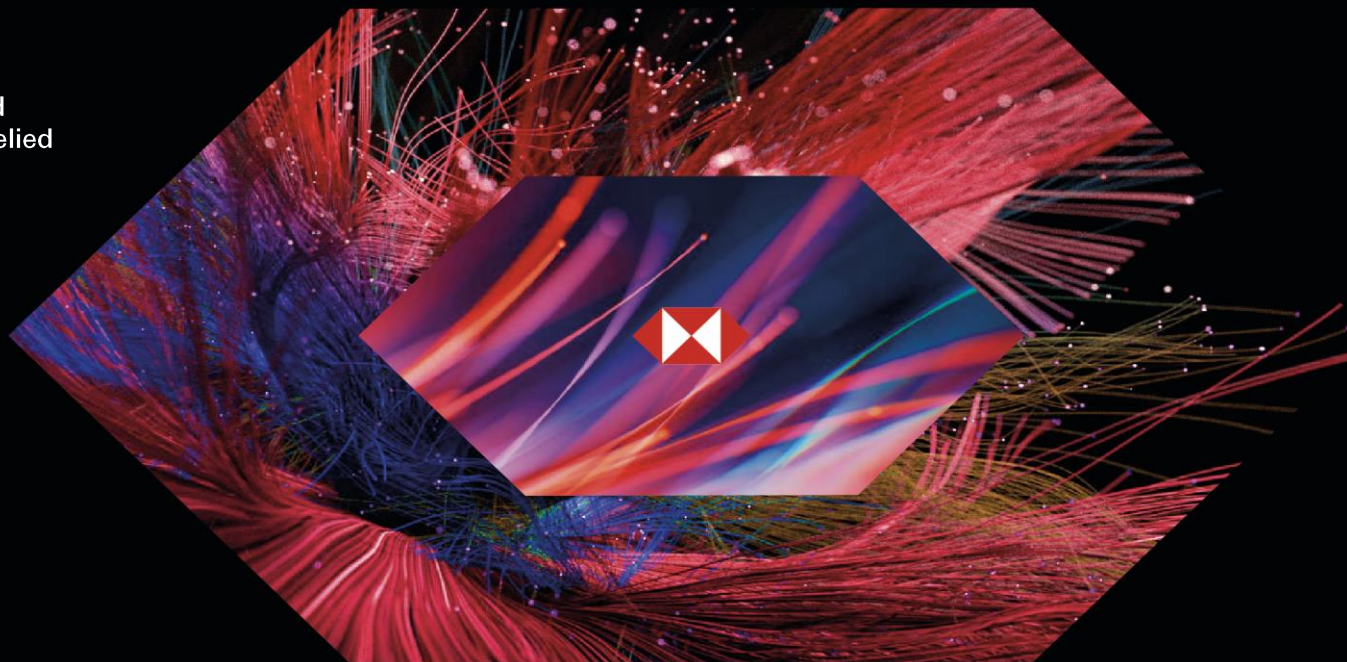


Investment Monthly

Spinning Around

January 2025

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



HSBC Asset Management

Summary

Macro Outlook

- ◆ A backdrop of active fiscal policy, trade uncertainty, and geopolitical tensions may cause volatility and **could leave investors 'spinning around' in 2025**
- ◆ We expect **disinflation, resilient growth, and robust corporate profits** to progress, allowing the global rate cutting cycle to continue
- ◆ **Growth rates in advanced economies** are expected to converge. US growth is cooling but we see little risk of a near-term downturn. The world's premium economic growth rates will be in **Asia and Frontier economies**
- ◆ For emerging markets, **US dollar dynamics are key**. It is hard to forecast a materially weaker dollar in 2025, but a stronger dollar isn't guaranteed

House View

- ◆ **Global conditions are supportive** of further market gains in 2025, but rising policy uncertainty is likely to translate to a more volatile market environment
- ◆ Converging global growth gives **neglected parts of global stock markets** outside the US an opportunity to catch up
- ◆ **Emerging and frontier markets** trade at a valuation discount, and have the potential to deliver strong returns
- ◆ **Diversification into alternatives** such as hedge funds, private credit, and defensive real assets can build portfolio resilience

Policy Outlook

- ◆ The **outlook for global trade policies is unclear**, and US fiscal policy is set to remain loose. Concerns about inflation are likely to linger for a bit longer
- ◆ **Interest rate cutting cycles are likely to be shallow in 2025**, with the Fed taking a more hawkish view on inflation and the timetable for further rate cuts
- ◆ In the eurozone, headline inflation is close to its 2% target and **growth should move towards trend** in 2025 – the ECB has more room for easing
- ◆ **Chinese policy support** – including liquidity, fiscal/credit, structural measures – can boost the economy out of the deflation trap




