

## ECB Eyes Limiting Negative Deposit Rate at -10bp

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

### Summary

**ECB considering limiting negative deposit rate at -10bp** – according to two sources cited by Bloomberg. Reuters quoted another central bank official indicating that *“in contrast to the spring when such an option was heavily debated, the appetite for this has waned recently”*.

**ECB's Constancio says no technical discussions yet about QE** – noting that references to the idea of asset purchases are *“only a possibility and nothing else”*.

**ECB's Asmussen favours publishing Minutes and voting records**, arguing that *“one should see who has voted for what”*, adding that *“part of the problem is that we as the ECB do not provide insights into our discussions”*.

**Buba's Weidmann argues against talk of additional action so soon after last month's rate cut** – noting that the very moderate inflation outlook justifies expansive monetary policy, but reminds the general public that *“there is no easy and quick way out of the crisis”*, stressing that *“the money printer is definitely not the way to solve it”*.

**Eurogroup's Dijsselbloem not convinced about 'reform contract' proposals** – noting he is *“worried that countries would need outside incentives to do the reforms that are necessary of the countries themselves”*.

**Germany – employer association imposes conditions for joining minimum wage commission.**

**Single Supervisory Mechanism:** France's Nouy to lead Supervisory Board

**Italy – vote of no confidence against justice minister does not pass, as expected**, but still highlights divisions within the governing coalition.

**Italy – 2014 Budget law still under parliamentary debate**, likely to miss Friday deadline for parliamentary approval. Abolition of property tax creates risks for 2013 fiscal deficit exceeding the 3% threshold.

**Spain – exports of goods remain strong in September**, rising by 8.3% YY.

**Greece – still no agreement with the troika, budget goes to Parliament without approval of troika.** Supplementary budget may be needed in Q1 14.

**Portugal – 10<sup>th</sup> troika review to start on 4 December**, to discuss wage flexibility and the possible alternative fiscal policy measures in case the Constitutional Court rejects the current measures.

**Ireland – not requesting a precautionary credit line does not exclude OMT**, says Finance Minister Noonan.

21 November 2013

Giada Giani  
+44-20-7986-3281

Ebrahim Rahbari  
+44-20-7986-6522

Guillaume Menuet  
+44-20-7986-1314

Economics

Western Europe

Industrialised G7 Countries

### Recent Research

#### Sweden — Riksbank Likely To Cut By 25bp In December

20 November 2013

The Riksbank has been under increasing pressure to cut the repo rate, especially following the substantial downside surprise in inflation in October. Several board members now appear at unease with continuous low and undershooting inflation, arguing that the Riksbank must deliver on its inflation target to ensure confidence is maintained in the target. Our base case is now a 25bp repo rate cut to 0.75% at the 17 December meeting.

Tina Mortensen

#### Norway — Mainland GDP Weaker than Suggested by Headline Number

19 November 2013

Activity in Norway has slowed quite a bit over the past year and continues to run well below trend. Although accelerating moderately in 3Q (from 0.3% Q/Q in 2Q to 0.5% Q/Q), mainland GDP on a year-ago basis slowed to 1.5% – the slowest

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

**ECB considering limiting negative deposit rate at -10bp** – Bloomberg reported on Wednesday that the ECB would consider cutting the deposit rate to -0.1% in the event of taking the ECB's interest rate floor into negative territory, citing two sources familiar with Governing Council discussions, but indicating that the concept does not yet have a consensus. Reuters quoted another central bank official indicating that *"in contrast to the spring when such an option was heavily debated, the appetite for this has waned recently"*. Comment: given some of the downside associated with this specific policy tool, we believe that before 'going negative', the Governing Council would rather 1) enhance its forward guidance, 2) provide additional liquidity and 3) envisage cutting the repo rate again, making the corridor even more asymmetric. Although a negative deposit rate would likely be an interesting tool to deploy to incentivise banks in the euro area core to lend, we suspect that the Governing Council would need to see some clear evidence of persistently negative loan growth. Note that the supply side of the bank lending equation appears to be improving steadily (see [Euro Economics Weekly - Recovery Watch: SME Lending is Key](#)).

[>> Back to the Top](#)

**ECB Vice President Constancio says no technical discussions yet about QE** – ECB Executive Board Member Vitor Constancio indicated on Tuesday that the ECB has not discussed how it would conduct quantitative easing technically. Mr. Constancio noted that references to the idea of asset purchases are *"only a possibility and nothing else"*. Comment: this indicates that the topic has featured in recent Governing Council member exchanges in the past. Although the Governing Council is not ready to deliver additional measures to loosen its monetary policy stance, all options appear to be on the table.

