DECiMAL POiNT
Innovative Research Solutions

# AssetPulse

## Global MacroView Summary

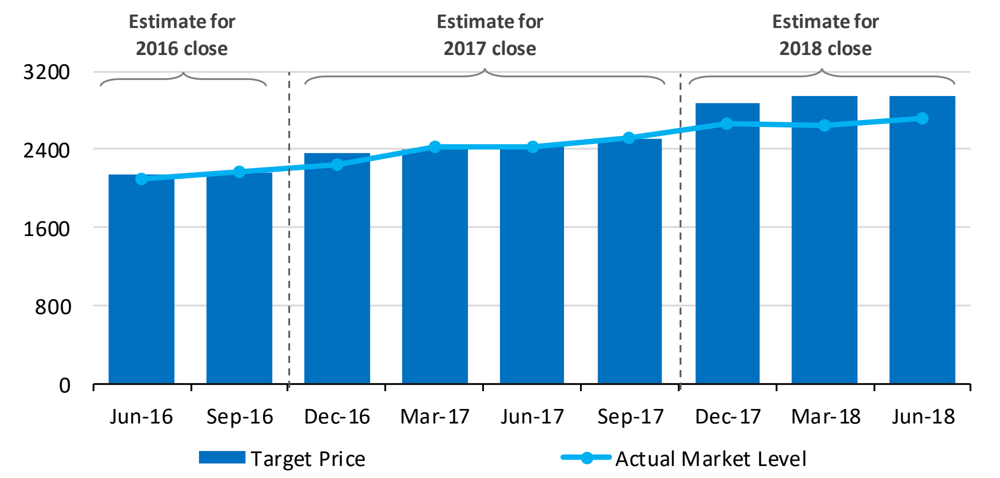
**24 September 2018**

| Asset Class | Consensus Stance | Consensus Target Price | Change w.r.t previous week | Reasons |
|---|---|---|---|---|
| US Equities | Underweight | 2941 | ↑ | • US equities are in the latter stages of a cyclical bull market<br>• A selloff is expected to be driven by the US central bank raising rates |
| European Equities | Underweight | 402 | ↑ | • Relatively muted earnings growth<br>• Weak economic momentum |
| GCC Equities | Overweight | 571.30 | ↓ | • The equity market in Saudi Arabia will gain momentum in the fourth quarter<br>• The market displays enormous potential in terms of gains |
| EM Equities | Overweight | 1271.92 | ↑ | • Attractive valuations and strong economic growth |
| US Treasuries | Overweight | 2.97% | ↓ | • A modest repricing of the US term premium is expected in the long end<br>• The 10Y US Treasury yields are expected to reach 3.20% on a 12-month horizon |
| Eurozone Treasuries | Overweight | 0.48% | ↓ | • Euro corporate bonds likely to be less sensitive to interest rate movements<br>• The spillover from the Turkish crisis is seen to be limited |
| US Dollar Index | Bearish | 94.56 | ↓ | • Better global growth typically encourages flows out of the US dollar<br>• Dollar is expected to soften after the effect of fiscal stimulus fades |
| EURUSD | Underweight | 1.1685 | ↑ | • No material evidence of a meaningful reversal in relative data momentum<br>• Technical factors are a headwind for the Euro |
| GBPUSD | Underweight | 1.2945 | ↑ | • Deterioration in trade flows after Brexit could significantly impact UK's business confidence<br>• Political uncertainty remains a major risk to the currency |
| USDJPY | Overweight | 109.70 | ↑ | • Solid economic data flow from Japan<br>• Japan's current account surplus continues to improve |
| Gold | Underweight | $1,236 | ↑ | • The current environment remains unattractive for precious metals<br>• Expectations of higher US interest rates |
| Brent | Overweight | $74.85 | ↑ | • Oil prices will spike over the next few months as Iran loses supply<br>• The lack of spare oil capacity could push Brent crude to $100/b |

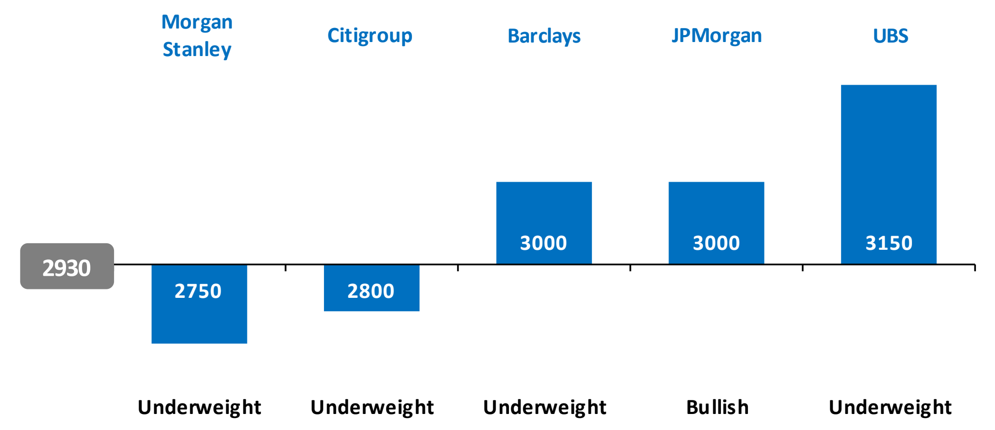
| Asset Classes | 23-Mar-18 | 22-Jun-18 | 21-Sep-18 | 6 Month Returns | 3 Month Returns |
|---|---|---|---|---|---|
| **Equities** | | | | | |
| US Equites (S&P 500) | 2588.26 | 2754.88 | 2929.67 | 13.2% | 6.3% |
| Eurozone Equities ( Stoxx 600) | 365.82 | 385.01 | 384.29 | 5.0% | -0.2% |
| Emerging Equities (MSCI EM Index) | 1172.10 | 1088.00 | 1051.43 | -10.3% | -3.4% |
| GCC equities (MSCI GCC Countries Index) | 513.54 | 531.05 | 529.79 | 3.2% | -0.2% |
| | | | | | |
| **Currency** | | | | | |
| USD ($ Index) | 89.44 | 94.52 | 94.22 | 5.3% | -0.3% |
| EUR vs. USD | 1.2353 | 1.1651 | 1.17 | -4.9% | 0.8% |
| USD vs. JPY | 104.74 | 109.97 | 112.59 | 7.5% | 2.4% |
| GBP vs. USD | 1.4132 | 1.3261 | 1.3072 | -7.5% | -1.4% |
| | | | | | |
| **Fixed Income** | | | | | |
| US 10yr Sovereign | 1.87 | 2.69 | 2.83 | 96 | 14 |
| Europe Core Area (German 10 Yr) | 0.53 | 0.38 | 0.46 | -8 | 8 |
| Europe Peripheral Area (Italy 10 Yr) | 1.98 | 2.60 | 2.98 | 100 | 38 |
| | | | | | |
| **Commodities** | | | | | |
| Gold | 1347.33 | 1270.56 | 1200.04 | -10.9% | -5.6% |
| Brent | 70.45 | 75.55 | 78.8 | 11.9% | 4.3% |

* 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 | 2018 TP | 2019 TP |
|---|---|---|---|
| **S&P 500*** | 2929.67 | 2944.00 | - |
| **PE (x)** | 21.15 | 17.36 | 16.43 |
| **EPS ($)** | 138.55 | 168.77 | 178.28 |
| **Dividend Yield (%)** | 1.79 | 1.96 | 1.99 |
| **Price/Book (x)** | 3.54 | 3.38 | 3.11 |
| **EV/EBITDA (x)** | 13.75 | 11.5 | 11.09 |

*Value as on 21 September 2018

## S&P 500 Index Returns

| Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | QTD |
|---|---|---|---|---|
| 4.0% | 6.1% | -1.2% | 2.9% | 7.8% |

### Positive View

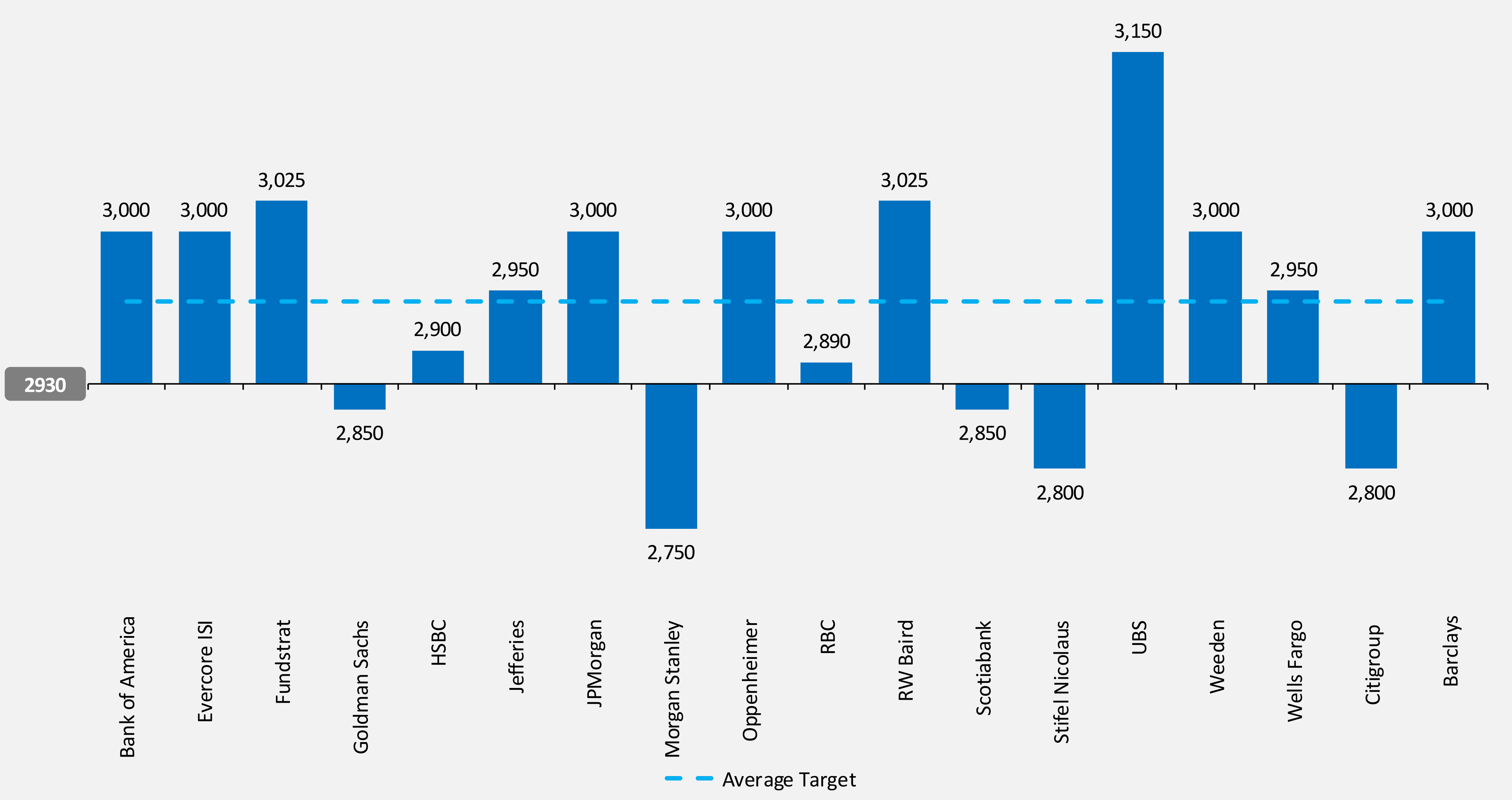
- Unmatched earnings momentum
- Healthy macroeconomic conditions
- Corporate tax cuts and fiscal stimulus
- Positive corporate fundamentals

