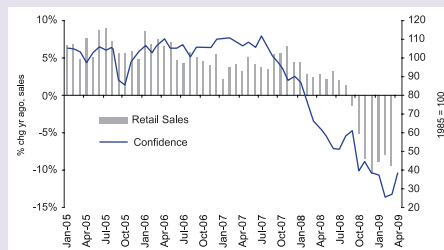


Global Investment Perspective

May 2009

The MSCI World Index surged by about 10% in April. Global equity markets rallied last month, cheered by positive earnings surprises on Wall Street, and on hopes the US economy is close to the bottom in response to Fed statements that the “economic outlook has improved modestly since March.” Europe-ex UK and emerging Asia outperformed the world index in April, with both markets rising by about 13% as some economic readings showed certain areas of these economies may be stabilising.

Overall, while there is evidence the rate of economic contraction is easing in isolated areas, most indicators are still in very negative territory and it may be too early to infer a global recovery is in place. Indeed, while confidence measures are improving in certain countries from their low point, the unemployment situation continues to deteriorate at large.



US consumer confidence rebounding... but from a low point

Source: HSBC Global Asset Management, Econoday, data as of 28 April 2009

That said, economic readings between markets and regions are showing some divergence, as in the case of emerging markets where some countries in Eastern Europe appear to display greater weakness.

Within the bonds universe, we remain negative on government bonds due to expensive valuations. We hold our positive view on investment grade corporate and high yield bonds. Not only are valuations attractive, both these asset classes are likely to benefit from extensive government fiscal stimulus, which will further enhance the lending environment for corporates. Within currencies, we maintain a moderate negative view on the GBP as quantitative easing measures adopted by the Bank of England are negative for the currency.

Disclaimer: The information in this Global Investment Perspective newsletter (“GIP newsletter”) has been obtained from reports (relevant reports) issued by HSBC Investments (HIS). Whilst every care has been taken in preparing and issuing this GIP newsletter, HSBC Bank Malaysia Berhad (the “Bank”), HIS and the HSBC Group make no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Some of the information in this document is derived from third party sources as specified at the relevant places where such information is set out. HIS believes such information to be reliable but it has not independently verified. All opinions and estimates constitute HIS’ judgment as of the date(s) of the relevant reports issued by HIS and are subject to change without notice.

The information contained in this GIP newsletter is not directed at and is not intended for the residents of the United States, Canada or Australia.

The information contained in this document has not been reviewed in the light of your personal financial circumstances. The Bank, HIS and the HSBC Group are not providing any financial or investment advice. The information is not and should not be construed as an offer or solicitation, or recommendation, to acquire or dispose of any investment and should not be considered as investment advice. Any person considering an investment should seek independent advice on the suitability or otherwise of the particular investment.

Investment involves risk, value of investment may move up or down, and may become valueless. Past performance figures shown are not indicative of future performance. The relevant product offering documents should be read for further details.

Interest rate

US Government Bonds

Risk For US Treasury Prices Skewed To The Downside

The poor performance of US Treasuries in April suggests that investors are becoming increasingly concerned about government balance sheets. Overall, the risks are skewed to the downside for US Treasury prices and we maintain our negative view.

Eurozone Government Bonds

Low Yields Make Asset Class Unattractive

Ongoing economic weakness and the near term absence of inflationary risks are supportive factors for the asset class in the short term. However, these factors are already reflected in very low yields and expectations of a low interest rate monetary policy from ECB. Therefore Eurozone bonds continue to look unappealing from a valuation perspective.

Asian Government Bonds

Spread Has Declined

Asian bonds returned 4.5% in April. The spread on bonds contracted by 100bps to 413bps while the yield on US treasuries rose during the month. We see some further room for spreads to narrow, but given the decline that has already occurred, the scope for major contraction is limited.

Investment Grade Corporate Bonds

Credit Spreads More Than Compensating For Risk Of Credit Deterioration

The high grade sector will experience credit deterioration over the next year given the severe economic downturn. However, we believe that credit spreads are more than compensating for this outlook, on an absolute basis, and relative to other asset classes. Technical factors also remain supportive, with a continued trend of rising issuance being well received by investors.

High Yield Bonds

Valuations Remain Attractive And Defaults Unlikely To Reach Extreme Levels Implied In Current Prices

Although the market has rallied, valuations remain attractive and defaults are unlikely to reach the very high proportions implied in the current spread levels. Furthermore, corporate debt is well placed to benefit from the aggressive policy responses aimed at kick starting lending and improving liquidity.

USD-denominated Emerging Market Debt

Appealing Valuations, But Less So Than Global High Yield

Valuations continue to be attractive for this asset class, although less so than for global high yield and global corporate bonds. Therefore, we maintain a moderately negative stance on emerging-market debt relative to other risky fixed-income asset classes such as global high yield.

Currency

USD

Risks Between Markets Are Balanced With No Clear Winners

With interest rates close to zero in all the key currency areas, yields differentials should play less of a role in determining currency movements. The outlook for all the major currency areas is similar and dominated by significant uncertainty. Overall, we maintain our neutral stance.

