After the Hawkish Cut

Global Markets Weekly Kickstart 30 December 2024

01 Chart of the Week

Yield Curve Normalization Raises Questions About Restrictive Policy, Potential Rate Cut Reduction

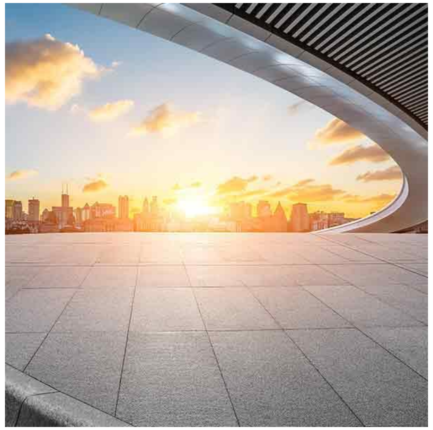

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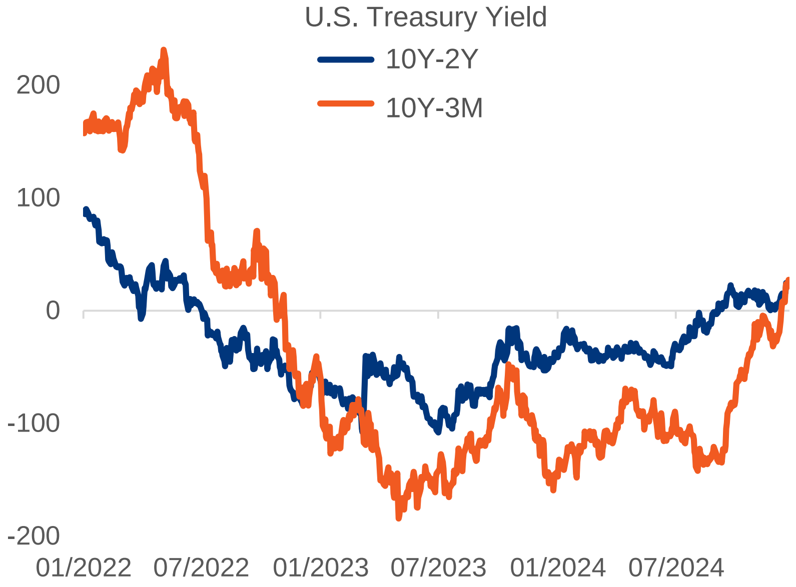
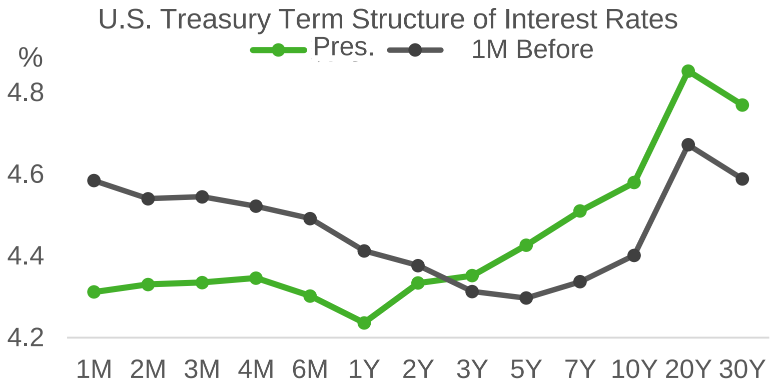
Chart of the Week Yield Curve Normalization Raises Questions About Restrictive Policy, Potential Rate Cut Reduction

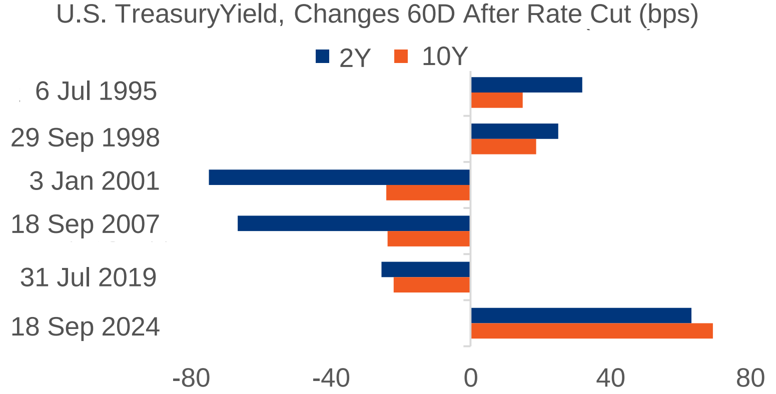
- Following the end of the 2Y-10Y yield curve inversion in September, the Fed's December 25 bps rate cut further lowered short-term rates, with 3-month yields now below 10-year Treasury yields. The normalization reflects contributions from both ends: short-term declines due to rate cuts and long-term rate increases driven by stronger-than-expected economic data, persistent inflation, and the impact of "Red Wave" policies.
- While the current environment of rate cuts and solid economic performance is ideal, markets may be over-optimistic. We anticipate monetary policy could still tighten. Despite ongoing rate cuts reflected in 6-month and 1-year yields, inflation remains above target, with a high risk of further increases.
- Historical data shows that rate cuts often align with worsening financial conditions, although 2023 resembles the relatively stable 1995 easing cycle, where 75 bps cuts spanned July 1995 to February 1996. However, with a steepening yield curve, current policy may not yet be sufficiently restrictive. This could limit the scope for further rate cuts, exerting pressure on asset markets.

U.S. Yield Curve Normalization Ends Inversion

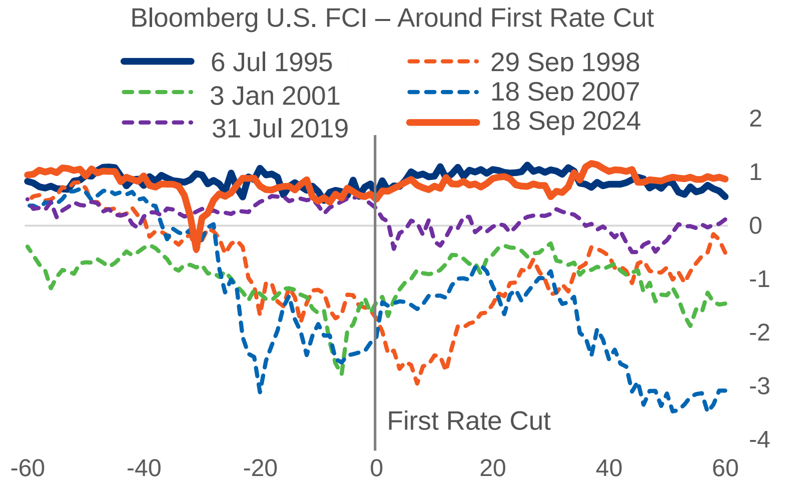




Post-Cut Bond Yields Surge—A Rare 30-Year Event



Stable Financial Conditions Mirror 1995 Easing Cycle



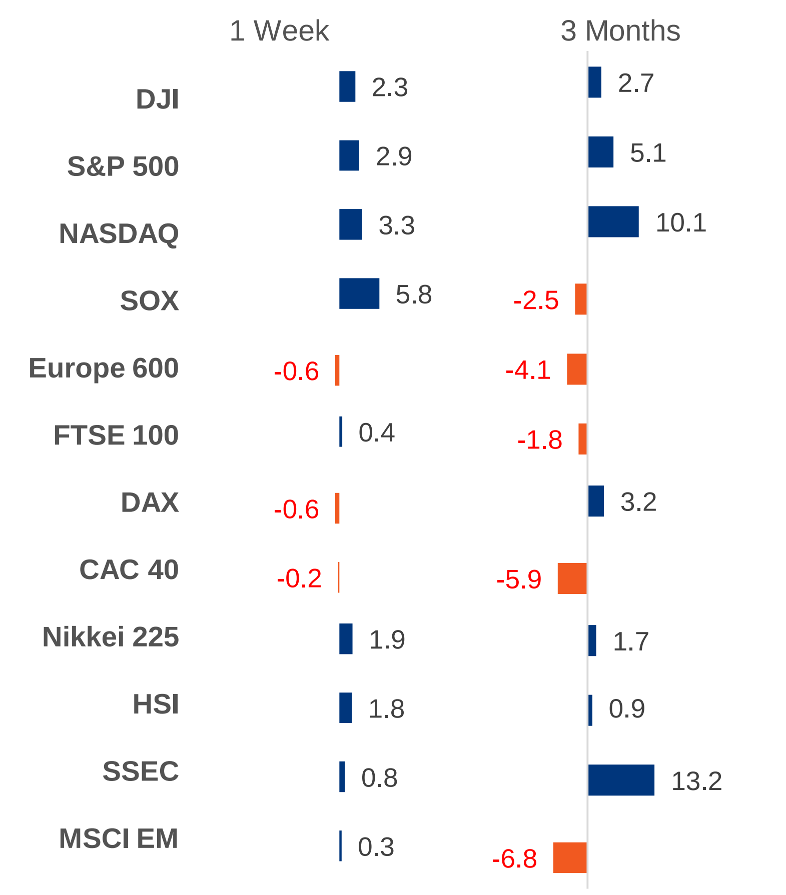
Source: Bloomberg

Market Recap

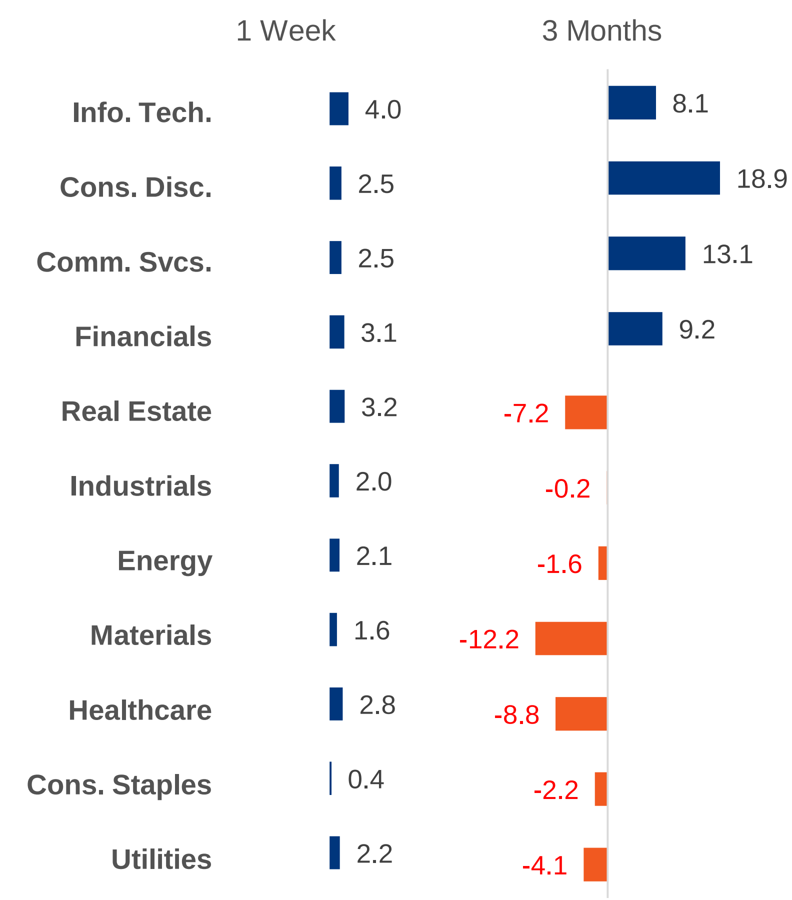
U.S. Stocks Rebound From Lows; Labor Market Resilient, Inflation Sticky

- Last week, markets largely digested the Fed's hawkish rate cut, with long-term Treasury yields stabilizing. December's historically strong equity performance helped lift U.S. stocks from the prior week's lows. All three major indexes posted notable gains, with semiconductor stocks leading. The S&P 500's 11 sectors all ended higher, and Apple (AAPL) reached a record high.
- Initial jobless claims fell to 219,000 last week, below expectations of 223,000, while continuing claims dropped to 1.91 million, also better than the forecast of 1.881 million. This robust labor market could sustain inflationary pressures.
- Meanwhile, China approved issuing ¥3 trillion in special government bonds for 2025, with ¥1.3 trillion allocated to "Two Priorities" (strategic initiatives and security capacity) and "Two Renewals" (equipment upgrades and old-for-new consumer goods). This announcement buoyed A-shares over the Christmas period. A weaker dollar also supported gains in Hong Kong equities.

