ECB Speakers Beef Up Sovereign QE Rhetoric

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

5 January 2015

Guillaume Menuet
+44-20-7986-1314

Ebrahim Rahbari
+44-20-7986-6522

With thanks to Ann O'Kelly

Economics

Western Europe

Industrialised G7 Countries

Summary

ECB's Draghi: must act against higher risk of deflation now than six months ago – noting that "*we are in technical preparations to adjust the size, speed and composition of our measures early 2015, should it become necessary to react to a too long period of low inflation. There is unanimity within the Governing Council on this*".

ECB's Constancio: need to address dangerous cycle of declining prices – the ECB wants to prevent a "*dangerous vicious cycle of declining prices, rising real wage costs, falling profits, shrinking demand and further declining prices*".

ECB's Praet: **will not hesitate to fulfill mandate to combat "*extremely fragile inflation expectations*"** – stressing that the ECB "*cannot sit idly by*" and "*simply look through oil prices"* as the risks of second-round effects is "*higher than usual*". On Dec 31, Mr. Praet remarked that "*unfortunately, sovereign bonds are the only security with significant market volume*", adding that the corporate bond market is too small and that bank bond purchases could raise concerns as the ECB is also the bank supervisor. Mr. Praet also listed three options for QE.

ECB's Liikanen & Coene: argue that low inflation requires ECB response.

ECB's Weidmann: why should we add to the oil-induced stimulus programme? – saying that "*as things are at the moment and if oil prices remain this low, inflation will be lower than expected, but growth will be better*", adding that "*the situation in Europe isn't as bad as some people believe*".

ECB's Knot & Hansson: No QE proposal yet, and plan would be borderline.

ECB's Vasiliauskas: agnostic about where to stand on QE debate.

Germany: Schäuble & Schmidt oppose ECB government bond purchases

Germany: first few state CPI estimates point to noticeable HICP fall in Dec.

Germany wants Greece in Eurozone, but "*will not be blackmailed*" – *Der Spiegel* reported that Chancellor Merkel is ready to accept a Greek Euro exit, a development seen as inevitable and manageable if Syriza wins, according to Bloomberg.

France: President Hollande says he will respect Euro area commitments – French President François Hollande indicated on Monday during a two-hour programme on French radio that "*if growth is a bit higher it will go towards cutting the deficit. We must cut our debt*".

Greece: poll shows Syriza lead narrowing to three points – A Marc for Alpha TV survey released on Friday showed Syriza getting 28.1% of the vote if an election were held now, versus 25.1% for PM Samaras's New Democracy (ND) party. Support for co-ruling Socialists was 4.6%. Rass polling agency on Sunday showed Syriza garnering 30.4% of the vote, with ND at 27.3%, placing the opposition 3.1pp points ahead of ND, versus 3.4pp in the last poll.

Recent Research

Scandi Economics Update — No Extra Election in Sweden

5 January 2014

Sweden — On 27-Dec, the government announced that it has scrapped plans to run an early election on 22-Mar after the government and the centre-right Alliance parties have reached an agreement which should make it possible for minority governments to get through their budgets in the Parliament and, thus, be able to implement its economic policies. The deal is called the 'December agreement' and will last until 2022.

Sweden — In addition to the deal struck across the political divide on pensions, defence and energy issues, PM Löfven would like to see the government and the Alliance coordinating integration policy.

Sweden —Senior members of the three smaller Alliance parties have suggested that each party should present its own shadow budget bill in the spring.

Denmark — December currency reserve numbers are worth watching as they could give an indication as to

whether the DNB is any closer to a unilateral interest rate cut.

Tina Mortensen

Today's News in Detail

ECB's Draghi: must act against higher risk of deflation now than six months ago – ECB President Draghi gave an interview on Friday to German financial daily *Handelsblatt* in which he stressed that "*the risk that we do not fulfill our mandate of price stability is higher than six months ag*o", adding that "*we are in technical preparations to adjust the size, speed and composition of our measures early 2015, should it become necessary to react to a too long period of low inflation. There is unanimity within the Governing Council on this*". On the topic of deflation, Mr. Draghi noted that the "*risk cannot be entirely excluded, but it is limited*", stressing that "*we have to act against such risk*", highlighting that while "*government bond buying is one of the tools we can use to fulfill our mandate*", the ECB "*must avoid state financing*". Bloomberg reported on Jan 2 that when asked how much the ECB might spend on government bonds he answered that "*it is difficult to say*". Separately, in response to a question by *Il Sole 24 Ore*. about the succession to Italian President Napolitano, Mr. Draghi indicated that "*I do not want to be a politician"* and that *"my mandate as ECB President continues until the year 2019*". Comment: Mr. Draghi is playing a strong hand in our view, given the threat to the mandate and the difficulties of managing a €1tn balance sheet expansion, preparing investors and the German public at large about the need for the ECB to deliver on its medium term price stability mandate. It is unlikely that Mr. Draghi will give much away in terms of clarification about the modalities and size of government bond purchases given the need for prior discussions with the GC.

