

Investment Monthly

Soft landing?

February 2024

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Macro Outlook

- ◆ **Inflation continues to fall towards target levels in the US and the eurozone.** Strength in the US economy, and fears over sticky inflation, mean the Fed will want to see more evidence of cooling before easing policy
- ◆ **Tight financial conditions in developed markets present risks to a successful ‘soft landing’**, especially if labour markets begin to weaken and consumption falls. European economies are already stagnating or contracting
- ◆ **While many emerging markets continue to see lacklustre growth**, there are areas of optimism, especially in the structural and cyclical growth stories that exist in Asian EMs like India

House View

- ◆ **We prefer a defensive positioning in investment portfolios.** Despite a strong run for equity markets, economic headwinds and disinflation should be supportive for government bonds and challenge corporate earnings
- ◆ **Generally, we see good opportunities in selective areas of global fixed income.** We think “**bonds are back**” and that a higher term premium means that that duration risk is being rewarded again
- ◆ **Economic pressures and an uncertain outlook for corporate earnings** mean that we maintain a bias to quality and selectivity in stocks and credits, with areas of IG credit offering equity-like returns for bond-like risk

Policy Outlook

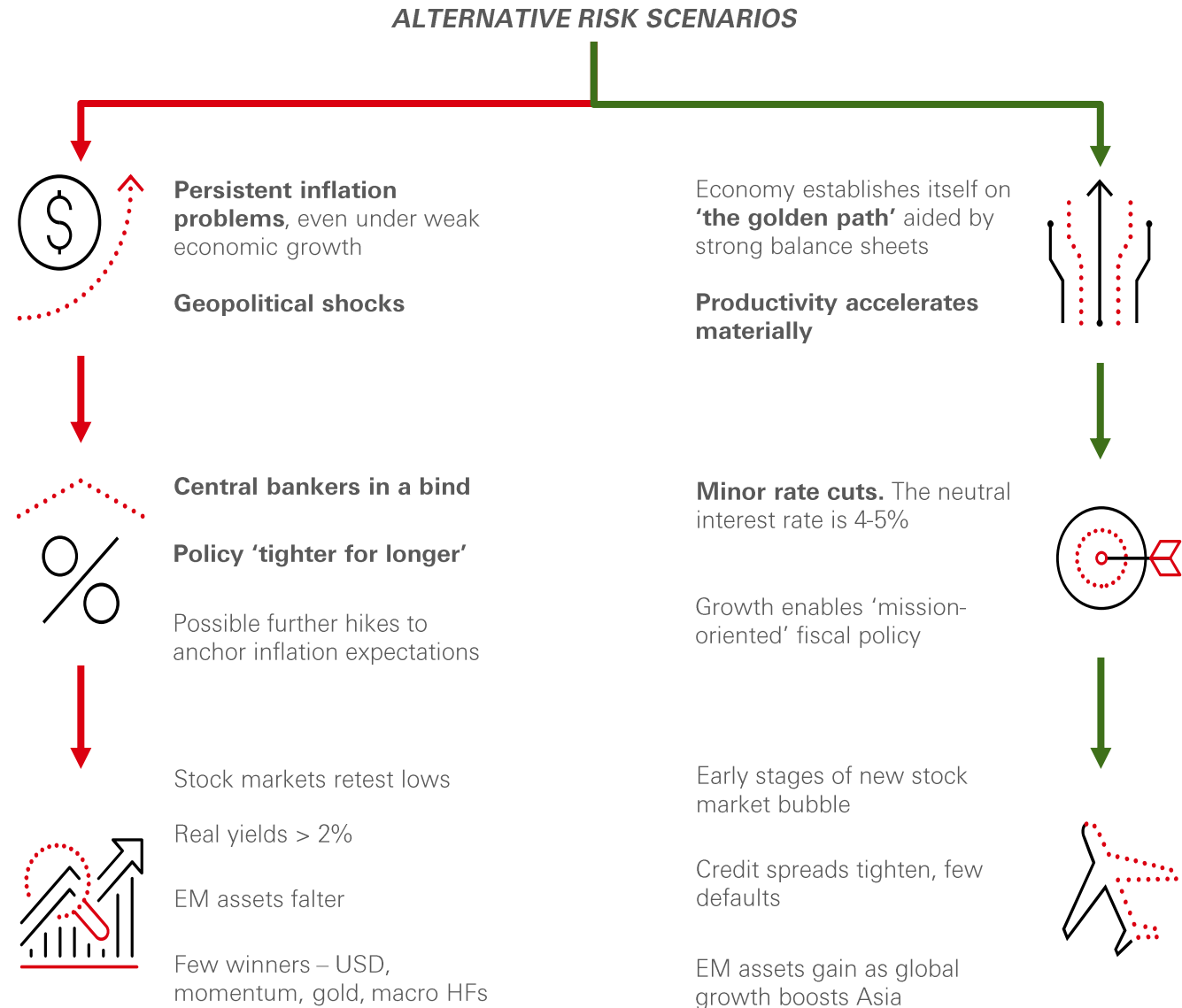
- ◆ **The US Fed has dialled back expectations of near-term rate cuts**, with eurozone and UK policymakers also expressing caution. However, we believe that persistent disinflation will ultimately lead to rate cuts from Q2
- ◆ We believe **the path to a painless soft landing remains challenging**. Geopolitical tensions, regional conflicts and global trade disruption are also headwinds for policymakers in both developed and emerging markets
- ◆ We think we are embarking on a new economic regime that will see **2% inflation become more of a floor than a ceiling**, and fiscal policy play a more important role in economies, leading to higher inflation and interest rates

