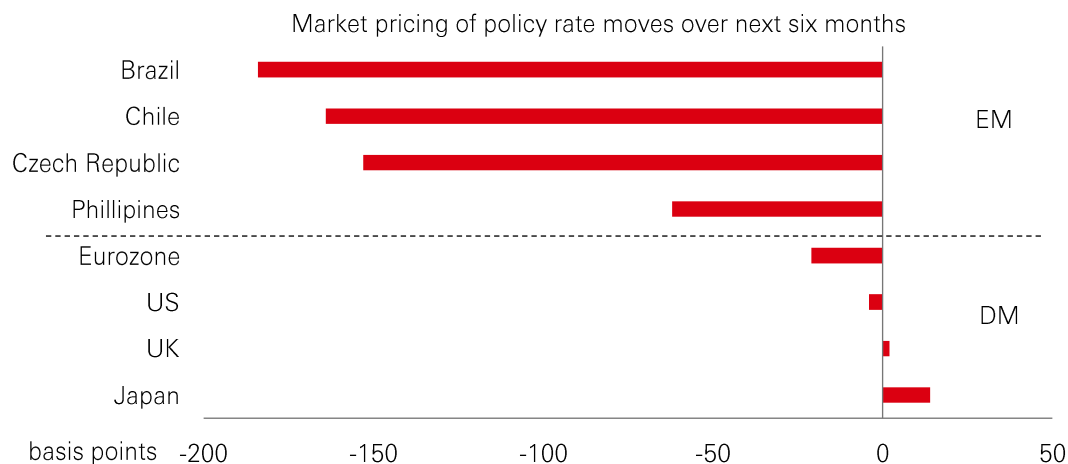


## Chart of the week – DM central banks in pause mode



This week's bumper set of central bank meetings – with the Fed, Bank of England and Bank of Japan all in session – yielded little in the way of major policy action. The Bank of Japan made further baby steps in dismantling its yield curve control framework. Like the ECB last week, The Fed and Bank of England kept rates on hold and did not rule out further tightening. But the Fed outcome was moderately dovish as Chair Powell signalled that the September dot plot – showing one more rate hike in 2023 – may be outdated amid tightening financial conditions. Meanwhile the Bank of England continued to signal that policy is restrictive and should be enough to bring inflation down to 2%.

Overall, investors expect major **DM central banks to be in pause mode** over the coming months. We would agree with this assessment. There is evidence of cooling labour market conditions, while economic momentum in Europe is flagging. But heading into H2 2024, we think significantly weaker economic conditions will mean faster-than-expected policy easing - one of the reasons why we think 'bonds are back' as an attractive investment proposition.

Meanwhile, **central bank action in the EM space has been more interesting**. Brazil's central bank cut rates again this week, bringing cumulative easing to 150bps since August. The easing trend in Latin America will continue amid disinflation and reflecting a relatively advanced interest rate cycle. In Asia, some upside headline inflation surprises have forced central banks into a more hawkish direction recently, reflected in a 25bp off-cycle hike by the Philippine central bank and a surprise 25bp hike by Bank Indonesia. But across Asia, underlying price pressures are muted and should still mean easing in 2024, supporting the outlook for the region's assets.

## Market Spotlight

### China's development in a multi-polar world

A new, multi-polar world with increased geopolitical conflict continues to play out. Technological competition is part of this, as evidenced by recent US restrictions on chip exports to China that would support development in AI and other technologies with potential military applications.

Being increasingly dependent on productivity growth to drive the economy amidst a shrinking population, technological advancement is as vital for China as any. As of now, advancement continues to be achieved - exports reflect a significant shift to technologies key to the global energy transition. Rapid scaling in the production of electric vehicles, for instance, has catapulted the country past Korea, Germany and Japan to become the largest exporter of passenger cars. Accordingly, China's share of total exports globally remains close to its 2020 peak of 17%.

The realignment of supply chains in today's multi-polar world is certainly benefiting other markets, such as India, but fears over China's progress should not be overdone. Read more in our [Q3 House Views](#) around why we maintain a relatively positive medium-term view on China equities.

