17 96

LOMBARD ODIER

LOMBARD ODIER DARIER HENTSCH

# Investment Strategy
## Private Clients

2/2

June 2021 · 2nd Half 2021

### Mid-year global outlook

- Continued progress on both the vaccination and reopening fronts confirms our outlook for strong 2021-2022 growth in most major economies, with inflation normalising but not shifting to a permanently higher regime.
- In the US, the proposed infrastructure plan heralds a fiscal revolution: rather than providing (deficit-aggravating) demand support, the Biden administration is intent on revamping the supply-side, financed by higher taxation.
- The EU Recovery Fund is about to become operational, also marking a paradigm change on the fiscal front and promising key support (with the associated structural reforms) to southern European economies.
- The UK's ongoing recovery should not be deeply impacted by the "Indian variant" – but non-pandemic risks warrant continued monitoring.
- Amid mounting public disapproval, Japanese Prime Minister Suga faces the genuine risk of an abrupt end to his premiership this fall – before or after the lower house election.
- Confident in the near-term growth path, Chinese authorities continue to focus firmly on the country's systemic resilience in the face of key long-term strategic challenges.
- Emerging markets are getting the short end of the vaccine stick: lesser access and not to the best ones.
- In portfolios, we maintain our constructive stance, favouring reflationary trades over interest rate sensitive assets. We recommend overweighting equities – preferring the cyclical and value segments – as well as alternatives, notably infrastructure and real estate.




Biannual publication of Lombard Odier Investment Solutions – Strategy


**Important information**
Please read the important information at the end of the document.
Data as of 10 June 2021

# Macro Insights
# Post-reopening inflation: a persistent risk?

How rapidly the economic and market narratives have shifted. Earlier this year, uncertainty was rife, with concerns in particular as to the damages inflicted by the Covid shock in terms of jobs and corporate defaults. Today, the recovery is seen as secured by available (at least in the West) and efficient (even against the known variants) vaccines, residual excess private savings (see chart 1, page 04) and still substantial – both monetary and fiscal – policy support.

In fact, the strength of the unfolding recovery is leading to an intense debate about the risk of "overheating". Inflation, both expected and actual, is rising sharply (see chart 2, page 04). Which bodes the important question: are these price pressures only transitory or will central banks be forced to adjust their reaction function?

We are not overly worried about persistent inflation, for three key reasons. First, after a downtrend as large and sudden as that caused by the pandemic, a normalisation in prices was bound to occur (see chart 3, page 04).

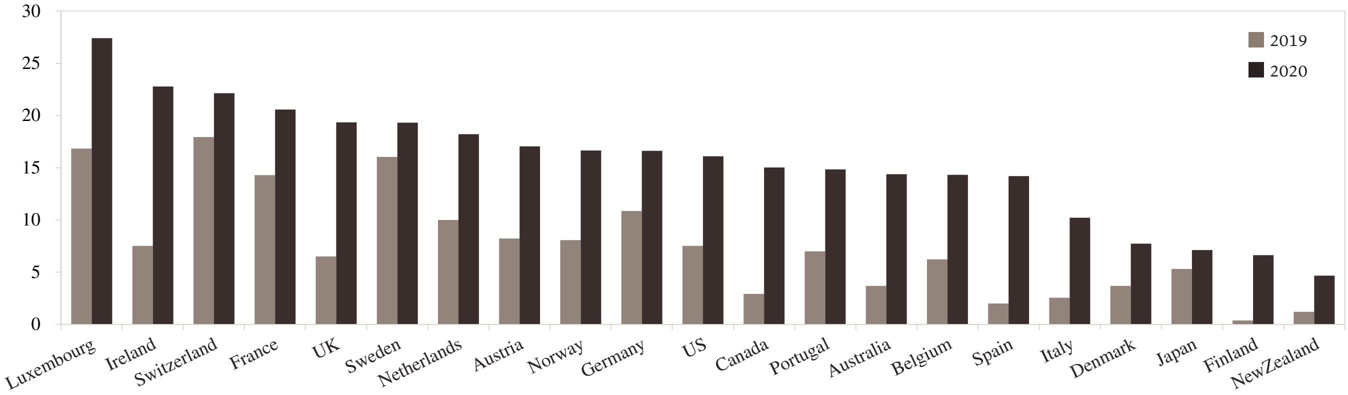
Second, the flare is neither broad-based (see chart 4, page 04) nor global. Inflation remains modest in China or Israel, despite their economic recovery being more mature, and still below target in Japan, Europe and Switzerland. In the US, it stems predominantly from components such as airline fares, hotel rates and used car prices (see chart 5, page 05) – sectors that are very sensitive to the reopening of the economy or are suffering supply shortages. By their very nature, these types of price increases are unlikely to be sustained. As demand patterns normalise and supply bottlenecks are addressed, prices should stabilise – and some of the recent large jumps reverse.

Delving further into the bottleneck issue, with the recovery now extending to the euro area (following in the US footsteps), it is very clear that western supply is having trouble responding to demand. This is partly a consequence of companies having relied extensively on inventories during the Covid shock (see chart 6, page 06). The necessary stock rebuild will take some time and lead to a surplus of activity in the coming quarters. But such domestic supply tensions should wane later in the year. Further, there is some available capacity elsewhere in the world, Asia especially, to fill the gap. Chinese authorities have provided only marginal support to household income, making for persistently weak domestic consumption and thus leaving some spare capacity to respond to foreign demand. Indeed, to offset its self-imposed frugality on the policy front, Beijing needs foreign demand. Chinese producers do also face constraints, as well as cost pressures (especially on commodities such as copper, steel, cobalt and lithium), but delivery time surveys suggest that these are much less acute than in the West.

Finally, on the labour market front, despite the benefits of reopening, the recovery process is unlikely to be linear, and arguably vindicates the Federal Reserve's (Fed) commitment to remain patient and keep policy accommodative until substantial progress in the real economy becomes visible. Slack in the US job market may be diminishing fast but, still, it remains significant (see chart 7, page 06). The spread between black and white unemployment (see chart 8, page 06) is also proof that the

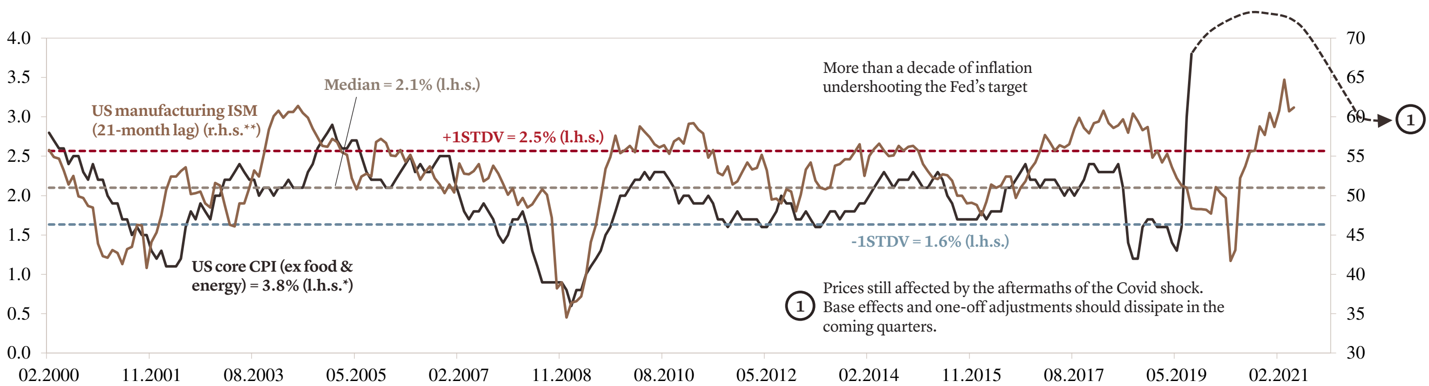
Note: Unless otherwise stated, all data mentioned in this publication is based on the following sources: Datastream, Bloomberg, Lombard Odier calculations.

1. **Private net savings ratio**
As a % of disposable income



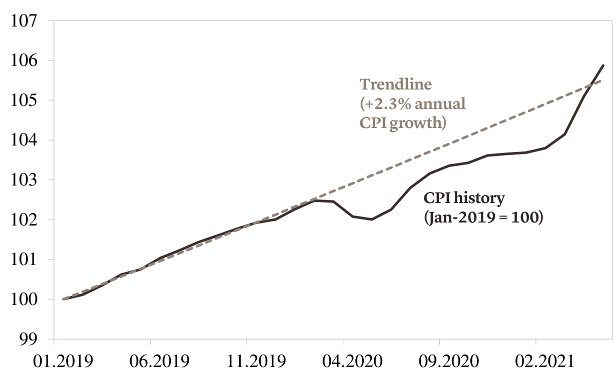

Source: OECD

2. **US core CPI vs manufacturing ISM**
In % YoY (with +/- 1 standard deviation range shown)



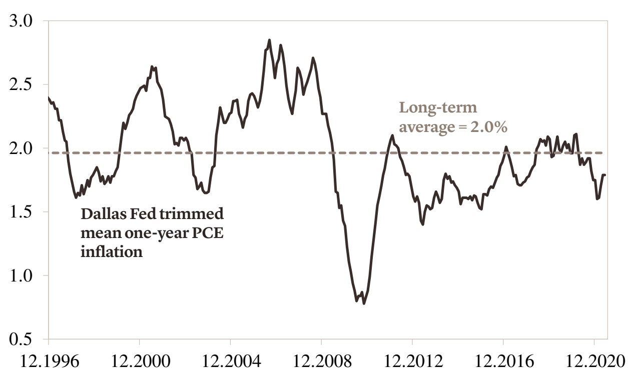

* left hand scale, ** right hand scale
Sources: Bloomberg, Lombard Odier

3. **Inflation recovering from a major dip**
CPI level (January 2019 = 100) vs linear trend (2.3% annual rate)




Sources: Bloomberg, BLS, Lombard Odier calculations

4. **Median inflation metrics show the breadth of inflation indices**
In % YoY




Sources: Bloomberg, Lombard Odier

economy is not yet where the Fed wants it to be. Until this excessive slack is eliminated, organic wages (i.e. stripping out the non-recurring impact of government stimulus checks – see chart 9, page 06) will remain subdued. And it is difficult to imagine persistent inflation without substantial and sustained income growth.

