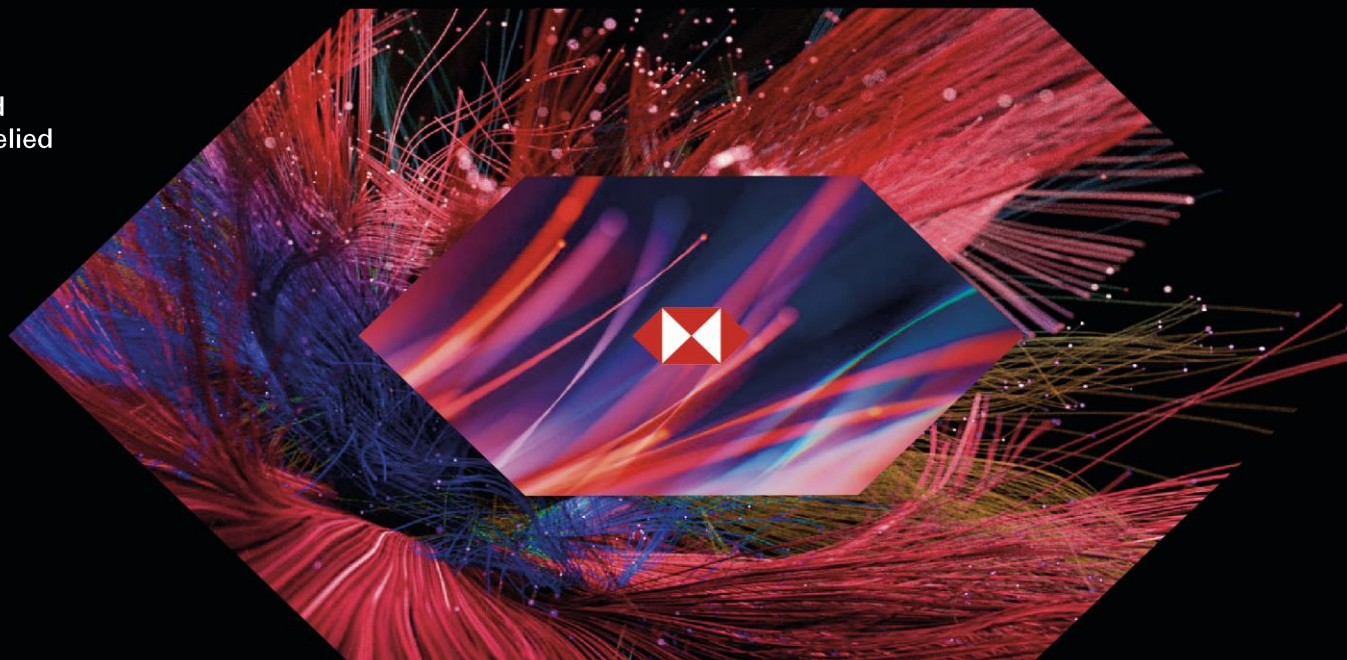


# Investment Monthly

## Still spinning around

March 2025

For Professional Clients only and  
should not be distributed to or relied  
upon by Retail Clients.



## Macro Outlook

- ◆ Our **baseline macro scenario** is for trend-like growth in major economies, inflation declining towards target, and gradual policy easing
- ◆ Quantitative measures of **global policy uncertainty** have spiked, posing potential growth headwinds, but we do not expect material US weakness
- ◆ In **China**, further demand-side stimulus, efforts to stabilise the property sector, and structural reforms to rebalance the economy support the outlook
- ◆ We expect resilient economic growth, benign inflation and more growth-friendly macro policies for **most parts of Asia in 2025**

## House View

- ◆ **Markets could face a volatile ride in 2025**, albeit against a broadly constructive backdrop of no recession, further rate cuts, and resilient profits
- ◆ **US dollar weakness** may reflect policy uncertainty, and could boost the appeal of emerging market local currency stocks and bonds
- ◆ Our baseline macro scenario could see market performance **‘broadening out’ to laggard sectors and regions**
- ◆ **Diversification into alternatives** such as hedge funds, private credit, and defensive real assets can build portfolio resilience to episodic market volatility

## Policy Outlook

- ◆ **Further US rate cuts are likely in 2025**, but policymakers may wait until mid-year before doing so, and proceed cautiously thereafter
- ◆ Post-election **coalition negotiations in Germany** could lead to amendments to the country’s “debt brake”, which may result in looser fiscal policy
- ◆ We expect most **Asia ex-Japan central banks** to ease monetary policy opportunistically whilst staying vigilant of potential FX volatility
- ◆ **Chinese policy support** – including liquidity, fiscal/credit, structural measures – can boost the economy out of the deflation trap

## Scenarios

<b>SPINNING AROUND</b>	Targeted tariffs. Growth moderates to 2%. Gradual policy easing. Stock market volatility picks up. Shorter duration credits perform. EMs can do well
<b>TOPPLING OVER</b>	Full and early implementation of tariffs. Sharp growth slowdown. Aggressive policy easing. Equity bear market. Rates rally across the curve
<b>TAKING OFF</b>	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