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.  
Source: HSBC Asset Management. Macrobond, Bloomberg. Data as at 12PM UK time 03 November 2023.

**Past performance is not an indication of future returns**

## Fixed Income →

Why some investment grade credits are offering equity-like returns for bond-like risk

## Earnings Season →

Robust Q3 profit numbers in the US but analysts are turning negative on 2024

## European Equities →

Slowing economic growth sends European indices into a technical 'death cross'

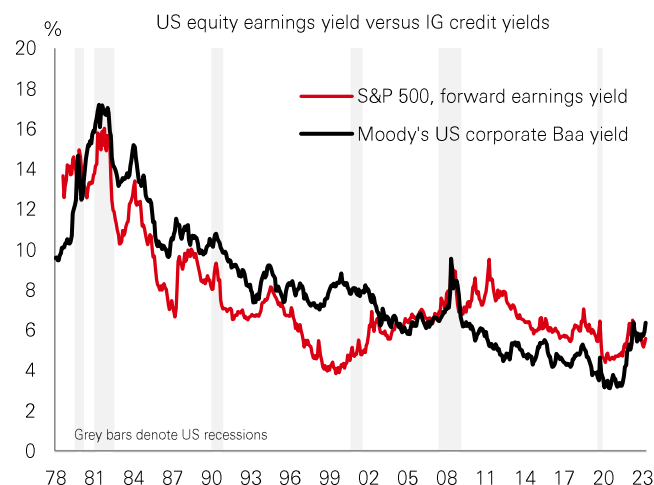
## Investment grade credits offering equity-like returns

Late cycle economies can sometimes throw a curveball into markets – and we’re seeing that right now in the world of investment grade (IG) credit.

The biggest story in markets this year has been the rising yields in longer dated government bonds. That’s been driven by investors grappling with Fed policy tightening, deficit concerns and the idea that rates may stay higher for longer. But the read across for IG credits is significant.

IG credits tend to offer investors a premium over safe government bonds in exchange for slightly higher default risk. But in this high-rate environment, IG yields – on the likes of mortgage-backed, asset-backed, corporate and securitised bonds – have risen past equity earnings yields. **In other words, they’re offering equity like returns for bond-like risk** - lower volatility, locked-in coupons and higher up on the seniority structure.

Our Securitised Investments team tell us they’re seeing strong flows to the IG (AA rated) Securitised Credit Fund – currently yielding 7%. What’s more, spreads in securitised credit remain historically high and relative to other asset classes. Senior tranches of securitised credit also benefit from significant credit enhancement implying protection against an adverse economic scenario.

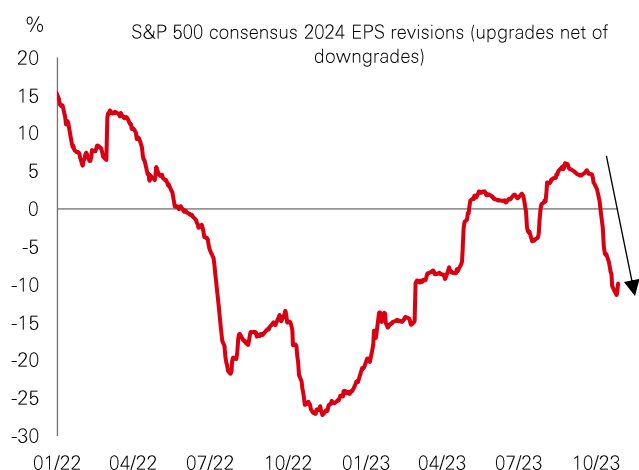


## Earnings: solid Q3 but 2024 revisions roll over

The Q3 earnings season in the US looks good. With close to 400 of the S&P 500 having reported, earnings-per-share (EPS) growth is just over 3.5% yoy (FactSet) and reported profits have beaten estimates over 80% of the time. The IT, telecoms, consumer staples and healthcare sectors have done particularly well. Unsurprisingly, tighter financial conditions have hit interest-rate sensitive sectors hard: autos and luxury goods missed 67% and 50% of the time (Refinitiv). An estimate from sell-side analysts suggests 80-90% of US car purchases are purchased on credit. Energy earnings missed too with third quarter earnings down 38% yoy hurt by Q3 oil prices 10% below Q3 2022 and a stronger USD.

