Market Update

ECB delivers consecutive policy rate cut with an eye on growth risks

17 October 2024

NOT FOR DISTRIBUTION IN THE USA

Contributors

Georgios Leontaris, CFA

Chief Investment Officer for Switzerland and EMEA, HSBC Global Private Banking and Wealth

Anastasios Zachariou, CFA

Investment Strategist, HSBC Global Private Banking and Wealth

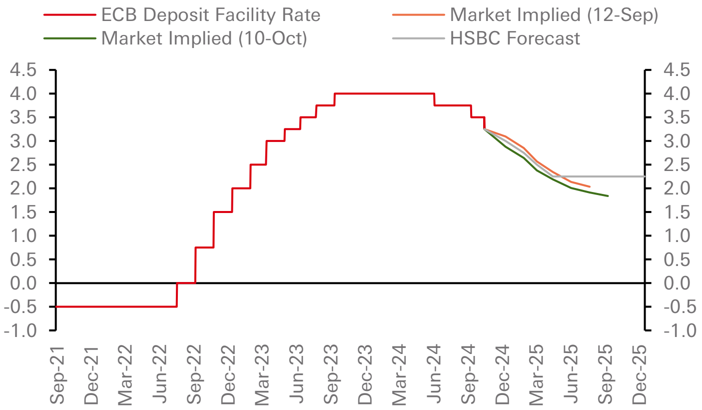
- The ECB delivered a widely-expected 25bps policy rate cut, bringing the key deposit rate to 3.25%. The rate decision itself was no surprise to the market, with swaps pricing in a 97% probability for the move and implied volatility in EUR among the lowest it's been in recent years on an ECB decision day.
- With only five weeks since the previous meeting, there were very few incoming data points and the market was initially split on whether the ECB would skip a rate cut and wait for the December meeting. But with the Fed's 50bps rate cut in September advancing the synchronised global rate cutting cycle, soft data pointing to weaker economic growth in the Eurozone, and inflation undershooting expectations, policymakers found more confidence to further ease monetary conditions.
- The ECB believes the disinflation process is "well on track" as headline inflation fell to 1.7% y-o-y and even though some upside risks remain in place, the Governing Council (GC) seems to be more attentive to growth risks. Although the ECB doesn't forecast a recession in the Eurozone, geopolitical risks have escalated recently and the potential impact of US elections on global trade barriers are in policymakers' minds.
- We continue to expect one more 25bps cut in ECB's December meeting, and three 25bps cuts in the first three meetings of 2025 (in January, March and April). That should leave the deposit rate at 2.25% in April, and throughout the remainder of 2025. We expect action to be front-loaded as risks to growth are tilted to the downside and central bankers will aim to stay ahead of the curve.
- While swap market participants were fully pricing in one more 25bps rate cut in December ahead of today's meeting, they bolstered their bets after the press conference to price in 36bps. The euro had started the day on a modestly weaker note against most major peers, but the dovish tone of the ECB messaging weighed further on the single currency. Eurozone sovereign bond curves steepened and equities built up on their daily advance before trimming gains to 0.8%.
- While European equities are expected to witness an improvement in quarterly earnings compared to the first half of this year, our preference remains with the US. Beyond the domestic outlook, potential implications of the upcoming US elections are key for European growth through the routes of trade protectionism, currency and interlinkages with China's growth. Instead UK equities seem to be more insulated from US election risks, underscoring our mild overweight relative preference there. We continue to favour quality EUR IG bonds with medium duration, and maintain a bearish view on EUR.

ECB cuts rates by 25bps, and the market amps up its expectations for further consecutive rate cuts

The ECB delivered a widely-expected 25bps interest rate cut, bringing the key deposit rate to 3.25%. The decision itself was no surprise to the market, with swaps pricing in a 97% probability of the move and implied volatility in EUR among the lowest it's been on an ECB decision day in recent years.

The deposit rate is now 75bps below the 4% peak it reached during the current economic cycle, but remains restrictive, with markets signalling further 140bps of rate cuts could be on the cards until September 2025.

We expect the ECB to bring policy rates to 2.25% by April 2025 as the disinflation process is "well on track" and the GC is more attentive to growth risks



Source: Bloomberg, HSBC Global Private Banking, as of 17 October 2024. Forecasts are subject to change.

It's worth highlighting that after the September ECB meeting concluded, market expectations for today's outcome were more evenly split. After all, the Fed's 50bps rate cut was yet to be delivered, and near term inflation was expected to remain somewhat sticky, due to deteriorating base effects. Only five weeks between the two meetings meant that there were very few new data points, and the market was assigning as much as a 45% probability of the ECB skipping a rate cut and waiting for December. By then the Governing Council would release its latest economic forecasts, and would have more macro-economic data points available – add to that more clarity about the US elections and the political landscape in its major trading partner.

So what changed in the meantime, leading to the "certainty" about today's move?

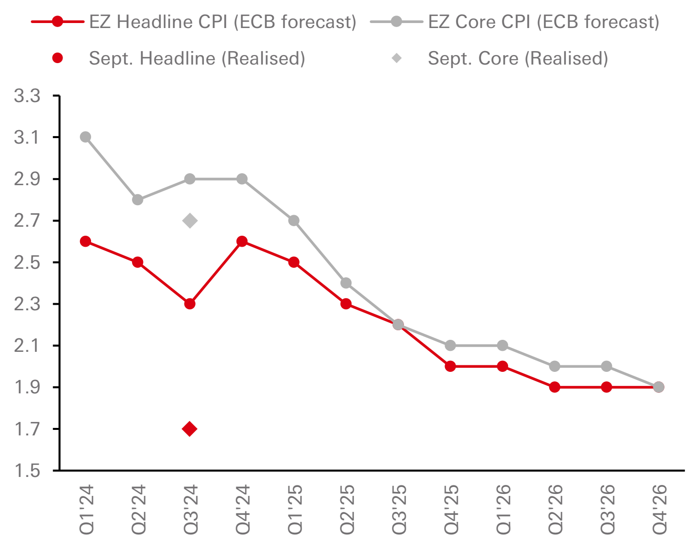
1) The Fed cut its policy rates by 50bps last month, and despite its assessment of resilient growth, it signalled willingness to deliver more cuts pre-emptively to avoid a further cooling in labour markets. Although the ECB is not Fed-dependent, more evidence of a synchronised global rate cutting cycle, as well as pre-emptive cuts, emboldened the ECB would not skip a meeting.