Given the Fed's new average inflation targeting regime, that tolerates a period of inflation before a shift into tightening gear, we thus expect the following policy sequence going forward: a tapering announcement sometime between August 2021 (Jackson Hole Economic Symposium) and the end of the year, to be implemented throughout 2022 at a USD 10 bn monthly pace (there is a USD 120 bn monthly purchase program to unwind, which mechanically will take time), and then a first policy rate hike by mid-2023. In our view, current market expectations of a hike already in 2022 are extremely conservative (see chart 10, page 06).

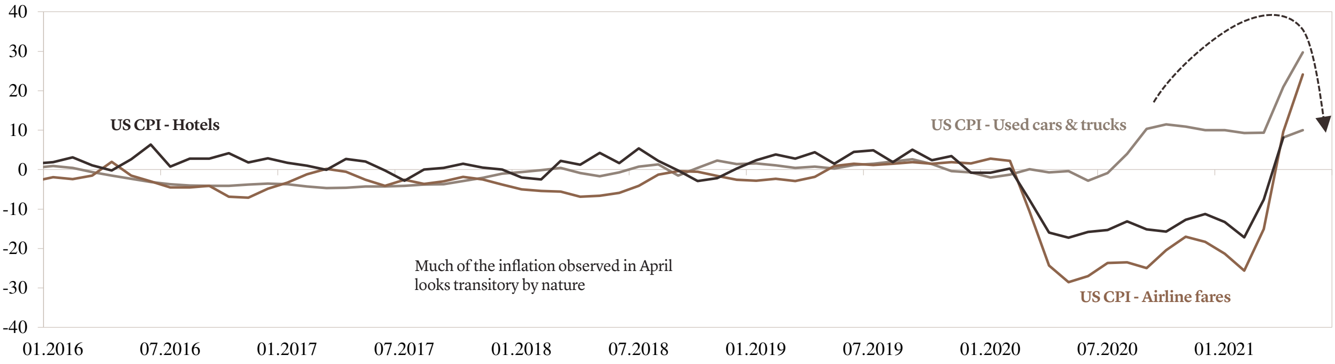
That said, and despite what we believe to be a strong base case scenario, it is always important to reflect on how the situation may come to evolve differently – towards sustained high inflation. While base price effects and supply chain disruptions are, by definition, not lasting, generalised worker shortages in the context of a rapidly tightening labour market, combined with excess demand backed by strong monetary and fiscal stimulus, could have an altogether different effect. If companies, encouraged by the strong growth backdrop, pass on their higher wage costs to consumers, a wage-price spiral could be set into motion. In turn, this could lead to rising inflation expectations across the economy – potentially boosted by the Fed's commitment to allow inflation to "overshoot" for some time. And while central banks have in the past proved able to bring inflation under control by tightening policy, this is not always a smooth ride – likely to prove even harder if inflation expectations get de-anchored.

For now, however, continued progress on both the vaccination and reopening fronts confirms our outlook for strong 2021-2022 growth in most major economies, with inflation normalising but not shifting to a permanently higher regime. The persistence of policy support secures the recovery and should prevent a major relapse – absent of course an unexpected external shock.

*Samy Chaar, Chief Economist*

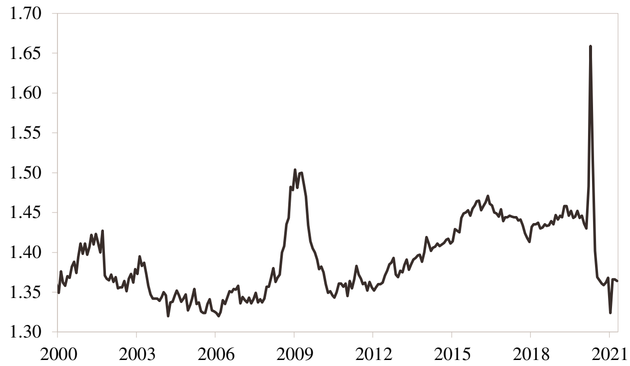
5. **Selected components of the US CPI**

Used car prices, hotel rates and airfares (in % YoY)




Sources: Bloomberg, BLS, Lombard Odier

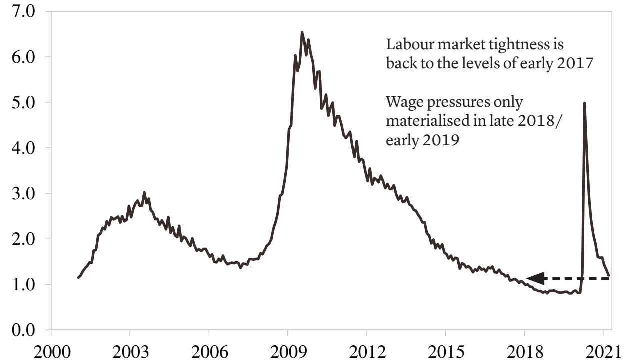
6. US inventories to sales ratio




Sources: Bloomberg, Lombard Odier

7. US labour market: unemployed workers (supply) per job openings (demand) ratio

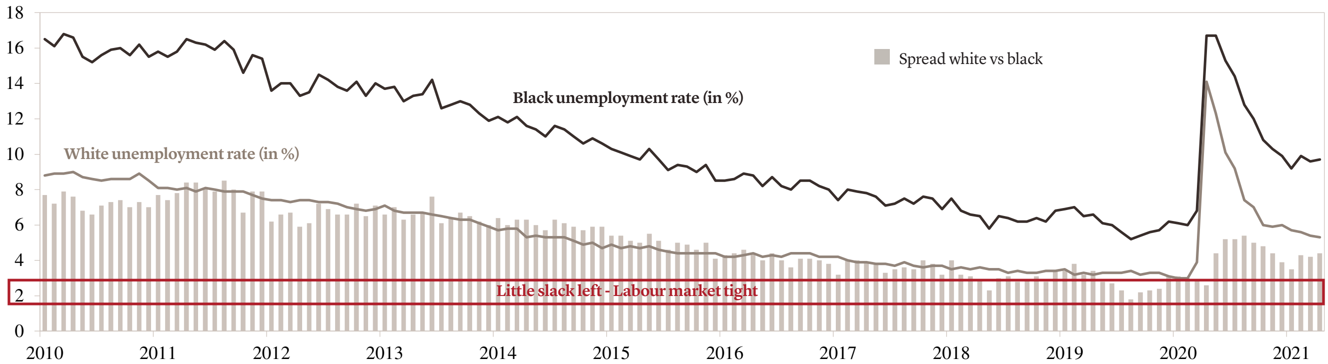
In %




Sources: Bloomberg, Lombard Odier

8. Judging by the spread between black and white unemployment...

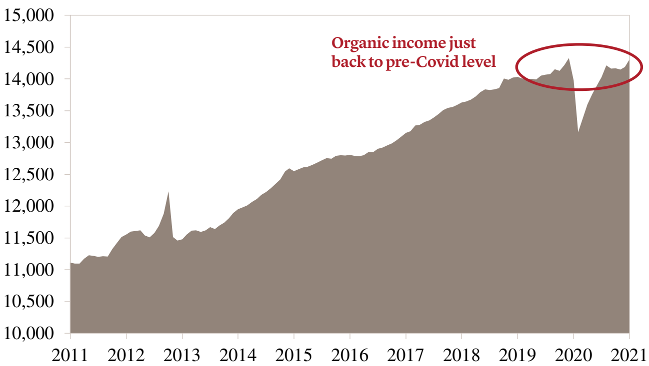
... the US economy is not where the Fed would like it to be




Sources: Bloomberg, Lombard Odier

9. US disposable personal income - excluding government transfer receipts

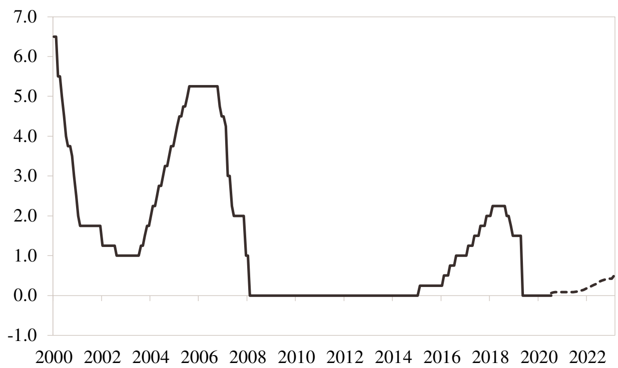
In USD billion




Sources: Bloomberg, Lombard Odier

10. Fed policy rate (lower bound) vs Fed funds futures

In %




Sources: Bloomberg, Lombard Odier

## On the road to net zero in 2050!

Have you seen the International Energy Agency's (IEA) new report on how we can all achieve net zero emissions in 2050 (Net Zero by 2050: A Roadmap for the Global Energy Sector)? It is both a sobering and an inspiring read. Sobering because the world has never tried anything like this before, meaning the wholesale transformation of how we do pretty much everything. While clearly a challenge of epic proportions, the inspirational part is that it is indeed achievable.

The total annual energy investments needed to reach our net-zero goal are estimated at USD 5 trillion. That is a large number – it represents 5.7% of global GDP (nominal USD, 2020). But we should also know that the world currently allocates 6.5% of global GDP to subsidising fossil fuel production and distribution. So, by redirecting much of that spending, most of the net-zero investment need could be met. The sooner the world stops supporting the fossil sector, the faster we will travel on our road to net zero.

Net zero basically means a full fossil fuel phase-out. The use of fossil fuel needs to fall from nearly 80% of total energy supply today to around 20% by 2050. Those remaining 20% will be used in goods where the carbon is embodied in the product such as plastics, and in sectors where low-emission technology options are scarce.

