GLOBAL OUTLOOK

ECONOMY & FINANCIAL MARKETS

ANDBANK
Private Bankers

Andbank Monthly Corporate Review – July 2025

Corporate View

July 2025

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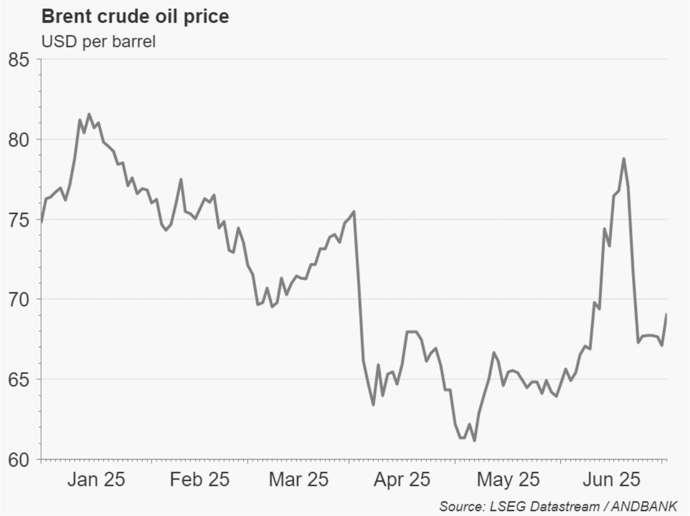
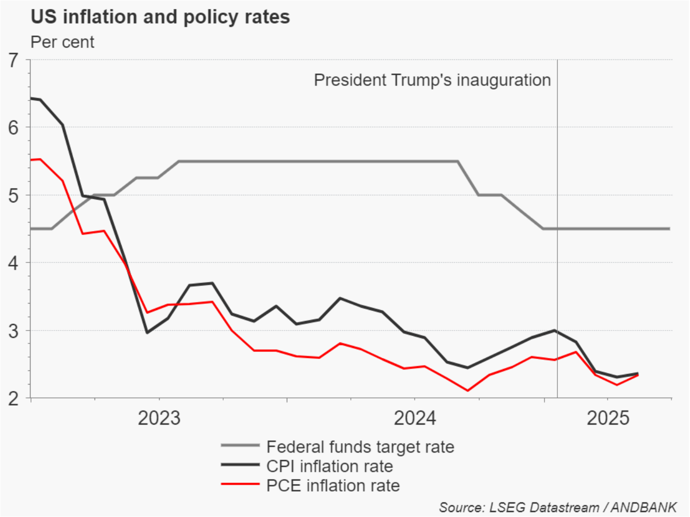
EXECUTIVE SUMMARY

CHARTS OF THE MONTH



Source: LSEG Datastream / ANDBANK



Source: LSEG Datastream / ANDBANK

EQUITIES

Indices	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
USA - S&P 500	5,9%	6.230	**6.425**	3,1%
Europe - Stoxx Europe 600	7,1%	543	**555**	2,1%
SPAIN - IBEX 35	21,5%	14.088	**15.400**	9,3%
MEXICO - MXSE IPC	16,0%	57.423	**62.400**	8,7%
BRAZIL - BOVESPA	16,0%	139.490	**146.385**	4,9%
JAPAN TOPIX	1,1%	2.817	**2.976**	5,7%
China SSE Comp. A share	4,3%	3.666	**3.335**	-9,0%
CHINA - SHENZEN COMPOSITE	7,4%	2.102	**1.894**	-9,9%
INDIA - SENSEX	6,9%	83.513	**91.200**	9,2%
VIETNAM - VN Index	11,7%	1.415	**1.517**	7,2%
MSCI EM ASIA (in USD)	12,8%	673	**741**	10,1%

FIXED INCOME GOVIES CORE, PERIPHERAL & CREDIT (DM)

Indices	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
US Treasury 10 year Govie	3,7%	4,40	**4,75**	1,6%
UK 10 year Gilt	2,0%	4,61	**4,75**	3,5%
German 10 year BUND	-1,1%	2,65	**2,80**	1,4%
Japanese 10 year Govie	-2,6%	1,48	**1,50**	1,3%
Spain - 10yr Gov bond	-0,3%	3,30	**3,55**	1,3%
Italy - 10yr Gov bond	1,6%	3,55	**3,80**	1,5%
Portugal - 10yr Gov bond	-0,8%	3,11	**3,30**	1,6%
Ireland - 10yr Gov bond	-1,2%	2,94	**3,20**	0,8%
Greece - 10yr Gov bond	0,1%	3,34	**3,80**	-0,3%
Credit EUR IG-Itraxx Europe	1,8%	53,56	**60**	2,3%
Credit EUR HY-Itraxx Xover	3,1%	280,28	**330**	3,3%
Credit USD IG - CDX IG	2,7%	50,74	**75**	4,2%
Credit USD HY - CDX HY	4,7%	316,26	**450**	3,6%

FIXED INCOME - EM

Indices	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
Turkey - 10yr Gov bond (local)	-4,1%	29,37	**30,00**	24,3%
Russia - 10yr Gov bond (local)	7,8%	15,11	**25,00**	-64,0%
China - 10yr Gov bond (local)	1,0%	1,64	**1,25**	4,8%
India - 10yr Gov bond (local)	7,1%	6,30	**5,75**	10,7%
Singapore - 10yr Gov bond (loc	7,7%	2,06	**2,25**	0,5%
Indonesia - 10yr Gov bond (loc	6,7%	6,58	**5,75**	13,2%
South Korea - 10yr Gov bond (	1,8%	2,74	**2,75**	2,7%
Taiwan - 10yr Gov bond (local)	3,0%	1,35	**2,50**	-7,9%
Philippines - 10yr Gov bond (loc	2,3%	6,18	**5,00**	15,6%
Malaysia - 10yr Gov bond (loca	5,0%	3,43	**3,00**	6,9%
Thailand - 10yr Gov bond (loca	2,6%	2,05	**1,75**	4,5%
Vietnam - 10yr Gov bond (local	-0,2%	3,24	**3,00**	5,2%
Mexico - 10yr Govie (Loc)	13,2%	9,44	**9,75**	6,9%
Mexico - 10yr Govie (USD)	7,5%	6,17	**6,75**	1,6%
Brazil - 10yr Govie (Loc)	19,3%	13,69	**14,75**	5,2%
Brazil - 10yr Govie (USD)	9,6%	6,33	**7,25**	-1,0%

COMMODITIES & FX

Indices	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
Oil (WTI)	-6,1%	67,5	**65,00**	-3,7%
GOLD	22,7%	3.328,7	**2.400**	-27,9%
EURUSD (price of 1 EUR)	13,6%	1,18	**1,15**	-2,2%
GBPUSD (price of 1 GBP)	9,0%	1,36	**1,36**	-0,2%
EURGBP (price of 1 EUR)	4,2%	0,86	**0,85**	-1,9%
USDCHF (price of 1 USD)	-12,2%	0,80	**0,87**	9,3%
EURCHF (price of 1 EUR)	-0,3%	0,94	**1,00**	6,9%
USDJPY (price of 1 USD)	-7,0%	146,13	**150,0**	2,6%
EURJPY (price of 1 EUR)	5,6%	171,80	**172,5**	0,4%
USDMXN (price of 1 USD)	-10,6%	18,61	**20,50**	10,1%
EURMXN (price of 1 EUR)	1,6%	21,88	**23,58**	7,7%
USDBRL (price of 1 USD)	-11,1%	5,49	**5,60**	2,0%
EURBRL (price of 1 EUR)	0,8%	6,45	**6,44**	-0,2%
USDARS (price of 1 USD)	22,3%	1.260	**1.000**	-20,6%
USDINR (price of 1 USD)	0,1%	85,65	**86**	0,4%
CNY (price of 1 USD)	-1,7%	7,17	**7,50**	4,6%

USA

Consideration of Replacement for the Federal Reserve Chair: Market Implications

Trump considers naming Powell's replacement in September or October

Media sources have indicated that former President Trump is considering announcing the successor to Federal Reserve Chair Jerome Powell in September or October, or possibly even earlier. Trump has recently revived the idea of dismissing Powell before his term ends in May 2026, intensifying his criticism of the Fed Chair for not cutting interest rates, ignoring the downward trajectory of inflation and going against the direction of other central banks around the world. Earlier this month, Trump hinted that the announcement on Powell's replacement would come soon, and on Wednesday stated he had 3 or 4 names in mind (Bloomberg). Trump is mindful of avoiding the selection of anyone who is not unwaveringly loyal. Contenders to replace Powell include: (i) former Fed Governor Kevin Warsh, though some people close to Trump have expressed concerns over his past hawkish stance) National Economic Council Director Stephen Hassett, though he has already stated he is not interested in the position; World Bank President David Malpass, as Trump views Malpass positively for his recent support of rate cuts but has questioned his television charisma; Fed Governor Christopher Waller, whose support for rate cuts has put him on Trump's radar, although he is seen as a remote option since Trump does not know him well; and Treasury Secretary Scott Bessent, who is also being proposed by his allies – Bessent has not ruled out the idea and is the most likely option.

Market Implications

The possibility of a change in the leadership of the Federal Reserve driven by political motivations and a desire for a more accommodative monetary policy carries several potential market implications:

Favourable: A Fed chair more inclined toward rate cuts could be perceived positively by equity markets and risk assets, as lower rates typically stimulate economic growth, reduce the cost of capital, revive earnings and lower discount rates, increasing valuations. This could generate a short-term equity rally. However, an excessively loose monetary policy perceived as politically driven could generate asset bubbles, which could eventually require more drastic adjustments, creating future instability.

Unfavourable: The removal of a Fed chair before the end of their term, particularly for political reasons, could be dangerous. It would run the risk of undermining the independence and credibility of the institution. The perception of politicisation of monetary policy could deter long-term investment, creating concerns about macroeconomic stability and about markets themselves. The effect could be a flight to safer assets such as Treasuries. Any concrete announcement or speculation regarding the replacement would generate volatility until the market can assess the stance and credibility of the new appointment. Trump's preference for "unwavering loyalty" could be viewed with scepticism by more purist investors.

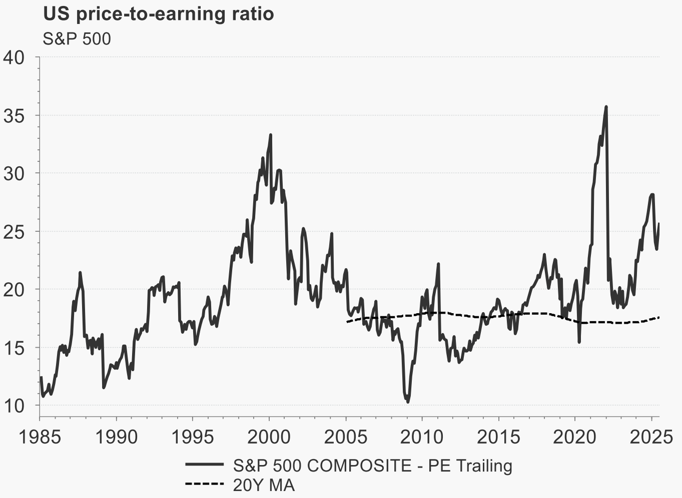
Impact on the yield curve: A chair more prone to rate cuts could steepen the yield curve, with short-term rates falling more than long-term rates.

Trade and Tariffs

Former President Trump's administration continues to defend its authority to impose tariffs, arguing before a federal appeals court that a decision deeming these levies unconstitutional should be overturned. In line with this stance, Trump has threatened to double tariffs on Spain due to its low NATO spending (source: Axios). Meanwhile, Stephen Hassett has indicated that the Trump administration is urging trade partners to reach agreements that would render the application of Section 899 unnecessary – a proposed US legislative measure seeking to increase taxes on investments and companies from countries the US considers to impose "unfair foreign taxes" on US persons or companies. It is seen as a retaliatory fiscal measure against taxes such as under-taxed profits rules (Pillar II UTPR) and digital services taxes (DST).

China – USA Relations

China has listed its rare earth experts and has confiscated some passports to protect trade secrets and control the issuance of export licences for these commodities. We see this action as aimed at hindering the production and supply of weapons in the US, which depends heavily on access to rare earths and magnets. It appears to be a strategic measure by Beijing in relation to the trade of these products.



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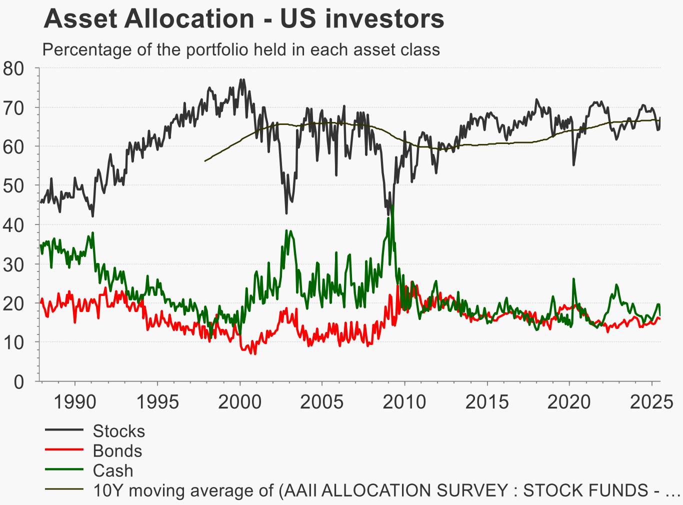


Source: LSEG Datastream / ANDBANK

Financial Regulation

In the financial sector, the Federal Reserve has proposed a rule to ease capital requirements for large Wall Street banks.

Potential Agreement on SALT Deduction (State and Local Taxes)

This refers to tax relief that benefits individual taxpayers and owners of pass-through businesses (partnerships, S-corporations, etc.). If an agreement is reached to increase the SALT deduction cap (currently set at $10,000), it would mean that these taxpayers could deduct a greater portion of their state and local taxes.

Market outlook – Recommendations & Targets

Equities: S&P MARKETWEIGHT

Bonds: Govies UNDERWEIGHT. 10Y UST Target 4.75%

Credit – CDX (IG): OVERWEIGHT (Target Spread 75)

Credit – CDX (HY): UNDERWEIGHT (Target Spread 450)

Forex: DXY index MARKETWEIGHT-OVERWEIGHT

EUROPE

Shaping a Strategy for Talks with Trump

The recent quick agreement between the US and the UK on tariffs, along with some limited progress in talks with China, has yet to yield meaningful momentum in negotiations with the EU. Discussions with Brussels have only just begun, and President Trump has remarked that “these will take more time.” Meanwhile, the July deadline for the possible imposition of an additional 10% tariff on EU imports is fast approaching. In response, the European Union is actively considering countermeasures. Some retaliatory tariffs—covering around 1,700 products—have already been published in response to US tariffs on steel and aluminium. Additional measures targeting roughly 5,000 products, including capital goods, are still under discussion under the framework of “reciprocal” action. Although tariffs on US service exports are technically possible, they are viewed as a last resort and remain unlikely.

Agreement within NATO as a mechanism for trade negotiation

The final agreement, set out in the The Hague Declaration, establishes an increase in defense spending to 5% of GDP by 2035. This is a drastic increase and the largest in the history of the Alliance, surpassing the previous 2% target set in 2014. What was signed specifically was a commitment divided into two main categories: 3.5% of GDP for “core defense requirements”: Funding for armed forces, military equipment (such as air defenses, ammunition, drones, tanks, and troops), and for meeting NATO’s capability targets. 1.5% of GDP for “broader defense and security-related measures”: This category covers the protection of critical infrastructure, network defense, civil preparedness and resilience, fostering innovation, and strengthening the defense industrial base.

This new 5% of GDP target represents a significant leap in collective security and aims to respond to the demands that European countries contribute more to their own defense growing threats, particularly from Russia. Despite the general agreement, some countries, such as Spain, expressed their intention not to reach the main 5% figure, although they committed to upholding their obligations to NATO. Spain argued that its commitment of 2.1% of GDP would be “sufficient, realistic, and compatible” with its social model.

The NATO summit had the potential to complicate trade negotiations, but the final outcome appears to have been satisfactory for NATO, and therefore for the United States. As such, it represents a step toward a more market-friendly scenario where a negotiated trade agreement remains the base-case scenario. According to German sources, one potential compromise under discussion is accepting a 10% US tariff on all EU exports, to avoid even steeper duties on sensitive sectors such as automotive or pharmaceuticals.

Macro

Bullish factors: i) Consumer spending is beginning to rebound, supported by a strong labour market and a high household savings rate; ii) The European economy's internal fundamentals are gaining attention. iii) Disinflation is progressing, aided by a stronger euro, declining energy prices, and more moderate wage growth.

Bearish factors: i) The threat of higher US tariffs poses a significant risk, particularly for Germany, where up to 3% of GDP is exposed; ii) Confidence in the industrial sector remains subdued; iii) Recent increases in oil prices, if sustained, could weigh on the broader European economic outlook

Politics

Bullish factors: i) Renewed fiscal impulse from Germany is boosting investor confidence; ii) Strong political will within the EU to raise national defence budgets signals commitment to strategic autonomy; iii) Public and institutional backing for the European Project remains robust.

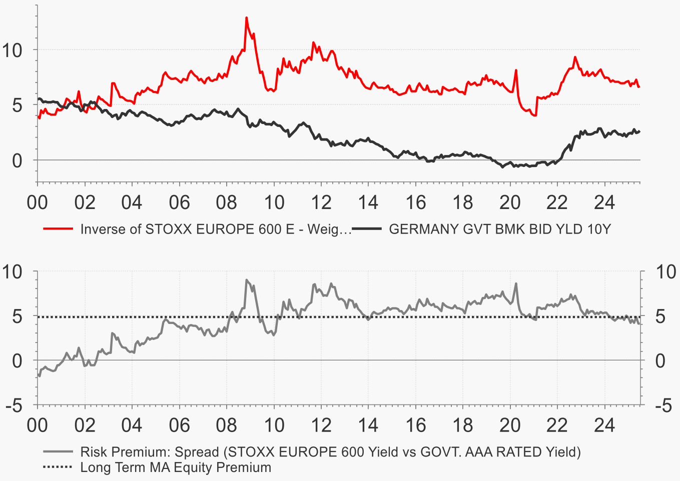
Bearish factors: i) Europe’s influence appears limited in a rapidly evolving multipolar world; ii) Excessive red tape continues to weigh on competitiveness; iii) The prolonged Russia-Ukraine conflict adds to regional uncertainty.

