

# Equity Insight

## The Big Chill

- ▶ **Freezing profits will keep volatility high for a while yet**
- ▶ **Non-financial earnings are now falling quickly**
- ▶ **Depression-type falls are possible – without the Depression**

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## Disclaimer & Disclosures

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it

Our global cyclical indicator rose in January for the first time since August, but only a little and from a very low base. Inventories – think cars – pose a big threat in H1, and the hugely important US economy may shrink as quickly in Q1 as it did in Q4. Against this backdrop, we take a quick look at the results season to date, and at some of the earnings risks in 2009.

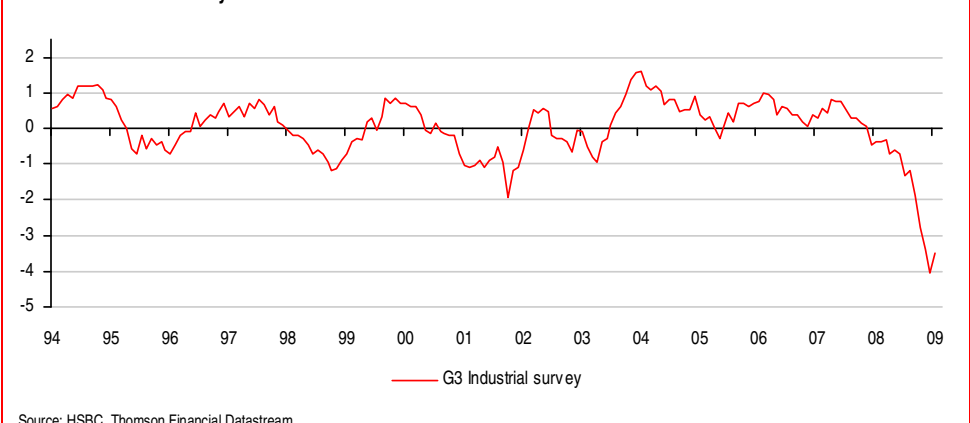
We estimate that the blended total of reported and estimated US results for Q4 stands at -40%. Financials are still faring worst, but non-financial earnings are now down 19% also.

How much further could earnings fall? A long way, is the short answer. Our own top-down estimates for 2009 have been relatively low, but the outturn could easily turn out worse. The bulk of the decline in earnings to date has come from financials, which leaves the non-financial sector's downturn still to come.

We suggest plausible orders of magnitude for several macro risks, including a substantial inventory write-down. Combined with a sprinkling of "typical" company-specific shockers, total earnings could easily fall by as much as 70% from their peak – a near-Depression outcome, but without the Depression itself.

We do not expect these risks to materialise, and are encouraged at the market's resilience during the results season to date: we still see markets rallying during 2009. But investors' awareness of them will help keep volatility high for a while yet.

'Global' industrial survey: standard deviations from trend



## US reporting season update

At the mid-point in the US Q4 results season the main message is that the corporate earnings newsflow continues to be dire (refer to the table on the following page for the results).

Our analysis shows that through Tuesday, 3 February, 255 S&P 500 companies had reported their Q4 results (equal to 69% of market cap). Our estimate of the blended growth rate – made up of actual results for the companies that have reported and estimates for those that haven't – is -40%. By excluding Financials the fall is limited to 19%, but this is still pretty poor.

Of the ten GICs sectors, we find only three with a positive growth rate: Health Care (+9%), Utilities (+2%) and Consumer Staples (+2%).

In terms of the major drags on the broader market earnings, Financials with a growth rate of -674% cause the bulk of the damage with Consumer Discretionary (-76%) having the second biggest negative impact.

The Financials sector has swung from a small profit of USD5bn a year ago to an (estimated) huge loss of USD30bn. This equates to a negative contribution of USD35bn (or 21 percentage points) to the aggregate earnings growth estimate. Furthermore, from the table we can see that most Financials are still missing forecasts – of the 47 that have reported, 74% have reported earnings below expectations.

As for Consumer discretionary, this is really an Autos story given that it accounts for USD8bn of the USD11bn negative sector contribution to the aggregate earnings growth estimate. Note that elsewhere in the Consumer Discretionary sector we find the Consumer Durables & Apparel industry is actually making a positive contribution, not because it is forecast to make a profit but because the loss is expected to be lower than the comparable quarter a year ago.

### Biggest Q4 earnings misses dominated by Financials

	Earnings (USDbn)			
	Q4 08	Q4 07	Change	Miss
REGIONS FINL.NEW	-6.2	0.2	-6.4	-6.2
CITIGROUP	-13.3	-9.9	-3.4	-6.2
WELLS FARGO & CO	-2.6	1.4	-4.0	-3.7
BANK OF AMERICA	-2.4	0.2	-2.6	-2.8
FIFTH THIRD	-2.2	0.0	-2.2	-2.2
BANCORP				
MORGAN STANLEY	-2.5	-3.8	1.3	-2.1
CAPITAL ONE FINL.	-1.5	0.3	-1.7	-1.6
LEGG MASON	-1.5	0.1	-1.6	-0.9
BOEING	-0.1	1.0	-1.1	-0.6
KEYCORP	-0.6	0.0	-0.6	-0.5

Source: HSBC, Thomson Reuters, I/B/E/S

For the market ex-Financials we find that the results have not been too bad relative to analysts' expectations with 64% of companies beating and 27% missing – on average 60% beat and 20% miss.

Nevertheless, this is only a small crumb of comfort in what can only be described as a pretty awful reporting season. As a reminder we have been expecting earnings (and economic) disappointments to act as a strong headwind for the market as we moved into the season.

What is perhaps most interesting, though, has been the general resilience of most key indices during the period, in particular if we exclude the noise created by the ongoing financial crises. And there do appear to have been some tentative signs that the market is starting to roll with the economic/earnings punches over the last few months.

This may indicate that the economic and associated earnings gloom is to a large degree in the price and that the market is looking forward to at least a slowdown in the rate of decline as we move through 2009.

The strong tailwinds resulting from the huge monetary and fiscal stimulus packages already announced, a sharply lower oil price and policy interest rates falling to close to zero in many of the key regions may all help to support stock prices as we move into Q2...

US reporting season analysis: Q4 (universe = S&P 500, priced at 3 February 2009)

	Mkt cap USDbn	No. of stocks	% of sector that has reported by # stocks Mkt cap		Actuals (reported)			Estimates (yet to report)			Blended (actuals and estimates)			Surprise			Perf QTD	
					Earnings USDbn	EPS USD	YoY	Earnings USDbn	EPS USD	YoY	Earnings USDbn	EPS USD	YoY	Above %	below %	EPS %	Abs %	Rel %
<b>Energy</b>	<b>1,030</b>	<b>39</b>	<b>44</b>	<b>80</b>	<b>19.8</b>	<b>1.30</b>	<b>-24</b>	<b>5.4</b>	<b>0.75</b>	<b>-14</b>	<b>25.2</b>	<b>1.12</b>	<b>-23</b>	<b>76</b>	<b>24</b>	<b>9</b>	<b>-2</b>	<b>5</b>
<b>Materials</b>	<b>223</b>	<b>29</b>	<b>66</b>	<b>71</b>	<b>1.2</b>	<b>0.22</b>	<b>-70</b>	<b>0.6</b>	<b>0.23</b>	<b>-67</b>	<b>1.8</b>	<b>0.22</b>	<b>-69</b>	<b>68</b>	<b>26</b>	<b>58</b>	<b>-7</b>	<b>0</b>
<b>Industrials</b>	<b>743</b>	<b>59</b>	<b>61</b>	<b>73</b>	<b>13.9</b>	<b>0.65</b>	<b>-26</b>	<b>4.0</b>	<b>0.64</b>	<b>-16</b>	<b>17.9</b>	<b>0.65</b>	<b>-24</b>	<b>69</b>	<b>25</b>	<b>-4</b>	<b>-13</b>	<b>-6</b>
Capital Goods	548	37	65	78	10.9	0.61	-33	2.5	0.68	-15	13.4	0.62	-30	67	29	-5	-13	-6
Commercial Servs & Supplies	55	12	42	24	0.3	0.54	-24	0.8	0.48	-9	1.1	0.50	-14	80	20	6	-9	-2
Transportation	141	10	70	72	2.7	0.96	16	0.7	0.75	-21	3.4	0.91	5	71	14	3	-14	-8
<b>Consumer Discretionary</b>	<b>587</b>	<b>79</b>	<b>43</b>	<b>47</b>	<b>0.6</b>	<b>0.05</b>	<b>-85</b>	<b>2.6</b>	<b>0.12</b>	<b>-72</b>	<b>3.2</b>	<b>0.09</b>	<b>-76</b>	<b>65</b>	<b>32</b>	<b>-58</b>	<b>-9</b>	<b>-1</b>
Automobiles & Components	17	5	60	84	-3.2	-1.01	-999	-4.7	-5.51	-999	-7.9	-1.97	-999	0	100	-11	-22	-16
Consumer Durables & Appl	65	21	52	67	-0.2	-0.06	74	-0.2	-0.17	83	-0.3	-0.10	80	45	45	-127	-15	-8
Hotels, Rests & Leisure	131	12	67	89	2.0	0.53	2	0.3	0.31	-27	2.3	0.49	-4	75	25	7	-7	0
Media	163	14	36	29	1.2	0.48	-28	3.1	0.30	-12	4.4	0.33	-17	80	20	-6	-10	-4
Retailing	211	27	26	25	0.7	0.46	-17	4.0	0.46	-36	4.7	0.46	-34	100	0	19	-4	3
<b>Consumer Staples</b>	<b>945</b>	<b>40</b>	<b>38</b>	<b>39</b>	<b>8.6</b>	<b>0.85</b>	<b>6</b>	<b>12.8</b>	<b>0.69</b>	<b>-1</b>	<b>21.4</b>	<b>0.75</b>	<b>2</b>	<b>60</b>	<b>27</b>	<b>0</b>	<b>-6</b>	<b>1</b>
Food & Staples Retailing	244	9	44	27	1.1	0.47	-4	5.6	0.85	1	6.6	0.75	0	75	25	-2	-8	-1
Food Beverage & Tobacco	469	25	28	17	1.7	0.46	-44	7.1	0.60	2	8.7	0.57	-13	71	14	4	-3	5
Household & Person Prod	232	6	67	96	5.9	1.36	48	0.2	0.66	-24	6.0	1.32	44	25	50	-0	-11	-4
<b>Health Care</b>	<b>1,188</b>	<b>54</b>	<b>56</b>	<b>82</b>	<b>21.1</b>	<b>0.73</b>	<b>10</b>	<b>4.3</b>	<b>0.64</b>	<b>2</b>	<b>25.3</b>	<b>0.71</b>	<b>9</b>	<b>70</b>	<b>10</b>	<b>5</b>	<b>2</b>	<b>10</b>
Health Care Equip & Servs	367	30	53	63	4.4	0.67	-7	2.8	0.63	0	7.2	0.65	-5	63	6	-4	8	16
Pharmaceuticals & Biotech	821	24	58	90	16.6	0.75	16	1.5	0.67	5	18.1	0.74	15	79	14	7	-0	7
<b>Financials</b>	<b>730</b>	<b>80</b>	<b>59</b>	<b>80</b>	<b>-30.8</b>	<b>-0.82</b>	<b>-999</b>	<b>1.2</b>	<b>0.11</b>	<b>-49</b>	<b>-29.6</b>	<b>-0.62</b>	<b>-674</b>	<b>26</b>	<b>74</b>	<b>-999</b>	<b>-28</b>	<b>-23</b>
Banks	151	16	94	92	-12.6	-1.29	-542	0.3	0.75	-30	-12.4	-1.22	-483	7	93	-725	-40	-35
Diversified Financials	349	28	82	96	-21.2	-0.90	-337	0.5	0.51	-25	-20.7	-0.85	-391	30	70	-230	-26	-21
Insurance	163	21	33	59	3.0	0.81	-28	0.0	0.00	-86	3.0	0.30	-34	57	43	-4	-22	-16
Real Estate	66	15	13	22	0.1	0.18	-71	0.4	0.15	-65	0.4	0.15	-66	0	100	-76	-19	-13
<b>Information Technology</b>	<b>1,226</b>	<b>75</b>	<b>61</b>	<b>74</b>	<b>18.0</b>	<b>0.40</b>	<b>-19</b>	<b>6.2</b>	<b>0.35</b>	<b>-20</b>	<b>24.2</b>	<b>0.38</b>	<b>-19</b>	<b>52</b>	<b>35</b>	<b>1</b>	<b>0</b>	<b>8</b>
Software & Services	486	30	53	86	9.8	0.47	1	1.2	0.38	-7	11.1	0.46	0	63	25	-0	-1	7
Tech Hardware & Equip	576	27	59	61	8.0	0.60	-11	4.9	0.41	-13	12.9	0.51	-11	50	38	5	2	10
Semiconductors & Equip	165	18	78	85	0.1	0.01	-97	0.0	0.00	-100	0.1	0.01	-97	43	43	-57	-2	5
<b>Telecommunication Servs</b>	<b>278</b>	<b>8</b>	<b>25</b>	<b>90</b>	<b>5.5</b>	<b>0.63</b>	<b>-7</b>	<b>0.5</b>	<b>0.09</b>	<b>-60</b>	<b>6.0</b>	<b>0.42</b>	<b>-16</b>	<b>0</b>	<b>50</b>	<b>-1</b>	<b>-8</b>	<b>-0</b>
<b>Utilities</b>	<b>332</b>	<b>34</b>	<b>26</b>	<b>47</b>	<b>2.5</b>	<b>0.65</b>	<b>9</b>	<b>3.4</b>	<b>0.46</b>	<b>-3</b>	<b>5.9</b>	<b>0.52</b>	<b>2</b>	<b>67</b>	<b>33</b>	<b>2</b>	<b>1</b>	<b>8</b>
<b>S&amp;P 500</b>	<b>7,283</b>	<b>497</b>	<b>51</b>	<b>69</b>	<b>60.4</b>	<b>0.32</b>	<b>-47</b>	<b>40.9</b>	<b>0.39</b>	<b>-23</b>	<b>101.2</b>	<b>0.34</b>	<b>-40</b>	<b>57</b>	<b>36</b>	<b>-32</b>	<b>-7</b>	
<b>S&amp;P ex-Financials</b>	<b>6,553</b>	<b>417</b>	<b>50</b>	<b>68</b>	<b>91.1</b>	<b>0.60</b>	<b>-18</b>	<b>39.7</b>	<b>0.42</b>	<b>-22</b>	<b>130.9</b>	<b>0.53</b>	<b>-19</b>	<b>64</b>	<b>27</b>	<b>2</b>		

Note: if the fall is more than 1000% then we have limited it to -999 in the table  
Source: HSBC, Thomson Reuters, I/B/E/S

## How far could earnings fall?

How far could earnings fall? A long way, is the short answer. In this note we suggest that several specified shocks could cut our relatively conservative forecasts for US and European earnings in 2009 sharply further. We can envisage peak-to-trough declines of the order of 70%, without a second Great Depression. Clearly, if such a Depression were to materialise – which we do *not* think likely – the quoted sector could easily move into loss, and investors will want to be aware of this possibility.

Our top-down working assumption has been that earnings at the “IBES” level – cleaned of many exceptional items – likely fell in 2008 by 20% on both sides of the Atlantic, and that they may fall by a further 25% in 2009. This has given us peak-to-trough declines, on a calendarised basis, of 44% in the US and 40% in Europe (calendar-year earnings actually peaked in the US in 2006).

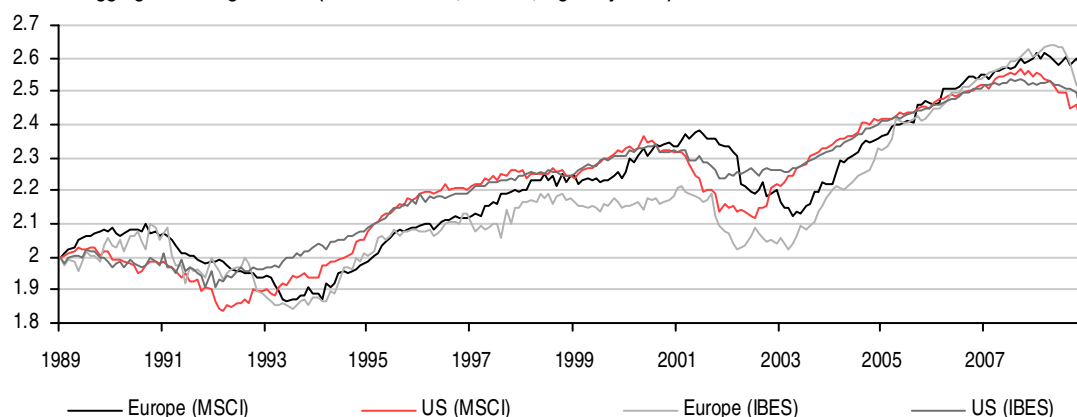
These figures have been relatively low. Even now, with the bottom-up consensus falling quickly, we are still roughly 30% and 25% below the level of 2009 earnings implied by the analysts’ bottom-up consensus for the US and Europe respectively. And while a top-down consensus is more difficult to obtain, our sighting shot of \$50 of S&P operating earnings in 2009 for the US – consistent with the falls noted above – seems to be below most Street estimates that we see quoted.

We arrived at our top-down assumptions by looking at the declines in various measures of US and European earnings in the last two profit recessions – in the early 1990s and after the TMT bust – and assuming that, in very round numbers, and on a calendarised basis, something similar to the average decline then might occur now. This may seem frustratingly imprecise, but statistical models of profits are of little help now (just as in 2001-02), partly because asset write-downs are playing a large role (as then).

(Ambiguity also surrounds the choice of earnings series used. Historically, the trailing earnings data compiled by (for example) MSCI, S&P and IBES can all tell different stories, depending on the extent to which the data are cleaned of erratic items. In the case of Datastream earnings, loss-making companies are excluded altogether – which is why we try not to use those series as often. Traditionally, trailing IBES earnings for the US have been the least volatile, while S&P as-reported earnings have been the noisiest. Comparing like with like, in the last two earnings recessions, the peaks and troughs in MSCI earnings data for Europe visibly lagged those for the US, by around a year, but in the current downturn this lag has largely disappeared.)

