GLOBAL OUTLOOK

ECONOMY & FINANCIAL MARKETS

ANDBANK
Private Bankers

Andbank Monthly Corporate Review – June 2023

Corporate Review

June 2023

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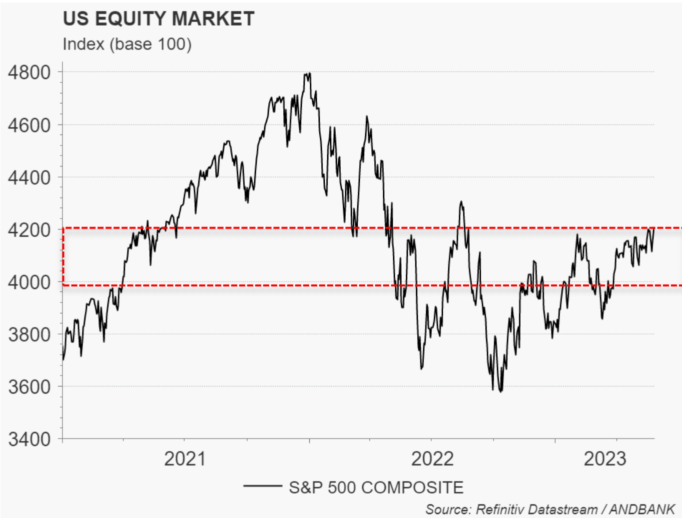
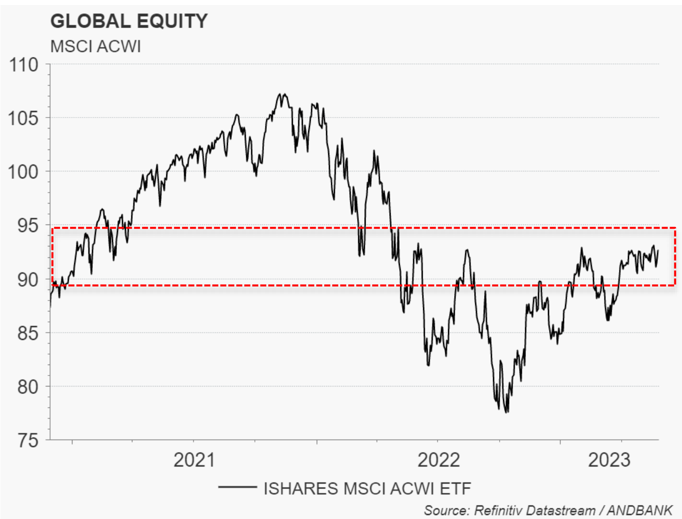
EXECUTIVE SUMMARY

CHART OF THE MONTH

Despite all the bullish noise, markets have been range bound since May 2021. What forces can break out of that range, and in which direction?





EQUITIES

Index	INDEX CURRENT PRICE	Potential Price	E[Perf] to potential price	Recommended Strategy	Suggested Exit Point
USA S&P 500	4.209	3.779	-10,2%	UW-MW	4.913
Europe - Stoxx Europe 600	457	423	-7,5%	UW-MW	507
Euro Zone - Euro Stoxx	452	403	-10,8%	UW-MW	484
Spain IBEX 35	9.168	9.847	7,4%	MW-OW	10.831
Mexico IPC GRAL	53.429	59.006	10,4%	OW	64.907
Brazil BOVESPA	108.845	120.258	10,5%	MW	132.284
Japan NIKKEI 225	31.328	32.248	2,9%	OW	35.473
China SSE Comp.	3.224	2.993	-7,2%	UW	3.292
China Shenzhen Comp	2.012	1.947	-3,2%	UW	2.142
India SENSEX	62.969	70.250	11,6%	OW	77.275
Vietnam VN Index	1.078	1.299	20,5%	OW	1.428
MSCI EM ASIA	523	588	12,3%	OW	647

ANDBANK ESTIMATES

FIXED INCOME GOVIES CORE & CORPORATE CREDIT (DM)

Asset Class	Indices	Performance YTD	Current Price	Andbank's estimate (potential price)	Expected Performance (to potential price)
Fixed Income Core countries	US Treasury 10 year Govie	3,2%	3,68	3,75	3,1%
	UK 10 year Gilt	-2,6%	4,17	3,75	7,6%
	German 10 year BUND	3,2%	2,29	2,50	0,6%
	Japanese 10 year Govie	0,1%	0,41	0,75	-2,3%
Fixed Income Peripheral	Spain - 10yr Gov bond	3,8%	3,35	3,50	2,1%
	Italy - 10yr Gov bond	6,7%	4,10	4,50	0,9%
	Portugal - 10yr Gov bond	5,8%	3,00	3,50	-1,0%
	Ireland - 10yr Gov bond	3,9%	2,73	3,00	0,6%
	Greece - 10yr Gov bond	8,8%	3,71	5,00	-6,6%
Fixed Income Credit	Credit EUR IG-Itraxx Europe	1,5%	83,45	100	3,8%
	Credit EUR HY-Itraxx Xover	3,9%	428,13	550	4,1%
	Credit USD IG - CDX IG	2,6%	74,24	100	5,5%
	Credit USD HY - CDX HY	4,5%	467,59	600	6,2%

FIXED INCOME - EM

Asset Class	Indices	Performance YTD	Current Price	Andbank's estimate (potential price)	Expected Performance (to potential price)
Fixed Income EM Europe (Loc)	Turkey - 10yr Gov bond (local)	-15,3%	11,26	11,75	7,3%
	Russia - 10yr Gov bond (local)	-2,8%	10,95	14,00	-13,5%
Fixed Income Asia (Local curncy)	Indonesia - 10yr Gov bond (local)	1,3%	6,91	6,25	12,2%
	India - 10yr Gov bond (local)	0,5%	7,43	7,00	10,8%
	Philippines - 10yr Gov bond (local)	3,7%	6,50	7,50	-1,5%
	China - 10yr Gov bond (local)	0,1%	2,89	3,00	2,0%
	Malaysia - 10yr Gov bond (local)	0,5%	4,03	4,00	4,3%
	Thailand - 10yr Gov bond (local)	0,2%	2,46	3,50	-5,9%
	Singapore - 10yr Gov bond (local)	-1,3%	3,30	4,25	-4,3%
	Rep. Korea - 10yr G. bond (local)	0,4%	3,66	4,50	-3,0%
	Taiwan - 10yr Gov bond (local)	1,0%	1,19	2,25	-7,3%
Fixed Income Latam	Mexico - 10yr Govie (Loc)	-0,3%	9,26	9,25	9,3%
	Mexico - 10yr Govie (USD)	1,7%	5,87	6,15	3,6%
	Brazil - 10yr Govie (Loc)	-4,5%	13,57	13,75	12,1%
	Brazil - 10yr Govie (USD)	1,1%	6,49	7,50	-1,6%

COMMODITIES & FX

Asset Class	Indices	Performance YTD	Current Price	Andbank's estimate (potential price)	Expected Performance (to potential price)
Commodities	Oil (WTI)	-12,9%	69,9	87,50	25,2%
	GOLD	7,2%	1.956,2	2.200	12,5%
Fx	EURUSD (price of 1 EUR)	0,3%	1,073	1,050	-2,1%
	GBPUSD (price of 1 GBP)	2,7%	1,24	1,25	0,6%
	EURGBP (price of 1 EUR)	-2,4%	0,86	0,84	-2,7%
	USDCHF (price of 1 USD)	-2,3%	0,90	0,95	5,2%
	EURCHF (price of 1 EUR)	-2,1%	0,97	1,00	2,9%
	USDJPY (price of 1 USD)	6,7%	139,83	120,00	-14,2%
	EURJPY (price of 1 EUR)	6,9%	150,02	126,00	-16,0%
	USDMXN (price of 1 USD)	-9,7%	17,59	19,50	10,9%
	EURMXN (price of 1 EUR)	-9,5%	18,85	20,48	8,6%
	USDBRL (price of 1 USD)	-4,4%	5,06	5,25	3,8%
	EURBRL (price of 1 EUR)	-4,1%	5,42	5,51	1,7%
	USDARS (price of 1 USD)	35,1%	238,80	370,00	54,9%
	USDINR (price of 1 USD)	-0,1%	82,66	84,00	1,6%
	CNY (price of 1 USD)	2,7%	7,08	7,50	5,9%

MACRO ECONOMY

USA

Fed meeting in June will likely be the most divided of this year. U.S. debt ceiling deal to face its first test in Congress.

Federal Reserve

During the last month the two main concerns of the market continued to be the evolution of inflation and the development of the crisis of the regional banks. The main event in connection with the recent banking crisis was the purchase of First Republic by JP Morgan. First Republic was among regional US banks most battered by the outflow of depositors from smaller banks (USD 100bn in the first quarter of the year). JP Morgan will pay USD 10.6bn to the FDIC (not previous shareholders) for the bank, which at the beginning of this year had a market value of USD 25bn. It is already the third bank to fail after SVB and Signature Bank and the second largest to collapse after Washington Mutual in the 2008 financial crisis.

All this noise adds more pressure on the Federal Reserve's monetary policy. After the last hike in May (25 bps), for the June 14th meeting as today, the market is pricing a 2/3 probability of a rate pause and 1/3 chance of a 25 bps hike. Fed members seem divided on what to do at the next meeting. For instance, Dallas President Lorie Logan, said that data points so far do not justify pausing in June meeting, while Raphael Bostic, president of Atlanta´s Fed, said that the Fed is prepared to keep rates high to bring inflation back down to its 2% target, even if unemployment begins to rise. Going forward, the market is expecting a 50 bps decrease in the reference rate this year starting in September or November.

Regarding the debt ceiling, A bipartisan deal to raise the $31.4 trillion U.S. debt ceiling faces its first test in Congress on Tuesday, June 6, setting up what could be a nail-biting week of voting before the United States runs out of money to pay its bills. Both Democratic President Joe Biden and the top Republican in Congress, House Speaker Kevin McCarthy, have predicted they will get enough votes to pass it into law, The bill would suspend the U.S. debt limit through Jan. 1, 2025. In another win for Republicans, it would shift some funding away from the Internal Revenue Service. It would also cap some government spending over the next two years, claw back unused COVID-19 funds, and introduce work requirements for food aid programs for some poor Americans. Though the White House says that should not undercut tax enforcement. Biden can point to gains as well: the deal leaves his signature infrastructure and green-energy laws largely intact, and the spending cuts and work requirements are far less than Republicans had pushed for.

Inflation and economic activity

April CPI rose 4.9% yoy (vs 5% y/y market estimate), the tenth month in a row that price rises have slowed, with a monthly growth of 0.4%. Core inflation rose by 5.5% y/y, still well above a comfortable level for the Fed. Shelter's contribution has already started to soften, contributing only 0.4% m/m in the month (+0.8% m/m in March), and continued decreases will likely bring overall inflation down, because shelter costs are a major component of the CPI. We see a CPI between 3% and 4% at the end of the year.

The other leg of Fed's dual mandate (price stability and maximum employment) shows that labour market conditions continue to be very good. The unemployment rate remains at a record low, falling to 3.4% in May from 3.5% the previous month. Also, there were 253K jobs created, above the previous figure (165K) and estimates (180K). April wage growth accelerated to 0.5% (above the 0.3% expected).

Lastly, there are some positive signs coming from the real estate market. The US House price index rose for the third consecutive month in April (+3.5% m/m and +7.6% YTD), with the existing home sales median price reaching USD 388.8K, still below June 2022 peak (USD 413.8K). New home sales are recovering from the low of July 2022.

Financial markets

Rates & Credit: After reaching 4% at the start of March of this year, this metric has remained in around 3.5% in the last couple of months. The spread between 10-year and 2-year treasury notes today stands at -60 bps, still an inverted curve but much less than what he had at the start of March (-105 bps). Lower inflation expectations and the banking crisis pushes us to revise our target from the current 4% to 3.75%, a level where we would add duration above our neutral position. Regarding Credit we prefer positioning on IG over HY. We maintain targets for both categories.

Equity: So far the noise from the banking sector and its consequent expectation of a moderation of monetary policy have led to a continuation of the good performance seen in Equities throughout this year, with a clear rotation from Value (Russell 2000 Value of 3.1%) to Growth (+26.2%), the reverse of what we saw last year. We hold to our recommendation of a balanced portfolio between Value/Cyclical and Quality Growth companies.