Govies

Bullish factors: i) The ECB’s latest projections suggest a prolonged period of accommodative policy; ii) German government bonds are benefiting from increased inflows as investors grow more cautious about US fiscal credibility.

Bearish factors: i) The ECB has indicated that “we are close to the end of rate cuts,” ii) Increased government borrowing could push term premia higher, putting upward pressure on yields.

Equity Yield (Europe) vs Risk Free Yield10Y



Source: LSEG Datastream / ANDBANK

Euro area price-to-earnings

Europe Stoxx 600

Source: LSEG Datastream / ANDBANK

Equity Market Summary:

With the tariff situation still unresolved, markets appear to be reverting to the pre-April 2 dynamics. The ECB remains firmly committed to its expansionary monetary stance, and fiscal stimulus from Germany stands out as the main source of optimism. However, economic growth across the euro area remains subdued. Cyclical sectors—excluding banks—continue to face headwinds, while defensives, particularly utilities and telecoms, are showing signs of relative strength. Industrials also merit close attention: after more than two years of contraction in the manufacturing sector, a combination of fiscal support and declining interest rates could act as a catalyst for recovery in the coming quarters. All said, equity valuations are not currently a constraint.

Market outlook – Recommendations & Targets

Equities – Stoxx Europe: UNDERWEIGHT

Bonds – Core governments: UNDERWEIGHT (Bund target 2.8%)

Peripheral UW: IT 3.80%, SP 3.55%, PT 3.30%, IE 3.20%, GR 3.80%.

Credit – Itraxx Europe (IG): MARKETWEIGHT (Target Spread 60 bps)

Credit – Itraxx Europe (HY): UNDERWEIGHT (Target Spr. 330 bps)

FX – EUR/USD tactical band is adjusted to 1-1.15, while the structural range remains at 0.9-1.10

SPAIN

Economic Slowdown Confirmed as Activity Data Weakens Across Key Sectors

Macro & Economic Politics in Spain: A Mixed Outlook

Spain's economic landscape presents a mixed picture, with cautious adjustments to growth forecasts alongside signs of moderating inflation and challenges in key sectors. Both the Bank of Spain and the OECD have revised their GDP growth forecasts downwards. The Bank of Spain now projects 2.4% growth for this year (a 0.3% cut) and 1.8% for 2026 (a 0.1% cut), warning of a potential fall to 2% in a worst-case scenario for 2025. Similarly, the OECD's June report anticipates 2.4% GDP growth in 2025 and 1.9% in 2026, a 0.2 p.p. reduction for both years compared to previous estimates.

Inflation has shown a downward trend, with the y/y rate falling by 0.2 p.p. in May to 2%, marking its lowest value since last October. This figure, however, was slightly above the INE's earlier forecast of 1.9%. Core inflation also decreased by 0.2% to 2.2%, missing a larger expected reduction. This marks three consecutive months of declines in the CPI rate, indicating a moderation of inflationary pressures.

Sectoral performance reveals a slowdown, particularly in services. The HCOB Spain Services PMI dropped to 51.3 in May from 53.4 in April, indicating the slowest expansion in 18 months. This deceleration is attributed to continued uncertainty, especially among international customers, impacting demand. Industrial production also saw a significant decline falling 5.7% y/y in April, the largest drop since March 2024. This has brought the index back into negative territory after a strong rebound in March.

The housing market, however, continues to show robust price increases. New home prices rose 12.2% y/y in the first quarter, while existing home prices soared 12.3% y/y, reaching an 18-year high. This marks 44 consecutive quarters of y/y increases for unfurnished housing prices, highlighting sustained demand despite broader economic concerns.

Public debt remains a significant factor, reaching an all-time high of EUR 1,668 billion in 1Q25, or 103.5% of GDP, 1.7% higher than at the end of 2024, but 2.8% lower than the same period last year. The government aims to reduce the debt-to-GDP ratio to 101.7% by year-end. Spain has also avoided an excessive deficit procedure by the European Commission, which, despite expecting a 3.2% deficit in 2025 (exceeding the 3% threshold), deemed the deviation "slight, temporary and justified by extraordinary events".

Politics

In recent weeks, Spanish politics has been dominated by a significant corruption scandal impacting PM Pedro Sánchez's Socialist Party (PSOE). The scandal, which has seen accusations of kickbacks for public work contracts, led to the resignation of Santos Cerdán, the party's third-highest-ranking member, from party leadership and his parliamentary seat. Sánchez has been under considerable pressure, with widespread calls from the opposition, primarily the conservative Popular Party (PP), for snap elections and his resignation. Tens of thousands of people protested in Madrid, accusing the government of corruption. Sánchez has ruled out resigning or calling early elections, stating his intention to hold out until the scheduled elections in 2027. His coalition partners, particularly the left-wing Sumar party, have expressed criticism and demanded a "reset" in their relationship with the PSOE. The ongoing investigations and political fallout represent the most significant challenge to Sánchez's government in his tenure, potentially impacting the stability of his minority government, which relies on the support of smaller regional parties.

Stock Market

In the stock market, the IBEX 35 index has consolidated its gains after a strong recovery, rising over 20% in 2025. Investors currently appear undeterred by the economic slowdown, with electricity companies joining banks in seeing their share prices increase. The lower yield environment makes the Ibex an attractive index, as it is composed of sectors (banks and utilities) with a dividend yield close to 4% and a clear trend toward share buybacks. This justifies our decision to increase our PER level to 14 and raise our target price. While this dynamic may continue, it is unlikely to be free of volatility.

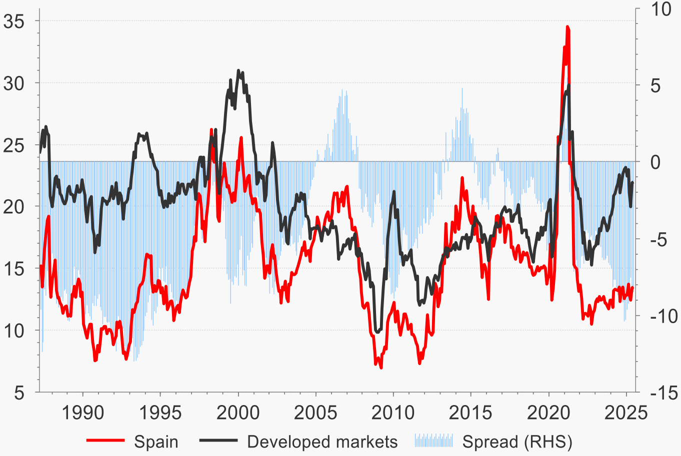
Market outlook – Recommendations & Targets

Equities – Spain's Ibex: MARKETWEIGHT-OVERWEIGHT

Bonds: Govies UNDERWEIGHT (10-year target yield 3.85%)

Spain price-to-earnings ratio

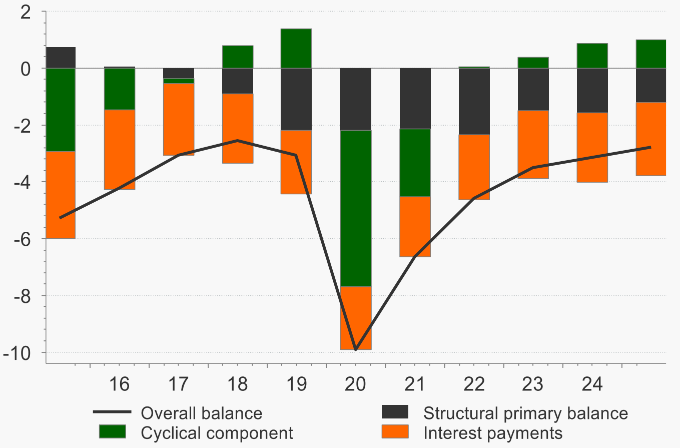
Ratio (both axes)



Source: LSEG Datastream / ANDBANK

Spain government budget balance breakdown

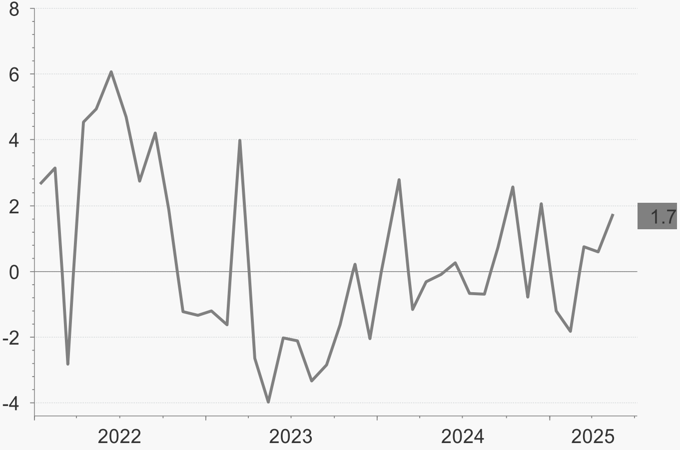
Total Government. Per cent of GDP



Source: LSEG DatastreamThomson Reuters Datastream / ANDBANK

Spain industrial production

Twelve-month percentage change



Source: LSEG Datastream / ANDBANK

CHINA

No Deal Yet: China Links Rare Earth Exports to US AI Chip Curbs

US-China trade truce leaves military-use rare earth issue unresolved

The rare-earths agreement between the US and China, reached in London last week, left out a critical area tied to national security. Beijing has yet to commit to issuing export licences for certain specialised rare-earth magnets essential for US fighter jets and missile systems. Meanwhile, the US continues to restrict exports of advanced artificial intelligence chips to China, citing concerns over potential military applications. This unresolved issue poses a potential obstacle to a broader trade agreement. Chinese negotiators appear to be linking progress on lifting restrictions on military-grade magnet exports to the longstanding US curbs on AI chip sales to China. This marks a shift in trade talks, which initially focused on opioid trafficking, tariffs and China's trade surplus, but have now pivoted toward strategic export controls. In response to China's closer alignment with other global powers, US officials have indicated they will seek a 90-day extension of the reduced tariffs currently in place, beyond the August 10 deadline set in Geneva. This suggests that while a comprehensive deal is unlikely in the short term, a sudden escalation in trade tensions is also improbable—at least for now.

China-backed militia group takes control of rare earth mines in Myanmar

A Chinese-backed militia group has seized control of several new rare-earth mines in northern Myanmar, as Beijing intensifies efforts to secure strategic mineral supplies. The mines are now reportedly operated by Chinese-speaking personnel, with truck convoys transporting materials toward the Chinese border, some 200 kilometres away.

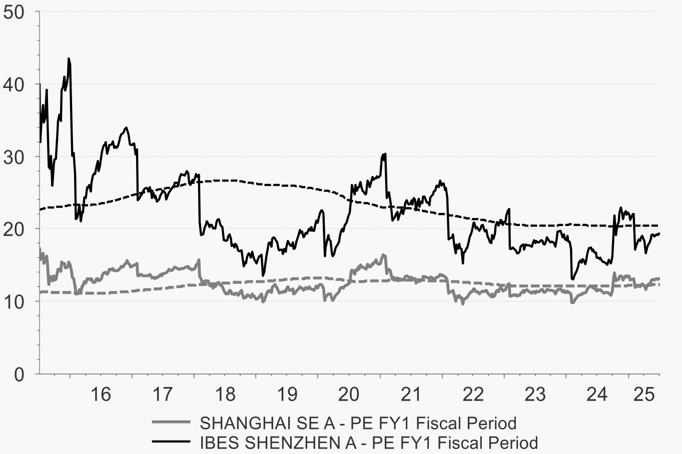
The militias involved include the United Wa State Army (UWSA), the Myanmar National Democratic Alliance Army (MNDAA) and the Shan State Army—ethnic armed groups that operate with de facto autonomy in Myanmar's northern borderlands. These factions maintain close logistical and economic ties with Beijing. Since the 2021 military coup, Myanmar's central government has lost further control over peripheral regions, especially in the resource-rich north. This has enabled a fragmented war economy to take root, where armed groups exploit strategic minerals—including rare earths—with the tacit support or tolerance of foreign powers, most notably China.

Unprofitable companies reach highest since 2001

China is experiencing its highest share of unprofitable companies since 2001, with over 32% of industrial firms reporting losses in 2025. This sharp deterioration in corporate health underscores deepening structural imbalances in the world's second-largest economy. The rise in loss-making enterprises is concentrated in heavy industries (such as steel and coal), low-margin export sectors (including toys, furniture, and textiles) and overcrowded emerging sectors like electric vehicles, where intense price competition has eroded margins. The trend reflects longstanding vulnerabilities: chronic overcapacity, a legacy of credit-driven expansion, high corporate leverage, weak domestic demand and persistent policy distortions that favour inefficient state-owned enterprises (SOEs) over more agile private firms. In response, local governments—under pressure from rising unemployment and declining fiscal revenues—have deployed tax incentives, subsidies and even direct purchases of unsold inventory to support struggling businesses. However, Beijing has taken a more cautious approach. It has introduced new regulations to curb unchecked local bailouts and instructed banks to limit lending to so-called "zombie firms." At the same time, wary of triggering social instability, authorities have paired this financial discipline with moderate monetary easing, including interest rate cuts and reductions in reserve requirements, alongside targeted fiscal support. The policy dilemma is acute: allowing unviable firms to fail risks financial contagion and job losses, while propping them up risks further inefficiencies, bad debt accumulation and deflationary pressure. The current situation echoes past crises—such as the 2009 stimulus response, the 2015 industrial cleanup and the COVID-19 shock in 2020—but with a critical difference: this cycle is more gradual, more deeply rooted and driven not by an external event but by the internal exhaustion of China's growth model. The proliferation of unprofitable firms is eroding the tax base, straining the banking system and locking capital into low-productivity sectors. Equity markets remain under pressure, with lacklustre earnings and persistent investor scepticism toward Beijing's reform agenda. The PBOC has responded with measured rate cuts, avoiding aggressive stimulus in an effort to preserve financial stability while discouraging further resource misallocation.

CHINA SSE & SHENZHEN Index - PE Ratio

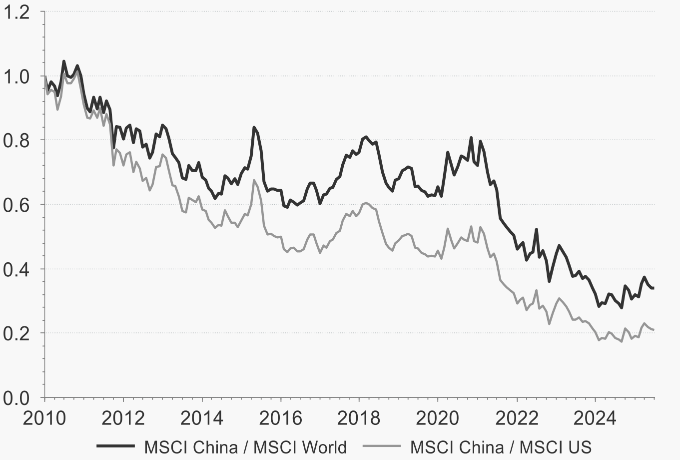
PE forward



Source: LSEG Datastream / ANDBANK

Chinese Equities Undeperforms World & US indices

MSCI China vs MSCI Global and MSCI USA



Source: LSEG Datastream / ANDBANK

In summary, China is walking a tightrope, seeking to gradually reduce its stock of non-viable companies while protecting social stability and financial order. Success would reinforce the credibility of its reform drive. Failure could deepen stagnation and raise systemic risks—both domestically and globally.

China Economy (May): Mixed

Industrial production +5.8% y/y vs consensus +6.0%, +6.1% in prior month. Fixed asset investment ytd +3.7% y/y (consensus +4%, +4% in prior month. New house prices (0.2%) m/m vs 0.0% in prior month. Retail sales +6.4% y/y vs consensus +4.9% and +5.1% in prior month. Unemployment rate 5.0% vs consensus 5.1% and 5.1% in prior month.

House prices fall the most in seven months

China's housing prices fell the most in May as prices in 70 cities dropped 0.2% from April and 3.5% y/y, while the value of second-hand homes dipped 0.5%, the most in eight months. Prices are likely to continue to decline this year while the effects of last September's stimulus is likely to be wearing off.

Market outlook – Recommendations & Targets

Equities – SHANGHAI: UW // SHENZHEN Idx: UW // Hang Seng MW

Bonds – Govies: UW-MW (10Y Yield target 1.25%)

Forex – CNY/USD: UNDERWEIGHT (Target 7.50)

JAPAN

The end of Tapering? The Tokyo market is stabilizing, with the situation in the Middle East gradually easing

Signs of Iranian concession support stability in Japan's assets

Equities sold off from the open on Friday 13th triggered by Israel's military strikes against Iran. Typical Middle East geopolitical plays ensued, boosting yen/Swiss franc, crude oil and gold. Oil is especially in the spotlight given Iran's influence in the Strait of Hormuz. While the US claimed no involvement, attention turned to how repercussions might expand into a broader conflict. However, benchmarks gathered momentum on Monday 16th from a slightly positive open, reflecting some easing of concern about Middle East geopolitics, primarily on the back of reports that Iran is seeking dialogue with the US about de-escalating the conflict with Israel. We believe that, insofar as Iran begins to reveal a weaker position in its standoff with Israel and calls for the reactivation of dialogue with Western powers, in an attempt to halt Israeli strikes on critical infrastructure within its territory—thereby buying time—markets are likely to grow more confident that the risk of an uncontrolled escalation and broader regional conflict is receding. Such a scenario would allow financial markets to settle into a degree of stability.

