ECONOMY & FINANCIAL MARKETS

ANDBANK
Private Bankers

Andbank Monthly Corporate Review – Strategic Outlook 2025

Corporate Review

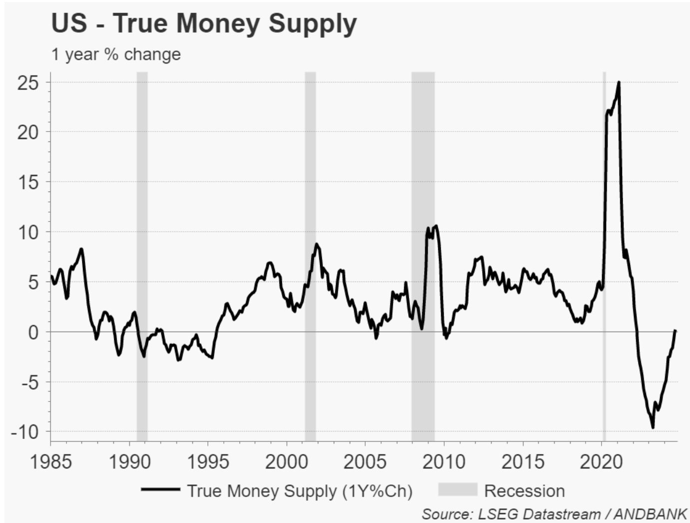
Strategic Outlook

Alex Fusté
Chief Global Economist
+34 673 041 058
alex.fuste@andbank.com
@AlexfusteAlex

EXECUTIVE SUMMARY

CHART OF THE MONTH

The urgency to withdraw excess liquidity from the system has dissipated. Excess liquidity is expected to remain elevated over an extended period



EQUITIES

Index	INDEX CURRENT PRICE	Andbank's Target Price (year end 2025)	Expected performance to target Price	Recommended Strategy
USA S&P 500	5.725	6.537	14,2%	MW-OW
Europe - Stoxx Europe 600	505	547	8,4%	MW
Spain IBEX 35	11.649	12.036	3,3%	UW
Mexico IPC GRAL	50.759	58.784	15,8%	UW-MW
Brazil BOVESPA	130.102	157.550	21,1%	MW
Japan TOPIX	2.696	2.962	9,9%	MW
China SSE Comp. A share	3.438	3.163	-8,0%	UW
China Shenzhen Comp	1.992	1.742	-12,5%	UW
India SENSEX	79.389	94.320	18,8%	OW
Vietnam VN Index	1.264	1.532	21,2%	OW
MSCI EM ASIA	623	740	18,9%	OW

FIXED INCOME GOVIES CORE, PERIHERAL & CREDIT (DM)

Indices	*Performance Last month*	*Performance YTD*	*Current Price*	*Andbank's Target Price Year End*	*Expected Performance (to Target Price)*
US Treasury 10 year Govie	-4,2%	-0,2%	4,29	**4,25**	4,6%
UK 10 year Gilt	-4,1%	-4,7%	4,49	**4,50**	4,4%
German 10 year BUND	-2,7%	3,4%	2,40	**2,40**	2,4%
Japanese 10 year Govie	-0,6%	-3,9%	0,93	**1,25**	-1,6%
Spain - 10yr Gov bond	-2,1%	1,3%	3,12	**3,15**	2,9%
Italy - 10yr Gov bond	-2,2%	3,1%	3,68	**3,65**	3,9%
Portugal - 10yr Gov bond	-1,3%	1,8%	2,80	**2,90**	2,0%
Ireland - 10yr Gov bond	-2,7%	-1,2%	2,72	**2,80**	2,0%
Greece - 10yr Gov bond	-2,4%	0,3%	3,28	**3,40**	2,4%
Credit EUR IG-Itraxx Europe	0,4%	3,8%	57,06	**75**	3,1%
Credit EUR HY-Itraxx Xover	0,7%	6,1%	307,44	**400**	3,4%
Credit USD IG - CDX IG	0,5%	5,1%	52,65	**75**	4,4%
Credit USD HY - CDX HY	0,7%	8,2%	328,88	**450**	4,2%

FIXED INCOME - EM

Indices	*Performance Last month*	*Performance YTD*	*Current Price*	*Andbank's Target Price Year End*	*Expected Performance (to Target Price)*
Turkey - 10yr Gov bond (local)	-8,7%	-19,0%	28,45	**29,45**	20,5%
Russia - 10yr Gov bond (local)	1,2%	-12,5%	15,11	**25,00**	-64,0%
China - 10yr Gov bond (local)	0,0%	5,7%	2,13	**1,63**	6,1%
India - 10yr Gov bond (local)	-0,3%	8,7%	6,83	**6,08**	12,8%
Singapore - 10yr Gov bond (loc	-1,3%	1,3%	2,80	**2,80**	2,8%
Indonesia - 10yr Gov bond (loc	-1,7%	3,0%	6,74	**5,74**	14,7%
South Korea - 10yr Gov bond (l	-0,9%	3,0%	3,04	**2,54**	7,0%
Taiwan - 10yr Gov bond (local)	0,0%	-1,2%	1,45	**2,45**	-6,6%
Philippines - 10yr Gov bond (loc	-1,6%	6,4%	5,80	**4,80**	13,8%
Malaysia - 10yr Gov bond (loca	-1,4%	1,1%	3,97	**3,22**	10,0%
Thailand - 10yr Gov bond (loca	0,7%	4,2%	2,40	**1,90**	6,4%
Vietnam - 10yr Gov bond (local	-0,1%	-1,4%	2,65	**3,65**	-5,4%
Mexico - 10yr Govie (Loc)	-4,8%	-1,7%	10,01	**10,00**	10,1%
Mexico - 10yr Govie (USD)	-3,9%	-0,5%	6,18	**6,25**	5,6%
Brazil - 10yr Govie (Loc)	-1,9%	-11,3%	12,73	**12,75**	12,6%
Brazil - 10yr Govie (USD)	-2,3%	2,5%	6,20	**7,25**	-2,2%

COMMODITIES & FX

Indices	*Performance Last month*	*Performance YTD*	*Current Price*	*Andbank's Target Price Year End*	*Expected Performance (to Target Price)*
Oil (WTI)	-1,4%	-2,4%	69,6	**80,00**	14,9%
GOLD	3,1%	35,0%	2.739,6	**2.400**	-12,4%
EURUSD (price of 1 EUR)	-1,9%	-1,6%	1,09	**1,05**	-3,3%
GBPUSD (price of 1 GBP)	-3,2%	1,0%	1,29	**1,29**	0,3%
EURGBP (price of 1 EUR)	1,4%	-2,6%	0,84	**0,81**	-3,5%
USDCHF (price of 1 USD)	2,1%	2,7%	0,86	**0,87**	0,6%
EURCHF (price of 1 EUR)	0,2%	1,1%	0,94	**0,91**	-2,7%
USDJPY (price of 1 USD)	6,1%	8,0%	152,31	**160,00**	5,0%
EURJPY (price of 1 EUR)	4,1%	6,2%	165,35	**168,00**	1,6%
USDMXN (price of 1 USD)	2,2%	18,2%	20,03	**19,50**	-2,7%
EURMXN (price of 1 EUR)	0,2%	16,3%	21,74	**20,48**	-5,8%
USDBRL (price of 1 USD)	6,5%	19,3%	5,79	**5,40**	-6,7%
EURBRL (price of 1 EUR)	4,4%	17,3%	6,28	**5,67**	-9,8%
USDARS (price of 1 USD)	2,0%	22,3%	989,00	**1.000**	1,1%
USDINR (price of 1 USD)	0,2%	1,1%	84,06	**84**	-0,1%
CNY (price of 1 USD)	1,4%	0,3%	7,12	**7,25**	1,9%

MACRO ECONOMY

USA

Market Focus Shifts from Inflation to Economic Activity. A Constructive Outlook for the Coming Year

Equity Market – Positive Outlook in 2025: Our outlook for the U.S. equity market remains favorable, supported by positive earnings surprises, with an anticipated earnings per share (EPS) growth of 11.9%, reaching USD 264 for the S&P 500. We do not foresee significant fluctuations in the price-to-earnings (PE) multiple, neither expansion nor contraction, thus expecting a trailing PE around 24x by year-end. Key economic indicators reinforce a high probability of avoiding a hard landing. Analysis of the six components within the NBER's inferential model for GDP projection shows all factors in expansion, indicating a low recession risk on the horizon. Concurrently, the gradual reduction in interest rates, coupled with a policy shift by the Federal Reserve prioritizing employment and economic activity, aligns our base scenario with an approximate 2% economic expansion, with a target for the unemployment rate at the end of 2024 remaining in line with our estimates 12 months ago at slightly above 4%, and not exceeding 4.5% in 2025. This trajectory situates the economy within a quadrant of positive growth and moderate inflation, estimated between 2.5% and 3%—a historically favorable environment for equities.

US Presidential Elections: Our assessment suggests that a Trump victory would likely yield a short-term boost to the U.S. equity market, albeit accompanied by an elevated risk of trade conflicts. From a longer-term perspective, however, Trump's aggressive advocacy for a more accommodative monetary policy—and thereby an artificially suppressed time value of money, potentially below its natural equilibrium—may adversely impact the incentive structure within the economy. Such distortions could negatively affect savings and investment rates, ultimately exerting downward pressure on the economy's potential GDP. A critical question remains as to whether Trump intends to reassert control over the Federal Reserve, a strategy he has previously employed.

CPI: Headline CPI has dropped below 2.5%, while Core CPI sits just above 3%. We expect intermittent resistance, similar to what occurred in the first half of 2024, but foresee Headline CPI nearing 2% in 2025 and Core CPI falling below 3% by the end of 2025.

10-Year Rate: The Fed's shift in priorities leads us to believe that the previous 2% inflation target for the PCE has shifted from being a ceiling to becoming a floor. This means that the 2-year average PCE index is expected to be around ~2.5% (and given a 40 bp spread between PCE and CPI, this implies that the average CPI could be around 2.9%). This suggests that the UST should hover above 4% to achieve a real yield of at least 100 bp. Our action range for the UST is set at 4%-5%, and we will make our duration decisions when the bond approaches either of these levels.

Equity: If our projections for the UST range prove accurate within a context where the Fed lowers rates to 3.5%, this would result in a scenario of increased slope in the yield curve. Historically, such a scenario has been favorable for small caps and value investing. While large caps possess the capacity to finance themselves over the long term and invest their cash surpluses in short-term instruments, a steepening yield curve would raise their cost of liabilities while diminishing the return on assets. Conversely, small caps, which typically lack long-term financing options, would avoid the negative impact of higher liability costs due to the curve's steepening. A similar dynamic applies to value versus growth investments: an increase in the yield curve slope adversely affects the PE multiple. In this regard, it is advisable to prioritize holdings with lower sensitivity to the yield curve (i.e., lower PE).

IG/HY Spread: After the significant narrowing of spreads in 2024, we continue to set conservative target levels for Investment Grade (IG) and High Yield (HY) bonds, with targets of 75 and 450 basis points, respectively.

Market outlook – Recommendations & Targets from fundamental analysis

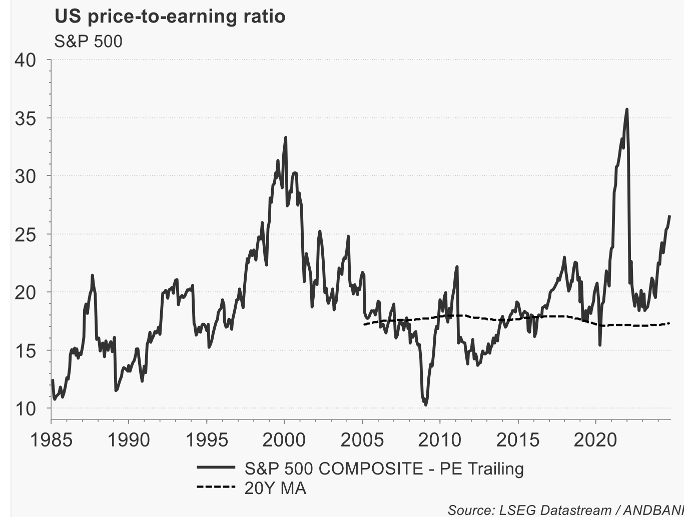
Equities: S&P MARKETWEIGHT/OW (Target price 6,537)

Bonds: Govies MARKETWEIGHT. 10Y UST Target 4.25%

CDX IG: OW/MARKETWEIGHT (Target spread 75)

CDX HY: UNDERWEIGHT (Target spread 450)

Forex: DXY index MARKETWEIGHT-OVERWEIGHT



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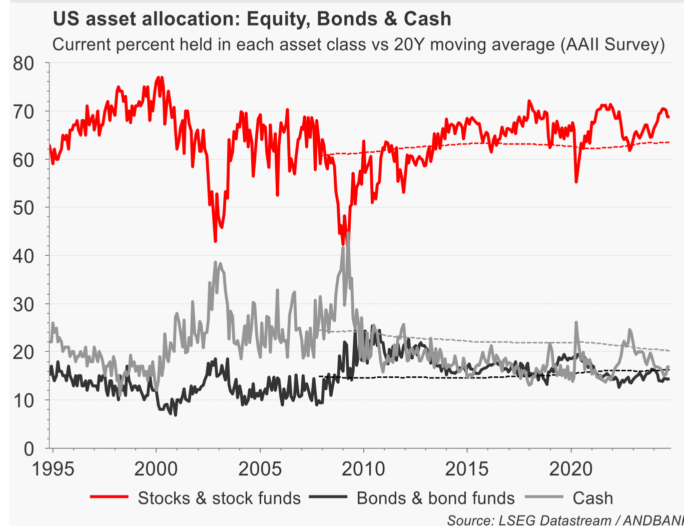

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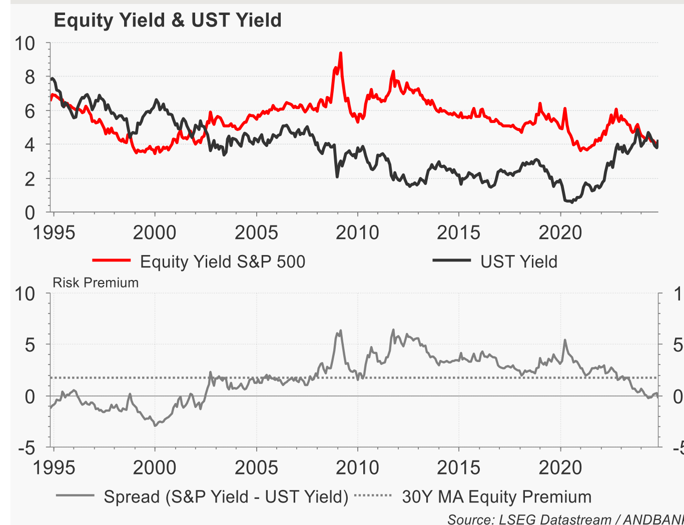


Source: LSEG Datastream / ANDBANK

EUROPE

Next year, we anticipate a shift in the growth composition, with recovery in consumer spending

Macro bullish factors moving into 2025: 1): Rate Cuts: Growing confidence in the inflation path should support both consumer and industrial confidence. Amid progress in inflation control and a shift in priority toward safeguarding the economy, the ECB Board leaves behind its caution regarding geopolitical risks, energy risks (with gas traders betting on potential price increases), and wages rising above inflation. Today, the divergences center on whether to cut by 25 basis points or by 50 basis points in December. 2) Consumption Recovery: Positive real income growth (+3-3.5% in 2025), strong employment, improved consumer sentiment, and a high savings rate (15.4%, vs. 12.3% average 2015-2019). 3) German Growth: Projected GDP increase of +0.5% YoY in 2025, driven by a reduction in energy price burdens on companies, low manufacturing sentiment approaching a turnaround, and traditional post-election investment recovery (elections in September 2025).