2) Economic growth has been weak, with flash PMIs suggesting more urgency to move ahead. Although the final September PMIs were revised higher, the composite remained into contraction (49.6) for the first time since February, and market's assessment of downside risks to growth did not alter.

3) Eurozone inflation fell from an upwardly revised print of 2.2% to 1.7% y-o-y undershooting the September ECB staff forecasts for 2.3% headline inflation in Q3 2024. The same is true for the core inflation forecast at 2.9% in Q3. Although base effects are still expected to turn less favourable in the next few months, the ECB's confidence for the medium term has improved, as seen in the added statement "the disinflationary process is well on track."

4) Geopolitical risks have clearly risen in the last month, however Brent was trading at a $74 handle at the time of writing, down from $81 earlier this month as recent reports suggest that Israel is unlikely to target Iran's oil related facilities. Also, China's fiscal stimulus did not rise to the market's more optimistic assessments, leading to more moderate expectations of global oil demand in the near term.

Inflation has made more progress compared to what the ECB was expecting, providing more confidence for today's move



Source: ECB, HSBC Global Private Banking, as of 17 October 2024.

The meeting-by-meeting approach was re-emphasised today, and when pressed about the likelihood of a rate cut in December, President Lagarde stated that she "did not open the door to anything." This statement is not a hawkish one, but rather an indication of no willingness to commit to a pre-specified path. The ECB prefers to keep maximum flexibility and assess all incoming economic data points but also any potential signs of "hardening of trade barriers," "between major economies" as a result of the imminent US elections.

Despite the lack of a clear-cut guidance from the Central Bank, we continue to expect a strong likelihood of a 25bps rate cut in December. This is because:

a) President Lagarde acknowledged that growth has been "somewhat weaker than expected", with "all indicators heading downwards." Although, a recession is not expected for the full Eurozone, risks are tilted to the downside (referring to a question on Germany which seems to be at the brink).

b) "Most underlying inflation measures have dropped", and longer term inflation expectations are around 2%. That means the confidence of meeting the 2% target next year has risen, despite the ECB being concerned "about growth's impact on inflation," and risks of undershooting "becoming more significant."

c) Today's decision to cut policy rates by 25bps was unanimous though the officials seemed to be more concerned about growth.

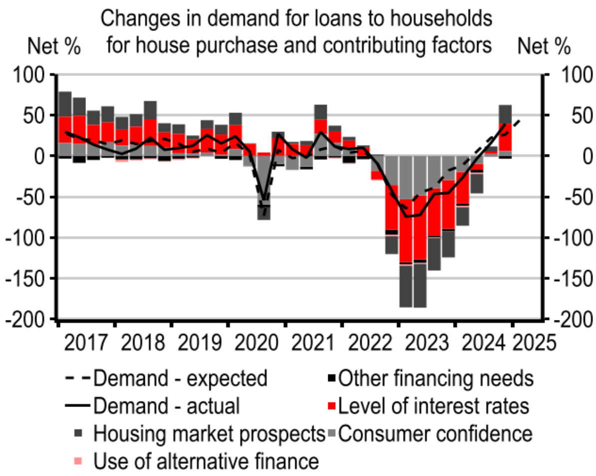
Overnight swaps are actually pricing in 37bps of cuts by year-end, implying no questions at all about whether the ECB will deliver a rate cut, but almost evenly split as to whether we will see a 25bps or 50bps cut by then. We believe that positioning for a 50bps rate cut seems pre-mature. We continue to expect the ECB to deliver one more 25bps rate cut this year, and three 25bps rate cuts in the first three meetings of 2025 (in January, March and April). That should leave the ECB deposit rate at 2.25% in April 2025, and throughout the remainder of the year. We believe the ECB easing policy will be front-loaded as risks to growth are tilted to the downside and the ECB will avoid staying behind the curve.

The growth mix is not as bad as some may fear but there is room for caution

Recent weeks have provided a slightly more optimistic tone in the Eurozone outlook with the highlight being the results of the ECB Bank Lending Survey for Q3 2024, where Eurozone banks reported improving demand for credit from businesses and households alike, with the net balance turning positive from both for the first time since Q3 2022. Mortgage demand has picked-up considerably on the back of recovering house prices and the unfolding of the ECB rate cutting cycle.

The ECB doesn't expect a recession in the Eurozone, instead policymakers "expect economy to strengthen over time", thanks to a "gradual recovery in household spending." At this stage incomes increase, but households consume less meaning that the savings rate has increased to 15.7%, well above pre pandemic average of 12.9%. At the same time, geopolitical and trade uncertainty cloud the outlook and could delay households' confidence to spend and pose downside risks to growth.

Loan demand has grown net positive again in the Eurozone as the ECB rate cutting cycle is underway



Source: ECB BLS, HSBC Global Private Banking, as of 17 October 2024.

