GLOBAL OUTLOOK

ECONOMY & FINANCIAL MARKETS

ANDBANK
Private Bankers

Andbank Monthly Corporate Review – April 2023

Corporate Review *April 2023*

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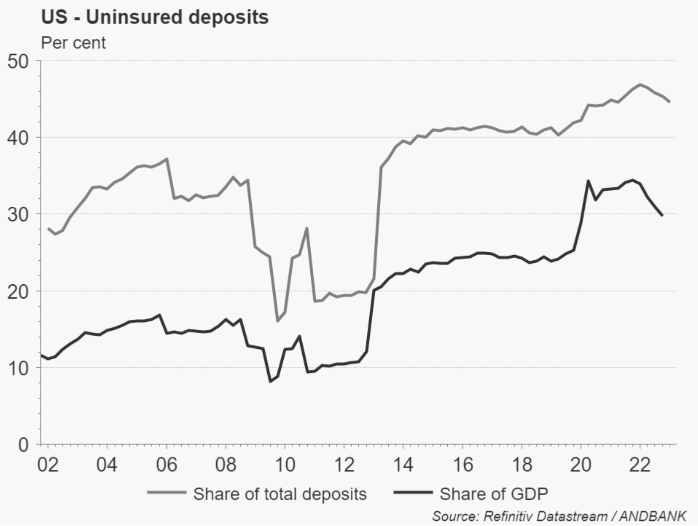
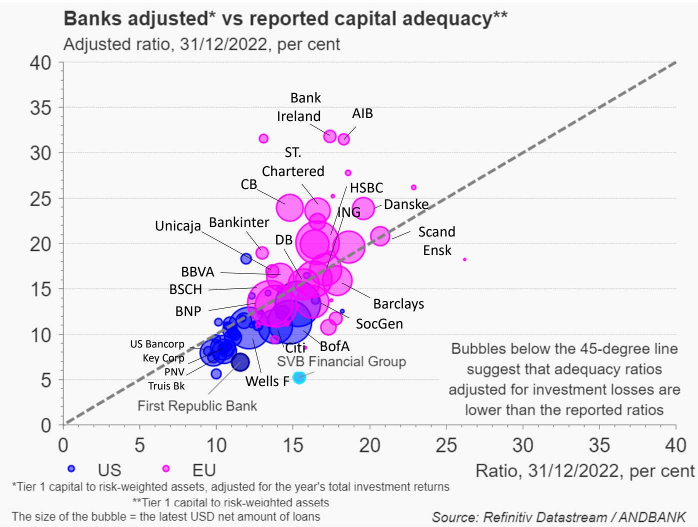
EXECUTIVE SUMMARY

CHART OF THE MONTH





EQUITIES

Index	INDEX CURRENT PRICE	Potential Price	E[Perf] to potential price	Recommended Strategy	Suggested Exit Point
USA S&P 500	3.971	3.267	-17,7%	UW-MW	4.247
Europe - Stoxx Europe 600	448	390	-13,0%	UW-MW	468
Euro Zone - Euro Stoxx	446	372	-16,7%	UW-MW	446
Spain IBEX 35	9.025	8.933	-1,0%	MW-OW	9.826
Mexico IPC GRAL	53.209	59.066	11,0%	OW	64.972
Brazil BOVESPA	101.185	106.896	5,6%	MW	117.586
Japan NIKKEI 225	27.884	29.367	5,3%	OW	32.304
China SSE Comp.	3.240	2.993	-7,6%	UW	3.292
China Shenzhen Comp	2.103	1.980	-5,9%	UW	2.178
India SENSEX	57.960	68.564	18,3%	OW	75.420
Vietnam VN Index	1.056	1.258	19,1%	OW	1.384
MSCI EM ASIA	526	588	11,7%	OW	647

FIXED INCOME GOVIES CORE & CORPORATE CREDIT (DM)

Asset Class	Indices	Performance YTD	Current Price	Andbank's estimate (potential price)	Expected Performance (to potential price)
Fixed Income Core countries	US Treasury 10 year Govie	3,4%	3,57	4,00	0,1%
	UK 10 year Gilt	2,6%	3,45	3,75	1,0%
	German 10 year BUND	2,8%	2,28	2,50	0,5%
	Japanese 10 year Govie	0,9%	0,31	0,75	-3,2%
Fixed Income Peripheral	Spain - 10yr Gov bond	3,4%	3,32	3,50	1,9%
	Italy - 10yr Gov bond	5,6%	4,13	4,50	1,2%
	Portugal - 10yr Gov bond	4,1%	3,13	3,50	0,2%
	Ireland - 10yr Gov bond	3,7%	2,70	3,00	0,3%
	Greece - 10yr Gov bond	4,8%	4,11	5,00	-3,0%
Fixed Income Credit	Credit EUR IG-Itraxx Europe	0,5%	97,65	100	3,9%
	Credit EUR HY-Itraxx Xover	1,0%	484,47	550	5,9%
	Credit USD IG - CDX IG	1,3%	83,12	100	5,5%
	Credit USD HY - CDX HY	1,8%	503,58	600	7,3%

FIXED INCOME - EM

Asset Class	Indices	Performance YTD	Current Price	Andbank's estimate (potential price)	Expected Performance (to potential price)
Fixed Income EM Europe (Loc)	Turkey - 10yr Gov bond (local)	-10,9%	10,78	11,75	3,0%
	Russia - 10yr Gov bond (local)	3,3%	10,26	14,00	-19,7%
Fixed Income Asia (Local curncy)	Indonesia - 10yr Gov bond (local)	3,0%	6,75	6,25	10,7%
	India - 10yr Gov bond (local)	1,8%	7,31	7,00	9,8%
	Philippines - 10yr Gov bond (local)	6,2%	6,24	7,50	-3,8%
	China - 10yr Gov bond (local)	0,6%	2,85	2,75	3,7%
	Malaysia - 10yr Gov bond (local)	1,2%	3,97	4,00	3,7%
	Thailand - 10yr Gov bond (local)	3,0%	2,13	3,50	-8,8%
	Singapore - 10yr Gov bond (local)	2,4%	2,86	4,00	-6,2%
	Rep. Korea - 10yr G. bond (local)	4,4%	3,20	4,50	-7,2%
	Taiwan - 10yr Gov bond (local)	1,1%	1,19	2,25	-7,3%
Fixed Income Latam	Mexico - 10yr Govie (Loc)	2,7%	8,96	9,00	8,6%
	Mexico - 10yr Govie (USD)	3,4%	5,71	6,00	3,4%
	Brazil - 10yr Govie (Loc)	1,7%	12,89	13,50	8,0%
	Brazil - 10yr Govie (USD)	3,7%	6,22	7,00	0,0%

COMMODITIES & FX

Asset Class	Indices	Performance YTD	Current Price	Andbank's estimate (potential price)	Expected Performance (to potential price)
Commodities	Oil (WTI)	-8,8%	73,2	87,50	19,5%
	GOLD	8,2%	1.973,7	2.200	11,5%
Fx	EURUSD (price of 1 EUR)	1,3%	1,084	1,050	-3,2%
	GBPUSD (price of 1 GBP)	2,0%	1,23	1,22	-1,1%
	EURGBP (price of 1 EUR)	-0,7%	0,88	0,86	-2,0%
	USDCHF (price of 1 USD)	-0,5%	0,92	0,97	5,5%
	EURCHF (price of 1 EUR)	0,8%	1,00	1,02	2,1%
	USDJPY (price of 1 USD)	-0,2%	130,86	120,00	-8,3%
	EURJPY (price of 1 EUR)	1,2%	141,92	126,00	-11,2%
	USDMXN (price of 1 USD)	-6,4%	18,23	20,00	9,7%
	EURMXN (price of 1 EUR)	-5,2%	19,75	21,00	6,3%
	USDBRL (price of 1 USD)	-2,3%	5,17	5,25	1,6%
	EURBRL (price of 1 EUR)	-1,0%	5,60	5,51	-1,6%
	USDARS (price of 1 USD)	17,6%	207,82	370,00	78,0%
	USDINR (price of 1 USD)	-0,7%	82,17	84,00	2,2%
	CNY (price of 1 USD)	-0,3%	6,87	7,50	9,1%

Global Banking Sector

European banks have good resolution mechanisms that would mitigate contagion risks, though would not prevent bail-in processes. US banks must continue to be monitored as the problem may not be fully fixed and the risk of contagion to Europe is evident.

The European banking sector: Mitigating potential spillover effects.

The sector is in much better shape today than it was in 2015 thanks to better and more consistent regulation and supervision. Non-performing loans (NPLs) account for less than 3% of the loan book, while the average common equity Tier 1 ratio has increased by more than 2pp. Liquidity also improved, with the liquidity coverage ratio (LCR) rising from 125% in 2015 to 150% in 2022, way above the regulatory minimum of 100%. However, major US banks are on average still more profitable, with a return on equity (RoE) that is 3pp higher. This also shows in market pricing: the price-to-book (PtB) ratio has constantly been higher in the US. However, **European banks remain very exposed to their sovereign as they are sitting on large holdings of domestic debt securities**. **The bank-sovereign nexus poses serious risks to financial stability** and has been only partially addressed in recent years (no material reduction in domestic debt holdings).

About the fire-extinguishing mechanism in Europe: The Eurozone has strengthened its banking supervision and resolution framework, but not its regional deposits scheme.

The global financial crisis of 2008 and the subsequent sovereign debt crisis in Europe gave rise to the **European Banking Union** (BU), designed as a set of common rules to create greater resilience. The BU is currently based on two pillars: the **Single Supervision Mechanism** (SSM) and the **Single Resolution Mechanism** (SRM). The **SSM** consists of the ECB and national supervisory authorities and is essentially a system of consistent banking supervision. The **SRM** comprises the Single Resolution Board (SRB) and the tools to resolve failing banks in an orderly manner and protect taxpayers in the participating EU countries from the cost of bailouts. **The Single Resolution Fund (SRF)** is embedded in the SRM and is an emergency fund **to be used after all other options have been exhausted (i.e., bail-in).** Through the SRF, the financial industry itself ensures the stabilization of the financial system, not taxpayers. Banks are legally required to pay an annual contribution to the fund; by the end of 2022, the SRF held EUR66bn. The fund needs to reach at least 1% of the amount of covered deposits of credit institutions in the BU by the end of 2023. The reform of the European Stability Mechanism (ESM) created the **Common Backstop**, another instrument enhancing the firepower of the BU to manage bank failures. This additional emergency fund mirrors the size of the SRF using public money and will bring further confidence to the system. The backstop works as follows: in case the SRF is depleted, the ESM can lend necessary funds to the SRF to finance resolution. To this end, the ESM is a last resort and will provide a revolving credit line; the nominal cap for ESM loans is set at EUR68bn.

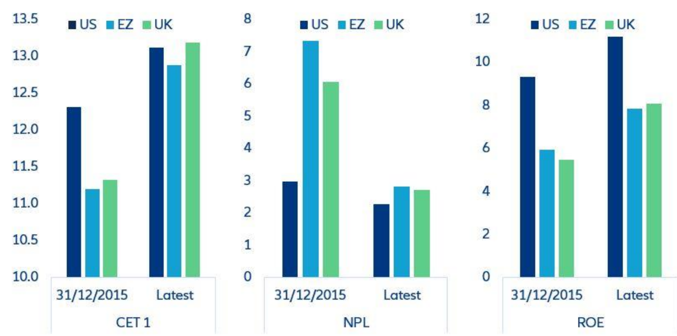
However, the third pillar of the BU, the **European Deposit Insurance Scheme** (EDIS), which would provide a stronger and more uniform degree of deposit insurance coverage than the existing national deposit-guarantee schemes, has yet to be completed. One pre-condition is a material reduction of banks' domestic sovereign exposure.

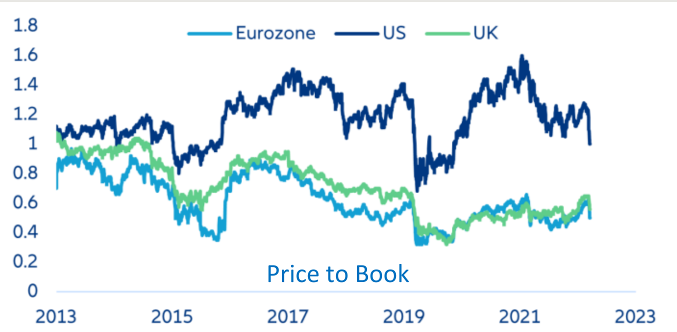
US bank failures: what's next? The SVB failure will most likely further curtail the supply of credit and reinforces our view that the US economy is headed for a sizeable recession during 2H23.

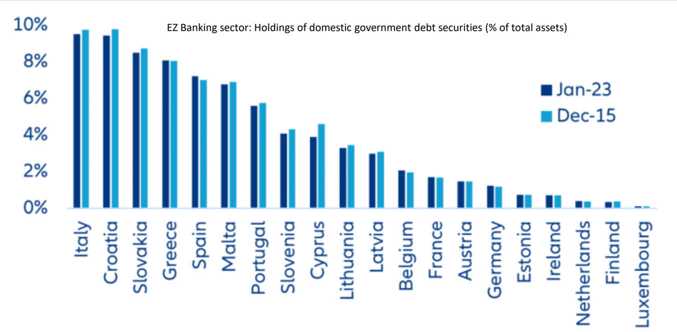
The problem in the US bank is that uninsured deposits represent 45% of the total, and add up to USD7.5trn. It means that, with only 25% of these deposits deciding to migrate from one bank to another, the entities of origin will have to face liquidity needs of up to USD2trn, which they could either obtain through loans from the Fed (at 5% cost), or by selling assets . Be that as it may, it is still a number that requires a lot of effort, and could end up putting pressure on the market.

