

# Investment Daily

US stocks rallied as the more dovish Fed supported risk sentiment; Treasury yields rose

European stocks rose after dovish Fed; most European government bond yields fell

Asian markets gained amid dovish Fed

## S&P 500 hit all-time high as dovish Fed lifted risk sentiment

**US equities** gained on Thursday as investors continued to digest the more dovish tone of the Fed at Wednesday's FOMC meeting. Reaching a fresh all-time high, the S&P 500 closed up 0.9%, amid strong gains in energy shares following the rebound in crude oil prices.

**US Treasuries** dropped (yields rose), paring some of their strong gains of Wednesday, as the rally in equities dampened demand for safe assets. The yield curve bear flattened, with 2-year yields up 4bp at 1.78% and 10-year yields up 1bp at 2.03%.

**European stocks** closed higher on Thursday following the dovish tone at the latest Fed policy meeting which signalled a rate cut in 2020. The Euro Stoxx 50 rose 0.4%. Germany's DAX closed 0.4% higher, whilst France's CAC 40 rose 0.3%. Elsewhere, UK's FTSE 100 gained 0.3% after the Bank of England kept policy on hold. Spain's IBEX 35 bucked the regional trend to close down 0.2% as financials provided the largest drag to the index.

**Core European bonds** rose (yields fell) with Germany's benchmark 10-year bund yields down 3bp to -0.32%, whilst UK equivalent yields fell 5bp to 0.81% as the Bank of England cut its Q2 GDP growth forecast. Riskier peripheral bond yields also fell with the exception of Italy and Greece.

**Japanese equities** advanced for a second day on Thursday, after the US Fed struck a dovish tone at its latest policy meeting and the Bank of Japan kept its monetary policy unchanged, as expected. The Nikkei 225 closed up 0.6%. Investor optimism over the resumption of US-China trade talks at the upcoming G-20 summit also continued to support market sentiment. China's Shanghai Composite closed up 2.4%. Elsewhere, most other markets also saw gains. Indonesian and Philippine equities underperformed in the region, with investors cautiously awaiting monetary policy decisions from both countries' central banks.

**Crude oil** prices rose sharply on Thursday amid heightened geopolitical concerns in the Middle East after Iran shot down an American drone. WTI for August delivery jumped 5.4% to USD56.7 per barrel.

## Key Data Releases and Events

### Yesterday

As expected, in a 7-2 vote, the **Bank of Japan (BoJ)** left its monetary policy unchanged at its June policy meeting, with the Yield Curve Control parameters kept at -0.1% for short term policy rates and around 0% for 10-year JGB yields. In terms of the amount of asset purchases, the BoJ still intends to buy about JPY80tn worth of JGBs, although actual buying recently fell to JPY29tn on an annualized basis. Policy makers are still confident the economy will continue to expand moderately and inflation will gradually converge to the 2% target. However, the statement also noted geopolitical uncertainties such as trade tensions between the US and China or the outcome of Brexit.

As expected, policymakers at the **Bank of England** unanimously voted to keep interest rates at 0.75%. The MPC cut Q2 GDP growth forecast to zero from 0.2%. They noted that while labour market conditions remained tight, downside risks such as global trade tensions and uncertainty surrounding Brexit remained.

**UK retail sales** excluding auto fuel eased to 2.2% yoy in May (consensus: +2.5% yoy) from 4.7% yoy in the previous month, suggesting a slowdown in the economy. The decline was driven by a fall in clothing sales, as consumers delayed their summer shopping due to cold weather in May.

### Releases due today (21 June 2019)

Country	Indicator	Period	Survey	Prior
Eurozone	Markit composite PMI	Jun P	52.0	51.8
US	Existing home sales (mom)	May	1.5%	-0.4%
Japan	National CPI ex fresh food, energy (yoy)	May	0.5%	0.6%

A - Actual

The preliminary **Markit Eurozone Composite PMI** is expected to improve slightly to 52.0 in June as gains are expected in both the manufacturing and services readings. Manufacturing is, however, expected to remain below 50 (at 48.0), led by falls in new orders and output.

In the **US**, **existing home sales** are expected to rise 1.5% after having eased in the prior two months, after February's 11.2% mom surge.

**Japan's headline CPI inflation** for May is expected to slow to 0.7% yoy from 0.9% in April. Core inflation (CPI excluding fresh food and energy) is also expected to decelerate to 0.5% yoy, down from 0.6% in April.



