

S&P Puts Portugal on Negative Credit Watch

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

S&P puts Portugal on negative credit watch, implying a decision on a possible downgrade from the current BB rating is to be made within 90 days.

Italy: Silvio Berlusconi to remain PdL leader even if ousted from parliament.

In a much-awaited TV message to the nation, broadcast just before a Senate committee held a key vote on Berlusconi's impeachment, the centre-right leader announced that he will not leave the political scene and will continue to lead his party even if the parliament eventually decides to strip him of his senate seat.

Comment: an imminent government collapse on Berlusconi's impeachment seems to have been averted, confirming, as we suspected, that it is not in the interest of any of the main political parties, certainly not PdL, to bring early elections any closer at this moment.

Italy: 2013 government deficit to exceed 3% of GDP even with VAT hike, a government source reported to Reuters.

Italy: government to announce privatisation plans before October.

Spain: non-performing loans rose to 11.97% of total lending in July, from 11.63% in June.

Germany: FDP wants to get rid of ESM and is criticised by CDU politicians.

Süddeutsche Zeitung reported that the FDP party's electoral programme called for the abolition of the ESM in the future, once a "functioning stability union with effective sanctions for excessive public debt" had been created. Various CDU politicians criticised the FDP's decision.

Two German industry associations support FDP.

Germany: FM Schäuble and Deputy FM Rösler criticise AfD. German FM Schäuble said to *Zeit Online* that he had "no time for these people who are seemingly stuck in the remote past" and accused the eurosceptic AfD of scaremongering. Deputy FM and FDP party head Rösler said that a coalition with the AfD was out of the question.

German industry proposes energy reform, *Handelsblatt* reports.

US – FOMC. The FOMC's announcement yesterday that asset purchases will remain at \$85 billion for now was not our call. While we still believe that the start of tapering may be resolved by year-end, we can't rule out a lengthier debate dragging into next year. For more, see **Comment on FOMC Decision: Accommodation Full Speed Ahead**

Today's News in Detail

Portugal – S&P puts Portugal on negative credit watch, implying a decision on a possible downgrade from the current BB rating is to be made within 90

19 September 2013

Ebrahim Rahbari
+44-20-7986-6522

Giada Giani
+44-20-7986-3281

Guillaume Menuet
+44-20-7986-1314

Economics

Western Europe

Industrialised G7 Countries

Recent Research

Central Europe Macro View — CEE vulnerability: Now on safer ground?

CEEMEA

Although since 2008 Central Europe has been perceived as one of the regions potentially most vulnerable to external shocks, CEE FX actually performed relatively well in the most recent period of EM sell-off. This relative resilience may be due to high real rates and the fact the region has undergone a large current account adjustment in recent years. Although 'flow vulnerabilities' have diminished considerably in CEE, the region hasn't yet corrected its stock vulnerabilities. Hence, although CEE appears now to be on safer ground than in 2008 and capable of withstanding even large temporary shocks, we believe that, in the event of large and sustained outflows of capital from EM, Central Europe (and in particular Hungary and Poland) is likely to be affected as well.

Piotr Kalisz +48-22-692-9633

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.

days. *"The CreditWatch placement reflects our view that there are rising risks to Portugal's ambitious fiscal consolidation objectives and an increased likelihood of noncompliance with the current EU/IMF program,"* S&P said. S&P mentioned the challenges raised by the Constitutional Court to the government's fiscal reforms. S&P said there was 50% probability that it could lower Portugal's ratings in the next few months *"if fiscal performance falls short, if reform plans falter, if official support waivers, or if increased political tensions lead to delays in 2014 budget or program reviews"*. Comment: the S&P warning comes just as the troika has started work in Lisbon. The Portuguese government is trying to achieve another relaxation of the fiscal targets, setting next year's deficit target at least at 4.5% (from the current 4.0%), while the main Socialist opposition party has called for even a higher deficit of 5.0%. The current troika review is crucial as it will have to assess whether Portugal will be able to make a significant progress in its economic adjustment programme in 2014 and possibly return to sole market financing in H2 14 when the financial helpline ends in June next year. We doubt that with still major doubts about a high and rising public debt ratio Portugal will be able to get by without a second bailout programme.

