UBS House View

Europe
Chief Investment Office WM

Weekly

5 January 2017

Deeper dive
How I learned to stop worrying and love the bonds
— p. 2

Regional view
Who is buying the euro?
— p. 3

Market moves

	CIO view	–1w	– 3m	ytd
S&P 500	OW	–0.3%	5.6%	0.9%
Euro Stoxx 50		1.1%	9.8%	0.7%
MSCI EM	OW	2.8%	–4.9%	0.7%
FTSE 100		1.5%	2.2%	0.5%
SMI	UW	0.9%	1.3%	1.4%
NIKKEI 225		1.0%	17.2%	2.5%
US high grade bonds	UW	0.7%	–3.1%	0.0%
Euro high grade bonds	UW	–0.1%	–2.6%	–0.4%
US investment grade bonds		0.9%	–2.4%	0.0%
Euro investment grade bonds		0.0%	–1.3%	–0.1%
US high yield bonds		0.6%	1.4%	0.3%
European high yield bonds	OW	0.4%	2.0%	0.2%
EM sovereign bonds		0.5%	–4.0%	0.3%
EM corporate bonds		0.6%	–1.2%	0.3%

Source: Bloomberg, UBS as of 5 January 2017
OW = tactical overweight
UW = tactical underweight

Market comments

Calculations are based on the past five days

- **Equities** had a strong week overall, led by a 2.8% rise in emerging markets. Stocks in the Eurozone and Japan also moved higher. US stocks fell 0.3%.
- **Fixed income** markets were mixed, with European high yield bonds climbing 0.4% and euro high grade bonds declining 0.1%. US high yield bonds were up 0.6%.
- **Currency markets** were characterized by broad weakness in the US dollar versus other G10 currencies. The Canadian dollar was the biggest winner, rising 1.5%

In focus

Wait a minute. The minutes of its December meeting further confirmed that the US Federal Reserve is in go-slow mode. Participants agreed that it was too soon to adjust to the fiscal expansion expected under a Donald Trump presidency. Just as the markets are trying to figure out what Trumponomics will mean for government policy, so is the Fed. The minutes make it clear that more or less fiscal stimulus will likely be met with more or fewer rate hikes. Overall, they leave the impression that the Federal Open Market Committee expects to hike at a gradual pace. *CIO maintains its view that the Fed will hike twice this year.*

US activity accelerates. Last month the ISM manufacturing index showed the fastest US growth in two years. The 54.7 December reading was up by 1.5 points, beating Wall Street forecasts and comfortably above the 50 level that separates expansion from contraction. *CIO believes US industry is rebounding from a period of weakness last year, which supports our overweight position in US equities versus government bonds.*

Piñata peso. Mexico's currency was among last year's worst performers as investors worried over the impact of a Trump presidency. The new year didn't start any better for it. The peso fell nearly 2% versus the US dollar earlier this week, approaching a record low after US automaker Ford said it was abandoning plans for a new USD 1.6bn factory in the country. Trump had threatened to impose tariffs on some cars made by General Motors in Mexico. *CIO expects Mexican inflation to climb to 4% this year, up from its year-end close of 2.8%.*

Eurozone inflation highest since 2013. The region's consumer prices rose 1.1% in the 12 months to December, the first time inflation has exceeded 1% in over three years. Core inflation, which strips out the effects of the recent increase in energy prices, also nudged higher. Despite the rise, inflation remains some distance from the European Central Bank's target, promising a continuation of accommodative policies. *This sustained monetary stimulus supports the CIO overweight position in euro high yield bonds since it encourages investors to reach further down the credit curve.*

Britain's Brexit bonus. The Markit manufacturing purchasing managers' index hit a two-and-a-half year high, with activity spurred by the post-referendum slump in sterling. The reading reached 56.1 in December, up from 53.6 the previous month. Meanwhile the FTSE 100 opened the year by setting a record. *But CIO expects losers from Brexit too. Higher inflation, set to average 2.8% this year, will likely erode consumer spending power.*

A bigger basket for China. The People's Bank of China has been eager to direct market attention away from the yuan's value against a soaring US dollar. In late 2015 it disclosed that it was looking at the yuan in relation to a basket of main trading partners' currencies. Now it has expanded this reference basket from 13 currencies to 24 – adding the likes of the South African rand and Mexican peso, effective 1 January. The dollar weighting falls from 26.4% to 22.4%, while the euro's influence was scaled back even more aggressively. *CIO expects USDCNY to weaken further and reach 7.2 by mid-year due to capital outflows* and slower economic growth.