## House view

Our baseline macro scenario of **no recession, further rate cuts, and resilient profits** should be constructive for risk assets. Further US dollar weakness could be a boost for emerging markets. Private markets – such as private credit – could offer a shelter from episodic volatility

- ◆ **Equities** – Trend-like growth, gradual policy easing, and signs of improving market performance in regions like Europe and China could encourage a further 'broadening out' to laggard sectors, styles and regions. 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 have been pricing in a fairly shallow rate cutting cycle, the risk of higher inflation, and fiscal activism
- ◆ **Corporate bonds** – Investment grade and high yield credit spreads trade at close to historically tight levels despite signs of 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
<b>Global</b>	↔▲	<b>Developed Market (DM)</b>	↔▲	<b>Global investment grade (IG)</b>	↔▲	<b>Gold</b>	▲	<b>Asia local bonds</b>	▲
US	↔▲	US 10-year	↔▲	USD IG	↔▲	<b>Other commodities</b>	↔	<b>RMB bonds</b>	↔
UK	↔	UK 10-year	↔▲	EUR & GBP IG	↔▲	<b>Real estate</b>	▲	<b>Asia ex-Japan equities</b>	↔▲
Eurozone	↔▲	Germany 10-year	▲	Asia IG	↔▲	<b>Infrastructure</b>	▲	China	▲
Japan	↔▲	Japan	▼	<b>Global high-yield</b>	↔▼	<b>Hedge funds</b>	▲▲	India	↔▲
Emerging Markets (EM)	▲	Inflation-linked bonds	↔▲	US high-yield	▼	<b>Private credit</b>	▲▲	ASEAN	↔▲
CEE & Latam	▼	<b>EM (local currency)</b>	▲	Europe high-yield	▼	<b>Private equity</b>	↔	Hong Kong	▲
Frontier	▲	▲▲▲ Max Positive		Asia high-yield	↔▲	<b>US dollar(DXY)</b>	↔▼	<b>Asia FX (ADXY)</b>	↔▲
		▲▲▲ Positive		<b>Securitised credit</b>	▲▲	<b>Crypto assets</b>	▼▼		
		▲▲ Positive Bias		<b>EM aggregate bond (USD)</b>	▲				
		↔▲ Neutral/Positive bias							
		↔ Neutral							
		↔▼ Neutral/Negative bias							
		▼ Negative Bias							
		▼ Negative							
		▼▼▼ Max Negative							

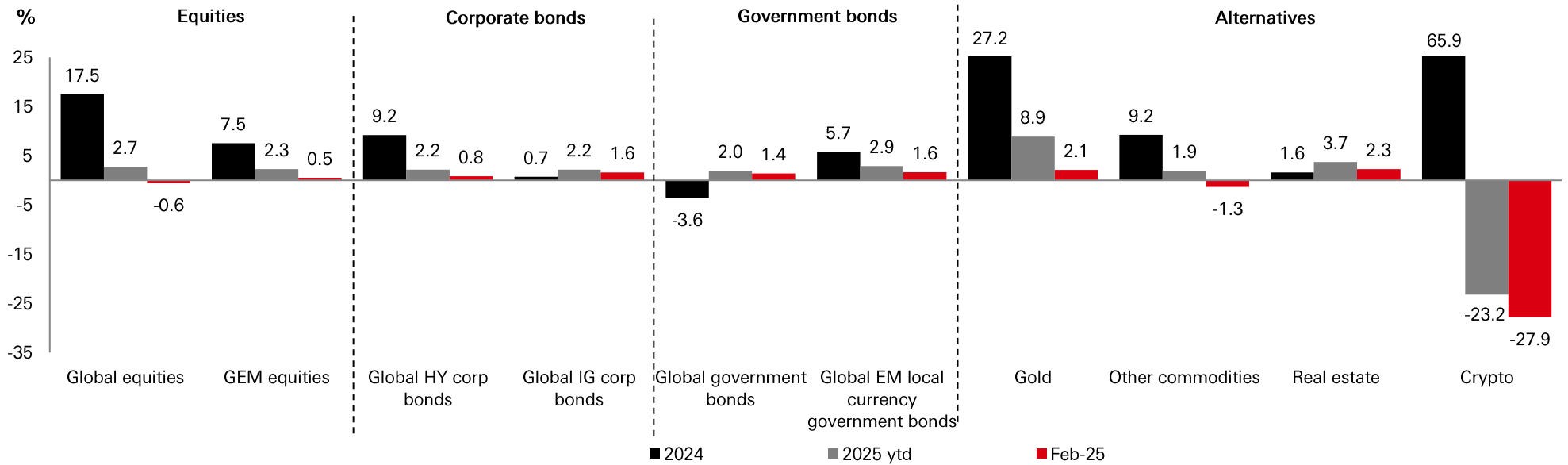
**House view** represents a >12-month investment view across major asset classes in our portfolios

Source: HSBC Asset Management as at March 2025. 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 equity returns continued to broaden out in February**, with US stocks underperforming and European and Chinese markets taking the lead amid widespread volatility. US Treasury yields declined on concerns over the growth outlook and global policy uncertainty, with the US dollar weakening