BOJ to halve FY26 JGB tapering pace, keeping stimulus in place for longer

The term "tapering" in monetary policy refers to the gradual withdrawal of monetary stimulus, specifically the progressive reduction in the pace of asset purchases (Treasury bonds, MBS, etc.) by a central bank following a period of Quantitative Easing (QE). In particular, the Bank of Japan (BoJ) is starting to consider easing the tapering in the second quarter of 2026 (initially, the plan was to reduce quarterly JGB purchases from the current 400 billion yen to 200 billion yen (approximately 1.4 billion USD)). Now, there is consideration of significantly slowing the withdrawal of stimulus and continuing to purchase a higher amount of JGBs. The decision aims to balance efforts to foster market-based yield formation while avoiding disruptions due to sharp volatility. **BOJ leaves rates (OCR) steady** at 0.5% by unanimous vote.

US-Japan yet to reach a trade deal as sticking points remain

Japan Prime Minister Shigeru Ishiba met with President Donald Trump for 30 minutes in Kananaskis and told reporters "they have yet to reach a broad agreement due to ongoing lack of consensus in certain areas". With nothing definitive from Trump, tariff negotiations are set to continue. While rigorous discussions have taken place, Ishiba said "it was still difficult to say when an agreement would be reached". Some hint that autos remain a sticking point, stressing Japan would do its utmost to protect national interests while the two leaders exchanged frank views. Chief tariff negotiator Ryosei Akazawa on Friday 13th made a last-ditch effort to smooth the way for a mutually beneficial trade deal at a planned in-person meeting between Prime Minister Shigeru Ishiba and US President Donald Trump. Following separate meetings with US Treasury Secretary Scott Bessent and Commerce Secretary Howard Lutnick in Washington, Akazawa told reporters that he had "explored the possibility" of a trade deal during "extremely in-depth" discussions. However, he repeatedly declined to comment on whether a deal would be struck on the sidelines of the Canada G7.

Share buybacks remain on record pace this year, but investors growing wary

Nikkei analysis of some 4,000 companies found share buyback announcements have totalled ¥12.1T ($83.5B) over January to May, a 20% y/y increase and a record high for the period. This already equates to nearly 70% of the total for 2024. Announcements made by 785 firms, also up 20% on the year. Among those, 90 firms are implementing buybacks despite guiding a decline in FY net income. However, investors are growing more critical of companies that lean on buybacks as the share price boost has proven temporary for some. In 2023, Japan launched a series of structural reforms aimed at strengthening shareholder orientation, with the clear objective of improving the price-to-book (P/B) ratio of its equity market. In March 2023, the TSE introduced a second phase of regulatory reform requiring companies with a P/B ratio below 1 to publish concrete plans to enhance their capitalisation, share price and capital efficiency. This approach applies public pressure on companies to either comply with the guidelines or explain their inaction. This regulatory shift has already begun to reshape corporate behaviour. Notably, there has been a marked rebound in share buybacks by Japanese companies—one of the most direct tools available to support share prices. The surge in buybacks can be seen as a strategic response to both regulatory pressure and growing investor scrutiny, reinforcing the credibility of the reform agenda and contributing to the recent re-rating of Japanese equities.

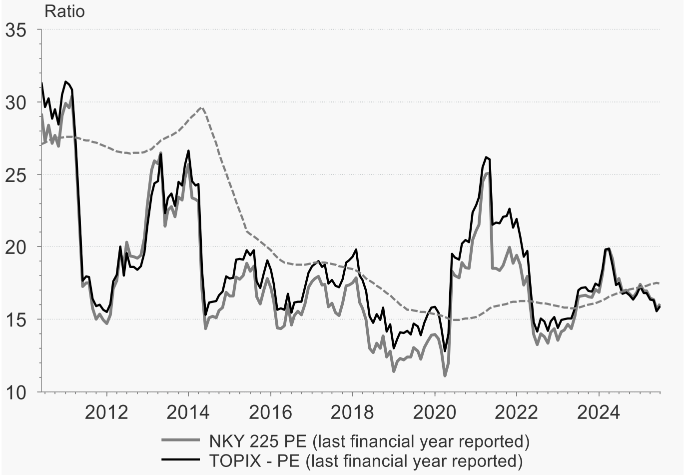
Market outlook – Recommendations

Equities (Topix): MARKETWEIGHT (we raise PE target to 16. Risk premium is too high at 5,20% -PE of 14.9)

Bonds – Govies: UNDERWEIGHT (Target yield 1.5%)

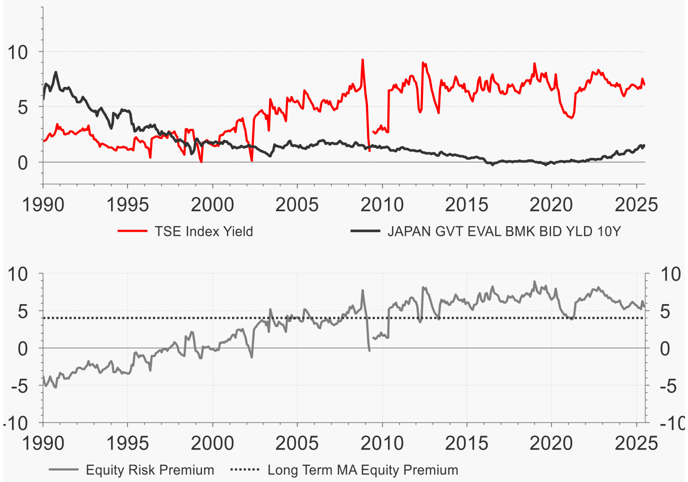
Forex – USD-JPY: UNDERWEIGHT (Mid-term target 150)

Japan Nikkei 225 price / earnings



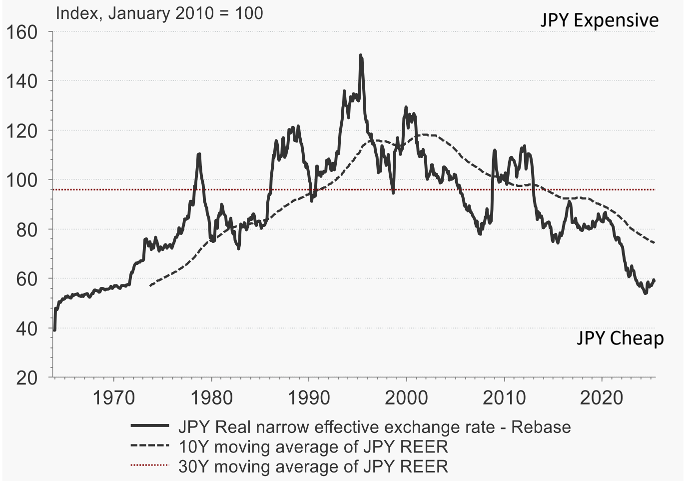
Source: LSEG Datastream / ANDBANK

Equity Yield (Japan) vs Risk Free Yield10Y



Source: LSEG Datastream / ANDBANK

Japan real narrow EER



Source: LSEG Datastream / ANDBANK

INDIA

The Silent Giant: Is India Ready to Lead Emerging Markets? Structurally Poised, Tactically Cautious

POSITIVE DRIVERS.

Macroeconomic Strength: Solid GDP Growth: 7.4% YoY in Q1 2025 (vs. 6.2% previously and above consensus), indicating a recovery driven by private consumption and manufacturing.

Resilient Domestic Demand: India maintains a self-centred growth model, where 80% of GDP depends on domestic consumption, offering protection against external trade shocks.

Supportive Monetary and Fiscal Policy: Contained Inflation: Core CPI stands at 3.75%, allowing for repo rate cuts (currently at 6.5%) without compromising macro stability.

Expanded Fiscal Space: Fiscal consolidation has reduced the deficit from 9.2% to 4.8%, freeing room for counter-cyclical spending in infrastructure, technology and consumer goods.

Relative Appeal During Global Stress due to low Tariff Sensitivity: A significant share of Indian exports are services (non-tariffed), and the economy's exposure to foreign trade is low compared to other emerging markets.

Regional Safe Haven: During episodes of market downturns in Asia (e.g., April 2025), Indian indices showed significantly smaller declines than Hong Kong or Japan.

Favourable Equity Technicals: After a correction since October (-10%), valuation ratios have improved, MSCI India P/E: 24.8x (vs. 5-year average of 25.8x). Attractive PEG due to 15% EPS growth. Solid Profitability: Nifty 50 shows ROE of 15.3%, its highest level in 10 years. Positive Earnings Outlook: +5-6% for FY25, +8-10% for FY26.

Sustained Flows and Structural Support due to Index Inclusion: FTSE EM (September 2025) and Bloomberg EM are generating expectations of additional passive inflows. Domestic Financial Growth: The decline in the M0/M3 ratio suggests a more efficient banking system and a more formalised, banked economy.

Governability Ensured: The BJP retains a simple majority and key ministries, ensuring continuity in economic policy. Long-Term Vision: The "Developed India by 2047" plan remains the government's strategic anchor. Ongoing Reform Agenda: Digitalisation, friendshoring, tax simplification and reindustrialisation remain active policies.

First Full Caste Census in Nearly a Century: India will include caste questions in the upcoming 2026–27 national census, not done comprehensively since 1931. This will include not just Scheduled Castes/Tribes (SC/ST) but also Other Backward Classes (OBC), providing more granular data to design equity and quota policies. The official motivation of the BJP-led central government is that it as a "historic" step toward social justice and data-driven policymaking. Supporters of the reform (government) argue it allows fairer and more efficient resource allocation. Prime Minister Modi endorsed it under political pressure, citing popular and electoral demand. The Congress Party also supports the measure. Rahul Gandhi called it "a first step toward deep social reform." Opponents of the Reform are some dominant and upper castes, which fear that updated data-driven redistribution could affect their current quotas and privileges. Some social groups such as the Nair Service Society warn that collecting caste and religious data could harm national unity and violate personal privacy.

NEGATIVE DRIVERS:

Risk of Further Japanese Yen Appreciation: Yen appreciation from 162 to 142 (USD/JPY) triggered capital outflows and a 20% drop in Indian equities. If the yen appreciates significantly (prob. 20%), Indian equities will face major outflows. Even moderate appreciation (prob. 40%) acts as a headwind, though less severe. If the yen stabilises, India will resume receiving capital flows.

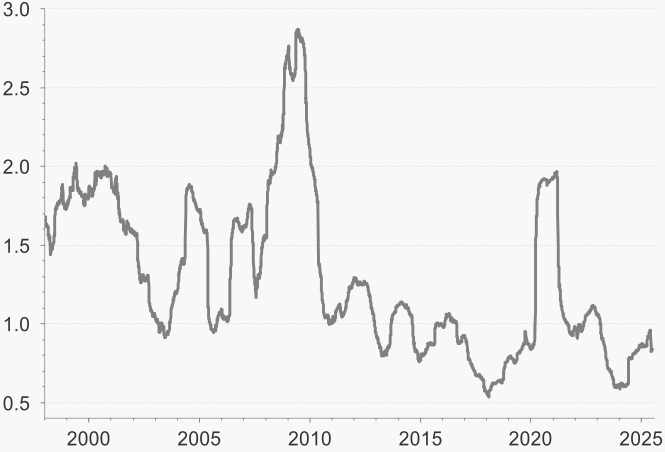
Overvalued Mid and Small Caps: These trade at a premium to the Nifty 50 despite lower earnings visibility. High ratios imply strong sensitivity to macro or geopolitical surprises.

More Fragmented Government: Though BJP leads the executive, it now depends on alliances and opposition consensus to advance reforms.

PE (ltm) - India
MSCI India

Source: LSEG Datastream / ANDBANK

India NIFTY 50 realised volatility
One-year rolling standard deviation of daily returns



Source: LSEG Datastream / ANDBANK

Legislative Delays: Key proposals have been shelved or delayed under parliamentary and social pressure. The Digital Broadcasting Services Bill, intended to regulate OTT content, was withdrawn due to lack of public consultation. Other controversial initiatives like the Uniform Civil Code and labor reforms are also on hold.

Reliance on Foreign Financing: Large Indian conglomerates rely partially on international debt, making them sensitive to global risk appetite.

Cyclical Weakness in Private Investment, causing a lagging Corporate Capex: Private investment accounts for 66% of national capex but has been on hold for two years due to financial reforms and deleveraging. Election Calendar and Monsoons have delayed public spending, which is expected to pick up in the second half of the fiscal year.

Market outlook – Recommendations & Targets

Equities – SENSEX: OVERWEIGHT

Bonds – Govies: OVERWEIGHT (New target yield 5,75%)

Bonds – Corporates: OVERWEIGHT

Forex – INR/USD: NEUTRAL (Target 86)

ISRAEL

Major opportunities could emerge if Iranian geopolitical risk is removed

Macro/Geopolitical Events

Israel’s economic landscape has been significantly shaped by escalating geopolitical tensions with Iran, culminating in direct military engagements in mid-June. This escalation has profoundly impacted economic sentiment and the nation's fiscal outlook, yet the underlying resilience of the economy has been notable. Before the recent conflict, the Israeli economy demonstrated robust recovery, with 1Q25 GDP growth revised upwards to a strong 3.7%. However, the Ministry of Finance has since trimmed its 2025 growth forecast down from 4.3% to 3.6%, reflecting the anticipated disruptions stemming from the ongoing hostilities. The fiscal impact of the conflict has been substantial. Defence expenditures have soared, with daily military operations estimated to cost approximately $725 million. These escalating costs are exerting considerable pressure on Israel's budget deficit, which is targeted at around 5% of GDP for 2025. Inflation, while moderating slightly to 3.1% in May, faces persistent upward pressure, largely driven by rising global oil prices, which have been exacerbated by the regional instability stemming from the conflict. The Bank of Israel (BOI) has maintained its benchmark interest rate at 4.5%, signalling a cautious monetary policy stance amidst these inflationary and geopolitical uncertainties. Despite the military disruptions, domestic economic activities have shown remarkable resilience. Key industries continue to operate, and core services, including financial institutions, have experienced minimal disruptions. Nevertheless, the prolonged conflict poses a threat to broader regional supply chain stability, particularly through critical Red Sea trade routes.

Fixed Income Market

Israel’s 10-year government bond yields rose sharply as tensions mounted but demonstrated a swift stabilisation following investor reassessment. This quick recovery indicates underlying confidence in Israel's sovereign creditworthiness. Successful government bond auctions in mid-June further underscored this continued investor confidence. While these auctions did require a modestly higher yield, the fact that they were well-subscribed is a positive sign. This suggests that investors, while acknowledging the risks, view the current conflict as manageable in terms of its potential impact on sovereign debt. A notable shift in expectations has occurred regarding interest rate cuts. Previously anticipated for late 2025, these cuts have now been pushed back to mid-2026. This recalibration reflects the persistent inflation risks and the ongoing geopolitical instability. The BOI commitment to market stability, including the potential for liquidity interventions, has been crucial in sustaining investor confidence and preventing more significant market disruptions.

Stock Market

Israel’s equity markets have exhibited remarkable resilience amidst the geopolitical turmoil. The benchmark TA-35 index initially dropped by just over 2% in reaction to the conflict news but swiftly rebounded. This swift recovery reflects investor optimism for a short-lived conflict and a potential reduction in long-term geopolitical risk if Iran’s military capabilities are substantially weakened as a result of the engagements. Sectoral performance has been mixed but largely positive in key areas. Defence sector stocks have surged, driven by anticipated higher government spending on military and cybersecurity measures. Similarly, construction and infrastructure stocks have benefited from expected investments in security-related projects and potential post-conflict rebuilding efforts. Conversely, sectors highly sensitive to geopolitical disruptions, such as tourism and airlines, have experienced declines. While heightened volatility is expected to persist in the short term, overall market conditions reflect a cautious optimism. The prevailing sentiment is that a decisive outcome to the current conflict could potentially reduce future regional risks, thereby enhancing Israel’s long-term investment environment.

