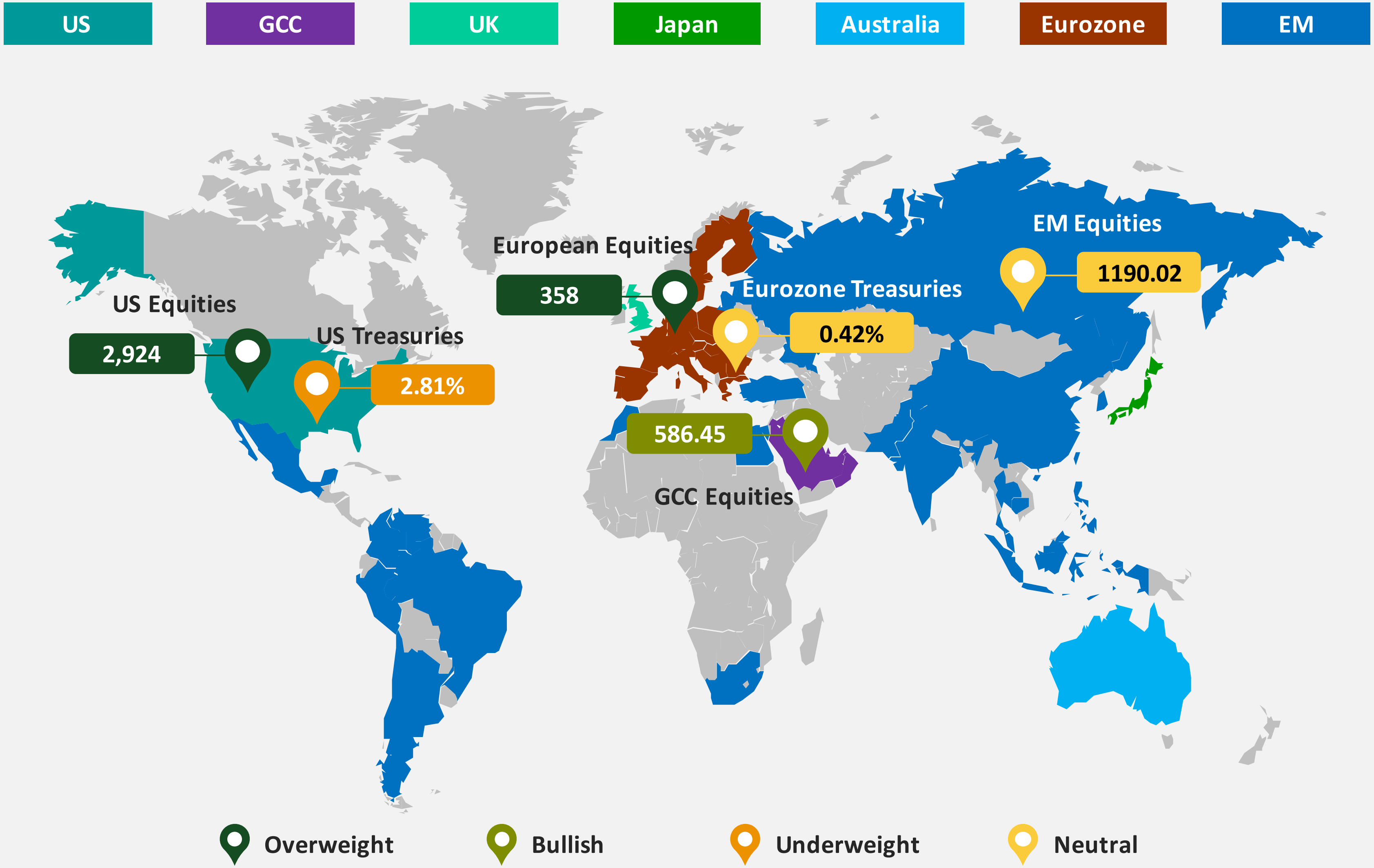
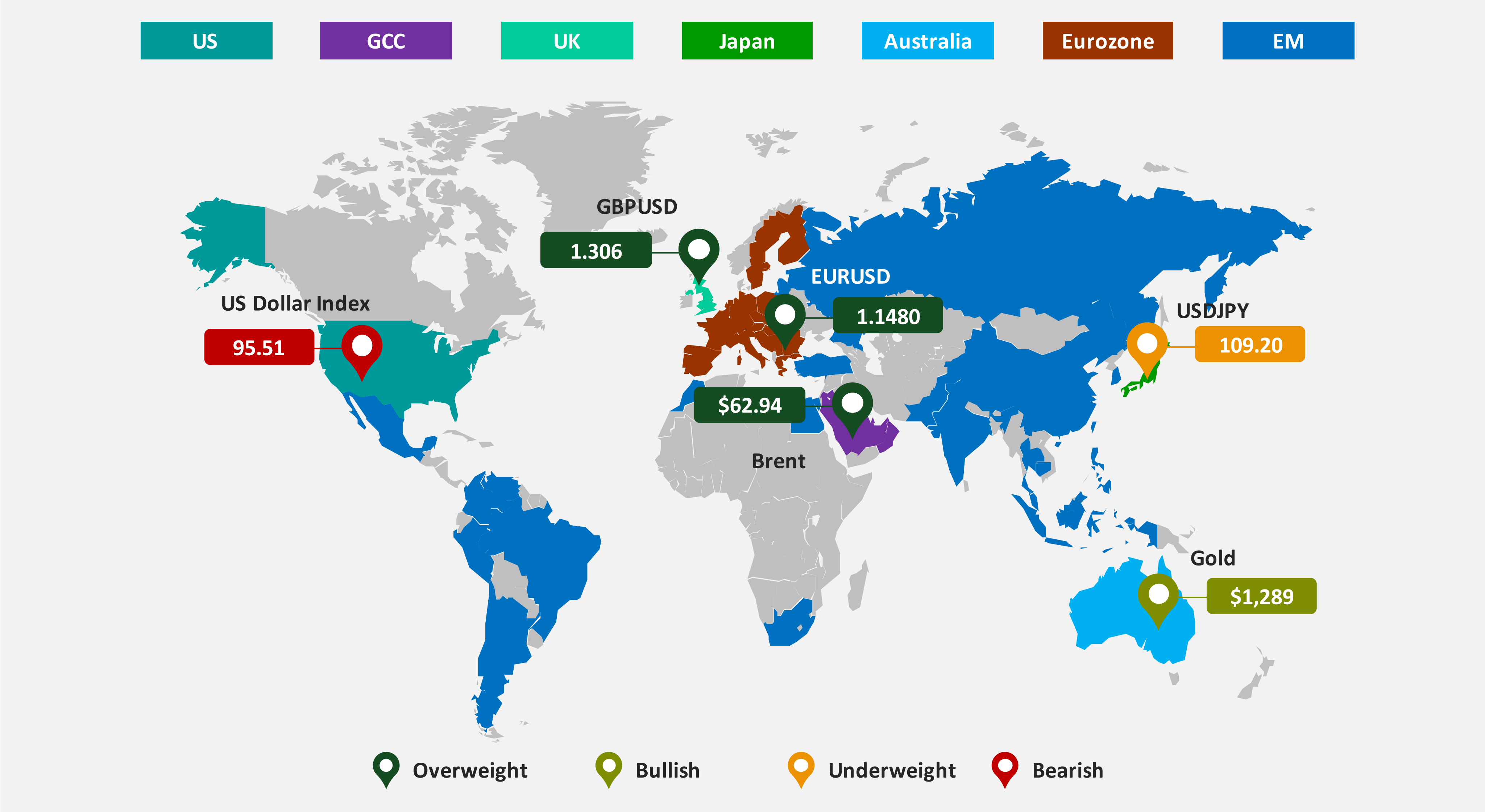
DECiMAL POiNT
Innovative Research Solutions

AssetPulse

Global MacroView Summary

12 February 2019

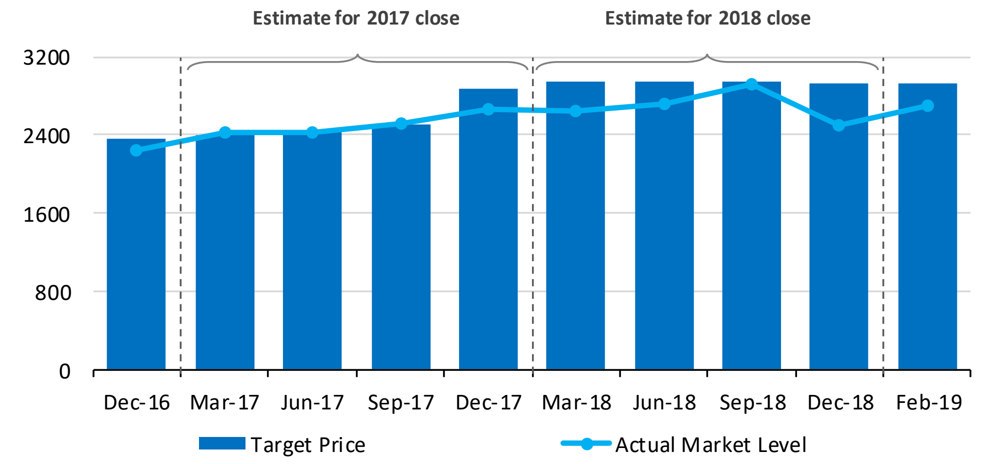

US
GCC
UK
Japan
Australia
Eurozone
EM
European Equities
358
EM Equities
1190.02
Eurozone Treasuries
0.42%
US Equities
2,924
US Treasuries
2.81%
586.45
GCC Equities
Overweight
Bullish
Underweight
Neutral


US
GCC
UK
Japan
Australia
Eurozone
EM
GBPUSD
1.306
EURUSD
1.1480
US Dollar Index
95.51
USDJPY
109.20
$62.94
Brent
Gold
$1,289
Overweight
Bullish
Underweight
Bearish

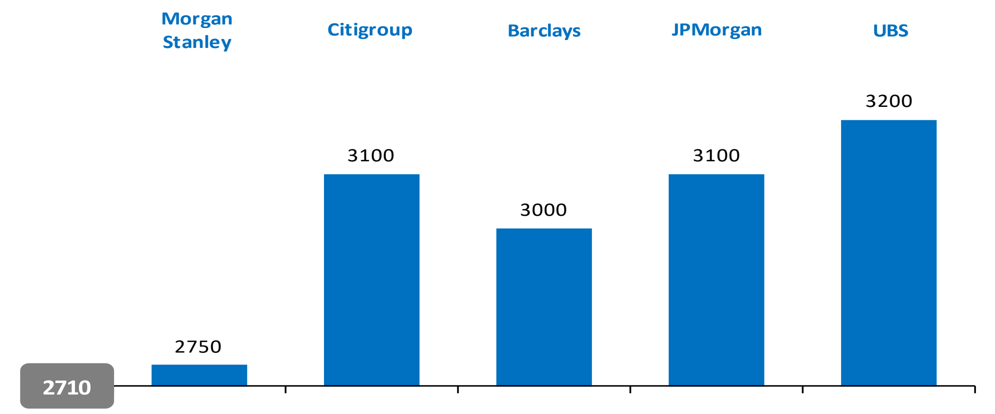
Asset Classes	13-Aug-18	12-Nov-18	11-Feb-19	6 Month Returns	3 Month Returns
Equities					
US Equites (S&P 500)	2821.93	2726.22	2709.80	-4.0%	-0.6%
Eurozone Equities (Stoxx 600)	384.91	362.03	361.12	-6.2%	-0.3%
Emerging Equities (MSCI EM Index)	1043.30	966.41	1036.03	-0.7%	7.2%
GCC equities (MSCI GCC Countries Index)	531.79	536.97	571.25	7.4%	6.4%
Currency					
USD ($ Index)	96.39	97.54	97.06	0.7%	-0.5%
EUR vs. USD	1.1410	1.1218	1.13	-1.2%	0.5%
USD vs. JPY	110.70	113.84	110.38	-0.3%	-3.0%
GBP vs. USD	1.2771	1.2849	1.2855	0.7%	0.0%
Fixed Income					
US 10yr Sovereign	2.88	3.14	2.65	-23	-49
Europe Core Area (German 10 Yr)	0.31	0.40	0.09	-22	-31
Europe Peripheral Area (Italy 10 Yr)	3.10	3.44	2.90	-20	-54
Commodities					
Gold	1193.5	1200.37	1308.12	9.6%	9.0%
Brent	72.61	70.12	61.51	-15.3%	-12.3%

* 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	2019TP	2020 TP
S&P 500*	2709.80	2,923.61	-
PE (x)	18.03	16.12	14.55
EPS ($)	150.31	168.1	186.24
Dividend Yield (%)	2.01	2.21	2.29
Price/Book (x)	3.2	2.97	2.75
EV/EBITDA (x)	12.46	10.82	10.02