Scenarios

SPINNING AROUND	Targeted tariffs. Growth moderates to 2%. Gradual policy easing. Stock market volatility picks up. Shorter duration credits perform. EMs can do well
TOPPLING OVER	Full and early implementation of tariffs. Sharp growth slowdown. Aggressive policy easing. Equity bear market. Rates rally across the curve
TAKING OFF	Tariff risk dissipates. Animal spirits drive growth. Inflation settles at 2.0-2.5%. Policy easing cut short. Gradual recovery in China. Bull market continues

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. Diversification does not ensure a profit or protect against loss. This information shouldn't be considered as a recommendation to invest in the country or sector shown.

Macro and market scenarios

Our central scenario is Spinning Around

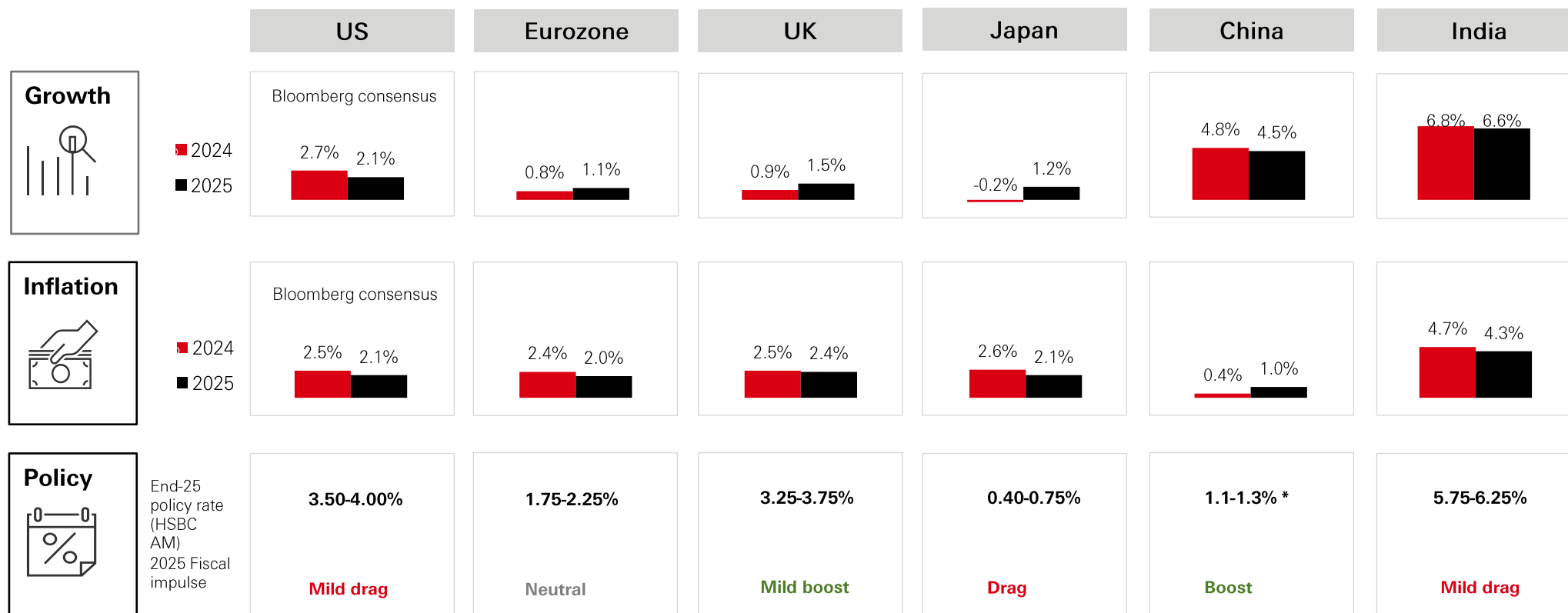
Macro	 TOPPLING OVER Full, early implementation Sharp slowdown as real incomes undermined by price increases and supply-side impeded Short-term boost to inflation, but fades as demand destroyed Initial pause in rate cuts, but more aggressive easing once growth concerns mount Stringent trade tariffs and persistent property sector weakness weigh on growth	 SPINNING AROUND Escalate to de-escalate , some targeted implementation (China focus) from late 2025 Moderates to around 2.0% on slowing wage growth and tariff uncertainty Converges to c.2.0% , but path remains bumpy Gradual easing -> 3.50-4.00% Stable growth as domestic policy easing offsets headwind from tariffs	 TAKING OFF Bargaining tool, little/no implementation Animal spirits from tax cuts & wealth effects drive demand. Positive supply side development Settles in 2.0-2.5% "grey" range - not high enough to prompt Fed hikes Easing cut short -> 4.00-4.50% Gradual recovery reflecting domestic policy easing and positive US demand spillovers
Market	<p>Stocks SPX enters bear market. But lower rates provide support</p> <p>Fixed Income Rates rally across the curve, curve steepens sharply. Credit spreads widen</p> <p>EM EMs suffer in the face of tariffs and weaker US/China demand</p> <p>Preferences USD, USTs, gold, CHF, macro HFs, defensive equity, momentum, highest-quality IG credits</p>	<p>Volatility picks up. A broadening out of market leadership – laggard sectors, value perform</p> <p>Limited capital gains – focus on income. Shorter duration credits (e.g. ABS) can perform</p> <p>Can do well amid growth resilience, Fed cuts, China stimulus and undemanding valuations</p> <p>Value, small-caps, quality. EM/Japan > western markets. IG > HY</p>	<p>Bull market continues as EPS projections upgraded. But repricing of Fed is a headwind</p> <p>Market pricing of rates too dovish. Bonds rangebound. Credit spreads tighten</p> <p>EMs benefit from strong external demand and risk-on. But stronger USD/more hawkish Fed limits gains</p> <p>Quality growth. US > EAFE. HY credits. Industrial metals. China. Crypto>gold.</p>

