ANDBANK RESEARCH

Global Economics & Markets

MONTHLY CORPORATE REVIEW

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Corporate Review.

Andbank's Outlook for Global Financial Markets.

November 2012

ANDBANK
Private Bankers

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Executive Summary

Financial Markets

Equity: ***Short-Term outlook -*** Today, our flow indicators show an aggregate score of -5, and continue suggesting certain degree of stress in the market. According to this, we continue recommending reducing exposure gradually in this asset class, but be care, since we do not contemplate significant decreases, what means that after falls of between 5% - 10% we should start buying again. ***Mid-Term outlook*** – We keep our fair value target of 1.340 for the S&P and 240 for the Stoxx 600 (with a potential performance of -8% and -13% respectively). The big question is obviously when do the markets will achieve our targets? Maybe the current overvaluation (according to our flow & sentiment analysis) will cause a fall in equity markets in the short term, that if extended, could cause the indices to reach our target levels. If this happens in the course of the 4rth quarter, with no doubt we will have a very encouraging 2013 for equity indices. Not that we project a positive 2013 perspective for equity markets, in fact we keep unchanged our long term view of "Flat equity markets" for the next years. The point is that we are confident in that we will see big movements around the theoretically fair value (the targets mentioned). In that sense, we consider that there will be many opportunities of entry and exit the market. Let's say 10% below and above our targets. Our estimates for EPS growth in companies have been lower (in both markets) than analyst's forecasts during the whole year. Finally, market participants have been reducing their projection until levels close to ours. Something similar is happening with 2013's earnings projections. Additionally, we still think in terms of a higher average volatility for 2013 (25 vs 20 of consensus). All these are the reasons why our forecasts (specially in the case of the European equities) are still placed below consensus. Just the necessary to identify opportunities.

Core Fixed Income: We keep unchanged the range of oscillation for 10 year Bund and Treasury (in the 1.50%-2.50%). Our "disinflationary world" idea raised in our "Global Economic Outlook for 2013" makes us think in terms of structural low level of yield for these two assets. The golden rule of *"buy in the 2.5% and sell in the 1.50%"* applies also in 2013.

Sovereign Risk Euro Zone: We continue being constructive regarding the final outcome of the euro crisis. The question we all must ask is whether the region can achieve enough risk sharing mechanisms to create the necessary stability to continue advancing in the integration. And, in this regard, what we have (ESM fund, OMT Program, Certain degree of Banking Union) are simply risk sharing mechanisms. The combination of these three factors deliver many of the benefits of Eurobonds; certain degree of risk sharing that should reduce sovereign borrowing costs, stability in the banking system, a more uniform transmission of the monetary stance, and an environment with much less financial stress that will facilitate the integration. We recommend be structurally long in Italy and Spain. Taking advantage specially during the peaks of stress.

Corporate Credit: Credit is expensive. Financials senior are already at industrial level. Our short term view for equities and risky assets suggest also some widening for corporate spreads. At 129 b.p currently, we consider there will be better points of entry. We recommend wait to levels above 175 b.p to increase exposure.

Commodities: As recommended in equity, do not engage in long term passive management strategies. We consider none of them is really cheap under a historical perspective. Only gas but because of fundamental reasons. We think there will be much better entry points for increasing exposure to raw materials in general.

Executive Summary

Financial Markets

Agricultural prices have fallen on average 14% since August. We consider that prices could fall a little more in the short term but declines would be limited at this stage after recent declines. With a short term view, reduce exposure to general commodities (for the next 2-3 months). During this period we could witness some additional declines together with declines in risky assets such as equities. Be short in the following assets: Cooper, soybean, Corn, Oil. Include in your portfolio inverse ETFs on the assets mentioned or include structured products betting on declines in the price of these assets. Also with a short term perspective, be long precious metals. Specifically Gold and platinum. If the falls in general commodities materialize, we recommend apply the same strategy as in equity. Start buying again.

Forex: Considering all factors driving the Euro/USD (Tensions in Europe, Global accumulation of the reserve currency, Short positioning in €, US Current account balance perspectives, QE policies, etc…) we estimate a long term trend of appreciation for the EUR vs USD, with a target above 1.40. Nevertheless, in the short term, and according to our view for risky assets (declines), we do not rule out a movement toward the 1.25 area. Asian currencies seem now to be cheap relative to USD. Be long THB, IDR, PHP, MYR. Avoid those more closely related to JPY (KRW, TWD).

Emerging Debt: Asian countries have been effective in the use of instruments to accelerate or reduce pace of activity, suggesting they are now much more autonomous than one could think. There is a kind of pattern in the use of budget execution meaning that these economies apply a countercyclical criteria. This could explain why economic activity has slowed in the 3Q2012. The region shows the lowest debt ratios, and more importantly, the world's savings are in their hands, accumulating almost 65% of global FX Reserves (more than 40% of their annual GDP) suggesting a high capacity to intervene in the economy when necessary without having to increase international debt. High Fx reserves is a very good indicator of the strength of the local currency and suggest that Foreign Direct Investment will probably continue flowing into these economies. Most market participants still consider these economies as "highly dependent" on the West, but we have reasons to think that this threat has actually declined. The combination of all these factors mentioned so far converts this region in the most solid worldwide. In summary, we foresee an acceleration of pace in 2013. We recommend add exposure to the region via mutual funds investing in government debt (local currency).

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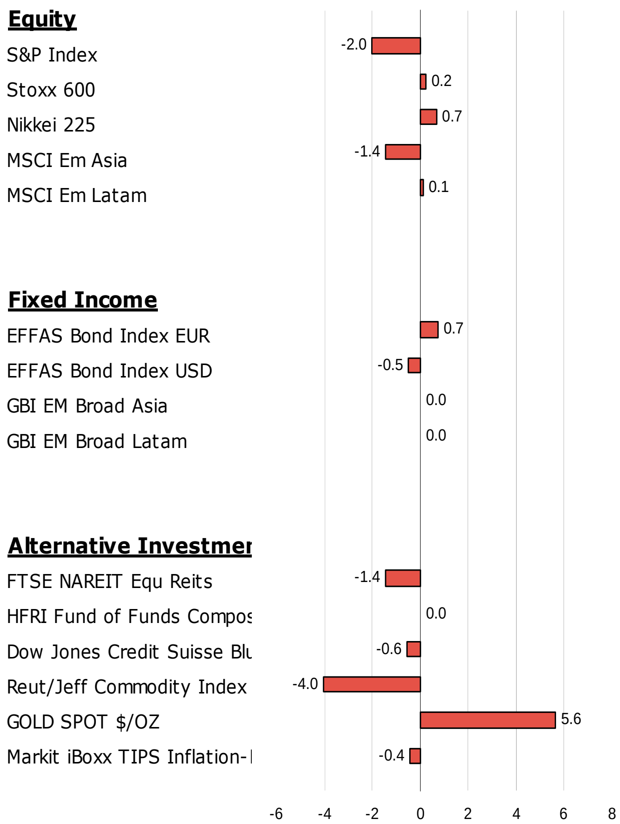
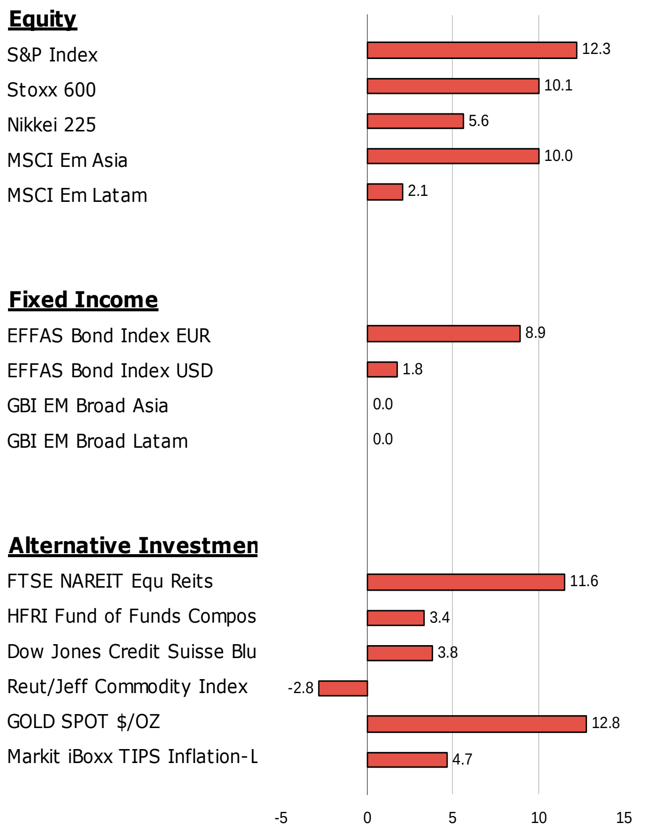
Recent Performance of Financial Markets

Performance by Asset Class (MTD)
(Month to date)



Performance by Asset Class (YTD)
(Year to Date)



Figures as of date: #######
Returns are expressed including dividends and / or coupons. Indices are not manipulated or composed by other indices and are showed as a proxy different sectors of financial markets, not representing returns in any specific investment strategy.
Source: Bloomberg

Equity Performance.

