

What did you miss last month?

CURRENCIES
GLOBAL

Trade tensions, emerging market FX and Brexit talks

- ◆ Trade tensions remain in focus
- ◆ Emerging markets FX volatility leads to contagion fears
- ◆ Brexit developments once again drive GBP

Key Dates

- August 1**
 - ▶ **WSJ reports US considering increasing tariffs on China to 25%**
 - ▶ FOMC leaves rates unchanged, says risks are “roughly balanced”
- August 2**
 - ▶ **BoE hikes rates by 25bp to 0.75%**
- August 3**
 - ▶ Non-farm payrolls weaker than expected at 157k
 - ▶ **PBoC announces a 20% reserve requirement on banks that buy USD forward on behalf of clients and take counter-cyclical measures**
- August 6**
 - ▶ UK Trade Secretary states odds for “no deal” as 60-40
- August 7**
 - ▶ RBA leaves rates unchanged at 1.50%, lowers near-term inflation forecasts
- August 8**
 - ▶ FT reports Saudi Arabia selling off Canadian assets “no matter the cost”
 - ▶ RBNZ leaves rates unchanged, pushes first rate hike to Q3 2020
- August 10**
 - ▶ Trump announces doubling of tariffs on Turkish steel and aluminium
 - ▶ **Turkish lira (TRY) weakens 17% against the USD on the day**
- August 16**
 - ▶ Reports of China Vice Commerce Minister and US Under Secretary to meet
- August 20**
 - ▶ Trump reiterates displeasure with rate hikes during a Reuters interview
 - ▶ WSJ reports US wants Beijing to push USD-RMB back to 6.40-6.50 range
- August 21**
 - ▶ Trump’s former lawyer Cohen pleads guilty to illegal campaign finance charges
 - ▶ UK and EU chief negotiators meet in Brussels
 - ▶ Australian PM Turnbull survives leadership challenge by Home Affairs Minister
- August 23**
 - ▶ UK government releases 25 technical papers on assessment of “no deal” Brexit
- August 24**
 - ▶ Fed Chair Powell highlights uncertainties around real neutral rate at Jackson Hole
 - ▶ Headlines that PBoC re-introduced counter-cyclical factor to USD-CNY fixing
 - ▶ **Scott Morrison wins leadership vote over Turnbull to become Australian PM**
- August 27**
 - ▶ Bloomberg reports US and Mexico said to agree on a NAFTA deal
- August 29**
 - ▶ **Barnier comments EU is prepared to offer UK partnership like no other**

Summary - Contagion fears

Trade and political tensions supported the USD during the first half of August; however, the USD failed to sustain these gains through to the end of the month. The prospect of higher tariffs on China and tensions in emerging markets saw the USD index (DXY) hit a one-year high of 96.984 on 15 August. After this point, the USD reversed direction on potential for improved trade talks, weaker than expected data and President Trump's comment on rate hikes. The DXY was up 0.6%¹ by the end of the month.

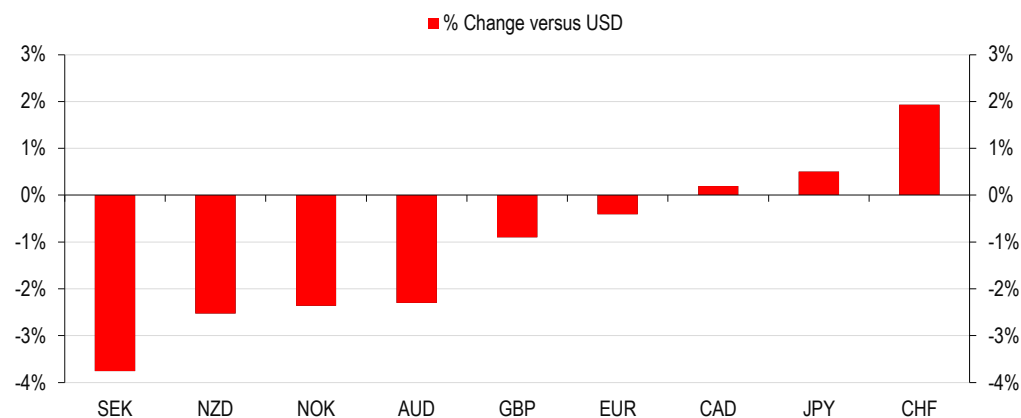
Emerging market currencies came under significant pressure in August. The Turkish lira (TRY) was under pressure due to political and macroeconomic factors early in the month. This intensified on 10 August when the TRY weakened 17% on the day against the USD as President Trump announced the doubling of tariffs on Turkish steel and aluminium. Following the TRY was the Argentine peso (ARS), which weakened 24% since the beginning of the month, prompting the central bank to hike rates by 15ppt to 60% on 30 August. This still failed to curb ARS depreciation. The South African Rand (ZAR), Russian rouble (RUB) and Brazilian real (BRL) also finished the month much weaker, down 10.8%, 7.4% and 7.3% respectively against the USD.