Source: HSBC Asset Management, January 2025.

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Global scenario

Summary of macro scenario across main economies



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Note: * 7-day reverse repo rate
 Source: HSBC Asset Management, Bloomberg, January 2025

House view

Rising policy uncertainty could cause volatility. But markets are primed to rotate, with a potential broadening out of performance across global stock markets, and a steepening of bond yield curves. Alternative assets like hedge funds and private credit can offer portfolio resilience

- ◆ **Equities** – Resilient global growth, ongoing policy easing, and the potential for a pick-up in China and Europe are good for risk appetite and should encourage a broadening out of market performance. We prefer emerging and frontier market stocks given their undemanding valuations
- ◆ **Government bonds** – A still-uncertain policy backdrop could see yields trade in a relatively wide range in early 2025. Markets now price a shallower rate cutting cycle, the risk of higher inflation, and looser fiscal policies. We expect a structural steepening of the yield curve as the Fed cuts rates
- ◆ **Corporate bonds** – Investment grade and high yield credit spreads still trade at close to historically tight levels despite cooling in the US economy. High ‘all in’ yields means corporate credit remains potentially attractive

Equities			Government bonds			Corporate bonds			FX & Alternatives			Asian assets		
Asset Class	House view	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 credit	▲	–	ASEAN	▲	–
CEE & Latam	▼	–	EM (local currency)	▲	–	Europe high-yield	▼	–	Private equity	↔	–	Hong Kong	▲	–
Frontier	▲	–				Asia high-yield	↔	–	US dollar	↔	–	Asia FX	▲	–
						Securitised credit	▲	–	Crypto	▼	–			
						EM aggregate bond (USD)	▲	–						

▲ Positive
↔ Neutral
▼ Negative

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

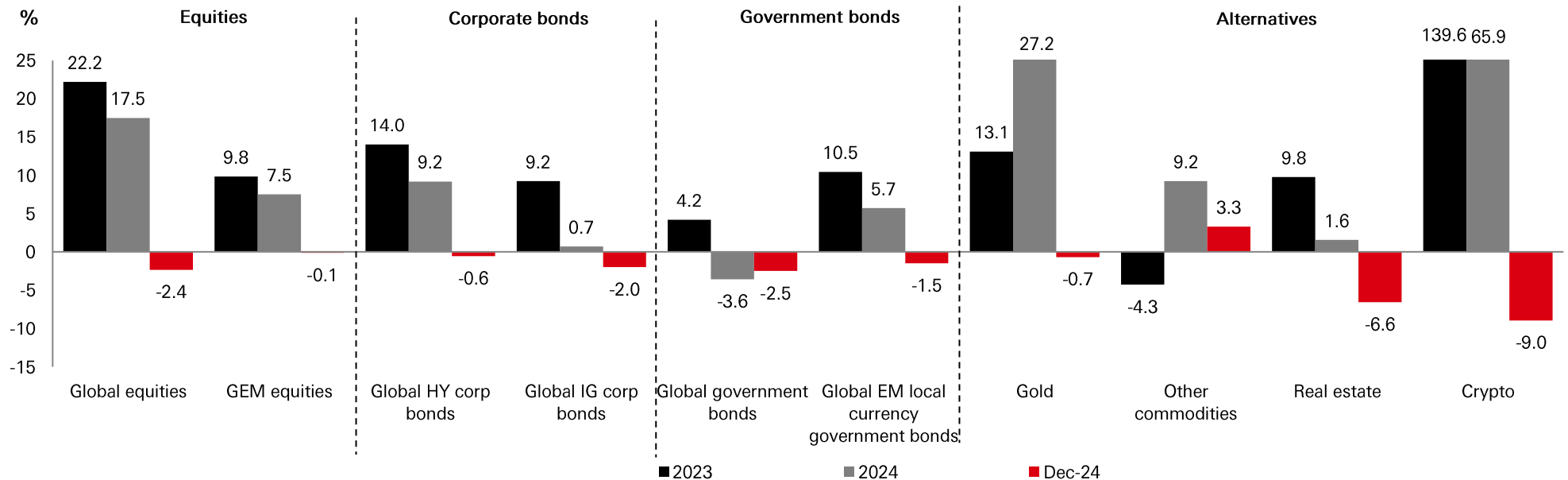
House view represents a >12-month investment view across major asset classes in our portfolios

