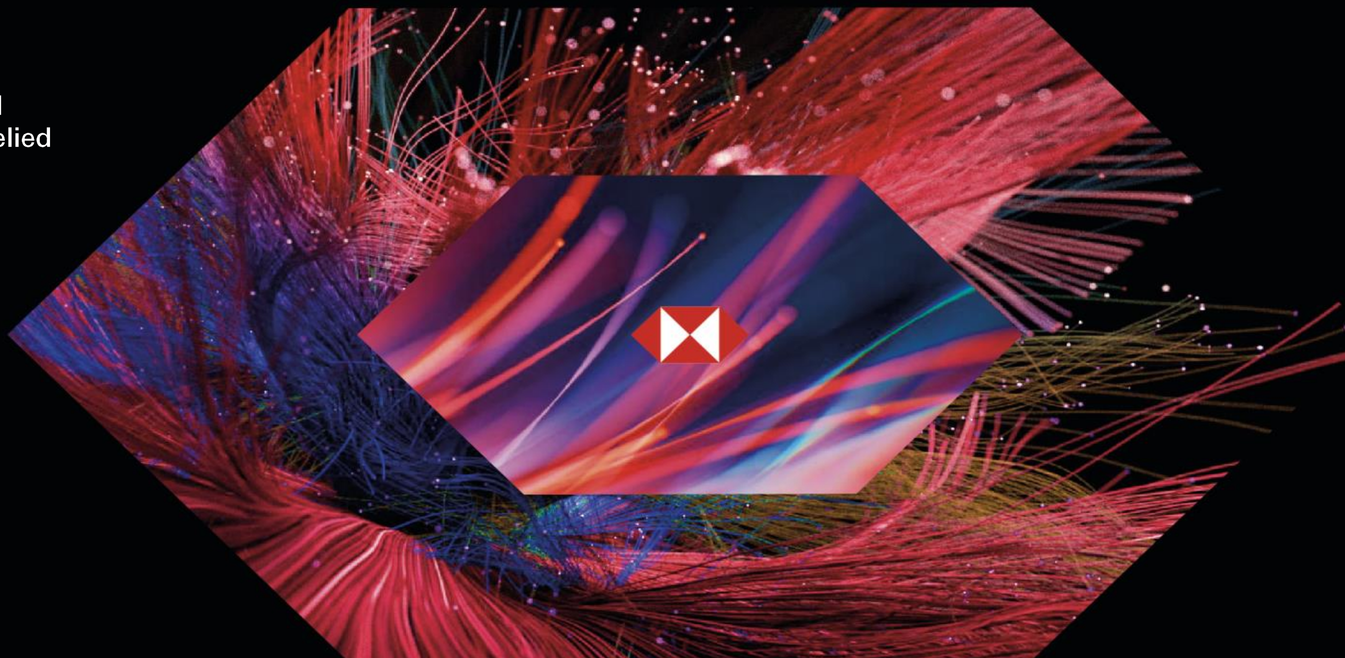
Investment Monthly

Cooling growth



June 2024

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HSBC Asset Management

Summary

Macro Outlook

- **Global growth is robust but shows signs of cooling amid still-restrictive policy.** Sticky inflation has delayed rate cuts, but we expect growth to soften in H2 and disinflation trends to re-establish later this year
- **The data suggests a softish economic landing remains likely.** But investors face a higher-for-longer rates outlook, with elections, geopolitics, climate change, and the outlook for longer-term growth fuelling uncertainty
- **EMs and DMs have traded places, with US activity surprising to the downside.** Divergence still reigns, but Asia and Latam EMs are broadly expected to see slow-but-steady growth and lower inflation into 2025

Policy Outlook

- **Sticky inflation has led the Fed to back off from near-term rate cuts.** We still expect that central banks in Europe and the UK will be able to ease policy this summer, although the pace of easing will depend on Fed policy
- **The DM fiscal policy stance** is expected to act as a slight drag on growth in 2024. But public deficits are likely to remain large, with no expected return to the fiscal conservatism of the 2010s
- **EM countries in Latam and Europe led the global easing cycle,** and we expect that to continue, although the pace of rate cuts has slowed as central banks seek to avoid currency volatility amid a strong US dollar

