GLOBAL OUTLOOK

ECONOMY & FINANCIAL MARKETS

ANDBANK
Private Bankers

Andbank Monthly Corporate Review – October 2024

Corporate Review

October 2024

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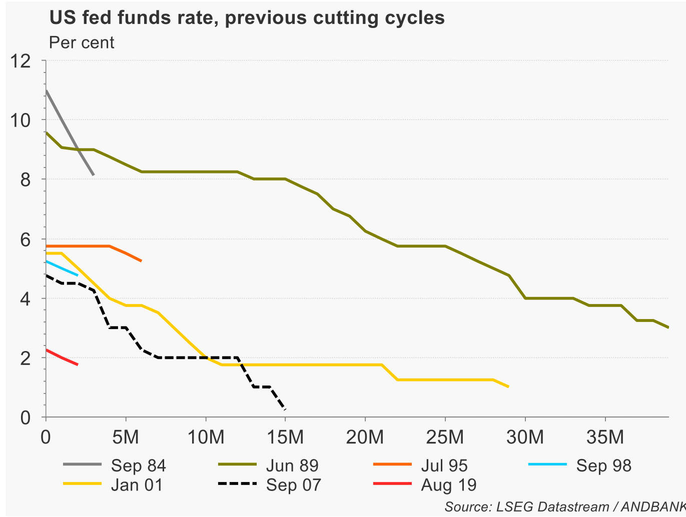
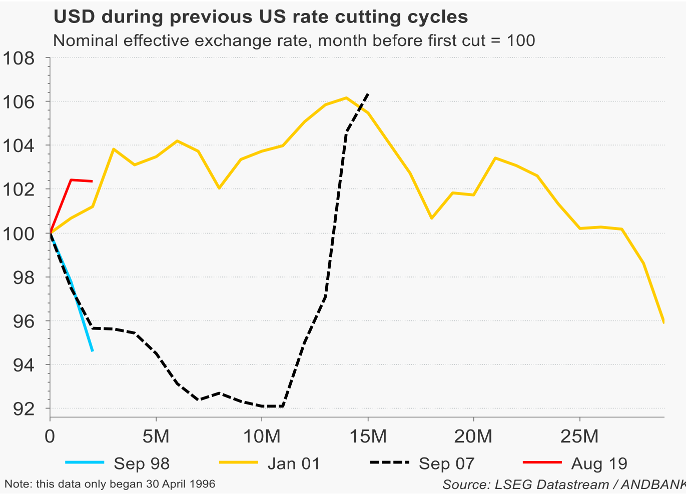
EXECUTIVE SUMMARY

CHARTS OF THE MONTH





EQUITIES

Index	INDEX CURRENT PRICE	Andbank's Target Price (in 12 months view)	Expected performance to target Price	Recommended Strategy
USA S&P 500	5.700	6.139	7,7%	MW
Europe - Stoxx Europe 600	517	540	4,6%	MW
Spain IBEX 35	11.637	12.166	4,6%	MW
Mexico IPC GRAL	51.675	52.406	1,4%	UW
Brazil BOVESPA	131.672	144.644	9,9%	MW
Japan NIKKEI 225	38.636	41.568	7,6%	MW
China SSE Comp.	3.336	3.365	0,9%	UW
China Shenzhen Comp	1.927	2.005	4,0%	UW
India SENSEX	81.688	94.087	15,2%	OW
Vietnam VN Index	1.271	1.463	15,2%	OW
MSCI EM ASIA	653	702	7,6%	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	-0,5%	3,0%	3,86	3,70	5,1%
UK 10 year Gilt	-0,7%	-1,6%	4,06	4,50	0,6%
German 10 year BUND	0,4%	4,9%	2,19	2,20	2,1%
Japanese 10 year Govie	0,1%	-3,4%	0,88	1,25	-2,1%
Spain - 10yr Gov bond	0,9%	2,4%	2,95	3,05	2,2%
Italy - 10yr Gov bond	0,9%	4,2%	3,50	3,60	2,7%
Portugal - 10yr Gov bond	0,9%	2,2%	2,72	2,80	2,1%
Ireland - 10yr Gov bond	0,6%	0,2%	2,52	2,60	1,9%
Greece - 10yr Gov bond	0,9%	1,5%	3,12	3,20	2,5%
Credit EUR IG-Itraxx Europe	0,2%	3,4%	59,39	75	3,4%
Credit EUR HY-Itraxx Xover	0,0%	5,4%	313,72	450	2,3%
Credit USD IG - CDX IG	0,4%	4,8%	53,78	75	4,8%
Credit USD HY - CDX HY	0,5%	7,7%	330,57	450	4,6%

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)	-3,4%	-14,5%	27,68	25,00	49,1%
Russia - 10yr Gov bond (local)	1,2%	-13,4%	15,11	25,00	-64,0%
Indonesia - 10yr Gov bond (local	0,7%	3,4%	6,63	5,50	15,6%
India - 10yr Gov bond (local)	0,8%	8,3%	6,82	5,75	15,4%
Philippines - 10yr Gov bond (loca	3,4%	7,1%	5,66	5,25	8,9%
China - 10yr Gov bond (local)	0,4%	5,7%	2,10	1,50	6,9%
Malaysia - 10yr Gov bond (local)	0,4%	2,6%	3,76	3,25	7,9%
Thailand - 10yr Gov bond (local)	0,4%	3,2%	2,50	2,00	6,5%
Singapore - 10yr Gov bond (loca	-0,1%	1,7%	2,73	3,40	-2,7%
Rep. Korea - 10yr G. bond (local	0,7%	3,9%	2,89	2,75	4,0%
Taiwan - 10yr Gov bond (local)	0,4%	-1,5%	1,47	2,50	-6,8%
Mexico - 10yr Govie (Loc)	2,7%	2,9%	9,36	9,45	8,6%
Mexico - 10yr Govie (USD)	1,4%	3,4%	5,64	5,70	5,1%
Brazil - 10yr Govie (Loc)	-1,3%	-8,3%	12,26	11,20	20,7%
Brazil - 10yr Govie (USD)	3,2%	5,1%	5,82	6,70	-1,3%

COMMODITIES & FX

Indices	Performance Last month	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
Oil (WTI)	8,1%	5,0%	74,9	85,00	13,6%
GOLD	5,7%	31,6%	2.660,3	2.300	-13,5%
EURUSD (price of 1 EUR)	-0,5%	0,0%	1,10	1,05	-4,8%
GBPUSD (price of 1 GBP)	0,2%	3,5%	1,32	1,29	-2,1%
EURGBP (price of 1 EUR)	-0,7%	-3,4%	0,84	0,81	-2,7%
USDCHF (price of 1 USD)	0,6%	1,2%	0,85	0,87	2,1%
EURCHF (price of 1 EUR)	0,2%	1,2%	0,94	0,91	-2,8%
USDJPY (price of 1 USD)	1,9%	3,9%	146,53	140,00	-4,5%
EURJPY (price of 1 EUR)	1,5%	3,9%	161,66	147,00	-9,1%
USDMXN (price of 1 USD)	-3,0%	13,9%	19,32	19,50	0,9%
EURMXN (price of 1 EUR)	-3,6%	14,0%	21,29	20,48	-3,8%
USDBRL (price of 1 USD)	-2,9%	12,9%	5,48	5,35	-2,3%
EURBRL (price of 1 EUR)	-3,3%	12,8%	6,04	5,62	-7,0%
USDARS (price of 1 USD)	1,9%	20,2%	971,50	1.000	2,9%
USDINR (price of 1 USD)	0,0%	0,9%	83,95	83	-1,1%
CNY (price of 1 USD)	-1,3%	-1,1%	7,02	7,50	6,9%

USA

The Fed cuts 50 basis points, shifts its focus towards employment, and reduces the risk of a hard landing

Equity Market Summary – Neutral/Positive Outlook: Corporate earnings have consistently surpassed expectations, with economic growth rebounding to 3% in the second quarter. However, signs of cooling in the labor market prompted the Federal Reserve to cut interest rates, thereby significantly mitigating the risk of a hard landing. There has been a rotation away from technology, with other sectors adding value. Utilities have led year-to-date performance. A diversified portfolio, balancing technology and other lagging sectors, remains our top recommendation.

Equity Bullish Price Factors.

CPI Cooling: CPI has slightly outpaced expectations (+2.6& y/y), declining to +2.5% y/y (+0.2% m/m), 0.4% below the July level. Core CPI increased slightly higher than expectations for the monthly reading (+0.3% m/m vs +0.2% m/m). The annual measure held at +3.2%, in line with forecasts. The shelter component of the CPI (one-third weighting), climbed +5.2% y/y.

Dovish Monetary Policy: The Federal Reserve lowered its interest rate by 50 basis points, citing signs of moderating inflation and a weakening labor market. This marks the first rate cut since the onset of the pandemic in 2020. According to the Fed's statement, there is growing confidence that inflation is sustainably moving toward the 2% target, and the risks to achieving both employment and inflation goals are now largely balanced**.** The Federal Reserve's balance sheet reduction has slowed, prolonging high liquidity levels, which supports the financial markets.

The September Summary of Economic Projections (aka. Dot plot) shows the fund's rate falling to 4.25-4.5% this year, suggesting one more 50 bps move or two 25 bps cuts at the two remaining meetings this year (November & December). For the next year another 100 bps of cuts is projected.

US Presidential Elections: Despite the uncertainty surrounding the final result of the election, both main candidates are expected to maintain policies favorable to the economy, limiting the chance of negative surprises.

GDP Growth: Quarterly GDP rose to 3%, and full-year forecasts have been revised up from 2% to 2.5%.

Lower Default Rate: Corporate default rates remain below 2%, with improved credit quality, reducing stress and the probability of defaults.

Equity Bearish Price Factors.

Weaker Employment: In August, the U.S. economy added fewer jobs than anticipated, with nonfarm payrolls increasing by 142,000, compared to 89,000 in July and falling short of the expected 161,000. The unemployment rate, however, dropped to 4.2%, aligning with predictions. Meanwhile, U.S. job openings in July hit their lowest level in over three years, with 7.7 million vacancies, down from 7.9 million in June and below the forecast of 8.1 million. Layoffs edged up slightly to 1.8 million. Openings have largely returned to pre-pandemic norms, but are now showing signs of weakening.

Volatility: While volatility spikes have occurred, significant corrections have not yet materialized. However, elections, macroeconomic surprises, or geopolitical tensions could trigger market instability.

Weaker Survey Numbers: PMIs show a contraction in manufacturing (47.2) and service expansion (51.5). A return to contraction in services could signify a larger economic downturn.

Potential Weakening in H2: While Q2 earnings have been positive, several companies have signaled possible weaker performance in the latter half of the year, necessitating close monitoring of upcoming quarterly announcements.

Market outlook – Recommendations & Targets from fundamental analysis

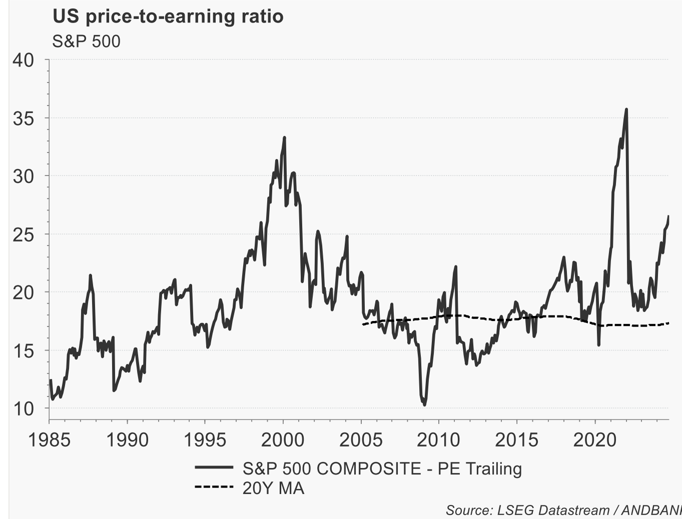
Equities: S&P MARKETWEIGHT/OW

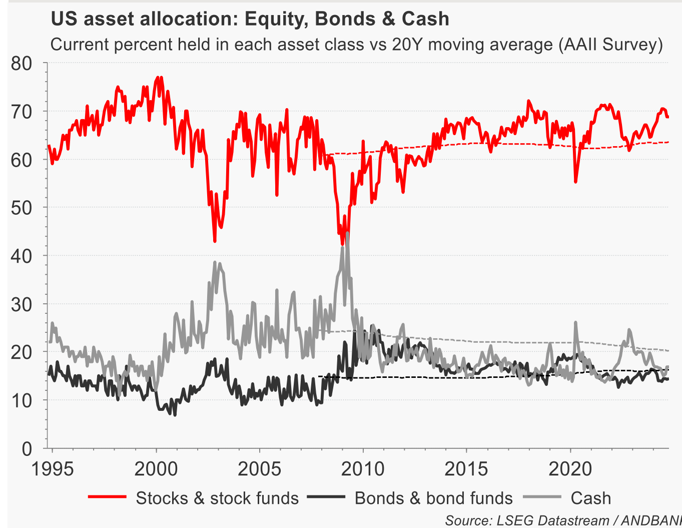
Bonds: Govies MARKETWEIGHT. 10Y UST Target 4.5%

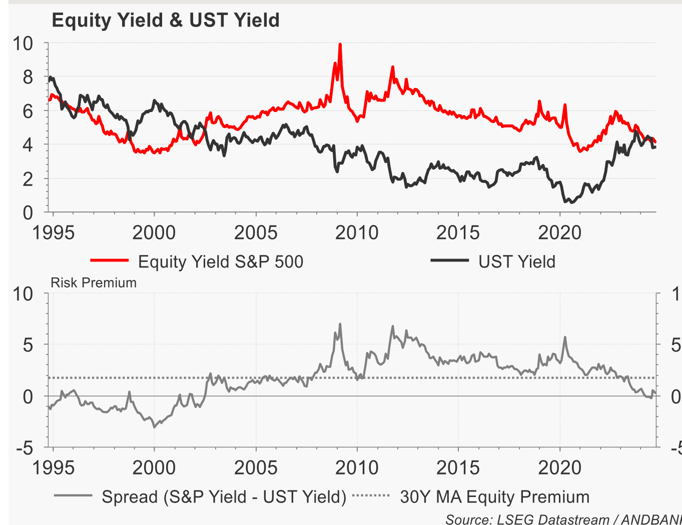
CDX IG: OW/MARKETWEIGHT (Target Spread 75)

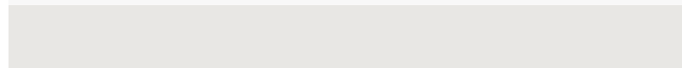
CDX HY: UNDERWEIGHT (Target Spread 450)

Forex: DXY index MARKETWEIGHT-OVERWEIGHT









EUROPE

Low growth + Disinflation = More monetary easing ahead

Macro bullish factors: 1) Employment remains resilient (unemployment rate close to lows at 6.4%); 2) A positive inflation path paves the way for more rate cuts (inflation expectations on the downside, wage growth expected to moderate), with additional easing from the ECB in October and December, barring data surprises; 3) Consumption should recover on the grounds of positive real income, improving confidence plus high savings rate.

