# Investment Weekly

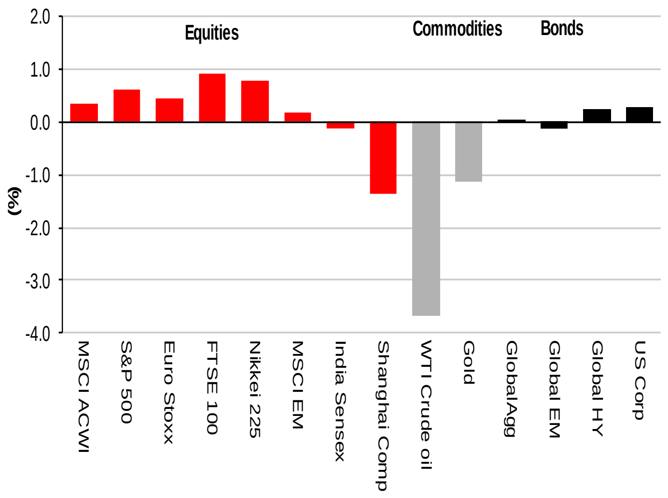
**22 July 2016**

**For Professional Client and Institutional Investor Use Only**

- Global equities edged higher this week, supported by broadly upbeat earnings reports, with the S&P 500 Index touching fresh record highs
- As expected, the European Central Bank (ECB) kept policy on hold at its July meeting, with ECB president Mario Draghi making reference to the "encouraging resilience" of financial markets since the UK referendum vote
- A one-off set of flash UK PMIs for July came in well below expectations, with the composite index plunging by 4.7 points to 47.7, its lowest level since April 2009
- In the coming week, investors will keep a close eye on the outcome of the July Federal Open Market Committee (FOMC) and Bank of Japan (BoJ) meetings, as well as preliminary estimates of Q2 GDP for the US, UK and the eurozone

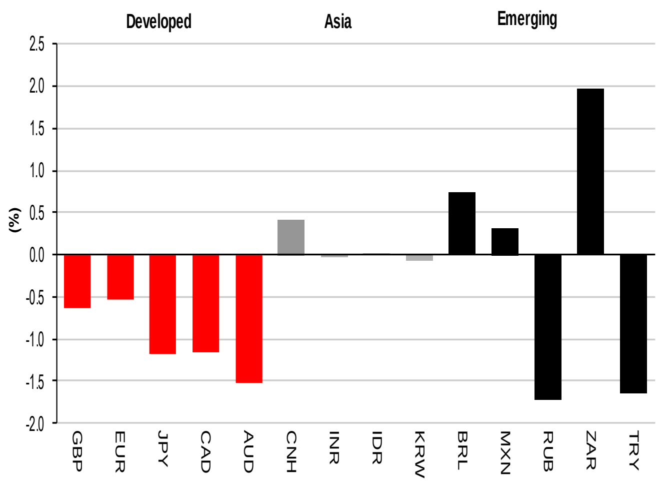
## Movers and shakers

Global equities edged higher amid broadly upbeat earnings

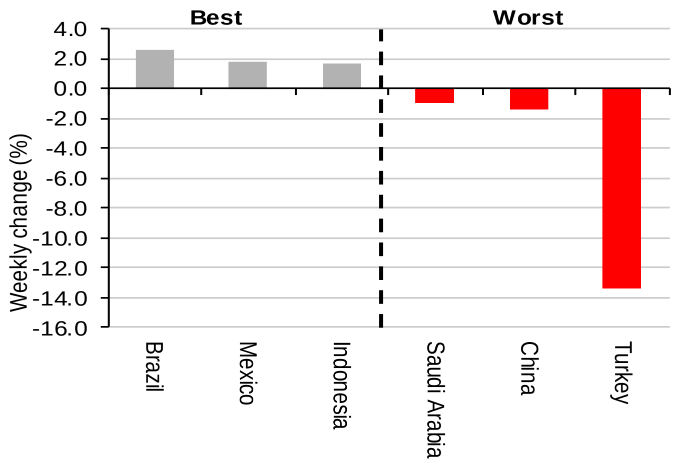



## Currencies (versus US dollar)

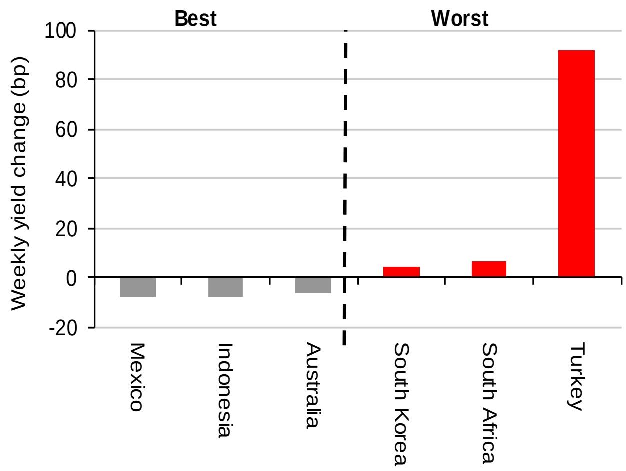
The US dollar made gains against most currencies




## Equities




## Bonds (10-year)




Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 22 July 2016.
All the above charts relate to 15/07/2016 – 22/07/2016.
**Past performance is not an indication of future returns.**

