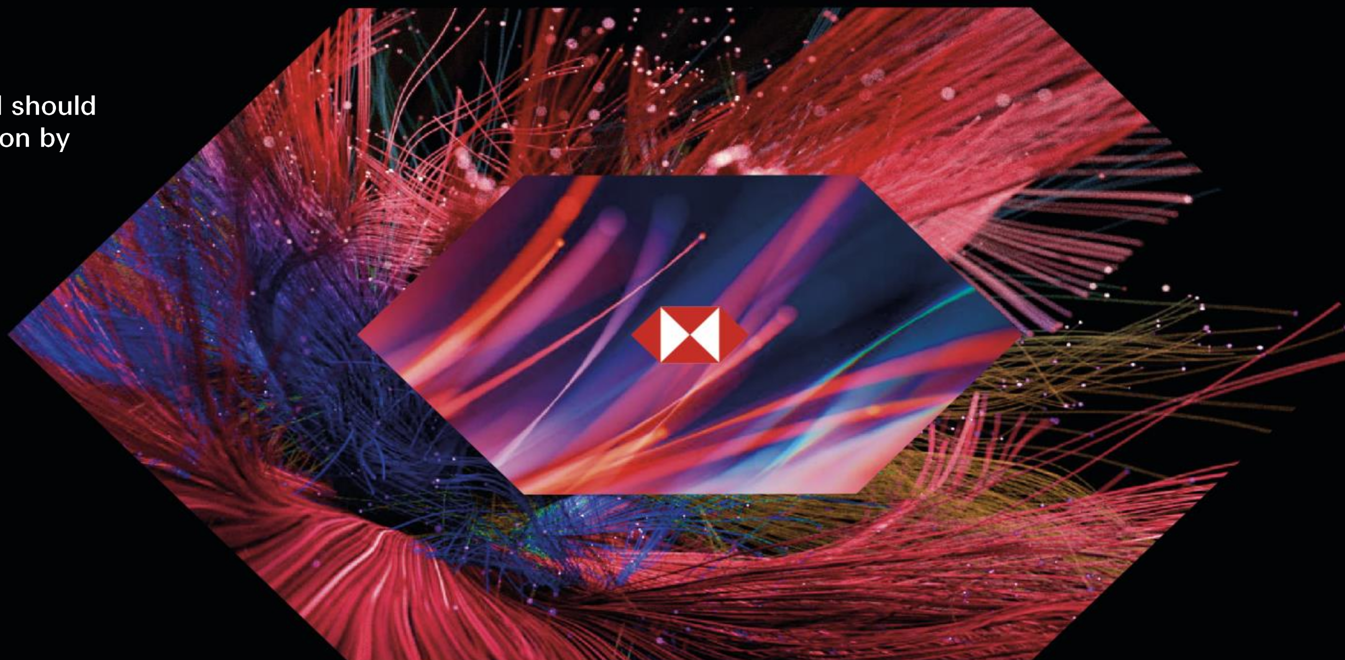
Investment Monthly

Policy pivots?



January 2024

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

HSBC Asset Management

Summary

Macro Outlook

- **Disinflation continues to trend lower in developed economies,** but areas of 'sticky' inflation will persist. The golden path to a soft economic landing in the US is possible, but economic headwinds are strengthening
- **US economic activity has been resilient,** but excess consumer savings are depleting, and labour markets show signs of weakness. Eurozone activity is in worse shape, while Asia is seeing lacklustre growth, especially in China
- **Our base case is that the US and European economies will see weaker growth in 2024** as higher interest rates bite. But there are areas of strength, especially in emerging markets, with India well-positioned to perform well

Policy Outlook

- **The Fed has abandoned its bias to hike and pivoted towards rate cuts in 2024**. Eurozone and UK policymakers have been more guarded in their outlooks, but they are both expected to ease policy in 2024
- In developed markets, we believe **the path to painless disinflation via 'the golden path' is still tricky** given weakening economic signals. In China, policy support is expected to expand as officials step in to stimulate growth
- We think we are embarking on a new economic regime that will see **2% inflation become more of a floor than a ceiling**, and fiscal policy play a more important role in economies, leading to higher inflation and interest rates

House View

- **Our preference is for defensive positioning in investment portfolios.** Despite bullish pricing in equity markets, a weaker economy and disinflation should be supportive for government bonds and challenging for stocks
- **Generally, we see good opportunities in selective areas of global fixed income.** We think "**bonds are back**" and that a higher term premium means that that duration risk is being rewarded again
- **A weaker outlook for earnings growth could compromise some firms,** so we maintain a bias to quality and selectivity in stocks and credits, with areas of IG credit offering equity-like returns for bond-like risk

Scenarios

PERSISTENT INFLATION	Persistent inflation forces 'tighter for longer' policies, which damage growth and hurt risk assets
PROBLEM OF INTEREST	GDP and earnings weakness leads to central bank policy easing, favouring a cautious investment exposure to selective bonds and defensive growth
GOLDEN PATH	Economies stabilise and growth recovers on rising productivity and strong balance sheets

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.

