

Asset Management

# Investment Monthly

## Policy pause

July 2023

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## Macro Outlook

- ◆ **Western and emerging economies look out of sync.** The West is pressured by sticky core inflation, higher interest rates and tighter lending conditions, while emerging economies face a much more benign outlook
- ◆ In the **West**, leading indicators are pointing towards recession. We anticipate this happening towards the end of the year, as corporate pricing power diminishes and labour markets soften
- ◆ While a softening in external demand may hamper trade flows, **emerging economies** continue to benefit from lower inflation, tailwinds from China's reopening and a weaker dollar

## House View

- ◆ Overall, we continue to argue for a **defensive portfolio positioning**. Our central scenario is consistent with "choppy waters" for risk assets over the next 12 months, with downside risks to credit and equity prices
- ◆ **Short-duration fixed income** remains attractive, especially US Treasuries, which can outperform in a recession. There are good income opportunities in **high-quality credits**, with solid balance sheets reducing default risk
- ◆ We are positive on many **EM asset classes** given lower valuations, cautious investor positioning and a much better macro outlook vs DMs. The prospect of Fed cuts and further dollar weakness later in the year is also supportive







## Policy Outlook

- ◆ The **Fed is likely at peak hawkishness** having paused its hiking at its most recent meeting. While a further 25bps of tightening could occur, we believe the first Fed rate cut will come at the end of 2023
- ◆ **Fiscal policy may not add meaningful support** following on from debt ceiling related challenges, but significant austerity is also improbable. This may help cushion the economy in the event of a recession
- ◆ Policy is set to remain accommodative in **China**, but any major stimulus on either the fiscal or monetary front looks unlikely. In **Japan**, a measured normalisation of the BoJ's yield curve control framework looks probable

## Scenarios

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

# Our global scenarios

	 <b>POLY-CRISIS 2023</b>	 <b>CHOPPY MARKETS</b>	 <b>SOFT-ISH LANDING</b>
 <b>M A C R O</b>	<p><b>WEST: Persistent inflation pressures</b> due to <b>(1) strong labour demand (2) constrained supply-side</b></p> <p>US GDP drawdown (&gt;2%), delayed in scenario <b>(1)</b>. Profit recession (-20%) = big delta vs IBES consensus</p> <p><b>EAST:</b> Weak China property sector, consumption and exports. Higher rates weigh on activity</p>	<p><b>WEST: Tighter financial conditions induces global recession.</b> European gas prices at pre-invasion levels</p> <p>Profits recession (≈ -10% in 2023) as nominal growth deteriorates and corporates retrench</p> <p><b>EAST:</b> Bumpy H1 in China but reopening boosts demand. Helps offset weaker Western demand</p>	<p><b>WEST: Rapid supply-side improvements, balance sheet support, confidence holds up</b></p> <p>GDP and profits recession very mild. 2023 consensus zero earnings growth delivered</p> <p><b>EAST: Strong China consumption and housing recovery.</b> Western demand holds up, buoying exports</p>
 <b>P O L I C Y</b>	<p><b>WEST: Fed funds rise further and stay on hold for sustained period,</b> rates in scenario <b>(1) &gt; (2)</b></p> <p><b>EAST: No China policy easing,</b> BoJ scraps YCC + raises rates, other CBs struggle to pivot</p>	<p><b>WEST: Fed easing at the turn of the year</b> amid recession. Fiscal drag continues, but no rapid austerity</p> <p><b>EAST: China policy stance remains supportive,</b> BoJ scraps YCC, some CBs start cutting in late 2023</p>	<p><b>WEST: Fed and ECB easing policy before end '23.</b> ↓ bond yields ease pressure on sovereign finances</p> <p><b>EAST: China policy support is accelerated</b> to boost growth. Many CBs cutting rates before year-end</p>
 <b>M A R K E T S</b>	<p><b>SPX retests 2022 lows,</b> delayed in scenario <b>(1)</b></p> <p><b>Long term real yields &gt; 1.0%.</b> Credit spreads widen</p> <p>↓ EM assets amid ↑ US rates and USD</p> <p>↑ USD cash, CHF, JPY, momentum, macro HFs, infrastructure and defensive equity, FRNs</p>	<p><b>Choppy 12m outlook for stocks.</b> ↓ Multiples and profits. More sustainable recovery achievable in 2024</p> <p><b>Prefer short-duration bonds</b> amid still -ve term premiums, carry opportunities in <b>high quality credits</b></p> <p>↑ <b>EM assets</b> amid ↓USD, China rebound, Fed pivot. EM Asia &gt; EM. N &gt; S Asia amid better valuations</p>	<p>Reduced pressure on profits and multiples amid CB repricing and lower discount rates. <b>Equities rally</b></p> <p><b>Bond yields compress further.</b> Credit spreads tighten to price a more benign default scenario</p> <p>EM assets rally as USD falls sharply. Growth assets gain (US tech, crypto) alongside cyclicals</p>

