IM

Investment Monthly

The Restoration Economy

January 2021

Summary

Macro outlook

- We are in the **restoration phase** of the economic cycle. Activity remains below pre-Covid levels, everywhere except China
- The pace of recovery will depend on where we are in the world, on the delivery of the vaccine, and on continued policy support. In some laggard economies, there is **scope for cyclical catch-up in 2021**
- Abnormally-high unemployment rates, stressed corporate balance sheets, and fragile confidence means that the global economy needs ongoing policy support
- There is **little risk of a sustained rise in inflation in the near term**

Policy outlook

- Recent events have reduced key policy uncertainties. **The age of policy uncertainty has ended**
- Global central banks continue to rapidly expand balance sheets. Major central banks have now adopted **lower-for-even longer interest rates**
- Compared to the West, **monetary policy in China is set to become relatively hawkish**. The People's Bank of China (PBOC) will focus on liquidity and targeted measures. Across Asia, incremental stimulus will be limited
- US-China tensions inevitably persist, but the Regional Comprehensive Economic Policy (RCEP) trade agreement sets a new tone and will have a meaningful economic impact

Summary

House View

- After the fast rally in 2020, **prospective risk-adjusted returns for a variety of asset classes have fallen**
- Nevertheless, in a year of restoration, **allocating to equities still makes sense**, but we will need to be dynamic in managing regional exposures
- Furthermore, there are still **attractive valuation opportunities in certain parts of global markets**. Emerging Market (EM) fixed income should benefit from a weaker dollar. Many alternative asset classes (e.g. Private Equity) should also do well, in our view
- It is getting **harder to find affordable and consistent hedges** – we advocate a range of "new diversifiers" to build portfolio resilience

Key Risks

Fiscal policy error	Vaccine complacency or stimulus fatigue could mean that policy support is withdrawn too early
Lost momentum	Bad news on the virus could damage growth momentum, allowing scarring effects to dictate macro trends
Animal spirits	Earlier availability of vaccine or greater-than-expected policy support could boost animal spirits

Source: HSBC Global Asset Management, Global Investment Strategy, January 2021. The views expressed are those of HSBC Global Asset Management, they were held at the time of preparation, and are subject to change.

House view

We are in the restoration phase of the economic cycle. The pace of recovery will depend on where we are in the world, on the delivery of the vaccine, and on continued policy support. In this environment, risky asset classes can continue to perform well in 2021

- **Equities** – 2021 is set to be a year of strong global recovery and falling political uncertainty. Combined with still attractive relative valuations, allocating to equities continues to makes sense
- **Government bonds** – Evidence is building that bonds are losing their hedging properties. Poor prospective returns and low yields cement the case for diversifying portfolios into a wider set of alternative asset classes
- **Corporate bonds** – Spreads have come down materially over the last few months. Nevertheless, Asian bonds continue to look attractive relative to other global opportunities

Equities

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

Government bonds

Asset Class	House view	View move
Developed Market (DM)	▼	–
Canada	▼	–
US	▼	–
UK	▼	–
Eurozone	▼	–
Japan	▼	–
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	▲	–

Alternatives

Asset Class	House view	View move
EM aggregate bond (USD)	↔	–
Gold	↔	–
Other commodities	↔	–
Real estate	↔	–

Asian assets

Asset Class	House view	View move
EM Asian government bonds (USD)	▼	–
Asia ex-Japan equities	▲	–
China	▲	–
India	▲	–
Hong Kong	▲	–
Singapore	▲	–
South Korea	▲	–
Taiwan	▲	–

