GLOBAL OUTLOOK

ECONOMY & FINANCIAL MARKETS

ANDBANK Private Bankers

Andbank Monthly Corporate Review

Global Strategic Outlook – April 2019

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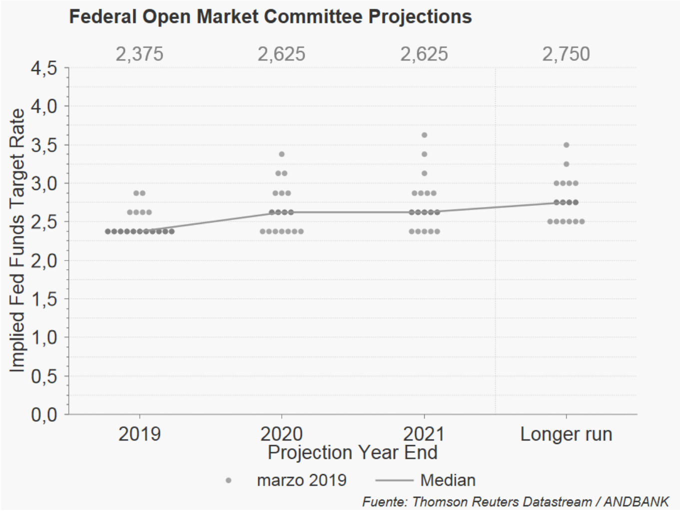
EXECUTIVE SUMMARY

CHART OF THE MONTH



EQUITIES

With the Fed taking a more dovish tone; concerns regarding a trade war with China diminishing; and recessionary risks declining, there is now a more benign backdrop creating the potential for multiples to grow despite uninspiring profit trends. ***S&P***: NEUTRAL-POSITIVE, central point 2,800, exit point 3,070. ***Stoxx 600 Europe***: NEUTRAL, central point 383, exit point at 402. ***Spain's Ibex***: NEUTRAL-POSITIVE, target 9,700. *Japan's N225:* NEUTRAL, target 22,250. ***China (Shenzhen):*** NEUT-POSITIVE, target 1,750. ***India (Sensex):*** POSITIVE, target 41,000. ***Mexico:*** NEUTRAL. ***Brazil:*** NEUTRAL.

FIXED INCOME

UST 10Y: NEGATIVE, entry point at 3%. ***German Bund:*** NEGATIVE, target 0.35%. ***Spanish bono:*** NEGATIVE, target 1.35%. *Italian bond:* NEUTRAL, target 2.45%. ***Portuguese bond:*** NEGATIVE, target 1.65%. ***Ireland bond:*** NEUTRAL, target 0.65%. ***EM bonds Asia:*** POSITIVE (preferred India, Indonesia, Malaysia, Philippines and China). ***EM bonds Latam:*** POSITIVE (preferred Argentina in USD, Brazil in USD and Local).

CORPORATE CREDIT

In our view, the recent low volatility contributes to the risk of creating a false sense of security. The growing risk of supply fatigue and major macro risks continue to justify our cautious stance in euro-denominated credit. ***Credit € IG (Itraxx):*** NEGATIVE, target 92. ***Credit € HY (Xover):*** NEGATIVE, target 350. In the USD market, negative factors could now weigh more as the lower UST and the cost of hedging for non-USD investors will have a negative impact on the demand for bonds. Profit-taking from some yield based investors is to be expected. ***Credit $ CDX IG:*** NEGATIVE, target 70. ***Credit $ CDX HY:*** NEGATIVE, target 450.

CURRENCIES

The global positioning in the dollar has increased in the last month. Though not at extreme levels, the net long speculative positions are still long in the dollar against other currencies (now more intensely relative to February), meaning that there is less space for the Greenback to appreciate. Cautious view on USD against a broad basket of currencies. Preferred currencies: AUD and CAD. Structural bearish view on Euro.

COMMODITIES

Momentum has been building in oil, with net longs up for a third consecutive week. Saudi suggestions that cuts may extend through 2019 in spite of Trump pressure, lie behind this move. Barkindo also said compliance with “pact” is improving, and Venezuela's crisis still represents a challenge to global markets. US State Department officials say US could extend waivers on Iran’s oil to contain oil prices. Sell WTI above US$ 65.

ANDBANK Private Bankers

USA
Investors have not fully re-risked portfolios

US equity market has reached our fundamental target. What's next?

With consensus forecasts for 3% earnings growth in 2019, investors are ratcheting down their expectations for returns. However, with the Fed taking a more dovish tone; concerns regarding a trade war with China diminishing; and recessionary risks declining, there is now a more benign backdrop creating the potential for multiples to grow despite uninspiring profit trends.

Valuations aren't as stretched due to the fact that 10 year Treasury yields are 40 bps lower. The most recent earnings season was unusual in that, on average, companies lowering guidance tended to move higher. We think this kind of "dip buying" on guidance, signals confidence in a trough, but we aren't as sure. The last time the market saw guidance dips being bought in this way was around guides for 1Q15, a period which ultimately did not reflect the trough for earnings revisions. We find little to get exited about from an earnings perspective but with valuations not extreme we need further negative revisions for the downside to materialize. Meanwhile in the near term we believe it's all about multiples. Historically, 57% of calendar year returns have come from changes in stock multiples and we believe that investors have not fully re-risked portfolios following the 4Q turbulence, despite a sharp decline in volatility and spreads. Forward P/Es are currently 16.4x based on updated forecasts and we expect multiples to grow further suggesting that our exit point of ~3070 is within reach, but we stick with our fundamental price target of 2800 by year end.

US Treasury bond and corporate debt market

With markets having rebounded and financial conditions easing, future Fed decisions will have to hinge on employment and inflation data. Recent inflation data, which shows a deceleration in price gains, was cheered by bond bulls, who have crushed inflation expectations during the past six months. While some may contend that weak inflation readings are a function of slower global growth and thus will keep the Fed on hold, we are concerned that the decline in inflation may be nothing more than a lagged response to other factors like oil prices. With oil prices now heading back toward $60 per barrel, wages still accelerating and the potential for the US dollar to weaken, inflation could rebound in the second half and force the Fed's hand. Chairman Powell is unlikely to deviate from his current constructive take on the economy and lack of urgency to adjust rates. We see some risk that the median dot could signal no hikes given the notable dovish pivot from all FOMC officials. However, it would take an additional 7 Fed officials to completely price out hikes this year which we view as a high bar. We believe the 10Y Treasury offers an attractive entry point around 3%. In the credit space, High-grade and High-yield bond prices rallied over the past month as the Fed pause, progress on trade, solid corporate earnings, and anticipation of a longer credit cycle continue to buoy sentiment. We believe the market is balanced between less supportive credit trends and some supportive technical factors that have extended the credit cycle. Negative factors could now weigh more as the lower UST and the cost of hedging for non-USD investors have a negative impact on the demand for bonds and profit-taking by some yield-based investors is to be expected. Our target remains unchanged and we expect a widening in spreads (both IG and HY).

Financial market assessment

Equities – S&P: NEUTRAL-POSITIVE. Target 2,800. Exit point 3,070

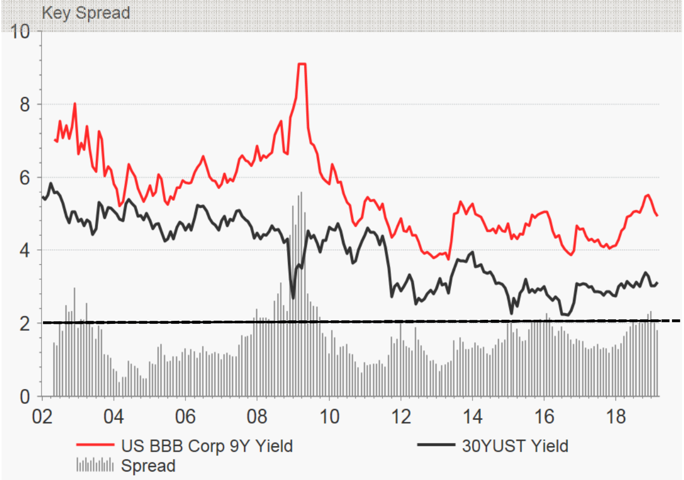
Bonds – Govies: NEGATIVE (10YUST entry point 3%)

CDX IG: NEUTRAL (Target Spread 70)

CDX HY: NEGATIVE (Target Spread 450)

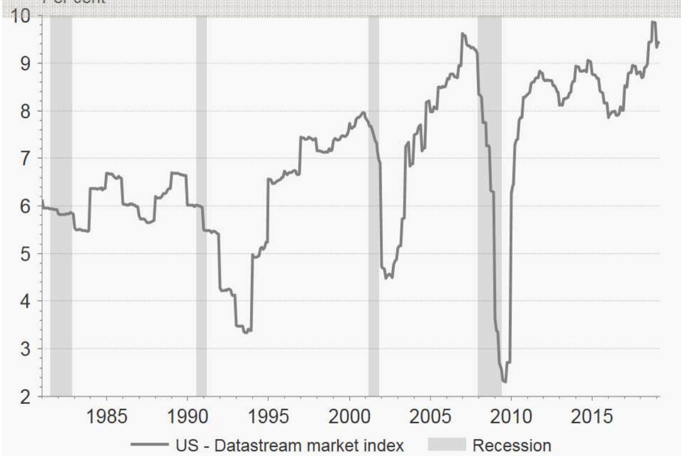
Forex – DXY index: NEUTRAL

US Corp Bond Yield Vs 30YUST Yield
Key Spread



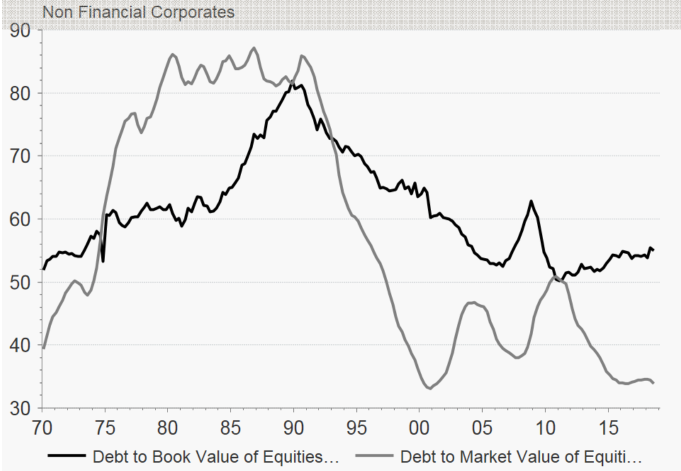
Fuente: Thomson Reuters Datastream / ANDBANK

US corporates - Net Margins
Per cent



Fuente: Thomson Reuters Datastream / ANDBANK

US Corporate Leverage Ratios
Non Financial Corporates



Fuente: Thomson Reuters Datastream / ANDBANK

EUROPE
Justified PE multiple expansion

Economics. Still struggling but not a recessionary process

On the industrial front, prospects remain sluggish with a further decrease in German industrial orders and manufacturing PMIs dipping below the 50 level in most major European countries. But we are seeing some supportive signs from the service sector (service PMIs, better retail sales, consumer confidence recovering since last December…). The recovery of the external sector is still to be confirmed, with German exports just stabilizing, and macro surprises have experienced a meaningful and positive upturn. There were no major changes in general CPI and core inflation in February (1.5% and 1% YoY, respectively) and inflation expectations remain well anchored, with the 5Y break-evens below 1.5% YoY.

