

Equities

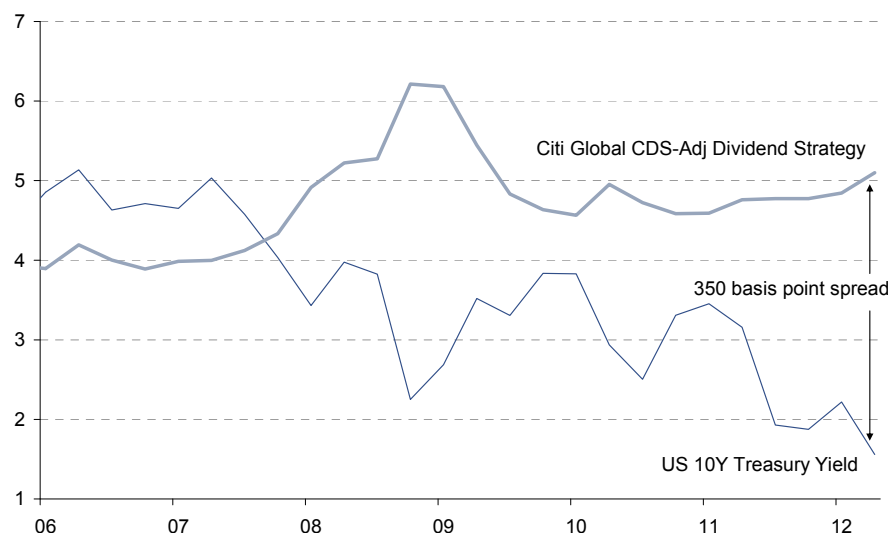
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Global Equity Strategist

Global CDS-Adjusted Dividends

- **Bond Yields To New Lows** — The latest burst of euro-induced risk aversion has pushed core government bond yields to new lows. Negative real yields leave investors vulnerable to financial repression.
- **Real Yields And Real Growth** — Global equities now offer inflation-beating dividend yields *and* dividend growth. Income-starved and inflation-wary investors should take note.
- **CDS Adjusted Dividend Yields** — We use our European strategists' stock-picking approach to screen for global income stocks. These have high dividend yields but also solid prospects according to the CDS market.
- **The Basket** — Our global CDS adjusted basket offers a yield of 5.1%, is forecast to grow the dividend by 7% in 2012, and trades on an average CDS lower than Germany.
- **Overweight Europe And Defensives, Underweight Financials** — The basket is Overweight Europe and also global defensives. The CDS filter keeps it Underweight Financials.

Figure 1. Yield For Citi Global CDS-Adjusted Dividend Strategy vs 10 Year UST Yield (%)



Source: MSCI, Datastream, Bloomberg, Citi Research

Equities

Robert Buckland

+44-20-7986-3947
robert.buckland@citi.com

Mert C Genc

+44-207-986-4087
mert.genc@citi.com

Beata M Manthey, PhD

+44-20-7986-4349
beata.manthey@citi.com

Hasan S Tevfik, CFA

+44-20-7986-4110
hasan.tevfik@citi.com

US

Tobias M Levkovich

Scott T Chronert

Europe

Jonathan Stubbs

Adrian Cattley

Japan

Kenji Abe, PhD

Global Emerging Markets

Geoffrey Dennis

Asia ex Japan

Markus Rosgen

Latin America

Jason Press

CEEMEA

Andrew Howell, CFA

Australia & New Zealand

Tony Brennan

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Global CDS-Adjusted Dividends

Another burst of euro-induced risk aversion has driven core government bond yields to new lows. The prospect of ultra low policy rates seems likely to keep them there for some time. Financially repressed investors are hungry for yield.

Starved of yield

In this report, we highlight the yield opportunities available in global equities. We use our European strategists' CDS adjusted dividend yield stock-picking screen to construct a global income strategy. Our basket currently yields 5.1%, offers 7% 2012 dividend growth and trades on an average CDS below Germany.

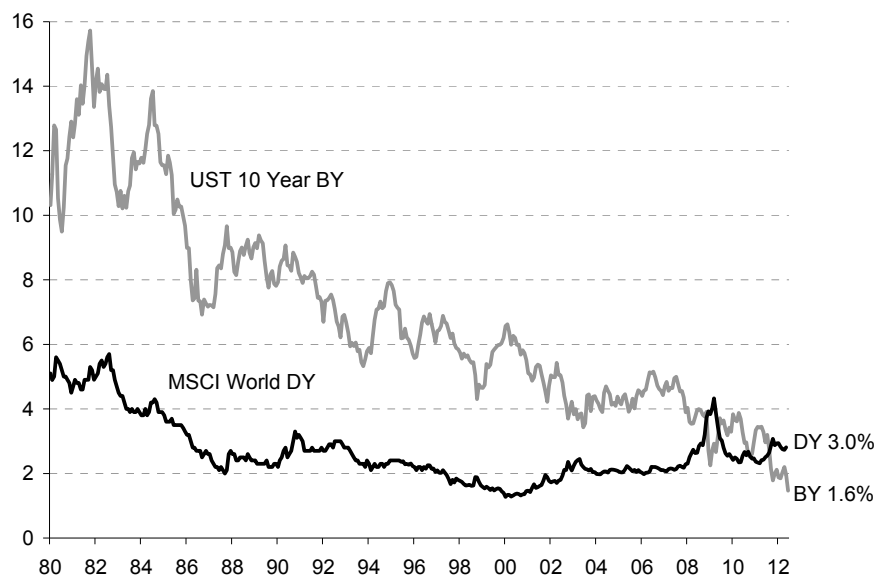
Risk-Off Again

The latest risk-off trade has given the 30-year bond bull market another boost. Escalating concerns about the euro crisis have driven capital stampeding towards perceived safe-haven assets despite extraordinarily low yields. If the price to avoid capital loss is negative real interest rates, then it seems a price that many investors are willing to pay.

This exodus from risky assets like equities towards less risky assets like US treasuries continues to have a dramatic impact upon valuations. Figure 2 shows that the MSCI AC World equity benchmark trades on a dividend yield of 3.0%, 150bp higher than the 1.6% yield available on a US treasury. Back in 1981, global equities yielded 5.3%, markedly higher than now but 1050bp lower than the 15.8% yield on US treasuries.

$$\text{Div Yield} = 2 * \text{UST Yield}$$

Figure 2. MSCI World Dividend and 10-Year UST Yield %



Source: MSCI, Datastream, Citi Research

While the short-term flight to safety is understandable, surely this cannot be a long-term solution for savers. Are they really willing to accept the 1-2% nominal yields available on benchmark sovereign bonds? Are they going to become the willing victims of financial repression as sovereigns use negative real rates to erode high fiscal deficits (see [Empirical and Thematic Perspectives - Fiscal Deleveraging, Financial Repression, and Central Bank Independence—Lessons from the U.S. Experience after World War II](#))?

The Search For Yield

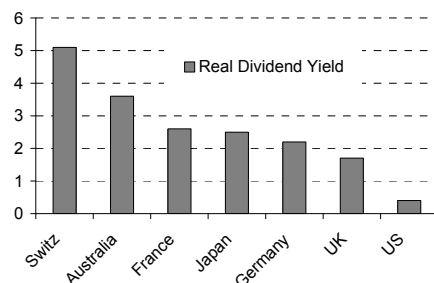
Global investors are faced by a dilemma. On the one hand, they want to avoid capital loss, but on the other hand they want decent income, preferably ahead of inflation. That rules peripheral Eurozone bonds out. These might offer high current yields, but the risk of capital loss looks too great. For now, fund flow data suggest that investors are more willing to chase higher yields in corporate bonds. Investment grade yields might also be around all-time lows, but at least they offer an inflation-beating 3.5% yield (US ML Corp Master Index). US high yield bonds offer higher risk but also a higher yield (currently 8.4% on ML HY index). Emerging market bonds have also attracted yield-hungry capital: the EMBI benchmark is currently yielding 5.8%.

