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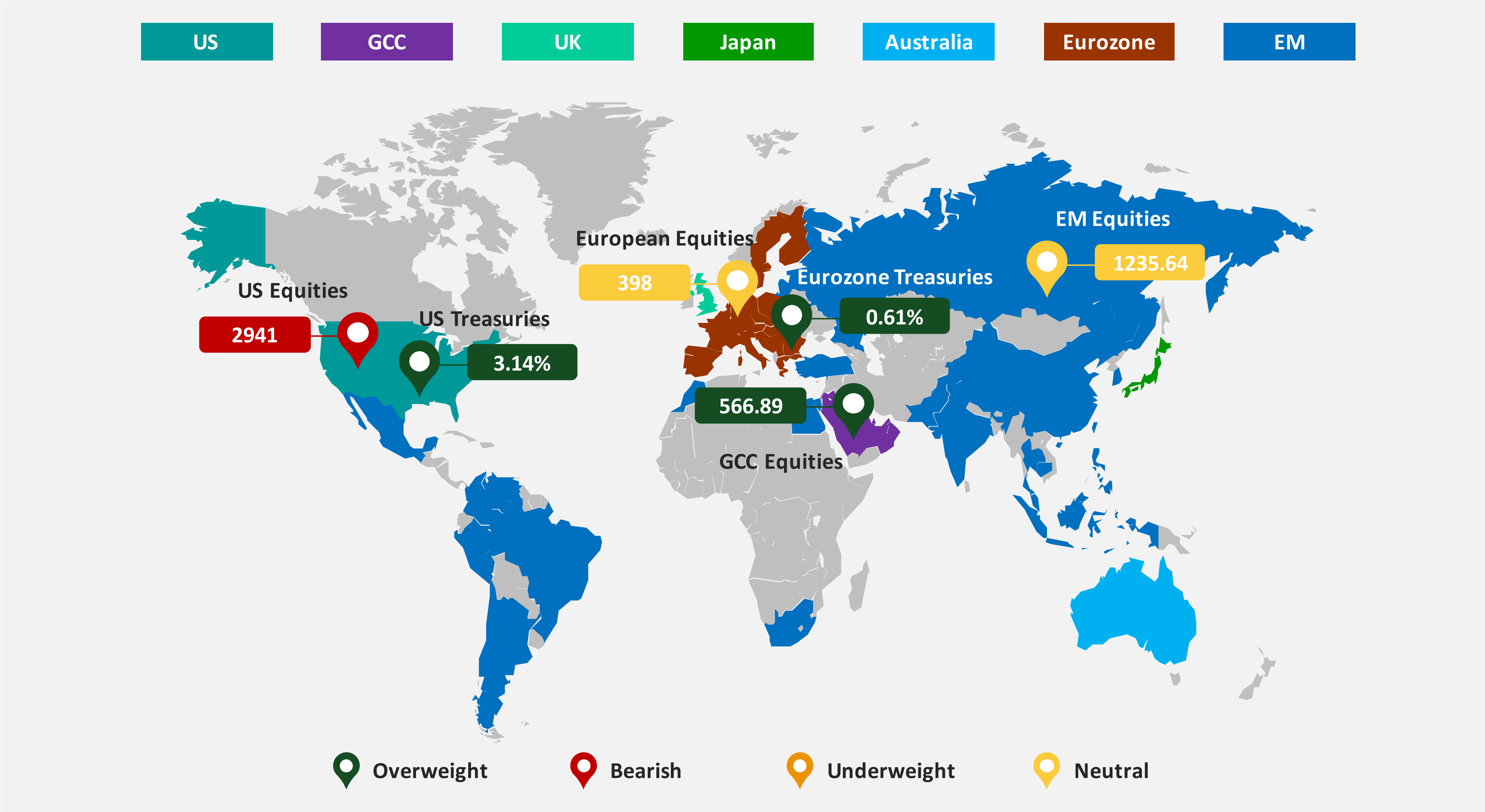
Innovative Research Solutions

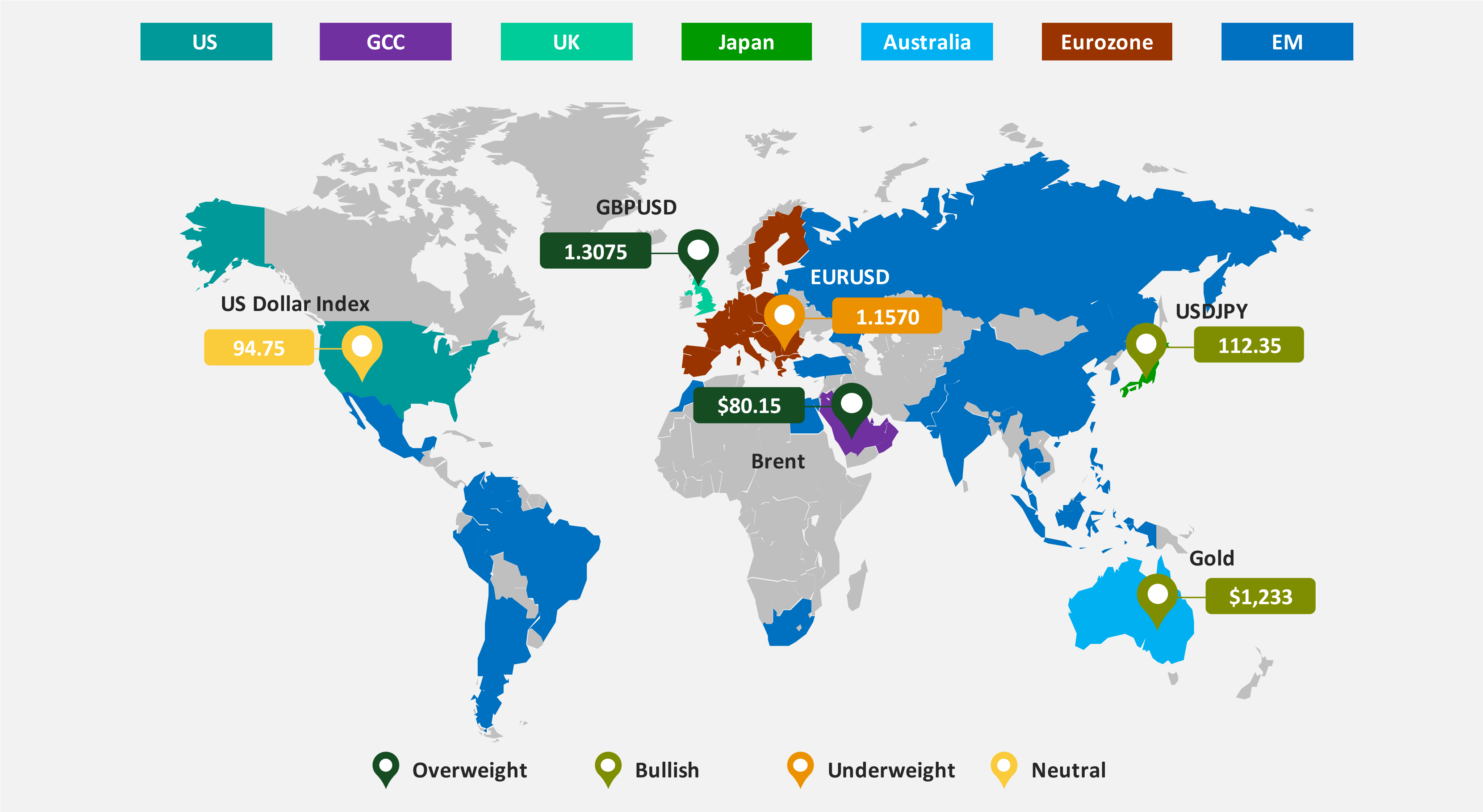
AssetPulse

Global MacroView Summary

5 November 2018

Global MacroView Summary

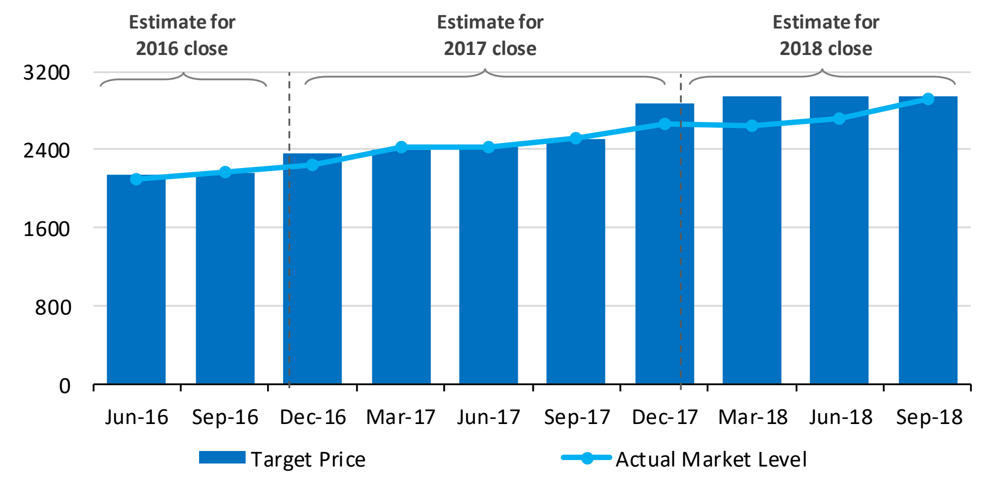



US
GCC
UK
Japan
Australia
Eurozone
EM
GBPUSD
1.3075
EURUSD
1.1570
US Dollar Index
94.75
USDJPY
112.35
$80.15
Brent
Gold
$1,233
Overweight
Bullish
Underweight
Neutral

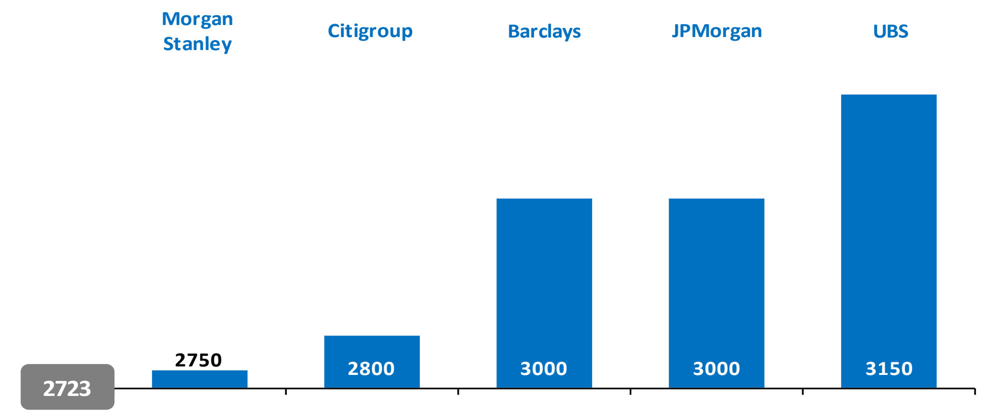
Asset Classes	04-May-18	3-Aug-18	2-Nov-18	6 Month Returns	3 Month Returns
Equities					
US Equites (S&P 500)	2663.42	2840.35	2723.06	2.2%	-4.1%
Eurozone Equities (Stoxx 600)	387.03	389.16	364.08	-5.9%	-6.4%
Emerging Equities (MSCI EM Index)	1136.17	1073.33	996.72	-12.3%	-7.1%
GCC equities (MSCI GCC Countries Index)	521.27	554.39	542.06	4.0%	-2.2%
Currency					
USD ($ Index)	92.57	95.16	96.54	4.3%	1.5%
EUR vs. USD	1.1960	1.1568	1.14	-4.8%	-1.6%
USD vs. JPY	109.12	111.25	113.20	3.7%	1.8%
GBP vs. USD	1.3531	1.3001	1.2970	-4.1%	-0.2%
Fixed Income					
US 10yr Sovereign	2.95	2.95	3.22	27	27
Europe Core Area (German 10 Yr)	0.56	0.40	0.44	-12	4
Europe Peripheral Area (Italy 10 Yr)	1.79	2.92	3.35	156	43
Commodities					
Gold	1314.5	1214.9	1232.89	-6.2%	1.5%
Brent	74.87	73.21	72.83	-2.7%	-0.5%

