# ADCB Asset Management

## The Quarterly Investment View
## April 2015

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**Luciano Jannelli, Ph.D., CFA**
Head Investment Strategy
+971 (0)2 696 2340
luciano.jannelli@adcb.com

**Rahmatullah Khan**
Economist
Investment Strategy Team
+971 (0)2 696 2843
rahmatullah.khan@adcb.com

# The prospects of equities in a world with sluggish economic growth

Over the last years the US economy has been the main engine of global economic growth. In our last Quarterly Investment View we noted that the significant pace at which the US economy had been creating jobs was not matched by a similar increase in salary levels. We stressed that this mismatch could ultimately derail the US recovery, as continuing low wages were unlikely to further support demand growth. Over the last few months our concerns have been vindicated by an impressive series of weaker-than-expected growth data from the US. These negative numbers are somewhat compensated by better-than-expected indicators coming out of the Euro-zone. Unfortunately, Europe's resurgence can be explained by – and comes to a large extent at the expense of – America's negative growth surprises. First, there is the ECB's balance sheet expansion whereas the Federal Reserve has put a halt to additional liquidity injection. This is pushing yields down in all Euro-zone countries, except Greece. The corollary of this monetary policy divergence has been the strengthening of the US dollar, which has been reflationary for the Euro-zone, whilst deflationary for the United States and, critically, also for China. The Renminbi is, in fact, one of the few currencies which over the last years have hardly depreciated against the US dollar. A weakening Chinese economy will put a lid on the growth prospects of commodity-exporting countries such as Australia, Brazil and Russia but also on growth in the energy-exporting economies of our region. Emerging markets that export no or little energy and commodities – such as India and Turkey – are in this environment more likely to surprise on the upside. Global growth, however, will remain sluggish through 2015.

### Low oil prices and accommodating monetary policies positive for equities, differentiation is key

The combination of lower oil prices and continuing globally accommodating monetary policies will ultimately drive global equity markets in 2015. The lower oil prices significantly facilitates fiscal consolidation in emerging giants such as India, Indonesia, Turkey as well as China itself, thereby allowing central banks to further reduce rates. The lower oil price also allows advanced economies' working classes to somehow preserve their purchasing power in spite of stagnant wage growth. Over the last six years equities have rallied because companies have been able to cut their costs, rather than significantly increase their revenues. Cutting costs infinitely is certainly not a sustainable solution to any economy. Yet, also in 2015 companies' cost cuts – and the associated persistently low wages – might be sustainable precisely because the low oil price and interest rates will prevent a major demand shock from materializing.

In this scenario it will be key to avoid those markets that are more likely to suffer from the strong US dollar, such as the US equity market, but above all, and once more, equity markets in commodity producing economies. Sluggish growth is also likely to keep interest rates at bay. It therefore continues to make sense to keep US Treasuries as a hedge against excessively negative growth surprises that cannot be entirely excluded.

Luciano Jannelli, Ph.D., CFA
Head Investment Strategy
+971 (0)2 696 2340
luciano.jannelli@adcb.com

# Market Performance

April 2015

## Key indices, Commodities, Currencies and Rates

| Index | Latest | Quarterly Change (% Q1 2015) | Change in 2014 (%) |
|---|---|---|---|
| Index Snapshot (World Indices) | | | |
| S&P 500 | 2,059.7 | 0.4 | 11.4 |
| Dow Jones | 17,698.2 | -0.3 | 7.5 |
| Nasdaq | 4,880.2 | 3.5 | 13.4 |
| DAX 40 | 11,990.3 | 22.0 | 2.7 |
| Nikkei 225 | 19,312.8 | 10.1 | 7.1 |
| FTSE 100 | 6,818.3 | 3.2 | -2.7 |
| Sensex | 28,260.1 | 1.7 | 29.9 |
| Hang Seng | 25275.6 | 5.5 | 1.3 |
| Regional Markets (Sunday to Thursday) | | | |
| ADX | 4538.7 | -1.3 | 5.6 |
| DFM | 3614.7 | -6.9 | 12.0 |
| Tadawul | 8817.3 | 5.3 | -2.4 |
| DSM | 11699.0 | -4.7 | 18.4 |
| MSM30 | 6268.45 | -1.7 | -7.2 |
| BHSE | 1427.6 | 1.6 | 14.2 |
| KWSE | 6221.4 | -3.9 | -13.4 |
| MSCI | | | |
| MSCI World | 1,738.2 | 1.8 | 2.9 |
| MSCI EM | 982.9 | 1.9 | -4.6 |

| | Latest | Quarterly Change (% Q1 2015) | Change in 2014 (%) |
|---|---|---|---|
| Global Commodities | | | |
| ICE Brent USD/bbl | 56.3 | -3.9 | -48.3 |
| Nymex WTI USD/bbl | 49.29 | -10.6 | -45.9 |
| OPEC Baskt USD/bbl | 52.5 | -1.8 | -51.8 |
| Gold 100 oz USD/t oz | 1204.6 | -0.1 | -1.4 |
| Platinum USD/t oz | 1157.6 | -5.5 | -11.9 |
| Copper USD/MT | 272.45 | -3.0 | -16.8 |
| Aluminum | 1779.25 | -2.5 | 4.1 |
| Currencies | | | |
| EUR | 1.0819 | -11.3 | -12.0 |
| GBP | 1.4789 | -4.9 | -5.9 |
| JPY | 119.60 | 0.3 | 13.7 |
| CHF | 0.9615 | -2.2 | 11.4 |
| Rates | | | |
| USD Libor 3m | 0.2708 | 5.9 | 3.9 |
| USD Libor 12m | 0.6942 | 10.4 | 7.8 |
| UAE Eibor 3m | 0.7329 | 7.8 | -16.7 |
| UAE Eibor 12m | 1.0600 | 4.1 | -14.2 |
| US 3m Bills | 0.0203 | -42.0 | -46.2 |
| US 10yr Treasury | 1.8450 | -11.4 | -28.3 |

## Executive Summary

- Federal Reserve to pursue only very modest rate hikes, if any. ECB and BoJ to remain increasingly supportive through 2015,
- US growth to disappoint, but to remain around 2% YoY. Europe's and Japan's momentum to continue. Non-commodity exporting emerging markets will continue to boost solid growth, unlike commodity exporting emerging and advanced economies.
- Advanced economies' equities have still some upside given accommodative monetary policies and subdued oil prices. We are more cautious on US equities than on European and Japanese equities.
- China's reform and growth problems will remain with us for a longer period. They are now being exacerbated by a very strong US dollar, to which the Renminbi has hardly devalued.
- Commodity exporting emerging markets such as Brazil, Russia and South Africa will suffer
- Emerging markets which are not exposed to commodity prices and where the reform process seems to be more promising, such as India, are more likely to take advantage of the decline in commodity and energy prices
- Selectively emerging markets hard currency bonds offer good value, whereas local currency bonds remain subject to a scenario of continuing exchange rate volatility and US dollar strength
- Energy price volatility to continue. We cannot exclude further drawdown.
- Industrial metals have still more downside given the ongoing transformation of China's economy
- Precious metals upside to be capped by continuing global disinflation. However, the environment of low interest rates – and even the emergence of negative rates – might give some upside over the next months.