Scenarios

PERSISTENT INFLATION	Persistent inflation forces ‘tighter for longer’ policies, which damage growth and hurt risk assets
PROBLEM OF INTEREST	GDP and earnings weakness leads to central bank policy easing, favouring a cautious investment exposure to selective bonds and defensive growth
GOLDEN PATH	Economies stabilise and growth recovers on rising productivity and strong balance sheets

Our global scenarios

CENTRAL SCENARIO: PROBLEM OF INTEREST	
MACRO	<p>WEST: Tight financial conditions induce GDP and profits slowdown</p> <p>EAST: Lacklustre growth in China. Japan and India outperform</p>
POLICY	<p>WEST: Mid 2024 Fed/ECB rates cuts. QT on pause? Fiscal policy as mild drag</p> <p>EAST: China policy easing piecemeal, BoJ scraps YCC, Asia CBs easing in H2 2024</p>
MARKETS	<p>Bonds are back, but other liquid alternative diversifiers lose their shine in 2024</p> <p>Defensive Growth favours selective approach in global and private credits, equity factors, DM country selection, and EMs</p>



Global equity markets continue to price-in the expectation of a soft landing, but risks remain to the downside as restrictive monetary policy weighs on economies. Our preference is for a ‘defensive growth’ stance with a bias to quality and selectivity in both fixed income and equities, aided by ‘intelligent diversification’

- ◆ **Equities** – We continue to view global stocks from a defensive perspective given the headwinds to earnings from any economic weakness. Selective markets are better placed to resist frictions, including Japan and Asian EMs like India
- ◆ **Government bonds** – We see good opportunities in global fixed income, including the US Treasury curve and parts of core European bond markets. Broadly, we think that ‘bonds are back’ with duration risk being rewarded
- ◆ **Corporate bonds** – Spreads with government bonds have been tight but could widen if global economic conditions deteriorate. Investment-grade credit is providing good income opportunities given healthy balance sheets

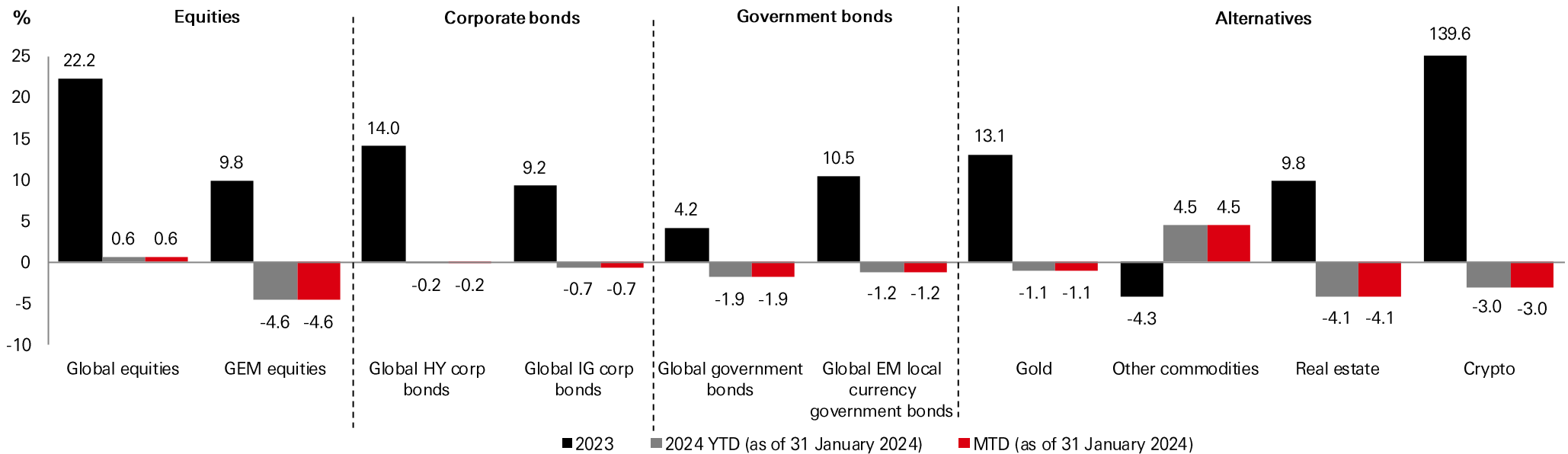
Equities			Government bonds			Corporate bonds			FX & Alternatives			Asian assets		
Asset Class	House view	View move	Asset Class	House view	View move	Asset Class	House view	View move	Asset Class	House view	View move	Asset Class	House view	View move
Global	▼	—	Developed Market (DM)	↔	—	Global investment grade (IG)	↔	—	Gold	▲	—	Asia local bonds	▲	—
US	▼	—	US	▲	—	USD IG	↔	—	Other commodities	↔	—	RMB bonds	↔	—
UK	▼	—	UK	▲	—	EUR & GBP IG	▲	—	Real estate	▲	—	Asia ex-Japan equities	▲	—
Eurozone	▼	—	Eurozone	↔	—	Asia IG	↔	—	Infrastructure	▲	—	China	▲	—
Japan	▲	—	Japan	▼	—	Global high-yield	↔	—	Hedge funds	▲	—	India	▲	—
Emerging Markets (EM)	▲	—	Inflation-linked bonds	▲	—	US high-yield	↔	—	Private equity	↔	—	ASEAN	▲	—
CEE & Latam	↔	—	EM (local currency)	▲	—	Europe high-yield	↔	—	US dollar	▼	—	Hong Kong	▲	—
Frontier	▲	—				Asia high-yield	↔	—	Crypto	↔	—	Asia FX	▲	—
						Securitised credit	▲	—						
						EM aggregate bond (USD)	▲	—						

