Global Market Outlook

March 2016

Risks are rising

- A US recession in the next 12 months is not a central scenario, but the risks have clearly risen since our Outlook 2016 publication in early December. Adding in short-term risks to the outlook for China and oil markets, this makes us more cautious on the outlook for global equities.
- US corporate credit, both Investment Grade (IG) and High Yield (HY) bonds, appears to be pricing in more of the downside risks, in our opinion. We would be looking to increase allocation in this space.
- Alternative strategies are generally attractive in a more volatile and uncertain world, and many of the key drivers for this asset class are positive. We have a preference for equity long/short and global macro strategies.

Perspectives from our Global Investment Council

1 **You entered the year bullish on global equities, but you appear to be more concerned today. Can you explain the rationale for this shift?**

Where we are in the US economic cycle is key. The central scenario is we are some way from the end of the cycle, but the risks have increased. While economic indicators paint a reasonably positive picture, the performance of global equity markets, High Yield (HY) corporate bonds and downward revisions to corporate earnings are flashing amber when it comes to recessionary risks.

On balance, we still expect positive equity market returns. However, uncertainty has increased, especially as equities have discounted a recession less than many other asset classes, in our opinion. Within equities, we retain our preference for Euro area/Japan markets.

2 **What are the potential catalysts for a change in the outlook?**

The main downside risks are the US heading into a recession or China having a hard landing. Equities generally fall 6-9 months prior to a US recession, while a China hard landing would be a major deflationary force.

USD strength and CNY or oil price weakness are seen as being negative for risk assets, while a change in these trends would likely be positive. A coordinated and credible G7 policy response would be a huge positive for equities, but there are few signs of this so far.

3 **So what is the GIC's outlook for the USD and CNY?**

The USD's rally is expected to be less pronounced, less prolonged and less broad based in 2016. EUR/USD may still fall, but we are more bearish on the AUD given our outlook for lower iron ore prices.

The pressure on the CNY is likely to continue in the short term in the absence of a sharp and broad USD decline.

4 **Oil prices have fallen further so far this year. Are you expecting this to continue?**

Oil markets remain oversupplied, with oil inventories continuing to rise. Therefore, the pressure is on oil prices to decline further.

In the short term, it would likely take a credible production cut or an escalation of conflict in an oil-producing region to push oil prices higher.

Over the long term, we expect demand to pick up, helping oil prices to bottom in the 25-30 area over the next 3-6 months.

5 **Where do you see value in the current environment?**

From a multi-asset investment perspective, we are focusing more on lower volatility, relative strategies. Our preferred asset class is alternative strategies, where a lot of the factors driving performance are supportive.

Within bonds, we have a preference for US corporate credit. US HY bonds are expected to generate positive returns despite an increase in corporate defaults. US Investment Grade (IG) bonds appear to be pricing in a recession, which makes valuations attractive, in our opinion.

The team

Alexis Calla
Global Head, Investment Advisory and Strategy

Steve Brice
Chief Investment Strategist

Aditya Monappa, CFA
Head, Asset Allocation & Portfolio Solutions

Clive McDonnell
Head, Equity Investment Strategy

Audrey Goh, CFA
Director, Asset Allocation & Portfolio Solutions

Manpreet Gill
Head, FICC Investment Strategy

Rajat Bhattacharya
Investment Strategist

Victor Teo, CFA
Investment Strategist

Tariq Ali, CFA
Investment Strategist

Abhilash Narayan
Investment Strategist

Trang Nguyen
Analyst, Asset Allocation & Portfolio Solutions

Market performance summary*

Equity	Year to date	1 month
Global Equities	-6.4%	2.4%
Global High Dividend Yield Equities	-2.7%	4.4%
Developed Markets (DM)	-6.3%	2.4%
Emerging Markets (EM)	-7.3%	2.8%
By country		
US	-4.7%	4.0%
Western Europe (Local)	-8.3%	-1.4%
Western Europe (USD)	-9.0%	-0.8%
Japan (Local)	-15.6%	-6.1%
Japan (USD)	-9.9%	-1.2%
Australia	-8.7%	1.3%
Asia ex-Japan	-9.1%	0.3%
Africa	-4.5%	10.4%
Eastern Europe	-2.1%	8.9%
LatAm	-1.9%	11.1%
Middle East	-7.9%	8.9%
China	-15.7%	-2.8%
India	-14.0%	-5.7%
South Korea	-7.6%	-1.9%
Taiwan	-1.1%	7.2%
By sector		
Consumer Discretionary	-7.2%	1.4%
Consumer Staples	0.1%	4.2%
Energy	-3.4%	8.0%
Financial	-12.6%	-0.1%
Healthcare	-7.8%	-1.1%
Industrial	-3.7%	5.8%
IT	-6.6%	1.6%
Materials	-4.7%	8.2%
Telecom	1.2%	4.6%
Utilities	2.2%	5.4%
Global Property Equity/REITS	-4.0%	3.2%

Bonds	Year to date	1 month
Sovereign		
Global IG Sovereign	4.6%	3.6%
Global HY Sovereign	-0.2%	2.2%
EM IG Sovereign	2.3%	2.7%
US Sovereign	3.4%	1.8%
EU Sovereign	5.3%	4.1%
Asia EM Local Currency	2.1%	1.9%
Credit		
Global IG Corporates	1.1%	1.4%
Global HY Corporates	-2.1%	0.3%
US HY	-2.3%	0.2%
Europe HY	-2.0%	0.5%
Asia HY Corporates	-0.3%	0.7%

Commodity	Year to date	1 month
Diversified Commodity	-3.5%	1.7%
Agriculture	-3.2%	-3.0%
Energy	-16.5%	-0.4%
Industrial Metal	-0.2%	4.7%
Precious Metal	15.0%	10.5%
Crude Oil	-8.4%	12.7%
Gold	16.2%	11.3%

FX (against USD)	Year to date	1 month
Asia ex-Japan	-1.0%	0.1%
AUD	-0.7%	4.0%
EUR	1.4%	1.6%
GBP	-5.3%	-2.0%
JPY	6.4%	4.7%
SGD	1.2%	2.0%

Alternatives	Year to date	1 month
Composite (All strategies)	-3.6%	-0.6%
Arbitrage	-3.1%	-0.7%
Event Driven	-4.7%	-0.6%
Equity Long/Short	-6.4%	-1.4%
Macro CTAs	1.6%	0.6%

*All performance shown in USD terms, unless otherwise stated.
*YTD performance data from 31 December 2015 to 25 February 2016 and 1-month performance from 25 January to 25 February 2016
Sources: MSCI, JP Morgan, Barclays Capital, Citigroup, Dow Jones, HFRX, FTSE, Bloomberg, Standard Chartered

Investment strategy

- Financial markets have been volatile since the start of 2016. Within A.D.A.P.T., our positive global equity market view theme has been the main underperformer; diversified income assets and alternative strategies have managed volatility somewhat better.
- Many short-term indicators argue a rebound may be in the offing (or already underway).
- Longer term, though, the path has become increasingly data dependent. The Euro area and Japan remain our preferred equity markets, but in the US, we prefer corporate credit. Alternative strategies offer very attractive exposure amid rising uncertainty.

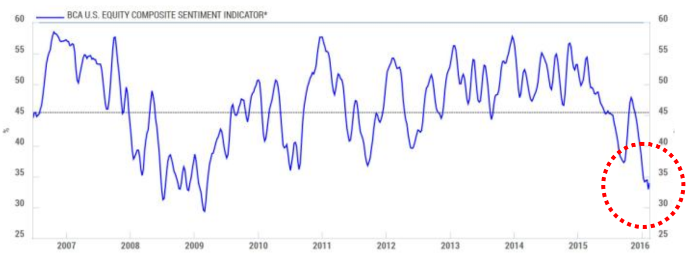
Rebound increasingly likely short term

One of the key themes in our Outlook 2016 was the likelihood of volatility trending higher. This has indeed been the case. However, many short-term indicators suggest markets may continue to rebound over the next few weeks and months:

- Measures of sentiment are only just starting to rebound from extremely negative levels
- Technical indicators argue equity markets could be in the process of forming a near-term base
- Equity and bond valuations are arguably pricing in at least a partial likelihood of a recession. US High Yield (HY) spreads, for instance, are at 2011 'growth scare' levels
- Fund manager surveys show cash holdings are very high (a post-2001 high), suggesting a lot of cash is waiting to be deployed should sentiment improve

Negative sentiment at its most extreme since 2008-09

BCA US equity composite sentiment indicator



Data as of 12-Feb-2016
Source: BCA Research, Standard Chartered

A more balanced long-term outlook

Looking beyond this short-term outlook, uncertainty and downside risks have risen since December 2015. The evolution of macro and market fundamentals data since mid-December last year has been mixed – while many indicators have deteriorated, a few have improved. In our view, this is grounds for a more balanced positioning than before. However, we do not believe conditions have deteriorated sufficiently to justify an outright defensive approach.

