

\*INVESTMENT PRODUCTS: NOT A BANK DEPOSIT. NOT GOVERNMENT INSURED. NO BANK GUARANTEE. MAY LOSE VALUE

# Citibank Wealth Management



**Mar 15, 2021**  
with data as of Mar 12, 2021

Weekly FX Strategy

FX Analysis

Data Forecasts

## Weekly FX Insight

Please note and carefully read the Important Disclosure on the last part



# Weekly FX Strategy: GBP

## GBP news

- The market sentiment was improved as US passed the \$1.9 trillion stimulus last week, which weighed on USD and supported GBP.
- The recently UK budget featuring additional fiscal loosening and labor market support that rules out further BoE rate cuts, which support GBP.

## GBP outlook

Since our last FX Forecasts, GBP has been one of the best performing G10 currencies vs. USD. Perhaps one of the reasons for this is that UK data momentum (and surprises) has been stronger since the turn of the year relative to its peers. Additionally, the public health situation is improving rapidly in the UK. The UK has inoculated almost a third of the population, ahead of its peers in the US, Europe and Japan. This is suggestive that they will not cut the Bank rate this year. In a historical context GBP FX remains around 10-15% cheap. If the base-case for Q2-Q3 widespread COVID inoculation and an ease in lockdown restrictions holds, flows into the UK's value assets can keep GBP supported.

S2	S1	R1	R2	0-3m forecast	6-12m forecast	LT forecast
1.3657	1.3759	1.4237	1.4377	1.40	1.39	1.40



Source: Bloomberg L.P., as of Mar 12, 2021

- GBPUSD quickly regained the February 2016 low and a rising channel base at 1.3834-36. Back in 2018, there was a sharp rebound that pushed GBPUSD above the previous trend high following a short lived correction. Similar price action now may push GBPUSD above the previous trend high at 1.4237 to test a crucial resistance range at 1.4281-1.4377. Meanwhile, support lies around the pivotal 1.3657-1.3759 area.

## Strategy for GBP holders - Diversify into USD

- Political risks for cable may start to become more visible in the next two months as UK goes to local elections and Scotland elects its Parliament, which may limit GBP's performance.
- Citi's base case is for the Fed to taper in Q4 2021. This could cause higher US real yields and a stronger DXY. This may also weigh on GBP.



Strategy	Reference Level	Target Level
Bearish on GBP	USD	1.4237
Bearish on GBP	HKD	11.05

## Strategy for USD holders - Buy GBP upon retracement

- The long extension of the furlough scheme in the budget makes an August rate cut unlikely. Besides, a relatively hawkish BoE just show little concern for higher yields.
- Investors still underweight UK asset allocation. If the base-case for Q2-Q3 widespread COVID inoculation and an ease in lockdown restrictions holds, flows into the UK's value assets can keep GBP supported.



Strategy	Reference Level	Target Level
Bullish on GBP	USD	1.3759
Bullish on GBP	HKD	10.68

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7629 exchange rate for reference

# Weekly FX Strategy: CAD

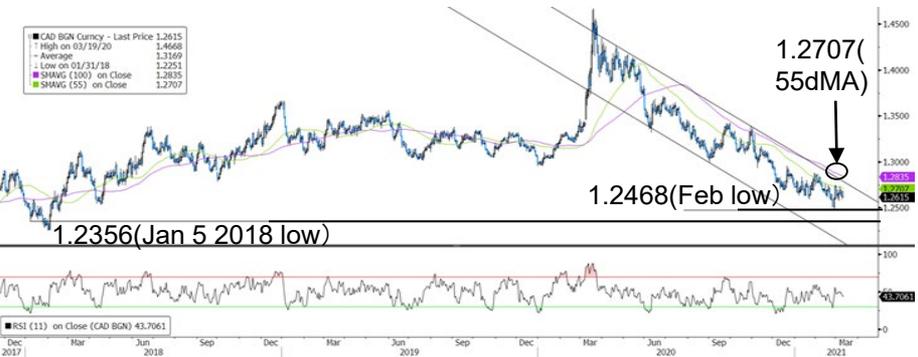
## CAD news

- BoC leaves policy rates unchanged and maintains the current pace of asset purchases. A mildly bullish bias on CAD from the BoC statement with an ever-so-slightly hawkish shift.
- Canadian employment is up a whopping 259.2k jobs in February, stronger than consensus. USDCAD marked a three-year low after a strong beat in Canadian February employment data.