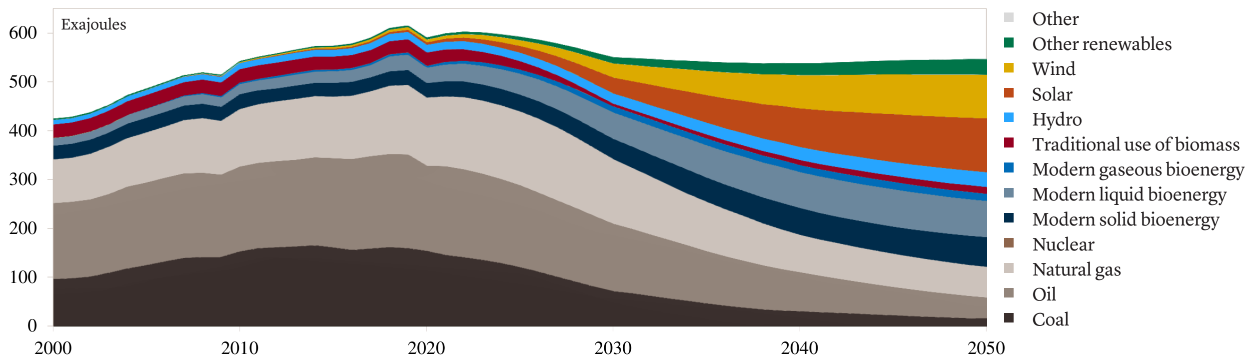
This can only mean that there will be, at some point, a more severe repricing of fossil-related assets than what we have seen so far. Simultaneously, the investment case in favour of renewable energy is gaining strength. Energy efficiency, coupled with wind and solar energy, will provide, according to the IEA, around half of emissions savings until 2030.

The report calls for annual additions of solar photovoltaic at a pace four times the record level set in 2020. This is equivalent to installing the world's current largest solar park roughly every day. Energy efficiency improvements need to average 4% per annum through 2030 – about three times the average over the past two decades. This we know is possible because most of the global reductions in CO2 emissions between now and 2030 come from technologies readily available today.

Let us not forget that we all have a role to play in this transformation. The IEA reckons that 10% of the CO2 reductions will be the result of behavioural change. By 2035, there needs to be no further sales of new internal combustion engine passenger cars. So, off we go, on our bikes, on the road to net zero!

*Marie Owens Thomsen, Head of Global Trends and Sustainability*

11. Total energy supply in the Net-Zero Emissions Scenario




Source: IEA (2021) "Net Zero by 2050 – A Roadmap for the Global Energy Sector". All rights reserved.

# United States
## An ongoing fiscal revolution

### In a nutshell

- The US economy posted impressive growth in the 1st quarter and, with the vaccination campaign gaining speed, prospects for the rest of 2021 look bright.
- The proposed USD 4 trillion infrastructure plan heralds a fiscal revolution: rather than providing (deficit-aggravating) immediate demand support, the Biden administration is intent on revamping the supply-side over the long run...
- ... financed by higher taxation of corporates, high-income households and multinationals.

At 6.4%, 1st quarter US GDP (annualised) growth outdid expectations, leading us to nudge up our already constructive 2021 forecast (see chart 12). Beyond reflecting an early reopening and potent stimulus, this pace of growth also confirms that the US economy managed to adapt to restrictions much better than in the initial stage of the pandemic. With vaccination having accelerated significantly, the rest of the year continues to look bright.

After successfully securing passage of its USD 1.9 trillion American Rescue Plan in March – an emergency income and demand support scheme –, the Biden administration has set in motion the process for a large-scale USD 4 trillion physical (American Jobs Plan) and social (American Families Plan) infrastructure plan – a supply-side productive investment scheme.

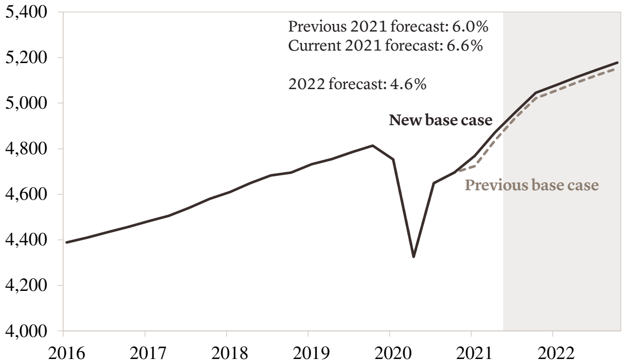
This plan is ambitious and targets an area of chronic under-investment. A couple of key differences versus the relief packages that preceded it are worth noting. First, the time horizon is much longer. In contrast to the immediate issuance of relief cheques, infrastructure spending is to take place over a decade, with very little happening in the first couple of years – gradual fund disbursements also lessen the risk of "overheating". And, unlike Covid relief, infrastructure spending is intended to be tax-financed, rather than the result of deficit spending. The key measures proposed are an increase in the corporate tax rate (or, alternatively, a new tax floor) and in the top marginal income tax rate, partly reversing the Trump cuts (see chart 13), as well as greater imposition of US multinationals' foreign income, via a 15% global minimum tax rate – for which a deal was struck at the June G7 finance ministers' meeting and should be finalised at a G20 meeting in July.

Our general assessment of such unprecedentedly persistent fiscal support in the US – mainly not to repeat the perceived mistake of having rushed back into austerity after the Great Financial Crisis – is that the economic benefits (on investment, jobs, Medicare, education, income, demand and productivity) would largely outweigh the costs. And, although this is only the opening bid in a complex legislative process, we believe that Democrat support and the Biden administration's determination mean that a version not that different to what has been proposed should become law, probably in the final quarter of this year.

*Samy Chaar, Chief Economist*

12. Quarterly US GDP

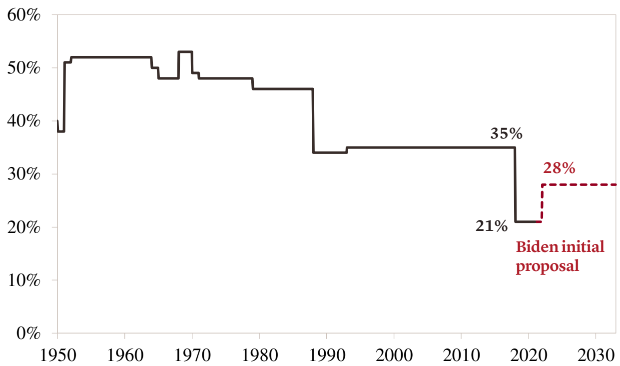
In USD billion




Sources: BEA, Eurostat, Lombard Odier

13. US corporate tax rate in a historical context

Statutory corporate tax




Sources: IRS SOI Tax stats - historical table 24, Bloomberg, Lombard Odier

# Europe
## Tailwinds ahead

### In a nutshell

- Europe finally seems to be coming out of the pandemic tunnel, with unusually strong growth to be expected in the coming quarters.
- The Recovery Fund is about to become operational, marking a paradigm change on the fiscal front and promising key support (with the associated structural reforms) to southern European economies.
- Instead of being the usual source of risk, near-term political developments should prove rather supportive.

The period since early 2020 been tough across Europe, with multiple Covid waves, severe lockdowns that caused a double-dip recession and a slow start to the vaccination campaign. But most headwinds are now reversing, such that unusually strong growth can be expected in the coming quarters.

The shortage of doses that was holding back vaccination deployment was resolved in the 2nd quarter, enabling the pace to pick up notably – and making achievable the goal of having 70% of the European Union (EU) population vaccinated (with at least one dose) by the end of the summer.

With the pandemic also increasingly under control, economic reopening – including even cross-border travel – is underway. On our forecast, the euro area will be approaching its pre-Covid level of output around the end of this year (see chart 14).

What is more, alongside the European Central Bank's (ECB) emergency purchases that will continue to run until (at least) early 2022, a paradigm change on the fiscal front is about to materialise. Despite some fears, the process towards making the Recovery Fund operational (see chart 15) has broadly followed the original timeline, with all countries having now approved the Own Resources Directive and the European Commission starting to raise the required debt in June. As discussed previously, the Recovery Fund will provide substantial support in the years to come particularly to southern European economies hard hit by the pandemic. Crucially, it breaks new ground by establishing a central EU fiscal capacity to deal effectively with a macroeconomic shock.

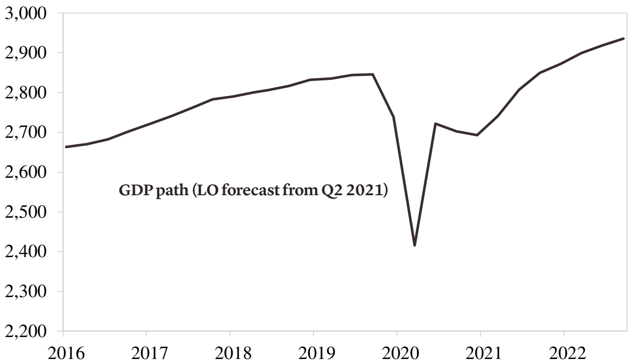
And while politics are often a source of risk for the euro area, the near-term picture looks rather positive. The rising power in Germany is the pro-European Green Party, supportive of a more expansionary fiscal stance. Leading a government may still be a long shot for the Greens, but they should at least be part of the next coalition – thereby influencing both the public debate and policy. The (for now remote) prospect of establishing the Recovery Fund as a permanent feature would be a remarkable development.

In Italy, the national unity government led by Mario Draghi has certainly taken the reforms on which Recovery Fund disbursements are conditional extremely seriously. Despite the strong support it presently enjoys, the life of this government is limited though, meaning that implementation risks will likely rise when it comes to an end – at the latest in 2023, but possibly with next year's presidential election.