Market outlook – Recommendations & Targets

Equities – TLV35 Index: MARKETWEIGHT

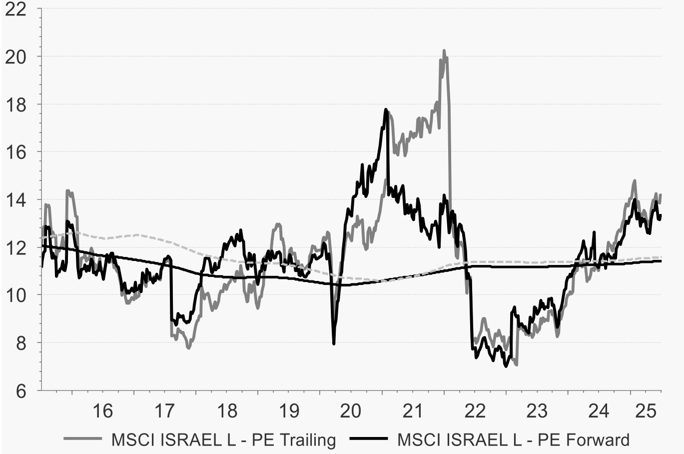
Bonds – Government–10Y Gov: MARKETWEIGHT

Bonds – Corporates: MARKETWEIGHT

FX – ISL vs USD: Neutral in REER

Israel price-to-earning ratio

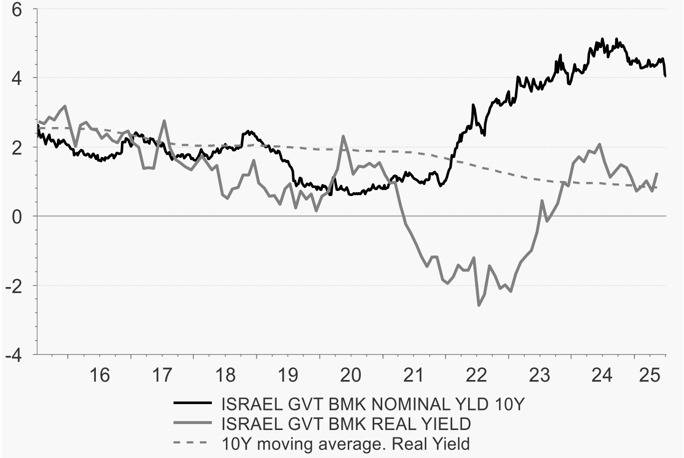
Trailing & Forward PE



Source: LSEG Datastream / ANDBANK

ISRAEL GOVERNMENT BMK REAL & NOMINAL YIELD 10Y

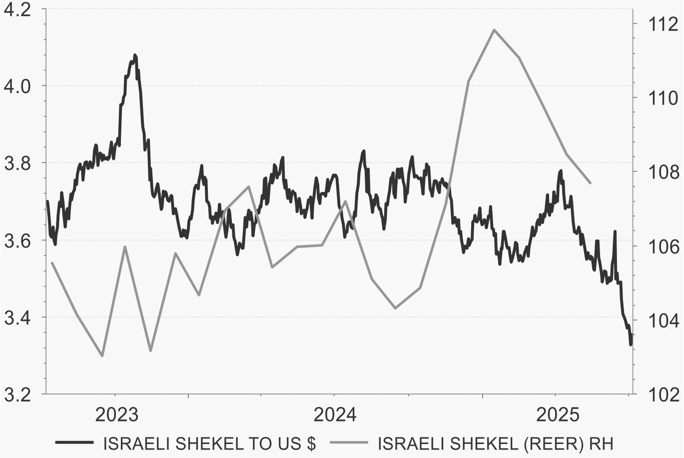
Local currency



Source: LSEG Datastream / ANDBANK

Israel Shekel

Spot & REER



Source: LSEG Datastream / ANDBANK

BRAZIL

Still High, Still Holding: The Long Road of Tight Monetary Policy

Monetary Policy – End of the Interest Rate Hike Cycle in Brazil

All signs suggest that Brazil’s Central Bank (BCB) has concluded its monetary tightening cycle following the June Copom meeting. While the market remains divided on whether there will be one final 25 bps hike or if it will remain stable at 14.75%. Regardless of this potential fine-tuning, after nine months of consecutive hikes, the tightening cycle appears to be over. The nominal rate is now at its highest level since 2006, with the real interest rate approaching 9% annually. Inflation (IPCA) has exceeded the target centre every year since 2019 and breached the upper limit of the tolerance range in 2021, 2022 and again in 2024. Projections for 2025 suggest further deviation from target parameters. Additionally, medium-term inflation expectations remain unanchored according to the median forecasts in the BCB´s Focus survey. Even the BCB´s own models indicate that achieving the inflation target would require an even more aggressive monetary stance. However, the current strategy appears to be one of patience—waiting for the lagging effects of prior tightening to filter through the economy. Looking six quarters ahead—the relevant horizon for monetary policy—the expectation is for deceleration of economic activity. GDP has expanded above potential for three consecutive years, and with the interest rate at elevated levels, a cooling of growth is both expected and desirable. The consensus forecast for 2025 GDP growth is between 2.0% and 2.5%, aligning more closely with Brazil’s potential output. One of the BCB main challenges is the lack of fiscal coordination. While monetary policy is pressing the brakes, fiscal policy continues to push the accelerator. Amid declining popularity, with recent polls showing rising disapproval of President Lula, the government has announced several consumption-stimulating measures. Achieving this year’s fiscal target would require either spending cuts or increased revenue—both of which face strong political resistance in Congress. This month, the government proposed raising taxes on financial transactions and implementing spending contingencies. However, with a fragile legislative base, tensions between the executive and Congress remain high. The lack of credibility on the fiscal front, combined with the proximity of presidential elections (just over a year away), is fuelling concerns that fiscal discipline could be further eroded during the campaign period. Under these circumstances, anchoring inflation expectations becomes increasingly difficult, regardless of BCB actions.

Inflation: Persistent Challenges Despite Softer Readings

In April, the IPCA rose by 0.26%, below market expectations of 0.35%. The index has increased 2.75% ytd, with the 12-month rate falling from 5.53% to 5.32%. Core inflation measures, on average, show a 12-month rise of 5.17%. Some components of the index were encouraging: the diffusion index fell from 67% to 60%, industrial goods inflation eased and food prices declined due to seasonal effects. The services sector, while decelerating, remains a concern given its strong link to domestic demand, employment and income—all of which remain robust. Despite this improved reading at the margin, inflation remains well above the 3% target and even the 4.5% ceiling of the tolerance band. This justifies the BCB’s hawkish posture.

Economic Activity: Still Resilient, but Gradually Slowing

The IBC-Br index—a monthly GDP proxy calculated by the BCB—rose 0.2% in April, beating consensus expectations of 0.1%. Year-to-date, it shows a 3.5% gain, and a 4.0% increase over the past 12M. Agriculture has been a key growth driver in 2025, posting an 18.5% increase thanks to record harvests. However, the sector contracted by 0.9% in April. Industry is up 3.2% ytd but also declined in April. Meanwhile, the services sector remains the highlight, with a 2.5% gain in the first four months and a 0.4% monthly increase. For monetary policy purposes, it’s useful to focus on the more cyclical components of GDP, excluding agriculture. This version of the IBC-Br rose 0.1% in April, 2.7% ytd, and 3.4% over 12M. Although activity remains resilient, the slowdown is a welcome sign for the BCB.

Market outlook – Recommendations & Targets

Equities – iBovespa: UNDERWEIGHT

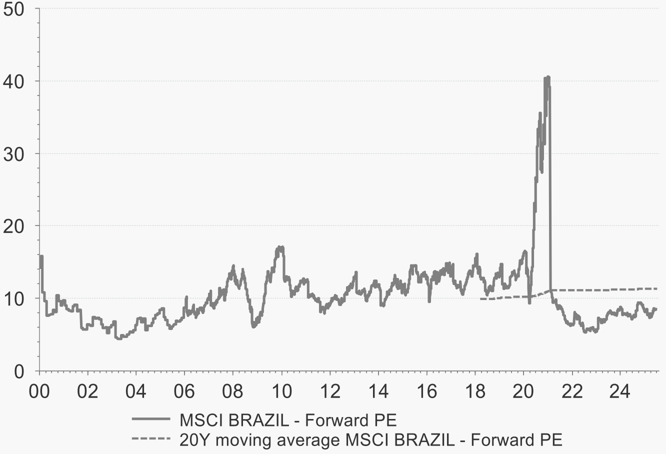
Bonds – Govies Local: OW (Target Spread 1000 => Target yield 14.75%)

Bonds – Govies USD: UW (Target Spread 275 => Target yield 7.25%)

FX – BRL/USD: UNDERWEIGHT (Mid-term target 5.60)

Brazil MSCI Index price-to-earning

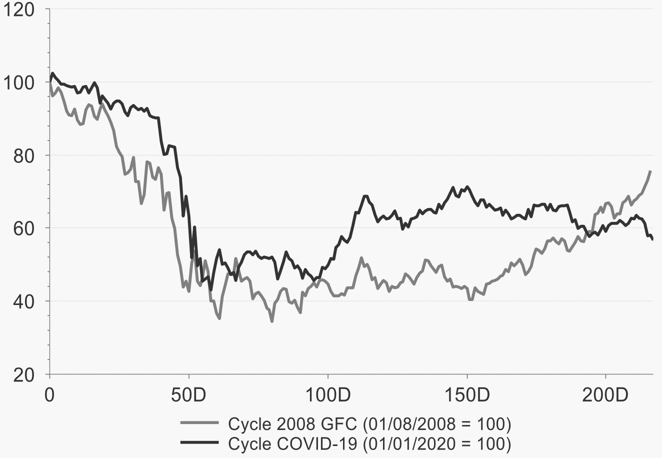
Trailing & Forward PE



Source: LSEG Datastream / ANDBANK

Brazil equities (USD), 2008 vs 2020

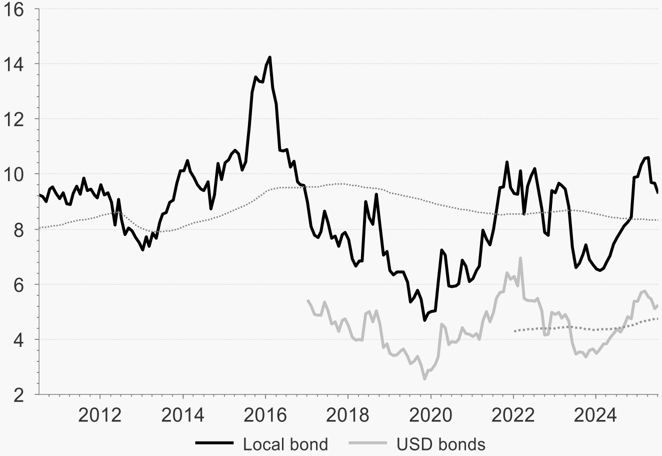
Bovespa, rebased, 100 = crisis start date



Source: LSEG Datastream / ANDBANK

BRAZIL - SPREAD 10Y GOV BOND vs UST

(Local & US$ denominated bonds)



Source: LSEG Datastream / ANDBANK

MEXICO

Monetary Policy Nearing Neutrality as Central Bank Balances High Inflation and Slowing Economy

Monetary Policy: Interest Rate Outlook and Central Bank Positioning

As widely expected, in its latest monetary policy decision on May 14, Banxico cut its benchmark rate by 50 bps to 8.50% and also maintained guidance for an additional 50 bps cut for its next meeting (June 26). A split decision is likely, as the most technically inclined and hawkish board member has expressed disagreement with another 50 bps cut, citing current inflation levels and elevated expectations for the coming quarters. The case for further rate cuts based on a highly restrictive ex-ante real rate is weakening, as it now lies approximately 100 bps above the upper bound of Banxico's estimated neutral rate. Market consensus places the terminal rate for 2025 between 7.25% and 7.50%. However, we believe that upside inflation risks could limit further easing, with a potential final rate closer to 7.75–8.00%.

Economic Activity and Inflation: Trends, Drivers and Risks

After a positive adjustment in exports and infrastructure investment during 1Q25—key components of industrial production—economic indicators showed upward bias. However, by March, the downward trend in gross fixed investment and private consumption resumed, justifying the ongoing GDP downgrades, which now hover around 0% for 2025. Headline inflation rose to 4.42% in April, up from 3.93% y/y the previous month, with core inflation exceeding 4%. Non-core inflation was driven by higher agricultural prices, partially offset by electricity subsidies in northern Mexico.

Fiscal Policy and Economic Policy

Macroeconomic forecasts for the 2025 budget were updated. The fiscal deficit was raised from 3.0% to 3.9% of GDP, while the primary surplus dropped from nearly 1% to just 0.6%, mainly due to increased spending. Although higher assumptions for FX and oil prices supported revised revenue expectations, the government's 2025 growth forecast of 1.9% appears overly optimistic compared to near-zero projections from analysts. Despite the revisions, Fitch reaffirmed sovereign credit rating at BBB- with a stable outlook.

Following a period overshadowed by trade and tariff volatility, attention shifted to judicial reform in June, with half of federal and local judgeships filled through elections. While this had little immediate impact on local assets, it raised concerns over the rule of law—an issue that could hinder Mexico's ability to fully benefit from the post-"Liberation Day" repositioning, as acknowledged by President Sheinbaum. Trade conditions improved significantly with the recalibration of tariff formulas for the automotive sector, fending off a punitive 25% blanket tariff (applicable outside USMCA) for steel, aluminium and fentanyl-related exports. This brought the effective tariff rate from 17–18% down to 10–11% for non-USMCA exports.

Financial Markets

Equities: We maintain a constructive view, especially after the April 2 announcements. Although the market saw a notable rebound in 2025, valuations still reflect a substantial discount—both relative to global peers and to historical levels. Our 12-month projection, based on a current P/E ratio of 15x and expected earnings growth of ~11%, points to an upside target above 66,000 points (vs. ~57,000 currently, with an 18% ytd return).

Fixed Income & FX: With the Fed on pause and Banxico easing, the peso spread has fallen below 500 bps, beneath the 12-month average of 547 bps. We maintain a 525 bps forecast, In USD terms, the spread has narrowed significantly due to recent moves in the long end of the US curve and currently stands at 167 bps. Our year-end target remains at 200 bps.

The peso has shown remarkable resilience in a volatile environment. From April through June, it traded mostly stable—except briefly after "Liberation Day," when it touched 20.85. Recently, it has strengthened to below 19. We maintain our year-end estimate at 20.50, although volatility in Q4 cannot be ruled out.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – Mex IPC: MARKETWEIGHT

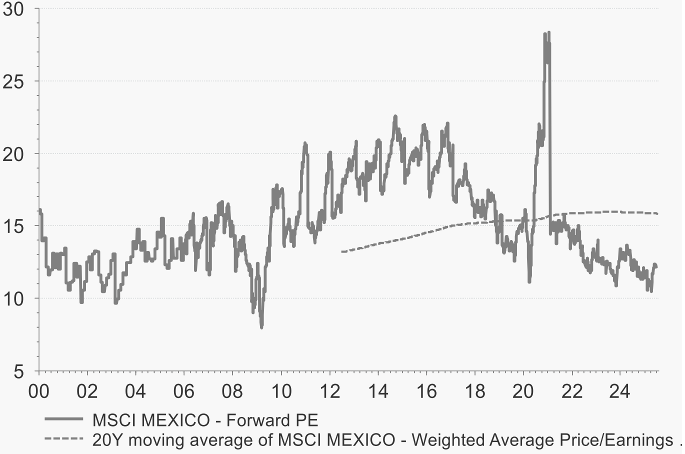
Bonds – Govies Local: UW (Target Spread 500 => Target yield 9.75%)

Bonds – Govies USD: UW (Target Spread 200 => Target yield 6.75%)

FX – MXN/USD: UNDERWEIGHT (Mid-term target 20.50)

Mexico MSCI Index price-to-earning

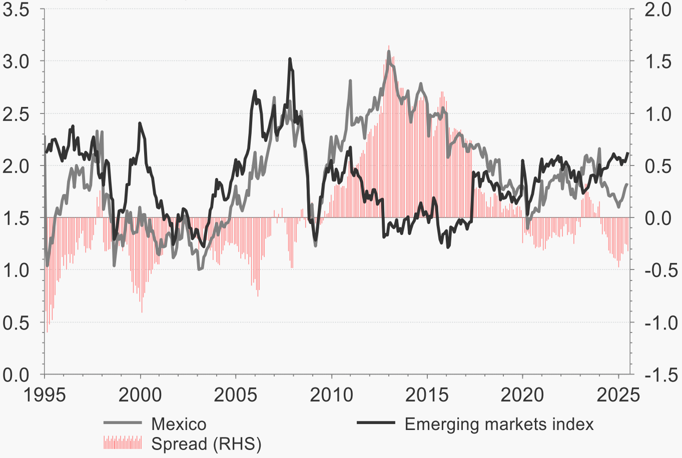
Trailing & Forward PE



Source: LSEG Datastream / ANDBANK

Mexico price-to-book ratio

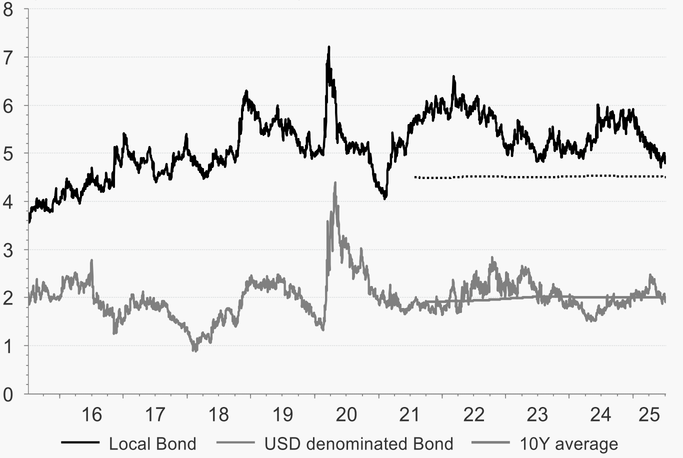
Ratios (both axes)



Source: LSEG Datastream / ANDBANK

MEXICO - SPREAD 10 GOV BOND vs UST

(Local & USD denominated bonds)



Source: LSEG Datastream / ANDBANK

ARGENTINA

The ban on CFK sets a new stage, yet the eventual beneficiaries remain undefined

Political Transition and Polarisation Reset

The Supreme Court upheld the conviction of former president Cristina Fernández de Kirchner (CFK) for illicit association and embezzlement. The ruling confirmed a six-year prison sentence (house arrest) and a lifetime ban from holding public office, making her the first former president in Argentine history to receive a final criminal sentence. CFK's formal exclusion from electoral politics creates a political vacuum in the Peronist movement, where she remained a central—if polarising—figure. Her departure forces the party to accelerate its transition into a post-Kirchnerist era, reconfiguring its leadership and identity. Axel Kicillof, governor of Buenos Aires Province, stands to benefit most from this shift. With a political narrative aligned with CFK's but no longer overshadowed by her presence, Kicillof emerges as the natural heir and a more competitive national figure. This reset may lead to a temporary weakening of Peronism's electoral machinery, benefiting President Milei's chances. Yet over the medium term, it may lay the groundwork for a more modern and competitive Peronist force.

Meanwhile, La Libertad Avanza (LLA) and PRO penned an electoral alliance in Buenos Aires Province ahead of the September legislative elections. The deal, a tactical pivot by LLA, allows the coalition to field the most competitive candidate regardless of party label. While the alliance remains provincial for now, it enhances the opposition's chances against a reorganising Peronism. LLA leads current national voting intentions, although margins remain narrow in a still-volatile electorate. The evolving political landscape may also reduce doubts about Argentina's policy continuity, potentially easing investor concerns over the durability of market-friendly reforms.

