# 2019

ANNUAL OUTLOOK

## Volatility & Opportunities in the Late Stage Bull Market

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# Managing Volatility in an Aging Bull Market

Global equities rose 5.1% in the first three quarters of 2018 before selling off in October, tumbling -7.3% in the month in reaction to IMF's global growth downgrade from 3.9% to 3.7%, an increase in US-China tensions, 10 year US Treasury (UST) yields rising 40bps since August, and risk reduction ahead of the midterm elections in November. Global equity markets then recovered 1.2% in November.

Citi analysts still expect global growth of 3.1% in 2019 paired with inflation slowing its rate of increase to 2.4% in 2019 to 2.5% in 2020. Developed Markets (DMs) are forecasted to grow 2.0% in 2019 and 1.7% in 2020, while Emerging Markets (EMs) target 4.5% growth in 2019 and 4.6% in 2020.

While the US economy remains supported by fiscal policy, European growth is likely to be supported by domestic demand resulting from tighter labour markets and moderate wage increases, particularly in the second half of 2019. In China, despite a recent slowdown in the growth outlook, Citi analysts still believe that the mix of proactive fiscal policy, accommodative monetary policy and steady RMB could be supportive of stronger economic growth ahead.

Citi analysts believe the nine-year bull market has not ended and remain overweight equities and underweight bonds. Investors with globally diversified multi-asset class portfolios have typically earned the strongest returns per unit of volatility over time. As the US economic expansion enters its 10th year and as the Fed approaches the later stages of a tightening cycle, diversified high-quality portfolios can provide buffer in times of volatility.

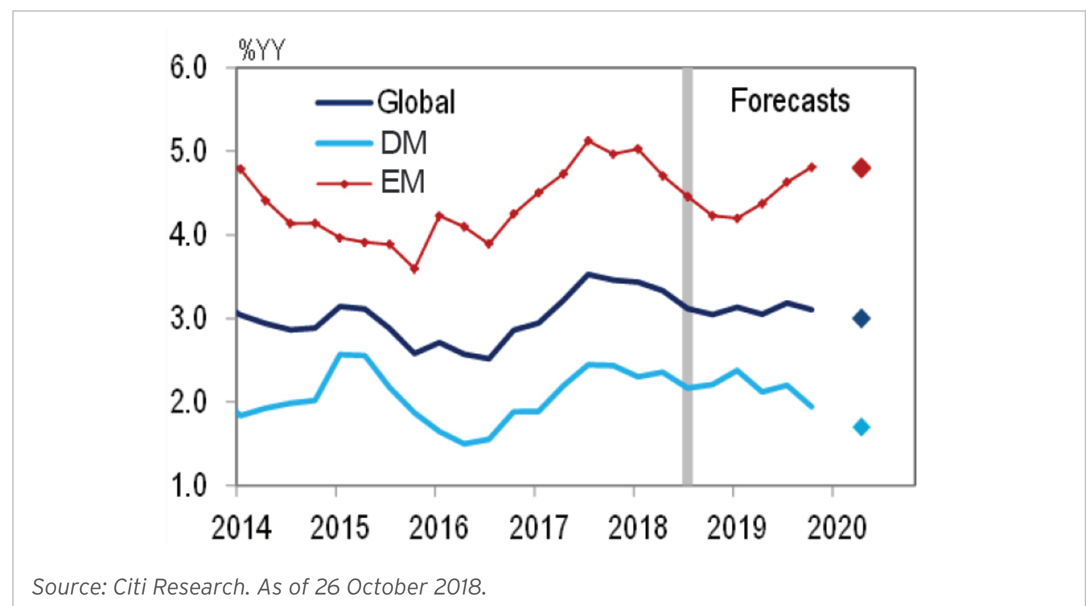
*All returns in USD as of 30 November 2018

# 1. ECONOMY:
## GROWTH STILL SUPPORTIVE, INFLATION REMAINS STEADY

### Key Takeaways

- Citi analysts still expect global growth of 3.1% in 2019 and inflation to slow its rate of increase to 2.4% in 2019 and 2.5% in 2020.
- Developed Markets (DMs) are forecasted to grow 2.0% in 2019 and 1.7% in 2020, while Emerging Markets (EMs) target 4.5% growth in 2019 and 4.6% in 2020.
- Downside risks to growth include monetary policy divergence across markets, rising protectionism and trade tensions, heightened political risks and a China or US slowdown. However, a global investment rebound could offset these influences in the second half of 2019.

GDP Growth forecasts




*Source: Citi Research. As of 26 October 2018.*

Although growth is slowing as the economic cycle matures, Citi analysts emphasize that this is not the start of a downturn.

Citi analysts expect global growth of 3.1% in 2019 and inflation to slow its rate of growth to 2.4% in 2019 and 2.5% in 2020.

