

## Catalonia to Hold Independence Referendum in Nov 2014

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

### Summary

**Spain – Catalonia to hold referendum on independence on 9 Nov 2014**, based on two questions: “Do you want Catalonia to be a State?” and if so “Do you want that State to be independent?”. Spain’s PM Rajoy said yesterday that “this vote will not take place” as it violates the Spanish constitution.

**ECB’s Asmussen highlights limitations of monetary policy** – commenting that “there are limits to what the central bank can do”, adding that we cannot “address by ourselves the underlying root causes of the problems that relate to fiscal and macroeconomic imbalances, a lack of competitiveness, low growth and high unemployment”.

**ECB’s Asmussen and Hansson say ECB stays ready to act again** – Mr. Asmussen reiterated that he would be “very, very cautious” about introducing a negative deposit rate, described as “one tool available”, adding that the ECB stands “ready to act if needed”. Mr. Hansson remarked that the ECB understands “the need to remain vigilant and remain ready to act”.

**Germany: SPD member voting closed** – results due on Saturday afternoon.

**German banks** – complaint about financial transactions taxes in France and Italy. **Fitch sees vulnerabilities** for German banks in AQR according to *Handelsblatt*.

**French fiscal reform** – is creating some angst within the government according to *Le Figaro*, with some cabinet members worrying about the risk of some increase in the tax bill for households earning in excess of €2,500 per month.

**Bank of Italy capital shares re-valuation from 1 January 2014**, says Bol’s Visco, implying the capital boost to banks may not be recorded in the AQR.

**Spanish Senate completes vote on 2014 budget**, and forwards bill for a final vote to be held next week in the Congress of Deputies.

**Spain: final HICP confirmed at 0.3% YY in November** – up from 0.0% in Oct.

**Greece: Jan-Nov central government primary surplus at €2.7bn** – 1.5% of GDP, €1.2bn net of ECB transferred profits.

**Portugal** – troika’s 10<sup>th</sup> review calls for more wage flexibility, but not a reduction in minimum wage. PM Coelho says no talks on precautionary plan at this stage.

**Euro area IP disappoints again in Oct** – falling by 1.1% MM (Mkt. +0.3%). A payback likely in Nov-Dec, but a negative carry over leaves little room for pickup in GDP growth in Q4 (after +0.1% QQ in Q3).

**Slovenia: Results of AQR and Stress Test**. See **Bank results: Total gap in banks at €4.8bn, but government injection at €3bn of which €2bn in cash. Partial bail-in**.

13 December 2013

Guillaume Menuet  
+44-20-7986-1314

Giada Giani  
+44-20-7986-3281

Ebrahim Rahbari  
+44-20-7986-6522

Economics

Western Europe

Industrialised G7 Countries

### Recent Research

**Slovenia Macro Flash — Bank results: Total gap in banks at €4.8bn, but government injection at €3bn of which €2bn in cash. Partial bail-in.**

12 December 2013

AQR and Stress Test results – Three largest state-owned banks will get new capital of €3bn, 81% of their gap in capital in the adverse stress test scenario. Two third of this will be in cash, rest in marketable government bonds (€0.9bn) and bail-in of subordinated instruments (€441mn). This scenario shows a total gap of €4.8bn in all eight Slovenian banks reviewed, which suggests €1.1bn in the remaining five banks, of which €0.7bn is for two small local banks (rest are foreign banks).

Jaromir Sindel

**Sweden — Ongoing Low Inflation Supports December Rate Cut**

12 December 2013

With ongoing sizeable undershoots in core inflation vs. the Riksbank’s forecast

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

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

## Today's News in Detail

### Spain – Catalonia to hold referendum on independence in November 2014.

Catalonia's political parties agreed to hold a referendum on independence on 9 November 2014, the head of the regional government Artur Mas said yesterday. Mr Mas noted that the referendum will contain two questions: “*Do you want Catalonia to be a State?*” and if so “*Do you want that State to be independent?*”. Spain's PM Mariano Rajoy noted yesterday that the government cannot allow a referendum in Catalonia as this would imply a violation of the Spanish constitution, reiterating that “*this vote will not take place*” with no talks possible, as a constitutional reform will be necessary before Catalans can legally vote for independence. Comment: recent polls suggest independence supporters currently lead with about 50%-55% of the vote, while opponents are about 40%-45%. It seems very likely however that the referendum will not be sanctioned by the central government, implying that any results will be considered invalid. Even if the referendum takes place, Catalanian independence remains quite unlikely in our view, partly due to legal and procedural reasons with Madrid, but also due to the current economic environment in the region. In addition, there remain questions about Catalonia's EA and EU membership that would call into question the viability of an independent Catalanian economy. In our view, more fiscal autonomy within Spain may on balance still be more likely than independence, as it offers many of the advantages while avoiding some of the large risks and potential costs that independence might bring.

