

### Focus turns to US earnings season

- The Post-Yellen rally appears to have been hamstrung by the persistent strength in the Japanese yen, which neared an 18-month high versus the US dollar. Focus also remained on the divergent global monetary policy front with financial stocks being hampered by festering concerns about the impact of negative interest rate policies and as the Fed March meeting minutes showed policymakers remained dividend on the path of future rate hikes.
- Market are likely to stay nimble as US earnings season kicks off this week with Citi analysts expecting EPS to decline 2.10% yoy. The inflation picture may also likely continue to garner heightened attention, courtesy of the releases of the March Consumer Price Index (CPI) and the Producer Price Index (PPI) this week.
- Finally on the data front, China macro release will be a focus this coming week with new loans, FDI, trade data, industrial production, retail sales and GDP figures expected.

### Performance

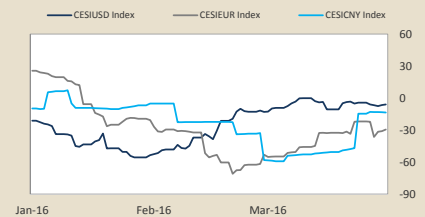
- Stocks finished lower on the week, with financials pressuring the global markets. The MSCI World Index lost 0.55%. In the US, the Dow Jones Industrial Average and the S&P 500 Index decreased 1.21%, while the Nasdaq Composite declined 1.30%.
- In contrast, European equities trade higher, with the Stoxx Europe 600 Index gaining 0.23%. Meanwhile, Japanese equities, as measured by the Nikkei 225 and Topix plummeted 2.12% and 1.05% respectively as the Yen continued to strengthen against the US dollar.
- In Emerging Markets, the MSCI Emerging Europe was the only outperformer, rising 1.05%. On the other hand, the MSCI Latin America and the MSCI Asia ex-Japan fell 2.86% and 0.82% respectively. Within Asia, India and Thailand were the worst performing, losing 2.36% and 2.22% respectively on the week.

### Asset Allocation

- **Equities** — Fed dovishness suggests lower real yields and weak USD. This is bullish for US and EM asset markets relative to Europe and Japan.
- **Credit** — Investment grade bonds look more attractive in the US and Europe. High Yield Bonds in the US and Europe are also maintained at Overweight (European HY to a greater degree).
- **Rates** — Our underweights in low/negative-yield sovereign bonds remain unchanged but we added durations given the dovish Fed and other major central banks' easing bias.
- **Commodities** — Stretched net long positioning in gold may be a reason for the recent weak price action. Fading concerns about global recession suggest limited upside for gold. Crude oil prices surged on signs of supply adjustments taking place.

### Stabilizing US economic data

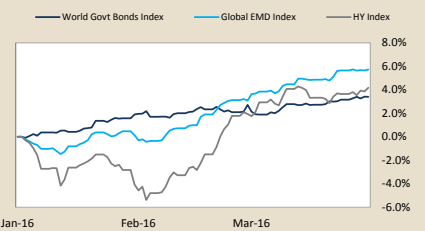
#### Citi Economic Surprise Index



Source: Bloomberg as of 8 April 2016

### EM got a boost from Fed

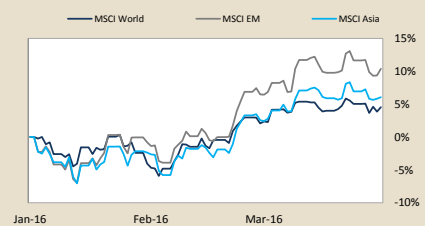
#### Accumulated 3-month Bond Index Returns