Yield options

But these higher-yielding bond markets are relatively small and will struggle to accommodate vast amounts of yield-hungry capital. After all, with companies and EM sovereign balance sheets looking robust, there is only a limited amount of bonds that they need to issue.

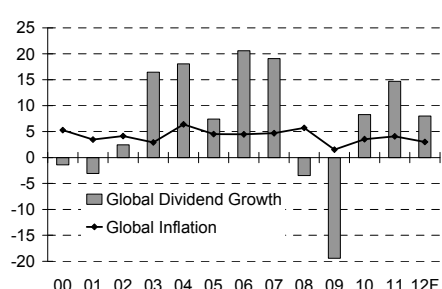
This brings us back to the income opportunities in global equities (see [Global Equity Strategist - The Global Search For Yield](#)). With dividend yields now well above benchmark sovereign bonds, maybe investors should be looking to this big liquid asset class as a source of inflation-hedging income. Not only do all the major equity markets trade on real yields above zero (Figure 3), but global dividends are currently growing well ahead of inflation (Figure 4).

Figure 3. 2012F Real Dividend Yields %



Source: MSCI, Datastream, Citi Research

Figure 4. Global Dividend Growth & Inflation %



Source: MSCI, Datastream, Citi Research

CDS-Adjusted Dividends

Global equities look like an increasingly attractive yield proposition, especially in real terms. Dividend yields *and* growth have risen above inflation. But how would we apply an income strategy across the global equity market? Citi strategists have proposed different approaches in different regions. For instance, Geoff Dennis ([Global Emerging Markets - The Rise of Dividend Strategies](#)) and Markus Rosgen ([Pan-Asia Equity Strategy - Dividends: Still Outperforming, Still Non-consensus](#)) have suggested that simple high dividend yield strategies work well enough in Emerging Markets. Kenji Abe has suggested Japanese dividend yield screens cross-checked against overseas shareholdings ([Japan Equity Strategy - Yield Of Dreams](#)). The logic is that overseas investors will press for a more progressive dividend policy. Tony Brennan highlights that Australian yield stocks look increasingly attractive as rates get cut (see [Australia Equity Strategy - Searching for Yield Downunder](#)).

But any global dividend yield strategy will be naturally pulled towards Europe. The ongoing euro crisis has pushed share prices down and dividend yields up. However, the 2007-09 experience for Financials taught us that just buying high-yield stocks can be very dangerous when macro risks are high. Back then, many Banks traded on high dividend yields but share prices plummeted as those dividends were cut.

Yield + safety in Europe

As a result, Citi's European strategists, Adrian Cattley and Jonathan Stubbs, came up with an ingenious way to screen out stocks where a high yield might mean high risk of a dividend cut rather than an income opportunity ([European Equity Strategy - CDS-Adjusted Dividends Both Ways](#)). Rather than using the usual balance sheet cross-checks, they use the CDS market to screen out those stocks where the credit market suggests risks are high. Not only does this represent a corporate but also a sovereign cross-check given that CDS will also reflect perceived sovereign risks to the stock.

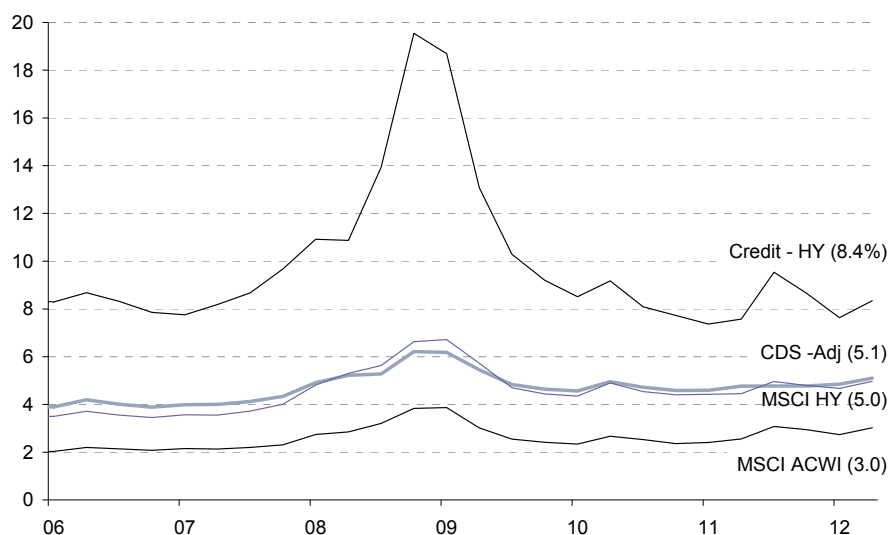
This idea has been very popular amongst European investors, where yield strategies are well-entrenched but the experience of Bank dividend cuts has left deep scars. The CDS cross-check steers the investor away from stocks where the dividend yield might be tempting but the combination of sovereign and company risks mean that the CDS trades at high levels. We use the same approach to build a global income strategy.

Weaving the Basket

To make it into our global CDS-adjusted basket, stocks need to pass the following criteria. First, the trailing dividend yield needs to be 1.5% higher than the median yielding stock in the MSCI global benchmark. This means the minimum yield the strategy would accept now is 4.0%. The current yield of the strategy is in fact 5.1%, marginally higher than the MSCI Dev Mkt High Yield index and a 70% premium to the global equity universe (Figure 5). As we show below, the high yield criteria bias our portfolio towards Europe.

70% yield premium

Figure 5. Dividend and Credit Yield Comparison (%)



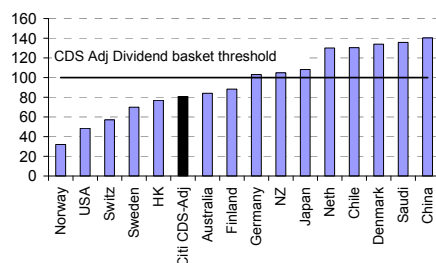
Source: Datastream, MSCI, Bloomberg, Citi Research

Second, we only include companies with a 5-year CDS spread of below 100. To provide a rough idea of what a CDS of 100 means, we illustrate the lowest sovereign 5-year CDS in Figure 6. So the stocks that go into our basket right now currently have a CDS of less than Germany, Finland or Australia. In fact the current CDS is closer to Hong Kong, which enjoys both a fiscal and current account surplus and 10-year government bonds yield just 1%. It is perhaps no surprise that the lowest sovereign 5-year CDS in the world right now is for Norwegian government debt at 30 basis points. We only have two companies in our basket with a CDS that is close to or below this level — Bristol Myers and Merck (US).

Safer than Germany

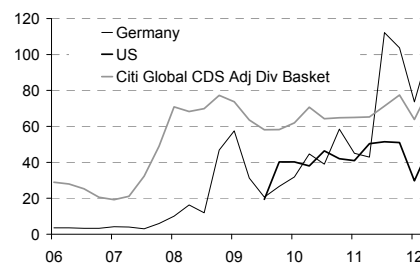
In Figure 6, we can see the average CDS for our strategy of 60-80 has remained relatively constant since 2008. This contrasts with the German CDS, which was once below our basket but is now considerably higher. The market is implying the German sovereign could be riskier than the stocks in our strategy. By letting the CDS decide which companies are most likely to maintain their dividend also means our portfolio will be short those companies without a liquid CDS market. So our strategy will not consider most companies in Emerging Markets and also excludes those with little or no long-term debt. Arguably, this means that we are leaving out some of the most robust balance sheets/yield opportunities.

