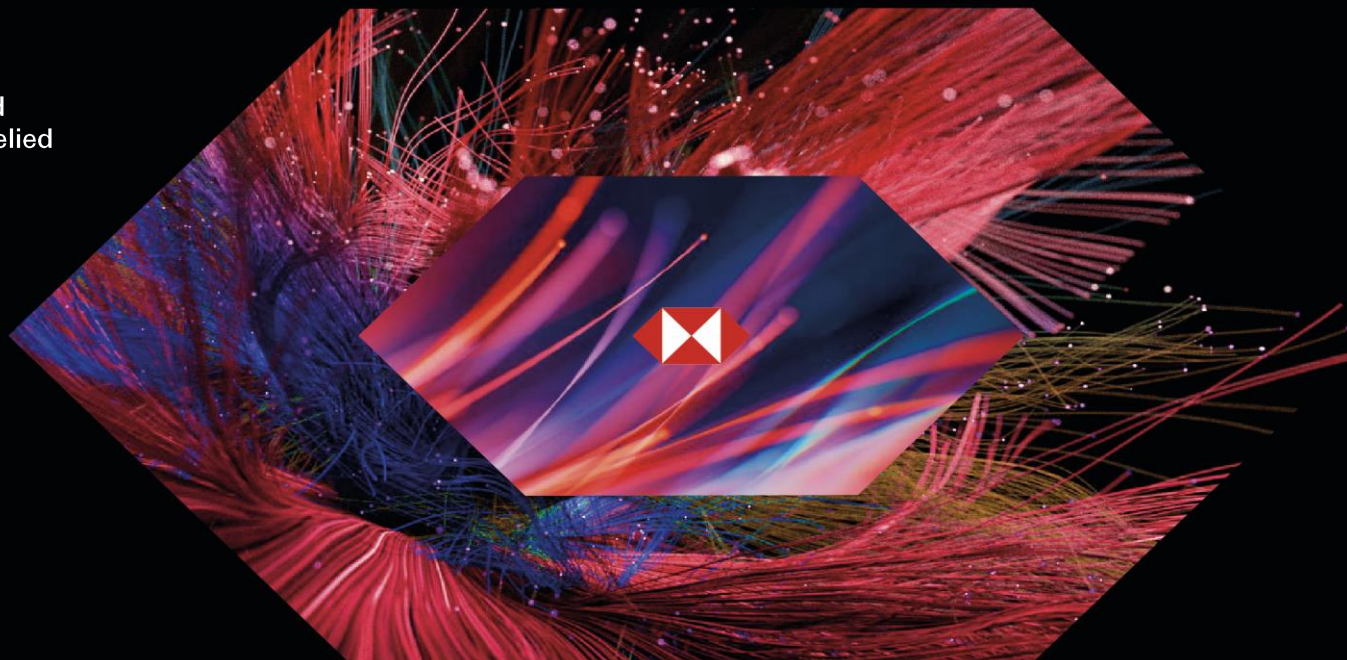


Investment Monthly

Playing the yield

July 2024

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



Macro Outlook

- ◆ **Economic data remains mixed.** A key theme for economies and markets is that growth is broadening out but divergence reigns. As inflation unsticks itself amid cooling labour markets, we expect policymakers to pivot
- ◆ **Our base case remains a softish economic landing,** but there are risks – particularly around geopolitics, elections, and higher-for-longer rates – that could cause asset price volatility and muddy the economic outlook
- ◆ **Economic momentum in emerging economies is stable,** and disinflation has further to go. EM Asia remains the bright spot, with momentum in India still impressive. A delay to the Fed easing cycle remains a risk

House View

- ◆ We see a chance to **‘play the yield’ and take advantage of high ‘all in’ yields in fixed income and private credits.** We like US Treasuries and UK Gilts, as well as carry-earning opportunities in emerging markets
- ◆ In stocks, exceptional profits growth in the US, driven by the tech megatrend, is **broadening out to other sectors and markets.** This represents an opportunity for international stocks to take the lead
- ◆ **We see a bright spot for emerging and frontier markets.** We also think that unloved, defensive real assets – like real estate and infrastructure – have an important role as portfolio diversifiers over the medium term

