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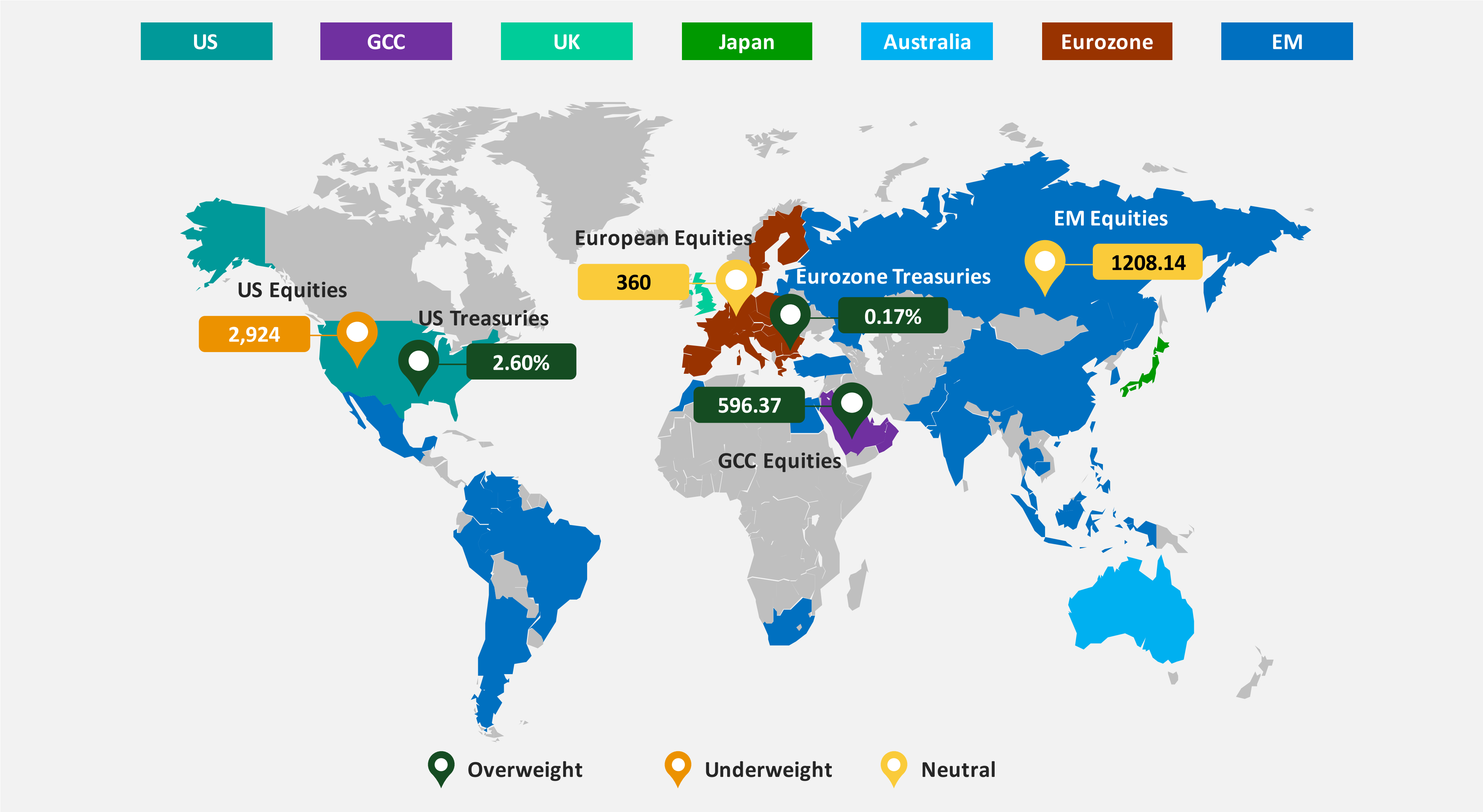
Innovative Research Solutions

AssetPulse

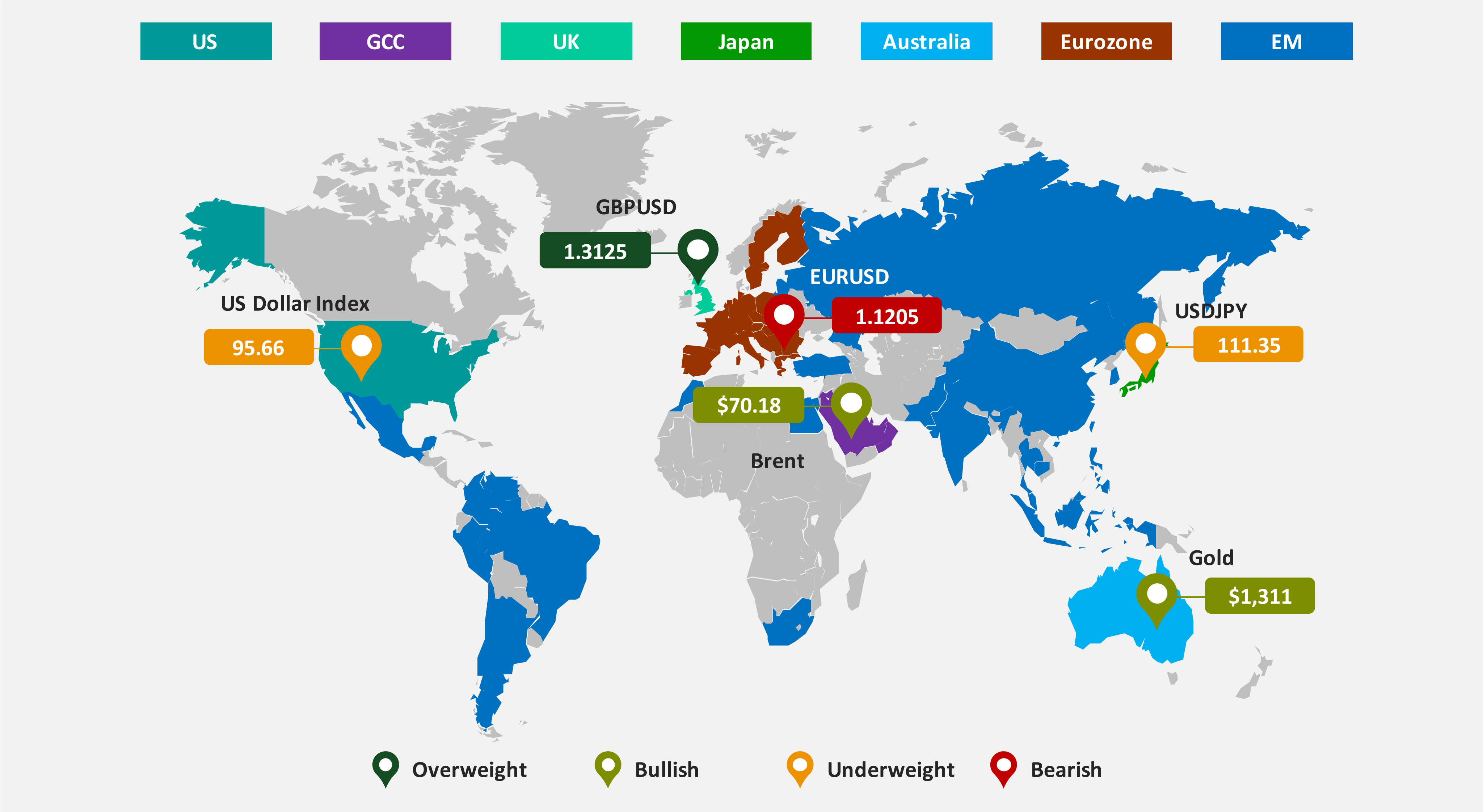
Global MacroView Summary

13 May 2019

Global MacroView Summary



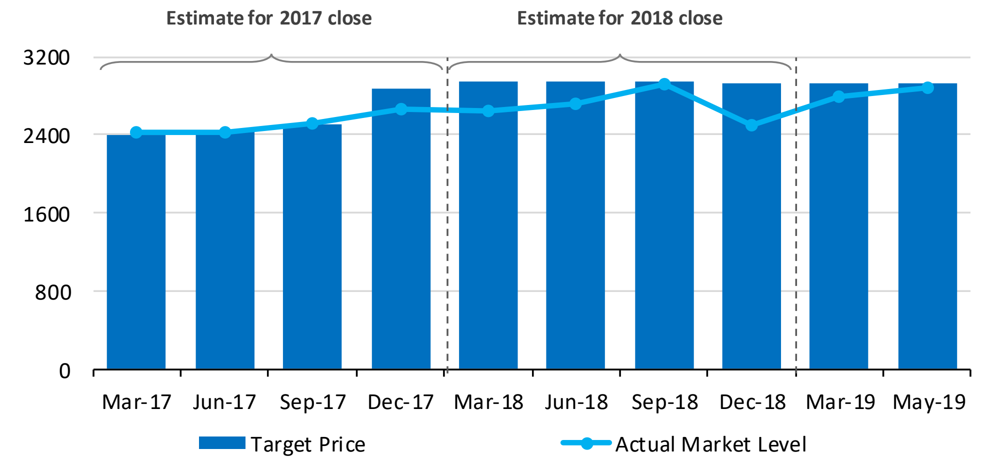
Asset Class Consensus View



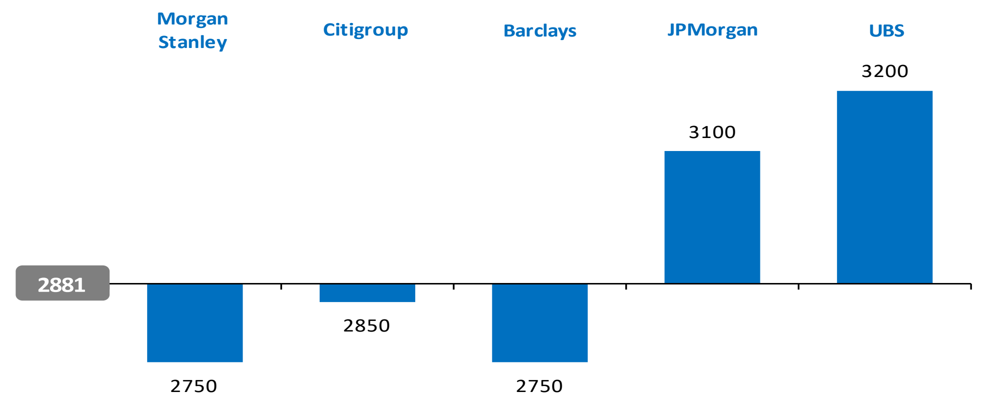
Asset Classes	9-Nov-18	8-Feb-19	10-May-19	6 Month Returns	3 Month Returns
Equities					
US Equites (S&P 500)	2781.01	2707.88	2881.40	3.6%	6.4%
Eurozone Equities (Stoxx 600)	365.74	358.07	377.14	3.1%	5.3%
Emerging Equities (MSCI EM Index)	976.17	1036.03	1033.44	5.9%	-0.2%
GCC equities (MSCI GCC Countries Index)	536.99	578.90	590.81**	10.0%	2.1%
Currency					
USD ($ Index)	96.91	96.64	97.33	0.4%	0.7%
EUR vs. USD	1.1336	1.1323	1.12	-0.9%	-0.8%
USD vs. JPY	113.83	109.73	109.95	-3.4%	0.2%
GBP vs. USD	1.2972	1.2944	1.2998	0.2%	0.4%
Fixed Income					
US 10yr Sovereign	3.19	2.63	2.47	-72	-16
Europe Core Area (German 10 Yr)	0.42	0.07	-0.05	-47	-11
Europe Peripheral Area (Italy 10 Yr)	3.40	2.96	2.68	-72	-27
Commodities					
Gold	1209.65	1316.61	1286.05	6.3%	-2.3%
Brent	70.18	62.1	70.62	0.6%	13.7%

* Change in bps for fixed income   **Value as on 9th May 2019

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*	2881.40	2,923.61	-
PE (x)	18.84	16.79	15.57
EPS ($)	152.97	171.57	185.08
Dividend Yield (%)	1.93	2.66	2.15
Price/Book (x)	3.34	3.15	2.93
EV/EBITDA (x)	13.05	11.41	10.81

