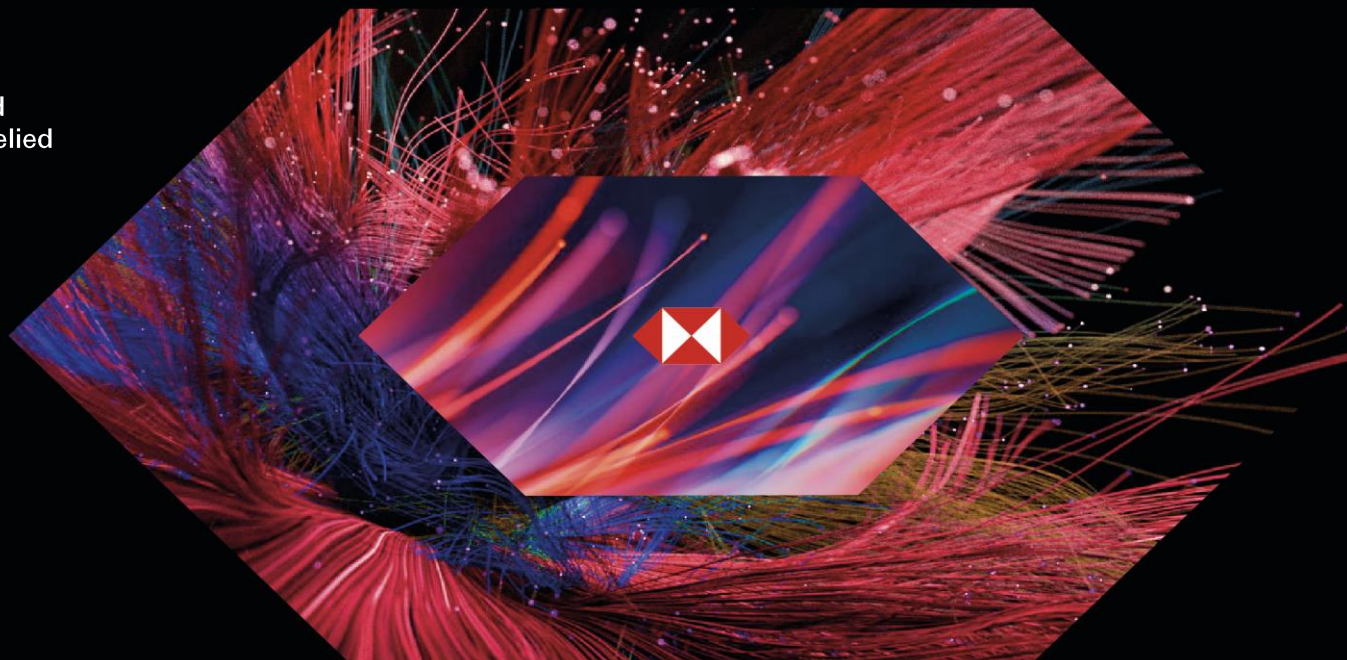


Investment Monthly

Market rotations

September 2024

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



Summary

Macro Outlook

- ◆ **Inflation is in retreat** across western economies and emerging markets. This opens the prospect of Fed rate cuts, accelerating the global rate cutting cycle which is already underway in many emerging markets
- ◆ **Our base case remains for a soft-ish landing.** But global growth remains 'multi-speed'. US recession risks have increased, and investors are worried about growth and deflation in China
- ◆ **Profits growth should now 'broaden out'**, with improved growth in ex-technology stocks and markets outside the US

House View

- ◆ Investors should prepare for **a more volatile journey in markets** amid global economic cooling and heightened political uncertainty
- ◆ **Our base case is the soft-ish landing.** If delivered, it is a path for a 'great rotation' in markets – and for value, EM, and small caps to perform
- ◆ In fixed income markets, we see a **strong case for a 'structural steepener' of the yield curve.** Private credits remain attractive
- ◆ **EMs should benefit from a weaker US dollar,** and can be an idiosyncratic source of returns in the multi-polar world