>> Back to the Top

ECB's Constancio: need to address dangerous cycle of declining prices – ECB Vice-president Vitor Constancio indicated in an interview with *Wirtschaftswoche* published on Dec 20 that the ECB wants to prevent a "*dangerous vicious cycle of declining prices, rising real wage costs, falling profits, shrinking demand and further declining prices*". Mr. Constancio warned that he expects a negative inflation rate in coming months and stressed that this is "*something every central bank has to look at very closely*". He repeated that the ECB must use all monetary policy instruments at its disposal and that quantitative easing is "*nothing other than a traditional open market operation*", adding that QE is "*completely legal and we do not rule out what is legal*". He also suggested that the ECB is not obsessed with buying sovereign bonds. Comment: the vice-president of the ECB has sharpened the rhetoric in favour of additional stimulus, while stressing that he does not see any legal obstacles to government bond purchases. We expect these arguments to feature prominently in the soon-to-be-published accounts of monetary policy meetings justifying the ECB's likely decision to announce a sovereign bond purchase programme on Jan 22.

>> Back to the Top

ECB's Praet: **will not hesitate to fulfill mandate to combat "*extremely fragile inflation expectations*"** – ECB chief economist Peter Praet told *Börsen-Zeitung* last week that the ECB "*cannot sit idly by*" and "*simply look through oil prices"* as the risks of second-round effects are "*higher than usual*". On Dec 31, Mr. Praet remarked that "*unfortunately, sovereign bonds are the only security with significant market volume*", adding that the corporate bond market is too small and that bank bond purchases could raise concerns as the ECB is also the bank supervisor. Mr. Praet listed three options for QE: i) taking into account the size of a country's outstanding debt - but that would imply a higher degree of risk sharing, ii) purchases without loss-sharing in the event of default and iii) buying only top-rated bonds, but much bigger volumes would be required from a smaller universe to have the desired impact on inflation. He also noted that he saw negative inflation rates during a "*substantial part of 2015*" and that price competition resulting from weaker oil prices could contribute to "*the de-anchoring*

Euro Area — Greece: Failed Presidential Poll Reinforces Political Uncertainty

29 December 2014

Presidential poll fails, triggering early parliamentary elections. Greek PM Samaras said he will request elections to take place on January 25 (February 1 is another likely option). Recent polls of voting intentions suggest that far-left opposition party Syriza is likely to win the parliamentary elections. Market reaction and outlook: 5yr Greek spreads to Germany are over 100bp wider this morning. There is a softer tone in the periphery and a better bid in core markets given their haven status. More broadly we believe wider contagion is unlikely, even though political risks are rising in the Eurozone more generally, too.

Ebrahim Rahbari | Peter Goves | Guillaume Menuet | Tina M Fordham

UK — YouGov Report Further Drop in Household Inflation Expectations

22 December 2014

The median for inflation expectations in the next 12 months fell to 1.5% in December from 1.8% in November and 1.9% in October, and now is the lowest since Feb-09 (also 1.5%). The median for inflation expectations in the longer term (next 5-10 years) fell to 2.7% YoY in December from 2.8% YoY in November, and this is the fourth consecutive month in which this measure has ticked down by 0.1 percentage point. The latest figure is the lowest since the YouGov survey began in late-2005, with troughs of 2.8% YoY recorded in early 2009 and Nov-2014. As in recent months, expectations of deflation are not widespread. Rather, inflation expectations are becoming more concentrated on low but positive inflation. All this is likely to be greatly reassuring for the MPC.

