

Asset Management

Investment Monthly

Disinflationary paths

August 2023

For Professional Clients only.



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Opening up a world of opportunity

Macro Outlook

- ◆ In the **West**, disinflationary trends are underway, and are likely to continue given the amount of central bank policy tightening to date. Sticky core inflation is still a key concern for central bankers though
- ◆ In the US, upwardly revised growth figures are raising hopes of a soft landing. However, we maintain our view of a recession towards the end of 2023, as the more restrictive rate hikes start to meaningfully impact labour markets
- ◆ In the **East**, benign inflation trends have already prompted central banks to pause hiking. Weaker global growth will drag on trade, but tailwinds from a weaker US dollar and pockets of supportive policy can keep growth resilient

House View

- ◆ We believe a **defensive portfolio positioning** makes sense given the downside risks to riskier asset classes. Our central scenario of 'Choppy Markets' does not appear to be factored into many equity and credit markets
- ◆ We have a preference for **short-duration fixed income**, which can outperform when a recession materialises. **High-quality credits** also offer good income opportunities with reduced default risk
- ◆ Many **EM asset classes** are attractive given better valuations and the much better macro outlook vs DMs. The prospect of Fed cuts and further dollar weakness later in the year is also a plus







Policy Outlook

- ◆ The **Fed is likely at peak hawkishness** following its recent 25bp hike. Stabilising monthly increases in core inflation are likely to prompt a pause, but we believe the first Fed rate cut will come at the end of 2023 as recession hits
- ◆ The **ECB** recently delivered a 'dovish hike' of 25bp and dropped its especially hawkish tone of recent months. Further hiking is likely as it adopts a 'data-dependent' approach, but these may be limited given near-term growth risks
- ◆ Rollouts of targeted fiscal policy support in **China** looks likely after the Politburo meeting. Following the **Bank of Japan's** recent policy tweak, a gradual normalisation of the yield curve control framework looks likely

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

Our global scenarios

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

A **defensive portfolio positioning** makes sense given the downside risks not factored into many markets. **Short-duration fixed income** can outperform when a recession materialises, while **high quality credits** offer good income opportunities. Cheaper valuations and a better macro outlook benefit many **EM asset classes**

- ◆ **Equities** – For DM markets, our central view of a recession brings with it considerable downside risks to earnings which are not currently priced in. This means there is the risk of large drawdowns. By contrast, EM markets are supported by cheaper valuations and much a better macro outlook. Using country allocations in this space can be a way to outperform
- ◆ **Government bonds** – A combination of continuing disinflation and recession can lead to central bank rate cuts. This can benefit government bonds. We have a particular preference for short-duration US Treasuries
- ◆ **Corporate bonds** – High-quality credits with solid balance sheets can provide good income opportunities while mitigating default risks. Caution is warranted in the high-yield space though as default rates start to climb