* Change in bps for fixed income

Consensus Target Price for S&P 500 Index



S&P 500 Index Target by Major IBs



*Target with respect to actual level

S&P 500 Index Key Parameters

	Actual	2018 TP	2019 TP
S&P 500*	2723.06	2941.00	-
PE (x)	18.81	15.85	15.22
EPS ($)	144.74	171.79	178.93
Dividend Yield (%)	1.94	2.11	2.16
Price/Book (x)	3.23	3.15	2.9
EV/EBITDA (x)	12.67	10.63	10.34

*Value as on 02 November 2018

S&P 500 Index Returns

Q4 2017	Q1 2018	Q2 2018	Q3 2018	QTD
6.1%	-1.2%	2.9%	7.2%	-6.6%

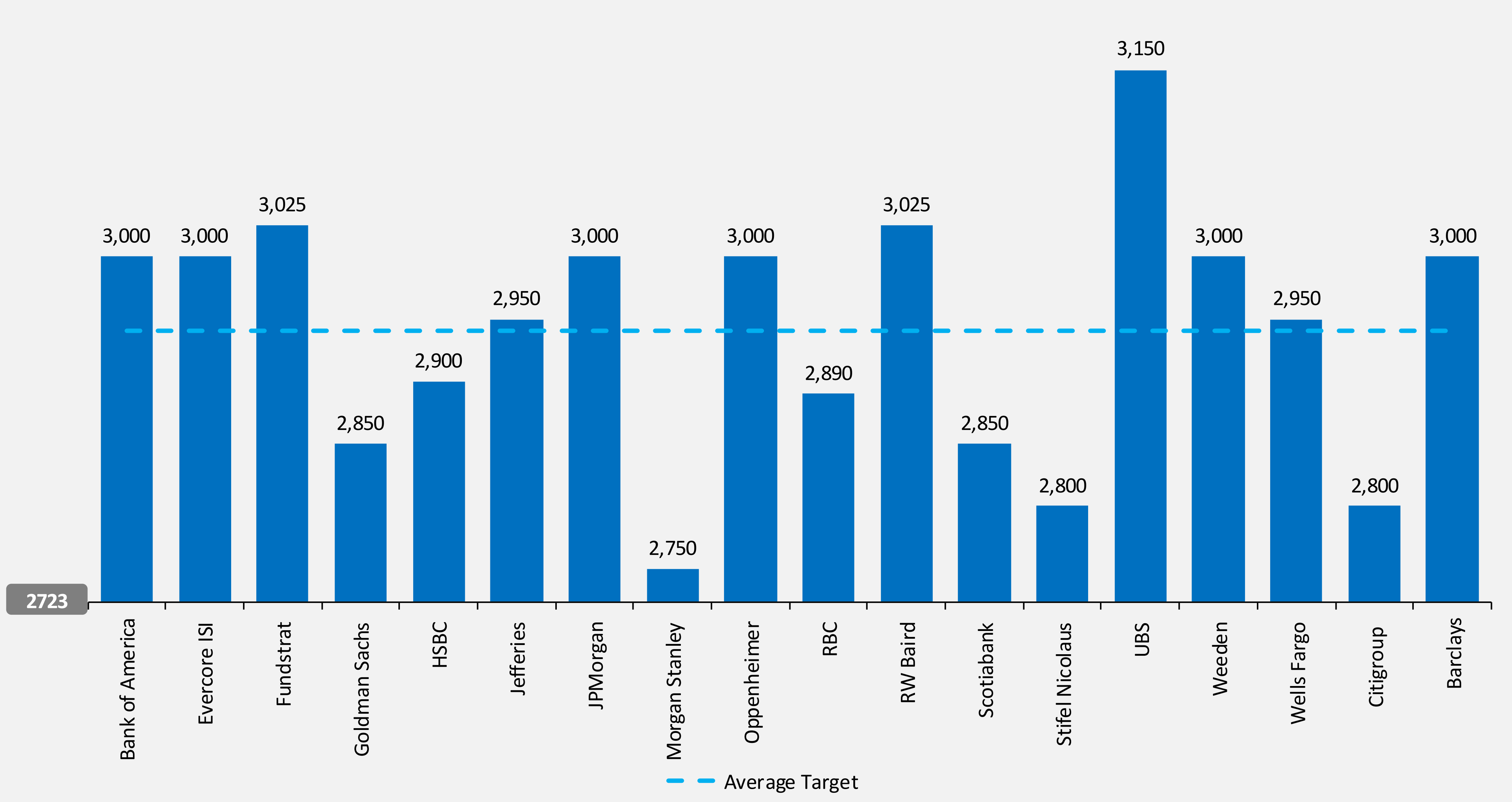
Positive View

- Company earnings remain firmly in growth mode
- Small and mid-cap stocks appear to be more attractively valued than large-cap stocks and should continue to benefit from the tax cuts and solid domestic economic growth
- US equities demonstrate the strongest momentum in both price and earnings revisions

Negative View

- Upward and flattening shift in the yield curve poses risk to equity valuations
- Trade is the obvious issue confronting the US economy
- The impact of corporate tax cuts on earnings will soon disappear, and both borrowing costs and wages are headed higher

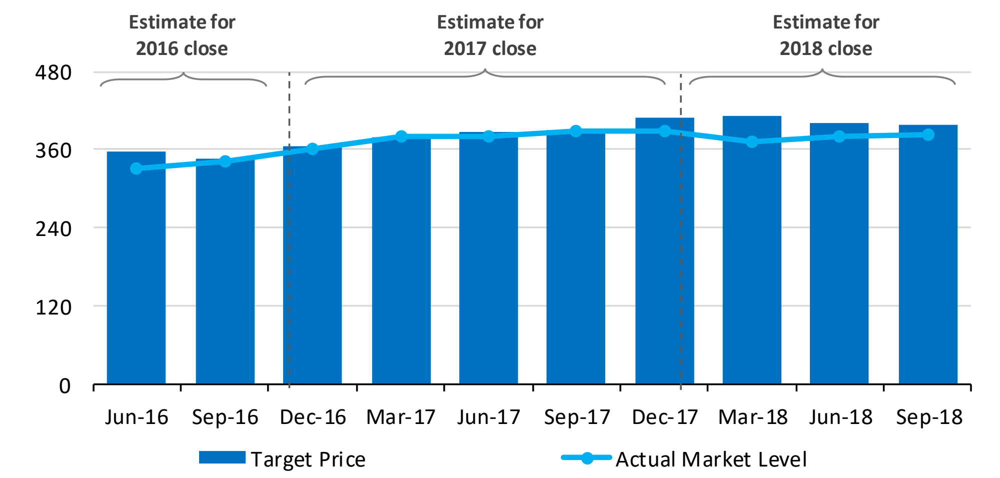
S&P 500 Index Target by Major IBs



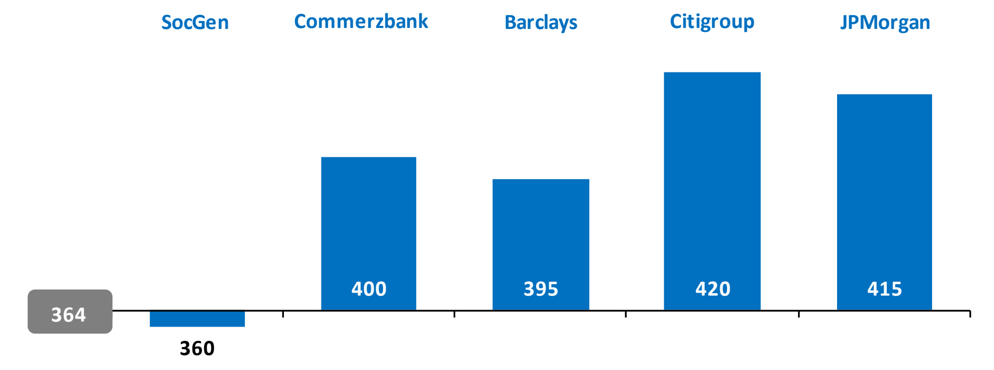
*Target with respect to actual level

Market Experts/ Brokers/ Analyst		Views (Last one month)
Morgan Stanley	**Bearish**	• The rolling bear market continues to make progress and there is growing evidence that it is morphing into a proper cyclical bear market in the context of a secular bull • Actions by the Federal Reserve and other central banks is drying up liquidity more than most market participants predicted, putting stocks in a precarious position
Goldman Sachs	**Bullish**	• The US stock market sell-off over the past month is "overdone" and a buying opportunity exists • The recent sell-off has priced too sharp of a near-term growth slowdown • The broker believes that continued economic and earnings growth will support a rebound in the S&P 500
AXA Investment Managers	**Overweight**	• The US macro backdrop remains supportive, with above trend growth • Most macro indicators indicate that a US recession should not occur before 2nd half 2020 at the earliest, which suggests that the current bull market is not over yet
Northern Trust Asset Management	**Underweight**	• The US equity market has not fully contemplated the potential tariff impact on those segments dominating returns year-to-date, including technology • In addition, pressure on (record) profit margins manifesting from higher input costs (commodities, logistics, labor and – more recently – interest rates) will limit the ability of earnings growth
Citibank	**Underweight**	• High level of investor confidence in US markets will likely limit future returns • Trade is the obvious issue confronting the US economy • At the same time, US monetary policy is tightening • Average hourly earnings have been rising strongly, hitting their highest level this cycle, which argues for further Fed interest rate hikes to come • In the US mid-term elections, If a divided federal government emerges, it would prevent further economically impactful reforms from being passed and this would be unhelpful for US equities
Nuveen	**Overweight**	• There is still ample room for another rally in US equity markets • Company earnings remain firmly in growth mode • Also, the recent crunch in equity prices, combined with improving earnings, means that stock valuations have been improving over the last month

Consensus Target Price for Stoxx 600 Index



Stoxx 600 Index Target by Major IBs



*Target with respect to actual level

Stoxx 600 Index Key Parameters

	Actual	2018 TP	2019 TP
Eurostoxx 600*	364.08	398.00	-
PE (x)	16.33	13.4	12.78
EPS (€)	22.3	27.18	28.48
Dividend Yield (%)	3.65	3.81	4.04
Price/Book (x)	1.76	1.69	1.6
EV/EBITDA (x)	9.59	8.78	8.38