## House view

We continue to argue for a **defensive portfolio positioning** with downside risks to credit and equity prices. **Short-duration fixed income** can outperform in a recession while **high-quality credits** can offer good carry. Many **EM asset classes are attractive** given lower valuations and a better macro outlook

- ◆ **Equities** – DM markets do not appear to have meaningfully priced in recession risks. Earnings may become particularly pressured and this keeps us cautious. The situation is different in emerging economies where attractive valuations and macro resilience can pave the way for relative outperformance
- ◆ **Government bonds** – Disinflationary trends are underway and our view of recession in major DM economies towards the turn of the year means central banks may start cutting rates. This improves the outlook for bonds and we have a particular preference for short-duration US Treasuries
- ◆ **Corporate bonds** – Recession risks may bring an elevated default risk which is a concern. However, high-quality credits with solid balance sheets can offer a good balance between income opportunities and protection against default

Equities			Government bonds			Corporate bonds			FX & Alternatives			Asian assets		
Asset Class	House view	View move	Asset Class	House view	View move	Asset Class	House view	View move	Asset Class	House view	View move	Asset Class	House view	View move
Global	▼	–	Developed Market (DM)	↔	–	Global investment grade (IG)	▲	–	Gold	▲	–	Asia local bonds	▲	–
US	▼	–	US	▲	–	USD IG	▲	–	Other commodities	↔	–	RMB bonds	↔	–
UK	▼	–	UK	↔	–	EUR & GBP IG	▲	–	Real estate	▲	–	Asia ex-Japan equities	▲	–
Eurozone	▼	–	Eurozone	↔	–	Asia IG	▲	–	Infrastructure	▲	–	China	▲	–
Japan	▲	–	Japan	▼	–	Global high-yield	↔	–	Hedge funds	▲	–	India	▲	–
Emerging Markets (EM)	▲	–	Inflation-linked bonds	▲	–	US high-yield	↔	–	Private equity	↔	–	ASEAN	▲	–
CEE & Latam	▼	–	EM (local currency)	▲	–	Europe high-yield	↔	–	US dollar	▼	–	Hong Kong	▲	–
Frontier	▲	–				Asia high-yield	↔	–	Crypto	↔	–	Asia FX	▲	–
						Securitised credit	▲	–						
						EM aggregate bond (USD)	▲	–						

