

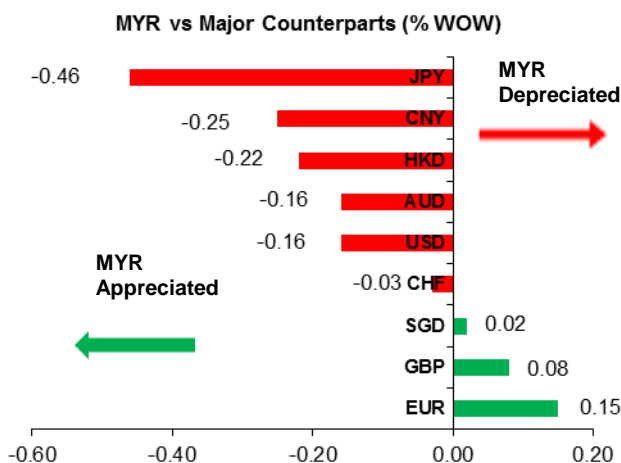
Global Markets Research

Weekly Market Highlights

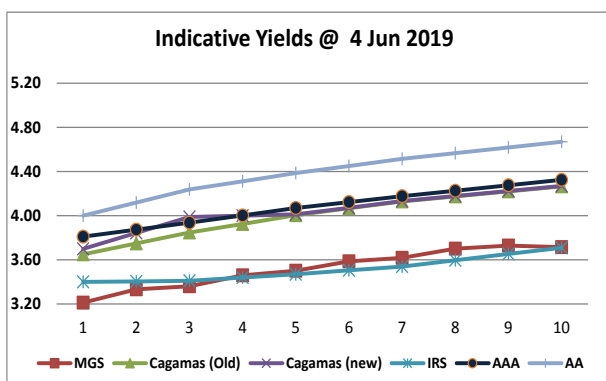
Weekly Performance

	Macro	Currency	Equity	10-y Govt Bond Yields
US	↔	↓	↑	↓
EU	↓	↑	↑	↓
UK	↔	↑	↑	↓
Japan	↔	↓	↓	↓
Malaysia	↑	↑	↑	↓
China	↔	↓	↓	↓
Hong Kong	↓	↓	↓	↓
Singapore	↓	↑	↑	↓

Weekly MYR Performance



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- Global stocks gained this week, lifted by fresh hope that the Federal Reserves would cut fed fund rates to support waning domestic growth amidst intensifying global trade tensions. Markets raised bets on a rate cut – expecting the Fed to stay put in its upcoming 18-19 June meeting while pricing in a 53.3% chance of a cut in the FOMC’s July meeting as of writing. Oil prices rose overnight but posted loss over the week on rising crude stockpiles. Aside from the Fed, a wave of easing bias also took hold of global central banks. The ECB pushed back its forward guidance over its key interest rates where it now expects to hold key rates steady through the first half of 2020. In India, the RBI cut its repo rate for the third time in a row by 25bps to 5.75%. Australia’s RBA finally delivered a long-anticipated cut in the cash rate by 25bps. Sentiments over global growth are generally dismal - The World Bank slashed its 2019 global growth forecast while the IMF again trimmed its China’s growth projection.
- On the data front, global manufacturing PMIs continued to point to limited growth in the manufacturing sector while services sector appears to hold up still. Key data next week include US CPI, retail sales and industrial production, Eurozone Sentix Investor Confidence Index and industrial production, UK industrial production, and goods trade balance. China NBS is set to publish all its key economic indicators next week namely trade report, consumer and producer prices, industrial production, retail sales and fixed asset investment. Otherwise, data are scanty in other parts of Asia. Key data release for Malaysia is April industrial production.

