IM

# Investment Monthly

## Swoosh-onomics

October 2020

## Summary

### Macro outlook

- The "swoosh recovery" continues, with developed markets (DM) likely to reach pre-crisis levels of activity in late 2021/early 2022
- However, after the initial surge, growth is now set to moderate as economies enter the next phase of the recovery: the "flatter part of the swoosh"
- After the crisis, there are relative winners (China, industrialised Asia) and relative losers (emerging markets ex Asia, smaller oil exporters, frontier economies, and the UK)
- The global economy needs ongoing policy support. There is little risk of inflation in the near term

### Policy outlook

- Global central banks have rapidly expanded balance sheets since March to maintain the flow of credit and accommodate fiscal easing
- The **US Federal Reserve (Fe**d) has moved to average inflation targeting which implies "lower for even longer" rates
- The **European Central Bank (ECB)** has indicated it expects to use the full amount of purchases allowed under its emergency bond buying programme
- The broadening recovery in mainland China and financial stability concerns mean that the **People's Bank Of China (PBOC)** remains focused on targeted micro measures and fine-tuning
- Covid has driven debt-to-GDP ratios significantly higher. There is a significant risk of a fiscal policy error if stimulus is withdrawn too early



HSBC

# Summary

## House View

- Pricing in many markets is consistent with a swoosh recovery. We think that is a reasonable scenario and have no big quarrel with market-pricing
- Our Q4 scenario is for range-bound markets. Market risks are balanced
- The hurdle for positive surprises is higher than before. But there are still a handful of asset classes – Asia high-yield, China bonds, selected equities – that continue to offer us relatively-high expected returns
- Core government bonds offer low yields and their diversification properties are under question. This points to a "great rebalancing" into alternative assets

## Key risks

**Multiple Equilibria**

Uncertainty remains the pervasive feature of the macro environment. This creates scope for episodic volatility in investment markets

| | |
|---|---|
| **Fiscal policy error** | Stimulus fatigue sets-in & policy support is withdrawn too early |
| **Covid control** | Virus 2nd wave & economic scarring means long run recovery is slow |
| **Political uncertainity** | US elections + Brexit + Trade tensions can still shock markets |

Source: HSBC Global Asset Management, Global Investment Strategy, October 2020. The views expressed are those of HSBC Global Asset Management, they were held at the time of preparation, and are subject to change.

# House views

We think there are some signs that investors are partly pricing in a rapid global recovery scenario. This means the hurdle for positive surprises is higher than before. Nevertheless, selected global equities and Asia high-yield bonds still offer us high prospective returns

- **Equities –** Valuations remain relatively attractive with pricing mostly consistent with our baseline "swoosh" recovery scenario. Uncertainty around Covid-19 and US politics and policy are headwinds, but we see overall risks as balanced
- **Government bonds –** Poor prospective returns and low yields on core Developed Market (DM) government bonds makes a strong case for diversifying portfolios into a wider set of alternative asset classes
- **Corporate bonds –** Central bank action remains a crucial support for this asset class, although spreads have come down materially over the last couple of months. Asian bonds remain the most attractive versus 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 & Alternatives**

| Asset Class | House View | House move |
|---|---|---|
| **Global investment grade (IG)** | ↔ | – |
| USD IG | ↔ | – |
| EUR & GBP IG | ↔ | – |
| Asia IG | ▲ | – |
| **Global high-yield** | ▲ | – |
| US high-yield | ▲ | – |
| Europe high-yield | ↔ | ↓ |
| Asia high-yield | ▲ | – |
| **EM agg bond (USD)** | ↔ | – |
| **Gold** | ▲ | ↑ |
| **Other commodities** | ▲ | ↑ |
| **Real estate** | ↔ | – |

**Asian assets**

| Asset Class | House View | View move |
|---|---|---|
| **EM Asian fixed income** | ▼ | – |
| **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

