

Investment Daily

US stocks rose amid optimism over resuming economic activity; Treasuries fell

European stocks and core government bond yields rose amid optimism around the reopening of economies

Asian stock markets rose as investors weighed the prospect of further policy support and geopolitical tensions

Global stocks rose amid optimism over economic reopening

US equities advanced on Tuesday, as investors weighed the prospects of economic reopening and recovery, but pulled back from the intraday highs amid lingering concerns over US-China tensions. The S&P 500 closed 1.2% higher.

US Treasuries fell (yields rose) as equities gained on improved investor risk sentiment amid optimism over resuming economic activity around the world, while heavy, record-sized supply ahead weighed on the market. The USD44bn auction of two-year notes was awarded at a record low 0.178% while the size matched the largest sales since 2010. Meanwhile, the Fed plans to slow its purchases of Treasuries, to around USD20bn this week down from USD30bn last week and USD35bn two weeks ago. 10-year yields rose 4bp to close at 0.70%.

European stocks rose on Tuesday amid continued optimism about economies reopening and limited signs of a "second wave" of COVID-19 cases across the region. Overall, the Euro Stoxx 50 rose 0.9%, led by gains in bank stocks. In Germany, the DAX rose 1.0% as France's CAC 40 ended 1.5% higher. Meanwhile in the UK, the FTSE 100 gained 1.2%.

Most **European government bonds** fell (yields rose) on Tuesday amid an increase in perceived investor risk-sentiment amid optimism around the outlook for the economy. In Germany, 10-year bund yields rose 7bp to -0.43% as French equivalent yields rose 6bp to 0.01%. Meanwhile in the periphery, yields were mixed; Spanish 10-year yields rose 8bp as Italian 10-years fell 2bp. In the UK, 10-year gilt yields rose 4bp to 0.21%.

Asian stock markets rallied on Tuesday, continuing to reverse the losses seen in the prior week, as investors weighed up the prospect of further policy support measures against a backdrop of geopolitical tensions. Japan's Nikkei 225 gained 2.6% following remarks by the Bank of Japan that it may do more to support the economic fallout from COVID-19. Australia's ASX200 made strong gains of 2.9% as Prime Minister Scott Morrison signalled the government would continue to support economic growth in the medium term. Meanwhile, Korea's KOSPI advanced 1.8% as India's SENSEX edged 0.2% lower.

Crude oil prices rallied on Tuesday, after Nigeria and Algeria, both OPEC members, lifted the official selling prices for their supply, displaying signs of confidence that the market is stabilising as output cuts have started to reduce a massive oversupply while demand is showing tentative signs of picking up as some economies ease lockdowns. WTI crude for July delivery rose 3.3% to settle at USD34.4 a barrel. Futures retreated in Asian trading following a report that Russia was planning to start scaling back output curbs from July, sticking to the terms of the OPEC+ deal struck earlier this year.

Key Data Releases and Events

Yesterday

The **S&P/CoreLogic 20-City composite** of home prices picked up 0.4ppt to a 15-month high of 3.92% yoy in March, surprising forecasts for an anticipated moderation to 3.44% yoy. The index sponsor said Detroit was excluded from the latest release because the COVID-19 outbreak prevented data collection in a key region of the metro area. On an annual basis, Phoenix, Seattle, and Charlotte saw the largest increases.

Meanwhile, the **Conference Board Consumer Confidence index** edged up to 86.6 in April, slightly below an expected 87.0. The expectations sub-index increased to 96.9, while the present situation sub-index cooled to 71.1. As historical context, the headline measure bottomed out at 25.3 during the Great Financial Crisis. This would suggest expanded government safety nets have helped stabilize household sentiment, despite record unemployment rates. The labour force differential measure (difference between those saying jobs were "plentiful" and "hard to get") also rose 5.3pts to -10.4.

Finally, **US new home sales** unexpectedly rose 0.6% mom to an annualized 623,000 in April, compared to an expected -23.4% mom to 480,000. Sales activity rose in 3 of the 4 regions, with only the West logging a decline of 6.3% mom. New homes sold that have "not started" construction jumped 26.5% mom in April, following a 24.6% mom fall in March. However, the median price of single family homes sold dipped amid slower sales for higher priced segments.

Releases due today (27 May 2020)

There are no major economic releases today.



