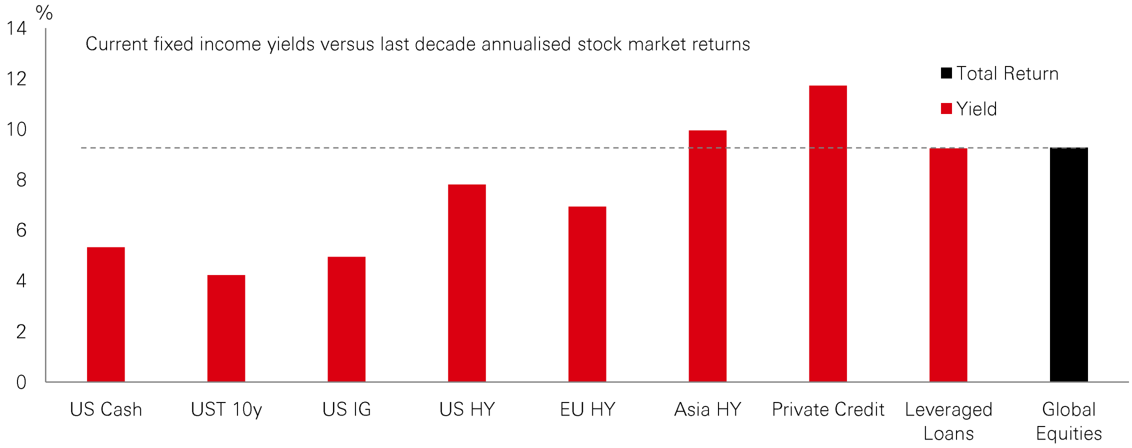
# Investment Weekly

14 June 2024
For Professional Clients only.

### Chart of the week – High "all-in" yields




US Treasuries have been knocked about by macro waves of late, with the past week no exception. The 10-year UST yield jumped c.20bp on bumper payrolls last Friday. Then the release of May's inflation data this week – which came in softer-than-expected – helped pull yields back down, hitting a two-and-a-half month low. Nevertheless, investor expectations on Fed easing this year continue to flit between one or two rate cuts. This is roughly in line with the latest FOMC view, although a minority of members expect no cuts at all in 2024.

What it the latest data telling us? Payrolls likely overstate the strength of the labour market. A wider selection of indicators shows that while the labour market is not yet cool, it is cooling. Fed Chair Powell views the market as back to where it was before the pandemic: "tight but not overheated". Equally, while May's core CPI print overstates the pace of underlying improvement, it does at least demonstrate that although inflation has been sticky, it is not completely stuck.

Although risk assets have been the place to be over the past 18 months, **fixed income yields are high**, with the potential for capital gains if the trend of gradual economic cooling and disinflation continues – and the Fed starts cutting rates. EM assets would also likely benefit from this backdrop, including the potential for a softer US dollar. And many alternative asset classes such as real estate, infrastructure and private equity could also be well positioned.

## Market Spotlight

**Chinese stocks lead in Q2**

Chinese stocks continue to perform relatively well, outpacing both developed and emerging markets during the second quarter. The rebound has been aided by better-than-expected macro data in Q1, especially around exports and accelerating manufacturing and infrastructure investment. Supportive policy, especially for the property sector, resilient earnings and better shareholder returns have also boosted sentiment.

A mix of undemanding equity valuations and an uptick in momentum has led to a pick-up in investor interest. Decade-low foreign allocations to China have shown signs of unwinding, with a closing of underweight gaps compared to levels seen at the start of the year.

An ailing property sector and flagging consumption remain the weak economic links. But with pragmatic policy that keeps up the recovery, international demand could continue to grow. **With evidence of an improving earnings outlook, expanding capital expenditure and signs that the deflationary spiral is over, Chinese equities could be on a strong footing to rally further**.

India Economy →
India's fiscal outlook and what it means for markets

Europe Fixed Income →
Government bond spreads in focus post-election

European Equities →
Why regional earnings growth is broadening out


**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. 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 buy or sell specific sector/stocks mentioned. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Global Asset Management (UK) Limited accepts no liability for any failure to meet such forecast, projection, or target.

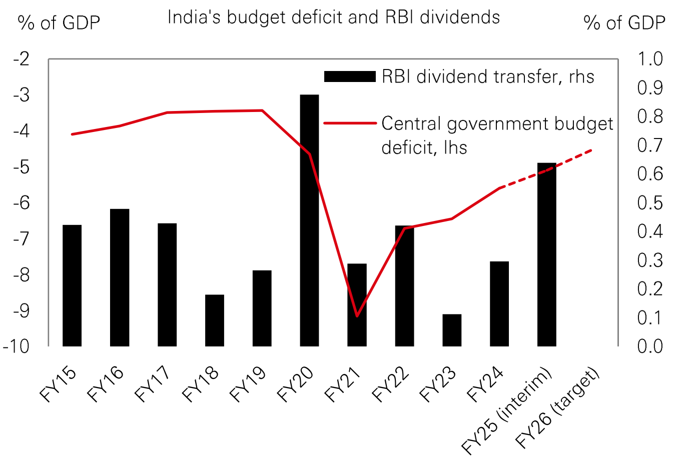
Source: HSBC Asset Management. Macrobond, Bloomberg. Data as at 11.00am UK time 14 June 2024.

### India's fiscal flexibility

Indian stocks broke to new highs this week, quickly recovering from fleeting election-driven volatility. Key to the rebound has been anticipation of policy continuity under the BJP-led NDA coalition.

On the fiscal front, the new government has the advantage of a higher-than-budgeted dividend transfer from the Reserve Bank of India (RBI) and robust tax revenue growth. At 2.1 trillion-rupees (USD25 billion), the RBI's recent payout was twice what was forecast. And that should give the country's leaders more scope to cut the budget deficit and stick to a roadmap of fiscal consolidation.

