

Stocks higher for third straight week

- Last week, US payrolls gained 242K, comfortably exceeding consensus and upwardly revised January. However, the accompanying unexpected dip in wage growth may have kept Fed rate hike expectations in check due to its implications on inflation, which continues to run below the Central Bank's target.
- Meanwhile, China's NPC meeting kicked off on 5 March. Most notably, for the 2016 outlook, the government expects slower GDP growth (6.5%-7.0%) with focus on Supply-Side Reform, Urbanization & Innovation.
- This week, all eyes will be on the highly-anticipated monetary policy meeting from the European Central Bank (ECB) on 10 March, which will be preceded by the eurozone's preliminary 4Q GDP report. Citi analysts expect a 10bp deposit rate cut and a front-loading of the monthly asset purchases, perhaps by €15bn for at least three months.

Performance

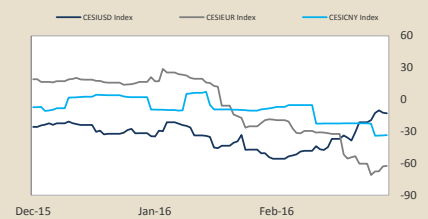
- Global equities posted their third-consecutive week of gains as the MSCI World Index rose 3.78%. In the US, the Dow Jones Industrial Average increased 2.20%, the S&P 500 Index added 2.67%, and the Nasdaq Composite Index gained 2.76%. European equities, as measured by Stoxx Europe 600 Index, rose 0.70% while Japanese equities advanced as the Yen gave up gains (Nikkei 225: +5.10% and Topix index: +4.89%).
- Finally, the MSCI Emerging Markets index rebounded strongly on the week, up 6.88%. The MSCI Latin America saw double digit gains of 14.75% while the MSCI Emerging Europe jumped 7.20%. Closer to home, the MSCI Asia ex-Japan also had a stellar week, gaining 5.27%, led by China (HSCEI: +6.51%) and India (Sensex30: +6.44%).

Asset Allocation

- **Equities** — The current market stabilization may persist until ECB's March meeting, but caution is warranted as market strength could be used for profit taking after new ECB stimulus measures.
- **Credit** — Credit markets rallied globally last week amid a strong rebound in oil and equities. With the ECB meeting approaching on March 10, the technical in € credit still feels better than in \$ credit. However, given attractive \$ credit, we overweight credits both in Europe and US.
- **Rates** — A continued recovery in risky assets and oil prices sent bond yields higher over the week. Despite strong job growth, weaker than expected wage growth may have kept Fed rate hike expectations in check due to its implications on inflation.
- **Commodities** — Commodity prices – both energy and industrial metals – seem to have broken out of bearish ranges and suggest bullish follow through.