<p>House view represents a >12-month investment view across major asset classes in our portfolios</p>	<p>▲ Positive ↔ Neutral ▼ Negative</p>	<p>View move: — No change ↑ Upgraded versus last month ↓ Downgraded versus last month</p>
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Asset class performance at a glance

After a strong finish in 2024, **DM stock markets edged higher in January**, with the S&P 500 hitting new highs, while EM equities were generally lower. Market uncertainty over the expected timing of rate cuts saw government bonds lose some ground

- ◆ **Government bonds** – Yields in longer-duration US Treasuries rose during January as central bankers endeavoured to pare back expectations of near-term rate cuts amid unexpectedly strong economic growth
- ◆ **Equities** – DM stocks were supported in January amid ongoing hopes of a soft landing as economic data prints held up, and amid enthusiasm around The AI theme. EM equities underperformed, particularly markets in China
- ◆ **Alternatives** – Oil prices trended higher in January as the market contended with uncertainties over future supply and demand drivers, as well as suggestions that geopolitical tensions could lead to industry disruption



Past performance does not predict future returns. The level of yield is not guaranteed and may rise or fall in the future.

Source: Bloomberg, all data above as of close of 31 January 2023 in USD, total return, month-to-date terms. Note: Asset class performance is represented by different indices. **Global Equities:** MSCI ACWI Net Total Return USD Index. **Global Emerging Market Equities:** MSCI Emerging Market Net Total Return USD Index. **Corporate Bonds:** Bloomberg Barclays Global HY Total Return Index value unhedged. Bloomberg Barclays Global IG Total Return Index unhedged. **Government bonds:** Bloomberg Barclays Global Aggregate Treasuries Total Return Index. JP Morgan EMBI Global Total Return local currency. **Commodities and real estate:** Gold Spot \$/OZ/ Other commodities: S&P GSCI Total Return CME. **Real Estate:** FTSE EPRA/NAREIT Global Index TR USD. **Crypto:** Bloomberg Galaxy Crypto Index.

