Investment Weekly

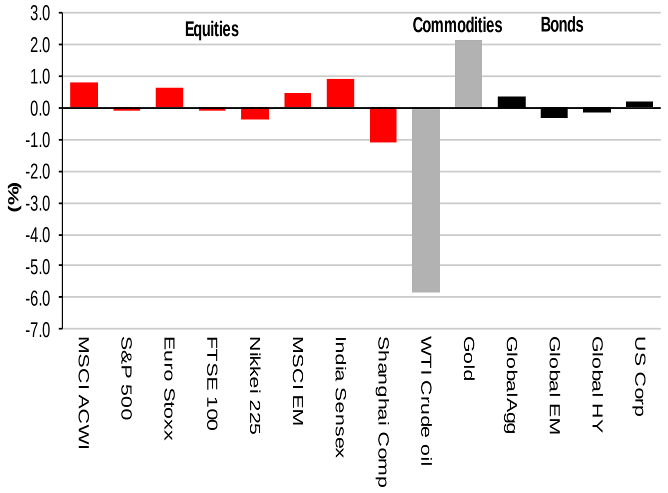
29 July 2016

For Professional Client and Institutional Investor Use Only

- Global equities were little changed this week amid investor caution ahead of key central bank decisions; however, oil prices plummeted for a second consecutive week on the back of resurfacing global oversupply fears
- As expected, the Federal Open Market Committee (FOMC) kept its policy rate unchanged at its July meeting, with the policy statement striking a hawkish tone as the US Federal Reserve (Fed) assessed that "near-term risks to the economic outlook have diminished"
- The preliminary release of US Q2 GDP came in weaker than expected (+1.2% qoq annualized compared to +2.5% anticipated). Although personal consumption rose strongly, there was a significant drag from gross private fixed investment
- In the coming week, investors will keep a close eye on the outcome of the Bank of England meeting, and the July US employment report will be scrutinised for further evidence of the strength of the US labour market

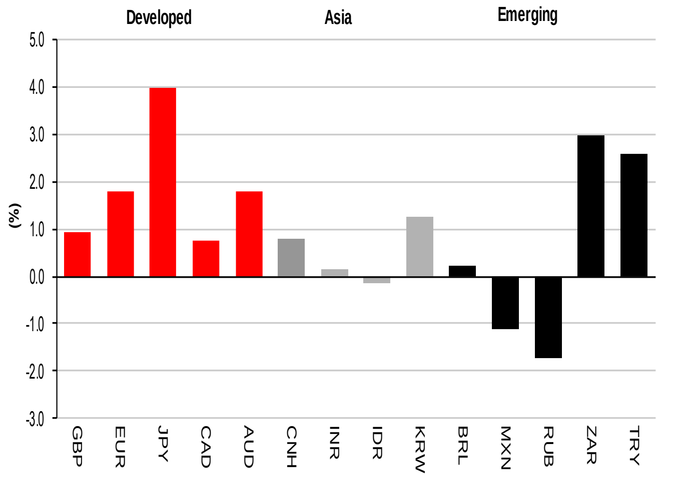
Movers and shakers

Oil prices plunged this week amid oversupply fears

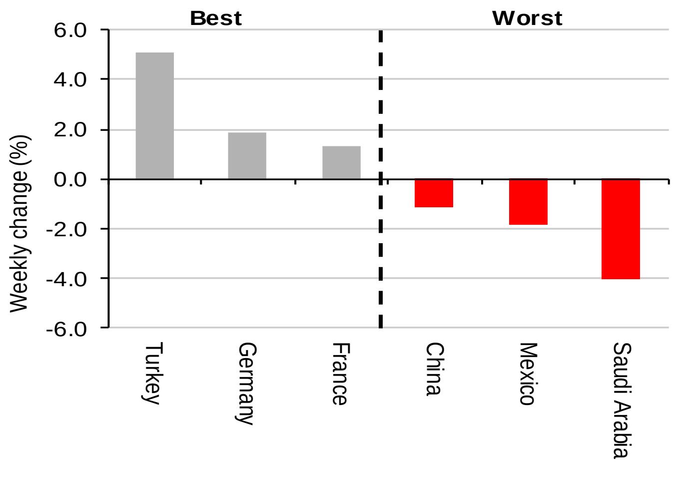


Currencies (versus US dollar)

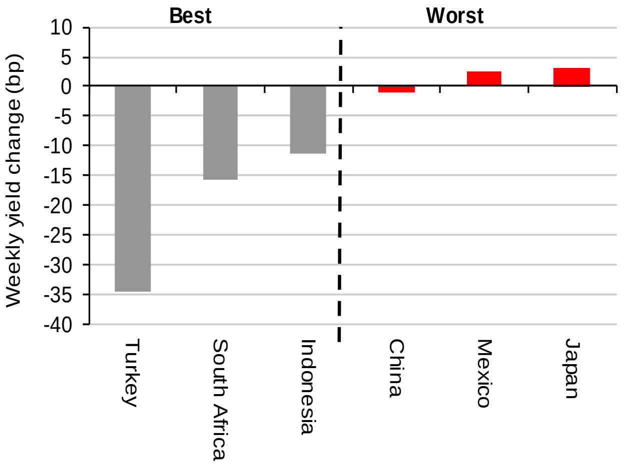
The yen surged against the dollar as the Bank of Japan disappointed



Equities



Bonds (10-year)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 29 July 2016.
All the above charts relate to 22/07/2016 – 29/07/2016.
Past performance is not an indication of future returns.