[>> Back to the Top](#)

Italy – Silvio Berlusconi to remain PdL leader even if ousted from parliament. In a much-awaited TV message to the nation, broadcast just before a Senate committee was holding a key vote on Berlusconi's impeachment, the centre-right leader announced that he will not leave the political scene and will continue to lead his party even if the parliament eventually decides to strip him of his senate seat. The speech focused on re-launching Berlusconi's first political party Forza Italia (first launched in the early Nineties) and on attacking the judicial system for continuous attempts to end his political career. Crucially, no mention has been made of a possible withdrawal by his PdL party from the coalition government – something that had reportedly been feared in the past few days. Instead Berlusconi said his ministers in the government are prepared to fight to reduce the fiscal burden and to liberalise the economy. The video was broadcast just before a vote in the Senate committee rejected the PdL proposal to refer Berlusconi's impeachment case to the High Court, which would have delayed any decision by some time. PdL (and Northern League) senators walked out of the committee before the vote took place in protest, while all the other parties voted against the PdL proposal. While this was not the final word on the case, yesterday's rejection of PdL's case is widely considered as a signal that the committee, and in a few weeks the vote in the Senate, will favour stripping Mr. Berlusconi of his Senate seat. Comment: an imminent government collapse on Berlusconi's impeachment seems to have been averted, confirming, as we suspected, that it is not in the interest of any of the main political parties, certainly not PdL, to bring early elections any closer at this moment. However, major sources of political instability remain, as the governing coalition is very fragile and still dependent on the still unclear outlook on Silvio Berlusconi's political career.

[>> Back to the Top](#)

Italy – 2013 government deficit to exceed 3% of GDP even with VAT rate hike, a government source reported to Reuters. According to a draft budget report, the government sees the fiscal deficit coming in at 3.1% of GDP this year, although the source said it is committed to do what it takes to make sure it does not exceed the 3% threshold. The deficit projection presumes that the planned VAT rate hike from 21% to 22%, scheduled for Oct. 1, will not be averted. Strong demands from within the governing coalition have called for the VAT rate hike (which has already been postponed from July to October) to be cancelled. PM Enrico Letta has said the government is trying to find funding to cancel it. Comment: the VAT rate hike due to kick in in about two weeks is bound to become another major source of divergence within the governing coalition, with

UK — MPC Minutes – No Rate Protest

The MPC minutes show a 9-0 vote for no change in either Bank Rate or QE, and no MPC members judged that any of the knockouts in the guidance framework have been triggered. The MPC judge that growth prospects are at least as good as expected in the August Inflation Report. Partly in light of the improvement in growth prospects, the MPC do not make any serious protest at the rise in market rates.

Michael Saunders +44-20-7986-3299

UK — CPI Inflation Edges Down, RPI-CPI Wedge Rising

CPI inflation edged down to 2.7% YY in August from 2.8% in July, in line with the consensus but a tenth below our forecast. We expect CPI inflation to average around 2% next year. However, RPI inflation probably will prove stickier and, as this month, the wedge between RPI and CPI inflation is likely to expand further. A particular factor in this trend is the RPI housing depreciation component.

Michael Saunders +44-20-7986-3299

Euro Economics Weekly — Loan Dynamics: Renaissance by Year-End

Ample and cheap credit is a thing of the past in most euro area countries, with negative flows being the norm. However, the acute deleveraging phase is probably over. Improvements in lending standards and loan demand trends should resurrect bank lending in coming quarters, even if flows will likely amount to a trickle.

Guillaume Menuet +44-20-7986-1314

UK Economics Weekly — Scenarios for the Jobless Rate

The latest labour market data leave the interest rate debate finely balanced. Our base case remains that a rebound in productivity, coupled with inflows of foreign workers, rising participation rates and some reabsorption of part-time workers into full-time work will cause the jobless rate to be sticky on the way down, not falling to 7% until 2016-17.

PdL ready to fight for its cancellation as much as it did for the scrapping of the IMU property tax. We think the headline government deficit will exceed the 3% target in 2013 – probably by around 0.5pp – rising from 3.0% in 2012. We think this will imply an unchanged structural deficit (at 1¼ % of GDP) or possibly even a small deterioration (i.e. fiscal loosening) in structural terms. We argue Italy cannot afford to loosen fiscal policy when its debt to GDP ratio is above 130% of GDP and rising.

[>> Back to the Top](#)

Italy – government to announce privatisation plans before October. The Italian government will today present a draft law – called “*Destinazione Italia*” – to promote foreign direct investment in the country. Among other measures, the draft will reportedly contain indications of which stakes in public companies the government intends to divest itself. Another measure will aim to improve credit conditions for SMEs via favouring the issuance of debt instruments also by SMEs and via better incentives for investing in stocks, in order to diversify the sources of funding away from exclusively bank lending.

[>> Back to the Top](#)

Spain – non-performing loans rose to 11.97% of total lending in July, from 11.63% in June. However, the pace of increase in non-performing loans continued to slow in July, to 3.1% YY from 4.9% YY in June and from 40% YY in July 2012. The contraction in lending to the non-bank private sector continued at a fast speed of 13.1% YY and 10.2% in quarterly annualised terms. **Comment:** bank deleveraging has been gathering pace in recent months, probably favoured by the transfer, earlier on in the year, of bank assets to the bad bank.