HSBC Global Asset Management

# Macro Data and Key Events

## Past Week (18-22 July 2016)

| Date | Country | Indicator | Data as of | Survey | Actual | Prior |
|---|---|---|---|---|---|---|
| Monday 18 July | US | NAHB/Wells Fargo Housing Market Index | Jul | 60.0 | 59.0 | 60.0 |
| Tuesday 19 July | UK | CPI (yoy) | Jun | 0.4% | 0.5% | 0.3% |
| | Germany | ZEW Expectation of Economic Growth | Jul | 9.0 | -6.8 | 19.2 |
| | Turkey | CBRT Interest Rate Decision (Overnight Lending Rate) | Jul | 8.75% | 8.75% | 9.00% |
| | US | Housing Starts (mom) | Jun | 0.2% | 4.8% | -1.7% |
| Wednesday 20 July | Brazil | COPOM Interest Rate Decision | Jul | 14.25% | 14.25% | 14.25% |
| | UK | ILO Unemployment Rate (3 months) | May | 5.0% | 4.9% | 5.0% |
| | Eurozone | Consumer Confidence | Jul P | -8.0 | -7.9 | -7.2 |
| Thursday 21 July | Indonesia | Bank of Indonesia Reference Rate Decision | Jul | 6.25% | 6.50% | 6.50% |
| | Eurozone | European Central Bank (ECB) Interest Rate Decision | Jul | -0.40% | -0.40% | -0.40% |
| | Brazil | IBGE Inflation IPCA-15 (yoy) | Jul | 8.8% | 8.9% | 9.0% |
| | US | Existing Home Sales (mom) | Jun | -0.9% | 1.1% | 1.5% |
| | South Africa | Reserve Bank Interest Rate Decision | Jul | 7.00% | 7.00% | 7.00% |
| | UK | Retail Sales, ex Auto Fuel (mom) | Jun | -0.6% | -0.9% | 0.9% |
| Friday 22 July | Eurozone | Markit Composite PMI | Jul P | 52.5 | 52.9 | 53.1 |
| | UK | Markit/CIPS Composite PMI | Jul P | 49.0 | 47.7 | 52.4 |

P – Preliminary

- Housing data dominated this week's calendar in the **US**. First, the **NAHB/Wells Fargo Housing Market Index** dipped marginally to 59 in July from 60 in June (consensus 60). The present condition for single-family home sales and the buyer traffic sub-indices both shed one point to 63 and 45, respectively, while expectations for future sales fell three points to 66. The geographical breakdown showed all regions gaining except the South (-4 to 60). Overall, homebuilder confidence remains high and is consistent with continued recovery in the US housing market. June's **Housing Starts** rose 4.8% mom to 1,189,000 annualised (expectations of 1,165,000) following a downwardly revised 1,135,000 in May. Construction of single-family homes rose to 778,000 and construction of multi-family homes (411,000) was the highest since September last year. The same report also showed building permits beat consensus expectations. Also positively, permits in the multi-family category have risen for three consecutive months, pointing to a recovery in future construction. Finally, **Existing Home Sales** rose by 1.1% mom in June to an annualised pace of 5.57 million units – a fresh nine-year high – beating expectations of a 0.9% dip. This came on top of a downwardly revised 1.5% gain in the prior month (previously +1.8%). Meanwhile, the median price of an existing home rose 4.8% yoy to USD247,700, with inventories holding fairly steady at 2.12 million units (-5.8% yoy), although above the December 2015 multi-year low of 1.76 million units. Overall, these reports suggest that the US housing market remains very healthy, buoyed by record low borrowing costs and continuing gains in employment and wages.
- In Europe, as expected, the **ECB** kept policy on hold at its **July meeting**. The ECB struck a dovish tone by stating that interest rates would "remain at present or lower levels for an extended period of time" and that the EUR80 billion a month Asset Purchase Programme (APP) would run beyond March 2017 "if necessary, and in any case until it sees a sustained adjustment in the path of inflation consistent with its inflation aim." ECB President Mario Draghi was unwilling to discuss how the ECB could tweak the parameters of the APP, confirming that the governing council has "given no attention" to this issue, although he reiterated that the bank would deploy "all instruments within its mandate" if required. Draghi also made reference to the "encouraging resilience" of financial markets since the UK referendum vote, but cautioned that the vote was a "headwind" and that risks to the outlook "remain tilted to the downside." However, he also said that the bank "did not yet have information to take decisions," stressing the importance of ECB staff projections released at the next meeting in September. Perhaps most significantly, Draghi commented that the provision of a public backstop for the "complex problem" of non-performing loans in the region would be "very useful" but that any such arrangement would require agreement from the European Commission.
- Meanwhile, it was a busy week for sentiment data in the eurozone. Most notably, amid concerns of negative spill-over effects to the German economy following the UK Brexit vote, **the German ZEW Expectation of Economic Growth** – which aims to predict economic activity in six months' time – plunged by 26.0 points in July to -6.8, its lowest level since November 2012 when German GDP growth was contracting. That the index is in negative territory signals that most respondents expect economic conditions to deteriorate in the second half of the year. The current conditions index also fell, by 4.7 points to 49.9, although it remained above the recent low of 47.7 reached in April. Despite the sharp falls, it should be noted that the survey was conducted during 4-18 July, just as German equity markets were recovering from a large sell-off immediately following the vote. Therefore, given the survey's sensitivity to financial market conditions, the expectations index could recover in August. July's flash **Eurozone Composite PMI** fell by 0.2 points to 52.9, beating expectations of a dip to 52.5, indicating that the eurozone economy has remained broadly resilient in the aftermath of the UK referendum vote. At the sector level, manufacturing declined by 0.9 points to 51.9, with services faring better, falling by only 0.1 points to 52.7 – although this represents an 18-month low, with the expectations component falling much more sharply. At the country level, both the French and German composite PMI readings edged higher, with the latter registering a surprisingly sharp 1.1 point increase to 55.3 (versus expectations of a 1.7-point fall), led by an expansion in the services index, and bodes well for German Q3 GDP growth. However, these readings also imply a deterioration of conditions in other eurozone economies.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 22 July 2016.
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- Moving to the **UK**, **CPI inflation** rose by 0.5% yoy in June, 0.1 percentage points higher than expectations and up from 0.3% yoy in May, mainly on the back of a 10.9% mom gain in airfares (likely supported by the Euro 2016 tournament), fuel prices (+8.1% mom) and a variety of recreational goods and services. Core CPI also edged up to 1.4% yoy. The **ILO unemployment rate** fell to 4.9% in the three months to May, beating expectations that it would hold steady at 5.0%. The 176,000 increase in employment compared with the three months to February was also above expectations of +73,000. However, wage data was less encouraging, with wage growth (excluding bonuses) dipping by 0.1 percentage points to 2.2% yoy (versus an expected uptick to 2.4%). Following strong growth in April and May, **retail sales** (excluding autos and fuel) declined by 0.9% mom in June (versus expectations of -0.6%), amid uncertainty ahead of the UK referendum vote and poor weather, which hit demand for summer clothing and footwear. Nevertheless, on an annual basis, sales remain robust at 3.9% yoy. Finally, a one-off set of flash **PMIs** for July came in well below expectations, with the composite index plunging by 4.7 points to 47.7, versus an expected decline to 49.0. Weakness was led by the deterioration in the services component – which accounts for around three-quarters of UK output – to 47.4, from 52.3 in the prior month, and well below expectations of 48.8. Meanwhile, the expectations component of the services index plunged by 10.4 points to 56.0 – a seven-and-a-half-year low. More positively, the manufacturing component performed 0.4 points better than expected (down to 49.1 from 52.1 in June), although the sharp fall in the new orders component to 49.1 could lead to larger falls in the headline index in the coming months. Although the correlation between the UK PMIs and GDP isn't perfect, the reading signals the potential for a significant slowdown in Q3 growth.
- **The Central Bank of Turkey** cut its overnight lending rate by 25bps to 8.75% at its July meeting (in line with expectations). Prior to Friday's failed coup attempt, a 50bp cut had been anticipated; however, the depreciation of the lira following the event likely tempered the bank's appetite for looser policy. Going forward, the bank is likely to maintain its dovish bias given the backdrop of increasingly loose global monetary policy, downside risks to growth after the coup attempt and recent guidance suggesting that the terminal policy rate was likely to be in a range of "7.5% to 8.2%." Meanwhile, Standard & Poor's (S&P) **downgraded Turkey's credit rating** deeper into junk territory (to BB from BB+) with a negative outlook. S&P remarked that Turkey's growing political fragmentation and polarisation, along with erosion of institutional checks and balances, would undermine the country's investment environment, economic growth and capital flows into its externally leveraged economy.
- As expected, the **Central Bank of Brazil** kept its SELIC **policy rate** unchanged at 14.25%. In its policy statement, the Bank highlighted the fact that the Brazilian economy is stabilising while the external environment remains challenging. Policymakers also judged that the *"*current balance of risks indicate that there is no room for easing of monetary policy,*"* as the consensus inflation expectation for 2017 (5.3%) remains higher than the target of 4.5%.
- At its **July meeting**, Indonesia's central bank, **Bank Indonesia**, unexpectedly decided to keep its reference rate unchanged at 6.50%, versus expectations of a 25bp cut. This follows four 25bp cuts since the beginning of the year. Policymakers noted that the recently implemented tax amnesty programme could boost capital inflows and strengthen the liquidity of domestic markets in H2. Moreover, Bank Indonesia also observed that the decision of the UK to leave the EU could delay the next fed funds rate hike until the end of 2016, while also highlighting the improvement in external trade in June.

