

Investment Daily

US stocks rose amid fiscal stimulus optimism and tepid inflation data; Treasuries edged higher

European stocks rose amid impressive earnings; government bond yields ended lower

Asian stock markets lacked clear direction; Chinese equities rebounded

US stocks rose as USD1.9trn Covid-19 bill passed the House

US equities rose on Wednesday as investors cheered a USD1.9 trillion pandemic relief package that passed the US House and is set to be signed by President Biden later this week. Investors also weighed core CPI inflation that rose slightly less than expected, while the headline price gauge picked up. Energy and financials led the advance and pushed the S&P 500 0.6% higher; tech lagged edging lower.

US Treasuries edged higher (yields lower) as investors brushed off a mediocre 10-year note auction and as core US CPI inflation rose by less than forecast. Meanwhile, investors eyed a USD24 billion auction of 30-year notes for Thursday. 5-year yields fell 2bp to 0.79%, while the 10-year yield ticked 1bp lower to 1.52%.

Most **European stocks** rose on Wednesday, extending gains earlier this week amid rising optimism over economic recovery and as earnings announcements impressed. The Euro Stoxx 50 ended the session 0.9% higher while the German DAX rose 0.7%. In France, the CAC 40 rose 1.1% led by gains in the real estate and consumer staples sectors. Meanwhile in the UK, the FTSE 100 was little-changed (-0.1%) as losses in the financial and mining sectors offset rises in energy stocks.

Most **European government bonds** edged higher (yields fell), ahead of Thursday's ECB meeting amid lukewarm inflation data in the US. In Germany, 10-year yields ended the session 2bp lower at -0.32% while equivalent bond yields in Italy fell by 2bp to 0.67%.

Asian stock markets lacked clear direction on Wednesday as investors continued to monitor volatility in US Treasury yields and as US dollar strength weighed on risk appetite. Chinese equities, broadly, edged higher pausing a recent rout. Sectors that had been heavily sold in recent days led gains such as health care and consumer staples; the Shanghai Composite was largely unchanged. Meanwhile, investors digested reports that China is considering tighter listing rules for share sales on the Shanghai STAR Board. In other markets, Thailand's SET and Indonesia's JCI outperformed the region gaining 1.4% and 1.0% respectively, while Korea's Kospi was 0.6% lower.

Crude oil prices closed slightly higher on Wednesday as investors digested a government report that showed domestic gasoline supplies slipped last week, while demand rose. The same report showed that crude oil inventories rose by 13.8 million barrels, driven by a boost from shale drilling. WTI crude for April delivery gained 0.7% to USD64.4 a barrel.

Key Data Releases and Events

Yesterday

As expected, **US CPI** rose to 1.7% yoy in February amid a year over year pick up from the food and energy categories. Removing these volatile components, core CPI cooled modestly to 1.3% yoy (expected 1.4% yoy). Stepping back from monthly fluctuations, policymakers are expecting inflation to temporarily accelerate over the next several months due to base effects and a demand jump as public health measures are gradually relaxed.

As expected, the **Bank of Canada** maintained its overnight rate at 0.25%. It also kept the pace of its asset purchases unchanged and reaffirmed its intention to keep the policy rate at the "effective lower bound" until economic slack is absorbed.

Releases due today (11 March 2021)

Country	Indicator	Period	Survey	Prior
Brazil	IBGE Inflation IPCA (yoy)	Feb	5.0%	4.6%
Eurozone	ECB Interest Rate Decision	Mar 11	-0.50%	-0.50%

A key Brazilian inflation measure, the **IBGE Inflation IPCA**, is forecast to pick up to 5.0% yoy in February amid higher energy and commodity prices. This compares to the central bank's 2.25-5.25% yoy target range for 2020.

Meanwhile, the **European Central Bank (ECB)** is expected to keep headline interest rates on hold at its meeting on Thursday. A slow vaccine rollout and sluggish recovery is expected to weigh on the short-term economic and medium-term inflation outlook. Meanwhile on Monday, data on weekly pandemic emergency purchases (PEPP) is expected to show an increase amid fears amongst the Governing Council about the effects of a recent surge in bond yields on financing conditions in the region. However, it is not expected that there will be any change to the overall quantitative target or size of the program.