Asia's services sector gains ground. The latest round of services' PMIs signaled that the service sector activities of both China and Japan remained strong as the year ended; the Caixin China Services PMI rose for the fourth straight month to 53.4 in December, its highest reading since July 2015. Meanwhile, the Nikkei Japan Services PMI also improved for the third month in a row, reaching 52.3, the highest mark since last January, thanks to a solid gain in new orders.

This report has been prepared by UBS AG, UBS Switzerland AG and UBS Financial Services Inc.
Please see important disclaimer at the end of the document.

Deeper dive

How I learned to stop worrying and love the bonds

Justin Waring **Michael Crook**

Last year's market performance in Twitter form? Equity returns strong, bond returns flat. Despite institutional investors appearing to be engaged in a record shift from US stocks into bonds, the weak performance of the latter has many private investors asking whether bonds are still worth owning.

We think they continue to play a vital portfolio role, even when rates are rising, for the following reasons:

1. Income and stability
A bond owner is entitled to periodic interest payments and principal repayment at maturity; the predictability of the amount and the timing of the payments are fundamental to low bond market volatility.

2. Portfolio diversification
Stocks and bonds are uncorrelated over the long run, so the two markets' returns move independently. Yet bonds tend to benefit from a "flight to quality" during equity market declines. Holding bonds can help reduce portfolio drawdown intensity and duration when stocks are falling, giving investors the psychological and financial wherewithal both to hold the course and to take advantage of opportunities. In fact, despite the long-term outperformance of stocks, the highest-returning portfolio of a given time frame shorter than 20 years typically includes some bonds (see figure).

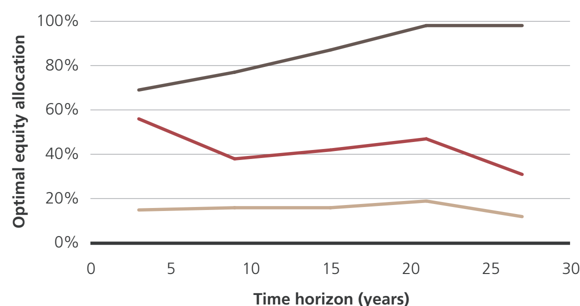
3. Liability matching
Finally, bonds provide a clear mechanism for meeting spending objectives with assets. This is the most fundamental rationale for holding them. It also explains why pension funds buy fixed income. Like them, investors who lock in spending goals with bond interest and maturing principal can dedicate the remainder of their assets to long-term growth instead of reaching for yield across their portfolio.

Day-to-day volatility (or price swings) isn't really risk, which should be measured relative to goals. The lowest-risk asset you can own for a liability due tomorrow is cash, for a liability due in five years a five-year bond, and so on. Looked at this way, higher rates offer an opportunity to meet goals with less capital.

Rising rates are a short-term headwind for bond returns (due to duration risk), but they're a long-term tailwind as reinvestment risk (the possibility of bond payments needing to be reinvested at lower interest rates) reverses course. Investor impact will depend on the pace of interest rate changes, the rate sensitivity of the bond investment, and the investor's holding period.

Equities add return but also volatility and uncertainty

Optimal equity allocation for maximizing different criteria, 1926–2016



Source: Ibbotson, UBS, as of 4 January 2017

Justin Waring
Investment Strategy Associate
Wealth Management Research Americas

Michael Crook
Head, Investment Planning
Wealth Management Research Americas

Bottom line

Diversified investors stand to benefit from a rising rate environment, with interim bond losses likely offset by higher risk-asset returns as growth accelerates and inflation firms. We remain underweight US government bonds relative to Treasury Inflation-Protected Securities and US equities in global portfolios, though improved bond yields led us to reduce our underweight versus US stocks.

Regional view

Who is buying the euro?

Podcast
www.ubs.com/cio-podcast

Paul Donovan
Global Chief Economist
UBS Wealth Management

"The problem this year is more likely to be finding anyone who wants to buy the US dollar."

With the US Federal Reserve raising interest rates and President Mario Draghi of the European Central Bank still seemingly addicted to quantitative policy easing, many investors are wondering who wants to buy the euro. The answer is simple: the whole world. The problem this year is more likely to be finding anyone who wants to buy the US dollar.

Take the example of the Middle East. Even with the recent oil price rally, most Middle Eastern countries are expected to run sizable fiscal deficits this year. The IMF expects Saudi Arabia's to reach almost 10% of GDP. To fund them, the Gulf countries are selling central bank reserves and pools of assets held by their sovereign wealth funds.

Imagine Saudi Arabia selling US Treasuries and using the dollars it receives to pay its civil servants. Then imagine those civil servants using their pay to buy a BMW car in euros. What is happening? Saudi Arabia is selling dollars and buying euros. No matter that an asset is on one side of the transaction and an automobile on the other – the foreign exchange market implication is the same whether Bunds or BMWs are being bought.