Proactive ECB

Draghi delivered a more negative macro scenario with changes in the forward looking outlook ("no rate hike in 2019") along with the announcement of a new TLTRO program. The ECB surprised with its dovish tone. The new TLTRO III will be launched in September, with two-year maturities, mainly benefiting Italian banks (and Spanish banks to a lesser extent). This facility is intended to avoid a cliff-edge scenario in terms of liquidity due to new regulations, but it seems far from being a game-changer for European banks. A two-year tender does not bring stability in terms of NSFR and clearly does not incentivize lending. It seems to be intended for Italian banks, while the core country banks may take up a significantly lower volume compared to TLTRO II, due to their considerable surplus deposits held with the ECB.

Equity market: Justified PE multiple growth

We slightly modified our target prices, after improving our Brexit outlook, through an increase in the required PE ratio. In the case of the Stoxx Europe 600 we are raising this multiple to 14.25x (from 13.75x) to reflect the best expectations for asset prices in GBP following Parliament's rejection of a no-deal Brexit. With margins set at 8.3%, somewhat lower than last year, and maintaining our projections for sales growth (at 5.3%), we obtain our new target price for the Stoxx Europe 600 at 383, with an exit point at 402.

Corporate debt market: We see excesses in the market

Markets remain constructive on the trade war affair between USA and China, or Europe and USA, but to strike a deal might be even more complicated. Although improved risk sentiment and collapsing yields have seen € issuance hit a record pace, this has been balanced out by the strongest inflows for several years. Peripheral banks are taking advantage of the new TLTROs, led by the Italian banks driving the tightening in spreads. The question is whether this trend is sustainable. The agency S&P has warned that "notwithstanding any TLTRO support, the net impact on bank ratings should be negative". In our view, the low volatility seen recently contributes to the risk of creating a false sense of security. The growing risk of supply fatigue and major macro risks mean that our cautious stance prevails. We are sticking to our defensive stance and still favor non-cyclicals.

Financial market assessment

Equities – Stoxx Europe: NEUTRAL. Central point 383. Exit 402

Equities – Euro Stoxx: NEUTRAL. Central point 371. Exit 390

Bonds – Core governments: NEGATIVE (Bund target yield 0.35%)

Bonds – Peripheral: NEGATIVE (SP 1.35%, IT 2.45%, PO 1.65%)

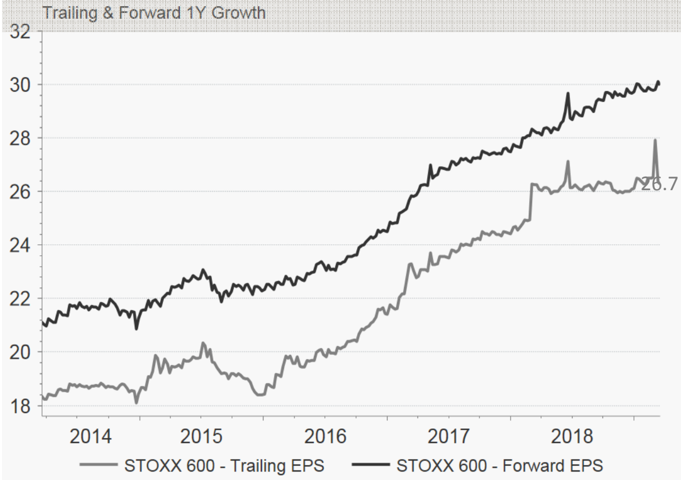
Credit – Itraxx Europe (IG): NEGATIVE (Target Spread 92)

Credit – Itraxx Europe (HY): NEGATIVE (Target Spread 350)

Forex – EUR/USD: NEGATIVE (1.125)

STOXX 600 - EPS

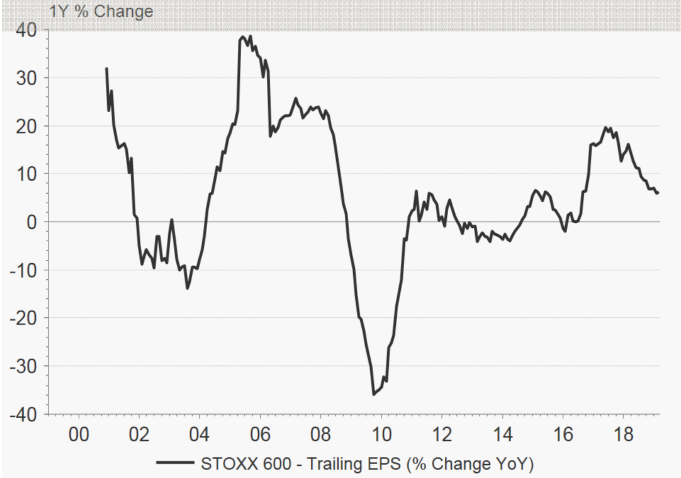
Trailing & Forward 1Y Growth



Fuente: Thomson Reuters Datastream / ANDBANK

STOXX 600 - EPS

1Y % Change



Fuente: Thomson Reuters Datastream / ANDBANK

Euro STOXX banks

Index

Fuente: Thomson Reuters Datastream / ANDBANK

SPAIN

We raise our projections for net margins due to TLTRO III

Governance & Fiscal Policy

Two blocks tied and with crossed vetoes. The pre-election process continues with several surveys per week, both general and local. Two comments before making an assessment. The trend is clear, the socialist PSOE is very likely to win the most votes, but there are widespread doubts that it will achieve a majority (even with the rest of the left-wing forces in parliament) once it becomes clear that relations with the nationalists are bitter. On the other hand, there is huge disparity between surveys. For example, the range for the ruling PSOE party goes from 105 parliamentarians to 135, which gives an idea of the difficulty of trying to predict a result.

For now, we prefer to wait to manage our scenario, although we believe there is room to achieve governance. The new Congress will be constituted on May 21, in the week of European, regional and municipal elections. It is assumed that the King will not call state leaders for consultation during the final stage of the campaign to avoid interference, which would point to the first investiture being in June at the earliest.

Positive surprises from the external sector

Political events, always volatile in nature, are still not affecting the economy. In fact many indicators from the end of the previous quarter and the first figures for this year, confirm the end of the slowdown in the Spanish economy. The only one that concerns us today is the industrial segment, where the latest manufacturing PMI data came in below the 50 level. On the other hand, the domestic economy remains dynamic, with better housing data, both in terms of activity and prices. It also worth mentioning the improvement seen in retail sales and employment, which represents the clearest favorable factor and will help to overcome difficulties seen last year.

The other surprise for us is the improvement of the foreign sector, with export growth accelerating to 2% QoQ, something we have not seen since 2016.

Spanish equities

We are raising our target price for the Ibex index set after the first three months of the year. We maintain the estimated PE ratio at 12.5x profits and sales growth of 3.7%, but are raising our projected corporate net margins to 9.5% (from 9.3%) to reflect the gains from lower financing costs once the ECB's new TLTRO are implemented. This results in a central target price of 9,740, with an exit point in the 10,000 area.

Spanish bonds

We continue to think that the 10-year Spanish government bond should trade with a 100 bp spread relative to the German bund. Since we have revised our medium-term target down for the bund, fixing it in the 0.35% area, this brings our target for the Spanish bono to 1.35%

Financial market assessment

Equities – IBEX: NEUT-POSITIVE. Target 9,736. Exit point 10,200

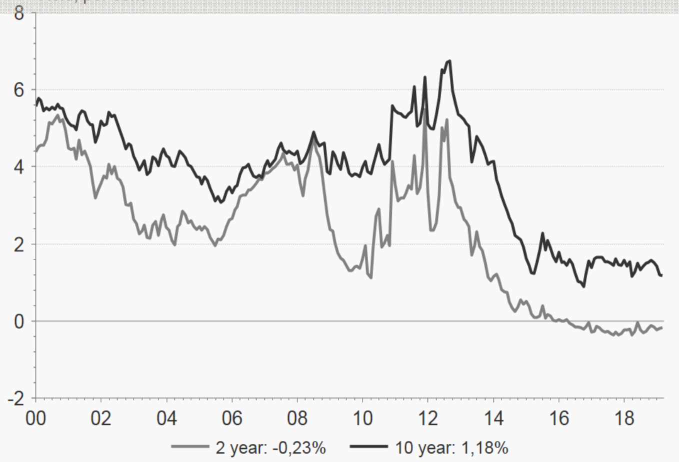
Bonds – Government: NEGATIVE (BONO target yield 1.35%)

Credit – Investment grade: NEGATIVE

Credit – High yield: NEGATIVE

Spain benchmark government bonds

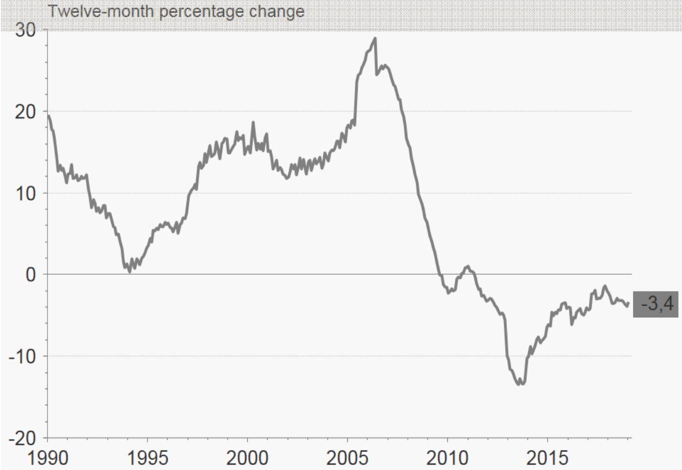
Yield, per cent



Fuente: Thomson Reuters Datastream / ANDBANK

Spain domestic credit to private sector

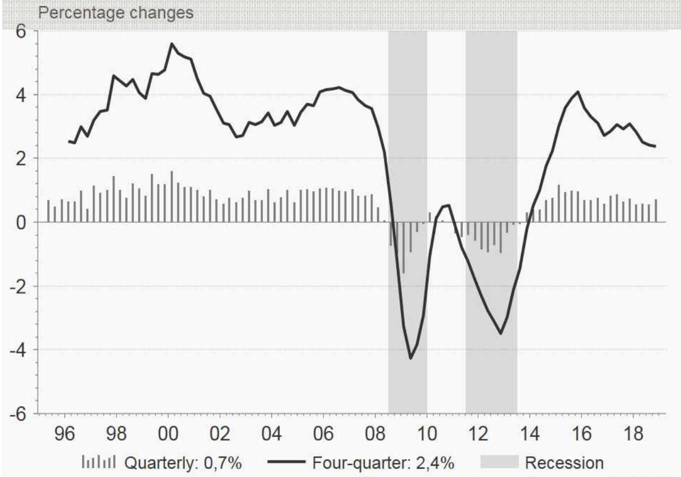
Twelve-month percentage change



Fuente: Thomson Reuters Datastream / ANDBANK

Spain GDP

Percentage changes



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JAPAN

BoJ leaves policy unchanged but takes slightly bullish tone

BoJ

The BoJ voted 7-2 to leaving short term rates at minus 0.1% and long term rates at around 0%. Board members voted unanimously to maintain other asset purchases. The statement reiterated the forward guidance that policy rates will be kept at extremely low levels for an extended period of time. The statement maintained that the economy is expanding moderately, though noted that exports and production have been affected by the slowdown in overseas economies. This said, the Nikkei suggested that the BoJ used a relatively upbeat tone on the domestic economy and that it was likely intended to quell hopes of additional easing given its limited room for maneuver. Central bank officials have hinted that if the economy continues to lose steam, the bank may need to move quickly to loosen its policy further, but concerns over the side effects of long-term easing, such as crimping banks' income, prompted the BoJ to put on a bullish front. BoJ watchers see a chance for more stimulus. A Bloomberg poll showed some 37% of 46 economists forecast the next policy change will be additional easing, up from 18% in January. Most of the surveyed economists still expect the BoJ to tighten policy, though they have been pushing back the timing for this change.