EUR

Currency Likely To Experience Extreme Volatility But No Clear Trend

The currency appears to be at either fair value or marginally overvalued depending on the type of valuation measure. Valuation at broadly fair value is unlikely to be a driver in currency movements. Overall, the EUR/USD rate is likely to experience significant volatility, but no clear trend.

GBP

Maintain Negative View As Economic Conditions Remain Weak

The GBP has a weaker profile than the EUR as interest rates in the Eurozone are higher and restrictions make it difficult to implement quantitative easing. While the growth picture is at risk across Europe, the UK's growth prospects are particularly worrying. Overall, we maintain a moderately negative view on the GBP.

JPY

Likely To Remain Highly Volatile and Directionless

With Japan's GDP still expected to contract by more than 6% in 2009, this should provide little support to the currency. And with interest rates near zero worldwide, monetary policy is less likely to be a driver for currency movements. Overall, currency movements are likely to be volatile and directionless.

CAD

Supported By Improvement In Financial Markets

The CAD continued its 2009 recovery, with a sharp appreciation in April, as further improvement in financial markets lent support to non-USD currencies. However we caution that the currency's near-term direction is likely to be driven by the performance of global equity markets.

AUD & NZD

Further Rate Reductions Are Expected

While the currencies have rallied over the past 2 months on the back of an improvement in commodity prices, we believe it is too early to strategically re-enter positions in either the AUD or NZD. The global economic picture remains negative for commodity prices, and the direction of domestic house prices in both economies remains down. We expect further rate reductions in both economies.

Market / Commodity

US

Too Little And Too Early To Infer The Economy Is Turning The Corner

It is too little and too early to infer that the economy is at a turning point. That said, despite the recent rally, valuations continue to be attractive relative to history, although threat of the swine flu represents further downside risk. All told, we maintain our defensive positioning.

Europe

The Effectiveness Of Policy Measures Remains A Question Mark

Although markets are still cheap following the recent rally, the risk of a swine flu pandemic represents further concern. Also, how effective stimulus measures are remains a question and the economy is still weak with continued uncertainty. Thus, we reinforce our defensive message of favouring cash for now.

Japan

Macro Picture Remains Bleak With Further Risk To The Downside

Valuations for Japanese stocks still look attractive relative to history following the recent market rally, but threat of the swine flu represents further downside risk. Also, the weak outlook for profits and growth continues to translate into high uncertainty. As such, we maintain our preference for cash over Japanese equities.

Asia ex-Japan

Expect More Divergence In Economic Performance Within The Region

Further improvements in China suggested government support may have started to filter through. However, poor export data continues to translate into uncertainty over the region and whether growth targets for 2009 will be achievable. With no clear signs of sustainable improvement we maintain our defensive position but expect more divergence in economic performance within the region.

Emerging Markets

Data Suggests A Divergence Of Economic Performance

Unemployment is worsening across the region. However, we are starting to see divergence in economic performance among countries and regions. Valuations remain attractive but given the weak economic picture overall and risk from the swine flu, we reiterate our cautious view of equities.

Hong Kong & China

Signs Of Recovery Seen Emerging

Hong Kong and China markets continued their rally in April, supported by ample liquidity, increasing signs of an earlier-than-expected economic recovery in China and the US. China's official PMI rose to 53.5 in April from 52.4 in March, stronger than the market expectation. Both markets are expected to recover by the strongest among global markets as their fundamental conditions are more solid than in other markets.

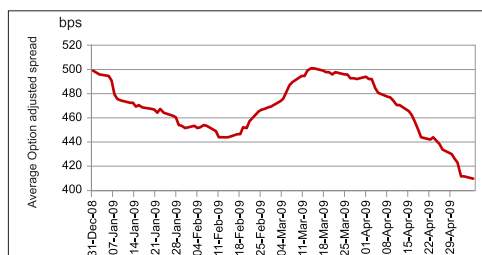
Oil

Oil Price's Supply Side Support Contained By Unease Over Global Growth

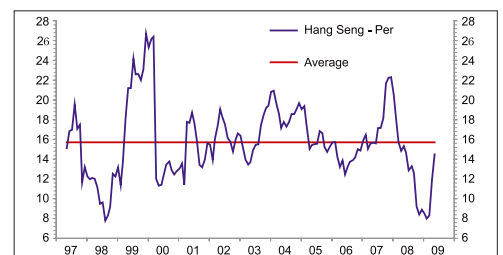
Planned OPEC supply reductions, investors' risk appetite and the potential for US dollar weakness are proving supportive for the oil price. These factors are, however, mollified by continued worries about the health of the global economy combined with the significant inventory overhang in the US (to levels the highest since 1990) and reduced daily usage. This should hold the oil price within a \$40 – 60 range for the rest of the year.

1 Global Investment Grade Corporate Spread

2 HK Market Valuation Is Close To Long-term Average



1



2

Source: HSBC Global Asset Management, Thomson Datastream, Bloomberg, Barclays