When the Middle East buys assets, it likes them to be made in the US (central banks buy roughly twice as many US assets as others). When it buys products and services, it prefers them produced in Europe (it purchases twice as much from Europe as the US). Thus if the Middle East is selling assets to buy goods, it sells dollars to buy euros.

This pattern holds true around the world, as the relative current account balances of the Eurozone and the US tell us. China, another economy divesting itself of US assets of late, imports more from the Eurozone than it does the US, as do the Asia-Pacific Economic Cooperation members as a bloc. Africa's preference for Eurozone products over American ones is overwhelming. Only Latin America exhibits any relative desire to buy "made in America."

So why isn't the euro stronger? Last year the US basically pleaded with the rest of the world to lend it money. US interest rates have been exceeding those of the Eurozone (whose interest rates are negative), as have US bond yields (many Eurozone bond yields are also negative). US equities outperformed those of the Eurozone last year (by about 15%, with Eurozone equity performance negative).

In other words, the US basically did everything it could to persuade investors to buy dollars – and despite all of that effort the euro still trades within 4% of where it did a year ago against the dollar.

The challenge the US faces is that it needs foreigners to buy its currency daily to stop it from falling. In the first nine months of last year, foreigners had to purchase USD 2.7bn every day, more than the daily GDP of the Netherlands. Whenever they were disinclined to do so, the dollar weakened.

If they decide to wait and see what incoming President Donald Trump's policies will be before committing to buying more dollars, the greenback will fall. Wait and see is not good enough for the US.

So the question for the new year is not who wants to buy euros but, in the new abnormal of uncertain US policy reactions, who can be persuaded to buy dollars.

Kind regards,
Paul Donovan

Generic financial research – Risk information: UBS Chief Investment Office WM's investment views are prepared and published by Wealth Management and Personal & Corporate Banking or Wealth Management Americas, Business Divisions of UBS AG (regulated by FINMA in Switzerland), its subsidiary or affiliate ("UBS"). In certain countries UBS AG is referred to as UBS SA. This material is for your information only and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this material were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any prices indicated are current as of the date of this report, and are subject to change without notice. The market prices provided in performance charts and tables are closing prices on the respective principal stock exchange. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and Options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information. Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein. This material may not be reproduced or copies circulated without prior authority of UBS. UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. In developing the Chief Investment Office (CIO) economic forecasts, CIO economists worked in collaboration with economists employed by UBS Investment Research. Forecasts and estimates are current only as of the date of this publication and may change without notice. For information on the ways in which UBS CIO WM manages conflicts and maintains independence of its investment views and publication offering, and research and rating methodologies, please visit www.ubs.com/research. Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.