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

▲ Overweight
↔ Neutral
▼ Underweight

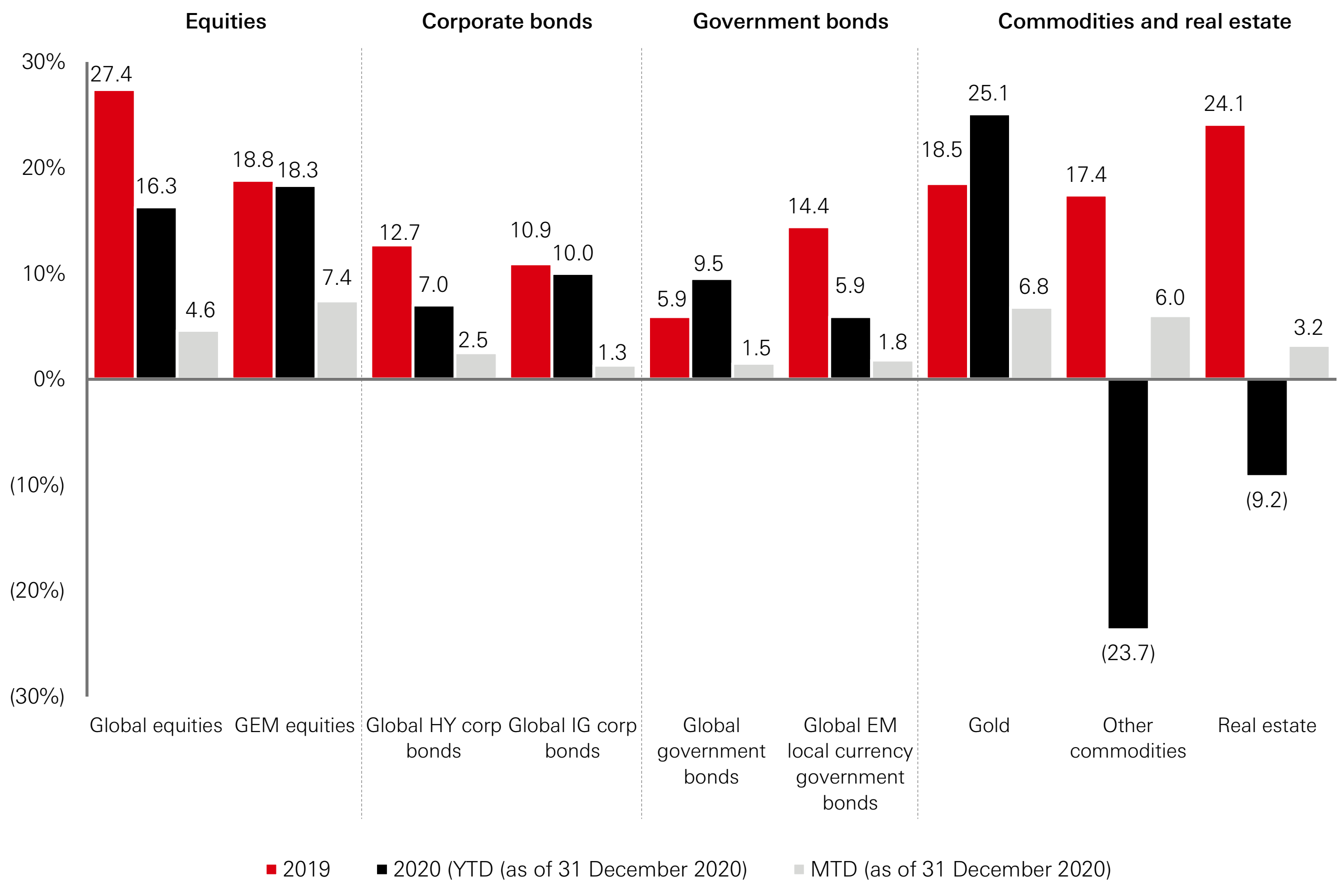
View move:
– No change
↑ Upgraded versus last month
↓ Downgraded versus last month

Source: HSBC Global Asset Management, as at January 2021, and subject to change. The views expressed are those of HSBC Global Asset Management, they were held at the time of preparation, and are subject to change.

Asset class performance at a glance

Global equities rose further in December amid upbeat news on vaccines, and progress with US fiscal stimulus

- **Government bonds** – Longer-dated US Treasuries fell over the month (yields rose) as the US Congress edged closer to a fresh fiscal stimulus package; in Europe, UK gilts rose amid worsening near-term economic prospects
- **Commodities** – Oil prices made further gains on vaccine optimism, while gold was boosted by a weaker US dollar



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 31 December 2020 in USD, total return, month-to-date terms

