

Investment Monthly

Volatile Goldilocks

February 2025

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HSBC Asset Management

Summary

Macro Outlook

- ◆ Our **baseline macro scenario** for western economies sees growth moderating to around 2%, continuing disinflation, and gradual policy easing
- ◆ **Global policy uncertainty** has picked-up, but it's unclear how policy will develop or how economies will respond
- ◆ In China, officials have set a **pro-growth policy tone for 2025**. More demand-side stimulus, further efforts to stabilise the property sector, and structural reforms to rebalance the economy could support the outlook
- ◆ We expect **India to be one of the world's fastest-growing large economies** in 2025, and see improving macro fundamentals in South East Asia and MENA

House View

- ◆ Markets face a broadly constructive **"Volatile Goldilocks"** backdrop of no recession, further rate cuts, resilient profits, but more market volatility
- ◆ **Global conditions are supportive** of further stock market gains, but risky assets are vulnerable to global growth headwinds, investor risk aversion, and higher bond yields, while parts of the market, such as tech, look richly priced
- ◆ Our baseline macro scenario could see a **further rotation into laggard sectors and regions**, including **Emerging and Frontier markets**
- ◆ **Diversification into alternatives** such as hedge funds, private credit, and defensive real assets can build portfolio resilience

Policy Outlook

- ◆ The US Federal Reserve held rates steady in January. **Further rate cuts are still likely in 2025**, but policymakers may wait until mid-year before doing so, and proceed cautiously thereafter
- ◆ **The Bank of England** is expected to cut rates in response to stagnating growth, with the pace of easing remaining gradual
- ◆ **The Bank of Japan increased rates** by 25bp to 0.5% in January, continuing its path to policy normalisation, with further hikes expected later this year
- ◆ **Chinese policy support** – including liquidity, fiscal/credit, structural measures – can boost the economy out of the deflation trap

Scenarios

SPINNING AROUND	Targeted tariffs. Growth moderates to 2%. Gradual policy easing. Stock market volatility picks up. Shorter duration credits perform. EMs can do well
TOPPLING OVER	Full and early implementation of tariffs. Sharp growth slowdown. Aggressive policy easing. Equity bear market. Rates rally across the curve
TAKING OFF	Tariff risk dissipates. Animal spirits drive growth. Inflation settles at 2.0-2.5%. Policy easing cut short. Gradual recovery in China. Bull market continues

The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. The views expressed above were held at the time of preparation and are subject to change without notice. Diversification does not ensure a profit or protect against loss. This information shouldn't be considered as a recommendation to invest in the country or sector shown.

House view

Falling inflation, resilient growth, and robust corporate profits are supportive of risk asset performance. But trade policy uncertainty, and higher bond yields are potential headwinds. Private markets – such as private credit – could offer a shelter from broader market volatility

- ◆ **Equities** – Resilient global growth, ongoing policy easing, and the potential for a pick-up in Chinese and European growth are good for risk appetite and should encourage a broadening out of market performance. We prefer Emerging and Frontier market stocks given their undemanding valuations
- ◆ **Government bonds** – A still-uncertain policy backdrop could see yields trade in a relatively wide range in early 2025. Markets now price a shallower rate cutting cycle, the risk of higher inflation, and looser fiscal policies. We expect a structural steepening of the yield curve as the Fed cuts rates
- ◆ **Corporate bonds** – Investment grade and high yield credit spreads still trade at close to historically tight levels despite cooling in the US economy. High ‘all in’ yields means corporate credit remains potentially attractive

Equities		Government bonds		Corporate bonds		FX & Alternatives		Asian assets	
Asset Class	House view	Asset Class	House view	Asset Class	House view	Asset Class	House view	Asset Class	House view
Global	↔/▲	Developed Market (DM)	↔/▲	Global investment grade (IG)	↔/▲	Gold	▲	Asia local bonds	▲
US	↔/▲	US 10-year	↔	USD IG	↔/▲	Other commodities	↔	RMB bonds	↔
UK	↔	UK 10-year	↔/▲	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 credit	▲▲	ASEAN	↔/▲
CEE & Latam	▼	EM (local currency)	▲	Europe high-yield	▼	Private equity	↔	Hong Kong	▲
Frontier	▲			Asia high-yield	↔/▲	US dollar	↔/▼	Asia FX (ADXY)	↔/▲
		▲▲▲▲	Max Positive	Securitised credit	▲▲	Crypto	▼▼		
		▲▲▲	Positive	EM aggregate bond (USD)	▲				
		▲▲	Positive Bias						
		▲	Neutral/Positive bias						
		↔/▲	Neutral						
		↔	Neutral						
		↔/▼	Neutral/Negative bias						
		▼	Negative Bias						
		▼▼	Negative						
		▼▼▼	Max Negative						

