Investment Monthly

Buckle up

August 2024

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

HSBC Asset Management

Summary

Macro Outlook

- **Global risk assets saw dramatic moves** in late July and early August, with volatility spiking on cooling sentiment towards US technology stocks, followed by investor concerns for the broader US economy and fears of recession
- Broad range of US data shows the labour market could be cooling faster than policymakers expected. While **our base case remains a softish economic landing**, recession risks are clearly higher now. Geopolitics and elections also present risks for macro and market stability
- In terms of **global spillovers**, Asia's trade-dependent economies like Taiwan and Korea are most exposed to a US shock. More domestically-oriented Asian economies, such as India and parts of ASEAN, should fare better

Policy Outlook

- Disappointing US labour data for July has caused a **dramatic repricing of rate expectations,** with five Fed cuts now expected this year. Back-to-back 25bp rate cuts for 2024 and further cuts in 2025 to take the funds rate to around 3.50%, seems the minimum the Fed could do
- In emerging markets, falling inflation and imminent Fed policy easing **should pave the way for more countries to cut rates**. Supportive policy in China has buoyed confidence but all eyes are on more pro-growth measures
- **On the fiscal front**, many Western government are constrained by high debts and deficits and are under pressure to consolidate finances. Further fiscal easing could result in a pick-up in yields

House View

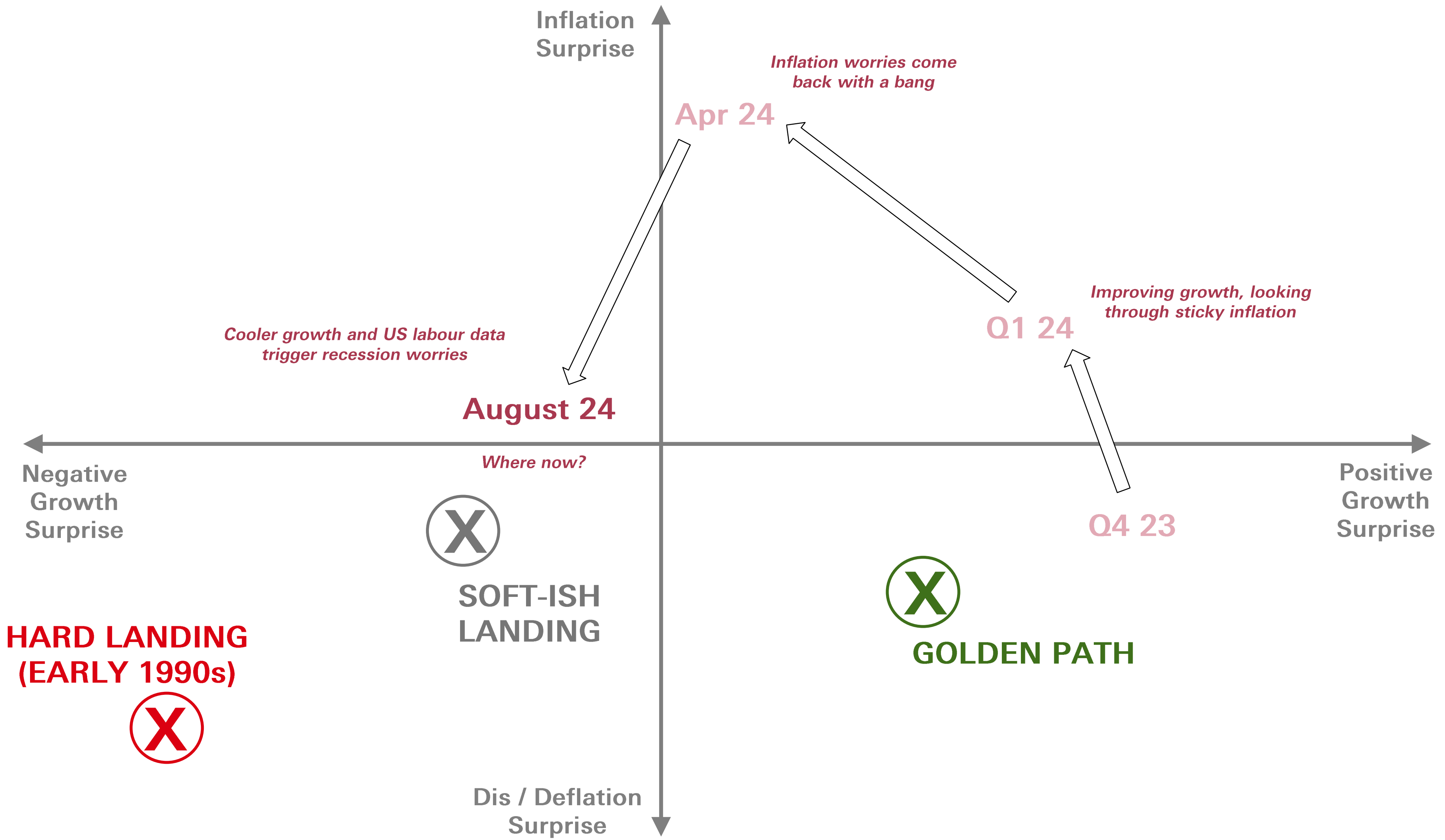
- In stock markets, **July's 'great rotation' and broadening out of market leadership has faltered**, with volatility hitting small-caps hard. But if recent weakness in macro data is a blip, investor confidence could recover quickly
- Recession risks support out rationale for defensive positioning. We favour a strategy of **'playing the yield'**, with a preference for high quality fixed income and private credits, as well as defensive parts of the stock market
- We expect a more **volatile phase for investment markets during the second half of 2024**. But we continue to see opportunities in many parts of the emerging markets universe markets. Real assets – like real estate and infrastructure – can also be valuable portfolio diversifiers