Weaker than expected data during the first half of the month and fears of contagion from Turkey weighed on the EUR in August. Data showed some improvement towards the end of the month; however, the EUR remained under pressure and ended the month 0.9% weaker against the USD.

GBP was weighed down by the probability of a “no-deal” Brexit outcome in August. Despite a Bank of England (BoE) hike by 25bp to 0.75% and broadly stronger than expected data, GBP-USD hit a one-year low of 1.2662 as the prospect of a “no deal” outcome grew. But, towards the end of the month, GBP trimmed some of its losses on some positive news about Brexit negotiations.

Elsewhere: Trade tensions and Turkey contagion fears weighed on the AUD, NZD, CAD and RMB but supported the safe-haven currencies, CHF ended the month 2.1% stronger against the USD. The AUD was shaken by political uncertainty. The NZD weakened as the Reserve Bank of New Zealand (RBNZ) pushed out its rate hike expectations by a year. The CAD was somewhat supported by optimism over NAFTA talks. People’s Bank of China (PBoC) policy provided some support for the RMB.

August G10 performance



Source: HSBC, Bloomberg

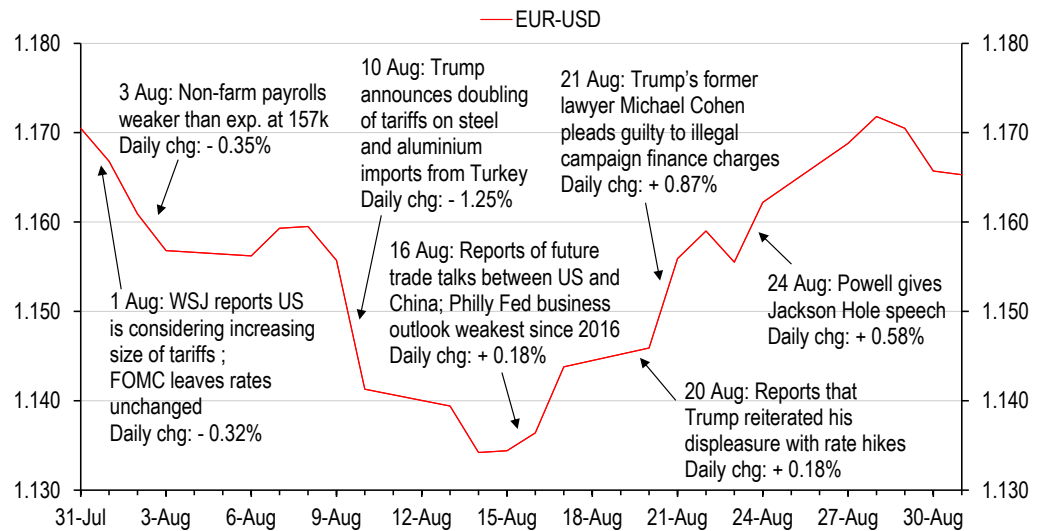
¹ All prices in this report are taken from Bloomberg