Policy Outlook

- ◆ Rate expectations have been reset in 2024, but recent signs of economic cooling have revived hopes of near-term easing. **We expect two cuts from the Fed in 2024,** and similar moves in Europe and the UK before the year-end
- ◆ **EM countries in Latam and Europe led the global easing cycle,** but central banks there are now trading more carefully on rate cuts as they seek to avoid currency volatility amid a strong US dollar
- ◆ **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

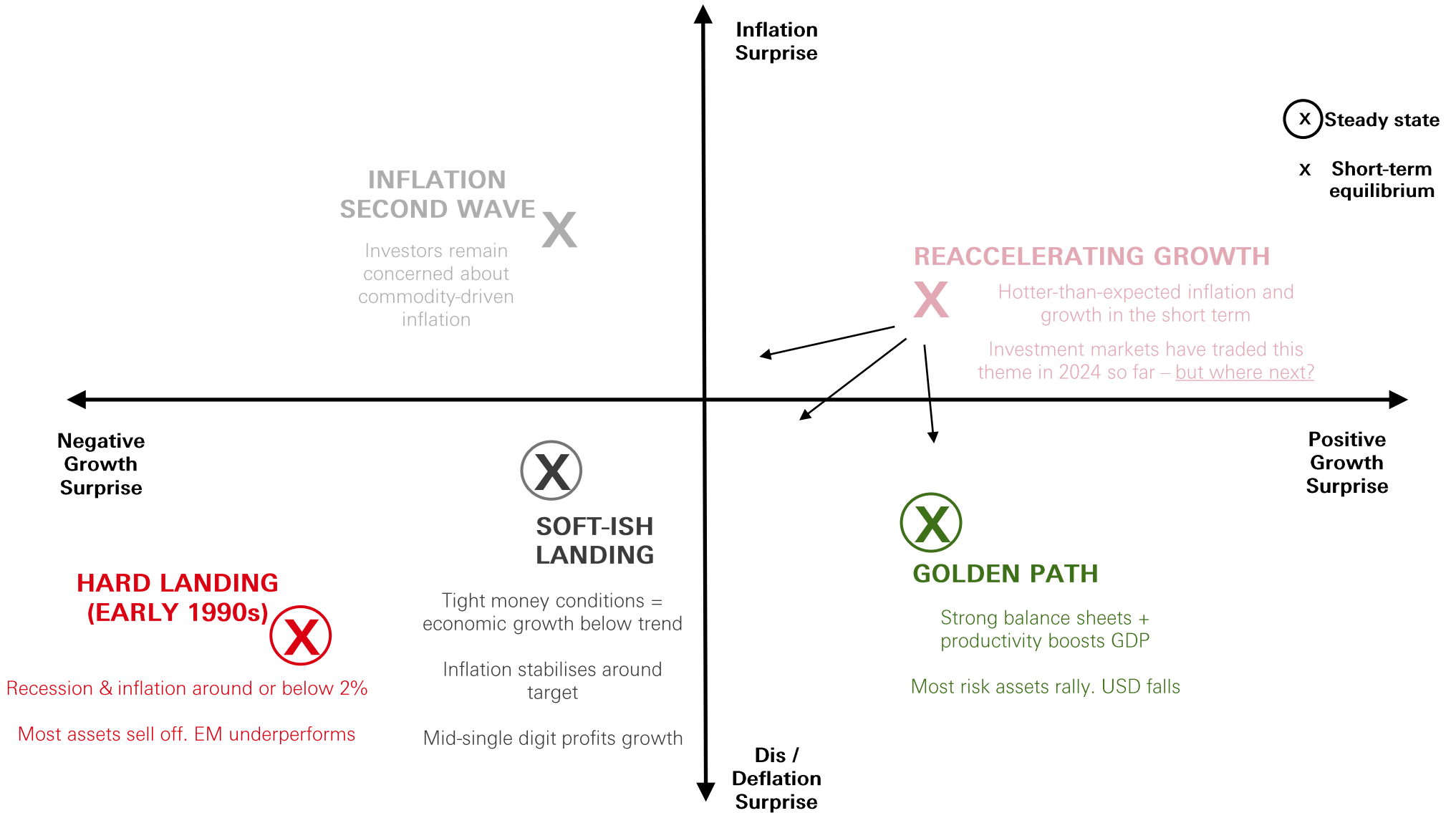
Scenarios

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

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.