Performance of Equity Indexes (2012)

Performance of Equity Indexes (2011)

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Equity - Short Term Outlook: Positioning & Flows

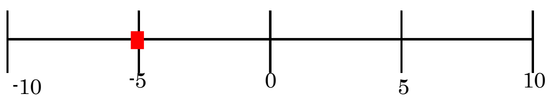
OUTLOOK: NEUTRAL

Our flow indicators provide an aggregate assessment that can range from -10 (strong sell) and +10 (strong buy).

Today, our indicators show in aggregate a score of -5, suggesting a certain degree of stress in the market. According to this, we should recommend reduce exposure.

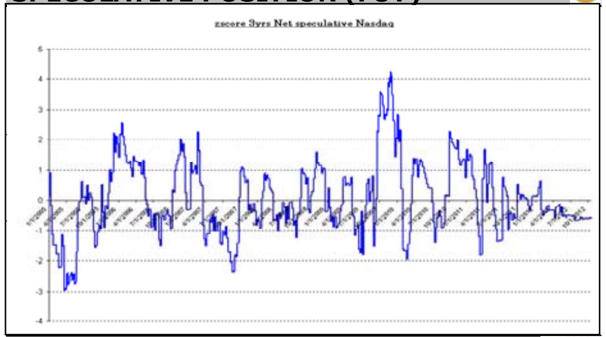
Aggregate Result in our Flow & Sentiment Indicators

	Previous Month	Current Month
Buy signal	1	0
Positive Bias	1	0
Neutral	7	7
Negative Bias	2	6
Sell signal	9	7
FINAL VALUATION	-4,3	-5,0

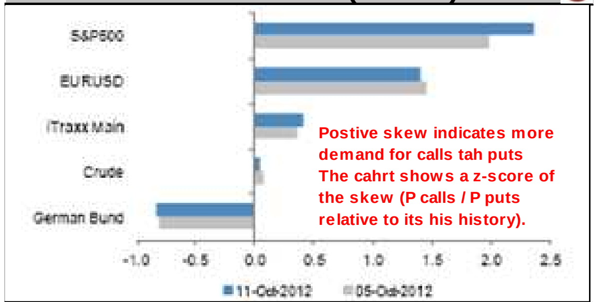


PUT / CALL Ratio

SPECULATIVE POSITION (FUT)



OPTION SKEW MONITOR (NEW !!)



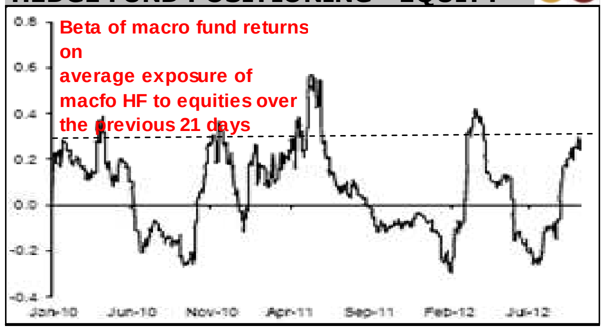
ASSET ALLOCATORS - EQUITY (Broad)

Net % of Allocators that remain UW/OW in:

Global Equities	15% to 24%
US Equities	11% to 10%
European Equities	1% to 10%
Global Emerging Equi	19% to 32%
Japan Equities	

ASSET ALLOCATORS - CASH

HEDGE FUND POSITIONING - EQUITY



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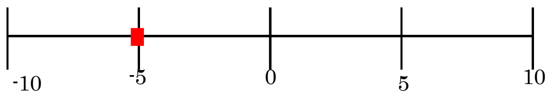


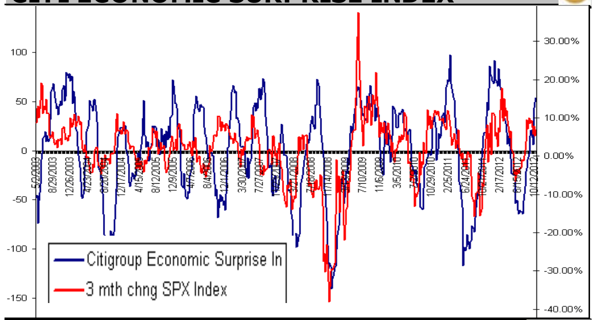
FLOWS

All gains with no fresh money??

	wk %AUM	YTD	YTD %AUM
Equities	0.0%	10,075	0.2%
ETFs	0.0%	79,115	6.3%
LO	0.0%	-69,040	-1.9%
Bonds	0.4%	216,031	9.0%
Money-mkt	0.7%	-76,984	-2.4%
Commodities	-0.1%	13,323	6.2%

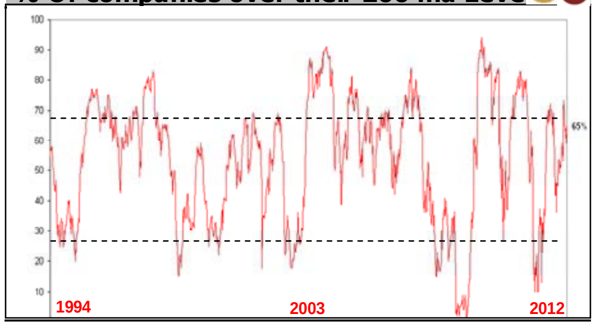
BofA ML Global Financial Stress Index

CITI ECONOMIC SURPRISE INDEX



CITI MACRO RISK INDEX

% Of companies over their 200 ma Leve



DIRECTORS BUYING Vs SELLING

Equity - Short Term Outlook: Positioning & Flows

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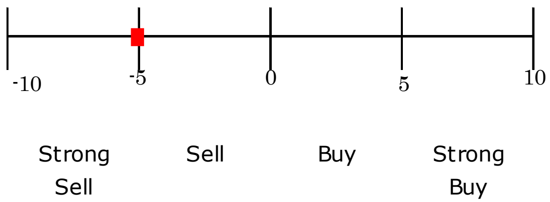
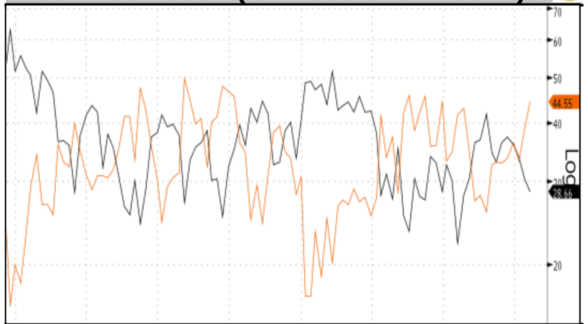


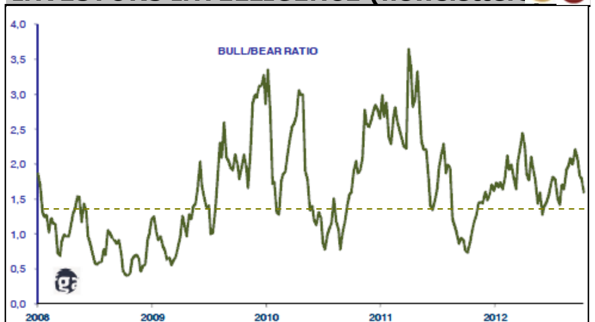
AAII Bull & Bears (indiv investors on 6m)