In the current cycle the corporate data has led the economic data – the declines we are assuming are larger than would have been suggested by our

Selected aggregate earnings indices (local currencies, indexed, logs -20y = 100)



Source: HSBC, Thomson Financial Datastream

economists' forecasts to date, if the "average" 13x gearing to falling GDP seen in previous post-war recessions is anything to go by. This doesn't mean that bad economic news from here won't matter – see below – it's just that the drivers of the downturn in earnings to date have not been narrowly economic in nature.

Indeed, if anything, we think our assumptions may not be low enough. As we note above, the fourth-quarter results from the US are proving grim, largely – but no longer completely – because of further massive financial sector shortfalls. The level of US earnings in 2008 may have fallen by more than the 20% we've assumed.

In the table on page 7 we illustrate several "macro" risks. Using stylised aggregate accounts (first published in *"Prospects and Themes for 2009"*, 4 December) we can obtain plausible estimates of the order of magnitude of the impact these might have on US and European bottom lines.

The starting point is the aggregate total of earnings for MSCI indices for the US and Europe, on an "IBES" basis – that is, we use bottom-up data for the stocks that enter these indices, with individual earnings as reported by IBES. These data exclude many of the charges that enter S&P as-reported earnings in the US, for example (though see later comments below). The totals are presented on a calendarised basis: we start with the peak year (which was 2006 in the US) and then show estimates for 2009, both bottom-up and our top-down guidance.

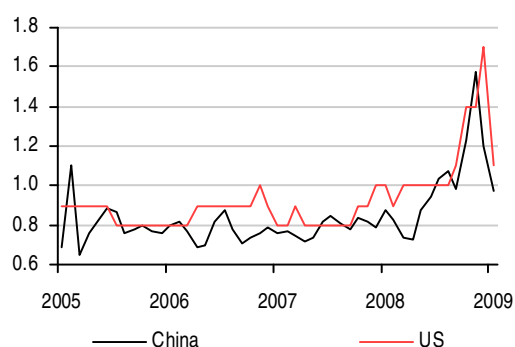
- ▶ One obvious risk in the current deflationary climate is of a significant shortfall in operating margins in the non-financial sector. With post-tax profit equivalent to just 10% and 9% of revenue in the US and Europe in 2007, a 1% cut in the top line might translate, after tax, into a 6% and 7% hit to net income (this assumes that 2007's ratios still apply to the lowered level of

#### Inventories/sales ratios: S&P non-financials, 2007

Aerospace & Defense	16%
Automobiles & Parts	11%
Beverages	14%
Chemicals	13%
Construct. & Material	12%
E/tronic & E/cal Equ.	12%
Electricity	6%
Fixed Line Telecom.	1%
Food & Drug Retailers	8%
Food Producers	12%
Forestry & Paper	9%
Gas, Water & Mul Util	8%
General Industrials	11%
General Retailers	15%
Healthcare Equip.Svs.	10%
Hhold Gds & Home Con.	33%
Ind. Engineering	13%
Ind. Metals & Mining	17%
Industrial Transport	2%
Leisure Goods	8%
Media	3%
Mining	8%
Mobile Telecom.	2%
Oil & Gas Producers	3%
Oil Equip. & Services	13%
Personal Goods	12%
Pharm. & Biotech	14%
Software & Comp. Svs.	1%
Support Services	8%
Tech Hware & Equipmnt	9%
Tobacco	21%
Travel & Leisure	4%
<b>Total</b>	<b>11%</b>

Source: HSBC, Thomson Financial Datastream

#### Purchasing managers' indices: inventories/new orders



Source: HSBC, Thomson Financial Datastream

earnings likely in 2009 – a 2008-based update would be better, but full-year data are of course only patchily available).

- ▶ With the global economy in the middle of the largest and most dramatic inventory cycle that we can remember seeing – which is not quite

Intangible assets by sector: S&P 500 and MSCI Europe, 2007

Sector	US total (USDbn)	Intangibles/net income	EU total (USDbn)	Intangibles/net income
Basic Materials	43	2.0	172	2.0
Consumer Goods	308	4.5	471	3.4
Consumer Services	443	5.8	397	6.1
Financials	473	3.6	712	2.0
Healthcare	248	3.7	212	4.3
Industrials	346	4.1	522	4.0
Oil & Gas	77	1.1	77	0.5
Technology	167	1.9	58	2.1
Telecommunications	202	8.8	431	8.1
Utilities	44	1.8	221	3.3
<b>Grand Total</b>	<b>2,350</b>	<b>3.6</b>	<b>3,273</b>	<b>2.9</b>

Source: HSBC, Thomson Financial Datastream

as bearish as it sounds, as we noted in “Destocking and deleveraging”, 14 January 2009, but let’s set that aside for a moment – another obvious macro risk is that posed by drastic clearance sales by manufacturers, wholesalers and retailers. We estimate that in 2007, again the last full year for which we have data, inventories of finished goods and work in progress were equivalent to roughly 11% of non-financial companies’ revenue in the US (we assume a similar ratio in Europe). If the price reduction needed to reduce stocks to acceptable levels results in an implicit charge equivalent to (say) one-third of the value of inventories, then – using the stylised P&Ls again – the impact on after-tax profits might be further reductions of 20% and 21% in the US and Europe.

- A third obvious risk is that posed by higher financing costs. This one is less daunting than it sounds (arguably the real threat posed by the credit crunch is not one of cost but of quantity – the risk being that working capital shrinks and the scale of operations has to be reduced accordingly). If we make the (surely conservative) assumption that all debt has to be refinanced in 2009, and if we use the average level of corporate bond yields as a guide, then interest changes might rise by roughly one-third from their 2007 levels. This might trim 6% and 5% from US and European bottom lines.

These “macro” risks might collectively chop around 30% from the levels of US and European earnings we expect in 2009 – and as noted, those levels are well below both the bottom-up consensus (see table) and probably the top-down consensus too.

What about “micro”, or stock-specific, risk? Obviously, we can’t identify the big misses in advance – at least, not from the strategy desk. But we know how large the biggest stock-specific shocks have been in the recent past, and what we can do is to show what might happen to aggregate earnings if we were to see a handful of similarly-sized hits in 2009.

A source of big stock-specific shocks in the past has been the impairment of goodwill and other intangible assets. We estimate that the stock of such intangibles on the US and European balance sheets in 2007 was equivalent to 3.6 times and 2.9 times net income respectively. There have been several instances in recent years in which single-company write-downs have exceeded USD40bn (for example, AOL/Time Warner, Vodafone, Vivendi, GM), which today might be equivalent (after tax) to 6% of our base-case 2009 US earnings, for example.

Such charges may not enter the “cleaner” IBES data, and may be largely ignored by investors. But similar write-downs in the financial sector can enter the data, and are not being ignored. With the US commercial banking sector’s balance sheet equivalent to 21 times our base-case earnings, clearly there is room even at this late stage for several more financial shockers.

For both the US and Europe, then, we have added a final tier of risk to show what might happen if a handful of shockingly-large stock-specific losses were to be announced (using previous individual instances as illustrations).

The cumulative result of this order-of-magnitude exercise is that we arrive at prospective levels of US and European earnings in 2009 that are roughly 70% below their calendar year peak.

Declines on this scale are within spitting distance of the fall in US quoted earnings in the Great Depression (a peak-to-trough fall of 75%, as shown by Robert Shiller’s monthly series).

The difference, of course, is that we have not attempted to simulate a Great Depression (a 45% decline in nominal GDP!) directly. On this reading, if such a Depression were to lie ahead now, our 2009 base case would obviously be far too high. Indeed, with aggregate goodwill equivalent to roughly three times 2007 net income, and commercial bank assets in the US equivalent to another 12 times (20 times on the basis of our expectations for 2009, as we note above), the combination of a worse economic downturn than we expect, together with bigger asset write-downs, could deliver a sizeable aggregate loss for the quoted sector as a whole.

#### Selected risks to aggregate earnings

	USDbn		EURbn
MSCI US net income, 2006 (peak calendar year)	832	MSCI Europe net income, 2007 (peak calendar year)	614
MSCI US net income, 2009 bottom-up consensus	673	MSCI Europe net income, 2009 bottom-up consensus	503
MSCI US net income, 2009 HSBC top-down guidance	474	MSCI Europe net income, 2009 HSBC top-down guidance	368
Risk: extra 1pp loss of (non-financial) operating margin	444	Risk: extra 1pp loss of non-financial operating margin	344
Risk: inventory clearance charge @ 30%	353	Risk: inventory clearance charge @ 30%	271
Risk: interest burden up by one-third	331	Risk: interest burden up by one-third	258
Risk: two Time Warners and a Sprint	242	Risk: two Vivendis and a Vodafone	182
Peak-to-trough:	-71%		-70%

Memo: taxes assumed at 30%

Starting inventory levels: 11% of sales at non-financial companies

Interest charges (net): equivalent to roughly 1% of peak (non-financial) revenues

Source: HSBC

At first this seems a little puzzling: after all, if quoted sector profits “only” fell by 75% in the Great Depression, why are they so sensitive now, in a less traumatic economic climate?

One obvious reason is the tighter accounting climate. We’ve long argued that the “E” in a 1930s PE is not easily comparable with today’s, drawing on some material in Ben Graham’s influential *Security Analysis* (1934). Recently, the SEC has made the point for us:

*“Prior to the development of mandatory accounting standards following the Great Depression, companies had significant latitude in selecting their own accounting practices and policies...”*

*...In the aftermath of the Great Depression, there was a general move toward more “conservative” accounting...”*

(SEC study on mark to market accounting, 30 December 2008)

Asset revaluation – intangible and tangible – is perhaps the most topical area in which accounting controls have tightened. Depreciation policy is another area in which change has been considerable.

Other reasons for more “sensitive” profits nowadays might be that operating margins are lower, and operational gearing higher, than they were 80 years or so ago – the “trust-busting” era had not long ended then, and monopolistic tendencies were likely more pronounced in the absence of today’s international competition. We also think that the rise of the service sector, with its constantly-evolving business models and reliance on intangible assets, has something to do with it.

#### Biggest declines in S&P as-reported earnings

Date	Nominal earnings/ previous peak
1921.12	19%
1932.12	25%
1894.12	43%
1938.09	51%
2002.12	51%
<b>2008.12</b>	<b>54%</b>
1885.12	55%
1991.12	63%
1876.12	70%
1888.12	72%
1914.12	74%
1908.12	76%
1911.12	78%
1904.12	78%
1958.09	78%
1942.09	79%

Source: HSBC, Robert Shiller, Thomson Financial Datastream

Of course, the flip side of an earnings recession that is driven by widespread asset write-downs is that recovery, when it arrives, can be pretty sharp too. A V-shaped profile for EPS is quite likely even in the sluggish economic recovery that our colleagues are projecting. But our confidence in dating the rebound is shaped by the near-term uncertainties above – and as we continue to look for the floor, the market will likely stay volatile.

# Data pack

## HSBC Global Strategy views

Major market calls (MSCI All Country World: some countries excluded – figures may not add)

	MSCI world index (%)	HSBC (%)	Divergence	Index	Current level*	End-09
<b>US</b>	45.8	47.3	1.5	<b>S&amp;P 500</b>	<b>825</b>	<b>1000</b>
Canada	3.7	3.7	0.0	S&P/TSX	8625	9500
France	4.3	4.2	-0.1	CAC 40	2930	3600
Germany	3.3	3.3	0.0	DAX 30	4271	5100
Italy	1.4	1.2	-0.2	MIB30	18385	22500
Netherlands	1.0	0.9	-0.1	AEX	246	270
Spain	1.7	1.6	-0.1	IBEX 35	8233	10000
Switzerland	3.4	3.5	0.1	SMI	5167	6600
<b>Continental Europe</b>	18.1	17.6	-0.5	<b>Eurostoxx 50</b>	<b>2199</b>	<b>2650</b>
UK	8.3	8.3	0.0	FTSE 100	4078	4600
<b>Europe</b>	26.4	25.9	-0.5	<b>Eurofirst 300</b>	<b>777</b>	<b>925</b>
Australia/NZ	2.4	2.2	-0.2	ASX 200	3497	4000
HK SAR	0.9	0.8	-0.1	HSI	12861	16000
Singapore	0.5	0.4	-0.1	STI	1705	1900
<b>Dev Asia ex Japan</b>	3.8	3.4	-0.4	<b>MSCI Pac ex Japan</b>	<b>835</b>	<b>950</b>
Japan	10.7	10.3	-0.4	Topix	778	900
<b>Developed world</b>	90.4	90.6	0.2	<b>MSCI developed world (USD)</b>	<b>829</b>	<b>975</b>
<b>Emerging world</b>	9.6	9.4	-0.2	<b>MSCI emerging world (USD)</b>	<b>517</b>	<b>600</b>
<b>Total</b>	100.0	100.0	0.0	<b>MSCI world (USD)</b>	<b>205</b>	<b>240</b>

Note: current suggested regional positions do not necessarily relate precisely to end-year target returns  
Source: HSBC, Thomson Financial Datastream

Global benchmark (BM) and HSBC calls (some countries excluded – figures differ slightly from above table above)

Priced as at 15 January 2009	N America		Pan-Europe		Eur ex-UK		UK		Japan		Pac B ex-Jp		Global	
	BM	Call	BM	Call	BM	Call	BM	Call	BM	Call	BM	Call	BM	Call
	%	%pts	%	%pts	%	%pts	%	%pts	%	%pts	%	%pts	%	%pts
<b>HSBC suggested global portfolio</b>														
Oil & Gas	6.3	0.3	3.3	0.1	1.4		1.9	0.1	0.1		0.7		11.4	0.4
Basic Materials	1.5	-0.1	1.8	-0.1	1.2	-0.1	0.6		0.8	-0.1	1.2	-0.3	6.1	-0.5
Industrials	5.5	-0.1	2.6	-0.2	2.2	-0.1	0.4	-0.1	1.8	-0.1	1.4	0.3	11.5	-0.2
Consumer Goods	5.0	0.1	3.9	-0.4	2.7	-0.4	1.1	-0.1	2.3	-0.1	0.7	-0.1	12.1	-0.6
Health Care	6.4	0.4	3.0	0.2	2.1	0.1	0.9	0.1	0.6		0.2	0.2	10.5	0.8
Consumer Services	5.2	-0.1	1.8	-0.2	1.1		0.8	-0.1	1.0	-0.1	0.6	-0.1	8.9	-0.4
Telecommunications	1.7	0.1	2.3		1.6		0.7	0.1	0.5		0.9	0.1	6.0	0.2
Utilities	2.0	0.1	2.2	0.1	1.8	0.1	0.4		0.7		0.4	0.2	5.6	0.4
Financials	7.3	0.6	5.7		4.2		1.4		1.9	-0.1	3.3	-0.5	19.1	
Technology	6.5	0.2	0.8		0.7		0.0		0.7	-0.1	1.0	-0.2	8.9	-0.1
<b>Total [HSBC regional call]</b>	<b>47.4</b>	<b>1.5</b>	<b>27.3</b>	<b>-0.5</b>	<b>19.1</b>	<b>-0.5</b>	<b>8.2</b>	<b>0.0</b>	<b>10.4</b>	<b>-0.5</b>	<b>10.4</b>	<b>-0.5</b>	<b>100.0</b>	<b>0.0</b>
<b>HSBC suggested regional portfolios</b>														
Oil & Gas	13.3	0.3	12.1	0.5	7.4	0.3	23.2	1.0	1.1		6.6			
Basic Materials	3.2	-0.3	6.6	-0.3	6.5	-0.5	6.9		7.4	-0.2	11.5	-2.0		
Industrials	11.5	-0.6	9.5	-0.5	11.7	-0.4	4.4	-0.8	17.2	-0.5	13.5	3.5		
Consumer Goods	10.4	-0.1	14.2	-1.3	14.4	-1.6	13.8	-0.7	22.4	-0.2	6.9	-1.0		
Health Care	13.5	0.5	11.0	0.8	10.8	0.8	11.3	0.9	6.0	0.6	1.7	2.0		
Consumer Services	11.0	-0.5	6.7	-0.5	5.6		9.3	-1.6	9.5	-0.1	5.8	-1.0		
Telecommunications	3.5		8.3	0.3	8.3		8.4	1.0	4.8	0.4	8.5	1.5		
Utilities	4.3		8.0	0.7	9.3	0.8	5.1	0.5	6.8	0.6	4.2	2.0		
Financials	15.5	0.7	20.7	0.3	22.2	0.6	17.2	-0.3	18.3	-0.2	31.5	-3.0		
Technology	13.7		2.8		3.8		0.4		6.4	-0.4	9.9	-2.0		
<b>Total</b>	<b>100.0</b>	<b>0.0</b>	<b>100.0</b>	<b>0.0</b>	<b>100.0</b>	<b>0.0</b>	<b>100.0</b>	<b>0.0</b>	<b>100.0</b>	<b>0.0</b>	<b>100.0</b>	<b>0.0</b>		
Benchmark risk		3.4		6.0		5.4		7.4		3.2		18.0		3.3