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

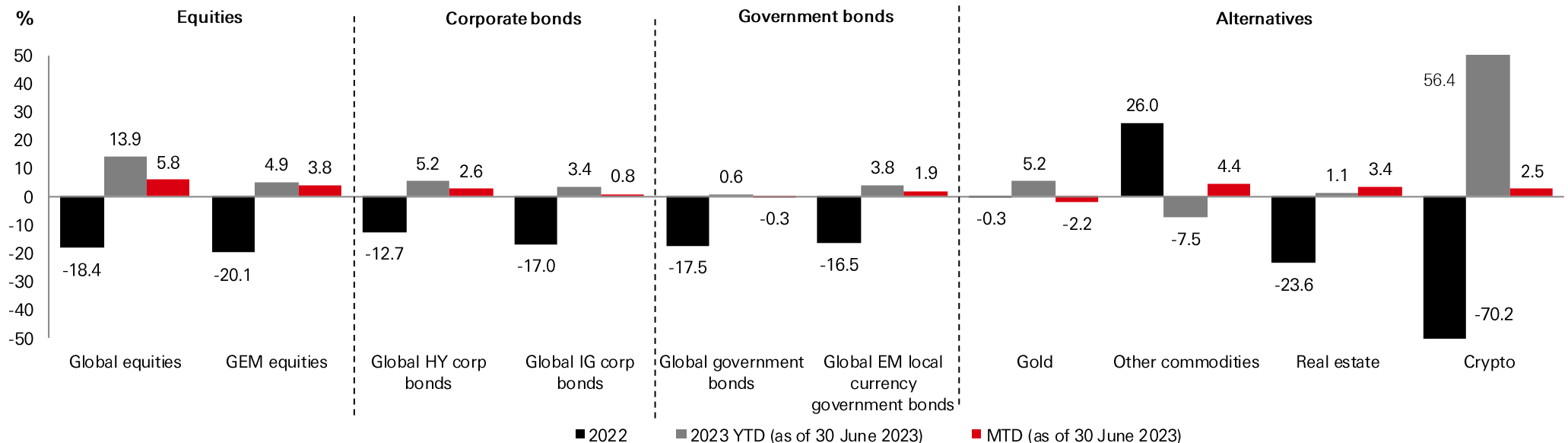
▲ Positive  
↔ Neutral  
▼ Negative

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

# Asset class performance at a glance

**Global equities** rose in June after a boost in investor risk appetite. A continuation of the AI-trend, signs of stronger economic growth and the Fed’s policy pause raised demand for equities and pushed up prices

- ◆ **Government bonds** – Global government bonds edged lower (yields rose slightly) after hawkish central bank rhetoric across major DM central banks kept investors cautious. Despite signs of disinflation in headline inflation rates and the Fed pausing its rate hiking, many other banks continued lifting rates amid sticky core inflation readings
- ◆ **Alternatives** – Gold prices fell for a second consecutive month as investors moved into riskier assets. Other commodities rose, with cuts to oil production helping raise oil prices. Wider risk-on sentiment supported crypto prices though gains were muted following regulatory developments in the sector



**Past performance does not predict future returns.** Source: Bloomberg, all data above as of close of 30 June 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.

## Monthly macroeconomic update

US	<ul style="list-style-type: none"> <li>◆ US Q1 GDP was revised upwards with robust consumer spending helping to boost activity. Consumer confidence is still holding up and although labour markets are still running hot, there have been some early signs of cooling creeping in</li> <li>◆ The disinflation process is underway in the US. While core inflation still remains elevated, the Fed paused rate hikes at its June meeting. While there is some chance of a further 25bp rate hike, the Fed is likely at peak hawkishness and may begin to cut rates in the event of a notable deterioration in economic activity</li> </ul>
Europe	<ul style="list-style-type: none"> <li>◆ <b>Eurozone</b> growth is proving sluggish, with a downwardly revised growth forecast in Q1 and signs of deteriorating confidence. Headline inflation is falling, but core inflation is proving sticky, with the ECB maintaining a particularly hawkish tone</li> <li>◆ While activity in the <b>UK</b> economy appears to be resilient, inflation is proving to be particularly problematic with stubborn wage growth. The Bank of England recently raised its bank rate by 50bp, but more hikes are likely the longer inflation challenges persist</li> </ul>
Asia	<ul style="list-style-type: none"> <li>◆ <b>China's</b> data still suggests further softening momentum and an uneven recovery amid the ongoing normalisation of services consumption and weakness in the manufacturing sector. More targeted policies are likely following a mild rate cut by the PBoC</li> <li>◆ <b>India's</b> cyclical growth may moderate amid a weakening external environment but has scope to remain relatively resilient. Further retreating inflation prints allow the RBI to pause rate tightening, and shift focus towards non-price considerations</li> <li>◆ <b>Japan's</b> upwardly revised Q1 GDP reflects improving consumer and business sentiment despite trade headwinds. The BoJ may upgrade its inflation forecasts amid elevated core-core inflation but has signalled no intention to adjust its ultra-loose policy yet</li> </ul>
Other EM	<ul style="list-style-type: none"> <li>◆ In <b>Latin America</b>, central banks may shift to more neutral stances as disinflationary trends continue to play out. While most are expected to keep rates on hold for now, some may start cutting before the Fed</li> <li>◆ Inflation is continuing to move downwards in <b>Eastern Europe</b>. Regional divergence is beginning to emerge, with some experiencing broad based price declines, while others are still facing sticky core inflation. Policy rates are likely to remain hawkish</li> <li>◆ Oil prices have remained subdued amid a global cyclical slowdown, and this likely to dampen <b>MENA</b> growth in 2023. The inflation picture remains mixed however, with moderating prices in GCC nations but still rampant increases elsewhere</li> </ul>

