IW Investment Weekly

22 January 2016

For Professional Client and Institutional Investor Use Only

US and Asian stock markets fell this week, while European equity markets rose; crude oil prices saw the first weekly gain in four weeks, boosted by demand for heating oil after cold weather continued to affect the US and Europe

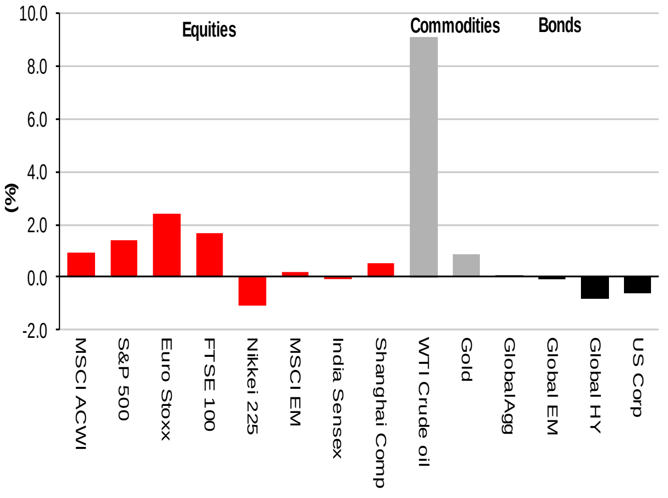
The European Central Bank (ECB) made no policy changes in January, but President Mario Draghi was dovish and hinted the ECB will review its policy stance again in March. This will coincide with the publication of new economic projections

China's economy grew 6.8% yoy in Q4, slightly below market expectations. This was the slowest growth since 2009. For the full year of 2015, China grew 6.9%, in line with the government's GDP growth target of *"around 7%"*

In the coming week, investor attention will turn to the US Federal Reserve's (Fed) Federal Open Market Committee (FOMC) decision, Japan's Bank of Japan (BoJ) decision and Q4 GDP data from the US and UK

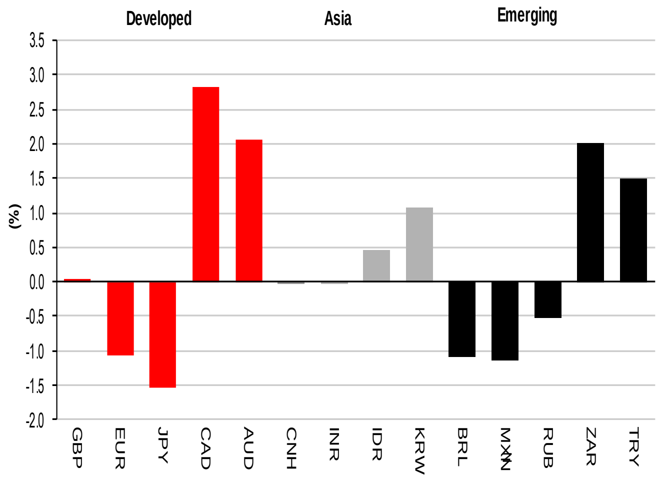
Movers and shakers

Crude oil prices bounced back

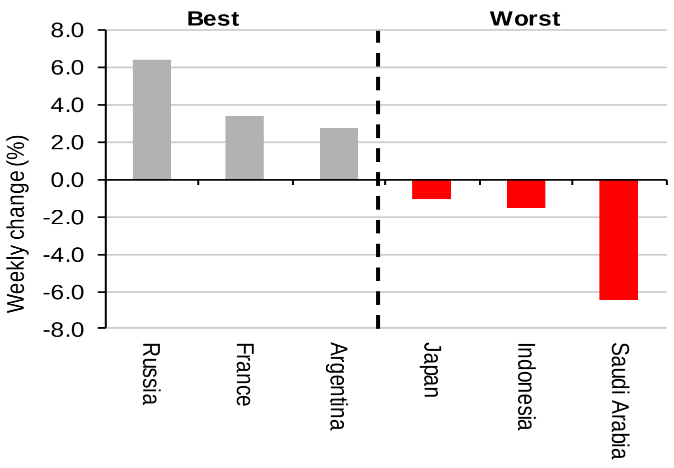


Currencies (versus US dollar)

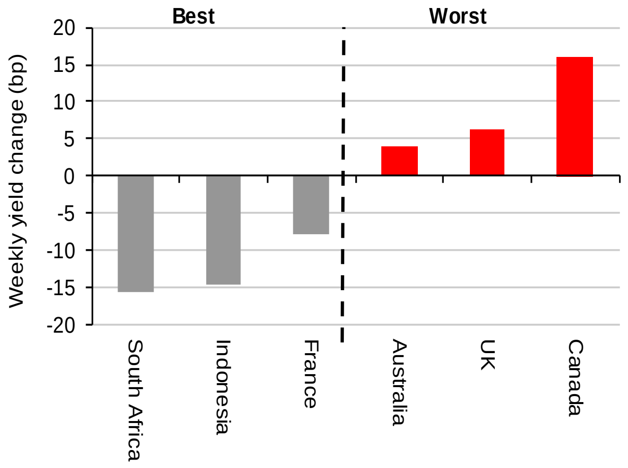
The Australian and Canadian dollars rose over 2% against the USD



Equities



Bonds (10-year)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 22 January 2016.
All the above charts relate to 15/01/2016 – 22/01/2016.
Past performance is not an indication of future returns.