*Value as on 11 February 2019

S&P 500 Index Returns

Q1 2018	Q2 2018	Q3 2018	Q4 2018	QTD
-1.2%	2.9%	7.2%	-14.0%	8.1%

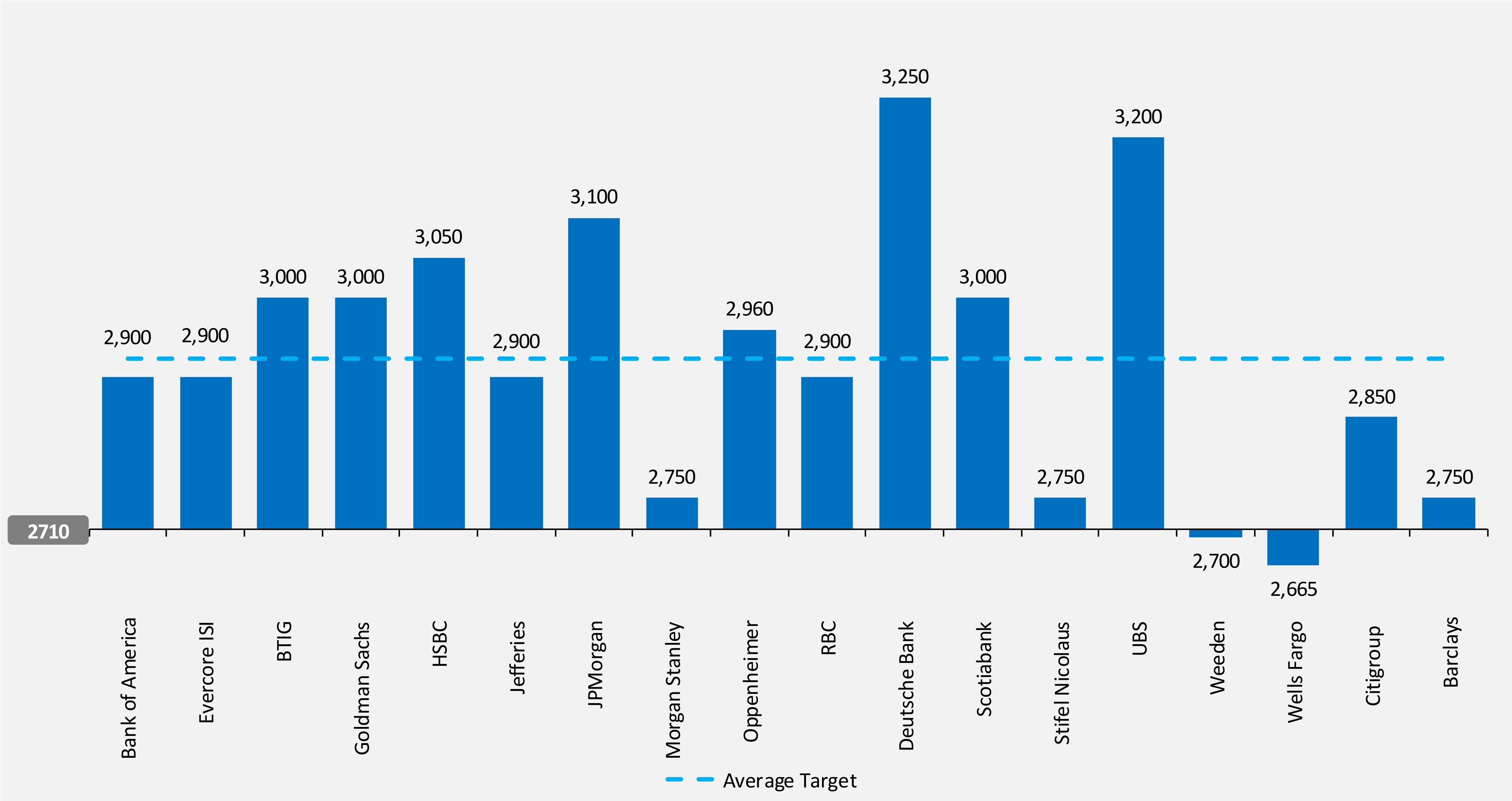
Positive View

- US equities remain competitive due to solid earnings
- Resilience of the US economy
- Following the recent sell-off, there is compelling upside in US equity markets

Negative View

- Impact of US fiscal stimulus will wane
- Geopolitical risks remain elevated due to trade frictions with China
- The 2019 environment will likely be choppy and frustrating

S&P 500 Index Target by Major IBs

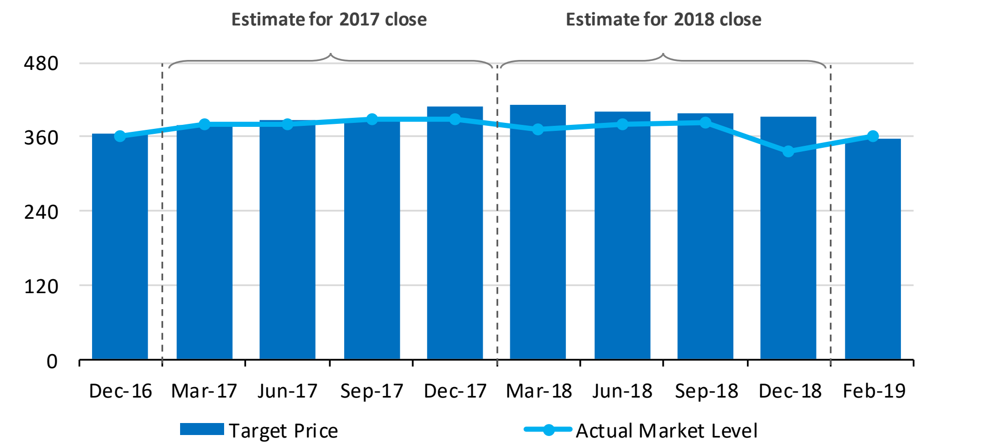


*Target with respect to actual level

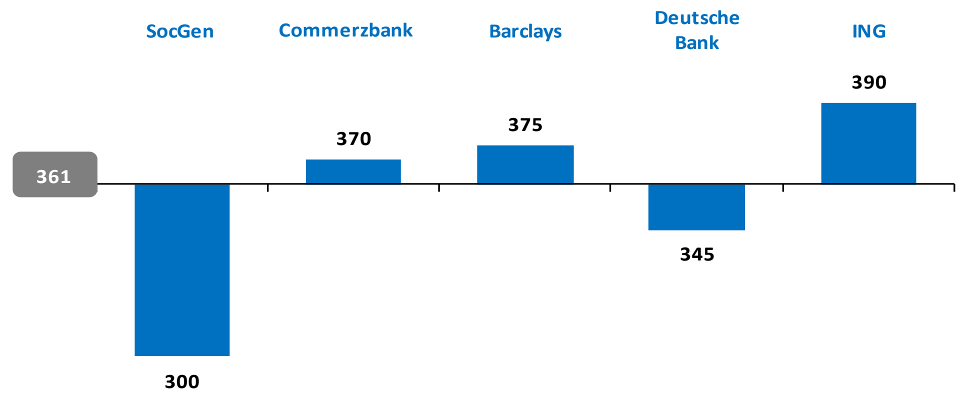
Market Experts/ Brokers/ Analyst		Views (Last one month)
Amundi Asset Management	Overweight	• The US market continues to be supported • Volatility will likely remain high as the market navigates through negative earning revisions • The broker has increased preference for the big tech/FAANG sector • FAANG stocks offer more reasonable valuations and the most durable business model in the US economy
Morgan Stanley	Overweight	• US equities had a very difficult finish to 2018 after holding up better than other equity markets through the first three quarters • The highest quality market is always the last to fall and thus the sell-off in US equities indicates that the worst of the cyclical bear market that was expected at the beginning of 2018 has now been left behind • The broker's target of 2,750 offers an attractive upside
Schroder Investment Management	Neutral	• US equities remain competitive due to solid earnings driven by the resilience of the domestic economy • However, earnings revisions have continued to deteriorate and the US remains expensive relative to other markets • At the same time, the normalisation of monetary policy by the Fed is likely to put a squeeze on corporate margins and profitability • Overall, US equities are expected to perform in line with global equities
Neuberger Berman	Overweight	• As the impact of US fiscal stimulus wanes, US growth is expected to converge with developed non-US and emerging market growth • US earnings growth is expected to be in the single digits this year, down from mid-20% growth in 2018 • Geopolitical risks remain elevated due to trade frictions with China • Nonetheless, the sell-off in the last quarter of 2018 was strong enough to leave US equity valuations trading near the lows of their historical range, creating potential for multiple expansion this year
Nuveen	Neutral	• US stocks have reached a new cycle high every year since their bottom in 2009 • Sadly, that streak is likely to be broken in 2019, but prospects for equities could still be quite good • The economic cycle is not over yet and the broker expects that stocks will achieve gains in 2019, but the environment will likely be choppy and frustrating • The year-end 2019 target for the S&P 500 Index is around 2,650, implying a decent year for stocks

Market Experts/ Brokers/ Analyst		Views (Last one month)
Citibank	Neutral	• US GDP growth has likely peaked since the mid-terms, real GDP may slow to 2.8% this year, a still above trend pace • The 2020 fiscal cliff will likely be delayed and the $200 billion Federal infrastructure spending package may add fiscal stimulus to the economy • Two further rate hikes are expected in 2019 • US-China trade tensions are expected to continue despite recent truce • Additional trade and investment restrictions on China are likely
Lazard Asset Management	Overweight	• Following the recent sell-off, there is compelling upside in US equity markets • Given slowing global growth and the continued overhang of political risk, volatility is likely to remain elevated in 2019 • However, there is sufficient upside to warrant allocating capital away from debt toward equities
State Street Global Advisors	Overweight	• Earnings growth among US companies is likely to continue in 2019 • This will partly be due to higher capital expenditure investments made, especially in information technology • Government spending is also set to increase, which would pump more money into the economy in the short-term
Nikko Asset Management	Overweight	• Decent global economic growth • Accelerating corporate operational efficiency • US equities will be able to offset the headwinds from mildly higher interest rates and political uncertainty • A continued high level of share buybacks also will help support the market. • The broker expects the SPX to hit 2884 at end-June 2019 and 2957 at the end of 2019
Fiduciary Trust	Overweight	• The broker prefers mid and small-cap equities • Smaller companies should reap the rewards of continued economic growth and residual benefits from tax cuts and deregulation • With trade issues carrying over into 2019, the broker is biased towards companies with domestically focused revenues that may act as a hedge against any trade-related volatility • Fiscal stimulus will continue to breathe life into the US economy • There is likely to be corporate reinvestment in technology, equipment and other capital improvements • S&P 500 earnings are expected to advance roughly 10% in 2019

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	2019 TP	2020 TP
Eurostoxx 600*	361.12	358.00	-
PE (x)	15.86	13.39	12.17
EPS (€)	22.77	26.97	29.67
Dividend Yield (%)	3.77	4.17	4.26
Price/Book (x)	1.72	1.58	1.5
EV/EBITDA (x)	9.3	8.45	7.83

*Value as on 11 February 2019

Stoxx 600 Index Returns

Q1 2018	Q2 2018	Q3 2018	Q4 2018	QTD
-4.6%	2.4%	0.8%	-11.8%	6.8%

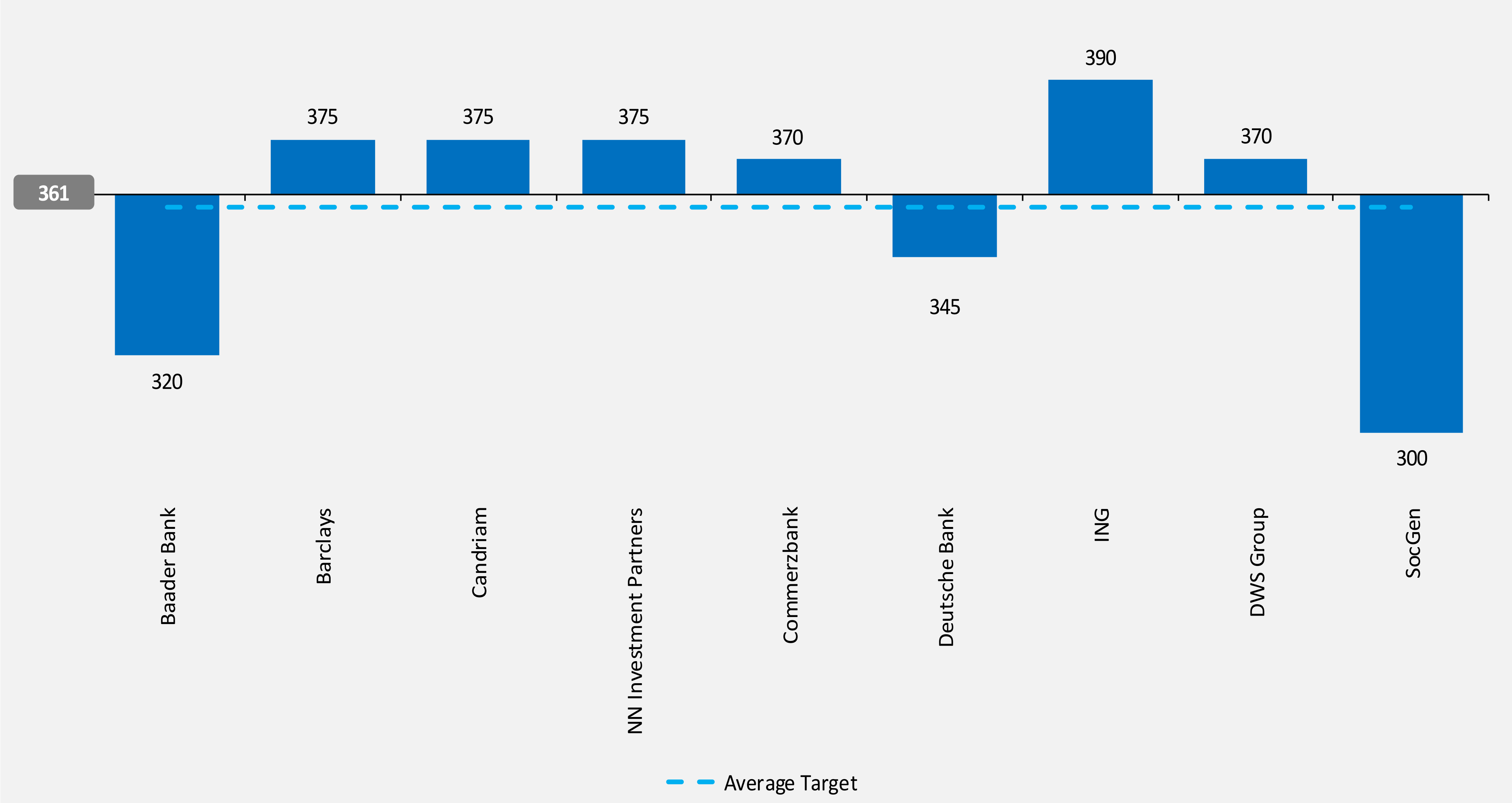
Positive View

- Positive fundamentals remain in place in Europe
- There is continuing domestic consumer expansion
- There could be a rebound in the most depressed sectors in Europe, including autos