Despite the broad good news, stock markets have fared poorly in recent weeks. Rate volatility has been a factor. But we also think investors are increasingly focussed on the earnings outlook for 2024. Earnings revisions for 2024 EPS - upgrades net of downgrades – are in negative territory and falling, a sign that analyst pessimism is growing. We think this is justified given the headwinds of higher rates and weakening consumer power.

**Expect 2024 EPS projections - currently at a very healthy and above average +11.6% - to catch down to economic reality.**

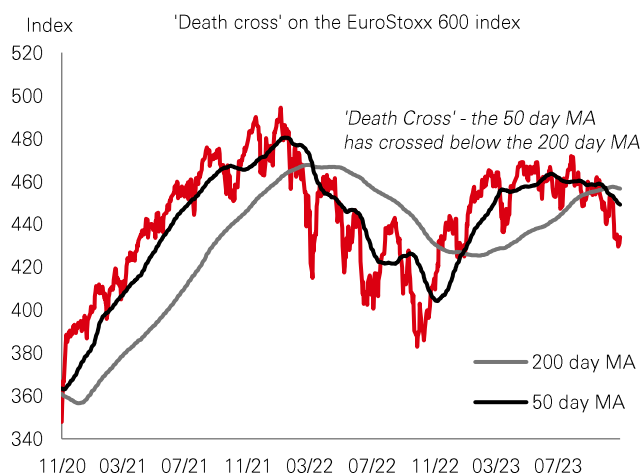


## Momentum turns negative for European equities

Despite a backdrop of rising rates and stagnant growth, European equities have been resilient in 2023. But there are signs that price momentum is turning negative. For market technicians, there are several ways of detecting changes in sentiment, but perhaps the best-known sign of an accelerating down trend is the scarily named 'death cross'.

Death crosses are a classic bearish indicator. They occur when the short-term moving average price of a stock or an index crosses below its longer-term moving average (the indicator usually uses the 50-day and 200-day MA). It tells you that recent price trends have changed, and are accelerating, for the worse.

As the chart shows, the last time this happened was in early 2022, marking the start of a bruising nine-month sell off on the Stoxx Euro 600. So does the early sign of a death cross herald another bear market phase? Not necessarily. Market history suggests death crosses can precede a near-term rebound. **But with the bloc flirting with recession and rates deep in restrictive territory, we think a cautious approach to the region's equities is warranted.**





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

Views reflect our long-term expected return forecasts, our portfolio optimisation process and actual portfolio positions. These views are for general information purposes only and does not constitute advice or a recommendation to buy or sell investments. Any views expressed were held at the time of preparation and are subject to change without notice. While any forecast, projection or target where provided is indicative only and not guaranteed in any way. HSBC Global Asset Management accepts no liability for any failure to meet such forecast, projection or target.