Source: HSBC, Thomson Financial Datastream

## Suggested portfolio

Global portfolio table

Stock	Country	Sector	HSBC rating	Dividend yield (%)	PE (FY1)	Price/book	-3M (%)	Y-t-d (%)	Price (local cur)
BP	UK	Integrated Oil	Overweight	5.9	5.0	1.7	-5.9	-7.8	4.85
Chevron	US	Integrated Oil	-	3.7	6.4	1.6	-4.7	-5.0	70.29
Exxon Mobil	US	Integrated Oil	-	2.1	14.4	2.7	-4.2	-3.9	76.69
CNOOC	China	Oil & Gas Production	Overweight (V)	5.4	5.6	1.8	-6.1	-8.6	6.62
Schlumberger	US	Oilfield Services/Equipment	-	2.1	12.8	2.6	-3.6	-3.6	40.79
Rolls Royce	UK	Aerospace & Defense	Overweight	0.0	9.0	1.7	-0.6	-4.2	3.21
Siemens	Germany	Industrial Conglomerates	Overweight	3.6	8.4	1.4	-16.7	-17.8	43.28
KT&G	South Korea	Tobacco	Neutral	3.4	13.2	3.5	4.9	2.5	81100.00
Brown Forman	US	Beverages: Alcoholic	Neutral	2.4	n/a	4.0	-5.0	-5.0	47.50
Diageo	UK	Beverages: Alcoholic	Overweight	3.6	13.7	6.9	-1.4	-4.8	9.15
Pernod Ricard	France	Beverages: Alcoholic	Overweight (V)	2.7	10.6	1.7	-7.0	-9.4	48.00
Nestle	Switzerland	Food: Major Diversified	Neutral	3.0	n/a	2.9	-3.4	-5.4	39.36
LVMH	France	Apparel/Footwear	Overweight (V)	3.7	9.6	1.6	-10.4	-12.1	42.00
Nike	US	Apparel/Footwear	Neutral (V)	2.2	n/a	2.8	-11.3	-12.9	44.43
Procter & Gamble	US	Household/Personal Care	-	2.9	12.4	2.3	-11.8	-14.2	53.05
Sanofi-Aventis	France	Pharmaceuticals: Major	-	4.7	8.3	1.3	-2.9	-2.2	44.41
Schering-Plough	US	Pharmaceuticals: Major	-	1.5	10.5	2.5	3.1	2.6	17.47
Wyeth	US	Pharmaceuticals: Major	-	2.8	11.9	2.7	14.6	15.2	43.20
KDDI	Japan	Wireless Telecommunications	Overweight (V)	1.9	9.2	1.4	-10.2	-12.3	557000.00
Exelon	US	Electric Utilities	-	3.9	13.2	3.2	-2.5	-0.6	55.30
Veolia Environnement	France	Water Utilities	Overweight (V)	6.9	9.8	1.1	-20.5	-22.6	17.19
Wells Fargo	US	Major Banks	-	7.2	12.7	1.2	-35.9	-34.8	19.23
Bank of America	US	Major Banks	-	0.6	7.8	0.2	-53.3	-57.4	6.00
Credit Suisse	Switzerland	Major Banks	Overweight (V)	8.4	n/a	0.7	4.7	4.4	29.76
Morgan Stanley	US	Investment Banks/Brokers	Overweight (V)	5.3	8.5	0.7	26.1	29.7	20.80
JPMorgan	US	Financial Conglomerates	-	6.0	14.2	0.7	-19.1	-20.1	25.20
Mitsui Sumitomo	Japan	Specialty Insurance	Overweight (V)	2.4	n/a	1.3	-14.4	-17.4	2300.00
Oracle	US	Packaged Software	-	0.0	11.9	3.5	-5.1	-4.7	16.90
IBM	US	Information Technology Services	-	2.2	10.1	3.4	8.9	8.0	90.93
Disney (Walt)	US	Media Conglomerates	-	1.7	10.2	1.2	-8.9	-11.0	20.20

Note: The companies in the above table represent a selection of those in sectors we favour; some are drawn from those on whose stocks HSBC's fundamental analysts do not independently hold negative views, while others are not rated by our analysts but nevertheless fit in with our overall sector preferences on a macro view;  
Source: HSBC, Factset as at 02 February 2009

## Rates, curves, FX and commodities backdrop

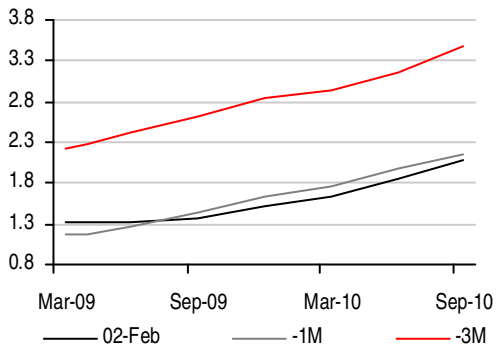
Interest rates, currencies and commodities: latest level (priced at 2 February 2009) and changes to date\*

	Current Level	-1W	-1M	-1Q	-1Y	MTD	QTD	YTD
<b>10 year bond yields</b>								
US	2.72	0.08	0.30	-1.19	-0.88	0.47	0.47	0.47
UK	3.90	-0.00	0.63	-0.59	-0.57	0.81	0.81	0.81
EMU	3.27	-0.06	0.33	-0.56	-0.65	0.33	0.33	0.33
Japan	1.29	0.07	0.12	-0.18	-0.14	0.12	0.12	0.12
<b>3 month interbank rates</b>								
US	1.30	0.05	-0.10	-1.85	-1.76	-0.10	-0.10	-0.10
UK	2.13	0.00	-0.48	-3.68	-3.39	-0.50	-0.50	-0.50
EMU	2.08	-0.07	-0.78	-2.66	-2.29	-0.82	-0.82	-0.82
Japan	0.70	0.00	-0.25	-0.80	-0.14	-0.25	-0.25	-0.25
<b>Yield curve (10y-3m, %)</b>								
US	1.42	0.03	0.40	0.66	0.88	0.57	0.57	0.57
UK	1.78	-0.00	1.11	3.08	2.82	1.31	1.31	1.31
EMU	1.19	0.02	1.11	2.09	1.64	1.14	1.14	1.14
Japan	0.59	0.07	0.37	0.62	-0.00	0.37	0.37	0.37
<b>Implied inflation (%)</b>								
US	0.56	0.35	1.31	0.29	-1.99	1.32	1.32	1.32
UK	2.95	0.18	0.64	-0.04	-0.64	0.81	0.81	0.81
EMU	1.57	0.24	0.59	0.49	-0.64	0.60	0.60	0.60
<b>Exchange rates</b>								
USD/EUR	1.28	-2.97	-7.94	1.84	-13.44	-8.22	-8.22	-8.22
USD/GBP	1.42	1.59	-2.17	-9.53	-27.56	-2.54	-2.54	-2.54
JPY/USD	89.39	0.34	-2.74	-9.96	-16.14	-1.49	-1.49	-1.49
CHF/EUR	1.49	-0.94	-0.09	0.31	-7.05	0.77	0.77	0.77
<b>Commodities</b>								
Crude Oil USD/BBL	40.08	-12.36	-13.51	-37.29	-54.95	-10.13	-10.13	-10.13
Gold USD/Troy oz	915.55	1.15	4.35	25.81	0.56	6.19	6.19	6.19

Note: \* units: yields and rates = basis points; other = %;  
Source: HSBC, Thomson Financial Datastream

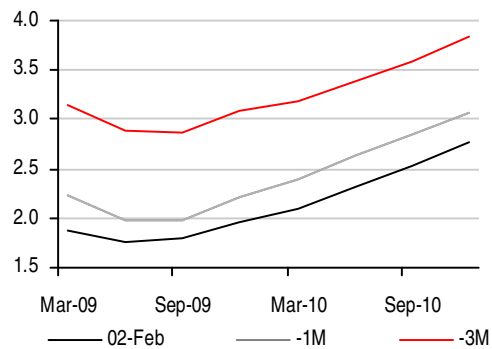
## Interest rates and yield curve

US: implied 3M rates (%)



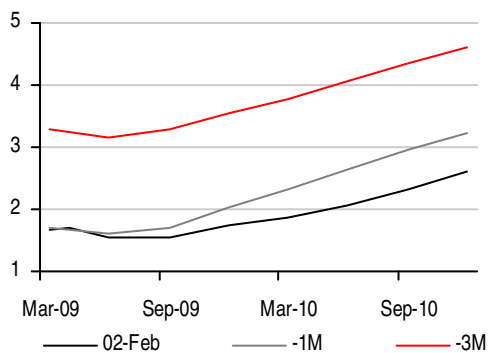
Source: HSBC, Thomson Financial Datastream

Eurozone: implied 3M rates (%)



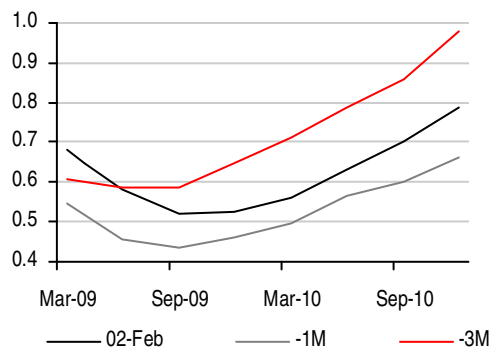
Source: HSBC, Thomson Financial Datastream

UK: implied 3M rates (%)



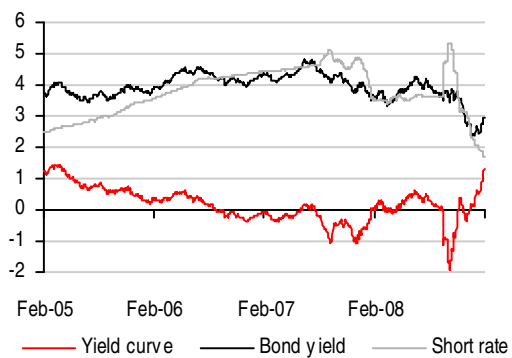
Source: HSBC, Thomson Financial Datastream

Japan: implied 3M rates (%)



Source: HSBC, Thomson Financial Datastream

G3 yield curve (10Y-3M, %)



Source: HSBC, Thomson Financial Datastream

Implied inflation (%)



Source: HSBC, Thomson Financial Datastream

## Regional performance

Absolute 1 week performance (FTSE indices, priced at 02 February 2009)

	-1W	-1M	-1Q	-1Y	MTD	QTD	YTD
<b>World</b>	-0.8	-10.3	-13.1	-40.4	-7.9	-7.9	-7.9
<b>Americas</b>	-1.0	-10.8	-13.6	-40.0	-7.9	-7.9	-7.9
<b>Europe</b>	-2.3	-11.0	-13.4	-40.2	-8.3	-8.3	-8.3
<b>Europe Ex UK</b>	-1.9	-11.1	-15.6	-43.2	-8.4	-8.4	-8.4
<b>Eurobloc</b>	-1.2	-12.2	-15.6	-44.9	-9.1	-9.1	-9.1
<b>Asia Pacific Ex Japan</b>	3.4	-5.9	-10.3	-40.8	-4.3	-4.3	-4.3
<b>Asia Pacific</b>	2.1	-8.2	-11.2	-42.5	-7.6	-7.6	-7.6
Australia	4.9	-5.8	-17.7	-39.8	-6.1	-6.1	-6.1
Austria	1.6	-9.0	-21.8	-64.1	-5.1	-5.1	-5.1
Belgium	-0.7	-1.8	-6.9	-55.6	3.5	3.5	3.5
Canada	0.2	-6.5	-11.3	-33.3	-4.0	-4.0	-4.0
Denmark	0.6	0.2	-10.4	-37.1	5.2	5.2	5.2
Finland	-0.1	-13.7	-23.8	-57.4	-11.2	-11.2	-11.2
France	-0.8	-12.6	-16.3	-41.2	-9.0	-9.0	-9.0
Germany	-1.4	-14.7	-16.9	-42.6	-11.8	-11.8	-11.8
Greece	2.4	-5.0	-20.0	-61.0	-3.7	-3.7	-3.7
Hong Kong	2.1	-8.7	-3.9	-47.7	-5.6	-5.6	-5.6
Ireland	1.4	-1.9	-24.5	-69.7	1.7	1.7	1.7
Italy	-2.1	-12.5	-18.0	-48.6	-10.1	-10.1	-10.1
Japan	1.2	-9.9	-11.6	-43.4	-9.9	-9.9	-9.9
Netherlands	-1.9	-5.6	-8.6	-45.6	-1.5	-1.5	-1.5
New Zealand	3.3	5.1	1.2	-29.9	5.1	5.1	5.1
Norway	-5.7	-9.0	-13.1	-45.0	-3.6	-3.6	-3.6
Portugal	-1.0	-1.0	-2.8	-43.4	0.3	0.3	0.3
Singapore	1.2	-7.2	-7.6	-44.9	-3.4	-3.4	-3.4
Spain	-1.7	-13.6	-11.3	-39.6	-10.8	-10.8	-10.8
Sweden	-4.4	-16.1	-14.0	-43.5	-12.0	-12.0	-12.0
Switzerland	-4.1	-6.3	-16.7	-34.5	-6.3	-6.3	-6.3
United Kingdom	-3.2	-10.7	-8.2	-32.5	-8.1	-8.1	-8.1
United States	-1.2	-11.2	-14.4	-40.5	-8.5	-8.5	-8.5
Brazil	0.6	-4.0	0.9	-38.3	3.0	3.0	3.0
Israel	0.6	2.7	-3.7	-20.3	2.7	2.7	2.7
Korea	5.7	-1.4	-0.6	-29.0	2.0	2.0	2.0
Mexico	0.4	-13.2	-2.2	-35.7	-9.7	-9.7	-9.7
South Africa	-0.6	-7.0	-1.1	-22.8	-6.6	-6.6	-6.6
Taiwan	0.6	-7.3	-15.7	-46.2	-7.3	-7.3	-7.3
Argentina	-2.4	-9.8	-9.3	-48.2	-3.9	-3.9	-3.9
Chile	1.4	4.1	-1.2	-5.3	6.9	6.9	6.9
China	3.6	-15.1	3.6	-49.4	-10.9	-10.9	-10.9
Colombia	1.7	-1.7	10.3	-10.9	-0.3	-0.3	-0.3
C. Republic	-2.5	-10.0	-10.1	-35.0	-8.3	-8.3	-8.3
Egypt	-9.5	-24.3	-32.4	-70.0	-24.3	-24.3	-24.3
Hungary	-1.1	-7.1	-21.7	-57.6	-7.1	-7.1	-7.1
India	3.7	-9.8	-11.8	-51.5	-6.7	-6.7	-6.7
Indonesia	-0.8	-5.2	-3.3	-52.3	-5.2	-5.2	-5.2
Malaysia	1.3	-0.8	-2.3	-37.5	1.7	1.7	1.7
Morocco	0.4	-5.2	-17.5	-28.1	-8.9	-8.9	-8.9
Pakistan	16.4	3.1	-44.9	-63.7	0.6	0.6	0.6
Peru	-1.0	-8.4	24.5	-45.0	-8.4	-8.4	-8.4
Philippines	-2.5	-3.1	-8.2	-37.5	-3.1	-3.1	-3.1
Poland	-8.0	-15.2	-14.8	-46.7	-15.2	-15.2	-15.2
Russia	-6.3	-15.9	-39.3	-72.8	-12.9	-12.9	-12.9
Thailand	-2.8	-6.1	-6.2	-49.4	-6.1	-6.1	-6.1
Turkey	-2.8	-7.1	-11.7	-41.3	-6.7	-6.7	-6.7

Source: HSBC, Thomson Financial Datastream

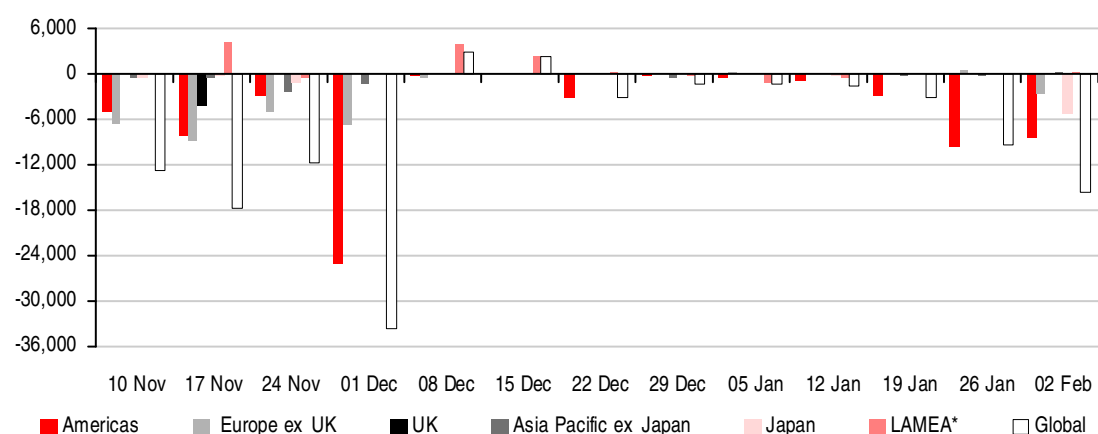
## Earnings surprises

Aggregate company results relative to consensus expectations (where available)

Surprise (USDm)	Americas	Europe ex UK	UK	Asia Pacific ex Japan	Japan	LAMEA*	Global
10 Nov	-4,962	-6,492	-86	-568	-538	-47	-12,692
17 Nov	-8,078	-8,837	-4,239	-396	-314	4,160	-17,703
24 Nov	-2,888	-4,949	-37	-2,400	-919	-479	-11,673
01 Dec	-25,093	-6,890	-14	-1,434	-103	-30	-33,564
08 Dec	-239	-629	10	-25	-7	3,837	2,945
15 Dec	-7	-75	0	32	3	2,305	2,258
22 Dec	-3,213	-24	11	-16	2	189	-3,051
29 Dec	-354	-97	0	-569	-4	-361	-1,385
05 Jan	-515	234	0	-8	-12	-1,011	-1,312
12 Jan	-837	121	0	-3	-303	-649	-1,671
19 Jan	-2,799	-103	-8	-174	2	17	-3,065
26 Jan	-9,704	439	6	-237	-1	-20	-9,517
02 Feb	-8,295	-2,544	-76	162	-5,106	221	-15,637

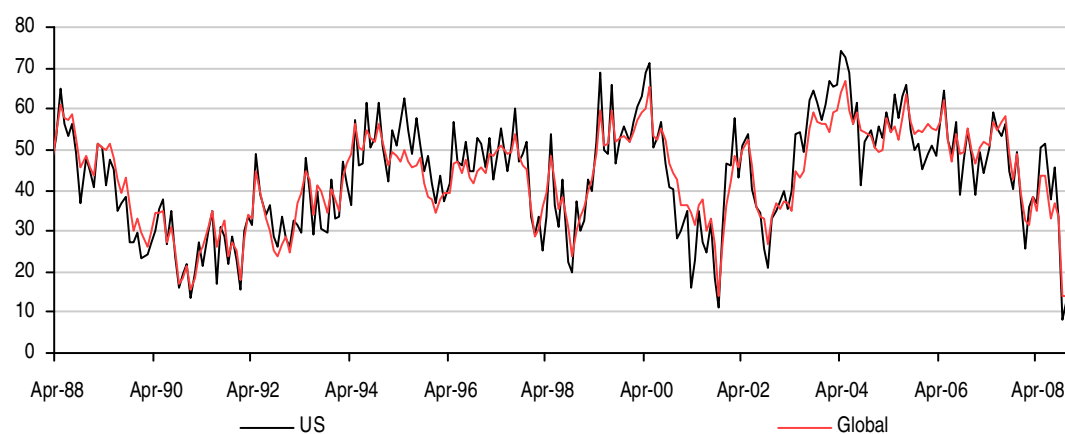
Note: \* Latin America, Middle East and Africa  
Source: HSBC, Thomson Financial Datastream

