

## Ecofin Strikes Minimal Deal on Bank Resolution

Summary | Today's News in Detail | Latest Issues of Sovereign Debt Update | Macroeconomic Forecasts | Recent Research

### Summary

**Euro area finance ministers strike deal in principle on the single resolution mechanism.** But the deal would leave national resolution authorities with a substantial role in bank resolution decisions and allow only a very gradual and limited pooling of resolution funds over time. A formal agreement is planned for December 18.

**Germany – strong participation in SPD member referendum.** More than 300,000 of around 470,000 SPD party members have already voted, with strong participation likely to increase the chances of approval.

**ECB's Coeuré says new LTRO to be offered only** when banks are in a position once more to channel these funds to the private economy. Coeuré says new loans are *"not needed at the current juncture"*. Mr Coeuré also said that the euro area is not facing deflation risks and that inflation is seen moving back to 2% *"not long after 2015"*.

**IMF's Lagarde says Eurozone debt crisis is not over** and calls for the ECB to *"find ways"* to do more to alleviate the credit crunch for SMEs and head off the risk of deflation. Also suggests governments may have to relax fiscal policy to avert long-lasting consequences on potential output.

**Italy – IP rises by 0.5% MM, better than expected,** suggests marginally positive GDP growth in Q4. Q3 GDP growth was revised upward to 0.0% QQ, from a previously reported drop of 0.1% QQ.

**Spanish population continued to shrink in H1 2013,** by 0.25% relative to Jan-Jun 2012, with a negative migration outflow 50% above H2 2012.

**Spain – Electricity prices may rise up to 10% in Jan 2014,** as a result of a 18% increase in electricity prices in future markets since Oct 2013.

**Spain – Labour costs rise in Q3 2013, by 0.1% YY,** first annual increase since Q3 2012.

**Portugal – Bank of Portugal raises GDP forecast for 2014 to 0.8%,** from 0.3% expected in the spring, private consumption is seen rising by 0.3% in 2014.

**Greece – IP falls again in October to -5.2% YY, from -1.3% YY in Sept,** but still better than the -7.7% average of Jul-Aug.

**Latest economic data: France's non-farm payrolls** down by 0.1% QQ in Q3, as expected. **German HICP inflation** confirmed at 1.6% YY in Nov, up sharply from 1.2% in Oct on temporary base effects. A payback is likely in December.

11 December 2013

Giada Giani  
+44-20-7986-3281

Guillaume Menuet  
+44-20-7986-1314

Ebrahim Rahbari  
+44-20-7986-6522

Economics

Western Europe

Industrialised G7 Countries

### Recent Research

#### UK — IP and Trade Data

10 December 2013

The ONS report that industrial production and manufacturing output both rose 0.4% MoM in October, keeping both measures on a buoyant trend. The deficit on goods and services trade was £2.6bn in October, matching the September level. The split shows that the deficit (goods only) with EU countries hit a record high of £6.5bn in October, whereas the deficit with non-EU countries fell to £3.3bn in October from £3.9bn in September.

Michael Saunders

#### Sweden — Very Weak Orders and Production Data in October

10 December 2013

The Oct production and order data confirm the overall picture of ongoing weakness in the Swedish industrial sector, with limited near-term prospects of clear recovery, despite improving sentiment indicators (NIEP and in particular PMI). We note, though, that a temporary shutdown of a petroleum