Forex

- MYR strengthened 0.16% WOW to 4.1745 against a broadly weaker USD as markets readjust positions to reflect Fed members turning dovish as prolonged trade worries and global growth concerns continue to weigh, thus increasing the chance of a Fed rate cut to sustain current growth momentum.
- USD ended weaker against 8 G10s with the USD index settling at 97.044. Technical picture turns bearish as the index crosses through multiple short term supports as investors readjust portfolios to better reflect the Fed’s dovish outlook. The NFP report due later today will provide better directional clues in the medium term as we look towards it to better gauge inflation data which will affect the Fed’s decisions.

Fixed Income

- Safe-haven bids continued to dominate the larger part of the week under review amid ongoing trade tensions and global growth concerns. Extended risk-off reinforced flight to safety and pushed 10Y note yields down to nearly a 2-year low at 2.07% on Monday. However, the dovish shift by the Fed namely Fed Chair Powell and Fed Bullard in their respective speeches that raised expectations of a Fed rate cut as early as July helped pare some of the recent falls in UST yields. As at yesterday’s close, 10Y UST yields fell 10bps WOW to 2.12% while the 2s deepened 18bps to 1.88%, all at multi-months low and bull steepening the curve. In the week ahead, UST will take cue from tonight’s nonfarm job report, and upcoming CPI and other price reports as well as retail sales for clues on the Fed’s next policy move. Fed funds futures are pricing in four rate cuts by end-2020. The US Treasury will also sell US\$78bn of debt comprising US\$38bn 3-year notes, US\$24bn 10-year notes, and reopening of US\$16bn 30-year bonds next week.
- Local govies continued to be well-bid with overall benchmark yields closing between 5-11bps lower compared to prior week’s levels following the massive “flight-to-safety” into global bonds worldwide. Weekly bond interest was mainly centred in off-the-run 19’-21’s and also benchmark 3Y, 7Y and 15Y bonds. Total weekly volume fell from last week’s RM24.1b to a respectable RM.14.8b despite the holiday-shortened week due to the Hari Raya holidays. GII bond trades eased to form 38% of overall trades. The 5Y MGS 4/23 rallied 11bps lower at 3.44% whilst the 10Y benchmark MGS 8/29 (which traded within a narrow 3.79-3.81% band); ended 10bps lower at 3.71%. Expect decent support for local govies due to risk-off sentiment in the coming week

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Macroeconomics

6-month Macro Outlook

	Economy	Inflation	Interest Rate	Currency
US	↓	↔	↔	↔
EU	↓	↔	↔	↑
UK	↓	↔	↔	↑
Japan	↓	↔	↔	↑
Australia	↓	↔	↓	↔
China	↓	↔	↔	↓
Malaysia	↓	↔	↔	↓
Thailand	↓	↔	↔	↓
Indonesia	↓	↔	↓	↓
Singapore	↓	↔	↔	↓

