17 96

LOMBARD ODIER
LOMBARD ODIER DARIER HENTSCH

FX Monthly
Rotating into select EM FX

12/12

December 2020

Key highlights

- Improved risk appetite is weighing on the dollar, and will likely continue to do so in the months ahead
- EURUSD should appreciate towards 1.25 in 2021
- EURCHF should also gradually gain, as Swiss outflows pick up
- Under a deal Brexit, GBPUSD has some further upside but gains will moderate
- USDJPY remains in a slow decline towards 100
- We stay bearish on USDCNY, forecasting 6.40 at the end of 2021. However, a future reduction in tariffs under a Biden Presidency presents downside risk to these forecasts
- Upgrades to H1 emerging market GDP consensus estimates, upside risks to energy prices and the emergence of a vaccine could see some modest GBI EMFX gains in Q1, but after that we are cautious, and prefer to remain selective
- We stay constructive on CNY, TWD, KRW, ILS, and CZK, but cautious on ZAR and BRL

FX forecasts		Q221	Q421
G10	EURUSD	1.23	1.25
	USDJPY	100	100
	EURCHF	1.12	1.12
	GBPUSD	1.37	1.38
	EURGBP	0.90	0.91
EM	USDCNY	6.48	6.40
	USDINR	73.0	72.0
	USDIDR	13 950	14 184
	USDMXN	20.1	20.2
	USDBRL	5.35	5.68
	USDRUB	76	78
	USDZAR	15.6	16.60

Monthly publication of Lombard Odier Investment Solutions – Investment Strategy department

Contributors:

Vasileios Gkionakis, Head of FX Strategy

Kiran Kowshik, Global EM FX Strategist

Homin Lee, Macro Strategist Asia

Sophie Chardon, Senior Cross-Asset Strategist

Contact: is-fxstrategy@lombardodier.com

Important information: Please read important information at the end of the document.

Data as of 14 December 2020

At a glance

Introduction

In December, the trade-weighted (TW) USD index has fallen a further 1.4%, bringing its cumulative drop since late March to 13%.

In December, the trade-weighted (TW) USD index has fallen a further 1.4%, bringing its cumulative drop since late March to 13%. This sizeable decline together with the accumulation of extended speculative USD shorts suggest that some consolidation is due. However, the greenback remains overvalued; the Fed will maintain its supper accommodative monetary policy while global trade and growth are in the midst of a strong recovery. All this implies that further dollar weakness is likely for the next year, albeit at an appreciably slower pace.

We believe that most G10 currencies are approaching "maximum gains" while a select group of emerging market currencies have only recently started to gather upside momentum. In our view, while G10 FX will remain well supported against the USD, 2021 is likely to see a rotation towards certain EM FX with attractive valuations, robust external balances and significant exposure to China's economic activity (see below).

For end-2021 we have pencilled-in EURUSD at 1.25, a very strong resistance level, unless the global trade recovery is stronger than we expect. EURCHF should also move higher, supported by improved risk appetite and Swiss residents' outflows.

Under our central assumption of a "deal Brexit", we see GBPUSD approaching fair value (around 1.37). Although the weaker USD may lift sterling higher, we think that Brexit headwinds will make it hard for the currency to climb sustainably beyond this level. However, the risk of a no-deal has certainly increased recently; if it happens, we would expect GBPUSD to drop rather swiftly to the 1.20-1.25 area, and EURGBP to rise towards parity. USDJPY remains in a slow downward trend, aided by substantial JPY undervaluation and an appreciable slowdown of equity outflows from Japan.

We expect the NOK to outperform the SEK in 2021, while most of the gains for the core commodity FX bloc are already behind us.

We stay bearish on USDCNY, forecasting 6.51, and 6.40 on three- and twelve-month horizons. Beyond superior macro fundamentals and much-improved balance of payments flows, the increasing tolerance of authorities for a stronger CNY is a key reason. With Mr Biden winning, we assume some reduction in trade uncertainty, but not an automatic or rapid reduction in Section 301 tariffs on Chinese goods. Still, a reduction is plausible, and would introduce further downside risks to our current forecasts.

Using our energy price assumptions (around USD 50 per barrel) and applying consensus EM vs US growth forecasts for H1 2021, our GBI EMFX model suggests that the index may see gains over H1. We are always guarded when making an index call given the 18-19 countries' wide heterogeneity. However, upside risks to energy prices and the potential for improving sentiment on a vaccine all point to possible gains in Q1 2021. That said, still-high debt loads will constrain further gains in H2 2021. We are also not seeing the same breadth in EMFX currency gains as during the 2016-17 GBIEMFX rally (see key EM charts). This supports our "rotate to select EMFX" view. We maintain our preference for CNY, TWD, KRW, ILS, CZK, and PLN.

Main risks to our views:

The main upside risk to our forecasts comes from a stronger recovery in global trade, which will send the USD into a steeper decline and support bigger and broader rallies in the G10 and emerging markets. On the downside, we see the following risks: **First**, the Fed turning less dovish and so triggering a market reaction like 2013's "taper tantrum". **Second**, a delay in the development/distribution of COVID-19 vaccines would increase the risk of new restrictions and economic disruption. **Third**, a premature withdrawal of fiscal support.

FX forecasts – G10 and gold

	Current spot	Q1 21	Q2 21	Q3 21	Q4 21	Estimates of long-term fair value[2]
EURUSD	1.21	1.22	1.23	1.23	1.25	1.18
GBPUSD	1.34	1.35	1.37	1.38	1.38	1.37
EURGBP	0.91	0.90	0.90	0.89	0.91	0.86
EURCHF	1.08	1.12	1.12	1.12	1.12	1.03
USDCHF	0.89	0.92	0.91	0.91	0.90	0.88
USDJPY	104	100	100	100	100	91
EURJPY	126	122	123	123	125	106
EURSEK	10.24	10.25	10.25	10.25	10.20	9.95
USDSEK	8.43	8.40	8.33	8.33	8.16	8.51
EURNOK	10.59	10.35	10.30	10.25	10.20	9.49
USDNOK	8.72	8.48	8.37	8.33	8.16	8.11
AUDUSD	0.76	0.74	0.74	0.74	0.74	0.74
NZDUSD	0.71	0.71	0.71	0.70	0.70	0.65
USDCAD	1.28	1.28	1.27	1.27	1.26	1.28
Gold	1 829	1 850	1 750	1 600	1 600	
Oil (Brent)	50	50	55	55	50	

2 The estimates of long-term (LT) fair values are calculated as the average value estimated using FEER and BEER models. The FEER (fundamental equilibrium exchange rate) model calculates the exchange rate required to bring macroeconomic balance, i.e. full-employment, low inflation and a sustainable current account balance. The BEER (behavioral equilibrium exchange rate) model uses econometric methods to estimate equilibrium FX rates based on a set of macroeconomic variables (our model uses terms of trade, investment as a share of GDP, and real rates within a panel data set across G10 FX).
Please refer to page 25 for a more detailed explanation.

Note: Past performance and forecasts are not a reliable indicator of future performance.

FX forecasts – EM

Asia

	Current spot	Q1 21	Q2 21	Q3 21	Q4 21
USDCNY	6.52	6.51	6.48	6.44	6.40
USDHKD	7.75	7.75	7.75	7.75	7.75
USDIDR	14 095	13 950	13 950	14 106	14 184
USDINR	73.56	73.27	73.00	72.42	72.00
USDKRW	1 092	1 097	1 089	1 081	1 078
USDMYR	4.06	4.07	4.06	4.04	4.03
USDPHP	48.05	48.71	48.95	49.19	49.43
USDSGD	1.33	1.30	1.29	1.30	1.30
USDTWD	28.3	28.09	27.88	27.66	27.60
USDTHB	30.1	30.13	30.04	29.95	29.86

LatAm

	Current spot	Q1 21	Q2 21	Q3 21	Q4 21
USDMXN	20.04	20.0	20.1	20.2	20.2
USDBRL	5.06	5.30	5.35	5.52	5.68
USDCOP	3 435	3 645	3 719	3 794	3 868
USDCLP	733	749	744	740	735
USDPEN	3.59	3.68	3.65	3.62	3.56

CEEMEA

	Current spot	Q1 21	Q2 21	Q3 21	Q4 21
USDRUB	73.04	76.0	76.0	77.5	78.0
USDTRY	7.92	7.81	8.18	8.54	8.90
USDZAR	15.0	15.3	15.6	16.3	16.6
USDILS	3.25	3.29	3.26	3.23	3.20
EURPLN	4.44	4.53	4.53	4.50	4.46
EURCZK	26.3	26.6	26.6	26.3	26.1
EURHUF	353	371	375	375	376

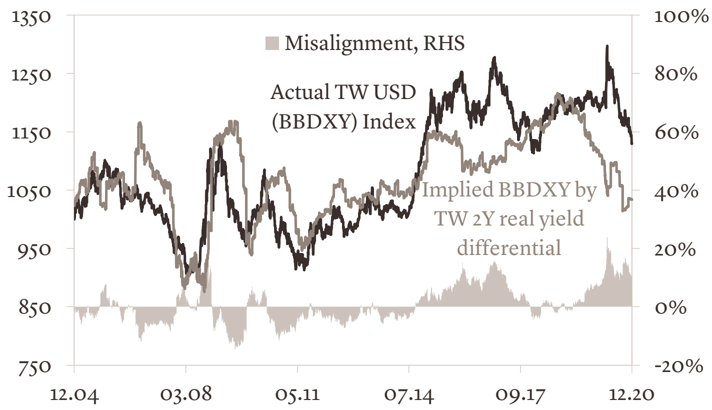
Note: Past performance and forecasts are not a reliable indicator of future performance.

Back to cover page

G10FX: Three key charts

Despite the 13% drop in trade-weighted (TW) USD, the dollar remains overvalued…

1. Dollar still overvalued…



Sources: Bloomberg, Lombard Odier.

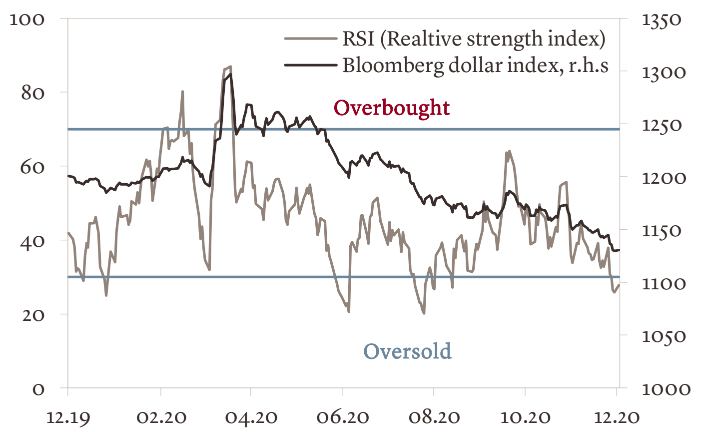
…amidst a strong rebound in global trade that is typically associated with further USD weakness

2. …and recovery in global trade will remain USD negative

*r.h.s: right hand scale
Sources: Bloomberg, Lombard Odier.

However, speculative positioning is very short dollars and the TW USD is now significantly oversold. This implies consolidation near term and more moderate depreciation in 2021.

3. However, the move has been abrupt and USD is now significantly oversold



Sources: Bloomberg, Lombard Odier.

Note: Past performance and forecasts are not a reliable indicator of future performance.

FX majors and gold

EUR (euro): Currency to remain underpinned in 2021

- EURUSD will remain underpinned in 2021…
- …although upside may be limited as valuation is less favourable
- Stronger appreciation could manifest if global trade growth surprises on the upside.

EURUSD has further strengthened this month, breaching the 1.20 level and currently trading close to 1.22. We expect the currency to remain supported as we head into 2021. However, we believe that it is likely to run into strong resistance in the area of 1.23-1.25. A break above this level would require global trade growth to surprise on the upside, surpassing consensus expectations, and our own.

Sources of support include first, the Fed remaining accommodative throughout 2021; second, easing in trade frictions and a recovery in global trade, especially in trade flows to China (see chart 4); and third, a COVID-19 vaccine distribution which allows euro area activity to rebound.

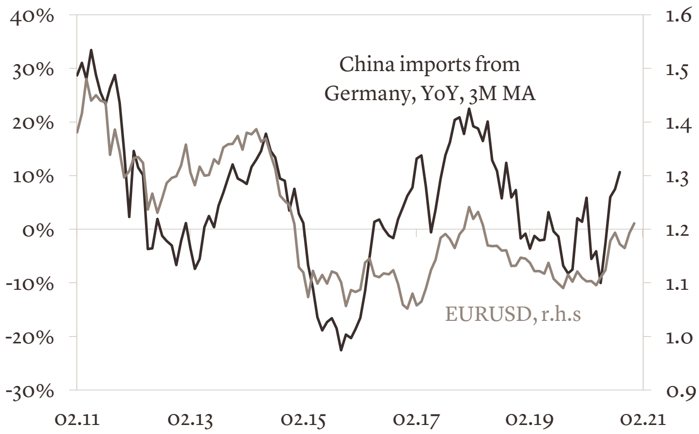
At the same time, speculative positioning in EUR longs is quite extended which represents a near-term risk. Moreover, EURUSD is now overvalued again, by +3% in our estimates. This is not a big misalignment but it does suggest that valuation will no longer be favourable.