*Bill Papadakis, Macro Strategist*

**14. Euro area likely to recover its pre-Covid output level by late 2021**

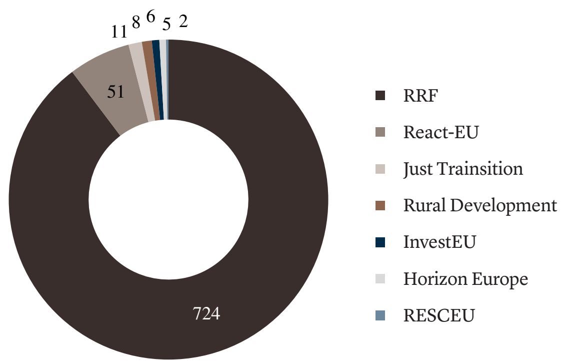
Euro area real GDP, quarterly (in EUR billion)




Sources: Eurostat, Oxford Economics, Lombard Odier calculations

**15. NextGenEU facility about to become operational**

Breakdown of programmes by size (in EUR billion)




Sources: European Commission, Lombard Odier

## Breakdown of EU-Switzerland negotiations

On 26 May, the Swiss Federal Council decided to end talks with the EU on a framework agreement that would cover all aspects of the bilateral economic relations. The treaty, a result of multi-year negotiations, would have replaced the 120 sector-based agreements dating since the 1970s that presently govern the Swiss-EU relationship.

While this long list of bilateral agreements has served the relationship fairly well, it poses a couple of key challenges. First, with the passage of time and the evolution of economies, many agreements require frequent updating – an arduous and inefficient process. Second, and perhaps more critical, is the prevailing perception in Brussels that this type of arrangement was a mistake – a fact that became evident during the Brexit negotiations. The EU strongly favours a single overarching agreement that would govern the entire relationship and dynamically adjust over time. This was the objective in negotiating a framework agreement, or "accord-cadre" – but Swiss concerns regarding the loss of sovereignty it could imply have now put an end to this approach.

In a key difference with Brexit, the existing agreements will remain in place: Switzerland has decided against a new agreement, not in favour of terminating any old ones. This is a crucial aspect, which limits the economic damage this decision can cause. Still, if the EU remains unwilling to negotiate new sectoral agreements and the existing ones are allowed to erode over time, the export-oriented Swiss economy will likely suffer some loss in competitiveness. One such example is the recent loss of access to the EU internal market for medical devices produced in Switzerland, a direct consequence of the Federal Council's decision.

Given the high degree of economic interconnection between Switzerland and the EU (roughly 50% of Swiss exports go to the EU), if more sectors face similar consequences, the drag to growth could become meaningful over time. But we think the immediate impact is likely to remain contained to specific sectors and relatively small in size. And, given the Swiss economy's proven resilience to even larger shocks (including the European debt crisis and the 2015 "Frankenshock"), we consider it unlikely that deteriorating trade relationships with the EU will turn into an issue of broad macroeconomic significance for Switzerland.

*Bill Papadakis, Macro Strategist*

# United Kingdom
## Reversal of fortune

### In a nutshell

- The UK's ongoing recovery should not be deeply impacted – nor called into question – by the "Indian variant".
- On the monetary policy front, the BoE has taken a first step towards changing its stance but could differ from its major peers by first shrinking its balance sheet, and then only raising rates.
- Non-pandemic risks warrant continued monitoring, namely EU trade relations, the Northern Ireland protocol and domestic political dynamics.

No major advanced economy has recently seen as sharp an improvement in its prospects as the UK (see charts 16 and 17). With the reopening now well underway, growth forecasts are being revised upwards and rates markets – that were previously considering the possibility of a Bank of England (BoE) move into negative territory– now see a hike as early as next March.

As regards concerns about the "Indian variant", studies so far indicate that the vaccines used in the UK are highly effective against it and recent infection spikes appear to concern primarily young and unvaccinated populations.

UK fiscal policy has been very supportive of both households and corporates since the onset of the pandemic, with furlough schemes in particular proving critical in preventing a sharp rise in unemployment. The recent extension of the Coronavirus Job Retention Scheme until September-end helps limits the risk of a cliff edge on this front.

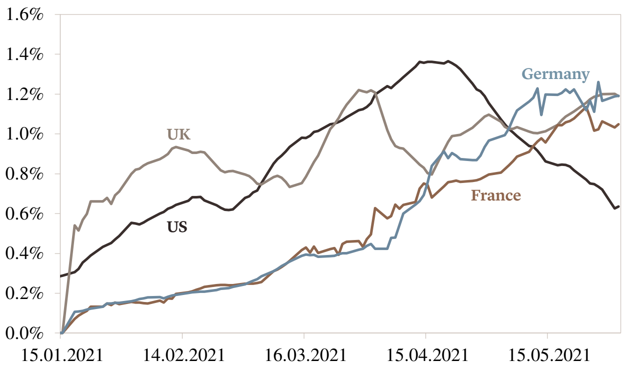
Similarly, monetary policy has been very effective in containing economic damage, through a number of measures including rate cuts, asset purchases and liquidity facilities. The BoE recently took a first step towards changing the direction of policy. It significantly upgraded its growth outlook (even projecting a rate hike by mid-2023) and slowed the pace of asset purchases (from GBP 4.4 bn to 3.4 bn per week). A key open question pertains to its preferred sequence of policy adjustment. It remains a distinct possibility that, unlike all other major central banks, the size of the BoE's balance sheet will be scaled back before the policy rate is hiked.

Apart from the post-pandemic economic recovery and concomitant policy adjustments, a number of other medium-term issues should continue to be monitored with respect to the UK's economic outlook. The "skinny" deal signed with the EU at the end of 2020 has resulted in significantly looser relationships for the UK with its biggest trade partner, which have started to bite into services exports. The ongoing dispute between the two sides on the Northern Ireland protocol is an additional area of friction. And finally, the UK's own domestic political dynamics, especially in the aftermath of the May 2021 Scottish election and renewed push for an independence referendum, may involve more risks down the road. While the near-term outlook will undoubtedly be dominated by the UK's sharp post-Covid recovery, market participants should keep a close eye on non-pandemic risks as well.

*Bill Papadakis, Macro Strategist*

16. Rapid vaccination roll-out in the UK has enabled an also rapid reopening

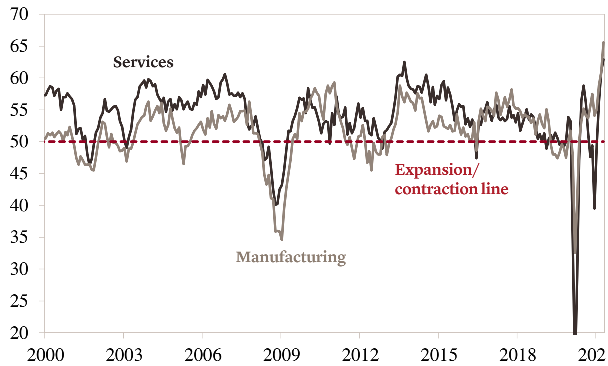
Number of does administered daily, as a % of the population




Sources: Bloomberg, Lombard Odier

17. Driving an extremely sharp economic recovery

UK PMI surveys




Sources: Markit, Bloomberg, Lombard Odier

# Japan
## Without Suga after fall?

### In a nutshell

- Japan's growth has been weighed down by the new Covid wave but will rebound in the 2nd half, as vaccination accelerates and the economy reopens.
- Amid mounting public disapproval, Prime Minister Suga faces the genuine risk of an abrupt end to his premiership this fall – before or after the lower house election.
- US policy will matter more to the Japanese economy over the next months, as the Suga cabinet prepares for a tricky election and the BoJ remains in hibernation.

Japan has somewhat disappointed year-to-date. Two large waves of Covid infections and a slow vaccine roll-out forced the Suga cabinet to resort to social distancing measures, leading to an outright GDP contraction in the 1st quarter. With emergency measures recently extended to mid-June, Japan could experience a mediocre 2nd quarter rebound, as well as significant disruptions in its summer Tokyo Olympics.

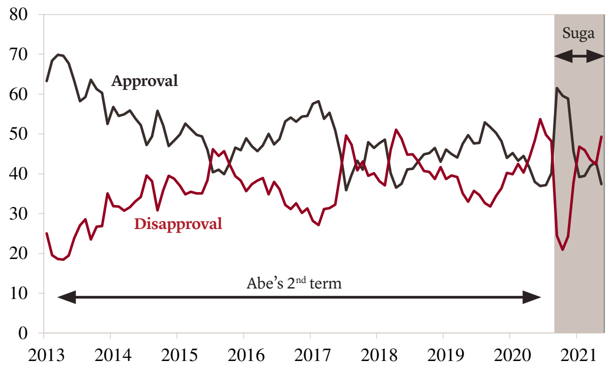
Despite these setbacks, we still expect 3% full-year GDP growth. Similar to its industrialised peers, the Japanese vaccination campaign is progressing rapidly after a period of trial-and-error by national and municipal authorities. More than 10 million inhabitants (ca. 8% of the population) have received at least one dose, and the daily vaccination rate now exceeds that of the US. Assuming Japan can keep up with the current pace of vaccination and the infection rate continues to fall, it could soon move towards full economic reopening and achieve near 7% (annualised) growth in the 2nd half.

Whether or not such a rebound can help the Prime Minister and his coalition is an open question. Voters' disapproval of Suga's performance has been rising steadily this year (see chart 18), as they had to navigate through another episode of social distancing inconvenience while witnessing vaccination success stories elsewhere. The ruling coalition (Suga's Liberal Democratic Party and its partner Komeito) faces a pivotal lower house election to be held by 22 October, and recent opinion polls and by-election results suggest that its majority could shrink markedly. This creates a risk of a premature end to Suga's premiership before or after the election – potentially heralding the return of political intrigue and revolving premierships.

With political uncertainty on the rise, it is difficult to imagine Japan's policy elite producing major catalysts in the next months. After a year of meaningful fiscal stimulus, the cabinet could instead reduce support gradually. And the Bank of Japan (BoJ) is unlikely to introduce another major dovish shock, with public borrowing above 10% of GDP and the economic recovery set to accelerate. In fact, the BoJ is already cutting its financial market interventions (see chart 19), meaning that the yield curve target will be its primary tool – which in effect amplifies the (positive or negative) impact of US policy.