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

Citi Research is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

## Today's News in Detail

**Euro area finance ministers strike a deal in principle on single resolution mechanism (SRM).** The *Wall Street Journal* reports that the finance ministers of the major euro area countries reached a political agreement in principle about the euro area's SRM, but that a formal sign-off would have to wait until next Wednesday. Rimantas Šadžius, Lithuanian Finance Minister and Chair of the ECOFIN Council said that *"On the Single Resolution Mechanism, we have no formal result in our pocket or on the table but we made a huge leap forward defining the concrete directions and schemes than can be consulted with the experts of the Member States and then put forward for the ECOFIN next week."* Under the agreement, the single resolution board (SRB) would prepare resolution decisions, which the European Commission (EC) would have to formally approve. However, if the EC disagrees with the resolution plan proposed by the SRB, the Council of finance ministers would have the final word with a simple majority. The scope of the SRM would start with the banks supervised by the single supervisory mechanism (SSM) as well as banks with operations in more than one member country. On a single resolution fund, the agreement reportedly also falls short of a substantial pooling of resources, highlighting the role of national resolution funds. These resolution funds would be able to borrow from other national resolution funds when their own funds are exhausted, but only once all privately funded national resolution funds are filled, should the pooling of a common fund begin. It was unclear whether the permanent common bailout fund could play a role in the interim. Comment: there is still some uncertainty about the details of the agreement. As it stands, it would be a step forward to achieve an EA/EU-level approach to bank resolution, but it falls far short of a truly European approach. It remains to be seen whether the resolution authority as designed would be in a position to take decisions at the speed of crises, which would be the key condition the SRM would have to satisfy. On common backstops, the agreement also remains minimalist, and there have in fact been suggestions to split in legal terms the parts of the SRM agreement concerned with the resolution authority from those concerned with the resolution fund.

[>> Back to the Top](#)

**Germany – strong participation in SPD member referendum.** *Handelsblatt* reports that more than 300,000 of the around 470,000 SPD party members have already voted in the postal referendum of the party on the coalition agreement with the CDU/CSU. According to the report, the SPD leadership organised 32 regional conferences to encourage voting and to campaign in favour of the agreement. Voting closes at midnight on Thursday. The counting of the votes should begin on Saturday morning, and the result is expected to be announced at around 6pm local time. On Sunday, a meeting between CDU/CSU and SPD is planned to discuss the allocation of ministries and to name the ministers in the event that the referendum is approved. Comment: high participation should in principle be positive for the chances of approval of the coalition agreement. But some uncertainty around the outcome remains and a negative vote would imply that political uncertainty in Germany would continue. We assume that current FM Schäuble will remain in his post if the referendum is approved.

[>> Back to the Top](#)

**ECB's Coeuré says new LTRO only when banks can lend.** ECB's Executive Board member Benoit Coeuré in a speech yesterday said that the ECB would consider offering new liquidity measures to European banks only when lenders are in a position to channel the funds to the private economy. Coeuré argued that it is not for the ECB to interfere too much with credit allocation, which it would do if it introduced some conditionality in offering additional liquidity measures. New loans are *"not needed at the current juncture"* he said. Mr Coeuré also said that

refinery in the south of Sweden (Lysekil) has markedly affected the Sep and Oct figures. In other words, the underlying trend should be better than suggested by the headline figure.

[Tina Mortensen](#)

## Norway — Core Inflation Edges Slightly Higher In November

10 December 2013

Core CPI edged marginally higher in Nov, in line with Norges Bank's (and our) forecast (2.0% Y/Y). The gain was largely driven by slightly higher prices on food and imported goods. Given high monthly volatility, Norges Bank has downplayed the importance of inflation on the near-term outlook for interest rates. Nevertheless, today's outcome confirms the impression that core inflation is unlikely to return to the low levels seen during 2012 and the first half of 2013.

[Tina Mortensen](#)

## UK — RICS Survey and Carney Speech

10 December 2013

The RICS survey shows continued strength in housing demand and prices. Last night's speech by BoE Governor Mark Carney makes three key points. First, Carney highlights the improvement in the economy's underlying position and its growth prospects. Second, Carney argues that the supply-side also is likely to improve – perhaps gradually at first -- as the economy picks up, so that potential growth will also rise. Third, Carney gives a hint about prospects for an eventual rise in interest rates: ).