Politics: PM Abe tamps down idea of fourth term

Japan Prime Minister Shinzo Abe told the upper house budget committee that he is abiding by party rules that prohibit a leader from serving four consecutive terms. LDP rules were amended in 2017 to allow Abe to serve a third term through September 2021. The idea of a fourth term was floated by some LDP lawmakers in early February with support from some senior party officials.

Economics: Japan considering economic downgrade

The Nikkei reported the government is considering a downgrade to its monthly economic assessment for March, which currently sees a moderate recovery, as the China slowdown adversely impacts Japan's exports and production. A downgrade would be the first since January 2018. Some hard data came in below expectations: January core machinery orders growth was -5.4% m/m (vs expected -1.7%). Q1 large manufacturing index came at -7.3 (vs 5.5 in prior quarter). Non-manufacturing index was fixed at 1.0 (vs 3.7 in prior quarter). On the positive side, the tertiary sector activity index came in at +0.4% m/m in January (vs consensus of -0.3%). FY19 GDP growth is estimated at 0.6%.

In terms of prices, this spring has brought the biggest outbreak of consumer price rises in decades, though there is still little evidence this is translating into higher inflation. The implication for the Bank of Japan is that even signs of a red-hot economy may not suffice to push inflation towards its 2% target.

Banks under further pressure

Struggling regional banks will soon face even greater pressure from the government to overhaul operations in an effort to grapple with a sector battered by shrinking populations in rural areas and years of ultra-low interest rates. The Financial Services Agency (FSA) plans to reform its early intervention regime governing regional banks to include future profitability as a criteria, on top of the existing capital adequacy ratios.

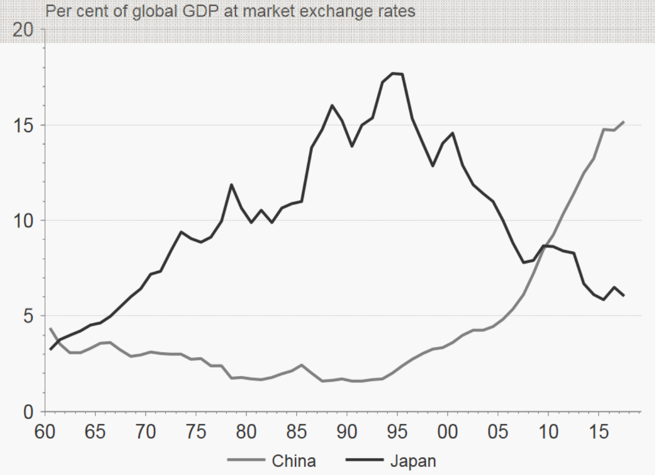
Financial market outlook

Equities – N225: NEUTRAL. Target price 22,250 (Exit 23,300)

Bonds – Govies: NEGATIVE. Target yield 0.10%

Forex – USD-JPY: NEUTRAL-NEGATIVE. Mid-term target 114

China and Japan in the global economy
Per cent of global GDP at market exchange rates

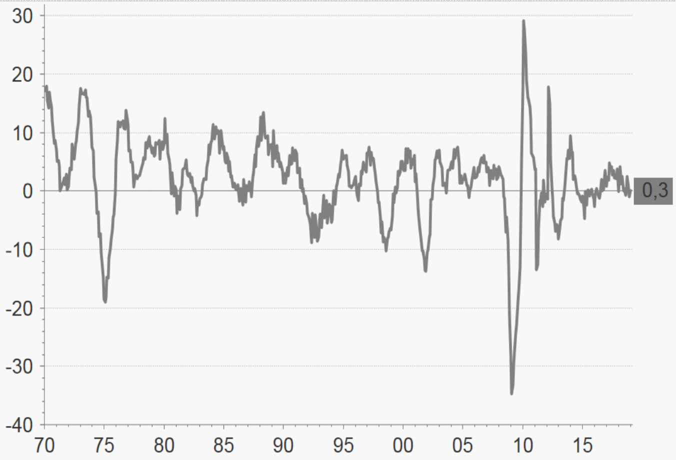


Fuente: Thomson Reuters Datastream / ANDBANK

Japan benchmark government bonds
Yield, per cent

Fuente: Thomson Reuters Datastream / ANDBANK

Japan industrial production
Twelve-month percentage change, six-month moving average



Fuente: Thomson Reuters Datastream / ANDBANK

CHINA

China strengthens financial support for small firms

Chinese equity market shows impressive YTD performance

Greater China Equity benchmarks gave a strong performance in March again, and has accumulated a gain of more than 35% (for the Shenzhen Index) year to date. The yuan has been moderately firmer against the dollar (+2% YTD). The effects of Beijing's decision reaffirming policy stimulus via tax cuts and other monetary and lending measures lie behind this positive performance .

Policy & stimulus

Premier Li Keqiang stated that "Beijing will not let economic growth slip out of a reasonable range". He added that China can use reserve requirements and interest rates to support economic growth, and promised cuts in value-added tax (VAT) for manufacturing and other sectors that will take effect from 1 April, while social security fees will be reduced from 1 May. He also pledged that China will take multiple measures to lower funding costs for small and micro firms by one percentage point this year. The China Banking Regulatory Commission highlighted the progress made in alleviating financial problems of small and micro firms. Outstanding loans to such businesses amounted to CNY33.49T ($5T) by the end of 2018, accounting for 23.81% of total outstanding loans. China has also launched various measures to enhance the efficiency of financing services, shortening the approval time from three months to 5-7 working days. The S&P suggested that China will fall well short of its target of cutting taxes and fees by a record CNY2T ($298B) this year. The agency said that "the government will likely only be able to cut taxes by CNY1.5T because reductions in companies' contributions to the social security fund will be offset by stricter enforcement".

US-China : Trump-Xi meeting may be pushed back to June

The SCMP reported a meeting between US President Trump and Chinese counterpart Xi Jinping to end the trade war may be put back to June after initial hopes they would be able to reach a deal more quickly. A source said there was divergence within the Trump administration regarding the deal with China over how much importance will be attached to an enforcement mechanism, or whether it will be enough to secure an agreement in principle and declare success. China is pressing for a formal state visit rather than a lower-key appearance just to sign a trade deal. The latest draft of China's Foreign Investment Law includes a provision that requires Chinese officials to protect commercial confidential information they obtain from overseas businesses.

Economics

The head of the National Bureau of Statistics, Ning Jizhe, stated that China's economy has achieved a good start to 2019 despite a recent drop in car and mobile phone sales. Ning attributes the positive assessment to stable industrial production and steady employment. He also noted solid growth in electricity output while cinema box office revenue reached a record high. Restaurants posted combined incomes that were up 9.7% YoY. Online goods sales jumped 19.5%, accounting for 16.5% of total retail sales. On the negative side, Jan-Feb industrial production growth was +5.3% YoY (vs +5.7% in prior month), and fixed asset investment (YTD) grew +6.1% YoY (vs +5.9% in prior month). The unemployment rate was 5.3% vs 4.9% in prior month.

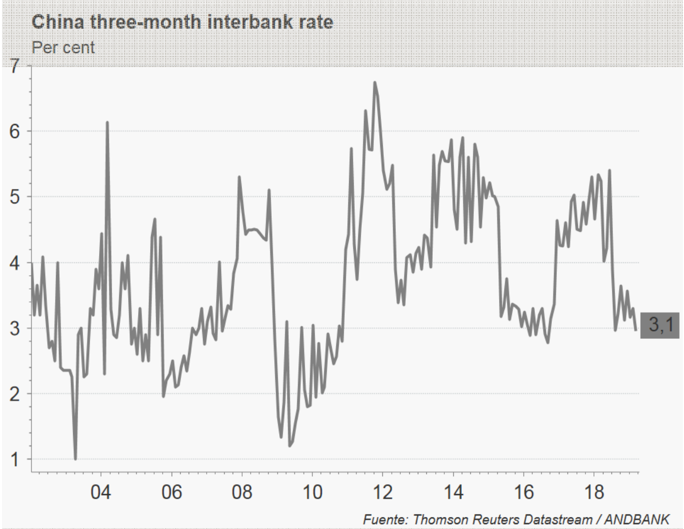
Financial market outlook

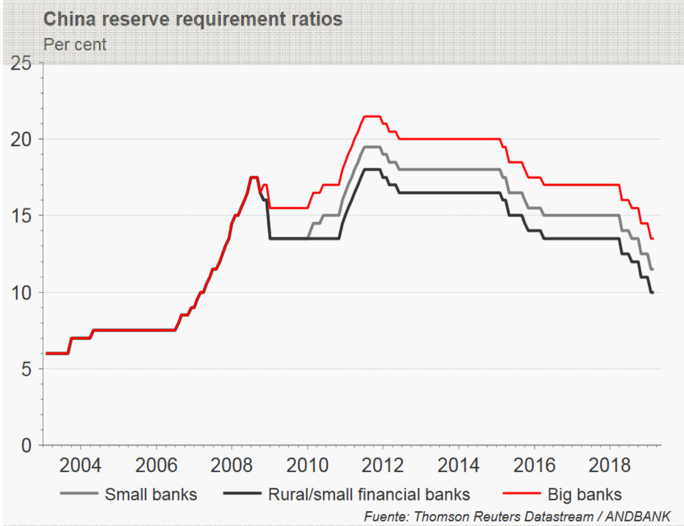
Equities – SHANGHAI Idx: NEUTRAL . Target price 3,180. Exit 3,250

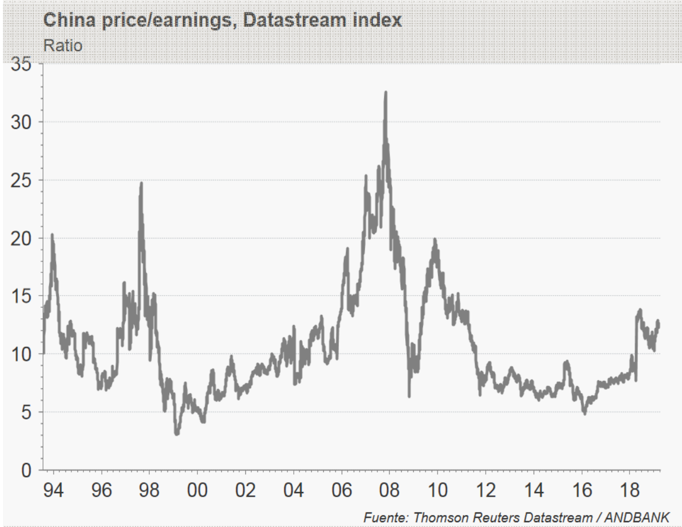
Equities – SHENZHEN Idx: NEUT-POSITIVE . Target 1,757. Exit 1,850

Bonds – Govies: POSITIVE (target yield 2.75%)

Forex – CNY/USD: NEUTRAL-POSITIVE (target 6.70)







INDIA

Indian market surges to highest level in six months. What's next?

Domestic equity benchmarks (Sensex and Nifty) rose to their highest levels since September

The overall market breadth was extremely positive with almost 70% of shares (1,756 shares) rising in the last two weeks. Rally has been led by blue-chip shares but also banks, which are showing signs of having definitively left behind their balance sheet problems. Top gainers included Reliance Industries, ICICI Bank, Bharti Airtel, State Bank of India and HDFC.

Good news on the external front mean lower funding requirement

India's monthly trade deficit narrowed significantly to a 17-month low of USD 9.6 bn in Feb 19 vs. USD 14.7 bn in January, positively surprising us and consensus. The sharp reduction in the trade deficit was driven by correction in oil and NONG (non-oil non-gold) imports and some marginal support from net exports. Export growth eased to 2.5% YoY (vs. 3.7% in the previous month), but import growth contracted by 5.4% YoY. However, on FYTD basis, trade deficit came in at USD 169.1 bn, higher compared to cumulative trade deficit of USD 147.2 bn seen in Apr-Feb FY18.