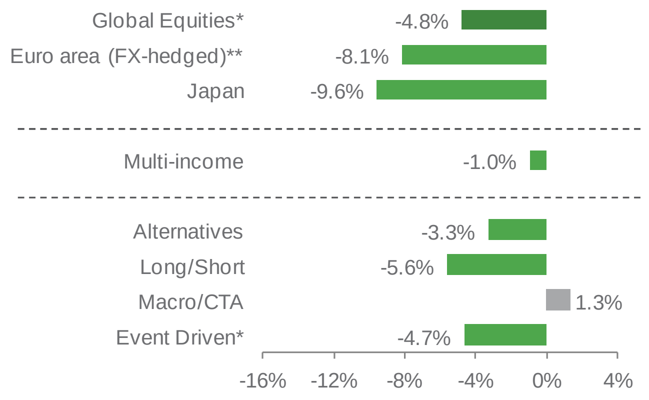
From an investment perspective, keeping a balance is key. Equity exposure remains important, in our view, and we maintain our conviction in the Euro area and Japan. However, we acknowledge the US and China outlook is more clouded than before. Here, we believe US HY bonds offer a more attractive way of gaining exposure – in an optimistic scenario, current markets offer an opportunity to lock in very attractive yields, while in a pessimistic scenario, volatility is likely to be more limited than in equities.

Balancing this with alternative strategies and high-quality corporate bonds remains key to managing uncertainty. We believe US Investment Grade (IG) corporate bonds are in a sweet spot – they usually outperform risky asset classes significantly in pessimistic outcomes (eg, a US recession), but today's attractive valuation levels mean they offer room for gains in a 'risk-on' scenario as well.

Similarly, alternative strategies offer an appealing basket of strategies amid heightened uncertainty. Macro strategies have demonstrated considerable 'insurance value' during periods of volatility (including the last two months). Equity long/short strategies, meanwhile, provide exposure to equities with lower volatility than simple long-only exposure.

Our conviction in equities has narrowed, but the case for multi-income and alternative strategies is largely intact

Performance of A.D.A.P.T. since Outlook 2016***



* Closed on 25-Feb-2016
**FX-hedge removed as of 25-Feb-2016
*** For the period 11 December 2015 to 25 February 2016. Income basket is as described in the Outlook 2016: A year to A.D.A.P.T. to a changing landsacpe, Figure 38 on page 60
Source: Bloomberg, Standard Chartered

Implications for investors

- **Maintain exposure to Euro area and Japan equity markets. Remove FX-hedge.** We are more cautious on global equities than before, but still expect positive returns. Our highest conviction is in Euro area equities, as both macro and market indicators are turning increasingly supportive. Japan's market outlook is also positive. However, the outlook for US and Asian equities is more clouded.
- **Add US corporate bonds.** Inexpensive valuations suggest attractive total returns in an optimistic scenario; in a pessimistic scenario, US HY are likely to be less volatile than US equities and US IG are likely to deliver positive returns.
- **Maintain conviction in alternative strategies.** Equity long/short strategies offer equities exposure with likely less volatility, which we see as valuable amid heightened uncertainty. Macro strategies have demonstrated their value in managing volatility again in the first part of 2016.

Asset class	Sub-asset class	Relative outlook	Start date*
Cash		Underweight	Feb 2012
Fixed Income*	Developed Markets Investment Grade government bonds	Underweight	Jan 2011
	Developed Markets Investment Grade corporate bonds	Overweight	Dec 2015
	Developed Market High Yield corporate bonds	Overweight	Aug 2015
	Emerging Markets USD government bonds	Neutral	Dec 2015
	Emerging Markets local currency government bonds	Neutral	Dec 2015
	Asia USD corporate bonds	Neutral	Feb 2016
Equity	US	Neutral	Feb 2015
	Euro area	Overweight	Jul 2013
	UK	Underweight	Aug 2015
	Japan	Overweight	Nov 2014
	Asia ex-Japan	Neutral	Jul 2015
	Other EMs	Underweight	Aug 2012
Commodities		Underweight	Dec 2014
Alternatives		Overweight	Jun 2013

*Start Date - Date at which this tactical stance was initiated
** Fixed income has been broken out into 6 sub-asset classes (from 4 earlier) as of this publication
Source: Standard Chartered

Economic and policy outlook

- The global economic outlook has become more challenging in recent months, with growth and inflation expectations declining in some developed economies, including in the US.
- The slowdown has led to paring down of expectations for a Fed rate hike; we now expect one hike this year. The ECB and the BoJ are likely to carry through with their promises to further ease policy, perhaps by cutting rates deeper into negative territory, providing support to growth.
- China and the Emerging Markets remain key sources of risk. Coordinated policy action among major developed and emerging economies (through G20 or other forums) would likely revive confidence and ward off deflation risks, but this looks unlikely for now.

We expect the Fed to hold rates in March and tighten policy only once this year.

The global economic outlook has weakened in recent months, with signs of a slowdown in the US, Japan and Emerging Markets (EMs) across Latin America, the Middle East and Eastern Europe. The Euro area and Asia ex-Japan are holding up reasonably well even with the continued slowdown in China's industrial sector. The USD's strength and mining sector's investment cutback are weighing on US growth. However, a strong job market is boosting consumption, which accounts for two-thirds of the economy, reducing the risk of a recession this year.

The sustained oil price decline has lowered inflation expectations in most Developed Markets (DMs). While lower commodity prices are positive for consumers over the medium to longer term, the immediate concern is its impact on the resource sector's investments and jobs, as well as the second-order effects on the financial sector exposed to this industry. We expect oil prices to bottom in the next 3-6 months, which should help alleviate deflation pressures.

Below-trend growth and subdued inflation in DMs should keep monetary policy supportive. We expect the Fed to hold rates in March and tighten policy only once this year. The ECB and the BoJ are likely to lower interest rates further into negative territory in the coming months.

Persistent deflationary pressures after years of stimulus are raising questions about the efficacy of easy monetary policy. Japan's move into negative rates, following similar moves in Europe, has ignited a debate over the implications for global growth and assets. While there is scope for rates to go deeper into negative, there is growing perception the world needs coordinated monetary and fiscal stimulus to revive confidence and overcome deflation risks.

China and EMs remain a key source of risk. The focus will remain on China's ability to stem capital outflows and manage a smooth transition of the economy from investment-led growth towards consumption. We expect China to tighten capital controls in the coming months and keep its currency largely stable against those of its major trading partners. Its success may be critical in reviving global business sentiment.

Key economic indicators

Factor	What has changed since December 2015
Growth outlook	Global growth expectations have weakened. The strong USD and mining investment cuts are hurting US growth, although a strong job market is likely to sustain consumption-led growth this year. Resource-based emerging economies continue to see growth downgrades due to lower oil prices.
Inflation outlook	The oil price decline and still-significant excess production capacities have lowered inflation expectations in most developed economies.
Policy outlook	Below-trend growth and subdued inflation are likely to keep policy supportive in most developed economies. We expect the Fed to raise rates once this year. The ECB and the BoJ may cut rates deeper into negative territory.
Policy risks	Persistent deflationary pressures after years of stimulus are raising questions about the efficacy of monetary policy. Coordinated global policy action may be needed to revive confidence, although it may not be forthcoming soon.
Focus on China	China and the emerging economies remain a key source of risk. We expect China to tighten capital controls and keep its currency largely stable against its key trade partners' as it seeks to stem capital outflows.

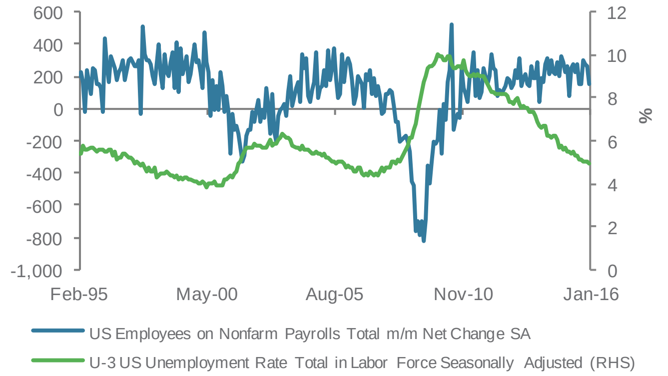
Source: Standard Chartered

US: Fed rate hike expectations pared back; job market remains healthy

- **Economy slows as exports, mining investment slump**. US economic growth slowed for the second straight quarter to 0.7% (annualised) in Q4. A strong USD hurt exports, while the collapse in oil prices accelerated a cutback in business investment. Consensus 2016 growth estimates have been cut to 2.2% from 2.6% three months ago – this rate is slower than the 2.4% growth achieved in the past two years, raising concerns that we may be heading towards a recession.
- **Strong job market likely to sustain a recovery**. The job market has remained robust, with an average of 230,000 jobs created in the past three months. This has continued to support consumption – sale of big-ticket items such as homes and cars is at 8-10-year highs. We believe the strong job market and robust consumption limit the risk of a recession this year.
- **Fed rate hike expectations pared back**. Although the consumption-driven growth cycle remains largely intact, we believe the external factors dampening growth and inflation (such as strong USD, weak exports and low commodity prices) may be sufficient for the Fed to pare back its guidance for further rate hikes in March. We expect just one more rate hike this year, likely in H2.