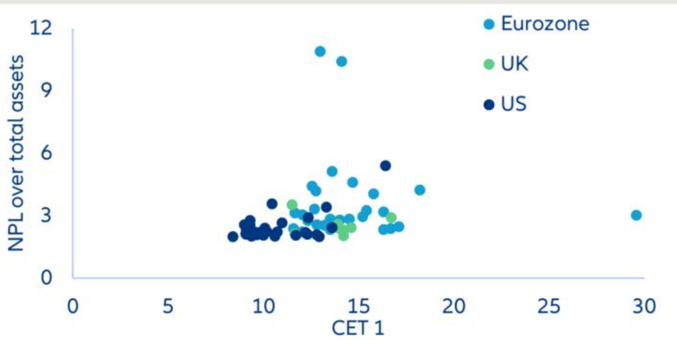
The latest Senior Loan Officer Opinion Survey showed a marked tightening of credit standards across all types of products. On the housing market, the pullback in the flows of new mortgage lending suggests that real property price growth is bound to decline further, with probable adverse wealth effects on household consumption. It is likely that US banks will tighten lending standards further to preserve capital and build liquidity buffers. SVB's widening duration gap has built up over time against the background of aggressive balance sheet growth. US regulators seem to prefer firefighting over preventing fires, and these significant regulatory shortcomings amounted to neglect of SVB's (and others') poor risk management. Declines in bank asset values make the US banking system significantly more vulnerable to uninsured depositor runs, and banks will become now even more conservative in their lending. SVB was far from being the worst capitalized and having the largest unrecognized losses amongst US banks. If only half of uninsured depositors decided to withdraw their funds, almost 190 banks would be at potential risk of impairment to insured depositors.

The SVB failure is certainly a bellwether of growing frictions in the financial system. In the US, the current (discretionary) band-aid on comprehensive depositor protection has shored up confidence but **also entails potential fiscal constraints** if more banks are tested by markets. **Credit Suisse was one of the Fed's primary dealers, and the events underscore that the risk of a full-blown contagion remains**.









USA

Collapse of Regional banks changes the Fed's focus and advances the terminal rate in the calendar.

Federal Reserve and SVB collapse

Market expectations for the Fed terminal rate have been a rollercoaster in the last few weeks. Appearing before Congress on March 8, Fed Chairman Jerome Powell stated that "economic data have come in stronger than expected, which suggests that the ultimate level of interest rates is likely to be higher than previously anticipated" and that "if the totality of the data were to indicate that faster tightening is warranted, we would be prepared to increase the pace of rate hikes". Prior to Powell's words we had another labor market report with solid numbers. Both elements led to expectations of higher interest rates for a longer period of time than previously thought. On those days, the base scenario expected for the March Fed decision became an increase of 50 bps, bringing the terminal rate to 5.7%.

Then the collapse of Silicon Valley Bank, the 16th largest US bank in term of assets, occurred. This was the second largest bank failure in US history after the Washington Mutual bankruptcy in 2008. A gradual outflow of deposits, mostly from startups that needed to use their money for their operations in a context of slowdown in venture capital funding, turned into a big run, triggered by the bank's announcement of a recapitalization, after having sold a significant amount of Treasuries and MBS at a loss, to face the liquidity problems it had been suffering. Although it is still too early for a full "autopsy", it is clear that there were major flaws in the bank's risk management, especially the duration risk of its portfolio, and that the bank had a limited liquidity buffer to cover deposit outflows. Although we are still seeing a contagion effect on other regional banks with a similar risk profile, the most problematic being First Republic Bank, the bleeding would have been even greater without the intervention of the government (FDIC, Fed and Treasury). The FDIC created the National Bank of Santa Clara to protect insured depositors and the Fed created an emergency lending program to provide liquidity to banks in need. As a result of the intervention the Balance Sheet of the Fed expanded almost USD 400 bn in two weeks.

The Fed finally raised rates again by 25 bps. In the monetary policy conference, Powell said that the problems in the banking sector were limited to a few institutions and emphasized that the broader financial system was "sound and resilient". The median forecast among members of the FOMC is for one more increase this year. The market now is pricing that we could already be at the terminal rate level or very close to it, and from the June meeting onwards the central bank will soon reverse course and start cutting interest rates. Attention shifted from inflation to the effects that problems in the financial sector could have on economic activity. The market also began to pay more attention to the words of the Secretary of the Treasury. Yellen first stated that the government wasn't considering expanding FDIC guarantees to all bank deposits but the next day she added that the Treasury would be prepared to take additional action if warranted.

Inflation and economic activity

CPI headline numbers came out in line with expectations, with inflation up +0.4% month-on-month and +6% year-on-year. Core prices rose +0.% m/m and +5.5 y/y. Shelter costs, with a jump of +0.8% m/m (+8.1% y/y), keep the CPI at high levels, but analysts expect that they will slow over the course of the year. We previously mentioned that we had another good jobs report in March. Yes, the unemployment rate rose to 3.6%, versus 3.4% expected, but the main reason was an increase in the workforce. Jobs added were 311K, and wages rose only 0.2% in the month, lower than expected, a positive sign for the Fed. We continue to pay close attention to what is happening in the real estate market. Prices had the first yearly decline since 2012 (-0.2% y/y) and now stand -12.3% below their June 2022 peak. Existing home sales jumped 14.5% m/m after a 12-month decline but remain 22% below last year's level.

Financial markets

Rates & Credit: After giving an opportunity to increase duration again, the US 10-year went from 4% at the start of March to a current 3.4%. At the same time we have seen a steepening of the yield curve, with the spread between the 10-year and 2-year rates going from -100 bps to -40 bps. IG and HY spreads jumped 20 bps and 100 bps, respectively, but are still at low levels and we have not seen a significant increase in concerns about increased credit risk.

Equity: Equities have performed positively in recent weeks after a weak February. Growth companies continue to outperform, as they did in January, and are up +16.1% YTD (Nasdaq 100 Index), with value in negative territory so far this year (-4% Russell 1000 Value Index), with the financial sector as the main detractor (-9.89%). We hold our recommendation of a balanced portfolio between Value/Cyclical and Quality Growth companies.

Market outlook – Recommendations & Targets from fundamental analysis

Equities: S&P UNDERWEIGHT- MARKETWEIGHT

Bonds: Govies UNDERWEIGHT. 10Y UST Target 4%

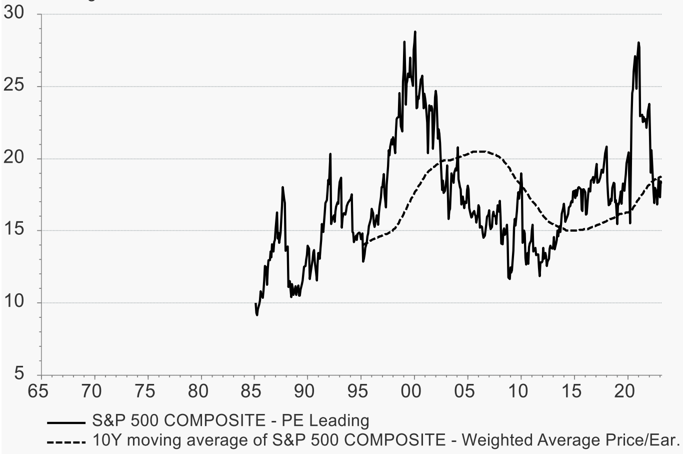
CDX IG: MARKETWEIGHT (Target Spread 100)

CDX HY: UNDERWEIGHT (Target Spread 600)

Forex: DXY index MARKETWEIGHT-OVERWEIGHT

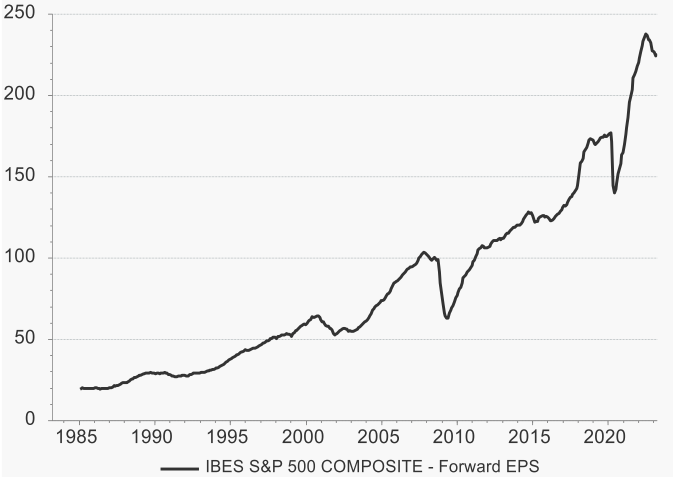
US price-to-earning ratio

Trailing & Forward PE



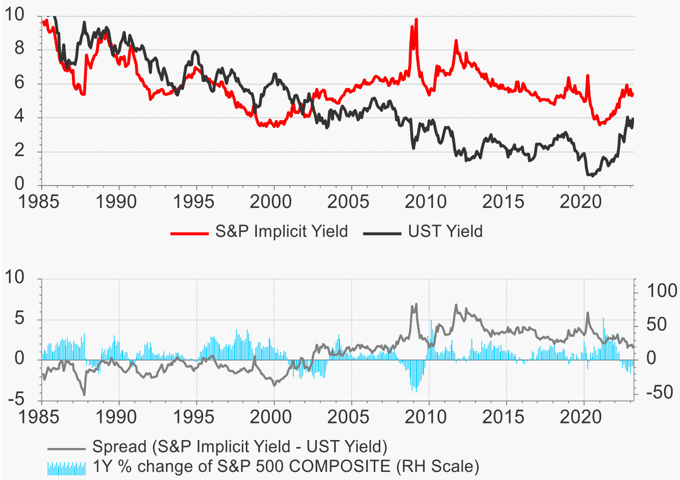
Fuente: Refinitiv Datastream / ANDBANK

S&P 500 - EPS



Fuente: Refinitiv Datastream / ANDBANK

Equity Yield & UST Yield



Fuente: Refinitiv Datastream / ANDBANK

EUROPE

Despite Credit Suisse fall, banks are in better health than in the past to face market disruptions

New forecasts, old assumptions?

The ECB's brand-new estimates could be short-lived as they do not incorporate recent financial instability. They assume a lower general inflation base case, but along with higher core prices pressures (4.6% y/y in 2023, 2.5% y/y in 2024 and 2.2% y/y for 2025). As for growth, GDP forecasts have improved for 2023 at the expense of 2024-2025, showing more optimism than the consensus. Should this new economic framework prove stable, the inflation scenario remains challenging for the ECB.

Recent data and surveys showed a strong labor market and increasing backlogs. As for confidence, despite the ongoing recovery in consumer and service sentiment, things could turn down swiftly, as has been the case with the latest reading for German Economic Sentiment (ZEW). Inflation, as expected, has remained sticky, with pressures mounting from the core side. From March on we should see a significant deceleration for HCIP figures but with underlying pressures remaining.

Amid financial turmoil, what can we expect from the ECB?

The March meeting delivered the expected, pre-announced rate hike, 50 bps, justified by inflation and the SNB backstop regarding Credit Suisse (CS). No other options were discussed and the decision was taken by a large majority. Liquidity instruments are more appropriate for dealing with financial instability, and the ECB has shown its willingness to act if necessary, as in the coordinated move with other central banks in the aftermath of the CS forced sell.

May's decision remains open, with the ECB reinforcing its data-dependency and unwilling to pre-commit. Markets now price less that 25 bps at that meeting, and terminal rate estimates have been revised downwards to around 3.3%. After CS's bailout, the hawks' voices seem more flexible and some doves/moderates have emerged. Despite the ECB's determination against inflation, should instability persist, we think the ECB may opt for lower movements (+25 bps) or a standstill. They are already starting to witness financial transmission in credit (rising borrowing costs, lower demand, tighter credit supply conditions). More is to come, as financial lending conditions are expected to tighten. Bank loans still constitute the bulk of long-term borrowing of euro area corporates. If tensions abate, rate hikes would continue, as inflation remains sticky and high. There is "more ground to cover", in Lagarde's words, regarding inflation. We expect further rate hikes, but the path ahead has become more uncertain and could be slowed down.

Financial Markets: Govies, Corporate Credit & Equity

Govies: A very large and quick change in CB rate expectations has occurred, with short covering having played a role in the rally in bond prices. Big "ifs" regarding financials and ECB rate expectations do affect yield estimates. Should sentiment stabilize and not lead to further uncertainty shocks, we would stick to the scenario of a rates plateau by summer (around 3.5%) and a bund target of 2.5%. But beware that comparable stress episodes show that policy interventions can stabilize sentiment but require time to produce a lasting turnaround.

Corporates: After a positive start to 2023, the events that occurred in the American regional banks and CS have once again added volatility and uncertainty to the markets. Despite the foregoing, European corporate fixed income has proven to be quite resilient, since, despite widening, the spreads of both IG and HY are similar to those at the beginning of the year. With the exception of CS, European banks' balance sheets are much healthier than US regional counterparts. Banks in Europe have Liquidity Coverage Ratios (LCR) of 179% (vs 100% in the US), with a percentage of 60% of covered deposits (with smaller and more diversified amounts) and mark-to-market valuation of debt instruments. We believe that the sector will suffer in the short term and that, although the positive effects of the interest rate rise should continue to be seen, from now on they will be smaller and with higher costs. We maintain a cautious view in the short term, until the situation stabilizes and the latest events are digested. That would mean that our preference would be to invest, in this order, in short-medium duration senior bonds, investment grade and lastly, as something more residual, high-yield bonds, looking for companies with cash generation and healthy balance sheets.

