

Investment Weekly

This week in detail

The UK Parliament overwhelmingly rejected UK Prime Minister Theresa May's Brexit plan
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The week ahead

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Bonds

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Currencies

Most developed currencies fell against the US dollar this week
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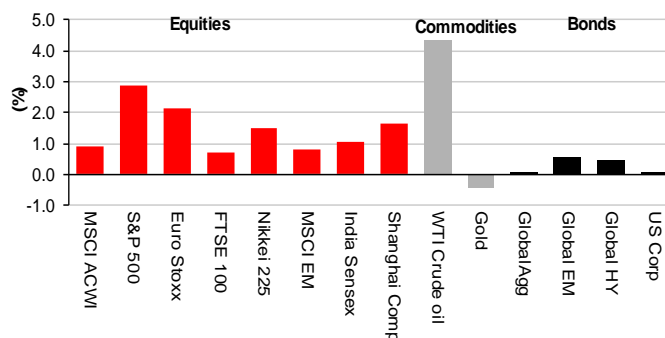
Commodities

Oil prices were boosted by US-China trade hopes and OPEC production data
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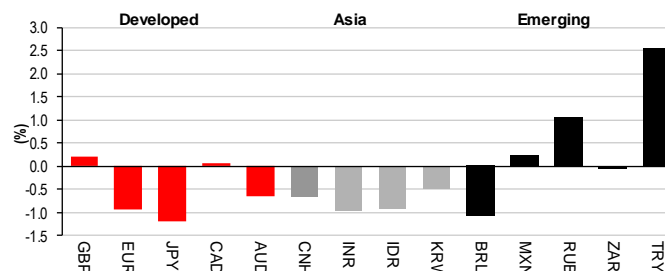
Market data

Market trends

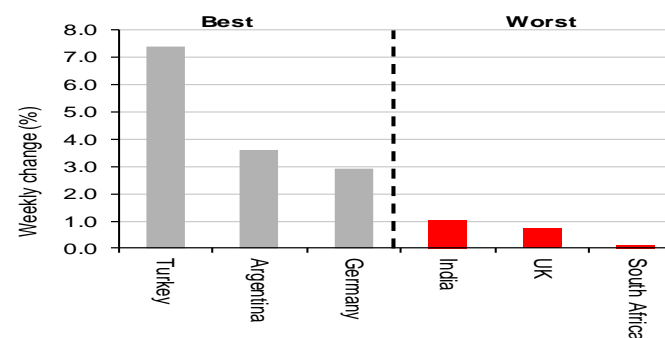
Movers and shakers



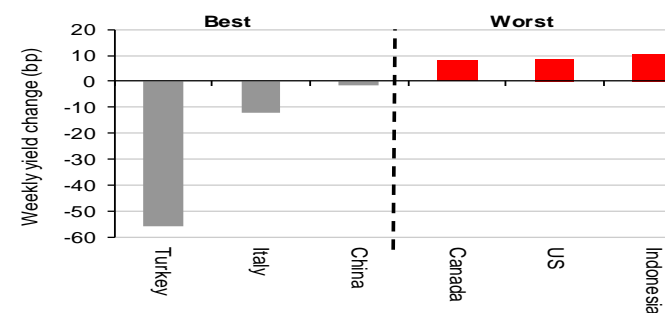
Currencies (versus USD)



Equities



Bonds (10-year yields)



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Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 18 January 2019. All the above charts relate to 11/01/2019 – 18/01/2019.

