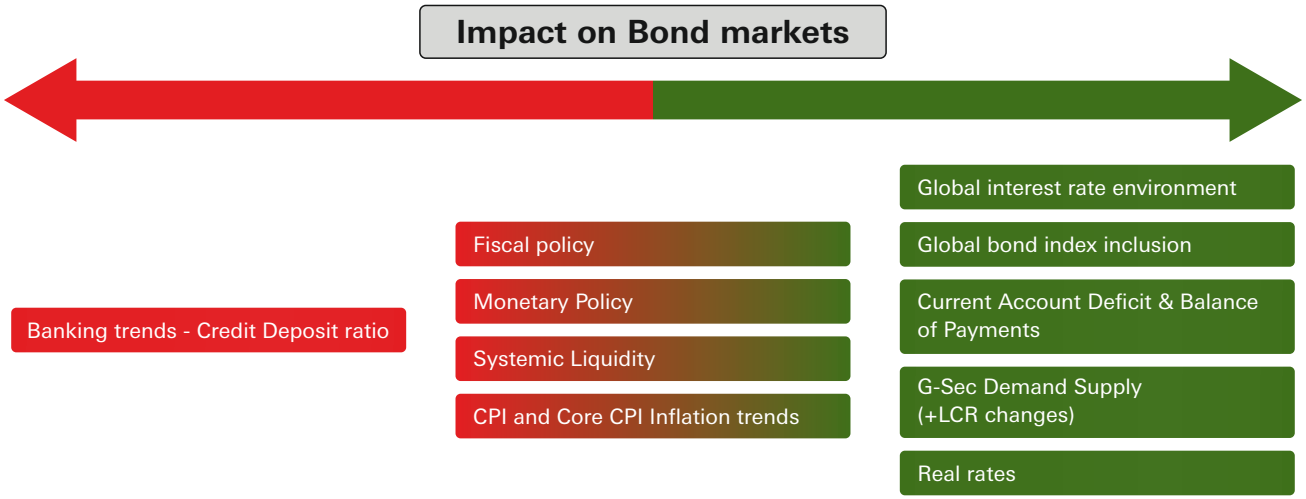
HSBC Mutual Fund

Take advantage as RBI pads up for Power Play

The US FOMC commenced its rate easing cycle by reducing policy rates by 50 bps in September 2024. The ECB also eased policy rates by cutting their deposit rates by 25 bps. With the Fed commencing its rate easing cycle by 50 bps, the RBI is unlikely to remain immune from rate actions by global Central Banks, thereby implying that the possibility of rate easing by 75-100 bps in India has meaningfully increased.

Macro economic factors aligning into place...For a fall in interest rates

- The MPC changed the policy stance from "withdrawal of accommodation" to "neutral" in the October policy, paving the way for easing of policy rates
- Government has continued on its path of fiscal consolidation with Fiscal deficit for FY2025 estimated at 4.9% (which looks imminently achievable)
- Systemic liquidity has moved to positive since end of June due to accelerated Government spending, and continues to remain positive
- Since, the J. P. Morgan index inclusion announcement, FPIs have bought ~ USD 18 bn of Indian Government Bonds (IGBs)
- Top-down assessment suggests a positive bias for interest rates



Present Market Outlook

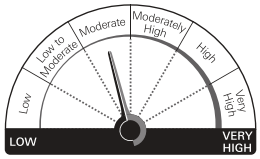
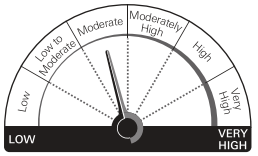
The RBI MPC meeting set the stage for commencement of a rate easing cycle in India. We assign a higher probability to a first rate cut in December, rather than in February. The December rate cut would be subject to easing in food inflation over the coming months as well as recent uptick in global commodity prices remaining under check. Over the course of the next year, we may expect the MPC to be able to cut rates by 75-100 bps. While Government bond yields have rallied by about 25-30 bps over past few months, we believe there is further space for yields to still move lower and resultantly, we maintain our positive outlook on interest rates and a long duration bias across our portfolios. We

PUBLIC

believe there is value in adding Duration to portfolios, with an investment horizon of 1 to 2 years. Additionally, 3-5 year corporate bonds have relatively underperformed through this recent move and with AAA spreads over Government securities looking favourable, we believe this segment could perform well especially in a scenario of positive banking system liquidity.