US: A month of two halves

The USD rallied for the first half of August but then reversed direction, the DXY ended the month up by 0.6%. Trade talks remained in focus through the month, political tension heightened and monetary policy also made headlines. The FOMC left rates unchanged on 1 August and stated that the economy is growing “at a strong rate” with risks to outlook “roughly balanced”. Trade tensions escalated on reports (Wall Street Journal (WSJ)) that the US is considering increasing the size of potential tariffs on USD200bn of imports from China to 25% from 10%, seeing the USD rally. Politics took focus on 10 August as US-Turkey relations deteriorated further with President Trump announcing the doubling of tariffs on steel (to 50%) and aluminium (to 20%). Fears of financial contagion from Turkey saw the DXY rally 0.9% on the day and hit a one-year high of 96.984 on 15 August.

The USD reversed direction on 16 August on reports of future US-China trade talks. The Philadelphia Fed business outlook came out at its lowest level since 2016 on the same day. The USD continued to weaken on 20 August as President Trump reiterated his displeasure with rate hikes during a Reuters interview. On the next day, President Trump’s former lawyer Michael Cohen pleaded guilty to illegal campaign finance charges. FOMC minutes released on 22 August suggested there has been no shift in policymakers’ mind-set, but noted trade as an important source of uncertainty. During his Jackson Hole speech on 24 August, Fed Chair Powell reaffirmed further gradual rate hikes will be appropriate while highlighting uncertainties surrounding the economy’s real neutral interest rate, which saw the USD weaken.

EUR-USD



Source: HSBC, Bloomberg

Eurozone: Signs of a bounce back

The EUR ended the month 0.9% weaker against the USD as weaker than expected data during the first half of the month and Turkey turmoil put pressure on the currency. On 6 August, German factory orders declined far more swiftly than expected at 4.0% MoM. However, the EUR was supported by rhetoric from the European Central Bank's (ECB) hawks, with Ewald Nowotny stating that he supports a "faster" normalisation of monetary policy and Sabine Lautenschlaeger commenting she is "very much in favour of normalizing monetary policy" (Der Standard). On 7 August, German industrial production came out softer than expected. Signs of a slowdown in Eurozone economies continued with industrial output from Spain joining the list of data disappointments, contracting 0.6% MoM (consensus -0.2%). The EUR was significantly weaker on 10 August, as Financial Times headlines raised the threat of contagion that Turkish borrowing could have on Eurozone banks.

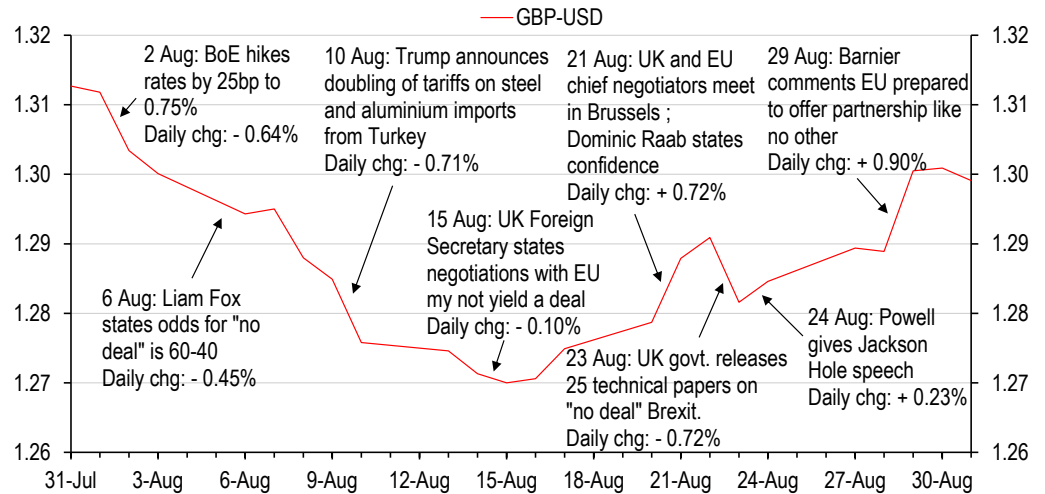
The second half of the month saw the EUR bounce back and data improve. On 14 August, Eurozone Q2 GDP growth came out above expectations at 0.4% QoQ (consensus 0.3%), aided by an equivalent upside surprise on German GDP. Nevertheless, the EUR ended the day weaker on contagion fears. The EUR began to reverse its losses on 16 August. EUR-USD bounced to 1.16 on 21 August as Trump's comments about Fed hikes put pressure on the USD. On 27 August, the EUR rallied as German business confidence rose for the first time in nine months. EUR-USD was modestly weaker on 29 August on reports (La Stampa) that the Italian government may be reaching out to the ECB for another round of quantitative easing (QE), a form of economic stimulus.