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

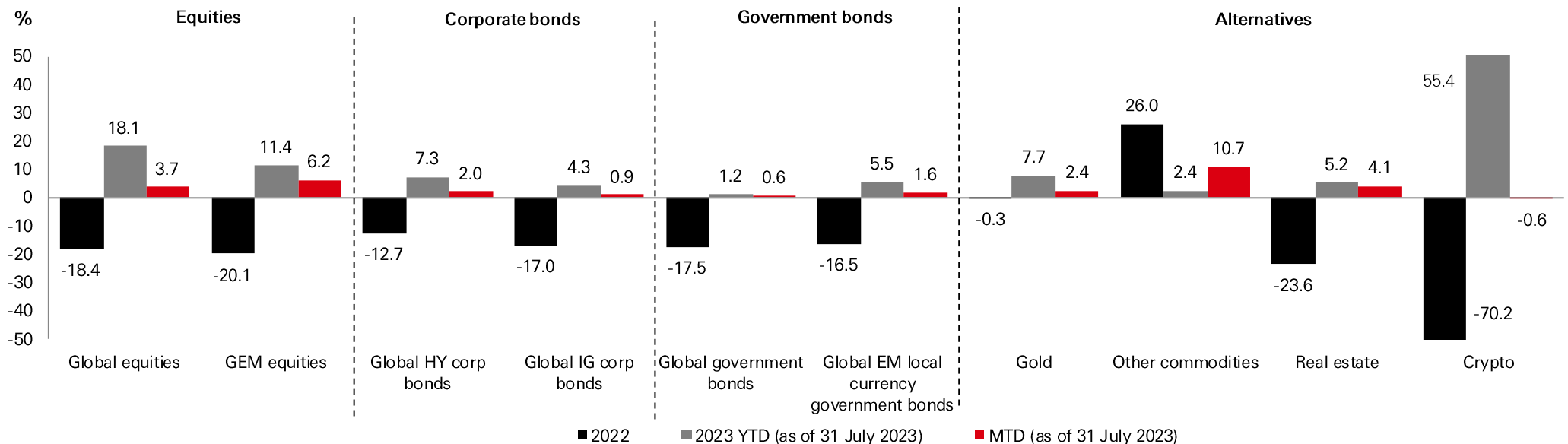
▲ Positive
↔ Neutral
▼ Negative

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

Asset class performance at a glance

Global equities rose in July after upwardly revised growth figures and ongoing disinflationary trends raised hopes of a soft landing. Upward surprises to corporate earnings reports also helped boost investor risk appetite

- ◆ **Government bonds** – Global government bonds edged higher (yields fell slightly) as investor attention shifted towards the rates outlook. The possibility of peak Fed hawkishness and a slightly dovish tilt by the ECB, fuelled by moderating aggregate demand and disinflation, helped to raise demand
- ◆ **Alternatives** – Gold prices rose, supported by the prospect of the end of Fed rate hikes. Other commodities rose as hopes of a soft landing boosted demand. OPEC production cuts also helped push up oil prices. Crypto prices edged lower, with regulatory concerns outweighing upticks in sentiment stemming from soft landing hopes



Past performance does not predict future returns. Source: Bloomberg, all data above as of close of 31 July 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"> ◆ Like Q1, Q2 GDP growth was also revised upwards with consumer spending proving robust. Private investment growth also contributed strongly to the figure. Consumer confidence is still holding up with hopes of a soft landing increasing, but there are questions over whether these drivers can continue as the labour market cools ◆ In light of elevated core inflation, the Fed opted to hike rates further by 25bp in its most recent meeting. The Fed now views policy as meaningfully restrictive and it is likely that recent policy moves will gradually accelerate current disinflationary trends
Europe	<ul style="list-style-type: none"> ◆ Despite a small upside surprise to Q2 GDP growth, Eurozone growth is proving sluggish, with it falling on a yoy basis. Despite sticky core inflation, the ECB became more dovish in their recent meeting, acknowledging the effect rates were having on broad demand ◆ In the UK, CPI inflation surprised to the downside, however is still well above the central bank target, with more rate hikes likely. Activity levels are moderate, driven by the services side of the economy, but proved weaker than expected.
Asia	<ul style="list-style-type: none"> ◆ Recent Chinese economic data suggests softening domestic demand and property market weakness, despite some nascent signs of manufacturing stabilisation. Rollouts of more targeted policy measures may help revive growth and investor confidence ◆ India's macro backdrop remains resilient, though cyclical growth may moderate amid a weakening external environment. Abating core inflation momentum may allow the RBI to continue its rate tightening pause, despite a slight rebound in food prices ◆ Japan's data still indicates a recovery in domestic demand despite headwinds to its production and trade. The BoJ's surprise adjustment to its YCC programme increased its operational flexibility, but has raised some uncertainty over its monetary outlook
Other EM	<ul style="list-style-type: none"> ◆ Core services inflation is showing some inertia, but disinflationary trends, at the headline level, are playing out strongly in Latin America, with headline inflation falling and even surprising to the downside. Many central banks are at turning points in their hiking cycles ◆ Growth is surprising to the upside, but many countries are experiencing an activity moderation in Eastern Europe. Headline inflation is falling but decelerating at varied rates, with sticky core inflation likely to keep policy rates restrictive ◆ In MENA, activity indicators are strong and sit above pre-pandemic averages but low oil prices are a risk to the outlook. Central banks have followed the Fed in hiking rates despite moderate inflation, yet these could be coming to an end