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 14 January	China	Trade Balance (USD bn)	Dec	51.6	57.1	41.9
	Eurozone	Industrial Production (seasonally adjusted, mom)	Nov	-1.5%	-1.7%	0.1%
	India	CPI (yoy)	Dec	2.2%	2.2%	2.3%
Tuesday 15 January	UK	UK Parliament Will Hold its Rescheduled Vote on the Brexit Deal				
Wednesday 16 January	UK	CPI (yoy)	Dec	2.1%	2.1%	2.3%
	US	NAHB/Wells Fargo Housing Market Index	Jan	56	58	56
	US	Federal Reserve Publishes Beige Book				
Thursday 17 January	South Africa	Reserve Bank Interest Rate Decision	Jan	6.75%	6.75%	6.75%
	Eurozone	CPI (yoy)	Dec F	1.6%	1.6%	1.9%
Friday 18 January	Japan	National CPI ex Fresh Food and Energy (yoy)	Dec	0.3%	0.3%	0.3%
	Japan	Industrial Production (mom)	Nov F	-	-1.0%	-1.1%
	UK	Retail Sales ex Auto Fuel (mom)	Dec	-0.8%	-1.3%	1.0%
	US	Industrial Production (mom)	Dec	0.2%	0.3%	0.4%
	US	University of Michigan Index of Consumer Sentiment	Jan P	96.8	90.7	98.3

P – Preliminary, F – Final

The US government shutdown delayed key economic data releases, such as retail sales and housing starts

In the **US**, the ongoing partial shutdown of the federal government delayed a number of **data releases**, including retail sales and housing starts. Nevertheless, the release of the **US Federal Reserve's Beige Book** showed that, while the general outlook remains positive, a majority of business executives have expressed concerns about "increased financial market volatility, rising short-term interest rates, falling energy prices and elevated trade and political uncertainty." The report also found that labour shortages were among the biggest issues facing employers as unemployment is at close to a 50-year low. However, while wages are up, the report said gains remain "moderate." In terms of data releases, **industrial production** rose 0.3% mom in December, with details showing robust manufacturing production gains of 1.1%, the largest increase since February 2018. Finally, the **University of Michigan Index of Consumer Sentiment** unexpectedly slipped 7.6 points to 90.7 in January (consensus 96.8), weighed on by the ongoing government shutdown.

The UK Parliament overwhelmingly rejected UK Prime Minister Theresa May's Brexit plan

In Europe, the **UK Parliament voted down UK Prime Minister Theresa May's Brexit deal outlining terms for the UK's departure from the European Union**. This was a substantial defeat for May, who lost by 432 to 202 votes. Following the result, the opposition Labour Party called a vote of "no confidence" in the government, which was rejected on 16 January. The government has until 21 January to offer an alternative Brexit plan, which will be voted on on 29 January. In terms of data releases, **UK CPI inflation** fell to 2.1% yoy in December from 2.3% in the previous month, in line with expectations. Lower energy prices and air fares dragged the headline number lower. Meanwhile, **retail sales** fell by a larger than expected 1.3% mom in December, with "Black Friday" discounting in the prior month weighing on sales.

Meanwhile, **eurozone industrial production** fell by 1.7% mom in November. European industry has been hit by a number of temporary disruptions related to weather, the timing of holidays, new emissions testing guidelines and the "gilet jaunes" protests in France. An economic slowdown in China is likely acting as an external headwind.

The **South African Reserve Bank** kept its main policy rate unchanged at 6.75%. This follows a 25-basis-point rate hike in November 2018. The decision was made in the context of a weak outlook for economic growth and lower oil prices.

In **Asia**, **China's external trade** data for December was weaker than expected, reflecting a global slowdown in the tech sector, a softening of China's domestic demand and the impact of higher tariffs. The trade surplus rose to USD57.1 billion, its highest level in three years, as imports dropped more sharply than exports.

China's external trade data for December was much weaker than expected

India's headline CPI inflation slowed further to 2.2% yoy in December from 2.3% in November. The fall was led by a decline in food, fuel and transport inflation, while base effects also played a role. However, core inflation remained steady at 5.7% yoy.

Finally, **Japan's CPI inflation** data for December was in line with expectations, confirming that a decline in crude oil prices dragged inflation lower. Headline inflation dropped from 0.8% yoy in November to 0.3%, while CPI excluding fresh food and energy remained stable at 0.3% yoy.

