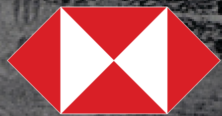
Investment Monthly – April 2019

Further Fed dovishness



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Summary

Macro Outlook

The global Nowcast (our big data analysis tool) remains below our sense of trend growth, although there are tentative signs of a stabilisation. US growth is still robust, with further evidence of rising wage pressures

Our Nowcast leading indicator points to a likely near-term improvement. We remain of the view that we are facing a "cyclical slowdown", not a more severe recessionary environment

Importantly, renewed fiscal and monetary policy activism is now supporting the economic outlook. Ongoing loosening in China has the potential to stabilise China's economy alongside global trade growth

In the eurozone, there is scope for some temporary negative factors to unwind (e.g. auto sector disruptions), while the European Central Bank's (ECB) new round of cheap loans to banks (TLTRO) should help maintain favourable lending conditions

Key Views

Market perceptions of economic growth have recovered this year

But the market is ignoring the risk of higher inflation. We think this poses a risk to developed market (DM) government bonds, which we believe are overvalued

Therefore we prefer asset classes that we view as having better margin of safety against downside risks. The mix of decent growth, no recession, and dovish policy would seem to favour global equities and emerging market (EM) assets

The additional compensation for bearing credit risk has continued to fall, making investment grade corporate bonds look fairly expensive. We continue to prefer to benefit from the decent growth backdrop through equities

Source: HSBC Global Asset Management, Global Investment Strategy, March 2019. Subject to change. All numbers rounded to one decimal place. The views expressed were held at the time of preparation, and are subject to change.
Please refer to Basis of Views and Definitions section for additional information

Central Banks

At its March meeting, the **US Federal Reserve (Fed)** signalled it would no longer hike rates this year amid moderating growth and subdued inflation

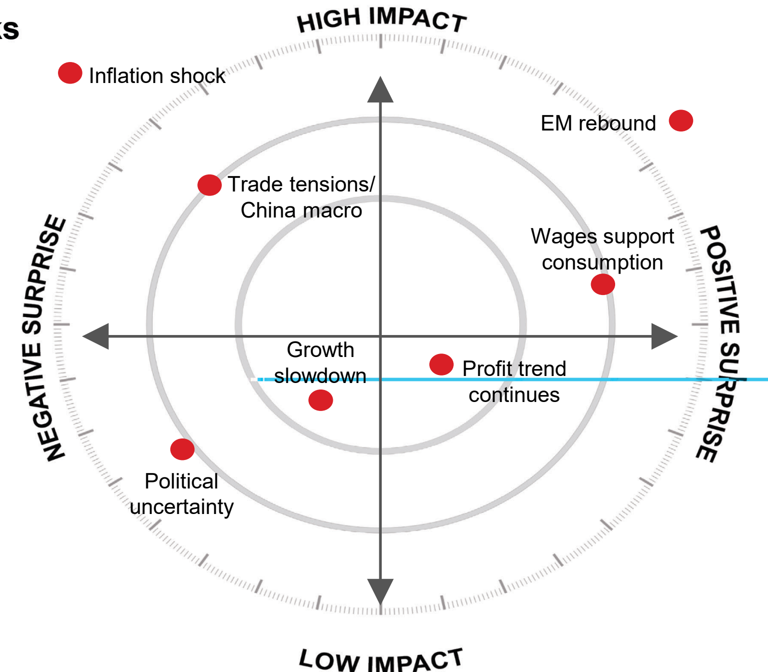
Amid significant cuts to growth and inflation forecasts, the **European Central Bank (ECB)** turned dovish at its March meeting, signalling no rate hikes this year and a new round of cheap loans to banks

Despite rising wage pressures, the **Bank of England (BoE)** remains in cautious mode amid ongoing Brexit uncertainty, and voted to keep rates on hold in March

Inflation in Japan is set to remain well below the **Bank of Japan's (BoJ)** 2% target. Monetary policy is likely to remain expansionary for the time being

In China, the 2019 Government Work Report (GWR) provides a mandate for looser policy by the **People's Bank of China (PBoC)**

Key Risks



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Investment Views

Poor bond valuations continue to "push" us towards asset classes that we view as having a better margin of safety against downside risks

Amid decent global growth and dovish policy, we still prefer global equities

Global equities – despite the year-to-date rally in equities, prospective risk-adjusted returns relative to bonds continue to be attractive.