The Week in Review

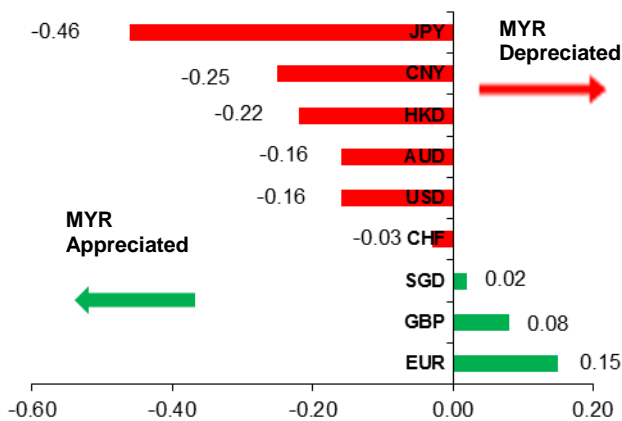
- Global stocks gained this week, lifted by fresh hope that the Federal Reserves would cut fed fund rates to support waning domestic growth amidst intensifying global trade tensions. Remarks by a few Fed officials over the week signaled the central bank's openness to a rate cut this year – notably Fed Chair Jerome Powell raised the issue of trade tension and said that they will “act as appropriate to sustain the (economic) expansion. St Louis Fed president James Bullard said a cut “may be warranted soon” citing weak inflation and trade tension. Markets raised bets on a rate cut – expecting the Fed to stay put in its upcoming 18-19 June meeting while pricing in a 53.3% chance of a cut in the FOMC's July meeting. Following last week's somewhat brutal sell-off, the Dow rose 3.7% on Thursday compared to last Friday's closing while the S&P 500 and NASDAQ managed to locked in gains of 3.3% and 2.2%. Oil prices rose overnight but posted loss over the week on rising crude stockpiles.
- Aside from the Fed, a wave of easing bias also took hold of global central banks. The ECB pushed back its forward guidance over its key interest rates where it now expects to hold key rates steady through the first half of 2020. It had first delayed the post-crisis rate cut to supposedly after the end of this year in its March meeting. In India, the RBI cut its repo rate for the third time in a row by 25bps to 5.75%. The RBA finally delivered a long-anticipated cut in the cash rate by 25bps and Governor Phillip Lowe said that it was “not unreasonable” to expect another rate cut this year. Sentiments over global growth are generally dismal as key institutions reaffirmed downside risk posted by a prolonged global trade uncertainties. The World Bank slashed its 2019 global growth forecast from 2.9% to 2.6% over subdued investment in emerging markets & economies, escalating trade tensions and rising debt. Projections for the Euro Area, Japan, Brazil and India were revised lower. Meanwhile, the IMF again trimmed its China's growth forecast from 6.3% to 6.2%, just two months after it raised its projection to 6.3% over prospect of US-China trade deal then.
- On the data front, global manufacturing PMIs continued to point to limited growth in the manufacturing sector with US, UK and Eurozone PMIs coming in weaker compared to previous month. Japan PMI rose slightly but remained below 50.0 while China Caixin PMI was and only a touch above 50.0. Services PMIs meanwhile suggest that the services sector is still holding up across the globe. US trade deficit narrowed in April and factory orders fell again. Notably, the ADP private payrolls clocked in at a disappointing 27k, raising concerns over tonight's official job data. Eurozone final 1Q19 GDP growth was unrevised at 0.4% QOQ. Its headline and core inflation eased further but labour market tightened as unemployment rate fell to 7.6%. Japan wages extended its fourth monthly decline, casting doubt over whether Japanese could withstand October's sales tax hike. Australia GDP grew 0.4% QOQ in the first quarter but YOY growth hit a decade low of 1.8% in the quarter as the economy lost momentum.

The Week Ahead

- The week ahead will see the release of a couple of top-tiered data in the US which include CPI, retail sales and industrial production alongside second tiered readings such as the NFIB Small Business Sentiment Index, producer prices, import prices index, and the preliminary University of Michigan Consumer Sentiment Index. Data are limited to Sentix Investor Confidence Index and industrial production in the Eurozone whereas neighbouring UK's economic calendar is packed with monthly GDP growth, industrial production, goods trade balance and job report.
- Aside from China, data are relatively scanty in Asia. China NBS is slated to publish all its key economic indicators next week namely trade report, consumer and producer prices, industrial production, retail sales and fixed asset investment. Japan key data for the week include industrial production, machine tool orders, core machine orders and producer prices. Down under, key highlight for Australia will be job report followed by NAB business confidence index and Westpac Consumer Index. Manufacturing PMI is the sole release for New Zealand. Retail sales is due in Singapore while at home in Malaysia, industrial production is expected on Tuesday.