Macro bearish factors: 1) Fiscal Consolidation: Slight tightening expected in countries like France and Italy under the Excessive Deficit Procedure (EDP). 2) External Risks: Potential fading of external contributions due to lingering US tariff threats and uneven growth in China. 3) Low Competitiveness: European competitiveness remains a long-term challenge, with Draghi's report outlining solutions, but political hurdles to joint borrowing. 4) Service-Sector Disinflation: Disinflation from the service side requires careful monitoring. 5) The IMF warns that the economic growth gap between Europe and the United States will widen until 2030. Europe will face limited growth (1.45% annually until 2029) due in part to its low productivity. To improve its competitiveness, the IMF recommends greater real investment, acknowledging that national interests complicate these reforms.

Politics bullish factor: 1) New French Government: Expected approval of the 2025 Budget could offer stability. 2) Draghi's Report: The report on European competitiveness provides actionable ideas without needing substantial upfront investment or EU treaty changes..

Politics bearish factors: 1) High Public Debt: Persistent debt issues in France and Italy. Moody's downgrades France's credit outlook from stable to negative, expressing concern about the country's fiscal deterioration, especially given the political challenges that hinder the implementation of effective measures. We believe that France will take a long time before it can secure financing at a lower cost than Portugal. Barnier presents a 7-year plan to reduce the deficit from 6.9% to 2.9%. 2) Increase in corporate taxes: The major French companies (with sales >€1 billion) — in sectors such as luxury, defense, and construction — will face higher tax burdens under the new 'Finance Law of 2024' and are guaranteed to pay a minimum rate of 15%. CEOs have issued warnings regarding the potential negative impact on France's competitiveness. 3) Election Risks: Potential for another round of legislative elections in France and Germany. 4) ECB Caution: "Monetary policy cannot resolve structural issues" (Schnabel, ECB), emphasizing the need for innovation.

Govies

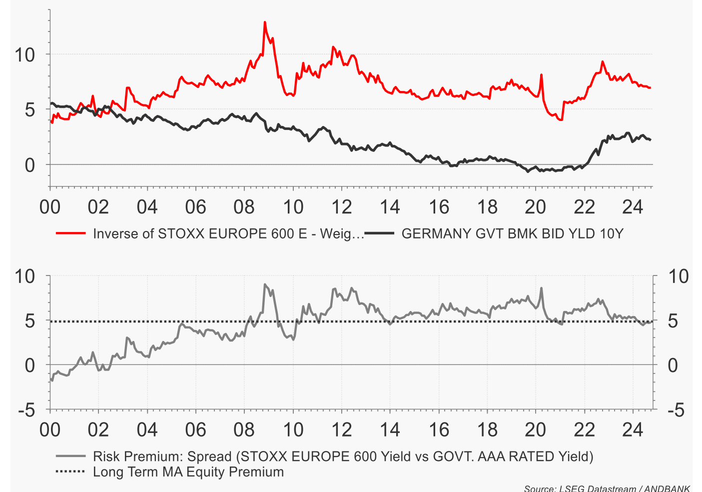
Bullish factors: 1) Positive Real Rates: Continued rate cuts should maintain positive real interest rates. 2) ECB Easing: The ECB is expected to continue cutting rates in October/December 2024 and into 2025, at least during the first half, with the deposit terminal rate stabilizing around 2.5%. 3) Correlation with US Treasuries: As the FED begins its easing cycle, correlation with US treasuries should provide additional support.

Bearish factors: 1) Overpriced Rate Cuts: Markets have already priced in more substantial rate cuts (~150 basis points), leaving limited upside. 2) Sticky Inflation: Particularly in the services sector, driven by pressures from decarbonization, deglobalization, and demographic shifts.

Equity Market Summary – Neutral/Positive Outlook

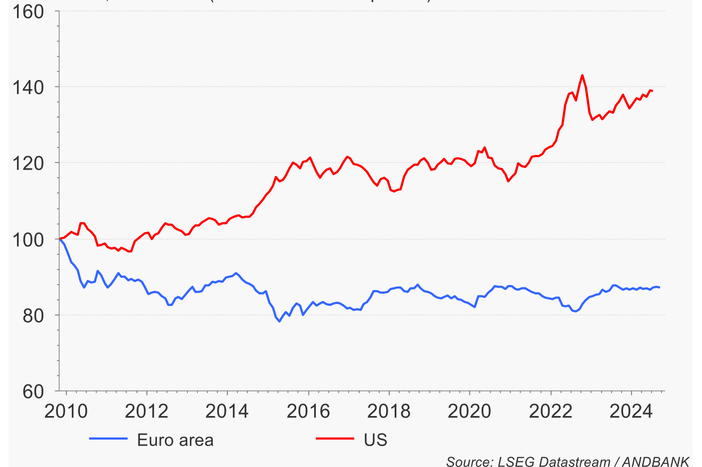
The recent Chinese stimulus package sparked a rally in European equities, especially in sectors tied to Chinese consumption, such as luxury goods (Richemont +10.5%; LVMH +6.3%; Moncler +11.0%). However, EU-imposed tariffs on Chinese EVs (up to 45%) go against Germany's interests and add concerns in the auto sector (down ~11.2% YTD), while raising the risk of retaliatory measures from China. There are doubts about whether China's stimulus is a game-changer or merely a temporary fix. We believe that the recent stimulus measures in China are inherently temporary, as are their effects.

Equity Yield (Europe) vs Risk Free Yield10Y



Source: LSEG Datastream / ANDBANK

ECB real competitiveness indicator
Index, 1999 = 100 (increase = less competitive)



Source: LSEG Datastream / ANDBANK

For years, Chinese equities have demonstrated performance that represents only a fraction of the returns seen in Western markets, a pattern mirrored in the broader Chinese economy. We attribute this to structural factors and broader economic challenges. The concern for European equities, whose major external market is China, lies in the absence of truly structural reforms in these stimulus measures. Consequently, the aforementioned dynamics are likely to persist, potentially exerting negative pressure on Europe. With a shorter-term view, European equities offer indirect exposure to Chinese consumption, as many companies, especially in autos, luxury, and resources, rely on Chinese sales. Therefore, as long as the effects of the stimulus in China persist, we may observe positive spillover effects in Europe.

Market outlook – Recommendations & Targets

Equities – Stoxx Europe 600: MARKETWEIGHT/OW (Target price 547)

Bonds – Core governments: UNDERWEIGHT (Bund target 2.4%)

Peripheral: UW IT (3.6%), SP (3.1%), PT (2.9%), IE (2.8%), GR (3.4%).

Credit – Itraxx Europe (IG): MARKETWEIGHT (Target spread 75)

Credit – Itraxx Europe (HY): UNDERWEIGHT (Target spread 450)

FX – EUR/USD: Below 1.05 sell $ / buy €. Above 1.10 buy $ / sell €

SPAIN

Strong GDP growth accompanied by upward revisions to previous estimates

Macroeconomic Policies and Economic Activity

In September, the manufacturing PMI rebounded, reversing three months of declines, rising to 53 points, its highest level since May. Likewise, the services PMI surged to 57 points, the best result since April 2023. However, the industrial production index declined by 0.1% month-on-month in August (−0.4% in July), with widespread contractions across categories such as consumer goods, capital goods, intermediate goods, and energy.

Job creation in Spain slightly slowed down in September. Social Security enrollment increased by just 8,805 people, a 0.04% m/m rise, which is lower than the typical increase seen in September (0.09% in 2022, and an average of 0.08% between 2014-2019). In seasonally adjusted terms, employment grew by 22,220 members, leaving Q3 with a q/q increase of 0.3%, down from 0.8% in Q2, reflecting a loss of momentum in the labor market.

Household disposable income experienced strong growth in Q2, boosting the Spanish savings rate. Gross disposable income increased by 8.7% y/y, significantly outpacing household spending, which grew by 6.7%. This trend, combined with an upward revision of the historical gross income series, pushed the cumulative four-quarter savings rate to 13.4% of gross income in Q2, up from 12.8% in Q1 and well above the pre-pandemic average of 7.3%.

The National Institute of Statistics (INE) revised upwards Spain's GDP growth trajectory from 2020 to 2023. The updated figures show a 10.9% contraction in 2020, followed by growth rates of 6.7% in 2021, 6.2% in 2022, and 2.7% in 2023. These revisions represent upward adjustments of 0.2, 0.3, 0.4, and 0.2 percentage points, respectively. As a result, by Q2 2024, Spain's GDP stood 5.7% above the pre-pandemic level of Q4 2019, compared to the previous estimate of 4.7%.

Similarly, the INE adjusted the Q1 2024 q/q GDP growth upward by 0.1 percentage points to 0.9%, while keeping Q2 2024 growth unchanged at 0.8%. On a year-on-year basis, Q2 2024 growth was revised up from 2.9% to 3.1%. Analyzing cumulative growth since Q4 2019 provides more insights than just the Q2 revisions. Domestic demand saw an upward revision: private consumption was revised to 1.4% above Q4 2019 levels, up from the previous 0.7%.

Public consumption growth since Q4 2019 was revised up by 4.8 percentage points to 16.8% above pre-pandemic levels, while investment growth shifted from below Q4 2019 to 0.4% above, following a 1.7 percentage-point revision. Conversely, export growth was revised down to 10.9% above Q4 2019, from 12.7% previously, while imports remained relatively stable, with a slight upward revision to 8.2%.

Stock Market

The IBEX 35, the benchmark index of the Spanish stock market, ended September at an annual high of +17.57%, leading the major European indices in terms of year-to-date returns. While the first half of the year was driven by the financial sector's strong performance, the second half saw a shift towards more defensive sectors such as utilities and real estate. Among individual stocks, Inditex stands out with a 16.5% weighting in the index and an impressive 40% gain in 2024.

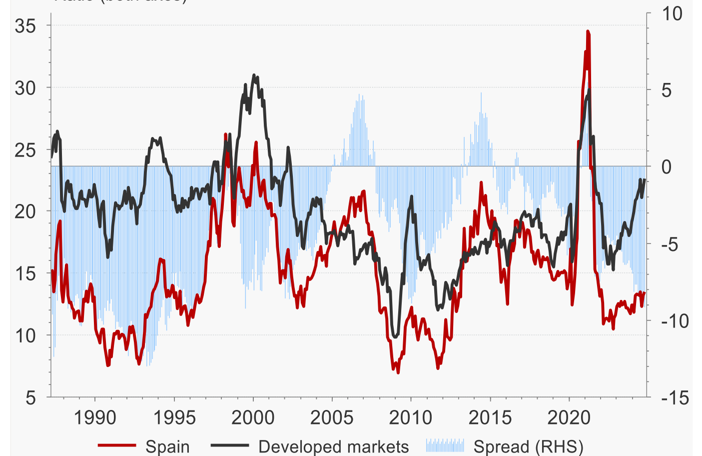
In the utilities sector, which faced significant pressure earlier in the year, Iberdrola's performance shines through. As the second largest component of the index, with a 14.5% weighting, Iberdrola posted a remarkable 22.5% gain in 2024, reaching all-time highs.

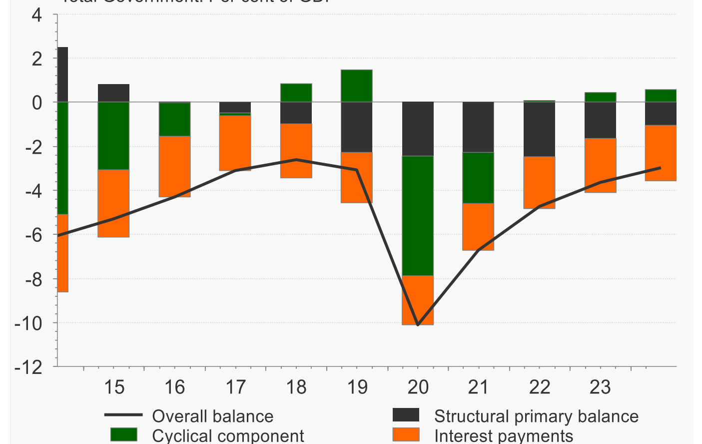
With an expected 2025 EPS of 1049, the index currently trades at a P/E ratio of 11.05. Earnings expectations remain relatively unchanged for the short term, with sectoral positioning likely to play a crucial role in the coming months.

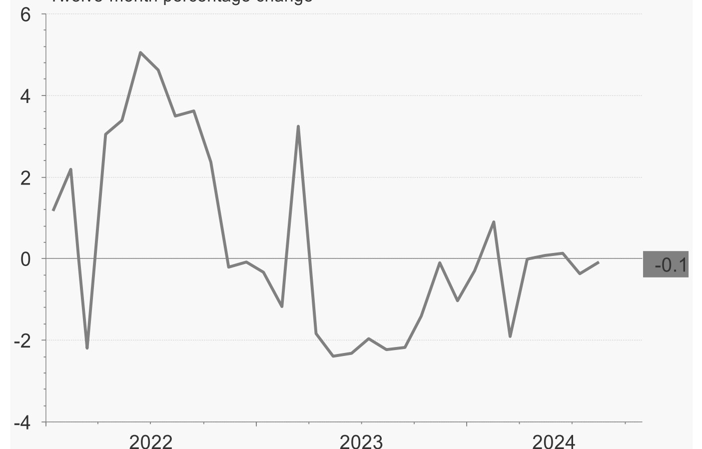
Market outlook – Recommendations & Targets from fundamental analysis

Equities – Spain's Ibex: UNDERWEIGHT (Target price 12,000)

Bonds: Govies MARKETWEIGHT (10-year target 3.15%)







CHINA

Lower growth forecast after disappointing data. Assessing sustainability of the new stimulus package

World Bank Cuts China's GDP Growth Forecast

The World Bank has reduced its forecast for China's GDP growth, projecting a decline from an estimated 4.8% in 2024 to 4.3% in 2025, despite the temporary boost provided by recent stimulus measures. The slowdown in China is expected to weigh heavily on the broader region's economic outlook.