Source: HSBC Asset Management as at July 2024.

Macro scenarios in 2024



Gradually cooling labour markets and a policy pivot by central banks supports our expectation of a softish economic landing. GDP and profits growth is broadening across economies and markets, but risks remain. **High carry and 'all-in' yields point to better fixed income returns in the second half amid rate cuts and disinflation**

- ◆ **Equities** – The bull market continues, and rate cuts could offer scope for further gains. Profit growth is expected to broaden across sectors and markets, with EM stocks potentially well-placed to benefit given their attractive valuations and relatively strong growth outlook
- ◆ **Government bonds** – Gradual economic cooling and disinflation trends support the case for near-term Fed rate cuts, which could mean capital gains. But high debt and deficits mean yields are sensitive to shifts in fiscal policy
- ◆ **Corporate bonds** – Investment grade credit spreads continue to trade at historic tightness, but high 'all in' yields, reasonable growth and a supportive profits backdrop mean the asset class remains potentially attractive

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

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

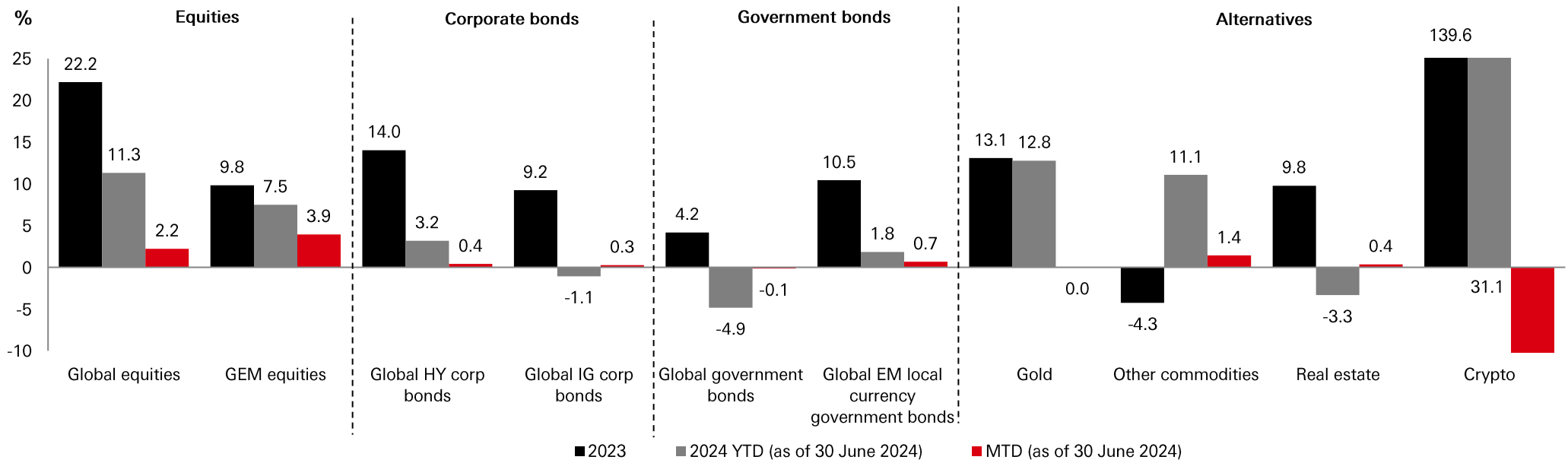
▲ Positive
↔ Neutral
▼ Negative

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

Asset class performance at a glance

Global stocks finished June in positive territory, with gains in mega-cap technology names driving the bulk of returns in the US. Many indices hit new highs but there were divergent performances in both DMs and EMs. Rate-sensitive assets were subdued amid monetary policy uncertainty