Source: Bloomberg as of 8 April 2016

### EM equities outperforming DM

#### Accumulated 3-month Equity Index Returns



Source: Bloomberg as of 8 April 2016

### Week Ahead Key Data and Event

Date	Country	Data & Event	Period	Survey	Prior	Citi Fct
13-Apr	CH	Exports YoY	Mar	10.0%	-25.4%	13.5%
13-Apr	CH	Imports YoY	Mar	-10.1%	-13.8%	-10.3%
13-Apr	EC	Industrial Production SA MoM	Feb	-0.7%	2.1%	-0.7%
13-Apr	JN	PPI MoM	Mar	0.0%	-0.2%	-0.1%
13-Apr	JN	PPI YoY	Mar	-3.5%	-3.4%	-3.7%
13-Apr	US	Retail Sales Advance MoM	Mar	0.1%	-0.1%	0.1%
14-Apr	EC	CPI YoY	Mar F	-0.1%	-0.1%	-0.1%
14-Apr	SI	GDP YoY	1Q A	1.7%	1.8%	1.5%
14-Apr	US	CPI MoM	Mar	0.2%	-0.2%	0.2%
15-Apr	CH	Industrial Production YoY	Mar	6.0%	--	5.6%
15-Apr	CH	Retail Sales YoY	Mar	10.4%	--	10.3%
15-Apr	CH	GDP YoY	1Q	6.7%	6.8%	6.6%

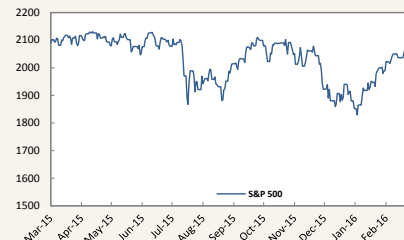
Source: Bloomberg as of 8 April 2016

## Drivers and Risks by Market

### United States

- **Driver:** Although the minutes of the March FOMC meeting were expectedly less dovish than Chair Yellen's earlier comments, there was clear evidence that policymakers saw downside risks to growth from developments overseas and in credit markets and increasing uncertainty about inflation outlook. While sentiment remains supportive in the aftermath of dovish FOMC surprise, Citi analysts anticipate better year-over-year EPS trends in 2H16 given the recently weaker US dollar.
- **Risk:** Expected EBIT margin pressures, the impact of additional Fed rate hikes and the uncertainty surrounding the US presidential elections may likely cap upside in US equities while low interest rates for longer may limit downside.
- **Implication:** Citi analysts maintain their year-end 2016 S&P 500 objective of 2,150 and our mid-2016 target of 2,100. On sectors, we are overweight on Financials, IT, Industrials and Energy.

End-2016 Target: 2150

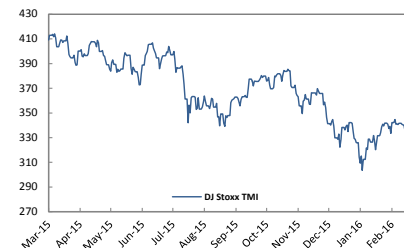


Source: Bloomberg as of 8 April 2016

### Europe

- **Driver:** With European equities looking very cheap against government and corporate bonds, Europe is only overweight market within DM equity with our forecast of a double-digit return driven by a combination of modest growth and re-rating along with extra effort from the ECB.
- **Risk:** The June 23rd EU referendum in UK is likely to be the key focus in coming months. Citi analysts think the vote will be very close, with the associated uncertainty likely to be a drag on UK asset prices.
- **Implication:** Although we recognise that recent sterling weakness should boost overseas EPS, Brexit concerns mean that we are neutral on UK equities.