Equity Bullish Price Factors

Government stimulus has spurred home sales in China's top-tier cities during the Golden Week holiday: Visits from prospective homebuyers increased by at least 50% y/y, driven by residential projects offering promotions. Beijing saw expressions of interest in purchasing new homes double in the first three days of October, while Shenzhen witnessed a tenfold jump in new home sales and tripled resale transactions in the first six days. Property agents in Shanghai extended working hours due to the surge in visitors. Analysts believe the recent price drops in these cities could reverse by the end of the year.

Equity Market: Bearish Price Factors

Globally, the U.S. and China maintain divergent priorities in their market strategies. The U.S. places equity markets at the forefront, followed by debt markets, with currency as a lesser concern, summed up by the saying: "Our currency, your problem." Conversely, China prioritizes currency first, followed by debt, and places equity markets last. This hierarchy suggests that as long as China maintains this order, its equity markets may continue to lag behind other global stock exchanges. However, recent stimulus efforts signal that Beijing is now refocusing on equity markets, hoping to revitalize them. Whether these measures will succeed remains uncertain.

At this crossroads, China's distinctive brand of capitalism, sometimes referred to as "Hunger Games Capitalism," comes into play. In this model, intense competition within each sector prevails until only the strongest competitor remains. This can be seen in industries like solar panels and electric vehicles.

The process works as follows: the central government mandates China to dominate certain industries, such as EVs or solar panels. Provincial governments are then tasked with achieving this goal, supported by public and private regional banks that finance these projects. As a result, around 130 well-financed competitors emerge in each sector, leading to the emergence of the "Triple D" threat: Deflation, Debt, and Demographics.

The deflation problem arises from an oversupply in sectors like EVs and solar panels, far outstripping domestic demand. This has driven the Producer Price Index (PPI) down by -3% y/y, signaling deflation and compressing profit margins. In this deflationary environment, the 130 manufacturers fiercely compete for survival, similar to the plot of the Hunger Games movie.

Unlike markets in Europe, which might sustain ten players, China's saturated market means not everyone can survive. Companies resort to aggressive tactics such as price undercutting or flooding foreign markets with excess products, which has allowed China to expand its global market share. However, these practices have sparked geopolitical tensions, prompting the U.S. and Europe to impose stricter tariffs. While these developments benefit consumers with lower prices, shareholders are likely to face a challenging and precarious path ahead.

China's declining International Reserves diminish its capacity to defend its currency. The ex-Gold International Reserves for the period 2015-2024 decreased from USD 4,000 billion to USD 3,256 billion (-USD 744 billion). This reduction is partly explained by an increase in Gold Reserves, which rose from 34 million oz to 73 million oz (+40 million oz at USD 1,800/oz = USD 72 billion), and by a rise in reserves allocated to domestic assets (~USD 270 billion). However, questions remain regarding the allocation of the remaining international reserves. Should this downward trend persist, China's ability to support the CNY through international reserves will progressively weaken.

Market outlook – We remain cautious with Chinese assets. Recommendations:

Equities – SHANGHAI Idx: UW // SHENZHEN: UW (Target price SSE 3,160)

Bonds – Govies: MARKETWEIGHT (10Y Yield Target 1.60%)

Forex – CNY/USD: UNDERWEIGHT (Target 7.25)

Source: LSEG Datastream / ANDBANK

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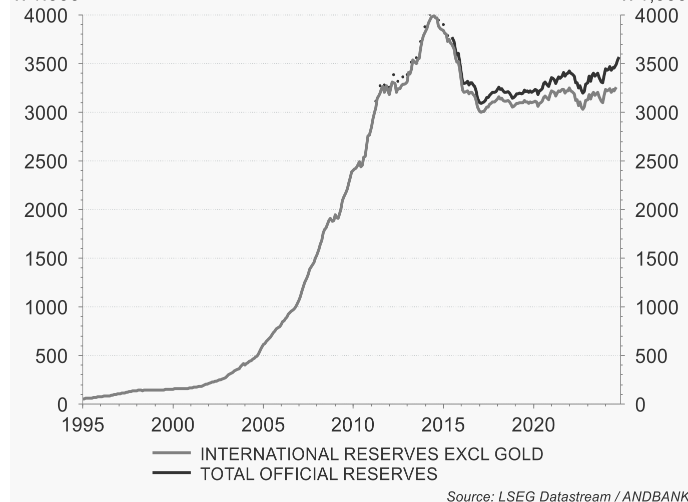

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JAPAN

"Yen PUT" has proven short-lived. New political approach: negative for JPY but positive for equity

Outlook – Positive in Equity. Negative in Fx: The new authorities have swiftly abandoned the nascent process of monetary and interest rate normalization observed in July, which led to a rapid appreciation of the JPY. They have reverted to the ambiguous messaging of gradual monetary policy, procrastination in stimulus withdrawal, and data dependency, reminiscent of the stance that previously drove the JPY to a sharp decline. The so-called Yen PUT has proven short-lived, and we fear that both the government and the BOJ, acting in tandem, will allow the JPY to face further setbacks. Some examples of this new conduct can be observed in the comments of the newly appointed finance minister Kato, who recently said that "weak yen has both merits and demerits". The fact that he suggests that a weak JPY has "merits" gives us some clues that the authorities are ok witnessing additional Yen depreciation. Similarly, BOJ board member Asahi Noguchi stressed that "we will assess each rate hike and will take the next step when it is safe to do so". This underscores the idea that the BOJ will take a slow approach in normalizing interest rates, far from market expectations of further rate hikes seen in July. The new political approach is negative for the JPY but, at the same time, positive for the Japanese equity market.

Equity Bullish Price Factors

TSE chief says governance reforms have only just begun: Hopes are high that Japan's stock market will see a positive re-rating as corporate managers become more conscious that dialogue with shareholders is increasingly important for public companies. There has been progress among TSE Prime constituents in the strategies to lift share performance, though companies are still urged to regularly engage with shareholders. Recall that in this market we are in the midst of a reform process where the TSE is stepping up pressure on CEOs to meet its request to improve capital efficiency metrics and stock prices and more Japanese blue chips are committing to share price improvements. About 47% of companies in Japan's broad benchmark Topix index still traded below book value in Q1 2024, compared with 18.4% in Europe and 4.8% in the US, according to Jefferies. The gap suggests that Japanese companies tend to keep excess cash and other assets, such as shares in other companies, rather than use them to boost profits or their stock price. The TSE is promoting a mandatory reform by which companies are forced to become aware of this problem of low P/BV ratios, and to do so it urges companies to publish the causes of their low ratios (mostly related to excessively complex and inefficient capital structures), as well as the measures to be taken to boost the share price. With this, the TSE wants companies to show investors that they see and are aware of the problem. The TSE's move is the latest in a series of reform measures aimed at further increasing the attractiveness of the stock market for investors. Companies have started to respond to the TSE's reform measures, with share buybacks hitting a record high last May.

Buybacks at blow-out pace, in yet another sign that the regulator is pushing forward with its capital optimization reform and shareholder return strategy: Nikkei analysis found fiscal H1 buyback announcements totaled ¥10.65T (71.7B), nearly double the prior record of ¥5.5T (37B) a year earlier. The surge was reflected in equity flow data, where the corporate sector bought a net ¥4.96T from April to the first week of October, equivalent to more than 90% of the annual record in FY22. The capital adequacy ratio has improved over the last five years, though ROE is showing signs of plateauing, with an in-house projection of an aggregate 8.6% in FY24, falling below 9% for the first time in four years. Also well short of 20% in US and 14% in Europe.

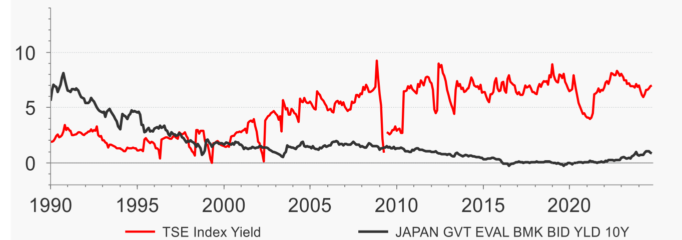
Nasdaq flags emerging pipeline of Japan IPOs: The Nasdaq vice chairman responsible for international listings, Bob McCooey, said he expects key Japanese startups to list on its bourse in 2025. He did not mention specific names, but said companies from sectors such as technology, fintech, renewable energy and life sciences are candidates. He added that their focus has broadened away from China, which had dominated the Asia pipeline, and attention has since shifted to Southeast Asia and, most recently, Japan.

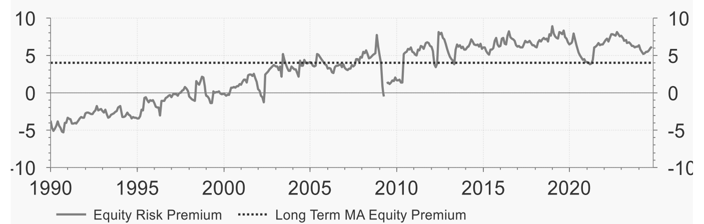
Market outlook – Recommendations & Targets

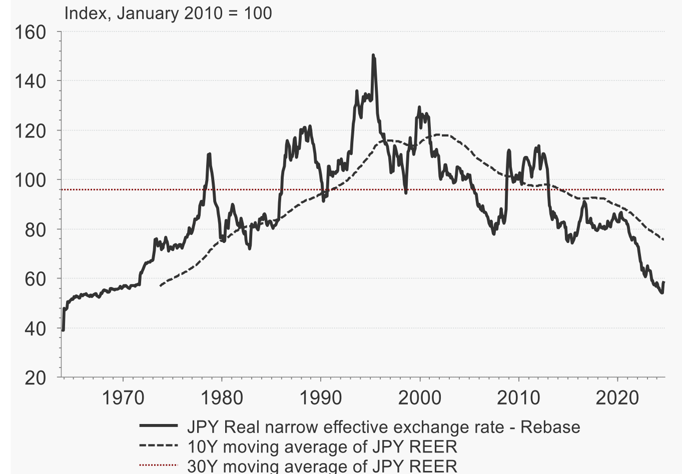
Equities – Topix: OVERWEIGHT (Target price 2,962)

Bonds – Govies: UNDERWEIGHT (Target yield 1.25%)

Forex – USD-JPY: UNDERWEIGHT. (Mid-term target 160)







INDIA

Keeping momentum in 1Q25. Growth for fiscal year 2025 is expected to be a reasonable 7.5%

Equity Bullish Price Factors.

India's Market Momentum Remains Positive: Indian equities have continued their upward trajectory throughout 2024, with the markets nearly tripling in value since mid-2020. Notably, the pace of growth accelerated in the months leading up to October, coinciding with the election of a new government. India's GDP growth remained strong at 6.7% year-on-year in the first quarter of FY25, despite subdued government spending. This growth was primarily driven by robust private investment and consumption, which have both rebounded in the last two quarters, reflecting a strengthening of the country's underlying economic fundamentals.

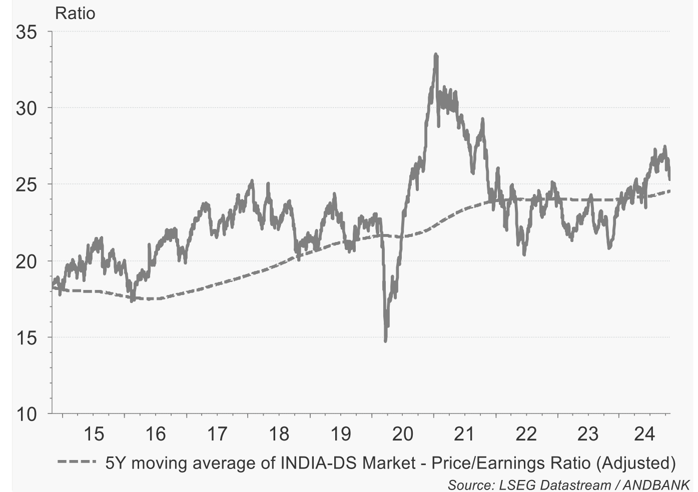
Nothing has changed for the Modi government in terms of its priorities: The grand ambition to transform India into a developed nation by 2047 remains central to Prime Minister Modi's vision, a theme reiterated in all his public speeches. While the broader cabinet has recently expanded to include coalition allies, the key ministerial portfolios have remained unchanged, reflecting continuity in governance. The pivotal position of Speaker of the lower house of parliament continues to be held by the ruling BJP party. On the fiscal front, there has been little deviation from established policies. Infrastructure remains a top priority, even as the Modi government stays committed to its path of fiscal consolidation.

Prime Minister Modi is not in any sort of existential battle for political survival: In India's lower house of parliament, 272 seats are required to form a government. The BJP currently holds 240 seats, the highest number won by a single party leading a coalition government. However, policymaking is increasingly reliant on building political consensus between the BJP, its allies, and occasionally rivals. A recent example of this dynamic was the Broadcasting Services Bill, aimed at regulating digital content. The bill faced strong public opposition due to a lack of consultation in its drafting, ultimately leading to its withdrawal. This marks a notable shift from the past decade, when legislation often passed with minimal debate. Despite this, economic reforms remain on the agenda. From a foreign investor's perspective, the positive takeaway is that in order to garner political support for the economic reform agenda, the Modi-led BJP may need to scale back some of its more controversial social and political reforms.

Very little room for downside surprises relative to where consensus stands on the upcoming election results: The general consensus is that the BJP is starting off on the back foot in these four state elections. However, it is worth noting that there is significant potential for upside surprises. Despite what pollsters may indicate, the BJP's prospects might not be as grim as they seem, leaving room for a stronger performance than expected.

Government capex could potentially rise strongly in rest of FY25: During election years, capex spending tends to be backloaded, as observed in FY20 (a general election year), and a similar pattern is likely to unfold in FY25. So far, central government capex in FY25 has been down, with average monthly capex in Q1FY25 falling to INR 600 billion. To meet the FY25 budget estimate of INR 11 trillion, the required average monthly capex run-rate is around INR 930 billion. The monsoon season in Q2 and the upcoming elections have further impacted capex. The decline in mining sector growth can also be attributed to heavy rainfall in August 2024. However, a strong catch-up in capex spending is expected for the remainder of FY25, which could re-ignite interest in capex-driven stocks. The expected GDP growth rate for FY25 stands at a reasonable 7.5%, aligning with estimates of India's potential growth. Additionally, anticipated monetary easing should help counter downside risks, providing further support for growth.