Market Reaction

While swap market participants were fully pricing in a 25bps ECB rate cut for December, ahead of today's decision, they bolstered their bets after the press conference to price in 36bps or 1.4 rate cuts. The pricing for 2025 remained broadly unchanged with markets implying the policy rate at 2.0% by the end of H1 2025, and potentially an additional rate cut in Q3 2025.

The euro had started the day on a modestly weaker note against most major peers. However, the dovish tone of the ECB messaging weighed more on the single currency post the press conference with EUR/USD sliding more than 0.3% below 1.083 and the lowest it has been since early August. Part of the reaction was driven by the dollar side of the equation as US retail sales for September came in stronger than expected boosting the dollar index. Sterling reversed the previous day weakness that followed a weaker than expected UK CPI report, and EUR/GBP returned to 0.832. Similarly, the Swiss franc strengthened nearly 0.25%.

Sovereign bond curves steepened with the short end of the curve dropping nearly 2bps (2-year yields) and the longer end increasing 2bps (10-year) in most cases. 2-year Bund yields had reversed an earlier ascent already ahead of the meeting, and trended downwards to 2.12%, before stabilising at 2.14%. Italian BTS were a notable exception with 2-year yields down 5bps and 10-year yields flat as the country's government managed to get next year's budget approved earlier in the day. These moves contrast the US Treasuries market, where yields surged 3bps across the curve in response to the stronger economic activity data.

Eurozone equities initially built up on their earlier advance to exceed 1.0% of gains soon after the meeting, but run out of fuel and trimmed the gains to 0.8%. Eurozone stocks outperformed UK indices with France's CAC 40 index leading major indices (+1.2%).

Investment Implications

While European equities are expected to witness an improvement in quarterly earnings growth compared to the first half of this year, our preference remains with the US.

Beyond the cyclical slowdown in Eurozone growth, the implications of the upcoming US elections are key for the global and European outlook. Eurozone equities are exposed to upside and downside risks from the new US administration through the routes of trade protectionism, currency outlook and interlinkages with China's economic growth.

For example, additional US import tariffs under a Republican victory could slow down the global trade cycle and add headwinds to China's economy. This would likely drag European equities which rely on exports to both regions. Also, a looser US fiscal policy could be USD-positive, weighing on international equity markets.

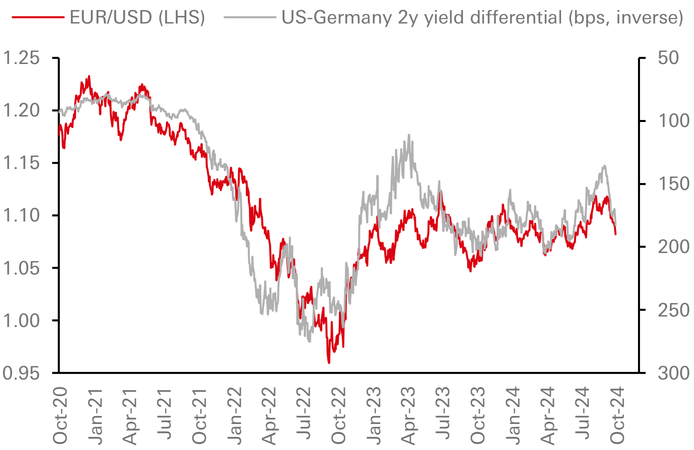
On the other end, a Democratic clean sweep that would manage to impose higher corporate tax rates, would be a headwind for the US markets. Finally, a Democratic win with gridlocked Congress would, in our view, imply a status quo, in which Eurozone equities are expected to underperform relative to their US peers.

Within European equity markets, we hold a relative preference for UK and Spanish equities. These are more insulated from US election risks due to their lower reliance on trade. We believe the UK equities could perform well better given their defensive characteristics and dividend yield buffer. We have a mild overweight allocation in UK equities and a relative preference for Spain (in which we are overweight) over the core of the Eurozone. We recently upgraded Telecommunications and Utilities in Europe, as these sectors stand to benefit the most from policy rate cuts thanks to greater relief on their interest rate burden.

When it comes to rates, we have a preference for high quality credit and hold a mild overweight in EUR IG bonds over sovereign debt. Our preferred exposure is in the medium duration space of 5-7 years. Even though not far from their cyclical lows, we believe credit spreads add value in corporate bonds over rates, and believe that bonds can provide a good income component in portfolios along with the diversification benefits. Yields are still attractive on an absolute basis, when compared to recent history.

EUR has lost about 2% against the dollar in October, as traders worked to recalibrate their rate path expectations, with more cuts for the ECB and less for the Fed. Our view on EUR remains bearish, and we believe the recent re-strengthening of the dollar should push EUR/USD to 1.08 by the end of this year, and 1.05 through 2025.

EUR has fallen back to 1.08 reflecting a closer alignment to interest rate differentials.



Source: Bloomberg, HSBC Global Private Banking, as of 17 October 2024. Past performance is not a reliable indicator of future performance.

Risk Disclosures

Risks of investment in fixed income

There are several key issues that one should consider before making an investment into fixed income. The risk specific to this type of investment may include, but are not limited to:

Credit risk

Investor is subject to the credit risk of the issuer. Investor is also subject to the credit risk of the government and/or the appointed trustee for debts that are guaranteed by the government.

Risks associated with high yield fixed income instruments

High yield fixed income instruments are typically rated below investment grade or are unrated and as such are often subject to a higher risk of issuer default. The net asset value of a high-yield bond fund may decline or be negatively affected if there is a default of any of the high yield bonds that it invests in or if interest rates change. The special features and risks of high-yield bond funds may also include the following:

- Capital growth risk - some high-yield bond funds may have fees and/ or dividends paid out of capital. As a result, the capital that the fund has available for investment in the future and capital growth may be reduced; and
- Dividend distributions - some high-yield bond funds may not distribute dividends, but instead reinvest the dividends into the fund or alternatively, the investment manager may have discretion on whether or not to make any distribution out of income and/ or capital of the fund. Also, a high distribution yield does not imply a positive or high return on the total investment.
- Vulnerability to economic cycles - during economic downturns such instruments may typically fall more in value than investment grade bonds as (i) investors become more risk averse and (ii) default risk rises.