End-2016 Target: 380

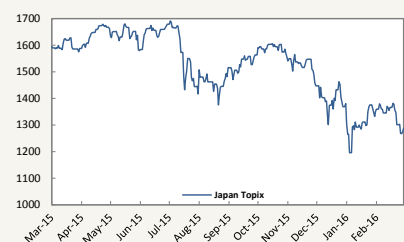


Source: Bloomberg as of 8 April 2016

### Japan

- **Driver:** After the yen strengthened beyond ¥110/\$, Chief Cabinet Secretary Yoshihide Suga stepped up the government's rhetoric on April 7, saying "We will take steps if necessary".
- **Risk:** Citi strategists think that street expectations of double digit EPS growth in 2016 are much too high, which suggests that there are plenty of profit downgrades to come. Citi forecasts EPS growth of +2.7% in FY16 based on a forex assumption of ¥112/\$. However, if the yen were stronger, the risk of negative EPS growth in FY16 would increase.
- **Implication:** We revised down Japan to neutral from overweight given Yen appreciation. While the BoJ's additional easing may prevent the yen strengthening any further, we believe more BoJ easing would be especially positive for J-REITs and real estate, but negative for banks and insurers.

End-2016 Target: 1500

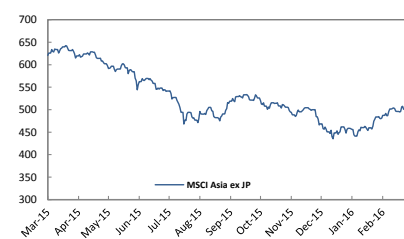


Source: Bloomberg as of 8 April 2016

### Emerging Markets

- **Driver:** Concerns about China, in particular its currency policy and rising Non Performing Loans have faded somewhat. Moreover, Chinese government injected more credit into the system to stabilize growth outlook. The fading of concerns and eased monetary conditions led to EM equity outperformance.
- **Risk:** In China, March CPI inflation came in at 2.3%YoY, which still remains at a 21-month high, owing to elevated vegetable and pork prices. Elevated March CPI inflation may lead to a pause for monetary policy easing, especially as Chinese depositors are facing negative real interest rates again.
- **Implication:** Citi analysts maintain their call of another RRR cut of 50bps in 2Q16, and expect fiscal policy to play a more active role to support growth in China.

End-2016 Target: 530



Source: Bloomberg as of 8 April 2016

## Currency Forecast

Currency	Last price		Forecasts					
	08-Apr-16		Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17
<b>G10-US Dollar</b>								
Euro	EURUSD	1.1399	1.13	1.13	1.11	1.10	1.10	1.10
Japanese yen	USDJPY	108.07	110	110	110	111	111	111
British Pound	GBPUSD	1.41	1.43	1.43	1.44	1.45	1.43	1.42
Swiss Franc	USDCHF	0.95	0.97	0.98	0.99	1.00	1.00	1.00
Australian Dollar	AUDUSD	0.76	0.77	0.77	0.75	0.73	0.73	0.73
New Zealand	NZDUSD	0.68	0.68	0.67	0.66	0.65	0.65	0.65
Canadian Dollar	USDCAD	1.30	1.30	1.30	1.30	1.30	1.30	1.30
<b>EM Asia</b>								
Chinese Renminbi	USDCNY	6.46	6.52	6.65	6.73	6.81	6.85	6.89
Hong Kong	USDHKD	7.76	7.76	7.78	7.79	7.80	7.80	7.80
Indonesian Rupiah	USDIRD	13,144	13,214	13,485	13,654	13,811	13,891	13,971
Indian Rupee	USDINR	66.5	66.9	67.8	68.4	69.0	69.2	69.4
Korean Won	USDKRW	1,154	1,172	1,195	1,209	1,219	1,215	1,211
Malaysian Ringgit	USDMYR	3.90	4.11	4.24	4.30	4.35	4.34	4.33
Philippine Peso	USDPHP	46.1	46.5	47.3	47.9	48.5	48.4	48.3
Singapore Dollar	USDSGD	1.35	1.37	1.41	1.45	1.48	1.47	1.47
Thai Baht	USDTHB	35.1	34.9	35.5	36.1	36.6	36.7	36.8
Taiwan Dollar	USDTWD	32.4	32.7	33.6	34.1	34.5	34.3	34.1
<b>EM Europe</b>								
Russian Ruble	USDRUB	67.1	70.6	72.9	72.3	71.7	71.1	70.5
South African Rand	USDZAR	14.98	15.64	16.30	16.68	16.99	16.95	16.91
<b>EM Latam</b>								
Brazilian Real	USDBRL	3.59	3.57	3.68	3.91	4.10	4.08	4.06
Mexican Peso	USDMXN	17.8	17.5	17.9	18.0	18.1	18.0	17.8

