

# 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



**Feb 27, 2017**  
with data as of Feb 24, 2017

**Market Review & Focus**  
P. 1 - 3

**FX Analysis**  
P. 4 - 6

**FX & Eco. Figures Forecast**  
P. 7 - 10



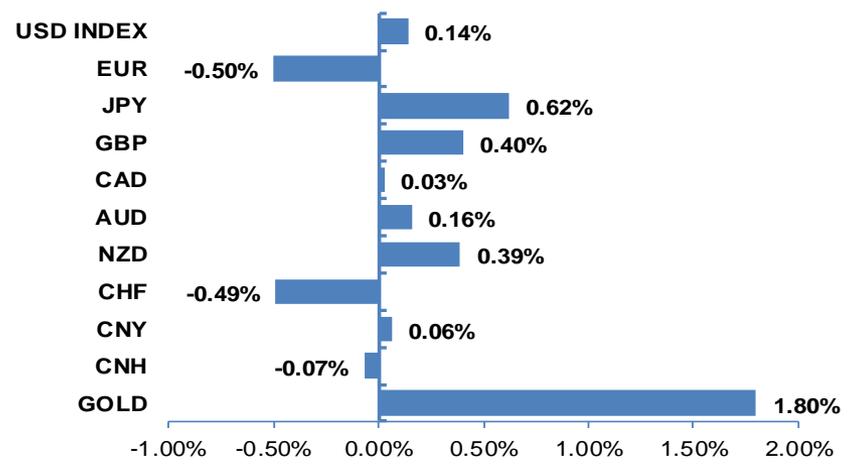
# Weekly FX Recap

## 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	101.09	101.72	100.66	103.82	91.92	3.7%	-1.1%
EUR/USD	1.0563	1.0635	1.0494	1.1616	1.0341	-4.1%	0.4%
USD/JPY	112.12	113.78	111.94	118.66	99.02	0.0%	-4.1%
GBP/USD	1.2462	1.2570	1.2396	1.5018	1.1841	-10.5%	1.0%
USD/CAD	1.3091	1.3210	1.3057	1.3599	1.2461	-4.5%	-2.6%
AUD/USD	0.7676	0.7741	0.7650	0.7835	0.7109	6.7%	6.5%
NZD/USD	0.7210	0.7247	0.7130	0.7486	0.6566	8.3%	4.0%
USD/CHF	1.0075	1.0141	0.9997	1.0344	0.9444	1.9%	-1.1%
USD/CNY	6.8691	6.8867	6.8656	6.9649	6.4528	5.2%	-1.2%
USD/CNH	6.8545	6.8701	6.8421	6.9895	6.4443	4.9%	-1.7%
GOLD	1257.15	1260.35	1226.22	1375.45	1121.03	2.3%	9.1%

Source: Bloomberg L.P., as of Feb 24, 2017

## Weekly changes versus US dollar



Source: Bloomberg L.P., as of Feb 24, 2017

**USD** ↔

- (-) Trump's policy risk:** US Treasury Secretary Mnuchin said to have tax reform approved before the start of Congress recess in August, later than expected.
- (-) Dovish FOMC:** FOMC minutes did not imply the timing of the next rate hike and showed concern on inflation.
- (+/-) USD may consolidate in the short term:** USD may range trade as investors may stay on the sidelines to wait to see Trump's policy.

**AUD** ↔

- (-) Weak capex:** Capital expenditure dropped 2.1% in 4Q16, worse than expectation of -0.5%, cooling down expectation of rate hikes.
- (-) Slowdown in earnings growth:** Private earnings grew 0.4% only in 4Q16, with yearly growth of only 1.8%, the record low.
- (+/-) AUD may be restrained:** AUD/USD may be restrained as AUD/USD is approaching important resistance levels of 0.7756-0.7835.

