

Investment Daily

US stocks rallied as investor jitters over rising rates eased and amid economic optimism; Treasuries were mixed

European stocks rallied on positive vaccine news; bond yields declined

Asian stock rebounded as global yields stabilised

Global stocks rebounded as bond yields stabilised

US equities rallied on Monday, as investors' jitters over rising bond yields eased, and as President Joe Biden's USD1.9 trillion fiscal relief package was passed in the House on Saturday, and advanced to the Senate. The S&P 500 closed 2.4% higher.

US Treasuries ended mixed, as investors weighed improved US economic prospects and looked ahead to Fed official appearances, including Fed Chair Powell this Thursday, for clues about the central bank's stance on the recent rise in yields. Supply pressure from a busy pipeline of new corporate bond issuance weighed on longer-term bonds. 10-year and 30-year yields rose 2bp and 4bp to settle at 1.42% and 2.19%, respectively, while 5-year yields fell 3bp to 0.70% and 2-year yields remained stable (-1bp) at 0.12%.

European stocks rose strongly on Monday amid positive vaccine news with the market also finding support as global bond yields stabilised. On Sunday, US health authorities approved a one-dose vaccine for general use, a move which if repeated elsewhere could bring the pandemic under control sooner. The Euro Stoxx 50 advanced 1.9%. In the UK, stocks in the materials and consumer staples sectors helped the FTSE 100 end the trading session 1.6% higher.

European government bonds recorded strong gains (yields lower) following similar moves in US Treasury markets late on Friday. Investors also reflected on the prospect of a monetary policy response after Australia's central bank announced increased asset purchases to limit the rise in Australian bond yields. Benchmark 10-year German yields fell 8bp to -0.34% while equivalent Italian yields declined 10bp to 0.66%.

Asian stock markets rebounded on Monday after global yields stabilised and as investors weighed fresh economic data. Technology stocks led the advance in Japan's Nikkei 225 (+2.4%) and Mainland China's Shanghai Composite (+1.2%). Hong Kong's Hang Seng Index added 1.6% after plans were announced to revamp the benchmark index. Q4 GDP for India released after market on Friday showed the economy expanded by 0.4% yoy; the Sensex closed 1.5% higher. Meanwhile, Korea's exports rose for a fourth month (+9.5% yoy in February), while markets in Korea and Taiwan were closed for holidays.

Crude oil prices declined on Monday, ahead of a key OPEC+ meeting scheduled this week that may return more supply back to a fast-tightening market. WTI crude for April delivery slipped 1.4% to USD60.6 a barrel.

Key Data Releases and Events

Yesterday

US ISM manufacturing PMI rose 2.1pts to 60.8 in February, above the expected 58.9. Key categories such as new orders (64.8), production (63.2), and employment (54.4) improved in the latest release. Meanwhile, input prices surged to 86.0 – the highest reading since May 2008 – amid widespread complaints regarding supply chain issues, lean inventory, and labour shortages. These price pressures are likely to ease later this year, with further vaccine distribution allowing some normalisation of production. Finally, forward looking categories such as order backlogs (64.0) and customers' inventories (32.5, lowest since December 2009) also looked favourable for future activity. Overall, respondents' optimism increased, with five positive comments for every cautious comment. This compares to a three-to-one ratio in January.

Releases due today (2 March 2021)

Country	Indicator	Period	Survey	Prior
Japan	Jobless Rate	Jan	3.0%	2.9%
Australia	Reserve Bank of Australia Interest Rate Decision	Mar	0.10%	0.10%
Eurozone	CPI Estimate (yoy)	Feb	0.9%	0.9%
Canada	GDP (qoq annualised)	Q4	7.2%	40.5%

Q=Quarter

Japan's unemployment rate is expected to register a slight increase to 3.0% in January, as a state of emergency was re-imposed across the country amid a surge in coronavirus cases. However, a significant uptick in January industrial production and capital goods shipments suggests near-term upside risks to labour market resiliency.

Eurozone CPI inflation is expected to remain unchanged at 0.9% yoy in February. Higher energy prices are likely to offset a reduced rate of core inflation (prices excluding food and energy) following January's surge to 1.4% yoy. The consensus is for core inflation to ease back to 1.1%.