HSBC Global Asset Management

Macro Data and Key Events

Past Week (18-22 January 2016)

Date	Country	Indicator	Data as of	Survey	Actual	Prior
Monday 18 January	Japan	Industrial Production (mom)	Nov F	-	-0.9%	-1.0%
Tuesday 19 January	China	Industrial Production (yoy)	Dec	6.0%	5.9%	6.2%
	China	Retail Sales (yoy)	Dec	11.3%	11.1%	11.2%
	China	GDP (yoy)	Q4	6.9%	6.8%	6.9%
	UK	CPI Inflation (yoy)	Dec	0.2%	0.2%	0.1%
	Germany	ZEW Indicator of Economic Sentiment	Jan	8.0	10.2	16.1
	Eurozone	CPI Inflation (yoy)	Dec F	0.2%	0.2%	0.2%
Wednesday 20 January	UK	ILO Unemployment Rate (3 Months)	Nov	5.2%	5.1%	5.2%
	US	CPI (yoy)	Dec	0.8%	0.7%	0.5%
	US	Housing Starts (mom)	Dec	2.3%	-2.5%	10.5%
	Brazil	Selic Rate	Jan	14.50%	14.25%	14.25%
Thursday 21 January	Eurozone	ECB Monetary Policy Decision	Jan	-0.3%	-0.3%	-0.3%
Friday 22 January	Eurozone	Markit Composite PMI	Jan P	54.2	53.5	54.3

P – Preliminary, Q – Quarter, F – Final

In the **US**, **CPI inflation** declined (-0.1% mom) in December, reflecting another fall in energy prices (-2.4%). Beyond energy, food prices also declined (-0.2%) on the month, but remain 0.8% higher from a year earlier. Core CPI increased by 0.13%, slightly below consensus expectations for a 0.2% gain. The pace of gains in core CPI decelerated somewhat following firm increases during the prior three months. **US housing starts** fell 2.5% mom in December, to 1.149 million from 1.179 million in November, below consensus forecasts (both 1.2 million) for a modest improvement. November starts were revised slightly higher by 6,000 from 1.173 million as previously reported last month. The December drop in starts was driven by softness in both multifamily and single-family categories.

Thursday's ECB meeting sent some dovish signals and suggested the central bank may be ready to ease policy further at its March meeting. After the latest easing measures announced in December had disappointed market expectations for more aggressive stimulus, the ECB kept its policy settings unchanged, although President Mario Draghi indicated that it may "be necessary to review and possibly reconsider our monetary policy stance at our next meeting in early March." He noted the ECB's key rates are expected to "stay at present or lower levels," hinting at a potential cut in the deposit rate (currently at -0.3%). President Draghi emphasised that while monetary policy measures taken since mid-2014 are working, downside risks have again increased because of "heightened uncertainty about emerging market growth prospects, volatility in commodity and financial markets and geopolitical risks." At the press conference, Draghi also noted the recent developments in oil prices and suggested that inflation could weaken further, even turn negative, in the coming months. He therefore said that the Governing Council may reconsider its monetary policy stance at the next meeting when new forecasts for inflation and growth are available. However, he gave no indication about which policy tool might be used.

In terms of data releases in Europe, the **eurozone PMIs** edged lower in January, suggesting that growth has been slowing at the start of the year, after a relatively strong expansion at the end of 2015. The headline PMI dropped 0.8 points, 0.2 points more than expected, to a level of 53.5 in January. Both components, manufacturing and services, declined. The slowdown in emerging markets may dent eurozone exports and hence explain part of the 0.9 point decline in the manufacturing index to 52.3. The services index lost 0.9 points. Still, both remained in expansionary territory, highlighting the overall healthy state of the domestic economy in the face of recent market turmoil.

The **German ZEW Indicator of Economic Sentiment** surprised with its resilience in January, highlighting the healthy state of the German economy. Even though the expectation index lost 5.9 points in January, broadly reversing the rise of December and likely reflecting the recent adverse conditions in financial markets, January's level of 10.2 is still in line with an expansion. The index measuring the current situation rose to 59.7 points, up from 55.0 in November. Investors seem to believe that the current turmoil in the markets is only temporary or at least that the German economy is not impacted by it. The **UK unemployment rate** (3-month average) edged down a notch to 5.1% in November from 5.2% in October. In spite of record employment, wage growth remained sluggish, as weekly earnings (excluding bonuses) slowed to +1.9% 3m/yr, after +2.0% 3m/yr in November. The unemployment rate is now at what the Bank of England (BoE) considers to be the long-term equilibrium, but weak wage growth places a puzzle. Domestic cost pressures are largely absent, and the outlook for inflation therefore remains subdued, especially in the context of ever lower oil prices. The BoE has made it clear that an interest rate hike is off the cards until this changes.