House View

- **Our base case continues to be for a 'softish' landing**, but there is significant uncertainty over the rates outlook given high services inflation and resilient growth. We remain cautious on western risk assets
- **Our preference is for selective exposures to fixed income, risk assets, and private markets.** In credits, high all-in yields could offer income opportunities. In stocks, earnings growth is broadening out
- **We continue to see opportunities in the EM and Frontier space.** We also see a key portfolio role for alternatives (especially private credit, hedge funds, infrastructure, and real estate)

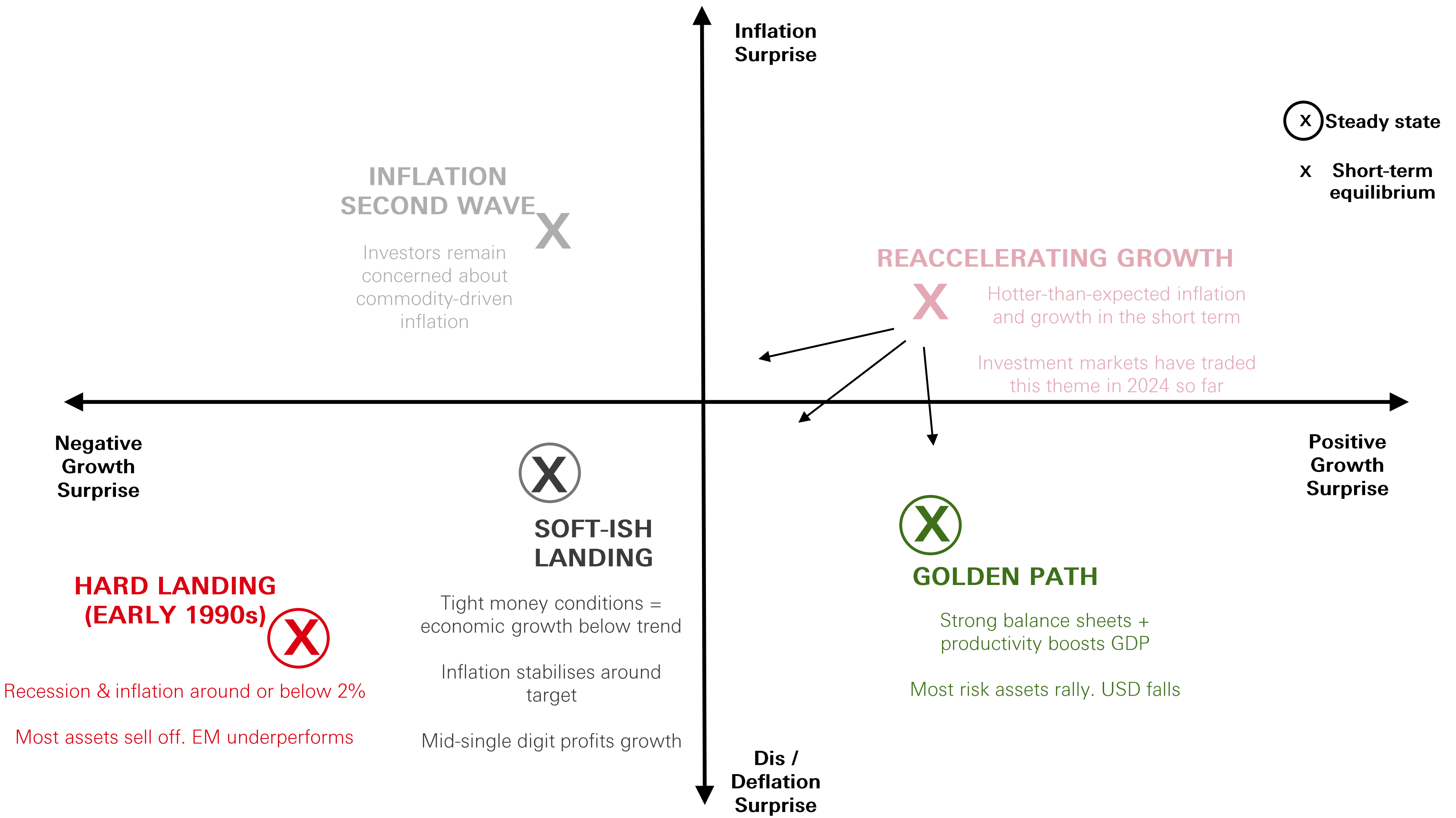
Scenarios

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 June 2024.