Source: HSBC Asset Management as at January 2024.

Our global scenarios

	CENTRAL SCENARIO: PROBLEM OF INTEREST	ALTERNATIVE RISK SCENARIOS	
MACRO	**WEST:** Tight financial conditions **induce GDP and profits slowdown** **EAST:** Lacklustre growth in China. **Japan and India outperform**	**Persistent inflation problems**, even under weak economic growth **Geopolitical shocks**	Economy establishes itself on **'the golden path'** aided by strong balance sheets **Productivity accelerates materially**
POLICY	**WEST: Mid 2024 Fed/ECB rates cuts.** QT on pause? Fiscal policy as mild drag **EAST:** China policy easing piecemeal, **BoJ scraps YCC**, Asia CBs easing in H2 2024	**Central bankers in a bind** **Policy 'tighter for longer'** Possible further hikes to anchor inflation expectations	**Minor rate cuts.** The neutral interest rate is 4-5% Growth enables 'mission-oriented' fiscal policy
MARKETS	**Bonds are back,** but other liquid alternative diversifiers lose their shine in 2024 **Defensive Growth** favours selective approach in global and private credits, equity factors, DM country selection, and EMs	Stock markets retest lows Real yields > 2% EM assets falter Few winners – USD, momentum, gold, macro HFs	Early stages of new stock market bubble Credit spreads tighten, few defaults EM assets gain as global growth boosts Asia

Source: HSBC Asset Management as at January 2024.

House view

Global equities are increasingly priced for a soft landing, but risks remain high as the long and variable lags of tighter policy continue to be felt. Our preference is for a 'defensive growth' stance with a bias to quality and selectivity in stocks and credits, aided by 'intelligent diversification'

- **Equities** – We continue to take a defensive positioning in global stocks amid economic growth and earnings headwinds. Selective markets are in better shape to resist these frictions, including India and Japan
- **Government bonds** – US 10-year Treasury yields have continued to decline as markets absorb the Fed 'pivot' and reprice rate expectations. 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

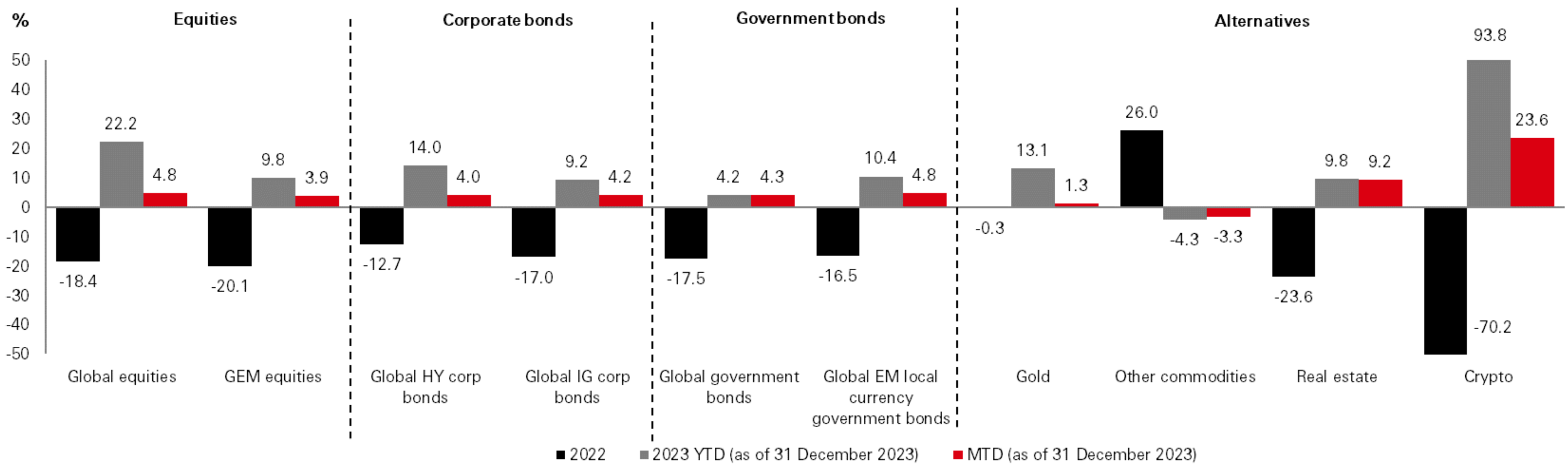
View move:
– No change
↑ Upgraded versus last month
↓ Downgraded versus last month

Source: HSBC Asset Management as at January 2024.