### Earnings surprises (USDm)



Source: HSBC, Thomson Financial Datastream

### Analysts' revisions ratio: upgrades as percentage of all revisions (consensus)



Source: HSBC, Thomson Financial Datastream, I/B/E/S

## Sector performance

### US and Europe

Absolute 1 week performance (FTSE indices, priced at 2 February 2009)

US	-1W (%)	Europe	-1W (%)
Banks	7.17	Electronic & Electrical Equipment	11.68
Life Insurance	7.08	Leisure Goods	5.75
General Financial	6.94	Software & Computer Services	4.30
Health Care Equipment & Services	3.54	Tobacco	4.00
Software & Computer Services	1.13	Aerospace & Defense	2.77
Pharmaceuticals & Biotechnology	0.85	Banks	2.63
Nonlife Insurance	0.70	General Industrials	2.62
Personal Goods	-0.05	Support Services	2.26
Industrial Metals	-0.79	Travel & Leisure	1.84
Media	-1.17	General Retailers	1.46
Technology Hardware & Equipment	-1.31	Food & Drug Retailers	1.45
Gas, Water & Multiutilities	-1.32	Media	1.10
Food Producers	-1.40	Health Care Equipment & Services	0.91
Electricity	-1.50	Automobiles & Parts	0.24
Real Estate	-1.51	Industrial Transportation	-0.24
Food & Drug Retailers	-1.98	Oil & Gas Producers	-0.30
Support Services	-1.99	Life Insurance	-0.31
Industrial Transportation	-2.16	Technology Hardware & Equipment	-0.40
Beverages	-2.38	Household Goods	-0.42
Automobiles & Parts	-2.47	Beverages	-1.16
Industrial Engineering	-2.51	Industrial Engineering	-1.19
Mobile Telecommunications	-2.51	Electricity	-1.62
Electronic & Electrical Equipment	-3.12	Chemicals	-2.20
Aerospace & Defense	-3.29	Real Estate	-2.27
Oil & Gas Producers	-3.47	Equity Investment Instruments	-2.39
General Retailers	-3.78	Industrial Metals	-2.56
Travel & Leisure	-3.84	Nonlife Insurance	-2.61
Mining	-3.85	Personal Goods	-2.72
Oil Equipment, Services & Distribution	-4.01	Food Producers	-2.85
Chemicals	-4.71	Pharmaceuticals & Biotechnology	-3.09
Fixed Line Telecommunications	-4.79	Gas, Water & Multiutilities	-3.09
General Industrials	-5.63	Oil Equipment, Services & Distribution	-3.12
Household Goods	-5.66	Construction & Materials	-3.22
Tobacco	-5.89	Mobile Telecommunications	-3.49
Construction & Materials	-6.37	Mining	-3.78
Leisure Goods	-12.09	Fixed Line Telecommunications	-4.26
Forestry & Paper	-24.60	Forestry & Paper	-4.34
Equity Investment Instruments	-54.01	General Financial	-5.18

Source: HSBC, Thomson Financial Datastream

### 'Hot' & 'Cold' sectors

Sectors with 1wk change in 1wk moving avg price relative larger than +/-4%

US	%	Europe	%
Banks	9.26	Banks	9.68
Mobile Telecommunications	7.69	Leisure Goods	8.45
General Financial	6.98	Life Insurance	7.55
Life Insurance	4.69	Electronic & Electrical Eq.	6.41
Oil Eq., Services & Distribution	4.29	Fixed Line Telecommunications	-5.77
Construction & Materials	-4.62	Pharmaceuticals & Biotech.	-5.80
Leisure Goods	-5.00		
Tobacco	-5.90		
Industrial Engineering	-6.25		
Forestry & Paper	-6.25		
Equity Investment Instruments	-35.71		

Sectors with 3M change in 3M moving avg price relative larger than +/- 15%

US	%	Europe	%
Fixed Line Telecommunications	22.45	Fixed Line Telecommunications	22.13
Pharmaceuticals & Biotech.	18.70	Pharmaceuticals & Biotech.	20.48
Oil & Gas Producers	15.42	Food Producers	17.36
Banks	-16.49	Mobile Telecommunications	15.67
General Financial	-19.49	Industrial Engineering	-15.53
Leisure Goods	-20.41	Real Estate	-19.44
Automobiles & Parts	-21.95	Life Insurance	-22.37
Life Insurance	-24.47	Banks	-24.00
Real Estate	-25.00	Oil Eq., Services & Distribution	-27.31
Mobile Telecommunications	-27.78	Mining	-30.31
Oil Eq., Services & Distribution	-29.21	Industrial Metals	-31.55
Industrial Metals	-29.63		
Forestry & Paper	-37.04		

Source: HSBC, Thomson Financial Datastream

## Asia-Pacific & Japan

Absolute 1 week performance (FTSE indices, priced at 2 February 2009)

Asia Pacific ex Japan	-1W (%)	Japan	-1W (%)
Software & Computer Services	12.37	Oil & Gas Producers	9.18
Life Insurance	11.67	Mining	7.32
Automobiles & Parts	10.56	Support Services	6.44
Oil Equipment, Services & Distribution	10.20	Banks	6.23
Industrial Engineering	10.12	Nonlife Insurance	5.13
Mining	8.91	Tobacco	4.34
Household Goods	6.33	Automobiles & Parts	3.97
Food & Drug Retailers	6.30	Real Estate	3.88
Banks	5.96	Household Goods	3.82
Support Services	5.18	Life Insurance	3.29
Technology Hardware & Equipment	4.77	Industrial Metals	2.84
Oil & Gas Producers	4.49	Beverages	2.44
Leisure Goods	4.16	Pharmaceuticals & Biotechnology	2.05
Nonlife Insurance	4.12	Chemicals	1.48
Construction & Materials	3.86	Electricity	1.23
Real Estate	3.70	Food Producers	0.98
Industrial Metals	3.68	Construction & Materials	0.89
Health Care Equipment & Services	3.60	General Financial	0.57
Pharmaceuticals & Biotechnology	3.01	Software & Computer Services	0.45
Forestry & Paper	2.84	Industrial Engineering	0.43
Media	2.70	Electronic & Electrical Equipment	0.12
Aerospace & Defense	2.63	Media	0.11
Industrial Transportation	2.33	Oil Equipment, Services & Distribution	0.00
Beverages	2.28	Aerospace & Defense	0.00
Chemicals	1.84	Equity Investment Instruments	0.00
Electricity	1.38	Industrial Transportation	-0.63
General Industrials	1.13	Gas, Water & Multiutilities	-0.96
General Financial	0.97	Technology Hardware & Equipment	-1.22
Gas, Water & Multiutilities	0.95	General Retailers	-1.32
Fixed Line Telecommunications	0.69	Mobile Telecommunications	-1.55
Electronic & Electrical Equipment	0.49	Leisure Goods	-2.68
Travel & Leisure	0.34	Food & Drug Retailers	-2.83
Food Producers	0.24	Travel & Leisure	-2.94
Mobile Telecommunications	0.14	Health Care Equipment & Services	-3.51
Equity Investment Instruments	0.00	Forestry & Paper	-3.95
Personal Goods	-0.96	Personal Goods	-5.95
General Retailers	-1.39	Fixed Line Telecommunications	-6.68
Tobacco	-4.02	General Industrials	-8.53

Source: HSBC, Thomson Financial Datastream

## 'Hot' & 'Cold' sectors

Sectors with 1wk change in 1wk moving avg price relative larger than +/-3%

Asia Pacific ex Japan	%	Japan	%
Oil Eq., Services & Distribution	5.69	Nonlife Insurance	6.45
Automobiles & Parts	4.62	Oil & Gas Producers	3.97
Mining	3.70	Life Insurance	3.45
General Financial	-11.11	Mining	3.19
		Support Services	3.17
		Beverages	3.10
		Leisure Goods	-3.03
		Forestry & Paper	-3.16
		Construction & Materials	-3.28
		Health Care Eq. & Services	-3.59
		General Financial	-3.85
		General Industrials	-4.22
		Personal Goods	-4.40
		Fixed Line Telecommunications	-5.21

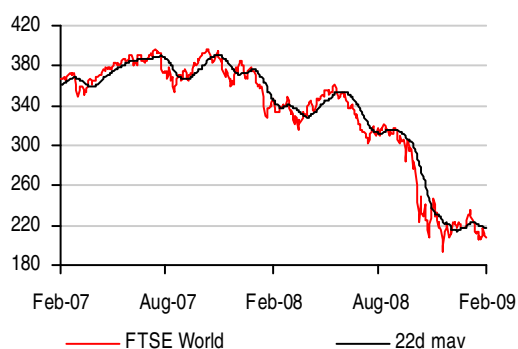
Sectors with 3M change in 3M moving avg price relative larger than +/- 13%

Asia Pacific ex Japan	%	Japan	%
Beverages	26.58	Electricity	35.48
Food & Drug Retailers	23.94	Gas, Water & Multiutilities	35.23
Health Care Eq. & Services	21.65	Mobile Telecommunications	32.31
Nonlife Insurance	20.48	Forestry & Paper	27.85
Tobacco	18.26	Food & Drug Retailers	27.20
Gas, Water & Multiutilities	17.36	Fixed Line Telecommunications	23.94
Mobile Telecommunications	17.27	Travel & Leisure	19.79
Electricity	14.61	Household Goods	14.89
Pharmaceuticals & Biotech.	14.11	General Retailers	14.44
Life Insurance	14.07	Real Estate	-13.27
Aerospace & Defense	13.58	Support Services	-13.99
Forestry & Paper	-14.29	General Financial	-17.65
Oil Eq., Services & Distribution	-47.32		
Equity Investment Instruments	-100.00		

Source: HSBC, Thomson Financial Datastream

## Major indices performance

FTSE World

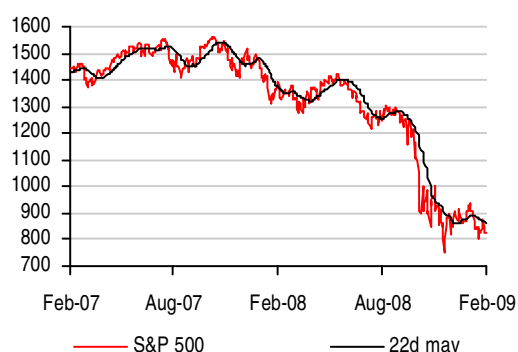


FTSE World

	Date	Level	% off	% change	
<b>Current</b>	02-Feb-09	206.9		<b>1D</b>	-1.0
<b>Record high</b>	12-Oct-07	396.3	<b>-47.8</b>	<b>1W</b>	-0.8
<b>52W high</b>	19-May-08	361.7	<b>-42.8</b>	<b>3M</b>	-13.1
<b>52W low</b>	20-Nov-08	194.2	<b>6.5</b>	<b>6M</b>	-33.8
<b>Y-t-d high</b>	06-Jan-09	234.2	<b>-11.7</b>	<b>12M</b>	-40.4
<b>Y-t-d low</b>	20-Jan-09	205.3	<b>0.8</b>	<b>Q-t-d</b>	-7.9
<b>5Y high</b>	12-Oct-07	396.3	<b>-47.8</b>	<b>Y-t-d</b>	-7.9
<b>5Y low</b>	20-Nov-08	194.2	<b>6.5</b>	<b>2008</b>	-40.0

Source: HSBC, Thomson Financial Datastream

S&P 500

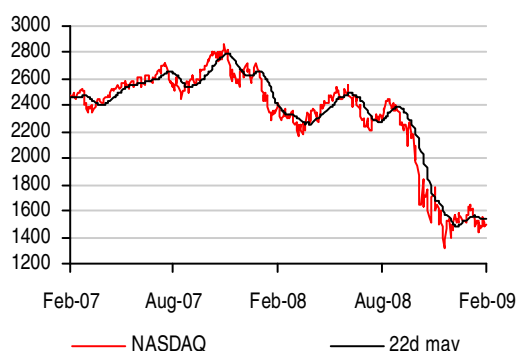


S&P 500

	Date	Level	% off	% change	
<b>Current</b>	02-Feb-09	825.4		<b>1D</b>	-0.1
<b>Record high</b>	09-Oct-07	1565.2	<b>-47.3</b>	<b>1W</b>	-1.3
<b>52W high</b>	19-May-08	1426.6	<b>-42.1</b>	<b>3M</b>	-14.6
<b>52W low</b>	20-Nov-08	752.4	<b>9.7</b>	<b>6M</b>	-34.5
<b>Y-t-d high</b>	06-Jan-09	934.7	<b>-11.7</b>	<b>12M</b>	-40.9
<b>Y-t-d low</b>	20-Jan-09	805.2	<b>2.5</b>	<b>Q-t-d</b>	-8.6
<b>5Y high</b>	09-Oct-07	1565.2	<b>-47.3</b>	<b>Y-t-d</b>	-8.6
<b>5Y low</b>	20-Nov-08	752.4	<b>9.7</b>	<b>2008</b>	-38.5

Source: HSBC, Thomson Financial Datastream

NASDAQ



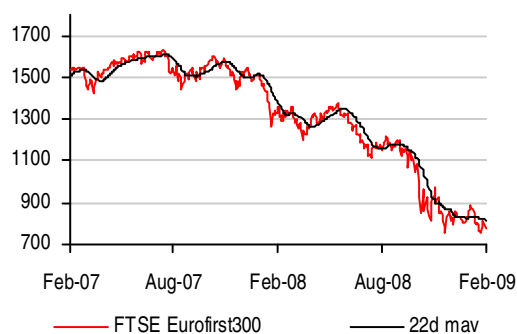
NASDAQ

	Date	Level	% off	% change	
<b>Current</b>	02-Feb-09	1494.4		<b>1D</b>	1.2
<b>Record high</b>	10-Mar-00	5048.6	<b>-70.4</b>	<b>1W</b>	0.3
<b>52W high</b>	05-Jun-08	2549.9	<b>-41.4</b>	<b>3M</b>	-13.4
<b>52W low</b>	20-Nov-08	1316.1	<b>13.5</b>	<b>6M</b>	-35.3
<b>Y-t-d high</b>	06-Jan-09	1652.4	<b>-9.6</b>	<b>12M</b>	-38.1
<b>Y-t-d low</b>	20-Jan-09	1440.9	<b>3.7</b>	<b>Q-t-d</b>	-5.2
<b>5Y high</b>	31-Oct-07	2859.1	<b>-47.7</b>	<b>Y-t-d</b>	-5.2
<b>5Y low</b>	20-Nov-08	1316.1	<b>13.5</b>	<b>2008</b>	-40.5

Source: HSBC, Thomson Financial Datastream

## Major indices performance (cont'd)

### Eurofirst

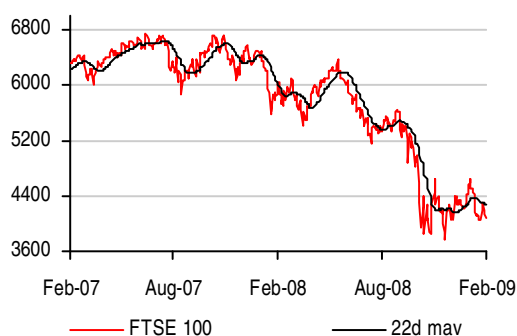


### Eurofirst

	Date	Level	% off	% change
<b>Current</b>	02-Feb-09	777.3		<b>1D</b> -2.4
<b>Record high</b>	04-Sep-00	1705.0	-54.4	<b>1W</b> -0.9
<b>52W high</b>	19-May-08	1378.3	-43.6	<b>3M</b> -16.8
<b>52W low</b>	23-Jan-09	760.5	2.2	<b>6M</b> -33.2
<b>Y-t-d high</b>	06-Jan-09	889.6	-12.6	<b>12M</b> -42.6
<b>Y-t-d low</b>	23-Jan-09	760.5	2.2	<b>Q-t-d</b> -6.6
<b>5Y high</b>	16-Jul-07	1630.3	-52.3	<b>Y-t-d</b> -6.6
<b>5Y low</b>	23-Jan-09	760.5	2.2	<b>2008</b> -44.8

Source: HSBC, Thomson Financial Datastream

### FTSE 100

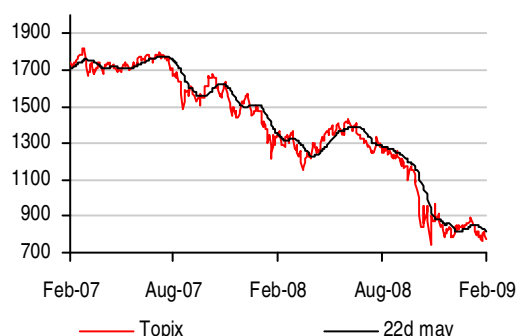


### FTSE 100

	Date	Level	% off	% change
<b>Current</b>	02-Feb-09	4077.8		<b>1D</b> -1.7
<b>Record high</b>	30-Dec-99	6930.2	-41.2	<b>1W</b> -3.1
<b>52W high</b>	19-May-08	6376.5	-36.0	<b>3M</b> -8.2
<b>52W low</b>	21-Nov-08	3781.0	7.9	<b>6M</b> -23.9
<b>Y-t-d high</b>	06-Jan-09	4638.9	-12.1	<b>12M</b> -32.4
<b>Y-t-d low</b>	22-Jan-09	4052.2	0.6	<b>Q-t-d</b> -8.0
<b>5Y high</b>	15-Jun-07	6732.4	-39.4	<b>Y-t-d</b> -8.0
<b>5Y low</b>	21-Nov-08	3781.0	7.9	<b>2008</b> -31.3

Source: HSBC, Thomson Financial Datastream

### TOPIX



### TOPIX

	Date	Level	% off	% change
<b>Current</b>	02-Feb-09	777.9		<b>1D</b> -2.0
<b>Record high</b>	18-Dec-89	2884.8	-73.0	<b>1W</b> 1.3
<b>52W high</b>	04-Jun-08	1430.5	-45.6	<b>3M</b> -10.3
<b>52W low</b>	27-Oct-08	746.5	4.2	<b>6M</b> -38.9
<b>Y-t-d high</b>	07-Jan-09	888.3	-12.4	<b>12M</b> -41.8
<b>Y-t-d low</b>	26-Jan-09	768.3	1.2	<b>Q-t-d</b> -9.5
<b>5Y high</b>	26-Feb-07	1817.0	-57.2	<b>Y-t-d</b> -9.5
<b>5Y low</b>	27-Oct-08	746.5	4.2	<b>2008</b> -41.8