Our outlook for India's merchandise trade account continues to remain benign for FY19. The biggest comfort has come from crude oil prices, which have broadly remained in the USD 60-67.5 pb band over the last four months after peaking at USD 85 pb in Oct 18. Additional comfort comes from gold imports, which have remained on a weaker footing in FY19 so far, amidst high global prices and low domestic inflation, reducing the appeal of the yellow metal as an inflation hedge. On the export front, FYTD growth of 9.3% YoY is commendable, marking the second consecutive year of near double-digit growth. For FY19, we continue to expect current account deficit (CAD) at 2.3% of GDP, slightly higher than the 2% seen in FY18. A minor deterioration in the trade deficit will be driven by likely growth in imports, that will rise on prospects for higher GDP growth for India (we expect 7.2-7.3% GDP growth in FY20), a recovery in domestic demand amidst election-related spending, and structural steps to support farmers that are likely to uplift consumption demand. In addition, in its March report, OPEC trimmed its oil demand forecast, pressing a case for continued supply restraints beyond June to stop any new supply glut.

What's next in Indian equity market?

Foreign investors continued their shopping spree in Indian equities in March having so far invested Rs 5,621 Crore in equity markets this month, according to data compiled by the National Securities Depository Limited (NSDL). In February, foreign investors turned net buyers of equities and bought shares worth Rs 17,219.62 Crore. After a period of foreign capital outflows in the last nine months, we have finally seen a stabilization in the Rupee, which helps investors feel more comfortable, causing global funds to flow once again towards India. That's why Sensex and Nifty are rising. We believe that foreign flows will continue to invest in India this year, and an outlook shared by some of the brokerage firms in the region we have talked with (such as IDBI Capital). Profits published by companies are beginning to show signs of acceleration, which make the targets for FY19 profit growth that we set in January feasible (17%)

Financial market outlook

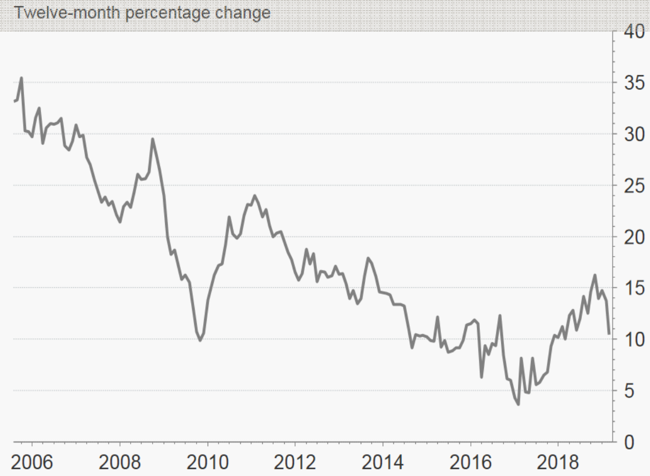
Equities – SENSEX Index: POSITIVE. Target price 40,850. Exit 42,800

Bonds – Govies: POSITIVE (target yield 6.80%)

Bonds – Corporates: POSITIVE

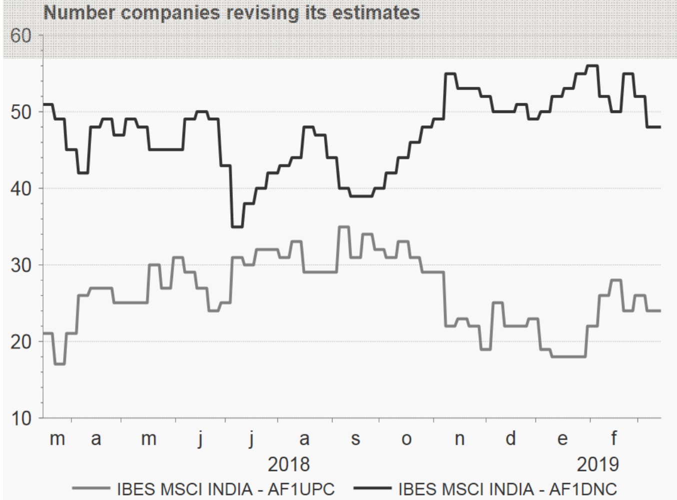
Forex – INR/USD: STABLE (target 72)

India domestic credit
Twelve-month percentage change



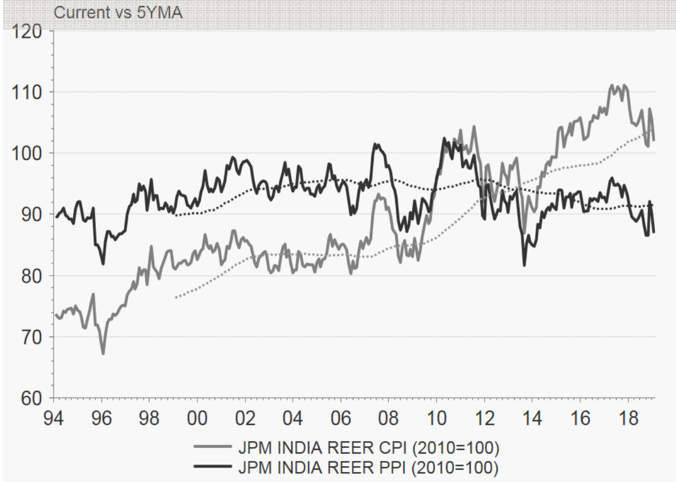
Fuente: Thomson Reuters Datastream / ANDBANK

Number companies revising its estimates



Fuente: Thomson Reuters Datastream / ANDBANK

Indian Rupee REER (CPI & PPI based)
Current vs 5YMA



Fuente: Thomson Reuters Datastream / ANDBANK

MEXICO

We still see some domestic risks for the Mexican Assets

Political Risk

The government announced invitations to four consortiums to tender for the new Dos Bocas refinery. This comes just after the Ministry of Finance indicated that a delay was possible in the construction of the refinery (a delay would cause a cash flow surplus of around US$2.5 billion this year), reverting the previous optimism. Local and international investors continue to await any type of announcement that could compromise the country’s public finances. AMLO signed a commitment not to stand for re-election after the possibility that the law to legalize popular consultations would be modified.

Economics

Fixed capital formation in Mexico has maintained a negative bias, with a decline of more than 6% at the end of 2018. In the case of industrial production, the sector managed to end three consecutive months of declines and posted a modest recovery in December .

February inflation was within the range estimated by Banxico for the first time in two years. The CPI figure came in at 3.94% in annual terms. The downward trend was driven by a supportive supply effect on agricultural products, and a reduction in taxes (VAT) on the northern border of the country especially in energy. The outlook for 2019 inflation is being reduced compared to the 4% estimated at the end of 2018, with the median projections now fixed at 3.70%.

Central Bank and Monetary Policy

Banxico kept its rates unchanged at 8.25% at its first meeting in the first voting process for the board members proposed by the new administration. After the more dovish tone from the Fed, the likelihood that Banxico will continue to tighten monetary conditions has completely faded. In fact, it is now more likely the next decision by the Mexican central bank will be a cut in rates. It is worth noting that the one-day real rate in Mexico continues to be the highest within the emerging markets.

Investor mood for Mexican assets

Equities: After having rallied by more than 11% so far this year, we see some domestic and external risks for the Mexican equity market. The three main risks that could cause a change of trend in the equity market are an extended deceleration in global trade; the risks related to the budgetary execution by AMLO’s administration, which could derail public finances; and the possibility of a revision of the T-MEC.

Fixed Income: The M10 is trading above 500 spread points on the UST10, but we expect the spread to settle slightly below 500 by year-end. This said, we are aware that the transfer of risk from issues such as Pemex to the sovereign government remains dormant, which could put pressure on both the Mexican debt market and the corporate curve. We expect the USD spread level for local debt to remain unchanged.

Financial market outlook

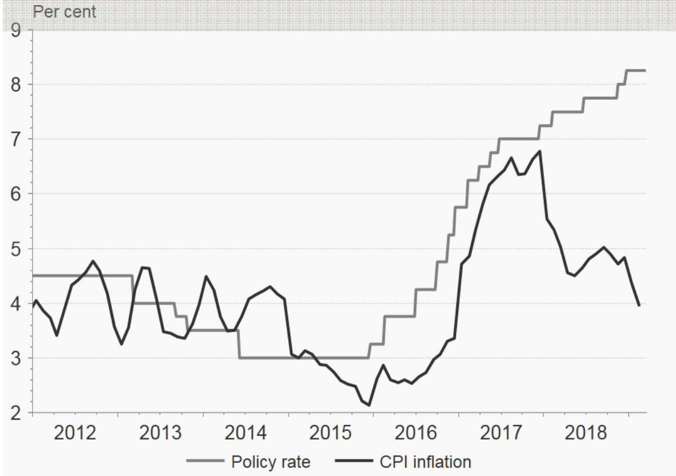
Equities – Mex IPC: NEUTRAL. Target 44,000. Exit 46,200

Bonds – Govies Local: NEUT-POS (Target spread 475, yield 7.75%)

Bonds – Govies USD: NEUTRAL (Target spread 175, yield 4.75%)

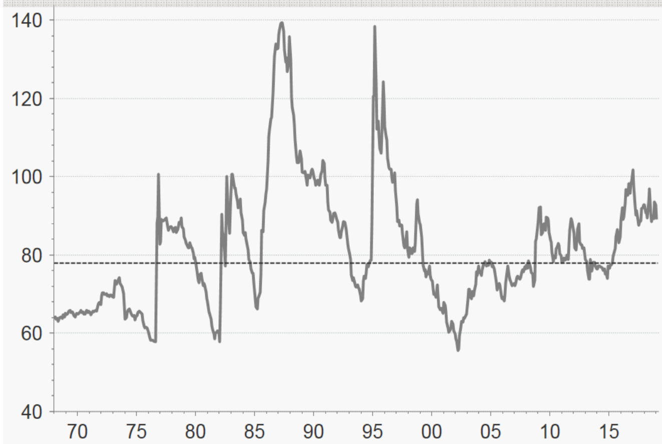
FX – MXN/USD: NEUTRAL (Mid-term target 20.00)

Mexico inflation and exchange, policy rates
Per cent



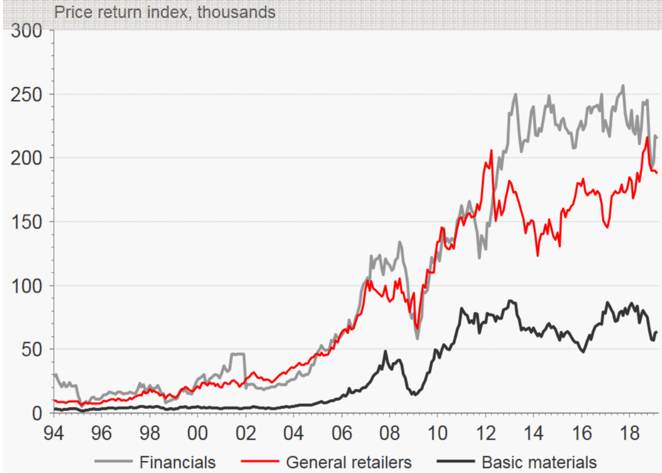
Fuente: Thomson Reuters Datastream / ANDBANK

Mexico real effective exchange rate
Index



Fuente: Thomson Reuters Datastream / ANDBANK

Mexico FTSE index
Price return index, thousands



Fuente: Thomson Reuters Datastream / ANDBANK

MACRO ECONOMY

BRAZIL
Pension reform process begins

Politics: Pension reform approval process begins

Bolsonaro's economic team presented the official pension reform plan to Congress. The expected total savings sum BRL 1.1 trillion in the next 10 years. The most relevant points of the reform concern the minimum retirement age (65 years for men and 62 for women), within a 12-year transition period. The percentage charged on the payroll would also increase for higher salaries and would be unified, being valid for both private and public sector employees. Retirement based on years of contribution would also be abolished and a minimum age would become a necessary condition to retire. Overall, the plan was well received by the public.