UK: Deal or no deal?

Despite mostly stronger than expected data and a BoE interest rate hike, GBP ended the month 1.3% weaker against the USD, weighed down by the probability of a "no-deal" Brexit. On 2 August, the BoE voted 9-0 for a hike to raise rates by 25bp to 0.75%, which saw GBP rally as the 9-0 vote caught the market by surprise (expectation was 8-1). Nevertheless, GBP quickly reversed these gains and ended the day 0.6% weaker as Governor Carney stated that the UK needs only "modest" tightening. From thereon, politics took over from cyclical factors as the key driver of GBP. On 6 August, GBP-USD dipped below 1.30 as Brexit concerns took their toll with UK Trade Secretary Liam Fox stating a "no deal" Brexit is now more likely than not, citing the odds as 60-40 for such an outcome (Sunday Times). GBP slide stalled briefly on 9 August as The Times reported that EU leaders are willing to let the UK remain in the single market for goods so long as the UK commits to replicate all environmental, social and customs rules; however, GBP still ended the day weaker.

GBP bounced on 14 August as labour data showed an unexpected drop in the unemployment rate to 4.0%, which was the lowest since March 1975. On 15 August, headline and core CPI for July came out in line with expectations at 2.5% and 1.9% YoY. On the Brexit front, UK Foreign Secretary Jeremy Hunt stated that talks with the EU may not yield a deal on Brexit but other countries are now more aware that this would be a "strategic mistake", seeing GBP-USD hit a one-year low of 1.2662. GBP enjoyed some relief on 16 August from stronger than expected retail sales growth during July. GBP was notably stronger on 21 August as the UK and EU's chief negotiators met in Brussels and UK negotiator Dominic Raab stated he is confident of reaching agreement in October. On 29 August, Chief EU negotiator Barnier's comment that the EU is prepared to offer a partnership like no other country saw GBP-USD rally back above 1.30.