Scenarios

SOFTISH LANDING	Inflation stabilises around target. Tight monetary conditions mean GDP growth is below trend. Profit growth is in mid-single digits
HARD LANDING	Recession and inflation are around or below 2%. Most assets sell off. EM underperforms
GOLDEN PATH	Strong balance sheets and productivity will boost GDP. Most risk assets rally. USD falls

Source: HSBC Asset Management as at 7 August 2024.

Macro scenarios in 2024



Source: HSBC Asset Management as at August 2024. For illustration purposes only.

House view

We expect **more volatility in investment markets as growth fears overtake inflation risks**. A rotation in stock market leadership has faltered but could yet return. Geopolitics and elections add uncertainty. We prefer high quality fixed income and defensive areas of the market, with a multi-factor, multi-sector approach

- **Equities** – Amid continuing market volatility, pockets of stretched valuations remain vulnerable to earnings misses and a weaker outlook. Defensive sectors like consumer staples, healthcare, and utilities should be relative outperformers. EM exposure could also offer upside given attractive valuations
- **Government bonds** – Bond markets have rallied strongly as the scenario for the Fed is re-assessed. The US yield curve, now inverted for 24 months, has bull steepened abruptly – an event that tends to coincide with recessions
- **Corporate bonds** – US high yield credit spreads have widened on recession fears. Investment grade spreads continue to trade close to historic tights, but high 'all in' yields mean the asset class remains potentially attractive

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

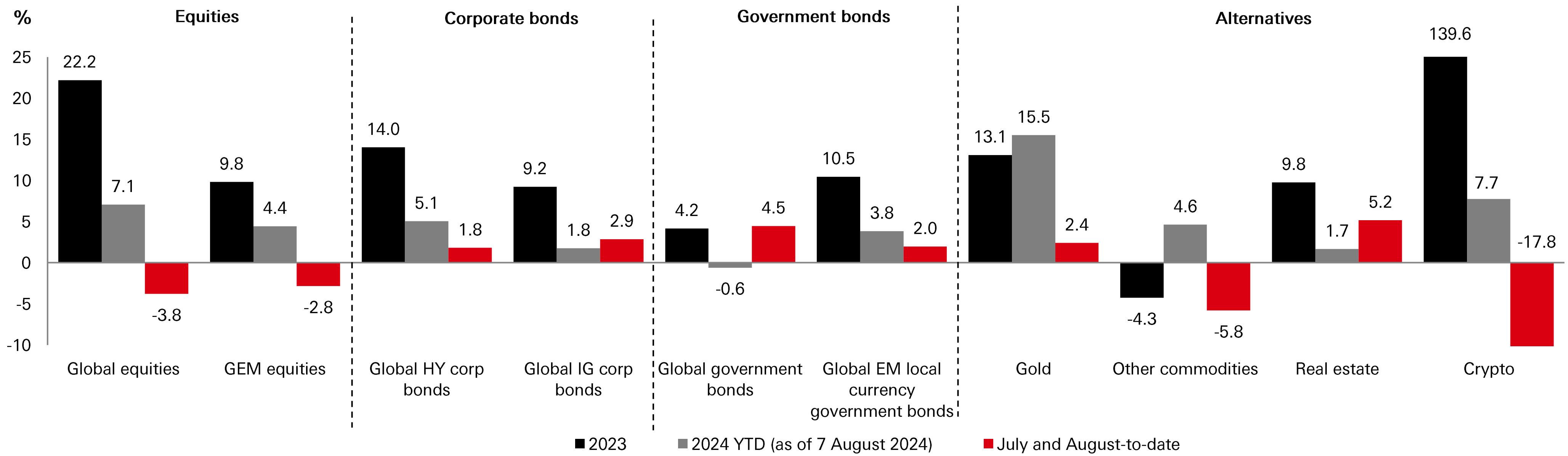
View move:
– No change
↑ Upgraded versus last month
↓ Downgraded versus last month