Source: HSBC Asset Management as at January 2025. The level of yield is not guaranteed and may rise or fall in the future. Any forecast, projection or target where provided is indicative only and not guaranteed in any way. The views expressed above were held at the time of preparation and are subject to change without notice. This information shouldn't be considered as a recommendation to invest in the country or sector shown.

Asset class performance at a glance

Global stock markets were volatile in December as investors reacted to a more hawkish policy outlook from the Fed. Many DM indices fell, but US large-cap tech stocks saw gains, while Chinese and other EM indices were resilient. Longer duration government bonds fell, and the US dollar strengthened

- ◆ **Government bonds** – US 10yr Treasury yields rose sharply in December in response to upwardly revised inflation projections and fewer expected rate cuts for 2025. Uncertainty over the US policy outlook also weighed on sentiment
- ◆ **Equities** – Developed market equity indices lost ground mid-month in response to hawkish Fed commentary. Large cap technology stocks were a rare bright spot, while small-caps were hardest hit. Emerging markets were more resilient, with some Asian and Central European markets delivering gains
- ◆ **Alternatives** – Expectations of higher-for-longer rates contributed to declines in returns from alternative assets like real estate and infrastructure during December. Gold prices and cryptocurrencies declined



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 December 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, the Fed cut rates by 25bp in December but upward revisions to inflation projections resulted in the removal of two rate cuts in 2025 – the Fed now expects to reduce the funds rate by 50bp next year, rather than 100bp. Chair Powell noted that further evidence of inflation moving towards target would be needed before another cut ◆ Meanwhile, household spending remains the main engine of US growth, with recent business surveys signalling a mixed picture. December’s composite PMI rose for a third successive month, but gains primarily came from services, whilst manufacturing fell
Europe	<ul style="list-style-type: none"> ◆ In the eurozone, the ECB delivered a 25bp rate cut in December, dropping the reference to “sufficiently restrictive” monetary policy. The breakdown of Q3 GDP revealed a solid rise in consumer spending, government spending, and capital investment ◆ In the UK, the Bank of England left rates unchanged at 4.75% in December and warned that stubborn inflation could delay future rate cuts. The BoE also said it now expected zero GDP growth in Q4-24, which was a downgrade to its previous forecast of 0.3%
Asia	<ul style="list-style-type: none"> ◆ In China, the latest Politburo meeting saw policymakers call for a “moderately loose” monetary policy in 2025 and a “more proactive” fiscal policy. Meanwhile, disinflation pressures persist, with retail sales missing expectations in November, reflecting low consumer demand. The property sector remains weak, with house prices falling further ◆ In India, the central bank left policy on hold in December, cut the cash reserve ratio and hinted at early easing. Inflation is forecast to reach its 4% target by end-2025. Headline inflation slowed in November, led by moderating food prices. Core inflation remains soft ◆ In Japan, the BoJ kept rates unchanged at 0.25% in December, but one dissenting board member proposed a rate hike, indicating policy tightening is likely early next year
Other EM	<ul style="list-style-type: none"> ◆ In Latin America, Brazil’s central bank raised rates 1% in December, signalling a more aggressive policy stance to stabilise inflation expectations. Mexico’s central bank maintained a gradual easing stance, cutting rates by 25bp in December ◆ In EMEA, Turkey’s monetary policy committee started the rate cutting cycle, with a 2.5% cut in the repo rate. Poland’s central bank maintained unchanged rates ◆ In MENA, policymakers in Saudi Arabia approved the 2025 state budget. The kingdom is forecasting a fiscal deficit of about 2.8% of GDP as it pursues major investment projects in non-oil sectors as part of its Vision 2030 reform agenda