For now, a little-changed macro trajectory should be supportive for Indian bonds. It comes just as they are about to get greater international exposure when they join JPMorgan's EM government bond index later in June. For equities, attention already appears to be shifting back to medium-term fundamentals, with Indian stocks expected to deliver mid-teens earnings growth this year. This combination of **solid fundamentals and macro strength allow us to maintain our constructive view on Indian stocks**.

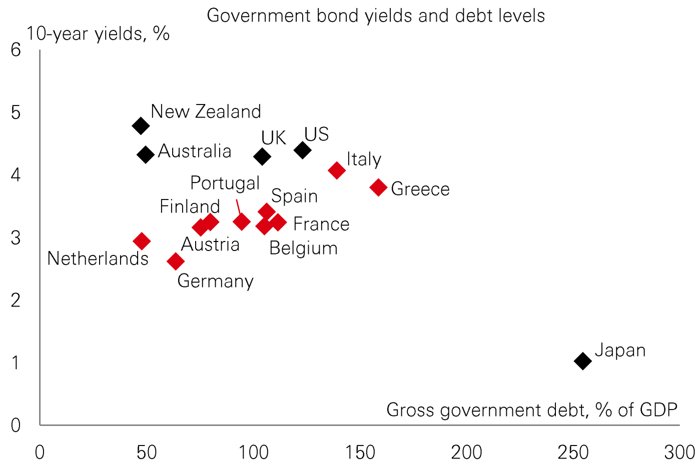



### Beware the bond market vigilantes

European market volatility picked up this week after French President Emmanuel Macron called a snap legislative vote in the aftermath of the European Parliament election results.

Higher political and economic uncertainty for France comes at a time when underlying fiscal measures have been deteriorating. S&P downgraded France's sovereign rating from AA to AA- last month. The French government upgraded its 2023 budget deficit/GDP ratio to 5.5%, putting France on the EU's Excessive Deficit Procedure List. The spread between French and German government bond yields has risen to levels last seen in 2017.

At a time when national debt levels in most Western economies have been rising, and defects are wide, **governments will need to tread carefully to avoid the wrath of the bond market vigilantes**. A backdrop of fiscal activism makes this all the more tricky. Positively for Europe, however, disinflation is progressing and the ECB has already cut rates, easing some of the pressure. And higher yields are a key reason why investors can put cash to work in fixed income.

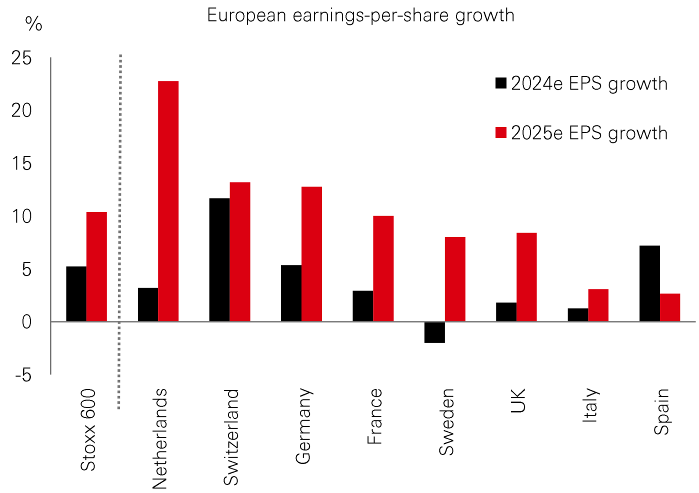



### European earnings growth goes north

As the eurozone exits from last year's mild recession and the ECB eases policy, there are significant implications for the outlook for European earnings growth.

In 2024, EPS growth has been fairly concentrated in markets such as Spain and Switzerland, which are relatively defensive. But for 2025, not only is EPS growth expected to double to 10% as the recovery takes hold, there should also be a broadening out of growth to more cyclically-exposed markets, especially in the north.

Next year's earnings outperformers – markets such as Germany, France, and Sweden – also benefit from low valuations, and currently **trade below their 10-year average 12m-forward price-earnings ratios**. And any euro weakness should benefit the region's exporters – with 52% of Stoxx 600 revenues generated outside of Europe. But while the economic growth trajectory looks set to improve, the outlook still depends on future Fed policy and continuing economic momentum in the US.




**Past performance does not predict future returns.**

Source: HSBC Asset Management. Macrobond, Bloomberg. Data as at 11.00am UK time 14 June 2024. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. The level of yield is not guaranteed and may rise or fall in the future.

# Asset class views

Our baseline macro scenario is for a soft-ish landing, involving a slowdown in growth and further disinflation. But the data flow is likely to remain bumpy and the outlook remains uncertain. Risk asset valuations are stretched in many areas. That means that any deterioration in corporate fundamentals could create market volatility. A defensive positioning in portfolios remains appropriate, which includes selective exposures to fixed income, risk assets, and private markets.

