GLOBAL OUTLOOK

ECONOMY & FINANCIAL MARKETS

ANDBANK
Private Bankers

Andbank Monthly Corporate Review – July 2023

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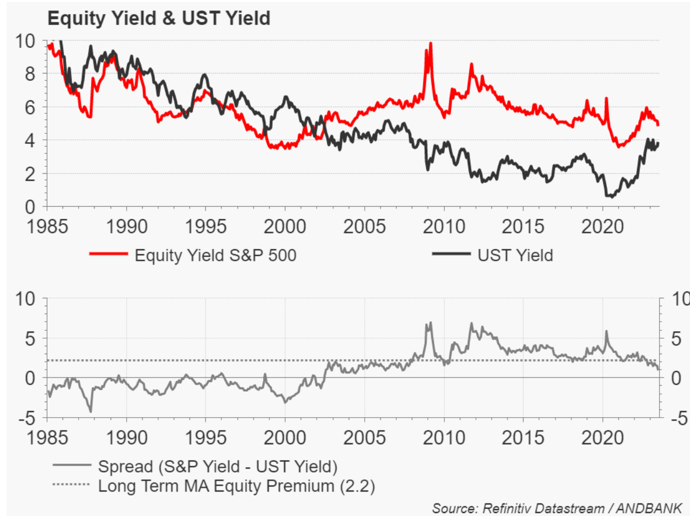
EXECUTIVE SUMMARY

CHART OF THE MONTH
The trend is your friend.



Source: Refinitiv Datastream / ANDBANK

The “trend is your friend” mantra is one of those expressions in the market that if you repeat it often enough becomes a self-fulfilling prophecy. We keep this in mind and so remain notably exposed to the equity market, letting the trend drive our mandates up, although we prefer not to be 100% invested in pure risk and high beta instruments and so start allocating part of the capital to market neutral strategies or well-paid money market instruments. To be more precise, today the market is trading at a PE12m forward of 20x, which means an earning yield of 5%. Since the Yield of the risk-free asset is at 4%, this means that the risk premium the S&P500 offers today is just 1%. That accounts for only 40% of the historical risk premium (+2,5%) that every patient investor must demand from the market. Which means either that there is significant complacency or that investors are confident that the earning yield of equity will rise strongly in the future, causing a moderation in PE multiples. We do not rule out this possibility, as all the positive narrative built around Artificial Intelligence and the advantages it will bring seems to lead us towards a world of new opportunities and more vigorous growth. In fact, some sources suggest that AI could raise world GDP by 7%, and this represents a perfect environment for market hype. For these reasons we are going to maintain a more than acceptable level of exposure in the risk asset market, especially in equities, but allocating a small part of the capital (between 5% and 10%) to market neutral strategies, to the detriment of strategies with high market beta.

EQUITIES

Index	INDEX CURRENT PRICE	Andbank's Strong Buy Point (100% Exposure)	E[Perf] to Strong Buy Point	Recommended Strategy	Exit Point (Strong Sell)
USA S&P 500	4.502	3.845	-14,6%	UW-MW	4.998
Europe - Stoxx Europe 600	457	423	-7,6%	UW-MW	507
Euro Zone - Euro Stoxx	455	403	-11,5%	UW-MW	484
Spain IBEX 35	9.307	10.555	13,4%	MW-OW	11.611
Mexico IPC GRAL	53.445	58.943	10,3%	OW	64.837
Brazil BOVESPA	120.586	130.000	7,8%	MW	143.000
Japan NIKKEI 225	32.193	32.099	-0,3%	OW	35.309
China SSE Comp.	3.288	2.973	-9,6%	UW	3.270
China Shenzhen Comp	2.072	1.875	-9,5%	UW	2.062
India SENSEX	65.721	72.045	9,6%	OW	79.249
Vietnam VN Index	1.226	1.342	9,5%	OW	1.476
MSCI EM ASIA	545	588	7,9%	OW	647

ANDBANK ESTIMATES

FIXED INCOME GOVIES CORE & CORPORATE CREDIT (DM)

Asset Class	Indices	Performance YTD	Current Price	Andbank's Strong Buy Point (100% Exposure)	Expected Performance (to Potential Price)
Fixed Income Core countries	US Treasury 10 year Govie	-0,2%	4,19	3,75	7,7%
	UK 10 year Gilt	-4,4%	4,48	3,75	10,3%
	German 10 year BUND	1,1%	2,61	2,50	3,5%
	Japanese 10 year Govie	-1,6%	0,64	0,75	-0,3%
Fixed Income Peripheral	Spain - 10yr Gov bond	2,0%	3,65	3,50	4,9%
	Italy - 10yr Gov bond	6,0%	4,28	4,20	4,9%
	Portugal - 10yr Gov bond	3,9%	3,31	3,50	1,8%
	Ireland - 10yr Gov bond	2,2%	3,01	3,00	3,1%
	Greece - 10yr Gov bond	8,9%	3,80	4,50	-1,8%
Fixed Income Credit	Credit EUR IG-Itraxx Europe	2,4%	72,38	100	3,6%
	Credit EUR HY-Itraxx Xover	5,9%	402,00	550,00	3,3%
	Credit USD IG - CDX IG	3,8%	67,18	100,00	-0,3%
	Credit USD HY - CDX HY	7,3%	433,37	600,00	-0,7%

FIXED INCOME - EM

Asset Class	Indices	Performance YTD	Current Price	Andbank's Strong Buy Point (100% Exposure)	Expected Performance (to Potential Price)
Fixed Income EM Europe (Loc)	Turkey - 10yr Gov bond (local)	-61,4%	17,50	17,00	21,5%
	Russia - 10yr Gov bond (local)	-3,4%	11,56	--	--
Fixed Income Asia (Local curncy)	Indonesia - 10yr Gov bond (loc	9,1%	6,28	6,00	8,5%
	India - 10yr Gov bond (local)	5,3%	7,20	6,50	12,8%
	Philippines - 10yr Gov bond (lo	6,3%	6,53	6,25	8,8%
	China - 10yr Gov bond (local)	3,1%	2,66	2,25	5,9%
	Malaysia - 10yr Gov bond (loca	3,2%	3,90	4,00	3,1%
	Thailand - 10yr Gov bond (loca	1,0%	2,48	2,25	4,3%
	Singapore - 10yr Gov bond (loc	1,9%	3,06	4,00	-4,5%
	Rep. Korea - 10yr G. bond (loc	0,9%	3,79	3,50	6,1%
	Taiwan - 10yr Gov bond (local)	2,0%	1,13	2,25	-7,8%
Fixed Income Latam	Mexico - 10yr Govie (Loc)	5,4%	9,02	8,75	11,1%
	Mexico - 10yr Govie (USD)	4,3%	5,85	5,50	8,7%
	Brazil - 10yr Govie (Loc)	23,1%	10,77	11,25	6,9%
	Brazil - 10yr Govie (USD)	5,4%	6,29	6,75	2,6%

COMMODITIES & FX

Asset Class	Indices	Performance YTD	Current Price	Andbank's Strong Buy Point (100% Exposure)	Expected Performance (to Potential Price)
Commodities	Oil (WTI)	2,2%	82,0	87,50	6,7%
	GOLD	6,0%	1.933,7	2.000	3,4%
Fx	EURUSD (price of 1 EUR)	2,3%	1,094	1,100	0,5%
	GBPUSD (price of 1 GBP)	5,0%	1,27	1,25	-1,6%
	EURGBP (price of 1 EUR)	-2,6%	0,86	0,88	2,2%
	USDCHF (price of 1 USD)	-5,1%	0,88	0,95	8,3%
	EURCHF (price of 1 EUR)	-3,0%	0,96	1,05	8,8%
	USDJPY (price of 1 USD)	8,9%	142,74	130,00	-8,9%
	EURJPY (price of 1 EUR)	11,3%	156,21	143,00	-8,5%
	USDMXN (price of 1 USD)	-11,1%	17,31	19,50	12,6%
	EURMXN (price of 1 EUR)	-9,1%	18,93	21,45	13,3%
	USDBRL (price of 1 USD)	-7,0%	4,92	5,00	1,7%
	EURBRL (price of 1 EUR)	-4,9%	5,38	5,50	2,2%
	USDARS (price of 1 USD)	57,3%	278,05	370,00	33,1%
	USDINR (price of 1 USD)	0,1%	82,79	84,00	1,5%
	CNY (price of 1 USD)	4,1%	7,18	7,50	4,4%

ANDBANK Private Bankers

MACRO ECONOMY

USA

Downward inflation exceeding estimates and for the moment there are no signs of recession

Federal Reserve

As was widely expected and fully priced, the Fed decided to hike its reference rate by 25 bps, taking it out of the 5.00%-5.25% into the 5.25%-5.50% range, its highest level since 2001. In the post-meeting press conference the Fed Chairman, Jerome Powell, left the door open for more rate hikes ("We need to be prepared to raise further"), stating again that it will depend on the incoming data and that the terminal policy rate will have to be "restrictive for some time", ratifying his position that the Fed should err on the side of doing too much to combat inflation, rather than too little. Powell stated that core measures of inflation "are too high". Also, he added that Fed economists, who had been predicting recession, now see a soft landing. The 2Q23 GDP numbers serve as support for this view, with activity increasing at a 2.4% annualized rate, better than the 2% consensus estimate.

We have a long way until the September meeting, but after the meeting the market is pricing a 75% probability of a pause and a 25% probability of a further 25 bps hike, but the odds of a hike in November rise to 32%. Also, unless something unexpected happens, we shouldn't expect rate cuts until 2024. The low-hanging fruit has been picked and now it is time for the heavy lifting to take the CPI into the Fed's target zone.

Inflation and economic activity

June was another month in which the CPI numbers came in better than market expectations. Headline inflation was +3% y/y, below the 4% y/y seen the previous month and the market expectation of +3.1% y/y. A considerable part of this slowdown is explained by the comparison with the high base of June last year, when headline inflation marked a peak, with a rise of +9.1% y/y, driven by the rise in the price of energy. On a monthly basis, prices increased by +0.2% m/m, a lower print than the +0.4% m/m increase seen in May. The shelter index rose +0.4% m/m last month and was up +7.8%, accounting for approximately 70% of the increase in headline CPI in this month. Core CPI cooled as well, from +5.3% y/y to +4.8% y/y (estimate was +5% y/y), with a slower downward trajectory than the monetary authority would like. Some further cooling is expected in the months ahead, as the shelter pressure in the CPI, today lagging market prices, starts to fade. Base effects will probable be friendly to lower Core CPI but not so much for Headline CPI and we shouldn't be surprised if there is a rise in inflation in the coming months unless we see further and sufficient disinflationary progress, with monthly prints below 0.2% m/m.

The unemployment rate fell back to 3.6% from 3.7% previously and 209,000 new jobs were created, almost 100,000 less than the previous month. Wage growth remained at 4.4% y/y, with monthly growth of 0.4%, which lowers the probability of a price spiralization. In the week ending July 15, the figure for seasonally adjusted initial claims was 228,000, hitting a two-month low. Claims have been increasing compared to the sub 200K levels seen at the start of the year but still remain at low levels in historical terms, another sign of robust job demand from companies.

Housing starts dropped 8% in June (1.43 MM vs 1.56 MM in May), similar to the decrease seen in the same month of last year. The figure for the month is higher than the average for the first quarter of the year (+3.5%), but it is not clear whether we are seeing the start of a recovery. Existing home sales in June (4.16 MM) were down 3.3% m/m and were 18.9% below the June 2022 level, the slowest pace since June 2009. This seems to be explained not only by higher interest rates but also by a shortage of supply. After a 13% contraction between June last year and January 2023, the existing home sales median price recorded in June was similar to last year (410.2 K vs 413.8 K).

Financial markets

Rates & Credit: The 10-year rates have been trading in the range of 3.80% to 4.00% in July. We were able to increase some duration when the rates exceeded the 4.00% mark. After falling back to 85 bps, the spread between the 2-year rate and the 10-year rate increased once more to 100 bps. We maintain our spread targets and positioning for IG and HY Credit.

Equity: Companies are starting to report 2Q23 results (18% of S&P 500 at July 21) and earnings are expected to be down 7% in this quarter, before recovering in the second half of the year to close 2023 with a level of EPS similar to last year. Growth companies have been the clear winners in the first half of the year, with the Nasdaq Index achieving a return above +38% YTD in 2023 and outperforming the returns of the S&P 500 (+16%) and the Russell 2000 Value (+1,2%). We hold to our recommendation of a balanced portfolio between Value/Cyclical and Quality Growth companies,.