### Negative View

- US President Donald Trump mulling new round of levies against China
- US equities are in the latter stages of a cyclical bull market
- The Fed might be forced to raise rates and tighten policy in a more deliberate manner

Global MacroView Summary

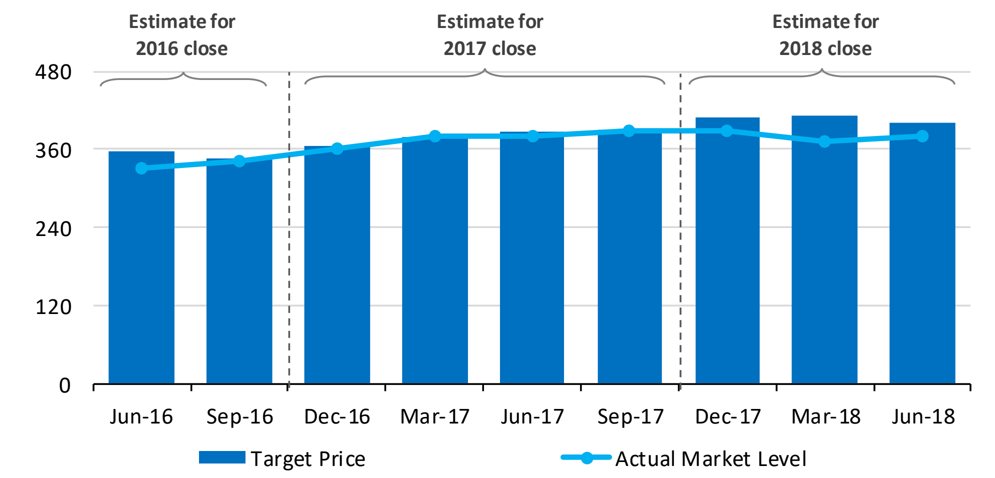
## S&P 500 Index Target for Q3 2018 by Major IBs



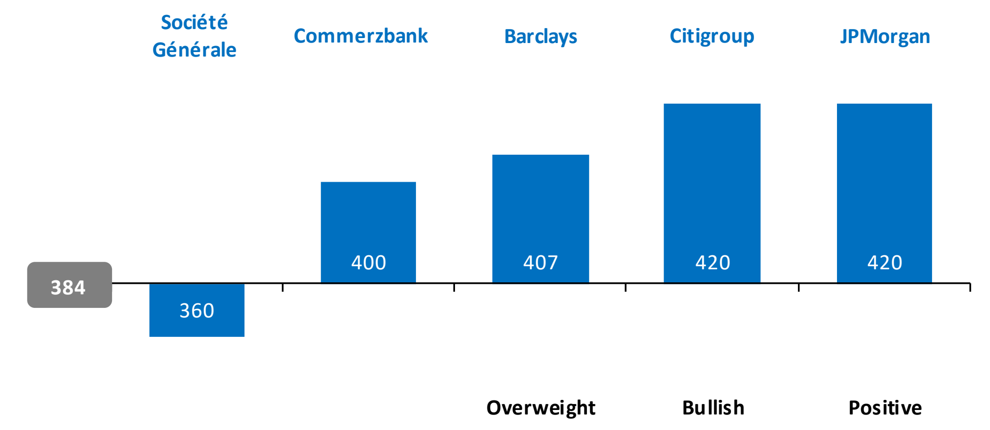

***Target with respect to actual level**

| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| Morgan Stanley | Underweight | • US equities are in the latter stages of a cyclical bull market<br>• While the acceleration of the Trump/Republican progrowth agenda has created a booming economy and earnings outlook, it may also be sowing the seeds for the end of the cycle as the Fed is forced to raise rates and tighten policy in a more deliberate manner |
| Aberdeen Standard Investments | Overweight | • The US market is supported by healthy macroeconomic conditions<br>• Tax cuts will continue to boost company profits |
| Morgan Stanley | Neutral | • The acceleration of the Trump/Republican progrowth agenda has created a booming economy and earnings outlook<br>• However, the Fed is forced to raise rates and tighten policy in a more deliberate manner |
| BlackRock | Overweight | • Unmatched earnings momentum<br>• Corporate tax cuts<br>• Fiscal stimulus<br>• Financials and technology are the favored sectors |
| Morgan Stanley | Bearish | • The US Equity market could be paralyzed for the next several years as earnings growth decelerates<br>• Higher borrowing costs will replace strong earnings as the market’s primary focus<br>• The S&P 500 is expected to trade in range between 2,400 and 3,000 |
| Stifel | Underweight | • It seems assured that a bear market would occur in the next six to 12 months<br>• A selloff that is expected to be driven by the US central bank raising interest rates |
| UBS Group AG | Underweight | • The standout resilience of US stocks is under threat with President Donald Trump mulling a new round of levies against China |
| Goldman Sachs | Bearish | • A 25% tariff on Chinese goods could wipe out growth for S&P 500 companies next year<br>• If the US imposed levies on all global imports, earnings could drop 10% as costs go up for Americans<br>• The worst-case scenario could result in the S&P 500 falling to 2,230 |

## 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*** | 384.29 | 401.00 | - |
| **PE (x)** | 17.34 | 14.36 | 13.45 |
| **EPS (€)** | 22.13 | 26.72 | 28.53 |
| **Dividend Yield (%)** | 3.48 | 3.58 | 3.83 |
| **Price/Book (x)** | 1.88 | 1.79 | 1.7 |
| **EV/EBITDA (x)** | 10.12 | 9.14 | 8.74 |

*Value as on 21 September 2018

## Stoxx 600 Index Returns

| Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | QTD |
|---|---|---|---|---|
| 2.1% | 0.3% | -4.6% | 2.4% | 1.1% |

### Positive View

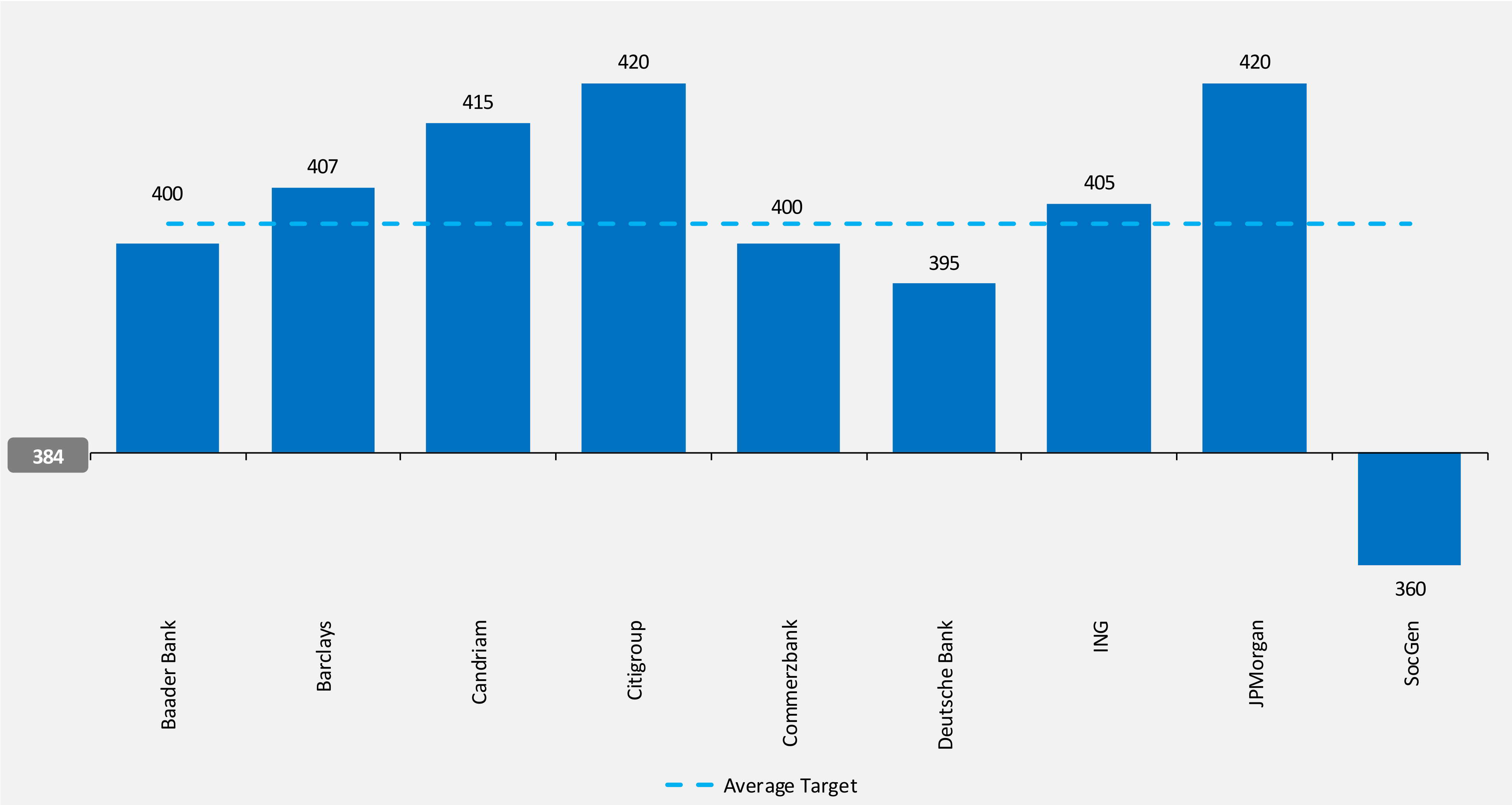
- A broad economic expansion and relatively attractive valuations are supportive for corporate profits
- European second quarter results were reassuring
- European equities are expected to fare better into the year-end

### Negative View

- Relatively muted earnings growth
- Weak economic momentum
- The Euro's appreciation and peripheral political risks continues to restrain interest in European stocks

Global MacroView Summary

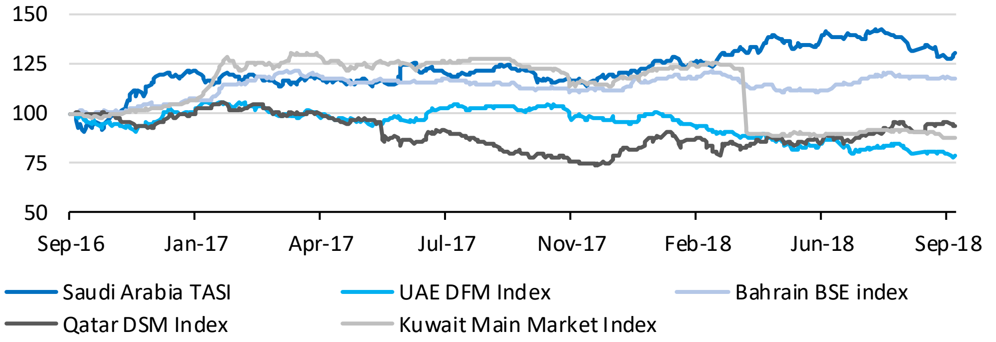
## Stoxx 600 Index Target by Major IBs




*Target with respect to actual level

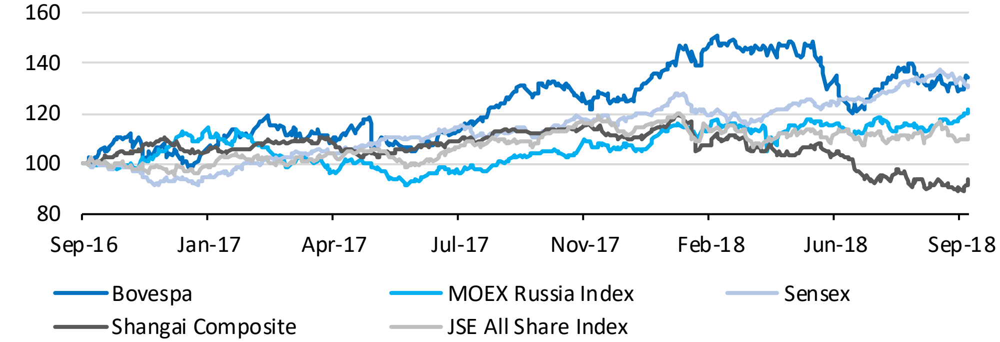
| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| Aberdeen Standard Investments | **Neutral** | • A broad economic expansion and relatively attractive valuations are supportive for corporate profits<br>• However the Euro’s appreciation and peripheral political risks continues to restrain interest in European stocks |
| European Securities and Markets Authority | Bearish | • EU financial markets can be expected to become increasingly sensitive to mounting economic and political uncertainty from diverse sources<br>• Weakening economic fundamentals<br>• Transatlantic trade relations<br>• Brexit negotiations |
| BlackRock | Underweight | • Relatively muted earnings growth<br>• Weak economic momentum<br>• Heightened political risks<br>• A market dominated by value sectors also makes the region less attractive in the absence of a growth upswing |
| Morgan Stanley Wealth Management | Overweight | • The broker maintains a positive bias for European equity markets<br>• The populist movements around the world are now spreading to Italy, which may spur further fiscal support from Germany and France |