China's real GDP growth edged down to 6.8% yoy in Q4 from 6.9% in Q3 and against the consensus forecast of 6.9%.This was the slowest growth since 2009. On a qoq annualised basis, growth fell to 6.6% from 7.4% in Q3. For 2015 as a whole, growth was 6.9%, in line with the government's growth target "of about 7%." Meanwhile, the December activity data showed continued softness in growth momentum, particularly in the manufacturing sector and investment, consistent with the GDP data. **Industrial production** growth slowed to 5.9% yoy in December (versus the market consensus of 6.0%) from 6.2% in November. For 2015 as a whole, industrial production growth dropped to 6.0% from 8.3% in 2014. **Urban fixed-asset investment growth** fell to 10% in 2015 from 15.7% in 2014, led by further weakness in real estate and manufacturing investment, while infrastructure investment also decelerated. **Retail sales** growth eased slightly to 11.1% in December, from 11.2% in November, and in real terms fell to 10.7% compared to 11.0% in November. **Overall,** the data reinforce the need for continued policy support, including a more flexible renminbi exchange rate, to manage downside risks while China continues tackling structural problems.

The Brazilian Central Bank decided to keep its Selic policy rate unchanged, at 14.25%, in a 6-2 vote, against consensus expectations of a 25bp hike. Although inflation pressures remain elevated, policymakers judged that it is inappropriate to hike rates given the current high level of uncertainty at the global level.

Coming Week (25-29 January 2016)

Date	Country	Indicator	Data as of	Survey	Prior
Monday 25 January	Germany	Ifo Business Climate Index	Jan	104.1	104.7
Tuesday 26 January	US	S&P/Case-Shiller 20-City Composite Home Price Index (yoy)	Nov	5.7%	5.5%
Wednesday 27 January	US	New Home Sales (mom)	Dec	2.0%	4.3%

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 22 January 2016.
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	US	FOMC Interest Rate Decision (Upper Bound)	Jan	0.5%	0.5%
Thursday 28 January	UK	GDP (First Estimate, qoq)	Q4 P	0.5%	0.4%
	Brazil	Copom Monetary Policy Meeting Minutes	Jan		
	US	Durable Goods Orders	Dec P	-0.5%	0.0%
	US	Pending Home Sales Index (mom)	Dec	1.0%	-0.9%
28-29 January	Japan	Bank of Japan Monetary Policy Meeting			
Friday 29 January	Japan	National CPI (Excluding Food and Energy, yoy)	Dec	0.9%	0.9%
	Japan	Industrial Production (yoy)	Dec P	-0.6%	1.7%
	Russia	Interest Rate Decision	Jan	11.0%	11.0%
	Eurozone	CPI Estimate (yoy)	Jan	0.4%	0.2%
	US	Employment Cost Index (Seasonally Adjusted, qoq)	Q4	0.6%	0.6%
	US	GDP Annualised (First Estimate, qoq)	Q4 P	0.7%	2.0%

P – Preliminary, Q – Quarter

US

In a busy week for US data the two key highlights will be the first FOMC meeting since December's rate hike and the release of the preliminary Q4 GDP report.

How the **Fed** balances the recent market volatility and continuing decline in the manufacturing sector against the positive momentum in the US labour market and the underlying concern about the knock-on impact onto inflation will help set the mood for the coming weeks. The strength of conviction that inflation will trend towards the 2% target in the longer term will be closely watched. Although core CPI inflation has already risen above the 2.0% line, the headline series will remain under continuing pressure from the 44% decline in oil since the start of 2015 and the 14% decline since the start of 2016. It is unlikely the Fed will deliver a knee-jerk reaction six weeks after beginning the hiking cycle, and since there is no press conference or forecasts released, the statement's tone will be crucial.

The preliminary **first estimate of Q4 GDP** is expected to show a slowdown in economic activity to 0.9% qoq annualised, after a firm 2.0% in Q3. A key driver is a second significant inventory correction, driven by weak sentiment in the manufacturing sector. While the trade deficit has narrowed slightly, which may provide some support, weaker than anticipated consumer spending despite robust labour market growth will be the main hindrance this quarter.

December's **US new home sales** are expected to edge slightly higher; although pending home sales fell last month, there have been some regulatory factors that mean a less straightforward relationship between the two series. December's Pending Home Sales Index is expected to rise by the most since April. Underlying conditions in the housing market remain supportive, with price growth and activity buoyed by historically low mortgage rates and continued improvement in the labour market, and although this housing market recovery is muted, it appears more sustainable.

The **S&P/Case-Shiller 20-City Composite Home Price Index** is anticipated to resume its gradual upward trend, although price increases have remained within 1ppt of 5% since August 2014. There is significant regional dispersion, with Portland house prices up 11.0% yoy and Chicago prices up only 1.4% yoy.

This release of the **Employment Cost Index** will be an important one as the FOMC monitors the labour market for any sign of nascent wage pressure. The Employment Cost Index is expected to rise by 0.6% in Q4, the same as in Q3. In Q2, the Employment Cost Index rose by only 0.2%, the smallest quarterly increase in several decades. The unusually modest gain was partly due to a large decline in wages within "payment by results" jobs, which may have reflected a temporary slowdown in sales or production activity.

