Investment Monthly

Bonds are back

November 2023

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HSBC Asset Management

Summary

Macro Outlook

- **US economic activity is holding up**, although underlying demand is weakening and a slew of forward-looking indicators signal a significant deterioration in the jobs market. Higher interest rates are yet to fully feed through into the real economy
- **Outside of the US, economic conditions look worse**. European PMIs are already in recessionary territory, while China's economy continues to face challenges stemming from a stuttering property market and related confidence effects
- **Our central scenario remains that the US and European economies will fall into recession in 2024** amid restrictive monetary policy and a raft of headwinds facing consumers, including the exhaustion of pandemic excess savings

Policy Outlook

- Our central scenario assumes that **the Fed, ECB and BoE are done with policy tightening**. Policymakers have signalled a preference for a "table mountain" rate profile and financial conditions have recently tightened
- However, we believe central bankers will then have to **ease policy by more than markets currently expect during 2024**, as recessions bite
- Further monetary easing remains on the table in China, while more fiscal support is needed in order to sustain economic recovery. Meanwhile the Bank of Japan still looks likely to dismantle its yield curve control framework

House View

- **Risk assets remain under pressure as investors digest central bank signals of a 'higher for longer' interest rate regime**. A higher cost of capital and recession risk poses a material challenge for current pricing
- **We take a defensive positioning in global stocks** – favouring quality and yield. We see selective opportunities in Asia, including Japan (our preferred DM allocation) and India (strong earnings prospects)
- **In fixed income, we think 'bonds are back'** – yields are higher, and term premiums are positive again. A quality and selective credit strategy can offer a good return profile to investors now

Scenarios

PERSISTENT INFLATION	Persistent inflation pressures from supply problems and/or resilient demand
CHOPPY MARKETS	Tighter financial conditions induces global recession
SOFT-ISH LANDING	Policy only mildly restrictive/takes longer to bite due to solid private sector balance sheets

Source: HSBC Asset Management as at 1 November 2023.

Our global scenarios

	PERSISTENT INFLATION	CHOPPY MARKETS	SOFT-ISH LANDING
MACRO	**WEST: Persistent inflation pressures** due to supply problems/resilient demand -> higher-than-expected rates Deeper/delayed recession - US GDP drawdown (>2%), significant profit recession **EAST:** Weak China property sector, consumption and exports. Higher rates weigh on activity	**WEST: Tighter financial conditions induces global recession** Profits recession as nominal growth deteriorates, savings rate rises and corporates retrench **EAST:** Bumpy recovery in China but sustained policy support helps buoy growth	**WEST: Policy only mildly restrictive/takes longer to bite due to solid private sector balance sheets** GDP and profits recession very mild. 2023 consensus zero earnings growth delivered **EAST: Pickup in China activity.** Western demand holds up, buoying exports
POLICY	**WEST: Fed funds on hold for sustained period/raised further** **EAST: Very limited China policy easing**, BoJ scraps YCC + raises rates, other CBs struggle to pivot	**WEST: 2024 Fed easing > mkt expectations** amid recession. Mild fiscal drag, but no rapid austerity **EAST: China policy stance remains supportive,** BoJ scraps YCC, some CBs start cutting in late 2023	**WEST: Gradual policy easing from mid-2024** as inflation eases, resilient labour market => no aggressive cuts **EAST: China policy support is accelerated** to boost growth. Many CBs cutting rates before year-end
MARKETS	**SPX retests 2022 lows** **Long term real yields > 2.0%**. Credit spreads widen ↓ **EM assets** amid ↑ US rates and USD ↑ USD cash, CHF, JPY, momentum, macro HFs, infrastructure and defensive equity, FRNs	**Choppy 12m outlook for stocks** **Prefer high-quality bonds** and carry opportunities in **high quality credits** **Selective EM opportunities** amid better growth, inflation and valuations, Fed 2024 easing	Reduced pressure on profits and multiples. **Further upside to equities** **Credit spreads tighten** to price more benign default scenario **EM assets gain** rally as USD falls. China outperforms

Source: HSBC Asset Management as at 1 November 2023.