[>> Back to the Top](#)

**ECB's Asmussen favours publishing Minutes and voting records** – ECB Executive Board Member Jörg Asmussen indicated on Wednesday that he does not see a north-south split within the Governing Council, also reaffirming that he is in favour of the publication of Minutes. He made the case that the ECB should provide more information to the public about its consultations, arguing that *"one should see who has voted for what"*. In an interview with Austrian newspaper *Der Standard*, Mr. Asmussen noted that *"part of the problem is that we as the ECB do not provide insights into our discussions"*. Comment: the Governing Council still appears uncertain on the issue of publishing Minutes, but particularly fractured on whether the details of the votes should be released. We suspect that some of the hawks would not be particularly comfortable with their systematic opposition to monetary policy easing, despite the fact that the ECB has a clear mandate of maintaining price stability.

[>> Back to the Top](#)

**Buba's Weidmann argues against talk of additional action so soon after last month's rate cut** – President Jens Weidmann was interviewed by German weekly *Die Welt* underscoring that it is too soon to signal any further easing, noting that *"I do not think it is sensible to immediately herald the start of the next round"*, having *"only just eased monetary policy further"*. In Thursday's edition Mr. Weidmann notes that the very moderate inflation outlook justifies expansive monetary policy, but reminds the general public that *"there is no easy and quick way out of the crisis"*, stressing that *"the money printer is definitely not the way to solve it"*. Comment: resistance to taking additional steps, especially in the form of large scale asset purchases, is likely to be difficult to overcome in the short-term. This is perhaps the reason why the more dovish Executive Board is pushing for the publication of Minutes in order to highlight that the Governing Council pays

pace in two-and-a-half year, and below the pace needed to keep unemployment stable. In addition, the details suggest that activity was weaker than suggested by the headline number as mainland domestic demand barely expanded in 3Q and exports were markedly down.

[Tina Mortensen](#)

## Euro Economics Weekly — Recovery Watch: SME Lending is Key

15 November 2013

**SMEs Matter** — it is very difficult to argue that a euro area recovery can build a strong base without SMEs feeling more confident about their funding, investment and hiring prospects. The overwhelming dependence of these firms on the banking system suggests that progress towards banking union will be essential to improve their performance, as well as overall economic prospects, in coming years.

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

## UK Economics Weekly — The Recovery and Unemployment

15 November 2013

The MPC's Inflation Report shows an unusually favourable outlook, with above-consensus growth and below-consensus inflation in 2014-16 and a somewhat less pessimistic appraisal of the economy's supply-side prospects. We broadly agree with this view, and indeed expect that GDP growth will probably exceed the MPC's base case with inflation perhaps even slightly lower than they expect. We expect the jobless rate will hit the 7% threshold in late-2014, rather earlier than the MPC's base case.

[Michael Saunders](#) | [Ann O'Kelly](#)

## Scandi Economics Update — Swedish 3Q GDP Growth Likely (also) to Undershoot RB Forecast

Western Europe

**Sweden** — The Riksbank likely to cut by 25bp in December — Investment survey to add more guidance ahead of 3Q GDP report — Riksbank's autumn 2013 risk survey.

**Norway** — Government backs down

more attention to the needs of the Eurosystem than being concerned about domestic considerations.

[>> Back to the Top](#)

#### **Eurogroup's Dijsselbloem not convinced about 'reform contract' proposals**

- Eurogroup Chairman Jeroen Dijsselbloem indicated on Wednesday that he is "worried that countries would need outside incentives to do the reforms that are necessary of the countries themselves". He expressed his scepticism about a proposal for the European Union to encourage member states to make long-term economic changes by offering them loans at below market rates. Comment: Mr. Dijsselbloem is alluding to German Chancellor Merkel's so-called 'reform contracts' or 'competitiveness pacts' first discussed during the December 2012 EU Summit.

[>> Back to the Top](#)

#### **Germany – employer association imposes conditions for joining minimum wage commission.**

*Handelsblatt* reports that the president of the association of German employers said that his organisation would join a minimum wage commission, but only under the condition that it would not be dominated by an implicit coalition of the government and the trade unions. He added that those who promise a minimum wage of €8.50/hour should be clear that it would not be compatible with employment at current levels or to reach full employment.

