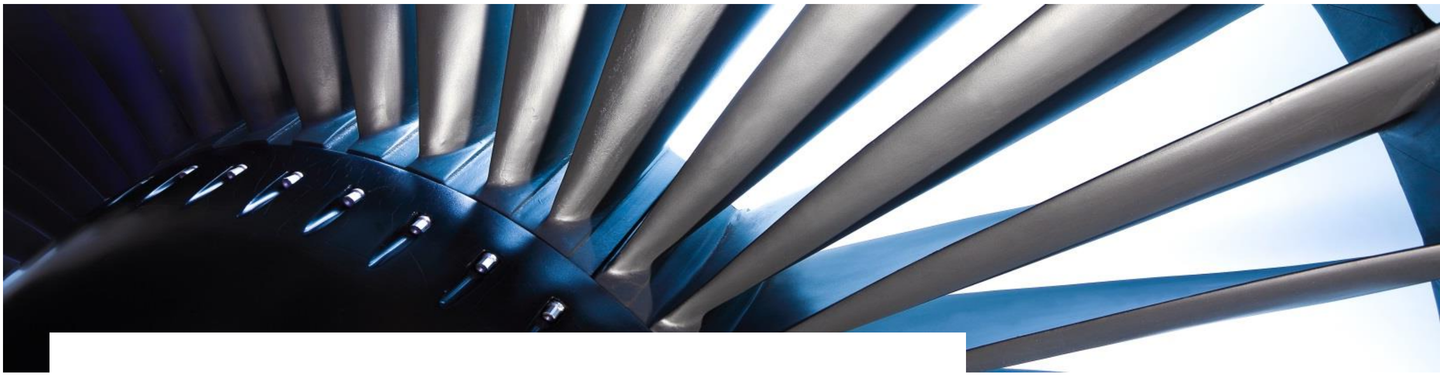


16 JANUARY 2017

Earnings Likely In Focus

By Florence Tan, Tae Hyon Ahn, Celestee Tan

US companies are starting to report their results for the fourth quarter of 2016. While Trump's inauguration and a series of Fed speeches will be closely watched by investors this week, the earnings results and guidance may also drive share prices.

Read more on page 2 >

IN THIS ISSUE

Market Performance

Global equities finished the first week slightly higher with the MSCI World Index gaining 0.21%. In the US, the Dow Jones Industrial Average and the S&P 500 Index lost 0.39% add 0.1% respectively while the Nasdaq Composite advanced 0.96%.

European equities, as measured by the Stoxx Europe 600 Index, were slightly higher, rising 0.132% on the week. Japanese equities also lost ground with the Nikkei 225 and the Topix declining 0.86% and 0.54% respectively.

EM equities finished the week on a high note with the MSCI EM index rising 1.69% led by MSCI Latin America (1.74%) and MSCI Asia ex Japan (1.88%). Meanwhile the MSCI Emerging Europe lost 0.71%. Within Asia, Singapore(2.11%), Hong Kong (1.93%), offshore Chinese equity(1.83%) are among major gainers.

US – Earnings likely in focus (Continued)

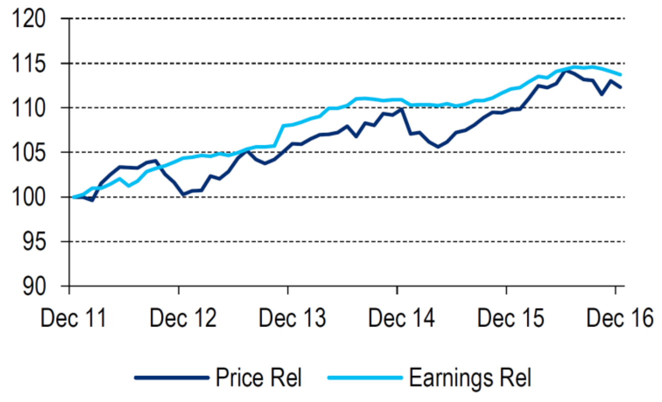
- US equities finished the week mixed with some paring of the post-election gains as the first news conference by President-elect Donald Trump lacked details of proposed economic policies.

- US companies are starting to report their results for the fourth quarter of 2016. While Trump's inauguration and a series of Fed speeches will be closely watched by investors, 4Q earnings results and guidance may be a crucial driver for share prices.

- Notably, the Financials and Energy sectors are expected to help pave the way for earnings. Citi analysts have a 2017-year end target of 2,425 for the S&P 500. They expect earnings to grow 9%, driven by a rebound in Energy sector profits and lower corporate taxes in 4Q17.

"Cite analysts expect earnings to grow 9%, driven by a rebound in Energy sector profits and lower corporate taxes in 4Q17."

US Relative Earnings/Price Momentum



Source: Citi Research as of 4 January 2017.

- In the US, Citi analysts have downgraded the Information Technology sector to an underweight after its outperformance in the past six months.

