0	51.3	51.2
	Eurozone	Unemployment rate	Jul	8.2%	8.2%	8.2%
	Eurozone	CPI estimate (yoy)	Aug	2.1%	2.0%	2.1%
	Brazil	GDP (seasonally adjusted, qoq)	Q2	0.1%	0.2%	0.1%
	India	GVA (yoy)	Q2	7.5%	8.0%	7.6%

S – Second, P – Preliminary, Q – Quarter, F – Final

**The US and Mexico struck a new trading relationship. However, US trade talks with Canada ended without a deal at Friday's deadline**

The **US and Mexico** agreed on a new trade deal. The agreement requires that 75% of automobile content has to come from Mexico or the US (against 65% previously). Also, between 40% and 45% of the content must be made by workers earning at least USD16 per hour. However, trade talks with the US and Canada broke off with no deal before the Friday deadline set by the Trump administration. Negotiations are set to resume on Wednesday.

**US Q2 GDP** growth was revised up by 0.1 percentage points to +4.2% qoq (annualised) in Q2. The breakdown showed a slower pace of personal consumption growth than previously estimated (+3.8% vs. +4.0%), but this was made up by a stronger expansion of investment and net exports. **PCE core**, the US Federal Reserve's (Fed) preferred measure of inflation, rose 0.2% mom in July, in line with expectations (0.1 point higher than in June). The year-on-year rate is now at the Fed's 2% target.

**Canada's Q2 GDP grew by 2.9% qoq annualised, the fastest pace in a year**

**Canada's Q2 GDP** expanded by 2.9% qoq annualised. This was less than the expected 3.1%, but was nevertheless the fastest pace in a year. There were positive contributions from almost all expenditure categories, especially exports (+3.7 percentage points).

The **eurozone headline inflation rate** fell to 2.0% yoy in the flash estimate for August, from 2.1% in the prior month. This was below market consensus expectations of no change at 2.1%. The core inflation rate also disappointed expectations of holding steady at 1.1%, declining to 1.0%. The core rate has failed to breach 1.2% since March 2013. **Germany's Ifo Business Climate Index** for August came in at 103.8 (consensus at 101.8, 101.7 in July). The expectation sub-index rose the most (up 3 points to 101.2) while the current situation component also gained slightly. The first increase of the Ifo Index in nine months took place as the US and the European Union agreed to postpone tariffs on cars.

**Japan industrial production** for July came out weaker than expected, falling 0.1% mom (+0.2% expected). Capital and consumer durable goods contributed the most to the decline, partly contradicting the upbeat investment projections that appeared in the Tankan survey in Q2. **The jobless rate** for July continued to show the tightest labour market since 1974, with the job-to-applicant ratio (a proxy of supply and demand for labour) up from 1.62 to 1.63. Meanwhile, the jobless rate rose only slightly, from 2.4% to 2.5%.

**Positively, China's official PMIs for August came in higher than expected**

In a context of lingering trade war concerns, **China's official manufacturing PMI** for August unexpectedly rose slightly to 51.3, up from 51.2 in July and higher than the 51.0 anticipated by the consensus. Several sub-indices pointed to a stronger support from domestic demand. The non-manufacturing PMI also beat expectations, coming in at 54.2 (consensus at 53.7).

**India's GVA** rose 8.0% yoy in Q2 (+7.5% expected and +7.6% in Q1). Agriculture and manufacturing activities accelerated the most, whilst mining and construction slowed.

**Brazil's Q2 GDP** grew 0.2% qoq (+0.1% expected), slightly higher than the downwardly revised Q1 pace of 0.1%. The underlying details showed flat consumption and exports falling 5.5% qoq. Meanwhile, government consumption rose 0.5% qoq.

