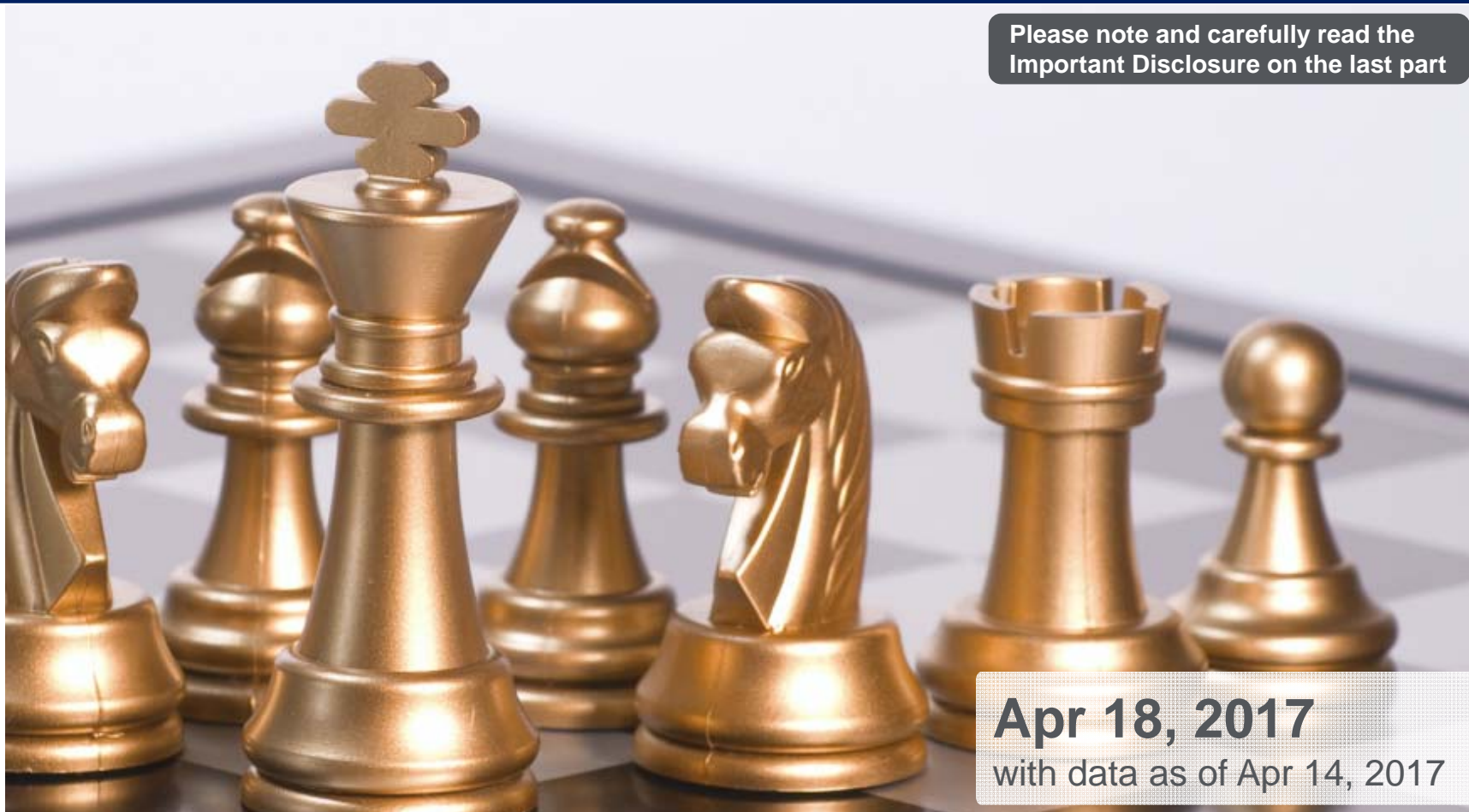


# Citibank Wealth Management Weekly FX Insight

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



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



**Apr 18, 2017**  
with data as of Apr 14, 2017

**Market Review & Focus**  
P. 1 - 2

**FX Analysis**  
P. 3 - 5

**FX & Eco. Figures Forecast**  
P. 6 - 9

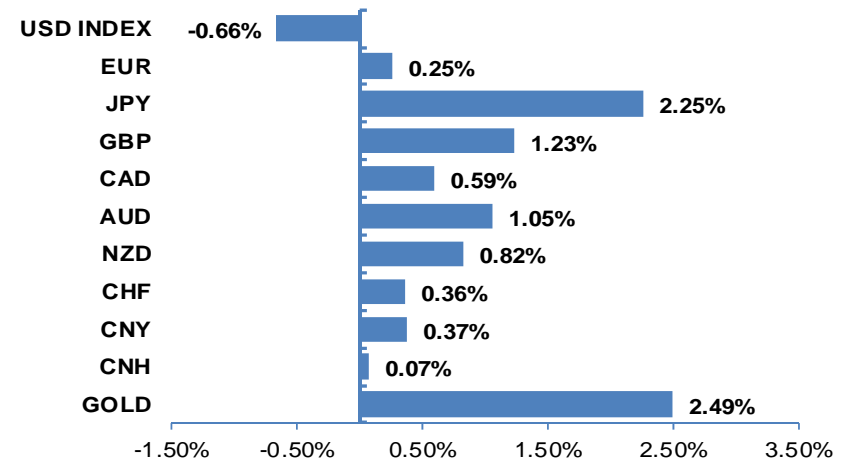
## Weekly FX Recap

### Major Currencies Weekly Performance

CCY	LAST WEEK PERFORMANCE			52 week high	52 week low	1 year % change	Year-To-Date Change
	Close Price	Day High	Day Low				
USD	100.51	101.34	100.01	103.82	91.92	5.9%	-1.7%
EUR/USD	1.0618	1.0678	1.0570	1.1616	1.0341	-5.8%	1.0%
USD/JPY	108.64	111.58	108.55	118.66	99.02	-0.7%	-7.2%
GBP/USD	1.2523	1.2574	1.2351	1.5018	1.1841	-11.5%	1.5%
USD/CAD	1.3325	1.3426	1.3224	1.3599	1.2461	3.7%	-0.8%
AUD/USD	0.7579	0.7596	0.7473	0.7835	0.7145	-1.5%	5.1%
NZD/USD	0.6998	0.7015	0.6910	0.7486	0.6676	2.2%	0.9%
USD/CHF	1.0055	1.0107	1.0009	1.0344	0.9444	4.0%	-1.3%
USD/CNY	6.8854	6.9109	6.8745	6.9649	6.4600	6.1%	-1.0%
USD/CNH	6.8868	6.9148	6.8684	6.9895	6.4675	6.1%	-1.2%
GOLD	1285.69	1294.20	1247.18	1375.45	1121.03	4.7%	11.6%

Source: Bloomberg L.P., as of Apr 14, 2017

### Weekly changes versus US dollar



Source: Bloomberg L.P., as of Apr 14, 2017

#### USD ↔

- **(-) Talking down USD:** US president Trump said in a media interview that USD is too strong, triggering USD to retreat.
- **(-) Weaker than expected data:** Inflation rose 2.4% yoy in March, lower than expectation of 2.6%. Retail sales (ex-auto) stayed flat, with expectation of +0.1%
- **(+/-) USD may range trade:** Trump's comments may restrain USD. USD may remain range-trading.

#### JPY, Gold ↑

- **(+) Middle East political tension:** Russia expressed dissatisfaction on a missile strike launched by the US against Syrian air base. Markets are concerned about US continued military intervention.
- **(+) North Korea political tension:** After North Korea launched a missile test, the US sent an aircraft carrier-led strike group toward the Korean Peninsula. North Korea warned to use nuclear weapons to fight back
- **(+) JPY and gold may strengthen in the short term:** Fund inflows into JPY and gold were seen amid rising global geopolitical risk.