Policy Outlook

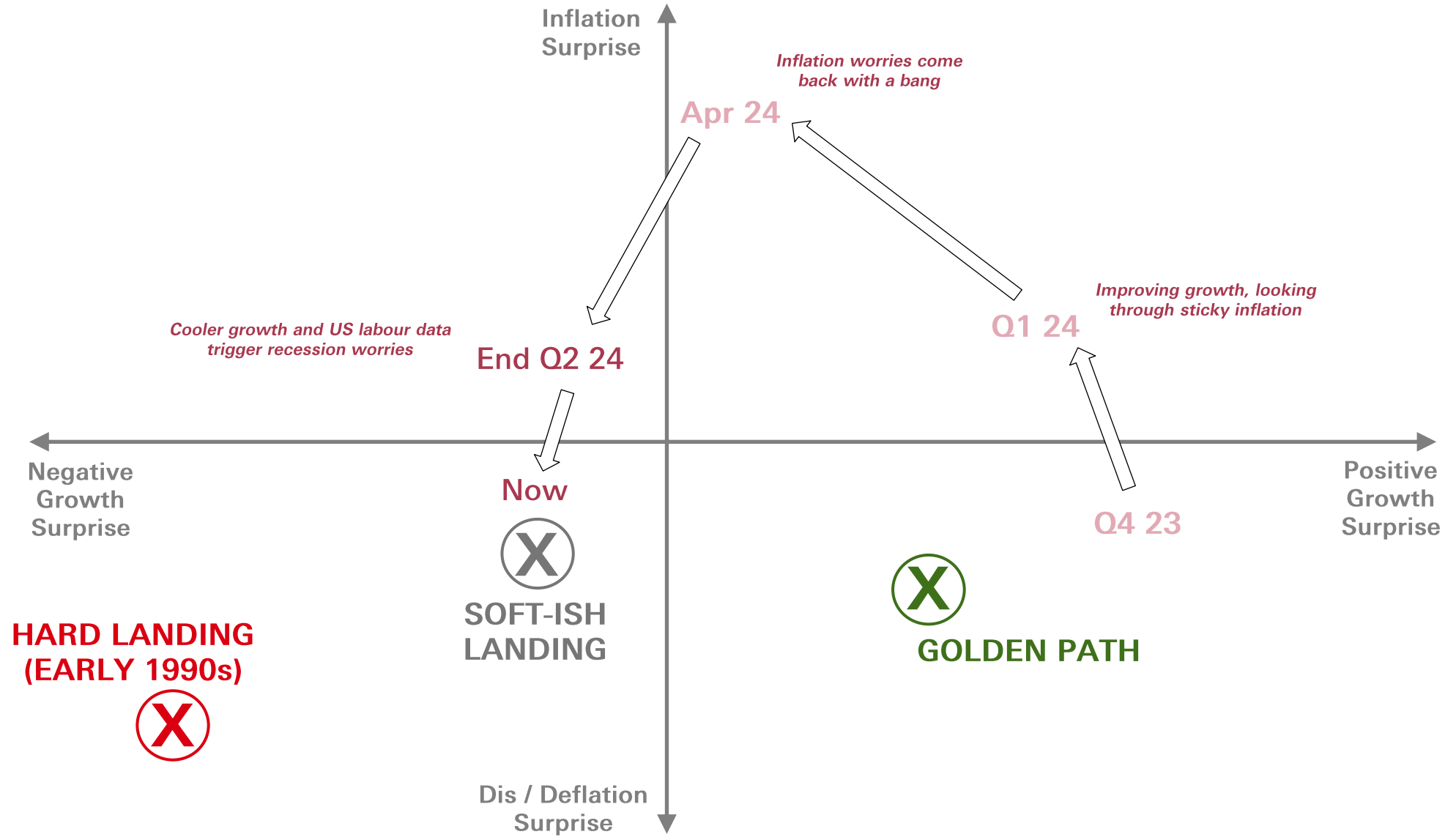
- ◆ The Fed needs to deliver a series of back-to-back rate cuts to get policy back to a more neutral setting. We see the **funds rate falling to 3.50% by mid-2025**
- ◆ **US fiscal policy will be a mild drag on growth in H2** and into 2025, but much will depend on the election result in November
- ◆ More **policy easing is needed in China** to address weak nominal growth. Officials have pledged more counter-cyclical support
- ◆ We assume **another rate rise for the Bank of Japan,** with inflation above target and wage growth breaking higher

Scenarios

SOFTISH LANDING	Inflation stabilises around target. GDP growth is below trend. Profit growth broadens-out
HARD LANDING	Restrictive policy induces recession. Inflation is below 2%. Most assets sell off. Bonds perform
GOLDEN PATH	Productivity boosts GDP without inflation. Bull market continues. US leadership is extended

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. 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.

