



# CIO Office – Chartbook

Conundrum – Outlook Q3/2023

# Index

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# CIO Office Outlook Q3 2023

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CIO Office Chartbook

*"Strategy without tactics is the slowest route to victory.  
Tactics without strategy is the noise before defeat."*

Sun Tzu

## Executive Summary

- > The narratives over the past three months have been dominated by the rise of Artificial Intelligence (AI), further geopolitical rumblings out of Russia, China and Taiwan and a surprisingly resilient economy and stock market
- > We remain overweight money market instruments given the attractive risk-return dynamics
- > We also keep an overweight in the fixed income space but concentrate on the very short end (1-3 year) of the curve
- > In equities, we have the intention to move overweight but believe a better entry point lays ahead
- > We downgrade Chinese equity exposure to underweight in favor of a new overweight in Japanese equities
- > We move temporarily to underweight on precious metals as elevated real rates pressure this segment

### NPB Investment Committee



**André Huwiler**  
Chief Investment Officer



**Dr. Markus Hofmann, CFA**  
CEO, Partner  
Global Head of Asset Management,  
Trading & Advisory



**Tom Govaerts**  
Managing Director, Partner  
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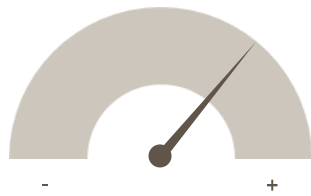
**Tim Pfister**  
Deputy Head of Asset Management

## CIO Office 2023 Global Scenarios

### Geopolitical and macroeconomic assessment

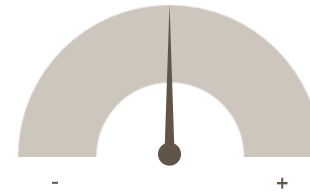
|                   | Base Case  | Best Case  | Worst Case   |
|-------------------|--|--|--|
| Russian War       | Gridlock; neither side makes notable progress, war goes on   | Ceasefire; peace talks   | Nuclear arsenal falls into wrong hands during a civil war and/or NATO involvement escalates                              |
| Energy            | Global energy crisis is averted; continuous adaption of alternative energy sources are supportive to economy         | Better infrastructure (e.g. EU LNG) and faster than expected adoption of alternative sources keep fossil fuel prices low                 | Rising geopolitical tensions and chronic underinvestment in traditional energy sources cause prices to rise dramatically |
| AI/Digitalisation | Gradual adoption of AI & Digitalisation further increases productivity   | Much faster than expected adaption of new technologies leads to a productivity boost and a new golden age                                | Overregulation leads to much slower adaption and hinders productivity increase   |
| Geopolitics       | Sino-US relations remain tense, but the status quo prevails; China continues with Hong Kong-style takeover of Taiwan | US and Chinese diplomats find agreements on main friction points; newly found peace in Middle East leads to new era of global prosperity | Sino-US tensions escalate, with China invading Taiwan. Risk-off mode for asset prices, except commodities                |
| Economy           | Slowdown but no recession, with inflation being kept in check  | Slowdown is already over, and inflation falls back to long-term target level (~2%) of central banks                                      | Severe recession followed by a pick-up in inflation as central banks over-ease monetary policy                           |
| Probability       | <i>High</i>  | <i>Highly unlikely</i>   | <i>Tail risk; low probability</i>  |

## NPB Global asset allocation views (6-12m outlook)



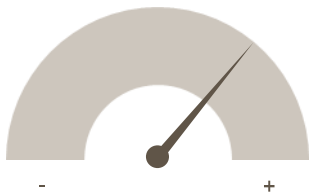
### Cash & Money Market Instruments

We remain overweight money market instruments given the attractive risk-return dynamics



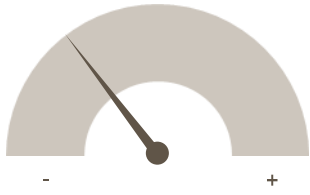
### Precious Metals

Recognizing the benefits of precious metals as diversifiers in a portfolio, we nevertheless reduce the exposure to benchmark neutral, given the higher opportunity cost, and convinced that a better (lower) entry point lies ahead



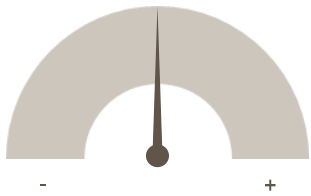
### Fixed Income

We keep an overweight on this asset class and continue to focus on the short-end of the curve (1-3 years) due to the shape (inversion) of the yield curve



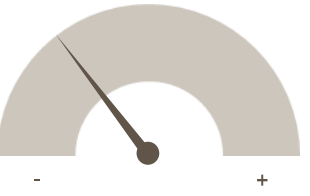
### Commodities

Under our base case scenario of a further slowdown of the economy, it is still too early to add to the commodity complex at this point. However, we do see some value in certain commodity equities (e.g. Energy)



### Equities

We leave our equity exposure "as is" at neutral, but look for an entry point over the coming months to upgrade to a slight overweight



### Alternatives & Real Assets

Traditional asset classes currently offer good enough opportunities to make alternatives a less attractive choice. We stay underweight for now

— Current view      - - - - - Previous view (if different)

# NPB Global tactical views (6-12m outlook)

| Equities         | View | Commentary  |
|------------------|------|---|
| United States    |      | Mid- to long-term we remain constructive on US equities but believe that over the coming weeks to months a meaningful correction (5-10%) is possible. We will tactically move to neutral and maybe even OW as such an entry window opens  |
| Europe           |      | From a valuation point of view, Europe remains one of our favorite markets. Similar to our US comment above, we are waiting for a short-term setback over the coming weeks/months in order to move to overweight  |
| Switzerland      |      | The defensive nature of the Swiss stock market has caused it to lag behind its higher beta peers this year. Without any particular strong conviction at this point, we leave the 'rating' at neutral  |
| Germany          |      | Despite the fact that Germany has fallen into a technical recession, the DAX reached a new all-time high as recently as a few weeks ago. However, we would not accumulate further here  |
| UK               |      | UK's FTSE-100 benchmark index is now a far cry from the all-time highs it reached as recent as March of this year, probably better reflecting economic reality. We think it may still be too early to look for opportunities  |
| Japan            |      | Japanese equities remain, despite a nearly 30% (in JPY) rally so far this year, inexpensively valued, especially in comparison to global peers. Short-term pullbacks are possible, but the secular uptrend has probably much further to go  |
| China            |      | We downgrade China for two reasons: 1) The Chinese 'reopening' has disappointed, and the economy is clearly slowing down. 2) Political developments have made foreign investors into China more cautious, and some repatriation of invested funds seems to be taking place          |
| Emerging Markets |      | We miss a clear catalyst (e.g. weaker US Dollar) to see an outperformance of Emerging Markets in general. Regional opportunities (e.g. India, GCC, others) remain, but EM as a whole we downgrade to neutral  |
| India            |      | India remains one of our favorite Emerging Markets and equities' resilience during the recent 'Adani-Crisis' has further strengthened our conviction  |
| Asia Ex-Japan    |      | Despite a relatively "flat" year-to-date performance, we continue to believe that this area will be a source of outperformance, not least thanks to favorable demographics. Also, "friend-shoring" (e.g. from China to Vietnam) could have positive a impact on the area as a whole |
| GCC Countries    |      | The overweight call has paid off very well so far, and we see no abrupt end to this for the time being. A growing public market will continue to attract foreign capital  |

Underweight
Neutral
Overweight
● Previous view (if different)



| Fixed Income     | View | Commentary  |
|------------------|------|---|
| Government       |      | In recent historic comparison, government bonds remain attractive in total return terms, given that central banks have moved away from their decade long zero interest-rate (Fed) and negative interest-rate (ECB) monetary policies  |
| Investment Grade |      | Attractive yields in historical context, but focus should be on shorter duration bonds (1-3 years)  |
| High Yield       |      | Credit spreads continue to offer decent value. As recession/slowdown fears recede, a well diversified exposure to high yield bonds should add excess return via spread compression  |
| Emerging Markets |      | Picking the right emerging market country is one of the main contributing factors at the moment, as many EM countries are in different stages of the inflation cycle. Overall, emerging market corporate debt seems to offer better opportunities than sovereign risk   |
| GCC Countries    |      | Economic growth remains sound within a contained inflationary environment, which should function as a tailwind for fixed income total returns   |
| Currencies       | View | Commentary  |
| Swiss Franc      |      | Out of the OECD countries, Switzerland seems to have the most contained inflation "problem", which could see the SNB end their hiking cycle sooner than others. Whilst this could lead to a disadvantage for the Swiss Franc in terms of interest rate differential, we think that any currency weakness would only be short-lived and structural tailwinds remain in force |
| Euro             |      | For now, the Euro seems to have found some sort of equilibrium against all other major (G10) currencies, with the exception of the Japanese Yen (a Yen problem, not a Euro problem). We see no need for an active bet in either direction as long as the currency remains range bound   |
| US Dollar        |      | De-dollarization has become a broadly used (and abused) market narrative, which however, is not reflected in foreign exchange rates. While we understand that certain de-dollarization attempts are being launched, this is a theme for the decades to come, not for the next 6-12 months.  |
| British Pound    |      | The GBP-recovery from the LDI-panic (liability-driven investment funds) in September of last year has caught many by surprise, but we too think it has run its course here now. We see approaches of the GBP/USD currency pair to 1.30 as selling opportunity   |

Underweight
Neutral
Overweight
● Previous view (if different)

# Macroeconomic

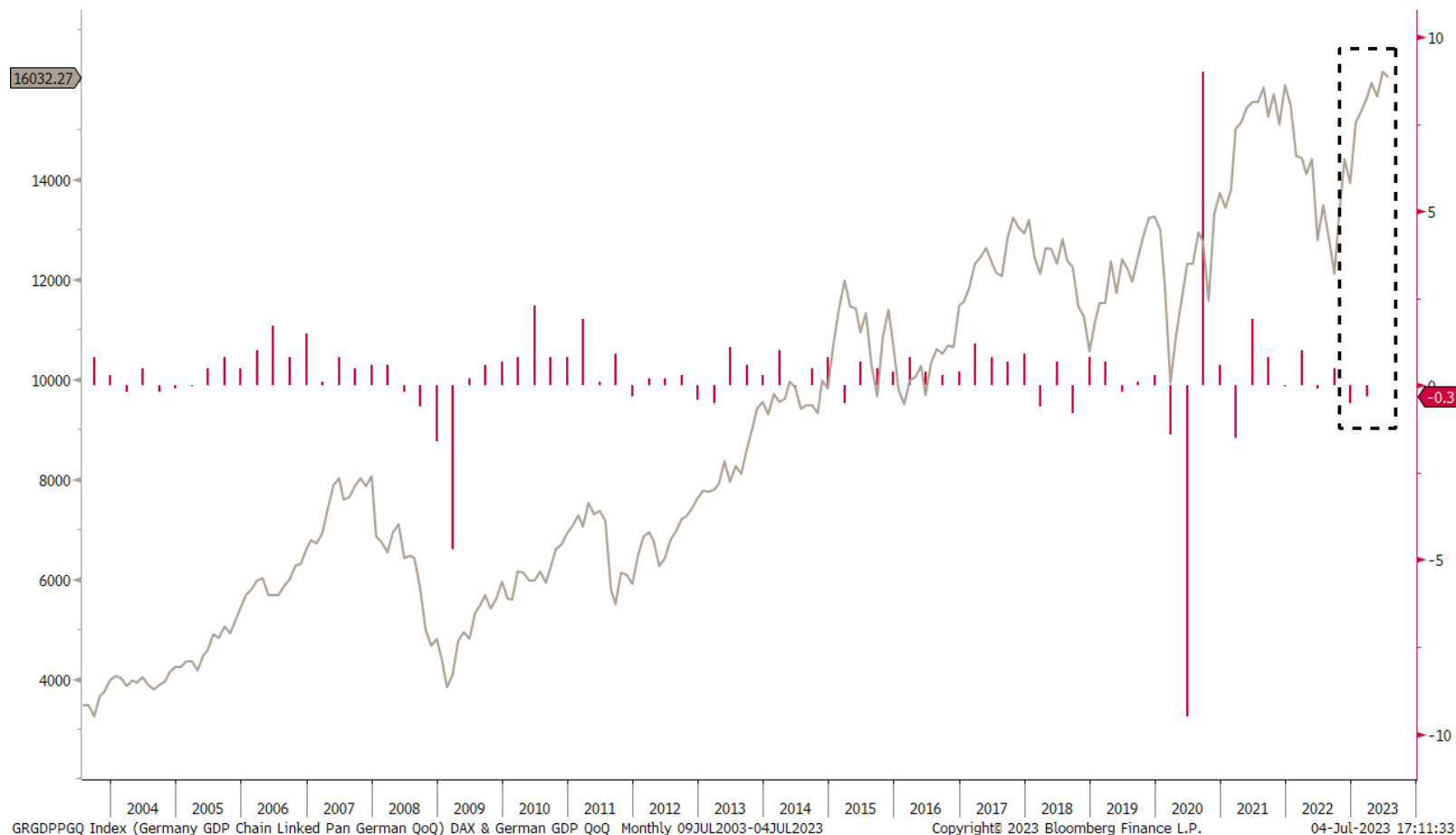
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## CIO Office Chartbook

# Conundrum

One charts demonstrates the current conundrum

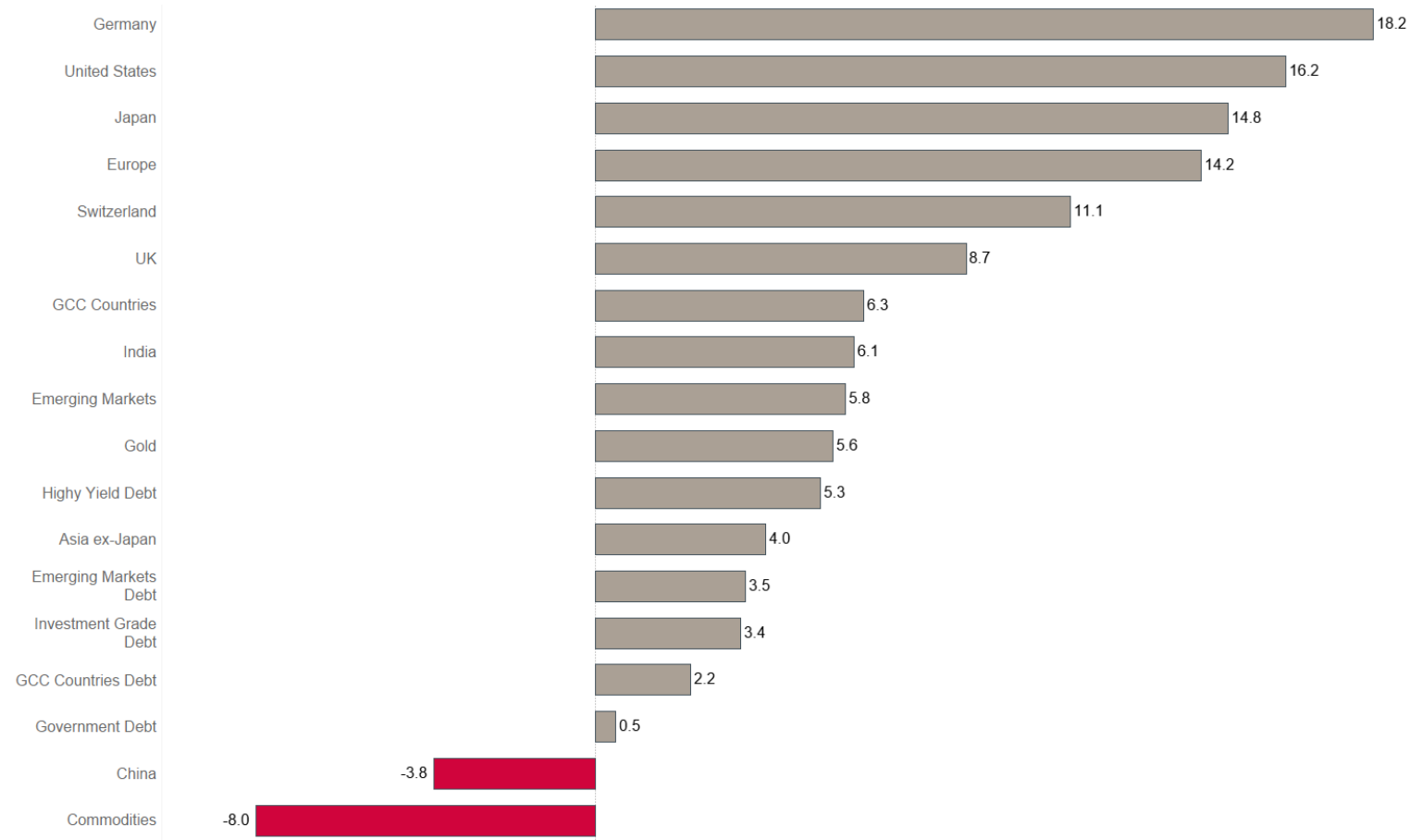
The chart to the right shows how the German economy is in a (technical) recession, whilst the country's DAX index hits new all-time highs



# Asset Classes

## Year-to-Date Performance (%)

2023 has turned out to be a good year for most risky asset classes ...



