

## Global Markets Research

### Weekly Market Highlights

#### Markets

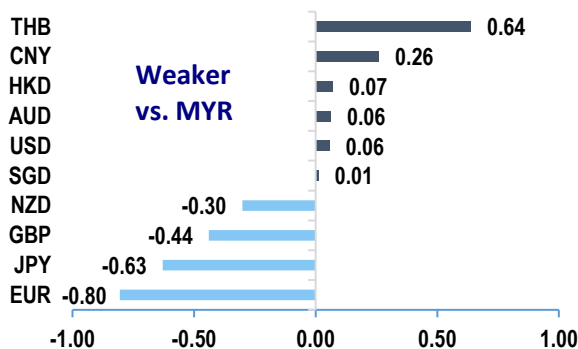
	Last Closing	WOW%	YTD %
Dow Jones Ind.	30,775.43	0.32	-15.31
S&P 500	3,785.38	-0.27	-20.58
FTSE 100	7,169.28	2.12	-2.92
Hang Seng	21,859.79	2.75	-6.57
KLCI	1,444.22	0.92	-7.87
STI	3,102.21	0.30	-0.69
Dollar Index	104.69	0.24	9.42
WTI oil (\$/bbl)	105.76	1.43	37.37
Brent oil (\$/bbl)	114.81	4.33	40.18
Gold (\$/oz)	1,807.30	-1.01	-1.27

Source: Bloomberg

- US stocks fell this week, and closed out the turbulent quarter with heavy losses as higher rates and recession talks led to an extended selloff in equities. Amid stronger US dollar (which climbed for the fourth consecutive quarter) and higher yields, gold prices faltered in 2Q while oil trimmed its quarterly gain. Riksbank hiked its benchmark repo rate by 50bps to 0.75%, reversing the message sent just last February that it won't raise rates by 2024. It is the latest central bank to deliver a larger than usual rate adjustment in order to keep up with the Fed's aggressive moves and also to precede the ECB's July tightening. Norges Bank had just done so last week whereas the SNB also did a similar 50bp hike two weeks prior.
- The US economic data generally turned weaker this week; most notably consumer spending growth slowed to 0.2% m/m in May. The nonfarm payrolls for June will be crucial to watch next week as investors gauge the current state of the US labour market. The Fed will also be publishing the June FOMC meeting minutes. RBA and BNM meetings are also taking place next week.

#### Forex

MYR vs. Major Currencies (% w/w)

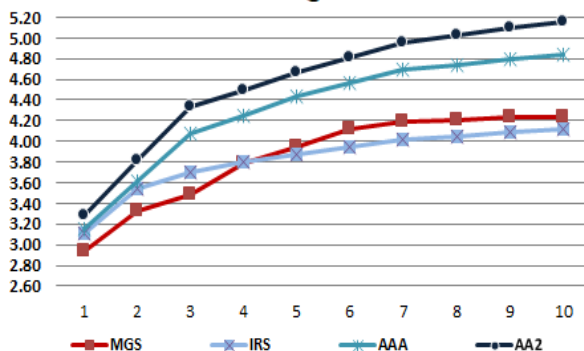


Source: Bloomberg

- MYR:** USD/MYR continued to hang on to the 4.39-4.40 big figures, and was very well supported at the 4.40 handle. The pair ended slightly higher (0.06% or 20pips) at 4.4080 as at Thursday's close. Positive vibes from S&P's upgrade on Malaysia's sovereign outlook from Negative to Stable were proven to be shortlived, and attention will turn to BNM's MPC meeting next Wednesday. Our house view calls for a further 25bps increase but we are not discounting possibility of a bigger 50bps hike, which if materializes, could infuse some fresh leads for the MYR. We are still **Neutral-to-Slightly Bullish** on USD/MYR in range of 4.39-4.42 for now.
- USD:** The Dollar Index continued to rally for the fourth consecutive week, settling at 104.69 on Thursday's close, up 0.2% w/w. The USD came back to life spurred by haven bids after Fed Chair Powell reiterated the Fed's commitment towards fighting inflation, despite acknowledging rising recession risks. We expect the greenback to trade cautiously on a **Neutral** note in a range of 103-106, awaiting more insights from the FOMC minutes as markets remained mixed with regards to a 50bps or 75bps hike in July. US nonfarm payroll will also be scrutinized given recent tentative weaknesses seen in the initial jobless claims numbers.