**EUR** ↓

- (-) French political uncertainty:** Extreme rightist anti-euro Front national Marine Le Pen led in the latest polls.
- (-) Rising Italian political risk:** Support for anti-euro Five Star Movement is close to that for ruling Democratic Party.
- (-) EUR downside risk may increase:** Rising European political risk and accommodative monetary policy by the ECB may undermine EUR.



# Weekly FX Focus:

## USD may consolidate amid Trump's policy uncertainty

- FOMC members' hawkish comments did not drive USD up, despite recent upbeat US data. The dollar index may range trade between 100.41-101.76.
- In our view, it was mainly due to concern on low support for US President Trump and a lack of tax reform details.
- Investors may pay attention to Trump's address in the joint meeting of the United States Congress, Whether he will release details of border tax adjustment policy may increase FX market volatility.

### US important economic data and events

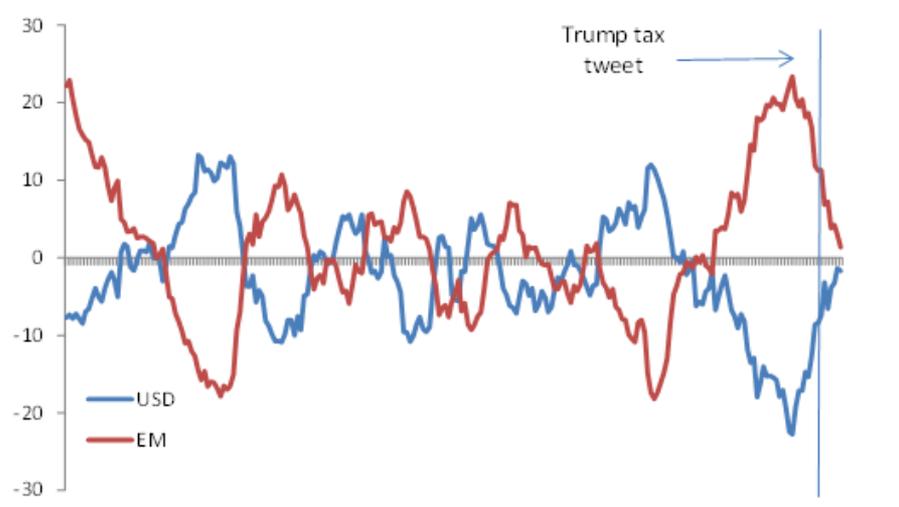
Time	Importance	Event	Period
02/27/17	!!	Durable goods orders	Jan
02/28/17	!!!	Trump attends the joint meeting of the US Congress	Feb
02/28/17	!!!	GDP (Annualized QoQ)	4Q16
02/28/17	!!	Fedspeak - Bullard & Williams	Feb
02/28/17	!!	Trade Balance	Jan
03/01/17	!!	ISM manufacturing index	Feb
03/03/17	!!!	Fedspeak - Fischer & Evans	Feb
03/08/17	!!	ADP private sector job growth	Feb
03/10/17	!!!	Non-farm payrolls	Feb
03/15/17	!!!	FOMC meeting	Mar

Source: Bloomberg L.P., as of Mar 15, 2017

### Impacts of Trump's address on Tuesday on USD

- Positive for USD:** If Trump's speech shows that Congress and Trump work together to implement tax reform and announce more details, USD may resume its uptrend.
- Negative for USD:** If Trump only reiterates his comment made when running the office and does not release any tax reform details, markets may feel disappointed and USD may remain range-trading.

### Changes in leveraged investors' positions in USD



Source: Citi, as of Feb 24, 2017

- According to Citi's data, leveraged investors' positions in USD changed from short positions to neutral level, reflecting USD may remain range trading even if Trump's speech may increase FX market volatility.

### FX strategies:

- High yield currencies:** NZD rebounded upon dropping to support levels. Investors may continue to pay attention to buy-on-dips opportunities. However, AUD may be restrained as AUD is near significant resistance levels.
- JPY:** USD/JPY dropped close to significant support levels, with limited upside. The pair may remain range-trading. Investors may consider selling JPY.