Base case views and implications

	Monthly macroeconomic update	Base case view and implications
US	◆ A new surge in the virus and increasing economic restrictions have weighed on activity towards the end of the year ◆ Nevertheless, vaccine rollout is a major positive for the 2021 outlook, while the approval of a fresh USD900bn fiscal stimulus package should buoy the economy in the near term	◆ We remain constructive on **US equities**. Significant tech and quality exposure remains a positive, while cyclical parts of the market can potentially benefit from fresh fiscal stimulus ◆ Prospective returns for **US Treasuries** look low but remain attractive versus other government bond markets. Meanwhile, a "lower-for-even-longer" rate regime limits the risk of higher yields
Europe	◆ The near-term outlook has darkened amid a resurgence of the virus and renewed lockdowns. Positively, however, the UK and EU agreed a post-Brexit trade deal ◆ Despite near-term economic headwinds, Europe is well placed to benefit from its access to vaccines in 2021. Activity should rebound strongly over the year	◆ Despite near-term economic challenges, we believe an overweight stance on **European equities** remains justified due to regional indices' exposure to cyclical sectors that can perform well in 2021 ◆ **European government bond** valuations are very unattractive and we think their diversification properties are limited
Asia	◆ **China** is expected to remain a cyclical outperformer, with the services sector taking the reins in terms of growth. The potential for more stable US-China relations is also a positive for the outlook ◆ **India's** economic activity appears to be gradually returning to pre-Covid levels, as reflected in various high-frequency indicators, but service sector activity continues to lag ◆ **Japan** is well positioned for a strong recovery in 2021 given its favourable access to vaccines. The export sector remains vulnerable to weak global investment trends, however	◆ A rapid rebound in economic activity supports our overweight view on **China equities**. We continue to prefer **Asian EM equities** to other EM markets and retain our overweight view ◆ Despite macro challenges, our overweight stance on **Indian equities** is still warranted amid a decent economic recovery and the country's status as a key manufacturing hub for vaccines ◆ **Japanese equities** are attractively valued but we think there are challenges in unlocking this value potential. We remain neutral
Other EM	◆ **Brazil's** economy continues to recover, supported by looser distancing measures and decent policy support. The 2021 outlook hinges on vaccine access and policy support ◆ **Russia's** recovery stalled heading into the end of the year amid a resurgence of the virus. Positively, however, there is significant room for policy easing ◆ Recovery prospects in **MENA** are constrained by low oil prices, weak tourism flows, and limited government fiscal support (Saudi Arabia has already introduced some austerity measures). Geopolitical risks also remain	◆ We still think it makes sense to be selective on **EM assets** ◆ We believe investors should look for "EM fortresses" that can be resilient to multiple headwinds. For us, the bright spot remains North Asia which benefits from exposure to mainland China ◆ Nevertheless, we think there is scope for markets in **EM ex Asia** to perform well in the coming months given their recent underperformance, attractive valuations, and a rebound in global growth in 2021 as vaccines are rolled out

Source: HSBC Global Asset Management. As at 4 January 2021. The views expressed were held at the time of preparation, and are subject to change

Asset class positioning
Equities

Asset class	House view	Rationale	Risks to consider
Global	▲ –	Global growth prospects have materially improved on the back of recent vaccine developments. Substantial policy easing has reduced downside tail risks, while global geopolitical uncertainty is beginning to edge lower	There is still uncertainty about the timeline around vaccine rollouts and thus the speed of the recovery. Policy mistakes are also possible, including a premature withdrawal of fiscal support. Higher government bond yields also pose a risk to current pricing
Canada	▲ –	Valuations are attractive considering the depressed yield environment and forward earnings power of companies. A pro-cyclical composition is favourable. Over-indexation of precious metals vs. other indices globally acts as a counter-balance/diversifier	Canada will not be immune to a setback in global economic activity or policy mistakes on the fiscal and monetary front. Inadequate policy support in the event of a prolonged downturn could have a deleterious effect
US	▲ –	US indices' exposure to big tech companies and quality names is beneficial in our view. Cyclical parts of the market could benefit from fresh government stimulus measures and an economic rebound in 2021	Signs that a rapid recovery is beginning to be priced in implies a fairly high hurdle for positive surprises
UK	▲ –	An improving global economic outlook is likely to benefit UK indices' heavy exposure to cyclical sectors which have lagged in their performance in 2020. The UK is likely to have favourable access to vaccines in 2021	Macro headwinds from the virus remain considerable in the near term, with downside risks from a premature withdrawal of fiscal policy support
Eurozone	▲ –	Eurozone equities have been a major laggard in 2020, but can benefit from a year of recovery in 2021	Eurozone growth is structurally weak. There is potential for government pressure to maintain low dividends during the crisis. Appetite for further fiscal policy support may also be waning
Japan	↔ –	Japanese equities are attractively valued but we think there are challenges in unlocking this value potential. Economic growth is structurally weak and Bank of Japan policy space is constrained	Japan's export sector is vulnerable to the fragile global economic environment. More positively, Japanese companies benefit from a strong balance sheet position
Emerging Markets (EM)	▲ –	In our view, the outlook for EM asset classes has recently brightened amid vaccine developments, and dollar liquidity conditions. The bright spot is EM Asian markets which can benefit from China's V-shaped recovery	From a valuation perspective, EM equities in aggregate are not particularly cheap versus other equity markets. The principal risk is around a loss of recovery momentum and the direct/indirect effects of the virus
CEE & Latam	↔ –	EMs outside of Asia can perform well in a recovery narrative, especially after their recent underperformance. The pace of vaccine rollout in these countries will be a key factor to monitor in 2021	Near term macro challenges remain substantial amid ongoing virus transmission and low commodity prices. There is uncertainty over the speed of vaccine rollout in 2021