[>> Back to the Top](#)

**ECB's Asmussen highlights limitations of monetary policy** – ECB Executive Board member Jörg Asmussen commented in a speech in Belgrade that “*there are limits to what the central bank can do*”, adding that we cannot “*address by ourselves the underlying root causes of the problems that relate to fiscal and macroeconomic imbalances, a lack of competitiveness, low growth and high unemployment*”. Mr. Asmussen noted that “*an immediate priority in the euro area is to repair the balance sheets of commercial banks, where necessary*”.

Comment: Mr Asmussen is suggesting that the ECB has done more than its fair share for the system to survive the crisis, having supported banks in order to avoid catastrophic outcomes. The limits to monetary policy are clear, putting the onus on politicians to meet their part of the bargain, with an obvious focus on competitiveness, growth-enhancing structural reforms and completing banking union.

[>> Back to the Top](#)

**ECB's Asmussen and Hansson say ECB stays ready to act again** – ECB Executive Board member Jörg Asmussen reiterated that he would be “*very, very cautious*” about introducing a negative deposit rate, described as “*one tool available*”, adding that the ECB stands “*ready to act if needed*”. He expressed optimism about the Single Resolution Mechanism (SRM) being agreed by Christmas. ECB Governing Council Member and Estonia's Central Bank Governor Ardo Hansson remarked that the ECB understands “*the need to remain vigilant and remain ready to act against possible new risks to financial stability*”. Comment: we agree that the door remains open to further action, especially in the event of some downside risks to the ECB's inflation trajectory, which we anticipate will be the case by the end of 2Q-14. We believe that the ECB will resort to lowering the deposit rate into negative territory, aiming to reach the twin objectives of supporting bank lending and weakening the euro.

[>> Back to the Top](#)

**Germany: SPD member voting closed, results due Saturday afternoon.** The voting period for the SPD party referendum on its coalition agreement with the

(0.4pp in both Oct and Nov), we reckon the Central Bank will be forced to revise its inflation forecast markedly lower in the December Monetary Policy Update, supporting our call for a December rate cut. Market pricing now discounts around an 80% probability of December easing, up from 50% prior to today's release.

Tina Mortensen

### Norway — Government Sets Countercyclical Capital Buffer At 1%

12 December 2013

The government has just announced that it will set the counter-cyclical capital buffer at 1% with effect from 1 July 2015.

Tina Mortensen

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

6 December 2013

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

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

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

6 December 2013

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

CDU/CSU closed at midnight. *Handelsblatt* reports that the votes are now being brought to Berlin and that SPD party head Gabriel plans to announce the results on Saturday afternoon. The newspaper notes that more than 300,000 party members voted (out of roughly 470,000 members in total) in the referendum, but that roughly 10% of the votes were invalid. Comment: our base case is that the vote will approve the coalition agreement. If the party base rejects the coalition agreement, it is likely that Chancellor Merkel will ask the Green Party to take up coalition talks, but political uncertainty would be prolonged in that case, and new elections would become a distinct possibility.

[>> Back to the Top](#)

**German banks file complaints against financial transactions taxes in Italy and France.** *Handelsblatt* reports that six German associations of financial sector companies have filed complaints to the European Commission about the financial transaction taxes that France and Italy have introduced in recent years. A spokesman for DSGV (association of German savings banks and giro associations) noted that the objective was to obtain “*legal clarity*” on these measures, as the tax was levied even on German investors and even if the transaction took place in Germany. Comment: the coalition agreement between CDU/CSU and SPD includes support for a European financial transactions tax and the European Commission is due to present a revised proposal on it in the next few months.

[>> Back to the Top](#)

**Fitch sees vulnerabilities for German banks in ECB AQR.** *Handelsblatt* reports that a Fitch study concluded that German *Landesbanken* and institutions exposed to commercial property, shipping or renewable energy would be among the more vulnerable institutions in the upcoming ECB comprehensive bank assessment (asset quality review (AQR) and stress test). However, the study still concluded that even most of the *Landesbanken* were sufficiently capitalized, and that they would only have a capital shortfall if strict assumptions were applied in the assessment.

[>> Back to the Top](#)

**French fiscal reform** – *Le Figaro* writes that the decision by French PM Jean-Marc Ayrault to launch a wide-ranging fiscal reform is creating some angst within the government, with some cabinet members worrying about the risk of an increase in the tax bill for households earning in excess of €2,500 per month. While an overview of the aims of the reform should be made around May or June, the newspaper is suggesting that concrete steps will be unveiled only in 2015 and 2016. Comment: transparency about the aims of the reform will be the key to its success, in our view. It will be very difficult to lower fiscal pressure on households without a major review of public spending to announce clearly visible cuts in some public services, rather than the usual raft of spending adjustments and savings.