Macro scenarios in 2024



House view

Markets face potential volatility amid slowing global growth and political uncertainty. **A soft-ish economic landing could spur a further broadening out of performance across stock market sectors and geographies.** We prefer high quality fixed income, including private credits. A weaker US dollar should benefit emerging market assets

- ◆ **Equities** – Stocks have broadly recovered from August’s ‘market tantrum’ but pockets of stretched valuations imply ongoing vulnerability to profits disappointments. Defensive sectors should continue to be relative outperformers. EM and European market exposure offers upside given less-demanding valuations
- ◆ **Government bonds** – With yields still elevated and August’s market turbulence proving Treasuries haven’t lost their role as a hedge against equity market volatility, we think this remains an attractive asset class to own
- ◆ **Corporate bonds** – Investment grade and high yield credit spreads continue to trade close to historic tight despite cooling in the US economy, but high ‘all in’ yields means corporate credit remains potentially attractive

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

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

▲ Positive
↔ Neutral
▼ Negative

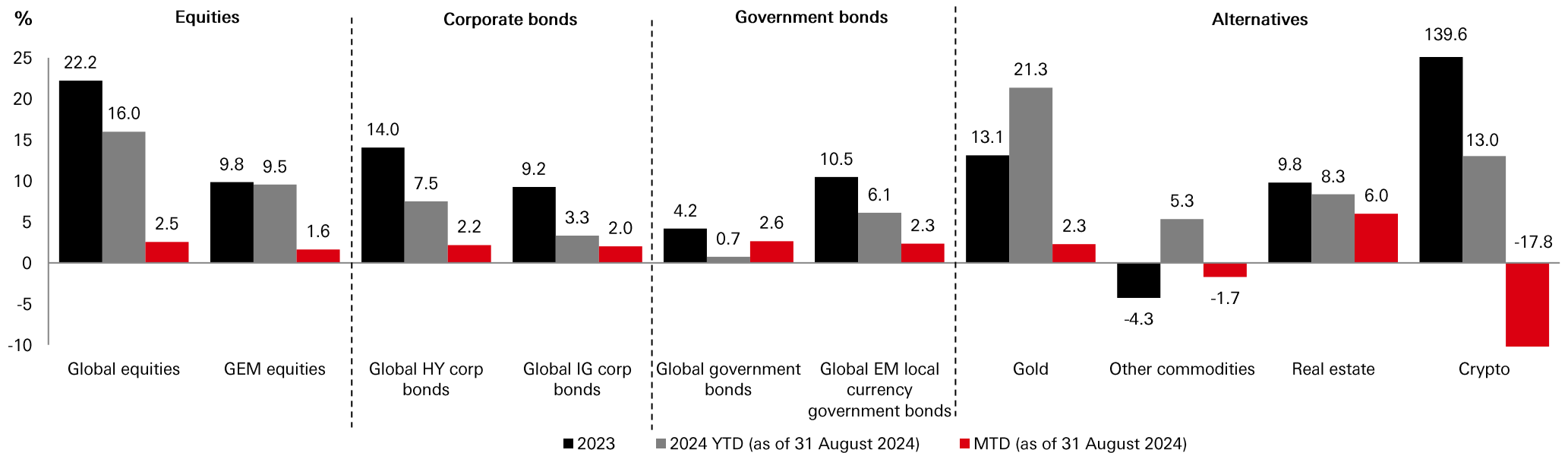
View move:
— No change
↑ Upgraded versus last month
↓ Downgraded versus last month

Source: HSBC Asset Management as at September 2024. The level of yield is not guaranteed and may rise or fall in the future. 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

After a broad sell-off in early August, global equities rebounded, with laggard sectors like financials and healthcare leading the recovery. Amid signs of slowing global growth, government bonds rallied. US dollar weakness sparked a rally in EM Asia FX, while risk-off sentiment drove gold higher