Risks associated with subordinated debentures, perpetual debentures, and contingent convertible or bail-in debentures

- Subordinated debentures - subordinated debentures will bear higher risks than holders of senior debentures of the issuer due to a lower priority of claim in the event of the issuer's liquidation.
- Perpetual debentures - perpetual debentures often are callable, do not have maturity dates and are subordinated. Investors may incur reinvestment and subordination risks. Investors may lose all their invested principal in certain circumstances. Interest payments may be variable, deferred or cancelled. Investors may face uncertainties over when and how much they can receive such payments.
- Contingent convertible or bail-in debentures - Contingent convertible and bail-in debentures are hybrid debt-equity instruments that may be written off or converted to common stock on the occurrence of a trigger event. Contingent convertible debentures refer to debentures that contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event. These debentures generally absorb losses while the issuer remains a going concern (i.e. in advance of the point of non-viability). "Bail-in" generally refers to (a) contractual mechanisms (i.e. cotractual bail-in) under which debentures contain a clause requiring them to be written off or converted to common stock on the occurrence of a trigger event, or (b) statutory mechanisms (i.e. statutory bail-in) whereby a national resolution authority writes down or converts debentures under specified conditions to common stock. Bail-in debentures generally absorb losses at the point of non viability. These features can introduce notable risks to investors who may lose all their invested principal.

Contingent convertible securities (CoCos) or bail-in debentures are highly complex, high risk hybrid capital instruments with unusual loss-absorbency features written into their contractual terms. Investors should note that their capital is at risk and they may lose some or all of their capital.

Changes in legislation and/or regulation

Changes in legislation and/or regulation could affect the performance, prices and mark-to-market valuation on the investment.

Nationalisation risk

The uncertainty as to the coupons and principal will be paid on schedule and/or that the risk on the ranking of the bond seniority would be compromised following nationalisation.

Reinvestment risk

A decline in interest rate would affect investors as coupons received and any return of principal may be reinvested at a lower rate. Changes in interest rate, volatility, credit spread, rating agencies actions, liquidity and market conditions may have a negative effect on the prices, mark-to-market valuations and your overall investment.

Risk disclosure on Dim Sum Bonds

Although sovereign bonds may be guaranteed by the China Central Government, investors should note that unless otherwise specified, other renminbi bonds will not be guaranteed by the China Central Government. Renminbi bonds are settled in renminbi, changes in exchange rates may have an adverse effect on the value of that investment. You may not get back the same amount of Hong Kong Dollars upon maturity of the bond.
There may not be active secondary market available even if a renminbi bond is listed. Therefore, you need to face a certain degree of liquidity risk.
Renminbi is subject to foreign exchange control. Renminbi is not freely convertible in Hong Kong. Should the China Central Government tighten the control, the liquidity of renminbi or even renminbi bonds in Hong Kong will be affected and you may be exposed to higher liquidity risks. Investors should be prepared that you may need to hold a renminbi bond until maturity.

Alternative Investments

Hedge Fund - Please note Hedge Funds often engage in leveraging and other speculative investment practices that may increase the risk of investment loss. They can also be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and may involve complex tax structures and delays in distributing important information. Alternative investments are often not subject to the same regulatory requirements as, say, mutual funds, and often charge high fees that may potentially offset trading profits when they occur.
Private Equity - Please note Private Equity is generally illiquid, involving long term investments that do not display the liquid or transparency characteristics often found in other investments (e.g. Listed securities). It can take time for money to be invested (cash drag) and for investments to produce returns after initial losses.

Risk disclosure on Emerging Markets

Investment in emerging markets may involve certain, additional risks which may not be typically associated with investing in more established economies and/or securities markets. Such risks include (a) the risk of nationalisation or expropriation of assets; (b) economic and political uncertainty; (c) less liquidity in so far of securities markets; (d) fluctuations in currency exchange rate; (c) higher rates of inflation; (f) less oversight by a regulator of local securities market; (g) longer settlement periods in so far as securities transactions and (h) less stringent laws in so far the duties of company officers and protection of Investors.

Risk disclosure on FX Margin

The price fluctuation of FX could be substantial under certain market conditions and/or occurrence of certain events, news or developments and this could pose significant risk to the Customer.

Leveraged FX trading carry a high degree of risk and the Customer may suffer losses exceeding their initial margin funds. Market conditions may make it impossible to square/close-out FX contracts/options. Customers could face substantial margin calls and therefore liquidity problems if the relevant price of the currency goes against them.

The leverage of a product can work against you and losses can exceed those of a direct investment. If the market value of a portfolio falls by a certain amount, this could result in a situation where the value of collateral no longer covers all outstanding loan amounts. This means that investors might have to respond promptly to margin calls. If a portfolio's return is lower than its financing cost then leverage would reduce a portfolio's overall performance and even generate a negative return.

Currency risk – where product relates to other currencies

When an investment is denominated in a currency other than your local or reporting currency, changes in exchange rates may have a negative effect on your investment.

Chinese Yuan ("CNY") risks

There is a liquidity risk associated with CNY products, especially if such investments do not have an active secondary market and their prices have large bid/offer spreads.

CNY is currently not freely convertible and conversion of CNY through banks in Hong Kong and Singapore is subject to certain restrictions. CNY products are denominated and settled in CNY deliverable in Hong Kong and Singapore, which represents a market which is different from that of CNY deliverable in Mainland China.