House view

A higher cost of capital and elevated probability of recession poses a material challenge for current pricing of risk assets. We take a defensive positioning in global stocks – favouring quality and yield. In fixed income, we think 'bonds are back' – yields are higher, and term premiums are positive again

- **Equities** – We take a defensive positioning in global stocks amid downside risks to the corporate earnings outlook. We see selective opportunities in Asia, including Japan (our preferred DM allocation) and India
- **Government bonds** – Arguments that stubborn inflation keeps rates higher-for-longer may be overdone. With recessionary indicators flashing red, rate cuts could come sooner than expected. Broadly, we think that 'bonds are back' with duration risk now being rewarded
- **Corporate bonds** – Spreads have room to widen as global economic conditions deteriorate, but investment grade credits can provide good income opportunities given stable and healthy balance sheets

Equities

Asset Class	House view	View move
Global	▼	–
US	▼	–
UK	▼	–
Eurozone	▼	–
Japan	▲	–
Emerging Markets (EM)	▲	–
CEE & Latam	↔	–
Frontier	▲	–

Government bonds

Asset Class	House view	View move
Developed Market (DM)	↔	–
US	▲	–
UK	▲	↑
Eurozone	↔	–
Japan	▼	–
Inflation-linked bonds	▲	–
EM (local currency)	▲	–

Corporate bonds

Asset Class	House view	View move
Global investment grade (IG)	↔	–
USD IG	↔	–
EUR & GBP IG	▲	–
Asia IG	↔	–
Global high-yield	↔	–
US high-yield	↔	–
Europe high-yield	↔	–
Asia high-yield	↔	–
Securitised credit	▲	–
EM aggregate bond (USD)	▲	–

FX & Alternatives

Asset Class	House view	View move
Gold	▲	–
Other commodities	↔	–
Real estate	▲	–
Infrastructure	▲	–
Hedge funds	▲	–
Private equity	↔	–
US dollar	▼	–
Crypto	↔	–

Asian assets

Asset Class	House view	View move
Asia local bonds	▲	–
RMB bonds	↔	–
Asia ex-Japan equities	▲	–
China	▲	–
India	▲	–
ASEAN	▲	–
Hong Kong	▲	–
Asia FX	▲	–

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

▲ Positive
↔ Neutral
▼ Negative

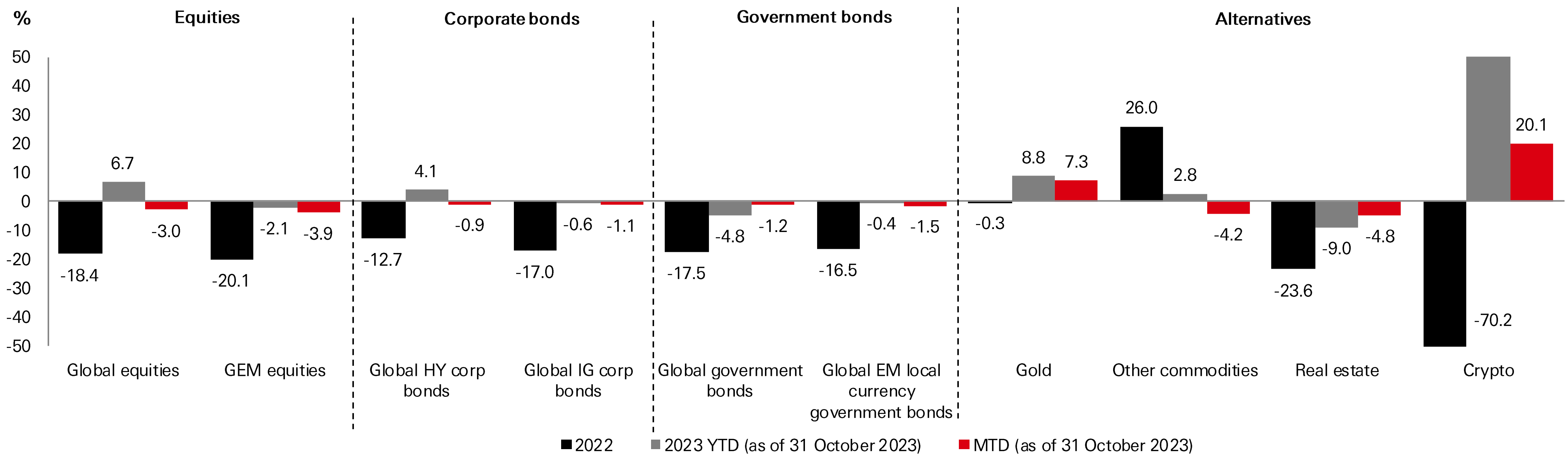
View move:
– No change
↑ Upgraded versus last month
↓ Downgraded versus last month

Source: HSBC Asset Management as at 1 November 2023.