Source: Bloomberg, NPB Calculations

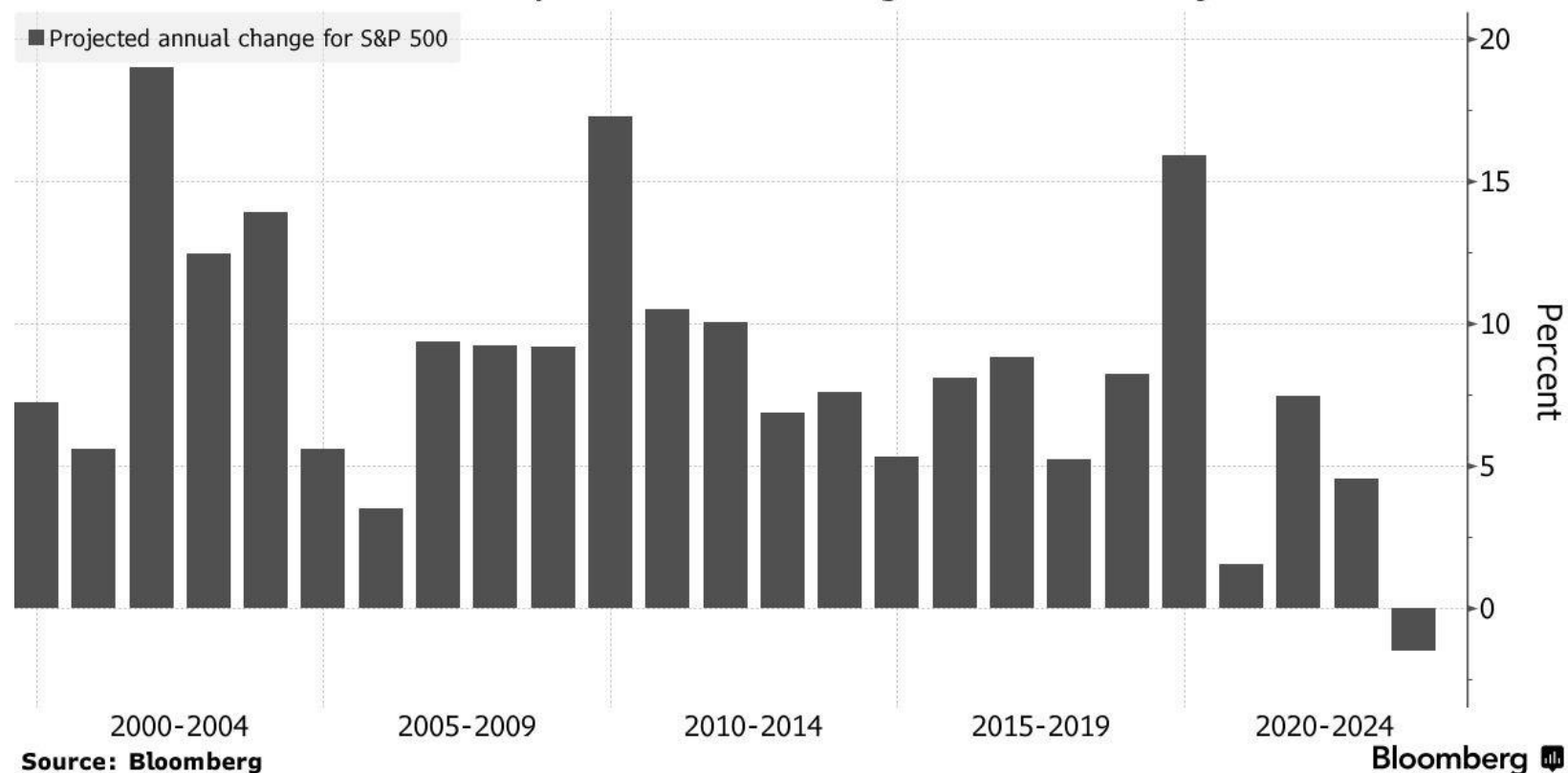
# Strategist Outlook 2023

At the end of 2022

... however, Wall Street strategist did not see it coming

## Bucking the Trend

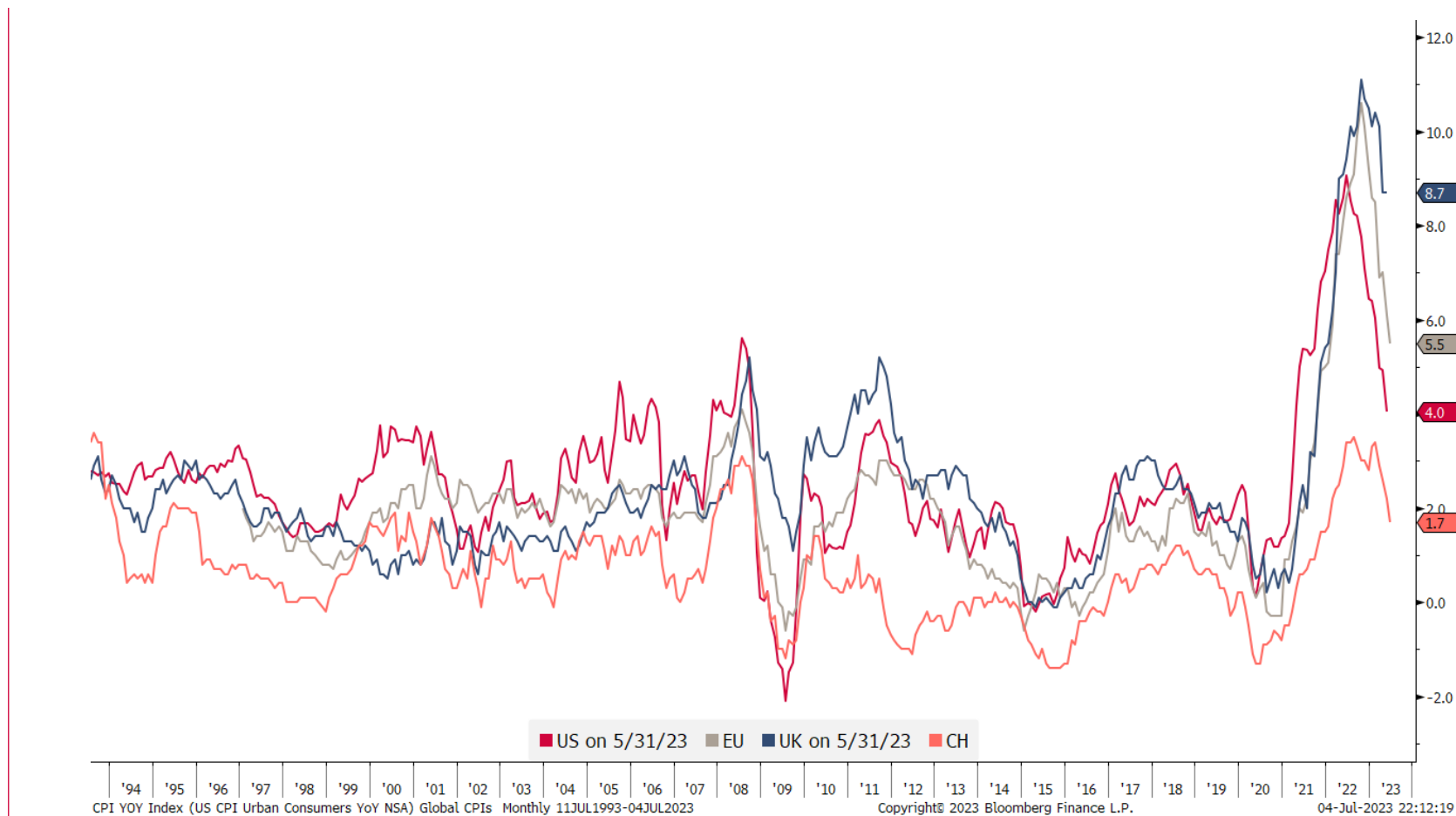
For the first time in decades, Wall Street strategists see a down year for stocks



# Global Inflation Rates

Deflation (pun intended)

Global inflation readings have turned lower



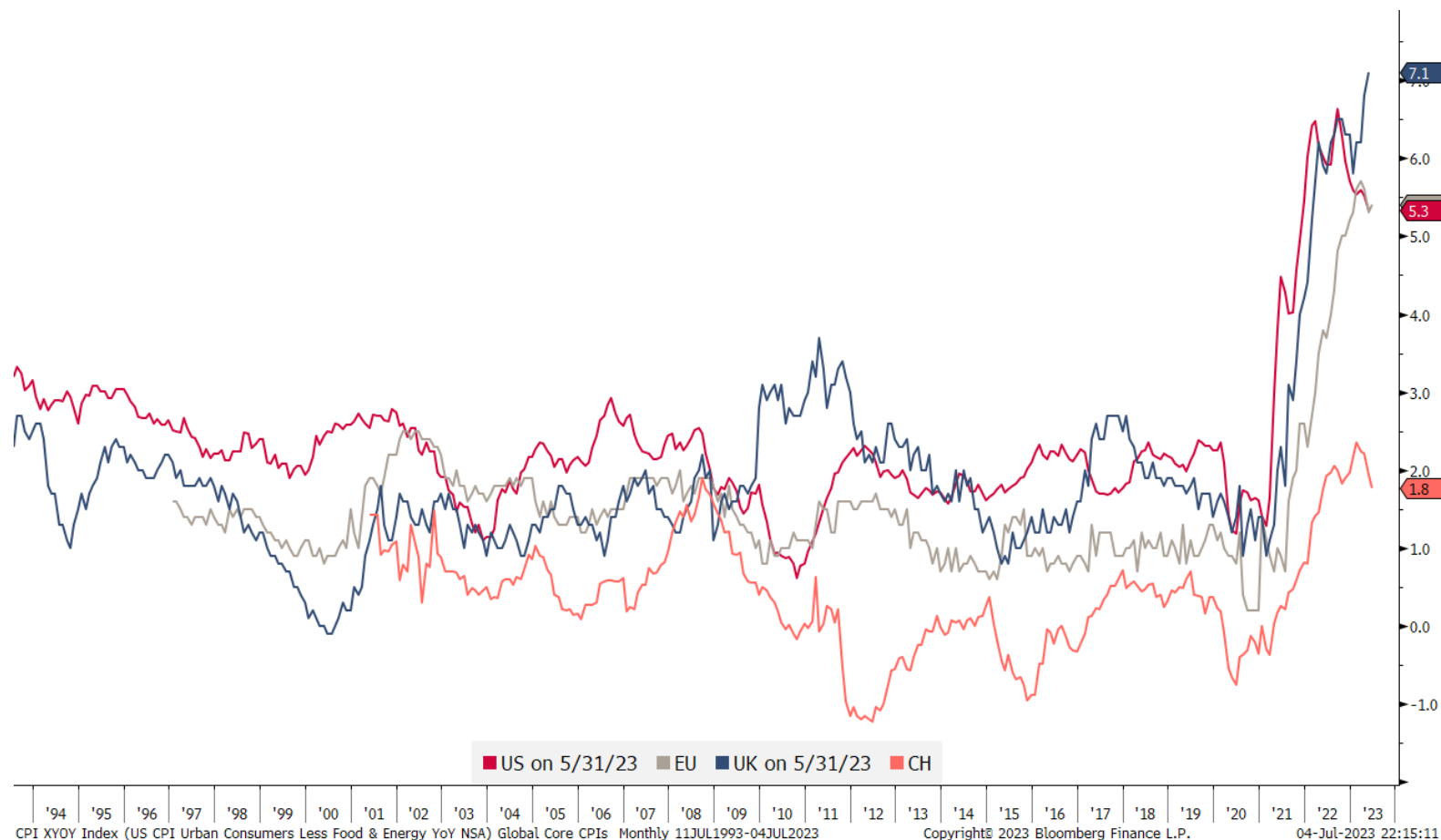
Source: Bloomberg, NPB Calculations

# Global Core Inflation Rates

## Core Inflation is 'Sticky'

However, core inflation readings are remaining stubbornly high.

This is likely to keep global central banks on a hawkish footing.



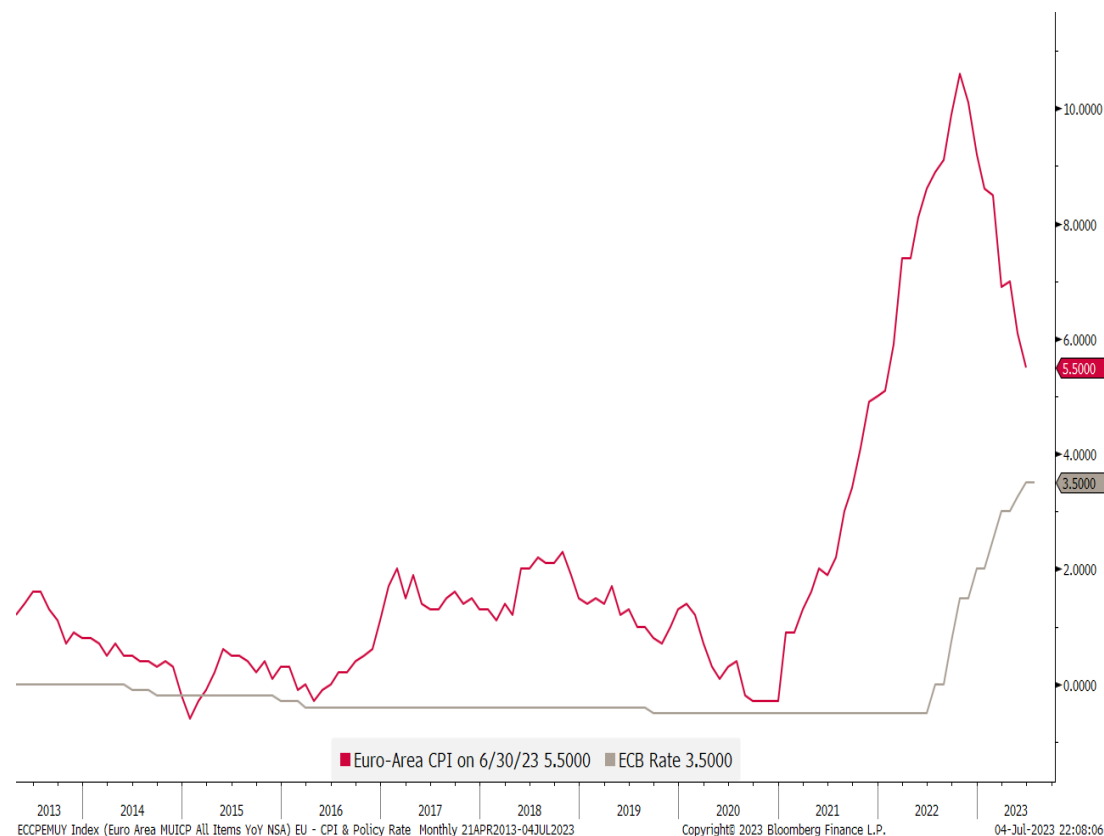
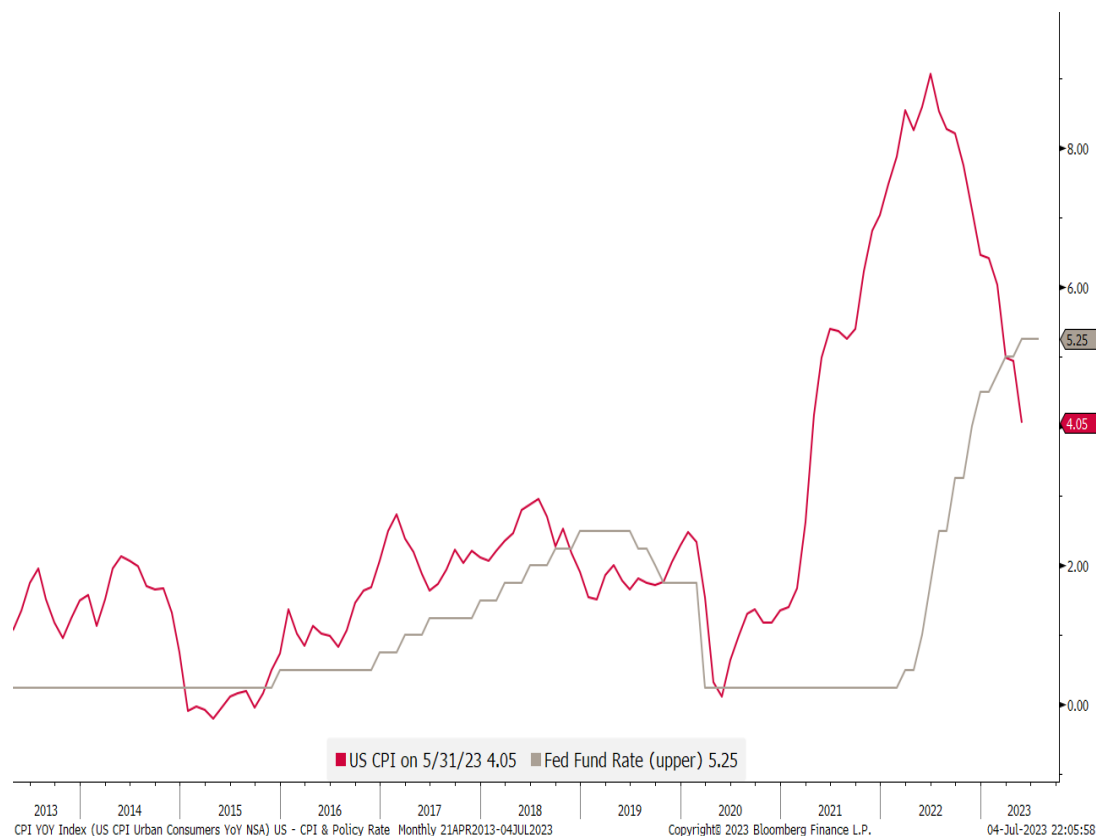
Source: Bloomberg, NPB Calculations