Monthly macroeconomic update

US	<ul style="list-style-type: none"> ◆ Quarter-on-quarter GDP growth in the US came in higher than expected at 3.3% annualised in Q4 2023, with consumer spending driven by continuing disinflation and a robust jobs market. Overall, the US economy expanded by 2.5% in 2023 ◆ The US PCE index, which includes volatile measures like food and energy, was stable at 2.6% year-on-year in December 2023. The core PCE index fell to 2.9% from 3.2% a month earlier. Flash PMI data in January signalled further cooling in inflationary pressure
Europe	<ul style="list-style-type: none"> ◆ Economic growth in the eurozone was flat in Q4 2023, meaning it avoided a technical recession after experiencing a mild contraction of 0.1% in Q3. The ECB has resisted making 'premature' rate cuts amid continuing strong wage growth ◆ UK policymakers have cautioned that it's 'too early' to consider cutting rates from 5.25%, with CPI inflation ticking up to 4.0% in December from 3.9% in November. PMI data shows business activity growth picked up for the third straight month in January
Asia	<ul style="list-style-type: none"> ◆ China achieved its 2023 growth target (5%) and data suggested some stabilisation outside the property sector. More proactive fiscal policy and liquidity support remain likely to mitigate macro headwinds, with policy effectiveness and transmission in focus ◆ India's economic expansion remains robust (though sequential momentum should moderate) on infrastructure spending and capex, with the government raising growth forecasts. Disinflation progress provides room for the RBI to ease policy in 2024 ◆ Japan may see growth in areas like semiconductors despite external uncertainties. The BoJ is likely to remove its negative interest rate regime soon, subject to the upcoming Shunto pay round, but is expected to keep policy accommodative for some time
Other EM	<ul style="list-style-type: none"> ◆ Inflation is trending lower across Latin America, but sticky inflation persists in places and growth pressures remain. The IMF cut its expectations for output growth this year ◆ Inflation is continuing to decline in Eastern Europe, particularly in Hungary, Poland and Czechia. As looser monetary conditions continue to be felt, growth momentum should continue to improve across the region in 2024 ◆ Oil industry production pressures and the potential for regional geopolitical tensions are expected to suppress economic growth in the MENA region this year. Global economic headwinds and high inflation are also frictions

Base case view and implications

<ul style="list-style-type: none"> ◆ US equities continue to be driven by a narrow range of large-cap technology stocks. Expectations of a soft landing are priced-in, leaving valuations stretched in places, and meaning that prices may be sensitive to earnings and GDP disappointments ◆ Bond yields remain relatively elevated but have been trading in a tight range as markets continue to weigh expectations of rate cuts, sticky inflation and the outlook for economic growth
<ul style="list-style-type: none"> ◆ European equities have continued to rally in 2024 despite recessionary headwinds in places and uncertainty over the timing of rate cuts. Momentum could slip if the earnings outlook deteriorates ◆ A eurozone recession could lead to some outperformance in the medium term for European government bonds, especially as the ECB begins easing policy in 2024
<ul style="list-style-type: none"> ◆ Chinese equities are still favourably valued. Market supportive measures and potential fiscal policy may partially restore investor confidence, though macro concerns could still weigh on sentiment ◆ Indian equities maintain solid earnings growth, backed up by an appealing structural story. Rich valuations could limit the upside ◆ ASEAN equities are supported by regional macro resilience and a peak in Fed hawkishness. Their defensive qualities remain attractive but dispersions in markets are likely amid external uncertainties
<ul style="list-style-type: none"> ◆ In the EM equity space, parts of Asia remain vulnerable to China growth concerns, but meaningful China policy support could provide a sizable uplift. Valuations are attractive and relative EM macro resilience is a positive ◆ Disinflationary trends are continuing to play out with many EM central banks likely to begin or continue cutting rates in 2024. This supports the EM fixed income outlook. Sticky inflation and growth concerns are the major risks

Asset class positioning

House view represents a >12-month investment view across major asset classes in our portfolios

▲ Positive
↔ Neutral
▼ Negative

View move:
– No change
↑ Upgraded versus last month
↓ Downgraded versus last month