# Weekly FX Strategies

- USD may remain range trading as Trump's Congressional Address may increase FX market volatility.
- NZD rebounded upon dropping close to support levels. Investors may continue to pay attention to buy-on-dips opportunities. AUD may be restrained as AUD is near important resistance levels.
- USD/JPY dropped close to important support levels with limited downside. USD/JPY may remain range-trading. Investors may consider selling JPY.

## 1. Neutral with upside bias - NZD

- NZ's strong fundamentals and yield advantage may support NZD
- NZD/USD may range trade between 0.7119-0.7376 (5.52-5.72) with upside bias

## 2. Neutral - AUD

- AUD may adjust in the short term. However, AUD may find support at lows amid rising commodity prices and stabilized Chinese economy
- AUD/USD may range trade between 0.7490-0.7756 (5.75-6.02)

## 3. Neutral - JPY

- JPY may range trade as USD may consolidate in the short term
- USD/JPY may range trade between 111.60-115.62(69.57-67.13)

# NZD/USD

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7609 exchange rate for reference



Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3m	6-12m
0.7210 (5.60)	0.7247 (5.62)	0.713 (5.53)	0.7058 (5.48)	0.7119 (5.52)	0.7376 (5.72)	0.7486 (5.81)	0.73 (5.67)	0.69 (5.36)

## NZD may be supported as NZ economic growth may reach 3.0% in 2017

**Weekly recap:** NZD was once pressured as global dairy product price index dropped 3.2% in the auction last week. However, NZD rebounded from lows amid fund inflows.

**Outlook analysis:** NZ's consumption and export may remain strong with economic growth reaching 3.0% this year. Rising demand for property may drive inflation up to 1.8% in 4Q17, which may support the RBNZ to hike rates in 1Q18. This may underpin NZD.

**Technical analysis:** NZD rebounded from the double bottoms and was supported at 55MA and 100MA. The pair may range trade between 0.7119-0.7376 (5.52-5.72) in the short term.



Source: Bloomberg L.P., as of Feb 24, 2017

# AUD/USD

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resistance	2nd Resistance	0-3m	6-12m
0.7676 (5.96)	0.7741 (6.01)	0.765 (5.94)	0.7409 (5.75)	0.7490 (5.81)	0.7756 (6.02)	0.7835 (6.08)	0.79 (6.13)	0.75 (5.82)

## AUD may be restrained as a slowdown in Australia's earnings growth may undermine consumption and inflation

**Weekly recap:** AUD was pressured as Australia's wage costs rose 1.8% yoy in 4Q16, a record low while capital expenditure plunged 2.1%, worse than expectation of -0.5%.

**Outlook analysis:** The RBA governor Lowe concerned that household debts may be too high, which may affect consumption. We believe that slow wage growth may restrain consumption and inflation. The RBA may turn more dovish, which may restrain AUD.

**Technical analysis:** A s RSI continued to fall from overbought level, AUD/USD may range trade between 0.7409-0.7756 (5.75-6.02).



Source: Bloomberg L.P., as of Feb 24, 2017

**USD/JPY may range trade between 111.60-115.62 (69.57-67.13) with support at 108.84 (71.31)**

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 \$7.7609 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
112.12 (69.22)	113.78 (68.21)	111.94 (69.33)	108.84 (71.31)	111.60 (69.54)	115.62 (67.12)	118.66 (65.40)	115 (67.49)	125 (62.09)

Upcoming economic data
Mar 3: Core CPI

## Outlook:

**(-) US rate hike in Mar is unlikely:** FOMC minutes did not show a certain timing of the next rate hike. Some members also thought the Fed needed to remain cautious before Trump implements his policies, reflecting it is unlikely to hike rates in Mar.