On balance, we think EURUSD will remain underpinned but valuations imply that upside may be limited.

Main risks to our view:

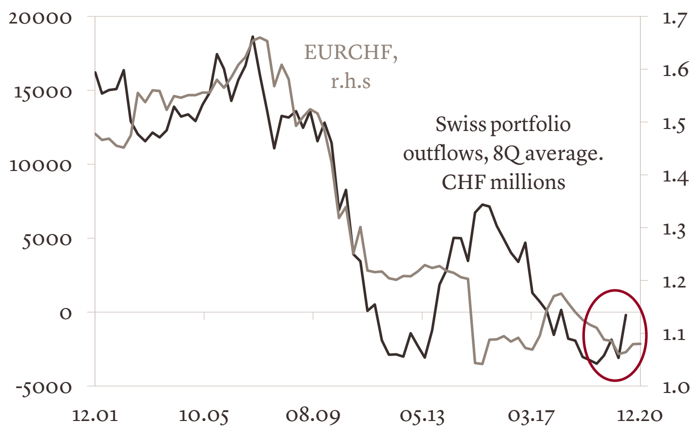
The main upside risk to our view is a stronger recovery in global trade which would lend more support to trade-sensitive currencies. Downside risk to our forecasts include: 1. the ECB cutting rates into further negative territory (unlikely, we think); 2. delays in vaccine distribution (or other bottlenecks) accompanied by renewed economic disruption; 3. the Fed turning less dovish in 2021.

4. China imports from Germany a source of EURUSD support



Sources: Bloomberg, Lombard Odier.

5. Swiss portfolio outflows picking up



Sources: Bloomberg, Lombard Odier.

CHF (Swiss franc): Risk appetite and Swiss portfolio outflows will be key

- **EURCHF is still lagging EURUSD significantly**
- **The improvement in risk appetite, however, is important**
- **Assuming this does not change, Swiss residents' portfolio outflows should pick up, weakening the franc.**

EURCHF managed to break above the 1.08 level, although upside momentum remains tepid. For 2021, we forecast some CHF weakness, with EURCHF rising towards 1.12.

Note: Past performance and forecasts are not a reliable indicator of future performance.

FX majors and gold

The main reason for our bearish Swiss franc view is related to risk appetite and Swiss portfolio outflows. As long as risk sentiment remains supported on the back of a global economic recovery, we expect that Swiss residents will be tempted to direct portfolio flows abroad. This process appears to have started in Q2 20 (see chart 5) and is a strong prerequisite for CHF weakness. Additionally, EURCHF trading at 1.08 appears too low when compared with EURUSD above 1.20 (see chart 6).

Main risks to our view:

Delays to vaccine progress and/or distribution could drive the CHF higher, threatening renewed restrictions and a halting the global economic recovery currently underway.

6. EURCHF lagging EURUSD quite notably

Sources: Bloomberg, Lombard Odier.

GBP (pound sterling): Brexit negotiations to go the "extra mile"

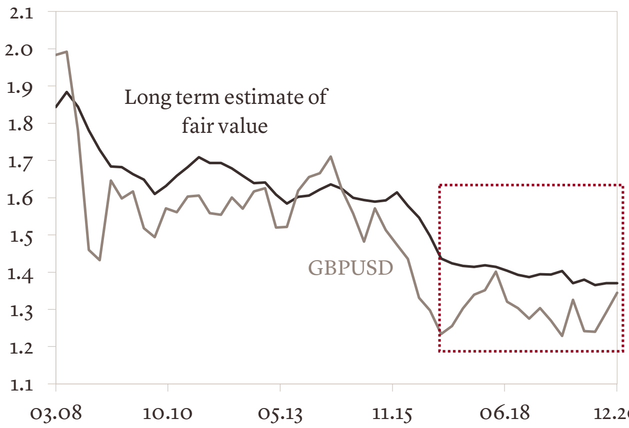
- **Under our central scenario of a Brexit deal, GBPUSD gains should start fading above 1.35**
- **In the event of a no-deal, GBPUSD could fall towards 1.20, and EURGBP rise to parity**

In early December, we locked in profits in our 2.5% overweight position in GBPUSD when the currency hit the 1.35 level. We believed that a Brexit deal was highly likely, but equally, that GBPUSD was pricing in plenty of optimism at that level. As it turns out, we were correct to book in profits, although the odds of a deal have recently receded.

To be clear, we still expect a basic deal to be struck between the two sides; however, the UK's insistence that various aspects of the "level playing field" would constitute a loss of sovereignty has been stronger than we had expected. As events unfolded, the UK and EU have agreed to carry on with the negotiations, making a final attempt at a compromise. We still think they will be able to design a mechanism that will allow them to manage future regulatory divergences in a satisfactory way. If we are right, then GBPUSD will rise towards 1.35 and likely higher, reflecting also the broad dollar weakness.

That said, at 1.35 the risk-reward of staying long sterling is less attractive. Looking at price developments since the Brexit referendum shows that 1.35 represents a strong resistance level. At the same time, at 1.35 GBPUSD would be trading around 5% higher than its post-Brexit referendum average, while our estimate of fair value stands at 1.37 (see chart 7). Moreover, even though a Brexit deal will boost household and business confidence, the UK will still have to struggle with the structural headwinds of its departure from the single market. Challenges include a slowdown in immigration, and slower foreign direct investment and portfolio flows. The latter is

7. GBPUSD approaching fair value again



Sources: Bloomberg, Lombard Odier.

Note: Past performance and forecasts are not a reliable indicator of future performance.

FX majors and gold

especially important since it will undermine the UK's ability to finance its current account deficit.

In the event of a no-deal, the UK would default on World Trade Organization (WTO) rules, face tariffs and a severe disruption to the flow of goods. We would expect GBPUSD to respond quite quickly, falling to the 1.20-1.25 area, with EURGBP rising to parity. Thereafter, the path would be very difficult to forecast, as it would depend on three factors: 1. the pace and breadth of any potential new negotiations between the two sides (very uncertain); 2. the magnitude of the impact on the UK economy (difficult to estimate); and 3. developments in global trade that would determine the trajectory of the USD. Our working assumption is that following the initial sharp depreciation, the recovery in global trade and the USD weakness would manage to lift sterling gradually closer to 1.30 – but the process would likely extend over several quarters. This would imply that following the initial appreciation to parity, EURGBP would gradually converge towards the 0.90-0.95 range.

Main risks to our view:

Clearly, the main risk to our central scenario is a breakdown of negotiations and a no-deal Brexit

Japanese Yen: Remain constructive

- **JPY has lagged in the rally against the USD this quarter**
- **However, fundamentals and equity portfolio flows suggest that USDJPY is still poised for depreciation.**

This quarter, JPY has lagged other G10 currencies in the rally against the USD. To a certain extent, this underperformance has been due to a significantly improved risk appetite which somewhat offset the impact from a weakening dollar. Though this is likely to remain in place as global equities continue to register new highs, we still expect USDJPY to drift lower over the next few months.

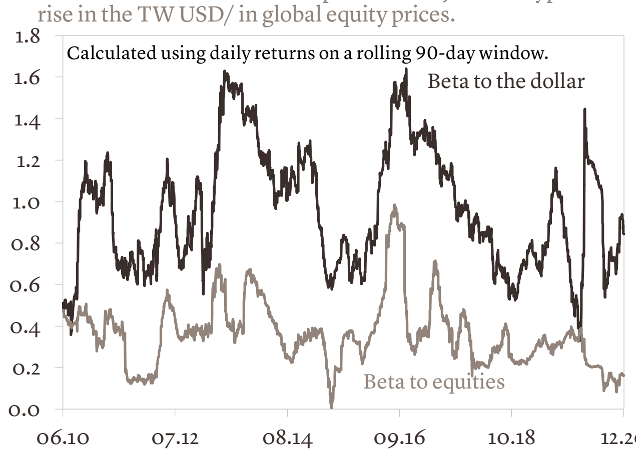
First, historically, USDJPY is much more sensitive to dollar movements than equities' fluctuations. This means that the broad dollar trend is more important for USDJPY medium-term fluctuations than the trend in risk assets (see chart 8). In that respect, a weaker dollar should eventually lead to a lower USDJPY. **Second**, our long-term fair valuation framework still flags substantial JPY undervaluation as we estimate USDJPY fair value to be around 91. **Third**, Japanese investors' foreign-stock buying has declined notably in recent weeks (see chart 9).

Main risks to our views:

1. A stronger global economic recovery could slow JPY appreciation;
2. verbal intervention by Japanese officials to stem JPY strength;
3. large fiscal stimulus in the US could raise US yields and pressure the yen for some time.

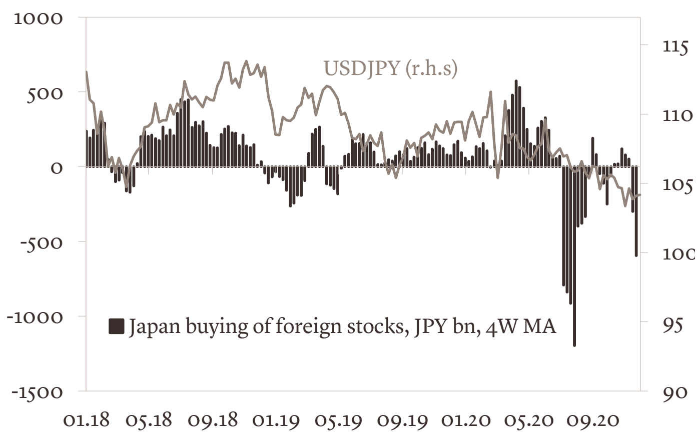
8. Dollar more important for USDJPY than equities

The 'beta' is the estimated impact on USDJPY of a hypothetical 5% rise in the TW USD/ in global equity prices.



Sources: Bloomberg, Lombard Odier.

9. Japan equity outflows have slowed appreciably



Sources: Bloomberg, Lombard Odier.

Note: Past performance and forecasts are not a reliable indicator of future performance.

FX majors and gold

Nordic currencies: Risk appetite remains the main driver

- **Both NOK and SEK have consolidated in December**
- **Still, the bias remains for more upside...**
- **... especially for NOK.**

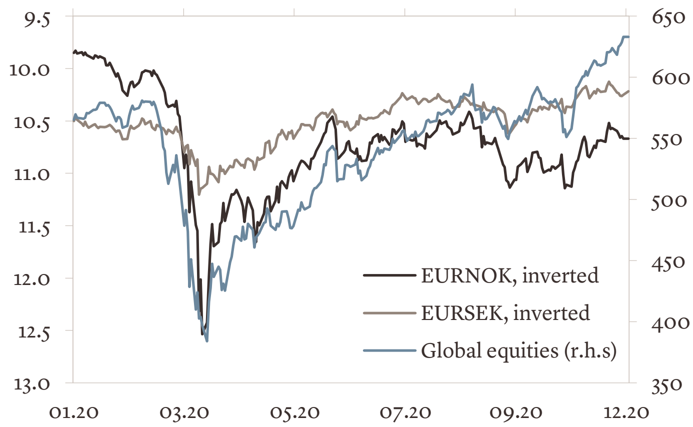
NOK (Norwegian krone): In December, EURNOK paused from its depreciating trend, while USDNOK kept declining mostly due to the weaker dollar. We consider this a near-term consolidation owning to crowded positions rather than a change in trend. We maintain the view of further NOK strength, against both the EUR and USD. **First**, in a period of normalising global growth where risk premia are being priced out, cyclically sensitive currencies like the NOK should trend higher. **Second**, with inflation running above the central bank's target zone, Norwegian yields should remain supported. This should lend additional support to the currency.

SEK (Swedish krona): The Swedish krona continues to trade close to its lowest level for the year. Similar to the Norwegian krone, risk appetite will dictate moves for the near future (chart 10). In that sense, pressure will remain for the SEK to appreciate, however with the Riksbank not expected to tighten policy for a very long time, we think gains are likely to be capped. We reiterate our expectation for the SEK to underperform the NOK and anticipate that NOKSEK will rise above 1.00 in 2021.

Main risks to our view:

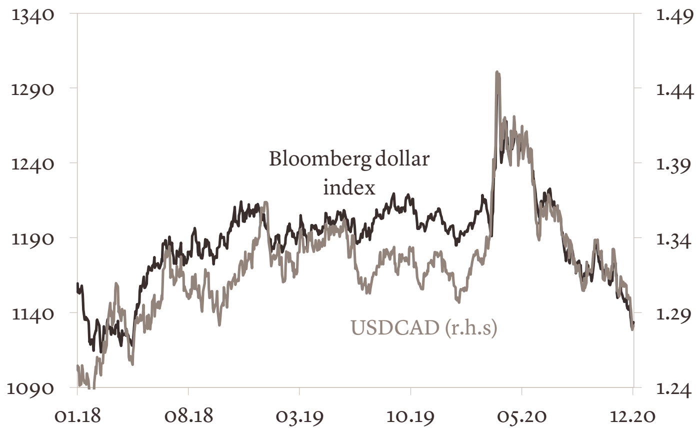
In the case of NOK, there are two main risks: euro-area recovery faltering, and/or renewed oil price declines. In the case of the SEK, the main risk relates to external factors that could disrupt the global recovery and weigh on pro-growth currencies.