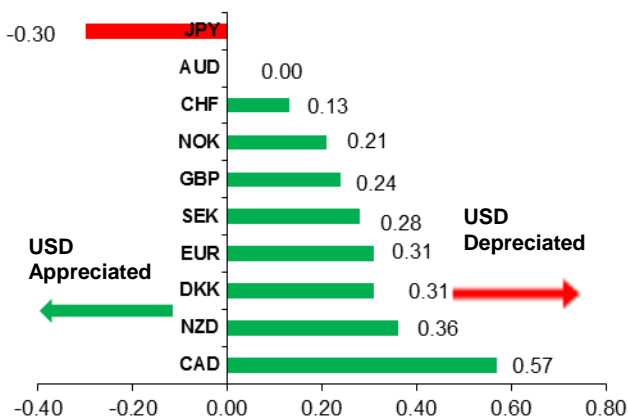
Forex

MYR vs Major Counterparts (% WOW)



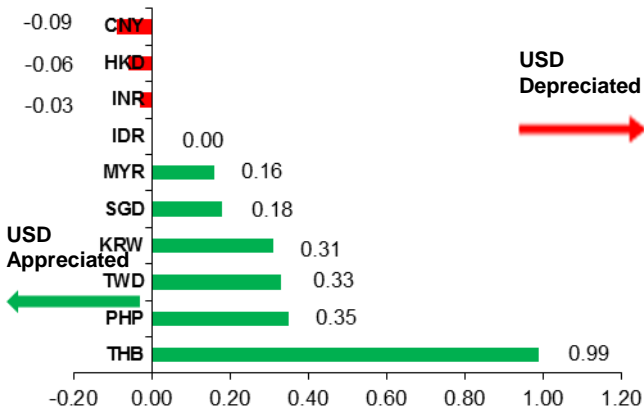
Source: Bloomberg

USD vs the G10s (% WOW)



Source: Bloomberg

USD vs Asian Currencies (% WOW)



Source: Bloomberg

Review and Outlook

- MYR:** MYR strengthened 0.16% WOW to 4.1745 against a broadly weaker USD as markets readjust positions to reflect Fed members turning dovish as prolonged trade worries and global growth concerns continue to weigh, thus increasing the chance of a Fed rate cut to sustain current growth momentum.
- USD:** USD ended weaker against 8 G10s with the USD index settling at 97.044. Technical picture turns bearish as the index crosses through multiple short term supports as investors readjust portfolios to better reflect the Fed's dovish outlook. The NFP report due later today will provide better directional clues in the medium term as we look towards it to better gauge inflation data which will affect the Fed's decisions.
- EUR:** EUR gained 0.31% WOW to 1.1276 on a broadly weaker USD. The ECB has commented that they will keep rates at where they are presently at least through to 1H 2020. This was less dovish than what market expected and thus led to some strong EUR buying to slightly above 1.1300. However, trade worries are still there nagging in the background with little chance of a resolution in the short term caused the pair paring back some gains to current levels.
- GBP:** GBP gained 0.24% WOW to 1.2694 against USD in a steady rise throughout the week in tandem with DXY as it traded lower. Nagging Brexit and UK leadership concerns putting a lid on the pair for now with resistance coming in at 1.2760 and 1.2825 area over the short term.
- JPY:** JPY lost 0.30% WOW to 108.40 as it pares back some gains ahead of the important NFP read due later today. US equities that managed to register small gains also lending some support for the pair as risk aversion trades takes a breather.
- AUD:** AUD ended unchanged WOW at 0.6977 as the pair flip flops on the widely expected RBA rate cut vs a dovish Fed. Level at 0.6950 is currently providing some short term support while 0.7000 is the short term resistance. Looking towards NFP due later to provide more directional cues for the time being.
- SGD:** SGD ended 0.18% stronger WOW against the USD at 1.3641 and ended mixed against the G10s as USD continues to weaken at different paces against EM and against the majors as trade concerns prevent EM currencies from fully taking advantage of a broadly weaker USD.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.1268	59.6140	1.1109	1.1277	1.1195	1.1274	1.1368	Negative
GBPUSD	1.2694	39.6650	1.2537	1.2896	1.2825	1.2999	1.2944	Negative
USDJPY	108.4800	34.8480	107.8500	110.7700	109.8000	110.5600	111.3100	Neutral
USDCNY	6.9173	71.3010	6.8562	6.9385	6.8500	6.7653	6.8285	Neutral
USDSGD	1.3656	43.8640	1.3622	1.3843	1.3695	1.3591	1.3656	Positive
AUDUSD	0.6974	51.8300	0.6860N	0.6998	0.6956	0.7071	0.7121	Negative
NZDUSD	0.6617	55.9770	0.6474	0.6633	0.6576	0.6731	0.6710	Negative
USDMYR	4.1578	45.6920	4.1441	4.2048	4.1614	4.1130	4.1326	Neutral
EURMYR	4.6849	58.5850	4.6464	4.6998	4.6581	4.6439	4.7038	Negative
GBPMYR	5.2779	33.3550	5.2374	5.4468	5.3510	5.3453	5.3481	Negative
JPYMYR	3.8326	61.5450	3.7575	3.8718	3.7785	3.7244	3.7130	Neutral
CHFMYR	4.1920	66.8310	4.0711	4.2219	4.1178	4.1045	4.1515	Neutral
SGDMYR	3.0447	52.6110	3.0334	3.0547	3.0424	3.0281	3.0263	Negative
AUDMYR	2.8997	48.2970	2.8755	2.9207	2.9035	2.9126	2.9505	Negative
NZDMYR	2.7514	54.3730	2.7231	2.7532	2.7412	2.7718	2.7720	Negative