Government bonds – government bond yields have fallen further, with this asset class not priced, in our view, for a pick up in inflation. We remain underweight

Corporate bonds – credit assets have continued to perform well, pushing prospective returns lower. Also, default rates implied from market pricing are now well below actual forecasts for 2019. A cautious stance is warranted, in our view

Equities

Asset Class	View	View move
Global	**Overweight**	–
US	Overweight	–
UK	Overweight	–
Eurozone	Overweight	–
Japan	Overweight	–
Emerging Markets (EM)	Overweight	–
CEE & Latam	Neutral	–

Government bonds

Asset Class	View	View move
Developed Market (DM)	**Underweight**	–
US	Underweight	–
UK	Underweight	–
Eurozone	Underweight	–
Japan	Underweight	–
EM (local currency)	**Overweight**	–

Corporate bonds & Alternatives

Asset Class	View	View move
Global investment grade (IG)	**Neutral**	–
USD IG	Neutral	–
EUR & GBP IG	Underweight	–
Asia IG	Neutral	–
Global high-yield	**Neutral**	–
US high-yield	Neutral	–
Europe high-yield	Neutral	–
Asia high-yield	Overweight	–
EM agg bond (USD)	**Neutral**	–
Gold	**Neutral**	–
Other commodities	**Neutral**	–
Real estate	**Neutral**	–

Asian assets

Asset Class	View	View move
EM Asian fixed income	**Underweight**	–
Asia ex-Japan equities	**Overweight**	–
China	Overweight	–
India	Overweight	–
Hong Kong	Neutral	–
Singapore	Overweight	–
South Korea	Neutral	–
Taiwan	Neutral	–

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

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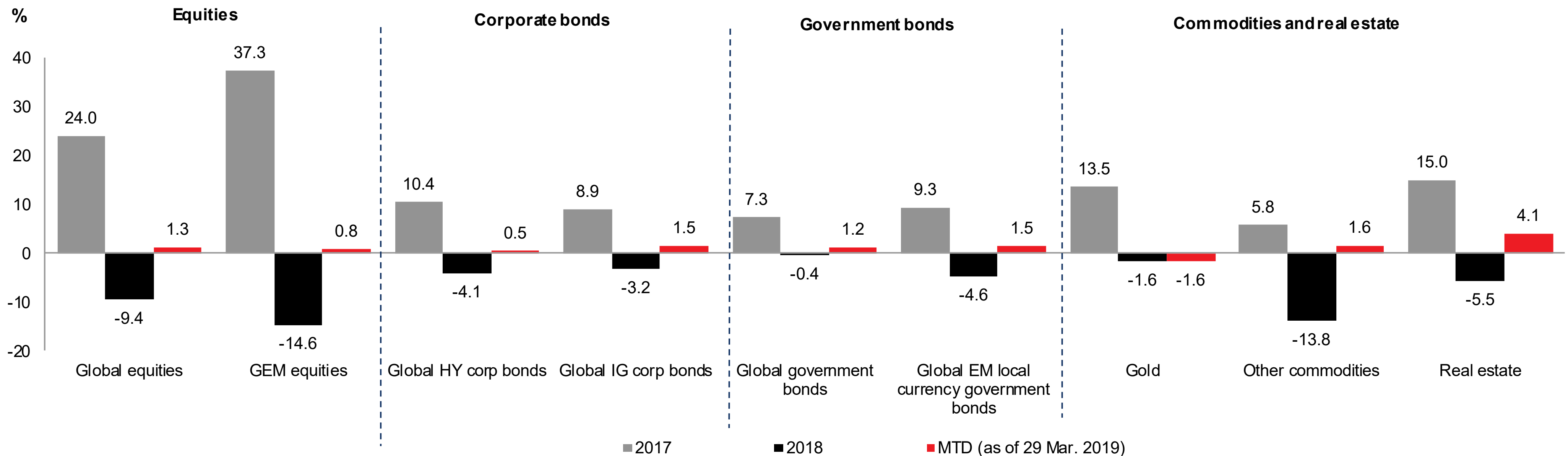
Asset Class Performance at a glance

Global equities were little changed in March, as global growth concerns were offset by optimism about US-China trade talks and a further dovish tilt in Fed policy

Government bonds – US Treasuries and European bonds rallied (yields fell) on the back of dovish central bank policy meetings and renewed global growth concerns

Commodities – oil prices rose amid US-China trade hopes and as OPEC and allied producers signalled they could restrain output until the end of the year

Past performance is not an indication of future performance



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.