US job market remains robust, supporting consumption

US average monthly net non-farm payrolls ('000s); unemployment rate (%) (RHS)



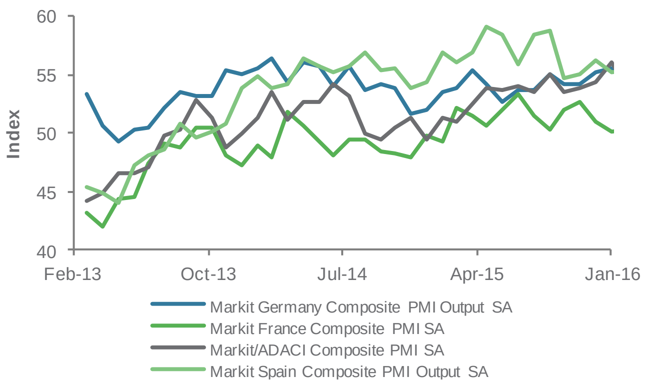
Source: Bloomberg, Standard Chartered

Euro area: ECB likely to ease policy further in March to pre-empt headwinds

- **Euro area economy holding up well**. The economy remains on course to accelerate for the fourth straight year in 2016 on rising exports, domestic consumption and business investment. Record-low borrowing costs and falling energy prices are helping consumption, although the recent EUR strength is a headwind.
- **Emerging signs of growth risks**. Recent data suggest investor and business confidence may be faltering, especially in the manufacturing sector. German industrial production contracted in December for the first time in a year, while business confidence in the sector suggests continued strains in Q1.
- **Low inflation, headwinds mean the ECB is likely to ease policy in March**. Euro area inflation (0.4%) remains well below the ECB's 2% target, and producer price deflation continues for the third year. ECB President Mario Draghi signalled the likelihood of further policy easing in March. This could involve a cut in rates deeper into negative territory and an accelerated pace of bond purchases.

Euro area business confidence indicators show continued strength, although there are signs they may be peaking

PMIs for key Euro area economies



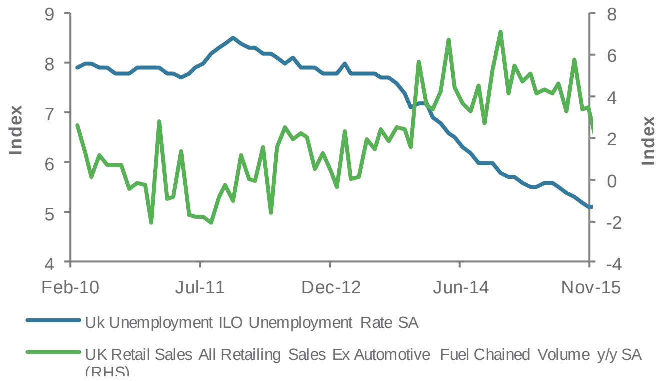
Source: Bloomberg, Standard Chartered

UK: BoE rate hike pushed back as 'Brexit' concerns increase uncertainty

- **Growth, inflation estimates pared back**. The UK's growth outlook compares favourably against other DMs such as the Euro area and Japan. A strong job market has cut the unemployment rate to a 10-year low, helping boost consumption. However, signs of weakness have emerged lately, with industrial output flagging, while the 23 June 'Brexit' referendum has raised uncertainty for UK businesses.
- **Falling inflation expectations, 'Brexit' risks to delay BoE rate hike.** The continued decline in energy prices has lowered full-year inflation expectations to 0.8% from 1.3% only three months ago, leading money markets to push back rate hike expectations beyond 2017. BoE Governor Mark Carney left open the possibility of cutting rates or increasing bond purchases if growth or inflation outlook weakens further.

UK unemployment held near a seven-year low, sustaining consumption growth

UK retail sales, ex-auto fuel (%, y/y); unemployment rate (%) (RHS)



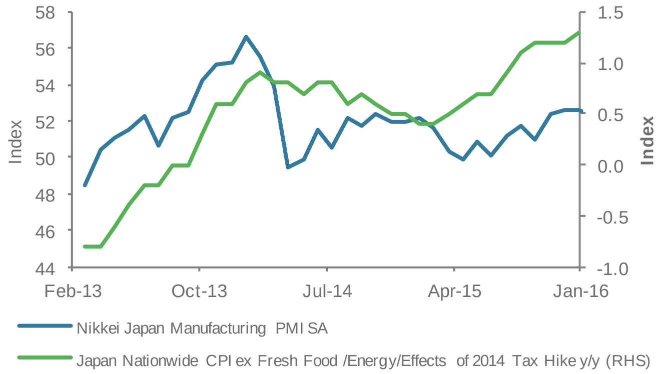
Source: Bloomberg, Standard Chartered

Japan: BoJ under pressure to ease further as economy slows

- **Economy contracts in Q4**. The contraction in Q4 negated the recovery in the previous quarter as still-robust business and government spending failed to offset declining exports and domestic consumption. The second quarterly contraction over the past year (the economy had contracted in Q2 15) has raised questions about the effectiveness of 'Abenomics' in reviving growth and inflation in Japan.
- **BoJ likely to ease policy further**. While headline consumer inflation was at 0.2% in January, a key indicator of core inflation, which excludes fresh food and energy, it remains on an uptrend at 1.3%. However, the slowing economy and the sharp appreciation in the JPY (which threatens Japan's export competitiveness) have raised the chances of more BoJ policy easing, following its surprise cut in a benchmark interest rate to negative in January.

Japan's manufacturing sector remains expansionary while a measure of core inflation continues to rise

Japan's manufacturing sector PMI; consumer price inflation, excluding fresh food and energy (%, y/y) (RHS)



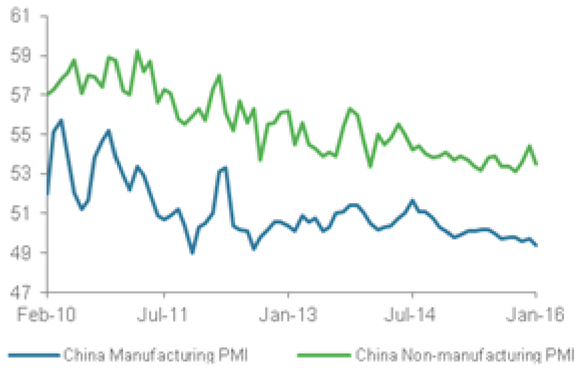
Source: Bloomberg, Standard Chartered

China: Government spending, bank lending ramped up as growth slows

- **Strong services sector partly offsets industrial slowdown.** China's services sector expanded more than 8% last year, accounting for half the economy, and helping offset a continued slowdown in manufacturing. The robust services sector has helped sustain job creation and domestic consumption, despite the decline in exports and slowdown in domestic investment.
- **Further policy easing likely.** The government has ramped up fiscal spending over the past year and bank lending in recent months. We expect these measures to continue in the coming months. Monetary stimulus may take a backseat for now, as authorities are likely to tighten capital controls and try to keep the CNY largely stable against the currencies of China's major trade partners to stem capital outflows. We expect targeted bank reserve requirement cuts as the currency stabilises. The National People's Congress in March will be in focus for signs of more growth-supportive steps.

China's services sector has continued to expand, despite a slowdown in the manufacturing sector

China's manufacturing and non-manufacturing sector purchasing managers index



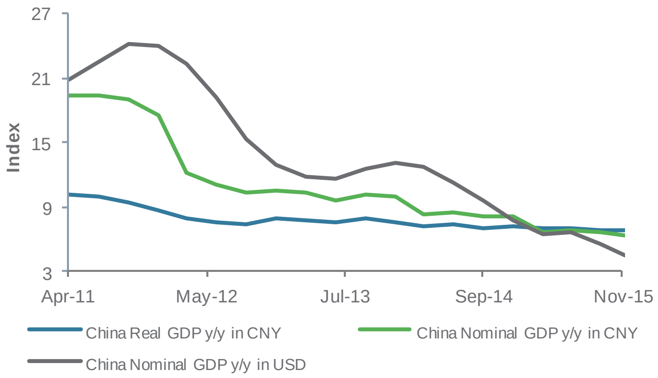
Source: Bloomberg, Standard Chartered

Other EMs: Asian export slowdown continues; India's budget in focus

- **Asian exports continue to contract.** The sustained decline in exports – as China's imports slow – has led to a cutback in Asian growth estimates. (The chart on the right shows how the rest of the world sees China's growth slowdown in USD terms, as opposed to how the slowdown is seen within China.) With inflation expectations subdued, most Asian policymakers have room to cut rates further to support growth. We expect Indonesia to cut rates again in H1, with an increasing possibility of rate cuts in Malaysia and South Korea later in the year if global growth fails to pick up materially.
- **India's budget in focus.** India's Finance Minister is under pressure to meet a 3.5% fiscal deficit target for the year starting on 1 April. However, increased demands to boost public spending to offset a continued slowdown in private investment, a proposed pay hike for government employees and promises to cut corporate taxes mean he may need to find new sources of revenue (including privatisations) to be able to meet the target. RBI Governor Raghuram Rajan has said further rate cuts depend on the government's ability to meet the deficit target.