Equity: The European market is still not expensive, with improving expected profits, but after the rise of the last three months we took a defensive position and for the moment we are maintaining this stance, with some reduction of more cyclical names. We remain attentive to see the price action in the following weeks to see if we take a more aggressive positioning.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – Stoxx Europe: UNDERWEIGHT- MARKETWEIGHT

Equities – Euro Stoxx: UNDERWEIGHT- MARKETWEIGHT

Equities – Spain's Ibex: MARKETWEIGHT-OVERWEIGHT

Bonds – Core governments: UNDERWEIGHT (Bund target 2.5%. Buy at 3% yield)

Peripheral – MW IT (4.5%), SP (3.5%), PO (3.5%), IE (3%). UW GR (5%),

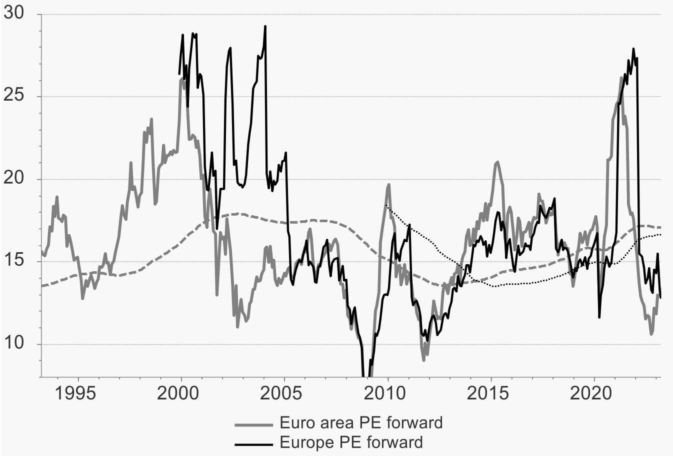
Credit – Itraxx Europe (IG): MARKETWEIGHT (Target Spread 100)

Credit – Itraxx Europe (HY): UNDERWEIGHT (Target Spread 550)

FX – EUR/USD At or below 1.00 sell $ / buy €. At or above 1.10 buy $ / Sell €

Euro area & EU price-to-earnings

Ratio - Forward



Fuente: Refinitiv Datastream / ANDBANK

STOXX 600 - EPS

1Y % Change

Fuente: Refinitiv Datastream / ANDBANK

Euro STOXX banks Index

Fuente: Refinitiv Datastream / ANDBANK

CHINA

Xi Jinping tightens CCP grip. Tensions with the US continue to rise.

Xi Jinping tightens CCP grip in major revamp

President Xi tightened his grip over the government and economy with the biggest revamp in the CCP in years, setting up powerful committees to oversee everything from financial markets to social stability. Authorities from the PBOC said that "China will reduce the number of high-risk institutions to help fend-off systemic financial risks". PBOC also vowed to manage the pace of credit extension and ensure credit growth stays reasonable". Reorganization includes the creation of two separate financial bodies, one to take control of the financial stability committee, previously under the State Council. Another committee will be set up to oversee science and technology.

PBOC: Loan Prime Rate unchanged for seven consecutive months. Need for imminent monetary easing subsided after RRR cut

LPRs were left at 3.65% for 1y and 4.30% for 5y. MLF (Mid Term Lending Facility) rate was also kept unchanged last week, as PBOC opted for a larger-than-expected size to shore up liquidity. Reuters noted that the need for imminent monetary easing subsided after PBOC unexpectedly cut RRR by 25 bps last Friday 17. Some economists still see room for LPRs to fall this year to support lending and lift investor confidence.

US-listed China stocks erase 2023 gains

US-listed China stocks erased all gains for the year, as the rally driven by reopening waned, with sluggish earnings and a lack of policy incentives. Investors' attention turns back to US-China geopolitical tensions and the state's control over private enterprise after Chinese stocks made one of the most crowded trades for hedge funds earlier this year.

China halts GDR approvals, threatening Europe share sale boom and potentially threatening a lucrative series of listings in Europe. Policymakers worry a wave of GDR issuance in Zurich could lead to significant downward pressure on China's stock market.

Bond market intervention: China U-turns on abrupt suspension of bond quotes

Traders were able to access widely used bond price feeds again after an abrupt suspension of the data earlier. At least three data vendors, including Wind, Dealing Matrix, and East Money Information, are showing bond quotes again after regulators told some brokers they could start providing feeds to data platforms. But the most popular, Qeubee, hasn't received approval yet. A halt was ordered by CBIRC to "address data security concerns". Transactions plunged as much as 60% in the past few days as traders struggled to access data.

Economy & Fiscal & REIT sector

China's fiscal revenues fell 1.2% y/y in Jan.-Feb. 2023, despite signs of economic recovery post zero-Covid. Fiscal revenue totaled CNY4.56T in Jan.-Feb., a 1.2% y/y fall, while expenditure reached CNY4.1T, a 7% y/y increase.

State land sale revenue slumped 29% y/y in the first two months, suggesting developers remain cautious even after authorities stepped up help for the sector.

Corporate

Evergrande prepares restructuring agreement for end-March after it won preliminary support from a group of major creditors. The ad-hoc group expects the restructuring to be effective by Oct 1.

Baidu shares rebounded sharply as users told of their experiences with its answer to ChatGPT, called Ernie bot, recouping sharp losses a day earlier when it launched the product, which failed to impress. Baidu said more than 75K corporate users have applied for a trial of an Ernie API developed by Baidu Cloud. Citi analysts said Ernie wasn't perfect, but it could answer the majority of "complicated, or absurd questions" put forward.

Geopolitics: Xi tests new limits of friendship with Putin on state visit to Moscow

President Xi Jinping's first state visit to Moscow in four years is a demonstration of his commitment to President Putin but could also be set to show the red lines in their "no limits partnership". Putin will hope China might pledge material support to help the war in Ukraine, but Xi might remain guarded as Beijing tries to boost trade with Europe. It remains to be seen whether Xi also calls Ukrainian president Volodymyr Zelenskyy after his Russia trip.

In an unusual move, the PBOC echoed President Xi's warning that US is seeking to suppress China, which suggests the bank could be looking for ways to safeguard against possible further sanctions. The PBOC did not elaborate on what measures it could take to protect the economy from US containment, but some analysts suggested they could include stepping up financing support for tech companies, strengthening China's cross-border payment system, and diversifying its $3T forex holdings. Meanwhile, the Biden administration wants ByteDance to divest TikTok to address national security concerns.

Market outlook – Recommendations & Targets from fundamental analysis

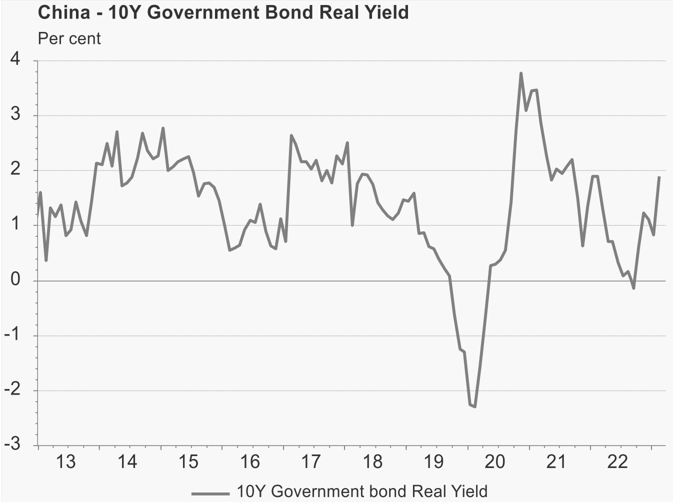
Equities – SHANGHAI Idx: UNDERWEIGHT

Equities – SHENZHEN Idx: UNDERWEIGHT

Bonds – Govies: UNDERWEIGHT (10Y Yield target 2.75%)

Forex – CNY/USD: UNDERWEIGHT (Target 7.50)

Fuente: Refinitiv Datastream / ANDBANK



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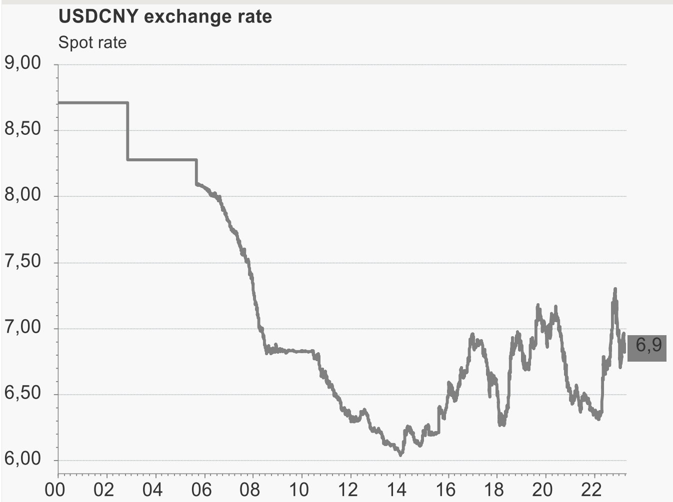


Fuente: Refinitiv Datastream / ANDBANK

JAPAN

Surge in JGBs purchases to defend cap on yields. Infrastructure diplomacy returns to isolate China

Geopolitics: Japan Returns to Infrastructure Diplomacy to Counter China Now that China's OBOR Appears to be Over

Japan plans $75B investment across Indo-Pacific to counter China. Prime Minister Fumio Kishida on Monday announced a new plan to promote an open and free Indo-Pacific, promising billions of dollars in investment to help economies across the region in everything from industry to disaster prevention. Japan pledged $75 billion to the region by 2030 via private investment and yen loans and by ramping up aid through official governmental assistance and grants.

South Korean President Yoon Suk Yeol said on Tuesday he would restore Japan's fast-track trade status after a summit with Japanese Prime Minister Fumio Kishida last week. South Korea and Japan removed each other from the list in 2019 amid a decades-old row over a 2018 South Korean court order for Japanese companies to compensate forced labourers during Japan's 1910-45 occupation of Korea.

US to allow Japan-provided materials in EV tax credit scheme: Washington and Tokyo are preparing to make Japanese vehicles eligible for tax credits in a US initiative for electrified vehicles that use critical minerals from the US or countries that it has free trade agreements with. Under the changes, the US would relax the rules to allow EVs to contain key minerals provided by Japanese companies, such as parts makers, despite Tokyo not holding a free trade agreement with Washington.

BOJ & Monetary Stimulus

BOJ data showed JGB holdings grew to a record 52.02% of outstanding bonds at the end of December, reflecting the surge in purchases to defend its cap on long-term yields. Market share increased further, after topping 50% for the first time in September. BOJ's loss on bond holdings spikes tenfold: Nikkei estimated the BOJ's unrealized losses on JGB holdings came to ¥9.5T ($71.4B) as of December-end. Governor Haruhiko Kuroda told the lower house Budget Committee in February that the unrealized loss was about ¥8.8T at the end of 2022. BOJ announces unrealized gains and losses on JGBs at the end of March and September every year.

Summary of Opinions for the March MPM showed recognition of external calls for policy normalization but argued that risk from a hasty policy change is higher than risk from a delay, as it may threaten improving dynamics conducive to achieving the price stability target. Analysts recall that recent measures to improve market functioning have been effective to a certain extent, though fundamental improvement has not yet been realized. Remains open to additional improvement measures if necessary, including corporate bond and swap markets.

Japan planning to add ¥2T to inflation relief measures. The government is planning to add another ¥2T to inflation relief measures. Bulk of new funding to add ¥1.2T to local government discretionary provisions. Temporary transfer was established in September last year at ¥700B. Local governments encouraged to use funds to reduce burden of LPG (which were not included previously), high-voltage electricity for factories, and support for dairy farmers suffering from rising feed prices. Package also to include ¥500B in special payments of ¥30,000 per low-income household.

Tech sector & Corporates: Japan grants tax exemption to big tech firms

Nikkei reported the National Tax Agency will allow foreign technology companies an exemption for taxes resulting from registering their overseas headquarters in the country. Foreign companies with continuous operations in Japan are required to register their overseas headquarters with authorities. The Justice and Internal Affairs ministries in March 2022 notified 48 foreign tech businesses that they were in violation of this rule. Over 40 companies, including Facebook parent Meta, Twitter and Google, have since registered their headquarters.

Tokyo Electron (8035.JP) announced Monday that it will spend roughly ¥22B ($167M) to build a chip production facility in Oshu, Iwate prefecture in anticipation of renewed demand from the semiconductor industry. This will be the company's seventh production facility in Oshu. The addition is expected to expand production capacity for chipmaking devices by 50% when construction is completed in the fall of 2025. This will raise capacity by as much as double the original scale.

Honda set to debut e-motorcycles for Japan's mass market as early as 2023 under plans to release at least 10 such models worldwide by 2025. Honda aims to boost global sales to 1M units by 2026 and 3.5M units by 2030, the latter being a more than 20-fold jump from 2021.

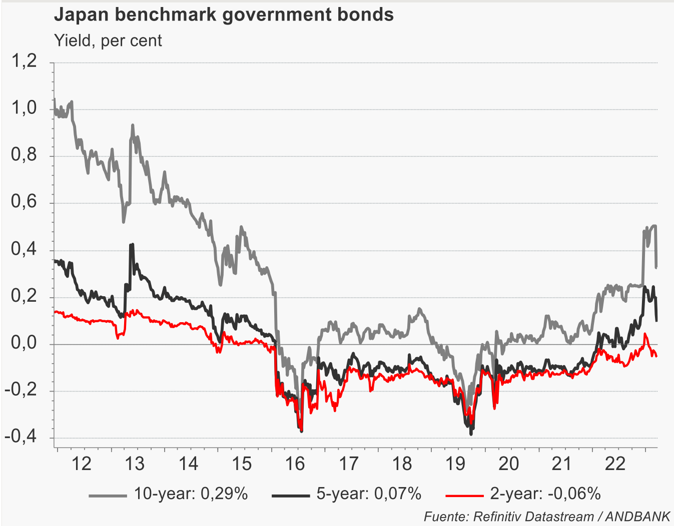
Maxell to mass produce all-solid-state batteries for factory robots: An alternative to lithium-ion batteries for powering industrial robots will go into mass production this summer in Japan, with Maxwell (6810.JP) planning to mass-produce the world's first high-power, all-solid-state batteries for industrial machines.