Trader's Comment:

Dollar index sank to below 97.00 level during the week as Fed indicated that they are prepared to loosen policy amid trade tensions, signalling possible rate cuts this year. Consequently, investors likely to continue focusing more on Dollar weakness.

Arising from broad weakness of Dollar, EUR/USD strengthens towards 1.1280 level; however, there is a chance of a reversal based on technical analysis. Similarly for GBP/USD, the pair manages to recover to 1.2700 level despite political pessimism and uncertainties. USD/JPY dropped to the low of 107.80 during week and managed to recover slightly to 108.50 level at the time of writing.

Locally, a mixture of local and foreign interest in govies drove yields lower by 3-9bps from last week, which in turn led USDMYR to trade in a lower range of 4.1550-4.1880 for the week. Outcome of further tariff negotiations between US and Mexico and U.S jobs reports remain key factors that will drive the Dollar's direction in the coming weeks, but in the meantime expect some short-term correction. USDMYR expects to trade between 4.1300 and 4.1800 range for the coming week.

Technical Charts

USDMYR



Source: Bloomberg

EURMYR



Source: Bloomberg

GBPMYR



Source: Bloomberg

JPYMYR



Source: Bloomberg

AUDMYR



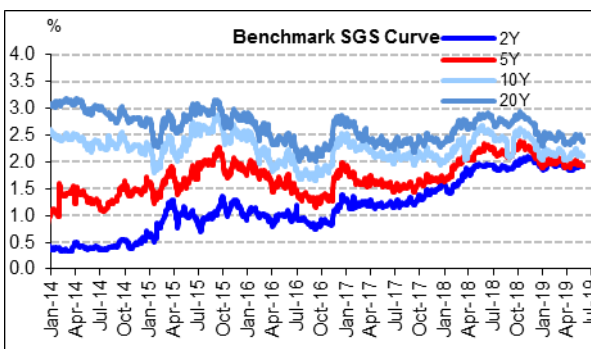
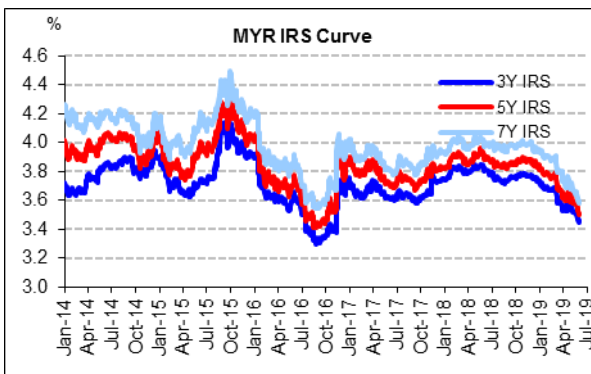
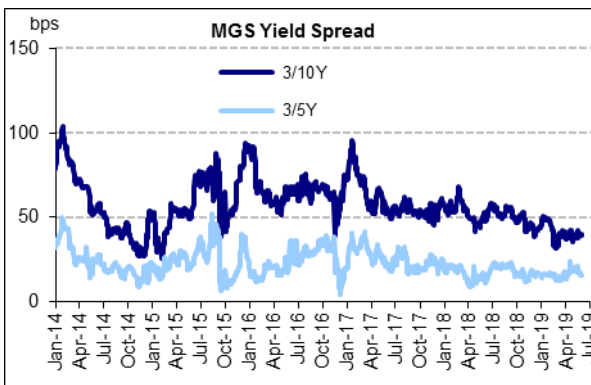
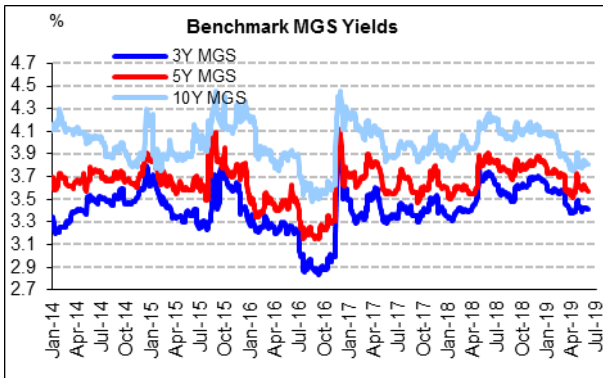
Source: Bloomberg

SGDMYR



Source: Bloomberg

Fixed Income



Review & Outlook

- Save-haven bids continued to dominate the larger part of the week under review amid ongoing trade tensions and global growth concerns. Extended risk-off reinforced flight to safety and pushed 10Y note yields down to nearly a 2-year low at 2.07% on Monday. However, the dovish shift by the Fed namely Fed Chair Powell and Fed Bullard in their respective speeches that raised expectations of a Fed rate cut as early as July helped pare some of the recent falls in UST yields. As at yesterday's close, 10Y UST yields fell 10bps WOW to 2.12% while the 2s deepened 18bps to 1.88%, all at multi-months low and bull steepening the curve. In the week ahead, UST will take cue from tonight's nonfarm job report, and upcoming CPI and other price reports as well as retail sales for clues on the next policy move by the Fed. Fed funds futures are pricing in four Fed rate cuts by end-2020. The US Treasury will also sell US\$78bn of debt comprising US\$38bn 3-year notes, US\$24bn 10-year notes, and reopening of US\$16bn 30-year bonds next week.
