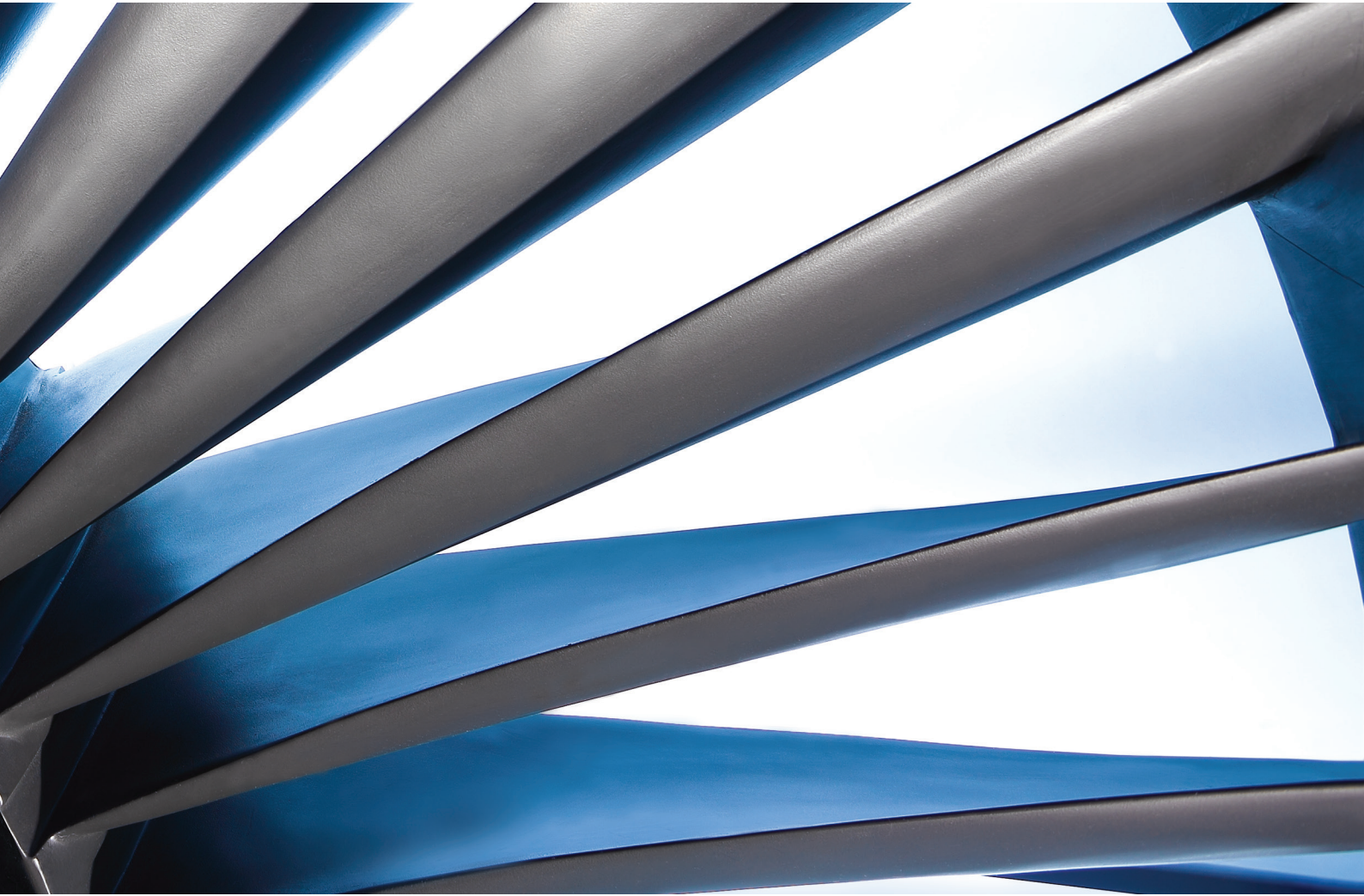


Citigold

2017 MID YEAR OUTLOOK



CAUTIOUS OPTIMISM  
AMID STEADY GROWTH



## CITI'S TOP 7 THEMES

1	GROWTH	Holding Steady	2
2	EQUITIES	Synchronised Earnings Growth	4
3	INTEREST RATES	Rising Slowly	8
4	BONDS	Selected Opportunities	10
5	POLITICS	Greater Uncertainties	14
6	COMMODITIES	Mixed Fortunes	16
7	CURRENCIES	A Volatile Dollar	19

## CAUTIOUS OPTIMISM AMID STEADY GROWTH

In the 2017 Annual Outlook report in January, we highlighted that 2017 would bring about higher growth and higher inflation. Citi analysts had preferred bonds with shorter maturities while favouring Emerging Market (EM) equities.

As we look ahead to the remainder of the year, the global recovery appears on track although concerns over the Chinese economy have risen. As of end May, global equities have rallied 10.5% with Emerging Market equities up 17% on a year to date basis. Bond markets have also posted positive returns of around 4% to 7%, confounding investors' earlier expectations of higher bond yields.