Source: Bloomberg, all data above as of close of 29 March 2019 in USD, total return, month-to-date terms

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Base case views and implications

Region	Monthly macroeconomic update	Base case view and implications
US	The US economy added only 20,000 jobs in February, although the three-month moving average remains robust. Crucially, the unemployment rate remains at its lowest rate in almost two decades, whilst wage growth is on an upward trend The Fed's recent dovish turn is supportive to the economic outlook, alongside some positive developments in US-China trade negotiations	We still think US economic growth will moderate this year amid slower global growth and as fiscal stimulus wanes The FOMC[1] is likely to remain in "patient" mode and has signalled it is willing to tolerate an inflation overshoot US equities remain relatively attractive versus US Treasuries
Europe	**Eurozone:** Although the manufacturing sector is undoubtedly in a weak spot, the services sector has been holding up relatively well amid solid fundamentals **UK:** Despite generally positive data releases, supported by a robust labour market, the Bank of England is still in dovish mode amid Brexit uncertainty	**Eurozone:** the investment case for European equities has diminished somewhat, although we remain overweight **UK:** We believe UK equities are attractively valued, and in a "no-deal" Brexit scenario, GBP weakness could be supportive
Asia	**China:** There were some positive takeaways from January-February activity data, including a sharp rebound in property investment **India:** The Reserve Bank of India is in easing mode, which is supportive to the outlook. However, ongoing credit availability constraints are a headwind **Japan:** Japan's industrial sector is in a weak spot amid external headwinds and a cyclical slowdown in IT. This year's consumption tax hike is also a risk	**China:** Ongoing policy loosening has the potential to stabilise China's economy alongside global trade growth **India:** The long-term structural story remains positive, but valuations are fairly unattractive versus other Asian markets **Japan:** We believe the valuation of Japanese equities is still very attractive while monetary policy is supportive
Other EM	**Brazil:** Growth is likely to accelerate this year, with investor optimism on the back of promised structural reforms by the new Bolsonaro-led administration **Russia:** growth performance continues to be constrained by structural headwinds (e.g. reliance on hydrocarbons) and the drag from sanctions **MENA:** Civil conflict, high unemployment and lower oil prices are weighing on the region's economic outlook. Progress with structural reforms is also limited	The backdrop for EMs has improved amid a more cautious Fed, lower oil prices & US bond yields and China policy easing EM central banks have switched from tightening into easing mode amid a dovish Fed and generally subdued inflation Geopolitical risk also remains prevalent, including upcoming elections in India, Ukraine and South Africa

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[1] Federal Open Market Committee. The views expressed were held at the time of preparation, and are subject to change.

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Long-term Asset class positioning tables (>12 months)

Equities

Asset class	View	Rationale	Risks to consider
Global	**Overweight** –	Our measure of the global equity risk premium (excess return over cash) is still reasonable given other opportunities. We believe global equities still offer attractive rewards despite the risks to the growth outlook, while corporate fundamentals remain in our view, solid. Policy support can help offset headwinds from more modest global growth, trade tensions, and political uncertainty in many regions.	Episodic volatility may be triggered by concerns on global economic growth and/or trade tensions, coupled with political risks. A further significant deterioration of the global economic outlook could also dampen our view. Rising wage growth in many developed economies may undermine corporate profits.
US	**Overweight** –	US economic growth has recently moderated to around trend, although it continues to outperform other regions. The risk of a US recession remains modest. Positively, the Fed has signalled a more cautious approach to policy normalisation, while corporate fundamentals are still strong.	The Fed could still tighten policy this year on the back of an inflation shock. This may weigh on economic growth, just as the boost from last year's fiscal stimulus is fading. Risks from US protectionism also need to be considered, especially if further rounds of tit-for-tat actions towards China materialise.
Eurozone	**Overweight** –	Eurozone equities benefit from fairly high implied risk premiums (on a hedged basis) and we believe there is scope for better earnings news. Ultra-low ECB policy interest rates are likely to persist until the early 2020s.	On an unhedged basis, we measure higher risk adjusted prospective returns in other developed markets. Economic activity indicators have deteriorated over the past year. Export growth is vulnerable to the weaker global environment and protectionism risks. Political risks may be posed by the populist government in Italy and Brexit negotiations.