Asset class performance at a glance

Yields on 10-year Treasuries continued to rise during October (prices fell), while equities declined as investors grappled with the prospect of higher-for-longer rates and the impact on future economic growth prospects

- **Government bonds** – Yields on longer duration US Treasuries rose during the month, with resilient economic data feeding expectations of higher-for-longer rates. Ten-year bonds yields momentarily broke past 5%
- **Equities** – Equities fell as further gains in long-dated borrowing costs weighed on valuations and contributed to concerns over future growth. Mid and small-cap equities underperformed
- **Alternatives** – Oil prices fell amid evidence of softening US demand and as higher rates weighed on the outlook. Gold traded higher amid growing investor caution



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 October 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.

Base case views and implications

	Monthly macroeconomic update	Base case view and implications
US	◆ Growth in Q3 rose to 4.9% qoq annualised, with robust consumer spending playing an important role. However, consumer credit conditions have tightened markedly, and the labour market is cooling, which will put pressure on corporate profits ◆ Inflation is moderating but remains stubbornly high in places. While a further rate hike is possible, tightening financial conditions may negate the need for further action. With the impact of restrictive policy yet to be fully felt across the economy and excess consumer savings running down, we expect rates to fall as recession hits in 2024	◆ **US equity** valuations have moderated, although tech-related sectors remain stretched. Pricing continues to reflect a 'soft landing' scenario despite the likelihood of weakening pricing power and economic downturn, hence we remain cautious ◆ **Bond yields may remain** elevated in a structurally higher inflation regime but current pricing remains inconsistent with recession spurring significant Fed rate cuts
Europe	◆ **Eurozone** growth has stagnated with notable weakness in household consumption. Recent PMIs are already in recessionary territory and economic activity across the region remains sluggish amid global growth risks. Policy easing could begin from mid-2024 ◆ **UK** growth has been weak, with near-term indicators heralding a slowing in momentum. We expect a recession is needed in 2024 to cool the labour market and bring down inflation	◆ **European equities** are facing profitability pressures amid especially sluggish activity. While ECB rates have likely peaked, they may be elevated for some time, creating a difficult environment ◆ A Eurozone recession can lead to some outperformance in the medium term for **European government bonds**, especially as the ECB begins easing policy next year
Asia	◆ **China**'s Q3 macro data signalled a stabilisation of cyclical growth, with the economy well on track to achieve its "about 5%" growth target. Continuing policy support is still needed to sustain momentum amid a prolonged downturn in the property market ◆ **India** still shows its macro resilience and increasing infrastructure spending may offset some external headwinds. The downtrend in core inflation continues, but the RBI may keep a tightening bias in consideration of upside risks ◆ **Japan**'s elevated core inflation maintains pressure on the BoJ to raise its inflation forecast and normalise its policy stance gradually. Domestic consumption continues to fare well but weakening external demand remains a drag on industrial activity	◆ **Chinese equities** are favourably valued but lingering macro concerns may cloud the earnings outlook. They can outperform should ongoing policy support revive market confidence ◆ **Indian equities** show stable earnings growth, backed up by an appealing structural story. Rich valuations could limit upside though ◆ **ASEAN equities** may continue to be supported by regional macro resilience, though rising global uncertainties is a downside risk. Their defensive qualities remain attractive
Other EM	◆ Disinflation is continuing in **Latin America**, although Brazil reported an uptick in headline inflation in September. Policy easing should continue in the coming months ◆ While headline inflation continues to fall in **Eastern Europe** it remains above target. Some of the sharpest recent falls have been seen in Czech Republic, Poland and Hungary but growth remains subdued and an economic recovery has been slow ◆ Although rising food prices are adding to volatility, inflation dynamics are relatively benign in **MENA**. Oil production curbs are likely to act as a drag on growth, but the outlook still looks robust, despite fiscal consolidation in some areas	◆ In the **EM equity** space, parts of Asia remain vulnerable to China growth concerns, but meaningful China policy support can 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 though

Source: HSBC Asset Management as at 1 November 2023.