# Inflation & Policy Rates

## US and Euro-Zone

CPI has dropped sharply and is now below the FOMC's policy rate

However, in Europe the ECB is still behind the inflation curve



Source: Bloomberg, NPB Calculations

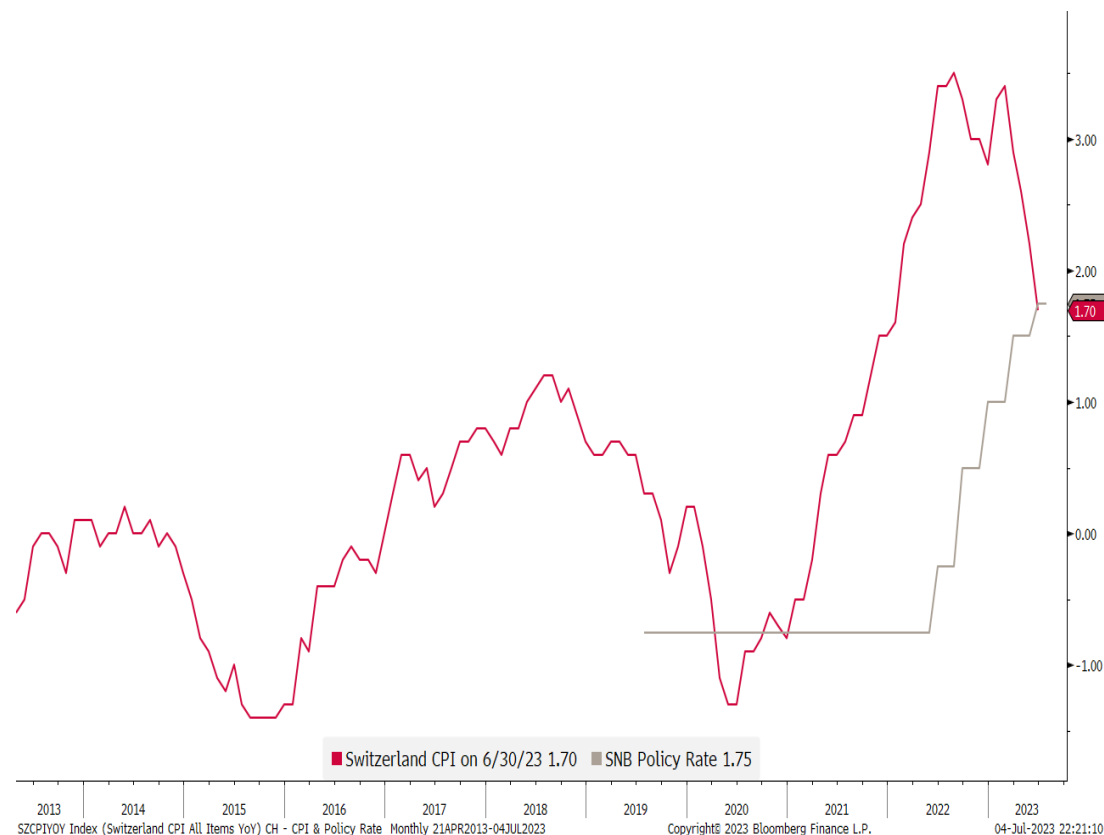
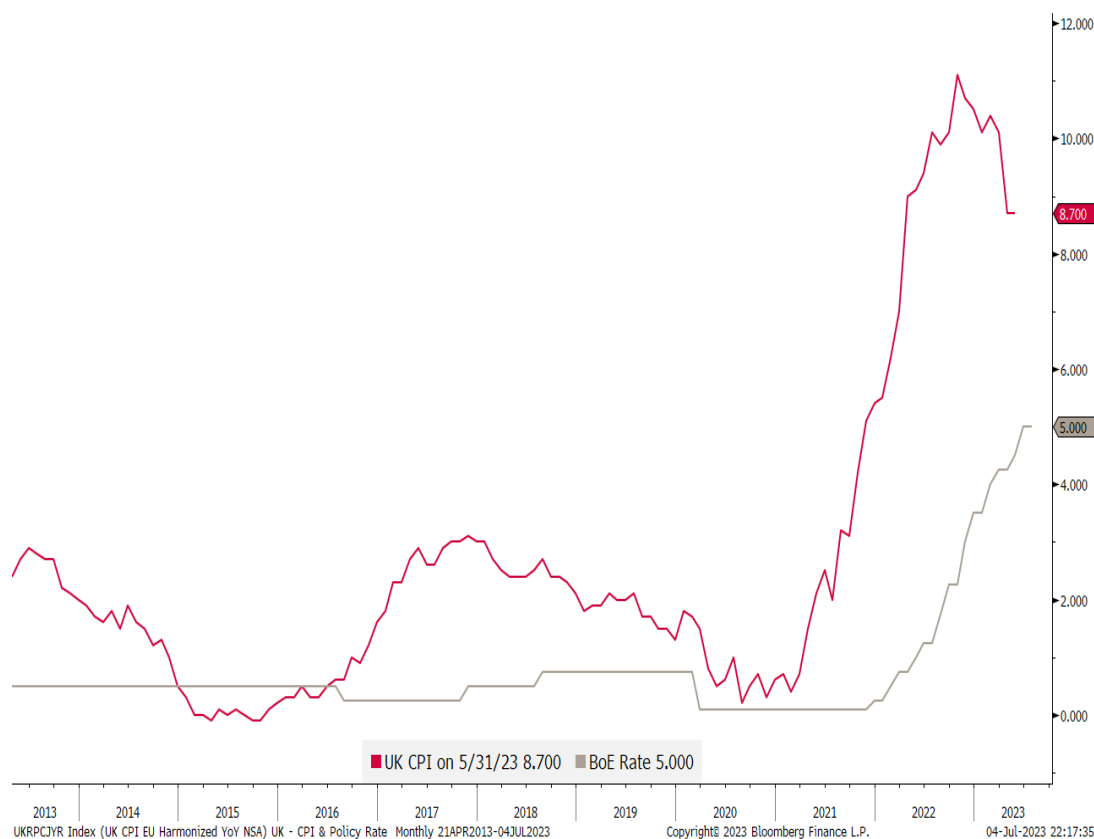


# Inflation & Policy Rates

## UK and Switzerland

It is even worse in the UK, where the BoE has failed for now to contain inflation

Switzerland, not unlike the US, has managed to steer inflation below policy rate



Source: Bloomberg, NPB Calculations

# Global Inflation Outlook

## Economists' Consensus

Economist are now expecting for inflation to 'normalize' back to close to the 40-year norm

|             | <i>CPI</i> |      |      |      |      |      |      |
|-------------|------------|------|------|------|------|------|------|
|             | 2019       | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| USA         | 1.8        | 1.2  | 4.7  | 8.0  | 4.1  | 2.6  | 2.4  |
| Europe      | 1.4        | 0.6  | 2.7  | 8.9  | 6.3  | 2.8  | 2.2  |
| Switzerland | 0.4        | -0.7 | 0.6  | 2.8  | 2.4  | 1.5  | 1.4  |
| Germany     | 1.4        | 0.4  | 3.2  | 8.6  | 6.0  | 2.7  | 2.0  |
| UK          | 1.8        | 0.9  | 2.6  | 9.1  | 7.2  | 2.9  | 2.1  |
| Japan       | 0.5        | 0.0  | -0.3 | 2.5  | 2.8  | 1.5  | 1.3  |
| China       | 2.9        | 2.5  | 0.9  | 2.0  | 1.2  | 2.2  | 2.0  |
| India       | 3.7        | 6.6  | 5.1  | 6.7  | 6.6  | 5.0  | 4.8  |
| UAE         | -1.9       | -2.1 | -0.1 | 4.8  | 3.4  | 2.3  | 2.2  |

Source: Bloomberg, NPB Calculations

# Global GDP Outlook

Economists are not too excited

However, global growth outlook is not to bright either...

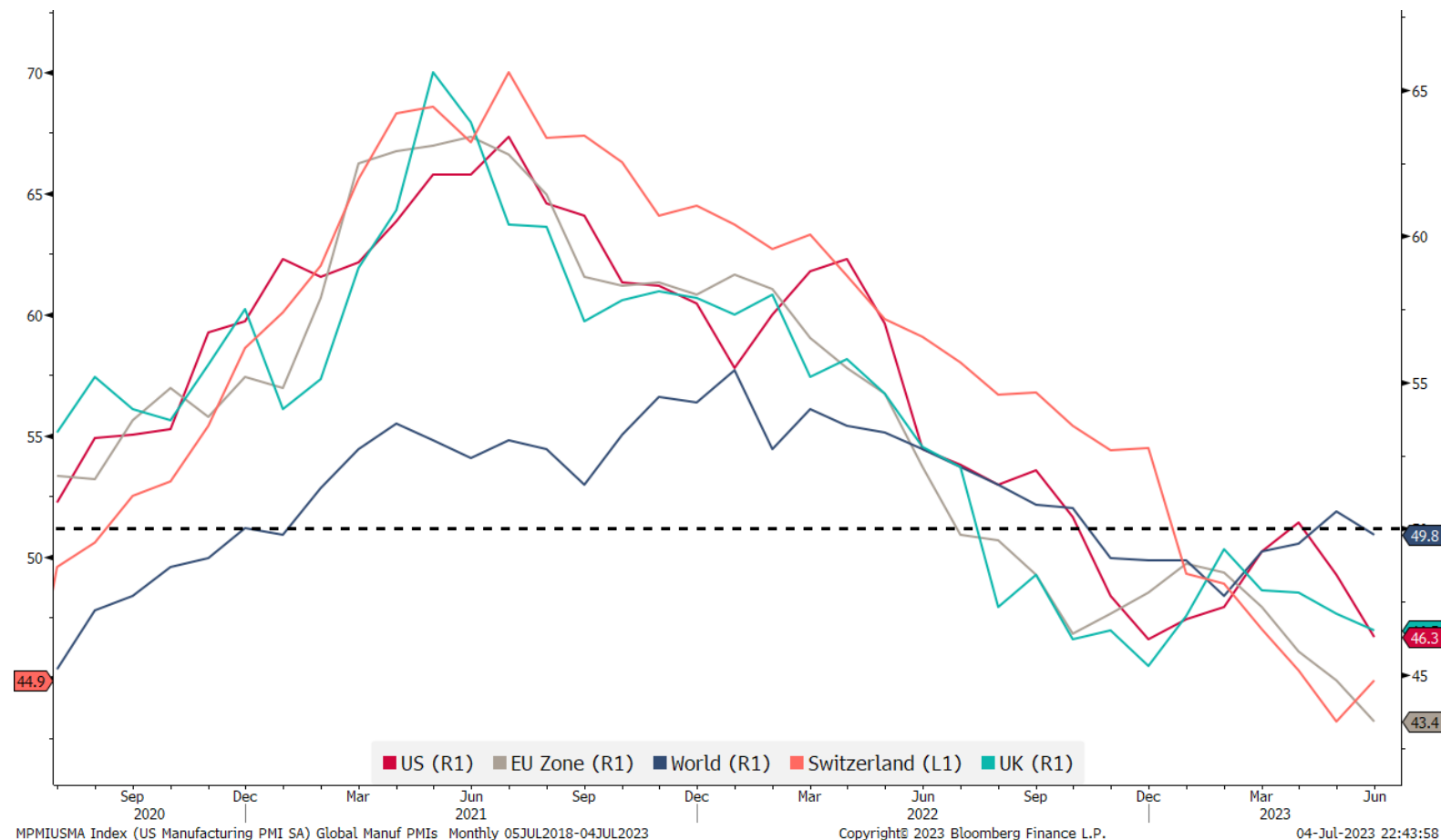
|             | <i>GDP</i> |       |      |      |      |      |      |
|-------------|------------|-------|------|------|------|------|------|
|             | 2019       | 2020  | 2021 | 2022 | 2023 | 2024 | 2025 |
| USA         | 2.3        | -2.8  | 5.9  | 2.1  | 1.3  | 0.7  | 1.9  |
| Europe      | 1.8        | -5.6  | 5.5  | 3.6  | 0.5  | 1.4  | 1.9  |
| Switzerland | 1.2        | -2.5  | 4.3  | 2.1  | 0.8  | 1.4  | 1.5  |
| Germany     | 1.1        | -3.7  | 2.6  | 1.8  | -0.3 | 1.1  | 1.5  |
| UK          | 1.6        | -11.0 | 8.5  | 4.3  | 0.2  | 0.9  | 1.5  |
| Japan       | -0.4       | -4.3  | 2.3  | 1.1  | 1.2  | 1.1  | 1.0  |
| China       | 6.0        | 2.2   | 8.4  | 3.0  | 5.5  | 4.8  | 4.6  |
| India       | 6.5        | 3.9   | -5.8 | 9.1  | 7.2  | 6.1  | 6.4  |
| UAE         | 1.1        | -5.0  | 3.9  | 7.4  | 3.0  | 3.7  | 4.2  |

Source: Bloomberg, NPB Calculations

# Global Manufacturing PMIs

All Below 50

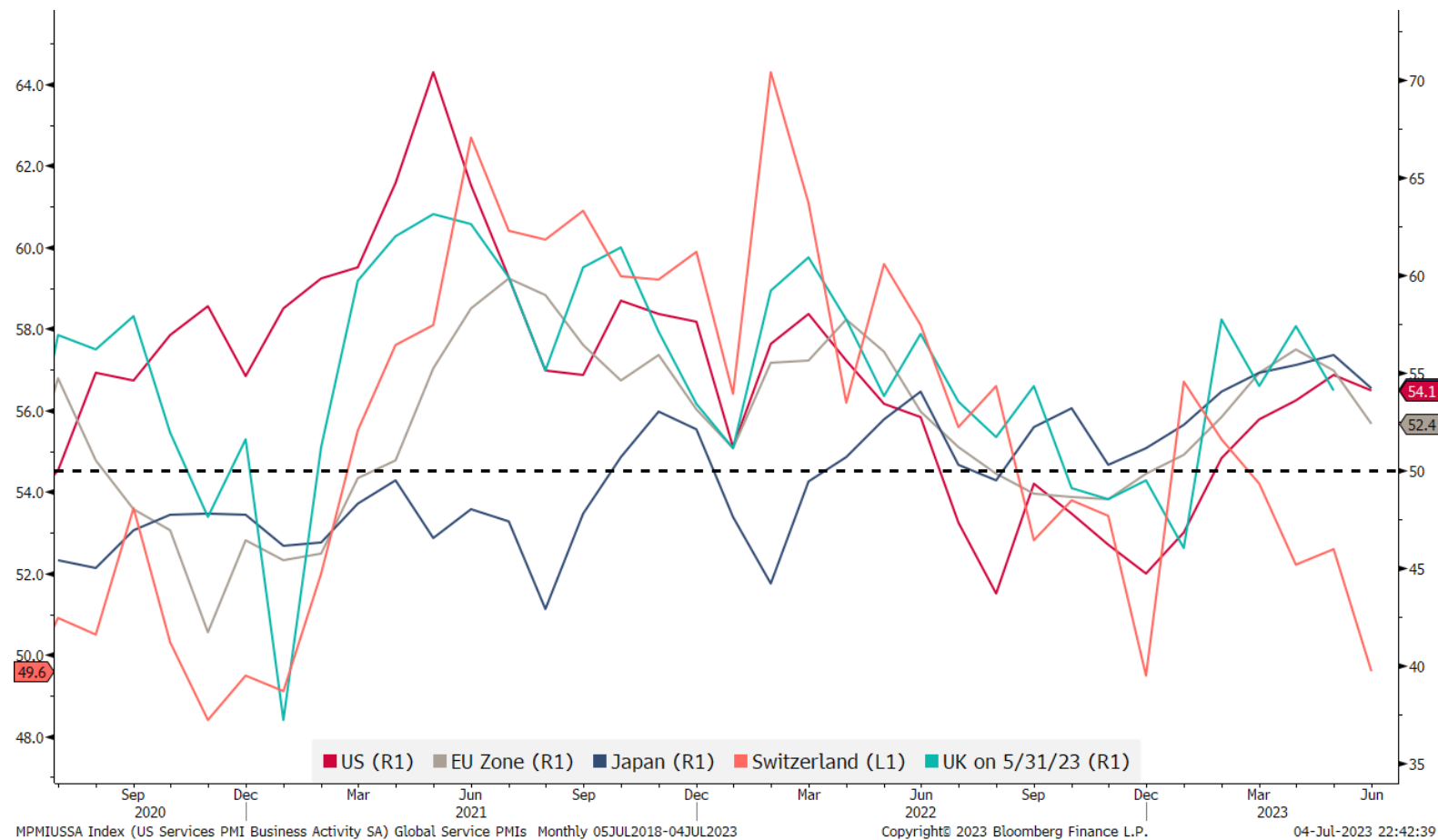
... or maybe because manufacturing PMIs have been in contraction territory for months now.



# Global Service PMIs

Better, but ...

Service PMIs are above 50 (ex-Switzerland) but have recently turned lower too. Watch this space!