Asset class performance at a glance

Global stocks and bonds both enjoyed positive momentum in December as markets priced-in deeper rate cuts for 2024. Bond yields eased significantly while equities witnessed a broad-based rally as cyclical and rate-sensitive firms found favour among investors. Real estate was also a notable winner after the Fed 'pivot'

- **Government bonds** – Yields across the US Treasury curve fell during December as disinflation trends continued and markets reassessed the 'higher for longer' narrative amid increased expectations of rate cuts in 2024
- **Equities** – Equities performed strongly as bond yields eased and markets continued to price in expectations of a lower rate environment and hopes that the Fed will manage to tame inflation with minimal economic damage
- **Alternatives** – Oil prices remained largely stable despite concerns about global trade disruption and geopolitical tensions. Gold continued to trade close to 12-month highs, boosted by expectations of lower rates



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 December 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	◆ After its December policy meeting, the **US** Federal Reserve revised up near-term growth, revised down inflation in the coming years and continued to predict a limited rise in unemployment. It also pivoted towards deeper-than-expected rate cuts in 2024 ◆ US GDP grew by 4.9% annualized in the third quarter of 2023, with core CPI broadly flat at 4% yoy in November. With excess consumer savings dwindling, and the impact of restrictive policy yet to be fully felt across the economy, headwinds are growing	◆ **US equities** have witnessed a broad-based rally that has stretched valuations in places. Markets continue to price a soft landing for the economy, implying little room for error if profits disappoint ◆ **Bond yields** have eased substantially as markets adjust to the Fed's expectations of solid growth, resilient labour markets and the prospect of rate cuts coming sooner than previously anticipated
Europe	◆ The ECB revised down its expectations for **eurozone** growth and inflation for 2023 and 2024. It said it needed more evidence of slowing wage growth and moderating profit margins before being confident that inflation is on the path back to its 2% target ◆ **UK** policymakers said it was too early to say that services price growth and pay inflation were firmly trending lower. However, CPI inflation fell faster than expected in November, coming in at 3.9% versus consensus forecasts of 4.4%	◆ **European equities** are likely to face pressure as firms face an uncertain earnings outlook amid sluggish economic activity, while questions persist over the expected timing of future rate cuts ◆ A Eurozone recession could lead to some outperformance in the medium term for **European government bonds**, especially as the ECB begins easing policy in 2024
Asia	◆ **China's** November data suggested an extended stabilization in manufacturing sectors, but consumption momentum softened further amid a prolonged property market downturn. More proactive fiscal policy and liquidity support remain likely ahead ◆ **India's** economic growth remains robust on infrastructure and government spending, though sequential momentum should moderate. Disinflation progress is allowing the RBI to shift focus towards non-price considerations, with policy easing likely in 2024 ◆ **Japan** may see growth in areas like semiconductor and inbound tourism. The BoJ may end its YCC framework soon but needs further evidence of wage growth to support the sustainable inflation target and normalise monetary policy gradually	◆ **Chinese equities** are still favourably valued, with macro worries and policy effectiveness in focus. They could outperform should more proactive policy support revive market confidence ◆ **Indian equities** show solid earnings growth, backed up by an appealing structural story. Rich valuations could limit upside though ◆ **ASEAN equities** are supported by regional macro resilience and a peak in Fed hawkishness. Their defensive qualities remain attractive but dispersions in markets are likely amid external headwinds
Other EM	◆ Disinflation trends persist across **Latin America**, which should give central banks scope to cut rates in 2024. Growth continues to be a challenge for many countries ◆ Inflation is moderating quickly in **Eastern Europe,** with some large downside surprises in places. This should result in a shift to looser monetary policy in 2024, which together with more stability in energy prices, should see parts of the region return to growth ◆ 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 January 2024.