Base case view and implications

<ul style="list-style-type: none"> ◆ US equity 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 ◆ A US recession is likely be accompanied by Fed rate cuts. This can lead to falling US Treasury yields, particularly at the shorter-end of the yield curve
<ul style="list-style-type: none"> ◆ European equities are facing profitability pressures as recession concerns mount and activity slows. Valuations can also be pressured if the ECB delivers more hiking than expected ◆ European government bond 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
<ul style="list-style-type: none"> ◆ Chinese equities are still favourably valued, and they can outperform should the ongoing implementation of policy support improve 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 continue to be supported by their macro resilience, though their growth may moderate amid rising global uncertainties. Their defensive qualities remain attractive
<ul style="list-style-type: none"> ◆ Attractive valuations, relative macro resilience and the prospect of Fed rate cuts later this year support the EM equity outlook. In addition, given the regional divergence, selective regional allocations can serve to add to portfolio diversification ◆ Benign inflationary trends may prompt some EM central banks to start cutting rates soon. This provides support for EM fixed income. A weakened dollar can benefit international investors, but sticky core inflation and broader credit stresses are key risks

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, considerable uncertainty over UK inflation amid continued wage growth look set to prompt further rate hikes by the Bank of England. This may keep valuations depressed and challenge profitability
	Eurozone	▼	–	Despite the ECB's recent 'dovish hike', additional rate hikes cannot be ruled out. Eurozone equities have been range-bound in recent months, but further hikes may dampen valuations given the particularly strong start to the year. They also create recession risks, adding further pressure
	Japan	▲	–	A gradual increase in JGB yields may pressure valuations, with potential yen appreciation also serving as a headwind. However, domestic reopening provides support, with the economy relatively sheltered from rate hikes globally. This creates a robust earnings outlook
	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	▼	–	In emerging Europe, activity is proving better than expected but 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 is the main upside risk factor to yields. Nevertheless, as recession materialises towards the end of this year, central banks may start to cut rates, boosting performance
	US	▲	–	The Fed has acknowledged that rates are in restrictive territory, and with the disinflationary process underway, further rate hikes seem improbable. In fact, rates may fall as recession materialises, and this is likely to bring with it falling yields
	UK	↔	–	Despite recent prints, inflation still sits well above the Bank of England's target with risks of a wage-price spiral given the particularly tight labour market creating upside risk to bond yields. Over a medium term though, we anticipate a policy-induced recession should bring bond yields down
	Eurozone	↔	–	The ECB recently delivered a 'dovish hike', opting to take a data-dependent approach to policy. Bad news on core inflation may push yields higher. However amid sluggish growth, the eurozone may sink into recession in early 2024 which may be accompanied by a period of outperformance
	Japan	▼	–	The Bank of Japan tweaked its "Yield Curve Control" framework amid mounting pressure, and we believe there will be a gradual normalisation of policy, lifting yields. 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 and targeted policy support bodes well for growth in large portions of the EM region. This is a positive for flows into EM assets and EM FX, with a strengthening of EM FX benefitting international investors