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

▲ Overweight
↔ Neutral
▼ Underweight

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

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Asset class positioning

Government Bonds

Asset class	House view	Rationale	Positive factors to consider
Developed Markets (DM)	▼ –	Government bond prospective returns look very low. Governments are increasingly dependent on targeted fiscal measures to support growth, which may deteriorate the diversification properties of bonds	Current policy settings mean that bond prices are unlikely to be volatile or result in a sharp jump in yields
Canada	▼ –	Government bond valuations are unattractive as prospective returns look low given the extremely low level of rates. Provincial and Federal governments are increasing bond supply to finance widening budget deficits which may weigh on the long end of the yield curve	While we expect the diversification benefit of bonds versus risk assets has weakened due to the overall level of rates and increased supply, bonds will likely remain well-supported in a risk-off move given low inflation and highly accommodative monetary policy
US	▼ –	Prospective returns are very low. The US government remains in fiscal policy loosening mode. There is uncertainty if Treasuries can act as an effective diversifier asset	Valuations look attractive versus other government bond markets. Disappointing economic data or pandemic news could see a further rally. Low inflation and a "lower-for-longer" interest rate outlook should help cap yields
UK	▼ –	Prospective risk-adjusted returns continue to look very poor to us. The UK government's borrowing requirements remain substantial	The Bank of England has introduced supportive policy measures and signaled it is ready to do more should the situation further deteriorate
Eurozone	▼ –	Valuations look unattractive and governments are issuing high levels of fresh debt. The Covid crisis has highlighted limited diversification benefits	The European Central Bank (ECB) has significantly ramped up its bond-buying programme and signaled it is ready to do more. Periphery spreads could tighten further on the back of the EU recovery fund
Japan	▼ –	Japanese government bonds (JGBs) are overvalued, in our view	The "Yield Curve Control" framework should limit volatility. The risk of significantly higher yields in the near term is very limited

Asset class	House View	Rationale	Risks to consider
Emerging Markets (EM) local currency	▲ –	Prospective returns are relatively high, although this is mainly due to declines in most EM currencies. The potential for a weaker dollar in 2021 supports the outlook for this asset class	Bond yields are at historical lows. Diverging economic impacts from the spread of Covid-19 along with different political regimes in the EM universe also mean that being selective is key

View move:
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↓ Downgraded versus last month

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▼ Underweight

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Asset class positioning
Corporate Bonds

Asset class	House view	Rationale	Positive factors to consider
Global investment grade (IG)	▼ –	Spreads have come down materially over the last couple of months. Prospective returns have become unattractive, particularly for longer-duration bonds. We maintain a defensive positioning	Spreads are likely to remain tight on the back of ongoing central bank purchases and the prospect of a strong economic growth recovery in 2021. We are more positive on shorter-duration bonds
USD investment grade	▼ –	Valuations are relatively unattractive, especially for longer-duration bonds. US IG may come under pressure from any unexpected worsening of corporate fundamentals. US Covid-19 case growth remains high	The Fed is backstopping the market and the US government has introduced measures to support businesses. US corporate fundamentals are broadly robust
EUR and GBP investment grade	▼ –	Moody's expected a sharp rise in default rates in 2020 even before the outbreak of Covid-19. It will be important to monitor trends in corporate fundamentals	The ECB and the Bank of England (BoE) could ramp up their purchases of corporate bonds amid ongoing growth and inflation challenges. Europe is likely to benefit from favourable access to vaccines in 2021 supporting the recovery