- ◆ **Government bonds** – US 10yr Treasuries rallied during early June (yields fell) on signs of cooling growth and declining inflation. But yields rebounded late in the month as US election uncertainty weighed on sentiment
- ◆ **Equities** – Technology stocks continued to drive momentum in June, and a broadening out of the earnings outlook supported DM equity markets. EM markets saw divergence, with India performing well but China losing ground
- ◆ **Alternatives** – Restrictive rates continue to weigh on performance of real assets like real estate and infrastructure. Gold traded in a narrow range after rising to new highs in May. Oil prices rose sharply on supply pressures



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

Monthly macroeconomic update

US	<ul style="list-style-type: none"> ◆ In the US, Fed Chair Powell welcomed the latest monthly CPI report at June's FOMC meeting. The median FOMC member expects to cut the funds rate only once during 2024, down from three cuts in the March projections. A sizeable minority support two ◆ Goods inflation has normalised. Core service inflation eased in May, aided by a surprise fall in vehicle insurance. Elevated levels of rents and owners' equivalent rent suggest the pace of improvement in H2 2024 will be relatively gradual
Europe	<ul style="list-style-type: none"> ◆ Eurozone GDP rose modestly in Q1 2024, but consumer spending remained weak. Forward-looking indicators point to sluggish growth in Q2. Goods disinflation persists, service sector inflation remains sticky but should ease as wage growth slows ◆ UK headline inflation reached the BoE's 2% medium-term target in May, but service inflation, the main driver of core inflation, remains sticky. Latest monthly PMI surveys hint at moderating growth in Q2 2024. Labour market conditions are softening gradually
Asia	<ul style="list-style-type: none"> ◆ Recent Chinese data has been mixed. Retail sales improved in May, but consumer confidence is low. Industrial production slowed. The property sector remains a headwind for growth, with house prices falling rapidly. Latest policy measures should be supportive. Further announcements are unlikely at the Third Plenum in mid-July ◆ Indian growth remains strong. Headline inflation is softening but the Reserve Bank of India remains cautious as high food prices are viewed as a key risk to disinflation ◆ In Japan, the BoJ's Q2 Tankan survey revealed slightly higher business confidence for large manufacturers, with medium-term inflation expectations edging further above 2%. Core CPI excluding fresh food & energy remains below 2% on an annual basis
Other EM	<ul style="list-style-type: none"> ◆ Latin American central banks have become more cautious. Banco do Brasil was relatively hawkish in June, citing "unanchored" inflation expectations. Banxico, Mexico's central bank, kept policy unchanged in June due to "visible" currency weakness but hinted at easing in H2 2024. Chile's central bank slowed the pace of easing to 25bp ◆ Diverging monetary policy stances persist in Eastern Europe. Hungary lowered rates 25bp in June whilst Turkey maintained a hawkish bias amid elevated inflation ◆ In MENA, Saudi Arabia's energy policy faces medium-term challenges amid expected peak global oil and sizeable funding needs. Domestic demand slowed in early 2024

Base case view and implications

<ul style="list-style-type: none"> ◆ The technology and AI megatrend has been a major source of profits growth in US equities, but that growth is expected to broaden out across sectors in 2024 and 2025, potentially reducing concentration risk. Valuations are still high in parts of the market ◆ We continue to prefer US Treasuries over equities given their relative valuations / yields
<ul style="list-style-type: none"> ◆ European equities rallied after the ECB cut rates in early June but have been weaker on recent election concerns. Relatively strong earnings growth and moderate valuations versus global peers supports the case for selective stock picking ◆ In European government bonds, ECB policy easing is supportive but the timetable for further rate cuts remains unclear
<ul style="list-style-type: none"> ◆ 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 ◆ Japanese equities are benefitting from corporate reform tailwinds. While earnings growth has been resilient, BoJ policy normalization, yen weakness and global slowdown risks are uncertainties
<ul style="list-style-type: none"> ◆ 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, but the timing of Fed cuts is uncertain