HSBC Global Asset Management

Macro Data and Key Events

Past Week (25-29 July 2016)

Date	Country	Indicator	Data as of	Survey	Actual	Prior
Monday 25 July	Japan	Trade Balance, Adjusted (JPY)	Jun	244.2bn	335.0bn	294.5bn
	Germany	Ifo Business Climate Index	Jul	107.5	108.3	108.7
Tuesday 26 July	US	S&P/Case-Shiller 20-City Composite Home Price Index (yoy)	May	5.5%	5.2%	5.4%
	US	New Home Sales (mom)	Jun	1.6%	3.5%	0.0%
Wednesday 27 July	UK	GDP (qoq)	Q2 P	0.5%	0.6%	0.4%
	US	Durable Goods Orders (mom)	Jun P	-1.4%	-4.0%	-2.8%
	US	Pending Home Sales (mom)	Jun	1.2%	0.2%	-3.7%
	US	FOMC Interest Rate Decision	Jul	0.50%	0.50%	0.50%
Thursday 28 July	US	Initial Jobless Claims	Jul	262k	266k	252k
Friday 29 July	Japan	Bank of Japan Interest Rate Decision	Jul	-0.15%	-0.10%	-0.10%
	Japan	Industrial Production (yoy)	Jun P	-2.9%	-1.9%	-0.4%
	Japan	National CPI, ex Fresh Food and Energy (yoy)	Jun	0.7%	0.8%	0.8%
	Eurozone	CPI Estimate (yoy)	Jul	0.1%	0.2%	0.1%
	Eurozone	Unemployment Rate	Jun	10.1%	10.1%	10.1%
	Eurozone	GDP (qoq)	Q2 P	0.3%	0.3%	0.6%
	Russia	Central Bank of Russia Interest Rate Decision	Jul	10.50%	10.5%	10.50%
	US	GDP Annualised (qoq)	Q2 P	2.5%	1.2%	0.8%
	Mexico	GDP Seasonally Adjusted (qoq)	Q2 P	-0.1%	-0.3%	0.8%

P – Preliminary, Q – Quarter

- In the **US**, as expected, the **FOMC** decided to keep its policy rate unchanged at its **July meeting,** with one participant voting for a 25bp increase of the federal funds rate target range. The general tone of the policy statement was mildly more hawkish than in June, confirming that the labour market had strengthened in the inter-meeting period and household spending "has been growing strongly," although business investment remained "soft." The statement also made reference to market-based measures of inflation compensation stabilising at low levels, while they were seen as declining in June. Crucially, the Fed also assessed that *"*near-term risks to the economic outlook have diminished,*"* but reiterated the continued monitoring of inflation indicators, global economic trends and financial developments. The statement left the door open to a rate hike by the end of the year, but remained sufficiently cautious to give the Fed room to defer a hike if downside risks materialise. **US Q2 GDP** was weaker than expected (+1.2% qoq annualised versus 2.5% anticipated). While the consumer provided the strongest addition to growth (+2.8 ppts) in almost two years, there was a significant drag from gross private fixed investment (-1.7 ppts), made up of a strong inventory drawdown (-1.2 ppts) and both weaker non-residential (-0.3 ppts) and residential investment (-0.2 ppts). However, underlying growth held firm, with real final sales (which excludes net exports and inventories) the strongest in a year at 2.3% qoq annualised. Nevertheless, the weakness in business investment − as noted by the Fed earlier this week − remains a concern. This is reflected in June's 4.0% mom decline in **durable goods orders**, well below expectations of a 1.4% fall, from a downwardly revised 2.8% mom dip in May. However, the weakness was predominantly driven by a 59% mom collapse in the volatile commercial aircraft series, so that ex-transportation orders were only marginally lower over the month (-0.5% mom). Meanwhile, non-defence capital goods orders excluding aircraft, a closely watched proxy for business spending plans, gained only 0.2% mom. This week also saw a further batch of US housing data. The **S&P/Case-Shiller 20-City Composite Home Price Index** was little changed in May (-0.1% mom), disappointing at the margin (+0.1% mom expected), following a downwardly revised -0.2% mom in April. This left the annual growth rate 0.2ppts lower at a healthy 5.2% yoy. The recent stabilisation of US home prices could reflect a slight rise in housing inventories since the beginning of the year amid a greater appetite for first-time purchases (which are typically cheaper). However, the broader picture is of a market supported by record low mortgage rates, a strong labour market and limited availability of inventory for sale. Meanwhile, **new home sales** rose by 3.5% mom in June to 592,000 annualised, its fastest pace since February 2008 and significantly higher than expectations (+1.6% mom). May's 6.0% mom decline was also revised upward to no change. **Pending home sales** edged up by 0.2% mom in June, lower than expectations (+1.2%) and following a 3.7% dip in May. Given that this series tends to lead existing home sales by a couple of months, we could see a slowdown in completed sales activity in Q3, although supportive underlying fundamentals suggest the US housing market will continue to gather steam.
- In the **eurozone**, the **German** Ifo business expectations index edged lower in July, by 0.9 points to 102.2, although beating expectations of a larger dip (to 101.6). The current assessment index also performed better than expected, rising by 0.1 points to 114.7. Overall, this left the composite measure, the **Ifo Business Climate Index,** 0.4 points lower at 108.3, beating expectations of a larger drop to 107.5, and remaining well above its average since 1991 of 101.7. Following the disappointing July ZEW print – an indicator with greater sensitivity to financial market moves – this reading, along with last Friday's upbeat preliminary July PMIs, provides a more reliable sign that the German economy is holding up well following the UK referendum. **Eurozone** headline **CPI** edged up to 0.2% yoy in July, driven mainly by a 1.4% yoy gain in the volatile food, alcohol and tobacco component, while energy price deflation deepened by 0.2ppts to -6.6% yoy on the back of lower crude oil prices during the month. The core reading remained steady at 0.9% yoy. **Eurozone unemployment** remained at 10.1% in June, with a dip in the rate in Spain (-0.2ppts to +19.9%) offset