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 scope for near-term gains given economic resilience, but recession risks are growing and momentum is moderating. Valuations look slightly stretched in the US, while eurozone activity is sluggish. Japan looks interesting in the context of a more robust earnings outlook
	US	▼	–	Valuations have improved but continue to look stretched in places, with AI enthusiasm moderating. Risks of a recession are notable and do not appear to be priced in, with declining consumer savings and tighter credit conditions likely to challenge 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 on the Bank of England's policy outlook
	Eurozone	▼	–	Eurozone activity is especially sluggish, and while the European Central Bank may be at peak interest rates, inflation remains uncomfortably high and is likely to keep rates higher-for-longer. This creates a difficult environment for equities
	Japan	▲	–	A gradual increase in JGB yields following the BoJ's policy tweak may pressure valuations, with potential yen appreciation also serving as a headwind, however on the flipside, this can benefit bank profitability. A steady earnings growth outlook is positive
	Emerging Markets (EM)	▲	–	Broadly speaking, EM risk premiums look generous and the growth outlook is positive, but China's cyclical outlook is concerning and consistent with a more cautious view of EM overall. Large scale China policy support would meaningfully boost the outlook given current sentiment levels
	CEE & Latam	↔	–	In emerging Europe, cooling headline inflation is prompting rate cuts but policy announcements are divergent and activity is looking sluggish. In Latam, central bank rate cuts can support valuations and higher energy prices can help offset global cyclical challenges for commodity exporters
	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 still linger and may prompt central banks to keep rates higher-for-longer. While this may keep yields elevated in the near-term, we believe that as recession risks crystallise, central banks may start to cut rates, boosting performance
	US	▲	–	Following an upside revision to the Fed's growth forecasts, Chairman Powell confirmed the expectation of higher-for-longer rates. However, current restrictive policy is yet to work through the economy, with recession and associated rate cuts likely to prompt falling yields later into 2024
	UK	▲	↑	We believe the Bank of England has likely reached peak rates, however the subsequent rate trajectory remains unclear amid what is very high wage growth. This is the key upside risk to yields, but over a medium term, a policy-induced recession should bring bond yields down
	Eurozone	↔	–	Against a backdrop of weak growth, the ECB has stressed the view that inflation is expected to remain uncomfortably high for some time. Rates are likely to be kept on hold well into H1 2024, limiting upside eurozone bond performance
	Japan	▼	–	The Bank of Japan has slightly relaxed its "Yield Curve Control" framework amid mounting pressure, 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	▲	–	The key risk to the outlook is if sticky inflation prompts further rate rises, however given where real yields are, valuations seem attractive. The asset class offers good carry and can benefit as central banks begin cutting through next year
	EM local currency	▲	–	Yields crept up recently, perhaps from some profit taking in parts of the Latam space, however disinflationary trends are continuing to play out. We may be past peak yields as central banks begin cutting rates well into 2024, which is beneficial

Source: HSBC Asset Management as at 1 November 2023.