## 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 *** | 529.79 | - | - |
| **PE (x)** | 13.48 | 12.89 | 11.74 |
| **EPS ($)** | 39.28 | 41.07 | 45.11 |
| **Dividend Yield (%)** | 4.14 | 4.36 | 4.48 |
| **Price/Book (x)** | 1.73 | 1.66 | 1.56 |

*Value as on 20 September 2018

## MSCI EM Index Key Parameters

| | Actual | 2018 TP | 2019 TP |
|---|---|---|---|
| **MSCI Emerging Markets Index *** | 1051.43 | - | - |
| **PE (x)** | 12.74 | 11.53 | 10.94 |
| **EPS ($)** | 82.5 | 91.23 | 96.07 |
| **Dividend Yield (%)** | 2.70 | 2.91 | 3.16 |
| **Price/Book (x)** | 1.60 | 1.58 | 1.44 |
| **EV/EBITDA (x)** | 8.29 | 8.10 | 7.61 |

*Value as on 21 September 2018

## MSCI GCC Index Returns

| Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | QTD |
|---|---|---|---|---|
| -0.7% | -0.7% | 7.2% | 4.2% | -1.1% |

## MSCI EM Index Returns

| Q3 2017 | Q4 2017 | Q1 2018 | Q2 2018 | QTD |
|---|---|---|---|---|
| 7.0% | 7.1% | 1.1% | -8.7% | -1.7% |

**Positive View** (GCC)

- The equity market in Saudi Arabia will gain momentum in the fourth quarter
- The market displays enormous potential in terms of gains

**Negative View** (GCC)

- Rising trade tensions could limit upside potential

**Positive View** (EM)

- Moderate growth and lower valuations should benefit emerging market equities
- Strong economic growth

**Negative View** (EM)

- It is the escalating US-China trade conflict that poses the greatest threat
- Rising US interest rates

| Asset Class | |
|---|---|
| **Emerging Market Equities (MSCI EM Index)** | |
| **Analyst expectations** | |
| **Average** | 1271.92 |
| **Bloomberg Consensus Target Price For MSCI EM Index** | 1271.92 |
| | |
| **As on 21 September 2018** | 1051.43 |
| **% Change from Current levels compared to avg** | 20.97% |

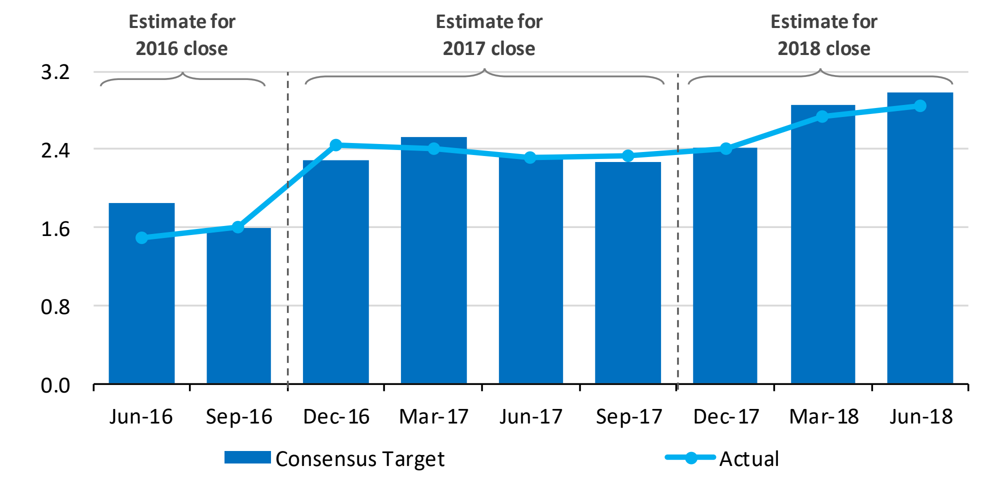
| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| Canada Pension Plan Investment Board | **Overweight** | • Emerging markets could actually benefit from the global trade tensions<br>• International trade pressures could eventually force the EM economy governments to implement structural changes and long-term reforms. That would be highly beneficial for long-term investors |
| SEB Bank | Underweight | • The broker expects EM equities to be relatively stable and perhaps even to recover slightly in the coming few weeks,<br>• However, the poor underlying macro picture, and falling commodity prices, in combination with coming US Fed hikes, imply that EM assets will remain under pressure over the next six to 12 months |
| JP Morgan Chase China, CEO - Mark Leung | **Overweight** | • The recent selloff in emerging markets has been overblown<br>• Investors should consider China, in particular, as the country is opening its financial sector<br>• Key developments include setting up a Shanghai-London stock exchange trading link, and a new settlement system for the bond investment scheme connecting the mainland to Hong Kong<br>• The broker hopes to see more supportive measures from the government from a fiscal standpoint |

| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| UBS Greater China investment banking arm, Chairman - Catherine Cai | Overweight | • The impact on the Chinese economy from the trade tariffs will be small<br>• The Chinese government is now “prepared” to manage a trade war scenario<br>• The Chinese government has taken a lot of proactive policy to further beef up China’s domestic consumption, such as loosening up monetary policy, and the central bank maybe going to ease more credit |
| Morgan Stanley | Overweight | • EM's are expected to find support not far from current levels and will have a strong finish to the year |
| Northern Trust Capital | Overweight | • Moderate growth and lower valuations should benefit emerging market equities,<br>• EM's are expected to return 8.3% per annum |
| Franklin Templeton Investments | Overweight | • The broker holds a constructive view on emerging markets<br>• The contagion impact upon the broader EM asset class should be limited, given most countries have more robust institutions, orthodox economic policy, stronger finances, lower inflation and lower near-term financing requirements |
| Charles Schwab Corporation | Underweight | • The near-term outlook is poor for EM equities amid rising US interest rates and elevated global trade tensions that support the US Dollar |
| Aberdeen Standard Investments | Overweight | • EM equities are supported by global growth improvements, especially for key sectors such as Asian technology<br>• A tightening bias in China may prove to be a headwind for some sectors |
| Morgan Stanley | Overweight | • Market needs to consolidate strong gains<br>• Broker expects EM equities to have a strong finish to the year |
| BlackRock | Overweight | • Attractive valuations, along with a backdrop of economic reforms and robust earnings growth, support the case for EM stocks<br>• The broker views financial contagion risks as low<br>• Uncertainty around trade is likely to persist, though a lot of it has been priced in<br>• The broker see the greatest opportunities in EM Asia on the back of strong fundamentals |

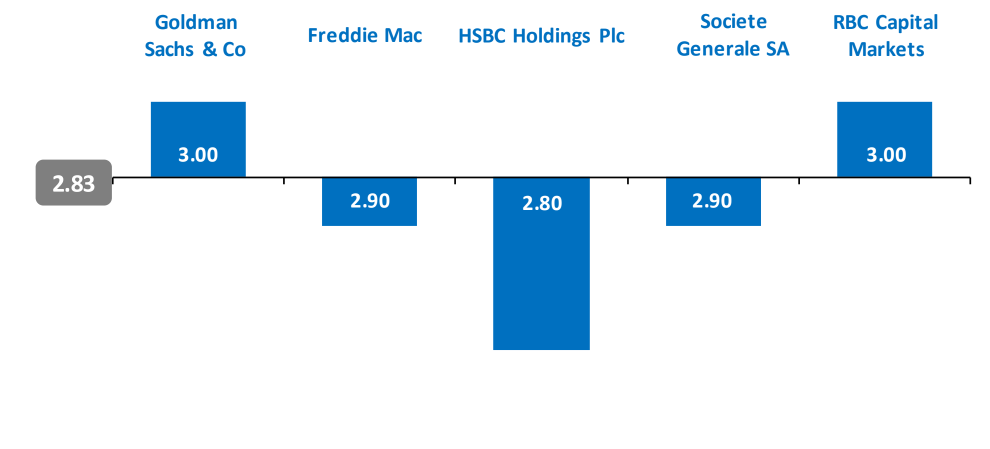
| Asset Class | |
|---|---|
| **GCC Equities (MSCI GCC Countries Index)** | |
| **Analyst expectations** | |
| **Average** | 571.30 |
| **Bloomberg Consensus Target Price For MSCI GCC Index** | 571.30 |
| | |
| **As on 20 September 2018** | 529.79 |
| **% Change from Current levels compared to avg** | 7.83% |

| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| Arqaam Capital | **Overweight** | • Kuwait will join the emerging market index in two 50% phases, on Sept. 24 and Dec. 24<br>• Kuwaiti stocks in the index can expect inflows of passive funds<br>• The inflows in the two phases combined will approximately be $1 billion |
| Institute of International Finance | **Overweight** | • Capital flows into GCC countries will remain largely resilient to recent capital flight from emerging markets<br>• The current account surpluses of the GCC countries are improving on the back of higher oil prices |
| SICO | **Overweight** | • The equity market in Saudi Arabia will gain momentum in the fourth quarter |
| Menacorp | **Overweight** | • The United Arab Emirates should see a more generous allocation as selling comes to an end, with the anticipated reversal led by numerous government-led economic stimuli<br>• The market displays enormous potential in terms of gains to be made as the currently low prices serve as an attractive entry point |