Michael Saunders

Europe — European Economic Indicators to 9 January 2015

of inflation expectations". He also remarked that the ECB "*should not be paralysed by the fact that the only option is to buy sovereign bonds*". He also stressed that "*inflation expectations are extremely fragile*" and that the "*risk of second-round effects seems to be greater today than it was in the past*". Comment: we believe that the second option highlighted by Mr. Praet has the most chance of being accepted at this stage of the process. Outstanding debt purchases would be more effective in our view, albeit limited by some likely provisioning, but would nevertheless represent an important step in the right direction. The key question remains whether the first QE instalment will be large enough to succeed. We fear that the amounts discussed at this stage could fall somewhat short of the mark, requiring further rounds of quantitative easing by the ECB at some stage in 2016.

>> Back to the Top

ECB's Liikanen & Coene argue that low inflation requires ECB response – Finland's central bank governor Erkki Liikanen said in an interview with Finnish newspaper *Savon Sanomat* on Dec 27 that "*we must be ready for new measures if exceptionally low inflation is prolonged and increases risks to price stability and the economy*". Reuters reported that Mr. Liikanen had declined to comment on what potential measures might be entailed. Belgium's central bank governor Luc Coene spoke to *La Libre Belgique* on Dec 20. He stressed that "*it is essential that we bring inflation to a higher level*" given the risk of "*low levels of inflation*" and "*negative inflation at the start of 2015*" running the risk of "*fueling deflationary expectations*". He went on to argue that purchase of sovereign debt may prove to be "*a useful tool*" to ward off deflation. Comment: we agree with the arguments put forward by both Liikanen and Coene. The risk of a prolonged period of very low headline inflation rates would most likely further aggravate the slide in medium-term inflation expectations. Assuming as we do that negative inflation rates will be a feature in Q1-15, not acting soon would be a breach of the ECB's legal mandate.

>> Back to the Top

ECB's Weidmann: why should we add to the oil-induced stimulus programme? – Bundesbank President Jens Weidmann told the *Frankfurter Allgemeine Sonntagszeitung* on Dec 28 that "*as things are at the moment and if oil prices remain this low, inflation will be lower than expected, but growth will be better*", adding that "*the situation in Europe isn't as bad as some people believe*". According to Reuters, he turned to the subject of monetary policy indicating that he was "*irritated by one question dominating the recent public debate: when will you finally buy?*", arguing instead that "[*with low oil prices] an economic stimulus programme has been handed to us, why should we add to that with monetary policy?*". Bloomberg also reported that Mr. Weidmann had stressed that "*the euro region's central banks would be liable together for any losses from bond purchases, and in the end the taxpayers would foot the bill*". Comment: Mr. Weidmann will likely oppose an ECB QE programme come what may, just as he opposed the OMT programme. But in the absence of a veto, which does not exist at the ECB, in our view Mr. Weidmann can only hope to extract some concessions about reining in moral hazard issues and limiting potential losses.

>> Back to the Top

ECB's Knot & Hansson: No proposal on QE yet, and plan would be borderline – Dutch central bank governor Klaas Knot told *de Volkskrant* in an interview on Dec 31 that there is no proposal on QE yet since policy makers will have a discussion on Jan 22 about the necessity of quantitative easing and whether it will help. Mr. Knot warned that "*as long as Europe isn't politically willing to share more risks within the euro zone, it's not up to us to take such a decision ourselves via the back door*". Earlier on Dec 22, Estonia's central bank governor Ardo Hansson had explained to *Süddeutsche Zeitung* that he would prefer that the ECB purchase corporate debt instead of government bonds,

19 December 2014

We give forecasts and commentary on the key European economic data releases in the period from 22 December 2014 to 9 January 2015.

Michael Saunders | Guillaume Menuet | Ebrahim Rahbari | Tina Mortensen | Antonio Montilla

Switzerland — SNB Sets Negative Interest Rates

18 December 2014

The SNB has today set a negative interest rate (minus 25bp) on banks' sight deposit account balances at the SNB, aiming to take its policy rate (interbank rates) *"into negative territory."* The negative rate will only apply to sight deposits above a specified *"exemption threshold"* which, for domestic banks corresponds to 20 times the minimum reserve requirement, adjusted for any holdings of notes and coin. The SNB has set the exemption threshold at a level which does not penalize the banks for holding high reserve levels, but which does aim to push the interbank rate well below zero. This structure appears flexible enough to allow the SNB to set an even more negative interest rate if needed, without excessively penalising banks. Likewise, if renewed FX intervention inflates banks' aggregate sight deposits further, the SNB could if necessary adjust the exemption threshold accordingly.