Market outlook – Recommendations & Targets from fundamental analysis

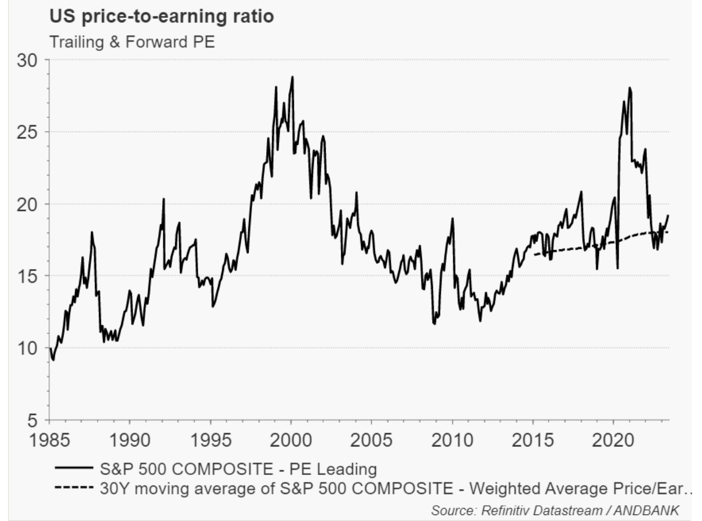
Equities: S&P UNDERWEIGHT- MARKETWEIGHT

Bonds: Govies UNDERWEIGHT. 10Y UST Target 3.75%

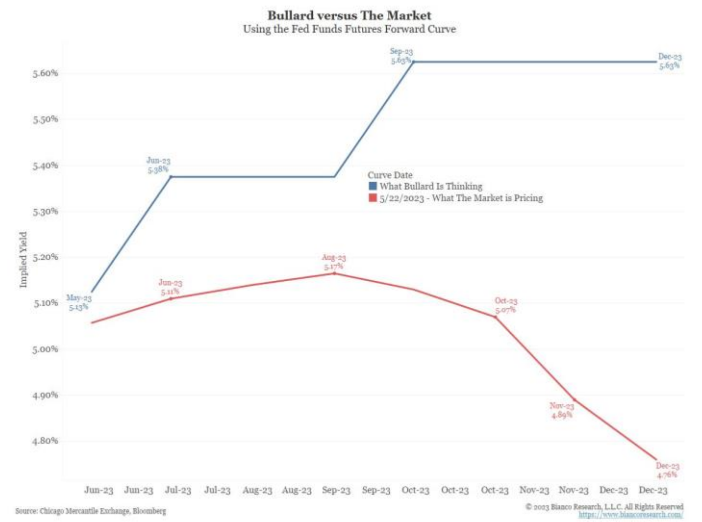
CDX IG: MARKETWEIGHT (Target Spread 100)

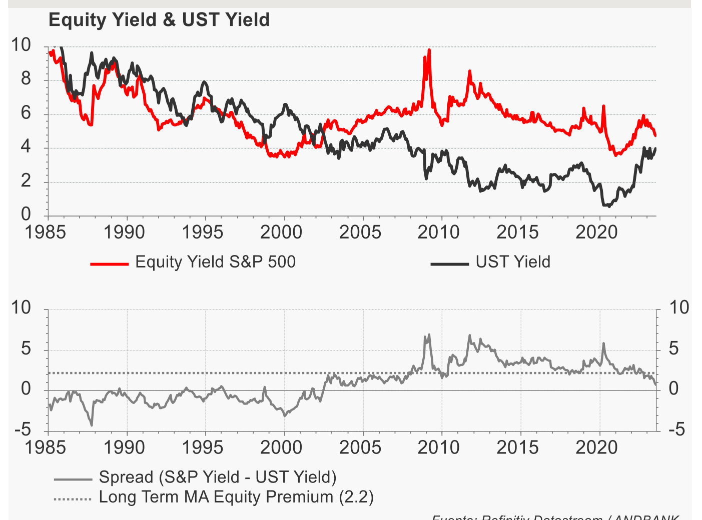
CDX HY: UNDERWEIGHT (Target Spread 600)

Forex: DXY index MARKETWEIGHT-OVERWEIGHT



Source: Refinitiv Datastream / ANDBANK





Fuente: Refinitiv Datastream / ANDBANK

EUROPE

Inflation decelerating but we expect more hikes in the September meeting

Less tailwinds from the service sector…

European optimism seems to be softening as we move into 2H23: manufacturing PMIs kept sliding, while services surveys came in higher than expected, leaving behind expansionary levels in some countries. The strength on this front had been a clear support in terms of growth and had been showing the highest level of sentiment in terms of profits. These advanced indicators seem consistent with the prospect of a mild recession towards year-end and early 2024, after a recovery in 2Q23. A restrictive effect of tighter financing conditions and credit standards will dominate, with the gradual withdrawal of fiscal support also dampening household consumption. Support from net exports cannot be expected to be subdued in a context in which activity in developed economies might be weak.

As for inflation, after the significant fall in energy prices, the high level of food prices now appears to be correcting, helping to reduce the inflation rate in the coming months. But we are moving into months in which base effects vanish, making further progress more complicated to predict. Due to the effect of some government measures and the greater weight of travel-related services in the consumer basket this year, services inflation could remain high during the summer. Thereafter, however, due to the pass-through effect of lower commodity prices, coupled with weakening demand, the underlying pressure on prices should gradually ease in the second half of the year.

ECB hiking in July and in September

The ECB raised interest rates for the ninth time in a row, taking the Refi rate to 4% and the deposit rate to 3.75%, its highest level since 2000. While they gave us no indication of their next decision, we still perceive an upward bias and expect a new rise in September (up to 4.5% and 4% respectively). They said that: “inflation is still expected to remain too high for too long”, even their own CPI projections for 2024 and 2025 are still above target. Additionally, the still high inflation readings help us lean towards the option of further hikes in September. And beyond September? Well, we would bet on an ECB that stays put, as the new sensitivity to the current uncertainty about growth caught our attention.

Financial Markets: Govies, Corporate Credit & Equity

Govies: As for the bund, we maintain the 2.5% target for year-end. The approaching end of the tightening cycle warrants a medium-term bullish duration outlook in Euro area rates, peripherals included. We stick to our recently adjusted Italian and Greek spreads.

Corporates: European corporate fixed income has continued its upward trend this month. As we have already pointed out, the risk of a “credit crunch” seems remote in the near term and the lower levels of supply will provide technical support for the spreads. The upward cycle of rising interest rates seems to be coming to an end, inflation is subsiding (although the core continues to be “annoying”) and the return on fixed income is sufficiently attractive in both absolute (against historical IRRs) and relative terms (against equity dividends). We continue to enjoy full employment in the main developed markets and the activity data are positive, although, as always, the risk will lie in whether earnings announcements disappoint the market, with the consequent impact on high yield bonds.

Looking at sectors, the financial sector enjoys good momentum, considering the low delinquency, high capital ratios and high interest margins. It is important to control the exposure to cyclical sectors and have a more defensive positioning with companies with stable cash flows, long-term management contracts and the ability to reduce debt. In this scenario, we insist on investment grade short durations, but with progressively increasing duration. We maintain the target spread levels for both IG and HY, with a Neutral recommendation for IG and Underweight for HY.

Equity: We still think the Eurozone remains attractively priced. Having said that, the Eurozone is a global cycle Value play and could struggle to keep outperforming in the event of a continued rotation, peaking PMIs, further ECB hikes and a weaker China. We maintain our favorable stance regarding the UK market, which is still trading at a record discount vs other regions and offers the highest dividend yield globally, while exporters benefit significantly from a weak GBP. We favor big (FTSE 100) vs small caps (FTSE 250). Regarding the Spanish market, positive developments for activity in the first half of the year: i) easing of energy prices; ii) notably buoyant tourism and services; iii) strong labour markets; iv) national fiscal policy support to mitigate the impact of high inflation on household incomes has helped sustain the strength of overall activity. The Employment and Collective Bargaining Agreement signed recently includes recommended wage increases of 4% for 2023 and 3% for 2024 and 2025, mitigating the risks that second-round effects on inflation might emerge via wages. We maintain our overweight stance on the Ibex.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – Stoxx Europe: UNDERWEIGHT- MARKETWEIGHT

Equities – Euro Stoxx: UNDERWEIGHT- MARKETWEIGHT

Equities – Spain’s Ibex: MARKETWEIGHT-OVERWEIGHT

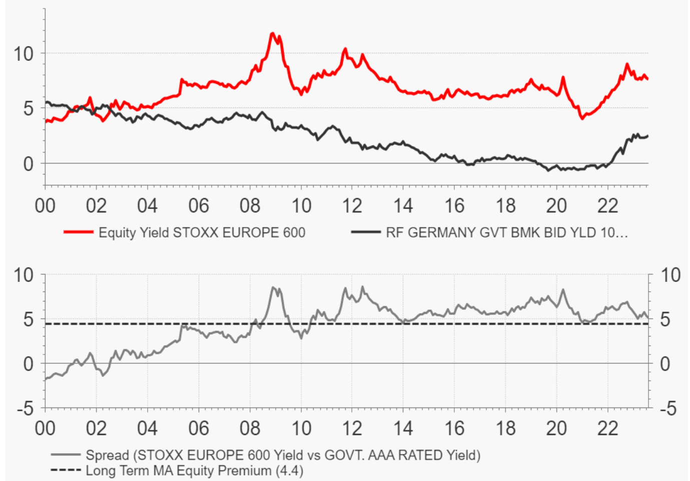
Bonds – Core governments: UNDERWEIGHT (Bund target 2.5%. Buy at 3% yield)

Peripheral – MW IT (4.2%), SP (3.5%), PT (3.5%), IE (3%). UW GR (4.5%),

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

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

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



ECB staff growth forecasts

%oya, % for the unemployment rate

	June projections		
	2023	2024	2025
Real GDP	0.9	1.5	1.6
Employment	1.3	0.5	0.4
Unemployement rate	6.5	6.4	6.3
HICP			
Headline	5.4	3.0	2.2
Core	5.1	3.0	2.3
Unit labour costs	5.6	3.4	2.6
Compensation per empl.	5.3	4.5	3.9
Labour productivity	-0.3	1.0	1.3

Source: ECB, J.P. Morgan

CHINA

2Q GDP growth well below expectations. Long awaited stimulus has not yet arrived. New rules on generative AI: Providers must "adhere to core socialist values"

China's Q2 GDP growth fell well below expectations

China's Q2 GDP grew 6.3% y/y, weaker than the consensus forecast of 7.3% and +4.5% in prior quarter. On a QoQ basis, GDP growth was +0.8% (vs +2.2% in prior quarter). Monthly activity data for June also showed a mixed picture, with a notable slowdown in retail sales growth (+3.1% y/y vs consensus +3.3% and +12.7% in prior month) and a prolonged weak property market. On the positive side, industrial production (+4.4% y/y) and fixed asset investment growth (+3.8% YTD) beat forecasts.

China property investment falters further

China property investment fell -7.9% y/y in Jan-Jun, at an accelerating rate, after a -7.2% decline in Jan-May. High-frequency calculations showed property investment fell 20.6% y/y in June. Sales in terms of floor area fell 28.1% y/y, the largest monthly drop this year, exceeding the 19.7% drop in May. New home prices in China were unchanged in June, both year-on-year and month-on-month, the weakest result to date in 2023, increasing pressure on policymakers for more stimulus as China's economic recovery falters.

China's youth unemployment hit new record in June. Beijing warns it could worsen

Bloomberg reported China's youth unemployment rate was 21.3% in June, marking a third consecutive month above 20%, and authorities warned the situation may deteriorate as new college graduates, a record of nearly 12M, start looking for jobs

PBOC and monetary policy

There are growing calls for policy support, and some economists say the data miss may prompt officials to accelerate fiscal spending to boost investment, although measures are likely to be "targeted" rather than broad-based. In its July decision, the PBOC kept the MLF rate unchanged while scaling back on 1Y cash injection. The rate was left unchanged at 2.65% and CNY103B was injected in new MLF funding (the net effect was zero, as the size of the liquidity injection matched the CNY100B in maturing loans). After last month's rate cuts, stimulus hopes are now shifting towards fiscal policy, as any further interest rate cuts could put the yuan under more pressure from a widening yield gap with the US.

China launches crackdown on online market and sets out rules on generative AI

China's Cyberspace Administration launches a campaign against online rumors, punishing hundreds of accounts online over "fabricating and distorting public policy information" and profiting from it. The authority imposed punishments on 373 accounts. Some accounts on WeChat, Weibo and Xueqiu were closed after "they made up or spread rumors about China discussing a slew of fiscal and economic policies that caused an impact on the stock market", the regulator said in a statement.

Beijing issued regulations on generative AI models, highlighting "healthy content" and "core socialist values", as it seeks to control the roll-out of ChatGPT-style services. Provisional regulations will come into effect on 15-Aug and are considered to be more supportive of the technology, with punitive terms from the April draft version deleted. Meanwhile, the rules state that generative AI providers must "adhere to core socialist values" and should not generate "false and harmful information".

Geopolitics: No improvement in the US-China relationship after Yellen's visit

FT reported US Treasury Secretary Yellen said it is "premature" to relax China trade restrictions. Yellen said, "tariffs were put in place as a result of US concerns with China's unfair trade practices". China's Commerce Ministry renewed its call for the US to lift "unilateral" sanctions against Chinese enterprises on alleged human rights abuses in Xinjiang which Beijing has repeatedly denied.

Market developments: Global investors unconvinced by China's tech rebound

Reuters commented on the recent Hong Kong market rally, noting that the past week's developments, which began with Ant Group, have only reminded investors of China's fickle regulations and the fragility of the tech sector. Despite the rally, Alibaba's Hong Kong-listed shares and NY-listed ADRs are at only one-third of their value in Oct-20.

Investors look for shorter duration Chinese bonds. Bloomberg discussed the shortening duration of LGFV (Local Government Financing Vehicle) bonds, adding to signs of market caution over local government debt. The average tenor of onshore LGFV bond issuance had fallen to 2.51 years, a record low. Increased investor caution points to looming refinancing challenges for the sector. The National Council for Social Security Fund has advised asset managers to sell bonds, including those from riskier LGFVs and private developers. The council singled out Tianjin LGFV bonds, a funding vehicle Bloomberg calculated had debt three times as large as its income.