Macro bearish factors: 1) Activity has been lower than expected due to industrial weakness and sluggish consumption; 2) Manufacturing surveys (IFO, PMIs) have faltered; 3) External contribution could fade down with a US economy that is cooling off and trade tensions that remain alive; 4) Disinflation from the service side has stalled.

Politics bullish factor: 1) New French PM appointed (Barnier, former chief Brexit negotiator); 2) Draghi's report on European competitiveness, depicting an expected gloomy picture, brings in specific ideas and a forceful message: massive investments, the role of joint financing, decarbonization as a source of growth, pragmatism in terms of commercial policies, less red tape, etc.

Politics bearish factors: 1) High public debt levels in some peripherals (Italy) and semi-core (France) with a new European Parliament more focused on debt reduction; 2) For French spreads, a return to levels pre-European Elections (50 bps) may not be straightforward, as the market would prefer to wait for the 2025 Budget and the stability (or not) of the incoming government (risk of a fresh round of legislative elections); 3) Implementation of Draghi's suggestions faces high political hurdles, especially in terms of financing.

Govies

Bullish factors: 1) Barring data surprises that could lead to lower rates in October, cuts should continue in December (last 2024 projection meeting, more available data), and more would follow in 2025 (at least during 1H); 2) correlation with US treasuries, with the FED easing cycle being deployed.

Bearish factors: 1) Market has already priced in large rate cuts (150 bps by mid-2025); 2) potential inflationary pressures coming from decarbonization, deglobalization, and demographics (3Ds) should be monitored.

Equity Market Summary – Neutral/Positive Outlook:

The current valuation gap between European and U.S. equity markets offers a compelling opportunity for investors, especially in the small and mid-cap sectors. Historically, European equities have traded at a discount to U.S. stocks, but this gap is now more pronounced than it has been since the 1980s. For instance, the MSCI Europe Small Cap Index trades at a forward P/E of 11.8x, coupled with an expected earnings per share (EPS) growth of 16.8%. By contrast, U.S. small caps are more expensive, trading at 16.2x P/E with a lower expected EPS growth of 9.8%. The mid-cap segment also mirrors this trend. Adding to the appeal, around 60% of revenues generated by companies in the MSCI Europe index come from outside the Eurozone, providing further diversification and resilience. European companies often have unique business models and long-term competitive advantages, positioning them to outperform in the future, even amid broader macroeconomic concerns. In summary, given the current earnings growth prospects and valuation discount, European equities, particularly in the small and mid-cap spaces, offer a strong case for portfolio reallocation

Market outlook – Recommendations & Targets

Equities – Stoxx Europe: MARKETWEIGHT/OW

Bonds – Core governments: UNDERWEIGHT (OW at 3% yield, Bund target 2.20%)

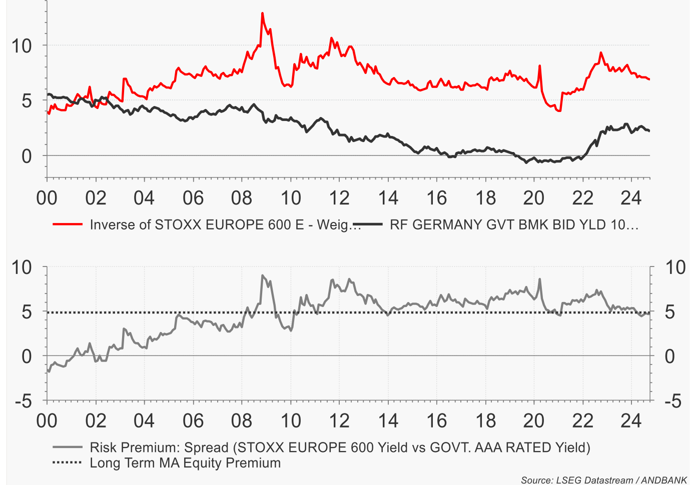
Peripheral – MW: IT (3.6%), SP (3.05%), PT (2.80%), IE (2.60%). UW: GR (3.00%).

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

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

FX – EUR/USD At or below 1.05 sell $ / buy €. At or above 1.10 buy $ / sell €

Equity Yield (Europe) vs Risk Free Yield10Y

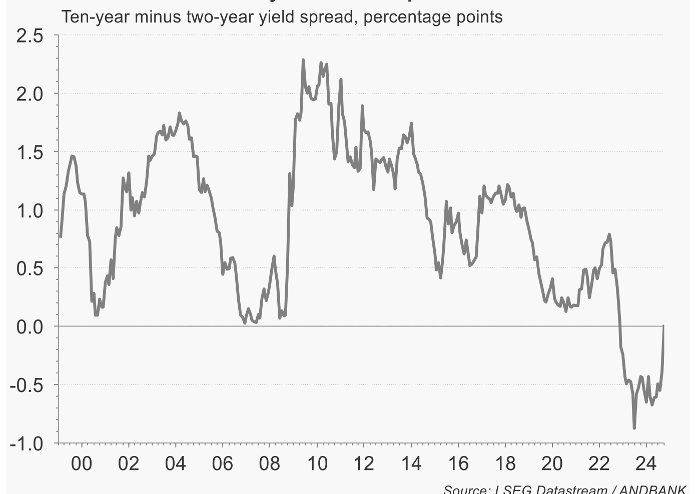


Source: LSEG Datastream / ANDBANK

Euro area price-to-earnings
Europe Stoxx 600

Source: LSEG Datastream / ANDBANK

Euro area benchmark yield curve slope
Ten-year minus two-year yield spread, percentage points



Source: LSEG Datastream / ANDBANK

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SPAIN

Everything seems to be under control

Macroeconomic Policies and Economic Activity

The GDP grew at a quarter-on-quarter rate of 0.8% in both Q1 and Q2 of this year, well above the Eurozone aggregate of +0.3% q/q. This growth is primarily attributed to the dynamism of the tourism industry in Q1, and strong foreign goods sales in Q2. Meanwhile, imports have moderated. Looking ahead, domestic demand is expected to gradually improve, with consumption being supported by growth in household real disposable income, as the foreign sector's growth normalizes, particularly with a slowdown in tourism and weakening demand from the Eurozone, Spain's main trading partner. August's PMI figures show a softening (composite PMI stood at 53.5, down from 56.6 in May) but remain comfortably in expansionary territory. The Bank of Spain upgraded the economic growth forecast for this year from +2.3% to 2.8% y/y.

The National Statistics Institute (INE) has revised its August headline inflation figure upwards by 0.1 percentage points to 2.3% y/y, marking a 0.5 percentage point decline compared to July. This drop was largely due to significant decreases in fuel and food prices. Core inflation, which includes services and industrial goods prices, remained at +2.6% y/y. Services inflation, which climbed to 3.5% y/y (0.1 percentage points higher than July), was driven by the continued inflationary pressure from tourism services. Subclasses with the highest month-on-month growth included airfares and package tours. Tourism inflation momentum has averaged +3.9% y/y in recent months, suggesting that if this trend continues, services inflation could rise further, illustrating the sector's resilience. In contrast, industrial goods inflation fell by 0.2 percentage points to 0.5% y/y.

While inflation in industrial goods is stabilizing below +1.0% y/y, services inflation remaining above +3.0% y/y poses a challenge to the disinflation process. Core inflation momentum stood at +3.2% m/m in August, suggesting that core inflation, which was at +2.8% y/y, could encounter resistance to further declines if price trends persist.

In the fiscal arena, the government recently approved the Agreement on Stability Targets for the 2025-2027 period, aligned with new European fiscal rules. The plan aims to foster growth while ensuring budgetary stability. It allows for an additional fiscal margin of 0.2 percentage points for Autonomous Communities in 2025 and 2026, translating into over €3 billion of extra fiscal space annually. Local Entities will see a fiscal margin increase of 0.1 percentage points in 2025 and 0.2 % in 2026, amounting to €1.6 billion and €3.35 billion, respectively. The Agreement also includes the spending ceiling for 2025, with 'national' non-financial expenditure, excluding European funds, set to rise to €195.35 billion, representing a 3.2% increase from 2024

Politics

Chinese President Xi Jinping hosted Spanish Prime Minister Pedro Sánchez during a four-day visit to Beijing. Following the trip, Sánchez indicated that Spain is "reassessing" its stance on EU tariffs imposed on Chinese electric vehicles (EVs), amid growing concerns that a potential trade conflict could harm Spanish exports. The European Union is set to vote in October on a proposal to significantly increase tariffs by 37.6%, pushing total duties to nearly 50%, reflecting similar measures recently taken by the United States.

Stock Market

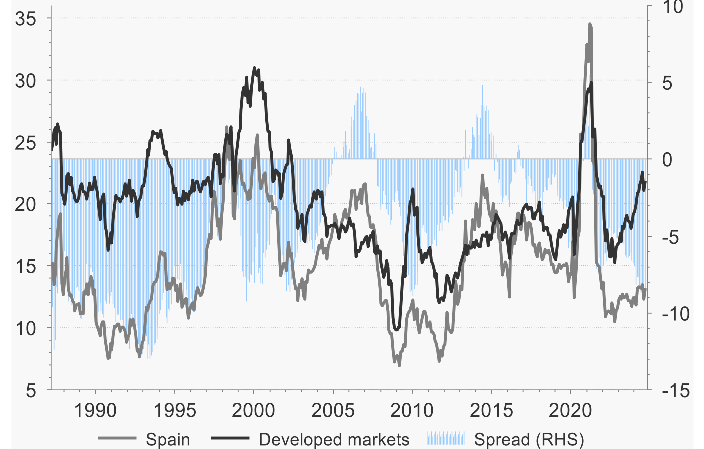
The Ibex 35, Spain's main equity index, closed August at annual highs, delivering a year-to-date return of 12.9%. Although the Spanish index experienced volatility in early August, it quickly recovered. Sector rotation, as seen in other markets, has favored defensive sectors, particularly utilities, telecommunications, and real estate, which are benefiting from lower interest rates. In contrast, banks have lost some of the prominence they enjoyed in previous quarters.

With an expected earnings per share (EPS) of 1033, the index is currently trading at a price-to-earnings (P/E) ratio of 11.3. While earnings expectations have remained stable in the short term, sector positioning will be crucial for market performance in the coming months.

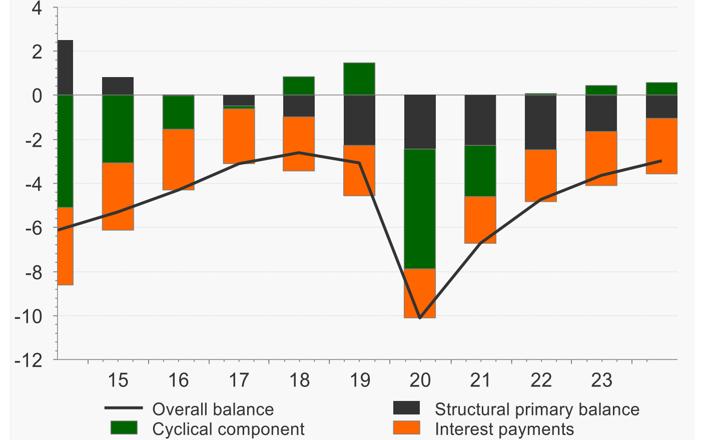
Market outlook – Recommendations & Targets from fundamental analysis

Equities – Spain's Ibex: MARKETWEIGHT-OVERWEIGHT

Bonds: Govies MARKETWEIGHT (10-year target 3.35%)



Source: LSEG Datastream / ANDBANK



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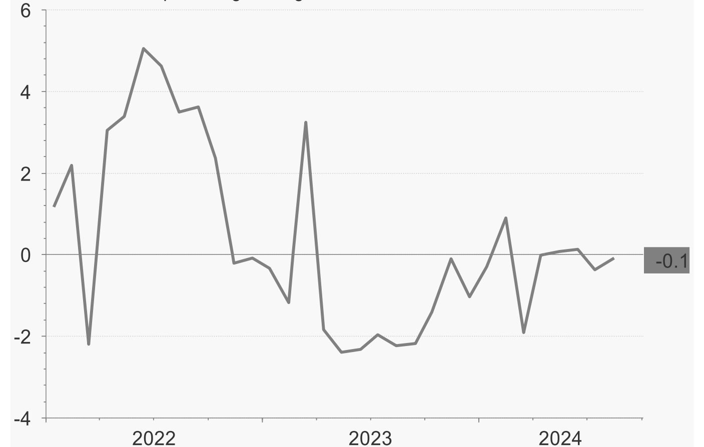


Source: LSEG Datastream / ANDBANK

CHINA

Analysts cut the 2024 growth forecast to 4.7% after disappointing macro data. The stimulus boost the Chinese market. We will assess their sustainability.