10. Risk appetite remains the main driver for the Nordics



Sources: Bloomberg, Lombard Odier.

11. USDCAD at its lowest since early 2018



Sources: Bloomberg, Lombard Odier.

Commodity currencies: Is most of the appreciation behind us?

- **Core commodity FX currencies have appreciated substantially since March of this year**
- **While the USD downside bias will continue to offer support....**
- **...valuations are less compelling now so gains likely to moderate**

AUD (Australian dollar): We continue to believe that the AUD needs tactical management, buying the dip at around 0.72 and selling above 0.74. On one hand, the AUD will continue to receive support from better risk appetite, robust

Note: Past performance and forecasts are not a reliable indicator of future performance.

FX majors and gold

recovery in Chinese growth, and buoyant iron ore prices. On the other hand, valuation is no longer compelling and the Reserve Bank of Australia remains extremely dovish while frictions with China will remain a headwind. That said, the weaker USD suggests that risks are to the upside.

CAD (Canadian dollar): In line with our view that CAD should outperform the core commodity FX bloc, USDCAD is now trading at 1.27, its lowest since early 2018 (see chart 11). We continue to anticipate further gains on account of strong risk appetite, a pickup in global trade and some renewed, though marginal, support from oil prices. However, at these levels, valuation is no longer attractive and we believe that the pace of CAD appreciation will moderate.

NZD (New Zealand dollar): The NZD seems to have found strong resistance at 0.70-0.71. We expect this will remain the case for the time being. On one hand, NZ rates have repriced higher recently as the central bank needs to re-evaluate its very dovish approach. On the other hand, NZDUSD is now about 8% overvalued by our estimates. On balance, we expect these opposing forces to offset each other roughly, leaving NZDUSD trading close to the 0.70 mark.

Main risks to our view:

1. Delays or other bottlenecks in the creation/distribution of the COVID-19 vaccine could dampen growth expectations and weigh on commodity currencies.
2. If US President-elect Joe Biden moves forward with his promise to scrap permits for the Keystone XL pipeline, a project that would facilitate the flow of oil barrels from Canada to the US Midwest, then we would expect upside pressure on USDCAD.

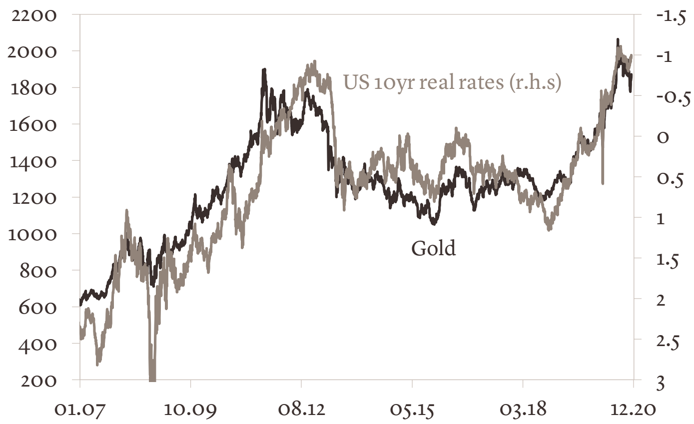
Gold looks vulnerable in our main scenario but remains a hedge against tail-risks

- **Gold has passed its cyclical peak**
- **A combination of bear factors will weigh on prices over the year.**

Gold benefitted from strong positive momentum last summer, reaching an all-time high above USD 2,050/oz in early August. The combination of recovering inflation expectations, real rate compression, TINA (There Is No Alternative for investors), and expansionary fiscal and monetary policies have lifted both equity markets and gold.

But after trading in a close range of USD 1,850-2,000/oz for three months, the yellow metal dropped more than 5% in November, the biggest monthly decline in four years, as uncertainty receded. Over the same period, financial markets switched to a risk-on mode, leading to a sharp rotation from defensive to cyclical assets.

12. Gold trend lower later in 2021 as real rates normalise



Sources: Bloomberg, Lombard Odier.

Note: Past performance and forecasts are not a reliable indicator of future performance.

FX majors and gold

We believe that gold is likely to continue to trade close to USD 1,850/oz in the short run, as the outbreak worsens and macroeconomic momentum slows.

Medium term, once the recovery is well established, investors will favour risk assets and real rates will normalise from their historically depressed levels (see chart 12). This environment will clearly be less supportive for gold. With the encouraging news on vaccine deployment capacity, **we now expect gold to reach our USD 1,600/oz target by mid-year.**

Strategically, gold should remain in investors' portfolio allocations as one of the best alternatives to government bonds in periods of zero rates. However, its inherent volatility (which is close to equity volatility), demands tactical management and discipline, especially in a period of recovery.

Main risks to our view: inflation expectations running out of control while the Fed caps nominal rates.

Oil prices will remain anchored around USD 50/bbl with some overshooting by mid-year.

- **OPEC+ is back in the driver's seat**
- **Prices will remain anchored around USD 50/bbl**
- **Demand for oil will be boosted in Q2/Q3 thanks to a gradual removal of travel bans earlier than initially thought and lower inventories**

OPEC+ members reached a deal on 3 December 2020 to raise production, with a first increase of 0.5 mb/d in January followed by monthly meetings to decide on the pace of future hikes. In our view, this shift attempts to accommodate the relapse in US and European transportation fuel demand created by the second COVID-19 wave and will bring some needed visibility to market participants.

Oil market rebalancing is in progress. The monthly nature of this taper points to OPEC+ targeting higher production without derailing the ongoing market rebalancing (see chart 13). OPEC's production cuts are efficient in the sense that global demand outpaced supply in H2-2020. The back-in-deficit market allows a decline in inventories from the historic levels seen in May/June. Nonetheless, it will take several months to clear inventories so that **price potential is likely to be capped in the short-term.**

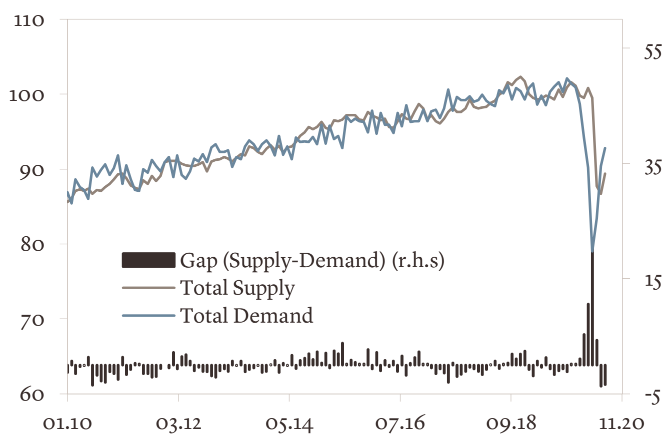
Vaccine deployment will accelerate demand recovery in Q2 and Q3 with a progressive removal of travel bans earlier than initially thought. **Combined with lower inventories, this will create a supportive environment for oil prices by mid-year.**

Medium-term, the low oil price environment is here to stay. Looking beyond this short-term catch-up dynamics in demand trends, we believe the picture is broadly unchanged. **With demand peak becoming a reality, OPEC and its allies cannot afford permanent market share losses**. This means that they have to maintain future prices at levels that discourage US shale producers to increase production capacity.

Main risk to our view: diverging interests leading to dysfunctional OPEC+ and another supply glut.

.

13. In 2020, the oil market experienced the biggest annual imbalance ever recorded



Sources: Bloomberg, Lombard Odier.

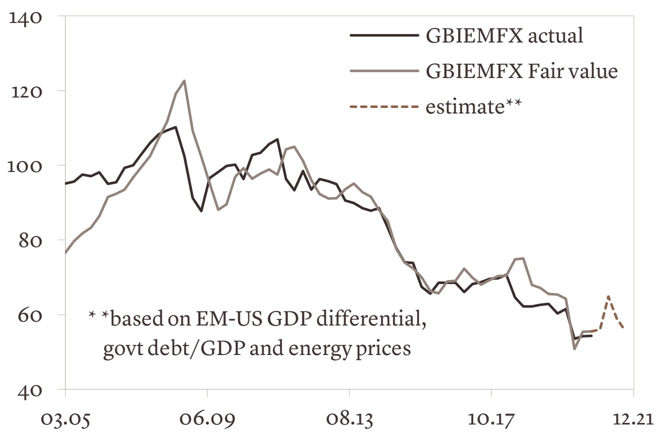
Note: Past performance and forecasts are not a reliable indicator of future performance.

EMFX: Three key charts

GBI EMFX – what the model suggests:

Using our energy price assumptions (around USD 50 per barrel 12M out) and inputting consensus EM vs US growth forecasts, our GBI EMFX model suggests that the index could see decent gains over H1 (chart14). The gains, in particular, are driven by the consensus forecast for a sharp recovery in EM growth over Q1 and Q2. Better news on the vaccine side will certainly frontload EMFX gains. Upside risks to energy prices will result in more EM FX upside. However, further out, high debt loads and still lower-than-average energy prices suggest gains may not be sustained in H2

14. GBI EMFX: Case for some gains on a 1-3M view, but cautious further out

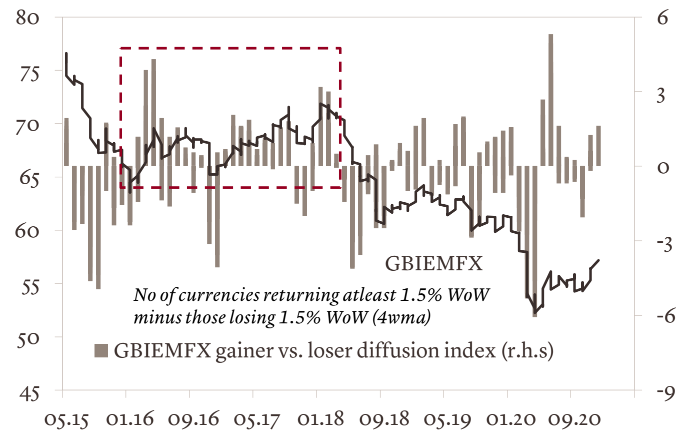


Sources: Bloomberg, Lombard Odier

Rotation towards select EMFX still makes sense:

The last time we had a sustained period of the GBI EMFX rallying (2016-17), the breadth of the rally of the currencies in the 18 countries that comprise the GBI EM index was 2-3x (chart 15). At the time, there were at least twice as many EM currencies gaining at least 1.5% on a weekly basis than those losing 1.5% every week. At present, breadth stands at just over 1x. This suggests that only a subset of currencies are gaining consistently, while many other currencies are roughly unchanged. We will be monitoring to see if the rally broadens out. However, for now, the signals suggest that country selection remains key. This supports our view of "rotation to select EMFX".

15. GBI EMFX breadth indicator still does not indicate a strong rally like in 2016-17



Sources: Bloomberg, Lombard Odier

EMFX buckets: from best to worst:

Chart 16 shows our division of the liquid EMFX universe into four buckets – from our top favourites to our least liked currency picks. We continue to prefer currencies with low debt, exposure to Chinese infrastructure spending (KRW and CLP), EURUSD upside (PLN and CZK), and tech sector exposure (TWD and ILS). PLN and CZK are still 5-7% weaker compared to their pre-COVID levels, and offer compelling opportunities.

16. EMFX – four buckets of EM currencies

The outperformers	• Asia (TWD, KRW and CNY) • LATAM (N/A) • CEEMEA (CZK)
Modest performers	• Asia (SGD, INR and THB) • LATAM (CLP,MXN) • CEEMEA (ILS and PLN) • GBIEMFX index
Cautious	• Asia (PHP, MYR and IDR) • LATAM (BRL and PEN) • CEEMEA (HUF and RUB)
Underperformers	• LATAM (COP) • CEEMEA (TRY and ZAR)

Sources: Bloomberg, Lombard Odier

Note: Past performance and forecasts are not a reliable indicator of future performance.

Asia FX
A hopeful end to 2020

- Global macro context still favours the relative strength of key Asian currencies vs the US dollar in 2021
- We maintain our positive forecast for the renminbi
- Upside potential for THB, IDR, SGD, and KRW could increase if an effective vaccine arrives. The Biden administration's stance on currency manipulation could push KRW, TWD, and THB higher.