- ◆ **Government bonds** – Government bonds performed well (yields fell) as markets priced-in global growth concerns and a major shift in expectations for near-term Fed rate cuts, with 2yr US Treasury yields falling sharply
- ◆ **Equities** – Technology stocks led the August sell-off and lagged as markets rebounded. US and Japanese equities recovered previously lost ground, and European markets advanced to new highs. In emerging markets, indices in Brazil and India also rebounded to new highs, but Chinese equities struggled
- ◆ **Alternatives** – Rate-sensitive asset classes, including real estate, rallied. Industrial metals gained, while gold rose to new highs. Oil finished the month lower despite geopolitical tensions. Crypto continued to see weakness



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 31 August 2024 in USD, total return, month-to-date terms. Note: Asset class performance is represented by different indices. **Global Equities:** MSCI ACWI Net Total Return USD Index. **Global Emerging Market Equities:** MSCI Emerging Market Net Total Return USD Index. **Corporate Bonds:** Bloomberg Barclays Global HY Total Return Index value unhedged. Bloomberg Barclays Global IG Total Return Index unhedged. **Government bonds:** Bloomberg Barclays Global Aggregate Treasuries Total Return Index. JP Morgan EMBI Global Total Return local currency. **Commodities and real estate:** Gold Spot \$/OZ, Other commodities: S&P GSCI Total Return CME. **Real Estate:** FTSE EPRA/NAREIT Global Index TR USD. **Crypto:** Bloomberg Galaxy Crypto Index.

Monthly macroeconomic update

US	<ul style="list-style-type: none"> ◆ In the US, Fed Chair Powell's Jackson Hole speech stated "the time has come for policy to adjust", with the timing and pace of rate cuts dependent on: (1) incoming data, (2) the evolving outlook, and (3) the balance of risks. July's minutes revealed "several" members considered cutting 25bp then, with the "vast majority" ready to cut in September ◆ Goods inflation has normalised while core service inflation is on an improving trend with owners' equivalent rent now rising at a more acceptable sequential pace
Europe	<ul style="list-style-type: none"> ◆ The eurozone composite PMI rebounded in August but was distorted by a one-off Olympic-driven surge in France. The German PMI points to continued stagnation. Goods disinflation continues. Service sector inflation remains sticky but slower negotiated pay growth in Q2 hints at softer wage growth in coming months ◆ In the UK, GDP posted its second consecutive quarterly increase in Q2 2024. Consumer spending remains sluggish. Headline inflation was close to the BoE's 2% target in July
Asia	<ul style="list-style-type: none"> ◆ Chinese data remained soft in July. Export growth slowed and industrial production disappointed. Retail sales picked up modestly, but housing remains a drag on growth ◆ In India, favourable base effects pushed down headline inflation in July. The RBI remains hawkish, focusing on potential upside pressures from higher food prices ◆ In Japan, BoJ governor Ueda reiterated his commitment to gradual rate hikes if growth and inflation remain on track but warned market volatility may impact inflation. Nationwide CPI excluding fresh food and energy softened in July
Other EM	<ul style="list-style-type: none"> ◆ In Latin America, Banxico (Mexico's central bank) lowered rates 25bp in August in a split decision amid rising growth concerns. In contrast, COPOM, Brazil's monetary policy committee, warned "it would not hesitate" to raising rates to ensure inflation converges to its target over the medium-term ◆ Diverging monetary policy stances persist in Eastern Europe. Hungary paused in August but maintains a dovish bias, Turkey's central bank kept a hawkish stance ◆ In MENA, fiscal pressures are rising in Saudi Arabia, driven by relatively soft oil prices and lower oil production amid elevated public sector capital investment plans