Base case view and implications

<ul style="list-style-type: none"> ◆ US equities consolidated in December. Parts of the market where valuations are stretched remain vulnerable to correction. With a soft landing achieved, there could be scope for a rotation benefiting defensive sectors, small-caps, and ‘value’ ◆ We continue to prefer US Treasuries over equities amid a cooler growth outlook and policy uncertainty
<ul style="list-style-type: none"> ◆ European equities offer both value and cyclical exposure, although signs of economic weakness across the region could be a risk to earnings. Modest valuations versus global peers supports the case for selective stock picking ◆ European government bond yields should fall on further ECB policy easing and potential global trade tensions
<ul style="list-style-type: none"> ◆ There are still material valuation discounts in Chinese equities amid ongoing macro uncertainties. More fiscal support may lead to further re-ratings, with analysts optimistic on earnings growth ◆ Indian equity valuations remain relatively rich (especially mid-cap stocks). A stable earnings outlook, its macro resilience to external challenges and structural tailwinds are supportive ◆ Corporate reforms still offer a re-rating potential on Japanese equities, with support from the government stimulus package. Exporters/FX-sensitive sectors face rising trade uncertainties
<ul style="list-style-type: none"> ◆ Many EM equity markets performed positively in 2024, but there is divergence across regions – with Latam and Korea notable laggards. Reasonable valuations and a pick-up in the macro cycle/growth outlook are encouraging, especially in Asia. EM equities offer potential diversification benefits due to idiosyncratic trends, including structural growth and cyclical upside ◆ Local-currency EM government bonds face a more mixed outlook due to global policy uncertainty, the prospect of higher-for-longer US rates, and the risk of a stronger US dollar

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 policy uncertainty, a shallower than expected US policy easing cycle, and global trade tensions. On the upside, resilient global growth and ongoing rate cuts should encourage a 'broadening out' of market leadership into laggard sectors and regions
	US	↔	–	Disinflation and resilient growth in both GDP and corporate profits in 2024 underpin above-average profit growth forecasts for 2025. Potentially looser fiscal policy, tax cuts, and de-regulation are supportive, but could be inflationary. Rich valuations make prices vulnerable to disappointment
	UK	↔	–	The UK market benefits from a wide valuation discount relative to other regions, as well as the highest dividend yield globally, but stocks are vulnerable to volatility driven by slowing global growth. Concerns over fiscal largesse following the autumn budget may have dampened sentiment
	Eurozone	↔	–	Eurozone stocks offer both value and cyclical exposure partially linked to China and could benefit as global market leadership broadens out. Profits growth expectations should be met in 2025, with potential for a re-rating if global trade tariffs have less of an impact than expected
	Japan	▲	–	Corporate reforms still offer potential for re-ratings, with active share buybacks and government fiscal measures supporting market sentiment. Domestically orientated sectors look more favourable versus those sensitive to global trade and growth amid ongoing external uncertainties
	Emerging Markets (EM)	▲	–	The EM growth outlook is a relative bright spot in a global context, with disinflation, Chinese policy stimulus, and 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 could be impacted by slowing global growth, while the domestic backdrop also presents near-term headwinds
	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, boosting their appeal as a portfolio diversifier
Government bonds	Developed Markets (DM)	↔	–	Western economic growth remains broadly resilient to higher interest rates, keeping yields high. However, there signs of cooling in the US and in the event of a more significant deterioration in growth, government bonds may outperform and provide a hedge against equity market volatility
	US	↔	–	We expect a limited decline in the 10yr Treasury yield in 2025 given expectations for a shallower rate cutting cycle, the risk of higher inflation, and the assumption that the market will likely require a higher term premium due to increased fiscal risks
	UK	▲	–	Gilt yields rose sharply following the UK budget in October, reflecting market unease and rising inflation expectations over a forecast increase in borrowing to fund extra public spending. However, we expect 10y Gilt yields fall gradually during 2025, aided by better UK inflation news
	Eurozone	▲	–	Further ECB policy easing, and concerns regarding the potential implementation of US trade tariffs, should mean yields fall gradually through 2025. The eurozone economy looks set for another year of lacklustre growth, with continuing progress on disinflation
	Japan	▼	–	The BoJ has raised interest rates as part of a gradual normalisation of policy, although conditions will likely remain accommodative. With minimal bond risk premia, we remain underweight Japanese government bonds
	Inflation-linked bonds	↔	–	Market-implied inflation rates have rebounded on stronger economic data, geopolitical concerns, and uncertainty about potentially inflationary US policies. ILB valuations remain low, and they could outperform nominal bonds in this environment
EM local currency	▲	–	The pricing out of Fed policy easing and a stronger US dollar are headwinds to EM bonds and the outlook is more mixed now. But despite upward pressure on global rates, lower oil and commodity prices could keep the medium-term disinflation path unchanged, with EM local yields declining	

