Asset Management

Investment Monthly

June Jitters

June 2023

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Summary

Macro Outlook

- Data has held up better-than-feared but growth has been sluggish. In the **West**, we anticipate recession towards the end of the year, as corporates cut spending more aggressively amid weaker demand and reduced pricing power
- Inflation is rolling over but will take time to reach levels that central banks are comfortable with. **The services side of inflation is still proving sticky** and may require a recession to kill off residual price pressures
- **Asia** faces a much more benign inflation-growth mix. Although weaker external demand may weigh on trade activity, growth dynamics are supported by China's reopening and leaves many nations in a 'parallel world'

House View

- Our central scenario is consistent with "choppy waters" for risk assets over the next 12 months. Consequently, we continue to argue for a **defensive positioning in portfolios**
- We prefer **short-duration fixed income**, especially US Treasuries, which can outperform as recession bites. **High-quality credits** offer attractive carry, with solid balance sheets providing default protection
- We remain positive on most **EM asset classes** given lower valuations, cautious investor positioning, a better macro outlook vs DMs, and the prospect of Fed cuts and further dollar weakness later in the year

Policy Outlook

- We believe the **Fed is at peak hawkishness**, as it looks to balance sticky core inflation against banking sector concerns. However, we think Fed policy rates then ease at the turn of the year as recession bites
- **Fiscal policy may act as a drag**, with some spending reductions likely following the debt ceiling suspension, but a 2010s-type austerity looks unlikely. This may help moderate the severity of a recession
- Fiscal and monetary policy are set to remain accommodative in China, but any major new stimulus looks unlikely. In **Japan,** a measured normalisation of the BoJ's yield curve control framework looks probable

Scenarios

POLY-CRISIS 2023	Persistent inflation pressures from strong labour demand and a constrained supply side
CHOPPY MARKETS	Tighter financial conditions induces global recession
SOFT-ISH LANDING	Rapid supply-side improvements, balance sheet support, confidence holds up

Source: HSBC Asset Management as at June 2023.

Our global scenarios

	POLY-CRISIS 2023	CHOPPY MARKETS	SOFT-ISH LANDING
MACRO	**WEST: Persistent inflation pressures** due to **(1) strong labour demand (2) constrained supply-side** US GDP drawdown (>2%), delayed in scenario **(1)**. Profit recession (-20%) = big delta vs IBES consensus **EAST:** Weak China property sector, consumption and exports. Higher rates weigh on activity	**WEST: Tighter financial conditions induces global recession**. European gas prices at pre-invasion levels Profits recession (≈ -10% in 2023) as nominal growth deteriorates and corporates retrench **EAST:** Bumpy H1 in China but reopening boosts demand. Helps offset weaker Western demand	**WEST: Rapid supply-side improvements, balance sheet support, confidence holds up** GDP and profits recession very mild. 2023 consensus zero earnings growth delivered **EAST: China "revenge" consumption and housing recovery.** Western demand holds up, buoying exports
POLICY	**WEST: Fed funds rise further and stay on hold for sustained period**, rates in scenario **(1) > (2)** **EAST: No China policy easing**, BoJ scraps YCC + raises rates, other CBs struggle to pivot	**WEST: Fed easing at the turn of the year** amid recession. Fiscal drag continues, but no rapid austerity **EAST: China policy stance remains supportive,** BoJ scraps YCC, some CBs start cutting in late 2023	**WEST: Fed and ECB easing policy before end '23.** ↓ bond yields ease pressure on sovereign finances **EAST: China policy support is accelerated** to boost growth. Many CBs cutting rates before year-end
MARKETS	**SPX retests 2022 lows**, delayed in scenario **(1)** **Long term real yields > 1.0%**. Credit spreads widen ↓ EM assets amid ↑ US rates and USD ↑ USD cash, CHF, JPY, momentum, macro HFs, infrastructure and defensive equity, FRNs	**Choppy 12m outlook for stocks.** ↓ Multiples and profits. More sustainable recovery achievable in 2024 **Prefer short-duration bonds** amid still –ve term premiums, carry opportunities in **high quality credits** ↑ **EM assets** amid ↓USD, China rebound, Fed pivot. EM Asia > EM. N > S Asia amid better valuations	Reduced pressure on profits and multiples amid CB repricing and lower discount rates. **Equities rally** **Bond yields compress further**. Credit spreads tighten to price a more benign default scenario EM assets rally as USD falls sharply. Growth assets gain (US tech, crypto) alongside cyclicals

Source: HSBC Asset Management as at June 2023.