PE EXPANSION

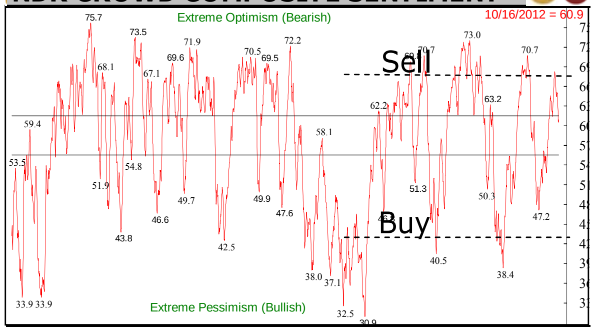
NAAIM Survey (Active Portf Managers)

INVESTORS INTELLIGENCE (newsletters)



MARKET VANE INDEX (CTA's advisors)

NDR CROWD COMPOSITE SENTIMENT



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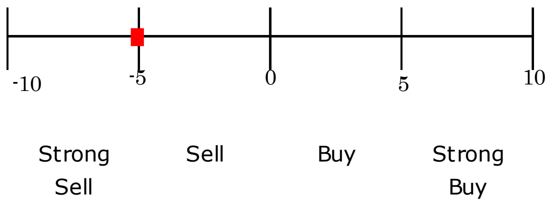

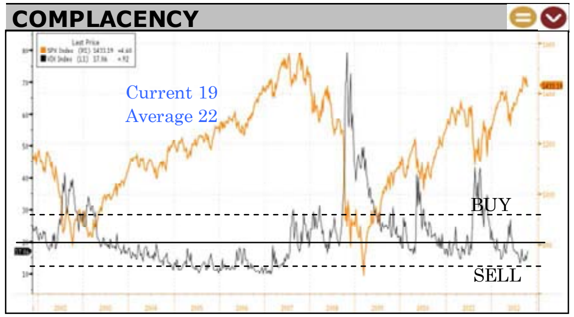

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S&P – Profits Reported & Expectations.
Estimates shock in 3Q!!

Earnings Scorecard (Earnings Per Share), Report as of Oct 19, 2012

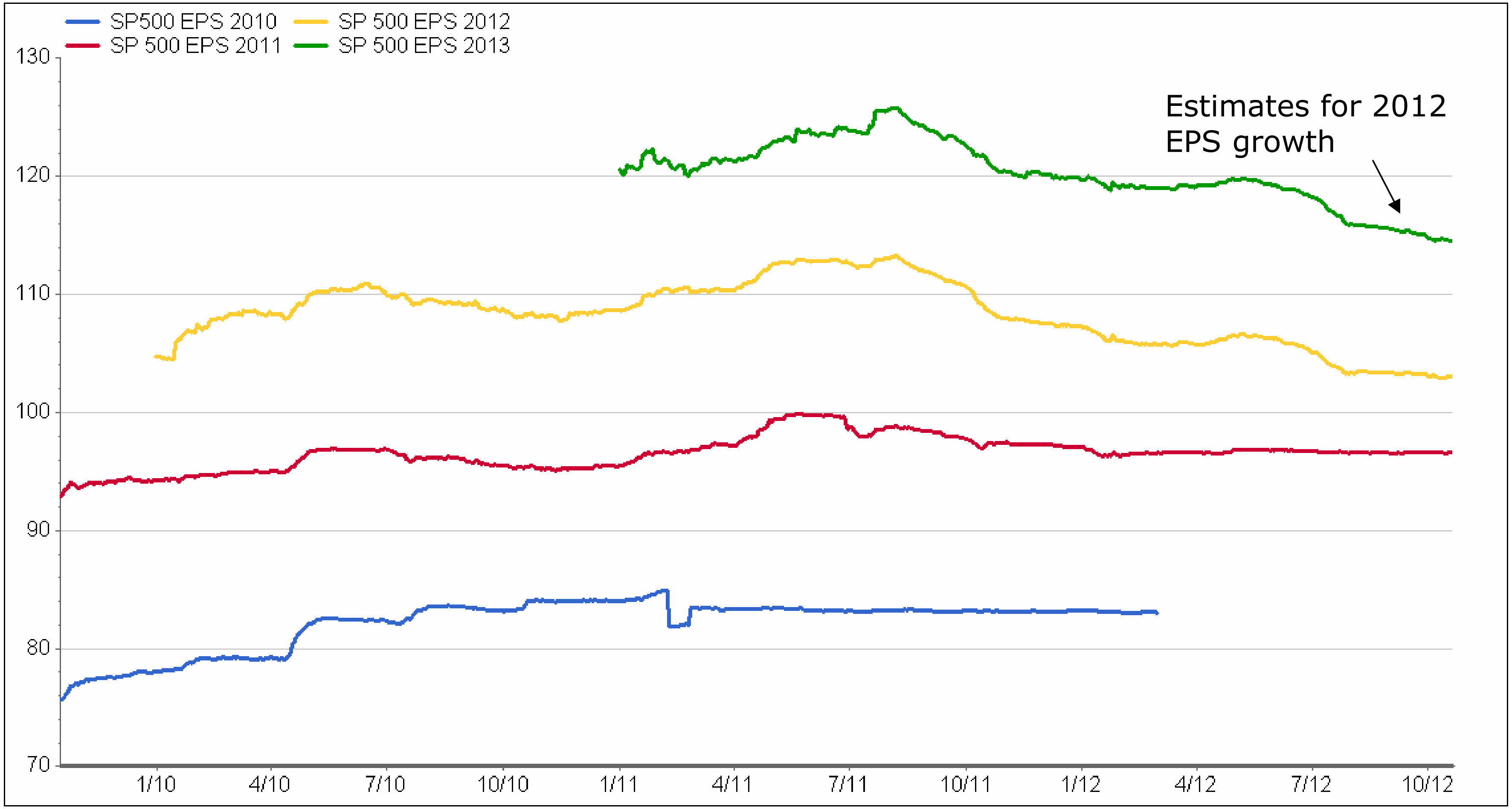
Name	# Cos Reported	% Cos Reported	Growth Blended (%)	Contribution	YoY Growth Reported (%)	Growth Est Jun 30, 2012	% In-line	% Pos Surprise	% Neg Surprise	Growth Est Jun 30, 2012	Growth Est Oct 19, 2012	Growth Est Jun 30, 2012	Growth Est Oct 19, 2012
--	2012/3C	2012/3C	2012/3C	2012/3C	2012/3C	2012/3C	2012/3C	2012/3C	2012/3C	2012	2012	2013	2013
S&P 500	98/500	19.60	-2.26	-2.26	-3.97	2.14	10.20	65.31	24.49	7.65	6.11	14.22	10.95
Consumer Discretionary	16	20.00	1.59	0.14	-0.85	6.46	6.25	68.75	25.00	8.81	7.98	17.57	14.63
Consumer Staples	10	23.81	-0.46	-0.05	-1.35	3.59	10.00	80.00	10.00	4.26	2.02	11.57	9.14
Energy	4	9.30	-20.25	-3.15	-24.10	-13.81	25.00	25.00	50.00	-3.96	-8.27	16.48	9.20
Financials	25	30.86	13.77	2.13	-9.78	7.05	8.00	72.00	20.00	21.84	26.03	11.17	11.43
Health Care	11	21.15	-3.36	-0.41	4.33	-2.19	9.09	72.73	18.18	1.78	1.86	8.43	7.72
Industrials	12	19.35	0.54	0.05	5.62	8.02	8.33	58.33	33.33	10.17	7.72	15.62	11.15
Information Technology	14	20.00	0.97	0.18	-1.31	11.27	14.29	57.14	28.57	13.01	9.60	16.45	11.23
Materials	5	16.13	-22.05	-0.78	-25.17	-4.70	0.00	60.00	40.00	0.25	-7.49	30.78	20.78
Telecommunication Services	1	12.50	-12.44	-0.28	15.01	-7.92	100.00	0.00	0.00	-1.64	-1.92	18.60	23.87
Utilities	0	0.00	-1.69	-0.07	--	1.15	--	--	--	0.06	-0.12	3.44	2.06
SP500 ex Fin	73	17.40	-5.20	-5.20	-0.11	1.20	11.00	63.00	26.00	5.20	2.70	14.90	10.9

Analysts reduce again their estimations for 2012's earnings **(for 9th consecutive months).**

They estimate full year 2012 profits will grow at a **6.11% pace y/y in 2012** (At December 2011 they estimated growth for 2012 profits would be 10.5%).

We keep unchanged our initial estimate of 6.5% growth for profits in 2012 (a level that was set in Dec 2011).