Source: HSBC Asset Management as at January 2025. The level of yield is not guaranteed and may rise or fall in the future. Diversification does not ensure a profit or protect against loss. 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	↔	–	Valuations are rich, with spreads reaching 30-year tights and most non-financial sectors at or near historical tights. Financials, especially banks, remain relatively attractive. Technicals remain highly supportive and 'all in' yields continue to attract strong inflows
	EUR and GBP IG	↔	–	The risks for EU IG credit are finely balanced. Historically depressed spreads point to expensive valuations. Carry and rolldown are sufficient to compensate for the volatility that could result from an environment of heightened trade tensions and tariffs
	Asia IG	↔	–	Asia IG spreads are expected to remain within a tight range, with carry strategies a key contributor to alpha generation. Stable regional credit fundamentals and shorter duration compared to global credit markets are positives. 'All in' yields are attractive
	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 with spreads far below historical averages, but 'all in' yields remain attractive. Fundamentals are not a source of concern and growth is still reasonable, although policy uncertainty has become a concern
	Europe HY	▼	–	Current valuations are stretched given the unfavourable macro backdrop of barely-positive growth and high real interest rates. The market is relying on expected policy easing in the coming months to maintain the benign environment for risk assets
	Asia HY	↔	–	China HY spreads should continue to tighten amid an expectation of gradual delivery of stimulus, with investors also looking for dip buying opportunities on selective names. We keep our structural overweight bias despite pressures from potential trade headwinds
FX & Alternatives	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)	▲	–	Both EM corporate and sovereign credit spreads should perform well in the current environment. The additional impact of weaker currencies can help EM firms with dollar-derived revenues, particularly those that have deleveraged and cut their financing needs
	Gold	▲	–	Gold has traded at new highs during 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	▲	–	Real estate values are bottoming, although office values are still falling. Investment activity could remain subdued given uncertainty over global growth and the repricing of rate cuts. Valuations are still supportive, but the sector is vulnerable to macro disappointment
	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 credit	▲	–	As interest rates normalise, private credit continues to offer attractive 'all in' yields, and an illiquidity premium that suits long-term investors. It can also serve as a useful portfolio diversifier. Default rates remain consistently low
	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	↔	–	The USD rallied following the US presidential election and could remain strong in anticipation of trade tariffs and other policies. Fed policy easing would normally cause the currency to weaken, but a shallower rate cutting cycle and rate differentials favour the USD
Crypto	▼	–	Crypto prices have been accelerated to new highs during 2024, with new ETFs continuing to see strong inflows. But crypto performance has historically been highly volatile, and regulatory hurdles remain a key concern	

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Asset class positioning

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▲ Positive
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View move:
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↑ Upgraded versus last month
↓ Downgraded versus last month

Asset class	House view	View change	Comments	
Asian assets	Asia local bonds	▲	–	The macro backdrop and manageable inflation risk across the region are broadly supportive. We continue to expect a shallow monetary easing cycle given near-term FX volatility and financial stability concerns, and do not anticipate a major rise in yields in the region in the short run
	RMB bonds	↔	–	China is expected to maintain an accommodative monetary policy stance, with a focus on mitigating local government debt risks. A further pick-up in government bond supply could limit the upside in the medium term, but liquidity measures may help mitigate the impact
	Asia ex-Japan equities	▲	–	Asian markets offer broad sector diversification and reasonable valuations. China policy measures and other structural stories in the region are also positives. Technology industries are still the profit engine, but markets with high external exposure are more vulnerable to external shocks
	China equities	▲	–	Any follow-up fiscal/pro-growth measures could fuel more re-ratings, with analysts optimistic on the earnings outlook. China's macro weakness (deflationary pressures, property market downturn, and soft consumer sentiment) is reflected in valuation discounts
	India equities	▲	–	Valuations are still rich (especially mid-cap stocks) versus regional peers. India's resilience to external headwinds and stable outlook are supportive, and its strong structural story is a long-term catalyst. The RBI is likely to proceed prudently with policy easing on inflation concerns
	ASEAN equities	▲	–	The overall earnings outlook in ASEAN remains solid, with dispersion across regional markets. Valuations are fair but the region's exposure to global trade tensions and China headwinds warrants caution
	Hong Kong equities	▲	–	Investor confidence stabilised on China's stimulus and local rate cuts following Fed easing. Valuations are appealing (with their low P/B ratios and high dividend yields), but faltering domestic macro momentum, property market weakness, and prevailing geopolitical risks are concerns
Asia FX	▲	–	USD resilience and potential global trade disputes are near-term headwinds. However, historically low valuations in Asia FX should drive a gradual appreciation given improving fundamentals in the region and China stimulus. High-yielders with strong local macro backdrop are preferred	