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 29 July 2016.
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by a gain in Italy (+0.1 ppts to +11.6%), and Germany and France little changed at 4.2% and 9.9% respectively. The preliminary estimate of **eurozone Q2 GDP** growth came in line with expectations at 0.3% qoq, following 0.6% qoq in the previous quarter (with strength in Q1 largely driven by temporary factors). Country breakdowns available at this stage show GDP growth stagnating in France (0.0% mom versus expectations of +0.2%), with Spain remaining the star performer of the region – coming in as expected at 0.7% mom.

- **UK GDP** growth in **Q2** accelerated to 0.6% qoq in the preliminary estimate, up from 0.4% in Q1 and beating expectations of a 0.5% gain. Services growth remained robust at 0.5% qoq (the largest contributor at 0.4ppts), while industrial production also posted a strong positive contribution (0.3ppts). However, construction output fell 0.4% qoq. Overall, most of the growth during Q2 appears to have been concentrated in April, with a significant slowdown in May and June. This raises significant downside risks to the outlook in Q3, especially given the recent deterioration of survey-based sentiment indicators following the European Union (EU) referendum vote.

- **Japan's trade surplus** for June came in higher than expected, at JPY335.0 billion, seasonally adjusted up from a revised JPY294.5 billion in May, as exports rose more quickly than imports on a monthly basis. In volume terms, exports rose by 2.9% yoy while imports increased by only 0.4%. The unit value of imports, a proxy for import prices, fell by 19.1% yoy, the most since the financial crisis, implying that downward pressures on imported inflation remain strong. At its **July meeting, the Bank of Japan (BoJ)** decided to leave its guidelines for money market operations mostly unchanged; in particular, it maintained its annual asset purchases at JPY80 trillion and the deposit rate at -0.1%. However, in light of the decision of the UK to leave the EU and amid concerns about the global economy slowing down, the bank decided to increase purchases of equity ETFs, from JPY3.3 trillion per year to about JPY6 trillion. Moreover, the BoJ also announced a doubling of its US dollar lending programme, from USD12 billion to USD24 billion, and established a new facility for lending securities (mostly Japanese government bonds) that could be used as collateral for the US dollar funding operations. **Japanese industrial production** gained 1.9% mom in June (consensus at 0.5%). Most of the increase came from producer goods and consumer goods, with investment goods remaining flat. The Ministry of Economy, Trade and Industry survey of production forecasts suggests that the uptrend will be extended to July (+2.4% mom, up from a preliminary estimate of +1.3%) and August (+2.3% mom). **Japan's CPI inflation** for June came out largely in line with expectations. Headline inflation reached -0.4% yoy, as expected, while CPI ex-fresh food and energy remained unchanged at 0.8% (consensus at +0.7%). The preliminary data for the region of Tokyo in July showed a relative stabilisation, albeit at low levels, of inflation.

- Following a 50bp cut last month, **Russia's** central bank left its **key policy rate** unchanged at 10.5%, as the weakening of the rouble since mid-July raised risks that inflation (+7.5% yoy in June) will exceed the end-2017 4% target amid uncertainty over wage and pension indexation and budget policy.