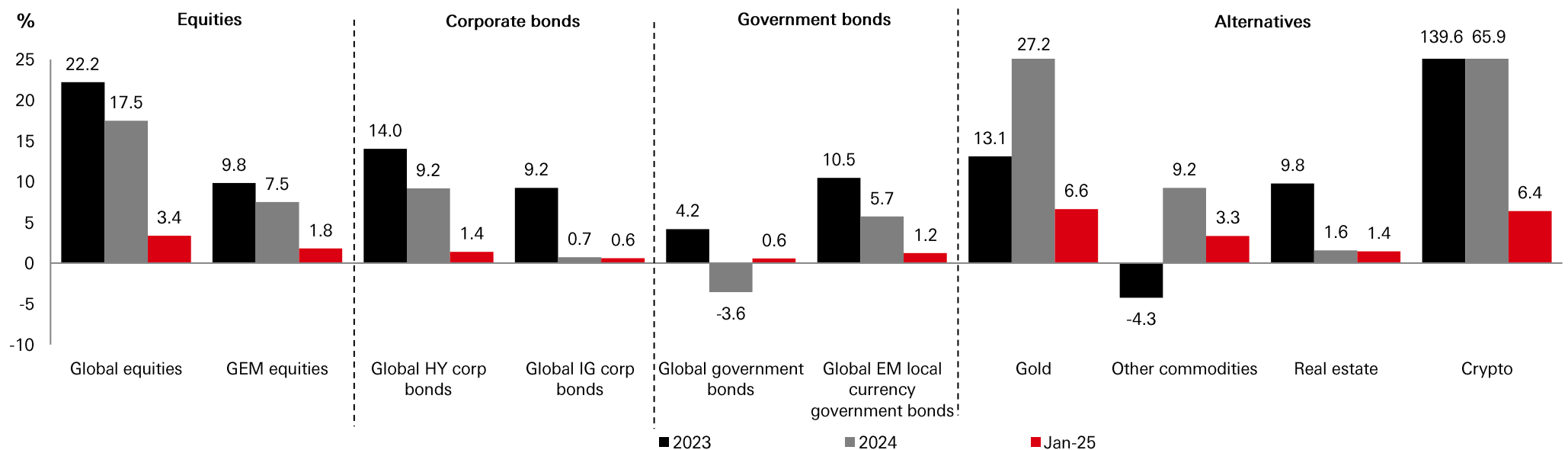
House view represents a >12-month investment view across major asset classes in our portfolios

Source: HSBC Asset Management as at February 2025. *Note: US 10-year Treasuries, UK 10-year Gilts, Eurozone refers to 10-year Italian bonds/10-year German Bunds. The level of yield is not guaranteed and may rise or fall in the future. Any forecast, projection or target where provided is indicative only and not guaranteed in any way. The views expressed above were held at the time of preparation and are subject to change without notice. This information shouldn't be considered as a recommendation to invest in the country or sector shown.

Asset class performance at a glance

Global stocks delivered a broadly positive performance in January despite an ‘AI trade’ wobble late in the month. European and UK indices were strong, while Indian stocks lagged. US 10-year Treasury yields spiked mid-month but finished lower. Credit spreads tightened further, and the US dollar consolidated




- ◆ **Government bonds** – 10-year US Treasury yields rose sharply during January on upward surprises in growth and inflation data, and falling rate cut expectations. Uncertainty over the US policy outlook also drove yields higher. Weaker inflation data and the AI trade wobble saw yields fall later in the month
- ◆ **Equities** – Developed market equities saw broad gains led by Europe and UK indices. US stocks were also positive despite tech sector volatility. In emerging markets, Latam stocks set the pace, with developed Asia and Frontier markets also faring well. India was the main detractor
- ◆ **Alternatives** – January saw a pick-up in the performance of real assets including real estate and infrastructure. In commodities, the oil price surged mid-month but later retraced to close the month flat. The gold price rallied



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Source: Bloomberg, all data above as at close of business 31 January 2025 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.