Figure 6. Sovereign 5 Yr CDS



Source: Datastream, MSCI, Bloomberg, Citi Research

Figure 7. 5 Yr CDS. Basket vs US, Germany



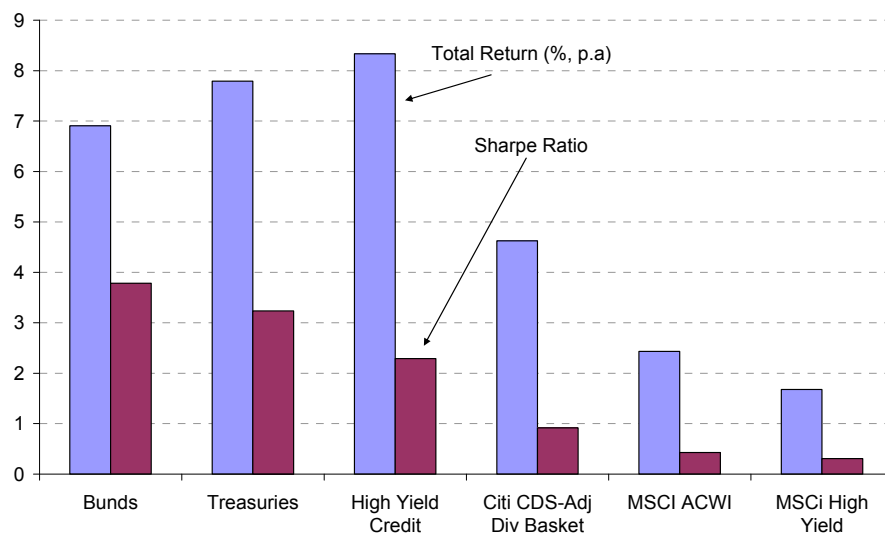
Source: Datastream, MSCI, Bloomberg, Citi Research

As our strategy has a hurdle rate of \$10bn market cap, we also exclude mid- and small-cap companies. We re-weight the basket at the end of each quarter.

Cross Between Equities and Credit

So how does our global CDS-adjusted dividend basket look over time? In Figure 8, we show that the basket has performed better than global equities and the MSCI High Dividend Yield index since 2006. However, the total return for the basket (4.6% p.a since 2006) has been considerably less than high-yield credit indices (+8% p.a) and government bonds over this period. So performance for the basket has been better than the global equity benchmark but not as good as bonds. Similarly, the Sharpe ratio (compound average total return dividend by standard deviation of monthly returns) has also been better than equities but not as good as bonds.

Figure 8. Total Return, Sharpe Ratio for Various Assets and Global CDS-Adj Div. 2006 to Now.



Source: Datastream, MSCI, Bloomberg, Citi Research

Helps fills the void between equities and credit

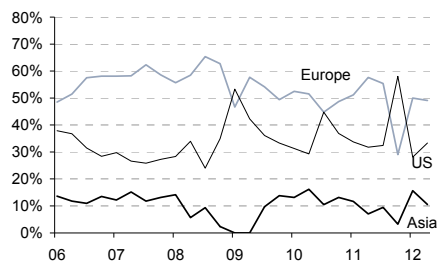
Perhaps the real test for any dividend strategy was 2008. This was a time when share prices for many of the highest-yielding companies collapsed as leverage and earnings concerns weighed on their ability to maintain distributions. In some cases, payouts went to zero. In that year, the MSCI High Dividend Yield index provided a total return of -42% and underperformed the global equity benchmark (-40%). Our global CDS-Adjusted dividend strategy lost investors less (-34%). A reason why our global CDS strategy performed better than other dividend funds is because it began to lower its exposure to many of the banks earlier in 2008 when the credit market began to crack and their CDS rose sharply.

So on these measures, the characteristics of our global CDS-adjusted dividend stocks are a cross between credit and equities. However, one advantage of these stocks is that they have a history of growing their dividend, unlike credit, which pays a fixed coupon. Since 2006, annual average dividend growth for stocks in our strategy has been 4%. The current constituents are expected to grow dividends by +7% in 2012 according to bottom-up consensus estimates. So here's a basket that currently offers three times the yield available on core government bonds, 7% dividend growth, and a CDS rating better than Germany. Surely that should be an attractive proposition to yield-hungry global investors.

Region and Sector Exposure

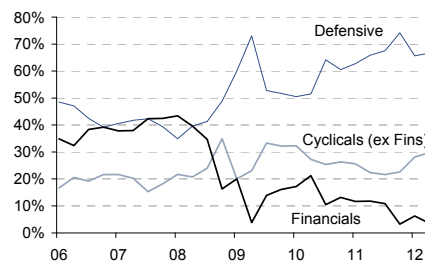
The strategy is currently Overweight European stocks, with about half of the companies from the region. However, this is down from a 65% weight that European companies had in mid-way through 2008 (Figure 10). There are no EM companies in our strategy at the moment mostly because there is not a liquid CDS market for many.

Figure 9. Global CDS-Adj Regional Exposure



Source: Datastream, MSCI, Bloomberg, Citi Research

Figure 10. Global CDS-Adj Sector Exposure



Source: Datastream, MSCI, Bloomberg, Citi Research

While global Financials has close to the highest dividend yield at the moment (after Telecoms and Utilities), our CDS restriction means the strategy has less than a 10% exposure to the sector. Before 2008, Financials exposure was closer to 40%. The exposure to traditional defensives (Consumer Staples, Health Care, Telecoms and Utilities) is now close to 70%, which means our strategy will probably underperform during beta-focused rallies. However, we believe there will also be periods when the basket outperforms both government bonds and credit. For example, during the 12% return by global equities in 1Q of this year, our CDS adjusted dividend basket returned 5.4% but Bunds and Treasuries returned 0.8% and -2.3% respectively. Alternatively, global equities have lost investors 9.5% in 2Q but our basket has provided some protection (down 5.9%). By comparison, the MSCI High Yield benchmark is down 7.6%, while 10-year Bunds and Treasuries have rallied 6.2% and 6.6%, respectively.

Current Screen

Finally in Figure 11 we highlight the stocks from the MSCI global benchmark that currently meet the criteria for our Global CDS-Adjusted Dividends.