- While **Mexico's Q2 GDP** contracted slightly more than anticipated in the preliminary release (-0.3% qoq versus -0.1% qoq anticipated), the drop itself came as no surprise given the sharp decline seen in the service sector in April. However, the yoy pace (+2.4% yoy) remains firmly in the 2.3%-2.6% range that has been occupied for the last eight quarters, with continued strength from the consumer the key driver.

Coming Week (1-5 August 2016)

Date	Country	Indicator	Data as of	Survey	Prior
Monday 01 August	China	Caixin Manufacturing PMI	Jul	48.8	48.6
	US	ISM Manufacturing Index	Jul	53.0	53.2
Tuesday 02 August	Australia	Reserve Bank of Australia Interest Rate Decision	Aug	1.50%	1.75%
	US	Personal Spending (mom)	Jun	0.3%	0.4%
	US	PCE Core (yoy)	Jun	1.6%	1.6%
Wednesday 03 August	Turkey	CPI (yoy)	Jul	8.1%	7.6%
	Eurozone	Markit Composite PMI	Jul F	52.9	52.9
	US	ISM Non-Manufacturing Index	Jul	56.0	56.5
Thursday 04 August	UK	Bank of England Interest Rate Decision	Aug	0.25%	0.5%
	US	Durable Goods Orders (mom)	Jun F	-4.0%	-4.0%
	US	Factory Orders (mom)	Jun	-1.9%	-1.0%
Friday 05 August	Germany	Factory Orders (Working Day Adjusted, yoy)	Jun	-1.5%	-0.2%
	US	Change in Nonfarm Payrolls	Jul	180k	287k

F – Final

US

- In the coming week, expectations are for the July **ISM Non-Manufacturing Index** to print close to the level seen in June, which was the strongest month since November last year. The maintenance of June's momentum seen in new orders (59.9) and employment (52.7) will be important if the July data is to signal that the US economy remains firmly on track and continues to shake off the Q1 weakness.

- The **ISM Manufacturing Index** showed a meaningful pickup in June, increasing by 1.9 points to 53.2, which is the most robust reading since February 2015. A similar reading is anticipated for July following the June production (54.7) and employment (50.4) subcomponents showing their highest levels so far in 2016. The outlook also remains positive given the strength in new orders

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 29 July 2016.
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(57.0).

- After a volatile Q2 where **nonfarm payroll** growth ranged from 11,000 in May to 287,000 in June, expectations are for a reading of 180,000 jobs being created in July. This would signal the continued strength of the US labour market, in line with continued low initial jobless claims and an elevated labour market differential as reported by the conference board. The unemployment rate is expected to edge slightly lower to 4.8% from 4.9% in June. Average hourly earnings are expected to grow by 0.2% mom (+2.6% yoy), although if this were to accelerate it would point to greater labour market tightness than is currently forecast, potentially troubling the FOMC.

Europe

- The main event in Europe in the coming week will be the **Bank of England's August meeting.** Despite the downside risks facing the UK economy following the referendum vote, the Monetary Policy Committee (MPC) unexpectedly remained on hold at its July meeting. This decision was likely driven to allow for more time to assess the impact of the Brexit vote on economic activity, which will be the feature of the quarterly inflation report released at this meeting. The minutes of the July meeting stated that most members of the MPC expected policy to be loosened in August, while Martin Weale, one of the committee's most hawkish members, has recently called for more stimulus. It will be interesting to see if the bank implements any measures beyond the expected 25bp cut to the bank rate, which could include tweaks to the funding for lending programme or even a restart of quantitative easing, although the recent compression of gilt yields implies this could be focused on a broader range of asset classes.

Emerging markets, Japan and Australasia

- In **Turkey**, annual **CPI** is expected to have risen to 8.1% in July from 7.6% in June. More than a 10% rise in cigarette prices in mid-July will likely increase annual CPI by some 0.6ppts, half of which will likely be felt in the July CPI print, and the remaining in August. Note that annual CPI inflation rose in June from 6.6% in May – the lowest level in H2 – on higher than seasonally expected monthly food inflation, suggesting a reversal in this category.

- At its July meeting, the **Reserve Bank of Australia** (RBA) stated it was waiting for the then forthcoming Q2 inflation report before taking any appropriate action. The release of the report this week showed the Q2 headline inflation number at 1.0% yoy, slightly lower than the 1.1% anticipated, and its lowest in 19 years. Continuing concerns of a below-inflation target, rather than comparatively robust growth, is likely to see the RBA cut interest rates by 25bps to 1.50% at its August meeting.

- **China's Caixin Manufacturing PMI** is expected to remain broadly stable in July (+0.2 points to 48.8) as data on steel and iron ore production and coal and power consumption suggest relatively stable growth momentum in industrial activity, albeit at a weak level. Meanwhile, moderation in property market activity and production disruptions from severe floods likely offset robust infrastructure investment, amid lukewarm external demand.