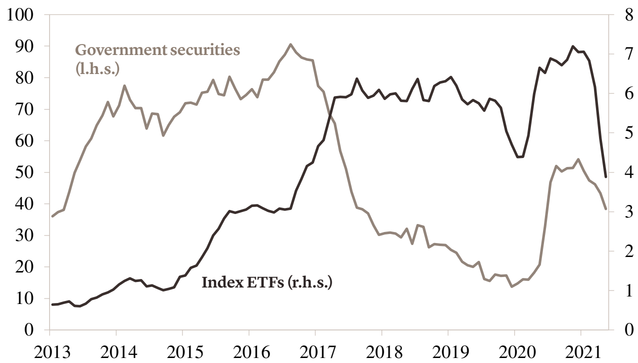
*Homin Lee, Macro Strategist – Asia*

18. Suga faces the risk of a premature end to his premiership
Approval ratings for the Japanese cabinet




Sources: Sasakawa Peace Foundation, Lombard Odier

19. The BoJ is already reducing its footprint in the markets
12-month change in BoJ holdings of securities (in JPY trillion)




Sources: CEIC, Lombard Odier

# China
## Long-term moves

### In a nutshell

- Confident in the near-term growth path, Chinese authorities continue to focus firmly on the country's systemic resilience in the face of key long-term strategic challenges.
- Recent macro-prudential tightening is beginning to produce the intended results – and should enhance policy legroom in the future.
- China's strategic competition against the US will remain a dominant geopolitical theme for the foreseeable future, but tensions should be carefully managed in the short term.

Having led the post-Covid recovery, China will soon begin to see its growth moderate. While strong activity indicators to date still support our 9.0% full-year growth forecast, the pace will slow to 5.5-6.0% in the 2nd half of 2021 with inventory build, merchandise exports and real estate investments set to gradually fall back to normal.

We note, however, that high 5% growth is well above the 4.8% required for the doubling of the Chinese economy through 2035, the new de facto longer-term target that stemmed from last year's Chinese Communist Party's fifth plenum. This suggests that authorities will not be bothered by the likely moderation in growth. In fact, the effective containment of the pandemic and rapidly accelerating vaccinations (see chart 20) will underpin their confidence as to the stability of China's near-term growth path.

As such, the focus of economic policy has already moved on to long-term challenges. As a follow-up to the latest 5-year plan, policymakers have raised China's unusually low retirement ages, loosened the well-known fertility restrictions and resumed inter-agency discussions on property tax adoption. Plans have also been steadily churned out to meet President Xi's 2030 carbon peak and 2060 carbon neutrality pledges. And regulations on large tech platforms have been strengthened significantly, to reassert the government's control over data use and the digital ecosystem.

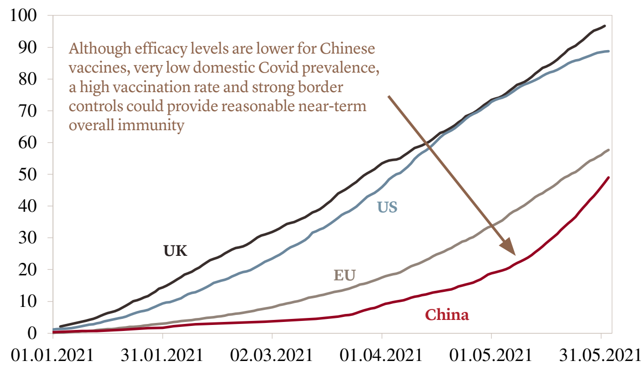
Macro-prudential tightening has been a key part of this overall policy shift. In addition to ending emergency fiscal measures, authorities have introduced tougher mortgage lending restrictions and cut off credit access to highly indebted property developers. The implicit state guarantee has been either removed or softened for more vulnerable state-owned enterprises, with one of the large bad debt managers facing the real prospect of debt self-destructing after the arrest and execution of its former chairman. These actions have proved effective in slowing credit growth (see chart 21).

On the geopolitical front, the Biden administration's hawkish posture on China has reinforced the outlook for a prolonged strategic competition between the two countries. Still, we do find rather encouraging hints in the US' reluctance to re-escalate trade-related disputes, as well as China's apparent rethinking of its diplomatic approach.

*Homin Lee, Macro Strategist – Asia*

20. Vaccinations are accelerating

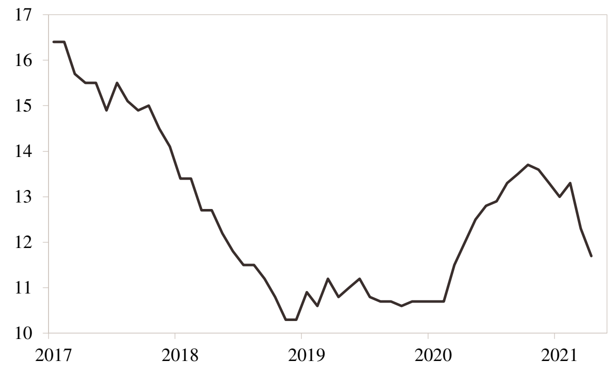
Vaccine doses administered per 100 inhabitants




Sources: Our World in Data, Lombard Odier

21. Credit growth is decelerating due to tighter policy

Aggregate financing of the real economy (in % YoY)




Sources: Bloomberg, Lombard Odier

# Emerging Markets
## Slower to come out of the pandemic

### In a nutshell

- Emerging markets are getting the short end of the vaccine stick: lesser access and not to the best ones.
- Mounting debt make public spending more challenging this year, particularly in countries such as Brazil, Colombia and South Africa.
- Brazil and Russia have started to hike rates – with Hungary, Poland or Mexico possibly to follow – but conditions should not turn restrictive this year, whilst global trade, commodity prices and a potential resumption of tourism support the economic outlook.

As of May end, Latin America continues to suffer a high Covid incidence, notably in Brazil, Colombia, Chile and Argentina. Turkey is just coming out of an impressive second wave. And while India's situation finally seems to be easing, underreporting of cases means that the extent of the tragedy will only truly be known over time.

The health situation is weighing on confidence and slowing the pace of reopening – as well as raising questions as to the efficacy of some vaccines. Chile, for instance, is struggling with a high caseload despite vaccination deployment on par with the US or UK. Not all vaccines are equal and, as is sadly often the case, emerging countries are not getting the best ones. Moreover, vaccine export restrictions will affect some countries, particularly in South Asia and Africa.

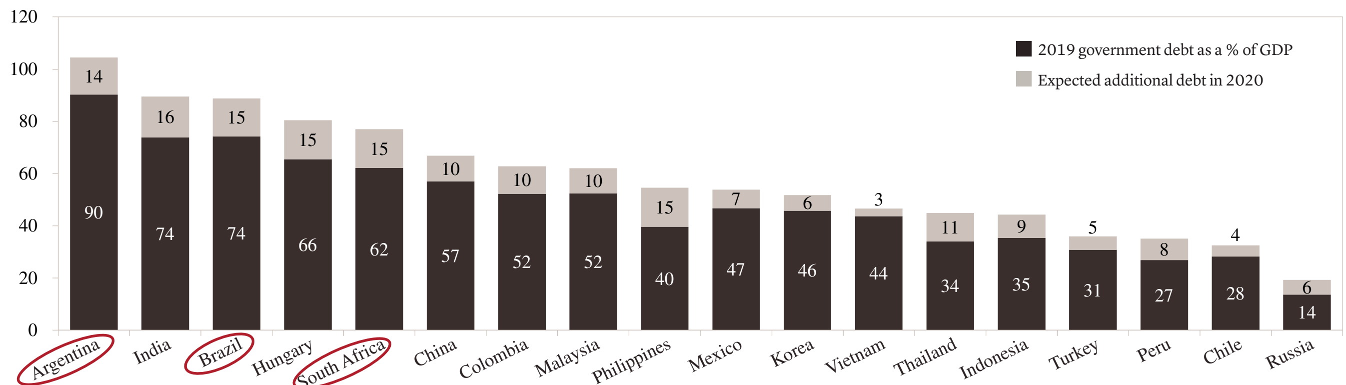
To soften the blow, further spending is needed. But while last year's support packages were widely tolerated, the plan for 2021 is to consolidate finances. Indeed, as in developed markets, 2020 saw emerging public sector debt pile up – albeit to various degrees, and from different starting points (see chart 22). It is far more challenging for the Brazilian, Colombian or South African governments to spend without risking a loss of confidence and higher borrowing costs than, say, for Russia or Chile. Going forward, fiscal credentials will remain a key source of differentiation.

Turning to monetary policy, tightening is underway in some countries, such as Brazil and Russia. Brazilian rates have been hiked twice to 3.5%, with normalisation to continue amid rising prices and fiscal risks. A swift reaction that should eventually succeed in containing inflation. As for the Russian central bank, it upheld its credibility by lifting its key rate to 5% in the face of inflationary pressure. The further 50 bp expected by year-end should provide a buffer to sovereign bondholders worried about US sanctions.

Other countries might follow suit, like Hungary and, maybe, Poland or Mexico. But with price pressures in part due to base effects, the pandemic not over and the starting point for rates historically low, we do not expect financial conditions to turn outright restrictive this year. Emerging markets (EM) will also benefit from healthy current account balances as well as rebounding global trade, surging commodity prices and the possibility of tourism restarting.

*Stéphanie de Torquat, Macro Strategist*

22. Public sector debt disparities within the emerging complex are significant...
... with different starting points and amplitude




Sources: DataStream, Oxford Economics government debt data, IMF data for China and India, Lombard Odier calculations

# Asset Allocation
# Stay invested: growth recovery and reflation favour risk assets

Much has happened since our last publication at the turn of the year. The new US administration has cemented its ambitions with regards to public spending, both Covid- and physical/human infrastructure-related. Global economic activity has continued to recover amid significant ramp-up of vaccination, although major divergences remain across the globe. In turn, companies have benefitted, leading to a sequence of outstanding earnings reports.