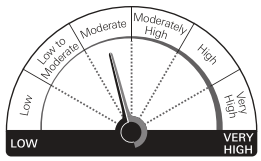
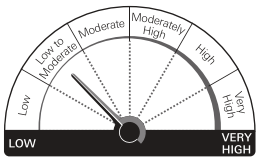
Present Fund Positioning

- **HSBC Short Duration Fund and HSBC Corporate Bond Fund** may be considered for investment with a medium-term horizon and slightly higher appetite for interest rate risk. These funds are primarily invested in the 2-6 year part of the curve. Liquidity easing and pricing of rate cuts along with implementation of revised LCR norms could result in (a) softening of yields in this segment, (b) steepening of the yield curve and (c) compression in spreads of Corporate bonds. Both these funds are appropriately positioned and may potentially benefit from these developments.
- **HSBC Banking and PSU Debt Fund** is predominantly invested in assets maturing in the 1.5-2 year segment. With liquidity easing through this quarter and expectations of rate cuts getting priced in, the fund may benefit from market expectations of softening in short end yields along with compression in spreads of Corporate bonds.
- **HSBC Gilt Fund** is primarily invested in the 10 years and 10+ years part of the curve. The duration of the fund is actively managed. With index inflows continuing in IGBs and steady growth of long only investor segment, the demand supply dynamics can remain favorable. Hence, HSBC Gilt Fund is positioned with an aim to provide an opportunity to generate alpha over medium to long term for investors looking to play the duration theme.

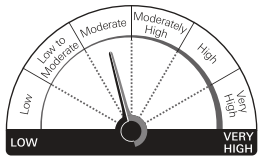
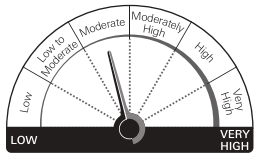
Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
HSBC Gilt Fund (An open ended debt scheme investing in government securities across maturity. A relatively high interest rate risk and relatively low credit risk.) **This product is suitable for investors who are seeking*:** • Generation of returns over medium to long term • Investment in Government Securities.	*Riskometer of the Scheme  Investors understand that their principal will be at Moderate risk	Riskometer of the Benchmark 

Potential Risk Class (HSBC Gilt Fund)			
Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	A-III		
A Scheme with Relatively High interest rate risk and Low credit risk.			

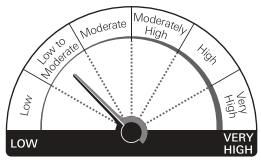
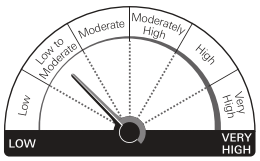
PUBLIC

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
HSBC Short Duration Fund (An open ended short term debt scheme investing in instruments such that the Macaulay Duration of the portfolio is between 1 year to 3 years (please refer to page no. 16 of SID for details on Macaulay's Duration). A Moderate interest rate risk and Relatively Low credit risk.) **This product is suitable for investors who are seeking*:** • Generation of regular returns over short term • Investment in fixed income securities of shorter term maturity.	*Riskometer of the Scheme  Investors understand that their principal will be at Moderate risk	Riskometer of the Benchmark 

Potential Risk Class (HSBC Short Duration Fund)			
Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)	A-II		
Relatively High (Class III)			
A Scheme with Relatively Moderate interest rate risk and Moderate credit risk.			

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
HSBC Corporate Bond Fund (An open ended debt scheme predominantly investing in AA+ and above rated corporate bonds. A relatively high interest rate risk and relatively low credit risk) **This product is suitable for investors who are seeking*:** • Generation of regular and stable income over medium to long term • Investment predominantly in AA+ and above rated corporate bonds and money market instruments	*Riskometer of the Scheme  Investors understand that their principal will be at Moderate risk	Riskometer of the Benchmark 

Potential Risk Class (HSBC Corporate Bond Fund)			
Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	A-III		
A Scheme with Relatively High interest rate risk and Low credit risk.			