CNY (Chinese renminbi): Our positive outlook maintained

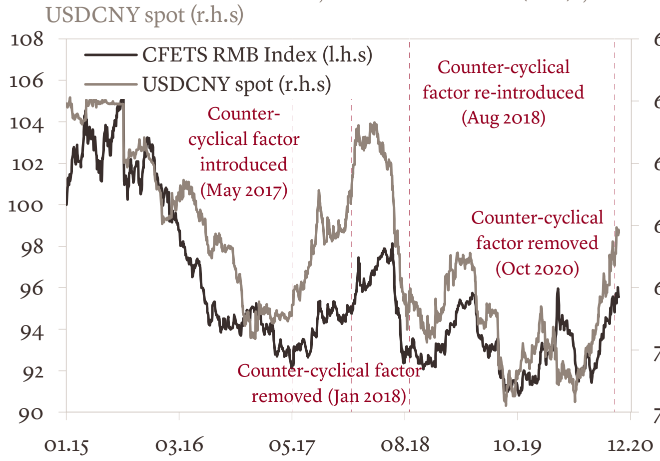
We maintain our positive forecasts for the yuan in light of Mr Biden's victory in the US presidential election and the latest COVID-19 vaccine developments. **First**, the new regime in Washington D.C. will likely reduce the risk of unexpected trade-related shocks. In fact, a weaker US dollar could offer the easiest path to a tacit compromise between the US and China under the Biden presidency. China will probably accept the yuan's appreciation as it helps the leadership's plan to boost domestic consumption. Markets may also have to price in the outside chance of a reduction in tariffs between the two countries. **Second**, the People's Bank of China's recent tweaks in its currency management demonstrate that Beijing is willing to let markets drive the value of the yuan. In October, the PBOC removed the reserve requirement ratio for FX forward transactions, and did the same with counter-cyclical factors in the fixing of the yuan (see chart17). We disagree with the speculation that these measures signal that the PBOC is beginning to lean against the market strength. Rather, they create the risk that the PBOC may let the yuan rise past the range that the bank has been maintaining since 2016, as that would also be a market-driven event.

Third, China offers one of the strongest combinations of macroeconomic fundamentals in the world, and will attract more inflows in the coming months. The country has established firm control of the COVID-19 virus even without vaccines (see chart18), thus allowing the service sector to recover significantly. China has its own indigenous COVID-19 vaccines that are close to broad deployment. For foreign investors, the country has an outperforming stock market and a higher-yield bond market. These factors will continue to drive inflows and support the currency's upward trajectory.

Main risks to our view: Unexpected serious geopolitical flare-ups vs the US in the neighbouring areas (e.g. Taiwan, South China Sea, other maritime borders) could fuel the expectations of the Biden team's aggressive hawkish turn and create risks for our scenario. There is also an upside risk for the currency that could arise from Beijing's policy tightening in 2021

17. China is letting markets drive the renminbi's value again

CFETS RMB index estimate, 31 Dec. 2014 =100 (l.h.s)*, USDCNY spot (r.h.s)

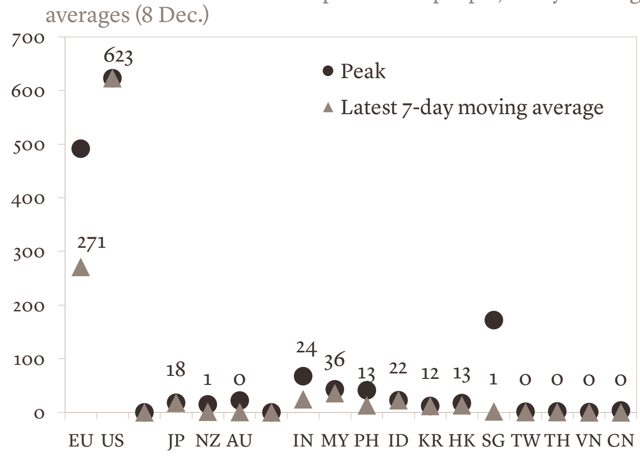


*left hand scale

Sources: CEIC, Bloomberg, Lombard Odier

18. Asia-Pacific region still ahead in the Covid-19 fight

Number of COVID-19 cases per million people, 7-day moving averages (8 Dec.)



Sources: CEIC, Bloomberg, Lombard Odier

Note: Past performance and forecasts are not a reliable indicator of future performance.

Asia FX
A hopeful end to 2020

KRW (Korean won): Best Asian currency for global trade recovery in 2021

We still expect the Korean won to strengthen further in the next 12 months. **First**, the country will benefit strongly from a synchronised global recovery in 2021 due to its relatively diversified export sector, and its currency does show the highest positive correlation among its Asian peers to global trade volume growth (see chart 19). We note that South Korea's merchandise export basket is rather unique in the region due to its competitive positions in both the technology and the industrial sectors.

Second, the Moon administration enjoys a high degree of flexibility in fiscal policy thanks to the ruling party's sizable majority in the National Assembly (176 seats out of 300 after a blowout victory in April) and the country's sufficient fiscal space. This adds to the government's ability to contain the virus in the pre-vaccine period, since targeted fiscal support can enhance the efficacy of calibrated public health measures.

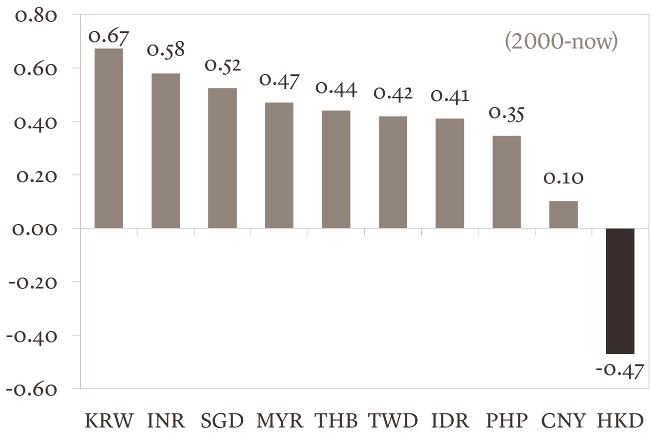
Third, the Bank of Korea faces political pressure not to ease its policy further due to the widespread public discontent with rapidly appreciating urban home prices. We believe the central bank has entered a period of extensive policy pause for this reason.

Main risks to our view: Geopolitical risks surrounding China and North Korea will remain a key risk for the Korean won. The Biden administration's stance towards Asian currencies will be another risk to watch as the country has been closely monitored by the US treasury for its semi-annual reports on FX manipulation.

TWD (New Taiwan dollar): Our favourite pick

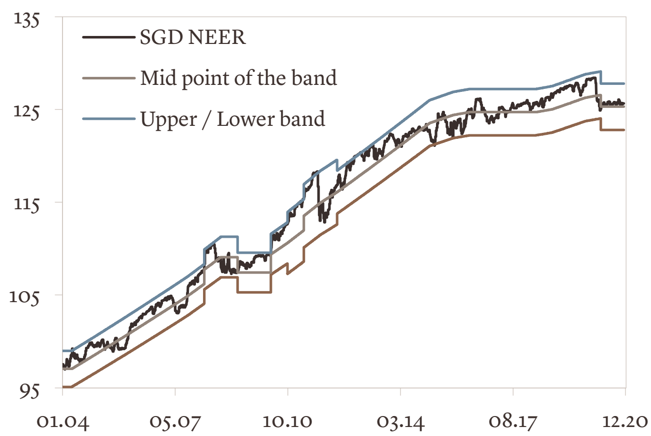
The New Taiwan dollar remains our favourite pick in Asia due to its well-known sources of strength. **First**, the currency is underpinned by one of the most solvent systems in the world, with large net claims on foreign assets and perennial external surpluses. **Second**, Taiwan's policymakers have been signalling their comfort with the market-driven strength of the TWD: CBC Governor Yang recently described the trade-weighted value of the currency as "not expensive" on a trade-weighted basis. Mr Yang also hinted at the CBC's shift in focus to financial stability issues in the medium term. **Third**, Taiwan's economy will likely avoid outright contraction in 2020 due to its world-leading virus containment efforts, and will see its exports boosted by the cyclical upturn outside the country and new smartphone product cycle. Life insurance companies that have been very aggressive with unhedged investments outside Taiwan could be more cautious on FX exposures, although they have sufficient capital to withstand further TWD strength.

19. KRW has the highest correlation with global trade growth
Correlation of currency appreciation (vs USD) to global trade growth



Sources: CEIC, Bloomberg, Lombard Odier

20. MAS will likely keep SGD NEER flat for another year
SGD NEER curve and estimated MAS policy bands



Sources: Bloomberg, Lombard Odier

Note: Past performance and forecasts are not a reliable indicator of future performance.

Asia FX
A hopeful end to 2020

Main risks to our view: Main risks are potential direct confrontation with China on President Tsai's hawkish stance on cross-strait relations; further escalation of tension between the US and China; and a shift in the US stance on Taiwan's currency policy

SGD (Singapore dollar): Flat SGD NEER curve points to further gains vs USD

We expect the SGD to appreciate modestly vs USD in the next 12 months. **First**, the Monetary Authority of Singapore (MAS) is unlikely to ease its policy again as the domestic public health condition has improved significantly. Growth is beginning to rebound strongly, as the 9% in Q3 indicates. The MAS confirmed this bias in its October policy decision by maintaining the current stance on SGD. The SGD nominal effective exchange rate (NEER) curve will likely move sideways in 12 months (see chart 20). This outlook is consistent with the appreciation of SGD vs USD, as we expect other Asian currencies in the basket to strengthen. **Second**, weaker USD trends create a modest upside risk for the currency as it is trading near the midpoint of the MAS band and could move to the upper end in a favourable market environment. **Third**, vaccine deployment would provide an outsized boost to the currency, as it would improve both local service sector activities and the external service balance.

Main risks to our view: Main risks are the impact of Q4 deceleration in the US and Europe, vaccine-related news flows, and public health and macroeconomic conditions in the surrounding South-Asian economies.

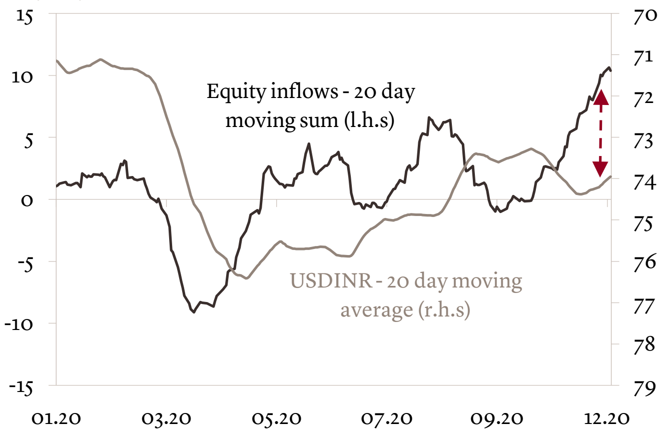
HKD (Hong Kong dollar): Gradual reversion to the linked rate after Ant Group IPO surprise

We expect the HKD peg to remain in place for the near future, but we believe that USDHKD will gradually move from the strong-side convertibility of 7.75 to the linked rate of 7.80. **First**, the temporary scarcity of liquidity related to Ant Group's mega-IPO is easing already due to the unexpected suspension of the listing. **Second**, the city's economic and political news flows remain uneven, and medium-term concerns could motivate steady shifts in the FX allocation of the city's residents, especially since the strong-side convertibility of 7.75 reduces the risk and reward of such adjustments. **Third**, a major change in the USD peg is still extremely unlikely, as HK does not have a logical alternative to the current system.

Main risks to our view: Main risks are the magnitude of the IPO boom including the new attempt to list Ant Group, and domestic political developments related to the Legislative Council elections.

21. RBI keeping the lid on INR despite strong equity inflows

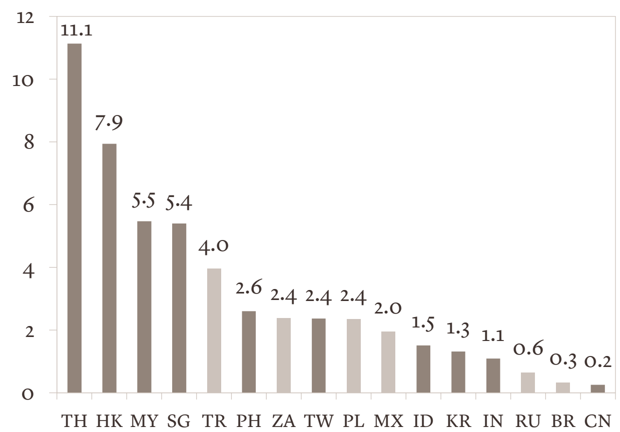
Foreign investments in equities, USD Bn (left), USDINR, inverted (r.h.s)



Sources:Bloomberg, Lombard Odier.

22. THB's sensitivity to vaccine development is not surprising

Trade-related service export as a % of GDP



Sources:Bloomberg, Lombard Odier.

Note: Past performance and forecasts are not a reliable indicator of future performance.

Asia FX
A hopeful end to 2020

INR (Indian rupee): Modest gains against economic recovery

The Indian rupee has experienced a modest setback in the past four weeks, but we see a somewhat better performance vs USD in the next few months. **First**, INR's recent gains have been rather limited despite the significant improvement in India's overall balance of payments and its strong foreign inflows (see chart 21). This is likely due to the Reserve Bank of India's continued buying of FX. We suspect that the RBI will be somewhat less aggressive in its FX market intervention as domestic growth and inflation stabilise. **Second**, the economy has been bouncing back finally from the extreme contraction in Q2 amidst nationwide re-opening. India's public health situation looks modestly better, with a steady flattening of the COVID-19 epidemic curve. These developments imply that any additional easing measures by the RBI will likely be seen as the last. **Third**, the ruling coalition's victory in the recent Bihar election – in spite of the painful economic downturn this year – hints at many more years of policy continuity. The Modi cabinet has been relatively cautious in its use of fiscal policy thus far, and this will likely help India maintain its investment-grade rating after Moody's downgrade (to Baa2 from Baa1) in January 2020.