Market data

December 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)	841	-2.5	-1.2	15.7	15.7	875	710	19.8
North America								
US Dow Jones Industrial Average	42,544	-5.3	0.5	12.9	12.9	45,074	37,123	22.8
US S&P 500 Index	5,882	-2.5	2.1	23.3	23.3	6,100	4,700	24.5
US NASDAQ Composite Index	19,311	0.5	6.2	28.6	28.6	20,205	14,560	35.8
Canada S&P/TSX Composite Index	24,728	-3.6	3.0	18.0	18.0	25,843	20,467	16.9
Europe								
MSCI AC Europe (USD)	529	-2.4	-10.0	-0.8	-0.8	595	510	14.0
Euro STOXX 50 Index	4,896	1.9	-2.1	8.3	8.3	5,122	4,381	14.5
UK FTSE 100 Index	8,173	-1.4	-0.8	5.7	5.7	8,474	7,404	11.9
Germany DAX Index*	19,909	1.4	3.0	18.8	18.8	20,523	16,345	14.9
France CAC-40 Index	7,381	2.0	-3.3	-2.2	-2.2	8,259	7,030	14.4
Spain IBEX 35 Index	11,595	-0.4	-2.4	14.8	14.8	12,154	9,799	11.0
Italy FTSE MIB	34,186	2.3	0.2	12.6	12.6	35,474	29,926	9.9
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	569	-1.2	-8.3	7.7	7.7	632	490	14.6
Japan Nikkei-225 Stock Average	39,895	4.4	5.2	19.2	19.2	42,427	31,156	20.6
Australian Stock Exchange 200	8,159	-3.3	-1.3	7.5	7.5	8,515	7,322	18.8
Hong Kong Hang Seng Index	20,060	3.3	-5.1	17.7	17.7	23,242	14,794	9.4
Shanghai Stock Exchange Composite Index	3,352	0.8	0.5	12.7	12.7	3,674	2,635	13.0
Hang Seng China Enterprises Index	7,290	4.9	-2.9	26.4	26.4	8,373	4,943	8.7
Taiwan TAIEX Index	23,035	3.5	3.6	28.5	28.5	24,417	17,152	19.1
Korea KOSPI Index	2,399	-2.3	-7.5	-9.6	-9.6	2,896	2,360	10.2
India SENSEX 30 Index	78,139	-2.1	-7.3	8.2	8.2	85,978	70,002	22.8
Indonesia Jakarta Stock Price Index	7,080	-0.5	-6.0	-2.7	-2.7	7,911	6,699	11.9
Malaysia Kuala Lumpur Composite Index	1,642	3.0	-0.4	12.9	12.9	1,685	1,477	15.6
Philippines Stock Exchange PSE Index	6,529	-1.3	-10.2	1.2	1.2	7,605	6,158	11.3
Singapore FTSE Straits Times Index	3,788	1.3	5.6	16.9	16.9	3,843	3,092	12.0
Thailand SET Index	1,400	-1.9	-3.4	-1.1	-1.1	1,507	1,273	15.9
Latam								
Argentina Merval Index	2,533,635	12.2	49.3	172.5	172.5	2,828,294	955,099	11.9
Brazil Bovespa Index*	120,283	-4.3	-8.7	-10.4	-10.4	137,469	118,404	7.7
Chile IPSA Index	6,710	2.0	3.4	8.3	8.3	6,838	5,823	11.7
Colombia COLCAP Index	1,380	-0.9	5.5	15.4	15.4	1,451	1,215	5.5
Mexico S&P/BMV IPC Index	49,513	-0.6	-5.6	-13.7	-13.7	59,021	48,770	11.4
EEMEA								
Saudi Arabia Tadawul All Share Index	12,037	3.4	-1.6	0.6	0.6	12,883	11,318	17.2
South Africa JSE Index	84,095	-0.5	-2.8	9.4	9.4	87,884	71,635	11.8
Turkey index	9,672.8	1.8	1.7	31.6	31.6	11,252.1	7,667.9	6.5

Past performance does not predict future returns.