**Global growth is expected given the following factors:**

- US: Fiscal stimulus and sustained capital investment are accompanied by a robust jobs market, keeping unemployment rate (currently 3.7%) at below the natural rate of 4.6% during 2019.

- Europe: Strength of domestic demand backed by favourable labour market developments and easy credit conditions.

- Japan: Continued business investment, 2020 Tokyo Olympics and supplementary budgets – which could include roughly 3 trillion yen (0.5% of GDP) in fresh spending.

- China: Fiscal policy may play a larger role in supporting domestic demand, while monetary easing could continue.

- Emerging Markets (EMs): Growth backed by an urbanizing critical mass of population as well as savings to fund consumption and investment.

**Risks to the global growth outlook include:**

- Monetary policy divergence across markets.
- Rising protectionism and trade tensions.
- Heightened political risks. (See "6. Politics – Risks May Linger")
- China and/or US slowdown.

For 2019, Citi analysts expect inflation of 1.2% in Developed Markets and 4.1% in Emerging Markets.

**Upside risks to global inflation include:**

- Tightening labour markets.
- Higher commodity/energy prices.
- More trade tariffs.
- Roll-off of tax windfall.

# 2. EQUITIES:
## BULL MARKET LATE CYCLE, NOT END CYCLE

### Key Takeaways

- Citi analysts forecast the nine-year bull market is not finished and expect single-digit percentage gains by end-2019. Within equities, Citi prefers Emerging Markets (EM), particularly Asia, and Europe-ex UK.

- Citi analysts lower their global earnings per share (EPS) growth outlook slightly to 9.7% in 2019 compared to 16.4% in 2018 as tax cut effects fade in the US.

- Citi analysts believe it is still too early to turn defensive and prefer Technology and Materials, while Healthcare could provide shelter from volatility.

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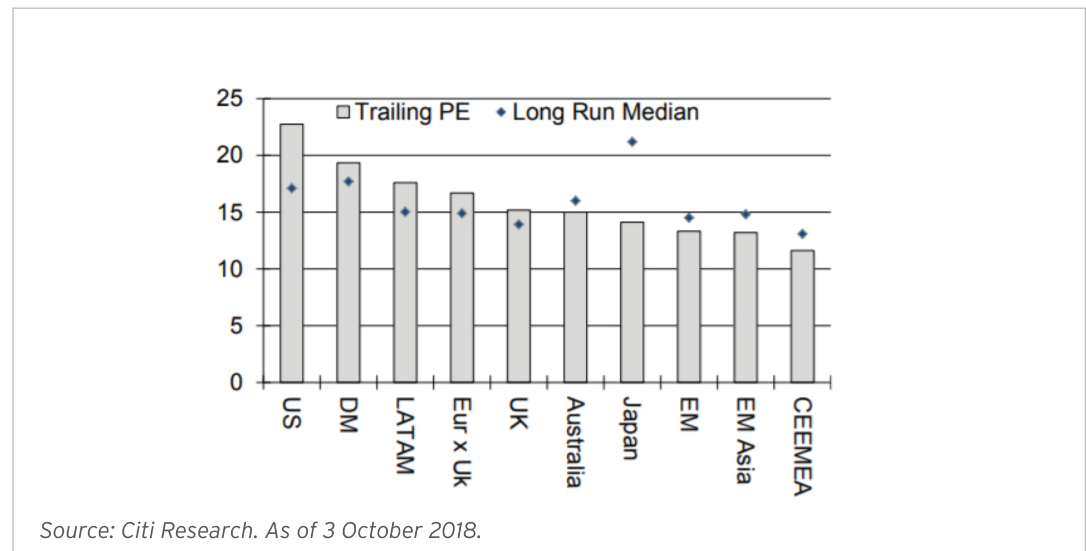
MSCI Regional Trailing PEs




*Source: Citi Research. As of 3 October 2018.*

Citi analysts are expecting global earnings per share (EPS) to grow by 9.7% in 2019 – slightly lower than 2018's 16.4% as tax cut effects fade in the US.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The MSCI AC World benchmark trades on a trailing Price-to-Earnings (P/E) of 18x, slightly above the long-run median of 17x. The US looks most expensive while EM is cheaper. Overall, equities still yield more than bonds across all major developed market (DM) economies, except in the US.

**US**

- US EPS growth may fall from 22% in 2018 to 11% in 2019 as the tax cut stimulus fades. Risks of Fed policy tightening, higher Treasury yields and trade concerns could weigh on growth. Given these potential risks, Citi is neutral on the US.

**Europe**

- Europe-ex-UK trades 47% cheaper on a Price-to-Book (P/B) basis relative to US equities. Citi analysts forecast 10-12% earnings growth for 2019 dependent on easing US-EU trade friction.

**Japan**

- Citi analysts believe that consensus EPS growth of around 5% for 2019 is achievable. Japanese equities are trading at 13x Price-to-Earnings (P/E), a 10% discount to a 10-year average, although risk could come from potential Yen strength and escalation in trade tensions.