Major Stock Indices Performance by Region (%)



US Stock Performance by Sector (%)

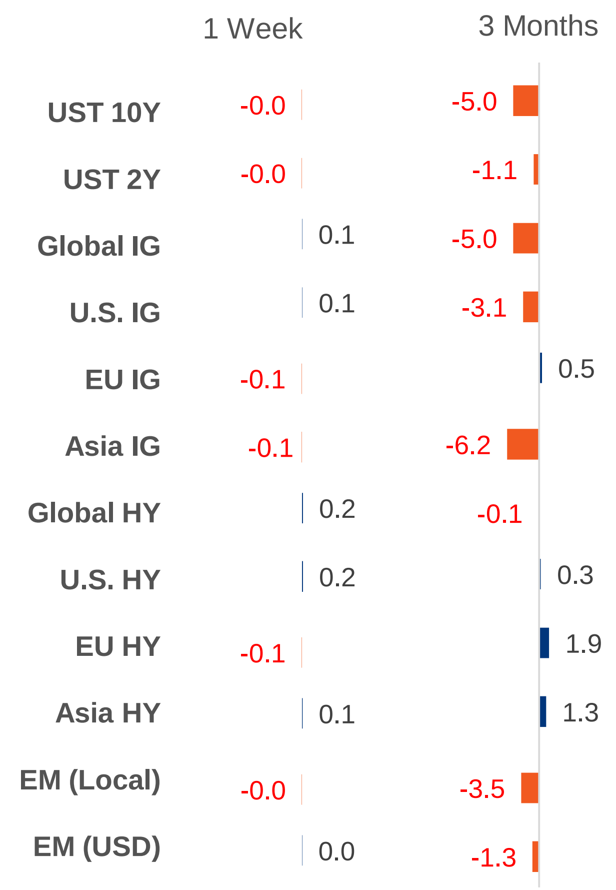


Source: Bloomberg, 26 Dec. 2024

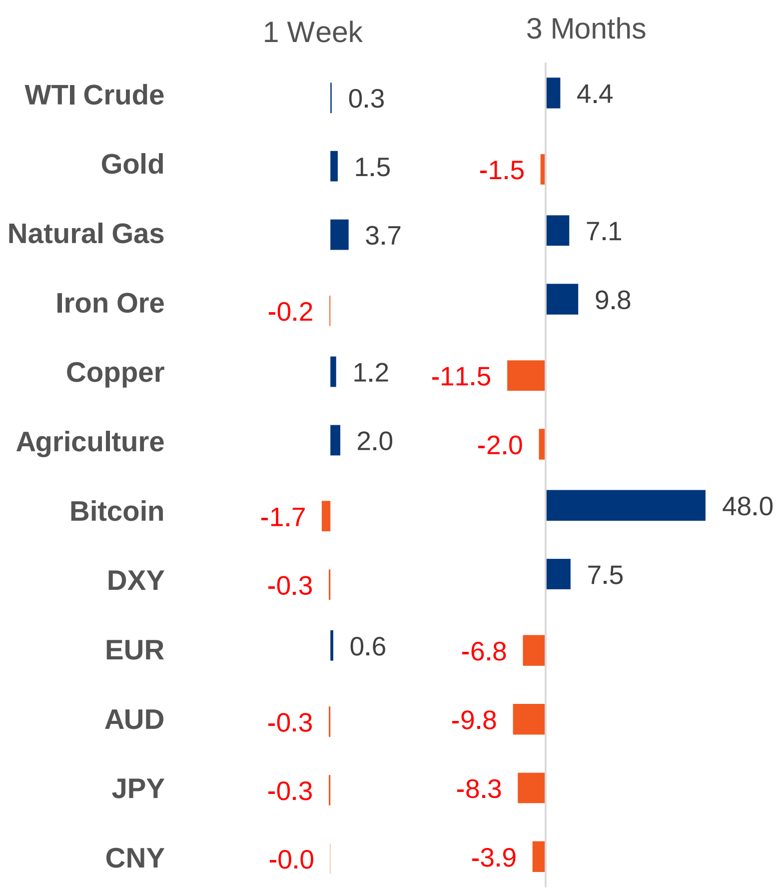
Strong Dollar Weighs on Gold; Ukraine Blocks Russian Gas Transit, Driving Prices Higher

- U.S. 10-year Treasury yields briefly climbed to 4.62% before retreating last week. Both 2-year and 10-year yields showed little overall change. While the 3-month and 2-year yields have exited inversion, 6-month and 1-year yields remain the lowest along the curve due to potential future rate cuts.
- The Fed's signal to slow the pace of rate cuts and maintain elevated rates supports the dollar's strength against other developed market currencies. The dollar index remains above 108 but has slowed its ascent, benefiting gold and Bitcoin prices. Although high rates and a strong dollar typically pressure gold, geopolitical tensions continue to underpin long-term demand for both assets.
- Ukraine announced it will block Russian energy giant Gazprom from using its pipelines to deliver gas to Europe after their transit agreement expires this year. This news has driven natural gas prices higher, adding inflationary uncertainty to the Eurozone.

Performance of Bonds (%)



Performance of Commodities and Currencies (%)



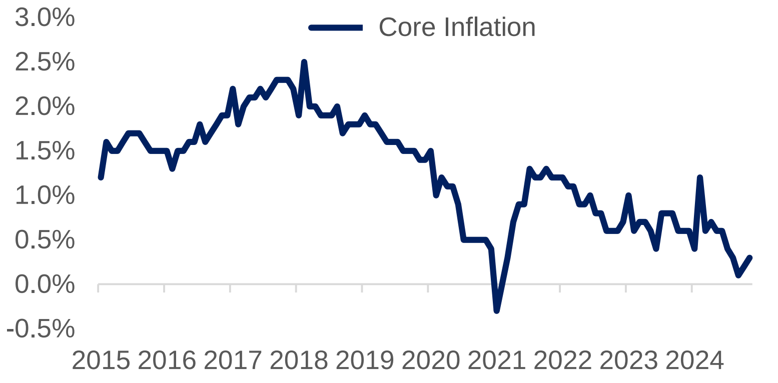
Source: Bloomberg, 26 Dec. 2024

What's Trending

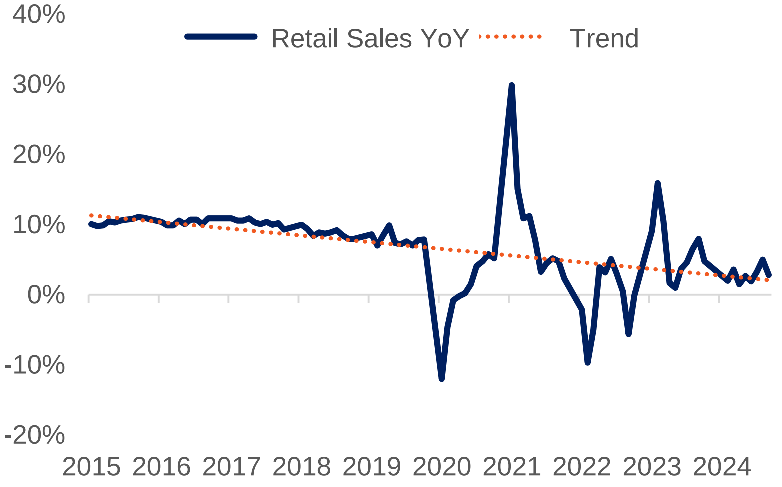
China's Monetary Easing and U.S.-China Rate Differential Likely to Persist, Yuan Remains Soft

- China's inflation remains subdued, with core inflation growth staying below 1% YoY for nearly two years. Weak consumer and investment sentiment has kept retail sales growth in low single digits, limiting business production and pricing power.
- M1 growth has consistently declined over the past two years, falling into negative territory for seven consecutive months, while M2 continues to expand. The adjusted M1-M2 gap stands at -7.4%, reflecting a preference for time deposits over active spending or investment. The lack of monetary velocity suggests inflation pressures will remain weak.
- With cautious attitudes from both consumers and businesses, China is expected to maintain an accommodative monetary policy to support the economy. Given U.S. rates staying elevated, the rate differential is likely to persist, keeping downward pressure on the yuan.

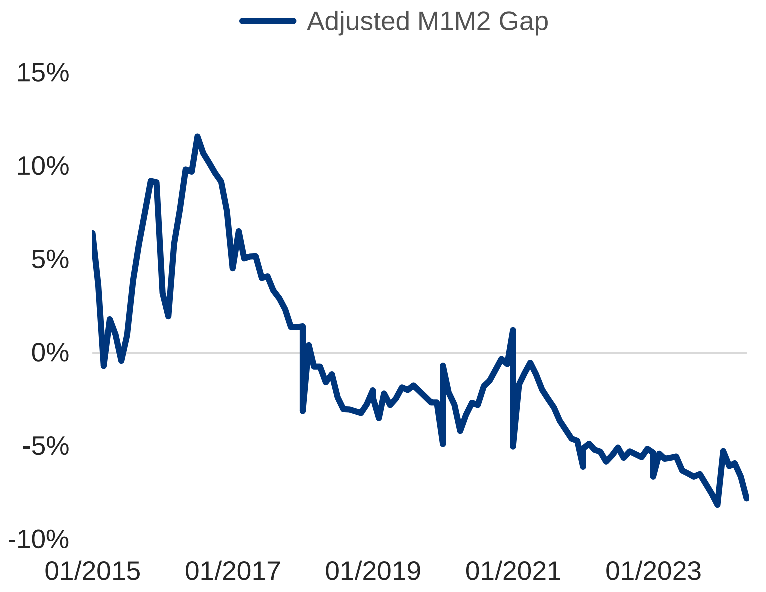
China's Core Inflation Stays Subdued

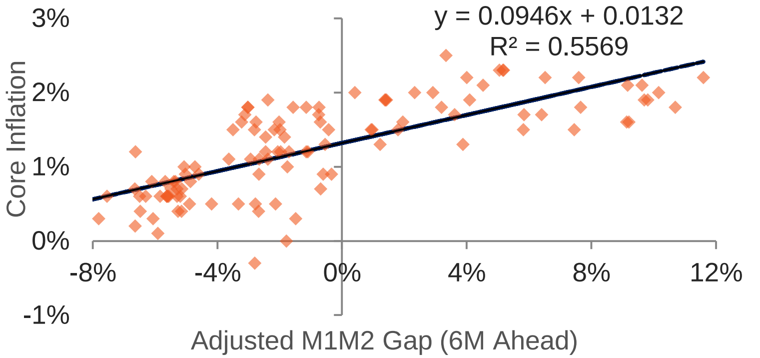


Weak Domestic Consumption Drives Caution



Negative M1-M2 Gap Highlights Low Liquidity Activity





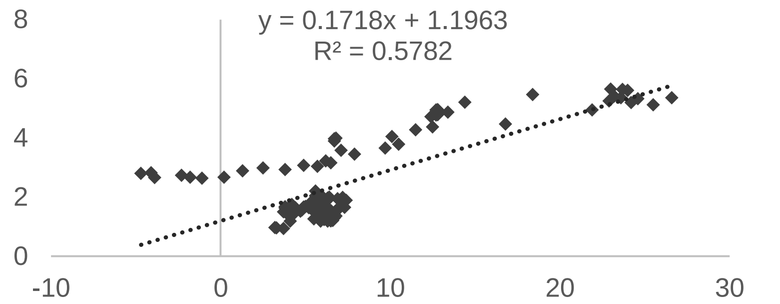
Source: Bloomberg

In Focus

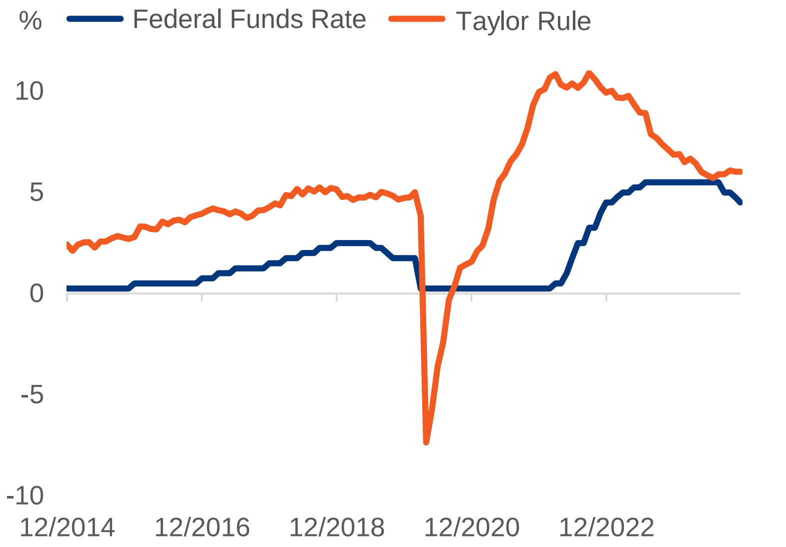
Inflation Risks Remain Elevated; Narrower Rate Cuts May Support Strong Dollar