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

| | Asset Class | - View + | Comments |
|---|---|---|---|
| Macro Factors | Global growth | −−−○●○+++ | A defensive positioning in investment portfolios remains appropriate given optimistic market expectations versus a lingering risk of macro disappointment or weakness. We prefer to access the growth factor in laggard regions, such as Asia and emerging markets |
| | Duration | −−−○○○●++ | Robust growth and inflation data have put upward pressure on yields so far in H1. Carry remains appealing and, in adverse economic outcomes, there is scope for strong returns in global duration. We favour the US and UK curves |
| | Emerging Markets | −−−○○○●++ | The outlook for EMs is bolstered by China policy support feeding through to the real economy, eventual Fed easing, and a growth premium versus the West. Disinflation is an ongoing process, especially in Latam and Europe, allowing EM central banks to lead the cutting cycle |
| Bonds | 10yr US Treasuries | −−−○○○●++ | Yields have ground higher over the course of H1, driven by resilient growth and inflation data. However, growth could disappoint expectations in H2, meaning investors price in more cuts. We anticipate yield curve steepening by the end of the year |
| | EMD Local | −−−○○○+●+ | 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 |
| | Asia Local | −−−○○○●++ | 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 |
| Credits | Global Credit | −−−○○●+++ | Global credit is expensive with most non-financial spreads at near-cyclical tights. Financials, particularly banks, look attractive but less so than they were at the start of 2024. All-in yields continue to support inflows, helping long duration corporate credit |
| | Global High-Yield | −−−●○○+++ | 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 |
| | Asia Credit | −−−○○●+++ | Asia IG provides opportunities for carry strategies with shorter duration and a better supply outlook versus global peers. Asia HY may still have room for modest spread-tightening given a solid macro backdrop and policy support in China, despite rich valuations in non-China markets |
| | EMD Hard Currency Bonds | −−−○●○+++ | 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 |
| Equities | DM Equities | −−−●○○+++ | Investor sentiment is buoyed by 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 are rising, even if an imminent growth collapse looks unlikely |
| | EM Equities | −−−○○○●++ | 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 |
| | Asia ex Japan | −−−○○○●++ | The 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 |
| Alternatives | Global Private Equity | −−−○●○+++ | With tighter financial conditions raising the cost of leverage, PE funds may face challenges in delivering consistently strong returns. However, increasing economic headwinds can create attractive entry points for longer-term investors. The investment case is about alpha, not beta |
| | Global 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 Debt | −−−○○○+●+ | Infrastructure debt currently offers stronger expected returns than global credits, and experiences lower spread volatility during economic slowdowns. It has strong defensive attributes, offers inflation-linked cash flows and benefits from thematic drivers such as the green transition |

**Past performance does not predict future returns.**

Source: HSBC Asset Management. Data as at 11.00am UK time 14 June 2024. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. The level of yield is not guaranteed and may rise or fall in the future.

# Key Events and Data Releases

## This week

| Date | Country | Indicator | Data as of | Actual | Prior | Comment |
|---|---|---|---|---|---|---|
| Sun. 9 June | EZ | European Presidential Elections (results) | Jun | | | The EPP maintained a majority in the European parliament despite stronger results from right-wing parties in France and Germany. French President Macron called a surprise election for June 30th |
| Tue. 11 June | US | NFIB Business Confidence Index | May | 90.5 | 89.7 | The NFIB's business confidence index edged up in May but remains below its longer-term average amid high interest rates |
| Wed. 12 June | CN | CPI (yoy) | May | 0.3% | 0.3% | Inflation remained low in May due largely to soft domestic demand. The PPI declined at its slowest pace since February 2023 |
| | IN | CPI (yoy) | May | 4.8% | 4.8% | Headline inflation is running at a one-year low. Core inflation eased in May while food price inflation remained at 7.9% yoy |
| | IN | Industrial Production (yoy) | May | 5.0% | 5.4% | Industrial production continues to grow at a robust pace in Q2 2024 |
| | US | CPI (yoy) | May | 3.3% | 3.4% | Core inflation surprised to the downside, but the pace of improvement is likely to be relatively gradual through H2 2024 |
| | US | Federal Reserve Interest Rate Decision | Jun | 5.50% | 5.50% | Fed Chair Powell cautiously welcomed the latest CPI report. The median FOMC member expects to cut the funds rate only once during 2024, down from three cuts in the March projections |
| Thu. 13 June | TW | Taiwan Central Bank Interest Rate Decision | Jun | 2.00% | 2.00% | Taiwan's central bank left rates unchanged in June, but raised the RRR ratio and tightened housing mortgage rules |
| Fri. 14 June | JP | BoJ Interest Rate Decision | Jun | 0.10% | 0.10% | The BoJ left policy on hold, with details of lower BoJ JGB purchases delayed until July's meeting |
| | US | University of Michigan Consumer Confidence Index | Jun (P) | - | 69.1 | The University of Michigan consumer confidence index could partially recover from May's decline given recent equity market strength |

**P – Preliminary, Q – Quarter** **EZ – Eurozone, US – United States, CN – China, IN – India, TW – Taiwan, JP – Japan**

## The week ahead

| Date | Country | Indicator | Data as of | Survey | Prior | Comment |
|---|---|---|---|---|---|---|
| Mon. 17 June | CN | 1-year MLF rate | Jun | 2.50% | 2.50% | The PBOC is expected to keep the 1-yr MLF rate unchanged, amid a continued need for accommodative monetary policy |
| | CN | Retail Sales (yoy) | May | 3.0% | 2.3% | Retail sales have slowed recently, consistent with weak consumer confidence |
| | CN | Industrial Production (yoy) | May | 6.0% | 6.7% | Industrial production should remain relatively robust in May, supported by solid external demand |
| Tue. 18 June | AU | RBA Interest Rate Decision | Jun | 4.35% | 4.35% | Disappointing inflation data suggests the RBA will maintain a hawkish bias despite signs the labour market is softening |
| | US | Retail Sales (mom) | May | 0.2% | 0.0% | Consumer spending has slowed in early Q2 2024, with surveys showing lower income households are financially strained |
| | US | Industrial Production (mom) | May | 0.4% | 0.0% | Industrial production has been broadly stable in recent months amid mixed manufacturing-related surveys |
| Wed. 19 June | UK | CPI (yoy) | May | 2.0% | 2.3% | Headline inflation is expected to fall to target, but core inflation will remain well above 2% |
| | BR | COPOM Interest Rate Decision | Jun | 10.50% | 10.50% | Banco do Brasil has slowed the pace of easing recently. Solid growth in early 2024, tight labour market conditions and rising fiscal concerns suggest policy will be kept stable in June |
| Thu. 20 June | UK | BoE Interest Rate Decision | Jun | 5.25% | 5.25% | Sticky service sector inflation and elevated wage growth point to a cautious BoE policy stance in the near-term |
| | US | Housing Starts (mom) | May | 1.1% | 5.7% | Housing starts have been volatile recently, with the underlying trend range-bound |
| Fri. 21 June | JP | Nationwide CPI excluding fresh food & energy (yoy) | May | 2.2% | 2.4% | Goods disinflation persists despite recent yen weakness. Services inflation should rise in the coming months as one-off factors unwind |
| | EZ | HCOB Composite PMI | Jun (P) | - | 52.2 | The Eurozone composite index has risen steadily recently, hinting at a continued gradual pick-up in growth in Q2 2024 |
| | IN | S&P Global Composite PMI | Jun (P) | - | 60.5 | India's composite PMI has moved broadly sideways at an elevated level during 2024 amid strong domestic demand |
| | US | S&P Global Composite PMI | Jun (P) | - | 54.5 | The US composite PMI may soften in June after May's sharp increase, but should remain in expansion territory |
| | US | Existing Home Sales (mom) | May | -1.1% | -1.9% | High mortgage rates are constraining housing demand |