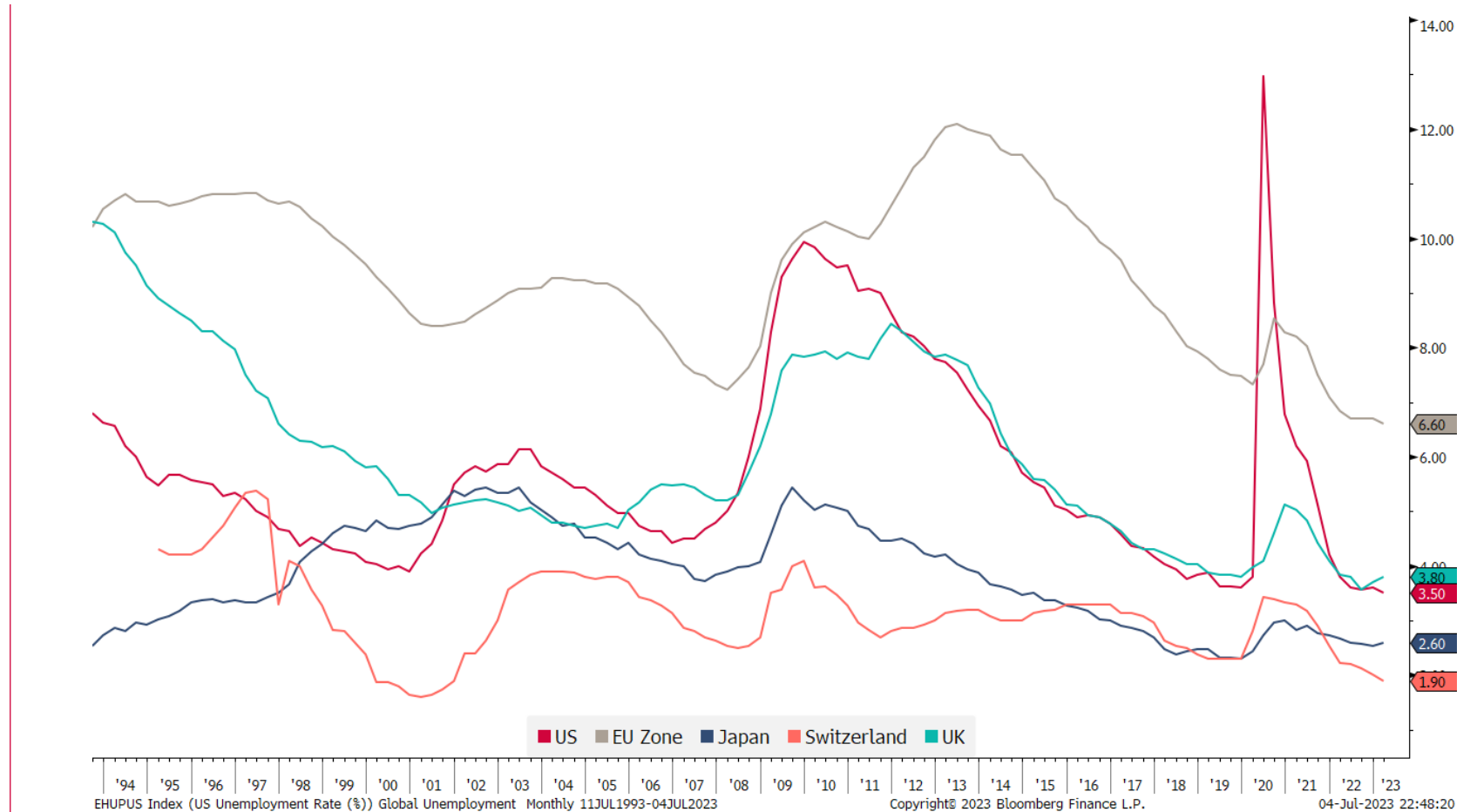


Source: Bloomberg, NPB Calculations

# Unemployment Rate (%)

## Global

Unemployment continues to be a stubbornly low levels around the globe



Source: Bloomberg, NPB Calculations

# Equity

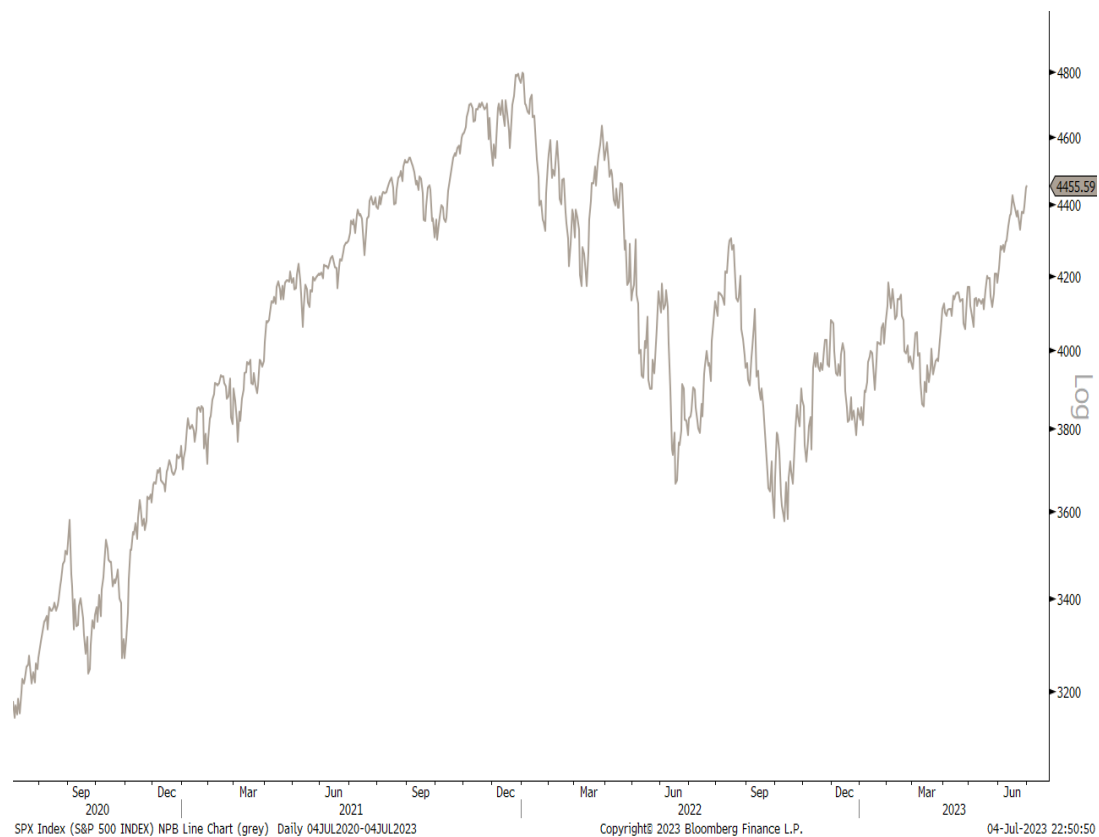
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## CIO Office Chartbook

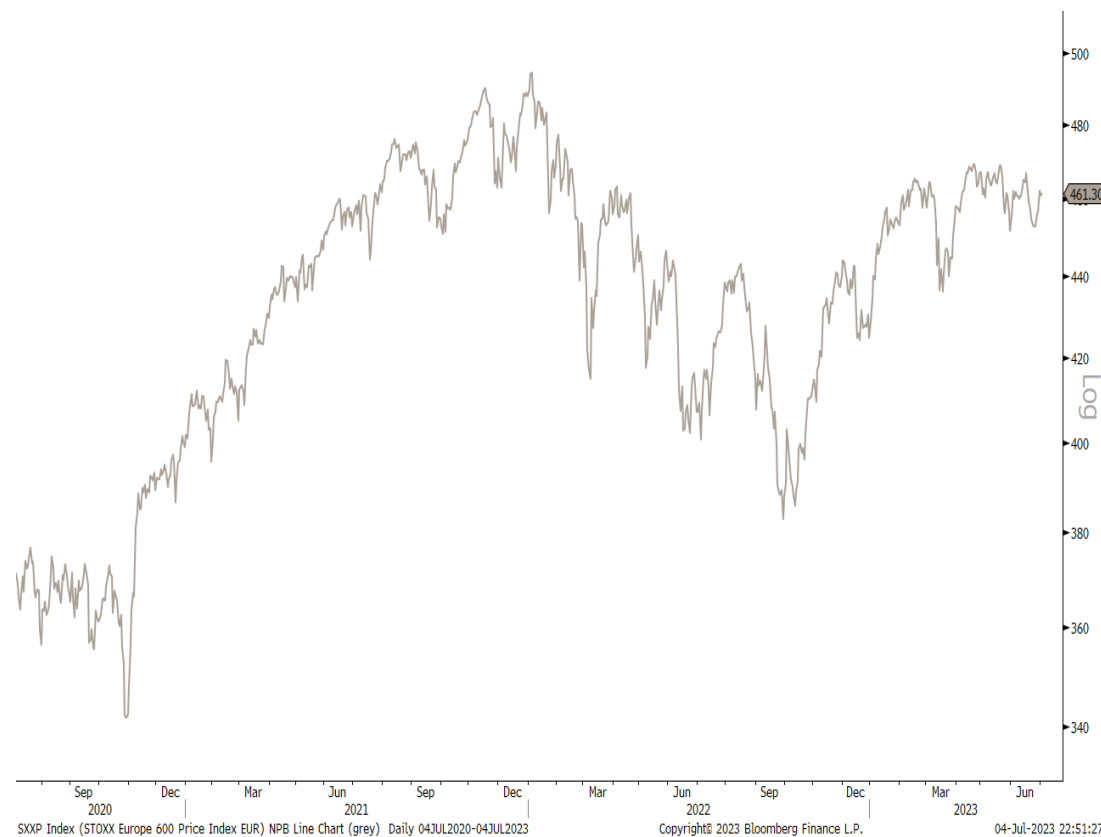
# Tailwind #1

## The Trend is Your Friend (1 of 2)

### S&P 500



### STOXX Europe 600



Source: Bloomberg, NPB Calculations



# Tailwind #1

## The Trend is Your Friend (2 of 2)

### Topix



### WORLD Large- and Mid-Cap Index

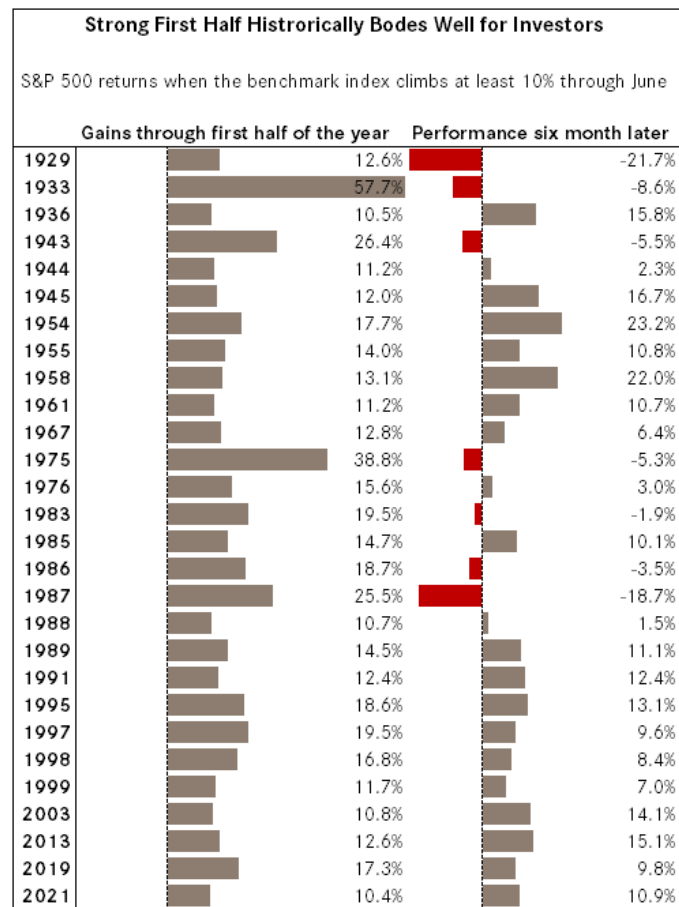


Source: Bloomberg, NPB Calculations

# Tailwind #2

## Fantastic Fact or Data Mining

Strong first half years, for whatever reason, tend to lead to strong second half years



Source: Bloomberg, NPB Calculations

# Crosscurrent #1

## Seasonality

As the seasonal chart of Volatility (VIX) shows to the right, equity volatility tends to be pick up right about this time of the summer and can remain elevated into early fall

Higher Vola is not necessarily equal lower stock prices, but should provide a better entry point in the weeks ahead



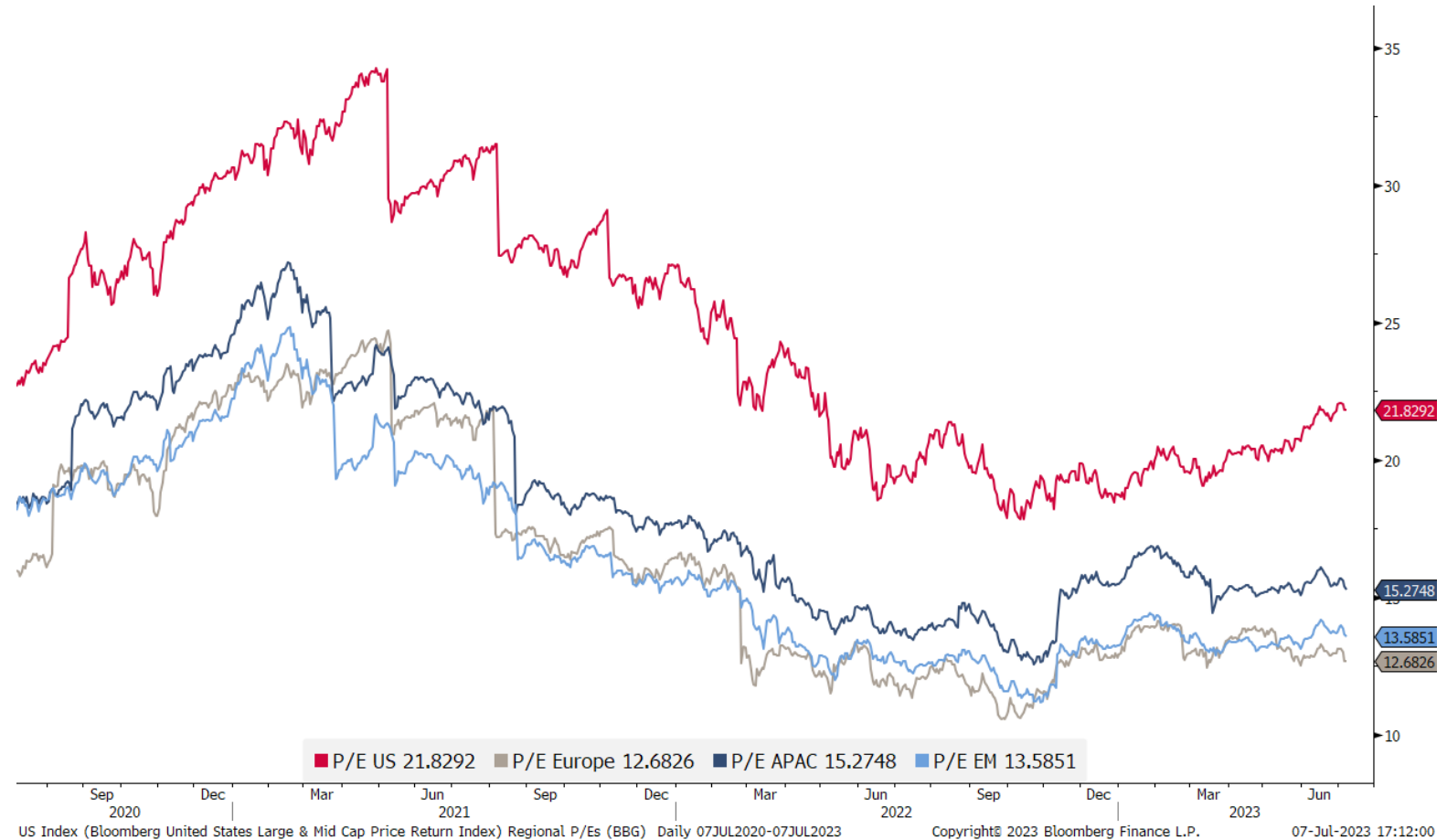
Source: Bloomberg, NPB Calculations

# Crosscurrents #2

Valuations vary between geographies and sectors

Valuations are all still below their 2021 peaks, but especially US P/E's remain elevated in a historical context.

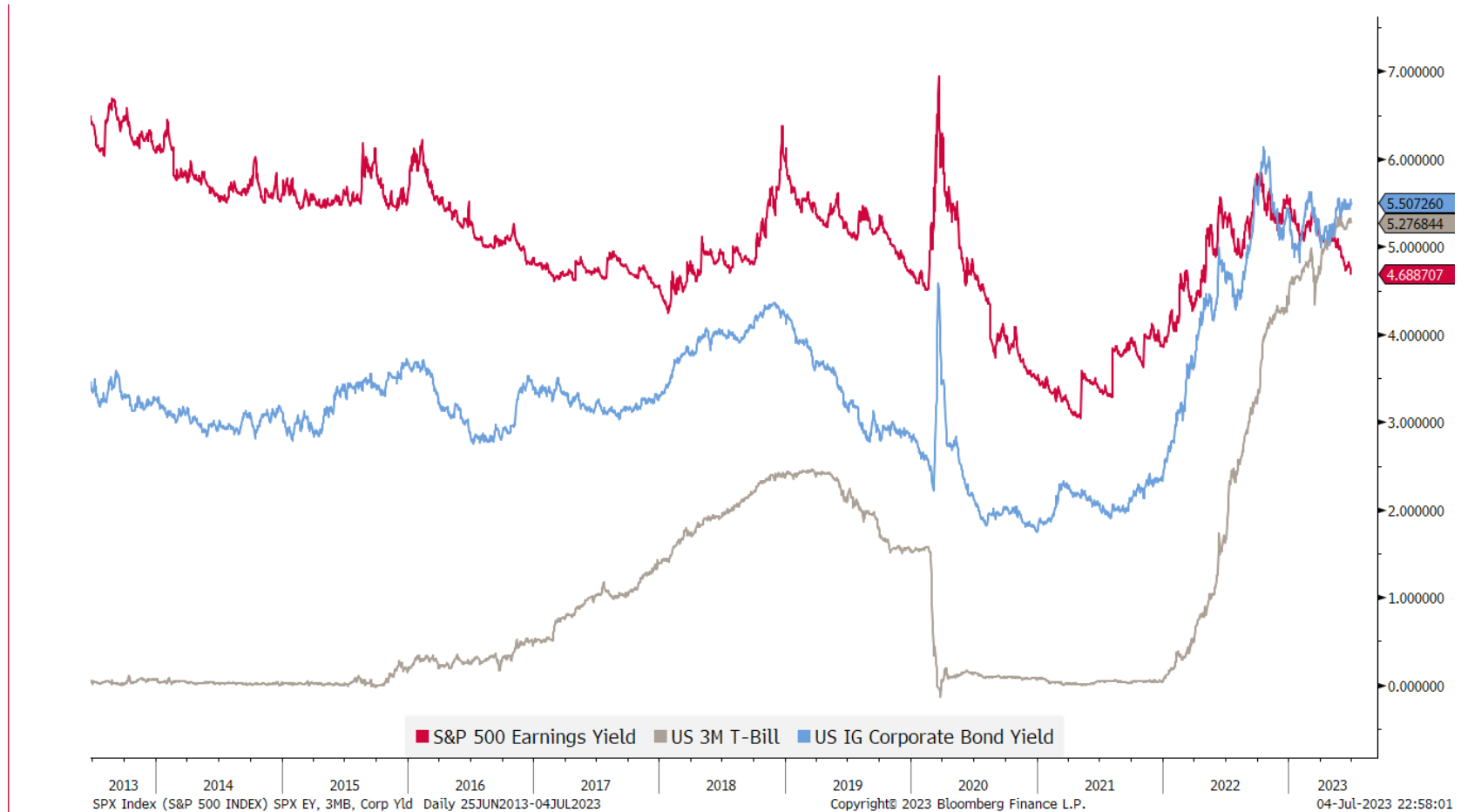
Surprisingly enough are European valuations below those of Emerging Markets.