The week ahead

Macro data and key events

Date	Country	Indicator	Data as of	Survey	Prior
Monday 21 January	China	Retail Sales (yoy)	Dec	8.2%	8.1%
	China	Industrial Production (yoy)	Dec	5.3%	5.4%
	China	GDP (yoy)	Q4	6.4%	6.5%
	UK	Deadline for UK Government to Present Brexit Plan B			
Tuesday 22 January	UK	ILO Unemployment Rate (3 months)	Nov	4.1%	4.1%
	Germany	ZEW Expectation of Economic Growth	Jan	-18.2	-17.5
	US	Existing Home Sales (mom)	Dec	-0.9%	1.9%
Wednesday 23 January	Japan	Trade Balance (adjusted) (JPY bn)	Dec	-291	-492
	Japan	Bank of Japan Interest Rate Decision	Jan	-0.10%	-0.10%
Thursday 24 January	Eurozone	Markit Composite PMI	Jan P	51.4	51.1
	Eurozone	ECB Interest Rate Decision	Jan	-0.40%	-0.40%
Friday 25 January	Germany	Ifo Business Climate Index	Jan	100.6	101.0

P – Preliminary, Q – Quarter

In the coming week, economic data releases from China will be scrutinised by investors, especially following the recent slowdown

The UK government will present its “plan B” for Brexit, while the preliminary January eurozone PMIs will be in focus

Data releases out of China are likely to confirm the economy ended 2018 on a soft footing

US

In the **US**, an **ongoing government shutdown** continues to delay a number of data releases. However, data for **US existing home sales** is unaffected and anticipated to show a 0.9% mom decline for December. A jump in mortgage applications, coinciding with modest easing in borrowing rates, suggests a possible stabilisation, but overall activity could continue to be weighed down by lean supply and affordability returning to pre-crisis norms.

Europe

In the **UK**, **Prime Minister Theresa May will present her “plan B” for Brexit** following the heavy defeat of her existing deal in the UK Parliament on 15 January. There is a chance that she announces her intention to secure concessions from the European Union to make the deal more acceptable to MPs. The government could then bring back a modified Brexit deal to Parliament for a second vote.

Meanwhile, in the **eurozone**, survey data (**eurozone PMIs, German Ifo, ZEW**) will be scrutinised for evidence of a stabilisation in activity following months of slowing. Although a positive surprise is possible, the balance of risks points to a further deterioration as a number of temporary factors are likely to have weighed amid increased global risks, not least the economic slowdown in China. In this context, at its January policy meeting, the **European Central Bank (ECB)** could alter its assessment of the risks to its economic outlook from 'broadly balanced' to 'tilted to the downside'. No policy changes or shifts in forward guidance are expected.

Asia

Data releases out of **China** are likely to confirm the economy ended 2018 on a soft footing. In terms of December activity data, **industrial production** is expected to have eased to 5.3% yoy from 5.4% in the prior month (echoed by the PMI data). Auto production could remain subdued given the continued weakness in auto sales. Urban **fixed asset investment (FAI)** may edge up to 6.0% yoy (year-to-date) in December, from 5.9% in November, but this could imply a month-on-month growth moderation in December. Infrastructure FAI could have been supported by better funding conditions, but real estate FAI may have faced headwinds from slower home sales, while manufacturing FAI growth probably softened amid weakening industrial profits. Meanwhile, **retail sales** growth is expected to remain subdued (+8.2% yoy) on further weakness in auto sales and lower fuel sales as gasoline prices fell. Overall, **GDP growth** could slow to 6.4% yoy in Q4 from 6.5% in Q3, as domestic demand remained sluggish, although net exports could have improved.

The **Bank of Japan** is expected to keep its monetary policy unchanged, leaving the yield curve control parameters unchanged and aiming to buy JPY80 trillion of Japanese government bonds per year. However, inflation forecasts could be cut as recent inflation data weakened in the context of low imported inflation and weaker economic momentum expected for this year.