*Value as on 10 May 2019

S&P 500 Index Returns

Q2 2018	Q3 2018	Q4 2018	Q1 2019	QTD
2.9%	7.2%	-14.0%	13.1%	1.7%

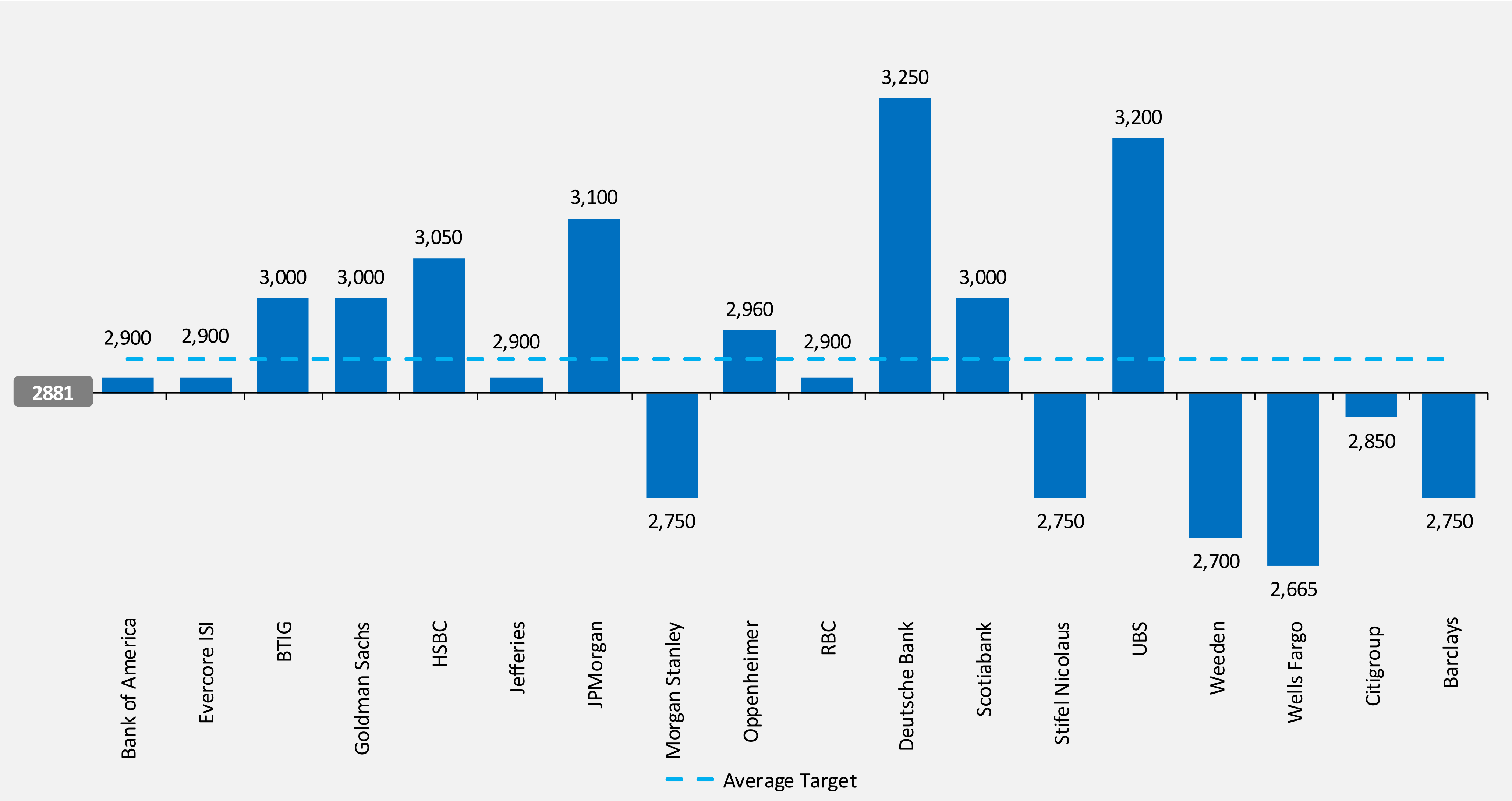
Positive View

- Valuations are fair and near historical averages
- Job and wage growth as well as consumer data have been strong over the past few months
- Consumption backdrop remains supportive

Negative View

- Fiscal policy is likely to become a headwind in 2H 2019
- Robust net margins may prove unsustainable against a backdrop of rising energy and labour costs
- Potential for new or rising tariffs and increased borrowing costs

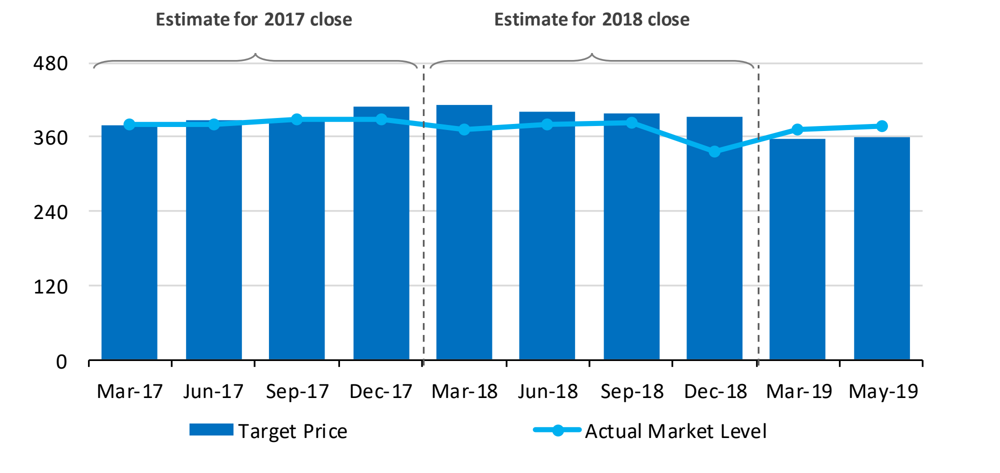
S&P 500 2019 Index Target by Major IBs



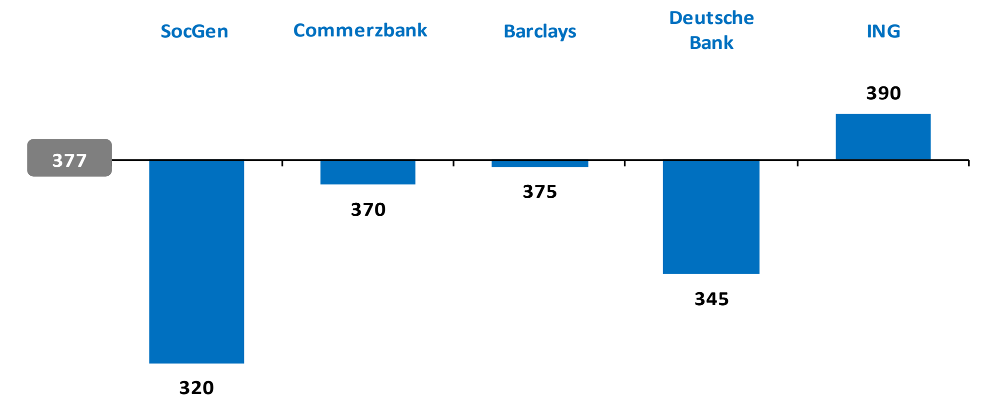
*Target with respect to actual level

Market Experts/ Brokers/ Analyst		Views (Last one month)
Massachusetts Financial Services	Underweight	• Valuations of US equities have bounced back after a sharp decline in Q4 2018 but could fade as earnings estimates are lowered • Concerns are growing that robust net margins may prove unsustainable against a backdrop of rising energy and labour costs, the potential for new or rising tariffs and increased borrowing costs • Falling inflation is a headwind to firms with limited pricing power as it makes it more difficult to raise prices • The broker currently favors value over growth and large cap over small cap
Neuberger Berman	Neutral	• Valuations are fair and near historical averages • Bottom-up estimates of US earnings growth for 2019 are 4 – 6%, year-on-year, in a soft-landing scenario for the wider economy • Job and wage growth as well as consumer data have been strong over the past few months • Trade negotiations are underway, but trade enforcement could be difficult to measure
Brooks Macdonald	Neutral	• Cyclical headwinds are building in some parts of the US economy, but the consumption backdrop remains supportive • Fiscal policy is likely to become a headwind in the second half of the year, but the Fed has shifted to a more accommodative policy stance and this has tempered prior concerns about market liquidity • US equities are trading at premium valuations, but these are justified by the strength of corporate earnings growth, which is being supported by share buyback activity
Pictet Asset Management	Underweight	• The US stock market looks the most vulnerable to a correction • It is not only the most expensive, but profit margins among US companies look set to contract from record highs of 11% • Already, almost two thirds of US companies reported higher wage costs, according to the National Association for Business Economics Survey
JP Morgan	Overweight	• The strong performance of the S&P 500 since the start of the year has been almost entirely driven by a valuation re-rating, rather than an expansion of earnings. • Given slower growth and more dovish US policy, the broker maintains the overweight view • The US is the most preferred equity region
Morgan Stanley	Underweight	• The Fed that appeared too hawkish in December, reversed course on its policy recently • Economic and earnings fundamentals continue to deteriorate • The target stands at just 2,750 for the S&P 500 this year

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*	377.14	358.00	-
PE (x)	17.26	13.67	12.79
EPS (€)	21.85	27.59	29.49
Dividend Yield (%)	3.81	3.99	4.06
Price/Book (x)	1.75	1.63	1.55
EV/EBITDA (x)	9.62	8.65	8.22

*Value as on 10 May 2019

Stoxx 600 Index Returns

Q2 2018	Q3 2018	Q4 2018	Q1 2019	QTD
2.4%	0.8%	-11.8%	12.2%	-0.5%

Positive View

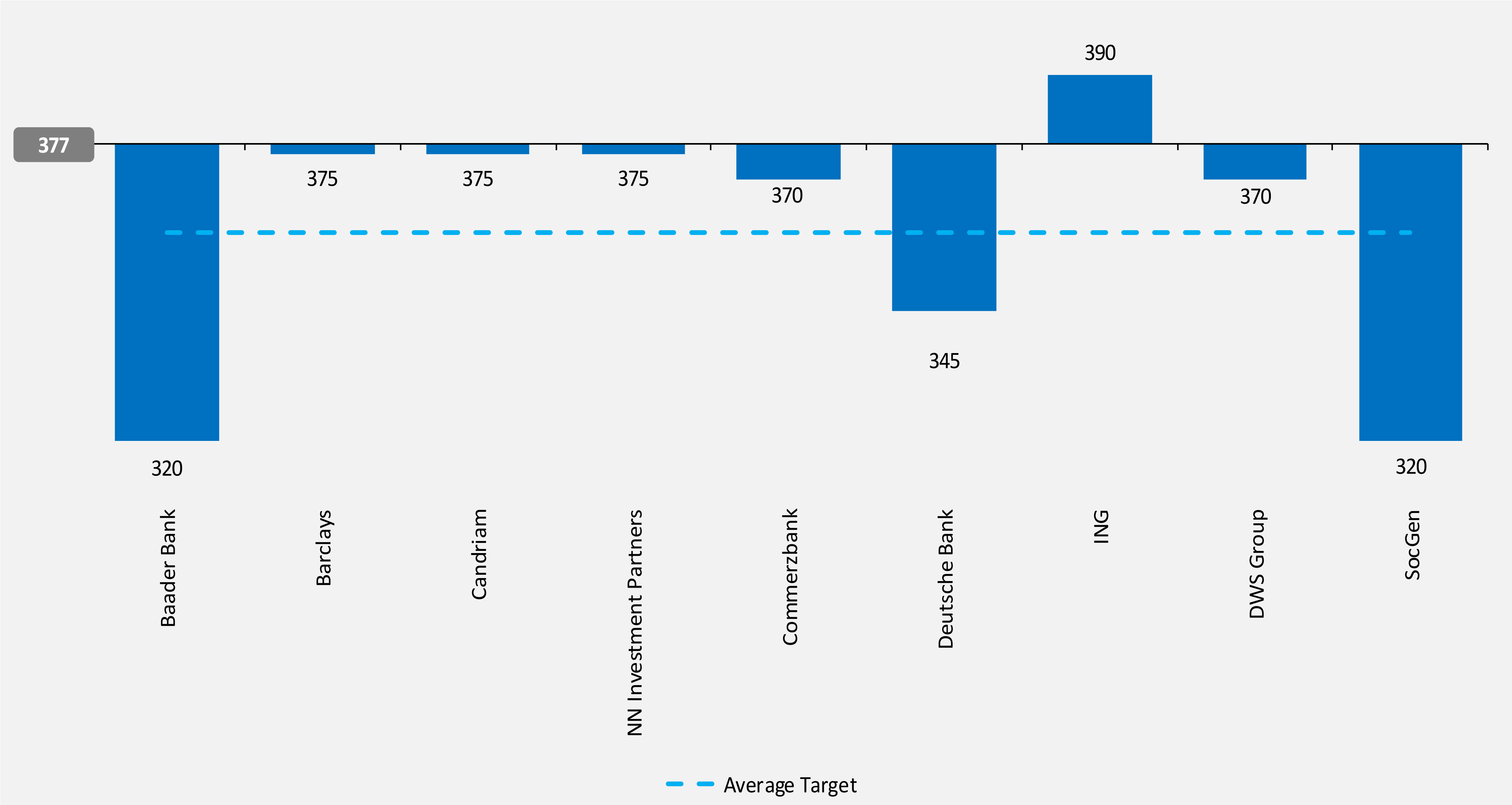
- Easing of financial conditions supports growth
- Data is very unlikely to fall further than current levels