There is a possibility of not receiving the full amount in CNY upon settlement, if the Bank is not able to obtain sufficient amount of CNY in a timely manner due to the exchange controls and restrictions applicable to the currency.

Illiquid markets/products

In the case of investments for which there is no recognised market, it may be difficult for investors to sell their investments or to obtain reliable information about their value or the extent of the risk to which they are exposed.

Environmental, Social and Governance ("ESG") Customer Disclosure

In broad terms "ESG and sustainable investing" products include investment approaches or instruments which consider environmental, social, governance and/or other sustainability factors to varying degrees. Certain instruments we classify as ESG or sustainable investing products may be in the process of changing to deliver sustainability outcomes. There is no guarantee that ESG and Sustainable investing products will produce returns similar to those which don't have any ESG or sustainable characteristics. ESG and Sustainable investing products may diverge from traditional market benchmarks. In addition, there is no standard definition of, or measurement criteria for, ESG and Sustainable investing or the effect of ESG and Sustainable investing products. ESG and Sustainable investing and related measurement criteria are (a) highly subjective and (b) may vary significantly across and within sectors.

HSBC may rely on measurement criteria devised and reported by third party providers or issuers. HSBC does not always conduct its own specific due diligence in relation to measurement criteria. There is no guarantee: (a) that the nature of the ESG / sustainability effect of, or measurement criteria for, an investment will be aligned with any particular investor's sustainability goals; or (b) that the stated level or target level of ESG / sustainability effect will be achieved. ESG and Sustainable investing is an evolving area and new regulations and coverage are being developed which will affect how investments can be categorised or labelled in the future.

An investment which is considered to fulfil sustainable criteria today may not meet those criteria at some point in the future. When we allocate an HSBC ESG and Sustainable Investing (SI) classification: HSBC ESG Enhanced, HSBC Thematic or HSBC Impact (this is known as HSBC Purpose in the UK) to an investment product, this does not mean that all individual underlying holdings in the investment product or portfolio individually qualify for the classification. Similarly, when we classify an equity or fixed income under an HSBC ESG Enhanced, HSBC Thematic or HSBC Impact (this is known as HSBC Purpose in the UK) category, this does not mean that the underlying issuer's activities are fully aligned with the relevant ESG or sustainable characteristics attributable to the classification. Not all investments, portfolios or services are eligible to be classified under our ESG and SI classifications. This may be because there is insufficient information available or because a particular investment product does not meet HSBC's SI classifications criteria.

Today we finance a number of industries that significantly contribute to greenhouse gas emissions. We have a strategy to help our customers to reduce their emissions and to reduce our own. For more information, visit [www.hsbc.com/sustainability.](www.hsbc.com/sustainability)

Important notice

This is a marketing communication issued by **HSBC Private Banking**. HSBC Private Banking is the principal private banking business of the HSBC Group. Private Banking may be carried out internationally by different HSBC legal entities according to local regulatory requirements. Different companies within HSBC Private Banking or the HSBC Group may provide the services listed in this document. Members of the HSBC Group may trade in products mentioned in this publication.

This document does not constitute independent investment research under the European Markets in Financial Instruments Directive ('MiFID'), or other relevant law or regulation, and is not subject to any prohibition on dealing ahead of its distribution. Any references to specific financial instruments or issuers do not represent HSBC Private Banking's views, opinions or recommendations, express or implied, and are provided for information only. The information contained within this document is intended for general circulation to HSBC Private Banking clients. The content of this document may not be suitable for your financial situation, investment experience and investment objectives, and HSBC Private Banking does not make any representation with respect to the suitability or appropriateness to you of any financial instrument or investment strategy presented in this document.

This document is for information purposes only and does not constitute and should not be construed as legal, tax or investment advice or a solicitation and/or recommendation of any kind from the Bank to you, nor as an offer or invitation from the Bank to you to subscribe to, purchase, redeem or sell any financial instruments, or to enter into any transaction with respect to such instruments. If you have concerns about any investment or are uncertain about the suitability of an investment decision, you should contact your Relationship Manager or seek such financial, legal or tax advice from your professional advisers as appropriate. You should not make any investment decision based solely on the content of any document.

HSBC Private Banking has based this document on information obtained from sources it believes to be reliable, but which may not have been independently verified. While this information has been prepared in good faith including information from sources believed to be reliable, no representation or warranty, expressed or implied, is or will be made by HSBC Private Banking or any part of the HSBC Group or by any of their respective officers, employees or agents as to or in relation to the accuracy or completeness of this document.

It is important to note that the capital value of, and income from, any investment may go down as well as up and you may not get back the original amount invested. Past performance is not a guide to future performance. Forward-looking statements, views and opinions expressed, and estimates given constitute HSBC Private Banking's best judgement at the time of publication, are solely expressed as general commentary and do not constitute investment advice or a guarantee of returns and do not necessarily reflect the views and opinions of other market participants and are subject to change without notice. Actual results may differ materially from the forecasts/estimates.

Foreign securities carry particular risks, such as exposure to currency fluctuations, less developed or less efficient trading markets, political instability, a lack of company information, differing auditing and legal standards, volatility and, potentially, less liquidity.

Investment in emerging markets may involve certain additional risks, which may not be typically associated with investing in more established economies and/or securities markets. Such risks include (a) the risk of nationalization or expropriation of assets; (b) economic and political uncertainty; (c) less liquidity in so far of securities markets; (d) fluctuations in currency exchange rate; (e) higher rates of inflation; (f) less oversight by a regulator of local securities market; (g) longer settlement periods in so far as securities transactions and (h) less stringent laws in so far the duties of company officers and protection of Investors.