Negative View

- The backdrop for European banks remains challenging
- The prospect of a stronger Euro may become a headwind for European equities
- European equities continue to be hamstrung by regional politics

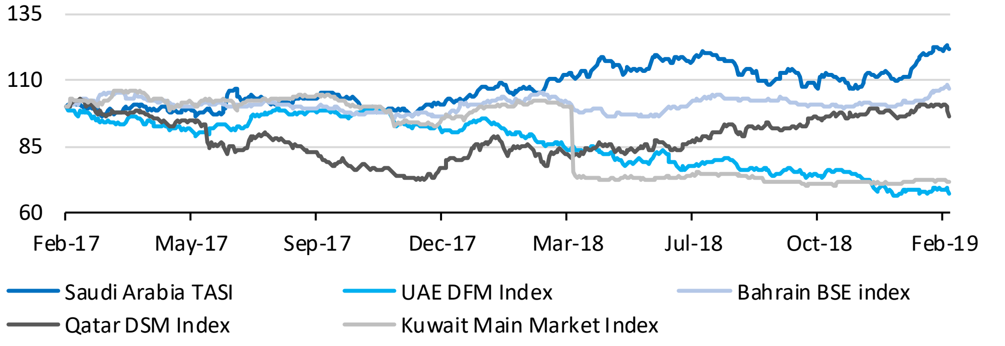
Stoxx 600 Index Target by Major IBs



*Target with respect to actual level

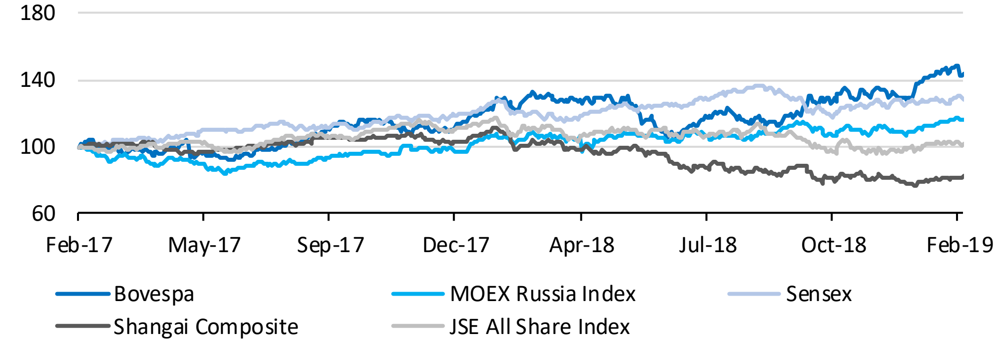
Market Experts/ Brokers/ Analyst		Views (Last one month)
Schroder Investment Management	Underweight	• The backdrop for European banks remains challenging and the prospect of a stronger Euro may become a headwind for European equities
Citibank	Overweight	• The broker expects Europe (ex UK) EPS growth of around 10% for 2019 broadly spread across different sectors • Dividend yields in the region are attractive
Lazard Asset Management	Overweight	• 2019 could be a defining period for European equities, owing to a number of key milestones • Positive fundamentals remain in place in Europe and are likely to reassert themselves through 2019, particularly if global head-winds recede • This could lead to a rebound in the most depressed sectors in Europe, including autos
State Street Global Advisors	Underweight	• European equities continue to be hamstrung by regional politics • Leaders in countries such as Germany, France and the UK are preoccupied with their own political survival, Brexit and the immediate financial risks presented by countries such as Italy • This has weakened the impetus to implement much-needed structural reforms aimed at protecting the Eurozone from the next crisis • The broker believes real political risks could weigh on European stocks and justifies a defensive stance that seeks to mitigate market volatility
Barclays	Overweight	• For Europe, the broker expects mid-single-digit upside for 2019, given low valuations and the forecast of modest EPS growth • The region is likely under-owned, so any reduction in political risk could help unlock latent demand
JPMorgan	Underweight	• Political tail risks remain a headwind for European stocks • It is still unclear whether the current substantial Italian debt overhang is manageable • In the UK, equities remain a lose-lose proposition as the probability for an orderly negotiated exit from the EU has shifted to just 50%

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	2019 TP	2020 TP
MSCI GCC Countries Index *	571.25	-	-
PE (x)	14.73	13.32	11.91
EPS ($)	38.77	42.87	47.95
Dividend Yield (%)	3.73	4.26	4.71
Price/Book (x)	1.85	1.63	1.54

*Value as on 11 February 2019

MSCI EM Index Key Parameters

	Actual	2019 TP	2020 TP
MSCI Emerging Markets Index *	1036.03	-	-
PE (x)	12.48	11.79	10.55
EPS ($)	82.97	87.83	98.12
Dividend Yield (%)	2.79	3.2	3.46
Price/Book (x)	1.56	1.43	1.31
EV/EBITDA (x)	8.05	8.14	7.41

*Value as on 11 February 2019

MSCI GCC Index Returns

Q1 2018	Q2 2018	Q3 2018	Q4 2018	QTD
7.2%	4.2%	1.3%	-0.9%	6.2%

MSCI EM Index Returns

Q1 2018	Q2 2018	Q3 2018	Q4 2018	QTD
1.1%	-8.7%	-2.0%	-7.8%	7.3%

Positive View (GCC)

- Improving dynamics are driving momentum in GCC markets
- Fiscal reforms of past years will provide the necessary cushion for GCC countries to support economic growth through capital expenditure

Negative View (GCC)

- Rising trade tensions could limit upside potential
- Market volatility

Positive View (EM)

- Ongoing Asian growth accompanied by contained inflation
- Significant easing in China that helps to offset most of the drag from trade tensions

Negative View (EM)

- Risk of continued tensions between the US and China weighs on EM equity prospects
- There is no evidence of a strong recovery in the cyclical backdrop of EM economies

Asset Class	
Emerging Market Equities (MSCI EM Index)	
Analyst expectations	
Average	1190.02
Bloomberg Consensus Target Price For MSCI EM Index	1190.02
As on 11 February 2019	1036.03
% Change from Current levels compared to avg	14.86%

Market Experts/ Brokers/ Analyst		Views (Last one month)
Amundi Asset Management	Overweight	• The fundamental picture in EM equities are expected to stabilise and improve in 2019 • EM equities look cheap on a relative basis and a global investor underweight in EM provides strong technical support • At a regional level, the broker favours countries with positive growth outlooks (China, India) and very attractive valuations (namely, Russia) • The broker is defensive on countries with expensive valuations (Chile, Thailand) and would avoid countries with high political risk (namely, Turkey)
Schroder Investment Management	Neutral	• While valuations are attractive, given the sell-off last year, there is no evidence of a strong recovery in the cyclical backdrop of these economies • While the Chinese authorities have started to ease policy to support the domestic economy, investors need to see concrete evidence of trade reconciliation with the US and growth stabilisation
Neuberger Berman	Overweight	• Fiscal and monetary easing in China are in the pipeline to counteract a slowdown and the impact of trade tensions • The broker's longer-term outlook remains positive despite short-term volatility and negative sentiment related to the trade risks • The sell-off in 2018 has left attractive valuations, even after the recent modest recovery

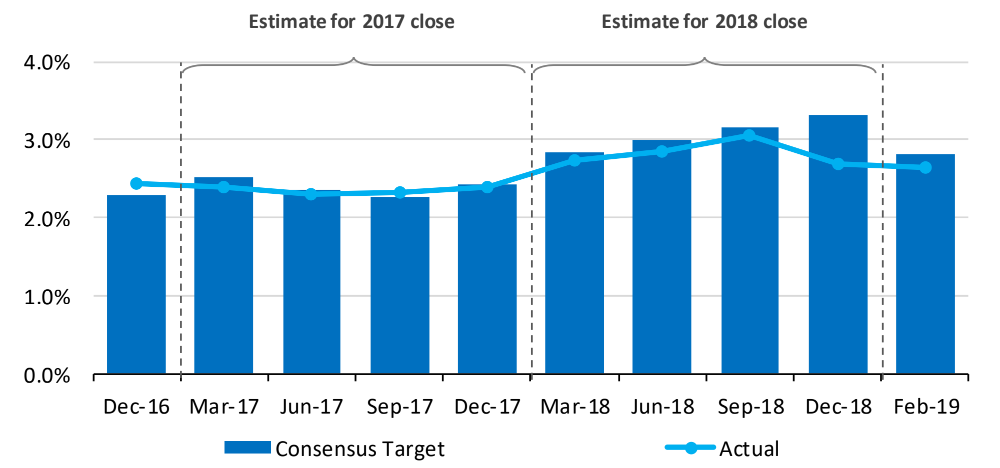
Market Experts/ Brokers/ Analyst		Views (Last one month)
Citibank	**Overweight**	• In 2019, 2018's sharp EM equity underperformance is expected to reverse, at least partially • Underpinning this view is the likelihood of ongoing Asian growth accompanied by contained inflation • Moderating US growth limits the extent of US rate rises and USD strength • Significant easing in China helps to offset most of the drag from trade tensions • Strongly bearish investor positioning – particularly in China – is likely to reverse as investors diversify away from the US markets
Northern Trust Capital	**Underweight**	• EM equities might continue to take the disproportionate hit, should the Fed continue its rate hike trajectory • The risk of continued tensions between the US and China also weighs on EM equity prospects • Should these risks subside, attractive valuations may argue for an increased allocation sometime in 2019
State Street Global Advisors	**Neutral**	• With further interest rate rises expected from the Fed in the first half of 2019, EM's are likely to struggle in aggregate • However, as 2019 progresses, there could be some strong buying opportunities generated within emerging market equities • They offer a similar ROE to developed market shares, but are heavily discounted and have better growth prospects
Nomura	**Bullish**	• Valuations, improving growth differentials, positioning and healthy balance sheets all suggest that EM equities have a favorable risk-reward outlook, compared with developed markets • Declines in oil prices is also expected to be supportive for EM's, particularly Asia ex-Japan, which is largely a net importer of oil/energy, with the exception of Malaysia • EM valuations, on a relative and absolute basis, are attractive
LPL Financial	**Bullish**	• EM equities are favoured over developed international equities • They have solid economic growth trajectory and favorable demographics • Attractive valuations and prospects for a US trade agreement with China, with a bias toward emerging Asia • GDP growth in China and broader EM may more than double the pace of developed international economies in 2019, supporting better earnings growth • Political uncertainty is lower in EM than in Europe

Asset Class	
GCC Equities (MSCI GCC Countries Index)	
Analyst expectations	
Average	586.45
Bloomberg Consensus Target Price For MSCI GCC Index	586.45
As on 11 February 2019	571.25
% Change from Current levels compared to avg	2.66%

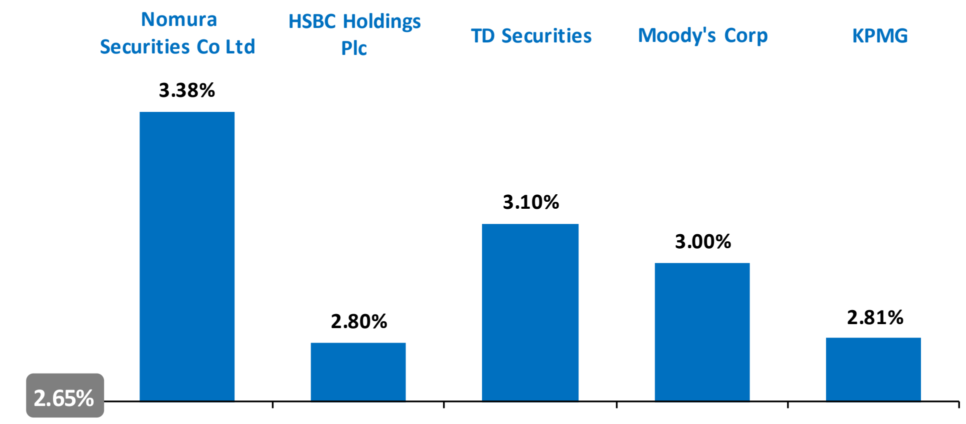
Market Experts/ Brokers/ Analyst		Views (Last one month)
Markaz	**Overweight**	• Economic outlook for the GCC region as a whole remains positive • The surge in oil revenues and fiscal reforms of past years will provide the necessary cushion for GCC countries to support economic growth through capital expenditure
First Abu Dhabi Bank	**Bullish**	• UAE equity markets will rally in 2019, boosted by a weaker dollar, higher oil prices and Abu Dhabi's economic stimulus plan • The MSCI EM inclusion of Saudi Arabia and the JP Morgan indices inclusion of GCC bonds into their index will further aid the local equity markets • Valuations, fundamentals and mean reversion – all are set to favour the UAE this year
Emirates Investment Bank	**Overweight**	• In a period of increasing interest rates and stable oil prices, the GCC economy has started seeing signs of improving dynamics that are driving momentum in its markets • A positive phenomenon is the healthy M&A activity in the GCC region • M&A activities have totaled over $10bn this year, a 3% increase over last year • The GCC banking sector is also seeing an increasing level of consolidation • GCC governments are playing a growing role in stimulating economic growth and boosting investor confidence in regional markets