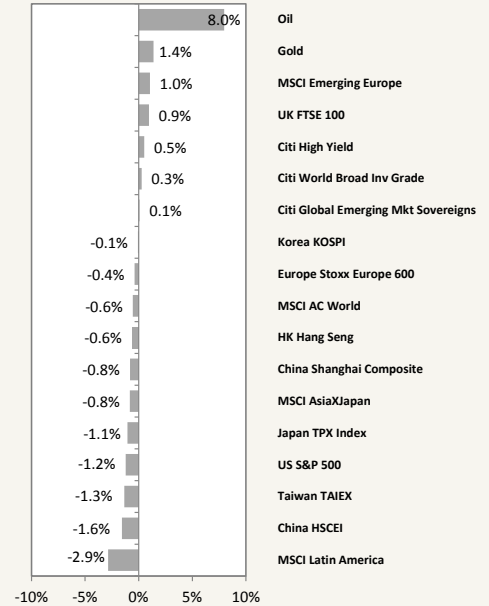
Source: Citi Research and Bloomberg as of 8 April 2016

## Short Rates and 10-Year Yield Forecasts

	Last price		Forecasts				
	08-Apr-16		2Q16	3Q16	4Q16	1Q17	2Q17
<b>Short Rates (End of Period)</b>							
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	0.00		0.00	-0.05	-0.10	-0.25	-0.25
<b>10-Year Yield (Period Average)</b>							
US	1.72		1.80	1.90	2.00	2.10	2.15
Japan	-0.08		-0.10	-0.15	-0.15	-0.20	-0.15
Euro Area	0.10		0.15	0.15	0.20	0.20	0.30

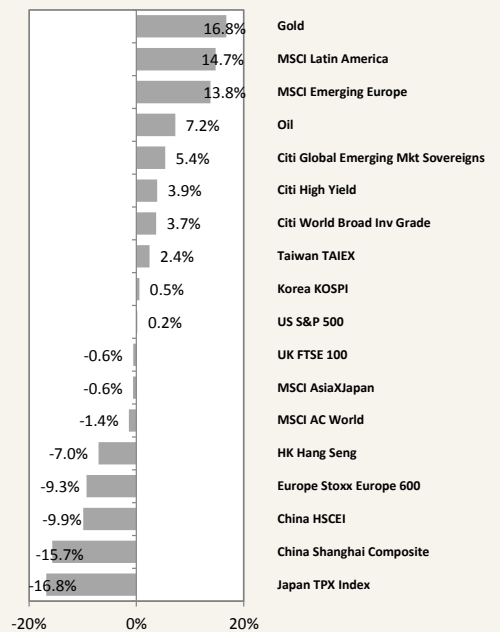
Source: Citi Research and Bloomberg as of 8 April 2016