**View:**
▲ Overweight
↔ Neutral
▼ Underweight

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

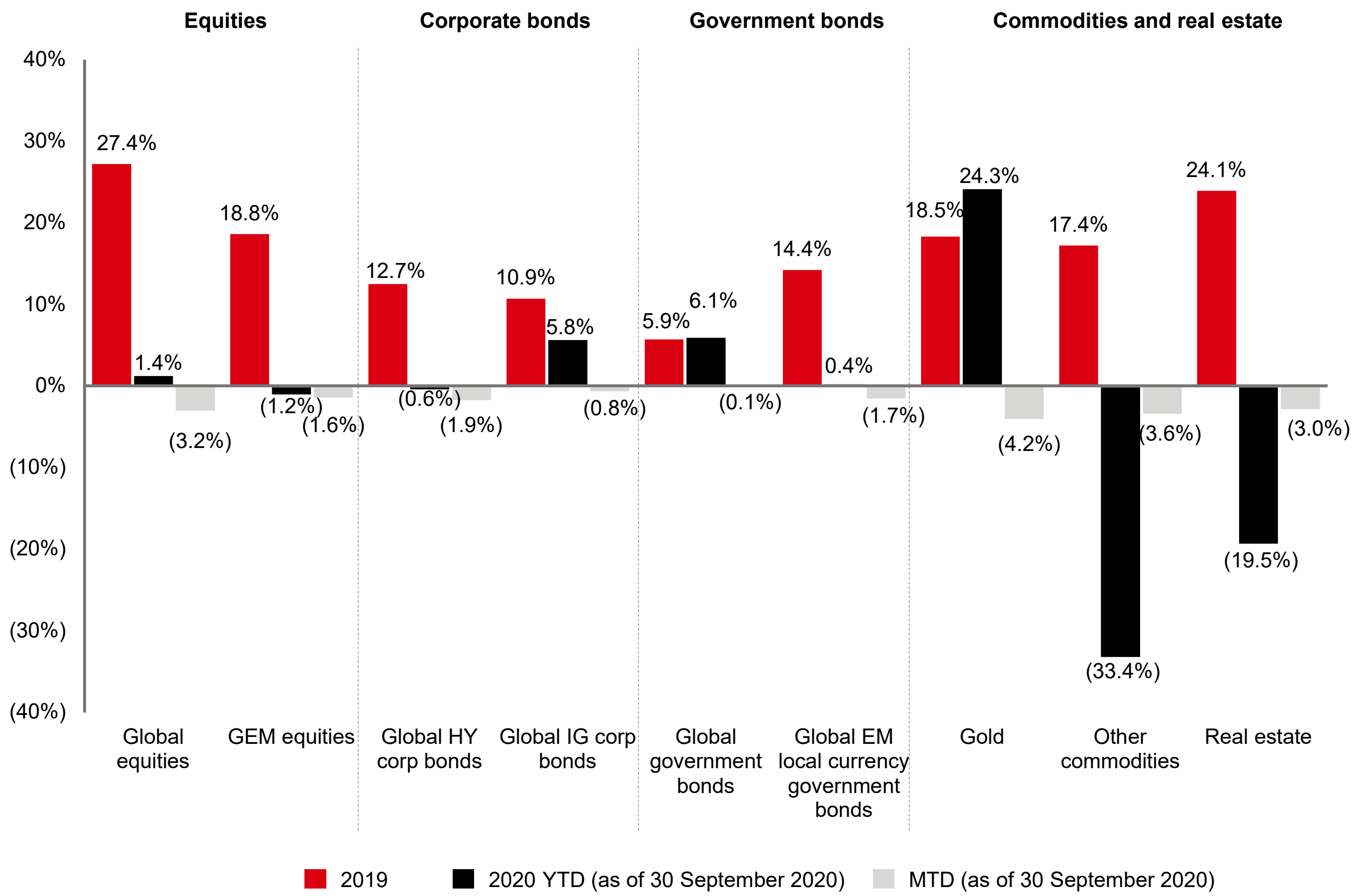
Source: HSBC Global Asset Management, as at October 2020, and subject to change. The views expressed are those of HSBC Global Asset Management, they were held at the time of preparation, and are subject to change.