[>> Back to the Top](#)

**Danièle Nouy to lead Supervisory Board of SSM.** The ECB nominated yesterday France's Danièle Nouy to head the Supervisory Board of the new Single Supervisory Mechanism. Nouy will have a hearing in front of the relevant committee of the European Parliament next Wednesday as part of the approval process. She has been working at the Banque de France since 1974 and was made the President of the Committee of European Bank Supervisors in 2006.

[>> Back to the Top](#)

**Italy – vote of no confidence against justice minister does not pass, as expected.** The censure motion was proposed by opposition party M5S, but some parts of the main coalition party, centre-left PD, had called for the minister's resignation before the vote of no confidence. PD PM Enrico Letta had rallied his party members to vote against the motion, as this would have represented a vote of no confidence for his entire government. Comment: additional signs of on-going stress in the governing coalition, generated by divisions within the two main coalition parties.

[>> Back to the Top](#)

**Italy – 2014 Budget law still under parliamentary debate.** *La Stampa* reports that the draft bill of the so-called Stability Law will probably not be voted this Friday, as previously scheduled, due to many still unresolved issues on which there seem to be no consensus within the government coalition. Silvio Berlusconi said yesterday that his new party Forza Italia – born after the split of the centre-right coalition party PdL – is not going to vote in favour of this draft, because it envisages too many tax increases. Separately, the government is reportedly struggling to find financial coverage for the abolition of the second tranche of the property tax (IMU). The government is reportedly determined to cancel the levy, but if no financial coverage is found, this would trigger an automatic increase in excise duties on petrol prices to compensate for some of the revenue shortfall. Comment: the lack of agreement on meaningful spending cuts is preventing the government from keeping its pledges to reduce the tax burden. We see risks that the 3% deficit-to-GDP threshold will be exceeded this year. As for the 2014 Budget, even if the newly created Forza Italia votes against the draft, the government still has the numbers to pass it in the Senate.

from pre-election talk of restructuring oil fund.

**Denmark** — Voters shrug off government policies in local election.

**Tina Mortensen**

[>> Back to the Top](#)

[>> Back to the Top](#)

**Spain – exports of goods remain strong in September**, rising by 8.3% YY, Bank of Spain data showed yesterday. YTD (Jan-Sep 2013) exports are now up by 6.8% over the same period in 2012, while YTD imports are down by 2.3% YY, implying a YTD reduction in the trade deficit by 58.6% YY. Deputy Trade Minister Jaime Garcia-Legaz Ponce noted that *“the rise in Spanish exports to emerging economies is particularly striking”* with exports (YTD) shipped to non-EU markets rising by 9.4% YY. Comment: exports continue to outperform on the back of gains in competitiveness and an increase in the number of exporting companies. We expect net exports to continue to positively contribute to real GDP growth in coming years.

[>> Back to the Top](#)

**Greece – still no agreement with the troika, budget goes to Parliament without approval of troika.** *Ekathimerini* reports that the new round of talks with the troika representatives did not yield any agreement yesterday, and that the government intends to submit the 2014 Budget draft to Parliament today without the final approval of international lenders. *Ekathimerini* reports the draft includes budgetary savings of €1bn (0.5% of GDP), mainly from tidying up the social security system and improvements in tax administration. The newspaper says that a supplementary budget may be submitted to Parliament early next year. Comment: the negotiations around the Greek programme (with the main stumbling blocks being the size of the fiscal adjustment in 2014 and key privatisations) are bound to drag on for some time, given the absence of a German government and the absence of imminent cash needs by Greece.

[>> Back to the Top](#)

**Portugal – 10<sup>th</sup> troika review to start on 4 December**, the Portuguese government announced yesterday. On the second last review before the end of the programme, *Diario Economico* reports that the discussion will centre on wage flexibility and the possible alternative fiscal policy measures in case the Constitutional Court should reject the current measures. The discussion about the exit from the current bailout programme (after it expires in June 2014) will also be undertaken, the newspaper reports. Increasing the level of decentralization of the wage bargaining system has been one of the key requests within the economic adjustment programme for Portugal, in order to reduce wage growth and regain competitiveness. Comment: we doubt any decision will be taken before year-end on what to do after the expiry of the current bailout programme. We think a precautionary credit line is going to be the most likely outcome if market sentiment remains fairly supportive, but risks that Portugal will need a full second bailout package remain relevant in our view.

[>> Back to the Top](#)

**Ireland – not requesting a precautionary credit line does not exclude OMT**, Irish FinMin Michael Noonan said in a newspaper interview yesterday. Mr Noonan said he had sought assurances from top ECB officials including President Draghi that the decision not to apply for a precautionary credit line after the expiry of the bailout programme does not mean the ECB's OMT cannot be activated for Ireland. Mr. Noonan said the OMT aims at dealing with a euro area system crisis and, if this were to happen, the OMT would be applied to Ireland.