Figure 11. Current Global CDS Adj-Dividend Stocks. CDS<100, DY>4%, Mkt Cap>\$10b

RIC	Name	Country	Sector	Mcap (\$bn)	5Y CDS	Div Yld	Div Grw 2012E
Asia							
WOW.AX	Woolworths Ltd	Aust	Cons. Stap.	31.4	95.5	4.7	6
5020.T	JX Holdings	Japan	Energy	11.4	68.6	4.0	1
9432.T	Nippon Telegraph and Telephone	Japan	Telecoms	18.8	49.7	4.7	13
9437.T	NTT DoCoMo	Japan	Telecoms	24.4	52.4	4.8	8
Europe							
SASY.PA	Sanofi SA	France	Health Care	77.5	80.5	4.8	4
TOTF.PA	Total	France	Energy	91.2	89.9	6.6	2
BASF.DE	BASF SE	Germany	Materials	64.0	95.1	4.4	4
DPW.GN.DE	Deutsche Post	Germany	Industrials	13.9	85.0	5.3	5
MUV.GN.DE	Munich Re	Germany	Financials	22.2	81.2	6.2	3
STL.OL	Statoil	Norway	Energy	25.2	88.3	4.7	5
TEL.OL	Telenor ASA	Norway	Telecoms	10.6	80.9	5.6	16
TLSN.ST	TeliaSonera AB	Sweden	Telecoms	13.2	71.2	6.4	23
ABB.N.VX	ABB Ltd	Switz.	Industrials	34.3	52.7	4.3	13
NOVN.VX	Novartis AG	Switz.	Health Care	121.2	45.8	4.5	8
ROG.VX	Roche Holding AG	Switz.	Health Care	109.6	56.3	4.5	8
AZN.L	AstraZeneca PLC	UK	Health Care	52.5	64.9	6.9	5
BATS.L	British American Tobacco PLC	UK	Cons. Stap.	92.7	55.2	4.1	9
CNA.L	Centrica PLC	UK	Utilities	24.6	87.6	5.0	7
GSK.L	GlaxoSmithKline PLC	UK	Health Care	111.7	58.4	4.9	3
NG.L	National Grid PLC	UK	Utilities	35.6	76.5	6.0	5
RDSA.L	Royal Dutch Shell	UK	Energy	112.7	88.3	5.5	3
RDSB.L	Royal Dutch Shell (CL B)	UK	Energy	85.2	88.3	5.3	7
VOD.L	Vodafone Group PLC	UK	Telecoms	133.9	97.7	5.5	11
North America							
BCE.TO	BCE Inc	Canada	Telecoms	10.2	65.6	5.3	7
RCIb.TO	Rogers Communications Inc	Canada	Telecoms	13.7	73.1	4.5	10
TRI.N	Thomson Reuters Corp	Canada	Cons. Disc.	10.2	77.6	4.7	6
TRP.TO	TransCanada Corp	Canada	Energy	28.7	94.9	4.2	5
MO.N	Altria Group Inc	US	Cons. Stap.	66.2	88.5	5.1	10
AEP.N	American Electric Power Co Inc	US	Utilities	18.6	85.3	4.9	3
T.N	AT&T Inc	US	Telecoms	202.5	99.9	5.2	2
BMV.N	Bristol-Myers Squibb	US	Health Care	56.5	32.6	4.1	3
COP.N	ConocoPhillips	US	Energy	65.8	70.3	5.1	6
ED.N	Consolidated Edison Inc	US	Utilities	17.7	59.0	4.0	1
D.N	Dominion Resources Inc	US	Utilities	29.7	67.6	4.1	6
DUK.N	Duke Energy Corp	US	Utilities	29.3	56.7	4.6	-1
LLY.N	Eli Lilly	US	Health Care	42.7	60.6	4.8	0
LMT.N	Lockheed Martin Corp.	US	Industrials	22.8	82.6	4.8	25
MRK.N	Merck	US	Health Care	114.5	19.7	4.5	11
PFE.N	Pfizer	US	Health Care	168.1	71.2	4.0	9
PGN.N	Progress Energy Inc	US	Utilities	16.2	51.3	4.5	0
SO.N	Southern Company Inc	US	Utilities	39.6	90.6	4.3	4
VZ.N	Verizon Communications Inc	US	Telecoms	117.9	72.7	4.8	2

Source: Datastream, MSCI, Bloomberg, Citi Research

Strategy Outlook

The latest rush towards low-risk low-yield assets is understandable, but unsustainable. Investors who hide in core government bonds leave themselves vulnerable to financial repression and sustained negative real rates. Global equities currently offer inflation-beating dividend yields and dividend growth.

We have taken a popular stock-screening approach from our European strategists and applied it on a global scale. Our global CDS-adjusted basket offers a yield of 5.1%, 2012 dividend growth of 7%, and an average CDS rating below Germany. This represents a highly competitive income alternative compared to the 1-2% yields available on core government bonds. Unsurprisingly, the strategy is overweight Europe and defensive sectors. The CDS factor keeps it away from Financials.

Macro Out-takes

We provide brief summaries compiled by Bruce Rolph in The Globaliser presenting our colleagues' most recent work. Please let us know if you would like more detail.

Regional Strategy

Asia Pacific
Markus Rosgen
28-May-12

[Pan Asia Strategy: The Asia Investigator - It's Not All Down to Europe; Much of the Bad News Is in the Price](#)

'All the blame for the weak markets is being put at the doorstep of Europe', regales Asia Pacific Strategist Markus Rosgen, 'missing the fact that Asian central banks' balance sheets have been decelerating since June 2011...lower capital inflow and smaller trade surpluses are the root causes, as is the appreciating US\$ since May 2011...and Asia 2012 earnings forecast of 16.3% is too high...the busiest months for earnings revisions have historically been August and September...it will be no different this year...while risks exist, much of the bad news is in the price...so it's time to start looking for opportunities to add to positions'.

US
Tobias Levkovich
1-June-12

[US Equity Strategy: Monday Morning Musings - Value Trap or Value Gap?](#)

'While catalysts do not flash buying signals quite yet', admits US Strategist Tobias Levkovich, 'one cannot look to retail investors to throw money into equity mutual funds...indeed, they have done the opposite and are chasing bonds...but, corporate buybacks are still overwhelming retail flows...when both inflows and buyback are in full swing, stocks tend to do better, but as long as the corporate buyer of last resort sees value, mutual fund flows are less crucial...sadly, most retail investors already have missed a near doubling in the S&P 500 since the March 2009 low and may miss the next leg up...while it may be too early to be a trader and buy right this minute, we continue to maintain the secular bull market view starting in the next 12-15 months'.

Europe
Jonathan Stubbs & Adrian Cattley
31-May-12

[European Portfolio Strategist: Pan-European- Edging Back to Risk*](#)

'European equities have give up all early-year gains', laments Pan-Europe Strategist Adrian Cattley, 'and total returns are now 0% YTD...but it feels and sounds a lot worse...bulls say resilient, bears say complacent – a score-draw, for now...this masks significant performance divergence across Europe...and the markets continue to present two opportunities for investors: 1) the structural re-rating of strong credit, growth and quality; and 2) the tactical opportunity of risk on/risk off trade...the recent sell-off in equities offers an opportunity to edge back towards risk, so investors should use it to raise exposure to our structural themes and to add risk in a measured way, i.e. acceptable risk...we suggest three options: 1) 3Bs (Bigger caps, Beta and Balance sheet strength); 2) strong banks; and 3) risk/quality combo strategy'.

Emerging Markets
Geoffrey Dennis
4-June-12

[Global Emerging Markets Strategy: Monthly Recap- Sold in May and Went Away](#)

'MSCI GEMs fell 11.7% in May', glooms Global Emerging Markets Strategist Geoffrey Dennis, 'its third consecutive monthly decline and the second worst May performance ever, as the asset class came under heavy selling pressure following weak China data and the inconclusive Greek elections...since the March 2nd peak, GEMs is down 17% and is well into correction territory...lower-beta Asia (-9.8%) was the best-performing region for the third straight month, as five of eight countries in Asia outperformed GEMs...Latin America declined by 13.5%, while CEEMEA fell by 15.4%...commodity prices declined sharply in May (CRB Index: -3.9%); while oil fell the most in two years (Brent -13.6% to \$103/barrel)...among sectors, Health Care (-5.7%) held up best, and Energy (-17.1%) was the worst-performing sector'.

Japan
Kenji Abe
1-June-12

Japanese Equity Strategy: Japan Strategy Overview - June: Rise likely after period of bottom firming

'TOPIX valuations have fallen to levels near what was seen last autumn', rues Japan Strategist Kenji Abe, 'but we think they will hold firm now...we believe that: 1) relevant authorities in Europe will take the steps necessary to ensure there is no Europe-led financial crisis; and 2) the yen will weaken versus the dollar over the longer term as the US economy recovers...as such, the risks for Japanese shares are to the upside...so we overweight the high-beta financial sector and the consumer sector but underweight defensive sectors (consumer staples, healthcare, telecoms and utilities)'.