Market outlook – Recommendations & Targets from fundamental analysis

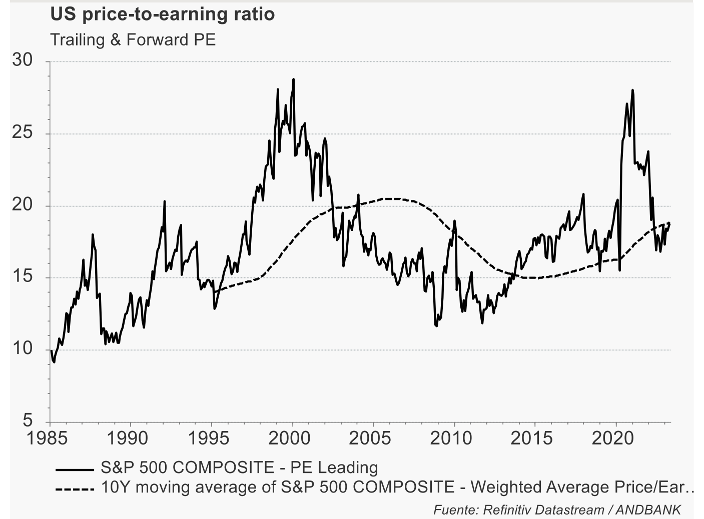
Equities: S&P UNDERWEIGHT- MARKETWEIGHT

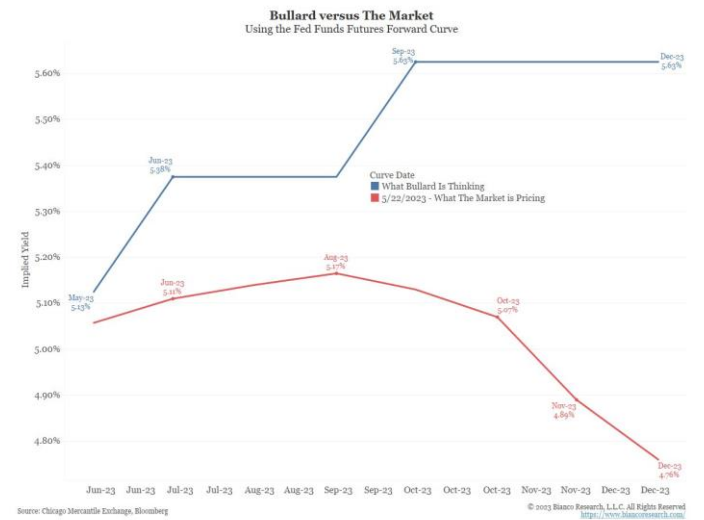
Bonds: Govies UNDERWEIGHT. 10Y UST Target 3.75%

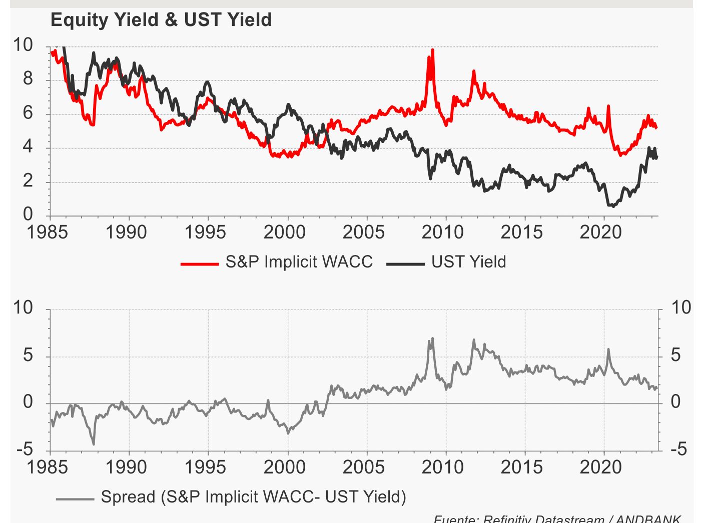
CDX IG: MARKETWEIGHT (Target Spread 100)

CDX HY: UNDERWEIGHT (Target Spread 600)

Forex: DXY index MARKETWEIGHT-OVERWEIGHT







EUROPE

The fear of hard landing seems to be receding and the ECB seems ready to continue raising rates

Germany is feeling the effects of monetary policy and a disappointing recovery in China. However, German monetary authorities demand new rate hikes

German is **officially in recessio**n: 1Q GDP -0.3% q/q (after -0.5% in 4Q22). On a YoY basis, GDP was -0.5%. Household consumption was down -1.2% q/q in 1Q23, and government consumption was -4.9% q/q. The optimism at the start of the year seems to have given way to more of a sense of reality. **Big drop also in German exports to China** raises fears over EU's economic powerhouse. **German industrial production also misses estimates** in March. Details noted that the manufacture of motor vehicles and parts declined the most, followed by machinery and equipment and the production in construction. Sentiment down as the latest **German Ifo business** climate survey missed expectations. All key leading indicators in the manufacturing sector are now falling. Eurozone May investor morale lowest since January. The EZ Sentix Investor Confidence survey for May posted the lowest reading since January 2023

Tighter credit conditions to dampen growth

Policy normalization is bearing fruit when it comes to credit conditions. The last Euro Area Bank Lending Survey shows how both demand and supply would have plummeted to levels not seen since the GFC. This is perceived as an early warning on the trend for both GDP and inflation. Service optimism in the Euro area could have already started to fade, but the labour market remains upbeat (unemployment rate at 6.5%, a historical low). European manufacturers show lower numbers, not only in terms of sentiment but also in data such as German factory orders. After a modest EZ GDP rebound in 1Q (+0.3%), lower energy prices would boost 2Q growth (+2%?), but the second half of the year could prove more challenging, as the M1 numbers show (-10% y/y). But it is far from clear when and how deep this will dampen the economy, as lagging effects are proving harder to predict.

ECB in June: another +25 bps "in the oven"

Laggarde said "rates will be raised to sufficiently restrictive levels and kept there for as long as necessary". ECB's Nagel (Bundesbank Chief) says "several rate hikes still required and once we have reached a sufficiently restrictive level it must be maintained for a sufficiently long time". ECB's Knot (Dutch Central Bank) says "rate hikes are working, more needed". ECB's Villeroy: "The ECB to reach peak rate during next three meetings"

The ECB remains determined to fight inflation, and one-two more similar hikes (+25 bps) seem in store for June and July, bringing the terminal depo rate to 3.5%-3.75%.

Financial Markets: Govies, Corporate Credit & Equities

Govies: Additional steps towards monetary restriction should be negative for peripheral spreads. Impact could be limited though, as communicated in advance, to markets that have well absorbed the ECB recent balance sheet gradual shrinkage, and with the more important PEPP still running on reinvestments. But concern is mounting on the likelihood of the PEPP reinvestment end also being brought forward

Corporates: Positive corporate results in the 1Q have made it possible for European corporate spreads to remain at more than acceptable levels. The worsening of financial conditions and lower growth prospects, we should be more attentive to those companies with worst credit metrics. The comparison between the poor evolution of financial conditions and the behaviour of European HY creates a risk-return divergence that is difficult to justify. In the last ECB meeting we learned of its intention to cease reinvestment in the APP program at the end of the 2Q23. In terms of amounts, it will not be significant, but given the current circumstances, it does not help. On the supply side, investor appetite continues to be present, especially in the financial sector.

Equities: With GDP growth revised up to 1.0% in 2023 (from 0.8%) and 1.7% in 2024 (from 1.6%), this is consistent with the fact that European capital goods companies have surprised us positively. This doesn't suggest a drop from here in the cyclical stocks, as many of them trade at reasonable valuations. Over 80% of Stoxx600 companies released Q1 earnings and 70% beat EPS estimates (surprising positively by 10%), with EPS growth at +3% y/y. On the top line, revenue growth is at +4% y/y, with 7 of the 11 sectors seeing positive sales growth. On the banking side, Q1 publications have been strong but analysts are not raising FY forecasts, triggering some profit taking. The Spanish economy appears to be performing somewhat better than had been anticipated in December. The gap with the pre-pandemic output level (4Q19), standing at 0.9% in 4Q22, is now set to be closed between the 2Q23 and 3Q23. Earnings for Ibex 35 in the 1Q rose 18.7% y/y. This leads to an upside earnings revision for the consensus to 854 EPS for the whole year.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – Stoxx Europe: UNDERWEIGHT- MARKETWEIGHT

Equities – Euro Stoxx: UNDERWEIGHT- MARKETWEIGHT

Equities – Spain's Ibex: MARKETWEIGHT-OVERWEIGHT

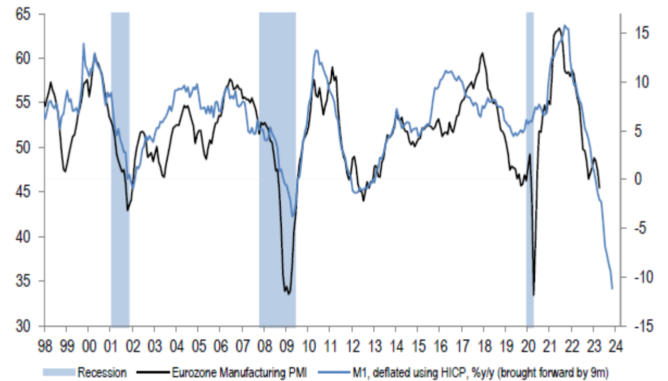
Bonds – Core governments: UNDERWEIGHT (Bund target 2.5%. Buy at 3% yield)

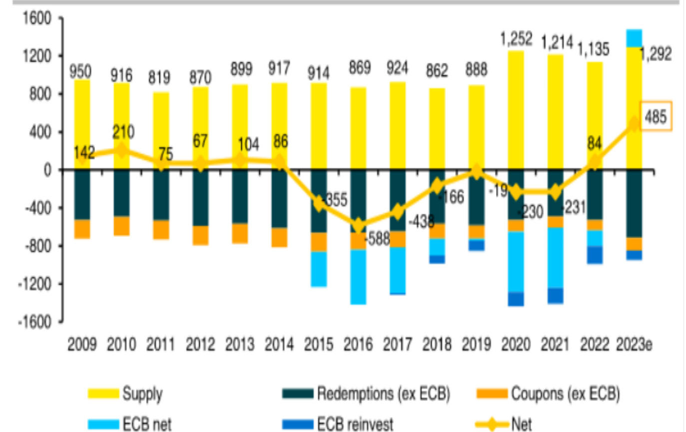
Peripheral – MW IT (4.5%), SP (3.5%), PO (3.5%), IE (3%). UW GR (5%),

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

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

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





CHINA

Many factors are fueling the prevailing narrative of a disappointing Chinese reopening. What next?

Talks of friendshoring, reshoring, and decoupling have weighed on Chinese market

On February 4, the US Air Force shot down a Chinese spy/weather balloon and Chinese markets began to underperform. Geopolitical tensions between China and the West are rising and with it talks of friendshoring, reshoring, and decoupling, and this is weighing on the Chinese stock market. To what extent are Western companies offshoring production from China? The main challenges for Western companies operating in China are rising labour costs, inconsistent regulatory interpretation, unclear laws and enforcement, rising tensions in US-China relations and, until recently, Covid-19 prevention measures. Some of these challenges moved in an adverse direction for China. Business surveys show that among American firms a quarter are looking to move production outside of China and less than half see China as a top three investment destination. European firms are less likely to shift investment away from China, according to these surveys. The share of FDI from Western countries has decreased and a large chunk of total FDI in China comes from round-trip investment. China's share of FDI dropped significantly in both value and number of projects, especially in strategic sectors. China still has a lot going for it; however, the underlying pressure to decouple can simply not be ignored. All in all, we project that western companies will likely continue to offshore production from China and move to friendlier shores.

How disappointing has the reopening of China been? Or is it rather a different reopening from traditional recoveries in China?

Stock prices of LVMH, Hermès and Ferrari have been on an impressive tear since China ended its Covid restrictions, but the likes of BHP, Rio Tinto and Anglo American are down anywhere between -7% to -24% ytd. More importantly, in a 2021-type flashback global equity markets have been again led by US tech stocks in a shift in market leadership that has fed the prevailing narrative of a disappointing Chinese reopening. But how disappointing has China's reopening been? In absolute terms, Chinese economic data have come in above expectations, but there have been areas of disappointment. While services PMI soared to a new high, the manufacturing PMI dipped back below 50, while property sales have begun to disappoint, and this has weighed on commodity prices (iron ore and coal). This explains the divergence between the BHPs and LVMHs. The reality is that China's economy is bouncing back, but it might be recovering in a different way than before. This time the Chinese rebound is not being fuelled by infrastructure spending and real estate development, but by consumer spending. This may perhaps help explain the poor performance of Chinese equities.

Long-term outlook. What will be the big drivers for this market?

It is all about the China political risk: China's leadership has been undermining foreign investors' faith for a while; first by wiping out shareholders in education firms and then by kneecapping the post-IPO bag-holders of Didi Chuxing (China ordered to remove the application from all app stores). The ghosting of Alibaba founder Jack Ma did not help (the magnate went from having it all to disappearing from public life after criticizing the Chinese government), nor did the disappearance of Bao Fan (the founder and main dealmaker at Renaissance Holdings). In the geopolitical area, recent tensions around Taiwan, or even Xi Jinping's visit to Moscow, do little to alleviate Western concerns about deploying capital in China. One explanation for the simultaneous disappointing performance of Chinese equities and the surging share prices of Hermès, LVMH and Ferrari is that foreign investors want to play China's recovery—but to do so indirectly. No portfolio manager wants to risk having capital immobilized on the Mainland. For a fund manager, owning LVMH will not raise questions from either internal risk managers or clients. The same cannot be said of Tencent, Alibaba, Baidu or Kweichou Moutai.