Macro and market scenarios

Macro	 TOPPLING OVER Full, early implementation Sharp slowdown as real incomes undermined by price increases and supply-side impeded Short-term boost to inflation, but fades as demand destroyed Initial pause in rate cuts, but more aggressive easing once growth concerns mount Stringent trade tariffs and persistent property sector weakness weigh on growth	 SPINNING AROUND Escalate to de-escalate , some targeted implementation (China focus) from late 2025 Moderates to around 2.0% on slowing wage growth and tariff uncertainty Converges to c.2.0% , but path remains bumpy Gradual easing -> 3.50-4.00% Stable growth as domestic policy easing offsets headwind from tariffs	 TAKING OFF Bargaining tool, little/no implementation Animal spirits from tax cuts & wealth effects drive demand. Positive supply side development Settles in 2.0-2.5% "grey" range - not high enough to prompt Fed hikes Easing cut short -> 4.00-4.50% Gradual recovery reflecting domestic policy easing and positive US demand spillovers
Market	Stocks SPX enters bear market. But lower rates provide support Rates rally across the curve , curve steepens sharply. Credit spreads widen EMs suffer in the face of tariffs and weaker US/China demand USD, USTs, gold, CHF, macro HFs, defensive equity, momentum, highest-quality IG credits	Volatility picks up. A broadening out of market leadership – laggard sectors, value perform Limited capital gains – focus on income. Shorter duration credits (e.g. ABS) can perform Can do well amid growth resilience, Fed cuts, China stimulus and undemanding valuations Value, small-caps, quality. EM/Japan > western markets. IG > HY	Bull market continues as EPS projections upgraded. But repricing of Fed is a headwind Market pricing of rates too dovish. Bonds rangebound. Credit spreads tighten EMs benefit from strong external demand and risk-on. But stronger USD/more hawkish Fed limits gains Quality growth. US > EAFE. HY credits. Industrial metals. China. Crypto>gold.

Source: HSBC Asset Management, February 2025. *Note: Spinning Around is our central scenario. Toppling Over is downside scenario while Taking Off is our upside scenario. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Global Asset Management (UK) Limited accepts no liability for any failure to meet such forecast, projection or target. This information shouldn't be considered as a recommendation to invest in a particular sector or country shown.

Monthly macroeconomic update

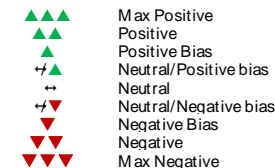
US	<ul style="list-style-type: none"> ◆ In the US, the Fed left rates unchanged, with chair Powell stating that the FOMC is not “in a hurry” to adjust policy, with “further progress” on inflation or labour market weakness needed to cut rates. He noted policy is still “meaningfully restrictive” ◆ Meanwhile, GDP slowed to an annualised rate of 2.3% in Q424, supported by resilient consumer spending. Final domestic demand remains solid. December’s core CPI was lower than expected, both OER and tenant’s rent firmed. Wage growth is moderating
Europe	<ul style="list-style-type: none"> ◆ In the eurozone, the ECB cut rates by 25bp. ECB president Lagarde signalled further easing, noting that disinflationary pressures remain “well on track”, and the eurozone economy faces “headwinds”. Preliminary estimates of Q4 GDP showed stagnant growth ◆ In the UK, headline and core inflation eased during December, with service sector inflation moderating. Labour market conditions continue to soften, with vacancies normalising, although wage growth has risen recently and remains stubbornly high
Asia	<ul style="list-style-type: none"> ◆ In China, Q4 GDP accelerated to 5.4% yoy, with 2024 growth achieving the government’s target of “around 5%”. Retail sales rebounded in December, whilst industrial production increased. Structural problems are overhanging real estate ◆ In India, headline inflation softened to 5.2% yoy in December, on slower food price inflation, pointing to an early RBI rate cut. Industrial production increased in December ◆ In Japan, the BoJ hiked rates 25bp to 0.5% in January, upgrading its medium-term core CPI forecast to 2% or above. Inflation risks are skewed to the upside. Services sector inflation remains stable, with wages a key driver over the medium-term
Other EM	<ul style="list-style-type: none"> ◆ In Latin America, Banco do Brasil, the central bank, delivered another 100bp rate hike, pointing to more aggressive tightening in March. Chile’s central bank left policy on hold, with higher medium-term inflation expectations prompting a more cautious stance ◆ In EMEA, Turkey’s central bank cut rates 2.5% in January, signalling tight monetary policy until a “sustained decline in inflation” is achieved. No policy change in Hungary ◆ In MENA, UAE’s non-oil economic growth has trended steadily above 6% for the past four years, with the IMF forecasting growth above 4% over the medium term