## CAD outlook

- We have upgraded both oil and copper forecasts. Given this we still see upside for CAD despite the bottoming process occurring in DXY. Recent comments from the BoC indicate that asset purchases may be tapered from April. We believe the divergence between CAD rates and US, Europe and Japanese rates can continue, which can support CAD FX.

S2	S1	R1	R2	0-3m forecast	6-12m forecast	LT forecast
1.2356	1.2468	1.2707	1.2835	1.26	1.25	1.25



Source: Bloomberg L.P., as of Mar 12, 2021

- USDCAD is still trading between 55dMA at 1.2665-1.2712 and Jan2021 low at 1.2590. As a strong resistance lies around the downtrend line converging 55dMA, there is opportunity for the pair to move lower and may target to the support at 1.2356 and 1.2468.

## Strategy for CAD holders - Diversify into USD

- Virus related restrictions, slower than expected vaccine rollout, dovish risks to the core CPI outlook and a strengthening CAD are headwinds that may delay the BoC's recovery timeline.
- Near term rising risks for a dovish BoC taper combined with a potential delay in the domestic recovery could see CAD underperforming its peers (NZD in particular).

Shopping Cart Icon	Strategy	Reference Level	Target Level
	Bearish on CAD	USD	1.2356
	Bearish on CAD	HKD	6.28

## Strategy for USD holders - Buy CAD upon retracement

- We continue to expect purchases will be reduced to C\$3 billion per week in April.
- Rising oil prices and the prospect of BoC tapering to commence in April make CAD relatively more resilient to USD than its commodity peers.

Shopping Cart Icon	Strategy	Reference Level	Target Level
	Bullish on CAD	USD	1.2707
	Bullish on CAD	HKD	6.11

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7629 exchange rate for reference



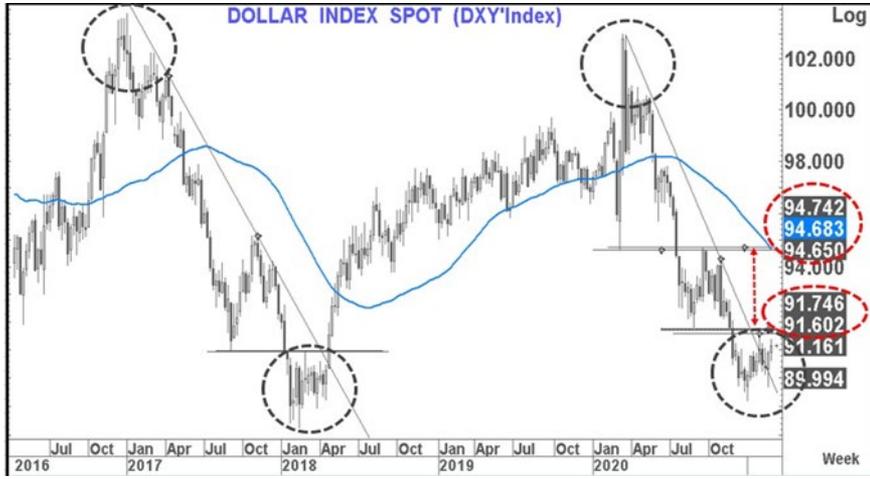
# Dollar Index

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7629 exchange rate for reference