Market moves

Equities

Global equities rose on US-China trade talk optimism

Bonds

US Treasuries and core European government bonds fell amid improved risk sentiment; UK gilts underperformed amid Brexit uncertainty

Currencies

Most developed currencies fell against the US dollar this week

Commodities

Oil prices boosted by US-China trade hopes and OPEC production data

Equities

US stock markets retreated at the start of the week amid concerns about the global economic outlook after Europe and China published disappointing activity and trade data. However, stocks recovered during the course of the week after Chinese authorities pledged to stimulate the country's economy and on renewed hopes for US-China trade negotiations. Positive corporate earnings releases also supported investor sentiment. Overall, the S&P 500 Index ended the week up 2.9%. Meanwhile, Canada's S&P/TSX Composite Index tracked US stocks and ended 2.4% higher.

European stocks fell at the start of the week, as weak China trade data, disappointing eurozone industrial production numbers and weaker German GDP numbers refuelled global growth fears. However, market sentiment improved mid-week and stocks rose after ECB President Mario Draghi reassured markets that softening growth in the eurozone does not indicate a recession. The benchmark EURO STOXX 50 Index closed up 2.1%. At the country level, the German DAX outperformed (+2.9%) amid a weaker euro. All other major national bourses also ended the week higher.

Asian stock markets ended the week higher amid optimism over US-China trade talks, despite lingering worries over a global economic slowdown after disappointing Chinese trade data as well as investor caution over the Brexit gridlock and a continued partial shutdown of the US government. Focus has also been on corporate earnings reports. Japan's Nikkei 225 Index posted a weekly gain of 1.5% while Korea's KOSPI finished 2.3% higher. China's Shanghai Stock Exchange Composite Index climbed 1.7% and Hong Kong's Hang Seng Index rose 1.6%.

Bonds

US Treasuries fell (yields rose) this week as investors shrugged off some soft economic data releases while US-China trade talks optimism improved market sentiment and weighed on demand for safe assets. Overall, the US Treasuries curve bear steepened with 10-year yields closing 8 basis points higher at 2.78% and two-year yields added 7 basis points to close at 2.61%. Meanwhile, Canadian bonds performed similarly, as 10-year yields ended up 8 basis points at 2.04% amid weaker than expected existing home sales data for December.

In Europe, most core **government bonds** also retreated (yields rose) with much of the weakness occurring later in the week amid improved risk sentiment on the prospect of improved US-China trade relations. Benchmark German 10-year yields rose 2 basis points to 0.26%, while their French equivalents ended little changed at 0.66%. Longer-dated UK gilts underperformed in the region (10-year yields rose 6 basis points to 1.35%) amid political uncertainty after the UK Parliament voted against Prime Minister Theresa May's Brexit deal. In contrast, riskier peripheral government bonds gained, with the exception of Portugal.

Currencies

The **euro** fell (-0.9%) against the US dollar this week, as disappointing eurozone industrial production numbers and weaker German GDP numbers weighed on the common currency. Meanwhile, the British pound rose 0.2% this week, as UK Prime Minister Theresa May remains in talks with opposition parties to end the Brexit impasse, after Parliament rejected her plan.

Most Asian currencies weakened against the US dollar this week, led by the Indonesian rupiah, which came under pressure after December trade data surprised to the downside. The Indian rupee was weighed down by fiscal worries amid speculation the ruling BJP favours an expansionary fiscal policy. A rise in crude oil prices also weighed. Meanwhile, the Chinese yuan softened amid lingering concerns over the country's economic slowdown. The Japanese yen also fell amid improved risk appetite. The Thai baht bucked the regional trend after a 10-year government bond auction attracted strong interest.

Commodities

Crude oil prices rose again this week, supported by US-China trade hopes and data released by OPEC showing its production fell sharply in December 2018, easing fears about prolonged oversupply. Overall, Brent increased 3.7% to USD62.7 a barrel.

Gold prices fell (-0.4% to USD1,282 per troy ounce), with downside pressure coming from US dollar strength and upbeat risk appetite.

