

US stocks rebounded, led by financials and tech shares

US stocks rebounded, led by financials and technology shares; Treasury yields mostly rose

UK stocks and bonds sold off on hawkish turn by BoE Governor Carney

Asian stock markets fell, taking a weak lead from US equities overnight

Markets

- ▶ **US equities** rebounded on Wednesday, as rising yields improved financials' earnings outlook and amid a rally in tech shares. A rally in crude oil prices also helped improve market sentiment. The S&P 500 closed up 0.9% while the Nasdaq Composite rose 1.4%.
- ▶ **US Treasuries** fell for a second day (yields rose) amid weaker demand for perceived safe assets. A USD28 billion auction of seven-year Treasury note saw the lowest bid-to-cover since January. The yield curve steepened as 2-year yields fell 2bp to 1.35% and 10-year yields rose 2bp to 2.23%.
- ▶ The **UK's FTSE 100** underperformed (-0.6%) other European markets on Wednesday, after BoE Governor Carney suggested some removal of stimulus may become necessary if business investment and wages improve. Meanwhile, the Euro Stoxx 50 pared back early session losses to close little changed (-0.1%) as gains in financials helped to limit losses to the index.
- ▶ Most **European government bond yields** fell (prices rose) amid lingering speculation around ECB tapering. Benchmark German 10-year bunds ended flat yielding 0.37%, whilst equivalent maturity Portuguese bonds outperformed (yields fell 9bps to 2.98%). UK gilts were the notable underperformer (10-year yields jumped 6bp to 1.15%) on hawkish comments from BoE Governor Carney.
- ▶ **Most Asian stock markets** fell on Wednesday, taking a weak lead from US markets overnight and following Draghi's upbeat economic assessment. Japan's Nikkei 225 closed down 0.5%. IT stocks tumbled 2.2%, followed by consumer staples and healthcare. Meanwhile, the Hang Seng and Shanghai Composite indices both fell 0.6%. Elsewhere, Korea's KOSPI shed 0.4% whilst late session weakness weighed on India's Sensex (-0.4%).

▶ **Crude oil** prices continued to rebound from their 14-month low reached last week, as US gasoline stockpiles dropped 0.9 million barrels last week, offsetting the 0.1 million increase in crude inventories. However, sentiment remains weak as a majority of energy executives don't expect a rebalancing of the oil market before the second half of 2018, with a third saying it would be 2019 or later, according to a Dallas Fed survey. WTI for August closed 1.1% higher, at USD44.7.

Key Data Releases and Events

Yesterday

- ▶ **US pending home sales** unexpectedly fell 0.8% mom (consensus: +1.0%) in May, following a downwardly revised -1.7% mom (from -1.3%) in the previous month. This marks the third consecutive decline. Sales fell across most regions with the exception of the Midwest, where they were flat.

Releases due today (29 June 2017)

Country	Indicator	Period	Survey	Prior
US	GDP annualised (qoq)	Q1 F	1.2%	1.2%

F – Final

- ▶ After the upbeat second estimate of **US Q1 GDP**, the final release is expected to remain unchanged at 1.2% qoq annualised, up from 0.7% in the first estimate and following from Q4's rate of 2.1%. The boost to the second estimate came from a better than expected gain in personal consumption, which is now anticipated to remain unrevised. Focus will also be on whether there are further revisions to investment in non-residential structures and economy-wide corporate profits.