December's headline **Durable Goods Orders** are expected to decline as the manufacturing sector continues to suffer, although much of this weakness in the headline number comes from non-defence aircraft, which, when stripped out, could see an essentially flat release. The trend in manufacturing offers little reason for optimism, but at present, stability at these low levels would be a start.

Europe

In Europe, the **German Ifo Business Climate Index** is expected to decline slightly in January as the recent turmoil in financial markets and uncertainty about the global economic outlook may dent German business expectations. The headline index could drop 0.3 points to 104.1 in January on softer expectations, while the current assessment may remain stable, as the underlying economic momentum is still strong.

Economic growth in the **UK** likely accelerated in Q4. The market expects GDP growth to pick up to 0.5% qoq in Q4, after 0.4% qoq in Q3. Even though industrial production eased a bit in Q4, the services sector likely expanded. This expectation is supported by the PMIs, with the services PMI rising moderately in Q4 on average and the manufacturing PMI remaining constant from Q3.

Headline consumer prices in the eurozone are expected to rise 0.4% yoy in January thanks to a positive base effect in energy prices. This would be the highest rate of inflation since last February. Core inflation is expected to remain stable at 0.9% yoy. The outlook for inflation remains subdued, as the new downward shift of energy prices and tame wage growth provide little cost pressures. From February onwards, headline inflation could return to close to zero.

Japan

The BoJ will hold its monetary policy meeting at the end of the week. Expectations of further monetary easing have risen recently on the back of weaker equity markets, a stronger yen and soft economic momentum, especially in the industrial sector. However, BoJ Governor Haruhiko Kuroda has reiterated since the beginning of the year his view that past measures are still helping and his conviction that the BoJ remains on track to reach its policy targets. Moreover, the last set of measures announced by the BoJ was in December, which makes a policy move unlikely in January.

Japan's industrial production for December will be published on Friday. Data for November retreated more than expected (-0.9% mom versus -0.5%) and the outlook for December suggests a slight improvement. The Ministry of Economy, Trade and Industry's Survey of Production plans suggested that output could have increased by 0.9% mom. However, leading indicators of exports are less encouraging. Overall, industrial production is expected to contract by 0.3% mom.

Meanwhile, **Japan's inflation** for December is expected to show a certain amount of stability compared to November, especially for core inflation. CPI ex-food and energy could come in unchanged, at 0.9% yoy, as suggested by the leading indicator for the region of Tokyo. Headline inflation is expected to have decelerated from 0.3% yoy in November to 0.2%, mostly due to lower energy prices.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 22 January 2016.
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Market Moves

US and Asian stock markets declined amid oil price volatility and lingering concerns over global economic growth; European equities rose on ECB monetary stimulus hopes

- US equities continued to swing between gains and losses this week, failing to shrug off weakness in oil prices and corporate earnings. Investor sentiment was also hit by December's disappointing housing starts reading, which raised fresh concerns over the health of the world's biggest economy. However, stock markets recovered some losses towards the end of the week after oil prices rebounded and the ECB raised the possibility of further monetary easing in March. The S&P 500 Index ended the week (1.4%), after falling as much as 3.6% during Wednesday trading.
- European stocks rallied after ECB President Mario Draghi acknowledged downside risks to the economic outlook and provided hints of a further policy announcement as early as March. The rebound in oil prices boosted energy stocks, while mergers and acquisitions drove the information technology and telecom sectors higher. The financial sector was hit by the supervisory's information requirements on Italian banks' non-performing loans, triggering concerns about further capital raisings. Overall, the EURO STOXX 50 rose 2.4% over the week, and Italy's FTSE MIB ended the week -0.8%.
- Most Asian stock markets ended the week lower, despite a strong rally on Friday trimming weekly losses, amid a hint of more monetary easing by the ECB and a bounce in oil prices from 12-year lows. Global growth concerns, further declines in oil prices and lingering uncertainty over China weighed on risk sentiment through most of the week. Japan's Nikkei 225 Index fell 1.1% this week. China's Shanghai Stock Exchange Composite Index rose 0.5% amid stabilisation in the renminbi exchange rate as well as speculation of continued government support for the stock market and more policy support as December activity data showed moderation in growth momentum. Hong Kong's Hang Seng Index ended the week 2.3% lower, with a slide in the Hong Kong dollar against the US dollar spurring worries over capital outflows and a large rise in the HIBOR raising concerns about the potential impact of rising borrowing costs on the city's assets.

US Treasury yields rose while European bond yields fell on increased expectations of further ECB monetary easing

- US Treasuries declined (yields rose) this week after rallying for the first two weeks of the year amid the stock market rout. Demand for perceived "safe-haven" assets fluctuated before declining sharply from Thursday onwards, as risk appetite was lifted by firmer oil prices and the ECB's signals for further stimulus in March. On Thursday, the Treasury successfully auctioned USD15 billion in 10-year inflation-linked bonds with a bid-to-cover ratio of 2.19, its lowest since July 2008, as inflation expectations remained subdued. Treasury 10-year yields closed the week higher (+2bps to 2.06%).
- European government bond yields fell this week after ECB President Mario Draghi gave a clear signal that additional monetary easing is under consideration. Indeed, at the ECB's press conference last Thursday, Draghi highlighted that "euro area inflation dynamics also continue to be weaker than expected," which the markets interpreted as an increasing probability of further action in March. Overall, German and French 10-year yields dropped -6bps and -8bps to 0.48% and 0.80%, respectively, while peripheral equivalents also finished lower. However, against the general trend, UK 10-year yields increased 5bps to 1.71% amid rising Brexit concerns.