# Asset class performance at a glance

**Global equities** fell in September amid a selloff in technology stocks, ongoing Covid-19 concerns, and uncertainty over the timing of fresh US fiscal stimulus

- **Government bonds –** US Treasuries were little changed over the month, while European bonds rose amid weaker than expected inflation data and expectations of fresh monetary policy easing measures
- **Commodities –** Oil prices fell amid investor concerns over the demand outlook, while data showed a large increase in output by OPEC members. Gold dipped on a stronger US dollar and dampened inflation expectations

**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 30 September 2020 in USD, total return, month-to-date terms

# Base case views and implications

| | Monthly macroeconomic update | Base case view and implications |
|---|---|---|
| US | ◆ Many sectors of the US economy have recovered quickly, including goods spending (especially groceries, autos), while the housing market is very buoyant<br>◆ However, spending on services continues to lag amid ongoing social distancing measures, while the labour market recovery remains more tentative<br>◆ The US election outcome will impact the timing and scope for further fiscal stimulus | ◆ **US equities** remain attractive given their exposure to tech and quality stocks. But signs that investors are now pricing in a rapid US economic recovery implies a higher hurdle for a positive surprise<br>◆ 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 | ◆ High frequency indicators signal that the recovery in the **eurozone** is slowing following a strong initial bounce back amid rising virus case numbers and elevated uncertainty<br>◆ The **UK** recovery is set to be very strong in Q3, but rising unemployment, weak confidence, and the risk of a no-deal Brexit are significant headwinds | ◆ We believe an overweight stance on **eurozone equities** remains justified amid supportive policy and as investors reach for potential gains outside of the US amid on the ongoing "swoosh recovery"<br>◆ **European government bond** valuations are very unattractive and we think their diversification properties are limited |
| Asia | ◆ **Mainland China's** economy has rebounded rapidly as the country has successfully suppressed the virus and provided significant policy support. However, consumer spending is lagging other sectors such as exports, and property and infrastructure investment<br>◆ The economic recovery in **India** has been relatively sluggish given very high Covid-19 case growth and ongoing restrictions on mobility. The banking sector remains vulnerable<br>◆ **Japan's** recovery remains on track amid policy support and ongoing suppression of the virus. But high global uncertainty is likely to weigh on demand for investment goods | ◆ 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<br>◆ Despite macro challenges, our overweight stance on **Indian equities** is still warranted amid accommodative central bank policy and increasing retail investor participation<br>◆ **Japanese equities** are attractively valued but we think there are challenges in unlocking this value potential. We remain neutral |
| Other EM | ◆ Case growth in **Brazil** high but stable and looser restrictions since late-May have prompted a robust recovery in many sectors. But constrained policy space is a key risk<br>◆ Weak domestic demand, low oil prices and limited fiscal policy support are headwinds to **Russia's** economic recovery, although a relatively small share of services is a plus<br>◆ Recovery prospects in **MENA** are constrained by low oil prices and weak tourism flows. Some countries such as Saudi Arabia are already introducing austerity measures. Geopolitical risks also remain | ◆ We think it makes sense to be selective on **EM assets**<br>◆ Many EM economies (especially outside of Asia) have limited capacity to manage the current health and economic crises, and are exposed to low commodity prices and investor outflows<br>◆ Meanwhile, relative valuations versus DMs have narrowed<br>◆ We believe investors should look for "EM fortresses" that can be resilient to multiple headwinds. For us, the bright spot is North Asia where a growth recovery in mainland China can be a tailwind |