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Produced by the Global Investment Strategy Unit (globalassetmanagement.investmentstrategy@hsbc.com)

Market Snapshot

Equity Indices	Close	1-day Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
World									
MSCI AC World Index (USD)	502	1.6	6.3	-7.0	0.1	-11.2	581	379	20.6
North America									
US Dow Jones Industrial Average	24,995	2.2	5.1	-7.3	-2.3	-12.4	29,569	18,214	22.8
US S&P 500 Index	2,992	1.2	5.5	-4.0	5.9	-7.4	3,394	2,192	24.0
US NASDAQ Composite Index	9,340	0.2	8.2	4.0	22.3	4.1	9,838	6,631	34.3
Canada S&P/TSX Composite Index	15,148	0.5	5.0	-11.1	-6.7	-11.2	17,971	11,173	24.2
Europe									
MSCI AC Europe (USD)	394	1.9	7.2	-13.4	-10.2	-18.8	492	307	18.7
Euro Stoxx 50 Index	2,999	0.9	6.8	-16.2	-10.5	-19.9	3,867	2,303	17.7
UK FTSE 100 Index	6,068	1.2	5.5	-13.8	-16.6	-19.6	7,727	4,899	17.8
Germany DAX Index	11,505	1.0	11.3	-9.9	-4.2	-13.2	13,795	8,256	18.9
France CAC-40 Index	4,606	1.5	4.8	-19.0	-13.4	-22.9	6,111	3,632	18.5
Spain IBEX 35 Index	7,004	2.1	5.9	-24.8	-23.7	-26.7	10,100	5,815	21.0
Italy FTSE MIB Index	17,860	1.5	5.9	-23.7	-12.3	-24.0	25,483	14,153	18.9
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	475	2.1	4.2	-9.4	-4.8	-14.0	575	384	15.2
Japan Nikkei-225 Stock Average	21,271	2.6	10.4	-5.2	0.7	-10.1	24,116	16,358	19.5
Australian Stock Exchange 200	5,780	2.9	10.3	-13.8	-10.5	-13.5	7,197	4,403	20.3
Hong Kong Hang Seng Index	23,385	1.9	-1.9	-12.4	-14.5	-17.0	29,175	21,139	10.9
Shanghai Composite Index	2,847	1.0	1.4	-4.7	-0.2	-6.7	3,127	2,647	11.7
Hang Seng China Enterprises Index	9,595	1.4	-0.6	-8.6	-8.1	-14.1	11,502	8,290	8.4
Taiwan TAIEX Index	10,997	1.2	6.3	-3.8	6.5	-8.3	12,198	8,524	16.9
Korea KOSPI Index	2,030	1.8	7.5	-2.3	-0.8	-7.6	2,277	1,439	14.3
India SENSEX 30 Index	30,609	-0.2	-2.3	-23.3	-22.4	-25.8	42,274	25,639	16.7
Indonesia Jakarta Stock Price Index	4,627	1.8	2.9	-18.7	-23.6	-26.6	6,468	3,912	13.6
Malaysia Kuala Lumpur Composite Index	1,437	0.0	4.9	-3.9	-10.1	-9.6	1,695	1,208	17.7
Philippines Stock Exchange PSE Index	5,497	-0.8	0.6	-20.4	-29.0	-29.7	8,420	4,039	14.5
Singapore FTSE Straits Times Index	2,530	1.2	0.5	-18.8	-20.2	-21.5	3,387	2,208	13.4
Thailand SET Index	1,336	1.1	6.1	-2.2	-17.2	-15.4	1,748	969	19.7
Latam									
Argentina Merval Index	41,060	0.2	40.3	12.7	17.0	-1.5	44,471	22,061	9.4
Brazil Bovespa Index*	85,469	-0.2	13.5	-19.2	-8.7	-26.1	119,593	61,691	19.4
Chile IPSA Index	3,734	-0.5	1.5	-13.1	-23.5	-20.0	5,194	2,851	14.4
Colombia COLCAP Index	1,073	1.4	-4.4	-32.5	-28.0	-35.5	1,682	881	23.7
Mexico S&P/BMV IPC Index	36,207	1.0	4.7	-15.3	-15.0	-16.8	45,955	32,503	15.0
EEMEA									
Russia MOEX Index	2,758	-0.1	7.5	-8.7	5.1	-9.6	3,227	2,074	9.6
South Africa JSE Index	50,074	1.1	2.2	-8.1	-7.0	-11.4	59,273	37,178	12.7
Turkey ISE 100 Index*	103,024	0.0	4.3	-10.5	19.7	-10.0	124,537	81,936	8.2

*Indices expressed as total returns. All others are price returns.

Equity Indices - Total Return	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)
Global equities	-6.4	-10.5	1.9	14.6	27.1
US equities	-3.3	-6.3	8.0	29.9	52.7
Europe equities	-12.5	-17.8	-8.0	-6.0	-1.6
Asia Pacific ex Japan equities	-8.9	-13.4	-2.3	3.0	7.3
Japan equities	-1.8	-8.9	3.7	8.7	14.2
Latam equities	-29.6	-38.7	-29.5	-25.5	-20.3
Emerging Markets equities	-10.7	-16.3	-3.6	-2.0	1.8

All total return data quoted in USD terms and subject to a one-day lag. Data sourced from MSCI AC World Total Return Index, MSCI US Total Return Index, MSCI AC Europe Total Return Index, MSCI AC Asia Pacific ex Japan Total Return Index, MSCI Japan Total Return Index, MSCI Emerging Latin America Total Return Index, and MSCI Emerging Markets Total Return Index.