**With growth and earnings likely to remain intact, Citi analysts still see upside in Emerging Market equities. Opportunities also exist in European equities given attractive valuations and improving fundamentals, although political and policy challenges continue to linger. Given consensus expectations of a delay to President Trump's economic agenda, any progress on tax reforms is likely to be positive for US assets. As rallies have pushed market valuations higher, investors may want to use market corrections to increase their equity exposures.**

Long term bond yields are likely to be contained within a range, dependent on shifting expectations over the probability, magnitude and timing of fiscal expansion in the US. As such, there are selected opportunities within US investment grade corporate bonds, as well as higher yielding emerging market debt and high yield bonds.

Lingering political risks in many parts of the world including Europe and North Korea suggest that investors keep their portfolios broadly diversified. Following the rallies in both equity and bond markets to date, please reach out to your Citibank relationship manager for a mid-year portfolio review.

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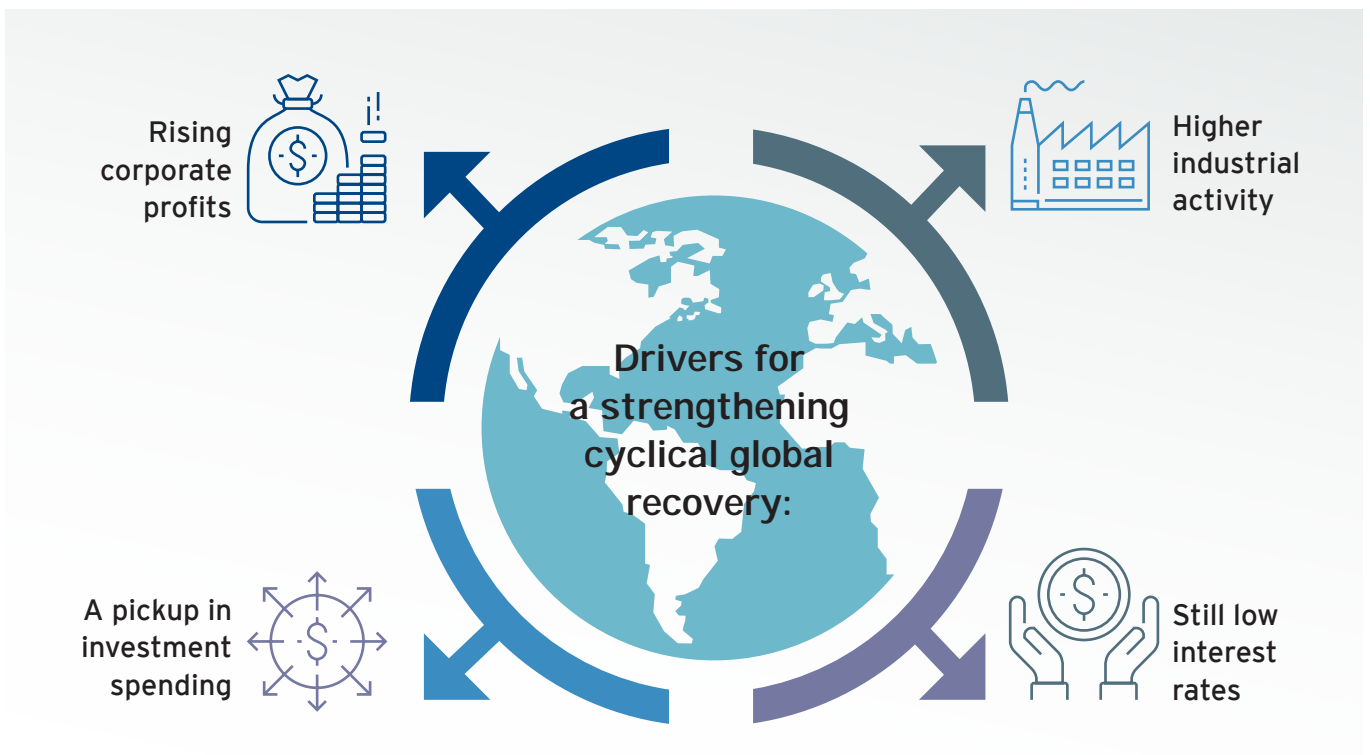
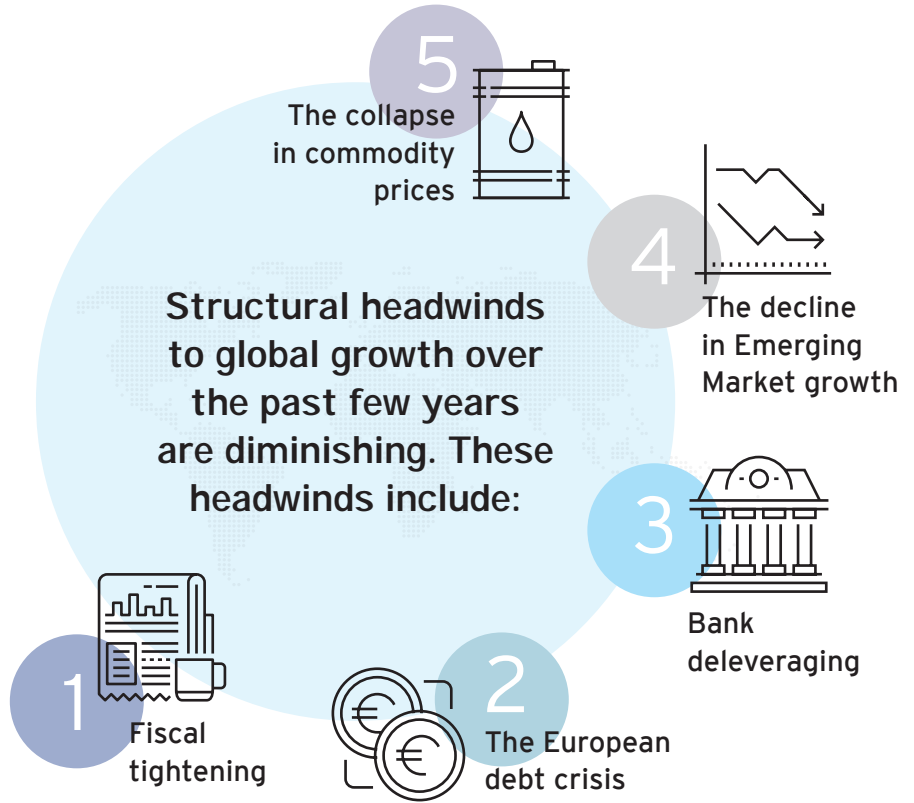
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**Celestee Tan**