Market Experts/ Brokers/ Analyst		Views (Last one month)
Kamco Investment Company	Bullish	• The UAE markets are expected to rebound in 2019 • Strong positive macroeconomic indicators • Low valuations of stocks • Higher spending on infrastructure developments ahead of the mega exhibition, Expo 2020 Dubai • Stability in oil prices will help the equity markets in general and energy firms in particular
UBS Global Wealth Management	Neutral	• Structural reforms are set to be introduced in the Middle East • Higher oil prices will also support economic growth in the region • However, the broker encourages investors to embrace diversification strategies, amid anticipated market volatility
Al Ramz Capital	Overweight	• For 2019, the outlook is optimistic as stock prices are low and attractive • The UAE government had announced more spending schemes on projects where listed companies often participate, which in turn would support these companies' financial positions

Consensus Target for US 10 Year

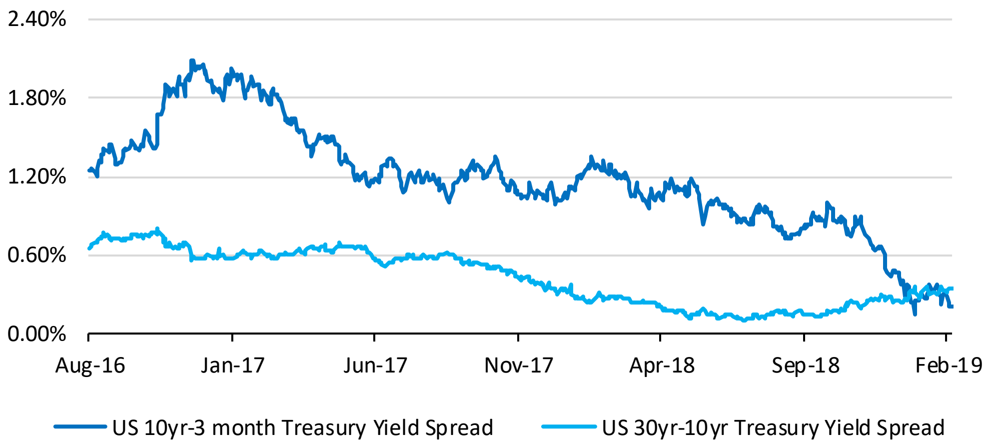


US 10 Year Target by Major IBs



*Target with respect to actual level

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



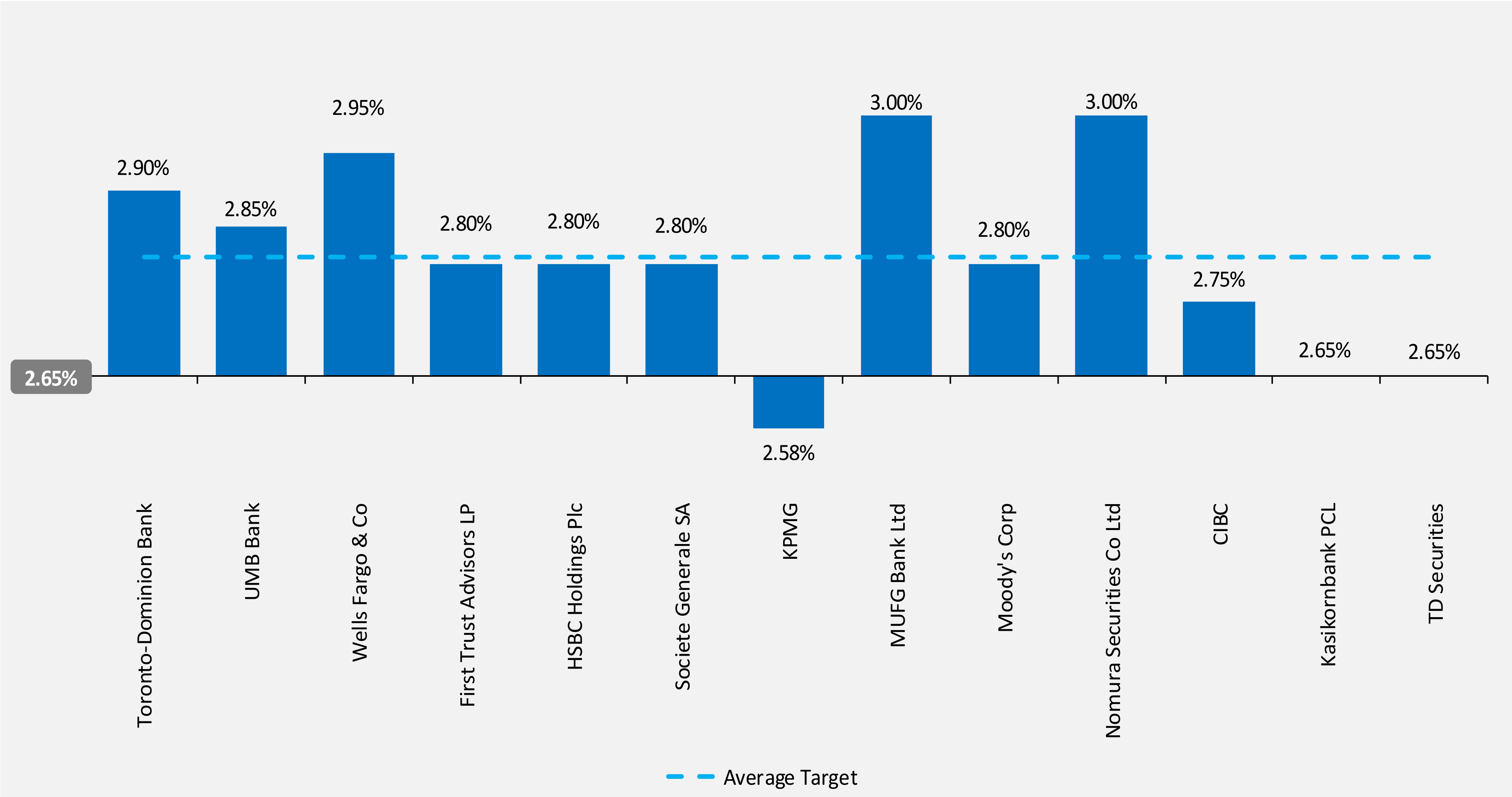
Positive View

- Biggest driver will be slowdown in the global economy
- Political uncertainty will remain high in 2019

Negative View

- The yield curve between short and long-term bond yields is likely to remain flat
- The Fed could skip one of the three 250 basis point interest rate rises currently flagged for next year

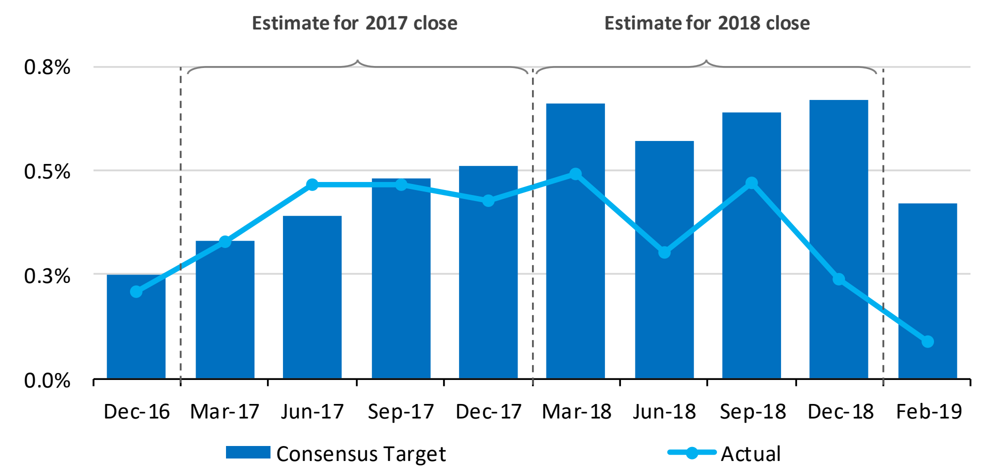
US Treasuries 10 Year Target Yield for Q1 2019 by Major IBs



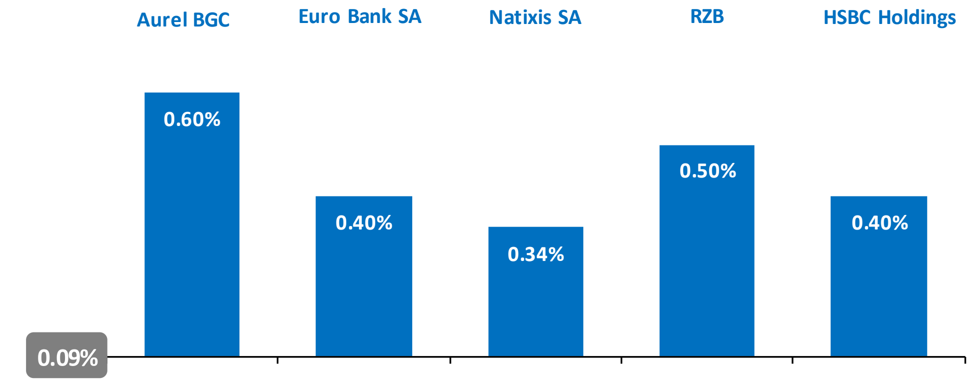
*Target with respect to actual level; Latest values at extreme Right

Market Experts/ Brokers/ Analyst		Views (Last one month)
Saxo Bank	Overweight	• In sovereigns, the broker prefer safe haven assets, such as 10-year Treasuries • Unlike 2018, the biggest driver will be a slowdown in the global economy • Political and economic uncertainty will remain high in 2019, causing many investors to flee to safety and prefer sovereigns • The main driver for US Treasury performance this year will be the US economic performance
Schroder Investment Management	Underweight	• While recent data has been softer, the market has overshot to become too dovish on rate expectations • However, Treasuries can still be a useful diversifier in the portfolio against a potential economic slowdown this year
State Street Global Advisors	Underweight	• Interest rates are not expected to move much higher in the short end • The Fed could skip one of the three 250 basis point interest rate rises currently flagged for next year • Long-term yields on 10-year US treasury bonds are likely to remain at about 3.4-3.5% • The yield curve between short- and long-term bond yields is likely to remain flat
Citibank	Overweight	• Yields are not expected to rise too sharply from here • Heightened trade tensions and tighter monetary policy leave markets susceptible to periodic bouts of volatility, which may support US Treasuries • 10-year US Treasury yields will likely be well contained under 3.75% this year
BlackRock	Neutral	• Higher yields and a flatter curve after a series of Fed rate increases make short- to medium-term bonds a more attractive source of income • Longer maturities are also gaining appeal as an offset to equity risk, particularly as the Fed gets closer to neutral and upward rate pressure is more limited • There is reasonable value in mortgages • Inflation-linked debt has cheapened, but there is no obvious catalyst for outperformance