Chinese entrepreneurs' animal spirits may have been crushed

Chinese equity bull markets have historically been driven by domestic investors rather than foreign ones. Given record cash balances in Chinese banks, falling interest rates and a central government looking to goose up economic growth, why is the marginal renminbi still not flowing into China's domestic equity markets? Up until roughly five years ago, most rich Chinese people seemed to subscribe to the belief that the Chinese Communist Party was the most efficient technocratic ruling class out there. But after everything that has happened in the last five years, including the savage blockades due to Covid, or the earthquake among the most important local tycoons who had the courage to raise some criticism of the government, the truth is that the enthusiasm of wealthy Chinese for their rule seems to have vanished. This new disillusionment is explained by various factors: Most rich Chinese people know how the "rest of the world" lived through Covid, which tends to raise questions about the leadership. Additionally, many rich people in China send their children to foreign boarding schools and universities and the Covid restrictions meant that they barely saw their children for almost three years. This built up resentment.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – SHANGHAI Idx: UNDERWEIGHT

Equities – SHENZHEN Idx: UNDERWEIGHT

Bonds – Govies: UNDERWEIGHT (10Y Yield target 2.5%)

Forex – CNY/USD: UNDERWEIGHT (Target 7.50)

Fuente: Refinitiv Datastream / ANDBANK

Fuente: Refinitiv Datastream / ANDBANK

Fuente: Refinitiv Datastream / ANDBANK

MACRO ECONOMY

JAPAN

Inbound recovery, plans for robust capex, ongoing BOJ monetary easing, solid earnings and cheap valuations

Stimulus: Government and BOJ debate whether this is a sustained exit from deflation. Support for current easing is maintained.

BOJ left short and long-term rate targets unchanged but initiated long-term policy review: Guidance was tweaked to take out reference to monitoring Covid developments. Other key components were retained — QQE and YCC will be maintained until inflation stably reaches the 2% target, the monetary base will continue to expand, BOJ will not hesitate to ease further if necessary. Furthermore, statement acknowledged achieving price stability has been a challenge over the past 25 years and will conduct a "broad perspective" policy review with a planned time frame of around one to one and a half years. May Overall CPI was +3.2% y/y vs consensus +3.4% and +3.5% in prior month

BoJ's governor Ueda reiterated that policymaking would continue as usual during review period. March BOJ minutes indicated members' thoughts that market distortions remained though did not worsen. Some BoJ's members suggested the need to examine the effects of past efforts to improve market functioning (possibly a prelude to their decision to conduct a long-term review) while maintaining support for current easing. Key focus seemed to be the effects on corporate debt financing, as many members agreed that widening credit spreads had paused though deterioration in market functioning remained and continued to warrant close monitoring.

The last meeting of the Council on Economic and Fiscal Policy was focused on whether recent rises in inflation and wage growth suggest the country is approaching a sustained exit from deflation. PM Kishida stressed need to exit deflation and foster perception there will be no return to deflation. He also called for policy coordination with BOJ as he maintained that faster wage growth is his administration's top priority. Workers are set to receive biggest pay raises in 31 years. A survey of 308 Japanese companies showed average wages set to rise 3.89% in 2023, accelerating 1.54% from last year. 90% of firms are awarding base wage rises, noting that the inflation factor (CPI ex-imputed rent) used to calculate real wages rose 3.8% in FY22, a 41-year high. Small firms' pay raises were somewhat softer than the average at 3.57%, though this was still a record for which comparable data is available. In the inflation camp, the latest reading was for April CGPI at +5.8% y/y (vs +7.2% y/y in prior month). The expectations remain for inflation to persist as 75% of grocery product makers plan to increase prices over the coming year. About half did not manage to pass on higher costs with negative real incomes cited as a headwind. However, progress has been mixed with most firms reporting partial pass through and only 12% passing on at least 80% of cost increases.

International flows and macro developments: The activity is in good shape

April Economy Watchers Survey current conditions index 54.6 vs 53.3 in prior month. March leading economic index 97.5 vs 98.2 in prior month. Coincident index unchanged at 98.7. April services PMI 55.4 vs 55.0 in prior month. Composite PMI 52.9 (unchanged).

Earnings: Focus on projected earnings beats

Nikkei ranked Japanese companies in order of the magnitude of analyst FY earnings forecasts over corporate guidance. Toyota Motor is projected to outperform by the biggest margin by more than ¥110B ($816M) as yen weakness cushions downward pressure on net profits. Nintendo (7974.JP) ranked second at ¥21.5B. Daikin (6367.JP) was third, supported by similar FX dynamics.

Japan's biggest banks guide toward stronger profit growth, but express caution about the outlook: Nikkei reported that combined net profit at Mitsubishi UFJ (8306.JP), Sumitomo Mitsui (8316.JP) and Mizuho Financial (8411.JP) rose 5% in fiscal 2022. Earnings were underpinned by growth in foreign loans, contributing to improved interest rate spreads. Banks guided for 10% profit growth in fiscal 2023, biggest since 2005. However, banks also expressed concerns about the outlook, made no new buyback announcements, reflecting a desire to protect capital amid risks from rising interest rates (particularly in US), troubles in CRE segment and softer outlook for global economy.

Demographics remain an important deflationary driver

Official data showed Japan's estimated child population fell for the 42nd consecutive year to hit a new record low, as Prime Minister Fumio Kishida calls for implementing "unprecedented" measures to boost the birth rate. The number of children aged 14 or younger was 14.35M as of 1-Apr, down by around 300,000 from a year earlier. The ratio of children to the total population was 11.5%, down by 0.2%, also the lowest figure since 1950 when comparable data became available.

Global semiconductor deflation in sight as global demand for chips slumps

Kioxia Holdings and Western Digital (WDC) are speeding up merger talks and finalizing a deal structure as the drop in Flash memory market increases pressure on consolidation. Under the plan, the merged entity would be owned 43% by Kioxia, 37% by Western Digital and the remainder by existing shareholders. The article noted that the planned merger is likely to create antitrust security in both the US and China.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – N225: OVERWEIGHT

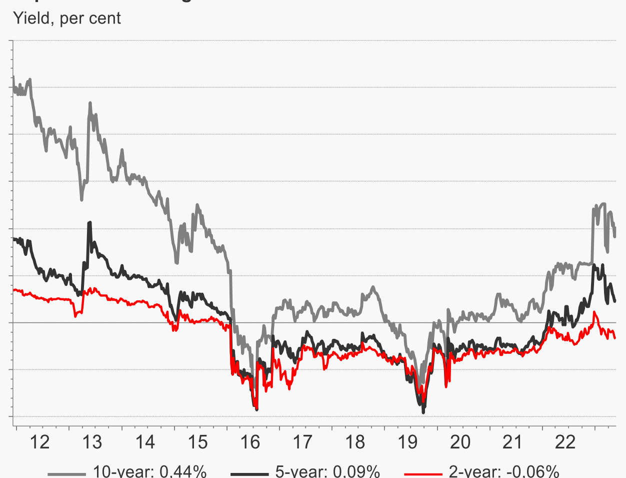
Bonds – Govies: UNDERWEIGHT (Target yield 0.75%)

Forex – USD-JPY: OVERWEIGHT. JPY (Mid-term target 120)

Japan Nikkei 225 price / earnings
Ratio

Fuente: Refinitiv Datastream / ANDBANK

Japan benchmark government bonds
Yield, per cent



Fuente: Refinitiv Datastream / ANDBANK

Japan real narrow EER
Index, January 2010 = 100

Fuente: Refinitiv Datastream / ANDBANK

INDIA

Flows from abroad are recovering momentum, causing a rally in equities, Fx reserves and in the local currency.

Favourable Macro Outlook

The Consumer Price Index (CPI) for March fell to 5.66% y/y, compared to 6.44% y/y the previous month. Core inflation also fell to 5.78% y/y. Meanwhile, industrial production prices (IIP) for February remained stable at 5.5%, as NYMEX oil prices grew by 1.5% compared to the previous month, ending at $76.78 per barrel.

Indian Equity market Outlook

Indian equities have recovered +7.67% in a month and a half (from the lows of March 24th) as worries about the financial sector eased. Credit growth picked up significantly in recent months and remains on its double-digit growth trajectory, indicating that underlying demand remains strong. Valuations have corrected further and will become more attractive as earnings continue to accumulate. Key stocks traded above neutral lines for most of the month as traders were buoyed by industry body PHDCCI's statement that "enhanced competitiveness of the Indian economy will attract more investments and create new employment opportunities for the growing young population in the country". Traders also took note of private reports that India has set a deadline of 2035 for establishing green hydrogen bunkering and refuelling facilities at major ports in the drive to cut its carbon footprint.

Expectations that inflation has peaked and the possibility that the cycle of rate hikes will end also contributed to the positive momentum. Rising inflation in India has been much more contained than in other economies. The Indian economy's fundamentals and long-term growth potential remain strong, and we see any volatility as an attractive opportunity for long-term investors to increase their exposure to the market.

India's share in world market cap is 3.1% (above historical average of 2.5%), placing it among the top-5 contributors to world market. Corporate earnings continued to remain healthy in 2022. While the aggregate growth appeared impressive, it was driven only by three sectors: BFSI, O&G, and Metals. These three sectors, jointly with IT, accounted for 90% of incremental earnings y/y. The adverse macroeconomic backdrop with heightened worries over rising interest rates, elevated crude oil prices and liquidity tightening has kept the market volatile and jittery. Banking sector has witnessed credit growth of low double digits after a long time and that could be the catalyst which the sector was looking for to turn its underperformance around. If the global economy slows down as IMF projects, then commodity prices should retreat on the back of the monetary tightening that happened in 2022. The baseline assumption is that inflation should not be as big a problem as it was in 2022. It is difficult to predict oil prices: RBI gives a number below $100 a barrel. India can live with that number and be able to achieve the projected growth rates in their official surveys. The recovery of the economy is complete; hence, we don't have to speak of pandemic recovery anymore, we have to look ahead to the next phase. Reforms of the last eight years mean India will perform better in this decade.

Indian Economic Structure

India's public debt jumped from 71% in 2019 to 89% in 2021 but the government managed to cut debt again to 82% of GDP on the back of very strong (17%) nominal GDP growth the last two years. Stabilizing Debt/GDP at current (still elevated) levels will necessitate nominal GDP growth of 9.5% – corresponding to real GDP growth of 6-6.5% of GDP. If nominal GDP growth averages 11%, public debt will decline to below 80% by the end of the decade; in contrast, if nominal GDP undershoots to 8.5%, public debt will increase towards 87% of GDP by 2030. Therefore, relatively small changes in trend nominal GDP growth have large impacts on the debt trajectory. Fortunately, we expect those small changes to take place in this economy in the coming years, and we anticipate that they will be positive.

Encouragingly, the combined Gross Tax/GDP ratio accelerated to 18% of GDP in FY22, the highest since 2007-8, but still below world average. This can be sustained and increased further, suggesting that any fiscal problem should be relatively easy to handle. Furthermore, with the ratio of Indirect to Total Taxes in India already much above the emerging market average, tax mobilization in the coming years could be relatively easy, and will have to focus only on direct taxes to grant progressivity in the tax system.

Flows from abroad are recovering momentum

According to the latest RBI data, the foreign exchange reserve position increased marginally to USD 584.25 Bn. The strong position in Fx reserves caused the IDR to appreciate (or the USD to depreciate by 0.43% during the month), closing at Rs 81.83/USD from Rs 82.18/USD last month. At the same time, foreign investors were net buyers of Indian equities worth USD 1.42 Bn and were also net buyers of fixed income to the tune of USD 0.01 Bn. Domestic investors were net buyers of equities of USD 0.24B in the month.