Base case view and implications

- ◆ A broad recovery in **US equities** means valuations continue to be stretched in places. A stronger performance from defensive sectors implies potential for a 'broadening out' of performance in H2. If a soft landing is achieved, it could trigger a rotation benefiting 'value' and small caps
- ◆ We continue to prefer **US Treasuries over equities**, which have rallied on the repricing of Fed rate cut expectations in 2024
- ◆ **European equities** rebounded to new highs in August. Relatively strong earnings growth and moderate valuations versus global peers supports the case for selective stock picking
- ◆ In **European government bonds**, ECB policy easing is supportive but the timetable for further cuts could depend on the US Fed
- ◆ Earnings estimates for **Chinese equities** have been further upgraded by analysts. Valuations remain well below the long-term average, which reflects continuing macro concerns
- ◆ Momentum in **Indian equities** is underpinned by solid earnings growth, a strong macro backdrop and structural tailwinds. Rich valuations (particularly in small-/mid-cap stocks) remain a concern
- ◆ Potential for the yen to strengthen following BoJ policy normalisation could threaten earnings for **Japanese equities**, particularly exporters, but corporate reform tailwinds remain intact
- ◆ **EM equities** have performed well but there is divergence across regions. The macro cycle/growth outlook remains encouraging, and lower equity valuations mean more resilience to disappointment. EM equities offer potential diversification benefits due to idiosyncratic trends, including structural growth and cyclical upside
- ◆ **Local-currency EM government bonds** are well-positioned to benefit from further policy easing, which is looking likely near-term

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	▼	–	Markets face potential volatility amid slowing global growth and political uncertainty. On the upside, global corporate profits look significantly less concentrated and lopsided for 2024 and into 2025, which could support a broadening out of performance
	US	▼	–	Recent volatility has shown that expensive areas of the market can be vulnerable to rapid corrections. Earnings growth continues to look robust, but slowdown fears, elevated rates, and uncertainty over geopolitics and elections could cause further volatility
	UK	▼	–	Positive macro surprises have boosted sentiment, with the Bank of England having cut interest rates. The UK market benefits from relatively cheap valuations that could see upside from increasing M&A activity. However, stocks are vulnerable to volatility driven by a global growth slowdown
	Eurozone	▼	–	Eurozone growth is expected to accelerate as inflation reaches target, with potential upside for sectors with value and cyclical exposure. But any recovery is likely to be gradual given still restrictive policy rates, and could be susceptible to growth headwinds in the US
	Japan	▲	–	Upside potential for the yen following BoJ policy normalisation may weigh on the earnings outlook for exporters but is likely to ease import costs for domestic firms. Risks of slowing global growth are a challenge, but corporate governance reforms should improve corporate profitability
	Emerging Markets (EM)	▲	–	The EM growth outlook is a relative bright spot in a global context, with disinflation and anticipation of future 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 growth forecasts have moderated, and some CBs have slowed their easing cycles amid high inflation and FX volatility
	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
Government bonds	Developed Markets (DM)	↔	–	Signs of deterioration in the US labour market have led to heightened concerns about faster-than-expected economic cooling, and we continue to see downside growth risks. This has boosted the performance of bonds, which are also offering improved term premia
	US	▲	–	Yields have fallen on signs of economic cooling, evidence of labour market stress, and a resumption of disinflation. Markets have repriced significant policy easing for the rest of 2024, which has resulted in a steepening of the yield curve
	UK	▲	–	Gilt yields have fallen and are expected to trend lower, mirroring the anticipated trajectory of US and eurozone bonds, as easing inflation boosts sentiment. Sizeable Gilt issuance over the next year could reignite supply worries, exerting upward pressure on longer-dated yields
	Eurozone	↔	–	With the ECB ahead of the pack on policy easing amid soft growth and disinflation progress, we see scope for yield compression. However, caution is warranted on peripheral bonds given rapid spread tightening in recent months even if short-term dynamics look favourable
	Japan	▼	–	The Bank of Japan 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	↔	–	The inflation outlook remains uncertain, so a portfolio allocation to global inflation-linked bonds could make sense. Nevertheless, linkers may underperform nominal bonds as global disinflation continues and as inflation expectations moderate
	EM local currency	▲	–	Real yields remain high in many EM local markets and long-term valuations are attractive. Fed easing is likely to maintain downward pressure on the USD and allow EM FX appreciation that would provide an important tailwind to returns for international investors

