Market Update

CIO Office

OPEC+ Meeting: More oil price swings to come

NOT FOR DISTRIBUTION IN THE USA

3 December 2021

Contributor

Nicoletta Trovisi

Global FX Coordinator
HSBC Global Private Banking and Wealth

OPEC and its allies held their monthly meeting to debate their output plan, and decided to proceed with the planned output hike of 0.4mbd in January. This came as a bit of a surprise to markets, as oil recently fell as a result of the Omicron-related demand concerns. While OPEC is trying to reassure the market about the plan, demand has become more unpredictable, and the perception of a less coordinated policy could raise the risk of imbalance in the oil market in the short term. On average, we think oil prices in 2022 should be around the current level, as a reduction in demand should ultimately help the market to stabilize. But this may take time and we foresee further wide swings in the oil prices in the coming months.

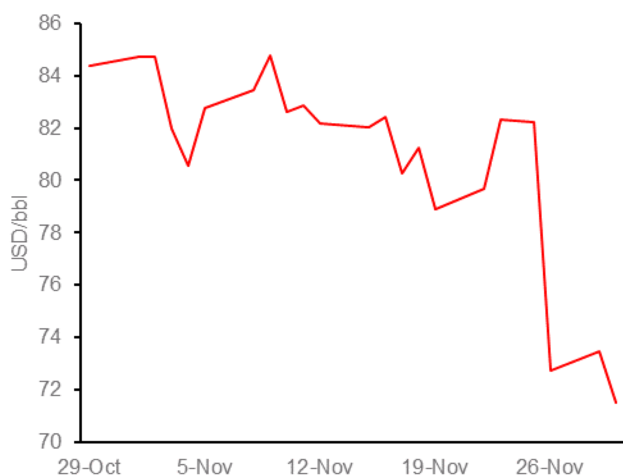
- The US administration recently put pressure on OPEC to increase production, and this may have affected the group to increase production, in line with a plan it had flagged earlier, to boost supply by 0.4mbd from January. The news came after the US announced the release of 50 million barrels of crude Oil from its strategic reserves in concert with China, Japan, India, South Korea, and the UK, and renewed worries over COVID restrictions, which could negatively affect demand. In fact, before the meeting, Brent crude oil prices were already down more than 20% from the October peak, and the market was naturally expecting OPEC to pause any plan to increase output. In the event, the group still decided to go ahead with the increased output, causing prices to dip further from recent lows.
- Like OPEC, we think that the Oil demand will gradually fall due to seasonal factors, as is typical in Q1, and due to slowing economic growth. Except for Jet fuel (as airplane mobility is still limited), demand is back at pre-pandemic levels, so we do not see much further room for demand to rise. The chain effect of high gas and coal prices should also normalize once weather effects fade. Looking at fundamental supply and demand factors for oil, we forecast Brent to average USD 75/bbl in 2022.
- But some additional factors have now to be taken into account. The shadow of COVID19 variants doesn't only affect demand, but supply as well. In an already under-invested industry with obsolete machinery, there is the reluctance to drill more. And the low level of inventories probably limits the capacity to cushion peaks of demand.
- On the demand side, the request for Liquefied Natural Gas (LNG) will probably leave the prices higher as countries are trying to balance their energy sources away from high carbon fossils like coal. Higher natural gas prices can help oil prices too.

The COVID years

Since the US announced unspecified actions early in November, the bullish oil sentiment has faded, and Brent initially fell from its USD 86/bbl peak to USD 80/bbl. But when the Biden administration actually went ahead with the oil release, Brent prices gained about 7% on the day because the market considered the quantity insufficient. Also, a key detail for the market was that 32 million barrels of the coordinated action represented swaps rather than outright sales (i.e. at some point in the next two years, these barrels would need to returned to the Strategic Petroleum Reverse). OPEC members then threatened to remove the planned additional 0.4 mbd in output if any US action create the risk of oversupplying. It is no surprise, therefore, that the market consensus was that OPEC would freeze the planned increase.

A further obstacle to the planned increase in output could also have come from the new mobility restrictions due to Omicron, the latest COVID-19 variant detected in South Africa which has already spread worldwide. Still, even after oil prices plunged more than 10% to USD 70/bbl ahead of the meeting, OPEC members agreed to implement the plan. But for the first time, they added in the release that the decision will be monitored and they will make immediate adjustments if required.

1-month historical Brent price



Source: HSBC Global Private Banking, Bloomberg as at 30 Nov 2021. Past performance is not a reliable indicator of future performance.

We note that OPEC members' supply is still below 2019 level: the group is currently producing around 27.5 million barrels a day, while it was around 28.9 million in January 2020.

