March 2019

The Bull, the Bear and the Pig

The Year of the Dog has come to an end, and the Year of the Pig has officially arrived.

Obviously, investors will be most interested to find out whether the market outlook will be good or bad this year.

Looking back at the last two “Years of the Pig” – 1995 and 2007 – market trends had unfolded in vastly different ways.

Different years of the Pig (1995 and 2007); Different market trends

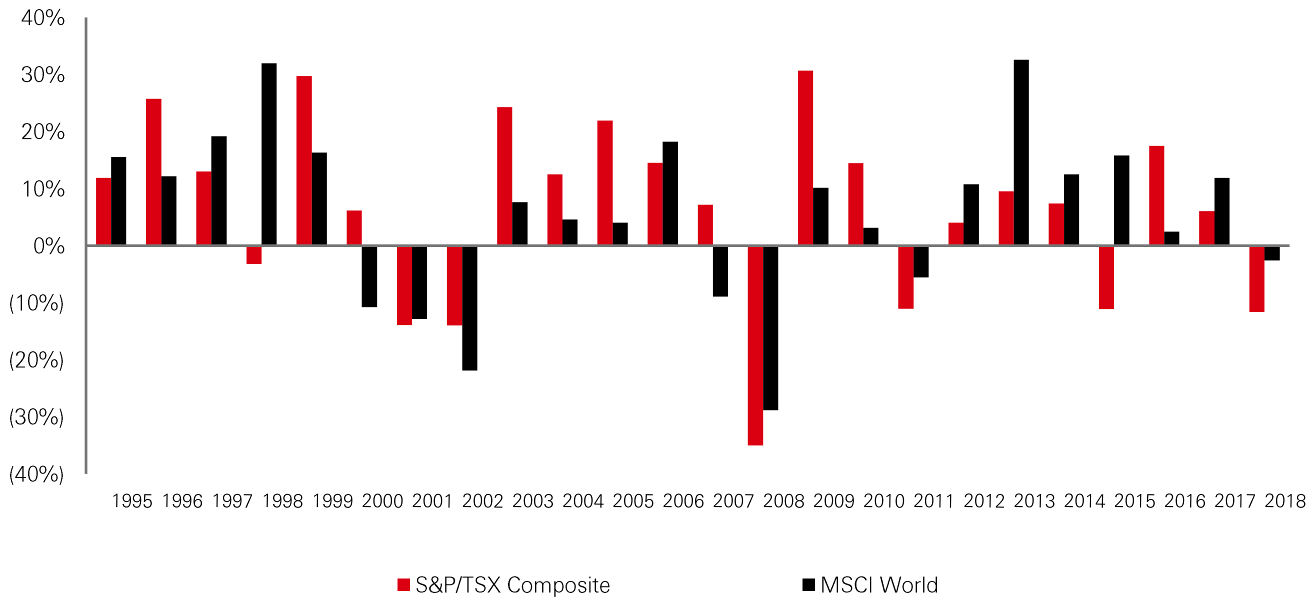
December 1994 saw the birth of the internet and the beginning of the dot.com boom. Thanks to this and a conjunction of other favourable factors, equities both in Canada and globally were on a bullish trend throughout 1995, which continued in 1996. In contrast, after several years of solid performance, equity markets in 2007 also posted positive returns but went on to show the first signs of the upcoming catastrophe. In fact, prior to the official onset of the Global Financial Crisis in 2008, the US subprime mortgage crisis had started already in August 2007, heralding the start of the worst bear market investors had seen in decades.

Market conditions are both good and bad currently

So it doesn’t look like history is anything to go by in this case, and being in the Year of the Pig could be positive, or not. Judging by the economy and market trends at the beginning of this year, market conditions are both good and bad currently. Global economic growth is at a near trend rate, there are no signs of immediate recession among major economies, and after the market moves earlier, the valuation of many risk assets has become more attractive. However, at the same time, uncertainties related to trade disputes, Brexit and geopolitical factors still exist. On the other hand, inflationary risks, while seemingly not very high at the moment, cannot be ignored completely.

2019 is unlikely to look anything like either 1995 or 2007. Compared to last year or the year before last, we believe that in the Year of the Pig, the market will be “back to reality.” The good news is that, despite current pessimism and changing economic trends, fundamental indicators continue to look solid.