*Value as on 02 November2018

Stoxx 600 Index Returns

Q4 2017	Q1 2018	Q2 2018	Q3 2018	QTD
0.3%	-4.6%	2.4%	0.8%	-5.0%

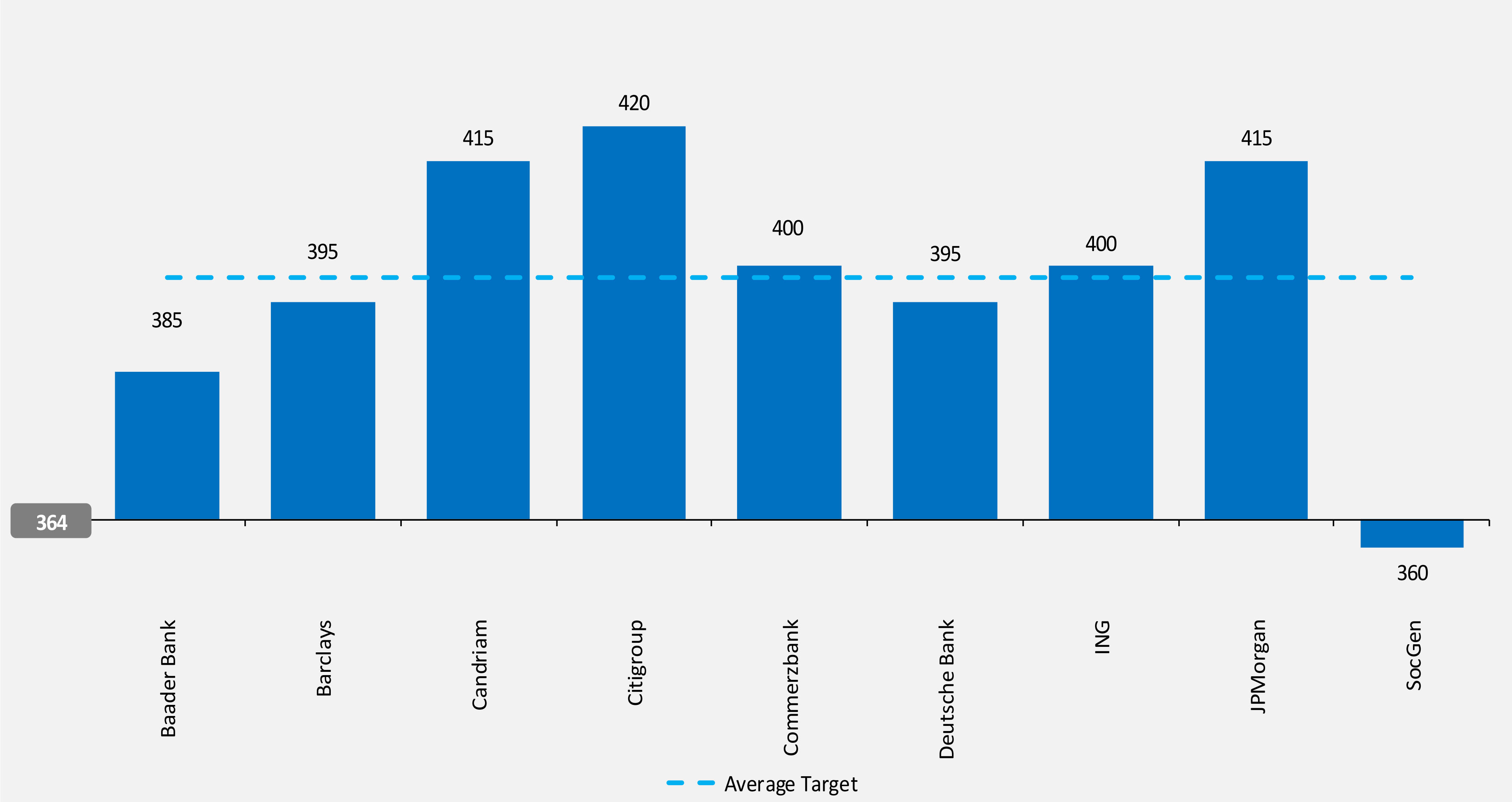
Positive View

- A broad economic expansion and relatively attractive valuations are supportive for corporate profits
- Eurozone stocks are supported by GDP growth rebound and stronger-than-expected earnings results
- Demand growth is still above-trend

Negative View

- The European business cycle indicators currently point to a further contraction in growth
- Rebound in Eurozone growth likely to drive EUR higher, creating a headwind for stocks
- Recent political developments in peripheral Europe will likely constrain upside potential

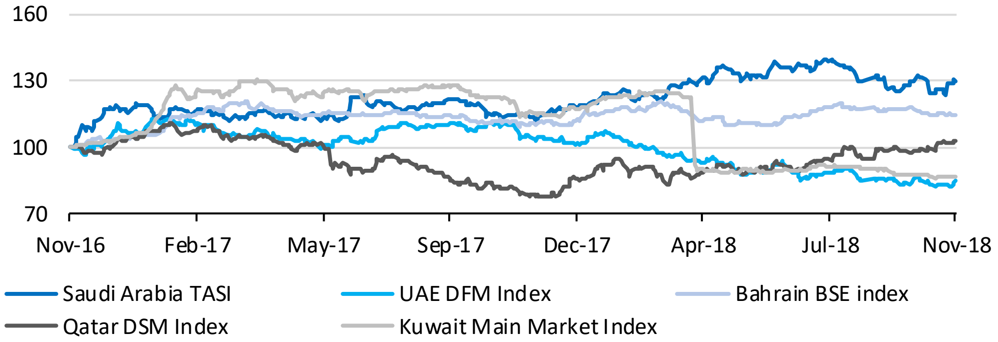
Stoxx 600 Index Target by Major IBs



***Target with respect to actual level**

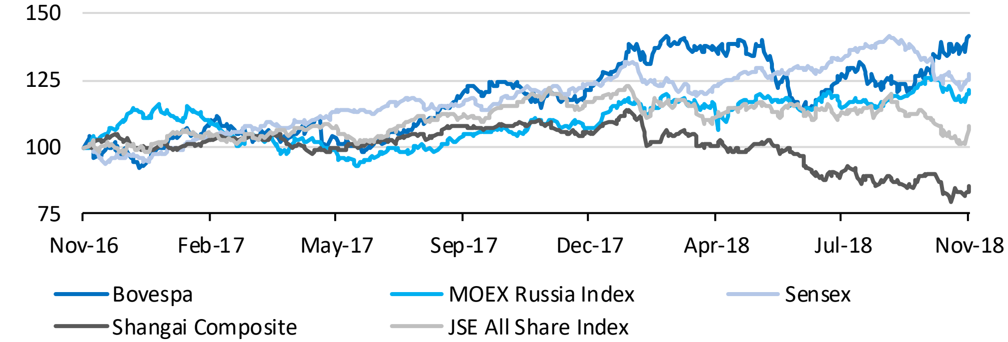
Market Experts/ Brokers/ Analyst		Views (Last one month)
BMO Global Asset Management	Underweight	• The outlook for European equities is less positive • The region faces continued disappointing economic growth profile • There are geopolitical risks overhanging the Eurozone
AXA Investment Managers	Neutral	• The broking firm has upgraded their view on European equities to neutral • Macro signals have bottomed out and are rolling over • Relative earnings revisions have improved, while the movement in the Euro should provide some relief to exporters • Sentiment appears to have bottomed out for the region • Global investor positioning appears to be very light
Allianz Global Investors	Overweight	• Although second-quarter economic growth hit a soft patch, primarily due to France and Italy, Eurozone GDP growth is expected to remain above-potential at around 2% this year • Moreover, the latest batch of macroeconomic data out of Europe contains many highlights, supporting local stock markets • Ongoing restructuring efforts by European energy companies can translate into strong cash generation and dividends
Amundi Asset Management	Overweight	• In European equities, the Italian budget and Bavarian elections may keep uncertainty high in the short term • Valuations look increasingly appealing
Schroder Investment Management	Neutral	• European equities are expected to grind out a small positive return into year-end • However, the market will struggle to outperform the global index
UBS Asset Management	Neutral	• In Europe, the increased risk premium prompted by recent political developments in peripheral Europe will likely constrain upside potential • There needs to be more clarity around the fiscal intentions of the new Italian government • Despite these short-term headwinds, the longer-term base case remains positive • Demand growth is still above-trend and the there is potential support to earnings from balance sheet optimization

2 year Performance of major GCC Indices*



*Data has been rebased to 100

2 year Performance of benchmark BRICS Indices*



*Data has been rebased to 100

MSCI GCC Index Key Parameters

	Actual	2018 TP	2019 TP
MSCI GCC Countries Index *	542.06	-	-
PE (x)	13.51	13.3	12.2
EPS ($)	40.13	40.76	44.42
Dividend Yield (%)	4.04	4.34	4.38
Price/Book (x)	1.75	1.75	1.65

*Value as on 01 November2018

MSCI EM Index Key Parameters

	Actual	2018 TP	2019 TP
MSCI Emerging Markets Index *	996.72	-	-
PE (x)	12.05	8.93	10.51
EPS ($)	82.7	111.64	94.82
Dividend Yield (%)	2.94	3.09	3.33
Price/Book (x)	1.54	1.5	1.38
EV/EBITDA (x)	7.81	7.64	7.25

*Value as on 02 November 2018

MSCI GCC Index Returns

Q4 2017	Q1 2018	Q2 2018	Q3 2018	QTD
-0.7%	7.2%	4.2%	1.3%	-0.1%

MSCI EM Index Returns

Q4 2017	Q1 2018	Q2 2018	Q3 2018	QTD
7.1%	1.1%	-8.7%	-2.0%	-4.9%

Positive View (GCC)

- The upgrade of the Kuwaiti market to FTSE Russell Emerging Markets Index is expected to boost liquidity levels to $800 million.

Negative View (GCC)

- Rising trade tensions could limit upside potential

Positive View (EM)

- EM stocks are now priced to provide above-average returns
- EMs trade at an unprecedentedly deep discount to developed-economy assets

Negative View (EM)

- EM markets are likely to face further headwinds from trade tensions
- Emerging markets look oversold as the third quarter ends

Asset Class	
Emerging Market Equities (MSCI EM Index)	
Analyst expectations	
Average	1235.64
Bloomberg Consensus Target Price For MSCI EM Index	1235.64
As on 02 November 2018	996.72
% Change from Current levels compared to avg	23.97%

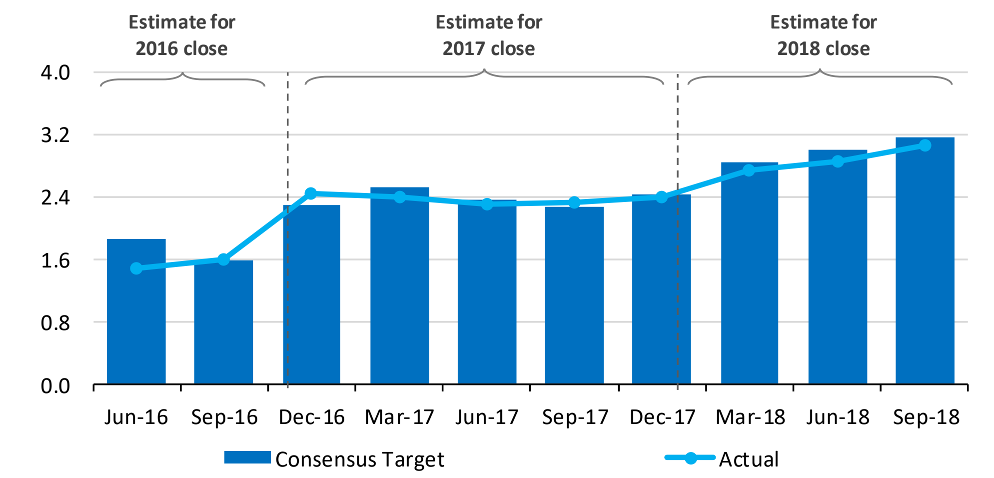
Market Experts/ Brokers/ Analyst		Views (Last one month)
BMO Global Asset Management	Neutral	• EM equities ex-China are a mixed bag in the short term but still represent a long-term structural opportunity for investment, fueled by a few bright spots such as India • The view towards Chinese equities is neutral on the basis of the negative impact of the ongoing entanglement with the current US administration on trade and other issues
AXA Investment Managers	Neutral	• Fundamentals are slowing but growing • Valuation is supportive and positioning is not crowded • The recent move in US interest rates adds further downside risks
JP Morgan Chase	Overweight	• EM equities offer a level of opportunity that justifies the risk, despite the poor performance so far this year • The degree of pessimism is unlikely to persist • Also, EM stocks are now priced to provide above-average returns • The broker sees beaten-down opportunities in Chinese growth stocks and Brazilian equities

Market Experts/ Brokers/ Analyst		Views (Last one month)
Saxo Group	Overweight	• EMs trade at an unprecedentedly deep discount to developed-economy assets • EM's P/E is also cheaper than the S&P 500 • Chinese equities are tactically a buying opportunity
Schroder Investment Management	Overweight	• Valuations are attractive, especially following the significant sell-off so far this year • Investors may find the strong EM earnings story attractive in the coming months
Hexavest	Neutral	• The macroeconomic environment for EM equities remains hostile in the short term • However, the picture is brighter for EM equities from a valuation perspective
Citibank	Overweight	• The broker is overweight on EM, particularly Asia • The region holds attractive valuations and positive longer-term economic prospects • The region is forecasted to have a 12% earnings-per-share growth
UBS Asset Management	Overweight	• In aggregate, EM fundamental conditions remain relatively robust • The recent share price weakness across EM feels out of kilter with these fundamentals • The broker remains broadly positive on China • The Chinese authorities have already shown themselves willing to boost liquidity to help smooth the on-going economic transition • Chinese equities still trade at a PE discount to other markets • International capital will start to flow into Chinese assets following the inclusion of onshore Chinese equities in MSCI's widely followed EM equity indices
LPL Financial	Overweight	• EM markets continue to be an attractive opportunity, despite disappointing performance this year • Corporate fundamentals in EM generally look good, where many of the economies are earlier in their economic cycles than developed nations • EM earnings growth expectations are stronger than those in developed international markets • There is upside potential in emerging markets due to attractive valuations, recent economic growth, and potential US-China trade resolution