Negative View

- Threat of US tariffs on the region's auto sector
- Structural / political problems in some of its underlying countries
- Unresolved nature of Brexit

Global MacroView Summary

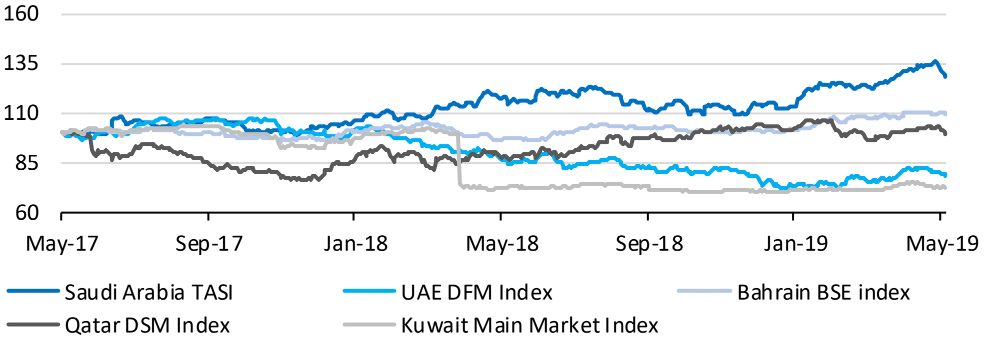
Stoxx 600 2019 Index Target by Major IBs



*Target with respect to actual level

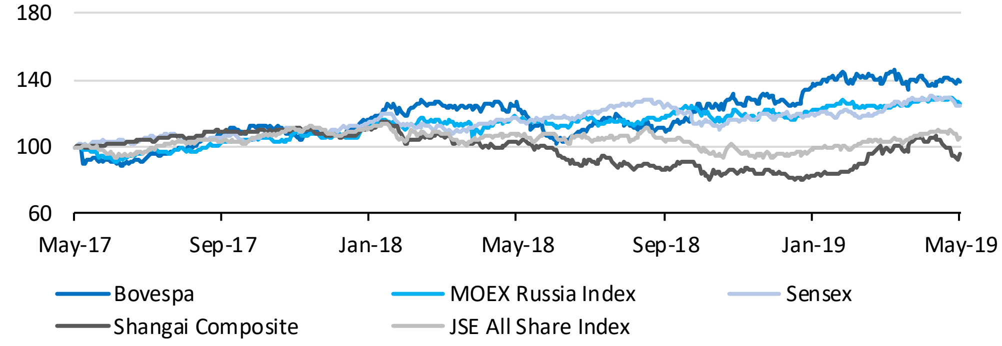
Market Experts/ Brokers/ Analyst		Views (Last one month)
Massachusetts Financial Services	Neutral	• The US–China trade dispute is weighing on the German economy, which is highly reliant on external demand • The more direct risk of US auto tariffs is an issue that could come to a head at a time when the German economy is already weakening • Compounding uncertainty in the near term is the unresolved nature of Brexit • The ECB has reversed its efforts to normalise monetary policy • Europe's heavy exposure to financials remains a drag amid an ongoing negative interest rate environment • The Italian economy has continued to weaken and growth forecasts continue to be downgraded
Credit Suisse Group AG	Neutral	• European equities are being torn between conflicting signals • There is optimism over global growth, while outflows from European equity funds continue almost non-stop • European economic data disappoints • Another major source of concern is the German economy, which this year is predicted to see the weakest expansion in six years • However, European cyclicals are favoured by the broker • Cyclicals usually outperform when economic growth remains robust
Lombard Odier Investment Managers	Overweight	• European equities could rally strongly as easing of financial conditions supports growth • A stabilisation of the Chinese economy would help the region's manufacturing sector rebound
Neuberger Berman	Overweight	• Despite softer economic data, the broker is constructive on Europe, believing that the market is overly skeptical and that data is very unlikely to fall further than current levels • Current expectations for 2019 are for a 4% dividend and earnings growth of 7 – 8%, delivering a 12x – 13x PE ratio • The ECB remains accommodative, but the threat of US tariffs on autos could increase risk
Brooks Macdonald	Underweight	• Europe's economy is suffering as a result of the global manufacturing slowdown • There are structural / political problems in some of its underlying countries • Weakening external demand is having an effect on Germany's export-orientated economy • Italy's economy has contracted over the past two quarters, held back by problems within its banking system • The Brexit situation poses another significant risk

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 *	590.81	-	-
PE (x)	15.05	13.35	12.36
EPS ($)	38.67	43.57	47.08
Dividend Yield (%)	3.93	4.54	4.64
Price/Book (x)	1.9	1.7	1.59

*Value as on 9 May 2019

MSCI EM Index Key Parameters

	Actual	2019 TP	2020 TP
MSCI Emerging Markets Index *	1033.44	-	-
PE (x)	13.03	12.1	10.89
EPS ($)	79.3	85.38	94.9
Dividend Yield (%)	2.81	3.18	3.35
Price/Book (x)	1.54	1.47	1.35
EV/EBITDA (x)	8.18	8.58	7.89

*Value as on 10 May 2019

MSCI GCC Index Returns

Q2 2018	Q3 2018	Q4 2018	Q1 2019	QTD
4.2%	1.3%	-0.9%	9.3%	0.5%

MSCI EM Index Returns

Q2 2018	Q3 2018	Q4 2018	Q1 2019	QTD
-8.7%	-2.0%	-7.8%	9.6%	-2.3%

Positive View (GCC)

- A good number of ongoing projects in the region
- The banking sector has shown strong earnings growth and maintains a robust balance sheet

Negative View (GCC)

- Real estate, retail and hospitality sectors are struggling
- Market volatility

Positive View (EM)

- Resilient economic growth
- Fiscal and monetary easing in China

Negative View (EM)

- Strength in the USD
- Trade disputes and China's managed slowdown and its potential impact on global growth remain the key risks

Asset Class	
Emerging Market Equities (MSCI EM Index)	
Analyst expectations	
Average	1208.14
Bloomberg Consensus Target Price For MSCI EM Index	1208.14
As on 10 May 2019	1033.44
% Change from Current levels compared to avg	16.91%

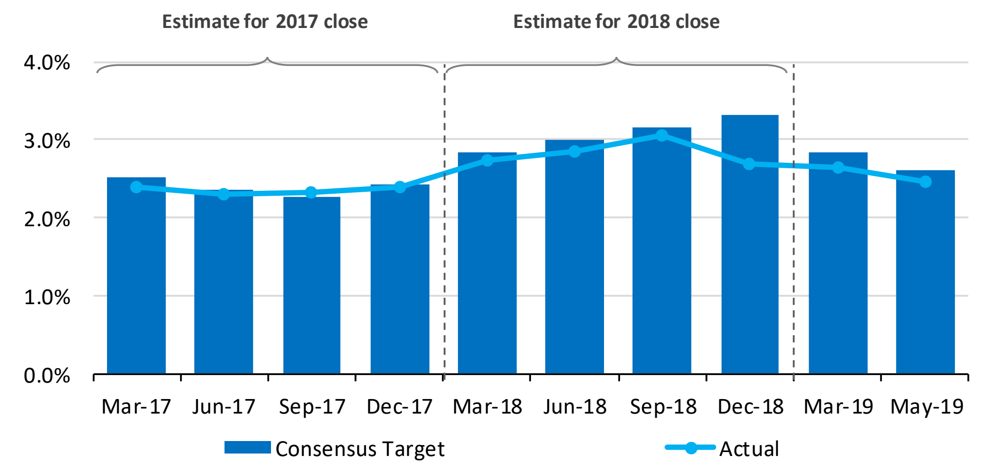
Market Experts/ Brokers/ Analyst		Views (Last one month)
Massachusetts Financial Services	**Overweight**	• EM looks attractive relative to US equities from a long-term perspective, given historically high valuations when compared with EM's modest undervaluation • Hopes for a favorable resolution of the trade standoff between the US and China, along with targeted efforts to stimulate China's economy, have boosted investor sentiment • Technology companies are playing an increasing role in emerging markets • The financial sector has overtaken the natural resources sectors in importance as EM's reliance on commodity exports decreases • The promise of tax cuts and infrastructure spending has helped drive a sizable rebound in Chinese equities • However, the rally has been more sentiment-driven than fundamental in nature as corporate earnings lag estimates
Manulife Asset Management	**Neutral**	• The EM equity market outlook is still encouraging, but there will probably be a break after the impressive recent rally • At least until there is more clarity about the US, Germany and Chinese economies
Brooks Macdonald	**Neutral**	• EM assets' valuations have become attractive after an extended period of underperformance • However, some of the region's underlying economies remain vulnerable to a slowdown in global growth • An active investment approach is essential

Market Experts/ Brokers/ Analyst		Views (Last one month)
Pictet Asset Management	Overweight	• EM stocks remains the broker's preferred equity investment • The developing world has more resilient economic growth, low inflation and there is the prospect of a weaker USD • China is a particularly bright spot as its sizeable fiscal and monetary stimulus has helped the country transform from a major threat to a stabilising force in the global economy
Morgan Stanley	Overweight	• After a difficult first 10 months of 2018, EM equities have performed relatively well • With the USD appearing to have made a cyclical top, global nominal GDP growth could trough as China's fiscal stimulus takes hold • This should disproportionately benefit EM equities
Russell Investments	Bullish	• EM equities will see benefit from the increased focus on policy stimulus from the Chinese government • EM equities should be able to deliver around 10% earnings growth for 2019
GAM Investments	Overweight	• The broker believes that the outlook for this year is for slightly more balanced growth that will reduce the global economy's dependence on the US • That should mean the USD will not have such a strong year, which would be supportive for EM
Schroders	Overweight	• There has been a sharp rebound in earnings revisions and attractive forward valuations • In China, easing trade conflicts and additional stimulus should bolster the market
Oppenheimer Funds	Overweight	• 2019 is likely to be about convergence as the US slows and EM's stabilise • The barrage of external factors plaguing EM's—including trade tensions and a persistently strong USD —will fade • Growth differentials around the world could swing back in favour of EM's

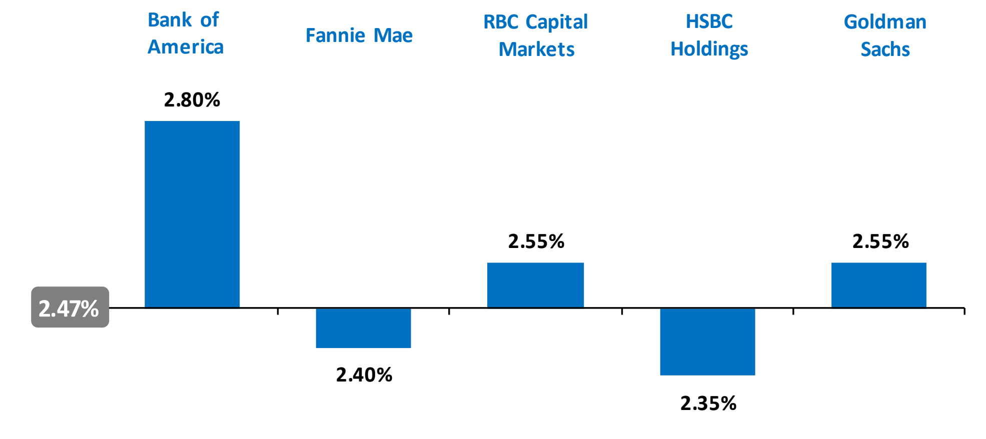
Asset Class	
GCC Equities (MSCI GCC Countries Index)	
Analyst expectations	
Average	596.37
Bloomberg Consensus Target Price For MSCI GCC Index	596.37
As on 9 May 2019	590.81
% Change from Current levels compared to avg	0.94%