View:
– No change
↑ Upgraded over the last month
↓ Downgraded over the last month

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Long-term Asset class positioning tables (>12 months)

Equities cont'd

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Long-term Asset class positioning tables (>12 months)

Government Bonds

Asset class	View	Rationale	Positive factors to consider
Developed Markets (DM)	**Underweight** —	Prospective returns still look low. Higher inflation could push yields higher and this remains a neglected risk.	Government bonds may still deliver diversification benefits should there be an intensification of economic growth concerns. Also “secular stagnation” forces remain (ageing populations, low productivity and investment). The global pool of perceived “safety” assets is limited.
US	**Underweight** —	Prospective risk-adjusted returns look consistent with a full UW position. The US is at the forefront of building inflationary pressures. A more meaningful pick-up in inflation is a key risk scenario. There is uncertainty if Treasuries can act as an effective “diversifier” asset given current market pricing.	Prospective risk-adjusted returns are higher in shorter-duration Treasuries. Inflation may remain subdued despite rising wage growth and diminishing spare capacity. This would help cap yields.
UK	**Underweight** —	Prospective returns for UK gilts continue to look poor, and we are being penalised for bearing interest-rate risk.	Gilts could perform well if UK economic growth deteriorates and/or a “no-deal” Brexit materialises.
Eurozone	**Underweight** —	Core eurozone government bonds are overvalued, in our view. The market has lost the support of the ECB’s net asset purchases.	Core inflationary pressures in the region remain subdued, and economic growth has weakened. This should keep monetary policy accommodative for an extended period of time.
Japan	**Underweight** —	Japanese government bonds (JGBs) are overvalued, in our view. The BoJ has reduced the amount of its JGB purchases and has started to modify its yield targeting framework.	The “Yield Curve Control” framework should limit volatility and reduce the risk of significantly higher yields in the near term.

Asset class	View	Rationale	Risks to consider
Emerging markets (EM) local currency	**Overweight** —	In our view, most countries offer high prospective returns, especially compared to the opportunity set. Our estimate of the sustainable return on EM currencies reinforces our choice to hold this position unhedged.	Further Fed rate hikes and a rapid gain in the US dollar are key risks, but the dollar could weaken on positive US-China trade developments Diverging economic and political regimes in the EM universe also mean that being selective is key.

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Long-term Asset class positioning tables (>12 months)

Investment grade corporate Bonds

Asset class	View	Rationale	Risks to consider
Global investment grade (IG)	**Neutral** —	The macro environment remains supportive. The risk of defaults and downgrades appears limited for now.	The recent rally in credit assets has come at the expense of lower prospective returns. This asset class is becoming riskier as the "margin of safety" against downside risks gets thinner.
USD investment grade	**Neutral** —	US IG debt looks more attractive to us than European credit. We think carefully-selected US credit may outperform.	Prospective returns have recently fallen following a rally in credit assets The "duration" of US IG corporate bonds — a measure of their sensitivity to shifts in underlying interest rates — is historically high, making them vulnerable to further Fed rate hikes, in our view.
Asia investment grade	**Neutral** —	Within the IG universe, the carry offered by Asian credits looks attractive to us, relative to DM. Robust underlying activity in EM Asia and a neutral monetary policy stance in most countries are also supportive.	Further Fed policy normalisation poses a risk, particularly for corporates who borrow in US dollars. Risks from rising protectionism cannot be ignored either, while the extent of Chinese leverage remains a long-term issue.

Asset class	View	Rationale	Positive factors to consider
EUR and GBP investment grade	**Underweight** —	EUR IG prospective returns are weighed down by a relatively large negative duration risk premium i.e. we are being penalised for bearing interest-rate risk.	The ECB's pledge to reinvest maturing assets for "an extended period of time" is supportive. Default rates also remain low.

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Long-term Asset class positioning tables (>12 months)

High-yield corporate Bonds

Asset class	View	Rationale	Risks to consider
Global high-yield	**Neutral** —	Corporate fundamentals look solid amid decent global economic activity, and defaults are low. We prefer higher-rated HY bonds.	HY bonds have also recently rallied, reducing prospective returns, also justifying caution. However, valuations look more attractive than for IG
		Market perceptions of growth prospects have recently recovered. This growth-sensitive asset class may perform well if activity surprises to the upside	Our measures show that we remain better rewarded by equities as a way to benefit from a broadly robust economic backdrop.
US high-yield	**Neutral** —	Still decent US economic activity continues to support corporate fundamentals.	Prospective returns on US HY corporate bonds have diminished on the back of recent price gains
		Default rates are relatively low. HY bonds also have a shorter effective duration, making them more exposed to growth than to interest-rate risk. US growth risks are limited in our view.	US HY credits remain vulnerable to a deterioration in economic data or the default outlook. A more aggressive than expected Fed tightening cycle is a key risk.
Asia high-yield	**Overweight** —	The carry (or “return”) offered by Asian HY looks attractive to us given the alternatives, with relatively high prospective risk-adjusted returns.	Further Fed monetary policy normalisation poses a risk, particularly for corporates who borrow in US dollars.
		Economic momentum is robust, underlying corporate fundamentals look decent, and inflationary pressures appear relatively stable.	Risks from rising protectionism cannot be ignored either, while the extent of Chinese leverage remains a long-term issue.
Europe high-yield	**Neutral** —	Underlying corporate fundamentals remain healthy (low default rates), and we are not expecting a eurozone recession in 2019.	Eurozone growth could disappoint further in 2019, although problems seem to be concentrated in the manufacturing sector
		Monetary policy is still accommodative, with the ECB still far off from normalising interest rates.	European political risks remain, with uncertainties in Italy likely to be a lingering risk in 2019, while a no-deal Brexit is still possible.