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 while avoiding the risks associated with downgrades and defaults
	USD IG	▲	–	Typically, spreads peak after policy tightening is concluded suggesting there could be some spread widening in the very near term. They also do not appear to factor in recession risks, however yields are attractive and can be of interest to investors
	EUR and GBP IG	▲	–	There is some room for spreads to rise as policy tightening effects set in, especially given the spread narrowing this past month. However all-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
	Global high-yield (HY)	↔	–	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	↔	–	While resilient, corporate profits appear to be on a downward trend. 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. Some caution is warranted
	Europe HY	↔	–	Valuations are neutral and spreads may widen if the ECB ends up delivering more hikes than expected. While overall yields are high, we remain cautious given our view of recession in early 2024, particularly as more and more corporates need to refinance
	Asia HY	↔	–	Spreads have narrowed 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
	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. With the Fed now at what appears to be peak hawkishness, this can also be beneficial for the asset class
FX & Alternatives	Gold	▲	–	Strong central bank buying can continue to serve as a tailwind while diversification properties are also attractive. Our view of Fed rate cuts towards the end of the year also supports the outlook
	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 still 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 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
	Hedge funds	▲	–	Hedge funds can be good diversifiers while we remain in a high inflation environment and should there be sharp upticks in volatility. Macro and CTA strategies can be particularly attractive alternatives to bonds when there are positive stock-bond correlations
	Private equity	↔	–	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
	US dollar	▼	–	Broader disinflation in the US and the fact that we are very likely at 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
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	

Asset class positioning

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▲ Positive
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▼ Negative

View move:

– No change
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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	↔	–	Ongoing targeted policy support is expected, in addition to the already supportive liquidity conditions. Although long-term diversification benefits remain intact, strong primary supply may limit the upside in the medium term
	Asia ex-Japan equities	▲	–	More policy rollouts in China to sustain growth momentum and less aggressive tightening by Asian central banks may support sentiment. Macro uncertainties, geopolitics, margin erosion, and earnings downgrades remain key risks. Greater dispersion in regional markets remains likely
	China equities	▲	–	The implementation of more targeted policy support in China and relatively attractive valuations may help revive some investor confidence, but risks to the outlook linger from weaker external demand, a narrow-based recovery in China's domestic activities, and a weak short-term RMB
	India equities	▲	–	While rich valuations are a concern, Indian equities show more solid earnings growth potential with a strong structural story amid favourable reform prospects. The RBI's pause to its rate tightening is also positive amid moderating core inflation momentum
	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	▲	–	On top of their compelling valuations, Hong Kong's cyclical recovery supports the earnings outlook. Lingering global growth uncertainties remain the key downside risk to their performance but domestic market strength should help offset this
	Asia FX	▲	–	The macro backdrop supports the outlook but dispersion in currency pairs may extend with their divergent economic performance. Potential USD weakness is a medium term benefit, but increases in short-term volatility are possible given uncertainties around the global monetary environment