Consensus Target for German 10 Year

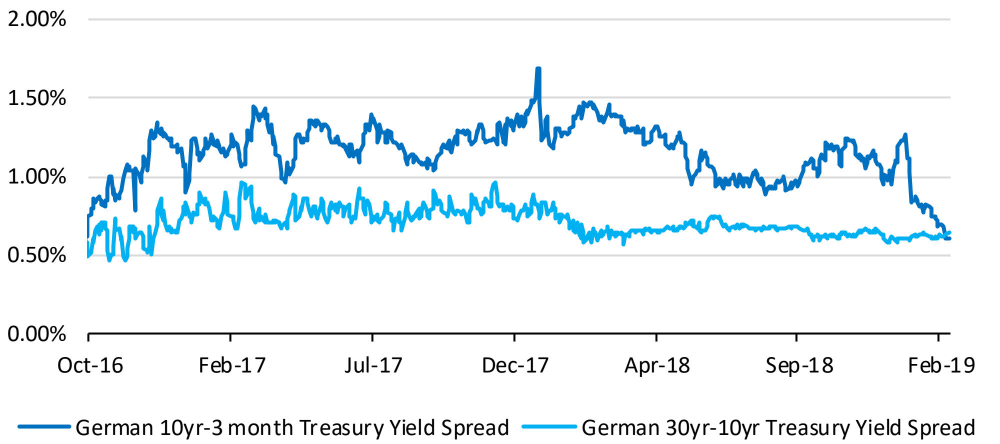


German 10 Year Target by Major IBs



*Target with respect to actual level

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



Positive View

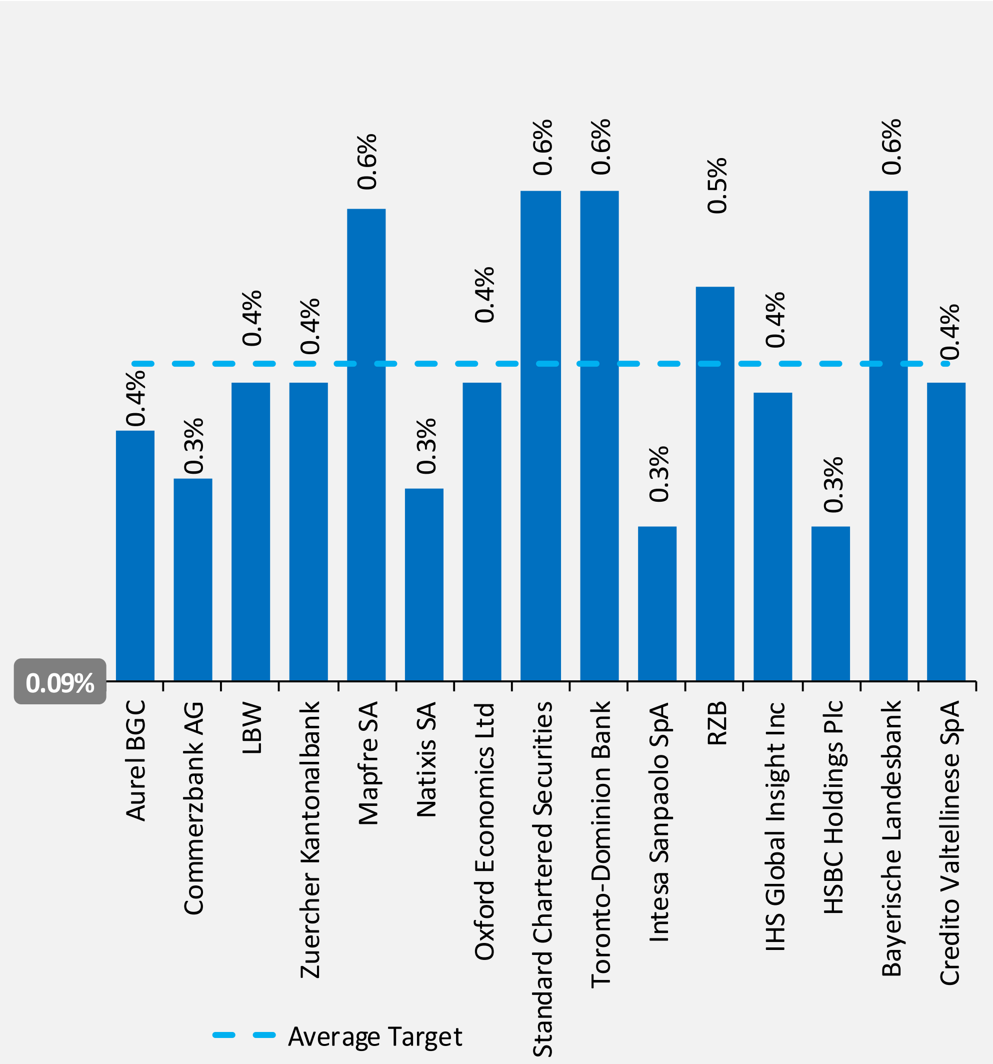
- The steep yield curve and disappointing data mean that investors will likely continue to own Bunds
- There are many reasons to fear that the situation between the new Italian government and the EU might destabilise again

Negative View

- Valuations look high
- Italian spreads reflect quite a bit of risk

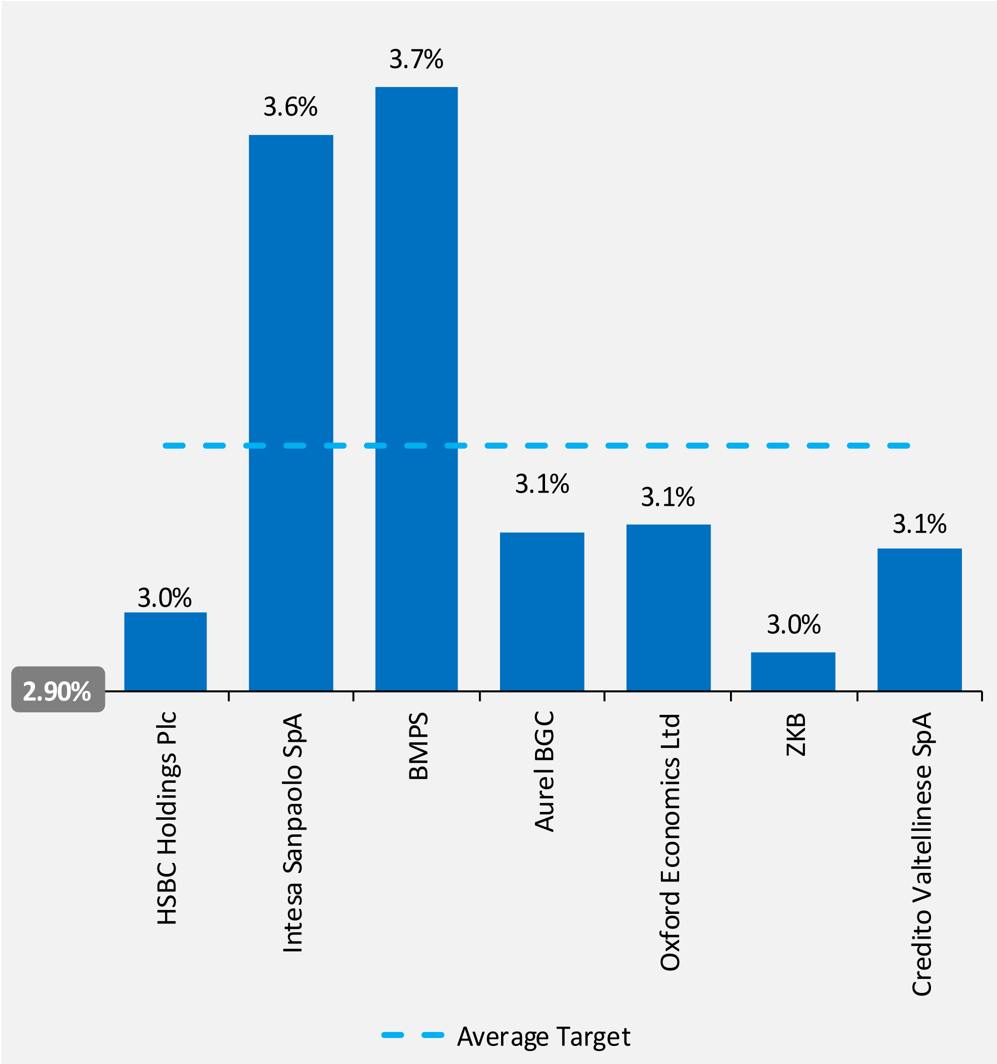
Global MacroView Summary

German 10 Year Target Yield for Q1 2019 by Major IBs



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

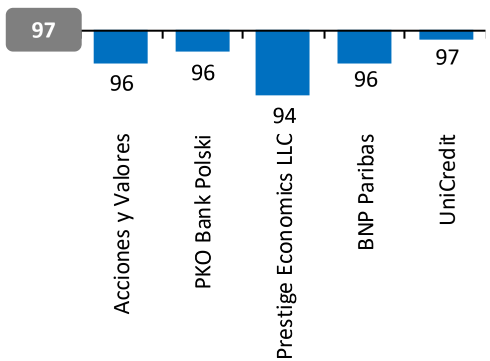
Italy 10 Year Target Yield for Q1 2019 by Major IBs



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

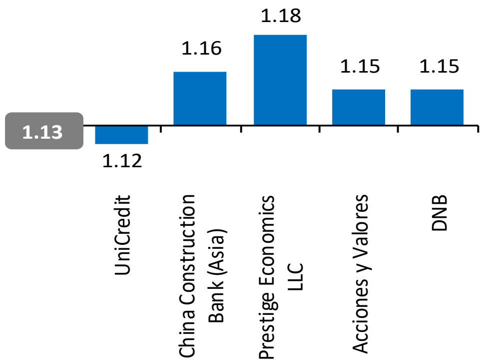
Market Experts/ Brokers/ Analyst		Views (Last one month)
Saxo Bank	Overweight	• The broker remains negative on Italian BTPS and French OATS, but continues to be positive on German bunds given their safe haven status • Although the clash between the new Italian government and the EU seems to be resolved, there are still many reasons to fear that the situation will destabilise again • The two Deputy Prime Ministers, Matteo Salvini and Luigi Di Maio, fight to implement their political policies within the deficit boundaries agreed with the EU
Schroder Investment Management	Neutral	• Valuations look high • However, the steep yield curve and disappointing data mean that investors will likely continue to own Bunds, thus tempering any negative view
Commerzbank AG	Underweight	• Higher government spending and political uncertainty threaten rising debt yields in Italy and France, which could spill over elsewhere • 2019: 10-year yield forecast: 0.89% • German bonds have been supported by a swathe of risk factors in recent months, ranging from global trade war fears to Italy's budget battles • Any signs of those fading, or better-than-expected data in the region, or the UK securing a smooth divorce from the EU could presage higher yields
Lazard Asset Management	Neutral	• In 2019, 10-year German bund yields are expected to trend upwards from current levels to trade between 0.30% and 0.75% or potentially higher • Eurozone growth is expected to recover following an unexpectedly weak third quarter • However, the upward movement in yields might not be a linear journey • The possibility of renewed political uncertainty could temporarily cap any upward move in yields as investors await firm details of the UK's withdrawal from the EU • Investors will also assess the situation in France, following weeks of public protest against French President Emmanuel Macron's fiscal reform measures • Arguably the biggest source of political instability in Europe remains Italy

US Dollar Index



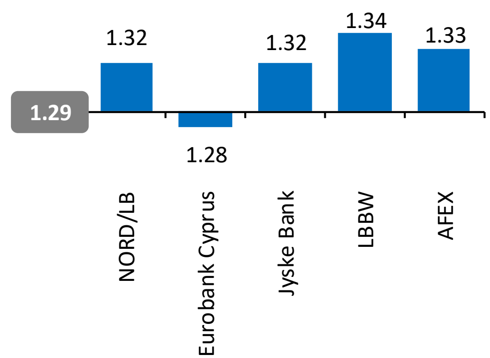
*Target with respect to actual level

EURUSD



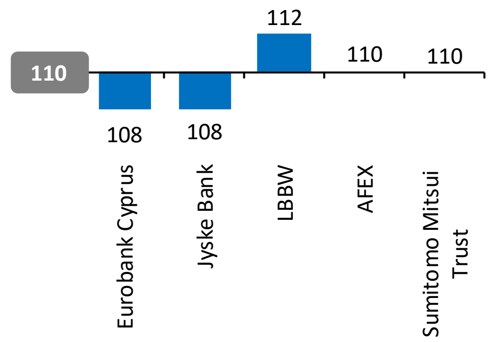
*Target with respect to actual level

GBPUSD



*Target with respect to actual level

USDJPY



*Target with respect to actual level

US Dollar Index – Positive View

- Two further rate hikes are expected in 2019
- Widening interest rate differentials between the US and its key trading partners

US Dollar Index – Negative View

- Slowing US economic growth
- Dovish Fed
- Accumulation of US current account and fiscal deficits

EURUSD – Positive View

- The Eurozone is running a large current account surplus
- Loosening monetary policy by the PBoC may spur EU's export to China, which may underpin the EUR

EURUSD – Negative View

- Interest rate and growth differentials could prove headwinds to sustained Euro strength throughout 2019
- The concerns about the rise of populism have returned

GBPUSD – Positive View

- UK job creation and wage growth have been stronger than expected
- The UK is likely to avoid a hard or no deal Brexit

GBPUSD – Negative View

- Modest UK economic activity and softening housing market
- Uncertainty persists about the outlook of the UK's trade relations with the EU

USDJPY – Positive View

- The top priority in Japan has shifted from beating inflation to supporting the economy
- Interest rate differentials will continue to work against the JPY in 2019

USDJPY – Negative View

- Japan's recent growth deceleration is expected to reverse
- The BoJ has signaled a willingness to reconsider its yield curve-targeting policy

US

GDP Annualised	3.4% (Q3 2018)
Inflation (YoY)	1.9% (December)
Trade Balance	-$49.30 bn (November)

Eurozone

GDP Annualised	1.2% (Q4 2018)
Inflation (YoY)	1.4% (January)
Trade Balance	€15.10 bn (November)