# Headwind #1

## Yield Comparison Equity, T-Bills and Corporate Bonds

- Of the three depicted asset classes, equities have now the least appealing yield and arguably the highest drawdown risk

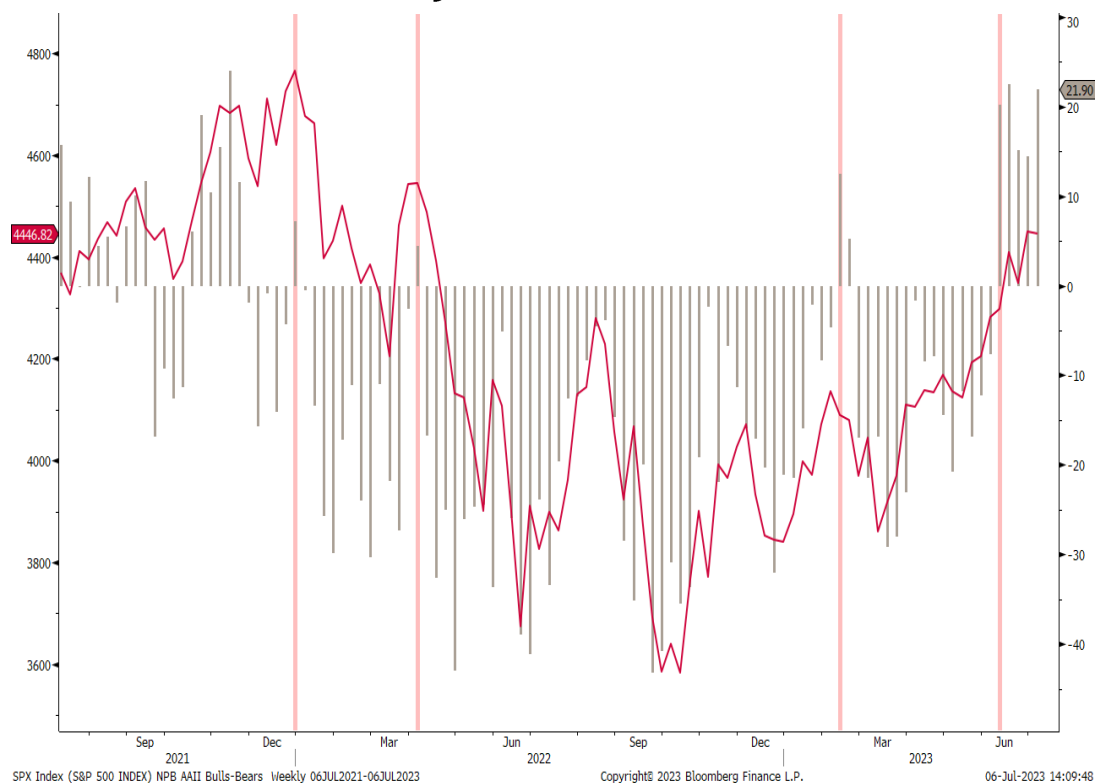


Source: Bloomberg, NPB Calculations

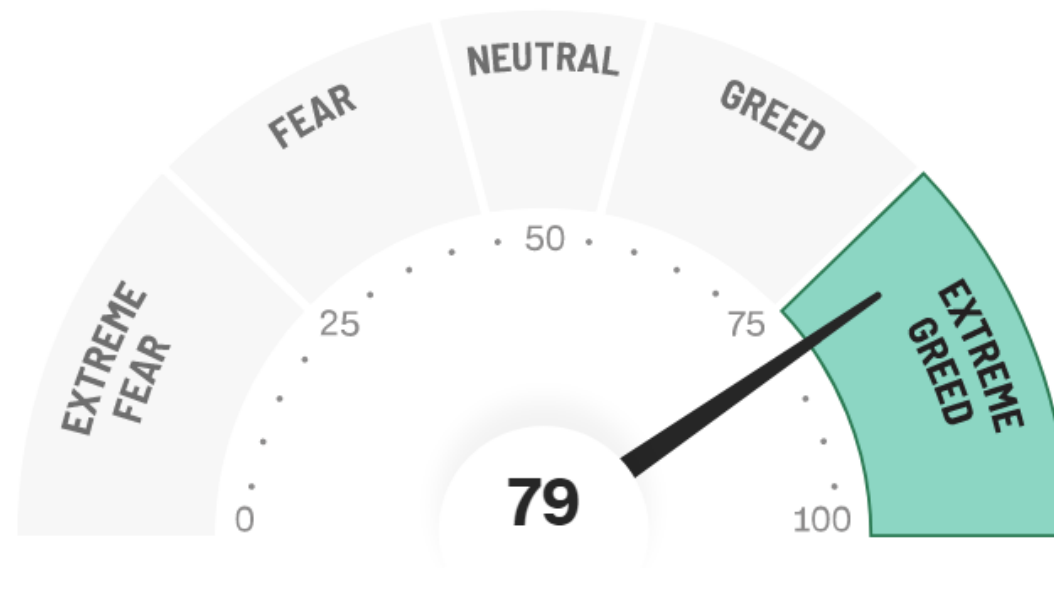
# Headwind #2

Short-Term Starting to get very overextended

### AAll Survey of Bulls and Bears



### CNN Fear & Greed Index



Source: Bloomberg, NPB Calculations, CNN

# Headwind #3

## Liquidity

Whilst "liquidity" normal refers to central banks inducing or extracting money from the financial system, it is very hard to measure.

Our liquidity indicator (red) however correlates pretty decently with the S&P 500 (grey line).

Currently, the divergence between the two catches our attention...

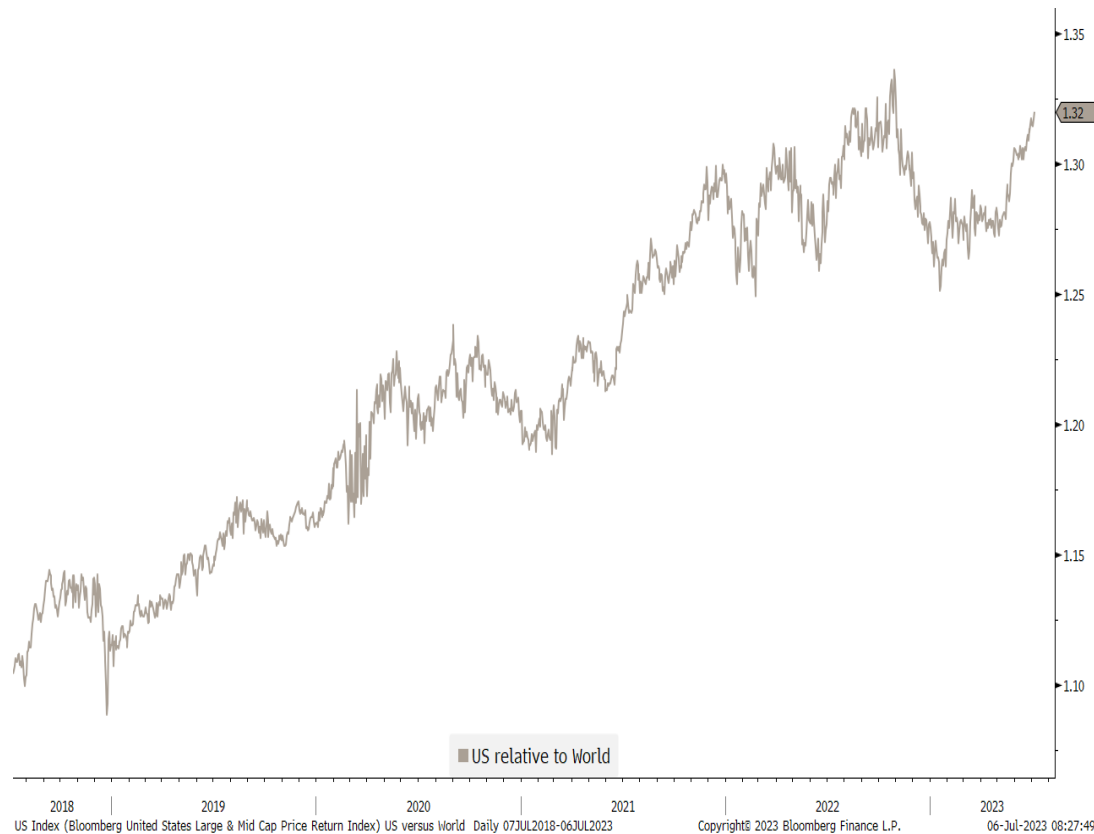


Source: Bloomberg, NPB Calculations

# Regional Focus #1

## US and Europe

Nothing seems to be able to stop the US stock market hegemony



Despite being still one of the “cheaper” markets, Europe is struggling to structurally outperform



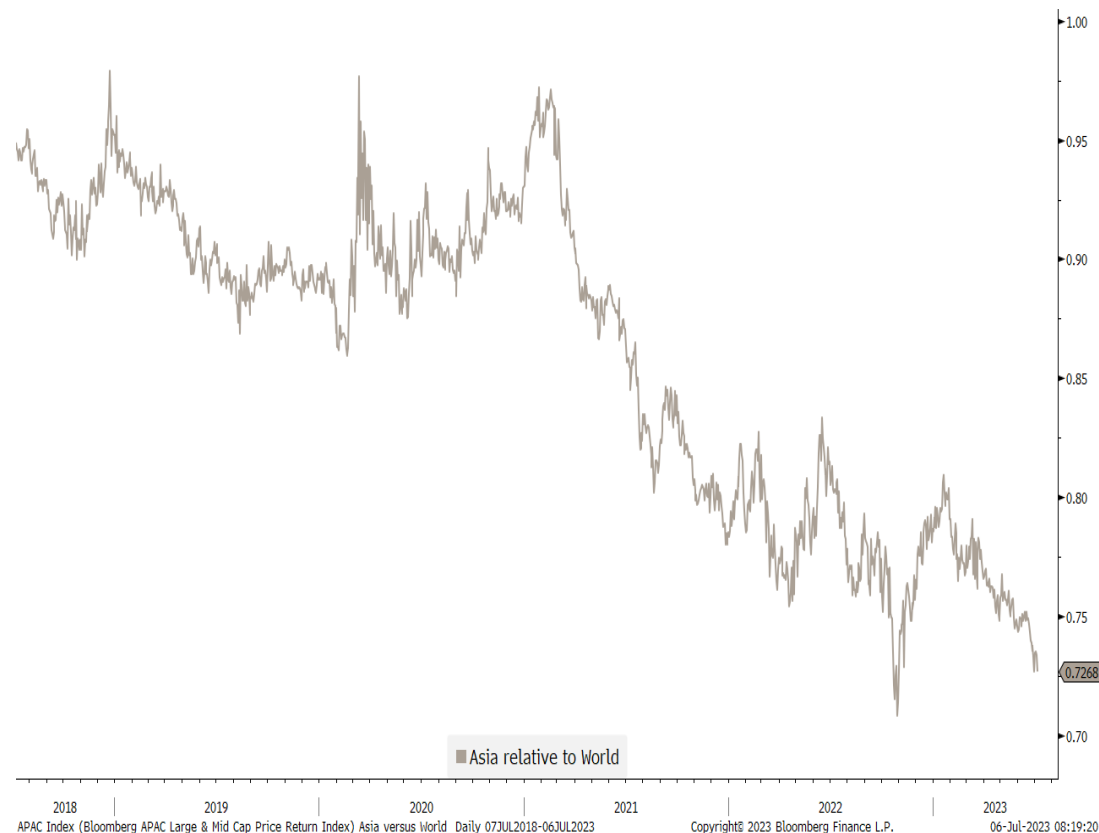
Source: Bloomberg, NPB Calculations



# Regional Focus #2

## Asia and Emerging Markets

In need of a catalyst. USD?



Maybe worth a nibble here, but a weaker US Dollar is needed to get the ball rolling



Source: Bloomberg, NPB Calculations

# Country Focus

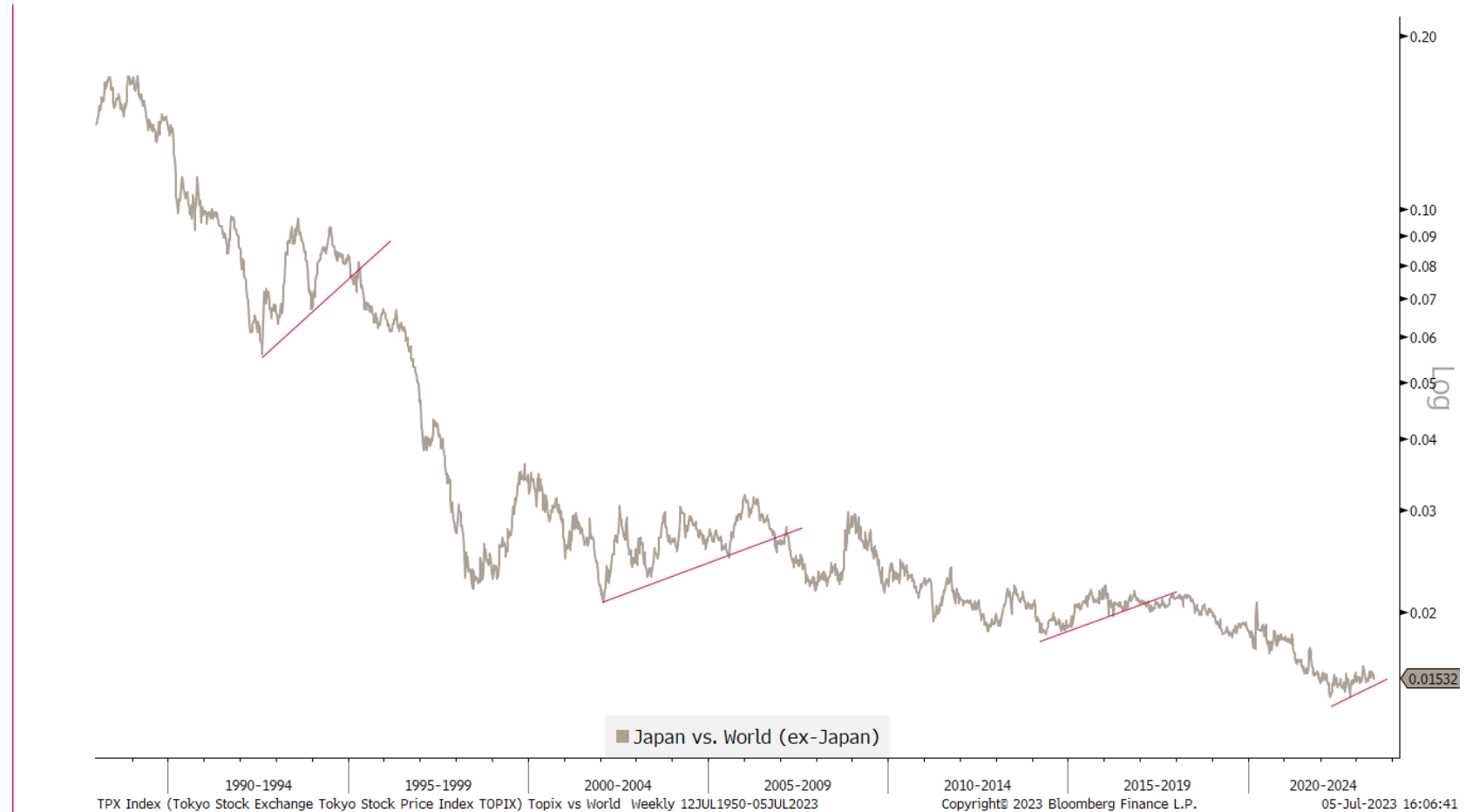
## Japan – Just the start?

Japanese stocks had a fantastic rally and look extended.

Or do they?

Here's the Topix relative to the MSCI World ex-Japan Index.