Latin America
Jason Press
4-June-12

Latin America Equity Strategist: Monthly Recap- Government Intervention & Negative Sentiment

'Latin America declined by 13.5% in USD in May, while MSCI GEMs fell by 11.7%', compares Latin America Strategist Jason Press, 'so LatAm has now fallen 21.4% from the recent peak, and is down 5.8% YTD...markets have come under heavy selling pressure due to ongoing intervention by Brazilian authorities as well as negative sentiment globally following weak China data, the inconclusive first round Greek election and Euro contagion fears...in spite of the government's efforts to stimulate growth, MSCI Brazil fell by 14.8% and has underperformed EM in 6 of the last 7 months...Mexico also fell sharply (-12.1%) as AMLO has gained in the polls with less than a month before the 1 July election...smaller markets continue to outperform: Peru (-6.9%) and Colombia (-7.5%) managed relatively less pain'.

South Africa
Richard Schellbach
1-June-12

South Africa Equity Strategy: South African Strategy Wrap - Africa 2020 - What Does it Hold for SA listed Companies?

'Africa is set to markedly increase its wealth over the coming decades', foresees South Africa Strategist Richard Shellbach, 'with the continent expected to account for about 12% of global GDP by 2050 – a portion at which China's share of global GDP sat at only back in 2000...while the outlook for African growth is positive, the same cannot be said for South Africa's domestic economy...so it will be increasingly difficult for SA equities to rely on their home market for solid earnings growth...newer sources of earnings growth will be required...sub-Saharan Africa will provide just such a boost...as recent history has shown, investors do not need to enter directly into emerging markets to gain leverage to their growth prospects'.

Economics
Willem Buiter
23-May-12

Global Economic Outlook and Strategy: May 2012

We assume that Greece will leave the EMU in early 2013', explains Willem Buiter's "Global Economic Outlook & Strategy", 'to be followed by a sharp currency devaluation, and a large drop in economic activity in 2013 (-10%)... sizeable adverse economic and financial contagion to other euro area countries will be unavoidable... however, in response to Grexit, we expect far-reaching policy responses, including the ECB cutting rates to 0.5% and resume its multi-year LTRO programme; a second package for both Portugal and Ireland; and a Troika programme for Spain; but no early move on Eurobonds... we do not anticipate that any other countries will be forced to exit the EMU, although Grexit will not end the EMU crisis'.

Figure 12. Strategists' forecasts

Region	Index	Current Level (5 June)	End 2012 Target	Exp Gain (%)
US	S&P 500	1286	1425	11
Pan Euro	DJ Stoxx600	235	285	21
UK	FTSE 100	5260	6200	18
Japan	Topix	708	960	36
Asia x Jpn	MSCI Asia x J	454	585	29
Australia	S&P/ASX 200	4044	4750	17
GEMs	MSCI EM	886	1100	24
LATAM	MSCI Latam	3319	4300	30
CEEMEA	MSCI EM EMEA	294	350	19
World	MSCI AC World	293	360	23

Source: Citi Investment Research and Analysis

Market Outlook

Global equities are down 2% YTD. The ongoing weakness in the global stock market triggered by European woes might continue during the summer. Attractive valuations, healthy corporate performance and the belief that world economy is not heading into a double dip mean that and we would be buyers into weakness. For end-2012, we target 360 on the MSCI ACWI benchmark, implying more than 20% upside from current levels. The close lead/lag relationship between global share prices and trailing EPS suggests that the market has recently moved to price in global EPS to contract by c20%. We expect 4% EPS growth this year and 8% in 2013. We are still more cautious than the consensus.

Regional Strategy

Our key regional and global sector recommendations are summarised in Figure 13. We are Neutral on Emerging Markets as we no longer expect significant outperformance from EM equities. EM companies have struggled to turn premium GDP growth into premium EPS growth and we don't see this changing soon. We are Overweight Japan and Asia Pac ex Japan. In the medium term, we believe earnings growth in Japan will remain robust. We are Neutral on European equities, where sovereign concerns will continue to weigh on growth. We are Underweight US, where valuations remain expensive. Weaker relative EPS trends mean we are also Underweight Australia.

Sector Strategy

In line with our view of slower gains in markets, we had tempered our global sector allocation at end-1Q12. We are Neutral on Financials. Deleveraging and weak demand in Europe is likely to keep a lid on performance. We are Overweight Industrials, IT and Utilities. Industrial companies have successfully de-leveraged and aggregate cash balances are at record levels. IT has solid earnings momentum. Utilities, which has been a serial underperformer, now seems to be enjoying stabilising earnings momentum along with cheap valuations. Consumer Discretionary is our least preferred cyclical. Our Underweights within defensives include Health Care and Telcos.

Risk

The main risks to our outlook are a disorderly Greek exit from EMU and contagion in other periphery sovereigns, with potential secondary consequences for global growth.

Figure 13. Regional And Global Sector Recommendations

Overweight	Neutral	Underweight
Asia Pac ex-Japan	Europe ex-UK	US
Japan	UK	Australia
	Global Emerging Markets	
Overweight	Neutral	Underweight
Industrials	Consumer Staples	Consumer Disc
IT	Energy	Health Care
Utilities	Financials	Telecoms
	Materials	

Source: CIRA

GDP	2011F	2012F	2013F
Global	3.0	2.7	2.9
US	1.7	2.1	2.1
Euro Zone	1.5	-0.6	-0.7
Japan	-0.7	2.6	1.5
EM	6.0	5.2	5.8
Asia	7.2	6.8	7.3

CPI	2011F	2012F	2013F
Global	3.7	3.0	2.9
US	2.5	1.9	1.7
Euro Zone	2.7	2.5	1.8
Japan	-0.3	0.4	0.0
EM	6.1	4.9	5.0
Asia	5.7	4.1	4.0

Interest Rates	Current	3Q12	3Q13
US Fed Funds	0.25	0.25	0.25
ECB	1.00	0.50	0.50
UK Base	0.50	0.50	0.50
Japan Call	0.10	0.10	0.10

10Yr Yield	Current	3Q12	3Q13
US	1.62	1.90	2.80
Euro Zone	1.31	1.40	1.75
UK	1.64	1.80	2.25
Japan	0.85	0.95	1.30

Ex Rates	Current	3Q12	3Q13
US\$/€	1.25	1.23	1.27
£/US\$	1.55	1.58	1.61
€/£	0.81	0.78	0.79
US\$/¥	79.1	80	82