US growth remains resilient

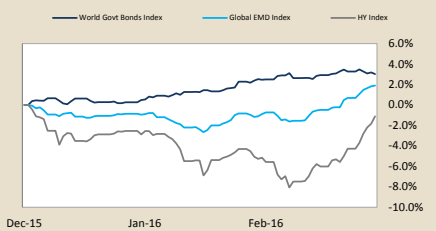
Citi Economic Surprise Index



Source: Bloomberg as of 4 March 2016

HY bonds recovering

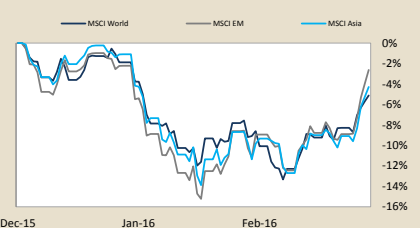
Accumulated 3-month Bond Index Returns



Source: Bloomberg as of 4 March 2016

Third consecutive week of gains

Accumulated 3-month Equity Index Returns



Source: Bloomberg as of 4 March 2016

Week Ahead Key Data and Event

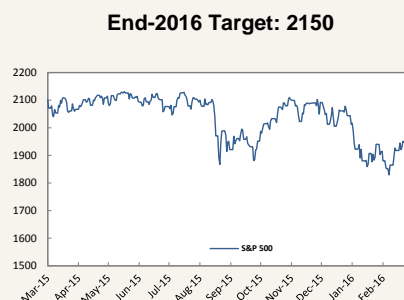
Date	Country	Data & Event	Period	Survey	Prior	Citi Fct
8-Mar	TA	CPI YoY	Feb	0.8%	0.8%	0.7%
8-Mar	TA	WPI YoY	Feb	-4.5%	-4.8%	-5.0%
8-Mar	EC	GDP SA QoQ	4Q P	0.3%	0.3%	0.3%
8-Mar	JN	GDP SA QoQ	4Q F	-0.4%	-0.4%	-0.5%
8-Mar	CH	Exports YoY	Feb	-14.5%	-11.2%	-10.7%
9-Mar	CH	Imports YoY	Feb	-12.0%	-18.8%	-15.8%
9-Mar	CH	CPI YoY	Feb	1.8%	1.8%	1.9%
9-Mar	CH	PPI YoY	Feb	-4.9%	-5.3%	-5.1%
10-Mar	JN	PPI MoM	Feb	-0.3%	-0.9%	-0.7%
10-Mar	US	Initial Jobless Claims	5-Mar	275k	278k	272k
10-Mar	SK	BoK 7-Day Repo Rate	10-Mar	1.5%	1.5%	1.3%
11-Mar	US	Import Price Index MoM	Feb	-0.8%	-1.1%	-0.2%

Source: Bloomberg as of 4 March 2016

Drivers and Risks by Market

United States

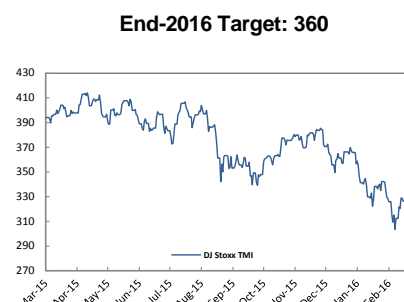
- **Driver:** Nonfarm payrolls rose by 242,000 jobs (m/m) in February (consensus: 195,000). Average hourly earnings dipped 0.1% m/m, versus projections of a 0.2% gain. While job growth came in much stronger than expected, the accompanying unexpected dip in wage growth may have kept Fed rate hike expectations in check due to its implications on inflation, which continues to run below the Fed's target.
- **Risk:** During the first two months of 2016, analysts lowered S&P 500 earnings. The Q1 bottom-up EPS estimate (which is an aggregation of the estimates for all the companies in the index) dropped by 8.4% (to \$26.69 from \$29.13) larger than historical averages.
- **Implication:** However, fundamentals are far from terrible as hiring intentions and wage growth demonstrate. There is further upside in the US equity market as revenue trends benefit from less negative dollar translation impact in 2H16 and not to mention the reduced drag from easier Energy sector comps as well.



Source: Bloomberg as of 4 March 2016

Europe

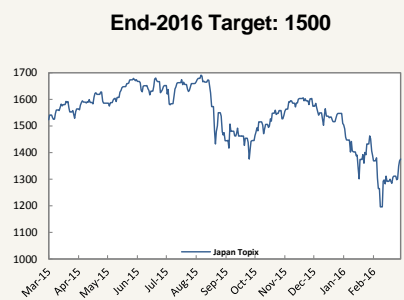
- **Driver:** At the upcoming March 10 meeting, the ECB is likely announce (1) a deposit rate cut of 10bp to -40bp, up to €15bn extra of public sector purchases per month and some adjustments to liquidity operations.
- **Risk:** Citi economists doubts that investors' perceptions of the muted inflation outlook will change much on March 10, pointing to more easing in 2016 and beyond. Quasi-fiscal policies could be required to fulfil the ECB's commitment to doing "whatever it takes" in our view.
- **Implication:** Citi analysts maintain their thematic preferences: 1) stocks with surplus FCF and strong balance sheets, 2) cheap delivery, i.e. value combined with momentum, 3) Overweight Oil & Gas vs Underweight Industrials.