Base case view and implications

<ul style="list-style-type: none"> ◆ US equities delivered a positive performance in January – but a wobble in the ‘AI trade’ showed the risk of volatility in stocks with high valuations when the profit outlook becomes less certain. With a soft landing achieved, there could be scope for a rotation benefiting defensive sectors, small-caps, and ‘value’ ◆ We continue to prefer US Treasuries over equities amid a cooler growth outlook and policy uncertainty
<ul style="list-style-type: none"> ◆ European equities offer both value and cyclical exposure, although signs of economic weakness across the region could be a risk to earnings. Modest valuations versus global peers supports the case for selective stock picking ◆ European government bond yields should fall on further ECB policy easing and potential global trade tensions
<ul style="list-style-type: none"> ◆ Chinese equities still show material valuation discounts amid ongoing external and domestic challenges. More fiscal support may lead to further re-ratings, with analysts optimistic on profits outlook ◆ Indian equity valuations remain relatively high, and rising concerns over slowing growth momentum have created recent pressures. However, the resilience to external uncertainties is supportive ◆ Corporate reforms still offer re-rating potential for Japanese equities, along with a stable domestic macro outlook. Exporters and FX-sensitive sectors face external uncertainties
<ul style="list-style-type: none"> ◆ Many EM equity markets have performed positively over the past 12 months, but there is divergence across regions. Reasonable valuations and a pick-up in the macro cycle/growth outlook are encouraging, especially in Asia. EM equities offer potential diversification benefits due to idiosyncratic trends, including structural growth and cyclical upside ◆ Local-currency EM government bonds face a more mixed outlook due to global policy uncertainty, the prospect of higher-for-longer US rates, and the risk of a stronger US dollar