Source: HSBC Asset Management as at August 2024. 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 risk assets have experienced a broad sell-off that started with a correction in mega-cap technology stocks and evolved into worries for the broader US economy and fears of recession. Growing concerns about economic growth have driven a rally in government bonds

- **Government bonds** – US Treasuries outperformed equities (bond yields fell) in a major market repricing that continued into early August. It was initially driven by easing inflation, followed by multiple signs of cooling economic growth, and a dramatic shift in expectations of near-term Fed policy easing
- **Equities** – Technology stocks sold off sharply in July as questions over stretched valuations, uncertain profits guidance, and geopolitical tensions unsettled investors. A subsequent market sell-off saw global equities plunge, with Japanese stocks seeing particular volatility
- **Alternatives** – Rate-sensitive assets including real estate and infrastructure gained ground. Industrial metals were weak on subdued demand from China, with oil prices also falling on demand concerns. Gold prices finished higher



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.

Source: Bloomberg, all data above covers 30 June 2024 – 07 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.

Base case views and implications

	Monthly macroeconomic update	Base case view and implications
US	◆ In the **US**, the Fed kept policy rates on hold in July but opened the door to a September rate cut. It said recent data pointed to "solid" expansion in economic activity, but acknowledged a rise in the unemployment rate. Subsequent non-farm payrolls data showed a surprise slowing in jobs growth in July ◆ Goods inflation has normalised. Core service inflation softened in June, driven by a moderation in shelter inflation as lower new tenants' rents feed through. Owners' Equivalent Rent posted its smallest monthly increase in June since April 2021	◆ Broad measures of employment have pointed to a deterioration in recent months. Fears over the outlook for the US economy sparked a major sell-off in **US equities**, compounding earlier weakness in US tech stocks. We expect more volatility in H2 ◆ We continue to prefer **US Treasuries over equities**, which have rallied on the repricing of Fed rate cut expectations in 2024
Europe	◆ **Eurozone** ECB president Lagarde stated September's decision was "wide open", with rate cuts "data dependent". Goods disinflation continues. Service sector inflation remains sticky but should ease as wage growth slows in H2 2024 though the path may be bumpy ◆ In the **UK** the BoE cut rates by 25bp to 5.0%, with Governor Bailey saying inflationary pressures "have eased enough". Headline inflation was unchanged at 2% in June. Services sector inflation, the key driver of core inflation, was flat at 5.7% yoy	◆ **European equities** have traded in a narrow range recently – but sold-off sharply on the US growth shock. 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 sticky inflation could delay further cuts
Asia	◆ **Chinese** Q2 GDP slowed to 0.7% qoq, from 1.6% qoq in Q1. Weaker consumption and property investment offset strong export growth and industrial investment. At the Third Plenum, the Chinese government pledged to prioritise high quality development ◆ **In India,** the government's final FY25 Budget signalled a continued commitment to fiscal consolidation, projecting a 4.9% budget deficit/GDP ratio in FY25, falling to 4.5% in FY26. Higher food prices boosted headline inflation in June, core inflation remains low ◆ In **Japan,** the BoJ raised its policy rate to 0.25% and announced plans to halve its bond purchases by Q1 2026. Consumer spending remains weak amid continued negative real wage growth. CPI excluding fresh food and energy inched higher to 2.2% yoy in June	◆ **Chinese equities** have been supported by a package of policy measures. Although macro worries linger, a positive re-rating is possible given that valuations are well below the long-term average ◆ **Indian equities** are underpinned by solid earnings growth, strong macro momentum, policy continuity and structural tailwinds. Rich valuations (particularly in small-/mid-cap stocks) remain a concern ◆ Despite benefitting from corporate reform tailwinds **Japanese equities** have been highly volatile on global risk-off sentiment and the threat to corporate profitability from a strengthening yen
Other EM	◆ Latin American central banks remain cautious. The **Brazilian** government unveiled $15bn of spending cuts but lingering fiscal concerns point to the Banco do Brasil remaining cautious near-term. In **Mexico**, softer core inflation and dovish June minutes from Banxico, the central bank, should allow scope for renewed easing in coming months ◆ Diverging monetary policy stances persist in **Eastern Europe.** Hungary lowered rates a further 25bp in July, whilst Turkey's central bank maintained a hawkish bias ◆ In **MENA,** the IMF lowered Saudi Arabia's 2024 GDP growth projection by 0.9% to 1.9% due to extended oil production cuts. Nigeria's 2024 GDP forecast was lowered to 3.1%	◆ In **EM equities,** the macro cycle/growth outlook remains encouraging. Plus, lower equity valuations mean more resilience to disappointment. EM equities also offer potential diversification benefits due to idiosyncratic trends, including strong structural growth and cyclical upside ◆ **Local-currency EM government bonds** are well-positioned to benefit from policy easing, which is looking more likely near-term