Shanghai Futures Exchange looks to expand commodities warehousing outside China. The Shanghai Futures Exchange is looking at systems of overseas commodities warehousing networks as it looks to expand outside China. It currently has 216 storage facilities, and expanding overseas would put it in competition with the LME.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – SHANGHAI Idx: UNDERWEIGHT /// SHENZHEN Idx: UNDERWEIGHT

Bonds – Govies: UNDERWEIGHT (10Y Yield target 2.25%)

Forex – CNY/USD: UNDERWEIGHT (Target 7.50)

Fuente: Refinitiv Datastream / ANDBANK

Source: Refinitiv Datastream / ANDBANK

Fuente: Refinitiv Datastream / ANDBANK

JAPAN

BOJ to tweak YCC this month. This could put pressure on bonds but could lift the yen and stocks

Portfolio Flows: GPIF boosts US Treasury holdings

Japan's Government Pension Investment Fund (GPIF) is the world's biggest pension fund and its demand for UST is well-known. Elevated yields in USD support Japanese appetite for Treasuries. In the 12 months through March, the GPIF boosted its holdings of US Treasuries to a three-year high of 43.3% (from 40.8%) of its foreign debt holdings, marking the highest weighting since the 47.4% seen in March 2020. In this 12-month period, the GPIF's holdings of US government bonds and bills increased 8.2% (or US$160 billion) and the dollar jumped 9.2% against Japanese Yen (and other currencies, as shown by the change in the EUR/USD cross, which moved from 1.13 to 1.05 during this period). It may be that after this big jump in UST holdings by the GPIF in March, the move has come to an end and has even reverted to more normal levels, which would have meant a sell-off of Treasuries and dollars, which would explain the sharp fall in the price (rise in Yield) of the UST and the significant fall in the USD in the period between March and July. Henceforth, resilient demand from the pension giant and elevated yields in US bonds may support Japanese appetite for US debt, and thus also the USD. This could place a ceiling on the Yield of the UST of around 4%. The GPIF holds $1.4 trillion worth of assets and what it does has huge ramifications for Japanese portfolio flows, given that many of the nation's other funds follow its lead. Investors from Japan are the biggest foreign holders of US Treasuries, with $1.1 trillion of the securities as of April.

BOJ to tweak YCC this month. Negative for bonds. Supportive for Fx and stocks

In a Bloomberg interview Thursday, former executive director Hideo Hayakawa suggested the BOJ will probably adjust YCC this month, given inflation is stronger than expected, though he could not specify what form the changes would take. Barclays Chief Japan Economist Testufumi Yamakawa pushed back his forecast for a BOJ YCC tweak from July to October, despite recent market signals of the possibility of a July move. Earlier this week, BofA also moved their call from July to October. The shifts point to the possibility that other economists may also be rethinking their forecasts.

Former executive director Hideo Hayakawa also said that the central bank must raise its inflation outlook for this fiscal year to match reality. In fact, Nikkei reported BOJ may raise its FY23 core inflation forecast into the 2% range in the next Outlook Report, to be published at the July 27-28 policy meeting. FY24/25 projections could also shift above 2%. This compares with April estimates of 1.8% in FY23, 2.0% in FY24 and 1.6% in FY25. Recall that 12-month Headline CPI in Japan remains at 3.42% in May, with the core CPI reading staying at 4.3%.

Additionally, at the India G20, BOJ Governor Ueda told reporters that he has observed a decline in JGB market functioning to some extent, such as lower liquidity. Still, he also reiterated that yield curve distortions have eased considerably.

International transactions in Japanese securities for the week ended 8-Jul were as follows: Domestic investors were net sellers of ¥951.0B in foreign equities (vs net sales of ¥158.9B in previous week), and also net sellers of ¥950.5B in foreign long-term debt (vs net purchases of ¥1,252.7B in previous week). **International investors**, meanwhile, were net buyers of ¥181.7B in domestic equities (vs net purchases of ¥195.0B in previous week) and also net buyers of ¥705.0B in domestic long-term debt vs net purchases of ¥484.7B in previous week.

Fiscal: Tax hikes looking more likely to be delayed to FY25. Would be supportive for equities

Nikkei reported LDP tax policy officials held a closed-door meeting Thursday and reached a consensus that raising taxes to fund the planned defense expansion from FY24 would be challenging. With FY22 tax revenues at a larger than expected surplus, tax hikes more likely to be pushed back into FY25. Current plan seeks to secure some ¥1T in additional revenue from corporate, income and tobacco taxes. LDP seeks to raise corporate taxes by 4~4.5%, income taxes 1%, and tobacco taxes by ¥3 per cigarette.

Earnings: Current Quarter Earnings Season Report

11% of the 1068 companies covered have reported results. 56% of companies reported earnings beating expectations and 44% missed expectations. Similar figures in terms of revenues. Current Quarter EPS YoY growth is being fixed at 15.6%, with a surprise factor of +4.5%.

Geopolitics: Japan, EU to launch security and chip supply chain talks

Nikkei reported Leaders of Japan and the European Union on Thursday agreed to establish a strategic dialogue to deepen their security partnership, while also bolstering cooperation on semiconductors and other economic issues. Tokyo and the European bloc plan to use the new dialogue for cooperating not only on maritime security but also in emerging domains like cyber and space that are not confined by geography. The two sides will reinforce supply chains for critical materials as well

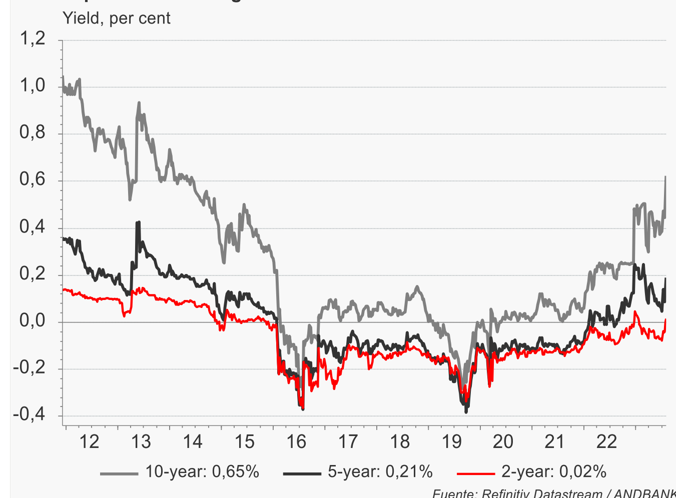
Market outlook – Recommendations & Targets from fundamental analysis

Equities – N225: OVERWEIGHT

Bonds – Govies: UNDERWEIGHT (Target yield 0.75%)

Forex – USD-JPY: OVERWEIGHT. JPY (Mid-term target 130)

Fuente: Refinitiv Datastream / ANDBANK



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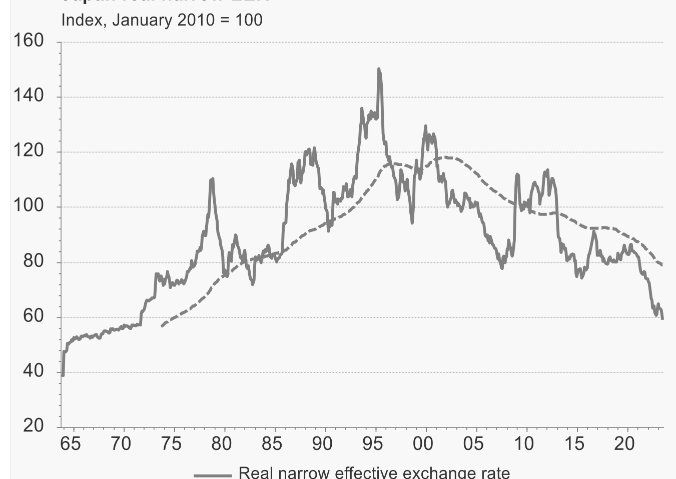


Fuente: Refinitiv Datastream / ANDBANK

INDIA

India's Rising Star. In a world where capital flows are increasingly constrained India looks attractive.

We are witnessing the inception of a new investment cycle, driven by the public sector, and we anticipate a ripple effect in the private sector.

In a world that is alarmingly deficient in promising growth narratives, India shines as a luminous beacon. While the debate in Europe and the United States revolves around the possibility of a cyclical downturn or recession, and even in China concerns persist regarding the government's ability to stimulate the economy, we have been enlightening our clients with a positive set of growth figures and an exceptionally robust growth story in India. Amidst the prevailing global gloom, we made the choice to include India in our discretionary mandates, buoyed by the recent growth statistics we have witnessed, affirming our decision to retain India within our portfolios. In the quarter ending in March, the Indian economy expanded at an impressive year-on-year rate of 6.1%, surpassing consensus expectations by a full percentage point. For the full fiscal year (India follows the fiscal year system, ending in March), India achieved a real GDP growth of 7.2%, consistent with pre-pandemic average levels. The primary catalyst for this growth cycle has been investment, which is highly encouraging when assessing the sustainability of this expansion. India's investment share of GDP has risen sharply and currently stands at 34%, the highest it has been in nearly a decade. The public sector has spearheaded this intense focus on infrastructure investment, and its efforts are expected to stimulate private sector investment. While this synergy has yet to fully materialize, there are promising indications, such as an upturn in bank lending and nascent signs of increased consumption, that allow us to conclude that the current upswing in growth is not merely transient but heralds the advent of a structural upturn in the economy.

Encouraging signs.

Consumption constitutes approximately 60% of the GDP, although in this recent quarter, its share has declined due to the prominent role played by investment in the GDP, as well as underlying weaknesses in the labor market, which still bears the scars of lockdowns and is yet to make a full recovery. What has emerged is a two-tiered economy, with the affluent segments of society making a commendable recovery while the lower echelons continue to grapple with stagnant wage growth and bleak income prospects. Nevertheless, certain indicators, such as auto sales, provide glimmers of hope and serve as reliable markers of broader consumption trends in India. Passenger vehicle sales, catering primarily to the wealthier demographic, have shown steady growth over the past two years, reaching pre-pandemic highs of 3.55 million units on a rolling 12-month basis. Moreover, two-wheeled vehicle sales, which primarily cater to the lower ranks of society, have experienced a significant surge in the past year, increasing from 13.75 million units in March to 16.4 million units on a rolling 12-month basis at present, although still below the pre-pandemic level of 21 million units sold in a year. In addition to these positive trends, it is worth highlighting the substantial reduction in inflation, which now paves the way for the central bank to initiate policy easing. This, in turn, should provide further impetus for the economic recovery to gain momentum, particularly as we approach an upcoming election, in which the government intends to maintain its focus on infrastructure and investment spending.

India has been seeking funding and trade arrangements with the world. How to characterize these external factors?

India is not a very trade-dependent economy, unlike Taiwan or South Korea, where exports as a percentage of GDP are considerably higher than they are in India (whose exports range between 20% and 25% of GDP). Having said that, India's exports have certainly taken a big hit over the last year. However, the fact that India has sort of kept up this infrastructure spending means that India's imports have not really diminished. All said, India's trade deficit has not translated into major macroeconomic stresses, and one of the big reasons for that is that India's services exports have actually been holding up extremely well. Consequently, India's current account deficit-to-GDP ratio hasn't really exceeded 2.5% of GDP for more than a quarter in the last year. In fact, in the last two quarters, it has has been narrowing to about 2% of GDP, partly driven by lower commodity prices. Juxtaposing this with the fact that India's FX reserves are currently hovering at about US$600 billion, the RBI has more than enough room to ward off any external risk-off developments. The Indian growth story remains on a fairly positive track, irrespective of what happens in the external environment over the next year.

The equity market in India held firm. What kind of hurdle is there for Indian stocks?

The key stumbling block for Indian equities is the valuation premium applied to Indian equities. However, we have to concede that in a world where capital flows are increasingly constrained by geopolitical considerations, India looks particularly attractive to Western investors, who are starved of growth opportunities at home and are also under pressure to de-risk or at least minimize their exposure to China. And India, given the breadth of its market, stands out above the rest of the EM universe. To that extent, we think the outlook for the Indian equity market remains considerably upbeat.

Market outlook – Recommendations & Targets from fundamental analysis

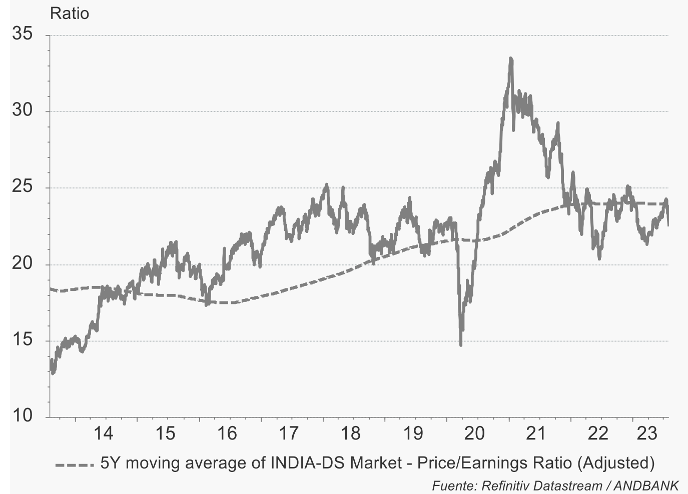
Equities – SENSEX: OVERWEIGHT

Bonds – Govies: OVERWEIGHT (Target yield 6.5%)

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

VNI index maintained its upward momentum in June, making it one of the best markets in Asia. Domestic policy to continue providing momentum.

Financial market review: We see the beginning of a recovery phase

The VNI maintained its upward momentum in June, marking a 4.1% increase, making it one of the best in Asia YTD. This robust showing can largely be attributed to the central bank's (SBV) fourth interest rate cut since March, prompting a bullish resurgence from retail investors. The sense of optimism that started to build in May found greater traction in June, as evidenced by the significant +36% MoM surge in daily turnover. This was helped by the State Securities Commission's (SSC) commitment to accelerate the new KRX trading system upgrade (a new stock trading system developed by the Korea Exchange to constantly update and modernize the local stock market). As market sentiment begins to improve, the local analyst's hypothesis that retail investors might seek riskier assets as their high-interest bank deposits matured seems to be playing out, with over $100m net bought by local participants in June.

The banking sector also pushes the index up

The banking sector put in a strong performance in June, with the private sector leading the way, up 5.9% MoM. The easing of monetary policy has played a significant role in driving the increase, particularly for the private banks, which boast a higher risk appetite than SOEs. The positive trend is expected to continue in the second half of 2023, with favourable factors such as higher credit growth in 2H23 supporting both interest income and investment income. We believe banks will remain proactive in their provisioning for potential bad debts, providing further stability in the face of potential issues. Our outlook for the banking sector remains positive, anticipating EPS growth for 2023 of around 10%.