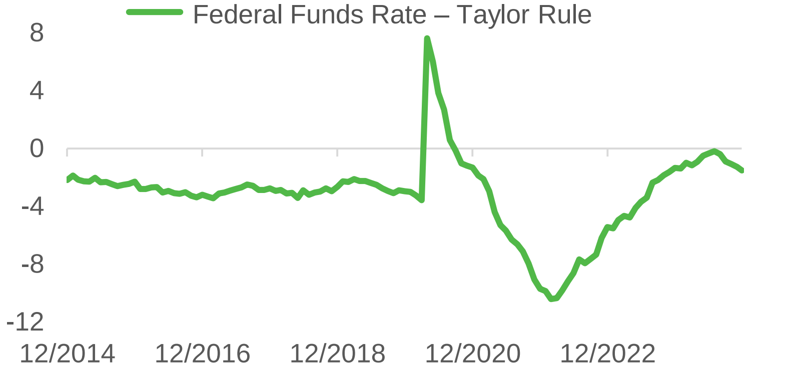
- U.S. November overall and core PCE inflation rose by 2.4% and 2.8%, respectively, slightly below expectations but still above the 2% target. Inflation progress appears to be stalling, with the Fed revising its 2025 inflation forecast higher, suggesting monetary policy may not be as restrictive as anticipated.
- Historically, core PCE inflation peaks 12-18 months after M2 growth reaches its highest point, with both indicators then declining in tandem. However, M2 growth rebounded in May 2023 (roughly 18 months ago), currently at 3.1% YoY. This resurgence in money supply growth could hinder further inflation declines, especially when considering potential fiscal stimulus under Trump 2.0.
- Following December's 25 bps rate cut, the gap between the federal funds rate and the Taylor Rule widened again, indicating less restrictive monetary policy. Bloomberg's U.S. Financial Conditions Index points to a relatively accommodative environment. As a result, the Fed may narrow its rate cuts next year, keeping short-term Treasury yields elevated and supporting a strong dollar.

M2 Growth May Prevent Further Inflation Declines



U.S. Policy Rate Restrictiveness Eases



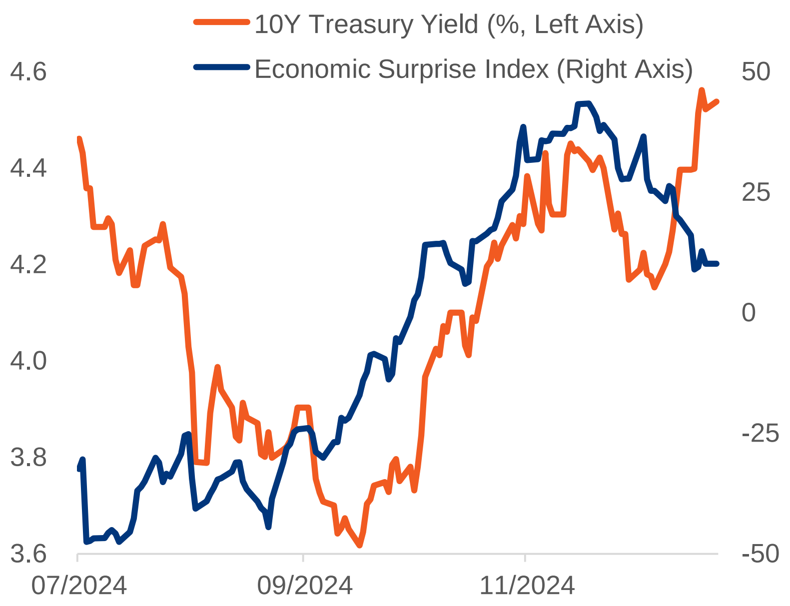


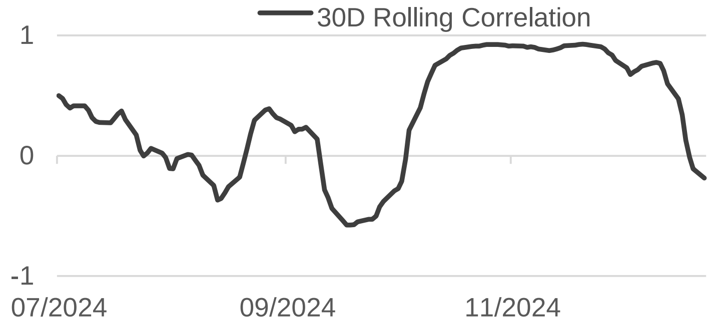
Source: Bloomberg

Long-Term Yields Likely to Hover at High Levels; Monitor Inflation and Bond Portfolio Sensitivity

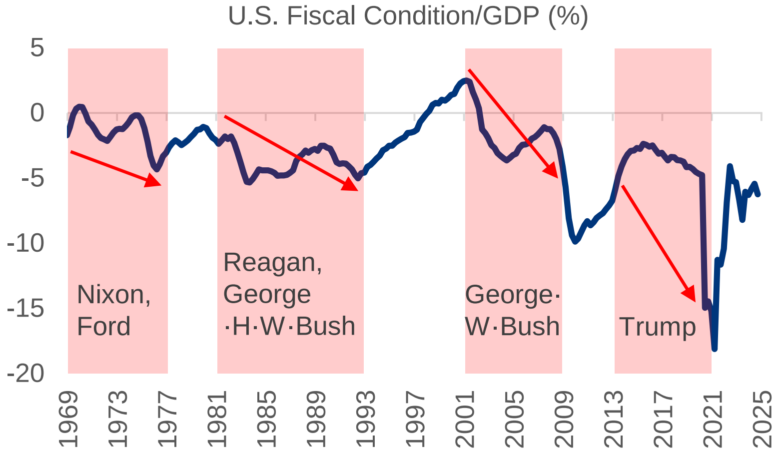
- Recent 10-year Treasury yields have fluctuated significantly due to shifting economic expectations. With the economy holding steady, long-term yields may remain elevated, and further rate cuts by the Fed could steepen the yield curve.
- The debt ceiling will resume on January 1, 2025. Under the "Red Wave," debates over the debt ceiling may be less contentious than in 2023. If Republicans continue their past deficit-expansion approach, the Treasury may need to issue debt at higher yields. Treasury issuance remains near pandemic-era levels, while quantitative tightening shifts holdings from the Fed to private investors, who are more yield-sensitive, increasing rate volatility.
- Given the stable economic environment and potential volatility in long-term yields from Trump's policies, new bond purchases should focus on reducing portfolio rate sensitivity. Investment-grade corporate bonds or Treasuries are solid choices, while more aggressive investors might consider mid-quality corporate bonds. Monitoring whether the Fed tightens policy further, which could weigh on the economy, is crucial. Diversifying credit risk through funds or ETFs also offers a prudent strategy.

Strong Economy Drives 10-Year Yields Higher

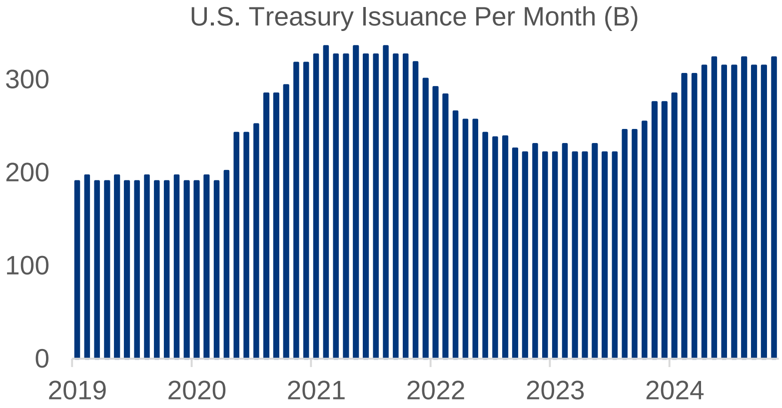




Republican Fiscal Policies Favor Deficits



Treasury Issuance Remains Elevated



Source: Bloomberg

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ Trump's core policies include anti-immigration measures, deregulation, tax cuts, and high tariffs. While their economic impact depends on execution, a U.S. soft landing remains the baseline scenario. Robust consumer spending and tax cuts are expected to bolster corporate earnings. Financials, industrials, defense, and Trump-aligned themes are likely beneficiaries. Additionally, AI remains a long-term growth driver, supporting tech stocks' bullish outlook. ◆ Tariffs could suppress China's export momentum, while Europe's sluggish economy, trade policy uncertainties, and rising NATO defense spending make European equities neutral. Conversely, rising wages and stronger consumption support a positive outlook for Japanese equities.	**Strategy Focus**: Large caps in financials, industrials, defense, AI, and tech. **Regions**: U.S., Japan, and India (satellite exposure).
Bonds	◆ The Fed's expected 25 bps rate cut has flattened the yield curve. Future rate cuts may slow, with bonds focusing on economic fundamentals amid fiscal and monetary policy uncertainty. Treasury yields may fluctuate, and investors should manage bond portfolio duration risks. ◆ Long-duration bonds remain volatile and are better suited for risk-tolerant investors unless signs of economic hard landing emerge, such as significant labor market weakening.	**Duration**: Favor short-term bonds for yield locking; long-term bonds carry higher risk, subject to individual risk tolerance. **Type**: Treasuries, investment-grade corporate bonds focusing on large enterprises, and financial bonds with potential upside.
Forex	◆ With Trump and the Republican Party fully in control, inflation expectations could push U.S. Treasury yields higher, while the Fed moderates its rate-cut pace. The dollar's short-term strength may extend into early 2025. ◆ Trade tariffs risk pressuring non-U.S. economies, expanding rate cut cycles abroad, and widening yield differentials, leading to currency depreciation in non-U.S. markets. The yen remains under pressure due to the Bank of Japan's steady policy, with USD/JPY breaching November highs. Rate hike timing will dictate the yen's trajectory.	USD supported at elevated levels in the short term Yen weak in the near term but poised for gradual appreciation over time

Product Spotlight | HK Equities

Fiscal Policy Likely To Strengthen in 2025

Five Fiscal Policy Approaches and Six Key Initiatives for Next Year

- During the National Fiscal Work Conference held in Beijing on December 23-24, key takeaways included a review of 2024 fiscal efforts and the announcement of priorities for 2025. The fiscal strategy for 2025 will focus on 5 key approaches and 6 major initiatives. 5 Approaches: (1)Increase the fiscal deficit ratio (2)Issue larger-scale government bonds (3)Optimize expenditure structures (4)Mitigate risks in key areas (5)Enhance transfer payments. 6 Initiatives: (1)Support domestic demand expansion (2)Promote the development of a modern industrial system (3)Improve and safeguard public welfare (4)Foster urban-rural and regional integration (5)Advance ecological civilization initiatives (6)Facilitate high-level international openness.