### USD outlook:

- Now a year into the recovery, with health care solutions, it's too simplistic to assume that the USD will depreciate thanks to an upturn in synchronized global growth. Empirical evidence shows that higher US growth relative to RoW, in conjunction with higher US yields, sees USD appreciate.
- Citi's base case is for the Fed to taper in Q4 2021. This could cause higher US real yields and a stronger DXY.
- The market is pricing the Fed and satellite Central Banks to exit the ZLB in 2-3 years' time, but for the ECB and BoJ to remain in NIRP. Our forecast sensivage increased dispersion within G10 FX returns over the next6-12m.
- Meanwhile, given our Commodity strategists remain generally bullish for 2021, we expect the commodity exporters to remain supported, in both EM and DM, even in the face of a stronger DXY.
- The risk to a stronger USD view is of course more dovish impulse from the Fed. For example, if the FOMC were to engage in some sort of YCC or initiate operation twist, this would see the USD fall further.

0-3M forecast: 91.05      6-12M forecast: 92.33      LT forecast: 94.01



Source: Bloomberg L.P., as of Mar 12, 2021

# Gold/USD

### Gold outlook:

- We cut the 2021E average price forecast 5% from \$1,900/oz to \$1,800/oz, with 0-3m target at \$1800/oz and 6-12m target at \$1700/oz. The Gold market bull cycle ends. In the very short-term, spot bullion holding support at \$1,750-1,765 appears critical to avoid a sharper sell-off. For now, we hold our 2022E and 2023E outlook unchanged at \$1,700/oz and \$1,550/oz.

0-3M forecast: 1800      6-12M forecast: 1700



Source: Bloomberg L.P., as of Mar 12, 2021

Shopping Cart Icon	Strategy	Reference Level	Target Level
	Bearish on Gold	USD 1816	1660
	Bearish on Gold	HKD 14,097	12,886
	Bullish on Gold	USD 1660	1816
	Bullish on Gold	HKD 12,886	14,097

# NZD/USD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7629 exchange rate for reference



## NZD outlook:

- Our expectations for a reflationary 2021, sustained risk-on momentum and increased risk of RBNZ hawkish tilts implies NZD strength. We are now forecasting a slightly lower path for NZDUSD, given our expectations for DXY strength in the next 6-12m, with rising US yields.



Strategy		Reference Level	Target Level
Bearish on NZD	USD	0.7465	0.7106
Bearish on NZD	HKD	5.80	5.52
Bullish on NZD	USD	0.7106	0.7465
Bullish on NZD	HKD	5.52	5.80

0-3M forecast: 0.73    6-12M forecast: 0.73    LT forecast: 0.72



Source: Bloomberg L.P., as of Mar 12, 2021

# AUD/USD

## AUD outlook:

- In order to stem further currency appreciation and cap moves higher in rates, Citi expect another AUD 100bn to its LSAP programme in Oct'20. This may reduce some of the AUD upside. Domestically, the recovery remains stronger than expected and Citi now believe that Australia could return to pre-COVID level of output by end of Q1'21. This may favor AUD.



Strategy		Reference Level	Target Level
Bearish on AUD	USD	0.7820	0.7564
Bearish on AUD	HKD	6.07	5.87
Bullish on AUD	USD	0.7564	0.7820
Bullish on AUD	HKD	5.87	6.07

0-3M forecast: 0.78    6-12M forecast: 0.79    LT forecast: 0.77



Source: Bloomberg L.P., as of Mar 12, 2021

# USD/CHF

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7629 exchange rate for reference



### CHF outlook:

- In addition to base effects from energy prices, higher EUR/CHF should start to feed into higher Swiss inflation surprises in Q2-Q3 this year, which will be welcomed by the SNB, who have set a high bar for another rate cut. Overall, Switzerland's flexible labour market, diverse economy and deep integration with global export markets put it in a good position to recover swiftly from the pandemic hit. Given that CHF is a safe-haven, in periods of strong recovery (globally), CHF tends to be a laggard relative to it's G10 peers.