Source: HSBC Global Asset Management. As at 1 October 2020. 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** | ▲ – | ◆ Covid-19 is a very significant challenge for the global economy. But market pricing is broadly consistent with our baseline of a "swoosh" style recovery. Substantial policy easing has reduced downside tail risks | ◆ There is high uncertainty about when the global economy will recover to pre-virus levels of output. Policy mistakes are also possible, including a premature withdrawal of fiscal support. Higher government bond yields also pose a risk to current pricing |
| Canada | ▲ – | ◆ The market's valuation remains attractive after accounting for the depressed yield environment and longer term earnings power of companies. The combination of a pro-cyclic composition and above average representation from precious metals companies vs. other global indices is favourable as we progress through the "Swoosh" while real yields remain negative | ◆ 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 to households considering current leverage levels |
| US | ▲ – | ◆ US indices exposure to big tech companies and quality names is beneficial in our view | ◆ There are some tentative signs that investors are pricing in a rapid recovery scenario. This means there is now a higher hurdle for positive surprises. US political and policy uncertainty is elevated. There is a risk of fiscal policy under-delivery |
| UK | ↔ ↓ | ◆ Policy support has been substantial. Investors may be attracted to the exposure of UK indices to cyclical sectors as the "swoosh" recovery progresses. But the balance of risks points to a neutral position | ◆ The economic recovery is lagging other developed markets. A no-deal Brexit is possible. UK indices are exposed to vulnerable commodity and cyclical sectors. A number of UK companies have cut or deferred dividend payments |
| Eurozone | ▲ – | ◆ Policy progress has been substantial, particularly with the EU's new joint recovery fund. Investors may also reach for potential gains outside of the US amid on the ongoing "swoosh recovery" | ◆ Eurozone growth is structurally weak. There is potential for government pressure to maintain low dividends during the crisis |
| 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 weak global economic environment. In particular, demand for investment goods is likely to be hit by elevated uncertainty. There are uncertainties over the stability of new Prime Minister Suga's leadership |
| Emerging Markets (EM) | ▲ – | ◆ In our view, the bright spot is EM Asian markets which can benefit from China's growth recovery and further policy actions. Ultra-loose Fed policy and lower oil prices are significant tailwinds to many EM economies | ◆ From a valuation perspective, EM equities are not particularly cheap versus other equity markets. Many EM economies (especially outside of Asia) have limited capacity to manage the crisis, and are exposed to low commodity prices and investor outflows |

| Asset class | House View | Rationale | Positive factors to consider |
|---|---|---|---|
| CEE & Latam | ▼ – | ◆ Low commodity prices is a headwind to already weak growth momentum in Latin America and Russia. Many EM economies (mainly outside of Asia) have limited capacity to manage the current health and economic crises | ◆ Valuations have recently improved. There is some scope for commodity prices to continue to recover. Despite weak healthcare systems, EM countries with young populations may be less exposed to virus-related fatalities |

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

**View:**
▲ Overweight
↔ Neutral
▼ Underweight

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

Source: HSBC Global Asset Management. As at 1 October 2020. The views expressed were held at the time of preparation, and are subject to change

# Asset class positioning

## Government Bonds

| Asset class | House View | Rationale | Positive factors to consider |
|---|---|---|---|
| **Developed Markets (DM)** | ▼ – | ◆ Government bond prospective returns look very low. We think governments are increasingly likely to depend 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 is unleashing record levels of fiscal stimulus. 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 is engaging in massive fiscal stimulus | ◆ The Bank of England has introduced supportive policy measures and signalled it is ready to do more should the situation further deteriorate |
| Eurozone | ▼ – | ◆ Valuations look unattractive and governments are easing fiscal policy. The Covid crisis has highlighted limited diversification benefits | ◆ The ECB has significantly ramped up its bond-buying programme and signalled 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 | ◆ 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:**
– No change
↑ Upgraded versus last month
↓ Downgraded versus last month

**View:**
▲ Overweight
↔ Neutral
▼ Underweight

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# Asset class positioning

## Corporate Bonds

| Asset class | House View | Rationale | Risks to consider |
|---|---|---|---|
| **Global investment grade (IG)** | ↔ – | ◆ DM central banks are engaged in significant purchases, although spreads have materially fallen in recent months | ◆ It will be crucial to monitor trends in corporate profitability, which could surprise to the downside. We maintain a defensive positioning, looking for higher quality issuers, and avoiding impacted sectors |
| USD investment grade | ↔ – | ◆ The Fed is purchasing IG corporate bonds for the first time in its history while the US government has introduced measures to support businesses. US corporate fundamentals are broadly robust | ◆ US IG may come under further pressure from any unexpected deterioration in corporate fundamentals. US Covid-19 case growth remains high |
| EUR and GBP investment grade | ↔ – | ◆ The ECB and the Bank of England (BoE) have increased their net asset purchases substantially, including corporate bonds. These could be ramped up amid ongoing growth and inflation challenges | ◆ 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 |
| Asia investment grade | ▲ – | ◆ There is a valuation gap versus DM counterparts, while Asian corporates may outperform due to growth outperformance in the region<br>◆ 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 are picking up. European political risks remain |
| 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 |