Asset class	House view	View change	Comments	
Equities	Global	▼	–	There is continued scope for near-term gains given economic resilience, especially in the US, but the risks of an economic slowdown remain, with activity sluggish in the eurozone and Asia. Equities in Japan and India look interesting in the context of a more robust earnings outlook
	US	▼	–	Positive momentum in equities driven by expectations of rate cuts in 2024 has left valuations stretched in some areas. Risks of a recession are notable and do not appear to be priced in, with declining consumer savings and tighter credit conditions potentially posing a risk to profitability
	UK	▼	–	The defensive and value play of UK equities can be appealing in an environment of weaker growth. Nevertheless, near-term indicators are hinting at slowing activity which creates earnings challenges, and still high wage growth creates some uncertainty about the direction of BoE policy
	Eurozone	▼	–	Eurozone activity is stagnating, and while the European Central Bank may be at peak interest rates, inflation remains uncomfortably high, with wage growth still strong, meaning that policymakers are in no rush to cut rates. This creates a difficult environment for equities
	Japan	▲	–	A robust earnings outlook and attractive valuations are positives for Japanese equities. Moves by the BoJ to ease its Yield Curve Control and Negative Interest Rates policies could put pressure on valuations
	Emerging Markets (EM)	▲	–	EM risk premiums generally look generous and the growth outlook is a relative bright spot in a global context. However, China's cyclical outlook is concerning and consistent with a more cautious view of EM overall. Policy support in China has increased, but more is needed
	CEE & Latam	↔	–	In emerging Europe, cooling headline inflation is prompting rate cuts but policy announcements are divergent and activity is looking unexceptional. In Latam, equities are benefiting from a positive mix of central bank rate cuts, low valuations and stable markets, although growth is patchy
	Frontier markets	▲	–	Rates are deep in restrictive territory in areas but may be near or at peaks. An active approach will be key to manage the various country-specific risks, particularly those linked to geopolitics
Government bonds	Developed Markets (DM)	↔	–	Inflation risks persist, but the Fed 'pivot' has shifted attention towards the timing of rate cuts in 2024. Yields have moderated and we believe that as recession risks crystallise, central banks may start to ease policies faster than the market expects, boosting performance
	US	▲	–	Longer duration bond yields have eased from highs in 2023 but remain relatively elevated. A reset in valuations and improved term premium mean that investors are being rewarded for taking duration risk
	UK	▲	–	While the Bank of England has likely reached peak rates, the future rate trajectory remains unclear amid what is very high wage growth. This is the key upside risk to yields, but over the medium term a policy-induced economic slowdown should bring bond yields down
	Eurozone	↔	–	Inflation continues to fall but growth across the eurozone is flat and inflation risks persist. While the ECB is unlikely to raise rates further, the timing of rate cuts is uncertain, limiting upside eurozone bond performance
	Japan	▼	–	The Bank of Japan has slightly relaxed its Yield Curve Control framework, and we believe there will be a gradual normalisation of policy, lifting yields. With negative bond risk premia, we remain underweight Japanese government bonds
	Inflation-linked bonds	▲	–	Valuations continue to look attractive in the US despite sticky inflation but less so in Europe where the market prices in more substantial inflation risk premium. The asset class offers good carry and can benefit as central banks begin cutting rates through 2024
	EM local currency	▲	–	EM local-currency bonds have staged a recovery as the global bond sell-off has eased. Many EM local markets have favourable underlying drivers for strong medium-term performance. Disinflation is well entrenched, meaning that local bond yields will likely come down across EMs in 2024

Asset class positioning

House view represents a >12-month investment view across major asset classes in our portfolios

▲ Positive
↔ Neutral
▼ Negative

View move:
– No change
↑ Upgraded versus last month
↓ Downgraded versus last month

Asset class	House view	View change	Comments	
Corporate bonds	Global investment grade (IG)	↔	–	We see selective opportunities in global corporate bonds, particularly in global investment grade and securitized credits. With a stronger term premium in global bonds, we also prefer duration
	USD IG	↔	–	US investment grade credit appears fully priced from a valuation perspective. However, all-in yields remain attractive and fundamental credit metrics, albeit off their best levels, are still strong
	EUR and GBP IG	▲	–	We are constructive on EU IG. Spreads look reasonable with attractive carry and rolldown but careful sector selection is preferred, with non-cyclical issuers being slightly more attractive
	Asia IG	↔	–	Asia IG shows opportunities for carry strategies with their resilient macro fundamentals and manageable default risks (ex property names). China's targeted policy support and subsiding fallen-angels risk are positives, while a DM slowdown is the key downside risk
	Global high-yield (HY)	↔	–	Valuations in many cases do not reflect the potential for economic slowdown and accompanying default risks. Positively, healthy balance sheets and attractive yields can be of benefit
	US HY	↔	–	HY spreads contracted late in 2023 because of a sharp rise in US Treasury yields, which has since subsided. While the macro environment remains one of late cycle dynamics, HY corporates continue to have relatively healthy liquidity and balance sheets
	Europe HY	↔	–	A conservative stance is preferred as spread valuations are less attractive than in EU IG. Downside risks to the European macro outlook point to risks of spread widening as tighter policy feeds through to slower growth
	Asia HY	↔	–	Spreads may tighten with the exclusion of defaulted names and from their non-China exposures. Global recession risks could be a headwind but limited supply and repurchases, and manageable default risks outside Chinese properties, could attract dip buyers
	Securitised credit	▲	–	Spreads remain close to the widest they have been since 2009 so there is long-term value in securitised credit despite recent tightening. Securities are mainly floating rate and hence the coupons paid rose during 2022 and 2023
	EM aggregate bond (USD)	▲	–	EM sovereigns and EM corporates are at an inflection point after a dramatic improvement in EM creditworthiness. IMF-driven fiscal improvements and improved debt-GDP profiles bode well
FX & Alternatives	Gold	▲	–	Prices strengthened last year and may be supported by the peak in rates and strong central bank buying. Performance as a risk-off diversifier is unreliable, although geopolitical tensions and episodes of financial market volatility have proven to be supportive
	Other commodities	↔	–	Geopolitical tensions have emerged as a heightened risk factor. China's economic story will be a critical driver, with a meaningful recovery likely to provide a boost to prices. OPEC+ market management is also a key influence on oil prices
	Real estate	▲	–	Occupier fundamentals have been resilient. Sectors like logistics benefit from embedded rental growth, healthy occupier demand and thematic tailwinds. While office fundamentals are deteriorating, best in class offices post healthy rental growth
	Infrastructure	▲	–	Infrastructure debt can offer better expected returns than global credits, with lower spread volatility during recessionary periods. In a slowdown, infrastructure equity's defensive attributes are beneficial, with thematic drivers coming from the green transition
	Hedge funds	▲	–	Hedge funds can be good diversifiers while we remain in a high inflation environment and should there be sharp upticks in volatility. Macro and CTA strategies can be particularly attractive alternatives to bonds when there are positive stock-bond correlations
	Private equity	↔	–	As tighter financial conditions raise the cost of leverage, PE funds may face challenges in delivering as strong returns. However, the possibility of recession can create good entry points for longer-term investors. The investment case is about alpha, not beta
	US dollar	▼	–	With the Fed expected to be at peak rates, and disinflation continuing, the dollar could weaken in the medium term. Near term resilience may come from relative US economic outperformance
Crypto	↔	–	Bitcoin prices rallied ahead of SEC approval for spot Bitcoin ETFs in early 2024. Regulatory concerns remain a key concern for the asset class, but there could be scope for upside if Bitcoin ETFs gain traction over time	