Strategy	Reference Level	Target Level
Bearish on CHF	USD 0.8758	0.9421
Bearish on CHF	HKD 8.86	8.24
Bullish on CHF	USD 0.9421	0.8758
Bullish on CHF	HKD 8.24	8.86

0-3M forecast: 0.92      6-12M forecast: 0.96      LT forecast: 1.01



Source: Bloomberg L.P., as of Mar 12, 2021

# USD/RMB

### RMB outlook:

- We remain bullish CNY in 6-12m horizon. However, relative to last month, this is less so given the trajectory for DXY has moved higher. We maintain our view that the RMB still faces significant appreciation pressures this year. The large interest rate differentials should continue to attract sizeable capital inflow. Even though the PBoC will not tolerate continuous and one way RMB appreciation, its ability to intervene in the FX markets could be constrained by its obligation to abide by the Currency Clause within the Phase One Trade Agreement with the US.

Strategy	Reference Level	Target Level
Bearish on RMB	USD 6.4430	6.5531
Bearish on RMB	HKD 1.2049	1.1846
Bullish on RMB	USD 6.5531	6.4430
Bullish on RMB	HKD 1.1846	1.2049

0-3M forecast: 6.40      6-12M forecast: 6.30      LT forecast: 5.60



Source: Bloomberg L.P., as of Mar 12, 2021

# EUR/USD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7629 exchange rate for reference



## EUR outlook:

- A simple relative growth model, using Citi's data momentum differentials between Europe and the US has tended to lead the broad directionality of EUR/USD. Additionally, we are watching closely the momentum in 5y and 10y real yield differentials would be a strong signal for impending USD strength. The bearish EUR signals are increasing in our view. Should EUR/USD break support at 1.20, given current long positioning, we see scope for a fall towards its 200dma at 1.18.

0-3M forecast: 1.20      6-12M forecast: 1.18      LT forecast: 1.15

Strategy	Reference Level	Target Level
Bearish on EUR USD	1.2349	1.1836
Bearish on EUR HKD	9.59	9.20
Bullish on EUR USD	1.1836	1.2349
Bullish on EUR HKD	9.20	9.59



Source: Bloomberg L.P., as of Mar 12, 2021

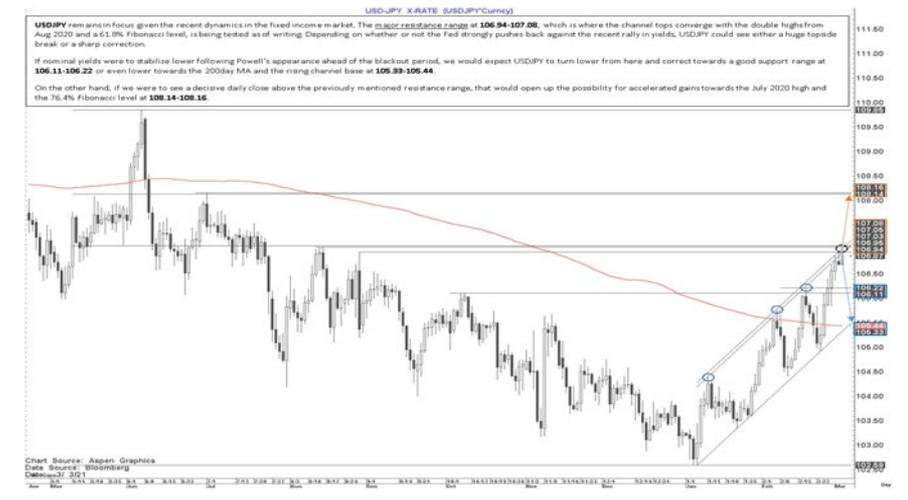
# USD/JPY

## JPY outlook:

- Since the Georgia Senate run off, Citi has increased their UST supply outlook to multi decade highs given a base case for a renewed \$1.5trn fiscal stimulus. This has implications for JPY, via sensitivity to \$ real rate developments, particular if the Fed tapers later this year. In our view, relative rate differential deltas will likely continue to drive USD/JPY higher.