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)**	↔	–	Spreads look rich in parts given recession risks, but many corporates have stable balance sheets. As such, with a selective approach, investors can take advantage of some solid income opportunities, which can be attractive as we enter a cyclical slowdown
	USD IG	↔	–	Though slightly expensive right now, the fundamentals for most US IG sectors are resilient and fears surrounding spillovers from US regional banking challenges have ebbed. While spreads are towards the lower end of their range, all-in yields can still be attractive
	EUR and GBP IG	▲	–	Spreads are moderate, but in the context of a slowdown, they could widen. Nevertheless, investors can benefit from good carry opportunities, with non-cyclical issuers being slightly more attractive
	Asia IG	↔	–	Valuations are rich and spreads could widen in the near term amid some credit rating downgrades and challenges in China and global macro. However, this can be partially offset by a healthy primary market, with many issuers boasting strong fundamentals
	Global high-yield (HY)	↔	–	Higher-for-longer rates are likely to stress high-yield issuers. Valuations in many cases do not reflect recession and accompanying default risks. Positively, healthy balance sheets and attractive yields can be of benefit
	US HY	↔	–	US HY issuers have healthy liquidity and balance sheets which may mean spread widening is limited relative to typical recessions, however valuations don't entirely reflect the risk of an economic downturn. This warrants some caution
	Europe HY	↔	–	Downside risks exist from persistent growth challenges in China, the effects of ECB policy working through the wider economy and stagflation concerns from the renewed rise in commodity prices. All-in yields are relatively attractive though
	Asia HY	↔	–	Spreads can widen reflecting weakness in the China property space which could prove persistent. Parts of the region are attractive though such as India and Indonesia, which have healthy technical backdrops and less exposure to China risks
	Securitised credit	▲	–	A higher-for-longer rate regime could provide attractive income opportunities for this typically floating rate asset class. Meanwhile, more senior tranches benefit from credit enhancements that can help mitigate some potential recession-related stresses
	EM aggregate bond (USD)	▲	–	Spreads can widen as slower growth adds to the need for default risk compensation. Corporates are more attractive given relatively lower new supply into the market. Some pockets stand to gain from fiscal improvement and positive policy announcements though
FX & Alternatives	**Gold**	▲	–	Prices have strengthened this year and may be supported by a peak in rate hikes and continued evidence of strong central bank buying. There are also portfolio diversification benefits though upside may be limited
	Other commodities	↔	–	A broad global slowdown is the key risk factor to the outlook. China's economic story will be a critical driver though, with a meaningful recovery likely to provide a boost to prices. OPEC+ market management is likely to continue to support oil prices
	Real estate	▲	–	Direct real estate is pressured amid still high central bank policy rates. Listed real estate has repriced much faster though and can offer attractive income opportunities. A strategy focusing on sectors with high occupancy and inflation-capturing leases is preferable
	Infrastructure	▲	–	Infrastructure debt offers better expected returns than global credits, with lower spread volatility during recessionary periods. In the event of a recession, 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	▼	–	Broader US disinflation and given we are likely at the peak for Fed rates suggests the dollar could decline in the medium term. Near term resilience can stem from an environment of higher-for-longer rates and relative US economic outperformance though
	Crypto	↔	–	Bitcoin prices rallied during October on speculation that SEC approval might be forthcoming for a spot Bitcoin ETF. Regulatory concerns remain a key concern for the asset class, but there could be scope for upside if regulatory developments are positive

Source: HSBC Asset Management as at 1 November 2023.

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
Asian assets	**Asia local bonds**	▲	–	Asia's more resilient growth impulse should be supportive. Although most Asian central banks may soon pause (or may have paused) their tightening cycle as core inflation moderates further, short-term volatility may rise with lingering uncertainties around the US interest rate outlook
Asian assets	**RMB bonds**	↔	–	Ongoing policy support is expected, in addition to the already accommodative monetary background. Although long-term diversification benefits remain intact, strong primary supply and the weak RMB could limit the upside in the medium term
Asian assets	**Asia ex-Japan equities**	▲	–	Macro uncertainties, geopolitics, margin erosion, and earnings downgrades remain key risks, but more policy rollouts in China to sustain growth momentum and less aggressive tightening by Asian central banks may offer some support. Dispersion in regional markets remains likely
Asian assets	China equities	▲	–	Although risks to the outlook still linger from a prolonged property market downturn, softening external demand, and a weak short-term RMB, a nascent sign of cyclical growth stabilisation following more policy support and attractive valuations may help revive some investor confidence
Asian assets	India equities	▲	–	While rich valuations are a concern, Indian equities show solid earnings growth potential with a strong structural story amid favourable reform prospects and increased infrastructure spending. Policy rates may have peaked, but the RBI will likely hold its tightening bias for a while
Asian assets	ASEAN equities	▲	–	ASEAN's resilient growth momentum and their near-peak (or already peaked) rate hike cycles are positives. Defensive qualities are attractive and supply-chain relocation provides further support, but short-term volatility may heighten amid higher yields and lingering Chinese macro worries
Asian assets	Hong Kong equities	▲	–	Lingering global and Chinese macro uncertainties, and the faltering domestic property market remain the key downside risks to earnings outlook. But their compelling valuations, a stable job market and policy measures should help partially offset some headwinds
Asian assets	**Asia FX**	▲	–	Potential USD weakness remains a medium term benefit, but the volatile Treasury yields could be a short-term headwind. The overall macro backdrop supports the outlook but dispersion in currency pairs may extend with their divergent economic performance

Source: HSBC Asset Management as at 1 November 2023.