- Local govies continued to be well-bid with overall benchmark yields closing between 5-11bps lower compared to prior week's levels following the massive "flight-to-safety" into global bonds worldwide. Weekly bond interest was mainly centred in off-the-run 19'-21's and also benchmark 3Y, 7Y and 15Y bonds. Total weekly volume fell from last week's RM24.1b to a respectable RM1.48b despite the holiday-shortened week due to the Hari Raya holidays. GII bond trades eased to form 38% of overall trades. The 5Y MGS 4/23 rallied 11bps lower at 3.44% whilst the 10Y benchmark MGS 8/29 (which traded within a narrow 3.79-3.81% band); ended 10bps lower at 3.71%. Expect decent support for local govies due to risk-off sentiment in the coming week
- Corporate bonds/sukuk saw decent secondary market interest w-o-w well ahead of the Hari Raya holiday-shortened week and lower staffing levels. Interest was mainly across the GG followed by the both AAA and AA-part of the curve as yields trended lower on strong demand. Total market volume was RM1.37b; versus prior week's RM4.91b (the highest since April). Sabah Development Bank 7/19 topped the weekly volume rallying a whopping 70bps at 4.04% (last trade only in September 2017) followed by its 8/19 tranche which also rallied by 16bps at 4.10% levels. The third highest volume was generated by Govt-guaranteed LPPSA 4/34 bonds which closed 10bps lower at 4.18%. The prominent new issuance during the week involved Pengurusan Air SPV Berhad's RM1.1b of AAA-rated bonds between 5-10Y tenures with coupon of 4.00-4.15% followed by PKNS issuance of 3Y papers rated AA3 amounting to RM100m.
- Mirroring the UST curve, the SGS (govies) curve also bull steepened with the front end 2-year note yields plunging 23bps WOW to 1.71% as at yesterday's close while the long end 10-year and 20-year bond yields shed 9bps and 6bps respectively to 2.03% and 2.34%. The 2/10 spread widened 13bps WOW to 31bps, its widest in a month. We expect extended risk-off sentiments and market jitters to continue keep demand for SGS supported, keeping yields at its lowest in over a year. Latest economic releases reinforced the case of a bleaker growth prospect in the Singapore economy and likelihood is next week's retail sales numbers will do little to sway market expectation.