0-3M forecast: 106      6-12M forecast 108      LT forecast: 110

Strategy	Reference Level	Target Level
Bearish on JPY USD	106.95	109.85
Bearish on JPY HKD	7.26	7.07
Bullish on JPY USD	109.85	106.95
Bullish on JPY HKD	7.07	7.26



Source: Bloomberg L.P., as of Mar 12, 2021

## Appendix 1: Last week performance, Citi interest rate and FX Forecasts

### Citi FX Outlook Forecast

### Citi FX interest rate Forecast

	0-3 month	6-12 month	Long-term	3/12/2021	1Q '21	2Q '21	3Q '21	4Q '21
Dollar Index	91.05	92.33	94.01	*0.00	0.00	0.00	0.00	0.00
EUR/USD	1.20	1.18	1.15	-0.50	-0.50	-0.50	-0.50	-0.50
GBP/USD	1.40	1.39	1.40	0.10	0.10	0.10	0.10	0.10
USD/JPY	106	108	110	-0.10	-0.10	-0.10	-0.10	-0.10
USD/CHF	0.92	0.96	1.01	-0.75	-0.75	-0.75	-0.75	-0.75
AUD/USD	0.78	0.79	0.77	0.10	0.10	0.10	0.10	0.10
NZD/USD	0.73	0.73	0.72	0.25	0.25	0.25	0.25	0.25
USD/CAD	1.26	1.25	1.25	0.25	0.25	0.25	0.25	0.25
USD/CNY	6.40	6.30	5.60	2.95	2.95	2.95	2.95	2.95

Source: Citi (as of Mar 4, 2021) \*lower bound

 Rate cut expectations
  Rate hike expectations

### Major Currencies Weekly Performance

CCY	Last week close	Weekly Change	1 month high	1 month low	1 month change	3 month high	3 month low	3 month change	52 week high	52 week low	Year-To-Date Change
USD	91.68	-0.3%	92.31	90.01	1.3%	92.31	89.44	0.8%	102.99	89.21	2.0%
EUR/USD	1.1953	0.3%	1.2175	1.1847	-1.4%	1.2327	1.1847	-1.3%	1.2349	1.0636	-2.2%
USD/JPY	109.03	0.7%	109.03	104.94	3.9%	109.03	102.72	4.8%	111.71	102.59	5.4%
GBP/USD	1.3924	0.6%	1.4141	1.3824	0.5%	1.4141	1.3324	5.3%	1.4237	1.1412	1.9%
USD/CAD	1.2475	-1.5%	1.2738	1.2475	-1.7%	1.2908	1.2475	-2.3%	1.4668	1.2462	-2.0%
AUD/USD	0.7764	1.0%	0.7968	0.7650	0.0%	0.7968	0.7523	3.1%	0.8007	0.5510	0.9%
NZD/USD	0.7176	0.1%	0.7436	0.7129	-0.7%	0.7436	0.7040	1.3%	0.7465	0.5470	0.0%
USD/CHF	0.9302	0.1%	0.9362	0.8903	4.3%	0.9362	0.8784	4.5%	0.9902	0.8758	4.8%
USD/CNY	6.5084	0.2%	6.5261	6.4550	0.8%	6.5500	6.4283	-0.6%	7.1777	6.4236	-0.3%
USD/CNH	6.4962	-0.3%	6.5515	6.4060	1.2%	6.5515	6.4060	-0.7%	7.1965	6.4009	-0.1%
GOLD	1727.11	1.6%	1824.23	1683.54	-5.3%	1950.01	1683.54	-6.1%	2075.47	1451.55	-9.1%