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

**View:**
▲ Overweight
↔ Neutral
▼ Underweight

**House view:**
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# Asset class positioning

## Alternatives

| Asset class | House View | Rationale | Risks to consider |
|---|---|---|---|
| **EM aggregate bond (USD)** | ↔ – | ◆ Valuations have recently improved and reflect the higher downside risks to the EM outlook | ◆ The current environment is tricky for many 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 this year amid elevated uncertainty and lower real interest rates and could be more range-bound in Q4. However, the environment of "lower-for-even-longer" interest rates remains a very favourable 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 | ◆ We measure poor prospective returns. Higher bond yields, a stronger US dollar, and a reduction in global economic and geopolitical uncertainty remain key risks |
| **Other commodities** | ▲ ↑ | ◆ Copper and other industrial commodities could benefit from a continuation of the "swoosh" global economic recovery and strong rebound in China. USD weakness would also be a tailwind. Cuts to miners' exploration budgets and Covid-19 related disruptions also mean that new supply is limited | ◆ Spot commodity prices remain vulnerable to the fragile global economy and the risk of further Covid-19 lockdowns |
| **Real estate** | ↔ – | ◆ Global real estate equity prices have lagged wider equities and remain around 20% below their pre-pandemic levels in USD terms. Dividend yields from the sector offer a significant margin over general 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 | ◆ Covid-19 dominates the market although the impact varies by country. Sectors such as leisure, entertainment and many parts of the retail market are particularly exposed in countries experiencing coronavirus restrictions. In the short term, rental income from such sectors will decline or be deferred. Other property types, such as warehousing/logistics, are experiencing healthy demand and rent collection rates remain high |

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

**View:**
▲ Overweight
↔ Neutral
▼ Underweight

**House view:**
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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 a global recession or increased US-China political tensions |
| China equities | ▲ – | ◆ China's economic recovery is strong and broadening out across sectors that have lagged (e.g. services). There is also strong policy support, including for targeted sectors | ◆ Unemployment concerns weigh on domestic consumer spending, while US-China tensions have remained a key overhang risk, particularly in technology industries |
| India equities | ▲ – | ◆ An accommodative monetary stance, increased central bank liquidity and higher retail investor participation has resulted in lower costs of capital and has bolstered equity prices | ◆ Supply-side disruptions resulting from the pandemic lockdowns have caused headline inflation to remain elevated above target levels, delaying monetary policy action |
| Hong Kong equities | ▲ – | ◆ Hong Kong remains an attractive listing hub underpinned by greater primary and secondary market activity | ◆ Prolonged international border restrictions due to Covid-19 have weighed on large economic sectors in addition to geopolitical tensions |
| Singapore equities | ▲ – | ◆ Global demand has started to stabilise along with Singapore's non-oil domestic exports, with particularly robust demand in electronics and pharmaceuticals | ◆ Resurgence of Covid-19 in parts of Europe and Asia may weigh on the external demand outlook |
| South Korea equities | ▲ – | ◆ Korea's second wave of Covid-19 has come under control, while exports are exposed to outperforming sectors such as technology and healthcare | ◆ Although virus cases have stabilised, contagion risks remain elevated. Confidence has been hit by strict social distancing rules |
| Taiwan equities | ▲ – | ◆ Taiwan's economic growth profile has continued to be robust and benefits from strong tech and electronic component manufacturing | ◆ The technology sector remains exposed to potential geopolitical risks and trade protectionism. Relocation of supply chains is a medium-term risk |