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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)	468	0.6	0.9	4.0	21.3	11.0	470	387	16.8
North America									
US Dow Jones Industrial Average	21,455	0.7	1.8	3.6	23.2	8.6	21,535	17,456	17.7
US S&P 500 Index	2,441	0.9	1.0	3.5	19.9	9.0	2,454	2,043	18.8
US NASDAQ Composite Index	6,234	1.4	0.4	6.1	32.9	15.8	6,342	4,732	23.7
Canada S&P/TSX Composite Index	15,356	0.5	-0.4	-1.6	10.9	0.4	15,943	13,929	16.9
Europe									
MSCI AC Europe (USD)	457	0.6	0.2	6.5	24.9	14.2	461	366	15.4
Euro STOXX 50 Index	3,536	-0.1	-1.2	2.0	28.2	7.5	3,667	2,743	15.0
UK FTSE 100 Index	7,388	-0.6	-2.1	0.6	20.3	3.4	7,599	6,140	15.0
Germany DAX Index*	12,647	-0.2	0.4	4.1	33.9	10.2	12,952	9,304	13.9
France CAC-40 Index	5,253	-0.1	-1.6	4.1	28.5	8.0	5,442	4,062	15.5
Spain IBEX 35 Index	10,703	0.5	-1.8	3.0	36.6	14.4	11,184	7,858	15.0
Asia Pacific									
MSCI AC Asia Pacific ex Japan (USD)	505	-0.3	1.0	4.9	25.9	18.4	509	402	14.1
Japan Nikkei-225 Stock Average	20,130	-0.5	2.3	4.8	31.4	5.3	20,318	15,107	17.5
Australian Stock Exchange 200	5,756	0.7	0.1	-1.1	12.8	1.6	5,957	5,052	16.1
Hong Kong Hang Seng Index	25,684	-0.6	0.2	5.5	27.3	16.7	26,090	20,217	12.4
Shanghai Composite Index	3,173	-0.6	2.0	-2.5	8.9	2.2	3,301	2,915	14.0
Hang Seng China Enterprises Index	10,408	-0.9	-1.6	-0.2	21.9	10.8	10,727	8,439	8.3
Taiwan TAIEX Index	10,391	-1.2	2.9	5.2	22.2	12.3	10,546	8,530	14.7
Korea KOSPI Index	2,383	-0.4	1.2	10.1	23.1	17.6	2,397	1,931	10.3
India SENSEX 30 Index	30,834	-0.4	-0.6	4.8	16.2	15.8	31,523	25,718	18.9
Indonesia Jakarta Stock Price Index	5,830	0.0	2.0	5.2	19.4	10.1	5,874	4,754	16.3
Malaysia Kuala Lumpur Composite Index	1,771	-0.5	-0.1	1.0	8.4	7.9	1,797	1,614	16.4
Philippines Stock Exchange PSE Index	7,857	-0.2	-0.1	7.2	2.5	14.9	8,118	6,499	19.1
Singapore FTSE Straits Times Index	3,216	-0.1	-0.1	1.8	16.7	11.6	3,275	2,761	14.6
Thailand SET Index	1,583	-0.2	0.9	0.4	10.1	2.6	1,601	1,343	15.5
Latam									
Argentina Merval Index	21,394	0.8	-3.4	6.9	51.3	26.5	22,624	14,142	12.9
Brazil Bovespa Index*	62,018	0.6	-3.2	-4.1	24.0	3.0	69,488	50,009	11.4
Chile IPSA Index	4,747	-0.3	-2.8	-2.5	20.6	14.4	4,920	3,936	17.5
Colombia COLCAP Index	1,449	0.8	0.0	6.3	11.2	7.2	1,466	1,271	14.2
Mexico Index	49,340	0.5	-0.7	0.0	10.3	8.1	50,154	43,999	18.1
EEMEA									
Russia MICEX Index	1,879	0.7	-2.2	-6.9	1.9	-15.3	2,294	1,775	6.3
South Africa JSE Index	51,432	0.3	-4.4	-1.4	0.9	1.9	54,717	48,936	14.8
Turkey ISE 100 Index*	99,639	1.0	3.2	11.6	30.8	28.8	100,618	70,426	9.3

*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	4.7	12.3	23.7	16.2	71.3
US equities	3.9	10.0	21.8	29.5	97.7
Europe equities	8.0	16.4	28.4	0.0	58.2
Asia Pacific ex Japan equities	5.8	19.8	29.2	11.6	47.0
Japan equities	3.3	10.4	22.2	18.8	60.0
Latam equities	-3.4	9.4	21.0	-19.1	-13.8
Emerging Markets equities	5.1	18.5	28.5	3.8	25.6

All total return data quoted in USD terms. 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 Latam 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