# Market Outlook and Portfolio Positioning

| | | |
|---|---|---|
| **Fixed Income** | | |
| Duration | Better stay long | Federal Reserve will only marginally start hike rates in 2015. Long-term yields remains capped by secular disinflation. High level of equity markets also likely to keep lid on yields |
| Advanced economy corporate bonds | Underweight | Credit spreads have widened again towards the end of the last year. Widening has come on the back of lower grade corporate yields moving up while high grade corporate yields have largely trended downward. |
| EM bonds | Selectively overweight | Among Emerging Markets we differentiate between commodity exporters and importers, favoring the latter. Commodity exports not only face growth issues but they seem to be prone to currency volatility. In commodity importer country's bonds, we still prefer USD bonds rather than local currency bonds because of continuing USD strength. |
| **Equity Markets** | | |
| US | Moderately underweight | US equities will continue to underperform because of potentially more disappointing earnings (both because of the USD impact and domestic growth slowdown). Continuing monetary policy uncertainty is also unlikely to help equities. |
| Eurozone | Moderately overweight | Interest rate compression is now likely to favor more the periphery economies. It might make sense to move some of the DAX profits in the wider European indices as well as some periphery indices. |
| Japan | Moderately overweight | Very accommodative Japan monetary policy is still supportive to our constructive view on Japanese equities. However, gains are likely to be limited as compared to the last two years primarily due to disappointing growth and inflation performance. |
| Emerging Markets | Selectively overweight | Emerging equity markets remain a mixed bag. We are overweight those emerging markets that are more reform prone and less dependent on commodities, such as India and some Eastern European and Asian economies, such as Turkey and Indonesia. |
| **Energy & Commodity Prices** | | |
| Energy | Neutral | The recent sharp decline in prices seem to have undershot. Yet, volatility is to remain high as long as the direction of US production remains unclear. For the moment we expect as sideward price movement. |
| Industrial Metals | Underweight | The full implications of the China transformation story will determine a further reduction in the commodity- intensity of its economy. There may be some recurring technical rebounds in specific metal prices, but globally deflationary downward pressures are likely to continue in this commodity space. |
| Precious Metals | Neutral | The US dollar is likely to remain strong. This is not favorable for precious metals. Yet, as interest rates remain globally subdued and in some cases negative, a moderate rebound of precious metals is likely. |
| **Currencies** | | |
| EUR | Down | Euro will still weaken as ECB monetary policy will remain significantly more expansionary than Fed monetary policy. A more significant appreciation of the US dollar would be the result of a return to a global risk-off scenario. This could happen if the US and China slowdown would be more nasty than expected. |
| GBP | Down | GBP should weaken less than the Euro. Speculation about a EU in- or out referendum in the case of a Tory election victory, might however increase the downward pressure on the GBP |
| JPY | Down | Japanese yen is expected to remain in a slow depreciating trend as the BoJ will continue to inject large amount of money into the system. But the yen being a carry trade currency, it should see temporary rebounds during global risk aversion phases. |

# No visible stress on non-oil activities

### Non-oil indicators do not show any signs of strain

Notwithstanding the recent slump in the oil price, governments in the Gulf Cooperation Countries (GCC) have maintained the spending momentum in spite of fiscal balances turning into deficit. We have argued earlier that governments in large member countries – Saudi Arabia and the United Arab Emirates (constituting almost 80% of the GCC GDP) – have large fiscal room to maintain or even increase current spending levels, even if the oil price remains subdued in the medium term. That belief was vindicated when Saudi Arabia announced an additional package targeting household spending in February.

In the meanwhile, non-oil sector indicators do not signal any remarkable moderation in economic activities. HSBC PMIs for Saudi Arabia and the UAE - reflecting activities in the non-oil sector - have been resilient at high levels.

Another indicator that suggests that the lower oil price has not filtered into non-oil sector activities is credit growth. Credit growth to the private sector has remained resilient. Last month's tick down seems to be largely a normalization from the spike in the prior month.

### Liquidity in the financial system remains comfortable

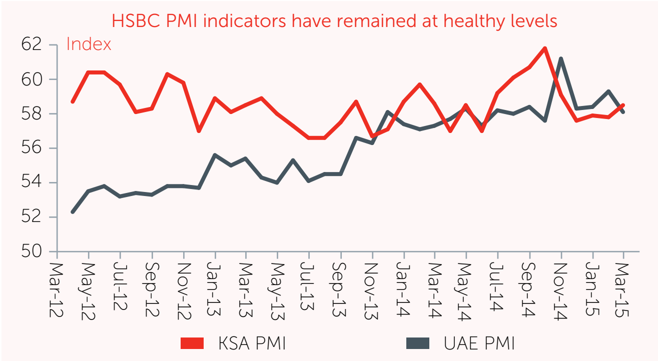
For the moment, we don't see any significant decline in bank deposits. The interbank rates also do not reflect any stress in liquidity. Having said that, if the oil price remains subdued at the current level or below, we could see a decline in deposits going forward.

### Currency appreciation is largely positive

In line with the US dollar appreciation since the second half of last year, local currencies have appreciated sharply against most major currencies. Whilst dollar appreciation might well have played a role in the sharp oil price correction, it does significantly help GCC members on their import bills as they import almost 80-90% from non-dollar regions. At the same time, there is little evidence that it is turning a dampener for tourist arrivals in places such as Dubai and Oman. GCC tourists to Dubai are largely currency neutral, while China and India, other major sources, have not witnessed currency depreciation in the recent past. Hard figures such tourist arrivals and hotel room bookings in the UAE, also confirm this.

### Remain positive on local debt and positive on equities

We believe that the credit profile of the regional corporates remains resilient and, therefore, we remain positive on local debt. At the same time, we continue to be positive on equities as valuations seem to be fairly attractive. However, caution is necessary in view of the volatility in the oil price which systematically affects sentiment in the equity markets. Domestic demand driven sectors are likely to outperform given the continued momentum in government spending.

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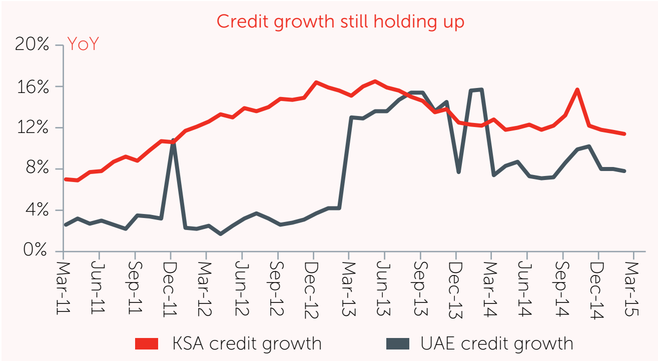


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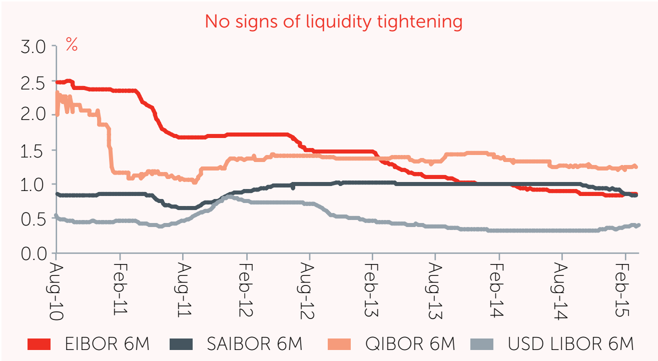


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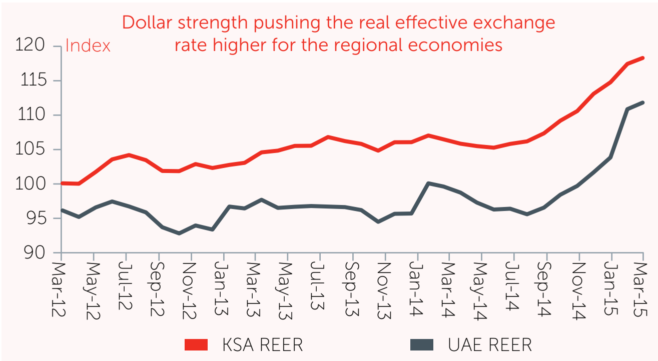



Source: Bloomberg

# Fed to remain prudent amidst global growth concerns

## US recovery to remain modest

As we had pointed out at the beginning of the year, the fact that the US job recovery is not accompanied by an analogous wage recovery is a good indicator of the fragility of the country's overall economic recovery. Lately our concerns have been confirmed by a series of soft data, in the particular the lack of a strong pick-up in consumer spending.