Canadian and global equity annual returns



Source: Bloomberg, HSBC Global Asset Management, data as of December 31, 2018. All returns in Canadian dollars.

Striving for growth and diversifying risks

From the perspective of investment strategy, we observe that some growth-sensitive asset classes have materially cheapened during 2018. As there are no signs of an imminent recession, we want to take advantage of this growth – provided pricing is still reasonable. Looking at different asset classes, we believe that overall, stocks are still more attractive than bonds. As far as Canadian investors are concerned, we believe that the diversification of investments remains crucial. More than ever, investors stand to gain by broadening their horizons beyond domestic markets or single asset classes.

A multi-asset strategy has clear advantages

The Year of the Pig, where volatility should play a crucial role, could be an opportunity for investors to rethink how they want to invest to best prepare for their long-term projects. Volatility is an intrinsic quality of the financial market, and no one can accurately predict when and how the market will change. Therefore, while capturing growth opportunities, investors should properly set out their investment strategies to manage risks at the same time. We think that a multi-asset investment portfolio, combining stocks, bonds and alternative assets, will help investors maintain flexibility in an ever-changing market environment. Compared to investing in a single asset class or country, a well-diversified portfolio can provide investors with access to more asset classes, currencies and geographies, help them manage different market conditions, and offer them good potential return at the risk level suitable for the individual investor.

Important Information:

This document has been prepared by HSBC Global Asset Management Limited (AMG) and is distributed by HSBC Investment Funds (Canada) Inc. (HIFC), HSBC Private Wealth Services (Canada) Inc. (HPWS), and the HSBC InvestDirect division within HSBC Securities (Canada) Inc. (HIDC) ("we" refers to AMG, HIFC, HPWS, and HIDC collectively).

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 or otherwise, without the prior written permission of AMG. 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 AMG 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 AMG or HSBC Global Asset Management (Canada) Limited (AMCA) primarily reflect individual clients' objectives, risk preferences, time horizon, and market liquidity.

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. Past performance contained in this document is not a reliable indicator of future performance whilst any forecasts, projections and simulations contained herein should not be relied upon as an indication of future results. 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 with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade.

We accept no responsibility for the accuracy and/or completeness of any third party information obtained from sources we believe to be reliable but which have not been independently verified.

This information has been prepared for informational purposes only, and is not intended to provide and should not be relied on for accounting, legal or tax advice. You are advised to obtain appropriate professional advice where necessary.

Important Information about HSBC Global Asset Management (Canada) Limited (AMCA)

HSBC Global Asset Management is a group of companies that are engaged in investment advisory and fund management activities, which are ultimately owned by HSBC Holdings plc. AMCA is a wholly owned subsidiary of, but separate entity from, HSBC Bank Canada and provides its services in all provinces of Canada except Prince Edward Island.

Important Information about HSBC Investment Funds (Canada) Inc. (HIFC)

HIFC is a subsidiary of AMCA, and indirect subsidiary of HSBC Bank Canada, and is the principal distributor of the HSBC Mutual Funds and HSBC Pooled Funds. HIFC provides its products and services in all provinces of Canada except Prince Edward Island. Mutual fund investments are subject to risks. Please read the Fund Facts before investing.

Important Information about HSBC Private Wealth Services (Canada) Inc. (HPWS)

HPWS is a direct subsidiary of HSBC Bank Canada and provides services in all provinces of Canada except Prince Edward Island. The Private Investment Management service is a discretionary portfolio management service offered by HPWS. Under this discretionary service, assets of participating clients will be invested by HPWS or its delegated portfolio manager in securities, including but not limited to, stocks, bonds, pooled funds, mutual funds and derivatives. The value of an investment in or purchased as part of the Private Investment Management service may change frequently and past performance may not be repeated.

Important Information about HSBC InvestDirect (HIDC)

HIDC is a division of HSBC Securities (Canada) Inc., a direct subsidiary of, but separate entity from, HSBC Bank Canada. HIDC is an order execution only service. HIDC will not conduct suitability assessments of client account holdings or of the orders submitted by clients or from anyone authorized to trade on the client's behalf. Clients have the sole responsibility for their investment decisions and securities transactions.

Expiry Date: December 31, 2019

DK1900099A, H201903003, HD190307.1, P1903008.