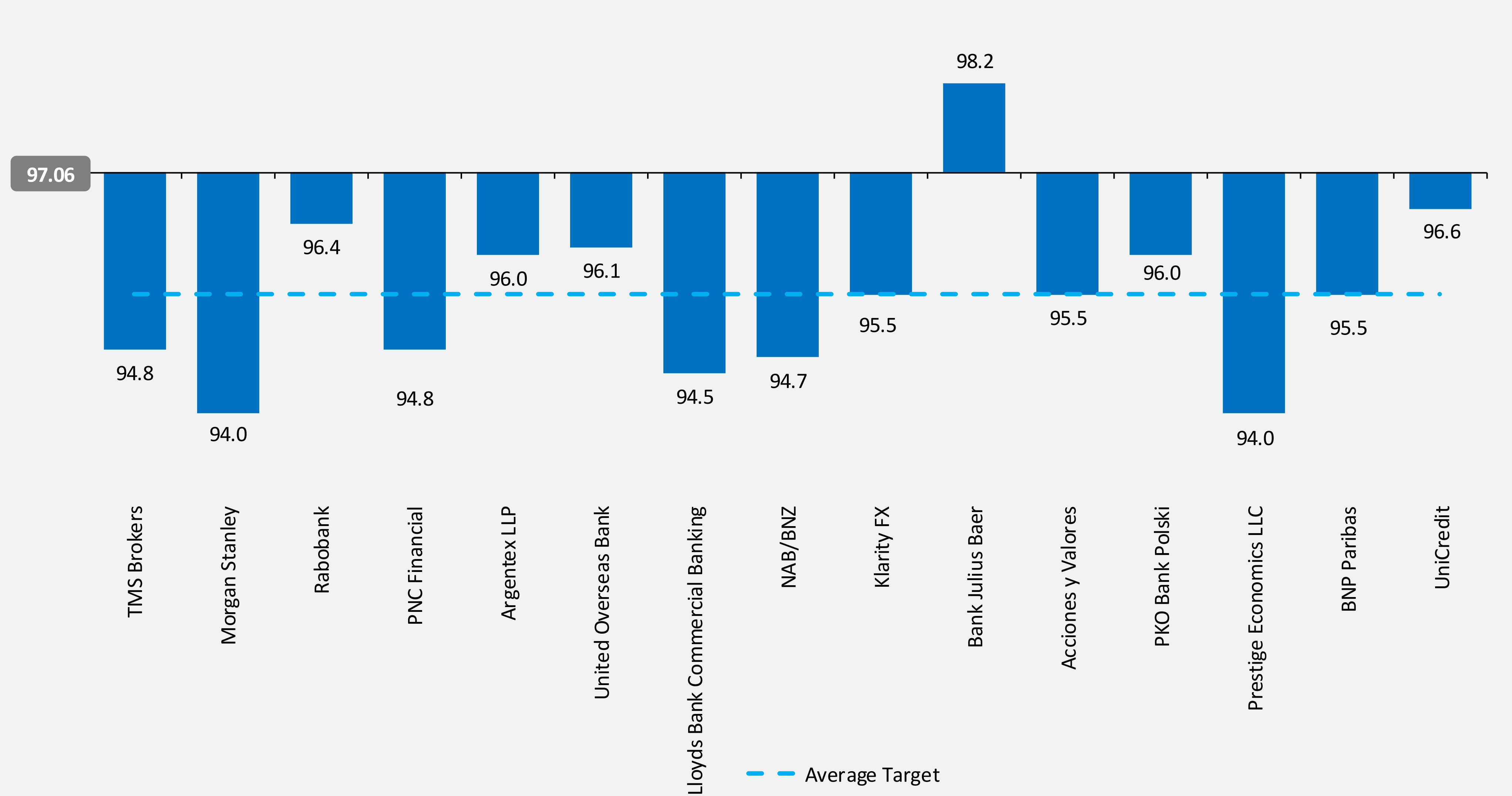
UK

GDP Annualised	1.3% (Q4 2018)
Inflation (YoY)	2.1% (December)
Trade Balance	-£12.10 bn (December)

Japan

GDP Annualised	-2.5% (Q3 2018)
Inflation (YoY)	0.3% (December)
Trade Balance	¥216.20 bn (December)

US Dollar Index Target for Q1 2019 by Major IBs

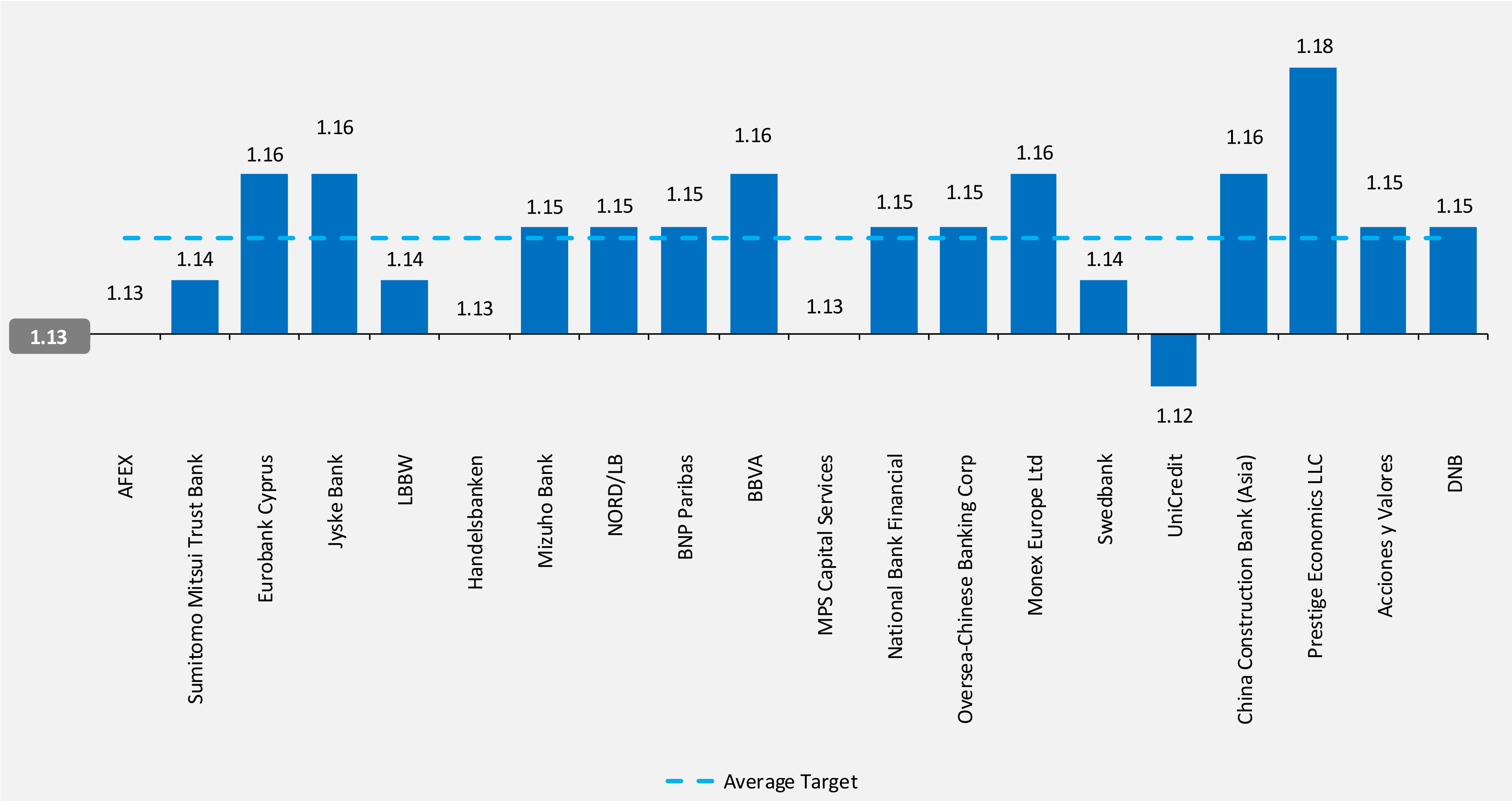


*Target with respect to actual level; Latest values at extreme Right

Market Experts/ Brokers/ Analyst		Views (Last one month)
Saxo Bank	Underweight	• 2019 is getting under way with a weaker US dollar as the Fed appears to have finally realised that its policy mix and guidance were already beyond what the market can bear • The risk for USD bears is that the market over-celebrates the Fed's turn, which is so far just a deceleration • A further calming of financial conditions and a continued spike in US wages could even see the Fed making one last hike in March • But in general, the broker is of the view that the Fed is done for the cycle
CIBC	Bearish	• Over the medium-term, the USD should soften as fundamentals including the current account deficit, which is 2.4% of GDP, comes into sharper focus • Monetary policy normalisation by central banks abroad, while not completely closing the gap between short rates, will begin to narrow the spread to Fed funds • US central bankers will be forced to trim rates in 2020 as fiscal stimulus turns to fiscal drag, another trigger for future USD weakness
Citibank	Bearish	• USD may more than reverse 2018's rally over the medium term • Over two years USD trend is expected to reverse with approximately 8.0% downside vs G10 FX, and around 2-3% weaker over 6-12 months • A flatter (especially inverted) yield curve may be a precursor of weaker economic growth, which may undermine the USD • The Fed may end the rate hike cycle next year, while other major central banks may tighten the policy gradually • US growth slowing, dovish Fed, skepticism about global recession may point to USD weakness
Scotiabank	Underweight	• While the USD benefitted from rising interest rates and solid US growth dynamics in 2018, a lot of good news has been factored into the exchange rate at current levels from an economic perspective • The USD remains relatively elevated against most of its major currency peers from a PPP perspective • Interest rate differentials will narrow against the USD as other central banks "catch up" with the Fed • The accumulation of US current account and (especially) fiscal deficits will weaken the USD in the medium to longer run

Market Experts/ Brokers/ Analyst		Views (Last one month)
Lazard Asset Management	Overweight	• Following the recent sell-off, there is compelling upside in US equity markets • Given slowing global growth and the continued overhang of political risk, volatility is expected to remain elevated in 2019 • While there are signs of economic deceleration and difficulties in quantifying risks such as trade friction, China rebalancing challenges, Eurozone politics, and Fed monetary policy tightening—the markets appear to be oversold
Neuberger Berman	Underweight	• Market participants are positioned long despite overvaluation on PPP metrics • Fed tightening being largely priced in, a twin deficit, stabilizing inflation and the prospect of a US slowdown is likely in 2019 • Risks to the view are that the growth gap versus the rest of the world is still large, leading to supportive short-term yield differentials
National Bank of Canada	Bearish	• The broker expects further weakness for the USD this year, due to the return of risk taking after last year's global stock market rout • For USD weakness to be sustained, trade tensions between the US and major trade partners such as China and the European Union will have to subside • Currencies such as the Chinese Yuan, which were battered last year because of trade-related uncertainties and declining foreign exchange reserves, could potentially bounce back against the USD • The trade-weighted greenback may have peaked already • While there may be periodic bouts of USD strength, perhaps due to risk aversion or Fed speeches, USD might give back in 2019 at least half of last year's 7% gains
UBP	Overweight	• Ongoing support for the USD will be continued though stabilising economic growth and widening interest rate differentials between the US and its key trading partners • The Fed Chairman and other voters on the policy setting committee have conveyed a more hawkish tone • Migration of the 'normalisation' process to the 10-year portion of the US yield curve likely means that disparities between global long-term interest rates should likewise continue to widen in 2019 in favour of the USD