Special Bonds Adopting "Negative List" with Certain Regions Allowed "Self-Approval and Issuance" to Boost Flexibility and Speed

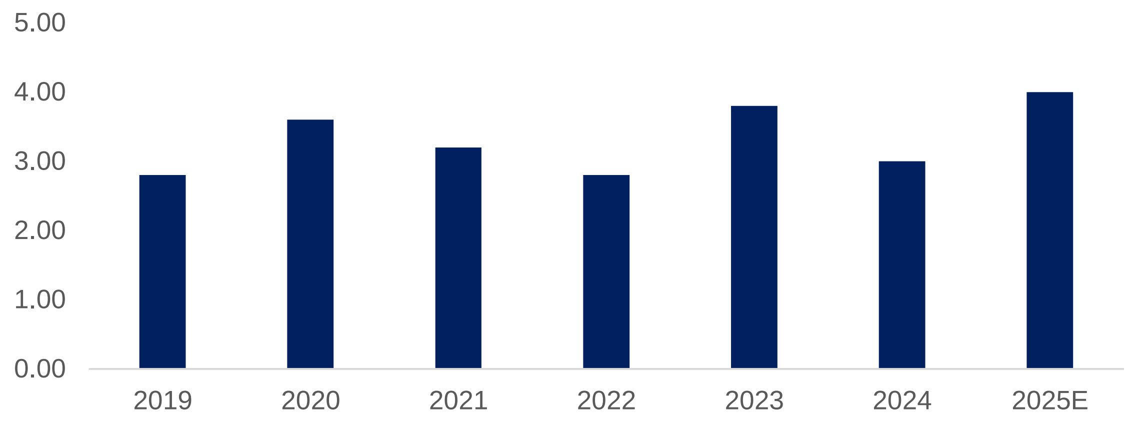
- The conference emphasized implementing a "more proactive fiscal policy" as highlighted during the Central Economic Work Conference. It aims to continue "zero-based budgeting reform" to improve fiscal efficiency. Incremental fiscal policies will address both supply and demand, with accelerated execution timelines. Reforms in special bond management include a "negative list" approach, where projects not on the list can apply for special bond funding, offering more flexibility than the earlier "positive list." For economically advanced provinces like Beijing and Shanghai, a "self-approval and issuance" mechanism has been introduced alongside an accountability system. Next year, fiscal funds are expected to be deployed faster, ensuring timely resource allocation.

Industrial Enterprises' Profits Drop 7.3% in November

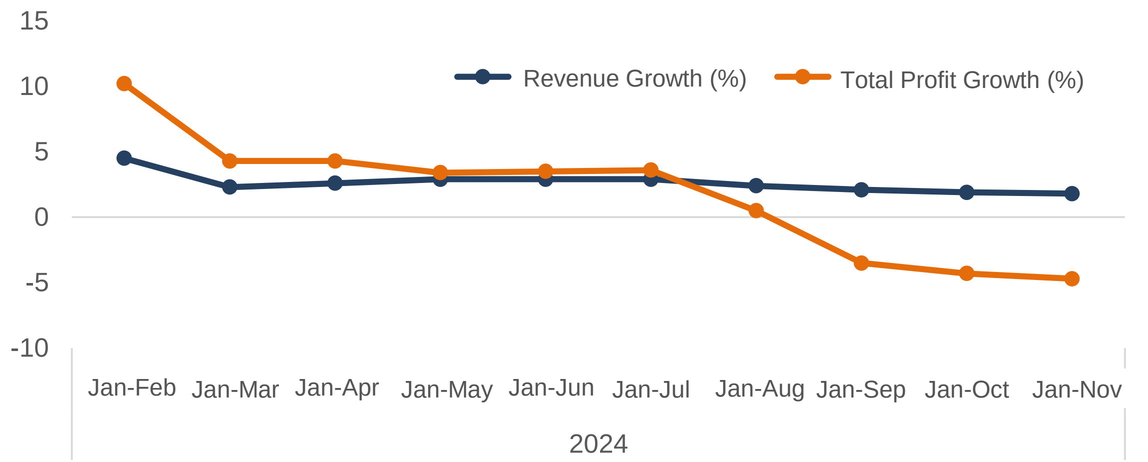
- Industrial enterprise profits fell 4.7% year-on-year in the first 11 months, with revenue growth slowing to 1.8%. Operating profit margins dropped to 5.4%, down from last year’s 5.82%. In November, profits dropped 7.3%, though the decline was slightly smaller than before.

Source: CEIC

Fiscal Deficit Ratio Target



Industrial Enterprise Profits



KGI

Net Ease, Inc. (9999)

Closing Price HK $142.4 **Target Price** HK $162

Profile

Net Ease, Inc. provides online services including content, community, communication, and commerce. It develops and operates online games, electronic commerce, internet media, innovative business, and other businesses.

Highlights

- **"Marvel Rivals" Popular Overseas, Monetization Path Expected to Be Sustainable**

  Net Ease's "Marvel Rivals," launched on December 16, has been successful, reaching 480,000 peak players on Steam, ranking fourth globally. With 33 heroes, there's potential for more. The varied character appearances in comics suggest sustainable monetization. Net Ease will focus on updates and optimization.

- **"Where Winds Meet" Set to Launch, Expected to Bring Significant Revenue**

  "Where Winds Meet" launches December 27, with 35 million pre-registrations, approaching "Treacherous Waters" numbers. "Treacherous Waters" earned 2 billion in its first month, and "Where Winds Meet" is expected to mirror this success. Net Ease’s stock rose 11.5%, outperforming the Hang Seng Index’s 6.1% gain.

- **Current Valuation Appealing Compared to International Peers**

  Net Ease's online game revenue is projected to grow 7.7% in 2025, driven by Marvel Rivals, Where Winds Meet, and Blizzard's return of World of Warcraft and Hearthstone to China. Earnings per share are expected to rise by 10.1%. With a 13.3x P/E ratio for 2025, Net Ease's valuation is appealing compared to international peers.

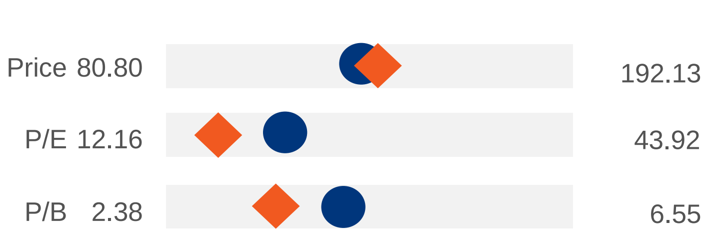
Source: Bloomberg

Financials

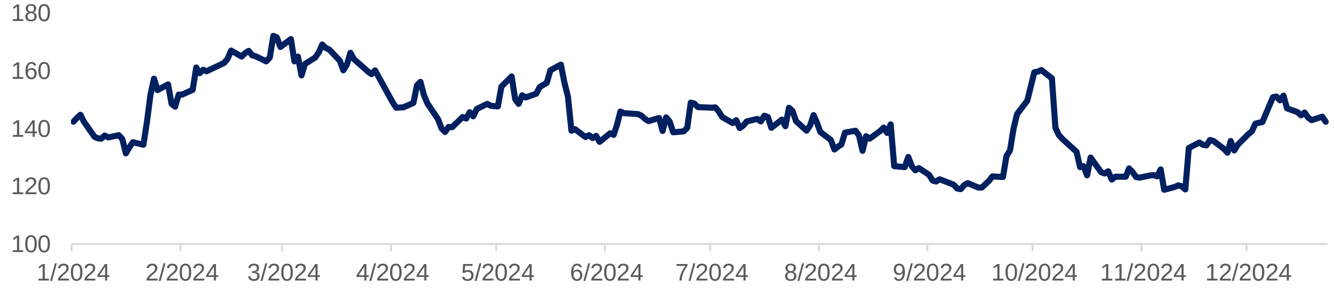
	2021	2022	2023	2024F	2025F
Net Income (100M CNY)	197.6	228.1	326.1	315.5	345.4
NI YoY(%)	34.38	15.42	42.97	-3.26	9.51
EPS(CNY)	29.34	34.6	50.14	48.7	53.6
DPS(CNY)	1.5	1.9	3.6	2.9	4.2
P/E	4.6	3.9	2.7	2.7	2.5
Dividend Yield(%)	1.1%	1.4%	2.7%	2.2%	3.1%

Source: Bloomberg; 2024/25F are market estimates

Valuations



YTD Performance



As of 24 Dec. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	8.171	9.078	3.94	7.069	-0.062	25.12

KGI

China Communications Construction Company Limited (1800)

Closing Price HK $5.57 **Target Price** HK $6.28

Profile

China Communications Construction Company Limited offers transportation infrastructure construction services. The Company constructs ports, waterways, highways, bridges, and other infrastructures.

Highlights

- **Emerging Business Shows Strong Growth**

  The group has sped up the growth of emerging businesses, securing 390 billion yuan in new contracts, up 27% year-on-year. Key sectors include offshore wind power, Beidou tech, and offshore cable-laying. By 2030, the new urban infrastructure plan aims to boost resilient cities. As a leader, China Communications Construction Company is poised to benefit from government-backed infrastructure projects.

- **Overseas Markets as Another Growth Driver**

  As of June 30, 2024, the Group operates in 139 countries and regions. In the 2024 ENR "Top 250 International Contractors" list, CCCC ranked fourth, maintaining its position as the top Chinese enterprise for 18 years. In the first three quarters of 2024, CCCC secured new overseas contracts worth 265.162 billion yuan, a 24.66% year-on-year increase, representing 21% of the Group's total new contracts, up from 18% in 2023.

- **Cash Flow Expected to Improve**

  The third-quarter operating cash flow improved significantly with a net outflow of 2.87 billion. China's 10 trillion yuan local government debt plan, announced in November, will provide more funds for settling outstanding payments and starting new projects, positively impacting the infrastructure sector.

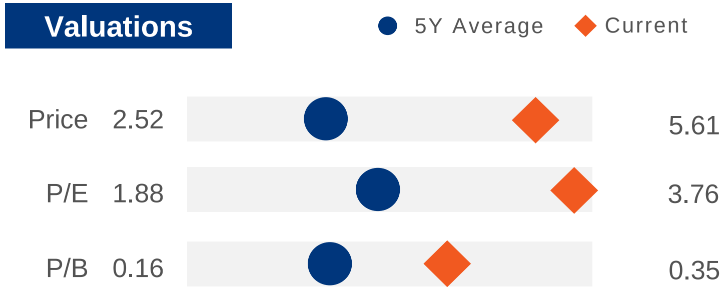
Source: Bloomberg

Financials

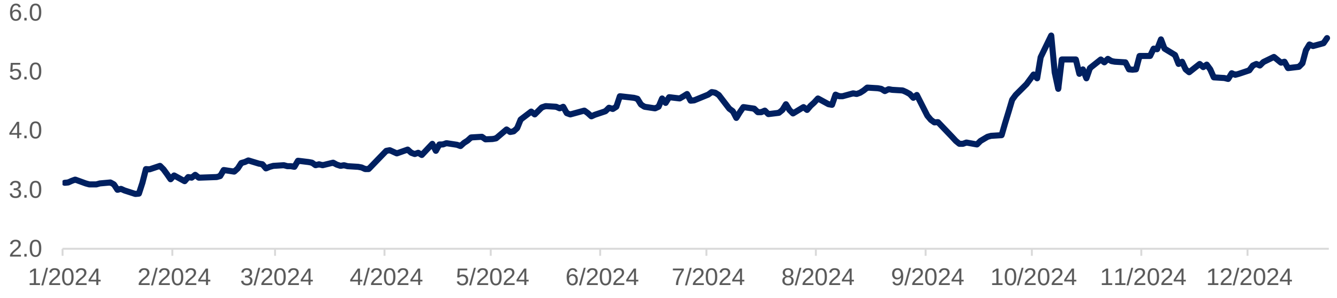
	2021	2022	2023	2024F	2025F
Net Income (100M CNY)	183.5	191.0	247.3	243.5	262.3
NI YoY(%)	13.22	4.12	29.47	-1.53	7.7
EPS(CNY)	1.04	1.09	1.45	1.5	1.6
DPS(CNY)	0.2	0.22	0.29	0.3	0.33
P/E	5.0	4.8	3.6	3.5	3.3
Dividend Yield(%)	3.8%	4.2%	5.5%	5.7%	6.3%

Source: Bloomberg; 2024/25F are market estimates

Valuations



YTD Performance



As of 24 Dec. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	14.26	34.97	76.27	81.49	60.09	23.28

TW Equities Taiwan Stock Market Extends Rally Amid Stable Index, Lower Trading Volume

► Christmas Rally May Sustain Bullish Momentum in Taiwan Stocks, Volume Increase Needed to Confirm Uptrend

Taiwan's stock market has an 80% chance of rising in the 10 days after Christmas. Last week, the index showed stability with lower trading volume, suggesting potential for further gains.

Technically, the market surged 594.29 points, breaking past key moving averages and ending the recent correction. If it holds above short-term averages, it could target the December 5 high of 23,387 points. Investors should monitor large-cap stocks for continued momentum.