#### Fixed Income

Indicative Yields @ 30 June 2022



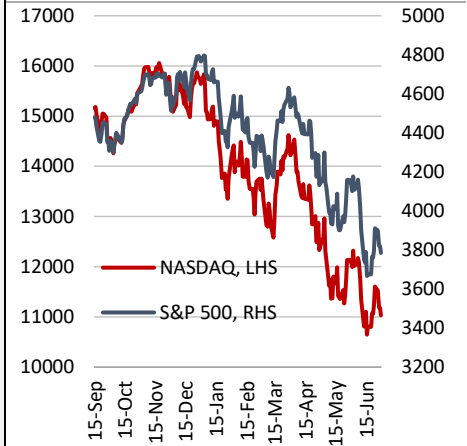
Source: Bloomberg

- UST:** USTs ended stronger on safe-haven bids as recessionary fears dominated whilst surprisingly brushing aside the PCE core which rose at a slower pace in May. Overall benchmark yields declined between 5-10bps across. Comments from Fed's Powell and ECB's Lagarde to ensure price stability over growth helped underpin strength in bonds. Treasury's \$40b 7Y auction saw decent bidding metrics of 2.48x (previous six average auction: 2.41X) and awarded at 3.28%. Nevertheless, other auctions involving the 2Y and 5Y saw weaker-than-expected bidding metrics. Swaps are currently pricing a drop in probability from 92% to 86% for a 75bps rate hike in July. Expect bonds to range sideways on profit-taking activities whilst questions abound whether the Fed will raise 50bps or 75bps in July.
- MGS/GII:** Local govies saw a divergence w/w when compared to both USTs and also SGS, as investors weighed the advent of rapid rate hikes whilst brushing off S&P's upgrade of Malaysia's sovereign outlook from Negative to Stable. Overall benchmark yields ended mostly 1-12bps higher for MGS; whereas GII closed mixed between -9 to +16bps. Average weekly secondary market volume spiked to ~RM16.30b with interest seen mainly in the off-the-run 22-23's, 28-29's and also benchmark 5Y, 7Y GII, 15Y MGS. The RM2.5b 30Y MGS auction saw strong bidding metrics. Expect local govies to continue on a steady trajectory next week as recessionary fears overwhelm inflation concerns for now ahead of next week's MPC meeting with our house view of a rate hike between 25-50bps.