Source: HSBC, Thomson Financial Datastream

## Aggregations

### Pan Europe

#### Consensus earnings, PE, dividends and dividend yields

	Market cap weight (%)	EPS growth (%)			PE (x)			DPS growth (%)			Dividend yield (%)		
		2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e
<b>Oil &amp; Gas</b>	<b>11.9</b>	<b>19.0</b>	<b>-26.2</b>	<b>13.9</b>	<b>5.8</b>	<b>7.9</b>	<b>6.9</b>	<b>9.1</b>	<b>1.3</b>	<b>4.8</b>	<b>6.4</b>	<b>6.5</b>	<b>6.8</b>
O Oil & Gas Producers	11.5	18.3	-27.2	14.4	5.8	8.0	7.0	8.9	3.2	4.4	6.4	6.6	6.8
O Oil Equip Servs & Disn	0.4	43.6	1.4	3.1	6.1	6.0	5.9	15.9	-36.7	16.8	8.5	5.4	6.3
<b>Basic Materials</b>	<b>6.3</b>	<b>15.2</b>	<b>-37.6</b>	<b>15.1</b>	<b>4.8</b>	<b>7.6</b>	<b>6.6</b>	<b>0.9</b>	<b>-0.4</b>	<b>3.9</b>	<b>5.4</b>	<b>5.4</b>	<b>5.6</b>
C Chemicals	2.9	15.8	-14.6	11.3	8.2	9.6	8.7	16.6	2.7	5.5	4.8	5.0	5.2
C Forestry & Paper	0.2	-58.3	2.1	15.6	14.8	14.5	12.6	-35.4	-14.0	7.0	6.3	5.4	5.8
C Industrial Metals	1.2	19.8	-51.3	19.1	3.2	6.6	5.5	-9.6	-9.1	3.0	6.4	5.8	6.0
C Mining	2.0	16.1	-43.5	16.2	3.4	6.1	5.2	-3.0	3.4	2.2	5.4	5.6	5.7
<b>Industrials</b>	<b>9.7</b>	<b>-4.2</b>	<b>-5.5</b>	<b>3.6</b>	<b>8.2</b>	<b>8.7</b>	<b>8.4</b>	<b>0.1</b>	<b>-2.3</b>	<b>3.2</b>	<b>5.1</b>	<b>4.9</b>	<b>5.1</b>
C Construction & Matls	2.5	-17.0	-9.4	2.2	6.5	7.4	7.2	-5.7	-0.8	3.2	5.7	5.7	5.9
C Aerospace	1.3	57.3	9.1	3.9	9.8	9.0	8.6	18.7	10.1	8.1	3.3	3.6	3.9
C General Industrials	1.3	-24.2	38.3	8.6	11.0	8.0	7.3	1.7	0.0	1.2	4.6	4.6	4.7
T Electronic & Elect Equip	0.4	3.2	-23.9	-0.7	6.9	9.1	9.1	3.3	-17.3	3.5	6.5	5.4	5.6
C Industrial Engineering	1.8	4.1	-19.3	-6.9	6.9	8.5	9.2	-7.6	-6.8	0.3	5.5	5.1	5.2
C Industrial Transportation	1.5	-3.7	-9.7	17.0	10.1	11.2	9.5	2.4	-0.7	2.8	5.6	5.5	5.7
C Support Services	1.0	3.9	-10.7	6.0	9.9	11.1	10.5	14.5	-6.9	7.8	4.0	3.8	4.1
<b>Consumer Goods</b>	<b>15.0</b>	<b>-5.5</b>	<b>-14.0</b>	<b>16.7</b>	<b>11.2</b>	<b>13.1</b>	<b>11.2</b>	<b>-10.3</b>	<b>2.1</b>	<b>11.6</b>	<b>3.3</b>	<b>3.4</b>	<b>3.8</b>
C Automobiles & Parts	3.0	-20.7	-57.5	56.5	8.4	19.7	12.6	-41.5	-17.7	29.1	2.6	2.2	2.8
D Beverages	2.5	2.7	-1.9	14.7	11.1	11.3	9.8	-19.7	3.8	13.2	3.0	3.2	3.6
D Food Producers	4.7	2.0	6.1	10.5	13.0	12.2	11.1	4.6	4.8	8.0	3.7	3.8	4.1
C Household Goods	0.7	-0.1	6.3	7.2	14.1	13.3	12.4	7.6	11.0	9.9	2.8	3.1	3.4
C Leisure Goods	0.3	2.6	-28.7	25.7	10.2	14.3	11.4	-11.5	-5.2	5.8	5.0	4.8	5.1
C Personal Goods	2.4	-5.7	-4.1	7.0	11.2	11.7	10.9	-1.8	1.9	6.8	3.3	3.4	3.6
D Tobacco	1.5	15.5	14.0	9.2	14.4	12.6	11.5	24.9	17.1	10.0	4.0	4.7	5.2
<b>Health Care</b>	<b>10.1</b>	<b>12.3</b>	<b>10.9</b>	<b>8.6</b>	<b>11.9</b>	<b>10.7</b>	<b>9.8</b>	<b>6.5</b>	<b>9.3</b>	<b>9.3</b>	<b>3.6</b>	<b>4.0</b>	<b>4.4</b>
D Health Care Eq & Servs	1.1	10.0	12.1	14.2	16.1	14.3	12.5	-2.1	11.0	13.1	1.6	1.8	2.0
D Pharmaceuticals & Bio	9.0	12.5	10.8	8.1	11.5	10.4	9.6	6.9	9.2	9.1	3.9	4.3	4.6
<b>Consumer Services</b>	<b>7.5</b>	<b>-9.9</b>	<b>0.7</b>	<b>11.0</b>	<b>11.2</b>	<b>11.1</b>	<b>10.0</b>	<b>2.1</b>	<b>0.4</b>	<b>7.5</b>	<b>4.8</b>	<b>4.8</b>	<b>5.2</b>
D Food & Drug Retailers	2.2	1.3	4.7	8.8	12.4	11.8	10.9	4.8	5.7	7.9	3.4	3.6	3.8
C General Retailers	1.5	-6.9	-4.7	9.5	11.6	12.1	11.1	0.9	0.6	7.6	5.0	5.1	5.5
C Media	2.3	-1.9	3.7	6.7	10.1	9.7	9.1	3.6	1.3	5.5	5.8	5.9	6.2
C Travel & Leisure	1.4	-34.5	-4.8	24.5	11.0	11.6	9.3	-1.7	-6.9	10.9	5.2	4.9	5.4
<b>Telecommunications</b>	<b>7.9</b>	<b>1.5</b>	<b>6.0</b>	<b>6.5</b>	<b>9.3</b>	<b>8.8</b>	<b>8.2</b>	<b>-4.7</b>	<b>6.1</b>	<b>5.4</b>	<b>7.1</b>	<b>7.5</b>	<b>7.9</b>
D Fixed-Line Telecoms	4.6	-1.9	5.5	7.0	9.1	8.6	8.0	-3.1	7.1	5.5	7.4	7.9	8.3
D Mobile Telecoms	3.3	6.8	6.8	5.7	9.6	9.0	8.5	-6.3	4.6	5.3	6.6	7.0	7.3
<b>Utilities</b>	<b>10.1</b>	<b>0.9</b>	<b>8.8</b>	<b>7.8</b>	<b>11.0</b>	<b>10.1</b>	<b>9.4</b>	<b>24.3</b>	<b>2.6</b>	<b>7.1</b>	<b>5.6</b>	<b>5.8</b>	<b>6.2</b>
D Electricity	5.1	5.5	8.8	6.9	12.0	11.0	10.3	5.6	6.0	6.2	5.0	5.3	5.6
D Gas, Water & Multi-Utils	5.0	-2.8	8.8	8.5	10.1	9.3	8.6	43.5	-0.0	7.9	6.3	6.3	6.8
<b>Financials</b>	<b>18.5</b>	<b>-60.7</b>	<b>48.1</b>	<b>13.3</b>	<b>9.0</b>	<b>6.0</b>	<b>5.3</b>	<b>-33.7</b>	<b>5.3</b>	<b>13.2</b>	<b>7.1</b>	<b>7.5</b>	<b>8.4</b>
F Banks	11.2	-64.9	52.8	11.9	8.8	5.7	5.1	-40.5	5.0	15.1	7.3	7.7	8.8
F Non-Life Insurance	3.8	-44.7	28.0	14.1	8.1	6.3	5.6	-25.7	16.2	10.1	5.9	6.8	7.5
F Life insurance	1.5	-54.1	45.0	15.2	7.1	4.9	4.3	-33.5	-8.7	11.9	8.7	7.9	8.8
F Real Estate	0.7	5.3	-3.3	8.5	10.7	11.0	10.2	12.7	1.0	2.8	8.3	8.4	8.6
F General Financial	1.4	-66.6	104.3	12.5	17.5	8.6	7.6	39.3	3.8	12.2	6.2	6.4	7.2
<b>Technology</b>	<b>2.9</b>	<b>-0.0</b>	<b>-32.9</b>	<b>45.0</b>	<b>10.5</b>	<b>15.6</b>	<b>10.8</b>	<b>-17.3</b>	<b>0.4</b>	<b>12.6</b>	<b>2.5</b>	<b>3.0</b>	<b>3.4</b>
T Softw & Comp Servs	1.3	4.8	9.0	11.8	13.7	12.6	11.3	-2.9	3.7	11.7	1.1	2.4	2.7
T Tech Hardw & Equip	1.6	-2.3	-53.8	84.0	8.8	19.2	10.4	-20.4	-0.4	13.0	3.6	3.6	4.0
<b>MSCI Europe</b>	<b>100.0</b>	<b>-19.4</b>	<b>-1.3</b>	<b>12.0</b>	<b>8.7</b>	<b>8.8</b>	<b>7.9</b>	<b>-9.9</b>	<b>3.0</b>	<b>8.3</b>	<b>5.3</b>	<b>5.5</b>	<b>5.9</b>
C Cyclicals	27.3	-1.5	-21.7	11.8	7.6	9.7	8.7	-4.0	-1.7	6.0	4.7	4.6	4.9
O Oil & gas	11.9	19.0	-26.2	13.9	5.8	7.9	6.9	9.1	1.3	4.8	6.4	6.5	6.8
D Defensives	38.9	4.3	7.6	8.4	11.2	10.4	9.6	6.6	5.8	7.5	4.8	5.1	5.5
T Technology	3.3	0.5	-31.4	36.3	9.9	14.4	10.5	-12.5	-4.5	10.8	3.0	3.3	3.7
F Financials	18.5	-60.7	48.1	13.3	9.0	6.0	5.3	-33.7	5.3	13.2	7.1	7.5	8.4

Source: HSBC, Thomson Financial Datastream, I/B/E/S, MSCI as at 02/02/2009

## Europe ex UK

### Consensus earnings, PE, dividends and dividend yields

	Market cap weight (%)	EPS growth (%)			PE (x)			DPS growth (%)			Dividend yield (%)		
		2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e
<b>Oil &amp; Gas</b>	<b>8.0</b>	<b>13.8</b>	<b>-19.3</b>	<b>13.3</b>	<b>6.2</b>	<b>7.6</b>	<b>6.7</b>	<b>2.9</b>	<b>-3.7</b>	<b>5.0</b>	<b>7.0</b>	<b>6.7</b>	<b>7.0</b>
O Oil & Gas Producers	7.4	12.0	-20.8	14.3	6.2	7.8	6.8	2.1	-0.3	4.3	6.8	6.8	7.1
O Oil Equip Servs & Disn	0.5	43.1	0.6	2.7	5.8	5.7	5.6	15.9	-38.5	17.1	9.2	5.6	6.6
<b>Basic Materials</b>	<b>5.9</b>	<b>14.4</b>	<b>-33.2</b>	<b>14.3</b>	<b>5.7</b>	<b>8.6</b>	<b>7.5</b>	<b>2.5</b>	<b>-2.2</b>	<b>4.8</b>	<b>5.4</b>	<b>5.2</b>	<b>5.5</b>
C Chemicals	3.9	16.0	-14.6	11.4	8.2	9.6	8.6	16.8	2.7	5.5	4.9	5.0	5.3
C Forestry & Paper	0.2	-58.3	2.1	15.6	14.8	14.5	12.6	-35.4	-14.0	7.0	6.3	5.4	5.8
C Industrial Metals	1.7	19.8	-51.3	19.1	3.2	6.6	5.5	-9.6	-9.1	3.0	6.4	5.8	6.0
C Mining	0.1	-14.2	-12.6	4.0	6.9	7.9	7.6	-9.2	-4.6	7.8	5.9	5.6	6.1
<b>Industrials</b>	<b>11.5</b>	<b>-6.1</b>	<b>-6.3</b>	<b>3.1</b>	<b>8.0</b>	<b>8.6</b>	<b>8.3</b>	<b>-0.3</b>	<b>-2.7</b>	<b>2.6</b>	<b>5.2</b>	<b>5.1</b>	<b>5.2</b>
C Construction & Matls	3.3	-17.3	-9.6	2.2	6.5	7.4	7.2	-6.1	-0.9	3.1	5.8	5.7	5.9
C Aerospace	1.0	118.9	11.0	2.6	9.5	8.6	8.4	26.5	13.3	8.6	2.9	3.2	3.5
C General Industrials	1.5	-29.3	43.1	8.1	11.2	7.8	7.2	2.2	0.9	0.7	4.4	4.5	4.5
T Electronic & Elect Equip	0.5	3.2	-23.9	-0.7	6.9	9.1	9.1	3.3	-17.3	3.5	6.5	5.4	5.6
C Industrial Engineering	2.4	3.9	-19.4	-7.0	6.9	8.6	9.2	-7.8	-7.0	0.2	5.5	5.1	5.1
C Industrial Transportation	2.0	-3.7	-9.7	17.0	10.1	11.2	9.5	2.4	-0.7	2.8	5.6	5.5	5.7
C Support Services	0.8	4.6	-12.5	4.0	9.7	11.1	10.6	38.8	-8.0	4.6	4.7	4.3	4.5
<b>Consumer Goods</b>	<b>15.2</b>	<b>-8.5</b>	<b>-20.1</b>	<b>19.3</b>	<b>10.5</b>	<b>13.2</b>	<b>11.1</b>	<b>-17.0</b>	<b>-1.7</b>	<b>12.7</b>	<b>3.2</b>	<b>3.1</b>	<b>3.5</b>
C Automobiles & Parts	4.0	-20.7	-57.6	56.0	8.4	19.8	12.7	-41.5	-17.8	29.3	2.6	2.1	2.7
D Beverages	2.0	1.6	-6.9	16.0	9.9	10.7	9.2	-34.3	3.4	17.6	2.5	2.6	3.0
D Food Producers	5.2	1.8	5.6	11.0	12.9	12.2	11.0	5.2	3.7	8.3	3.6	3.8	4.1
C Household Goods	0.3	-17.4	0.0	18.6	10.0	10.0	8.4	-14.4	6.7	9.6	3.6	3.8	4.2
C Leisure Goods	0.4	2.6	-28.7	25.7	10.2	14.3	11.4	-11.5	-5.2	5.8	5.0	4.8	5.1
C Personal Goods	3.2	-5.5	-4.2	6.9	11.3	11.7	11.0	-1.8	1.9	6.8	3.3	3.3	3.6
D Tobacco	0.1	12.0	7.6	7.7	12.7	11.8	10.9	15.2	10.2	8.0	3.8	4.2	4.5
<b>Health Care</b>	<b>9.7</b>	<b>8.9</b>	<b>13.8</b>	<b>9.9</b>	<b>12.9</b>	<b>11.3</b>	<b>10.3</b>	<b>8.6</b>	<b>10.4</b>	<b>9.8</b>	<b>3.3</b>	<b>3.6</b>	<b>4.0</b>
D Health Care Eq & Servs	1.3	7.4	11.8	13.5	16.4	14.6	12.9	-6.0	11.1	12.6	1.6	1.8	2.0
D Pharmaceuticals & Bio	8.4	9.0	14.1	9.5	12.4	10.9	10.0	9.9	10.3	9.6	3.6	3.9	4.3
<b>Consumer Services</b>	<b>6.6</b>	<b>-9.6</b>	<b>1.2</b>	<b>10.6</b>	<b>11.2</b>	<b>11.0</b>	<b>10.0</b>	<b>-0.3</b>	<b>1.0</b>	<b>6.7</b>	<b>5.1</b>	<b>5.1</b>	<b>5.5</b>
D Food & Drug Retailers	1.6	-1.0	2.5	7.9	11.6	11.3	10.5	0.7	3.2	6.7	3.4	3.5	3.8
C General Retailers	1.7	1.7	-0.1	9.2	12.5	12.5	11.5	7.1	3.5	8.5	4.8	5.0	5.4
C Media	2.1	-2.4	4.1	6.5	9.5	9.1	8.6	0.7	-0.2	5.2	6.6	6.5	6.9
C Travel & Leisure	1.2	-38.6	-5.5	28.2	12.7	13.4	10.4	-11.6	-1.7	7.6	5.0	5.0	5.3
<b>Telecommunications</b>	<b>8.0</b>	<b>0.1</b>	<b>5.2</b>	<b>6.9</b>	<b>9.5</b>	<b>9.0</b>	<b>8.4</b>	<b>-6.2</b>	<b>7.1</b>	<b>6.3</b>	<b>7.2</b>	<b>7.7</b>	<b>8.2</b>
D Fixed-Line Telecoms	5.8	-0.9	5.7	7.1	9.3	8.8	8.2	0.4	7.8	6.2	7.2	7.8	8.2
D Mobile Telecoms	2.2	3.1	3.6	6.3	10.0	9.6	9.0	-15.8	5.2	6.4	7.1	7.5	8.0
<b>Utilities</b>	<b>11.9</b>	<b>1.5</b>	<b>9.3</b>	<b>8.2</b>	<b>11.0</b>	<b>10.1</b>	<b>9.3</b>	<b>27.3</b>	<b>2.2</b>	<b>7.2</b>	<b>5.6</b>	<b>5.8</b>	<b>6.2</b>
D Electricity	6.3	6.1	9.3	6.8	12.2	11.2	10.5	3.4	6.1	6.2	4.9	5.2	5.5
D Gas, Water & Multi-Utils	5.6	-2.4	9.3	9.5	9.9	9.0	8.3	56.5	-1.1	8.2	6.4	6.4	6.9
<b>Financials</b>	<b>19.5</b>	<b>-62.2</b>	<b>75.2</b>	<b>14.3</b>	<b>10.6</b>	<b>6.0</b>	<b>5.3</b>	<b>-42.3</b>	<b>18.7</b>	<b>16.5</b>	<b>5.9</b>	<b>7.0</b>	<b>8.2</b>
F Banks	11.4	-64.8	90.5	13.3	10.6	5.6	4.9	-52.0	28.5	19.9	5.6	7.2	8.6
F Non-Life Insurance	4.9	-45.7	29.0	14.3	8.1	6.2	5.5	-26.9	16.6	10.1	5.9	6.8	7.5
F Life insurance	1.1	-85.1	202.4	27.1	16.8	5.5	4.4	-49.2	-20.4	19.2	8.9	7.0	8.4
F Real Estate	0.6	12.0	-1.5	13.3	12.3	12.5	11.0	21.6	3.0	3.9	7.7	7.9	8.2
F General Financial	1.6	-78.0	199.6	11.8	27.4	9.2	8.2	49.3	5.9	13.6	5.5	5.8	6.6
<b>Technology</b>	<b>3.8</b>	<b>-0.4</b>	<b>-34.6</b>	<b>48.1</b>	<b>10.6</b>	<b>16.2</b>	<b>10.9</b>	<b>-18.3</b>	<b>0.1</b>	<b>12.9</b>	<b>2.5</b>	<b>3.0</b>	<b>3.4</b>
T Softw & Comp Servs	1.6	4.4	10.6	12.8	14.7	13.3	11.8	-3.7	3.1	12.7	0.8	2.2	2.5
T Tech Hardw & Equip	2.2	-2.3	-53.8	84.0	8.8	19.2	10.4	-20.4	-0.4	13.0	3.6	3.6	4.0
<b>MSCI Europe ex-UK</b>	<b>100.0</b>	<b>-21.7</b>	<b>5.2</b>	<b>12.5</b>	<b>9.4</b>	<b>8.9</b>	<b>7.9</b>	<b>-14.5</b>	<b>5.0</b>	<b>9.4</b>	<b>5.1</b>	<b>5.3</b>	<b>5.8</b>
C Cyclical	29.8	-4.5	-19.4	11.4	8.1	10.1	9.0	-5.5	-2.3	6.0	4.7	4.6	4.9
O Oil & gas	8.0	13.8	-19.3	13.3	6.2	7.6	6.7	2.9	-3.7	5.0	7.0	6.7	7.0
D Defensives	38.5	2.6	7.6	9.0	11.2	10.4	9.6	7.3	5.3	7.8	4.8	5.1	5.5
T Technology	4.3	0.2	-32.7	38.2	9.9	14.8	10.7	-13.0	-5.0	11.0	3.0	3.3	3.7
F Financials	19.5	-62.2	75.2	14.3	10.6	6.0	5.3	-42.3	18.7	16.5	5.9	7.0	8.2