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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)
<b>World</b>									
MSCI AC World Index (USD)	524	1.1	4.0	2.8	2.3	15.1	529	435	15.9
<b>North America</b>									
US Dow Jones Industrial Average	26,753	0.9	4.2	3.9	8.5	14.7	26,952	21,713	16.6
US S&P 500 Index	2,954	0.9	4.0	4.6	6.8	17.8	2,958	2,347	17.8
US NASDAQ Composite Index	8,051	0.8	4.5	4.2	3.5	21.3	8,176	6,190	23.9
Canada S&P/TSX Composite Index	16,575	0.4	1.1	2.5	0.9	15.7	16,673	13,777	15.2
<b>Europe</b>									
MSCI AC Europe (USD)	456	1.1	3.7	1.0	-1.4	12.8	478	391	13.8
Euro Stoxx 50 Index	3,468	0.4	2.9	2.8	0.8	15.5	3,537	2,909	14.0
UK FTSE 100 Index	7,424	0.3	1.6	1.8	-2.7	10.3	7,790	6,537	13.0
Germany DAX Index	12,355	0.4	2.6	6.5	-2.7	17.0	12,887	10,279	13.5
France CAC-40 Index	5,536	0.3	3.3	2.8	3.0	17.0	5,601	4,556	14.5
Spain IBEX 35 Index	9,209	-0.2	0.1	-2.1	-5.9	7.8	9,972	8,286	12.1
Italy FTSE MIB Index	21,361	0.7	4.0	0.1	-3.4	16.6	22,244	17,914	10.7
<b>Asia Pacific</b>									
MSCI AC Asia Pacific ex Japan (USD)	526	1.4	4.4	-0.6	-4.8	10.3	555	459	14.5
Japan Nikkei-225 Stock Average	21,463	0.6	0.8	-0.7	-4.8	7.2	24,448	18,949	15.3
Australian Stock Exchange 200	6,687	0.6	3.3	8.5	8.3	18.4	6,687	5,410	17.4
Hong Kong Hang Seng Index	28,550	1.2	2.7	-2.6	-3.9	10.5	30,280	24,541	11.3
Shanghai Composite Index	2,987	2.4	4.1	-3.3	2.4	19.8	3,288	2,441	11.6
Hang Seng China Enterprises Index	10,922	1.5	2.7	-6.0	-5.1	7.9	11,882	9,762	8.7
Taiwan TAIEX Index	10,785	0.1	3.7	2.2	-1.3	10.9	11,186	9,319	16.0
Korea KOSPI Index	2,131	0.3	3.7	-2.1	-9.8	4.4	2,371	1,985	12.6
India SENSEX 30 Index	39,602	1.2	0.6	3.2	11.4	9.8	40,312	33,292	19.5
Indonesia Jakarta Stock Price Index	6,336	-0.1	7.3	-2.3	7.7	2.3	6,636	5,558	15.7
Malaysia Kuala Lumpur Composite Index	1,675	0.5	4.4	-0.5	-2.0	-0.9	1,827	1,572	17.1
Philippines Stock Exchange PSE Index	8,022	0.1	4.7	2.1	10.5	7.5	8,214	6,791	17.3
Singapore FTSE Straits Times Index	3,315	0.8	3.4	3.3	0.0	8.0	3,415	2,956	13.0
Thailand SET Index	1,718	0.7	6.8	5.5	3.2	9.8	1,767	1,547	16.2
<b>Latam</b>									
Argentina Merval Index	39,862	0.0	19.0	14.7	36.9	31.6	41,478	24,618	9.1
Brazil Bovespa Index*	100,303	0.0	9.1	2.3	39.1	14.1	100,439	69,779	12.5
Chile IPSA Index	5,061	0.5	3.0	-3.5	-6.6	-0.9	5,516	4,798	15.1
Colombia COLCAP Index	1,555	0.5	4.9	-4.5	1.5	17.3	1,634	1,291	12.1
Mexico S&P/BMV IPC Index	43,645	0.6	0.3	1.1	-6.7	4.8	50,603	39,272	13.9
<b>EEMEA</b>									
Russia MOEX Index	2,759	0.8	8.1	11.0	23.2	17.3	2,788	2,223	6.1
South Africa JSE Index	58,565	0.7	6.0	5.0	4.1	11.8	60,299	50,033	13.7
Turkey ISE 100 Index*	94,244	-0.1	8.5	-8.9	-0.4	3.2	105,930	83,535	6.5

\*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	3.6	16.4	4.4	38.8	34.9
US equities	5.0	19.0	8.1	48.1	61.2
Europe equities	2.6	15.4	1.8	24.9	4.5
Asia Pacific ex Japan equities	0.2	11.6	-2.0	39.1	23.8
Japan equities	1.6	8.3	-5.3	25.6	25.3
Latam equities	-0.2	12.4	18.8	42.9	-4.6
Emerging Markets equities	-0.6	10.2	-1.1	37.8	13.5