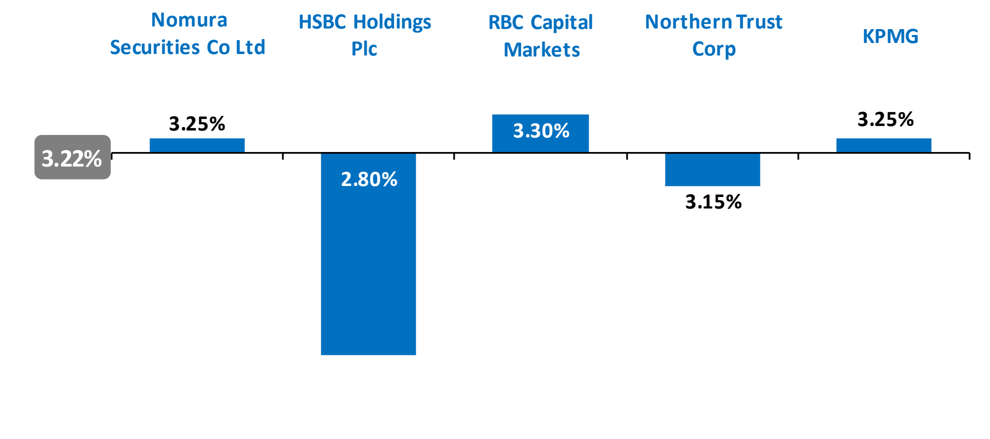
Asset Class	
GCC Equities (MSCI GCC Countries Index)	
Analyst expectations	
Average	566.89
Bloomberg Consensus Target Price For MSCI GCC Index	566.89
As on 01 November 2018	542.06
% Change from Current levels compared to avg	4.58%

Market Experts/ Brokers/ Analyst		Views (Last one month)
Amwal Invest	**Overweight**	• Qatar is likely to enjoy foreign investment inflows for the next couple of months • Kuwait will start attracting foreign investors and regional attention soon • Kuwait is in the process of joining FTSE Russell's emerging market index and MSCI will decide next year whether to add Kuwait to its own version of that index
SICO	**Overweight**	• Led by banks and petrochemical companies, the GCC listed companies 3Q aggregate earnings are expected to increase 4% y-o-y and 2% q-o-q • Banks in Saudi Arabia are expected to record modest lending book growth but will benefit from NIM expansion • For petrochemicals, on an aggregate level, earnings are likely to increase 14% YoY led by higher product prices
MENA Equities	**Overweight**	• The upgrade of the Kuwaiti market to FTSE Russell Emerging Markets Index is expected to boost liquidity levels to $800 million. • Liquidity levels are projected to continue to rise to as high as $2 billion as a result of the expected upgrade of MCSI Kuwait Index to Emerging Market status. • The positive effects of this upgrade include increased levels of liquidity in the stock market on the short term, improved visibility and attraction of foreign investors

Consensus Target for US 10 Year

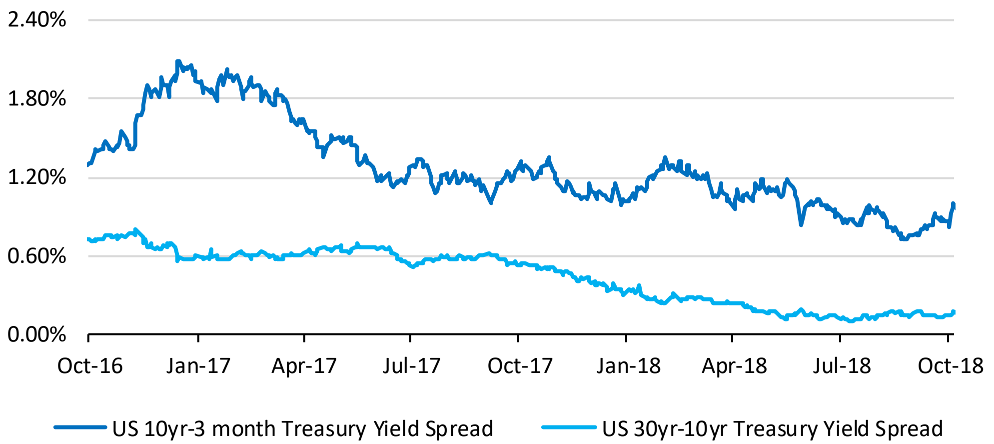


US 10 Year Target by Major IBs



*Target with respect to actual level

Spread Graph for US 10 Yr - 3 month and 30 Yr - 10 Yr



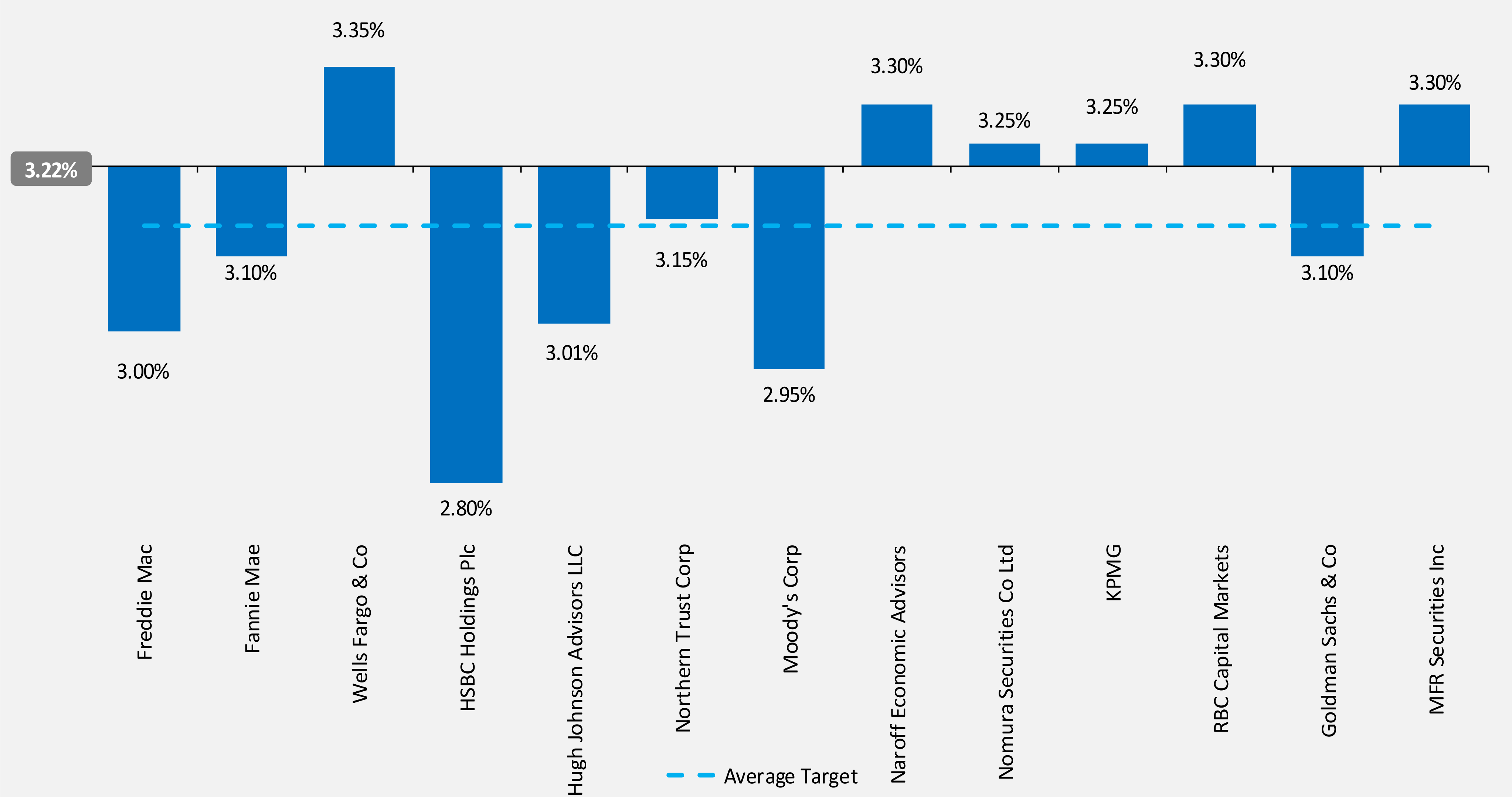
Positive View

- US Treasuries are supported from safe haven demand with ongoing trade tensions between the US and China
- Solid growth, rising inflation and Fed rate hikes are likely to push yields higher over the coming year

Negative View

- Long-dated US treasury yields could remain contained by trade wars, emerging market volatility and relatively slower non-US growth despite strong US fundamentals and rising inflation
- The 10-year yields are unlikely to rise much further, with the latest FOMC minutes reinforcing the view that rate hikes will remain gradual

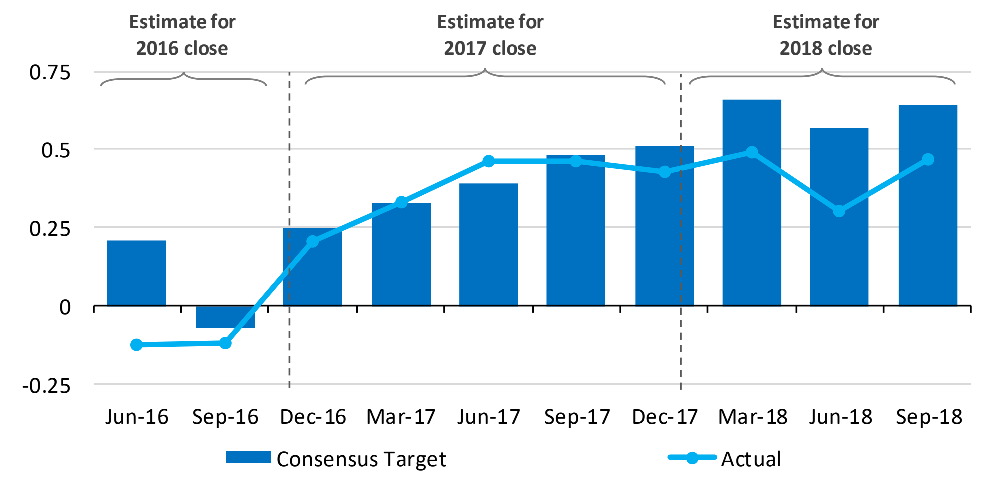
US Treasuries 10 Year Target Yield for Q4 2018 by Major IBs



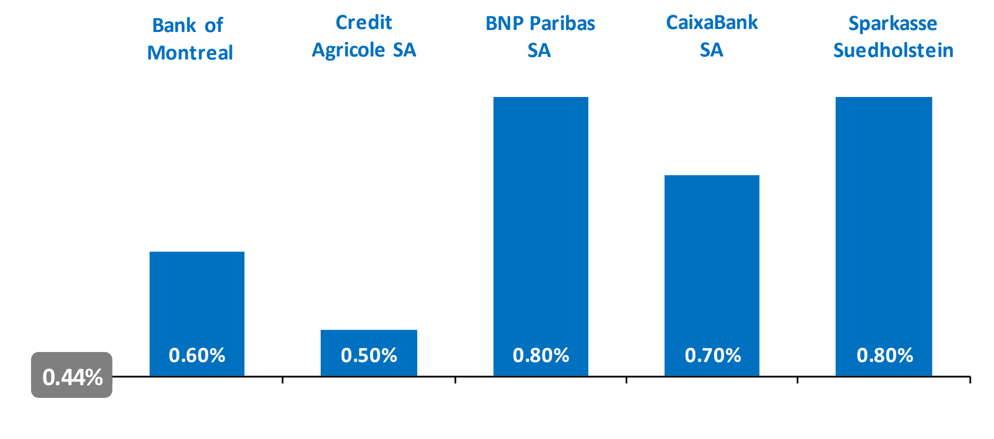
***Target with respect to actual level; Latest values at extreme Right**