Macro scenarios in 2024



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

House view

We continue to see a softish landing as the most likely economic outcome, with H2 expected to see a slowing of recent strong growth, and inflation trending lower again. Our preference is for **a defensive investment strategy** with a bias to quality and selectivity in stocks and credits, especially in Asia and emerging markets

- **Equities** – A softish landing and the expectation of rate cuts on the horizon could offer more room for gains, although valuations look increasingly stretched in pockets of the market. Beyond the US, we see potential value and cyclical upside in emerging markets
- **Government bonds** – Still high US services inflation and upward growth surprises have delayed the timetable for Fed rate cuts. But yields could fall as the disinflation trend reasserts itself
- **Corporate bonds** – Investment grade credit spreads continue to trade at historic tights, but high all-in yields, reasonable growth and a supportive profits backdrop mean the asset class remains potentially attractive

Equities

Asset Class	House view	View move
Global	▼	–
US	▼	–
UK	▼	–
Eurozone	▼	–
Japan	▲	–
Emerging Markets (EM)	▲	–
CEE & Latam	↔	–
Frontier	▲	–

Government bonds

Asset Class	House view	View move
Developed Market (DM)	↔	–
US	▲	–
UK	▲	–
Eurozone	↔	–
Japan	▼	–
Inflation-linked bonds	↔	–
EM (local currency)	▲	–

Corporate bonds

Asset Class	House view	View move
Global investment grade (IG)	↔	–
USD IG	↔	–
EUR & GBP IG	▲	–
Asia IG	↔	–
Global high-yield	↔	–
US high-yield	▼	–
Europe high-yield	▼	–
Asia high-yield	↔	–
Securitised credit	▲	–
EM aggregate bond (USD)	▲	–

FX & Alternatives

Asset Class	House view	View move
Gold	▲	–
Other commodities	↔	–
Real estate	▲	–
Infrastructure	▲	–
Hedge funds	▲	–
Private equity	↔	–
US dollar	▼	–
Crypto	▼	–

Asian assets

Asset Class	House view	View move
Asia local bonds	▲	–
RMB bonds	↔	–
Asia ex-Japan equities	▲	–
China	▲	–
India	▲	–
ASEAN	↔	–
Hong Kong	▲	–
Asia FX	▲	–

▲ Positive
↔ Neutral
▼ Negative

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

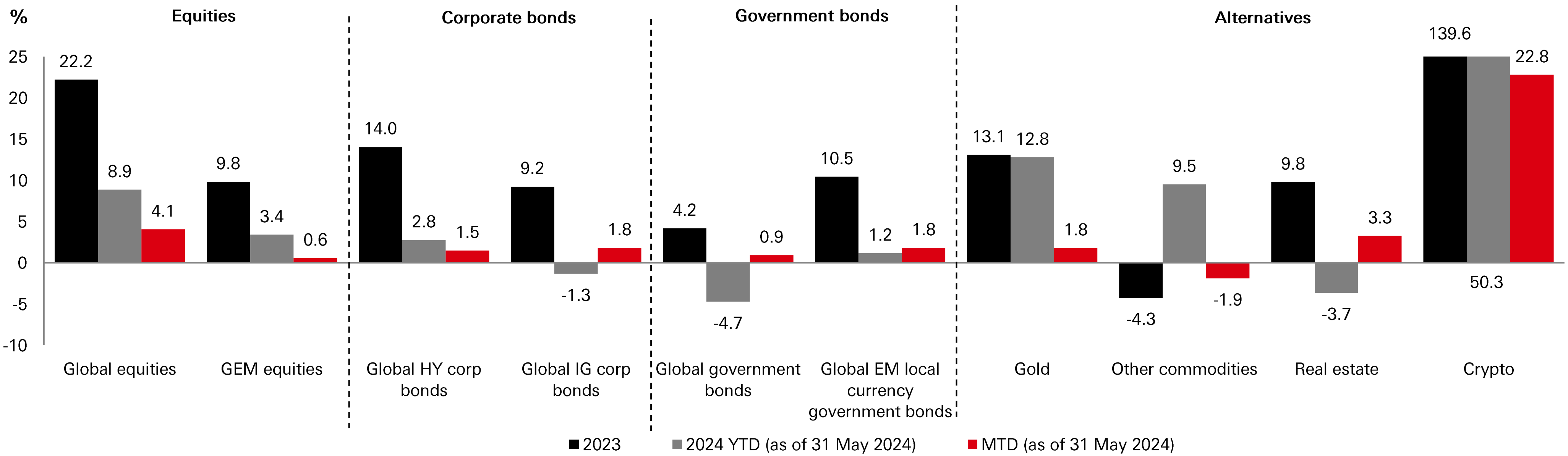
House view represents a >12-month investment view across major asset classes in our portfolios