**P – Preliminary, Q – Quarter** **CN – China, AU – Australia, US – United States, UK – United Kingdom, BR – Brazil, JP – Japan, EZ – Eurozone, IN - India**

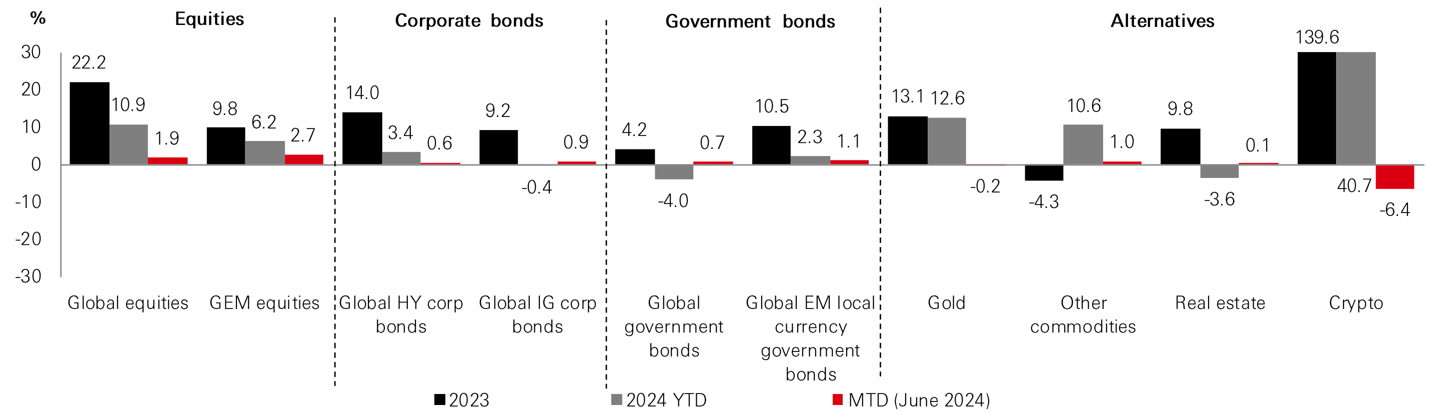
Source: HSBC Asset Management. Data as at 11.00am UK time 14 June 2024.

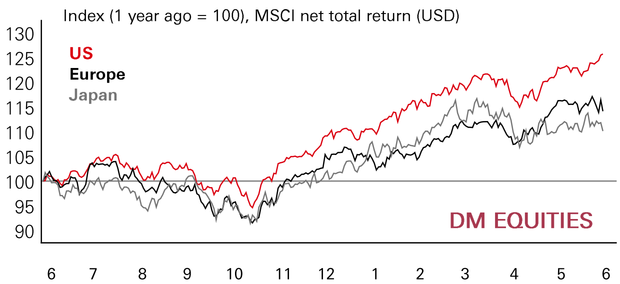
## Market review

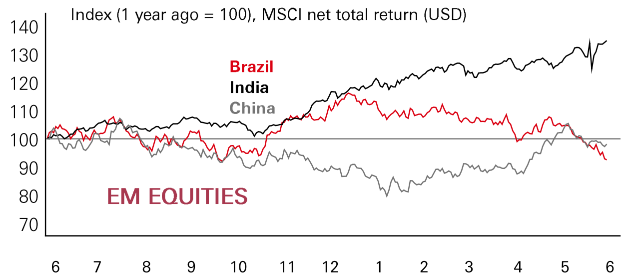
### This week

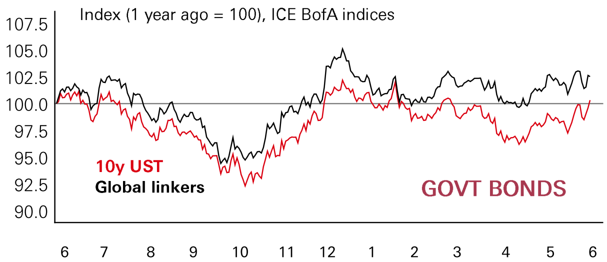
Benign US CPI data boosted risk markets this week. Core government bonds rallied as investors digested comments from Fed Chair Powell. The median Fed member expects one rate cut in 2024, down from three cuts in March. There were diverging trends between US and European equities: the S&P 500 rose to a record high, powered by the Magnificent 7 technology stocks, but rising political uncertainty weighed on the Euro Stoxx 50. Japan's Nikkei 225 was little changed as the BoJ left policy on hold. In EM, the Shanghai Composite weakened amid lingering deflation concerns, while India's Sensex consolidated after rebounding from recent volatility. Markets in Taiwan and Korea traded higher on positive read-across from the US tech sector. In commodities, energy prices recovered on a solid demand outlook, with oil on course for its best week in two months. Gold priced also edged higher.