► Large-Cap Stocks Lead the Charge, Focus Shifts to Catalyst-Driven Sectors

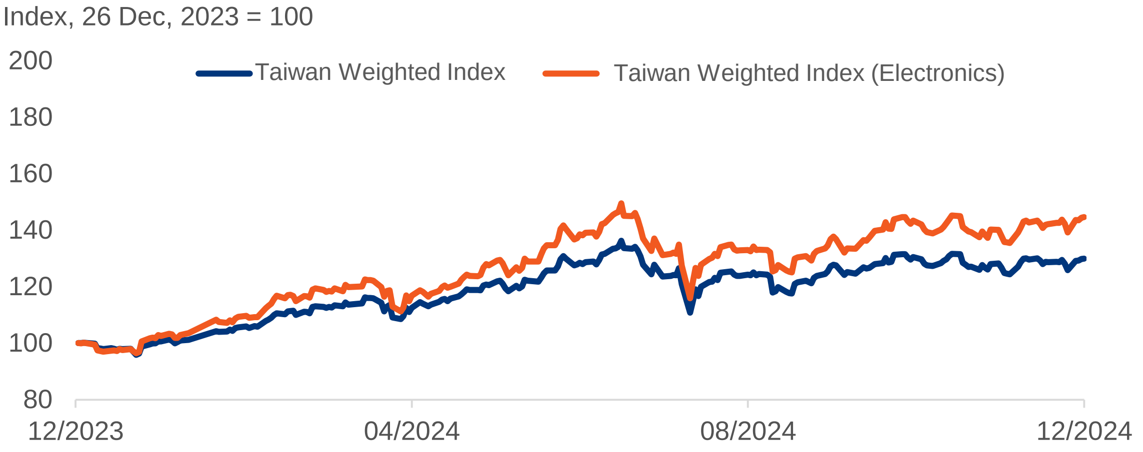
The rally is led by large-cap stocks, with electronic heavyweights driving bullish momentum. Mid- and small-cap stocks also show strength, supporting the uptrend. Continued focus on large-cap performance is recommended.

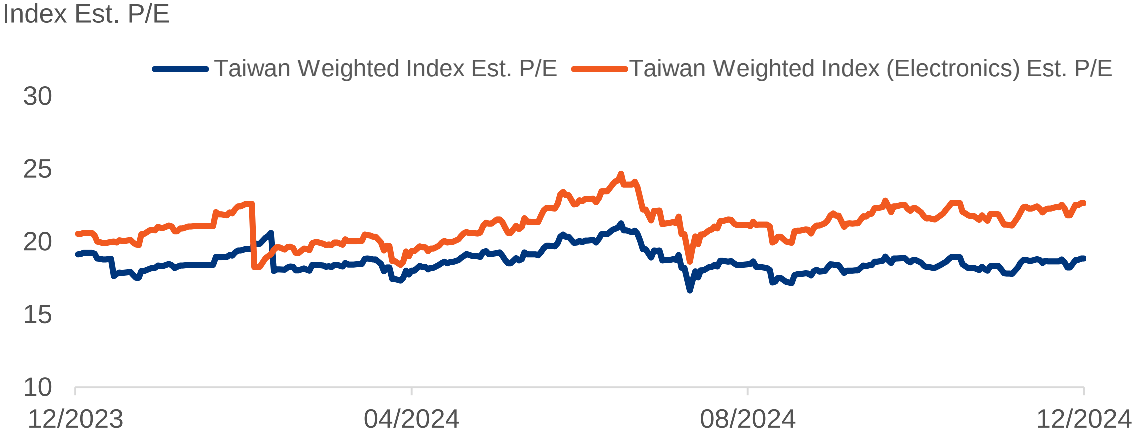
Key electronic sectors like solar energy, memory, mature-node foundries, and substrates are performing well, ideal for short-term trading. Trends in robotic vision, AI ASICs, and optical communications also warrant attention.

In non-electronics, robotics components such as gears, slides, ball screws, and reducers are promising. Container shipping and aviation stocks remain stable, offering entry points during pullbacks.

Focus on catalyst-driven stocks that follow short-term moving averages, break resistance, or hit new highs with strong momentum.

Taiwan Indices Performance and Estimated P/E Ratios





Source: Bloomberg

Fositek Corp. (6805 TT)

Profile

Fositek Corp. designs, manufactures, and distributes consumer electronic components. It produces connecting rotating shafts, cantilever brackets, and other components for computers, optics, appliances, and so on.

Highlights

- **4Q24 Earnings Revision Upward**

  October-November revenue exceeded expectations, driven by Huawei's Mate XT orders and strong server sales. KGI Securities raised 4Q24 revenue forecast to NT$2.94 billion, up 48% QoQ.

- **Strong Server Revenue Growth Expected in 2025-2026**

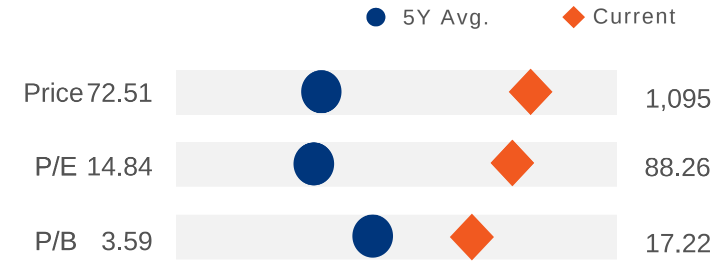
  Servers, driven by fast connector modules and sliders, will be a key growth driver in 2025. Shipments of GB200 rack modules began in 4Q24, with volumes set to rise as ODMs scale production. KGI Securities forecasts server revenue share to grow from 5% in 2024 to 19% in 2025.

Financials

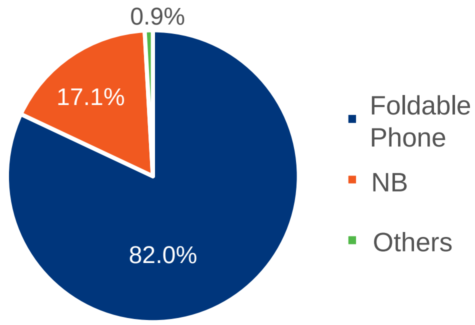
	2021	2022	2023	2024F	2025F
EPS (NTD)	9.33	10.18	19.02	39.90	56.43
EPS Growth (%)	0.5	9.1	86.7	109.8	41.4
P/E Ratio	109.3	100.1	53.6	25.6	18.1
ROE (%)	25.3	18.0	26.6	47.0	52.7

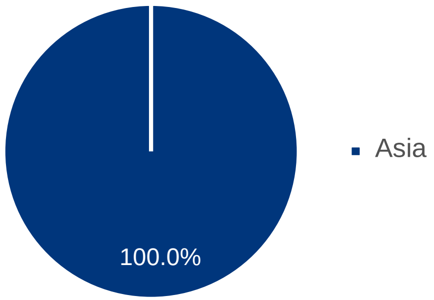
Source: Company data, estimates of KGI analyst

Valuations



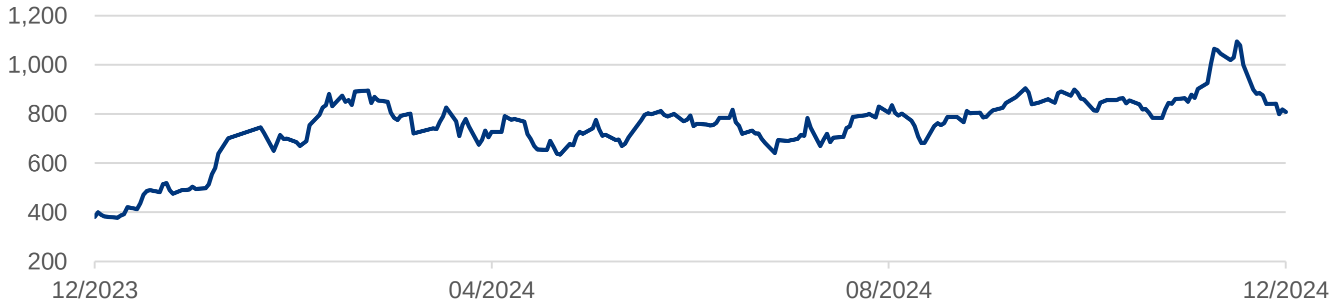
Revenue Sources and Regions





Source: Bloomberg

1-Year Performance



As of 26 Dec. 2024	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-8.1	-5.3	0.2	1.4	110.5	111.0

Asrock Inc (3515 TT)

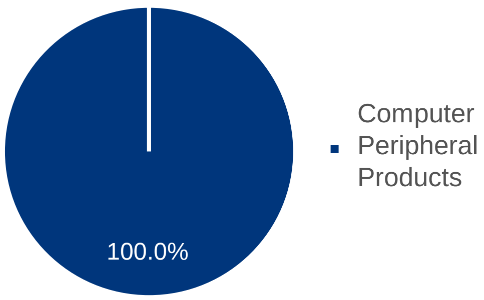
Profile

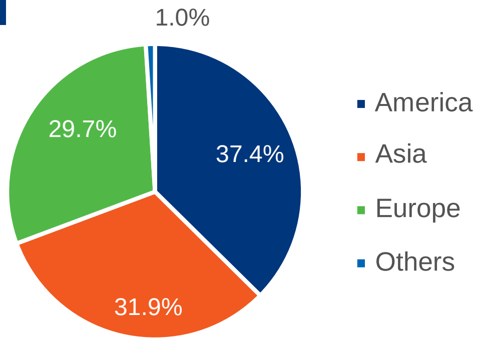
Asrock Inc develops, designs and retails mother board.

Highlights

- **Upward Revision of 4Q24 Earnings Forecast**
  October-November revenue rose 62% YoY to NT$6.56 billion, driven by Yongqing's AI server shipments, boosting server revenue by 225%. Strong demand for Intel and AMD products will drive a QoQ rise in consumer product revenue. KGI Securities raised its 4Q24 revenue forecast to NT$96.5 billion, up 54% QoQ.
- **Servers to Drive Major Revenue Growth in 2025**
  Driven by AI server shipments, server revenue in 2025 is expected to grow faster than other product lines. The company shipped the H100 AI server in 3Q24, with the H200 expected in 1Q25 and the B300 in 2H25. KGI Securities forecasts AI servers will account for over 50% of total server revenue in 2025.

Revenue Sources and Regions





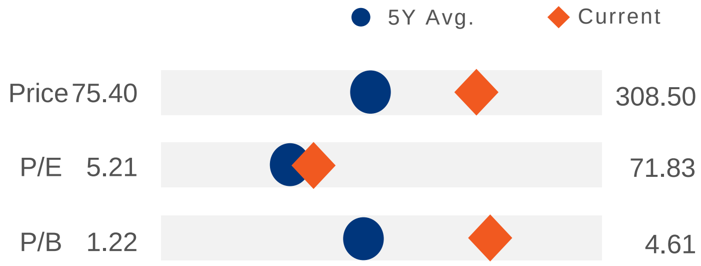
Source: Bloomberg

Financials

	2021	2022	2023	2024F	2025F
EPS (NTD)	19.67	8.69	7.54	11.38	15.00
EPS Growth (%)	74.1	-55.8	-13.2	51.0	31.7
P/E Ratio	11.9	27.0	31.2	20.6	15.7
ROE (%)	31.4	13.0	11.3	16.9	21.9

Source: Company data, estimates of KGI analyst

Valuations



1-Year Performance

As of 26 Dec. 2024	1Wk	1M	3M	6M	YTD	1Y
Return (%)	-3.7	-3.5	13.4	3.5	-7.8	-6.0

Mutual Funds/ ETFs

Mitigating Rate Fluctuations with Short-term Bonds

The U.S. economy is expected to remain stable, with the Fed potentially slowing its interest rate cuts. To reduce portfolio risk, consider pairing with short-term government bonds or investment-grade bonds.

► HSBC Global Investment Funds – Global Short Duration Bond

- Investing in fixed-income securities with an average duration of 6 months to 3 years can help mitigate interest rate fluctuations and serve as a defensive strategy against market volatility. The current duration is 2.67 years.
- The portfolio is diversified across global sectors, with investment-grade bonds rated A/A-, offering monthly payouts and an annualized yield of 5.63%.
- This fund has earned a Morningstar 5-star rating.

► HSBC Global Investment Funds – Global Investment Grade Securitized Credit Bond

- This strategy diversifies with non-traditional fixed-income assets, including ABS, CMBS, CLO, and RMBS, offering higher yield potential than similar-rated corporate bonds.
- Nearly 90% of the assets are floating-rate bonds, with a duration of 2.43 years. It invests in AA-rated, investment-grade securities to minimize credit risk.
- Monthly payouts are offered, with an annualized yield of 6.72%.