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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**	▼	–	Investor confidence has been shaken by the prospect of faster-than-expected cooling in the US. 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	▼	–	With parts of the market previously 'priced for perfection', downside surprises to the growth outlook have rattled investor sentiment. Earnings growth continues to look robust, but recession 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	▲	–	Corporate governance reforms have boosted market sentiment and should improve corporate profitability, although recent strengthening of the yen could hurt the profitability of exporters. Risks of a global growth slowdown and BoJ policy normalisation are challenges
	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 faster-than-expected deterioration in the US labour market has reignited recession fears, and we continue to see downside growth risks. This has continued to boost the performance of bonds, which are also offering improved term premia
	US	▲	–	Yields have fallen sharply 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, and we anticipate 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, but the chief risk is the strong US dollar. Long term valuations are attractive and global investor positioning is likely to be lighter after the recent sell-off in parts of EM

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	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 securitized 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. Further rollout of macro stability measures in China and investors' diversification needs could support demand for USD IG in the region
	Global high-yield (HY)	↔	–	HY spreads have widened on growing risks of rapid cooling in the US economy. But spreads remain fairly tight, even if '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, despite recent spread widening. Tight HY valuations are offset by still attractive 'all in' yields. Fundamentals are not a source of concern although 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 a solid macro backdrop, despite rich valuations in non-China markets. China HY is expected to outperform, helped by cheaper valuations and further policy support in 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 are expected to widen once rates eventually fall. Investment volumes should start to increase from 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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Asian assets	**Asia local bonds**	▲	–	There is scope for rate cuts among regional central banks later this year, depending on the Fed, as inflation risk across the region has been broadly manageable. The macro backdrop is supportive, with countries including India, Indonesia and Thailand having 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	▲	–	The earnings outlook is being supported by a pick-up in the semiconductor cycle, continuing Chinese policy support and other regional cyclical and structural growth stories. Valuations remain undemanding but there are risks from global growth uncertainty and geopolitical developments
	China equities	▲	–	A package of government support is helping to rebuild sentiment, and the positive re-rating could continue if the macro and earnings outlook improves further. A valuation discount remains, but deflationary pressures, property market weakness and low consumer sentiment are risks
	India equities	▲	–	Rich valuations remain a concern (particularly in small and mid-cap stocks), but are supported by a solid macro backdrop, earnings growth potential, broad policy continuity, and a strong structural story. Further disinflation could open the way for a shallow rate cut from the RBI
	ASEAN equities	↔	–	ASEAN still shows relatively muted overall earnings growth, although there is wide dispersion across regional markets. While FX moves and foreign fund flows are concerns, fair valuations, a resilient macro backdrop and inflows from supply-chain relocation should be supportive
	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. While further USD strength could be a near-term headwind, growing foreign demand for Asian assets and potential USD weakness are medium-term benefits. High-yielders are preferred