#### AUD ↔

- **(+) Strong job data:** Australia's employment surged 60.9K in March, much better than expectation of 20K.
- **(+) China factor:** Trump said not to label China a currency manipulator, easing concern on potential trade war between the US and China.
- **(+/-) AUD may range trade:** JPY downside may be limited amid a slowdown in USD uptrend and strong Australia's fundamentals. AUD may range trade in the short term.

# Weekly FX Focus:

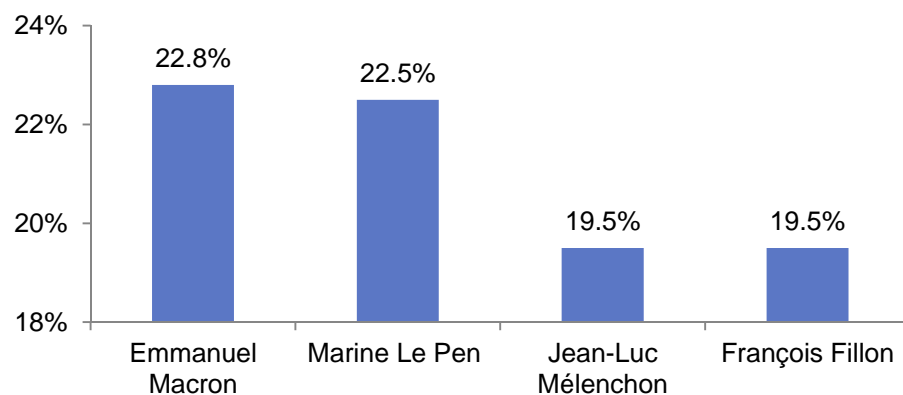
## EUR may remain range-trading

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



- The first round of French presidential election will be held on Apr 23. Citi analysts expect Emmanuel Macron and Marine Le Pen will win the first round. Macron may win the second round to become the new president on May 7.
- However, the election is still uncertain due to current around 40% swing voters. If Macron wins the election, a coalition government may be formed, which may lead to difficulties in governance. Thus, we expect a Macron win may not underpin EUR.

### Latest polls of French presidential election: Emmanuel Macron and Marine Le Pen have the highest support

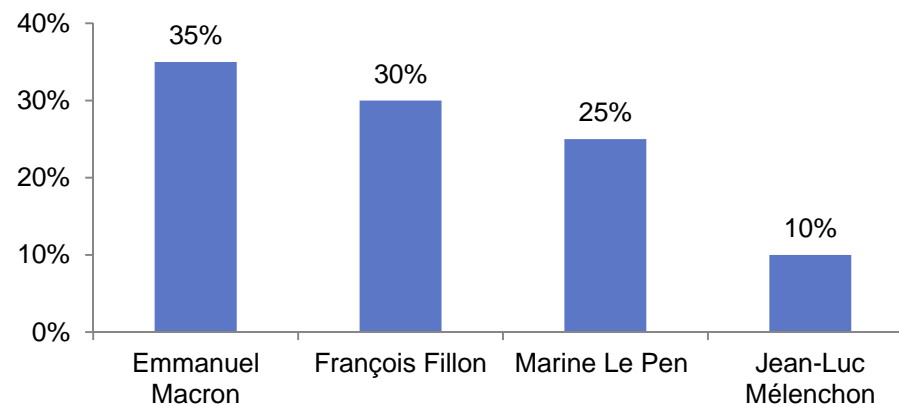


Source: Bloomberg L.P., as of Apr 14, 2017

### Citi's view

- If a candidate wins more than half of votes in the first round of the presidential election, the second round will not be held. However, in our view, it is very unlikely to happen.
- We expect centrist candidate Emmanuel Macron and National Front Marine Le Pen may win the first round held on Apr 23 to enter the second round.