[>> Back to the Top](#)

**Italy – Bank of Italy capital shares re-valuation will be implemented from 1 January 2014**, Bank of Italy governor Ignazio Visco said yesterday in a speech on the issue to the Italian Parliament. The Italian government has recently passed a decree law to increase the historical value of the capital shares in the central bank, largely held by Italian major banks, from €156k to more than €7bn. The move will help boost the capital position of Italian lenders. Mr Visco said the move will improve transparency on Bank of Italy's stakeholders and it will come into effect from the beginning of 2014. Comment: the introduction in January 2014 will probably not allow the capital boost to be recorded in the snapshot taken at the end of this year for the upcoming Asset Quality Review.

[>> Back to the Top](#)

Michael Saunders | Ann O'Kelly

## Scandi Economics Update — Low and Undershooting Inflation Supports December Rate Cut

13 December 2013

**Sweden** — Ongoing low inflation supports Dec rate cut — November house prices.

**Norway** — Government sets countercyclical capital buffer at 1% — Norges Bank issues its Financial Stability Report 2013 (11.00 UK time).

**Denmark** — Delegation to Brussels to defend mortgage system

Tina Mortensen

[>> Back to the Top](#)

**Spanish Senate completes vote on 2014 budget**, and has forwarded the bill for a final vote in the Congress of Deputies with only minor changes. A final vote in the Congress, where ruling Partido Popular party holds a full majority, is expected to take place next week.

[>> Back to the Top](#)

**Spain – Final HICP confirmed at 0.3% YY in November, up from 0.0% in October**, INE reported this morning. The national CPI measure rose to 0.2% YY, from -0.1% YY in Oct. The CPI breakdown details showed the increase was mainly driven by a reduction in the pace of decline of energy inflation (from -2.7% YY in Oct to -0.7%YY in Nov, reflecting unfavourable base effects). Core inflation remained subdued (0.3% YY in Nov vs. 0.2% YY in Oct) on the back of still ample spare capacity and subdued commodity prices in Nov, while the drop in fresh food prices continued to eased further in Nov (after upward tensions during the summer). Comment: the marginal pickup in inflation in November was mainly due to unfavourable base effects in the energy component. We project inflation to remain very low also in 2014.

[>> Back to the Top](#)

**Greece – Jan-Nov central government primary surplus at €2.7bn (1.5% of GDP)**. The primary surplus excluding revenues from the repatriation of ECB/Eurosystem profits on Greek bonds was €1.2bn (0.7% of GDP). For the purpose of the programme the ECB profits will not be accounted for in the deficit calculation. Ordinary budget revenues were down by 0.4% YY in the Jan-Nov period relative to last year, or down by 4.0% when the ECB profits are not included. Primary spending was down 7.3% YY. Comment: while the pace of reduction in primary spending has slowed down in recent months, Greece should be able to deliver a primary budget surplus by the end of the year, in line with the commitment taken with European lenders at the end of 2012. A primary surplus was a precondition for European lenders to agree on a new round of debt relief on Greek official loans.

[>> Back to the Top](#)

**Portugal – troika's 10<sup>th</sup> review calls for more wage flexibility, but not a reduction in the minimum wage**, *Diario Economico* reports. The last IMF review of the Portuguese programme had suggested that the wage adjustment in the Portuguese economy over the past three years has been fairly limited. The on-going 10<sup>th</sup> review of the programme is expected to end next week.

**Portugal PM Coelho says no talks on precautionary plan at this stage** – Prime Minister Pedro Passos Coelho says in an interview with TVI channel and TSF radio on Thursday that *"the discussion of a possible precautionary program is not on our agenda with the troika yet"*, adding that it is very probable that in subsequent months that there may be *"some interaction"* with the troika and most of all with the Eurogroup and Ecofin to discuss how to conclude the aid program. Bloomberg quoted Mr. Coelho saying that he doesn't rule out exiting the aid program like Ireland without more aid, or exiting aid program with a precautionary program. Comment: while a precautionary credit line is marginally more likely after June 2014, risks of a full second bailout remain high.

[>> Back to the Top](#)

**Euro area IP disappoints again in Oct. Industrial output was down by 1.1% MM in October**, much weaker than general expectations which looked for a rise of 0.3%. The drop follows another one in Sept (-0.2% MM, revised up from -0.4% previously) and leads to a negative carry-over effect for Q4: if IP were to remain flat in Nov and Dec, Q4 IP would report a drop of 0.9% relative to Q3. A payback is quite likely in Nov-Dec, as this is consistent with survey indicators still in expansionary territory. But this would still leave little room for a pickup in GDP growth in Q4 (after +0.1% QQ in Q3).