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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# Market Snapshot 2

	Close	1-day Change (Index Pts.)	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)
<b>Bond indices - Total Return</b>						
BarCap GlobalAgg (Hedged in USD)	555	1.6	2.4	3.7	8.0	6.0
JPM EMBI Global	855	8.1	3.9	4.7	12.2	11.0
BarCap US Corporate Index (USD)	3,093	15.7	3.2	5.2	10.5	9.3
BarCap Euro Corporate Index (Eur)	257	0.8	1.5	2.6	4.4	5.3
BarCap Global High Yield (Hedged in USD)	500	3.2	2.3	3.0	8.3	9.7
Markit iBoxx Asia ex-Japan Bond Index (USD)	209	0.6	2.0	3.3	9.3	7.3
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	266	0.9	1.1	1.9	9.3	9.0

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

<b>Bonds</b>	Close	1-day Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2018
<b>US Treasury yields (%)</b>						
3-month	2.13	2.16	2.37	2.45	1.92	2.35
2-Year	1.78	1.74	2.22	2.40	2.57	2.49
5-Year	1.78	1.76	2.20	2.33	2.81	2.51
10-Year	2.03	2.02	2.42	2.53	2.94	2.68
30-Year	2.54	2.54	2.84	2.97	3.08	3.01

<b>Developed market 10-year bond yields (%)</b>						
Japan	-0.17	-0.14	-0.05	-0.04	0.03	-0.01
UK	0.81	0.86	1.05	1.16	1.30	1.28
Germany	-0.32	-0.29	-0.09	0.08	0.38	0.24
France	0.01	0.05	0.31	0.46	0.71	0.71
Italy	2.14	2.11	2.70	2.52	2.54	2.74
Spain	0.39	0.40	0.88	1.16	1.24	1.41

<b>Currencies (vs US dollar)</b>	Latest	1-day Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2018	52-week High	52-week Low
<b>Developed markets</b>								
EUR/USD	1.13	1.12	1.12	1.14	1.16	1.15	1.18	1.11
GBP/USD	1.27	1.26	1.27	1.32	1.32	1.28	1.34	1.24
CHF/USD	1.02	1.01	0.99	1.01	1.00	1.02	1.05	0.98
CAD	1.32	1.33	1.34	1.33	1.33	1.36	1.37	1.28
JPY	107.3	108.1	110.1	110.7	110.4	109.7	114.6	104.9
AUD	1.44	1.45	1.45	1.41	1.36	1.42	1.48	1.34
NZD	1.52	1.53	1.53	1.45	1.46	1.49	1.56	1.44

<b>Asia</b>								
HKD	7.81	7.82	7.85	7.85	7.85	7.83	7.85	7.79
CNY	6.85	6.90	6.91	6.69	6.47	6.88	6.98	6.49
INR	69.44	69.70	69.74	68.83	68.08	69.77	74.48	67.71
MYR	4.15	4.17	4.18	4.07	4.01	4.13	4.20	4.00
KRW	1,162	1,176	1,194	1,130	1,105	1,111	1,197	1,105
TWD	30.96	31.33	31.41	30.83	30.15	30.55	31.64	30.27

<b>Latam</b>								
BRL	3.84	3.84	4.10	3.78	3.77	3.88	4.21	3.59
COP	3,194	3,241	3,352	3,088	2,926	3,254	3,393	2,852
MXN	19.00	19.02	19.07	18.83	20.36	19.65	20.66	18.41

<b>EEMEA</b>								
RUB	62.86	63.74	64.56	63.86	63.54	69.35	70.84	61.64
ZAR	14.34	14.32	14.39	14.26	13.66	14.35	15.70	13.08
TRY	5.76	5.79	6.03	5.42	4.73	5.29	7.24	4.51

	Latest	1-day ago	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
<b>Commodities</b>								
Gold	1,388	1,360	8.7	5.8	9.5	8.3	1,395	1,160
Brent Oil	64.5	61.8	-10.4	-5.9	-13.8	19.8	87	50
WTI Crude Oil	56.7	53.8	-10.2	-5.3	-14.5	24.8	77	42
R/J CRB Futures Index	179	175	-1.7	-3.8	-8.4	5.2	202	168
LME Copper	5,973	5,918	-0.9	-7.5	-11.8	0.1	6,843	5,725

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Source: Bloomberg, HSBC Global Asset Management.

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