Source: Bloomberg L.P., as of Mar 12, 2021

## Appendix 2: Last week's Economic Figures

Time		Event	Period	Actual	Survey	Prior
<b>Tuesday</b>						
03/09/21 07:50	JN	GDP Annualized SA QoQ	4Q	11.70%	12.60%	12.70%
03/09/21 08:00	NZ	ANZ Business Confidence	Mar	0.0	--	7
03/09/21 08:30	AU	NAB Business Confidence	Feb	16	--	12
03/09/21 18:00	EC	GDP SA YoY	4Q	-4.90%	-5.00%	-5.00%
<b>Wednesday</b>						
03/10/21 09:30	CH	CPI YoY	Feb	-0.20%	-0.30%	-0.30%
03/10/21 21:30	US	CPI YoY	Feb	1.70%	1.70%	1.40%
03/10/21 21:30	US	CPI Ex Food and Energy YoY	Feb	1.30%	1.40%	1.40%
03/10/21 23:00	CA	Bank of Canada Rate Decision	Mar	0.25%	0.25%	0.25%
<b>Thursday</b>						
03/11/21 03:00	US	Monthly Budget Statement	Feb	-\$310.9b	-\$305.0b	-\$235.3b
03/11/21 08:01	UK	RICS House Price Balance	Feb	52%	45%	49%
03/11/21 20:45	EC	ECB Main Refinancing Rate	Mar	0.00%	0.00%	0.00%
03/11/21 21:30	US	Initial Jobless Claims	Mar	712k	725k	754k
<b>Friday</b>						
03/12/21 05:30	NZ	BusinessNZ Manufacturing PMI	Feb	53.4	--	58.0
03/12/21 15:00	UK	Industrial Production YoY	Jan	-4.90%	-4.40%	-3.30%
03/12/21 15:00	UK	Manufacturing Production YoY	Jan	-5.20%	-3.70%	-2.50%
03/12/21 15:00	UK	Monthly GDP (MoM)	Jan	-2.90%	-4.90%	1.20%
03/12/21 21:30	CA	Net Change in Employment	Feb	259.2k	75.0k	-212.8k
03/12/21 21:30	CA	Unemployment Rate	Feb	8.20%	9.20%	9.40%
03/12/21 23:00	US	U. of Mich. Sentiment	Mar	83	78.5	76.8

## Appendix 3: Upcoming Economic Figures (Mar 15, 2020 – Mar 19, 2020)

Time		Event	Period	Actual	Survey	Prior
<b>Monday</b>						
03/15/21 10:00	CH	Industrial Production YTD YoY	Feb	--	31.60%	--
03/15/21 10:00	CH	Retail Sales YTD YoY	Feb	--	32.00%	--
<b>Tuesday</b>						
03/16/21 08:30	AU	RBA Minutes of March Policy Meeting	Mar			
03/16/21 20:30	US	Retail Sales Advance MoM	Feb	--	-0.20%	5.30%
03/16/21 20:30	US	Retail Sales Ex Auto MoM	Feb	--	0.50%	5.90%
03/16/21	EC	EU Finance Ministers Meet	Mar			
<b>Wednesday</b>						
03/17/21 05:45	NZ	BoP Current Account Balance NZD	4Q	--	--	-3.521b
03/17/21 18:00	EC	CPI YoY	Feb	--	--	0.90%
03/17/21 20:30	US	Building Permits MoM	Feb	--	-8.50%	10.40%
03/17/21 20:30	CA	CPI YoY	Feb	--	--	1.00%
03/17/21 20:30	CA	CPI Core- Common YoY%	Feb	--	--	1.30%
<b>Thursday</b>						
03/18/21 02:00	US	FOMC Rate Decision (Lower Bound)	Mar	--	0.00%	0.00%
03/18/21 05:45	NZ	GDP YoY	4Q	--	--	0.40%
03/18/21 08:30	AU	Employment Change	Feb	--	--	29.1k
03/18/21 08:30	AU	Unemployment Rate	Feb	--	--	6.40%
03/18/21 20:00	UK	Bank of England Bank Rate	Mar	--	--	0.10%
03/18/21 20:30	US	Initial Jobless Claims	Mar	--	--	--
<b>Friday</b>						
03/19/21 07:30	JN	Natl CPI Ex Fresh Food YoY	Feb	--	--	-0.60%
03/19/21 08:01	UK	GfK Consumer Confidence	Mar	--	--	-23
03/19/21 08:30	AU	Retail Sales MoM	Feb	--	--	0.50%
03/19/21 20:30	CA	Retail Sales MoM	Jan	--	--	-3.40%
03/19/21 20:30	CA	Retail Sales Ex Auto MoM	Jan	--	--	-4.10%
03/19/21	JN	BOJ Policy Balance Rate	Mar	--	--	-0.10%