Asset class positioning

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View move:

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↓ Downgraded versus last month

Asset class	House view	View change	Comments	
Asian assets	Asia local bonds	▲	–	Asia's more resilient growth impulse remains supportive. Further moderation in core inflation gives most central banks in the region room for rate cuts in H2 2024 should the Fed start to ease policy. Global macro uncertainties and geopolitical developments remain the key risks
	RMB bonds	↔	–	More proactive liquidity support and mild rate cuts are likely, in addition to the already accommodative monetary backdrop. Although long-term diversification benefits remain intact, strong primary supply could limit the upside in the medium term
	Asia ex-Japan equities	▲	–	Macro uncertainties, earnings downgrades and geopolitics remain key risks, but potentially more policy measures in China and slim odds of further tightening by Asian central banks ahead may offer some support. Dispersion in regional markets remains likely
	China equities	▲	–	Equity valuations remain appealing, with supportive measures for capital markets and more proactive policy likely reviving some investor confidence, but risks to the earnings outlook linger from a prolonged property market downturn, softening demand and weak consumer sentiment
	India equities	▲	–	Rich valuations remain a concern, though Indian equities show solid earnings growth potential with a strong structural story and a resilient macro backdrop. Policy rates should have peaked but the RBI will likely keep interest rates high until a potential Fed rate cut
	ASEAN equities	▲	–	ASEAN's resilient macro backdrop, their space to ease monetary policy following peak Fed hawkishness and supply-chain relocations in the region are positives. Defensive qualities are attractive, but global and Chinese macro worries are still the key risks, with geopolitics also in focus
	Hong Kong equities	▲	–	Prevailing global and Chinese macro uncertainties, faltering domestic property market and the government's limited fiscal room are concerns. Their compelling valuations and hopes of Fed rate cuts ahead should help partially offset some headwinds
	Asia FX	▲	–	Potential USD weakness remains a medium-term benefit, and a stabilizing RMB and lower Treasury yields could also lift sentiment. The overall macro backdrop supports the outlook but dispersion in currency pairs may extend with their divergent economic performance and fiscal status