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

**View:**
▲ Overweight
↔ Neutral
▼ Underweight

**House view:**
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# Market Data

## September 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) | 565 | (3.4) | 7.7 | 8.5 | - | 595 | 379 | 23.0 |
| **North America** | | | | | | | | |
| US Dow Jones Industrial Average | 27,782 | (2.3) | 7.6 | 3.2 | (2.7) | 29,569 | 18,214 | 24.1 |
| US S&P 500 Index | 3,363 | (3.9) | 8.5 | 13.0 | 4.1 | 3,588 | 2,192 | 25.5 |
| US NASDAQ Composite Index | 11,168 | (5.2) | 11.0 | 39.6 | 24.5 | 12,074 | 6,631 | 37.6 |
| Canada S&P/TSX Composite Index | 16,121 | (2.4) | 3.9 | (3.2) | (5.5) | 17,971 | 11,173 | 23.2 |
| **Europe** | | | | | | | | |
| MSCI AC Europe (USD) | 431 | (3.5) | 3.7 | (3.7) | (11.3) | 492 | 307 | 21.0 |
| Euro STOXX 50 Index | 3,194 | (2.4) | (1.3) | (10.5) | (14.7) | 3,867 | 2,303 | 21.3 |
| UK FTSE 100 Index | 5,866 | (1.6) | (4.9) | (20.8) | (22.2) | 7,690 | 4,899 | 19.5 |
| Germany DAX Index[1] | 12,761 | (1.4) | 3.7 | 2.7 | (3.7) | 13,795 | 8,256 | 20.5 |
| France CAC-40 Index | 4,803 | (2.9) | (2.7) | (15.4) | (15.4) | 6,111 | 3,632 | 21.3 |
| Spain IBEX 35 Index | 6,717 | (3.6) | (7.1) | (27.3) | (27.3) | 10,100 | 5,815 | 29.0 |
| Italy FTSE MIB | 19,015 | (3.1) | (1.9) | (14.0) | (19.1) | 25,483 | 14,153 | 22.0 |
| **Asia Pacific** | | | | | | | | |
| MSCI AC Asia Pacific ex Japan (USD) | 557 | (2.5) | 8.6 | 11.0 | 0.8 | 583 | 384 | 18.2 |
| Japan Nikkei-225 Stock Average | 23,185 | 0.2 | 4.0 | 6.6 | (2.0) | 24,116 | 16,358 | 23.2 |
| Australian Stock Exchange 200 | 5,816 | (4.0) | (1.4) | (13.0) | (13.0) | 7,197 | 4,403 | 21.3 |
| Hong Kong Hang Seng Index | 23,459 | (6.8) | (4.0) | (10.1) | (16.8) | 29,175 | 21,139 | 12.4 |
| Shanghai Stock Exchange Composite Index | 3,218 | (5.2) | 7.8 | 10.8 | 5.5 | 3,459 | 2,647 | 14.4 |
| Hang Seng China Enterprises Index | 9,397 | (5.9) | (3.7) | (7.9) | (15.9) | 11,502 | 8,290 | 9.2 |
| Taiwan TAIEX Index | 12,516 | (0.6) | 7.7 | 15.6 | 4.3 | 13,032 | 8,524 | 18.5 |
| Korea KOSPI Index | 2,328 | 0.1 | 10.4 | 12.8 | 5.9 | 2,458 | 1,439 | 16.9 |
| India SENSEX 30 Index | 38,068 | (1.5) | 9.0 | (1.6) | (7.7) | 42,274 | 25,639 | 24.6 |
| Indonesia Jakarta Stock Price Index | 4,870 | (7.0) | (0.7) | (21.1) | (22.7) | 6,349 | 3,912 | 18.0 |
| Malaysia Kuala Lumpur Composite Index | 1,505 | (1.3) | 0.3 | (5.0) | (5.3) | 1,618 | 1,208 | 17.4 |
| Philippines Stock Exchange PSE Index | 5,864 | (0.3) | (5.5) | (24.6) | (25.0) | 8,217 | 4,039 | 20.8 |
| Singapore FTSE Straits Times Index | 2,467 | (2.6) | (4.8) | (20.9) | (23.5) | 3,286 | 2,208 | 16.4 |
| Thailand SET Index | 1,237 | (5.6) | (7.6) | (24.4) | (21.7) | 1,643 | 969 | 21.6 |
| **Latam** | | | | | | | | |
| Argentina Merval Index | 41,261 | (11.9) | 6.7 | 42.0 | (1.0) | 56,114 | 22,061 | 18.4 |
| Brazil Bovespa Index[1] | 94,603 | (4.8) | (0.5) | (9.7) | (18.2) | 119,593 | 61,691 | 39.0 |
| Chile IPSA Index | 3,637 | (3.4) | (8.1) | (28.1) | (22.1) | 5,194 | 2,851 | 17.7 |
| Colombia COLCAP Index | 1,172 | (3.6) | 5.4 | (25.7) | (29.5) | 1,682 | 881 | 12.9 |
| Mexico S&P/BMV IPC Index | 37,459 | 1.7 | (0.7) | (12.9) | (14.0) | 45,955 | 32,503 | 18.6 |
| **EEMEA** | | | | | | | | |
| Russia MOEX Index | 2,906 | (2.0) | 5.9 | 5.8 | (4.6) | 3,227 | 2,074 | 11.0 |
| South Africa JSE Index | 54,265 | (2.2) | (0.2) | (1.0) | (4.9) | 59,105 | 37,178 | 13.3 |
| Turkey ISE 100 Index[1] | 1,145 | 6.2 | (1.7) | 9.0 | 0.1 | 1,245 | 819 | 9.8 |