[Michael Saunders](#)

## Euro Economics Weekly — Why Is France Underperforming? And How To Fix It

6 December 2013

Tackling competitiveness is key; the competitiveness problems that France is experiencing are not unique. We think the government's reform agenda should be more ambitious, if only given the extent of the task to reduce the enormous size of its public sector. Opportunities after spring elections — Faster than average GDP growth should be possible over time, assuming the

the euro area is not facing deflation risks and that inflation is seen moving back to 2% “not long after 2015”.

[>> Back to the Top](#)

**IMF's Lagarde says Eurozone debt crisis is not over.** Speaking in Brussels yesterday, IMF head Christine Lagarde said that the recovery in the euro area may not be sustainable as it is not balanced across countries and sectors. Most of final demand is external demand, but for the recovery to be durable Lagarde says the euro area should jump-start domestic demand. The IMF head called for the ECB to “find ways” to do more to alleviate the credit crunch for SMEs and head off the risk of deflation, as growth is still below potential, and she suggested European governments may have to expand fiscal policy again to avert a “vicious cycle” between low demand and falling investment.

[>> Back to the Top](#)

**Italy – IP rises by 0.5% MM, better than expected, suggests marginally positive GDP growth in Q4.** In contrast to disappointing readings in the other main euro area countries, Italian industrial output rose by 0.5% MM in Oct, above expectations looking for a 0.2% MM gain. The improvement was broad-based across the main components (consumer goods up by 0.8% MM and capital goods up by 0.5% MM). Separately, Q3 GDP growth was revised upward to 0.0% QQ, from a previously reported drop of 0.1% QQ. The contribution of domestic demand was still negative (-0.2pp on QQ GDP), but a large positive contribution from inventories (+0.6pp) contributed to offset this and a negative net export contribution (-0.3pp). Comment: the improvement in industrial activity in Italy has been lagging behind relative to other main euro area countries in the past two quarters (IP was down by 0.7% QQ in both Q2 and Q3 13): the Sept/Oct data suggest some catching up. We estimate IP may rise by some 0.8% QQ in Q4. The improved liquidity position of firms, also helped by the repayment of government arrears worth more than 1% of GDP, may have supported some improvement in investment activity. This is likely to result in quarterly GDP growth finally returning to positive territory (albeit only marginally) in Q4 13.

[>> Back to the Top](#)

**Spanish population continued to shrink in H1 2013**, by 0.25% relative to Jan-Jun 2012, to 46.6 million, according to INE data released yesterday. In particular, the data showed a negative net migration outflow of 125,915 people, 50% above H2 2012, as a result of an 11% decline in immigration and a 10.7% increase in emigration. INE reported that while most of those leaving Spain were foreigners (85% of total), 39,690 Spaniards also left the country during Jan-Jun 2013, 26.3% more than H2 2012 and 53.6% more than H1 2012. Recently, INE released its 10-year ahead population projection, showing a decline of 2.6 million (or by 5.6%) over the next 10 years, as a result of population aging (a reduction in the birth rate from 11.3% in 2008 to 7.6% in 2022 and an increase in the death rate from 8.4% in 2008 to 9.2% in 2022) and a continuation of migration outflows similar to those observed in 2013 (net flow of -299,607 people vs. +310,642 in 2008). Comment: the sizable shift from hefty population growth in pre-crisis years (due to native demographic trends and high immigration flows) to population declines should significantly reduce potential GDP growth in Spain in the next decade.

[>> Back to the Top](#)

**Spain - Electricity prices may rise up to 10% in Jan 2014**, daily *El Economista* reports, noting that electricity prices in the wholesale market have risen to an all-time high of 83.8 €/MWh as a result of unfavourable weather conditions. In particular, electricity prices in futures markets up to Jan-2014 – which are used as reference for setting electricity bills each quarter – are now 18% above the October levels (when electricity tariffs were last adjusted). Adding to the 2% automatic increase in taxes, this may imply a rise in retail electricity prices of

need to enact structural changes is seen as an opportunity rather than a constraint.