Main risks to our view: Although we still expect the country's investment-grade rating to be maintained this year, it will be crucial to watch sovereign ratings as Moody's downgrade could continue or be echoed by other rating agencies. The country's slowly worsening COVID-19 epidemic will also be a key issue for the currency..

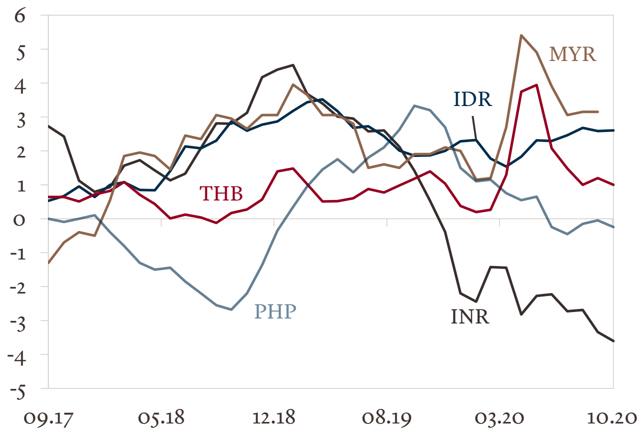
IDR: Omnibus bill anchoring the currency for now

Contrary to our earlier expectation, the rupiah performed rather solidly in November due to the market's positive response to the passage of the Omnibus bill, which eases various key investment and labour-related restrictions in the economy. The currency has also benefitted from the weaker USD and vaccine news. We believe that much of the boost from these catalysts has now dried up. **First**, the government will have to demonstrate to foreign investors that it can apply the new law effectively to the affected industries. The law may still be diluted upon implementation due to trade union opposition. We do not believe that this law, while modestly positive for the long-term growth, will be a game-changer for the country's direct investment inflows in the near term.

Second, excess domestic liquidity will cap the upside for the currency. Foreign investors' demand for local bonds remains fragile, leading Bank Indonesia to pick up the slack in a market that has been hit with increased supplies of deficit financing

23. Real rate still attractive in Malaysia

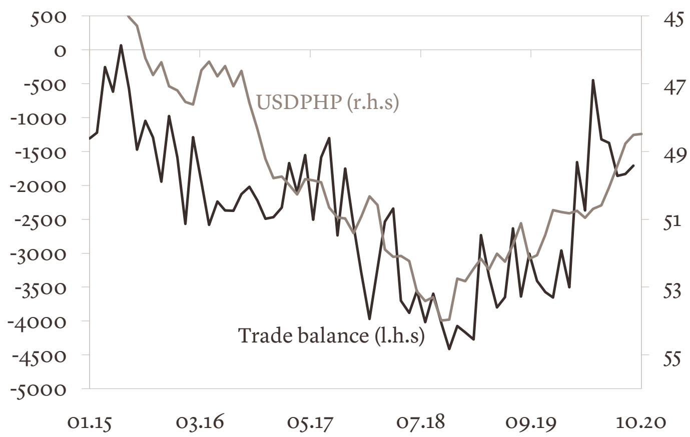
Benchmark policy rates minus CPI inflation, %



Sources: CEIC, Lombard Odier

24. Widening deficit would increase PHP depreciation pressure

Trade balance, USD mn (l.h.s)*, USDPHP, inverted (r.h.s)



Sources: Bloomberg, Lombard Odier

Note: Past performance and forecasts are not a reliable indicator of future performance.

Asia FX
A hopeful end to 2020

bonds. As we expected, Bank Indonesia cut its benchmark rate in November again to ensure sustained economic recovery. **Third**, the currency's downside is limited due to stable policy outlook (no election until 2024), better access to USD liquidity, and the post-US election boost to emerging markets.

Main risks to our view: The country's lax approach to COVID-19 containment will be a key risk given its fragile healthcare system. The results of clinical trials involving China's unique inactivated virus vaccines could be an interesting variable, as Indonesia's vaccine portfolio depends heavily on that prospect. The early data seems to indicate that the efficacy of these vaccines is quite high.

THB (Thai baht): Vaccine news more impactful than political uncertainties.

While the baht has staged an impressive rally in the past few weeks, the triggers for this rally entirely match our risk scenarios for the currency. **First**, Thailand's macro outlook is most sensitive to vaccine developments due to its tourism sector, and the announcement of a highly effective COVID-19 vaccine was bound to boost the THB substantially. No emerging market comes close to Thailand in terms of dependence on tourism for USD earnings (see chart 22). **Second**, Thailand's macro fundamentals remain resilient. The country will still post substantial current account surpluses for 2020 despite the collapse in tourism. This reflects the sustained rebound in Thailand's merchandise exports. The country has been able to keep a lid on COVID-19 cases with strong public health measures. Recent street protests are not expected to spiral out of control given the ruling party's structural advantages and scope for eventual compromise. **Third**, the Bank of Thailand is unlikely to cut its rates further, as policymakers have shown extreme aversion to a zero interest rate policy and unorthodox monetary programmes. That said, the BOT will prefer to intervene directly in the FX market to lean against the THB's excessive strength.

Main risks to our view: the evolution of the ongoing street protests and vaccine developments.

MYR (Malaysian ringgit): Caught between a snap election risk and recovering trade

The relative softness of the ringgit in the past few weeks complies with our modified outlook for the currency, and we expect it to appreciate only modestly vs the USD in the next 12 months. **First**, the fragility of the new governing coalition, clearly revealed by the recent confusion over the opposition party's no-confidence vote attempt, points to the high likelihood of a snap election in 2021. **Second**, Malaysia's solid fundamentals will continue to favour the MYR's stable performance. The ongoing boom in the global goods trade will boost the country's exports and underpin another year of current account surplus. **Third**, Bank Negara Malaysia has begun to signal the end of its easing cycle, and we expect it to remain on hold for the next 12 months. The real interest rate should be a draw for foreign investors, especially since it is substantially lower outside the country (see chart 23).

Main risks to our view: Main risks are unexpected failure to pass the new budget in November; the trajectory of local confirmed cases of Covid-19; oil price trends and their impact on the government's fiscal balance; and global demand for the country's industrial commodities and mid-end manufactures. The country's vaccination efforts could get a boost from the recent efficacy data for Chinese vaccines.

PHP (Philippine peso): Countercyclical outperformance likely to reverse

We believe that the period of outperformance for the peso is ending, even though we do not see significant depreciation in the next twelve months. **First**, the stabilisation of the COVID-19 epidemic curve in the country has led to the re-opening of the economy and an exceptional rebound in its activities in Q3, but the Philippines' full-year GDP will contract by 9.5% instead of growing. The country will also face significant logistical challenges in the nationwide deployment of COVID-19 vaccines. **Second**, the country's external balance will begin to deteriorate with the resumption of economic activity and with government spending that will push the deficit to 7-8% of GDP (chart 24). **Third**, the Bangko Sentral ng Pilipinas (BSP) may not cut rates further, but it will continue to support growth via liquidity operations and adjustments in reserve requirements for the banking sector. We note that the BSP's holding of government bonds has risen by roughly PHP 1.3 trillion since February (~5% of 2019 GDP). Stable remittance flows and better access to USD liquidity, however, will limit the downside for the currency.

Main risks to our view: Main risks are the trajectory of local confirmed COVID-19 cases, and investors' pricing for the likely period of political uncertainty ahead of the 2022 elections. .

LatAm FX
Continued preference for MXN and CLP

- **MXN benefits from positive fundamentals and a more cautious macro policy backdrop. However, the second half of 2021 should be more challenging**
- **We maintain a neutral view on the BRL for the coming months**
- **With CLP having performed well in line with our views, we downgrade the currency from "outperformer" to "modest performer", but still expect gains**
- **We stay cautious on the COP and turn more negative on the PEN**

MXN (Mexican peso): Solid momentum, but now turning expensive

The Mexican peso falls into our category of "modest outperformers". Given the government's unique conservative fiscal stance for 2020, still-positive real rates, and assuming rating downgrade risks materialise only in H2 2021, USDMXN could stay heavy. Despite the very conservative macroeconomic policy response to COVID lockdowns (in stark contrast with Brazil), our economist expects Mexico to register growth rates of just over 3% in 2021 (following a near-10% contraction in 2020). Higher exposure to manufacturing and leverage to the US economy offer support.

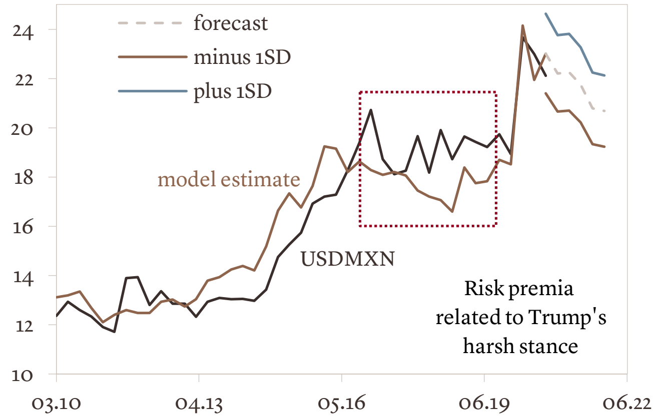
Hence, while USDMXN is already near the bottom of a 20.30-23.70 range based on our estimate of fair value of 22 (chart 25), further downside is plausible. However, we have opted to keep the currency as a modest performer (rather than an outperformer) for a few reasons. External balances have been strong; overall, they are slightly less supportive than before. Similarly, while still positive, real rates have declined in recent months. The government has been even more conservative in its fiscal stance than previously assumed. Finally, increasing market pricing of rating downgrade risks creates a more challenging MXN backdrop for H2 2021.

Main risks to our views: Political uncertainty could weigh on MXN heading into the June mid-term elections. Longer term, the main risk for Mexico is fiscal deterioration.

BRL (Brazilian real): Elevated debt to constrain performance

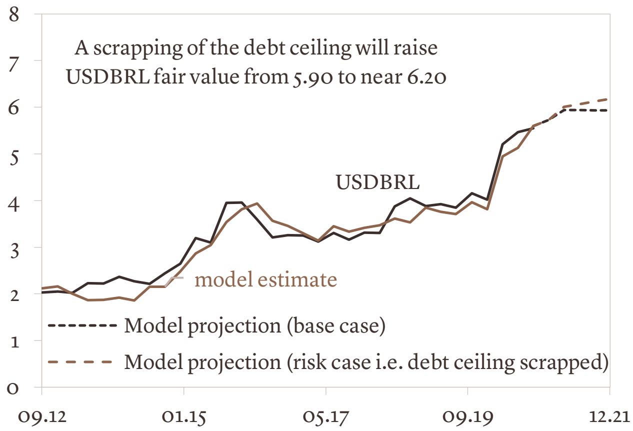
In September, we upgraded our view for the BRL – tor the longest time on our list of "underperformers" given rising political risks and extremely elevated debt levels -- to "modest underperformer". We believe a wide 5.10-6.10 range remains appropriate for the USDBRL. However, this assumes the debt ceiling remaining in place. **First**, economic indicators have shown strong advances in recent months, suggesting that the government's COVID strategy is helping. **Second**, the slight

25. USDMXN fair value near 22.0, justifying 20.3-23.7 range



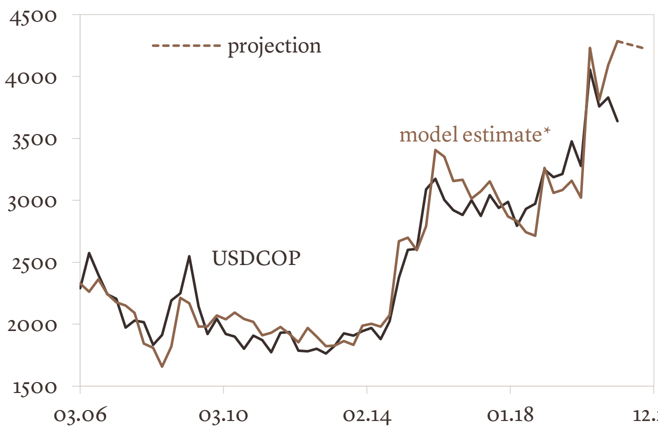
Sources: Bloomberg, Lombard Odier.

26. USDBRL fair value under 6.00, but removal of debt ceiling would take cross above 6.00



Sources: Bloomberg, Lombard Odier.

27 USDCOP should gravitate higher towards our fair value estimate over 4,000



Sources: Bloomberg, Lombard Odier.

Note: Past performance and forecasts are not a reliable indicator of future performance.