We see additional progress in the battered real estate market. The sector no longer drags the index

We have seen activity in both primary and secondary property markets pick up since May. The Government's efforts in resolving some problems have started to bear fruit, with one clear example in Novaland (NVL). The special working group led by the Deputy Prime Minister has worked with NVL, ministries and provincial governments to tackle the root cause of the impediments, pushing for solutions for its projects. Developers have started tiptoeing back into the primary market to launch new projects, and once again Vinhomes is leading the charge, with 80% of units already finding deposits, aided by attractive payment options. The consecutive rate cuts over the past four months have helped alleviate the burden of high mortgage payments, and we are hopeful the rate will continue to drop to around 10% to further encourage mortgage demand. The real estate market is now showing signs of defrosting, with all parties firmly committed to its revival in 2H23.

The macroeconomic framework will remain stable. Vietnam can maintain loose monetary policy to continue providing momentum. The risks lie in the desynchronization of monetary policy.

Vietnam's economy saw a growth rate of 3.7% in 1H23, marking a low in the country's recent positive trajectory. A rise in GDP of 4.1% in 2Q23, from 3.3% in 1Q23, was driven by swift supportive policies, including four rate cuts totaling 150bps since March. The big question, however, is whether Vietnam can continue to maintain its loose monetary policies in the face of global market complexities and contrarian policy movements. We believe that leveraging monetary policy to boost the economy could continue and will not precipitate significant inflationary pressure. Firstly, because headline inflation edged up by just 2.0% YoY in H1, with average 2023 CPI projected to hover between 3.5%-4.0% YoY. Secondly, because borrowing demand and total money supply remain weak, with total credit and M2 expanding by a mere 4.7% and 3.2% YTD, respectively. These figures underscore the necessity for incentive mechanisms. Third, the VND's strong performance is thanks to consistent inflows. With the influx of foreign receipts from an expected 12 million inbound tourists this year, the current account surplus is projected to rebound to $7.5bn, or 1.7% of GDP. Meanwhile, flows from trade, remittances and especially FDI remain strong. Vietnam's effectiveness in FDI diplomacy is evident in the steady disbursement figures of $10bn, flat YoY, underpinned by a series of high-level visits from key partners, including 50 major US and 200 major Korean companies in H1. The risks ahead for this market lie in the fact that synchronization with global monetary policy is vital for a sustainable economic recovery. In that sense, and as the world's leading central banks continue to tighten monetary policy and raise interest rates, Vietnamese policy divergence could lead to short-term exchange rate volatility and thus cause some capital outflows, as well as compromise the effectiveness of Vietnamese supportive measures. This is particularly relevant in the context of the CNY retesting 7.3, while the VND-USD interest rate differentials are leaning negative. Should other central banks adopt a more accommodative stance next year, we predict a surge in both global and Vietnamese product demand, leading to an increase in export orders. Vietnam, therefore, can maintain loose monetary policy in order to provide a temporary tonic for the economy. Full-scale economic revival, however, necessitates a relaxation in fiscal policy, primarily in public investment. In 1H23, disbursement reached only 30.5% of the annual target, marginally higher than 1H21 and 1H22. Typically, the majority of public investment is distributed in the second half of the year, and in difficult years such as this the rate is often much higher than expected.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – VNI Idx: OVERWEIGHT

ISRAEL

Close to the approval of the judicial reform, the protests intensify

Politics

Events in Israeli politics continue to be the main factor in determining the direction of the markets. After seeming to have calmed down, in the last month the political crisis in Israel has intensified and now casts a heavy shadow on the Israeli economy. The coalition intends to pass one of the sections of the judicial reform next week and, in response to this, the protests have been renewed. The protests encompass many sectors and if the proposed change in the law passes the Knesset next week, it can be assumed that it will have a long-term impact on the local economy.

Prime Minister Benjamin Netanyahu talked with US President Joe Biden and agreed to meet in the near future (this comes after President Biden canceled Netanyahu's visit in March due to concern about the progress of judicial reform in Israel). In the White House statement, the US government maintained its position about Netanyahu's judicial overhaul and repeated "the need for the broadest possible consensus". According to local newspapers, Netanyahu told Biden during their talk that the government is committed to passing the judicial reform and that the opposition is the one that is refusing to reach a consensus, adopting intransigent positions.

Monetary policy & Fixed income

The latest macro data indicate a slowdown in the economy, mainly in private consumption. Credit card usage figures and retail sales continued the downward trend. In addition, the consumer confidence survey indicated a sharp decrease in the intention to purchase large products (cars, apartments). The positive news of the slowing trend is the drop in apartment prices. It should be noted that the data show a moderate drop in prices (-0.3% m/m in May), but at the same time the number of transactions decreased by over 50%, probably due to the fact that sellers and buyers are fortifying their positions. We assume that apartment prices will continue to fall in the coming year.

However, rent prices continue to rise and are now the most significant inflationary factor among all CPI components (+0.5% m/m in the last month). The June CPI reading (unchanged vs May) was much lower than market expectations (between 0.2% and 0.3% m/m) and helped to bring down annual inflation from 4.6% y/y to 4.2% y/y, after peaking in January at +5.4% y/y.

The Bank of Israel, in its last monetary policy meeting, decided to keep its reference rate at 4.75%. Central Bank governor Amir Yaron warned that it will not hesitate to raise rates in coming months if uncertainty around the judicial reform leads to an increase in the country's risk premium and continued shekel weakness. We still estimate that the Bank of Israel will wait at least until 2024 before lowering the interest rate. Inflation expectations for the next 12 months (+2.8%) are close to the upper limit of the target (3%) and, moreover, the political crisis requires the bank to adopt a cautious policy. In addition, the yield curve is still inverted (the new normal?), so we continue to recommend holding a short duration.

Stock market

In contrast to the turbulent political arena, the stock market demonstrated stability. The Tel Aviv 125 index fell by 1% during the last month. Bank shares rose by 0.9%, strengthening our view that the banking sector will continue to be one of the best-performing sectors in the market.

The clean-tech sector increased by 2% this month. The increasing use of alternative energy in the world supports a considerable number of Israeli companies that have gained expertise in some of the fields of the industry. Energix is one of the companies that should be mentioned in this regard. The company has the largest weight in the index (9.4%) and shows high growth rates in its activities worldwide. Shares of Enlight (market cap of 2.2 bn USD), whose shares are listed on Nasdaq, rose by nearly 6% this month. The company has extensive activity all over the world, mainly in Europe. We estimate that the growth in alternative energy will have a positive effect on some Israeli companies in the coming years and are therefore inclined to increase our positioning in this sector.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – TLV35 Index: MARKETWEIGHT

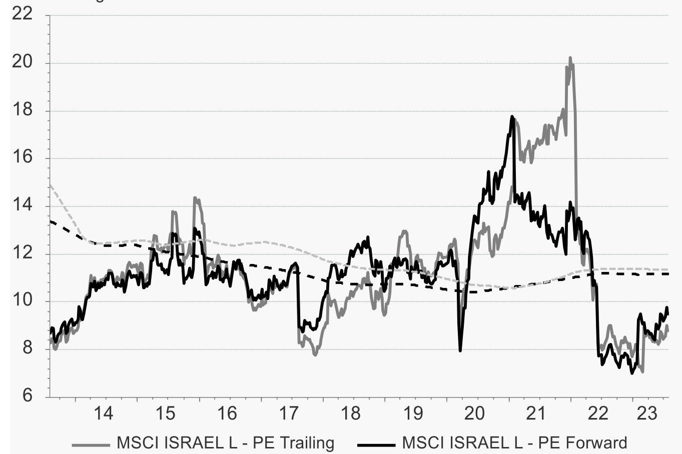
Bonds – Government–10Y Gov: UNDERWEIGHT

Bonds – Corporates: MARKETWEIGHT

FX – ISL vs USD: Neutral in REER

Israel price-to-earning ratio

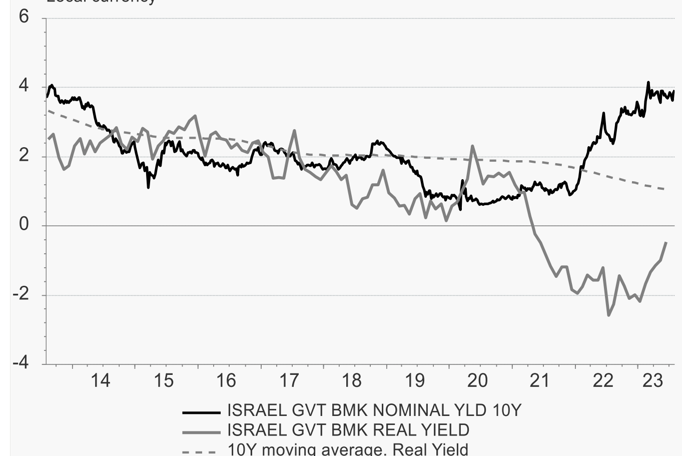
Trailing & Forward PE



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
A good first half

Lula's third "first six months"

No one can say that it hasn't been eventful, Lula's first six months started back in the first round of the elections, when markets rallied on Lula's promises of having a multi-party government cabinet. It lasted until the second week of the second round, when markets got a better understanding of what that meant, namely, the main ministries for his closest associates and second tier ministries for the other coalition members.

As Lula took office, there was still a lot of support for Bolsonaro's claim that the election was a fraud, and on Jan 8, much akin to what happened in the US, the three main government buildings in Brasilia, the headquarters of the executive, legislative and judicial systems, were depredated. More than 2,000 people were arrested and have now been prosecuted.

After the rocky start, Lula's cabinet went to work, and one of his most criticized ministers, Fernando Haddad, has raised himself to the position of the grown-up in the room. Despite all the noise created by Lula himself and his own Worker's Party, Haddad managed to put to the vote not one, but two very important economic bills.

The first was, of course, the new fiscal framework. Initially promised for the first half of the year, it was presented at the end of March and approved by the lower house in May. Following the Brazilian legislative process, from the lower house it went to the Senate, where it was amended, and then returned to the lower house for further revision and another vote, which should take place in August, after the July recess.

The second bill was the long-anticipated tax reform. Bernardo Appy, the current tax reform special secretary, started work on the bill more than 15 years ago, and the current version has been on hold in the lower house at least since 2019. There has always been the understanding, by both right- and left-wing governments, that the reform was a must, but no one until now would provide the means for it to be approved, which finally occurred in the first week of July in the lower house. As always, it now moves to the Senate for another round of voting.

In Brazilian politics, people say you cannot get more than one major reform approved in a President's term. And it has to be in the first year, because in the second year, there are state and municipal elections, in the third year it's time to clean up any mess and in the fourth year you're running for reelection. So far, even though not fully approved by both houses, the two bills look pretty much done.

Bolsonaro is out of the next presidential election… at least, for now

As widely anticipated, Jair Bolsonaro (Brazil's former president) is now having to contend with a long list of judicial encounters, now that he no longer has immunity as president. One of the first such encounters, with Brazil's federal electoral court (TSE), didn't end well for Bolsonaro. He was barred from public office until 2030 for his conduct during last year's tense elections.

Five out of seven justices voted to convict him for abuse of power and misuse of the media over his meeting with ambassadors for the express purpose of making unfounded claims about Brazil's electronic voting system, which many believe led to the Jan 8 invasion of the *Praça dos Três Poderes*, where the main government buildings are located in Brasilia, by thousands of Bolsonaro supporters.

It's still too early to say that Bolsonaro will definitely not be in the race, as Brazilian courts have a history of changing their own rulings, as happened to Lula a few months before the 2022 election, so anything is possible. But given that Bolsonaro is still being investigated on other charges, he will have a tough time between now and then.

Meanwhile, in the markets…

All indications point to a rate cut cycle starting at the August 3 COPOM meeting. We expect that cycle to run for 12 to 18 months, with rates coming down from 13.75% to somewhere close to 9.00%. From then on it will depend on the continuation of the reform agenda and the government's displays of fiscal responsibility. A Central Bank survey of the country's leading financial institutions shows that market expectations are increasingly converging toward the inflation targets (3% in 2024).