All previous rally attempts eventually failed, but arguably the outperformances were at least multi-year events

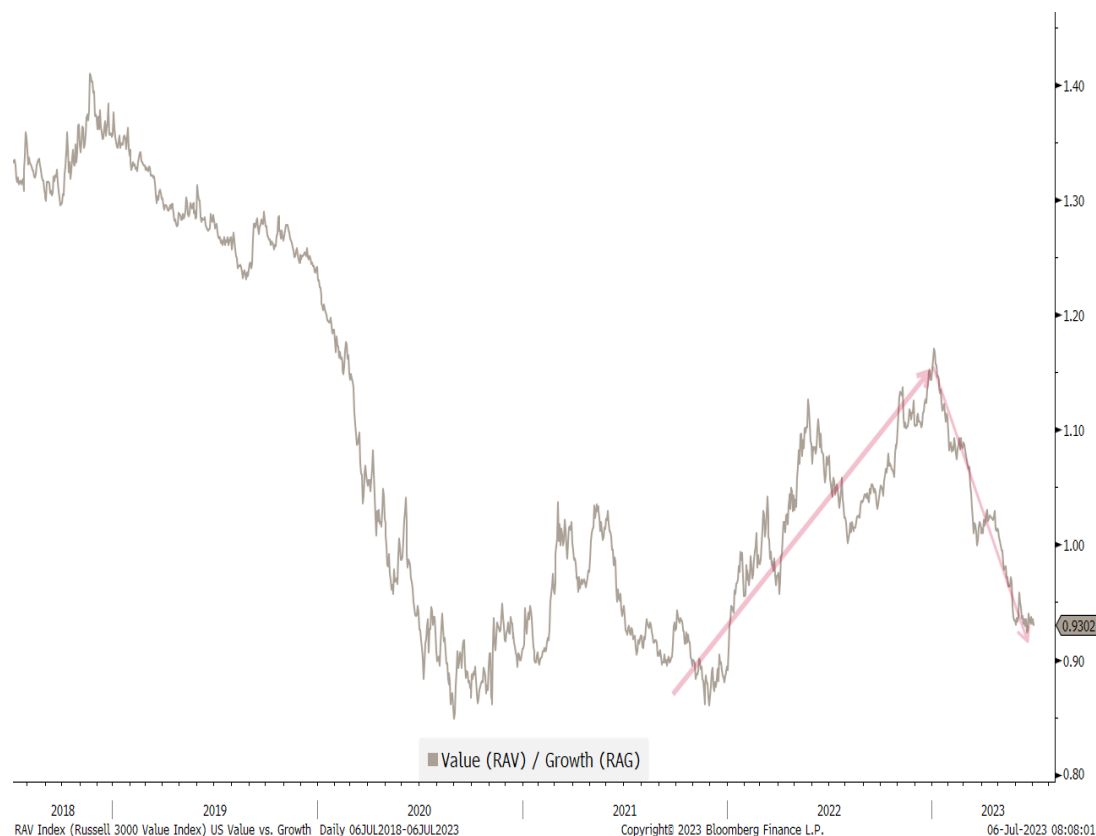


Source: Bloomberg, NPB Calculations

# Style Focus

## Value in the US and Europe

US Value stocks have given back nearly all of their 2022 outperformance and the trend continues lower



European Value has been more resilient and seems to be turning higher again



Source: Bloomberg, NPB Calculations

# Fixed Income

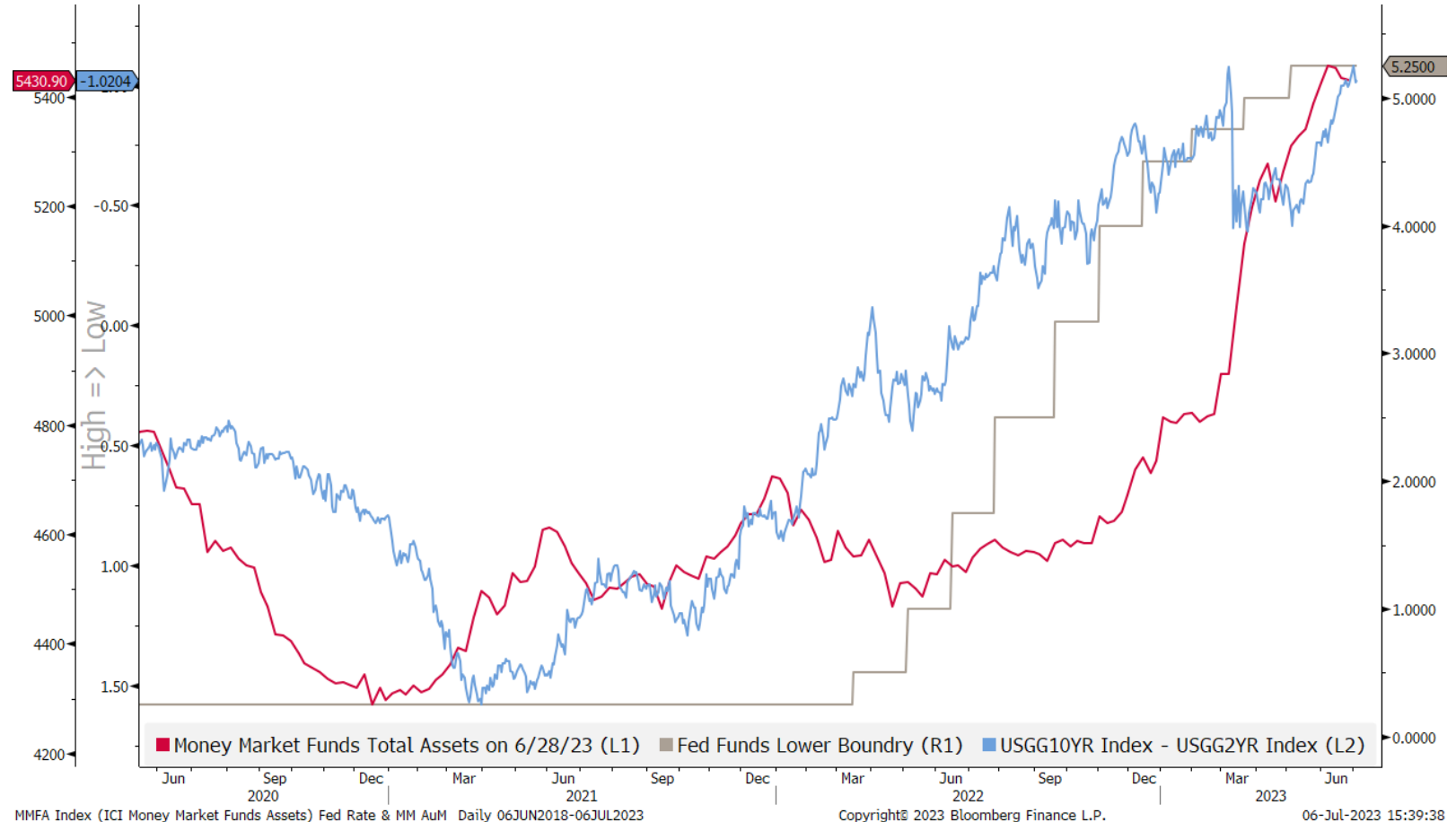
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## CIO Office Chartbook

# Money Market

## Massive Inflows

Money Market funds (red line) have seen a one trillion Dollar inflow in a short period of time as a) the Fed raised interest rates (grey line) and b) the yield curve (blue line) inverted

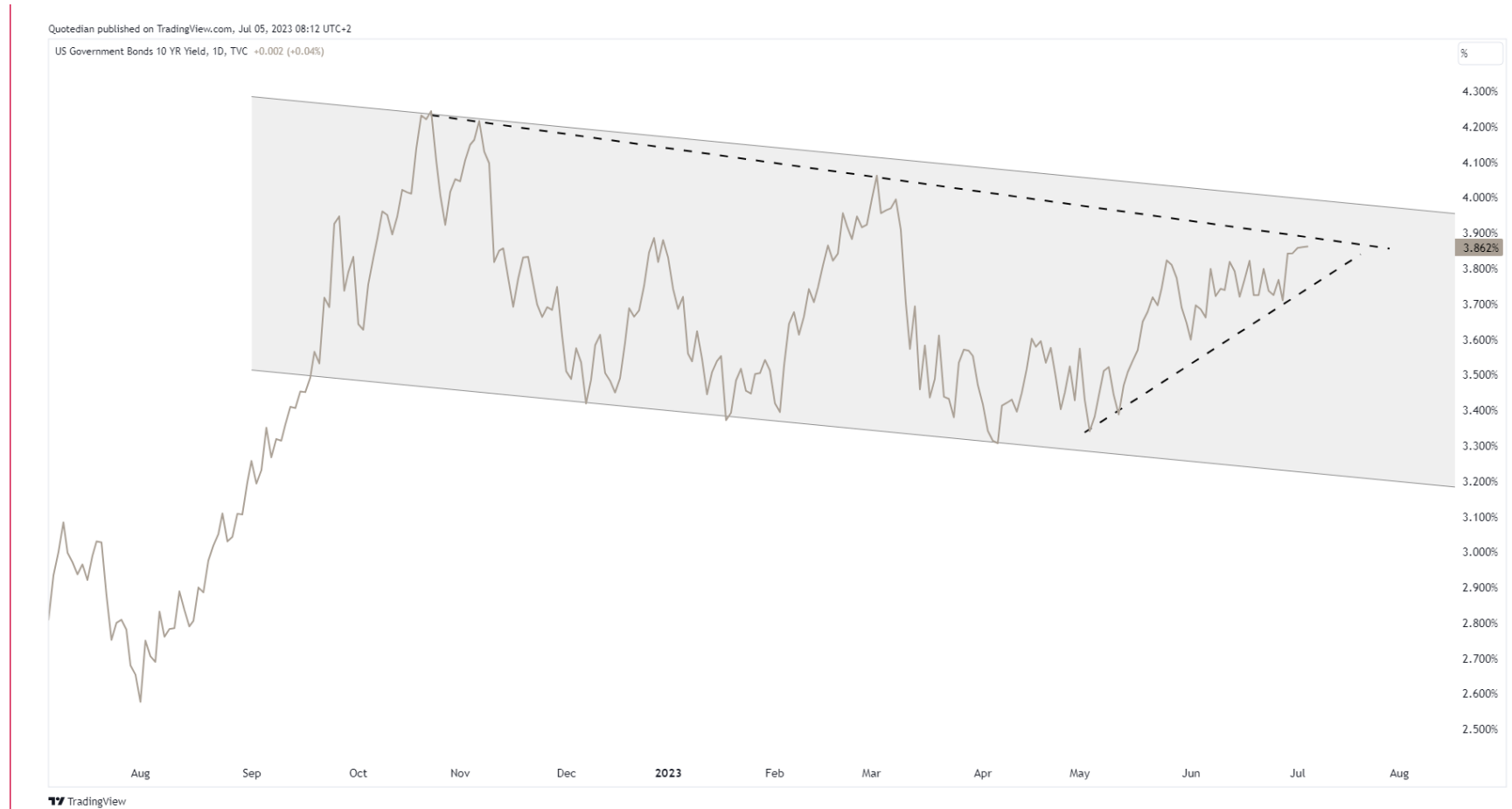


Source: Bloomberg, NPB Calculations

# US 10-Year Benchmark Yield

## Trendless

- Nearly one year of a sideways consolidation pattern, which ...



Source: TradingView, NPB Calculations

# US 10-Year Benchmark Yield

## Trendless

- ... on the longer-term chart as per the TA Textbook would have bullish implications for yields (bearish for bond prices)

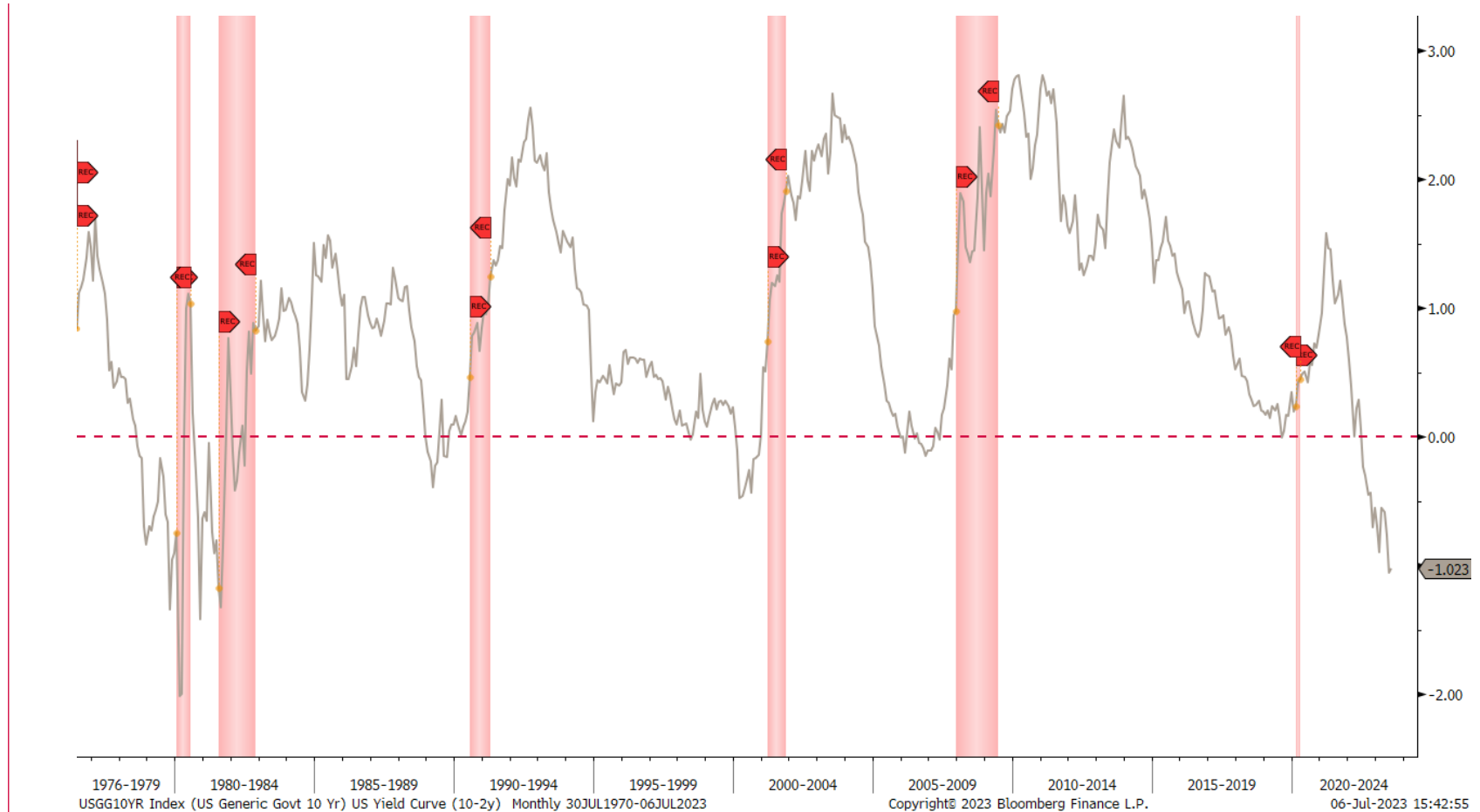


Source: TradingView, NPB Calculations

# US Yield Curve

## Heavily Inverted

The US yield curve is close to record inversion levels (i.e., short-term rates are higher than long-term rates). Such inversions have always led to a recession in the past. However, this time around, we are all collectively still waiting for "most expected" recession ever



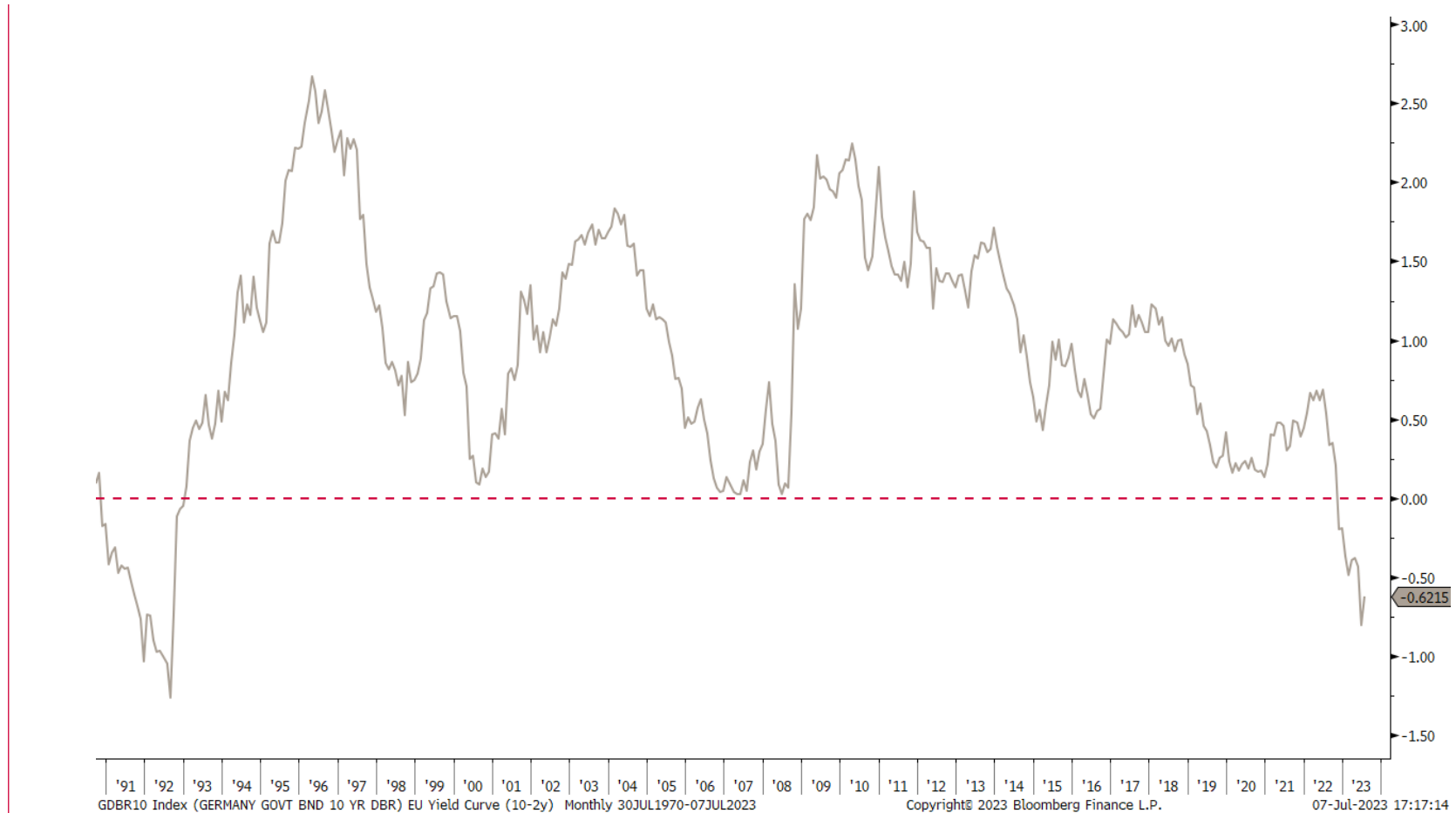
Source: Bloomberg, NPB Calculations



# European Yield Curve

## Proxied via German Curve

The same extent of inversion can be observed on the European yield curve, which is now nearly as inverted as during the German reunification (which brought a major recession with it)