Past performance is not an indication of future returns



## Key Events and Data Releases

### This week

Date	Country	Indicator	Data as of	Actual	Prior	Comment
Monday 30 Oct.	JP	Industrial Production (mom)	Sep P	0.2%	-0.7%	Japanese corporate sector remains in a cautious mode. Auto production maintains its upward trend, driven by higher exports
Tuesday 31 Oct.	JP	BoJ Interest Rate Decision	Oct	-0.1%	-0.1%	BoJ adopted a more flexible YCC, with 1% 10yr JGB yields a "reference" point rather than a hard "ceiling"
	CN	Official Manufacturing PMI	Oct	49.5	50.2	Manufacturing PMI readings back to contractionary territory after signs of improvement in Q3. More policy support is likely needed
	EZ	GDP (seasonally adjusted, qoq)	Q3 A	-0.1%	0.1%	Euro area economy is teetering on the edge of recession, with weakness most evident in Germany
	EZ	CPI Estimate (yoy)	Oct	2.9%	4.3%	Disinflation pressures are becoming more widespread, driven by core goods. Slower wage growth is key for lower service sector inflation
	MX	GDP (qoq)	Q3 P	0.9%	0.8%	
Wednesday 01 Nov.	CN	Caixin Manufacturing PMI	Oct	49.5	50.6	
	US	ISM Manufacturing	Oct	46.7	49.0	Improvement in manufacturing sentiment in Q323 proved short-lived. Falling new orders point to further weakness near-term
	US	FOMC Interest Rate Decision	Nov	5.5%	5.5%	Fed Chair Powell acknowledged tighter "financial" as well as "credit" conditions, but the Fed is kept the door ajar for a December rate hike
	BR	COPOM Interest Rate Decision	Nov	12.25%	12.75%	Brazil's central bank cut rates a further 50bp, signalling continued gradual easing near-term
Thursday 02 Nov.	UK	BoE Interest Rate Decision		5.25%	5.25%	BoE said a restrictive policy stance "would persist for an extended period". BoE now expects the 2% CPI target to be achieved in Q425
Friday 03 Nov.	US	Change in Nonfarm Payrolls (000s)	Oct	150k	297k	Labour market conditions are loosening, evident from a downward trend in job openings/hiring. Wage pressures are moderating
	US	ISM Services	Oct	53	53.6	

Q, Quarterly, P- Preliminary, F – Final CN- China, ID - Indonesia, JP-Japan, EZ- Eurozone, GE-Germany.

### The week ahead

Date	Country	Indicator	Data as of	Survey	Prior	Comment
Monday 06 Nov.	GE	Factory Orders (yoy)	Sep		-4.7%	
	UK	BoE Chief Economist Pill speaks				
Tuesday 07 Nov.	CN	Trade Balance (USD bn)	Oct	82	77.8	Soft external and internal demand may keep exports and imports weak but favourable base effects should be supportive near-term
	AU	RBA Interest Rate Decision	Nov	4.4%	4.10%	Stronger than expected Q3 CPI and October retail sales increase the odds of a 25bp hike by the RBA
	GE	Industrial Production (mom)	Sep	-0.1%	-0.2%	German corporate sector remains mired in recession, with increasing signs of labour shedding amid continued weak business confidence
Wednesday 08 Nov.	UK	BoE Governor Bailey speaks at Financial System Conference				
Thursday 09 Nov.	CN	CPI (yoy)	Oct		0.0%	Subdued goods demand and continued weak food prices point to muted headline inflation. Core inflation should remain modest
	MX	CPI (yoy)	Oct		4.5%	
	MX	Banco de Mexico Interest Rate Decision	Nov		11.3%	The Bank of Mexico looks set to leave policy unchanged given continued strong growth amid ongoing inflation worries
Friday 10 Nov.	UK	GDP (qoq)	Q3 P	-0.1%	0.2%	Signs of weakness are increasing the risk of a recession in early 2024
	BR	IBGE Inflation IPCA (yoy)	Oct		5.2%	
	IN	Industrial Production (yoy)	Sep		10.3%	
	US	Uni. of Michigan Consumer Sentiment	Nov P	65.0	63.8	Michigan's consumer confidence measure has improved recently, in contrast to the downbeat message from the Conference Board survey
	US	Fed member Logan speaks at an ECB conference				

P – Preliminary, Q – Quarter, F – Final EZ- Eurozone, CA – Canada, GE – Germany, RU - Russia

Source: HSBC Asset Management. Data as at 12PM UK time 03 November 2023.