House view

Risk assets face a period of "choppy waters", so we continue to argue for a **defensive positioning** in portfolios. **Short-duration fixed income** can outperform as recession bites while **high-quality credits** offer good carry. Most **EM asset classes are attractive** given lower valuations and a better macro outlook.

- **Equities** – In developed markets, as we move towards a recession, we believe there are earnings risks not currently baked into consensus forecasts. This poses a notable downside risk to asset pricing. By contrast, emerging markets seem more appealing given relative macro resilience and attractive valuations
- **Government bonds** – Late 2023 recession risks, current disinflationary trends and the increasing likelihood of associated central bank rate cuts support the outlook for government bonds. In particular, we prefer US Treasuries
- **Corporate bonds** – Many credits offer good carry opportunities right now. While it is important to be mindful of rising default risks, high-quality credits can be a way to take advantage of this, with solid balance sheets helping mitigate some of those risks

Equities

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

Government bonds

Asset Class	House view	View move
Developed Market (DM)	↔	–
US	▲	–
UK	↔	–
Eurozone	↔	–
Japan	▼	–
Inflation-linked bonds	▲	–
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	↔	↓
Securitised credit	▲	–
EM aggregate bond (USD)	▲	–

FX & Alternatives

Asset Class	House view	View move
Gold	▲	–
Other commodities	↔	–
Real estate	▲	–
Infrastructure	▲	–
Hedge funds	▲	–
Private equity	↔	–
US dollar	▼	–
Crypto	↔	–

Asian assets

Asset Class	House view	View move
Asia local bonds	▲	–
RMB bonds	↔	–
Asia ex-Japan equities	▲	–
China	▲	–
India	▲	↑
ASEAN	▲	↑
Hong Kong	▲	–
Asia FX	▲	–

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

▲ Positive
↔ Neutral
▼ Negative

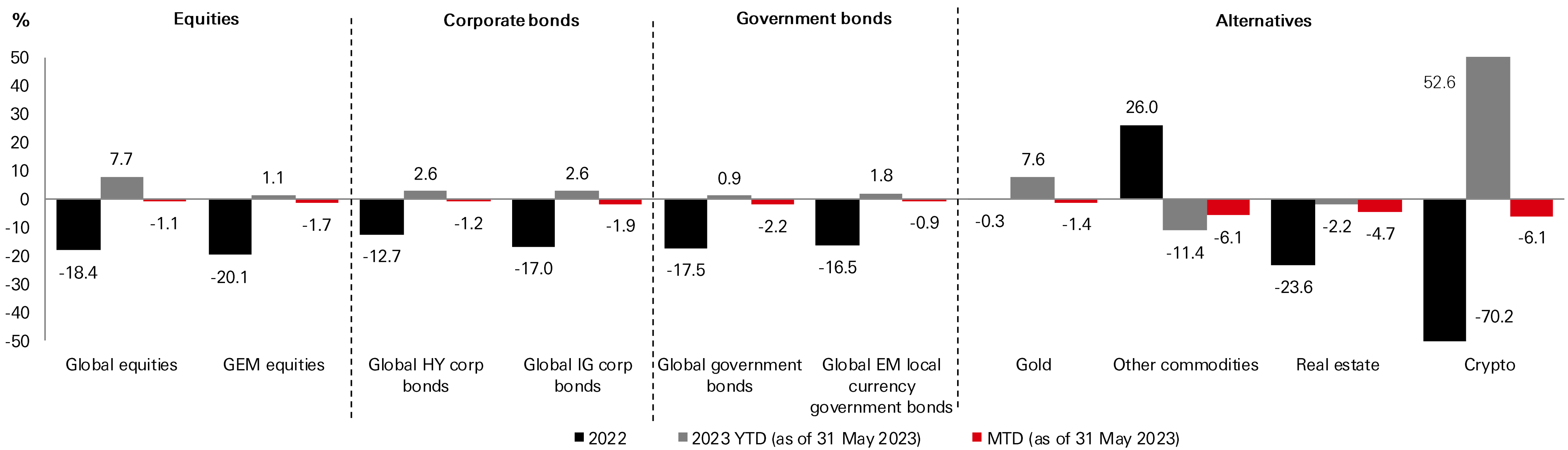
View move:
– No change
↑ Upgraded versus last month
↓ Downgraded versus last month