Source: HSBC, Thomson Financial Datastream, I/B/E/S, MSCI as at 02/02/2009

## UK

### Consensus earnings, PE, dividends and dividend yields

	Market cap (%)	EPS growth (%)			PE (x)			DPS growth (%)			Dividend yield (%)		
		2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e
<b>Oil &amp; Gas</b>	<b>23.1</b>	<b>23.9</b>	<b>-32.1</b>	<b>14.5</b>	<b>5.5</b>	<b>8.2</b>	<b>7.1</b>	<b>16.3</b>	<b>6.9</b>	<b>4.5</b>	<b>5.9</b>	<b>6.3</b>	<b>6.6</b>
O Oil & Gas Producers	22.9	23.9	-32.3	14.5	5.5	8.1	7.1	16.3	6.9	4.5	6.0	6.4	6.7
O Oil Equip Servs & Disn	0.2	54.1	18.1	9.9	13.2	11.2	10.1	16.4	12.8	11.6	2.9	3.3	3.6
<b>Basic Materials</b>	<b>7.6</b>	<b>16.4</b>	<b>-43.5</b>	<b>16.3</b>	<b>3.4</b>	<b>6.1</b>	<b>5.2</b>	<b>-2.7</b>	<b>3.5</b>	<b>2.1</b>	<b>5.4</b>	<b>5.6</b>	<b>5.7</b>
C Chemicals	0.2	-0.5	-11.8	10.3	10.6	12.0	10.9	3.6	2.5	4.0	4.1	4.2	4.3
C Forestry & Paper	0.0	n/m	n/m	n/m				n/m	n/m	n/m			
C Industrial Metals	0.0	n/m	n/m	n/m				n/m	n/m	n/m			
C Mining	7.4	16.6	-43.8	16.4	3.4	6.0	5.2	-2.8	3.5	2.0	5.4	5.6	5.7
<b>Industrials</b>	<b>4.8</b>	<b>13.8</b>	<b>1.2</b>	<b>7.2</b>	<b>10.0</b>	<b>9.9</b>	<b>9.2</b>	<b>3.5</b>	<b>1.4</b>	<b>8.2</b>	<b>4.0</b>	<b>4.0</b>	<b>4.3</b>
C Construction & Mtls	0.2	13.9	3.2	1.0	9.4	9.1	9.1	27.9	6.8	5.5	3.6	3.8	4.1
C Aerospace	2.3	16.1	6.7	5.7	10.1	9.5	9.0	12.5	7.3	7.6	3.8	4.1	4.4
C General Industrials	0.6	41.1	7.9	12.9	9.8	9.1	8.1	-1.0	-4.4	3.9	6.1	5.8	6.1
T Electronic & Elect Equip	0.0	n/m	n/m	n/m				n/m	n/m	n/m			
C Industrial Engineering	0.1	16.5	-9.1	-0.2	5.5	6.1	6.1	2.7	3.2	1.5	8.0	8.2	8.3
C Industrial Transportation	0.0	n/m	n/m	n/m				n/m	n/m	n/m			
C Support Services	1.7	3.1	-8.2	8.6	10.3	11.2	10.3	-7.6	-5.0	13.6	3.2	3.1	3.5
<b>Consumer Goods</b>	<b>14.7</b>	<b>8.1</b>	<b>9.7</b>	<b>9.4</b>	<b>13.9</b>	<b>12.7</b>	<b>11.6</b>	<b>11.1</b>	<b>11.3</b>	<b>9.2</b>	<b>3.8</b>	<b>4.2</b>	<b>4.6</b>
C Automobiles & Parts	0.1	-27.9	-55.6	102.6	4.1	9.1	4.5	-43.1	-12.0	20.6	9.4	8.3	10.0
D Beverages	3.8	4.9	7.9	12.5	13.4	12.4	11.0	1.7	4.2	9.1	3.8	4.0	4.4
D Food Producers	3.2	2.5	8.3	8.3	13.2	12.2	11.3	2.1	9.5	7.1	3.8	4.2	4.5
C Household Goods	1.9	14.8	10.2	0.8	16.7	15.2	15.0	24.8	13.3	10.0	2.5	2.8	3.1
C Leisure Goods	0.0	n/m	n/m	n/m				n/m	n/m	n/m			
C Personal Goods	0.1	-13.9	2.0	7.6	9.4	9.2	8.5	-1.1	0.9	7.6	4.7	4.7	5.1
D Tobacco	5.5	15.7	14.3	9.3	14.4	12.6	11.6	25.3	17.3	10.1	4.0	4.7	5.2
<b>Health Care</b>	<b>11.0</b>	<b>19.7</b>	<b>5.1</b>	<b>5.7</b>	<b>9.9</b>	<b>9.4</b>	<b>8.9</b>	<b>2.7</b>	<b>7.3</b>	<b>8.5</b>	<b>4.5</b>	<b>4.9</b>	<b>5.3</b>
D Health Care Eq & Servs	0.4	33.9	14.8	19.6	13.7	11.9	10.0	43.1	10.9	17.2	1.8	2.0	2.4
D Pharmaceuticals & Bio	10.6	19.3	4.9	5.3	9.8	9.4	8.9	2.3	7.2	8.4	4.7	5.0	5.4
<b>Consumer Services</b>	<b>9.9</b>	<b>-10.3</b>	<b>-0.3</b>	<b>11.7</b>	<b>11.1</b>	<b>11.2</b>	<b>10.0</b>	<b>7.6</b>	<b>-0.9</b>	<b>9.2</b>	<b>4.4</b>	<b>4.3</b>	<b>4.7</b>
D Food & Drug Retailers	3.9	4.7	7.6	10.0	13.4	12.5	11.4	10.3	8.7	9.2	3.3	3.6	3.9
C General Retailers	1.1	-25.5	-18.1	10.8	8.8	10.8	9.7	-15.6	-9.2	4.3	6.0	5.4	5.7
C Media	2.9	-0.7	2.8	7.3	11.4	11.1	10.4	12.9	5.9	6.3	4.3	4.6	4.9
C Travel & Leisure	2.0	-27.1	-3.9	20.2	9.1	9.5	7.9	18.0	-14.9	16.5	5.5	4.7	5.5
<b>Telecommunications</b>	<b>7.8</b>	<b>5.2</b>	<b>8.4</b>	<b>5.3</b>	<b>8.8</b>	<b>8.1</b>	<b>7.7</b>	<b>-1.2</b>	<b>3.1</b>	<b>2.6</b>	<b>6.7</b>	<b>6.9</b>	<b>7.1</b>
D Fixed-Line Telecomms	1.2	-11.1	3.3	5.5	6.7	6.4	6.1	-21.9	0.2	-2.6	9.5	9.5	9.2
D Mobile Telecomms	6.6	10.2	9.7	5.3	9.3	8.5	8.1	6.3	3.9	4.0	6.2	6.5	6.7
<b>Utilities</b>	<b>5.0</b>	<b>-3.0</b>	<b>5.2</b>	<b>4.7</b>	<b>10.8</b>	<b>10.3</b>	<b>9.8</b>	<b>8.3</b>	<b>5.4</b>	<b>6.1</b>	<b>5.6</b>	<b>5.8</b>	<b>6.2</b>
D Electricity	1.6	0.5	4.2	7.7	9.6	9.2	8.5	28.8	4.6	5.8	5.8	6.1	6.4
D Gas, Water & Multi-Utils	3.4	-4.8	5.7	3.0	11.5	10.9	10.5	0.4	5.8	6.2	5.4	5.7	6.1
<b>Financials</b>	<b>15.8</b>	<b>-57.3</b>	<b>-3.9</b>	<b>9.9</b>	<b>5.8</b>	<b>6.1</b>	<b>5.5</b>	<b>-9.3</b>	<b>-19.2</b>	<b>4.4</b>	<b>11.1</b>	<b>9.0</b>	<b>9.4</b>
F Banks	10.7	-65.2	-7.6	7.3	5.7	6.2	5.8	-12.4	-26.2	3.9	12.3	9.1	9.4
F Non-Life Insurance	0.6	8.1	0.9	6.6	9.8	9.7	9.1	12.1	7.1	9.9	5.8	6.2	6.9
F Life insurance	2.8	13.4	-0.2	4.9	4.4	4.4	4.2	-3.4	4.7	5.4	8.5	8.9	9.3
F Real Estate	0.8	-3.2	-5.9	1.2	8.3	8.8	8.7	-0.1	-2.4	0.7	9.6	9.3	9.4
F General Financial	0.9	-83.6	120.2	116.2	24.2	11.0	5.1	15.3	-1.9	7.2	9.9	9.7	10.4
<b>Technology</b>	<b>0.4</b>	<b>7.3</b>	<b>-0.3</b>	<b>5.6</b>	<b>8.3</b>	<b>8.4</b>	<b>7.9</b>	<b>-1.1</b>	<b>5.0</b>	<b>6.3</b>	<b>3.9</b>	<b>4.1</b>	<b>4.4</b>
T Softw & Comp Servs	0.4	7.3	-0.3	5.6	8.3	8.4	7.9	-1.1	5.0	6.3	3.9	4.1	4.4
T Tech Hardw & Equip	0.0	n/m	n/m	n/m				n/m	n/m	n/m			
<b>MSCI UK</b>	<b>100.0</b>	<b>-13.9</b>	<b>-15.3</b>	<b>10.6</b>	<b>7.1</b>	<b>8.4</b>	<b>7.6</b>	<b>2.1</b>	<b>-1.6</b>	<b>5.5</b>	<b>6.0</b>	<b>5.9</b>	<b>6.2</b>
<b>Cyclicals</b>	<b>20.5</b>	<b>8.5</b>	<b>-28.3</b>	<b>13.0</b>	<b>6.0</b>	<b>8.4</b>	<b>7.4</b>	<b>2.2</b>	<b>0.8</b>	<b>6.0</b>	<b>4.7</b>	<b>4.7</b>	<b>5.0</b>
O Oil & gas	23.1	23.9	-32.1	14.5	5.5	8.2	7.1	16.3	6.9	4.5	5.9	6.3	6.6
D Defensives	40.2	8.8	7.5	6.9	11.0	10.2	9.6	4.9	7.0	6.8	4.8	5.1	5.5
T Technology	0.4	7.3	-0.3	5.6	8.3	8.4	7.9	-1.1	5.0	6.3	3.9	4.1	4.4
F Financials	15.8	-57.3	-3.9	9.9	5.8	6.1	5.5	-9.3	-19.2	4.4	11.1	9.0	9.4