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Long-term Asset class positioning tables (>12 months)

Alternatives

Asset class	View	Rationale	Risks to consider
EM agg bond (USD)	**Neutral** –	Investors' reach for yield may continue to support this asset class. A more dovish Fed also supports those EM economies with high USD-denominated debt holdings.	This asset class has recently rallied, reducing prospective returns. Therefore a cautious stance is warranted, in our view. The possibility of further Fed policy normalisation and a stronger US dollar remains a risk. USD debt leverage is high in some economies.
Gold	**Neutral** –	Gold futures can offer reasonable diversification benefits to our multi-asset portfolios and have some inflation-hedging characteristics. Gold performed well in the October and December 2018 selloffs.	In our view, prospective returns on gold futures look poor. This is due to the large negative expected roll yield (the cost of renewing futures contracts) and a negative expected spot price return.
Other commodities	**Neutral** –	Commodity futures can offer us reasonable diversification benefits and have some inflation-hedging characteristics. Our measure of expected returns have improved during 2018. The energy sub-sector is, in our opinion, the most attractive.	We measure a large negative expected roll yield (the cost of renewing futures contracts) for many commodities (particularly wheat and corn).
Real Estate	**Neutral** –	We believe global real estate equities are priced to deliver reasonably attractive long-run returns relative to DM government bonds. Current dividend yields offer a sizeable premium over wider equities and, in the long run, rents are linked to general economic growth, providing a partial inflation hedge.	In some countries, real estate equities that are focused on retail property are vulnerable to growing e-commerce although this is partly offset by strong demand for logistics space to support internet shopping. A serious escalation in global trade disputes could harm occupier demand. Sudden rises in interest rates could adversely affect prices in the short term. In the UK, Brexit continues to overshadow the market.

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Long-term Asset class positioning tables (>12 months)

Asian assets

Asset class	View	Rationale	Positive factors to consider
EM Asian Fixed Income	**Underweight** —	From a near-term perspective, this asset class is sensitive to US monetary policy. While a gradual interest rate hike cycle in the US is positive for the asset class, Asian bond spreads look particularly tight compared with other EM regions, reducing their relative attractiveness.	From a long-term perspective, we believe return signals are still positive, backed by relatively sound economic fundamentals, stable inflation and credit quality.

Asset class	View	Rationale	Risks to consider
Asia ex-Japan equities	**Overweight** —	We think Asia ex-Japan equities offer attractive risk-adjusted returns. Asian economic growth has held up relatively well, corporate earnings growth looks strong and macroeconomic structural characteristics are better than in other EM regions. We think Asian currencies are poised to appreciate in the medium term.	A further rise in US Treasury yields is a key risk, along with DM central bank policy normalisation. Other risks include US protectionist policies; geopolitical events; commodity-price and/or currency volatility and renewed concerns about China's growth and financial stability.
China equities	**Overweight** —	Policy measures to support private enterprises and consumers, and improve monetary policy transmission, combined with structural reforms aimed at levelling the playing field, should help stabilise growth prospects and relocate capital to more efficient sectors. VAT cuts, together with other policy easing, including policy support for corporates' capital market financing should help earnings. A dovish Fed and easing risk of escalation in US-China trade tensions also provide some support. Further opening up of the economy, capital market liberalisation/ benchmark index inclusion and structural market reforms (e.g. a new high-tech board) are potential re-rating catalysts.	Corporate earnings face further downward revisions in the near term, given the domestic macro environment and slower global growth. Concerns remain over the property sector outlook. The uncertainty related to US-China trade talks remains over structural issues such as technology transfer and IP protection, etc. Uncertain medium-to-long-term bilateral relations could accelerate shifts in corporate strategy and long-term planning on supply chain locations. Uncertainties remain over policy effectiveness and market-oriented reform prospects. Balancing often conflicting economic, financial and social goals poses policy challenges.