In this reflationary environment, market behaviour overall has been in line with our expectations. Interest rates moved up across developed and emerging economies, pressuring fixed rate instruments, while equities enjoyed a strong 1st half of year. Credit was well-supported by the strong macro and investor demand, offsetting the impact from higher rates. Commodities, benefiting from a combo of positive supply and demand dynamics, have been in the limelight (see chart 23, page 16).

Looking forward, vaccine rollout is accelerating and the end of lockdowns in the US and Europe should be conducive to strong growth during the next months, with central banks expected to remain on the sidelines for the time being as they seek more clarity on the outlook before withdrawing their accommodative measures.

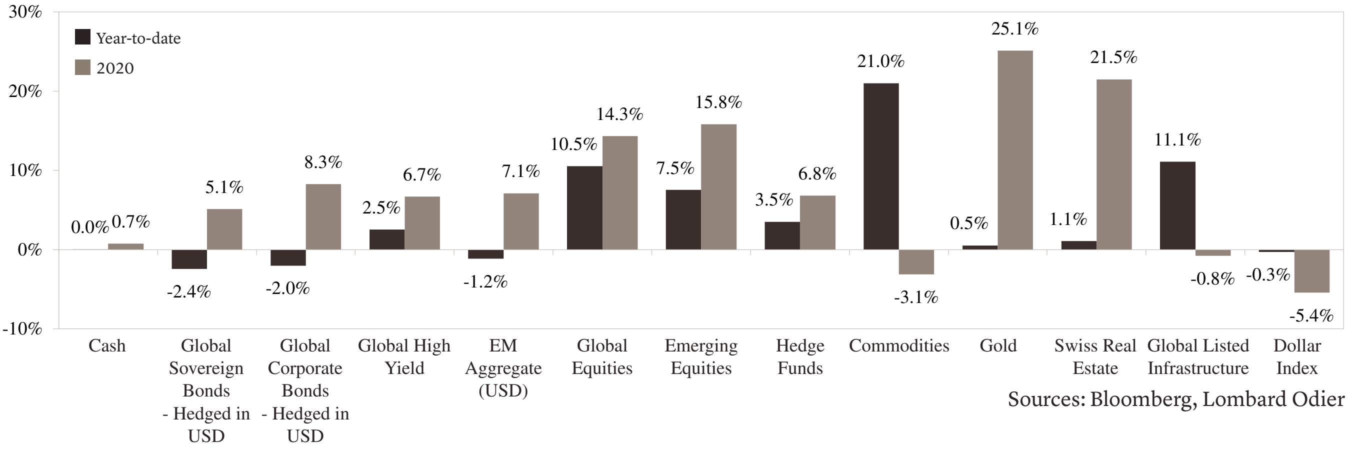
As such, our pro-risk positioning remains valid. We continue to advocate staying invested, favouring equities and alternatives at the expense of cash and fixed income, while fine-tuning exposure within asset classes towards those areas more exposed to the unfolding cyclical recovery.

Starting with global equities, we view their strong performance to date as a reflection of the impressive recovery in earnings and expect the backdrop to remain supportive, with earnings growth doing the heavy lifting and valuation multiples broadly unchanged (see chart 24, page 16). While a correction cannot be ruled out as the rate of growth peaks in the summer, the equity risk premium remains attractive (see chart 25, page 16). The 1st quarter earnings season confirmed the strong momentum at work, and our equity targets have been revised higher as a result. We would thus see any potential correction as an opportunity to add to equity risk. In the meantime, we continue to position our equity portfolios in stocks, sectors and regions that are more likely to benefit from the unfolding reflationary environment. Most recently, we initiated a long position in global value stocks while reducing our US and Swiss exposures, which we see as more challenged by their higher valuation multiples. This value position builds on portfolio moves made during the 1st half, where we added to global small caps and EM ex China, as well as earlier recommendations on financials, materials and energy at the sector level.

Turning to fixed income, we continue to focus on carry strategies in order to generate attractive risk-adjusted returns. High grade and sovereign bonds, in particular, offer low yields compared with other assets and with their own history. A sharp upward repricing in (nominal) interest rates did occur in the earlier part of this year, but from generational lows – and the move has since stalled with markets awaiting further clarity on central banks’ reaction function. The overall level of yields thus remains unappealing and subject to further normalisation. We expect the US 10-year Treasury yield to continue repricing higher towards 2% during the remainder of the year. Were inflation to surprise enough to lead the market to completely price in a shift back to the 1998-2014 regime, the US 10-year rate could move up further. In addition, indications of a Fed policy change will likely trigger another rise in global rates,

## 23. Total return by asset class

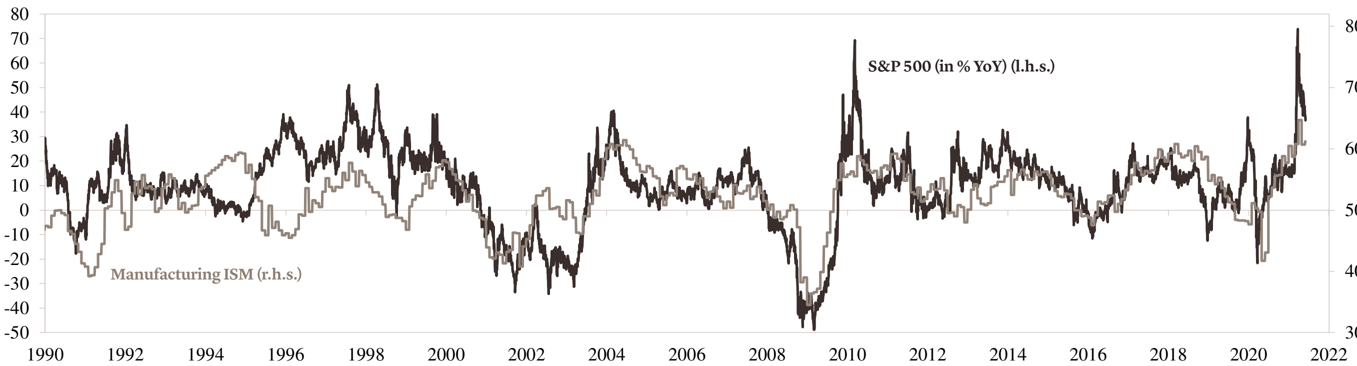
Year-to-date vs 2020




Sources: Bloomberg, Lombard Odier

## 24. The improvement in macro sentiment has been a key driver of equity performance

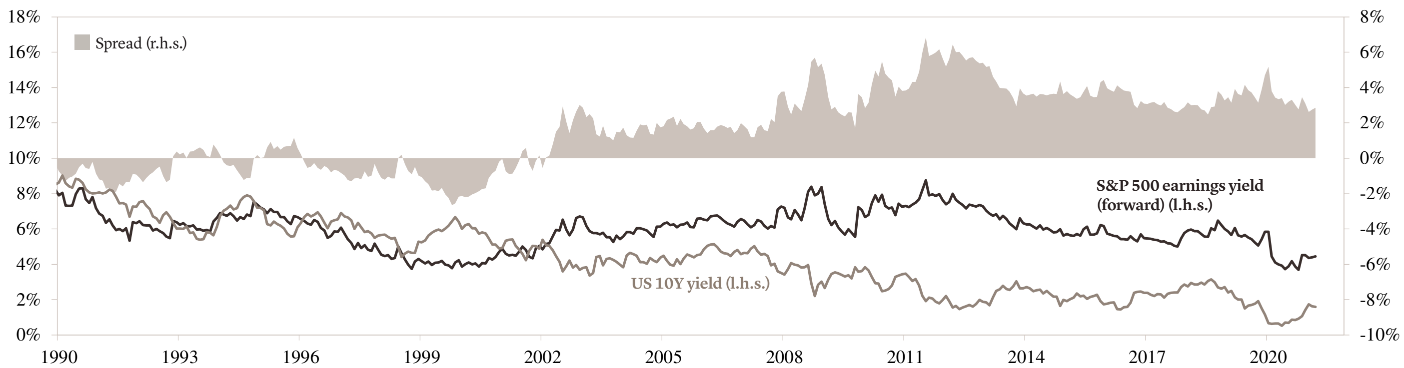
As ISM indices moderate so should equity returns




Sources: Bloomberg, Lombard Odier calculations

## 25. Equities still attractive, with a 2.9% risk premium over bonds in the US

Assuming a 2% 10-year yield, the equity risk premium would still be close to the long-term average




Sources: Bloomberg, Lombard Odier calculations

driven by US real rates, which should validate our underweight position in both rates and gold.

From a portfolio construction standpoint, the focus on inflation can have a meaningful impact as it involves bond-equity correlations flipping from positive to negative, which means reduced diversification benefits from holding bonds – thus implies lower bond allocations. The correlation between bond yields and equities, which had been running strongly positive for the better part of the last two decades, has been falling since August last year and turned negative in February (see chart 26).

In this context, we strongly prefer Chinese government bonds, which have already priced in a complete recovery and some monetary policy normalisation, to developed market (DM) bonds. Our portfolio positioning reflects this view with a lower than benchmark interest rate duration, particularly in DM.

The combination of strong economic growth, the earnings recovery and easy financial conditions has led to a continued tightening of credit spreads, with DM corporate spreads close to all-time lows despite elevated equity and macro volatility. Central bank support has helped drive this particularly strong and fast move, especially the ECB's ongoing pandemic emergency purchase programme (PEPP). While it is difficult to be overly negative on the segment, given our expectation that the key drivers will remain broadly supportive, we see little room for further spread compression, outside of the EM hard currency segment which we favour in relative terms. Rising rates will meet still strong income-seeking demand, but the market may get increasingly nervous about tapering. Given also rich valuations, we maintain a widening spread bias in our forecasts.