Some HSBC Offices listed may act only as representatives of HSBC Private Banking, and are therefore not permitted to sell products and services, or offer advice to customers. They serve as points of contact only. Further details are available on request.

In the United Kingdom, this document has been approved for distribution by HSBC UK Bank plc whose Private Banking office is located at 8 Cork Street, London W1S 3LJ and whose registered office is at 1 Centenary Square, Birmingham, B1 1HQ. HSBC UK Bank plc is registered in England under number 09928412. Clients should be aware that the rules and regulations made under the Financial Services and Markets Act 2000 for the protection of investors, including the protection of the Financial Services Compensation Scheme, do not apply to investment business undertaken with the non-UK offices of the HSBC Group. This publication is a Financial Promotion for the purposes of Section 21 of the Financial Services & Markets Act 2000 and has been approved for distribution in the United Kingdom in accordance with the Financial Promotion Rules by HSBC UK Bank plc, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In Guernsey, this material is distributed by HSBC Private Banking (C.I.), which is the trading name of HSBC Private Bank (Suisse) SA, Guernsey Branch, with registered office in Arnold House, St Julian's Avenue, St Peter Port, Guernsey, GY1 3NF. HSBC Private Bank (Suisse) SA, Guernsey Branch is licensed by the Guernsey Financial Services Commission for Banking, Credit, Insurance Intermediary and Investment Business. HSBC Private Bank (Suisse) SA is registered in Switzerland under UID number CHE-101.727.921, with registered office in Quai des Bergues 9-17, 1201 Geneva (GE), Switzerland. HSBC Private Bank (Suisse) SA is licensed as a Bank and Securities Dealer by the Swiss Financial Market Supervisory Authority FINMA.

In Jersey, this material is issued by HSBC Private Banking (Jersey) which is a division of HSBC Bank plc, Jersey Branch: HSBC House, Esplanade, St. Helier, Jersey, JE1 1HS. HSBC Bank plc, Jersey Branch is regulated by the Jersey Financial Services Commission for Banking, General Insurance Mediation, Fund Services and Investment Business. HSBC Bank plc is registered in England and Wales, number 14259. Registered office 8 Canada Square, London, E14 5HQ. HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In Isle of Man, this material is issued by HSBC Bank plc, HSBC House, Ridgeway Street, Douglas, Isle of Man IM99 1AU. HSBC Bank plc is licensed and regulated by the Isle of Man Financial Services Authority. HSBC Bank plc is registered in England and Wales, number 14259. Registered office 8 Canada Square, London, E14 5HQ. HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

In France, this material is distributed by HSBC Private Bank Luxembourg French Branch - SIREN 911 971 083 RCS Paris. HSBC Private Banking in France is subject to approval and control by the Autorité de Contrôle Prudentiel et de Résolution [Prudential Control and Resolution Authority]. HSBC Private Banking is a Branch of HSBC Private Bank (Luxembourg) S.A. 18 Boulevard de Kockelscheuer L-1821 Luxembourg, Public Limited Luxembourg Company with share capital of : 160.000.000 euros, RCS Luxembourg : B52461, Trade and Companies Register of Paris Bank and Insurance Intermediary registered with the Organisme pour le Registre des Intermédiaires en Assurances [Organisation for the Register of Insurance Intermediaries] under no. 2011CM008 (www.orias.fr) - Intra-community VAT number: FR34911971083. HSBC Private Banking in France - Registered office: 38, avenue Kléber 75116 Paris- FRANCE- Tel. +33 (0) 1 49 52 20 00.

In or from Switzerland, this marketing material is distributed by HSBC Private Bank (Suisse) SA, a bank regulated by the Swiss Financial Market Supervisory Authority FINMA, whose office is located at Quai des Bergues 9-17, 1201 Genève, Switzerland. This document does not constitute independent financial research and has not been prepared in accordance with the Swiss Bankers Association's "Directive on the Independence of Financial Research", or any other relevant body of law.

In Abu Dhabi Global Markets (ADGM), this material is distributed by, HSBC Bank Middle East Limited, ADGM Branch, PO BOX 764648, Abu Dhabi, which is regulated by the ADGM Financial Services Regulatory Authority (FSRA) and lead regulated by the Dubai Financial Services Authority (DFSA). Contents in this document is directed at FSRA defined Professional Clients only and should not be acted upon by any other person.

In Dubai International Financial Centre (DIFC), this material is distributed by HSBC Private Bank (Suisse) SA, DIFC Branch, P.O. Box 506553 Dubai, UAE which is regulated by the Dubai Financial Services Authority (DFSA) and the Swiss Financial Market Supervisory Authority FINMA. Content in this document is directed at DFSA defined Professional Clients only and should not be acted upon by any other person.

In South Africa, this material is distributed by HSBC Private Bank (Suisse) SA, South Africa Representative Office approved by the South African Reserve Board (SARB) under registration no. 00252 and authorized as a financial services provider (FSP) for the provision of Advice and Intermediary Services by the Financial Sector Conduct Authority of South Africa (FSCA) under registration no. 49434. The Representative Office has its registered address at 2 Exchange Square, 85 Maude Street, Sandown, Sandton.

In Bahrain, this communication is distributed by HSBC Bank Middle East Limited, Bahrain Branch, a member of the HSBC Group, which comprises HSBC Holdings Plc and each of its subsidiaries and includes entities providing private bank services. HSBC Bank Middle East Limited, Bahrain Branch may refer clients to HSBC Group entities providing private banking services as well as, to the extent permissible, refer certain private banking financial products and services to clients in Bahrain. However, such private banking financial products and services shall be governed by the terms and conditions and laws and regulations applicable to relevant HSBC Group entity that will provide the financial products or services.

HSBC Bank Middle East Limited, Bahrain Branch, is regulated by the Central Bank of Bahrain and is lead regulated by the Dubai Financial Services Authority.