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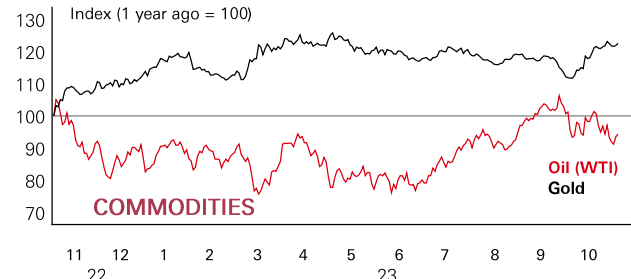
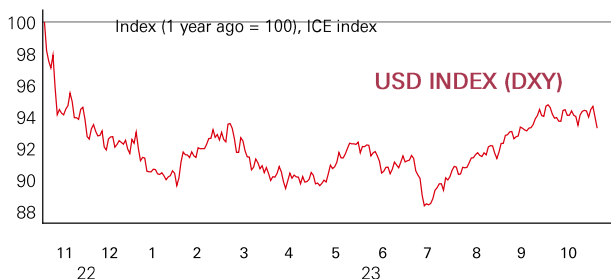
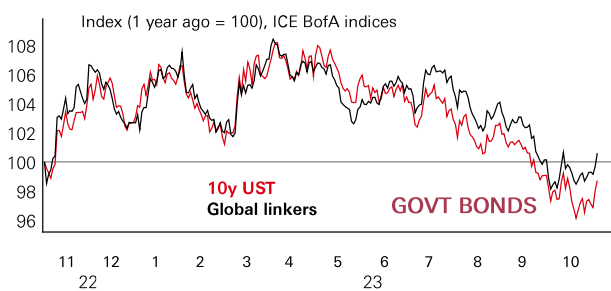
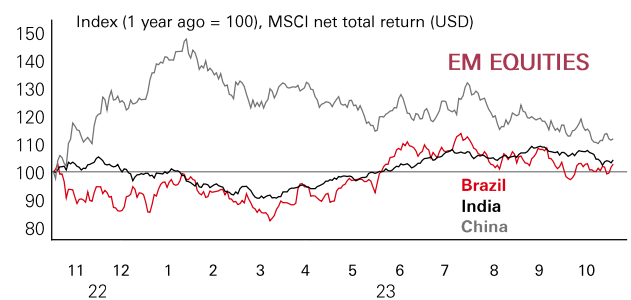
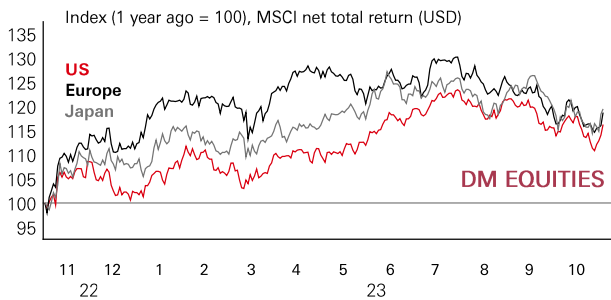
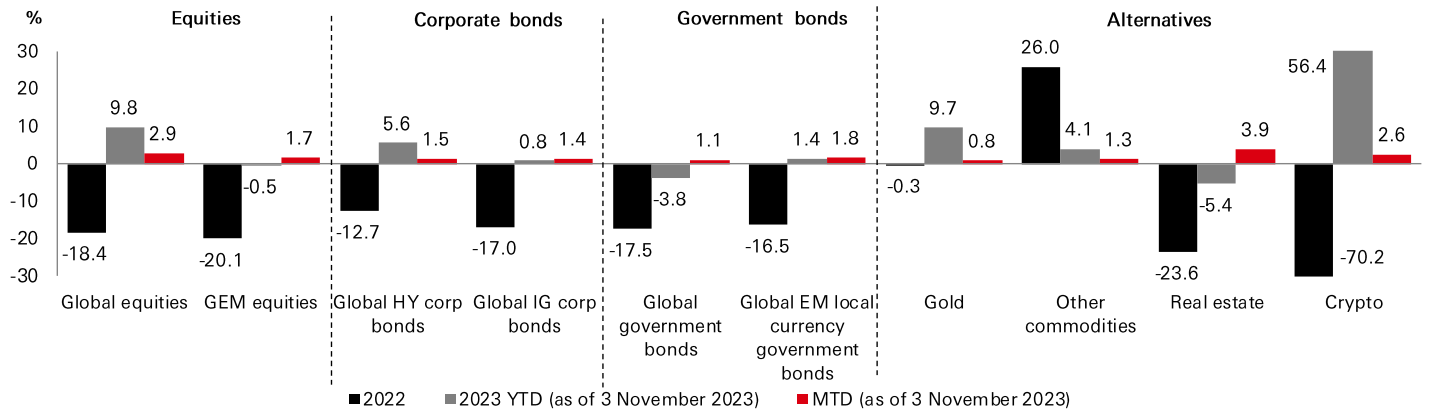