Market data

January 2024

	Close	MTD Change (%)	3M Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
Equity Indices								
World								
MSCI AC World Index (USD)	731	0.5	14.8	12.7	0.5	739	607	17.2
North America								
US Dow Jones Industrial Average	38,150	1.2	15.4	11.9	1.2	38,589	31,430	18.3
US S&P 500 Index	4,846	1.6	15.5	18.9	1.6	4,931	3,809	20.7
US NASDAQ Composite Index	15,164	1.0	18.0	30.9	1.0	15,631	10,983	28.0
Canada S&P/TSX Composite Index	21,022	0.3	11.4	1.2	0.3	21,251	18,692	14.3
Europe								
MSCI AC Europe (USD)	533	-0.1	14.9	7.5	-0.1	538	459	13.1
Euro STOXX 50 Index	4,648	2.8	14.5	11.6	2.8	4,675	3,981	12.7
UK FTSE 100 Index	7,631	-1.3	4.2	-1.8	-1.3	8,047	7,207	10.9
Germany DAX Index*	16,904	0.9	14.1	11.7	0.9	17,003	14,458	11.7
France CAC-40 Index	7,657	1.5	11.2	8.1	1.5	7,703	6,774	12.7
Spain IBEX 35 Index	10,078	-0.2	11.8	11.6	-0.2	10,301	8,501	10.4
Italy FTSE MIB	30,744	1.3	10.8	15.6	1.3	30,922	24,751	8.4
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	503	-4.8	6.7	-8.3	-4.8	562	469	12.8
Japan Nikkei-225 Stock Average	36,287	8.4	17.6	32.8	8.4	36,985	26,633	21.9
Australian Stock Exchange 200	7,681	1.2	13.3	2.7	1.2	7,682	6,751	16.8
Hong Kong Hang Seng Index	15,485	-9.2	-9.5	-29.1	-9.2	22,312	14,794	7.4
Shanghai Stock Exchange Composite Index	2,789	-6.3	-7.6	-14.3	-6.3	3,419	2,724	9.6
Hang Seng China Enterprises Index	5,194	-10.0	-11.4	-30.0	-10.0	7,645	4,943	6.5
Taiwan TAIEX Index	17,890	-0.2	11.8	17.2	-0.2	18,139	15,187	16.3
Korea KOSPI Index	2,497	-6.0	9.6	3.0	-6.0	2,676	2,274	10.0
India SENSEX 30 Index	71,752	-0.7	12.3	20.5	-0.7	73,428	57,085	23.5
Indonesia Jakarta Stock Price Index	7,208	-0.9	6.7	5.4	-0.9	7,404	6,543	1.6
Malaysia Kuala Lumpur Composite Index	1,513	4.0	4.9	1.8	4.0	1,520	1,369	13.5
Philippines Stock Exchange PSE Index	6,646	3.0	11.3	-2.2	3.0	7,028	5,920	11.4
Singapore FTSE Straits Times Index	3,153	-2.7	2.8	-6.3	-2.7	3,397	3,042	10.1
Thailand SET Index	1,365	-3.6	-1.3	-18.4	-3.6	1,693	1,352	14.3
Latam								
Argentina Merval Index	1,260,563	35.6	117.7	397.2	35.6	1,297,641	207,676	7.4
Brazil Bovespa Index*	127,752	-4.8	12.9	12.6	-4.8	134,392	96,997	8.0
Chile IPSA Index	5,987	-3.4	10.7	12.5	-3.4	6,449	5,097	10.0
Colombia COLCAP Index	1,277	6.8	17.3	-1.1	6.8	1,303	1,045	6.6
Mexico S&P/BMV IPC Index	57,373	0.0	16.9	5.1	0.0	58,338	47,765	13.4
EEMEA								
Russia MOEX Index	3,214	3.7	0.4	44.4	3.7	3,287	2,141	#N/A N/A
South Africa JSE Index	74,556	-3.0	7.0	-6.2	-3.0	80,531	69,128	9.8
Turkey index	8,090.9	7,470.2	7,514.1	4,976.6	7,470.2	8,682.4	4,311.4	5.3

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 January 2024. (*) Indices expressed as total returns. All others are price returns.

Market data (continued)

January 2024

	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Equity Indices - Total Return						
Global equities	15.1	0.6	14.7	19.5	62.2	2.0
US equities	16.2	1.5	20.5	31.4	90.1	1.4
Europe equities	15.2	-0.1	10.2	20.0	44.8	3.3
Asia Pacific ex Japan equities	7.0	-4.8	-5.9	-20.9	11.4	3.1
Japan equities	18.5	4.6	18.5	7.8	37.7	2.0
Latam equities	17.5	-4.8	15.0	35.6	11.4	4.7
Emerging Markets equities	7.0	-4.6	-2.9	-20.9	5.1	2.8

All total returns quoted in USD 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 Latam Total Return Index and MSCI Emerging Markets Total Return Index.

	Close	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
Bond indices - Total Return					
BarCap GlobalAgg (Hedged in USD)	560	-0.2	6.5	4.5	-0.2
JPM EMBI Global	839	-1.2	9.6	5.9	-1.2
BarCap US Corporate Index (USD)	3,216	-0.2	10.4	4.2	-0.2
BarCap Euro Corporate Index (Eur)	247	0.1	5.2	6.0	0.1
BarCap Global High Yield (USD)	567	0.1	8.9	9.6	0.1
BarCap US High Yield (USD)	2480	0.0	8.4	9.3	0.0
BarCap pan-European High Yield (USD)	548	0.9	7.2	12.0	0.9
BarCap EM Debt Hard Currency	415	-0.6	9.2	5.5	-0.6
Markit iBoxx Asia ex-Japan Bond Index (USD)	215	0.4	6.6	3.8	0.4
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	236	2.7	10.0	-1.1	2.7

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Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 January 2024. Total return includes income from dividends and interest as well as appreciation or depreciation in the price of an asset over the given period.