## Coming Week (25-29 July 2016)

| Date | Country | Indicator | Data as of | Survey | Prior |
|---|---|---|---|---|---|
| Monday 25 July | Japan | Trade Balance, Adjusted (JPY) | Jun | 244.2bn | 269.8bn |
| | Germany | Ifo Business Climate Index | Jul | 107.6 | 108.7 |
| Tuesday 26 July | US | S&P/Case-Shiller 20-City Composite Home Price Index (yoy) | May | 5.5% | 5.4% |
| | US | New Home Sales (mom) | Jun | 0.8% | -6.0% |
| Wednesday 27 July | UK | GDP (qoq) | Q2 P | 0.5% | 0.4% |
| | US | Durable Goods Orders (mom) | Jun P | -1.3% | -2.3% |
| | US | Pending Home Sales (mom) | Jun | 1.8% | -3.7% |
| | US | FOMC Interest Rate Decision (upper bound) | Jul | 0.50% | 0.50% |
| Thursday 28 July | US | Initial Jobless Claims | Jul-23 | 264k | 253k |
| Friday 29 July | Japan | Bank of Japan Interest Rate Decision | Jul | | -0.10% |
| | Japan | Industrial Production (yoy) | Jun P | -3.0% | -0.4% |
| | Japan | National CPI, ex Fresh Food and Energy (yoy) | Jun | 0.7% | 0.8% |
| | Eurozone | CPI Estimate (yoy) | Jul | 0.1% | 0.1% |
| | Eurozone | Unemployment Rate | Jun | 10.1% | 10.1% |
| | Eurozone | GDP Seasonally Adjusted (qoq) | Q2 P | 0.3% | 0.6% |
| | Russia | Central Bank of Russia Interest Rate Decision | Jul | 10.50% | 10.50% |
| | US | GDP Annualised (qoq) | Q2 P | 2.6% | 1.1% |
| | Mexico | GDP, Seasonally Adjusted (qoq) | Q2 P | | 0.8% |

P – Preliminary, Q – Quarter

## US

- The **FOMC** is expected to keep policy unchanged at **July's meeting**. Despite evidence that May's disappointing payroll print was a blip – which is likely to be reflected in an amended July statement – the US Federal Reserve (Fed) is likely to retain a cautious tone as it awaits evidence of the sustainability of the US recovery, especially in light of the UK Brexit vote, and while core PCE inflation remains below the Fed's 2% target. Nevertheless, the Committee is likely to find a source of encouragement in the surprisingly resilient global financial market backdrop since the vote.