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 continued scope for near-term gains given economic resilience, but recession risks remain high. Valuations look slightly stretched in the US, while activity is sluggish in the eurozone and Asia. Equities in Japan and India look interesting in the context of a more robust earnings outlook
	US	▼	–	A broad-based rally in equities driven by expectations of rate cuts in 2024 has left valuations stretched in places. 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 about the direction of BoE policy
	Eurozone	▼	–	Eurozone activity is especially sluggish, and while the European Central Bank may be at peak interest rates, inflation remains uncomfortably high, which could mean that rates remain higher-for-longer. This creates a difficult environment for equities
	Japan	▲	–	A robust earnings outlook and attractive valuations are positives for Japanese equities. Moves by the BoJ to ease its Yield Curve Control and Negative Interest Rates policies could put pressure on valuations
	Emerging Markets (EM)	▲	–	EM risk premiums generally look generous and the growth outlook is a relative bright spot in a global context. However, China's cyclical outlook is concerning and consistent with a more cautious view of EM overall. Policy support in China has increased, but more is needed
	CEE & Latam	↔	–	In emerging Europe, cooling headline inflation is prompting rate cuts but policy announcements are divergent and activity is looking sluggish. In Latam, equities are benefiting from a positive mix of central bank rate cuts, low valuations and stable markets, although growth is patchy
	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 persist, but the Fed 'pivot' has shifted attention towards the timing of rate cuts in 2024. Yields have moderated and we believe that as recession risks crystallise, central banks may start to ease policies faster than the market expects, boosting performance
	US	▲	–	Longer duration bond yields have eased from highs in October but remain relatively elevated. A reset in valuations and improved term premium mean that investors are being rewarded for taking duration risk
	UK	▲	–	While the Bank of England has likely reached peak rates, the future rate trajectory remains unclear amid what is very high wage growth. This is the key upside risk to yields, but over the medium term a policy-induced recession should bring bond yields down
	Eurozone	↔	–	Inflation continues to fall but growth across the eurozone is negative and inflation risks persist. While the ECB is unlikely to raise rates further, the timing of rate cuts is uncertain, limiting upside eurozone bond performance
	Japan	▼	–	The Bank of Japan has slightly relaxed its Yield Curve Control framework, 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	▲	–	Valuations continue to look attractive in the US despite sticky inflation but less so in Europe where the market prices in more substantial inflation risk premium. The asset class offers good carry and can benefit as central banks begin cutting rates through 2024
	EM local currency	▲	–	EM local-currency bonds have staged a recovery as the global bond sell-off has eased. Many EM local markets have favourable underlying drivers for strong medium-term performance. Disinflation is well entrenched, meaning that local bond yields will likely come down across EMs in 2024

Source: HSBC Asset Management as at January 2024.

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)**	↔	–	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 investment grade credit appears fully priced from a valuation perspective. However, all-in yields remain attractive and fundamental credit metrics, albeit off their best levels, are still strong
	EUR and GBP IG	▲	–	We are constructive on EU IG. Spreads look reasonable with attractive carry and rolldown but careful sector selection is preferred, with non-cyclical issuers being slightly more attractive
	Asia IG	↔	–	Asia IG shows opportunities for carry strategies with their resilient macro fundamentals and manageable default risks (ex property names). China's targeted policy support and subsiding fallen-angels risk are positives, while a DM recession is the key downside risk
	Global high-yield (HY)	↔	–	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	↔	–	HY spreads contracted during the autumn because of a large rise in US Treasury yields, which has since subsided. While the macro environment remains one of late cycle dynamics, HY corporates continue to have relatively healthy liquidity and balance sheets
	Europe HY	↔	–	A conservative stance is preferred as spread valuations are less attractive than in EU IG. Downside risks to the European macro outlook point to risks of spread widening as tighter policy feeds through to slower growth
	Asia HY	↔	–	Spreads may tighten with an exclusion of defaulted names and from their non-China exposures. Global recession risks could be a headwind but limited supply and repurchases, and manageable default risks outside Chinese properties could attract dip buyers
	Securitised credit	▲	–	Spreads remain close to the widest they have been since 2009 so there is long-term value in securitised credit despite recent tightening. Securities are mainly floating rate and hence the coupons paid have risen over 2022 and 2023
	EM aggregate bond (USD)	▲	–	EM sovereigns and EM corporates are at an inflection point after a dramatic improvement in EM creditworthiness. IMF-driven fiscal improvements and improved debt-GDP profiles bode well
FX & Alternatives	**Gold**	▲	–	Prices have strengthened this year and may be supported by peak in rates and strong central bank buying. Performance as a risk-off diversifier is unreliable, although geopolitical tensions and episodes of financial market volatility have proven to be supportive
	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 will be the main influence on oil prices
	Real estate	▲	–	Occupier fundamentals have been resilient. Sectors like logistics benefit from embedded rental growth, healthy occupier demand and thematic tailwinds. While office fundamentals are deteriorating, best in class offices post healthy rental growth
	Infrastructure	▲	–	Infrastructure debt can offer better expected returns than global credits, with lower spread volatility during recessionary periods. In 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	▼	–	With the Fed expected to be at peak rates, and disinflation continuing, the dollar could weaken in the medium term. Near term resilience may come from relative US economic outperformance
	Crypto	↔	–	Bitcoin prices have rallied 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 January 2024.