Asset class	House view	Rationale	Risks to consider
Asia investment grade	▲ –	There is a valuation gap versus DM counterparts, while Asian corporates may outperform due to growth outperformance in the region. USD weakness is a positive for corporates with USD-denominated debt	Pockets of issuers remain vulnerable to the Covid-19 crisis. A focus on quality issuers remains important
Global high-yield	▲ –	Valuations still look reasonable despite high default rates, and income return is relatively attractive. Fed and ECB actions are supporting the market. We continue to prefer Asia credits to DM	It will be crucial to monitor any spillover from the struggling energy sector to the wider market. We advocate a defensive positioning, looking for higher quality issuers, and avoiding vulnerable sectors
US high-yield	▲ –	Prospective risk adjusted returns are consistent with our overweight position. The Fed has enacted measures to support the market	US HY credits remain vulnerable to the corporate profits and default outlook. Low oil prices pose a significant headwind to energy names
Europe high-yield	↔ –	Monetary policy is ultra-accommodative, with the ECB introducing measures to support the market. However, valuations are consistent with a neutral position	Underlying corporate fundamentals are fragile in the current environment while default rates remain on an upward trend. European political risks remain, although they are significantly less pronounced than in recent years
Asia high-yield	▲ –	Asia HY can benefit from policy support in China and an emerging V-shaped recovery in Asia. Default rates should remain low and spreads look attractive relative to other global opportunities	Many export-dependent Asian economies are vulnerable to the fragile global growth picture. China's economy and default rates need to be monitored closely

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▼ Underweight

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Asset class positioning
Alternatives

Asset class	House view	Rationale	Risks to consider
EM aggregate bond (USD)	↔ –	Valuations are consistent with a neutral position. Near-term macro and virus headwinds are offset by a brightening longer-term outlook amid vaccine rollout and a rebound in global growth	The near-term outlook remains challenging for EM economies and corporates. Many have limited fiscal and monetary power while their healthcare systems are weak. Defaults are expected to increase
Gold	↔ –	Gold has performed very well in 2020 amid elevated uncertainty and lower real interest rates. The environment of "lower-for-even-longer" interest rates remains a very favorable backdrop. Gold can also offer reasonable diversification benefits to multi-asset portfolios in a world of low bond yields and where bonds are potentially losing their diversification properties However, further upside could be limited as economies recover, geopolitical tensions ease, and uncertainty falls	Higher bond yields, a stronger US dollar, and a reduction in global economic and geopolitical uncertainty remain key risks
Other commo-dities	↔ –	Copper and other industrial commodities could benefit from a rollout of vaccines and a rebound in global growth in 2021. USD weakness would also be a tailwind. Cuts to miners' exploration budgets and Covid-19 related disruptions also mean that new supply is limited. However, valuations are consistent with a neutral positioning, with futures curves such as those for oil now upward sloping (implying a cost to renewing contracts over time)	In the near term, spot commodity prices remain vulnerable to the fragile global economy and the risk of further Covid-19 lockdowns
Real estate	↔ –	Having lagged wider equities at the start of the pandemic, real estate equities rebounded strongly on news of successful vaccine trials. Despite recent outperformance, dividend yields from the sector still offer a significant premium over wider equities and developed market government bonds. For investors able to accept continued high volatility, we believe prospective long-run returns imply a sufficiently attractive premium over extremely low policy rates	The impact of Covid-19 continues to vary by country and sector. Sectors such as leisure, entertainment and many parts of the retail market are particularly exposed in countries experiencing coronavirus restrictions. Other property types, such as warehousing/logistics, are experiencing healthy demand and rent collection rates remain high. Successful roll-out of vaccines could lead to a strong rebound in sectors that have suffered most from the pandemic. Brexit concerns continue to overshadow the UK

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↓ Downgraded versus last month

▲ Overweight
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▼ Underweight

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Asset class positioning

Asian assets

Asset class	House view	Rationale	Positive factors to consider
EM Asian government bonds (USD)	▼ –	While a cautious Fed 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 sound economic fundamentals, stable inflation and credit quality are supportive