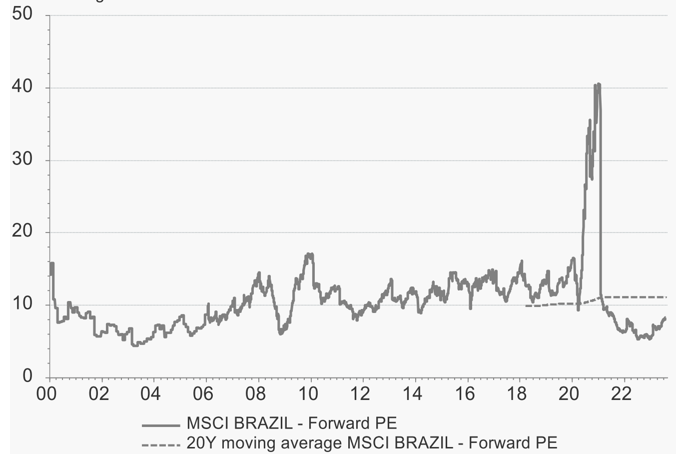
Market outlook – Recommendations & Targets from fundamental analysis

Equities – iBovespa: MARKETWEIGHT

Bonds – Govies Local: OVERWEIGHT (Target yield 11.25%. Spread 750)

Bonds – Govies USD: UNDERWEIGHT (Target yield 6.75%. Spread 300)

FX – BRL/USD: MARKETWEIGHT (Mid-term target 5.00)



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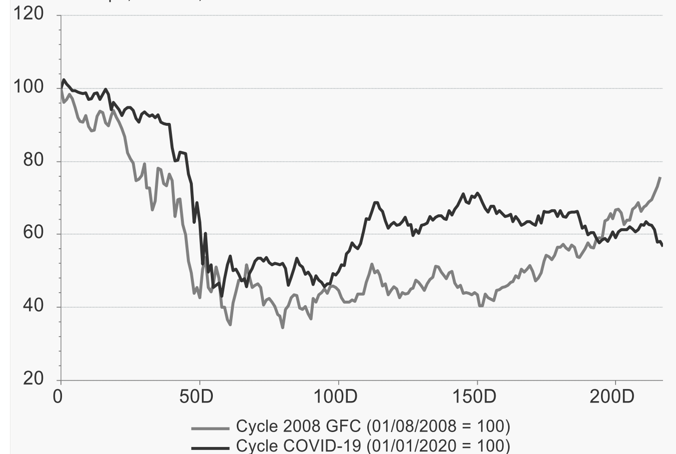

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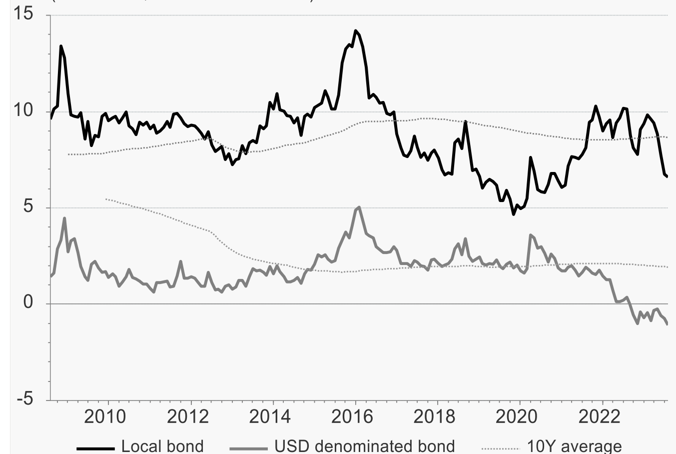


Fuente: Refinitiv Datastream / ANDBANK

ANDBANK Private Bankers

MACRO ECONOMY

MEXICO

Inflation slowing down but not at the pace that the Central Bank would like

Central Bank

Banxico maintained its reference interest rate at 11.25% for the second consecutive meeting, with a unanimous decision. Only one member has expressed the possibility of reducing rates due to the recent trend in inflation data and its medium and long-term outlook. Although the statement said that Banxico will seek to maintain the rate at the current level for a prolonged period of time, the recent adjustment in the FED interest rates make it likely the central bank will want to act as a counterweight when deciding when to start the rate reduction process.

Inflation and activity

The latest inflation data surprised to the downside for June, with headline CPI increasing +0.10% m/m (+5.06% y/y) and core CPI advancing +0.30% m/m (+6.89% y/y). The outlook for the end of the year continues to moderate and at the moment the average in the latest surveys for the end of 2023 stands at 4.80% y/y for headline and 5.15% y/y for the core. Convergence towards the central bank's long-term goal (3% +/- 1%) is not expected to be seen until the end of next year.

Regarding economic activity, the latest reports maintain a positive trend: the latest trade balance report maintained a favorable dynamic in imports, taking advantage of the strength of the currency. Industrial production increased above expectations in May (+0.7% m/m & +3.9% y/y), led by the construction sector, thanks to the nearshoring trend, pushing demand for infrastructure (public works and increased demand for industrial parks), which offsets manufacturing sector weakness due to the slowdown in the US economy.

Public Finances and Credit Rating

Fitch Ratings affirmed Mexico's long-term foreign and local currency sovereign rating at 'BBB-', with a stable outlook. The rating continues to be supported by a prudent macroeconomic stance, robust external finances, and a stable debt/GDP trajectory. Among the main challenges, the rating agency highlights long-term growth and Pemex's tax burden.

On the other hand, in the year to May, Public Finances reported a primary surplus of around 13 bn USD. Between January and May, revenues fell 0.4% y/y in real terms, impacted by oil income (-24.2% y/y), with non-oil income in positive territory (+4.9% y/y). Budget spending increased +2.5% y/y in real terms, pushed by administrative expenses (+4.8% y/y). Looking only at May, revenues advanced +11.7% y/y, driven by non-oil income (+14.1% y/y), while expenses increased +24.2% y/y, with a significant increase in programmable expenses (+27.6% y/y) and financial spending (+14.5% y/y)

Financial markets

Equity: There are elements of support for the local market, such as attractive valuations and a resilient outlook for the economy; with the boost that has also been given by the nearshoring trend, which began a long time ago and is now consolidating. Although Banxico seems more willing to pause interest rate hikes than other central banks, the pressure on valuations could continue, given the noise that news such as the expropriation of a tranche of operations from the transportation division of GMEXICO and the challenges in the sale of Citibanamex, which ended in the decision to place it on the Mexican stock market.

Fixed Income & FX: We hold to the idea that inflation will drop for the rest of the year, but the decline will be slow, especially in the context of the price dynamics of the core sub-index. For Pesos bonds we maintain the 12M target at 500 bps, with a probability of its being lower if, in a recessive environment, Banxico decides to cut its rate between the end of the year and the beginning of 2024. Regarding the dollar bond, given the perspective on local rates, we adjust our target to 175 bps.

The peso continues to be one of the strongest currencies against the dollar, accumulating an appreciation of more than 14% in the year and reaching its minimum since 2014. We move our 12-month target from 19.50 to 19.00

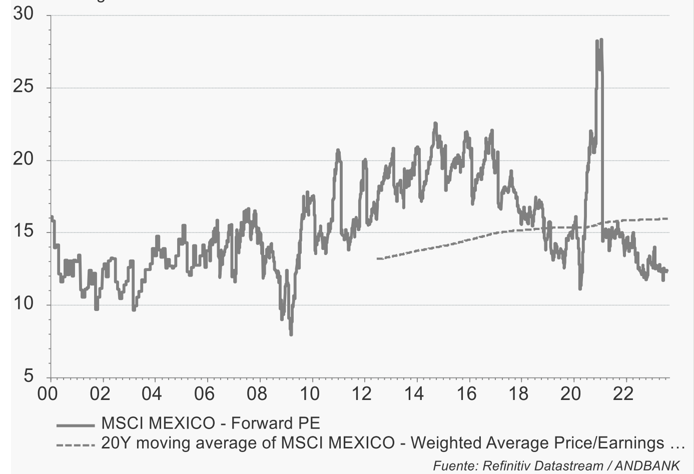
Market outlook – Recommendations & Targets from fundamental analysis

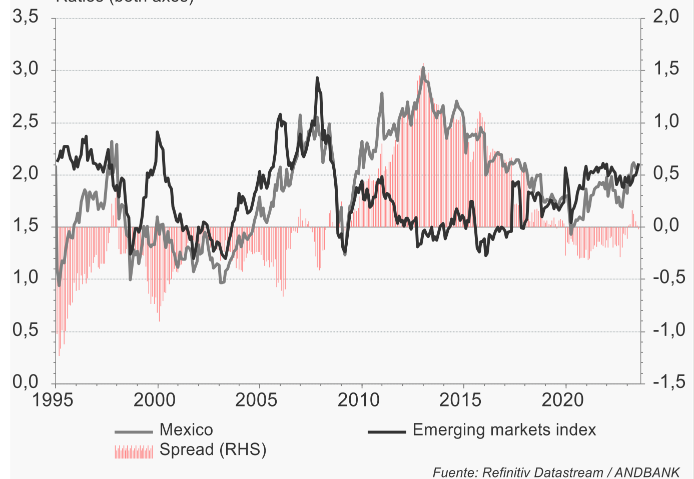
Equities – Mex IPC: MARKETWEIGHT

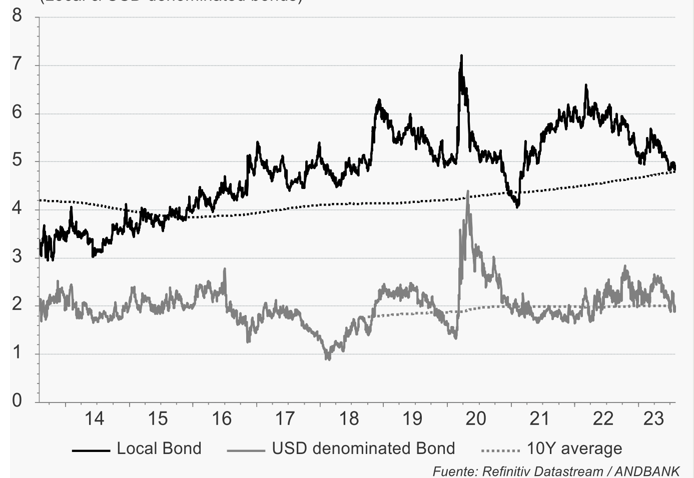
Bonds – Govies Local: OVERWEIGHT (Target yield 8.75%. Spread 500)

Bonds – Govies USD: UNDERWEIGHT (Target yield 5,50%. Spread 175)

FX – MXN/USD: UNDERWEIGHT (Mid-term target 19.00)







ARGENTINA
The moment of truth has arrived

Politics: Everything indicates that *Juntos por el Cambio* is going to be the main political force

On August 13 we have the first milestone in this year's electoral calendar, with the primary elections (they are mandatory in the Argentine case). All the polls have shown that *Juntos por el Cambio* (JxC) registers the highest voting intention overall, that *Unión por la Patria* (UP) holds second place and *La Libertad Avanza* (LLA) ranks third. The difference between JxC and UP, on average, has been less than previously expected (30% vs. 26.5%), while Javier Milei (LLA) has a voting intention close to 20%. Undecided voters are close to 10% of the total.

As for the JXC intern, Patricia Bullrich prevails over Horacio Rodríguez Larreta with a clear margin (20% vs 13%). In the official coalition (UP) the victory of the Minister of Economy, Sergio Massa, over the social leade- Juan Grabois, is taken for granted. Although the polls in the 2021 legislative elections were useful to predict the final results, we must not forget what happened in the 2019 primary elections, where no pollster was able to predict Alberto Fernandez's more than 15-point advantage over Mauricio Macri.

IMF: Agreement with the Staff

The IMF announced that its staff and Argentina's officials finished the core aspects of the technical work of the next review, which is expected to be finalized in the next few days before moving towards the review of the Argentina program. Staff-level agreements between a country and the IMF must be approved by the IMF Executive Board for funds to be released. As part of the deal, Argentina announced a new tax on imports, 7.5% on goods and 25% on services, with exceptions in both categories. Also, it will be introducing a new preferential exchange rate for regional agricultural exports (including sunflower, sorghum and forage barley), brewing barley and corn, whose producers will be able to sell their goods at 340 USD/ARS until August 31 (the official rate at the time of the announcement was 270 USD/ARS). Argentina continues to devalue its currency in installments and when it was rumored that the IMF was going to ask for a simplification of the exchange system, new measures were introduced that tend in the opposite direction, and now the country will have 11 different exchange rates. The IMF staff's upcoming fifth review of the program will evaluate Argentina's performance until March. If favorable, the review would lead to a 3 billion SDR (US$ 4 billion) disbursement. At the end of June Argentina made a 2.7 bn USD payment using Special Drawing Rights (IMF reserve asset based on a basket of five currencies: USD, EUR, JPY, GBP & CNY) and, for the first time, with Chinese Yuan, using the currency swap line. At the start of July the Government announced that it will postpone the three July payments (July 7, 14 and 28), totalling 2.6 bn USD, to the last day of July. In August, 800 MM USD must be paid and from September to the end of the year 5.1 Bn USD between principal and interest.

As a result of the drought the country has been experiencing, economic activity in Argentina fell 4.2% in April compared to the same month last year, and 1.9% compared to March, with the agriculture, livestock, hunting and forestry segments dropping 36.8% y/y. This has led the two parties to renegotiate some of the targets set in the last review, especially the reserve accumulation target, due to lower exports (-22% YTD), and the fiscal deficit target, due to lower income from withholdings on exports. The average of the analysts surveyed by the Central Bank expects a 3% drop in economic activity this year.

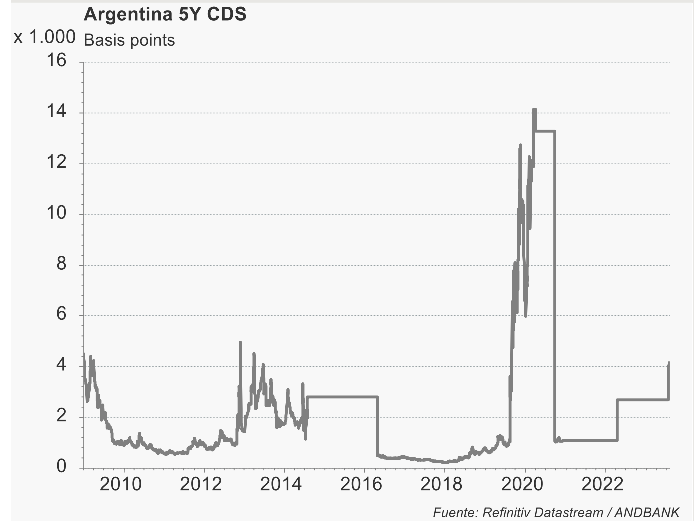
Inflation: Seasonal prices to the rescue

June inflation was +6% m/m, well below last month's number (+7.8% m/m) and market expectations (+7.3% m/m). With the June print, annual inflation reaches +115.6% y/y, while the median of analysts expect it to close this year at 142.4% y/y. Looking at the three main price categories, we see that seasonal products were the main contributors to the lower inflation in June (+1.8% m/m vs +6% m/m in May), while for Core (+6.5% m/m vs +7.8% m/m) and Regulated prices (+7.2% m/m vs. 9%) the increases were less than last month but above the average for the month. Food and Beverages had an increase of only +4.1% m/m, contributing to the slowdown seen over the past month. In our view, the favorable CPI surprises in the last two months do not change the prospects for the rest of the year, with the drop in inflation explained by transitory factors and not by sustainable macroeconomic changes. The situation of the Central Bank continues to be precarious and any bad news could lead the economy to a crisis situation, added to an election in which the ruling party candidate is also the Minister of Economy, which makes us think that the incentives for pursuing a less restrictive fiscal policy are high.