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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)	666	0.5	-1.7	5.6	35.6	3.1	687	379	19.7
North America									
US Dow Jones Industrial Average	32,297	1.5	2.7	7.7	29.1	5.5	32,010	18,214	20.3
US S&P 500 Index	3,899	0.6	-0.3	6.3	35.3	3.8	3,950	2,192	21.9
US NASDAQ Composite Index	13,069	0.0	-6.5	5.3	56.6	1.4	14,175	6,631	31.4
Canada S&P/TSX Composite Index	18,690	0.5	1.3	6.2	24.9	7.2	18,580	11,173	16.5
Europe									
MSCI AC Europe (USD)	512	0.5	1.3	5.1	30.3	3.0	521	307	16.1
Euro Stoxx 50 Index	3,820	0.9	4.7	8.4	31.3	7.5	3,743	2,303	18.3
UK FTSE 100 Index	6,726	-0.1	3.1	1.9	12.8	4.1	6,904	4,899	14.7
Germany DAX Index	14,540	0.7	4.4	9.4	38.8	6.0	14,197	8,256	15.7
France CAC-40 Index	5,991	1.1	5.6	7.9	29.2	7.9	5,871	3,632	18.3
Spain IBEX 35 Index	8,525	0.3	5.7	4.2	14.3	5.6	8,963	5,815	18.4
Italy FTSE MIB Index	23,926	0.5	2.8	9.2	33.9	7.6	23,652	14,153	13.7
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	684	0.1	-6.6	6.2	38.4	3.2	746	384	17.8
Japan Nikkei-225 Stock Average	29,037	0.0	-1.8	8.5	46.2	5.8	30,715	16,358	22.2
Australian Stock Exchange 200	6,714	-0.8	-2.1	0.5	13.0	1.9	6,938	4,403	19.5
Hong Kong Hang Seng Index	28,908	0.5	-3.8	9.5	13.8	6.2	31,183	21,139	13.0
Shanghai Composite Index	3,358	0.0	-8.1	-0.5	12.0	-3.3	3,732	2,647	12.8
Hang Seng China Enterprises Index	11,060	0.8	-6.4	6.2	8.9	3.0	12,272	8,290	10.8
Taiwan TAIEX Index	15,912	0.4	0.7	11.7	44.6	8.0	16,579	8,524	17.5
Korea KOSPI Index	2,958	-0.6	-4.6	7.7	50.7	2.9	3,266	1,439	14.4
India SENSEX 30 Index	51,280	0.5	-0.1	11.6	43.9	7.4	52,517	25,639	29.8
Indonesia Jakarta Stock Price Index	6,265	1.0	1.0	5.6	20.0	4.8	6,505	3,912	15.8
Malaysia Kuala Lumpur Composite Index	1,640	0.9	2.7	-0.9	14.6	0.8	1,696	1,208	13.5
Philippines Stock Exchange PSE Index	6,808	0.6	-3.9	-4.8	7.8	-4.6	7,432	4,039	18.8
Singapore FTSE Straits Times Index	3,080	-0.9	5.3	9.0	8.7	8.3	3,048	2,208	15.7
Thailand SET Index	1,573	1.4	3.7	6.1	23.7	8.5	1,562	969	19.8
Latam									
Argentina Merval Index	47,339	1.9	-8.9	-11.8	44.2	-7.6	56,114	22,061	8.8
Brazil Bovespa Index*	112,777	1.3	-4.8	-2.0	22.3	-5.2	125,324	61,691	11.2
Chile IPSA Index	4,889	1.0	8.0	19.0	20.1	17.0	4,799	2,851	15.5
Colombia COLCAP Index	1,347	0.4	-1.9	-1.5	-0.9	-6.3	1,554	881	12.2
Mexico S&P/BMV IPC Index	47,550	0.9	6.3	9.3	20.2	7.9	46,925	32,503	13.9
EEMEA									
Russia MOEX Index	3,479	-0.5	1.9	6.3	38.6	5.3	3,521	2,074	7.7
South Africa JSE Index	68,656	-0.2	3.6	15.6	38.5	15.3	69,404	37,178	12.5
Turkey ISE 100 Index*	1,549	1.0	1.2	15.6	54.8	6.0	1,582	819	7.5

*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	5.9	3.3	37.8	34.1	90.5
US equities	6.1	3.4	39.5	48.3	114.6
Europe equities	5.5	3.3	33.1	14.3	52.3
Asia Pacific ex Japan equities	6.7	3.5	41.5	27.1	95.2
Japan equities	4.0	0.9	32.8	20.9	65.1
Latam equities	-6.7	-8.2	8.8	-22.0	25.1
Emerging Markets equities	6.0	2.8	40.3	17.8	88.3

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.