Source: Factset, Citi Investment Research

Global Market Intelligence

Figure 14. Global Market Intelligence by Region

01 Jun 12	Free MC	Wgt	P/E			EPS YoY %			P/B	ROE	Div Yld	EV/ Sales	EV/ EBITDA	CAPE	Perf % (local)		
	US\$bn	%	11E	12E	13E	11E	12E	13E	12E	12E	12E	11	11	10Yr	Weekly	YTD	
Global	25,219	100	12.2	11.1	9.8	7.0	10.4	13.6	1.5	13.2	3.2	1.5	7.2	16.2	-2.3	-1.0	
Developed World	22,005	87.3	12.5	11.4	10.0	6.6	10.4	13.7	1.5	13.0	3.2	1.5	7.4	16.1	-2.7	-1.2	
Emerging World	3,214	12.7	10.6	9.7	8.6	9.4	10.3	12.6	1.4	14.6	3.3	1.4	6.2	16.9	0.2	0.3	
North America	13,117	52.0	13.3	12.2	10.8	15.1	9.0	12.8	1.9	15.2	2.4	1.7	7.9	19.4	-3.0	1.0	
USA	12,023	47.7	13.4	12.2	10.9	14.6	9.2	12.6	1.9	15.5	2.3	1.7	7.9	19.5	-3.1	1.7	
Canada	1,094	4.3	12.9	12.1	10.6	20.4	7.0	14.4	1.5	12.7	3.2	2.4	7.7	18.2	-1.9	-5.2	
Europe	5,623	22.3	10.3	9.7	8.6	-1.6	7.2	12.2	1.3	12.7	4.7	1.3	6.7	12.1	-2.8	-5.8	
United Kingdom	2,069	8.2	9.8	9.4	8.5	12.8	4.4	10.2	1.4	15.0	4.6	1.3	6.6	12.7	-1.7	-5.5	
Europe ex UK	3,555	14.1	10.7	9.8	8.7	-9.0	8.9	13.5	1.2	11.7	4.8	1.3	6.8	11.9	-3.5	-5.9	
France	793	3.1	9.4	9.2	8.2	-2.0	2.6	11.9	1.0	10.4	4.9	1.1	5.9	11.6	-3.3	-5.8	
Switzerland	771	3.1	13.4	11.8	10.5	-9.6	12.8	13.0	1.8	15.2	4.0	2.3	10.4	16.8	-1.6	-2.7	
Germany	709	2.8	10.1	9.0	8.0	-5.3	13.1	12.3	1.1	12.6	4.3	1.0	6.2	14.4	-4.5	-0.4	
Sweden	269	1.1	12.5	11.3	10.4	-11.1	10.9	9.2	1.6	14.3	4.7	1.5	8.1	16.9	-2.9	-2.7	
Spain	215	0.9	7.4	8.2	6.7	-18.8	-10.1	21.8	0.8	9.7	9.4	1.7	6.9	7.0	-6.8	-29.2	
Netherlands	206	0.8	10.2	9.3	8.3	-6.3	9.0	12.8	1.2	12.7	4.3	1.3	8.4	11.4	-3.1	-6.6	
Italy	182	0.7	8.9	7.3	6.4	-25.6	27.6	14.6	0.6	8.2	5.4	1.4	5.9	6.9	-3.1	-14.7	
Denmark	100	0.4	19.8	15.7	12.8	-9.6	26.2	23.0	2.0	12.9	2.3	1.7	6.7	23.3	-5.8	7.9	
Belgium	94	0.4	16.9	12.0	10.7	-11.5	40.6	12.0	1.4	11.5	4.0	2.9	8.2	9.7	-3.1	6.9	
Norway	80	0.3	9.7	8.9	8.0	12.6	9.6	10.6	1.2	14.0	5.6	1.2	3.7	12.3	-4.1	-7.0	
Finland	65	0.3	10.3	14.4	10.7	-18.7	-28.2	34.8	1.2	8.3	5.8	1.6	7.7	8.6	-5.2	-12.7	
Ireland	26	0.1	20.8	19.4	15.6	31.2	7.2	24.2	1.5	8.0	2.6	1.1	11.2	5.7	-4.0	-2.2	
Austria	24	0.1	15.8	8.1	6.9	-47.0	93.6	17.6	0.8	9.4	4.6	0.8	5.8	7.9	-4.5	-7.8	
Portugal	15	0.1	11.6	9.5	8.4	-32.0	21.5	13.7	1.4	9.6	7.0	1.5	7.2	8.2	-4.5	-21.4	
Greece	4	0.0	6.6	7.5	7.1	-18.1	-11.5	5.5	1.5	20.2	5.5	0.8	5.3	1.8	3.5	-26.1	
Japan	1,972	7.8	15.5	12.0	9.7	-15.5	45.1	28.0	0.9	7.1	2.9	1.0	7.1	16.3	-1.8	-2.5	
Asia Pac ex Jp	3,188	12.6	11.8	10.7	9.5	3.8	11.5	13.4	1.4	13.3	3.7	1.4	7.0	17.4	0.1	1.1	
Pacific ex Jp	1,234	4.9	12.1	11.7	10.6	7.2	3.7	10.5	1.4	11.8	4.8	1.9	8.3	16.1	0.2	0.7	
Australia	780	3.1	12.1	11.1	10.0	7.9	9.3	10.4	1.5	13.8	5.5	2.0	8.1	15.4	0.8	-0.1	
Hong Kong	276	1.1	12.0	13.4	12.0	8.2	-10.6	11.8	1.1	8.3	3.4	2.1	9.9	19.3	-0.9	1.3	
Singapore	167	0.7	12.5	12.3	11.3	3.2	1.0	9.2	1.3	10.5	4.0	1.6	8.2	15.7	-0.9	4.2	
New Zealand	11	0.0	14.8	14.7	12.9	-2.7	0.4	14.3	1.5	10.2	5.6	1.5	7.7	14.3	-1.0	5.5	
Em Asia	1,954	7.7	11.6	10.2	8.9	1.8	16.3	15.0	1.5	14.4	2.9	1.3	6.6	18.0	0.1	1.4	
China	596	2.4	9.3	8.6	7.6	16.2	8.6	12.4	1.4	16.0	3.7	1.4	6.0	18.0	0.3	0.1	
Korea	495	2.0	10.9	8.6	7.5	-3.9	27.2	15.3	1.1	13.1	1.4	0.9	6.4	16.6	0.7	3.4	
Taiwan	360	1.4	14.6	14.2	11.5	-28.0	19.6	24.0	1.6	11.2	3.9	1.7	7.7	17.6	0.3	-0.6	
India	201	0.8	14.5	12.8	11.3	13.4	13.3	13.3	2.1	16.1	1.8	1.7	8.3	24.6	-1.6	4.4	
Malaysia	117	0.5	16.7	14.5	13.1	7.5	15.1	10.8	2.0	13.8	3.5	2.2	9.4	22.8	1.6	1.5	
Indonesia	87	0.3	13.9	12.5	10.8	21.5	11.4	15.1	2.9	23.1	3.2	2.3	7.9	26.5	-2.8	-6.7	
Thailand	68	0.3	12.7	10.5	9.1	17.2	21.0	15.3	1.9	18.3	4.0	1.1	6.9	18.7	-2.3	6.4	
Philippines	29	0.1	18.5	16.7	14.4	1.3	10.4	16.4	2.7	16.0	2.3	2.4	9.7	26.8	2.8	16.0	
Latin America	699	2.8	11.7	10.9	9.7	8.3	7.3	12.3	1.6	14.7	3.7	1.9	6.9	17.9	-0.2	-2.0	
Brazil	429	1.7	9.5	9.3	8.3	8.4	2.0	12.2	1.3	14.5	4.5	1.8	6.2	14.2	0.0	-4.4	
Mexico	145	0.6	21.8	15.9	14.0	2.5	36.8	13.9	2.5	15.6	2.0	2.1	8.4	27.7	-0.8	1.1	
Chile	61	0.2	17.4	15.5	13.9	-1.2	11.7	11.5	2.2	13.8	2.9	2.2	10.3	29.6	0.7	-0.8	
Colombia	42	0.2	16.9	14.8	13.1	33.9	14.5	13.2	2.0	13.4	3.0	2.9	8.5	37.0	-0.9	7.0	
Peru	23	0.1	11.9	10.4	9.7	23.4	14.7	7.1	2.8	25.5	3.4	4.7	8.7	25.9	0.4	4.0	
CEEMEA	561	2.2	7.5	7.5	7.0	32.0	-0.5	7.0	1.1	15.0	4.2	1.2	4.3	14.2	1.2	-0.2	
South Africa	255	1.0	13.6	11.5	10.0	21.4	18.4	15.2	2.0	17.8	4.0	1.7	7.1	23.1	1.4	4.7	
Russia	184	0.7	4.3	4.7	4.6	45.4	-8.0	1.8	0.7	14.4	4.1	1.0	3.0	8.7	1.4	-7.2	
Turkey	48	0.2	9.6	8.9	7.9	-1.5	7.9	12.1	1.3	15.1	3.4	1.2	7.9	14.6	1.3	6.1	
Poland	41	0.2	7.2	9.2	9.2	46.3	-21.8	0.3	1.1	11.6	5.8	1.3	3.5	12.2	1.8	-3.3	
Egypt	11	0.0	10.6	8.7	7.6	0.6	21.7	17.4	1.2	13.0	4.2	1.7	5.2	15.0	-5.7	31.9	
Czech Republic	10	0.0	10.9	10.0	9.7	-17.9	8.8	3.2	1.6	16.0	7.4	2.6	6.2	13.6	0.1	-5.7	
Hungary	9	0.0	9.2	8.0	6.6	-10.8	14.6	22.5	0.8	9.8	4.8	0.8	5.9	8.4	-1.0	-2.4	
Morocco	3	0.0	13.1	11.8	10.4	-1.5	11.1	13.8	3.3	24.8	4.5	4.2	7.8	19.9	0.6	-9.3	
Israel	57	0.2	8.1	7.8	7.1	15.8	2.3	9.6	1.3	16.8	2.3	2.5	9.3	16.9	2.3	-2.6	