China's slowdown is felt more intensely in the rest of the world than in China itself (Nominal GDP growth in USD terms have fallen more sharply than nominal GDP growth in CNY terms due to deflation and CNY depreciation)

China's quarterly GDP growth in real, nominal (CNY) and nominal (USD) terms (% y/y)



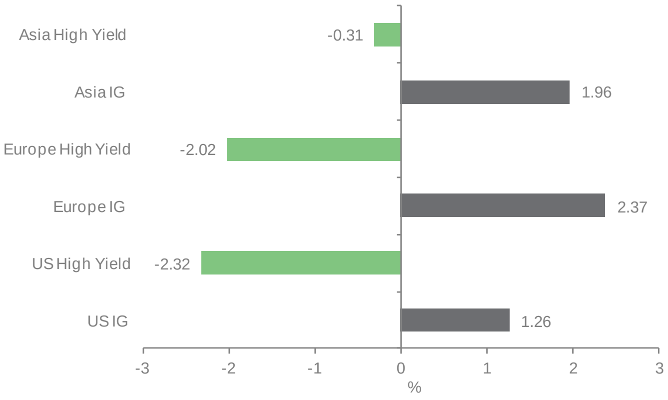
Source: Gavekal, Bloomberg, Standard Chartered

Bonds

- We favour US Corporate bonds, both Investment Grade (IG) and High Yield (HY), due to the attractive yields on offer.
- We would look to raise exposure to high-quality IG bonds. Our central scenario is a US recession is unlikely in 2016, but risks are rising and are likely to rise further over time.
- We prefer INR bonds within the Asia local currency universe.

We continue to prefer US IG and HY Corporate bonds.

Performance of fixed income YTD* (USD)



Source: Barclays Capital, JPMorgan, Bloomberg, Standard Chartered. Indices are Barclays Capital US Agg, US High Yield, Euro Agg, Pan-Euro High Yield, JPMorgan Asia Credit Index

G3 and EM (USD) sovereign bonds

- **Global growth concerns drive G3 government bond returns**. Increased concerns about global growth and inflation have led to reduced expectations for Fed hikes and expectations of further easing from European and Japanese central banks. These factors have supported bond prices and generated positive returns for investors.
- We retain our preference for maintaining a 5-7-year maturity profile across USD-denominated bonds. While government bond yields could rebound in the near term, we believe yields are likely to remain capped over the next 12 months.
- **A balanced picture for EM USD government bonds**. The Emerging Market (EM) government bonds have been resilient in 2016, delivering positive returns. That said, rating downgrades remain a risk, and the persistently low commodity prices add to the challenges. However, the reduction in Fed hike expectations and cheap valuations are positive, leading to a balanced risk/reward, in our opinion.
- The recent sell-off has demonstrated the value of both high-quality government and corporate bonds as a hedge, and we would look for opportunities to increase exposure as the year progresses.

Key factors driving bonds have evolved

Changes in the drivers since December 2015

Factor	What has changed since December 2015
Fed rate outlook	Reduced rate-hike expectations positive for USD-denominated IG bonds from G3 governments, corporates and EM countries
USD strength	Softer USD positive for G3 and less negative for EM local currency bonds
Credit quality	Worsening credit quality a rising risk for EM USD and DM corporate bonds. Deterioration relatively more limited in Asian USD corporate bonds
Valuations	Valuations have improved significantly across DM corporate, Asia corporate and EM sovereign (USD) bonds
Absolute yield	Largely unchanged at global level as lower government bond yields offset by higher corporate bond yields
Commodity prices	Still-poor outlook negative for EM USD and DM HY corporate bonds

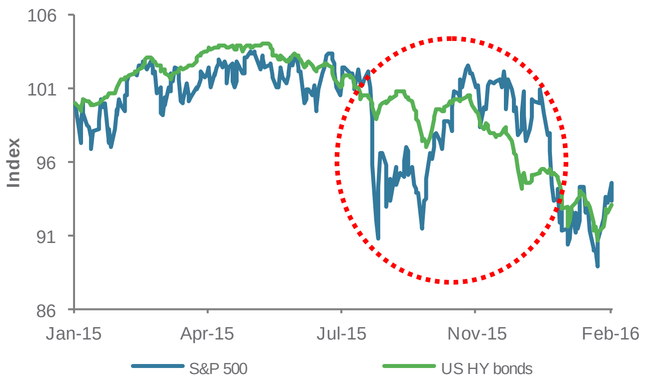
Source: Standard Chartered

Corporate credit (USD)

- **US corporate credit remains our top pick**. Admittedly, our preference for US HY bonds has not worked out as expected. Lower oil prices and increasing concerns over a potential recession in the US have pushed prices lower. However, US HY bonds now offer close to a 9.5% yield, and outside of energy sector bonds, current spreads are pricing default levels generally seen during recessions. We believe US HY bonds offer a low-volatility alternative to gain exposure to US corporates compared to equities. While we cannot rule out further near-term weakness due to oil price movements, the 9.5% yield on offer adequately compensates for the risks, in our view.
- **US IG corporate credit may offer the sweet spot.** While the risks of a US recession are increasing, it is not a central scenario for us in the next 12 months. However, given the challenges in predicting a recession, we continue to prefer owning a balanced exposure to both IG and HY corporate bonds. In today's low-yield environment, US IG corporate credit may offer the sweet spot of IG credit quality and the 3.5% yield, which is attractive in today's low-yield environment. As shown in the chart alongside, a balanced exposure to US IG and HY bonds has helped reduce the volatility of returns.
- **Asian USD credit viewed as a defensive play**. Asian credit has been relatively stable in the recent months and looks expensive against other EMs. However, we remain comfortable with Asia USD corporate bond exposure, as the region is in a better economic shape than other regions, has lower exposure to commodities and is supported by strong local demand. Data suggests most international EM investors are underexposed to Asia, which may reduce the risk of sharp outflows. That said, we acknowledge the challenges China's slowdown could pose to the credit quality and, hence, prefer exposure to IG bonds.

US HY offers equity-like exposure to US corporate, albeit with a slightly less volatile path

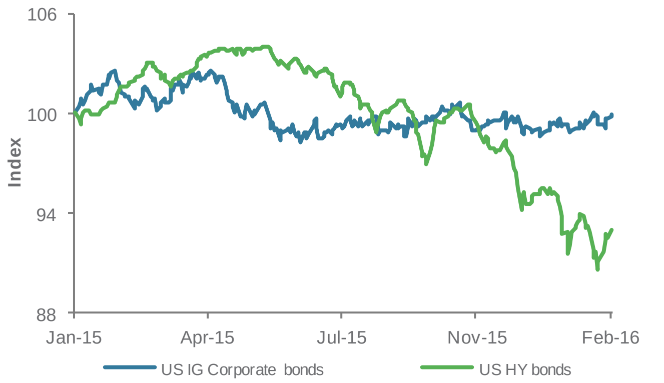
US HY total returns and S&P 500 index, normalised (1 January 2015 = 100)



Source: Barclays, Bloomberg, Standard Chartered

US IG corporates offer more stable returns than US HY

US IG and US HY total returns, normalised (1 Jan 2015 = 100)



Source: Barclays, Bloomberg, Standard Chartered

Asian local currency bonds

- **We are cautious on Asian local currency bonds**. As before, currency vulnerability remains our chief concern from a USD-denominated perspective despite policies supportive of local bond markets, as key drivers of EM currencies remain weak. While we are a little more comfortable with Asian local currency bonds over other EM regions, we prefer USD-denominated bonds over local-currency-denominated bonds.

Equity

- We are more cautious on equity market prospects, but still expect positive returns in 2016. Lower commodity prices have reduced consensus earnings forecasts in the US and Euro area. In Japan, earnings forecasts have been resilient.
- Euro area is our most preferred market, followed by Japan, US, Asia ex-Japan, UK and non Asia Emerging Markets (EM).
- Developed Markets (DM) equities are fairly valued. Consensus estimates for DM returns is 13% using an average of three methodologies. This estimate as high and we expect it to be lowered.

We are most positive on Euro area equities, driven by upside potential for growth and earnings.

Estimated potential market returns using different approaches

	Consensus Estimates 1*	Consensus Estimates 2**	Option Potential Return Estimates	Average of Three Estimates
US	18%	8%	8%	13%
Japan	36%	14%	9%	25%
Euro area	20%	10%	11%	15%
UK	13%	4%	11%	9%
Asia ex-Japan	23%	8%	12%	16%
Emerging Markets	22%	14%	11%	18%
Developed Markets	18%	8%	9%	13%

* Consensus estimates based on analyst bottom up price forecasts
** Estimates using consensus earnings and dividends and assuming a constant trailing price-earnings ratio
Option potential return estimates are based on selling a 12 month Put at current levels and expressing the potential return using the premium earned as a % of the current level. The estimates should be considered a best case with a probability of <50%.
Source: Bloomberg, Standard Chartered

Key market drivers and recent trends

Factor	What has changed since December 2015
Earnings growth	Forecasts for 2016 earnings growth have been cut, primarily in the energy and materials sector, both in the US and Euro area. The reductions have been greater in the US than in the Euro area, emphasising our preference for the latter.
DM market valuations	In light of reduction in earnings estimates, valuations have re-set lower as investors adjust their growth expectations. This creates an opportunity for investors to accumulate positions in our preferred markets in Euro area and Japan.
EM market valuations	EM valuations were low and have declined further as a catalyst for re-rating remains absent. We would focus on new economy sectors in China, where valuations, while above market averages, have declined.
Corporate margins	Margins in the US have peaked and are declining in line with expectations. Margins in the Euro area remain below those in the US, but we see room for them to re-rate higher as growth recovers.
Oil prices	Oil prices have declined more than anticipated, leading to a reduction in earnings growth forecasts in the energy sector. We await supply reductions before re-assessing the outlook for the sector.
USD	The USD has weakened again the EUR and strengthened against the CNY – this has weighted on the respective equity markets.