Asset class positioning

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

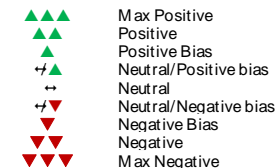


Asset class	House view	Comments
Equities	Global	↔/▲ Markets face potential volatility amid policy uncertainty, a shallower than expected US policy easing cycle, and global trade tensions. On the upside, resilient global growth and ongoing rate cuts should encourage a 'broadening out' of market leadership into laggard sectors and regions
	US	↔/▲ Disinflation and resilient growth in both GDP and corporate profits in 2024 underpin above-average profit growth forecasts for 2025. Potentially looser fiscal policy, tax cuts, and de-regulation are supportive, but could be inflationary. Rich valuations make prices vulnerable to disappointment
	UK	↔ The UK market benefits from a wide valuation discount relative to other regions, as well as the highest dividend yield globally, but stocks are vulnerable to volatility driven by slowing global growth. Concerns over fiscal largesse may have dampened sentiment
	Eurozone	↔/▼ Eurozone stocks offer both value and cyclical exposure partially linked to China and could benefit as global market leadership broadens out. Profits growth expectations should be met in 2025, with potential for a re-rating if global trade tariffs have less of an impact than expected
	Japan	▲ Corporate reform tailwinds remain intact, with the local macro backdrop supportive despite potential upward pressure on yields amid the BoJ's policy normalisation. Domestically orientated sectors look more favourable versus those sensitive to the global outlook amid ongoing uncertainties
	Emerging Markets (EM)	▲ The EM growth outlook is a relative bright spot in a global context, with disinflation, Chinese policy stimulus, and Fed rate cuts being supportive. Stock and currency market valuations remain undemanding. Idiosyncratic trends within EMs imply scope for portfolio diversification too
	CEE & Latam	▼ In Central and Eastern Europe, central banks retain a cautious policy stance amid still high inflation, while the region's growth recovery remains weak. In Latam, earnings could be impacted by slowing global growth, while the domestic backdrop also presents near-term headwinds
	Frontier Markets	▲ Frontier economies are spread across different geographies and have highly varied economic characteristics, which contributes to lower correlation of returns and less volatility versus EM and DM indices, boosting their appeal as a portfolio diversifier
Government bonds	Developed Markets (DM)	↔/▲ Western economic growth remains broadly resilient to higher interest rates, keeping yields high. However, there are signs of cooling in the US and in the event of a more significant deterioration in growth, government bonds may outperform and provide a hedge against equity market volatility
	US 10-year	↔ We expect a limited decline in the 10yr Treasury yield in 2025 given expectations for a shallower rate cutting cycle, the risk of higher inflation, and the assumption that the market will likely require a higher term premium due to increased fiscal risks
	UK 10-year	↔/▲ A recent sharp rise in Gilt yields reflects market unease and rising inflation expectations over a forecast increase in borrowing to fund extra public spending. However, we expect 10y Gilt yields fall gradually during 2025, aided by better UK inflation news
	Eurozone*	▼ Further ECB policy easing, together with uncertainty regarding potential changes in global policy, should mean yields fall gradually through 2025. The eurozone economy looks set for another year of lacklustre growth, with continuing progress on disinflation
	Japan	▼ The BoJ has raised interest rates as part of a gradual normalisation of policy, although conditions will likely remain accommodative. With minimal bond risk premia, we remain underweight Japanese government bonds
	Inflation-linked bonds	↔/▲ Market-implied inflation rates have rebounded on stronger economic data, geopolitical concerns, and uncertainty about potentially inflationary US policies. ILB valuations remain low, and they could outperform nominal bonds in this environment
EM local currency	▲ The pricing out of Fed policy easing and a stronger US dollar are headwinds to EM bonds and the outlook is more mixed now. But despite upward pressure on global rates, lower oil and commodity prices could keep the medium-term disinflation path unchanged, with EM local yields declining	

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Asset class positioning

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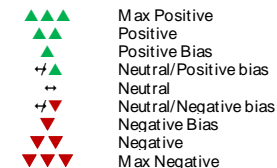


Asset class	House view	Comments
Corporate bonds	Global investment grade (IG)	↔ ▲ Despite credit spreads remaining tight, we see selective opportunities in global corporate bonds, particularly in global investment grade and securitised credits. With a stronger term premium in global bonds, we also prefer duration
	USD IG	↔ ▲ Valuations are rich, with spreads reaching 30-year tights and most non-financial sectors at or near historical tights. Financials, especially banks, remain relatively attractive. Technicals remain highly supportive and 'all in' yields continue to attract strong inflows
	EUR and GBP IG	↔ ▲ The risks for EU IG credit are finely balanced. Historically depressed spreads point to expensive valuations. Carry and rolldown are sufficient to compensate for the volatility that could result from an environment of heightened trade tensions and tariffs
	Asia IG	↔ ▲ Asia IG spreads are expected to remain within a tight range, with carry strategies a key contributor to alpha generation. Stable regional credit fundamentals and shorter duration compared to global credit markets are positives. 'All in' yields are attractive
	Global high-yield (HY)	↔ ▼ HY spreads remain historically tight despite cooling in the US economy. Nevertheless 'all in' yields are high. For now, still reasonable growth and moderating inflation mean that the fundamental backdrop is supportive
	US HY	▼ Valuations remain at historically expensive levels with spreads far below historical averages, but 'all in' yields remain attractive. Fundamentals are not a source of concern and growth is still reasonable, although policy uncertainty has become a concern
	Europe HY	▼ Current valuations are stretched given the unfavourable macro backdrop of barely-positive growth and high real interest rates. The market is relying on expected policy easing in the coming months to maintain the benign environment for risk assets
	Asia HY	↔ ▲ HY carry is still attractive. Leverage in ex-China names should continue to improve in 2025, while China HY spreads are tight amid an expectation of further policy support. We retain a structural overweight bias despite pressures from potential trade headwinds
	Securitised credit	▲▲ Spreads remain in the middle of the range since 2009 so there is long-term value in securitised credit despite recent tightening. As long as rates remain high, floating securitised credit can generate high income as base rates feed directly into the income paid
	EM aggregate bond (USD)	▲ Both EM corporate and sovereign credit spreads should perform well in the current environment. The additional impact of weaker currencies can help EM firms with dollar-derived revenues, particularly those that have deleveraged and cut their financing needs
FX & Alternatives	Gold	▲ Gold has rallied to new highs in 2025. The outlook depends on the extent of Fed rate cuts and the course of the USD and US yields. Performance as a risk-off diversifier is unreliable, but geopolitical tensions and financial market volatility have been 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	▲ Real estate values are bottoming, although office values are still falling. Investment activity could remain subdued given uncertainty over global growth and the repricing of rate cuts. Valuations are still supportive, but the sector is vulnerable to macro disappointment
	Infrastructure	▲ Infrastructure debt offers better expected returns than global credits, and lower spread volatility during economic slowdowns. It has defensive attributes, offers inflation-linked cash flows and benefits from thematic drivers such as 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 credit	▲▲ As interest rates normalise, private credit continues to offer attractive 'all in' yields, and an illiquidity premium that suits long-term investors. It can also serve as a useful portfolio diversifier. Default rates remain consistently low
	Private equity	↔ With tighter financial conditions raising the cost of leverage, PE funds may face challenges in delivering consistently strong returns. But economic headwinds can create attractive entry points for longer-term investors. The investment case is about alpha, not beta
	US dollar	↔ ▼ The USD rallied following the US presidential election and has remained strong in anticipation of new government policies. Fed policy easing would normally cause the currency to weaken, but a shallower rate cutting cycle and rate differentials favour the USD
Crypto	▼▼ Crypto prices have accelerated to new highs recently, with new ETFs continuing to see strong inflows. But crypto performance has historically been highly volatile, and regulatory hurdles remain a key concern	