Source: HSBC Asset Management as at June 2023.

Asset class performance at a glance

Global equities declined in May as uncertainty lingered amongst investors. An impasse in US debt ceiling negotiations for almost all of May, coupled with global recession concerns weighed on demand.

- **Government bonds** – Global government bonds fell slightly (yields rose) after investors revised up their rate hike expectations over the month. Some sticky core inflation readings, combined with hawkish central bank comments led to a sell off in bonds across many maturities
- **Alternatives** – In a change to the performance in recent months, gold fell after an upward repricing of Fed rate expectations led to a slight uptick in the US dollar. Other commodities also fell, with diminishing global economic activity leading to falling demand. Crypto also declined as broader risk-off sentiment weighed on the asset class.



Past performance does not predict future returns. The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. The level of yield is not guaranteed and may rise or fall in the future. Source: Bloomberg, all data above as of close of 31 May 2023 in USD, total return, month-to-date terms. 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. **Crypto**: Bloomberg Galaxy Crypto Index.

Base case views and implications

	Monthly macroeconomic update	Base case view and implications
US	◆ US GDP grew at a below-trend pace in Q1, with robust consumer spending offset by a large drag from inventories and weakness in fixed investment. This was supported by strong income growth reflecting still tight labour markets. Nevertheless, there are early signs of cooling corporate labour demand ◆ Inflation has started to moderate, but will take time to move towards a level the Fed is comfortable with. We believe high rates will ultimately push the economy into recession, implying scope for Fed to cut rates at the end of this year and into next year	◆ Recession risks towards the end of this year are likely to coincide with heightened earnings challenges for **US equities**. Valuations may be pressured in the event of any upside surprises to core inflation, but noisy data will create a choppy environment regardless ◆ In the event of a US recession, Fed rate cuts can lead to falling **US Treasury** yields. We prefer the short-end of the yield curve
Europe	◆ **Eurozone** growth has stagnated but recent survey data suggests that growth could accelerate. With core inflation remaining persistent, the ECB has become particularly hawkish and is expected to continue hiking the deposit rate in the near term ◆ The **UK** experienced an especially large upside surprise to core inflation in the most recent reading. Coupled with still strong activity indicators, particularly in the services side of the economy, there is now an increased probability of further BoE rate hikes	◆ While near-term activity may pick up, **European equities'** profitability faces pressures amid tightening financial conditions. Multiples may be at risk following the sharp rerating YTD ◆ **European government bond** yields appear to have priced in some additional rate hiking already. A hawkish ECB poses some risks, but a recession can lead to falling yields in the medium term
Asia	◆ **China's** softer economic data may suggest a fading initial reopening impulse but a rebound in services consumption and favourable policies are likely to sustain the cyclical recovery. This is amid ongoing weakness in the manufacturing and real estate sectors ◆ **India's** cyclical growth may moderate amid a weakening external environment but has scope to remain relatively resilient. The RBI has scope to pause rate tightening, with inflation well on track to revert back to its target range. ◆ **Japan's** upbeat Q1 GDP reflects stronger-than-expected consumption despite trade headwinds. The elevated core-core CPI inflation reinforces the views that the Bank of Japan will revise its inflation outlook and move closer to adjusting its ultra-loose policy	◆ **Chinese equities** show more favourable valuations after recent consolidations. They can outperform should focus turn to potential policy measures that support the macro and earnings outlook ◆ **Indian equities** show stable earnings growth, backed up by an appealing structural story. Rich valuations could limit upside though ◆ **ASEAN equities** may be supported by a resilient macro backdrop and tailwinds from China's reopening. Their defensive qualities remain attractive amid rising global uncertainties
Other EM	◆ In **Latin America**, central banks could be amongst the first to start cutting rates, with many opting to pause rate hikes at their most recent meetings. Inflation is still elevated though, and a global cyclical slowdown can pressure the growth outlook ◆ Headline inflation is cooling but core inflation pressures are particularly pronounced in **Eastern Europe**. While activity is holding up, policy rates are likely to remain hawkish to avoid a de-anchoring of inflation expectations ◆ Oil prices, while finding support from OPEC production cuts, remain challenged from a global cyclical slowdown. **MENA** revenues may come under pressure as a result, however excess government reserves can help ensure resilient growth in 2023	◆ The **EM equity** outlook is supported by attractive valuations, cautious investor positioning and pro-growth policy in China. However, there is considerable regional divergence and so we advocate a selective approach to capitalise on this ◆ **EM fixed income** can benefit as certain EM central banks stop hiking and even start cutting rates later this year. Easing Fed hawkishness and the prospect of an increasingly weakened dollar can act as a positive for international investors. Sticky inflation and broader credit stresses are key risks though