### Chances of winning the election of major candidates



Source: Citi, as of Apr 7, 2017

### Macron is the most likely to win the election

- Macron was the best performer in a recent television debate. Together with his pragmatic policy and government and private sector background, he is more popular with voters.
- However, the election is still uncertain due to current around 40% swing voters.

### Impacts of the French presidential election on EUR

- If Macron wins the election, a coalition government may be formed with a middle right Prime Minister, forming an alliance with the pro-reform Socialist Party.
- It may lead to difficulties in governance and may dampen investor confidence and reduce economic recovery momentum.
- Thus, we expect a Macron win may not underpin EUR. EUR may remain range-trading.

## Weekly FX Strategies

EUR may range trade as the first round of French presidential election will soon be held. Investors may consider short-EUR opportunities if EUR rebounds to resistance levels. For AUD, investors may pay attention to AUD buy-on-dips opportunities amid upbeat Australia's job data and support from China factor. For NZD, investors may pay attention to NZD buy-on-dips opportunities amid possible upbeat NZ inflation data this week.

### 1. Neutral - EUR

- EUR may range trade since investors stay on the sidelines as the first round of French presidential election will soon be held
- EUR/USD may range trade between 1.0494-1.0828 (8.16-8.42)

### 2. Neutral with upside bias - AUD

- AUD investment sentiment may be underpinned amid upbeat Australia's job data
- AUD/USD may range trade between 0.7473-0.7750 (5.81-6.02)

### 3. Neutral with upside bias - NZD

- NZD may find support at lows amid possible upbeat NZ inflation data this week
- NZD/USD may range trade between 0.6890-0.7119 (5.36-5.53)

# EUR/USD



**EUR/USD may range trade between 1.0494-1.0828 (8.16-8.42)**

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

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7728 exchange rate for reference

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3 month	6-12 month
1.0618 (8.25)	1.0678 (8.30)	1.0570 (8.22)	1.0341 (8.04)	1.0494 (8.16)	1.0828 (8.42)	1.0874 (8.45)	1.10 (8.55)	1.04 (8.08)

Upcoming economic data
Apr 19: CPI (YoY)

## Outlook:

- (+) French presidential election:** We expect centrist candidate Emmanuel Macron and National Front Marine Le Pen may win the first round held on Apr 23. Macron may finally win the election to become the new president.
- (-) Political uncertainty may undermine EUR:** If Macron wins the election, a coalition government may be formed and it may restrain governance. Germany will hold the federal election in September. Political uncertainty may restrain EUR.

## Technical Analysis:

- The RSI is currently at the neutral level.
- The pair may range trade between 1.0494-1.0828 (8.16-8.42) in the short term.



Source: Bloomberg L.P., as of Apr 14, 2017



# AUD/USD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7728 exchange rate for reference



Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3m	6-12m
0.7579 (5.89)	0.7596 (5.90)	0.7473 (5.81)	0.7409 (5.76)	0.7473 (5.81)	0.7750 (6.02)	0.7835 (6.09)	0.80 (6.22)	0.76 (5.91)

## AUD may find support at lows on better than expected job growth in Australia

**Weekly recap:** AUD was supported last week as Australia's employment unexpectedly increased 60.9K in March, higher than expectation of 20K and mainly in full time jobs.

**Outlook analysis:** Although AUD may be supported on solid jobs data, unemployment/job vacancy ratio is still high, which may restrain earnings growth. Thus, we expect the RBA to keep the rate unchanged this year and AUD may remain range-trading.

**Technical analysis:** AUD/USD rebounded after failing to test lower to 0.7470 for several times. The pair may range trade between 0.7473-0.7750 (5.81-6.02) in the short term.



Source: Bloomberg L.P., as of Apr 14, 2017

# NZD/USD

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3m	6-12m
0.6998 (5.44)	0.7015 (5.45)	0.6910 (5.37)	0.6862 (5.33)	0.6890 (5.36)	0.7119 (5.53)	0.7180 (5.58)	0.70 (5.44)	0.68 (5.29)

## NZD may find support amid expectation of upbeat inflation data

**Weekly recap:** NZD was supported last week as NZ manufacturing PMI rose from 55.2 to 57.8 in March, the highest in 14 months.