Another relevant point is how the reform will deal with the military. There's big pressure from the military (which are key players in Bolsonaro's government) to maintain some of their privileges, but there is also pressure from Congress and public opinion towards a more equal approach.

Congress is now set to begin the approval process. Since it represents an amendment to the constitution, the reform must be approved by constitutional majority, twice, in both houses (308 out of 513 votes in the Lower House and 49 out of 81 votes in the Senate). The first step is the special commission, set in the Lower House, which defines the actual bill that will be subject to congressional vote. We believe that the reform should be approved by July.

Economics: favorable cyclical position for GDP growth persists, pending reforms

The IBC-Br index, an economic activity indicator produced by the Central Bank, stood at -0.41% in January, below market expectations of -0.25%, and industrial production has decreased by 0.8% YoY in January (below the market consensus of -0.27%). The sharp decline in exports to Argentina is contributing to slower growth in industrial production. The Vale dam disaster in Brumadinho also contributed negatively to the mining composite. Unemployment has been stable in recent months. These data, along with low inflation, point to the possibility of further cuts in the Selic rate. The IPCA index rose 0.43%, above market consensus. The breakdown shows that most of this increase was due to food prices (which have accumulated +6.31% YoY, well above the controlled figure for headline CPI, at 3.89%). Core inflation is still low, particularly in services. This scenario contributes to a dovish stance on monetary policy. The Central Bank is now under new administration with Roberto Campos Neto taking the lead.

Reuters polls for GDP expectations project 2.4% growth in 2019. The cyclical position of the Brazilian economy is very favorable. Banks, which had reduced their loan portfolios in the last few years digesting the effects of the recession on their balance sheets, are ready to lend again. After the severe recession of 2015-2016, companies have deleveraged, positioning their earnings to benefit strongly from an economic recovery through operational and financial leverage. Unlike other EM countries, Brazil has maintained very low external vulnerability with a low projected current account deficit, large FDI inflows, foreign exchange reserves and negative net external public debt.

Financial market outlook

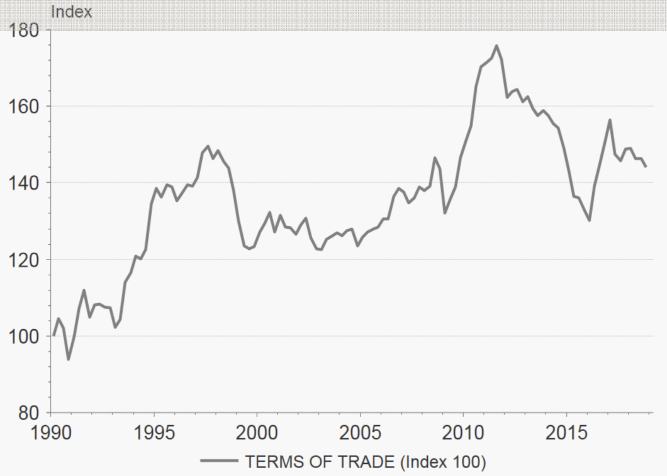
Equities – IBOVESPA: NEUTRAL (Target 94,200. Exit 103,600)

Bonds – Gov. Local: POSITIVE (Target spread 550bp. Yield 8.5%)

Bonds – Gov. USD: POSITIVE (Target spread 150bp. Yield 4.5%)

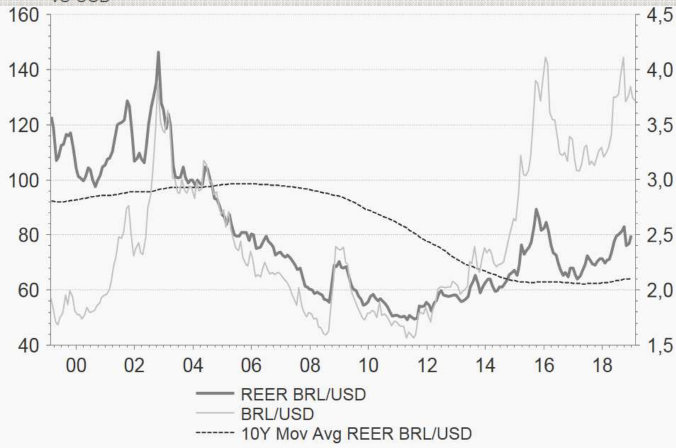
FX – BRL/USD: NEUTRAL (Mid-term target 3.75)

BRAZIL - TERMS OF TRADE
Index



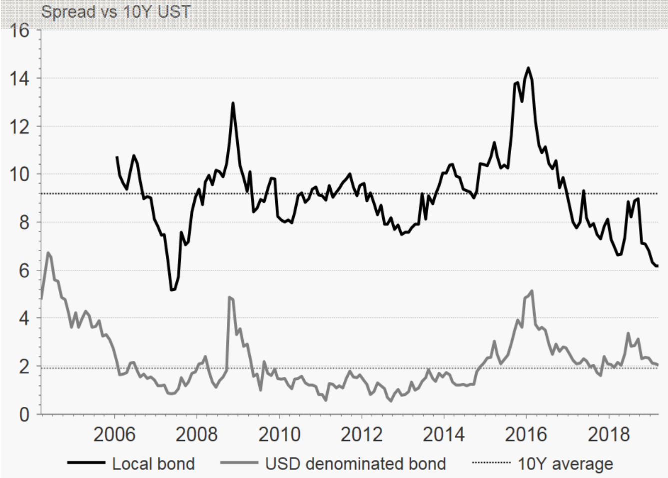
Fuente: Thomson Reuters Datastream / ANDBANK

BRAZILIAN REAL - REER
vS USD



Fuente: Thomson Reuters Datastream / Fathom Consulting

BRAZIL - 10Y GOVERNMENT BOND (Local & USD)
Spread vs 10Y UST



Fuente: Thomson Reuters Datastream / ANDBANK

ARGENTINA
Hawkishness reloaded

February registered a primary surplus of ARS 6,726M (USD 175M) due to a +48% increase in revenues versus +29% in expenditure. It is therefore the 20th consecutive month of income growing more than expenses and also the first time in seven years that the start of the year chains two consecutive months of primary surplus. The GDP proxy EMAE rose +0.7% MoM seasonally adjusted in December (vs November's -2.0%). On a YoY basis it fell -7.0%. Meanwhile, the construction activity index increased +4.4% MoM seasonally adjusted in December, breaking a four month consecutive streak of declines. On February's REM, analysts cut their GDP growth projections for 2019 from -1.2% to -1.3%, while kept 2020's unchanged at +2.5%. The best hope for economic recovery lies in this year's harvest that is expected to add +1.1% of GDP directly and +0.3% indirectly.

Surprisingly higher inflation

The release of February's inflation reaching +3.8% MoM (above the +3.5% projected in the REM) came among a series of measures to boost price stability which is currently one of the government's primary concerns. As a result, the BCRA extended the 0% growth target of the monetary base until the end of 2019 and eliminated June's seasonal adjustment. In addition, the over-accomplishment of the monetary base target for February becomes permanent and the NIZ will be daily-adjusted at a monthly pace of +1.75% during 2Q19. Finally, the government will send a bill to Parliament to ban the BCRA from funding the Treasury. Meanwhile, Minister Dujovne announced that the Treasury will sell USD 9.6bn between April and December through daily auctions of up to USD 60bn. By mid-February the Leliq rate had dropped to 43.9%. However the recent moves in monetary policy in response to the FX volatility of the last few weeks more than reverted the monetary policy easing and the Leliq rate is now at 63.7%.

Balance between price stability and economy reactivation

While some indicators are starting to show some modest improvement, there is still a long way to go for recovery. In a gesture of rapprochement towards the UCR party, the government replied to their request for a review of public prices by applying a 20% cut to the 30% gas increase during winter that will then be paid from December onwards (in the summer). In addition, the government also moved the +46% increase in the AUH to March, which was planned for December and the minimum salary increase that was planned for June. It also released a program of credit facilities for small and mid-caps. These measures are expected to represent +0.11% of GDP, putting pressure on this year's fiscal target that will certainly include a deviation of at least +0.5%.

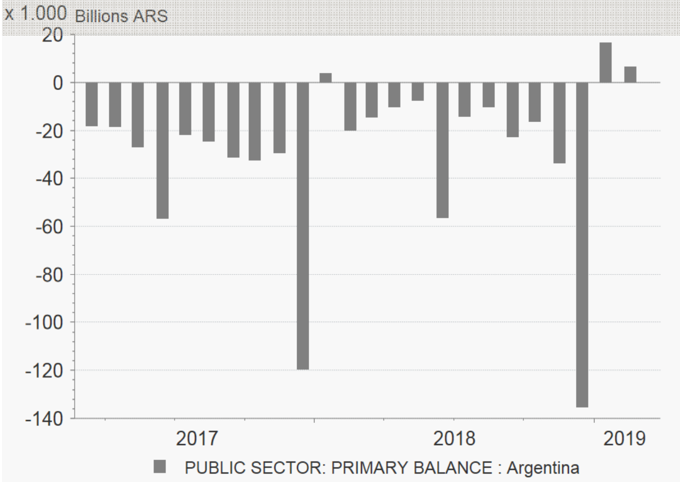
The elections began: Neuquén

Even though Cambiemos' candidate did not win, Neuquén's provincial elections resulted in good news for the government. The local party candidate (not aligned with either Kirchnerism nor Cambiemos) was reelected with an advantage of +14ppt over the candidate supported by CFK. Despite local idiosyncrasies (local party, province not particularly impacted by economic recession, Vaca Muerta interests), it is worth noting that the electorate made use of their "useful vote" by voting "to avoid" a Kirchnerist candidate.

Financial market outlook

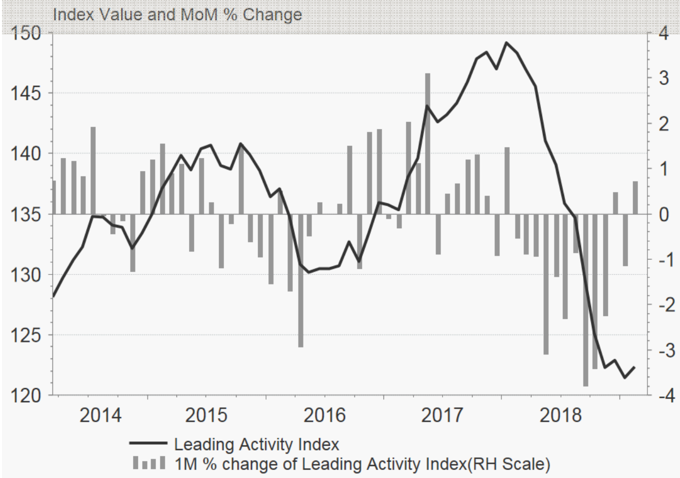
Bonds – 10YGov USD: POSITIVE. (Target yield 8.75%)
FX – USD-ARS: NEGATIVE (2019 year-end target 44)

ARGENTINE PRIMARY BALANCE



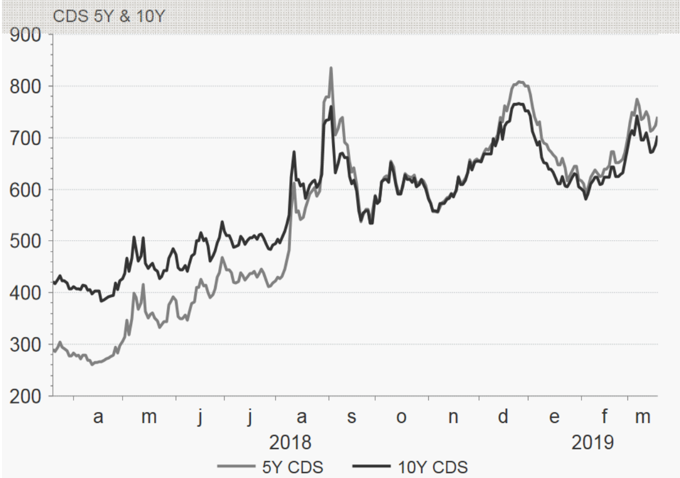
Fuente: Thomson Reuters Datastream / ANDBANK