Clearly, the US economy is not an island. With most other central banks cutting rates to combat very strong globally deflationary pressures, the strengthening of the greenback is having a negative impact on the country's growth through the reduction of exports. And whilst it is true that household debts have come down, they remain at historically high levels such that consumers remain reluctant to step up spending in the absence of long-term clarity regarding income prospects.

## The lower oil price should provide prevent a more significant growth slowdown

The one silver lining is probably the lower oil price which, in fact, is increasing households' real income. True, the immediate impact of the lower oil price has been a collapse in capital spending in the energy sector. Yet, the net benefit of the lower oil price in a service- and consumption oriented economy such as the Unites States is likely to be positive as especially low income households will be able to more easily sustain continuing spending. The recent negative growth surprises that have affected the US economy might thus somehow subside, and partly revert.

Critically however, even if we expect US real growth to remain decent (say somewhat below the 2% annual real GDP growth rate), we do not expect a major break-out away from the lower growth rates that have emerged since the 2008 Global Financial Crisis.

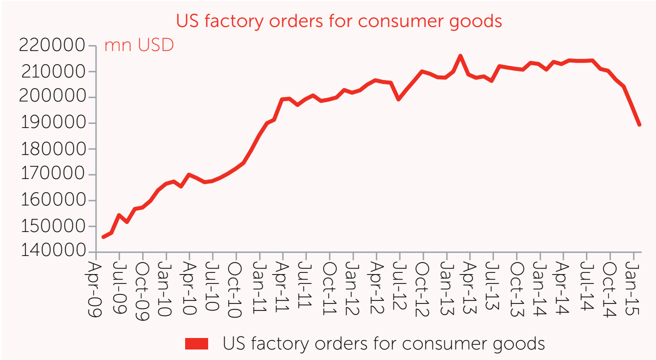
## Federal Reserve to remain very prudent

The strength of the US dollar has not only a negative impact on growth, it also has a disinflationary impact on the economy to an equivalent extent as the rise in interest rates (through the reduction of prices of imported goods). This reinforces the economy's disinflationary trend which is already very strong in view of still significant deleveraging, very well contained wage pressures, the continuous slide in commodity prices and – recently – the sharp drop in energy prices.

## Federal Reserve will remain patient, US dollar appreciation might somewhat slow down

First and foremost it is important to note that the overall stance of US monetary policy will remain accommodative through 2015 because the Federal Reserve – whilst not adding additional liquidity in the system – will not reduce the size of its balance sheet either. Thus the largely accommodative stance will not be altered by what we have long expected to be a moderate increase of the Federal Reserve Funds rate in 2015. We still believe that interest rate hikes will be very moderate at best, say 50 basis points by the end of the year.

We also think that a more cautious monetary stance will determine a more moderate appreciation of the US dollar. This will, together with continuing low yields, provide some boost to US equities, although they are likely to continue to underperform European equities which will continue to benefit from a more expansionary monetary policy and a weaker currency.

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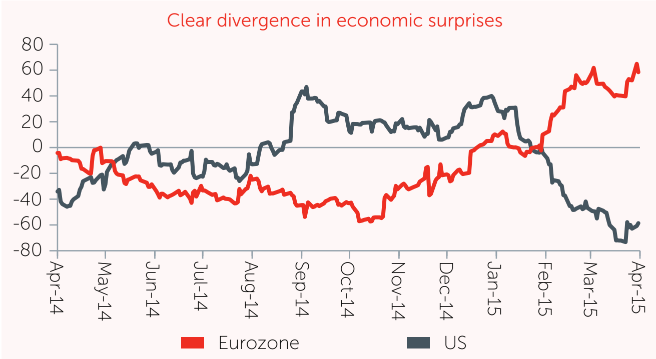


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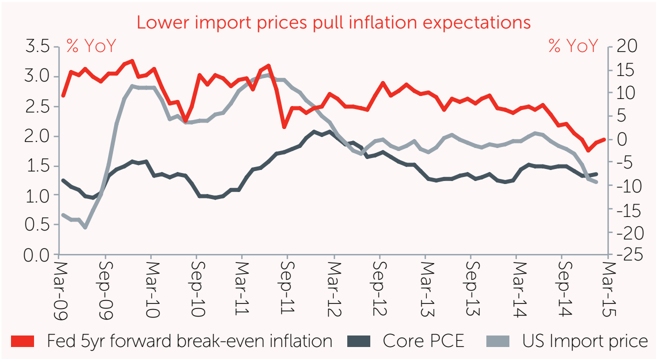



Source: Bloomberg

# Recovering but not taking over the baton of global growth engine

## Draghi's balance sheet victory improves outlook

It looks extremely likely that Mr. Draghi has won the battle within the ECB's Governing Council: the new 60 billion euro per month QE program will increase its balance sheet from 2tn to 3tn euros by September 2016. More importantly, if by that date the ECB's inflation target of below, but close to, 2% will be still off the horizon, QE is expected to continue. Whilst we do not expect 2015 growth in the Euro-zone to significantly exceed the 1% level, the significant downward pressure on yields and the euro's exchange rate is likely to continue to boost equities. We are also witnessing an increase in credit growth, even in the so-called periphery economies, a pick-up of credit growth – across all countries of the single currency area – should prevent the Euro-zone from a relapse into recession.

## What you should really know about QE in the Euro-zone

It is true that the immediate boost to growth in the Euro-zone is coming from the weaker – and thus more competitive – euro, whilst credit growth should provide additional support in the months to come. The litmus test for successful Euro-zone QE will, therefore, be credit growth in all Euro-zone countries. This goal seems now increasingly likely as QE is being successful in pushing down yields in all Euro-zone countries.

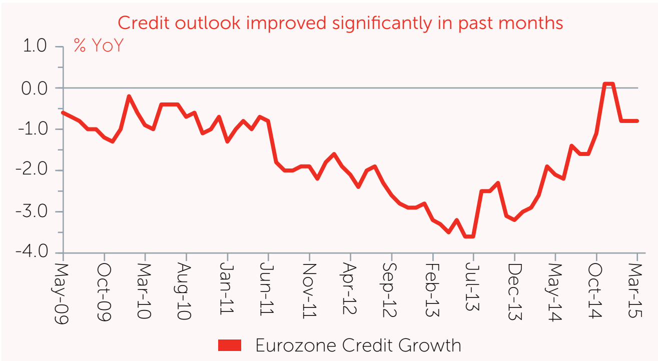
The deeper reason behind the success of QE in the Euro-zone is the fact that it eliminates – at least partly – the basic and unique flaw of the Euro-zone: the lack of a fiscal union. Under the current QE program the ECB will own directly 2.4 % of the overall public debt of the Euro-zone, and through the Euro-systems central banks it will own indirectly another 10%. Thus precisely because QE is a stealth form of fiscal policy, in the Euro-zone it introduces, as matter of fact rather than of law, a partial fiscal union. Without such partial union, we would not have observed the massive reduction in yields in the Euro-zone's periphery economies.

## German equities are the first to profit from QE, other Euro-zone equity markets will gradually catch-up too

As we had indicated in the immediate aftermath of the launch of the QE program, export-oriented equities – thus the bulk of German equities – have been the first to profit from QE, mainly through the more competitive euro. We now believe that it makes sense to take some profit from this trade and recycle it in the larger Euro-zone equity market. This is so because aggregate spending is bound to increase and – since the euro has now significantly weakened against all other currencies – other Euro-zone countries are most likely to benefit disproportionally from more German demand. On other words we should expect some rebalancing within the Euro-zone thanks to increases in German wages, increases in German borrowing because of very low interest rates, as well as a pick-up in German infrastructure spending.