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

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Source: Bloomberg, HSBC Global Asset Management.

Data as of previous trading day's respective market close, except for BarCap GlobalAgg, BarCap US Corporate Index, BarCap Global High Yield and LME copper which are as of previous two trading days' market close.

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27/05/2020 Investment Daily 2

Market Snapshot 2

Bond indices - Total Return	Close	1-day Change (Index Pts.)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
BarCap GlobalAgg (Hedged in USD)	585	0.0	0.4	0.5	7.5	3.2
JPM EMBI Global	843	4.5	7.8	-6.5	2.3	-4.3
BarCap US Corporate Index (USD)	3,315	1.8	0.9	-1.2	10.3	2.3
BarCap Euro Corporate Index (Eur)	251	0.3	0.5	-4.2	-0.6	-3.1
BarCap Global High Yield (Hedged in USD)	476	0.0	4.3	-8.2	-2.6	-7.8
Markit iBoxx Asia ex-Japan Bond Index (USD)	216	0.0	2.2	-2.2	5.0	0.2
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	261	-0.1	3.3	-5.9	-0.8	-4.7

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

Bonds	Close	1-day Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2019
US Treasury yields (%)						
3-month	0.12	0.11	0.10	1.51	2.34	1.54
2-Year	0.17	0.17	0.22	1.16	2.16	1.57
5-Year	0.35	0.33	0.37	1.16	2.12	1.69
10-Year	0.70	0.66	0.60	1.34	2.32	1.92
30-Year	1.44	1.37	1.17	1.82	2.75	2.39

Developed market 10-year bond yields (%)						
Japan	0.00	-0.01	-0.03	-0.09	-0.08	-0.02
UK	0.21	0.17	0.29	0.50	0.96	0.82
Germany	-0.43	-0.50	-0.48	-0.51	-0.12	-0.19
France	0.01	-0.05	0.02	-0.23	0.28	0.12
Italy	1.55	1.57	1.84	0.99	2.55	1.41
Spain	0.69	0.61	0.95	0.25	0.82	0.46

Currencies (vs US dollar)	Latest	1-day Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2019	52-week High	52-week Low
Developed markets								
EUR/USD	1.10	1.09	1.08	1.09	1.12	1.12	1.15	1.06
GBP/USD	1.23	1.22	1.24	1.29	1.27	1.32	1.35	1.14
CHF/USD	1.03	1.03	1.03	1.03	1.00	1.03	1.09	0.99
CAD	1.39	1.40	1.41	1.33	1.34	1.30	1.47	1.30
JPY	107.7	107.7	107.5	110.4	109.3	108.5	112.2	101.2
AUD	1.51	1.53	1.56	1.52	1.44	1.43	1.81	1.41
NZD	1.62	1.64	1.66	1.59	1.53	1.48	1.83	1.47

Asia								
HKD	7.75	7.75	7.75	7.79	7.85	7.79	7.85	7.75
CNY	7.13	7.14	7.08	7.02	6.90	6.96	7.19	6.83
INR	75.67	75.96	76.46	71.66	69.53	71.38	76.92	68.29
MYR	4.36	4.36	4.36	4.23	4.19	4.09	4.45	4.05
KRW	1,234	1,244	1,236	1,217	1,188	1,156	1,294	1,149
TWD	29.97	30.06	30.07	30.38	31.51	29.99	31.73	29.71

Latam								
BRL	5.35	5.45	5.59	4.45	4.02	4.02	5.97	3.72
COP	3,732	3,778	4,042	3,460	3,359	3,287	4,237	3,164
MXN	22.14	22.63	24.98	19.18	19.05	18.93	25.78	18.52

EEMEA								
RUB	70.94	71.53	74.55	65.62	64.47	62.17	82.87	60.88
ZAR	17.41	17.60	19.04	15.33	14.41	14.02	19.35	13.81
TRY	6.76	6.81	6.97	6.16	6.08	5.95	7.27	5.45

Commodities	Latest	1-day ago	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,727	1,728	-0.2	4.7	34.4	13.4	1,765	1,275
Brent Oil	36.2	35.5	68.7	-32.3	-47.3	-45.2	72	16
WTI Crude Oil	34.4	33.3	102.8	-29.5	-41.4	-43.7	66	-40
R/J CRB Futures Index	132	130	16.7	-20.8	-26.3	-29.2	188	101
LME Copper	5,362	5,289	4.3	-5.4	-10.0	-13.2	6,343	4,371

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Source: Bloomberg, HSBC Global Asset Management.

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27/05/2020 Investment Daily 3

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