Source: HSBC Asset Management as at June 2023.

Asset class positioning

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

▲ Positive
↔ Neutral
▼ Negative

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

	Asset class	House view	View change	Comments
Equities	**Global**	▼	–	Performance can hold up in the near-term given resilient macro data, but earnings challenges are the biggest risk factors, especially in the context of current consensus expectations and the elevated chance of a recession. It is important to note the high regional divergence though
	US	▼	–	Sticky inflation can add pressure to valuations in the short-term but the major risk is to profitability given the extent tightening credit conditions to date. However, there are upside risks from further gains in the AI/tech sector. Macro uncertainty is likely to keep volatility elevated
	UK	▼	–	The defensive and value nature of UK stocks has appeal. However, recent upside surprises to inflation and growth resilience look set to prompt further rate tightening from the Bank of England creating a tough outlook
	Eurozone	▼	–	Economic activity has held up better-than feared, but the ECB has become particularly hawkish. Additional rate hikes are likely to add pressure to valuations, especially given the strong YTD performance and may tip the region into recession. This then brings about earnings challenges
	Japan	▲	–	The earnings outlook in Japan is more robust relative to other DM markets. A gradual increase in JGB yields could pressure valuations, with a yen appreciation also serving as a headwind, but domestic reopening provides with the domestic relatively sheltered from wider rate hikes globally
	Emerging Markets (EM)	▲	–	Valuations are attractive and relative EM macro resilience amid China reopening are positives. China policy support may lay the ground for an improvement in sentiment, especially given cautious investor positioning. Country allocations could become a source of possible alpha
	CEE & Latam	▼	–	Inflation is rolling over in Emerging Europe but high core inflation and especially tight labour markets mean rates are likely to remain restrictive. Central banks may be amongst the first to start cutting in Latam, but a global cyclical slowdown creates a tough environment for equities
	Frontier markets	▲	–	Rates are deep in restrictive territory in areas, but may be near or at peaks. Other parts of the complex have faced much more benign price pressures. China's cyclical recovery reopening is also a positive, but an active approach will key to manage the various country-specific risks
Government bonds	**Developed Markets (DM)**	↔	–	Sticky core inflation, particularly on the services side of major economies, and any resulting central bank rate hikes are the main upside risks to yields in the near-term. Nevertheless, a heightened probability of recession towards the end of this year can boost performance
	US	▲	–	Yields rose in May as jitters surrounding the US debt ceiling worked their way into markets. While the path is unlikely to be linear, yields do have scope to fall on a significant growth deterioration later into 2023
	UK	↔	–	An upside surprise to core inflation caused gilt yields to rise quickly in the second half of May. While there are risks the UK enters a wage-price spiral, over a medium term, we anticipate a policy-induced recession is likely to bring bond yields down
	Eurozone	↔	–	Some additional rate hiking appears to be priced into yields, but the ECB has become particularly hawkish. Bad news on inflation could prompt further rate hikes. Nevertheless, in late 2023/early 2024, we believe the eurozone may sink into recession, accompanied by a decline in yields
	Japan	▼	–	Japan's "Yield Curve Control" framework remains under pressure, and we may see a gradual widening of yield bands in the future. This may detriment the asset class. With negative bond risk premia, we remain underweight Japanese government bonds
	Inflation-linked bonds	▲	–	Valuations seem attractive, and we appear to be getting closer to peak central bank hawkishness. While sticky inflation risks may prevent central banks from signalling a decisive end to policy tightening, real yields can fall as we move through the remainder of 2023, benefitting the asset class
	EM local currency	▲	–	Disinflationary trends are consistent with upside to EM bonds, while China's reopening bodes well for growth in large portions of the EM region. This is a positive for flows into EM assets, as well as EM FX and can benefit international investors