Market outlook – Recommendations & Targets from fundamental analysis

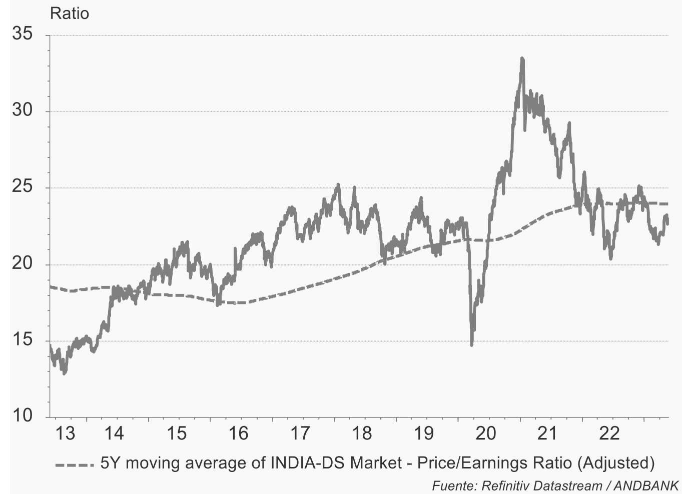
Equities – SENSEX: OVERWEIGHT

Bonds – Govies: OVERWEIGHT (Target yield 6.5%)

Bonds – Corporates: OVERWEIGHT

Forex – INR/USD: NEUTRAL (Target 84)

India Datastream index Price Earnings Ratio
Ratio

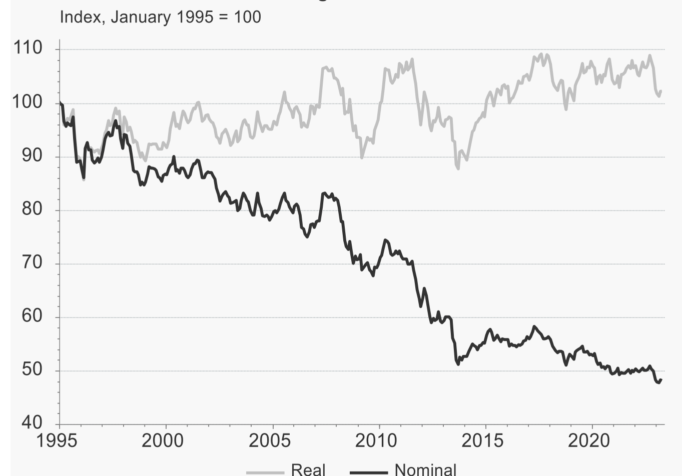


Fuente: Refinitiv Datastream / ANDBANK

India benchmark government bonds
Yield, per cent

Fuente: Refinitiv Datastream / ANDBANK

India broad effective exchange rates
Index, January 1995 = 100



Fuente: Refinitiv Datastream / ANDBANK

VIETNAM

More foreign capital is coming. Government efforts to control a housing bubble is being felt in the general economy

The regulator's efforts to lower interest rates will be supportive factors for the market. However, we think it will take some time for the effect of these policies to "seep" into financial markets. Investors may buy, anticipating the cash inflow into stocks that is accumulating following the Fubon ETF's entry into play, although it is possible to see some selling pressure as the VnIndex enters the resistance zone of 1055-1065 point.

Real estate crisis caused by the fight against corruption has dragged down the industrial economy of Vietnam

In 2022, the Vietnamese government unleashed an anti-corruption financial storm and increased efforts to rectify the real estate market, leading to the imprisonment of several Vietnamese real estate tycoons, and, for a time, the Vietnamese real estate market was "in turmoil". The large-scale anti-corruption campaign may have scared away some investors. After the local government increased supervision of real estate developers selling new bonds, the financing gap in Vietnam's real estate industry is growing. The total amount of new bonds issued by real estate companies in 2022 recorded a significant decrease compared to the same period last year. This comes after a significant deterioration in real estate sales in Vietnam, with the time needed for properties to be sold having increased from 2 to 6-8 months now. This combination of lower sales and constrained financing activity has led to Vietnamese real estate companies being unable to repay funds effectively and facing a serious problem of drying up liquidity. There are still USD 46.2bn worth of bonds due in Vietnam's real estate sector.

Lower GDP expected. Inflation well under control

Due to the complexity of the real estate industry chain, Vietnam's real estate industry "crisis" has had a major impact on its upstream and downstream industries, which in turn has led to a decline in industrial GDP growth, a central factor dragging Vietnam's GDP in the first quarter. Vietnam's gross domestic product advanced 3.32% y/y in Q1 of 2023, softer than the 5.92% y/y rise in Q4 2022 and, although it indicated the sixth consecutive period of expansion, the latest reading also marked the weakest pace of growth since the 3Q 2020, as foreign demand deteriorated further amid persistent cost pressures from Vietnam's major trade partners. Overall, Vietnam's end consumer demand in the first quarter was subdued, investment was weak, and imports and exports fell sharply, ultimately leading to weaker-than-expected GDP performance. From the current situation, the future growth of Vietnam's economy is expected to continue to be lower than charted. The Vietnamese government originally foresaw 6.5% annual GDP growth this year, a target that could be difficult to achieve. Core inflation remains a healthy 2.5% and Headline CPI continues well controlled and with downward dynamics at 2.81% yoy in April. SBV aims to achieve credit growth for 2023 at 14-15%. But a lower credit growth during January-April (at +2.66% y/y vs 6.75% y/y in the same period of 2022) is a warning sign for the economy's growth capacity. The SBV Deputy Governor said that he will continue to direct banks to reduce interest rates, creating more favourable conditions for credit.

The cooling of the world economy has led to decline in textile exports

Vietnam is one of the world's largest exporters of clothing, footwear and furniture, and also of electronics, ranking 12th in the world, and until recently one of the leaders in mobile phone exports. Foreign trade orders for textile have decreased. More generally, trade data from Vietnam Customs for April have been released and show another month of continued progressive contraction as trade headwinds persist. Year-to-date, exports and imports contracted by -13% and -17% respectively. A silver lining in the data is that the Vietnamese trade balance recorded a strong surplus of $7.5 bn.

International capital and FDI

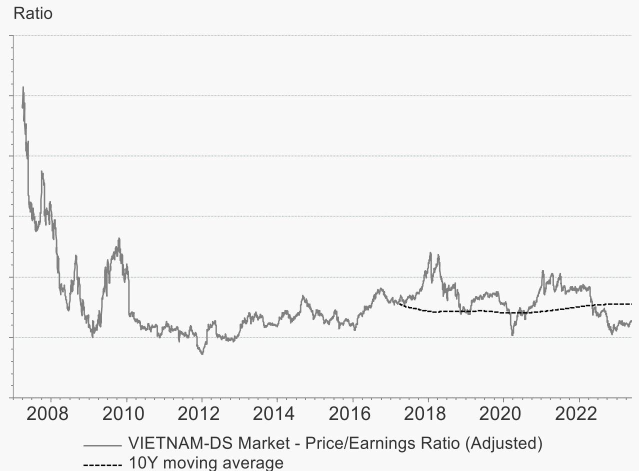
A large part of the electronic products processed and exported from Vietnam are products of South Korean companies, such as Samsung Group mobile phones and LG Group display screens. Due to relatively cheap labour costs in Vietnam, the Korean consortium was very interested in building factories in Vietnam and using Vietnam as a manufacturing base to produce Vietnamese electronics for export to the world. South Korean companies are estimated to account for 35% of Vietnam's total exports, with Samsung Electronics and other electronics companies contributing around 25%. According to the Vietnam Bureau of Statistics, in the first quarter of 2023, FDI vas -5.38% y/y, but this comes after FDI disbursements in Vietnam rose 13.5% y/y in 2022.

FUBON ETF

The Fubon Vietnam ETF recently announced that it will raise an additional USD 160mn, but the fund has not yet reached the target after several weeks. CTBC expects new inflows will gradually come. The fund is certainly positive on Vietnam going forward. Just recall that Fubon is a domestic ETF composed of stocks that have either reached or are close to hitting their FOLs. This USD 600 million AUM of this domestic ETF faces no limitations purchasing Vietnamese stocks, and foreign investors are now able to purchase 100% of the ETF's outstanding shares, so the structure enables foreign investors to indirectly buy a basket of stocks that have reached their FOLs. The ETF's purchases of those stocks is the main factor that helped shrink FOL premiums across-the-board.

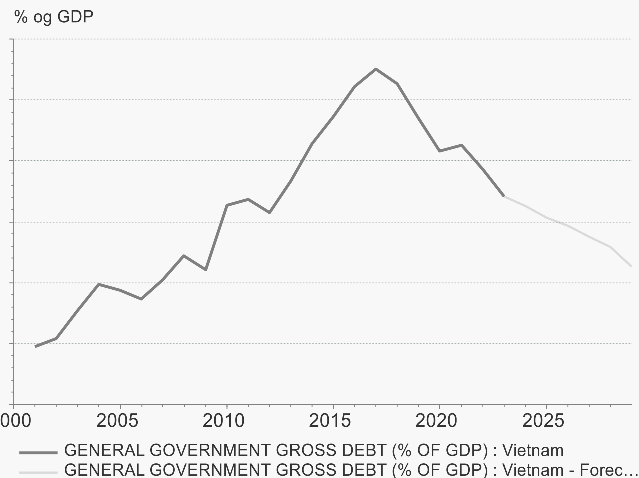
Market outlook – Recommendations & Targets from fundamental analysis

Equities – VNI Idx: OVERWEIGHT



Fuente: Refinitiv Datastream / ANDBANK

Fuente: Refinitiv Datastream / ANDBANK



Fuente: Refinitiv Datastream / ANDBANK

ISRAEL

Inflation rises more than expected. BOI will respond. Lower Political risk due to a halt of the judicial reform

Politics & Economy

The much anticipated announcement by the S&P ratifying the rating for Israel (AA-) with a stable outlook is not expected to have an immediate significant effect on the markets. S&P's announcement came a month after the credit rating forecast was lowered by Moody's. Where Moody's saw the passing of the legal reform as a risk to the Israeli economy, S&P said it expected some form of consensus over the judicial overhaul that will allow tensions to moderate. However, in the message it was specifically stated that the rating could go down if the political or regional risks increase and affect the economy.

The S&P growth forecast for 2023 is 1.5%, significantly less than the 2.5% growth forecast published by the Bank of Israel and the lowest of all the forecasts given by local or international institutions. If political consensus on judicial changes prevails growth will likely recover to an annual average of 3.5% from 2024, according to the credit agency. S&P expect the fiscal deficit to exceed the target of 0.9% and rise to 2.5%. On the other hand, the IMF warned that prolonged uncertainty over Israel's judicial overhaul presents a notable downside risk to the country's economy. In the 1Q of the year growth slowed to an annualized 2.5% from 5.3% in the 4Q22.

The judicial reform was temporarily suspended by PM Benjamin Netanyahu in late March and there are some signs that progress has been made with the opposition. The government is currently focused on passing the bi-annual 2023-2024 state budget before the May 29 deadline. Failure to do so would lead to snap elections.

Macro & Fixed income

The consumer price index for the month of April rose by 0.8% m/m (+5% y/y), significantly higher than the forecast of 0.4% m/m (+4.6% y/y), driven by rises in fresh vegetables and fruits (+4% m/m) and transportation costs (+2.5% m/m). It should be noted that the price increases are expected to continue in the coming months after a large number of food manufacturers announced sharp price hikes. Labour market indicators continue to show strength with the unemployment rate (seasonally adjusted) decreasing to 3.6% in April (3.8% the previous month) and the average salary rising by 7.9% y/y in March (includes a grant received by the public sector) compared with +3.9% y/y in February.

The rise in inflation will probably lead the Bank of Israel to raise its interest rate next month by at least 25 bps and possibly by another quarter of a percent next month to a level of 5%. It is in contrast to the consensus so far which assumed a halt in the current cycle of interest rate hikes and an expected reduction in the last quarter of the year. In light of this, we think that the yield curve does not reflect the change in forecasts. The curve is still inverted and concave to the highest degree seen in many years. Therefore, we believe that duration should be kept short and due to the shape of the curve, holding in the medium ranges should be completely avoided.