Source: HSBC, Thomson Financial Datastream, I/B/E/S, MSCI as at 02/02/2009

## US

### Consensus earnings, PE, dividends and dividend yields

	Market cap weight (%)	EPS growth (%)			PE (x)			DPS growth (%)			Dividend yield (%)		
		2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e
<b>Oil &amp; Gas</b>	<b>13.2</b>	<b>23.1</b>	<b>-41.5</b>	<b>28.5</b>	<b>6.9</b>	<b>11.7</b>	<b>9.1</b>	<b>9.9</b>	<b>4.9</b>	<b>7.9</b>	<b>2.1</b>	<b>2.3</b>	<b>2.5</b>
O Oil & Gas Producers	11.0	23.2	-46.8	39.3	7.1	13.3	9.6	10.3	6.5	8.0	2.2	2.4	2.6
O Oil Equip Servs & Disn	2.2	22.3	-19.0	-1.7	6.0	7.4	7.5	8.7	0.4	7.0	1.9	1.9	2.1
<b>Basic Materials</b>	<b>2.4</b>	<b>-7.1</b>	<b>-30.0</b>	<b>29.0</b>	<b>7.7</b>	<b>10.9</b>	<b>8.5</b>	<b>-2.5</b>	<b>-4.3</b>	<b>4.9</b>	<b>4.1</b>	<b>3.9</b>	<b>4.1</b>
C Chemicals	1.5	-5.4	-14.4	15.0	8.4	9.8	8.5	0.2	2.9	4.0	4.3	4.6	4.7
C Forestry & Paper	0.0	-9.0	-90.1	235.0	4.0	40.5	12.1	n/m	n/m	20.5	12.4	10.3	12.4
C Industrial Metals	0.5	-25.2	-71.8	137.7	5.2	18.3	7.7	-7.6	-20.6	4.8	5.1	3.5	3.7
C Mining	0.4	90.5	15.0	8.2	11.2	9.8	9.0	0.7	3.9	4.1	1.0	1.1	1.2
<b>Industrials</b>	<b>11.5</b>	<b>-0.1</b>	<b>-14.2</b>	<b>8.7</b>	<b>9.1</b>	<b>10.6</b>	<b>9.8</b>	<b>12.1</b>	<b>4.4</b>	<b>2.0</b>	<b>3.6</b>	<b>3.8</b>	<b>3.9</b>
C Construction & Mtls	0.7	-21.0	-11.6	23.1	12.8	14.4	11.7	2.6	-13.3	-0.4	3.2	2.9	2.9
C Aerospace	2.5	3.7	5.5	6.5	9.7	9.2	8.6	10.3	7.8	5.0	2.6	2.9	3.0
C General Industrials	2.8	-8.5	-25.3	6.2	7.3	9.8	9.2	-0.6	7.6	-0.1	6.8	7.2	7.2
T Electronic & Elect Equip	1.0	10.9	-26.8	9.2	9.0	12.2	11.2	4.5	5.3	4.3	1.5	2.0	2.1
C Industrial Engineering	1.1	4.9	-31.9	4.4	7.0	10.2	9.8	47.7	5.2	-2.3	3.6	3.7	3.6
C Industrial Transportation	1.6	5.8	-4.9	15.1	10.8	11.3	9.9	13.0	8.3	9.9	2.5	2.8	3.1
C Support Services	1.7	10.1	0.1	9.9	12.5	12.5	11.4	9.4	4.3	2.9	2.3	1.9	1.9
<b>Consumer Goods</b>	<b>11.2</b>	<b>-42.6</b>	<b>23.7</b>	<b>42.5</b>	<b>21.2</b>	<b>17.1</b>	<b>12.0</b>	<b>10.6</b>	<b>7.0</b>	<b>8.1</b>	<b>3.9</b>	<b>3.7</b>	<b>4.0</b>
C Automobiles & Parts	0.3	n/m	n/m	n/m	n/m	n/m	n/m	-13.7	-20.2	20.2	4.8	3.8	4.6
D Beverages	2.6	10.7	3.8	6.9	13.1	12.7	11.8	10.8	10.0	9.1	3.1	3.5	3.8
D Food Producers	2.6	12.7	8.7	7.6	14.2	13.0	12.1	14.7	1.5	4.1	2.8	2.9	3.0
C Household Goods	2.4	-0.5	52.1	8.1	20.4	13.4	12.4	9.1	5.7	10.6	2.9	3.1	3.4
C Leisure Goods	0.4	-26.4	16.2	11.2	12.8	11.0	9.5	-0.8	16.5	-12.4	2.2	2.5	2.1
C Personal Goods	1.2	10.8	1.8	9.6	12.4	12.2	11.1	13.6	8.1	11.0	2.8	3.2	3.5
D Tobacco	1.7	-50.1	3.5	8.1	10.6	10.3	9.5	31.0	15.6	7.7	8.9	6.7	7.2
<b>Health Care</b>	<b>15.8</b>	<b>8.8</b>	<b>4.0</b>	<b>10.4</b>	<b>12.2</b>	<b>11.8</b>	<b>10.7</b>	<b>7.8</b>	<b>3.7</b>	<b>6.3</b>	<b>2.2</b>	<b>2.3</b>	<b>2.5</b>
D Health Care Eq & Servs	4.6	3.6	9.1	11.3	12.5	11.5	10.3	24.0	6.7	10.9	0.6	0.7	0.8
D Pharmaceuticals & Bio	11.1	11.1	1.9	10.0	12.1	11.9	10.8	6.7	3.4	5.9	2.9	3.0	3.2
<b>Consumer Services</b>	<b>11.9</b>	<b>7.5</b>	<b>-9.3</b>	<b>13.5</b>	<b>10.9</b>	<b>12.0</b>	<b>10.5</b>	<b>3.8</b>	<b>-1.2</b>	<b>9.4</b>	<b>1.9</b>	<b>2.0</b>	<b>2.2</b>
D Food & Drug Retailers	1.8	14.3	1.9	12.2	11.1	10.9	9.7	11.1	5.8	9.5	1.6	1.7	1.8
C General Retailers	5.9	-6.1	-3.2	13.9	12.9	13.4	11.7	0.5	5.0	7.4	1.9	2.0	2.1
C Media	2.6	37.4	-23.3	15.8	7.6	9.9	8.6	6.0	8.9	7.0	1.6	2.0	2.2
C Travel & Leisure	1.7	-0.7	-7.9	9.6	11.7	12.7	11.6	10.1	-53.3	17.8	2.9	2.6	3.0
<b>Telecommunications</b>	<b>3.4</b>	<b>-1.8</b>	<b>-20.0</b>	<b>11.3</b>	<b>10.6</b>	<b>13.2</b>	<b>11.9</b>	<b>3.6</b>	<b>3.7</b>	<b>4.0</b>	<b>5.9</b>	<b>6.1</b>	<b>6.4</b>
D Fixed-Line Telecoms	3.2	7.3	-17.9	10.7	10.3	12.5	11.3	6.6	3.7	4.0	6.2	6.5	6.8
D Mobile Telecoms	0.2	-70.5	-77.3	67.4	18.1	79.8	47.6	n/m	n/m	n/m	0.1	n/a	n/a
<b>Utilities</b>	<b>4.5</b>	<b>3.8</b>	<b>1.5</b>	<b>10.4</b>	<b>11.6</b>	<b>11.5</b>	<b>10.4</b>	<b>6.4</b>	<b>3.9</b>	<b>4.1</b>	<b>4.3</b>	<b>4.5</b>	<b>4.7</b>
D Electricity	3.5	3.9	2.7	10.7	11.8	11.5	10.4	7.2	3.7	3.9	4.1	4.3	4.5
D Gas, Water & Multi-Utils	1.1	3.5	-2.1	9.4	11.1	11.4	10.4	5.1	4.2	4.8	4.9	5.1	5.3
<b>Financials</b>	<b>11.5</b>	<b>-80.4</b>	<b>132.2</b>	<b>56.1</b>	<b>27.0</b>	<b>11.6</b>	<b>7.5</b>	<b>-7.5</b>	<b>-37.2</b>	<b>-0.2</b>	<b>6.9</b>	<b>4.8</b>	<b>4.8</b>
F Banks	4.2	n/m	n/m	227.6	n/m	23.2	7.1	-12.3	-56.1	-1.5	11.2	5.9	5.8
F Non-Life Insurance	1.9	-80.3	203.6	12.3	19.5	6.4	5.7	-3.9	-18.3	1.5	4.6	4.1	4.1
F Life insurance	0.8	-27.4	14.5	15.9	5.9	5.2	4.5	-16.5	-15.6	5.5	3.3	3.1	3.2
F Real Estate	1.2	12.2	-43.4	-0.7	11.8	20.8	21.0	19.0	-4.9	-1.6	9.7	8.8	8.6
F General Financial	3.3	-43.3	7.6	27.2	12.3	11.5	9.0	-13.3	-3.8	1.6	2.4	2.7	2.7
<b>Technology</b>	<b>14.7</b>	<b>12.9</b>	<b>-16.7</b>	<b>20.3</b>	<b>11.7</b>	<b>14.0</b>	<b>11.7</b>	<b>9.8</b>	<b>2.7</b>	<b>3.8</b>	<b>0.9</b>	<b>1.0</b>	<b>1.0</b>
T Softw & Comp Servs	7.0	20.8	1.0	10.4	11.4	11.3	10.2	0.5	-6.3	4.9	0.4	0.5	0.5
T Tech Hardw & Equip	7.7	6.1	-33.7	34.9	12.0	18.1	13.4	10.0	2.8	3.4	1.3	1.4	1.4
<b>MSCI US</b>	<b>100.0</b>	<b>-13.4</b>	<b>-7.9</b>	<b>23.0</b>	<b>11.4</b>	<b>12.4</b>	<b>10.0</b>	<b>2.7</b>	<b>-7.9</b>	<b>4.6</b>	<b>3.1</b>	<b>3.0</b>	<b>3.1</b>
C Cyclicals	27.3	-10.3	-10.5	23.4	11.5	12.8	10.4	5.3	0.7	5.3	3.0	3.1	3.3
O Oil & gas	13.2	23.1	-41.5	28.5	6.9	11.7	9.1	9.9	4.9	7.9	2.1	2.3	2.5
D Defensives	32.4	4.0	0.9	10.0	12.0	11.9	10.8	8.2	5.1	5.8	3.3	3.4	3.6
T Technology	15.7	12.7	-17.5	19.4	11.5	13.9	11.6	9.8	2.7	3.8	0.9	1.0	1.1
F Financials	11.5	-80.4	132.2	56.1	27.0	11.6	7.5	-7.5	-37.2	-0.2	6.9	4.8	4.8

Source: HSBC, Thomson Financial Datastream, I/B/E/S, MSCI as at 02/02/2009

## Japan

### Consensus earnings, PE, dividends and dividend yields

	Market cap weight (%)	EPS growth (%)			PE (x)			DPS growth (%)			Dividend yield (%)		
		2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e
<b>Oil &amp; Gas</b>	<b>1.9</b>	<b>-89.1</b>	<b>455.8</b>	<b>26.3</b>	<b>69.1</b>	<b>12.4</b>	<b>9.8</b>	<b>11.6</b>	<b>-0.1</b>	<b>0.5</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>
O Oil & Gas Producers	1.9	-89.1	455.8	26.3	69.1	12.4	9.8	11.6	-0.1	0.5	2.8	2.8	2.8
O Oil Equip Servs & Disn	0.0	n/m	n/m	n/m				n/m	n/m	n/m			
<b>Basic Materials</b>	<b>6.9</b>	<b>-37.6</b>	<b>-27.5</b>	<b>30.4</b>	<b>9.8</b>	<b>13.5</b>	<b>10.3</b>	<b>-6.5</b>	<b>-10.9</b>	<b>-0.6</b>	<b>3.5</b>	<b>3.1</b>	<b>3.1</b>
C Chemicals	3.5	-50.7	-3.4	25.9	14.6	15.1	12.0	-1.3	-3.7	1.7	3.2	3.1	3.1
C Forestry & Paper	0.3	123.1	41.6	-7.6	17.3	12.2	13.2	0.6	0.0	0.0	3.1	3.1	3.1
C Industrial Metals	3.1	-29.6	-43.6	38.8	6.8	12.1	8.7	-11.3	-18.3	-3.1	3.9	3.2	3.1
C Mining	0.0	n/m	n/m	n/m				n/m	n/m	n/m			
<b>Industrials</b>	<b>15.4</b>	<b>-44.6</b>	<b>0.3</b>	<b>19.9</b>	<b>12.4</b>	<b>12.4</b>	<b>10.3</b>	<b>-3.1</b>	<b>-15.2</b>	<b>1.3</b>	<b>3.2</b>	<b>2.7</b>	<b>2.7</b>
C Construction & Mtls	1.8	-50.1	26.4	16.4	18.9	14.9	12.8	-11.7	-0.6	3.1	3.0	3.0	3.1
C Aerospace	0.0	n/m	n/m	n/m				n/m	n/m	n/m			
C General Industrials	0.9	n/m	n/m	369.9	n/m	49.1	10.4	-21.2	-13.4	3.0	2.9	2.5	2.6
T Electronic & Elect Equip	3.8	n/m	n/m	78.4	n/m	35.5	19.9	-5.1	-9.8	-2.6	2.4	2.1	2.1
C Industrial Engineering	4.2	-39.6	-31.6	30.5	12.0	17.6	13.5	-7.5	-19.0	3.0	2.7	2.2	2.2
C Industrial Transportation	1.2	-5.3	-24.7	-10.3	5.6	7.5	8.3	2.3	-15.4	-3.5	4.3	3.6	3.5
C Support Services	3.6	6.0	-25.7	4.1	4.4	6.0	5.7	7.2	-20.7	3.1	4.5	3.5	3.6
<b>Consumer Goods</b>	<b>21.7</b>	<b>-76.0</b>	<b>-30.8</b>	<b>137.4</b>	<b>29.6</b>	<b>42.8</b>	<b>18.0</b>	<b>-12.7</b>	<b>-16.7</b>	<b>5.7</b>	<b>3.3</b>	<b>2.7</b>	<b>2.9</b>
C Automobiles & Parts	10.6	-89.2	n/m	n/m	48.1	n/m	26.3	-28.0	-29.9	16.2	3.4	2.4	2.8
D Beverages	1.1	23.9	-22.7	6.5	13.4	17.3	16.2	7.7	1.1	4.0	1.9	1.9	2.0
D Food Producers	1.3	-8.9	27.0	12.3	25.4	20.0	17.8	1.6	1.9	2.6	1.6	1.6	1.6
C Household Goods	0.8	4.4	4.0	18.8	11.0	10.6	8.9	-11.6	-3.6	6.2	3.5	3.4	3.6
C Leisure Goods	5.4	-74.2	69.8	38.8	33.5	19.8	14.2	19.2	-5.5	-7.5	4.1	3.9	3.6
C Personal Goods	1.4	-20.1	27.6	9.1	20.8	16.3	15.0	7.0	4.8	8.5	2.4	2.5	2.7
D Tobacco	1.2	-30.3	10.1	14.1	14.5	13.2	11.6	8.3	4.2	8.6	2.1	2.1	2.3
<b>Health Care</b>	<b>6.8</b>	<b>-58.0</b>	<b>131.4</b>	<b>7.3</b>	<b>33.3</b>	<b>14.4</b>	<b>13.4</b>	<b>2.4</b>	<b>6.5</b>	<b>7.3</b>	<b>3.1</b>	<b>3.3</b>	<b>3.5</b>
D Health Care Eq & Servs	0.5	-48.4	12.9	26.3	19.1	16.9	13.4	-0.2	-1.7	3.3	1.7	1.7	1.7
D Pharmaceuticals & Bio	6.3	-59.1	148.5	6.1	35.3	14.2	13.4	2.6	6.9	7.5	3.2	3.4	3.6
<b>Consumer Services</b>	<b>10.1</b>	<b>-11.3</b>	<b>8.5</b>	<b>14.2</b>	<b>17.4</b>	<b>16.0</b>	<b>14.1</b>	<b>5.3</b>	<b>2.9</b>	<b>6.5</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>
D Food & Drug Retailers	0.4	15.3	7.5	5.5	17.3	16.1	15.2	29.1	1.4	-1.0	2.9	3.0	2.9
C General Retailers	3.5	-12.6	23.5	11.8	19.1	15.4	13.8	2.1	3.7	5.3	1.7	1.8	1.9
C Media	1.2	-26.2	16.6	12.5	21.8	18.7	16.6	7.9	1.5	2.9	2.3	2.4	2.4
C Travel & Leisure	4.9	-8.6	-1.8	17.0	15.6	15.9	13.6	4.0	2.9	10.2	1.4	1.4	1.5
<b>Telecommunications</b>	<b>8.5</b>	<b>-2.6</b>	<b>6.0</b>	<b>3.9</b>	<b>11.7</b>	<b>11.0</b>	<b>10.6</b>	<b>5.8</b>	<b>3.3</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>
D Fixed-Line Telecoms	3.2	-12.1	1.1	1.6	10.7	10.6	10.4	18.3	3.9	1.4	2.5	2.6	2.6
D Mobile Telecoms	5.2	5.5	9.5	5.4	12.4	11.3	10.7	-0.6	2.9	3.2	2.5	2.5	2.6
<b>Utilities</b>	<b>7.5</b>	<b>-59.3</b>	<b>827.0</b>	<b>-17.4</b>	<b>142.9</b>	<b>15.4</b>	<b>18.7</b>	<b>-2.2</b>	<b>2.0</b>	<b>1.2</b>	<b>2.2</b>	<b>2.3</b>	<b>2.3</b>
D Electricity	6.4	-87.6	3,793.0	-16.1	617.8	15.9	18.9	-2.4	1.7	1.3	2.3	2.3	2.4
D Gas, Water & Multi-Utils	1.1	-6.8	95.6	-23.8	25.8	13.2	17.3	-1.2	3.7	0.6	1.8	1.9	1.9
<b>Financials</b>	<b>15.0</b>	<b>-85.0</b>	<b>373.0</b>	<b>19.9</b>	<b>62.4</b>	<b>13.2</b>	<b>11.0</b>	<b>-4.2</b>	<b>2.2</b>	<b>4.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.7</b>
F Banks	9.6	-68.1	109.1	12.8	25.0	12.0	10.6	3.1	5.0	2.9	2.6	2.7	2.8
F Non-Life Insurance	2.2	n/m	1,760.2	29.3	369.9	19.9	15.4	-1.0	4.1	3.8	2.1	2.2	2.2
F Life insurance	0.6	-38.6	89.4	19.9	34.8	18.4	15.3	0.1	2.3	-0.6	1.7	1.8	1.7
F Real Estate	0.7	n/m	n/m	n/m				n/m	n/m	n/m	n/a	n/a	n/a
F General Financial	1.9	n/m	n/m	53.9	n/m	13.8	8.9	-23.4	-8.1	12.4	4.0	3.7	4.1
<b>Technology</b>	<b>6.3</b>	<b>-69.5</b>	<b>0.9</b>	<b>83.6</b>	<b>32.2</b>	<b>31.9</b>	<b>17.4</b>	<b>-9.0</b>	<b>-14.8</b>	<b>7.3</b>	<b>2.7</b>	<b>2.3</b>	<b>2.4</b>
T Softw & Comp Servs	2.0	19.6	7.6	7.6	15.9	14.8	13.8	7.2	2.9	8.5	1.6	1.6	1.8
T Tech Hardw & Equip	4.2	-85.9	-9.6	226.0	57.8	63.9	19.6	-12.2	-19.0	6.9	3.2	2.6	2.8
<b>MSCI Japan</b>	<b>100.0</b>	<b>-56.0</b>	<b>28.1</b>	<b>25.9</b>	<b>20.9</b>	<b>16.3</b>	<b>13.0</b>	<b>-4.7</b>	<b>-7.3</b>	<b>3.9</b>	<b>2.8</b>	<b>2.6</b>	<b>2.7</b>
C Cyclicals	46.4	-50.5	-20.9	42.6	14.4	18.2	12.8	-8.2	-14.3	3.9	3.1	2.7	2.8
O Oil & gas	1.9	-89.1	455.8	26.3	69.1	12.4	9.8	11.6	-0.1	0.5	2.8	2.8	2.8
D Defensives	26.6	-24.7	61.6	0.3	21.9	13.5	13.5	2.9	3.9	3.9	2.5	2.6	2.7
T Technology	10.0	n/m	n/m	81.7	n/m	33.2	18.3	-7.7	-13.0	3.7	2.5	2.2	2.3
F Financials	15.0	-85.0	373.0	19.9	62.4	13.2	11.0	-4.2	2.2	4.6	2.6	2.6	2.7