Investment Specialist

# 1 GROWTH HOLDING STEADY

Citi analysts expect a moderate but broad based pickup in global growth as structural headwinds recede. However, while a recovery in investment activity and still low interest rates are likely to be supportive of growth, there are risks to the outlook.





**However, Citi analysts stress that there are risks to the outlook:**

- 1 A slowdown in Chinese activity
- 2 Heightened political risks. (See "5. Politics—Greater Uncertainties")
- 3 Rising skepticism about US tax reform

**Key Takeaways**

- Structural headwinds to global growth over past few years are diminishing.
- The global growth backdrop remains fairly benign. Citi expects the global economy to grow 3.0% and 3.3% in 2017 and 2018 respectively.
- Risks to Citi's growth outlook include concerns about a slowdown in Chinese activity, political risks and rising skepticism over US tax reform.

# 2 EQUITIES SYNCHRONISED EARNINGS GROWTH

**Citi analysts expect all major regional equity markets to deliver positive earnings growth in 2017, a phenomenon last seen in 2010. However given the rallies to date and lingering geopolitical risks, investors may want to take advantage of market corrections to increase their equity exposures.**

Citi analysts expect all major regional equity markets to deliver positive earnings growth in 2017 on the back of a modest recovery in global growth and oil prices.

Global earnings are forecasted to rise 15% this year with earnings growth of 11% expected in the US, 22% in the UK and 19% in Europe ex UK. Japan and the Emerging Markets (EM) are also forecasted to enjoy healthy double-digit earnings growth of 13% and 23% respectively. This is the first synchronised earnings growth across key markets since 2010, a phenomenon which has occurred only seven times since 1990.

Market Performance (Year to date as of May 2017)



Source: Bloomberg. As of 31 May 2017.

## SYNCHRONISED EARNINGS GROWTH / 2

Nevertheless, given that equity market valuations have become more expensive after the rallies year to date, Citi analysts are more selective. As geopolitical risks and policy uncertainties persist, they would take advantage of market corrections to increase their equity exposures.

**US REFORMS MAY STILL COME THROUGH**

The failure to repeal Obamacare in March 2017, together with the various controversies surrounding the US administration have raised the risks of a delay to President Trump's policy agenda. Accordingly, cyclical stocks and the US dollar have unwound their strong performance post the US presidential election. US bond yields have also climbed lower.

Citi's base case remains one where the Republican controlled Congress could succeed in passing US corporate and personal income tax cuts later this year.

With investors' low expectations of US tax reforms and fiscal stimulus, any credible progress on Trump's policy agenda is likely to be positive for cyclical stocks and US equities. Given the lofty valuations of US equities, earnings growth would be important to support the market.

**OPPORTUNITIES IN EM, EUROPE AND JAPAN**

Citi analysts expect Emerging Markets (EM) to outperform other regional equity markets for the rest of the year.

- EM equities have benefited from a synchronized upturn in growth and inflation globally, still low US interest rates and contained USD strength.
- Citi analysts are positive on Asian ex-Japan, Emerging Europe and Latin America given robust domestic economic growth and attractive valuations. EM equity valuations remain at a historically large discount to the US.

GLOBAL EARNINGS ARE  
FORECASTED TO RISE

15%

IN 2017 WITH

11%

EXPECTED IN THE US

23%

IN EM AND

19%

IN EUROPE ex UK

- In particular, Citi analysts favour Asia, especially the large and less trade dependent countries including India, Indonesia and China. Exports account for around 20% of China's GDP compared to 177% for Singapore and 46% for Korea.
- Earnings for MSCI China may grow 15% in 2017 in Citi's view although returns are likely to be capped by China's regulatory tightening and rise in funding costs.

**The recovery in the Eurozone is strengthening** and broadening out across countries and economic sectors. Reduced political risks following the French elections are also expected to be supportive of European equities. However, market volatility may rise ahead of the Italian elections. Citi analysts expect strong cash flow generation and healthy company balance sheets to support European dividends, which may help provide investors with some buffer.

**Citi analysts are neutral on Japanese equities.** Japanese exporters are likely to benefit from strong US growth and a weaker yen. However, exporter earnings could be at risk if a rise in global risk aversion strengthens the yen.

#### **A BIAS TOWARDS CYCLICAL SECTORS**

Given the improving economic and earnings outlook, Citi analysts are positive on the Energy, Financial and Technology sectors.