S&P – Analysts have continuously been reducing also their estimates for 2013 EPS.



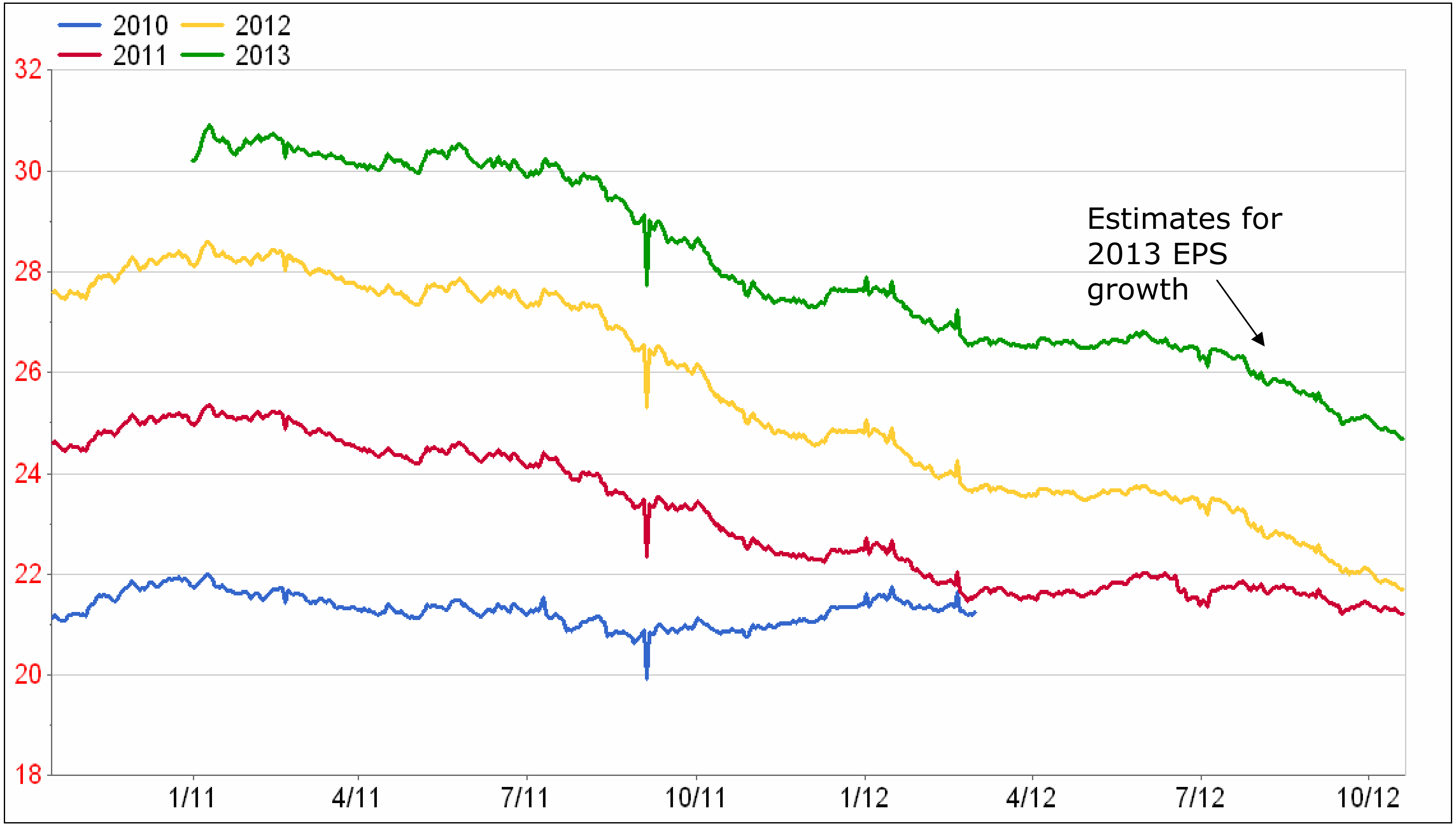
Stoxx 600 – Profits Reported & Expectations.
Estimates shock in 3Q!!

Earnings Scorecard (Earnings Per Share), Report as of Oct 19, 2012													
Name	# Cos Reported	% Cos Reported	Growth Blended (%)	Contribution	Growth Reported (%)	Growth Est Jun 30, 2012	% In-line	% Pos Surprise	% Neg Surprise	Growth Est Jun 30, 2012	Growth Est Oct 19, 2012	Growth Est Jun 30, 2012	Growth Est Oct 19, 2012
--	2012/3C	2012/3C	2012/3C	2012/3C	2012/3C	2012/3C	2012/3C	2012/3C	2012/3C	2012	2012	2013	2013
STOXX 600	16/600	2.67	1.44	1.44	-18.93	9.51	12.50	31.25	56.25	10.21	4.87	19.09	13.11
--	1	1.33	-6.74	-0.32	-12.14	-3.67	0.00	0.00	100.00	8.63	0.26	19.80	13.39
Consumer Discretionary	3	4.11	-15.08	-1.53	-4.46	-13.60	0.00	66.67	33.33	1.41	-0.78	14.06	8.37
Consumer Staples	2	4.35	6.15	0.29	43.96	7.02	0.00	50.00	50.00	7.21	6.75	9.74	9.06
Energy	0	0.00	-2.50	-0.42	--	8.48	--	--	--	5.64	-0.41	13.44	7.30
Financials	1	0.85	36.67	5.72	3.87	49.73	0.00	0.00	100.00	44.07	30.64	33.77	24.69
Health Care	2	6.06	-7.18	-1.06	8.46	-6.57	0.00	50.00	50.00	-1.71	-1.58	7.39	6.51
Industrials	3	2.78	23.00	2.06	-4.74	30.90	0.00	33.33	66.67	13.16	8.42	22.48	16.70
Information Technology	2	9.09	-39.66	-1.41	-121.40	-25.99	50.00	0.00	50.00	-24.15	-33.27	48.72	35.79
Materials	1	1.89	-26.15	-1.84	8.54	2.00	100.00	0.00	0.00	2.69	-8.92	40.85	24.33
Telecommunication Services	1	4.76	-5.07	-0.64	-0.89	0.27	0.00	0.00	100.00	-2.41	-5.29	6.60	3.68
Utilities	0	0.00	39.79	0.57	--	34.92	--	--	--	-2.58	8.24	-3.53	-7.35
STOXX 600 ex Fin	15	3.10	-5.10	-5.10	-19.20	2.10	13.40	33.30	53.30	2.00	-1.40	14.40	9.40

Analysts place now their estimations for companies' earnings in the 4.80% pace in 2012). They initially estimated a pace of expansion for 2012 in the 10% area at Dec 11.

We keep unchanged our estimate of 4.4% growth for profits in 10212 (unchanged from Dec 2011).

Stoxx 600 – Analysts have continuously been reducing also their estimates for 2013 EPS.

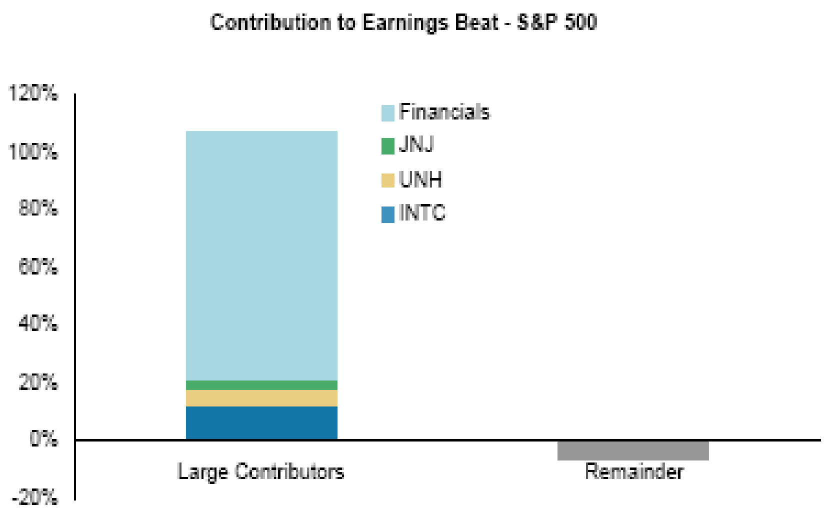


Some aspects of interest.