# The week ahead

## Macro Data and Key Events

Date	Country	Indicator	Data as of	Survey	Prior
Monday 03 September	Turkey	CPI (yoy)	Aug	17.4%	15.9%
Tuesday 04 September	Australia	Reserve Bank of Australia interest rate decision	Sep	1.50%	1.50%
	South Africa	GDP (qoq annualised)	Q2	0.6%	-2.2%
	US	ISM Manufacturing	Aug	57.6	58.1
Wed. 05 September	Eurozone	Markit composite PMI	Aug F	54.4	54.4P
	Canada	Bank of Canada interest rate decision	Sep	1.50%	1.50%
Thursday 06 September	Germany	Factory orders (mom)	Jul	1.6%	-4.0%
	Sweden	Riksbank interest rate decision	Sep	-0.50%	-0.50%
	Brazil	IBGE Inflation IPCA (yoy)	Aug	-	4.5%
	US	ISM non-manufacturing	Aug	56.9	55.7
Friday 07 September	Germany	Industrial production (seasonally adjusted, mom)	Jul	0.2%	-0.9%
	Eurozone	GDP (seasonally adjusted, qoq)	Q2 F	0.4%	0.4%P
	US	Change in nonfarm payrolls (000s)	Aug	191	157
	Mexico	CPI (yoy)	Aug	-	4.8%

P – Preliminary, Q – Quarter, F – Final

In the coming week, the US August employment report is likely to show continued labour market tightening

### US & Canada

The **US ISM manufacturing index** has been within the 56-61 range in the last 12 months. The August reading is expected to maintain this trend at 57.6 (+58.1 in July) as most regional Federal Reserve (New York, Dallas, and Richmond) manufacturing surveys for August were positive. The **ISM non-manufacturing index** for August is expected to remain comfortably in the expansionary territory (+56.9), but recent readings have signalled a decline in momentum.

Survey indicators continue to suggest that the US labour market is likely to tighten further. The employment component in the ISM manufacturing and non-manufacturing indices remain at healthy levels, while the National Federation of Independent Business (NFIB) job openings index is at record high. Consistent with this, **non-farm payrolls** are expected to increase by 191,000 in August (+157,000 in July).

### Europe

**German industrial data** for July is expected to show a rebound in activity, following a significant decline in the prior month. The underlying trend in industrial activity has been negative since the beginning of 2018, although this follows from a strong pick-up in 2017 to more sustainable levels.

### Emerging markets

Emerging market inflation prints for August will feature heavily in next week's data calendar. In **Turkey**, August **CPI** inflation is anticipated to rise to 17.4% yoy, higher than 15.9% in July, as the falling lira continues to push up imported inflation. In Latin America, as the Mexican peso has stabilised since mid-June, and bi-weekly data as of 15 August showed inflation rising 4.8% yoy, **Mexico's** August **CPI** inflation is likely to stay close to July's pace of 4.8% yoy. Meanwhile, the negative supply shock of the truckers' strike is gradually fading from **Brazil's inflation** data. IBGE inflation IPCA rose 1.26% mom in June, a two-year high rate, but just 0.3% mom in July. However, this is likely offset by the continued depreciation of the real.

**South Africa's GDP** is expected to rebound by 0.6% qoq annualised in Q2, after contracting 2.2% in Q1. High frequency data showed manufacturing production rising at an average rate of 0.4% mom in Q2, while the corresponding figure retail sales is a disappointing -0.4% mom.

# Market moves

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## Equities

US stocks boosted by US-Mexico trade deal; European equities underperformed

## Bonds

US Treasuries weakened slightly; most core European bonds ended flat, although UK gilts underperformed amid Brexit deal hopes

## Currencies

The British pound rose against the US dollar; most other currencies fell

## Commodities

Oil prices boosted by US inventories data; gold down slightly amid stronger dollar

## Equities

**US stocks** edged higher this week, with gains driven by Trump administration's preliminary agreement to revise NAFTA with Mexico. A rally in tech stocks and upbeat economic data releases also boosted equity markets. The S&P 500 ended up 0.9%, reaching fresh all-time highs over the week.

**European stocks** underperformed their US counterparts this week. The regional EURO STOXX 50 Index fell 1.0%, dragged lower by lingering concerns over Brexit and US trade relations, as Trump signalled he was ready to impose a further USD200 billion tariffs on Chinese goods imports, while also rejecting an offer from the European Union for both sides to eliminate auto tariffs. This offset gains earlier in the week following progress in US-Mexico trade relations.

**In Asia**, stock markets rallied on optimism about the global economic outlook, while certain markets also benefitted from the trade deal between the US and Mexico. Taiwan equities outperformed, with the TAIEX adding 2.4%. Japan's Nikkei 225 finished the week up 1.2%. In China, the Shanghai Composite ended little changed, down 0.2% over the week. At the end of the week, media reports stated US President Donald Trump's intention to push ahead with tariffs on USD200 billion of Chinese products.