Outlook: The slowdown in China deepens and increases the risk of missing the 2024 growth target. Pressure is piling up for Beijing to quickly ramp up fiscal and monetary stimulus to hit this year's growth target of around 5% after a slew of August macro data undershot expectations. PBOC signaled in a rare statement that fighting deflation would become a higher priority and indicated more monetary easing ahead (as it finally did). The deepening slowdown was testing Chinese authorities' tolerance for missing this year's target after Q2 GDP already slowed to 4.7%. Xi used wording such as "strived to achieve full-year goals" in an address this month. In this context, Goldman and Citigroup have lowered projections for China's economic growth to 4.7% for 2024 after the latest round of disappointing macro data slowing to a five-month low in August (Industrial production +4.5% y/y vs consensus +4.8% and +5.1% in the prior month. Retail sales +2.1% y/y vs consensus +2.5% and +2.7% in the prior month. Fixed asset investment (YTD) +3.4% y/y vs consensus +3.5% and +3.6% in Jan-Jul. House prices (5.3%) y/y vs (4.9%) in prior month).

Equity Bullish Price Factors.

President Xi called on government officials at all levels to achieve this year's annual growth target and apply a series of stimuli. The rally in Chinese stocks has been driven by Beijing's recent stimulus package, which has undoubtedly sparked renewed optimism about a possible recovery of the Chinese economy. I've been wondering for days whether these stimulus measures, and the stock market rebound, will help the Chinese market regain its status as an "essential component in global portfolios." Let me give you an intriguing fact. A rather concerning trend (from Beijing's perspective) had been developing in international markets: the marketing of emerging market investment funds that exclude Chinese stocks. You can now understand the timing chosen by the Chinese government to announce its stimulus package. That dynamic was quite alarming. It could well be said that these measures are "desperate actions." I'll give you two more pieces of data that support this hypothesis: 1) Net outflows from China's Great Market had been accelerating, and between January and September 2024, the outflows exceeded the capital inflows for all of 2023. 2) By the end of August, foreign investors had minimal exposure to Chinese stocks, representing just 5.1% of their portfolios—the lowest level in a decade.

Equity Market: Bearish Price Factors

10Y CGB yield fell to a fresh record low of 2.075% on Friday, 13th Sept., a level unseen since official records became available in 2002. The move came even as state banks were seen becoming more active recently in selling long-maturity bonds in the secondary market, a sign that PBOC may have intervened to cool the rally. However, bond traders and investors have been defying this intervention as they increase exposure to haven assets amid a weak economy and persistent property crisis.

The macro economy continues on a downward path: The Chinese equity market responded negatively amid mostly negative takeaways from China's soft Q2 GDP and August activity data. China's economy grew much slower than expected in Q2, with 4.7% y/y growth (vs 5.3% in the prior quarter and 5.1% expected), the slowest pace in five quarters, amid a persistent property downturn, while efforts to boost consumer spending fell short, adding pressure on authorities.

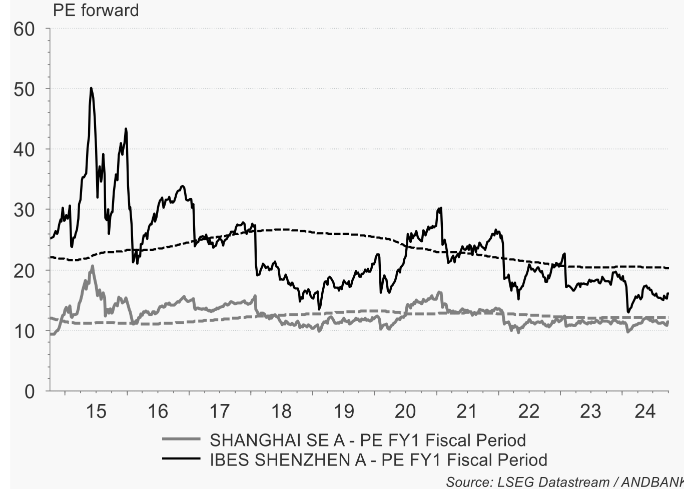
Trump's VP choice Vance says China is the biggest threat to America and Trump tariffs could slice 2.5% from Chinese GDP growth: Vance's remarks foreshadow a likely more hawkish stance of a likely Trump second mandate. UBS research noted that Trump's proposal to impose up to 60% tariffs on Chinese goods carries negative implications for China's economy and would slice 2.5% from China's GDP growth over 12 months.

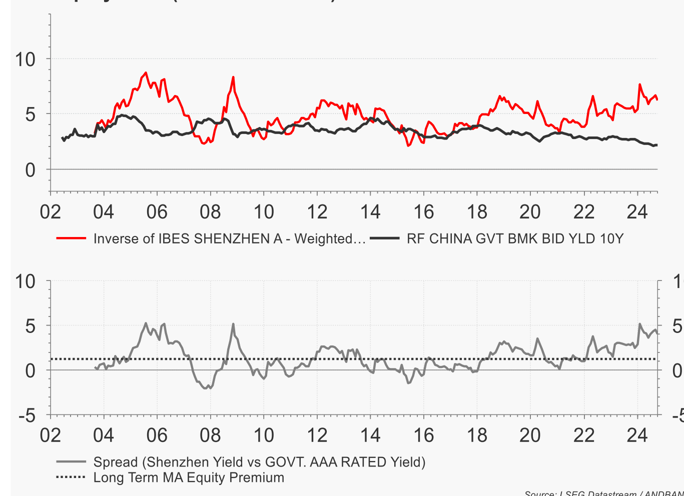
Market outlook – We remain cautious with Chinese assets. Recommendations:

Equities – SHANGHAI Idx: UW // SHENZHEN Idx: UW

Bonds – Govies: MARKETWEIGHT (10Y Yield target 1.50%)

Forex – CNY/USD: UNDERWEIGHT (Target 7.50)





JAPAN

BoJ, either voluntarily or under external influence, has placed a put option on the JPY, boosting equities.

Equity Market – Positive Outlook: While the BoJ has indicated a change in its stance, we do not see an aggressive trajectory moving forward, beyond carrying out some intervention to support the currency, which is why it will keep interest rates low and will continue to maintain control of the yield curve at a low level. All of this results in a favorable scenario for the Japanese equity market. The risk premium of Japanese equities will remain at around 500 bps, significantly above the historical average, so the relative valuation is attractive.

Equity Bullish Price Factors

Macro accelerates July final industrial production +3.1% m/m vs preliminary +2.8% and (4.2%) in prior month. 2Q GDP q/q was finally fixed at +3.1% SAAR (much higher than the expected 2.1%.

Forex: This summer, the yield curves in the US and Europe have experienced a significant downward movement. The consensus attributes this bond rally to fears of an imminent recession. Upon reviewing Japan's balance of payments, we discovered that Japanese domestic investors made record purchases of foreign debt in August (and part of July), driven by the strength of the yen. Japanese households and mutual funds allocated $51.3 billion in August to the purchase of foreign bonds, mainly government bonds. This is an unprecedented amount, exceeding the monthly record set in July 2016 by more than 35%. The more than 20% appreciation of the JPY over the last two months has given these investors greater purchasing power for foreign assets. We have learned that JPMorgan, UBS, and BNP have recommended eliminating currency hedging on Japanese asset positions (equities). If they are making such recommendations, it likely means these entities hold a strong long position in the yen, suggesting they do not anticipate a rapid depreciation of this currency. If we are correct, Japanese investors—both private and institutional—will continue to have substantial purchasing power, thanks to their strong currency, and will be able to purchase a higher nominal value of international bonds for the same amount of local currency. This scenario of a stable or appreciating currency is also favorable for Japanese equity.

BOJ's policy & the TINA scenario: Inflation in August came in below expectations, with the CPI Nationwide excl Food & Energy at 1.6% yoy (versus prior 1.9%) and Corporate Goods Price Index (CGPI) rising by 2.5% year-over-year versus a consensus forecast of 2.8% and 3.0% in the prior month. This outcome reduces the pressure on the Bank of Japan (BoJ) to raise rates aggressively, setting the stage for a prolonged period of lower rates and yields on government bonds relative to implicit yields in equities. This dynamic suggests that the equity risk premium could remain stable around 500 basis points, which, from a historical perspective, is an attractive level (see the chart). What next? The latest QUICK BoJ Watcher survey (n=27), conducted from September 9 to 11, indicated unanimous expectations for no immediate policy changes. Projections for the next rate hike are centered around December or even January. Crucial data on wage growth pass-through will become available from October, potentially paving the way for a rate increase towards the end of the year, provided there is no significant downturn in the U.S. economy and market conditions remain stable. Conversely, if U.S. growth weakens or market volatility intensifies, the BoJ may opt to leave rates unchanged for even longer. Potential volatility arising from the November U.S. presidential election serves as a safeguard before pulling the trigger that would kick off a sustained cycle of rate hikes by the BoJ, resulting in a more likely move that will not occur before year-end. BoJ board member Tamura stated his assumption of a neutral rate of around 1% and asserted that the policy rate needs to reach at least this level by FY26.

Equity Bearish Price Factors

Foreign investors remain net sellers of Japan equities: Foreign investors sold net ¥823.5B ($5.8B) in the second week of September, marking the third straight week of net outflows and the largest in a year.

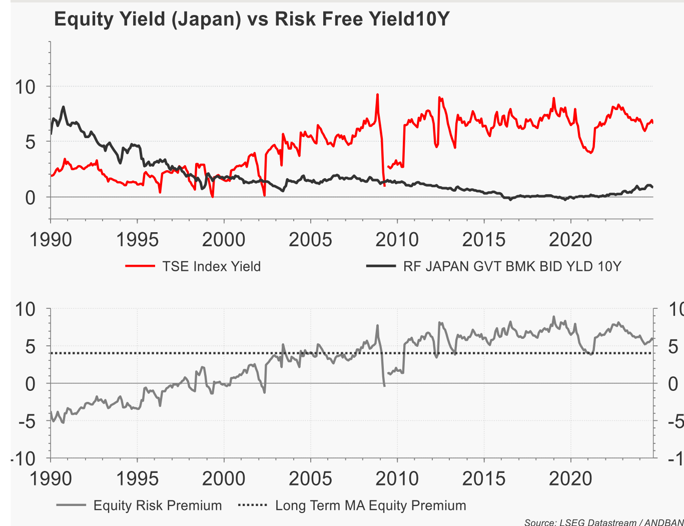
Market outlook – Recommendations & Targets from fundamental analysis

Equities – N225: OVERWEIGHT

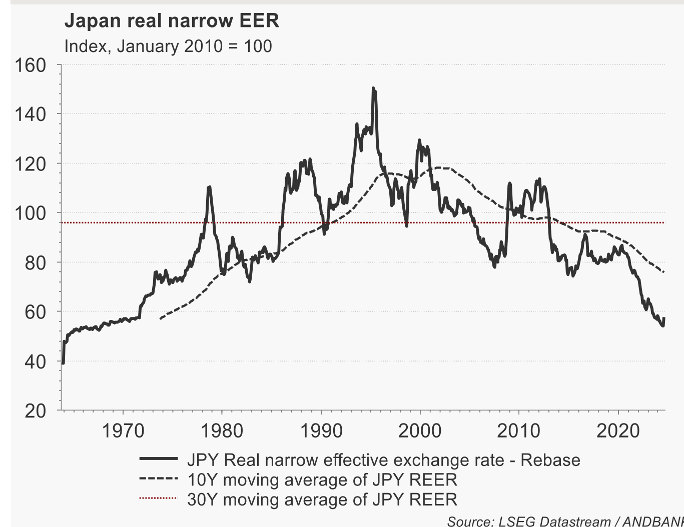
Bonds – Govies: UNDERWEIGHT (Target yield 1.25%)

Forex – USD-JPY: MARKETWEIGHT-OVERWEIGHT. (Mid-term target 140)

Source: LSEG Datastream / ANDBANK



Source: LSEG Datastream / ANDBANK



Source: LSEG Datastream / ANDBANK

INDIA

Stronger underlying growth factors should support continued gains in Indian bonds and equities

Equity Bullish Price Factors.

India's Economic Momentum remains Positive: India's GDP growth slowed to 6.7% year-on-year in the second quarter of 2024, down from 7.8% in the first quarter, primarily due to weak government spending, although investment remained robust and private consumption rebounded unexpectedly, reflecting an improvement in the underlying growth factors. Growth for the fiscal year ending in March 2025 (FY24-25) is expected to be a reasonable 7.5%, below the 8.2% recorded in FY22-23 but in line with most estimates of India's potential growth. An imminent monetary easing is anticipated, which should help mitigate downside risks to growth.

Low vulnerability to external shocks: Global economic uncertainty will have a limited impact on India's growth prospects. India has sufficient buffers to absorb potential external shocks, even if the U.S. enters a recession, and should stand out as one of the few markets showing resilience to global economic uncertainty. This makes it likely that high equity valuations will not deter domestic and foreign inflows into stocks.

Inclusion of India in the JPM Global Index: The inclusion of Indian bonds in the JP Morgan emerging markets index has attracted inflows worth USD 13 billion this year. Further inflows are expected, as the prospect of monetary easing is likely to provide additional support to Indian bonds.

RBI's current policy is aimed at maintaining a quasi-peg of the rupee against the US dollar: In recent weeks, the Indian rupee has remained stable, partly due to interventions by the Reserve Bank of India (RBI), which shows no signs of changing its stance of maintaining a de facto quasi-peg with the U.S. dollar. If the U.S. dollar enters a weakening phase, the Rupee will regain competitiveness, but a relative underperformance of the Rupee versus other EM currencies is unlikely to deter investors from paying high premiums to own Indian equities, with the earnings cycle now firmly trending upwards. Investors have good reason to bet that India can sustain its economic momentum, even in the face of global headwinds.

Gross Fixed Capital Formation grew by 7.5% year-on-year in Q2 2024. This suggests that the existing capital expenditure pipeline remains significant. This, coupled with a corporate sector that still anticipates robust demand ahead, indicates that any slackening in investment activity is likely to be temporary. The absorption of industrial overcapacity is proceeding well, providing sufficient incentive for continued capital spending. This is due to the recent acceleration in consumption. The risk would lie in a contraction of external demand, but this is not anticipated in the short term.

Broad-based disinflation (3.5%) sets the stage for rate cuts. With inflation well contained within the target band (4%+/-2%), RBI actions should support growth anyway.

RBI conducted strong interventions, draining liquidity in the monetary system, with the monetary base growing 2%-3% less than nominal GDP on a y/y basis for more than a year, thus causing the deposit crunch. This will make strong foreign inflows continue in the coming months.