Argentina's Return to Global Capital Markets

After an eight-year absence, Argentina returned to international markets with the issuance of the BONTE 2030. The Treasury raised US$1 billion from foreign investors, with demand totalling US$1.7 billion. The bond, subscribed in USD and payable in ARS, carries a 29.5% coupon and a put option exercisable in May 2027. A subsequent reopening of the bond raised an additional US$500 million. Proceeds will bolster Central Bank reserves. Separately, the Central Bank secured a US$2 billion repo-style loan with seven global banks. The transaction, backed by Central Bank issued bonds (Bopreal) and other reserve assets, adds to the US$1 billion previously raised in December. The loan matures in April 2027 and carries a fixed equivalent interest rate of 8.25% in USD, based on SOFR plus a 450 bps spread.

In the corporate sector, a consortium of leading oil companies led by YPF—including Chevron, Shell, Vista, PAE, Pluspetrol and Pampa Energía—secured a 1.7 bn USD syndicated loan from international banks for the construction of the Vaca Muerta Oil Sur (VMOS) pipeline. With total investment exceeding 2.5 bn USD, the 525 km pipeline will connect Añelo (Neuquén) to a new export terminal in Punta Colorada (Rio Negro). The project aims to double oil evacuation capacity from the Neuquén Basin, with initial throughput of 550 kbpd, expandable to 700 kbpd. It includes infrastructure for export via large tankers (VLCCs), boosting Argentina's competitiveness in Asian markets.

Disinflation Gains Momentum Amid Policy Stability

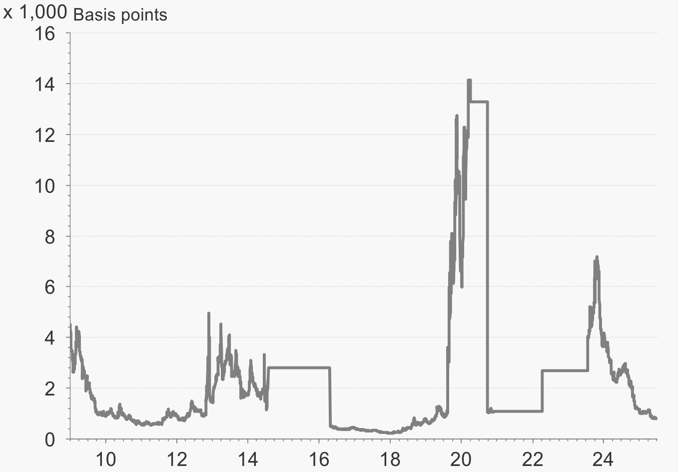
May CPI rose just 1.5% m/m (43.5% y/y), well below the BCRA's REM forecast of 2.1%, marking the lowest monthly inflation print since 2018. Core inflation slowed to 2.2% m/m (from 3.2% in April), while seasonal prices fell 2.7% m/m and regulated prices rose 1.3% m/m. Annual inflation is now 43.5%, with just 13.3% accumulated this year. The main drivers of inflation were communications (+4.1% m/m), restaurants and hotels (+3.0%) and healthcare (+2.7%), while transportation (+0.4%) and food (+0.5%) showed the softest increases. Services inflation (2.7% m/m, 72.4% y/y) outpaced goods (0.9% m/m, 33.1% y/y), though the gap narrowed. The result reflects easing FX pressures, low pass-through from April's FX adjustment and the credibility gained from the government's smooth partial lifting of capital controls.

Market outlook – Recommendations & Targets

Bonds – 10YGov USD: NEUTRAL

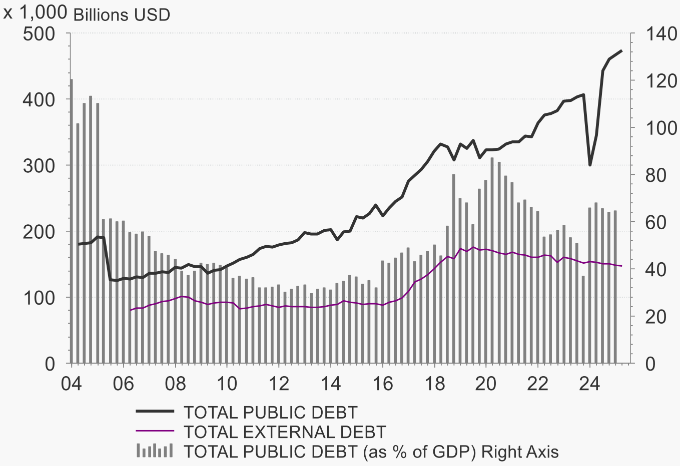
FX – USDARS: NEGATIVE (2025 year-end target 1300)

Argentina 5Y CDS



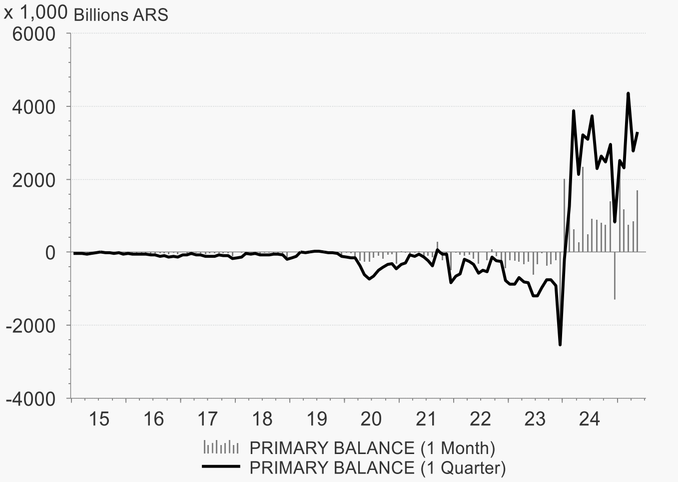
Source: LSEG Datastream / ANDBANK

ARGENTINA - TOTAL & EXTERNAL DEBT



Source: LSEG DatastreamThomson Reuters Datastream / ANDBANK

ARGENTINE PRIMARY BALANCE



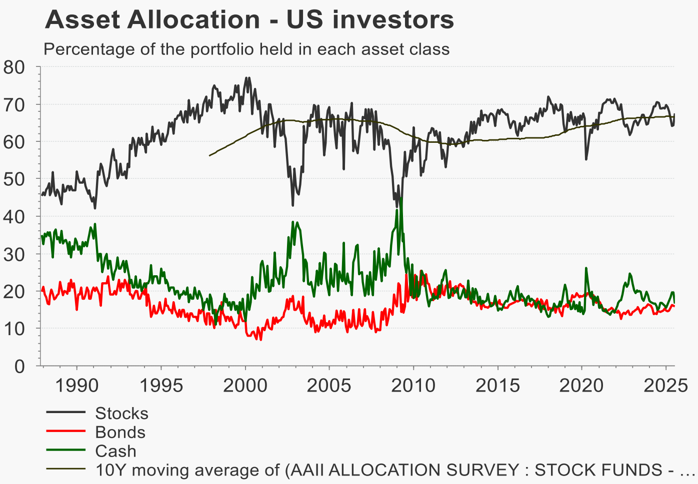
Source: LSEG Datastream / ANDBANK

GLOBAL EQUITY INDICES
Fundamental assessment

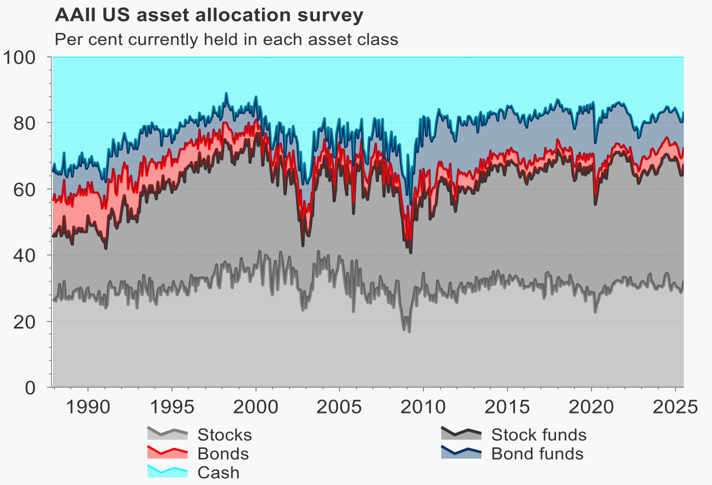
Index	Projected EPS 2025	Projected EPS Growth 2025	PE Trailing (2024)	Price Earning (forward)	Current Equity Yied	Current Risk Premium	Hist Risk Premium	Spread curr RP vs hist RP	Target PE Trailing (year end 2025) set on the Strategic Comittee	INDEX CURRENT PRICE	Andbank's Target Price (year end 2025)	Expected performance to target Price	Recommended Strategy	Exit Point (Strong Sell)
USA S&P 500	257,0	8,3%	26,25	24,24	4,13%	-0,28%	2,00%	-2,28%	25,00	6.230	6.425	3,1%	MW	7.068
Europe - Stoxx Europe 600	37,0	3,4%	15,18	14,69	6,81%	4,16%	5,00%	-0,84%	15,00	543	555	2,1%	UW	611
Spain IBEX 35	1.100,0	6,0%	13,57	12,81	7,81%	4,51%	5,70%	-1,19%	14,00	14.088	15.400	9,3%	MW-OW	16.940
Mexico IPC GRAL	4.800	11,9%	13,39	11,96	8,36%	-1,08%	-0,90%	-0,18%	13,00	57.423	62.400	8,7%	MW	68.640
Brazil BOVESPA	16.265	14,1%	9,79	8,58	11,66%	-2,03%	-1,10%	-0,93%	9,00	139.490	146.385	4,9%	UW	161.024
Japan TOPIX	186,0	8,8%	16,47	15,14	6,60%	5,12%	4,00%	1,12%	16,00	2.817	2.976	5,7%	MW-OW	3.274
China SSE Comp. A share	247,0	-5,7%	13,99	14,84	6,74%	0,16%	4,80%	-4,64%	13,50	3.666	3.335	-9,0%	UW	3.668
China Shenzhen Comp	94,7	-5,8%	20,90	22,20	4,50%	-2,08%	1,25%	-3,33%	20,00	2.102	1.894	-9,9%	UW	2.083
India SENSEX	3.800	8,1%	23,76	21,98	4,55%	-1,75%	-2,00%	0,25%	24,00	83.513	91.200	9,2%	OW	100.320
MSCI EM ASIA	49,4	15,0%	15,66	13,62	7,34%				15,00	673	741	10,1%	MW	816

ANDBANK ESTIMATES

Positioning indicators (Funds & direct assets): Equities, Fixed Income, and Cash

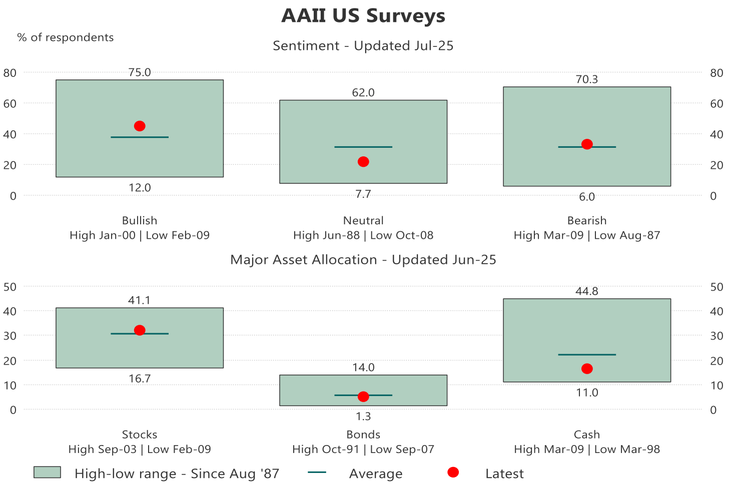


Source: LSEG Datastream / ANDBANK



Source: LSEG Datastream / ANDBANK

Positioning indicators (Direct assets only): Stocks, Bonds, and Cash

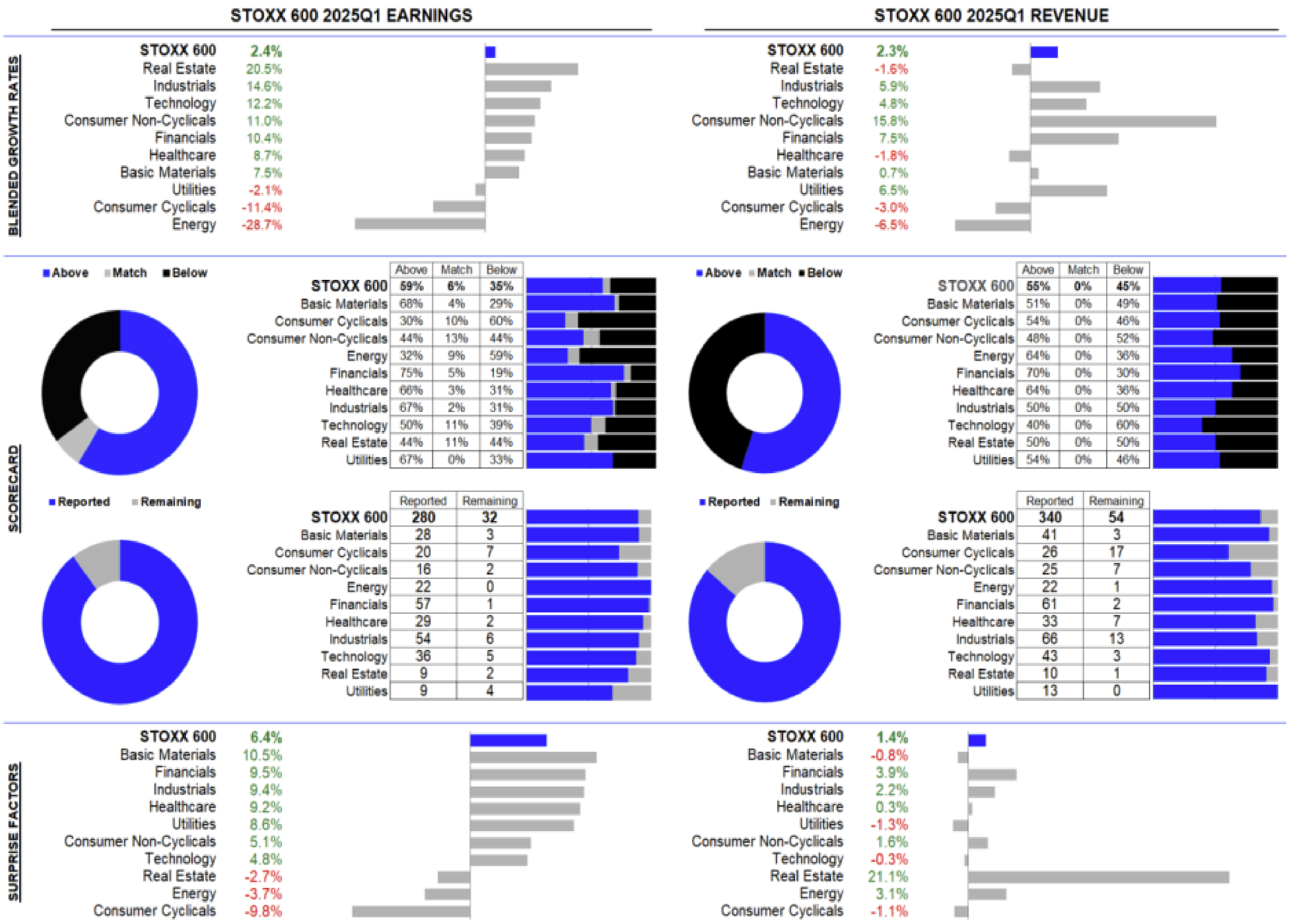


Source: LSEG Datastream/ ANDBANK

GLOBAL EQUITY INDICES

EU Earnings Dashboard

Exhibit 1A. STOXX 600: Q1 2025 Earnings Dashboard



STOXX 600 2025Q1 EARNINGS — BLENDED GROWTH RATES

STOXX 600	2.4%
Real Estate	20.5%
Industrials	14.6%
Technology	12.2%
Consumer Non-Cyclicals	11.0%
Financials	10.4%
Healthcare	8.7%
Basic Materials	7.5%
Utilities	-2.1%
Consumer Cyclicals	-11.4%
Energy	-28.7%

STOXX 600 2025Q1 REVENUE — BLENDED GROWTH RATES

STOXX 600	2.3%
Real Estate	-1.6%
Industrials	5.9%
Technology	4.8%
Consumer Non-Cyclicals	15.8%
Financials	7.5%
Healthcare	-1.8%
Basic Materials	0.7%
Utilities	6.5%
Consumer Cyclicals	-3.0%
Energy	-6.5%

SCORECARD — EARNINGS

	Above	Match	Below
STOXX 600	**59%**	**6%**	**35%**
Basic Materials	68%	4%	29%
Consumer Cyclicals	30%	10%	60%
Consumer Non-Cyclicals	44%	13%	44%
Energy	32%	9%	59%
Financials	75%	5%	19%
Healthcare	66%	3%	31%
Industrials	67%	2%	31%
Technology	50%	11%	39%
Real Estate	44%	11%	44%
Utilities	67%	0%	33%

	Reported	Remaining
STOXX 600	**280**	**32**
Basic Materials	28	3
Consumer Cyclicals	20	7
Consumer Non-Cyclicals	16	2
Energy	22	0
Financials	57	1
Healthcare	29	2
Industrials	54	6
Technology	36	5
Real Estate	9	2
Utilities	9	4

SCORECARD — REVENUE

	Above	Match	Below
STOXX 600	**55%**	**0%**	**45%**
Basic Materials	51%	0%	49%
Consumer Cyclicals	54%	0%	46%
Consumer Non-Cyclicals	48%	0%	52%
Energy	64%	0%	36%
Financials	70%	0%	30%
Healthcare	64%	0%	36%
Industrials	50%	0%	50%
Technology	40%	0%	60%
Real Estate	50%	0%	50%
Utilities	54%	0%	46%

	Reported	Remaining
STOXX 600	**340**	**54**
Basic Materials	41	3
Consumer Cyclicals	26	17
Consumer Non-Cyclicals	25	7
Energy	22	1
Financials	61	2
Healthcare	33	7
Industrials	66	13
Technology	43	3
Real Estate	10	1
Utilities	13	0