## Greek exit still possible, but unlikely to derail euro

The fact that periphery country's yields having been coming while at the same time Greek bond yields have soared is a confirmation of the success of QE. It also indicates that Greece's bargaining position is extremely weak since – unlike only a year ago – other periphery economies are apparently immune from Greece's difficulties. The fact that Greece is not benefitting from QE is due to the fact that most of its debt is not in government bonds but in bilateral (bail-out) loans versus other Euro-zone countries, Furthermore, the ECB already owns approximately 30% of Greek government bonds, which is the upper limit of what it can hold under the QE program. We think that a compromise will be found to avoid Greece exiting the Euro-zone. But we recognize that a Greek exit cannot be excluded. If it would occur, it would determine market turbulence in 2015, but not derail the recovery of the Euro-zone.

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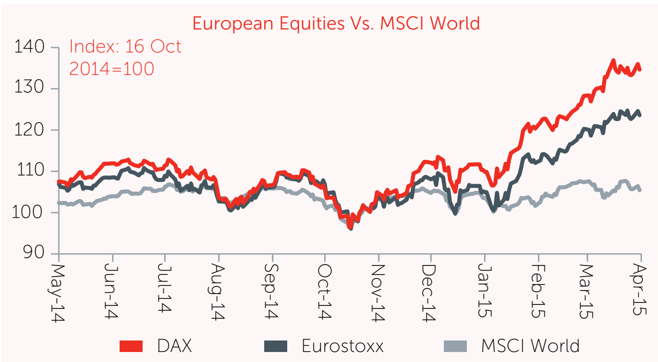



Source: Bloomberg

# Moderate recovery continues

## Growth remains moderate but sustainable

Growth momentum in Japan remains sluggish even after a sharp currency depreciation and additional monetary measures taken by the Bank of Japan. The rebound from the technical recession was muted with real GDP expanding only 1.5% in the fourth quarter. This was on the base of 6.4% and 2.6% decline in the previous two quarters. However, recent economic indicators signal continuation in recovery, though at the similarly modest pace.

Domestic demand is expected to pick-up moderately as wage growth has been modestly moving up. Investment indicators also show a pick-up in recent months. The growth outlook is also expected to get some support from external trade as exports have gained some momentum while imports have largely contracted.

## BoJ unlikely to achieve inflation target for 2015

The Bank of Japan is unlikely to achieve its own inflation target of 2% at the end of 2015. Market consensus expects 0.6% inflation at the end of the year. The muted recovery from the technical recession last year continues to put downward pressure on prices. At the same time, the positive impact of currency depreciation in pushing prices up, has been muted by the sharp decline in energy prices.

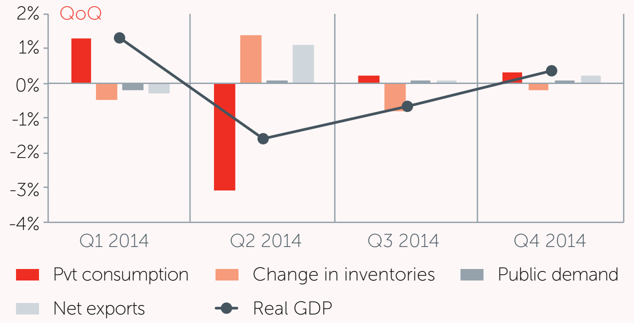
## Currency remains supportive to the growth

Although recent sharp euro depreciation blunts the Japanese yen weakness, the domestic currency remains weak on a trade-weighted basis. The significant depreciation over the past years remains supportive to growth.

## Equity still has some potential for upside

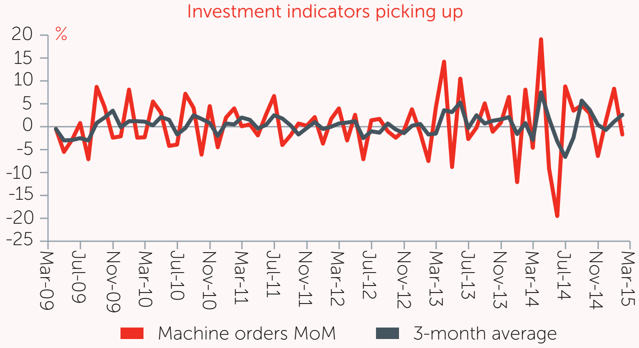
As the moderate economic recovery is on track and the Bank of Japan remains committed to a large injection of liquidity into the financial system, we see more upside potential in the equity market. From the valuation point of view as well, the 12-month forward PE for Nikkei 225 is slightly below to its ten-year average, unlike its global peers where most of them are trading at significantly higher multiples than their respective ten-year averages. We also believe that a further depreciation of the yen remains in the cards which should further support earnings of the many listed export-oriented companies.

Growth expected to remain on moderate recovery path



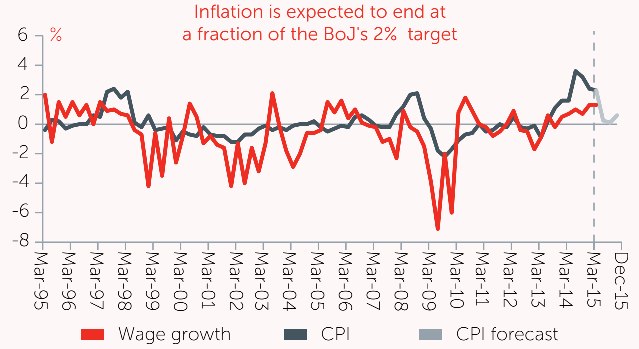

Source: Bloomberg

Investment indicators picking up



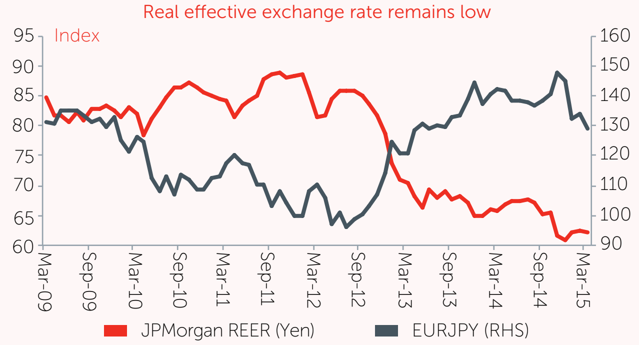

Source: Bloomberg

Inflation is expected to end at
a fraction of the BoJ's 2% target




Source: Bloomberg

Real effective exchange rate remains low




Source: Bloomberg

# Strong US dollar might well exacerbate slowdown, expect more stimulus

## Growth slowdown continuing

The ongoing economic transition in China from investment led growth, which heavily relied on infrastructure spending and exports, to domestic consumption driven growth is likely to continue to weigh on the economic outlook. The sluggish global economic conditions have weighed on exports while the curtailment of investments has slowed down manufacturing, and inevitably also consumption.

The chart shows how both the secondary (industrial) sector (which is almost half of GDP) and the tertiary (services) sector have not managed to keep up with the growth rates before the 2008 Global Financial Crisis (GFC).

Likewise, the external sector is no longer the support it once provided to the Chinese economy. Also because of the Renminbi's peg to the US dollar, exports are unlikely to repeat their 2010-11 or pre-GFC performance.

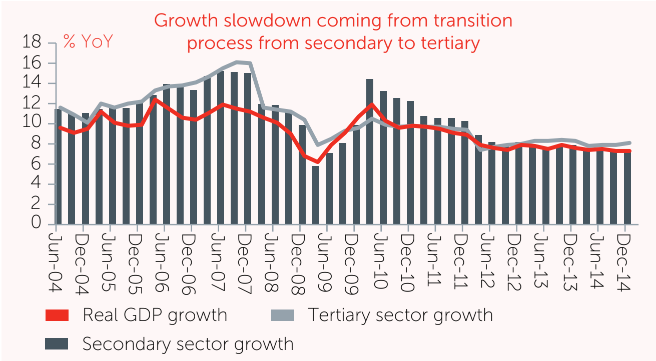
On the domestic side, the recent trend in economic releases - especially related to the manufacturing sector - confirm the growth going even further down. All in all the probability of sub-7% growth in 2015 has risen.