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Long-term Asset class positioning tables (>12 months)

Asian assets cont'd

Asset class	View	Rationale	Risks to consider
India equities	**Overweight** —	Monetary and fiscal policy has turned pro-growth with public sector bank recapitalisation and relaxation in financial regulatory norms. The farm income support programme (despite implementation challenges) and tax benefits for the middle income class, are supportive of consumption.	Earnings risks and political uncertainties given upcoming elections could remain near-term market overhangs. Any significant rebound in crude oil prices are also a risk.
		Earnings per share (EPS) growth remains high on the back of margin expansion. Easing external liquidly environment would help macro stability, current account balance and the Rupee (INR). Bank asset quality is steadily improving and loan growth is picking up.	Consumption growth trend remains weak. Slower credit disbursal by non-bank finance companies and external uncertainties pose downside risks to near-term economic growth and corporate earnings.
		The long-term structural story remains positive with substantial progress on key reforms, higher infrastructure spending, and improving governance and ease of doing business.	The pre-election FY20 interim budget prioritised populism over fiscal prudence with a pause on fiscal consolidation. The new glide path does not change the original target of achieving 3% of GDP by FY21, but the credibility of the target is questionable.
Hong Kong equities	**Neutral** —	A stronger Renminbi (RMB) and policy easing by China to stabilise growth bode well for Chinese tourists visiting HK in the near term.	The domestic asset markets face risks from rising interest rates and tightening global and domestic financial conditions, though policy stimulus in China and the pause by the Fed could offer some respite.
		Fiscal policy helps to cushion against downside growth risks though the budget reduces short-term relief measures and focuses on long-term development	Weaker global growth and China's financial risk contagion are key risks, as well as the risk of a deeper than expected China growth slowdown.
		A pause to Fed's tightening cycle and lower planned land supply for private housing could ease pressure on HK's property market.	Uncertainties over US-China trade talks remain (especially given the dispute over structural issues).
		The Greater Bay Area Initiative will bring business opportunities and give a boost to HK's economic growth and competitiveness in the longer term.	
Singapore equities	**Overweight** —	Economic growth is likely to moderate amid external uncertainties, but labour market and services sector still hold up. The budget focuses on long-term economic transformation, with modest short-term fiscal impulse.	Weakness in exports and manufacturing could spill over to domestic demand and weigh on employment and wage growth.
		Singapore will benefit from CPTPP[2] and it could marginally benefit from multinational companies looking to diversify their supply chain operations and manufacturing bases into ASEAN.	Singapore faces the risk of tighter global financial conditions, slower global demand, Chinese growth moderation, and trade protectionism, and is sensitive to sharp moves in the USD.
		The relatively high dividend yield is positive. Singaporean banks have robust asset quality and capital position.	Tightening market liquidity is a risk. The housing market faces the challenges of rising mortgage rates/debt and policy measures.

[2] The Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") is a Free Trade Agreement ("FTA") between 11 countries: Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

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Long-term Asset class positioning tables (>12 months)

Asian assets cont'd

Asset class	View	Rationale	Risks to consider
South Korea equities	**Neutral** —	South Korean equity valuations appear attractive.	We remain cautious about the corporate earnings outlook given slower global growth, near-term semiconductor/tech sector weakness (though we think a recovery is likely in H2), a tepid domestic economy and regulatory pressures (e.g. on the housing market).
		An expansionary fiscal policy and fast-tracking selected regional infrastructure projects support domestic demand, although the 2019 budget is focused largely on the welfare sector, which has relatively weak fiscal multiplier effects.	US-China trade relations and China's growth outlook could bring both downside and upside risks. The high level of household leverage is a key macro risk, though household credit growth has slowed since 2017.
		The introduction of Stewardship Code and efforts to improve corporate governance and capital return/dividend policy have the potential to bring significant changes in the market.	Labour-market headwinds to consumption persist, partly reflecting the impact of minimum wage/labour policy and corporate restructuring.
Taiwan equities	**Neutral** —	We think Taiwan's relatively high dividend yield is appealing amid heightened market volatility.	Earnings outlook remains weak. Taiwan's exports and manufacturing sector still come under pressure from a tech down-cycle and global and China demand slowdown.
		Macro policies are likely to remain accommodative to support the economy, with the multi-year public infrastructure investment plan having been rolled out.	Uncertainties over US-China trade negotiations remain. China buying more US goods could potentially mean a demand shift from Taiwan. Taiwanese firms also face competition from China in the tech sector.
		Several industries and companies have benefited from US-China trade friction via order transfers/trade division	Rising political and military tensions with China (which also put Taiwan at risk of being excluded from regional trade and investment agreements) are also risks.