- **Technology:** Earnings momentum is positive, cash generation healthy and balance sheets are strong. Citi analysts also highlight secular growth opportunities generated by continued product innovation.
- **Financial:** The Financial sector is a clear beneficiary of higher bond yields. Citi analysts prefer EU banks (cheaper valuation, improving macro) to US banks. EM banks are looking increasingly attractive given low valuations and potential improvements in nonperforming loans.

## SYNCHRONISED EARNINGS GROWTH / 2

- **Energy:** Potentially higher oil prices given Citi's end-2017 forecast of \$62/bbl and improved cost discipline may support the Energy sector.

Citi analysts are cautious on the Consumer Discretionary, Utilities, Consumer Staples, Health Care and Telecoms sectors.

**Key Takeaways**

- With investors' low expectations of US tax reforms and fiscal stimulus, any credible progress on Trump's policy agenda is likely to be positive for cyclical stocks and US equities.
- Given the improving economic and earnings outlook, Citi analysts are positive on the cyclical sectors which include the Energy, Financial and Technology sectors.
- Citi analysts expect the more cyclical markets such as Japan, Emerging Markets and Europe to outperform the US in 2017.

# 3 INTEREST RATES RISING SLOWLY

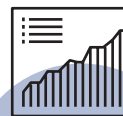
After raising rates only once in 2015 and 2016, the US Federal Reserve (Fed) is expected to pick up speed, with a total of 3 hikes anticipated in 2017. The Fed appears to be an exception however, with most other central banks in the developed and emerging markets expected to remain on hold in 2017. As long as rates do not rise rapidly, corporate bonds and equities can continue to hold up if economic and earnings growth comes through.

The US Fed raised the Federal Funds rate by **0.25%** on 15 March 2017 and by **0.25%** on 14 June 2017



US 10-Year Treasuries expected to hit **2.20%** by end 2017

**US**  
Citi analysts anticipate **1** more interest rate hike for the rest of 2017



Citi analysts forecast the ECB to **first hike** rates in June 2019

## EUROPE

In the September meeting, the European Central Bank (ECB) is expected to end asset purchases first before increasing interest rates, in line with current guidance, helping to maintain very easy financing conditions



## JAPAN

With core inflation expected to stay low, Citi analysts believe the Bank of Japan (BoJ) may maintain both the short-term policy rate at **-0.1%** and the target for 10-year JGB yields **around 0%** at least through the 1st half of 2018



Citi analysts expect the Bank of England (BoE) to keep rates unchanged. The economy is unlikely to deteriorate significantly to warrant additional stimulus, while the uncertainty remains too high to raise rates prematurely



**UK**

Business confidence and growth needs to rebound before the BoE starts raising interest rates, most likely only in 2019

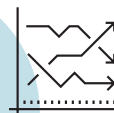
**Other Developed Markets (DM)**



Most DM central banks are expected to remain on hold throughout 2017. Only Canada, New Zealand and Sweden are expected to hike in 2018

Most EM central banks are likely to keep rates on hold for the rest of 2017

**Emerging Markets (EM)**



Rates are expected to be raised in Turkey, Mexico and China and lowered in Russia and Brazil

**Key Takeaways**

- With the exception of the US, most developed markets such as Europe, Japan and UK are expected to keep rates steady in 2017.
- As long as rates do not rise rapidly, corporate bonds and equities can continue to hold up if economic and earnings growth comes through.

## BONDS

## SELECTED OPPORTUNITIES

After the US presidential election in November, investors had expected bond yields to trend higher on stronger growth and inflation pressures. In reality, US 10-year Treasury bond yields actually edged lower year to date as of end May. With short term interest rates expected to rise only gradually in the US over the next 6-12 months, Citi analysts see opportunities in selected bond sectors.

## SHORT TERM RATES TO SLOWLY RISE

Citi analysts expect a total of 3 rate hikes from the US Federal Reserve (Fed) in 2017. Outside of the US, most central banks in the developed and emerging markets are expected to remain on hold in 2017 as inflationary pressures remain manageable. (See "3. Interest Rates—Rising Slowly") Meanwhile, long term US Treasury yields are likely to remain range bound, dependent on expectations over the likelihood, magnitude and timing of US fiscal expansion.

## WHAT DOES THIS MEAN FOR INVESTORS?

Citi analysts believe that selected bond sectors that offer investors additional yield and strong fundamentals remain attractive. Given lingering political uncertainties globally (See "5. Politics—Greater Uncertainties") , mixed economic signals from the US and concerns over a China slowdown, high quality bonds continue to remain an important part of investors' portfolios.

## SELECTIVE REGIONAL MARKETS OFFER VALUE

Higher relative yields, improved economic fundamentals and contained USD strength are likely to be supportive for **Emerging Market Debt (EMD)**. While Citi analysts do not expect spreads to compress significantly, the higher yields are likely to help boost returns.

In Latin America, Brazil and Mexico are favoured. While Brazilian assets remain under pressure amid increased political uncertainty and Standard & Poor's (S&P) has placed its BB ratings on downgrade watch, Citi analysts view the weakness as an opportunity. This is premised on the political scandal not spilling over to the broader corporate sector. Citi's positive view on oil remains a key support while export sectors including metals/mining, aviation and pulp/paper could benefit from a weaker currency.