[>> Back to the Top](#)

## Latest Issues of Sovereign Debt Update

### ECB's Asmussen Wary of Negative Deposit Rate

20 November 2013

ECB's Asmussen "very careful" of cutting the deposit rate into negative territory. ECB's Praet says negative output gap possible until 2017. EU and Japan want to

conclude free-trade agreement soon. Germany's CDU/CSU not afraid of early elections. French budget minister wants to support business and lower public spending. Italy: crucial reform of Parliament to be tabled tomorrow. OECD expects Spanish unemployment to peak in 2013. Greek banks ask for lower Core Tier 1 capital adequacy index of 8%

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

## **ECB Members Suggest Reluctance to Further Nearterm Easing**

**19 November 2013**

ECB GC members suggest nearterm reluctance for more easing. ECB's Mersch on set-up for stress tests. ECB allows simplified NPL definitions for first phase of assessment. Bundesbank says easy money policy justified. 2015 revamp of French tax system says PM. Italy: Renzi wins PD party's pre-primaries. Italy's spending review to save 2% of GDP by 2016, says draft. Spain's aid programme on track, says Troika. Spain's NPL at new high in Sep. Portugal to access ECCL after bailout end, says Fitch.

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

## **EU Council Signs Off on Common Direct Bank Recap**

**18 November 2013**

EU FinMins promise common recap resources as backstop after AQR & stress test, no agreement on Single Resolution Mechanism. ECB's Mersch on liquidity option and asset purchases. EC review of EA governments' budgets. EBA head promises tough stress test. Coalition talks continue in Germany, SPD leaders campaign for Grand Coalition. Italy's centre-right splits, govt probably rests on thinner majority. EC criticises Italy's 2014 budget, warns of budget risks in Spain. Slovene FinMin issues 3Y bond.

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

## **Ireland and Spain to Exit Bailouts at Year-End**

**15 November 2013**

Ireland's "clean exit" from programme, without precautionary credit line. Spain to close bailout facility in Dec. EA FinMins struggle on SRM and direct bank recap. Draghi OK with EU State Aid rules. Germany's SPD confirms party leader, opens door to left. OECD urges France on competitiveness. Spain's banks reduce ECB borrowing. Belgian govt sells stake in rescued bank. Greek deal close on 2014 fiscal gap. 3Q GDP in Netherlands, Greece, Portugal, Slovakia. Slovenia govt wins confidence vote.

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

## **ECB's Praet Says Asset Purchases Part of the Arsenal**

**14 November 2013**

ECB's Praet on asset purchases. Buba's Weidmann on side effects of low interest rates. German Council of Economic Advisors on coalition plans. EC worried about Italy's 2014 Budget. Spain still facing large imbalances, says EC. Spain to allow banks to issue covered bonds backed by SME loans. Catalonia would need to apply to EU if it secedes from Spain. Greek central govt primary budget surplus in Jan-Oct. Portugal's programme exit - risks remain high. 3Q GDP in Germany and France.

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

[>> Back to the Top](#)

## **Macroeconomic Research**

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

#### **24 October 2013**

This companion to Global Economic Outlook and Strategy gives detailed quarterly forecasts for the main European countries to end 2014, together with annual forecasts to 2017 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 — October 2013**

#### **23 October 2013**

Our global growth forecasts are unchanged this month, at 2.5% for 2013 and 3.2% for 2014 (at current exchange rates). We make a marginal (0.1pp) upward revision to our 2014 euro area forecast — led by upgrades to Portugal and Spain. The exact timing of the start of Fed tapering is highly uncertain, but we now expect that tapering will be pushed back to March, with asset purchases not ending fully until late 2014. The ECB is likely to introduce a new LTRO in Q1, with extra BoJ easing in 2014.

[Willem Buiter](#) | [Nathan Sheets](#) | [Michael Saunders](#) | [Robert V DiClemente](#) | [Kiichi Murashima](#)

[>> 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; Ebrahim Rahbari; Guillaume Menuet; Michael Saunders; Ann O'Kelly; Tina Mortensen
Citigroup Global Markets Inc	Willem Buiter; Robert V DiClemente; Nathan Sheets
Citigroup Global Markets Japan Inc.	Kiichi Murashima

### 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 may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. 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 Reuters and Datastream.

---

© 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, disseminated 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

---