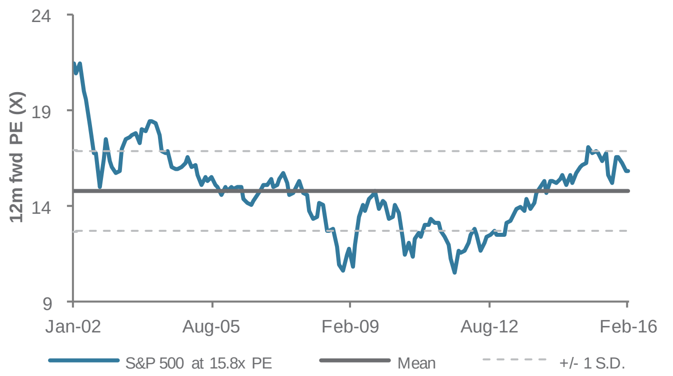
Source: Standard Chartered

US: Risk of recession rising, but not central scenario

- We are cautious on the outlook for US equities. YTD, there has been a swift re-pricing of growth expectations, via a lower P/E ratio and a reduction in earnings estimates. We view the P/E ratio decline as a return to fair value as opposed to signaling a recession ahead – the probability of which we peg at one in three.
- There are reasons to remain positive on the US, and we would characterise the current equity market weakness as more reflective of a profits recession as opposed to an economic one. Moreover, earnings growth, while deteriorating, is not in the recession zone (typically three or more quarters of double-digit earnings decline).
- A key positive factor supporting US growth is consumer spending. Labour market trends are very positive, and the recent pick in wage growth is welcome. So far, we have not seen evidence of the positive effect from lower oil prices outside the auto sector, but we continue to believe that the trickle-down effect will eventually occur.

US valuations have re-set lower in light of weaker economic and earnings growth estimates

S&P500 valuations

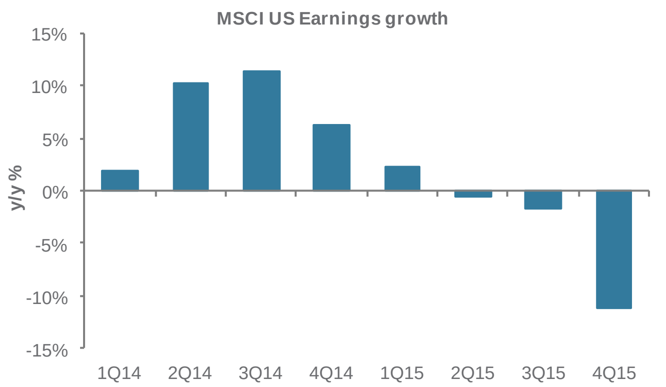


Source: Bloomberg, Standard Chartered

- We remain positive on US banks and US-listed technology companies. We acknowledge that the banks' sector view has been under pressure since the start of the year, as expectations for US interest rate hikes have been reduced and pushed out to later in the year. Nevetheless, we believe closing the banks' sector preference now risks exiting at a low point with regard to valuations and performance. US-listed technology performance has also been weak, but fundamentals remain unchanged, and we retain our positive stance.

Earnings growth is not yet in recessionary territory

US earnings growth trend



Source: MSCI, Standard Chartered

Europe: Positive Euro area, negative on the UK

- We are positive on Euro area equities, anticipating 0-5% earnings growth in 2016, and believe there is some scope for valuations to increase from their current levels, which are close to the long-term average.
- Importantly, we do not anticipate a banking crisis in the Euro area, as current valuations imply. We would characterise the current downturn in the sector as a reassessment of the profit outlook as opposed to a reassessment of the outlook for banks' capital requirements. This implies that equity holders are likely to witness dividend cuts, a trend already underway.
- The recent appreciation of the Euro poses a challenge to the recovery in corporate earnings. Nevertheless, we believe the ECB is likely to extend its quantitative easing (QE) programme and further cut the deposit rate deeper into negative territory. These actions are likely to weaken the Euro marginally.

- Our analysis of economic momentum and recession risks across the Euro area, Japan and the US highlight that we are least concerned over the outlook for the Euro area. This provides further support to our positive view.
- We remain negative on the outlook for the UK equity market, noting that consensus earnings growth forecasts, at -5%, is the worst across the key global markets/regions. The main factor responsible for dragging earnings lower is commodity exposure. The UK market has heightened exposure to these sectors, which continue to come under pressure given the continued downward pressure on oil prices.
- An added factor weighing on the UK market is the referendum on continuing its membership of the EU on 23 June. Uncertainty surrounding the outcome of the vote is likely to maintain downward pressure on the equity markets.

Uncertainty over EU vote likely to weigh on performance of the UK market

Euro area and UK equity market performance trend

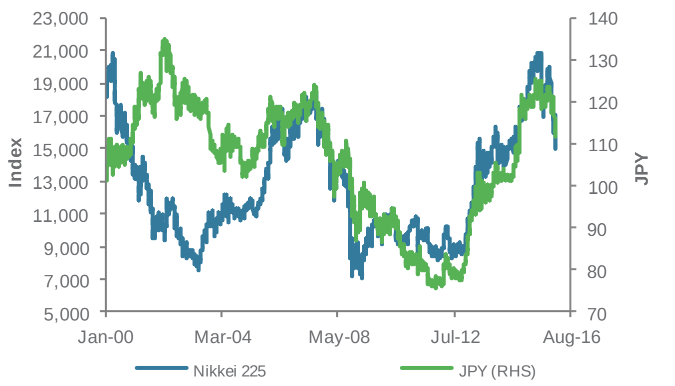
Source: MSCI, Bloomberg, Standard Chartered

Japan: Remain positive despite the recent sell-off

- We remain positive on Japanese equities, but we acknowledge the decline in the market YTD. Equity market weakness appears to be a function of the JPY strength in an environment of rising risk aversion as opposed to a deterioration in fundamentals – we estimate 5-10% earnings growth in 2016.
- While economic data has weakened and the hope for increase in employee wages remains elusive, we believe the weakness in select lead indicators reflects the JPY strength, which the BoJ is unlikely to allow to continue unchecked. Our view on salary increases is dependent on global growth rising above 3%. The latest IMF forecast for 2016 global growth is 3.4%; hence, we remain on track. However, the timing of the increase could be delayed in light of the recent surge in the JPY.
- Global investors remain overweight Japan, which is the second-most preferred market after the Euro area. Nevertheless, reflecting increased uncertainty the conviciton of the overweight has decreased m/m.

Japanese equity market performance and the yen have been closely correlated

Nikkei 225 and the yen



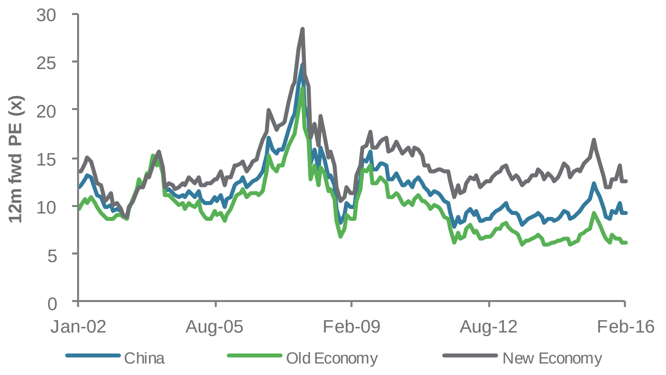
Source: Bloomberg, Standard Chartered

Asia ex-Japan: Cautious, focusing on identifying the right sectors in China

- We remain cautious on the prospects for Asia, recognising the value in these markets, but note the absence of catalysts. Economic growth is slowing and policy makers are reacting to this through lower rates: Indonesia cut rates this year and others are expected to follow. Nevertheless, the economic slowdown is likely to dominate in the near term, and we expect earnings growth of 0-5% in 2016.
- Within Asia, we prefer China, emphasising our preference for new economy sectors, including technology and consumer services. We also prefer MSCI China relative to A shares. While we are positive on China on a relative basis in Asia ex-Japan, we note that in a ranking of our preference for key markets, Asia ex-Japan is placed four out of six, behind the US, but ahead of the UK and non-Asia EM.
- China remains a key market for our clients and for us. Uncertainty over exchange rate policy, mixed signals on credit growth and a significant easing of fiscal policy have created conflicting signals over the outlook.
- We have emphasised our preference for new economy sectors that centre on technology and consumer services. High valuations in these sectors have left them exposed, as growth expectations were revised lower. Nevertheless, as there is no change in the positive drivers of these sectors, we continue to have conviction over their prospects.