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)	478	0.9	3.7	-3.4	-11.0	4.8	551	435	13.9
North America									
US Dow Jones Industrial Average	24,706	3.0	4.4	-2.7	-5.0	5.9	26,952	21,713	14.9
US S&P 500 Index	2,671	2.9	4.9	-3.5	-4.6	6.5	2,941	2,347	15.8
US NASDAQ Composite Index	7,157	2.7	5.5	-4.4	-1.9	7.9	8,133	6,190	20.1
Canada S&P/TSX Composite Index	15,304	2.4	6.2	-0.7	-6.0	6.8	16,586	13,777	14.0
Europe									
MSCI AC Europe (USD)	417	-0.4	3.0	-3.7	-18.2	3.3	524	391	12.1
Euro STOXX 50 Index	3,135	2.1	3.1	-2.4	-13.4	4.4	3,687	2,909	12.3
UK FTSE 100 Index	6,968	0.7	4.0	-0.8	-9.5	3.6	7,904	6,537	12.1
Germany DAX Index*	11,206	2.9	4.3	-3.3	-15.6	6.1	13,597	10,279	11.9
France CAC-40 Index	4,876	2.0	2.6	-4.7	-11.3	3.1	5,657	4,556	12.2
Spain IBEX 35 Index	9,069	2.2	4.2	2.0	-13.1	6.2	10,643	8,286	11.4
Italy FTSE MIB Index	19,708	2.2	5.7	3.3	-16.6	7.6	24,544	17,914	9.6
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	495	0.7	3.6	2.9	-17.0	3.7	617	459	12.4
Japan Nikkei-225 Stock Average	20,666	1.5	-2.1	-8.8	-13.0	3.3	24,448	18,949	15.0
Australian Stock Exchange 200	5,880	1.8	5.2	-1.1	-2.2	4.1	6,374	5,410	15.1
Hong Kong Hang Seng Index	27,091	1.6	4.9	6.4	-15.7	4.8	33,484	24,541	10.3
Shanghai Stock Exchange Composite Index	2,596	1.7	0.8	4.4	-25.3	4.1	3,587	2,441	9.6
Hang Seng China Enterprises Index	10,637	1.7	4.0	4.9	-18.8	5.1	13,963	9,762	7.8
Taiwan TAIEX Index	9,836	0.8	1.2	-1.2	-11.2	1.1	11,270	9,319	13.2
Korea KOSPI Index	2,124	2.3	3.0	-1.1	-15.6	4.1	2,607	1,985	9.5
India SENSEX 30 Index	36,387	1.0	0.1	4.6	3.2	0.9	38,990	32,484	21.2
Indonesia Jakarta Stock Price Index	6,448	1.4	6.0	10.3	-0.4	4.1	6,693	5,558	15.4
Malaysia Kuala Lumpur Composite Index	1,692	0.5	3.5	-2.6	-7.1	0.1	1,896	1,627	16.3
Philippines Stock Exchange PSE Index	8,047	1.8	8.4	12.7	-8.8	7.8	9,078	6,791	16.8
Singapore FTSE Straits Times Index	3,224	0.8	5.9	5.0	-8.4	5.1	3,642	2,956	12.5
Thailand SET Index	1,584	-0.8	0.0	-5.9	-12.9	1.3	1,853	1,547	13.9
Latam									
Argentina Merval Index	35,100	3.6	17.9	23.7	3.1	15.9	35,462	24,618	8.2
Brazil Bovespa Index*	96,097	2.6	11.0	14.6	18.7	9.3	96,396	69,069	12.0
Chile IPSA Index	5,479	2.4	7.1	7.0	-6.2	7.3	5,895	4,999	15.5
Colombia COLCAP Index	1,393	0.3	4.3	-4.7	-10.0	5.1	1,598	1,291	11.2
Mexico S&P/BMV IPC Index	44,242	1.6	8.1	-5.9	-11.4	6.2	51,121	39,272	13.5
EEMEA									
Russia MOEX Index	2,474	1.2	5.2	4.0	7.7	4.4	2,502	2,065	5.6
South Africa JSE Index	53,732	0.1	4.9	3.1	-11.8	1.9	61,777	50,033	13.1
Turkey ISE 100 Index*	98,455	7.4	8.1	1.0	-15.7	7.9	121,532	84,655	6.4