Stocks

The Israeli stock market finally recorded a positive month and slightly closed the underperformance gaps versus most markets in the world. As we noted in previous reviews, we think that the Israeli market currently trades at prices that reflect a fairly attractive risk-reward ratio and if it were not for the political crisis, it is likely that the market's performance would have been much better than it was. The Tel Aviv 125 Index rose last month by 4.75%, led by bank shares which jumped by 15%. The banks presented their financial statements for the first quarter, with a return on capital of approximately 20%, due to high interest rates, and despite their outperformance, they are still trading at attractive prices

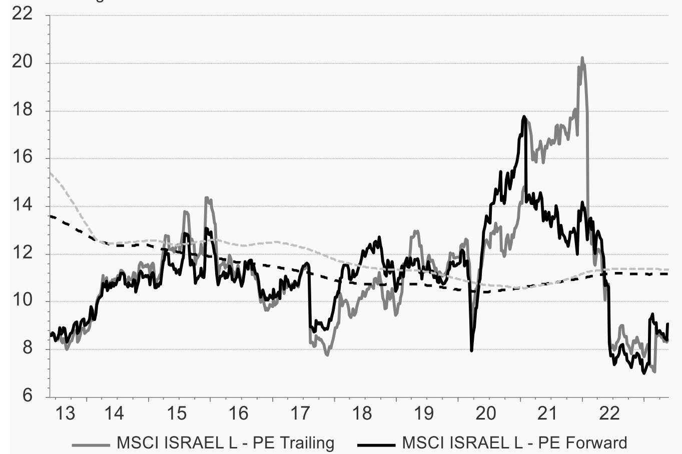
Market outlook – Recommendations & Targets from fundamental analysis

Equities – TLV35 Index: MARKETWEIGHT

Bonds – Government–10Y Gov: UNDERWEIGHT

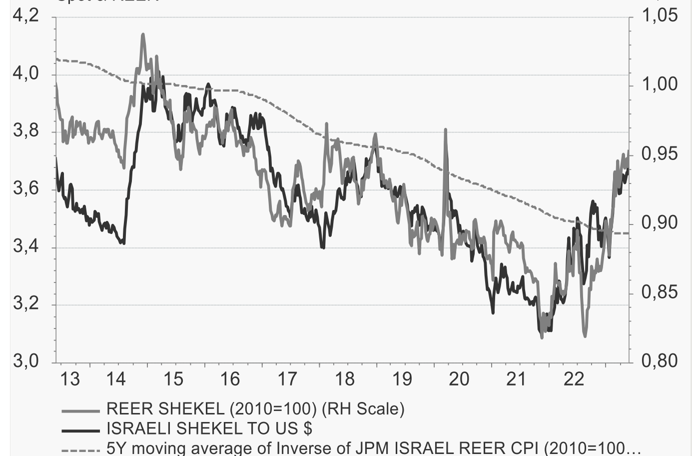
Bonds – Corporates: MARKETWEIGHT

FX – ISL vs USD: Neutral in REER



Fuente: Refinitiv Datastream / ANDBANK

Fuente: Refinitiv Datastream / ANDBANK



Fuente: Refinitiv Datastream / ANDBANK

BRAZIL

Fiscal woes still a concern

The enemy within

The fiscal framework drama continues, and while congress is doing its part to get it approved, both Lula himself and his own Worker's Party are creating turmoil.

One of the harshest criticisms the fiscal framework proposal is receiving is that it didn`t have enough penalties for missing the targets set. In an effort to make that correction, the lower House of Representatives sent a number of suggestions to the bill`s rapporteur, Claudio Cajado, requesting more rigour in the event of non-compliance with the rules. Although this was widely expected, Lula`s own Worker's Party is demanding that the original text from the Economy minister, Fernando Haddad, be kept without any changes, to the point of delaying important steps to get the project approved in order to have its demands met.

On the other hand, despite all the difficulties in approving such a complex bill, Lula himself used International Workers' Day to announce that the government will resurrect the formula for real (above inflation) minimum wage adjustments and an important correction to the income tax brackets for lower income families.

The above-inflation adjustment to the minimum wage is a formula based on last year's inflation plus GDP growth of the year before that. In Brazil, this has important implications for fiscal policy, because much government spending is tied to the minimum wage, most notably the welfare payments by the social security services, historically one of the fastest growing government expenditures.

The tax bracket correction was a campaign promise, and it has been anxiously awaited. The last time the brackets were adjusted was in 2016, since then inflation was 39.7%. It is speculated that the adjustment proposed by the government will exempt more than 13 million low-income Brazilians from paying taxes.

Of course, both announcements are great news for the low-income classes in Brazil. However, at the same time as it's trying to get a fiscally responsible package approved, the government is showing that it will spend more. Both adjustments are expected to cost between 20 and 25 Billion BRL.

How are markets holding up?

After the first couple of weeks form Haddad`s announcement, the future rate curve started to come down and has been doing so, slowly but steadily since then. The ten-year government local government bond started the year at 12.76%, peaked at 13.64% on March 3rd, and is currently below 12.0%. The stock market was a bit more volatile; the Ibovespa started the year at around 109,700 points, went all the way down to 97,319 (-11.2%) on March 23rd, and is back above 109,000 at the moment of this writing. We see a potential target price at 120.000 points.

The Real started the year at 5.28, traded around 5.20 during the first three months, and since the new fiscal framework announcement (March 30th) has been trading around 5.00. At the same time, another important indicator of risk acceptance for Brazil is the 5-year CDS, which has come down from 250 bps to 225 bps since Haddad's press conference.

The major event markets are expecting is a change in the Central Bank posture signalling some monetary policy easing in the near future. Roberto Campos has been holding his ground despite great pressure to start cutting rates asap. He has been very vocal about the absence of direct correlation between the approval of the new fiscal rules and monetary easing, which Lula and other of his ministers have been pointing to.

Economically speaking, latest indicators indicate a trend to better growth prospects (not much, but some), lower unemployment and lower core inflation, all of which would allow for some sort of easing. We are positive that is the direction, we are just not sure about the timing. The curve is foretelling a new cycle beginning August/September, but the BCB, at least in its communications, is saying maybe not. Economists are expecting a 12.50% interest rate at the end of the year (today at 13.75%)

Market outlook – Recommendations & Targets from fundamental analysis

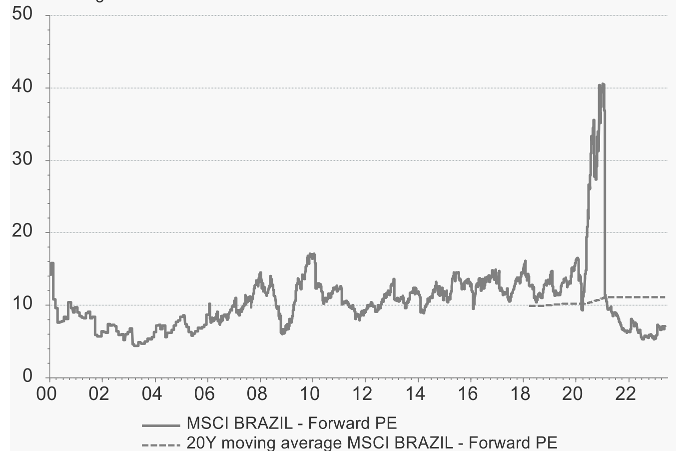
Equities – iBovespa: MARKETWEIGHT

Bonds – Govies Local: UNDERWEIGHT (Target yield 12.75%. Spread 900)

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

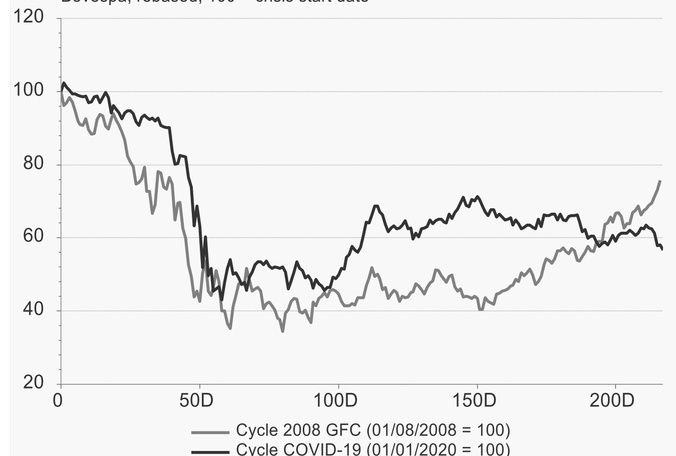
FX – BRL/USD: MARKETWEIGHT (Mid-term target 5.25)

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



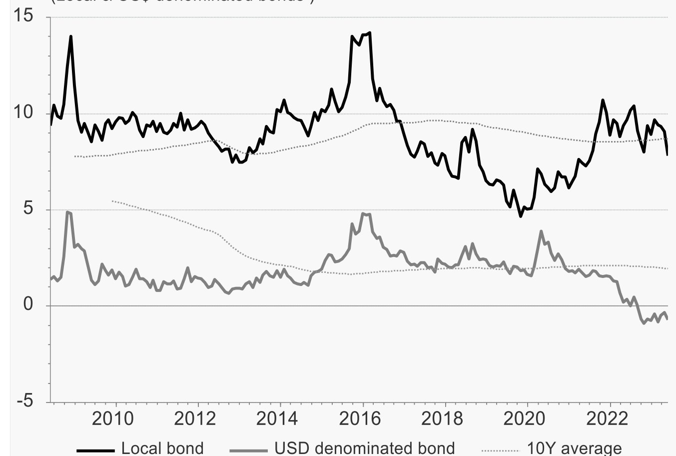
Fuente: Refinitiv Datastream / ANDBANK

Brazil equities (USD), 2008 vs 2020
Bovespa, rebased, 100 = crisis start date



Fuente: Refinitiv Datastream / ANDBANK

BRAZIL - SPREAD 10Y GOV BOND vs UST
(Local & US$ denominated bonds)



Fuente: Refinitiv Datastream / ANDBANK

MEXICO
A hawkish pause from the Central Bank

Central Bank

Banxico gave the market what it expected and kept its rate unchanged at 11.25%, as it acknowledges that the disinflationary phase is underway. The decision was unanimous. For inflation, it maintains a perspective where upward risks remain, although at the margin it cut its outlook for the remaining quarters of 2023 (closing estimate +4.7% y/y). The forecast for year-end 2024 remains unchanged (+3.1% y/y). The last paragraph of the monetary policy statement stands out: Banxico's Governing Board "estimates that the inflationary outlook will be complicated and uncertain throughout the entire forecast horizon, with upward risks. Given this, to achieve the orderly and sustained convergence of general inflation to the target of 3%, considers that it will be necessary to maintain the reference rate at its current level for a prolonged period, ruling out for the moment the cuts in the final part of the year that the market has been anticipating". This has been interpreted as a hawkish signal by the market.

Inflation and activity

Headline inflation maintained its downward trend in April at +6.25% y/y, influenced by a considerable decline in non-core inflation (+2.12% y/y). On the other hand, core inflation reached a level of +7.67% y/y (+0.39% m/m), which, though lower than what was observed the previous month, indicated some persistence due to pressure from the goods subindex (+9.54% y/y). The estimate for the end of this year is +4.9% y/y, 70 bps above the forecast at the end of last year.

A positive dynamic has been observed in economic growth indicators up to April, although the most recent ones, such as industrial production are beginning to show signs of deceleration. The IMF estimates the economy will expand 1.8% this year, from +3.1% in 2022.

Public Finances

During the first quarter, Public Finances reported a 5.5% drop in federal revenues due to a collapse in oil tankers after the drop in crude oil prices, the strengthening of the exchange rate and no expansion of oil production. Although this began to be observed from the beginning of the year, on this occasion the growth in tax receipts linked to consumption was also negative, which foretells a negative dynamic in these items in the remainder of the year as an economic slowdown is anticipated. Now the primary deficit estimate for this year stands at 0.5% of GDP and the Debt/GDP level above 50%. Any further deterioration may cause a review of the stable outlook assigned by credit rating agencies

Financial markets

Equity: We still see limited upside in the near term for stocks. We believe that multiples will continue to be pressured by historically high interest rate levels and with results that showcase challenges to growth. The nearshoring momentum narrative remains supportive of the market but not as a catalyst that counterbalances the rest of the factors mentioned previously. Our 12-month target for Mexbol remains at 59,000 points.

Fixed Income & FX: During a good part of April, the flow of foreign investment in the fixed-income market in pesos remained positive and growing. The favourable differentials in short and long-term rates against their comparables in dollars, added to a positive context in terms of macroeconomic, political and social differentiators against other emerging markets, and have been the catalysts for this scenario. It should be noted that during the second half of April the flow decreased, although it has remained close to maximums since the end of 2021, and risks related to the rule of law and governance have been perceived after the constitutionally dubious approval of laws that has been vetoed in the Supreme Court of Justice. We maintain the idea that inflation will drop for the rest of the year, but it will be slow. We keep the estimated 12-month level at 500 bps for peso denominated debt.