Source: HSBC Asset Management as at June 2024. The views expressed above were held at the time of preparation and are subject to change without notice. This information shouldn't be considered as a recommendation to invest in the country or sector shown.

Asset class performance at a glance

Risk assets rebounded in May after April's material sell-off, amid renewed confidence in a soft-landing outcome for western economies. Many equity indices hit fresh record highs. Rate-sensitive assets, like bonds and real estate, saw modest gains as investors continued to price in H2 rate cuts

- **Government bonds** – US 10yr Treasuries finished the month slightly higher (yields fell) as investors continued to weigh the timetable for Fed rate cuts against a backdrop of resilient growth and still-sticky services inflation
- **Equities** – Robust earnings growth helped drive a rebound in DM equity markets. EM stocks were more mixed. Latam markets continued to see declines, while Chinese stocks started the month strongly before losing ground
- **Alternatives** – Revived hopes of US rate cuts in H2 delivered a boost for real estate in May. Gold hit new highs during the month, while oil prices eased on lacklustre demand, and a slight cooling of geopolitical tensions



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

Base case views and implications

	Monthly macroeconomic update	Base case view and implications
US	◆ In the **US,** May's FOMC minutes were hawkish, reiterating that Q1 inflation data had shown "a lack of further progress" towards the 2% inflation target. In contrast to Fed Chair Powell's press conference, "various" participants noted a "willingness to tighten policy further" if needed with many members discussing how restrictive policy is ◆ Disinflation persists in the goods sector, aided by falling auto prices. Core services remain sticky due to the still-elevated level of rents and owners' equivalent rent. Vehicle-related service prices have spiked recently but should ease	◆ **Q1 earnings results** were good, but a large proportion of growth is being driven by technology and AI stocks. Further growth is likely to require more sector rotation, with a broadening out of strong earnings momentum to other areas of the market ◆ We remain overweight **US Treasuries versus equities** given their relative valuations / yields
Europe	◆ **Eurozone** GDP rose modestly in Q1 2024, signalling the end of the technical recession in H2 2023. Forward looking indicators point to continued growth in Q2. Goods disinflation persists, service sector inflation remains sticky but should ease as wage growth slows ◆ **UK** headline inflation fell sharply in early Q2 2024, driven by lower energy prices. Service sector inflation remains sticky due to continued high wage growth. Q1 GDP surprised on the upside, suggesting a recovery is underway. Consumer spending remains sluggish	◆ **European equities produced** a solid Q1 results season and relatively strong earnings growth. Signs of macro improvements across the eurozone remain encouraging but mixed. Overall, modest valuations versus global peers are supportive ◆ In **European government bonds**, ECB policy easing is supportive but the timetable for further easing remains unclear
Asia	◆ **Chinese** growth should slow in Q2 2024. Retail sales have weakened recently as consumers remain cautious, whereas rising exports are underpinning the industrial sector. The property sector remains a drag on growth, with house prices continuing to decline. Latest policy measures should be supportive though progress may be slow ◆ **Indian** growth remains strong. Headline inflation is gradually easing but the Reserve Bank of India remains concerned about upside inflation risks from food prices. The **Bank of Korea** upgraded its 2024 GDP forecast, signalling no early easing ◆ **Japan's** GDP fell in Q1 2024, dragged down by the fourth consecutive quarterly decline in consumer spending. Core CPI excluding food & energy has softened recently	◆ **Chinese equities** have been boosted by Chinese policy support. Valuations are still below the long-term average, meaning further re-ratings is possible, although macro challenges remain ◆ **Indian equities** are underpinned by strong economic momentum, solid earnings growth and structural tailwinds. High valuations (particularly in small-/mid-cap stocks) remain a concern ◆ Earnings growth in **Japanese equities** has been resilient, aided by solid external demand. Ongoing corporate reforms are attracting foreign inflows, but a weaker yen could hurt corporate margins
Other EM	◆ **Latin American** central banks are navigating higher-for-longer US rates. Banco do Brasil eased the pace of easing in May, lowering rates 25bp, from 50bp the prior six meetings amid recent FX weakness. In Mexico, Banxico left policy on hold in May due to elevated service sector inflation. Chile's central bank slowed rate cuts to 50bp in May ◆ Diverging monetary policy stances persist in **Eastern Europe.** Hungary eased rates 50bp in May whilst Turkey kept policy rates at 50% to keep a lid on elevated inflation ◆ In **MENA** Saudi Arabia's fiscal position is worsening due to (1) lower oil revenues; (2) higher government spending and rising investment. Government borrowing could rise over the medium-term as the country diversifies away from fossil fuels	◆ 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 as seen in the varied EPS revisions over the past few months ◆ **Local-currency EM government bonds** are well-positioned to benefit from policy easing, but the timing of Fed cuts is uncertain