Michael Saunders

UK — Retail Sales Surge

18 December 2014

The ONS report that retail sales volumes surged by 1.6% MoM in November, well above our forecast (0.4%) and the consensus (0.3%), with the October figure revised up from 0.8% MoM to 1.0% MoM. This puts volumes up 6.4% YoY, the highest growth since 2004, with sales volumes by nonfood retailers up by 10.8% YoY – the highest since 2002. We expect the mix of even lower inflation, rising nominal wage growth and solid job gains will produce strong growth in both household real disposable income and consumer spending in 2015. .

Michael Saunders

calling the demand for the ECB to buy government bonds "*borderline*". But he acknowledged that "*we have a mandate, which is to keep inflation over the medium term around 2%. In this sense, we are technocrats and we have to react*". Comment: we believe these remarks illustrate the growing chasm between the hawks, with at one end of the spectrum Mr. Weidmann, and on the other some Governing Council members who will likely in the end recognise the difficulties of acting like politicians instead of monetary policy technocrats. Ideally, the minority of hawks would like more time to review the impact of lower oil prices on economic activity and inflation expectations. But time is a commodity that the ECB does not really have at this stage. The need for more monetary policy easing at the zero interest rate lower bound leaves little alternative solution to government bond purchases, given the balance sheet objectives that the ECB has selected.

>> Back to the Top

ECB's Vasiliauskas: agnostic about where to stand on QE debate – Lithuanian central bank chief Vitas Vasiliauskas, whose country became the 19th euro area member state on January 1, indicated that he does not have "*any preconceptions and dividing between hawks and doves is only a game. I'm flexible myself*", adding *"let me warm up my feet first".* According to Bloomberg, he also stressed the need for *"other actors, and I mean the governments of the member states, also do their job"*, warning that "*the ECB alone within its mandate cannot solve all the problems. It cannot simply splash money. The economic situation in the euro zone won't improve just because of that*". Comment: these first remarks by the newcomer suggest that he likely to be in the neutral camp, perhaps for the first couple of meetings, and would therefore be more likely to side with the dovish majority view, in our view.

>> Back to the Top

Germany: Schäuble and Schmidt oppose ECB government bond purchases – Bloomberg reported on Dec 27 that German Finance Minister Schäuble indicated in an interview with *Bild-Zeitung* that Bundesbank President Jens Weidmann has strong arguments, that are heard within the ECB, and that the Governing Council needs to find a compromise in the end. He also remarked that German chancellor Angela Merkel and himself are always in intensive talks with ECB President Mario Draghi. Bloomberg also noted that Dec 28 that Christoph Schmidt, head of Angela Merkel's Council of Economic Advisers, had indicated in an interview with *Welt am Sonntag* that he saw no reason for the ECB to take steps to prevent deflation and that it should act only if the euro zone unexpectedly slips into deflation. Mr. Schmidt also argued that some of the risks of buying government bonds would be that France and Italy could again postpone necessary reforms. Comment: the ECB's independence should guarantee that a QE programme will be launched if the Governing Council were to decide by a simple majority that more needs to be done to deliver an easier monetary policy stance to try and achieve its price stability mandate. But these remarks suggest that the announcement could disappoint markets initially if too many conditions or too little firepower are associated with the programme.

>> Back to the Top

Germany: first few state CPI estimates point to noticeable HICP fall in Dec – CPI inflation slowed to 0.5% YY in December from 0.7% in November in both Brandenburg and Saxony. Prices were reported to have risen by 0.2% MM in both Brandenburg and Saxony. Comment: German inflation is dropping fast, with energy prices the main driver of the decline. In November, German inflation, at 0.5% for the HICP definition and 0.6% for the national definition, was already at its lowest level since 2010. But in light of the continuing decline in oil prices, German inflation is likely to fall further and the slow and gradual pickup in German inflation that we have expected is likely to be delayed.

>> Back to the Top

UK — MPC Minutes and Labour Market Data

17 December 2014

The jobless rate edged down to 6.0% in Aug-Oct from 6.2% three months earlier and job growth is more than four times workforce growth. Job growth is increasingly concentrated in full-time employees, rather than self-employment and part-time work. The level of job vacancies is close to the pre-crisis peak and the second-highest for any month since data began in 2001. The long period of weakness in pay is ending, with the YY growth in earnings ex bonuses up to 1.6% in Aug-Oct versus 0.8% three months earlier. We expect real pay per head to rise by more than 2% in 2015 – with aggregate household real disposable income growth of 3½% YY or so in 2015. The MPC minutes highlight the extent to which low oil prices (and weakness in other costs) are likely to produce a benign mix of strong real growth and very low inflation in the UK.