Market Moves

Global equities remained cautious ahead of key central bank decisions; intraday movements supported by earnings

- US equities remained tepid last week, fluctuating in response to earnings updates and as investors anticipated the conclusion of Wednesday's FOMC meeting. The S&P 500 Index was little changed (-0.1%) on the week, rising after the FOMC offered a less cautious outlook on the domestic economy. Most cyclical sectors rose. The energy sector underperformed, weighed down by lower oil prices.

- In Europe, the EURO STOXX 50 Index swung between gains and losses last week, closing slightly higher (+0.6%). Investors remained cautious ahead of key central bank meetings, and were influenced heavily by earnings releases. Financial shares were in focus, ahead of Friday's European bank stress test results. Elsewhere, the UK's resource-heavy FTSE 100 Index underperformed amid weaker commodities prices, despite Martin Weale (one of the most hawkish members of the Bank of England's Monetary Policy Committee) signalling his preference to ease policy next week.

- FOMC and BoJ policy decisions, as well as corporate earnings, drove Asian stock markets this week. Japanese stocks ended a volatile week lower (the Nikkei 225 Index fell 0.3%), as a surge in the yen weighed on exporter shares. Investors also assessed prospects for BoJ policy and fiscal stimulus, with the BoJ decision on Friday having little overall market impact. China's Shanghai Stock Exchange Composite Index also fell (-1.1%), on concerns that the regulators' proposed tightening of wealth management product rules, including certain limitations on investment into equities and non-standardised credit assets, would reduce flows into the equity market. Meanwhile, India's SENSEX 30 Index gained 0.9% on continued foreign fund inflows amid optimism that the Goods and Services Tax bill could be passed soon in parliament. Finally, Indonesia's Jakarta Stock Exchange Composite Index posted a 0.4% gain, with sentiment boosted by a cabinet reshuffle that includes the return of Sri Mulyani Indrawatias to the Finance Ministry and strengthening of the economic team. Indrawatias was a World Bank managing director and former finance minister with a solid track record of tax reforms.

US Treasury yields moved lower amid weaker than expected data; UK gilt yields touched new record lows on expectations of looser policy

- US Treasury yields fell (prices rose) this week, with 10-year Treasury yields ending 12bps lower at 1.45%, amid weaker than expected durable goods orders for June, which revived worries over the manufacturing sector and supported demand for perceived

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"safe-haven" assets. Meanwhile, investors shrugged off the more hawkish FOMC policy statement in which it was noted that "near-term risks to the economic outlook have diminished." Elsewhere, the primary market saw increased supply where the USD28 billion auction of seven-year notes attracted stronger demand when compared to the earlier sales of two-year (USD26 billion) and five-year (USD34 billion) debt.

- Core European government bond yields also retreated (prices rose) with UK gilts outperforming, with 10-year yields hitting a new record low of 0.68% on Friday, eventually ending 12bps lower over the week at 0.68%, on increased prospects of policy stimulus by the Bank of England at next week's meeting. Benchmark German 10-year bund yields also closed lower (-9bps to -0.12%). In the periphery, amid news that the European Commission would refrain from imposing financial sanctions on Spain and Portugal for violating EU budget rules, 10-year yields for both countries also fell.

US dollar weakens amid cautious Fed statement and weak US Q2 GDP print

- The euro gained slightly this week (+1.8%) on the back of US dollar weakness following the hawkish, yet cautious, Fed statement on Wednesday, while a significantly weaker than expected US Q2 print also weighed on the greenback. Meanwhile, the British pound also gained against the US dollar (+0.9%) ahead of the Bank of England meeting next week.
- The Japanese yen rallied against the US dollar this week (+4.0%), as the BoJ disappointed market expectations at its July meeting. Most emerging Asian currencies also rose against a broadly weaker US dollar after the FOMC policy meeting. The Korean won outperformed (+1.3%) on the back of increased foreign fund inflows, helped by an improvement in economic data (e.g., Q2 GDP and June industrial production).

Continued rebalancing fears hit crude oil prices; gold gains on weaker dollar

- WTI crude oil prices plummeted for a second consecutive week, with supply glut concerns (mostly in the US) continuing to dominate sentiment. A rise in the oil rig count released late last Friday, for the seventh time in eight weeks, and a smaller than expected decline in crude inventories in the weekly American Petroleum Institute report weighed. This was exacerbated by the weekly U.S. Energy Information Administration report that showed rising stockpiles. Meanwhile, the effects of temporary supply disruptions elsewhere were largely ignored. Overall, WTI for September delivery closed down (-5.9% to USD41.6 per barrel) as did Brent crude (-7.1 to USD42.5 per barrel).
- Gold prices rose this week (+2.2% at 1,351 per ounce), snapping two weeks of declines, amid support from a weaker US dollar. The precious metal, which is sensitive to interest rate expectations, saw much of its advance coming after the Fed left its policy rates unchanged.