Market Experts/ Brokers/ Analyst		Views (Last one month)
Franklin Templeton	Overweight	• The US Fed's decision to suspend increasing interest rates is going to be quite supportive for GCC equities growth • In Saudi Arabia, there are much stronger investor inflows expected this year as a result of the kingdom's stock market's inclusion into EM indices created by index compilers FTSE Russell and MSCI • The earnings component of PE ratios was likely to increase
KAMCO Investment Company	Overweight	• GCC economic growth is expected to remain subdued as compared to historical levels, but better than recent years on the back of elevated oil prices • A good number of ongoing projects in the region will keep key sectors afloat • The banking sector has shown strong earnings growth and maintains a robust balance sheet • The sector also remains in check with a couple of large consolidations in the past and a few being discussed
Noor Bank	Neutral	• Confidence is gradually returning to the GCC markets after the 2014-2015 oil price collapse • This is particular is from the governments and some of this is translating into capital expenditure • Overall, the banking sector asset growth this year will be similar to that of last year, in the 5% to 7% range • It is still some way off from the heady days of double digits that was seen three years ago

Consensus Target for US 10 Year

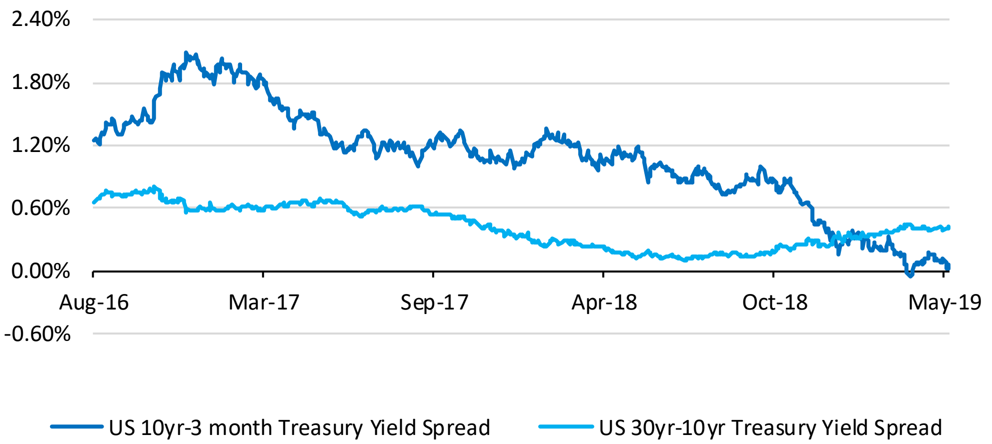


US 10 Year Target by Major IBs



*Target with respect to actual level

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



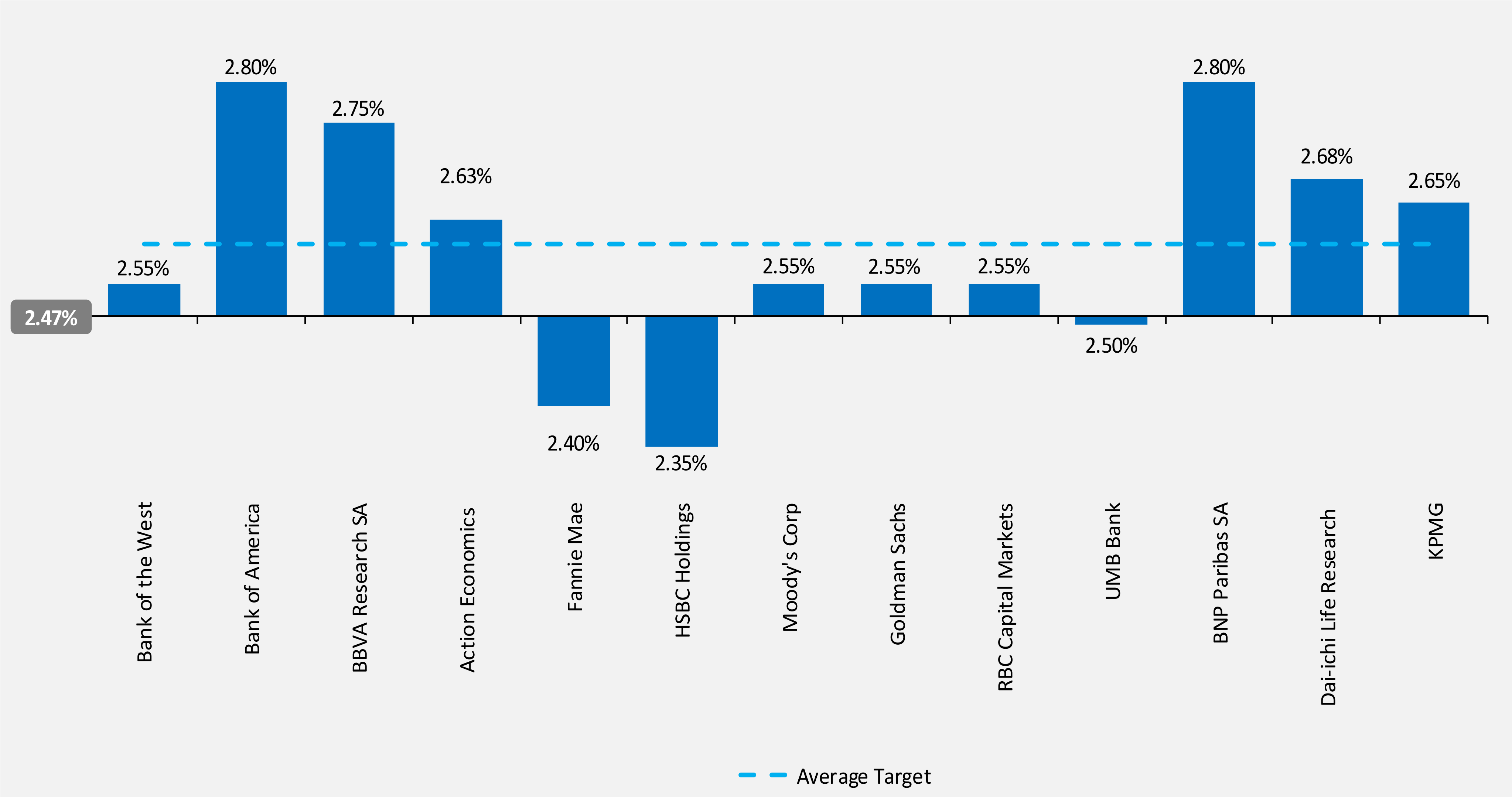
Positive View

- Worries over global growth will likely support haven assets
- The Fed forecast that there would be no rate hikes this year and plans to end balance sheet reduction this year

Negative View

- There is limited opportunity for further rate convergence between the US and rest of the world
- There is some risk that growth could rebound and inflation could pick up, in which case hikes could resume — and curve inversion could worsen

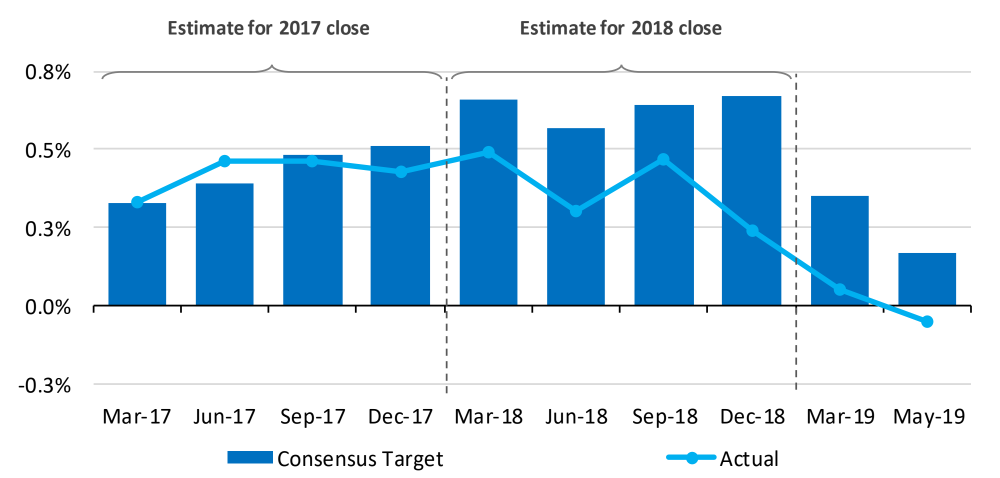
US Treasuries 10 Year Target Yield for Q2 2019 by Major IBs



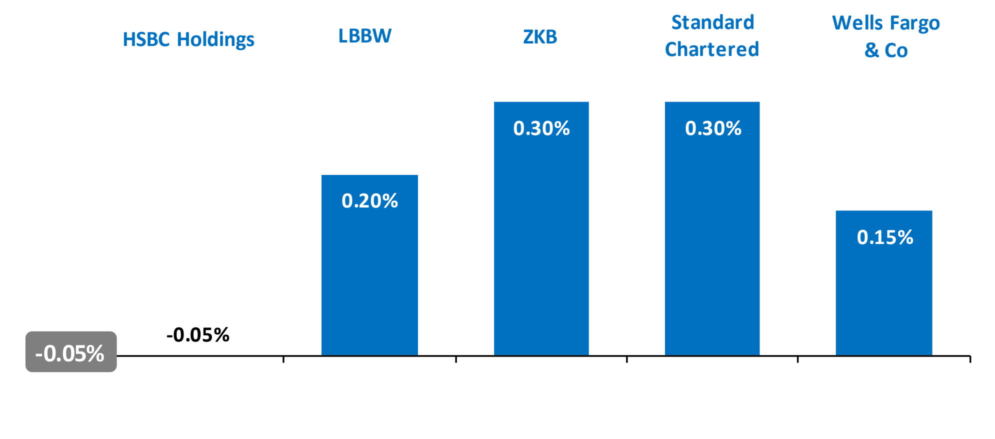
***Target with respect to actual level; Latest values at extreme Right**

Market Experts/ Brokers/ Analyst		Views (Last one month)
Massachusetts Financial Services	Neutral	• The US monetary policy has taken a more accommodative turn, adding ballast to hold down US Treasury yields • Treasury yield curve inversion does suggest the rising probability of recession — though it is noted that persistent inversion has historically preceded recession by as much as a year or two • The broker believes that late cycle may last for some time to come • There is some risk that growth could rebound and inflation could pick up, in which case hikes could resume — and curve inversion could worsen • The broker holds preference for the longer end of the yield curve
RBC Global Asset Management	Overweight	• With the Fed holding rates unchanged, the broker expects the 10-year Treasury yield to fluctuate around 2.50% over the forecast horizon • This is a reduction from the broker's previous forecast of 3.00%
Hang Seng Bank	Overweight	• The Fed forecasts that there would be no rate hikes this year and plans to end balance sheet reduction this year • US Treasury yields are expected to be under pressure in the medium-to-long term
Saxo Bank	Overweight	• The global policy panic will play in favour of US treasuries • A dovish Fed is good news for bond investors even amid muted economic growth • Treasuries will gain from the unconditional support even though if it is now clear that recession is coming
Goldman Sachs	Neutral	• US treasury yields are forecasted to rise less than earlier expected to 2.8% • Fed Chairman, Jerome Powell and his colleagues are expected to keep rates on hold this year • However, pessimism is overdone • Growth is expected to pick up in 2H 2019