**EM**

- Citi analysts are positive on EM equities, particularly in Asia, with EM earnings growth in 2019 expected to remain stable around 11%. US-China economic relations represent risks for EM Asia and in recognition of this, Citi analysts have spread the EM Asian overweight more broadly to include markets such as Thailand and Malaysia – which may be marginal beneficiaries of multinationals diversifying their supply chains should US trade tensions with China escalate.

## SECTORS TO WATCH

Citi analysts believe it is still too early to turn defensive and prefer Technology and Materials, although Healthcare can provide shelter from volatility.

**Technology**

- Despite the volatility in 2018, consensus expects EPS growth of 11% in 2019. Risks to this forecast include US-China trade uncertainty as Technology stocks have not priced in a material economic slowdown. The sector trades at 20% premium to the global benchmark.

**Materials**

- Citi analysts remain bullish on Materials as they believe the market is not fully valuing the medium to long-term upside that the sector can deliver. The global Materials sector EPS could grow by a further 5.5% in 2019. The sector trades at about a 45% discount to the market, compared to a 25% historical average discount.

**Healthcare**

- An aging world population and technologies that unlock demand could drive earnings growth in Healthcare, with US and EU large-caps offering 8% and 6% five-year EPS from 2019. The sector trades at a 15% premium compared to the rest of the market.

# 3. BONDS:
# SHELTER IN TIMES OF VOLATILITY

**Key Takeaways**

- Citi analysts expect monetary policy divergence to continue as the Federal Reserve continues to normalize rates while the European Central Bank (ECB) and Bank of Japan (BOJ) keep policy accommodative with policy rate differentials.

- Citi remains constructive on US Investment Grade (IG) bonds, preferring opportunities in short and intermediate term maturities. US High Yields (HY) bonds are also favoured especially as default rates continue to decline amidst a favourable US economic outlook.

- Within Emerging Market Debt, Citi analysts prefer to be selective and maintain overweights in Latin America (hard currency & local) and Asia hard currency bonds. In Asia, Citi analysts continue to see value in Chinese fixed income given improved liquidity in the property sector. Opportunities can still be found in the core state-owned enterprises and select developers.

Citi analysts expect monetary policy divergence to continue as the Federal Reserve continues to normalize rates while the European Central Bank (ECB) and Bank of Japan (BOJ) keep policy accommodative with policy rate differentials.

- Citi analysts expect the Fed to hike twice more in 2019, raising the Fed Funds overnight rate to 2.75%-3.00%.

- ECB rate increase likely to be on hold, with a first rate hike expected in September 2019 at the earliest.

- The Bank of England's (BoE) Monetary Policy Committee sees risks of higher inflation in the UK emanating from supply constraints following (and assuming) an orderly Brexit. This could spur the BoE to raise rates quickly after the Brexit transition period commences in March 2019.

- The Bank of Canada (BOC) raised rates by 25bp in October to 1.75% and is likely to raise rates three times in 2019 as it targets a "neutral" cash rate closer to 3%.

- The Reserve Bank of Australia and Reserve Bank of New Zealand could begin a gradual tightening cycle in Q3'2019.
- The BOJ is likely to maintain the status quo in policy until after the consumption tax hike in October 2019.
- In Asia: India, Indonesia, Thailand and Singapore are expected to tighten policy further.

### Selective regional markets offer value

Short-dated US Investment Grade (IG) bond yields have reached 3.3%, the highest since 2009. Citi remains constructive on US IG - preferring opportunities in short and intermediate term maturities.

Citi continues to favour US High Yield (HY) bonds especially as default rates continue to decline amidst a favourable US economic outlook. Variable-rate HY bank loan debt also remains attractive benefiting from tighter Fed policy and higher LIBOR rates.

Within Emerging Market Debt (EMD), Citi analysts prefer to be selective and maintain overweights in Latin America (hard currency & local) and Asia hard currency bonds.

**Short-term IG yields highest since 2009**

*Source: Citi Private Bank. As of 5 November 2018.*

Within **Investment Grade (IG) bonds**, US IG spreads have tightened, though returns have been adversely impacted by the spike in long-term Treasury yields. Short-dated US IG corporate bond yields have reached 3.3%, the highest since 2009. Citi remains constructive on US IG – preferring opportunities in short and intermediate term maturities.

While longer-dated bonds are likely to be subject to heightened rate volatility over the medium-term, short-end yields offer value. There are opportunities in short-term IG corporate floaters as the Fed likely continues to hike rates, pushing USD LIBOR rates higher and making short-term floating-rate issuer debt (that are benchmarked against USD LIBOR) more attractive.