- ◆ **Government bonds** – US 10-year Treasuries rallied (yields fell) in February in response to growth concerns driven by weaker business and consumer confidence data, as well as wider policy uncertainty
- ◆ **Equities** – European markets continued a strong start to the year, while US indices saw declines, with small-caps leading the sell-off. In emerging markets, Chinese stocks rallied, but wider Asian markets saw diverging returns, with Taiwan and India underperforming. In Latam, Mexico and Chile performed well
- ◆ **Alternatives** – Real asset indices saw continued strength, with real estate and infrastructure both seeing gains. In commodities, the oil price weakened, while copper and gold prices both rose. Crypto indices saw a sharp sell-off

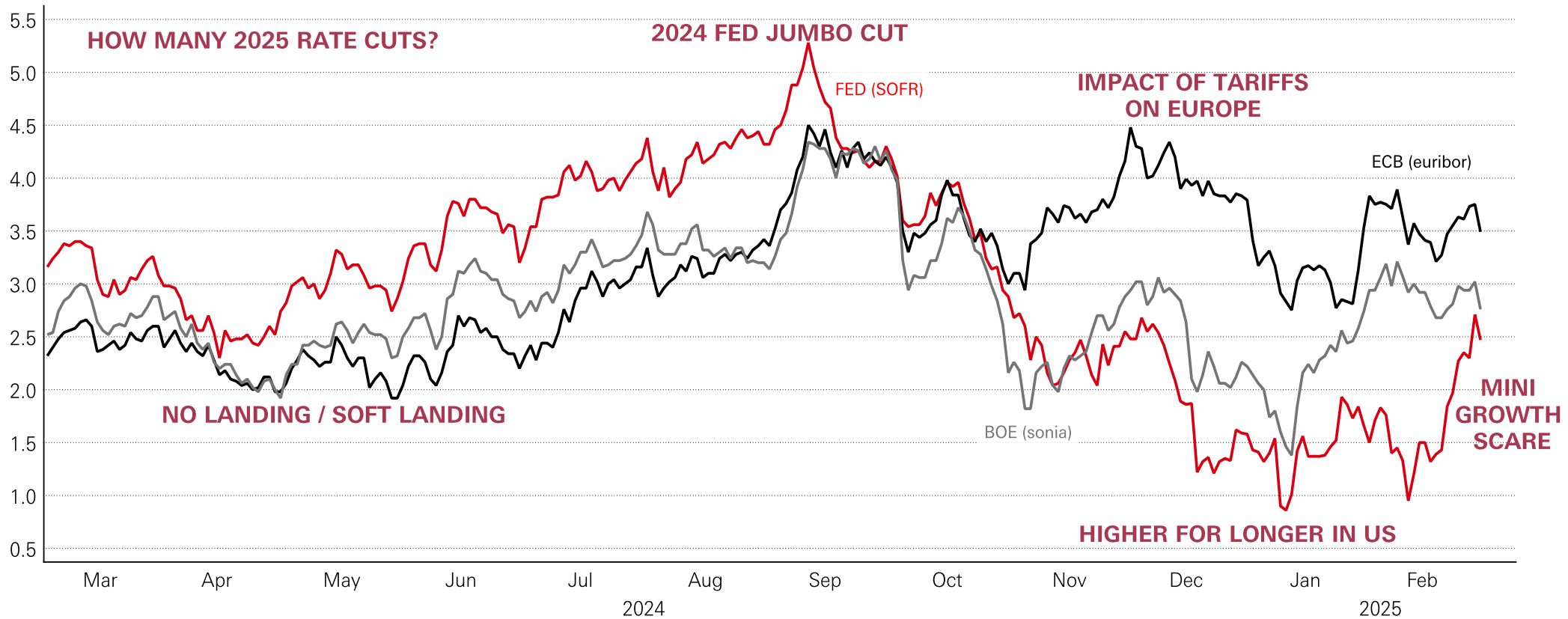


**Past performance does not predict future returns. The level of yield is not guaranteed and may rise or fall in the future.** This information shouldn't be considered as a recommendation to invest in the country or sector shown. The views expressed above were held at the time of preparation and are subject to change without notice.  
 Source: Bloomberg, all data above as at close of business 28 February 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.

# Still spinning around

Dramatic shifts in the macro narrative have become a feature of investment markets

How many rate cuts from US Federal Reserve, European Central Bank and Bank of England in 2025?