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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)	416	0.8	5.4	3.2	-2.2	4.2	428	351	17.0
North America									
US Dow Jones Industrial Average	18,432	-0.7	4.2	3.7	3.8	5.8	18,622	15,370	17.4
US S&P 500 Index	2,174	-0.1	5.0	5.2	3.1	6.3	2,177	1,810	18.4
US NASDAQ Composite Index	5,162	1.2	8.0	8.1	1.0	3.1	5,177	4,210	22.3
Canada S&P/TSX Composite Index	14,583	-0.1	3.9	4.5	2.0	12.1	14,622	11,531	19.4
Europe									
MSCI AC Europe (USD)	398	2.1	5.1	-2.3	-12.2	-3.1	460	354	15.9
Euro STOXX 50 Index	2,991	0.6	5.6	-1.2	-16.4	-8.5	3,687	2,673	14.0
UK FTSE 100 Index	6,724	-0.1	5.7	7.7	1.4	7.7	6,780	5,500	17.3
Germany DAX Index*	10,338	1.9	7.5	3.0	-7.8	-3.8	11,670	8,699	13.2
France CAC-40 Index	4,440	1.3	5.8	0.2	-11.5	-4.3	5,218	3,892	14.9
Spain IBEX 35 Index	8,587	-0.1	5.9	-4.9	-23.9	-10.0	11,362	7,580	15.3
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	437	0.9	7.2	4.9	-2.8	6.2	452	357	14.2
Japan Nikkei-225 Stock Average	16,569	-0.3	6.4	-0.6	-18.4	-12.9	20,947	14,864	16.8
Australian Stock Exchange 200	5,562	1.2	8.2	5.9	-1.1	5.0	5,728	4,707	17.1
Hong Kong Hang Seng Index	21,891	-0.3	7.1	3.9	-11.1	-0.1	24,924	18,279	12.1
Shanghai Stock Exchange Composite Index	2,979	-1.1	1.6	1.4	-21.4	-15.8	4,006	2,638	13.8
Hang Seng China Enterprises Index	8,959	-0.8	4.5	0.2	-20.5	-7.3	11,580	7,499	7.7
Taiwan TAIEX Index	8,984	-0.3	4.6	7.2	4.9	7.8	9,086	7,203	14.4
Korea KOSPI Index	2,016	0.3	3.1	1.1	-1.1	2.8	2,065	1,801	11.0
India SENSEX 30 Index	28,052	0.9	4.9	9.5	1.8	7.4	28,418	22,495	17.5
Indonesia Jakarta Stock Price Index	5,216	0.4	4.7	7.8	10.5	13.6	5,334	4,034	17.0
Malaysia Kuala Lumpur Composite Index	1,653	-0.3	0.7	-1.2	-2.7	-2.3	1,744	1,504	16.0
Philippines Stock Exchange PSE Index	7,963	-0.8	2.1	11.2	6.4	14.5	8,118	6,084	20.3
Singapore FTSE Straits Times Index	2,869	-2.6	2.7	1.1	-12.6	-0.5	3,218	2,528	13.3
Thailand SET Index	1,524	1.0	5.6	8.5	7.5	18.3	1,530	1,221	16.4
Latam									
Argentina Merval Index	15,804	-0.3	8.2	15.2	39.7	35.4	16,143	8,660	15.4
Brazil Bovespa Index*	57,308	0.5	12.4	6.3	14.1	32.2	57,474	37,046	14.5
Chile IPSA Index	4,117	-0.6	3.5	2.9	8.2	11.9	4,161	3,419	14.8
Colombia COLCAP Index	1,308	-1.8	-0.3	-2.5	-1.3	13.4	1,380	1,046	14.2
Mexico Index	46,661	-1.8	2.6	1.9	4.9	8.6	47,785	39,257	20.4
EEMEA									
Russia MICEX Index	1,945	0.9	3.0	-0.4	19.9	10.4	1,977	1,583	7.2
South Africa JSE Index	52,798	-0.4	1.7	-0.3	2.3	4.2	54,761	45,976	15.8
Turkey ISE 100 Index*	75,406	5.1	-1.7	-11.6	-3.4	5.1	86,931	68,230	8.7

*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	3.1	4.8	-0.9	17.7	36.8
US equities	5.6	6.9	4.0	34.2	80.1
Europe equities	-1.2	-0.8	-9.5	1.6	10.0
Asia Pacific ex Japan equities	6.6	8.5	0.6	7.7	5.6
Japan equities	2.8	0.5	-1.9	14.4	26.4
Latam equities	3.2	30.3	5.1	-20.0	-37.0
Emerging Markets equities	5.4	12.0	-0.3	-1.3	-12.8