Scheme name and Type of scheme	Scheme Risk-o-meter	Benchmark Risk-o-meter
HSBC Banking and PSU Debt Fund (An open ended debt scheme primarily investing in debt instruments of banks, public sector undertakings, public financial institutions and municipal bonds. A relatively high interest rate risk and relatively low credit risk.) **This product is suitable for investors who are seeking*:** • Generation of reasonable returns and liquidity over short term • Investment predominantly in securities issued by Banks, Public Sector Undertakings and Public Financial Institutions and municipal corporations in India	*Riskometer of the Scheme  Investors understand that their principal will be at Low to Moderate risk	Riskometer of the Benchmark 

Potential Risk Class (HSBC Corporate Bond Fund)			
Credit Risk → / Interest Rate Risk ↓	Relatively Low (Class A)	Moderate (Class B)	Relatively High (Class C)
Relatively Low (Class I)			
Moderate (Class II)			
Relatively High (Class III)	A-III		
A Scheme with Relatively High interest rate risk and Low credit risk.			

* Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Note on Risk-o-meters: Riskometer are as on 30 September 2024, Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular scheme

Potential Risk Class ('PRC') matrix indicates the maximum interest rate risk (measured by Macaulay Duration of the scheme) and maximum credit risk (measured by Credit Risk Value of the scheme) the fund manager can take in the scheme. PRC matrix classification is done in accordance with and subject to the methodology/guidelines prescribed by SEBI to help investors take informed decision based on the maximum interest rate risk and maximum credit risk the fund manager can take in the scheme, as depicted in the PRC matrix.

Abbreviations: FOMC: Federal Open Market Committee, ECB: European Central Bank, LCR: Liquidity Coverage Ratio, IGB: Indian Government Bond

Source: Bloomberg & HSBC Mutual Fund, RBI, CCIL, Data as at October 2024

Investors are requested to note that as per SEBI (Mutual Funds) Regulations, 1996 and guidelines issued thereunder, HSBC AMC, its employees and/or empaneled distributors/agents are forbidden from guaranteeing/promising/assuring/predicting any returns or future performances of the schemes of HSBC Mutual Fund. Hence please do not rely upon any such statements/commitments. If you come across any such practices, please register a complaint via email at investor.line@mutualfunds.hsbc.co.in.

Disclaimer: This document has been prepared by HSBC Asset Management (India) Private Limited (HSBC) for information purposes only and should not be construed as i) an offer or recommendation to buy or sell securities, commodities, currencies or other investments referred to herein; or ii) an offer to sell or a solicitation or an offer for purchase of any of the funds of HSBC Mutual Fund; or iii) an investment research or investment advice. It does not have regard to specific investment objectives, financial situation and the particular needs of any specific person who may receive this document. Investors should seek personal and independent advice regarding the appropriateness of investing in any of the funds, securities, other investment or investment strategies that may have been discussed or referred herein and should understand that the views regarding future prospects may or may not be realized. In no event shall HSBC Mutual Fund/HSBC Asset management (India) Private Limited and / or its affiliates or any of their directors, trustees, officers and employees be liable for any direct, indirect, special, incidental or consequential damages arising out of the use of information / opinion herein. This document is intended only for those who access it from within India and approved for distribution in Indian jurisdiction only. Distribution of this document to anyone (including investors, prospective investors or distributors) who are located outside India or foreign nationals residing in India, is strictly prohibited. Neither this document nor the units of HSBC Mutual Fund have been registered under Securities law/Regulations in any foreign jurisdiction. The distribution of this document in certain jurisdictions may be unlawful or restricted or totally prohibited and accordingly, persons who come into possession of this document are required to inform themselves about, and to observe, any such restrictions. If any person chooses to access this document from a jurisdiction other than India, then such person do so at his/her own risk and HSBC and its group companies will not be liable for any breach of local law or regulation that such person commits as a result of doing so.

Document intended for distribution in Indian jurisdiction only and not for outside India or to NRIs. HSBC MF will not be liable for any breach if accessed by anyone outside India. For more details, click here / refer website.

© Copyright. HSBC Asset Management (India) Private Limited 2024, ALL RIGHTS RESERVED.
HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra. GST - 27AABCH0007N1ZS | Website: www.assetmanagement.hsbc.co.in

Mutual Fund investments are subject to market risks, read all scheme related documents carefully.