Source: Citi Investment Research and Analysis, MSCI, Worldscope, Factset Consensus Estimates

Figure 15. Global Market Intelligence by Sector

01 Jun 12	Free MC	Wgt	P/E			EPS YoY %			P/B	ROE	Div Yld	EV/ Sales	EV/ EBITDA	CAPE	Perf % (local)	
	US\$bn	%	11E	12E	13E	11E	12E	13E	12E	12E	12E	11	11	10Yr	Weekly	YTD
Global	25,219	100	12.2	11.1	9.8	7.0	10.4	13.6	1.5	13.2	3.2	1.5	7.2	16.2	-2.3	-1.0
Sectors- Level 1																
Energy	2,720	10.8	8.7	8.6	7.9	26.7	0.8	9.4	1.2	14.2	3.4	1.2	5.1	12.7	-3.6	-10.8
Materials	1,907	7.6	10.4	10.2	8.6	17.7	2.4	18.2	1.4	13.5	3.1	1.5	6.9	15.8	-1.3	-5.4
Industrials	2,641	10.5	12.9	11.5	10.1	11.2	12.1	14.1	1.7	14.5	2.9	1.3	8.2	17.1	-2.8	-1.1
Consumer Disc.	2,673	10.6	15.7	12.9	10.7	6.4	25.3	20.7	1.8	14.2	2.2	1.3	7.3	21.6	-3.1	4.6
Consumer Staples	2,726	10.8	16.5	15.1	13.7	6.8	9.0	10.0	2.8	18.7	3.2	1.5	10.0	23.3	-1.7	1.3
Health Care	2,374	9.4	12.4	11.9	11.0	8.5	3.9	8.5	2.3	19.1	2.9	2.0	8.6	20.0	-2.1	0.8
Financials	4,773	18.9	10.9	9.4	8.3	-3.1	15.4	13.2	0.9	9.2	4.0	NA	NA	9.8	-2.2	-0.1
IT	3,265	12.9	13.6	12.0	10.4	8.2	15.9	15.4	2.2	18.8	1.6	1.8	7.5	26.5	-2.4	4.6
Telecoms	1,175	4.7	12.6	11.5	11.1	-3.4	4.9	8.7	1.6	13.4	5.9	1.8	6.1	16.2	-0.9	-3.4
Utilities	966	3.8	14.3	14.6	12.6	-22.7	11.6	24.9	1.2	8.2	4.8	1.6	8.1	13.6	-1.4	-4.4
Sectors- Level 2																
Energy	2,720	10.8	8.7	8.6	7.9	26.7	0.8	9.4	1.2	14.2	3.4	1.2	5.1	12.7	-3.6	-10.8
Materials	1,907	7.6	10.4	10.2	8.6	17.7	2.4	18.2	1.4	13.5	3.1	1.5	6.9	15.8	-1.3	-5.4
Capital Goods	1,938	7.7	11.7	10.7	9.5	17.4	9.7	12.9	1.6	15.3	3.1	1.2	8.2	16.6	-3.1	-1.5
Comm Svc & Supp	187	0.7	17.2	15.2	13.3	4.8	12.6	14.5	2.2	14.7	3.0	1.6	9.1	18.2	-2.3	0.5
Transport	516	2.0	17.9	14.1	11.8	-13.0	25.9	19.7	1.6	11.3	2.4	1.6	8.0	19.1	-1.8	-0.4
Autos	644	2.6	9.6	8.3	7.0	14.5	19.4	20.0	1.1	12.6	2.5	0.9	6.1	16.0	-2.7	5.8
Consumer Durables	357	1.4	54.4	18.9	12.1	-78.5	467.1	56.5	1.7	8.8	2.1	1.3	7.6	19.8	-3.9	1.4
Consumer Services	387	1.5	18.0	16.8	14.6	17.6	7.6	15.0	3.2	19.0	2.5	2.0	9.6	25.0	-3.8	-0.8
Media	571	2.3	15.5	13.1	11.3	19.2	17.9	15.7	2.0	16.3	2.2	2.0	7.4	25.6	-2.8	5.7
Retailing	715	2.8	18.5	16.3	14.2	13.9	13.9	14.8	3.0	18.6	1.8	1.1	9.0	24.1	-2.9	7.5
Food & Staples	585	2.3	14.8	13.4	12.1	5.6	10.4	10.4	1.9	14.2	2.9	0.7	7.6	19.8	-1.3	-1.1
Food Bev & Tobac.	1,704	6.8	16.9	15.5	14.1	8.6	9.1	10.3	3.2	20.8	3.3	2.2	10.9	24.6	-1.8	2.7
Household Products	437	1.7	17.4	16.4	15.1	1.7	6.4	8.4	3.4	20.7	3.1	2.1	10.8	24.0	-1.8	-0.6
Health Care	603	2.4	14.1	12.8	11.5	10.1	10.3	11.6	2.0	15.9	1.3	1.2	8.1	21.9	-2.7	4.4
Pharma & Biotech	1,771	7.0	11.9	11.6	10.8	8.1	2.1	7.5	2.4	20.4	3.5	2.6	8.8	19.4	-1.9	-0.4
Banks	2,167	8.6	9.1	8.4	7.5	6.4	7.6	12.0	0.9	10.6	4.6	NA	NA	8.8	-1.6	-1.5
Div Financials	978	3.9	10.9	9.0	7.5	-17.4	19.9	20.2	0.7	7.6	2.6	NA	NA	8.6	-3.4	0.0
Insurance	908	3.6	13.3	9.0	8.2	-16.9	48.2	10.4	0.9	9.5	4.0	NA	NA	10.9	-3.1	-1.7
Real Estate	720	2.9	17.2	17.8	16.3	11.3	-3.0	8.6	1.2	6.9	4.0	NA	NA	20.0	-1.3	6.5
Software & Services	1,377	5.5	15.1	13.4	11.9	14.4	12.5	13.1	3.2	24.1	1.4	2.8	9.3	29.2	-3.0	3.0
Tech	1,309	5.2	12.6	10.9	9.4	13.5	19.0	15.7	1.8	16.5	1.5	1.3	6.9	25.4	-2.1	7.3
Semi & Semi Equip	579	2.3	13.1	11.5	9.6	-11.5	16.0	19.6	1.9	16.8	2.3	1.6	5.7	23.0	-1.8	2.4
Telecom	1,175	4.7	12.6	11.5	11.1	-3.4	4.9	8.7	1.6	13.4	5.9	1.8	6.1	16.2	-0.9	-3.4
Utilities	966	3.8	14.3	14.6	12.6	-22.7	11.6	24.9	1.2	8.2	4.8	1.6	8.1	13.6	-1.4	-4.4