Gains in EPS have a very narrow basis … and prospects (guidance) are worsening

Exhibit 5

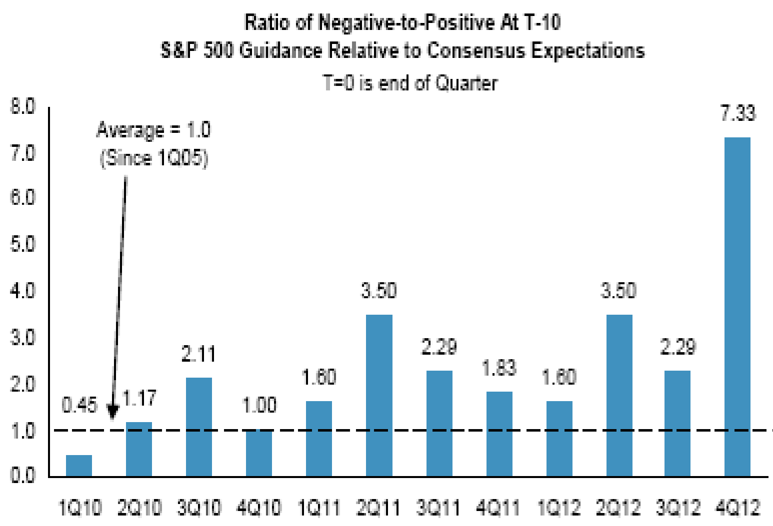
Financials Plus Top 3 Account For the Entire Beat



Source: Factset, Morgan Stanley Research

Exhibit 6

4Q12 Negative Guidance Is the Highest Since 1Q07



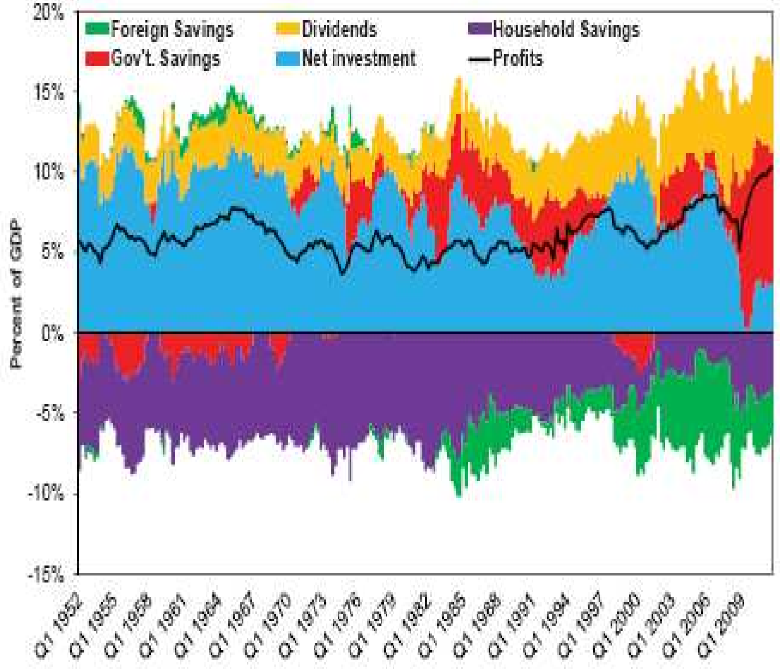
Source: Factset, Morgan Stanley Research

Some aspects of interest.

If we analyze the macro drivers for profits, we realize that most of this margins comes from fiscal stimulus. How long this can last?

Exhibit 5

U.S. Corporate Profit Margins and Their Macro-Drivers



Source: NIPA, Flow of Funds, GMO As of 9/30/11

Not much time, in our opinion.

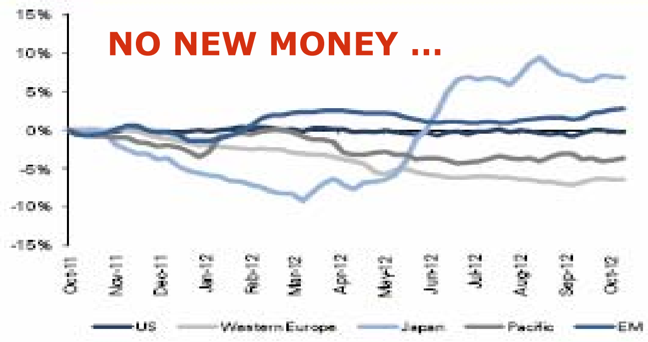
Fiscal stimulus contributes 8% to margins…

… Something that obviously can not last forever.

Some aspects of interest.

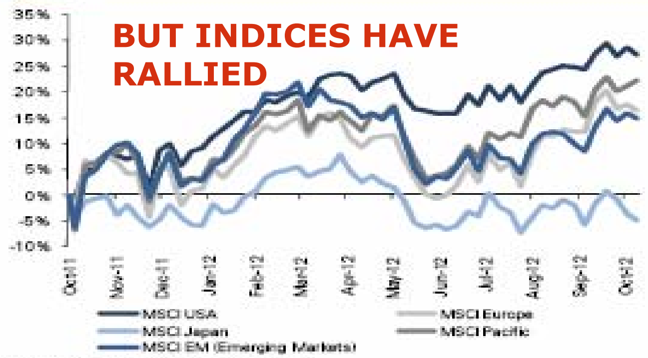
… and most importantly. Recent rally has not been accompanied by fresh money.

Figure 9: Cumulative 12M flow by equity regions (% of assets)



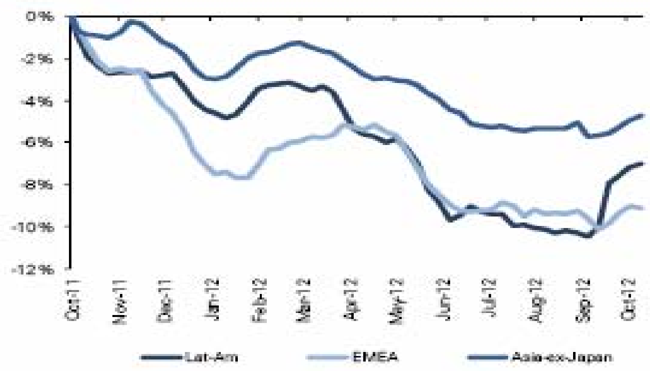
Source: EPFR/ Deutsche Bank Equity Strategy

Figure 10: Cumulative 12-month total return of equity regions



Source: EPFR/ Deutsche Bank Equity Strategy

Figure 11: Cumulative 12M flow by EM equity regions (% of assets)



Source: EPFR/ Deutsche Bank Equity Strategy

Figure 12: Cumulative 12-month total return of EM equity regions

Source: EPFR/ Deutsche Bank Equity Strategy

S&P – Fundamental Outlook: Expected performance at year end.

Target: 1.340 (-8.0% from levels as of date 18/10/12 with the index in the 1.457)

Creix EPS 2012: +6.5%		Tsy 10 yld								
EYG	**Vix**	**1.5**	**1.75**	**2**	**2.25**	**2.5**	**2.75**	**3**	**3.25**	**3.5**
4.03	10	**27.8%**	**22.3%**	**17.2%**	**12.6%**	8.2%	4.3%	0.5%	-2.9%	-6.1%
4.58	15	**16.3%**	**11.7%**	7.4%	3.5%	-0.2%	-3.6%	-6.8%	-9.7%	-12.5%
5.13	20	6.6%	2.7%	-0.9%	-4.2%	-7.4%	-10.3%	-13.1%	-15.7%	-18.1%
5.68	25	-1.6%	-4.9%	-8.0%	-10.9%	-13.6%	-16.2%	-18.6%	-20.8%	-23.0%
6.23	30	-8.6%	-11.4%	-14.1%	-16.6%	-19.0%	-21.3%	-23.4%	-25.4%	-27.4%
6.78	35	-14.6%	-17.1%	-19.5%	-21.7%	-23.8%	-25.8%	-27.7%	-29.5%	-31.2%
7.33	40	-20.0%	-22.2%	-24.2%	-26.2%	-28.1%	-29.9%	-31.6%	-33.2%	-34.7%
7.88	45	-24.6%	-26.6%	-28.5%	-30.2%	-31.9%	-33.5%	-35.0%	-36.5%	-37.9%
8.43	50	-28.8%	-30.6%	-32.2%	-33.8%	-35.3%	-36.8%	-38.2%	-39.5%	-40.8%
8.98	55	-32.6%	-34.1%	-35.6%	-37.1%	-38.4%	-39.7%	-41.0%	-42.2%	-43.4%
9.53	60	-35.9%	-37.3%	-38.7%	-40.0%	-41.2%	-42.4%	-43.6%	-44.7%	-45.8%
10.08	65	-39.0%	-40.3%	-41.5%	-42.7%	-43.8%	-44.9%	-46.0%	-47.0%	-48.0%

Anbank's outlook

Analyst consensus estimates performance for S&P in the -3.19% (target of 1.411).