Gap between old and new economy sectors widening

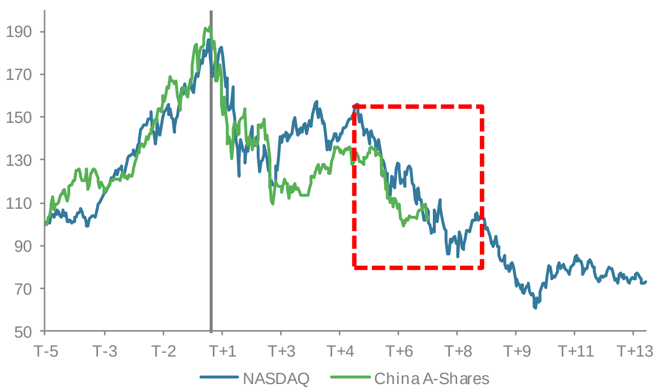
China market valuations



Source: FactSet, Standard Chartered

China A shares tracking the Nasdaq pattern during its 2000-01 down turn

China A shares and Nasdaq



T = peak, T+1 = 1 month after peak
Source: FactSet, Standard Chartered

Non-Asia EMs: Negative but growth trends

- We retain our negative view on Non-Asia EMs, focusing on the continued weakness in oil prices. We acknowledge the recent rebound in non-energy commodity prices; however, we question the sustainability of this, given the unchanged excess supply and moderately weaker global demand picture.
- The factor we believe would make investors most positive on EM equities is a surprise recovery in growth and/or exports. While such an outcome appears unlikely currently, it is worth noting that EMs are much further down the economic adjustment process relative to DMs. Historically, growth in EMs has struggled to accelerate when DM growth was slowing. However, EM growth has de-coupled in recent years, raising the possibility that it could recover even if DM growth remains weak.

MSCI EM is closely correlated with the CRB index

MSCI EM and CRB Indices

Source: MSCI, Bloomberg, Standard Chartered

Conclusion

We have become more cautious on the outlook for equity markets but continue to expect positive returns. Valuations have re-set lower in light of reduced economic and earnings growth expectations. We remain positive on Euro area equities and Japan, cautious on the US and Asia ex-Japan, and negative on non-Asia EMs and the UK.

Ranking of our key country preferences

Ranking of key country preferences		
No. 1	Euro area	**Most Preferred**
No. 2	Japan	
No. 3	US	
No. 4	Asia ex-Japan	
No. 5	Non-Asia Emerging Markets	
No. 6	UK	**Least Preferred**

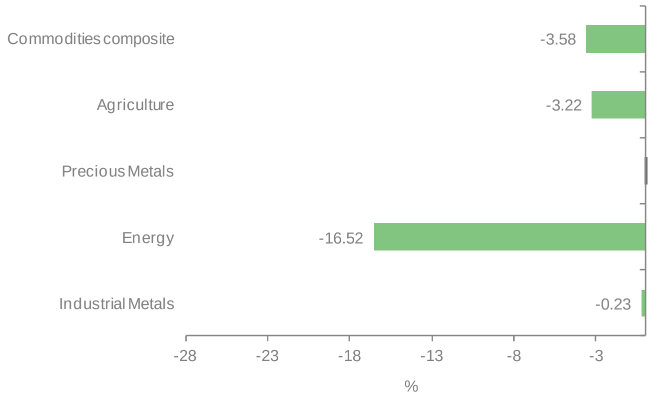
Source: Standard Chartered

Commodities

- Oil prices to bottom out and gradually head higher, but rebalancing may take longer.
- Gold to have limited upside, but we expect it to outperform industrial metals.

We remain bearish on commodities near term. Further acceleration in supply growth and a stronger USD may imply further downside, while greater-than-expected producer cutbacks are upside risks. We expect crude oil to outperform gold and industrial metals.

Performance of commodities YTD* (USD)



Source: Bloomberg, Standard Chartered

Oil

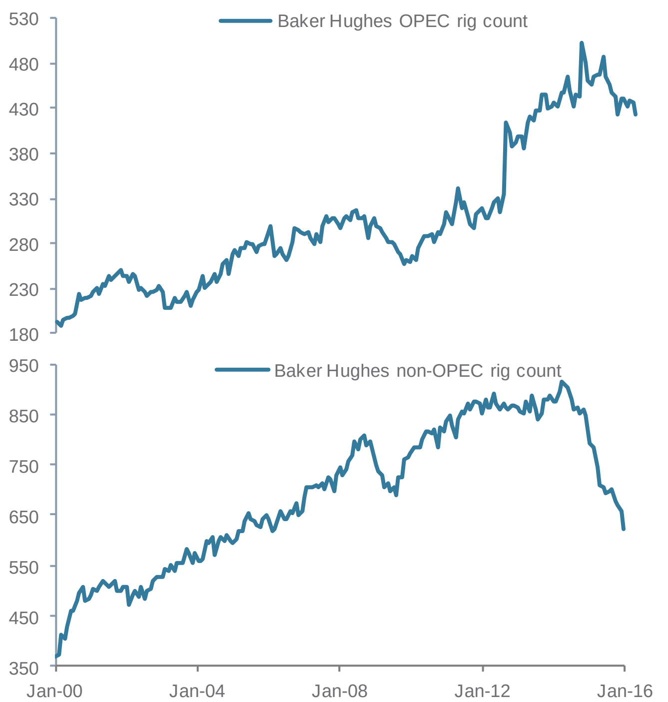
We are bearish on oil prices in the short term, but expect Brent oil prices to bottom out over the next 3-6 months within USD 25-USD 30. However, the recovery in oil prices is likely to be gradual and uneven.

We continue to see supply as the primary drivers of low oil prices. OPEC crude oil production remains firm, while US production is showing signs of easing. This trend is also evident in the US rig count, which has plummeted over the last year, while those in OPEC countries still remain near peak levels. The recent agreement between Russia and Saudi Arabia to cap production is unlikely to have a major impact given it is contingent on others following suit and the already elevated levels of output.

Crude oil demand, on the other hand, remains more resilient. According to the International Energy Agency (IEA), total crude oil demand continues to climb, with a pick-up in momentum in US crude oil demand. In sum, we believe markets are likely to rebalance by the end of the year, putting upward pressure on oil prices. Since our Outlook 2016, our picture of gradual rebalancing remains intact, but may take another 3-6 months to materialise. The key downside risk is a significantly slower production cutback than what we currently expect.

OPEC supply indicators firm while non-OPEC signals more supply cutbacks

OPEC and non-OPEC rig count



Source: Bloomberg, Standard Chartered

Gold

We expect gold to trade in the USD/oz 1,150-USD/oz 1,250 range in the short term. Gold has met increased safe-haven demand, following the sell-off in global equities and scaling back of Fed rate hike expectations. Lower US interest rates have also reduced real (inflation-adjusted) interest rate expectations. US Treasury inflation protection securities (TIPS) yields, a proxy for real interest rate expectations, continue to track gold closely (see chart). Inflation expectations, on the other hand, have continued to fall. In our opinion, real interest rates are not expected to decline significantly from current levels, given our expectations for one Fed rate hike this year. Hence, we would not expect gold to move higher significantly from current levels, although it is likely to outperform industrial metals.

Sentiment indicators for gold point to more optimism on the safe currency. Inflows into gold exchange-traded funds (ETF) have increased, while positioning shows increased net-long positioning. A further slowdown or a recession and a banking sector crisis are key risks for significant upside in gold. On the downside, a more hawkish Fed poses risks.

Decreased real interest rate expectations behind stronger gold prices

5-year TIPS yields and gold price

Source: Bloomberg, Standard Chartered

Industrial metals

We do not believe the recent upturn in industrial metal prices signals a wider upturn. Inventory levels in key industrial metals, including copper, zinc and iron ore, remain elevated and continue to rise. Aluminium inventory levels, however, continue to fall.

On the demand side, global industrial production and China manufacturing PMI continue to suggest depressed demand for industrial metals. Furthermore, we do not see significant USD weakness from here on, which is likely to keep gains in industrial metals capped.

Copper inventories remain elevated

Copper inventories

Source: BCA, Standard Chartered

Alternative strategies

- We like alternative strategies as key themes – rising volatility, market dispersion, trending markets and policy divergence – remain supportive. Long/short and macro are our preferred sub-strategies.
- Macro strategies have delivered positive absolute returns YTD, demonstrating their value in volatile markets, while equity long/short strategies outperformed global equities. We believe this track record strengthens the case for holding alternative strategies in what we expect to be a year characterised by continued bouts of volatility.

Macro strategies delivered positive returns YTD, demonstrating their value in volatile markets.

The start of 2016 turned out to be a testing period for alternative strategies, with arguably positive results. Macro strategies were the key outperformer, delivering positive returns YTD. Our other preferred sub-strategy, equity long/short strategies, outperformed global equities, but failed to deliver positive absolute returns. In our view, this YTD performance is an illustration of the value of alternative strategies in what we expect to be a year punctuated by further bouts of volatility.

Key drivers unchanged, supporting our positive view on the asset class. What we see as key drivers of alternative strategies – rising volatility, market dispersion, trending markets and policy divergence – largely remain in place, in our view. We believe this, together with the strategies' recent performance, underscore why we continue to see alternative strategies as a key component of a well-diversified allocation.

Temporary underperformance likely if equity market rebound extends. Equity long/short strategies, in particular, tend to underperform when equity markets rise sharply. However, we expect any such underperformance to be temporary.

Equity long/short and macro strategies remain our preferred sub-strategies. Equity long/short is an attractive way to gain exposure to equities in an increasingly uncertain environment, as it not only offers largely lower volatility relative to long-only exposure but also benefits from rising or heightened valuation dispersion. We also see macro strategies as a very good way of managing volatility, more of which is likely through the year.

Environment for event-driven strategies a little more mixed. While still-robust mergers and acquisitions activity is a tailwind for the asset class, event-driven strategies are vulnerable to broader market volatility. The recent experience shows this can overwhelm the sub-strategy in the short term.