## Macroeconomic Updates

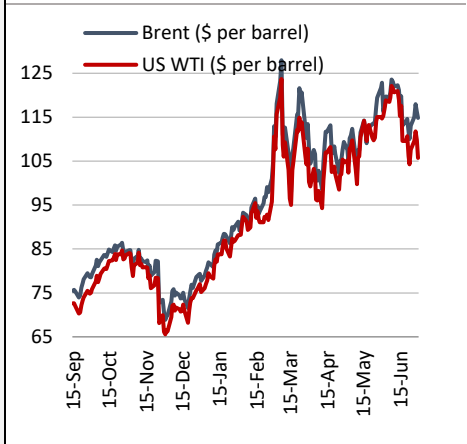
- US stocks closed out volatile quarter in red:** US stocks fell this week, and closed out the turbulent quarter with heavy losses as higher rates and recession talks led to an extended selloff in equities. The S&P 500 shed 16.5% q/q in the second quarter, following the nearly 5.0% loss in the first quarter. The Dow lost 11.3% after the 4.6% drop prior. The tech-focus NASDAQ was the worst performer among the US main benchmarks, selling off by 22.4% q/q (1Q22: -9.1%), as higher interest rates weighed further on growth stocks. Amid stronger US dollar (which climbed for the fourth consecutive quarter) and higher yields, gold prices faltered by 7.3% q/q (1Q22: +6.6%). Oil posted its first monthly loss in seven months. Brent closed 6.5% m/m lower (-6.5%) at \$114.81/barrel, after having reached as high as \$127.98/barrel in March in the early days of the Ukraine-Russia war. The international benchmark trimmed the quarterly gain to 6.4% in 2Q22 (1Q22: 39%) as OPEC+ planned to boost output and signs of weaker demand emerged. The US benchmark WTI posted 5.5% q/q gain (1Q22: +33%).
- Riksbank raised policy rate by 50bps to keep up with Fed:** Riksbank hiked its benchmark repo rate by 50bps to 0.75%, reversing the message sent just last February that it won't raise rates by 2024. The Swedish central bank is the latest one to deliver a larger than usual rate adjustment in order to keep up with the Fed's aggressive moves and also to precede the ECB's July tightening. Neighbouring Norges Bank had just done so last week whereas the SNB also did a similar 50bp hike two weeks ago. Fed Chair Jerome Powell said this week at the ECB annual retreat at Sintra, Portugal, that the Fed must raise rates rapidly to contain inflation even if it means facing higher recession risk, echoing his statement before Congress last week that the Fed will prioritise bringing inflation down. The ECB chief Christine Lagarde also confirmed the central bank's plan to hike the key ECB interest rates by 25bps in July. During the same panel discussion, BOE governor Andrew Bailey said that the BOE has "the option" to act forcefully, referring to the idea of hiking the bank rate by 50bps (versus the recently more measured move of 25bp increase) but does not necessarily have to do so, as a signs of slower UK growth are emerging.
- Consumer spending growth slowed in US:** A series of US data released this week were generally weaker, reinforcing the view that the US may head into a recession at year-end. Consumer spending growth slowed to 0.2% m/m in May (Apr: +0.6%) while the core PCE inflation rate also eased to 0.3% m/m and 4.7% y/y. Initial jobless claims last week amounted to 231k, hovering at circa 230k for the past four weeks, versus 200-220k levels seen in May. The 4-week moving average climbed for the 11th time within a 12-week period, implying softer hiring demand. The fall in the Conference Board Consumer Confidence Index to 98.7 in June, from 103.2 previously in May showed a deteriorating consumer sentiment that is weighing on consumption outlook.
- Most US data turned weaker:** Advance goods trade deficit narrowed to \$104.3b in May, from \$106.7b in April, the record high exports at \$176.6b and a marginal drop in imports. Durable goods orders managed to hold up with a 0.7% m/m growth in May, implying solid business capex. First quarter GDP growth was also revised lower to -1.6% q/q, from -1.5%. The economy had shrunk amid weaker inventory accumulation and negative net exports. On the housing front, mortgage applications rose modestly by 0.7% w/w last week, amid a general decline in mortgage rates. May pending home sales, a leading indicator for existing home sales, defied expectations by increasing 0.7% m/m. The S&P CoreLogic CS 20-City Index, a gauge of home prices in 20 US cities, picked up at a softer rate of 1.8% m/m in April (Mar: +2.4%).
- NFP due next week:** The nonfarm payrolls for June will be crucial to watch next week as investors gauge the current state of the US labour market. Other key data include the ISM Services PMI, factory orders, trade report, the ADP payrolls and the JOLTS openings. The Fed will also be publishing the June FOMC meeting minutes. Elsewhere, the RBA is expected to hike the cash rate by 50bps while on the local front, the focus is on the BNM MPC meeting. The expectations for a 50bp rate hike in the OPR has grown since last Friday when Malaysia's CPI inflation rate hit 2.8% y/y, a five-month high.

US stocks closed lower in 2Q



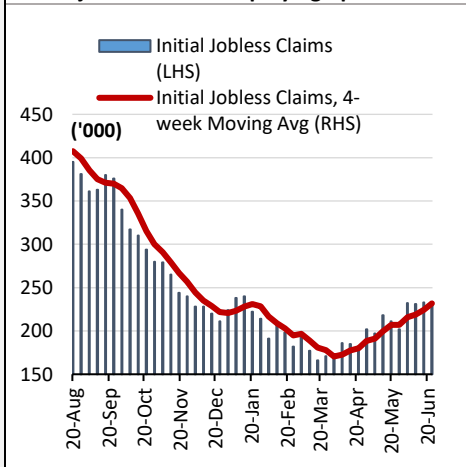
Source: Bloomberg

Oil posted first monthly loss since November



Source: Bloomberg

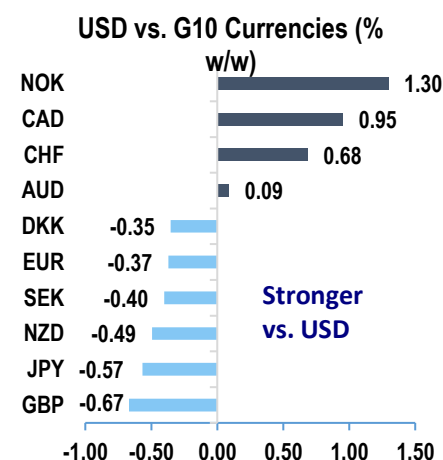
Initial jobless claims displaying uptrend