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Asset class positioning

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

▲ Positive
↔ Neutral
▼ Negative

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

	Asset class	House view	View change	Comments
Equities	**Global**	▼	–	Investor sentiment is buoyed by high confidence in the soft landing, and leadership from quality growth. But as investor perceptions shift, the market is discounting a lot of good news. Risks of an adverse surprise persist, even if an imminent growth collapse looks unlikely
	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 probably upgrade firms' long-term profitability. Global growth slowdown risks, an extended JPY weakness and the 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)**	↔	–	Despite some strong recent economic data, we continue to see downside growth risks, and expect central banks 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 have risen over the course of H1, driven by resilient growth and inflation data. However, the Fed is still likely to cut interest rates later this year, and growth could disappoint expectations in H2. 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

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Asset class positioning

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View move:
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	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
Corporate bonds	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
Corporate bonds	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
Corporate bonds	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
Corporate bonds	**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
Corporate bonds	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
Corporate bonds	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
Corporate bonds	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
Corporate bonds	**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
Corporate bonds	**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
FX & Alternatives	**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
FX & Alternatives	**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
FX & Alternatives	**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
FX & Alternatives	**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
FX & Alternatives	**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
FX & Alternatives	**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
FX & Alternatives	**Crypto**	▼	–	Crypto prices have performed well year-to-date amid recent ETF approvals, although performance remains highly volatile. Regulatory hurdles remain a key concern

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View move:
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	Asset class	House view	View change	Comments
Asian assets	**Asia local bonds**	▲	–	Regional central banks are expected to keep policy on hold near term, with gradual easing only expected after the Fed begins to cut rates. 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	▲	–	Overall growth outlook is solid, with valuations remaining fair. Chinese policy support is helping to stabilise investor confidence. India's earnings outlook is supportive despite stretched valuations. Korea and Taiwan continue to benefit from the upswing in the semiconductor cycle
	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 improve 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, and a strong structural story. The RBI maintains a tightening bias, but rates should have peaked amid progress on disinflation
	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 is a concern, alongside a slow pace of recovery in the local property market. However, some signs of China's cyclical stabilisation, policy support to reinforce Hong Kong's financial hub status and below-average valuations are positive
	Asia FX	▲	–	Asia's relatively resilient FX is backed by broadly healthy fundamentals, with some regional divergence. While further USD strength could be a near-term headwind, growing foreign demand for Asian assets and potential USD weakness are medium-term benefits. High-yielders are preferred