The peso continues to be one of the strongest currencies against the dollar, accumulating an appreciation of more than 10% in the year and reaching its low since 2017 (17.47 per dollar), although global risk aversion recently increased volatility in its price. Our target for the next twelve months has decreased from 20 to 19.5 pesos per dollar.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – Mex IPC: MARKETWEIGHT

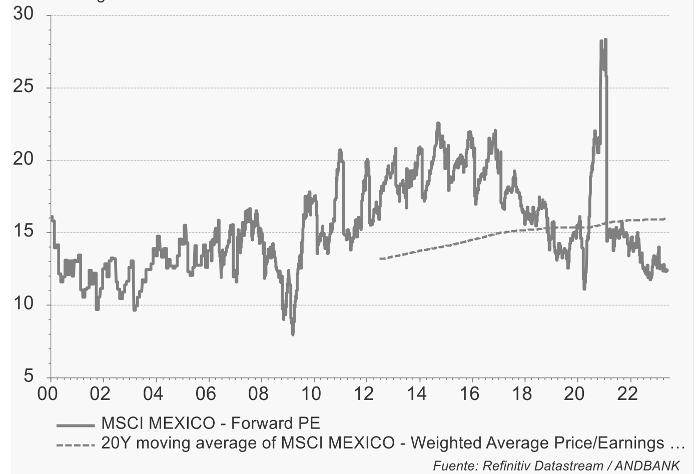
Bonds – Govies Local: OVERWEIGHT (Target yield 8.75%. Spread 500)

Bonds – Govies USD: MARKETWEIGHT (Target yield 5.75%. Spread 200)

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

Mexico MSCI Index price-to-earning

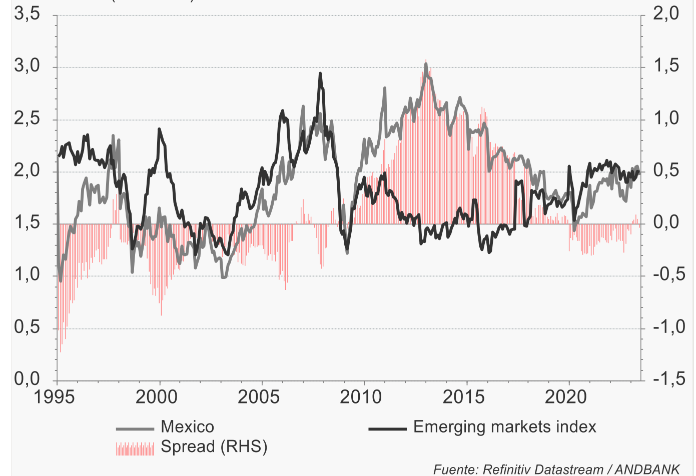
Trailing & Forward PE



Fuente: Refinitiv Datastream / ANDBANK

Mexico price-to-book ratio

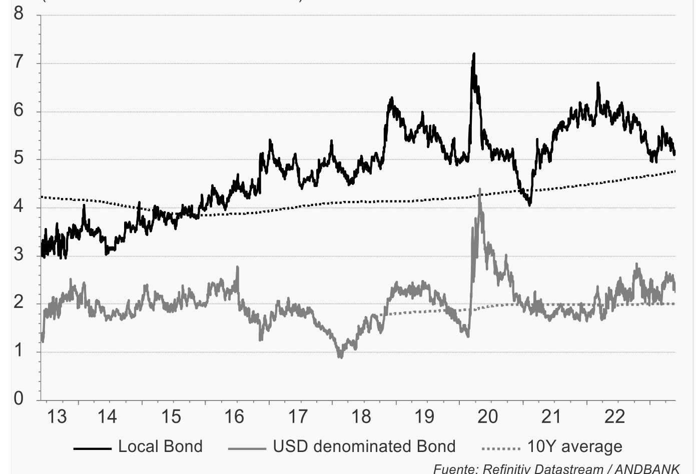
Ratios (both axes)



Fuente: Refinitiv Datastream / ANDBANK

MEXICO - SPREAD 10 GOV BOND vs UST

(Local & USD denominated bonds)



Fuente: Refinitiv Datastream / ANDBANK

ARGENTINA

Dangerous dynamics of prices and exchange rate when there is still a long time left in this election year

Inflation: Flirting with hyperinflation

April inflation was 8.4% m/m, much higher than expected by private analysts (Central Bank's Market Expectations Survey predicted 7.5% m/m). The year-on-year inflation hit 108.8%. Looking at the three main price categories, core inflation was +8.4% m/m, regulated prices rose by 4.9% m/m, while seasonal prices expanded +12.6% m/m. Food and beverages prices, which have the biggest influence on the index, recorded a 10.1% m/m increase.

To curb inflation the Central Bank raised its benchmark rate by 600 bps from 91% to 97% (annual effective rate of 155%). We do not expect this will help combat the inflationary process since it is not accompanied by measures to tackle the unsustainable fiscal situation. Furthermore, the hike will probably only exacerbate the problems. Higher interest rates increase the already very high debt burden of the Central Bank in short-term instruments, creating an increasingly difficult problem to solve, taking into consideration that banks have significant exposure to these notes.

Politics: Waiting for the ruling party to make its moves

It is not clear if the ruling coalition will present a single candidate or of this is going to be decided in the primary elections. The Minister of Economy, Sergio Massa, takes the position that the ruling coalition should not choose its candidate in the primary elections, since that would cause internal debates, generating more uncertainty at a time of high fragility. President Alberto Fernandez defends the opposite view, stating on several occasions that the healthiest thing is for the candidate of the Frente de Todos to emerge from an internal election. At the moment the only candidate is the ultra leftist Juan Grabois, but he has said that he would discard his candidacy if Cristina Fernandez de Kirchner, or someone close to her, runs in the elections. The VP has publicly reaffirmed her decision not to run in this year's presidential elections

In the opposition, the former Buenos Aires Province governor, Maria Eugenia Vidal, announced that she will not be a candidate for President, confirming that the Juntos por el Cambio (JxC) candidate will probably emerge from the contest between Horacio Rodriguez Larreta and Patricia Bullrich. According to polls, Javier Milei, the right-wing candidate, is growing at the expense of JxC, with a voting intention of between 15 and 20% of the electorate.

During the month of May we had elections for Governor in six provinces (Jujuy, Misiones, La Rioja, Salta, Tierra del Fuego and La Pampa). In general terms, the incumbent parties have maintained power with comfortable victories. In some cases we see how the dispersion of the opposition has helped the Peronist ruling parties. On the other hand, the elections for governor could not be held in the provinces of Tucumán and San Juan after the Supreme Court declared that the candidacies of Sergio Uñac, as governor in San Juan, and Juan Manzur, as lieutenant governor in Tucuman, violate provincial constitutions when seeking executive office for a third consecutive term. Both candidates belong to Frente de Todos. During the month of June, two dates stand out: the registration of electoral alliances between parties that can be done until June 14 and the gubernatorial elections in the Province of Córdoba that will be held on June 25.

IMF: Reformulation of the program and anticipated disbursement of funds?

The news agency Bloomberg reported that the Biden administration would support speeding up disbursements from Argentina's program with the IMF (USD 10.6 billion between June and December), if a new schedule is achieved between the two parties. For this the IMF is likely to ask for conditions. Julie Kozack, IMF spokesperson, said that the multilateral organization is taking Argentina's "historic drought" into account in its ongoing renegotiations. However, she did not specify any dates regarding these conversations and refused to answer whether the fiscal objectives of the program (which Argentina missed) will be changed. According to the Rosario Board of Trade exports of oilseeds and grains are estimated to be USD 19.4 billion this year, almost 20 bn below last year exports (USD 39.6 billion).

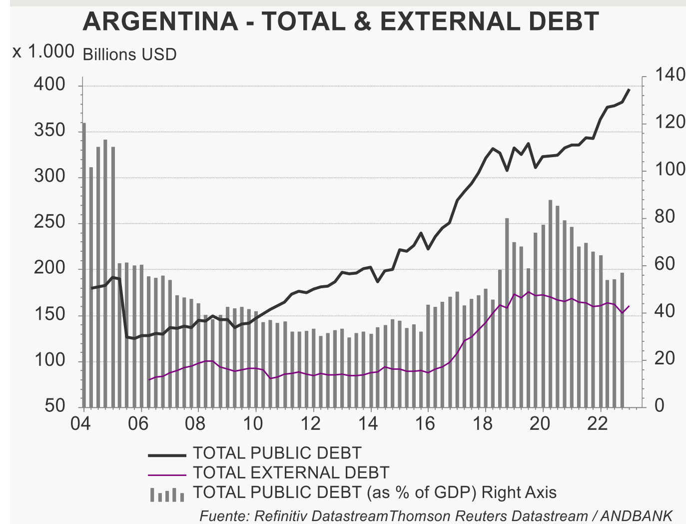
Reporters also asked Massa about this possibility of the IMF bringing forward the transfer of disbursements scheduled for this year and he manifested that "We are already discussing objectives and goals; everything is on the table in the discussion with the Fund".

Market outlook – Recommendations & Targets from fundamental analysis

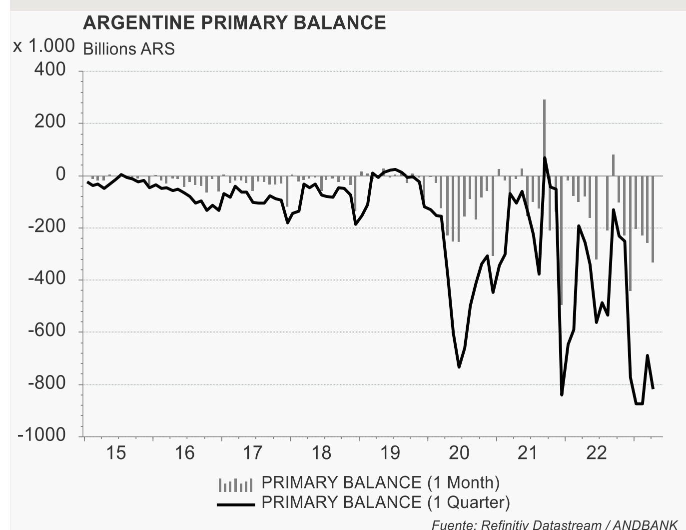
Bonds – 10YGov USD: NEUTRAL

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

Fuente: Refinitiv Datastream / ANDBANK



Fuente: Refinitiv DatastreamThomson Reuters Datastream / ANDBANK



Fuente: Refinitiv Datastream / ANDBANK

GLOBAL EQUITY INDICES

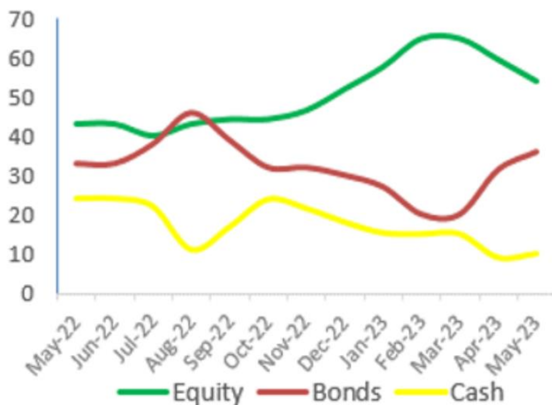
Fundamental assessment

Index	Final EPS 2022	Projected EPS 2023	Projected EPS Fw 12 months	EPS Growth 2023	Implicit PE (12m fwd)	E [PE] ltm At year end	Spread PE trailing vs fw	INDEX CURRENT PRICE	Potential Price	E[Perf] to potential price	Recommended Strategy	Suggested Exit Point
USA S&P 500	225,0	220,0	229	-2,2%	18,38	16,50	0,88	4.210	3.779	-10,2%	UW-MW	4.913
Europe - Stoxx Europe 600	32,0	32,5	32,5	1,6%	14,05	13,00	0,91	457	423	-7,5%	UW-MW	507
Euro Zone - Euro Stoxx	29,0	31,0	31,0	6,9%	14,57	13,00	0,83	452	403	-10,8%	UW-MW	484
Spain IBEX 35	745,0	800,0	821	7,4%	11,17	12,00	0,98	9.168	9.847	7,4%	MW-OW	10.831
Mexico IPC GRAL	3.780	4.225	4.215	11,8%	12,66	14,00	0,99	53.364	59.006	10,6%	OW	64.907
Brazil BOVESPA	17.816	17.816	17.816	0,0%	6,10	6,75	1,11	108.714	120.258	10,6%	MW	132.284
Japan NIKKEI 225	1.845	1.975	1.954	7,0%	16,03	16,50	0,97	31.328	32.248	2,9%	OW	35.473
China SSE Comp.	275,0	315,0	315	14,5%	10,24	9,50	0,81	3.224	2.993	-7,2%	UW	3.292
China Shenzhen Comp	101,0	132,0	132	30,7%	15,24	14,75	0,74	2.012	1.947	-3,2%	UW	2.142
India SENSEX	2.680	3.151	3.345	17,6%	18,82	21,00	0,89	62.969	70.250	11,6%	OW	77.275
Vietnam VN Index	100,0	120,0	130	20,0%	8,30	10,00	0,93	1.078	1.299	20,5%	OW	1.428
MSCI EM ASIA	40,0	42,0	42	5,0%	12,46	14,00	1,07	523	588	12,3%	OW	647

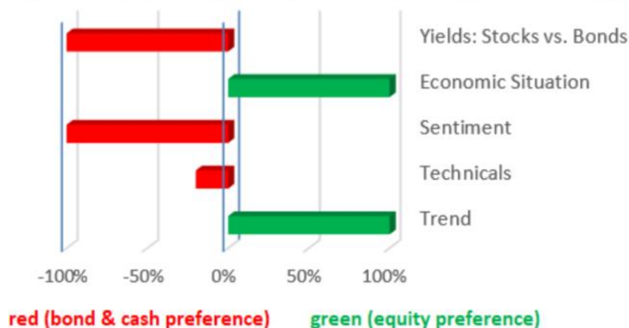
ANDBANK ESTIMATES

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

Dynamic Asset Allocation per Ned Davis Research



Current Relative Strength (Equities vs Bonds) Ned Davis Research



Tactical Asset Allocation

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

GLOBAL EQUITY INDICES

Earnings Dashboard - EUROPE

Exhibit 1A. STOXX 600: Q1 2023 Earnings Dashboard

STOXX 600 2023Q1 EARNINGS

BLENDED GROWTH RATES

STOXX 600	**9.6%**
Financials	50.9%
Utilities	50.0%
Technology	47.3%
Consumer Non-Cyclicals	8.6%
Healthcare	1.9%
Real Estate	-0.2%
Industrials	-1.4%
Energy	-3.9%
Consumer Cyclicals	-24.2%
Basic Materials	-48.3%