External Asset Managers/External Financial Consultants: In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties. **Australia:** This notice is issued by UBS AG ABN 47 088 129 613 (Holder of Australian Financial Services Licence No 231087): This Document is issued and distributed by UBS AG. This is the case despite anything to the contrary in the Document. The Document is intended for use only by "Wholesale Clients" as defined in section 761G ("Wholesale Clients") of the Corporations Act 2001 (Cth) ("Corporations Act"). In no circumstances may the Document be made available by UBS AG to a "Retail Client" as defined in section 761G of the Corporations Act. UBS AG's research services are only available to Wholesale Clients. The Document is general information only and does not take into account any person's investment objectives, financial and taxation situation or particular needs. **Austria:** This publication is not intended to constitute a public offer under Austrian law, but might be made available for information purposes to clients of UBS Europe SE, Niederlassung Österreich, with place of business at Wächtergasse 1, A-1010 Wien. UBS Europe SE, Niederlassung Österreich is a branch of UBS Europe SE, a credit institution constituted under German Law in the form of a Societas Europaea, duly authorized by the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin), and is subject to the joint supervision of BaFin, the central bank of Germany (Deutsche Bundesbank), as well as of the Austrian supervisory authority (Finanzmarktaufsicht, FMA), to which this publication has not been submitted for approval. **Bahamas:** This publication is distributed to private clients of UBS (Bahamas) Ltd and is not intended for distribution to persons designated as a Bahamian citizen or resident under the Bahamas Exchange Control Regulations. **Bahrain:** UBS is a Swiss bank not licensed, supervised or regulated in Bahrain by the Central Bank of Bahrain and does not undertake banking or investment business activities in Bahrain. Therefore, Clients have no protection under local banking and investment services laws and regulations. **Brazil:** Prepared by UBS Brasil Administradora de Valores Mobiliários Ltda, entity regulated by Comissão de Valores Mobiliários ("CVM"). **Canada:** In Canada, this publication is distributed to clients of UBS Wealth Management Canada by UBS Investment Management Canada Inc.. **Czech Republic:** UBS is not a licensed bank in Czech Republic and thus is not allowed to provide regulated banking or investment services in Czech Republic. This material is distributed for marketing purposes. **Denmark:** This publication is not intended to constitute a public offer under Danish law, but might be distributed by UBS Europe SE, Denmark Branch, filial af UBS Europe SE, with place of business at Sankt Annae Plads 13, 1250 Copenhagen, Denmark, registered with the Danish Commerce and Companies Agency, under the No. 38 17 24 33. UBS Europe SE, Denmark Branch, filial af UBS Europe SE is a branch of UBS Europe SE, a credit institution constituted under German Law in the form of a Societas Europaea, duly authorized by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin). UBS Europe SE, Denmark Branch, filial af UBS Europe SE is subject to the joint supervision of the BaFin, the central bank of Germany (Deutsche Bundesbank) and the Danish Financial Supervisory Authority (DFSA) (Finanstilsynet), to which this document has not been submitted for approval. **France:** This publication is distributed by UBS (France) S.A., French "société anonyme" with share capital of € 125.726.944, 69, boulevard Haussmann F-75008 Paris, R.C.S. Paris B 421 255 670, to its clients and prospects. UBS (France) S.A. is a provider of investment services duly authorized according to the terms of the "Code Monétaire et Financier", regulated by French banking and financial authorities as the "Autorité de Contrôle Prudentiel et de Résolution". **Germany:** The issuer under German Law is UBS Europe SE, Bockenheimer Landstrasse 2–4, 60306 Frankfurt am Main. UBS Europe SE is authorized and regulated by the "Bundesanstalt für Finanzdienstleistungsaufsicht". **Hong Kong:** This publication is distributed to clients of UBS AG Hong Kong Branch by UBS AG Hong Kong Branch, a licensed bank under the Hong Kong Banking Ordinance and a registered institution under the Securities and Futures Ordinance. **India:** Distributed by UBS Securities India Private Ltd. 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000. SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, BSE (Capital Market Segment) INB010951437. **Indonesia:** This research or publication is not intended and not prepared for purposes of public offering of securities under the Indonesian Capital Market Law and its implementing regulations. Securities mentioned in this material have not been, and will not be, registered under the Indonesian Capital Market Law and Regulations. **Israel:** UBS Switzerland AG is registered as a Foreign Dealer in cooperation with UBS Wealth Management Israel Ltd, a wholly owned UBS subsidiary. UBS Wealth Management Israel Ltd is a licensed Portfolio Manager which engages also in Investment Marketing and is regulated by the Israel Securities Authority. This publication shall not replace any investment advice and/or investment marketing provided by a relevant licensee which is adjusted to your personal needs. **Italy:** This publication is distributed to the clients of UBS Europe SE, Succursale Italia, Via del Vecchio Politecnico, 3 – 20121 Milano, the branch of a German bank duly authorized by the "Bundesanstalt für Finanzdienstleistungsaufsicht" to the provision of financial services and supervised by "Consob". **Jersey:** UBS AG, Jersey Branch, is regulated and authorized by the Jersey Financial Services Commission for the conduct of banking, funds and investment business. Where services are provided from outside Jersey, they will not be covered by the Jersey regulatory regime. UBS AG, Jersey Branch is a branch of UBS AG a public company limited by shares, incorporated in Switzerland whose registered offices are at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH 8001 Zurich. UBS AG, Jersey Branch's principal place business is P.O. Box 350, 24 Union Street, St Helier, Jersey JE4 8UJ. **Luxembourg:** This publication is not intended to constitute a public offer under Luxembourg law, but might be made available