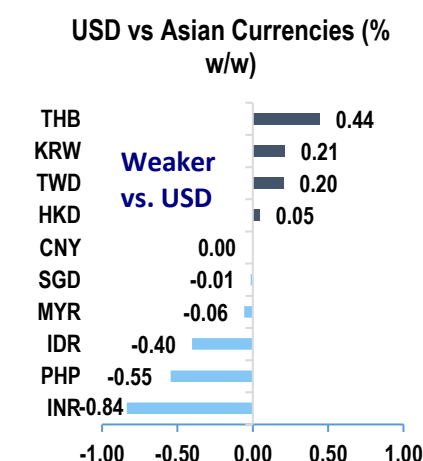
Source: Bloomberg

## Foreign Exchange Market

- MYR:** USD/MYR maintained a slightly bullish note although it continued to hang on to the 4.39-4.40 big figures, remaining very well supported at the 4.40 handle. The pair ended slightly higher (0.06% or 20pips) at 4.4080 as at Thursday's close, after having traded within familiar ranges of 4.3958-4.4085. Positive vibes from S&P's upgrade on Malaysia's sovereign outlook from Negative to Stable were proven to be shortlived, and attention will turn to BNM's MPC meeting next Wednesday. Our house view calls for a further 25bps increase in the OPR but we are not discounting possibility of a bigger 50bps hike, which if materializes, could infuse some fresh leads for the MYR. We are still **Neutral-to-Slightly Bullish** on USD/MYR in range of 4.39-4.42 for now.
- USD:** The Dollar Index continued to rally for the fourth consecutive week, albeit registering a more muted gain. The DXY traded in a range of 103.67-105.54 before settling at 104.69 on Thursday's close, up 0.2% w/w. The USD came back to life spurred by haven bids after Fed Chair Powell reiterated the Fed's commitment towards fighting inflation, despite acknowledging rising recession risks. We expect the greenback to trade cautiously on a **Neutral** note in a range of 103-106, awaiting more insights from the FOMC minutes as markets remained mixed with regards to a 50bps or 75bps hike in July. US nonfarm payroll will also be scrutinized given recent tentative weaknesses seen in the initial jobless claims numbers.
- EUR:** EUR weakness stayed extended for the fourth straight week, on the back of sustained USD bulls, which was driven more by haven bids rather than Fed rate hike expectations as markets were growing increasing concern over the potential growth fallout triggered by rapid policy normalization. The EUR/ USD traded in a range of 1.0383-1.0615 but was seen hovering mostly at the 1.04-1.05 handles and last closed at 1.0484 (-0.4% w/w). ECB Chief Lagarde's reaffirmation of a July rate hike at the ECB Forum failed to reverse the fate of the EUR. Next week's PMI, PPI, and retail sales data of the Eurozone will likely play second to FOMC minutes, rendering EUR in a **Neutral** note, potentially ranging within 1.03-1.06 in the week ahead.
- GBP:** The sterling remained under selling pressure for the fifth week running now, weakening by a further 0.7% w/w to 1.2178. The GBP was the worst performing currencies in the G10 league, and the weakest in about two years vs the greenback, as continued policy divergence with the Fed, more measured BOE's 25bps rate hike vs hawkish Fed's 50-75bps increase, continued to limit upside in the sterling. GBP/USD outlook is **Neutral-to-Slightly Bearish**, likely eyeing a range of 1.21-1.23 in the week ahead, taking cue from a still firm USD in the absence of any key drivers in the UK space.
- JPY:** The JPY was sold off for the second straight week despite lingering recession fear in the markets as the greenback garnered most of the haven flows. The JPY weakened 0.6% w/w against the USD at 135.72 as at Thursday's close, hovering at the 135-136 big figures by and large. We continue to expect a **Bearish** outlook for the JPY given the stark policy divergence between the BOJ and other central banks globally. USD/ JPY will likely trade in a range of 135-137 in the week ahead, driven by market sentiments and USD movement. Japan leading indicator, PMI and Eco Watcher survey are key data on the deck.
- AUD:** AUD managed to snapped three straight weeks of losses, notching a 0.1% gain vs the USD to 0.6903. Advances in the Aussie was curbed by retreating commodity prices and cautious market sentiments in our view, even though China and Australia data did bring about some positivity. AUD/USD will likely continue trading in a **Neutral** note ahead of RBA policy decision next Tuesday, where a 50bps hike is expected. This should push the pair to test the 0.70 key resistance again. Support lies at 0.67.
- SGD:** SGD remained in a slightly bearish mood, tracking sustained USD strength. USD/SGD traded the week rather flattish within 1.3838-1.3945, before weakening just 0.01% to 1.3905 amid lack of fresh catalyst. We maintain a **Slightly Bullish** USD/SGD outlook next week on expectations of sustained USD bulls, likely in a range of 1.38-1.40. PMI and retail sales would likely shed more lights on recovery momentum, but recent spike in Covid-19 cases in the country may pose some risks to near term recovery.