*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	0.9	3.8	-3.0	4.9	-9.2	39.8	29.8
US equities	1.6	3.8	-4.4	5.4	-4.4	46.4	53.3
Europe equities	-0.4	3.1	-3.4	3.4	-15.8	23.2	-0.9
Asia Pacific ex Japan equities	0.7	3.9	3.4	3.7	-14.6	47.0	24.4
Japan equities	0.5	2.6	-5.6	4.5	-13.7	25.9	21.5
Latam equities	0.6	12.8	6.0	10.5	-4.8	90.3	6.1
Emerging Markets equities	0.8	5.1	4.3	4.5	-15.8	53.8	16.9

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)	525	0.0	0.6	2.4	2.4	0.2
JPM EMBI Global	788	0.6	2.2	2.4	-2.5	2.3
BarCap US Corporate Index (USD)	2,843	0.0	0.5	1.3	-1.3	0.5
BarCap Euro Corporate Index (Eur)	244	0.3	0.2	-0.5	-1.1	0.2
BarCap Global High Yield (Hedged in USD)	469	0.5	2.1	0.4	-0.5	2.9
Markit iBoxx Asia ex-Japan Bond Index (USD)	196	0.2	1.1	2.2	0.3	0.7
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	248	0.5	1.6	1.2	-2.3	1.6

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 (%)
Developed markets									
EUR/USD	1.14	1.15	1.14	1.15	1.22	1.15	1.26	1.12	-0.9
GBP/USD	1.29	1.28	1.26	1.30	1.39	1.28	1.44	1.24	0.2
CHF/USD	1.00	1.02	1.01	1.00	1.04	1.02	1.09	0.99	-1.2
CAD	1.33	1.33	1.35	1.31	1.24	1.36	1.37	1.23	0.1
JPY	109.78	108.48	112.52	112.21	111.11	109.69	114.55	104.56	-1.2
AUD	1.40	1.39	1.39	1.41	1.25	1.42	1.48	1.23	-0.7
NZD	1.48	1.46	1.46	1.53	1.37	1.49	1.56	1.34	-1.4
Asia									
HKD	7.84	7.84	7.82	7.84	7.82	7.83	7.85	7.79	-0.1
CNY	6.78	6.76	6.90	6.94	6.42	6.88	6.98	6.24	-0.2
INR	71.19	70.50	70.45	73.61	63.86	69.77	74.48	63.46	-1.0
MYR	4.11	4.10	4.17	4.16	3.96	4.13	4.20	3.85	-0.4
KRW	1,122	1,116	1,130	1,135	1,070	1,111	1,145	1,054	-0.5
TWD	30.84	30.78	30.84	30.94	29.56	30.55	31.17	28.96	-0.2
Latam									
BRL	3.75	3.71	3.91	3.72	3.21	3.88	4.21	3.12	-1.1
COP	3,125	3,138	3,206	3,092	2,843	3,254	3,303	2,685	0.4
MXN	19.10	19.14	20.08	19.15	18.61	19.65	20.96	17.94	0.2
EEMEA									
RUB	66.18	66.89	67.42	65.79	56.52	69.35	70.84	55.56	1.1
ZAR	13.85	13.84	14.35	14.45	12.13	14.35	15.70	11.51	-0.1
TRY	5.33	5.46	5.35	5.64	3.77	5.29	7.24	3.72	2.5