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. As core inflation in the region moderates further, most central banks may have room for rate cuts in H2 2024 following a potential Fed policy easing. Global macro uncertainties and geopolitical developments remain the key risks
	RMB bonds	↔	–	More proactive liquidity support is likely, in addition to the already accommodative monetary backdrop. Although long-term diversification benefits remain intact, strong primary supply could limit the upside in the medium term
	Asia ex-Japan equities	▲	–	Macro uncertainties, earnings downgrades and geopolitics remain key risks, but potentially more fiscal policy measures in China and slimmer odds of further tightening by Asian central banks ahead may offer some support. Dispersion in regional markets remains likely
	China equities	▲	–	Although risks to the outlook still linger from a prolonged property market downturn and softening external demand, more proactive policy support may help stabilize the economic momentum outside the property sector and revive investor confidence as equity valuations stay appealing
	India equities	▲	–	While rich valuations are a concern, Indian equities show solid earnings growth potential with a strong structural story and a resilient macro backdrop. Policy rates should have peaked but the RBI will likely hold tightening bias for a while before the potential Fed rate cuts in 2024
	ASEAN equities	▲	–	ASEAN's resilient macro backdrop, their space to ease monetary policy following peak Fed hawkishness and supply-chain relocations in the region are positives. Defensive qualities are attractive, but lingering global and Chinese macro worries are still the headwinds
	Hong Kong equities	▲	–	Prevailing global and Chinese macro uncertainties, and the faltering domestic property market still drag the earnings outlook. But their compelling valuations and the loosening financial conditions amid growing hopes of Fed rate cuts ahead should help partially offset some headwinds
	Asia FX	▲	–	Potential USD weakness remains a medium term benefit, and a stabilizing RMB and lower Treasury yields could also lift sentiment. The overall macro backdrop supports the outlook but dispersion in currency pairs may extend with their divergent economic performance and fiscal status

Source: HSBC Asset Management as at January 2024.

Market data
January 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)	727	4.7	10.7	20.1	20.1	730	602	18.1
North America								
US Dow Jones Industrial Average	37,690	4.8	12.5	13.7	13.7	37,779	31,430	20.8
US S&P 500 Index	4,770	4.4	11.2	24.2	24.2	4,793	3,794	21.5
US NASDAQ Composite Index	15,011	5.5	13.6	43.4	43.4	15,150	10,265	31.5
Canada S&P/TSX Composite Index	20,958	3.6	7.3	8.1	8.1	21,091	18,692	14.9
Europe								
MSCI AC Europe (USD)	533	4.9	10.7	16.8	16.8	538	457	12.7
Euro STOXX 50 Index	4,522	3.2	8.3	19.2	19.2	4,593	3,803	12.2
UK FTSE 100 Index	7,733	3.7	1.6	3.8	3.8	8,047	7,207	10.9
Germany DAX Index*	16,752	3.3	8.9	20.3	20.3	17,003	13,923	11.5
France CAC-40 Index	7,543	3.2	5.7	16.5	16.5	7,654	6,471	12.4
Spain IBEX 35 Index	10,102	0.4	7.1	22.8	22.8	10,301	8,222	10.5
Italy FTSE MIB	30,352	2.1	7.5	28.0	28.0	30,864	23,702	8.2
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	529	4.5	7.5	4.6	4.6	563	469	15.3
Japan Nikkei-225 Stock Average	33,464	-0.1	5.0	28.2	28.2	33,853	25,662	19.8
Australian Stock Exchange 200	7,591	7.1	7.7	7.8	7.8	7,633	6,751	17.0
Hong Kong Hang Seng Index	17,047	0.0	-4.3	-13.8	-13.8	22,701	15,972	7.9
Shanghai Stock Exchange Composite Index	2,975	-1.8	-4.4	-3.7	-3.7	3,419	2,882	9.9
Hang Seng China Enterprises Index	5,769	-1.5	-6.2	-14.0	-14.0	7,774	5,444	7.0
Taiwan TAIEX Index	17,931	2.9	9.6	26.8	26.8	17,957	14,002	16.1
Korea KOSPI Index	2,655	4.7	7.7	18.7	18.7	2,676	2,181	10.2
India SENSEX 30 Index	72,240	7.8	9.7	18.7	18.7	72,562	57,085	23.5
Indonesia Jakarta Stock Price Index	7,273	2.7	4.8	6.2	6.2	7,324	6,543	1.7
Malaysia Kuala Lumpur Composite Index	1,455	0.1	2.1	-2.7	-2.7	1,503	1,369	13.0
Philippines Stock Exchange PSE Index	6,450	3.6	2.0	-1.8	-1.8	7,138	5,920	11.3
Singapore FTSE Straits Times Index	3,240	5.4	0.7	-0.3	-0.3	3,408	3,042	10.4
Thailand SET Index	1,416	2.6	-3.8	-15.2	-15.2	1,696	1,355	14.1
Latam								
Argentina Merval Index	929,704	14.3	65.3	360.1	360.1	1,084,545	194,821	6.8
Brazil Bovespa Index*	134,185	5.4	15.1	22.3	22.3	134,392	96,997	9.8
Chile IPSA Index	6,198	6.5	6.2	17.8	17.8	6,449	5,072	10.2
Colombia COLCAP Index	1,195	4.2	6.6	-7.1	-7.1	1,348	1,045	6.5
Mexico S&P/BMV IPC Index	57,386	6.2	12.8	18.4	18.4	58,338	47,765	13.6
EEMEA								
Russia MOEX Index	3,099	-2.1	-1.1	43.9	43.9	3,287	2,140	#N/A N/A
South Africa JSE Index	76,893	1.8	6.2	5.3	5.3	81,338	69,128	9.8
Turkey index	7,558	7,948.6	8,334.9	5,509.2	5,509.2	8,563	4,311	4.6

Past performance does not predict future returns.