ARGENTINA - LEADING INDICATOR



Fuente: Thomson Reuters Datastream / ANDBANK

ARGENTINA COUNTRY RISK



Fuente: Thomson Reuters Datastream / ANDBANK

GLOBAL EQUITY INDICES

Fundamental assessment

Index	Andbank's Sales growth 2019	Projected Net Margin 2019	EPS 2019	EPS Growth 2019	Current PE ltm EPS 2018	Dec 2019 PE ltm EPS 2019	INDEX CURRENT PRICE	2019 Central Point (Fundam range)	2019 E[Perf] to Centr. Point	2018 Exit Point
Euro Zone - Euro Stoxx	3,4%	7,5%	27	2,3%	14,10	14,00	365	371	1,6%	390
Spain IBEX 35	3,5%	9,5%	779	3,5%	12,27	12,50	9.230	9.736	5,5%	10.223
Mexico IPC GRAL	6,7%	7,9%	2.975	1,0%	14,48	14,80	42.633	44.035	3,3%	46.237
Brazil BOVESPA	7,1%	10,6%	7.080	8,1%	14,24	13,30	93.262	94.167	1,0%	103.583
Japan NIKKEI 225	5,6%	6,3%	1.445	3,1%	15,39	15,40	21.557	22.250	3,2%	23.362
China SSE Comp.	8,0%	9,3%	277	12,2%	12,14	11,50	2.995	3.183	6,3%	3.247
China Shenzhen Comp	8,2%	6,3%	100	14,6%	18,71	17,50	1.640	1.757	7,2%	1.845
Hong Kong HANG SENG	3,0%	15,2%	1.905	5,4%	15,92	15,50	28.775	29.529	2,6%	31.400
India SENSEX	10,1%	10,9%	2.042	16,6%	22,00	20,00	38.546	40.843	6,0%	42.885
Vietnam VN Index	8,4%	9,0%	62	10,8%	17,49	17,00	983	1.059	7,7%	1.112
MSCI EM ASIA	7,3%	9,7%	47	12,6%	12,68	11,60	533	548	3,0%	576

UPWARD REVISION DOWNWARD REVISION *ANDBANK ESTIMATES*

GLOBAL FLOWS (Monthly)

By Asset Type & Region

FLOWS BY ASSET TYPE - AS OF 02/28/2019

1D 1W 1M 1Y

NORTH AMERICA

Asset Type	Flow $B
Bond	46.89
Money Market	38.11
Equity	5.65
Mixed Assets	3.09
Other	-4.25

EUROPE

Asset Type	Flow $B
Bond	20.23
Mixed Assets	-2.18
Other	-2.43
Equity	-4.25
Money Market	-13.29

ASIA

Asset Type	Flow $B
Equity	2.47
Mixed Assets	0
Other	-0.06
Money Market	-0.9
Bond	-1.53

GLOBAL

Asset Type	Flow $B
Bond	74.26
Money Market	35
Mixed Assets	21.34
Equity	3.28
Other	-28878.66

TECHNICAL ANALYSIS

Trending scenario.
Supports & resistances (1 month)

S&P: BULLISH
Support at 2,603. Resistance at 2,940

STOXX600: SIDEWAYS
Support at 369. Resistance at 386

EUROSTOXX: SIDEWAYS
Support at 356. Resistance at 377

IBEX: BULLISH
Support at 8,826. Resistance at 9,671

EUR-USD: SIDEWAYS-BULLISH
Support at 1.117. Resistance at 1.157

Oil (WTI): SIDEWAYS-BULLISH
Support at 51.2. Resistance at 63.6

Gold: BULLISH
Support at 1,276. Resistance at 1,346

US Treasury (Yield perspective): SIDEWAYS
Support at 2.50%. Resistance at 2.80%

DEVELOPED MARKETS

Fundamental assessment

US Treasury: Floor 2.45%. Fair value 3.2%. Ceiling 3.60%

Swap spread: The swap increased to 8.4bp (from -1.6bp last month). For this spread to normalize at +5 bp, with the swap rate anchored in the 2.5% area (according to our inflation expectation), the 10Y UST yield would have to move towards 2.45%.

Slope: The slope of the US yield curve upticked to 14bp (from 13). With the short end normalizing towards 2% (today at 2.4%), to reach the long-term average slope (of 161 bp) the 10Y UST yield would have to move to 3.61%.

Real yield: A good entry point in the 10Y UST would be when the real yield hits 1%. Given our CPI forecast of 2%-2.25%, the UST yield would have to rise to 3%-3.25% to become a “BUY”.

GER Bund: Floor 0.64%. Fair value 1.30%. Ceiling 2.2%

Swap spread: The swap spread fell to 46bp (from 54bp last month). For the swap spread to normalize at 36 bp, with the swap rate anchored in the 1.00% area (today at 0.57%), the Bund yield would have to move towards 0.64% (entry point).

Slope: The slope of the EUR curve upticked to 70bp (from 68 bp last month). If the short end “normalizes” in the 0% area (today at -0.60%), to reach the 10Y average yield curve slope (130 bp) the Bund yield would have to move to 1.30%.

Real yield: A good entry point in the German Bund would be when the real yield hits 1%. Given our CPI forecast of 1.2%, the Bund yield would have to rise to 2.2% to become a “BUY”.

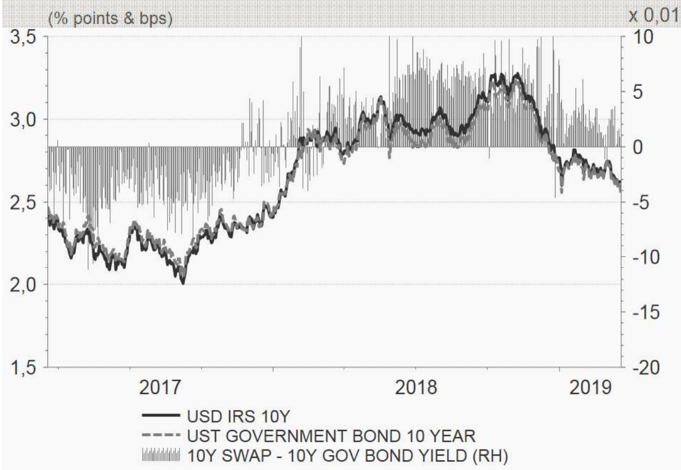
UK Gilt: Fair value 1.9%. Ceiling 3.1%

Swap spread: The swap spread rose to 22bp (from 16bp last month). For the swap spread to normalize at 12 bp, with the swap rate anchored in the 2% area (today at 1.4%), the 10Y UK Gilt would have to shift to 1.88%.

Slope: With a 2Y bond normalized at 1.5%, to reach the average slope at 1.6%, the 10Y Gilt would have to move to 3.1%.

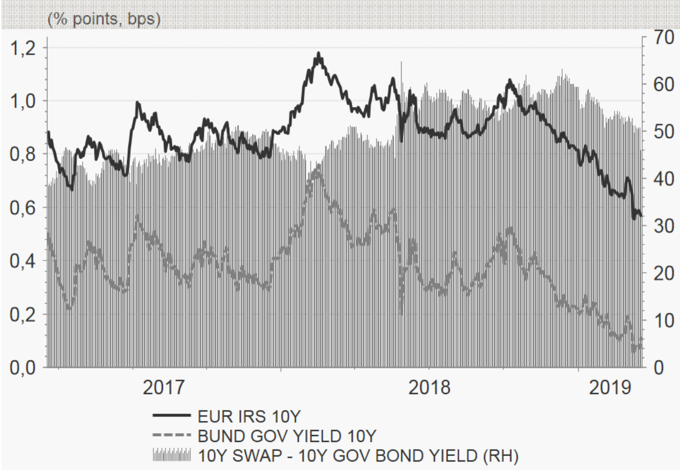
Real yield: Expectations are for FY19 inflation to ease to 2.2%. A 1% real yield means the 10Y gilt should be at 3.2%.

SWAP SPREAD USD



Fuente: Thomson Reuters Datastream / Fathom Consulting

SWAP SPREAD EUR



Fuente: Thomson Reuters Datastream / Fathom Consulting

EUROPEAN PERIPHERAL BONDS

Fundamental targets – 10Y yields

Spanish bono: Target yield at 1.35%
Italian bond BTPI: Target yield at 2.45%
Portuguese Gov bond: Target yield at 1.65%
Ireland Gov bond: Target yield at 0.65%
Greece Gov bond: Target yield at 3.95%

EMERGING MARKET BONDS

Fundamental targets

To date, our rule of thumb for EM bonds has been “buy” when the following two conditions are met: 1) The US Treasury real yield is at or above 1%; and 2) EM bond real yields are 1.5% above the UST real yield.
Assuming that the first condition is met, we should only buy those EM bonds offering a real yield of 2.50% or more. The markets (and their government bonds) that meet such requirements are shaded grey.

		10 Year Yield Nominal	CPI (y/y) Last reading	10 Year Yield Real	Projected change in Yield	Target Yield
EM ASIA	Indonesia	7,58%	2,82%	4,76%	-1,00%	6,58%
	India	7,51%	2,00%	5,51%	-1,00%	6,51%
	Philippines	6,09%	4,40%	1,69%	-0,50%	5,59%
	China	3,11%	1,70%	1,41%	-0,50%	2,61%
	Malaysia	3,79%	-0,70%	4,49%	-1,00%	2,79%
	Thailand	2,41%	0,30%	2,11%	-0,75%	1,66%
	Singapore	2,07%	0,41%	1,65%	-0,50%	1,57%
	South Korea	1,86%	0,83%	1,04%	-0,50%	1,36%
	Taiwan	0,78%	0,16%	0,62%	0,00%	0,78%
EME	Turkey	15,27%	20,35%	-5,08%	1,00%	16,27%
	Russian Fed	8,17%	5,00%	3,17%	-1,00%	7,17%
LATAM	Brazil	8,69%	3,57%	5,12%	-1,00%	7,69%
	Mexico	7,98%	4,42%	3,56%	-1,00%	6,98%
	Colombia	6,43%	3,11%	3,32%	-1,00%	5,43%
	Peru	5,61%	1,93%	3,68%	-1,00%	4,61%

ENERGY – OIL

Fundamental view (WTI): Target range USD45-65/bbl.

Buy < USD45; Sell >65

Short-term drivers

(Price Positive) – Momentum has been building: Net longs up for third consecutive week. Investors' net-long WTI position rose 4% in the week (through 12 Mar), with longs increasing for the third consecutive week and shorts dropping 7% during the period. Analysts highlighted several factors for the increased bullishness, such as higher confidence and the Saudis keeping supply strangled and under control. They add that WTI's 50-day moving average is set to cross its 100dma, which many consider a bullish signal.

(Price Positive) – Saudis suggest cuts may extend through 2019 in spite of Trump pressure. Russia remains unsure: Saudi Arabia's energy minister al-Falih said on Sunday 18 March that he is still seeing inventory builds, and that the OPEC+ production alliance will "do what we have to in the second half“, potentially signaling that the group's output cuts will hold through at least the end of the year. Saudi Arabia is ready to stick with the production cut strategy at next month's OPEC meetings despite continued pressure from Trump to increase production (and reduce oil price). Analysts noted that Saudi Arabia still feels betrayed after Trump misled the country on Iran sanctions by allowing waivers. Recent Saudi actions, including cutting production by more than it pledged, are a contrast from when the kingdom capitulated to Trump in the fall. On the other hand, Russian energy minister Novak hedged somewhat, saying that his country is now complying with Russia's commitment to reduce by 230K bpd but that "we don't know what will happen in April, so we can't forecast the second half”. Members of the production group are seeing a growing consensus to cancel a scheduled April meeting and make a decision about possibly extending the cuts at the June OPEC meeting.