**Outlook analysis:** NZ will announce Q1 CPI on Thursday. The yearly growth may reach 2.2%, higher than the target median. It reaches the target two years earlier than the RBNZ's expectation, which may cause the central bank to raise inflation forecast and raise market expectation of early rate hikes

**Technical analysis:** NZD/USD rebounded after finding support at 0.6890. The pair may range trade between 0.6890-0.7119 (5.36-5.53).



Source: Bloomberg L.P., as of Apr 14, 2017

Source: Bloomberg L.P., as of Apr 14, 2017

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7728 exchange rate for reference



## Other FX strategies

### USD/CAD: CAD may be supported on less-dovish policy stance BOC

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.	0-3M	6-12M
1.3325 (5.83)	1.3426 (5.79)	1.3224 (5.88)	1.3118 (5.93)	1.3210 (5.88)	1.3450 (5.78)	1.3535 (5.74)	1.33 (5.84)	1.35 (5.76)

**(-) BOC policy decision:** The BOC raised its economic growth forecast for 2017 from 2.1% to 2.6% with better than expected consumption, and property investments and strong job growth.

**(-) The BOC may hike rates in 1Q18:** The monetary and fiscal policies support economy. We expect the BOC to hike rates in 1Q18, which may support CAD.



### GBP/USD: GBP may be restrained amid UK economic downside risk

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.	0-3M	6-12M
1.2523 (9.73)	1.2574 (9.77)	1.2351 (9.60)	1.1986 (9.32)	1.2110 (9.41)	1.2715 (9.88)	1.2775 (9.93)	1.26 (9.79)	1.20 (9.33)

**(-) Weak job data:** UK Dec 16 - Feb 17 earnings growth slowed down from 2.4% to 2.2%, with job gains slowing down from 92K to 39K, lower than expectation of 70K.

**(-) Increasing economic downside risk:** Given current inflation, UK labour real income turned down, which may undermine individual consumption. Together with Brexit negotiation uncertainty, economic downside risk may increase.



### USD/JPY: Rising risk aversion may support JPY in the short term

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.	0-3M	6-12M
108.64 (71.55)	111.58 (69.66)	108.55 (71.61)	105.53 (73.65)	106.52 (72.97)	111.16 (69.92)	112.20 (69.28)	112 (69.40)	120 (64.77)

**(-) Geopolitical tension:** The US launched a missile strike against Syria and sent an aircraft carrier-led strike group toward the Korean Peninsula. Geopolitical tension triggered funds inflows into JPY

**(-) Narrowing US-Japan yield spreads:** US 10-year treasury yield breached 2.3%. US-Japan 10 year government bond yield spread narrowed to 232 bps from 253 bps in March.



### USD/CNH: CNH may consolidate on upbeat data and stabilizing China's foreign exchange reserve

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.
6.8868 (1.1287)	6.9148 (1.1241)	6.8684 (1.1317)	6.7812 (1.1462)	6.8459 (1.1354)	6.9319 (1.1213)	6.9895 (1.1121)

**(-) Upbeat trade data:** China's economic growth reached 6.9% in 1Q, the highest since 3Q15. Given upbeat data and policy support, we raised 2017 economic growth forecast by 0.1% to 6.6%.

**(+/-) CNH may consolidate in the short term:** US president Trump did not label China as a currency manipulator. Together with China's foreign exchange reserve staying above US\$3 trillion, CNH may stabilize in the short term.



# Upcoming Economic Figures and Events

## New Zealand inflation data may become market focus

Euro Area

March CPI (Final)

➤ We expect CPI may be revised down to 1.5% yoy with core inflation revised down to 0.67%.