In Andbank, we estimate a –8.0% performance (remaining well below consensus).

Why? Our estimates for EPS growth remains in the 6.5%, and we think in terms of a higher average volatility for the period and higher rates.

Stoxx 600 – Fundamental Outlook: Expected performance at year end.

Target: 240 (-13% from levels as of date 18/10/12 with the index in the 276)

Creix EPS 2012: +4.4%		Tipus Europe 10 yld								
eyg	Vstoxx	2	2.25	2.5	2.59	2.75	3	3.5	4	4.5
5.82	8	5.53%	2.26%	-0.81%	-1.87%	-3.70%	-6.43%	-11.46%	-15.97%	-20.04%
6.05	10	2.43%	-0.65%	-3.56%	-4.56%	-6.29%	-8.88%	-13.65%	-17.94%	-21.83%
6.29	12	-0.49%	-3.41%	-6.15%	-7.10%	-8.75%	-11.20%	-15.74%	-19.83%	-23.55%
6.53	14	-3.26%	-6.01%	-8.62%	-9.52%	-11.08%	-13.41%	-17.73%	-21.64%	-25.19%
6.76	16	-5.87%	-8.48%	-10.95%	-11.81%	-13.29%	-15.51%	-19.63%	-23.36%	-26.76%
7.00	18	-8.35%	-10.82%	-13.17%	-13.99%	-15.40%	-17.51%	-21.44%	-25.01%	-28.27%
7.24	20	-10.70%	-13.05%	-15.28%	-16.06%	-17.40%	-19.42%	-23.17%	-26.59%	-29.72%
7.71	24.00	-15.05%	-17.18%	-19.21%	-19.92%	-21.14%	-22.98%	-26.42%	-29.56%	-32.44%
7.9484	26.00	-17.07%	-19.11%	-21.04%	-21.72%	-22.89%	-24.65%	-27.94%	-30.95%	-33.73%
8.19	28	-19.00%	-20.94%	-22.79%	-23.44%	-24.56%	-26.24%	-29.40%	-32.30%	-34.96%
8.42	30	-20.84%	-22.70%	-24.47%	-25.08%	-26.16%	-27.77%	-30.80%	-33.59%	-36.16%
9.61	40	-28.92%	-30.42%	-31.85%	-32.36%	-33.23%	-34.56%	-37.05%	-39.37%	-41.52%

Anbank's outlook

Analyst consensus estimates performance for Stoxx 600 in the -1% (at year end).

In Andbank, we estimate a -13%, staying well below consensus.

Why? Our estimates for EPS growth are slightly higher now (4.4% vs 4.1%), but we still think in terms of a higher average volatility for the period.

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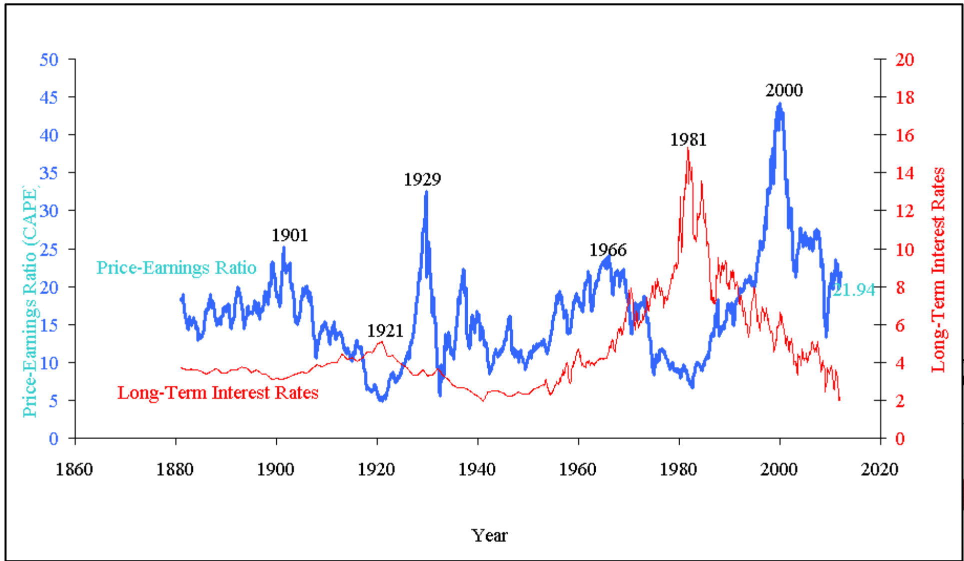
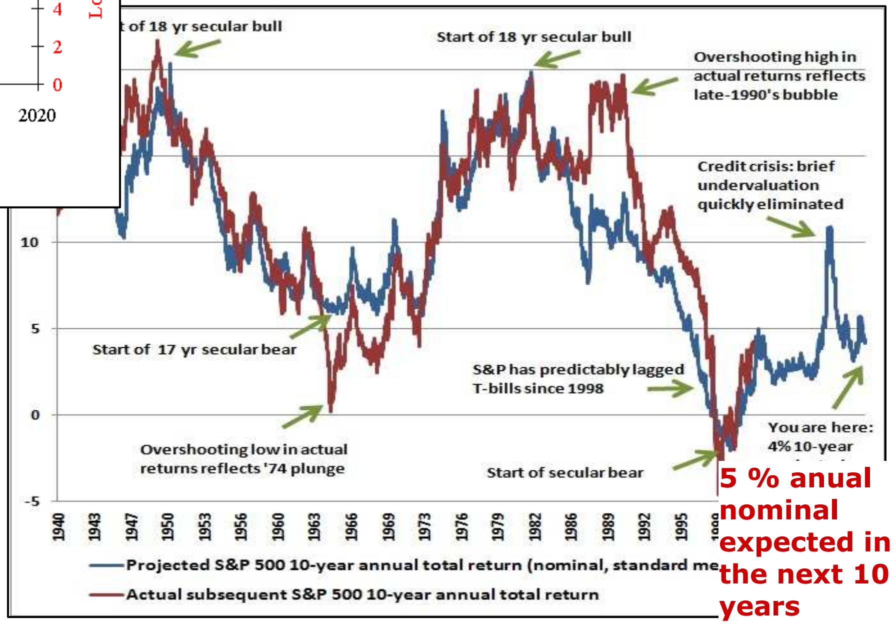
S&P – Fundamental Outlook: Long Term view.

US Equity market is <u>NOT attractive</u> in terms of valuation



Shiller PE is in the 21.9 area, still well above its historical average (of 16.1). From this perspective, we can not conclude that the S&P represents a historical "buy" opportunity. (Trailing PE using 10yr average earnings. Inflation adjusted)



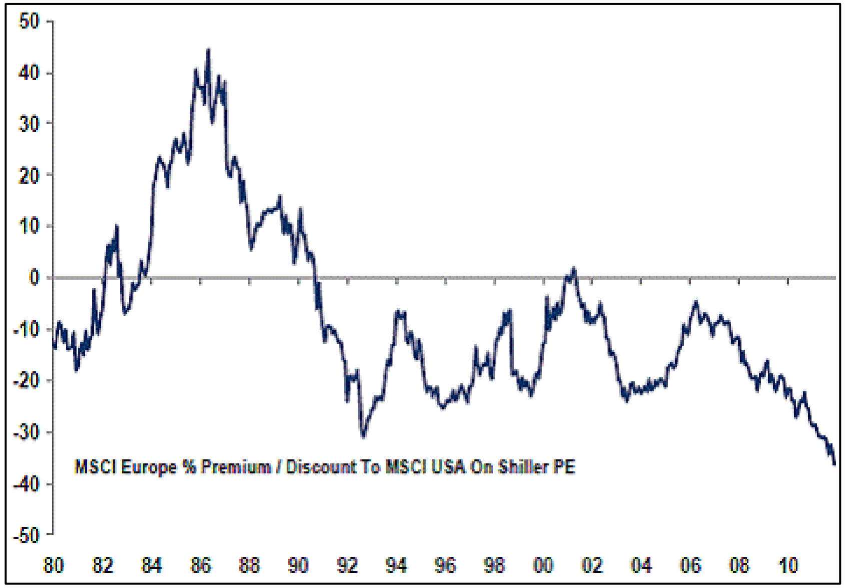
Hussman's PE, places the S&P's expected return for the next 10 years in the 5% (per year), which certainly, <u>does not represent an attractive performance in a risk adjusted basis.</u> (Trailing PE using peak earnings. Not inflation adjusted)

European Equity – Fundamental Outlook: Long Term view.