Equity Bearish Price Factors.

Household debt is not a concern yet but is rising: The observed rebound in consumption appears to be leveraged (at least in part) by private debt. On the positive side, the private debt ratio remains low (40% of GDP) and is below that of comparable emerging markets. It is also favorable that household savings remain resilient (around 20% of GDP).

Banks face lending constraints: Rate cuts should help spur domestic demand, but credit growth has outpaced deposit growth in recent years, leaving banks with high loan-to-deposit ratios, which could constrain their ability to lend.

Market outlook – Recommendations & Targets from fundamental analysis

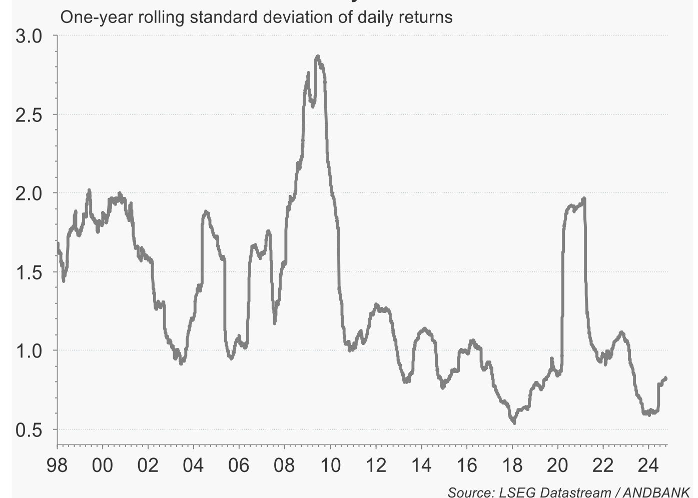
Equities – SENSEX: OVERWEIGHT (New target price 85,000!!)

Bonds – Govies: OVERWEIGHT (New target yield 5.75%)

Bonds – Corporates: OVERWEIGHT

Forex – INR/USD: NEUTRAL (Target 84)

Source: LSEG Datastream / ANDBANK



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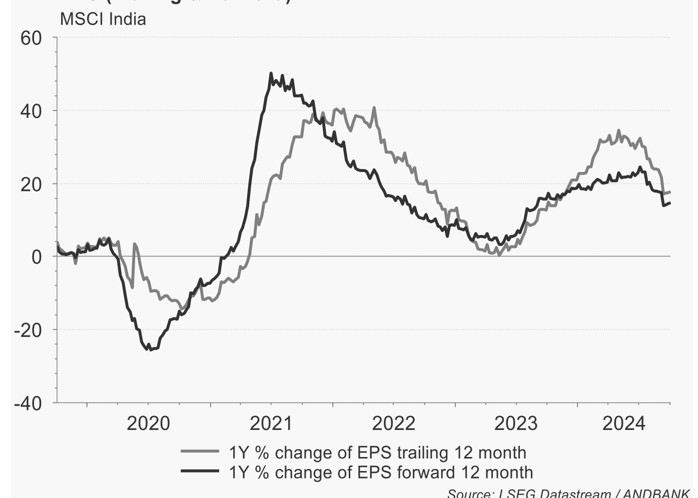


Source: LSEG Datastream / ANDBANK

VIETNAM

Growing role in regional trade amid decentralized supply chains signals further economic gains

Equity Market – Positive Outlook: While downside risks are still present, including external geopolitical risks, volatility in the semiconductor cycle, and uncertainty in China's economic recovery, we reaffirm our positive growth forecast for Vietnam at 6% for FY 2024, recovering from 5% in FY 2023. This will make Vietnam one of the fastest-growing economies in ASEAN. Over the longer run, Vietnam's strong economic growth is supported by positive long-term demographic and macroeconomic trends. This has allowed Vietnam to become the rising economic star of ASEAN. In terms of positive long-term demographic trends, it has a strongly growing middle class and the third-largest population in ASEAN, at about 100 million. This sets Vietnam up positively for increased consumer spending in the years ahead as the population continues to grow and become wealthier. In terms of macroeconomic trends, Vietnam is successfully transitioning away from lower-cost manufacturing towards higher value-added technologies, while also developing a strong focus on the services, retail, and tourism industries. As a result of these strong long-term fundamentals, Vietnam's economic share of ASEAN's total GDP has grown significantly, almost doubling from under 6% in 2000 to about 12% now.

Equity Bullish Price Factors.

FDI at $21 Billion for 2024: The nation attracted nearly $21 billion in foreign direct investment (FDI) during the first eight months of 2024, a 7% year-on-year increase. Manufacturing was the leading sector, with robust capital inflows, while Singapore came in as the largest investor, bringing nearly $7 billion to the table. The initiation of 2,247 new projects and capital adjustments to 926 existing projects is a show of sustained investor confidence.

US-Vietnam Strengthen Diplomatic Ties: President To Lam is set to visit the US, solidifying growing ties with Washington. This trip follows the recent elevation of US-Vietnam relations to a Comprehensive Strategic Partnership, improving cooperation in trade, energy, education, and environmental protection. Initiatives include investments in Vietnam's green energy sector and workforce development programs.

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. The country has seen recent growth across the board, particularly in manufacturing and services, driving GDP to new heights. 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.

Favorable high-frequency data suggest Vietnam keeps its positive momentum: Using high-frequency data to describe foreseeable dynamics, both the manufacturing sector and the services sector have gained strength over the past two quarters. The manufacturing sector grew 10% year-on-year in 2Q24, up from 7.2% in 1Q24, while the services sector grew 7.1% vs 6.2% in the 1Q. The recovery in both sectors is important, as collectively they account for three-quarters of Vietnam's GDP. ASEAN also benefits from the strong push by Chinese corporations to invest in ASEAN as they seek out new growth opportunities outside of China.

Equity Bearish Price Factors

Uneven and slow economic recovery in China. Latest high-frequency activity data in China continue to point to weak retail sales and a manufacturing slowdown. The painful debt restructuring in the Chinese property sector will continue to take time to resolve. As a result, we expect economic growth in China to slow down from 5% in 1H24 to 4.7% in 2H.

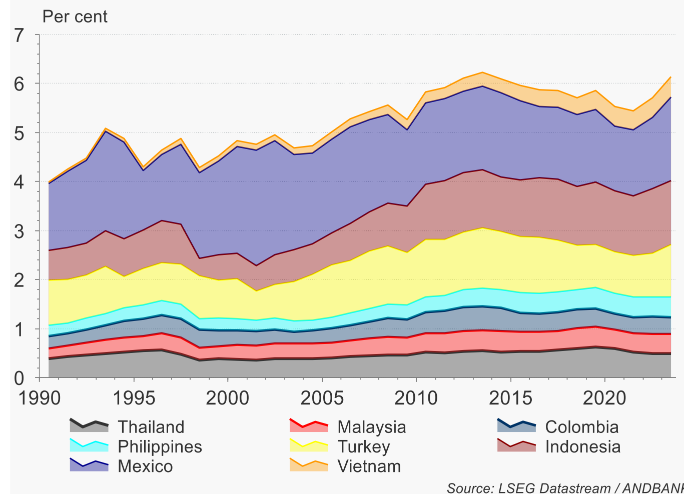
Policy risk amid leadership changes: These changes may affect various fiscal and economic policies that corporations and investors need to navigate.

Upcoming US presidential election: Depending on the outcome, the trade conflict between the US and China may intensify, potentially resulting in higher trade tariffs not just against China but potentially across the world, including ASEAN.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – VNI Idx: OVERWEIGHT (New target Price at ~1,500!!)

Source: LSEG Datastream / ANDBANK



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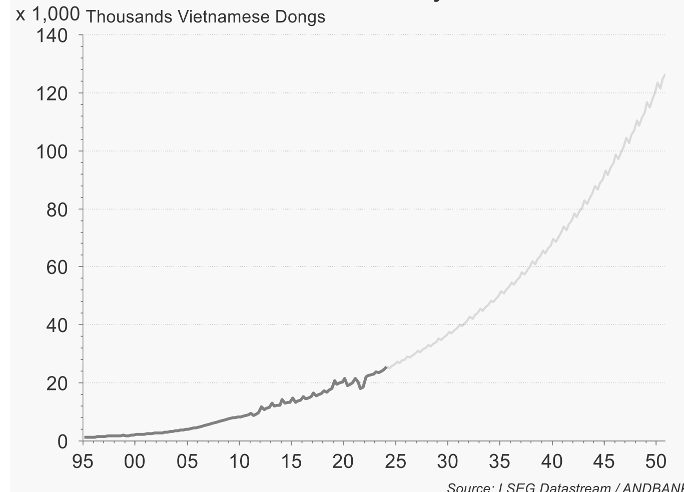


Source: LSEG Datastream / ANDBANK

ISRAEL

Navigating Prolonged Inflation and Sustained High Interest Rates

Macro, fiscal & monetary policy

September 2024 saw continued inflationary pressure, with the CPI for August rising by +0.9% m/m, bringing the annual inflation rate to 3.6% y/y (+3.2% y/y in July). This inflation exceeded the Bank of Israel's target range (1% to 3%), fueling concerns about prolonged inflationary pressures in the economy. GDP for Q2 2024 was revised down slightly to 2.3%. The Bank of Israel remained cautious, holding interest rates steady (4.5%) amid uncertainties in the global economy and domestic security. We assume that the continuation of inflationary pressures will remove the possibility that interest rates will be lowered in the near term. In the latest interest rate announcement, the Bank of Israel expects a first reduction only in mid-2025. If it weren't for the war, the interest rate might even have gone up. The war in Gaza contributed to increased uncertainty, affecting consumer and business sentiment. Still, the direct economic impact remained somewhat limited, with the economy continuing to grow modestly despite these challenges. The fiscal deficit has risen again and for the twelve months to the end of August this year was 8.3% of GDP, moving further away from the government's 6.6% target for 2024. Finance Minister Bezalel Smotrich has presented the framework for his proposed budget for 2025, stating that the country will finance its soaring war expenses through budget cuts and taxes, rather than accumulating more debt, with a deficit target of 4%. The main question is where those cuts will come from. The government has been under increasing pressure to reduce spending on support for ultra-Orthodox religious groups and settlers in Palestine, but this seems unlikely since those groups are one of the government's main sources of support. Another option is to reduce spending on public employees, but negotiations with the unions have not yet begun.

Fixed income

In the fixed-income markets, September saw heightened volatility. Israeli government bond yields experienced a sharp rise due to increased government borrowing to finance defense spending and the risk of another rating downgrade. The yield curve steepened as short-term bond yields reflected higher inflation expectations, while long-term yields climbed to 4.9% on concerns over growing fiscal deficits. This rise in yields was exacerbated by uncertainty surrounding the war's duration and its economic impact. Investors demanded higher risk premiums for Israeli assets, contributing to widening spreads between Israeli and U.S. Treasury bonds.

Despite these challenges, foreign investment in Israeli bonds showed resilience, particularly as global investors sought opportunities in sectors less directly impacted by the war, such as technology and energy. We maintain the view that, due to the heightened level of risk, duration should remain short, not exceeding three years.

Stocks

The Tel Aviv Stock Exchange mirrored these macroeconomic concerns, with performance varying sharply by sector. The Tel Aviv 125 index dropped last month by 1.35%. The worst hit sectors were consumer discretionary and tourism, deeply affected by the war and related security concerns. Tourism stocks tumbled as inbound travel plummeted due to the ongoing conflict, while retail stocks performed well because overseas holiday travel dropped, inducing consumers to shop in local markets. In addition, defensive sectors such as utilities and healthcare outperformed, benefiting from their stability in times of uncertainty. Healthcare stocks, in particular, gained as investors shifted toward assets perceived as less vulnerable to short-term geopolitical risks. Additionally, technology stocks showed resilience, with several leading firms reporting solid earnings despite the challenges.

We favor the banking sector due to its very healthy balance sheet and its high resiliency during the last year. It should be noted that banks showed an average 15% return on equity on their last financial report while most of them are still trading below book value.

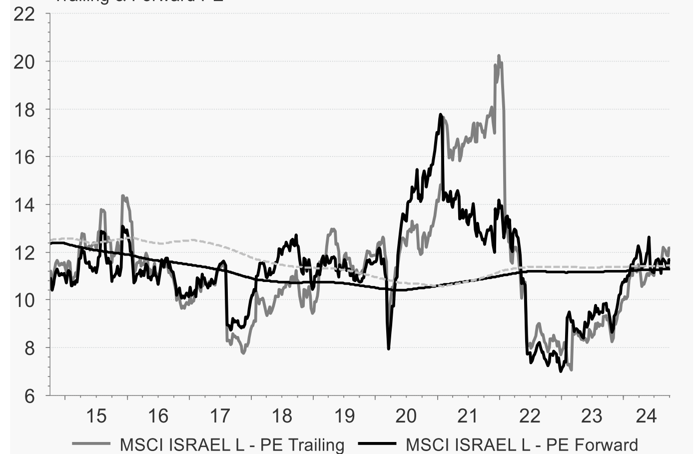
Market outlook – Recommendations & Targets from fundamental analysis

Equities – TLV35 Index: MARKETWEIGHT

Bonds – Government–10Y Gov: MARKETWEIGHT

Bonds – Corporates: MARKETWEIGHT

FX – ISL vs USD: Neutral in REER



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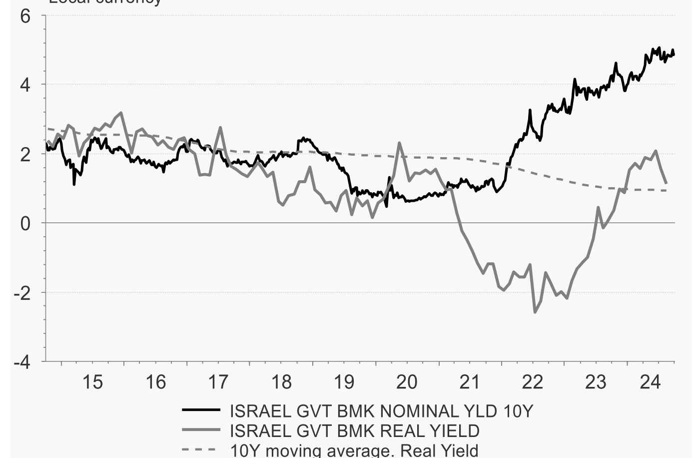


Source: LSEG Datastream / ANDBANK

Source: LSEG Datastream / ANDBANK

BRAZIL

A lot has changed during the summer

Brazil rate hike on the same day as a U.S. rate cut?