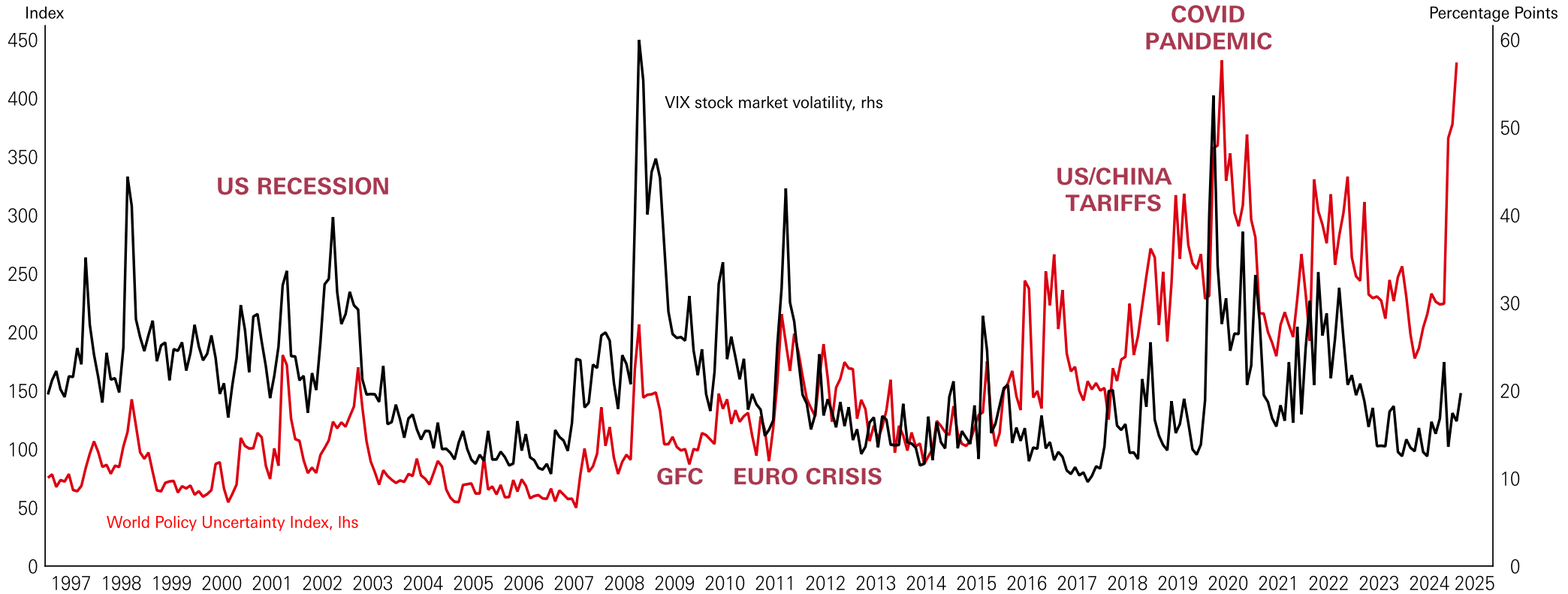
The performance figures displayed in the document relate to the past and past performance should not be seen as an indication of future returns.

Source: Macrobond, Bloomberg, HSBC Asset Management, March 2025. Any forecast, projection or target where provided is indicative only and is not guaranteed in any way. HSBC Asset Management accepts no liability for any failure to meet such forecast, projection or target. The commentary and analysis presented in this document reflect the opinion of HSBC Asset Management on the markets, according to the information available to date. They do not constitute any kind of commitment from HSBC Asset Management. Consequently, HSBC Asset Management will not be held responsible for any investment or disinvestment decision taken on the basis of the commentary and/or analysis in this document.

# Still spinning around

## A complicated economic outlook

World policy uncertainty index and VIX volatility



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# Macro and market scenarios



**TOPPLING OVER**



**SPINNING AROUND**



**TAKING OFF**

Macro

 **Tariffs/immigration**

 **Growth**

 **Inflation**

 **Policy**

 **China**

**Full 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**

**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

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**

 **Fixed Income**

 **EM**

 **Preferences**

**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

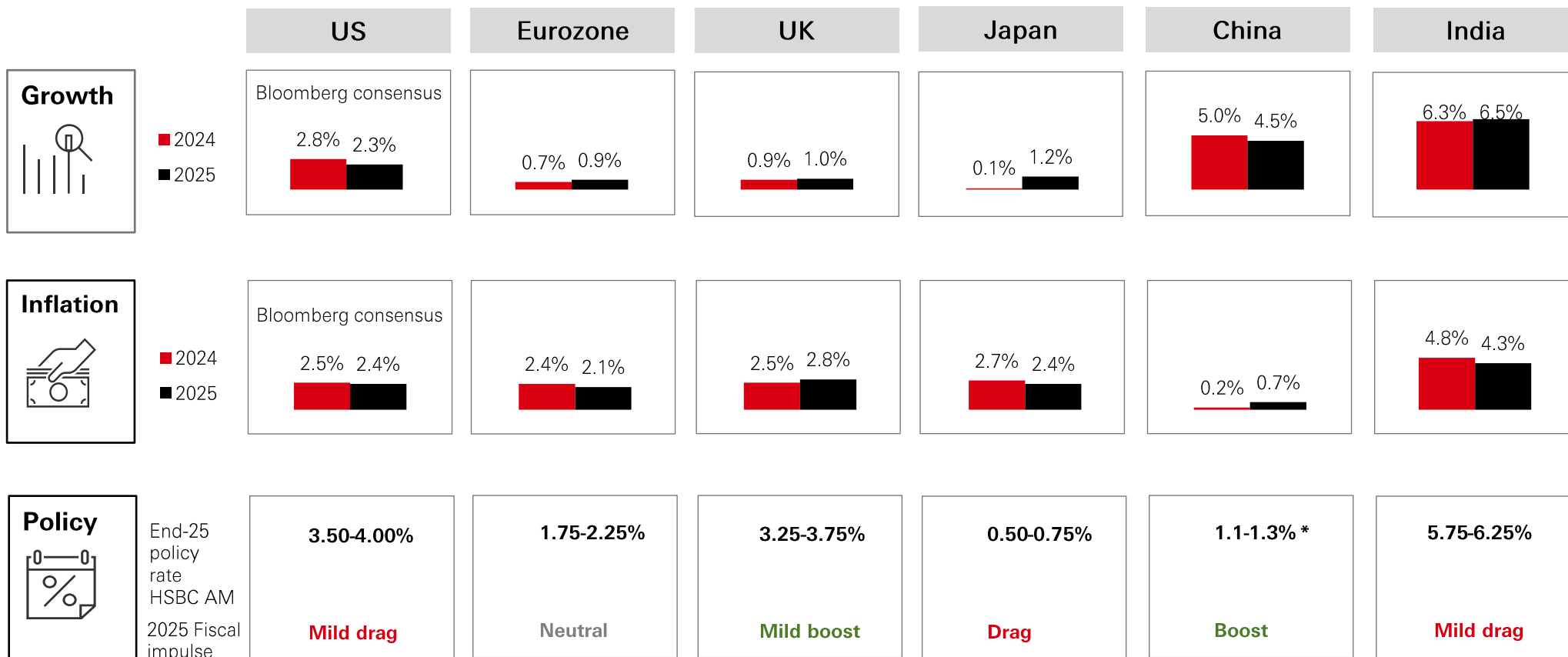
Market pricing of rates too dovish. **Bonds rangebound.** Credit spreads tighten