European indices seems to be cheap … (only seems?)

Shiller PE for MSCI Europe is at 11.6 (below its long term average of 14.1). From a historical perspective, we can only conclude that European equities are "atractive" in relation its past 10 years profits.

… comparatively, European equities accumulates a significant "discount" vs US Equities (nearly 40%).



Global Equity Ranking – Fundamental Outlook: Long Term view.

	P to Book		Price to Earnings		Price to dividend		EV to EBITDA		Real yield ratio		VALUATION composite	
	Avg grade	Hierarchy	Avg grade	Hierarchy	Avg grade	Hierarchy	Avg grade	Hierarchy	Avg grade	Hierarchy	**Avg grade**	**Hierarchy**
World												
Russia	-1,31	3	-1,81	1	1,18	25	-1,96	3	1,89	1	6,6	**1**
France	-1,15	5	-1,04	5	0,91	21	-1,42	4	1,77	3	7,6	**2**
Japan	-1,32	2	-1,14	4	0,51	17	-0,91	9	0,69	9	8,2	**3**
Germany	-0,31	14	-0,97	8	0,40	14	-2,11	1	1,67	4	8,2	**3**
Hong Kong	-1,01	7	-0,97	7	0,17	12	-0,97	8	0,84	8	8,4	**5**
Italy	-1,23	4	-0,30	13	0,83	20	-0,60	11	1,88	2	10	**6**
Eurozone	-0,87	10	-0,25	15	0,58	18	-1,35	5	1,49	5	10,6	**7**
Spain	-1,37	1	-0,47	11	2,30	28	-1,27	6	1,12	7	10,6	**7**
Brazil	-0,97	8	-1,51	3	1,96	26	-1,04	7	0,24	12	11,2	**9**
Poland	-0,73	11	-1,62	2	1,98	27	-2,11	2	-0,12	17	11,8	**10**
South Korea	-0,59	13	-0,81	9	-1,19	1	-0,16	16	-0,60	21	12	**11**
China	-0,97	9	-1,04	6	0,99	22	-0,82	10	0,09	15	12,4	**12**
India	-0,25	15	-0,47	12	-0,12	9	-0,49	13	0,18	14	12,6	**13**
United Kingdom	-0,10	17	-0,16	17	-0,11	10	-0,55	12	0,48	10	13,2	**14**
Israel	-1,12	6	-0,69	10	0,62	19	0,29	22	0,22	13	14	**15**
Turkey	0,24	20	-0,22	16	-0,32	7	0,43	23	1,46	6	14,4	**16**
Taiwan	0,01	18	0,34	20	0,14	11	0,28	21	0,39	11	16,2	**17**
Canada	-0,14	16	-0,30	14	0,18	13	-0,48	14	-0,61	25	16,4	**18**
Indonesia	1,15	26	-0,09	18	-0,38	6	0,04	18	-0,37	19	17,4	**19**
United States	1,03	24	0,64	23	-0,66	2	1,10	27	0,00	16	18,4	**20**
Sweden	0,55	22	0,47	21	0,45	16	0,01	17	-0,56	20	19,2	**21**
Chile	0,53	21	0,65	24	-0,58	3	0,87	24	-0,61	24	19,2	**21**
Australia	-0,63	12	0,18	19	1,03	24	-0,30	15	-0,81	27	19,4	**23**
Mexico	2,22	28	0,83	26	-0,54	4	0,27	20	-0,61	23	20,2	**24**
South Africa	1,11	25	0,68	25	0,43	15	0,09	19	-0,26	18	20,4	**25**
Malaysia	0,80	23	0,59	22	-0,12	8	1,08	26	-1,13	28	21,4	**26**
Thailand	1,75	27	1,04	27	-0,47	5	1,03	25	-0,79	26	22	**27**
Switzerland	0,21	19	1,28	28	1,00	23	1,15	28	-0,60	22	24	**28**

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Equity Perspectives – Summary Table

	SHORT TERM (3 MONTHS)	MEDIUM TERM (9-12 MONTHS)	LONG TERM (10 YEARS)
FUNDAMENTAL ANALYSIS			
S&P		NEGATIVE	NEGATIVE
EUROSTOXX 600		NEGATIVE	NEUTRAL
MSCI ASIA		NEUTRAL - NEGATIVE	
MSCI LATAM		NEUTRAL - NEGATIVE	
FLOW ANALYSIS & POSITIONING			
S&P	NEUTRAL - NEGATIVE		
EUROSTOXX 600	NEUTRAL - NEGATIVE		
EMERGENTES	NEUTRAL - NEGATIVE		
TECHNICAL ANALYSIS			
S&P			
EUROSTOXX 600			
MSCI ASIA			
MSCI LATAM			
FINAL VALUATION	**NEUTRAL - NEGATIVE**	**NEUTRAL - NEGATIVE**	**NEUTRAL - NEGATIVE**
INTENSITY & CONVICTION (Values between -10 / +10)	**-5,00**	**-3,75**	

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Interest rates Swap vs Govies

- **Record lows in 10yr USD & EUR Swaps (implicit deflation expected?)**
- **Swap spreads in full normalization. No counterparty risk at sight?**
- **<u>The market is pricing Japanese like scenario for the next 10 years.</u>**

USD: SWAP10 – Govie10

EUR: SWAP10 – Govie10

Core Fixed Income – Euro: Evolution & Perspectives

- Recent gains in slope have been due to a yield increase in the long end of the curve.
- **Outlook to December 2012:**
  - **EUR 2Yr yield target: at 0.25%**
  - **EUR 10Yr yield target: at 1.50%**
  - ✓ **Our mid-term range for he 10Y bund is 1.25%-2.25%.**

YIELDS GOVIE (EUR)

Core Fixed Income – USD: Evolution & Perspectives

- Recent gains in slope have been due to a yield increase in the long end of the curve.
- **Outlook to December 2012:**
  - **USD 2Yr yield target: at 0.25%**
  - **USD 10Yr yield target: at 1.75%**
  - ✓ **Our mid-term range for he 10Y Treasury is 1.50%-2.00%.**

YIELDS GOVIE (USD)