Internationally recognized for its swift response to inflation, the Brazilian Central Bank (BCB) was able to begin cutting interest rates ahead of developed nations. However, some argue that this move may have been premature. After patiently waiting for the U.S. to start its rate-cutting cycle, Brazil now finds itself seriously debating the need to increase its benchmark Selic rate. The Brazilian economy is currently operating above its potential, raising concerns about overheating. While the composition of GDP growth has improved, the expansion is largely driven by demand-side factors, particularly public spending. Domestic (mostly publis) consumption has outpaced GDP growth, signaling a shift away from Brazil's traditional commodity-driven model toward a reliance on domestic demand. This dynamic poses the risk of sparking renewed inflationary pressures. To counter this, many market participants believe that the Central Bank should raise interest rates gradually, with economists proposing hikes of between 150 and 250 bps in upcoming Copom meetings. Given the current Selic rate of 10.5%, the BCB is likely to adopt a cautious, data-driven approach, starting with smaller rate increases to temper inflation expectations. On the positive side, a higher interest rate differential between Brazil and the U.S. could attract foreign investment. This inflow of capital could boost Brazil's economy as investors seek higher returns.

However, the fiscal outlook remains a major complicating factor. Brazil's fiscal health is critical to maintaining investor confidence. If the government fails to control its deficit, concerns over ballooning public debt could trigger capital flight, causing the real to depreciate despite higher interest rates. The rising perception of fiscal risk may also increase the risk premium demanded by investors, potentially undermining the attractiveness of Brazilian assets. Since fiscal concerns surfaced, Brazil's currency has hovered above R$5.50, recently surpassing R$5.70 amid a wave of global risk aversion. Fiscal sustainability is crucial to ensuring that the Central Bank's monetary policies achieve their intended effects. Without it, Brazil risks entering a vicious cycle of currency depreciation and inflation, further complicating the economic outlook.

Tax reform stalls

The Brazilian tax reform is indeed facing significant hurdles in the Senate. The bill, which has attracted over 1,200 amendments, remains stalled in the Constitution and Justice Commission. The political atmosphere leading up to the municipal elections has exacerbated the delays.

Key points of contention in the reform include: i) Standard Rate for the Goods and Services Tax (IBS) and Contribution on Goods and Services (CBS): There is debate over what the standard rate should be, with some advocating lower rates to ease the tax burden on certain sectors; ii) Composition of the National Basic Food Basket: Disagreements exist over which items should be included in the basic food basket and how they should be taxed; iii) Selective Tax (IS): Discussions are ongoing about which specific items should be subject to this tax, with varying opinions on whether certain sectors, such as biofuels, hospitality activities, and cooperative services, should be exempt or benefit from reduced rates.

The urgency regime meant to fast-track the reform is unlikely to be met, which means the final vote is expected to be pushed beyond October. The delay reflects the complexity and contentious nature of the proposed changes, as well as the broader political context.

A note (important) about the Municipal Elections in Brazil

The dynamics of the upcoming municipal elections are indeed shifting. Contrary to earlier expectations of high-profile national conflicts between Lula and Bolsonaro, the focus appears to be on local issues and incumbents. Polls indicate that, out of 26 state capitals, at least ten may resolve their elections in the first round, with a strong likelihood of current mayors being re-elected. This suggests that local performance and the achievements of current municipal leaders are likely to play a more significant role in the election outcome than national figures like Lula and Bolsonaro.

Market outlook – Recommendations & Targets from fundamental analysis

Equities – iBovespa: MARKETWEIGHT

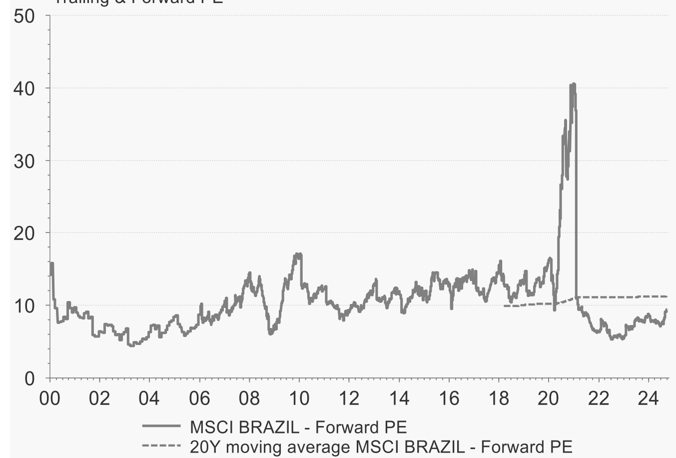
Bonds – Govies Local: OW (Target Spread 700 => Target yield 11.2%)

Bonds – Govies USD: UW (Target Spread 250 => Target yield 6.7%)

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

Brazil MSCI Index price-to-earning

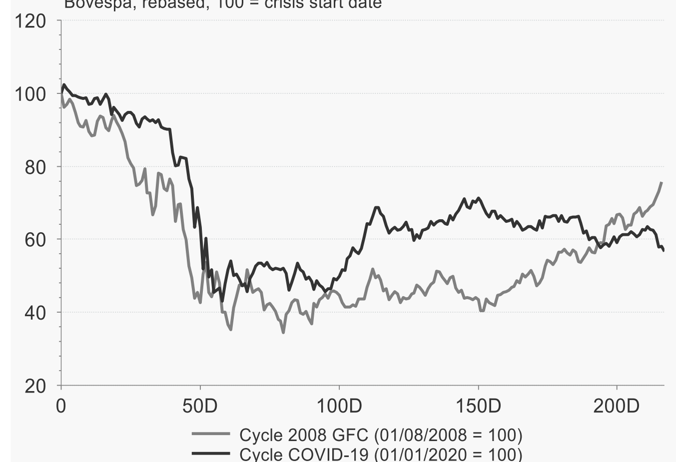
Trailing & Forward PE



Source: LSEG Datastream / ANDBANK

Brazil equities (USD), 2008 vs 2020

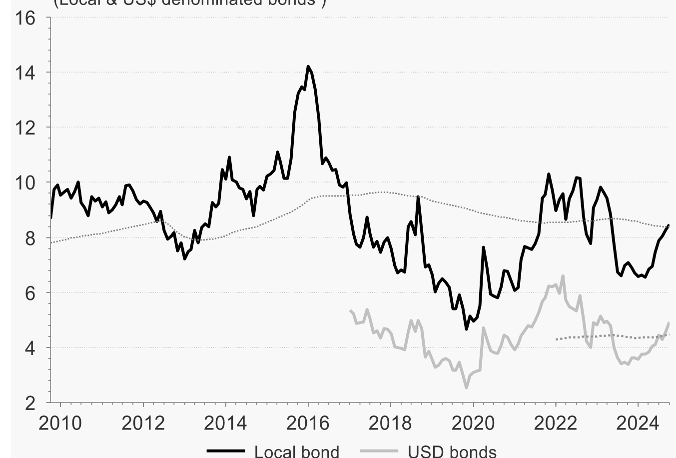
Bovespa, rebased, 100 = crisis start date



Source: LSEG Datastream / ANDBANK

BRAZIL - SPREAD 10Y GOV BOND vs UST

(Local & US$ denominated bonds)



Source: LSEG Datastream / ANDBANK

MEXICO

Judicial reform reduces appetite for Mexican risky assets

Central Bank

The Bank of Mexico reduced its benchmark interest rate by 25 bps in August, contrary to market expectations of no change, due to recent inflation data, price level forecasts, and recent exchange rate pressure. The minutes from this meeting revealed that the central bank remains open to another 25 bps cut at its September meeting, given that the real ex-ante rate is still considered highly restrictive. In its latest quarterly inflation report, the central bank slightly adjusted its neutral rate upward. Forward contracts reflect expectations of two 25 bps cuts in 2024 and an additional 175 bps of cuts throughout next year

Inflation and activity

In August, headline inflation slowed to +4.99% y/y after jumping to +5.57% in July. The negative impact from rising prices of non-core goods is beginning to dissipate as some agricultural product prices decline (-5.21% m/m in fruit and vegetables) after a period of a drought and then of heavy rains. Core inflation has continued its downward trend for 19 consecutive months, easing to 4% y/y at the upper bound of the Banxico target range. The central bank reduced its economic growth forecast for this year from 2.4% y/y to 1.5% y/y, and for 2025 from 1.5% y/y to 1.2% y/y.

Politics

The approved judicial reform has significant implications for governance and the rule of law, particularly regarding judicial independence, citizen rights and political checks and balances. Now all federal judges, including the Supreme Court members, will be elected by popular vote, starting next year.

For the economy and financial assets, the reform could heighten investor risk perceptions, negatively impacting foreign direct investment, the value of the peso, and Mexican sovereign bonds. Additionally, fast-track approval of other constitutional changes, such as the elimination of various autonomous agencies, may further increase uncertainty regarding private investment in the country. Investors at the moment aren't comforted by President-elect Claudia Sheinbaum's assurances that foreign investors needn't worry about the judicial reform and that investments in Mexico will always be protected. In other relevant political news, Sheinbaum announced that she will retain most of the current economic cabinet, with Rogelio Ramirez de la O, the current Secretary of Finance and Public Credit, replacing Arturo Herrera as Minister of Finance.

Financial markets

Equity: Sectors that perform well around rate cuts, late-cycle phases (such as basic services, consumer staples, and healthcare), and sectors with reasonable earnings growth and a focus on ROIC and cash flow under reasonable valuations present opportunities in the local market. However, given the year-to-date poor performance of the index, achieving the end-of-year target has become more challenging, especially as political uncertainty will be a burden in the last quarter of 2024, compounded by the noise coming from the U.S. election. We are adjusting our MEXBOL 12-month estimate from 58,800 to 55,000.

Fixed Income & FX: The spread of peso 10-year bonds has remained around 570 bps after exceeding 600 bps at its peak in the latest volatility phase. Our estimate for this spread has increased to 575 bps, anticipating continued volatility in the coming months (with the 2025 budget presentation in November, ongoing reforms, and the U.S. election). We remain cautious on peso duration. For dollar-denominated bonds, the spread has increased to 190 bps; we are revising our estimate for this spread up to 200 bps..

The peso has declined more than 10% year-to-date. In the first days of September it reached highs of 20.15 before returning to levels of 19.20. We believe that adjustments in carry trade expectations related to Bank of Japan decisions, Fed normalization expectations, and pre-election political noise will continue to be key factors in the currency's valuation. We are adjusting our year-end estimate to 19.50 and do not rule out episodes of volatility in the final quarter of the year.

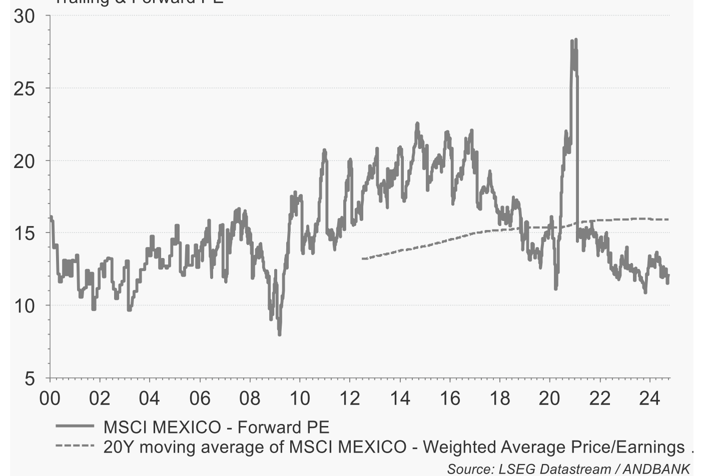
Market outlook – Recommendations & Targets from fundamental analysis

Equities – Mex IPC: MARKETWEIGHT

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)



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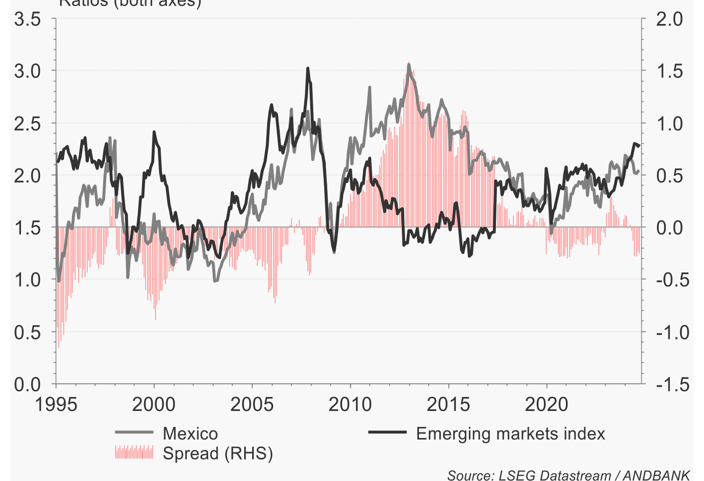

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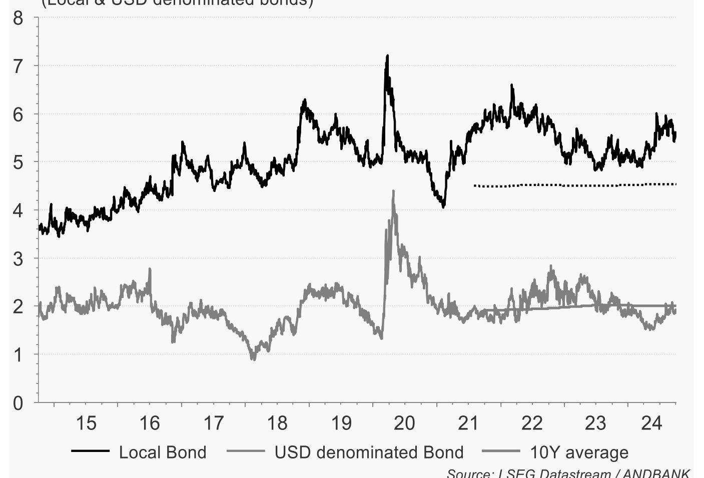


Source: LSEG Datastream / ANDBANK

ARGENTINA

Fiscal austerity remains in place and the government is seeking to break through the 4% monthly inflation

Politics: Government continues its defense of fiscal balance

The government remains committed to achieving a primary surplus of 1% of GDP for 2024. Recently, President Javier Milei's veto halted a proposed adjustment to the pension system, which would have increased government spending by an estimated 1.5% of GDP, undermining efforts to stabilize public accounts. Additionally, the government has announced plans to eliminate the PAIS tax on imports by the end of the year, following a recent reduction in the rate from 17.5% to 7.5%. While this move may worsen the fiscal balance in the short term, it is expected that increased economic activity and the implementation of a higher income tax—part of the recently passed fiscal package—will offset the revenue loss from the PAIS tax, which had been a drag on economic growth.