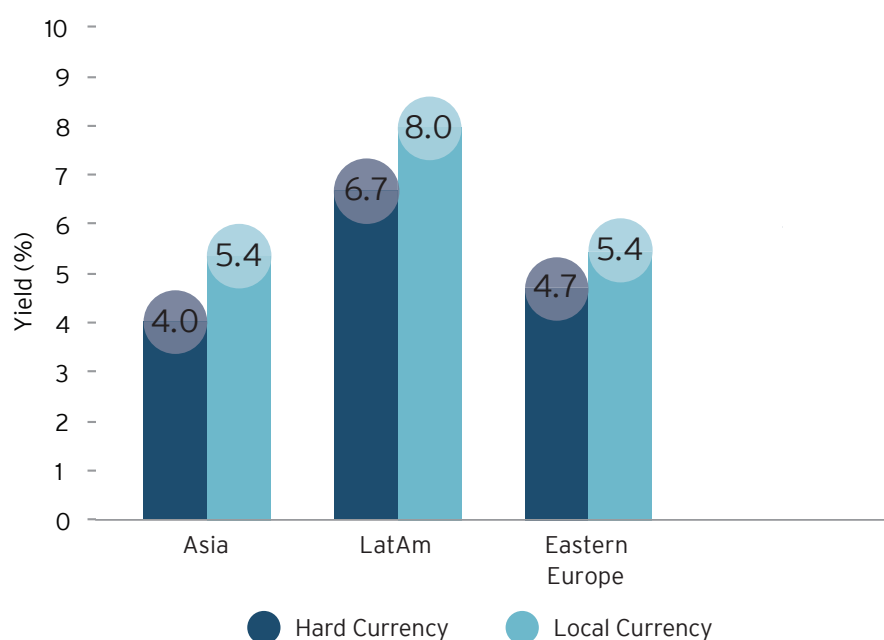
Within Asia, India and Indonesia are Citi's preferred local markets. S&P recently raised Indonesia's credit rating to Investment Grade (BBB- from BB+), citing the country's macro stability, fiscal discipline and

increased resilience. The positive macro environment in Indonesia and relative currency stability may attract further inflows. Citi analysts also remain constructive on local India debt, despite the central bank’s surprise move to keep policy rates on hold in April. Improving fundamentals and attractive valuations are likely to support further outperformance.

Moody’s recently downgraded China’s sovereign credit rating from A1 to Aa3 in May, bringing its rating in line with S&P’s as well as Fitch’s. The reaction in the Chinese bond markets was fairly muted. Within the market, Citi analysts prefer State-Owned Enterprises (SOEs) over high yield property developers.

In Emerging Europe, Citi analysts believe that Russia’s 9% yields appear attractive despite geo-political uncertainties. Though sanctions remain a deterrent for investments, any future removal would likely provide a positive catalyst for local bonds.

**Yields of Local Currency denominated and USD denominated Emerging Market Bonds**



# INDIA & INDONESIA

ARE CITI'S PREFERRED MARKETS IN ASIA

Source: Citi Research. As of 2 May 2017.

Citi analysts continue to be positive on **US Investment Grade (IG) corporates**. Despite strong outperformance from last year's oil price recovery, valuations still remain relatively attractive in the Energy sector. Basic materials such as chemicals and metals/mining also offer compelling value although performance is likely to be highly correlated to changes in commodity prices.

Bonds issued by telecom companies have been negatively impacted by heavy new issuance, higher leverage, higher US rates, and ratings downgrades. However, Citi analysts believe that current valuations have largely priced in these concerns.

Within Financials, the senior unsecured bonds issued by US banks are likely to benefit from higher US rates. Some relaxation of regulations under President Trump could also boost earnings later this year. Despite their higher valuations, Citi still favours US subordinated debt and preferred securities.

**US High Yield (HY) bonds** have become more expensive as the sector has rallied year to date. However, fundamentals are still robust as US default rates fell for the fourth consecutive month in April. Citi analysts are still positive on the sector, as valuations compared to other bond sectors are still attractive.

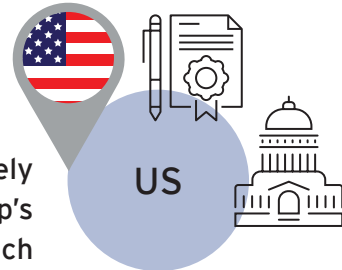
Corporate bond purchases by the European Central Bank (ECB) under its asset purchase program have driven prices of **Euro IG and HY corporate bonds** up and yields are now near record lows. Given expensive valuations and the possible tapering of bond purchases by the ECB later this year, Citi analysts have turned more cautious towards Euro IG bonds. They are also less positive on Euro HYs than before. In terms of sectors, Citi analysts continue to prefer core European Financials, which potentially offer higher yields than US banks and are expected to benefit from lower political uncertainty, better macro trends, recovery of earnings/profitability as well as stronger capital positions.

### Key Takeaways

- Higher relative yields, improved economic fundamentals and contained USD strength are likely to be supportive for Emerging Market Debt (EMD).
- Within US Investment Grades (IG), the senior unsecured bonds issued by US banks are likely to benefit from higher US rates. US High Yield (HY) bonds have become more expensive as the sector has rallied year to date. However, fundamentals are still robust and Citi analysts remain positive.
- In Europe, core Financials are preferred as they are expected to benefit from lower political uncertainty, better macro trends, recovery of earnings/profitability as well as stronger capital positions.