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 sentiment is supported by high confidence in the soft landing and leadership from quality growth. The market is discounting a lot of good news but there are signs that profits growth is broadening out across sectors. Risks of an adverse surprise persist
	US	▼	–	Positive momentum in equities driven by robust earnings and expectations of rate cuts has left valuations stretched in some areas. Evidence of a slowdown, as well as geopolitical concerns, do not appear to be priced in, with tighter credit conditions potentially posing a risk to profitability
	UK	▼	–	Positive macro surprises have boosted sentiment, with expectations that rates will fall later in 2024. The UK market benefits from relatively cheap valuations that could see upside from increasing M&A activity. Resurgent wage growth could delay rate cuts and pose challenges for earnings
	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 remains reliant on economic growth in the US
	Japan	▲	–	Japanese stocks are supported by their resilient earnings growth. Corporate governance reforms have boosted market sentiment and should improve firms' long-term profitability. Global growth slowdown risks, extended weakness in the yen, and BoJ policy normalization 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 market equities continue to perform well overall. 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)	↔	–	Recent economic data has been mixed, and we continue to see downside growth risks, with central banks expected to cut rates from the second half of 2024. This should boost the performance of bonds, which are also offering improved term premia
	US	▲	–	Yields rose during H1, driven by resilient growth and inflation data, but signs of cooling and a resumption of disinflation are now evident. The Fed is still likely to cut interest rates later this year and we anticipate yield curve steepening by the end of the year
	UK	▲	–	Gilt yields are expected to trend lower later in 2024, 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 ended its negative interest rate policy and yield curve control framework, which should lead to a gradual normalisation, 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 sticky inflation that delays rate cuts and keeps the US dollar strong. A pick-up in industrial metals points to an improving EM growth outlook, which could help local bonds weather any delays to Fed policy easing

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 trading at historic tights, 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 at or near cyclical tights. '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)	↔	–	Valuations are expensive with spreads well below historical averages. The market prices a global soft landing. Despite tight spreads, 'all in' yields are high. Reasonable growth and moderating inflation mean that the fundamental backdrop is supportive
	US HY	▼	–	Valuations remain at historically expensive levels, with spreads collapsing in recent months amid hopes of policy easing by the Fed. Tight HY valuations are offset by still attractive 'all in' yields. Fundamentals are not a source of 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	↔	–	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 at historic tights 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 timing 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, but a cautious Fed and strong US economy could delay the timing. 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	

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	▲	–	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 pickup 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