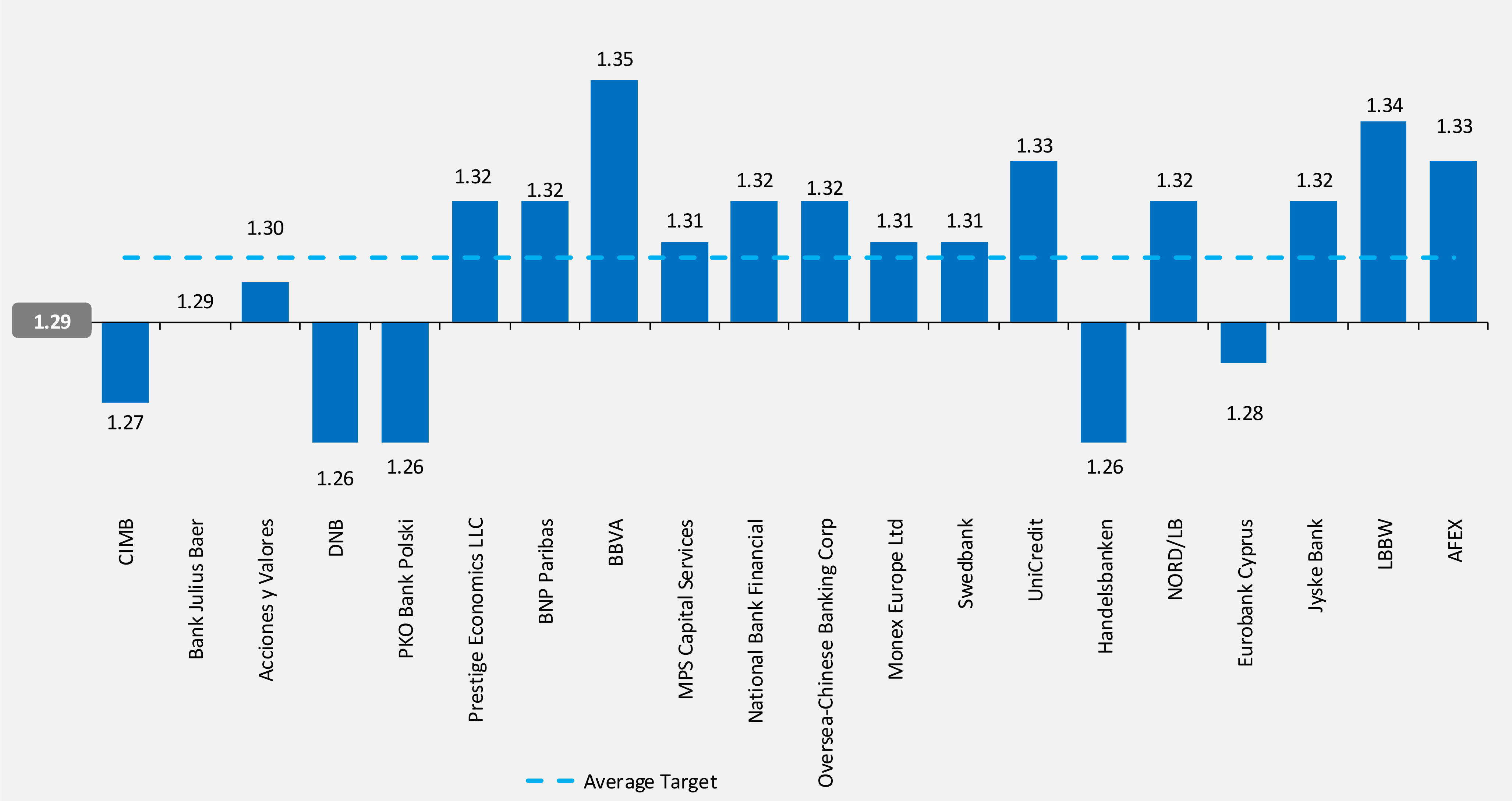
EURUSD Target for Q1 2019 by Major IBs



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

Market Experts/ Brokers/ Analyst		Views (Last one month)
Saxo Bank	Underweight	• The concerns about the rise of populism that weighed on the Euro at the beginning of 2017 ahead of key elections have returned and could dog the euro before EU parliamentary elections in May • Furthermore, Brexit weighs at the margins, and the Euro could continue to fail to strengthen
Scotiabank	Overweight	• The broker expects above potential rates of expansion in the coming quarters, keeping inflation on an upward track • The ECB will be on course to shift gradually towards policy normalisation later this year, which is expected to boost the EUR more materially in H2 2019
Citibank	Overweight	• The ECB announced an end to its bond purchasing program by end-2018 • The broker expects the bank to start the policy normalisation in 2019 • With bond supply rising to positive value, less EU bond outflow may support the EUR • Besides, loosening monetary policy by the PBoC may spur EU's export to China, which may underpin the EUR
Neuberger Berman	Neutral	• Despite a slowdown in 2018, growth is still at or above trend and the Eurozone is running a large current account surplus • Risks to the view include accommodative ECB policy in the face of weak inflation • Political risks that include the Italian budget negotiations and the threat of tariffs in the auto sector
National Bank of Canada	Overweight	• The common currency does not look good right now, saddled by soft economic growth and political uncertainty (including Brexit and Italy) • The ECB, which continues to be frustrated by slow GDP growth, low inflation and a fragile banking sector in the Eurozone, is unlikely to change its loose stance on monetary policy soon • But at some point investors will come to expect the central bank to start the process of policy normalization. • That, coupled with USD weakness and the reversal of large speculative net short positions on the euro, could allow the common currency to bounce back this year. • The end-of-2019 forecast of for the EURUSD is 1.23
UBP	Underweight	• With ECB rate increases not expected until the second half of 2019 at the earliest, both interest rate and growth differentials could prove headwinds to sustained Euro strength throughout 2019 • With elections for the European Parliament set for May 2019, political uncertainty is likely to reappear by mid-year

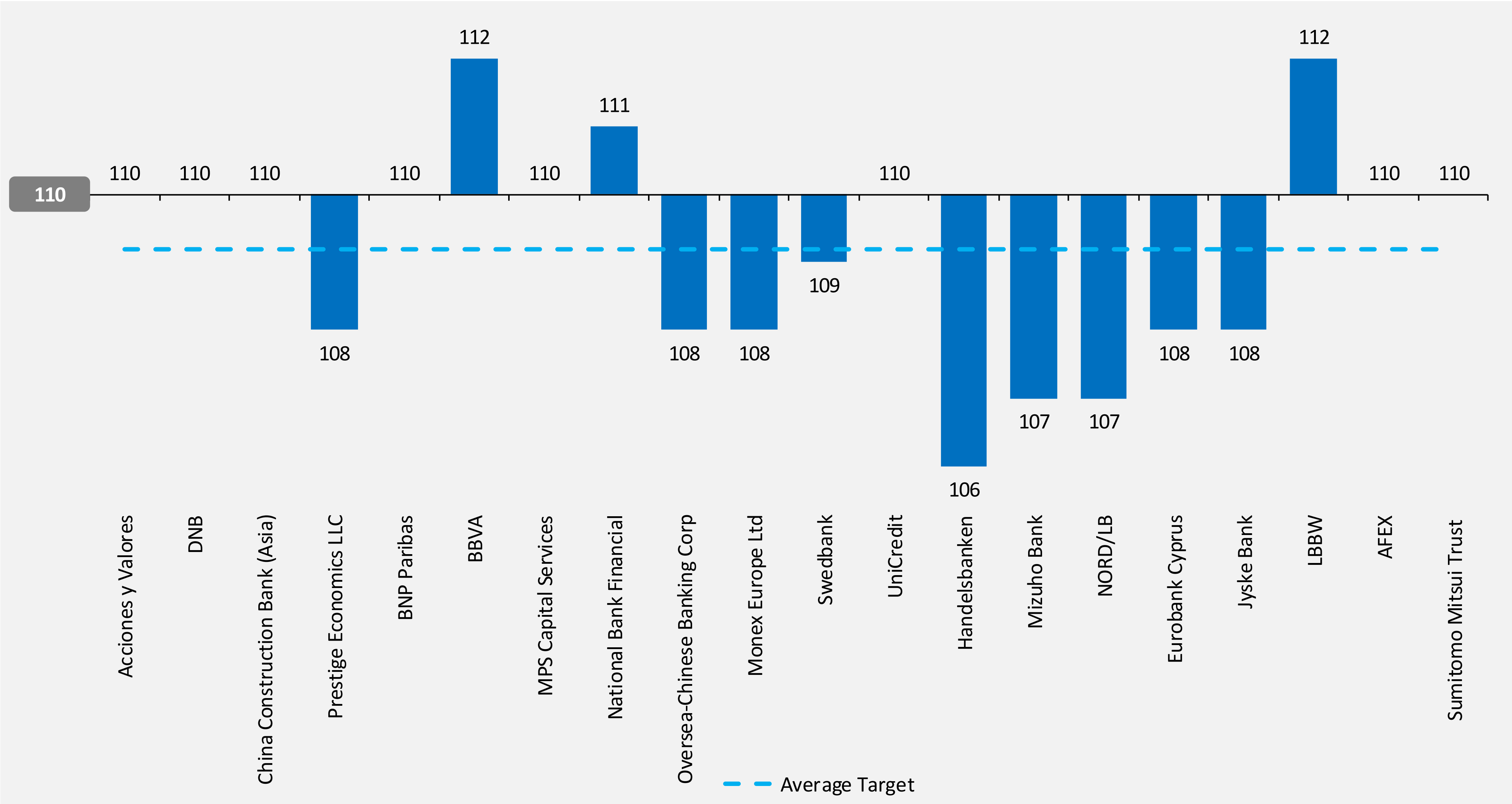
GBPUSD Target for Q1 2019 by Major IBs



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

Market Experts/ Brokers/ Analyst		Views (Last one month)
Neuberger Berman	Overweight	• GBP is undervalued based on PPP measures, offering a potentially attractive Brexit premium • UK job creation and wage growth have been stronger than expected • Risks to the view include the high uncertainty around Brexit, as well as continued weakness in the UK's trade balance and manufacturing data
UBP	Underweight	• Sterling appears to reflect Britain's modest economic activity and softening housing market • Though progress has been made towards a Brexit agreement, risks of a 'hard' Brexit in March 2019 appear moderately underpriced in currency markets
Lombard Odier	Overweight	• The UK is likely to avoid a hard or no deal Brexit • The broker believes that Theresa May will eventually get a withdrawal agreement through Parliament, or because the country will halt the process unilaterally • Both scenarios would be Pound positive
Lloyds Bank	Bullish	• The British Pound will rise by more than 5% against the USD in 2019 • Pound Sterling will be volatile until the end of the first-quarter 2019 • Markets will fret over whether Theresa May will be able to pass her Withdrawal Agreement through Parliament • However, ratification of the deal is forecast to see the UK exit the EU in an orderly manner • The BoE is expected to raise the base rate again in August 2019, taking it up to 1%, after PM May is successful in passing her Withdrawal Agreement through the House of Commons • Meanwhile, the Fed is expected to ease off on its tightening of monetary policy. • The GBP/USD currency pair is expected to rally towards 1.35 by June 2019, before settling around 1.33 at year-end

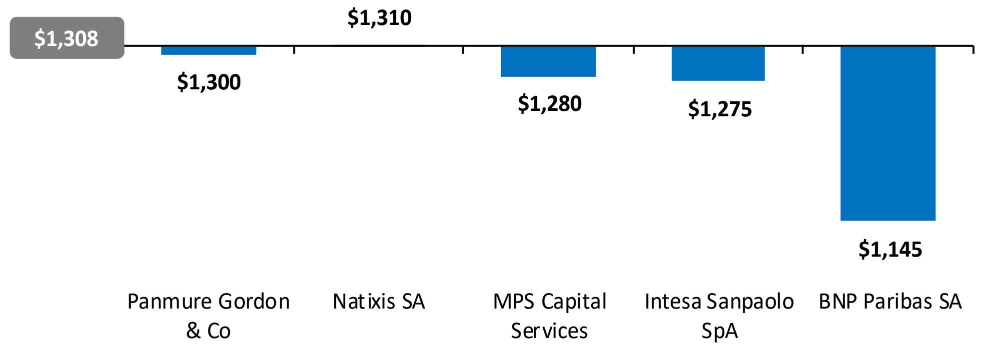
USDJPY Target for Q1 2019 by Major IBs



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

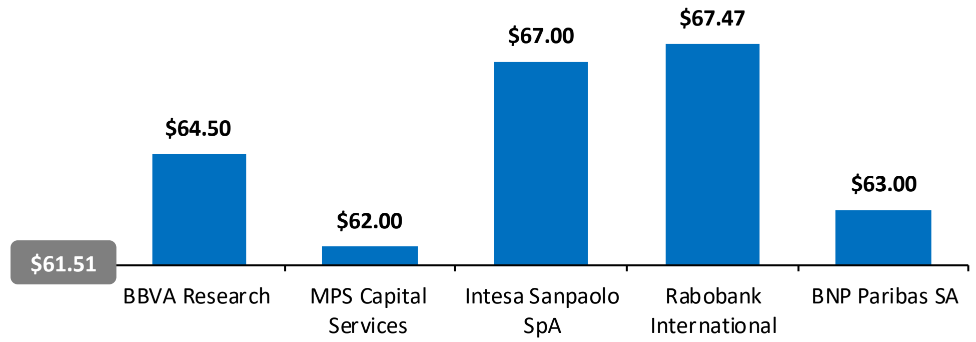
Market Experts/ Brokers/ Analyst		Views (Last one month)
CIBC Capital Markets	Underweight	• Over the medium term, the broker remains constructive on the JPY • The current macro environment will be supportive of haven currencies, as the Fed becomes less hawkish and as global growth begins to slow • Slower growth, in tandem with the Fed and the ECB decreasing liquidity will lead to higher cross-asset volatility • Surplus currencies, including the JPY, will perform on a risk-adjusted basis in such periods of higher volatility
Scotiabank	Underweight	• The JPY is expected to strengthen modestly against a broadly softer USD this year but to underperform against the EUR and GBP • The BoJ is liable to maintain policy accommodation for some time to come • Recent comments from central bank policy makers suggest growing concerns that the BoJ will not achieve its inflation target • As a consequence, the BoJ is expected to continue targeting a 0% nominal rate for 10-year government bonds • While that might suggest the JPY is susceptible to the USD against the backdrop of a tightening Fed, the JPY has been immune to wider US-Japan yield spreads this year
Neuberger Berman	Neutral	• JPY is undervalued on a PPP basis and tends to be a safe haven during risk aversion • Moreover, the recent growth deceleration is expected to reverse, the current account is in surplus, and the BoJ has signaled a willingness to reconsider its yield curve-targeting policy • However, the currency is burdened by unfavorable yield differentials and could be vulnerable to outflows if there happens to be a rebalancing of the global economy in 2019
UBP	Overweight	• Reactive policies from the BoJ likely mean interest rate differentials will continue to work against the JPY in 2019 • Domestically, the hike in consumption taxes in October 2019 should keep domestic policy favouring a weak JPY so as not to overly burden an economy still under repair • Moreover, like Europe, Japan’s reliance on exports means that weakening emerging economies may continue to widen the economic growth gap between Japan and the US

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

- The rising frequency of US equity market drawdowns
- Higher overall macro market volatility
- Elevated geopolitical risks
- Scaling back of Fed rate-hike expectations

Negative View

- Stronger US dollar and a steady rise in US interest rates
- USD stays bid on continued central bank divergence

Brent

Positive View

- US shale oil production growth slows on rising cost pressures and bottlenecks in the delivery chain
- Geopolitical instability and sanctions cut oil supply by more than expected