Consensus Target for German 10 Year

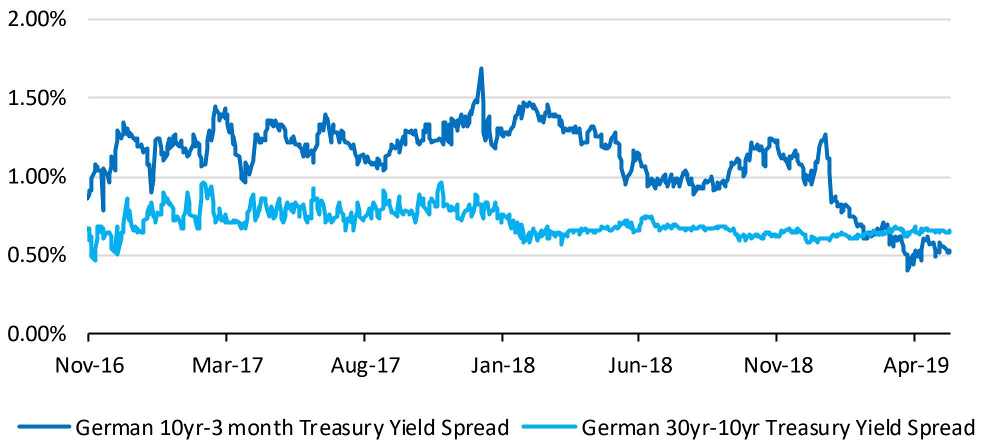


German 10 Year Target by Major IBs



*Target with respect to actual level

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



Positive View

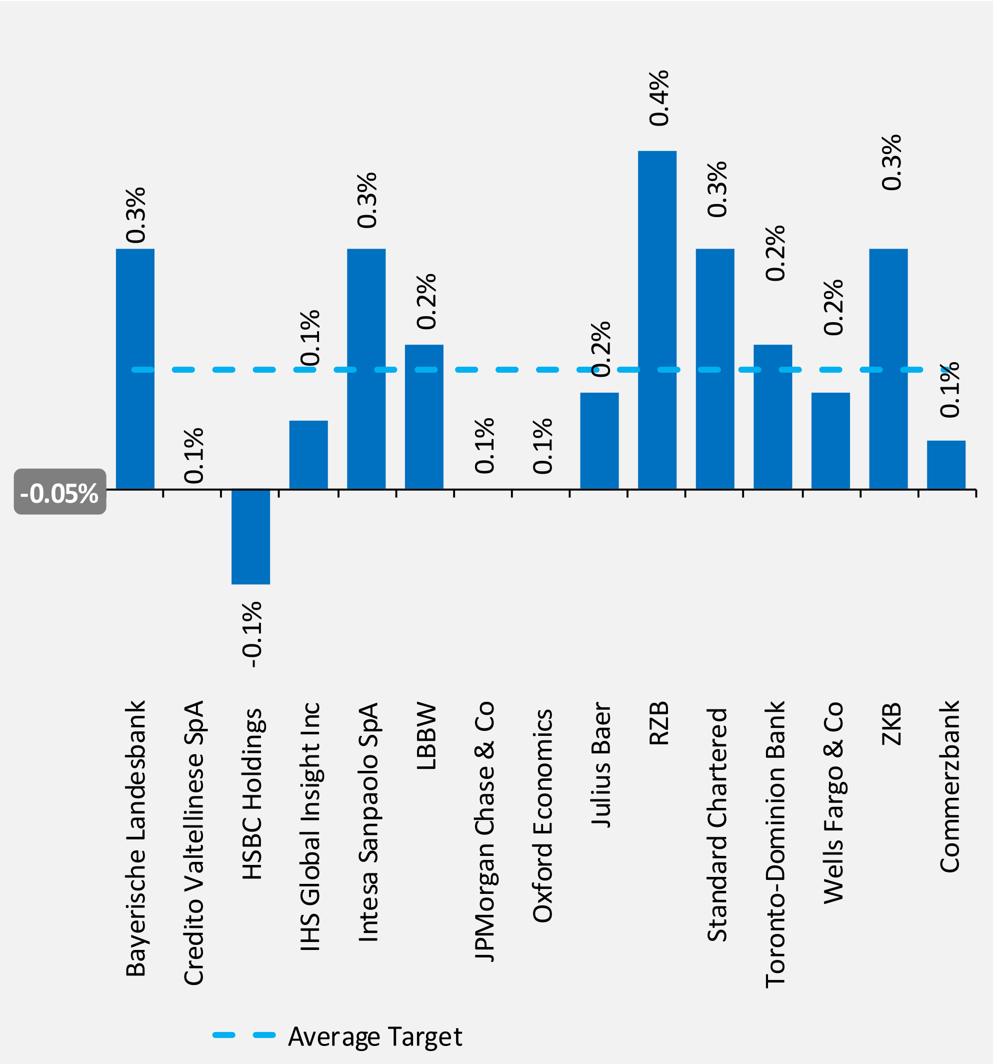
- Soft economic data
- Dovish ECB
- Risk of Eurozone growth outlook moving from “broadly balanced” to “downside"

Negative View

- Lingering threats of US tariffs on German car exports
- Unresolved political and fiscal issues in Italy

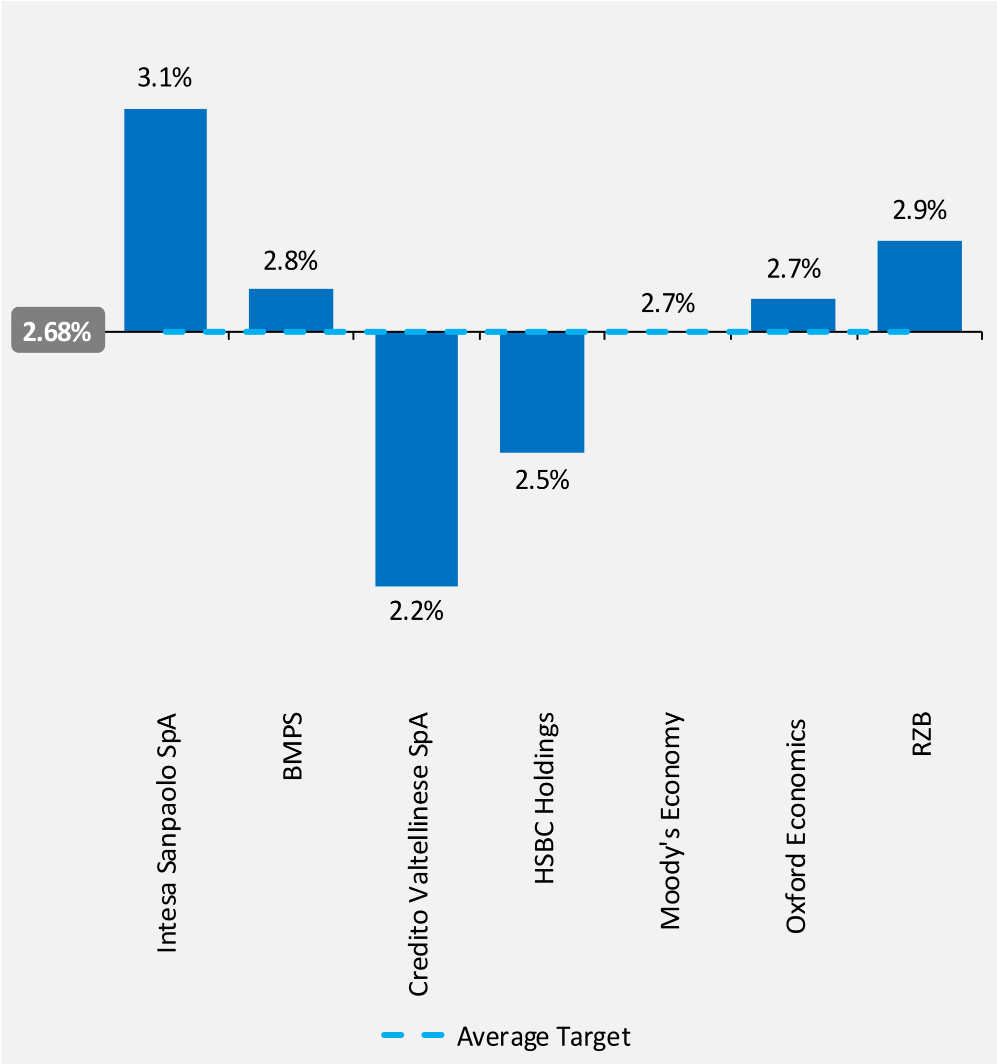
Global MacroView Summary

German 10 Year Target Yield for Q2 2019 by Major IBs



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

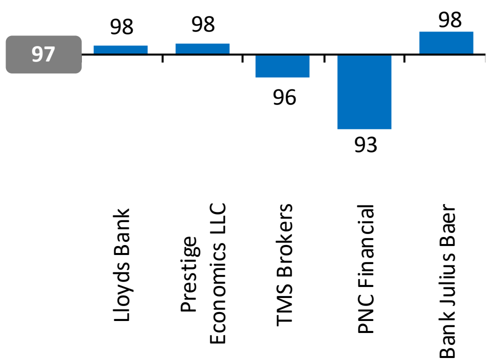
Italy 10 Year Target Yield for Q2 2019 by Major IBs



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

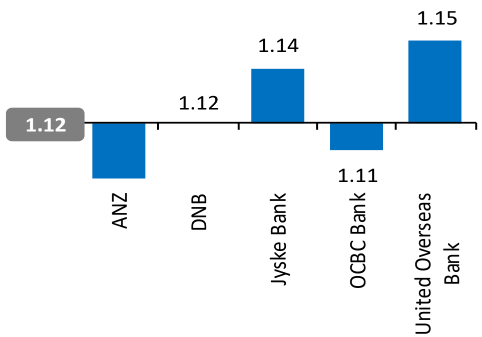
Market Experts/ Brokers/ Analyst		Views (Last one month)
Massachusetts Financial Services	Overweight	• A dovish Fed, Brexit uncertainty and falling inflation expectations are weighing on yields in Europe • Macro data remain challenged amid slowing global trade as the US–China trade dispute continues to have spillover effects around the world • On an unhedged basis, core Europe offers little value at present levels • Better value is to be found on Europe's periphery, where spreads to core and steeper curves look attractive in an environment conducive to carry amid the ECB's dovish shift
BNP Paribas	Underweight	• The backdrop of low inflation • Lingering threats of US tariffs on German car exports • Unresolved political and fiscal issues in Italy • All this should limit the extent of a potential rise in core government bond yields • Recent macroeconomic developments are not encouraging – real GDP growth has slowed • Inflation has remained subdued and consumer confidence remains soft • Italy's low potential trend growth and the related structural weakness remains unresolved • There is also a disconnect between the optimism of the new European Parliament being more friendly in relation to Italy's fiscal reality • There is high likelihood of volatility returning to the Italian government bond market
Hang Seng Bank	Overweight	• The ECB President, Mario Draghi, pointed out that the risk of Eurozone growth outlook moved from "broadly balanced" to "downside" • The European investment-grade bond fund recorded a net inflow of funds for the first time since January last year • It seems that the dovish turn of ECB's monetary policy has drawn investors' attention • In the face of the economic slowdown, it is expected that the ECB's stance will continue to be dovish, supporting the performance of European bonds
Commerzbank	Neutral	• The 10-year German government bond yield should tend to move sideways • This is not only due to the lack of any prospect of a true rate hike cycle but due to the fact that the ECB will continue to reinvest maturing bonds for a long time after the end of net purchases

US Dollar Index



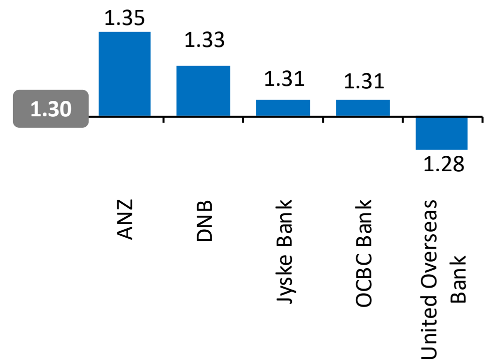
*Target with respect to actual level

EURUSD



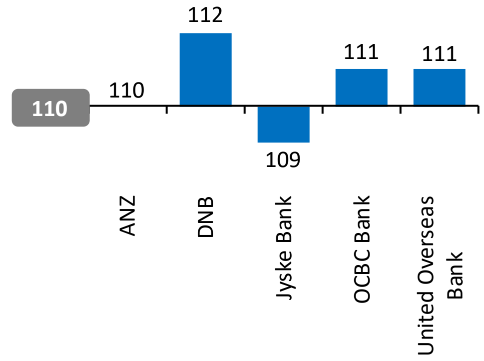
*Target with respect to actual level

GBPUSD



*Target with respect to actual level

USDJPY



*Target with respect to actual level

US Dollar Index

Positive View

- The USD looks attractive as a hedge against the risk of a deterioration in global growth
- The US economy remains robust

Negative View

- Fed's dovish stance
- The US is running a twin deficit

EURUSD

Positive View

- The Eurozone is running a large current account surplus
- The Eurozone is a beneficiary of the expected pick-up in global growth

Negative View

- ECB monetary policy will continue to be accommodative
- Lackluster performance of Eurozone economy

GBPUSD

Positive View

- Job creation and wages have been stronger than expected
- GBP is undervalued based on PPP measures

Negative View

- Political uncertainty around Brexit
- Weakness in the trade balance

USDJPY

Positive View

- The BoJ is expected to continue its programme of ultra-loose monetary policy until 2021
- Japan's slowing growth and weak inflation

Negative View

- Japan runs a current account surplus
- Extremely low unemployment should support inflation

US

GDP Annualised	3.2% (Q1 2019)
Inflation (YoY)	2.0% (April)
Trade Balance	-$50.00 bn (March)