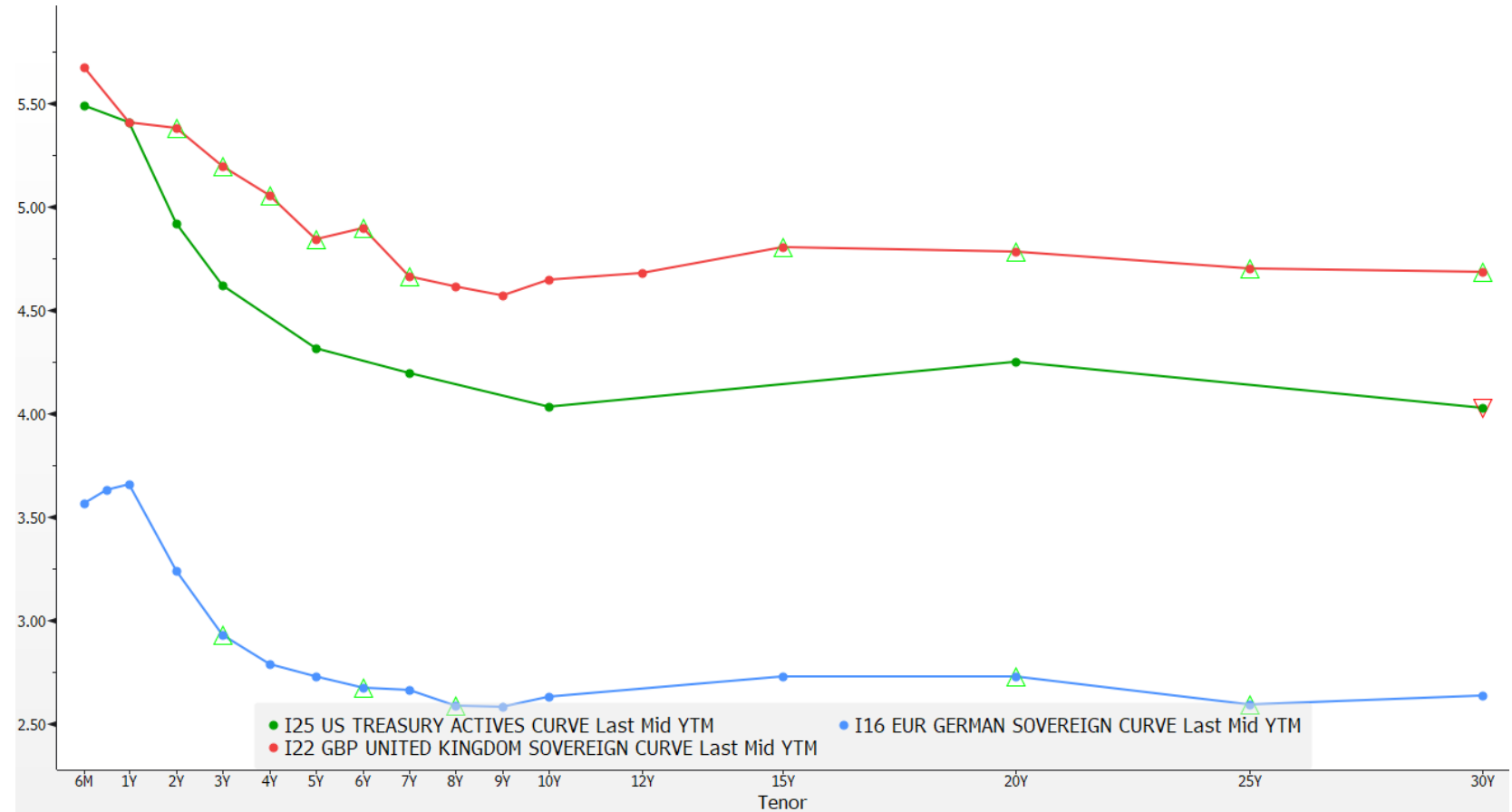


Source: Bloomberg, NPB Calculations

# Yield Curves

## Short-Duration Bullet Strategy

Given the similar shape of the major yield curves (USD, EUR, GBP) we concentrate our bond holdings at the shorter end, which not only pays most, but should also benefit in the case of a recession and subsequent central bank easing policy



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Source: Bloomberg, NPB Calculations

# FX

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## CIO Office Chartbook

# FX Forecasts

## Nothing Dramatic Expected

FX seers are relatively benign in the current forecast, i.e., not expecting any major moves in the near term

|         | <i>FX</i> |       |       |       |       |       |       |       |
|---------|-----------|-------|-------|-------|-------|-------|-------|-------|
|         | Q323      | Q423  | Q423  | Q124  | 24    | 25    | 26    | 27    |
| EUR/USD | 1.10      | 1.12  | 1.12  | 1.12  | 1.15  | 1.16  | 1.17  | 1.17  |
| USD/CHF | 0.90      | 0.90  | 0.90  | 0.89  | 0.90  | 0.89  | 0.92  | 0.93  |
| EUR/CHF | 0.98      | 0.99  | 0.99  | 1.00  | 1.03  | 1.01  | 1.05  | 1.06  |
| GBP/USD | 1.25      | 1.27  | 1.27  | 1.27  | 1.29  | 1.31  | 1.26  | 1.26  |
| EUR/GBP | 0.87      | 0.88  | 0.88  | 0.88  | 0.88  | 0.88  | 0.89  | 0.89  |
| USD/JPY | 136       | 132   | 132   | 130   | 125   | 120   | 120   | 120   |
| USD/INR | 82.00     | 81.50 | 81.50 | 81.00 | 80.00 | 79.00 | 78.00 | 78.00 |
| USD/CNY | 7.09      | 6.95  | 6.95  | 6.85  | 6.70  | 6.60  | 6.58  | 6.58  |
| AUD/USD | 0.68      | 0.69  | 0.69  | 0.70  | 0.72  | 0.74  | 0.73  | 0.75  |
| USD/CAD | 1.32      | 1.32  | 1.32  | 1.30  | 1.28  | 1.28  | 1.28  | 1.26  |
| EUR/NOK | 11.60     | 11.30 | 11.30 | 11.07 | 10.52 | 10.05 | 10.00 | -     |
| EUR/SEK | 11.50     | 11.41 | 11.41 | 11.23 | 10.85 | 10.40 | 10.00 | -     |

Source: Bloomberg, NPB Calculations

# US Dollar Index

## Consolidating

The US Dollar, as measured via the US Dollar Index (DXY) has been in a wide consolidation range during the first half of this year.

A resolution lower seems more likely, and we would move to USD underweight below 101.00



Source: Bloomberg, NPB Calculations

# EUR/USD

## Drifting higher

The US Dollar Index (DXY) observed on the previous page is made up by a two thirds weight of the Japanese Yen and the Euro.

The latter has been strengthening versus the USD ...



EUR Curncy (Euro Spot) NPB Line Chart (grey) Daily 10JUL2020-10JUL2023

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10-Jul-2023 10:27:45

Source: Bloomberg, NPB Calculations

# USD/JPY

Where's the bottom for the Yen?

...whilst the JPY has been very weak, creating this "stalemate" on the DXY



JPY Curncy (Japanese Yen Spot) NPB Line Chart (grey) Daily 10JUL2020-10JUL2023

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10-Jul-2023 10:29:33

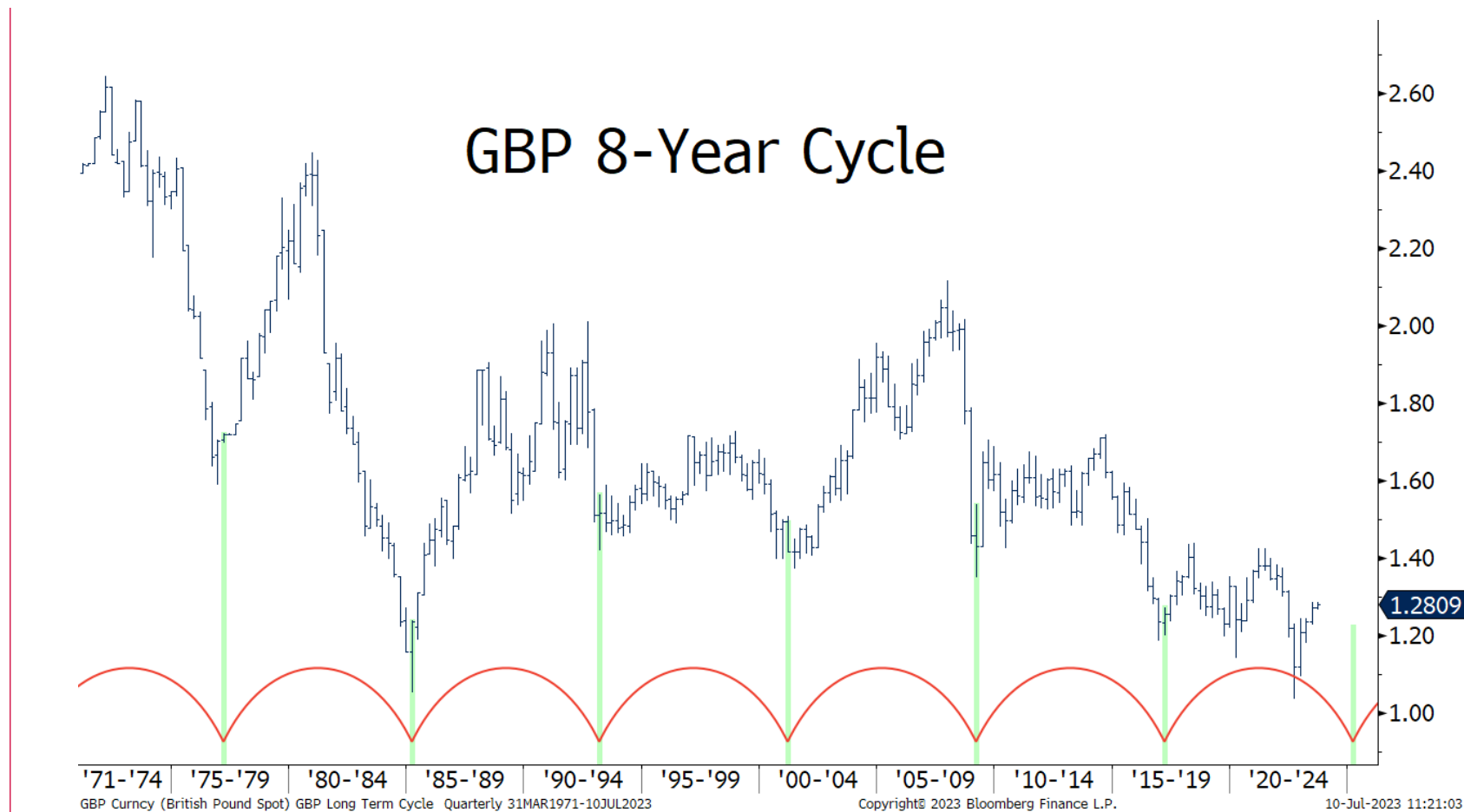
Source: Bloomberg, NPB Calculations

# GBP/USD

## Long-Term Cycle Chart

An eight-year cycle chart has worked very well over the past five decades to identify long-term bottoms for the British Pound.

The next bottom is not due until Q1/2025. We therefore consider the current level fit to underweight the currency.



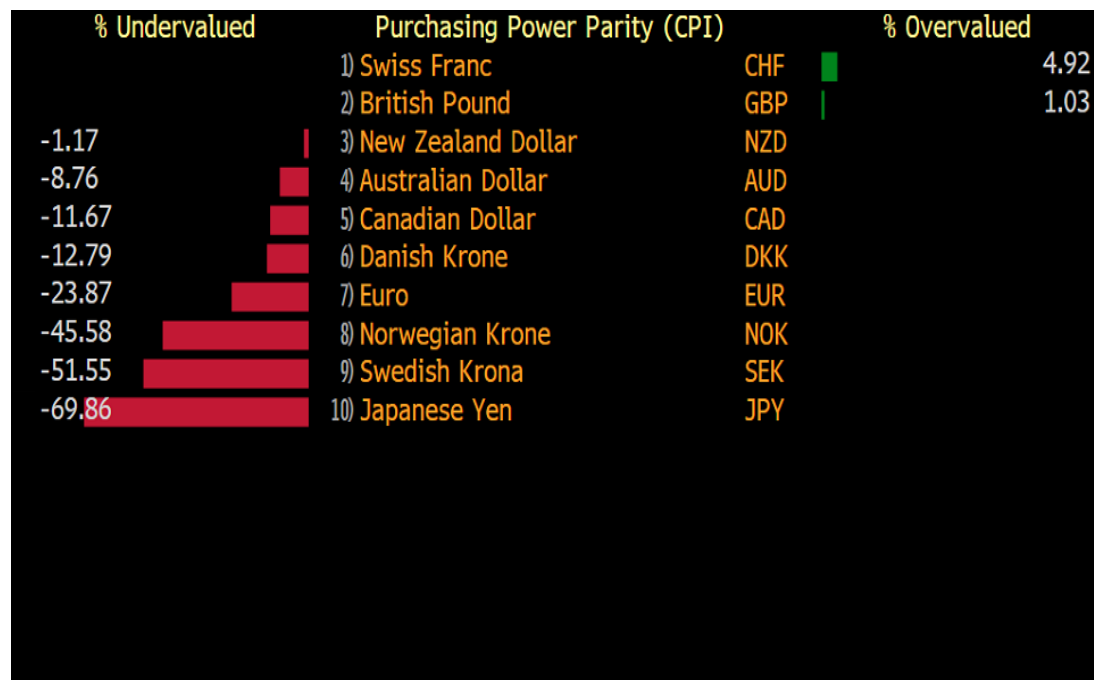
Source: Bloomberg, NPB Calculations



# Valuation

In General, the US Dollar is overweight versus most other currencies

Purchasing Power Parity\* – CPI Method



Purchasing Power Parity\* – OECD Method



\* PPP – This should be taken as a concept for over- and undervalued only, with the percentage numbers more of a relative than an absolute indication

# Commodities

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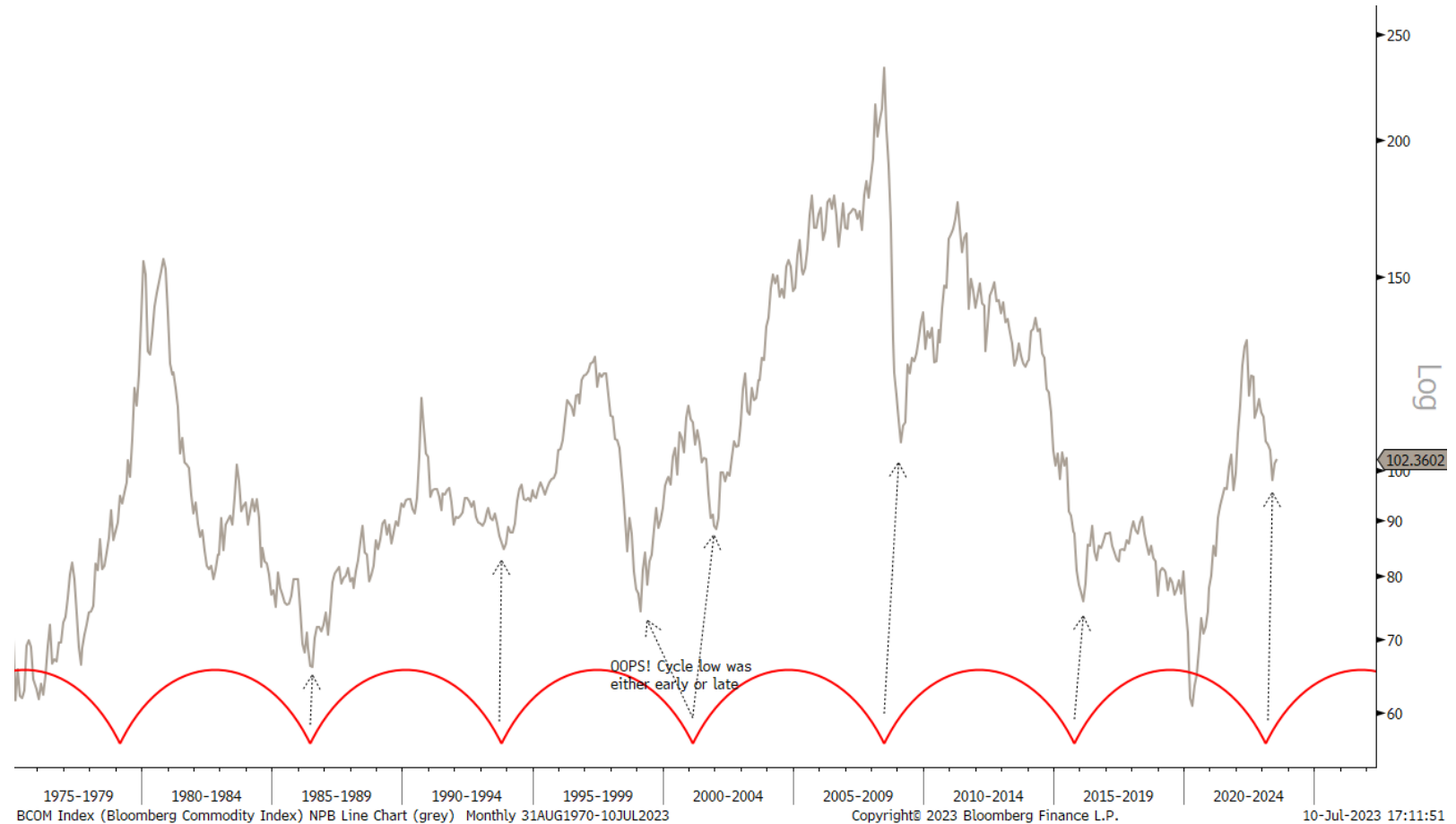
## CIO Office Chartbook

# Commodities

## Super-Cycle or Mini-Cycle

The last year much heralded new commodity super-cycle has found an abrupt end or at least pause.