Strong inflows from both domestic and foreign investors despite a lot of grumbling about very expensive valuations: Behind the strong inflows into Indian markets are robust domestic macroeconomic tailwinds, with no immediate signs of capital inflows slowing. We believe there is little reason to expect an abrupt end to the ongoing rally in Indian asset prices, which could likely continue for some time. While a market correction is always possible, one potential trigger could be foreign investors deciding to take profits and reallocate capital, particularly from India to China. China's valuations are significantly cheaper, and Beijing has been making concerted efforts to regain investor confidence through various supportive measures.



Source: LSEG Datastream / ANDBANK

However, China's measures to regain investor confidence seem more financial than political, and thus their impact may be limited and short-term rather than structural. Additionally, local Indian investors, who have historically been constrained by capital controls, have consistently stepped in to offset any foreign capital outflows. This domestic support creates a strong buffer against any external shocks. As a result, I do not anticipate any deep or prolonged correction in the Indian stock market, as local investors are likely to continue mitigating potential sell-offs driven by foreign investors.

Equity Bearish Price Factors.

This new government differs from those Narendra Modi has presided over since 2017: During the first two terms of the Modi government, the BJP's absolute majority in parliament often enabled it to pass legislation swiftly, with minimal debate. However, in recent months, some of its more controversial legislative proposals have faced procedural delays or have even been shelved due to opposition—sometimes from within the BJP's own allies. Notably, the BJP's ideological parent, the RSS, has begun advocating for policy positions that the BJP has traditionally opposed, such as a caste census, which is also a key demand of opposition parties.

Opposition parties, particularly those representing lower caste groups like the BSP and RJD, support a caste census as they believe it would lead to a more equitable distribution of government resources and social benefits. Currently, affirmative action policies—commonly known as "reservations"—guarantee a certain number of government jobs, parliamentary seats, and educational opportunities for marginalized castes. Opposition leaders argue that a caste census would provide updated data that could recalibrate these reservations, potentially expanding the benefits to more communities or adjusting existing quotas based on current population figures.

From an ideological standpoint, the BJP has historically promoted a vision of unified Hindu nationalism. The party is concerned that a caste census could deepen social divisions within the Hindu community, undermining its message of unity. In the BJP's view, emphasizing caste identities could ignite tensions and conflicts, counteracting their goal of national integration.

Market outlook – Recommendations & Targets

Equities – SENSEX: OVERWEIGHT (New target price 94,000)

Bonds – Govies: OVERWEIGHT (New target yield 6%)

Bonds – Corporates: OVERWEIGHT

Forex – INR/USD: NEUTRAL (Target 84)

ANDBANK Private Bankers

MACRO ECONOMY

VIETNAM

Economic Growth Targets Ambitious but Doable

Equity Market – Positive Outlook: Vietnam is looking for at least 6.5% GDP growth in 2025, but with aspirations to reach 7.5%. The government is pushing for better than 7% growth in 2024, with Q3 showing strong momentum at 5.66% expansion. Positive economic indicators and recovering export demand support these targets, though challenges in household spending and SME performance remain dogged.

Equity Bullish Price Factors.

FDI inflows surge despite global lethargy. Inbound foreign direct investment reached nearly $25 billion in the first three quarters of the year, up 11.6% over last year's benchmark. The annualized amount of FDI is USD 33 billion, which for a country with a nominal GDP of about USD 429 billion represents ~8% of GDP, a percentage seen in very few countries in the world. The growth comes despite global economic weakness and is being credited to Vietnam's attractiveness to international investors because of location, improving infrastructure, and skilled labor force development. **Momentum in flows accelerates.** In September alone, foreign capital neared $4.26 billion, the highest monthly figure this year, accounting for 17.2 per cent of the nine-month total.

Vietnam's industrial profile improves: Notably, significant investments were directed toward large-scale projects in semiconductors, energy, electronic components, and high-value-added products between January and September. Manufacturing and processing led the inflows, accounting for 63.1% of the total registered capital inflows. Real estate followed, with over 17.7% of total registered capital, nearly twice the same period last year. By the end of September, 98 countries and territories had invested in Vietnam. **Semiconductor industry set for expansion.** Vietnam plans to establish more than 20 semiconductor plants by 2050 as part of a strategy to grow the industry. The three-phase roadmap is expected to build foundational capabilities across the entire semiconductor value chain. Goals include setting up 100 design companies, one manufacturing plant, and 10 packaging and testing facilities by 2030. **Industrial production grows steadily** at a 8.6% year-on-year pace in the first nine months of 2024, a continued recovery in the sector. The overall trend remains positive.

Infrastructure development accelerates: The government is pushing to complete major transport projects 3-6 months ahead of schedule. Plans include expanding the expressway network to 3,000 km by 2025 and 5,000 km by 2030. The $15 billion Thanh International Airport near Ho Chi Minh is a cornerstone project. Railway and aviation sectors are seeing significant developments, including operator mergers and new international routes.

Inflation: CPI rose by 3.88% yoy in the first nine months of 2024.

Geopolitics - Relationship between Vietnam and U.S. sees major boost, with high-level diplomatic visits on the one-year anniversary of the two countries' comprehensive strategic partnership. During President Lam's recent visit to the U.S., both nations reaffirmed commitments to economic, trade, and defense cooperation. The meetings centered on goals in regional security, semiconductors and development.

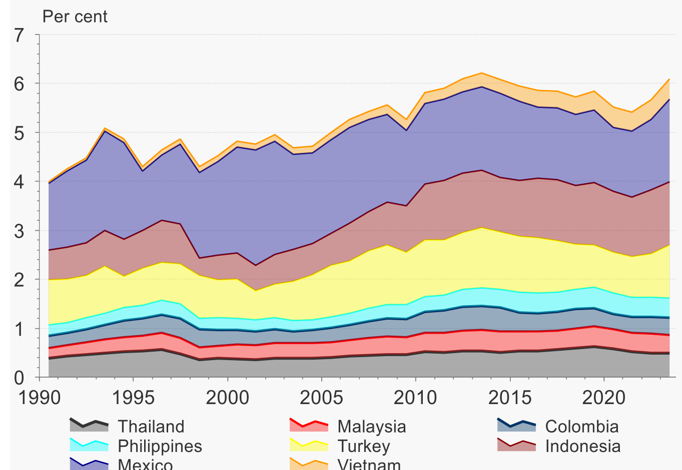
Geopolitics - Chinese PM Li Qiang to visit Vietnam in October: This will be Li's first official visit to Vietnam. The last visit by a Chinese prime minister to Vietnam was in October 2013. Both sides issued a joint statement to deepen their comprehensive strategic cooperative partnership and advance the building of the Vietnam-China community, with a shared view to improving economic ties. China is Vietnam's second-largest export market after the US. Vietnam's exports to the US reached USD 117 bn, while its exports to China were USD 58.7 bn.

Vietnam is ASEAN's rising economic star: Vietnam continues to cement its position as a leading economic player in Southeast Asia thanks to strong foreign direct investment (FDI) and its role as a gateway to ASEAN. As global supply chains decentralize, Vietnam's role in regional trade and its positive long-term demographic trends are setting the stage for further economic gains, making it an increasingly attractive destination for global businesses.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – VNI Idx: OVERWEIGHT (New target price at ~1,532)

Source: LSEG Datastream / ANDBANK



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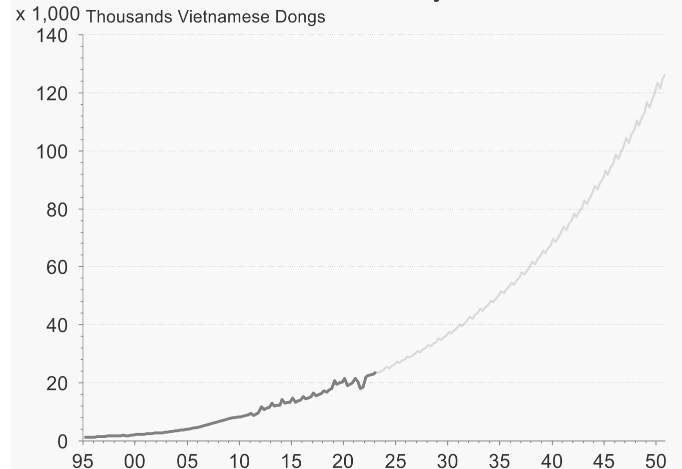


Source: LSEG Datastream / ANDBANK

ISRAEL

The market is repricing fiscal and military risks

Macro, fiscal & monetary policy

The budget data for September revealed a further increase in the deficit, which rose to 8.5% of GDP from 8.3% in August, drifting away from the target of 6.6% set by the government in the revised 2024 budget. This trend aligns with previous months, marked by continued improvement in tax revenues alongside elevated spending levels, particularly in the defense sector. Defense expenditures are anticipated to rise due to the ongoing war, contrasting with a moderation in the growth rate of non-defense ministry expenditures, which fell to 7.4% in September. Given that the impact of the war began to be reflected both in spending and in a sharp decline in tax revenues during the last quarter of 2023, a slight decrease in the deficit is expected by year-end, projected to be around 7.25-7.50% of GDP. However, the expansion of the conflict in the north presents an upward risk to the deficit, driven by increased defense spending and potential damage to economic activity and tax revenues.

The international ratings agency S&P has lowered Israel's sovereign credit rating for the second time in a few months (from A+ to A-) and has reaffirmed a negative outlook, indicating that another downgrade is anticipated within the next 18 months. S&P expects a delayed economic recovery in Israel and that the deficit will reach 9% at the end of 2024. Previously, Moody's downgraded Israel's rating by two notches from A2 to Baa1, one notch below the rating assigned to the country by S&P**.**

Fixed income

The bond market has been notably influenced by shifting expectations regarding the trajectory of local interest rates. Previously, market sentiment focused on the timing of potential interest rate reductions; however, recent developments have shifted the outlook, and a considerable probability (40% to 50%) of a rate increase within the next two quarters is now priced in. The Bank of Israel expects the interest rate to remain unchanged at 4.5% until 3Q25. In its latest Monetary Policy statement the BOI states that "the increase in the pace of inflation is broad, and is reflected in both the non-tradable and tradable components".

Several key milestones will guide the direction of interest rates in the run-up to the next decision at the end of November. These include the inflation data for September and October, and approval of the government's budget by the end of October, which the Bank of Israel considers crucial.

Regarding inflation, the Bank appears to be signaling that a rise to an annual rate of up to 4% by year-end and 4.5% by January—particularly with the anticipated VAT increase—might not necessarily trigger an interest rate hike. However, the Bank's margin of safety has diminished; the ongoing effects of the war introduce upward inflationary pressures, consequently elevating interest rate risk. The CPI unexpectedly fell -0.2% m/m in September, whereas analysts had predicted it would remain unchanged. Annual inflation over the past 12 months stood at +3.5% y/y, down from +3.6% y/y in August

Stocks

The Israeli stock market delivered an unexpected performance last month, with leading indices rising by nearly 3.5%. This increase can be attributed to the economic system's remarkable ability to adapt to the ongoing challenging security situation, allowing for continued high-level functioning.

Financial stocks, which encompass banks and insurance companies, have also shown impressive gains, climbing approximately 4% over the past month. Notably, the financial sector remains attractively priced, with a market capitalization-to-book ratio of 0.85.

However, based on our recent assessments, we believe that the local stock market may face difficulties in outperforming global markets as long as the security landscape remains precarious.

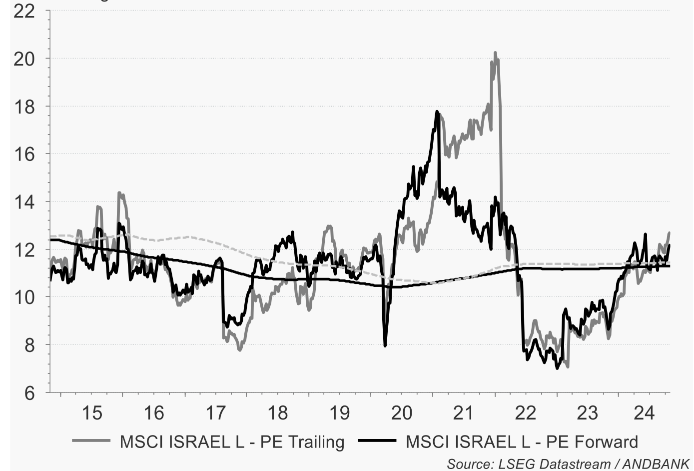
Market outlook – Recommendations & Targets from fundamental analysis

Equities – TLV35 Index: MARKETWEIGHT

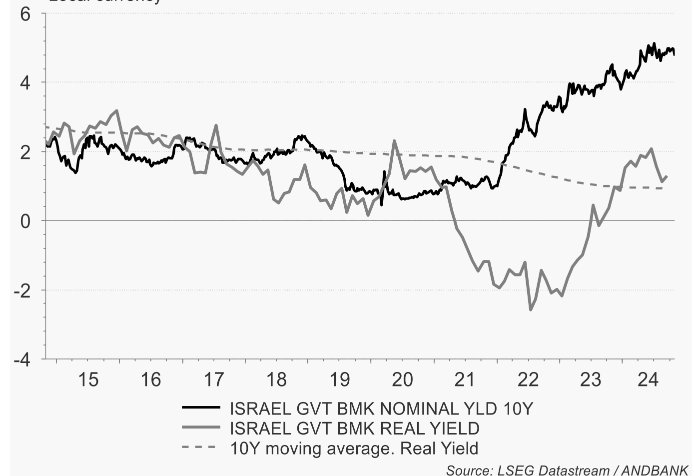
Bonds – Government–10Y Gov: MARKETWEIGHT

Bonds – Corporates: MARKETWEIGHT

FX – ISL vs USD: Neutral in REER



Source: LSEG Datastream / ANDBANK



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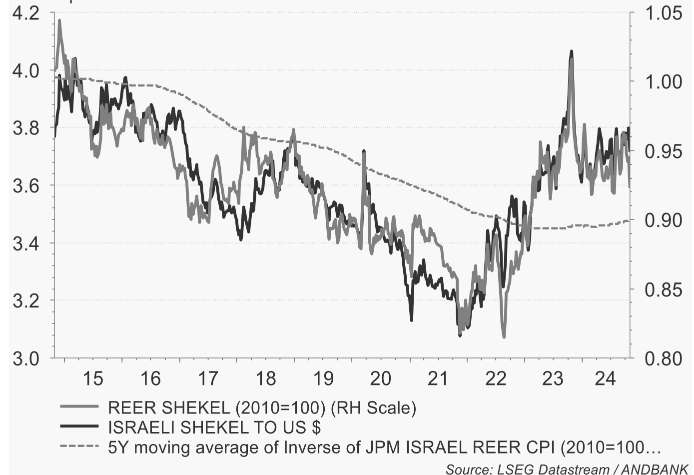

Source: LSEG Datastream / ANDBANK

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MACRO ECONOMY

BRAZIL

While the credit upgrade is a positive step, there is still considerable work to be accomplished

Was the Brazil upgrade timely?