## People's Bank of China more dovish, for now

Slower growth has pushed the People's Bank of China (PBoC) to act by reducing, after more than two years, the one year lending rate by 25 bps to 5.35%. The market is now expecting another rate cut in 2015. Another policy consideration for the central bank would be a lower exchange rate as the renminbi is scaling new highs in real terms (REER basis) due to its soft peg with the US dollar. Therefore, we believe that the central bank could well take easing action through currency depreciation and liquidity injection.

## Careful with Chinese equities

The local equity market rallied significantly over the last two months. A most important factor for the sharp rally was likely the undervaluation of the market, as well as the reform linking the Shanghai and Honk Kong exchanges. This created optimism among investors for a further opening up the financial market. Sentiment got an additional boost from the surprise rate cut by the PBoC. Going forward further upside seems to be largely based upon speculation of the further opening of what remains a very opaque market.

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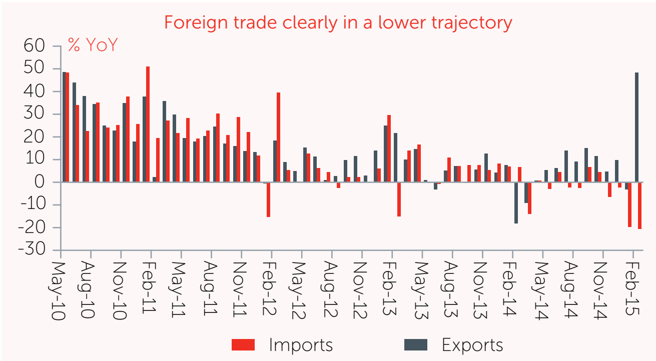


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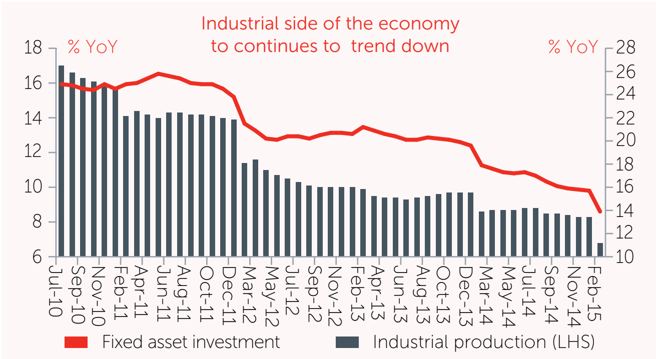


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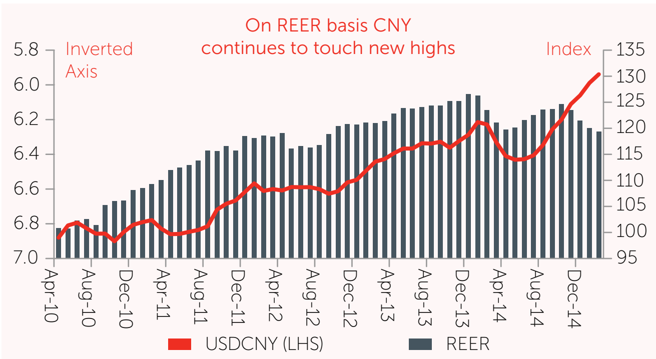



Source: Bloomberg

# Monetary moves favorable, more needed

## A clear downtrend in inflation

Globally subdued commodity prices and large liquidity injections by the ECB and the BoJ are playing in India's favor. Inflation has moderated sharply, undershooting both the market's and the Reserve Bank of India's expectations. So the two structural issues – current account (had already improved earlier) and inflation – are now largely under control. This sets a good landscape for continuing strong economic growth in the medium term.

The two recent out-of-meeting rate cuts have now vindicated our view that the RBI was bound to act upon the changing environment. We believe that the significant moderation in core consumer inflation- and wholesale inflation (the latter running eve into the negative territory for the last four months), are in line with our view on the interest rate trajectory. Moreover, a largely balanced budget proposal by the government, and the consequent containment of the fiscal deficit, are also supportive.

## Anecdotal evidence suggests growth improving but at a slower pace

There are early signs of a turnaround in capital spending as the trends in capital goods imports, projects under implementation and new investment projects, have turned for positive. However, many other indicators such as steel production, commercial vehicle sales and residential unit sales remain subdued. Once projects under implementation and new projects come online, we expect real indicators such as industrial production also to improve.

## Strong currency hurting external trade

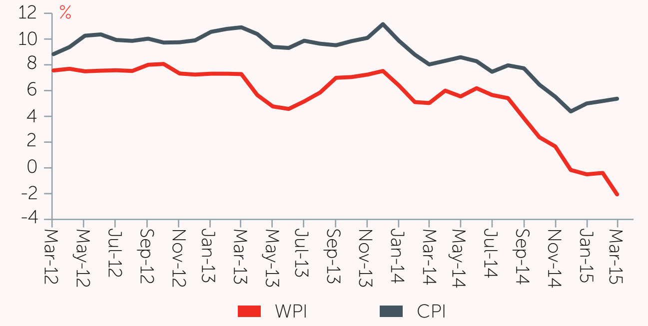
A strong correlation between the real effective exchange rate and external trade performance suggests that the recent strength in the Indian rupee could have a negative impact on the export performance. Note that the dollar-rupee cross has largely remained stable while dollar-other currencies crosses have witnessed depreciation in the recent past. Therefore, we could see some depreciation bias in the Indian rupee. Having said that, any depreciation is likely to be limited to a lower single digit.

## We continue with a positive bias on equities and bonds

A likely growth pick-up in coming quarters does provide upside potential in equities. A higher valuation could result into a sideways movement in the very near term. However, a lower interest rate and earnings growth later in the year should improve valuations. The moderate inflationary outlook and our view on interest rates make fixed income investments also attractive. However, given our view on the currency, we prefer hard currency bonds.

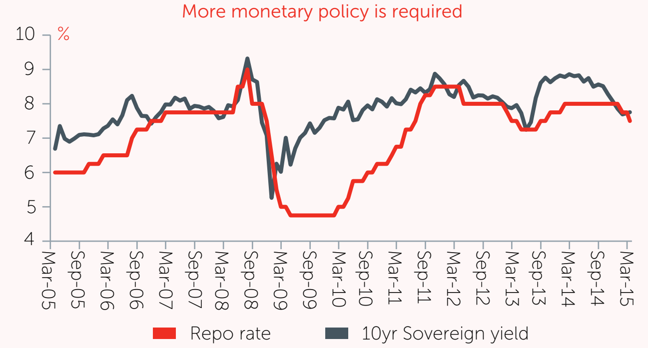
A major risk to our view comes from an eventual government failure to implement economic reforms at the desired pace. We are witnessing some difficulties in the government's attempts to pass the modified Land Acquisition Bill.