**(+/-) JPY may consolidate in the short term:** Given low expectation of a rate hike in Mar, no announcement on Trump's policy details and pressured USD, JPY may consolidate.

**(+) JPY may be bearish in the medium and long term:** We expect the BOJ to keep its accommodative monetary policy. US-Japan monetary policy divergence may undermine JPY.

## Technical Analysis:

- USD/JPY may range trade between 111.60-115.62 (69.57-67.13) in the short term.
- A breach of 111.60 may send the pair to the next support level of 108.84 (71.31).



Source: Bloomberg L.P., as of Feb 24, 2017

The brackets are the exchange rates in terms of Hong Kong dollar, with HKD \$7.7609 exchange rate for reference



# Other FX strategies

## EUR/USD: Political uncertainty may undermine EUR

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.	0-3M	6-12M
1.0563 (8.20)	1.0635 (8.25)	1.0494 (8.14)	1.0341 (8.03)	1.0456 (8.11)	1.0679 (8.29)	1.0829 (8.40)	1.05 (8.15)	0.98 (7.61)

(-) Political uncertainty: French prosecutors opened official probe into French presidential election candidate Fillon's case on employing his wife as assistant. Extreme rightist Marine Le Pen is suspected to misappropriate European Parliament funds for party members' salaries and she is investigated by police.

(-) EUR may have downside risk: Although the probability of Marine Le Pen's win is only 20% (Fillon 40% , Macron 35% , Hamon 5%), once she wins, EUR may depreciate significantly amid concern that France may leave the EU.



## GBP/USD: Brexit uncertainty may restrian GBP

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.	0-3M	6-12M
1.2462 (9.67)	1.2570 (9.76)	1.2396 (9.62)	1.1986 (9.30)	1.2330 (9.57)	1.2715 (9.87)	1.2888 (10.00)	1.24 (9.62)	1.15 (8.93)

(-) Political uncertainty: The British government may start Brexit procedure in early 2Q. Hard Brexit risk and fiscal and current account deficits may undermine GBP

(-) Economic downside risk: UK economic growth in 4Q16 was revised down from 2.2% to 2.0% while business investment dropped 0.9% yoy, reflecting negative impacts of Brexit concern.



## USD/CAD: CAD may range trade on Trump's policy uncertainty

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.	0-3M	6-12M
1.3091 (5.93)	1.3210 (5.88)	1.3057 (5.94)	1.2896 (6.02)	1.2969 (5.98)	1.3333 (5.82)	1.3599 (5.71)	1.32 (5.88)	1.35 (5.75)

(-) Inflation data improvement: Canada's CPI rose 2.1% yoy last Friday, better than expected. Markets may focus on whether the BOC will become hawkish on improved inflation data

(+) Trade policy uncertainty: Trump's trade policy makes Canada's export uncertain. Moreover, high household debt may reflect economic risk.



## USD/CNH: CNH may consolidate in the short term as China is committed to stabilize the exchange rate

Last Price	Last wk High	Last wk Low	2nd Support	1st Support	1st Resist.	2nd Resist.
6.8545 (1.1322)	6.8701 (1.1297)	6.8421 (1.1343)	6.7169 (1.1554)	6.7812 (1.1445)	6.8780 (1.1284)	6.9197 (1.1216)

(-) CNH may consolidate in the short term: The PBOC raised interest rates on reverse repo and standing lending facilities (SLF), and implemented measures to limit capital outflows, which may ease RMB downside risk in the short term.

(+) CNH may depreciate in the medium and long term: The Fed may hike rates twice this year, which may push up US treasury yields in the medium and long term and thus drive capital outflows.