## Consensus Target for US 10 Year

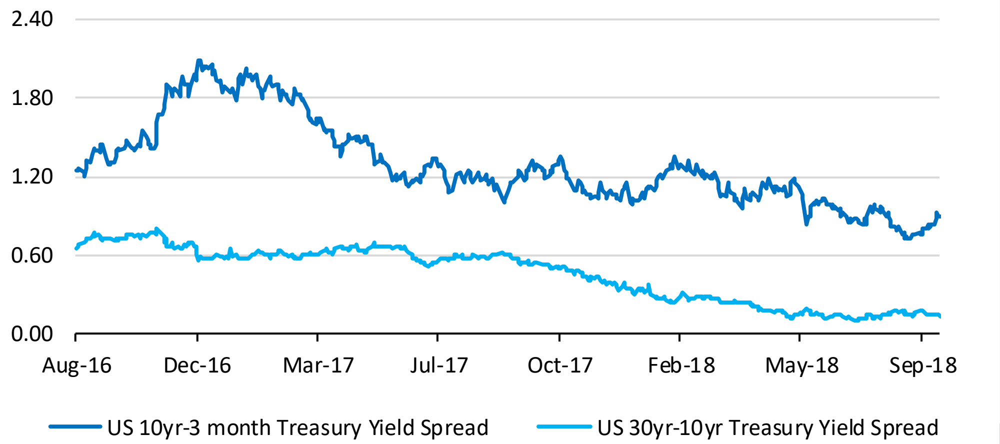



## US 10 Year Target by Major IBs




*Target with respect to actual level

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



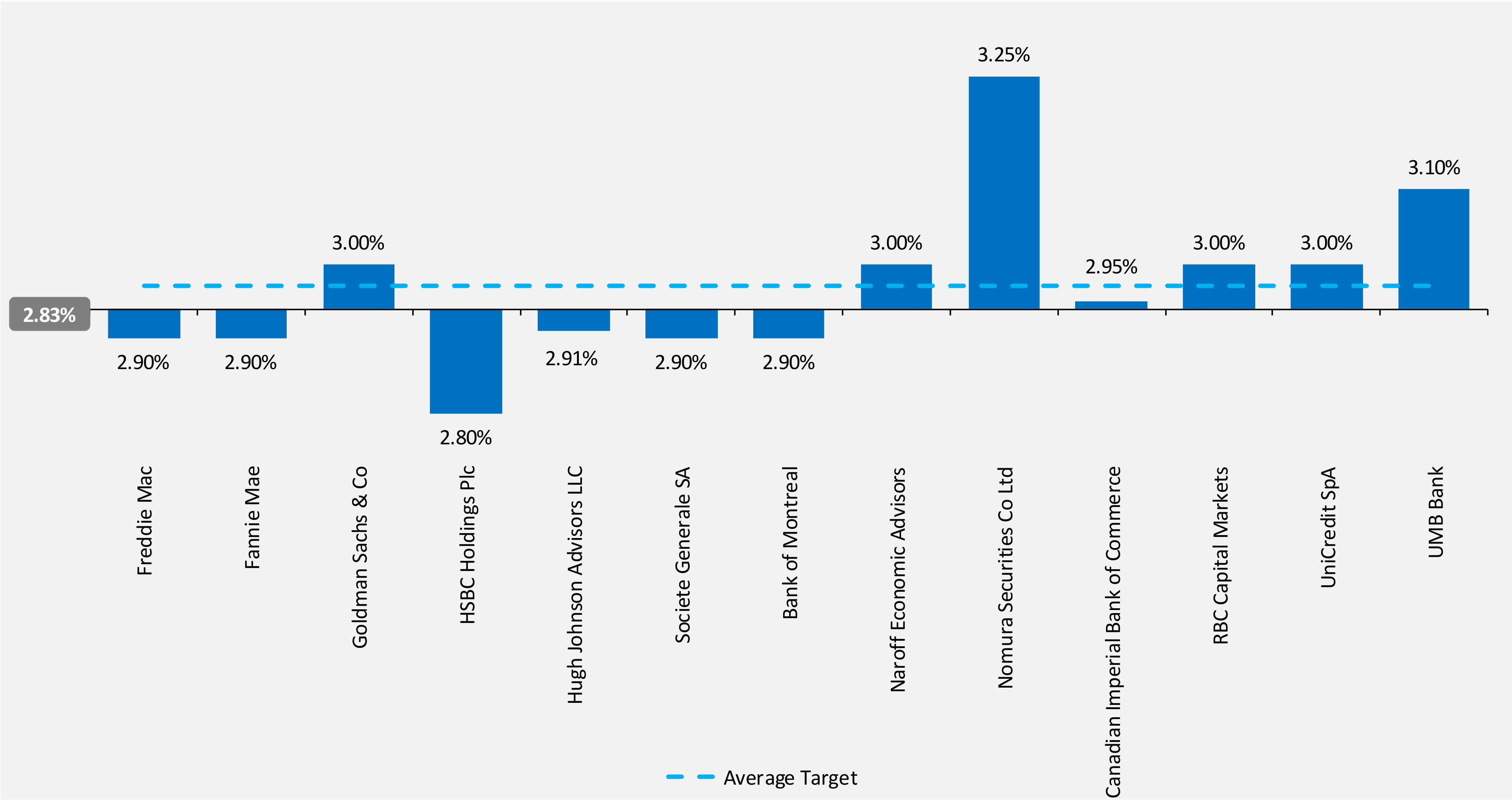

### Positive View

- A modest repricing of the US term premium is expected in the long end
- A pleasant effect on the yield level from the more expansive US fiscal policy is likely

### Negative View

- Still expensive against a backdrop of a negative term premium
- Rates are likely to rise moderately amid economic expansion and Fed normalization

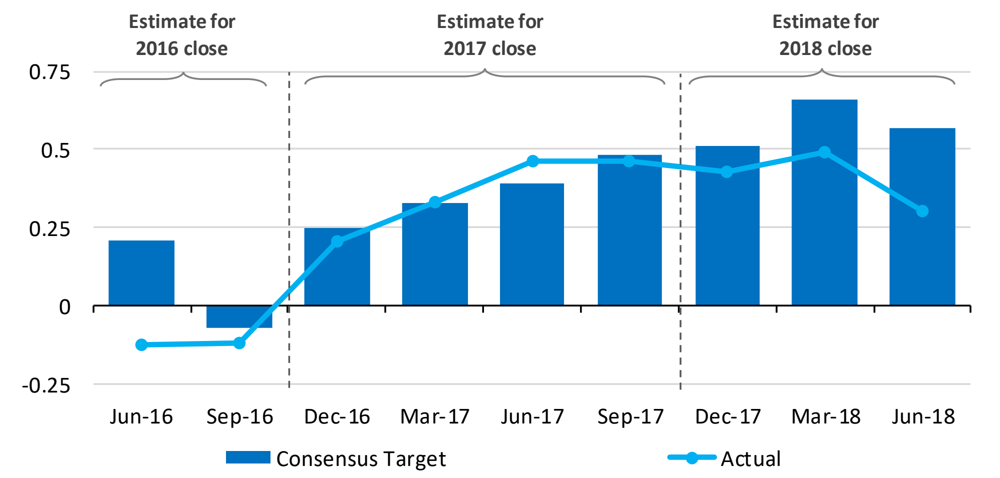
## US Treasuries 10 Year Target Yield for Q3 2018 by Major IBs



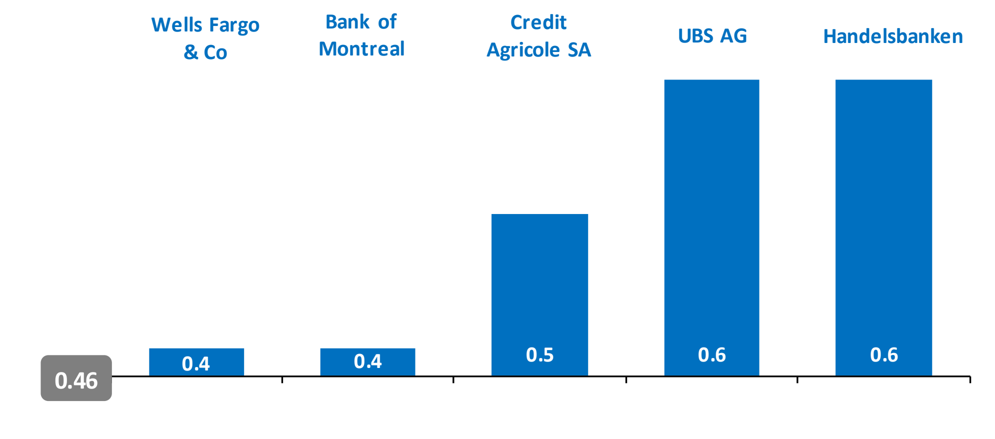

*Target with respect to actual level; Latest values at extreme Right

| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| Danske Bank | Overweight | • The broker continues to hold the view that 10Y treasury yields will move above the 3% level in 2019<br>• The labour market remains tight and the funding need continues to rise due to the expansive US fiscal policy |
| Aberdeen Standard Investments | Overweight | • The broker believes that most of the tightening is already in the price of longer dated bonds and they offer attractive diversification against downside risks |
| UBS | Overweight | • The broker is overweight 10-year US Treasury bonds versus USD cash, as they think this part of the curve has largely priced in the rate-hiking cycle and the carry is attractive |
| SEB Group | Overweight | • The broker's forecast for US 10-year Treasury notes is that yields will exceed 3% around the turn of the year and then rise slowly to around 3.45% late in 2020<br>• Continued Fed rate hikes combined with tax cuts will lead to larger budget deficits and help boost bond issuance volumes, which suggests higher yields |
| BlackRock | Underweight | • The broker sees rates rising moderately amid economic expansion and Fed normalisation<br>• The broker favors shorter-duration and inflation-linked debt as buffers against rising rates and inflation<br>• It is better to prefer 15-year mortgages over their 30-year counterparts and versus short-term corporates |