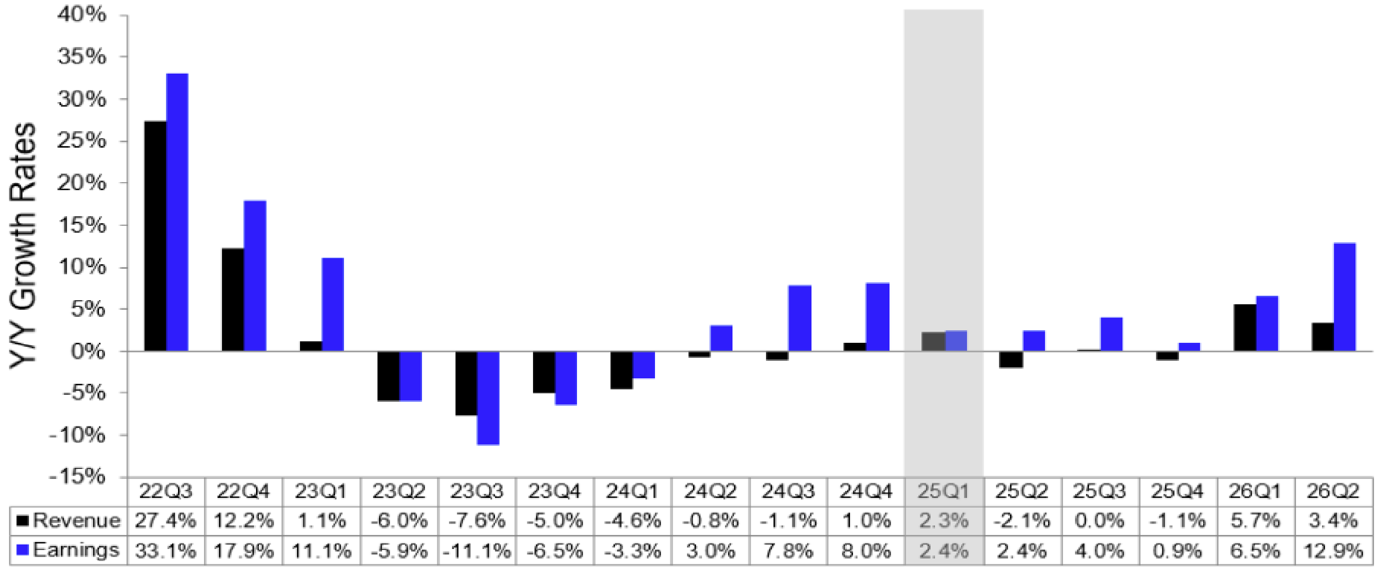
SURPRISE FACTORS — EARNINGS

STOXX 600	6.4%
Basic Materials	10.5%
Financials	9.5%
Industrials	9.4%
Healthcare	9.2%
Utilities	8.6%
Consumer Non-Cyclicals	5.1%
Technology	4.8%
Real Estate	-2.7%
Energy	-3.7%
Consumer Cyclicals	-9.8%

SURPRISE FACTORS — REVENUE

STOXX 600	1.4%
Basic Materials	-0.8%
Financials	3.9%
Industrials	2.2%
Healthcare	0.3%
Utilities	-1.3%
Consumer Non-Cyclicals	1.6%
Technology	-0.3%
Real Estate	21.1%
Energy	3.1%
Consumer Cyclicals	-1.1%

Exhibit 3A. STOXX 600 YoY Growth Rates



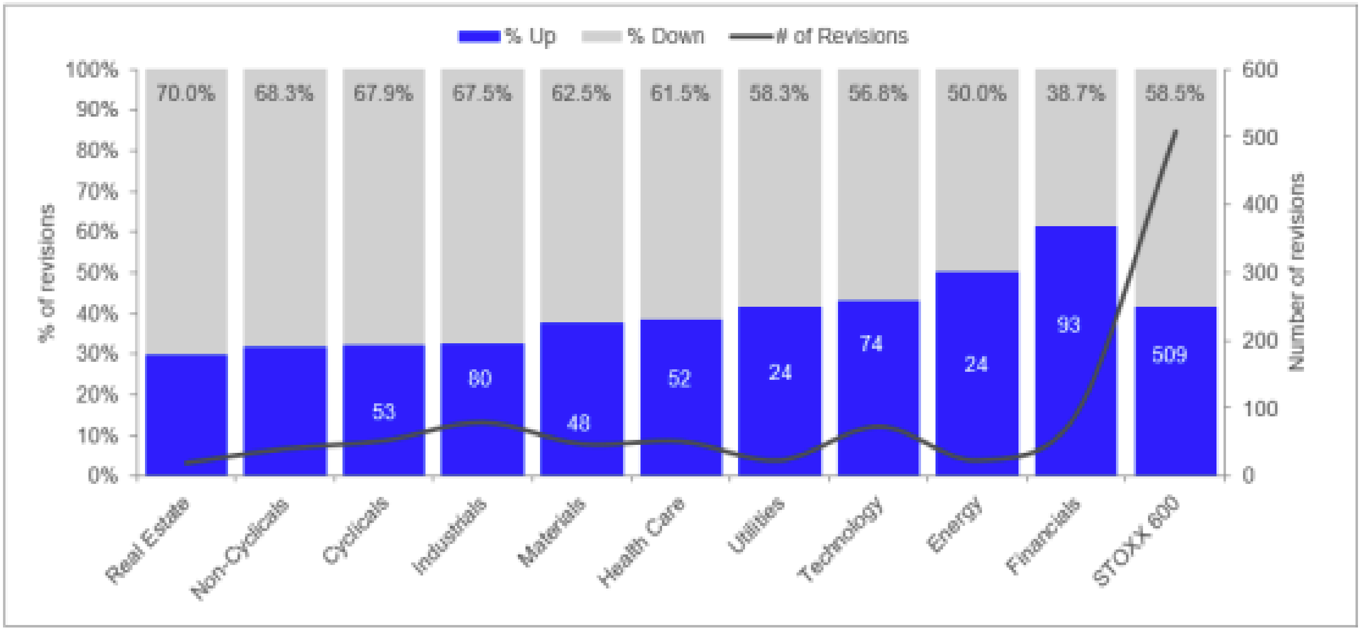
	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4	26Q1	26Q2
■ Revenue	27.4%	12.2%	1.1%	-6.0%	-7.6%	-5.0%	-4.6%	-0.8%	-1.1%	1.0%	2.3%	-2.1%	0.0%	-1.1%	5.7%	3.4%
■ Earnings	33.1%	17.9%	11.1%	-5.9%	-11.1%	-6.5%	-3.3%	3.0%	7.8%	8.0%	2.4%	2.4%	4.0%	0.9%	6.5%	12.9%

Source: LSEG I/B/E/S

GLOBAL EQUITY INDICES

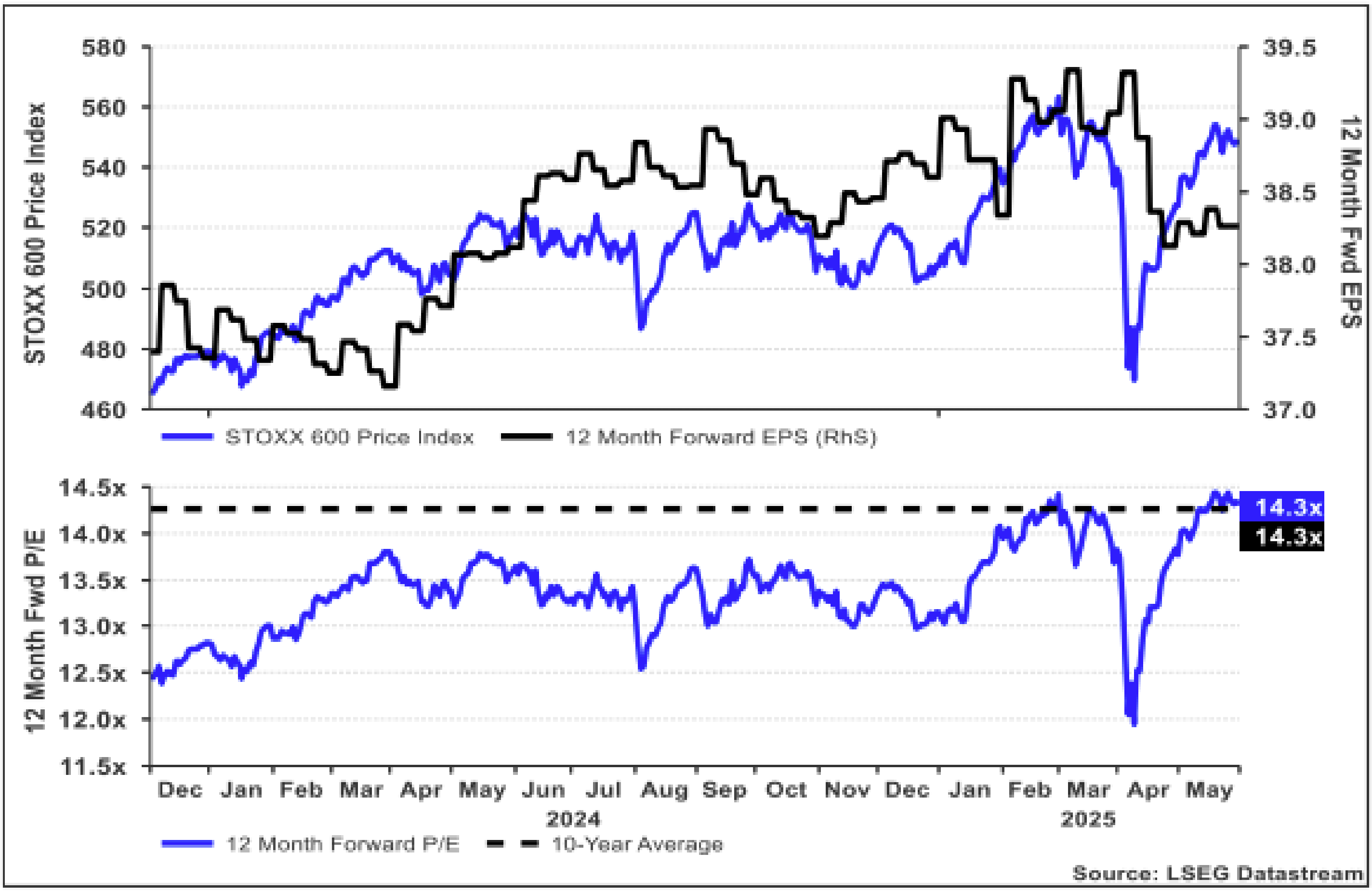
EU Corporate Earnings Estimates Revision

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



Source: LSEG I/B/E/S

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



Source: LSEG Datastream

Source: LSEG Datastream

GLOBAL EQUITY INDICES

EU Corporate Earnings Revision Trend

Exhibit 15A. STOXX 600 Earnings Estimate Revision Trend

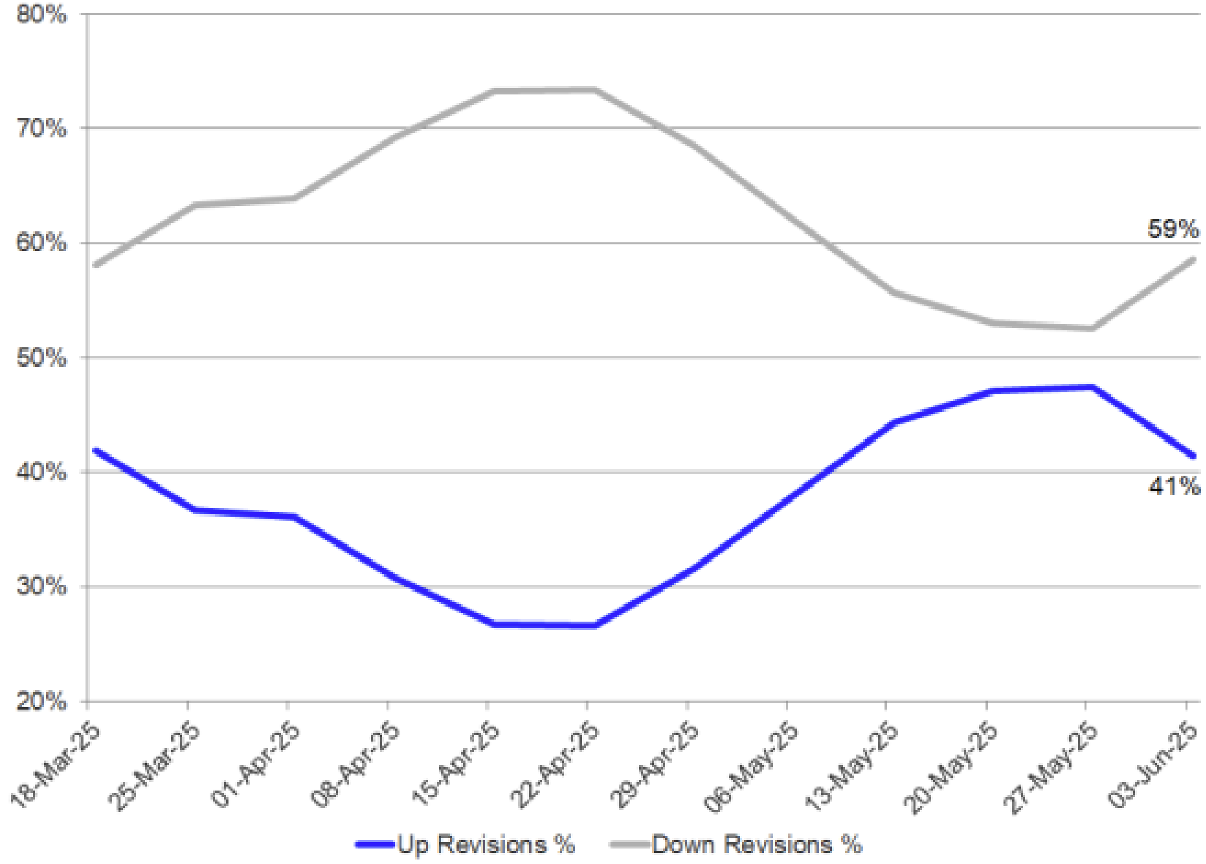
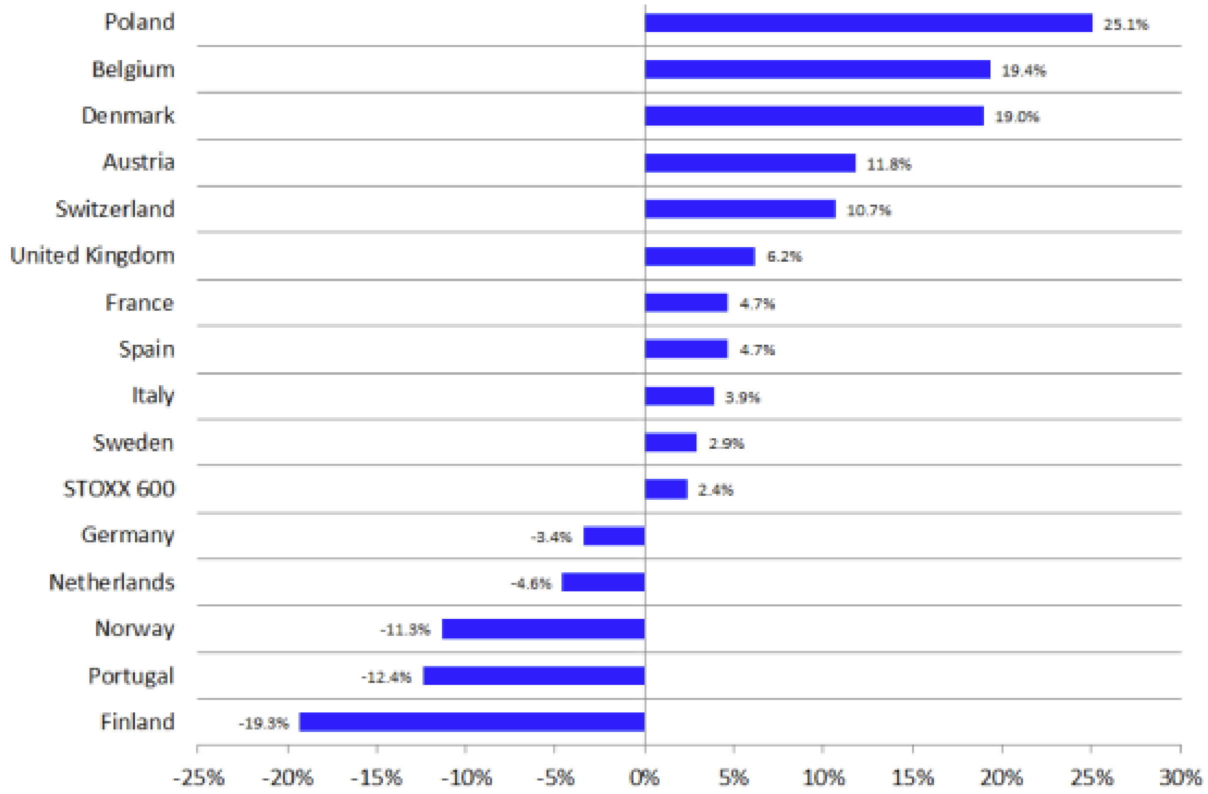