Guillaume Menuet | Giada Giani | Michael Saunders | Ebrahim Rahbari | Ann O'Kelly

## UK Economics Weekly — Balancing Prudence, Politics and Growth

6 December 2013

The Autumn Statement (AS) is a balancing act between (1) the government's longterm commitment to fiscal consolidation; (2) the nearterm desire to support growth and avoid scuppering the recovery; and (3) a political priority on trying to regain lost political support. We expect CPI inflation to drop a little below the 2% target in the next 6 months or so, undershooting consensus and MPC forecasts in 2014-15.

Michael Saunders | Ann O'Kelly

## Scandi Economics Update — Swedish Inflation Expectations Drift Slightly Lower

11 December 2013

**Sweden** — Very weak orders and production data in Oct — Inflation expectations drift slightly lower — Tomorrow's inflation data last important input ahead of Riksbank policy meeting. **Norway** — Core inflation edges slightly higher in Nov.

Tina Mortensen

[>> Back to the Top](#)

around 10% in Jan 2014. Comment: a higher than normal increase in electricity prices, due either to bad weather conditions or to reduced government subsidies to the energy sector – is a potential upside risk to our below-consensus inflation forecasts for 2014 (HICP: -0.4%).

[>> Back to the Top](#)

**Portugal – Bank of Portugal raises GDP forecast for 2014 to 0.8%**, from 0.3% expected last spring. GDP is seen accelerating further in 2015 to 1.3%. Private consumption is seen rising by 0.3% in 2014, compared with a previous projection of a 1.4% decline. HICP inflation is expected to rise to 0.8% on average in 2014 (from 0.0% at present) and to 1.2% in 2015. Comment: we reckon that a fiscal tightening envisaged in the 2014 budget equal to 2.3% of GDP makes it unlikely that domestic demand will return to positive growth rates in 2014. The pace of fiscal tightening envisaged for 2014 significantly exceeds what has been actually delivered in 2013 (around 0.5pp of GDP), when GDP likely contracted by 1.6% (1.5% according to the Bank of Portugal).

[>> Back to the Top](#)

## Latest Issues of Sovereign Debt Update

### Ecofin – Still Searching For Agreement on SRM

10 December 2013

Agreement on SRM may be unlikely at today's EcoFin meeting but late-night compromise cannot be ruled out. ECB's Mersch highlights that ECB is willing to do more, but that there are limits to ECB's reaction function. Germany's CDU approves coalition agreement. Italy: contraction in business loans reaches new record. Spain's tax revenue rises. Portugal sees strong rebound in private consumption. Greek inflation at new record low. Falls in German and French industrial production.

Giada Giani | Guillaume Menuet | Ebrahim Rahbari

### Italy – Renzi Elected New Centre-Left Leader

9 December 2013

Italy: Matteo Renzi elected new Centre-Left PD leader with 67.8% of votes in Sunday's primary election. ECB ready to act, says Weidmann. ECB's Coeure on importance of symmetric inflation target, ECB's Nowotny on the need for growth. French FinMin sees banking union compromise before yearend. Germany: CDU/CSU and SPD face some internal resistance to coalition agreement. Greece's 2014 budget passed by Parliament, but troika agreement far off. Spain's economy has turned corner, says Rajoy.

Giada Giani | Guillaume Menuet | Ebrahim Rahbari

### 'Secret' Meeting on Bank Resolution in Berlin Today

6 December 2013

"Secret meeting" in Berlin today on SRM. No change in ECB rates in Dec. ECB's Praet says Governing Council ready to act. ECB should do more, says Eichengreen. BuBa forecasts above-trend growth and low inflation for Germany. Italy's Parliament should quickly pass electoral reform, says President Napolitano. S&P revises outlook to Stable for 5 Spanish regional governments. Bank stress test results to be delivered today to Bank of Greece. Slovenia: Banking sector "D Day" will likely be 12 Dec

Ebrahim Rahbari | Guillaume Menuet | Giada Giani

### Spain – Moody's Revises Rating Outlook to Stable

5 December 2013

Moody's revises Spain's outlook to Stable. ECB expected to leave rates

unchanged today, Eurosystem staff projections main focus. Financial Transactions Tax gets green light from EC lawyers. Germany's FM confident of bank resolution agreement before year-end. French business more gloomy on 2014. French PM says €50bn savings by 2017. Italy's High Court rules against current electoral law. Unemployment main Spanish concern - poll. Greece: govt arrears still high. Jump in Slovenia's bank recap costs.