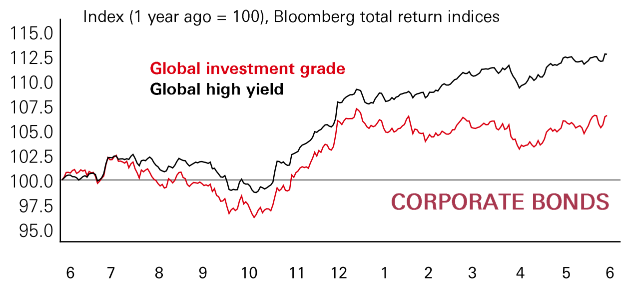
### Selected asset performance

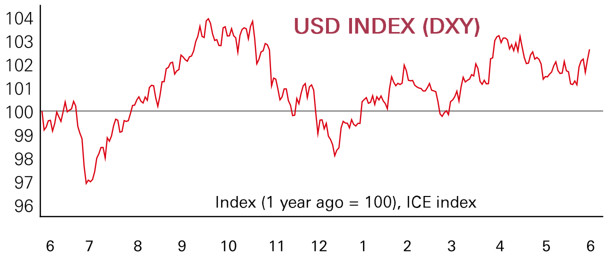


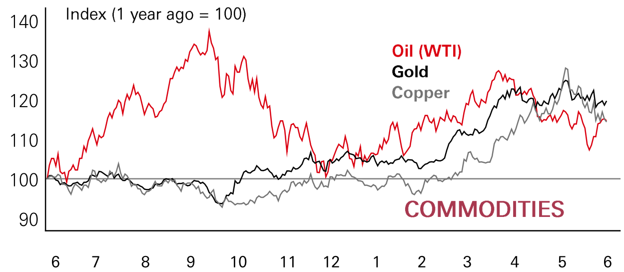




**Past performance does not predict future returns**
Source: HSBC Asset Management. Macrobond, Bloomberg. Data as at 11.00am UK time 14 June 2024.

## Market data

| Equity Indices | Close | 1-week Change (%) | 1-month Change (%) | 3-month Change (%) | 1-year Change (%) | YTD Change (%) | 52-week High | 52-week Low | Fwd P/E (X) |
|---|---|---|---|---|---|---|---|---|---|
| **World** | | | | | | | | | |
| MSCI AC World Index (USD) | 800 | 0.7 | 1.8 | 3.5 | 17.8 | 10.0 | 805 | 628 | 18.7 |
| **North America** | | | | | | | | | |
| US Dow Jones Industrial Average | 38,647 | -0.4 | -2.3 | -0.7 | 13.7 | 2.5 | 40,077 | 32,327 | 19.0 |
| US S&P 500 Index | 5,434 | 1.6 | 3.6 | 5.5 | 24.3 | 13.9 | 5,447 | 4,104 | 22.2 |
| US NASDAQ Composite Index | 17,668 | 3.1 | 7.0 | 9.5 | 29.7 | 17.7 | 17,742 | 12,544 | 31.9 |
| Canada S&P/TSX Composite Index | 21,698 | -1.4 | -2.5 | -0.6 | 8.4 | 3.5 | 22,555 | 18,692 | 14.7 |
| **Europe** | | | | | | | | | |
| MSCI AC Europe (USD) | 561 | -1.8 | -1.5 | 0.9 | 10.4 | 5.2 | 578 | 459 | 14.4 |
| Euro STOXX 50 Index | 4,887 | -3.3 | -3.8 | -2.1 | 11.7 | 8.1 | 5,122 | 3,993 | 13.8 |
| UK FTSE 100 Index | 8,159 | -1.0 | -3.2 | 5.4 | 7.3 | 5.5 | 8,474 | 7,216 | 11.8 |
| Germany DAX Index* | 18,147 | -2.2 | -3.0 | 1.1 | 11.3 | 8.3 | 18,893 | 14,630 | 13.2 |
| France CAC-40 Index | 7,581 | -5.3 | -7.8 | -7.1 | 3.4 | 0.5 | 8,259 | 6,774 | 13.6 |
| Spain IBEX 35 Index | 11,004 | -3.5 | -2.1 | 4.9 | 16.7 | 8.9 | 11,470 | 8,879 | 10.8 |
| Italy FTSE MIB Index | 33,032 | -4.7 | -6.0 | -2.2 | 18.8 | 8.8 | 35,474 | 26,864 | 9.1 |
| **Asia Pacific** | | | | | | | | | |
| MSCI AC Asia Pacific ex Japan (USD) | 564 | 0.3 | 1.0 | 4.3 | 7.0 | 6.7 | 573 | 469 | 14.4 |
| Japan Nikkei-225 Stock Average | 38,815 | 0.3 | 1.2 | 0.0 | 15.9 | 16.0 | 41,088 | 30,488 | 22.3 |
| Australian Stock Exchange 200 | 7,724 | -1.7 | 0.0 | 0.1 | 7.9 | 1.8 | 7,911 | 6,751 | 17.3 |
| Hong Kong Hang Seng Index | 17,942 | -2.3 | -5.9 | 5.8 | -7.6 | 5.2 | 20,361 | 14,794 | 8.9 |
| Shanghai Stock Exchange Composite Index | 3,033 | -0.6 | -3.6 | -0.2 | -6.1 | 1.9 | 3,322 | 2,635 | 11.3 |
| Hang Seng China Enterprises Index | 6,375 | -2.1 | -5.4 | 7.9 | -3.1 | 10.5 | 7,024 | 4,943 | 8.3 |
| Taiwan TAIEX Index | 22,505 | 3.0 | 7.2 | 12.9 | 30.6 | 25.5 | 22,505 | 15,976 | 19.7 |
| Korea KOSPI Index | 2,758 | 1.3 | 1.0 | 1.5 | 5.3 | 3.9 | 2,779 | 2,274 | 11.0 |
| India SENSEX 30 Index | 76,962 | 0.3 | 5.3 | 5.3 | 21.7 | 6.5 | 77,145 | 62,802 | 21.8 |
| Indonesia Jakarta Stock Price Index | 6,735 | -2.4 | -4.9 | -9.4 | 0.5 | -7.4 | 7,454 | 6,622 | 12.6 |
| Malaysia Kuala Lumpur Composite Index | 1,607 | -0.7 | 0.1 | 4.1 | 16.0 | 10.5 | 1,633 | 1,370 | 14.4 |
| Philippines Stock Exchange PSE Index | 6,384 | -2.1 | -3.4 | -8.4 | -0.8 | -1.0 | 7,071 | 5,920 | 10.8 |
| Singapore FTSE Straits Times Index | 3,298 | -1.0 | -0.5 | 3.5 | 2.5 | 1.8 | 3,393 | 3,042 | 10.6 |
| Thailand SET Index | 1,307 | -2.0 | -5.1 | -6.3 | -16.3 | -7.7 | 1,579 | 1,304 | 14.3 |
| **Latam** | | | | | | | | | |
| Argentina Merval Index | 1,605,208 | 5.7 | 13.9 | 54.5 | 323.9 | 72.7 | 1,665,774 | 376,325 | 9.5 |
| Brazil Bovespa Index* | 119,568 | -1.0 | -7.0 | -6.4 | 0.4 | -10.9 | 134,392 | 111,599 | 7.5 |
| Chile IPSA Index | 6,486 | -2.3 | -3.6 | 0.4 | 13.5 | 4.7 | 6,838 | 5,363 | 11.0 |
| Colombia COLCAP Index | 1,386 | -1.8 | -1.2 | 8.0 | 17.6 | 16.0 | 1,451 | 1,045 | 7.3 |
| Mexico S&P/BMV IPC Index | 52,276 | -1.3 | -8.7 | -6.7 | -5.2 | -8.9 | 59,021 | 47,765 | 12.1 |
| **EEMEA** | | | | | | | | | |
| Russia MOEX Index | 3,172 | -1.9 | -8.4 | -3.8 | 14.7 | 2.4 | 3,522 | 2,741 | N/A |
| South Africa JSE Index | 77,441 | 0.8 | -1.5 | 5.6 | -0.8 | 0.7 | 80,214 | 69,128 | 10.4 |
| Turkey ISE 100 Index* | 10,558 | 4.1 | 3.8 | 18.8 | 96.9 | 41.3 | 11,088 | 5,153 | 5.3 |