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Asset class positioning

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Asset class	House view	Comments	
Asian assets	Asia local bonds	▲	The macro backdrop and manageable inflation risk across the region are broadly supportive. We continue to expect a shallow monetary easing cycle given near-term FX volatility and financial stability concerns, and do not anticipate a major rise in yields in the region in the short run
	RMB bonds	↔	China is expected to maintain an accommodative monetary policy stance, with a focus on mitigating local government debt risks. A further pick-up in government bond supply could limit the upside in the medium term, but liquidity measures may help mitigate the impact
	Asia ex-Japan equities	↗▲	Asian markets offer broad sector diversification and reasonable valuations. China policy measures and other structural stories in the region are also positives. Technology industries are still the profit engine, but markets with high external exposure are more vulnerable to external shocks
	China equities	▲	Any follow-up fiscal stimulus could fuel more re-ratings, with analysts remaining optimistic on the earnings outlook. While external uncertainties prevail, domestic challenges (muted price pressures, property market downturn, and soft consumer sentiment) are reflected in valuation discounts
	India equities	↗▲	Valuations remain rich, especially mid-cap stocks, following recent pullbacks amid rising concerns over slowing growth momentum. That said, the resilience to external headwinds, potential RBI policy easing, and a strong structural story serve as positive catalysts for performance
	ASEAN equities	↗▲	The overall earnings outlook in ASEAN remains solid, bolstered by an anticipated modest policy easing in the region, despite dispersion across markets. While valuations are fair, the region's exposure to global trade tensions, currency volatilities and China headwinds warrant caution
	Hong Kong equities	▲	Investor confidence stabilised on China's stimulus and local rate cuts following Fed easing. Valuations are appealing (with their low P/B ratios and high dividend yields), but faltering domestic macro momentum, property market weakness, and prevailing geopolitical risks are concerns
	Asia FX (ADXY)	↗▲	USD resilience and potential global trade disputes are near-term headwinds. However, historically low valuations in Asia FX should drive a gradual appreciation given improving fundamentals in the region and China stimulus. High-yielders with strong local macro backdrop are preferred