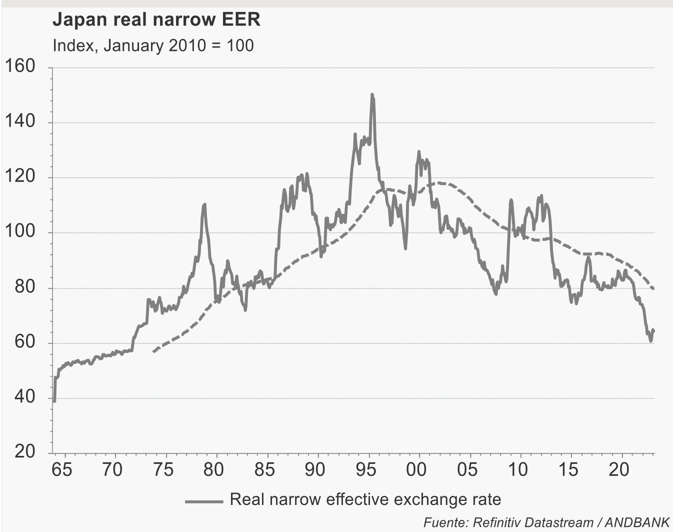
Market outlook – Recommendations & Targets from fundamental analysis

Equities – N225: OVERWEIGHT

Bonds – Govies: UNDERWEIGHT (Target yield 0.75%)

Forex – USD-JPY: OVERWEIGHT. JPY (Mid-term target 112)





INDIA

India tipped to join pivotal JPMorgan bond index. GDP Growth expected to remain robust in FY24

Favorable Macro Outlook

Exports of goods and services as a share of GDP have been highest since FY16 in H1 of FY 22-23. FDI flows into the pharma industry have grown four times in FY 22. India enters the top 40 innovating countries for the first time in 2022 as per Global Innovation Index. India's rank has improved from 81 in 2015 to 40 in 2022. India is now the most innovative country in the lower middle-income group, overtaking Vietnam (48th) and leading Central and South Asia. GDP forecast for FY24 to be in the range of 6-6.8% in real terms (11% in nominal terms). Exports (in electronics & mobile phone segment) are to rise nearly threefold. India has become the second-largest mobile phone manufacturer globally, with the production of handsets going up from six crore units in FY15 to 31 crore units in FY22. These numbers are expected to improve as more domestic and global players set up and expand their bases in India (noteworthy example of China-Plus One Strategy).

Indian Equity Market Outlook

India's macro economic parameters are in the healthy zone: FX reserves at $600 billion, twin balance sheet problem significantly resolved, and supply-side initiatives likely to enhance productive capacity. GST collections display healthy trend; disinvestment making progress; positive outlook for government capex. The risk to earnings estimates on account of inflation, higher rates, margin compression and potential softening of demand is partially offset by commodity business profits. Valuations for large-caps now in the comfort zone, both on trailing and forward earnings. After the correction, the India Sensex trades at 18.4x FY23E, at its 10-year average. Having said that, markets NEVER stay at averages (they tend to overshoot on the upside and will sure undershoot on the downside). In that context we would still prefer large-caps vs mid-cap.

India's share in world market cap at 3.1%, above historical average of 2.5%. India among the top five contributors to world market cap. Corporate earnings continued to remain healthy in 2022. While aggregate growth appeared impressive, it was driven by only three sectors: BFSI, O&G, and Metals. These three sectors, jointly with IT, accounted for 90% of incremental earnings YoY. The adverse macroeconomic backdrop, with heightened worries on rising interest rates, elevated crude oil prices and liquidity tightening, has kept the market volatile and jittery. Banking sector has witnessed credit growth of early double digits after a long time and that could be the catalyst which the sector was looking for to turn its underperformance around. If the global economy slows down, as the IMF projects, then commodity prices should retreat on the back of the monetary tightening that took place in 2022. The baseline assumption is that inflation should not be as big a problem as it was in 2022. Difficult to predict oil price, RBI takes a number below $100 a barrel. India can live with that number and be able to achieve the growth rates projected in their official surveys. Recovery of economy is complete; hence, we don't have to speak of pandemic recovery anymore but have to look ahead to the next phase. The reforms of the last eight years mean India will perform better in this decade.

India tipped to join pivotal JPMorgan bond index

Although in 2022 JPMorgan temporarily refused to include India in a widely followed bond index until at least the next year, JPMorgan continues sounding out big investors on adding India to its widely tracked emerging-market bond index, setting the stage for tens of billions of dollars of inflows as the country's domestic market opens up to foreign capital. A decision to add Indian debt to one of the bank's flagship indices would mark a turning point for global investor exposure to the world's fifth-largest economy and the fruition of years of discussions between the Indian government, index providers, and investors. The consultation with asset managers comes as a growing chorus of investors and analysts are tipping India's sovereign bonds for inclusion in the influential benchmark. We think there is now a momentum from the investor side for inclusion, and the Indian government's wariness of hot money flows — which can quickly move into and out of markets — has also been allayed. The government has been convinced that funds coming in through indexes are stickier than initially thought. It's a win-win for everyone if they can make it work and the incentives are now more aligned for this to happen, so it becomes a matter of time, in our view. Forecasts are that about $270bn of so-called fully accessible route (FAR) sovereign bonds traded in India's local market would become eligible for the GBI-EM index by 2023, and that the country would represent about a tenth of the overall benchmark upon its inclusion. That would prompt around $30bn of passive inflows, helping India to finance its fiscal and current account deficit. India is not included in most other major bond indices, such as Bloomberg's Global Aggregate index or the FTSE Emerging Markets Bond index. FTSE Russell placed Indian government bonds on a watch list for possible inclusion in early 2021 but said in March that that status remained unchanged — although it is scheduled for another assessment. The Reserve Bank of India introduced FAR bonds in March 2020, allowing foreign financial institutions to invest in rupee-denominated bonds without restrictions for the first time.

Market outlook – Recommendations & Targets from fundamental analysis

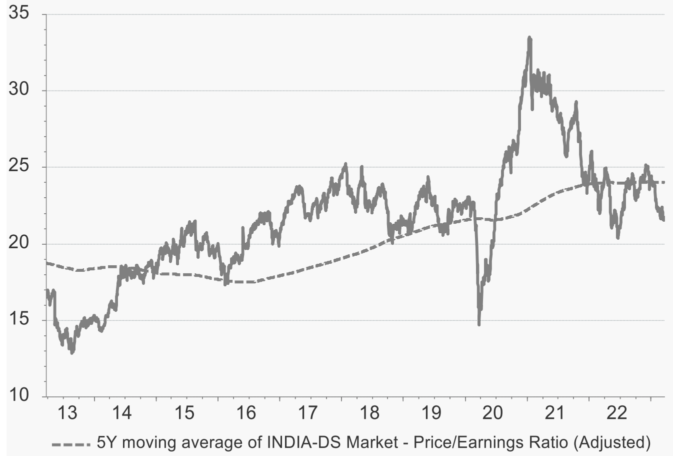
Equities – SENSEX: OVERWEIGHT

Bonds – Govies: OVERWEIGHT (Target yield 7.0%)

Bonds – Corporates: OVERWEIGHT

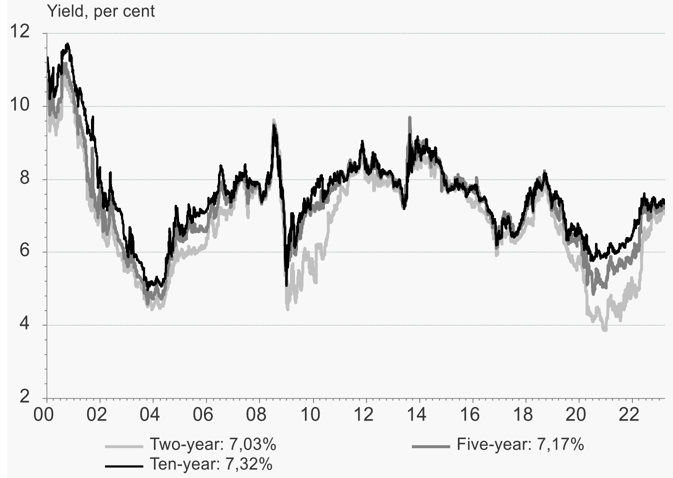
Forex – INR/USD: NEUTRAL (Target 84)

India Datastream index Price Earnings Ratio
Ratio



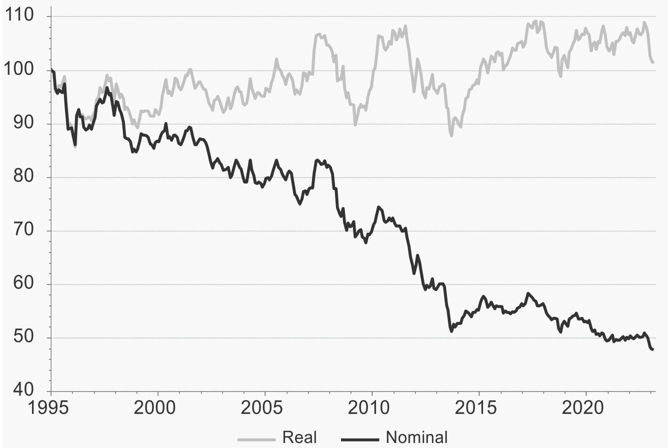
Fuente: Refinitiv Datastream / ANDBANK

India benchmark government bonds
Yield, per cent



Fuente: Refinitiv Datastream / ANDBANK

India broad effective exchange rates
Index, January 1995 = 100



Fuente: Refinitiv Datastream / ANDBANK

VIETNAM

PM says the government is developing new policies in line with the global minimum tax and on the principle of creating a favorable investment environment in Vietnam

Current Sentiment

Thanks to the boost from foreigners, as Fubon (the new ETF that invests in the constituent stocks of the underlying index) continued to make inflows throughout the month, local investor sentiment improved slightly in the second half of the month (although still 10.5% below the one-month average, as investors are still waiting for the Fed meeting before becoming more active). Notably, VHM (an important Vietnam-based company operating in the residential real estate industry) was up 17% in the month, making it the biggest contributor to the VN Index, as news articles continued to report a deal between VHM and CapitaLand of Singapore for several projects valued at approximately USD1.5 billion. Other good news related to the Vietnamese real estate sector was that some developers successfully kicked off new bond issuance valued at VND16 trillion over the past 2 weeks. At the same time, Hung Thinh Land has reached an agreement with bondholders to delay payments on VND900 billion worth of bonds for another 6 months.

Clear strengthening of trade between China and Vietnam

As bilateral trade between Vietnam and China jumped to USD234.9 billion last year, Vietnam has become China's biggest trading partner among the 10 ASEAN countries and its sixth-largest partner in the world. On March 18, the Ministerial Dialogue between Chinese and Vietnamese State Assets Supervisors was held in Beijing. In recent years, leaders of China and Vietnam have reached a series of important consensuses on cementing traditional friendship, strengthening strategic communication and deepening mutually beneficial cooperation, providing crucial guidance for the two countries in deepening bilateral relations and charting the course for the two countries to strengthen exchanges and cooperation in the field of SOEs and state assets. Chinese central SOEs and Vietnamese SOEs have carried out a series of win-win cooperation projects in energy and telecommunications infrastructure, on a market economy basis, with remarkable outcomes achieved.

Vietnam takes step towards global minimum tax to boost investment

Vietnam has for years been pursuing a range of fiscal policies aimed at luring foreign investments into the economy by offering tax relief and incentives, while more than 130 countries, representing around 90% of global gross domestic product (GDP), backed a deal in 2021 to prevent global companies from excessively accumulating wealth with a global minimum tax of at least 15%, which it would apply to companies with annual revenues greater than USD800 million. The minimum tax rule is effective from 2024 and when it comes into force, tax incentives would no longer give Vietnam a competitive advantage in attracting foreign investment, forcing Vietnam to change the way it attracts foreign investors. On the positive side, low taxes are not the only instrument that governments use to stimulate economic growth, as foreign investors consider many other factors, including business environment and market growth potential. About 70% of respondents surveyed by the European Chamber of Commerce said Vietnam could increase foreign investment inflows by reducing roadblocks in administrative procedures, 53% suggesting infrastructure improvements, 35% calling for skilled personnel and 47% looking towards lower visa barriers for foreign experts. Prime Minister Pham Minh Chinh said at a business forum last weekend that the government is developing new policies, scheduled for completion this year, in line with the global minimum tax and aimed at creating a favorable business and investment environment in Vietnam.

Foreign direct investment disbursements in the Southeast Asian country rose 13.5% to USD22.4 billion in 2022 from a year earlier (although investment pledges were down 11% at USD27.72 billion). Vietnam is targeting GDP growth of 6.5% for this year, after growing at the fastest pace since 2011, at 8.02%. It is worth noting that Vietnamese external gross trade has jumped to represent almost 200% of GDP (a decade ago it was 120% of GDP), and its trade balance with the US is growing at an astonishing 45% annual pace, reaching a monthly figure of USD11 billion. Thus, it seems indisputable that the economy is flying high, just as it seems indisputable that it will continue to fly high, with average GDP growth of 7-8% per year for the next few years (even higher than India) and with a positive medium-term outlook assigned by international credit-rating agencies.

The outlook for the Vietnamese stock market is also positive in the long term because the VN Index is undervalued compared to other markets in Southeast Asia. The nine-month pretax profits of the 200 largest firms in the market rose by 22% year-on-year and most listed firms are projected to grow by 20% in profits next year.