Market data

June 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)	802	2.1	2.4	17.5	10.3	808	628	18.7
North America								
US Dow Jones Industrial Average	39,119	1.1	-1.7	13.7	3.8	40,077	32,327	19.3
US S&P 500 Index	5,460	3.5	3.9	22.7	14.5	5,524	4,104	22.4
US NASDAQ Composite Index	17,733	6.0	8.3	28.6	18.1	18,035	12,544	34.7
Canada S&P/TSX Composite Index	21,876	-1.8	-1.3	8.5	4.4	22,555	18,692	14.8
Europe								
MSCI AC Europe (USD)	554	-2.3	-0.7	8.9	3.9	578	459	14.1
Euro STOXX 50 Index	4,894	-1.8	-3.7	11.3	8.2	5,122	3,993	13.7
UK FTSE 100 Index	8,164	-1.3	2.7	8.4	5.6	8,474	7,216	11.6
Germany DAX Index*	18,235	-1.4	-1.4	12.9	8.9	18,893	14,630	13.2
France CAC-40 Index	7,479	-6.4	-8.9	1.1	-0.8	8,259	6,774	13.4
Spain IBEX 35 Index	10,944	-3.3	-1.2	14.1	8.3	11,470	8,879	10.7
Italy FTSE MIB	33,154	-3.9	-4.6	17.4	9.2	35,474	27,078	9.1
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	567	3.5	5.5	10.3	7.2	573	469	14.5
Japan Nikkei-225 Stock Average	39,583	2.8	-1.9	19.3	18.3	41,088	30,488	22.7
Australian Stock Exchange 200	7,767	0.9	-1.6	7.8	2.3	7,911	6,751	17.3
Hong Kong Hang Seng Index	17,719	-2.0	7.1	-6.3	3.9	20,361	14,794	8.7
Shanghai Stock Exchange Composite Index	2,967	-3.9	-2.4	-7.3	-0.3	3,322	2,635	11.2
Hang Seng China Enterprises Index	6,332	-0.9	9.0	-1.4	9.8	7,024	4,943	8.3
Taiwan TAIEX Index	23,032	8.8	13.5	36.2	28.5	23,406	15,976	20.0
Korea KOSPI Index	2,798	6.1	1.9	9.1	5.4	2,813	2,274	11.0
India SENSEX 30 Index	79,033	6.9	7.3	22.1	9.4	79,856	63,093	22.7
Indonesia Jakarta Stock Price Index	7,064	1.3	-3.1	6.0	-2.9	7,454	6,640	12.8
Malaysia Kuala Lumpur Composite Index	1,590	-0.4	3.5	15.5	9.3	1,633	1,378	14.5
Philippines Stock Exchange PSE Index	6,412	-0.3	-7.1	-0.9	-0.6	7,071	5,920	10.7
Singapore FTSE Straits Times Index	3,333	-0.1	3.4	4.0	2.9	3,393	3,042	10.8
Thailand SET Index	1,301	-3.3	-5.6	-13.4	-8.1	1,579	1,282	14.1
Latam								
Argentina Merval Index	1,611,295	-2.4	32.8	278.0	73.3	1,665,774	413,947	8.3
Brazil Bovespa Index*	123,907	1.5	-3.3	4.9	-7.7	134,392	111,599	7.8
Chile IPSA Index	6,414	-3.3	-3.5	10.8	3.5	6,838	5,363	11.0
Colombia COLCAP Index	1,381	-1.4	3.6	21.8	15.5	1,451	1,045	7.3
Mexico S&P/BMV IPC Index	52,440	-5.0	-8.6	-2.0	-8.6	59,021	47,765	12.0
EEMEA								
Russia MOEX Index	3,123	-2.9	-6.3	11.7	0.8	3,522	2,741	#N/A N/A
South Africa JSE Index	79,707	3.9	6.9	4.8	3.7	81,364	69,128	10.7
Turkey index	10,771.4	10,400.5	9,142.4	5,759.1	7,470.2	11,088.0	5,692.9	5.5

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 30 June 2024. (*) Indices expressed as total returns. All others are price returns.

Market data (continued)

June 2024

	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Equity Indices - Total Return						
Global equities	2.9	11.3	19.4	17.2	66.7	1.9
US equities	3.9	14.6	24.1	28.2	96.1	1.3
Europe equities	0.5	5.8	11.7	12.1	41.1	3.3
Asia Pacific ex Japan equities	6.3	8.5	13.0	-12.6	21.3	2.8
Japan equities	-4.3	6.3	13.1	7.0	37.8	2.0
Latam equities	-12.2	-15.7	-5.6	2.9	0.7	6.0
Emerging Markets equities	5.0	7.5	12.5	-14.4	16.5	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)	562	0.9	0.1	4.2	0.1
JPM EMBI Global	864	0.7	0.4	8.4	1.8
BarCap US Corporate Index (USD)	3,205	0.6	-0.1	4.6	-0.5
BarCap Euro Corporate Index (Eur)	248	0.7	0.1	6.4	0.5
BarCap Global High Yield (USD)	588	0.7	1.2	12.5	3.9
BarCap US High Yield (USD)	2544	0.9	1.1	10.4	2.6
BarCap pan-European High Yield (USD)	563	0.5	1.6	12.7	3.7
BarCap EM Debt Hard Currency	425	0.4	0.5	7.9	1.9
Markit iBoxx Asia ex-Japan Bond Index (USD)	219	0.8	1.2	6.1	2.4
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	252	1.3	3.4	12.3	9.7

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 30 June 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)