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

Market data (continued)

January 2024

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	11.0	22.2	22.2	18.3	74.0	2.1
US equities	11.8	26.5	26.5	28.2	102.6	1.5
Europe equities	11.1	19.9	19.9	18.4	54.5	3.3
Asia Pacific ex Japan equities	7.8	7.4	7.4	-14.0	25.5	3.1
Japan equities	8.2	20.3	20.3	2.0	39.7	2.2
Latam equities	17.6	32.7	32.7	32.8	34.5	4.9
Emerging Markets equities	7.9	9.8	9.8	-14.5	19.8	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.

Bond indices - Total Return	Close	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	561	3.2	6.0	7.1	7.1
JPM EMBI Global	849	4.8	9.3	10.4	10.4
BarCap US Corporate Index (USD)	3,221	4.3	8.5	8.5	8.5
BarCap Euro Corporate Index (Eur)	246	2.7	5.5	8.2	8.2
BarCap Global High Yield (USD)	566	3.8	7.8	13.7	13.7
BarCap US High Yield (USD)	2480	3.7	7.2	13.4	13.4
BarCap pan-European High Yield (USD)	543	3.1	6.1	14.7	14.7
BarCap EM Debt Hard Currency	417	4.3	8.5	9.6	9.6
Markit iBoxx Asia ex-Japan Bond Index (USD)	214	2.6	5.4	6.7	6.7
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	229	2.4	6.3	3.0	3.0

Past performance does not predict future returns.

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

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2023
US Treasury yields (%)					
3-Month	5.33	5.39	5.45	4.34	4.34
2-Year	4.25	4.68	5.04	4.43	4.43
5-Year	3.85	4.27	4.61	4.00	4.00
10-Year	3.88	4.33	4.57	3.87	3.87
30-Year	4.03	4.49	4.70	3.96	3.96
Developed market 10-year bond yields (%)					
Japan	0.61	0.67	0.76	0.41	0.41
UK	3.53	4.17	4.44	3.66	3.66
Germany	2.02	2.45	2.84	2.57	2.57
France	2.56	3.02	3.40	3.11	3.11
Italy	3.69	4.23	4.78	4.70	4.70
Spain	2.98	3.47	3.93	3.65	3.65

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	2,063	1.3	11.6	13.1	13.1	2,135	1,805
Brent Oil	77.0	-7.0	-19.2	-10.3	-10.3	98	70
WTI Crude Oil	71.7	-5.7	-21.1	-10.7	-10.7	95	64
R/J CRB Futures Index	264	-3.6	-7.3	-5.0	-5.0	290	254
LME Copper	8,559	1.1	3.5	2.2	2.2	9,551	7,856

Past performance does not predict future returns.

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

Market data (continued)
January 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	101.33	103.50	106.17	103.52	103.52	107.35	99.58
EUR/USD	1.10	1.09	1.06	1.07	1.07	1.13	1.04
GBP/USD	1.27	1.26	1.22	1.21	1.21	1.31	1.18
CHF/USD	1.19	1.14	1.09	1.08	1.08	1.20	1.06
CAD	1.32	1.36	1.36	1.36	1.36	1.39	1.31
JPY	141.0	148.2	149.4	131.1	131.1	151.9	127.2
AUD	1.47	1.51	1.55	1.47	1.47	1.59	1.40
NZD	1.58	1.62	1.67	1.57	1.57	1.73	1.53
Asia							
HKD	7.81	7.81	7.83	7.80	7.80	7.85	7.79
CNY	7.10	7.14	7.30	6.90	6.90	7.35	6.69
INR	83.21	83.39	83.04	82.74	82.74	83.48	80.88
MYR	4.59	4.66	4.70	4.40	4.40	4.79	4.23
KRW	1,291	1,290	1,348	1,260	1,260	1,364	1,216
TWD	30.58	31.27	32.24	30.73	30.73	32.51	29.61
Latam							
BRL	4.85	4.92	5.03	5.29	5.29	5.48	4.70
COP	3,875	4,033	4,078	4,851	4,851	5,010	3,806
MXN	16.97	17.38	17.42	19.50	19.50	19.54	16.63
ARS	808.48	360.48	350.00	177.13	177.13	808.54	178.29
EEMEA							
RUB	89.47	89.91	97.55	74.19	74.19	102.36	67.04
ZAR	18.36	18.85	18.92	17.04	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 December 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 **December 2023**, HSBC Asset Management's long-term expected return forecasts which were generated as at **30 November 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 **30 November 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 December 2023**.