Michael Saunders

Euro Area — Inflation Slowdown Confirmed, Negative December Print Seen

17 December 2014

Inflation slowed to 0.3% YY in November — in seasonally adjusted terms prices also fell for the 2nd successive month. Not seen since Nov & Dec 2008. Lower energy prices contributing the most — but core inflation rates also slowed to new record lows. December HICP estimate revised down to -0.1% YY, January to -0.2% YY. Sensitivity to oil prices — we show what would happen if oil prices were to be stable at $60 over the forecast horizon. Link to our Monthly Inflation Profiles.

Guillaume Menuet

UK — Inflation Likely to Fall Below 1% in December

16 December 2014

The ONS report that CPI inflation fell to 1.0% YY in November from 1.3% YY in October, well below our and consensus forecasts for 1.2% YY. The split shows widespread weakness across food, drink, petrol and core inflation. With

Greece: Germany wants Greece in Eurozone, but "*will not be blackmailed*" – *Der Spiegel* magazine reported that Chancellor Angela Merkel is ready to accept a Greek euro exit, a development that it sees as inevitable and manageable if Syriza wins, according to Bloomberg. The report suggests that both Chancellor Angela Merkel and finance minister Wolfgang Schäuble believe that a potential Greek exit would be manageable now that the euro area has an *"effective"* bailout in the ESM, while major banks would be protected by the banking union. Sigmar Gabriel, German economy minister and leader of the centre-left Social Democrats (SPD) also told the *Hannoversche Allgemeine Zeitung* that the euro zone had become more resilient in recent years and could not be "*blackmailed*" according to Reuters. A spokesman for German Chancellor Angela Merkel noted that the German government expects Greece to stick to the terms of its €240bn EU/IMF bailout agreement. Comment: the Euro area will probably strike a deal with Greece in coming months to reduce some of the debt burden, provided that some reforms are implemented and a sensible negotiation process can be delivered by the new government. But the politics will likely be complicated in the run-up to the parliamentary elections on January 25.

>> Back to the Top

France: President Hollande says euro area commitments will be respected – French President François Hollande indicated on Monday during a two-hour programme on French radio that "*if growth is a bit higher it will go towards cutting the deficit. We must cut our debt*". Looking further ahead, he remarked that "*if we get higher growth in 2016 and 2017, that would help jobs, we can see what we can do on taxes*". He acknowledged that "*as long as [GDP] growth is under 1% … France won't cut unemployment*". On **European matters**, Mr. Hollande indicated that he would meet with German Chancellor Angela Merkel on Jan 11 and reiterated that "*Europe must end identification with austerity*". On the subject of **Greece**, Mr. Hollande noted that "*Greeks are free to choose their destiny, but there are commitments that must be respected*". Comment: Mr. Hollande appears more combative at the start of 2015 and hoping that the combination of a lower Euro, lower oil prices, the implementation of the '*Responsibility Pact*' lowering employers' social security contributions from Jan 1 2015 and record low borrowing costs will deliver the spark that the French economy needs to generate faster GDP growth and lead to a small drop in unemployment during the course of the year.

>> Back to the Top

Greece: poll shows Syriza lead narrowing to three points – A survey conducted by Marc for Alpha TV released on Friday showed that Syriza would get 28.1% of the vote if an election were held now, versus 25.1% for PM Antonis Samaras's New Democracy party. Support for the co-ruling Socialists was 4.6%. Another poll conducted by the Rass polling agency and published in the Sunday edition of the *Eleftheros Typos* newspaper showed that Syriza would garner 30.4% of the vote if elections were held today and ND would follow with 27.3%, placing the opposition 3.1pp points ahead of ND, versus 3.4pp in the last poll. The Rass poll also shows 74.2% think the country should remain within the eurozone at whatever cost, and another 41% fear the consequences of Alexis Tsipras being elected PM versus 38.1% saying that it would give them hope. Asked about their opinion on former PM George Papandreou's plan to form a new party "*Movement for Change*", only 6.1% said they would trust him. Reuters reported that Syriza leader Alexis Tsipras had indicated on Saturday that "*quantitative easing by the ECB with direct purchases of government bonds must include Greece*" while repeating that "*austerity is both irrational and destructive. To pay back debt, a bold restructuring is needed*", making allusions to the debt restriction that benefited Germany in 1953. Comment: Greek left-wing opposition party Syriza's poll lead over the ruling conservatives has narrowed slightly to 3 percentage points (pp) compared to 3.5pp a week earlier.

lower petrol prices, ongoing weakness in food prices (reflecting declines in producer prices and import prices for foods), plus pressure on retail margins from the buildup in retail inventories in November, we expect CPI inflation to fall to only about 0.5% YY in the December data, triggering the first of several open letters from the BoE Governor. If oil prices stay at current levels, CPI inflation is likely to fall to a low of perhaps 0.3% YY in early 2015, with an annual average of about 0.6% YY for 2015 as a whole, the lowest for decades.