Moody's recent decision to upgrade Brazil's credit rating signals a positive shift in the country's economic outlook. Brazil has made strides in fiscal discipline, with the government implementing measures to control public spending and increase revenue. These efforts have helped stabilize debt levels and reduce fiscal deficits, which are vital for maintaining investor confidence and ensuring long-term economic stability. Additionally, Brazil's economic growth has demonstrated resilience, supported by a diversified economy and robust export performance, particularly in the agricultural and mining sectors. Another significant factor contributing to the upgrade is progress in structural reforms. The Brazilian government has undertaken crucial reforms aimed at enhancing the business environment, improving labor market flexibility, and increasing productivity. These initiatives are expected to boost economic growth potential and attract foreign investment, further strengthening Brazil's economic fundamentals. Moody's also highlighted the country's efforts to address social inequalities and invest in infrastructure, essential for sustainable development and inclusive growth. However, many market participants believe that Moody's may have acted prematurely in upgrading Brazil's credit rating and maintaining a positive outlook. While Brazil has shown some resilience, with GDP growing by an average of around 2% since 2020, there are ongoing concerns regarding the stability of the country's debt levels. Many question the government's ability to deliver the targeted fiscal surpluses in the years ahead. As a result, the market reaction to the upgrade was notably muted.

Fiscal concerns mount

Concerns over Brazil's fiscal health are escalating, primarily because of the government's inability to adhere to established fiscal frameworks and the Central Bank's response to shifting interest rate cycles. As a result, long-term interest rates have risen significantly and are now approaching 7% above inflation. The government's ineffective management of public finances has fostered a perception of impending inflation, prompting the Central Bank to raise rates further. This situation is further complicated by the rapid growth of mandatory expenditure without corresponding increases in revenue, leading to fears of higher long-term interest rates and persistent inflation. The government's temporary revenue measures—such as utilizing forgotten bank funds and dividends from BNDES—are viewed as unsustainable solutions. Structural reforms are essential to stabilize public debt; however, the current administration has shown reluctance to pursue these necessary changes. President Lula appears to overlook the fact that without significant reforms, the government's fiscal policies will continue to exert pressure on long-term interest rates and public finances.

Municipal election chessboard

The Workers' Party (PT) of President Lula has shown signs of recovery in the 2024 municipal elections, winning 248 cities, compared to 182 in the previous cycle. However, many of the victories were in smaller, less influential municipalities, and the party failed to secure wins in critical regions. The party's current challenges are further complicated by its over-reliance on Lula. The PT is struggling to maintain its influence without Lula's direct endorsement, and the party's future success will hinge on its ability to diversify its leadership. The PT remains far from its peak popularity and influence.

New Brazil Central Bank President

The Senate has approved the appointment of Gabriel Galípolo as president of the Central Bank. Currently serving as monetary policy director and a former deputy finance minister, Galípolo will assume his new position on January 1, 2025. At 42 years old, he is regarded as a heterodox economist open to innovation, notably co-signing a proposal for the establishment of a common digital currency in South America. The inflationary situation in Brazil has deteriorated recently, prompting an increase in the interest rate to 10.75%. Despite his left-leaning views, Galípolo has stated that he is committed to preserving the Central Bank's credibility.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – iBovespa: MARKETWEIGHT (Target price 157,000)

Bonds – Govies Local: OVERWEIGHT (Target spread 700. Yield 12.75%)

Bonds – Govies USD: UNDERWEIGHT (Target spread 300. Yield 7.25%)

FX – BRL/USD: MARKETWEIGHT (Mid-term target 5.40)

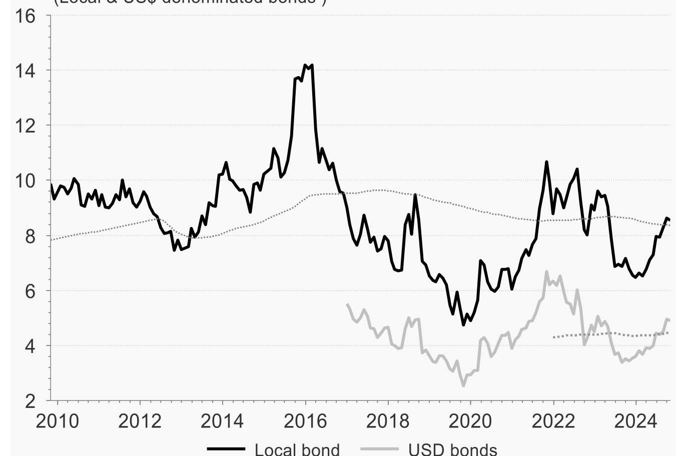
Brazil MSCI Index price-to-earning
Trailing & Forward PE

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

MACRO ECONOMY

MEXICO

Inflation Trends Give Banxico Greater Flexibility Amid High Economic Policy Uncertainty

Central Bank

The Bank of Mexico once again cut its benchmark rate by 25 bps, with a split vote. Market expectations had priced in some probability of a 50 bps cut to maintain the rate differential with short-term USD rates. The dissenting vote was to keep the rate unchanged. Following the cut, the rate now stands at 10.50%. Forward markets are pricing in one more 25 bps cut in 2024, although we believe there could be two cuts of this magnitude in the November and December meetings. An additional 175 bps of rate cuts are expected in 2025.

Inflation and activity

In September, inflation continued its downward trend (+4.58% y/y from +4.99% y/y in August), supported by a drop in more volatile prices, including agricultural products such as fruit and vegetables (-3.43% m/m), which had been under pressure from climate factors in the first half of the year. However, services price increases remain persistent, reflecting the core inflation component, which stood at +3.91% y/y. During August and September, seasonal factors led to a recovery in investment, consumption, and remittance inflows. Despite this, the expectation remains that annual growth will fall short of the forecasts made earlier in the year and at the close of the first half. For the coming year we estimate inflation of +3.80% y/y and GDP growth of 1.3%.

Politics

Changes to the secondary regulations of the judicial reform are continuing to make progress in Congress and could be enacted soon. So far, this development has not generated significant local risk perception, although U.S. trade authorities have expressed concerns about the potential uncertainty regarding the rule of law in bilateral relations. Credit rating agencies have voiced some concerns about the reform, but have responded favorably to the fiscal outlook, particularly regarding the commitment to maintaining austerity measures and keeping the debt-to-GDP ratio in check. It was also recently announced that the minimum wage will continue to rise, at least in line with inflation.

Financial markets

Equity: We favor sectors that tend to perform well during rate cuts and the late phase of the economic cycle, such as utilities, consumer staples, and healthcare. We are looking for companies with reasonable earnings growth, focusing on those that generate an attractive return on invested capital (ROIC) and strong cash flow, all within a reasonable valuation. Given the composition of the local market index, we see buying opportunities. However, due to the index's recent underperformance, achieving our year-end target has become more challenging, compounded by political uncertainty, including the upcoming U.S. election, which will weigh on the market in the last quarter of 2024. We have revised our 12-month estimate from 58,800 units to 55,000.

Fixed Income & FX: The spread against the 10-year bond has remained around 570 bps, following two spikes (in June due to the election and in August due to global volatility), where it exceeded 600 bps. Our estimate has increased to 575 bps, with expectations of continued volatility in the coming months. November will bring the presentation of the 2025 budget, ongoing reforms, and the U.S. election, where Mexico could play a significant role in several proposals. We remain cautious on peso-denominated bond duration. In U.S. dollars, the spread has widened to 190 basis points for dollar-denominated bonds. We maintain our target of 200 bps.

The peso experienced significant volatility between August and September, reaching highs of 20.15 before retreating to around 19.20. We believe that adjustments in the outlook for carry trades, driven by decisions from the Bank of Japan, expectations of Fed normalization, and the pre-emptive pricing of volatility due to local political noise will continue to be the key factors influencing the currency. We have revised our year-end estimate to 19.50, though we do not rule out further episodes of volatility in the final quarter of the year.

Market outlook – Recommendations & Targets from fundamental analysis

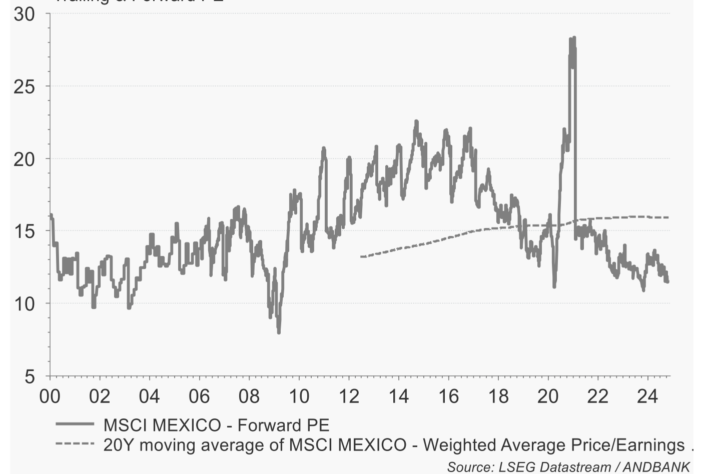
Equities – Mex IPC: MARKETWEIGHT (Target price 58,800)

Bonds – Govies Local: UW (Target spread 575 => Target yield 9.45%)

Bonds – Govies USD: UW (Target spread 200 => Target yield 5.70%)

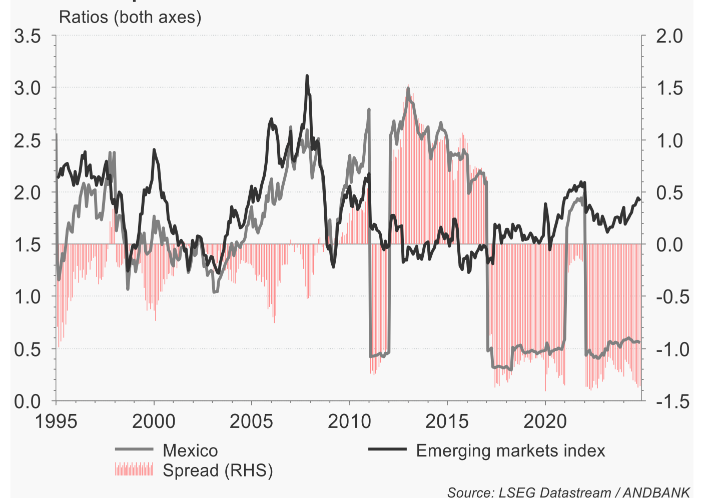
FX – MXN/USD: UNDERWEIGHT (Mid-term target 19.50)

Mexico MSCI Index price-to-earning
Trailing & Forward PE



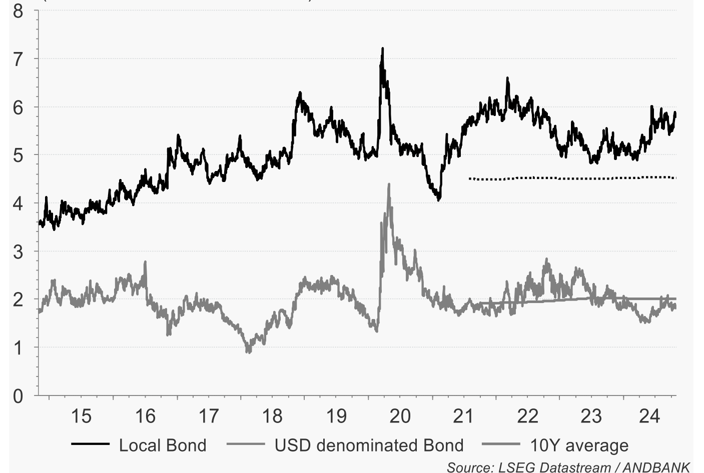
Source: LSEG Datastream / ANDBANK

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

Successful in the political field, Milei needs an economic recovery to sustain his popularity

Politics: The Government Dodges a Second Bullet

After successfully maintaining its veto on a pension adjustment law proposed by the opposition—which would have significantly increased public expenditure compared to the administration's initial plan—President Milei's government has managed to sustain a second veto. This second veto was against a law proposing an expansion of funding for public universities. The positive takeaway from these events is that the Government continues to demonstrate its commitment to fiscal responsibility, having successfully defended its stance against two legislative initiatives that would have negatively impacted public finances. As a result, country risk has dropped significantly in recent weeks, down to 900 bps. To strengthen its position in the Congress and Senate, the Government has joined forces with the PRO party (led by former President Mauricio Macri), fueling speculation of a potential joint effort in next year's legislative elections, where nearly half of the Lower House seats and one-third of the Senate seats will be up for grabs. The Government's main focus seems to be on reviving economic activity and stabilizing prices, in hopes of securing a strong result in the mid-term elections. A better outcome would allow it to push through pending reforms in labor, social security, and government operations. At present, the opposition appears disorganized, which may work in the government's favor. Former President Cristina Kirchner has announced her candidacy to lead the Justicialist Party, but tensions between her and Buenos Aires Governor Axel Kicillof are becoming apparent.

Debt and Capital Controls: What's the Government's Next Move?

While President Milei has expressed a desire to remove capital controls quickly, it seems unlikely that this will happen before the mid-term elections. The Administration wants to lift controls without causing a sharp fluctuation in the exchange rate, which could spark inflation. The problem is that removing capital controls may be necessary to attract international investors for future debt issuance. Economy Minister Luis Caputo has indicated that the Government has yet to decide whether to seek a new IMF program. Regardless of timing, Argentina will eventually need to secure a new agreement with the IMF, as it faces mounting obligations from the previous administration's deal. On the upside, the IMF has announced a reduction in both its base rate (from 100 bps to 60 bps) and its surcharge rate (from 100 bps to 75 bps), translating into $3.2 billion in savings for Argentina over the next several years—$1.1 billion of which will come in the next three years. Though Argentine bonds have rallied significantly this year, they are still far from pricing in a scenario where the Government avoids restructuring its debt or renegotiates on creditor-friendly terms.