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Market data

March 2019

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)	509	1.0	12.3	0.6	11.6	529	435	15.3
North America								
US Dow Jones Industrial Average	25,929	0.0	12.4	7.6	11.2	26,952	21,713	15.8
US S&P 500 Index	2,834	1.8	14.0	7.3	13.1	2,941	2,347	17.1
US NASDAQ Composite Index	7,729	2.6	17.4	9.4	16.5	8,133	6,190	22.4
Canada S&P/TSX Composite Index	16,102	0.6	13.2	4.8	12.4	16,586	13,777	15.1
Europe								
MSCI AC Europe (USD)	444	0.1	10.3	-6.8	9.9	493	391	13.2
Euro STOXX 50 Index	3,352	1.6	12.2	-0.3	11.7	3,596	2,909	13.5
UK FTSE 100 Index	7,279	2.9	8.1	3.2	8.2	7,904	6,537	13.0
Germany DAX Index*	11,526	0.1	9.2	-4.7	9.2	13,204	10,279	12.8
France CAC-40 Index	5,351	2.1	14.4	3.5	13.1	5,657	4,556	13.9
Spain IBEX 35 Index	9,240	-0.4	8.8	-3.8	8.2	10,291	8,286	12.0
Italy FTSE MIB	21,286	3.0	16.2	-5.0	16.2	24,544	17,914	10.8
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	529	1.3	11.3	-6.0	10.9	581	459	14.1
Japan Nikkei-225 Stock Average	21,206	-0.8	6.0	0.2	6.0	24,448	18,949	15.7
Australian Stock Exchange 200	6,181	0.2	9.3	7.3	9.5	6,374	5,410	16.1
Hong Kong Hang Seng Index	29,051	1.5	13.9	-3.5	12.4	31,593	24,541	11.5
Shanghai Stock Exchange Composite Index	3,091	5.1	23.9	-2.2	23.9	3,221	2,441	11.9
Hang Seng China Enterprises Index	11,380	0.1	13.9	-5.2	12.4	12,590	9,762	8.8
Taiwan TAIEX Index	10,641	2.4	9.4	-1.9	9.4	11,262	9,319	15.1
Korea KOSPI Index	2,141	-2.5	4.9	-12.1	4.9	2,517	1,985	11.4
India SENSEX 30 Index	38,673	7.8	7.2	17.3	7.2	39,029	32,918	24.2
Indonesia Jakarta Stock Price Index	6,469	0.4	4.4	4.5	4.4	6,582	5,558	15.5
Malaysia Kuala Lumpur Composite Index	1,644	-3.8	-2.9	-11.5	-2.8	1,896	1,627	16.2
Philippines Stock Exchange PSE Index	7,921	2.8	6.1	-0.7	6.1	8,214	6,791	16.7
Singapore FTSE Straits Times Index	3,213	0.0	5.2	-6.3	4.7	3,642	2,956	12.8
Thailand SET Index	1,639	-0.9	4.8	-7.3	4.8	1,806	1,547	15.0
Latam								
Argentina Merval Index	33,466	-3.0	10.5	7.6	10.5	37,875	24,618	7.6
Brazil Bovespa Index*	95,415	-0.2	8.6	11.8	8.6	100,439	69,069	11.5
Chile IPSA Index	5,259	-0.5	3.0	-5.1	3.0	5,731	4,999	15.4
Colombia COLCAP Index	1,588	5.3	19.7	9.1	19.7	1,634	1,291	12.5
Mexico S&P/BMV IPC Index	43,281	1.1	4.4	-6.2	3.9	50,603	39,272	13.6
EEMEA								
Russia MOEX Index	2,497	0.5	5.4	9.8	5.4	2,552	2,065	5.8
South Africa JSE Index	56,463	0.8	7.7	1.8	7.1	60,299	50,033	13.8
Turkey ISE 100 Index*	93,784	-10.3	3.7	-18.3	2.8	115,872	84,655	6.1

Past performance is not an indication of future retu

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

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 29 March 2019.

All numbers rounded to one decimal place. The views expressed were held at the time of preparation, and are subject to change.

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Market data (continued)

March 2019

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	12.9	12.2	2.7	36.9	37.7	2.6
US equities	14.7	13.7	8.8	44.4	63.3	1.9
Europe equities	11.3	10.8	-3.7	23.5	5.7	3.8
Asia Pacific ex Japan equities	11.9	11.5	-3.4	41.2	30.4	3.3
Japan equities	7.4	6.7	-7.2	24.5	33.2	2.4
Latam equities	7.7	7.9	-6.7	39.5	-0.2	2.9
Emerging Markets equities	10.3	9.9	-7.3	39.3	21.0	2.7

All total returns quoted in USD terms.

