HSBC Private Banking

CIO Office

Market Update

Fed holds steady but changes long term policy outlook

17 June 2021

The Federal Reserve (Fed) did not change its near term policy outlook at its June meeting. However, it is in favour of raising rates in 2023. It seems apparent that the Fed would make a statement about tapering its quantitative easing programme sometime soon. That announcement may rile financial markets and cause participants to reprice securities in their portfolios. However, the Fed seems determined to provide the liquidity and a low rates structure to lift economic activity. As a result, we remain in a risk-on mode, with an overweight to global and US equities.

- As expected, the Federal Reserve did not alter policy at its June FOMC meeting. The FOMC left the Federal funds rate unchanged in the 0.0 - 0.25% range. However, given its more constructive view on economic growth, the committee did change its forecast on policy rates. They incorporated an increase of fifty basis for the Federal funds rate in 2023. The FOMC also issued new economic assumptions for the next several years. The forecast for growth was revised up to 7.0% in 2021 while the assumption for inflation were revised up materially in 2021. Given that the FOMC did not lift its median forecast for PCE inflation in subsequent years, it suggests the Fed maintains a view that the acceleration in inflation remains transitory and will not become a more pervasive problem for financial markets.

- In regards to tapering the quantitative easing programme already in place, the Fed maintained its current pace of purchases of both US Treasuries and mortgage-backed securities. In the Q&A session, the Fed Chairman, Jerome Powell, did say that "we will provide advanced notice before announcing any decision to make changes to our purchases". Given this assurance, it seems that QE tapering could take months to plan and execute. As a result of the Fed's decisions today, we maintain our risk-on view with an overweight to global equities. Our overweight in the US remains in place with a focus on cyclical stocks and the consumer sector. We discuss opportunities related to these cyclical and consumer related sectors in our 'Reopening America' High Conviction Investment Theme.

- For Fixed Income investors, potential tapering of quantitative easing programmes later this year or in 2022 implies that we could see a more positively sloped or a steeper yield curve in the short term. However, it is important to remember that higher Treasury yields would most probably result in increased global demand for US Treasuries. This could cap longer dated fixed income yields. For global investors, any extension of the 'lower for longer' scenario suggests that the business cycle could be extended as the structure of US rates could remain accommodative for longer than expected. In the credit markets, any modest lift in yield could be positive for demand in the corporate credit markets as well. The expansion of the current business cycle and improving economic and financial fundamentals should continue to drive the number of upgrades in corporate credit higher, as quality continues to improve. See our High Conviction Investment Themes on 'DM Financials Credit' and 'Reaching for High Yields' for investment opportunities in the Fixed Income space.

Growth Outlook Improved

The FOMC changed its economic growth outlook in 2021 to a growth rate of 7.0% up from 6.5% at the March meeting. This change in the Fed's forecast attempts to capture faster than anticipated growth in the US economy this year, while keeping growth relatively unchanged over the next two years. Two of the key drivers of growth are demand and inventories. First, strong pent-up demand from the consumers who had been in lockdowns for months. This is especially true, given a high savings rate, well in excess of 27%. Also, as the unemployment rate continues to decline, the newly employed workers should also begin to spend. Secondly, there is an inventory rebuild that must take place in sectors as varied as toilet paper to cars and homes. While the economy was locked down for several months, production of everything from basic commodities to finished goods as complicated as cars and machine tools did not occur. For the economy to function close to its potential level of growth we must see these inventory levels replenished.

Inflation higher due to supply/demand imbalance

The other key shift in the FOMC's projections was a revision to their inflation forecast. In 2021, the FOMC lifted its PCE inflation forecast to a 3.4%, up from 2.4% at its March meeting. Overall inflation remained virtually unchanged over the next two years, suggesting that the Fed's view remains that the inflation surge we are currently experiencing should be a temporary phenomenon. The outlook on core inflation was also lifted in 2021, as Fed lifted its forecast for core PCE inflation to 3.0% in 2021 up from 2.2% in its March forecast. Again, the view on core inflation in the subsequent two years was left relatively unchanged suggesting that inflation gains should be temporary and reflect a supply/demand imbalance rather than some pernicious rise in secular inflation trends.