## Bonds

**US Treasuries** fell (yields rose) this week as improved investor sentiment and upbeat data (including the GDP release for Q2) dampened demand for perceived safe haven assets. However, there was some paring back of losses later in the week amid increased global trade concerns on reports that US President Trump was threatening to pull the US out of the World Trade Organization, while also wanting to move ahead with plans to place further tariffs on Chinese imports. Overall, 10-year treasury yields closed 5 basis points (bps) higher at 2.86%; two-year yields added 1bp to close at 2.63%.

Most **core European government bonds** ended little changed this week with benchmark German 10-year bund yields edging 2bps lower at 0.33%. UK equivalents underperformed (10-year yields rose 15bps to 1.43%) in a shortened trading week amid increased hopes for a Brexit deal with the EU. Longer-dated peripheral government bonds also weakened, led by Greece.

## Currencies

The **British pound** rose against the US dollar this week (+0.9%) with the largest gains occurring on Wednesday amid optimism that the UK and European Union would reach a Brexit deal. However, this was later pared back slightly after the European Union's chief Brexit negotiator warned that a no-deal Brexit was still an option. Elsewhere, the **euro** was little changed versus the US dollar over the week (-0.2%).

Most **Asian currencies** were little changed against the US dollar over the week, as investors remained concerned about US-China trade tensions, while the US and Mexico reached a trade deal. However, on Thursday and Friday, most Asian currencies depreciated as a large fall in the Argentine peso weighed on sentiment. The Indian rupee depreciated the most (-1.6%). Meanwhile, countries running sizable current account surpluses (Japan, Korea and Taiwan) saw their currencies appreciate moderately.

## Commodities

Crude **oil prices** rose again this week with Brent gaining 2.0% to USD77.7 per barrel. Most of the gains occurred on Wednesday after the U.S. Energy Information Administration weekly report showed a larger-than-expected decline in US crude inventories last week (-2.57 million barrels).

Meanwhile, **gold prices** fell slightly (-0.4% to USD1,201 per ounce) amid a broadly stronger US dollar.

# Market data

	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
<b>Equity Indices</b>									
<b>World</b>									
MSCI AC World Index (USD)	524	0.9	0.9	3.0	9.6	2.2	551	475	15.9
<b>North America</b>									
US Dow Jones Industrial Average	25,965	0.7	2.2	6.3	18.3	5.0	26,617	21,710	16.6
US S&P 500 Index	2,902	0.9	3.0	7.3	17.4	8.5	2,917	2,447	18.0
US NASDAQ Composite Index	8,110	2.1	5.7	9.0	26.1	17.5	8,133	6,335	24.2
Canada S&P/TSX Composite Index	16,263	-0.6	-1.0	1.3	6.9	0.3	16,586	14,786	15.7
<b>Europe</b>									
MSCI AC Europe (USD)	466	0.7	-2.3	0.0	0.3	-4.5	524	444	14.2
Euro STOXX 50 Index	3,393	-1.0	-3.8	-0.4	-0.8	-3.2	3,709	3,262	13.7
UK FTSE 100 Index	7,432	-1.9	-4.1	-3.2	0.0	-3.3	7,904	6,867	13.3
Germany DAX Index*	12,364	-0.2	-3.4	-1.9	2.6	-4.3	13,597	11,727	13.1
France CAC-40 Index	5,407	-0.5	-1.9	0.2	6.3	1.8	5,657	5,038	14.4
Spain IBEX 35 Index	9,399	-2.0	-4.8	-0.7	-8.7	-6.4	10,643	9,328	12.3
Italy FTSE MIB Index	20,269	-2.3	-8.8	-7.0	-6.5	-7.2	24,544	20,236	11.0
<b>Asia Pacific</b>									
MSCI AC Asia Pacific ex Japan (USD)	538	1.5	-0.9	-4.3	1.0	-5.6	617	515	13.3
Japan Nikkei-225 Stock Average	22,865	1.2	1.4	3.0	16.4	0.4	24,129	19,240	16.2
Australian Stock Exchange 200	6,319	1.2	0.6	5.1	10.6	4.2	6,374	5,639	16.2
Hong Kong Hang Seng Index	27,889	0.8	-2.4	-8.5	-0.3	-6.8	33,484	26,871	11.3
Shanghai Stock Exchange Composite Index	2,725	-0.2	-5.3	-12.0	-18.9	-17.6	3,587	2,653	10.9
Hang Seng China Enterprises Index	10,876	0.9	-1.4	-9.2	-3.7	-7.1	13,963	10,360	7.8
Taiwan TAIEX Index	11,064	2.4	0.1	1.7	4.5	4.0	11,270	10,189	14.2
Korea KOSPI Index	2,323	1.3	1.2	-4.1	-1.7	-5.9	2,607	2,218	9.3
India SENSEX 30 Index	38,645	1.0	2.8	9.4	21.8	13.5	38,990	31,082	20.6
Indonesia Jakarta Stock Price Index	6,018	0.8	1.4	0.6	2.6	-5.3	6,693	5,558	15.5
Malaysia Kuala Lumpur Composite Index	1,820	0.6	2.0	4.5	2.6	1.3	1,896	1,658	17.7
Philippines Stock Exchange PSE Index	7,856	1.1	2.4	4.8	-1.3	-8.2	9,078	6,924	18.2
Singapore FTSE Straits Times Index	3,213	0.0	-3.2	-6.3	-1.9	-5.6	3,642	3,176	12.9
Thailand SET Index	1,722	1.0	1.2	-0.3	6.5	-1.8	1,853	1,585	16.0
<b>Latam</b>									
Argentina Merval Index	29,294	16.4	0.0	2.6	24.2	-2.6	35,462	23,485	7.4
Brazil Bovespa Index*	76,678	0.5	-3.2	-0.1	8.2	0.4	88,318	69,069	11.5
Chile IPSA Index	5,270	0.2	-3.0	-3.4	2.3	-5.3	5,895	4,847	15.5
Colombia COLCAP Index	1,543	0.3	1.1	-0.3	4.1	1.9	1,598	1,415	13.7
Mexico S&P/BMV IPC Index	49,548	-0.2	-0.3	10.9	-3.2	0.4	51,371	44,429	17.1
<b>EEMEA</b>									
Russia MOEX Index	2,346	2.9	1.1	1.9	16.0	11.2	2,379	1,993	5.8
South Africa JSE Index	58,668	-0.2	2.2	4.5	3.8	-1.4	61,777	53,027	14.1
Turkey ISE 100 Index*	92,723	2.8	-4.4	-7.9	-15.7	-19.6	121,532	84,655	6.9