Market outlook – Recommendations & Targets from fundamental analysis

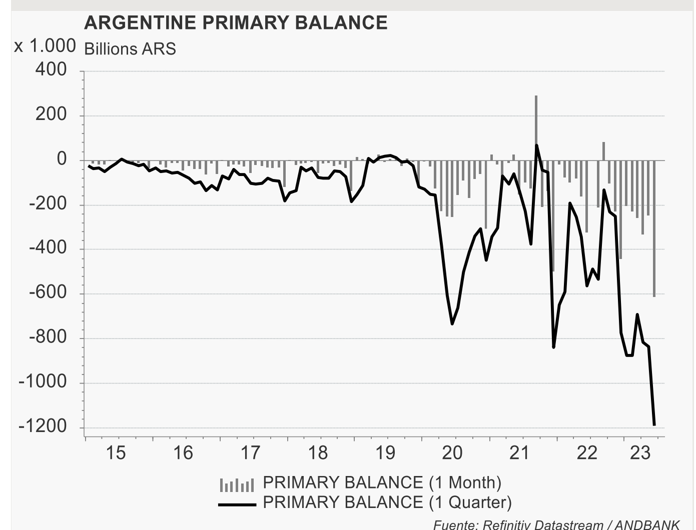
Bonds – 10YGov USD: NEUTRAL

FX – USDARS: NEGATIVE (2023 year-end target 400)



Fuente: Refinitiv Datastream / ANDBANK

Fuente: Refinitiv DatastreamThomson Reuters Datastream / ANDBANK



Fuente: Refinitiv Datastream / ANDBANK

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EQUITIES

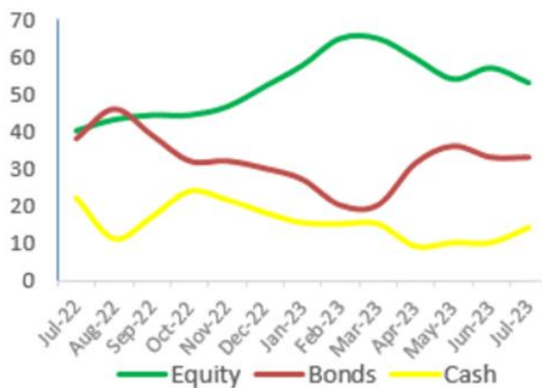
GLOBAL EQUITY INDICES
Fundamental assessment

Index	Projected EPS 2023	Projected EPS 2024	Projected EPS Fw 12 months	Projected EPS Growth 2023	Implicit PE (12m fwd)	E [PE] fw At year end	INDEX CURRENT PRICE	Andbank's Strong Buy Point (100% Exposure)	E[Perf] to Strong Buy Point	Recommended Strategy	Exit Point (Strong Sell)
USA S&P 500	220,0	242,0	233	-2,2%	19,32	16,50	4.502	3.845	-14,6%	UW-MW	4.998
Europe - Stoxx Europe 600	32,5	32,5	32,5	1,6%	14,06	13,00	457	423	-7,5%	UW-MW	507
Euro Zone - Euro Stoxx	31,0	31,0	31	6,9%	14,69	13,00	455	403	-11,5%	UW-MW	484
Spain IBEX 35	850,0	900,0	880	14,1%	10,58	12,00	9.305	10.555	13,4%	MW-OW	11.611
Mexico IPC GRAL	4.225	4.200	4.210	11,8%	12,69	14,00	53.445	58.943	10,3%	OW	64.837
Brazil BOVESPA	17.816	17.816	17.816	0,0%	6,77	6,75	120.586	130.000	7,8%	MW	143.000
Japan NIKKEI 225	1.975	1.925	1.945	7,0%	16,55	16,50	32.193	32.099	-0,3%	OW	35.309
China SSE Comp.	310,0	315,0	313	12,7%	10,51	9,50	3.288	2.973	-9,6%	UW	3.270
China Shenzhen Comp	120,0	132,0	127	18,8%	16,30	14,75	2.072	1.875	-9,5%	UW	2.062
India SENSEX	3.151	3.623,7	3.431	17,6%	19,16	21,00	65.721	72.045	9,6%	OW	79.249
Vietnam VN Index	120,0	144,0	134	20,0%	9,14	10,00	1.226	1.342	9,5%	OW	1.476
MSCI EM ASIA	42,0	42,0	42	5,0%	12,97	14,00	545	588	7,9%	OW	647

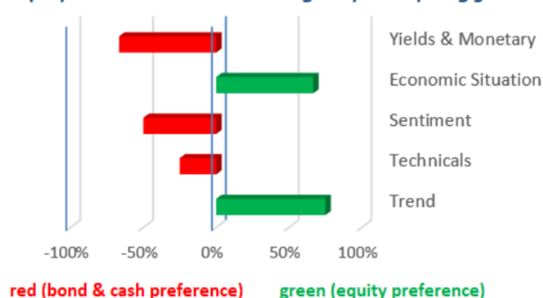
ANDBANK ESTIMATES

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



Tactical Asset Allocation

GLOBAL EQUITY ALLOCATION	Recommended Allocation	Benchmark
U.S.	64%	61,2%
Europe ex. U.K.	16%	12,2%
Emerging Markets	8%	11,1%
Japan	6%	5,4%
U.K.	2%	3,8%
Pacific ex. Japan	2%	3,1%
Canada	2%	3,1%
Health Care	18%	14,5%
Utilities	4%	2,9%
Information Technology	27%	26,4%
Communication Services	8%	8,3%
Energy	4%	4,7%
Materials	2%	2,6%
Financials	11%	11,2%
Consumer Discretionary	10%	10,9%
Consumer Staples	7%	7,5%
Industrials	5%	8,2%
Real Estate	1%	2,7%

GLOBAL EQUITY INDICES

Earnings Dashboard - EUROPE

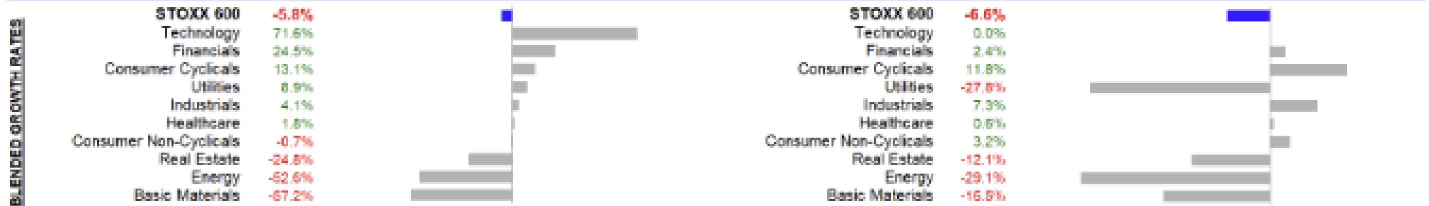
REFINITIV STOXX 600 2023Q2 EARNINGS DASHBOARD

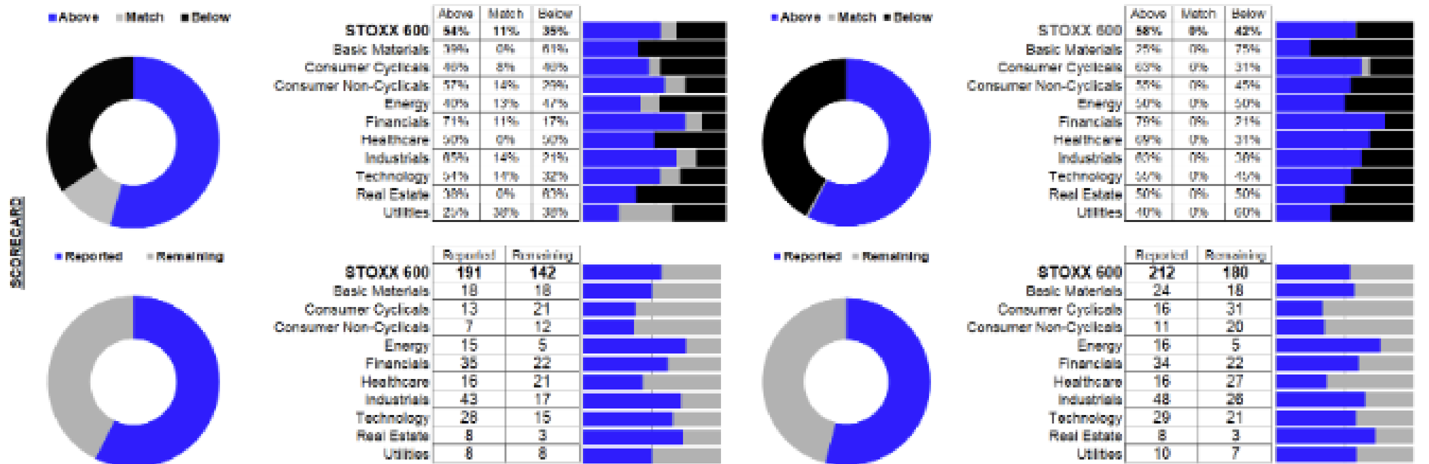
Source: Refinitiv I/B/E/S data

REPORTING ANALYST: Tajinder Dhillon, CFA — August 1, 2023

FOR THE LATEST EARNINGS INSIGHT VISIT: http://lipperalpha.financial.thomsonreuters.com/

STOXX 600 2023Q2 EARNINGS — STOXX 600 2023Q2 REVENUE





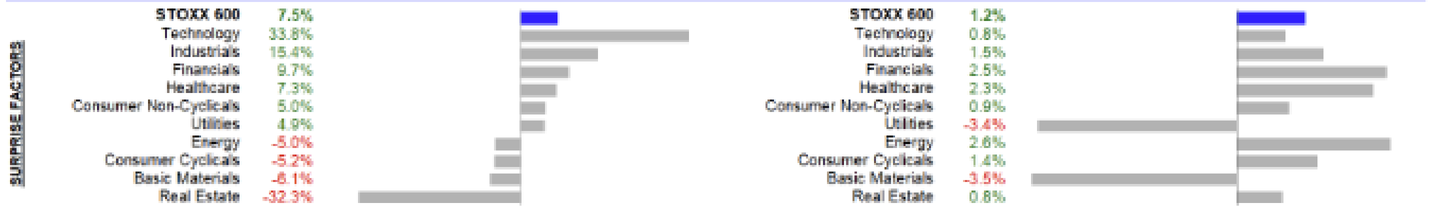
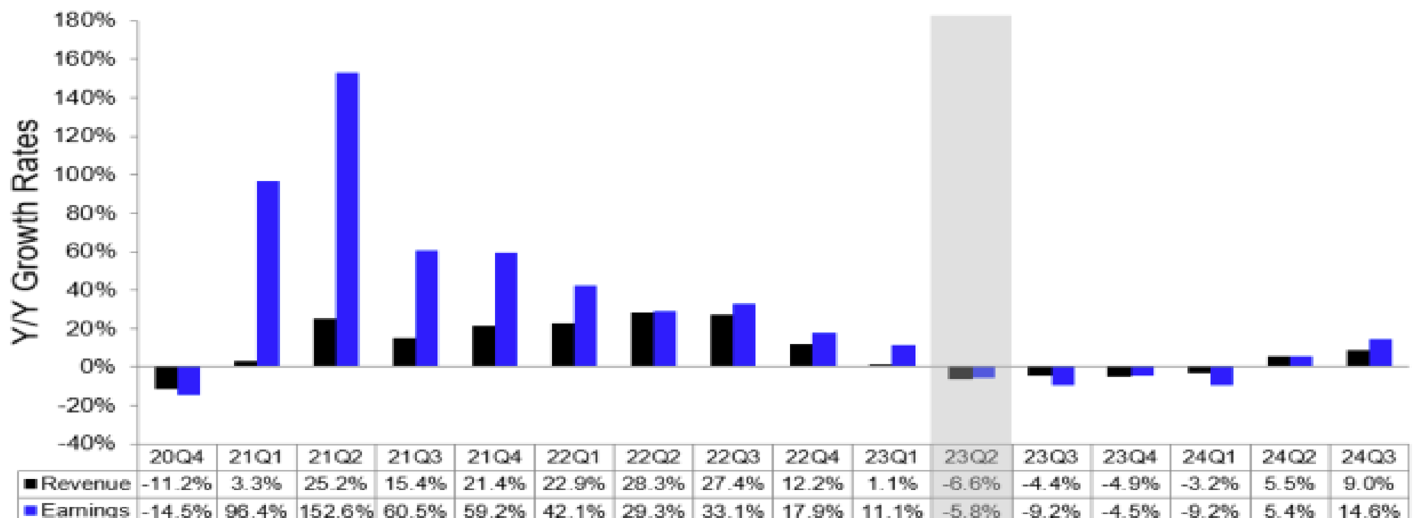