Market data (continued)

January 2024

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2023
US Treasury yields (%)					
3-Month	5.36	5.33	5.46	4.64	5.33
2-Year	4.21	4.25	5.09	4.20	4.25
5-Year	3.84	3.85	4.85	3.62	3.85
10-Year	3.91	3.88	4.93	3.51	3.88
30-Year	4.17	4.03	5.09	3.63	4.03
Developed market 10-year bond yields (%)					
Japan	0.73	0.61	0.94	0.49	0.61
UK	3.79	3.53	4.51	3.33	3.53
Germany	2.17	2.02	2.80	2.28	2.02
France	2.66	2.56	3.43	2.75	2.56
Italy	3.72	3.69	4.72	4.15	3.69
Spain	3.09	2.98	3.88	3.28	2.98

	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Commodities							
Gold	2,040	-1.1	2.8	5.8	-1.1	2,135	1,805
Brent Oil	81.7	6.1	-6.5	-3.3	6.1	98	70
WTI Crude Oil	75.9	5.9	-6.4	-3.8	5.9	95	64
R/J CRB Futures Index	272	3.3	-3.1	-2.0	3.3	290	254
LME Copper	8,609	0.6	6.1	-6.7	0.6	9,260	7,856

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 January 2024.

Market data (continued)

January 2024

Currencies (vs USD)	Latest	End of last mth.	3-mths Ago	1-year Ago	Year End 2023	52-week High	52-week Low
Developed markets							
DXY index	103.27	101.33	106.66	102.10	101.33	107.35	99.58
EUR/USD	1.08	1.10	1.06	1.09	1.10	1.13	1.04
GBP/USD	1.27	1.27	1.22	1.23	1.27	1.31	1.18
CHF/USD	1.16	1.19	1.10	1.09	1.19	1.20	1.06
CAD	1.34	1.32	1.39	1.33	1.32	1.39	1.31
JPY	146.9	141.0	151.7	130.1	141.0	151.9	128.1
AUD	1.52	1.47	1.58	1.42	1.47	1.59	1.40
NZD	1.63	1.58	1.72	1.55	1.58	1.73	1.53
Asia							
HKD	7.82	7.81	7.82	7.84	7.81	7.85	7.79
CNY	7.17	7.10	7.32	6.76	7.10	7.35	6.71
INR	83.04	83.21	83.26	81.93	83.21	83.48	81.61
MYR	4.73	4.59	4.76	4.27	4.59	4.79	4.23
KRW	1,335	1,291	1,351	1,232	1,291	1,364	1,216
TWD	31.29	30.58	32.40	30.05	30.58	32.51	29.61
Latam							
BRL	4.96	4.85	5.04	5.08	4.85	5.34	4.70
COP	3,916	3,875	4,122	4,670	3,875	4,994	3,806
MXN	17.21	16.97	18.05	18.84	16.97	19.29	16.63
ARS	826.34	808.48	349.98	186.99	808.48	828.36	187.57
EEMEA							
RUB	89.85	89.47	93.39	70.19	89.47	102.36	69.61
ZAR	18.68	18.36	18.65	17.41	18.36	19.92	16.93

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 January 2024.

Important information

Basis of Views and Definitions of 'Asset class positioning' tables

- ◆ Views are based on regional HSBC Asset Management Asset Allocation meetings held throughout **January 2024**, HSBC Asset Management's long-term expected return forecasts which were generated as at **31 December 2023**, our portfolio optimisation process and actual portfolio positions.
- ◆ **Icons:** ↑ View on this asset class has been upgraded – No change ↓ View on this asset class has been downgraded.
- ◆ Underweight, overweight and neutral classifications are the high-level asset allocations tilts applied in diversified, typically multi-asset portfolios, which reflect a combination of our long-term valuation signals, our shorter-term cyclical views and actual positioning in portfolios. The views are expressed with reference to global portfolios. However, individual portfolio positions may vary according to mandate, benchmark, risk profile and the availability and riskiness of individual asset classes in different regions.
- ◆ "*Overweight*" implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks, HSBC Global Asset Management has (or would have) a positive tilt towards the asset class.
- ◆ "*Underweight*" implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks, HSBC Global Asset Management has (or would) have a negative tilt towards the asset class.
- ◆ "*Neutral*" implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks HSBC Global Asset Management has (or would have) neither a particularly negative or positive tilt towards the asset class.
- ◆ For global investment-grade corporate bonds, the underweight, overweight and neutral categories for the asset class at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, USD investment-grade corporate bonds and EUR and GBP investment-grade corporate bonds are determined relative to the global investment-grade corporate bond universe.
- ◆ For Asia ex Japan equities, the underweight, overweight and neutral categories for the region at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, individual country views are determined relative to the Asia ex Japan equities universe as of **31 December 2023**.
- ◆ Similarly, for EM government bonds, the underweight, overweight and neutral categories for the asset class at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, EM Asian Fixed income views are determined relative to the EM government bonds (hard currency) universe as of **31 January 2024**.

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