Source: Bloomberg as of 4 March 2016

Japan

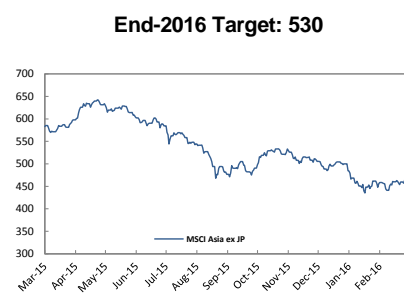
- **Driver:** On March 4, the government nominated Makoto Sakurai as its candidate for the Bank of Japan's Policy Board. Citi analysts think the appointment would make it easier for the BoJ to implement additional easing measures.
- **Risk:** It appears the weak yen-driven equity growth is about to end for now. Citi analysts have revised their FY16 average to ¥112/\$ from ¥122.5/\$. Also, history suggests with higher oil prices, Japanese equities tend to underperform other major markets.
- **Implication:** With a new FX assumption, we look for FY16 TOPIX EPS growth of 2.7%, not a level that will excite many investors. Against this backdrop, we have lowered our end-December TOPIX target to 1,500 from 1,650. However, given that current equity levels have priced in a 10% EPS recession, we see little scope for further downside.



Source: Bloomberg as of 4 March 2016

Asia

- **Driver:** In China, the annual NPC meeting kicked off on March 5th with 2016 macro targets and key points of 13th Five-Year Plan published, both were well in line with Citi's views. The growth target for this year is set at 6.5-7.0% with macro focus on Supply-Side Reform, Urbanization & Innovation.
- **Risk:** Domestic fundamental issues in China and rigid RMB are also important drivers of capital outflows. Also capacity cuts/deleveraging concerns remain.
- **Implication:** Citi analysts reiterate their positive stance about MSCI China (2016E target 65), given the belief of economic transition with better GDP quality ahead. For CSI300, we see little upside (2016E target 3,000) given its 25% P/E premium over MSCI China.



Source: Bloomberg as of 4 March 2016

Currency Forecast

Currency	Last price 04-Mar-16	Forecasts						
		Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	
G10-US Dollar								
Euro	EURUSD	1.10	1.13	1.12	1.11	1.11	1.11	1.11
Japanese yen	USDJPY	114	111	111	112	112	112	112
British Pound	GBPUSD	1.42	1.35	1.36	1.38	1.39	1.38	1.38
Swiss Franc	USDCHF	0.99	0.97	0.98	0.99	0.99	0.99	1.00
Australian Dollar	AUDUSD	0.74	0.70	0.70	0.71	0.71	0.71	0.71
New Zealand	NZDUSD	0.68	0.66	0.66	0.65	0.65	0.65	0.65
Canadian Dollar	USDCAD	1.33	1.37	1.37	1.37	1.36	1.35	1.34
EM Asia								
Chinese Renminbi	USDCNY	6.51	6.72	6.91	7.10	7.18	7.14	7.10
Hong Kong	USDHKD	7.76	7.79	7.80	7.81	7.82	7.81	7.81
Indonesian Rupiah	USDIDR	13,132	13,824	14,010	14,198	14,318	14,358	14,398
Indian Rupee	USDINR	67.10	68.5	68.7	68.9	68.9	68.7	68.5
Korean Won	USDKRW	1,203	1,233	1,253	1,274	1,277	1,260	1,244
Malaysian Ringgit	USDMYR	4.11	4.31	4.41	4.50	4.53	4.48	4.43
Philippine Peso	USDPHP	46.93	48.0	48.4	48.8	48.9	48.7	48.5
Singapore Dollar	USDSGD	1.37	1.45	1.47	1.49	1.49	1.48	1.47
Thai Baht	USDTHB	35.36	36.5	36.9	37.2	37.4	37.3	37.2
Taiwan Dollar	USDTWD	32.96	34.1	34.6	35.2	35.4	35.2	35.0
EM Europe								
Russian Ruble	USDRUB	71.88	79.0	76.0	73.1	71.2	70.7	70.2
South African Rand	USDZAR	15.34	16.54	16.84	17.14	17.25	17.16	17.06
EM Latam								
Brazilian Real	USDBRL	3.75	4.16	4.26	4.35	4.38	4.33	4.28
Mexican Peso	USDMXN	17.77	18.1	18.2	18.3	18.3	18.1	18.0