Apr 19 (Wed):

CPI (YoY)

Citi Forecast

1.5%

Previous

2.0%

New Zealand

Q1 CPI

➤ Soaring fruit and vegetable prices and rising rent and construction and property maintenance costs were driven by weather factor. Inflation may rise 1% qoq in Q1 with yearly growth possibly rising to 2.2%, the highest since 2Q11.

Apr 20 (Thu):

CPI (YoY)

Citi Forecast

2.2%

Previous

1.3%

UK

March Retail Sales

➤ We expect retail sales growth may stay flat in March after a rebound in February. This may reflect UK consumption may slow down significantly in early-2017, which may drag down economic growth

Apr 21 (Fri):

Retail Sales (MoM)

Citi Forecast

0.0%

Previous

1.4%



# Appendix 1: Citi interest rate and FX Forecast for 2017



## Citi FX Outlook Forecast

## Citi FX interest rate Forecast

	0-3 month	6-12 month	4/14/17	2Q '17	3Q '17	4Q '17
Dollar Index	98.44	103.85	1.00	1.25	1.50	1.50
EUR/USD	1.10	1.04	0.00	0.00	0.00	0.00
GBP/USD	1.26	1.20	0.25	0.25	0.25	0.25
USD/JPY	112	120	-0.10	-0.10	-0.10	-0.10
USD/CHF	0.98	1.03	-0.75	-0.75	-0.75	-0.75
AUD/USD	0.80	0.76	1.50	1.50	1.50	1.50
NZD/USD	0.70	0.68	1.75	1.75	1.75	1.75
USD/CAD	1.33	1.35	0.50	0.50	0.50	0.50
USD/CNY	6.87	7.09	3.30	3.30	3.30	3.30

Source: Citi, forecast as of Mar 17, 2017

 Rate cut expectations  Rate hike expectations

**EUR**

→ We raised EUR forecast as the ECB may hike deposit rates for banks by year-end and tighten monetary policy. For the coming 0-3 months, EUR may drop to 1.10.

**GBP**

→ Although Brexit may undermine GBP, GBP asset dropped to attractive levels in terms of valuation, which may limit GBP downtrend. For the coming 6-12 months, GBP/USD may drop to 1.20.

**AUD**

→ The RBA may not hike rates this year amid Australia's earnings growth slowdown. However, high iron ore price may support AUD at lows. AUD may range trade between 0.71-0.78, with resistance at 0.7750-0.7800.

**JPY**

→ JPY may be undermined as US treasury yields may rise in the medium and long term and Trump's tax reform may underpin market sentiment. USD/JPY may rise to 120 for the coming 6-12 months.

## Appendix 2: Last week's Economic Figures



Time		Importance	Event	Period	Actual	Survey	Prior
<b>Monday</b>							
04/10/17 07:50	JN	!	Trade Balance BoP Basis	Feb	¥1076.8b	¥993.2b	-¥853.4b
04/10/17 09:30	AU	!	Investment Lending	Feb	-5.90%	--	4.60%
04/10/17 20:15	CA	!	Housing Starts	Mar	253.7k	214.5k	214.3k
<b>Tuesday</b>							
04/11/17 09:30	AU	!	NAB Business Conditions	Mar	14	--	9
04/11/17 16:30	UK	!!	CPI YoY	Mar	2.30%	2.30%	2.30%
<b>Wednesday</b>							
04/12/17 08:30	AU	!	Westpac Consumer Conf SA MoM	Apr	-0.70%	--	0.10%
04/12/17 09:30	CH	!!	CPI YoY	Mar	0.90%	1.00%	0.80%
04/12/17 16:30	UK	!!	Average Weekly Earnings 3M/YoY	Feb	2.30%	2.20%	2.30%
04/12/17 16:30	UK	!!	ILO Unemployment Rate 3Mths	Feb	4.70%	4.70%	4.70%
04/12/17 22:00	CA	!!!	Bank of Canada Rate Decision	Apr	0.50%	0.50%	0.50%
<b>Thursday</b>							
04/13/17 02:00	US	!	Monthly Budget Statement	Mar	-\$176.2b	-\$169.0b	-\$108.0b
04/13/17 07:01	UK	!!	RICS House Price Balance	Mar	22%	22%	22%
04/13/17 09:30	AU	!!	Employment Change	Mar	60.9k	20.0k	2.8k
04/13/17 09:30	AU	!!	Unemployment Rate	Mar	5.90%	5.90%	5.90%
04/13/17 20:30	US	!!	Initial Jobless Claims	Apr	234k	245k	235k
04/13/17 22:00	US	!!	U. of Mich. Sentiment	Apr	98	96.5	96.9
04/13/17	CH	!!	Imports YoY	Mar	20.30%	15.50%	38.10%
04/13/17	CH	!!	Exports YoY	Mar	16.40%	4.30%	-1.30%
04/13/17	CH	!!	Trade Balance	Mar	\$23.93b	\$12.50b	-\$9.15b
<b>Friday</b>							
04/14/17 20:30	US	!!	CPI YoY	Mar	2.40%	2.60%	2.70%
04/14/17 20:30	US	!!!	CPI Ex Food and Energy YoY	Mar	2.00%	2.30%	2.20%
04/14/17 20:30	US	!!!	Retail Sales Advance MoM	Mar	-0.20%	-0.20%	-0.30%
04/14/17 20:30	US	!!!	Retail Sales Ex Auto MoM	Mar	0.00%	0.10%	0.00%