Despite tighter spades, Citi analysts remain overweight on US **High Yield (HY) bonds**. Fundamentals are still solid and relative value exists compared to other markets with yields now near 7%. Default rates have also continued to move lower to 2.8% and are expected to fall further in 2019 amidst a still favourable US economic outlook.

Further Fed tightening is likely to push up short-term rates (i.e. LIBOR), benefiting floating rate assets including HY variable-rate bank loans. Given the embedded floating rate coupon in these structures, HY bank loans offer a lower degree of interest rate volatility. With LIBOR rates up 70bp and expected to rise further, demand for floating rate assets is likely to continue.

Within **Emerging Market Debt (EMD)**, Citi analysts continue to see value in China given improved liquidity in the property sector, which has been under pressure in 2018. Opportunities can still be found in the core state-owned enterprises and selected developers. Citi analysts also maintain a high conviction in onshore government bonds, where foreign ownership continues to grow.

# 4. COMMODITIES: RECOVERY AHEAD?

**Key Takeaways**

– Citi analysts maintain 2019 average oil price forecasts of US$57/barrel for Brent and US$49/barrel for WTI respectively. Downside risks to oil prices include slower demand and USD appreciation while upside risk include tighter supply.

– Citi analysts continue to favour gold as a safe haven against volatility, with potential for gold to average US$1,270 per ounce in 2019.

– Iron ore price may average US$63/t in 2019 as the near-term downside to bulk prices appears limited, though any improvements also hinge highly on China policy signals.

Recent slowdown in the global growth outlook, economic divergence and associated slowdown in trade has undermined demand for commodities. Price sensitivities to these developments have been highest among those closely associated with Chinese growth (especially Copper).

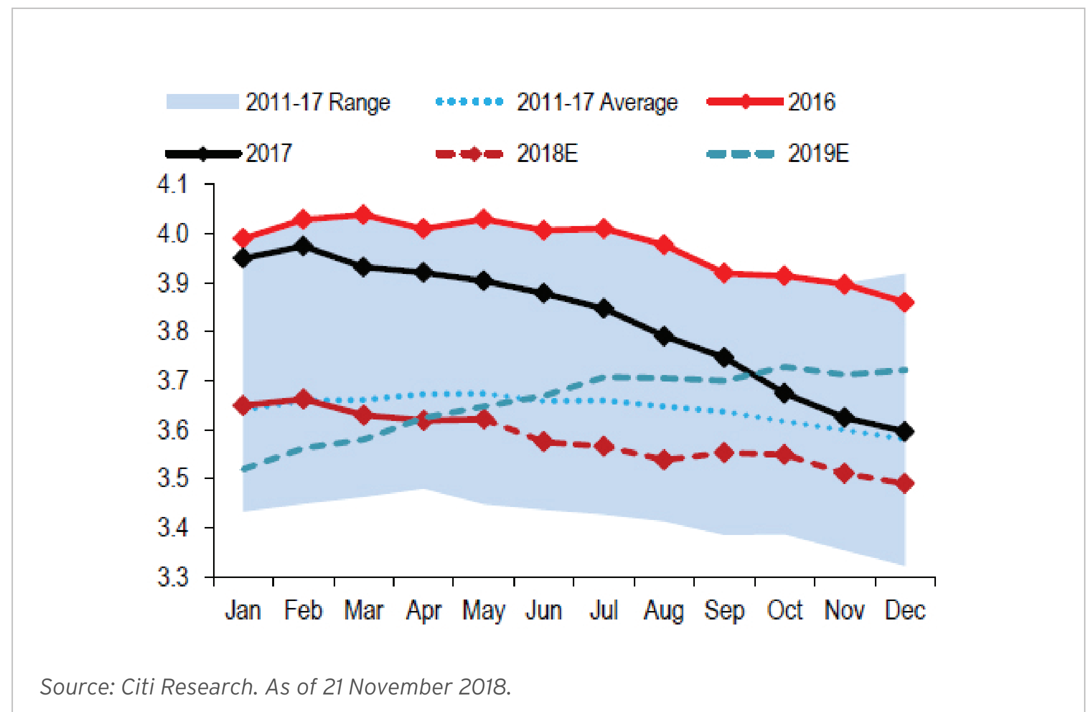
## Oil: Supply risks loom

Bullish oil market sentiment has given way to a bear market, with Brent falling from over $85/barrel to below US$60/barrel. Saudi Arabia, Russia, and the US have driven increased oil production, even as oil demand concerns multiplied on high oil prices and a strong US dollar, as well as global economic growth downgrades.

Citi analysts expect volatility to persist into 2019 as near-term risks focus on supply losses in Iran, Libya, Nigeria, Venezuela and perhaps Iraq.

Downside risks include slowing oil demand growth on concerns over economic growth – globally, in EMs, and particularly in China, as well as decelerating demand caused by USD appreciation. Citi's 2019 oil demand outlook is 1.31 million barrels a day in the base scenario that the US imposes 10% tariffs on $200 billion of Chinese goods. A US-China trade deal could boost global oil demand growth to 1.56 million barrels a day in 2019. Citi analysts maintain 2019 average oil price forecasts of US$57/barrel for Brent and US$49/barrel for WTI respectively.

