

# HSBC Liquidity Fund Australian Dollar

## HSBC Global Liquidity Funds plc

November 2021

### For professional and institutional clients only

The Reserve Bank of Australia (RBA) kept its cash rate and 3-year yield target on the Apr-24 bond on hold at 0.10% at its 5Oct meeting, as expected. On Quantitative Easing, the RBA continues to purchase government securities at the rate of AUD 4bn a week until at least mid-February 2022.

The RBA noted that the Delta outbreak and restrictions should see Gross Domestic Product 'decline materially' in 3Q21 before a bounce-back in 4Q. However, uncertainty remains around the timing of easing restrictions, and therefore, the bounce back. The RBA's central scenario still has GDP 'back around its pre-Delta path in 2H 2022'. The RBA continues to expect that its cash rate will not be lifted until 2024 at the earliest.

The RBA has its Statement of Monetary Policy on 2 Nov and the market will be looking for an update to the inflation forecast to see if it is expected to move higher in 2022 and 2023. If so, it could decide to bring forward its rate hike guidance to 2H2023 from early 2024 and also take a decision on whether to continue with its yield curve targeting on the Apr-24 bond.

Fixed rate credit spreads are flat to last month and haven't yet reacted to the marginal move up in short rates such as BBSW and ACTBs. In the primary, other than for a few banks which were offered at a positive spread to ACTBs, the rest are trading thru ACTB levels. Flush liquidity persists.

With the cash rate floored at 0.10%, o/n rates still near zero, BBSW rates off the bottom and having a positively sloped curve, ACTBs now in positive territory and with most issuers likely to reset their rates higher given the move in BBSW, we have downshifted to target a WAM at the low to mid end of the 35-45day range. FRNs continue to look attractive, given the move up in BBSW. We would look to add credit selectively, either fixed rate if compensated adequately or through FRNs to gain the tenor spread, where attractive and to meet our diversification and liquidity ladder requirements. This would be a combination of Banks, Supras, Agencies and State Governments. We maintain our liquidity through overnight / 1W deposits and ACTBs/ACGBs.

This commentary provides a high level overview of the recent economic environment, and is for information purposes only. It is a marketing communication and does not constitute investment advice or a recommendation to any reader of this content to buy or sell investments nor should it be regarded as investment research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of its dissemination.

## Contact details

For a copy of the prospectus, key investor information document, supplementary information document, annual and semi-annual reports, information on portfolio holdings or other matters, please contact your local HSBC Group office, contact our team of liquidity specialists in your region:

### Americas

T: +1 (1) 212 525 5750

E: [amus.client.services@us.hsbc.com](mailto:amus.client.services@us.hsbc.com)

### EMEA

T: +44 (0) 20 7991 0406

E: [liquidity.emea@hsbc.com](mailto:liquidity.emea@hsbc.com)

### France

T: +33 1 58 13 15 26

E: [hsbc.client.services-am@hsbc.fr](mailto:hsbc.client.services-am@hsbc.fr)

### Germany

T: +49 (0)211 910 4784

E: [investorservices@hsbc.de](mailto:investorservices@hsbc.de)

### Asia

T: +852 2284 1376

E: [liquidity.asia@hsbc.com](mailto:liquidity.asia@hsbc.com)

### Japan

T: +813 3548 5634

E: [global.liquidity.japan@hsbc.co.jp](mailto:global.liquidity.japan@hsbc.co.jp)

### Switzerland

T: +41 44 206 2600

E: [swiss.investorservices@hsbc.com](mailto:swiss.investorservices@hsbc.com)

### UK Corporates

T: +44 (0) 20 7991 7153

E: [liquidity.uk.corporate@hsbc.com](mailto:liquidity.uk.corporate@hsbc.com)

### UK Financial Institutions

T: + 44 (0) 7796 693 275

E: [liquidity.uk.fig@hsbc.com](mailto:liquidity.uk.fig@hsbc.com)

## Please refer to the key risks and important information section

For more information on our capabilities go to:

<https://www.assetmanagement.hsbc.co.uk/en/institutional-investor/investment-expertise/liquidity>

# Key risks

The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested.

- ◆ **Counterparty risk.** The possibility that the counterparty to a transaction may be unwilling or unable to meet its obligations
- ◆ **Credit risk.** A bond or money market security could lose value if the issuer's financial health deteriorates
- ◆ **Derivatives risk.** Derivatives can behave unexpectedly. The pricing and volatility of many derivatives may diverge from strictly reflecting the pricing or volatility of their underlying reference(s), instrument or asset
- ◆ **Exchange rate risk.** Changes in currency exchange rates could reduce or increase investment gains or investment losses, in some cases significantly
- ◆ **Investment leverage risk.** Investment leverage occurs when the economic exposure is greater than the amount invested, such as when derivatives are used. A Fund that employs leverage may experience greater gains and/or losses due to the amplification effect from a movement in the price of the reference source
- ◆ **Liquidity risk.** Liquidity risk is the risk that a Fund may encounter difficulties meeting its obligations in respect of financial liabilities that are settled by delivering cash or other financial assets, thereby compromising existing or remaining investors
- ◆ **Money Market Fund risk.** The Fund's objective may not be achieved in adverse market conditions. During times of very low interest rates, the interest received by the Fund could be less than the costs of operating the Fund
- ◆ **Operational risk.** Operational risks may subject the Fund to errors affecting transactions, valuation, accounting, and financial reporting, among other things

# Important information

**For Professional Clients only and should not be distributed to or relied upon by Retail Clients.**

The material contained herein is for information only and does not constitute legal, tax or investment advice or a recommendation to any reader of this material to buy or sell investments. You must not, therefore, rely on the content of this document when making any investment decisions. This document is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe to any investment.