## Base case view and implications

<ul style="list-style-type: none"> <li>◆ <b>US equity</b> performance has held up for a number of reasons including AI-related tailwinds. Our central view is a recession towards the end of the year, which does not appear to be priced in. As a result, we remain cautious</li> <li>◆ A US recession is likely be accompanied by Fed rate cuts. This can lead to falling <b>US Treasury</b> yields, particularly at the shorter-end of the yield curve</li> </ul>
<ul style="list-style-type: none"> <li>◆ Following a rapid tightening in financial conditions, <b>European equities</b> are facing profitability pressures as recession concerns mount. A hawkish ECB can also add pressure to valuations</li> <li>◆ <b>European government bond</b> yields have priced in some additional rate hikes. A recession in early 2024 can lead to some outperformance in the medium term, particularly at the shorter end</li> </ul>
<ul style="list-style-type: none"> <li>◆ <b>Chinese equities</b> are still favourably valued. They can outperform should Chinese government deliver more policy actions that support the macro and earnings outlook</li> <li>◆ <b>Indian equities</b> show stable earnings growth, backed up by an appealing structural story. Rich valuations could limit upside though</li> <li>◆ <b>ASEAN equities</b> may still be supported by their macro resilience, though their growth may moderate amid rising global uncertainties. Their defensive qualities remain attractive</li> </ul>
<ul style="list-style-type: none"> <li>◆ Attractive valuations, better economic growth and lower inflation supports the <b>EM equity</b> outlook. However, considerable regional divergence exists. Selective regional allocations can therefore serve to add to portfolio diversification</li> <li>◆ Benign inflationary trends may prompt some EM central banks to start cutting rates soon. This provides support for <b>EM fixed income</b>. A weakened dollar can benefit international investors, but sticky core inflation and broader credit stresses are key risks</li> </ul>



# 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 more resilient than expected macro data, but global equity markets are out of sync. DM markets face big earnings risks and may see large price declines in the event of a recession, while the outlook for EM markets is much more positive
	US	▼	–	Gains in the AI/tech sector may continue to support US indices and upside macro surprises can provide some short-term benefits. However our central view of a late 2023 recession does not appear to be priced in, suggesting notable downside risk
	UK	▼	–	The defensive and value nature of UK stocks has appeal. However, recent upside surprises to inflation and continued wage growth look set to prompt further rate tightening from the Bank of England. This may keep valuations depressed and challenge profitability
	Eurozone	▼	–	The ECB has become particularly hawkish amid sticky core inflation. Eurozone equities have been range-bound in recent months, but additional rate hikes may dampen valuations given the particularly strong start to the year. They also create recession risks, adding further pressure
	Japan	▲	–	The earnings outlook is robust relative to other DM markets. A gradual increase in JGB yields may pressure valuations, with a yen appreciation also serving as a headwind. However, domestic reopening provides support with the economy relatively sheltered from rate hikes globally
	Emerging Markets (EM)	▲	–	Valuations are attractive and relative EM macro resilience is a positive. 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 and diversification
	CEE & Latam	▼	–	Inflation is declining in Emerging Europe but high core inflation mean rates are likely to remain restrictive, creating a tough environment. Central banks may be amongst the first to start cutting in Latam, but commodity exporters may face challenges amid a global cyclical slowdown
	Frontier markets	▲	–	Rates are deep in restrictive territory in areas, but may be near or at peaks. Other parts of the complex face much more benign price pressures. China's cyclical recovery reopening is also a positive, but an active approach will be 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	▲	–	With the disinflationary process underway, the Fed paused rate hiking at its most recent meeting. There is still some risk of an additional rate hike which may cause yields to rise, but more broadly, yields do have scope to fall on a significant growth deterioration later into 2023
	UK	↔	–	An upside surprise to core inflation resulted in a sharp revision to Bank of England rate hike expectations. While there are risks the UK enters a wage-price spiral, over a medium term, we anticipate a policy-induced recession should 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 core inflation could prompt further rate hikes, but we believe the eurozone may sink into recession in early 2024, which can be accompanied by a decline in yields
	Japan	▼	–	Japan's "Yield Curve Control" framework is pressured, and we may see a gradual widening of yield bands should the BoJ lift its expectations of "core core" inflation. 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 and EM FX, with EM FX strengthening benefitting international investors