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Market data
May 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)	786	3.8	3.2	21.5	8.1	798	628	18.3
North America								
US Dow Jones Industrial Average	38,686	2.3	-0.8	17.6	2.6	40,077	32,327	19.0
US S&P 500 Index	5,278	4.8	3.6	26.3	10.6	5,342	4,104	21.6
US NASDAQ Composite Index	16,735	6.9	4.0	29.4	11.5	17,033	12,544	30.7
Canada S&P/TSX Composite Index	22,269	2.6	4.2	13.8	6.3	22,555	18,692	15.3
Europe								
MSCI AC Europe (USD)	567	4.1	5.0	16.7	6.4	576	459	14.3
Euro STOXX 50 Index	4,984	1.3	2.2	18.2	10.2	5,122	3,993	13.8
UK FTSE 100 Index	8,275	1.6	8.5	11.1	7.0	8,474	7,216	11.9
Germany DAX Index*	18,498	3.2	4.6	18.1	10.4	18,893	14,630	13.2
France CAC-40 Index	7,993	0.1	0.8	12.6	6.0	8,259	6,774	14.0
Spain IBEX 35 Index	11,322	4.3	13.2	25.1	12.1	11,453	8,879	11.0
Italy FTSE MIB	34,492	2.2	5.9	32.4	13.6	35,474	26,634	9.2
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	548	1.6	4.2	9.3	3.5	573	469	14.0
Japan Nikkei-225 Stock Average	38,488	0.2	-1.7	24.6	15.0	41,088	30,488	22.4
Australian Stock Exchange 200	7,702	0.5	0.0	8.6	1.5	7,911	6,751	17.3
Hong Kong Hang Seng Index	18,080	1.8	9.5	-0.8	6.1	20,361	14,794	9.1
Shanghai Stock Exchange Composite Index	3,087	-0.6	2.4	-3.7	3.8	3,322	2,635	11.5
Hang Seng China Enterprises Index	6,393	1.9	12.6	3.7	10.8	7,024	4,943	8.6
Taiwan TAIEX Index	21,174	3.8	11.6	27.7	18.1	21,937	15,976	18.8
Korea KOSPI Index	2,637	-2.1	-0.2	2.3	-0.7	2,779	2,274	10.6
India SENSEX 30 Index	73,961	-0.7	2.0	18.1	2.4	76,739	62,554	20.4
Indonesia Jakarta Stock Price Index	6,971	-3.6	-4.7	5.1	-4.2	7,454	6,579	13.2
Malaysia Kuala Lumpur Composite Index	1,597	1.3	2.9	15.1	9.8	1,633	1,369	14.4
Philippines Stock Exchange PSE Index	6,433	-4.0	-7.4	-0.7	-0.3	7,071	5,920	11.0
Singapore FTSE Straits Times Index	3,337	1.3	6.2	5.6	3.0	3,393	3,042	10.7
Thailand SET Index	1,346	-1.6	-1.8	-12.3	-5.0	1,579	1,330	14.5
Latam								
Argentina Merval Index	1,651,417	24.8	62.7	382.8	77.6	1,665,774	352,729	9.9
Brazil Bovespa Index*	122,098	-3.0	-5.4	12.7	-9.0	134,392	110,567	7.7
Chile IPSA Index	6,633	1.9	2.8	21.2	7.0	6,838	5,363	11.0
Colombia COLCAP Index	1,400	3.1	9.9	27.4	17.1	1,451	1,045	7.4
Mexico S&P/BMV IPC Index	55,179	-2.7	-0.4	4.6	-3.8	59,021	47,765	11.9
EEMEA								
Russia MOEX Index	3,217	-7.3	-1.2	18.4	3.8	3,522	2,628	2.9
South Africa JSE Index	76,704	0.8	5.5	2.2	-0.2	80,214	69,128	10.4
Turkey index	10,676.7	10,045.7	9,193.7	4,886.9	7,470.2	11,088.0	5,051.4	5.2

Past performance does not predict future returns.

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

Market data (continued)

May 2024

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	3.8	8.9	23.6	16.2	73.7	2.0
US equities	3.5	10.7	27.8	27.2	102.6	1.4
Europe equities	6.7	8.2	19.7	13.1	54.1	3.2
Asia Pacific ex Japan equities	5.0	4.4	12.2	-16.1	24.2	2.9
Japan equities	-0.7	7.0	18.6	7.5	43.9	2.1
Latam equities	-5.6	-10.2	12.6	12.5	13.8	5.9
Emerging Markets equities	3.5	3.4	12.4	-17.5	19.0	2.8