## Market review

### This week

Global equities rallied this week following a reversal in US Treasury yields as the Federal Reserve left interest rates unchanged for the second consecutive FOMC meeting. In the US, heightened expectations of a peak in interest rates lifted equity prices with headline indices ending the week in the green. In Europe, lower-than-expected inflation in the Eurozone led bond yields lower, supporting an upward move in major equity benchmarks. Japanese equities advanced higher as a weaker Yen boosted stock prices. While in China, weaker-than-expected economic data releases put downward pressure on equity prices.

### Selected asset performance



Source: HSBC Asset Management. Macrobond, Bloomberg. Data as at 12PM UK time 03 November 2023.  
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## Market data

Equity Indices	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low	Fwd P/E (X)
<b>World</b>									
MSCI AC World Index (USD)	655	4.1	1.6	-5.0	14.8	8.2	708	567	16.5
<b>North America</b>									
US Dow Jones Industrial Average	33,839	4.4	2.5	-3.9	5.7	2.1	35,679	31,430	18.5
US S&P 500 Index	4,318	4.9	2.1	-4.1	16.1	12.5	4,607	3,698	19.4
US NASDAQ Composite Index	13,294	5.2	1.8	-4.8	28.5	27.0	14,447	10,207	28.0
Canada S&P/TSX Composite Index	19,626	4.7	3.2	-2.5	2.0	1.2	20,843	18,692	13.7
<b>Europe</b>									
MSCI AC Europe (USD)	476	3.5	2.0	-5.7	18.3	4.3	528	398	12.2
Euro STOXX 50 Index	4,184	4.2	2.2	-2.8	16.5	10.3	4,492	3,563	11.6
UK FTSE 100 Index	7,446	2.1	-0.3	-1.1	3.6	-0.1	8,047	7,076	10.6
Germany DAX Index*	15,212	3.6	0.8	-4.3	15.9	9.3	16,529	13,023	10.8
France CAC-40 Index	7,075	4.1	1.1	-2.6	13.3	9.3	7,581	6,192	11.8
Spain IBEX 35 Index	9,287	4.1	1.3	-0.2	18.0	12.9	9,742	7,798	9.9
Italy FTSE MIB Index	28,660	5.0	4.3	-0.1	26.2	20.9	29,758	22,507	7.7
<b>Asia Pacific</b>									
MSCI AC Asia Pacific ex Japan (USD)	480	0.9	-1.1	-8.8	9.2	-5.2	563	438	14.2
Japan Nikkei-225 Stock Average	31,950	3.1	2.3	-0.7	15.5	22.4	33,773	25,662	18.4
Australian Stock Exchange 200	6,978	2.2	0.5	-4.6	1.8	-0.9	7,568	6,751	15.3
Hong Kong Hang Seng Index	17,664	1.5	1.9	-9.0	15.2	-10.7	22,701	15,443	9.0
Shanghai Stock Exchange Composite Index	3,031	0.4	-2.6	-7.6	1.1	-1.9	3,419	2,924	11.3
Hang Seng China Enterprises Index	6,052	1.2	1.7	-9.0	17.1	-9.7	7,774	5,217	8.3
Taiwan TAIEX Index	16,508	2.3	0.3	-2.3	27.1	16.8	17,464	12,868	17.9
Korea KOSPI Index	2,368	2.8	-3.9	-9.1	1.7	5.9	2,668	2,181	13.3
India SENSEX 30 Index	64,364	0.9	-1.8	-1.3	5.8	5.8	67,927	57,085	20.3
Indonesia Jakarta Stock Price Index	6,789	0.4	-2.2	-1.6	-3.5	-0.9	7,111	6,543	2.3
Malaysia Kuala Lumpur Composite Index	1,450	0.6	2.1	0.6	2.1	-3.0	1,504	1,369	14.4
Philippines Stock Exchange PSE Index	5,989	0.5	-5.0	-8.9	-2.7	-8.8	7,138	5,920	11.5
Singapore FTSE Straits Times Index	3,144	2.7	-1.5	-4.9	1.3	-3.3	3,408	3,042	10.3
Thailand SET Index	1,420	2.3	-1.9	-7.1	-12.7	-14.9	1,696	1,366	16.1
<b>Latam</b>									
Argentina Merval Index	654,095	-0.2	16.5	48.1	334.8	223.7	834,791	142,797	6.6
Brazil Bovespa Index*	115,053	1.5	1.4	-4.6	-1.6	4.8	123,010	96,997	8.1
Chile IPSA Index	5,476	-1.7	-3.7	-12.7	5.7	4.1	6,449	5,072	0.6
Colombia COLCAP Index	1,098	0.3	-0.4	-6.5	-9.7	-14.7	1,348	1,045	6.1
Mexico S&P/BMV IPC Index	49,788	1.7	-1.1	-6.8	-0.9	2.7	55,627	47,765	11.9
<b>EEMEA</b>									
Russia MOEX Index	3,201	-0.7	1.8	1.7	48.5	48.6	3,287	2,071	N/A
South Africa JSE Index	72,421	4.3	2.3	-5.6	9.7	-0.9	81,338	65,610	9.5
Turkey ISE 100 Index*	7,649	-0.7	-10.2	5.9	86.3	38.8	8,563	4,056	5.8