*Indices expressed as total returns. All others are price returns.

| Equity Indices - Total Return | 1-week Change (%) | 1-month Change (%) | 3-month Change (%) | YTD Change (%) | 1-year Change (%) | 3-year Change (%) | 5-year Change (%) |
|---|---|---|---|---|---|---|---|
| Global equities | 0.7 | 1.9 | 4.1 | 10.9 | 19.7 | 16.7 | 70.2 |
| US equities | 1.6 | 3.4 | 5.5 | 14.0 | 25.6 | 29.1 | 98.7 |
| Europe equities | -1.7 | -1.0 | 2.5 | 7.3 | 13.4 | 7.5 | 43.7 |
| Asia Pacific ex Japan equities | 0.4 | 1.3 | 5.1 | 7.8 | 9.9 | -13.5 | 26.1 |
| Japan equities | -0.9 | 0.2 | -1.9 | 5.8 | 8.3 | 4.9 | 39.0 |
| Latam equities | -3.2 | -13.1 | -12.8 | -17.0 | -8.2 | -0.3 | 2.4 |
| Emerging Markets equities | 0.4 | -0.1 | 3.4 | 6.2 | 8.8 | -15.8 | 20.0 |

All total returns quoted in USD terms and subject to one-day lag.
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 Emerging Latin America Total Return Index, and MSCI Emerging Markets Total Return Index
Total return includes income from dividends and interest as well as appreciation or depreciation in the price of an asset over the given period.

**Past performance does not predict future returns.**
Source: HSBC Asset Management. Bloomberg. Data as at 11.00am UK time 14 June 2024.

## Market data

| Bond indices - Total Return | Close | 1-week Change (%) | 1-month Change (%) | 3-month Change (%) | 1-year Change (%) | YTD Change (%) |
|---|---|---|---|---|---|---|
| BarCap GlobalAgg (Hedged in USD) | 563 | 0.7 | 1.0 | 1.1 | 4.8 | 0.4 |
| JPM EMBI Global | 867.9 | 0.9 | 1.1 | 2.1 | 9.6 | 2.3 |
| BarCap US Corporate Index (USD) | 3234.1 | 1.2 | 1.7 | 1.8 | 6.4 | 0.4 |
| BarCap Euro Corporate Index (Eur) | 247.4 | 0.5 | 0.4 | 0.6 | 6.3 | 0.4 |
| BarCap Global High Yield (Hedged in USD) | 588.7 | 0.6 | 0.9 | 2.2 | 13.0 | 4.0 |
| Markit iBoxx Asia ex-Japan Bond Index (USD) | 219.4 | 0.7 | 1.3 | 2.1 | 6.3 | 2.6 |
| Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD) | 251 | 0.4 | 1.6 | 3.6 | 11.0 | 9.2 |

Total return includes income from dividends and interest as well as appreciation or depreciation in the price of an asset over the given period.