This commentary provides a high level overview of the recent economic environment, and is for information purposes only. These views presented are based on our global views and may not necessarily align with our local views. It is a marketing communication and does not constitute investment advice or a recommendation to any reader of this content to buy or sell investments nor should it be regarded as investment research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination.

Past performance is not an indication of future returns

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

| PUBLIC |

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)	671	2.0	2.8	7.3	30.8	3.8	687	379	20.2
North America									
US Dow Jones Industrial Average	31,536	1.9	4.4	5.7	24.1	3.0	32,010	18,214	20.8
US S&P 500 Index	3,902	2.4	3.4	6.5	32.1	3.9	3,950	2,192	22.7
US NASDAQ Composite Index	13,589	3.0	1.4	10.0	58.6	5.4	14,175	6,631	33.5
Canada S&P/TSX Composite Index	18,300	1.3	3.4	5.8	12.5	5.0	18,580	11,173	16.6
Europe									
MSCI AC Europe (USD)	507	1.1	2.7	5.4	18.6	1.8	521	307	16.5
Euro Stoxx 50 Index	3,707	1.9	5.0	5.1	11.3	4.3	3,743	2,303	18.3
UK FTSE 100 Index	6,589	1.6	1.9	3.2	0.1	2.0	6,904	4,899	14.6
Germany DAX Index	14,013	1.6	2.9	4.7	17.9	2.1	14,169	8,256	15.6
France CAC-40 Index	5,793	1.6	6.1	3.8	9.1	4.3	5,834	3,632	18.3
Spain IBEX 35 Index	8,378	1.9	7.4	2.9	-4.0	3.8	9,014	5,815	18.4
Italy FTSE MIB Index	23,265	1.8	6.6	5.3	5.8	4.6	23,652	14,153	14.0
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	706	1.8	0.7	12.2	38.7	6.6	746	384	17.7
Japan Nikkei-225 Stock Average	29,664	2.4	5.6	10.7	40.3	8.1	30,715	16,358	23.2
Australian Stock Exchange 200	6,790	1.7	1.9	3.1	5.4	3.1	6,938	4,403	19.8
Hong Kong Hang Seng Index	29,453	1.6	1.9	10.9	12.7	8.2	31,183	21,139	13.1
Shanghai Composite Index	3,551	1.2	1.3	2.9	23.3	2.3	3,732	2,647	13.0
Hang Seng China Enterprises Index	11,454	1.8	0.0	7.4	11.2	6.7	12,272	8,290	10.9
Taiwan TAIEX Index	15,954	0.0	3.5	14.9	41.3	8.3	16,579	8,524	17.6
Korea KOSPI Index	3,013	0.0	-1.4	14.4	51.6	4.9	3,266	1,439	14.2
India SENSEX 30 Index	49,850	1.5	2.6	11.6	30.2	4.4	52,517	25,639	29.2
Indonesia Jakarta Stock Price Index	6,339	1.5	4.5	10.7	16.2	6.0	6,505	3,912	16.1
Malaysia Kuala Lumpur Composite Index	1,567	-0.7	0.0	-2.2	5.7	-3.7	1,696	1,208	13.4
Philippines Stock Exchange PSE Index	6,873	1.1	0.9	-1.9	1.3	-3.7	7,432	4,039	18.7
Singapore FTSE Straits Times Index	2,973	0.8	2.6	5.6	-1.3	4.5	3,048	2,208	15.5
Thailand SET Index	1,501	0.3	1.5	5.6	12.0	3.6	1,562	969	19.4
Latam									
Argentina Merval Index	48,996	1.2	-1.2	-10.8	40.1	-4.4	56,114	22,061	9.9
Brazil Bovespa Index*	110,335	0.3	-6.1	-1.0	5.9	-7.3	125,324	61,691	10.9
Chile IPSA Index	4,638	1.4	5.9	12.8	12.5	11.0	4,697	2,851	15.2
Colombia COLCAP Index	1,356	-0.3	-0.1	5.5	-12.5	-5.7	1,574	881	12.4
Mexico S&P/BMV IPC Index	44,785	0.4	4.2	4.4	8.4	1.6	46,925	32,503	14.1
EEMEA									
Russia MOEX Index	3,347	1.2	2.9	7.6	21.6	3.0	3,521	2,074	7.5
South Africa JSE Index	66,138	2.1	7.5	17.4	32.3	13.7	67,860	37,178	12.6
Turkey ISE 100 Index*	1,471	3.8	2.3	15.3	44.1	3.4	1,582	819	7.6

*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	5.4	1.9	30.2	35.8	91.1
US equities	4.7	1.6	33.4	51.7	112.0
Europe equities	4.5	0.9	19.8	13.8	50.8
Asia Pacific ex Japan equities	10.5	4.9	39.3	29.9	108.0
Japan equities	6.1	2.4	30.8	20.9	74.4
Latam equities	-2.8	-9.5	-6.0	-21.4	36.9
Emerging Markets equities	9.8	3.9	36.0	20.6	99.8

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.