Asset class	House view	Rationale	Risks to consider
Asia ex-Japan equities	▲ –	North Asia is "first-in-first-out" of the crisis and continues to benefit from a V-shaped recovery in China. Valuations are reasonable and a tech sector bias remains favourable	It will be important to monitor that short-term action does not run too far ahead of fundamentals. The region is not immune to global virus risks or a global recession, while geopolitical tensions linger
China equities	▲ –	China's economic recovery is strong and broadening out across sectors that have lagged such as services. The dual circulation strategy and focus on quality growth create long-term structural growth opportunities	Policy normalisation could mean less of a liquidity boost to the market and potentially higher financing costs for Chinese corporates; uncertainty lingers over US-China relations, particularly in technology industries
India equities	▲ –	Macro activity rebound supports an earnings recovery amid lower costs of capital. The prospect of an effective vaccine rollout is a potential tailwind (India is also a key manufacturing hub); there is focus on structural reforms	Elevated headline inflation, largely reflecting supply-side disruptions, limits monetary policy action. We see risks of economic scarring from the pandemic amid fiscal constraints and debt sustainability concerns
Hong Kong equities	▲ –	Hong Kong remains an attractive listing hub underpinned by greater primary and secondary market activity; the prospect of a vaccine rollout improves the outlook for border reopening; HK benefits from strong Chinese growth	Risk of prolonged international border restrictions due to the global and local virus situation; substantial pandemic-related stimulus has narrowed fiscal policy space; HK is exposed to global demand/trade outlook
Singapore equities	▲ –	Singapore stands to benefit from a global rotation into cyclical sectors with the potential for a travel/tourism revival following vaccine rollout; the city state can attract higher foreign direct investment amid regional supply chain shifts	Singapore is exposed to global growth uncertainty due to near-term difficult pandemic situation and the risk of prolonged international border restrictions. Domestic labour market slack has increased with fiscal impulse set to fade
South Korea equities	▲ –	Strong 2021 earnings growth is expected given Korea's robust recovery. Its global tech/digital leadership and broader sector exposures are positives. Korea is a key RCEP beneficiary; valuations are attractive	Virus resurgence and tighter containment measures domestically and globally, which is also a downside risk to demand. Geopolitical tensions remain a potential overhang
Taiwan equities	▲ –	Taiwan's economic growth profile has been robust and benefits from a strong cyclical and structural tech story, with the recent recovery broadening beyond tech and supported by private-sector/government investment (e.g. 5G)	Taiwan is exposed to global demand/trade (especially capex) uncertainty and geopolitical risks. It also faces risks of being marginalised/excluded from the regional trade pack, and deterioration in cross-strait relations