Source: Citi Investment Research and Analysis, MSCI, Worldscope, Factset Consensus Estimates

Figure 16. 2012 P/E Estimates by Region and Sector

01 Jun 12

P/E 12E	Global	DM	GEM	US	Eur ex UK	UK	Jap	Dev Asia	Em Asia	Lat Am	CEEMEA
Region	11.1	11.4	9.7	12.2	9.8	9.4	12.0	11.7	10.2	10.9	7.5

Sectors- Level 1

Energy	8.6	9.2	6.3	9.6	7.6	7.3	7.4	14.5	8.3	8.3	4.4
Materials	10.2	10.4	9.2	11.8	11.5	7.3	11.8	9.3	10.4	8.0	9.4
Industrials	11.5	11.5	11.8	12.2	11.2	11.7	9.3	13.7	11.1	17.3	10.8
Consumer Disc.	12.9	13.3	9.9	14.8	9.3	11.8	14.5	14.1	8.8	13.7	15.1
Consumer Staples	15.1	14.7	20.0	15.2	15.0	13.1	14.5	13.9	19.1	21.5	18.5
Health Care	11.9	11.8	18.6	12.0	11.7	9.7	16.3	18.1	19.9	21.8	15.7
Financials	9.4	9.6	8.5	10.8	6.9	8.6	9.5	11.2	8.1	10.2	8.4
IT	12.0	11.9	12.1	11.6	16.5	21.9	12.9	16.9	12.1	15.5	10.6
Telecom Services	11.5	11.4	11.8	16.3	8.2	10.4	8.5	12.6	12.6	12.0	10.3
Utilities	14.6	15.0	12.2	14.9	8.4	12.5	-13.7	15.1	14.8	12.2	8.0

Sectors- Level 2

Energy	8.6	9.2	6.3	9.6	7.6	7.3	7.4	14.5	8.3	8.3	4.4
Materials	10.2	10.4	9.2	11.8	11.5	7.3	11.8	9.3	10.4	8.0	9.4
Capital Goods	10.7	10.7	10.6	11.9	10.8	10.3	8.2	11.2	10.3	14.6	10.7
Comm Svc & Supp	15.2	15.2	20.9	15.3	14.6	14.8	17.7	14.5	15.1	29.4	
Transport	14.1	13.8	17.8	13.1	12.8		14.3	18.4	17.2	19.5	11.9
Autos & Components	8.3	8.5	7.7	7.9	6.1	6.9	11.0		7.7		8.9
Consumer Durables	18.9	20.7	9.1	16.3	14.3	18.7	-63.5	10.0	11.7	5.8	8.0
Consumer Services	16.8	16.9	14.7	18.0	12.1	14.5	17.4	14.6	14.3	19.6	
Media	13.1	12.9	19.5	13.4	10.6	11.0	17.0	12.1	20.6	17.3	20.5
Retailing	16.3	16.5	14.2	17.4	17.2	10.4	13.4	14.6	12.0	20.4	14.6
Food & Staples Retailing	13.4	12.7	21.7	13.9	10.3	8.9	13.1	14.2	20.1	22.8	22.0
Food Bev & Tobacco	15.5	15.3	18.5	15.6	15.6	14.3	14.3	12.8	17.2	21.1	13.0
Household Products	16.4	15.9	25.4	15.9	16.8	13.8	18.0		27.2	20.8	
Health Care Equip & Svc	12.8	12.7	18.1	11.8	18.1	11.7	18.9	17.3	17.6	21.8	16.1
Pharma & Biotech	11.6	11.6	18.9	12.1	11.0	9.6	15.9	18.6	20.5		15.4
Banks	8.4	8.7	7.8	10.1	6.8	8.3	6.9	10.1	7.4	9.5	7.5
Div Financials	9.0	8.9	11.3	9.0	7.0	11.6	12.5	15.2	10.7	15.6	10.4
Insurance	9.0	8.8	12.2	9.2	6.5	7.9	20.3	12.1	13.0	8.3	10.5
Real Estate	17.8	19.2	9.7	30.2	13.8	17.5	17.3	12.6	8.4	20.8	11.7
Software & Services	13.4	13.2	18.1	13.1	14.2	12.1	15.6	13.8	18.9	15.5	10.6
Tech Hardware & Equip	10.9	10.7	13.8	10.2	25.0		12.1	38.5	13.8		
Semi & Semi Equip	11.5	12.6	10.2	11.9	14.2	35.3	24.6	18.9	10.2		
Telecom	11.5	11.4	11.8	16.3	8.2	10.4	8.5	12.6	12.6	12.0	10.3
Utilities	14.6	15.0	12.2	14.9	8.4	12.5	-13.7	15.1	14.8	12.2	8.0

Source: Citi Investment Research and Analysis, MSCI, Worldscope, Factset Consensus Estimates

Figure 17. Current Prices & Ratings For Stocks Mentioned In This Report*

RIC	Stock	Price	Rating	Country
ABBN.VX	ABB	15.21	1	Switzerland
MO.N	Altria Group	32.15	2	United States
AEP.N	Amer Elec Pwr	38.97	2	United States
AZN.L	AstraZeneca	26.069542	2	United Kingdom
T.N	AT&T	34.11	1	United States
BASFn.DE	BASF	54.24	2	Germany
BCE.TO	BCE	41.26		Canada
BMJ.N	Bristol Myers	34	1	United States
BATS.L	Brit Am Tobacco	30.564731	1	United Kingdom
CNA.L	Centrica	3.061	2	United Kingdom
COP.N	ConocoPhillips	52.69	1	United States
ED.N	Consol Edison	60.7	2	United States
DPWGn.DE	Deutsche Post	12.855	2	Germany
9437.T	DoCoMo	124600	2	Japan
D.N	Dominion Rsc	51.63	2	United States
DUK.N	Duke Energy	22.52	2	United States
LLY.N	Eli Lilly	40.75	2	United States
GSK.L	GlaxoSmithKline	14.255	1	United Kingdom
5020.T	JX Holdings	377	1	Japan
LMT.N	Lockheed Martin	81.62	1	United States
MRK.N	Merck	37.61	2	United States
MUVGn.DE	Munich Re	98.88	2	Germany
NG.L	National Grid	6.52	2	United Kingdom
NOVN.VX	Novartis	49.73	2	Switzerland
9432.T	NTT	3305	1	Japan
PFE.N	Pfizer	21.69	2	United States
PGN.N	Progress Energy	56.03	2	United States
RDSa.L	RD Shell Class A	20.059659	2	Netherlands
RDSb.L	RD Shell(CL B)	20.77	2	Netherlands
ROG.VX	Roche	152.8	2	Switzerland
RCIb.TO	Rogers Coms	35.46		Canada
SASY.PA	Sanofi	54.55	1	France
SO.N	Southern Co	46.4	1	United States
STL.OL	Statoil	137.7	2	Norway
TEL.OL	Telenor	89.45	2	Norway
TLSN.ST	TeliaSonera	43.15	1	Sweden
TRI.N	Thoms Reut Corp	27.76	2	Canada
TOTF.PA	Total	34.8	3	France
TRP.TO	TransCanada	42.68	2	Canada
VZ.N	Verizon Comms	41.4	2	United States
VOD.L	Vodafone	1.689	1	United Kingdom
WOW.AX	Woolworths Ltd	26.35	1	Australia

Source: Citi Investment Research and Analysis, *Prices sourced from DataCentral as of 5 June 2012

Notes

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Appendix A-1

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