## Weekly Market Performance (4 - 8 April 2016)



Source: Bloomberg as of 8 April 2016

## Market Performance (Year-To-Date) (As of 8 April 2016)



Source: Bloomberg as of 8 April 2016

## World Market At Glance

	Last price	52-Week	52-Week	Historical Returns (%)				
	08-Apr-16	High	Low	1 week	1 month	1 year	Year-to-date	Year-to-date (USD)
<b>US / Global</b>								
MSCI World	393.83	443.98	351.25	-0.55%	2.54%	-8.93%	-1.38%	-1.38%
Dow Jones Industrial Average	17576.96	18351.36	15370.33	-1.21%	3.61%	-1.82%	0.87%	0.87%
S&P 500	2047.60	2134.72	1810.10	-1.21%	3.45%	-1.65%	0.18%	0.18%
NASDAQ	4850.69	5231.94	4209.76	-1.30%	4.34%	-2.02%	-3.13%	-3.13%
<b>Europe</b>								
MSCI Europe	393.81	478.94	355.54	0.23%	1.52%	-14.20%	-4.18%	-4.18%
Stoxx Europe 600	331.86	415.18	302.59	-0.39%	-1.67%	-17.99%	-9.28%	-4.76%
FTSE100	6204.41	7122.74	5499.51	0.95%	1.29%	-10.57%	-0.61%	-4.77%
CAC40	4303.12	5283.71	3892.46	-0.44%	-2.29%	-16.23%	-7.20%	-2.58%
DAX	9622.26	12390.75	8699.29	-1.76%	-0.73%	-20.05%	-10.43%	-6.36%
<b>Japan</b>								
NIKKEI225	15821.52	20952.71	14865.77	-2.12%	-5.73%	-20.05%	-16.88%	-7.49%
Topix	1287.69	1702.83	1193.85	-1.05%	-4.45%	-18.94%	-16.78%	-7.38%
<b>Emerging Markets</b>								
MSCI Emerging Market	816.82	1069.13	686.74	-1.13%	3.65%	-20.00%	2.86%	2.86%
MSCI Latin America	2099.54	2776.68	1550.47	-2.86%	4.43%	-19.64%	14.74%	14.74%
MSCI Emerging Europe	125.58	159.85	91.09	1.05%	6.96%	-13.67%	13.80%	13.80%
Brazil Bovespa	50292.93	58574.79	37046.07	-0.53%	2.43%	-6.28%	16.02%	26.56%
Russia RTS	879.07	1092.52	607.14	1.99%	4.75%	-11.05%	16.12%	16.12%
<b>Asia</b>								
MSCI Asia ex-Japan	496.79	644.14	434.84	-0.82%	3.39%	-19.06%	-0.63%	-0.63%
Australia S&P/ASX 200	4937.62	5996.40	4706.70	-1.24%	-3.33%	-17.16%	-6.77%	-3.31%
China HSCEI (H-shares)	8704.81	14962.74	7498.81	-1.56%	2.35%	-35.02%	-9.90%	-9.98%
China Shanghai Composite	2984.96	5178.19	2638.30	-0.82%	2.88%	-25.28%	-15.66%	-15.39%
Hong Kong Hang Seng	20370.40	28588.52	18278.80	-0.63%	1.79%	-22.36%	-7.05%	-7.13%
India Sensex30	24673.84	29094.61	22494.61	-2.36%	0.06%	-14.05%	-5.53%	-6.34%
Indonesia JCI	4846.70	5509.00	4033.59	0.07%	0.74%	-11.66%	5.52%	11.73%
Malaysia KLCI	1718.40	1867.53	1503.68	0.46%	1.81%	-7.13%	1.53%	11.83%
Korea KOSPI	1972.05	2189.54	1800.75	-0.08%	1.33%	-4.24%	0.55%	2.97%
Philippines PSE	7247.20	8134.38	6084.28	0.03%	4.80%	-10.00%	4.25%	5.97%
Singapore STI	2808.32	3549.85	2528.44	-0.36%	1.06%	-18.85%	-2.58%	2.43%
Taiwan TAIEX	8541.50	10014.28	7203.07	-1.34%	-1.42%	-10.77%	2.44%	4.08%
Thailand SET	1369.64	1575.39	1220.96	-2.22%	-0.36%	-11.34%	6.34%	9.25%
<b>Commodity</b>								
Oil	39.72	62.58	26.05	7.96%	8.82%	-21.22%	7.24%	7.24%
Gold spot	1239.35	1285.18	1046.43	1.38%	-1.75%	3.06%	16.76%	16.76%

Source: Bloomberg as of 8 April 2016

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