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- The **first estimate of Q2 GDP** is expected to show growth of 2.6% qoq annualised, up from 1.1% qoq annualised in Q1, driven mainly by strong growth in consumer spending as reflected by robust monthly retail sales prints during the quarter. This release also contains the U.S. Bureau of Economic Analysis's annual revision to the national accounts, including quarterly GDP data from 2013 through Q1 2016.
- The **S&P/Case-Shiller 20-City Composite Home Price Index** is expected to rise by 5.5% yoy in May, mainly due to favourable base effects, with the monthly growth rate expected to be flat. US home prices remain supported by strong demand and the limited supply of for-sale homes amid sluggish growth in building activity.
- Meanwhile, **new home sales** continue to be supported by record low mortgage rates and a strong labour market. Sales are expected to edge up 0.8% mom in June to 556,000 annualised, placing them closer to their historic average of around 650,000.
- **Pending Home Sales**, which tend to lead existing home sales by a couple of months, registered a surprisingly large dip in May (-3.7% mom), although expectations are for a 1.8% mom rebound in June. This would leave the annual growth rate at 3.0% yoy and the index at its second-highest reading since April 2006 as the US housing market continues to gather steam.

## Europe

- Given the increased uncertainty prevailing in the eurozone following the outcome of the UK referendum vote, the **German Ifo business expectations index** is expected to edge lower in July, by 1.6 points to 101.5. However, the current assessment index is likely to remain more resilient, especially given the upbeat preliminary German PMIs for July, falling by 0.5 points to 114.0. Overall, the **Ifo Business Climate Index** is expected to decline by 1.1 points to 107.6, well above its average since 1991 of 101.7.
- **Eurozone** headline **CPI** came in at 0.1% yoy in June, the rate it is expected to maintain in July, with this month's decline in energy prices likely to moderate the recent easing of energy price deflation. The core reading is also expected to remain steady at 0.9% yoy.
- Having declined from a peak of 12.1% in April 2013, the **eurozone unemployment** rate is expected to hold steady at 10.1% in June, with employment gains driven mainly by Spain. Elsewhere, however, further significant employment growth remains constrained by labour market tightness in Germany, ongoing labour market inflexibilities in France and weak growth in Italy.
- In the eurozone, Q1 GDP growth edged up to 0.6% qoq, with activity mainly supported by robust consumption, while a lessening drag from net exports has also boosted headline growth. The recent eurozone PMIs suggest that economic activity in the region remained broadly upbeat in Q2. However, real activity data has softened following the burst in January, with May's 1.2% mom decline in eurozone industrial production, and weakness in construction output in both April and May, signalling that **Q2 eurozone GDP** is likely to be softer than in Q1. Furthermore, investment growth, although likely remaining a positive contributor, could have slowed amid squeezed margins at firms. Expectations are for a dip to 0.3% qoq, leaving the annual rate at 1.5% yoy.
- In the **UK,** much better than expected April activity data, both for services and industrial output, signals **Q2 GDP** growth is likely to remain positive despite Brexit-related uncertainty. However, the June construction PMI dipping sharply to 46.0 indicates that construction output could be a significant drag on GDP, having provided a marginal negative contribution in Q1. Despite this, GDP growth is expected to edge up to 0.5% qoq in the preliminary release, 0.1 percentage points higher than Q1, leaving the annual rate at 2.1% yoy.

## Japan

- Data available for the first 20 days of June showed that Japan's exports continued to decline on a trend basis due to soft external demand and a stronger yen, reflected in the very weak manufacturing PMI new export orders print for June (at 44.8, a 41-month low). Meanwhile, imports showed greater stability. **Japan's trade surplus** (seasonally adjusted) is expected to have declined slightly, down from JPY269.8 billion to JPY244.2 billion.
- The Japanese Ministry of Economy, Trade and Industry Survey of production forecast shows **industrial production** is expected to increase 1.7% mom in June and 1.3% mom in July. However, the manufacturing PMI still remained below 50 in June, implying a milder gain − expectations are for +0.5% mom (-3.0% yoy) after the decline observed in May (-2.6% mom).
- Japan will also publish **inflation data** for June. The 20% appreciation of the yen between December and June has significantly reduced imported inflation, while domestic consumption remains too soft to allow Japanese businesses to regain pricing power. Moreover, June data already released for the Tokyo area showed CPI (excluding food and energy) dipping to 0.4% yoy. National CPI (excluding fresh food and energy) is expected to decelerate from 0.8% yoy to 0.7%, and headline CPI could remain unchanged at -0.4%.
- Recently, pressure has been mounting on the **BoJ** to ease policy as inflation, both current and expected, remains extremely low amid the recent sharp appreciation of the yen. However, activity data has somewhat improved lately, with a better than expected Tankan survey for Q2. Moreover, BoJ Governor Haruhiko Kuroda recently said that there is "no need and no possibility for helicopter money" at the moment. Against this mixed background, the outcome of the **July meeting** is a close call. The autumn fiscal stimulus package should be finalized before the end of the week and the BoJ may take this as an opportunity to act, potentially by increasing its monthly purchases of Japanese government bonds to supplement the package. Increasing equity ETF purchases and cutting policy rates is also possible.