Market data

January 2025

	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)	869	3.3	4.4	18.9	3.3	877	734	20.6
North America								
US Dow Jones Industrial Average	44,545	4.7	6.7	16.8	4.7	45,074	37,612	23.5
US S&P 500 Index	6,041	2.7	5.9	24.7	2.7	6,128	4,918	24.6
US NASDAQ Composite Index	19,627	1.6	8.5	29.4	1.6	20,205	15,223	35.0
Canada S&P/TSX Composite Index	25,533	3.3	5.7	21.5	3.3	25,876	20,467	17.0
Europe								
MSCI AC Europe (USD)	565	6.9	2.4	6.1	6.9	595	519	14.9
Euro STOXX 50 Index	5,287	8.0	9.5	13.7	8.0	5,314	4,474	15.4
UK FTSE 100 Index	8,674	6.1	7.0	13.7	6.1	8,693	7,493	12.6
Germany DAX Index*	21,732	9.2	13.9	28.6	9.2	21,801	16,832	16.2
France CAC-40 Index	7,950	7.7	8.2	3.8	7.7	8,259	7,030	15.6
Spain IBEX 35 Index	12,369	6.7	6.0	22.7	6.7	12,466	9,842	11.5
Italy FTSE MIB	36,472	6.7	6.4	18.6	6.7	36,628	30,653	10.7
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	577	1.3	-2.3	14.5	1.3	632	503	14.9
Japan Nikkei-225 Stock Average	39,572	-0.8	1.3	9.1	-0.8	42,427	31,156	20.6
Australian Stock Exchange 200	8,532	4.6	4.6	11.1	4.6	8,567	7,489	19.0
Hong Kong Hang Seng Index	20,225	0.8	-0.5	30.6	0.8	23,242	15,337	9.9
Shanghai Stock Exchange Composite Index	3,251	-3.0	-0.9	16.6	-3.0	3,674	2,635	13.2
Hang Seng China Enterprises Index	7,382	1.3	1.6	42.1	1.3	8,373	5,143	9.3
Taiwan TAIEX Index	23,525	2.1	3.1	31.5	2.1	24,417	17,992	18.5
Korea KOSPI Index	2,517	4.9	-1.5	0.8	4.9	2,896	2,360	10.6
India SENSEX 30 Index	77,501	-0.8	-2.4	8.0	-0.8	85,978	70,234	20.1
Indonesia Jakarta Stock Price Index	7,109	0.4	-6.1	-1.4	0.4	7,911	6,699	12.7
Malaysia Kuala Lumpur Composite Index	1,557	-5.2	-2.8	2.9	-5.2	1,685	1,509	15.0
Philippines Stock Exchange PSE Index	5,863	-10.2	-17.9	-11.8	-10.2	7,605	5,863	10.4
Singapore FTSE Straits Times Index	3,856	1.8	8.3	22.3	1.8	3,887	3,092	12.0
Thailand SET Index	1,315	-6.1	-10.3	-3.7	-6.1	1,507	1,271	15.1
Latam								
Argentina Merval Index	2,564,659	1.2	38.7	103.5	1.2	2,867,775	955,099	11.3
Brazil Bovespa Index*	126,135	4.9	-2.8	-1.3	4.9	137,469	118,223	8.2
Chile IPSA Index	7,200	7.3	9.9	20.3	7.3	7,309	5,956	11.4
Colombia COLCAP Index	1,522	10.3	12.0	19.2	10.3	1,546	1,215	5.7
Mexico S&P/BMV IPC Index	51,210	3.4	1.1	-10.7	3.4	59,021	48,770	12.1
EEMEA								
Saudi Arabia Tadawul All Share Index	12,415	3.1	3.3	5.2	3.1	12,883	11,318	17.3
South Africa JSE Index	85,957	2.2	0.7	15.3	2.2	87,884	71,663	12.8
Turkey index	10,104.9	1.8	12.9	17.7	1.8	11,252.1	8,566.6	6.5

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

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 January 2025. (*) Indices expressed as total returns. All others are price returns.