Source: HSBC Asset Management as at June 2023.

Asset class positioning

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

▲ Positive
↔ Neutral
▼ Negative

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

	Asset class	House view	View change	Comments
Corporate bonds	**Global investment grade (IG)**	▲	–	Spreads can widen as the economic cycle deteriorates, but many corporates have stable balance sheets. A selective approach can help investors capitalise on some good income opportunities
	USD IG	▲	–	In the near-term, spreads may widen with spreads typically peaking after policy tightening is concluded. They also do not appear to factor in recession risks, however all in yields are attractive and can be of interest to investors
	EUR and GBP IG	▲	–	Spreads have fallen since banking sector challenges were at a peak. While there is some room for spreads to rise as policy tightening effects set in, yields are sufficiently high to be attractive. Disinflation can enable policy easing, benefitting the asset class
	Asia IG	▲	–	IG issuers in the region are fundamentally solid. While the effects of a US recession could cause some spread widening, this can be partially offset by a relatively quiet primary market. A China recovery also boosts the outlook
	Global high-yield (HY)	↔	–	Lending standards are tightening, and this has accelerated following banking sector challenges. As we edge towards a profits recession, defaults may start climbing – something not completely factored into spreads
	US HY	↔	–	The macro drivers for the asset class are waning, as corporate profits deteriorate. Current valuations do not appear to reflect our central scenario of a meaningful economic slowdown, but favourable technical may limit the extent of any spread-widening
	Europe HY	↔	–	Spread valuations are neutral and there may be scope for spreads to widen amid a hawkish ECB and resurfacing concerns over the health of the financial sector. Yields are high though, but overall we remain cautious
	Asia HY	↔	↓	Spreads have traced back more of their Q4 2022 compression. Weaker Chinese property developers may continue to see spread widening, however non-China HY can be a buffer, with improving local fundamentals in ASEAN
	Securitised credit	▲	–	The floating rate nature of the asset class shields it from capital losses caused by any further rate rises. This also creates attractive income opportunities. Spreads are wide, offering long term value but growing recession and default concerns remain important risks
	EM aggregate bond (USD)	▲	–	Valuations for sovereigns also look moderate given the spread compression YTD, but corporates look much more attractive. As the Fed approaches peak hawkishness, this can also be beneficial for the asset class
FX & Alternatives	**Gold**	▲	–	Financial market volatility and strong central bank buying have pushed gold prices higher and this may continue in the near-term. Portfolio diversification benefits also exist, but sticky core inflation can be a headwind if it keeps central banks on a hawkish footing
	Other commodities	↔	–	A broad global slowdown has been dampening demand and is likely to continue to be an important risk factor. Some support can be found from an acceleration in China activity, while OPEC+ market management may also help limit downside price risk for oil
	Real estate	▲	–	Listed real estate valuations are attractive, however weaker global growth and higher interest rates may dampen future rental growth and property values. A strategy focusing on sectors with high occupancy and inflation-capturing leases is preferable
	Infrastructure	▲	–	Infrastructure debt can offer better expected returns than global credits, with relatively lower spread volatility during recessionary periods. Defensive attributes can also support the case for infrastructure equity as we edge closer to a recession
	Hedge funds	▲	–	Hedge funds can offer attractive diversification properties while we remain in a volatile, high inflation environment. Macro and CTA strategies can be particularly attractive alternatives to bonds in environments of positive stock-bond correlations
	Private equity	↔	–	Many PE funds may face revised valuations as recession concerns grow, with tighter financial conditions raising the cost of leverage. However the possibility of recession can create good entry points for longer-term investors. The investment case is about alpha
	US dollar	▼	–	Broader disinflation in the US and the high probability that we are close to peak Fed rates suggests the dollar's recent downward trend will continue. Some dollar upside can come in a scenario where financial sector risks become more endemic though
	Crypto	↔	–	Momentum appears to have moderated suggesting more range bound moves in the near-term. While there can be benefits from lingering concerns in the banking sector, recession concerns and regulatory risks are big reasons to remain cautious