Trend in inflation is clearly downward



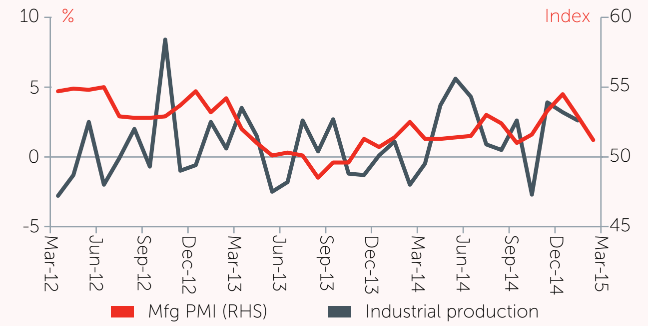

Source: Bloomberg

More monetary policy is required



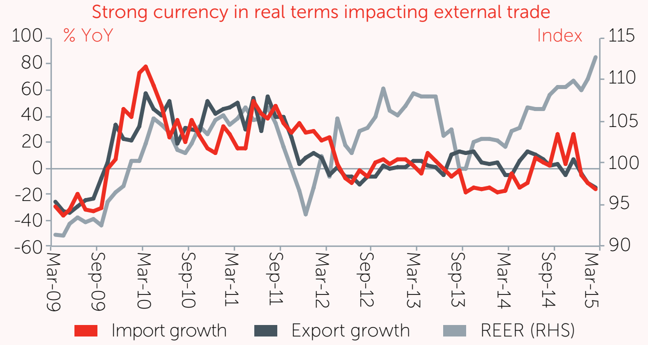

Source: Bloomberg

Growth indicators remain subdued




Source: Bloomberg

Strong currency in real terms impacting external trade




Source: Bloomberg

# Appendix

April 2015

| GDP Forecast | 2014 Estimates | 2015 Consensus | 2015 ADCB | 2016 Consensus | 2016 ADCB |
|---|---|---|---|---|---|
| US | 2.3% | 3.0% | Expect significantly less | 2.8% | In agreement |
| Eurozone | 0.8% | 1.3% | In agreement | 1.6% | In agreement |
| Japan | 0.2% | 1.0% | Expect moderately more | 1.4% | In agreement |
| China | 7.4% | 7.0% | Expect significantly less | 6.7% | Expect significantly less |
| India | 6.9% | 7.4% | In agreement | 7.7% | In agreement |

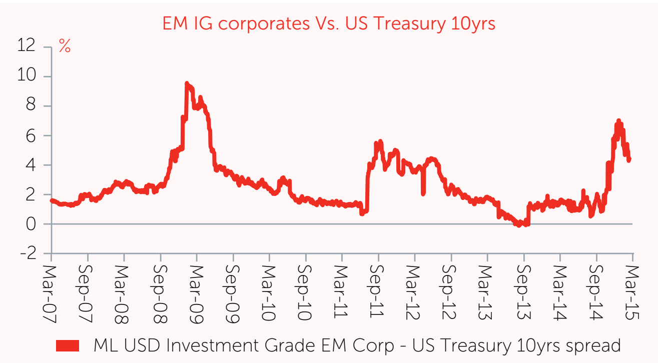
Source: Bloomberg

| CPI Forecast | 2014 Estimates | 2015 Consensus | 2015 ADCB | 2016 Consensus | 2016 ADCB |
|---|---|---|---|---|---|
| US | 1.7% | 0.3% | In agreement | 2.2% | Expect moderately less |
| Eurozone | 0.4% | 0.0% | In agreement | 1.2% | In agreement |
| Japan | 2.8% | 0.9% | In agreement | 1.3% | In agreement |
| China | 2.1% | 1.5% | In agreement | 2.2% | In agreement |
| India | 6.4% | 6.5% | Expect moderately less | 5.8% | Expect moderately less |

Source: Bloomberg

In agreement | Expect significantly less | Expect significantly more | Expect moderately less | Expect moderately more

## Bond Market Spreads

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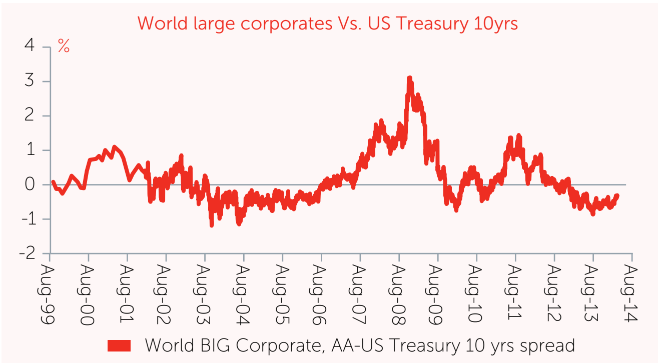


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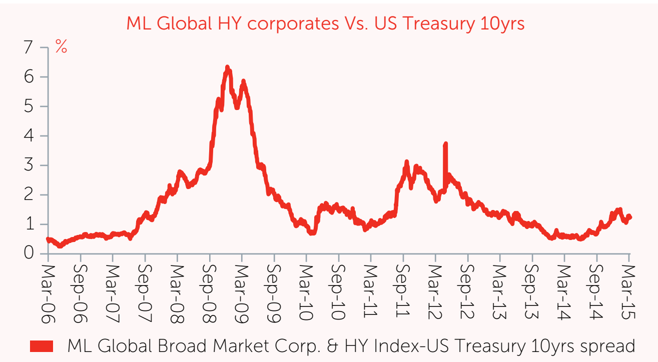


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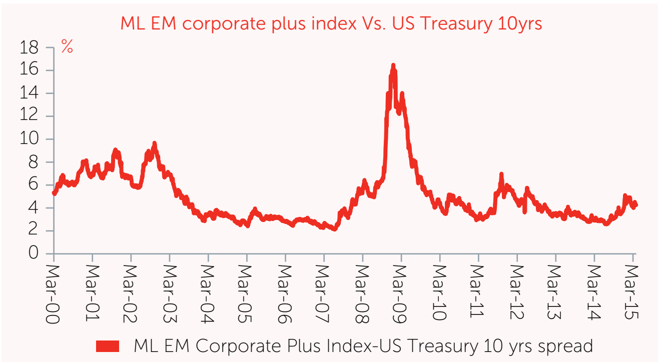
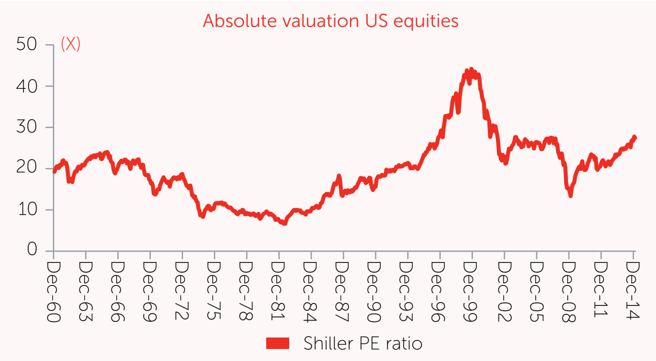



Source: Thomson Reuters

## Equity Market Valuations

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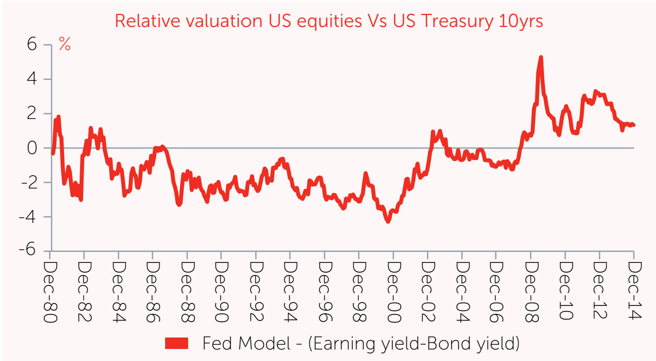


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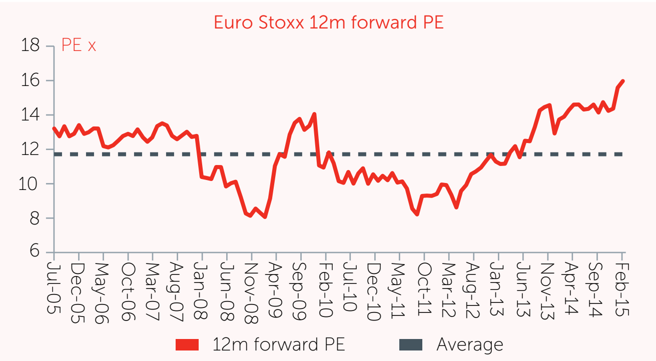