**5** POLITICS  
GREATER UNCERTAINTIES

Even after the French Presidential election, political uncertainties and geopolitical risks remain high. History suggests that geopolitical events can have a longer lasting negative impact on financial markets if the event directly implicates the US in a significant manner and leads to a re-assessment of the role of the US in the world. Market volatility can also spike if oil prices rise rapidly or destabilising geopolitical events take place against a backdrop of already weak global growth and there are no offsetting policy actions.



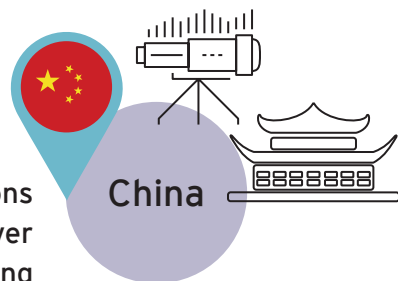
Political distractions are likely to cause delays in Trump's policy agenda. Policies such as immigration reform and infrastructure spending may be derailed

Citi analysts still think tax cuts are possible although comprehensive tax reforms may be more challenging



Situation is riskier than before given a less predictable US foreign policy and a more unpredictable North Korea regime

Citi analysts expect all parties to be restrained, helped by sanction threats



Tighter financial regulations have raised investor fears over a growth slowdown, triggering corrections in commodities, equities and bonds

Citi analysts believe that China's leaders remain committed to maintaining economic and financial market stability



In Citi's view, Brexit negotiations are likely to take several years and a long transition phase is likely after Britain's formal departure from the EU in March 2019

The first few months of the negotiations are likely to be consumed by discussions over the financial settlement



The anti-establishment M5S party may become the largest party in parliament in the upcoming election, which can increase euro break-up risk

Citi analysts expect Italy's economic growth to slow as business confidence falls. This is worrying given still lingering concerns over the stability of the Italian banking system

#### Key Takeaways

- While market volatility has stayed at historically low levels, there are geopolitical events that can trigger higher volatility.
- Citi analysts continue to advocate that investors should have diversified portfolios to help them navigate different market situations.

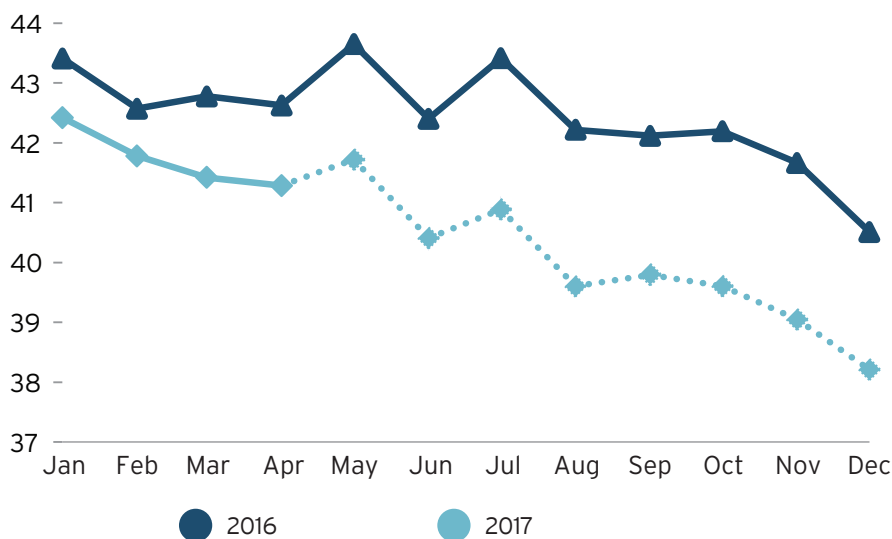
COMMODITIES  
**MIXED FORTUNES**

Different commodities have experienced mixed fortunes since the start of the year. Oil suffered sharp declines as inventories climbed earlier in the year while concerns over China's growth triggered a correction in bulk metals. On the other hand, gold rallied on the back of heightened political uncertainties. Some of these movements are expected to reverse in the second half of the year. Citi analysts see oil prices heading higher as the output cuts since January start to tighten supply. In contrast, the upside for gold seems limited.

**OIL: SUPPLY IS TIGHTENING**

The decision by OPEC (Organisation of the Oil Producing Countries) to extend output cuts on 24 May by another 9 months disappointed investors. Nevertheless, Citi analysts believe that oil supply is tightening as the impact of the output cuts since January starts to kick in. See Figure. Quarter to date as of late May, Citi analysts estimate that oil inventory has fallen by 0.6 million barrels/day. This contrasts with the average rise of 0.64 million barrels/day seen historically for the same period. Citi analysts expect oil inventory to continue to fall in the second half of 2017, as demand for oil rises with the end of the refining maintenance season.

Global Oil Inventories: Days of demand



Source: Citi Research. As of 23 May 2017.

Oil demand may surprise on the upside given Citi's positive global growth outlook. Supportive demand and supply factors can push Brent prices to US\$60-65/bbl. Citi analysts forecast WTI to end the year around US\$62/bbl. There is a risk that these price forecasts may not be reached if US, Libya and Nigeria produce more oil than expected. On the other hand, with global oil supply disruptions at a five year low, more outages cannot be ruled out.