Global observable oil stocks (billion barrels)




*Source: Citi Research. As of 21 November 2018.*

## Precious Metals: Gold may outperform

The gold-USD relationship remains robust and a more potentially dovish Fed next year may provide support for gold price. A calming of US-China trade tensions and Chinese stimulus measures could further support gold trading in Citi's view, boosting EMFX especially when Asian gold demand growth is currently hovering at 10-year lows.

Citi analysts continue to favour gold as a safe haven against volatility resulting from geopolitical events, as gold is forecasted to average US$1,270 per ounce in 2019.

## Base Metals: Copper prices at a discount

Copper remains at a discount to other cyclically exposed commodity prices, suggesting that copper continues to be affected by global growth sentiment. Citi's base case remains for continued easing of policy by China and should US-China trade frictions start to recede, copper prices are likely to rebound more than other cyclically exposed commodities. Citi analysts forecast Copper prices to average US$6,700/t in 2019.

**Bulk Commodities: Iron ore prices likely to remain volatile**

Iron ore prices plunged from US$70/t to US$63/t in late November 2018 alongside the sell-off in steel and coal.

The move was largely due to the ferrous metals complex caught up with moves lower in other cyclically exposed commodities against a backdrop of worsening China steel fundamentals and heightened US-China trade tensions. The near-term downside risks to bulk prices appear to be fading as US–China trade tensions ease, but equally, any improvements are also likely to hinge on China policy signals. Citi analysts forecast iron ore prices to average US$63/t in 2019.

# 5. CURRENCIES:
# STILL BEARISH ON USD LONGER TERM

### Key Takeaways

- Following the US mid-term elections in November, USD rallied. Democrats taking the majority of the House of Representatives raises the potential of increased political tensions and USD headwinds given potential conflict with a Republican White House and Senate.

- Growth in Europe, Japan and China could also pick up mid-2019 at the same time US growth starts to slow due on the fading impact of President Trump's late cycle fiscal stimulus and Fed tightening. A narrowing of growth differentials and subsequent pressure on the US twin deficits could pose further headwinds for USD.

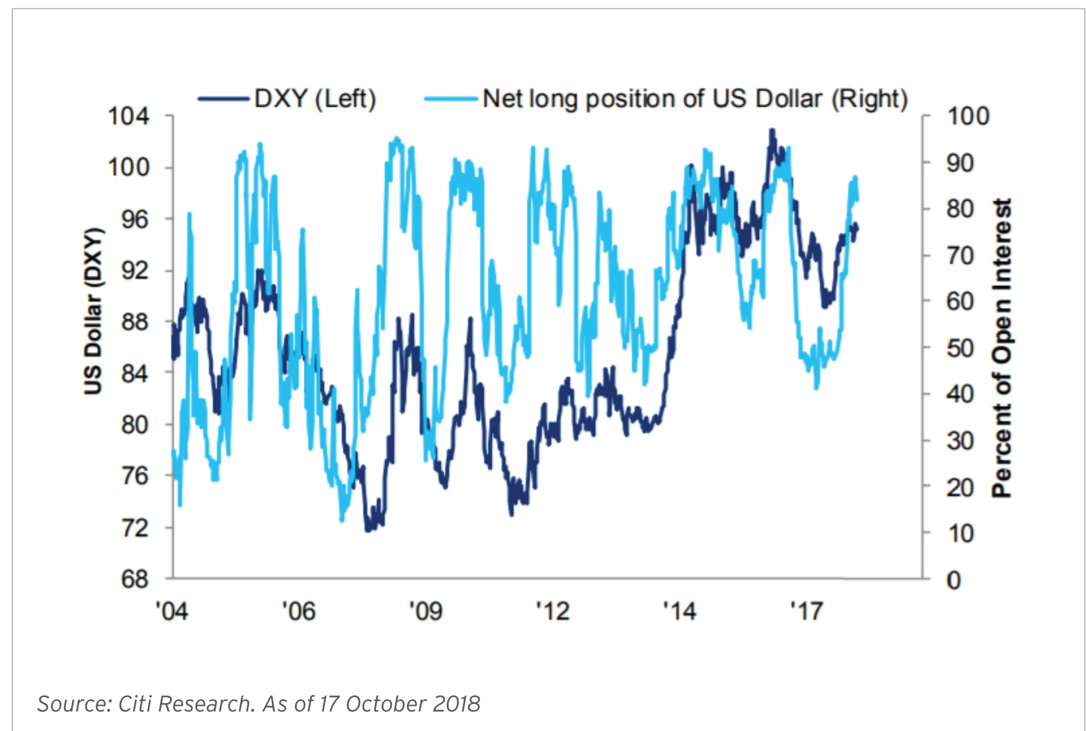
### USD: Structural elements driving USD weaker remain in place

- A deterioration in the US's twin deficits as the impact on US growth from President Trump's late cycle fiscal stimulus fades, may require the US to offer a higher premium to investors. This premium is likely to come via a weaker currency.