SCORECARD

	Above	Match	Below
STOXX 600	**66%**	**7%**	**27%**
Basic Materials	60%	3%	37%
Consumer Cyclicals	76%	4%	20%
Consumer Non-Cyclicals	64%	0%	36%
Energy	61%	0%	39%
Financials	80%	2%	19%
Healthcare	52%	16%	32%
Industrials	74%	4%	21%
Technology	59%	16%	24%
Real Estate	38%	15%	46%
Utilities	64%	9%	27%

	Reported	Remaining
STOXX 600	**280**	**43**
Basic Materials	30	6
Consumer Cyclicals	25	10
Consumer Non-Cyclicals	14	3
Energy	18	1
Financials	54	3
Healthcare	31	6
Industrials	47	2
Technology	37	7
Real Estate	13	1
Utilities	11	4

SURPRISE FACTORS

STOXX 600	**12.0%**
Technology	30.3%
Utilities	29.6%
Real Estate	23.3%
Industrials	20.8%
Consumer Cyclicals	15.7%
Financials	15.7%
Basic Materials	11.9%
Healthcare	8.1%
Consumer Non-Cyclicals	6.3%
Energy	-2.9%

STOXX 600 2023Q1 REVENUE

BLENDED GROWTH RATES

STOXX 600	**0.9%**
Financials	7.9%
Utilities	-24.8%
Technology	9.0%
Consumer Non-Cyclicals	14.4%
Healthcare	1.3%
Real Estate	9.3%
Industrials	8.6%
Energy	-2.5%
Consumer Cyclicals	-3.9%
Basic Materials	-7.8%

SCORECARD

	Above	Match	Below
STOXX 600	**67%**	**1%**	**32%**
Basic Materials	50%	0%	50%
Consumer Cyclicals	70%	4%	26%
Consumer Non-Cyclicals	80%	0%	20%
Energy	48%	0%	52%
Financials	70%	0%	30%
Healthcare	64%	3%	33%
Industrials	80%	0%	20%
Technology	71%	0%	29%
Real Estate	67%	0%	33%
Utilities	58%	0%	42%

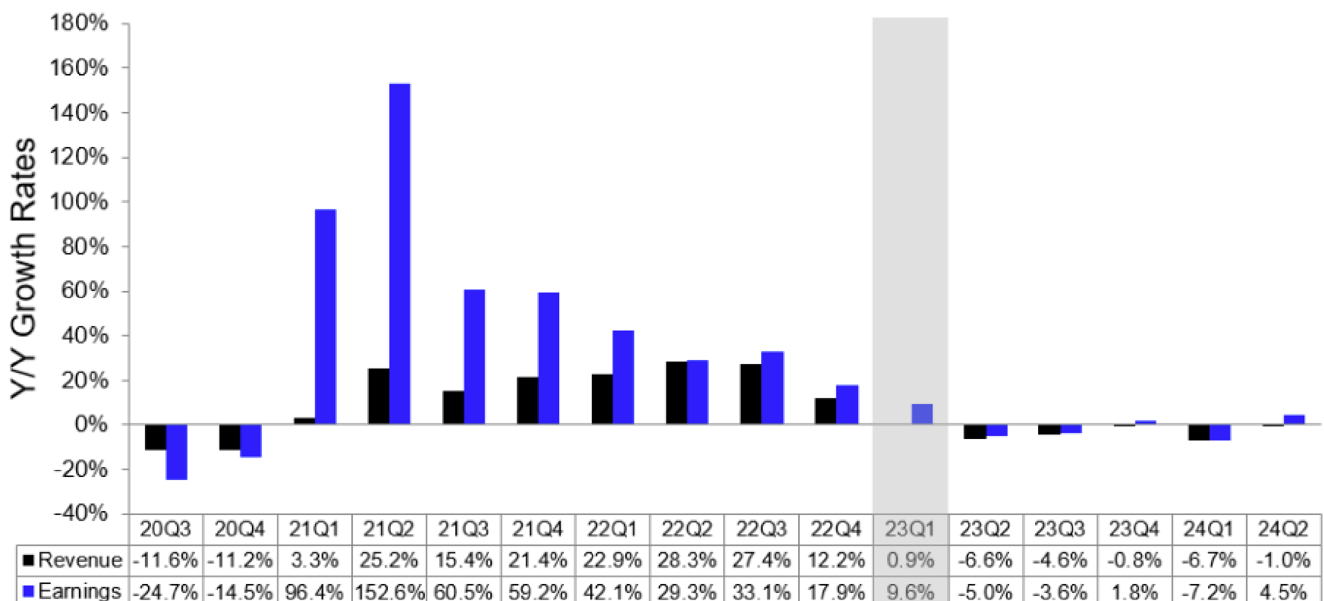
	Reported	Remaining
STOXX 600	**316**	**80**
Basic Materials	38	5
Consumer Cyclicals	27	23
Consumer Non-Cyclicals	20	10
Energy	21	1
Financials	54	3
Healthcare	33	9
Industrials	54	18
Technology	42	7
Real Estate	15	1
Utilities	12	3

SURPRISE FACTORS

STOXX 600	**-1.3%**
Technology	5.4%
Utilities	-3.5%
Real Estate	25.1%
Industrials	2.2%
Consumer Cyclicals	-19.0%
Financials	1.6%
Basic Materials	0.9%
Healthcare	1.3%
Consumer Non-Cyclicals	2.2%
Energy	-0.9%

Source: Refinitiv I/B/E/S data

Exhibit 3A. STOXX 600 YoY Growth Rates



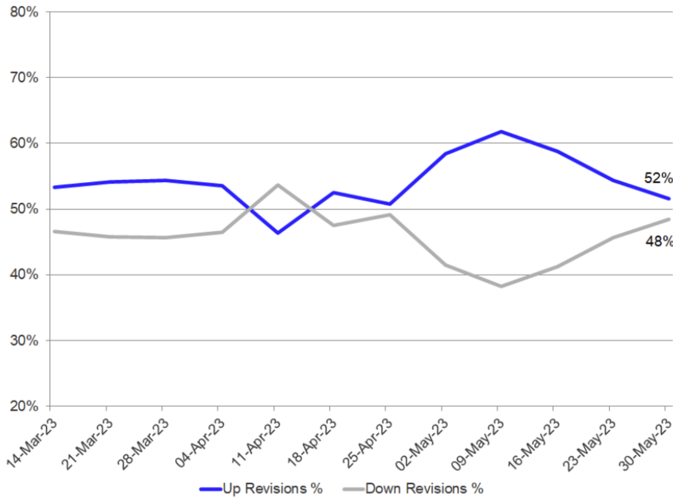
	20Q3	20Q4	21Q1	21Q2	21Q3	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2
Revenue	-11.6%	-11.2%	3.3%	25.2%	15.4%	21.4%	22.9%	28.3%	27.4%	12.2%	0.9%	-6.6%	-4.6%	-0.8%	-6.7%	-1.0%
Earnings	-24.7%	-14.5%	96.4%	152.6%	60.5%	59.2%	42.1%	29.3%	33.1%	17.9%	9.6%	-5.0%	-3.6%	1.8%	-7.2%	4.5%

Source: Refinitiv I/B/E/S data

GLOBAL EQUITY INDICES

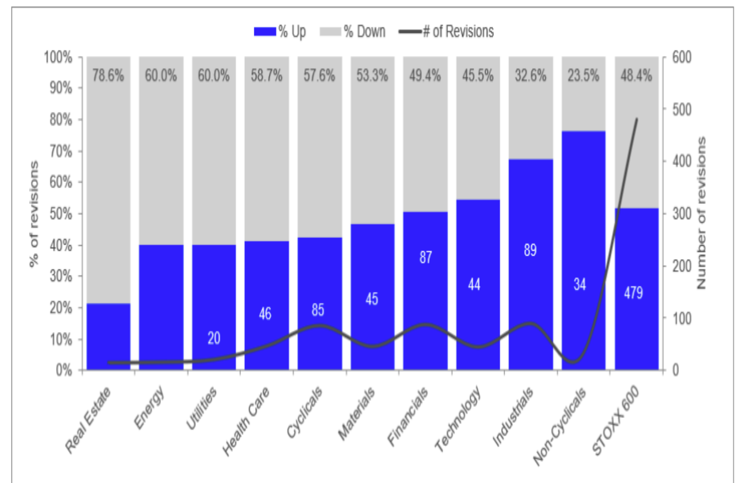
Earnings Dashboard

Exhibit 15A. STOXX 600 Earnings Estimate Revision Trend



Source: Refinitiv I/B/E/S data

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



Source: Refinitiv I/B/E/S data

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

Source: Refinitiv Datastream

ENERGY – OIL

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

Buy < USD75; Sell >USD100

Short-term drivers

(Bearish price factor) – Russia's finance minister admits "problems" with oil revenues: FT reported that Russia's finance minister Siluanov acknowledged issues with oil revenues this year, which have fallen to their lowest level in years, underscoring the impact of western sanctions. Siluanov blamed global discounts for why energy revenues fell by more than 50% in Q1 23, with energy revenues in the first four months of the year falling to the levels not seen since the start of the pandemic. That was despite Russian oil exports continuing to rise, with April exports the highest for any month since the invasion of Ukraine. It therefore seems clear that Moscow must compensate for the drop in income caused by the strong discounts applied to its crude, with an increase in exports. Although it is increasingly complex to carry out such increase in Russian crude exports (given the lack of ships willing to transport Russian crude and the lack of insurance companies willing to insure them), Moscow's effort to sell more crude to compensate the low prices can put a lot of barrels in the global markets. Russia's Putin also said that its 500K bpd voluntary production cuts announced in February were meant to support global oil prices. However, Bloomberg noted broad skepticism over whether Russia has cut production, with four-week average shipments the highest since at least the start of 2022.

(Bearish price factor) – EIA revises up Permian drilling count, implying that drilling rig productivity has been higher than past estimates: Reuters reported that the US EIA revised its data for the number of drilled but uncompleted wells in the Permian at the end of 2022 from 843 to 1069. The revision didn't affect its estimated crude production in the region of 5.3M bpd, saying operators had already submitted their crude production to states, but it clearly shows that drilling productivity is growing fast. The agency's estimate for 2022 well completions was also raised. These revisions suggests that active drilling rigs were about 10% more productive over the past two years than previously thought. US production is set to hit a new annual record this year, with the EIA saying production will rise by 200K bpd over the next 12 moths to 12.6M bpd.

(Bearish price factor) – New Mexico production rose ~400k bpd to 1.8M bpd, outpacing any other state and accounting for more than half of the nation's overall gain. Total production in the US was up 600K-700k bpd to 11.9M bpd last year. Texas remains the biggest producer with nearly 5.3M bpd compared to the 1.8M bpd for New Mexico in February. However, New Mexico could make further gains, with the number of drilling rigs, a barometer for future production, up five so far this year compared to an eight rig decline in Texas.

(Bullish price factor) – India considering refilling its strategic petroleum reserve: India plans to import 9.2M barrels of oil to fill empty reserves, though the grades and timing are under discussion. It is not clear if India would purchase Russian oil or buy from its traditional suppliers in the Middle East. India earlier this year allocated enough funds in its budget this year to cover purchases of around 10M barrels (or 7M barrels of non-sanctioned oil, according to the IEA). India's last purchase for its reserve was in 2020, buying at an average of $19 a barrel.

(Bullish price factor) – DOE announces plans to repurchase oil to replenish strategic reserves (SPR), the first of a three-part SPR replenishment plan, but it may have to do so at higher prices: The SPR volume stands at 362M barrels, the lowest since Oct-1983, but prices for sour crude (the grade the White House buys to refill the SPR), have risen ahead of the expected purchases, as well as from dynamics like tighter supplies from OPEC+ production cuts. The Biden administration is targeting a purchase range of $67 to $72 a barrel, though it could end up paying more than that. However, some traders said that the volume of crude is too small to significantly tighten global markets

(Bullish price factor) – Hedge funds' positions suggest most bearish oil outlook in more than a decade: The trading positions of non-commercial managers across all major oil contracts reflect the most bearish outlook since at least 2011. It adds that positioning across fuel-based contracts are at their most bearish since early in the pandemic. The positioning is consistent with broad expectations of a coming recession.