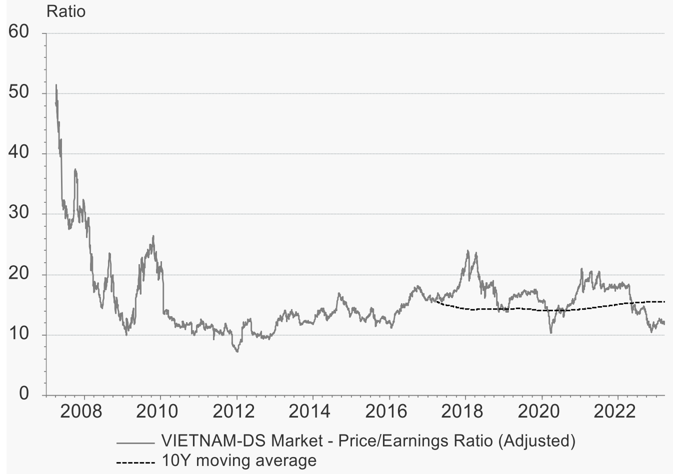
Update on USD interest rate cap

Following up on last week's Vietnam Business Forum, some economic chambers proposed that the central bank (SBV) remove the USD deposit caps, which have been kept at 0% since Dec 2015. Back in 2015, the SBV had reason to slash the rate to 0% in order to avoid a dollarization-type situation and maintain the stability of the exchange rate. Given the dynamic of the present situation, the SBV might want to consider this option as a good way to avoid the possibility of an undue degree of USD outflows stemming from foreign companies.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – VNI Idx: OVERWEIGHT

VIETNAM - Datastream index Price Earnings Ratio

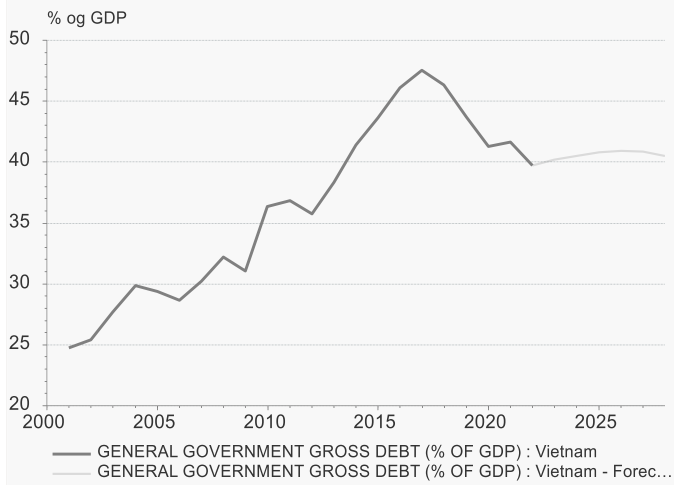


Fuente: Refinitiv Datastream / ANDBANK

Vietnam CPI

Fuente: Refinitiv Datastream / ANDBANK

Vietnam - General Government Gross Debt



Fuente: Refinitiv Datastream / ANDBANK

MACRO ECONOMY

ISRAEL

Judicial reform still top of the news. Economy is on hold

Politics

The legal reform continues to be the most significant factor affecting not only the political arena but also the economic outlook. As the accelerated legislative process continues, the protests against the reform have also intensified, led by secular Israelis of the center and left, arguing that the reform would undermine the country's democracy. The reform program is made up of three main initiatives: i) Limiting judicial review of legislation; ii) Allowing Parliament to override judicial reviews of legislation; iii) Changing the way judges are chosen.

Criticism and calls for dialogue come not only from the opposition but also from the official front. The right-wing newspaper, *The Jerusalem Post*, in its editorial said that the government needs to stop the initiatives and start a dialogue with the opposition. The government is also being pressured by the United States. President Joe Biden, in a call with Netanyahu, said that "democratic societies are strengthened by genuine checks and balances, and that fundamental changes should be pursued with the broadest possible base of popular support," according to a statement released by the White house. He also "offered support for efforts underway to forge a compromise on proposed judicial reforms consistent with those core principles."

Inflation and Monetary Policy

Quite unusually, in an interview with CNN, the governor of the Bank of Israel, Amir Yaron, voiced his concern about the effect of the reform of the judicial system on the economy and claimed that it was necessary to achieve an orderly and broadly agreed process, so that the flow of investments can resume, especially in the technology sector. At the same time, the Ministry of Finance's research department published an analysis that predicts that the Israeli economy could lose about 0.8% of GDP per year, amounting to about 170 billion dollars over the next five years.

Inflation still shows no signs of calming down and the latest CPI rose 0.5% m/m (+5.2% y/y), above expectations (0.3% m/m), remaining well above the government's price target range of between 1% and 3%. Therefore, we expect that the Bank of Israel will continue its tight monetary policy and forecast that the interest rate will rise by at least 0.25% (today at 4.25%).

In light of this, we continue to recommend keeping a very short duration in the bond portfolio. It should be remembered that, despite all the above, the slope of the Israeli curve is still inverted and due to the increase in the risk premium, we believe that as long as the long end does not provide adequate compensation for the risk, duration should be not more than two years.

Fixed Income and Stock Market

The most significant increase in risk premium was seen in the bond market. The yield on Israel's ten-year bond traded before the elections last November at 0.4% below its peer in the US. As of today, the difference has reversed and Israel's ten-year bond is trading at a yield of 3.89% compared to the US's 3.58%. There has never been such a sharp relative increase in yields. Now, government debt is trading a notch below its A+ credit rating. Moody's and Fitch warned of risks to Israel's debt rating and economic prospects from the changes the government is pushing.

During the last month the Tel Aviv 125 index dropped by 2%. It should be noted that although most of the world's markets performed badly, the Israeli market has underperformed most developed markets YTD. However, a deeper examination reveals quite large differences between sectors. Bank stocks continued to outperform compared to the other sectors and rose by approximately 2.25%, after posting impressive financial reports, driven mainly by the large contribution of the high interest rate to banks' profits. On the other hand, real estate stocks continued their weak performance, losing 3% during the last month and 11% since the beginning of the year. The rise in interest rates, coupled with the sharp rise in apartment prices, is beginning to make its mark on the industry and it seems that the slowdown has also reached the real estate industry, especially the residential housing sector. We believe that the above factors will continue to weigh on the industry and so we avoid it.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – TLV35 Index: MARKETWEIGHT

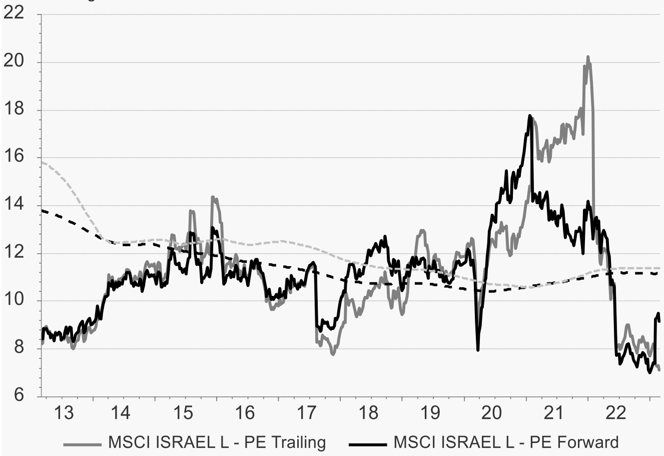
Bonds – Government–10Y Gov: UNDERWEIGHT

Bonds – Corporates: MARKETWEIGHT

FX – ISL vs USD: Neutral in REER

Israel price-to-earning ratio

Trailing & Forward PE



Fuente: Refinitiv Datastream / ANDBANK

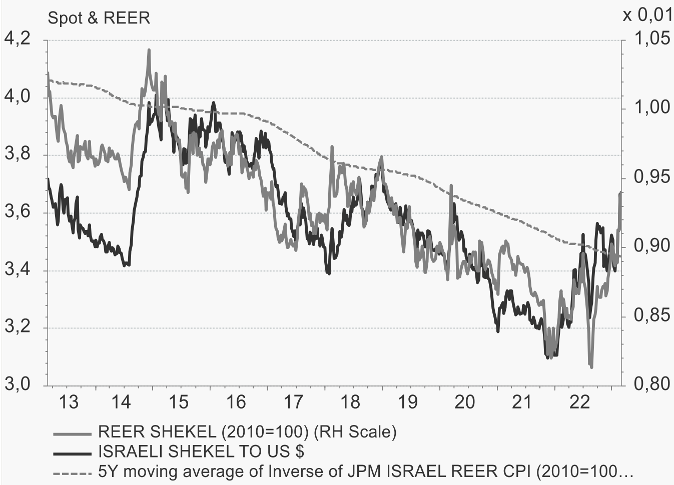
ISRAEL GOVERNMENT BMK REAL & NOMINAL YIELD 10Y

Local currency

Fuente: Refinitiv Datastream / ANDBANK

Israel Shekel

Spot & REER



Fuente: Refinitiv Datastream / ANDBANK

BRAZIL

Fiscal framework: the main local driver of risky assets in the near future

Brazil's new fiscal framework is upon us

When Fernando Haddad took office, he knew the importance of the government's proposal for the new fiscal framework, given that the old framework, approved during the transition government of President Temer, to all intents and purposes had been ignored. His first indications were that he would have the framework, involving a change to the constitution in Brazil, approved before August 31, the deadline for delivery of the 2024 budget to Congress. As pressure mounted over the weeks, he changed the target date to June, April and finally March. As we write, details are still being discussed with President Lula, but parts of the proposal have been leaked to the press. The project has been shown to Simone Tebet, Planning Minister, Geraldo Alckmin, Vice-President and Industry Minister, and Roberto Campos Neto, Central Bank President. Their reaction is one of satisfaction with what they were shown.

The previous framework was somewhat simple. In 2016, a debt ceiling was established. That ceiling would be readjusted by 12-month accumulated inflation of the previous year. It held up for a while, but when the pandemic hit in 2020 and the entire world went into fiscal and monetary stimulus mode, Brazil did the same, using a provision in the original project that, in an emergency, the debt ceiling could be waived, which is what happened in 2020. However, the aftermath of the pandemic, with new variants and supply chain disruption, continued to be considered an emergency, and the debt ceiling has not been respected since.

President Lula, during his campaign, advocated that the debt ceiling was a bad piece of legislation and that he would put in place a better framework, hence the agony of the market to understand where Brazil is going in terms of a fiscal anchor that would tame fiscal worries in the future. What we know so far is that there would be a debt ceiling based on GDP per capita. In years in which GDP per capita rises, the government would have to slow public spending to save money, which would be spent in years when GDP per capita is falling. Additionally, some fixed government expenses, such as education and health, which have their minimum levels set by the constitution and so are not maneuverable via the budget, would not count against the debt ceiling.

There are a lot of pieces missing in the puzzle, and there is still a lot of negotiating to be done before the final piece is cut-and-dried. Lula himself has asked for a few more days to think about the proposal before allowing it to be sent to Congress, where it will be scrutinized and negotiated, leading to two voting sessions in the lower chamber and then two voting sessions in the Senate before it passes into law.

What is the market reaction likely to be?

The first reactions are still of skepticism. Although the market seems almost surprised by the quality of the debate, which could have been much worse, it is still unconvinced that the proposal can be implemented. We have discussed previously that there is a lack of faith in Fernando Haddad's ability to show a strong hand when dealing with the wishes of Lula or the Workers' Party (PT).

Our view is that if Haddad is able to surprise the market with a framework proposal any better than expected, there could be a rapid correction in rates. Otherwise, markets will probably continue navigating the international scenario, which is challenging for Brazil, to say the least. In a second stage, if the government shows it is able to actually implement and respect that framework, then we should see a repricing of all risk assets in Brazil, including the stock market. As we said before, by not following that path Haddad would be running the risk of losing his position too soon and pretty much destroying his chances of being a candidate in 2026.