Rating Action			
Issuer	PDS Description	Rating/Outlook	Action
Tune Protect Group Berhad	Corporate Credit Rating	A1/Stable/P1	Reaffirmed
Bright Focus Berhad	RM1.35 bil Sukuk Musharakah (2014/2031)	From A1 to BB1/Negative	Downgraded
Notable Vision Sdn Bhd	Proposed Notes Series 2019-A, to be issued under its existing RM750 mil MTN Programme (2014/2034) (the Programme)		
	Class A Senior MTNs	AAA/Stable	Assigned
	Class B Junior MTNs	B2/Stable	Assigned
	Class C Junior MTNs	C3/Stable	Assigned
Premier Auto Assets Berhad	Proposed RM90 mil Class A and RM20 mil Class B Tranche 1 Medium Term Notes (MTN) (collectively, Senior MTN) under its RM1 bil Nominal Value MTN Programme	AAA/Stable and AA3/Stable	Assigned

Source: RAM, MARC

Economic Calendar						
Date	Country	Event	Reporting Period	Survey	Prior	Revised
11/06	Malaysia	Industrial Production YOY	Apr	2.5%	3.1%	--
		Foreign Reserves	31 May	--	\$102.8b	--
21/06		Foreign Reserves	Jun-14	--	\$102.8b	--
11/06	US	NFIB Small Business Optimism	May	102.8	103.5	--
		PPI Final Demand YOY	May	2.0%	2.2%	--
12/06		MBA Mortgage Applications	07 Jun	--	1.5%	--
		CPI YOY	May	1.9%	2.0%	--
13/06		Import Price Index MOM	May	-0.4%	0.2%	--
		Initial Jobless Claims	08 Jun	--	218k	--
14/06		Retail Sales Advance MOM	May	0.6%	-0.2%	--
		Industrial Production MOM	May	0.2%	-0.5%	--
		U. of Mich. Sentiment	Jun P	97.0	100.0	--
17/06		Empire Manufacturing	Jun	12.0	17.8	--
		NAHB Housing Market Index	Jun	67.0	66.0	--
18/06		Housing Starts MOM	May	-0.4%	5.7%	--
		Building Permits MOM	May	0.8%	0.6%	0.2%
19/06		MBA Mortgage Applications	14 Jun	--	--	--
20/06		FOMC Rate Decision	19 Jun	2.25-2.5%	2.25-2.5%	--
		Initial Jobless Claims	15 Jun	--	--	--
		Philadelphia Fed Business Outlook	Jun	--	16.6	--
		Leading Index	May	--	0.2%	--
21/06		Markit US Manufacturing PMI	Jun P	--	--	--
		Markit US Services PMI	Jun P	--	--	--
		Existing Home Sales MOM	May	1.4%	-0.4%	--
11/06	Eurozone	Sentix Investor Confidence	Jun	--	5.3	--
13/06		Industrial Production SA MOM	Apr	-0.2%	-0.3%	--
17/06		Labour Costs YOY	1Q	--	2.3%	--
18/06		Trade Balance SA	Apr	--	17.9b	--
		CPI Core YOY	May F	--	0.8%	--
		CPI YOY	May F	--	0.7%	--
		ZEW Survey Expectations	Jun	--	-1.6	--
20/06		Consumer Confidence	Jun A	--	-6.5	--
21/06		Markit Eurozone Manufacturing PMI	Jun P	--	47.7	--
		Markit Eurozone Services PMI	Jun P	--	52.9	--
10/06	UK	GDP MOM	Apr	-0.1%	-0.1%	--
		Industrial Production MOM	Apr	-0.7%	0.7%	--
		Visible Trade Balance GBP/Mn	Apr	-£12700m	-£13650m	--
11/06		Average Weekly Earnings 3M/YOY	Apr	3.0%	3.2%	--
		ILO Unemployment Rate 3Mths	Apr	3.8%	3.8%	--
13/06		RICS House Price Balance	May	--	-23.0%	--
17/06		Rightmove House Prices YOY	Jun	--	0.1%	--
19/06		CPI YOY	May	--	2.1%	--
		PPI Output NSA YOY	May	--	2.1%	--
		CBI Trends Total Orders	Jun	--	-10	--
20/06		Retail Sales Inc Auto Fuel MOM	May	--	0.0%	--