#### COPPER: HEADING HIGHER

Metal prices sold off in May on concerns of delays to Trump's economic agenda and ambitious infrastructure spending plan. Investors were also worried about Chinese demand for metals after the local government recently tightened measures to target speculators in China's property market. Citi analysts remain cautiously optimistic on the outlook for copper, expecting mine output to fall by 1.5% in 2017, the first year of falling supply since 2002. Tighter copper supply and stable global demand are expected to push copper prices above US\$6000/t.

#### GOLD: PRICE HAS PEAKED

Gold prices rose 10% for the year up to end May helped by a softer USD and investor expectations that the Federal Reserve would only hike rates very gradually. Investor interest in the precious metal was also boosted by uncertainty over US domestic policy as well as by heightened geopolitical risks particularly in North Korea. Citi analysts believe that gold prices have probably peaked in the second quarter. It would likely require a significant deterioration in the US political and economic situation for gold prices to move higher. With Citi expecting a total of three Fed rate hikes in 2017 and higher US long term bond yields at the end of the year, the upside for gold is likely to be limited although prices are expected to be US\$6000/ supported around US\$1200/oz.

BRENT CRUDE MAY HIT

**US\$60-65/bbl**

COOPER PRICES MAY RISE ABOVE

**US\$6000/t**

GOLD PRICES EXPECTED TO BE  
SUPPORTED AROUND

**US\$1200/oz**

## 6 / MIXED FORTUNES

CITI ANALYSTS EXPECTED  
IRON ORE PRICES TO AVERAGE

**US\$53/tonne**

IN 2018

**IRON ORE: EXCESS SUPPLY**

Iron ore prices tumbled from a high of US\$95/tonne in February to US\$60/tonne as of end May, reflecting the mounting inventory of lower grade iron ore at China's ports. If China cuts its steel capacity more quickly in the third quarter of 2017, this could support steel prices and in turn, iron ore prices in the near term. Over the medium to long term, Citi analysts remain bearish on iron ore and expect excess supply to cause prices to average US\$53/tonne in 2018. This will have important implications for the AUD with iron ore being a key Australian export.

**Key Takeaways**

- Tightening supply and a positive outlook for global growth can push Brent prices to US\$60-65/bbl.
- Gold prices have probably peaked in the second quarter and would require a significant deterioration in the US political and economic situation to move higher.
- Excess supply may keep iron ore prices low, potentially having negative implications for the AUD.

# 7

CURRENCIES

## A VOLATILE DOLLAR

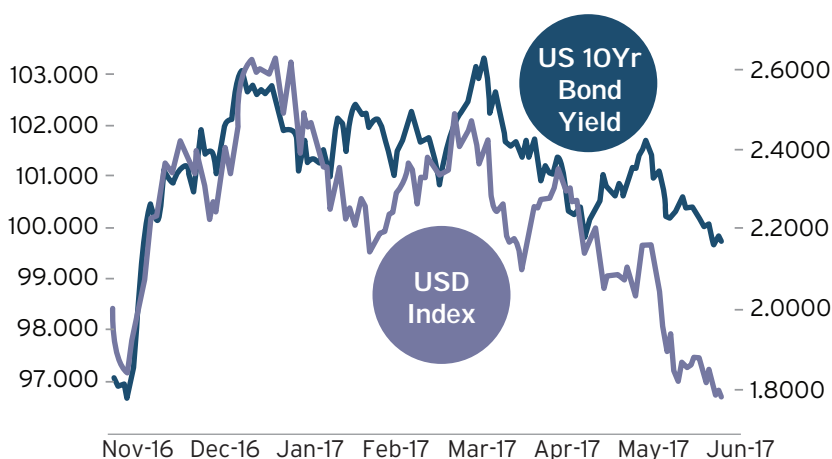
Citi analysts remain optimistic and still expect US tax reforms to be passed over the next 12 months. However, political developments could distract the US administration in the near term, resulting in a period of volatility for the US dollar (USD).

### A VOLATILE DOLLAR

Expectations of US rate hikes, sizeable fiscal stimulus and tax reform under the Trump administration have helped underpin the USD since December last year and into early 2017.

Since February, sentiment gradually shifted with investors expecting Trump’s policy and economic agenda to take longer to draft and implement. This has seen US rates and USD reverse. See Figure.

US 10Yr bond yields (RHS) and the USD Index (LHS) post the US presidential election



Source: Bloomberg. As of 6 June 2017.

Citi analysts remain optimistic and still expect tax reforms equivalent to a fiscal impulse of 1 to 1.5% of GDP in 2018-2022 to be passed over the next 12 months. However, political developments could distract the US administration and prompt investors to look for better opportunities elsewhere until more clarity emerges.

USD is likely to be volatile within a range of 96.00 to 101.00 on the USD Index. US political headlines are likely to keep a lid on USD gains but further Fed rate hikes can limit the dollar’s downside.

### EUR COULD BENEFIT FROM DOLLAR WEAKNESS

This potentially creates opportunities for short term investors. Politically induced USD weakness is likely to benefit the EUR given strengthening economic fundamentals and receding political risks in Europe. However, Europe's slow normalization process can temper the EUR's upside. The European Central Bank (ECB) is only expected to raise interest rates in June 2019, after it starts reducing its monthly bond purchases in early 2018.