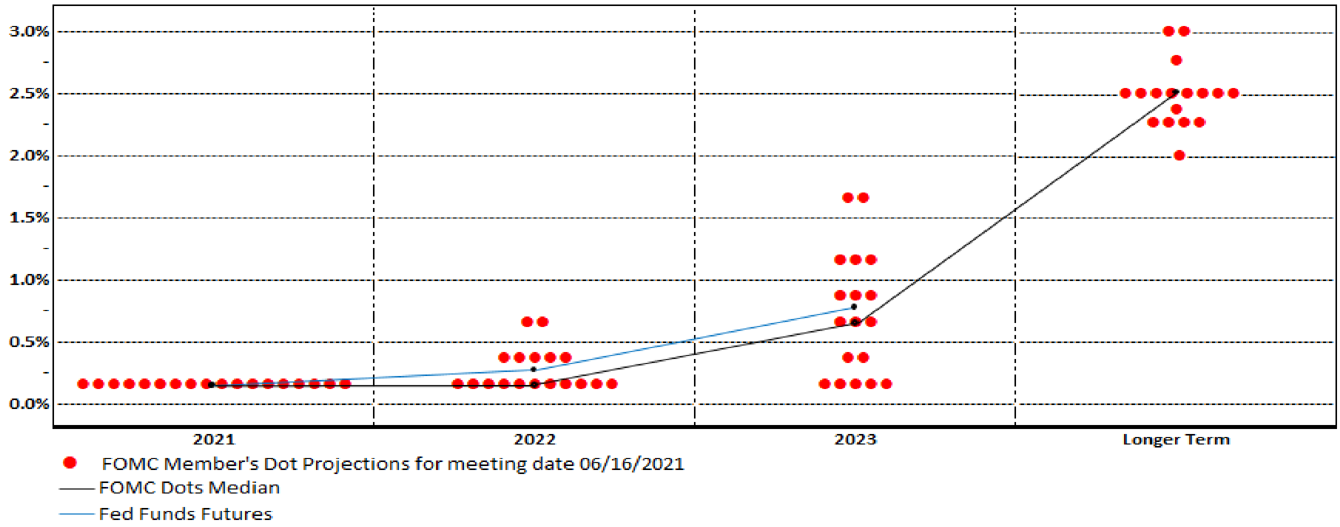
Fed's Dots & Rates

The FOMC also printed its new 'dots plot' showing the views of the Board of Governors on policy rates. In 2023, the FOMC now projects that there will be 50 basis points of rate hikes that were not in the forecast at its March meeting. Moreover, there are now seven governors who believe that there could be a rate hike in 2022, which means that only two more governors need to shift their outlook for a hike in 2022 for it to become a possible policy outcome. Given that the Fed has not changed its long term (2022 and 2023) assumptions on either economic growth or inflation, it suggests the Fed is most probably trying to signal policy normalisation and not remain overly accommodative for a prolonged period of time.

Investment Summary

The Fed did not change its policy outlook at its June meeting, keeping policy rates in place for the foreseeable future. This suggests that the financial underpinnings of its accommodative monetary policy remain firmly in place in the near term. Until the unemployment rate declines towards pre-COVID levels, it seems this policy stance will rule the day. Obviously, until the economy broadens out and normalises, and the supply/demand imbalance currently in place is resolved, the Fed seems determined to provide the liquidity and low rate structure to lift economic activity. As a result, we remain in a risk-on mode, with an overweight to global equities. Given the Fed's stance, the overweight on US equities remains appropriate. As discussed in our 'Reopening America' High Conviction Investment theme, we remain focused on sectors that benefit from the rebound in consumer spending and the rebuilding of inventories in the US economy. At some point soon, it seems clear the Fed should make a statement about tapering its quantitative easing programme. In the short-term, that announcement may rile financial markets and cause participants to reprice securities in their portfolios. However, any steepening of the yield curve may be short-lived as any rise in long-term rates in US treasuries should be well bid by global investors. This could put an upper limit to longer-term interest rates in the US. In turn, this could result in the extension of the US business cycle, especially for interest rate sensitive sectors. Therefore, for Fixed Income investors, modestly higher yields could be welcome by global investors, creating opportunities in the second half of the year. In the corporate credit markets, investors should continue to focus on the upgrade cycle as many companies that were downgraded last year may benefit from an upgrade this year given the lift in top-line growth in the US economy. See our High Conviction Investment Themes on 'DM Financials Credit' and 'Reaching for High Yields' for attractive investment opportunities in the current 'low but volatile' yields environment.