| Currencies (vs USD) | Latest | 1-week Ago | 1-month Ago | 3-months Ago | 1-year Ago | Year End 2023 | 52-week High | 52-week Low | 1-week Change (%) |
|---|---|---|---|---|---|---|---|---|---|
| **Developed markets** | | | | | | | | | |
| EUR/USD | 1.07 | 1.08 | 1.08 | 1.09 | 1.08 | 1.10 | 1.13 | 1.04 | -1.2 |
| GBP/USD | 1.27 | 1.27 | 1.26 | 1.28 | 1.27 | 1.27 | 1.31 | 1.20 | -0.2 |
| CHF/USD | 1.12 | 1.12 | 1.10 | 1.13 | 1.11 | 1.19 | 1.20 | 1.08 | 0.4 |
| CAD | 1.38 | 1.38 | 1.37 | 1.35 | 1.33 | 1.32 | 1.39 | 1.31 | 0.0 |
| JPY | 157 | 157 | 156 | 148 | 140 | 141 | 160 | 137 | -0.3 |
| AUD/USD | 0.66 | 0.66 | 0.66 | 0.66 | 0.68 | 0.68 | 0.69 | 0.63 | 0.3 |
| NZD/USD | 0.61 | 0.61 | 0.60 | 0.61 | 0.62 | 0.63 | 0.64 | 0.58 | 0.3 |
| **Asia** | | | | | | | | | |
| HKD | 7.81 | 7.81 | 7.81 | 7.82 | 7.83 | 7.81 | 7.85 | 7.79 | 0.0 |
| CNY | 7.26 | 7.25 | 7.23 | 7.19 | 7.16 | 7.10 | 7.35 | 7.09 | -0.1 |
| INR | 83.6 | 83.4 | 83.5 | 82.8 | 82.1 | 83.2 | 83.6 | 81.7 | -0.2 |
| MYR | 4.72 | 4.69 | 4.72 | 4.69 | 4.62 | 4.59 | 4.81 | 4.50 | -0.6 |
| KRW | 1379 | 1366 | 1369 | 1318 | 1278 | 1291 | 1400 | 1257 | -1.0 |
| TWD | 32.4 | 32.2 | 32.4 | 31.5 | 30.7 | 30.6 | 32.7 | 30.5 | -0.3 |
| **Latam** | | | | | | | | | |
| BRL | 5.36 | 5.34 | 5.13 | 4.99 | 4.81 | 4.85 | 5.43 | 4.70 | -0.4 |
| COP | 4146 | 3933 | 3848 | 3892 | 4170 | 3875 | 4427 | 3739 | -5.4 |
| MXN | 18.6 | 18.4 | 16.9 | 16.7 | 17.1 | 17.0 | 19.0 | 16.3 | -1.3 |
| ARS | 902 | 899 | 885 | 850 | 248 | 808 | 904 | 248 | -0.3 |
| **EEMEA** | | | | | | | | | |
| RUB | 88.9 | 89.0 | 91.3 | 91.5 | 84.0 | 89.5 | 102.4 | 83.2 | 0.2 |
| ZAR | 18.4 | 18.9 | 18.4 | 18.7 | 18.3 | 18.4 | 19.6 | 17.4 | 2.5 |
| TRY | 32.7 | 32.4 | 32.3 | 32.1 | 23.6 | 29.5 | 32.8 | 23.4 | -1.1 |

| Bonds | Close | 1-week Ago | 1-month Ago | 3-months Ago | 1-year Ago | Year End 2023 | 1-week basis point change* |
|---|---|---|---|---|---|---|---|
| **US Treasury yields (%)** | | | | | | | |
| 3-Month | 5.36 | 5.39 | 5.38 | 5.39 | 5.22 | 5.33 | -3 |
| 2-Year | 4.67 | 4.89 | 4.81 | 4.69 | 4.69 | 4.25 | -21 |
| 5-Year | 4.21 | 4.46 | 4.45 | 4.29 | 3.99 | 3.85 | -25 |
| 10-Year | 4.21 | 4.43 | 4.44 | 4.29 | 3.79 | 3.88 | -22 |
| 30-Year | 4.36 | 4.55 | 4.59 | 4.43 | 3.88 | 4.03 | -19 |
| **10-year bond yields (%)** | | | | | | | |
| Japan | 0.94 | 0.97 | 0.95 | 0.77 | 0.43 | 0.61 | -3 |
| UK | 4.05 | 4.26 | 4.17 | 4.09 | 4.39 | 3.53 | -21 |
| Germany | 2.38 | 2.62 | 2.55 | 2.42 | 2.45 | 2.02 | -24 |
| France | 3.11 | 3.10 | 3.03 | 2.87 | 2.97 | 2.56 | 2 |
| Italy | 3.91 | 3.96 | 3.89 | 3.70 | 4.08 | 3.69 | -5 |
| Spain | 3.27 | 3.35 | 3.33 | 3.23 | 3.40 | 2.98 | -8 |
| China | 2.29 | 2.31 | 2.29 | 2.35 | 2.62 | 2.56 | -2 |
| Australia | 4.12 | 4.22 | 4.33 | 4.06 | 3.97 | 3.96 | -10 |
| Canada | 3.33 | 3.47 | 3.69 | 3.53 | 3.41 | 3.11 | -14 |

*Numbers may not add up due to rounding.

| Commodities | | 1-week Change (%) | 1-month Change (%) | 3-month Change (%) | 1-year Change (%) | YTD Change (%) | 52-week High | 52-week Low |
|---|---|---|---|---|---|---|---|---|
| Gold | 2,319 | 1.1 | -1.7 | 7.2 | 19.4 | 12.4 | 2,450 | 1,811 |
| Brent Oil | 82.6 | 3.8 | 0.8 | -0.8 | 17.2 | 8.5 | 90 | 71 |
| WTI Crude Oil | 78.4 | 3.8 | 1.0 | -1.5 | 18.4 | 8.9 | 86 | 67 |
| R/J CRB Futures Index | 295.6 | 2.0 | 2.9 | 4.5 | 13.6 | 12.1 | 300 | 258 |
| LME Copper | 9,766 | 0.0 | -3.4 | 9.9 | 14.8 | 14.1 | 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.**

Source: HSBC Asset Management. Bloomberg. Data as at 11.00am UK time 14 June 2024.