Market data

July 2023

	Close	MTD Change (%)	3M Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
Equity Indices								
World								
MSCI AC World Index (USD)	707	3.6	8.0	10.9	16.8	708	538	17.8
North America								
US Dow Jones Industrial Average	35,560	3.3	4.3	8.3	7.3	35,645	28,661	19.5
US S&P 500 Index	4,589	3.1	10.1	11.1	19.5	4,607	3,492	21.1
US NASDAQ Composite Index	14,346	4.0	17.3	15.8	37.1	14,447	10,089	31.0
Canada S&P/TSX Composite Index	20,627	2.3	0.0	4.7	6.4	20,843	17,873	14.7
Europe								
MSCI AC Europe (USD)	524	3.1	0.9	16.8	14.8	528	367	13.1
Euro STOXX 50 Index	4,471	1.6	2.6	20.6	17.9	4,492	3,250	12.5
UK FTSE 100 Index	7,699	2.2	-2.2	3.7	3.3	8,047	6,708	11.1
Germany DAX Index*	16,447	1.9	3.3	22.0	18.1	16,529	11,863	11.6
France CAC-40 Index	7,498	1.3	0.1	16.3	15.8	7,581	5,628	12.7
Spain IBEX 35 Index	9,642	0.5	4.3	18.2	17.2	9,742	7,190	10.8
Italy FTSE MIB	29,645	5.0	9.5	32.3	25.0	29,758	20,183	8.3
Asia Pacific								
MSCI AC Asia Pacific ex Japan (USD)	542	5.4	5.3	3.7	7.1	563	427	15.2
Japan Nikkei-225 Stock Average	33,172	-0.1	15.0	19.3	27.1	33,773	25,622	19.2
Australian Stock Exchange 200	7,410	2.9	1.4	6.7	5.3	7,568	6,412	15.8
Hong Kong Hang Seng Index	20,079	6.1	0.9	-0.4	1.5	22,701	14,597	10.0
Shanghai Stock Exchange Composite Index	3,291	2.8	-1.0	1.2	6.5	3,419	2,885	11.4
Hang Seng China Enterprises Index	6,899	7.4	2.9	0.2	2.9	7,774	4,919	9.2
Taiwan TAIEX Index	17,145	1.4	10.1	14.3	21.3	17,464	12,629	19.1
Korea KOSPI Index	2,633	2.7	5.2	7.4	17.7	2,668	2,135	15.4
India SENSEX 30 Index	66,528	2.8	8.9	15.6	9.3	67,619	56,147	21.1
Indonesia Jakarta Stock Price Index	6,931	4.0	0.2	-0.3	1.2	7,377	6,543	2.4
Malaysia Kuala Lumpur Composite Index	1,459	6.0	3.1	-2.2	-2.4	1,528	1,369	13.8
Philippines Stock Exchange PSE Index	6,591	1.9	-0.5	4.4	0.4	7,138	5,699	12.7
Singapore FTSE Straits Times Index	3,374	5.2	3.2	5.1	3.8	3,408	2,969	10.8
Thailand SET Index	1,556	3.5	1.8	-1.3	-6.7	1,696	1,462	17.0
Latam								
Argentina Merval Index	457,138	7.2	53.4	273.1	126.2	479,112	117,145	8.5
Brazil Bovespa Index*	121,943	3.3	16.8	18.2	11.1	123,010	96,997	8.7
Chile IPSA Index	6,394	10.5	18.1	21.6	21.5	6,449	4,871	1.5
Colombia COLCAP Index	1,175	3.6	-2.0	-9.4	-8.7	1,348	1,085	6.0
Mexico S&P/BMV IPC Index	54,819	2.4	-0.5	13.9	13.1	55,627	44,519	12.7
EEMEA								
Russia MOEX Index	3,074	9.9	16.6	38.8	42.7	3,091	1,775	#N/A N/A
South Africa JSE Index	78,978	3.9	1.0	14.6	8.1	81,338	62,194	10.4
Turkey ISE 100 Index*	7,217	25.3	56.3	178.4	31.0	7,297	2,600	7.1

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

Market data (continued)

July 2023

	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)	Dividend Yield (%)
Equity Indices - Total Return						
Global equities	8.5	18.1	12.9	34.6	48.6	2.1
US equities	10.9	20.8	12.6	43.1	72.9	1.5
Europe equities	1.7	17.1	19.6	34.6	28.4	3.4
Asia Pacific ex Japan equities	6.5	9.0	6.6	5.5	13.2	3.2
Japan equities	9.2	16.4	15.1	23.6	19.7	2.2
Latam equities	16.8	24.6	30.9	49.7	21.6	5.7
Emerging Markets equities	8.4	11.4	8.3	4.5	8.9	2.9

All total returns quoted in USD terms.

Data sourced from MSCI AC World Total Return Index, MSCI USA Total Return Index, MSCI AC Europe Total Return Index, MSCI AC Asia Pacific ex Japan Total Return Index, MSCI Japan Total Return Index, MSCI Latam Total Return Index and MSCI Emerging Markets Total Return Index.