# Asset class positioning

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▼ Negative

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Asset class	House view	View change	Comments	
Corporate bonds	<b>Global investment grade (IG)</b>	▲	–	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 while avoiding the risks associated with downgrades and defaults
	USD IG	▲	–	Typically, spreads peak after policy tightening is concluded suggesting there could be some near-term spread widening. 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 been broadly flat this past month. While there is some room for spreads to rise as policy tightening effects set in, yields are sufficiently high for the asset class to be attractive
	Asia IG	▲	–	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, with many issuers boasting strong fundamentals
	<b>Global high-yield (HY)</b>	↔	–	Lending standards are tightening in some of the fastest rate hiking cycles since the 1980's. While there are good carry opportunities, 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. Favourable technicals may extend spread narrowing in the near term but current valuations do not appear to reflect our central scenario of an economic slowdown
	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 given our view of recession in early 2024
	Asia HY	↔	–	Spreads have narrowed in June following May's indiscriminate selloff. Weaker Chinese property developers may continue to see spread widening, however non-China HY can be a buffer, with improving local fundamentals in ASEAN
	<b>Securitised credit</b>	▲	–	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
	<b>EM aggregate bond (USD)</b>	▲	–	Valuations for sovereigns also look moderate given the spread compression YTD, but corporates look much more attractive. As the Fed reaches peak hawkishness, this can also be beneficial for the asset class
FX & Alternatives	<b>Gold</b>	▲	–	Prices have fallen over the past month, however strong central bank buying can continue to serve as a tailwind. Diversification benefits also exist and our view of Fed rate cuts towards the end of the year also supports the outlook
	<b>Other commodities</b>	↔	–	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
	<b>Real estate</b>	▲	–	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
	<b>Infrastructure</b>	▲	–	Infrastructure debt offers better expected returns than global credits, with lower spread volatility during recessionary periods. In the event of a recession, infrastructure equity's defensive attributes are beneficial, with thematic drivers coming from the green transition
	<b>Hedge funds</b>	▲	–	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
	<b>Private equity</b>	↔	–	As tighter financial conditions raise the cost of leverage, PE funds may face challenges in delivering as strong returns. However the possibility of recession can create good entry points for longer-term investors. The investment case is about alpha, not beta
	<b>US dollar</b>	▼	–	Broader disinflation in the US and the fact that we are at or close to peak Fed hawkishness suggests the dollar will decline in the medium term. Near term upside can arise from a lacklustre global industrial cycle and more endemic financial sector risks however
<b>Crypto</b>	↔	–	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	



# Asset class positioning

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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	↔	–	The PBoC's mild rate cut furthers the already supportive liquidity conditions. More policy support is expected, though it is likely to be more targeted. Strong primary supply may limit the upside but 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 and growing hopes over more targeted policy support in China are positives, but risks to the outlook linger from weaker external demand, a narrow-based recovery in China's domestic activities, a weakened RMB in short run 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 and monetary tightening pauses are positives. Defensive qualities are attractive and additional support comes from supply-chain relocation, with some regions seeing strong foreign investment despite some commodity prices volatility
	Hong Kong equities	▲	–	Hong Kong's cyclical recovery is well on track, 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 but the domestic market strength should help offset some headwinds
Asia FX	▲	–	Macro resilience supports the outlook but dispersion in currency pairs may extend with increasingly divergent regional economic performance. Short-term volatility may increase in an uncertain global monetary environment but potential USD weakness is a medium term benefit	