GBP-USD

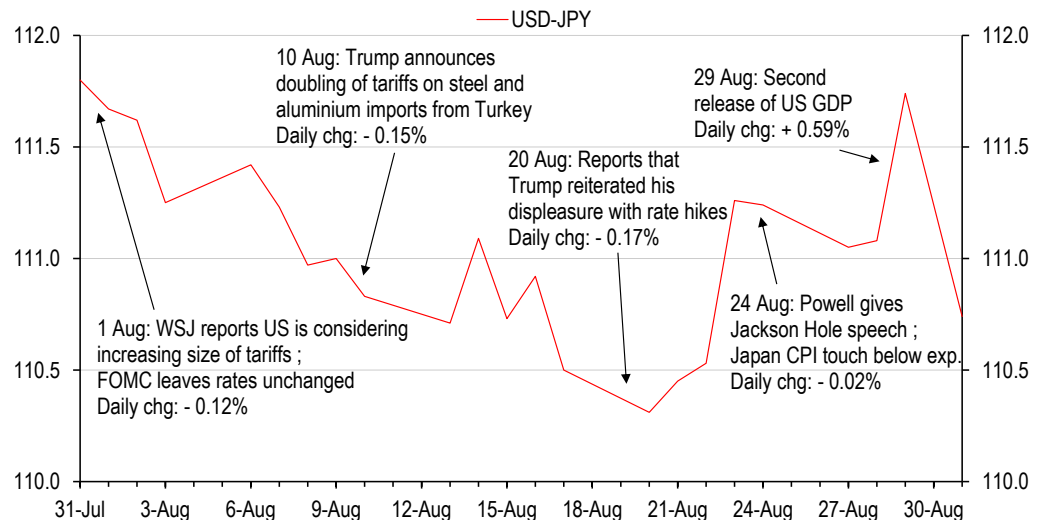


Source: HSBC, Bloomberg

Japan: Safe-haven strength

Risk aversion kept the JPY broadly supported in August. The JPY was stronger against the USD on the first day of the month as the FOMC left rates unchanged and stated risks to outlook are "roughly balanced". The JPY continued to rally as trade frictions between US and China heightened. On 10 August, Japan posted a preliminary Q2 GDP growth rate above expectations at 1.9% QoQ annualised (1.4% expected). Towards the middle of the month, Turkey contagion fears kept the JPY supported. On 20 August, president Trump's expression of dissatisfaction with the Fed rate hikes saw USD-JPY dip below 110. However, this proved to be a low water mark as USD-JPY reversed direction after this point. The JPY weakened ahead of the FOMC minutes and continued to slide ahead of Fed Chair Powell's Jackson Hole speech. CPI came out a touch below expectations at 0.9% YoY on 24 August. USD-JPY spiked above 111.50 ahead of the second release of USD Q2 GDP on 29 August. By month-end, the JPY was 0.7% stronger against the USD.

USD-JPY



Source: HSBC, Bloomberg

China: Trade tensions dominate

The RMB was weighed down by trade tensions but supported by PBOC policy in August. It began the month on the back foot on reports that the US is considering increasing the size of potential tariffs on USD200bn of imports from China to 25% from 10%. The deteriorating trade situation saw USD-CNY reach 6.8972 on 3 August. However, the RMB quickly trimmed these losses as the PBoC announced that it will impose a reserve requirement (RR) of 20% on banks that buy USD forward on behalf of clients and take counter-cyclical measures. On 6 August, the RMB weakened as China's current account surplus in Q2 came out at USD5.8bn, which was the smallest Q2 surplus since 2002. This move was offset on the next day as Bloomberg reported that the PBoC told some banks that they should make efforts to prevent "herd behaviour". On 13 August, the PBoC clarified that the RR reintroduced earlier in the month does not apply to foreign institutional investors. On 15 August, Turkey contagion fears saw USD-CNY hit a 20-month high of 6.9376. USD-CNY dropped sharply on the next day to 6.88 on optimism over US-China trade talks. On 20 August, WSJ reported that US wants Beijing to push RMB back to the 6.40-6.50 range. Headlines that PBoC re-introduced the counter-cyclical factor to the USD-CNY fixing (to help reduce the bias towards a weaker CNY) saw USD-RMB fall back down towards 6.80 on 24 August. The RMB ended the month 0.2% weaker against the USD.

Canada: NAFTA and oil

The CAD weakened 0.3% against the USD in August, despite some optimism over NAFTA talks. On 8 August, the CAD weakened significantly on reports (FT) that Saudi Arabia had begun selling off its holdings of Canadian assets "no matter the cost". The move was exacerbated by a drop in oil prices but the CAD then gained some ground on optimism over NAFTA talks. On 10 August, employment data was broadly better than expected. While this prompted some initial CAD gains, the CAD ended the day 0.7% weaker against the USD on Turkey tensions. The CAD rebounded on 14 August as Turkey contagion fears abated. However, USD-CAD moved back above 1.3150 on the next day as oil prices fell. The CAD reversed some of its losses on 17 August as headline CPI printed much higher than expected at 0.5% MoM (0.1% expected). The CAD then rallied significantly on optimism over NAFTA as US and Mexico were said to reach an agreement. On 30 August, the CAD pared some of its gains as GDP came out weaker than expected at 0.0% MoM and 2.9% QoQ annualized.