- The combination of a flatter (or inverted) US yield curve / higher yields / higher oil prices may also slow US growth and lead the Fed to signal a more cautious stance with respect to further policy tightening. With investors currently positioned for much higher Fed rates and a stronger USD, a shift to a more cautious Fed stance could also negatively impact USD.

- Rising political headwinds in the US could be another source for USD weakness as tensions grow between the White House and a divided Congress following the November midterms, potentially leading to policy gridlock.

US Dollar Index vs Long positioning




*Source: Citi Research. As of 17 October 2018*

**JPY: BoJ normalization & UST yield peak = stronger JPY longer term**

- In 2018, USDJPY has been a yield play with spot trending higher as the US fiscal expansion boosted US yields and attracted capital into the US.
- But Citi's forecasts expect lower US yields over the next 6 to 12 months as Fed policy ends up restrictive just when fiscal stimulus from tax reform begins to fade.
- In Japan, there is also a risk that the BoJ could tweak policy to tolerate higher domestic bond yields. BoJ Governor Kuroda has hinted at this, citing negative side effects of the current ultra-low rates as warranting a closer examination of current policy settings.
- Tolerating moderately higher Japanese bond yields would likely translate to narrowing yield differentials with falling US rates and would likely favour the Yen longer term.

**EUR: Italy, weaker data near term may pose headwinds but bullish medium term**

- Euro has moved lower in 2018 in line with the bailing out of Italian bonds by foreign investors given Italy's efforts to run higher budget deficits in defiance of EU advice.

- Until supports to euro zone activity kick in and Italy budget negotiations decisively progress, euro sentiment is likely to remain weak. In the medium to longer-term, the euro zone's current account surpluses combined with a less accommodative stance by the ECB in the second half of 2019, would support to the euro. Yen longer term.

**GBP: Brexit on the brink**

- Brexit dynamics remain fluid with the latest developments including speculation that PM May could now be challenged for her leadership from within her own UK Conservative party. Such a challenge, whether successful or not, runs the risk of effectively tying PM May's hands at a time when a Brexit solution is needed before the January 21 signoff date from the EU and UK. This could therefore significantly raise the chance of a "no deal" Brexit especially as the European Commission continues to maintain that there is no room to renegotiate the Withdrawal Agreement with the UK, though additional clarifications on the Irish backstop could be sought.

- Sterling may currently be perceived as cheap but given the uncertainty over Brexit and with UK facing unchartered waters on both the economic and political spectrum, GBP could fall further.

**Commodity Bloc: Relatively more stable**

- The Australian economy benefits from strong labour market with tepid wage growth accompanied by a correction in the housing market which leaves the RBA on course to lift rates by end 2019 at the earliest. The outlook is more positive in New Zealand reflected by a more upbeat assessment from the RBNZ and with risks now 'balanced' rather than skewed to the downside. This could potentially see the RBNZ commencing its tightening cycle as early as Q3'2019. In Canada, the BoC has not only commenced raising rates but now explicitly intends to target a neutral cash rate in 2019.

- Both Australian and New Zealand dollar benefit from trade balance even amidst heightened US-China trade tensions. If the tensions recede, it would present a more supportive backdrop for the currencies in 2019 especially at a time when EUR and GBP face turbulence and the USD may start to weaken.

**Asia EM: Under pressure in the near term but longer term outlook appears more optimistic**

- EM FX rates remained broadly flat but they may gain moderately in 2019 as headwinds from aggressive Fed rate hikes and higher oil prices ease.

- Asia EM FX in particular, is also likely to be driven by RMB sentiment. In the near term, RMB may remain under pressure, given still-weak Chinese growth. This could extend to related currencies such as KRW due to supply chain linkages to China.
- Longer term outlook appears more optimistic, driven by the PBoC's reluctance to tolerate large one-way depreciation of RMB. Importantly, a thawing in US-China tensions can be the catalyst to turn sentiment positive.

# 6. POLITICS:
## RISKS MAY LINGER

### Key Takeaways

- Political risks may linger into 2019 as trade tensions, Italian political uncertainties and Brexit discussions continue, even as economic fundamentals appear strong.

- Current global trade tensions remain elevated with markets focused more on geopolitical headlines. As a result, despite a still favourable global economic outlook, trade tensions are now leading to downgrades in economic growth forecasts from institutions including the IMF.