[>> Back to the Top](#)

Germany: FDP wants to get rid of ESM and is criticised by CDU politicians. *Süddeutsche Zeitung* reported that the FDP’s electoral programme called for the abolition of the ESM in the future, once a “*functioning stability union with effective sanctions for excessive public debt*” had been created. Various CDU politicians criticised this decision. CDU deputy parliamentary group head Meister said that the ESM was a pillar for the necessary further development of the currency union, including for example a banking union. He noted that the ESM was explicitly a permanent mechanism to stabilise the euro, but that it was important that the ESM in each case provided support only in a temporary, limited and conditional manner. FDP general secretary Döring rejected accusations that the FDP had a change of position on the issue, saying that the party had approved this position in a party congress in 2012 and that its coalition partner was aware of the FDP’s position, which was also not to be interpreted as a reaction to the euro-skeptic AfD party. **Comment:** The FDP is unlikely to have a major say in future crisis policy, even if it forms part of the next German government.

[>> Back to the Top](#)

Two German industry associations support FDP: The head of the association of German family firms and of the young entrepreneurs’ association have pledged their support for the FDP party, the junior party in Chancellor Merkel’s ruling coalition, for the upcoming coalition. They noted to *Handelsblatt Online* that the FDP was “*despite all of its weaknesses*” best able to “*explain and maintain the competitiveness of German industry and economy*”. The association heads warned of a focus on redistribution and said that a Grand Coalition would be unlikely to lead to progress in Germany and would only strengthen the extremist elements in politics.

[>> Back to the Top](#)

Germany: FM Schäuble and Deputy PM Rösler criticise AfD. German FM Schäuble said to *Zeit Online* that he had “*no time for these people who are seemingly stuck in the remote past*” and accused the AfD of scaremongering.

Michael Saunders +44-20-7986-3299

German elections — Four More Years – A Multi-Asset View

Global, Western Europe

Four more years of Chancellor Merkel. Chancellor Merkel’s CDU/CSU party will most likely be the largest party in parliament by far and Ms Merkel stay Chancellor. Four more years of cautious German Eurozone policy. Popular and institutional constraints cap the potential for any German government to substantially increase its Eurozone support without acute stress.

Ebrahim Rahbari +44-20-7986-6522

Scandi Economics Update —

Norway — A more hawkish Norges Bank — FinMin sees minor adjustments to growth forecasts

Sweden — Riksbank minutes — Riksbank speeches.

Denmark — DNB lowers GDP forecast (again).

Tina Mortensen +44-20-7986-3284

[>> Back to the Top](#)

Deputy FM and FDP party head Rösler said that a coalition with the AfD was out of the question, not least as the AfD would fail to enter parliament. CDU regional head in Hesse Bouffier also ruled out a coalition with the AfD after the regional election in Hesse which is taking place on the same day as the general election (this Sunday). Comment: FM Schäuble's criticism seemed somewhat more convincing and broadly reflects his strong personal pro-European instincts, while the FDP has gradually become more reserved about the euro in particular, as shown above.

[>> Back to the Top](#)

German industry proposes energy reform: *Handelsblatt* reports that the German industrial association BDI has issued a proposal for a comprehensive energy reform, calling on the next German government to agree a reform with the main actors within 100 days after the election on the basis of its proposal. The reform included the creation of a strategic reserve of fossil fuels, and abolishing fixed feed-in tariffs for wind and solar energy. Comment: Some form of energy reform is indeed both relatively urgent and quite likely after the next election, as concerns about rising energy prices and falling industrial competitiveness spread in Germany. For more discussion, see [**German elections - Four More Years – A Multi-Asset View**](#).

[>> Back to the Top](#)

US – FOMC. The FOMC's announcement today that asset purchases will remain at \$85 billion for now was not our call. While we still believe that the start of tapering may be resolved by year-end, the bar is higher than we thought and we can't rule out a lengthier debate dragging into next year. For more, see [**Comment on FOMC Decision: Accommodation Full Speed Ahead**](#)

[>> Back to the Top](#)

Latest Issues of Sovereign Debt Crisis Update

Italy: Risk of Political Crisis Recedes Ahead of Senate Vote

Berlusconi's TV speech today will reportedly not pull the plug on the governing coalition. EC's Rehn criticises Italian fiscal policy decisions. EC's Rehn says Spain has high chances to exit bank bailout programme at year-end. Greece's PM rejects new austerity. ECB monitoring excess liquidity closely. ECB's Praet and Nowotny on upcoming AQR. Cyprus: possible end to capital controls in Jan 2014. Dutch 2014 Budget. German Election: SPD debates post-election course, many voters still undecided