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

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 30 September 2020

**Past performance is not an indication of future returns.**

## Market Data (cont'd)

September 2020

| Equity Indices – Total Return | 3-month Change (%) | YTD Change (%) | 1-year Change (%) | 3-year Change (%) | 5-year Change (%) | Dividend Yield (%) |
|---|---|---|---|---|---|---|
| Global equities | 8.1 | 1.4 | 10.4 | 22.9 | 63.3 | 2.1 |
| US equities | 9.5 | 6.8 | 16.4 | 41.3 | 90.2 | 1.7 |
| Europe equities | 4.5 | (8.8) | (0.8) | (1.8) | 23.1 | 2.7 |
| Asia Pacific ex Japan equities | 9.5 | 2.8 | 13.6 | 13.8 | 62.1 | 2.5 |
| Japan equities | 6.9 | (0.7) | 6.9 | 12.3 | 43.7 | 2.2 |
| Latam equities | (1.3) | (36.1) | (29.4) | (31.5) | 10.7 | 3.6 |
| Emerging Markets equities | 9.6 | (1.2) | 10.5 | 7.4 | 53.6 | 2.3 |

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 (%) | 3M Change (%) | 1-year Change (%) | YTD Change (%) |
|---|---|---|---|---|---|
| BarCap GlobalAgg (Hedged in USD) | 593 | 0.4 | 0.7 | 4.1 | 4.7 |
| JPM EMBI Global | 885 | (1.7) | 2.3 | 2.5 | 0.4 |
| BarCap US Corporate Index (USD) | 3,455 | (0.3) | 1.5 | 7.9 | 6.6 |
| BarCap Euro Corporate Index (Eur) | 261 | 0.3 | 2.0 | 0.3 | 0.8 |
| BarCap Global High Yield (USD) | 511 | (1.5) | 3.6 | 2.0 | (1.0) |
| BarCap US High Yield (USD) | 2,196 | (1.0) | 4.6 | 3.3 | 0.6 |
| BarCap pan-European High Yield (USD) | 470 | (0.5) | 2.9 | 1.1 | (1.5) |
| BarCap EM Debt Hard Currency | 446 | (1.4) | 2.9 | 4.4 | 2.0 |
| Markit iBoxx Asia ex-Japan Bond Index (USD) | 224 | (0.6) | 2.0 | 5.4 | 4.3 |
| Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD) | 278 | (1.8) | 2.5 | 3.9 | 1.4 |

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

| Bonds | Close | End of last mth. | 3-months Ago | 1-year Ago | Year End 2019 |
|---|---|---|---|---|---|
| **US Treasury yields (%)** | | | | | |
| 3-Month | 0.09 | 0.09 | 0.13 | 1.81 | 1.54 |
| 2-Year | 0.13 | 0.13 | 0.15 | 1.62 | 1.57 |
| 5-Year | 0.28 | 0.27 | 0.29 | 1.54 | 1.69 |
| 10-Year | 0.68 | 0.70 | 0.66 | 1.66 | 1.92 |
| 30-Year | 1.46 | 1.47 | 1.41 | 2.11 | 2.39 |
| **Developed market 10-year bond yields (%)** | | | | | |
| Japan | 0.01 | 0.05 | 0.02 | (0.22) | (0.02) |
| UK | 0.23 | 0.31 | 0.17 | 0.48 | 0.82 |
| Germany | (0.52) | (0.40) | (0.46) | (0.57) | (0.19) |
| France | (0.24) | (0.10) | (0.11) | (0.28) | 0.12 |
| Italy | 0.87 | 1.09 | 1.26 | 0.82 | 1.41 |
| Spain | 0.25 | 0.41 | 0.46 | 0.14 | 0.46 |