Economic Activity: Signs of recovery

Export-oriented sectors such as agriculture, mining, and oil & gas continue to sustain economic activity. However, recovery is beginning to emerge in sectors focused on the domestic market. In July, industrial production showed a seasonally adjusted monthly increase of +6.9% m/m, rebounding from a -1.4% m/m decline in June, though it remains down by -5.4% y/y. Notably, the food and beverage sector and oil refining experienced year-over-year production growth. Construction activity also continued its recovery, with an +8% m/m increase in July, building on previous gains of +2% m/m in June and +7.7% m/m in May. While activity remains significantly below last year's levels (-20.4% y/y), the monthly growth is gradually narrowing the gap, as seen in June (-35.3% y/y) and May (-32.6% y/y). On the income side, real wages for registered private-sector workers are now roughly at the same level as in November, before the December devaluation. When including public sector employees and unregistered private workers, real wages are approximately 10% lower than in November of last year.

Corporates: Acceleration in New Investment Announcements

Following the approval by Congress of the Incentive Regime for Large Investments (RIGI), which promises extended tax breaks, reduced customs duties, a gradual easing of capital controls, and guaranteed access for investors to international dispute courts, the pace of new investment project announcements in Argentina has notably accelerated. For example, although Argentina currently has no copper production, according to Reuters, eight major projects, including those by Glencore, First Quantum Minerals, and McEwen Mining, are in various stages of development. These projects have the potential to reach an annual production of 1.2 million tonnes, comparable to the output levels of Australia and Zambia, though still far behind the world's top producer, Chile, which stands at 5.5 million tonnes. Significant investments have also been announced in the Oil & Gas sector, where rapid materialization is expected due to growing production in the Neuquén Province, which reached 400,900 barrels per day (bpd) in June, marking a 24.83% year-on-year increase. In Río Negro, YPF and Petronas are planning to build an LNG plant, representing an estimated $30 billion investment. Additionally, *Transportadora de Gas del Sur* (TGS) is set to invest $700 million to expand the transportation capacity of the Néstor Kirchner Gas Pipeline, which connects the *Vaca Muerta* oilfields with the province of Buenos Aires. Moreover, new lithium production projects in Salta are expected to attract projected investments of $9 billion from several international companies. Also on the corporate side, notable Debt Liability Management initiatives were carried out by YPF and Pampa, involving the repurchase of short-dated bonds and the issuance of longer-maturity bonds. These bonds saw high demand and were issued at yields significantly below those of sovereign bonds.

Prices: The decline is slowing down and the following months will be key

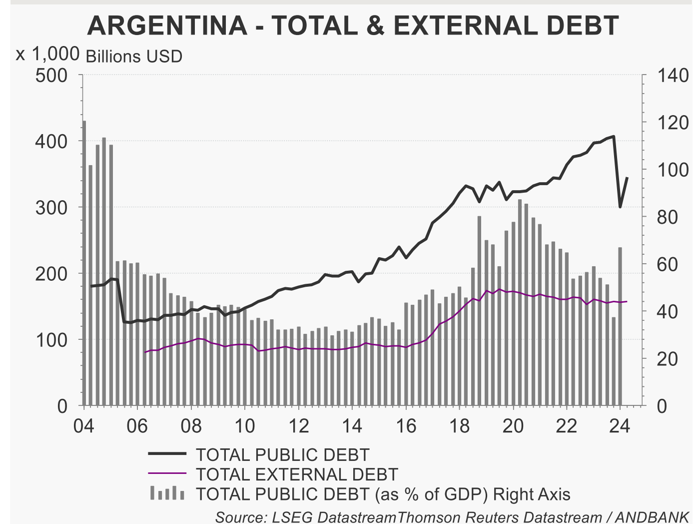
Inflation in August rose by +4.2% m/m. This marks the fourth consecutive month with inflation hovering around 4% m/m. A sharper reduction in inflation is critical for the government, as one of the key pillars of its economic plan. For the coming months, the reduction of the import tax rate from 17.5% to 7.5%, alongside a narrowing of the FX gap, is expected to moderate price increases.

Market outlook – Recommendations & Targets from fundamental analysis

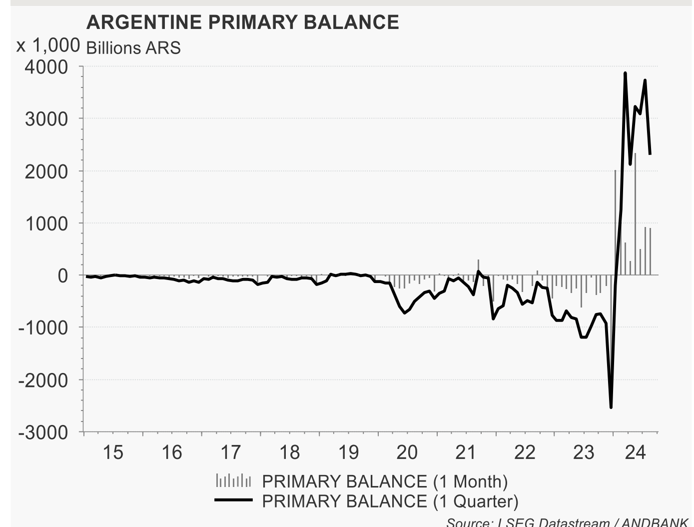
Bonds – 10YGov USD: NEUTRAL

FX – USDARS: NEGATIVE (2024 year-end target 1600)

Source: LSEG Datastream / ANDBANK



Source: LSEG DatastreamThomson Reuters Datastream / ANDBANK



Source: LSEG Datastream / ANDBANK

EQUITIES

GLOBAL EQUITY INDICES

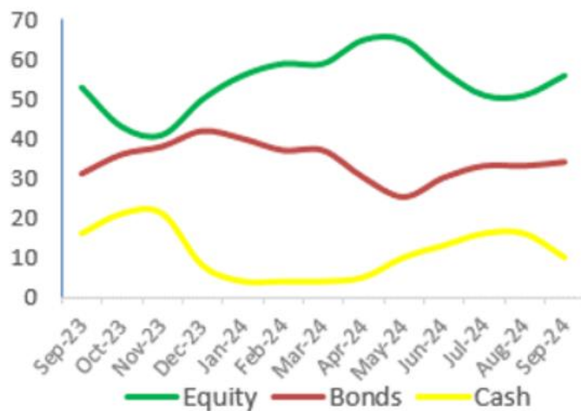
Fundamental assessment

Index	Projected EPS Fw 12 months	Projected EPS Growth 2024	PE Trailing (2024)	Price Earning (forward)	Current Equity Yied	Current Risk Premium	Hist Risk Premium	INDEX CURRENT PRICE	Andbank's Target Price (in 12 months view)	Expected performance to target Price	Recommended Strategy
USA S&P 500	264	10,6%	23,27	21,60	4,63%	0,77%	2,00%	5.700	6.139	7,7%	MW
Europe - Stoxx Europe 600	38	-2,1%	14,12	13,51	7,40%	5,22%	5,00%	517	540	4,6%	MW
Spain IBEX 35	1.085	9,5%	11,21	10,72	9,33%	6,38%	5,70%	11.637	12.167	4,6%	MW
Mexico IPC GRAL	4.550	10,2%	11,52	11,36	8,80%	-0,55%	-0,90%	51.675	52.406	1,4%	UW
Brazil BOVESPA	17.015	12,0%	8,50	7,74	12,92%	0,66%	-1,10%	131.672	144.644	9,9%	MW
Japan NIKKEI 225	1.891	25,6%	21,98	20,43	4,89%	4,02%	4,00%	38.636	41.568	7,6%	MW
China SSE Comp.	309	14,6%	10,88	10,79	9,27%	7,17%	4,80%	3.336	3.365	0,9%	UW
China Shenzhen Comp	125	23,6%	16,06	15,44	6,48%	4,38%	1,25%	1.927	2.005	4,0%	UW
India SENSEX	4.262	24,4%	22,10	19,19	5,21%	-1,61%	-2,00%	81.778	94.190	15,2%	OW
Vietnam VN Index	142	30,5%	10,31	8,95	11,18%			1.271	1.463	15,2%	OW
MSCI EM ASIA	47	22,3%	15,06	14,00	7,14%			653	702	7,6%	OW

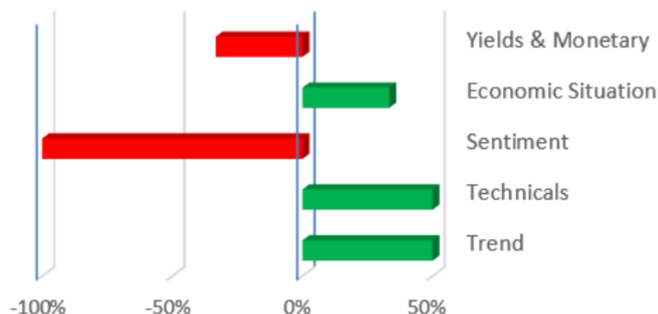
ANDBANK ESTIMATES

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: Q2 2024 Earnings Dashboard

BLENDED GROWTH RATES

	STOXX 600 2024Q2 EARNINGS	STOXX 600 2024Q2 REVENUE
STOXX 600	**3.0%**	**-0.8%**
Utilities	15.1%	-7.9%
Financials	13.2%	-1.9%
Energy	8.7%	1.9%
Consumer Non-Cyclicals	5.8%	-6.6%
Healthcare	3.3%	2.3%
Consumer Cyclicals	-1.2%	-0.2%
Real Estate	-2.6%	2.7%
Basic Materials	-6.5%	-2.7%
Industrials	-7.7%	3.1%
Technology	-29.0%	-2.2%

SCORECARD

■ Above ■ Match ■ Below

	Earnings Above	Earnings Match	Earnings Below	Revenue Above	Revenue Match	Revenue Below
STOXX 600	**53%**	**6%**	**41%**	**58%**	**1%**	**41%**
Basic Materials	30%	3%	67%	39%	0%	61%
Consumer Cyclicals	40%	8%	52%	50%	0%	50%
Consumer Non-Cyclicals	29%	0%	71%	41%	4%	56%
Energy	45%	14%	41%	68%	0%	32%
Financials	74%	5%	21%	83%	2%	15%
Healthcare	70%	7%	23%	74%	0%	26%
Industrials	49%	5%	45%	54%	0%	46%
Technology	58%	11%	32%	60%	0%	40%
Real Estate	20%	0%	80%	73%	0%	27%
Utilities	73%	0%	27%	25%	0%	75%

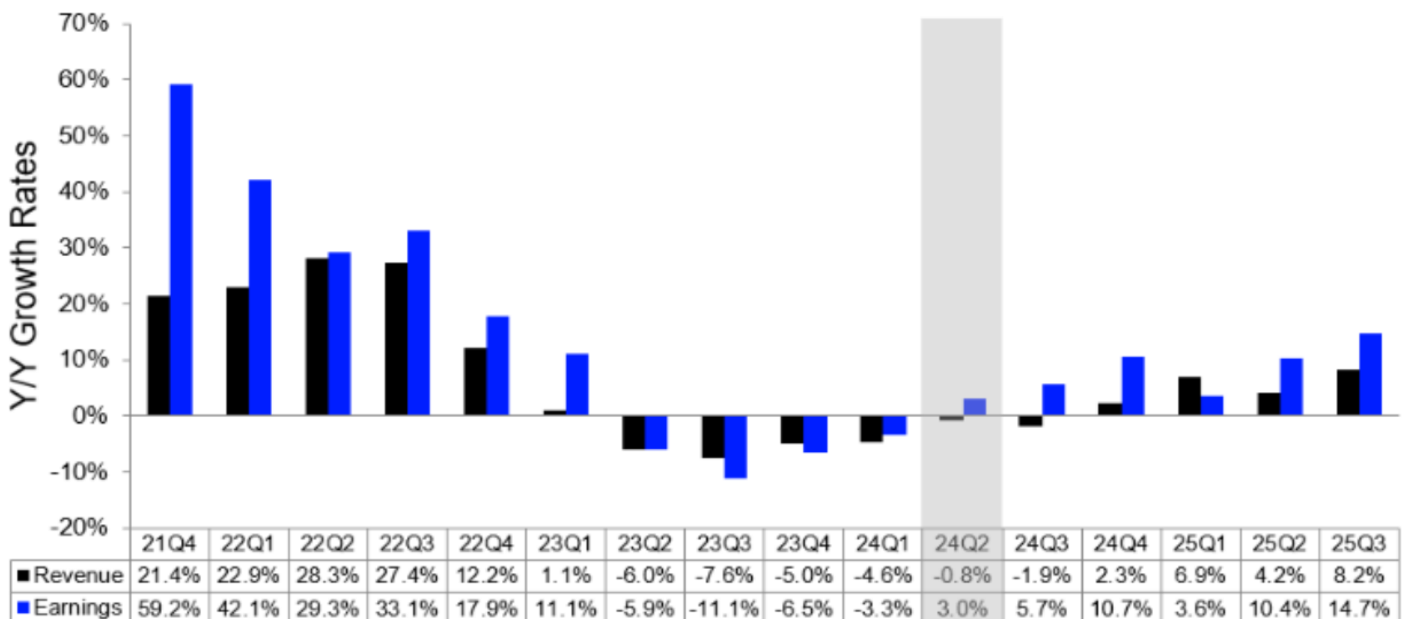
■ Reported ■ Remaining

	Earnings Reported	Earnings Remaining	Revenue Reported	Revenue Remaining
STOXX 600	**295**	**39**	**354**	**34**
Basic Materials	30	6	41	3
Consumer Cyclicals	25	8	34	8
Consumer Non-Cyclicals	17	3	27	4
Energy	22	0	22	1
Financials	57	3	60	2
Healthcare	30	3	34	5
Industrials	55	10	67	5
Technology	38	1	42	6
Real Estate	10	1	11	0
Utilities	11	4	16	0