Market data (continued)

January 2025

	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Equity Indices - Total Return						
Global equities	4.7	3.4	20.7	27.4	68.8	1.8
US equities	6.6	3.0	26.4	38.0	98.3	1.2
Europe equities	2.5	6.9	8.9	16.1	39.3	3.2
Asia Pacific ex Japan equities	-2.0	1.4	17.3	3.1	22.2	2.8
Japan equities	1.9	1.6	5.1	16.2	30.2	2.2
Latam equities	-2.8	9.5	-15.3	8.5	-2.2	5.6
Emerging Markets equities	-2.0	1.8	14.8	-2.1	16.1	2.7

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)	582	0.4	0.8	4.0	0.4
JPM EMBI Global	908	1.2	0.9	8.3	1.2
BarCap US Corporate Index (USD)	3,308	0.6	-0.1	2.9	0.6
BarCap Euro Corporate Index (Eur)	259	0.4	1.6	5.1	0.4
BarCap Global High Yield (USD)	635	1.3	2.5	12.1	1.3
BarCap US High Yield (USD)	2720	1.4	2.1	9.7	1.4
BarCap pan-European High Yield (USD)	602	0.7	2.2	9.9	0.7
BarCap EM Debt Hard Currency	446	1.0	0.4	7.5	1.0
Markit iBoxx Asia ex-Japan Bond Index (USD)	226	0.5	0.3	5.4	0.5
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	261	0.3	-0.3	11.0	0.3

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Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 January 2025. 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 2025

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2024
US Treasury yields (%)					
3-Month	4.28	4.31	4.54	5.36	4.31
2-Year	4.20	4.24	4.17	4.21	4.24
5-Year	4.33	4.38	4.16	3.84	4.38
10-Year	4.54	4.57	4.28	3.91	4.57
30-Year	4.79	4.78	4.48	4.17	4.78
Developed market 10-year bond yields (%)					
Japan	1.24	1.09	0.94	0.73	1.09
UK	4.54	4.56	4.44	3.79	4.56
Germany	2.46	2.36	2.39	2.17	2.36
France	3.20	3.19	3.12	2.66	3.19
Italy	3.55	3.52	3.65	3.72	3.52
Spain	3.07	3.06	3.09	3.09	3.06

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	2,798	6.6	2.0	37.2	6.6	2,845	1,984
Brent Oil	76.8	2.8	4.9	-6.1	2.8	92	69
WTI Crude Oil	72.5	1.1	4.7	-4.4	1.1	88	65
R/J CRB Futures Index	305	2.8	9.0	11.9	2.8	312	265
LME Copper	9,048	3.2	-4.8	5.1	3.2	11,105	8,127

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Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 January 2025.

Market data (continued)

January 2025

Currencies (vs USD)	Latest	End of last mth.	3-mths Ago	1-year Ago	Year End 2024	52-week High	52-week Low
Developed markets							
DXY index	108.37	108.49	103.98	103.27	108.49	110.18	100.16
EUR/USD	1.04	1.04	1.09	1.08	1.04	1.12	1.01
GBP/USD	1.24	1.25	1.29	1.27	1.25	1.34	1.21
CHF/USD	1.10	1.10	1.16	1.16	1.10	1.19	1.08
CAD	1.45	1.44	1.39	1.34	1.44	1.48	1.34
JPY	155.2	157.2	152.0	146.9	157.2	162.0	139.6
AUD	1.61	1.62	1.52	1.52	1.62	1.64	1.44
NZD	1.78	1.79	1.67	1.63	1.79	1.81	1.57
Asia							
HKD	7.79	7.77	7.77	7.82	7.77	7.84	7.76
CNY	7.24	7.30	7.12	7.17	7.30	7.33	7.00
INR	86.62	85.61	84.09	83.04	85.61	87.29	82.65
MYR	4.46	4.47	4.38	4.73	4.47	4.81	4.09
KRW	1,454	1,479	1,377	1,335	1,479	1,487	1,303
TWD	32.68	32.79	32.02	31.29	32.79	33.23	31.29
Latam							
BRL	5.84	6.17	5.79	4.96	6.17	6.32	4.92
COP	4,209	4,406	4,426	3,916	4,406	4,546	3,739
MXN	20.68	20.83	20.04	17.21	20.83	21.29	16.26
ARS	1,050.75	1,030.99	990.19	826.34	1,030.99	1,053.94	829.29
EEMEA							
RUB	98.69	113.52	97.33	89.85	113.52	115.07	82.65
ZAR	18.67	18.84	17.60	18.68	18.84	19.39	17.04

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Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 January 2025.

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 2025**, HSBC Asset Management's long-term expected return forecasts which were generated as at **31 December 2024**, 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 2024**.
- ◆ 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 December 2024**.

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