## Consensus Target for German 10 Year

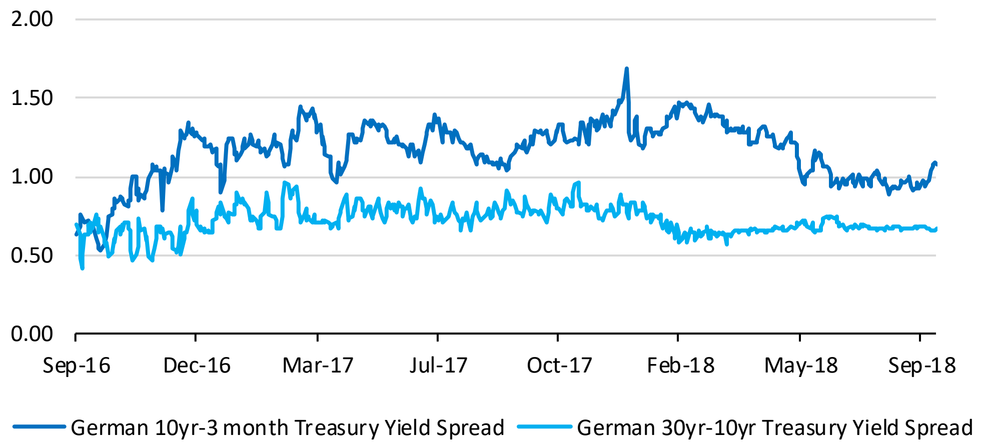



## German 10 Year Target by Major IBs




*Target with respect to actual level

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



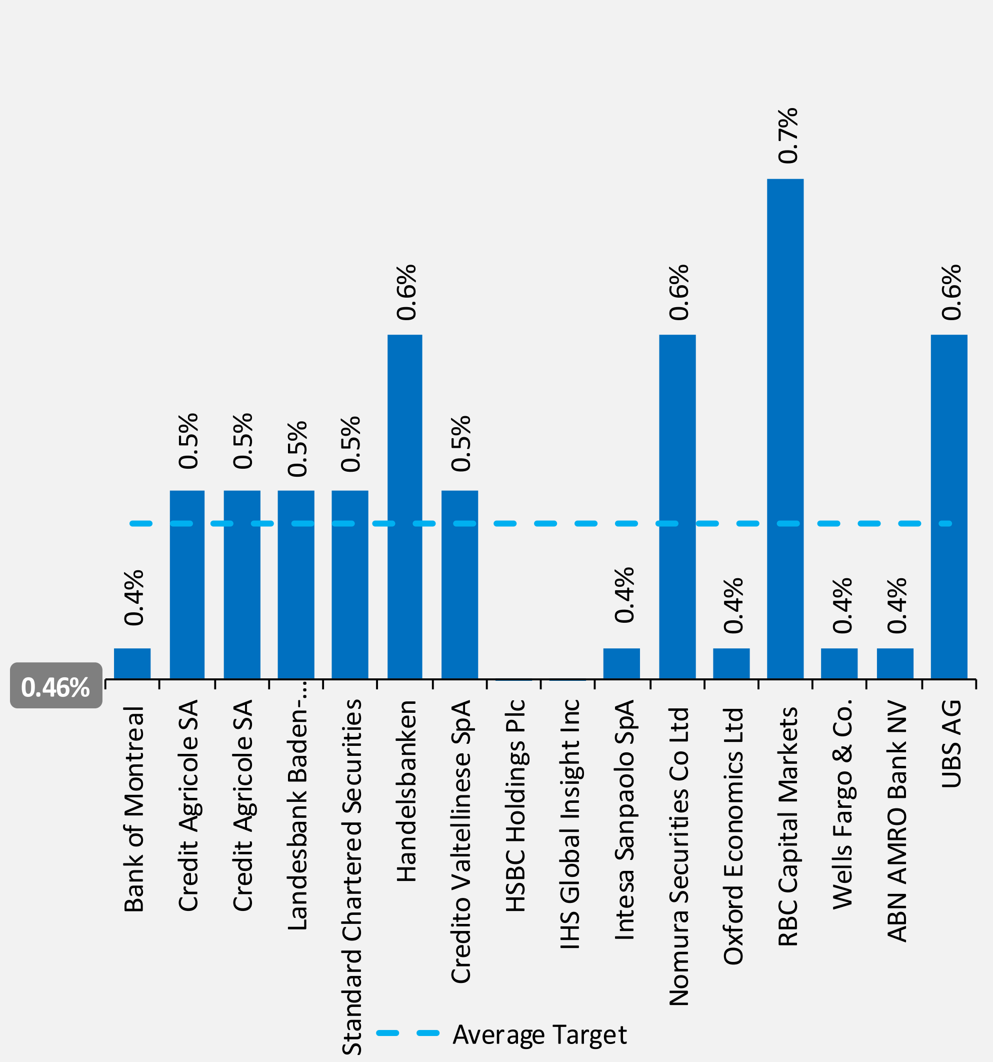

## Positive View

- Euro corporate bonds likely to be less sensitive to interest rate movements
- The spillover from the Turkish crisis is seen to be limited
- The Eurozone economy is steadily expanding

## Negative View

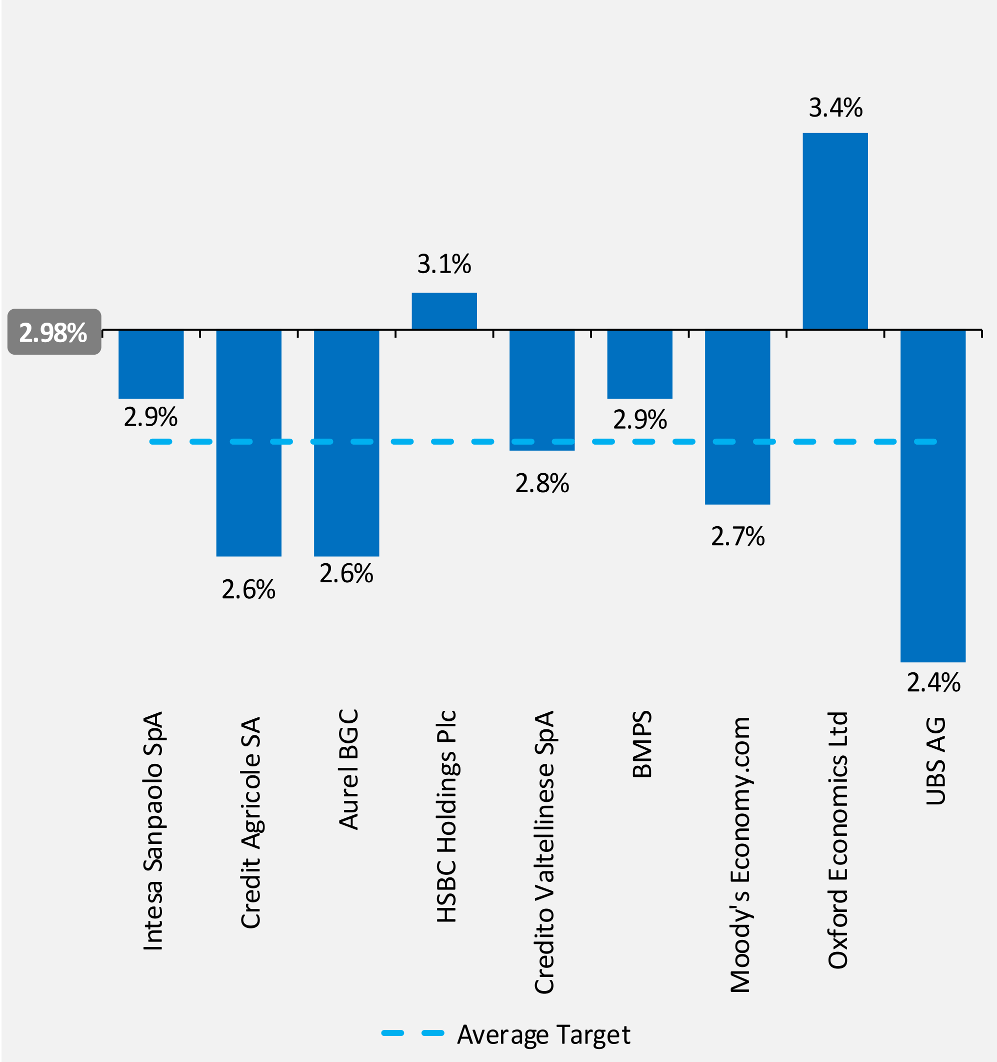
- Tight valuations, political risks in Italy
- End to the ECB's net asset purchases
- The outlook for core inflation is still modest for the Eurozone

## German 10 Year Target Yield for Q3 2018 by Major IBs




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

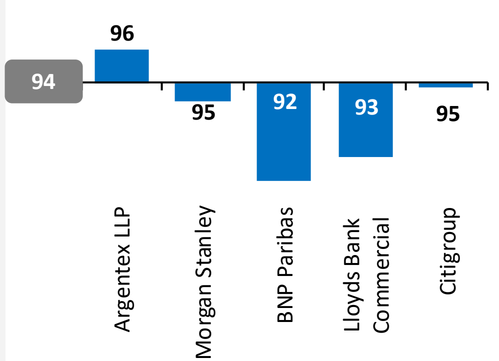
## Italy 10 Year Target Yield for Q3 2018 by Major IBs




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

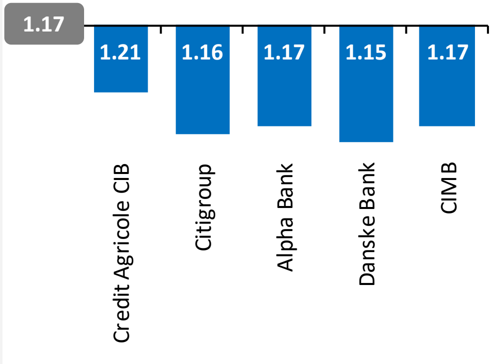
| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| Danske Bank | Underweight | • The outlook for core inflation is still modest for the Eurozone<br>• There is still little risk of a rate hike before December 2019, when the ECB is expected to hike rate by 20bp<br>• The broker expects 10Y German yields to range-trade in a narrow 0.3-0.5% range for the rest of 2018 |
| Morgan Stanley | Overweight | • The broker recommends to tactically buying Italian bonds and stocks ahead of the country's budget announcement<br>• The broker reckons that Italy will aim for a deficit well below the EU threshold of 3% of GDP |
| SEB Group | Overweight | • The broker forecast is that German 10-year government bond yields will climb to 0.50% at the end of 2018 and 1.10% at the end of 2019 |
| BlackRock | Underweight | • ECB's negative interest rate policy has made yields unattractive<br>• The broker remains cautious on peripherals given tight valuations, political risks in Italy and the upcoming end to the ECB's net asset purchases |
| Capital Economics | Overweight | • Bond yields are expected to rise over the coming years |

## US Dollar Index



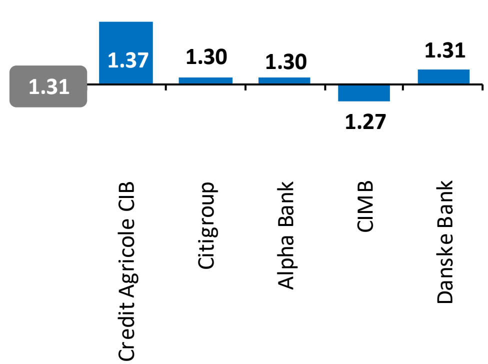

*Target with respect to actual level

## EURUSD



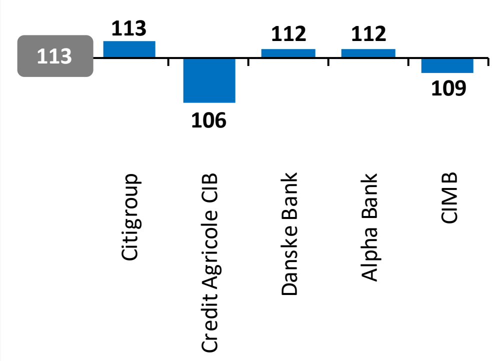

*Target with respect to actual level

## GBPUSD




*Target with respect to actual level

## USDJPY




*Target with respect to actual level

### US Dollar Index

**Positive View**

- Relative rate expectations should generally move in the Dollar's favour
- US Dollar is not overvalued and could go further higher

**Negative View**

- Better global growth typically encourages flows out of the US dollar
- A moderation in global growth in 2018 suggests no high conviction position

### EURUSD

**Positive View**

- A strong current account surplus will support a return to 1.30
- Euro fundamentals remain in place for a rebound

**Negative View**

- No material evidence of a meaningful reversal in relative data momentum
- Long-term factors are supportive, but technical factors are a headwind for the Euro

### GBPUSD

**Positive View**

- Pound Sterling is likely to recover over coming weeks as the prospect of a 'no deal' Brexit fades
- Macro data in the UK has stabilised recently

**Negative View**

- Deterioration in trade flows after Brexit could significantly impact business confidence in the UK
- Political uncertainty remains a major risk to the currency

### USDJPY

**Positive View**

- Solid economic data flow from Japan
- Japan's current account surplus continues to improve

**Negative View**

- There are deep-rooted fears about trade frictions and emerging fears about a currency war

## US

| | |
|---|---|
| GDP Annualised | 4.20% (Q2 2018) |
| Inflation (YoY) | 2.7% (August) |
| Trade Balance | -$50.10 bn (July) |

## Eurozone

| | |
|---|---|
| GDP Annualised | 2.10% (Q2 2018) |
| Inflation (YoY) | 2.0% (August) |
| Trade Balance | €12.80 bn (July) |