Australia: Take me to your leader

Trade frictions, tension in emerging markets and politics weighed on the AUD in August, seeing the currency weaken 3.3% against the USD. The AUD began the month on the back foot on rising trade tensions. On 3 August, stronger than expected retail sales and weaker than expected US nonfarm payrolls saw the AUD gain some ground. The AUD continued to strengthen on 7 August despite unchanged policy and tone by the Reserve Bank of Australia (RBA). The middle of the month saw the AUD under pressure on broader external factors. On 17 August, RBA Governor Lowe said it is "likely to be some time" before inflation is around target on a sustained basis and that "a lower AUD would be helpful". Politics came into focus toward the end of August. On 21 August, Australian PM Malcolm Turnbull survived a leadership challenge from Home Affairs Minister Peter Dutton. AUD-USD dropped below 0.7250 on 23 August as political uncertainty heightened with prospects of another leadership challenge. The next day, Scott Morrison won a leadership vote against Turnbull, providing some relief for the AUD. Nevertheless, the AUD weakened on 29 August following news that Westpac, one of the country's major lenders, raised its mortgage rates.

New Zealand: Confidence wanes

Similar to the AUD, the NZD also began the month under pressure on rising global trade tensions. On 8 August, the Reserve Bank of New Zealand (RBNZ) left policy rate unchanged at 1.75%. NZD-USD dropped sharply towards 0.66 as the central bank pushed out its expectation for the timing of the first hike by one year to Q3 2020 and stated it expects the policy rate will be on hold until then. NZD continued to slide as tensions in emerging markets persisted. On 14 August, the NZD gained some strength on the Finance Minister's comments that the economy has strong fundamentals and there is every reason to be optimistic, but ended the day broadly unchanged. The NZD strengthened on 16 August upon reports of future US-China trade talks. The NZD pared some of these gains on 30 August as ANZ business confidence dropped to a 10-year low. By the end of the month, the NZD was 2.8% weaker against the USD.

Oil: Supported by supply cut

While demand concerns put oil under pressure, it ended the month 4.3% stronger on supply cuts. Oil prices rallied on 2 August amid signs of reduced US inventory. The rally continued on 6 August on reports of slowing production in Saudi Arabia (Reuters). Brent crude extended gains on 7 August on the prospect of US sanctions against Iran. On 8 August, a smaller-than-expected weekly decline in US crude inventories saw Brent crude drop to USD72/barrel. Oil recovered some of its losses on 10 August, as the International Energy Agency warned that oil sanctions against Iran could bring turmoil to the market later in the year. On 13 August, oil prices fell towards USD71/barrel as spill over risk from Turkey raised concerns about demand for oil; however, Brent crude sharply trimmed these losses on reports that Saudi Arabia cut supply by 200,000 barrels a day. On 15 August, Brent crude plunged to a four-month low of USD70.30/barrel as demand concerns heightened. After this point in the month, oil strengthened significantly, helped by USD weakness. On 22 August, a US government report showed the biggest decline in crude inventories since late July, which saw oil climb to USD75/barrel. Brent crude continued to rally as oil field services company, Baker Hughes, reported a drop in US rig count on 24 August.

Precious Metals: Weighed down by the USD

Trade tensions and the developments in Turkey fuelled USD strength and worked decisively against gold in August. The yellow metal began the month on the back foot on reports that the US may increase tariffs on China, which lifted the USD. Gold recovered some of these losses on 3 August, moving back above USD1,220/oz as US non-farms payrolls data came out weaker than expected. Nevertheless, trade conflicts kept gold below this level for the rest of the month. On 13 August, gold dropped to USD1,193/oz as fears of Turkey contagion kept bolstering the USD and bullion continued to slide on 15 August due to emerging markets tumult, USD strength and weakness in other commodities. It fell to a 20-month low of USD1,160.39/oz on 16 August. However, confirmation that the US and China would hold a fresh round of trade talks saw bullion strengthen and end the day broadly unchanged. Gold was on an upward trajectory after this point in the month, helped by a weaker USD. This upward movement faltered on 23 August as the USD gained some strength after the Fed reaffirmed intentions to hike rates. On the next day (24 August), gold rallied towards USD1,1210/oz as the market's dovish interpretation of Fed Chair Powell's speech at Jackson Hole saw the USD weaken. Nevertheless, gold ended the month 1.8% weaker. Silver and platinum-group metals were also weighed down in August by trade worries and ZAR weakness amid TRY depreciation.