(Bullish price factor) – OPEC highlights risk from oil and gas underinvestment: OPEC Secretary General al Ghais, speaking at a conference in Dubai, argued that the world needs more than $12T in new oil and gas investments in order to avoid market volatility that could imperil global growth. Al Ghais said the world needs to focus on reducing greenhouse gas emissions, but major investments are needed in all energy sectors. We suspect that with his words, Al Ghais is preparing us for new production cuts in order to defend the price of crude oil and using the lack of investment (caused by environmental policy in Europe and West) as an excuse for the potential price increase.

(Bullish price factor) – China is stepping up checks on older vessels: The Chinese maritime authority is carrying out heightened safety scrutiny of foreign ships that are at least 15 years old, highlighting safety concerns across the growing fleet of aging ships carrying Russian oil. At least two tankers that are at least 20 years old have been delayed in making deliveries of crude to China, including one carrying Russian oil that has sat near the same port for nearly a month. These old ships waiting near Shandong lack the standard insurance. A Bloomberg article said that if China were to insist on vessels having industry-standard insurance cover, Russian cargoes would then be subject to the G7 $60 price cap. Therefore, it seems clear that Russia is turning to old ships, in many cases off the radar of the authorities, to transport its crude oil to distant ports in Asia and avoid the price cap limit imposed by the West on the Russian oil at USD 60 USD. However, there could be an accident at any time, and the West will increase scrutiny and sanctions on any transport. This could make it even more difficult to transport Russian crude and generate spikes in shortages.

Long-term drivers

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

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

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

PRECIOUS METALS - GOLD

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

Buy < USD2,000; Sell >USD2,200

Positive drivers for gold

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

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

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

Negative drivers for gold

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

Gold expensive relative to silver. The Gold/Silver ratio rose to 87.41, still above its 20-year average of 67.45x, suggesting that gold is still expensive relative to silver (or silver is cheap relative to gold). For this ratio to reach its long-term average, assuming that silver is better priced than gold (which is highly probable), then the gold price should go to US$1,424/oz.

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

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

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

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

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

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

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

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

EXCHANGE RATES

Flow analysis & Short-term view

Currency	Mkt Value of Net positions in the currency (Bn $)	Change vs last month (Bn $)	3-yr Max (Bn $)	3-yr Min (Bn $)	3-yr Avg (Bn $)	Current Z-score 3-yr
USD vs All	-12,83	-0,27	32,1	-28,2	-0,3	-0,67
USD vs G10	-10,02	0,70	32,7	-25,4	0,8	-0,61
EM	2,80	0,97	3,9	-1,2	1,5	0,92
EUR	23,39	0,15	25,4	-8,6	11,5	1,15
JPY	-7,28	-0,85	0,6	-15,0	-7,6	0,06
GBP	0,90	0,45	4,3	-6,5	-1,3	0,86
CHF	-0,13	0,39	0,2	-6,0	-2,2	1,23
BRL	0,66	0,33	0,7	-0,8	0,0	1,44
MXN	2,14	0,65	3,3	-1,5	1,2	0,76
RUB	0,00	0,00	1,2	-0,3	0,3	0,00
AUD	-3,24	-0,63	6,1	-5,2	-0,8	-0,77
CAD	-3,59	-0,38	6,1	-5,0	-0,4	-1,06

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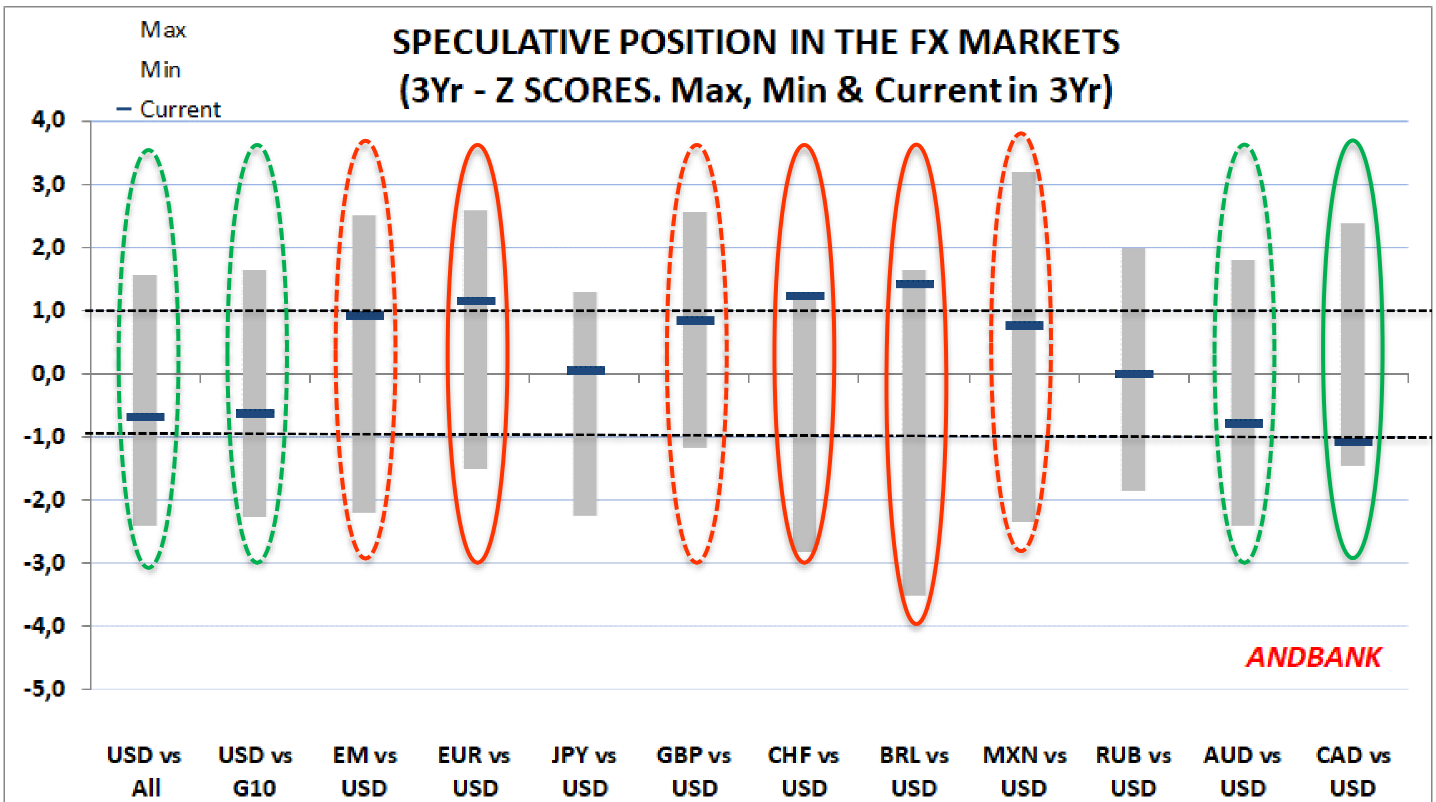

Positive
Neutral-Positive
Neutral-Negative
Negative

The currencies we technically favour are circled in green

SUMMARY TABLE OF EXPECTED RETURNS

Asset Class	Indices	Performance Last month	Performance YTD	Current Price	Andbank's estimate (potential price)	Expected Performance (to potential price)
Equity	USA - S&P 500	2,2%	9,6%	4.209	3.779	-10,2%
	Europe - Stoxx Europe 600	-1,0%	7,5%	457	423	-7,5%
	Euro Zone - Euro Stoxx	-0,7%	10,2%	452	403	-10,8%
	SPAIN - IBEX 35	0,9%	11,4%	9.168	9.847	7,4%
	MEXICO - MXSE IPC	-3,2%	10,2%	53.412	59.006	10,5%
	BRAZIL - BOVESPA	6,8%	-0,8%	108.824	120.258	10,5%
	JAPAN - NIKKEI 225	7,4%	20,1%	31.328	32.248	2,9%
	CHINA - SHANGHAI COMPOSITE	-3,0%	4,4%	3.224	2.993	-7,2%
	CHINA - SHENZEN COMPOSITE	-2,1%	1,8%	2.012	1.947	-3,2%
	INDIA - SENSEX	2,6%	3,5%	62.969	70.250	11,6%
	VIETNAM - VN Index	2,8%	7,0%	1.078	1.299	20,5%
	MSCI EM ASIA (in USD)	-0,2%	1,8%	523	588	12,3%
Fixed Income Core countries	US Treasury 10 year Govie	-2,1%	2,8%	3,73	3,75	3,6%
	UK 10 year Gilt	-4,7%	-3,5%	4,28	3,75	8,6%
	German 10 year BUND	-0,8%	2,5%	2,37	2,50	1,3%
	Japanese 10 year Govie	-0,1%	0,0%	0,42	0,75	-2,2%
Fixed Income Peripheral	Spain - 10yr Gov bond	-0,4%	3,3%	3,41	3,50	2,7%
	Italy - 10yr Gov bond	0,2%	6,1%	4,17	4,50	1,5%
	Portugal - 10yr Gov bond	0,2%	5,3%	3,07	3,50	-0,4%
	Ireland - 10yr Gov bond	-0,8%	3,5%	2,78	3,00	1,0%
	Greece - 10yr Gov bond	3,3%	8,4%	3,76	5,00	-6,2%
Fixed Income Credit	Credit EUR IG-Itraxx Europe	0,4%	1,6%	80,37	100	3,7%
	Credit EUR HY-Itraxx Xover	0,7%	3,9%	426,69	550	4,1%
	Credit USD IG - CDX IG	0,6%	2,5%	75,49	100	0,0%
	Credit USD HY - CDX HY	1,2%	4,2%	476,16	600	1,0%
Fixed Income EM Europe (Loc)	Turkey - 10yr Gov bond (local)	31,5%	7,6%	8,66	11,75	-16,1%
	Russia - 10yr Gov bond (local)	-0,4%	1,2%	10,75	14,00	-15,3%
Fixed Income Asia (Local curncy)	Indonesia - 10yr Gov bond (local)	1,5%	7,3%	6,35	6,00	9,1%
	India - 10yr Gov bond (local)	1,3%	5,6%	7,00	6,50	11,0%
	Philippines - 10yr Gov bond (local)	2,1%	10,2%	5,90	6,90	-2,1%
	China - 10yr Gov bond (local)	0,6%	2,1%	2,72	2,50	4,4%
	Malaysia - 10yr Gov bond (local)	0,3%	3,1%	3,82	4,00	2,4%
	Thailand - 10yr Gov bond (local)	-0,2%	0,7%	2,47	3,50	-5,8%
	Singapore - 10yr Gov bond (local)	-0,5%	3,0%	2,86	4,00	-6,3%
	Rep. Korea - 10yr G. bond (local)	-2,4%	2,1%	3,57	4,50	-3,9%
	Taiwan - 10yr Gov bond (local)	0,6%	1,7%	1,14	2,25	-7,8%
Fixed Income Latam	Mexico - 10yr Govie (Loc)	-0,1%	4,9%	8,87	8,75	9,8%
	Mexico - 10yr Govie (USD)	-0,9%	5,3%	5,59	5,75	4,3%
	Brazil - 10yr Govie (Loc)	7,0%	14,5%	11,56	12,75	2,0%
	Brazil - 10yr Govie (USD)	-0,4%	4,2%	6,29	6,75	2,6%
Commodities	Oil (WTI)	-2,4%	-12,9%	69,9	87,50	25,2%
	GOLD	-3,0%	7,2%	1.956,2	2.200	12,5%
Fx	EURUSD (price of 1 EUR)	-2,5%	0,3%	1,073	1,050	-2,1%
	GBPUSD (price of 1 GBP)	-0,4%	2,7%	1,24	1,25	0,6%
	EURGBP (price of 1 EUR)	-2,1%	-2,4%	0,86	0,84	-2,7%
	USDCHF (price of 1 USD)	1,2%	-2,3%	0,90	0,95	5,2%
	EURCHF (price of 1 EUR)	-1,4%	-2,1%	0,97	1,00	2,9%
	USDJPY (price of 1 USD)	2,4%	6,7%	139,83	120,00	-14,2%
	EURJPY (price of 1 EUR)	-0,1%	6,9%	150,02	126,00	-16,0%
	USDMXN (price of 1 USD)	-2,2%	-9,7%	17,59	19,50	10,9%
	EURMXN (price of 1 EUR)	-4,5%	-9,5%	18,85	20,48	8,6%
	USDBRL (price of 1 USD)	0,3%	-4,4%	5,06	5,25	3,8%
	EURBRL (price of 1 EUR)	-2,2%	-4,1%	5,42	5,51	1,7%
	USDARS (price of 1 USD)	6,3%	35,1%	238,80	370,00	54,9%
	USDINR (price of 1 USD)	1,1%	-0,1%	82,66	84,00	1,6%
	CNY (price of 1 USD)	2,4%	2,7%	7,08	7,50	5,9%

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

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