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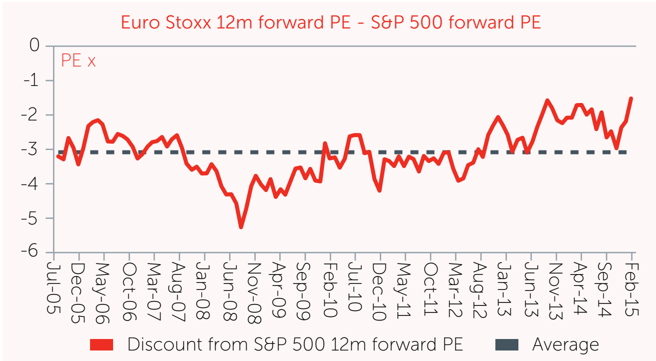


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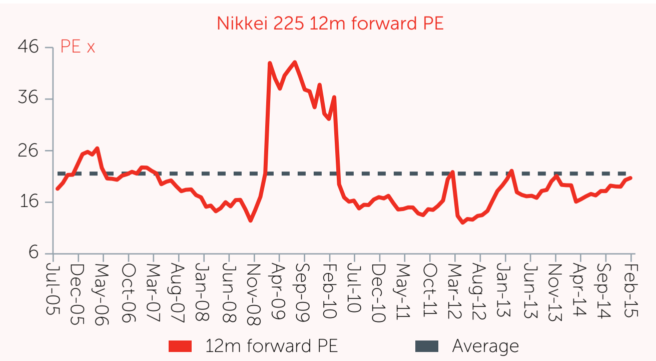


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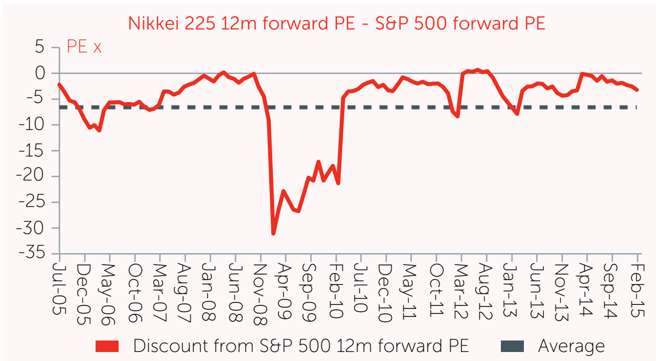


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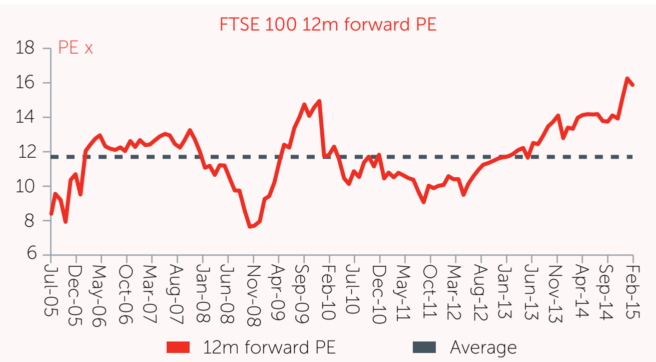


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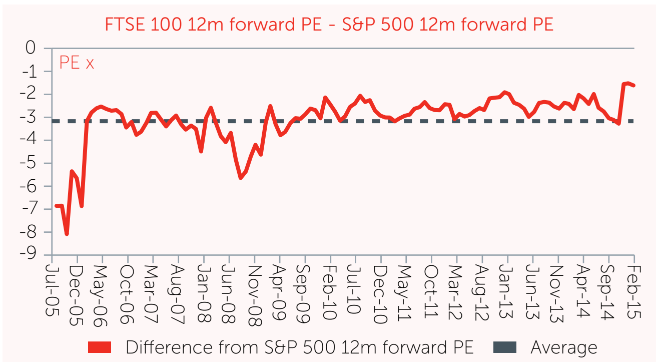
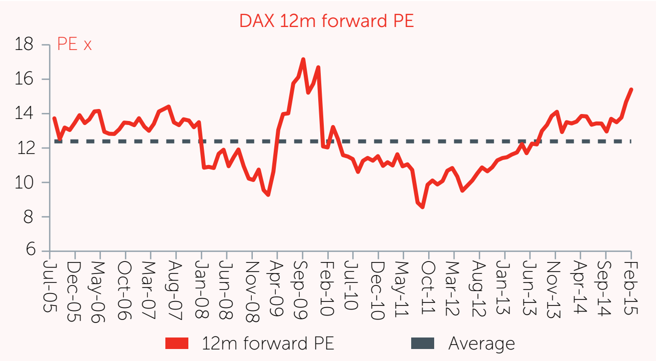



Source: Bloomberg

## Equity Market Valuations

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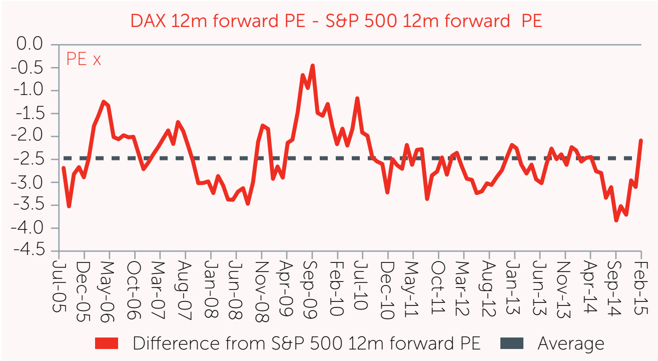


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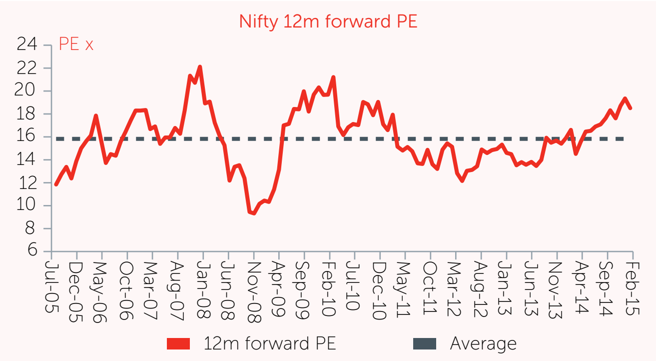


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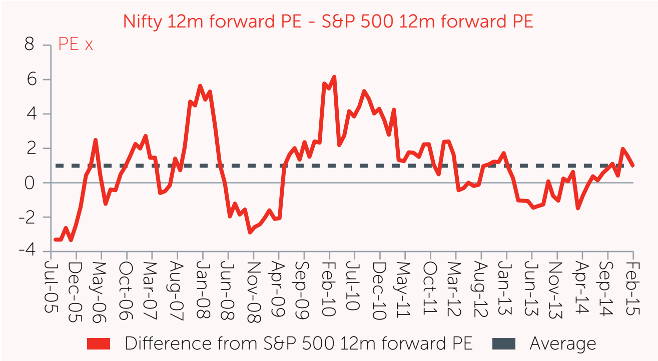