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

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Equity Indices - Total Return	1-week Change (%)	1-month Change (%)	3-month Change (%)	YTD Change (%)	1-year Change (%)	3-year Change (%)	5-year Change (%)
Global equities	4.1	1.7	-4.6	9.8	16.8	21.2	45.9
US equities	4.9	2.0	-4.0	13.8	17.5	29.9	68.1
Europe equities	3.5	2.1	-5.3	6.9	21.5	21.1	25.5
Asia Pacific ex Japan equities	0.9	-1.0	-8.3	-2.9	12.1	-11.2	10.5
Japan equities	2.6	1.2	-2.7	10.5	20.3	7.7	19.6
Latam equities	1.9	3.2	-6.6	11.2	4.7	47.4	6.9
Emerging Markets equities	1.2	-0.8	-8.0	-0.5	11.0	-10.5	5.6

All total returns quoted in USD terms and subject to one-day lag.

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 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: HSBC Asset Management. Data as at 12PM UK time 03 November 2023.

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## Market data

	Close	1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
<b>Bond indices - Total Return</b>						
BarCap GlobalAgg (Hedged in USD)	531	0.9	1.2	-0.7	3.1	1.4
JPM EMBI Global	778.8	2.0	1.9	-2.2	9.0	1.4
BarCap US Corporate Index (USD)	2967.4	1.5	1.6	-1.6	4.9	0.0
BarCap Euro Corporate Index (Eur)	235.7	0.9	1.4	0.5	4.8	3.5
BarCap Global High Yield (Hedged in USD)	528.1	1.7	1.7	0.2	11.2	6.0
Markit iBoxx Asia ex-Japan Bond Index (USD)	203.0	0.7	0.8	-0.8	8.6	1.3
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	215	0.6	0.1	-1.6	19.1	-3.2