Source: Citi Research and Bloomberg as of 4 March 2016

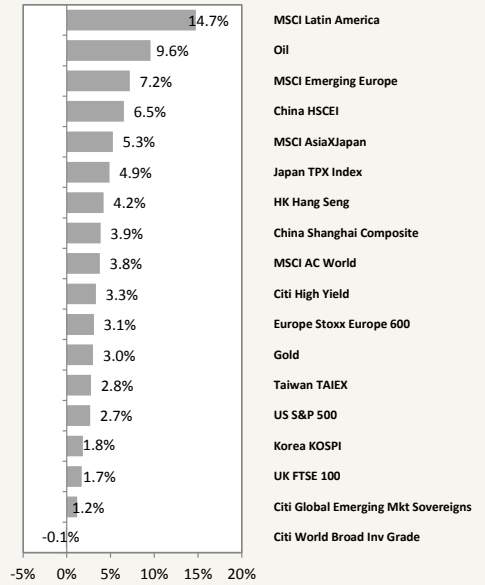
Short Rates and 10-Year Yield Forecasts

	Last price 04-Mar-16	Forecasts				
		2Q16	3Q16	4Q16	1Q17	2Q17
Short Rates (End of Period)						
US	0.50	0.75	0.75	1.00	1.00	1.25
Japan	-0.10	-0.10	-0.30	-0.30	-0.30	-0.30
Euro Area	0.05	0.05	0.05	0.05	0.05	0.05
10-Year Yield (Period Average)						
US	1.87	2.25	2.30	2.30	2.33	2.35
Japan	-0.04	-0.10	-0.15	-0.15	-0.20	-0.20
Euro Area	0.24	0.30	0.40	0.50	0.60	0.60

Source: Citi Research and Bloomberg as of 4 March 2016

Weekly Market Performance

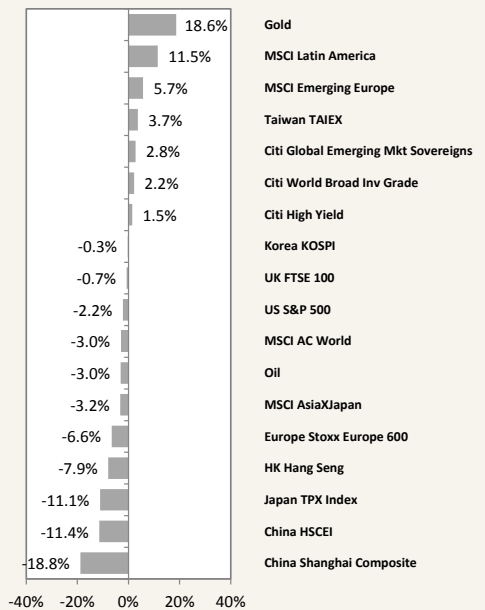
(29 February - 4 March 2016)



Source: Bloomberg as of 4 March 2016

Market Performance (Year-To-Date)

(As of 4 March 2016)