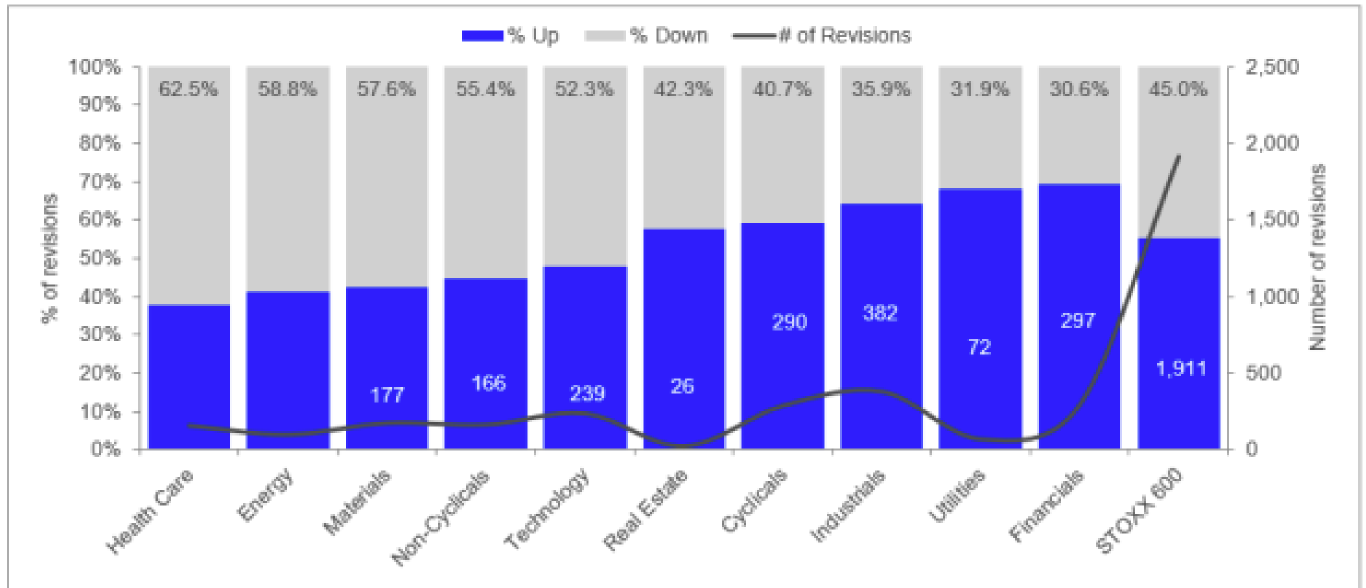
Exhibit 3A. STOXX 600 YoY Growth Rates



Source: Refinitiv I/B/E/S data

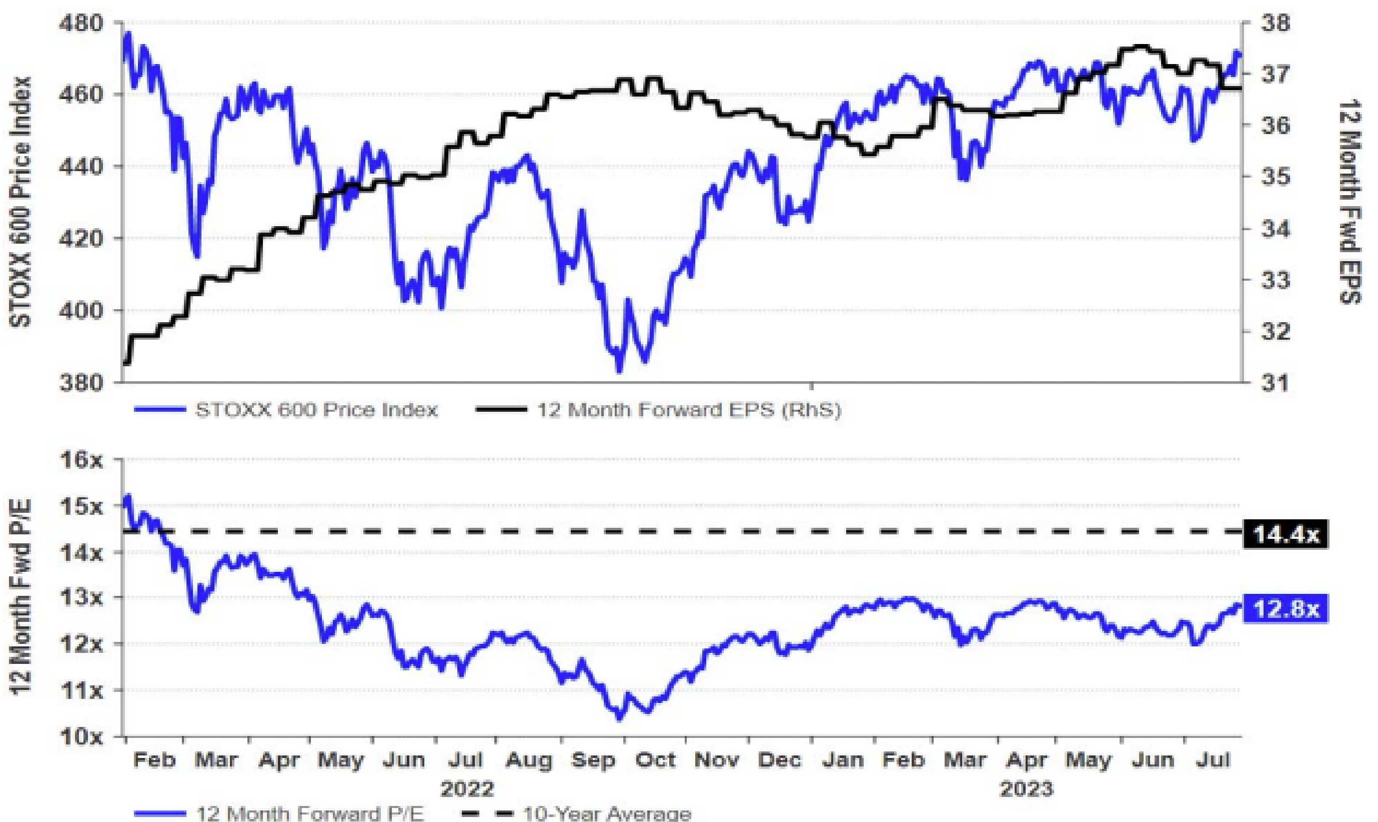
GLOBAL EQUITY INDICES
Earnings Dashboard - EUROPE

Exhibit 16A. STOXX 600: Weekly Earnings Estimate Revisions by Sector



Source: Refinitiv I/B/E/S data

Exhibit 17A. STOXX 600: 12-month Forward Price/Earnings Ratio



Source: Refinitiv Datastream

GLOBAL EQUITY INDICES

Earnings Dashboard - US

REFINITIV S&P 500 2023Q2 EARNINGS DASHBOARD

Source: I/B/E/S data from Refinitiv

ANALYST: Tajinder Dhillon, CFA — August 3, 2023

To view the latest insights: https://lipperalpha.refinitiv.com/

BLENDED GROWTH RATES

	S&P 500 2023Q2 EARNINGS	S&P 500 2023Q2 REVENUE
S&P 500	-5.0%	0.1%
Consumer Discretionary	40.8%	8.6%
Comm. Services	15.5%	3.3%
Industrials	13.7%	4.6%
Financials	8.4%	9.0%
Consumer Staples	7.4%	2.7%
Utilities	3.3%	-3.2%
Technology	0.7%	-0.8%
Real Estate	-2.1%	4.9%
Materials	-26.4%	-11.7%
Health Care	-27.1%	5.0%
Energy	-47.9%	-28.7%

SCORECARD

Earnings (■ Above ■ Match ■ Below)

	Above	Match	Below
S&P 500	79%	5%	16%
Consumer Discretionary	83%	3%	15%
Consumer Staples	92%	-	8%
Energy	68%	11%	21%
Financials	69%	6%	25%
Health Care	93%	-	7%
Industrials	74%	8%	18%
Materials	79%	4%	17%
Real Estate	67%	19%	15%
Technology	93%	-	7%
Comm. Services	87%	-	13%
Utilities	73%	9%	18%

Revenue (■ Above ■ Match ■ Below)

	Above	Match	Below
S&P 500	64%	0%	36%
Consumer Discretionary	70%	-	30%
Consumer Staples	52%	-	48%
Energy	50%	-	50%
Financials	69%	-	31%
Health Care	82%	-	18%
Industrials	68%	-	32%
Materials	30%	-	70%
Real Estate	63%	-	37%
Technology	80%	-	20%
Comm. Services	40%	-	60%
Utilities	41%	-	59%

Earnings (■ Reported ■ Remaining)

	Reported	Remaining
S&P 500	392	108
Consumer Discretionary	40	13
Consumer Staples	25	12
Energy	19	4
Financials	67	5
Health Care	45	20
Industrials	65	10
Materials	23	6
Real Estate	27	4
Technology	44	21
Comm. Services	15	5
Utilities	22	8

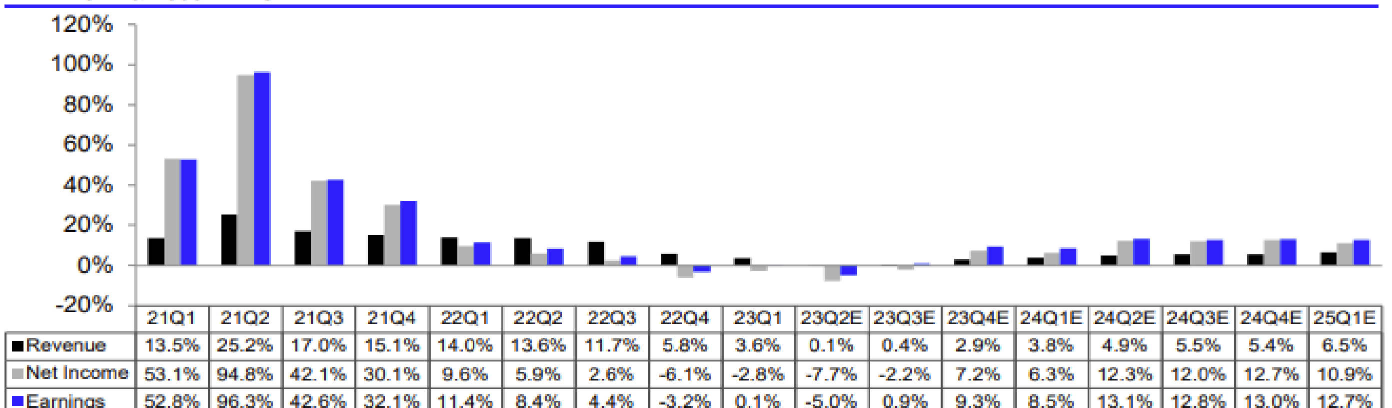
Revenue (■ Reported ■ Remaining)

	Reported	Remaining
S&P 500	393	107
Consumer Discretionary	40	13
Consumer Staples	25	12
Energy	20	3
Financials	67	5
Health Care	45	20
Industrials	65	10
Materials	23	6
Real Estate	27	4
Technology	44	21
Comm. Services	15	5
Utilities	22	8

SURPRISE FACTORS

	Earnings	Revenue
S&P 500	7.1%	1.7%
Consumer Discretionary	15.4%	3.5%
Utilities	11.7%	-4.3%
Materials	9.2%	-1.6%
Technology	8.7%	1.4%
Industrials	7.6%	2.3%
Financials	6.9%	2.5%
Comm. Services	6.8%	0.9%
Consumer Staples	5.6%	-0.1%
Health Care	5.2%	2.6%
Real Estate	3.4%	1.6%
Energy	2.3%	1.8%

Exhibit 5. S&P 500 YoY Growth Rates



	21Q1	21Q2	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2E	23Q3E	23Q4E	24Q1E	24Q2E	24Q3E	24Q4E	25Q1E
Revenue	13.5%	25.2%	17.0%	15.1%	14.0%	13.6%	11.7%	5.8%	3.6%	0.1%	0.4%	2.9%	3.8%	4.9%	5.5%	5.4%	6.5%
Net Income	53.1%	94.8%	42.1%	30.1%	9.6%	5.9%	2.6%	-6.1%	-2.8%	-7.7%	-2.2%	7.2%	6.3%	12.3%	12.0%	12.7%	10.9%
Earnings	52.8%	96.3%	42.6%	32.1%	11.4%	8.4%	4.4%	-3.2%	0.1%	-5.0%	0.9%	9.3%	8.5%	13.1%	12.8%	13.0%	12.7%

Source: I/B/E/S data from Refinitiv

ENERGY – OIL

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

Buy < USD75; Sell >USD100

Short-term drivers

(Bullish price factor) – OPEC says the measures taken to stabilize the global oil market this year are expected to extend into 2024: Platts showed OPEC+ production was unchanged at 41.34M bpd in June, after a 670K bpd decline in May to a 19-month low. This month's output is expected to be followed by another decline in July, when the 1M bpd voluntary cut from Saudi Arabia takes effect, as well as the 500K bpd Russian export cut from August. OPEC+ ministers aren't due to meet to discuss production volumes until 26-Nov.

(Bullish price factor) – Longs heartened by Brent's recent move above $80/barrel: Analysts see recent positive price action underpinned by a tighter market from ongoing OPEC+ production cuts, possibly leading to long-awaited price strength through the remainder of the year. However, that many traders remain skeptical about a bullish outlook for H2, pointing to questions about China demand and recession worries in the West.

(Bullish price factor) – Investors trim bearish positions after Saudi Arabia extends production cuts: Hedge funds and other managers purchased the equivalent of 47M barrels across the six most important petroleum futures and options contracts for the week to 4-Jul. Managers were purchasers of a net 25M barrels of Brent and 27M barrels of WTI, reversing the net sales the previous week. The purchases also came after Saudi Arabia and Russia announced they would extend their voluntary production cuts through August, which could reduce expected inventories by 75M barrels from the start of Q3. Despite the purchases, the combined position is still only 258M barrels, or the sixth-percentile for all weeks since 2013, while the long-to-short ratio of 2.25:1 remains only in the 11th percentile. This means that there is a long way to go for crude oil from a strictly financial point of view.

(Bullish price factor) – Forecasts of increased demand for crude oil are not accompanied by expected increases in supply: OPEC revised its 2023 global oil demand growth forecast up to 2.44M bpd, followed by growth of another 2.25M bpd for 2024. The supply growth forecasts are 1.41M bpd in 2023 and 1.39M bpd in 2024, suggesting a tighter global energy market also in 2024, with OPEC saying the measures taken to stabilize the global oil market this year are expected to extend into 2024.

(Bullish price factor) – Dirtier crudes fetching premiums in Asia in a possible sign of market tightening: In a reversal of traditional patterns, medium-sour grades have been trading in Asia at a premium to lighter grades in a possible sign that the slowdown in Saudi production is beginning to tighten the crude market. Note that Reuters reports China traders have booked deliveries of nearly 1M bpd of Brazilian crude for August and September delivery, well above averages from earlier in the year amid tighter global supplies of sour crude.