In Qatar, this communication is distributed by HSBC Bank Middle East Limited, Qatar Branch which is a member of the HSBC Group, which comprises HSBC Holdings Plc and each of its subsidiaries and includes entities providing private bank services.

HSBC Bank Middle East Limited, Qatar Branch, P.O. Box 57, Doha, Qatar, is licensed and regulated by the Qatar Central Bank and is lead regulated by the Dubai Financial Services Authority.

HSBC Bank Middle East Limited, Qatar Branch may refer clients to HSBC Group entities providing private banking services as well as, to the extent permissible, refer certain private banking financial products and services to clients in Qatar. However, such private banking financial products and services shall be governed by the terms and conditions and laws and regulations applicable to relevant HSBC Group entity that will provide the financial products or services.

In Lebanon, this material is distributed by HSBC Financial Services (Lebanon) S.A.L. ("HFLB"), licensed by the Capital Markets Authority as a financial intermediation company Sub N°12/8/18 to carry out Advising and Arranging activities, having its registered address at Centre Ville 1341 Building, 4th floor, Patriarche Howayek Street, Beirut, Lebanon, P.O. Box Riad El Solh 9597.

In Hong Kong and Singapore, THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED OR ENDORSED BY ANY REGULATORY AUTHORITY IN HONG KONG OR SINGAPORE. HSBC Private Banking is a division of Hongkong and Shanghai Banking Corporation Limited. In Hong Kong, this document has been distributed by The Hongkong and Shanghai Banking Corporation Limited in the conduct of its Hong Kong regulated business. In Singapore, the document is distributed by the Singapore Branch of The Hongkong and Shanghai Banking Corporation Limited. Both Hongkong and Shanghai Banking Corporation Limited and Singapore Branch of Hongkong and Shanghai Banking Corporation Limited are part of the HSBC Group. This document is not intended for and must not be distributed to retail investors in Hong Kong and Singapore. The recipient(s) should qualify as professional investor(s) as defined under the Securities and Futures Ordinance in Hong Kong or accredited investor(s) or institutional investor(s) or other relevant person(s) as defined under the Securities and Futures Act in Singapore. Please contact a representative of The Hong Kong and Shanghai Banking Corporation Limited or the Singapore Branch of The Hong Kong and Shanghai Banking Corporation Limited respectively in respect of any matters arising from, or in connection with this report.

Some of the products are only available to professional investors as defined under the Securities and Futures Ordinance in Hong Kong / accredited investor(s), institutional investor(s) or other relevant person(s) as defined under the Securities and Futures Act in Singapore. Please contact your Relationship Manager for more details.

The specific investment objectives, personal situation and particular needs of any specific persons were not taken into consideration in the writing of this document. To the extent we are required to conduct a suitability assessment in Hong Kong where this is permitted by cross border rules depending on your place of domicile or incorporation, we will take reasonable steps to ensure the suitability of the solicitation and/or recommendation. In all other cases, you are responsible for assessing and satisfying yourself that any investment or other dealing to be entered into is in your best interest and is suitable for you.

In all cases, we recommend that you make investment decisions only after having carefully reviewed the relevant investment product and offering documentation, HSBC's Standard Terms and Conditions, the "Risk Disclosure Statement" detailed in the Account Opening Booklet, and all notices, risk warnings and disclaimers contained in or accompanying such documents and having understood and accepted the nature, risks of and the terms and conditions governing the relevant transaction and any associated margin requirements. In addition to any suitability assessment made in Hong Kong by HSBC (if any), you should exercise your own judgment in deciding whether or not a particular product is appropriate for you, taking into account your own circumstances (including, without limitation, the possible tax consequences, legal requirements and any foreign exchange restrictions or exchange control requirements which you may encounter under the laws of the countries of your citizenship, residence or domicile and which may be relevant to the subscription, holding or disposal of any investment) and, where appropriate, you should consider taking professional advice including as to your legal, tax or accounting position. Please note that this information is neither intended to aid in decision making for legal or other consulting questions, nor should it be the basis of any such decision. If you require further information on any product or product class or the definition of Financial Products, please contact your Relationship Manager.

In Thailand, this material is distributed by The Hongkong and Shanghai Banking Corporation Limited, Bangkok branch. Registered and incorporated in Hong Kong SAR. Registered office: 1 Queen's Road Central, Hong Kong SAR and registered as a branch office in Thailand having registered number: 0100544000390. Bangkok branch registered office: No. 968 Rama IV Road, Si Lom Sub-district, Bang Rak District, Bangkok Metropolis. Authorized and supervised by the Bank of Thailand and the Securities and Exchange Commission, Thailand.

In Luxembourg, this material is distributed by HSBC Private Banking (Luxembourg) SA, which is located at 18 Boulevard de Kockelscheuer L-1821 Luxembourg and is regulated by the Commission de Surveillance du Secteur Financier ("CSSF").

In the United States, HSBC Private Banking is the marketing name for the private banking business conducted by the principal private banking subsidiaries of the HSBC Group worldwide. In the United States, HSBC Private Banking offers banking services through HSBC Bank USA, N.A., Member FDIC. Investments and certain insurance products, including annuities are offered by HSBC Securities (USA) Inc. ("HSI"), Member NYSE/FINRA/SIPC. HSI is an affiliate of HSBC Bank USA, N.A. In California, HSI conducts insurance business as HSBC Securities Insurance Services. License #: OE67746. Whole life, universal life, term life, and other types of insurance are offered by HSBC Insurance Agency (USA) Inc., a wholly owned subsidiary of HSBC Bank USA, N. A. Products and services may vary by state and are not available in all states. California license **#: OD36843**.