Data sourced from MSCI AC World Total Return Index, MSCI USA Total Return Index, MSCI AC Europe Total Return Index, MSCI AC Asia Pacific ex Japan Total Return Index, MSCI Japan Total Return Index, MSCI Latam Total Return Index and MSCI Emerging Markets Total Return Index.

Bond indices - Total Return	Close	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	539	1.8	3.1	4.9	3.0
JPM EMBI Global	822	1.5	6.5	3.5	6.6
BarCap US Corporate Index (USD)	2,975	2.5	5.4	4.9	5.1
BarCap Euro Corporate Index (Eur)	252	1.4	3.2	2.3	3.2
BarCap Global High Yield (USD)	486	0.8	6.8	4.5	6.7
BarCap US High Yield (USD)	2048	0.9	7.4	5.9	7.3
BarCap pan-European High Yield (USD)	440	1.4	6.0	4.9	5.9
BarCap EM Debt Hard Currency	409	1.1	5.0	2.8	4.9
Markit iBoxx Asia ex-Japan Bond Index (USD)	204	1.9	4.8	5.3	4.6
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	262	2.4	7.5	4.8	7.4

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

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 29 March 2019.

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Market data (continued)

March 2019

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2018
US Treasury yields (%)					
3-Month	2.38	2.43	2.37	1.70	2.35
2-Year	2.26	2.51	2.52	2.27	2.49
5-Year	2.23	2.51	2.55	2.56	2.51
10-Year	2.41	2.72	2.72	2.74	2.68
30-Year	2.81	3.08	3.02	2.97	3.01
Developed market 10-year bond yields (%)					
Japan	-0.09	-0.03	-0.01	0.04	-0.01
UK	1.00	1.30	1.27	1.35	1.28
Germany	-0.07	0.18	0.24	0.49	0.24
France	0.32	0.57	0.71	0.72	0.71
Italy	2.49	2.75	2.74	1.78	2.74
Spain	1.09	1.17	1.41	1.16	1.41

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,292	-1.6	0.9	-2.5	0.8	1,365	1,160
Brent Oil	68.4	3.6	31.0	-2.7	27.1	87	50
WTI Crude Oil	60.1	5.1	32.7	-7.4	32.4	77	42
R/J CRB Futures Index	184	0.6	7.5	-5.9	8.2	207	168
LME Copper	6,483	-0.4	8.1	-3.4	8.7	7,348	5,725

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Market data (continued)

March 2019

Currencies (vs USD)	Latest	End of last mth.	3-mths Ago	1-year Ago	Year End 2018	52-week High	52-week Low
Developed markets							
DXY index	97.28	96.16	96.40	90.15	96.17	97.71	89.23
EUR/USD	1.12	1.14	1.14	1.23	1.15	1.24	1.12
GBP/USD	1.30	1.33	1.27	1.40	1.28	1.44	1.24
CHF/USD	1.00	1.00	1.02	1.05	1.02	1.05	0.99
CAD	1.33	1.32	1.36	1.29	1.36	1.37	1.25
JPY	110.9	111.4	110.3	106.4	109.7	114.6	104.9
AUD	1.41	1.41	1.42	1.30	1.42	1.48	1.28
NZD	1.47	1.47	1.49	1.38	1.49	1.56	1.35
Asia							
HKD	7.85	7.85	7.83	7.85	7.83	7.85	7.79
CNY	6.71	6.69	6.88	6.29	6.88	6.98	6.26
INR	69.16	70.75	69.93	65.18	69.77	74.48	64.85
MYR	4.08	4.07	4.15	3.87	4.13	4.20	3.85
KRW	1,135	1,124	1,116	1,066	1,111	1,145	1,054
TWD	30.83	30.80	30.70	29.17	30.55	31.17	29.06
Latam							
BRL	3.92	3.76	3.88	3.31	3.88	4.21	3.30
COP	3,189	3,080	3,254	2,794	3,254	3,303	2,685
MXN	19.43	19.28	19.66	18.19	19.65	20.96	17.94
ARS	43.32	39.14	37.67	20.14	37.67	43.94	20.10
EEMEA							
RUB	65.76	65.97	69.55	57.28	69.35	70.84	57.14
ZAR	14.50	14.08	14.43	11.84	14.35	15.70	11.79

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Basis of Views and Definitions of 'Asset class positioning' tables

Views are based on regional HSBC Global Asset Management Asset Allocation meetings held throughout **March 2019**, HSBC Global Asset Management's long-term expected return forecasts which were generated as **at 28 February 2019**, 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 **28 February 2019.**

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 **29 March 2019**.

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