Corporate Sector: Debt Issuances and New Investments

Following recent bond issues by Pampa Energía, YPF, and Pan American Energy, two additional companies have managed to refinance their liabilities. First, Banco Galicia—now Argentina's largest private bank, after acquiring HSBC's local operations—successfully issued $325 million in bonds (with $1.4 billion in demand) due in 2028 with a 7.875% yield. Subsequently, YPF Luz, a subsidiary of YPF focused on power generation, placed $420 million in bonds maturing in 2032, offering a yield of 8.2%.

Prices: Another Small Victory for the Government

In September, inflation stood at +3.5% m/m (+209% y/y), in line with market expectations. This marks the first time monthly inflation has dropped below +4.0% m/m since February 2022. A particularly encouraging sign for the ongoing disinflationary process is that core inflation slowed to +3.3% m/m, down from +4.1% m/m in August, marking its first deceleration since May. Regulated prices, however, saw a sharper increase of +4.5% m/m, making it the category with the largest growth in September. This was primarily driven by a +7.3% m/m increase in utility tariffs and a +4.3% m/m rise in education costs. High-frequency price surveys suggest further signs of deceleration in the first weeks of October, supporting the view that inflation will likely continue its downward trend in the coming months. However, upcoming adjustments to regulated prices may slow the pace of disinflation.

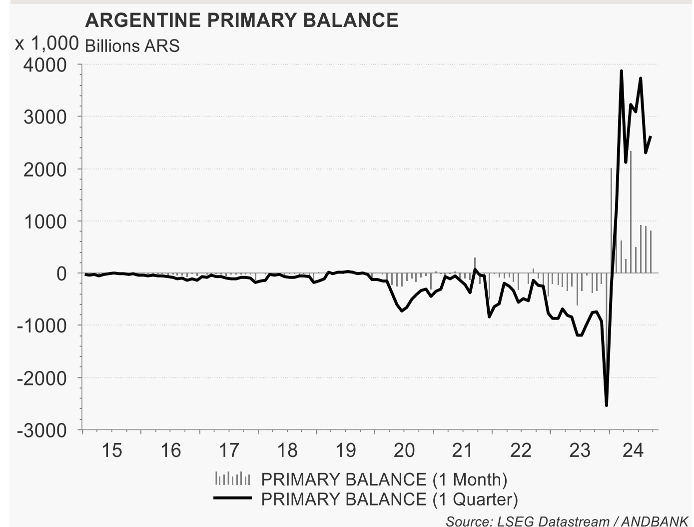
Market outlook – Recommendations & Targets from fundamental analysis

Bonds – 10YGov USD: NEUTRAL

FX – USDARS: NEGATIVE (2024 year-end target 1450)

Source: LSEG Datastream / ANDBANK

Source: LSEG DatastreamThomson Reuters Datastream / ANDBANK



Source: LSEG Datastream / ANDBANK

GLOBAL EQUITY INDICES

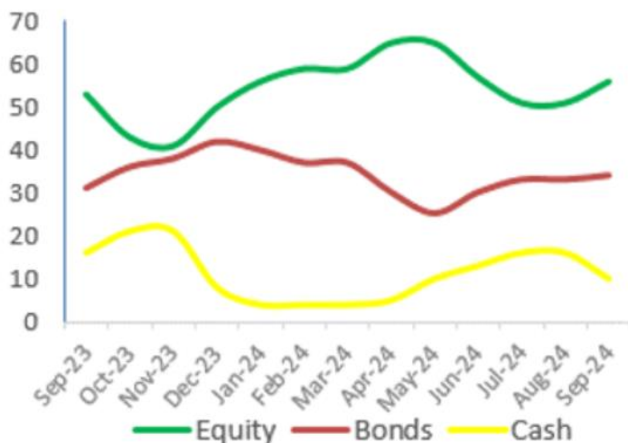
Fundamental assessment

Index	Projected EPS 2025	Projected EPS Growth 2025	Price Earning (forward)	Current Equity Yied	Current Risk Premium	Hist Risk Premium	Spread curr RP vs hist RP	Reasonable PE Trailing (year end 2025)	INDEX CURRENT PRICE	Andbank's Target Price (year end 2025)	Expected performance to target Price	Recommended Strategy
USA S&P 500	264,0	11,9%	21,69	4,61%	0,32%	2,00%	-1,68%	24,76	5.725	6.537	14,2%	MW-OW
Europe - Stoxx Europe 600	37,5	5,0%	13,46	7,43%	5,03%	5,00%	0,03%	14,59	505	547	8,4%	MW
Spain IBEX 35	1.045,0	0,7%	11,15	8,97%	5,85%	5,70%	0,15%	11,52	11.649	12.036	3,3%	UW
Mexico IPC GRAL	4.841	12,9%	10,49	9,54%	-0,47%	-0,90%	0,43%	12,14	50.759	58.784	15,8%	UW-MW
Brazil BOVESPA	17.504	20,4%	7,43	13,45%	0,72%	-1,10%	1,82%	9,00	130.102	157.550	21,1%	MW
Japan TOPIX	186,0	8,8%	14,49	6,90%	5,97%	4,00%	1,97%	15,93	2.696	2.962	9,9%	MW
China SSE Comp. A share	247,0	-5,7%	13,92	7,18%	0,45%	4,80%	-4,35%	12,81	3.438	3.163	-8,0%	UW
China Shenzhen Comp	94,7	-5,8%	21,03	4,75%	-1,98%	1,25%	-3,23%	18,40	1.992	1.742	-12,5%	UW
India SENSEX	4.052	15,3%	19,59	5,10%	-1,73%	-2,00%	0,27%	23,28	79.389	94.320	18,8%	OW
Vietnam VN Index	126,4	19,6%	10,00	10,00%				12,12	1.264	1.532	21,2%	OW
MSCI EM ASIA	49,4	15,0%	12,60	7,94%				14,98	623	740	18,9%	OW

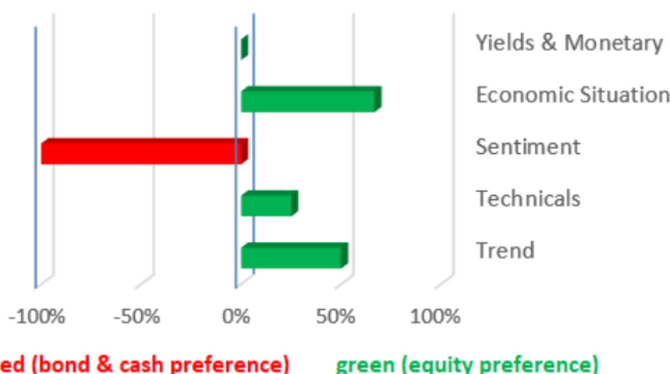
ANDBANK ESTIMATES

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

Dynamic Asset Allocation per Ned Davis Research



Current Relative Strength (Equities vs Bonds) Ned Davis Research



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

Tactical Asset Allocation

GLOBAL EQUITY ALLOCATION	Recommended Allocation	Benchmark
U.S.	67%	63,6%
Europe ex. U.K.	13%	11,9%
Emerging Markets	10%	10,3%
Pacific ex. Japan	4%	2,6%
U.K.	2%	3,5%
Japan	2%	5,4%
Canada	2%	2,8%

U.S. SECTOR	Recommended Allocation	Benchmark
Health Care	16%	12,4%
Utilities	4%	2,2%
Communication Services	5%	9,1%
Materials	1%	2,3%

GLOBAL EQUITY INDICES

Earnings Dashboard - EUROPE

SECTION A: EARNINGS OUTLOOK

Exhibit 1A. STOXX 600: Q3 2024 Earnings Dashboard

STOXX 600 2024Q3 EARNINGS

BLENDED GROWTH RATES

Sector	Growth
STOXX 600	6.2%
Basic Materials	24.7%
Utilities	21.6%
Financials	20.6%
Healthcare	13.2%
Industrials	6.0%
Consumer Non-Cyclicals	1.7%
Consumer Cyclicals	-2.6%
Technology	-4.9%
Real Estate	-13.4%
Energy	-21.8%

SCORECARD

Sector	Above	Match	Below
STOXX 600	53%	10%	37%
Basic Materials	63%	13%	25%
Consumer Cyclicals	50%	0%	50%
Consumer Non-Cyclicals	25%	0%	75%
Energy	60%	0%	40%
Financials	80%	13%	7%
Healthcare	40%	0%	60%
Industrials	30%	10%	60%
Technology	73%	7%	20%
Real Estate	0%	33%	67%
Utilities	50%	50%	0%

Sector	Reported	Remaining
STOXX 600	83	245
Basic Materials	8	26
Consumer Cyclicals	6	27
Consumer Non-Cyclicals	4	14
Energy	5	16
Financials	15	45
Healthcare	5	28
Industrials	20	43
Technology	15	25
Real Estate	3	8
Utilities	2	13

SURPRISE FACTORS

Sector	Surprise
STOXX 600	9.9%
Utilities	27.2%
Financials	16.1%
Healthcare	9.5%
Energy	9.1%
Basic Materials	6.4%
Technology	6.3%
Consumer Non-Cyclicals	3.3%
Consumer Cyclicals	-3.0%
Industrials	-4.1%
Real Estate	-6.5%

STOXX 600 2024Q3 REVENUE

BLENDED GROWTH RATES

Sector	Growth
STOXX 600	-2.2%
Basic Materials	0.3%
Utilities	-7.7%
Financials	-6.6%
Healthcare	6.9%
Industrials	7.7%
Consumer Non-Cyclicals	1.1%
Consumer Cyclicals	-3.1%
Technology	-2.3%
Real Estate	-18.7%
Energy	-10.4%

SCORECARD

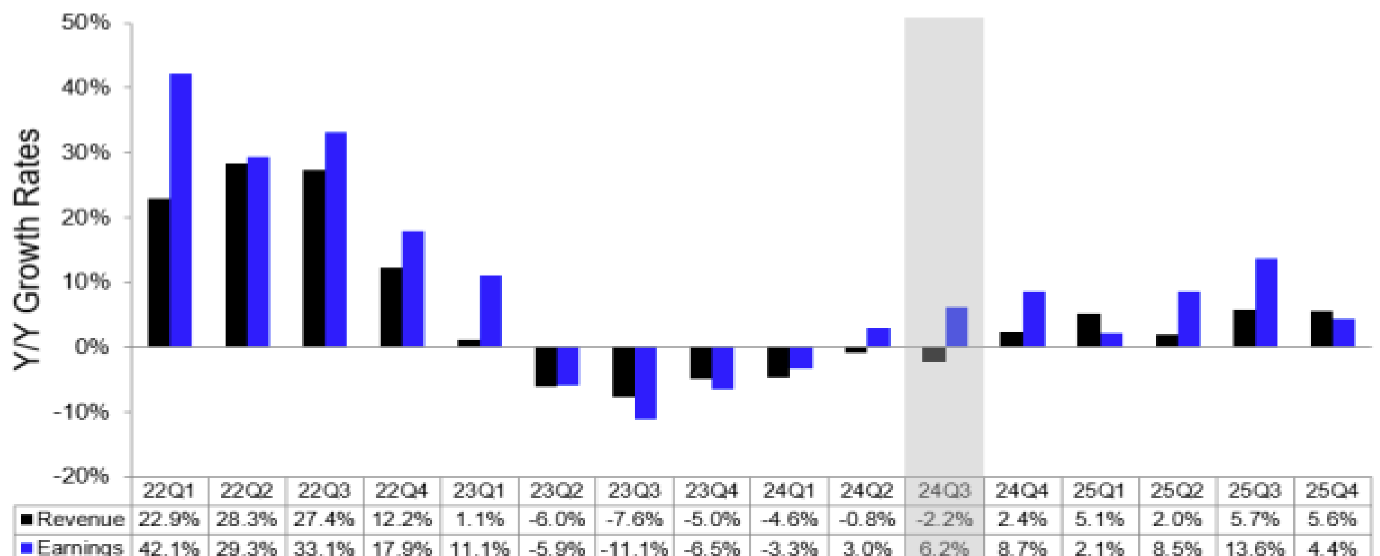
Sector	Above	Match	Below
STOXX 600	44%	0%	56%
Basic Materials	27%	0%	73%
Consumer Cyclicals	50%	0%	50%
Consumer Non-Cyclicals	38%	0%	63%
Energy	80%	0%	20%
Financials	75%	0%	25%
Healthcare	20%	0%	80%
Industrials	35%	0%	65%
Technology	44%	0%	56%
Real Estate	33%	0%	67%
Utilities	0%	0%	100%

Sector	Reported	Remaining
STOXX 600	99	290
Basic Materials	11	34
Consumer Cyclicals	8	32
Consumer Non-Cyclicals	8	23
Energy	5	18
Financials	16	45
Healthcare	5	35
Industrials	23	53
Technology	18	29
Real Estate	3	8
Utilities	2	13

SURPRISE FACTORS

Sector	Surprise
STOXX 600	0.5%
Utilities	-22.9%
Financials	1.8%
Healthcare	1.8%
Energy	5.6%
Basic Materials	-0.7%
Technology	-0.1%
Consumer Non-Cyclicals	2.5%
Consumer Cyclicals	-2.2%
Industrials	-0.3%
Real Estate	-1.9%