SURPRISE FACTORS

	Earnings	Revenue
STOXX 600	**4.3%**	**0.2%**
Financials	9.2%	3.8%
Healthcare	5.0%	1.4%
Energy	2.9%	5.0%
Industrials	2.3%	1.1%
Consumer Cyclicals	1.2%	-1.6%
Consumer Non-Cyclicals	1.1%	1.9%
Technology	-2.2%	0.5%
Utilities	-2.5%	-20.4%
Real Estate	-4.4%	25.0%
Basic Materials	-9.4%	-1.4%

Exhibit 3A. STOXX 600 YoY Growth Rates



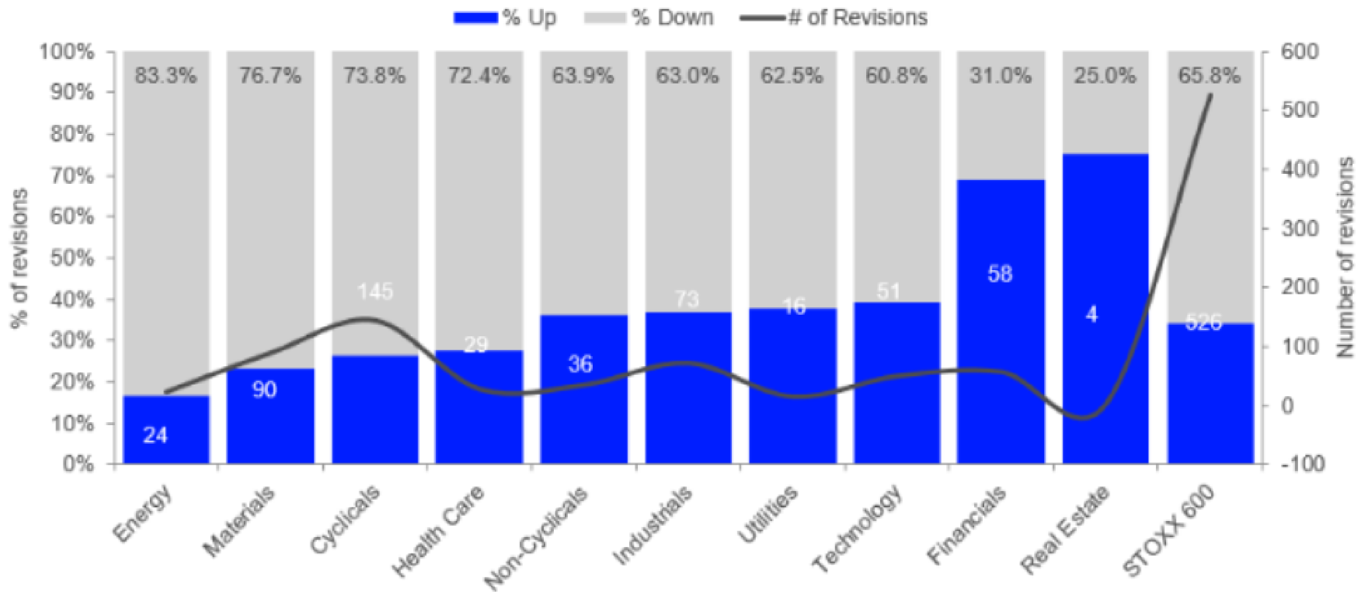
	21Q4	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2	24Q3	24Q4	25Q1	25Q2	25Q3
■ Revenue	21.4%	22.9%	28.3%	27.4%	12.2%	1.1%	-6.0%	-7.6%	-5.0%	-4.6%	-0.8%	-1.9%	2.3%	6.9%	4.2%	8.2%
■ Earnings	59.2%	42.1%	29.3%	33.1%	17.9%	11.1%	-5.9%	-11.1%	-6.5%	-3.3%	3.0%	5.7%	10.7%	3.6%	10.4%	14.7%

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

13.3x

Apr May Jun Jul Aug Sep Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug

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. 2024Q2 S&P 500 Earnings Dashboard

BLENDED GROWTH RATES

S&P 500 2024Q2 EARNINGS		S&P 500 2024Q2 REVENUE	
S&P 500	13.2%	**S&P 500**	5.5%
Technology	21.2%	Technology	11.0%
Financials	20.7%	Financials	6.6%
Health Care	20.5%	Health Care	7.7%
Utilities	15.5%	Utilities	3.0%
Consumer Discretionary	14.8%	Consumer Discretionary	4.7%
Comm. Services	7.4%	Comm. Services	5.9%
Consumer Staples	3.4%	Consumer Staples	1.6%
Industrials	1.7%	Industrials	-0.1%
Energy	1.3%	Energy	8.1%
Real Estate	-0.4%	Real Estate	7.2%
Materials	-5.8%	Materials	-1.6%

SCORECARD

Earnings (Above / Match / Below): 79% / 5% / 16%

Earnings	Above	Match	Below
S&P 500	79%	5%	16%
Consumer Discretionary	73%	4%	24%
Consumer Staples	71%	3%	26%
Energy	77%	5%	18%
Financials	83%	3%	14%
Health Care	89%	2%	10%
Industrials	83%	6%	10%
Materials	75%	-	25%
Real Estate	77%	13%	10%
Technology	81%	3%	16%
Comm. Services	74%	16%	11%
Utilities	71%	6%	23%

Revenue (Above / Match / Below): 60% / 40%

Revenue	Above	Match	Below
S&P 500	60%	0%	40%
Consumer Discretionary	51%	-	49%
Consumer Staples	39%	-	61%
Energy	64%	-	36%
Financials	59%	-	41%
Health Care	79%	-	21%
Industrials	56%	-	44%
Materials	43%	-	57%
Real Estate	58%	-	42%
Technology	83%	-	17%
Comm. Services	53%	-	47%
Utilities	42%	-	58%

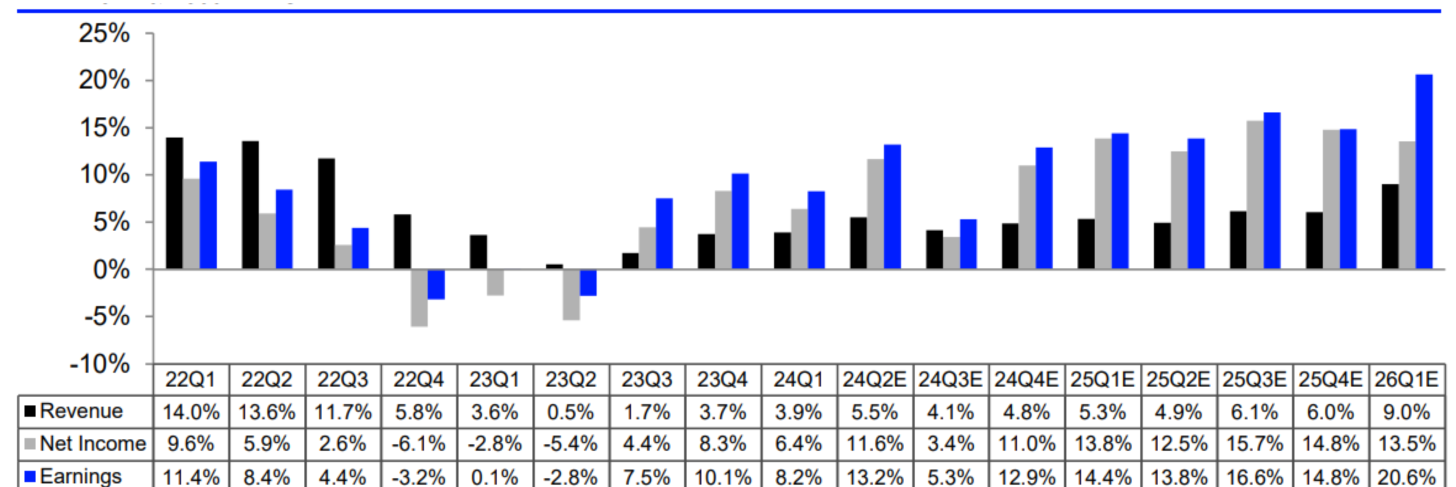
Reported / Remaining: 100% / 0%

Earnings	Reported	Remaining	Revenue	Reported	Remaining
S&P 500	499	1	**S&P 500**	499	1
Consumer Discretionary	51	0	Consumer Discretionary	51	0
Consumer Staples	38	0	Consumer Staples	38	0
Energy	22	0	Energy	22	0
Financials	71	1	Financials	71	1
Health Care	62	0	Health Care	62	0
Industrials	77	0	Industrials	77	0
Materials	28	0	Materials	28	0
Real Estate	31	0	Real Estate	31	0
Technology	69	0	Technology	69	0
Comm. Services	19	0	Comm. Services	19	0
Utilities	31	0	Utilities	31	0

SURPRISE FACTORS

Earnings		Revenue	
S&P 500	4.6%	**S&P 500**	1.1%
Utilities	8.7%	Utilities	-2.9%
Financials	6.5%	Financials	3.3%
Consumer Discretionary	6.4%	Consumer Discretionary	0.6%
Comm. Services	4.7%	Comm. Services	0.0%
Industrials	4.6%	Industrials	0.8%
Energy	4.4%	Energy	2.4%
Materials	3.8%	Materials	0.7%
Technology	3.6%	Technology	1.3%
Consumer Staples	3.4%	Consumer Staples	-0.2%
Health Care	3.1%	Health Care	1.2%
Real Estate	2.8%	Real Estate	0.6%

Source: LSEG I/B/E/S



	22Q1	22Q2	22Q3	22Q4	23Q1	23Q2	23Q3	23Q4	24Q1	24Q2E	24Q3E	24Q4E	25Q1E	25Q2E	25Q3E	25Q4E	26Q1E
Revenue	14.0%	13.6%	11.7%	5.8%	3.6%	0.5%	1.7%	3.7%	3.9%	5.5%	4.1%	4.8%	5.3%	4.9%	6.1%	6.0%	9.0%
Net Income	9.6%	5.9%	2.6%	-6.1%	-2.8%	-5.4%	4.4%	8.3%	6.4%	11.6%	3.4%	11.0%	13.8%	12.5%	15.7%	14.8%	13.5%
Earnings	11.4%	8.4%	4.4%	-3.2%	0.1%	-2.8%	7.5%	10.1%	8.2%	13.2%	5.3%	12.9%	14.4%	13.8%	16.6%	14.8%	20.6%

ENERGY – OIL

Fundamental view (WTI): Target range USD75-95bbl

Buy < USD75; Sell >USD95. For the first time in many quarters, nearly all energy market events in the month are trending in the same (unfavorable) direction, pushing crude oil to the lower end of our range.

(Bearish price factor) – Some analysts remain concerned OPEC+ will soon capitulate on oil prices to get more volume on the market. Current prices remain well below expectations of the OPEC+ comfort zone, though the group's ability to shift prices higher has become a source of speculation as production from non-member states has remained robust. A decision by the alliance last week to postpone planned production hikes by two months was seen as a confirmation of distressed demand dynamics. “I do have a growing suspicion that OPEC+ is giving up on price to get more volume on the market.”, said Arne Lohmann Rasmussen, chief analyst at Global Risk Management. We believe that group discipline will not be broken, and therefore, OPEC+ will continue to reduce its supply and defend the price. A strategy that in the short term can keep the price of crude oil within our range.

(Bearish price factor) – The momentum in China’s economy is slowing down. China's industrial output growth slowed to a five-month low in August, while retail sales and new home prices weakened further. The sluggish data released in August echoed soft bank lending figures in September, underscoring weak growth momentum of the $18.6 trillion economy, the world's second-largest, in the third quarter. Industrial output in August expanded 4.5% year-on-year, slowing from the 5.1% pace in July and marking the slowest growth since March. Retail sales, a key gauge of consumption, rose only 2.1% in August despite the summer travel peak, decelerating from a 2.7% growth in July. Faltering Chinese activity has already prompted global brokerages to scale back their 2024 China growth forecasts to below the government's official target of around 5%.

(Bearish price factor) – China’s stockpile build. China stored massive volumes of crude oil in August, boosting crude oil inventories by the biggest amount in 14 months, confirming imports rebound was due to stockpiling and not consumption. The world's biggest crude importer saw arrivals of 11.56 million bpd in August, while domestic output was 4.20 million bpd, given a total of 15.76 million bpd available to refineries. China doesn't disclose the volumes of crude flowing into or out of strategic and commercial stockpiles, but an estimate can be made by deducting the amount of crude processed. China's refineries processed 13.91 million bpd in August, significantly down from the 15.23 mpd seen in August 2023.

(Bearish price factor) – The US does not plan to impose tougher sanctions against Caracas' oil sector. The US has imposed new sanctions on Maduro-aligned officials but stopped short of targeting Venezuela's oil sector. This decision will allow Chevron to maintain its foothold in the country, helping to keep the global supply market oiled and prevent international crude oil prices from rising before the US elections.

(Bearish price factor) – Russia's idle oil refining capacity in September up 34% vs August to represent 14.5% of Russia’s total oil refining capabilities. An increase in idle refining capacity usually facilitates crude oil exports (crude loading plan from the Baltic ports of Primorsk and Ust-Luga for September was revised higher by 0.2 million tons to 6.2 million tons). Increased crude exports could cause a reduction in international crude prices. Total cumulative idle primary oil capacity in Russia for January to September has reached 32 million tons, up 23% from the same period last year.