Inflation and Monetary Policy

The Central Bank left the benchmark rate (Selic) unchanged at 13.75%. Also, the tone of the monetary policy statement was more hawkish than expected. The decision was made despite the pressure from President Lula and other members of the PT to reduce borrowing costs. Lula said that Campos Neto, Central Bank President, was being irresponsible in holding rates at current levels and that he also needed to take care of employment and people's income, which are also part of the Central Bank's mandate. The problem is that, despite the fact that inflation has dropped recently (+5.6% y/y vs + 5.77% y/y in January), underlying inflation remains higher than would be consistent with the Central Bank target, and inflation expectations rose further recently, especially long-term forecasts.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – iBovespa: MARKETWEIGHT

Bonds – Govies Local: OVERWEIGHT (Target yield 13.75%. Spread 950)

Bonds – Govies USD: UNDERWEIGHT (Target yield 7.50%. Spread 325)

FX – BRL/USD: MARKETWEIGHT (Mid-term target 5.25)

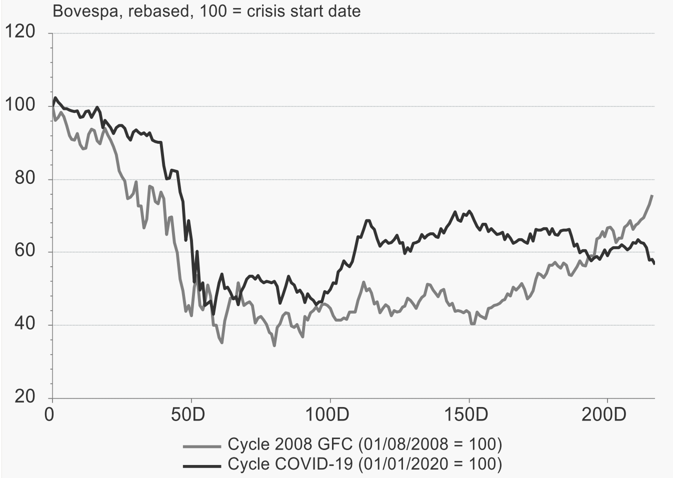
Brazil MSCI Index price-to-earning

Trailing & Forward PE

Fuente: Refinitiv Datastream / ANDBANK

Brazil equities (USD), 2008 vs 2020

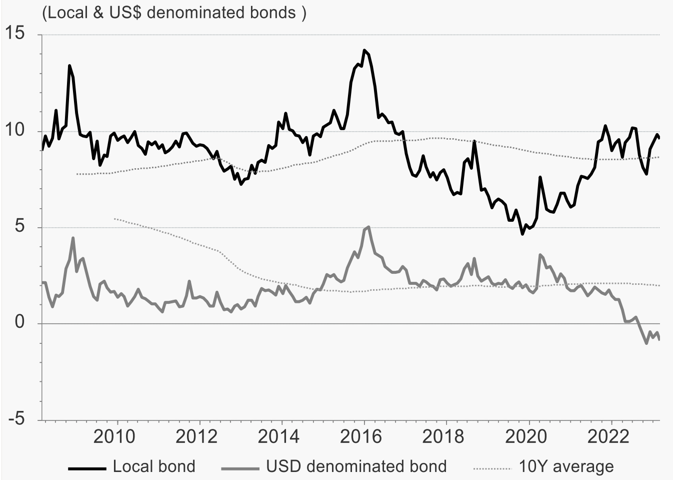
Bovespa, rebased, 100 = crisis start date



Fuente: Refinitiv Datastream / ANDBANK

BRAZIL - SPREAD 10Y GOV BOND vs UST

(Local & US$ denominated bonds)



Fuente: Refinitiv Datastream / ANDBANK

MEXICO

Inflation continues to drop but the core remains far from the Central Bank's target

Central Bank

After the Fed's 25 bps hike at its last meeting, the Mexican Central Bank (Banxico) is expected to increase the local reference rate by a similar amount. The inflation numbers have also provided positive news that could prompt Banxico to consider a smaller hike than in the last meeting (+50 bps). That last move took the rate to 11% and in its monetary policy statement Banxico left the door open for more increases but explicitly stated that if conditions continued to improve, the rate would be increased by a smaller amount. The market has modified its outlook for the terminal level in this tightening cycle, with a move of only 25 bps between March and August (hitting 11.25%, previously 12%). For the end of the year, decreases in the rate are expected to conclude at a level of 10.50%.

Inflation and activity

In the first half of March, inflation eased more than expected. CPI rose +7.12% y/y, compared with +7.48% y/y at the end of February. Core inflation also decreased (+8.15% m/m vs +8.21% m/m) but is still running at very high levels and has been the main focus of attention for Banxico. Inflation now is forecasted to reach 5% by the end of this year, 70 bps above the forecast at the end of last year. For core inflation the estimates for the next eight quarters have also been raised and the rate is now expected to end the year at 5%. Convergence to the central bank's long-term goal (3%) is not anticipated until the end of 2024 or the beginning of 2025. Economic growth in 2022 reached 3%. The estimate for 2023 has been reduced to levels below 1%. In recent data, although industrial production has moderated, its growth continues to be driven by manufacturing.

Politics

We highlight the federal government's plan to present a bill to reform the electoral authority, seeking to reduce its budget, a measure that was already included in the 2023 economic package that was presented in Congress in December and was approved, with many reservations, in the Senate. The new initiative involves the dismissal of workers specialized in electoral matters and the early removal of the President of the Instituto Nacional Electoral (INE). A key point of the reform is INE governance, as the General Executive Board (JGE), the body that sets guidelines for budgeting and electoral organization, would be abolished and replaced by an Administrative Commission with five directors.

In other relevant news, the disagreements on trade issues under the US–Mexico–Canada Agreement (USMCA) were not resolved with the visit of Justin Trudeau and Biden to Mexico for the Summit of Latin American Countries. Despite the fact that the political affinity between the President of Mexico and the President of the United States is greater today than when Trump was in power, the possibility cannot be ruled out that the US will seek to start a new dispute with Mexico for anti-competitive practices after the approval of measures implemented to reverse the 2013 energy reform. The Mexican government seems to have everything to lose and, as punishment, could face increases in tariffs or compensation to the affected companies. During the summit it was confirmed that Mexico and Canada won the dispute against the US over rules of origin in the automotive sector, which is great news for the export of automobiles to the American Union. We have seen a growing flow of FDI to sectors that could benefit from nearshoring, with the prospect that the commercial and diplomatic distance between China and the US could favor the Mexican export sector. The announcement of a future Tesla investment in a production plant in Monterrey emerges as one of the main examples of this trend.

Financial markets

Equity: We continue to see attractive valuations relative to their history, finding companies with growth opportunities at discounts to value. Company reports reveal a certain resilience, but this does not seem to be a sufficient argument for a change in risk perceptions that might allow multiples to expand. Our twelve-month target for Mexbol is 59,000 points.

Fixed Income & FX: We maintain our spreads for 12-month MXN and USD-denominated debt at 500 bps. In both cases, we expect the short-term differential to remain throughout 2023, even if there is a decline in the rate of both the FED and Banxico.

The peso continues to be one of the strongest currencies against the dollar, although global risk aversion has recently brought it to levels close to 19. Estimated 12-month target around 20.00.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – Mex IPC: OVERWEIGHT

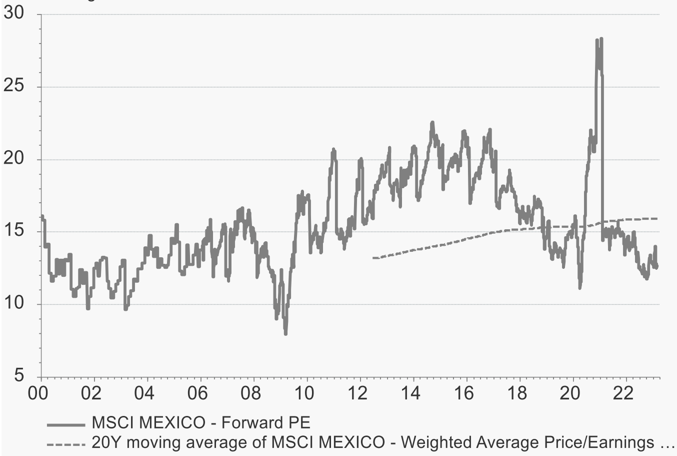
Bonds – Govies Local: OVERWEIGHT (Target yield 9.25%. Spread 500)

Bonds – Govies USD: UNDERWEIGHT (Target yield 6.15%. Spread 200)

FX – MXN/USD: UNDERWEIGHT (Mid-term target 20)

Mexico MSCI Index price-to-earning

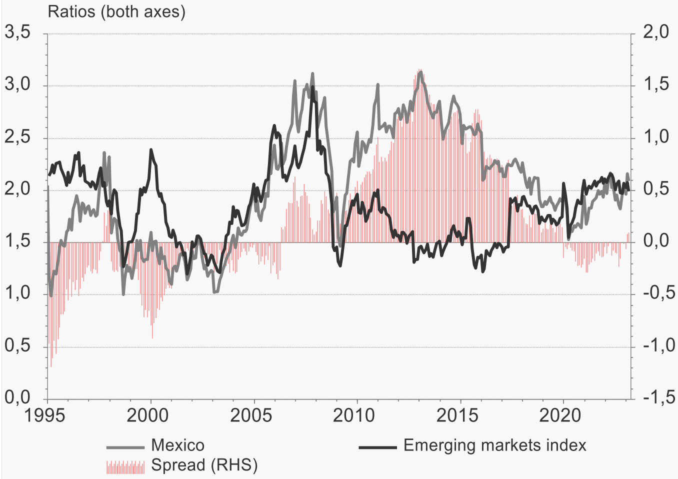
Trailing & Forward PE



Fuente: Refinitiv Datastream / ANDBANK

Mexico price-to-book ratio

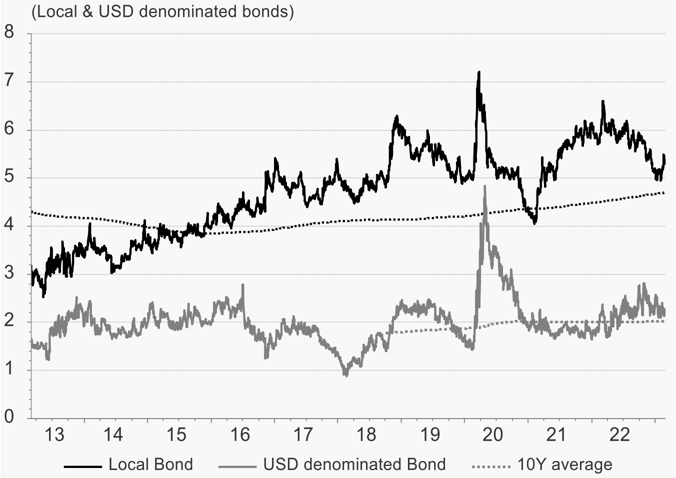
Ratios (both axes)



Fuente: Refinitiv Datastream / ANDBANK

MEXICO - SPREAD 10 GOV BOND vs UST

(Local & USD denominated bonds)



Fuente: Refinitiv Datastream / ANDBANK

ARGENTINA

The favorable electoral driver dissipates, displaced by the disastrous economic situation

Politics: Macri will not be a candidate for President

Through a video uploaded to the YouTube platform, former President Mauricio Macri announced that he will not be part of this year's presidential race. It is therefore almost a certainty that we will see an internal election within the main opposition coalition, *Juntos por el Cambio*. The major of the City of Buenos Aires, Horacio Rodriguez Larreta, launched his presidential run and stated that he is willing to go to an internal election if necessary. Patricia Bullrich, Minister of Security during the presidency of Mauricio Macri, is currently emerging as the main contender in a possible internal election.

On the ruling coalition side, the main unknown remains whether VP Cristina Fernandez de Kirchner (CFK) will again run for president (she held office between 2007 and 2015). The social leader of the extreme left, Juan Grabois, presented his candidacy for president. At the same time, Grabois clarified that he may withdraw his candidacy if CFK or another leader of Kirchnerism, such as Axel Kiciloff or Wado de Pedro, decided to join the presidential race. Finally, the polls continue to show growth in the candidacy of Javier Milei, who heads the right-wing party *La Libertad Avanza* (LLA).

The National Electoral Chamber defined the electoral schedule, the first relevant dates being June 14, which is the deadline for presenting electoral alliances, and June 24, which is the last day for submitting presidential candidacies. The mandatory primary elections will be held on August 13 and the national ones on October 22. If necessary, a run-off between the two main candidates will be held on November 19.

Last but not least, in view of the impact of the drought on exports, Argentina agreed with the IMF a reduction in the FX reserve accumulation target for 2023, while maintaining the other targets, including the 1.9% of GDP for the fiscal deficit, despite the fact that the drought is also going to severely affect tax revenue, given that in Argentina a significant part of revenues come from export duties on agricultural products (forecasted to drop to 0.4% of GDP). Argentina will very likely have to resort to waivers in subsequent IMF reviews.

Local Debt & Weather: No hopeful signals

The Argentine Treasury carried out an exchange of its debt in Argentine pesos, with the aim of extending the maturities of debt that expires between March and June this year. The government aimed to exchange a maximum of ARS 8.4 tn (USD 21 bn) but reached a participation rate of 57% (ARS 4.8 tn or USD 12 bn). Half of the bondholders who redeemed their notes opted for the basket composed entirely of inflation-linked bonds, while the other half opted for a combination of inflation-linked bonds and dual bonds (investors can choose between CPI or dollar-linked). Maturities of the new bond extend between April 2024 and February 2025. The government is expected to have to carry out another exchange in the near future, since approximately ARS 4 tn of debt matures in 2H23 and there are still ARS 3 tn of bonds maturing in 2Q23, almost all of them with private holders.

The historical drought in Argentina led to a further slash in forecasted production, with the Rosario Stock Exchange now expecting a soybean harvest of 27 million tonnes (vs 34.5 in January), making this the worst harvest in the last 15 years (worse even than the 31.8 million tonnes of 2008/09). In a normal year, production is between 40 and 55 million tonnes. Current estimates are that total losses for national economic activity could reach USD 19 billion (approximately 3% of GDP).

Inflation: Getting hotter

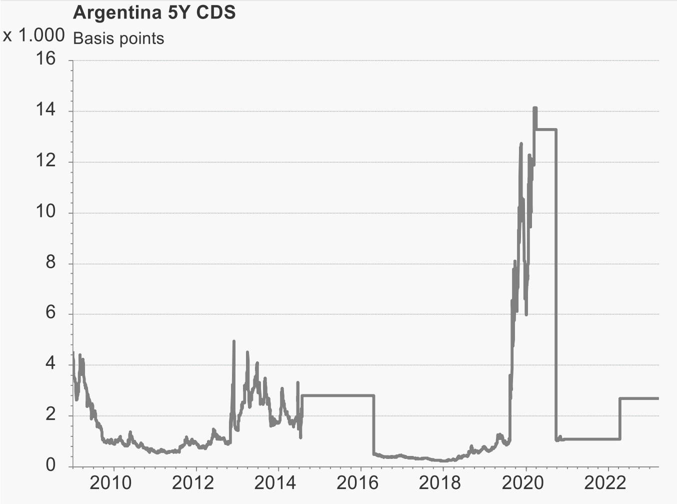
Consumer prices rose by 6.6% m/m in February, well above expectations (6.1% m/m) and the January mark (6% m/m), with 12-month inflation reaching 102.5% y/y, the first time it has hit triple figures since a period of hyperinflation in 1991. What is more worrying is that this increase occurred in a month in which the increases in regulated (+5.1% m/m) and seasonal prices (3.3% m/m) were significantly below headline CPI, which was pushed up by core prices (+7.7% m/m). Foods and non-alcoholic beverages jumped 9.8% m/m, pushed by the increase in the price of meat (+19% m/m) as a consequence of the drought the country is suffering. It is forecasted that March inflation may be above 7% m/m and that this year's annual inflation is unlikely to be below 100% y/y.