Follow us on:

LinkedIn:
HSBC Asset Management

Website:
assetmanagement.hsbc.com

Important information

For Professional Clients and intermediaries within countries and territories set out below; and for Institutional Investors and Financial Advisors in Canada and the US. This document should not be distributed to or relied upon by Retail clients/investors.

The value of investments and the income from them can go down as well as up and investors may not get back the amount originally invested. The capital invested in the fund can increase or decrease and is not guaranteed. The performance figures contained in this document relate to past performance, which should not be seen as an indication of future returns. Future returns will depend, inter alia, on market conditions, fund manager's skill, fund risk level and fees. Where overseas investments are held the rate of currency exchange may cause the value of such investments to go down as well as up. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in Emerging Markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries and territories with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries and territories in which they trade. Mutual fund investments are subject to market risks, read all scheme related documents carefully.

The contents of this document may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. All non-authorised reproduction or use of this document will be the responsibility of the user and may lead to legal proceedings. The material contained in this document is for general information purposes only and does not constitute advice or a recommendation to buy or sell investments. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. We do not undertake any obligation to update the forward-looking statements contained herein, or to update the reasons why actual results could differ from those projected in the forward-looking statements. This document has no contractual value and is not by any means intended as a solicitation, nor a recommendation for the purchase or sale of any financial instrument in any jurisdiction in which such an offer is not lawful. The views and opinions expressed herein are those of HSBC Asset Management at the time of preparation, and are subject to change at any time. These views may not necessarily indicate current portfolios' composition. Individual portfolios managed by HSBC Asset Management primarily reflect individual clients' objectives, risk preferences, time horizon, and market liquidity. Foreign and emerging markets. Investments in foreign markets involve risks such as currency rate fluctuations, potential differences in accounting and taxation policies, as well as possible political, economic, and market risks. These risks are heightened for investments in emerging markets which are also subject to greater illiquidity and volatility than developed foreign markets. This commentary is for information purposes only. It is a marketing communication and does not constitute investment advice or a recommendation to any reader of this content to buy or sell investments nor should it be regarded as investment research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination. This document is not contractually binding nor are we required to provide this to you by any legislative provision.

All data from HSBC Asset Management unless otherwise specified. Any third party information has been obtained from sources we believe to be reliable, but which we have not independently verified.

HSBC Asset Management is the brand name for the asset management business of HSBC Group, which includes the investment activities that may be provided through our local regulated entities. HSBC Asset Management is a group of companies in many countries and territories throughout the world that are engaged in investment advisory and fund management activities, which are ultimately owned by HSBC Holdings Plc. (HSBC Group). The above communication is distributed by the following entities:

- In Argentina by HSBC Global Asset Management Argentina S.A., Sociedad Gerente de Fondos Comunes de Inversión, Agente de administración de productos de inversión colectiva de FCI N°1;
- In Australia, this document is issued by HSBC Bank Australia Limited ABN 48 006 434 162, AFSL 232595, for HSBC Global Asset Management (Hong Kong) Limited ARBN 132 834 149 and HSBC Global Asset Management (UK) Limited ARBN 633 929 718. This document is for institutional investors only, and is not available for distribution to retail clients (as defined under the Corporations Act). HSBC Global Asset Management (Hong Kong) Limited and HSBC Global Asset Management (UK) Limited are exempt from the requirement to hold an Australian financial services license under the Corporations Act in respect of the financial services they provide. HSBC Global Asset Management (Hong Kong) Limited is regulated by the Securities and Futures Commission of Hong Kong under the Hong Kong laws, which differ from Australian laws. HSBC Global Asset Management (UK) Limited is regulated by the Financial Conduct Authority of the United Kingdom and, for the avoidance of doubt, includes the Financial Services Authority of the United Kingdom as it was previously known before 1 April 2013, under the laws of the United Kingdom, which differ from Australian laws;
- In Bermuda by HSBC Global Asset Management (Bermuda) Limited, of 37 Front Street, Hamilton, Bermuda which is licensed to conduct investment business by the Bermuda Monetary Authority;
- In Canada by HSBC Global Asset Management (Canada) Limited which provides its services as a dealer in all provinces of Canada except Prince Edward Island and also provides services in Northwest Territories. HSBC Global Asset Management (Canada) Limited provides its services as an advisor in all provinces of Canada except Prince Edward Island;
- In Chile: Operations by HSBC's headquarters or other offices of this bank located abroad are not subject to Chilean inspections or regulations and are not covered by warranty of the Chilean state. Further information may be obtained about the state guarantee to deposits at your bank or on www.sbif.cl;
- In Colombia: HSBC Bank USA NA has an authorized representative by the Superintendencia Financiera de Colombia (SFC) whereby its activities conform to the General Legal Financial System. SFC has not reviewed the information provided to the investor. This document is for the exclusive use of institutional investors in Colombia and is not for public distribution;
- In Finland, Norway, Denmark and Sweden by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026) and through the Stockholm branch of HSBC Global Asset Management (France), regulated by the Swedish Financial Supervisory Authority (Finansinspektionen);