Exhibit 12A. STOXX 600: Q1 2025 Earnings Growth Rate Estimates by Country

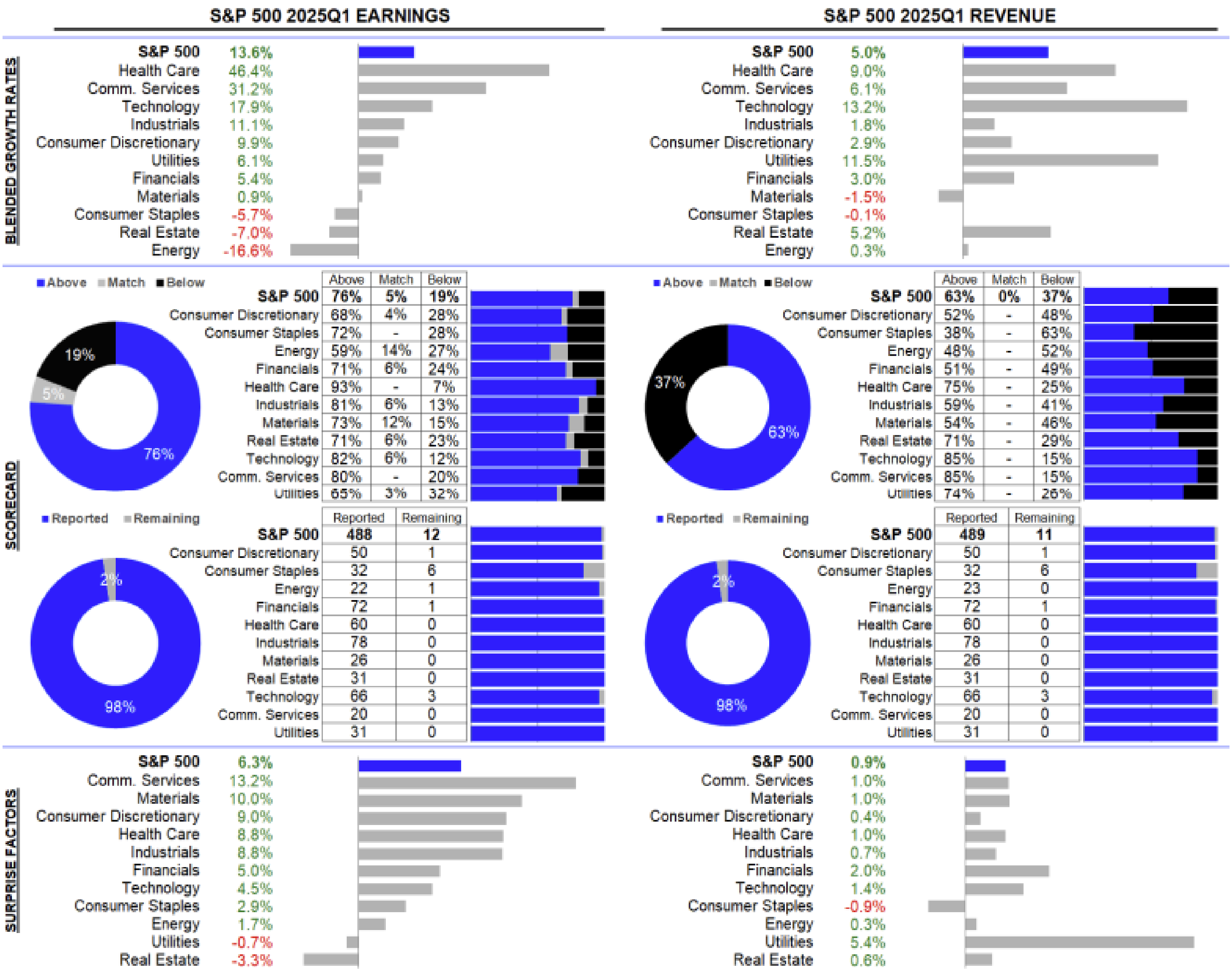


Source: LSEG I/B/E/S

GLOBAL EQUITY INDICES

US Earnings Dashboard

Exhibit 1. 2025Q1 S&P 500 Earnings Dashboard



S&P 500 2025Q1 EARNINGS – BLENDED GROWTH RATES

S&P 500	13.6%
Health Care	46.4%
Comm. Services	31.2%
Technology	17.9%
Industrials	11.1%
Consumer Discretionary	9.9%
Utilities	6.1%
Financials	5.4%
Materials	0.9%
Consumer Staples	-5.7%
Real Estate	-7.0%
Energy	-16.6%

S&P 500 2025Q1 REVENUE – BLENDED GROWTH RATES

S&P 500	5.0%
Health Care	9.0%
Comm. Services	6.1%
Technology	13.2%
Industrials	1.8%
Consumer Discretionary	2.9%
Utilities	11.5%
Financials	3.0%
Materials	-1.5%
Consumer Staples	-0.1%
Real Estate	5.2%
Energy	0.3%

S&P 500 2025Q1 EARNINGS – SCORECARD

	Above	Match	Below
S&P 500	**76%**	**5%**	**19%**
Consumer Discretionary	68%	4%	28%
Consumer Staples	72%	-	28%
Energy	59%	14%	27%
Financials	71%	6%	24%
Health Care	93%	-	7%
Industrials	81%	6%	13%
Materials	73%	12%	15%
Real Estate	71%	6%	23%
Technology	82%	6%	12%
Comm. Services	80%	-	20%
Utilities	65%	3%	32%

	Reported	Remaining
S&P 500	**488**	**12**
Consumer Discretionary	50	1
Consumer Staples	32	6
Energy	22	1
Financials	72	1
Health Care	60	0
Industrials	78	0
Materials	26	0
Real Estate	31	0
Technology	66	3
Comm. Services	20	0
Utilities	31	0

S&P 500 2025Q1 REVENUE – SCORECARD

	Above	Match	Below
S&P 500	**63%**	**0%**	**37%**
Consumer Discretionary	52%	-	48%
Consumer Staples	38%	-	63%
Energy	48%	-	52%
Financials	51%	-	49%
Health Care	75%	-	25%
Industrials	59%	-	41%
Materials	54%	-	46%
Real Estate	71%	-	29%
Technology	85%	-	15%
Comm. Services	85%	-	15%
Utilities	74%	-	26%

	Reported	Remaining
S&P 500	**489**	**11**
Consumer Discretionary	50	1
Consumer Staples	32	6
Energy	23	0
Financials	72	1
Health Care	60	0
Industrials	78	0
Materials	26	0
Real Estate	31	0
Technology	66	3
Comm. Services	20	0
Utilities	31	0

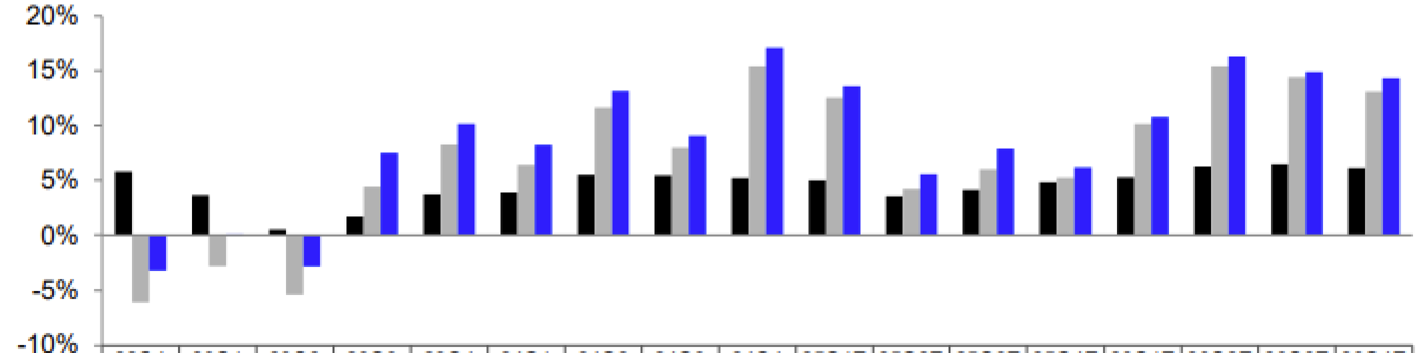
S&P 500 2025Q1 EARNINGS – SURPRISE FACTORS

S&P 500	6.3%
Comm. Services	13.2%
Materials	10.0%
Consumer Discretionary	9.0%
Health Care	8.8%
Industrials	8.8%
Financials	5.0%
Technology	4.5%
Consumer Staples	2.9%
Energy	1.7%
Utilities	-0.7%
Real Estate	-3.3%

S&P 500 2025Q1 REVENUE – SURPRISE FACTORS

S&P 500	0.9%
Comm. Services	1.0%
Materials	1.0%
Consumer Discretionary	0.4%
Health Care	1.0%
Industrials	0.7%
Financials	2.0%
Technology	1.4%
Consumer Staples	-0.9%
Energy	0.3%
Utilities	5.4%
Real Estate	0.6%

Exhibit 5. S&P 500 YoY Growth Rates



	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1E	25Q2E	25Q3E	25Q4E	26Q1E	26Q2E	26Q3E	26Q4E
■Revenue	5.8%	3.6%	0.5%	1.7%	3.7%	3.9%	5.5%	5.5%	5.2%	5.0%	3.5%	4.1%	4.8%	5.3%	6.3%	6.5%	6.1%
■Net Income	-6.1%	-2.8%	-5.4%	4.4%	8.3%	6.4%	11.6%	8.0%	15.4%	12.6%	4.2%	6.0%	5.2%	10.1%	15.4%	14.4%	13.1%
■Earnings	-3.2%	0.1%	-2.8%	7.5%	10.1%	8.2%	13.2%	9.1%	17.1%	13.6%	5.5%	7.9%	6.2%	10.8%	16.3%	14.9%	14.3%

Source: LSEG I/B/E/S

GLOBAL EQUITY INDICES

US Corporate Earnings Revision Trend

EXHIBIT 12A. S&P 500: WEEKLY EARNINGS ESTIMATE REVISIONS BY SECTOR

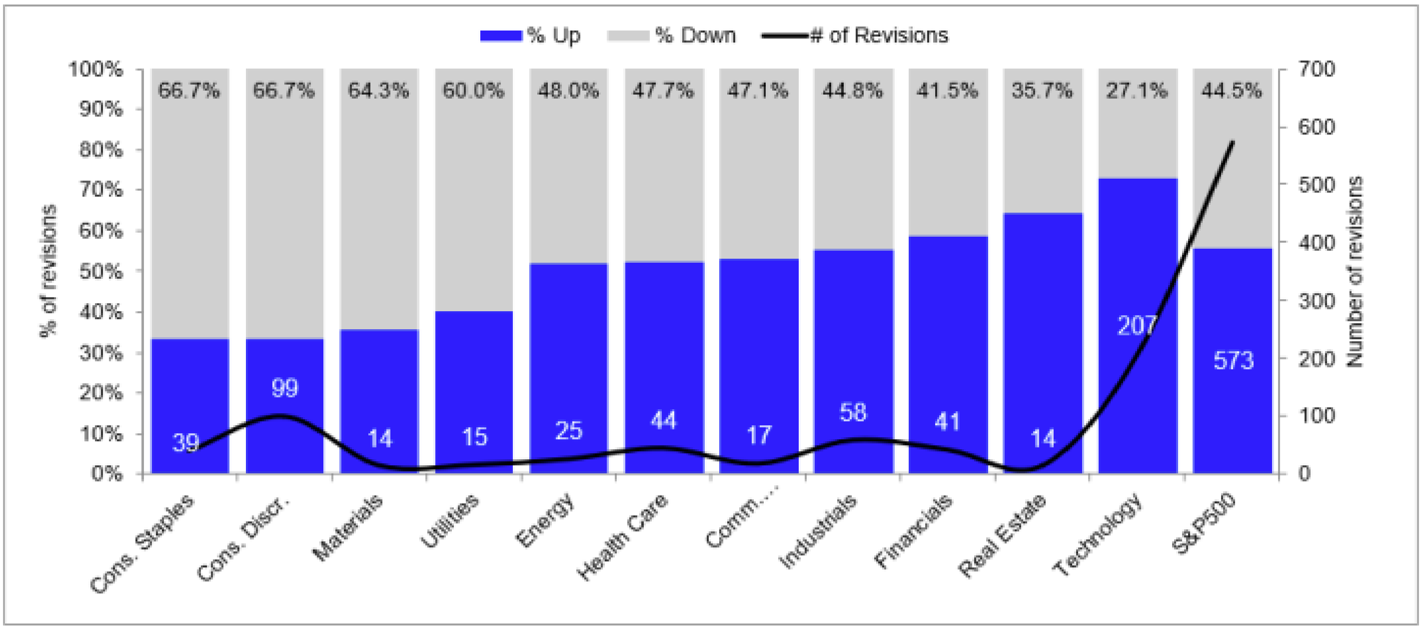
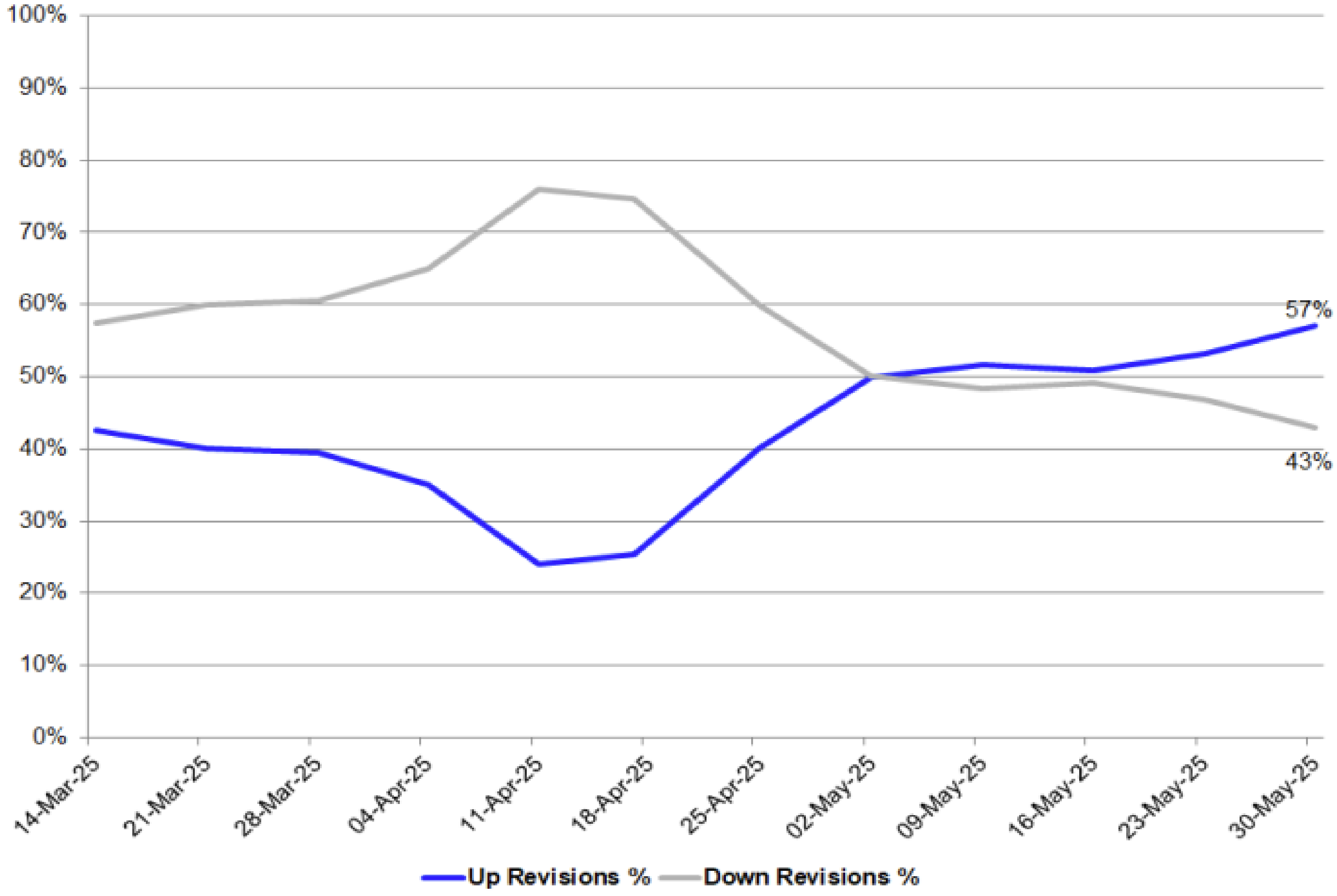


EXHIBIT 11A. ALL U.S. COMPANIES: EARNINGS ESTIMATE REVISION TREND



Source: LSEG I/B/E/S

ENERGY – OIL

Fundamental view (WTI): Target range USD60-70bbl

Buy < USD60; Sell >USD70.

Short-term drivers

(Bearish price factor) – China's independent refineries are re-evaluating the risks of purchasing Iranian crude oil, which could trigger further US sanctions. However, these refineries do not appear to be in a rush to stock up now. Feedstock demand remains low because of reduced utilisation rates, which are attributed to weak refining margins. The average utilisation rate at China's Shandong independent refineries fell to 48.18% as of June 11. Iranian Light crude was offered at a discount of approximately $3/b against ICE Brent Futures, a decrease from the earlier discount of $2.5-$3/b at the beginning of June. It's too early to say anything definitive, but if China lets go of Iran's hand and stops buying its crude, this could accelerate the timeline for a resolution of the Middle East conflict and, counterintuitively, ease prices.

(Bearish price factor) – Aramco deliveries: Platts reported Aramco's deliveries of crude products have been unaffected by conflict between Iran and Israel.

(Bullish price factor) – Traders pile into $80 US oil bets: Traders on Friday exchanged the most $80 West Texas Intermediate (WTI) crude oil call options since January, expecting more upside to prices. About 33,411 contracts of August-2025 $80 call options for WTI crude oil were traded on Friday on a total trading volume of 681,000 contracts, marking the highest volume for these options this year. The last time trading was this high for $80 call contracts was on January 10, with 17,030 February-2025 $80 call options traded on a total trading volume of 301,866 contracts. A week later, the price of Brent surpassed $82 per barrel

(Bullish price factor) – Peak demand: Bloomberg reported IEA said China's oil demand will peak in 2027, earlier than expected. China is continuing to build up crude oil stockpiles. Surplus of crude was 1.4M bpd in May.