# Important Disclosure



“Citi analysts” refers to investment professionals within Citi Research (CR) and Citi Global Markets (CGM) and voting members of the Global Investment Committee of Global Wealth Management.

Citibank N.A. and its affiliates / subsidiaries provide no independent research or analysis in the substance or preparation of this document. Investment products are not available to US persons and not all products and services are provided by all affiliates or are available at all locations.

This document is for general informational purposes only and is not intended as a recommendation or an offer or solicitation for the purchase or sale of any security, currency, investment, service or to attract any funds or deposits. Save to the extent provided otherwise in the Terms and Conditions for Accounts and Services or other applicable terms and conditions, information in this document has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Therefore, investment products mentioned in this document may not be suitable for all investors. Any person considering an investment should seek independent advice on the suitability or otherwise of a particular investment. Before making any investment, each investor must obtain the investment offering materials, which include a description of the risks, fees and expenses and the performance history, if any, which may be considered in connection with making an investment decision. Each investor should carefully consider the risks associated with the investment and make a determination based upon the investor’s own particular circumstances, that the investment is consistent with the investor’s investment objectives

In any event, past performance is no guarantee of future results, and future results may not meet our expectations due to a variety of economic, market and other factors. Further, any projections of potential risk or return are illustrative and should not be taken as limitations of the maximum possible loss or gain. Investments are not deposits or other obligations of, guaranteed or insured by Citibank N.A., Citigroup Inc., or any of their affiliates or subsidiaries, or by any local government or insurance agency, and are subject to investment risk, including the possible loss of the principal amount invested. Investors investing in funds denominated in non-local currency should be aware of the risk of exchange rate fluctuations that may cause a loss of principal.

Neither Citigroup nor its affiliates can accept responsibility for the tax treatment of any investment product, whether or not the investment is purchased by a trust or company administered by an affiliate of Citigroup. Citigroup assumes that, before making any commitment to invest, the investor and (where applicable, its beneficial owners) have taken whatever tax, legal or other advice the investor/beneficial owners consider necessary and have arranged to account for any tax lawfully due on the income or gains arising from any investment product provided by Citigroup. If an investor changes country of residence, citizenship, nationality, or place of work, it is his/her responsibility to understand how his/her investment transactions are affected by such change and comply with all applicable laws and regulations as and when such becomes applicable.

# Important Disclosure



Although information in this document has been obtained from sources believed to be reliable, save to the extent provided otherwise in the Terms and Conditions for Accounts and Services or other applicable terms and conditions, Citigroup and its affiliates do not guarantee its accuracy or completeness and accept no liability for any direct or consequential losses arising from its use. Opinions expressed herein may differ from the opinions expressed by other businesses or affiliates of Citigroup, and are not intended to be a forecast of future events, a guarantee of future results or investment advice, and are subject to change based on market and other conditions. The information contained herein is also not intended to be an exhaustive discussion of the strategies or concepts.

At any time, Citigroup companies may compensate affiliates and their representatives for providing products and services to clients.

This is not an official statement of Citigroup Inc. and may not reflect all of your investments with or made through Citibank. For an accurate record of your accounts and transactions, please consult your official statement.