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 29 July 2016.
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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)	511	0.3	0.5	2.8	7.2	6.4
JPM EMBI Global	755	-0.3	1.6	4.9	12.1	12.5
BarCap US Corporate Index (USD)	2,799	0.2	1.1	3.3	8.9	8.9
BarCap Euro Corporate Index (Eur)	243	0.2	1.7	2.9	5.7	5.7
BarCap Global High Yield (USD)	417	-0.1	2.8	4.3	7.5	11.5
Markit iBoxx Asia ex-Japan Bond Index (USD)	190	0.3	1.4	3.1	7.9	7.5
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	232	0.3	3.0	5.2	10.9	11.5

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	1.12	1.10	1.11	1.15	1.10	1.09	1.17	1.05
GBP/USD	1.32	1.31	1.34	1.46	1.56	1.47	1.58	1.28
CHF/USD	1.03	1.01	1.02	1.04	1.03	1.00	1.08	0.97
CAD	1.30	1.31	1.29	1.26	1.29	1.38	1.47	1.25
JPY	102.06	106.13	102.83	106.50	123.94	120.22	125.28	99.02
AUD	1.32	1.34	1.34	1.31	1.37	1.37	1.46	1.28
NZD	1.39	1.43	1.41	1.43	1.50	1.46	1.60	1.37
Asia								
HKD	7.76	7.76	7.76	7.76	7.75	7.75	7.83	7.75
CNY	6.64	6.68	6.64	6.48	6.21	6.49	6.70	6.21
INR	67.00	67.08	67.69	66.33	63.91	66.15	68.79	63.72
MYR	4.07	4.06	4.04	3.90	3.81	4.29	4.48	3.82
KRW	1,120	1,134	1,160	1,139	1,159	1,175	1,245	1,120
TWD	31.95	32.02	32.31	32.27	31.47	32.86	33.79	31.52
Latam								
BRL	3.25	3.26	3.22	3.44	3.33	3.96	4.25	3.18
COP	3,071	2,951	2,916	2,850	2,850	3,175	3,453	2,785
MXN	18.75	18.55	18.48	17.18	16.29	17.21	19.52	16.01
EEMEA								
RUB	65.94	64.80	63.72	64.77	58.68	72.52	85.96	59.44
ZAR	13.88	14.29	14.79	14.23	12.54	15.47	17.92	12.58
TRY	2.99	3.07	2.89	2.80	2.77	2.92	3.10	2.76

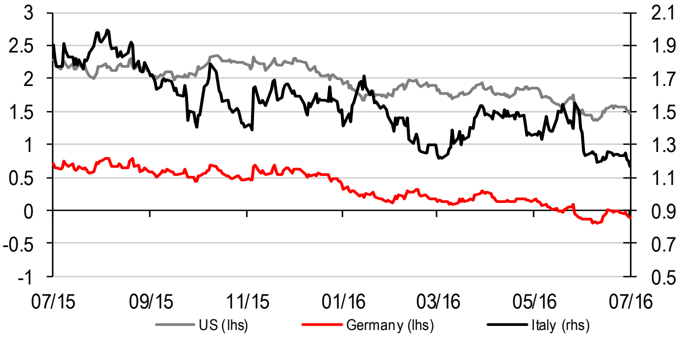
Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2015
US Treasury yields (%)						
3-Month	0.25	0.31	0.26	0.21	0.05	0.16
2-Year	0.66	0.70	0.64	0.78	0.70	1.05
5-Year	1.02	1.12	1.06	1.29	1.61	1.76
10-Year	1.45	1.57	1.52	1.83	2.29	2.27
30-Year	2.18	2.28	2.32	2.68	3.00	3.02
Developed market 10-year bond yields (%)						
Japan	-0.20	-0.23	-0.24	-0.08	0.40	0.26
UK	0.68	0.80	0.95	1.60	1.98	1.96
Germany	-0.12	-0.03	-0.13	0.27	0.72	0.63
France	0.10	0.21	0.22	0.63	1.01	0.99
Italy	1.17	1.23	1.37	1.49	1.90	1.59
Spain	1.02	1.11	1.25	1.59	1.95	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	1,351	2.2	2.4	4.5	23.2	27.3	1,375	1,046
Brent Oil	42.5	-7.1	-16.1	-11.8	-20.5	13.9	54	27
WTI Crude Oil	41.6	-5.9	-16.6	-9.4	-14.7	12.3	52	26
R/J CRB Futures Index	181	-1.0	-7.0	-1.9	-11.9	2.8	207	155
LME Copper	4,897	-0.5	1.2	-3.0	-8.1	4.1	5,441	4,318

Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 29 July 2016.
Past performance is not an indication of future returns.