Monetary expectations or pauses the key driver for the euro, sterling and yen

- This week the euro was largely unchanged until Thursday's ECB meeting saw a dovish ECB President Mario Draghi signal a clear willingness to conduct further easing in March if required, pushing the single currency lower and increasing general market risk appetite. This move continued into Friday to see the euro close the week down 1.0%. Conversely, the pound sterling finished the week marginally up (0.04%), rising for the first time in four weeks, albeit marginally and following a 3.9% decline since Christmas; this was due to a more general improvement in risk sentiment rather than any UK-specific news. Elsewhere, the Japanese yen fell against the US dollar (-1.5%) on speculation that further easing would be necessary to underpin inflation achieving the BoJ's 2% target. The largest G10 gainer this week was the Canadian dollar, which rebounded after reaching its lowest level since 2003 on Tuesday at 1.46, after the Bank of Canada unexpectedly kept rates on hold at 0.50% with an anticipation that fiscal stimulus from the new government and the Canadian dollar's rapid decline would offset downside inflationary risks. The Canadian dollar ended the week 2.8% higher at 1.41.
- Most Asian currencies ended this week higher against the US dollar, led by the Malaysian ringgit and Korean won, as hopes for more stimulus from Europe and Japan and a rebound in oil prices boosted risk appetite for emerging market assets on Friday. Stabilisation in the renminbi provided some relief. The offshore Chinese yuan posted a modest gain versus the US dollar after the authorities stepped up their defence of the currency. The People's Bank of China (PBoC) announced that renminbi deposits placed by offshore participant banks with the PBoC and onshore corresponding banks would be subject to the same reserve requirement ratio (RRR) as applicable to onshore banks (currently 17.5% for large banks and 15.5% for small banks). The RRR was previously at zero. The move could increase the cost of short selling the Chinese yuan. After falling to the weakest level against the US dollar since 2007 (USDHKD above 7.82) on capital outflows, the Hong Kong dollar rebounded later in the week, tracking other emerging market Asian currencies, to end the week flat versus the US dollar.
- Meanwhile, other non-Asian emerging markets had a mixed week against the US dollar, as lingering concern around China and oil-related risk aversion at the start of the week were tempered by an increased expectation of further monetary easing. In a volatile week, the Russian rouble moved above the 79 level, a point not seen since late 2014, almost touching the 86 level on Thursday before ending the week -0.5% at 78.1, boosted by a Brent crude rally of 6.0% on Friday. The Brazilian real lost 2.6% by Thursday's close after the Central Bank surprised the market by voting to keep the policy rate on hold at 14.25%, when a hike of at least 25bps had been expected. However, the real benefited from the general improvement in risk appetite on Friday, to end the week 1.0% down. The South African rand started the week poorly by moving to a new record low close at 16.88 on Monday; however, following a warning from the South African Reserve Bank that investors who are exceeding limits on offshore investments may be forced to repatriate funds, the rand ended the week 2.0% stronger against the US dollar at 16.45.