LatAm FX
Continued preference for MXN and CLP

recovery in the balance of payments suggests some (capped) USDBRL gains, unlike just a few months ago when such flows gave a bullish USDBRL signal. **Third**, our longer-term fair value model for USDBRL shows that, once we take into account the worsening fiscal trajectory and still-weak growth forecasts, USDBRL will be anchored within a wide range of 5.10-6.10 around our fair value estimate of 5.60 (chart 26). **Fourth**, fiscal deliberations will be key. We assume the negotiations for the 2021 budget will remain noisy and a source of headline risk, yet we think that the debt ceiling (95% of GDP) will remain intact. However, in the risk scenario where the ceiling is scrapped, debt/GDP assumptions will rise, in turn feeding into a higher USDBRL forecast. **Fifth**, the BRL's low carry is a break from history for the currency, and has likely changed the hedging behaviour of local and foreign investors. Corporates are finding it attractive to issue debt in local currency and swap into USD, while local and foreign investors who deem Brazilian equities and bonds attractive may find it worthwhile to hedge via being long USDBRL. These flows will prevent BRL from experiencing a stronger rebound, in our view.

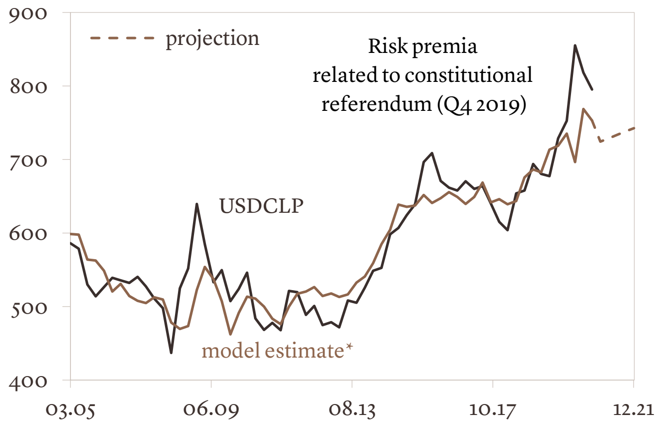
Main risks to our views: One downside risk is the removal of the debt ceiling at 95% of GDP. This would lead to further BRL depreciation and raise our estimate of USDBRL fair value. Another risk is if reformist economic minister Guedes and his entire team depart from the government

COP (Colombian peso): The most overvalued LatAm currency

The COP falls into our category of EMFX "underperformers". This is because it remains the most overvalued liquid LATAM currency on our estimates. USDCOP screens as being 7% undervalued – the most since 2016. Using IMF projections for government debt, fair value may rise above 4,000 by the end of 2020, suggesting rising odds of a move up in USDCOP (chart 27). However, in the months ahead, COP could be a bit better supported with energy prices grinding higher (we expect USD 50-55 range in 2021), upward EM growth revisions and lower event risks. Similar to Mexico, a continued deterioration in public finances would pose rating downgrade risks, but this is more likely a story for H2. Colombia's sovereign rating is on thin ice: it has the lowest investment-grade rating from all three rating agencies, two of which have a negative outlook. That said, the governing coalition has near two-third the seats in both the lower and upper houses. This could increase the chances of tax reforms coming through which would reduce risks of a rating downgrade.

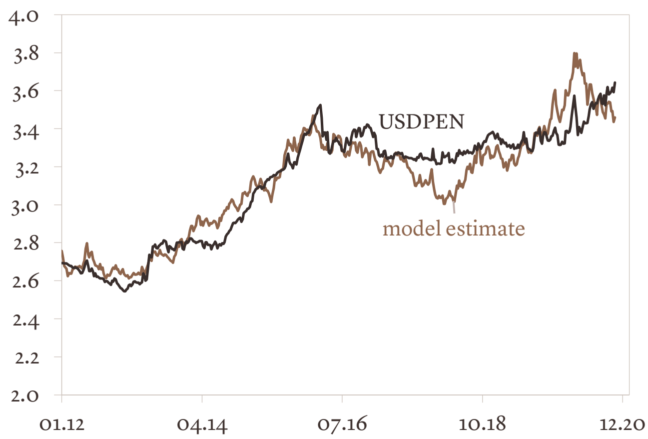
Main risks to our views: On the positive side, if authorities draw down USD from the IMF flexible credit line via the treasury, this would weigh on USDCOP (as opposed to if they

28. USDCLP still overvalued in the grand scheme of things



Sources: Bloomberg, Lombard Odier.

29. USDPEN could overshoot towards 370 on political risk where it could present value



Sources: Bloomberg, Lombard Odier.

Note: Past performance and forecasts are not a reliable indicator of future performance.

LatAm FX
Continued preference for MXN and CLP

do so via the central bank, which would be FX neutral). On the negative side, a failure to undertake fiscal reform would increase rating downgrade risks.

CLP (Chilean peso): Still positive, but expecting more modest returns

The CLP has been the only LatAm FX to fall into our EMFX "outperformer" category in recent months. Since the beginning of the year, CLP (along with MXN) has held its value far better than peers, registering under 2% losses during a troubling period for EMFX. With the hope of strong US infrastructure-centred fiscal stimulus having faded and with China's credit cycle mature, we believe that gains for the CLP could moderate somewhat from here. Hence, we opt to downgrade the CLP by one notch to "modest performer". Valuation remains compelling: the CLP screens as undervalued against longer-term macro fundamentals, even allowing for some modest weakness on the fiscal side. Our model, based on variables like copper prices, government debt, relative growth (vs the US), and real interest rates, signals fair value moving from 750 down to 720, with a range of 700-800 (chart 28). As for most LatAm countries, political risk remains.

As largely depicted by the polls ahead of the event, the constitutional referendum on 25 October resulted in strong popular approval of a new constitution (78% in favour) to be drafted via a constitutional convention of 155 newly elected members (79% in favour). While this is significant, we would stress that the whole process of changing the constitution could take until at least mid-2022 to complete. The more sensitive period for Chilean assets could come in H2 21, when markets will scrutinise the profile of members to gauge the likely changes to macroeconomic policymaking (they have nine months from April to draft and vote in the new constitution). At the same time, let us stress that a shift to "more populist" policymaking would likely have less of a negative impact (than in other countries). This is because Chile has among the lowest government debt levels in LatAm. Gross government debt for Chile is expected to rise from 28% (end-2019) to a still relatively low 35% (end-2021).

Main risks to our views: Following the referendum, the next event risk date will be on 11 April 2021, when the members of the constitutional convention are appointed. A more populist make-up of the convention could begin to impact CLP assets in H2 2021.

PEN (Peruvian sol): Hostage to FX hedging and messy politics

The PEN falls into our category of EMFX "modest underperformers". With FX carry extremely low and FX hedged Peruvian local bonds offering the most attractive yields in mainstream LatAm, short PEN hedging flows by investors have had a large impact on USDPEN movements in recent years. A higher-frequency model using copper prices, an FX-hedging flow indicator, and the Chilean Peso (an important trading partner) suggests USDPEN should be near 3.50. However, in early 2016, USDPEN became as overvalued as 8% (chart 29). With political risk (ahead of the April 2021 election) set to become more prominent, USDPEN will likely remain an outlier, unable to decline alongside the softer USD. The recent appointment of centrist-leaning Sagasti as President should reduce risk of extreme policy measures. However, dollar-hedging demand could rise as polls for the presidential election reflect the polarised political climate. This could keep USDPEN relatively elevated compared to our model estimate in the coming three to six months.

Main risks to our views: On the positive side, a decline in political risk as well as short PEN positioning would see the currency aligning with better FX fundamentals, with a return towards fair value near 3.50. On the negative side, political uncertainty will keep USDPEN elevated and above 3.60.

Note: Past performance and forecasts are not a reliable indicator of future performance.

CEEMEA FX
Favouring the CZK and ILS

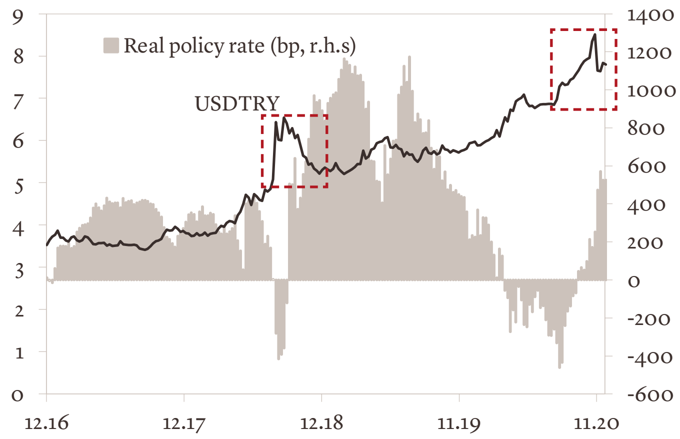
- **Recent policy measures should result in some TRY stabilisation. However, we expect renewed depression pressures to resurface**
- **RUB could perform a bit better in Q1 on positive seasonality, but may face headwinds after Q2**
- **For now, external rebalancing is keeping ZAR relatively stable and at relatively overvalued levels. We stay cautious longer term**
- **In lower-yielding EEMEA, we like the CZK, ILS, and PLN, but stay bearish on HUF.**

TRY (Turkish lira): Stability followed by renewed depreciation pressure

We remain bearish medium term on the TRY, but believe a relatively more hawkish central bank as well as smaller external debt payments in the coming three months could see USDTRY retreat lower towards 7.50. The central bank matched expectations in November by hiking rates 475 bps to 15%. The result has been an increase in the real policy rate to above +500 bps. However, this may not be enough: in 2018, when Turkey suffered a currency collapse and followed a similar worrying trend in external balances, it took a rise in TRY real rates of 600-800 bps for USDTRY to stabilise (chart 30). Assuming near-term consolidation, we believe the road will lead to further rises in USDTRY beyond Q2. **First**, and unlike other EM countries, Turkey's current account has been widening, while local citizens have been increasing their dollar holdings – keeping Turkey in just as vulnerable a position as in mid-2018 when there was a currency collapse (chart 31). **Second**, monetary tightening, in itself, will be insufficient to see the external balance improve. This is because much of the credit growth that weakened Turkey's external balance in the first place is attributed to fiscal expansion. **Third**, Turkey's extremely low FX reserves suggest that "high rates for longer" and "fiscal tightening" would be required to create a longer-lasting TRY stabilisation. This seems unlikely especially under President Erdogan, with Turkey having historically favoured high growth over and above containing inflation. **Fourth**, the negative repercussions of geopolitical tensions. Senate Republicans like Lindsay Graham have been intent on punishing Turkey for purchasing the Russian S-400 missile, but so far Mr Trump has likely been a moderating influence. This could change going forward, and sanctions are a real possibility.

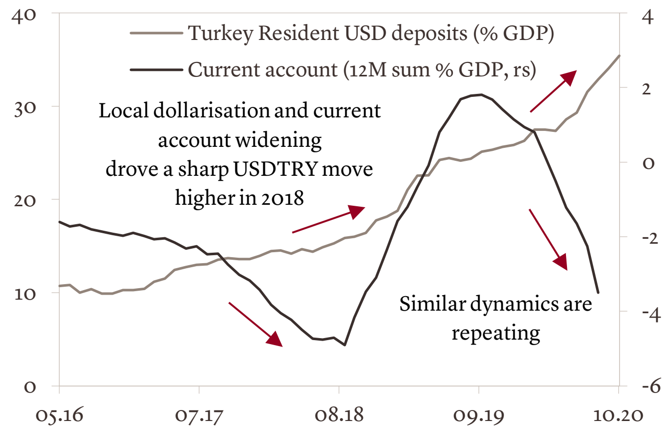
Main risks to our views: The positive risk we mentioned in previous reports, i.e. a hawkish central bank, may be materialising. A further positive risk would be if it is coupled with strong fiscal tightening. A negative risk would be a more hawkish foreign policy stance from the US under a Biden presidency.

30. CBRT tightening improves real yields, but insufficient to help the TRY (like in 2018)



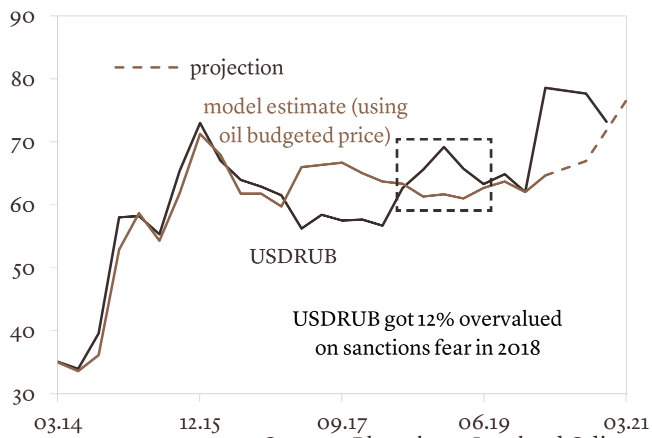
Sources: Bloomberg, Lombard Odier.

31. Local FX buying and a re-widening current account have been the force behind TRY depreciation (like in 2018)



Sources: Bloomberg, Lombard Odier

32. USDRUB likely to stay under 80, but unlikely to fall much below our fair value projections of 75-77



Sources: Bloomberg, Lombard Odier

Note: Past performance and forecasts are not a reliable indicator of future performance.