Market data
October 2023

Equity Indices	Close	MTD Change (%)	3M Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
World								
MSCI AC World Index (USD)	637	-3.1	-10.0	8.6	5.2	708	567	16.1
North America								
US Dow Jones Industrial Average	33,053	-1.4	-7.0	1.0	-0.3	35,679	31,430	18.2
US S&P 500 Index	4,194	-2.2	-8.6	8.3	9.2	4,607	3,698	18.9
US NASDAQ Composite Index	12,851	-2.8	-10.4	17.0	22.8	14,447	10,207	27.2
Canada S&P/TSX Composite Index	18,873	-3.4	-8.5	-2.8	-2.6	20,843	18,692	13.3
Europe								
MSCI AC Europe (USD)	464	-3.7	-11.5	13.0	1.6	528	398	11.9
Euro STOXX 50 Index	4,061	-2.7	-9.2	12.3	7.1	4,492	3,563	11.4
UK FTSE 100 Index	7,322	-3.8	-4.9	3.2	-1.7	8,047	7,076	10.5
Germany DAX Index*	14,810	-3.7	-10.0	11.7	6.4	16,529	13,023	10.5
France CAC-40 Index	6,886	-3.5	-8.2	9.9	6.4	7,581	6,192	11.6
Spain IBEX 35 Index	9,017	-4.4	-6.5	13.3	9.6	9,742	7,798	9.7
Italy FTSE MIB	27,742	-1.8	-6.4	22.5	17.0	29,758	22,507	7.5
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	472	-4.1	-12.9	8.8	-6.7	563	433	14.0
Japan Nikkei-225 Stock Average	30,859	-3.1	-7.0	11.9	18.3	33,773	25,662	18.2
Australian Stock Exchange 200	6,781	-3.8	-8.5	-1.2	-3.7	7,568	6,751	14.9
Hong Kong Hang Seng Index	17,112	-3.9	-14.8	16.5	-13.5	22,701	15,277	8.7
Shanghai Stock Exchange Composite Index	3,019	-2.9	-8.3	4.3	-2.3	3,419	2,924	11.2
Hang Seng China Enterprises Index	5,862	-4.7	-15.0	18.7	-12.6	7,774	5,137	8.0
Taiwan TAIEX Index	16,001	-2.2	-6.7	23.6	13.2	17,464	12,868	17.4
Korea KOSPI Index	2,278	-7.6	-13.5	-0.7	1.9	2,668	2,181	13.0
India SENSEX 30 Index	63,875	-3.0	-4.0	5.1	5.0	67,927	57,085	20.0
Indonesia Jakarta Stock Price Index	6,752	-2.7	-2.6	-4.9	-1.4	7,111	6,543	2.2
Malaysia Kuala Lumpur Composite Index	1,442	1.3	-1.2	-1.2	-3.6	1,504	1,369	14.2
Philippines Stock Exchange PSE Index	5,974	-5.5	-9.4	-2.9	-9.0	7,138	5,920	11.4
Singapore FTSE Straits Times Index	3,068	-4.7	-9.1	-0.8	-5.6	3,408	3,042	10.1
Thailand SET Index	1,382	-6.1	-11.2	-14.1	-17.2	1,696	1,366	15.7
Latam								
Argentina Merval Index	579,150	2.9	26.7	286.3	186.6	834,791	142,797	5.9
Brazil Bovespa Index*	113,144	-2.9	-7.2	-2.5	3.1	123,010	96,997	8.0
Chile IPSA Index	5,408	-7.3	-15.4	4.1	2.8	6,449	5,072	0.6
Colombia COLCAP Index	1,088	-3.0	-7.4	-11.6	-15.4	1,348	1,045	6.0
Mexico S&P/BMV IPC Index	49,062	-3.6	-10.5	-1.7	1.2	55,627	47,765	11.7
EEMEA								
Russia MOEX Index	3,201	2.2	4.1	47.7	48.6	3,287	2,071	#N/A N/A
South Africa JSE Index	69,653	-3.8	-11.8	4.5	-4.6	81,338	65,610	9.1
Turkey ISE 100 Index*	7,514	-9.8	4.1	88.8	36.4	8,563	3,987	5.7

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 October 2023. (*) Indices expressed as total returns. All others are price returns.

Market data (continued)

October 2023

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	-9.6	6.7	10.5	21.4	43.4	2.3
US equities	-8.6	10.5	9.5	30.0	64.0	1.6
Europe equities	-11.2	3.9	15.7	25.8	26.5	3.7
Asia Pacific ex Japan equities	-12.4	-4.5	11.8	-11.0	13.4	3.4
Japan equities	-8.8	6.2	16.8	5.5	15.5	2.3
Latam equities	-13.7	7.5	3.7	46.8	5.7	5.4
Emerging Markets equities	-12.2	-2.1	10.8	-10.6	8.2	3.0

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.