Our views on the main sub-strategies

Sub-strategy	Our view
Equity long/short	Positive - Provides exposure to equities in arguably less volatile way relative to long-only
Relative value	Neutral - Volatility has improved opportunity set, but liquidity is likely to be a challenge
Event driven	Neutral - Strong M&A activity a positive, but strategy is vulnerable to broad market volatility
Credit	Neutral - Volatility and sector stress positive for credit long/short strategies, but possible rise in defaults a risk
Macro	Positive - Outperformance during recent volatility reinforces diversification value
Commodities	Neutral - Continued pressure on commodity prices a risk, though an eventual (12 month) rise in oil prices may support
Insurance-linked	Negative - Insurance losses were below average in 2015, posing the risk losses could rise this year

Source: Standard Chartered

Foreign exchange

- The USD likely to flatten out, but we expect modest gains against the EUR, AUD, NZD and SGD. We do not expect the recent JPY gains to sustain.
- We are neutral on Asia ex-Japan currencies, but any significant CNY devaluation poses downside risks.

Scaling back of US and UK rate hike expectations has seen the USD and GBP lose ground against most major peers. 'Brexit' concerns have also weakened sentiment on the GBP considerably. However, we remain wary of substantial gains in the EUR and the JPY, given increasing chances of further unconventional monetary policy action. Worries of CNY devaluation are likely to limit gains in most Asian currencies, including the AUD in our view.

Markets may have become overly pessimistic.

Short term: Refers to a horizon of less than 3 months
Medium term: Refers to a time horizon of 6 to12 months

USD: Broad rally has likely ended

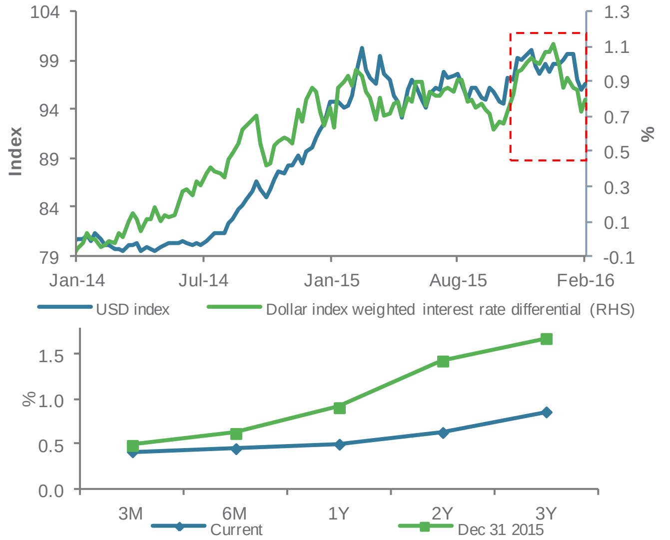
We softened our view on the USD from a 12-month perspective in our Outlook 2016 and maintain this view. The main driver of our view is the scaling back of US interest rate hike expectations. However, since we believe the Fed is still likely to raise rates once more in 2016, markets may have become overly pessimistic. The USD may recover somewhat through the course of 2016, although we expect it to remain capped at last year's highs. On individual pairs, we expect modest gains against the EUR, AUD, NZD and SGD. Speculator sentiment suggests net-long positions on the USD remain intact, although these have considerably reduced over the last few months.

Upside risks to our USD outlook include more Fed rate hikes than we currently expect, aggressive easing by the ECB and BoJ, and a policy devaluation of the CNY.

Downside risks include further lowering of US interest rate hike expectations, driven by the possibility of a recession or a significant slowdown.

US interest rate expectations have been scaled back, weakening the USD

USD index weighted interest rate differentials, the USD index and market implied policy rate expectations (bottom)



Source: Bloomberg, Standard Chartered

EUR: Further policy easing implies downside

We continue to expect modest weakness in the EUR in 2016. The recent strength in the EUR has been supported by a general risk-averse environment in financial markets. Continued outflows from the Euro area in search for higher returns imply increased likelihood of repatriation in periods of turmoil, which is EUR supportive. However, given the weakening Euro area data overall and recent gains in the EUR, the ECB is more likely to initiate additional policy easing. In addition to this, speculative sentiment remains net-short but has reduced considerably from last year's lows. Both these factors suggest further downside is likely for the EUR.

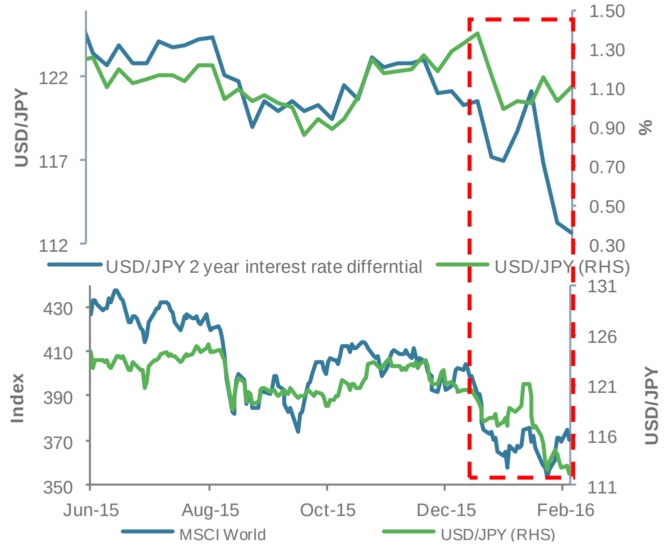
JPY: Supported by risk-off markets

We remain neutral on the JPY in 2016 and expect it to trade in the 116-120 range in the short term. We believe the recent JPY strength has been driven by safe-haven demand, a pick-up in financial market volatility and concerns regarding the effectiveness of BoJ's policy. From this point on, we believe the BoJ is poised to undertake further policy action, given the significant trade-weighted appreciation in the JPY. Although this is likely to weaken the JPY from current levels, we believe the long-term undervaluation suggests weakness may be limited.

A significant global slowdown or a recession would be the main risk for a stronger JPY. We also highlight the net-long speculative positioning is now approaching extreme levels. A quick unwinding could result in JPY weakness.

USD/JPY has been recently following the global equity sell-off more closely than interest rate differentials

USD/JPY two-year interest rate differentials, USD/JPY and MSCI World Index



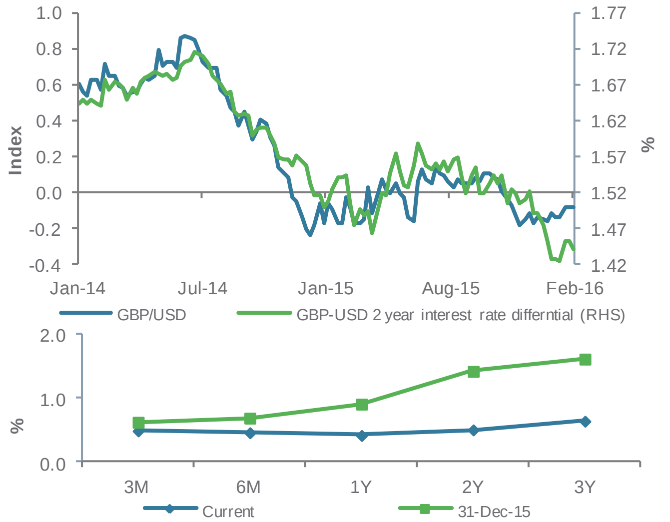
Source: Bloomberg, Standard Chartered

GBP: 'Brexit' concerns dominate short term

We remain neutral on the GBP in 2016. We believe most of the recent weakness is due to a combination of 'Brexit' concerns and the BoE significantly scaling back interest-rate expectations. On the 'Brexit' issue, the near-term newsflow is likely to keep sentiment in the GBP negative in the short term, detached from longer-term fundamentals. Furthermore, we believe the BoE has proactively opened the room for continued accommodative monetary policy even as economic data has not deteriorated significantly. Continued EU membership and earlier rate hikes are the main upside risks to our view.

A scale-back of BoE rate hikes partially responsible for a weaker GBP

UK-US 2-year interest rate expectations and implied BOE policy rates (below)



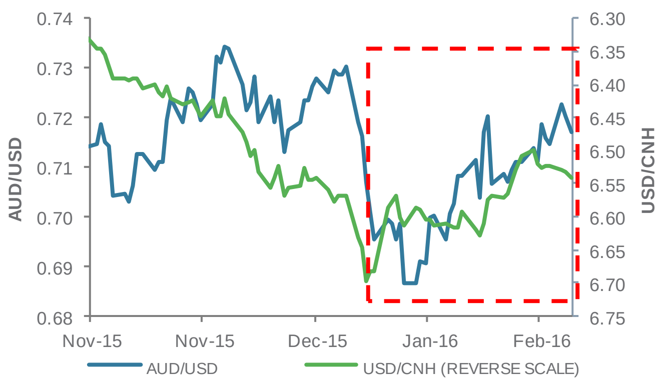
Source: Bloomberg, Standard Chartered

AUD and NZD: Remain exposed to China risks

We retain our negative outlook for the AUD and the NZD in 2016. The lack of a catalyst for a strong rebound in commodity prices, in addition to continued exposure to CNY depreciation risks, requires some caution. In addition to this, both the RBA and the RBNZ have not ruled out further rate cuts. On the positive side, domestic economic data in both countries have somewhat improved. An additional supporting factor for the two currencies may come from further BoJ easing, which is likely to increase demand for Australian and New Zealand assets. On balance, we prefer to remain bearish until a clear bottoming of commodity prices is evident.