Market Experts/ Brokers/ Analyst		Views (Last one month)
UBS Asset Management	**Overweight**	• The US Treasuries versus the USD cash part of the curve has largely priced in the rate-hiking cycle, and the carry looks attractive
Northern Trust Asset Management0	**Underweight**	• We expect US treasury yields to return to lower levels over time • Economic growth over the past two quarters has been strong, but this growth is expected to slowdown in the future • The effects of earlier-year tax reform will begin to wear off and weaker growth in China and Europe will pull the United States down too. • If the Fed keeps pushing, longer-duration yields will eventually reverse course – and the Fed will be forced to as well
Citibank	**Overweight**	• Treasury yields are expected to reach 3.75% in 2019 • It may rise further if growth endures and the Fed tightens in line with forecasts
Schroder Investment Management	**Neutral**	• The recent rise in yields has taken valuations closer to fair levels • But trade war-related risks and supply/demand dynamics may lead to a steepening in the long end
Alliance Bernstein	**Overweight**	• Solid growth, rising inflation and Fed rate hikes are likely to push yields higher over the coming year • Forecast for 2018 end is 3.25% • Forecast for 2019 end is 3.75%
BlackRock	**Underweight**	• The broker sees rates rising moderately amid economic expansion and Fed normalisation • The broker favors shorter-duration and inflation-linked debt as buffers against rising rates and inflation • It is better to prefer 15-year mortgages over their 30-year counterparts and versus short-term corporates

Consensus Target for German 10 Year

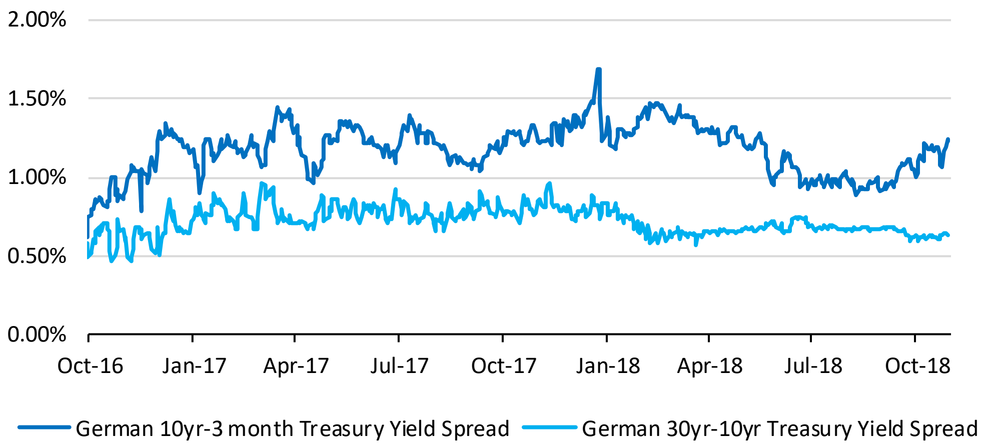


German 10 Year Target by Major IBs



*Target with respect to actual level

Spread Graph for German 10 Yr- 3 month and 30 Yr-10 Yr



Positive View

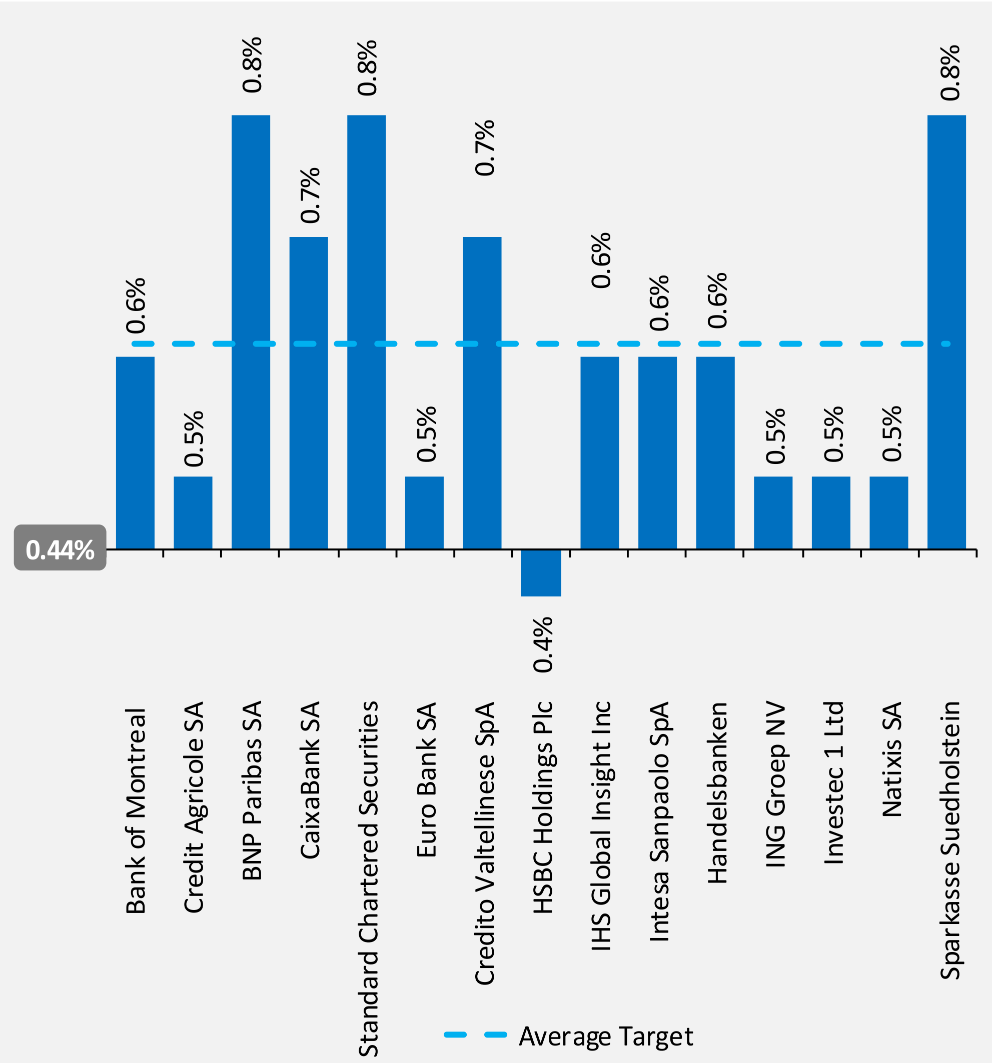
- Bund yields still dislocated from fair value and are set to rise as the ECB starts to withdraw policy stimulus
- The Eurozone economy is steadily expanding

Negative View

- While the ECB remains reluctant to hike rates too early, the central bank is expected to be less dovish compared to market expectations
- The outlook for core inflation is still modest for the Eurozone

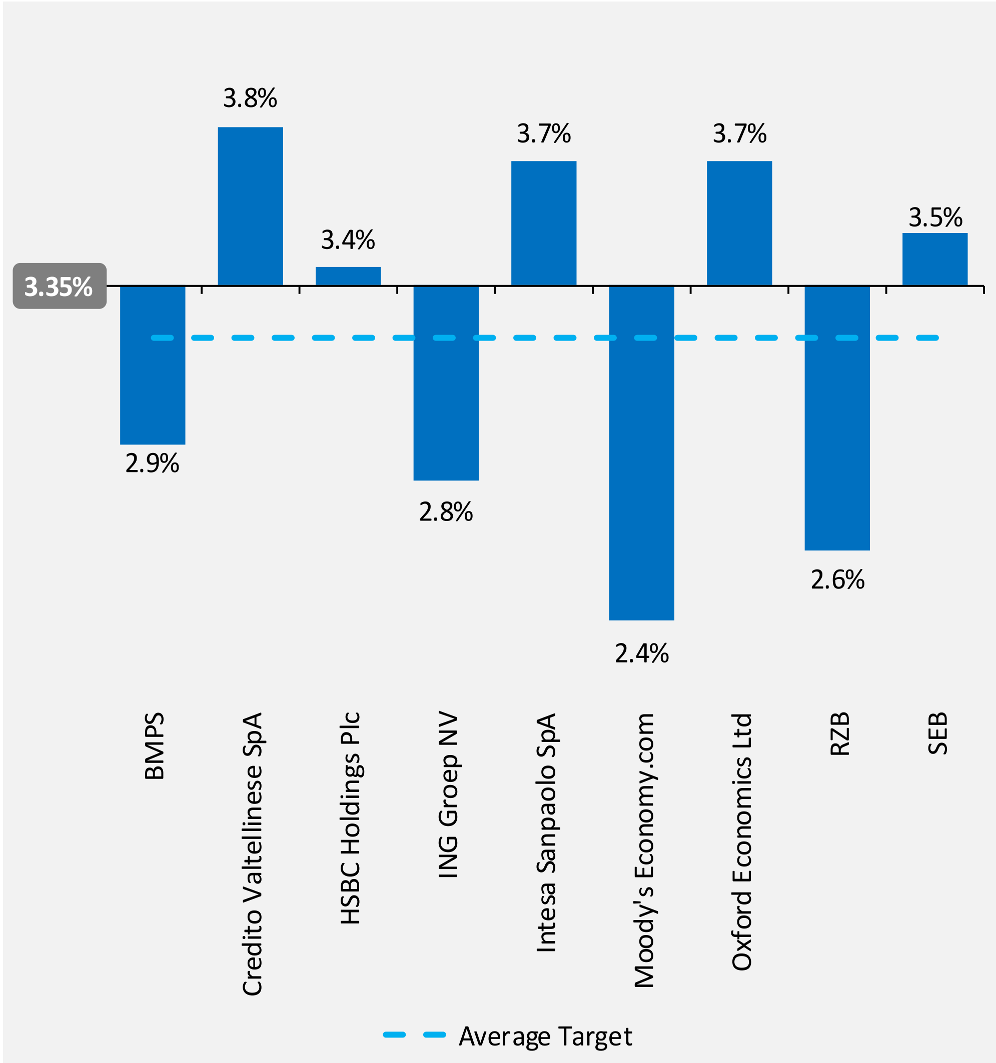
Global MacroView Summary

German 10 Year Target Yield for Q4 2018 by Major IBs



*Target with respect to actual level; Latest values at extreme Right

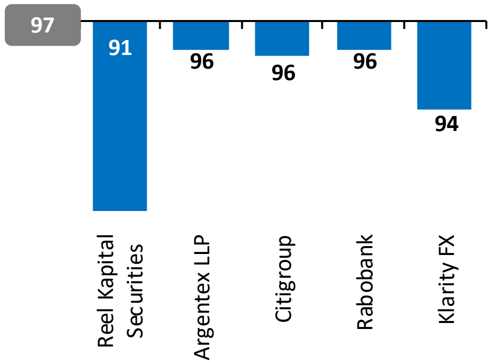
Italy 10 Year Target Yield for Q4 2018 by Major IBs



*Target with respect to actual level; Latest values at extreme Right

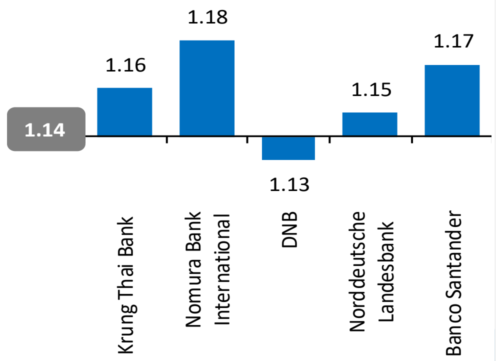
Market Experts/ Brokers/ Analyst		Views (Last one month)
UBS Asset Management	Overweight	• Short-term Italian rates look appealing at current levels, given the low likelihood of Italy defaulting over the coming years, and the attractive carry and roll-down
HSBC	Underweight	• Yields on benchmark 10-year German government bonds could fall to 25 basis points • This is likely due to ongoing uncertainty surrounding Italian budget plans and still subdued price pressure in the single currency bloc • Further, falling oil prices and evidence of still-subdued core inflation, both of which have seemed to alleviate concerns that the ECB might tighten monetary policy too quickly, will keep downward pressure on core yields
BMO Global Asset Management	Overweight	• While, Europe is expected to face further project challenges, this will ultimately result in structural reform • This will make Italian bonds (that have priced in some euro break-up risk and concerns around the budget deficit) as attractive • It will, however be a bumpy ride and exposure to Italian bonds should be limited and adjusted on a tactical basis
Danske Bank	Overweight	• The 10 year German bund yields are expected to be pushed higher • Factors include the end of ECB QE and the pricing of rate hikes in 2019-20 • Overall, the 10Y German bund yields are likely to rise to 0.9% on a 12M horizon
Alliance Bernstein	Overweight	• Bund yields still dislocated from fair value and are set to rise as the ECB starts to withdraw policy stimulus • Forecast for 2018 end is 0.75% • Forecast for 2019 end is 1.25%
Schroder Investment Management	Bearish	• Weaker growth has already been priced, but inflation risks have not • While the ECB remains reluctant to hike rates too early, the central bank is expected to be less dovish compared to market expectations