Source: HSBC Asset Management as at September 2024. The level of yield is not guaranteed and may rise or fall in the future. 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 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)	↔	–	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	↔	–	US IG appears fully priced with most non-financial spreads still tight. 'All in' yields continue to support inflows. Fundamental metrics remain strong, and with a better macro backdrop they should prevent significant spread-widening
	EUR and GBP IG	▲	–	It is likely that EU IG spreads will remain in a tight range with marginal widening pressure. Carry and rolldown should adequately compensate for the expected wider spreads. EU IG should converge with US IG as the eurozone growth outlook improves
	Asia IG	↔	–	Asia IG provides opportunities for carry strategies, with shorter duration and a better supply outlook versus global peers. A roll-out of further policy support in China, and investors seeking diversification, could help support demand for IG in the region
	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 but are offset by still attractive 'all in' yields. Fundamentals are not a source of concern but there is evidence that growth is slowing, meaning recession risks need to be monitored
	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	↔	–	Asia HY may still have room for modest spread-tightening given the solid macro backdrop, despite rich valuations in non-China markets. China HY, on the other hand, is still helped by cheaper valuations and ongoing policy support for the property sector
	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)	▲	–	EM credit spreads could benefit from Fed rate cuts, but this prospect has already driven a re-rating of the asset class. Spreads are tight and it is difficult to see further compression, although we remain cyclically-constructive	
FX & Alternatives	Gold	▲	–	The gold price broke to new highs in 2024. 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	▲	–	Capital values are expected to bottom in 2024, although office space may take longer. Yield spreads with US Treasuries have begun to widen ahead of anticipated Fed rate cuts. Investment volumes should start to increase in H2 from the lowest levels since 2011. We prefer a focus on quality and prime property with high occupancy and inflation protected leases
	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 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	▼	–	We expect the USD to weaken over the medium-term amid disinflation and growth weakness. Factors supporting the dollar include persistent US exceptionalism and election risk
Crypto	▼	–	Crypto prices have performed well year-to-date amid recent ETF approvals, although performance remains highly volatile. Regulatory hurdles remain a key concern	

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Asset class positioning

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▲ 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	▲	–	Asian central banks may soon begin policy easing in anticipation of a Fed rate cut in September. Inflationary pressures have been broadly manageable across the region, and the macro backdrop is supportive. India, Indonesia and Thailand have a more favourable rates outlook
	RMB bonds	↔	–	China is expected to maintain an accommodative monetary policy stance, but with a focus on structural support. A planned pick-up in government bond supply could limit the upside in the medium term, but liquidity support measures should help mitigate the impact
	Asia ex-Japan equities	▲	–	Earnings growth is being driven by strong demand for chips/tech-related products, Chinese policy support and other regional cyclical and structural stories. Valuations remain undemanding but there are lingering risks from global growth uncertainty and geopolitical developments
	China equities	▲	–	While deflationary pressures, property market weakness and low consumer sentiment are risks, valuation discounts already reflect some of the negatives. There were further earnings estimate upgrades after recent earnings releases, and effective policy support may fuel more re-ratings
	India equities	▲	–	Rich valuations remain a concern (particularly in small and mid-cap stocks), but a solid macro backdrop, earnings growth potential, broad policy continuity, and a strong structural story are supportive. A marked drop in inflation may open door for a shallow rate cut from the RBI in late 2024
	ASEAN equities	↔	–	The earnings growth outlook in ASEAN has improved, but there is wide dispersion across regional markets. A weaker dollar should support sentiment, as well as reasonable stock valuations and the benefits of supply-chain relocation. Policy easing by ASEAN central banks may also help
	Hong Kong equities	▲	–	Faltering domestic economic momentum and a slow recovery in the local property market are concerns. However, solid regional trade flows, signs of China's cyclical stabilisation, policy support to reinforce Hong Kong's financial hub status, and well-below-average valuations are positive
	Asia FX	▲	–	Asia's relatively resilient FX is backed by broadly healthy fundamentals, with some regional divergence. A weaker US dollar and potential Fed pivot in September could be a near-term tailwind, with growing foreign demand for Asian assets being a medium-term benefit