Source: Bloomberg as of 4 March 2016

World Market At Glance

	Last price	52-Week	52-Week	Historical Returns (%)				
	04-Mar-16	High	Low	1 week	1 month	1 year	Year-to-date	Year-to-date (USD)
US / Global								
MSCI World	387.33	443.98	351.25	3.78%	4.12%	-9.76%	-3.01%	-3.01%
Dow Jones Industrial Average	17006.77	18351.36	15370.33	2.20%	3.60%	-6.02%	-2.40%	-2.40%
S&P 500	1999.99	2134.72	1810.10	2.67%	4.41%	-4.70%	-2.15%	-2.15%
NASDAQ	4717.02	5231.94	4209.76	2.76%	4.60%	-5.04%	-5.80%	-5.80%
Europe								
MSCI Europe	390.92	478.94	355.54	4.03%	2.64%	-13.93%	-4.88%	-4.88%
Stoxx Europe 600	341.80	415.18	302.59	3.09%	3.97%	-12.50%	-6.56%	-5.43%
FTSE100	6199.43	7122.74	5499.51	1.70%	5.10%	-10.40%	-0.69%	-4.14%
CAC40	4456.62	5283.71	3892.46	3.29%	5.39%	-9.37%	-3.89%	-2.72%
DAX	9824.17	12390.75	8699.29	3.27%	4.59%	-13.75%	-8.55%	-7.82%
Japan								
NIKKEI225	17014.78	20952.71	14865.77	5.10%	-0.18%	-9.03%	-10.61%	-5.36%
Topix	1375.35	1702.83	1193.85	4.89%	-0.97%	-9.34%	-11.11%	-5.89%
Emerging Markets								
MSCI Emerging Market	790.97	1069.13	686.74	6.88%	6.95%	-18.98%	-0.40%	-0.40%
MSCI Latin America	2039.70	2776.68	1550.47	14.75%	14.32%	-19.46%	11.47%	11.47%
MSCI Emerging Europe	116.68	159.85	91.09	7.20%	8.34%	-12.62%	5.74%	5.74%
Brazil Bovespa	49084.87	58574.79	37046.07	18.01%	20.24%	-2.74%	13.23%	20.15%
Russia RTS	818.25	1092.52	607.14	8.03%	10.75%	-8.03%	8.09%	8.09%
Asia								
MSCI Asia ex-Japan	483.84	644.14	434.84	5.27%	6.16%	-17.46%	-3.22%	-3.22%
Australia S&P/ASX 200	5090.03	5996.40	4706.70	4.30%	2.20%	-13.75%	-3.89%	-2.07%
China HSCEI (H-shares)	8557.69	14962.74	7498.81	6.51%	7.31%	-27.10%	-11.42%	-11.57%
China Shanghai Composite	2874.15	5178.19	2638.30	3.86%	3.35%	-12.36%	-18.79%	-19.06%
Hong Kong Hang Seng	20176.70	28588.52	18278.80	4.20%	5.18%	-17.53%	-7.93%	-8.08%
India Sensex30	24646.48	29518.32	22494.61	6.44%	1.27%	-16.11%	-5.63%	-6.58%
Indonesia JCI	4850.88	5524.04	4033.59	2.49%	3.97%	-10.96%	5.61%	12.73%
Malaysia KLCI	1692.49	1867.53	1503.68	1.75%	2.16%	-7.29%	-0.00%	5.92%
Korea KOSPI	1955.63	2189.54	1800.75	1.85%	2.05%	-2.13%	-0.29%	-1.91%
Philippines PSE	6899.07	8136.97	6084.28	1.89%	3.70%	-12.09%	-0.76%	-0.29%
Singapore STI	2837.00	3549.85	2528.44	7.08%	10.89%	-16.94%	-1.59%	1.46%
Taiwan TAIEX	8643.55	10014.28	7203.07	2.76%	7.20%	-10.17%	3.66%	4.92%
Thailand SET	1379.53	1575.39	1220.96	2.71%	6.35%	-11.73%	7.10%	9.26%
Commodity								
Oil	35.92	62.58	26.05	9.58%	13.24%	-30.29%	-3.02%	-3.02%
Gold spot	1259.25	1279.95	1046.43	2.99%	8.97%	4.91%	18.64%	18.64%

Source: Bloomberg as of 4 March 2016

Disclaimer

"Citi analysts" refers to investment professionals within Citi Research ("CR"), Citi Global Markets Inc. ("CGMI") and voting members of the Citi Global Investment Committee. Citibank N.A. and its affiliates / subsidiaries provide no independent research or analysis in the substance or preparation of this document.