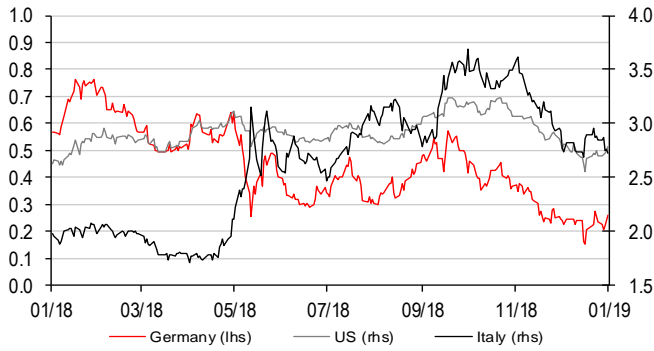
Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2017	1-week Basis Point Change *
US Treasury yields (%)							
3-Month	2.39	2.41	2.38	2.30	1.43	2.35	-2
2-Year	2.61	2.54	2.64	2.87	2.04	2.49	7
5-Year	2.62	2.53	2.65	3.03	2.42	2.51	9
10-Year	2.78	2.70	2.82	3.18	2.63	2.68	8
30-Year	3.10	3.03	3.07	3.36	2.90	3.01	6
10-year bond yields (%)							
Japan	0.01	0.01	0.02	0.15	0.08	-0.01	0
UK	1.35	1.29	1.28	1.54	1.33	1.28	6
Germany	0.26	0.24	0.24	0.42	0.57	0.24	2
France	0.66	0.66	0.71	0.80	0.85	0.71	0
Italy	2.73	2.85	2.94	3.68	1.98	2.74	-12
Spain	1.34	1.44	1.38	1.73	1.48	1.41	-10
China	3.11	3.12	3.38	3.56	3.98	3.31	-2
Australia	2.32	2.31	2.42	2.73	2.81	2.32	1
Canada	2.04	1.96	2.01	2.50	2.22	1.97	8

*Numbers may not add up due to rounding

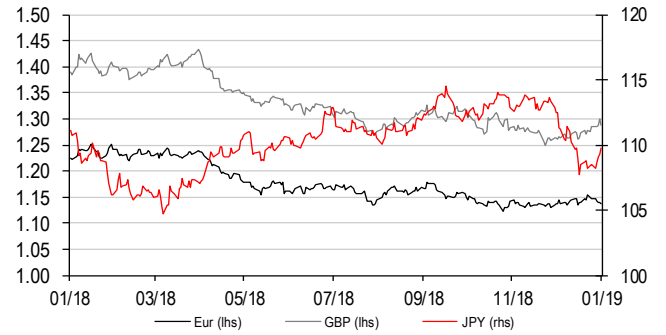
Commodities	Latest	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,282	-0.4	2.6	4.6	-3.4	-0.1	1,366	1,160
Brent Oil	62.7	3.7	11.5	-20.1	-3.7	16.5	86	50
WTI Crude Oil	53.8	4.3	15.5	-21.7	-10.4	18.5	76	42
R/J CRB Futures Index	182	2.3	4.5	-7.3	-7.2	7.3	207	168
LME Copper	5,992	0.8	0.4	-2.7	-15.3	0.5	7,348	5,725

Market trends

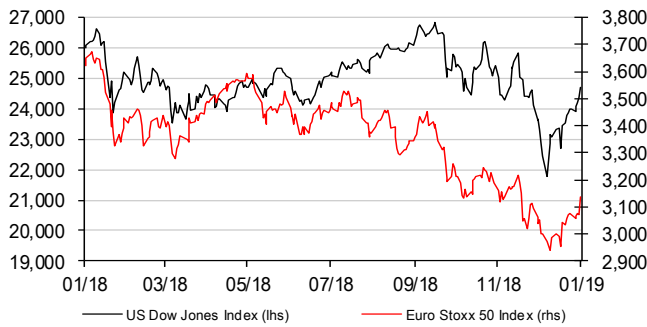
Government bond yields (%)