**Some of the main political signposts and geopolitical risks that could move markets in 2019 include:**

### US

- Trade uncertainties remain despite the US agreeing to a 90-day hold on tariff increases for Chinese imports. The US's trade dispute is not limited to China and extends to negotiations with Europe and Japan as well. Failure to resolve trade tensions poses downside risks to global (and ultimately US growth) via trade, confidence, and inflation channels.

- Citi analysts believe the road to US-Mexico-Canada (USMCA) ratification is unlikely to be smooth given certain objections by the new US Congress. Given the economic significance of the USMCA, the US Administration may be able to gather sufficient votes to ratify the USMCA deal in 2019.

### North Korea

- Following summit talks on 27 April 2018, the leaders of South Korea and North Korea have agreed to pursue a peace treaty and complete denuclearization. Citi analysts are positive on the outlook for meaningful improvement in US-Korean relations and the opening of North Korea's economy, but uncertainties remain in the details or/and implementation of the agreed-upon pledges.

**China:**

- Beijing's latest policy moves suggest that the Chinese government may have halted or even abandoned its financial deleverage policy and has relapsed to fiscal pump priming and liquidity injections to boost the economy.

- On trade tensions with the US, President Trump has agreed to hold off plans to raise tariffs on $200bn of Chinese imports from 10% to 25% on January 1, 2019 for a period of 90 days while China agrees to buy a "not yet agreed upon, but very substantial amount of agricultural, energy, industrial" and other products from the US. However, it remains to be seen whether a 90-day extension is enough for both sides to convert this to a more sustained thawing of relations.

**UK:**

- Citi analysts believe that Q1'2019 could be a high risk period for UK assets including equities, as the UK-EU Brexit deal faces hurdles from the UK parliamentary ratification process. Despite steadying growth, a disorderly Brexit adds risks to the economy. Citi expects PM May's Brexit Withdrawal Bill may eventually receive ratification.

- Nevertheless, political turbulence in the UK carries with it the risks of both a Conservative leadership challenge and a potential snap general election, both of which are likely to pose headwinds for UK assets.

**Italy:**

- Debt sustainability and a weak bank sector in Italy remain challenges as economic growth continues to be sluggish. The main risk comes from the Italian populist Budget which could exceed the 3% deficit target in 2019 set by the EU for all member countries.

**Middle East:**

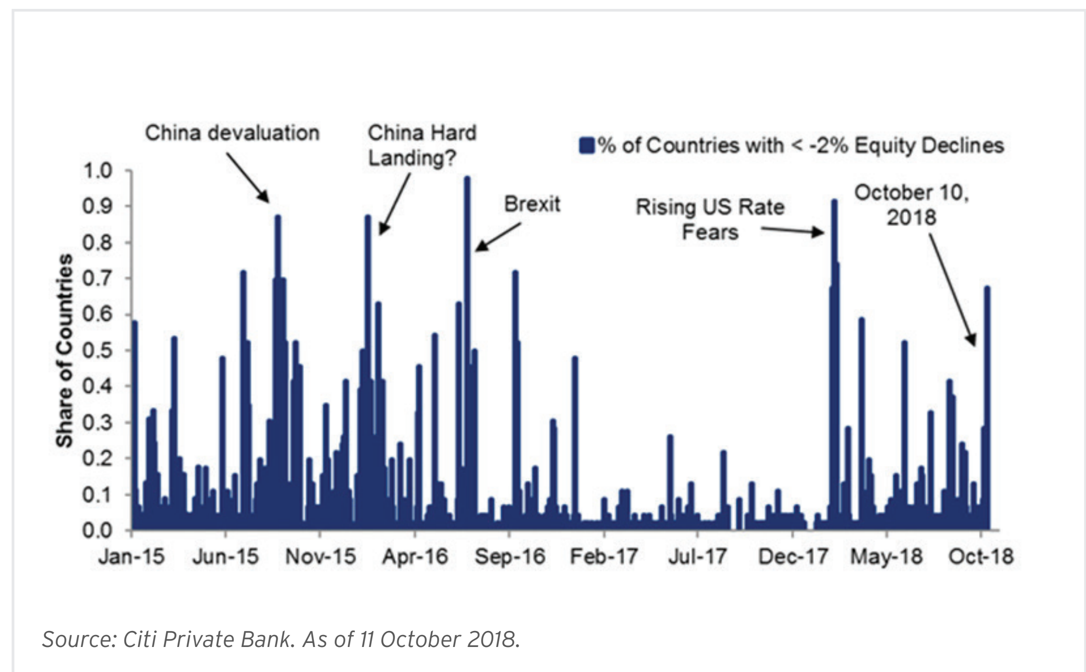
- Lebanese and Iraqi elections, along with continued consolidation of Syrian territory may reinforce Iran's reach. Israel and Saudi Arabia are likely to increase their resistance to Iran's spreading influence, with material risks of military conflict on Israel's northern borders.

- This may raise the geopolitical risk premium on assets in the Middle East which could be partly offset by higher oil prices.