\*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 (%)
<b>Equity Indices - Total Return</b>							
Global equities	0.9	1.0	3.5	3.6	11.7	40.3	59.1
US equities	0.9	3.2	7.6	9.7	19.0	52.9	90.2
Europe equities	0.7	-2.0	0.6	-2.2	3.2	19.9	27.4
Asia Pacific ex Japan equities	1.6	-0.5	-3.2	-3.7	3.7	44.7	42.2
Japan equities	1.7	0.2	-1.9	-1.4	9.0	27.5	45.9
Latam equities	-2.1	-9.3	-4.0	-12.0	-12.7	28.2	-8.4
Emerging Markets equities	0.8	-2.5	-4.5	-7.0	-0.5	38.6	28.1

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)	516	-0.1	0.3	0.5	0.7	0.4
JPM EMBI Global	768	-0.5	-1.7	-0.7	-4.4	-4.9
BarCap US Corporate Index (USD)	2,845	-0.2	0.5	0.8	-1.0	-2.0
BarCap Euro Corporate Index (Eur)	246	-0.1	0.0	0.2	0.1	-0.4
BarCap Global High Yield (Hedged in USD)	464	-0.3	-0.8	0.5	0.5	-0.9
Markit iBoxx Asia ex-Japan Bond Index (USD)	193	0.0	0.5	0.7	-1.0	-1.4
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	246	0.2	0.0	0.5	-1.0	-2.6