Eurozone

GDP Annualised	1.2% (Q1 2019)
Inflation (YoY)	1.7% (April)
Trade Balance	€19.50 bn (February)

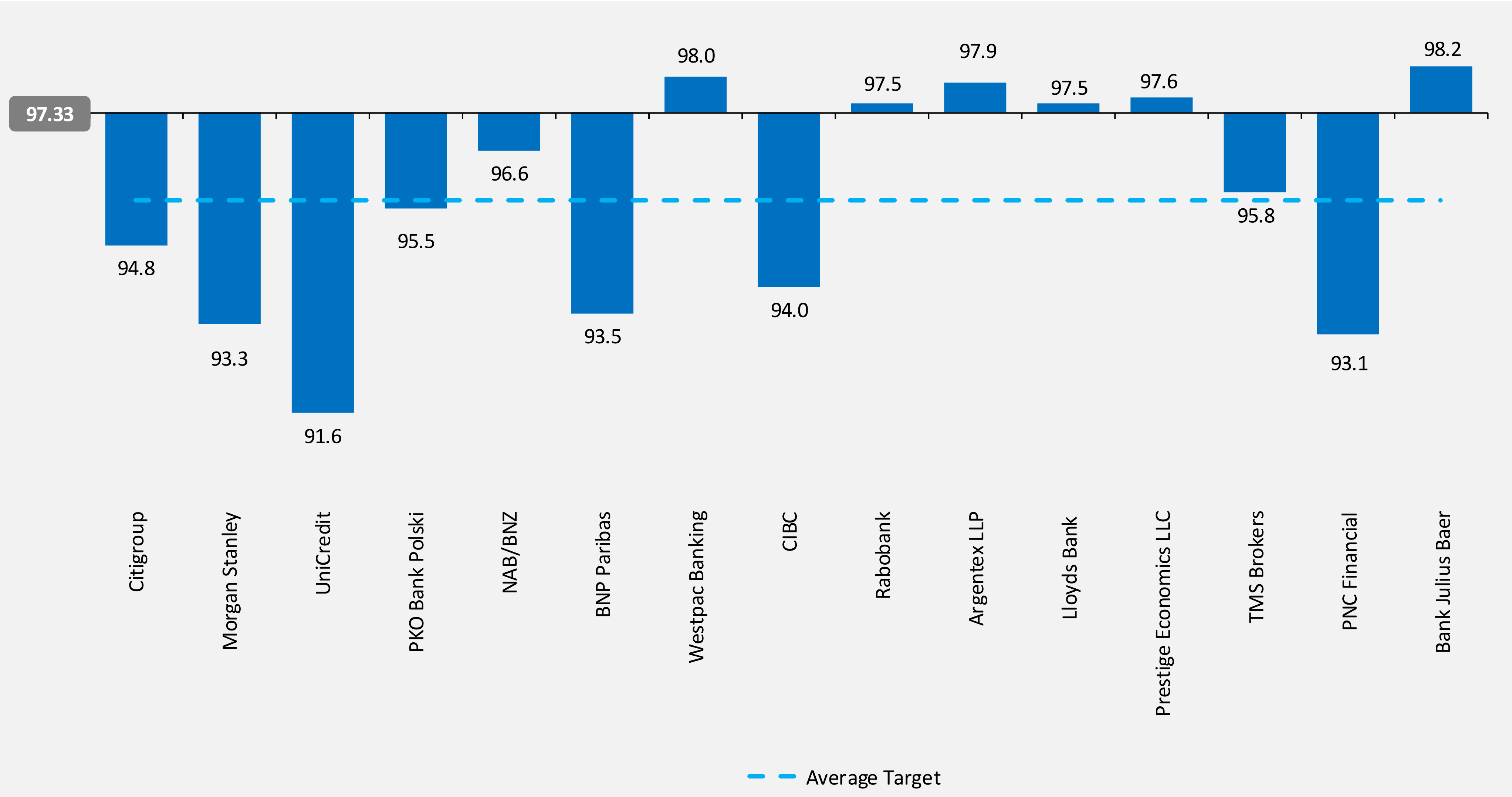
UK

GDP Annualised	1.8% (Q1 2019)
Inflation (YoY)	1.9% (March)
Trade Balance	-£13.65 bn (March)

Japan

GDP Annualised	1.9% (Q4 2018)
Inflation (YoY)	0.5% (March)
Trade Balance	¥489.20 bn (February)

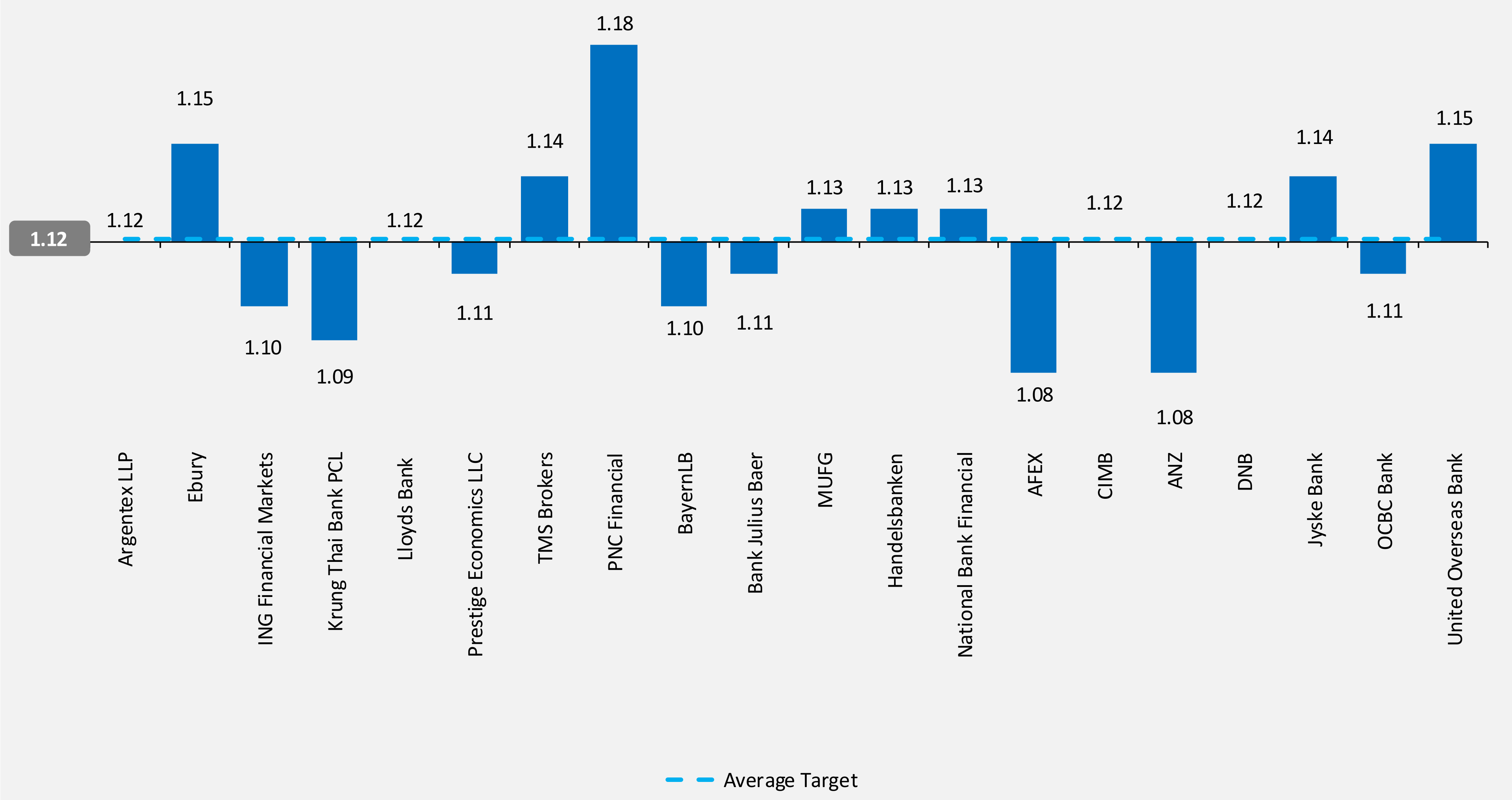
US Dollar Index Target for Q2 2019 by Major IBs



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

Market Experts/ Brokers/ Analyst		Views (Last one month)
Noor Bank	Neutral	• The USD appreciated just under 10% since early 2018 • However, most of that appreciation occurred during the first part of 2018, mostly prior to the summer break • Since then it has been fairly range-bound • Now, with the Fed's current position, the USD is expected to stay range-bound around the current levels
Neuberger Berman	Underweight	• The dollar is overvalued based on PPP metrics • The Fed has taken a dovish stance, signalling a pause on interest rates and willingness to ease financial conditions; and inflation remains benign • The US is running a twin deficit
ScotiaBank	Underweight	• The longer run trend in the USD is liable to tilt lower in the coming quarters, reflecting the USD's elevated valuation against major currencies • Political risks facing the USD appear to have diminished somewhat, following the conclusion of the Office of Special Counsel's investigation • However, the burden of significant US fiscal and current account deficits and slowing growth momentum (towards potential, nearer 2% or so GDP growth) into 2020 remain significant drags on the USD's outlook • Fed has indicated that monetary policy is likely to now remain on hold through the balance of 2019 and that only one more hike will follow in 2020
Brooks Macdonald	Neutral	• The USD is trading at the higher end of its 2019 range, as the Fed is withdrawing liquidity via open market operations • Overseas developments have undermined the currency's counterparts, primarily the EUR • US policymakers are cognizant of this and plan to conclude their balance sheet reduction policy later in the year • However, the government could put renewed upward technical pressure as it rebuilds its finances once the debt ceiling is raised
Goldman Sachs	Overweight	• A patient Fed implies limited upside for the currency • However, it is a high-yielding currency relative to most other developed markets and retains its safe-haven status and so could still strengthen while the Fed pause is in play