This is driven mainly by the fear of being hit again by the pandemic, which could suddenly reduce the demand. This already happened when Brent crude oil hit a historical low of USD 16/bbl on April 22 last year (the US benchmark, West Texas Intermediate or WTI, even briefly went negative for the first time in history). The past COVID-19 shock has struck a double blow to oil exporting countries: foreign oil demand fell drastically (more than 30% as estimated by the International Energy Agency (IEA)), having a big domestic impact and leading to higher storage costs (stocks struck an all-time high on June 20). The crisis also challenged the effectiveness of a coordinated global answer. Oil prices hit the historical low as a consequence of OPEC+'s failure to agree to cut production, with quantities from Saudi Arabia and Russia briefly flooding the market. An agreement was eventually reached around a month later.

Total estimated OPEC crude production

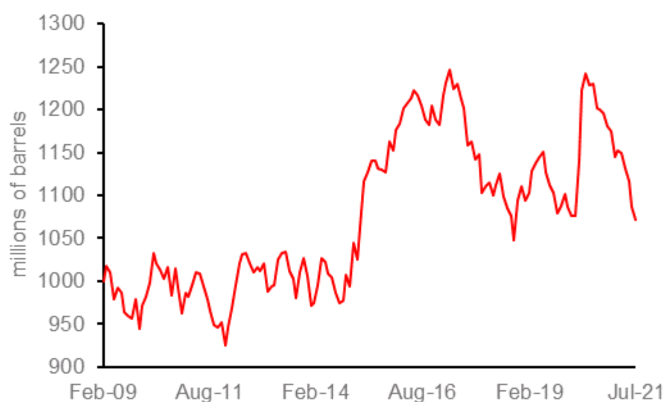
Source: HSBC Global Private Banking, Bloomberg as at 30 November 2021

OPEC+ has kept a tight grip on supply since it agreed to its historic production cut deal in April 2020 and has begun the process of easing supply cuts by adding 400,000 barrels a day each month. Global inventories are now close to "normal" pre-pandemic levels. According to the International Energy Agency, the OECD total industry crude oil stocks were at 1,071 million barrels in July 2021, close to the 2019 level.

Brent Crude 2-year historical price action

Source: HSBC Global Private Banking, Bloomberg as at 30 November 2021. Past performance is not a reliable indicator of future performance

OECD total industry crude oil inventories



Source: HSBC Private Banking, International Energy Agency, Bloomberg as at 30 November 2021

Why did prices reach USD 86/bbl?

After they hit historically lows in early 2020, oil prices then rose steadily and crossed the USD 80/bbl mark recently.

Factors that drove the markets are many but mainly due to a COVID 'shock absorbing' market. On the supply side, during the pandemic, few oil producers cut output and they have struggled to ramp up since then, to meet recovering demand. For instance, although US production is rising slightly, it remains below pre-pandemic levels of 13 million barrels a day. US production is currently around 11 million barrels a day, and was at 10 million barrels a day at the peak of the pandemic. Despite some further expected increase in the coming months, the US may struggle to come back to its initial production level.

Also, since then, OPEC, the producer with the capacity to supply and satisfy any deficit, had kept a cautious approach as renewed COVID-19 fears could once again cause a reduction in demand.

Natural seasonal disruptions, and Hurricanes Ida and Nicholas, damaged US oil infrastructure in the Gulf of Mexico, and have increased turbulence amid an already fragile outlook.

On the demand side, economies worldwide were back up and running and looked to make up for lost time by outpacing the supply. On top of that, crude oil prices rallied on substitute demand from gas and coal consumers over rising prices. A gas shortage in Europe and Asia boosted the oil demand for power generation, and there has been a chain reaction in the energy and power supply market.

The US, the leading producer of natural gas, witnessed record high residential demand due to freeze-offs in Texas combined with a record high supply disruption due to the Winter Storm last February. Foreign demand was also strong with record-high exports of LNG. Asian nations, including China, Japan, and South Korea, bought huge quantities of LNG in an effort to transition their energy supply from coal to gas. There were also some issues on the supply side, such as China being unable to acquire coal from Australia due to an import ban and smaller disruptions in the export output of major producers Indonesia, South Africa, and Russia. Coal production ran at a slow pace too, and being used as a gas substitute caused a shortage in Europe and China, which consequently contaminated the Oil market ahead of the summer. Oil became an attractive commodity for generating power and keeping economic activity steady, and thus the higher demand pushed crude markets higher.

What's next?

OPEC+ does not want to go back to square one with reduced inventories and reduced demand. So decisions from OPEC are exacerbated by the fear of renewed COVID-19 limitations. However, other factors are also taken into account.