Source: Bloomberg, HSBC 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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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	-1.5	-2.1	-0.3	-2.3
JPM EMBI Global	889	3.8	-3.9	-3.6	2.8	-4.8
BarCap US Corporate Index (USD)	3,405	9.1	-3.1	-3.7	2.5	-4.4
BarCap Euro Corporate Index (Eur)	264	0.0	-0.6	-0.8	2.6	-0.7
BarCap Global High Yield (Hedged in USD)	543	0.0	-1.4	0.4	10.8	-0.6
Markit iBoxx Asia ex-Japan Bond Index (USD)	226	0.3	-1.3	-0.7	3.0	-1.2
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	288	0.8	0.1	0.8	6.3	-0.1

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 2020
US Treasury yields (%)						
3-month	0.03	0.03	0.04	0.07	0.43	0.06
2-Year	0.15	0.16	0.11	0.14	0.53	0.12
5-Year	0.79	0.81	0.45	0.39	0.67	0.36
10-Year	1.52	1.53	1.12	0.91	0.80	0.91
30-Year	2.24	2.23	1.91	1.63	1.28	1.64

Developed market 10-year bond yields (%)						
Japan	0.12	0.12	0.08	0.01	-0.08	0.02
UK	0.71	0.73	0.49	0.20	0.24	0.19
Germany	-0.32	-0.30	-0.44	-0.61	-0.79	-0.57
France	-0.07	-0.06	-0.21	-0.36	-0.30	-0.34
Italy	0.67	0.69	0.50	0.56	1.33	0.54
Spain	0.35	0.36	0.15	0.02	0.34	0.04

Currencies (vs US dollar)	Latest	1-day Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2020	52-week High	52-week Low
Developed markets								
EUR/USD	1.19	1.19	1.21	1.21	1.13	1.22	1.23	1.06
GBP/USD	1.39	1.39	1.38	1.33	1.29	1.37	1.42	1.14
CHF/USD	1.08	1.08	1.12	1.13	1.06	1.13	1.14	1.01
CAD	1.26	1.26	1.27	1.27	1.37	1.27	1.47	1.25
JPY	108.4	108.5	104.6	104.2	105.6	103.3	111.7	101.2
AUD	1.29	1.30	1.30	1.33	1.54	1.30	1.81	1.25
NZD	1.39	1.39	1.39	1.41	1.59	1.39	1.83	1.34

Asia								
HKD	7.76	7.76	7.75	7.75	7.77	7.75	7.79	7.75
CNY	6.51	6.51	6.46	6.54	6.96	6.53	7.18	6.42
INR	72.92	72.93	72.85	73.67	74.09	73.07	76.92	72.27
MYR	4.13	4.12	4.04	4.06	4.24	4.02	4.45	4.00
KRW	1,143	1,140	1,107	1,087	1,193	1,086	1,294	1,080
TWD	28.31	28.37	28.18	28.50	30.01	28.30	30.53	27.76

Latam								
BRL	5.67	5.81	5.38	5.02	4.64	5.20	5.97	4.61
COP	3,582	3,598	3,558	3,439	3,796	3,430	4,237	3,374
MXN	20.90	21.19	20.04	20.01	20.83	19.91	25.78	19.55

EEMEA								
RUB	73.60	73.91	73.94	73.05	71.37	74.41	82.87	66.17
ZAR	15.07	15.30	14.75	15.02	15.94	14.69	19.35	14.40
TRY	7.50	7.62	7.06	7.88	6.16	7.44	8.58	6.07

Commodities	Latest	1-day ago	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,726.7	1,716.1	-6.3	-6.0	4.7	-9.0	2,075	1,452
Brent Oil	67.9	67.5	10.5	35.1	82.4	31.1	68	16
WTI Crude Oil	64.4	64.0	9.8	37.8	87.5	32.8	65	-40
R/J CRB Futures Index	191.8	191.3	4.2	18.8	27.3	14.3	196	101
LME Copper	8,779.5	8,779.5	5.8	11.4	57.7	13.1	9,617	4,371

Source: Bloomberg, HSBC Asset Management.

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