[Giada Giani](#) +44-20-7986-3281

Portugal May Seek A Precautionary Credit Line

Portugal may seek a precautionary credit line at end of current financial assistance programme. IMF approves next tranche of Cypriot programme. Italy's PM Letta says scrapping planned VAT hike is very difficult. Spain's pension reform expected to bring savings of 3.3% of GDP. Spain's Jan-Jul government deficit reaches 5.27% of GDP. German industry calls for credible bank resolution regime. German regions struggle with rising interest costs. German polling institute obtains injunction against AfD

[Giada Giani](#) +44-20-7986-3281

Crucial Week for Italian Government Once Again

Italy's Senate committee holds a crucial Berlusconi vote on Wed. Eurogroup's Dijsselbloem sees no delay on SRM. CSU wins absolute majority in Bavarian election. ECB's Praet on money market rates. Eurogroup rejects fiscal relaxation for Portugal. Spain must extend bailout programme if deficit target missed, says EC. Spain's Rajoy offers Catalonia talks but no independence vote. Spanish govt

approves pension reform. Germany's AfD gains some momentum in polls. French GDP growth and 2014 budget.

Giada Giani +44-20-7986-3281

Italy – Vote on Berlusconi's Impeachment on 18 Sep

Italy: Senate committee set for first vote on Berlusconi impeachment on 18 Sep. ECB's Draghi warns on unwarranted rate levels. Odds rise on Grand Coalition in Germany. EU Parliament adopts SSM legislation. Fed and ECB monetary policy different, says BdF Governor. Italy sees weak industrial output in July, ECB says deficit target for 2013 at risk. Spain's govt set to raise taxes to reach deficit target. Troika returns to Greece next week. Portugal's govt to cut public sector pensions by 10%.

Giada Giani +44-20-7986-3281

ECB Comments on OMT, SRM and Monetary Policy

ECB's Asmussen on OMT, Praet urges progress on SRM, while Knot wants banks over-capitalised. Italian press suggests Berlusconi may resign before impeachment vote. France's 2014 Budget based on 0.9% GDP growth, deficit target of 3.6% of GDP. Germany's FDP warns against Grand Coalition. German economists say OMT illegal. Portugal wants upward revision of 2014 deficit target. Greece's Syriza, Golden Dawn increase vote share. Spain's banks to "gain" additional capital. Slovenia and ESM assistance.

Ebrahim Rahbari +44-20-7986-6522

EU Parliament and ECB Agree on SSM

EU Parliament and ECB reportedly reach deal on SSM. ECB's Asmussen in favour of Minutes publication. Italy: Berlusconi impeachment vote postponed, but uncertainty continues. German Greens struggling in polls. French FinMin to unveil heads of 2014 Budget today. Italy: larger 2Q Q4 GDP decline. Greece posts Jan-Aug primary surplus. Spain's govt mulls raising 2014 GDP forecast. ECB's Coene on Belgian banks. Slovenia's t-bill auction, July IP and company restructuring.

Ebrahim Rahbari +44-20-7986-6522

Macroeconomic Forecasts

European Economic Forecast Highlights — August 2013

Western Europe

This companion to Global Economic Outlook and Strategy - August 2013 contains detailed quarterly forecasts for the main European countries to end 2014. Tables 20-21 give annual forecasts to 2017 for growth, inflation, short-term interest rates, current balance, fiscal balance and government debt. Table 22 shows the change in our forecasts from last month. Figures 23-25 compare current forecasts for each country.

Ann O'Kelly +44-20-7986-3297

Global Economic Outlook and Strategy — August 2013

Global, Pan Asia, GEMS, Americas, EMEA, Asia, Australia

We cut 0.1% off our 2013 global growth forecast this month (to 2.4%), but lift our 2014 forecast by 0.1% to 3.2%. We highlight four key issues that will shape the economic and market outlook in coming months: Fed tapering, Japan's consumption tax hike choices, the EM slowdown, plus renewed focus on issues of longterm fiscal sustainability in various EMU periphery countries. We pencil in the first Fed hike for 2015, with an even longer period of ultra-low rates likely from the ECB, BoJ and BoE.

Willem Buiter +1-212-816-2363

[>> 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.citiverocity.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	Ebrahim Rahbari; Giada Giani; Guillaume Menuet; Michael Saunders; Tina Mortensen; Ann O'Kelly
Citigroup Global Markets Inc	Willem Buiters

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.

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. With the exception of our product that is made available only to Qualified Institutional Buyers (QIBs) and other product that is made available through other distribution channels only to certain categories of clients to satisfy legal or regulatory requirements, Citi Research concurrently disseminates its research via proprietary and non-proprietary electronic distribution platforms. Periodically, individual Citi Research analysts may also opt to circulate research posted on such platforms to one or more clients by email. Such email distribution is discretionary and is done only after the research has been disseminated via the aforementioned distribution channels. Citi Research simultaneously distributes product that is limited to QIBs only through email distribution.

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