# Upcoming Economic Figures and Events

## Trump's congressional address may become market focus

US

### Trump attends the joint meeting of the United States Congress

- US President Trump's address may become market focus. If he announces the details of tax reform, eliminating market uncertainty, USD may resume uptrend.
- Several FOMC members will deliver speeches this week. Markets may focus more on speeches by Yellen and Fisher (Friday). If members remain hawkish, USD may be underpinned amid rising expectation of a rate hike in March

**Feb 28 (Tue):**

Trump Attends the Joint Meeting of the United States Congress

Australia

### 4Q GDP

- We expect the economic growth to rebound from -0.5% in 3Q16 to 0.8% in 4Q16. However, it is still lower than the trend level, in line with the RBA's forecast.

**Mar 1 (Wed):**  
GDP (QoQ)

Citi Forecast	Previous
+0.8%	-0.5%

Japan

### Core CPI

- We expect core CPI (ex-fresh food) to rise 0.1%, the first positive growth since Dec 2015, given rising oil prices.
- In addition, BOJ member Takehiro Sato will deliver a speech on Wed. Although he may make hawkish comments, JPY may not appreciate on his limited impact on monetary policy.

**Mar 3 (Wed):**  
Core CPI

Citi Forecast	Previous
0.10%	-0.20%

Canada

### BOC rate decision

- We expect the BOC to keep the interest rate unchanged. The policy statement may make positive comments on employment and commodity market. Meanwhile, it may also show a cautious stance on economic growth slowdown and global uncertainty.

**Mar 1 (Wed):**

BOC Rate Decision

# 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	2/24/17	1Q '17	2Q '17	3Q '17
Dollar Index	101.88	108.89	0.75	0.75	1.00	1.00
EUR/USD	1.05	0.98	0.00	0.00	0.00	0.00
GBP/USD	1.24	1.15	0.25	0.25	0.25	0.25
USD/JPY	115	125	-0.10	-0.10	-0.10	-0.10
USD/CHF	1.00	1.05	-0.75	-0.75	-0.75	-0.75
AUD/USD	0.79	0.75	1.50	1.50	1.50	1.50
NZD/USD	0.73	0.69	1.75	1.75	1.75	1.75
USD/CAD	1.32	1.35	0.50	0.50	0.50	0.50
USD/CNY	6.90	7.15	2.75	2.75	2.75	2.75

Source: Citi, forecast as of Feb 17, 2017

 Rate cut expectations

 Rate hike expectations

**EUR**... Rising political risk in Europe and USD likely to strengthen in the medium and long term, EUR may be undermined. EUR may drop to 0.98 for the coming 6-12 months

**GBP**... GBP may be undermined amid large UK fiscal and current account deficits and as the BOE may not hike rates until late 2019. GBP may drop to 1.15 for the coming 6-12 months.

**AUD**... High iron ore price may underpin AUD. However, AUD may drop in the medium and long term as consumption and non-mining investment are still facing challenges. AUD may drop to 0.75 for the coming 6-12 months