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.

Past performance is not an indication of future returns

02/03/2021 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)	586	0.0	-1.6	-1.5	0.3	-2.1
JPM EMBI Global	899	0.0	-2.6	-2.1	1.0	-3.7
BarCap US Corporate Index (USD)	3,454	0.0	-1.8	-2.2	2.8	-3.0
BarCap Euro Corporate Index (Eur)	265	0.9	-0.5	-0.2	1.5	-0.5
BarCap Global High Yield (Hedged in USD)	547	0.0	0.0	1.9	7.2	0.1
Markit iBoxx Asia ex-Japan Bond Index (USD)	227	0.1	-0.8	0.1	3.3	-0.7
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	289	0.1	0.1	2.0	5.2	0.5

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	0.05	0.08	1.27	0.06
2-Year	0.12	0.13	0.11	0.17	0.91	0.12
5-Year	0.70	0.73	0.42	0.42	0.94	0.36
10-Year	1.42	1.40	1.08	0.93	1.15	0.91
30-Year	2.19	2.15	1.85	1.67	1.68	1.64

Developed market 10-year bond yields (%)						
Japan	0.15	0.16	0.06	0.02	-0.16	0.02
UK	0.76	0.82	0.32	0.35	0.44	0.19
Germany	-0.34	-0.26	-0.52	-0.53	-0.61	-0.57
France	-0.10	-0.01	-0.28	-0.29	-0.29	-0.34
Italy	0.66	0.76	0.62	0.67	1.10	0.54
Spain	0.32	0.42	0.09	0.12	0.28	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	1.20	1.21	1.21	1.20	1.10	1.23	1.23	1.06
GBP/USD	1.40	1.39	1.37	1.34	1.28	1.37	1.42	1.14
CHF/USD	1.09	1.10	1.12	1.10	1.04	1.13	1.14	1.01
CAD	1.27	1.27	1.28	1.30	1.34	1.27	1.47	1.25
JPY	106.7	106.6	104.9	104.4	107.9	103.0	111.7	101.2
AUD	1.29	1.30	1.31	1.36	1.54	1.29	1.81	1.25
NZD	1.38	1.38	1.39	1.42	1.60	1.38	1.83	1.34
Asia								
HKD	7.76	7.76	7.75	7.75	7.79	7.75	7.79	7.75
CNY	6.47	6.47	6.47	6.57	6.99	6.53	7.18	6.42
INR	73.55	73.47	73.03	73.67	72.18	73.07	76.92	72.27
MYR	4.06	4.05	4.04	4.08	4.22	4.02	4.45	4.00
KRW	1,121	1,124	1,116	1,106	1,215	1,087	1,294	1,080
TWD	27.88	27.88	28.00	28.55	30.29	28.09	30.53	27.77
Latam								
BRL	5.63	5.60	5.45	5.22	4.47	5.19	5.97	4.45
COP	3,620	3,645	3,572	3,548	3,524	3,428	4,237	3,374
MXN	20.84	20.86	20.38	20.10	19.64	19.86	25.78	19.16
EEMEA								
RUB	74.11	74.57	75.68	75.99	66.84	74.72	82.87	65.31
ZAR	15.07	15.12	15.08	15.35	15.66	14.66	19.35	14.40
TRY	7.28	7.43	7.20	7.85	6.25	7.47	8.58	6.03

Commodities	Latest	1-day ago	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,745.7	1,734.0	-6.2	-3.0	10.1	-7.8	2,075	1,452
Brent Oil	63.7	66.1	13.0	34.3	26.1	23.0	68	16
WTI Crude Oil	60.6	61.5	13.2	36.1	35.5	25.0	64	-40
R/J CRB Futures Index	189.4	190.4	6.9	19.1	18.8	12.9	196	101
LME Copper	9,077.0	9,077.0	16.4	18.0	61.1	16.9	9,617	4,371

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.