US Dollar Index



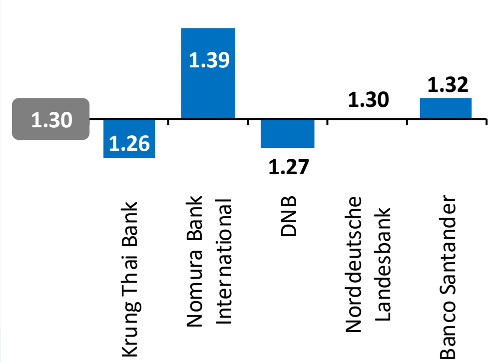
*Target with respect to actual level

EURUSD



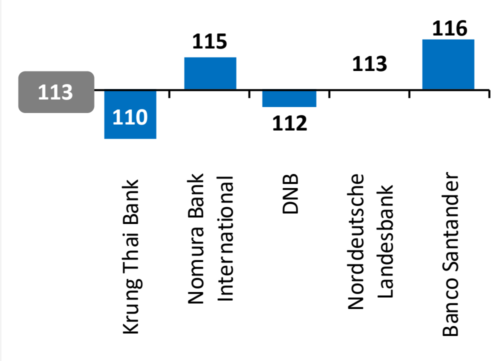
*Target with respect to actual level

GBPUSD



*Target with respect to actual level

USDJPY



*Target with respect to actual level

Positive View

US Dollar Index
- Relative rate expectations should generally move in the Dollar's favour
- Rising concerns on trade disputes continue to support the USD in the short term

EURUSD
- The ECB President Mario Draghi has struck an upbeat tone about the economy
- Euro fundamentals remain in place for a rebound

GBPUSD
- The UK is close to reaching a deal on Brexit, setting the stage for appreciation of the embattled pound
- Macro data in the UK has stabilised recently

USDJPY
- Italian budget, Brexit and Trade Wars could support safe-haven
- Japan's current account surplus continues to improve

Negative View

US Dollar Index
- Political uncertainty may rise if the Democrats win the majority in the House in the mid-terms
- The impact of tax cuts will start to dissipate in second half of 2019

EURUSD
- Political tensions between core and periphery is ongoing
- Concerns over Brexit talks and the emergence of Italian populist budget proposals pose risk for the EUR

GBPUSD
- Deterioration in trade flows after Brexit could significantly impact business confidence in the UK
- Ongoing political angst will weigh on the Pound

USDJPY
- There are deep-rooted fears about trade frictions and emerging fears about a currency war
- Japan is expected to witness slower growth next year, alongside subdued inflation

US

GDP Annualised	3.50% (Q3 2018)
Inflation (YoY)	2.3% (September)
Trade Balance	-$54.00 bn (September)

Eurozone

GDP Annualised	1.70% (Q3 2018)
Inflation (YoY)	2.2% (October)
Trade Balance	€16.60 bn (August)

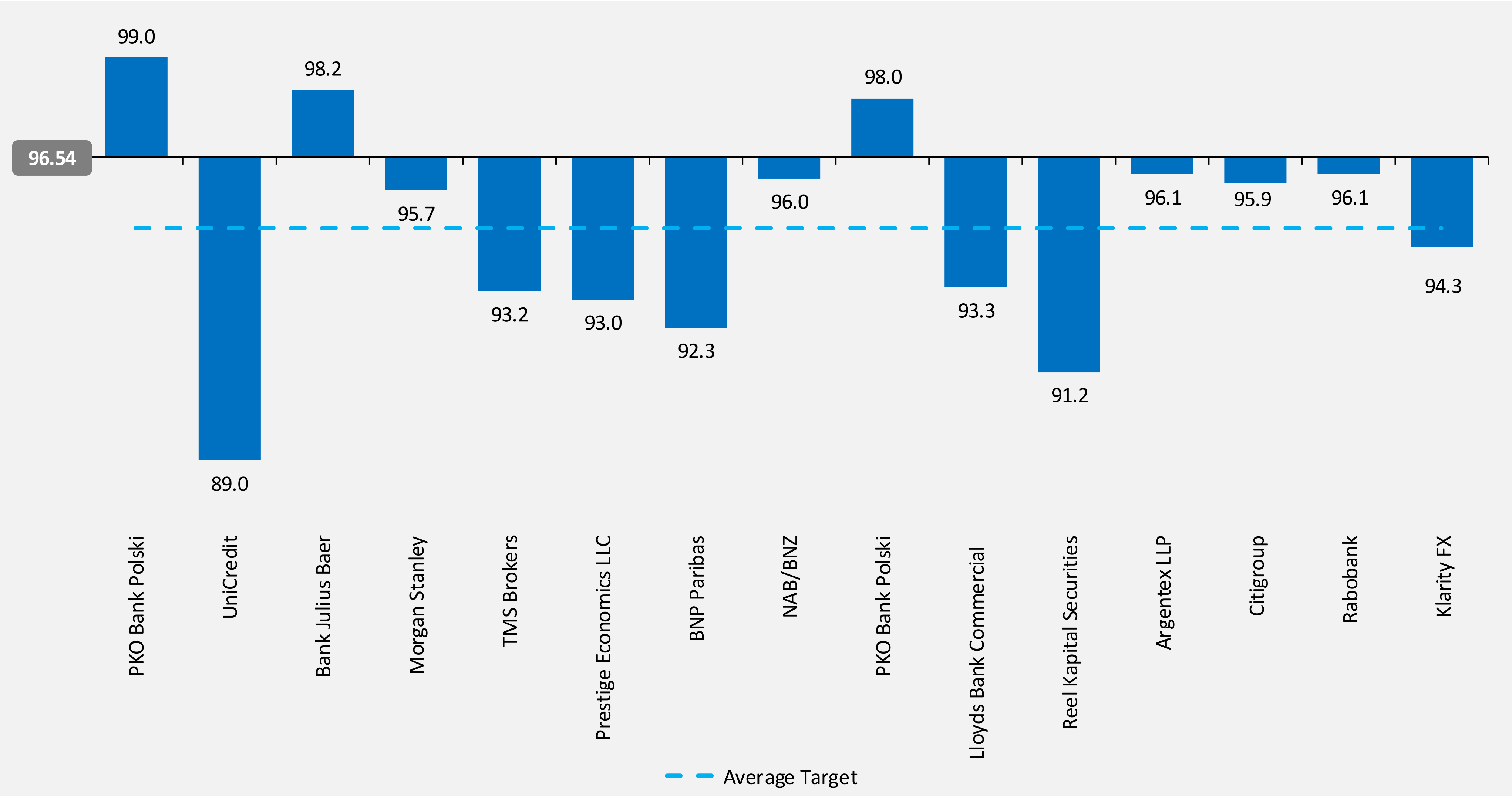
UK

GDP Annualised	1.2% (Q2 2018)
Inflation (YoY)	2.4% (September)
Trade Balance	-£1.27 bn (August)

Japan

GDP Annualised	3.00% (Q2 2018)
Inflation (YoY)	1.2% (September)
Trade Balance	¥139.60 bn (September)

US Dollar Index Target for Q4 2018 by Major IBs

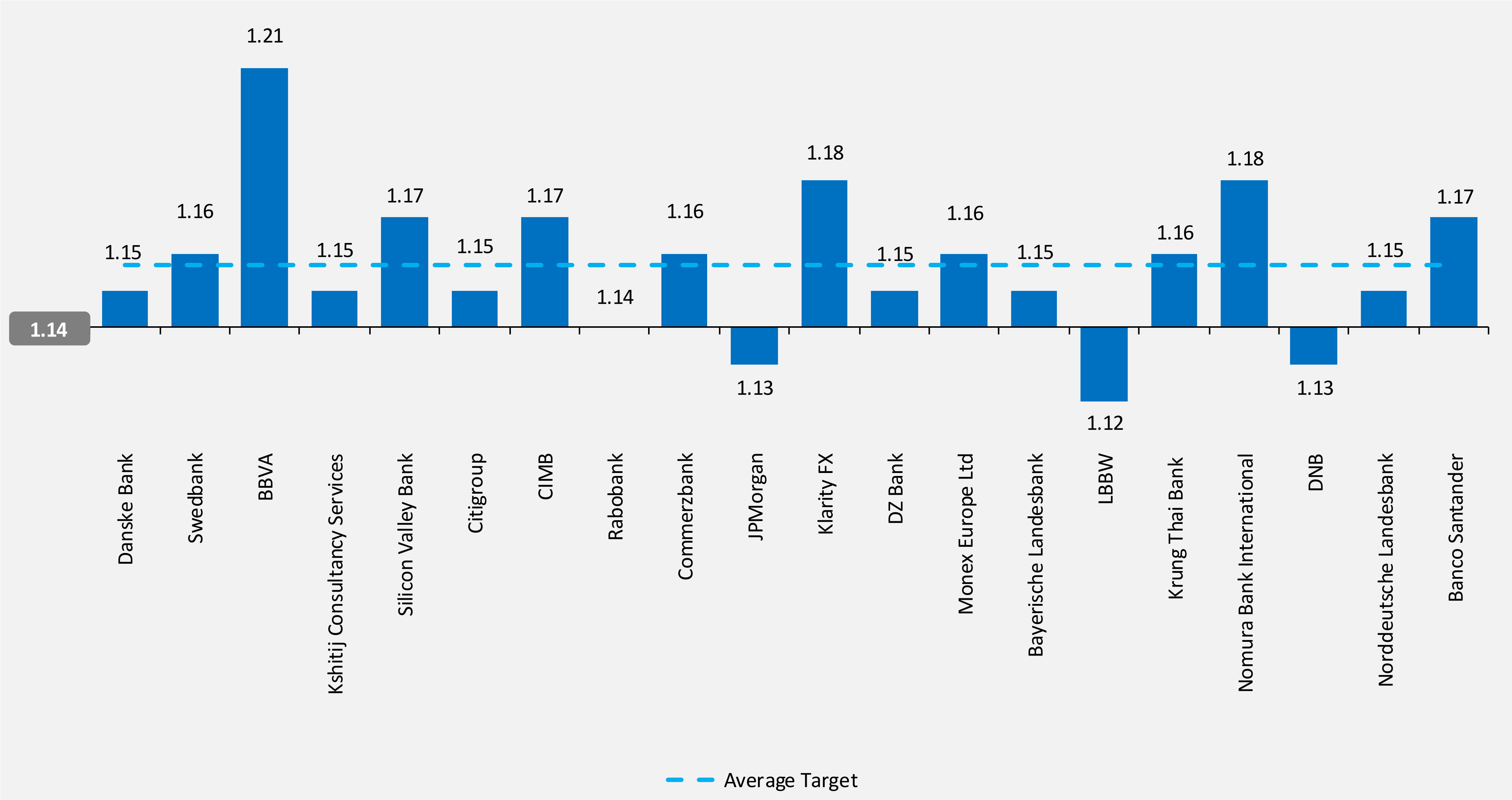


***Target with respect to actual level; Latest values at extreme Right**

Market Experts/ Brokers/ Analyst		Views (Last one month)
Natixis	Bearish	• Next year will be the time for slowdown for the US Dollar • The most significant impact on the US Dollar next year will be the Fed wrapping up its tightening cycle • At the same time, the ECB is likely to continue policy normalization and will begin raising rates in the second half of next year • Both the end of the Fed rate hike cycle and higher ECB rates (and other major central banks) should push the dollar lower • The US Dollar will also feel downward pressure from slower US economic growth next year • The impact of tax cuts will also start to dissipate during second half of the year • The US Dollar index is expected to lower down to 90 from the current level of 96.25
Citibank	Overweight	• The US-China trade tensions are potentially set to worsen • External drivers (EUR and CNY weakness) could add further modest support to USD to the year-end
Nordea Markets	Neutral	• The Dollar will continue its reign of supremacy over other currencies into year-end, but is seen capitulating to a range of adverse pressures once into 2019 • The outlook for the Dollar could turn increasingly negative once into January • Political uncertainty may become elevated in the US if the Democrats win the majority in the House in the mid-terms
AXA Investment Managers	Neutral	• The US dollar is expensive on a real effective exchange rate basis • The current environment does not offer clear catalysts to a meaningful correction in the near term • The broker thus maintains a neutral view on the USD for the time being
TD Securities	Neutral	• How much longer the current Dollar rally can endure for will be determined in large part by the November 06 ballot • With the US mid-terms nearly two weeks away, the USD should remain resilient • However, the case for renewed optimism in the USD remains limited by the fact that the USD is already well loved and the notion that USD exceptionalism could be nearing an exhaustion point