**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 120-125 for the coming 6-12 months

## Appendix 2: Last week's Economic Figures

Time		Importance	Event	Period	Actual	Survey	Prior
<b>Monday</b>							
02/20/17 07:50	JN	!	Trade Balance Adjusted	Jan	¥155.5b	¥275.5b	¥327.5b
<b>Tuesday</b>							
02/21/17 08:30	AU	!!	RBA Feb. Meeting Minutes	Feb			
02/21/17 17:00	EC	!!	Markit Eurozone Manufacturing PMI	Feb	55.5	55.0	55.2
<b>Wednesday</b>							
02/22/17 07:30	AU	!	Westpac Leading Index MoM	Jan	0.03%	--	0.43%
02/22/17 08:30	AU	!!	Wage Price Index YoY	4Q	1.90%	1.90%	1.90%
02/22/17 17:00	GE	!!	IFO Business Climate	Feb	111	109.6	109.9
02/22/17 17:30	UK	!!	GDP YoY	4Q	2.00%	2.20%	2.20%
02/22/17 18:00	EC	!!	CPI YoY	Jan	1.80%	1.80%	1.80%
02/22/17 21:30	CA	!!	Retail Sales Ex Auto MoM	Dec	-0.50%	0.00%	0.30%
02/22/17 21:30	CA	!!	Retail Sales MoM	Dec	-0.30%	0.50%	-0.10%
02/22/17 23:00	US	!!	Existing Home Sales MoM	Jan	3.30%	1.10%	-1.60%
<b>Thursday</b>							
02/23/17 03:00	US	!!!	FOMC Meeting Minutes	Feb	--	--	--
02/23/17 08:30	AU	!!	Private Capital Expenditure	4Q	-2.10%	-0.50%	-4.00%
02/23/17 21:30	US	!	Initial Jobless Claims	Feb	244k	240k	238k
<b>Friday</b>							
02/24/17 21:30	CA	!!	CPI YoY	Jan	2.10%	1.60%	1.50%
02/24/17 21:30	CA	!!	CPI Core- Common YoY%	Jan	1.30%	--	1.40%
02/24/17 23:00	US	!!	New Home Sales MoM	Jan	3.70%	6.40%	-7.00%
02/24/17 23:00	US	!!	U. of Mich. Sentiment	Feb	96.3	96	95.7

# Appendix 3: Upcoming Economic Figures (Feb 27, 2017 – Mar 3, 2017)



Time		Importance	Event	Period	Actual	Survey	Prior
<b>Monday</b>							
02/27/17 21:30	US	!!	Durable Goods Orders	Jan	--	1.80%	-0.50%
<b>Tuesday</b>							
02/28/17 05:45	NZ	!!	Trade Balance NZD	Jan	--	--	-41m
02/28/17 08:01	UK	!	GfK Consumer Confidence	Feb	--	--	-5
02/28/17 08:30	AU	!	Private Sector Credit YoY	Jan	--	--	5.60%
02/28/17 18:00	EC	!!	CPI Estimate YoY	Feb	--	--	1.80%
02/28/17 21:30	US	!!!	GDP Annualized QoQ	4Q	--	2.10%	1.90%
02/28/17 21:30	US	!!	Advance Goods Trade Balance	Jan	--	-\$66.0b	-\$65.0b
02/28/17 22:45	US	!	Chicago Purchasing Manager	Feb	--	53	50.3
02/28/17 23:00	US	!!	Conf. Board Consumer Confidence	Feb	--	110.9	111.8
<b>Wednesday</b>							
03/01/17 08:30	AU	!!	GDP YoY	4Q	--	--	1.80%
03/01/17 09:00	CH	!!	Non-manufacturing PMI	Feb	--	--	54.6
03/01/17 09:00	CH	!!	Manufacturing PMI	Feb	--	51.1	51.3
03/01/17 17:30	UK	!!	Markit UK PMI Manufacturing SA	Feb	--	--	55.9
03/01/17 21:30	CA	!	Current Account Balance	4Q	--	--	-\$18.30b
03/01/17 21:30	US	!!	Personal Income	Jan	--	0.30%	0.30%
03/01/17 21:30	US	!!	Personal Spending	Jan	--	0.30%	0.50%
03/01/17 23:00	CA	!!	Bank of Canada Rate Decision	Mar	--	0.50%	0.50%
03/01/17 23:00	US	!!	ISM Manufacturing	Feb	--	55.6	56
<b>Thursday</b>							
03/02/17 08:30	AU	!!	Trade Balance	Jan	--	--	A\$3511m
03/02/17 21:30	CA	!!	GDP YoY	Dec	--	--	1.60%
03/02/17 21:30	US	!!	Initial Jobless Claims	Feb	--	--	--
<b>Friday</b>							
03/03/17 07:30	JN	!!	Natl CPI Ex Fresh Food YoY	Jan	--	-0.10%	-0.20%
03/03/17 23:00	US	!!	ISM Non-Manf. Composite	Feb	--	56.5	56.5

# 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.

**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.