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

▲ Overweight
↔ Neutral
▼ Underweight

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

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Market data
December 2020

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)	646	4.5	14.4	14.3	14.3	647	379	24.6
North America								
US Dow Jones Industrial Average	30,606	3.3	10.2	7.2	7.2	30,637	29,325	25,1
US S&P 500 Index	3,756	3.7	11.7	16.3	16.3	3,760	2,192	27,0
US NASDAQ Composite Index	12,888	5.7	15.4	43.6	43.6	12,973	6,631	41,7
Canada S&P/TSX Composite Index	17,433	1.4	8.1	2.2	2.2	17,971	11,173	23,7
Europe								
MSCI AC Europe (USD)	497	4.8	15.5	2.4	2.4	503	307	16.8
Euro STOXX 50 Index	3,553	1.7	11.2	(5.1)	(5.1)	3,867	2,303	23.1
UK FTSE 100 Index	6,461	3.1	10.1	(14.3)	(14.3)	7,690	4,899	21.3
Germany DAX Index[1]	13,719	3.2	7.5	3.5	3.5	13,903	8,256	20.2
France CAC-40 Index	5,551	0.6	15.6	(7.1)	(7.1)	6,111	3,632	24.1
Spain IBEX 35 Index	8,074	0.0	20.2	(15.5)	(15.5)	10,100	5,815	35.1
Italy FTSE MIB	22,233	0.8	16.9	(5.4)	(5.4)	25,483	14,153	23.5
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	662	6.5	18.8	19.8	19.8	664	384	20.5
Japan Nikkei-225 Stock Average	27,444	3.8	18.4	16.0	16.0	27,603	16,358	24.1
Australian Stock Exchange 200	6,587	1.1	13.3	(1.5)	(1.5)	7,197	4,403	21.1
Hong Kong Hang Seng Index	27,231	3.4	16.1	(3.4)	(3.4)	29,175	21,139	14.6
Shanghai Stock Exchange Composite Index	3,473	2.4	7.9	13.9	13.9	3,475	2,647	15.6
Hang Seng China Enterprises Index	10,738	1.8	14.3	(3.8)	(3.8)	11,502	8,290	10.7
Taiwan TAIEX Index	14,733	7.4	17.7	22.8	22.8	14,766	8,524	17.3
Korea KOSPI Index	2,873	10.9	23.4	30.8	30.8	2,891	1,439	14.1
India SENSEX 30 Index	47,751	8.2	25.4	15.8	15.8	47,980	25,639	29.4
Indonesia Jakarta Stock Price Index	5,979	6.5	22.8	(5.1)	(5.1)	6,349	3,912	25.3
Malaysia Kuala Lumpur Composite Index	1,627	4.1	8.1	2.4	2.4	1,696	1,208	14.1
Philippines Stock Exchange PSE Index	7,140	5.1	21.8	(8.6)	(8.6)	7,892	4,039	28.4
Singapore FTSE Straits Times Index	2,844	1.3	15.3	(11.8)	(11.8)	3,284	2,208	15.2
Thailand SET Index	1,449	2.9	17.2	(8.3)	(8.3)	1,604	969	27.5
Latam								
Argentina Merval Index	51,226	(6.1)	24.2	22.9	22.9	56,114	22,061	64.3
Brazil Bovespa Index[1]	119,017	9.3	25.8	2.9	2.9	120,150	61,691	46.2
Chile IPSA Index	4,177	3.6	14.8	(10.5)	(10.5)	5,001	2,851	21.2
Colombia COLCAP Index	1,438	14.3	22.7	(13.5)	(13.5)	1,682	881	26.1
Mexico S&P/BMV IPC Index	44,067	5.5	17.6	1.2	1.2	45,955	32,503	20.3
EEMEA								
Russia MOEX Index	3,289	5.8	13.2	8.0	8.0	3,318	2,074	13.3
South Africa JSE Index	59,409	4.1	9.5	4.1	4.1	60,592	37,178	14.2
Turkey ISE 100 Index[1]	1,477	15.0	28.9	29.1	29.1	1,484	819	12.6

Past performance is not an indication of future returns.

Note:

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

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 31 December 2020

Market data (cont'd)
December 2020

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	14.7	16.3	16.3	33.3	78.3	1.8
US equities	13.0	20.7	20.7	50.0	101.6	1.5
Europe equities	15.6	5.4	5.4	11.0	38.8	2.4
Asia Pacific ex Japan equities	19.1	22.4	22.4	25.6	83.7	2.1
Japan equities	15.3	14.5	14.5	19.3	51.4	2.0
Latam equities	34.8	(13.8)	(13.8)	(5.4)	53.4	2.4
Emerging Markets equities	19.7	18.3	18.3	19.7	82.7	1.9

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)	598	0.3	0.9	5.6	5.6
JPM EMBI Global	934	1.8	5.5	5.9	5.9
BarCap US Corporate Index (USD)	3,561	0.4	3.0	9.9	9.9
BarCap Euro Corporate Index (Eur)	266	0.2	2.0	2.8	2.8
BarCap Global High Yield (USD)	546	2.0	6.8	5.7	5.7
BarCap US High Yield (USD)	2338	1.9	6.5	7.1	7.1
BarCap pan-European High Yield (USD)	496	0.9	5.6	4.0	4.0
BarCap EM Debt Hard Currency	469	1.7	5.0	7.1	7.1
Markit iBoxx Asia ex-Japan Bond Index (USD)	229	0.7	2.0	6.4	6.4
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	288	1.9	3.6	5.1	5.1

Past performance is not an indication of future returns.
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 31 December 2020

Market data (cont'd)

December 2020

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2019
US Treasury yields (%)					
3-Month	0.06	0.07	0.09	1.54	1.54
2-Year	0.12	0.15	0.13	1.57	1.57
5-Year	0.36	0.36	0.28	1.69	1.69
10-Year	0.91	0.84	0.68	1.92	1.92
30-Year	1.64	1.57	1.46	2.39	2.39
Developed market 10-year bond yields (%)					
Japan	0.02	0.03	0.01	-0.02	-0.02
UK	0.19	0.30	0.23	0.82	0.82
Germany	(0.57)	(0.57)	(0.52)	(0.19)	(0.19)
France	(0.34)	(0.33)	(0.24)	0.12	0.12
Italy	0.54	0.63	0.87	1.41	1.41
Spain	0.04	0.08	0.25	0.46	0.46

