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CITI ANALYSTS POINT TO 2017 MID-YEAR OUTLOOK, CAUTIOUS OPTIMISM AMID STEADY GROWTH

BANGKOK, 20 JUNE 2017 – Citi analysts expect the global economic recovery to be on track for the remainder of the year. Citi analysts forecast the global economy to grow 3.0% and 3.3% in 2017 and 2018 respectively on the back of receding structural headwinds, a recovery in investment activity and still low interest rates. However, lingering political uncertainties and geopolitical risks remain. As of end May, global equities have rallied 10.5% with Emerging Market equities up 17% on a year to date basis. Bond markets have generated positive returns of around 4% to 7%. Furthermore, with growth and earnings likely to continue, Citi analysts still see upside in Emerging Market equities. Given attractive valuations and improving fundamentals, European equities also present opportunities, although political and policy challenges continue to linger. There are also selected opportunities within US investment grade corporate bonds, as well as higher yielding emerging market debt.

Mr. Adrian M. Weiss, Regional Head Wealth Management Advisory, Citi Asia Pacific said "The recovery in global growth appears to be broad based across developed and emerging markets. Drivers for a strengthening cyclical global recovery include rising corporate profits, high industrial activity, low interest rates and a pickup in investment spending. Potential risks to the growth outlook include a sharp slowdown in Chinese activity, geopolitical risks and rising skepticism over US tax reform." Meanwhile, monetary policy remains accommodative with most central banks in the developed and emerging markets expected to remain on hold in 2017. The Fed appears to be an exception and Citi analysts expect one more interest rate hike for the rest of the year.

All major regional equity markets are expected to deliver positive earnings growth in 2017, a phenomenon last seen in 2010, on the back of a modest recovery in global growth and oil prices. With investors' low expectations of US tax reforms and fiscal stimulus, any credible progress on Trump's policy agenda is likely to be positive for cyclical stocks and US equities. The improving economic and earnings growth will be positive for cyclical sectors such as the Energy, Financial and Technology sectors. With healthy double-digit earnings growth forecasted for Emerging Markets, Europe and Japan, these more cyclical markets are also expected to outperform the US in 2017.

After the US presidential election in November, investors had expected bond yields to trend higher on stronger growth and inflation pressures. In reality, US 10-year Treasury bond yields actually edged lower year to date as of end May. With short term interest rates expected to rise only gradually in the US over the next 6-12 months, Citi analysts see opportunities in selected bond sectors, such as US investment grade corporate bonds, and Emerging Market debt.

As for currencies, the USD is expected to remain volatile as political headlines help keep a lid on USD gains but further Fed rate hikes may limit the dollar's downside. US dollar weakness is likely to benefit the EUR and GBP and potentially create opportunities for short term investors. **Mr. Adrian M. Weiss concluded.**

Mr. Don Charnsupharindr, Retail Banking Head, Citi Thailand said "At Citibank, we continue to advocate that investors should have a broadly diversified portfolio to help them navigate through different market situations. With "Total Wealth Advisor" (TWA), an intuitive, goal-based wealth planning tool launched for Citigold clients this year, clients can holistically view their portfolio including risk diversification index to ensure their investments are optimally diversified across various asset classes."

Given the rallies in both equity and bond markets to date, investors may want to review their portfolios in light of the potential opportunities and risks in the second half of 2017. Please reach out to your Citibank relationship manager to discuss what these developments mean to your individual portfolio.

Table below shows the Economic Growth & Inflation Forecasts

	GDP			Inflation		
	2016	2017F	2018F	2016	2017F	2018F
Global	2.60%	3.00%	3.30%	2.20%	2.60%	2.50%
US	1.60%	2.10%	2.60%	1.10%	1.70%	1.90%
Europe	1.70%	2.00%	1.90%	0.20%	1.60%	1.40%
Japan	1.00%	1.70%	1.40%	-0.10%	0.60%	0.60%
Latin America	-0.50%	1.60%	2.90%	10.70%	6.90%	5.80%
Emerging Europe	1.70%	2.90%	2.80%	5.40%	5.30%	4.50%
Middle East & North Africa	1.70%	1.20%	3.00%	6.00%	6.80%	4.50%
Asia	5.90%	6.00%	6.00%	2.20%	2.50%	2.70%
China	6.70%	6.60%	6.50%	2.00%	2.00%	2.20%
Hong Kong	2.00%	3.00%	2.50%	2.60%	1.80%	2.50%
India	7.10%	7.50%	7.90%	4.50%	4.80%	5.00%
Malaysia	4.20%	5.20%	5.20%	2.10%	4.10%	3.10%
Philippines	6.90%	6.50%	6.80%	1.80%	3.20%	3.30%
Singapore	2.00%	2.50%	2.50%	-0.50%	0.70%	0.70%
South Korea	2.80%	2.60%	2.70%	1.00%	2.00%	2.00%
Taiwan	1.50%	2.20%	2.20%	1.40%	1.60%	1.80%
Thailand	3.20%	3.40%	3.60%	0.20%	0.50%	0.90%
Vietnam	6.20%	6.50%	6.60%	2.70%	4.10%	5.60%

Source: Citi Research. 24 May 2017.

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Notes to Editors

Disclaimer –

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