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.

# Global scenario

## Summary of inflation, growth, policy scenario across main economies



Note: \* 7-day reverse repo rate

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## Monthly macroeconomic update

<b>US</b>	<ul style="list-style-type: none"> <li>◆ In the <b>US</b>, Fed Chair Powell reiterated the central bank is in no hurry to cut rates, noting <math>r^*</math> (neutral rate) has increased “meaningfully”. January’s FOMC minutes signalled easing will not resume until the committee is confident that inflation has made further progress</li> <li>◆ Meanwhile, US retail sales declined in January, hinting at cooling consumer spending in early 2025. The Conference Board’s consumer confidence index fell in February. The services PMI dipped into negative territory in February, the first time since January 2023</li> </ul>
<b>Europe</b>	<ul style="list-style-type: none"> <li>◆ In the <b>eurozone</b>, latest PMI surveys hint at an improvement in early 2025. Services activity has expanded recently, manufacturing sentiment has improved. Headline inflation has moved above 2%. Moderating wage growth points to lower service sector inflation</li> <li>◆ In the <b>UK</b>, the BoE cut rates by 25bp in February, with previous MPC hawk Mann calling for a 50bp move. The BoE upgraded its medium-term CPI projection from November 2024. Headline inflation surprised on the upside in January, wage growth remains sticky</li> </ul>
<b>Asia</b>	<ul style="list-style-type: none"> <li>◆ In <b>China</b>, latest data was mixed. Recent strength may reflect front-loading of exports ahead of expected tariff hikes. The government’s subsidised trade-in programme boosted durable goods spending. An inventory overhang is constraining property investment</li> <li>◆ In <b>India</b>, the RBI lowered rates 25bp, citing easing price pressures, but policy remains in restrictive territory. Headline inflation eased in January, driven by softer food prices</li> <li>◆ In <b>Japan</b>, Q4 GDP posted a 0.7% qoq increase, led by higher net exports. Consumer spending slowed as one-off tax cuts unwound. Higher food prices boosted headline CPI</li> </ul>
<b>Other EM</b>	<ul style="list-style-type: none"> <li>◆ In <b>Latin America</b>, the latest quarterly report from Banxico, Mexico’s central bank, confirmed a dovish bias. Growth concerns are rising, inflation worries are easing. In Brazil, the headline PMI manufacturing index edged up in January but output dropped into contraction territory while price pressures continued to rise</li> <li>◆ In <b>EMEA</b>, Hungary’s central bank left policy on hold due to rising inflation concerns. South Africa’s FY25 Budget was postponed due to disagreement over a 2% VAT hike</li> <li>◆ In <b>MENA</b>, the budget deficit in Saudi Arabia was 3% of GDP in 2024. Government spending remains above target, and the public debt/GDP ratio rose to around 30%</li> </ul>

## Base case view and implications

<ul style="list-style-type: none"> <li>◆ A mini growth scare contributed to volatility in <b>US equities</b> during February, supporting our view that policy uncertainty and signs of slowing growth could be headwinds to richly-valued stocks. This weakness could favour a broadening of performance to laggard sectors, factor styles, and other global markets</li> <li>◆ We continue to prefer <b>US Treasuries over equities</b> amid a cooler growth outlook and policy uncertainty</li> </ul>
<ul style="list-style-type: none"> <li>◆ <b>European equities</b> have seen a strong start to the year. They offer value and cyclical exposure, although signs of economic weakness across the region remains a risk to earnings. Modest valuations versus global peers supports the case for selective stock picking</li> <li>◆ <b>European government bond yields</b> should fall on further ECB policy easing and potential global trade tensions</li> </ul>
<ul style="list-style-type: none"> <li>◆ <b>Chinese equities</b> still show material valuation discounts to global peers, even after AI-driven rallies. More policy stimulus may lead to further re-ratings, with the NPC meetings in early March in focus</li> <li>◆ <b>Indian equity valuations</b> remain relatively high, and rising concerns over slowing growth momentum have created recent pressures.</li> <li>◆ Corporate reforms still offer re-rating potential for <b>Japanese equities</b>, along with a stable domestic macro-outlook. Exporters and FX-sensitive sectors face external uncertainties</li> </ul>
<ul style="list-style-type: none"> <li>◆ Many <b>EM equity markets</b> 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</li> <li>◆ <b>Local-currency EM government bonds</b> 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</li> </ul>