The central bank decided to hike its reference rate by 300 bps, from 75% to 78%, breaking out of its policy hold since September 2022. The effective annual rate now stands at 113.3%, above the inflation rate.

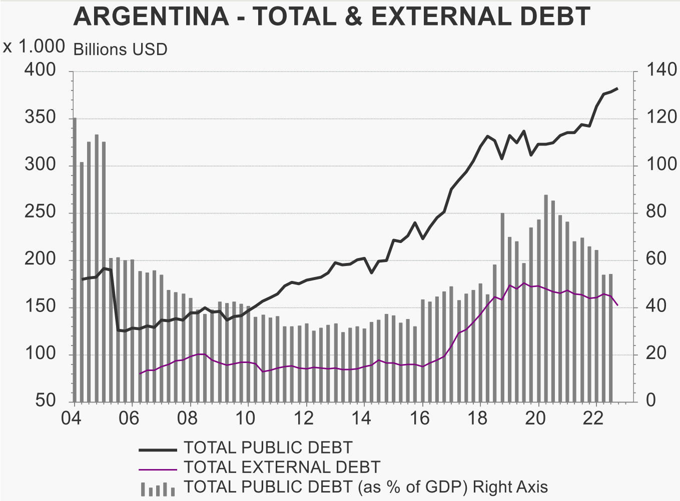
Market outlook – Recommendations & Targets from fundamental analysis

Bonds – 10YGov USD: NEUTRAL

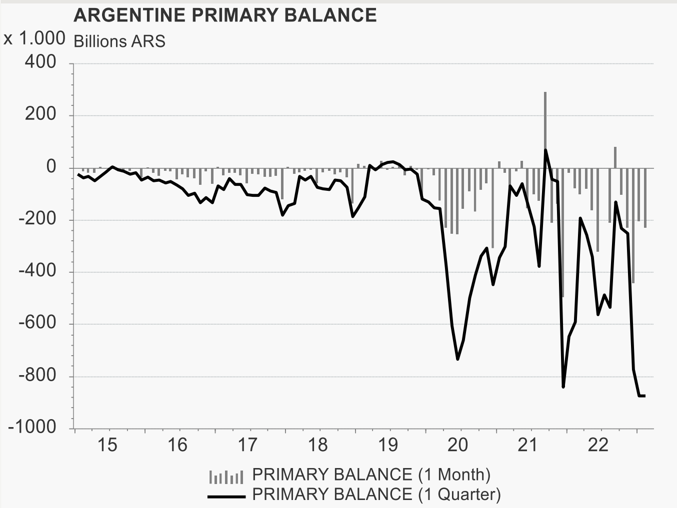
FX – USDARS: NEGATIVE (2023 year-end target 370)



Fuente: Refinitiv Datastream / ANDBANK



Fuente: Refinitiv DatastreamThomson Reuters Datastream / ANDBANK



Fuente: Refinitiv Datastream / ANDBANK

GLOBAL EQUITY INDICES

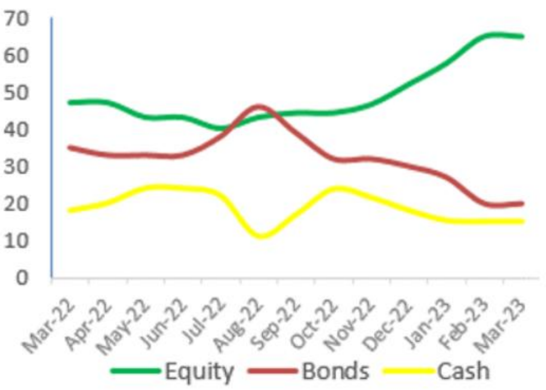
Fundamental assessment

Index	Final EPS 2022	Projected EPS 2023	Projected EPS Fw 12 months	Projected EPS Growth 2023	E [PE] ltm At year end	INDEX CURRENT PRICE	Potential Price	E[Perf] to potential price	Recommended Strategy	Suggested Exit Point
USA S&P 500	225,0	220,0	225	-2,2%	14,50	3.971	3.267	-17,7%	UW-MW	4.247
Europe - Stoxx Europe 600	32,0	32,5	32,5	1,6%	12,00	448	390	-13,0%	UW-MW	468
Euro Zone - Euro Stoxx	29,0	31,0	31,0	6,9%	12,00	446	372	-16,7%	UW-MW	446
Spain IBEX 35	745,0	800,0	812	7,4%	11,00	9.027	8.933	-1,0%	MW-OW	9.826
Mexico IPC GRAL	3.780	4.225	4.219	11,8%	14,00	53.209	59.066	11,0%	OW	64.972
Brazil BOVESPA	17.816	17.816	17.816	0,0%	6,00	101.185	106.896	5,6%	MW	117.586
Japan NIKKEI 225	1.845	1.885	1.895	2,2%	15,50	27.884	29.367	5,3%	OW	32.304
China SSE Comp.	275,0	315,0	315	14,5%	9,50	3.240	2.993	-7,6%	UW	3.292
China Shenzhen Comp	101,0	132,0	132	30,7%	15,00	2.103	1.980	-5,9%	UW	2.178
India SENSEX	2.680	3.151	3.265	17,6%	21,00	57.960	68.564	18,3%	OW	75.420
Vietnam VN Index	100,0	120,0	126	20,0%	10,00	1.056	1.258	19,1%	OW	1.384
MSCI EM ASIA	40,0	42,0	42	5,0%	14,00	526	588	11,7%	OW	647

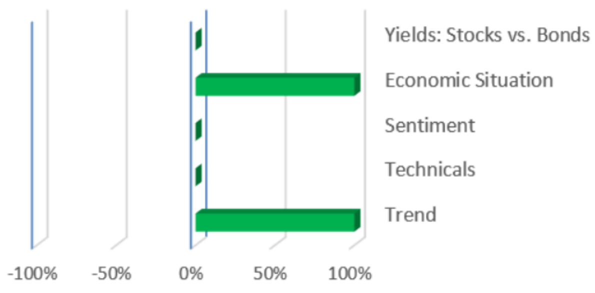
ANDBANK ESTIMATES

NED DAVIS – 13 Indicators to help decide whether to invest in Equities or Bonds and decide on geographic and sectorial exposure

Dynamic Asset Allocation per Ned Davis Research



Current Relative Strength (Equities vs Bonds) Ned Davis Research



red (bond & cash preference) green (equity preference)

Tactical Asset Allocation

GLOBAL EQUITY ALLOCATION	Recommended Allocation	Benchmar
U.S.	61%	61,3%
Europe ex. U.K.	14%	12%
Emerging Markets	11%	11,1%
Pacific ex. Japan	6%	3,1%
Japan	3%	5,4%
Canada	3%	3,1%
U.K.	2%	3,8%

Materials	4%	2,6%
Energy	5%	4,6%
Health Care	15%	14,5%
Financials	11%	10,8%
Consumer Discretionary	10%	11,3%
Communication Services	9%	8,5%
Utilities	3%	2,9%
Consumer Staples	7%	7,4%
Information Technology	27%	26,7%
Industrials	8%	8,1%
Real Estate	1%	2,7%

ENERGY – OIL

Fundamental view (WTI): Target range USD75-100bbl

Buy < USD75; Sell >USD100

Short-term drivers

(Bearish price factor) – The broader oil market narrative has turned unfavorable for oil price recently: Global recession, banking and central bank fears remain the biggest drags on risk sentiment, offsetting the upside risk from China's reopening and Russia's 500K bpd production cut.

(Bullish price factor) – Supply may tighten more than demand falls: Russian flows have remained more resilient than expected, with flows shifting away from Europe and toward Asia in recent months, while US oil has replaced Russia as a key supplier to Europe. However, some analysts and traders have increasingly noted that supply may tighten more than demand falls in the coming months. First, because the shift in Russian oil trade to Asian buyers has increased Moscow's reliance on its own fleet of tankers. The problem for Moscow, and for the global supply, is that voyages for Russian ships are now much longer, and we must consider that much of the Russian fleet was designed to trade in the Baltic, Black or Mediterranean seas. The Russian-owned fleet is not designed to ship all of its crude exports from Western ports to Asian ones. That leaves it still dependent on some European-owned vessels (and here, Moscow faces the problem of the cap price restriction against transporting Russian oil above $60/barrel). All this can mean less oil circulating in the world. Then there is the possibility that international producers may pull back in response to tighter credit conditions and economic uncertainty, adding upside risk to prices.

(Neutral price factor) – US oil is replacing Russia as a key supplier to Europe. US exports to Europe hit a record 2.1M bpd so far this month. The rise in US oil sales has been driven in part by the widening of the spread between US WTI oil and Brent to $7 (WTI cheaper), as well as weaker oil demand from US refineries. Brent became more expensive relative to WTI, given declining availability of Russian oil and complications at Norway's Johan Sverdrup field. VLCCs (ships carrying US oil) destined to Europe have also reached a record high. We expect exports to Europe to remain strong as long as the Brent/WTI spread remains wide, though the coming summer driving season could add more US demand, meaning higher oil prices globally.

(Neutral price factor) – While the US replaces Russia as a key supplier of crude to Europe, China replaces Europe as a key buyer of Russian energy. Xi and Putin meeting seeks a closer energy relationship with Russia: Russia has already become China's top crude supplier, overtaking Saudi Arabia, with volumes up nearly 24% y/y in January and February. Chinese imports of Russian oil totaled 1.94M bpd in the first two months of the year, outpacing the 1.72M bpd of Saudi oil imports. This situation helps to recompose the movement seen in the game of suppliers and applicants, where Russia stops selling crude to Western countries (which have to look for crude elsewhere) and now starts selling it to China (of course much cheaper). In a way, this movement between China and Russia releases crude oil from other producing countries in the Middle East that they had been selling to China. Having been displaced by Moscow, they will have surpluses to relocate in the West. Undoubtedly, this reorganization should help to eliminate tensions due to a lack of crude oil in the world, since Russia cannot sell its crude anywhere.

(Bullish price factor) – Russia says it will extend voluntary 500K bpd of oil production cuts into June: Russia's Deputy Prime Minister Novak said that the 500K bpd oil production cut will last through June. The original pledge to cut output by 500K bpd in March came in response to the sanctions from western countries. The comment came after a report earlier this week that said Russian exports have been resilient and that inventory data suggested Russia hasn't made substantial production cuts, as the country's storage tanks topped 15M barrels for the first time in nearly a year.

(Bullish price factor) – Moscow seeks to increase its tax revenue from oil companies: FT reported that Russia will change how its oil companies are taxed in an effort to increase state revenues. The Kremlin will move to an indicator pegged to Brent, which would reduce the market discount on Russian oil (higher prices?), generating an additional US$8B of tax revenue.

(Bullish price factor) – Traders unlikely to reengage with Russian oil dealing without clear guidelines: Commodity traders Trafigura and Vitol said they would consider trading more Russian oil only if there was clear, broad-based guidance from governments, banks, and insurance companies. They said could envisage some marginal increase in trading of Russian oil if there was some stronger guidance, though they still don't expect dramatic changes to volumes. The US officials privately urged the commodity traders to restart trading Russian oil but only as long as it remains below the $60 price cap. Apparently, western officials are increasingly concerned about the Russian oil trade moving to lesser-known operators using ageing vessels. Six lesser-known companies based in Hong Kong and Dubai handled about 1.4M bpd of Russian crude oil in December as the biggest oil traders stepped back in the past year.

Long-term drivers

***(Price Negative)* –** Alternative energies picking up the baton: Conventional 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' interest to keep oil prices low for as long as possible (keeping the opportunity cost of alternative energy sources as high as possible).

***(Price Negative)* –** Growing environmental problems will gradually tighten legislation on 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, which 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.

***(Price Negative)* –** 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 rapid increase in shale oil production.

PRECIOUS METALS - GOLD

Fundamental view (Gold): Target range USD2,000 – 2,200 /oz

Buy < USD2,000; Sell >USD2,200

Positive drivers for gold

Within the four-quadrants framework, the quadrant that we believe the world economy is heading towards (Recession with inflation) is usually a favourable environment for gold, one in which, historically, this commodity does well.

Gold is cheap relative to palladium: The Gold/Palladium ratio rose to 1.15, still well below its 20-year average of 1.84x, suggesting that gold is extremely cheap relative to palladium.

Gold could be the best anti-fragile asset in 2023: Gold, like the US Treasury bond, is an anti-fragile asset. Investors should always decide which anti-fragile asset should be kept in their portfolio to protect themselves against instability in financial markets or a collapse in real rates due to inflation shocks. The answer will have a lot to do with the perception of which of the two traditional anti-fragile assets (Gold and US Treasuries) is likely to perform better in such a disruptive scenario. This, in turn, will depend on the relative supply of each asset. The one with the lower relative supply will be the one that will perform better and will best act as an anti-fragile asset in the face of a shock. In this regard, in the short term and for as long as QT continues (whereby the Fed puts a large amount of UST on the market), the UST bond will continue to underperform gold. With a longer-term view, once QT has ended, we no longer see the supply of UST as unlimited, but rather as quite limited. This should be good news for UST, but in the long term.

Negative drivers for gold

The massive negative returns in bonds have disappeared: Gold's disadvantage against fixed income instruments (gold does not offer a coupon) was neutralized by nominal negative yields in a large number of global bonds. But this is no longer the case, with most of the bonds in the USD universe offering positive returns, making them attractive against gold, which again suffers from the disadvantage of not offering a coupon or yield.

Gold expensive relative to silver. The Gold/Silver ratio rose to 87.41, still above its 20-year average of 67.45x, suggesting that gold is still expensive relative to silver (or silver is cheap relative to gold). 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$1,424/oz.