Product	HSBC Global Investment Funds – Global Short Duration Bond		HSBC GIF – Global Investment Grade Securitized Credit Bond	
Features	■ Invests in fixed-income securities with a 6-month to 3-year duration. ■ Diversified across global sectors and holds a Morningstar 5-star rating.		■ This fund invests in non-traditional fixed-income assets for higher yields, focusing on high-credit quality securities with an average rating of AA..	
AUM	USD 2.978B		USD 2.873B	
3M/YTD	0.23% / 5.26%		1.18% / 6.86%	
Credit Ratings(%)	AAA AA A BBB B	13.38 13.69 28.22 32.32 7.87	AAA AA A Cash	44.78 34.78 18.24 2.20
Top-5 Sectors (%)	Treasury Corp Fin Corp Non-fin Collateralised Supra/ agencies	28.31 28.15 22.55 12.93 7.50	CLO CMBS RMBS Prime RMBS Rental RMBS Non-conforming	42.34 22.71 11.68 9.66 5.28
Top-5 Holdings (%)	US TREASURY N/B 0.500 31/10/27 DEUTSCHLAND REP 0.500 15/08/27 DEUTSCHLAND REP 0.000 15/11/27 US TREASURY N/B 3.375 15/09/27 SPANISH GOV'T 0.800 30/07/29	3.91 3.22 2.07 1.88 1.86	APID 2019-31A A2R 5.349 15/04/31 DBGS 2018-BIOD B 4.743 15/05/35 CAMB 2019-LIFE C 5.323 15/12/37 HLM 15A-19 A2R 5.587 22/01/35 GLNB2 1X A 1.870 24/03/46	1.29 1.19 1.17 1.08 1.01

Source: Bloomberg

HSBC Global Investment Funds – Global Short Duration Bond

Profile

iShares U.S. Home Construction ETF is an ETF located in the USA. It seeks investment results that correspond generally to the price & yield performance of the Dow Jones US Select Home Builders Index.

■ Hedge Against Market Volatility

This fund primarily invests in fixed-income securities with an average duration of 6 months to 3 years. With a short duration, it helps mitigate interest rate fluctuations and serves as a defensive strategy against market volatility.

■ High-Quality Investment Decision Process

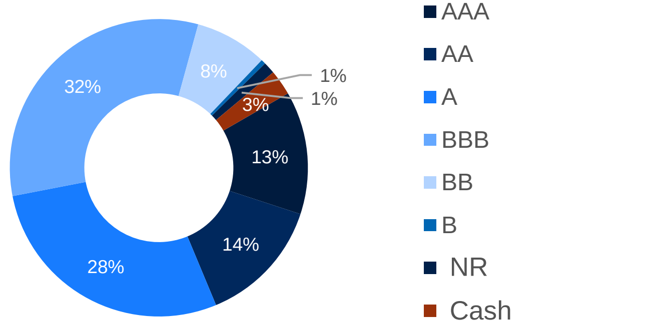
This fund diversifies investments in government, government agency, and corporate-issued investment-grade bonds from both developed and emerging markets. It integrates environmental, social, and governance (ESG) factors into its investment decision process, making ESG certification identification and analysis an essential part of the process. The fund has earned a Morningstar 5-star rating.

■ Monthly Dividends

Offering monthly dividends, with the latest annualized yield at 5.63%.

Inception Date	6 Dec 2018	**AUM**	USD 2.978B
Morningstar Category	Global Bonds	**Category**	Bonds
Morningstar Rating	★★★★★	**3Y Stand. Dev. (Ann.)**	2.53%

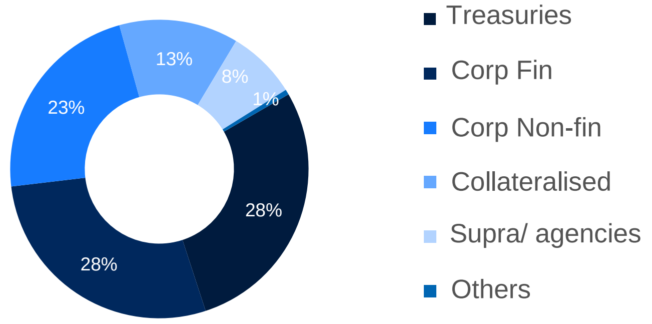
Ratings



Top-5 Holdings (%)

US TREASURY N/B 0.500 31/10/27	3.91
DEUTSCHLAND REP 0.500 15/08/27	3.22
DEUTSCHLAND REP 0.000 15/11/27	2.07
US TREASURY N/B 3.375 15/09/27	1.88
SPANISH GOV'T 0.800 30/07/29	1.86

Sectors



NAV Of Last 3Y

As of 24 Dec. 2024	**1M**	**3M**	**YTD**	**1Y**	**3Y**	**5Y**
Return (%)	0.37	0.23	5.26	5.59	11.92	5.99
Quartile Ranking	1	2	2	1	1	1

Source: HSBC, 30 Nov. 2024. Morningstar, 24 Dec. 2024. USD AM2 Adopted.

HSBC Global Investment Funds – Global Investment Grade Securitized Credit Bond

Profile

SPDR S&P Homebuilders ETF is an ETF incorporated in the USA. It seeks to replicate the performance of the S&P Homebuilders Select Industry Index, an equal-weighted index.

Non-Traditional Fixed Income

This fund diversifies with non-traditional fixed-income assets, such as ABS, CMBS, CLO, and MBS, which have lower correlation with traditional bonds. Securitized credit offers higher yield potential compared to similarly-rated corporate bonds.

High Credit Quality

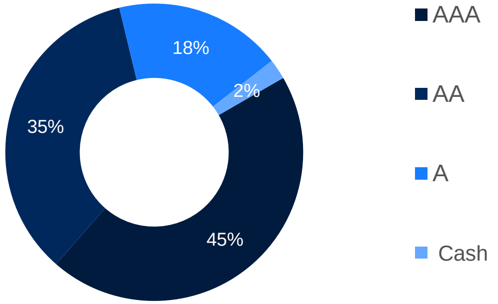
Nearly 90% of the fund's assets are floating-rate bonds with a short duration. It follows a rigorous investment process, focusing on investment-grade securities with an average credit rating of AA, helping to reduce credit risk.

Monthly Dividends

Offering monthly dividends, with the latest annualized yield at 6.72%.

Inception Date	29 May 2018	**AUM**	USD 2.873B
Morningstar Category	Other Fixed Incomes	**Category**	Bonds
Morningstar Rating	-	**3Y Stand. Dev. (Ann.)**	2.75%

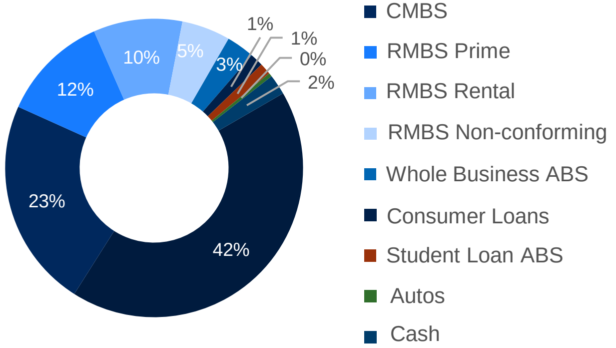
Sectors



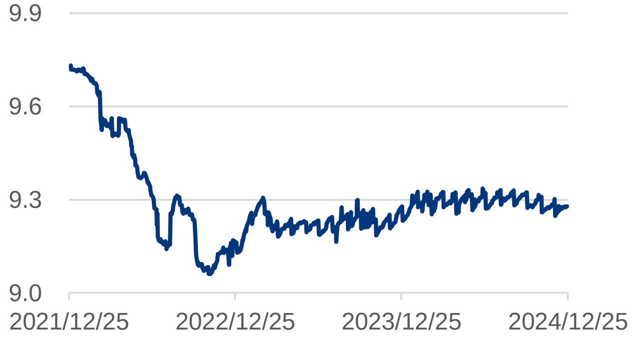
Top-5 Holdings (%)

APID 2019-31A A2R 5.349 15/04/31	1.29
DBGS 2018-BIOD B 4.743 15/05/35	1.19
CAMB 2019-LIFE C 5.323 15/12/37	1.17
HLM 15A-19 A2R 5.587 22/01/35	1.08
GLNB2 1X A 1.870 24/03/46	1.01

1-Year Performance



1-Year Volatility



As of 23 Dec. 2024	1M	3M	YTD	1Y	3Y	5Y
Return (%)	0.47	1.18	6.86	7.04	14.99	11.33
Quartile Ranking	1	1	1	1	1	1

Source: HSBC, 30 Nov. 2024. Morningstar, 24 Dec. 2024. USD AM2 Adopted.

Bonds Post-Pandemic Growth in Defense and Aerospace Industry Boosts Bond Outlook

► STANLN 5.005% 2030

- Standard Chartered Group's annualized return on tangible assets (ROTA) increased from 0.4% in 2023 to 0.6% in 1H24, driven by higher net interest income in a high-rate environment, maturing short-term hedges, and structural improvements. Additionally, strong growth in non-interest income from wealth solutions and global markets contributed to the improved performance. Moody's expects ROTA to reach 0.7% by 2026.

- The group's asset quality continued to improve, with its non-performing loan ratio declining from 3.2% at the end of 2020 to 2.4% as of June 30, 2024. The loan portfolio's structure has also improved, with a higher proportion of investment-grade corporate loans and reduced exposure to vulnerable and cyclical industries. Since the end of 2021, the group has reduced its China commercial real estate (CRE) portfolio by approximately 46%.

- The group maintains a strong capital ratio, with its CET1 ratio at 14.6% as of June 30, 2024, and is expected to stay within 13%-14% in the medium term.

- In September, Moody's upgraded Standard Chartered's credit outlook to positive, noting that the group's improving profitability could further enhance its solvency and liquidity.

Products	STANLN 5.005 10/15/30
ISIN	XS2914003533
Highlight	Improving asset quality with non-performing loan ratio declining.
Maturity Date	15 Oct 2030
Coupon (%)	Float/5.005/Semi-Annual
Currency	USD
Years to Maturity	5.81
Rating (Moody's/ Fitch/S&P)	A3/A/BBB+
Seniority	Senior Unsecured
YTM/YTC (%)	5.50/5.45

Source: Bloomberg

STANLN 5.005% 2030

Profile

Standard Chartered Group's ROTA increased from 0.4% in 2023 to 0.6% in 1H24, driven by higher net interest income in a high-rate environment, maturing short-term hedges, and structural improvements. Additionally, strong growth in non-interest income from wealth solutions and global markets contributed to the improved performance. Moody's expects ROTA to reach 0.7% by 2026.

Highlights

- The group's asset quality improved, with the NPL ratio dropping from 3.2% in 2020 to 2.4% by June 30, 2024. It increased investment-grade corporate loans and reduced exposure to vulnerable sectors, cutting its China CRE portfolio by 46% since 2021.
- The CET1 ratio was 14.6% as of June 2024 and is expected to remain between 13%-14%. Moody's upgraded the credit outlook to positive, noting improved profitability enhancing solvency and liquidity.
- With the Fed's rate-cutting cycle, investors can lock in high-quality bond yields, focusing on low-credit-risk issuers. As rates rebound, increasing high-quality bond holdings can help hedge volatility.