At current level, the Bloomberg Commodity Index (BCOM) has retraced quite precisely 50% of the initial up move.

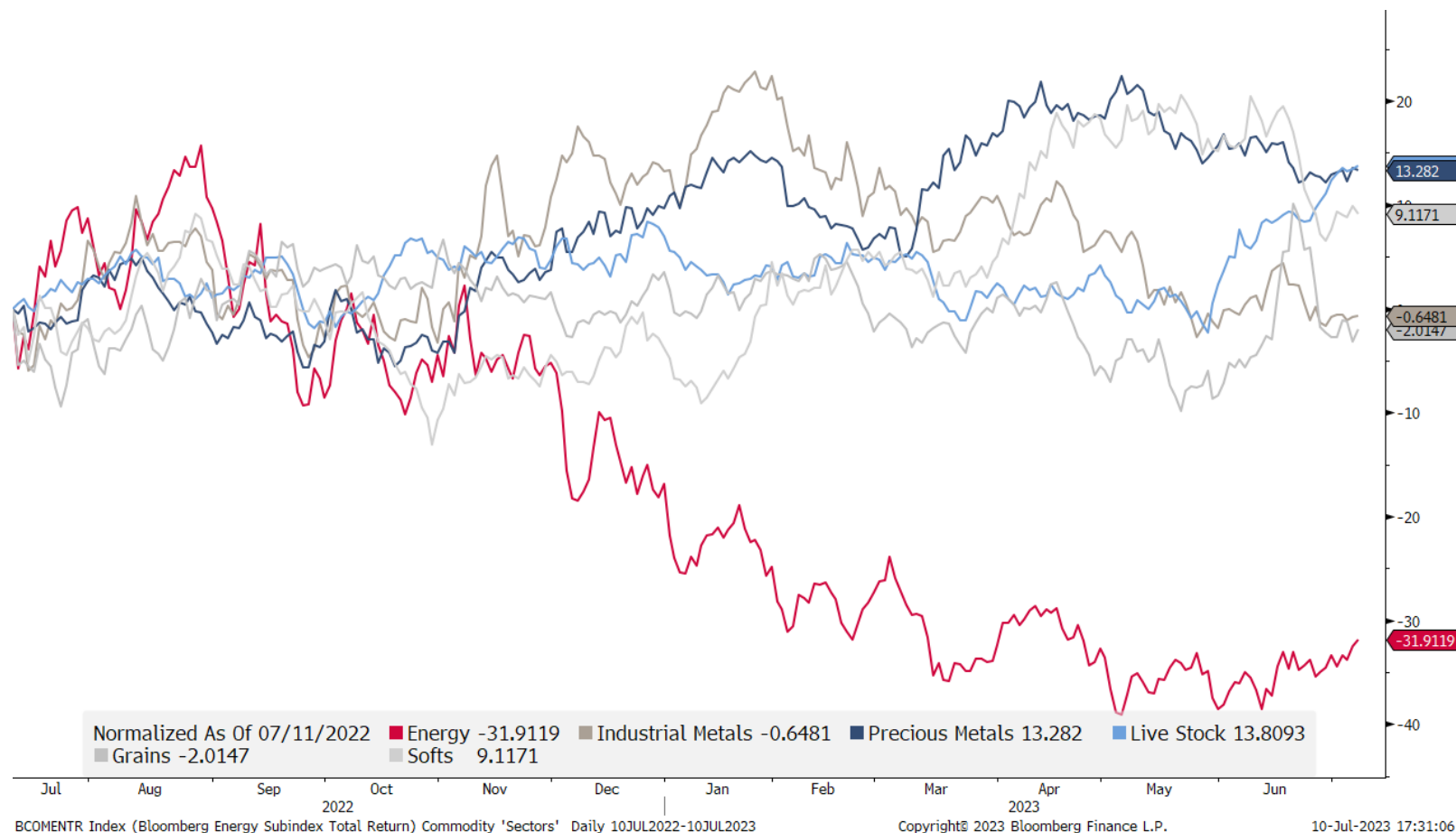


Source: Bloomberg, NPB Calculations

# Commodity Sectors

## Energy the 'culprit'

A closer look under the hood however reveals that nearly all commodity downside over the past twelve month can be assigned to the energy complex



Source: Bloomberg, NPB Calculations

# Energy – Oil

## ICE Brent Futures

Looking closer at that energy sector (see previous page), we note that 'black gold' may be turning higher again.

At a minimum the downtrend has halted, which makes us bullish on inexpensive and dividend paying oil stocks



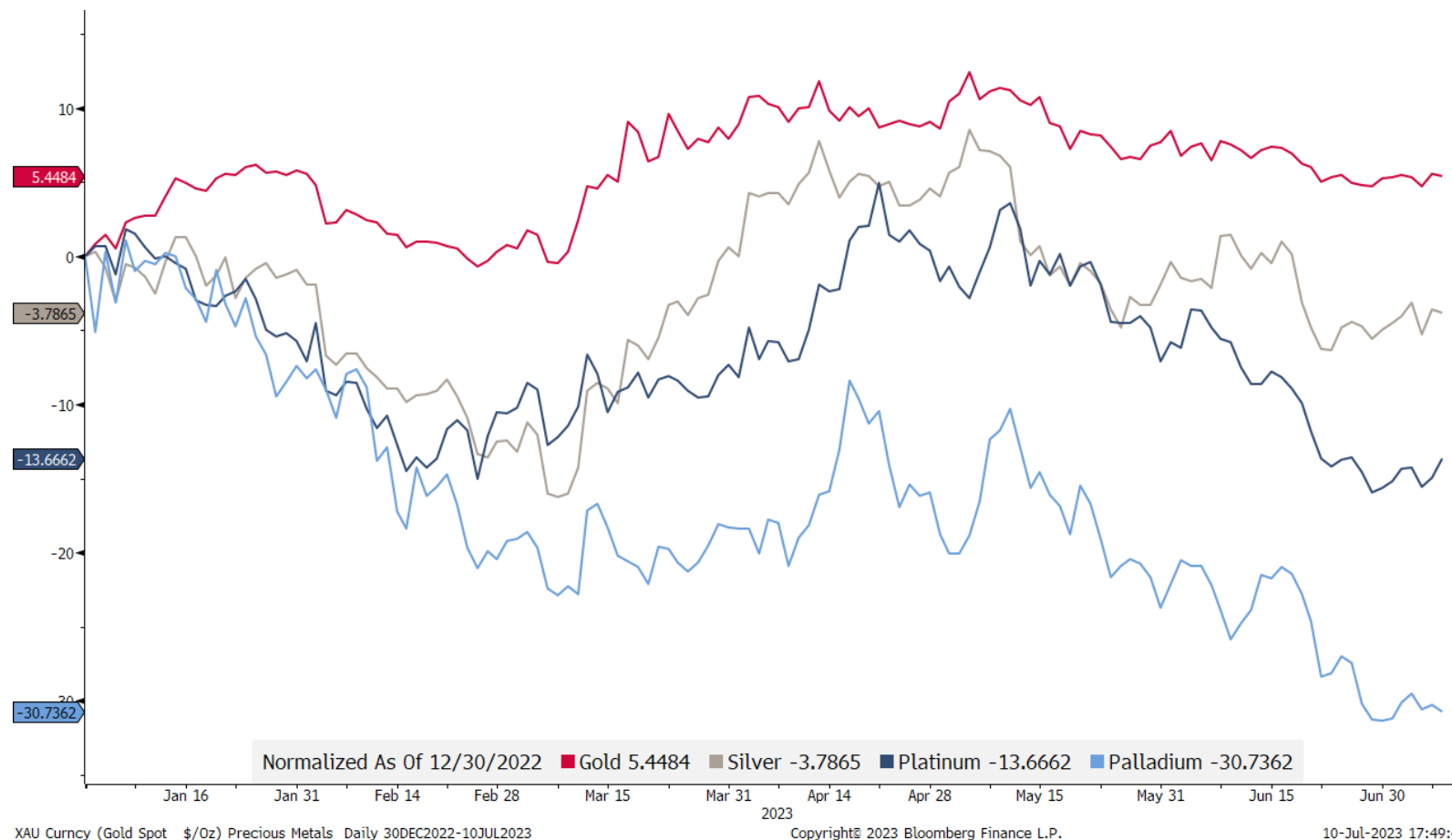
Source: Bloomberg, NPB Calculations

# Precious Metals

## Not all that shines is Gold

Gold is the only Precious Metal showing a positive year-to-date scorecard.

The performance gap between best (Gold) and worst (Palladium) is a whopping 35%.



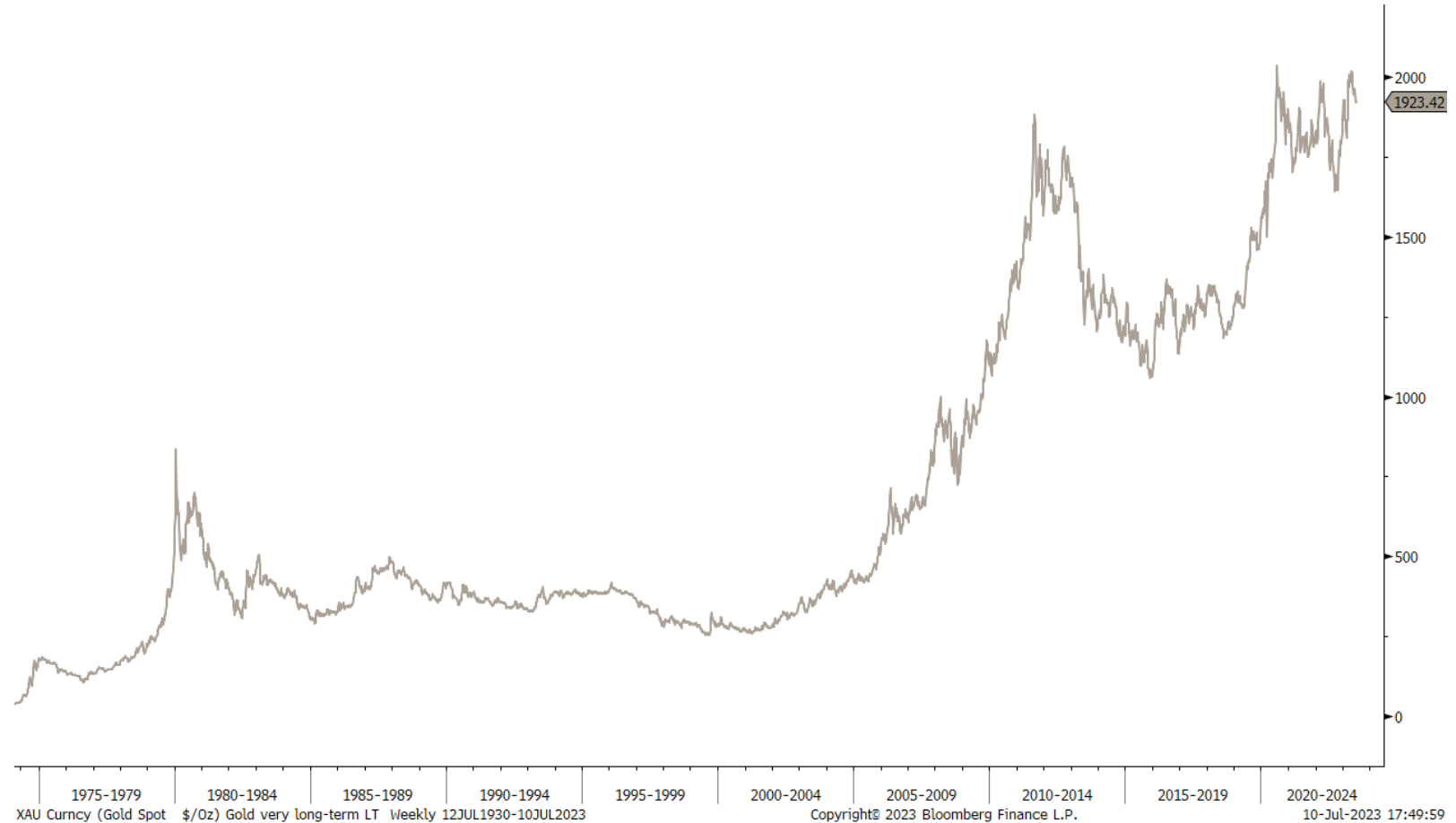
Source: Bloomberg, NPB Calculations

# Gold

## Pause or Reversal?

Gold hit briefly a new all-time high just above USD2,080 the ounce last month.

Since then, the yellow metal has dropped nearly USD200, probably mostly due to high real interest rates (see next slide)



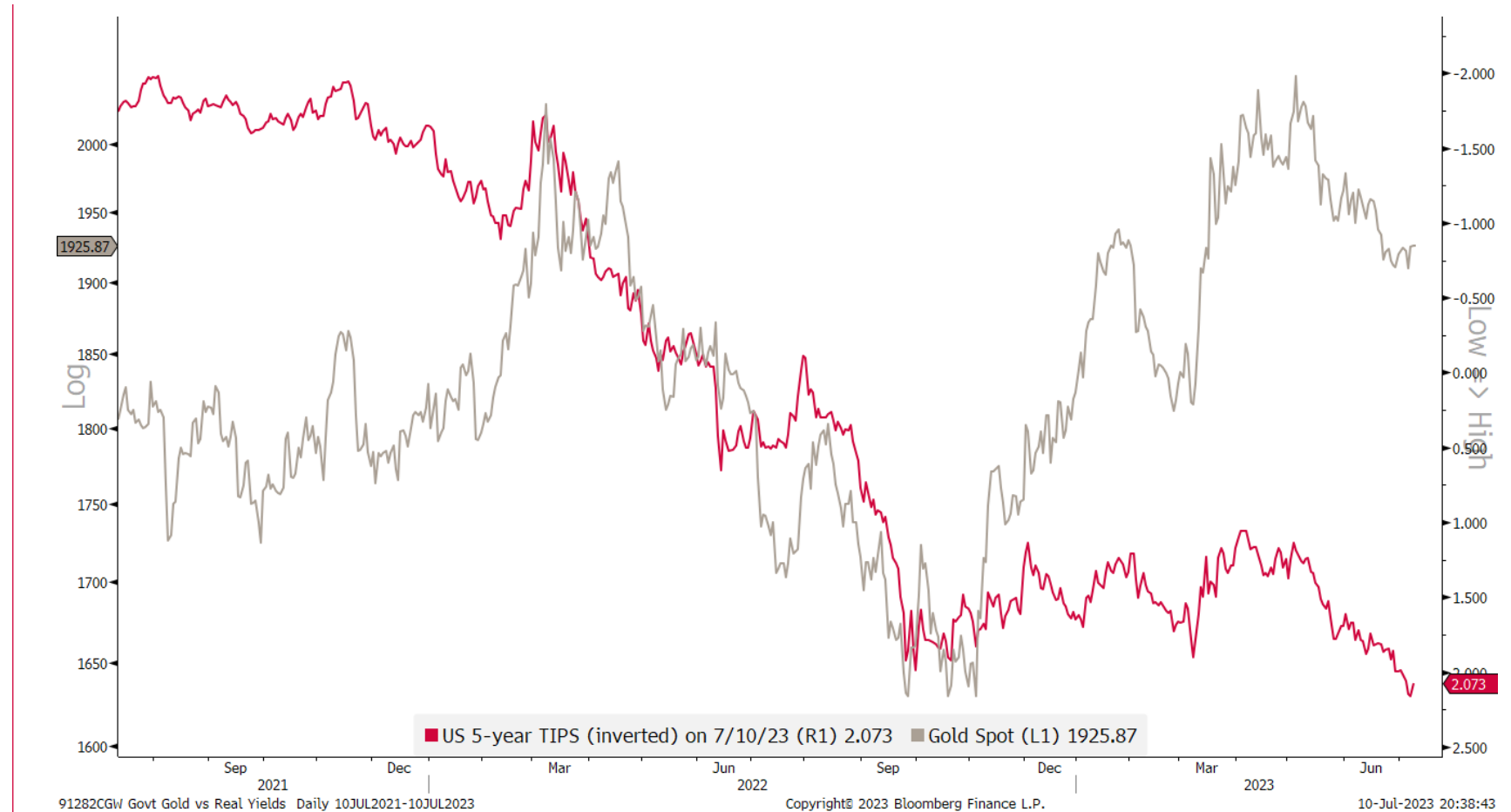
Source: Bloomberg, NPB Calculations

# Gold

## Gold and Real Rates

Gold (grey) is suffering from high real rates (red), i.e. interest rates minus inflation.

When real rates are elevated, the opportunity cost of and lack of income on Gold is too high.



Source: Bloomberg, NPB Calculations



# Appendix

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## CIO Office Chartbook

# Glossary

| Initialism               | Term   | Explanation   |
|--------------------------|--|---|
| PMI                      | Purchasing Managers' Index                   | The Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions are expanding, staying the same, or contracting as viewed by purchasing managers. The purpose of the PMI is to provide information about current and future business conditions to company decision-makers, analysts, and investors.                 |
| AAIL                     | American Association of Individual Investors | The American Association of Individual Investors (AAIL) is an investor education organization. It is a membership-driven nonprofit with local chapters throughout the United States.  |
| CPI                      | Consumer Price Index                         | The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending. <sup>1</sup> U.S. Bureau of Labor Statistics. "Consumer Price Index."   |
| CNN Fear and Greed Index | CNN Fear and Greed Index                     | The Fear and Greed Index was developed by CNN Business to measure how emotions influence how much investors are willing to pay for stocks. The index is calculated daily, weekly, monthly, and yearly and is based on the logic that excessive fear will drive share prices down, and too much greed will drive prices up.  |
| PPP                      | Purchasing Power Parity                      | A popular macroeconomic analysis metric to compare economic productivity and standards of living between countries is purchasing power parity (PPP). PPP is an economic theory that compares different countries' currencies through a "basket of goods" approach. According to this concept, two currencies are in equilibrium—known as the currencies being at par—when a basket of goods is priced the same in both countries, taking into account the exchange rates. |

Source: Investopedia

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