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

Currencies (vs USD)	Latest	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2022	52-week High	52-week Low	1-week Change (%)
<b>Developed markets</b>									
EUR/USD	1.07	1.06	1.05	1.09	0.97	1.07	1.13	0.97	1.3
GBP/USD	1.23	1.21	1.21	1.27	1.12	1.21	1.31	1.12	1.5
CHF/USD	1.11	1.11	1.09	1.14	0.99	1.08	1.18	0.99	0.3
CAD	1.37	1.39	1.37	1.34	1.37	1.36	1.39	1.31	1.2
JPY	149	150	149	143	148	131	152	127	0.2
AUD/USD	0.65	0.63	0.63	0.66	0.63	0.68	0.72	0.63	2.4
NZD/USD	0.60	0.58	0.59	0.61	0.58	0.64	0.65	0.58	2.7
<b>Asia</b>									
HKD	7.83	7.82	7.83	7.81	7.85	7.80	7.85	7.76	-0.1
CNY	7.31	7.32	7.30	7.17	7.30	6.90	7.35	6.69	0.2
INR	83.3	83.2	83.2	82.7	82.9	82.7	83.3	80.5	0.0
MYR	4.73	4.78	4.72	4.56	4.74	4.40	4.79	4.23	1.0
KRW	1322	1356	1361	1299	1424	1260	1429	1216	2.5
TWD	32.3	32.4	32.3	31.6	32.2	30.7	32.5	29.6	0.5
<b>Latam</b>									
BRL	4.89	5.01	5.17	4.92	5.12	5.29	5.53	4.70	2.4
COP	4044	4106	4218	4153	5069	4851	5156	3879	1.5
MXN	17.4	18.1	18.1	17.3	19.6	19.5	19.9	16.6	4.1
ARS	350	350	350	278	158	177	350	158	0.0
<b>EEMEA</b>									
RUB	92.8	94.3	99.9	94.2	62.3	74.2	102.4	59.9	1.6
ZAR	18.3	18.8	19.3	18.7	18.4	17.0	19.9	16.7	2.8
TRY	28.4	28.2	27.5	27.0	18.6	18.7	28.6	18.4	-0.8

Bonds	Close	1-week Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2022	1-week basis point change*
<b>US Treasury yields (%)</b>							
3-Month	5.40	5.45	5.48	5.40	4.13	4.34	-5
2-Year	4.88	5.00	5.15	4.88	4.71	4.43	-13
5-Year	4.50	4.76	4.80	4.29	4.37	4.00	-26
10-Year	4.55	4.83	4.80	4.18	4.15	3.87	-28
30-Year	4.73	5.01	4.92	4.29	4.18	3.96	-28
<b>10-year bond yields (%)</b>							
Japan	0.92	0.88	0.76	0.65	0.25	0.41	5
UK	4.35	4.54	4.60	4.47	3.51	3.66	-20
Germany	2.67	2.83	2.97	2.60	2.24	2.57	-16
France	3.26	3.45	3.53	3.13	2.77	3.11	-19
Italy	4.54	4.80	4.93	4.27	4.41	4.70	-26
Spain	3.70	3.92	4.07	3.64	3.31	3.65	-22
China	2.67	2.72	2.68	2.66	2.68	2.84	-5
Australia	4.72	4.81	4.54	4.11	3.92	4.05	-9
Canada	3.73	3.98	4.24	3.71	3.41	3.30	-24

\*Numbers may not add up due to rounding.

Commodities		1-week Change (%)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	2,000	-0.3	9.7	3.4	22.7	9.6	2,063	1,617
Brent Oil	87.5	-1.9	-1.9	4.4	4.9	7.7	93	69
WTI Crude Oil	83.2	-2.7	-4.8	3.9	6.5	7.7	92	63
R/J CRB Futures Index	282.2	-1.0	0.3	1.4	1.4	1.6	290	254
LME Copper	8,135	0.4	1.6	-5.5	7.6	-2.8	9,551	7,460

Source: HSBC Asset Management. Macrobond, Bloomberg. Data as at 12PM UK time 03 November 2023.

Past performance is not an indication of future returns

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