Source: Bloomberg



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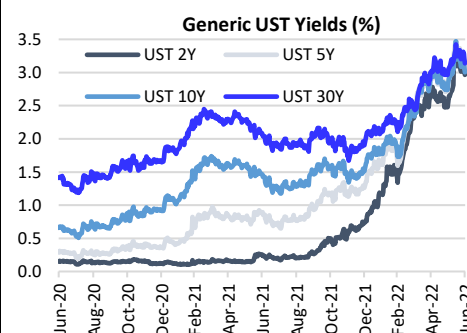
### Forecasts

	Q2-22	Q3-22	Q4-22	Q1-23
DXY	106	108	105	103
EUR/USD	1.02	1.00	1.01	1.03
GBP/USD	1.21	1.20	1.22	1.24
AUD/USD	0.69	0.68	0.69	0.70
USD/JPY	133	135	133	132
USD/MYR	4.38	4.40	4.38	4.35
USD/SGD	1.39	1.40	1.38	1.37
USD/CNY	6.73	6.75	6.73	6.72
EUR/MYR	4.47	4.40	4.42	4.48
GBP/MYR	5.30	5.28	5.34	5.39
AUD/MYR	3.02	2.99	3.02	3.05
SGD/MYR	3.15	3.14	3.17	3.18
CNY/MYR	1.54	1.53	1.54	1.54