# Asset class positioning

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

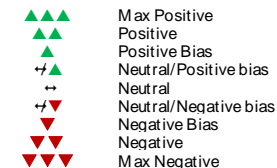


Asset class	House view	Comments
Equities	Global	↔▲ A broadly constructive backdrop of no recession, further rate cuts, and resilient profits should be good for stocks and encourage a 'broadening out' of market leadership into laggard sectors and regions. But global policy uncertainty and trade tensions could contribute to episodic volatility
	US	↔▲ Resilient economic growth, gradual disinflation, and robust corporate profits underpin above-average 2025 profit growth forecasts. Looser fiscal policy, tax cuts and deregulation could be supportive, but policy uncertainty risks stoking volatility. Rich valuations make prices vulnerable to disappointment
	UK	↔ UK stocks trade at a wide valuation discount relative to other regions despite robust earnings and above-average dividend yields. Ongoing policy easing should be beneficial, but firms remain vulnerable to volatility driven by signs of slowing global growth and policy uncertainty
	Eurozone	↔▲ Eurozone stocks offer both value and cyclical exposure partially linked to China and could benefit as global market leadership broadens out. Profits expectations are being revised up for 2025, but the growth outlook for countries across the bloc is diverse, meaning selectivity in stocks is key
	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)	▲ EM growth premiums (vs DM) are expected to widen, with overall valuations favourable and the USD playing a key role in their performance. They remain unloved as reflected in low PE ratios. EMs should not be treated as a single bloc given their idiosyncrasies, so it's crucial to remain selective
	CEE & Latam	▼ In Central and Eastern Europe, economies face mixed challenges, and the region could be vulnerable to global trade tensions. In Latam, earnings could be impacted by slowing global growth, while the domestic backdrop also presents near-term headwinds
	Frontier Markets	▲ A key attraction of frontier markets is exposure to smaller, rapidly-growing economies. They have highly varied 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 relatively 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	↔▲ Yields have declined recently on signs that growth may be slowing and uncertainty about how the US policy agenda might impact fiscal deficits and inflation trends. But USTs still provide an attractive yield and scope for capital gains if the economy weakens markedly
	UK 10-year	↔▲ Fears of a UK 'doom-loop' weighed on the Gilts market in early 2025, raising questions about fiscal sustainability. So far, such an outcome has been avoided, and our base case is for a gradual further, albeit potentially bumpy, decline in Gilt yields aided by better UK inflation news
	Germany 10-year	▲ 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	▲ Real yields are high, and EM currencies look undervalued, providing a potentially important source of returns over the longer-term. Movements in the US dollar and US Treasury yields will need to be monitored closely in 2025

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# Asset class positioning

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



Asset class	House view	Comments
Corporate bonds	<b>Global investment grade (IG)</b>	↔ ▲ 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
	<b>Global high-yield (HY)</b>	↔ ▼ 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
	<b>Securitised credit</b>	▲▲ 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
	<b>EM aggregate bond (USD)</b>	▲ 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	<b>Gold</b>	▲ Gold has rallied to new highs in 2025, with central banks continuing to be major buyers. Investor demand has also been strong, driven by a flight to safe-haven assets as a result of rising geopolitical tensions, global policy uncertainty, and financial market volatility
	<b>Other commodities</b>	↔ 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
	<b>Real estate</b>	▲ 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
	<b>Infrastructure</b>	▲ 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
	<b>Hedge funds</b>	▲▲ 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
	<b>Private credit</b>	▲▲ 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
	<b>Private equity</b>	↔ 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
	<b>US dollar (DXY)</b>	↔ ▼ With the USD expensive on a historical basis and plenty of positives already priced in, any disappointing US-related developments, or positive non-US developments relative to downbeat expectations, could start to weigh on the greenback
<b>Crypto</b>	▼▼ Crypto prices accelerated to new highs in early 2025, with new ETFs continuing to see strong inflows. However, prices have experienced a marked pick-up in volatility recently. Regulatory hurdles remain a key concern	

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# Asset class positioning

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



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 fair valuations, with China's policy measures and other structural stories as positives. Tech remains the profit engine amid rising optimism over China's AI developments, but export-oriented markets are more vulnerable to external shocks
	China equities	▲ Any follow-up fiscal stimulus could fuel further re-ratings, with analysts remaining optimistic about the earnings outlook amid escalating hopes for AI/tech breakthroughs. While external uncertainties persist, domestic challenges may already be 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, resilience to external headwinds, the potential for further 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	▲ Market confidence have stabilised on Chinese stimulus hopes and a rally in Chinese tech. Valuations are appealing, with low P/B ratios and high dividend yields, but faltering domestic macro momentum, weakness in the property market, and prevailing geopolitical risks remain 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