Cold weather brings some warmth for the oil market as gold's shine is relative

- Continuing the theme, West Texas Intermediate crude had a poor start to the week, closing at a 13-year low on Wednesday of USD26.55 per barrel, as prices were hit by continued concerns around the outlook for China and the knock-on impact for global growth. This was compounded by Wednesday's U.S. Energy Information Administration weekly report that showed a 4.6 million barrel surge in gasoline stockpiles, bringing the rise in 2016 to 23.6 million, the largest three-week increase since records started in 1990. The move was further aggregated by a 4.0 million barrel increase in crude inventories. However, an improvement in risk appetite, driven mostly by the expectation of further easing from the ECB and BoJ, coupled with forecasts of continued cold weather affecting the US and Europe, saw the first weekly gain in four weeks. This increased risk appetite saw WTI crude oil prices recover 16.7% over Thursday and Friday to end the week higher (9.1% at USD32.1). Following a similar pattern, Brent crude prices also ended the week higher (10.5% at USD32.0).
- Meanwhile, gold prices rose marginally last week at USD1,098 per ounce. With gold prices standing 3.2% higher since the start of the year, we see underlying support driven by perceived "safe-haven" demand, although the move has been largely range-bound between 1050 and 1200 since July.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 22 January 2016.
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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)	368	1.0	-7.2	-9.8	-12.1	-7.9	444	352	14.5
North America									
US Dow Jones Industrial Average	16,094	0.7	-7.6	-8.0	-9.7	-7.6	18,351	15,370	14.3
US S&P 500 Index	1,907	1.4	-6.5	-7.1	-7.6	-6.7	2,135	1,812	15.6
US NASDAQ Composite Index	4,591	2.3	-8.2	-6.7	-3.4	-8.3	5,232	4,292	19.0
Canada S&P/TSX Composite Index	12,390	2.6	-5.3	-10.7	-16.1	-4.8	15,525	11,531	14.6
Europe									
MSCI AC Europe (USD)	379	1.5	-6.4	-11.9	-13.4	-7.8	479	361	13.9
Euro STOXX 50 Index	3,023	2.4	-5.9	-9.8	-9.0	-7.5	3,836	2,855	13.0
UK FTSE 100 Index	5,900	1.7	-3.0	-7.5	-13.2	-5.5	7,123	5,640	14.8
Germany DAX Index*	9,765	2.3	-6.9	-6.9	-6.4	-9.1	12,391	9,315	12.0
France CAC-40 Index	4,337	3.0	-5.1	-9.7	-4.7	-6.5	5,284	4,085	13.7
Spain IBEX 35 Index	8,723	2.1	-7.4	-15.8	-17.0	-8.6	11,885	8,206	12.7
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	368	0.1	-9.6	-13.8	-22.7	-10.5	525	357	11.7
Japan Nikkei-225 Stock Average	16,959	-1.1	-10.2	-8.0	-2.1	-10.9	20,953	16,017	16.5
Australian Stock Exchange 200	4,916	0.5	-3.9	-6.6	-9.3	-7.2	5,997	4,804	15.3
Hong Kong Hang Seng Index	19,081	-2.3	-12.6	-16.5	-22.2	-12.9	28,589	18,534	9.4
Shanghai Stock Exchange Composite Index	2,917	0.5	-20.1	-13.4	-12.8	-17.6	5,178	2,845	11.8
Hang Seng China Enterprises Index	8,105	-1.6	-16.7	-23.5	-32.7	-16.1	14,963	7,824	6.2
Taiwan TAIEX Index	7,756	-0.1	-6.5	-9.9	-17.2	-7.0	10,014	7,203	11.4
Korea KOSPI Index	1,879	0.0	-5.7	-7.1	-2.2	-4.2	2,190	1,801	10.6
India SENSEX 30 Index	24,436	-0.1	-4.5	-10.5	-15.8	-6.4	30,025	23,840	16.9
Indonesia Jakarta Stock Price Index	4,457	-1.5	-1.3	-2.8	-15.2	-3.0	5,524	4,034	13.5
Malaysia Kuala Lumpur Composite Index	1,625	-0.2	-1.1	-4.7	-8.8	-4.0	1,868	1,504	15.2
Philippines Stock Exchange PSE Index	6,208	-3.7	-10.9	-12.8	-16.3	-10.7	8,137	6,084	15.2
Singapore FTSE Straits Times Index	2,577	-2.0	-9.7	-15.2	-23.5	-10.6	3,550	2,529	11.0
Thailand SET Index	1,268	1.8	0.5	-10.5	-18.7	-1.6	1,620	1,221	12.7
Latam									
Argentina Merval Index	10,330	3.1	-9.7	-7.2	17.7	-11.5	14,597	8,256	11.3
Brazil Bovespa Index*	38,031	-1.4	-12.5	-20.4	-23.1	-12.3	58,575	37,046	9.5
Chile IPSA Index	3,532	1.3	-2.1	-8.8	-8.6	-4.0	4,148	3,419	13.1
Colombia IGBC Index	8,426	4.8	0.3	-11.0	-21.3	-1.4	11,130	7,822	20.2
Mexico Index	41,621	1.9	-3.9	-6.7	-3.5	-3.2	46,078	39,257	17.5
EEMEA									
Russia MICEX Index	1,718	6.8	-0.3	0.3	3.1	-2.5	1,874	1,570	5.3
South Africa JSE Index	47,662	1.5	-4.3	-10.6	-4.4	-6.0	55,355	45,976	15.8
Turkey ISE 100 Index*	70,244	-1.2	-3.9	-12.5	-22.7	-2.1	91,806	68,230	8.0

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

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)
Global equities	-11.9	-10.2	-12.7	7.9	19.0
US equities	-8.9	-8.8	-8.4	30.2	56.2
Europe equities	-14.4	-10.6	-13.9	-4.3	1.2
Asia Pacific ex Japan equities	-15.7	-12.9	-22.6	-18.5	-12.4
Japan equities	-8.1	-9.8	-1.6	17.8	12.4
Latam equities	-21.5	-13.4	-41.2	-56.3	-59.5
Emerging Markets equities	-19.5	-13.3	-28.3	-31.3	-31.4

All total returns quoted in US dollar terms.
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 EM 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.