Michael Saunders

Norway — Low Oil Price Could Fuel Additional Norges Bank Rate Cut(s)

16 December 2014

The continued downward trend in oil prices means not only lower growth, but also increased risk of a more pronounced downturn in the Norwegian economy. If oil prices stay at current levels or drift even lower, this probably would prompt Norges Bank to cut interest rates further, likely as soon as March (the next policy meeting).

Tina Mortensen

Sweden — Riksbank Is Considering Additional Measures Next Year

16 December 2014

There are three important points in today's Riksbank statement. First, while keeping its repo rate unchanged at 0.00%, the Riksbank lowered its conditional interest rate path further; initial tightening has been postponed from mid-2016 to 2H-2016. Second, the Riksbank gave a clear signal of its willingness to provide further near-term stimulus. As before, the Bank reiterated that the first measure will be to further postpone initial tightening. But, in addition, it opened the door to further unconventional measures, with the measures under consideration being asset purchases, loans to banks, a negative repo rate or currency intervention. Third, the Riksbank gave what may be a nod towards a form of state-contingent forward guidance, with a hint that it will keep rates on hold until

>> Back to the Top

Latest Issues of Sovereign Debt Update

Syriza's Tsipras Wants Negotiated Debt Solution, Committed to Euro

19 December 2014

Greece's Tsipras wants "negotiated" solution on debt, remains committed to euro. EU Council conclusions on EFSI - welcomed by Draghi. ECB Minutes to be released 4 weeks after monetary policy meetings. EA construction output rises. Germany's ifo business climate improves. France: faster GDP growth likely from lower EUR/USD, oil, and low funding costs. Italy's Napolitano confirms planned resignation. Spain's NPL ratio falls. Portugal's economic activity indicator rises. Next edition due 5 Jan 2015

Guillaume Menuet | Ebrahim Rahbari | Antonio Montilla

ECB's Coeuré Downplays Obstacles to QE

18 December 2014

ECB's Coeuré on broad consensus and legal responsibility. France to call for better adapted EU economic policy. Italy's GDP to rise by 0.5% in 2015 says Confindustria. Italy's FinMin keeps €10bn privatisation target. Spain's govt to give regions better financing conditions. Spain's trade balance deteriorates. Greece: first round fails to elect president, opinion poll shows Syriza ahead. EA inflation slowdown - see our latest inflation profiles. Switzerland's SNB sets negative interest rates.

Guillaume Menuet | Ebrahim Rahbari | Antonio Montilla

First Round of Greek Presidential Election Today

17 December 2014

First round of Greek presidential election today. ECB's Coeuré warns that budgetary uncertainty harms effectiveness of monetary policy. Euro Area flash PMIs improve marginally in Dec. Weidmann says whole row of economic reasons against QE. German ZEW survey improves. Italy's President Napolitano says he may retire in early 2015. Italy: Jobs Act decrees to be adopted on Dec 24, says Renzi. Italy's goods exports rise. Spain's fiscal watchdog Airef: nine regions may breach 2015 fiscal targets.

Ebrahim Rahbari | Guillaume Menuet | Antonio Montilla

ECB's Visco: Fresh Inflation Declines Would Require Rapid QE Launch

16 December 2014

ECB: Visco says fresh inflation declines would require rapid QE launch, Nowotny says broad economic conditions will be key input in any QE decision. Bundesbank advocates sticking to EU fiscal rules. Italy's PM Renzi meets former PM Prodi, reportedly discussing potential presidential candidacy of Mr Prodi. Spain's government approves new benefit for long-term unemployed. EU's Moscovici says for Greece not to repay debt would be "suicidal". Greece: Syriza lead narrows in new poll.