The contents are confidential and may not be reproduced or further distributed to any person or entity, whether in whole or in part, for any purpose. This presentation is intended for discussion only and shall not be capable of creating any contractual or other legal obligations on the part of HSBC Global Asset Management (UK) Limited or any other HSBC Group company. The presentation is based on information obtained from sources believed to be reliable but which have not been independently verified. HSBC Global Asset Management (UK) Limited and HSBC Group accept no responsibility as to its accuracy or completeness. Care has been taken to ensure the accuracy of this presentation but HSBC Global Asset Management (UK) Limited accepts no responsibility for any errors or omissions contained therein. This presentation and any issues or disputes arising out of or in connection with it (whether such disputes are contractual or non-contractual in nature, such as claims in tort, for breach of statute or regulation or otherwise) shall be governed by and construed in accordance with English law.

# Important information

The funds mentioned in this document are sub-fund of HSBC Global Liquidity Funds plc, an open-ended Investment company with variable capital and segregated liability between sub-funds, which is incorporated under the laws of Ireland and authorised by the Central Bank of Ireland. The company is constituted as an umbrella fund, with segregated liability between sub-funds. UK based investors in HSBC Global Liquidity Funds plc are advised that they may not be afforded some of the protections conveyed by the provisions of the Financial Services and Markets Act 2000. The Company is recognised in the United Kingdom by the Financial Conduct Authority under section 264 of the Act. The shares in HSBC Global Liquidity Funds plc have not been and will not be publicly offered for sale in the United States of America, its territories or possessions and all areas subject to its jurisdiction, or to United States Persons. All applications are made on the basis of the current HSBC Global Liquidity Funds plc Prospectus, Key Investor Information Document, Supplementary Information Document (SID) and most recent annual and semi-annual reports, which can be obtained upon request free of charge from HSBC Global Asset Management (UK) Limited, 8 Canada Square, Canary Wharf, London, E14 5HQ. UK, or the local distributors. **Investors and potential investors should read and note the risk warnings in the prospectus and relevant KIID and additionally, in the case of retail clients, the information contained in the supporting SID. It is important to remember that there is no guarantee that a stable net asset value will be maintained.**

HSBC Global Liquidity Funds are Money Market Fund (MMF) and therefore:

- (a) the fund is not a guaranteed investment;
- (b) the fund is different from an investment in deposits and there is a risk that the principal invested in an MMF may fluctuate;
- (c) the fund does not rely on external support for guaranteeing the liquidity of the MMF or stabilising the NAV per unit or share;
- (d) the risk of loss of the principal is borne by the investor.

**The MMF have availed of the derogation provided for under Article 17(7) of the Money Market Fund Regulation and accordingly a Fund may, in accordance with the principle of risk-spreading, invest up to 100% of its assets in different money market instruments issued or guaranteed separately or jointly by the European Union, the national, regional and local administrations or their central banks, the European Central Bank, the European Investment Bank, the European Investment Fund, the European Stability Mechanism, the European Financial Stability Facility, a central authority or central bank of a third country, the International Monetary Fund, the International Bank for Reconstruction and Development, the Council of Europe Development Bank, the European Bank for Reconstruction and Development, the Bank for International Settlements, or any other relevant international financial institution or organisation to which one or more member states of the European Union belong.**

The value of investments and any income from them can go down as well as up and investors may not get back the amount originally invested. Where overseas investments are held the rate of currency exchange may also cause the value of such investments to fluctuate. Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in some established markets. Stock market investments should be viewed as a medium to long term investment and should be held for at least five years. Any performance information shown refers to the past and should not be seen as an indication of future returns.

To help improve our service and in the interests of security we may record and/or monitor your communication with us. HSBC Global Asset Management (UK) Limited provides information to Institutions, Professional Advisers and their clients on the investment products and services of the HSBC Group. Approved for issue in the UK by HSBC Global Asset Management (UK) Limited, who are authorised and regulated by the Financial Conduct Authority. HSBC Asset Management is the brand name for the asset management business of HSBC Group, which includes the investment activities provided through our local regulated entity, HSBC Global Asset Management (UK) Limited.

[www.assetmanagement.hsbc.com/uk](http://www.assetmanagement.hsbc.com/uk)

Copyright © HSBC Global Asset Management (UK) Limited 2021. All rights reserved.  
I-1385. Expiry 30/04/2022