# Market data

## June 2023

	Close	MTD Change (%)	3M Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
<b>Equity Indices</b>								
<b>World</b>								
MSCI AC World Index (USD)	683	5.6	5.6	14.4	12.8	689	538	17.2
<b>North America</b>								
US Dow Jones Industrial Average	34,408	4.6	3.4	11.8	3.8	34,712	28,661	18.4
US S&P 500 Index	4,450	6.5	8.3	17.6	15.9	4,458	3,492	20.4
US NASDAQ Composite Index	13,788	6.6	12.8	25.0	31.7	13,864	10,089	30.5
Canada S&P/TSX Composite Index	20,155	3.0	0.3	6.9	4.0	20,843	17,873	14.1
<b>Europe</b>								
MSCI AC Europe (USD)	509	4.7	1.5	18.8	11.4	523	367	12.8
Euro STOXX 50 Index	4,399	4.3	1.9	27.3	16.0	4,420	3,250	12.4
UK FTSE 100 Index	7,532	1.1	-1.3	5.1	1.1	8,047	6,708	10.7
Germany DAX Index*	16,148	3.1	3.3	26.3	16.0	16,427	11,863	11.5
France CAC-40 Index	7,400	4.2	1.1	24.9	14.3	7,581	5,628	12.8
Spain IBEX 35 Index	9,593	6.0	3.9	18.5	16.6	9,659	7,190	11.1
Italy FTSE MIB	28,231	8.4	4.1	32.6	19.1	28,539	20,183	8.5
<b>Asia Pacific</b>								
MSCI AC Asia Pacific ex Japan (USD)	514	2.6	-1.9	-2.0	1.7	563	427	14.3
Japan Nikkei-225 Stock Average	33,189	7.5	18.4	25.7	27.2	33,773	25,622	19.5
Australian Stock Exchange 200	7,203	1.6	0.4	9.7	2.3	7,568	6,412	15.2
Hong Kong Hang Seng Index	18,916	3.7	-7.3	-13.5	-4.4	22,701	14,597	9.7
Shanghai Stock Exchange Composite Index	3,202	-0.1	-2.2	-5.8	3.7	3,425	2,885	11.3
Hang Seng China Enterprises Index	6,425	4.2	-7.8	-16.2	-4.2	7,795	4,919	8.9
Taiwan TAIEX Index	16,916	2.0	6.6	14.1	19.6	17,346	12,629	18.5
Korea KOSPI Index	2,564	-0.5	3.5	9.9	14.7	2,650	2,135	15.5
India SENSEX 30 Index	64,719	3.3	9.7	22.1	6.4	65,248	52,094	20.6
Indonesia Jakarta Stock Price Index	6,662	0.4	-2.1	-3.6	-2.8	7,377	6,543	2.2
Malaysia Kuala Lumpur Composite Index	1,377	-0.8	-3.2	-4.7	-7.9	1,528	1,369	13.3
Philippines Stock Exchange PSE Index	6,468	-0.1	-0.5	5.1	-1.5	7,138	5,699	12.6
Singapore FTSE Straits Times Index	3,206	1.5	-1.6	3.3	-1.4	3,408	2,969	9.8
Thailand SET Index	1,503	-2.0	-6.6	-4.2	-9.9	1,696	1,462	16.0
<b>Latam</b>								
Argentina Merval Index	426,281	24.6	73.5	381.9	110.9	442,749	87,006	5.2
Brazil Bovespa Index*	118,087	9.0	15.9	19.8	7.6	120,752	95,267	8.2
Chile IPSA Index	5,787	5.8	8.7	16.9	10.0	6,013	4,871	1.0
Colombia COLCAP Index	1,134	3.1	-2.1	-14.3	-11.9	1,361	1,085	6.1
Mexico S&P/BMV IPC Index	53,526	1.5	-0.7	12.6	10.4	55,627	44,519	12.3
<b>EEMEA</b>								
Russia MOEX Index	2,797	2.9	14.1	26.9	29.9	2,822	1,775	#N/A N/A
South Africa JSE Index	76,028	1.3	-0.1	14.8	4.1	81,338	62,194	9.6
Turkey ISE 100 Index*	5,759	17.8	19.7	139.4	4.5	5,972	2,359	6.1

Sources: Bloomberg, HSBC Asset Management. Data as at close of business 30 June 2023. (\*) Indices expressed as total returns. All others are price returns.

# Market data (continued)

## June 2023

	<b>3-month Change (%)</b>	<b>YTD Change (%)</b>	<b>1-year Change (%)</b>	<b>3-year Change (%)</b>	<b>5-year Change (%)</b>	<b>Dividend Yield (%)</b>
<b>Equity Indices - Total Return</b>						
Global equities	6.2	13.9	16.5	36.7	47.6	2.2
US equities	8.6	16.8	19.0	46.6	73.2	1.5
Europe equities	2.7	13.6	21.8	35.6	28.8	3.4
Asia Pacific ex Japan equities	-1.0	3.0	0.8	7.7	8.2	3.3
Japan equities	6.4	13.0	18.1	18.1	16.7	2.3
Latam equities	14.0	18.5	29.8	57.9	26.3	5.9
Emerging Markets equities	0.9	4.9	1.7	7.1	4.7	3.0

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.