Global consumption of all refined products, except for jet fuel, is effectively back to pre-pandemic levels. According to the US Energy Information Administration, the world's liquid fuels consumption was close to 99 million barrels per day in October 2021, while it was at 97 million barrels per day in January 2020. Jet fuel continues to be held back by constraints on international flights, but it's game on for gasoline, diesel, heating oil, etc.

World liquid fuels consumption (million barrels per day)

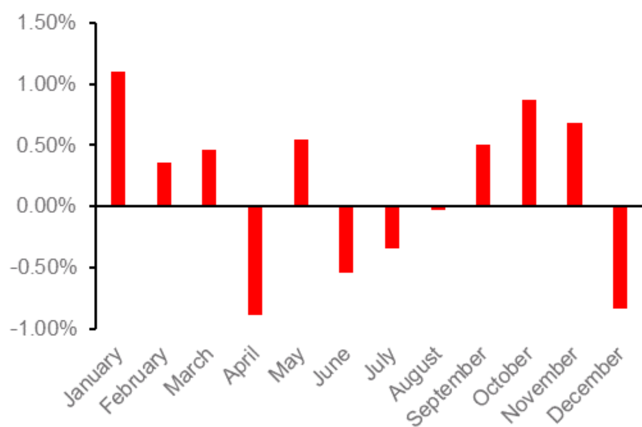
Source: HSBC Global Private Banking, US Energy Information Administration as at 30 November 2021

Internal research by OPEC suggests that world markets will be flooded with a 3 million barrel-a-day surplus during the first quarter. The excess could be as much as 4.8 million barrels a day in a more pessimistic scenario for demand.

OPEC members, running the annual supply, assume that demand will decrease in the first quarter of 2022 due to seasonality effects. Among the other factors, the primary consumers of Oil are from the North Hemisphere, and usually, in this quarter, the purchase for heating purposes is lower. Also, oil demand usually starts to increase in Summer with a peak in

August due to fuel demand for increased mobility and during the hurricane season, US supply is usually hit.

Average monthly performance calculated since 2015



Source: HSBC Global Private Banking, Bloomberg as at 30 November 2021. Past performance is not a reliable indicator of future performance

Cold winter expectations tend to keep the demand at a high level, and the current energy shortage effect needs to subside. In our view, cyclical demand will be probably slow as we enter the new year, and some cooling off is expected. And Iran's possible re-entry into OPEC is another key element in the OPEC calculus.

The other concern for producers is that oil futures markets are in "backwardation" — a market structure where prices for delivery in the future are lower than current prices. That means investors are expecting lower prices in the future, which means the current oil prices may not last, making it riskier to increase investments in new drilling and fracking. As a comparison, the curve had the opposite shape a year ago, when future prices were higher than short term maturities, which indicated a potential increase in the price.

However, we don't believe the outlook for oil is negative. Besides cyclical and seasonal data, other new elements need to be considered, and the broader trend remains highly volatile.

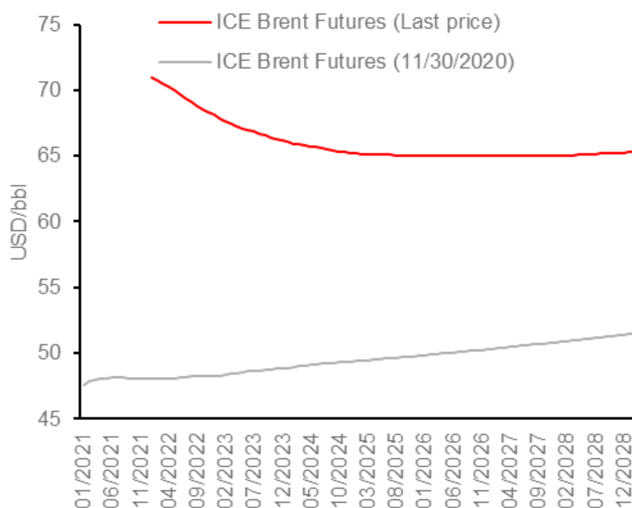
While the oil market has almost recovered in demand and supply, the pandemic shock remains a challenging component to live with. Previous major lockdowns also show the difficulties of any prompt, coordinated intervention to stabilize the market.

The low inventory level and capacity continue to decrease due to the unwillingness to pay for further drilling costs. The industry is heavily under-invested, and it runs with obsolete machinery. Also, the commitment toward decarbonization adds additional costs to remain appealing and in line with possible incoming plans from governments as the world transits to cleaner energy form. This could affect the market with temporary shortages if demand peaks.

High coal-energy users like China will probably continue to look at low carbon solutions like LNG, so the substitute demand will likely persist.

The cushion in supply is also limited if we consider that the sector in the US is fragmented, and any coordinated actions are improbable. If prices stay high and contribute to inflation, threatening the disposable income of consumers, we could witness diplomatic interventions from the US administration escalating to keep the prices down.