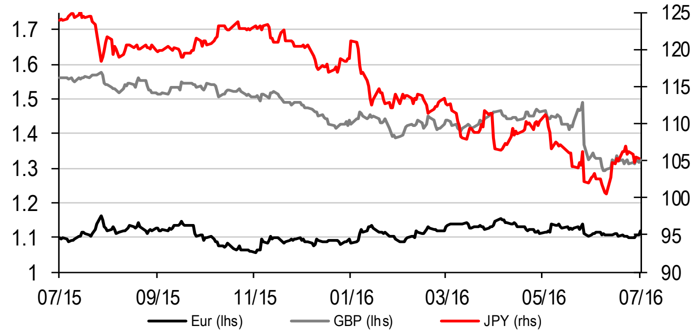
Market Trends

Government bond yields (%)



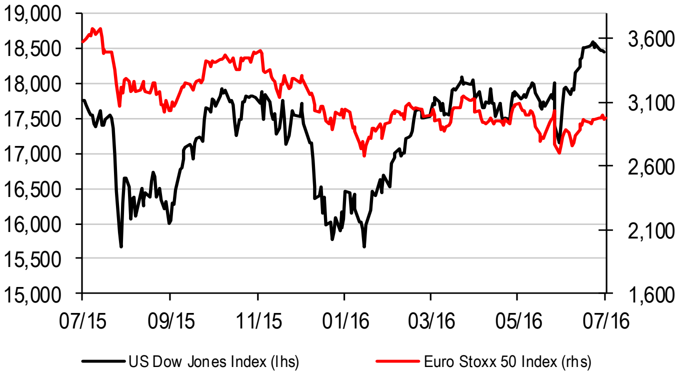
Yields based on 10 year government bonds

Major currencies (versus US dollar)



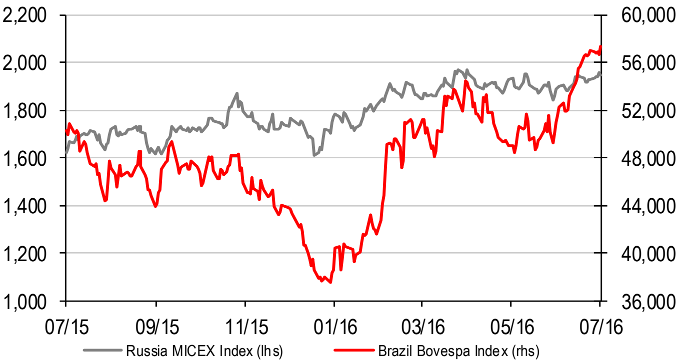
All values versus USD

Global equities

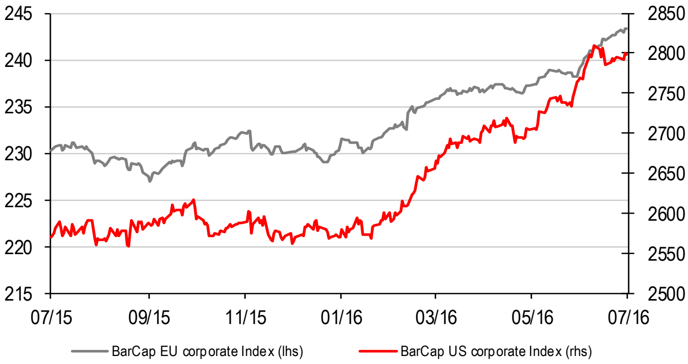


Emerging Asian equities

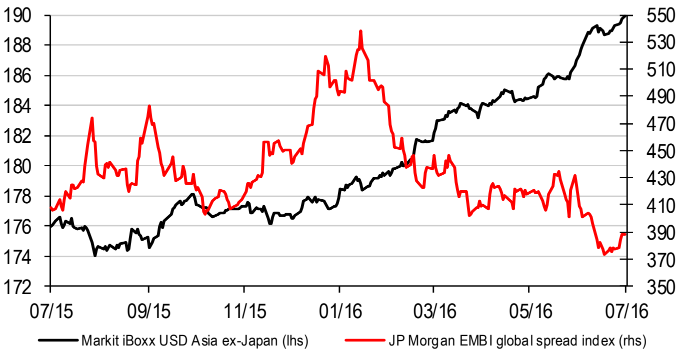
Other emerging equities



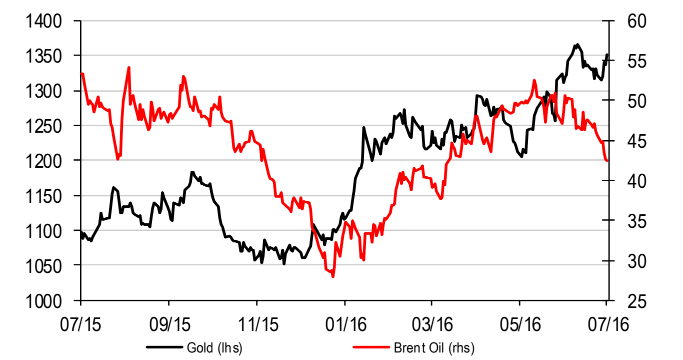
Global credit indices



Emerging markets spreads (USD indices)



Commodities (USD)



Sources: Bloomberg and HSBC Global Asset Management. Data as at close of business 29 July 2016.
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