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	1.16	1.16	1.17	1.17	1.19	1.20	1.26	1.13	-0.2
GBP/USD	1.30	1.28	1.31	1.33	1.29	1.35	1.44	1.27	0.9
CHF/USD	1.03	1.02	1.01	1.01	1.04	1.03	1.09	0.99	1.5
CAD	1.30	1.30	1.30	1.30	1.25	1.26	1.34	1.21	-0.1
JPY	111.03	111.24	111.86	108.82	109.98	112.69	114.73	104.56	0.2
AUD	1.39	1.37	1.35	1.32	1.26	1.28	1.39	1.23	-1.9
NZD	1.51	1.49	1.47	1.43	1.39	1.41	1.53	1.34	-1.0
<b>Asia</b>									
HKD	7.85	7.85	7.85	7.84	7.83	7.81	7.85	7.79	0.0
CNY	6.83	6.81	6.82	6.41	6.59	6.51	6.94	6.24	-0.3
INR	71.00	69.91	68.55	67.41	63.91	63.87	71.00	63.25	-1.6
MYR	4.11	4.11	4.07	3.98	4.27	4.05	4.27	3.85	0.0
KRW	1,113	1,119	1,119	1,077	1,128	1,067	1,150	1,054	0.5
TWD	30.72	30.78	30.63	29.96	30.17	29.73	30.88	28.96	0.2
<b>Latam</b>									
BRL	4.06	4.10	3.76	3.72	3.15	3.31	4.21	3.08	1.2
COP	3,048	2,958	2,889	2,890	2,946	2,986	3,080	2,685	-3.0
MXN	19.09	18.91	18.65	19.91	17.89	19.66	20.96	17.61	-0.9
<b>EEMEA</b>									
RUB	67.47	67.03	62.53	62.41	58.04	57.69	69.36	55.56	-0.6
ZAR	14.69	14.25	13.28	12.70	13.00	12.38	15.55	11.51	-3.1
TRY	6.54	6.01	4.91	4.53	3.45	3.80	7.24	3.39	-8.9

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	2.09	2.09	2.02	1.89	0.99	1.38	1
2-Year	2.63	2.62	2.67	2.43	1.33	1.88	1
5-Year	2.74	2.71	2.85	2.70	1.70	2.21	3
10-Year	2.86	2.81	2.96	2.86	2.12	2.41	5
30-Year	3.02	2.96	3.08	3.03	2.73	2.74	6
<b>10-year bond yields (%)</b>							
Japan	0.10	0.10	0.06	0.03	0.00	0.04	1
UK	1.43	1.28	1.33	1.23	1.03	1.19	15
Germany	0.33	0.34	0.44	0.34	0.36	0.42	-2
France	0.68	0.68	0.73	0.66	0.66	0.78	0
Italy	3.23	3.15	2.72	2.77	2.04	2.01	8
Spain	1.47	1.39	1.40	1.49	1.55	1.56	8
China	3.60	3.63	3.49	3.64	3.66	3.90	-4
Australia	2.52	2.54	2.65	2.67	2.71	2.63	-2
Canada	2.23	2.26	2.31	2.24	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	1,201	-0.4	-1.9	-7.5	-9.1	-7.8	1,366	1,160
Brent Oil	77.7	2.0	4.4	1.5	44.7	21.3	79	54
WTI Crude Oil	69.9	1.7	3.3	5.7	39.8	19.0	72	49
R/J CRB Futures Index	193	0.5	-0.8	-4.9	6.7	-0.5	207	177
LME Copper	6,066	-0.6	-3.7	-11.5	-10.6	-16.3	7,348	5,773

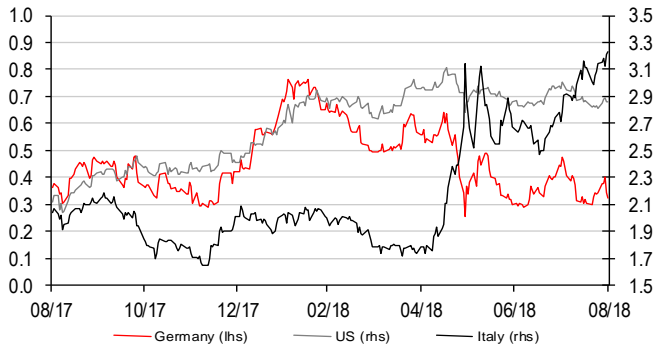
Source: Bloomberg, HSBC Global Asset Management. Data as at close of business 31 August 2018.