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# Market data

## February 2025

	Close	MTD Change (%)	3M Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
<b>Equity Indices</b>								
<b>World</b>								
MSCI AC World Index (USD)	863	-0.7	0.1	13.4	2.6	888	742	18.6
<b>North America</b>								
US Dow Jones Industrial Average	43,841	-1.6	-2.4	12.4	3.0	45,074	37,612	20.9
US S&P 500 Index	5,955	-1.4	-1.3	16.8	1.2	6,147	4,954	22.0
US NASDAQ Composite Index	18,847	-4.0	-1.9	17.1	-2.4	20,205	15,223	33.4
Canada S&P/TSX Composite Index	25,393	-0.5	-1.0	18.9	2.7	25,876	21,467	15.4
<b>Europe</b>								
MSCI AC Europe (USD)	585	3.5	7.9	8.3	10.6	595	519	14.6
Euro STOXX 50 Index	5,464	3.3	13.7	12.0	11.6	5,544	4,474	15.4
UK FTSE 100 Index	8,810	1.6	6.3	15.5	7.8	8,821	7,598	12.9
Germany DAX Index*	22,551	3.8	14.9	27.6	13.3	22,935	17,025	15.2
France CAC-40 Index	8,112	2.0	12.1	2.3	9.9	8,259	7,030	15.2
Spain IBEX 35 Index	13,347	7.9	14.7	33.5	15.1	13,347	10,032	12.2
Italy FTSE MIB	38,655	6.0	15.7	18.6	13.1	39,252	30,653	10.6
<b>Asia Pacific</b>								
MSCI AC Asia Pacific ex Japan (USD)	577	0.1	0.1	9.9	1.3	632	510	15.0
Japan Nikkei-225 Stock Average	37,156	-6.1	-2.8	-5.1	-6.9	42,427	31,156	19.0
Australian Stock Exchange 200	8,172	-4.2	-3.1	6.2	0.2	8,615	7,493	17.9
Hong Kong Hang Seng Index	22,941	13.4	18.1	38.9	14.4	24,077	16,044	10.9
Shanghai Stock Exchange Composite Index	3,321	2.2	-0.2	10.1	-0.9	3,674	2,690	13.6
Hang Seng China Enterprises Index	8,417	14.0	21.2	48.2	15.5	8,912	5,539	10.3
Taiwan TAIEX Index	23,053	-2.0	3.6	21.5	0.1	24,417	18,953	18.6
Korea KOSPI Index	2,533	0.6	3.1	-4.1	5.6	2,896	2,360	9.1
India SENSEX 30 Index	73,198	-5.6	-8.3	1.0	-6.3	85,978	70,234	19.2
Indonesia Jakarta Stock Price Index	6,271	-11.8	-11.9	-14.3	-11.4	7,911	6,246	11.7
Malaysia Kuala Lumpur Composite Index	1,575	1.1	-1.2	1.5	-4.1	1,685	1,519	13.9
Philippines Stock Exchange PSE Index	5,998	2.3	-9.3	-13.6	-8.1	7,605	5,863	10.3
Singapore FTSE Straits Times Index	3,896	1.0	4.2	24.0	2.9	3,952	3,101	11.9
Thailand SET Index	1,204	-8.4	-15.7	-12.2	-14.0	1,507	1,186	12.5
<b>Latam</b>								
Argentina Merval Index	2,205,801	-14.0	-2.3	117.4	-12.9	2,867,775	955,099	8.7
Brazil Bovespa Index*	122,799	-2.6	-2.3	-4.8	2.1	137,469	118,223	10.2
Chile IPSA Index	7,332	1.8	11.5	13.7	9.3	7,397	6,082	12.3
Colombia COLCAP Index	1,608	5.6	15.5	26.2	16.5	1,655	1,272	5.6
Mexico S&P/BMV IPC Index	52,326	2.2	5.0	-5.6	5.7	58,299	48,770	10.8
<b>EEMEA</b>								
Saudi Arabia Tadawul All Share Index	12,112	-2.4	4.0	-4.1	0.6	12,883	11,318	15.9
South Africa JSE Index	85,943	0.0	1.7	18.2	2.2	89,254	71,663	13.3
Turkey index	9,602.2	-3.5	0.1	5.1	-1.7	11,252.1	8,566.6	6.9

**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 28 February 2025. (\*) Indices expressed as total returns. All others are price returns.

# Market data (continued)

## February 2025

	<b>3-month Change (%)</b>	<b>YTD Change (%)</b>	<b>1-year Change (%)</b>	<b>3-year Change (%)</b>	<b>5-year Change (%)</b>	<b>Dividend Yield (%)</b>
<b>Equity Indices - Total Return</b>						
Global equities	0.3	2.7	15.1	30.0	82.5	1.8
US equities	-1.3	1.4	18.1	39.9	112.6	1.3
Europe equities	8.1	10.8	11.2	23.9	59.2	3.1
Asia Pacific ex Japan equities	0.4	1.6	12.5	4.4	27.8	2.9
Japan equities	-0.2	0.2	0.7	15.9	41.4	2.3
Latam equities	0.9	7.5	-16.7	1.6	9.2	5.9
Emerging Markets equities	2.1	2.3	10.1	1.4	23.2	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.