	Close	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
Bond indices - Total Return					
BarCap GlobalAgg (Hedged in USD)	539	0.0	-0.4	-1.9	3.0
JPM EMBI Global	810	1.6	2.6	5.2	5.5
BarCap US Corporate Index (USD)	3,074	0.3	-0.7	-1.3	3.6
BarCap Euro Corporate Index (Eur)	235	1.1	0.8	-3.4	3.3
BarCap Global High Yield (USD)	532	1.8	3.4	7.2	6.8
BarCap US High Yield (USD)	2335	1.4	2.1	4.4	6.8
BarCap pan-European High Yield (USD)	507	1.4	2.8	7.7	7.0
BarCap EM Debt Hard Currency	399	1.3	2.0	5.4	4.9
Markit iBoxx Asia ex-Japan Bond Index (USD)	207	0.2	-0.3	2.5	3.2
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	221	-1.2	-2.6	8.2	-0.5

Market data (continued)

July 2023

Bonds	Close	End of last mth.	3-months Ago	1-year Ago	Year End 2022
US Treasury yields (%)					
3-Month	5.40	5.28	5.03	2.32	4.34
2-Year	4.88	4.90	4.01	2.88	4.43
5-Year	4.18	4.16	3.48	2.68	4.00
10-Year	3.96	3.84	3.42	2.65	3.87
30-Year	4.01	3.86	3.67	3.01	3.96
Developed market 10-year bond yields (%)					
Japan	0.60	0.39	0.39	0.18	0.41
UK	4.31	4.38	3.72	1.86	3.66
Germany	2.49	2.39	2.31	0.81	2.57
France	3.02	2.93	2.88	1.38	3.11
Italy	4.10	4.07	4.17	3.01	4.70
Spain	3.51	3.38	3.36	1.91	3.65

	Latest	MTD Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Commodities							
Gold	1,965	2.4	-1.3	11.3	7.7	2,063	1,615
Brent Oil	85.6	14.2	7.6	-22.2	-0.4	105	70
WTI Crude Oil	81.8	15.8	6.5	-17.1	1.9	99	64
R/J CRB Futures Index	282	7.7	5.2	-3.4	1.6	302	254
LME Copper	8,832	6.2	2.7	11.5	5.5	9,551	7,220

Market data (continued)

July 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	101.86	102.91	101.66	105.90	103.52	114.78	99.58
EUR/USD	1.10	1.09	1.10	1.02	1.07	1.13	0.95
GBP/USD	1.28	1.27	1.26	1.22	1.21	1.31	1.04
CHF/USD	1.15	1.12	1.12	1.05	1.08	1.18	0.99
CAD	1.32	1.32	1.36	1.28	1.36	1.40	1.27
JPY	142.3	144.3	136.3	133.3	131.1	152.0	127.2
AUD	1.49	1.50	1.51	1.43	1.47	1.62	1.40
NZD	1.61	1.63	1.62	1.59	1.57	1.81	1.53
Asia							
HKD	7.80	7.84	7.85	7.85	7.80	7.85	7.76
CNY	7.14	7.25	6.91	6.74	6.90	7.33	6.69
INR	82.25	82.04	81.83	79.27	82.74	83.29	78.50
MYR	4.51	4.67	4.46	4.45	4.40	4.75	4.23
KRW	1,275	1,318	1,339	1,299	1,266	1,445	1,216
TWD	31.43	31.14	30.74	29.94	30.72	32.34	29.66
Latam							
BRL	4.73	4.79	4.99	5.17	5.28	5.53	4.70
COP	3,891	4,172	4,695	4,296	4,853	5,131	3,884
MXN	16.74	17.12	18.00	20.37	19.50	20.83	16.63
ARS	275.27	256.73	222.64	131.26	177.13	275.33	132.04
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	17.85	18.85	18.29	16.62	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 **July 2023**, HSBC Asset Management's long-term expected return forecasts which were generated as **at 30 June 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 June 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 July 2023**.

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