Antonio Montilla | Guillaume Menuet | Ebrahim Rahbari

Greece: Syriza's Lead Narrows in Two Opinion Polls

15 December 2014

Greece: Syriza's lead narrows, FinMin applies for precautionary credit line. ECB's Draghi to ask for reforms at EU Council meeting. ECB relaxed about low TLTRO take-up, SSM endorses bank capital plans. Weidmann says QE advantages don't outweigh costs. German FinMin: balanced budgets through 2018. France: Poll

CPIF inflation is close to the 2%-target. Our base case is for a cut to a negative repo rate, plus a clear shift to state-contingent forward guidance.

Tina Mortensen

Euro Economics Weekly — Will Political Risk Matter in 2015?

12 December 2014

Recent developments in Greece have highlighted political risks in the Eurozone. The situation in Greece is unique and we do not expect events there to trigger a major crisis in the Eurozone, but political risks are likely to rise in the Eurozone more broadly in 2015. In Greece, Syriza could become the first non-mainstream party in the Eurozone to lead a government, should early elections take place in January 15. In Spain, the popularity of the leftist Podemos party is rising, but we do not expect it to be part of the next Spanish government. In Portugal, an opposition victory is still likely to lead to another mainstream coalition. The large rise in political fragmentation in the Eurozone implies weaker mandates for governments, raises the risk of political inaction and instability, and increases the likelihood of market- and business-unfriendly policies. Such risks are likely to rise further even after 2015.

Ebrahim Rahbari | Tina M Fordham | Guillaume Menuet | Michael Saunders | Antonio Montilla

UK Economics Weekly — Looking Back…What Were The Surprises of 2014?

12 December 2014

For the second year in a row, the UK has had the opposite of stagflation, with above-consensus real GDP growth and below-consensus inflation. 2014 saw the biggest inflation undershoot (versus consensus) of the last 25 years. The labour market again proved surprisingly flexible, with below-consensus pay growth (fourth year in a row) and below-consensus unemployment (third year in a row). We expect many of these themes will carry over into 2015, with the oil price collapse helping to ensure above-consensus real GDP growth, very low inflation (we expect CPI inflation will average just 1.1% in 2015) and another

confims voters' appetite for reforms. Italy: 60% participation in General Strike. Spanish banks' borrowing from Eurosystem falls. Portugal: opposition PS ahead of ruling coalition - poll.

Guillaume Menuet | Ebrahim Rahbari | Antonio Montilla

>> Back to the Top

Macroeconomic Research

Foreign Exchange Forecasts — Forecast Updates – December 2014

18 December 2014

This is an abridged version of the Citi Foreign Exchange Forecasts for December, with the next full update expected around 16 January 2015. Please also see Foreign Exchange Forecasts – November 2014. We continue to forecast USD strength across the board but noticeably more so in G10 space than in EM. Over 6-12m, we expect around 12% USD upside, rising to 20% over the long term. Versus the average of EM currencies, long term gains are expected to be around 5% with most of that seen over the next 6-12m.

Jeremy Hale

Europe: Monthly Inflation Profiles For Selected Countries

17 December 2014

Updated monthly inflation forecasts for Euro Area, Germany, France, Italy, Spain, UK, Sweden and Switzerland.

Ann O'Kelly | Michael Saunders | Guillaume Menuet | Ebrahim Rahbari | Tina Mortensen

European Economic Forecast Highlights, December 2014

3 December 2014

This companion to the December issue of Global Economic Outlook and Strategy - Prospects for Economies and Financial Markets in 2015 and Beyond gives more detailed forecasts for the main European countries to 4Q16. Figures 21-22 give annual forecasts to 2018 for growth, inflation, current balance, fiscal balance, primary balance and government debt and Figure 23 shows the change in forecasts from last month. Figure 24 shows forecast unemployment to 2019, and Figures 25-27 compare our forecasts with those of other institutions.

Ann O'Kelly | Michael Saunders | Guillaume Menuet | Ebrahim Rahbari | Tina Mortensen

Global Economic Forecasts — December 2014

3 December 2014

This file shows summary forecasts as published in Citi's Global Economic Outlook and Strategy

Michael Saunders

Global Economic Outlook and Strategy — Prospects for Economies and Financial Markets in 2015 and Beyond

1 December 2014

In this "Prospects" edition, Citi's research team presents updated forecasts for economies, interest rates, FX rates, commodity prices and sovereign ratings around the world for 2015 and beyond. Overview essays discuss the drift into secular stagnation, whether globalization is stalling, political issues for 2015, emerging market strains, advanced economy "low-flation" and long-run projections for the size of major economies. We are cutting 0.1 percent off our global growth forecast for 2015 and 0.2 percent off for 2016, and expect only a modest pick-up in global growth in 2015, led by advanced economies. Major monetary policy divergence is likely, with QE by the ECB and BoJ, widespread

sharp drop in unemployment. But, unlike the last few years, we expect 2015 will also see a marked rise in real wages. We wish all our readers a Merry Christmas and a Happy New Year. The next edition of UK Economics Weekly will be published week commencing 5 January 2015.