Market data

August 2024

	Close	MTD Change (%)	3M Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
Equity Indices								
World								
MSCI AC World Index (USD)	834	2.4	6.1	21.5	14.7	834	628	19.2
North America								
US Dow Jones Industrial Average	41,563	1.8	7.4	19.7	10.3	41,585	32,327	20.8
US S&P 500 Index	5,648	2.3	7.0	25.3	18.4	5,670	4,104	23.3
US NASDAQ Composite Index	17,714	0.6	5.8	26.2	18.0	18,671	12,544	32.7
Canada S&P/TSX Composite Index	23,346	1.0	4.8	15.0	11.4	23,414	18,692	15.9
Europe								
MSCI AC Europe (USD)	586	3.6	3.2	16.6	9.8	588	459	14.5
Euro STOXX 50 Index	4,958	1.7	-0.5	15.4	9.7	5,122	3,993	13.9
UK FTSE 100 Index	8,377	0.1	1.2	12.6	8.3	8,474	7,280	12.3
Germany DAX Index*	18,907	2.2	2.2	18.6	12.9	18,991	14,630	13.8
France CAC-40 Index	7,631	1.3	-4.5	4.3	1.2	8,259	6,774	14.0
Spain IBEX 35 Index	11,402	3.0	0.7	19.9	12.9	11,470	8,879	10.8
Italy FTSE MIB	34,373	1.8	-0.3	19.2	13.2	35,474	27,078	9.4
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	577	2.1	5.5	13.8	9.2	588	469	14.3
Japan Nikkei-225 Stock Average	38,648	-1.2	0.4	18.5	15.5	42,427	30,488	21.6
Australian Stock Exchange 200	8,092	0.0	5.1	10.8	6.6	8,149	6,751	18.5
Hong Kong Hang Seng Index	17,989	3.7	-0.5	-2.1	5.5	19,706	14,794	8.5
Shanghai Stock Exchange Composite Index	2,842	-3.3	-7.9	-8.9	-4.5	3,177	2,635	11.1
Hang Seng China Enterprises Index	6,331	3.7	-1.0	0.0	9.8	6,986	4,943	7.8
Taiwan TAIEX Index	22,268	0.3	5.2	33.9	24.2	24,417	15,976	18.1
Korea KOSPI Index	2,674	-3.5	1.4	4.6	0.7	2,896	2,274	10.3
India SENSEX 30 Index	82,366	0.8	11.4	27.0	14.0	82,725	63,093	23.4
Indonesia Jakarta Stock Price Index	7,671	5.7	10.0	10.3	5.5	7,727	6,640	14.5
Malaysia Kuala Lumpur Composite Index	1,679	3.3	5.1	15.6	15.4	1,685	1,412	18.1
Philippines Stock Exchange PSE Index	6,898	4.2	7.2	11.7	6.9	7,071	5,920	11.8
Singapore FTSE Straits Times Index	3,443	-0.4	3.2	6.5	6.3	3,509	3,042	11.1
Thailand SET Index	1,359	2.9	1.0	-13.2	-4.0	1,566	1,273	15.0
Latam								
Argentina Merval Index	1,717,565	13.9	4.0	162.8	84.7	1,765,448	508,068	8.8
Brazil Bovespa Index*	136,004	6.5	11.4	17.5	1.4	137,469	111,599	8.9
Chile IPSA Index	6,460	0.3	-2.6	7.5	4.2	6,838	5,363	10.9
Colombia COLCAP Index	1,362	1.2	-2.7	26.6	14.0	1,451	1,045	6.6
Mexico S&P/BMV IPC Index	51,986	-2.1	-5.8	-2.0	-9.4	59,021	47,765	11.9
EEMEA								
Saudi Arabia Tadawul All Share Index	12,145	0.3	5.6	5.7	1.5	12,883	10,262	17.7
South Africa JSE Index	83,750	1.2	9.2	11.7	8.9	84,801	69,128	11.0
Turkey index	9,668.1	10,638.6	10,400.5	7,917.9	7,470.2	11,252.1	7,202.9	4.9

Past performance does not predict future returns.

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

Market data (continued)