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Market Data (continued)

Bond indices - Total Return	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	484.2	0.0	0.7	0.3	0.7	0.8
JPM EMBI Global	657.2	0.0	-1.7	-3.5	-0.3	-2.0
BarCap US Corporate Index (USD)	2567.3	-0.6	-0.1	-1.7	-2.3	-0.1
BarCap Euro Corporate Index (Eur)	229.7	0.1	-0.3	-0.1	-1.2	-0.2
BarCap Global High Yield (USD)	362.0	-0.8	-2.6	-6.0	-3.7	-3.2
HSBC Asian Bond Index	382.68	-0.2	0.2	-0.3	1.9	0.5

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 2015	52-week High	52-week Low
Developed markets								
EUR/USD	1.08	1.09	1.10	1.11	1.14	1.09	1.17	1.05
GBP/USD	1.43	1.43	1.48	1.54	1.50	1.47	1.59	1.41
CHF/USD	0.98	1.00	1.01	1.03	1.15	1.00	1.15	0.97
CAD	1.41	1.45	1.39	1.31	1.24	1.38	1.47	1.19
JPY	118.80	116.98	121.07	120.69	118.49	120.22	125.86	115.98
AUD	1.43	1.46	1.38	1.39	1.25	1.37	1.46	1.23
NZD	1.54	1.55	1.47	1.47	1.33	1.46	1.60	1.29
Asia								
HKD	7.80	7.80	7.75	7.75	7.75	7.75	7.83	7.75
CNY	6.58	6.58	6.48	6.36	6.21	6.49	6.60	6.18
INR	67.63	67.61	66.33	65.13	61.71	66.15	68.17	61.30
MYR	4.29	4.40	4.30	4.28	3.60	4.29	4.48	3.54
KRW	1,200.20	1,213.16	1,173.22	1,138.50	1,084.96	1,175.06	1,216.23	1,065.21
TWD	33.52	33.66	32.84	32.50	31.47	32.86	33.79	30.35
Latam								
BRL	4.09	4.05	3.99	3.91	2.57	3.96	4.25	2.57
COP	3,308.60	3,301.59	3,313.52	2,904.19	2,371.01	3,174.50	3,406.50	2,350.04
MXN	18.48	18.26	17.19	16.48	14.63	17.21	18.80	14.55
EEMEA								
RUB	78.12	77.70	71.26	62.55	64.18	72.52	85.96	48.14
ZAR	16.45	16.79	15.16	13.40	11.40	15.47	17.92	11.26
TRY	3.00	3.05	2.93	2.87	2.32	2.92	3.08	2.32

Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2015
US Treasury yields (%)						
3-Month	0.30	0.23	0.19	0.00	0.02	0.16
2-Year	0.87	0.85	0.97	0.60	0.52	1.05
5-Year	1.48	1.45	1.70	1.35	1.36	1.76
10-Year	2.06	2.03	2.24	2.03	1.86	2.27
30-Year	2.83	2.81	2.96	2.86	2.44	3.02
Developed market 10-year bond yields (%)						
Japan	0.23	0.21	0.27	0.30	0.31	0.26
UK	1.71	1.66	1.87	1.80	1.52	1.96
Germany	0.48	0.54	0.60	0.50	0.45	0.63
France	0.80	0.87	0.95	0.84	0.62	0.99
Italy	1.57	1.56	1.64	1.45	1.55	1.59
Spain	1.73	1.75	1.79	1.59	1.40	1.77

Commodities	Latest	1-week ago (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,098	0.9	2.4	-5.8	-15.7	3.5	1,308	1,046
Brent Oil	32.0	10.5	-11.4	-33.5	-34.1	-14.2	70	27
WTI Crude Oil	32.1	9.1	-11.2	-29.3	-30.7	-13.4	63	26
R/J CRB Futures Index	164	2.4	-4.7	-16.3	-25.0	-7.0	234	155
LME Copper	4,430	2.3	-5.0	-15.3	-21.8	-5.8	6,481	4,318

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 22 January 2016.
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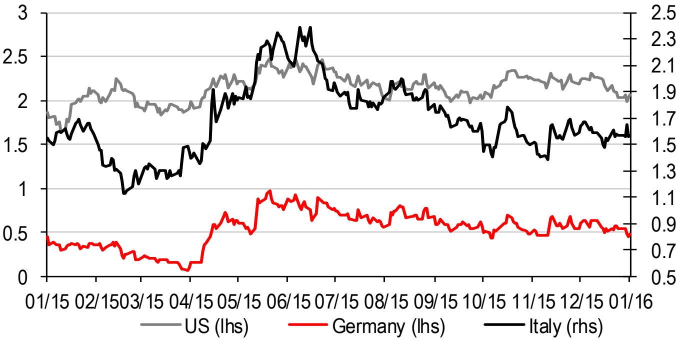
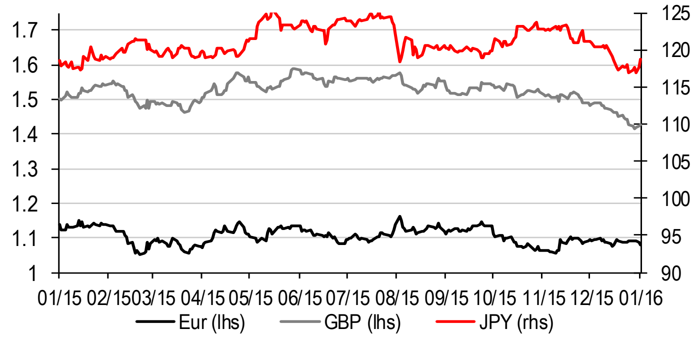
Market Trends

Government bond yields (%)