Exhibit 3A. STOXX 600 YoY Growth Rates



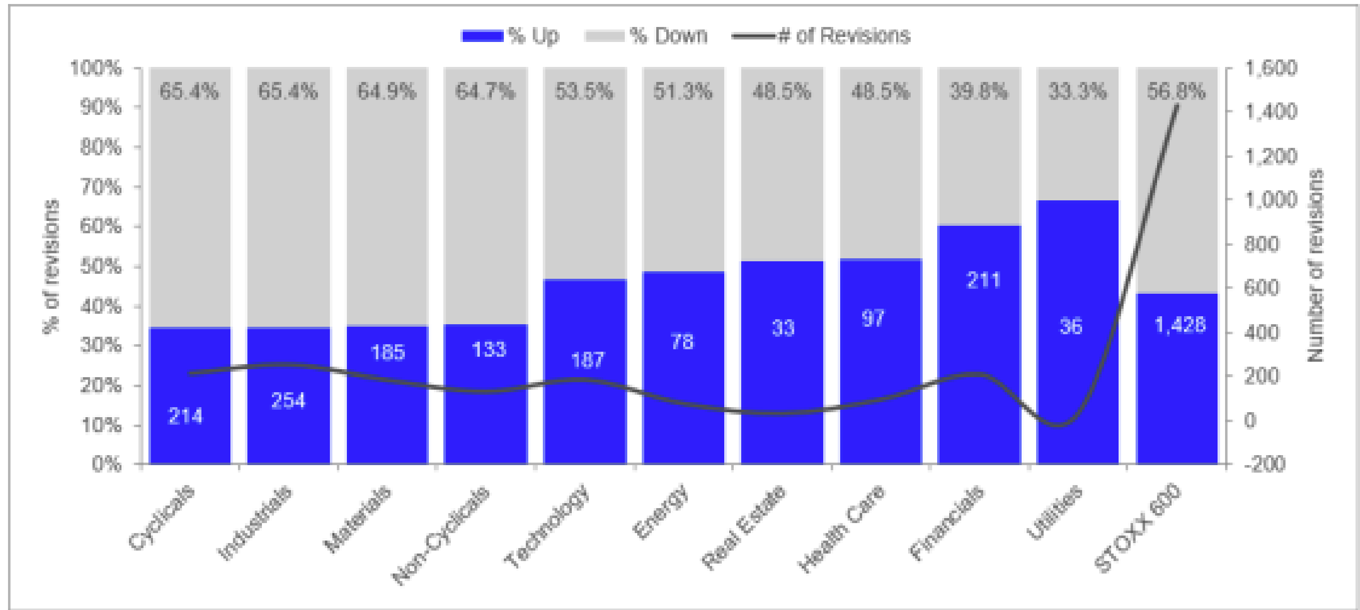
	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3	25Q4
Revenue	22.9%	28.3%	27.4%	12.2%	1.1%	-6.0%	-7.6%	-5.0%	-4.6%	-0.8%	-2.2%	2.4%	5.1%	2.0%	5.7%	5.6%
Earnings	42.1%	29.3%	33.1%	17.9%	11.1%	-5.9%	-11.1%	-6.5%	-3.3%	3.0%	6.2%	8.7%	2.1%	8.5%	13.6%	4.4%

Source: LSEG I/B/E/S

GLOBAL EQUITY INDICES

Earnings Dashboard - EUROPE

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

STOXX 600 Price Index
12 Month Fwd EPS
STOXX 600 Price Index
12 Month Forward EPS (RhS)
12 Month Fwd P/E
14.3x
13.6x
May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct
2023
2024
12 Month Forward P/E
10-Year Average
Source: LSEG Datastream

Source: LSEG Datastream

GLOBAL EQUITY INDICES

Earnings Dashboard - US

EARNINGS DASHBOARD

Exhibit 1. 2024Q3 S&P 500 Earnings Dashboard

BLENDED GROWTH RATES

S&P 500 2024Q3 EARNINGS		S&P 500 2024Q3 REVENUE	
S&P 500	6.0%	S&P 500	4.5%
Comm. Services	20.0%	Comm. Services	7.3%
Technology	16.1%	Technology	11.8%
Health Care	10.8%	Health Care	8.4%
Financials	8.2%	Financials	4.8%
Consumer Discretionary	4.9%	Consumer Discretionary	5.7%
Utilities	4.0%	Utilities	6.2%
Consumer Staples	3.4%	Consumer Staples	1.6%
Real Estate	1.9%	Real Estate	6.1%
Materials	-5.2%	Materials	0.7%
Industrials	-8.9%	Industrials	-1.4%
Energy	-28.0%	Energy	-5.7%

SCORECARD

Earnings (Above 77%, Match 4%, Below 19%)

	Above	Match	Below
S&P 500	77%	4%	19%
Consumer Discretionary	61%	4%	36%
Consumer Staples	83%	6%	11%
Energy	75%	-	25%
Financials	84%	-	16%
Health Care	87%	3%	10%
Industrials	71%	2%	27%
Materials	62%	-	38%
Real Estate	80%	13%	7%
Technology	86%	7%	7%
Comm. Services	88%	13%	-
Utilities	71%	-	29%

Revenue (Above 59%, Below 41%)

	Above	Match	Below
S&P 500	59%	0%	41%
Consumer Discretionary	46%	-	54%
Consumer Staples	61%	-	39%
Energy	38%	-	63%
Financials	64%	-	36%
Health Care	80%	-	20%
Industrials	49%	-	51%
Materials	46%	-	54%
Real Estate	60%	-	40%
Technology	79%	-	21%
Comm. Services	63%	-	38%
Utilities	29%	-	71%

Earnings (Reported 51%, Remaining 49%)

	Reported	Remaining
S&P 500	257	243
Consumer Discretionary	28	22
Consumer Staples	18	20
Energy	8	14
Financials	51	21
Health Care	30	32
Industrials	51	27
Materials	13	15
Real Estate	15	16
Technology	28	41
Comm. Services	8	11
Utilities	7	24

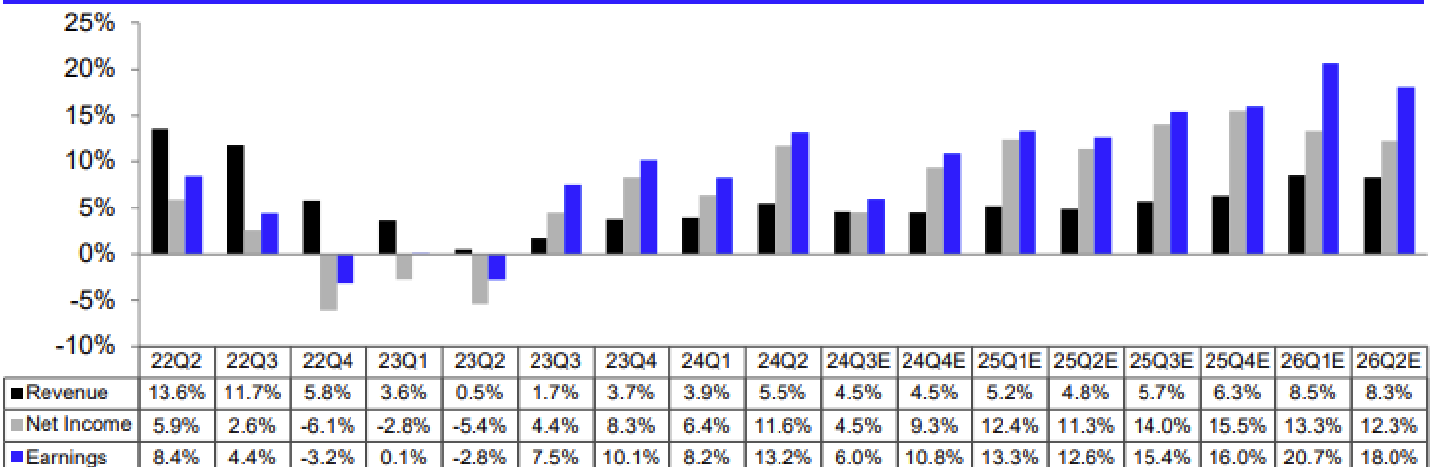
Revenue (Reported 51%, Remaining 49%)

	Reported	Remaining
S&P 500	256	244
Consumer Discretionary	28	22
Consumer Staples	18	20
Energy	8	14
Financials	50	22
Health Care	30	32
Industrials	51	27
Materials	13	15
Real Estate	15	16
Technology	28	41
Comm. Services	8	11
Utilities	7	24

SURPRISE FACTORS

Earnings		Revenue	
S&P 500	7.2%	S&P 500	1.5%
Comm. Services	10.3%	Comm. Services	0.9%
Financials	9.4%	Financials	2.1%
Health Care	9.3%	Health Care	3.3%
Consumer Discretionary	8.4%	Consumer Discretionary	2.7%
Energy	7.8%	Energy	2.1%
Utilities	5.7%	Utilities	-1.5%
Technology	3.7%	Technology	0.8%
Consumer Staples	3.5%	Consumer Staples	0.5%
Industrials	2.8%	Industrials	-0.3%
Materials	-0.7%	Materials	1.3%
Real Estate	-1.3%	Real Estate	0.3%

Exhibit 5. S&P 500 YoY Growth Rates



	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3E	24Q4E	25Q1E	25Q2E	25Q3E	25Q4E	26Q1E	26Q2E
Revenue	13.6%	11.7%	5.8%	3.6%	0.5%	1.7%	3.7%	3.9%	5.5%	4.5%	4.5%	5.2%	4.8%	5.7%	6.3%	8.5%	8.3%
Net Income	5.9%	2.6%	-6.1%	-2.8%	-5.4%	4.4%	8.3%	6.4%	11.6%	4.5%	9.3%	12.4%	11.3%	14.0%	15.5%	13.3%	12.3%
Earnings	8.4%	4.4%	-3.2%	0.1%	-2.8%	7.5%	10.1%	8.2%	13.2%	6.0%	10.8%	13.3%	12.6%	15.4%	16.0%	20.7%	18.0%

Source: LSEG I/B/E/S

COMMODITIES

ENERGY – OIL

Fundamental view (WTI): Target range USD70-90bbl

Buy < USD70; Sell >USD90.

(Bearish price factor) – Middle East War. No Iranian oil targets: Israel said they will listen to US opinions around targeting Iranian oil and nuclear sites.

(Bearish price factor) – IEA downgrades global demand: The IEA further cut its global oil demand growth forecast for this year, citing weakness in China, a day after OPEC also lowered its demand projections. It said world oil demand is on track to expand by just 860k bpd in 2024 (down 40k bpd from previous forecast) and close to 1M bpd in 2025 (50k higher than previous month forecast). "For now, supply keeps flowing, and in the absence of a major disruption", as a result, "the world oil market is heading for a sizeable surplus in the new year". The International Energy Agency, which manages industrialized countries' emergency oil stocks, said "public stocks were more than 1.2 billion barrels, and spare capacity in OPEC+, which comprises the Organization of the Petroleum Exporting Countries and allies such as Russia, stood at historic highs".

(Bearish price factor) – While OPEC+ cuts output, non-OPEC nations continue driving up supply. The IEA forecasts non-OPEC growth at 1.5 million bpd this year and next, with higher production from the U.S., Guyana, Canada and Brazil - above the rate of demand growth. "Heightened oil supply security concerns are set against a backdrop of a global market that looks adequately supplied," the IEA said.

(Bearish price factor) – BP warns of weak refining margins due to low global demand for fuel: Global oil refiners are facing a drop in profitability to multi-year lows, a sharp reversal for an industry that had enjoyed surging returns post-pandemic and underlining the extent of the current demand slowdown. The British oil major said that weak refining margins due to a slowdown in global demand for fuel will dent BP's third-quarter profit by up to $600 million. Rival Shell on Monday also warned of slump in refining profit margins in the third quarter.

(Bearish price factor) – Russian oil exports increase: Russia's four-week crude shipments rose to the highest in three months. Exports are increasing as a result of refinery shutdowns. Aspects such as this explain why the global supply of crude oil continues to flow strongly and the market is well supplied and with a level of oversupply, which justifies the falls and prevents crude oil from shooting up.

(Bullish price factor) – US crude oil stocks likely continued to climb in October, but not at a pace sufficient to get out of structural vulnerability and be able to be calm about the price. Commercial crude stocks likely climbed 1.7 million barrels during the week ended Oct. 11, to around 424.4 million barrels. Though this pace would mark the highest crude inventory build seen since mid-August this year, it remains far less than the 6.3 million barrel build that the US Energy Information Administration data shows as average for the period over the past five years. Stocks remain low (only 4,7 million barrels above the year-ago levels, and still 4% below the five-year average). The total level of crude oil stocks in the world is 800 million barrels. Well below the 10-year average of 1.05 billion barrels. This means that despite the effort to rebuild strategic reserves, it has not been enough to even get close to the historical values of strategic reserves. Vulnerability exists in the event of a persistent probability of a shock in the price of crude oil.

(Bullish price factor) – US expands sanctions to Iran's 'ghost fleet' of oil tankers in response to an Iranian missile attack on Israel. The U.S. move adds petroleum and petrochemicals to an executive order that targets key sectors of Iran's economy. The new designations today also include measures against the 'Ghost Fleet' that carries Iran's illicit oil to buyers around the world. The U.S. Treasury can now impose sanctions on any person determined to operate in the petroleum and petrochemical sectors of the Iranian economy. The U.S. designated 16 entities and identified 17 vessels as blocked property and has already imposed sanctions on six entities involved in Tehran's petroleum trade. So far, Iran's oil exports have risen under Biden's tenure as Iran succeeds in evading sanctions and as China has become Iran's major oil buyer, but the U.S. could cut Iran's oil exports through tighter enforcement of previously imposed sanctions through satellite imaging for stricter monitoring of tankers that have turned off transponders, and through pressure on countries to support enforcement efforts such as Malaysia, Singapore and the United Arab Emirates. Tougher enforcement of sanctions would likely require targeting Chinese firms shipping Iranian crude, it said, as China buys nearly 90% of Iran's crude-oil exports.

(Bullish price factor) – OPEC+ continues to limit oil production in an effort to keep the price above $80 per barrel: Platts survey found OPEC+ crude oil production fell 500K bpd m/m to in September due to a major shutdown in Libya and cuts to Iraqi exports.

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 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. 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

Fundamental view (Gold): Short-Term Target range USD2,200 – 2,400 /oz

Buy < USD2,200; Sell >USD2,400

Positive drivers for gold

Gold purchases by the PBOC as a strategy to reduce USD in its international reserves. International Reserves ex-Gold decreased in recent years to the tune of -US$744 billion (from US$4,000 to US$3,256 billion), but Gold Reserves increased in the same period from 34,000 oz to 73,000 oz (+40 million oz @ $1,800/oz = US$72 billion). It remains uncertain to what extent this momentum provided by the PBOC for gold can continue.

Within the four-quadrants framework, the best scenario for gold would be one where inflation is combined with recession ('Inflationary Bust' or 'stagflation'). The scenario we are projecting places us in a quadrant where inflation is combined with a favorable cycle ('Inflationary Boom'). Such a scenario, while not the best, is still favorable 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 favorable to gold.

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

Negative drivers for gold

Gold has just lost one of the drivers that made it the best antifragile asset: a lower relative supply. Gold, like the US Treasury bond, is considered an anti-fragile asset. Investors should always decide which anti-fragile asset they should keep in their portfolio to protect themselves against instability in financial markets. The answer will have a lot to do with the perception as to 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 a shock. Until now, we have seen that while QT continued (which involved the Fed putting a large amount of UST on the market), gold continued to outperform the UST bond. **But using a short-term view**, now it seems that the Fed is in no hurry to remove excess liquidity (and has therefore reduced the pace of selling USTs from its balance sheet). As long as the Fed maintains a low pace of UST supply, the Treasury could regain its role as the best antifragile asset and take that role away from gold. **With a medium-term view** (perhaps 2026-2027) it seems clear that the Fed has to get rid of many bonds, putting a large amount of paper (supply) on the market. When this happens, gold will be able to take over the role of antifragile asset again. **In a longer-term view**, once QT has ended (maybe in 2028), we no longer see the supply of UST as unlimited but rather as limited. This should be positive for U.S. Treasuries in terms of reclaiming their role as a safe-haven asset. At that point, gold is expected to take a back seat and exhibit underperformance.