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

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

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

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

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

- In Argentina by HSBC Global Asset Management Argentina S.A., Sociedad Gerente de Fondos Comunes de Inversión, Agente de administración de productos de inversión colectiva de FCI N°1;
- In Australia, this document is issued by HSBC Bank Australia Limited ABN 48 006 434 162, AFSL 232595, for HSBC Global Asset Management (Hong Kong) Limited ARBN 132 834 149 and HSBC Global Asset Management (UK) Limited ARBN 633 929 718. This document is for institutional investors only, and is not available for distribution to retail clients (as defined under the Corporations Act). HSBC Global Asset Management (Hong Kong) Limited and HSBC Global Asset Management (UK) Limited are exempt from the requirement to hold an Australian financial services license under the Corporations Act in respect of the financial services they provide. HSBC Global Asset Management (Hong Kong) Limited is regulated by the Securities and Futures Commission of Hong Kong under the Hong Kong laws, which differ from Australian laws. HSBC Global Asset Management (UK) Limited is regulated by the Financial Conduct Authority of the United Kingdom and, for the avoidance of doubt, includes the Financial Services Authority of the United Kingdom as it was previously known before 1 April 2013, under the laws of the United Kingdom, which differ from Australian laws;
- in Bermuda by HSBC Global Asset Management (Bermuda) Limited, of 37 Front Street, Hamilton, Bermuda which is licensed to conduct investment business by the Bermuda Monetary Authority;
- in Chile: Operations by HSBC's headquarters or other offices of this bank located abroad are not subject to Chilean inspections or regulations and are not covered by warranty of the Chilean state. Further information may be obtained about the state guarantee to deposits at your bank or on www.sbif.cl;
- in Colombia: HSBC Bank USA NA has an authorized representative by the Superintendencia Financiera de Colombia (SFC) whereby its activities conform to the General Legal Financial System. SFC has not reviewed the information provided to the investor. This document is for the exclusive use of institutional investors in Colombia and is not for public distribution;
- in Finland, Norway, Denmark and Sweden by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026) and through the Stockholm branch of HSBC Global Asset Management (France), regulated by the Swedish Financial Supervisory Authority (Finansinspektionen);
- in France, Belgium, Netherlands, Luxembourg, Portugal, Greece by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026);
- in Germany by HSBC Global Asset Management (Deutschland) GmbH which is regulated by BaFin (German clients) respective by the Austrian Financial Market Supervision FMA (Austrian clients);
- in Hong Kong by HSBC Global Asset Management (Hong Kong) Limited, which is regulated by the Securities and Futures Commission. This video/content has not been reviewed by the Securities and Futures Commission;
- in India by HSBC Asset Management (India) Pvt Ltd. which is regulated by the Securities and Exchange Board of India;
- in Italy and Spain by HSBC Global Asset Management (France), a Portfolio Management Company authorised by the French regulatory authority AMF (no. GP99026) and through the Italian and Spanish branches of HSBC Global Asset Management (France), regulated respectively by Banca d'Italia and Commissione Nazionale per le Società e la Borsa (Consob) in Italy, and the Comisión Nacional del Mercado de Valores (CNMV) in Spain;
- In Malta by HSBC Global Asset Management (Malta) Limited which is regulated and licensed to conduct Investment Services by the Malta Financial Services Authority under the Investment Services Act;
- in Mexico by HSBC Global Asset Management (Mexico), SA de CV, Sociedad Operadora de Fondos de Inversión, Grupo Financiero HSBC which is regulated by Comisión Nacional Bancaria y de Valores;
- in the United Arab Emirates, Qatar, Bahrain & Kuwait by HSBC Global Asset Management MENA, a unit within HSBC Bank Middle East Limited, U.A.E Branch, PO Box 66 Dubai, UAE, regulated by the Central Bank of the U.A.E. and the Securities and Commodities Authority in the UAE under SCA license number 602004 for the purpose of this promotion and lead regulated by the Dubai Financial Services Authority. HSBC Bank Middle East Limited is a member of the HSBC Group and HSBC Global Asset Management MENA are marketing the relevant product only in a sub-distributing capacity on a principal-to-principal basis. HSBC Global Asset Management MENA may not be licensed under the laws of the recipient's country of residence and therefore may not be subject to supervision of the local regulator in the recipient's country of residence. One of more of the products and services of the manufacturer may not have been approved by or registered with the local regulator and the assets may be booked outside of the recipient's country of residence.
- in Peru: HSBC Bank USA NA has an authorized representative by the Superintendencia de Banca y Seguros in Perú whereby its activities conform to the General Legal Financial System - Law No. 26702. Funds have not been registered before the Superintendencia del Mercado de Valores (SMV) and are being placed by means of a private offer. SMV has not reviewed the information provided to the investor. This document is for the exclusive use of institutional investors in Perú and is not for public distribution;
- in Singapore by HSBC Global Asset Management (Singapore) Limited, which is regulated by the Monetary Authority of Singapore. The content in the document/video has not been reviewed by the Monetary Authority of Singapore;
- in Switzerland by HSBC Global Asset Management (Switzerland) AG. This document is intended for professional investor use only. For opting in and opting out according to FinSA, please refer to our website; if you wish to change your client categorization, please inform us. HSBC Global Asset Management (Switzerland) AG having its registered office at Gartenstrasse 26, PO Box, CH-8002 Zurich has a licence as an asset manager of collective investment schemes and as a representative of foreign collective investment schemes. Disputes regarding legal claims between the Client and HSBC Global Asset Management (Switzerland) AG can be settled by an ombudsman in mediation proceedings. HSBC Global Asset Management (Switzerland) AG is affiliated to the ombudsman FINOS having its registered address at Talstrasse 20, 8001 Zurich. There are general risks associated with financial instruments, please refer to the Swiss Banking Association ("SBA") Brochure "Risks Involved in Trading in Financial Instruments";
- in Taiwan by HSBC Global Asset Management (Taiwan) Limited which is regulated by the Financial Supervisory Commission R.O.C. (Taiwan);
- in the UK by HSBC Global Asset Management (UK) Limited, which is authorised and regulated by the Financial Conduct Authority;
- and in the US by HSBC Global Asset Management (USA) Inc. which is an investment adviser registered with the US Securities and Exchange Commission.

**NOT FDIC INSURED ◆ NO BANK GUARANTEE ◆ MAY LOSE VALUE**

Copyright © HSBC Global Asset Management Limited 2024. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Global Asset Management Limited.

Content ID: D020043_V1.0; EXP 14.12.2024