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

## Global equities supported by broadly upbeat earnings reports; US stocks touched fresh record highs

- US equities fluctuated between gains and losses this week amid mixed corporate earnings results. Upbeat earnings data, particularly in the technology and financial sectors, helped the S&P 500 Index reach a fresh record high on Wednesday. However, US stocks retreated later in the week as fresh earnings releases disappointed. Overall, the S&P 500 Index closed the week up slightly (+0.6%).
- In Europe, the EURO STOXX 50 Index swung between gains and losses this week. While lower oil prices and an especially poor German ZEW Expectations of Economic Growth release print for July weighed on sentiment, some upbeat corporate earnings helped the index close up (+0.5%). Italy's FTSE MIB also ended marginally higher (+0.2%), aided by ECB President Mario Draghi's post-meeting conference in which he hinted that the bank may be open to using public funds to support the troubled banking sector. Elsewhere, news of a takeover bid in the IT sector and a weaker GBP helped the UK's FTSE 100 Index outperform (+0.9%).
- Most Asian stock markets rose slightly over the week, boosted by generally upbeat corporate earnings at the global level and hopes of a large fiscal and monetary stimulus package in Japan. Hong Kong's Hang Seng Index outperformed (+1.4%), led by developers, while the Shanghai Stock Exchange Composite Index recorded its first weekly decline (-1.4%) in a month. Elsewhere, Indonesia's Jakarta Stock Exchange Composite Index (+1.7%) was boosted by the implementation of the tax relief programme, while the depreciation of the yen improved the earnings outlook of Japanese exporters, driving the Nikkei 225 Index higher (+0.8%).

## Treasuries fell on continued optimism over the US economic outlook; some disappointing sentiment data pushed core European bond yields down

- US Treasuries fell modestly (yields rose) this week amid slightly improved risk appetite and robust economic data. Abating concerns over geopolitical tensions in Turkey helped to ease demand for safety assets earlier in the week, while healthy housing market data and a positive surprise to initial jobless claims helped bolster sentiment over the state of the US economy, thereby exerting upward pressure on yields. Overall, US Treasury two-year yields rose 3bps to 0.70% and five-year yields were up 2bps to 1.12%. At the longer end, US 10-year yields closed the week up 2bps to 1.57% and 30-year yields rose 1bp to 2.28%.
- Over in Europe, most core government bond yields fell slightly (prices rose) on higher demand for "safe-haven" assets following the disappointing German ZEW survey, and the European Commission and the International Monetary Fund cut eurozone growth forecasts. Benchmark German 10-year bund yields closed the week back into negative territory (-4bps to -0.03%). Similarly, UK 10-year gilt yields finished down (-3bps to 0.80%), despite June's inflation coming in higher than expected (typically a drag on coupon-bearing instruments). In the periphery, Portuguese and Spanish 10-year bonds outperformed despite uncertainty as to whether they would be fined for breaching European Commission budget deficit limits. In the primary market, Spain successfully sold almost EUR3 billion in three-, five- and 30-year bonds.

## Euro and sterling fell on downbeat data and a stronger dollar; yen declined on stimulus speculation

- The euro started this week on a strong footing against the dollar, but fell on Tuesday after the German ZEW survey of expectations plunged to its lowest level since 2012, raising concerns over the economic outlook for the currency bloc's largest economy. Meanwhile, strong US housing data supported the greenback. Overall, the common currency ended the week lower (-0.5%). Meanwhile, the British pound swung between gains and losses this week to close down (-0.6%). While the UK's strong employment data provided support on Wednesday, Friday saw the pound fall as much as 0.8% against the US dollar within minutes of the much weaker than expected flash July PMI release.
- Most Asian currencies were little changed against the US dollar, closing the week in a narrow +/- 0.5% range. However, some currencies fell substantially, starting with the Malaysian ringgit, which continued to depreciate after the central bank surprised the market on 13 July by cutting its policy rate by 25bps. Falling crude oil prices and troubles at a major public investment fund also weighed on the currency. The yen depreciated 1.2% as investors awaited potential BoJ action next week. The Indonesian rupiah ended the week flat despite the fact that the Indonesian central bank left policy rates unchanged (the consensus anticipated a 25bp cut).

## Crude oil prices slid on fresh rebalancing fears; gold declined on stronger dollar and improving sentiment

- WTI crude oil prices slid this week as global supply glut concerns resurfaced. The U.S. Energy Information Administration's weekly report showed gasoline stockpiles grew despite seasonal effects that should theoretically increase demand, and outweighed the effects of a draw on crude inventories (also displayed in the American Petroleum Institute data). Furthermore, a stronger US dollar offset news of fresh supply disruptions in Libya. Overall, WTI for September delivery finished the week down (-3.7% to USD44.3 per barrel) as did Brent crude (-3.8% to USD45.8 per barrel).
- Gold extended losses for the second week (-1.1% at 1,322 per ounce) on a stronger dollar and slightly improved risk appetite following generally upbeat earnings reports at the global level.