August 2024

	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Equity Indices - Total Return						
Global equities	6.5	16.0	23.4	18.3	77.4	1.9
US equities	7.3	18.8	26.6	26.2	103.9	1.3
Europe equities	3.8	12.3	19.8	15.1	56.8	3.2
Asia Pacific ex Japan equities	6.5	11.2	16.7	-6.2	31.8	2.8
Japan equities	5.6	13.0	19.7	11.8	47.8	2.1
Latam equities	-2.7	-12.6	0.4	10.2	13.5	5.8
Emerging Markets equities	5.9	9.5	15.1	-8.9	26.3	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)	579	1.1	3.9	7.5	3.2
JPM EMBI Global	900	2.3	4.9	12.7	6.1
BarCap US Corporate Index (USD)	3,333	1.6	4.7	9.3	3.5
BarCap Euro Corporate Index (Eur)	253	0.3	2.7	7.3	2.6
BarCap Global High Yield (USD)	609	1.8	4.3	14.7	7.6
BarCap US High Yield (USD)	2636	1.6	4.6	12.6	6.3
BarCap pan-European High Yield (USD)	579	1.4	3.3	13.7	6.6
BarCap EM Debt Hard Currency	443	2.2	4.6	12.4	6.1
Markit iBoxx Asia ex-Japan Bond Index (USD)	225	1.2	3.7	10.0	5.3
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	258	0.7	3.7	19.8	12.4

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 August 2024. Total return includes income from dividends and interest as well as appreciation or depreciation in the price of an asset over the given period.

Market data (continued)

August 2024

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2023
US Treasury yields (%)					
3-Month	5.11	5.28	5.40	5.44	5.33
2-Year	3.92	4.26	4.87	4.86	4.25
5-Year	3.70	3.91	4.51	4.25	3.85
10-Year	3.90	4.03	4.50	4.11	3.88
30-Year	4.20	4.30	4.65	4.21	4.03
Developed market 10-year bond yields (%)					
Japan	0.89	1.05	1.06	0.65	0.61
UK	4.01	3.97	4.32	4.36	3.53
Germany	2.30	2.30	2.66	2.46	2.02
France	3.02	3.01	3.14	2.98	2.56
Italy	3.70	3.65	3.98	4.12	3.69
Spain	3.13	3.11	3.39	3.48	2.98

	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Commodities							
Gold	2,503	2.3	7.6	29.0	21.3	2,532	1,811
Brent Oil	78.8	-2.4	-3.5	-9.3	2.3	98	72
WTI Crude Oil	73.6	-5.6	-4.5	-12.1	2.7	95	68
R/J CRB Futures Index	277	-0.4	-4.5	-1.7	5.0	300	258
LME Copper	9,235	0.1	-8.0	9.6	7.9	11,105	7,856

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 August 2024.

Market data (continued)

August 2024

Currencies (vs USD)	Latest	End of last mth.	3-mths Ago	1-year Ago	Year End 2023	52-week High	52-week Low
Developed markets							
DXY index	101.70	104.10	104.67	103.62	101.33	107.35	100.51
EUR/USD	1.10	1.08	1.08	1.08	1.10	1.12	1.04
GBP/USD	1.31	1.29	1.27	1.27	1.27	1.33	1.20
CHF/USD	1.18	1.14	1.11	1.13	1.19	1.20	1.08
CAD	1.35	1.38	1.36	1.35	1.32	1.39	1.32
JPY	146.2	150.0	157.3	145.5	141.0	162.0	140.3
AUD	1.48	1.53	1.50	1.54	1.47	1.59	1.46
NZD	1.60	1.68	1.63	1.68	1.58	1.73	1.57
Asia							
HKD	7.80	7.81	7.82	7.84	7.81	7.84	7.77
CNY	7.09	7.23	7.24	7.26	7.10	7.35	7.08
INR	83.87	83.73	83.47	82.79	83.21	83.98	82.65
MYR	4.32	4.59	4.71	4.64	4.59	4.81	4.31
KRW	1,338	1,371	1,386	1,323	1,291	1,400	1,283
TWD	31.96	32.83	32.47	31.88	30.58	32.92	30.49
Latam							
BRL	5.61	5.65	5.25	4.96	4.85	5.86	4.80
COP	4,178	4,064	3,868	4,092	3,875	4,427	3,739
MXN	19.73	18.62	17.01	17.04	16.97	20.22	16.26
ARS	951.20	930.80	895.54	350.01	808.48	953.09	349.81
EEMEA							
RUB	90.47	85.95	90.38	95.70	89.47	102.36	82.65
ZAR	17.82	18.20	18.79	18.88	18.36	19.64	17.60

Past performance does not predict future returns.

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

Important information

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

- ◆ Views are based on regional HSBC Asset Management Asset Allocation meetings held throughout **August 2024**, HSBC Asset Management's long-term expected return forecasts which were generated as at **31 July 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 July 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 August 2024**.

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