Past performance is not an indication of future returns

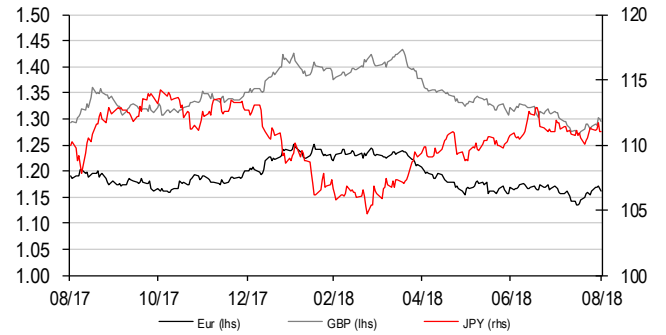
31/08/2018 Investment Weekly 6

# Market Trends

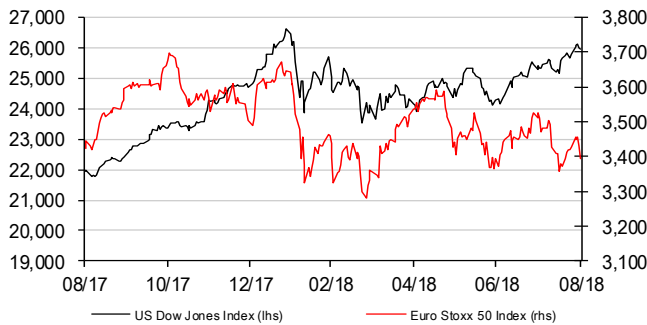
## Government bond yields (%)



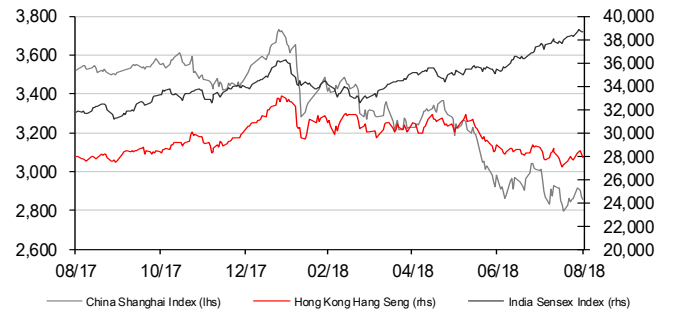
## Major currencies (versus USD)



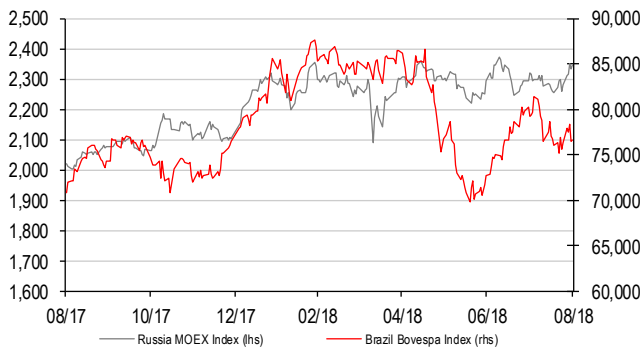
## Global equities



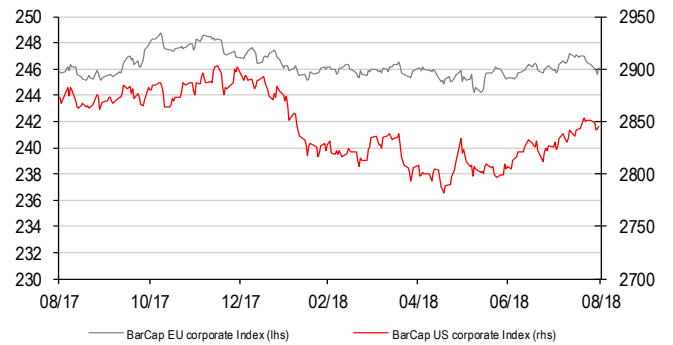
## Emerging Asian equities



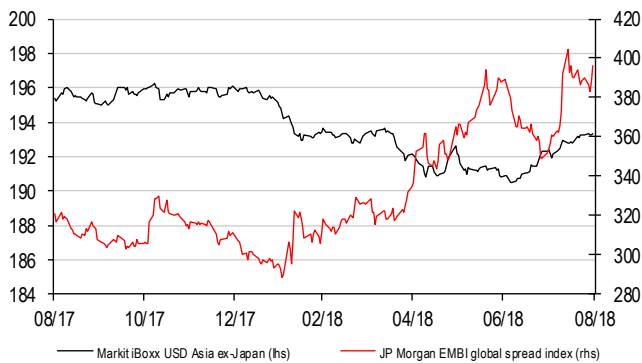
## Other emerging equities



## Global credit indices



## Emerging markets spreads (USD indices)



## Commodities (USD)



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Expiry date: 28 September 2018

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