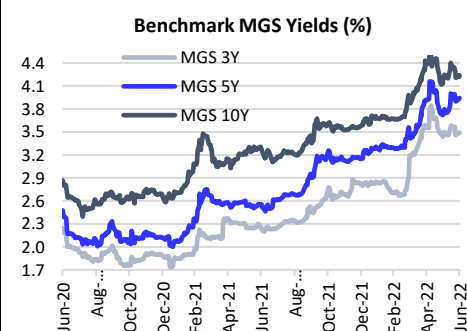
Source: HLBB Global Markets Research

## Fixed Income

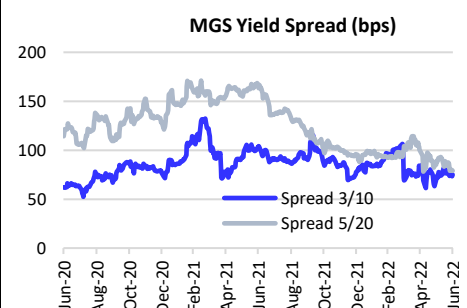
- UST:** For the week under review, USTs ended stronger and continued to be sought after on safe-haven bids as recessionary fears dominated whilst surprisingly brushing aside the Fed's preferred inflation indicator i.e.; PCE core which rose at a slower pace in May. The curve shifted lower as overall benchmark yields declined between 5-10bps across. **The UST 2Y yield eased 5bps to 2.97% whilst the much-watched UST 10Y (which ranged tighter between 3.00-3.20%) ended 8bps lower at 3.01%.** Comments from Fed's Powell and ECB's Lagarde to ensure price stability over growth helped underpin strength in bonds. Treasury's \$40b 7Y auction saw decent bidding metrics at a cover of 2.48x (previous six average auction: 2.41X) and awarded at 3.28% (previous auction: 3.277%). Nevertheless, other auctions involving the 2Y and 5Y saw weaker-than-expected bidding metrics. Swaps are currently pricing a drop in probability from 92% to 86% for a 75bps rate hike in July. Expect bonds to range sideways on profit-taking activities whilst questions abound whether the Fed will raise 50bps or 75bps in the upcoming FOMC meeting.
- MGS/GII:** Local govies saw a divergence w/w when compared to both USTs and also SGS, as investors weighed the advent of rapid rate hikes whilst brushing off S&P's upgrade of Malaysia's sovereign outlook from Negative to Stable. Overall benchmark yields ended mostly 1-12bps higher for MGS; whereas GII closed mixed between -9 to +16bps. **The benchmark 5Y MGS 11/26 yield jumped 12bps higher to 3.96% whilst the 10Y MGS 7/32 rose 10bps to 4.30%.** Average weekly secondary market volume spiked to ~RM16.30b versus prior week's RM10.87b with interest seen mainly in the off-the-run 22-23's, 28-29's and also benchmark 5Y, 7Y GII, 15Y MGS. The RM2.5b 30Y MGS auction saw strong bidding metrics (despite the substantial private placement of another RM2.5b) with lifers and other investment institutions such as pension funds showing appetite for yield pick-up. Expect local govies to continue on a steady trajectory next week as recessionary fears overwhelm inflation concerns for now ahead of next week's MPC meeting with our house view of a rate hike between 25-50bps.
- MYR Corporate bonds/ Sukuk:** The week under review saw improved investor appetite for govt-guaranteed bonds, corporate bonds and Sukuk on attractive yield carry-requirements. **Trades were seen mainly across the across GG-AA part of the curve as yields closed mostly mixed-to-higher amid a 57% spike in weekly market volume to RM1.68b.** Topping the weekly volume were PRASA 12/32 (GG) which spiked 59bps compared to previous-done levels to 4.60%. This was followed by GOVCO 2/32 (GG) bonds which similarly spiked 67bps to 4.60% and subsequently DANAJAMIN 10/27 (AAA), which closed unchanged at 3.12%. Higher frequency of bond trades was seen in DANA, CAGAMAS, TENAGA-related bonds, DANUM along with odd-lot transactions in Sabah Development Bank and also TROPICANA 2023-2026 bonds and perps. The prominent fresh issuances for the week consisted of DANUM Capital Bhd's AAA-rated 3Y and 7Y bonds totaling RM2.0b with coupons of 4.02% and 4.68% each and also TENAGA Nasional Bhd's AAA-rated 7-25Y bonds with coupons ranging between 4.73-5.57%.
- Singapore Government Securities:** SGS ended marginally stronger w/w, with lesser deviation than originally thought with some influence seen from UST movements. The curve was little changed as overall benchmark yields ended between -1 to +1bps across. Both the SGS 2Y and 10Y yields edged 1bps lower at 2.66% and 2.97% respectively (the SGS 10Y ranged tighter between 2.94-3.01%). Singapore's sovereign bonds saw a turnaround, posting a gain of 0.2% w/w (prior week: +0.9%). It sold S\$2.6b of 2Y bonds at a yield of 2.7% on a BTC ratio of 1.96x. Elsewhere, the average return over 10 years for the July issue of Singapore Savings Bonds has reached 2.71%, its highest since 2015; reflecting tightening economic conditions with expectations of further rate hikes in the US. Elsewhere, MAS may be expected to tighten policy ahead of its next scheduled meeting in October following recent pick-up in the republic's CPI. This is pursuant to an inter-meeting tightening in January where the central bank steepened and re-tightened its currency band. Meanwhile Barclays Plc has targeted its S\$ perpNC5.5 issuance at the initial price area of 8.6%.