4 September 2018

Movers in August vs. USD

CHF	+2.1%	AUD	-3.3%
-----	-------	-----	-------

Commodities

Gold	-1.8%
Brent Crude Oil	+4.3%

Upcoming key events

Date	Event
4-Sep	RBA rate announcement
5-Sep	BoC rate announcement
13-Sep	BoE rate announcement
13-Sep	ECB rate announcement
19-Sep	BoJ rate announcement
20-Sep	SNB rate announcement
26-Sep	FOMC rate announcement
26-Sep	RBNZ rate announcement

Source: Bloomberg

Disclosure appendix

Important disclosures

This document is for information purposes only and it should not be regarded as an offer to sell or as a solicitation of an offer to buy the securities or other investment products mentioned in it and/or to participate in any trading strategy. Information in this document is general and should not be construed as personal advice, given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on it, consider the appropriateness of the information, having regard to their objectives, financial situation and needs. If necessary, seek professional investment and tax advice.

Certain investment products mentioned in this document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. Investors should consult with their HSBC representative regarding the suitability of the investment products mentioned in this document and take into account their specific investment objectives, financial situation or particular needs before making a commitment to purchase investment products.

The value of and the income produced by the investment products mentioned in this document may fluctuate, so that an investor may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Value and income from investment products may be adversely affected by exchange rates, interest rates, or other factors. Past performance of a particular investment product is not indicative of future results.

HSBC and its affiliates will from time to time sell to and buy from customers the securities/instruments (including derivatives) of companies covered in HSBC Research on a principal or agency basis.

Whether, or in what time frame, an update of this analysis will be published is not determined in advance.

Additional disclosures

- 1 This report is dated as at 04 September 2018.
- 2 All market data included in this report are dated as at close 03 September 2018, unless a different date and/or a specific time of day is indicated in the report.
- 3 HSBC has procedures in place to identify and manage any potential conflicts of interest that arise in connection with its Research business. HSBC's analysts and its other staff who are involved in the preparation and dissemination of Research operate and have a management reporting line independent of HSBC's Investment Banking business. Information Barrier procedures are in place between the Investment Banking, Principal Trading, and Research businesses to ensure that any confidential and/or price sensitive information is handled in an appropriate manner.
- 4 You are not permitted to use, for reference, any data in this document for the purpose of (i) determining the interest payable, or other sums due, under loan agreements or under other financial contracts or instruments, (ii) determining the price at which a financial instrument may be bought or sold or traded or redeemed, or the value of a financial instrument, and/or (iii) measuring the performance of a financial instrument.

Disclaimer

This document is prepared by The Hongkong and Shanghai Banking Corporation Limited ("HBAP"), 1 Queen's Road Central, Hong Kong. HBAP is incorporated in Hong Kong and is part of the HSBC Group. This document is for general circulation and information purposes only. This document is not prepared with any particular customers or purposes in mind and does not take into account any investment objectives, financial situation or personal circumstances or needs of any particular customer. HBAP has prepared this document based on publicly available information at the time of preparation from sources it believes to be reliable but it has not independently verified such information. The contents of this document are subject to change without notice.

HBAP 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. HBAP gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this document.

This document is not investment advice or recommendation nor is it intended to sell investments or services or solicit purchases or subscriptions for them. You SHOULD NOT use or rely on this document in making any investment decision or decision to buy or sell currency. HBAP is not responsible for such use or reliance by you. You SHOULD consult your professional advisor in your jurisdiction if you have any questions regarding the contents of this document.

You SHOULD NOT reproduce or further distribute the contents of this document to any person or entity, whether in whole or in part, for any purpose. This document may not be distributed to the US, Canada or Australia or any other jurisdiction where its distribution is unlawful.

Jersey

HSBC Expat, a division of HSBC Bank plc, Jersey Branch, has distributed this document to its customers for general reference only. HSBC Expat 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 or reliance of this document. We give no guarantee as to the accuracy, timeliness or completeness of this document. HSBC Expat will distribute this document to customers, at their request, where we can lawfully do so.