Source: HSBC Asset Management as at June 2023.

Asset class positioning

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

▲ Positive
↔ Neutral
▼ Negative

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

	Asset class	House view	View change	Comments
Asian assets	**Asia local bonds**	▲	–	Most Asian central banks have paused their tightening cycle as inflation reverts back to their target ranges. Although some positives may have already been factored in, the more resilient growth impulse in the region should be supportive despite lingering external uncertainties
	RMB bonds	↔	–	Loose liquidity conditions and supportive policies provide a favourable backdrop. However the necessity of large-scale stimulus is in doubt as the economy recovers, and amid strong primary supply and the government's caution on inflation. Long-term diversification benefits remain intact
	Asia ex-Japan equities	▲	–	China's potential policy support to sustain growth momentum and less aggressive tightening by Asian central banks support sentiment. Macro uncertainties, geopolitics, margin erosion, and earnings downgrades remain key risks. Greater dispersion in regional markets remains likely
	China equities	▲	–	Relatively attractive valuations, China's targeted policy supports, and normalisation of services consumption after reopening are positives, but risks to the outlook linger from weaker external demand, a narrow-based recovery in China's domestic activities, and dented market confidence
	India equities	▲	↑	Indian equities show stable earnings growth with a strong structural story amid favourable reform prospects. While rich valuations are a concern, the RBI's pause to its rate tightening is also positive
	ASEAN equities	▲	↑	ASEAN's resilient growth momentum, driven by a tourism and domestic demand recovery is a positive. Defensive qualities are attractive and additional support comes from supply-chain relocation, with some regions seeing particularly high levels of investment
	Hong Kong equities	▲	–	Hong Kong's cyclical recovery is well on track after its reopening, and consolidations since mid-Q1 have brought valuations to a more compelling level. Lingering global uncertainties remain the key downside risk to the earnings outlook
	Asia FX	▲	–	Macro resilience and China's cyclical recovery support their currency outlook, on top of potential USD weakness in the medium term from possible Fed cuts. However, dispersion in USD-Asia currency pairs may extend with increasingly divergent economic performance in the region

Source: HSBC Asset Management as at June 2023.