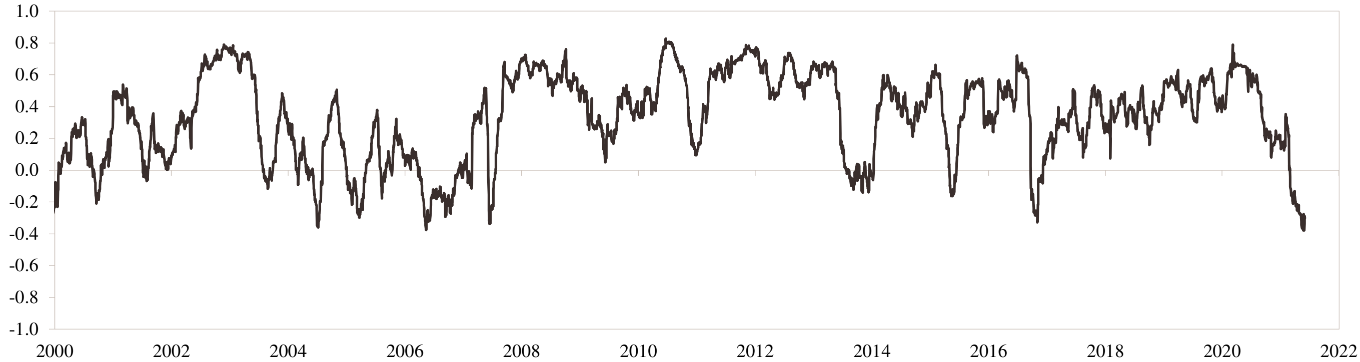
In currencies, our base case scenario is conducive to a return of broader dollar weakness, with the global recovery likely to weigh on the greenback and any rise in US yields liable to only slow the move. We see European currencies as the potential prime beneficiaries, while the EM story remains more nuanced outside of the RMB, still our favoured weak-USD expression.

Finally, attractive opportunities may exist for investors with the appropriate risk appetite and liquidity buffers to invest in real assets. Putting capital to work in non-listed companies can help participate in themes likely to transform the global economy, while improving portfolio resilience. Along similar lines, infrastructure assets are poised to benefit from ambitious fiscal spending plans, linked notably to green initiatives to aid the economic transition towards more sustainable ways of production and transportation. In real estate markets, while changing commuting and working patterns are likely to impact demand for commercial property in the foreseeable future, re-pricing opportunities exist in certain segments hard hit by the pandemic.

*Christian Abuide, Head of Asset Allocation*
*Sophie Chardon, Cross-Asset Strategist*

26. **Equity-bond yield correlations have fallen significantly, reducing the diversification benefits of holding government bonds in multi-asset portfolios**

Correlation between the US 10-year Treasury yield and S&P 500 index (daily changes over a 3-month window)




Sources: Bloomberg, Lombard Odier calculations

## Possible challenges to our base case scenario

The recent resurgence in infections across parts of Asia is a reminder that the journey out of Covid will not be linear. Still, with vaccination roll-out gathering pace, the market narrative seems to have shifted over recent months from a focus on growth uncertainties to one on inflation – indeed the potential for an inflation overshoot.

As economies reopen more aggressively during the summer, and the growth momentum comes to peak, we could see renewed focus on "overheating" fears. As such, that might be when real yields rise and risk assets face a setback. Although our central expectation is that the acceleration in consumer prices over the summer will only be temporary, the risks of higher inflation have clearly shifted to the upside, particularly in the US. A persistent overshoot of inflation into the 3-4% range would elicit a strong response from the Fed that would hit global financial markets and a number of emerging economies hard, with negative implications for equities and credit.

Although economists were widely expecting higher inflation over the coming months because of base effects, a series of data releases pointing to a larger-than-anticipated rise did the trick (e.g. the US CPI report came in at +5.0% in May, the strongest rate in over a decade). We think this may be an overreaction, with our base case scenario seeing core inflation roll over and come back towards the Fed's target around the end of the year because of three main factors: the current source of inflationary pressures is concentrated in reopening-sensitive sectors, there is limited international spillover, and the output/employment gaps that must be filled before sustained wage inflation can be expected remains large.

In the case of a self-sustained price surge, fuelled by a buoyant labour market eventually leading to a change in inflation regime, the Fed's reaction will be key to determine the prevailing rate environment – always a major driver for financial markets in general and asset allocation in particular.

In such a risk scenario, we would recommend cutting duration in fixed income pockets even more markedly, while floating rates notes and steepener positions should be favoured.

Equity markets might suffer initially, but history shows that this asset class outperforms bond markets under such circumstances. Differentiation would become even more relevant, with focus warranted on the value and cyclical regions/sectors/stocks, as well as on companies with pricing power.

So long as the Fed proves reluctant to push back against inflation, the dollar should weaken further.

Within alternatives, we identify industrial metals, infrastructure and real estate as the best partial hedges against a scenario of inflation overshoot.

*Christian Abuide, Head of Asset Allocation*
*Sophie Chardon, Cross-Asset Strategist*

# Fixed Income
## Playing for carry: credit still favoured over government bonds

### In a nutshell

- We expect US and German 10-year yields to rise gradually over the next year, as the economic recovery gathers pace and central banks bring asset purchase tapering to the table.
- Credit should continue to be supported by the strong macro backdrop and income-seeking investments, but we see little room for further spread compression from current levels.
- DM government and high-grade credit thus look unappealing, and we see more attractive carry opportunities in RMB-denominated debt, high yield and EM debt in hard currency.

After a strong run-up during the 1st quarter, the US 10-year Treasury yield has since settled in a 1.50-1.70 range. Its recent stability does, however, hide some interesting dynamics, with inflation expectations having reached multi-year highs and real rates back close to historical lows. This might reflect the Fed's new monetary policy framework but, as the recovery gains traction, it is very likely that the US central bank's stance will evolve, starting with gradual reductions to its asset purchases – which we expect to take place next year.

Our base case scenario indeed involves the unfolding economic rebound gathering pace and breadth, and thus sees 10-year government bond yields gradually rise further. We have a 2.25% target for the US 10-year Treasury by mid-2022 (see chart 27). The implication for high-grade bonds is that, with yields still low, spreads tight and the path of least resistance to the upside, we continue to view both the government and the corporate segments as unappealing and remain underweight.

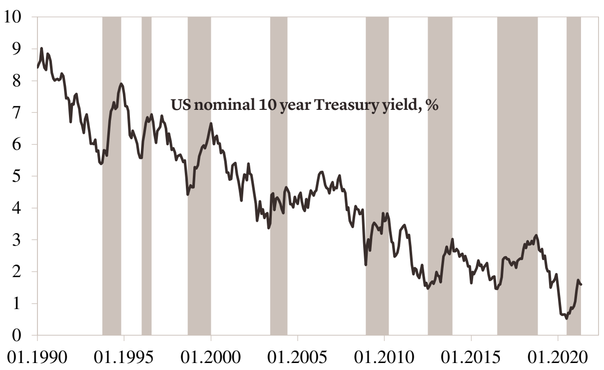
That said, we consider Chinese government bonds to be an attractive exception in this space. With higher starting yields, supportive flows due to the internationalisation of the market and a constructive fundamental view on the RMB, we continue to favour them as a high-quality portfolio diversifier and have further upped our allocation during the 1st half of 2021.

Central bank support has enabled a particularly strong and fast recovery of DM credit, and spreads have continued to tighten since the beginning of the year. While the asset class remains well supported by the strong macro backdrop, improving credit quality and income-seeking investments, we see limited room for further spread compression from current levels, particularly in the investment grade space (see chart 28). EM credit appears more attractive, having suffered the headwinds of higher US rates, a strong USD and the lingering Covid-19 crisis. Given also spreads that are still somewhat elevated versus history, we maintain an overweight stance, with a preference for EM corporate bonds. These constitute, alongside high yield, the more attractive conduits to earn carry within our fixed income universe.

*Christian Abuide, Head of Asset Allocation*

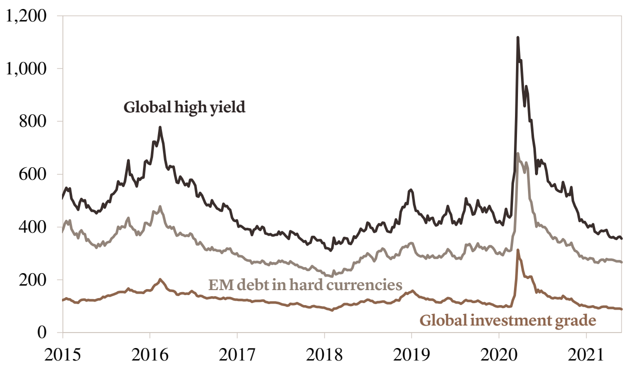
27. US 10-year yield typically bounces ca. 150 bps over a period of 15 months

So far they are up 100 bps over 10 months




Sources: Bloomberg, Lombard Odier calculations

28. Credit spreads have been resilient to the volatility in US Treasury yields




Sources: Bloomberg, Lombard Odier

# Equities
## Fundamentals still matter

### In a nutshell

- The recovery in activity and still loose monetary policy warrant higher one-year targets for the main equity indices.
- Earnings revisions should be the driver of relative performance.
- From a regional perspective, reopening and reflationary end-markets should continue to catch-up. In terms of style, we maintain our preference for both small-cap and value stocks.

Growing confidence in lockdowns ending, alongside the approval of massive government stimulus, drove a spike in the US 10-year yield during the 1st quarter – a clear paradigm change that caught equity investors off guard and led to more balanced market leadership, at least compared to last year.

The recovery in activity is very strong, and probably warrants modestly higher long-term yields. Still, earnings should be strong enough to reward equity investors with a premium approaching the 20-year average. Multiples remain elevated across markets (see chart 29) but, historically, high absolute valuations have been a poor predictor of near-term performance – contrary to earnings momentum. Our 2021 scenario bodes particularly well on the latter front (see chart 30), as buttressed also by the strong past couple of reporting seasons.