Investment products are: Not a deposit or other obligation of the bank or any affiliates; Not FDIC insured or insured by any federal government agency of the United States; Not guaranteed by the bank or any of its affiliates; and are subject to investment risk, including possible loss of principal invested.

All decisions regarding the tax implications of your investment(s) should be made in connection with your independent tax advisor.

In Australia, the present communication is distributed by The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch (ABN 65 117 925 970, AFSL 301737). The present communication is for wholesale clients only and is not available for distribution to retail clients (as defined under the Corporations Act 2001). Any information provided in the present communication is general in nature only and does not take into account your personal needs and objectives nor whether any investment is appropriate for you.

The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch is a foreign Authorised Deposit-taking Institution ("foreign ADI") supervised by the Australian Prudential Regulatory Authority. Except for it and HSBC Bank Australia Limited (ABN 48 006 434 162, AFSL 232595), no other HSBC Group entity described in this document, is an authorised deposit-taking institution in Australia.

Transactions which you enter into with an entity or branch other than The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch, does not represent a deposit with, or a liability of, The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch. Unless expressly stated otherwise in any document, The Hongkong and Shanghai Banking Corporation Limited, Sydney Branch does not stand behind, or support by way of guarantee or otherwise, the obligations of any other related entity of the HSBC Group (including HSBC Bank Australia Limited). Transactions you enter into with a branch of The Hongkong and Shanghai Banking Corporation Limited other than the Sydney Branch, will not be booked in Australia and is not a transaction with the Sydney Branch.

The Hongkong and Shanghai Banking Corporation Limited also does not guarantee the performance of any products of another HSBC Group entity or branch.

Transactions you enter into with another HSBC Group entity is exposed to a variety of risks such as investment risk, including possible delays in repayment and loss of income and principal invested.

As a foreign ADI, provisions in the Banking Act 1959 (Cth) for the protection of depositors do not apply to The Hong Kong and Shanghai Banking Corporation Limited, Sydney Branch. For example, depositors with foreign ADIs do not receive the benefit of the following protections:

• Deposits are not covered by the financial claims scheme and are not guaranteed by the Australian Government.

• Deposits do not receive priority ahead of amounts owed to other creditors. This means that if a foreign ADI was unable to meet its obligations or otherwise is in financial difficulties and ceases to make payments, its depositors in Australia would not receive priority for repayment of their deposits from the foreign ADI's assets in Australia.

A foreign ADI is not required to hold assets in Australia to cover its deposit liabilities in Australia. This means that if the foreign ADI were unable to meet its obligations or otherwise is in financial difficulties and ceases to make payments, it is uncertain whether depositors would be able to access the full amount of their deposit.

In mainland China, this material is distributed by HSBC Bank (China) Company Limited ("HBCN") to its customers for general reference only. 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. HBCN is not recommending or soliciting any action based on it.

In UAE (onshore), this material is distributed by HSBC Bank Middle East Limited UAE Branch, which is regulated by the Central Bank of UAE, for the purpose of this promotion and lead regulated by the Dubai Financial Services Authority. In respect of certain financial services and activities offered by HSBC Bank Middle East Limited UAE Branch, it is regulated by the Securities and Commodities Authority in the UAE under license number 602004. The material contained in this document is for general information purposes only and does not constitute investment research or advice or a recommendation to buy or sell investments.

In Kuwait, this material is distributed by HSBC Bank Middle East Limited, Kuwait Branch (HBME KUWAIT) which is regulated by the Central Bank of Kuwait, Capital Markets Authority for licensed Securities Activities and lead regulated by the Dubai Financial Services Authority. This document is directed to clients of HBME KUWAIT and should not be acted upon by any other person. HBME KUWAIT is not responsible for any loss, damage or other consequences of any kind that you may incur or suffer as a result of, arising from or relating to your use of or reliance on this document. The content of this document is for general information purposes only and does not constitute the offering of advice or recommendation to invest and should not be used as the basis for any decision to buy or sell investments.

In HSBC India, this material is distributed by Hongkong and Shanghai Banking Corporation Limited, India ("HSBC India"). HSBC India is a branch of the Hongkong and Shanghai Banking Corporation Limited. HSBC India is a distributor of select mutual funds and referrer of investment products from third party entities registered and regulated in India. HSBC India does not distribute investment products to those persons who are either the citizens or residents of United States of America (USA), Canada or any other jurisdiction where such distribution would be contrary to law or regulation. HSBC India, will receive commission from HSBC Asset Management (India) Private Limited, in its capacity as a AMFI registered mutual fund distributor of HSBC Mutual Fund. The Sponsor of HSBC Mutual Fund is HSBC Securities and Capital Markets (India) Private Limited (HSCI), a member of the HSBC Group. Please note that HSBC India and the Sponsor being part of the HSBC Group, may give rise to real, perceived, or potential conflicts of interest. HSBC India has a policy in place to identify, prevent and manage such conflict of interest. HSBC India provides non-discretionary portfolio advisory services for select Private Banking customers under the SEBI (Portfolio Managers) Regulations, 2020 ("PMS Regulations") vide registration no. INP000000795. Performance of each portfolio may vary for each investor because of 1) the timing of inflows and outflows of funds; and 2) differences in the portfolio composition because of restrictions and other constraints. 'Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

For SAA/TAA

This is an illustrative approach of a globally diversified portfolio allocation strategy across asset classes; the strategy and the underlying fulfilment options are not applicable to India customers.

Where your location of residence differs from that of the HSBC entity where your account is held, please go to **HSBC Global Private Banking website > Disclaimer > Cross Border Disclaimer** for disclosure of cross-border considerations regarding your location of residence.

A complete list of private banking entities is available on our HSBC Private Bank website.