Global MacroView Summary

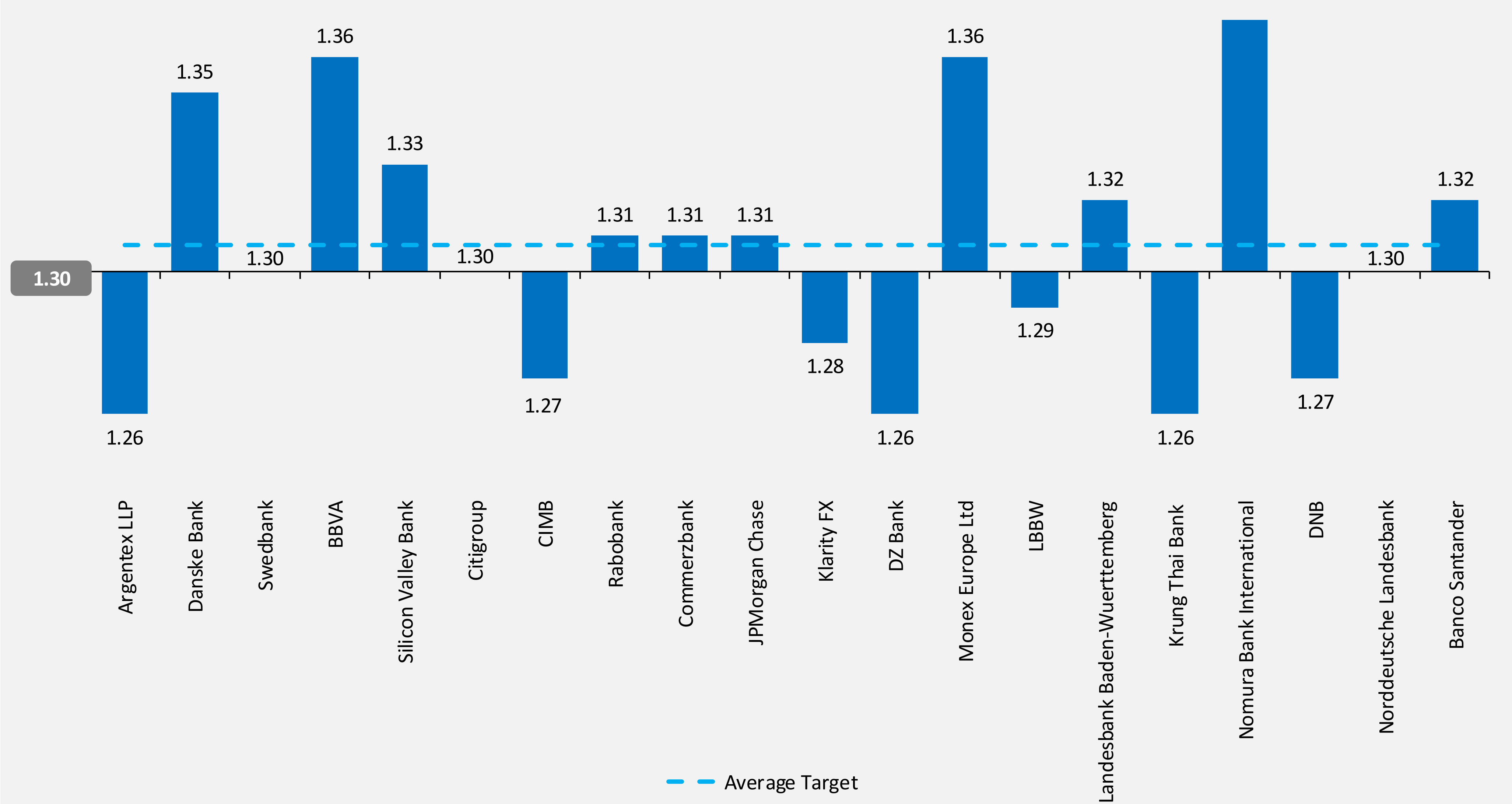
EURUSD Target for Q4 2018 by Major IBs



*Target with respect to actual level; Latest values at extreme Right

Market Experts/ Brokers/ Analyst		Views (Last one month)
Saxo Group	Overweight	• A rebound is in order for the Euro • The ECB'S quantitative easing policy will soon reach an end • In order to counter the populist threat in the region, the EU is likely to move towards a tighter monetary policy and easier fiscal policy, which is a more currency positive outcome
Standard Chartered	Underweight	• The EUR is likely to face headwinds from slowing Chinese growth • Concerns over Brexit talks and the emergence of Italian populist budget proposals are also a risk
Schroder Investment Management	Underweight	• Risk for further economic slowdown persists • Political tensions between core and periphery is ongoing
Union Bancaire Privee	Overweight	• EUR is undervalued from a historical point of view in terms of real exchange rates • Market positioning is coming back to neutral • The start of tapering from the ECB with more measured language surrounding Fed policy in early 2019 may help the EUR to strengthen
Scotiabank	Overweight	• There is potential for modest gains in the EUR initially next year • There might be more significant appreciation in the second half of the year • The assumption is that the ECB will start to reverse out of negative policy rates at that point
Citibank	Underweight	• EUR may face downside risk for the coming weeks as US data momentum still looks relatively buoyant compared with Europe and the Fed is still hawkish than the ECB • 0-3M forecast: 1.18; 6-12M forecast: 1.12
Alliance Bernstein	Underweight	• EUR likely to trade toward the bottom of its 1.15–1.25 trading range in coming months • Politics is an important downside risk (Italy, Brexit) • Year end and 2019 end forecast for the EUR/USD is 1.15

GBPUSD Target for Q4 2018 by Major IBs

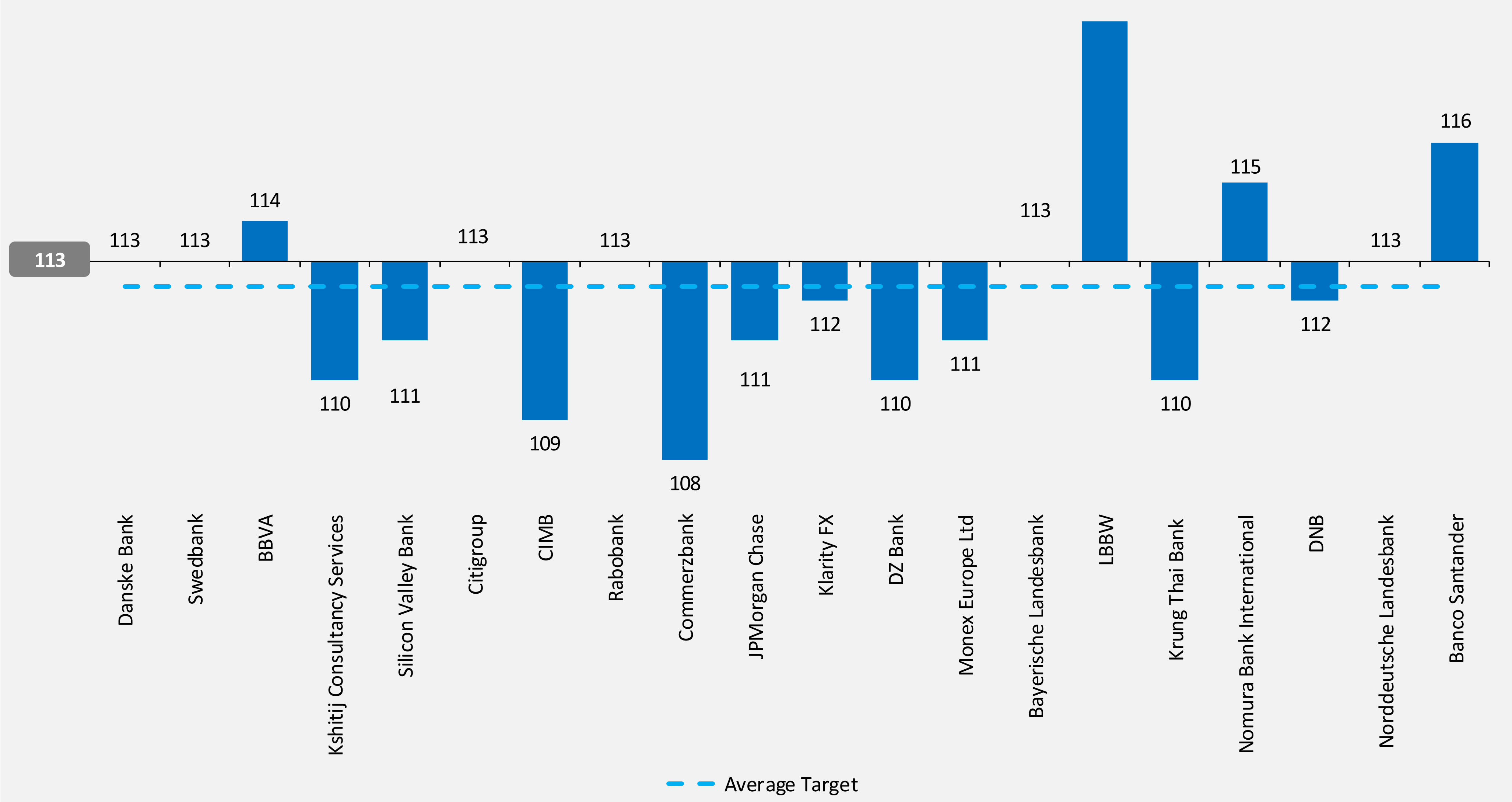


***Target with respect to actual level; Latest values at extreme Right**

Market Experts/ Brokers/ Analyst		Views (Last one month)
BMO Capital Markets	Underweight	• "Unresolved Brexit Issues" will cause the British currency to underperform during the months ahead • For now, the risks of a "no deal/cliff edge Brexit" are increasing, and this would continue to weigh on the GBP • The broker envisages the Brexit talks going down the wire, certainly crossing over into January • GBP/USD is likely to sit at 1.25 on a three-month horizon
Commonwealth Bank Australia	Overweight	• UK's budget 2018 bodes for a stronger Pound longer-term as the looser fiscal policy signalled by Chancellor Philip Hammond will ultimately command higher interest rates at the BoE • The fiscal impulse will be a modest tailwind to UK's economic activity over the next year
BNP Paribas	Overweight	• Two interest rate hikes are in prospect in 2019, more than markets expect • This will be notably constructive for Sterling as the market will inevitably have to bid the currency higher to reprice from barely one rate rise to two
Citibank	Bearish	• Ongoing political angst will weigh on the Pound • There remain lingering concerns that May might face a vote of no confidence • It would significantly ramp up the prospects of a 'no deal' Brexit
Mitsubishi UFJ Financial Group	Bearish	• Theresa May's leadership challenge is a niggle that has returned to the fore for markets • The current Brexit mood also remains negative for the Pound
Schroder Investment Management	Neutral	• There is not a strong case for excessive depreciation given that hard Brexit, having emerged as a serious possibility, now appears mostly priced in
Scotiabank	Underweight	• The broker feels that a Brexit agreement will be reached • But that still implies relatively subdued growth and an exchange rate that will rise modestly against the USD but fall against the EUR next year • Uncertainty alone risks driving the GBP sharply lower into 2019, absent a clearer Brexit path