(Bearish price factor) – IEA warned global oil demand growth is 'slowing sharply'. Global oil demand growth continues to decelerate, with reported 1H24 gains of 800 kb/d y-o-y, the lowest since 2020. For the year as a whole, global oil demand is on course to increase by 900 kb/d in 2024 and 950 kb/d next year. This is dramatically lower than the growth of 2.3 mb/d recorded in 2023. The chief driver of this downturn is a rapidly slowing China, where oil consumption contracted y-o-y for a fourth straight month in July. Outside of China, oil demand growth is tepid at best.

(Bearish price factor) – Traders pare their bets on crude as large-scale disruption to Middle Eastern oil flows have eased and recession risks have mounted. Financial demand for oil has plummeted to record lows, falling by an average of 7 million b/d over the past two months, according to Goldman Sachs. In a Sept 10 note, the investment bank said it now sees downside risks to its recent forecast for Brent averaging $77/b next quarter. Lead trading houses were heard discussing prices as low as $60/b at APPEC 2024, a far cry from the $100/b forecasts of less than six months ago. Oil analysts at S&P Global Commodity Insights expected the physical Dated Brent benchmark at $82/b in September, then to fall to $80/b by the year's end.

(Neutral price factor) – Pakistan discovery. Oilprice.com reported a substantial deposit of petroleum and natural gas has been discovered in Pakistan's territorial waters, a cache so large its exploitation could change the country's destiny. Some estimates suggest that this discovery constitutes the fourth-largest oil and gas reserves in the world. Currently, Venezuela is thought to be the leader in oil reserves with around 3.4 billion barrels. Saudi Arabia, Iran, Canada and Iraq constitute the rest of the top five, while the US has the most untapped shale oil reserves. Nevertheless, security and cost worries will dissuade international oil companies from starting any exploitation work in the area.

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

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 1.2525), 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$2,055. In real terms gold continues to trade well above its 20-year average of US$1,287oz. For the gold price to stay near its historical average in real terms, the nominal price must remain near US$1,611.

Gold in terms of silver: The Gold/Silver ratio rose to 83.30, still above its 20-year average of 68.64x, suggesting that gold is expensive relative to silver (or silver is cheap relative to gold). For this ratio to reach its long-term average, assuming that silver is better priced than gold (which is highly probable), then the gold price should go to US$2,121oz.

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 36.98x, still well above its 20-year average of 19.90x. Considering our mid-term outlook for WTI oil at US$85 (right in the middle of our new range of $75-95 for oil) and assuming that the utility function of both commodities will remain unchanged, the price of gold must approach US$1,691 for this ratio to remain near its LT average.

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

About the four threats that could end the gold rally. The 1976-80 rally of gold ended when US short rates were jacked up to break inflation, causing the USD to rise. The 1985-88 gold rally ended when Germany pulled out of the Plaza Accord 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) A rise in real rates; 3) A stronger USD; and 4) A loss of momentum from EM buyers. How real is each of these risks for bringing an abrupt end to the gold rally? Looking at this history and knowing that a gold bull market usually feeds on its own momentum for quite a while and only ends when facing higher nominal rates or a stronger USD or a rise in real rates, it seems reasonable to sound a mild alarm that **a downward turn in gold could be close**.

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

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

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 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 but, for the time being, it's not clear whether a resurgence in wealth generated in Asia can be initiated in the short term.

ANDBANK Private Bankers

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	-14,10	-5,27	32,6	-28,2	4,8	**-0,97**
USD vs G10	-14,46	-5,45	36,3	-25,4	6,1	**-1,10**
EM	-0,36	-0,18	4,2	-0,8	1,7	**-1,52**
EUR	10,02	-2,96	23,4	-8,6	7,8	**0,24**
JPY	5,76	3,52	5,8	-15,0	-8,1	**2,58**
GBP	7,29	-0,16	11,5	-6,5	-0,1	**1,85**
CHF	-2,86	0,80	0,2	-7,0	-3,1	**0,15**
BRL	-0,68	0,28	0,7	-1,0	-0,2	**-0,96**
MXN	0,32	-0,46	4,3	-0,5	1,7	**-1,18**
RUB	0,00	0,00	1,2	-0,3	0,3	**0,00**
AUD	-0,78	0,53	6,1	-6,7	-1,0	**0,05**
CAD	-4,88	3,30	6,1	-14,2	-1,5	**-0,73**

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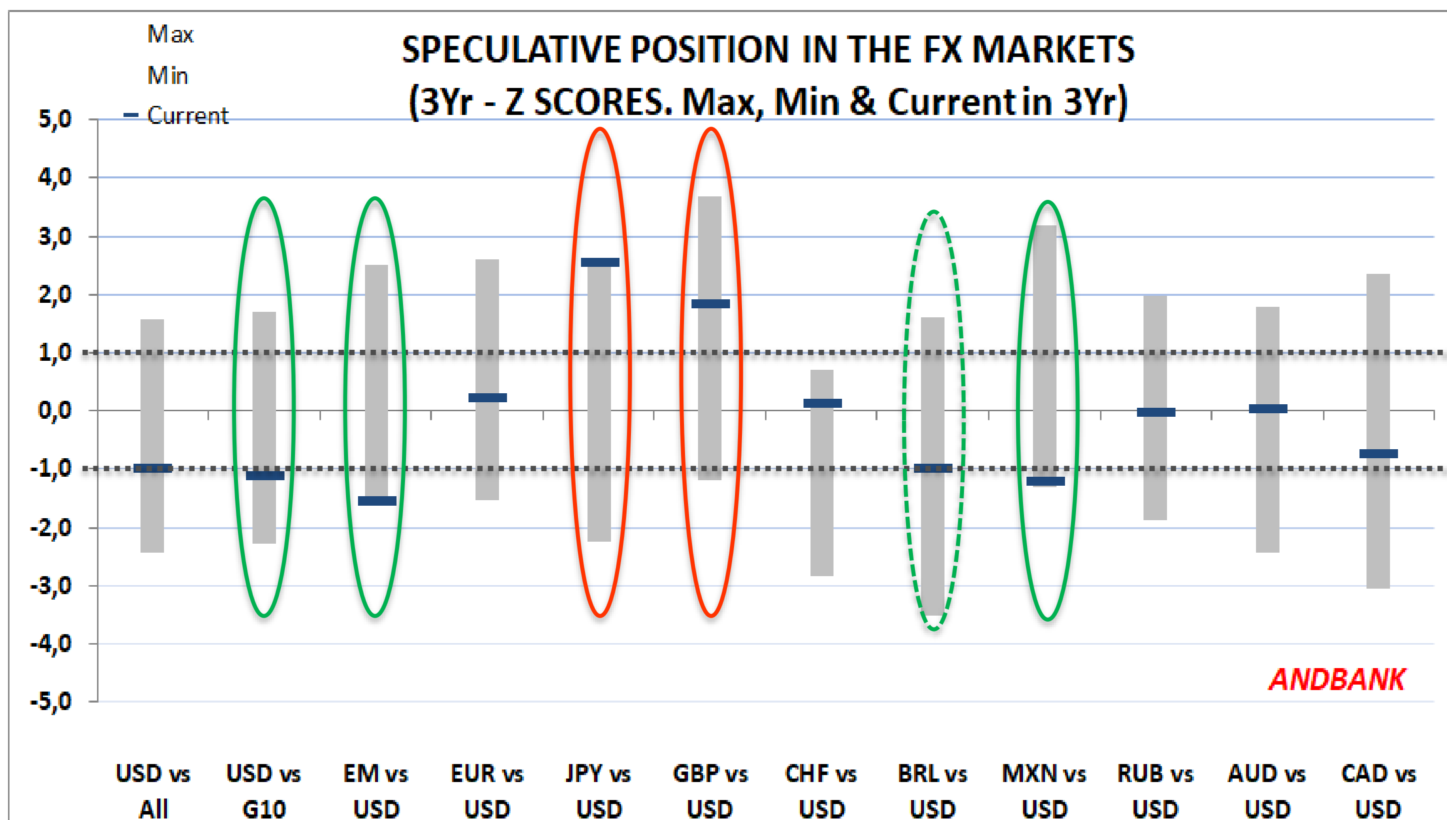
Positive
Neutral-Positive
Neutral-Negative
Negative



Positive
Neutral-Positive
Neutral-Negative
Negative

The currencies we technically favour are circled in green

SUMMARY TABLE OF EXPECTED RETURNS

Asset Class	Indices	Performance Last month	Performance YTD	Current Price	Andbank's Target Price Year End	Expected Performance (to Target Price)
Equity	USA - S&P 500	3,3%	19,5%	5.700	6.139	7,7%
	Europe - Stoxx Europe 600	0,4%	7,9%	517	540	4,6%
	Euro Zone - Euro Stoxx	1,8%	7,5%	510	533	4,6%
	SPAIN - IBEX 35	3,8%	15,2%	11.637	12.166	4,6%
	MEXICO - MXSE IPC	-0,3%	-10,0%	51.675	52.406	1,4%
	BRAZIL - BOVESPA	-3,3%	-1,9%	131.672	144.644	9,9%
	JAPAN - NIKKEI 225	4,3%	15,5%	38.636	41.568	7,6%
	CHINA - SHANGHAI COMPOSITE	19,8%	12,2%	3.336	3.365	0,9%
	CHINA - SHENZEN COMPOSITE	26,7%	4,9%	1.927	2.005	4,0%
	INDIA - SENSEX	-0,8%	13,2%	81.688	94.087	15,2%
	VIETNAM - VN Index	-0,4%	12,4%	1.271	1.463	15,2%
	MSCI EM ASIA (in USD)	11,8%	20,3%	653	702	7,6%
Fixed Income Core countries	US Treasury 10 year Govie	-0,5%	3,0%	3,86	**3,70**	5,1%
	UK 10 year Gilt	-0,7%	-1,6%	4,06	4,50	0,6%
	German 10 year BUND	0,4%	4,9%	2,19	**2,20**	2,1%
	Japanese 10 year Govie	0,1%	-3,4%	0,88	1,25	-2,1%
Fixed Income Peripheral	Spain - 10yr Gov bond	0,9%	2,4%	2,95	3,05	2,2%
	Italy - 10yr Gov bond	0,9%	4,2%	3,50	3,60	2,7%
	Portugal - 10yr Gov bond	0,9%	2,2%	2,72	2,80	2,1%
	Ireland - 10yr Gov bond	0,6%	0,2%	2,52	2,60	1,9%
	Greece - 10yr Gov bond	0,9%	1,5%	3,12	3,20	2,5%
Fixed Income Credit	Credit EUR IG-Itraxx Europe	0,2%	3,4%	59,39	75	3,4%
	Credit EUR HY-Itraxx Xover	0,0%	5,4%	313,72	450	2,3%
	Credit USD IG - CDX IG	0,4%	4,8%	53,78	75	4,8%
	Credit USD HY - CDX HY	0,5%	7,7%	330,57	450	4,6%
Fixed Income EM Europe (Loc)	Turkey - 10yr Gov bond (local)	-3,4%	-14,5%	27,68	25,00	49,1%
	Russia - 10yr Gov bond (local)	1,2%	-13,4%	15,11	25,00	-64,0%
Fixed Income Asia (Local curncy)	Indonesia - 10yr Gov bond (local	0,7%	3,4%	6,63	5,50	15,6%
	India - 10yr Gov bond (local)	0,8%	8,3%	6,82	5,75	15,4%
	Philippines - 10yr Gov bond (loca	3,4%	7,1%	5,66	5,25	8,9%
	China - 10yr Gov bond (local)	0,4%	5,7%	2,10	1,50	6,9%
	Malaysia - 10yr Gov bond (local)	0,4%	2,6%	3,76	3,25	7,9%
	Thailand - 10yr Gov bond (local)	0,4%	3,2%	2,50	2,00	6,5%
	Singapore - 10yr Gov bond (loca	-0,1%	1,7%	2,73	3,40	-2,7%
	Rep. Korea - 10yr G. bond (local	0,7%	3,9%	2,89	2,75	4,0%
	Taiwan - 10yr Gov bond (local)	0,4%	-1,5%	1,47	2,50	-6,8%
Fixed Income Latam	Mexico - 10yr Govie (Loc)	2,7%	2,9%	9,36	**9,45**	8,6%
	Mexico - 10yr Govie (USD)	1,4%	3,4%	5,64	**5,70**	5,1%
	Brazil - 10yr Govie (Loc)	-1,3%	-8,3%	12,26	**11,20**	20,7%
	Brazil - 10yr Govie (USD)	3,2%	5,1%	5,82	**6,70**	-1,3%
Commodities	Oil (WTI)	8,1%	5,0%	74,9	85,00	13,6%
	GOLD	5,7%	31,6%	2.660,3	2.300	-13,5%
Fx	EURUSD (price of 1 EUR)	-0,5%	0,0%	1,10	1,05	-4,8%
	GBPUSD (price of 1 GBP)	0,2%	3,5%	1,32	1,29	-2,1%
	EURGBP (price of 1 EUR)	-0,7%	-3,4%	0,84	0,81	-2,7%
	USDCHF (price of 1 USD)	0,6%	1,2%	0,85	0,87	2,1%
	EURCHF (price of 1 EUR)	0,2%	1,2%	0,94	0,91	-2,8%
	USDJPY (price of 1 USD)	1,9%	3,9%	146,53	140,00	-4,5%
	EURJPY (price of 1 EUR)	1,5%	3,9%	161,66	147,00	-9,1%
	USDMXN (price of 1 USD)	-3,0%	13,9%	19,32	**19,50**	0,9%
	EURMXN (price of 1 EUR)	-3,6%	14,0%	21,29	20,48	-3,8%
	USDBRL (price of 1 USD)	-2,9%	12,9%	5,48	**5,35**	-2,3%
	EURBRL (price of 1 EUR)	-3,3%	12,8%	6,04	5,62	-7,0%
	USDARS (price of 1 USD)	1,9%	20,2%	971,50	1.000	2,9%
	USDINR (price of 1 USD)	0,0%	0,9%	83,95	83	-1,1%
	CNY (price of 1 USD)	-1,3%	-1,1%	7,02	7,50	6,9%

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

UPWARD REVISION **DOWNWARD REVISION**

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Together
Everyone
Achieves
More

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