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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) | 413 | 0.4 | 2.6 | 1.4 | -3.7 | 3.3 | 431 | 351 | 16.8 |
| **North America** | | | | | | | | | |
| US Dow Jones Industrial Average | 18,571 | 0.3 | 4.4 | 3.1 | 4.0 | 6.6 | 18,622 | 15,370 | 17.2 |
| US S&P 500 Index | 2,175 | 0.6 | 4.3 | 4.0 | 2.9 | 6.4 | 2,176 | 1,810 | 18.5 |
| US NASDAQ Composite Index | 5,100 | 1.4 | 5.5 | 4.0 | -1.4 | 1.9 | 5,197 | 4,210 | 22.1 |
| Canada S&P/TSX Composite Index | 14,601 | 0.8 | 4.3 | 5.2 | 2.1 | 12.2 | 14,622 | 11,531 | 19.4 |
| **Europe** | | | | | | | | | |
| MSCI AC Europe (USD) | 390 | -0.3 | -2.6 | -4.6 | -14.3 | -5.1 | 461 | 354 | 15.5 |
| Euro STOXX 50 Index | 2,972 | 0.5 | -0.2 | -5.4 | -18.2 | -9.0 | 3,687 | 2,673 | 13.9 |
| UK FTSE 100 Index | 6,730 | 0.9 | 7.5 | 6.7 | 0.9 | 7.8 | 6,769 | 5,500 | 17.4 |
| Germany DAX Index* | 10,147 | 0.8 | 0.8 | -2.2 | -11.9 | -5.5 | 11,670 | 8,699 | 12.9 |
| France CAC-40 Index | 4,381 | 0.2 | 0.0 | -4.1 | -13.8 | -5.5 | 5,218 | 3,892 | 14.8 |
| Spain IBEX 35 Index | 8,600 | 0.8 | -1.2 | -6.9 | -25.1 | -9.9 | 11,554 | 7,580 | 15.4 |
| **Asia Pacific** | | | | | | | | | |
| MSCI AC Asia Pacific ex Japan (USD) | 433 | 0.2 | 4.5 | 2.2 | -6.1 | 5.2 | 466 | 357 | 14.1 |
| Japan Nikkei-225 Stock Average | 16,627 | 0.8 | 3.5 | -5.4 | -19.3 | -12.6 | 20,947 | 14,864 | 17.0 |
| Australian Stock Exchange 200 | 5,498 | 1.3 | 4.3 | 5.0 | -2.1 | 3.8 | 5,728 | 4,707 | 16.8 |
| Hong Kong Hang Seng Index | 21,964 | 1.4 | 5.6 | 2.3 | -13.1 | 0.2 | 25,280 | 18,279 | 12.2 |
| Shanghai Stock Exchange Composite Index | 3,013 | -1.4 | 3.7 | 1.8 | -25.2 | -14.9 | 4,184 | 2,638 | 13.8 |
| Hang Seng China Enterprises Index | 9,032 | -0.2 | 3.1 | -1.0 | -23.0 | -6.5 | 11,760 | 7,499 | 7.7 |
| Taiwan TAIEX Index | 9,013 | 0.7 | 3.4 | 5.6 | 1.1 | 8.1 | 9,076 | 7,203 | 14.4 |
| Korea KOSPI Index | 2,010 | -0.3 | 0.9 | -0.3 | -2.6 | 2.5 | 2,065 | 1,801 | 11.1 |
| India SENSEX 30 Index | 27,803 | -0.1 | 3.9 | 7.6 | -2.5 | 6.5 | 28,578 | 22,495 | 17.3 |
| Indonesia Jakarta Stock Price Index | 5,197 | 1.7 | 6.1 | 5.7 | 5.9 | 13.2 | 5,269 | 4,034 | 16.9 |
| Malaysia Kuala Lumpur Composite Index | 1,657 | -0.7 | 1.2 | -3.5 | -4.2 | -2.1 | 1,744 | 1,504 | 16.1 |
| Philippines Stock Exchange PSE Index | 8,025 | -0.1 | 3.5 | 10.6 | 5.1 | 15.4 | 8,118 | 6,084 | 20.5 |
| Singapore FTSE Straits Times Index | 2,945 | 0.7 | 5.7 | 0.2 | -12.3 | 2.2 | 3,367 | 2,528 | 13.5 |
| Thailand SET Index | 1,509 | 1.1 | 5.9 | 7.0 | 4.2 | 17.2 | 1,518 | 1,221 | 16.3 |
| **Latam** | | | | | | | | | |
| Argentina Merval Index | 15,847 | 1.3 | 15.3 | 13.9 | 35.6 | 35.7 | 16,143 | 8,660 | 15.5 |
| Brazil Bovespa Index* | 57,002 | 2.6 | 13.6 | 7.7 | 12.0 | 31.5 | 57,171 | 37,046 | 14.4 |
| Chile IPSA Index | 4,144 | 1.1 | 3.8 | 4.3 | 6.5 | 12.6 | 4,153 | 3,419 | 14.9 |
| Colombia COLCAP Index | 1,333 | -0.5 | 0.5 | -3.0 | 2.0 | 15.5 | 1,380 | 1,046 | 14.5 |
| Mexico Index | 47,537 | 1.8 | 3.8 | 4.2 | 6.4 | 10.6 | 47,648 | 39,257 | 20.8 |
| **EEMEA** | | | | | | | | | |
| Russia MICEX Index | 1,927 | -0.7 | 1.6 | -2.1 | 17.8 | 9.4 | 1,977 | 1,570 | 7.2 |
| South Africa JSE Index | 53,005 | -0.2 | -1.0 | 0.2 | 2.0 | 4.6 | 54,761 | 45,976 | 15.0 |
| Turkey ISE 100 Index* | 71,738 | -13.4 | -7.2 | -16.4 | -11.7 | 0.0 | 86,931 | 68,230 | 8.3 |

*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 | 2.0 | 4.6 | -1.7 | 16.7 | 32.6 |
| US equities | 4.0 | 6.6 | 3.4 | 33.2 | 72.7 |
| Europe equities | -3.1 | -2.6 | -11.5 | -0.3 | 5.5 |
| Asia Pacific ex Japan equities | 3.8 | 7.4 | -2.9 | 7.4 | 3.0 |
| Japan equities | -1.4 | -2.6 | -6.2 | 4.3 | 20.3 |
| Latam equities | 9.2 | 32.5 | 3.1 | -19.2 | -36.8 |
| Emerging Markets equities | 4.3 | 11.4 | -4.1 | -1.8 | -14.4 |

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 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.