Prone to China devaluation risks; the AUD increasingly correlated with the CNH

AUD/USD and USD/CNH (spot)



Source: Bloomberg, Standard Chartered

Asia ex-Japan: CNY policy key

We remain neutral overall on the Asia ex-Japan currency space. However, the main risk to our outlook comes from a weaker CNY. Our base case is for the USD/CNY to trade broadly stable, but we do see increasing downside risks to this view. The PBoC's new policy of following a basket of currencies implies greater volatility. Our main downside risk scenario is that further capital outflows from China may, at some point, compel authorities to broadly weaken the CNY.

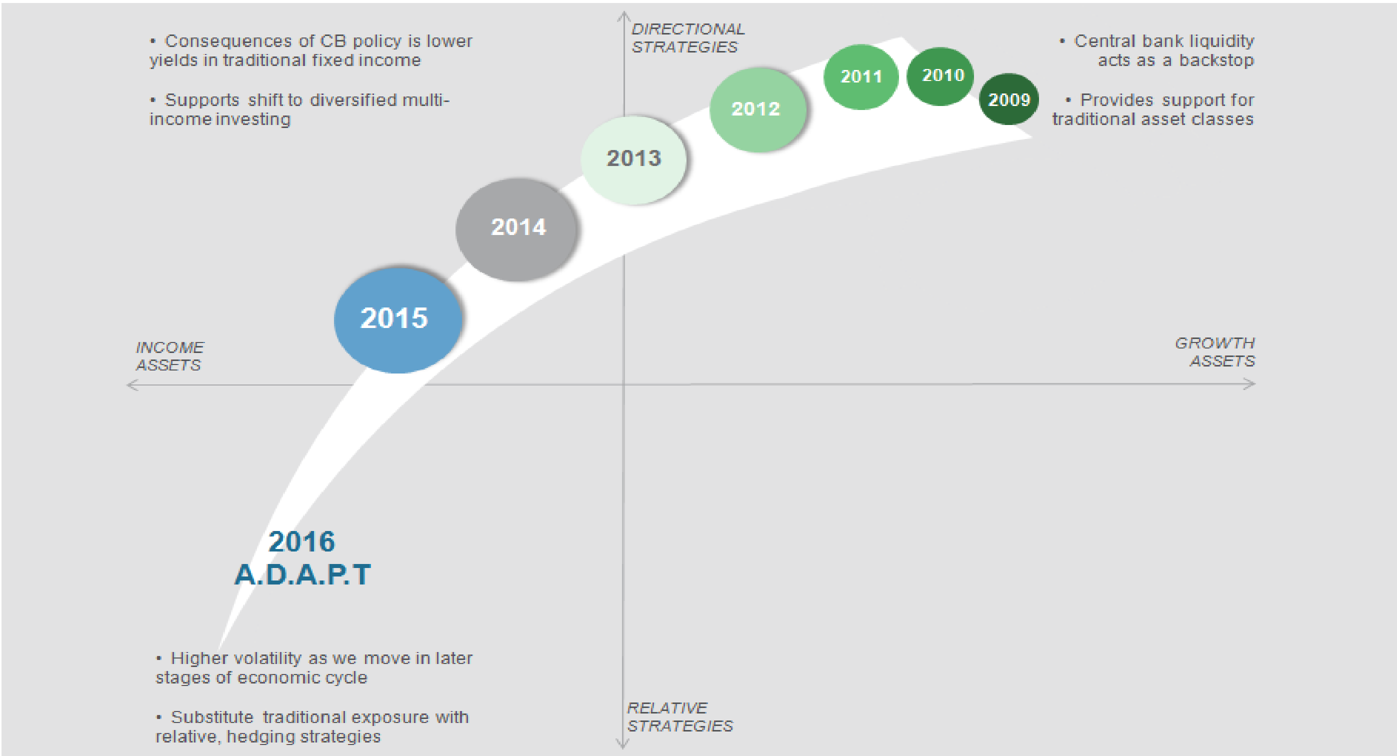
We expect the SGD to weaken modestly through 2016. Although not our base case, generally weaker economic data, falling property prices and sustained deflationary pressures may compel the MAS to further relax policy. Upside risks to our view include a weaker-than-expected USD or further strength in currencies of key trading partners.

Multi-asset investing in the current environment

As multi-asset investors consider their portfolios in the current market environment, it is worth looking back at history to get a sense of how the cross-asset approach has evolved since 2009. The change in trends over this period might provide some guidance on the investment approach going forward.

Following the financial crisis in 2008, central bank liquidity acted as a backstop for markets and supported the performance of directional strategies – market-linked returns in traditional asset classes within equity and fixed income. Events in Europe, notwithstanding a balanced portfolio, would have performed quite well over the 2009-2012 period on a total return basis.

Trends in multi-asset investing (2009-today)



Source: Standard Chartered

The knock-on effect of central bank easing led to an environment of depressed bond yields in traditional fixed income. This resulted in a search for income being the primary focus of a multi-asset investor. Between 2013 and 2015, we highlighted the importance of multi-income-focused asset allocation. Our focus was on diversified sources of income for two main reasons: 1) widening the range of assets through which to capture income and 2) managing the overall risk of the portfolio through the introduction of non-correlated assets. While the former saw the introduction of a much broader range of fixed income assets, the latter objective led to the inclusion of non-core assets (preferred stock, convertible bonds, REITs) in the income strategy.

Looking forward, we foresee an increase in volatility perhaps, as markets contemplate the implications of a move to the last phase of this economic cycle. In our Outlook 2016, while we suggested our income objective remained achievable, we highlighted the risk of larger pullbacks as we move through the year. The first two months have been a preview of what might be in store for the remainder of 2016.

Playing the diversification card through a series of market-linked (directional) strategies in equity and fixed income is becoming more challenging. With this in mind, we advocate income-focused investors look to substitute some of their directional or market-linked exposure with a multi-asset absolute-return strategy. Diversification by investing in assets that have low correlation (relative value, hedging) to traditional assets should help protect investors during more frequent periods of pullbacks we might experience over the course of the year.

Disclosure appendix

This document is not research material and it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. This document does not necessarily represent the views of every function within Standard Chartered Bank, ("SCB") particularly those of the Global Research function.

Standard Chartered Bank is incorporated in England with limited liability by Royal Charter 1853 Reference Number ZC18. The Principal Office of the Company is situated in England at 1 Basinghall Avenue, London, EC2V 5DD Standard Chartered Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

United Kingdom: Standard Chartered Bank (trading as Standard Chartered Private Bank) is an authorised financial services provider (licence number 45747) in terms of the South African Financial Advisory and Intermediary Services Act, 2002

In Dubai International Financial Centre ("DIFC"), the attached material is circulated by Standard Chartered Bank DIFC on behalf of the product and/or Issuer. Standard Chartered Bank DIFC is regulated by the Dubai Financial Services Authority (DFSA) and is authorised to provide financial products and services to persons who meet the qualifying criteria of a Professional Client under the DFSA rules. The protection and compensation rights that may generally be available to retail customers in the DIFC or other jurisdictions will not be afforded to Professional Clients in the DIFC.

Banking activities may be carried out internationally by different Standard Chartered Bank branches, subsidiaries and affiliates (collectively "SCB") according to local regulatory requirements. With respect to any jurisdiction in which there is a SCB entity, this document is distributed in such jurisdiction by, and is attributable to, such local SCB entity. Recipients in any jurisdiction should contact the local SCB entity in relation to any matters arising from, or in connection with, this document. Not all products and services are provided by all SCB entities.

This document is being distributed for general information only and it does not constitute an offer, recommendation or solicitation to enter into any transaction or adopt any hedging, trading or investment strategy, in relation to any securities or other financial instruments. This document is for general evaluation only, it does not take into account the specific investment objectives, financial situation or particular needs of any particular person or class of persons and it has not been prepared for any particular person or class of persons.

Opinions, projections and estimates are solely those of SCB at the date of this document and subject to change without notice. Past performance is not indicative of future results and no representation or warranty is made regarding future performance. Any forecast contained herein as to likely future movements in rates or prices or likely future events or occurrences constitutes an opinion only and is not indicative of actual future movements in rates or prices or actual future events or occurrences (as the case may be).

This document has not and will not be registered as a prospectus in any jurisdiction and it is not authorised by any regulatory authority under any regulations.

SCB makes no representation or warranty of any kind, express, implied or statutory regarding, but not limited to, the accuracy of this document or the completeness of any information contained or referred to in this document. This document is distributed on the express understanding that, whilst the information in it is believed to be reliable, it has not been independently verified by us. SCB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from your use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents.

SCB, and/or a connected company, may at any time, to the extent permitted by applicable law and/or regulation, be long or short any securities, currencies or financial instruments referred to on this document or have a material interest in any such securities or related investment, or may be the only market maker in relation to such investments, or provide, or have provided advice, investment banking or other services, to issuers of such investments. Accordingly, SCB, its affiliates and/or subsidiaries may have a conflict of interest that could affect the objectivity of this document. This document must not be forwarded or otherwise made available to any other person without the express written consent of SCB.

THIS IS NOT A RESEARCH REPORT AND HAS NOT BEEN PRODUCED BY A RESEARCH UNIT.