[>> Back to the Top](#)

**Slovenia: Yesterday saw the results of the Asset Quality Review (AQR) and Stress Test of Slovene banks.** The three largest state-owned banks will get new capital of €3bn (81% of their gap in capital in the adverse stress test scenario). We view it as positive that 2/3 of this hike will be cash, with the rest in marketable government bonds (€0.9bn). The bail-in of subordinated instruments (€441m) will help to cover the total gap in capital. This scenario shows a total gap of €4.8bn in the eight Slovene banks reviewed, which suggests €1.1bn for the remaining five banks, of which €0.7bn would be for two small local banks (the rest are foreign banks). For details, see [Slovenia - Bank results: Total gap in banks at €4.8bn, but government injection at €3bn of which €2bn in cash. Partial bail-in.](#)

[>> Back to the Top](#)

## Latest Issues of Sovereign Debt Update

### ECB's Praet Suggests Risk Weights on Sovereign Bonds

12 December 2013

ECB's Praet suggests introducing risk weights on sovereign bonds in upcoming AQR - FT interview. Debate continues on single bank resolution. Italy's government passes another confidence vote in both chambers. Spain to report primary surplus in 2015 says FinMin. Moody's changes outlook to stable on all Spanish sub-sovereigns. Portugal's 2013 fiscal deficit may beat target, says UTAO. HICP inflation in Portugal and France. Slovenia: results of bank AQR and stress tests this morning.

Giada Giani | Ebrahim Rahbari

### Ecofin Strikes Minimal Deal on Bank Resolution

11 December 2013

Euro area FinMins strike deal in principle on SRM. Germany: strong participation in SPD member referendum on coalition agreement. ECB's Coeuré says new LTRO only when banks in position to lend to private economy. IMF's Lagarde says EA debt crisis not over. Italy's industrial production better than expected. Spain's population continues to shrink in 1H13. Spanish electricity prices may rise 10% in Jan 2014. Bank of Portugal raises GDP forecast for 2014.

Giada Giani | Guillaume Menuet | Ebrahim Rahbari

### Ecofin – Still Searching For Agreement on SRM

10 December 2013

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

Giada Giani | Guillaume Menuet | Ebrahim Rahbari

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

9 December 2013

Italy: Matteo Renzi elected new Centre-Left PD leader with 67.8% of votes in Sunday's primary election. ECB ready to act, says Weidmann. ECB's Coeuré on importance of symmetric inflation target, ECB's Nowotny on the need for growth. French FinMin sees banking union compromise before yearend. Germany: CDU/CSU and SPD face some internal resistance to coalition agreement.



Greece's 2014 budget passed by Parliament, but troika agreement far off.  
Spain's economy has turned corner, says Rajoy.

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

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

**6 December 2013**

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

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

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

**5 December 2013**

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

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

[>> Back to the Top](#)

## **Macroeconomic Forecasts**

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

**5 December 2013**

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

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

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

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

**2 December 2013**

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

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

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

GEMS, Asia, Latin America, CEEMEA, Global

**2 December 2013**

Three questions are likely to dominate investors' thinking about EM in 2014. The

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

**Guillermo Mondino**

[>> Back to the Top](#)

# Appendix A-1

## Analyst Certification

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

### IMPORTANT DISCLOSURES

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

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

### NON-US RESEARCH ANALYST DISCLOSURES

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

Citigroup Global Markets Ltd	Guillaume Menuet; Giada Giani; Ebrahim Rahbari; Tina Mortensen; Michael Saunders; Ann O'Kelly
Citigroup Global Markets Inc	Willem Buiters; Nathan Sheets; Guillermo Mondino
Citibank Europe plc Czech Republic	Jaromir Sindel

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

Pursuant to Comissão de Valores Mobiliários Rule 483, Citi is required to disclose whether a Citi related company or business has a commercial relationship with the subject company. Considering that Citi operates multiple businesses in more than 100 countries around the world, it is likely that Citi has a commercial relationship with the subject company.

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

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

The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted.

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

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

© 2013 Citigroup Global Markets Inc. Citi Research is a division of Citigroup Global Markets Inc. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc. and its affiliates and are used and registered throughout the world. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure of this report (the "Product"), including, but not limited to, redistribution of the Product by electronic mail, posting of the Product on a website or page, and/or providing to a third party a link to the Product, is prohibited by law and will result in prosecution. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient to any third party. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, redisseminated 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

---