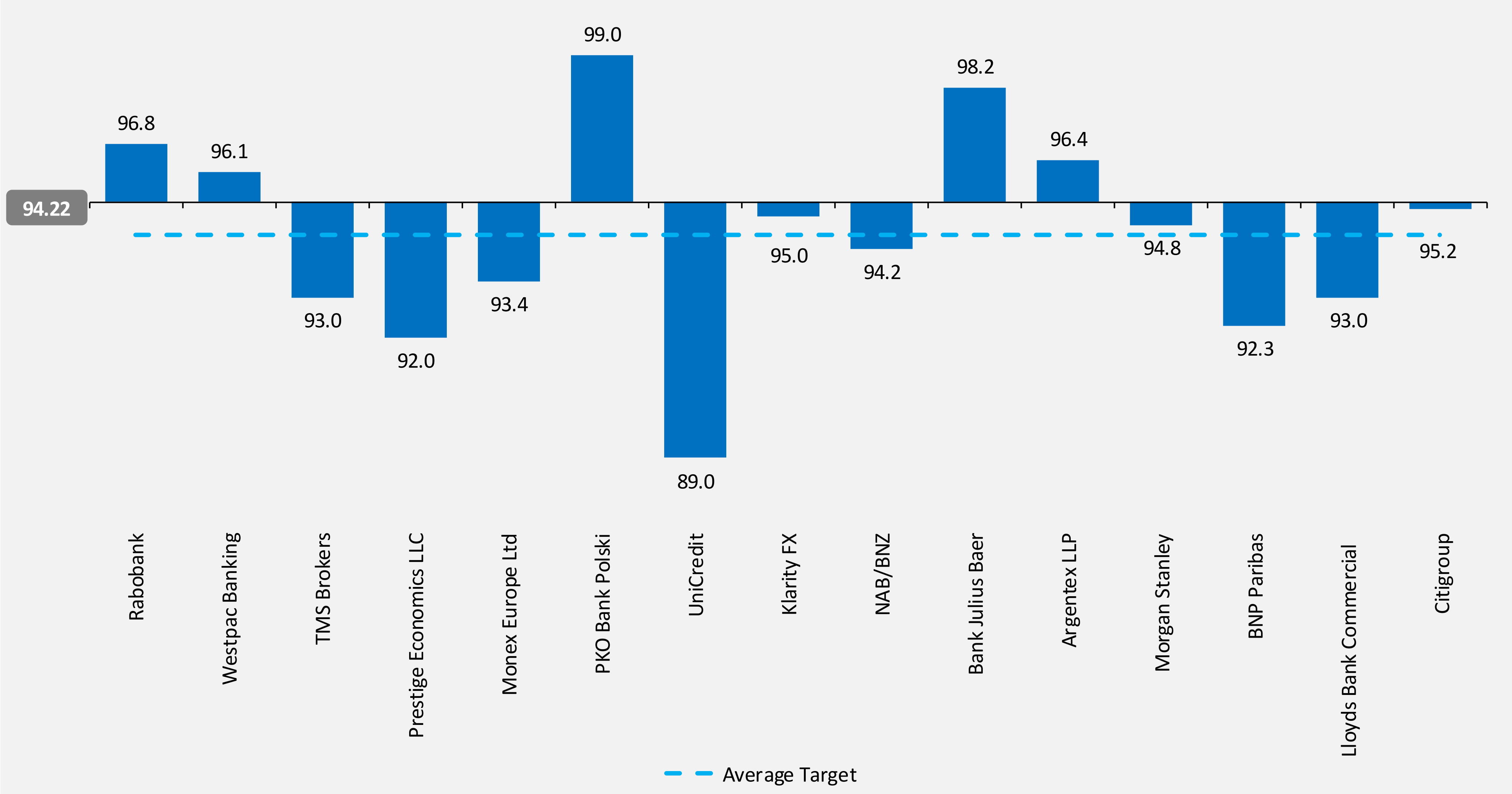
## UK

| | |
|---|---|
| GDP Annualised | 1.3% (Q2 2018) |
| Inflation (YoY) | 2.5% (July) |
| Trade Balance | -£0.11 bn (July) |

## Japan

| | |
|---|---|
| GDP Annualised | 3.00% (Q2 2018) |
| Inflation (YoY) | 0.90% (July) |
| Trade Balance | -¥231.2 bn (July) |

## US Dollar Index Target for Q4 2018 by Major IBs

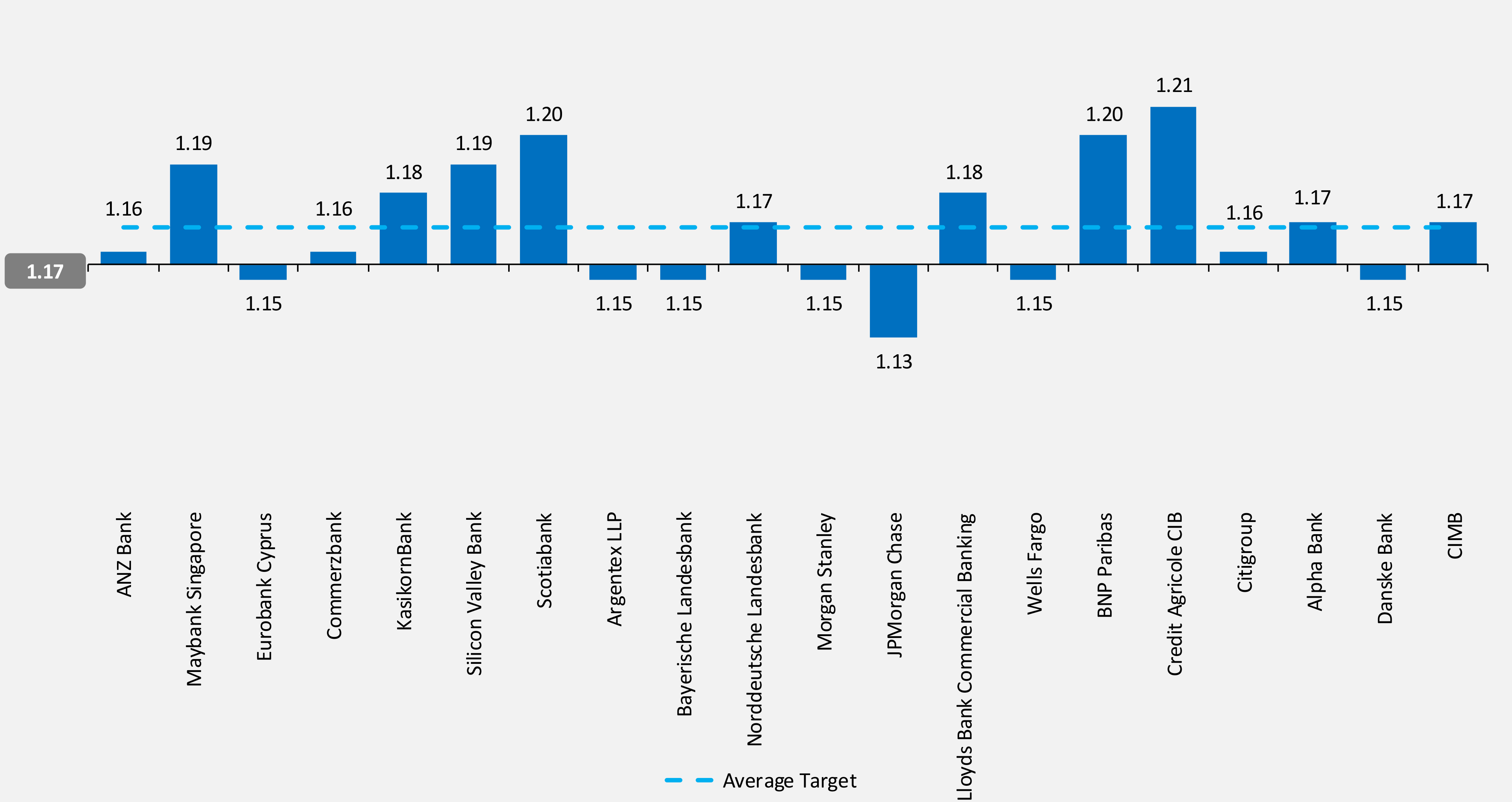



***Target with respect to actual level; Latest values at extreme Right**

| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| BNP Paribas Asset Management | Bearish | • The broad greenback could plunge 10% in the next six to nine months |
| Invesco | Bearish | • The Dollar will sink about 3% against the Euro by year-end<br>• As global growth improves and market participants start to speculate about policy changes from the ECB and BoJ, the Dollar's support from Fed hikes and trade tensions will wear off |
| HSBC | Bullish | • The Dollar will strengthen further in the coming year and is a "buy" under most scenarios<br>• A superior US economic performance has enabled the Fed to go on raising interest rate<br>• Robust US GDP growth, higher ISM readings and the ongoing push higher in wage growth is further reason for the Fed to stick to its path<br>• The Dollar will remain on the front foot through the rest of 2018 and at least until the end of 2019 |
| CIBC | Underweight | • Dollar dominance days are numbered<br>• 2019 will see a slower pace for Fed hikes, and some initial monetary tightening by overseas central banks |
| Aberdeen Standard Investments | Underweight | • Most of the Federal Reserve's interest rate increases have been priced into the market<br>• A moderation in global growth in 2018 suggests no high conviction position |
| DoubleLine Capital | Underweight | • The Dollar will probably end lower at year-end than it is right now |
| ING Group | Overweight | • The Dollar is poised for a strong 2018 finish<br>• "Pro-cyclical currencies" are expected to remain under continued pressure, enabling the greenback to hold some of its recent gains for New Year |
| SEB Group | Underweight | • Fed's continued interest rate hike is not expected to support the $ much more in the future<br>• The broker predicts further dollar depreciation as other central banks narrow their interest rate spread against the US by initiating rate hikes of their own |