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Market data
July 2024

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)	814	1.5	7.6	15.1	12.0	832	628	19.0
North America								
US Dow Jones Industrial Average	40,843	4.4	8.0	14.9	8.4	41,376	32,327	19.3
US S&P 500 Index	5,522	1.1	9.7	20.3	15.8	5,670	4,104	21.3
US NASDAQ Composite Index	17,599	-0.8	12.4	22.7	17.2	18,671	12,544	31.7
Canada S&P/TSX Composite Index	23,111	5.6	6.4	12.0	10.3	23,210	18,692	14.9
Europe								
MSCI AC Europe (USD)	565	2.0	3.7	7.9	6.0	578	459	13.8
Euro STOXX 50 Index	4,873	-0.4	-1.0	9.0	7.8	5,122	3,993	13.0
UK FTSE 100 Index	8,368	2.5	2.7	8.7	8.2	8,474	7,216	11.7
Germany DAX Index*	18,509	1.5	3.2	12.5	10.5	18,893	14,630	12.8
France CAC-40 Index	7,531	0.7	-5.7	0.4	-0.2	8,259	6,774	13.1
Spain IBEX 35 Index	11,065	1.1	1.9	14.8	9.5	11,470	8,879	10.1
Italy FTSE MIB	33,764	1.8	0.1	13.9	11.2	35,474	27,078	8.6
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	566	-0.2	4.9	4.4	6.9	588	469	14.4
Japan Nikkei-225 Stock Average	39,102	-1.2	1.8	17.9	16.8	42,427	30,488	19.4
Australian Stock Exchange 200	8,092	4.2	5.6	9.2	6.6	8,149	6,751	17.3
Hong Kong Hang Seng Index	17,345	-2.1	-2.4	-13.6	1.7	19,706	14,794	8.3
Shanghai Stock Exchange Composite Index	2,939	-1.0	-5.3	-10.7	-1.2	3,257	2,635	11.1
Hang Seng China Enterprises Index	6,107	-3.5	-2.7	-11.5	5.9	6,986	4,943	7.6
Taiwan TAIEX Index	22,199	-3.6	8.8	29.5	23.8	24,417	15,976	17.6
Korea KOSPI Index	2,771	-1.0	2.9	5.2	4.3	2,896	2,274	9.9
India SENSEX 30 Index	81,741	3.4	9.7	22.9	13.2	82,129	63,093	22.5
Indonesia Jakarta Stock Price Index	7,256	2.7	0.3	4.7	-0.2	7,454	6,640	13.6
Malaysia Kuala Lumpur Composite Index	1,626	2.2	3.1	11.4	11.7	1,638	1,412	14.6
Philippines Stock Exchange PSE Index	6,619	3.2	-1.2	0.4	2.6	7,071	5,920	11.2
Singapore FTSE Straits Times Index	3,456	3.7	5.0	2.4	6.7	3,509	3,042	10.5
Thailand SET Index	1,321	1.5	-3.4	-15.1	-6.7	1,579	1,273	14.3
Latam								
Argentina Merval Index	1,507,785	-6.4	13.9	229.8	62.2	1,723,015	452,401	7.2
Brazil Bovespa Index*	127,652	3.0	1.4	4.7	-4.9	134,392	111,599	8.0
Chile IPSA Index	6,441	0.4	-1.1	0.7	3.9	6,838	5,363	10.4
Colombia COLCAP Index	1,346	-2.5	-0.9	14.6	12.6	1,451	1,045	6.1
Mexico S&P/BMV IPC Index	53,094	1.2	-6.4	-3.1	-7.5	59,021	47,765	12.0
EEMEA								
Saudi Arabia Tadawul All Share Index	12,110	3.7	-2.3	3.6	1.2	12,883	10,262	17.1
South Africa JSE Index	82,765	3.8	8.8	4.8	7.6	82,881	69,128	10.5
Turkey index	10,991.6	10,647.9	10,045.7	7,217.0	7,470.2	11,252.1	7,202.9	5.1

Past performance does not predict future returns.