Gold to oil: This ratio fell to 23.2, still well above its 20-year average of 18.7x. Considering our mid-term fundamental fair value for WTI oil at US$87.5 and assuming that the utility function of both commodities will remain unchanged, the price of gold must approach US$1,636 for this ratio to remain near its LT average.

Gold in real terms: Given the global deflator (now at 1.29825), the price of gold in real terms (calculated as the current nominal price divided by the US Implicit Price Deflator-Domestic as a proxy for the global deflator) is US$1,422. Therefore, in real terms, gold continues to trade well above its 20-year average of US$1.115. For the gold price to stay near its historical average in real terms, the nominal price (or equilibrium price) must remain near US$1,447.

The four threats that could end the gold rally no longer seem so distant. What are these threats? The 1976-80 rally ended when US short rates were jacked up to break inflation, causing the USD to rise. The 1985-88 rally ended when Germany pulled out of the Plaza Accord deal and US rates started to push up rates (prompting a rise in the US Dollar). In the 2001-11 period (which saw gold prices skyrocket from $300 to $1,800/oz), President George W. Bush's "guns & butter" policies spurred a rise in EMs, which became new gold buyers. This ended in 2011, when the USD started to strengthen. Therefore, the only threats to the gold bull market seem to be: 1) Higher nominal rates. 2) Stronger USD. 3) A rise in real rates. 4) A loss of momentum. But how real and dangerous is each of these risks for bringing an abrupt end to the gold rally?

Looking at this history, and knowing that a gold bull market usually feeds on its own momentum for quite a while and only ends when facing higher nominal rates or a stronger USD or a rise in real rates, it seems reasonable to sound a small alarm that **a downward turn in gold could be close,** since gold has totally lost its momentum, and also because the possibility of an increase in interest rates has now become a reality.

Risk #1. Higher nominal rates (HIGH RISK): Although a few months ago rate hikes by monetary authorities seemed unthinkable, this is now a reality and is not likely to end in the near future.

Risk #2. Stronger USD (HIGH RISK): The US current account balance has been gradually improving (from -4.6% of GDP in 1Q22 to -3.9% in 2Q22), leading to a shortage of dollars and a rise in its price (which has kept the price of gold capped). From a longer-term perspective, we do not foresee a big jump in the US current account balance that could boost the USD dramatically, causing a sharp decline in the price of gold. The current account balance (deficit) is more likely to remain stable at around 2%-3% of GDP, depending on the intensity of the US recession. This should keep the USD well supported but stable, far from the strong rebound that could bring the gold bull market to an end. However, a more determined tightening strategy from the Fed could cause some USD shortages, which would have a very negative effect on the price of gold.

Risk #3. A rise in real rates (LOW RISK): Even if nominal rates rise, the only way OECD countries could experience surging real rates would be through the inflation rate collapsing. But how? Such a deflationary outcome could be triggered by a permanent collapse in the price of energy, a collapse in real estate, or even a collapse in the renminbi. There are few signs of such shocks unfolding right now. With this in mind, it seems that a surge in real rates is not an immediate threat.

Risk #4 Momentum – (MEDIUM RISK) Gold bull markets usually feed on their own momentum for quite a while. The price of gold has lost traction for some time, and with it, a self-reinforcing momentum. A constructive view could be that perhaps the emerging world could recreate a gold-prone cycle such as the one experienced in 2001-2011. In that period, it was the new wealth being created in EMs, with a strong affinity for gold, that pushed gold prices higher. If EMs thrive again, led by Asia, this could be a tailwind for gold. But at the moment we do not have a clear outlook about Asia in general.

EXCHANGE RATES

Flow analysis & Short-term view

Currency	Mkt Value of Net positions in the currency (Bn $)	Change vs last month (Bn $)	3-yr Max (Bn $)	3-yr Min (Bn $)	3-yr Avg (Bn $)	Current Z-score 3-yr
USD vs All	-5,29	6,69	32,1	-28,2	1,0	-0,34
USD vs G10	-3,43	8,96	32,7	-25,4	2,0	-0,31
EM	1,86	2,27	3,9	-1,2	1,4	0,35
EUR	19,49	-2,47	23,4	-8,6	10,5	0,92
JPY	-6,26	-3,11	0,6	-15,0	-7,6	0,31
GBP	-1,57	0,06	4,3	-6,5	-1,6	0,01
CHF	-0,99	-0,11	0,2	-6,0	-2,3	0,79
BRL	0,47	-0,12	0,7	-0,8	0,0	1,09
MXN	1,39	2,39	3,3	-1,5	1,1	0,23
RUB	0,00	0,00	1,2	-0,3	0,3	0,00
AUD	-2,56	-0,87	6,1	-5,2	-0,8	-0,56
CAD	-4,14	-1,37	6,1	-5,0	-0,2	-1,39

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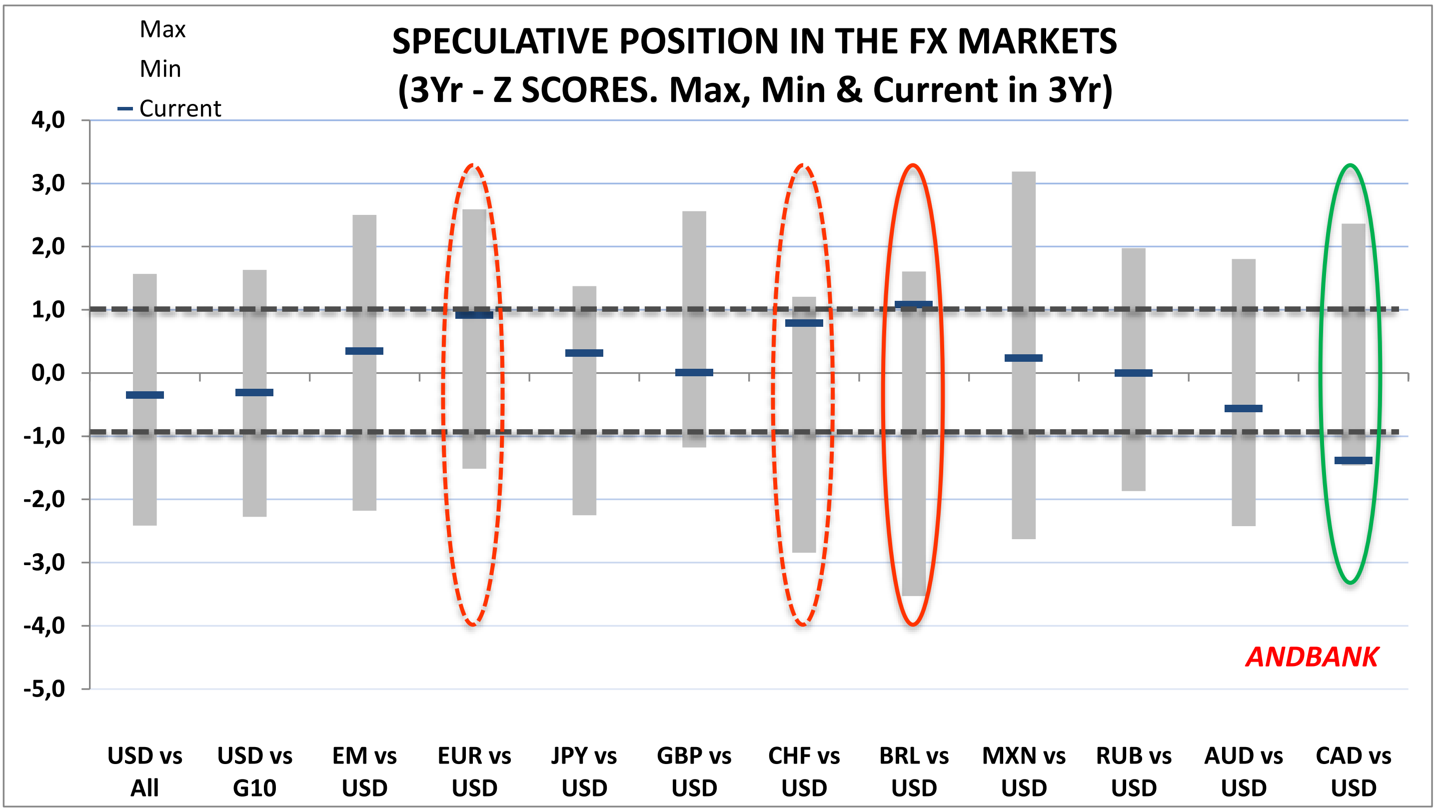
Positive
Neutral-Positive
Neutral-Negative
Negative



Positive
Neutral-Positive
Neutral-Negative
Negative

The currencies we technically favour are circled in green

ANDBANK Private Bankers

SUMMARY TABLE OF EXPECTED RETURNS

Asset Class	Indices	Performance YTD	Current Price	Andbank's estimate (potential price)	Expected Performance (to potential price)
Equity	USA - S&P 500	3,4%	3.971	3.267	-17,7%
	Europe - Stoxx Europe 600	5,5%	448	390	-13,0%
	Euro Zone - Euro Stoxx	8,9%	446	372	-16,6%
	SPAIN - IBEX 35	9,6%	9.020	8.933	-1,0%
	MEXICO - MXSE IPC	9,8%	53.209	59.066	11,0%
	BRAZIL - BOVESPA	-7,8%	101.185	106.896	5,6%
	JAPAN - NIKKEI 225	6,9%	27.884	29.367	5,3%
	CHINA - SHANGHAI COMPOSITE	4,9%	3.240	2.993	-7,6%
	CHINA - SHENZEN COMPOSITE	6,5%	2.103	1.980	-5,9%
	INDIA - SENSEX	-4,5%	57.960	68.564	18,3%
	VIETNAM - VN Index	4,9%	1.056	1.258	19,1%
	MSCI EM ASIA (in USD)	2,4%	526	588	11,7%
Fixed Income Core countries	US Treasury 10 year Govie	3,4%	3,57	4,00	0,1%
	UK 10 year Gilt	2,6%	3,45	3,75	1,0%
	German 10 year BUND	2,8%	2,28	2,50	0,5%
	Japanese 10 year Govie	0,9%	0,31	0,75	-3,2%
Fixed Income Peripheral	Spain - 10yr Gov bond	3,4%	3,32	3,50	1,9%
	Italy - 10yr Gov bond	5,6%	4,13	4,50	1,2%
	Portugal - 10yr Gov bond	4,1%	3,13	3,50	0,2%
	Ireland - 10yr Gov bond	3,7%	2,70	3,00	0,3%
	Greece - 10yr Gov bond	4,8%	4,11	5,00	-3,0%
Fixed Income Credit	Credit EUR IG-Itraxx Europe	0,5%	97,65	100	3,9%
	Credit EUR HY-Itraxx Xover	1,0%	484,47	550	5,9%
	Credit USD IG - CDX IG	1,3%	83,12	100	5,5%
	Credit USD HY - CDX HY	1,8%	503,58	600	7,3%
Fixed Income EM Europe (Loc)	Turkey - 10yr Gov bond (local)	-10,9%	10,78	11,75	3,0%
	Russia - 10yr Gov bond (local)	3,3%	10,26	14,00	-19,7%
Fixed Income Asia (Local curncy)	Indonesia - 10yr Gov bond (local)	3,0%	6,75	6,25	10,7%
	India - 10yr Gov bond (local)	1,8%	7,31	7,00	9,8%
	Philippines - 10yr Gov bond (local)	6,2%	6,24	7,50	-3,8%
	China - 10yr Gov bond (local)	0,6%	2,85	2,75	3,7%
	Malaysia - 10yr Gov bond (local)	1,2%	3,97	4,00	3,7%
	Thailand - 10yr Gov bond (local)	3,0%	2,13	3,50	-8,8%
	Singapore - 10yr Gov bond (local)	2,4%	2,86	4,00	-6,2%
	Rep. Korea - 10yr G. bond (local)	4,4%	3,20	4,50	-7,2%
	Taiwan - 10yr Gov bond (local)	1,1%	1,19	2,25	-7,3%
Fixed Income Latam	Mexico - 10yr Govie (Loc)	2,7%	8,96	9,00	8,6%
	Mexico - 10yr Govie (USD)	3,4%	5,71	6,00	3,4%
	Brazil - 10yr Govie (Loc)	1,7%	12,89	13,50	8,0%
	Brazil - 10yr Govie (USD)	3,7%	6,22	7,00	0,0%
Commodities	Oil (WTI)	-8,8%	73,2	87,50	19,5%
	GOLD	8,2%	1.973,7	2.200	11,5%
Fx	EURUSD (price of 1 EUR)	1,3%	1,084	1,050	-3,2%
	GBPUSD (price of 1 GBP)	2,0%	1,23	1,22	-1,1%
	EURGBP (price of 1 EUR)	-0,7%	0,88	0,86	-2,0%
	USDCHF (price of 1 USD)	-0,5%	0,92	0,97	5,5%
	EURCHF (price of 1 EUR)	0,8%	1,00	1,02	2,1%
	USDJPY (price of 1 USD)	-0,2%	130,86	120,00	-8,3%
	EURJPY (price of 1 EUR)	1,2%	141,92	126,00	-11,2%
	USDMXN (price of 1 USD)	-6,4%	18,23	20,00	9,7%
	EURMXN (price of 1 EUR)	-5,2%	19,75	21,00	6,3%
	USDBRL (price of 1 USD)	-2,3%	5,17	5,25	1,6%
	EURBRL (price of 1 EUR)	-1,0%	5,60	5,51	-1,6%
	USDARS (price of 1 USD)	17,6%	207,82	370,00	78,0%
	USDINR (price of 1 USD)	-0,7%	82,17	84,00	2,2%
	CNY (price of 1 USD)	-0,3%	6,87	7,50	9,1%

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

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