[Giada Giani](#) | [Guillaume Menuet](#) | [Ebrahim Rahbari](#)

## **EC Calls for More Budget Cuts in Italy**

**4 December 2013**

EC asks Italy for budget cuts to meet structural adjustment. EU countries lean towards EC as bank resolution authority. ECB's Nowotny says don't change sovereign debt regulations ahead of stress test. French PM says tax reform will not increase fiscal pressure. EU's Rehn says tax increases hurting French growth. French government popularity drops again. Spain's composite PMI above 50-mark. Greece: Syriza says it will be in power in 2014. Portugal: Troika wants a Plan B.

[Ebrahim Rahbari](#) | [Guillaume Menuet](#) | [Giada Giani](#)

## **ECB Methodology for Bank Supervision – Details by End-Jan, says Constancio**

**3 December 2013**

ECB to make methodology announcement on bank supervision by end-Jan, says Constancio. ECB's Knot on principle of risk-weightings for all instruments. French voters want government to shrink size of public sector. Italy can beat the consensus, says FinMin. Spain may need further labour market reform, says EU's Rehn. Spanish government makes withdrawal from reserve fund to pay pensions. Spanish unemployment falls in November. Citi's latest economic forecasts for euro area and global.

[Guillaume Menuet](#) | [Giada Giani](#) | [Ebrahim Rahbari](#)

[>> Back to the Top](#)

## **Macroeconomic Forecasts**

### **European Economic Forecast Highlights — December 2013**

**5 December 2013**

This companion to Global Economic Outlook and Strategy - Prospects for Economies and Financial Markets in 2014 and Beyond gives detailed quarterly forecasts for the main European countries to end 2015, as well as annual forecasts to 2018 for growth, inflation, current balance, fiscal balance, primary balance and government debt.

[Ann O'Kelly](#) | [Michael Saunders](#) | [Guillaume Menuet](#) | [Giada Giani](#) | [Ebrahim Rahbari](#)

### **Global Economic Outlook and Strategy — Prospects for Economies and Financial Markets in 2014 and Beyond**

Global, Americas, GEMS, Pan Asia, EMEA, Asia, Western Europe, North America, Latin America, Australia

**2 December 2013**

In this "Prospects" edition, Citi's research team presents updated forecasts for economies, policy, commodity prices and sovereign ratings around the world for 2014 and beyond, along with Overview essays on EMU banking union, world trade growth, global imbalances, challenges facing emerging markets, political risks and long-run projections for the size of major economies.

[Willem Buiter](#) | [Guillermo Mondino](#) | [Nathan Sheets](#) | [Michael Saunders](#) | [Robert V DiClemente](#)

## Emerging Markets Macro and Strategy Outlook — Prospects for 2014 and beyond

GEMS, Asia, Latin America, CEEMEA, Global  
2 December 2013

Three questions are likely to dominate investors' thinking about EM in 2014. The first is about the future of capital flows to EM: will Fed 'tapering' and the prospect of US monetary tightening cause sustained outflows from EM? The second is about EM's export recovery: will EM's recent export slump ever reverse? And the third is about China: will 'China risk' re-emerge as a threat to EM growth? These three questions were very broadly discussed among investors during the course of 2013, and so in a sense 'nothing's new' as we go into the New Year. Overall we find it difficult to come up with optimistic answers to any of these questions, and so we think it makes sense to be quite cautious about the environment facing emerging markets.