Source: HSBC, Thomson Financial Datastream, I/B/E/S, MSCI as at 02/02/2009

## Asia ex-Japan

### Consensus earnings, PE, dividends and dividend yields

	Market cap weight (%)	EPS growth (%)			PE (x)			DPS growth (%)			Dividend yield (%)		
		2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e	2008e	2009e	2010e
<b>Oil &amp; Gas</b>	<b>9.4</b>	<b>3.0</b>	<b>-3.6</b>	<b>18.8</b>	<b>8.6</b>	<b>8.9</b>	<b>7.6</b>	<b>-6.2</b>	<b>-10.8</b>	<b>9.9</b>	<b>4.4</b>	<b>3.9</b>	<b>4.3</b>
O Oil & Gas Producers	9.2	2.5	-4.1	19.1	8.6	9.0	7.6	-6.8	-11.4	9.9	4.4	3.9	4.3
O Oil Equip Servs & Disn	0.1	44.4	24.9	8.9	7.8	6.2	5.7	46.2	21.5	8.8	4.9	5.9	6.4
<b>Basic Materials</b>	<b>8.9</b>	<b>-16.2</b>	<b>-4.6</b>	<b>11.6</b>	<b>8.0</b>	<b>8.4</b>	<b>7.5</b>	<b>-9.6</b>	<b>-7.5</b>	<b>8.7</b>	<b>4.5</b>	<b>4.2</b>	<b>4.5</b>
C Chemicals	2.0	-26.8	-8.0	21.0	8.6	9.4	7.7	-32.4	-20.1	13.5	6.5	5.2	5.9
C Forestry & Paper	0.0	n/m	n/m	n/m				n/m	n/m	n/m			
C Industrial Metals	2.8	-33.8	-0.9	24.0	7.3	7.4	5.9	-6.8	-19.5	9.9	4.8	3.8	4.2
C Mining	4.2	15.5	-5.8	-2.5	8.3	8.8	9.0	37.2	15.6	4.7	3.4	3.9	4.1
<b>Industrials</b>	<b>12.4</b>	<b>-29.5</b>	<b>0.5</b>	<b>15.9</b>	<b>10.1</b>	<b>10.1</b>	<b>8.7</b>	<b>-1.3</b>	<b>-8.9</b>	<b>4.3</b>	<b>4.5</b>	<b>4.1</b>	<b>4.3</b>
C Construction & Mtls	3.3	-4.9	-3.5	11.8	10.1	10.5	9.4	10.7	-4.7	5.5	4.0	3.5	3.7
C Aerospace	0.2	-5.9	6.3	5.9	14.6	13.8	13.0	-5.3	6.3	5.9	6.8	7.3	7.7
C General Industrials	3.5	-46.9	27.3	14.1	12.2	9.6	8.4	14.8	-7.6	7.4	4.9	4.6	4.9
T Electronic & Elect Equip	1.2	-11.6	-11.2	18.9	9.3	10.5	8.8	-14.0	-9.3	0.0	4.2	3.8	3.8
C Industrial Engineering	1.9	-7.9	22.0	27.4	9.5	7.8	6.1	6.2	11.2	0.9	3.1	3.5	3.5
C Industrial Transportation	2.1	-45.0	-36.6	6.8	8.3	13.1	12.3	-20.1	-23.6	1.7	6.4	5.1	5.2
C Support Services	0.3	24.7	-31.9	24.8	9.8	14.4	11.5	25.4	-19.1	12.7	3.5	2.8	3.1
<b>Consumer Goods</b>	<b>7.4</b>	<b>-1.2</b>	<b>0.2</b>	<b>16.9</b>	<b>12.3</b>	<b>12.3</b>	<b>10.5</b>	<b>14.4</b>	<b>0.9</b>	<b>10.7</b>	<b>3.3</b>	<b>3.3</b>	<b>3.7</b>
C Automobiles & Parts	1.3	9.9	1.9	17.3	8.2	8.0	6.9	2.4	1.0	6.0	2.8	2.8	3.0
D Beverages	0.8	4.6	8.7	12.8	16.4	15.1	13.3	7.3	7.3	10.7	3.8	4.0	4.5
D Food Producers	2.2	-8.3	-11.0	15.8	10.7	12.0	10.3	48.1	-12.7	10.0	3.2	2.8	3.1
C Household Goods	0.1	0.7	1.6	12.4	10.4	10.3	9.1	-5.8	-10.6	10.9	6.4	5.7	6.3
C Leisure Goods	0.3	-38.6	-32.3	154.2	15.3	22.7	8.9	19.8	-1.4	-1.8	1.8	1.8	1.8
C Personal Goods	1.8	3.0	17.7	8.4	17.1	14.5	13.4	3.0	10.9	15.6	3.5	3.9	4.5
D Tobacco	1.0	12.4	9.2	8.9	16.7	15.3	14.0	3.3	8.6	8.7	3.3	3.5	3.8
<b>Health Care</b>	<b>1.3</b>	<b>12.0</b>	<b>18.6</b>	<b>17.8</b>	<b>19.6</b>	<b>16.6</b>	<b>14.1</b>	<b>0.3</b>	<b>28.3</b>	<b>16.2</b>	<b>1.6</b>	<b>2.0</b>	<b>2.3</b>
D Health Care Eq & Servs	0.2	3.4	15.0	14.1	19.9	17.3	15.1	-20.6	24.8	11.2	3.2	4.0	4.4
D Pharmaceuticals & Bio	1.0	14.3	19.4	18.6	19.5	16.4	13.8	24.2	30.9	19.2	1.3	1.5	1.8
<b>Consumer Services</b>	<b>5.7</b>	<b>-29.2</b>	<b>26.0</b>	<b>11.8</b>	<b>15.4</b>	<b>12.2</b>	<b>10.9</b>	<b>0.8</b>	<b>-8.0</b>	<b>9.3</b>	<b>4.8</b>	<b>4.4</b>	<b>4.8</b>
D Food & Drug Retailers	1.0	24.5	10.8	11.2	19.3	17.4	15.7	21.3	13.0	11.7	3.6	4.1	4.6
C General Retailers	1.6	15.7	1.2	0.5	9.0	8.9	8.8	29.0	-3.6	1.8	5.0	4.8	4.9
C Media	0.3	-6.4	4.7	5.1	10.8	10.4	9.9	13.6	-24.6	5.7	8.2	6.2	6.6
C Travel & Leisure	2.7	-65.6	83.1	24.0	25.8	14.1	11.4	-17.4	-13.5	14.5	4.6	4.0	4.6
<b>Telecommunications</b>	<b>14.3</b>	<b>-12.9</b>	<b>6.4</b>	<b>6.1</b>	<b>10.9</b>	<b>10.2</b>	<b>9.6</b>	<b>2.7</b>	<b>-6.0</b>	<b>7.4</b>	<b>5.6</b>	<b>5.3</b>	<b>5.7</b>
D Fixed-Line Telecoms	4.2	-8.7	3.2	6.5	12.1	11.8	11.0	4.3	2.0	4.4	6.1	6.2	6.5
D Mobile Telecoms	10.1	-14.4	7.6	5.9	10.4	9.7	9.1	2.0	-9.8	9.0	5.4	4.9	5.3
<b>Utilities</b>	<b>5.6</b>	<b>-37.4</b>	<b>27.6</b>	<b>18.2</b>	<b>20.5</b>	<b>16.1</b>	<b>13.6</b>	<b>-14.6</b>	<b>13.4</b>	<b>9.6</b>	<b>2.7</b>	<b>3.1</b>	<b>3.4</b>
D Electricity	4.1	-44.3	35.7	19.3	23.0	16.9	14.2	-20.3	8.1	9.0	2.7	2.9	3.2
D Gas, Water & Multi-Utils	1.5	-18.7	12.4	15.6	15.8	14.1	12.2	3.8	26.7	10.9	2.8	3.6	4.0
<b>Financials</b>	<b>26.5</b>	<b>-2.9</b>	<b>0.0</b>	<b>12.1</b>	<b>9.1</b>	<b>9.1</b>	<b>8.1</b>	<b>-2.3</b>	<b>-0.4</b>	<b>8.2</b>	<b>5.7</b>	<b>5.7</b>	<b>6.1</b>
F Banks	18.7	9.7	-3.7	11.3	7.9	8.2	7.4	2.8	1.2	7.4	6.0	6.1	6.6
F Non-Life Insurance	1.2	-28.9	26.0	14.0	15.0	11.9	10.4	0.6	1.8	8.9	3.9	4.0	4.4
F Life insurance	1.4	-63.3	114.1	23.3	35.3	15.8	12.8	-35.3	30.5	18.3	1.7	2.2	2.6
F Real Estate	1.4	-2.3	-21.4	0.8	8.2	10.4	10.4	8.0	-13.1	1.9	10.7	9.3	9.5
F General Financial	3.8	-46.1	27.4	19.4	16.2	12.7	10.6	-28.2	-4.7	17.3	4.2	4.0	4.7
<b>Technology</b>	<b>8.4</b>	<b>-53.5</b>	<b>-67.4</b>	<b>365.5</b>	<b>17.9</b>	<b>54.8</b>	<b>12.1</b>	<b>-12.0</b>	<b>-16.8</b>	<b>-2.2</b>	<b>4.1</b>	<b>3.4</b>	<b>3.3</b>
T Softw & Comp Servs	2.1	18.4	7.3	7.9	11.8	11.0	10.2	51.6	11.1	9.2	2.0	2.2	2.4
T Tech Hardw & Equip	6.4	-66.0	n/m	n/m	21.7	n/m	13.0	-16.8	-20.6	-4.4	4.7	3.8	3.6
<b>MSCI Asia Pacific ex Jap</b>	<b>100.0</b>	<b>-15.8</b>	<b>-2.2</b>	<b>18.2</b>	<b>10.5</b>	<b>10.7</b>	<b>9.1</b>	<b>-2.5</b>	<b>-4.6</b>	<b>6.9</b>	<b>4.7</b>	<b>4.4</b>	<b>4.8</b>
C Cyclicals	28.2	-23.6	2.6	14.0	10.0	9.8	8.6	-3.4	-7.5	7.4	4.5	4.1	4.4
O Oil & gas	9.4	3.0	-3.6	18.8	8.6	8.9	7.6	-6.2	-10.8	9.9	4.4	3.9	4.3
D Defensives	26.2	-14.9	8.2	9.6	13.0	12.0	10.9	2.5	-2.0	8.3	4.4	4.3	4.6
T Technology	9.6	-48.2	-55.3	214.4	16.1	35.9	11.6	-12.3	-15.8	-1.9	4.1	3.4	3.4
F Financials	26.5	-2.9	0.0	12.1	9.1	9.1	8.1	-2.3	-0.4	8.2	5.7	5.7	6.1

Source: HSBC, Thomson Financial Datastream, I/B/E/S, MSCI as at 02/02/2009

# Disclosure appendix

## Analyst certification

The following analyst(s), who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Kevin Gardiner, Robert Parkes, Garry Evans and Steven Sun

## Important disclosures

### Stock ratings and basis for financial analysis

HSBC believes that investors utilise various disciplines and investment horizons when making investment decisions, which depend largely on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations. Given these differences, HSBC has two principal aims in its equity research: 1) to identify long-term investment opportunities based on particular themes or ideas that may affect the future earnings or cash flows of companies on a 12 month time horizon; and 2) from time to time to identify short-term investment opportunities that are derived from fundamental, quantitative, technical or event-driven techniques on a 0-3 month time horizon and which may differ from our long-term investment rating. HSBC has assigned ratings for its long-term investment opportunities as described below.

This report addresses only the long-term investment opportunities of the companies referred to in the report. As and when HSBC publishes a short-term trading idea the stocks to which these relate are identified on the website at [www.hsbcnet.com/research](http://www.hsbcnet.com/research). Details of these short-term investment opportunities can be found under the Reports section of this website.

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## Rating definitions for long-term investment opportunities

### Stock ratings

HSBC assigns ratings to its stocks in this sector on the following basis:

For each stock we set a required rate of return calculated from the risk free rate for that stock's domestic, or as appropriate, regional market and the relevant equity risk premium established by our strategy team. The price target for a stock represents the value the analyst expects the stock to reach over our performance horizon. The performance horizon is 12 months. For a stock to be classified as Overweight, the implied return must exceed the required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile\*). For a stock to be classified as Underweight, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months (or 10 percentage points for a stock classified as Volatile\*). Stocks between these bands are classified as Neutral.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation of coverage, change of volatility status or change in price target). Notwithstanding this, and although ratings are subject to ongoing management review, expected returns will be permitted to move outside the bands as a result of normal share price fluctuations without necessarily triggering a rating change.

\*A stock will be classified as volatile if its historical volatility has exceeded 40%, if the stock has been listed for less than 12 months (unless it is in an industry or sector where volatility is low) or if the analyst expects significant volatility. However,

stocks which we do not consider volatile may in fact also behave in such a way. Historical volatility is defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility has to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Prior to this, from 7 June 2005 HSBC applied a ratings structure which ranked the stocks according to their notional target price vs current market price and then categorised (approximately) the top 40% as Overweight, the next 40% as Neutral and the last 20% as Underweight. The performance horizon is 2 years. The notional target price was defined as the mid-point of the analysts' valuation for a stock.

From 15 November 2004 to 7 June 2005, HSBC carried no ratings and concentrated on long-term thematic reports which identified themes and trends in industries, but did not make a conclusion as to the investment action that potential investors should take.

Prior to 15 November 2004, HSBC's ratings system was based upon a two-stage recommendation structure: a combination of the analysts' view on the stock relative to its sector and the sector call relative to the market, together giving a view on the stock relative to the market. The sector call was the responsibility of the strategy team, set in co-operation with the analysts. For other companies, HSBC showed a recommendation relative to the market. The performance horizon was 6-12 months. The target price was the level the stock should have traded at if the market accepted the analysts' view of the stock.

## Rating distribution for long-term investment opportunities

**As of 04 February 2009, the distribution of all ratings published is as follows:**

<b>Overweight (Buy)</b>	40%	(30% of these provided with Investment Banking Services)
<b>Neutral (Hold)</b>	38%	(33% of these provided with Investment Banking Services)
<b>Underweight (Sell)</b>	22%	(22% of these provided with Investment Banking Services)

Information regarding company share price performance and history of HSBC ratings and price targets in respect of its long-term investment opportunities for the companies the subject of this report, is available from [www.hsbcnet.com/research](http://www.hsbcnet.com/research).

## HSBC & Analyst disclosures

### Disclosure checklist

Company	Ticker	Recent price	Price Date	Disclosure
BANK OF AMERICA	BAC.N	5.30	04-Feb-2009	2, 4, 5, 6, 7, 11
BRITISH PETROLEUM	BP.L	4.87	03-Feb-2009	2, 5, 6, 7
BROWNFORMAN	BFa.N	49.00	04-Feb-2009	6, 7
CHEVRONTXACO	CVX.N	71.64	04-Feb-2009	2, 5, 6, 7, 11
CNOOC LTD.	0883.HK	6.58	03-Feb-2009	4, 5, 11
CREDIT SUISSE	CSGN.VX	29.82	03-Feb-2009	2, 5, 6, 9
DIAGEO	DGE.L	9.46	03-Feb-2009	2, 11
EXELON CORP.	EXC.N	56.77	04-Feb-2009	6, 7
EXXONMOBIL	XOM.N	78.12	04-Feb-2009	2, 5, 6, 7
IBM	IBM.N	93.48	04-Feb-2009	2, 5, 6, 7, 11
JP MORGAN CHASE	JPM.N	24.05	04-Feb-2009	2, 5, 6, 7, 9
KDDI CORP	9433.T	526000.00	03-Feb-2009	7
LVMH	LVMH.PA	42.33	03-Feb-2009	2, 5, 6, 7, 11
mitsui sumitomo group holdings	8725.T	2370.00	03-Feb-2009	2, 5, 6, 7
MORGAN STANLEY	MS.N	20.94	04-Feb-2009	2, 5, 6, 7, 11
NESTLE	NESZn.S	40.04	03-Feb-2009	2, 5, 6, 7
NIKE	NKE.N	46.30	04-Feb-2009	2, 5, 7
ORACLE	ORCL.OQ	17.05	04-Feb-2009	1, 2, 3, 5
PERNOD RICARD	PERP.PA	48.67	03-Feb-2009	2, 5, 6, 7, 11
PROCTER & GAMBLE	PG.N	53.91	04-Feb-2009	1, 2, 5, 6, 7, 11
ROLLS-ROYCE	RR.L	3.23	03-Feb-2009	2, 5, 6, 7, 11
SANOFI-AVENTIS	SASY.PA	45.26	03-Feb-2009	2, 5, 6, 7, 11
SCHLUMBERGER LTD	SLB.N	40.99	04-Feb-2009	2, 5, 6, 7, 11
SIEMENS AG	SIEGn.IB	43.72	03-Feb-2009	2, 4, 5, 6, 7
VEOLIA ENVIRONNEMENT	VIE.PA	17.78	03-Feb-2009	2, 4, 5, 6, 7, 11
WALT DISNEY COMPANY	-	-	-	2, 5
WELLS FARGO & COMPANY	WFC.N	18.53	04-Feb-2009	2, 5, 6, 11
WYETH	WYE.N	43.42	04-Feb-2009	6, 7

Source: HSBC

- 1 HSBC\* has managed or co-managed a public offering of securities for this company within the past 12 months.
- 2 HSBC expects to receive or intends to seek compensation for investment banking services from this company in the next 3 months.
- 3 At the time of publication of this report, HSBC Securities (USA) Inc. is a Market Maker in securities issued by this company.
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- 8 A covering analyst/s has received compensation from this company in the past 12 months.
- 9 A covering analyst/s or a member of his/her household has a financial interest in the securities of this company, as detailed below.
- 10 A covering analyst/s or a member of his/her household is an officer, director or supervisory board member of this company, as detailed below.
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## Additional disclosures

- 1 This report is dated as at 04 February 2009.
- 2 All market data included in this report are dated as at close 03 February 2009, unless otherwise indicated in the report.
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- 5 As of 4 February 2009, HSBC holds a significant interest in the debt securities of: JP Morgan Chase and Bank of America.
- 6 We have recommended inclusion of the following stocks in our suggested portfolio: Bank of America (from 01-Apr-08 at USD40.86 to 02-Jul-08 at USD22.54 and since 30-Sep-08 at USD35), BP (since 05-Oct-05 at GBP6.80), Brown-Forman Corp (since 09-Jan-08 at USD75.25), Chevron Corp (since 09-Jan-08 at USD92.13), CNOOC (from 04-Oct-06 at HKD6.37 to 02-Oct-07 at HKD13.06 and since 09-Jan-08 at HKD13.28), Credit Suisse (since 01-Oct-08 at CHF51.65), Exelon (since 09-Jan-08 at USD83.82), Diageo (since 01-Oct-08 at GBP9.59), Exxon Mobile Corp (since 05-Oct-05 at USD64.80), Honeywell International Inc (from 05-Oct-05 at USD37.6 to 21-Mar-07 at USD47.7 and since 02-Oct-07 at USD59.5), IBM (since 05-Jul-07 at USD105.01), JP Morgan Chase & Co (since 04-Oct-06 at USD46.84), KDDI (since 02-Oct-07 at JPY852000), KT&G International (since 02-Jul-08 at KRW90000.00), LVMH (since 05-Jan-07 at EUR79.45), Mitsui Sumitomo (from 21-Mar-07 at JPY1,060,000 to 30-Sep-08 at JPY630,000), Morgan Stanley (since 01-Oct-08 at USD24.42), Nestle (since 01-Oct-08 at CHF48.42), Nike (since 01-Oct-08 at USD66.16), Oracle Corp (since 03-Jul-06 at USD14.74), Pernod Ricard (since 01-Oct-08 at EUR62.65), Procter & Gamble (since 03-Apr-06 at USD57.74), Rolls Royce Group (since 04-Oct-06 at GBP4.48), Sanofi-Aventis (since 09-Jan-08 at EUR62.89), Schering-Plough (from 05-Oct-05 at USD21.2 to 05-Jul-07 at USD30.57 and since 09-Jan-08 at USD25.83), Schlumberger (since 02-Jul-08 at USD109.86), Siemens AG (since 05-Jan-07 at EUR75.55), Veolia Environnement (from 02-Jul-08 at EUR35.00), Wells Fargo (since 01-Oct-08 at USD36.7), Wyeth (since 09-Jan-08 at USD45.23).

# Disclaimer

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*\* Legal entities as at 22 October 2008*

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