June 2024

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2023
US Treasury yields (%)					
3-Month	5.35	5.40	5.36	5.28	5.33
2-Year	4.75	4.87	4.62	4.90	4.25
5-Year	4.38	4.51	4.21	4.16	3.85
10-Year	4.40	4.50	4.20	3.84	3.88
30-Year	4.56	4.65	4.34	3.86	4.03
Developed market 10-year bond yields (%)					
Japan	1.05	1.06	0.72	0.39	0.61
UK	4.17	4.32	3.93	4.38	3.53
Germany	2.50	2.66	2.30	2.39	2.02
France	3.30	3.14	2.81	2.93	2.56
Italy	4.07	3.98	3.68	4.07	3.69
Spain	3.42	3.39	3.16	3.38	2.98

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	2,327	0.0	4.3	21.2	12.8	2,450	1,811
Brent Oil	86.4	5.9	-1.2	15.4	12.2	98	72
WTI Crude Oil	81.5	5.9	-2.0	15.4	13.8	95	68
R/J CRB Futures Index	290	0.1	0.1	10.9	10.1	300	258
LME Copper	9,599	-4.4	8.3	15.4	12.2	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 30 June 2024.

Market data (continued)

June 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	105.87	104.67	104.49	102.91	101.33	107.35	99.58
EUR/USD	1.07	1.08	1.08	1.09	1.10	1.13	1.04
GBP/USD	1.26	1.27	1.26	1.27	1.27	1.31	1.20
CHF/USD	1.11	1.11	1.11	1.12	1.19	1.20	1.08
CAD	1.37	1.36	1.35	1.32	1.32	1.39	1.31
JPY	160.9	157.3	151.4	144.3	141.0	161.7	137.3
AUD	1.50	1.50	1.53	1.50	1.47	1.59	1.45
NZD	1.64	1.63	1.67	1.63	1.58	1.73	1.56
Asia							
HKD	7.81	7.82	7.82	7.84	7.81	7.85	7.79
CNY	7.27	7.24	7.22	7.25	7.10	7.35	7.09
INR	83.39	83.47	83.41	82.04	83.21	83.67	81.67
MYR	4.72	4.71	4.73	4.67	4.59	4.81	4.50
KRW	1,376	1,386	1,347	1,318	1,291	1,400	1,257
TWD	32.44	32.47	31.98	31.15	30.58	32.67	30.49
Latam							
BRL	5.59	5.25	5.01	4.79	4.85	5.70	4.70
COP	4,149	3,868	3,859	4,172	3,875	4,427	3,739
MXN	18.32	17.01	16.56	17.12	16.97	18.99	16.26
ARS	911.51	895.54	857.67	256.73	808.48	914.77	257.94
EEMEA							
RUB	85.77	90.38	92.46	89.31	89.47	102.36	82.65
ZAR	18.19	18.79	18.88	18.85	18.36	19.64	17.42

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 30 June 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 **June 2024**, HSBC Asset Management's long-term expected return forecasts which were generated as at **31 May 2024**, our portfolio optimisation process and actual portfolio positions.
- ◆ **Icons:** ↑ View on this asset class has been upgraded – No change ↓ View on this asset class has been downgraded.
- ◆ Underweight, overweight and neutral classifications are the high-level asset allocations tilts applied in diversified, typically multi-asset portfolios, which reflect a combination of our long-term valuation signals, our shorter-term cyclical views and actual positioning in portfolios. The views are expressed with reference to global portfolios. However, individual portfolio positions may vary according to mandate, benchmark, risk profile and the availability and riskiness of individual asset classes in different regions.
- ◆ *"Overweight"* implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks, HSBC Global Asset Management has (or would have) a positive tilt towards the asset class.
- ◆ *"Underweight"* implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks, HSBC Global Asset Management has (or would) have a negative tilt towards the asset class.
- ◆ *"Neutral"* implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks HSBC Global Asset Management has (or would have) neither a particularly negative or positive tilt towards the asset class.
- ◆ For global investment-grade corporate bonds, the underweight, overweight and neutral categories for the asset class at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, USD investment-grade corporate bonds and EUR and GBP investment-grade corporate bonds are determined relative to the global investment-grade corporate bond universe.
- ◆ For Asia ex Japan equities, the underweight, overweight and neutral categories for the region at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, individual country views are determined relative to the Asia ex Japan equities universe as of **31 May 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 June 2024**.

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