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

Market data (continued)

December 2024

	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Equity Indices - Total Return						
Global equities	-1.0	17.5	17.5	17.2	61.5	1.8
US equities	2.7	24.6	24.6	26.3	92.8	1.3
Europe equities	-9.7	1.8	1.8	3.7	27.0	3.4
Asia Pacific ex Japan equities	-8.2	10.2	10.2	-2.4	16.0	2.7
Japan equities	-3.6	8.3	8.3	8.6	26.5	2.2
Latam equities	-15.8	-26.4	-26.4	6.4	-15.7	6.1
Emerging Markets equities	-8.0	7.5	7.5	-5.7	8.8	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.

	Close	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
Bond indices - Total Return					
BarCap GlobalAgg (Hedged in USD)	580	-0.8	-0.9	3.4	3.4
JPM EMBI Global	897	-1.5	-2.1	5.7	5.7
BarCap US Corporate Index (USD)	3,290	-1.9	-3.0	2.1	2.1
BarCap Euro Corporate Index (Eur)	258	-0.4	0.9	4.7	4.7
BarCap Global High Yield (USD)	627	-0.2	1.1	10.7	10.7
BarCap US High Yield (USD)	2683	-0.4	0.2	8.2	8.2
BarCap pan-European High Yield (USD)	598	0.8	2.3	10.1	10.1
BarCap EM Debt Hard Currency	442	-1.3	-2.1	5.8	5.8
Markit iBoxx Asia ex-Japan Bond Index (USD)	225	-0.7	-1.2	5.3	5.3
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	261	-0.1	-0.2	13.7	13.7

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 December 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)

December 2024

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2023
US Treasury yields (%)					
3-Month	4.31	4.49	4.62	5.33	5.33
2-Year	4.24	4.15	3.64	4.25	4.25
5-Year	4.38	4.05	3.56	3.85	3.85
10-Year	4.57	4.17	3.78	3.88	3.88
30-Year	4.78	4.36	4.12	4.03	4.03
Developed market 10-year bond yields (%)					
Japan	1.09	1.04	0.85	0.61	0.61
UK	4.56	4.24	4.00	3.53	3.53
Germany	2.36	2.09	2.12	2.02	2.02
France	3.19	2.89	2.92	2.56	2.56
Italy	3.52	3.28	3.45	3.69	3.69
Spain	3.06	2.79	2.92	2.98	2.98

	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Commodities							
Gold	2,625	-0.7	-0.4	27.2	27.2	2,790	1,984
Brent Oil	74.6	2.3	4.0	-3.1	-3.1	92	69
WTI Crude Oil	71.7	5.5	5.2	0.1	0.1	88	65
R/J CRB Futures Index	297	3.4	4.1	12.5	12.5	300	262
LME Copper	8,768	-2.7	-10.8	2.4	2.4	11,105	8,127

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 December 2024.

Market data (continued)

December 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	108.49	105.74	100.78	101.33	101.33	109.53	100.16
EUR/USD	1.04	1.06	1.11	1.10	1.10	1.12	1.02
GBP/USD	1.25	1.27	1.34	1.27	1.27	1.34	1.23
CHF/USD	1.10	1.14	1.18	1.19	1.19	1.19	1.08
CAD	1.44	1.40	1.35	1.32	1.32	1.45	1.33
JPY	157.2	149.8	143.6	141.0	141.0	162.0	139.6
AUD	1.62	1.54	1.45	1.47	1.47	1.62	1.44
NZD	1.79	1.69	1.58	1.58	1.58	1.79	1.57
Asia							
HKD	7.77	7.78	7.77	7.81	7.81	7.84	7.76
CNY	7.30	7.25	7.02	7.10	7.10	7.33	7.00
INR	85.61	84.49	83.80	83.21	83.21	85.84	82.65
MYR	4.47	4.45	4.12	4.59	4.59	4.81	4.09
KRW	1,479	1,397	1,315	1,291	1,291	1,487	1,303
TWD	32.79	32.51	31.66	30.58	30.58	33.00	30.91
Latam							
BRL	6.17	5.97	5.45	4.85	4.85	6.32	4.83
COP	4,406	4,433	4,204	3,875	3,875	4,546	3,739
MXN	20.83	20.38	19.69	16.97	16.97	20.91	16.26
ARS	1,030.99	1,010.38	968.72	808.48	808.48	1,035.15	812.64
EEMEA							
RUB	113.52	106.50	93.00	89.47	89.47	115.07	82.65
ZAR	18.84	18.06	17.27	18.36	18.36	19.39	17.04

Past performance does not predict future returns.

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

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