		Bank of England Bank Rate	Jun-20	--	0.75%	--
10/06	Japan	GDP SA QOQ	1QF	0.6%	0.5%	--
		Eco Watchers Survey Current Outlook	May	45.5	45.3	--
		Eco Watchers Survey Outlook	May	48.0	48.4	--
11/06		Machine Tool Orders YOY	May P	--	-33.4%	--
12/06		PPI YOY	May	0.7%	1.2%	--
		Core Machine Orders MOM	Apr	-0.8%	3.8%	--
14/06		Industrial Production YOY	Apr F	--	--	--
19/06		Trade Balance	May	--	¥60.4b	--
		Exports YOY	May	--	-2.4%	--
20/06		All Industry Activity Index MOM	Apr	--	-0.4%	--
		Machine Tool Orders YOY	May F	--	--	--
		BOJ Policy Balance Rate	20 Jun	--	-0.1%	--
21/06		Natl CPI YOY	May	--	0.9%	--
		Natl CPI Ex Fresh Food YOY	May	--	0.9%	--
		Nikkei Japan PMI Mfg	Jun P	--	--	--
10/06	China	Exports YOY	May	-3.8%	-2.7%	--
		Imports YOY	May	-3.3%	4.0%	--
		Trade Balance	May	\$23.25b	\$13.84b	\$13.83b
12/06		CPI YOY	May	2.7%	2.5%	--
		PPI YOY	May	0.6%	0.9%	--
14/06		Fixed Assets Ex Rural YTD YOY	May	6.1%	6.1%	--
		Industrial Production YOY	May	5.4%	5.4%	--
		Retail Sales YOY	May	8.0%	7.2%	--
12/06	Singapore	Retail Sales YOY	Apr	0.3%	-1.0%	--
17/06		Non-oil Domestic Exports YOY	May	--	-10.0%	--
11/06	Australia	NAB Business Conditions	May	--	3.0	--
		NAB Business Confidence	May	--	0.0	--
12/06		Westpac Consumer Conf Index	Jun	--	101.3	--
13/06		Employment Change	May	16.0k	28.4k	--
		Unemployment Rate	May	5.1%	5.2%	--
18/06		RBA Minutes of June Policy Meeting				
19/06		Westpac Leading Index MOM	May	--	-0.09%	--
14/06	New Zealand	BusinessNZ Manufacturing PMI	May	--	53.0	--
17/06		Performance Services Index	May	--	51.8	--
20/06		GDP SA QOQ	1Q	--	0.6%	--

Source: Bloomberg

Hong Leong Bank Berhad

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