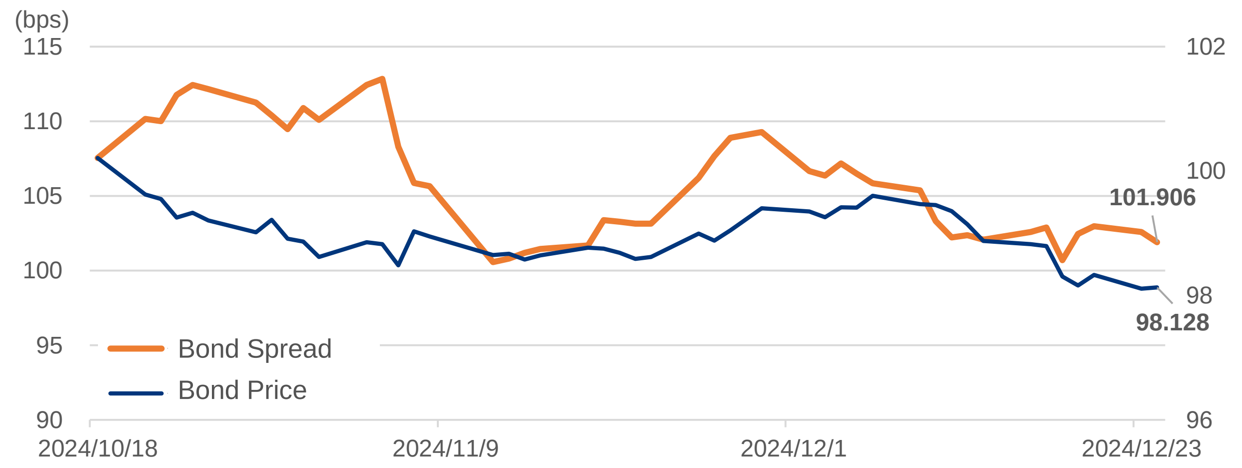
Financials	2021	2022	2023
Return on Tangible Assets	0.29	0.36	0.43
Common Equity Tier 1 (CET1)	14.10	14.00	14.10
Bad Loan Ratio	2.73	2.69	2.60

Source: Bloomberg, 26 Dec 2024

Overview

Name	STANLN 5.005 10/15/30	ISIN	XS2914003533
Maturity Date	15 Oct 2030	Remaining Maturity	5.81
Coupon (%)	Float/5.005/Semi-Annual	YTM/YTC(%)	5.50/5.45
Currency	USD	Min. Sub/Inc	200,000/1,000
Ratings (Moody's/Fitch/S&P)	A3/A/BBB+	Seniority	Senior Unsecured

Price Since Issuance



Appendix Key Economic Data / Events

DEC 2024

23 Monday	24 Tuesday	25 Wednesday	26 Thursday	27 Friday
• U.S. Dec. Conf. Board Consumer Confidence (Act:104.7 Est:113.2 Prev:112.8) • U.S. Nov. Durable Goods Orders MoM Intial Value (Act:-1.1% Est:-0.3% Prev:0.8%) • U.S. Nov. New Home Sales MoM (Act:5.9% Est:9.7% Prev:-14.8%)		• Japan Nov. Machine Tool Orders YoY Final Value (Act:3.0% Prev:3.0%)	• U.S. Last Week's Initial Jobless Claims (Act:219k Est:223k Prev:220k)	• Japan Nov. Jobless Rate (Act:2.5% Est:2.5% Prev:2.5%) • Japan Nov. Tokyo CPI YoY (Act:3.0% Est:2.9% Prev:2.5%) • Japan Nov. Retail Sales MoM (Act:1.8% Est:0.5% Prev:-0.2%) • Japan Nov. Industrial Production MoM (Act:-2.3% Est:-3.5% Prev:2.8%)

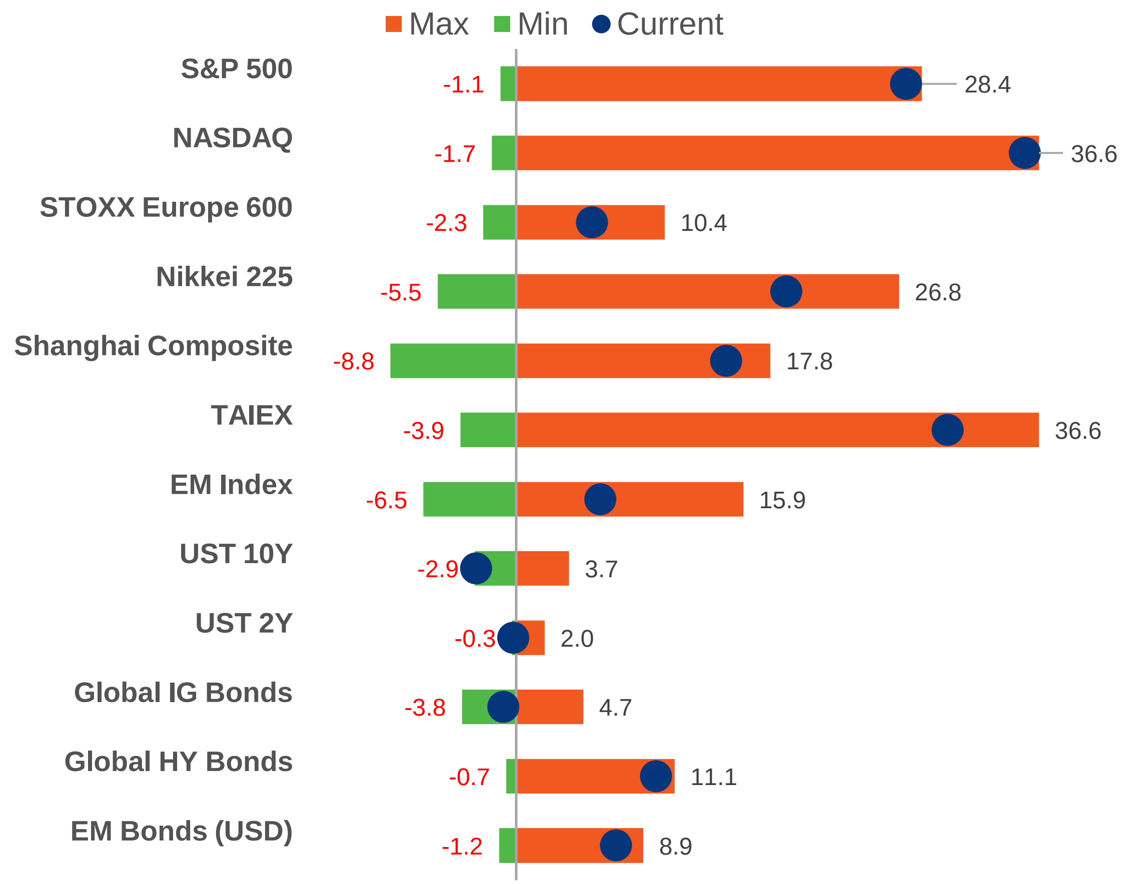
JAN 2025

30 Monday	31 Tuesday	1 Wednesday	2 Thursday	3 Friday
• Japan Dec. Jibun Bank Japan PMI Mfg Final Value (Prev:49.5)	• China Dec. Caixin China PMI Mfg (Est:50.3 Prev:50.3) • China Dec. Caixin China PMI Composite (Est:50.2 Prev:50.0)		• U.S. Last Week's Initial Jobless Claims (Prev:219k) • U.S. Dec. S&P Global US Manufacturing PMI Final Value (Est:48.3 Prev:48.3) • Eurozone Dec. HCOB Eurozone Manufacturing PMI Final Value (Est:45.2 Prev:45.2) • China Dec. Caixin China PMI Mfg (Est:51.6 Prev:51.5)	• U.S. Dec. ISM Manufacturing PMI (Est:48.3 Prev:48.4)

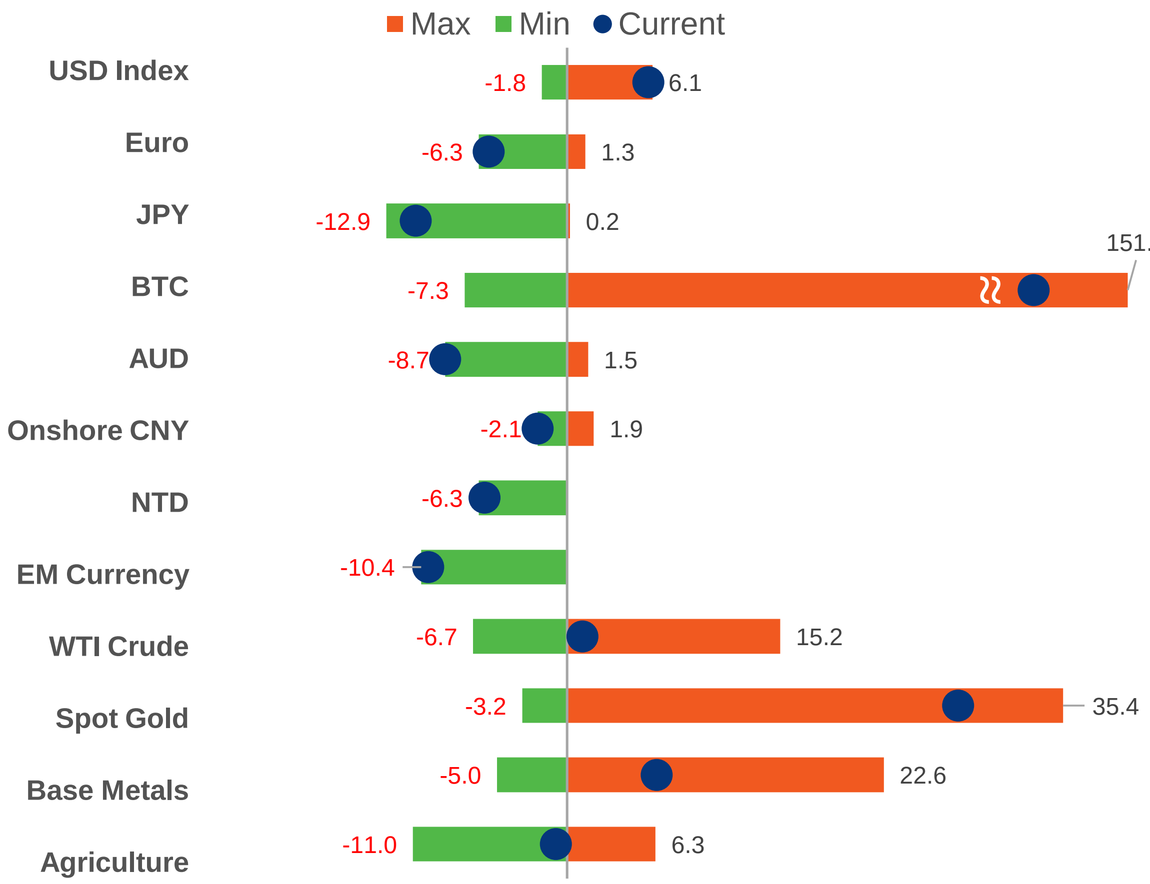
Source: Bloomberg

YTD Major Market / Asset Performance

Stock and Bond Market YTD Performance (%)



Currencies and Futures Market YTD Performance (%)



Source: Bloomberg, 27 Dec. 2024

Technical Analysis

60D MA

S&P 500 Index

- Current: 6,037
- 60D MA: 5,909

NASDAQ Index

- Current: 20,020
- 60D MA: 18,974

STOXX Europe 600 Index

- Current:503
- 60D MA:513

Nikkei 225 Index

- Current: 39,869
- 60D MA: 38,932

Shanghai Composite Index

- Current: 3,398
- 60D MA: 3,337

MSCI Emerging Markets Index

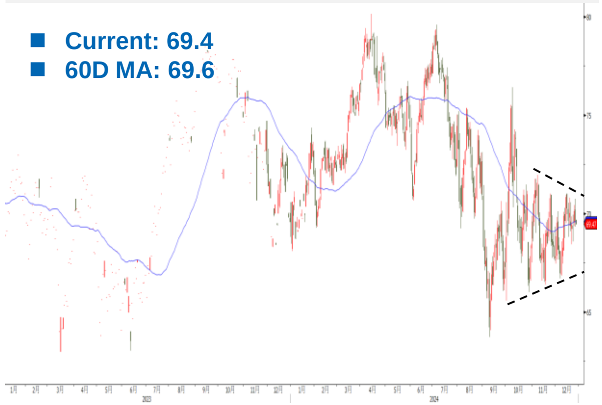
- Current: 1,084
- 60D MA: 1,115

Gold

- Current: 2,632
- 60D MA: 2,662

WTI Crude

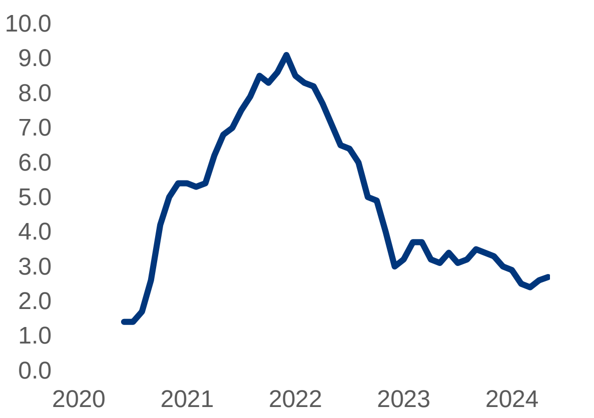
- Current: 69.4
- 60D MA: 69.6



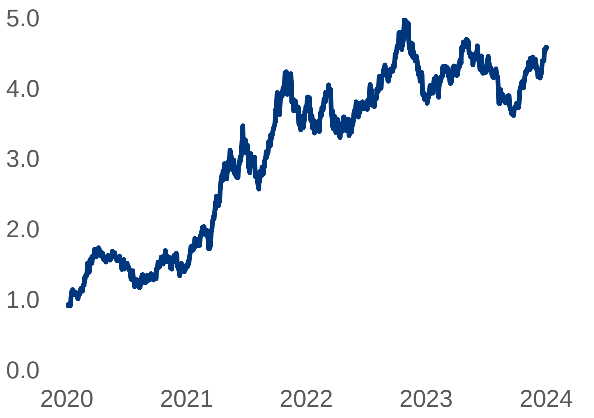
Source: Bloomberg, 27 Dec. 2024

Market Monitor

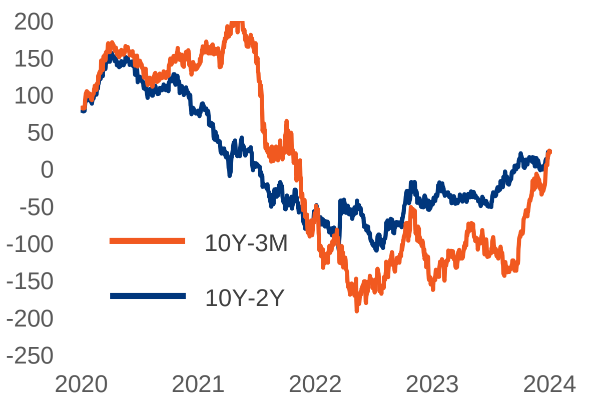
U.S. CPI YoY Growth Rate (%)