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,898	6.8	0.7	25.1	25.1	2,075	1,452
Brent Oil	51.8	8.8	26.5	(21.5)	(21.5)	72	16
WTI Crude Oil	48.5	7.0	20.6	(20.5)	(20.5)	66	(40)
R/J CRB Futures Index	168	4.8	13.0	(9.7)	(9.7)	188	101
LME Copper	7,766	2.5	16.4	25.8	25.8	8,028	4,371

Past performance is not an indication of future returns.

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 31 December 2020

Market data (cont'd)

December 2020

Currencies (vs USD)	Latest	End of last mth.	3-mths Ago	1-year Ago	Year End 2019	52-week High	52-week Low
Developed markets							
DXY index	89.94	91.87	93.89	96.39	96.39	102.99	89.52
EUR/USD	1.22	1.19	1.17	1.12	1.12	1.23	1.06
GBP/USD	1.37	1.33	1.29	1.33	1.33	1.37	1.14
CHF/USD	1.13	1.10	1.09	1.03	1.03	1.14	1.01
CAD	1.27	1.30	1.33	1.30	1.30	1.47	1.27
JPY	103.3	104.3	105.5	108.6	108.6	112.2	101.2
AUD	1.30	1.36	1.40	1.43	1.43	1.81	1.29
NZD	1.39	1.43	1.51	1.49	1.49	1.83	1.38
Asia							
HKD	7.75	7.75	7.75	7.79	7.79	7.80	7.75
CNY	6.53	6.58	6.79	6.96	6.96	7.18	6.52
INR	73.07	74.05	73.77	71.38	71.38	76.92	70.73
MYR	4.02	4.07	4.16	4.09	4.09	4.45	4.01
KRW	1,087	1,106	1,170	1,156	1,156	1,294	1,081
TWD	28.09	28.57	29.02	29.99	29.99	30.53	28.02
Latam							
BRL	5.19	5.36	5.61	4.02	4.02	5.97	4.04
COP	3,428	3,597	3,828	3,287	3,287	4,237	3,239
MXN	19.91	20.18	22.11	18.93	18.93	25.78	18.52
ARS	84.15	81.31	76.18	59.87	59.87	84.16	59.69
EEMEA							
RUB	74.04	76.44	77.66	61.95	61.95	82.87	60.88
ZAR	14.69	15.47	16.75	14.00	14.00	19.35	14.11

Past performance is not an indication of future returns.
Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 31 December 2020

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

- Views are based on regional HSBC Global Asset Management Asset Allocation meetings held throughout **December 2020**, HSBC Global Asset Management's long-term expected return forecasts which were generated **as at 30 November 2020**, our portfolio optimisation process and actual portfolio positions.
- Icons: ↑ view on this asset class has been upgraded – No change ↓ View on this asset class has been downgraded.
- Underweight, overweight and neutral classifications are the high-level asset allocations tilts applied in diversified, typically multi-asset portfolios, which reflect a combination of our long-term valuation signals, our shorter-term cyclical views and actual positioning in portfolios. The views are expressed with reference to global portfolios. However, individual portfolio positions may vary according to mandate, benchmark, risk profile and the availability and riskiness of individual asset classes in different regions.
- "Overweight" implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks, HSBC Global Asset Management has (or would have) a positive tilt towards the asset class.
- "Underweight" implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks, HSBC Global Asset Management has (or would) have a negative tilt towards the asset class.
- "Neutral" implies that, within the context of a well-diversified typically multi-asset portfolio, and relative to relevant internal or external benchmarks HSBC Global Asset Management has (or would have) neither a particularly negative or positive tilt towards the asset class.
- For global investment-grade corporate bonds, the underweight, overweight and neutral categories for the asset class at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, USD investment-grade corporate bonds and EUR and GBP investment-grade corporate bonds are determined relative to the global investment-grade corporate bond universe.
- For Asia ex Japan equities, the underweight, overweight and neutral categories for the region at the aggregate level are also based on high-level asset allocation considerations applied in diversified, typically multi-asset portfolios. However, individual country views are determined relative to the Asia ex Japan equities universe as of **30 November 2020**.
- 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 December 2020.**

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