Global MacroView Summary

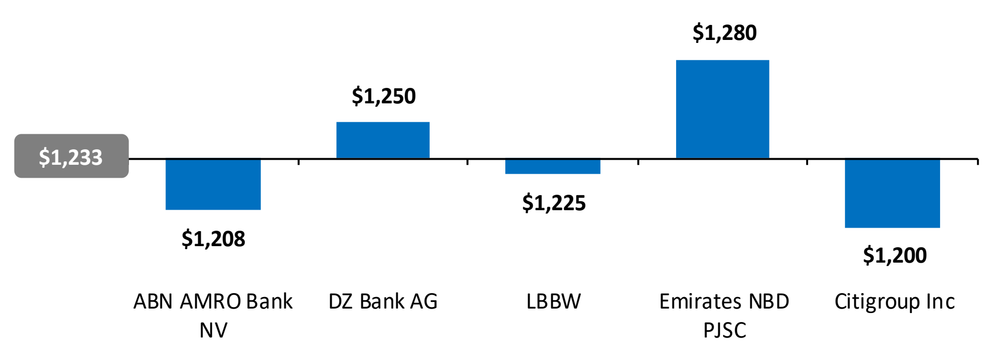
USDJPY Target for Q4 2018 by Major IBs



*Target with respect to actual level; Latest values at extreme Right

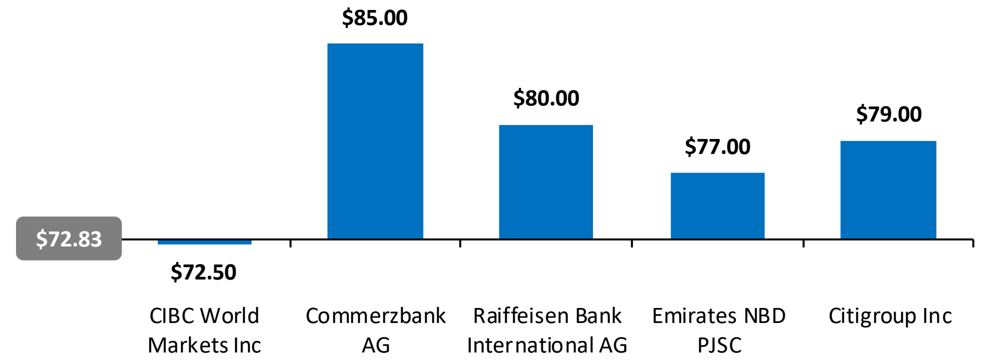
Market Experts/ Brokers/ Analyst		Views (Last one month)
Standard Chartered	Overweight	• The BoJ is expected to hold to its monetary policy, despite talk of "stealth tapering" • The USD/JPY is likely to press towards the strong 114.70-115.00 level near term in the near term
Schroder Investment Management	Bullish	• Japanese growth remains robust and there are some signs of higher inflation, which will have an impact on Bank of Japan policy • JPY also acts as a hedge for a global slowdown
Scotiabank	Underweight	• Japan is expected to witness slower growth next year, alongside subdued inflation • The BoJ is likely to retain a substantial degree of policy accommodation, even if settings are tweaked and asset purchases reduced • The JPY will remain relatively soft as a consequence
Mizuho Bank	Overweight	• The biggest factor the currency pair will probably be the direction of US/Japan trade talks • It seems likely the US will try to introduce some foreign exchange stipulations into talks with Japan • With negotiations likely to be stormy either way, the USD/JPY pair will probably trade with a • heavy topside in October, on growing concerns about trade frictions between the US and Japan
Citibank	Overweight	• The broker maintains a moderate strengthening path for USD/JPY to 112 and 114 • Policy divergence and unhedged purchases of US Treasury , event risks around the Italian budget, Brexit and Trade Wars could support safe- haven JPY. • 0-3m forecast: 112; 6- 12m forecast: 114
Russell Investments	Overweight	• It is 20% undervalued relative to purchasing power parity • Is getting cycle support at the margin as the Bank of Japan becomes less dovish • It has solid sentiment support from sizeable net short positions • The added benefit is that the yen performs well as a safe haven, so it gets a tick as a defensive diversifier on portfolio construction grounds

Gold Target by Major IBs



*Target with respect to actual level

Brent Target by Major IBs



*Target with respect to actual level

Gold – Positive View

- A weaker dollar and macroeconomic environment will be the main driver behind higher gold prices in 2019
- The economy is running well above its long run potential growth rate and signs of faltering growth could push investors away from equities and into more traditional safe-haven assets

Gold – Negative View

- Looking ahead, in the current environment, gold could remain under pressure for the rest of the year and could fall to 2016 lows
- Rising interest rates will continue to present the harshest headwinds for bullion through 2020

Brent – Positive View

- Crude oil prices will continue to be volatile but the direction is likely to be tilted slightly upwards as OPEC will continue to manage prices
- A recovery in China's infrastructure investment growth is expected
- The lack of spare oil capacity could push Brent crude to $100/b

Brent – Negative View

- Supply shifts, alongside the ongoing surge in Saudi production, create the risk that the oil market moves into surplus
- Geopolitical issues, weaker uptake from China, and supply side issues at OPEC countries, could be the upside risks

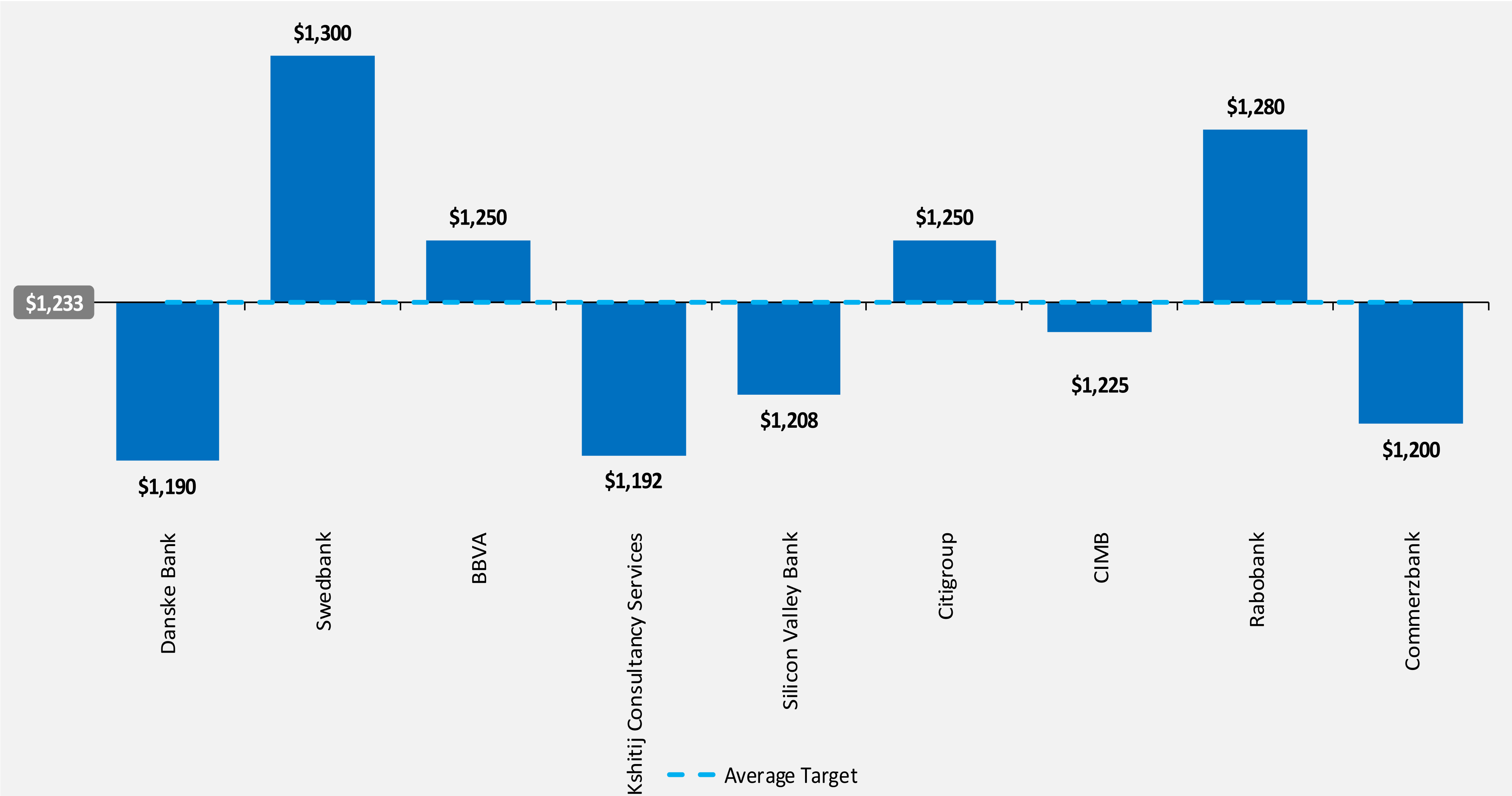
Gold

	Q3 2017	Q3 2018
Demand	958.1t	964.3t
Supply	873.4t	875.3t

Brent

	June 2018	July 2018
US Production (thousand barrels per day)	10,674	10,964
US Supply (thousand barrels per day)	20,705	20,621

Gold Target for Q4 2018 by Major IBs



*Target with respect to actual level; Latest values at extreme Right

Market Experts/ Brokers/ Analyst		Views (Last one month)
Natixis	Bullish	• Gold prices will rise in 2019 • A weaker dollar and macroeconomic environment will be the main driver behind higher gold prices • Gold prices are expected to average $1,275 an ounce in 2019 and $1,300 in 2020 • Gold's mine supply is projected to continue dropping moderately in 2019-2020, while central banks' gold reserve remain around the same levels • The trade war is most likely to be a long-term issue
Wells Fargo	Overweight	• Gold's tight negative correlation with the US Dollar will help prices go higher within the next 12 months • The US Dollar is likely to weaken • Rolling 12-month target price for gold remains $1,250 - $1,350 per ounce
Goldman Sachs	Overweight	• The broker expects market 'fear' of a US recession to strengthen • Recession worries and gold investment may increase further after US growth begins to slow down • The broker has described bullion's fundamentals as solid, and kept its three, six and 12-month forecasts at $1,250, $1,300 and $1,350, respectively
Bank of America	Bullish	• In this current environment, gold prices are likely to push towards $1,400 an ounce by the end of 2019 • Equity markets are already sowing the winds of change and a rising VIX will eventually force the Fed to slow down • There is also potential for gold to shine as inflation pressures pick up, particularly as US sanctions on Iran boost oil prices • Further, growing debt and deficits in the US could "super-charge" gold to its year-end forecast
Schroder Investment Management	Bearish	• With positions held outside the US at an all-time high (50%), the broker sees higher sensitivity to the US dollar, which is likely to further appreciate and weigh on gold prices
Emirates NBD	Bullish	• Gold price are headed for an improvement in the final months of 2018 before accelerating next year • There is a strong risk that the current strength in the US economy will show signs of waning by the end of 2019 • The economy is running well above its long run potential growth rate and signs of faltering growth could push investors away from equities and into more traditional safe-haven assets

Brent Target for Q4 2018 by Major IBs

***Target with respect to actual level; Latest values at extreme Right**

Market Experts/ Brokers/ Analyst		Views (Last one month)
RBC Capital Markets	Overweight	• On a fundamental basis, there will be support for higher crude pricing over the balance of 2018 and into 2019 • Specifically, the OPEC spare capacity is at very low levels • US extraterritorial sanctions on Iran come into effect on November 4 • Even if US shale production did pick up, the sidelining of Iranian oil would keep prices consistently high through 2019
UBS Asset Management	Overweight	• Diplomatic tensions between the US and Saudi Arabia have continued to simmer over the disappearance of a prominent critic of the Saudi regime • Given the mutual dependence of the two nations, there is unlikely to be a serious escalation that would disrupt oil supplies • But even if the dispute blows over, oil prices are expected to remain firm • The 1 million barrel per day fall in Iranian crude exports since May has been steeper than expected • Also, global spare capacity is set to reach a 10-year low by year-end, with Saudi Arabia being forced to boost production to cover shortfalls in Iran and Venezuela • As a result, risks to oil prices are tilted to the upside, and Brent is likely to trade between \$85–90/bbl in three months and \$85/bbl in 12 months, versus around \$80/bbl at present
Citibank	Overweight	• Brent Crude will average \$70 per barrel in 2019 • Trade tensions could moderate relative to market expectations • A recovery in China's infrastructure investment growth is expected • Recent oil price spike could dampen oil demand next year
Scotiabank	Neutral	• Saudi Arabia is expected to increase oil production to make up for the less output from Venezuela and Iran • However, it might not be as many barrels that are needed to close the supply gap completely • Brent oil prices are forecast to average \$80/bbl in 2019 before gradually falling back to \$75/bbl in 2020
Al Rajhi Capital	Overweight	• Oil market looks positive • Global oil supply-demand equation is likely to tighten as Iranian sanctions begins from November 4 • Even demand continues to be healthy with US commercial inventories below 5 yr average • OECD inventories as a proportion of global demand are at levels not seen in the past 5 years

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