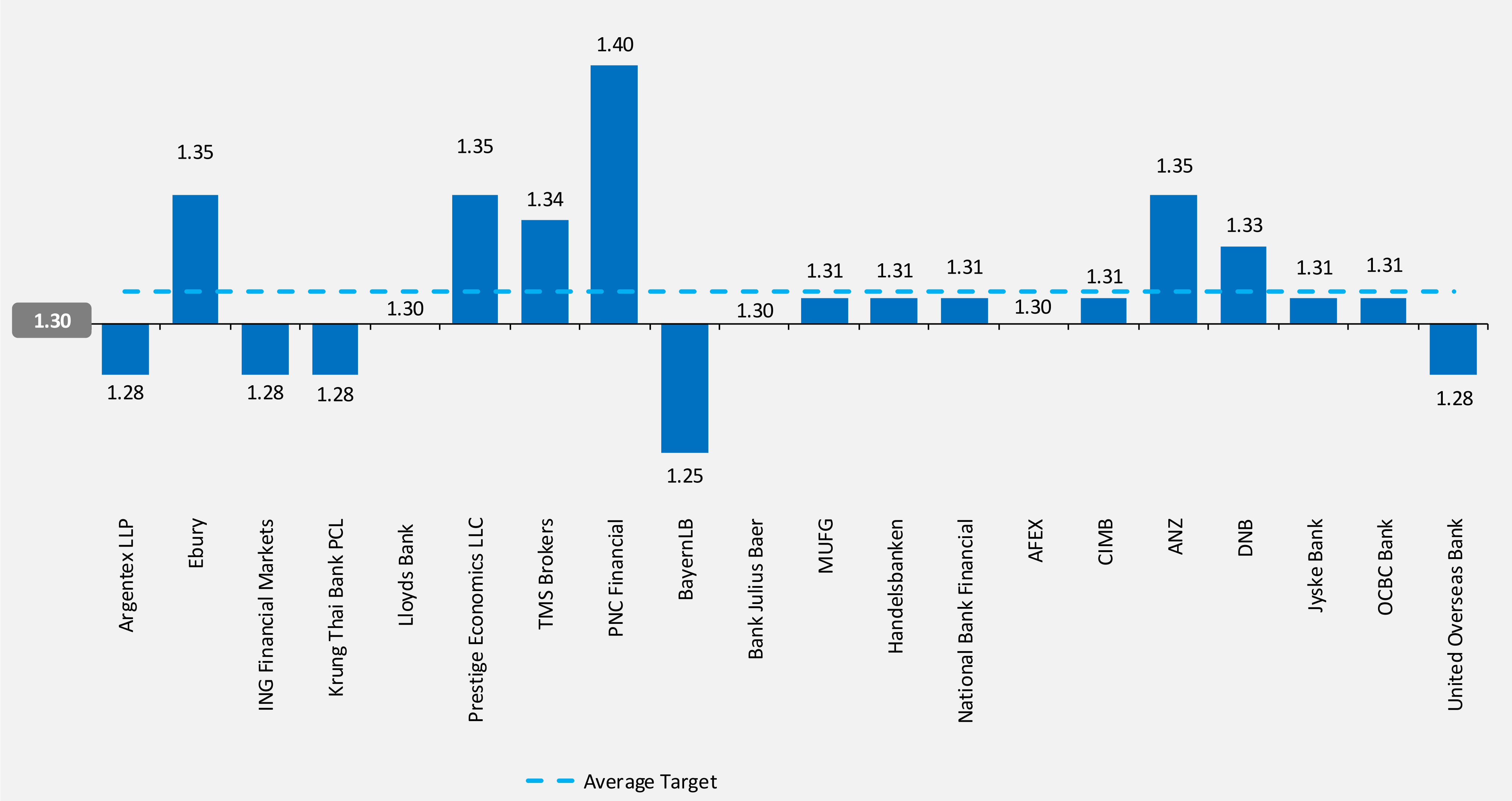
EURUSD Target for Q2 2019 by Major IBs



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

Market Experts/ Brokers/ Analyst		Views (Last one month)
RBC Global Asset Management	Neutral	• Much of the outlook for the EUR depends on the ECB • With softening economic data in the region, investors are pricing in little change in policy rates • Any positive news on Brexit, Italy's banking system or Chinese growth would result in the EUR pushing above the upper end of its 1.12 – 1.16 range
Hang Seng Bank	Underweight	• Lackluster performance of Eurozone economy • At its March meeting, the ECB cut inflation and economic growth predictions for the next three years, validating market concerns on slowdown of Eurozone economic growth • US-Europe trade relations and Brexit factors • The Eurozone economy continues to face downward risk from various political and international trade factors and therefore it will be difficult for EUR to buck the weak trend in the short-run
Neuberger Berman	Neutral	• ECB monetary policy will continue to be accommodative as inflationary pressures are still weak • The Eurozone is a beneficiary of the expected pick-up in global growth • The Eurozone runs a large current account surplus • PMIs may be stabilising, but the US has still not addressed the proposed tariffs on European cars • Brexit, the European Parliament elections and elections in Spain may again cause concerns about the strength of populism on the Continent
ScotiaBank	Bearish	• EUR have been overshadowed by developments in the UK's Brexit talks • The Eurozone economy slowed last year • While some economic data has indicated that growth may be stabilising, the ECB's latest projections suggest that soft growth and inflation trends are likely to persist • The broker expects a delayed strengthening in the EUR
Brooks Macdonald	Underweight	• The global manufacturing slowdown is weighing on the European economy and the EUR • The currency also continues to face sentiment headwinds associated with political risks
Citibank	Underweight	• The ECB was more dovish than markets had expected • The broker pushed pack the rate hike timing forecast to 1Q21, which may undermine EUR • The EUR/USD has remained range-bound since Nov 2018. The pair may range trade between 1.1177 -1.1514 in the short term

GBPUSD Target for Q2 2019 by Major IBs

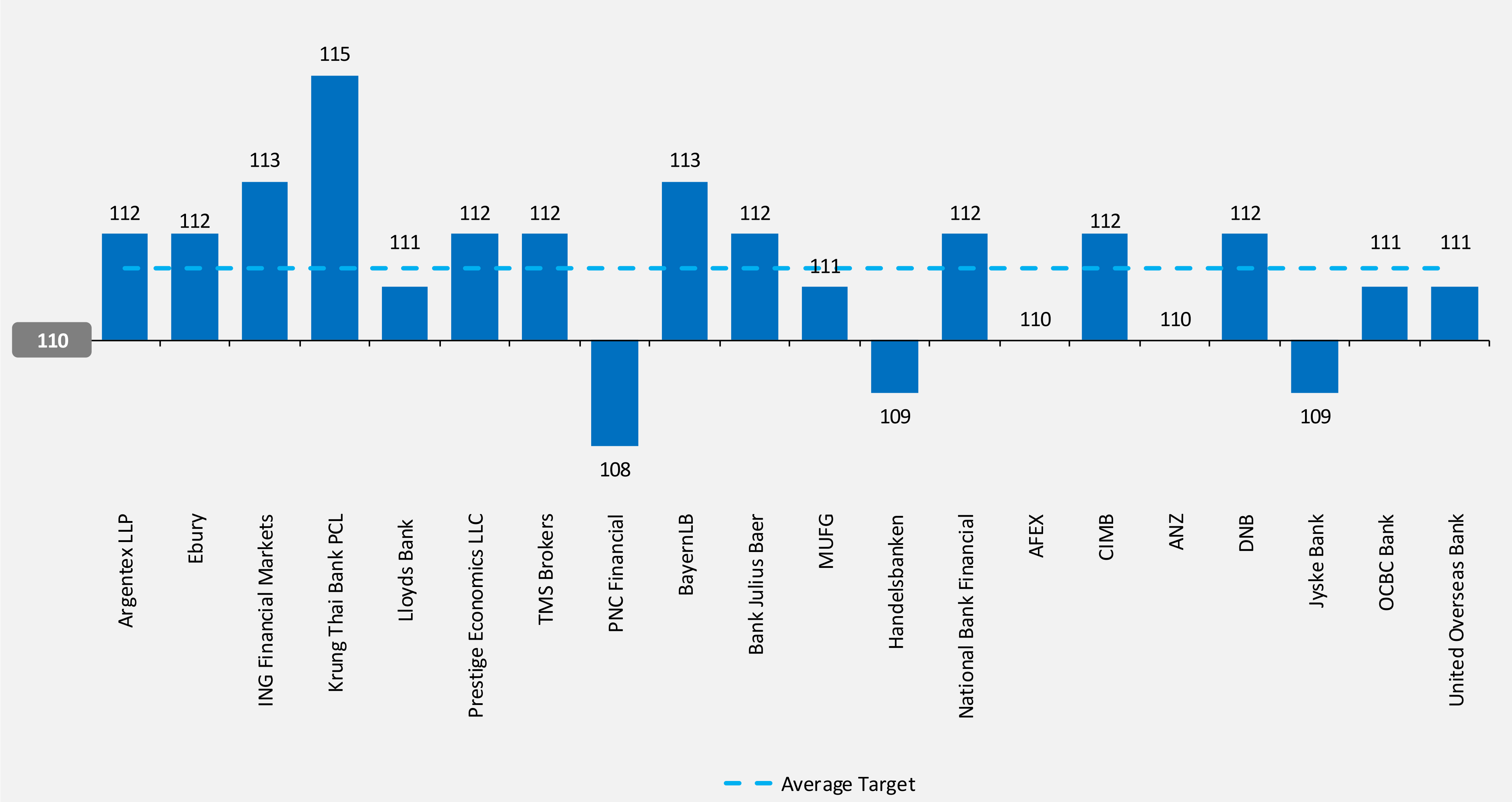


*Target with respect to actual level; Latest values at extreme Right

Market Experts/ Brokers/ Analyst		Views (Last one month)
Neuberger Berman	Overweight	• The GBP is undervalued based on PPP measures • Job creation and wages have been stronger than expected • Despite Brexit uncertainty, overall activity has remained remarkably healthy and job creation and wage growth have been stronger than expected • Risks to the view include political uncertainty around Brexit; weakness in the trade balance, manufacturing and consumption; and the likely fading-out of the effects of pre-Brexit stock building
ScotiaBank	Overweight	• A resolution to the UK's Brexit impasse - the broker's base case remains a smooth "divorce" • This will boost business investment, lift the housing market and amid rising wages, may refocus attention on the BoE's appetite to tighten domestic monetary policy, if only modestly in the months ahead • The six month delay should spark a relief rally in the GBP and push GBPUSD up to the 1.38/1.40 area in the next few months
Citibank	Underweight	• If there is a longer extension, one would caution the tendency of GBP/USD to overshoot • However, GBP may be restrained amid political instability and potential snap elections
RBC Global Asset Management	Underweight	• Expectations that the UK will avoid a disruptive Brexit have generated a rally in the GBP • Even with a soft-Brexit outcome, the UK's economic outlook is far from rosy, given weakening domestic inflation • Lagging business investment, poor consumer confidence and low productivity • As a consequence, the BoE is expected to be on the sidelines for some time • Over both short and longer-term horizons, the outcomes are skewed toward a lower GBP, given that it trades near 1.32
Schroders	Neutral	• Brexit negotiations intensify • Slowing economic growth remains a key headwind

Global MacroView Summary

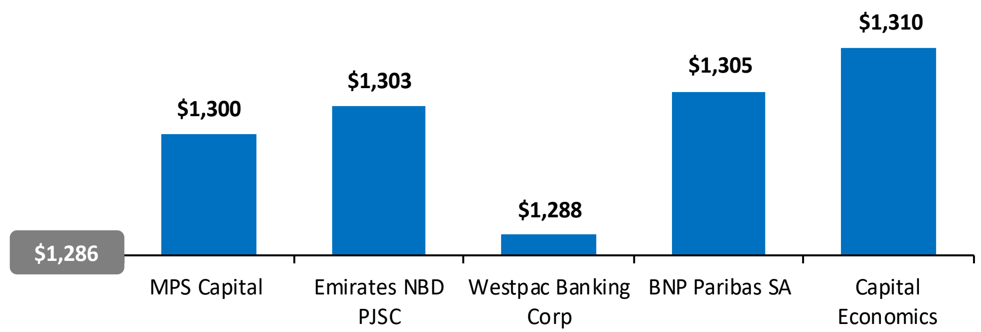
USDJPY Target for Q2 2019 by Major IBs



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

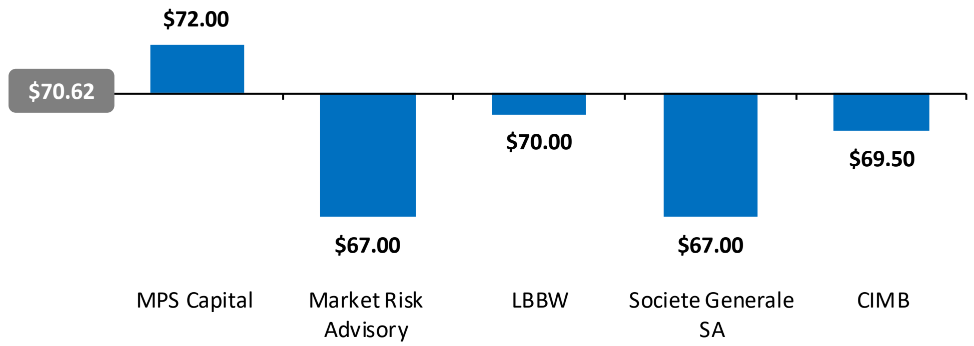
Market Experts/ Brokers/ Analyst		Views (Last one month)
Neuberger Berman	Neutral	• Japan runs a current account surplus • Extremely low unemployment should support inflation • PPP and real exchange rates suggest the JPY is undervalued and long-JPY remains a valid trade during periods of risk aversion • The BoJ’s yield-curve policy exacerbates yield differentials against the JPY • Market participants are likely still long following the fourth-quarter sell-off and a continuing rebound in risk sentiment could lead to further weakening
ScotiaBank	Underweight	• The JPY is expected to gain versus the USD • The scope of JPY strengthening against a weakening USD will be restrained by the BoJ maintaining an aggressively accommodative monetary policy stance (amid stubbornly low inflation) • But the outlook for JPY strengthening has been enhanced by the more dovish tilt to central bank policy communication that has emerged from the Fed and ECB especially in recent weeks • The broker retains a formal forecast of JPY105 for end 2020
Brooks Macdonald	Overweight	• Japanese monetary policy remains geared towards a weak JPY, as this underpins the performance of the country’s large export sector • However, the currency is already cheap in fundamental terms • The yen is a safe-haven currency which is likely to strengthen if equity-market sentiment deteriorates
The Economist Intelligence Unit	Underweight	• The BoJ is expected to continue its programme of ultra-loose monetary policy until 2021, which will limit the JPY's appreciation • As the Fed embarks on a policy-easing cycle in 2020, the JPY is expected to enter a renewed upward trajectory against the USD • The JPY is likely to strengthen further in 2021-23 as the BoJ begins to remove stimulatory measures and starts to unwind its asset-purchasing programme gradually • Over the longer term the JPY will continue to appreciate against the USD in nominal terms to offset Japan's relatively low inflation

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

- Fed's less aggressive stance on interest rates
- Concerns over the global economy and geopolitical issues
- Major central banks are highly dovish, highlighting the value preservation characteristic of gold