Bond indices - Total Return	Close	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	526	-0.7	-2.5	1.7	0.4
JPM EMBI Global	765	-1.5	-5.6	6.9	-0.4
BarCap US Corporate Index (USD)	2,913	-1.9	-5.2	2.8	-1.9
BarCap Euro Corporate Index (Eur)	234	0.4	-0.3	4.0	2.9
BarCap Global High Yield (USD)	521	-0.9	-2.1	9.1	4.6
BarCap US High Yield (USD)	2287	-1.2	-2.1	6.2	4.6
BarCap pan-European High Yield (USD)	511	-0.1	0.9	11.7	8.0
BarCap EM Debt Hard Currency	380	-1.3	-4.9	7.8	-0.3
Markit iBoxx Asia ex-Japan Bond Index (USD)	201	-0.6	-2.6	7.1	0.5
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	214	-0.7	-3.3	16.5	-3.8

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 October 2023. 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)

October 2023

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2022
US Treasury yields (%)					
3-Month	5.46	5.45	5.40	4.06	4.34
2-Year	5.09	5.04	4.88	4.48	4.43
5-Year	4.85	4.61	4.18	4.23	4.00
10-Year	4.93	4.57	3.96	4.05	3.87
30-Year	5.09	4.70	4.01	4.16	3.96
Developed market 10-year bond yields (%)					
Japan	0.94	0.76	0.60	0.24	0.41
UK	4.51	4.44	4.31	3.51	3.66
Germany	2.80	2.84	2.49	2.14	2.57
France	3.43	3.40	3.02	2.67	3.11
Italy	4.72	4.78	4.10	4.29	4.70
Spain	3.88	3.93	3.51	3.22	3.65

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,984	7.3	1.0	21.4	8.8	2,063	1,617
Brent Oil	87.4	-8.3	2.2	-7.8	1.7	100	70
WTI Crude Oil	81.0	-10.8	-1.0	-6.4	0.9	95	64
R/J CRB Futures Index	281	-1.2	-0.4	2.6	1.2	290	254
LME Copper	8,111	-1.9	-8.2	8.9	-3.1	9,551	7,449

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 October 2023.

Market data (continued)

October 2023

Currencies (vs USD)	Latest	End of last mth.	3-mths Ago	1-year Ago	Year End 2022	52-week High	52-week Low
Developed markets							
DXY index	106.66	106.17	101.86	111.53	103.52	113.15	99.58
EUR/USD	1.06	1.06	1.10	0.99	1.07	1.13	0.97
GBP/USD	1.22	1.22	1.28	1.15	1.21	1.31	1.12
CHF/USD	1.10	1.09	1.15	1.00	1.08	1.18	0.99
CAD	1.39	1.36	1.32	1.36	1.36	1.39	1.31
JPY	151.7	149.4	142.3	148.7	131.1	151.7	127.2
AUD	1.58	1.55	1.49	1.56	1.47	1.59	1.40
NZD	1.72	1.67	1.61	1.72	1.57	1.74	1.53
Asia							
HKD	7.82	7.83	7.80	7.85	7.80	7.85	7.76
CNY	7.32	7.30	7.14	7.31	6.90	7.35	6.69
INR	83.26	83.04	82.25	82.78	82.74	83.29	80.51
MYR	4.76	4.70	4.51	4.73	4.40	4.79	4.23
KRW	1,351	1,348	1,274	1,425	1,260	1,429	1,216
TWD	32.40	32.24	31.46	32.27	30.73	32.51	29.61
Latam							
BRL	5.04	5.03	4.73	5.18	5.29	5.53	4.70
COP	4,122	4,078	3,925	4,932	4,851	5,156	3,879
MXN	18.05	17.42	16.74	19.81	19.50	19.92	16.63
ARS	349.98	350.00	275.27	156.90	177.13	350.26	157.29
EEMEA							
RUB	93.39	97.55	91.81	61.93	74.19	102.36	59.94
ZAR	18.65	18.92	17.85	18.35	17.04	19.92	16.70

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 October 2023.

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 **October 2023**, HSBC Asset Management's long-term expected return forecasts which were generated as **at 29 September 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 **29 September 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 October 2023**.

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