CEEMEA FX
Favouring the CZK and ILS

RUB (Russian rouble): A bit better in Q1, but still a "modest underperformer" thereafter

Following the US election outcome, which fulfilled our expectations only partly (Biden win, but no Democrat sweep), the risks for a move in USDRUB above 80 have fallen substantially. Indeed, with incoming US President Biden likely to focus on areas other than international politics in his first 100 days, and with seasonality usually positive for the RUB in Q1, the currency could be well supported at the beginning of 2021. That said, in our view the risk of sanctions has not completely faded, hence we do not believe we should expect material RUB gains beyond Q1.We thus maintain RUB on our list of "modest underperformers" in EMFX. The reason for our continued cautious stance is that a harsher US policy stance towards Russia is still very plausible, even without a Democratic US Senate. Foreign policy is set by the executive much more than by Congress.

While specific sanctions in recent years were watered down as they went through the Republican Senate, with Mr Trump gone, the Senate Republicans may have more of an incentive to push anti-Russia policies through under a Biden presidency.

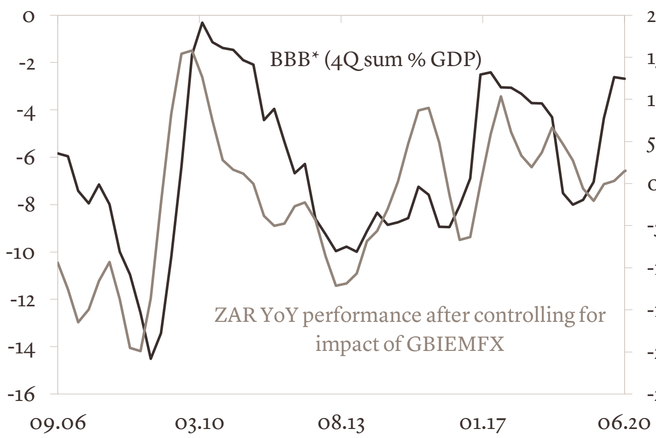
Assuming the budget rule remains in place and plugging in assumptions on debt, our model suggests USDRUB should hover on either side of 76 (chart 32).

Main risks to our views: On the negative side, a change in tone – where Republicans voice more opposition towards Russia – could see the market pricing for a return of sanctions. On the positive side, we flag that seasonality tends to favour the Russian currency in the first quarter (January to April 2021), which could take USDRUB below 75 in Q1.

ZAR (South African rand): A narrowing trade balance could bring ZAR back under depreciation pressure

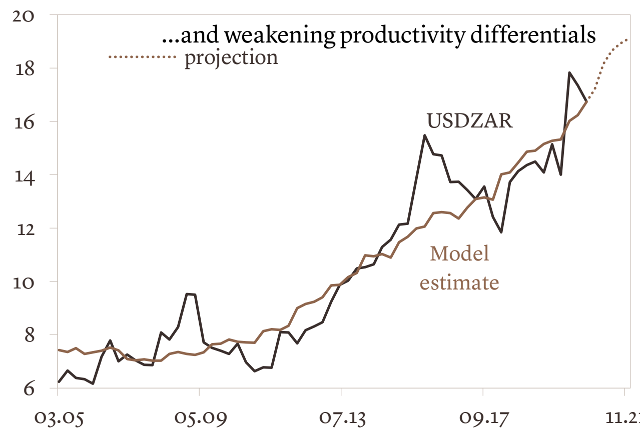
ZAR is in our group of "fragile" EM currencies, but the currency has held up better than we had assumed. We believe a key reason for this is the improvement in the country's balance of payments. We find this explains the relative performance of the ZAR against the broader GBI EMFX index (chart 33). This adjustment, driven by collapsing imports on weak domestic demand, could potentially continue for some time, keeping USDZAR in lower ranges. However, once this adjustment is mature and imports begin to increase, we believe USDZAR will re-align to fundamentals. With prices of gold (a major export) declining and those of energy (a major import) rising, the trade balance could begin to narrow in Q1, removing a source of recent support for the rand.

33. Current account adjustment supporting relative ZAR outperformance for now



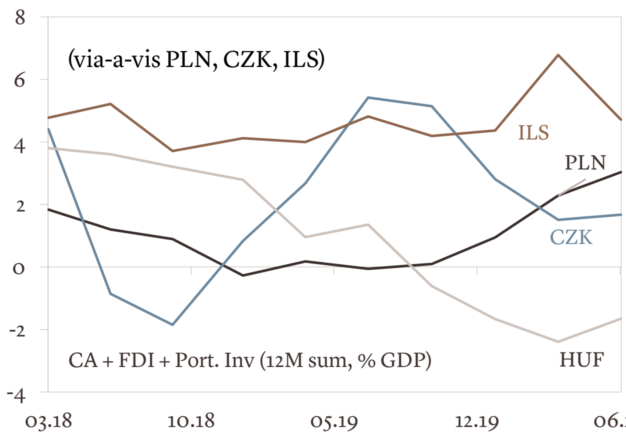
Sources: Bloomberg, Lombard Odier

34. Longer term, our model suggests USDZAR may trade higher on a worsening debt trajectory



Sources: Bloomberg, Lombard Odier

35 Despite a marginally more hawkish CB, HUF to face continued depreciation on weaker trend in flows



Sources: Bloomberg, IMF, Lombard Odier

Note: Past performance and forecasts are not a reliable indicator of future performance.

CEEMEA FX
Favouring the CZK and ILS

Our projected fair value suggests that weakening productivity growth and higher debt levels will be offset only modestly by improved terms of trade. Hence, while spot could undershoot in the next few months, fair value will likely edge up towards 19 in the years ahead (chart 34). On the fiscal side, the October medium-term budget statement resulted in an upward revision to public debt (now seen peaking at 95.3% in FY 2025/26).

However, debt levels will likely be higher than those assumed by the government, for two reasons. **First**, the government's consolidation plan that relies on wage bill savings of 5.6% of GDP seems ambitious. It will depend on negotiations between the government and trade unions over a new three-year wage agreement. Indeed, there is a risk that the courts will force the government to implement a wage hike. **Second**, the government has decided to provide additional financial support to state-owned enterprises, which will likely feed through to higher contingent liabilities.

Main risks to our views: On the positive side, a longer-than-expected spell of external rebalancing could keep ZAR somewhat supported. On the negative side, the fiscal trajectory looks set for ongoing deterioration, with headline risk set to rise as labour unions protest fiscal tightening in the months ahead.

Central Eastern Europe & ILS: Prefer CZK and ILS to HUF and PLN

In the group of CEE & ILS, we include the Czech koruna (CZK), Polish zloty (PLN), Hungarian forint (HUF), and Israeli shekel (ILS). While some of our favoured EMFX picks such as CNY, KRW, TWD, and CLP have already rallied nicely in recent months, both CZK and PLN remain some 5-7% weaker vis-à-vis the EUR compared to pre-COVID levels. Assuming a vaccine becomes available in H2, these currencies are likely to recover. While all are highly correlated to EURUSD (and hence can gain automatically on our positive EURUSD view), we prefer the CZK and ILS to the HUF and PLN.

CZK appears perfectly poised to perform well, with support from a strong fiscal impulse and still-low debt. Core inflation remains elevated and has kept the central bank relatively hawkish. Indeed, the CNB assumptions pencil in three rate hikes in H2 2021. At the other extreme, the HUF is our preferred short in the region: an important driver here is the trend of external balances: Hungary has seen its broad basic balance erode in trend terms over the past three years, in contrast with peers (chart 35). The central bank should turn more dovish as core inflation edges lower. We are relatively neutral on PLN, but it should be a modest performer assuming EURUSD moves a bit higher from here. On one hand, the balance of payments situation is improving. On the other hand, this is offset by strong balance sheet expansion undertaken by the central bank.

ILS belongs to our group of "modest performers". This assumes continued good performance of the tech sector and low-for-longer US yields, as well as a strong balance-of-payments position. The central bank's FX policy would also need to be monitored closely. A large FX intervention would likely only neutralise appreciation pressure. However, we believe that for the central bank to succeed in weakening the ILS, it would take a drastic measure like an FX peg (such as in Switzerland after 2011, or the Czech Republic after 2013).

Our Lombard Odier long-term FX fair valuation framework

BEER
Behavioural equilibrium exchange rate model

Definition

Econometric model, which estimates FX fair values by "mapping" the exchange rate to a set of fundamental economic variables

Inputs

- Terms of trade
- Investment as % of GDP
- Rate differentials
- Inflation differentials

Output

Fair value estimates for major forex crosses Updated 2 to 3 times annually Weight: 50%

FEER
Fundamental equilibrium exchange rate model

Definition

Framework tries to identify the level of the exchange rate that would bring the economy into macroeconomic equilibrium (Current account balance sustainably financed by flows)

Inputs

- Price elasticity of trade
- Output gap
- Current account
- Capital flows

Output

Fair value estimates for major FX crosses Updated 2 times annually Weight: 50%

COMBINED OUTPUT – LO FX long-term fair value estimates

Usage (BEER)

Anchor for long-term forecast

Usage (FEER)

Degree of misalignment can be a sell or side signal

Note: Past performance and forecasts are not a reliable indicator of future performance.

Glossary

ASEAN
Association of South East Asian nations

BEER
Behavioural Equilibrium Exchange Rate – one method for evaluating the fair value of a currency.

BIS
Bank for International Settlements

BRL
Brazilian Real

CEEMEA
Central eastern Europe, middle east and Africa

C/A
Current account

CFETS
China Foreign Exchange Trade System.

CFTC
Commodity Futures Trading Commission

CLP
Chilean Peso

CNY
Chinese Yuan

COP
Colombian Peso

CZK
Czech Koruna

DXY index
US Dollar Index (DXY)

EM
Emerging market(s)

EMFX
Emerging market currencies

FEER
Fundamental-equilibrium exchange rate – rate consistent with a steady economy at full employment and a sustainable current-account balance.

GBIEMFX
JP Morgan Emerging Market Currency Index

HUF
Hungarian Forint

IDR
Indonesian Rupiah

ILS
Israeli Shekel

INR
Indian Rupee

KRW
South Korean Won

LATAM
Latin America

MXN
Mexican Peso

MYR
Malaysian Ringgit

PEN
Peruvian Sol

PHP
Philippine Peso

PLN
Polish Zloty

RT
Real time

RUB
Russian Ruble

SGD
Singapore Dollar

THB
Thai Baht

TRY
Turkish Lira

TW
Trade-weighted (dollar, etc.)

TWD
Taiwan dollar

ZAR
South African Rand

1W
1-week

Back to cover page

Important information

It is not intended for distribution, publication, or use in any jurisdiction where such distribution, publication, or use would be unlawful, nor is it aimed at any person or entity to whom it would be unlawful to address such a document. This document is provided for information purposes only. It does not constitute an offer or a recommendation to subscribe, purchase, sell or hold any security or financial instrument. It contains the opinions of Lombard Odier, as at the date of issue. These opinions and the information contained herein does not take into account an individual's specific circumstances, objectives, or needs. No representation is made that any investment or strategy is suitable or appropriate to individual circumstances or that any investment or strategy constitutes personalised investment advice to any investor. Tax treatment depends on the individual circumstances of each client and may be subject to change in the future. Lombard Odier does not provide tax advice. Therefore, you must verify the above and all other information provided in the document or otherwise review it with your external tax advisors. Some investment products and services, including custody, may be subject to legal restrictions or may not be available worldwide on an unrestricted basis. The information and analysis contained herein are based on sources considered reliable. Lombard Odier uses its best effort to ensure the timeliness, accuracy, and comprehensiveness of the information contained in this document. Nevertheless, all information and opinions as well as the prices, market valuations and calculations indicated herein may change without notice. **Investments are subject to a variety of risks**. Before entering into any transaction, an investor should consult his/her investment advisor and, where necessary, obtain independent professional advice in respect of risks, as well as any legal, regulatory, credit, tax, and accounting consequences. The investments mentioned in this document may carry risks that are difficult to quantify and integrate into an investment assessment. In general, products such as equities, bonds, securities lending, forex, or money market instruments bear risks, which are higher in the case of derivative, structured, and private equity products; these are aimed solely at investors who are able to understand their nature and characteristics and to bear their associated risks. On request, Lombard Odier will be pleased to provide investors with more detailed information concerning risks associated with given instruments. **Past performance is no guarantee of current or future returns, and the investor may receive back less than he/she invested**. The value of any investment in a currency other than the base currency of a portfolio is subject to the foreign exchange rates. Exchange rates may fluctuate and adversely affect the value of the investment when it is realised and converted back into the investor's base currency. The liquidity of an investment is subject to supply and demand. Some products may not have a well-established secondary market or in extreme market conditions may be difficult to value, resulting in price volatility and making it difficult to obtain a price to dispose of the asset. If opinions from financial analysts belonging to Bank Lombard Odier & Co Ltd's Research Department are contained herein, such analysts attest that all of the opinions expressed accurately reflect their personal views about any given instruments. In order to ensure their independence, financial analysts are expressly prohibited from owning any securities that belong to the research universe they cover. Lombard Odier may hold positions in securities as referred to in this document for and on behalf of its clients and/or such securities may be included in the portfolios of investment funds as managed by Lombard Odier or affiliated Group companies. Lombard Odier recognises that conflicts of interest may exist as a consequence of the distribution of financial instruments or products issued and/or managed by entities belonging to the Lombard Odier Group. Lombard Odier has a Conflict of Interests policy to identify and manage such conflicts of interest.