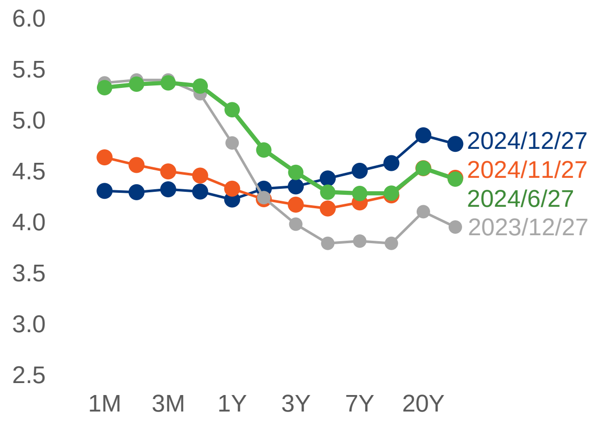
U.S. 10-Year Treasury Yield (%)



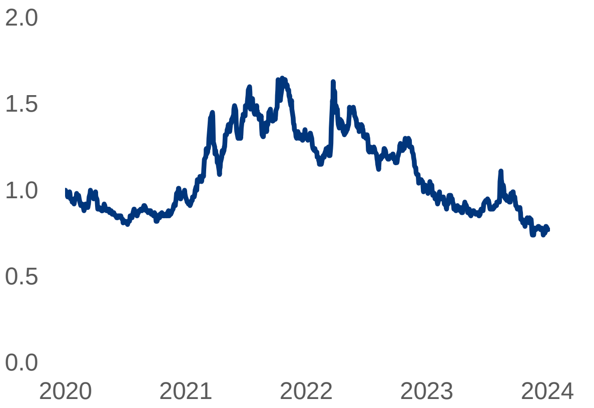
U.S. Treasury Yield Spread (bps)



U.S. Treasury Yield Curve (%)

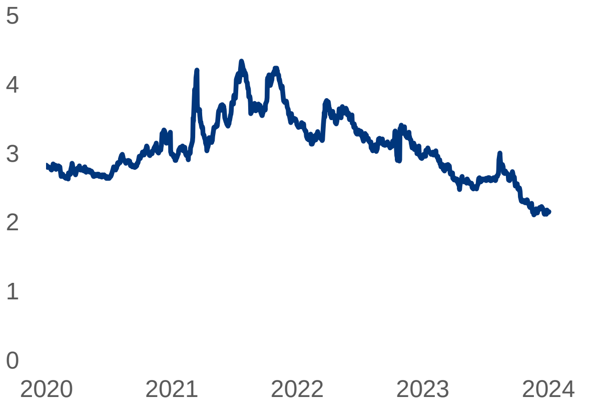


USD IG Credit Spread (%)

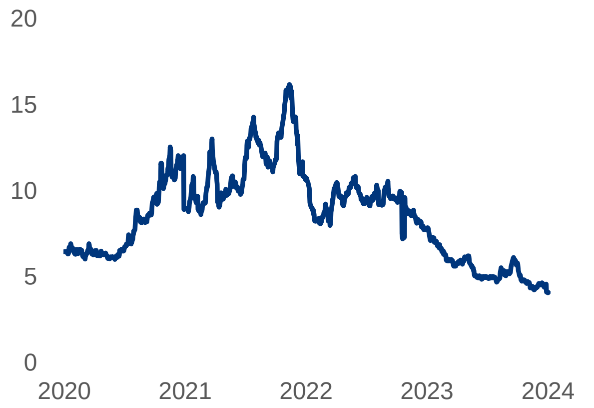


USD HY Credit Spread (%)

USD EM Credit Spread (%)



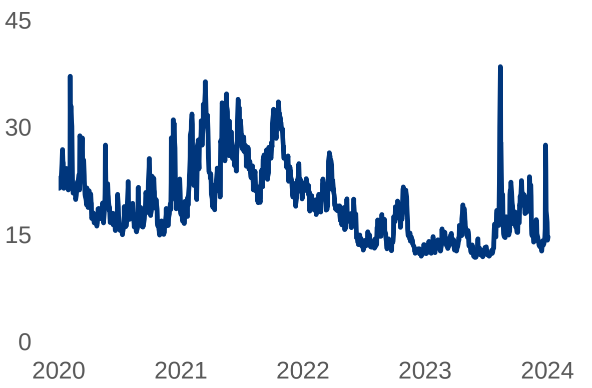
USD Asia Credit Spread (%)



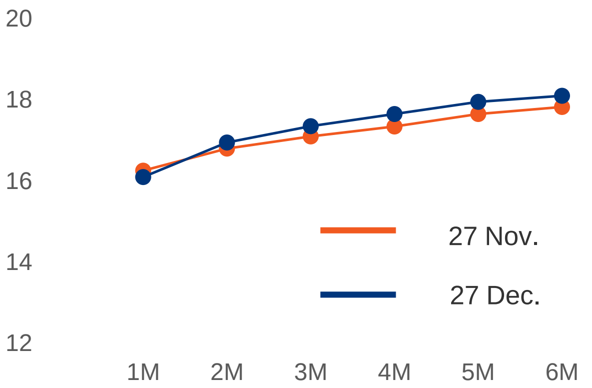
Source: Bloomberg, 27 Dec. 2024

Market Monitor

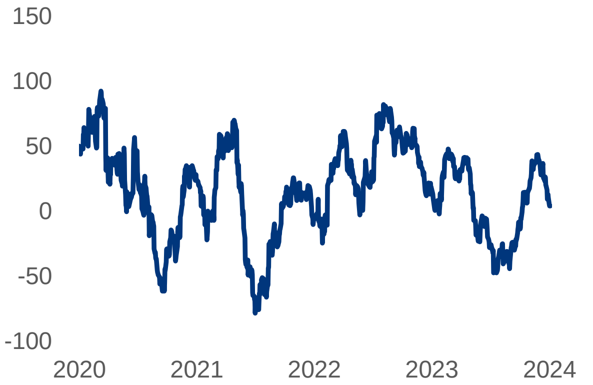
VIX Index



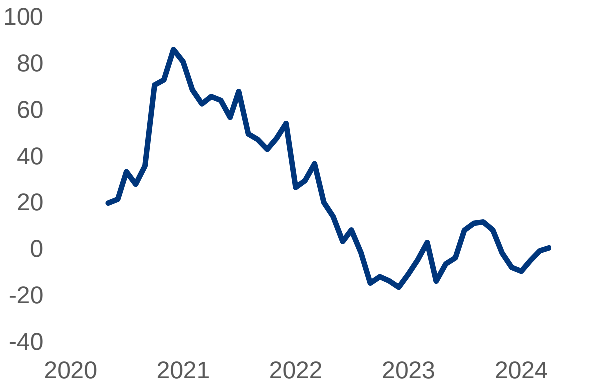
VIX Term Structure



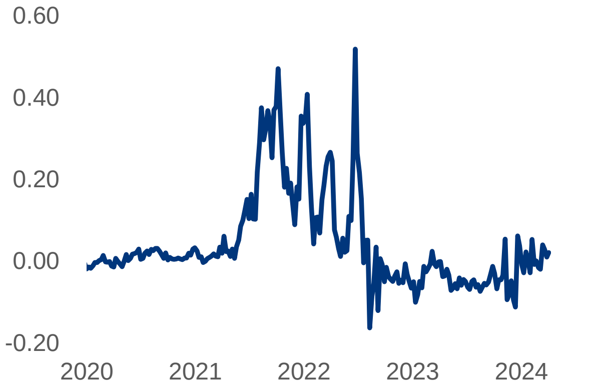
U.S. Citi Economic Surprise Index*



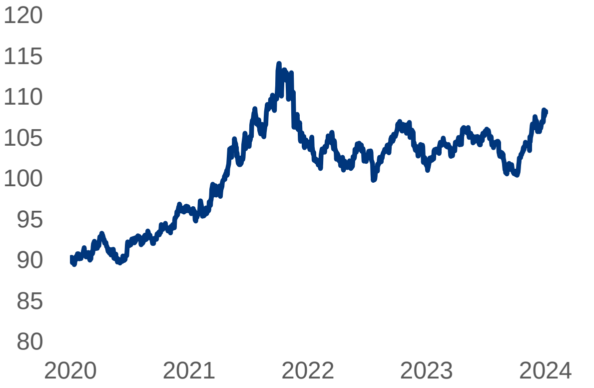
U.S. Citi Inflation Surprise Index*



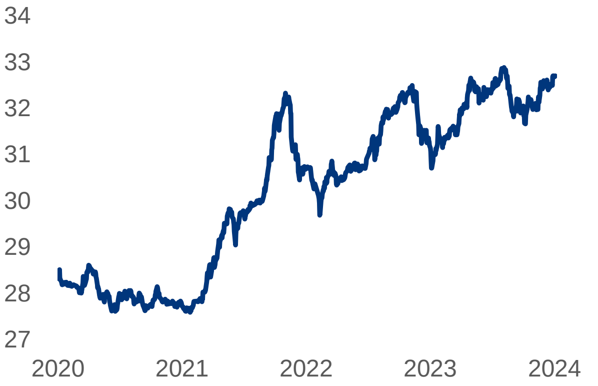
TED Spread (bps)



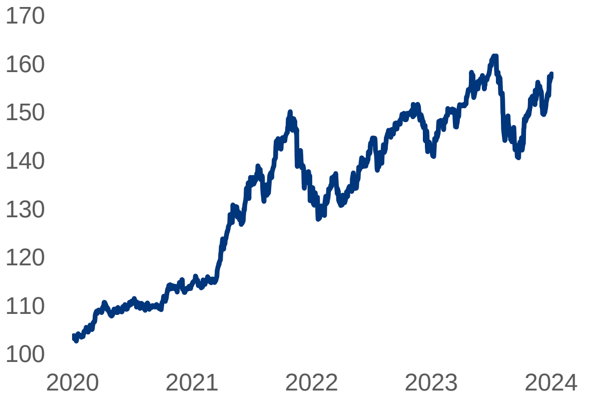
U.S. Dollar Index



USD to TWD



USD to JPY



Source: Bloomberg, 27 Dec. 2024; *The Citi Economic/Inflation Surprise Index measures the deviation between economic data/actual inflation and market expectations. A rising index indicates economic improvement/inflation exceeding market expectations.

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All investments involve risks. The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Prices of securities and fund units may go up as well as down and past performance information presented is not indicative of future performance. Investors should read the relevant fund's offering documents (including the full text of the risk factors stated therein (in particular those associated with investments in emerging markets for funds investing in emerging markets)) in detail before making any investment decision. You are advised to exercise caution and undertake your own independent review, and you should seek independent professional advice before making any investment decision. You should carefully consider whether investment is suitable in light of your own risk tolerance, financial situation, investment experience, investment objectives, investment horizon and investment knowledge.