Mainland China

In mainland China, this document is distributed by HSBC Bank (China) Company Limited ("HBCN") to its customers for general reference only. This document is not, and is not intended to be, for the purpose of providing securities and futures investment advisory services or financial information services, or promoting or selling any wealth management product. This document provides all content and information solely on an "as-is/as-available" basis. HBCN 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. You SHOULD consult your own professional adviser if you have any questions regarding this document.

Hong Kong

In Hong Kong, this document is distributed by HBAP to its customers for general reference only. HBAP 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 or reliance of this document. HBAP gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this document.

Malaysia

In Malaysia, this document has been prepared by HBAP is issued and distributed by HSBC Bank Malaysia Berhad (127776-V) / HSBC Amanah Malaysia Berhad (807705-X) (the "Bank"). The Bank 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.

Singapore

In Singapore, this document is distributed by HSBC Bank (Singapore) Limited ("HBSP") pursuant to Regulation 32C of the Financial Advisers Regulations, to its customers for general reference only. HBSP accepts legal responsibility for the contents of this document, and may be contacted in respect of any matters arising from, or in connection with, this document. Please refer to HBSP's website at www.hsbc.com.sg for its contact details.

Taiwan

In Taiwan, this document is distributed by HSBC Bank (Taiwan) Limited, [13F/14F No 333, section 1 Keelung Rd, Taipei] to its customers for general reference only. HSBC Bank (Taiwan) Limited 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 or reliance of this document. Clients of HSBC Bank (Taiwan) Limited should contact their relationship manager in respect of any matters arising from or in connection with this document.

United Arab Emirates

In the UAE, this document is distributed by HSBC Bank Middle East Limited ("HBME") U.A.E Branch, P.O.Box 66, Dubai, U.A.E, which is regulated by the Central Bank of the U.A.E and lead regulated by the Dubai Financial Services Authority. HBME 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.

India

In India, this document is distributed for general reference by The Hong Kong And Shanghai Banking Corporation Limited, India (HSBC India), having its registered office at 52/60, MG Road, Fort, Mumbai. HSBC India 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. HSBC India gives no guarantee, representation or warranty as to the accuracy, timeliness or completeness of this document and clients should contact their relationship manager in respect of any clarifications arising from or in connection with this document.

Miscellaneous

Notwithstanding this document is not investment advice, please be aware of the following for the sake of completeness. Past performance is not an indication of future performance. The value of any investment or income may go down as well as up and you may not get back the full amount invested. When an investment is denominated in a currency other than the local currency of an investor, changes in the exchange rates may have an adverse effect on the value, price or income of that investment. Where there is no recognised market for an investment, it may be difficult for an investor to sell the investment or to obtain reliable information about its value or the extent of the risk associated with it.

This document contains forward-looking statements which are, by their nature, subject to significant risks and uncertainties. Such statements are projections, do not represent any one investment and are used for illustration purpose only. Customers are reminded that there can be no assurance that economic conditions described herein will remain in the future. Actual results may differ materially from the forecasts/estimates. No assurance is given that those expectations reflected in those forward-looking statements will prove to have been correct or come to fruition, and you are cautioned not to place undue reliance on such statements. No obligation is undertaken to publicly update or revise any forward-looking statements contained in this document or any other related document whether as a result of new information, future events or otherwise.

The Hongkong and Shanghai Banking Corporation Limited, its affiliates and associates and their respective officers and/or employees, may have interests in any products referred to in this document by acting in various roles including as distributor, holder of principal positions, adviser or lender. The Hongkong and Shanghai Banking Corporation Limited, its affiliates and associates, and their respective officers and employees, may receive fees, brokerage or commissions for acting in those capacities. In addition, The Hongkong and Shanghai Banking Corporation Limited, its affiliates and associates, and their respective officers and/or employees, may buy or sell products as principal or agent and may effect transactions which are not consistent with the information set out in this document.

© Copyright 2018. The Hongkong and Shanghai Banking Corporation Limited, ALL RIGHTS RESERVED. No part of this document may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission of The Hongkong and Shanghai Banking Corporation Limited.

[1103289]