The Fed’s New Dot Plot After Its June 2021 Policy Meeting



Source: Federal Reserve, Bloomberg, HSBC Private Banking, 16 June 2021

Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, June 2021

Variable	Median				Central Tendecy				Range			
	2021	2022	2023	Longer run	2021	2022	2023	Longer run	2021	2022	2023	Longer run
Change in real GDP	7.0	3.3	2.4	1.8	6.8–7.3	2.8–3.8	2.0–2.5	1.8–2.0	6.3–7.8	2.6–4.2	1.7–2.7	1.6–2.2
March projection	6.5	3.3	2.2	1.8	5.8–6.6	3.0–3.8	2.0–2.5	1.8–2.0	5.0–7.3	2.5–4.4	1.7–2.6	1.6–2.2
Unemployment rate	4.5	3.8	3.5	4.0	4.4–4.8	3.5–4.0	3.2–3.8	3.8–4.3	4.2–5.0	3.2–4.2	3.0–3.9	3.5–4.5
March projection	4.5	3.9	3.5	4.0	4.2–4.7	3.6–4.0	3.2–3.8	3.8–4.3	4.0–5.5	3.2–4.2	3.0–4.0	3.5–4.5
PCE inflation	3.4	2.1	2.2	2.0	3.1–3.5	1.9–2.3	2.0–2.2	2.0	3.0–3.9	1.6–2.5	1.9–2.3	2.0
March projection	2.4	2.0	2.1	2.0	2.2–2.4	1.8–2.1	2.0–2.2	2.0	2.1–2.6	1.8–2.3	1.9–2.3	2.0
Core PCE inflation	3.0	2.1	2.1		2.9–3.1	1.9–2.3	2.0–2.2		2.7–3.3	1.7–2.5	2.0–2.3	
March projection	2.2	2.0	2.1		2.0–2.3	1.9–2.1	2.0–2.2		1.9–2.5	1.8–2.3	1.9–2.3	
Memo: Projected approriate policy path												
Federal funds rate	0.1	0.1	0.6	2.5	0.1	0.1–0.4	0.1–1.1	2.3–2.5	0.1	0.1–0.6	0.1–1.6	2.0–3.0
March projection	0.1	0.1	0.1	2.5	0.1	0.1–0.4	0.1–0.9	2.3–2.5	0.1	0.1–0.6	0.1–1.1	2.0–3.0

Source: Federal Reserve, Bloomberg, HSBC Private Banking, 16 June 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.

Alternative Investments
Investors in Hedge Funds and Private Equity should bear in mind that these products can be highly speculative and may not be suitable for all clients. Investors should ensure they understand the features of the products and fund strategies and the risks involved before deciding whether or not to invest in such products. Such investments are generally intended for experienced and financially sophisticated investors who are willing to bear the risks associated with such investments, which can include: loss of all or a substantial portion of the investment, increased risk of loss due to leveraging, short-selling, or other speculative investment practices; lack of liquidity in that there may be no secondary market for the fund and none expected to develop; volatility of returns; prohibitions and/ or material restrictions on transferring interests in the fund; absence of information regarding valuations and pricing; delays in tax reporting; - key man and adviser risk; limited or no transparency to underlying investments; limited or no regulatory oversight and less regulation and higher fees than mutual funds.

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 Continental Europe . HSBC Private Banking is the private banking department of the HSBC Group in France. HSBC Continental Europe 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 Continental Europe – 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.

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

|PUBLIC|