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

Market data (continued)

July 2024

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	8.1	13.1	17.0	18.3	68.9	1.9
US equities	9.8	16.1	21.5	26.8	95.5	1.3
Europe equities	4.7	8.1	10.7	12.4	47.0	3.3
Asia Pacific ex Japan equities	6.0	8.7	7.1	-6.3	23.1	2.8
Japan equities	6.5	12.4	16.2	14.7	45.5	2.0
Latam equities	-8.1	-14.8	-9.3	8.3	1.6	6.0
Emerging Markets equities	4.8	7.8	6.3	-8.0	18.3	2.6

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)	573	1.9	3.7	6.2	2.1
JPM EMBI Global	880	1.8	4.4	8.6	3.7
BarCap US Corporate Index (USD)	3,282	2.4	5.0	6.8	1.9
BarCap Euro Corporate Index (Eur)	252	1.7	2.7	7.1	2.3
BarCap Global High Yield (USD)	599	1.8	3.7	12.5	5.7
BarCap US High Yield (USD)	2594	1.9	4.0	11.1	4.6
BarCap pan-European High Yield (USD)	571	1.4	3.0	12.6	5.1
BarCap EM Debt Hard Currency	433	1.9	4.2	8.5	3.8
Markit iBoxx Asia ex-Japan Bond Index (USD)	223	1.7	4.0	7.6	4.1
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	256	1.7	5.2	15.5	11.5

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

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

July 2024

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2023
US Treasury yields (%)					
3-Month	5.28	5.35	5.39	5.40	5.33
2-Year	4.26	4.75	5.04	4.88	4.25
5-Year	3.91	4.38	4.72	4.18	3.85
10-Year	4.03	4.40	4.68	3.96	3.88
30-Year	4.30	4.56	4.78	4.01	4.03
Developed market 10-year bond yields (%)					
Japan	1.05	1.05	0.87	0.60	0.61
UK	3.97	4.17	4.35	4.31	3.53
Germany	2.30	2.50	2.58	2.49	2.02
France	3.01	3.30	3.05	3.02	2.56
Italy	3.65	4.07	3.91	4.10	3.69
Spain	3.11	3.42	3.35	3.51	2.98

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	2,448	5.2	7.1	24.6	18.6	2,484	1,811
Brent Oil	80.7	-6.6	-8.1	-5.7	4.8	98	72
WTI Crude Oil	77.9	-4.5	-4.9	-4.8	8.7	95	68
R/J CRB Futures Index	278	-4.3	-4.6	-1.4	5.4	300	258
LME Copper	9,225	-3.9	-7.7	4.5	7.8	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 July 2024.

Market data (continued)

July 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	104.10	105.87	106.22	101.86	101.33	107.35	100.62
EUR/USD	1.08	1.07	1.07	1.10	1.10	1.11	1.04
GBP/USD	1.29	1.26	1.25	1.28	1.27	1.30	1.20
CHF/USD	1.14	1.11	1.09	1.15	1.19	1.20	1.08
CAD	1.38	1.37	1.38	1.32	1.32	1.39	1.32
JPY	150.0	160.9	157.8	142.3	141.0	162.0	140.3
AUD	1.53	1.50	1.54	1.49	1.47	1.59	1.46
NZD	1.68	1.64	1.70	1.61	1.58	1.73	1.57
Asia							
HKD	7.81	7.81	7.82	7.80	7.81	7.85	7.77
CNY	7.23	7.27	7.24	7.14	7.10	7.35	7.09
INR	83.73	83.39	83.44	82.25	83.21	83.97	82.36
MYR	4.59	4.72	4.77	4.51	4.59	4.81	4.39
KRW	1,371	1,376	1,382	1,274	1,291	1,400	1,283
TWD	32.83	32.44	32.58	31.46	30.58	32.92	30.49
Latam							
BRL	5.65	5.59	5.19	4.73	4.85	5.86	4.80
COP	4,064	4,149	3,922	3,925	3,875	4,427	3,739
MXN	18.62	18.32	17.14	16.74	16.97	20.22	16.26
ARS	930.80	911.51	876.72	275.27	808.48	936.69	285.04
EEMEA							
RUB	85.95	85.77	93.45	91.81	89.47	102.36	82.65
ZAR	18.20	18.19	18.78	17.85	18.36	19.64	17.87

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 July 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 **July 2024**, HSBC Asset Management's long-term expected return forecasts which were generated as at **30 June 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 **30 June 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 July 2024**.

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