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 22 July 2016.
**Past performance is not an indication of future returns.**

# 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) | 509 | 0.0 | 1.3 | 2.6 | 7.0 | 6.0 |
| JPM EMBI Global | 757 | -0.1 | 3.4 | 5.6 | 11.9 | 12.8 |
| BarCap US Corporate Index (USD) | 2,794 | 0.3 | 2.0 | 3.8 | 8.8 | 8.7 |
| BarCap Euro Corporate Index (Eur) | 243 | 0.3 | 1.8 | 2.4 | 5.6 | 5.5 |
| BarCap Global High Yield (USD) | 417 | 0.2 | 2.7 | 5.0 | 7.4 | 11.6 |
| Markit iBoxx Asia ex-Japan Bond Index (USD) | 189 | 0.3 | 1.8 | 3.0 | 7.5 | 7.1 |
| Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD) | 232 | 0.5 | 2.9 | 5.3 | 9.8 | 11.2 |

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 | 1.10 | 1.10 | 1.13 | 1.12 | 1.09 | 1.09 | 1.17 | 1.05 |
| GBP/USD | 1.31 | 1.32 | 1.47 | 1.44 | 1.56 | 1.47 | 1.58 | 1.28 |
| CHF/USD | 1.01 | 1.02 | 1.04 | 1.02 | 1.04 | 1.00 | 1.08 | 0.97 |
| CAD | 1.31 | 1.30 | 1.28 | 1.27 | 1.30 | 1.38 | 1.47 | 1.25 |
| JPY | 106.13 | 104.88 | 104.41 | 111.79 | 123.97 | 120.22 | 125.28 | 99.02 |
| AUD | 1.34 | 1.32 | 1.33 | 1.30 | 1.36 | 1.37 | 1.46 | 1.28 |
| NZD | 1.43 | 1.41 | 1.40 | 1.46 | 1.52 | 1.46 | 1.60 | 1.37 |
| **Asia** | | | | | | | | |
| HKD | 7.76 | 7.75 | 7.76 | 7.76 | 7.75 | 7.75 | 7.83 | 7.75 |
| CNY | 6.68 | 6.69 | 6.58 | 6.50 | 6.21 | 6.49 | 6.70 | 6.21 |
| INR | 67.08 | 67.07 | 67.48 | 66.48 | 63.58 | 66.15 | 68.79 | 63.72 |
| MYR | 4.06 | 3.95 | 4.04 | 3.90 | 3.79 | 4.29 | 4.48 | 3.81 |
| KRW | 1,134 | 1,134 | 1,155 | 1,143 | 1,154 | 1,175 | 1,245 | 1,121 |
| TWD | 32.02 | 31.85 | 32.21 | 32.33 | 31.20 | 32.86 | 33.79 | 31.23 |
| **Latam** | | | | | | | | |
| BRL | 3.26 | 3.28 | 3.38 | 3.57 | 3.22 | 3.96 | 4.25 | 3.18 |
| COP | 2,951 | 2,923 | 2,919 | 2,947 | 2,790 | 3,175 | 3,453 | 2,785 |
| MXN | 18.55 | 18.60 | 18.49 | 17.47 | 16.10 | 17.21 | 19.52 | 16.01 |
| **EEMEA** | | | | | | | | |
| RUB | 64.80 | 63.69 | 64.83 | 66.53 | 57.44 | 72.52 | 85.96 | 57.75 |
| ZAR | 14.29 | 14.57 | 14.61 | 14.40 | 12.41 | 15.47 | 17.92 | 12.43 |
| TRY | 3.07 | 3.02 | 2.89 | 2.85 | 2.71 | 2.92 | 3.10 | 2.73 |

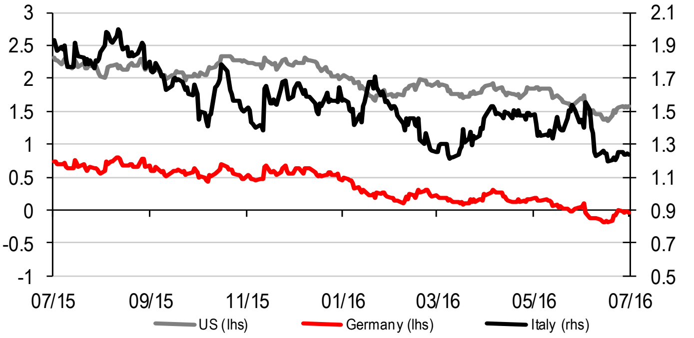
| Bonds | Close | 1-week Ago | 1-month Ago | 3-months Ago | 1-year Ago | Year End 2015 |
|---|---|---|---|---|---|---|
| **US Treasury yields (%)** | | | | | | |
| 3-Month | 0.31 | 0.30 | 0.26 | 0.23 | 0.03 | 0.16 |
| 2-Year | 0.70 | 0.67 | 0.74 | 0.82 | 0.71 | 1.05 |
| 5-Year | 1.12 | 1.10 | 1.20 | 1.36 | 1.67 | 1.76 |
| 10-Year | 1.57 | 1.55 | 1.69 | 1.89 | 2.32 | 2.27 |
| 30-Year | 2.28 | 2.27 | 2.50 | 2.71 | 3.04 | 3.02 |
| **Developed market 10-year bond yields (%)** | | | | | | |
| Japan | -0.23 | -0.23 | -0.14 | -0.12 | 0.41 | 0.26 |
| UK | 0.80 | 0.83 | 1.31 | 1.60 | 2.03 | 1.96 |
| Germany | -0.03 | 0.01 | 0.06 | 0.23 | 0.75 | 0.63 |
| France | 0.21 | 0.23 | 0.42 | 0.57 | 1.05 | 0.99 |
| Italy | 1.23 | 1.25 | 1.43 | 1.47 | 1.94 | 1.59 |
| Spain | 1.11 | 1.22 | 1.49 | 1.59 | 1.98 | 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 | 1,322 | -1.1 | 4.4 | 7.3 | 20.9 | 24.6 | 1,375 | 1,046 |
| Brent Oil | 45.8 | -3.8 | -8.2 | 1.5 | -18.4 | 22.8 | 57 | 27 |
| WTI Crude Oil | 44.3 | -3.7 | -9.9 | 1.2 | -10.0 | 19.5 | 52 | 26 |
| R/J CRB Futures Index | 183 | -3.2 | -4.6 | 1.8 | -12.6 | 3.8 | 211 | 155 |
| LME Copper | 4,976 | 1.2 | 5.8 | -1.1 | -7.2 | 5.8 | 5,470 | 4,318 |