If this document shows information coming from Citi Research, please refer to the attached link: [https://www.citivelocity.com/cvr/eppublic/citi\\_research\\_disclosures](https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures) , which contains the important disclosures regarding companies covered by Citi's Equity Research analysts, and please refer to the attached link: <https://ir.citi.com/PuXs6xELNHAu7UqkjgVWxnihtUeLtAtDxeEh%2B2qaPpPb7uukpx8Qw1vzcuidtMtqgn1BWqJqak8%3D> for details on the Citi Research ratings system.

This document may not be reproduced or circulated without Citigroup written authority. The manner of circulation and distribution may be restricted by law or regulation in certain countries. Persons who come into possession of this document are required to inform themselves of, and to observe such restrictions. Any unauthorised use, duplication, or disclosure of this document is prohibited by law and may result in prosecution.

This document is distributed in Hong Kong by Citibank (Hong Kong) Limited ("CHKL"). Prices and availability of financial instruments can be subject to change without notice. Certain high-volatility investments can be subject to sudden and large falls in value that could equal the amount invested.

# Important Disclosure



Unrated or non investment grade Debt Securities typically offer a higher yield than investment grade Debt Securities, but also present greater risks with respect to liquidity, volatility, and non-payment of principal and interest. As a result of being classified as non investment grade Debt Securities, these Debt Securities present a greater degree of credit risk relative to many other fixed income Debt Securities.

**Higher Credit Risk** – Unrated or non investment grade Debt Securities generally have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. There is greater risk of non-payment of interest and loss of principal. Many issuers of these Debt Securities have experienced substantial difficulties in servicing their debt obligations, which has led to default and restructurings. The issuers of these Debt Securities generally have to pay a higher rate of interest than investment grade Debt Securities.

**Higher Liquidity and Secondary Market Risk** – The markets in which unrated or non investment grade Debt Securities are traded are generally more limited than those in which investment grade Debt Securities are traded. This lack of liquidity may make it more difficult to resell these Debt Securities and obtain market quotations.

**Downgrade Risk** – Downgrades in the credit rating of unrated or non investment grade Debt Securities by rating agencies are generally accompanied by declines in the market value of these Debt Securities. In some circumstances, investors in the unrated or non investment grade Debt Securities market may anticipate such downgrades as a result of these credits being placed on “credit watch” by rating agencies, causing volatility and speculation of further credit deterioration.

**Higher Vulnerability to economic cycles** - During economic downturns, unrated or non investment grade Debt Securities are typically more susceptible to price volatility and fall more in value than investment grade Debt Securities as i) investors may reevaluate holdings in lower-quality bonds in favor of investment-grade corporate Debt Securities; ii) investors become more risk averse; and iii) default risk rises. This is often referred to a “flight to quality”.

**Event Risk** – This includes any of a variety of events that can adversely affect the issuer of unrated or non investment grade Debt Securities, and therefore the issuer’s ability to meet debt service obligations to repay principal and interest to Debt Securities holders. Event risk may pertain to the issuer specifically, the industry or business sector of the issuer, or generally upon the overall economy. It could have a direct or indirect impact on the issuer and their outstanding debts.

# Important Disclosure

**Risk relating to RMB** – If you choose RMB as the base currency or the alternate currency, you should also note the following:

RMB is currently not freely convertible through banks in Hong Kong. Due to exchange controls and/or restrictions imposed on the convertibility, utilisation or transferability of RMB (if any) which in turn is affected by, amongst other things, the PRC government's control, there is no guarantee that disruption in the transferability, convertibility or liquidity of RMB will not occur. There is thus a likelihood that you may not be able to convert RMB received into other freely convertible currencies.

CNH exchange rates and CNY exchange rates are currently quoted in different markets with different exchange rates, whereby their exchange rate movements may not be in the same direction or magnitude. Therefore, the CNH exchange rate may be different from the CNY exchange rate.