	<b>Close</b>	<b>MTD Change (%)</b>	<b>3-month Change (%)</b>	<b>1-year Change (%)</b>	<b>YTD Change (%)</b>
<b>Bond indices - Total Return</b>					
BarCap GlobalAgg (Hedged in USD)	539	-0.1	0.1	0.5	3.0
JPM EMBI Global	798	1.9	1.5	6.8	3.8
BarCap US Corporate Index (USD)	3,063	0.4	-0.3	1.5	3.2
BarCap Euro Corporate Index (Eur)	233	-0.4	0.4	0.1	2.2
BarCap Global High Yield (USD)	523	2.1	2.0	10.1	4.9
BarCap US High Yield (USD)	2304	1.7	1.7	9.1	5.4
BarCap pan-European High Yield (USD)	500	0.6	2.1	11.4	5.6
BarCap EM Debt Hard Currency	394	1.7	1.3	6.0	3.6
Markit iBoxx Asia ex-Japan Bond Index (USD)	206	0.2	0.0	2.7	3.0
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	224	2.0	-2.3	6.9	0.7

# Market data (continued)

## June 2023

<b>Bonds</b>	<b>Close</b>	<b>End of last mth.</b>	<b>3-months Ago</b>	<b>1-year Ago</b>	<b>Year End 2022</b>
<b>US Treasury yields (%)</b>					
3-Month	5.28	5.39	4.69	1.63	4.34
2-Year	4.90	4.40	4.03	2.95	4.43
5-Year	4.16	3.75	3.57	3.04	4.00
10-Year	3.84	3.64	3.47	3.01	3.87
30-Year	3.86	3.86	3.65	3.18	3.96
<b>Developed market 10-year bond yields (%)</b>					
Japan	0.39	0.43	0.33	0.23	0.41
UK	4.38	4.18	3.49	2.23	3.66
Germany	2.39	2.28	2.29	1.33	2.57
France	2.93	2.85	2.79	1.91	3.11
Italy	4.07	4.08	4.09	3.26	4.70
Spain	3.38	3.33	3.30	2.42	3.65

	<b>Latest</b>	<b>MTD Change (%)</b>	<b>3-month Change (%)</b>	<b>1-year Change (%)</b>	<b>YTD Change (%)</b>	<b>52-week High</b>	<b>52-week Low</b>
<b>Commodities</b>							
Gold	1,919	-2.2	-2.5	6.2	5.2	2,063	1,615
Brent Oil	74.9	3.1	-6.1	-34.8	-12.8	115	70
WTI Crude Oil	70.6	3.7	-6.6	-33.2	-12.0	111	64
R/J CRB Futures Index	262	3.2	-2.1	-10.0	-5.7	302	254
LME Copper	8,316	2.8	-7.5	0.7	-0.7	9,551	6,955

# Market data (continued)

## June 2023

Currencies (vs USD)	Latest	End of last mth.	3-mths Ago	1-year Ago	Year End 2022	52-week High	52-week Low
<b>Developed markets</b>							
DXY index	102.91	104.33	102.51	104.69	103.52	114.78	100.79
EUR/USD	1.09	1.07	1.08	1.05	1.07	1.11	0.95
GBP/USD	1.27	1.24	1.23	1.22	1.21	1.28	1.04
CHF/USD	1.12	1.10	1.09	1.05	1.08	1.13	0.99
CAD	1.32	1.36	1.35	1.29	1.36	1.40	1.27
JPY	144.3	139.3	132.9	135.7	131.1	152.0	127.2
AUD	1.50	1.54	1.50	1.45	1.47	1.62	1.40
NZD	1.63	1.66	1.60	1.60	1.57	1.81	1.53
<b>Asia</b>							
HKD	7.84	7.83	7.85	7.85	7.80	7.85	7.76
CNY	7.25	7.11	6.87	6.70	6.90	7.33	6.68
INR	82.04	82.73	82.18	78.97	82.74	83.29	78.50
MYR	4.67	4.61	4.42	4.41	4.40	4.75	4.23
KRW	1,318	1,326	1,302	1,299	1,266	1,445	1,216
TWD	31.14	30.75	30.45	29.72	30.72	32.34	29.66
<b>Latam</b>							
BRL	4.79	5.06	5.06	5.26	5.28	5.53	4.75
COP	4,172	4,451	4,623	4,155	4,853	5,131	4,084
MXN	17.12	17.69	18.05	20.12	19.50	21.05	17.02
ARS	256.73	239.47	208.99	125.22	177.13	256.77	125.95
<b>EEMEA</b>							
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	18.85	19.73	17.80	16.28	17.04	19.92	16.11



## 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 **June 2023**, HSBC Asset Management's long-term expected return forecasts which were generated as **at 31 May 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 **31 May 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 **30 June 2023**.

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