Negative View

- Weaker than previously expected demand growth expectations
- USD continues its ascent as global growth slows and trade tariffs bite

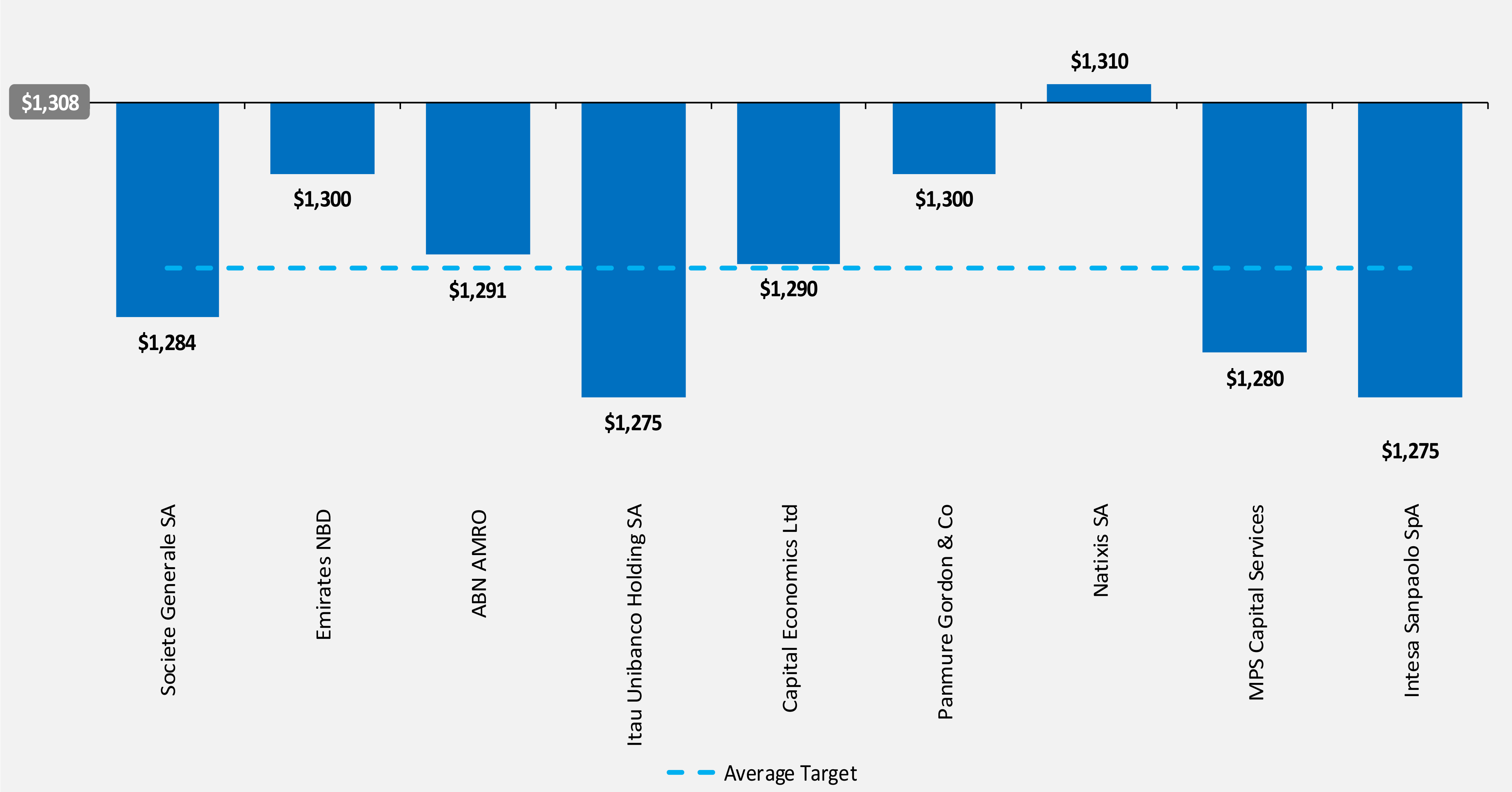
Gold

	Q4 2017	Q4 2018
Demand	1,108.1 t	1,281.5 t
Supply	1,123.9 t	1,129.4 t

Brent

	October 2018	November 2018
US Production (thousand barrels per day)	11,537	11,882
US Supply (thousand barrels per day)	20,774	20,893

Gold Target for Q1 2019 by Major IBs

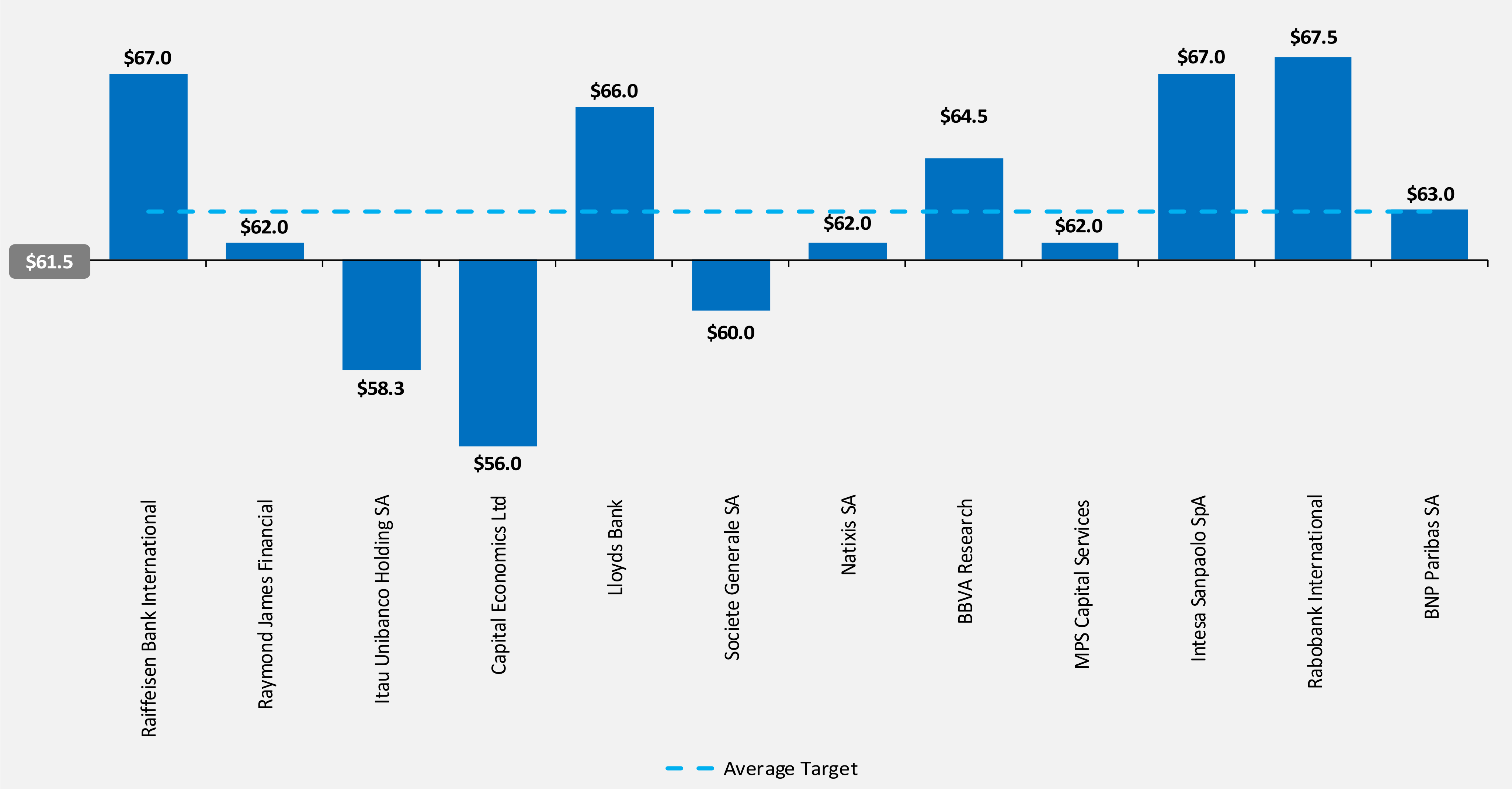


*Target with respect to actual level; Latest values at extreme Right

Market Experts/ Brokers/ Analyst		Views (Last one month)
UBP	Bullish	• Gold prices will continue to go up, at least until the trade dispute between the US and China is settled • Even though China has agreed to ramp up its imports from the US, the intellectual property and technology transfer questions remains unsettled for the time being • Even if an agreement is reached in the trade dispute, the US debt ceiling debate will reignite soon in the US as the current debt limit will be reached by 1 March • In this context, gold prices could well remain positive for the months to come, holding up around the $1,300 mark
Scotiabank	Overweight	• A peak in the USD and “toxic US debt” should continue to support gold prices • However, the broker warns against expecting a significant rally in 2019 • Gold prices are likely to average the year around $1,300 as prices are caught in a $150 range with the peak coming in at $1,350 an ounce • A weaker USD will be a major factor in gold’s potential • The second factor to drive gold will be if uncertainty continues to sweep through financial markets
Saxo Bank	Overweight	• There is likely to be continued demand for gold as investors once again seek tail-end protection against increased volatility and uncertainty across other asset classes • An end-of-year price target for gold can be placed at $1,350/oz
MKS PAMP Group	Bullish	• Gold prices are expected to hit a high of $1,460 an ounce with prices averaging the year around $1,355 an ounce • There is a potential for gold price to rise as the Fed looks to slow the pace of its monetary policy tightening this year • In such a scenario the USD might not strengthen much further, especially in the second half of the year • This combined with the ongoing US-China trade debates, geopolitical tensions, political turmoil and additional stock market downside corrections, will be supportive for gold • Volatility in equity markets should also support gold prices through 2019
Goldman Sachs	Overweight	• The broker raised its 12-month price forecast, up from $1,350 an ounce to $1,425, a level last seen in August 2013 • Gold prices will be supported primarily by growing demand for defensive assets, with a slower pace of Fed rate hikes in 2019 boosting demand

Market Experts/ Brokers/ Analyst		Views (Last one month)
Standard Chartered Bank	Overweight	• Scaling back of Fed rate-hike expectations, a weaker USD and lower US Treasury yields paint a favourable backdrop for gold prices at the start of the year • China’s demand appears to be firming • Central bank buying remains stable
Citibank	Bullish	• The rising frequency of US equity market drawdowns, the gradual unwind of QE, higher overall macro market volatility and elevated geopolitical risks should all continue to favour gold buying on the dips • In its base case scenario, the bank sees gold prices pushing to a high of $1,300 an ounce this year, with prices averaging the year at $1,265 an ounce • However the bank also sees a 30% chance that gold prices push to $1,400 an ounce by the 3Q 2019 and averaging the year at $1,365 an ounce • Economic uncertainty could be the biggest factor to drive gold prices higher this year
BNP Paribas	Bearish	• As the Fed continues to tighten monetary policy while other central banks remain on hold for now, the policy divergence may help to keep the USD firm in the short term, which is negative for gold • The broker continues to maintain a negative bias on gold in the short term
ICBC	Overweight	• Gold prices will steadily rise next year, peaking at $1,320 in 3Q 2019 • For 2019 and 2020, the broker forecasts respective year average prices of $1,293/oz and $1,300/oz • The current dollar bull market is peaking, which will provide gold with room to rally over the coming year • Part of the reasoning behind a weaker US dollar in 2019 is the Fed's likely slower rate hike pace in light of real short-term interest rates nearing their estimated equilibrium level

Brent Target for Q1 2019 by Major IBs



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

Market Experts/ Brokers/ Analyst		Views (Last one month)
First Abu Dhabi Bank	Overweight	• The price of oil, which fell nearly 20% in 2018 and averaged $72 a barrel, is likely to recover to that higher range in 2019 • The US dollar is expected to give up some of its gains
Saxo Bank	Overweight	• Crude oil is expected to recover further than what has already been achieved in early January • On the demand side, the market is already pricing in a sharp deterioration in global growth • The Opec+ accord to cut production by 1 .2mn bls/day from January and six months forward will help stabilise the market • Additional support could be provided by the US signalling its unwillingness to extend further the waivers that back in November allowed eight countries to keep buying oil from Iran • US shale oil production growth is likely to slow following a price slump • During the first quarter, WTI crude oil is likely to average just above $50/b as it settles into a $45/b to $55/b range • Brent crude is likely to average at $60/b as it settles into a $55/b to $65/b range
Bank of America	Neutral	• The broker kept its $70 price forecast for Brent this year, expecting OPEC+ cuts to reverse the oversupply from 4Q 2018 into a “slight deficit” in 2019 • However, there is one key uncertainty about oil prices this year- a slowdown in global economic growth to 2% from 3.5% could result in Brent plummeting to as low as $35 a barrel
HSBC	Underweight	• The broker has cut its average 2019 Brent crude oil price forecast by $16 per barrel, to $64 per barrel, citing surging US production and an increasingly uncertain demand backdrop
Goldman Sachs	Bearish	• The broker expects international benchmark Brent crude to average $62.50 a barrel this year, down from a previous forecast of $70 • The oil market is expected to balance at a lower marginal cost in 2019 given higher inventory levels to start the year • The persistent beat in 2018 shale production growth amidst little observed cost inflation • Weaker than previously expected demand growth expectations and increased low-cost production capacity

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