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 22 July 2016.
**Past performance is not an indication of future returns.**

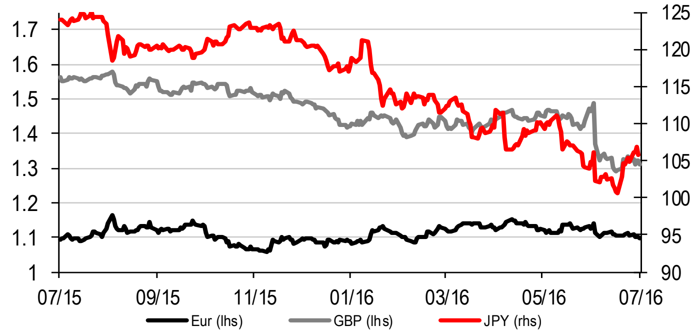
# Market Trends

## Government bond yields (%)



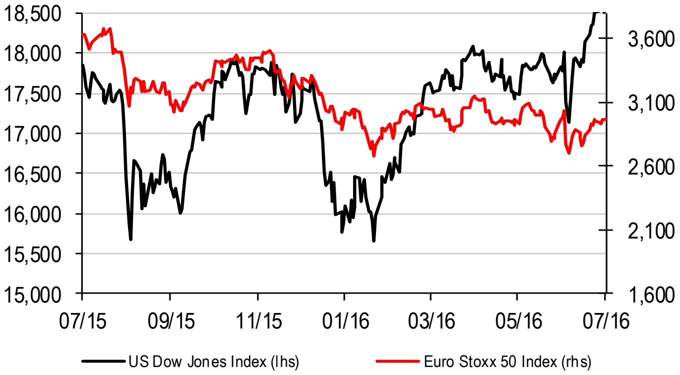

Yields based on 10 year government bonds

## Major currencies (versus USD)



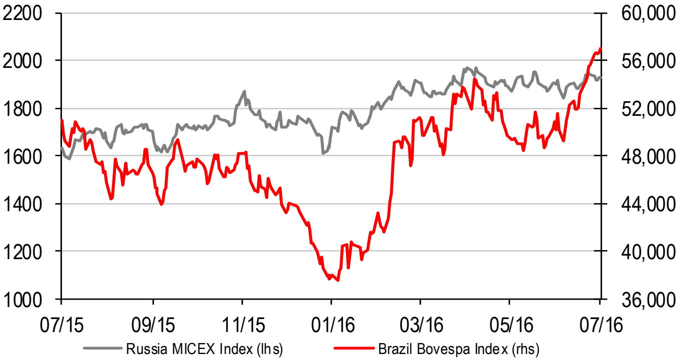

All values versus USD

## Global equities

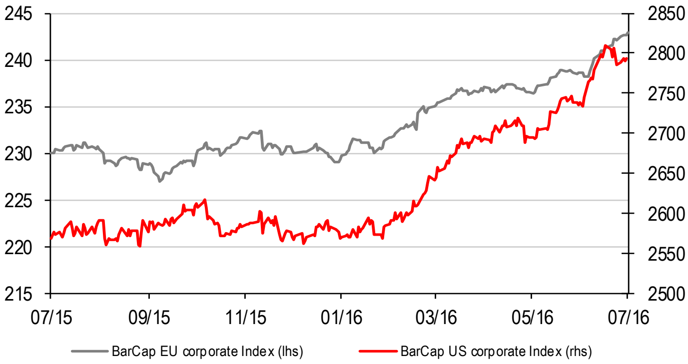



## Emerging Asian equities

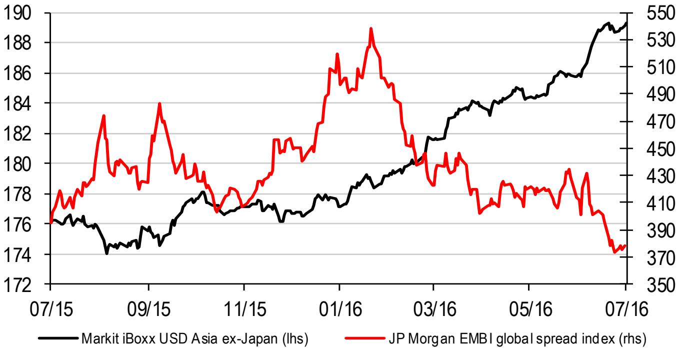

## Other emerging equities



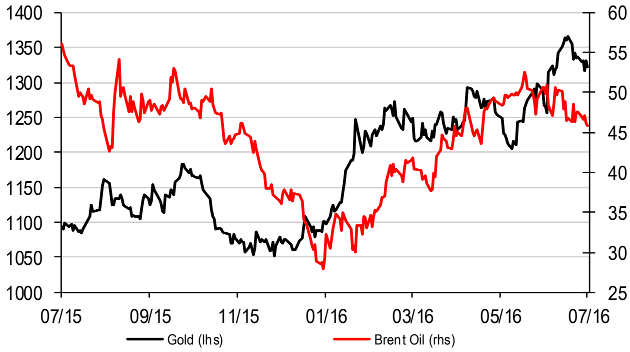

## Global credit indices




## Emerging markets spreads (USD indices)




## Commodities (USD)




Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 22 July 2016.
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Expiry Date: 19 August 2016

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