Market data
May 2023

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	-1.3	2.8	-1.0	6.8	664	538	16.2
North America								
US Dow Jones Industrial Average	32,908	-3.5	0.8	-0.2	-0.7	34,712	28,661	17.4
US S&P 500 Index	4,180	0.2	5.3	1.2	8.9	4,325	3,492	19.1
US NASDAQ Composite Index	12,935	5.8	12.9	7.1	23.6	13,181	10,089	28.4
Canada S&P/TSX Composite Index	19,572	-5.2	-3.2	-5.6	1.0	21,036	17,873	13.6
Europe								
MSCI AC Europe (USD)	486	-6.5	-1.2	2.1	6.4	523	367	12.3
Euro STOXX 50 Index	4,218	-3.2	-0.5	11.3	11.2	4,413	3,250	12.0
UK FTSE 100 Index	7,446	-5.4	-5.5	-2.1	-0.1	8,047	6,708	10.1
Germany DAX Index*	15,664	-1.6	1.9	8.9	12.5	16,332	11,863	11.2
France CAC-40 Index	7,099	-5.2	-2.3	9.7	9.7	7,581	5,628	12.2
Spain IBEX 35 Index	9,050	-2.1	-3.7	2.2	10.0	9,541	7,190	10.6
Italy FTSE MIB	26,051	-3.8	-5.2	6.3	9.9	28,110	20,183	7.8
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	501	-2.7	-2.0	-10.4	-0.9	563	427	13.7
Japan Nikkei-225 Stock Average	30,888	7.0	12.5	13.2	18.4	31,560	25,520	18.1
Australian Stock Exchange 200	7,091	-3.0	-2.3	-1.7	0.7	7,568	6,407	14.5
Hong Kong Hang Seng Index	18,234	-8.3	-7.8	-14.9	-7.8	22,701	14,597	8.9
Shanghai Stock Exchange Composite Index	3,205	-3.6	-2.3	0.6	3.7	3,425	2,885	11.0
Hang Seng China Enterprises Index	6,163	-8.0	-6.4	-16.9	-8.1	7,918	4,919	8.1
Taiwan TAIEX Index	16,579	6.4	6.9	-1.4	17.3	16,811	12,629	17.6
Korea KOSPI Index	2,577	3.0	6.8	-4.1	15.2	2,686	2,135	15.2
India SENSEX 30 Index	62,622	2.5	6.2	12.7	2.9	63,583	50,921	19.7
Indonesia Jakarta Stock Price Index	6,633	-4.1	-3.1	-7.2	-3.2	7,377	6,543	2.3
Malaysia Kuala Lumpur Composite Index	1,387	-2.0	-4.6	-11.7	-7.2	1,564	1,373	13.2
Philippines Stock Exchange PSE Index	6,477	-2.2	-1.2	-4.4	-1.4	7,138	5,699	12.2
Singapore FTSE Straits Times Index	3,159	-3.4	-3.2	-2.3	-2.8	3,408	2,969	10.4
Thailand SET Index	1,534	0.3	-5.5	-7.8	-8.1	1,696	1,491	16.0
Latam								
Argentina Merval Index	342,079	14.8	38.2	270.7	69.3	349,025	81,977	5.1
Brazil Bovespa Index*	108,335	3.7	3.2	-2.7	-1.3	120,752	95,267	7.4
Chile IPSA Index	5,472	1.0	1.4	2.3	4.0	6,013	4,871	4.0
Colombia COLCAP Index	1,099	-8.3	-7.5	-31.4	-14.5	1,619	1,085	5.8
Mexico S&P/BMV IPC Index	52,736	-4.3	0.0	1.9	8.8	55,627	44,519	12.1
EEMEA								
Russia MOEX Index	2,718	3.1	20.6	15.4	26.2	2,749	1,775	#N/A N/A
South Africa JSE Index	75,067	-4.0	-3.4	4.1	2.8	81,338	62,194	9.8
Turkey ISE 100 Index*	4,887	5.8	-6.7	91.9	-11.3	5,705	2,359	4.9

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 May 2023. (*) Indices expressed as total returns. All others are price returns.

Market data (continued)

May 2023

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Global equities	3.4	7.7	0.9	33.3	38.8	2.3
US equities	5.4	9.6	2.3	40.5	63.4	1.6
Europe equities	0.4	8.4	4.7	34.6	22.1	3.5
Asia Pacific ex Japan equities	-1.3	-0.1	-7.8	13.0	1.0	3.5
Japan equities	6.3	8.6	4.5	13.4	9.2	2.4
Latam equities	2.7	5.8	-3.8	48.4	9.3	6.2
Emerging Markets equities	0.2	1.1	-8.5	10.8	-3.3	3.2