[Guillermo Mondino](#) | [David Lubin](#) | [Johanna Chua](#)

[>> Back to the Top](#)



# Appendix A-1

## Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

### IMPORTANT DISCLOSURES

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability which includes investment banking revenues.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Research product ("the Product"), please contact Citi Research, 388 Greenwich Street, 28th Floor, New York, NY, 10013, Attention: Legal/Compliance [E6WYB6412478]. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at [https://www.citivelocity.com/cvr/eppublic/citi\\_research\\_disclosures](https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures). Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

### NON-US RESEARCH ANALYST DISCLOSURES

Non-US research analysts who have prepared this report (i.e., all research analysts listed below other than those identified as employed by Citigroup Global Markets Inc.) are not registered/qualified as research analysts with FINRA. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The legal entities employing the authors of this report are listed below:

Citigroup Global Markets Ltd	Giada Giani; Guillaume Menuet; Ebrahim Rahbari; Michael Saunders; Tina Mortensen; Ann O'Kelly
Citigroup Global Markets Inc	Guillermo Mondino; Willem Buiter; Robert V DiClemente; Nathan Sheets
Citigroup Global Markets Asia	Johanna Chua

### OTHER DISCLOSURES

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the issuer(s) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Research does not set a predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by. The Product is made available in Australia through Citi Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992), participant of

the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of **Canada** by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. This product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Superintendencia de Valores y Seguros. Agustinas 975, piso 2, Santiago, Chile. The Product is made available in **France** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 1-5 Rue Paul Cézanne, 8ème, Paris, France. The Product is distributed in **Germany** by Citigroup Global Markets Deutschland AG ("CGMD"), which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). CGMD, Reuterweg 16, 60323 Frankfurt am Main. Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in **Hong Kong** by, or on behalf of, Citigroup Global Markets Asia Limited which takes full responsibility for its content. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Research is made available through Citibank, N.A., Hong Kong Branch, for its clients in Citi Private Bank, it is made available by Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citibank N.A. is regulated by the Hong Kong Monetary Authority. Please contact your Private Banker in Citibank N.A., Hong Kong, Branch if you have any queries on or any matters arising from or in connection with this document. The Product is made available in **India** by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in **Indonesia** through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in **Israel** through Citibank NA, regulated by the Bank of Israel and the Israeli Securities Authority. Citibank, N.A., Platinum Building, 21 Ha'arba'ah St, Tel Aviv, Israel. The Product is made available in **Italy** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. Via dei Mercanti, 12, Milan, 20121, Italy. The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. If the Product was distributed by SMBC Nikko Securities Inc. it is being so distributed under license. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Citi Velocity website. If you have questions regarding Citi Velocity, please call (81 3) 6270-3019 for help. The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd., which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. KOFIA makes available registration information of research analysts on its website. Please visit the following website if you wish to find KOFIA registration information on research analysts of Citigroup Global Markets Korea Securities Ltd. <http://dis.kofia.or.kr/fs/dis2/fundMgr/DISFundMgrAnalystPop.jsp?companyCd2=A03030&pageDiv=02>. The Product is made available in Korea by Citibank Korea Inc., which is regulated by the Financial Services Commission and the Financial Supervisory Service. Address is Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd (Company No. 460819-D) ("CGMM") to its clients and CGMM takes responsibility for its contents. CGMM is regulated by the Securities Commission of Malaysia. Please contact CGMM at Level 43 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia in respect of any matters arising from, or in connection with, the Product. The Product is made available in **Mexico** by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comisión Nacional Bancaria y de Valores. Reforma 398, Col. Juárez, 06600 Mexico, D.F. In **New Zealand** the Product is made available to 'wholesale clients' only as defined by s5C(1) of the Financial Advisers Act 2008 (FAA) through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), an overseas financial adviser as defined by the FAA, participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Pakistan** by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in the **Philippines** through Citicorp Financial Services and Insurance Brokerage Philippines, Inc., which is regulated by the Philippines Securities and Exchange Commission. 20th Floor Citibank Square Bldg. The Product is made available in the Philippines through Citibank NA Philippines branch, Citibank Tower, 8741 Paseo De Roxas, Makati City, Manila. Citibank NA Philippines NA is regulated by The Bangko Sentral ng Pilipinas. The Product is made available in **Poland** by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Dom Maklerski Banku Handlowego S.A. ul. Senatorska 16, 00-923 Warszawa. The Product is made available in the **Russian Federation** through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 8 Marina View, 21st Floor Asia Square Tower 1, Singapore 018960, in respect of any matters arising from, or in connection with, the analysis of this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore Branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). This report is distributed in Singapore by Citibank Singapore Ltd ("CSL") to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of this report. Please contact your Citigold/Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this report. This report is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap.



289). Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in **Spain** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. 29 Jose Ortega Y Gasset, 4th Floor, Madrid, 28006, Spain. The Product is made available in the **Republic of China** through Citigroup Global Markets Taiwan Securities Company Ltd. ("CGMTS"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan and/or through Citibank Securities (Taiwan) Company Limited ("CSTL"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the respective license scope of each entity and the applicable laws and regulations in the Republic of China. CGMTS and CSTL are both regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China. No portion of the Product may be reproduced or quoted in the Republic of China by the press or any third parties [without the written authorization of CGMTS and CSTL]. If the Product covers securities which are not allowed to be offered or traded in the Republic of China, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus. The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangkok, Bangkok 10500, Thailand. The Product is made available in **Turkey** through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Büyükdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. In the **U.A.E.**, these materials (the "Materials") are communicated by Citigroup Global Markets Limited, DIFC branch ("CGML"), an entity registered in the Dubai International Financial Center ("DIFC") and licensed and regulated by the Dubai Financial Services Authority ("DFSA") to Professional Clients and Market Counterparties only and should not be relied upon or distributed to Retail Clients. A distribution of the different Citi Research ratings distribution, in percentage terms for Investments in each sector covered is made available on request. Financial products and/or services to which the Materials relate will only be made available to Professional Clients and Market Counterparties. The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised and regulated by Financial Services Authority. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the FSA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in **United States** by Citigroup Global Markets Inc, which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is regulated by Financial Services Authority. Pursuant to Comissão de Valores Mobiliários Rule 483, Citi is required to disclose whether a Citi related company or business has a commercial relationship with the subject company. Considering that Citi operates multiple businesses in more than 100 countries around the world, it is likely that Citi has a commercial relationship with the subject company.

Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Research's Products can be found at [https://www.citivelocity.com/cvr/eppublic/citi\\_research\\_disclosures](https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures).

Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations.

The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted. Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product. Citi Research generally disseminates its research to the Firm's global institutional and retail clients via both proprietary (e.g., Citi Velocity and Citi Personal Wealth Management) and non-proprietary electronic distribution platforms. Certain research may be disseminated only via Citi's proprietary distribution platforms; however such research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the author's previously published research. Certain research is made available only to institutional investors to satisfy regulatory requirements. Individual Citi Research analysts may also opt to circulate published research to one or more clients by email; such email distribution is discretionary and is done only after the research has been disseminated.

The level and types of services provided by Citi Research analysts to clients may vary depending on various factors such as the client's individual preferences as to the frequency and manner of receiving communications from analysts, the client's risk profile and investment focus and perspective (e.g. market-wide, sector specific, long term, short-term etc.), the size and scope of the overall client relationship with Citi and legal and regulatory constraints. Citi Research product may source data from dataCentral. dataCentral is a Citi Research proprietary database, which includes Citi estimates, data from company reports and feeds from Thomson Reuters.

© 2013 Citigroup Global Markets Inc. Citi Research is a division of Citigroup Global Markets Inc. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc. and its affiliates and are used and registered throughout the world. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure of this report (the "Product"), including, but not limited to, redistribution of the Product by electronic mail, posting of the Product on a website or page, and/or providing to a third party a link to the Product, is prohibited by law and will result in prosecution. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient to any third party. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, redissemiated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates. The Firm accepts no liability whatsoever for the actions of third parties. The

Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

---

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

---