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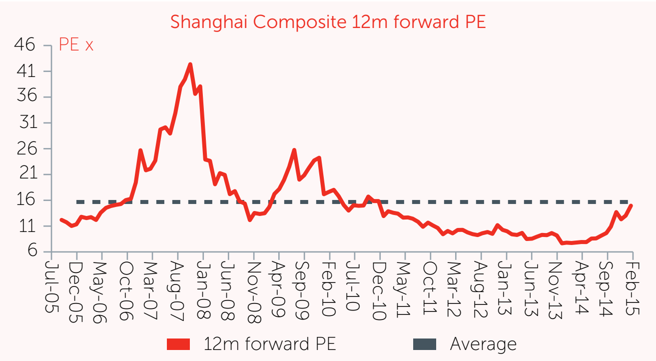


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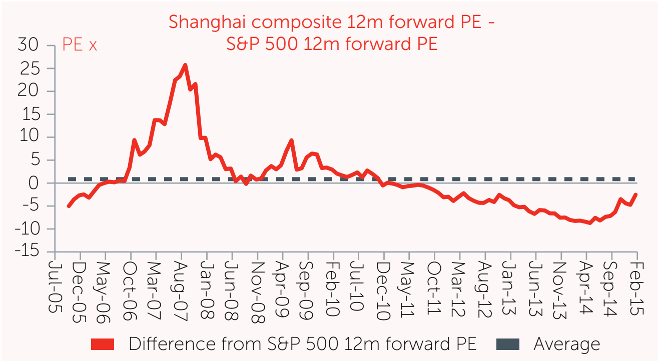


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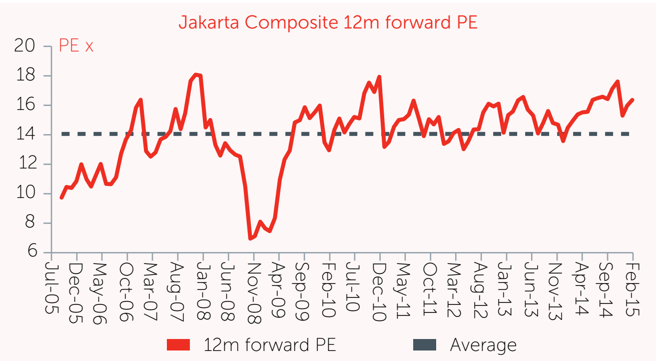


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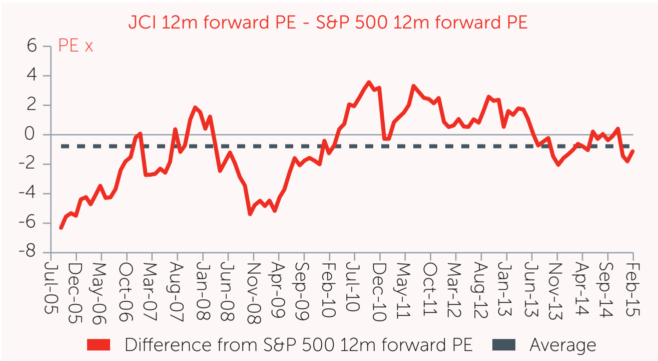
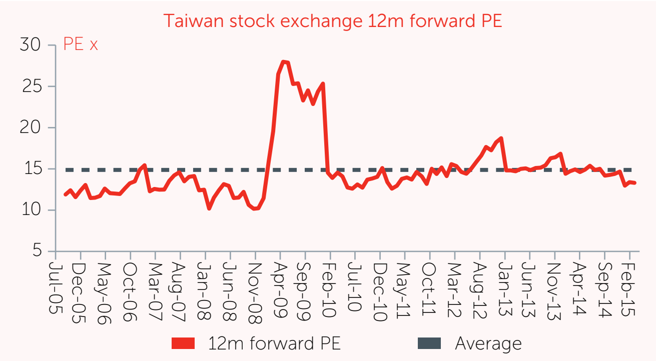



Source: Bloomberg

# Appendix

April 2015

## Equity Market Valuations

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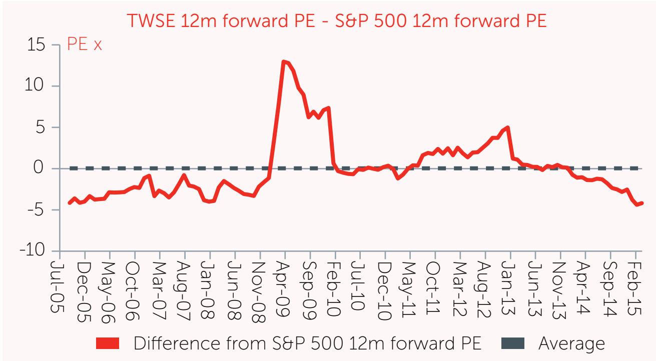


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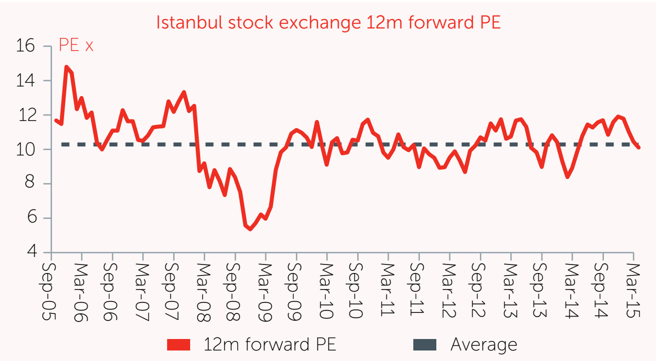


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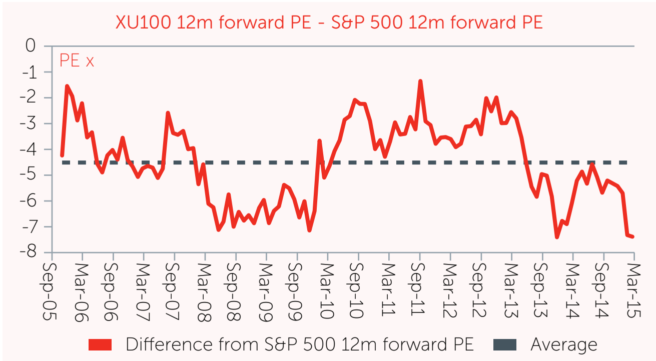


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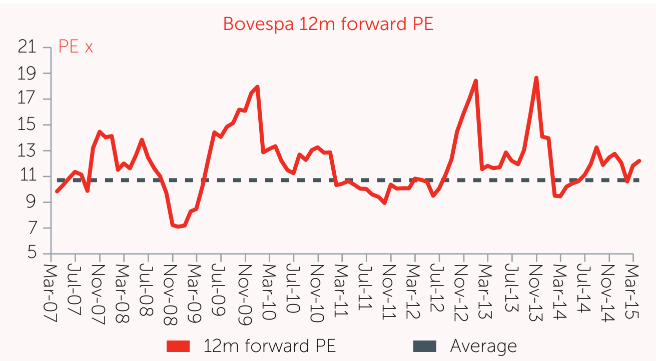


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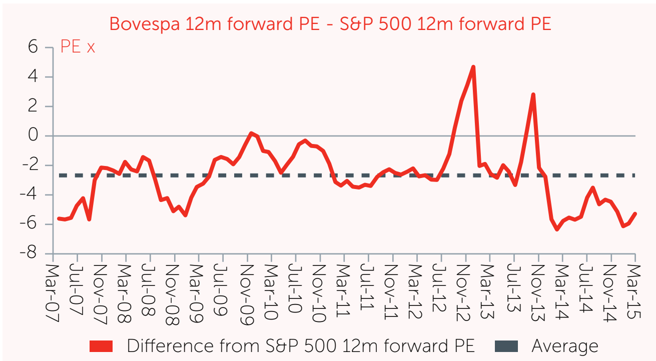


Source: Bloomberg

## Sources

All information in this report has been obtained from the following sources except where indicated otherwise:

1. Bloomberg
2. Wall Street Journal
3. RTTNews
4. Reuters
5. Gulfbase
6. Zawya

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