Global MacroView Summary

## EURUSD Target for Q4 2018 by Major IBs

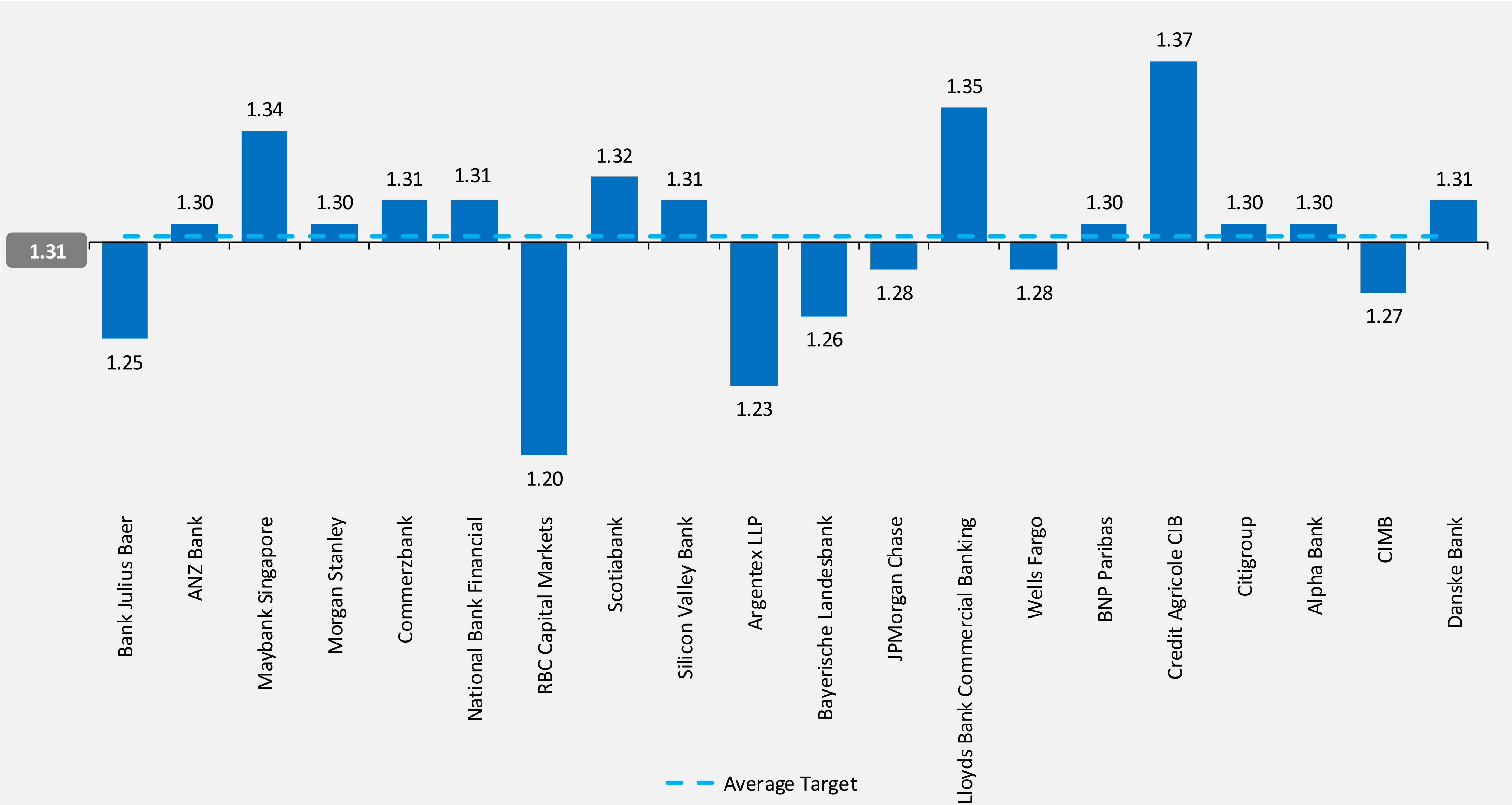



*Target with respect to actual level; Latest values at extreme Right

| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| HSBC | Underweight | • The EUR/USD rate is expected to decline to 1.13 by December before dropping to 1.10 in 2019 |
| CIBC | Overweight | • A strong current account surplus will support a return to 1.30 by 2020 as ECB starts hiking and Fed slows its current hiking cycle |
| Aberdeen Standard Investments | Underweight | • Long-term factors are supportive, but technical factors are a headwind for the Euro |
| ING Group | Underweight | • The Euro-to-Dollar rate is forecast to close the year at 1.17, down from 1.1935 at the beginning of January 2018 |
| SEB Group | Overweight | • The EUR/USD rate might move somewhat lower in the short term but will rebound and reach 1.15 at the end of 2018<br>• The EUR/USD rate will reach 1.28 by the end of 2020 |
| Citibank | Underweight | • There has been no material evidence of a meaningful reversal in relative data momentum<br>• In the short term, EUR/USD may be constrained to a range of 1.05-1.15 |

Global MacroView Summary

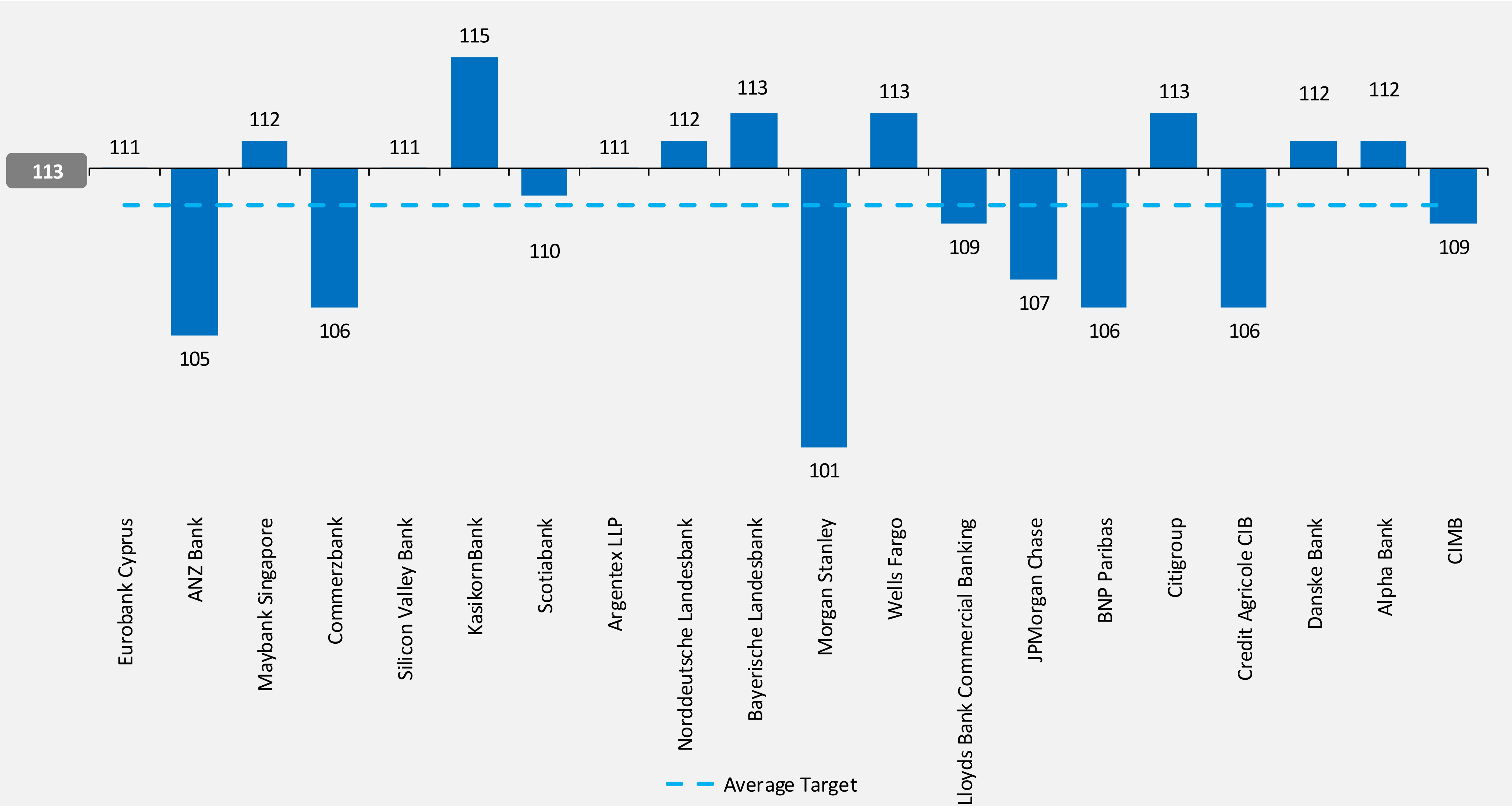
## GBPUSD Target for Q4 2018 by Major IBs




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

| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| HSBC | Underweight | • The GBP/USD rate will decline to 1.30 before year-end and remain close to that level through 2019 |
| CIBC | Underweight | • GBP bulls will have to wait till 2019 when the BoE hikes rates again and Brexit uncertainty dissipates to see Sterling break out of the low 1.30s |
| Aberdeen Standard Investments | Neutral | • Brexit concerns remain a cause of short term volatility<br>• Valuations are broadly neutral for the Sterling |
| ING Group | Underweight | • The Pound-to-Dollar rate will finish 2018 at 1.33, down from 1.34 at the beginning of the year |
| SEB Group | Overweight | • The broker expects a positive outlook for the Pound in the long term on the likelihood of a Brexit agreement being reached |
| Citibank | Underweight | • Bearish on account of uncertainity regarding Brexit<br>• There are risks that deterioration in trade flows could significantly impact business confidence in the UK<br>• GBP is seen seen tumbling to 1.23 in the next few months, and collapsing to 1.21 over the next year or so |
| ING Group | Overweight | • Near-term gains are still possible for the Pound<br>• A Withdrawal agreement is more likely by the end of this year<br>• GBP/USD is likely to move back to the 1.31-1.32 area |
| Lloyds Banking Group | Underweight | • The GBP/USD pair remains vulnerable to Brexit related news |

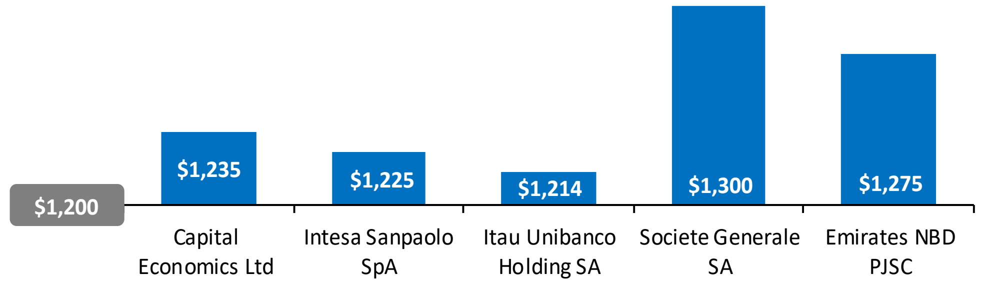
## USDJPY Target for Q4 2018 by Major IBs




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

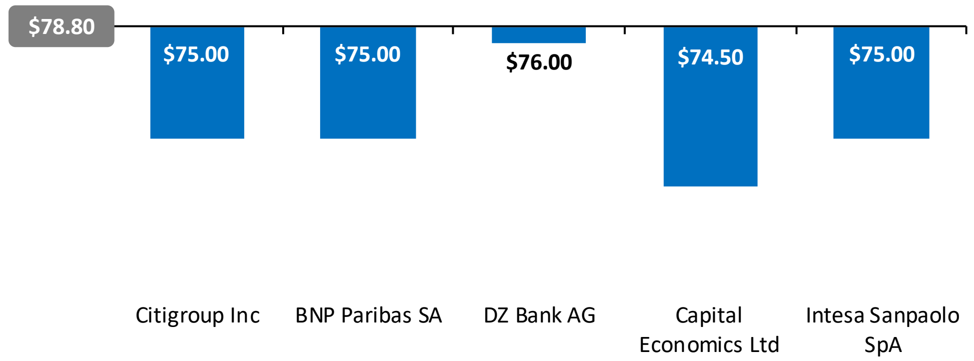
| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| Aberdeen Standard Investments | Overweight | • Yen will act as a diversifier against risk of a global activity decline, due to safe haven characteristics |
| Citibank Wealth Management | Overweight | • The broker maintains a moderate strengthening path for USD/JPY to 112 and 114<br>• Policy divergence and unhedged purchases of US Treasurys, event risks around the Italian budget, Brexit and Trade Wars could support safe-haven JPY<br>• 0-3m forecast: 112; 6-12m forecast: 114 |
| CIBC | Overweight | • All signs point to a revival of Yen strength, with a sizeable current account surplus being a key ingredient, along with improving domestic fundamentals |
| SEB Group | Underweight | • The USD/JPY pair will trade in the 105-110 range this year and in 2019<br>• It will move towards 100 in the long term, as the Bank of Japan prepares to launch a less expansionary monetary policy |
| Citibank | Underweight | • The broker does not expect a hike in policy rates until 2020<br>• EM risk aversion may remain the main headwind for JPY bears near term |

## 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

- Short investor positioning and recent pick-up in physical demand
- Seasonal demand is expected to materialize going ahead
- The US Dollar pressure might subside in the future
- Two factors that could end up underpinning gold are political risks and rising inflation

### Gold – Negative View

- The current environment remains unattractive for precious metals
- Synchronized global growth
- Expectations of higher US interest rates have translated to further pain for the zero-yielding metal

### 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
- Oil prices will spike over the next few months as Iran loses supply
- 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 in third-quarter 2018
- Geopolitical issues, weaker uptake from China, and supply side issues at OPEC countries, could be the upside risks