Gold – Negative View

- There is increased risk of the US outperforming the rest of the world
- USD stays bid on continued central bank divergence

Brent – Positive View

- OPEC will likely continue to adhere to production cuts set last year to reduce the global oil glut
- US decision to toughen its sanctions on Iran
- A possible final trade agreement between US and China

Brent – Negative View

- Rising US shale production
- OPEC is set to come under pressure to reverse some of the cuts in 2H19
- Demand could slow if global growth moderates

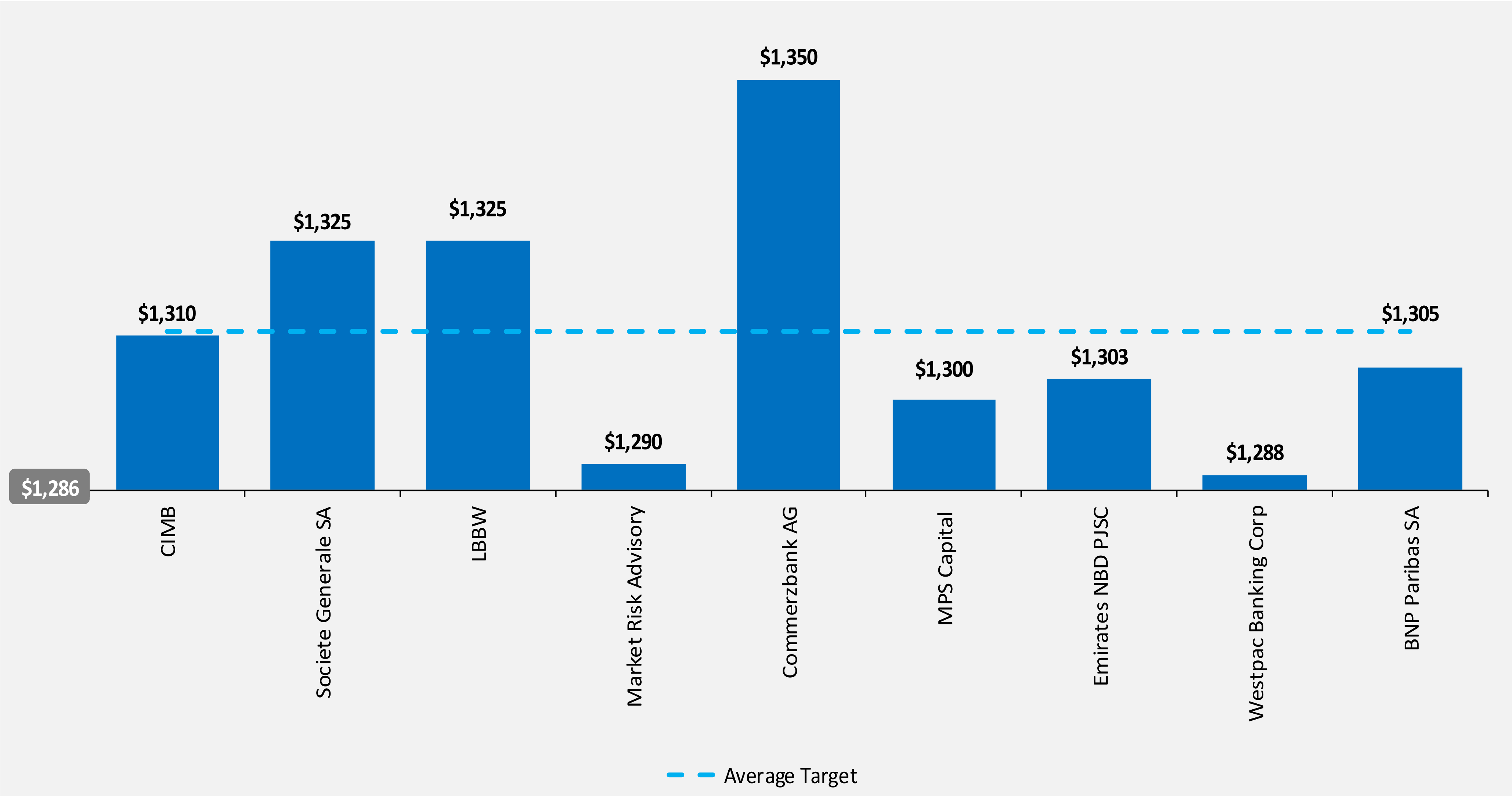
Gold

	Q1 2018	Q1 2019
Demand	984.2 t	1,053.3 t
Supply	1,147.0 t	1,150.0 t

Brent

	January 2019	February 2019
US Production (thousand barrels per day)	11,870	11,683
US Supply (thousand barrels per day)	20,452	20,194

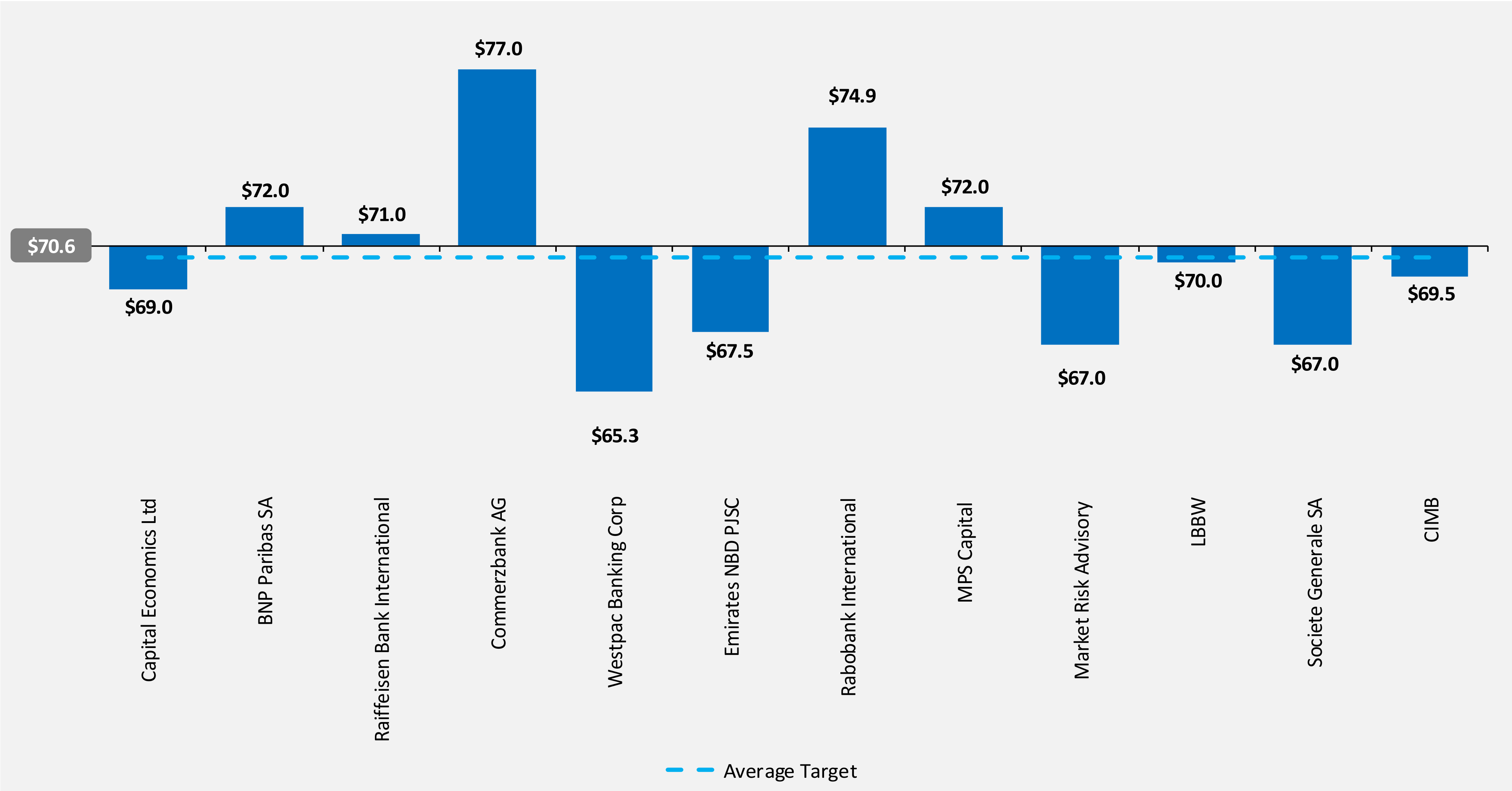
Gold Target for Q2 2019 by Major IBs



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

Market Experts/ Brokers/ Analyst		Views (Last one month)
Tradebulls Group	Overweight	• US interest rate is not expected to increase, but we may see a rate cut next year, which will cap upside in bond yields, ultimately benefitting gold in the long run. • Even though China's GDP came in at 6.4%, the slowdown in Europe is expected to continue • In the short term, there might be optimism in risky assets such as equities on the back of reviving earnings, but optimism is not likely to sustain, looking at other economic indicators
ABN AMRO	Overweight	• A weaker US dollar will lift gold prices • Also, a less hawkish central banks and a more constructive outlook on the Chinese yuan will be supportive • The positive technical picture is also positive for price
Hang Seng Bank	Bullish	• Conventional safe haven • There are doubts on the sustainibility of the USD and thus gold prices are expected to rise • The fervent demand for gold continues, and major central banks around the world are highly dovish, highlighting the value preservation characteristic of gold • This help spurring market demand for gold and supports its price • Gold will continue to be market favoured in Q2
INTL FCStone	Bullish	• Gold is poised to move higher later this year, powered by the Fed's less aggressive stance on interest rates and lingering global uncertainties • Central banks have been buying gold at levels not seen in 50 years, as part of a broader diversification of reserves away from currencies including the USD • Central banks purchased a reported 650 metric tons of gold last year — an amount that is about 15% of the global market • Concerns over the global economy and geopolitical issues including the trade war between the US and China have added to uncertainty • Gold is likely to continue trading pretty much within that range of $1,217 to $1,330, for the coming months • But over the second half of the year, gold prices are likely to grind higher and could potentially test $1,400 towards the end of the year
Standard Chartered	Bullish	• Gold prices are expected to end the year on a strong note • The fourth quarter will see gold prices testing the highs that was seen in 2018 and 2017, and potentially matching the highs from five years ago

Brent Target for Q2 2019 by Major IBs



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

Market Experts/ Brokers/ Analyst		Views (Last one month)
BNP Paribas	Overweight	• Oil prices are expected to rise in the near-term, as crude producers were over-tightening the market in the face of unplanned supply outages and resilient oil demand • Crude markets are expected to climb until 3Q 2019, prices would then start to become vulnerable to a sharp rise in US exports of light crude, thanks to pipeline and terminal capacity expansion • The bank sees WTI averaging $63 per barrel in 2019, up $2 from its previous forecast, while Brent will average $71 per barrel, up $3 from an earlier estimate. In 2020, WTI is likely to average $64 per barrel and Brent $68 per barrel
Capital Economics	Overweight	• Following the US decision to toughen its sanctions on Iran, the broker has revised up the 2019 end-year forecast for Brent crude from $50 to $60 per barrel
ABN AMRO	**Neutral**	• Average Brent oil price is expected to be USD 70/bbl in 2019 and from current levels, both upside and downside risks are emerging • Downside risks contain Trump's comments towards OPEC to rise production and cap the oil price • Upside risks are due to a possible final trade agreement between US and China as well as the insufficient level of investments in future exploration of – mainly – heavy sour oil
Neuberger Berman	**Neutral**	• OPEC will continue to adhere to production cuts set last year to reduce the global oil glut • However, the duration of those cuts remains unclear • Oil is fairly to attractively valued, but demand could slow if global growth moderates • A weaker USD is expected, which would be a tailwind for commodities
RBC Capital Markets	**Bullish**	• There is still room for oil to run and Brent could go as high as $80 a barrel this summer • Geopolitical issues, OPEC and allies' cuts, resilient demand, and not-so-crowded hedge fund longs suggests that bulls have room to add more bullish positions in crude oil futures and options • Brent Crude is now seen averaging $75 a barrel in 2019, up from the previous call of $69.50, while WTI is expected to average $67 per barrel throughout the year, up from $61.30
Goldman Sachs	**Neutral**	• The oil price rally has almost ran its course and Brent is unlikely to hit $80 • The broker has lifted its average Brent price call for Q2 to $72.50 from $65 a barrel • However, US shale production is likely to rise and OPEC is set to come under pressure to reverse some of the cuts in 2H19

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