European Union Members: This document has been approved for use by Lombard Odier (Europe) S.A. in Luxembourg and by each of its branches operating in the following territories: **Belgium**: Lombard Odier (Europe) S.A. Luxembourg • Belgium branch; **France**: Lombard Odier (Europe) S.A. • Succursale en France; **Italy**: Lombard Odier (Europe) S.A. • Italian Branch; Spain: Lombard Odier (Europe) S.A. • Sucursal en España; and **United Kingdom**: Lombard Odier (Europe) S.A. • UK Branch. Lombard Odier (Europe) S.A. is a credit institution authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.

Notice to investors in the United Kingdom: Lombard Odier (Europe) S.A. • UK Branch is authorised in the UK by the Prudential Regulation Authority (PRA) and is subject to limited regulation by the Financial Conduct Authority (FCA) and the PRA. Details of the extent of our authorisation and regulation by the PRA/regulation by the FCA are available from us on request. UK regulation for the protection of retail clients in the UK and the compensation available under the UK Financial Services Compensation Scheme does not apply in respect of any investment or services provided by an overseas person.

In addition, this document has also been approved for use by the following entities domiciled within the European Union: **Gibraltar**: Lombard Odier & Cie (Gibraltar) Limited, a firm which is authorised and regulated by the Financial Services Commission, Gibraltar (FSC) to conduct banking and investment services business; **Spain**: Lombard Odier Gestión (España) S.G.I.I.C., S.A.U., an investment management company authorised and regulated by the Comisión Nacional del Mercado de Valores (CNMV), Spain.

Hong Kong: This marketing communication has been approved for use by Lombard Odier (Hong Kong) Limited, a licensed entity regulated and supervised by the Securities and Futures Commission in Hong Kong for the general information of professional investors and other persons in accordance with the Securities and Futures Ordinance (Chapter 571) of the laws of Hong Kong.

Singapore: This marketing communication has been approved for use by Lombard Odier (Singapore) Ltd for the general information of accredited investors and other persons in accordance with the conditions specified in Sections 275 and 305 of the Securities and Futures Act (Chapter 289). Recipients in Singapore should contact Lombard Odier (Singapore) Ltd, an exempt financial adviser under the Financial Advisers Act (Chapter 110) and a merchant bank regulated and supervised by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with this marketing communication. The recipients of this marketing communication represent and warrant that they are accredited investors and other persons as defined in the Securities and Futures Act (Chapter 289). This advertisement has not been reviewed by the Monetary Authority of Singapore.

Switzerland: This document has been approved for use in Switzerland by Bank Lombard Odier & Co Ltd, a bank and securities dealer authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

United States: Neither this document nor any copy thereof may be sent, taken into, or distributed in the United States of America, any of its territories or possessions or areas subject to its jurisdiction, or to or for the benefit of a United States Person. For this purpose, the term "United States Person" shall mean any citizen, national or resident of the United States of America, partnership

Back to cover page

organized or existing in any state, territory or possession of the United States of America, a corporation organized under the laws of the United States or of any state, territory or possession thereof, or any estate or trust that is subject to United States Federal income tax regardless of the source of its income. This document may not be reproduced (in whole or in part), transmitted, modified, or used for any public or commercial purpose without the prior written permission of Lombard Odier.

Media: Lombard Odier would like to offer you for your information the enclosed FX monthly.

In connection with the use of the enclosed document, Lombard Odier kindly draws your attention to certain particular items/ conditions. The information sent is for your personal use only. In case of quoting, please cite Lombard Odier in no other capacity than as source of information only. For the sake of good order, Lombard Odier would like to remind you that responsibility regarding quoted content and compliance with applicable regulations rests with you. The information provided does not constitute the provision of investment advice or an offer of any financial services especially not to the public.

Lombard Odier kindly reminds you that further distribution of the received document to third parties without its prior written consent is prohibited.

Data protection: You may be receiving this communication you have provided us with your contact details. If this is the case, note that we may process your personal data for direct marketing purposes. If you wish to object to this processing, please address your objection to the Group's Data Protection Officer: Bank Lombard Odier & Co Ltd, Group Data Protection Officer, 11, Rue de la Corraterie, 1204 Geneva, Switzerland. E-Mail: group-dataprotection@lombardodier.com. For more information on Lombard Odier's data protection policy, please refer to www.lombardodier.com/privacy-policy.

Back to cover page

SWITZERLAND

GENEVA
Bank Lombard Odier & Co Ltd[1]
Rue de la Corraterie 11 · 1204 Genève · Suisse
geneva@lombardodier.com
Lombard Odier Asset Management (Switzerland) SA
Avenue des Morgines 6 · 1213 Petit-Lancy · Suisse
Support-Client-LOIM@lombardodier.com
Management Company regulated by the FINMA.

FRIBOURG
Banque Lombard Odier & Cie SA · Bureau de Fribourg[1]
Rue de la Banque 3 · 1700 Fribourg · Suisse
fribourg@lombardodier.com

LAUSANNE
Bank Lombard Odier & Co Ltd[1]
Place St-François 11 · 1003 Lausanne · Suisse
lausanne@lombardodier.com

VEVEY
Banque Lombard Odier & Cie SA · Agence de Vevey[1]
Rue Jean-Jacques Rousseau 5 · 1800 Vevey · Suisse
vevey@lombardodier.com

ZURICH
Bank Lombard Odier & Co Ltd[1]
Utoschloss · Utoquai 29-31 · 8008 Zürich · Schweiz
zurich@lombardodier.com

EUROPE

BRUSSELS
Lombard Odier (Europe) S.A. Luxembourg · Belgium branch[2]
Avenue Louise 81 · Box 12 · 1050 Brussels · Belgium
brussels@lombardodier.com
Credit institution supervised in Belgium by the Banque nationale de Belgique (BNB) and the Financial Services and Markets Authority (FSMA).

LONDON
Lombard Odier (Europe) S.A.· UK Branch[2]
Queensberry House · 3 Old Burlington Street · London W1S 3AB · United Kingdom · london@lombardodier.com
The Bank is authorised and regulated in the UK by the Prudential Regulation Authority (PRA) and subject to limited regulation by the Financial Conduct Authority (FCA) and the PRA. Details of the extent of our authorisation and regulation by the PRA and regulation by the FCA are available from us on request. Registered in Luxembourg No. B169 907.
Lombard Odier Asset Management (Europe) Limited
Queensberry House · 3 Old Burlington Street · London W1S 3AB · United Kingdom · london@lombardodier.com
Investment firm authorised and regulated by the Financial Conduct Authority (FCA register No.515393).

LUXEMBOURG
Lombard Odier (Europe) S.A.
291, route d'Arlon · 1150 · Luxembourg · Luxembourg
luxembourg@lombardodier.com
Credit institution authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.
Lombard Odier Funds (Europe) S.A.
291, route d'Arlon · 1150 · Luxembourg · Luxembourg
luxembourg@lombardodier.com

MADRID
Lombard Odier (Europe) S.A. · Sucursal en España[2]
Paseo de la Castellana 66 · 4ª Pl. · 28046 Madrid · España · madrid@lombardodier.com
Credit institution supervised in Spain, by the Banco de España and the Comisión Nacional del Mercado de Valores (CNMV).
Lombard Odier Gestión (España) S.G.I.I.C, S.A.U.
Paseo de la Castellana 66, 4ª Pl. · 28046 Madrid · España · madrid@lombardodier.com
Management Company supervised by the Comisión Nacional del Mercado de Valores (CNMV).

MILAN
Lombard Odier (Europe) S.A. · Succursale in Italia[2]
Via Santa Margherita 6 · 20121 Milano · Italia
milano-cp@lombardodier.com
Credit institution supervised in Italy by the Commissione Nazionale per le Società e la Borsa (CONSOB) and la Banca d'Italia.

MOSCOW
Bank Lombard Odier & Co Ltd · Representative Office Moscow
2 Letnikovskaya st.2, bld.1 · 115114 Moscow · Russian Federation · moscow@lombardodier.com
Under the supervisory authority of the Central Bank of the Russian Federation.

PARIS
Lombard Odier (Europe) S.A. · Succursale en France[2]
8, rue Royale · 75008 Paris · France. RCS PARIS B 803 905 157 · paris@lombardodier.com
Credit institution supervised in France by the Autorité de contrôle prudentiel et de résolution (ACPR) and by the Autorité des Marchés Financiers (AMF) in respect of its investment services activities. Business permit No.23/12. Registered in Luxembourg - No.B169 907. Insurance intermediary authorised by the Commissariat aux Assurances (CAA) No.2014 CM002. The registration with the CAA can be verified at www.orias.fr.

AFRICA | AMERICAS | MIDDLE EAST

ABU-DHABI
Bank Lombard Odier & Co Ltd · Abu Dhabi Global Market Branch
Al Maryah Island · Abu Dhabi Global Market Square · Al Khatem Tower · 8th floor · P.O. Box 764646 · Abu Dhabi · UAE · abudhabi@lombardodier.com
Arranging Deals in Investments · Advising on Investment or Credit · Arranging Credit. Regulated by the ADGM Financial Services Regulatory Authority.

BERMUDA
Lombard Odier Trust (Bermuda) Limited
3rd Floor, Victoria Place · 31 Victoria Street · Hamilton HM 10 · Bermuda · bermuda@lombardodier.com
Licensed to conduct Trust, Investment and Corporate Service Provider Business by the Bermuda Monetary Authority.

DUBAI
Bank Lombard Odier & Co Ltd · Representative Office Dubai
Conrad Business Tower · 12th Floor · Sheikh Zayed Road · P.O. Box 212240 · Dubai · UAE · dubai@lombardodier.com
Under the supervisory authority of the Central Bank of the UAE.

ISRAEL
Israel Representative Office · Bank Lombard Odier & Co Ltd
Alrov Tower 11th floor · 46 Rothschild Blvd. · Tel Aviv 6688312 · Israel · telaviv@lombardodier.com
Not supervised by the Supervisor of Banks in the Bank of Israel, but by Swiss Financial Market Supervisory Authority which supervises the activities of Bank Lombard Odier & Co Ltd.

JOHANNESBURG
South Africa Representative Office · Bank Lombard Odier & Co Ltd
4 Sandown Valley Crescent · Sandton · Johannesburg 2196 · South Africa · johannesburg@lombardodier.com
Authorised financial services provider Registration number 48505.

MONTEVIDEO
Lombard Odier (Uruguay) SA
Luis Alberto de Herrera · Torre 2 · Oficina 2305
11300 Montevideo · Uruguay
montevideo@lombardodier.com
Supervised by Banco Central del Uruguay.

NASSAU
Lombard Odier & Cie (Bahamas) Limited
Lyford Cay House · Western Road · P.O. Box N-4938 · Nassau · Bahamas · nassau@lombardodier.com
Supervised by the Central Bank of the Bahamas and the Securities Commission of the Bahamas.

PANAMA
Lombard Odier & Cie (Bahamas) Limited · Representative Office in Panama
Oceania Business Plaza Torre 2000 · Oficina 38-D · Blvd. Pacifica · Urb. Punta Pacifica · Corregimiento de San Francisco · Panamá · panama@lombardodier.com
Supervised by the Central Bank of the Bahamas and the Superintendencia de Bancos de Panamá.
Lombard Odier (Panama) Inc.
Oceania Business Plaza Torre 2000 · Oficina 38-D · Blvd. Pacifica · Urb. Punta Pacifica · Corregimiento de San Francisco · Panamá · panama@lombardodier.com
Supervised by the Superintendencia del Mercado de valores de Panamá. Licensed to operate as an Investment Adviser. Res. SMV No.528-2013.

ASIA - PACIFIC

HONG KONG
Lombard Odier (Hong Kong) Limited
3901, Two Exchange Square · 8 Connaught Place · Central · Hong Kong · hongkong@lombardodier.com
A licensed entity regulated and supervised by the Securities and Futures Commission in Hong Kong.

SINGAPORE
Lombard Odier (Singapore) Ltd.
9 Raffles Place · Republic Plaza #46-02 · Singapore 048619 · singapore@lombardodier.com
A merchant bank regulated and supervised by the Monetary Authority of Singapore.

TOKYO
Lombard Odier Trust (Japan) Limited
Izumi Garden Tower 41F · 1-6-1 Roppongi, Minato-ku · Tokyo 106-6041 · Japan · tokyo@lombardodier.com
Regulated and supervised by the Financial Services Agency (FSA) in Japan. It holds a trust business license (FSA No.208) and is registered with Kanto Local Finance Bureau for Financial Instruments Business Operator (No.470).

[1] *Private bank and securities dealer authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).*

[2] *Branch of Lombard Odier (Europe) S.A., a credit institution based in Luxembourg, authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg.*

17 96

LOMBARD ODIER

LOMBARD ODIER DARIER HENTSCH

www.lombardodier.com