## Gold

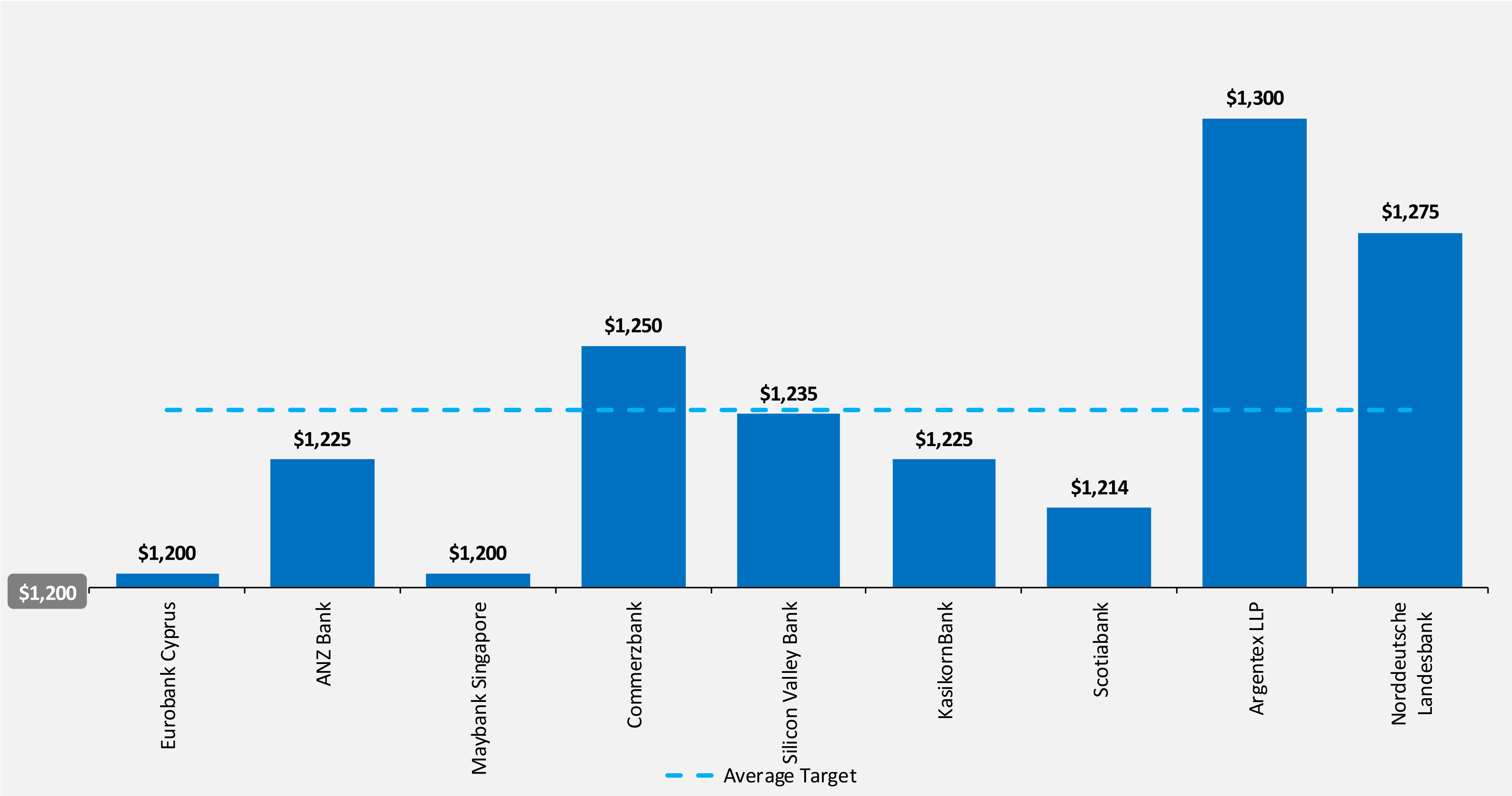
| | Q2 2017 | Q2 2018 |
|---|---|---|
| Demand | 1007.6t | 964.3t |
| Supply | 811.4t | 835.5t |

## Brent

| | May 2018 | June 2018 |
|---|---|---|
| US Production (thousand barrels per day) | 10,442 | 10,674 |
| US Supply (thousand barrels per day) | 20,357 | 20,705 |

Global MacroView Summary

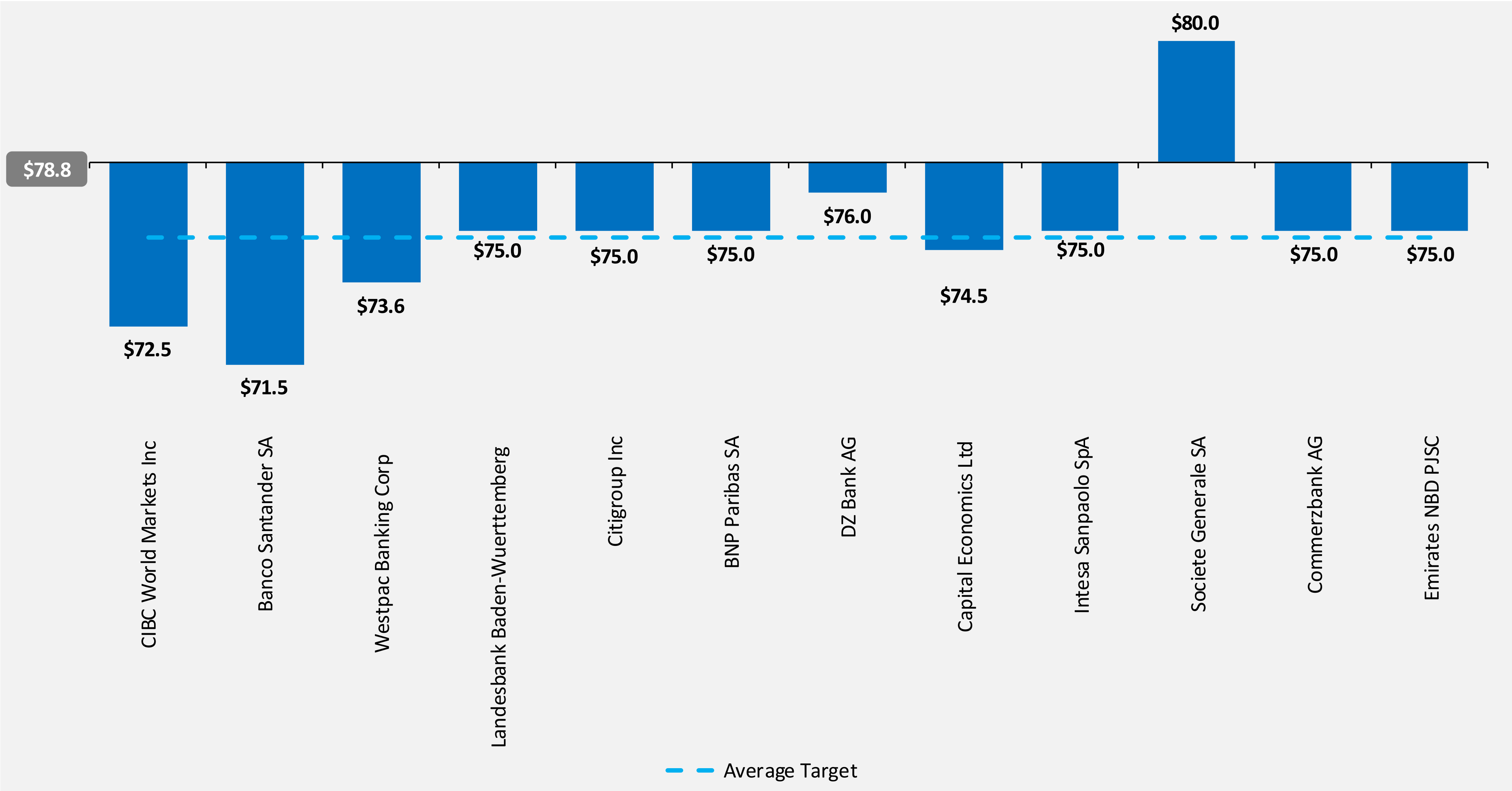
## Gold Target for Q3 2018 by Major IBs




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

| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| Goldman Sachs | Underweight | • The broker stated that it is moderating its bullish view for gold due to a sell-off in emerging markets<br>• It lowered its 12-month price forecast for the metal to $1,325 per ounce, down from $1,450 an ounce earlier |
| Mitsubishi | Bullish | • Investors may be overlooking some factors that potentially could underpin gold prices<br>• Two factors that could end up underpinning gold are political risks and rising inflation<br>• Donald Trump's presidency hinges on the mid-term elections. If the Democrats gain control of the House of Representatives in November, impeachment proceedings could begin in fairly short order.<br>• The political uncertainty engendered by an impeachment could see the Dollar lose ground and give some support to gold<br>• The second supportive aspect is if inflation starts to outstrip the Fed's guidance of raising interest rates to just over 3% by the end of 2019 – with the US economy at full employment and inflation already hitting the Fed's 2% target, it would not take much for inflation to outstrip nominal rates, increasing the attractiveness of gold as an inflation hedge |
| Morgan Stanley | Overweight | • Investors should take profits in some of their equities and use it to build a 3% to 5% position in gold<br>• Gold can be used tactically as a potential hedge for a stock market correction and/or a reversal in the dollar and real interest rates<br>• Gold prices will eventually recover by the end of the year and push to $1,300 an ounce as market volatility rises<br>• The US dollar is likely to weaken and as the yield curve continues to invert, highlighting the growing risk of a slowdown in the US economy |
| TD Securities | Underweight | • The current environment remains unattractive for precious metals<br>• It remains unlikely that the yellow metal will be able to muster any sustainable rally in the near term |
| ICBC Standard Bank | Underweight | • Growing productivity, increased corporate investments and further tightening in the labour market in the US could prompt the Federal Reserve to revise its outlook for what it sees as a balanced interest-rate policy, which would be negative for the gold market |
| Bloomberg Intelligence | Neutral | • A bit of sustained mean reversion in the stock market or dollar should unlock the cage for the well-rested gold bull |

## Brent Target for Q3 2018 by Major IBs




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

| Market Experts/ Brokers/ Analyst | | Views (Last one month) |
|---|---|---|
| Goldman Sachs | Overweight | • Oil has a strong fundamental outlook helped by US demand growth, supply losses and disruptions, and still constrained US shale output<br>• The broker's near-term Brent crude oil price target remaines at $80 a barrel |
| SICO Bank | **Neutral** | • Oil will broadly remain range-bound in the near-term between $70-$80 per barrel<br>• Hurricane Florence, Iran sanctions and other geopolitical risks would positively support it, while lower demand with a rise in interest rate cycles and trade war will be a drag to prices |
| HSBC | Overweight | • The  lack of spare oil capacity could push Brent crude to $100/b<br>• The fact that much higher supply is already needed from the likes of Saudi Arabia - and the low levels of spare capacity remaining - leave the global system highly vulnerable to any further significant outage<br>• The bank has raised its long-term Brent forecast for the first time in 15 months to $80/b for 2019, up from its previous estimate of $70/b. |
| S&P Global Platts Analytics | Overweight | • Oil markets are looking tight in the fourth quarter<br>• Political risk to crude supply remains high due to concerns over Venezuelan production declines and the potential for disruption in Iraq and Libya<br>• The market could lose 1.4 million b/d of Iranian oil by November |
| Al Rajhi Capital | **Neutral** | • 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<br>• With Iranian sanctions expected to return from Nov 2018, the global supply demand situation is likely to tighten<br>• Geopolitical issues, weaker uptake from China, and supply side issues at OPEC countries, could be the upside risks |
| Menacorp Financial Services | **Positive** | • There is room for a little downward pressure as a result of the increase in production of OPEC countries and the United States<br>• Prices can be inhibited from falling too far through Venezuelan and African disruptions that would decrease supply and push prices to an acceptable range of $60-$70 per barrel |

## About Decimal Point Analytics

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