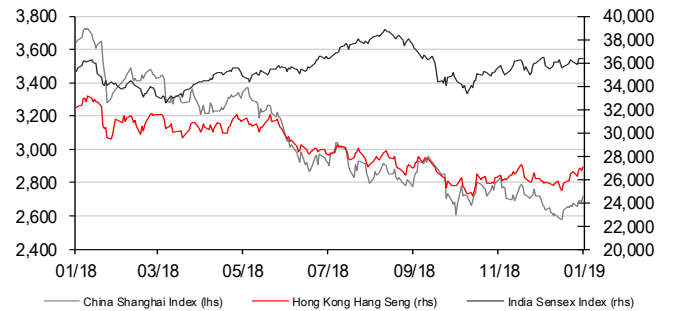
Major currencies (versus USD)



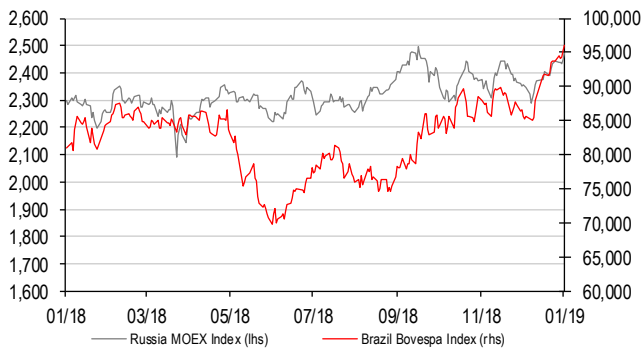
Global equities



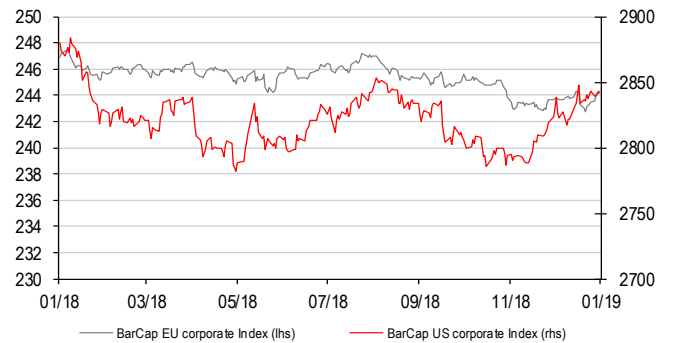
Emerging Asian equities



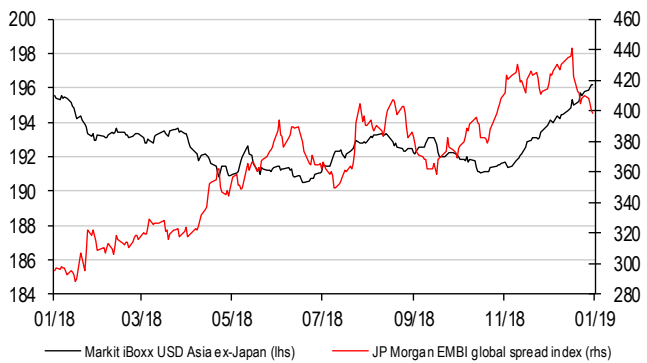
Other emerging equities



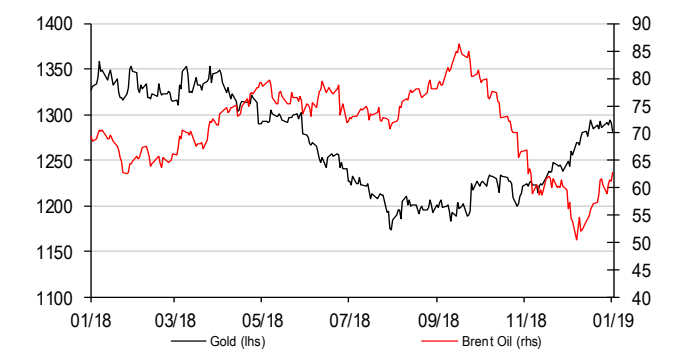
Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



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