Gold in real terms: Given the global deflator (now at 1.2570), 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$2,214. In real terms gold continues to trade well above its 20-year average of US$1,305oz. For the gold price to stay near its historical average in real terms, the nominal price must remain near US$1,6401.

Gold in terms of silver: The Gold/Silver ratio declined to 82.01, still above its 20-year average of 68.79x, suggesting that gold is very 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$2,335oz.

Gold in terms of palladium: The Gold/Palladium ratio increased to 2.65x, above its 20-year average of 1.64x. 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 $1,550 per ounce.

Gold to oil ratio: This ratio is at 40.47x, still well above its 20-year average of 20.08x. Considering our mid-term outlook for WTI oil at US$80 (right in the middle of our new range of $70-90 for oil) and assuming that the utility function of both commodities will remain unchanged, the price of gold must approach US$1,606 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.

About the four threats that could end the gold rally. The 1976-80 rally of gold ended when US short rates were jacked up causing the USD to rise. The 1985-88 gold 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 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 knowing that a gold bull market usually feeds on its own momentum for quite a while and only ends when facing some of the aforementioned risks.

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). Our outlook is for the US current account balance to continue improving towards a historical average level of -3%, leading to a relative shortage of dollars and consequently a potential rise in its price. This should keep the USD well supported and stable, far from the strong rebound in the USD that could lead gold to a precipice. If trade relations between the USA and China continue to deteriorate, the US current account could even reach -2% of GDP. In such a scenario, the flow of USD from the US to the world would be half that of other periods, which could keep the price of the USD well supported, and the price of gold limited above.

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 – (LOW RISK) Gold bull markets usually feed on their own momentum for quite a while. The price of gold has gained some self-reinforcing momentum. A constructive view could be that perhaps the China and 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.

CURRENCIES

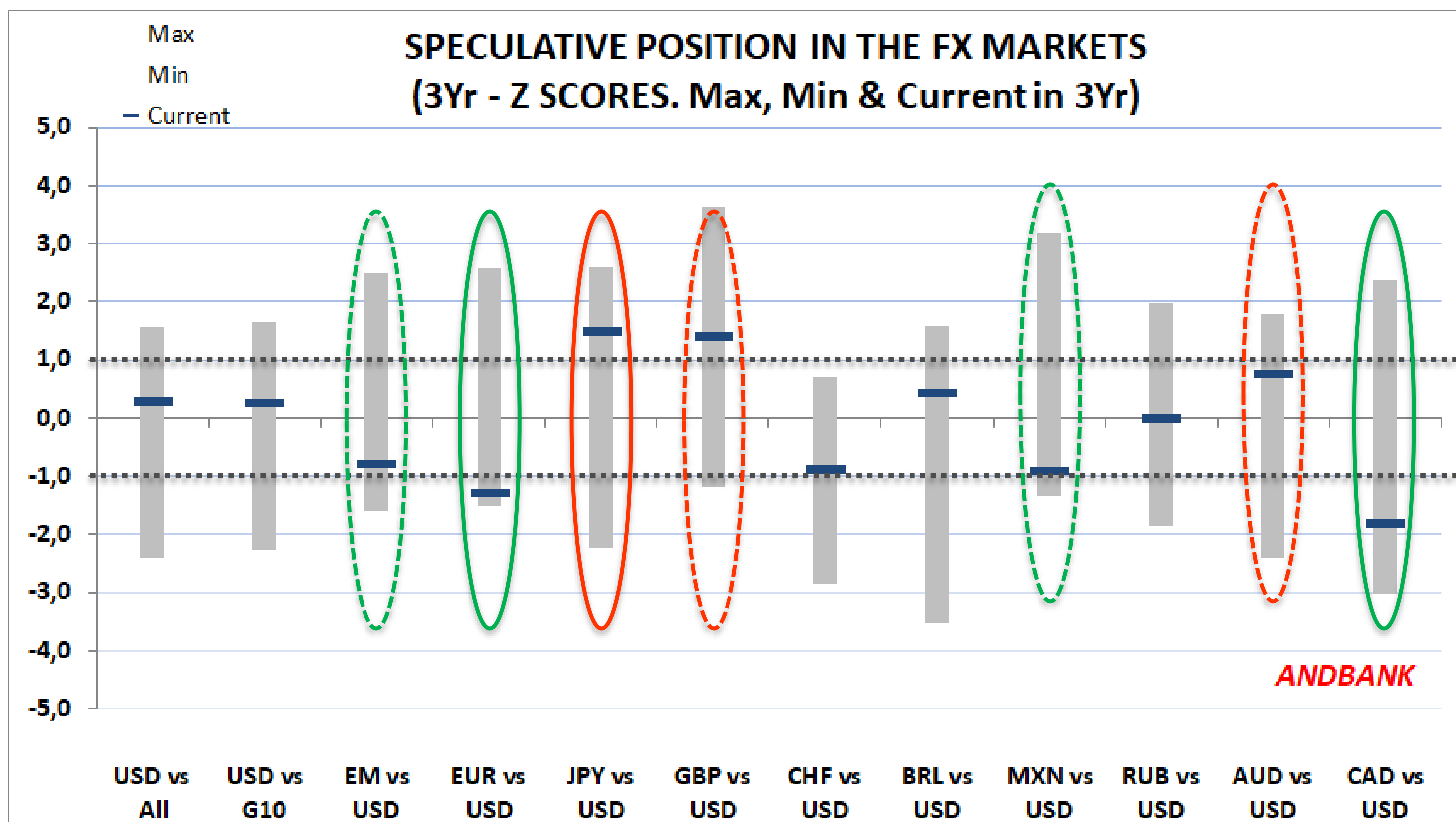
EXCHANGE RATES

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	9,26	23,36	32,1	-28,2	3,8	**0,29**
USD vs G10	9,81	24,27	32,7	-25,4	4,9	**0,27**
EM	0,55	0,91	3,9	-0,8	1,6	**-0,79**
EUR	-3,85	-13,87	23,4	-8,6	7,9	**-1,27**
JPY	1,06	-4,71	5,8	-15,0	-7,5	**1,51**
GBP	6,05	-1,24	11,5	-6,5	0,1	**1,41**
CHF	-4,72	-1,86	0,2	-7,0	-3,1	**-0,87**
BRL	-0,05	0,63	0,7	-1,0	-0,3	**0,46**
MXN	0,60	0,28	3,6	-0,5	1,6	**-0,89**
RUB	0,00	0,00	1,2	-0,3	0,3	**0,00**
AUD	1,85	2,62	6,1	-5,4	-0,6	**0,78**
CAD	-10,18	-5,30	6,1	-14,2	-1,7	**-1,81**

ANDBANK

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	Price -1m 01/10/2024	Performance Last month	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
Equity	USA - S&P 500	5.709	0,3%	20,0%	5.725	**6.537**	14,2%
	Europe - Stoxx Europe 600	521	-3,1%	5,4%	505	**547**	8,4%
	SPAIN - IBEX 35	11.674	-0,2%	15,3%	11.649	**12.036**	3,3%
	MEXICO - MXSE IPC	52.477	-3,3%	-11,5%	50.759	**58.784**	15,8%
	BRAZIL - BOVESPA	132.495	-1,8%	-3,0%	130.102	**157.550**	21,1%
	JAPAN TOPIX	2.691	0,2%	13,9%	2.696	**2.962**	9,9%
	China SSE Comp. A share	3.497	-1,7%	10,2%	3.438	**3.163**	-8,0%
	CHINA - SHENZEN COMPOSITE	1.927	3,3%	8,4%	1.992	**1.742**	-12,5%
	INDIA - SENSEX	84.266	-5,8%	9,9%	79.389	**94.320**	18,8%
	VIETNAM - VN Index	1.292	-2,1%	11,9%	1.264	**1.532**	21,2%
	MSCI EM ASIA (in USD)	650	-4,2%	14,8%	623	**740**	18,9%
Fixed Income Core countries	US Treasury 10 year Govie	3,73	-4,2%	-0,2%	4,29	**4,25**	4,6%
	UK 10 year Gilt	3,94	-4,1%	-4,7%	4,49	**4,50**	4,4%
	German 10 year BUND	2,04	-2,7%	3,4%	2,40	**2,40**	2,4%
	Japanese 10 year Govie	0,85	-0,6%	-3,9%	0,93	**1,25**	-1,6%
Fixed Income Peripheral	Spain - 10yr Gov bond	2,83	-2,1%	1,3%	3,12	**3,15**	2,9%
	Italy - 10yr Gov bond	3,37	-2,2%	3,1%	3,68	**3,65**	3,9%
	Portugal - 10yr Gov bond	2,61	-1,3%	1,8%	2,80	**2,90**	2,0%
	Ireland - 10yr Gov bond	2,35	-2,7%	-1,2%	2,72	**2,80**	2,0%
	Greece - 10yr Gov bond	2,98	-2,4%	0,3%	3,28	**3,40**	2,4%
Fixed Income Credit	Credit EUR IG-Itraxx Europe	59,39	0,4%	3,8%	57,06	**75**	3,1%
	Credit EUR HY-Itraxx Xover	313,72	0,7%	6,1%	307,44	**400**	3,4%
		0,03					
	Credit USD IG - CDX IG	53,78	0,5%	5,1%	52,65	**75**	4,4%
	Credit USD HY - CDX HY	330,57	0,7%	8,2%	328,88	**450**	4,2%
		0,05					
Fixed Income EM Europe (Loc)	Turkey - 10yr Gov bond (local)	27,09	-8,7%	-19,0%	28,45	**29,45**	20,5%
	Russia - 10yr Gov bond (local)	15,11	1,2%	-12,5%	15,11	**25,00**	-64,0%
Fixed Income Asia (Local curncy)	China - 10yr Gov bond (local)	2,10	0,0%	5,7%	2,13	**1,63**	6,1%
	India - 10yr Gov bond (local)	6,72	-0,3%	8,7%	6,83	**6,08**	12,8%
	Singapore - 10yr Gov bond (loc	2,61	-1,3%	1,3%	2,80	**2,80**	2,8%
	Indonesia - 10yr Gov bond (loc	6,45	-1,7%	3,0%	6,74	**5,74**	14,7%
	South Korea - 10yr Gov bond (l	2,89	-0,9%	3,0%	3,04	**2,54**	7,0%
	Taiwan - 10yr Gov bond (local)	1,44	0,0%	-1,2%	1,45	**2,45**	-6,6%
	Philippines - 10yr Gov bond (loc	5,55	-1,6%	6,4%	5,80	**4,80**	13,8%
	Malaysia - 10yr Gov bond (loca	3,76	-1,4%	1,1%	3,97	**3,22**	10,0%
	Thailand - 10yr Gov bond (loca	2,47	0,7%	4,2%	2,40	**1,90**	6,4%
	Vietnam - 10yr Gov bond (local	2,61	-0,1%	-1,4%	2,65	**3,65**	-5,4%
Fixed Income Latam	Mexico - 10yr Govie (Loc)	9,31	-4,8%	-1,7%	10,01	**10,00**	10,1%
	Mexico - 10yr Govie (USD)	5,63	-3,9%	-0,5%	6,18	**6,25**	5,6%
	Brazil - 10yr Govie (Loc)	12,37	-1,9%	-11,3%	12,73	**12,75**	12,6%
	Brazil - 10yr Govie (USD)	5,85	-2,3%	2,5%	6,20	**7,25**	-2,2%
Commodities	Oil (WTI)	70,6	-1,4%	-2,4%	69,6	**80,00**	14,9%
	GOLD	2.657,8	3,1%	35,0%	2.739,6	**2.400**	-12,4%
Fx	EURUSD (price of 1 EUR)	1,11	-1,9%	-1,6%	1,09	**1,05**	-3,3%
	GBPUSD (price of 1 GBP)	1,33	-3,2%	1,0%	1,29	**1,29**	0,3%
	EURGBP (price of 1 EUR)	0,83	1,4%	-2,6%	0,84	**0,81**	-3,5%
	USDCHF (price of 1 USD)	0,85	2,1%	2,7%	0,86	**0,87**	0,6%
	EURCHF (price of 1 EUR)	0,94	0,2%	1,1%	0,94	**0,91**	-2,7%
	USDJPY (price of 1 USD)	143,56	6,1%	8,0%	152,31	**160,00**	5,0%
	EURJPY (price of 1 EUR)	158,88	4,1%	6,2%	165,35	**168,00**	1,6%
	USDMXN (price of 1 USD)	19,61	2,2%	18,2%	20,03	**19,50**	-2,7%
	EURMXN (price of 1 EUR)	21,69	0,2%	16,3%	21,74	**20,48**	-5,8%
	USDBRL (price of 1 USD)	5,44	6,5%	19,3%	5,79	**5,40**	-6,7%
	EURBRL (price of 1 EUR)	6,02	4,4%	17,3%	6,28	**5,67**	-9,8%
	USDARS (price of 1 USD)	969,50	2,0%	22,3%	989,00	**1.000**	1,1%
	USDINR (price of 1 USD)	83,90	0,2%	1,1%	84,06	**84**	-0,1%
	CNY (price of 1 USD)	7,02	1,4%	0,3%	7,12	**7,25**	1,9%

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

UPWARD REVISION   DOWNWARD REVISION

PRINCIPAL CONTRIBUTORS

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Marian Fernández
Europe: Government bonds, Macro & ECB
+34 639 30 43 61

Marcus Vinicius de Macedo
Brazil: Bonds, Equity & FX
+55 11 3095-7045

Guillermo Babé
Europe: Equity
+41 22 818 39 40

Idan Azoulay
Israel: Rates, Corporate Bonds & Equities
+972 3 6138218

Gonzalo Lardies
Spain: Equity & Rates
+34 91 205 42 42

Juan Manuel Lissignoli
Argentina & Cono Sur: Bonds, FX, Macro & Politics. +598 2626 2333

Alvaro Millán
US: Equity, Bonds & Corporates
+1 305 702 0601

Sofiane Benzarti
Luxembourg: Global Flows & Positioning
+352 26 19 39 21

Jonathan Zuloaga
Mexico: Rates, Equity & FX
+52 55 53772810

Alex Fusté
EM Asia & Japan: Bonds, Equities & FX
Commodities: Energy & Precious Metals
+34 673 041 058

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