Michael Saunders | Ann O'Kelly

Sweden — Riksbank Forecast: Stable Rate, Lower Rate Path

12 December 2014

The Riksbank gathers for its two-day monetary policy meeting on Monday (15 Dec), and will announce its interest rate decision on the following day. After the 25bp rate cut in October, we expect a unanimous Riksbank to leave the repo rate unchanged at zero percent next week. As the Riksbank has emphasized little tolerance for downside surprises to inflation, we reckon that the downward pressures on the Bank’s CPIF inflation forecasts from lower oil prices and the decline in Prospera wage and inflation expectations on all horizons from already depressed levels in December will sit uncomfortably with the Riksbank. In turn, we expect the Central Bank to lower its conditional interest rate path in the December Monetary Policy Update, postponing initial tightening by one quarter to 3Q 2016, and revising down the optimal rate path 4Q-17 end-point of 1.75% by around 15-20bp.

Tina Mortensen

>> Back to the Top

nearterm monetary easing across emerging markets, but (in late-2015) tightening by the Fed and BoE. We forecast further major USD appreciation, breaching €1.10/$ and ¥125/$ in 2015, with levels of €1.00/$ and ¥135/$ likely over the next 2-3 years.

Willem Buiter | Guillermo Mondino | Michael Saunders

Emerging Markets Macro and Strategy Outlook — Prospects For 2015 And Beyond

1 December 2014

EM's prospects in 2015 will be governed by familiar themes: i) China's slowdown and its consequences; ii) the impact of falling commodity prices; and iii) the prospect of US monetary tightening. EM will face a challenging, though not insurmountable, year. After all, returns from (and flows into) EM were positive in 2014 in spite of a wide set of challenges. Weaker commodity prices in EM the last few quarters have had a notable effect on macroeconomic performance across the group of EM commodity exporters; so it is now possible to argue that a principal dividing line in EM is between manufacturing-based economies and commodity-based ones. On balance we expect EM spreads to widen by 15bp next year but with significant volatility, and with particular difficulty for quasi-sovereigns. In local markets, our themes are broadly negative on EMFX and more constructive on duration.

Guillermo Mondino

>> 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. 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	Guillaume Menuet; Ebrahim Rahbari; Jeremy Hale; Tina M Fordham; Antonio Montilla; Michael Saunders; Ann O'Kelly; Peter Goves; Tina Mortensen
Citigroup Global Markets Inc	Willem Buiter; Guillermo Mondino

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.

Important Disclosures for Bell Potter Customers: Bell Potter is making this Product available to its clients pursuant to an agreement with Citigroup Global

Markets Australia Pty Limited. Neither Citigroup Global Markets Australia Pty Limited nor any of its affiliates has made any determination as to the suitability of the information provided herein and clients should consult with their Bell Potter financial advisor before making any investment decision.

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 Citigroup Global Markets Australia Pty Limited. (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 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. 1202, 12th Floor, FIFC, G Block, Bandra Kurla Complex, Bandra East, Mumbai - 400051 Corporate Identity Number: U99999MH2000PTC126657 Tel:+9102261759999 Fax:+9102261759961. 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 by the PRA and regulated by the FCA and the PRA. 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/websquare/index.jsp?w2xPath=/wq/fundMgr/DISFundMgrAnalystList.xml&divisionId=MDIS03002002000000&serviceId=SDIS03002002000. 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 Comision Nacional Bancaria y de Valores. Reforma 398, Col. Juarez, 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 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. 399 Interchange 21 Building, 18th Floor, Sukhumvit Road, Klongtoey Nua, Wattana ,Bangkok 10110, Thailand. The Product is made available in Turkey through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere 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 by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. This material may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the PRA nor regulated by the FCA and the PRA 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 authorised by the PRA and regulated by the FCA and the PRA.

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.

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. The printed and printable version of the research report may not include all the information (e.g., certain financial summary information and comparable company data) that is linked to the online version available on Citi's proprietary electronic distribution platforms.