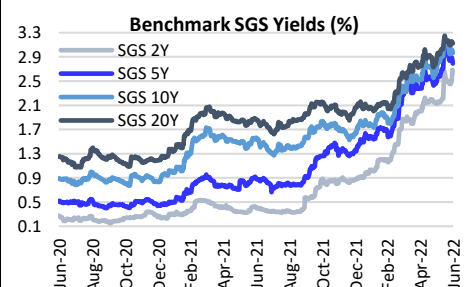
Source: Bloomberg



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

## Rating Actions

Issuer	PDS Description	Rating/Outlook	Action
Bank Islam Malaysia Berhad	Proposed RM5 bil Additional Tier-1 Capital SukukWakalah (AT-1 Sukuk)	A3/Stable	Assigned
	RM1 bil Subordinated Sukuk MurabahahProgramme (2015/2045)	A1/Stable	Assigned
	RM10 bil Sukuk Murabahah Programme (2018/ -)- Senior Sukuk Murabahah-Subordinaated Sukuk Murabahah	AA3/Stable A1/Stable	Assigned Assigned
Kuwait Finance House	Long- and short-term financial institution (FI) ratings	AA+/MARC-1/ Stable	Affirmed
Senai-Desaru Expressway Berhad	RM1.89 billion Islamic Medium-Term NotesProgramme (Restructured Sukuk)	B+IS / Negative	Downgraded
Sepangar Bay Power Corporation Sdn Bhd	RM575 mil Nominal Value Sukuk Murabahah	AA1/Stable	Reaffirmed
reNIKOLA Solar Sdn Bhd	RM390 mil ASEAN Green SRI Sukuk	AA3/Stable	Reaffirmed
Projek Smart Holdings Sdn Bhd	RM330 mil Islamic MTN Facility (2015/2032)	A1/Stable	Reaffirmed
CIMB Thai Bank Public Company Limited	Financial Institution Rating	AA2/Stable/P1	Reaffirmed
	RM2 bil Tier-2 Subordinated Debt Programme (2014/2044)	AA3/Stable	Reaffirmed
Cagamas MBS Berhad	Residential mortgage-backed securities (CMBS 2005-2, CMBS 2007-1-i and CMBS 2007-2)	AAA/Stable	Reaffirmed
TRIpIc Ventures Sdn Bhd	MTN Programme of up to RM240 mil in nominal value (2011/2026)	AAA(FG)/Stable	Reaffirmed
Pujian Bayu Sdn Bhd	RM200 mil MTN Programme	AA3/Stable	Reaffirmed
Yinson Holdings Berhad	Corporate Credit ratings	A1/Stable/P1	Reaffirmed
	Islamic Medium-Term Notes (IMTN) Programme of up to RM1.0 bil	A1/Stable	Reaffirmed

*Source: MARC/RAM*



## Economic Calendar

Date	Time	Country	Event	Period	Prior	
04/07	09:30	AU	Home Loans Value MoM	May	-6.4%	
	16:30	EZ	Sentix Investor Confidence	Jul	-15.8	
	21:00	SG	Purchasing Managers Index	Jun	50.4	
05/07	07:30	JP	Labor Cash Earnings YoY	May	1.3%	
	08:30	JP	Jibun Bank Japan PMI Services	Jun F	54.2	
	08:30	SG	S&P Global Singapore PMI	Jun	59.4	
	09:45	CN	Caixin China PMI Services	Jun	41.4	
	12:30	AU	RBA Cash Rate Target	05 Jul	0.85%	
	13:00	SG	Retail Sales YoY	May	12.1%	
	16:00	EZ	S&P Global Eurozone Services PMI	Jun F	52.8	
	16:30	UK	S&P Global/CIPS UK Services PMI	Jun F	53.4	
	22:00	US	Factory Orders	May	0.3%	
	06/07	08:30	HK	S&P Global Hong Kong PMI	Jun	54.9
		15:00	MA	BNM Overnight Policy Rate	06 Jul	2.00%
17:00		EZ	Retail Sales MoM	May	-1.3%	
19:00		US	MBA Mortgage Applications	01 Jul	0.7%	
21:45		US	S&P Global US Services PMI	Jun F	51.6	
22:00		US	ISM Services Index	Jun	55.9	
22:00		US	JOLTS Job Openings	May	11400k	
07/07	02:00	US	FOMC Meeting Minutes	15 Jun	--	
	09:30	AU	Exports MoM	May	1%	
	15:00	MA	Foreign Reserves	Jun-30	\$109.2b	
	20:15	US	ADP Employment Change	Jun	128k	
	20:30	US	Trade Balance	May	-\$87.1b	
	20:30	US	Initial Jobless Claims	02 Jul	231k	
08/07	07:30	JP	Household Spending YoY	May	-1.7%	
	12:00	MA	Industrial Production YoY	May	4.60%	
	20:30	US	Change in Nonfarm Payrolls	Jun	390k	
	20:30	US	Unemployment Rate	Jun	3.60%	
	20:30	US	Average Hourly Earnings YoY	Jun	5.20%	

Source: Bloomberg

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