## Appendix 3: Upcoming Economic Figures (Apr 17, 2017 – Apr 21, 2017)



Time		Importance	Event	Period	Actual	Survey	Prior
<b>Monday</b>							
04/17/17 10:00	CH	!!	Retail Sales YoY	Mar	10.90%	9.70%	10.90%
04/17/17 10:00	CH	!!	Industrial Production YoY	Mar	7.60%	6.30%	6.00%
04/17/17 10:00	CH	!!!	GDP YoY	1Q	6.90%	6.80%	6.80%
<b>Tuesday</b>							
04/18/17 09:30	AU	!!	RBA April Rate Meeting Minutes	Apr			
04/18/17 20:30	CA	!	Int'l Securities Transactions	Feb	--	--	6.20b
04/18/17 20:30	US	!!	Housing Starts MoM	Mar	--	-2.20%	3.00%
04/18/17 20:30	US	!!	Building Permits MoM	Mar	--	3.20%	-6.20%
04/18/17 21:00	CA	!	Existing Home Sales MoM	Mar	--	--	5.20%
04/18/17 21:15	US	!!	Industrial Production MoM	Mar	--	0.40%	0.00%
<b>Wednesday</b>							
04/19/17 08:30	AU	!	Westpac Leading Index MoM	Mar	--	--	-0.07%
04/19/17 17:00	EC	!!	CPI YoY	Mar	--	--	1.50%
<b>Thursday</b>							
04/20/17 06:45	NZ	!!	CPI YoY	1Q	--	2.10%	1.30%
04/20/17 07:50	JN	!!	Trade Balance Adjusted	Mar	--	--	¥680.3b
04/20/17 09:30	AU	!	NAB Business Confidence	1Q	--	--	5
04/20/17 20:30	US	!!	Initial Jobless Claims	Apr	--	--	--
<b>Friday</b>							
04/21/17 16:00	EC	!!	Markit Eurozone Manufacturing PMI	Apr	--	--	56.2
04/21/17 16:30	UK	!!	Retail Sales Ex Auto Fuel YoY	Mar	--	3.90%	4.10%
04/21/17 16:30	UK	!!	Retail Sales Inc Auto Fuel YoY	Mar	--	3.60%	3.70%
04/21/17 20:30	CA	!!	CPI YoY	Mar	--	--	2.00%
04/21/17 20:30	CA	!!	CPI Core- Common YoY%	Mar	--	--	1.30%
04/21/17 22:00	US	!!	Existing Home Sales MoM	Mar	--	1.30%	-3.70%

# 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. 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, 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.