Past performance is not an indication of future returns

Important Information for Customers:

WARNING: THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG OR ANY OTHER JURISDICTION. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE INVESTMENT AND THIS DOCUMENT. IF YOU ARE IN DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

This document has been issued by The Hongkong and Shanghai Banking Corporation Limited (the "Bank") in the conduct of its regulated business in Hong Kong and may be distributed in other jurisdictions where its distribution is lawful. It is not intended for anyone other than the recipient. The contents of this document may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. This document must not be distributed to the United States, Canada or Australia or to any other jurisdiction where its distribution is unlawful. All non-authorized reproduction or use of this document will be the responsibility of the user and may lead to legal proceedings.

This document has no contractual value and is not and should not be construed as an offer or the solicitation of an offer or a recommendation for the purchase or sale of any investment or subscribe for, or to participate in, any services. The Bank is not recommending or soliciting any action based on it.

The information stated and/or opinion(s) expressed in this document are provided by HSBC Global Asset Management Limited. We do not undertake any obligation to issue any further publications to you or update the contents of this document and such contents are subject to changes at any time without notice. They are expressed solely as general market information and/or commentary for general information purposes only and do not constitute investment advice or recommendation to buy or sell investments or guarantee of returns. The Bank has not been involved in the preparation of such information and opinion. The Bank makes no guarantee, representation or warranty and accepts no responsibility for the accuracy and/or completeness of the information and/or opinions contained in this document, including any third party information obtained from sources it believes to be reliable but which has not been independently verified. In no event will the Bank or HSBC Group be liable for any damages, losses or liabilities including without limitation, direct or indirect, special, incidental, consequential damages, losses or liabilities, in connection with your use of this document or your reliance on or use or inability to use the information contained in this document.

In case you have individual portfolios managed by HSBC Global Asset Management Limited, the views expressed in this document may not necessarily indicate current portfolios' composition. Individual portfolios managed by HSBC Global Asset Management Limited primarily reflect individual clients' objectives, risk preferences, time horizon, and market liquidity.

The information contained within this document has not been reviewed in the light of your personal circumstances. Please note that this information is neither intended to aid in decision making for legal, financial or other consulting questions, nor should it be the basis of any investment or other decisions. You should carefully consider whether any investment views and investment products are appropriate in view of your investment experience, objectives, financial resources and relevant circumstances. The investment decision is yours but you should not invest in any product unless the intermediary who sells it to you has explained to you that the product is suitable for you having regard to your financial situation, investment experience and investment objectives. The relevant product offering documents should be read for further details.

Some of the statements contained in this document may be considered forward-looking statements which provide current expectations or forecasts of future events. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Such statements do not represent any one investment and are used for illustration purpose only. Customers are reminded that there can be no assurance that economic conditions described herein will remain in the future. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. We can give no assurance that those expectations reflected in those forward-looking statements will prove to have been correct or come to fruition, and you are cautioned not to place undue reliance on such statements. We do not undertake any obligation to update the forward-looking statements contained herein, whether as a result of new information, future events or otherwise, or to update the reasons why actual results could differ from those projected in the forward-looking statements.

Investment involves risk. It is important to note that the capital value of investments and the income from them may go down as well as up and may become valueless and investors may not get back the amount originally invested. Past performance contained in this document is not a reliable indicator of future performance whilst any forecasts, projections and simulations contained herein should not be relied upon as an indication of future results. Past performance information may be out of date. For up-to-date information, please contact your Relationship Manager.

Investment in any market may be extremely volatile and subject to sudden fluctuations of varying magnitude due to a wide range of direct and indirect influences. Such characteristics can lead to considerable losses being incurred by those exposed to such markets. If an investment is withdrawn or terminated early, it may not return the full amount invested. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavourable fluctuations in currency values, from differences in generally accepted accounting principles or from economic or political instability in certain jurisdictions. Narrowly focused investments and smaller companies typically exhibit higher volatility. There is no guarantee of positive trading performance. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade. **Mutual fund investments are subject to market risks. You should read all scheme related documents carefully.**

Copyright © The Hongkong and Shanghai Banking Corporation Limited 2021. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of The Hongkong and Shanghai Banking Corporation Limited.

Issued by The Hongkong and Shanghai Banking Corporation Limited