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)	557	0.9	0.2	3.2	-0.7
JPM EMBI Global	858	1.8	1.7	9.7	1.2
BarCap US Corporate Index (USD)	3,185	1.9	0.6	4.4	-1.1
BarCap Euro Corporate Index (Eur)	246	0.3	0.6	5.3	-0.1
BarCap Global High Yield (USD)	585	1.2	2.2	14.2	3.2
BarCap US High Yield (USD)	2520	1.1	1.3	11.2	1.6
BarCap pan-European High Yield (USD)	560	1.1	1.7	12.8	3.2
BarCap EM Debt Hard Currency	423	1.8	1.8	9.3	1.5
Markit iBoxx Asia ex-Japan Bond Index (USD)	217	1.5	1.2	5.5	1.6
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	248	2.1	3.7	13.1	8.3

Past performance does not predict future returns.

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

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2023
US Treasury yields (%)					
3-Month	5.40	5.39	5.38	5.39	5.33
2-Year	4.87	5.04	4.62	4.40	4.25
5-Year	4.51	4.72	4.24	3.75	3.85
10-Year	4.50	4.68	4.25	3.64	3.88
30-Year	4.65	4.78	4.38	3.86	4.03
Developed market 10-year bond yields (%)					
Japan	1.06	0.87	0.70	0.43	0.61
UK	4.32	4.35	4.12	4.18	3.53
Germany	2.66	2.58	2.41	2.28	2.02
France	3.14	3.05	2.88	2.85	2.56
Italy	3.98	3.91	3.84	4.08	3.69
Spain	3.39	3.35	3.29	3.33	2.98

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	2,327	1.8	13.8	18.6	12.8	2,450	1,811
Brent Oil	81.6	-7.1	-2.4	12.3	5.9	98	72
WTI Crude Oil	77.0	-6.0	-1.6	13.1	7.5	95	67
R/J CRB Futures Index	290	-0.4	5.5	14.3	10.0	300	257
LME Copper	10,040	0.5	18.2	24.1	17.3	11,105	7,856

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

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

Market data (continued)

May 2024

Currencies (vs USD)	Latest	End of last mth.	3-mths Ago	1-year Ago	Year End 2023	52-week High	52-week Low
Developed markets							
DXY index	104.67	106.22	104.16	104.33	101.33	107.35	99.58
EUR/USD	1.08	1.07	1.08	1.07	1.10	1.13	1.04
GBP/USD	1.27	1.25	1.26	1.24	1.27	1.31	1.20
CHF/USD	1.11	1.09	1.13	1.10	1.19	1.20	1.08
CAD	1.36	1.38	1.36	1.36	1.32	1.39	1.31
JPY	157.3	157.8	150.0	139.3	141.0	160.2	137.3
AUD	1.50	1.54	1.54	1.54	1.47	1.59	1.45
NZD	1.63	1.70	1.64	1.66	1.58	1.73	1.56
Asia							
HKD	7.82	7.82	7.83	7.83	7.81	7.85	7.79
CNY	7.24	7.24	7.19	7.11	7.10	7.35	7.09
INR	83.47	83.44	82.91	82.73	83.21	83.58	81.67
MYR	4.71	4.77	4.74	4.61	4.59	4.81	4.50
KRW	1,386	1,382	1,331	1,326	1,291	1,400	1,257
TWD	32.47	32.58	31.60	30.78	30.58	32.67	30.49
Latam							
BRL	5.25	5.19	4.97	5.06	4.85	5.29	4.70
COP	3,868	3,922	3,926	4,448	3,875	4,427	3,739
MXN	17.01	17.14	17.05	17.69	16.97	18.49	16.26
ARS	895.54	876.72	842.33	239.47	808.48	897.20	242.89
EEMEA							
RUB	90.38	93.45	91.20	81.27	89.47	102.36	80.72
ZAR	18.79	18.78	19.20	19.73	18.36	19.64	17.42

Past performance does not predict future returns.

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 May 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 **May 2024**, HSBC Asset Management's long-term expected return forecasts which were generated as at **30 April 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 April 2024.**
- Similarly, for EM government bonds, the underweight, overweight and neutral categories for the asset class at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, EM Asian Fixed income views are determined relative to the EM government bonds (hard currency) universe as of **31 May 2024**.

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