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)	509	0.0	0.4	1.6	0.2	2.0
JPM EMBI Global	788	-1.0	0.1	2.3	7.0	6.6
BarCap US Corporate Index (USD)	2,840	-2.8	1.0	3.0	2.7	4.1
BarCap Euro Corporate Index (Eur)	244	-0.1	0.0	1.0	2.0	1.0
BarCap Global High Yield (USD)	455	0.0	0.2	2.7	12.9	5.4
Markit iBoxx Asia ex-Japan Bond Index (USD)	193	-0.1	0.5	1.4	3.1	3.6
Markit iBoxx Asia ex-Japan High-Yield Bond Index (USD)	244	-0.4	0.0	0.2	8.4	3.7

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 2016
US Treasury yields (%)						
3-month	1.00	1.00	0.92	0.77	0.25	0.50
2-Year	1.35	1.37	1.29	1.30	0.61	1.19
5-Year	1.82	1.81	1.79	1.96	1.01	1.93
10-Year	2.23	2.21	2.25	2.42	1.47	2.44
30-Year	2.78	2.75	2.91	3.02	2.27	3.07

Developed market 10-year bond yields (%)						
Japan	0.06	0.04	0.04	0.05	-0.23	0.04
UK	1.15	1.09	1.01	1.19	0.96	1.24
Germany	0.37	0.37	0.33	0.39	-0.11	0.20
France	0.71	0.73	0.75	0.96	0.24	0.68
Italy	2.02	2.05	2.09	2.15	1.40	1.81
Spain	1.42	1.49	1.53	1.67	1.31	1.38

Currencies (vs USD)	Latest	1-day Ago	1-month Ago	3-months Ago	1-year Ago	Year End 2016	52-week High	52-week Low
Developed markets								
EUR/USD	1.14	1.13	1.12	1.08	1.11	1.05	1.14	1.03
GBP/USD	1.29	1.28	1.28	1.25	1.33	1.23	1.35	1.18
CHF/USD	1.04	1.04	1.03	1.01	1.02	0.98	1.05	0.97
CAD	1.30	1.32	1.34	1.34	1.30	1.34	1.38	1.28
JPY	112.30	112.35	111.33	111.15	102.75	116.96	118.66	99.54
AUD	1.31	1.32	1.34	1.31	1.35	1.39	1.40	1.29
NZD	1.37	1.38	1.41	1.43	1.42	1.44	1.47	1.34
Asia								
HKD	7.80	7.80	7.79	7.77	7.76	7.76	7.80	7.75
CNY	6.80	6.81	6.86	6.88	6.65	6.95	6.96	6.62
INR	64.55	64.54	64.45	65.05	67.95	67.92	68.86	63.93
MYR	4.30	4.29	4.27	4.41	4.08	4.49	4.50	3.93
KRW	1,143.90	1,136.60	1,120.82	1,113.16	1,171.13	1,205.83	1,211.78	1,089.72
TWD	30.44	30.33	30.11	30.20	32.38	32.33	32.56	29.93
Latam								
BRL	3.28	3.31	3.26	3.14	3.30	3.26	3.51	3.04
COP	3,018.94	3,029.46	2,910.93	2,908.38	2,981.27	3,002.00	3,208.29	2,822.15
MXN	17.85	17.99	18.52	19.03	18.84	20.73	22.04	17.81
EEMEA								
RUB	59.26	59.42	56.51	57.05	64.36	61.54	67.45	55.70
ZAR	12.93	13.03	12.88	12.99	15.18	13.74	14.98	12.31
TRY	3.51	3.53	3.58	3.66	2.90	3.52	3.94	2.87

Commodities	Latest	1-day ago	1-month Change (%)	3-month Change (%)	1-year Change (%)	YTD Change (%)	52-week High	52-week Low
Gold	1,249	1,247	-1.4	-0.2	-4.8	8.4	1,375	1,121
Brent Oil	47.3	46.7	-9.3	-7.8	-2.6	-16.7	58	42
WTI Crude Oil	44.7	44.2	-10.2	-7.5	-6.5	-16.7	55	39
R/J CRB Futures Index	171	170	-6.1	-7.1	-10.7	-11.2	196	166
LME Copper	5,881	5,858	4.0	0.1	22.1	6.2	6,204	4,582

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