Current global trade tensions remain elevated as focus remains on political headlines rather than on economic fundamentals. Despite a favourable global economic outlook, trade tensions are leading to downgrades in economic growth forecasts from institutions including the IMF.

Investors with globally diversified multi-asset class portfolios have typically earned the strongest returns per unit of volatility over time. As the US economic expansion enters its 10th year and as the Fed approaches the later stages of a tightening cycle, diversified high-quality portfolios can provide buffer in times of volatility.

Global Markets Weaken Together across Geographies, But Only Over Short-Term Periods




*Source: Citi Private Bank. As of 11 October 2018.*

## Economic Growth & Inflation Forecasts

| | GDP | | | Inflation | | |
|---|---|---|---|---|---|---|
| | 2018F | 2019F | 2020F | 2018F | 2019F | 2020F |
| **Global** | 3.2% | 3.1% | 3.0% | 2.7% | 2.4% | 2.5% |
| **US** | 2.9% | 2.8% | 2.0% | 2.0% | 1.1% | 1.8% |
| **Europe** | 1.9% | 1.5% | 1.6% | 1.7% | 1.3% | 1.5% |
| **Japan** | 0.8% | 1.1% | 0.4% | 1.0% | 0.7% | 1.1% |
| **Latin America** | 1.6% | 2.1% | 2.5% | 7.5% | 7.4% | 5.6% |
| **Emerging Europe** | 3.0% | 1.5% | 2.8% | 5.9% | 7.4% | 5.8% |
| **Middle East & North Africa** | 2.7% | 3.4% | 3.3% | 5.0% | 5.0% | 5.0% |
| **Asia** | 6.0% | 5.7% | 5.6% | 2.4% | 2.6% | 2.5% |
| **China** | 6.6% | 6.2% | 6.0% | 2.2% | 2.2% | 2.1% |
| **Hong Kong** | 3.4% | 2.5% | 2.7% | 2.4% | 1.8% | 2.2% |
| **India** | 7.3% | 7.5% | 7.7% | 3.7% | 4.0% | 4.2% |
| **Malaysia** | 4.8% | 4.7% | 4.7% | 1.0% | 2.6% | 2.5% |
| **Philippines** | 6.3% | 6.5% | 6.4% | 5.2% | 3.5% | 2.9% |
| **Singapore** | 3.0% | 2.5% | 2.5% | 0.5% | 1.3% | 1.2% |
| **South Korea** | 2.7% | 2.4% | 2.2% | 1.6% | 1.8% | 1.6% |
| **Taiwan** | 2.6% | 2.2% | 2.0% | 1.4% | 1.3% | 1.4% |
| **Thailand** | 4.2% | 4.0% | 3.9% | 1.1% | 1.2% | 1.3% |
| **Vietnam** | 6.9% | 6.8% | 6.7% | 3.6% | 3.8% | 4.0% |

*Source: Forecasts from Citi Research. As of 11 December 2018.*

## Exchange Rate Forecasts (vs. USD)

| | 1Q19 | 2Q19 | 3Q19 | 4Q19 |
|---|---|---|---|---|
| **Europe** | 1.15 | 1.17 | 1.19 | 1.21 |
| **Japan** | 110 | 109 | 107 | 105 |
| **UK** | 1.29 | 1.31 | 1.33 | 1.36 |
| **Australia** | 0.71 | 0.71 | 0.70 | 0.72 |
| **China** | 6.90 | 6.96 | 6.98 | 6.90 |
| **Hong Kong** | 7.83 | 7.84 | 7.84 | 7.84 |
| **India** | 69.8 | 69.1 | 6.87 | 6.94 |
| **Indonesia** | 14234 | 14159 | 14135 | 14296 |
| **Malaysia** | 4.10 | 4.07 | 4.04 | 3.99 |
| **Philippines** | 53.0 | 52.8 | 52.7 | 52.7 |
| **Singapore** | 1.35 | 1.33 | 1.32 | 1.32 |
| **South Korea** | 1120 | 1126 | 1129 | 1123 |
| **Taiwan** | 30.9 | 30.9 | 31.0 | 30.8 |
| **Thailand** | 32.7 | 32.9 | 33.0 | 32.8 |

*Source: Forecasts from Citi Research. As of 11 December 2018.*

## Interest Rate Forecasts

| | Current | 1Q19 | 2Q19 | 3Q19 | 4Q19 |
|---|---|---|---|---|---|
| **US** | 2.50% | 2.75% | 3.00% | 3.00% | 3.00% |
| **Europe** | 0.00% | 0.00% | 0.00% | 0.00% | 0.25% |
| **Japan** | -0.10% | -0.10% | -0.10% | -0.10% | -0.10% |
| **Australia** | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |
| **UK** | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% |

*Source: Forecasts from Citi Research. As of 11 December 2018, current rates as of 14 December 2018.*

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