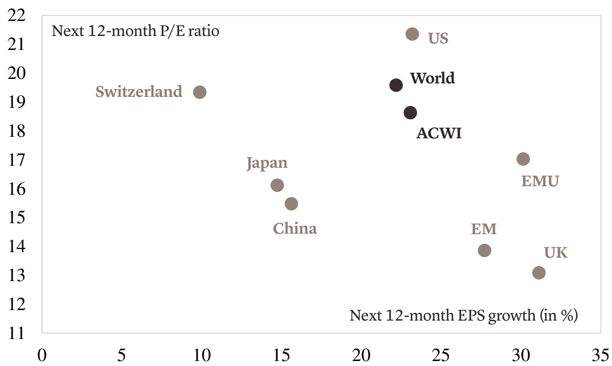
Even though we have upgraded some of our 12-month targets (S&P 500 to 4,500 and STOXX 600 to 480), equity returns inevitably stand to moderate as growth momentum peaks. On a 12-month horizon, we view the risk-reward as balanced, and would buy any correction. Pullbacks should be limited in duration and size, potentially serving as catalysts for the next up leg.

Our cautiously constructive view is consistent with a rise in yields and a pro-cyclical catch-up. Volatility is likely to stay and we recommend adding on weakness, especially to laggard regions and sectors. For these to outperform, though, a combination of supportive sentiment, higher yields and lower dollar is probably required.

In multi-asset portfolios, we have continued the transition initiated a year ago, increasing exposure to both small-cap and value stocks during the first part of 2021. Conversely, low-beta, growth-biased Chinese equities are likely to suffer from a more hawkish regulator eager to cool asset prices – explaining our decision to return them to a more neutral position. The strong macro momentum is supporting cyclicals, but the trade is now quite mature. This is less the case for the value segment of the market, where both earnings and valuations have room to catch up. Looking further out, towards the end of 2021 or early 2022 when policy support might start to be withdrawn, it is fair to assume that quality and growth stocks could come back into fashion.

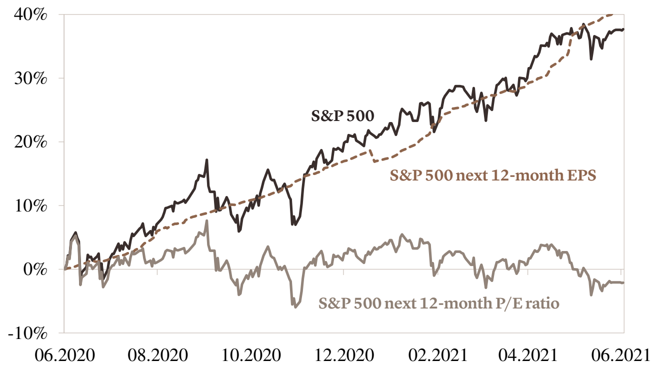
*Mathieu Bellamy, Head of Equity Strategy*

29. Absolute valuations are high, but some regions still offer good earnings growth while trading at a discount to the MSCI World index




Source: Datastream

30. Earnings revisions have been the sole driver of market performance for the past year and should continue so




Sources: Bloomberg, Lombard Odier calculations

# Forex
## EURUSD targets met, but upside risks remain

### In a nutshell

- The USD failed to garner much support in the 1st quarter, despite what can be considered a confluence of positive US-centric factors. This suggests that overvaluation remains a big drag.
- EURUSD is already close to our 1.22 year-end target. However, strong global growth for the remainder of 2021, a Fed willing to let inflation overshoot, and better news from the Eurozone suggest upside risks.
- USDRMB remains on track to reach our 6.22 year-end target. Recent PBOC actions will, at best, slow the move, given positive balance of payments fundamentals.

The USD failed to garner much support in the 1st quarter, despite what can be considered a confluence of positive US-centric factors. Further US fiscal stimulus, strong upside economic surprises and a sharp rise in US Treasury yields: yet EURUSD merely declined some 5%, with the move then swiftly reversed in the 2nd quarter. We believe the greenback's inability to recover reflects ongoing overvaluation. Going forward, strong global growth, a Fed willing to let inflation overshoot and reduced geopolitical risks under a Biden Presidency (see chart 31) suggest the USD will face ongoing depreciation pressure.

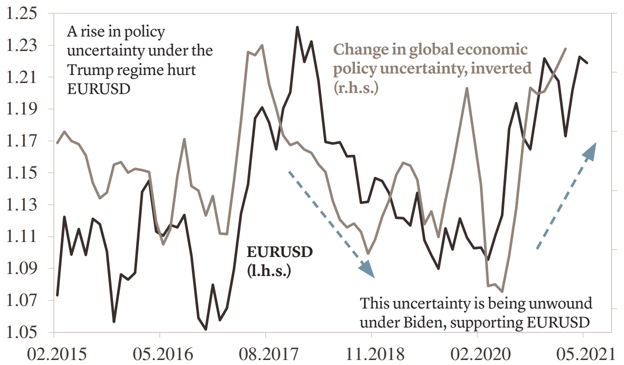
EURUSD has already reached our 1.22 year-end forecast, but further gains are increasingly plausible. Although the longer-term fair value remains around 1.20, history has seen deviations of up to 5-7%. With a global backdrop still bearish for the greenback, better news from the euro area on the pace of vaccination should help the EURUSD. It is worth noting that it rallied in the latter half of 2020 despite large net portfolio outflows from the euro area and corresponding sizeable inflows into the US. We believe this factor could turn from a headwind to a tailwind, also suggesting upside risks to EURUSD.

Elsewhere, we forecast EURCHF to grind higher towards 1.11 by year-end, supported by improved risk appetite and tentative signs of portfolio outflows from Swiss residents following years of a stubborn home bias. We believe much is already priced into Sterling, thus expect GBPUSD to edge back down to 1.40 and EURGBP up towards 0.88 by year-end – assuming the BoE refrains from hiking rates. As for the JPY, while it remains substantially undervalued and a growing trade balance is supportive, the gradual rise in US Treasury yields and tentative signs of increased merger and acquisition outflows from Japan reduce our conviction.

The RMB remains our top pick, with USDRMB on track to reach our 6.22 year-end target. Valuation is admittedly already at fair levels of near 6.35, but strong balance of payments pressures, attractive yields, a weaker USD and the potential for some de-escalation in Sino-US trade tensions suggests it can undershoot (see chart 32). The broader EM FX index – albeit heterogeneous – did, as forecast, make some gains during the 1st half of 2021. While this could continue, the environment may become more challenging towards year-end, as markets focus on the prospect of Fed tapering.

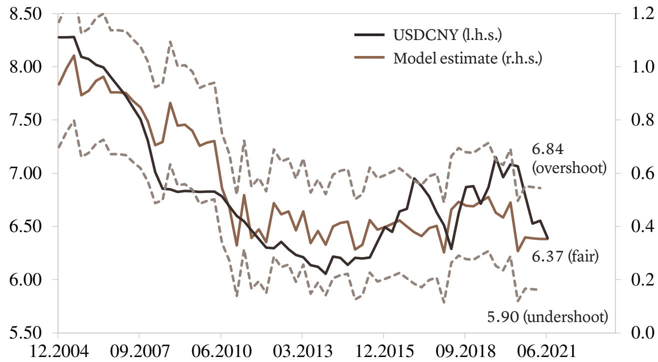
*Vasileios Gkionakis, Global Head of FX Strategy*
*Kiran Kowshik, Global EMFX Strategist*

31. Decline in global policy uncertainty under Biden should support EURUSD




Sources: Bloomberg, Lombard Odier

32. USDCNY has now unwound tariff-war related overvaluation, but could undershoot




Sources: Bloomberg, Lombard Odier

**Important information**

This is a marketing communication issued by Bank Lombard Odier & Co Ltd (hereinafter "Lombard Odier"). 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 marketing communication. This marketing communication 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 do 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 person 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 marketing communication 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 marketing communication. 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. **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 foreign exchange rate risk. 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.

**European Union Members:** This marketing communication 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. Lombard Odier (Europe) S.A. is a credit institution authorised and regulated by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg. In addition, this marketing communication has also been approved for use by the following entity domiciled within the European Union: **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. **Panama:** This marketing communication has been approved for use in Panamá by Lombard Odier (Panamá) Inc., an entity authorised and regulated by la Superintendencia del Mercado de Valores de Panamá. Licensed to operate as an Investment Adviser. Res. SMV No.528-2013. **Israel:** This marketing communication has been approved for use in Israel by the Israel Representative Office of Bank Lombard Odier & Co Ltd, an entity not supervised by the Supervisor of Banks in the Bank of Israel, but by the Swiss Financial Market Supervisory Authority, which supervises the activities of Bank Lombard Odier & Co Ltd. **South Africa:** This marketing communication has been approved for use in South Africa by the South Africa Representative Office of Bank Lombard Odier & Co Ltd, an authorised financial services provider. Registration number 48505. **Switzerland:** This marketing communication has been approved for use in Switzerland by Bank Lombard Odier & Co Ltd, a bank and securities firm authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA). **United Kingdom:** This marketing communication has been approved for use in the United Kingdom by Lombard Odier (Europe) S.A. – UK Branch, a bank authorised and regulated by the Commission de Surveillance du Secteur Financier ('CSSF') in Luxembourg and deemed authorised in the UK by the Prudential Regulation Authority ('PRA'). Subject to regulation by the Financial Conduct Authority ('FCA') and limited regulation by the Prudential Regulation Authority. Financial Services Firm Reference Number 597896. **Details about the extent of our authorisation and regulation by the Prudential Regulation Authority and regulation by the Financial Conduct Authority are available from us on request. United States:** Neither this document nor any copy thereof may be sent to, taken into, or distributed in the United States or given to any US person.

This marketing communication 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.

**Data protection:** You may be receiving this communication because 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.

## 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 National Bank of Belgium (NBB) 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 deemed authorised in the UK by the Prudential Regulation Authority ('PRA'). Subject to regulation by the Financial Conduct Authority ('FCA') and limited regulation by the Prudential Regulation Authority. Financial Services Firm Reference Number 597896. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority and regulation by the Financial Conduct Authority are available from us on request.*
**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**
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.*

### BRASIL
**Lombard Odier (Brasil) Consultoria de Valores Mobiliários Ltda.**
Avenida 9 de Julho No. 3624, Torre DGN 360, 6° andar · Jardim Paulista · CEP 01406-000 · São Paulo · Brasil
sao.paulo.office@lombardodier.com
*Supervised by the Comissão de Valores Mobiliários of Brasil.*

### 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 firm 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