(Price Positive) – Barkindo says pact compliance is improving. OPEC Secretary General Barkindo said during the month that compliance with the OPEC+ groups supply-cut agreement is improving, a factor which will help the oil market weather the buildup of inventories. The article notes Barkindo characterized the improvement in compliance as "remarkable“.

(Price Positive) – Venezuela's crisis represents a challenge to global markets. IEA's monthly report said that Venezuela's worsening crisis could present a challenge to the oil market. Estimates for the country's February production were down 100K m/m to 1.14 M bpd. Total OPEC crude production was estimated down 240K bpd to 30.68M barrels. Despite the monthly production decline in the US, OPEC now has spare capacity of 2.8M bpd, with much of it in crude of similar quality to Venezuela's, which could help support markets in the event of further Venezuelan losses.

(Price Negative) – US State Department official says US could extend waivers. At CERAWeek, US State Department special representative for Iran, Brian Hook, said that the US could extend waivers from sanctions on Iranian crude in order to avoid a sharp rise in global oil price. However, Hook said that the extension could be dependent on whether Venezuela significantly impacts global oil supply and prices. This is the first public indication that the White House could extend sanctions waivers on Iran, and walked back from Hook's previous statements that waivers would likely expire in May in an effort to push Iranian exports to zero. Hook said that Trump wants to apply maximum economic pressure on Iran, but also doesn't want to shock oil markets, and wants to maintain a well-supplied and stable market. The US wants to cut Iranian exports by 20% to below 1M bpd from May, but with waivers renewed for more countries purchasing Iranian crude this could be delayed. China, India and Turkey are likely to keep their waivers given their dependence on Iranian oil, but getting below 1M in total exports could be a challenge since China and India alone account for up to 900K bpd of Iranian crude.

Long-term drivers

(-) Alternative energies picking up the baton: Producers must bear in mind that the value of their reserves is dictated by the amount of time they can pump before alternative energies render oil obsolete. In order to push back this deadline as far as possible, it is in producers' interests to keep oil prices low for as long as possible (keeping the opportunity cost of alternative energy sources as high as possible).

(-) Growing environmental problems will gradually tighten legislation and production levels; the value of producers' reserves depends on the amount of time they can pump at current levels before tougher environment-inspired regulations come in. With growing environmental problems that will likely continue to put a lot of pressure on the market for fossil fuels over the coming decades, OPEC's most serious risk is of sitting on a big chunk of “stranded reserves” that it can no longer extract and sell. Producers therefore have a powerful incentive to monetize as much of their reserves as soon as they can.

(-) Are OPEC producers able to structurally fix prices? While it is true the agreement between the Saudis and Russia to strangle the global energy market has worked well in achieving a considerable increase in the price of oil, this has been at the cost of a loss of market share, meaning that OPEC producers are no longer able to easily fix prices without bearing costs. Back in the 1970s and the early 2000s, the exporters cartel agreed to cut output and the approach worked well, as the principal competition was among conventional oil producers (in particular between OPEC and non-OPEC producers). Today's biggest threat to any conventional oil producer comes from non-conventional producers and alternative energy sources. Energy cuts from conventional oil should therefore easily be offset (in theory) by a quick increase in shale oil production.

PRECIOUS METALS - GOLD

Fundamental price for gold at US$1,100/oz. Sell above US$1,300

Negative drivers

Gold in real terms: In real terms, the price of gold (calculated as the current nominal price divided by the US Implicit Price Deflator-Domestic as a proxy for the global deflator) fell to US$1,169 (from US$1,201 last month). In real terms, gold continues to trade well above its 20-year average of US$899. Given the global deflator (now at 1.11287), for the gold price to stay near its historical average in real terms, the nominal price (or equilibrium price) must remain near US$1,001.

Gold to Silver (Preference for store of value over productive assets): This ratio rose to 84.99x (from 83.79x last month) but still remains well above its 20-year average of 63x, suggesting that gold is expensive (at least relative to silver). For this ratio to reach its long-term average, assuming that silver is better priced than gold (which is highly probable), then the gold price should go to US$1000/oz.

Gold to Oil: This ratio fell during the month to 22,25x (from 23.37x last month), still well above its 20-year average of 14.98x. Considering our fundamental long-term target for oil of US$50pb (our central target for the long term) and that the utility of oil relative to that of gold will remain unchanged, the price of gold must approach US$750 for this ratio to remain near its LT average.

Speculative positioning: CFTC 100oz Active Future non-commercial contracts: Longs are now fixed at 205k (from 212k last month). Short contracts rose to 126k (from 112k). Thus, the net position fell slightly to +78k contracts during the month (from +99k the previous month), suggesting that speculators' recent appetite for gold has moderated somewhat.

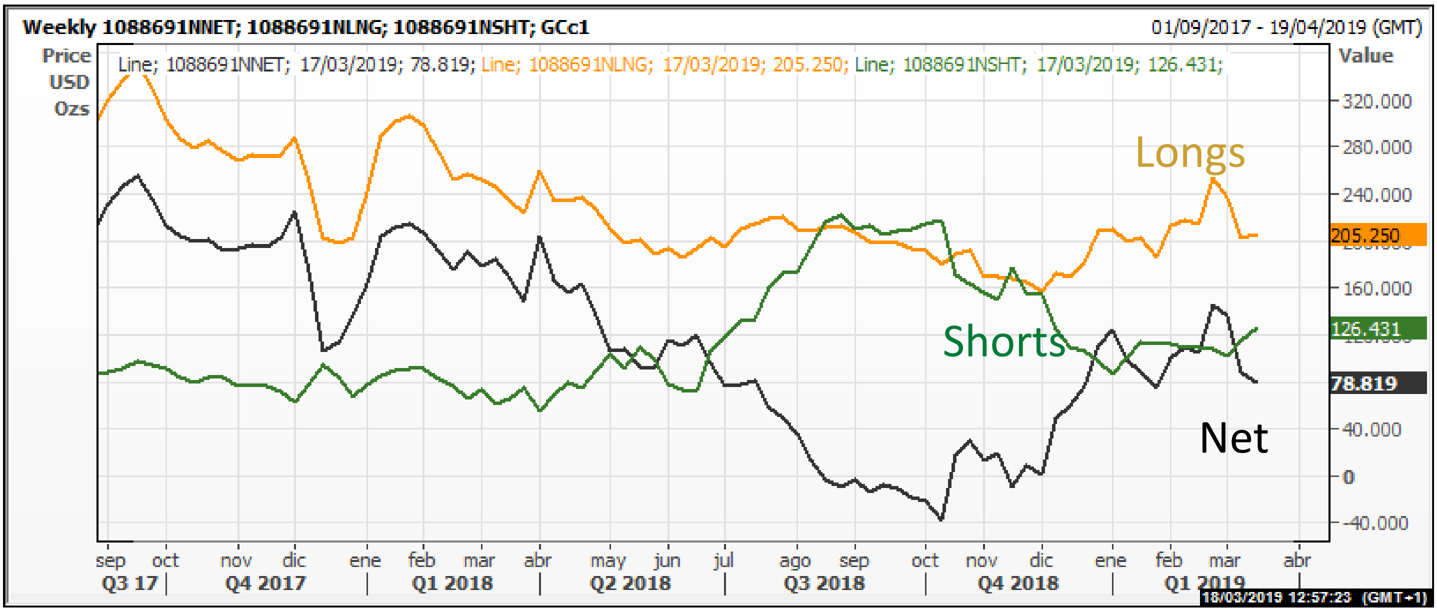
Financial liberalization in China. Higher "quotas" each month in the QFII program are widening the investment alternatives for Chinese investors (historically focused on gold).

Positive drivers

Gold to the S&P500: This ratio fell to 0.46x (from 0.48x last month) but is still well below its LT average of 0.60x. Given our target price for the S&P of US$2,800, the price of gold must approach US$1,677 for this ratio to remain near its LT average.

Negative yields still make gold attractive: The disadvantage of gold compared to fixed-income instruments (gold does not offer a coupon) is now neutralized, with negative yields in a large number of global bonds, although the importance of this factor is diminishing as yields continue to rise.

Relative share of gold: The total value of gold in the world is circa US$6.9tn, a fairly small share (3.2%) of the total global cash market (212tn). The daily volume traded on the LBMA and other gold marketplaces is around US$173bn (just 0.08% of the total in the financial markets).



EXCHANGE RATES

Flow analysis & Fundamental targets

EUR-USD: Fundamental mid-term target 1.125

Flows: The global positioning in the dollar has increased in the last month in the derivatives market, with a 3-year z-score at levels of 1.22 (vs. 0.98 in the previous month). Though not at extreme levels, the net long speculative positions are still long in the dollar against the other currencies (now with a higher intensity relative to February). Looking at the table and the bar chart in detail, we can see how the long USD position is essentially financed by short positions in CAD, AUD, EUR, but also some EM currencies (MXN, RUB). Our more **fundamental discussion** sticks with our structural bearish view on the Euro with a mid-term target at 1.125, without ruling out increases in the European currency due to a reversal of speculative flows. A fact that we would take advantage of to sell euros. Our **technical analysis** within the Investment Committee indicated a sideways-bearish view. EUR-USD is now facing a key support at 1.117, with resistance at 1.157.

USD-JPY: Target 114; **EUR-JPY**: Target 128.25

In our view, several aspects suggest that JPY should not appreciate versus the USD: (1) Although the Fed hints that it will relax the reduction of its balance sheet, the truth is that, although at a lower rate, it will continue to do so, while the BoJ will probably continue to expand its balance sheet and the money supply, making USD more attractive (or JPY less appealing). (2) We downplay the tapering option after the BoJ reiterated that it intends to stick to its ultra-loose monetary policy, at least until it hits the 2% inflation target (unachievable in the short term) ; (3) Real yields are lower in JGBs, and with the 10Y JGB controlled at 0.10% there is little prospect that Japanese real yields will rise.