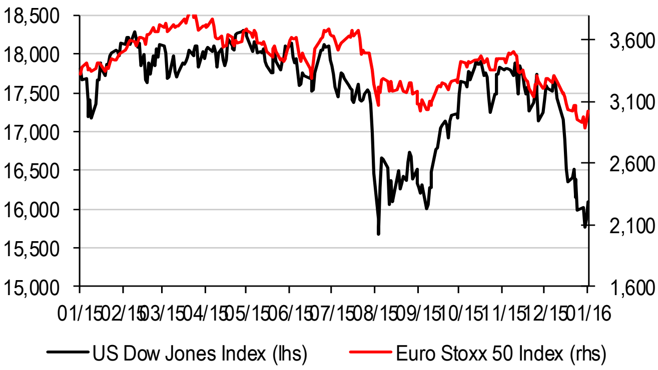
Yields based on 10 year government bonds

Major currencies (versus US dollar)

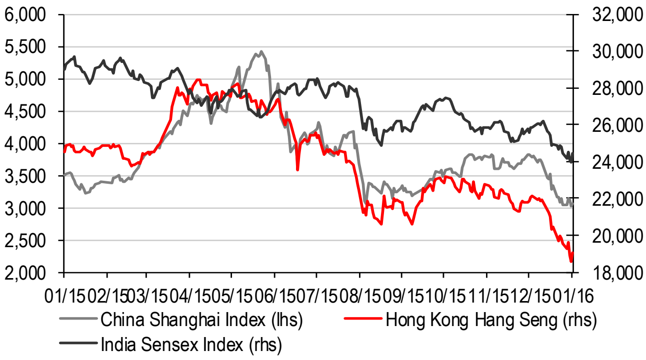


All values versus USD

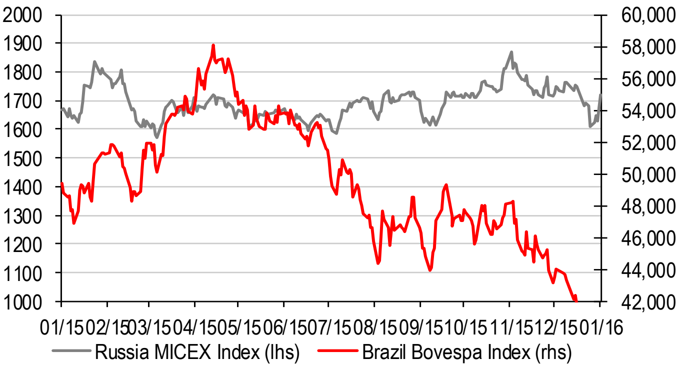
Global equities



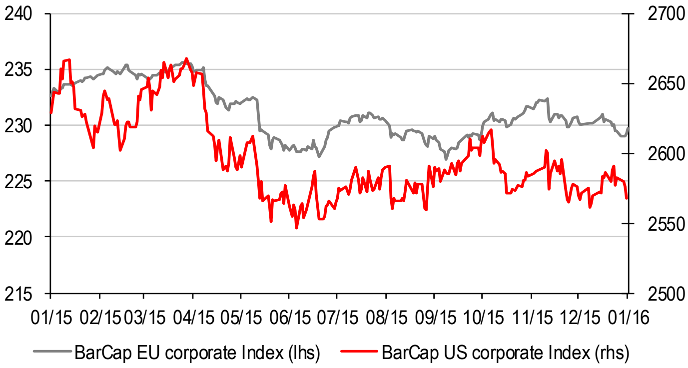
Emerging Asian equities



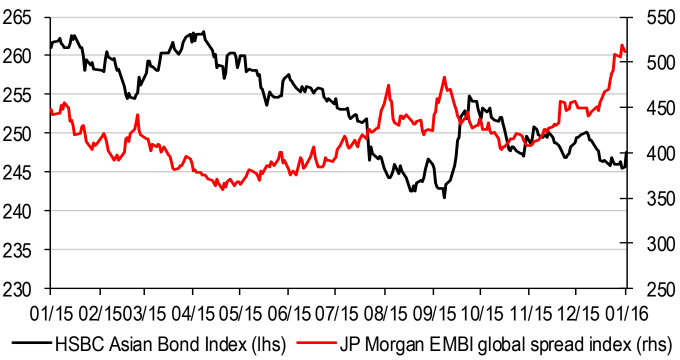
Other emerging equities



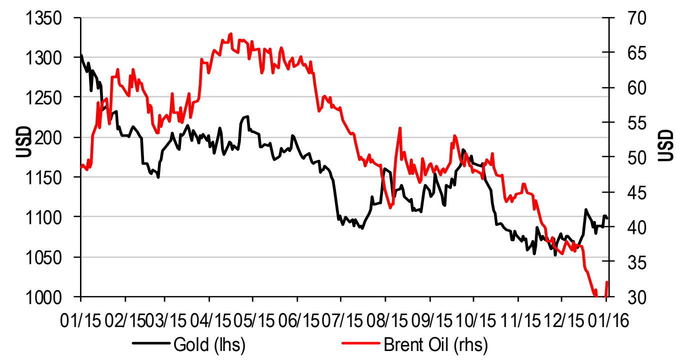
Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 22 January 2016.
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