for information purposes to clients of UBS Europe SE, Luxembourg Branch, with place of business at 33A, Avenue J. F. Kennedy, L-1855 Luxembourg. UBS Europe SE, Luxembourg Branch is a branch of UBS Europe SE, a credit institution constituted under German Law in the form of a Societas Europaea, duly authorized by the German Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin), and is subject to the joint supervision of BaFin, the central bank of Germany (Deutsche Bundesbank), as well as of the Luxembourg supervisory authority, the Commission de Surveillance du Secteur Financier (the "CSSF"), to which this publication has not been submitted for approval. **Mexico:** This document has been distributed by UBS Asesores México, S.A. de C.V., a company which is not part of UBS Grupo Financiero, S.A. de C.V. or of any other Mexican financial group and whose obligations are not guaranteed by any third party. UBS Asesores México, S.A. de C.V. does not guarantee any yield whatsoever. **Netherlands:** This publication is not intended to constitute a public offering or a comparable solicitation under Dutch law, but might be made available for information purposes to clients of UBS Europe SE, Netherlands branch, a branch of a German bank duly authorized by the "Bundesanstalt für Finanzdienstleistungsaufsicht" for the provision of financial services and supervised by "Autoriteit Financiële Markten" (AFM) in the Netherlands, to which this publication has not been submitted for approval. **New Zealand:** This notice is distributed to clients of UBS Wealth Management Australia Limited ABN 50 005 311 937 (Holder of Australian Financial Services Licence No. 231127), Chifley Tower, 2 Chifley Square, Sydney, New South Wales, NSW 2000, by UBS Wealth Management Australia Ltd. You are being provided with this UBS publication or material because you have indicated to UBS that you are a client certified as a wholesale investor and/or an eligible investor ("Certified Client") located in New Zealand. This publication or material is not intended for clients who are not Certified Clients ("Non-Certified Clients"), and if you are a Non-Certified Client you must not rely on this publication or material. If despite this warning you nevertheless rely on this publication or material, you hereby (i) acknowledge that you may not rely on the content of this publication or material and that any recommendations or opinions in this publication or material are not made or provided to you, and (ii) to the maximum extent permitted by law (a) indemnify UBS and its associates or related entities (and their respective directors, officers, agents and advisers (each a "Relevant Person") for any loss, damage, liability or claim any of them may incur or suffer as a result of, or in connection with, your unauthorised reliance on this publication or material and (b) waive any rights or remedies you may have against any Relevant Person for (or in respect of) any loss, damage, liability or claim you may incur or suffer as a result of, or in connection with, your unauthorised reliance on this publication or material. **Saudi Arabia:** This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi Arabian closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority of Saudi Arabia. **Singapore:** Please contact UBS AG Singapore branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or report. **Spain:** This publication is distributed to its clients by UBS Europe SE, Sucursal en España, with registered office at Calle María de Molina 4, C.P. 28006, Madrid, entity supervised by Banco de España and the Bundesanstalt für Finanzdienstleistungsaufsicht. UBS Europe SE, Sucursal en España is a branch of UBS Europe SE, a credit institution constituted in the form of a Societas Europaea authorized and regulated by the Bundesanstalt für Finanzdienstleistungsaufsich. **Sweden:** This publication is not intended to constitute a public offer under Swedish law, but might be distributed by UBS Europe SE, Sweden Bankfilial with place of business at Regeringsgatan 38, 11153 Stockholm, Sweden, registered with the Swedish Companies Registration Office under the Reg. No 516406-1011. UBS Europe SE, Sweden Bankfilial is a branch of UBS Europe SE, a credit institution constituted under German Law in the form of a Societas Europaea, duly authorized by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin). UBS Europe SE, Sweden Bankfilial is subject to the joint supervision of the BaFin, the central bank of Germany (Deutsche Bundesbank) and the Swedish financial supervisory authority (Finansinspektionen), to which this document has not been submitted for approval. **Taiwan:** This material is provided by UBS AG, Taipei Branch in accordance with laws of Taiwan, in agreement with or at the request of clients/prospects. **UAE:** This research report is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates (UAE). The contents of this report have not been and will not be approved by any authority in the United Arab Emirates including the UAE Central Bank or Dubai Financial Authorities, the Emirates Securities and Commodities Authority, the Dubai Financial Market, the Abu Dhabi Securities market or any other UAE exchange. This material is intended for professional clients only. UBS AG Dubai Branch is regulated by the DFSA in the DIFC. UBS AG/UBS Switzerland AG is not licensed to provide banking services in the UAE by the Central Bank of the UAE nor is it licensed by the UAE Securities and Commodities Authority. The UBS AG Representative Office in Abu Dhabi is licensed by the Central Bank of the UAE to operate a representative office. **UK:** Approved by UBS AG, authorised and regulated by the Financial Market Supervisory Authority in Switzerland. In the United Kingdom, UBS AG is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. A member of the London Stock Exchange. This publication is distributed to private clients of UBS London in the UK. Where products or services are provided from outside the UK, they will not be covered by the UK regulatory regime or the Financial Services Compensation Scheme. **USA:** This document is not intended for distribution into the US, to US persons, or by US-based UBS personnel. UBS Securities LLC is a subsidiary of UBS AG and an affiliate of UBS Financial Services Inc., UBS Financial Services Inc. is a subsidiary of UBS AG.
Version 11/2016.
© UBS 2017. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.