- The opposite can be seen in the Health Care sector's outlook. Since the news conference last week, where Trump indicated that the US government may re-negotiate drug prices with pharmaceutical companies, bio tech stocks are down close to 4%. While Citi analysts remain underweight the Health Care sector, they are monitoring the Health Care Equipment & Services and Materials and may upgrade these sectors if fundamentals improve.

- In the US, Citi analysts are currently overweight the Consumer Discretionary, Industrials, Energy and Financials sectors.

China – More RMB weakness expected in the medium term

Despite various government measures to stem China's capital outflow, Citi analysts expect outflows to remain large in 1Q17.

- China's Foreign Exchange reserves declined to US$3,010.5bn in Dec (Consensus: US$3,010bn, Citi: US$3,006.4bn), the sixth consecutive monthly decline. Expectations of a faster pace of rate hikes by the Fed and concerns over potential trade restrictions by the US may have intensified the downward pressure on the RMB.

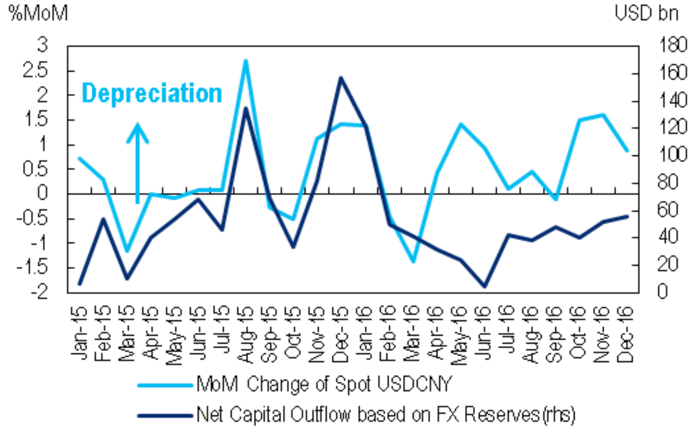
- At the start of 2017, the government took various measures to stabilize the RMB and capital outflow, including tightening regulations on residents' foreign currency purchases.

- Despite these new measures, Citi analysts believe that China's net capital outflow could remain large at around US$160bn in 1Q17.

- As capital outflow may intensify in the near term and therefore tighten monetary conditions, Citi analysts maintain our call that the Chinese central bank could cut the Reserve Requirement Ratio by 50 basis points in Q1.

"RMB strength likely to persist in coming weeks but may weaken over the medium term."

Net Capital Outflow versus RMBUSD Spot



Source: Citi Research as of 8 January 2017.

- Citi believes that the RMB strength is likely to persist in the coming weeks, as the Chinese authorities have shown a readiness to protect the currency. But expect further RMB depreciation over the medium term as a consequence of steady capital outflows given a stronger USD.

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 https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures

Country Specific Disclosures

Australia

This document is distributed in Australia by Citigroup Pty Limited ABN 88 004 325 080, AFSL No. 238098, Australian credit licence 238098. Any advice is general advice only. It was prepared without taking into account your objectives, financial situation, or needs. Before acting on this advice you should consider if it's appropriate for your particular circumstances. You should also obtain and consider the relevant Product Disclosure Statement and terms and conditions before you make a decision about any financial product, and consider if it's suitable for your objectives, financial situation, or needs. Investors are advised to obtain independent legal, financial, and taxation advice prior to investing. Past performance is not an indicator of future performance. Investment products are not available to US people and may not be available in all jurisdictions.

Bahrain

This document is distributed in Bahrain by Citibank, N.A., Bahrain. Citibank, N.A., Bahrain, may in its sole and absolute discretion provide various materials relating to the securities for information purposes only. Citibank, N.A., Bahrain is licensed by the Central Bank of Bahrain as a Conventional Retail Bank and is bound by the CBB's regulations and licensing conditions with regards to products and services provided by Citibank, N.A. Bahrain. These terms are governed by and shall be construed in accordance with the laws of the Kingdom of Bahrain. The Customer irrevocably agrees that the civil courts in the Bahrain shall have non-exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any disputes which may arise out of or in connection with these Terms and Conditions and for such purposes the Customer irrevocably submits to the jurisdiction of such courts. Investment products are not insured by government or governmental agencies. Investment and Treasury products are subject to Investment risk, including possible loss of principal amount invested. Past performance is not indicative of future results: prices can go up or down. Investors investing in investments and/or treasury products denominated in foreign (non-local) currency should be aware of the risk of exchange rate fluctuations that may cause loss of principal when foreign currency is converted to the investors' home currency. Investment and Treasury products are not available to U.S. persons. All applications for investments and treasury products are subject to Terms and Conditions of the individual investment and Treasury products. Customer understands 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 customer 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. Customer understands that Citibank does not provide legal and/or tax advice and are not responsible for advising him/her on the laws pertaining to his/her transaction. Citibank Bahrain does not provide continuous monitoring of existing customer holdings.

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.

Country Specific Disclosures

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., 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, and Citibank N.A. Philippine Branch. 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 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.