ICE Brent Futures remains in backwardation



Source: HSBC Global Private Banking, Bloomberg as at 30 November 2021

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 canceled. 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. contractual 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.

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.

Nationalization 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 nationalization.

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 significantly affect the prices and mark-to-market valuation.

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.

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 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; (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.

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.

Important notice
The following is subject to local requirements (if any)

This is a marketing communication issued by HSBC Private Banking. 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. 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. Some services are not available in certain locations. Members of the HSBC Group may trade in products mentioned in this publication.

This document is provided to you for your information purposes only and should not be relied upon as investment advice. The information contained within this document is intended for general circulation to HSBC Private Banking clients and it has not been prepared in light of your personal circumstances (including your specific investment objectives, financial situation or particular needs) and does not constitute a personal recommendation, nor should it be relied upon as a substitute for the exercise of independent judgement. This document 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. The content of this document may not be suitable for your financial situation, investment experience and investment objectives, and the Bank 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.

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.

Market data in this document is sourced from Bloomberg unless otherwise stated. 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. When an investment is denominated in a currency other than your local or reporting currency, changes in exchange rates may have an adverse effect on the value of that investment. There is no guarantee of positive trading performance.

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.

You should contact your Relationship Manager if you wish to enter into a transaction for an investment product. You should not make any investment decision based solely on the content of any document.

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.) a division of HSBC Bank plc, Guernsey Branch which is licensed by the Guernsey Financial Services Commission for Banking, Insurance Intermediary and Investment Business. 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 France, this material is distributed by HSBC Europe Continental. HSBC Private Banking is the private banking department of the HSBC Group in France. HSBC Europe Continental is subject to approval and control by the Autorité de Contrôle Prudentiel et de Résolution [Prudential Control and Resolution Authority] as a credit entity. HSBC Private Banking department of HSBC Continental Europe, Public Limited Company with share capital of 491,155,980.00 €- SIREN 775 670 284 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. 07 005 894 (www.orias.fr) - Intra-community VAT number: FR 707 756 702 84. HSBC Private Banking - HSBC Europe Continental – Registered office: 38, avenue Kléber 75116 Paris- FRANCE- Tel. +33 (0) 1 49 52 20 00.

In Switzerland, this 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, 3526, Al Maqam Tower, ADGM, Abu Dhabi, which is regulated by the ADGM Financial Services Regulatory Authority (FSRA). Content in this material is directed at Professional Clients only as defined by the FSRA and should not be acted upon by any other person.

In Dubai International Financial Center (DIFC), this material is distributed by HSBC Private Bank (Suisse) S.A., DIFC Branch, P.O. Box 506553 Dubai, United Arab Emirates, which is regulated by the Dubai Financial Services Authority (DFSA) and is permitted to only deal with Professional Clients as defined by the DFSA.

In South Africa, this material is distributed by HSBC Private Bank (Suisse) SA's 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 and Qatar, this material is distributed by the respective branches of HSBC Bank Middle East Limited, which is locally regulated by the respective local country Central Banks and lead regulated by the Dubai Financial Services Authority.

In Lebanon, this material is handed out 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 Luxembourg, this material is distributed by HSBC Private Banking (Luxembourg) SA, which is located at 16, boulevard d'Avranches, L-1160 Luxembourg and is regulated by the Commission de Surveillance du Secteur Financier ("CSSF").

In the United States, HSBC Private Banking offers banking products and services through HSBC Bank USA, N.A. – Member FDIC and provides securities and brokerage products and services through HSBC Securities (USA) Inc., member NYSE/ FINRA/SIPC, and an affiliate of HSBC Bank USA, N.A.

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.

Australia

If you are receiving this document in Australia, the products and services are provided by The Hongkong and Shanghai Banking Corporation Limited (ABN 65 117 925 970, AFSL 301737) for "wholesale" customers (as defined in the Corporations Act 2001). Any information provided is general in nature only and does not take into account your personal needs and objectives nor whether any investment is appropriate. The Hongkong and Shanghai Banking Corporation Limited is not a registered tax agent. It does not purport to, nor does it, give or provide any taxation advice or services whatsoever. You should not rely on the information provided in the documents for ascertaining your tax liabilities, obligations or entitlements and should consult with a registered tax agent to determine your personal tax obligations.

Where your location of residence differs from that of the HSBC entity where your account is held, please refer to the disclaimer at https://www.privatebanking.hsbc.com/disclaimer/cross-border-disclosure for disclosure of cross-border considerations regarding your location of residence.

No part of this publication 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 HSBC UK Bank plc.

A complete list of private banking entities is available on our website, https://www.privatebanking.hsbc.com.

©Copyright HSBC 2021

ALL RIGHTS RESERVED