	<b>Close</b>	<b>MTD Change (%)</b>	<b>3-month Change (%)</b>	<b>1-year Change (%)</b>	<b>YTD Change (%)</b>
<b>Bond indices - Total Return</b>					
BarCap GlobalAgg (Hedged in USD)	589	1.2	0.8	6.0	1.6
JPM EMBI Global	923	1.6	1.4	9.3	2.9
BarCap US Corporate Index (USD)	3,375	2.0	0.6	6.6	2.6
BarCap Euro Corporate Index (Eur)	261	0.6	0.7	6.6	1.0
BarCap Global High Yield (USD)	640	0.8	1.9	11.9	2.1
BarCap US High Yield (USD)	2738	0.7	1.6	10.1	2.0
BarCap pan-European High Yield (USD)	609	1.2	2.7	10.6	1.9
BarCap EM Debt Hard Currency	453	1.5	1.2	8.9	2.6
Markit iBoxx Asia ex-Japan Bond Index (USD)	230	1.6	1.4	7.2	2.1
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	267	2.2	2.3	11.5	2.4

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Sources: Bloomberg, HSBC Asset Management. Data as at close of business 28 February 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)

## February 2025

<b>Bonds</b>	<b>Close</b>	<b>End of last mth.</b>	<b>3-months Ago</b>	<b>1-year Ago</b>	<b>Year End 2024</b>
<b>US Treasury yields (%)</b>					
3-Month	4.29	4.28	4.49	5.38	4.31
2-Year	3.99	4.20	4.15	4.62	4.24
5-Year	4.02	4.33	4.05	4.24	4.38
10-Year	4.21	4.54	4.17	4.25	4.57
30-Year	4.49	4.79	4.36	4.38	4.78
<b>Developed market 10-year bond yields (%)</b>					
Japan	1.37	1.24	1.04	0.70	1.09
UK	4.48	4.54	4.24	4.12	4.56
Germany	2.41	2.46	2.09	2.41	2.36
France	3.14	3.20	2.89	2.88	3.19
Italy	3.54	3.55	3.28	3.84	3.52
Spain	3.04	3.07	2.79	3.29	3.06

	<b>Latest</b>	<b>MTD Change (%)</b>	<b>3-month Change (%)</b>	<b>1-year Change (%)</b>	<b>YTD Change (%)</b>	<b>52-week High</b>	<b>52-week Low</b>
<b>Commodities</b>							
Gold	2,858	2.1	8.1	39.8	8.9	2,956	2,080
Brent Oil	73.2	-4.7	0.3	-12.5	-2.0	92	69
WTI Crude Oil	69.8	-3.8	2.6	-10.9	-2.7	88	65
R/J CRB Futures Index	302	-1.0	5.2	9.7	1.7	317	265
LME Copper	9,358	3.4	3.9	10.2	6.7	11,105	8,480

**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 28 February 2025.



# Market data (continued)

## February 2025

<b>Currencies (vs USD)</b>	<b>Latest</b>	<b>End of last mth.</b>	<b>3-mths Ago</b>	<b>1-year Ago</b>	<b>Year End 2024</b>	<b>52-week High</b>	<b>52-week Low</b>
<b>Developed markets</b>							
DXY index	107.61	108.37	105.74	104.16	108.49	110.18	100.16
EUR/USD	1.04	1.04	1.06	1.08	1.04	1.12	1.01
GBP/USD	1.26	1.24	1.27	1.26	1.25	1.34	1.21
CHF/USD	1.11	1.10	1.14	1.13	1.10	1.19	1.08
CAD	1.45	1.45	1.40	1.36	1.44	1.48	1.34
JPY	150.6	155.2	149.8	150.0	157.2	162.0	139.6
AUD	1.61	1.61	1.54	1.54	1.62	1.64	1.44
NZD	1.79	1.78	1.69	1.64	1.79	1.81	1.57
<b>Asia</b>							
HKD	7.78	7.79	7.78	7.83	7.77	7.84	7.76
CNY	7.28	7.24	7.25	7.19	7.30	7.33	7.00
INR	87.51	86.62	84.49	82.91	85.61	87.95	82.65
MYR	4.46	4.46	4.45	4.74	4.47	4.80	4.09
KRW	1,459	1,454	1,397	1,331	1,479	1,487	1,303
TWD	32.91	32.68	32.51	31.60	32.79	33.23	31.39
<b>Latam</b>							
BRL	5.88	5.84	5.97	4.97	6.17	6.32	4.93
COP	4,154	4,209	4,433	3,926	4,406	4,546	3,739
MXN	20.55	20.68	20.38	17.05	20.83	21.29	16.26
ARS	1,063.69	1,050.75	1,010.38	842.33	1,030.99	1,063.78	843.92
<b>EEMEA</b>							
RUB	89.46	98.69	106.50	91.20	113.52	115.07	82.65
ZAR	18.69	18.67	18.06	19.20	18.84	19.39	17.04

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Sources: Bloomberg, HSBC Asset Management. Data as at close of business 28 February 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 **February 2025**, HSBC Asset Management's long-term expected return forecasts which were generated as at **31 January 2025**, 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 January 2025**.
- ◆ 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 2025**.

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