(Bullish price factor) – Strait collision in Hormuz: With Iran and Israel firing missiles at each other since Friday, interference has disrupted navigation systems near the vital sea route between Iran and Oman which handles about a fifth of the world's oil. The Front Eagle was loaded with 2 million barrels of Iraqi crude oil and was en route to Zhoushan in China, according to monitoring service TankerTrackers.com. The Adalynn, a Suezmax-class tanker owned by India-based Global Shipping Holding Ltd, had no cargo and was sailing towards the Suez Canal in Egypt. Between the start of 2022 and last month, roughly 17.8 million to 20.8 million barrels of crude, condensate and fuels flowed through daily, according to data from Vortexa. A collision of this nature in this key corridor, coinciding with the escalation of the current conflict in the Middle East, leads us to believe that events of this nature could be repeated with unusually high frequency, generating problems in the supply chain. These events are often triggered by increases in global energy prices, as retaliation against the West for its support of Israel.

(Bullish price factor) – Supply risks: Iran's oil exports appear to have essentially ground to a halt in recent days. Total Iranian crude and condensate oil exports this week are currently forecast to reach 102,000 bpd, compared with a weekly average of 1.7 million so far this year, according to analytics firm Kpler. Iran-Israel war is already having a notable impact on energy production and exports. Critical energy infrastructure in Israel and Iran has not escaped unscathed from the first few days of the countries' escalated conflict. Worst-case scenarios have yet to be realised, but the war is already having a notable impact on energy production and exports in both countries. Some energy facilities have been hit in both countries since then, leading to significant disruptions to production. However, prices receded slightly on Monday, as it appeared that both sides were not immediately targeting the most sensitive energy infrastructure and supply routes, and following a report that Iran was seeking ceasefire mediation.

(Bullish price factor) – Risk of collapse in supply routes: Investor focus remains squarely on the Strait of Hormuz, a narrow and vital waterway between Iran and Oman in the Mideast Gulf through which between 18 and 19 million barrels per day of crude oil and fuels flow, nearly a fifth of the world's consumption. Another 85 million tons of liquefied natural gas from Qatar and the United Arab Emirates were also sent through the strait last year, equivalent to around 20% of global demand. Disrupting maritime activity through the strait would thus severely impact oil and gas markets, pushing prices much higher, possibly into three-digit territory.

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 into play. 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 monetise 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. The experiment of the 1970s and 2000s by conventional producers in colluding to fix the price of crude oil by strangling supply may no longer offer the same results due to the emergence of new unconventional agents.

PRECIOUS METALS - GOLD

Gold remains well-supported from a political risk perspective. Based on relative pricing versus other assets, the target range is USD 2,200–2,400/oz

Positive drivers for gold

People's Bank of China (PBoC) Foreign Reserves Dynamics (2015-2024): In recent years, specifically since the beginning of the first trade war between the US and China, the composition of China's international reserves has undergone a significant shift. Ex-Gold Foreign Reserves declined from $4.0 trillion to $3.256 trillion, marking a net reduction of $744 billion. This suggests capital outflows, intervention in currency markets or strategic reallocations of reserve assets. Gold reserves increased from 34 million ounces to 73 million ounces, representing a net addition of 40 million ounces. At an average acquisition price of $1,800 per ounce, this translates into an approximate investment of $72 billion. This strategy has been the primary driver behind the rise in gold prices in recent years and aligns with the PBoC's broader strategy of reducing support for the US debt market, and consequently, for the USD as a reserve currency. However, this shift towards gold has limited room for expansion, as no central bank should concentrate excessive amounts of an illiquid asset. Instead, reserves should be allocated primarily to the most liquid and stable debt assets in the world—which, historically, has been US Treasuries. Deviating from this orthodoxy puts reserves liquidity at risk.

Within the four-quadrants framework, the projected scenario is still favourable for gold: The best scenario for gold would be one where inflation is combined with recession (stagflation). A scenario that is steadily gaining traction. The scenario we are projecting places us in a quadrant where some inflation is combined with a mildly favourable cycle (inflationary boom). Such a scenario, while not the best, is still favourable for gold, although in this scenario gold should not outperform equities. The price of gold is also determined by other factors, such as the PBoC, in their decision to displace the USD in their strategic reserves, a factor currently favourable to gold.

A gold bull market usually feeds on its own momentum for quite a while.

Gold has just lost one of the drivers that made it the best antifragile asset: a lower relative supply. Gold, much like US Treasuries, is an antifragile asset. Investors must decide which to hold as protection against market instability, based on which is expected to perform better in times of shock. This choice largely depends on relative supply: the scarcer asset tends to outperform. While the Federal Reserve pursued quantitative tightening (QT)—selling Treasuries and thus increasing their supply—gold outperformed. However, now that the Fed is slowing QT, thereby reducing the supply of US Treasuries, those bonds could regain their dominant role as the preferred safe-haven asset in 2025. Looking ahead to 2026–2027, when the Fed is expected to resume QT and further offload Treasuries, gold may once again take the lead—hence its sustained momentum. That said, once QT concludes, possibly in 2028, the supply of US Treasuries would become limited once more, favoring a return to Treasuries as the top-performing safe-haven asset and relegating gold to a secondary position in terms of returns.

Negative drivers for gold

Gold in real terms: Given the global deflator (now at 1.27641), 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$2,599. In real terms gold continues to trade well above its 20-year average of US$1,346oz. For the gold price to stay near its historical average in real terms, the nominal price must remain near US$1,718.

Gold in terms of silver: The Gold/Silver ratio rose to 90.95, still above its 20-year average of 73.43x, suggesting that gold is 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$2,679oz.

Gold in terms of palladium: The Gold/Palladium ratio increased to 2.94x, above its 20-year average of 1.88x. This implies that gold is currently expensive compared to palladium. To bring this ratio to its long-term average, assuming that palladium is well valued, then the price of gold should reach $2,121 per ounce.

Gold to oil ratio: This ratio is at 47.98x, still well above its 20-year average of 21.27x. Considering our mid-term outlook for WTI oil at US$65 (the midpoint of our new fundamental target range of $60-70pbl for oil) and assuming that the utility function of both commodities remains unchanged, the price of gold must approach US$1,382 for this ratio to remain near its LT average.

The massive negative returns in bonds have disappeared: During the 2010-2017 and 2020-2022 periods, gold's disadvantage against fixed income instruments (gold does not offer a coupon) was neutralised by nominal negative yields in a large number of global bonds, leading to strong arguments for the purchase of gold. But this is no longer the case, with most 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.

About the four threats that could end the gold rally. The 1976-80 rally in gold prices ended when US short rates were jacked up to break inflation, causing the USD to rise. The 1985-88 gold rally ended when Germany pulled out of the Plaza Accord and US rates started to rise (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) A rise in real rates; 3) A stronger USD; and 4) A loss of momentum from EM buyers. How real 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**.

Risk #1. Higher nominal rates (MEDIUM RISK): High nominal rates are now a reality, and positive rates are going to stick around for a while.

Risk #2. A stronger USD (MEDIUM RISK). The US current account (CA) balance has continued to gradually improve. This leads to a relative shortage of dollars and consequently a potential rise in its price. Our outlook is for the US current account balance to continue improving towards a historical average level of -3% of GDP. This should keep the USD well supported and stable

Risk #3. A rise in real rates (LOW RISK): Even if nominal rates rise, the only way to experience a surge in real rates would be through the inflation rate collapsing. Such a deflationary outcome could be triggered by a permanent collapse in the price of energy or a collapse in real estate. 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 – (LOW RISK) Gold bull markets usually feed on their own momentum for quite a while, and gold has gained some self-reinforcing momentum. A constructive view could be that perhaps the emerging world could recreate a gold-prone cycle such as the one seen in 2001-2011. In that period, it was the new wealth being created in EMs (as happens today), 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.

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	-19,30	-5,20	35,2	-28,2	2,5	**-1,08**
USD vs G10	-16,88	-5,21	34,8	-25,4	3,8	**-1,09**
EM	2,41	-0,01	3,9	-0,8	1,7	**0,58**
EUR	15,87	4,61	23,4	-8,7	7,7	**0,82**
JPY	11,10	-3,11	15,7	-15,0	-4,3	**1,70**
GBP	2,70	-0,29	4,4	-6,5	-0,7	**1,16**
CHF	-3,77	0,08	0,2	-6,1	-3,1	**-0,39**
BRL	0,96	0,13	1,2	-0,8	0,0	**1,87**
MXN	1,46	-0,14	3,3	-0,5	1,4	**0,09**
RUB	0,00	0,00	1,2	-0,3	0,3	**0,00**
AUD	-4,61	-0,67	6,1	-5,2	-1,2	**-1,01**
CAD	-4,65	2,87	6,1	-12,7	-1,7	**-0,63**

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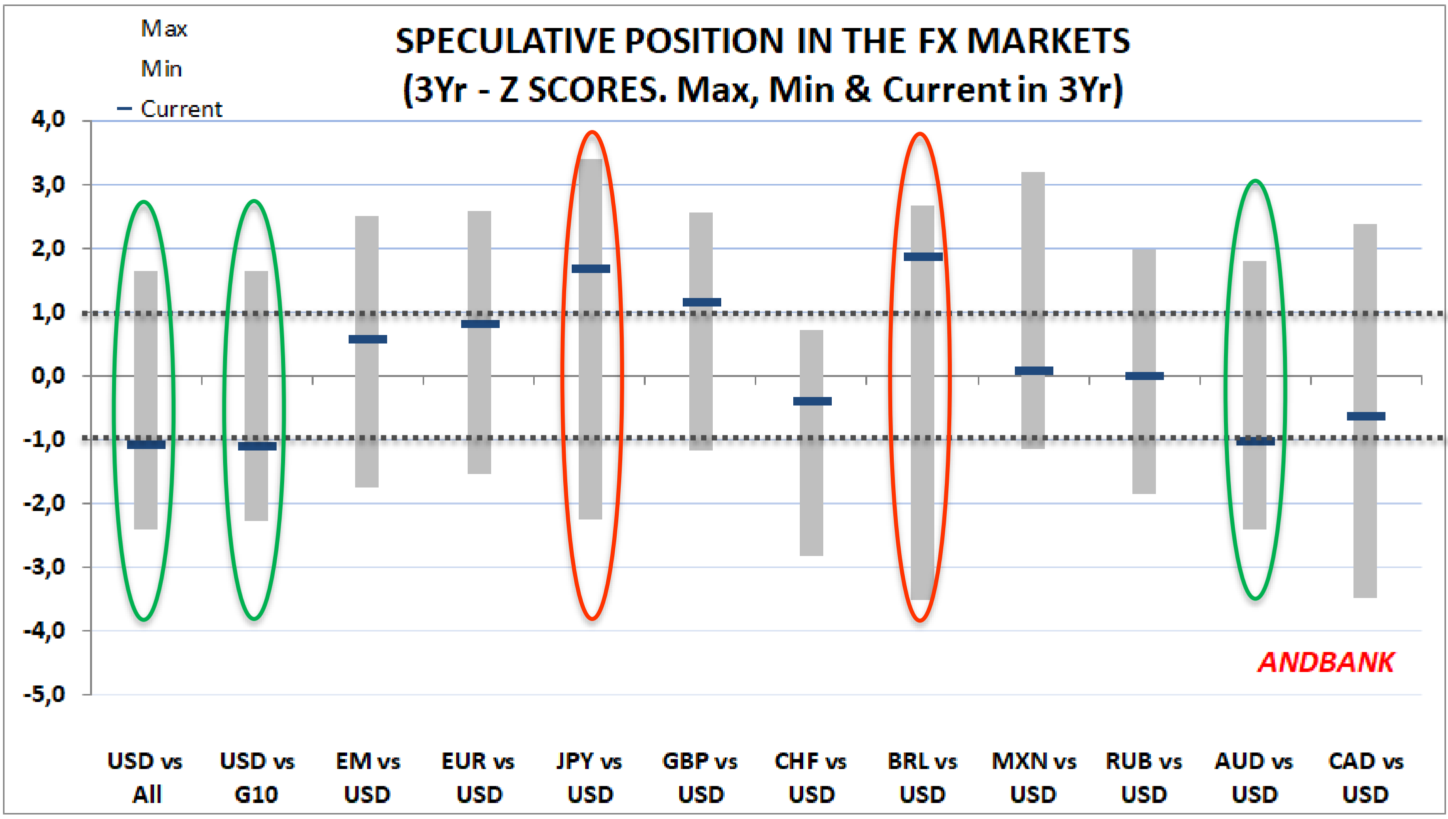
━━ Positive
╍╍ Neutral-Positive
╍╍ Neutral-Negative
━━ Negative



━━ Positive
╍╍ Neutral-Positive
╍╍ Neutral-Negative
━━ Negative

The currencies we technically favour are circled in green

SUMMARY TABLE OF EXPECTED RETURNS

Asset Class	*Indices*	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
Equity	USA - S&P 500	5,9%	6.230	**6.425**	3,1%
	Europe - Stoxx Europe 600	7,1%	543	**555**	2,1%
	SPAIN - IBEX 35	21,5%	14.088	**15.400**	9,3%
	MEXICO - MXSE IPC	16,0%	57.423	**62.400**	8,7%
	BRAZIL - BOVESPA	16,0%	139.490	**146.385**	4,9%
	JAPAN TOPIX	1,1%	2.817	**2.976**	5,7%
	China SSE Comp. A share	4,3%	3.666	**3.335**	-9,0%
	CHINA - SHENZEN COMPOSITE	7,4%	2.102	**1.894**	-9,9%
	INDIA - SENSEX	6,9%	83.513	**91.200**	9,2%
	VIETNAM - VN Index	11,7%	1.415	**1.517**	7,2%
	MSCI EM ASIA (in USD)	12,8%	673	**741**	10,1%
Fixed Income Core countries	US Treasury 10 year Govie	3,7%	4,40	**4,75**	1,6%
	UK 10 year Gilt	2,0%	4,61	**4,75**	3,5%
	German 10 year BUND	-1,1%	2,65	**2,80**	1,4%
	Japanese 10 year Govie	-2,6%	1,48	**1,50**	1,3%
Fixed Income Peripheral	Spain - 10yr Gov bond	-0,3%	3,30	**3,55**	1,3%
	Italy - 10yr Gov bond	1,6%	3,55	**3,80**	1,5%
	Portugal - 10yr Gov bond	-0,8%	3,11	**3,30**	1,6%
	Ireland - 10yr Gov bond	-1,2%	2,94	**3,20**	0,8%
	Greece - 10yr Gov bond	0,1%	3,34	**3,80**	-0,3%
Fixed Income Credit	Credit EUR IG-Itraxx Europe	1,8%	53,56	**60**	2,3%
	Credit EUR HY-Itraxx Xover	3,1%	280,28	**330**	3,3%
	Credit USD IG - CDX IG	2,7%	50,74	**75**	4,2%
	Credit USD HY - CDX HY	4,7%	316,26	**450**	3,6%
Fixed Income EM Europe (Loc)	Turkey - 10yr Gov bond (local)	-4,1%	29,37	**30,00**	24,3%
	Russia - 10yr Gov bond (local)	7,8%	15,11	**25,00**	-64,0%
Fixed Income Asia (Local curncy)	China - 10yr Gov bond (local)	1,0%	1,64	**1,25**	4,8%
	India - 10yr Gov bond (local)	7,1%	6,30	**5,75**	10,7%
	Singapore - 10yr Gov bond (loc	7,7%	2,06	**2,25**	0,5%
	Indonesia - 10yr Gov bond (loc	6,7%	6,58	**5,75**	13,2%
	South Korea - 10yr Gov bond (	1,8%	2,74	**2,75**	2,7%
	Taiwan - 10yr Gov bond (local)	3,0%	1,35	**2,50**	-7,9%
	Philippines - 10yr Gov bond (loc	2,3%	6,18	**5,00**	15,6%
	Malaysia - 10yr Gov bond (loca	5,0%	3,43	**3,00**	6,9%
	Thailand - 10yr Gov bond (loca	2,6%	2,05	**1,75**	4,5%
	Vietnam - 10yr Gov bond (local	-0,2%	3,24	**3,00**	5,2%
Fixed Income Latam	Mexico - 10yr Govie (Loc)	13,2%	9,44	**9,75**	6,9%
	Mexico - 10yr Govie (USD)	7,5%	6,17	**6,75**	1,6%
	Brazil - 10yr Govie (Loc)	19,3%	13,69	**14,75**	5,2%
	Brazil - 10yr Govie (USD)	9,6%	6,33	**7,25**	-1,0%
Commodities	Oil (WTI)	-6,1%	67,5	**65,00**	-3,7%
	GOLD	22,7%	3.328,7	**2.400**	-27,9%
Fx	EURUSD (price of 1 EUR)	13,6%	1,18	**1,15**	-2,2%
	GBPUSD (price of 1 GBP)	9,0%	1,36	**1,36**	-0,2%
	EURGBP (price of 1 EUR)	4,2%	0,86	**0,85**	-1,9%
	USDCHF (price of 1 USD)	-12,2%	0,80	**0,87**	9,3%
	EURCHF (price of 1 EUR)	-0,3%	0,94	**1,00**	6,9%
	USDJPY (price of 1 USD)	-7,0%	146,13	**150,0**	2,6%
	EURJPY (price of 1 EUR)	5,6%	171,80	**172,5**	0,4%
	USDMXN (price of 1 USD)	-10,6%	18,61	**20,50**	10,1%
	EURMXN (price of 1 EUR)	1,6%	21,88	**23,58**	7,7%
	USDBRL (price of 1 USD)	-11,1%	5,49	**5,60**	2,0%
	EURBRL (price of 1 EUR)	0,8%	6,45	**6,44**	-0,2%
	USDARS (price of 1 USD)	22,3%	1.260	**1.000**	-20,6%
	USDINR (price of 1 USD)	0,1%	85,65	**86**	0,4%
	CNY (price of 1 USD)	-1,7%	7,17	**7,50**	4,6%

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

UPWARD REVISION DOWNWARD REVISION

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