GBP-USD: Target 1.37; **EUR-GBP**: Target 0.82

USD-CHF: Target 0.98; **EUR-CHF:** Target 1.10

USD-MXN: Target 20; **EUR-MXN:** Target 22.50

USD-BRL: Target 3.75; **EUR-BRL:** Target 4.22

USD-ARS: Target 44

USD-INR: Target 72

CNY: Target 6.7

RUB: NEGATIVE

AUD: POSITIVE

CAD: NEUTRAL-POSITIVE

Currency	Mkt Value of Net positions in the currency (Bn $)	Change vs last month (Bn $)	1-yr Max (Bn $)	1-yr Min (Bn $)	1-yr Avg (Bn $)	Current Z-score 3-yr
USD vs All	26,34	4,59	32,1	-28,2	10,7	**1,22**
USD vs G10	29,03	5,39	32,7	-25,4	11,0	**1,42**
EM	2,68	0,81	3,4	-0,8	1,2	**1,04**
EUR	-10,69	-4,88	23,4	-11,0	4,5	**-1,03**
JPY	-6,60	-2,11	0,6	-12,8	-5,9	**-0,33**
GBP	-3,00	1,20	4,3	-6,5	-2,0	**0,04**
CHF	-2,89	-0,85	0,0	-6,0	-3,1	**-0,63**
BRL	-0,12	-0,12	0,1	-0,8	-0,4	**-0,48**
MXN	1,94	0,29	2,8	-0,5	1,2	**0,88**
RUB	0,86	0,64	1,0	-0,2	0,4	**1,11**
AUD	-3,09	-0,54	1,4	-5,2	-2,4	**-1,29**
CAD	-3,08	1,16	1,9	-5,0	-1,6	**-1,04**

Positive
Neutral-Positive
Neutral-Negative
Negative

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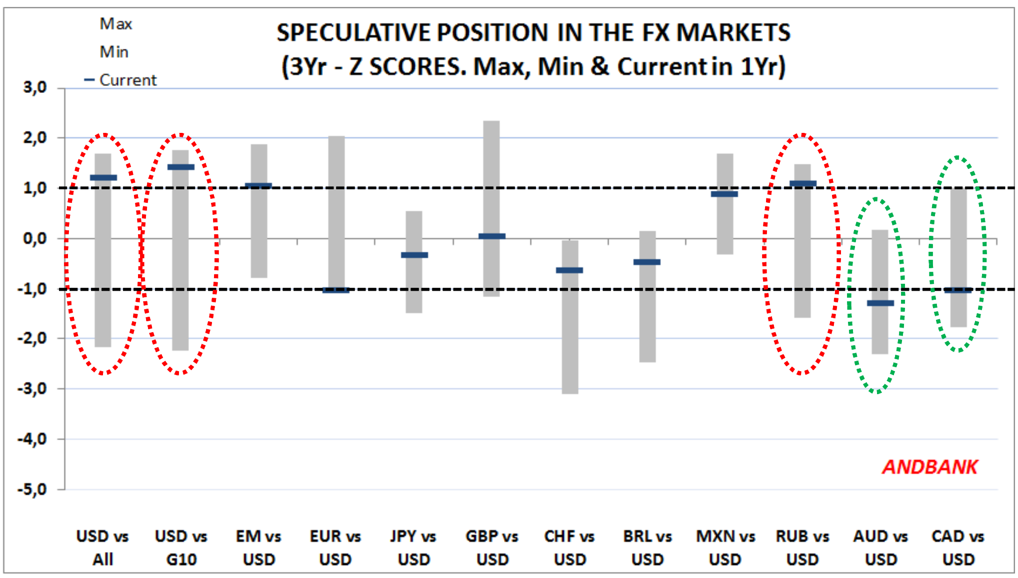

The currencies we technically favor are circled in green

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Private Bankers

SUMMARY TABLE OF EXPECTED RETURNS

Asset Class	Indices	Performance Last month	Performance YTD	Current Price	Fundamental Central Point 2019	Expected Performance 2019
Equity	USA - S&P 500	0,8%	11,9%	2.817	2794	-0,8%
	Europe - Stoxx Europe 600	1,2%	11,7%	378	383	1,2%
	Euro Zone - Euro Stoxx	0,9%	11,0%	365	371	1,6%
	SPAIN - IBEX 35	0,0%	0,08	9.230	9.736	5,5%
	MEXICO - MXSE IPC	-2,4%	3,1%	42.568	44.035	3,4%
	BRAZIL - BOVESPA	-4,4%	4,6%	93.267	94167	1,0%
	JAPAN - NIKKEI 225	4,4%	6,8%	21.557	22250	3,2%
	CHINA - SHANGHAI COMPOSITE	1,8%	21,2%	2.995	3183	6,3%
	CHINA - SHENZEN COMPOSITE	5,8%	30,5%	1.640	1757	7,2%
	INDIA - SENSEX	7,1%	5,7%	38.546	40.843	6,0%
	MSCI EM ASIA (in USD)	-0,6%	9,7%	533	548	3,0%
Fixed Income Core countries	US Treasury 10 year Govie	2,3%	3,1%	2,38	**3,00**	-3,2%
	UK 10 year Gilt	1,7%	2,4%	1,01	2,00	-7,2%
	German 10 year BUND	1,6%	2,6%	-0,08	**0,35**	-3,5%
	Japanese 10 year Govie	0,3%	0,6%	-0,08	0,10	-1,5%
Fixed Income Peripheral	Spain - 10yr Gov bond	0,8%	3,4%	1,03	**1,35**	-1,8%
	Italy - 10yr Gov bond	2,3%	2,9%	2,43	**2,45**	1,7%
	Portugal - 10yr Gov bond	1,5%	4,1%	1,24	**1,65**	-2,3%
	Ireland - 10yr Gov bond	2,2%	3,3%	0,51	**0,65**	-0,7%
	Greece - 10yr Gov bond	-0,3%	5,5%	3,74	**3,95**	1,2%
Fixed Income Credit	Credit EUR IG-Itraxx Europe	-0,1%	0,7%	67,85	92	-1,9%
	Credit EUR HY-Itraxx Xover	0,5%	3,4%	268,86	350	-2,1%
	Credit USD IG - CDX IG	0,0%	0,7%	68,15	**70**	0,2%
	Credit USD HY - CDX HY	-0,1%	3,6%	363,62	**450**	0,0%
Fixed Income EM Europe (Loc)	Turkey - 10yr Gov bond	-23,3%	-10,1%	17,58	15,00	38,2%
	Russia - 10yr Gov bond	1,7%	5,2%	8,29	7,70	13,0%
Fixed Income Asia (Local curncy)	Indonesia - 10yr Gov bond	2,3%	4,4%	7,57	7,25	10,1%
	India - 10yr Gov bond	2,7%	2,1%	7,32	6,80	11,5%
	Philippines - 10yr Gov bond	3,5%	10,2%	5,96	6,00	5,7%
	China - 10yr Gov bond	1,2%	1,6%	3,04	2,75	5,4%
	Malaysia - 10yr Gov bond	0,9%	3,1%	3,81	3,25	8,3%
	Thailand - 10yr Gov bond	1,0%	0,9%	2,33	2,00	5,0%
	Singapore - 10yr Gov bond	1,2%	0,4%	2,03	2,00	2,3%
	South Korea - 10yr Gov bond	1,4%	1,4%	1,77	2,25	-2,0%
	Taiwan - 10yr Gov bond	0,4%	0,9%	0,77	1,75	-7,1%
Fixed Income Latam	Mexico - 10yr Govie (Loc)	1,7%	7,5%	7,94	7,75	9,5%
	Mexico - 10yr Govie (USD)	2,9%	6,0%	4,31	4,75	0,8%
	Brazil - 10yr Govie (Loc)	-2,1%	1,2%	9,32	**8,50**	15,9%
	Brazil - 10yr Govie (USD)	0,9%	5,5%	4,94	**4,50**	8,4%
	Argentina - 10yr Govie (USD)	-2,1%	11,9%	10,35	8,75	23,1%
Commodities	Oil (WTI)	7,0%	30,8%	59,4	50,00	-15,8%
	GOLD	-1,4%	2,1%	1.309,5	1.100	-16,0%
Fx	EURUSD (price of 1 EUR)	-1,2%	-1,9%	1,125	1,125	0,0%
	GBPUSD (price of 1 GBP)	-0,5%	3,4%	1,32	1,37	3,9%
	EURGBP (price of 1 EUR)	-0,8%	-5,1%	0,85	0,82	-3,7%
	USDCHF (price of 1 USD)	-0,5%	1,3%	0,99	0,98	-1,8%
	EURCHF (price of 1 EUR)	-1,8%	-0,6%	1,12	1,10	-1,7%
	USDJPY (price of 1 USD)	-0,1%	0,9%	110,51	114,00	3,2%
	EURJPY (price of 1 EUR)	-1,3%	-1,2%	124,25	128,25	3,2%
	USDMXN (price of 1 USD)	1,0%	-1,5%	19,36	20,00	3,3%
	EURMXN (price of 1 EUR)	-0,3%	-3,3%	21,77	22,50	3,4%
	USDBRL (price of 1 USD)	6,5%	2,9%	3,99	3,75	-6,1%
	EURBRL (price of 1 EUR)	5,1%	0,9%	4,49	4,22	-6,0%
	USDARS (price of 1 USD)	12,8%	16,5%	43,84	44,00	0,4%
	USDINR (price of 1 USD)	-2,6%	-0,7%	69,09	72,00	4,2%
	CNY (price of 1 USD)	0,4%	-2,2%	6,73	6,70	-0,4%

** For Fixed Income instruments, the expected performance refers to a 12 month period*

UPWARD REVISION   DOWNWARD REVISION

ASSET ALLOCATION & RISK TOLERANCE

Monthly asset & currency allocation proposal

	Conservative		Moderate		Balanced		Growth	
Asset Class	Strategic (%)	Tactical (%)	Strategic (%)	Tactical (%)	Strategic (%)	Tactical (%)	Strategic (%)	Tactical (%)
Cash	**15,0**	**22,0**	**10,0**	**16,0**	**5,0**	**10,2**	**5,0**	**4,8**
Short-Term debt & MM instrument	**25,0**	**34,7**	**15,0**	**22,7**	**5,0**	**9,7**	**0,0**	**2,4**
Fixed Income Long-Term - OECD	**30,0**	**21,0**	**20,0**	**14,0**	**15,0**	**10,5**	**5,0**	**3,5**
US Gov & Municipals & Agencies		16,8		11,2		8,4		2,8
EU Gov & Municipals & Agencies		1,1		0,7		0,5		0,2
European Peripheral Risk		3,2		2,1		1,6		0,5
Credit (OECD)	**20,0**	**12,0**	**20,0**	**12,0**	**15,0**	**9,0**	**5,0**	**3,0**
Investment Grade USD		7,2		7,2		5,4		1,8
High Yield Grade USD		1,8		1,8		1,4		0,5
Investment Grade EUR		2,4		2,4		1,8		0,6
High Yield Grade EUR		0,6		0,6		0,5		0,2
Fixed Income Emerging Markets	**5,0**	**5,3**	**7,5**	**7,9**	**10,0**	**10,5**	**15,0**	**15,8**
Latam Sovereign		1,3		2,0		2,6		3,9
Latam Credit		1,3		2,0		2,6		3,9
Asia Sovereign		1,8		2,8		3,7		5,5
Asia Credit		0,8		1,2		1,6		2,4
Equity OECD	**5,0**	**5,0**	**20,0**	**20,0**	**32,5**	**32,5**	**50,0**	**50,0**
US Equity		2,5		10,0		16,3		25,0
European Equity		1,8		7,0		11,4		17,5
Japan Equity		0,8		3,0		4,9		7,5
Equity Emerging	**0,0**	**0,0**	**5,0**	**5,5**	**10,0**	**11,0**	**10,0**	**11,0**
Asian Equity		0,0		3,9		7,7		7,7
Latam Equity		0,0		1,7		3,3		3,3
Commodities	**0,0**	**0,0**	**2,5**	**1,9**	**5,0**	**3,8**	**5,0**	**3,8**
Energy		0,0		0,3		0,6		0,6
Minerals & Metals		0,0		0,5		0,9		0,9
Precious		0,0		0,8		1,5		1,5
Agriculture		0,0		0,4		0,8		0,8
Alternative Investments	**0,0**	**0,0**	**0,0**	**0,0**	**2,5**	**2,9**	**5,0**	**5,8**
REITs		0,0		0,0		0,9		1,7
Alt.Energy (wind, solar, etc)		0,0		0,0		0,7		1,4
Market Neutral		0,0		0,0		1,0		2,0
Volatility		0,0		0,0		0,3		0,6
Currency Exposure (European investor perspective)								
EUR		95,0		91,4		87,8		83,8
USD		5,0		8,6		12,2		16,2

Strategic and tactical asset allocation are investment strategies that aim to balance risk and reward by apportioning a portfolio's assets according to an individual's risk tolerance, investment horizon, and our own projected performance for each asset class. This recommended asset allocation table has been prepared by Andbank's Asset Allocation Committee (AAC), comprising managers from the portfolio management departments in each of the jurisdictions in which we operate.

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