The information in this document has been obtained from reports issued by CGMI. Such information is based on sources CGMI believes to be reliable. CGMI, however, does not guarantee its accuracy and it may be incomplete or condensed. All opinions and estimates constitute CGMI's judgment as of the date of the report and are subject to change without notice. This document is for general information purposes only and is not intended as a recommendation or an offer or solicitation for the purchase or sale of any security or currency. No part of this document may be reproduced in any manner without the written consent of Citibank N.A. Information in this document has been prepared without taking account of the objectives, financial situation, or needs of any particular investor. Any person considering an investment should consider the appropriateness of the investment having regard to their objectives, financial situation, or needs, and should seek independent advice on the suitability or otherwise of a particular investment. Investments are not deposits, are not obligations of, or guaranteed or insured by Citibank N.A., Citigroup Inc., or any of their affiliates or subsidiaries, or by any local government or insurance agency, and are subject to investment risk, including the possible loss of the principal amount invested. Investors investing in funds denominated in non-local currency should be aware of the risk of exchange rate fluctuations that may cause a loss of principal. Past performance is not indicative of future performance, prices can go up or down. Some investment products (including mutual funds) are not available to US persons and may not be available in all jurisdictions. Investors should be aware that it is his/her responsibility to seek legal and/or tax advice regarding the legal and tax consequences of his/her investment transactions. If an investor changes residence, citizenship, nationality, or place of work, it is his/her responsibility to understand how his/her investment transactions are affected by such change and comply with all applicable laws and regulations as and when such becomes applicable. Citibank does not provide legal and/or tax advice and is not responsible for advising an investor on the laws pertaining to his/her transaction.

Citi Research (CR) 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. For more information, please refer to

Country Specific Disclosures

- Australia** : This document is distributed in Australia by Citigroup Pty Limited ABN 88 004 325 080, AFSL 238098. For a full explanation of the risks of investing in any investment, please ensure that you fully read and understand the relevant Product Disclosure Statement prior to investing.
- Hong Kong** : This document is distributed in Hong Kong by Citibank (Hong Kong) Limited ("CHKL"). Prices and availability of financial instruments can be subject to change without notice. Certain high-volatility investments can be subject to sudden and large falls in value that could equal the amount invested.
- India** : This document is distributed in India by Citibank N.A. Investment are subject to market risk including that of loss of principal amounts invested. Products so distributed are not obligations of, or guaranteed by, Citibank and are not bank deposits. Past performance does not guarantee future performance. Investment products cannot be offered to US and Canada Persons. Investors are advised to read and understand the Offer Documents carefully before investing.
- Indonesia** : This report is made available in Indonesia through Citibank N.A., Indonesia Branch. Citibank N. A., Indonesia is a bank that is licensed, registered and supervised by the Indonesia Financial Services Authority (OJK).
- Korea** : This document is distributed in South Korea by Citibank Korea Inc. Investors should be aware that investment products are not guaranteed by the Korea Deposit Insurance Corporation and are subject to investment risk including the possible loss of the principal amount invested. Investment products are not available to US persons.
- Malaysia** : This document is distributed in Malaysia by Citibank Berhad.
- People's Republic of China** : This document is distributed by Citibank (China) Co., Ltd in the People's Republic of China (excluding the Special Administrative Regions of Hong Kong and Macau, and Taiwan).
- Philippines** : This document is made available in Philippines by Citicorp Financial Services and Insurance Brokerage Phils. Inc, Citibank N.A. Philippines. Investors should be aware that Investment products are not insured by the Philippine Deposit Insurance Corporation or Federal Deposit Insurance Corporation or any other government entity.
- Singapore** : This report is distributed in Singapore by Citibank Singapore Limited ("CSL"). Investment products are not insured under the provisions of the Deposit Insurance and Policy Owners' Protection Schemes Act 2011 of Singapore and are not eligible for deposit insurance coverage under the Deposit Insurance Scheme.
- Thailand** : This document contains general information and insights distributed in Thailand by Citigroup and is made available in English language only. Citi does not dictate or solicit investment in any specific securities and similar products. Investment contains certain risk, please study prospectus before investing. Not an obligation of, or guaranteed by, Citibank. Not bank deposits. Subject to investment risks, including possible loss of the principal amount invested. Subject to price fluctuation. Past performance does not guarantee future performance. Not offered to US persons.
- Vietnam** : This document is distributed in Vietnam by Citibank, N.A., - Ho Chi Minh City Branch and Citibank, N.A. - Hanoi Branch, licensed foreign bank's branches regulated by the State Bank of Vietnam. Investment contains certain risk, please study product's prospectus, relevant disclosures and disclaimers and the terms and conditions for details before investing. Investment products are not offered to US persons.
- United Kingdom** : This document is distributed in U.K. by Citibank Europe plc, UK Branch. The registered address in the UK is Citibank Centre, Canada Square, Canary Wharf, London E14 5LB. Citibank Europe plc, UK Branch is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.