(Bullish price factor) – Refilling Strategic Petroleum Reserve could take decades: Analysts review the situation with America's Strategic Petroleum Reserve (SPR), noting that while it took the Biden administration six months to sell off 180M barrels of SPR crude, it could now be decades before the reserve is brought back to full capacity, with lack of funding, infrastructure challenges, and a desire to not disrupt prices likely weighing on the process. The fact of having to rebuild these reserves, since not doing so could leave the US more vulnerable to shocks in the global oil market, will keep the upward pressure on the price of crude oil for as long as it takes to fill the strategic reserves.

(Bullish price factor) – Halts in Libya and Nigeria disrupt 500K bpd of output: Libya's Sharara deposit began fully halted overnight amid protests after the arrest of an official trying to lead Libya's central bank. A nearby smaller field, El Feel, was also halted as part of the same protest, while a leak at a Nigerian terminal also paused output. All three disruptions represent well over 500K bpd of global oil flows, or around 0.5% of global supply, while a timeline for a full restart isn't clear.

(Bullish price factor) –China's June crude imports post second-biggest increase on record: China's crude oil imports jumped 45.3% y/y in June, the second highest on record. The imports totaled 12.67M bpd, up from the May 12.11M bpd level. Teapot refiners in Shandong increased runs after curbs were lifted on the import of diluted bitumen in late June. However, despite the big increase in imports, demand remained weak in China and thus inventories in the month grew to 980M barrels by the end of June, just 20M below the all-time record from Aug-20.

(Bearish price factor) – US rise in output to offset Russian cuts: OPEC expects US production to rise by 1.08M bpd this year, or 77% of non-OPEC growth for the year, to more than offset the 750K bpd decline in Russian output.

(Bearish price factor) – Russia has assembled a shadow fleet big enough to transport its crude and breaking its reliance on G7 transport companies. Recent Russian oil export cuts have coincided with a rise in the price of Brent to $80pbl and the enhanced capabilities in transport could reverse the upward trend in price. A larger fleet of Russian tankers, more suitable for long distances, may a priori promote the idea of a greater abundance of crude oil, and push the price of oil down. All said, some analysts still see that Russia may have to offer steeper discounts to keep enticing buyers. There is still the question of potential buyers of Russian crude, but they are under pressure from the West not to do so, as they are dependent on many services from the West. That will keep them demanding deep discounts on Russian crude.

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 USD1,900 – 2,100 /oz

Buy < USD1,900; Sell >USD2,100

Positive drivers for gold

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

Gold is cheap relative to palladium: The Gold/Palladium ratio rose to 1.54, still well below its 20-year average of 1.83x, 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 considered 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 fell to 82.22, still above its 20-year average of 67.62x, 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$1,591/oz.

Gold to oil: This ratio rose to 23.74, still well above its 20-year average of 19.01x. 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$1,663 for this ratio to remain near its LT average.

Gold in real terms: Given the global deflator (now at 1.3188), 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$1,468. Therefore, in real terms, gold continues to trade well above its 20-year average of US$1,127oz. For the gold price to stay near its historical average in real terms, the nominal price (or equilibrium price) must remain near US$1,486.

The four threats that could end the gold rally no longer seem so distant. What are those 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 mild 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, some 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.

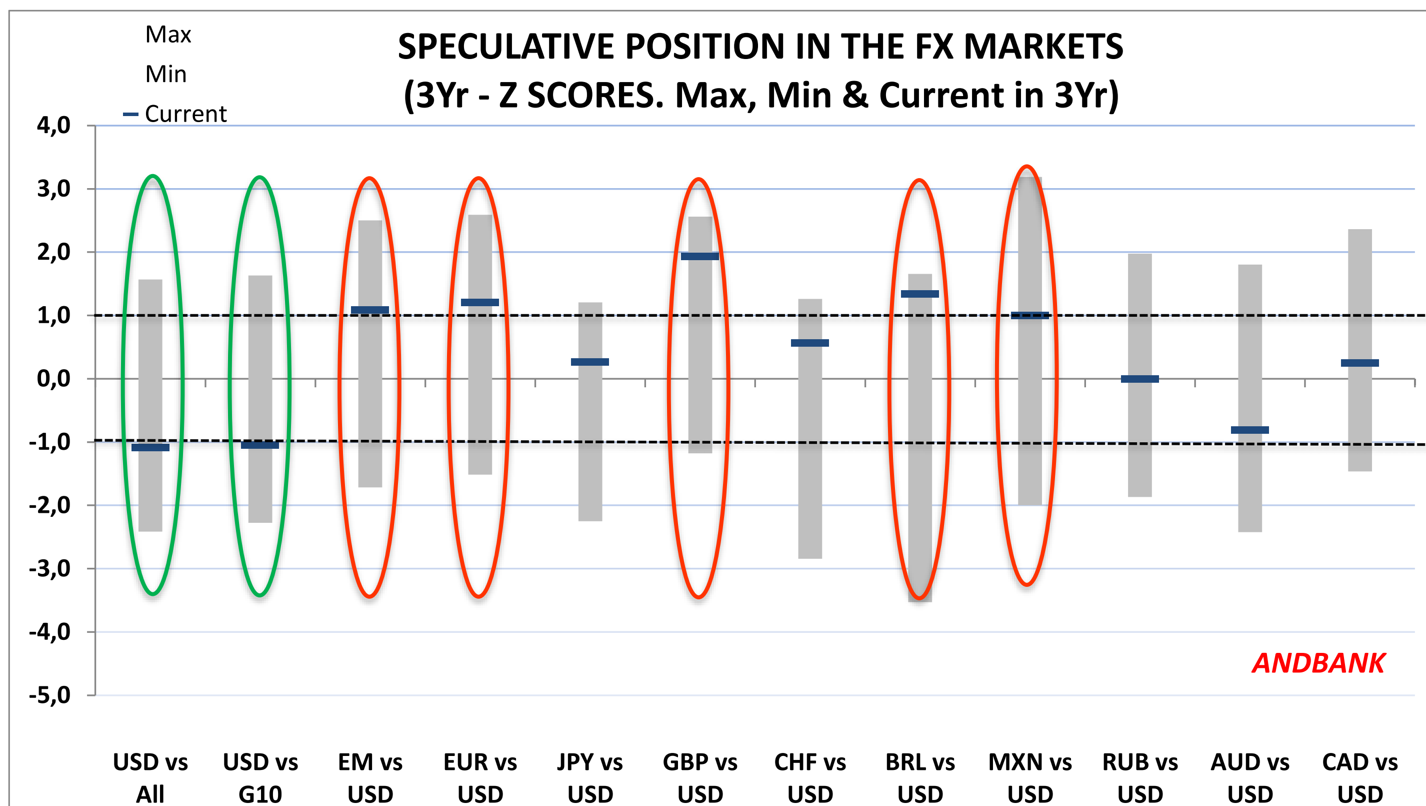
EXCHANGE RATES

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	-21,28	-7,18	32,1	-28,2	-0,8	-1,08
USD vs G10	-18,01	-7,39	32,7	-25,4	0,5	-1,05
EM	3,27	-0,21	3,9	-0,8	1,8	1,08
EUR	24,49	4,62	25,4	-8,6	11,8	1,21
JPY	-6,90	2,90	0,6	-15,0	-8,0	0,27
GBP	4,76	0,61	5,2	-6,5	-0,9	1,94
CHF	-1,22	-0,53	0,2	-6,0	-2,2	0,56
BRL	0,67	0,02	0,7	-0,8	0,0	1,34
MXN	2,60	-0,23	3,3	-1,2	1,5	1,00
RUB	0,00	0,00	1,2	-0,3	0,3	0,00
AUD	-3,48	-0,84	6,1	-5,2	-0,9	-0,81
CAD	0,42	0,64	6,1	-5,0	-0,3	0,25

ANDBANK

Positive
Neutral-Positive
Neutral-Negative
Negative



Positive
Neutral-Positive
Neutral-Negative
Negative

The currencies we technically favour are circled in green

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SUMMARY TABLE OF EXPECTED RETURNS

Asset Class	Indices	Performance Last month	Performance YTD	Current Price	Andbank's Strong Buy Point (100% Exposure)	Expected Performance (to Potential Price)
Equity	USA - S&P 500	1,2%	17,3%	4.502	3.845	-14,6%
	Europe - Stoxx Europe 600	-0,2%	7,5%	457	423	-7,5%
	Euro Zone - Euro Stoxx	-0,4%	11,1%	455	403	-11,5%
	SPAIN - IBEX 35	-1,9%	13,1%	9.306	10.555	13,4%
	MEXICO - MXSE IPC	-1,1%	10,3%	53.445	58.943	10,3%
	BRAZIL - BOVESPA	0,9%	9,9%	120.586	130.000	7,8%
	JAPAN - NIKKEI 225	-3,4%	23,4%	32.193	32.099	-0,3%
	CHINA - SHANGHAI COMPOSITE	2,0%	6,4%	3.288	2.973	-9,6%
	CHINA - SHENZEN COMPOSITE	1,0%	4,9%	2.072	1.875	-9,5%
	INDIA - SENSEX	0,4%	8,0%	65.721	72.045	9,6%
	VIETNAM - VN Index	8,1%	21,7%	1.226	1.342	9,5%
	MSCI EM ASIA (in USD)	1,7%	6,0%	545	588	7,9%
Fixed Income Core countries	US Treasury 10 year Govie	-1,7%	-0,2%	4,19	3,75	7,7%
	UK 10 year Gilt	0,5%	-4,4%	4,48	3,75	10,3%
	German 10 year BUND	-0,8%	1,1%	2,61	2,50	3,5%
	Japanese 10 year Govie	-2,0%	-1,6%	0,64	0,75	-0,3%
Fixed Income Peripheral	Spain - 10yr Gov bond	-0,8%	2,0%	3,65	3,50	4,9%
	Italy - 10yr Gov bond	-0,7%	6,0%	4,28	4,20	4,9%
	Portugal - 10yr Gov bond	-1,0%	3,9%	3,31	3,50	1,8%
	Ireland - 10yr Gov bond	-0,8%	2,2%	3,01	3,00	3,1%
	Greece - 10yr Gov bond	-0,9%	8,9%	3,80	4,50	-1,8%
Fixed Income Credit	Credit EUR IG-Itraxx Europe	0,4%	2,4%	72,38	100	3,6%
	Credit EUR HY-Itraxx Xover	0,7%	5,9%	402,00	550,00	3,3%
	Euribor 3m					
	Credit USD IG - CDX IG	0,6%	3,8%	67,18	100,00	-0,3%
	Credit USD HY - CDX HY	1,1%	7,3%	433,37	600,00	-0,7%
Fixed Income EM Europe (Loc)	Turkey - 10yr Gov bond (local)	-11,1%	-61,4%	17,50	17,00	21,5%
	Russia - 10yr Gov bond (local)	-2,0%	-3,4%	11,56	--	--
Fixed Income Asia (Local curncy)	Indonesia - 10yr Gov bond (local)	-0,6%	9,1%	6,28	6,00	8,5%
	India - 10yr Gov bond (local)	-0,3%	5,3%	7,20	6,50	12,8%
	Philippines - 10yr Gov bond (local)	0,6%	6,3%	6,53	6,25	8,8%
	China - 10yr Gov bond (local)	0,4%	3,1%	2,66	2,25	5,9%
	Malaysia - 10yr Gov bond (local)	0,5%	3,2%	3,90	4,00	3,1%
	Thailand - 10yr Gov bond (local)	-0,4%	1,0%	2,48	2,25	4,3%
	Singapore - 10yr Gov bond (local)	-0,1%	1,9%	3,06	4,00	-4,5%
	Rep. Korea - 10yr G. bond (local)	-1,8%	0,9%	3,79	3,50	6,1%
	Taiwan - 10yr Gov bond (local)	-0,1%	2,0%	1,13	2,25	-7,8%
Fixed Income Latam	Mexico - 10yr Govie (Loc)	-1,4%	5,4%	9,02	8,75	11,1%
	Mexico - 10yr Govie (USD)	-1,3%	4,3%	5,85	5,50	8,7%
	Brazil - 10yr Govie (Loc)	0,9%	23,1%	10,77	11,25	6,9%
	Brazil - 10yr Govie (USD)	0,0%	5,4%	6,29	6,75	2,6%
Commodities	Oil (WTI)	14,3%	2,2%	82,0	87,50	6,7%
	GOLD	0,9%	6,0%	1.933,7	2.000	3,4%
Fx	EURUSD (price of 1 EUR)	0,8%	2,3%	1,094	1,100	0,5%
	GBPUSD (price of 1 GBP)	0,0%	5,0%	1,27	1,25	-1,6%
	EURGBP (price of 1 EUR)	0,8%	-2,6%	0,86	0,88	2,2%
	USDCHF (price of 1 USD)	-2,4%	-5,1%	0,88	0,95	8,3%
	EURCHF (price of 1 EUR)	-1,6%	-3,0%	0,96	1,05	8,8%
	USDJPY (price of 1 USD)	-1,3%	8,9%	142,74	130,00	-8,9%
	EURJPY (price of 1 EUR)	-0,5%	11,3%	156,21	143,00	-8,5%
	USDMXN (price of 1 USD)	1,8%	-11,1%	17,31	19,50	12,6%
	EURMXN (price of 1 EUR)	2,7%	-9,1%	18,93	21,45	13,3%
	USDBRL (price of 1 USD)	1,4%	-7,0%	4,92	5,00	1,7%
	EURBRL (price of 1 EUR)	2,3%	-4,9%	5,38	5,50	2,2%
	USDARS (price of 1 USD)	7,1%	57,3%	278,05	370,00	33,1%
	USDINR (price of 1 USD)	0,5%	0,1%	82,79	84,00	1,5%
	CNY (price of 1 USD)	-0,9%	4,1%	7,18	7,50	4,4%

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

UPWARD REVISION   DOWNWARD REVISION

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Together
Everyone
Achieves
More

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