That said, the USD could still outperform the EUR during periods of heightened market volatility. While other traditional safe havens such as the JPY and CHF could appeal to investors as well, rate differentials would probably favour the dollar as the Fed raises rates while the Bank of Japan and the Swiss National Bank keep rates steady.

### AUD APPEARS VULNERABLE

Among the commodity currencies, the AUD is likely to be the most vulnerable given weak economic fundamentals and the negative outlook for iron ore prices.

Prospects for New Zealand appear brighter and Citi analysts expect the Reserve Bank of New Zealand to raise interest rates by the first quarter of 2018. Meanwhile, the CAD is likely to be boosted by higher oil prices over the remainder of the year. On balance, the three commodity currencies are expected to underperform the EUR and GBP.

### CNY BROADLY STABLE

Citi analysts expect the Chinese Yuan (CNY) to stay broadly stable for the rest of the year as we approach the National Congress of the Communist Party in October/November. Foreign exchange reserves have risen for a 3rd straight month in April and capital outflows have been subdued.

USD INDEX LIKELY TO BE  
IN A RANGE OF

96.00  
to  
101.00

While Citi analysts see most of the Emerging Asian currencies ending the year softer, higher yields make the INR and IDR relatively attractive. Citi analysts see INR outperforming other emerging Asian currencies given attractive carry, strong fundamentals and continued equity inflows. The Reserve Bank of India is also less likely to cut interest rates, as it sees the strong INR as a product of a stronger economy.

Citi analysts expect Singapore's central bank, the Monetary Authority of Singapore (MAS), to keep monetary policy conditions accommodative for the rest of 2017 given muted demand and a weak labour market. Singapore's economic growth is also unlikely to exceed the upper end of the MAS's official forecast of 1-3%. This suggests that the SGD can further weaken moderately against the USD and other higher yielding Asian currencies such as the IDR and INR.

#### Key Takeaways

- USD weakness is likely to benefit the EUR given strengthening economic fundamentals and receding political risks in Europe.
- AUD appears most vulnerable among the commodity currencies given weak economic fundamentals and the negative outlook for iron ore prices.
- Citi analysts expect the CNY to stay broadly stable for the rest of the year as we approach the National Congress of the Communist Party in October/November.

## ECONOMIC GROWTH &amp; INFLATION FORECASTS

	GDP			Inflation		
	2016	2017F	2018F	2016	2017F	2018F
Global	2.6%	3.0%	3.3%	2.2%	2.6%	2.5%
US	1.6%	2.1%	2.6%	1.1%	1.7%	1.9%
Europe	1.7%	2.0%	1.9%	0.2%	1.6%	1.4%
Japan	1.0%	1.7%	1.4%	-0.1%	0.6%	0.6%
Latin America	-0.5%	1.6%	2.9%	10.7%	6.9%	5.8%
Emerging Europe	1.7%	2.9%	2.8%	5.4%	5.3%	4.5%
Asia	5.9%	6.0%	6.0%	2.2%	2.5%	2.7%
China	6.7%	6.6%	6.5%	2.0%	2.0%	2.2%
Hong Kong	2.0%	3.0%	2.5%	2.6%	1.8%	2.5%
India	7.1%	7.5%	7.9%	4.5%	4.8%	5.0%
Malaysia	4.2%	5.2%	5.2%	2.1%	4.1%	3.1%
Philippines	6.9%	6.5%	6.8%	1.8%	3.2%	3.3%
Singapore	2.0%	2.5%	2.5%	-0.5%	0.7%	0.7%
South Korea	2.8%	2.6%	2.7%	1.0%	2.0%	2.0%
Taiwan	1.5%	2.2%	2.2%	1.4%	1.6%	1.8%
Thailand	3.2%	3.4%	3.6%	0.2%	0.5%	0.9%
Vietnam	6.2%	6.5%	6.6%	2.7%	4.1%	5.6%

Source: Forecasts from Citi Research. As of 24 May 2017.

## EXCHANGE RATE FORECASTS (VS. USD)

	3Q17	4Q17	1Q18	2Q18
Europe	1.10	1.08	1.07	1.07
Japan	113	116	118	118
UK	1.30	1.27	1.26	1.27
Australia	0.73	0.72	0.72	0.72
China	6.94	7.00	7.01	6.96
Hong Kong	7.79	7.78	7.78	7.78
India	64.1	64.7	65.1	65.4
Indonesia	13584	13659	13682	13642
Malaysia	4.43	4.44	4.44	4.41
Philippines	49.9	50.1	50.0	49.4
Singapore	1.40	1.41	1.41	1.41
South Korea	1135	1151	1159	1157
Taiwan	30.3	30.6	30.8	31.1
Thailand	34.7	35.0	35.1	34.9

Source: Forecasts from Citi Research. As of 24 May 2017.

## INTEREST RATE FORECASTS

	Current	3Q17	4Q17	1Q18	2Q18
US	1.25%	1.50%	1.50%	1.75%	2.00%
Europe	0.00%	0.00%	0.00%	0.00%	0.00%
Japan	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
Australia	1.50%	1.50%	1.50%	1.50%	1.50%
UK	0.25%	0.25%	0.25%	0.25%	0.25%

Source: Forecasts from Citi Research. As of 24 May 2017. Current rates as of 15 June 2017.

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