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 30 September 2020
**Past performance is not an indication of future returns.**

# Market Data (cont'd)

## September 2020

| Commodities | Latest | MTD Change (% ) | 3-month Change (% ) | 1-year Change (% ) | YTD Change (% ) | 52-week High | 52-week Low |
|---|---|---|---|---|---|---|---|
| Gold | 1,886 | (4.2) | 5.9 | 28.1 | 24.3 | 2,075 | 1,446 |
| Brent Oil | 41.0 | (9.6) | (0.5) | (32.6) | (38.0) | 72 | 16 |
| WTI Crude Oil | 40.2 | (5.6) | 2.4 | (25.6) | (34.1) | 66 | (40) |
| R/J CRB Futures Index | 149 | (3.1) | 7.6 | (14.6) | (20.1) | 188 | 101 |
| LME Copper | 6,672 | 0.1 | 10.9 | 16.5 | 8.1 | 6,878 | 4,371 |

| 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 | 93.89 | 92.14 | 97.39 | 99.38 | 96.39 | 102.99 | 91.75 |
| EUR/USD | 1.17 | 1.19 | 1.12 | 1.09 | 1.12 | 1.20 | 1.06 |
| GBP/USD | 1.29 | 1.34 | 1.24 | 1.23 | 1.33 | 1.35 | 1.14 |
| CHF/USD | 1.09 | 1.11 | 1.06 | 1.00 | 1.03 | 1.11 | 1.00 |
| CAD | 1.33 | 1.30 | 1.36 | 1.32 | 1.30 | 1.47 | 1.30 |
| JPY | 105.5 | 105.9 | 107.9 | 108.1 | 108.6 | 112.2 | 101.2 |
| AUD | 1.40 | 1.36 | 1.45 | 1.48 | 1.43 | 1.81 | 1.35 |
| NZD | 1.51 | 1.49 | 1.55 | 1.60 | 1.49 | 1.83 | 1.47 |
| **Asia** | | | | | | | |
| HKD | 7.75 | 7.75 | 7.75 | 7.84 | 7.79 | 7.85 | 7.75 |
| CNY | 6.79 | 6.85 | 7.07 | 7.15 | 6.96 | 7.18 | 6.75 |
| INR | 73.77 | 73.62 | 75.51 | 70.87 | 71.38 | 76.92 | 70.52 |
| MYR | 4.16 | 4.16 | 4.29 | 4.19 | 4.09 | 4.45 | 4.05 |
| KRW | 1,170 | 1,188 | 1,203 | 1,196 | 1,156 | 1,294 | 1,151 |
| TWD | 29.02 | 29.41 | 29.56 | 31.04 | 29.99 | 31.07 | 28.81 |
| **Latam** | | | | | | | |
| BRL | 5.61 | 5.49 | 5.47 | 4.16 | 4.02 | 5.97 | 3.97 |
| COP | 3,828 | 3,741 | 3,758 | 3,478 | 3,287 | 4,237 | 3,239 |
| MXN | 22.11 | 21.89 | 22.99 | 19.73 | 18.93 | 25.78 | 18.52 |
| ARS | 76.18 | 74.18 | 70.46 | 57.59 | 59.87 | 77.53 | 57.32 |
| **EEMEA** | | | | | | | |
| RUB | 77.66 | 74.01 | 71.20 | 64.83 | 61.95 | 82.87 | 60.88 |
| ZAR | 16.75 | 16.94 | 17.35 | 15.14 | 14.00 | 19.35 | 13.93 |

Sources: Bloomberg, HSBC Global Asset Management. Data as at close of business 30 September 2020
**Past performance is not an indication of future returns.**

# Basis of Views and Definitions of ‘Asset class positioning’ tables

- The asset class positioning table shows the view of the asset class in general and may not be reflective of the asset class positioning and strategy of HSBC World Selection Portfolios, and HSBC World Selection Diversified Funds, Wealth Compass Funds and Private Investment Management portfolios
- Views are based on regional HSBC Global Asset Management Asset Allocation meetings held throughout **September 2020**, HSBC Global Asset Management’s long-term expected return forecasts which were generated as at **31 August 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 **31 August 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 **30 September 2020**

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