Follow us on:

LinkedIn:
HSBC Asset Management

Website:
assetmanagement.hsbc.com

- In France, Belgium, Netherlands, Luxembourg, Portugal, Greece by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026);
- In Germany by HSBC Global Asset Management (Deutschland) GmbH which is regulated by BaFin (German clients) respective by the Austrian Financial Market Supervision FMA (Austrian clients);
- In Hong Kong by HSBC Global Asset Management (Hong Kong) Limited, which is regulated by the Securities and Futures Commission. This video/content has not be reviewed by the Securities and Futures Commission;
- In India by HSBC Asset Management (India) Pvt Ltd. which is regulated by the Securities and Exchange Board of India;
- In Italy and Spain by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026) and through the Italian and Spanish branches of HSBC Global Asset Management (France), regulated respectively by Banca d'Italia and Commissione Nazionale per le Società e la Borsa (Consob) in Italy, and the Comisión Nacional del Mercado de Valores (CNMV) in Spain;
- In Mexico by HSBC Global Asset Management (Mexico), SA de CV, Sociedad Operadora de Fondos de Inversión, Grupo Financiero HSBC which is regulated by Comisión Nacional Bancaria y de Valores;
- In the United Arab Emirates, Qatar, Bahrain & Kuwait by HSBC Global Asset Management MENA, a unit within HSBC Bank Middle East Limited, U.A.E Branch, PO Box 66 Dubai, UAE, regulated by the Central Bank of the U.A.E. and the Securities and Commodities Authority in the UAE under SCA license number 602004 for the purpose of this promotion and lead regulated by the Dubai Financial Services Authority. HSBC Bank Middle East Limited is a member of the HSBC Group and HSBC Global Asset Management MENA are marketing the relevant product only in a sub-distributing capacity on a principal-to-principal basis. HSBC Global Asset Management MENA may not be licensed under the laws of the recipient's country of residence and therefore may not be subject to supervision of the local regulator in the recipient's country of residence. One or more of the products and services of the manufacturer may not have been approved by or registered with the local regulator and the assets may be booked outside of the recipient's country of residence.
- In Peru: HSBC Bank USA NA has an authorized representative by the Superintendencia de Banca y Seguros in Perú whereby its activities conform to the General Legal Financial System - Law No. 26702. Funds have not been registered before the Superintendencia del Mercado de Valores (SMV) and are being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This document is for the exclusive use of institutional investors in Perú and is not for public distribution;
- In Singapore by HSBC Global Asset Management (Singapore) Limited, which is regulated by the Monetary Authority of Singapore. The content in the document/video has not been reviewed by the Monetary Authority of Singapore;
- In Switzerland by HSBC Global Asset Management (Switzerland) AG. This document is intended for professional investor use only. For opting in and opting out according to FinSA, please refer to our website; if you wish to change your client categorization, please inform us. HSBC Global Asset Management (Switzerland) AG having its registered office at Gartenstrasse 26, PO Box, CH-8002 Zurich has a licence as an asset manager of collective investment schemes and as a representative of foreign collective investment schemes. Disputes regarding legal claims between the Client and HSBC Global Asset Management (Switzerland) AG can be settled by an ombudsman in mediation proceedings. HSBC Global Asset Management (Switzerland) AG is affiliated to the ombudsman FINOS having its registered address at Talstrasse 20, 8001 Zurich. There are general risks associated with financial instruments, please refer to the Swiss Banking Association ("SBA") Brochure "Risks Involved in Trading in Financial Instruments";
- In Taiwan by HSBC Global Asset Management (Taiwan) Limited which is regulated by the Financial Supervisory Commission R.O.C. (Taiwan);
- In the UK by HSBC Global Asset Management (UK) Limited, which is authorised and regulated by the Financial Conduct Authority;
- In the US by HSBC Global Asset Management (USA) Inc. which is an investment adviser registered with the US Securities and Exchange Commission.

NOT FDIC INSURED ◆ NO BANK GUARANTEE ◆ MAY LOSE VALUE

20240005 EXP 03.01.2025

Follow us on:

LinkedIn:
HSBC Asset Management

Website:
assetmanagement.hsbc.com