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)	540	-0.4	2.3	-0.9	3.0
JPM EMBI Global	782	-0.9	1.0	-1.0	1.8
BarCap US Corporate Index (USD)	3,051	-1.4	2.1	-1.7	2.8
BarCap Euro Corporate Index (Eur)	234	0.2	1.9	-2.9	2.6
BarCap Global High Yield (USD)	512	-0.5	0.3	0.3	2.8
BarCap US High Yield (USD)	2266	-0.9	1.1	0.0	3.6
BarCap pan-European High Yield (USD)	497	0.8	1.3	3.7	4.9
BarCap EM Debt Hard Currency	387	-1.1	1.0	-1.0	1.8
Markit iBoxx Asia ex-Japan Bond Index (USD)	206	-0.7	1.0	0.2	2.8
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	220	-3.4	-6.5	-1.5	-1.3

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 May 2023. Total return includes income from dividends and interest as well as appreciation or depreciation in the price of an asset over the given period.

Market data (continued)

May 2023

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2022
US Treasury yields (%)					
3-Month	5.39	5.03	4.77	1.04	4.34
2-Year	4.40	4.01	4.82	2.56	4.43
5-Year	3.75	3.48	4.18	2.82	4.00
10-Year	3.64	3.42	3.92	2.84	3.87
30-Year	3.86	3.67	3.92	3.05	3.96
Developed market 10-year bond yields (%)					
Japan	0.43	0.39	0.50	0.24	0.41
UK	4.18	3.72	3.82	2.10	3.66
Germany	2.28	2.31	2.65	1.12	2.57
France	2.85	2.88	3.12	1.64	3.11
Italy	4.08	4.17	4.47	3.12	4.70
Spain	3.33	3.36	3.60	2.22	3.65

Commodities	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,963	-1.4	7.4	6.8	7.6	2,063	1,615
Brent Oil	72.7	-8.6	-13.4	-40.8	-15.4	125	70
WTI Crude Oil	68.1	-11.3	-11.6	-40.6	-15.2	124	64
R/J CRB Futures Index	254	-5.3	-5.9	-19.8	-8.6	330	254
LME Copper	8,089	-5.9	-9.7	-14.4	-3.4	9,916	6,955

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 May 2023.

Market data (continued)

May 2023

Currencies (vs USD)	Latest	End of last mth.	3-mths Ago	1-year Ago	Year End 2022	52-week High	52-week Low
Developed markets							
DXY index	104.33	101.66	104.87	101.75	103.52	114.78	100.79
EUR/USD	1.07	1.10	1.06	1.07	1.07	1.11	0.95
GBP/USD	1.24	1.26	1.20	1.26	1.21	1.27	1.04
CHF/USD	1.10	1.12	1.06	1.04	1.08	1.13	0.99
CAD	1.36	1.36	1.36	1.26	1.36	1.40	1.25
JPY	139.3	136.3	136.2	128.7	131.1	152.0	127.2
AUD	1.54	1.51	1.49	1.39	1.47	1.62	1.37
NZD	1.66	1.62	1.62	1.53	1.57	1.81	1.52
Asia							
HKD	7.83	7.85	7.85	7.85	7.80	7.85	7.76
CNY	7.11	6.91	6.94	6.67	6.90	7.33	6.64
INR	82.73	81.83	82.67	77.64	82.74	83.29	77.46
MYR	4.61	4.46	4.49	4.38	4.40	4.75	4.23
KRW	1,326	1,339	1,323	1,238	1,266	1,445	1,216
TWD	30.75	30.74	30.47	29.05	30.72	32.34	29.28
Latam							
BRL	5.06	4.99	5.24	4.73	5.28	5.53	4.75
COP	4,451	4,695	4,863	3,772	4,853	5,131	3,754
MXN	17.69	18.00	18.31	19.66	19.50	21.05	17.42
ARS	239.47	222.64	197.15	120.19	177.13	239.47	120.39
EEMEA							
RUB	#N/A N/A	#N/A N/A	#N/A N/A	118.69	118.69	#N/A N/A	#N/A N/A
ZAR	19.73	18.29	18.36	15.64	17.04	19.92	15.17

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 31 May 2023.

Important information

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

- Views are based on regional HSBC Asset Management Asset Allocation meetings held throughout **May 2023**, HSBC Asset Management's long-term expected return forecasts which were generated as **at 30 April 2023**, 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 April 2023.**
- 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 May 2023**.

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