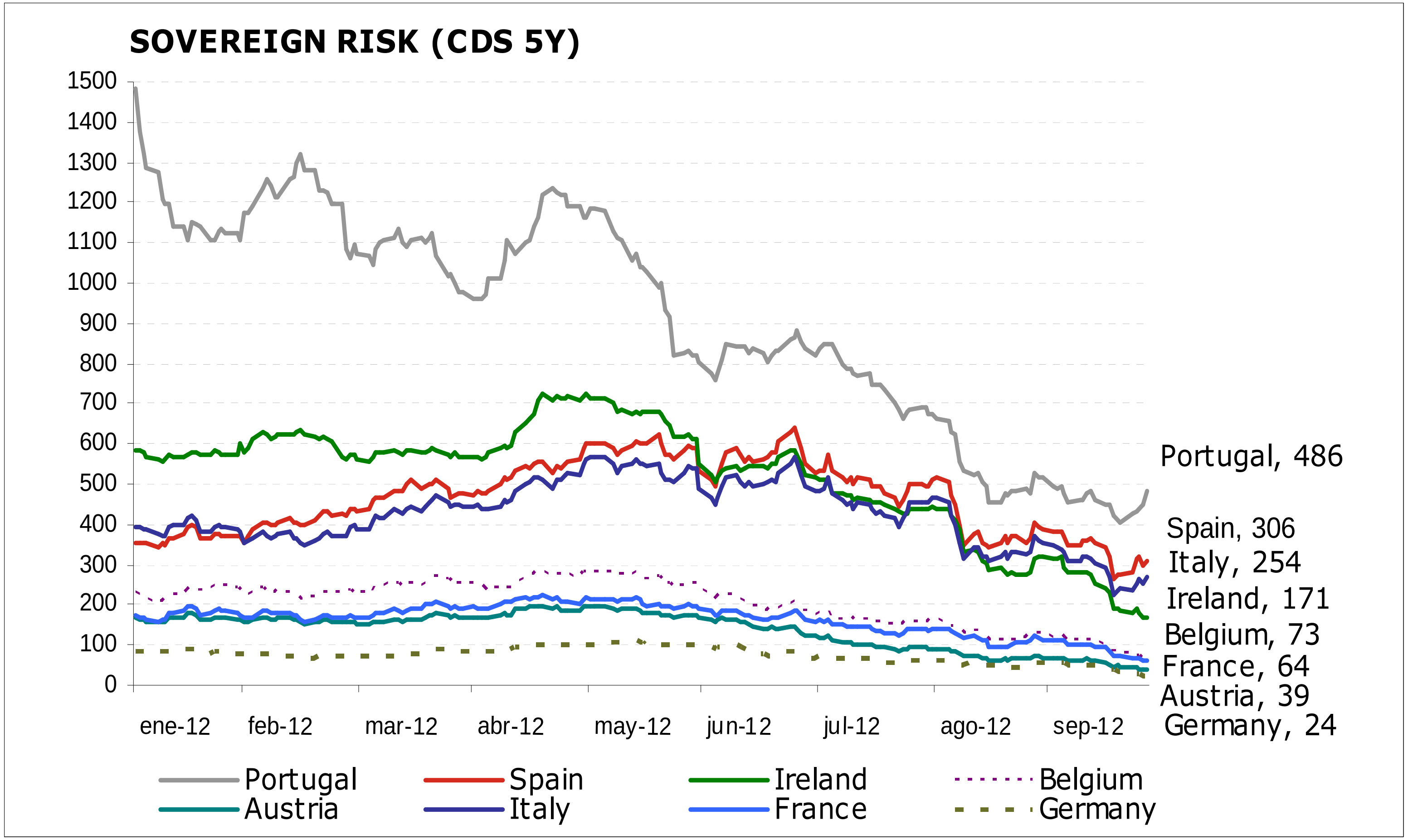
Core Fixed Income – EUR & USD. Expected Performance

Core bonds are at Fair Value!

Figures as of date: 10/30/2012

		30-Oct-2012	Short Term Target	Mid Term Target	Short Term change (in bp)	Change at Dec 2012 (in bp)	Duration	ST Performance (2m) Price Performance	ST Performance (2m) Coupon Performance	MT Performance (12m) Price Performance	MT Performance (12m) Coupon Performance	Expected Performance Short Term	Expected Performance Mid Term
EUR	2yr	0.03	0.10	**0.25**	**7**	**22**	1.96	-0.14%	0.01%	-0.43%	0.03%	**-0.13%**	**-0.40%**
EUR	3yr	0.10	0.13	**0.29**	**3**	**20**	2.86	-0.10%	0.02%	-0.56%	0.10%	**-0.08%**	**-0.47%**
EUR	4yr	0.25	0.25	**0.42**	**0**	**17**	3.83	0.01%	0.04%	-0.66%	0.25%	**0.05%**	**-0.41%**
EUR	5yr	0.50	0.46	**0.65**	**-4**	**15**	4.68	0.18%	0.08%	-0.70%	0.50%	**0.26%**	**-0.20%**
EUR	6yr	0.75	0.68	**0.88**	**-7**	**13**	5.31	0.39%	0.13%	-0.67%	0.75%	**0.52%**	**0.08%**
EUR	7yr	0.96	0.85	**1.06**	**-11**	**10**	6.09	0.67%	0.16%	-0.63%	0.96%	**0.83%**	**0.33%**
EUR	8yr	1.16	1.01	**1.24**	**-15**	**8**	6.83	0.99%	0.19%	-0.54%	1.16%	**1.19%**	**0.61%**
EUR	9yr	1.35	1.16	**1.40**	**-18**	**6**	7.62	1.38%	0.22%	-0.43%	1.35%	**1.60%**	**0.92%**
EUR	10yr	1.47	1.25	**1.50**	**-22**	**3**	8.45	1.83%	0.24%	-0.28%	1.47%	**2.08%**	**1.19%**
USD	2yr	0.29	0.25	**0.25**	**-4**	**-4**	1.92	0.08%	0.05%	0.08%	0.29%	**0.12%**	**0.36%**
USD	3yr	0.40	0.32	**0.37**	**-8**	**-3**	2.92	0.23%	0.07%	0.09%	0.40%	**0.30%**	**0.49%**
USD	4yr	0.56	0.44	**0.54**	**-12**	**-2**	3.81	0.46%	0.09%	0.08%	0.56%	**0.56%**	**0.64%**
USD	5yr	0.74	0.58	**0.73**	**-16**	**-1**	4.68	0.76%	0.12%	0.06%	0.74%	**0.89%**	**0.80%**
USD	6yr	0.95	0.75	**0.95**	**-20**	**0**	5.52	1.13%	0.16%	0.02%	0.95%	**1.29%**	**0.97%**
USD	7yr	1.17	0.92	**1.17**	**-25**	**0**	6.29	1.54%	0.19%	-0.03%	1.17%	**1.74%**	**1.14%**
USD	8yr	1.39	1.10	**1.40**	**-29**	**1**	6.95	1.99%	0.23%	-0.09%	1.39%	**2.22%**	**1.29%**
USD	9yr	1.58	1.25	**1.60**	**-33**	**2**	7.89	2.59%	0.26%	-0.18%	1.58%	**2.85%**	**1.40%**
USD	10yr	1.72	1.35	**1.75**	**-37**	**3**	8.37	3.09%	0.29%	-0.26%	1.72%	**3.37%**	**1.46%**

Sovereign Risk: Evolution.
Incredible convergence of Ireland with Tier 1 names!



Sovereign Risk – The same Baseline Scenario … with a different tempo.

CURRENT LEVELS FOR SOVEREIGNS	Price (10y cash bond)	Yield 10Y	ASW	CDS 5Y (usd)	Recommendation
Peripheric					**Neutral**
Greece	32.17	17.10	810.6	3,536	Neutral
Portugal	75.23	7.87	518.5	486	Neutral
Ireland	102.15	4.61	309.3	171	Neutral
Spain		5.65	389.4	306	Overweight
Italy		5.00	279.6	269	Overweight

10/29/2012

- Markets provided some breath to Spain and Italy last month, with a significant improvement in the primary market for both Government and private auctions.
- We keep out thesis that a **quick fix in the European debt crisis is unlikely** (via debt mutualization).
- We bet for a **kind of rise in lending capacity of the ESM-EFSF** (via banking licence or an increase in contributions from member states)…
- … funds that will **be used gradually to cover the financing needs of Spain & Italy subject, obviously, to strict conditionality**.

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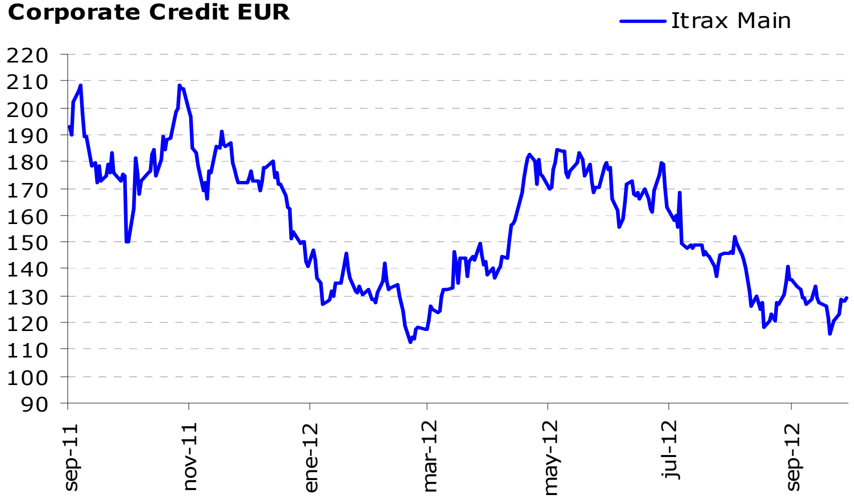
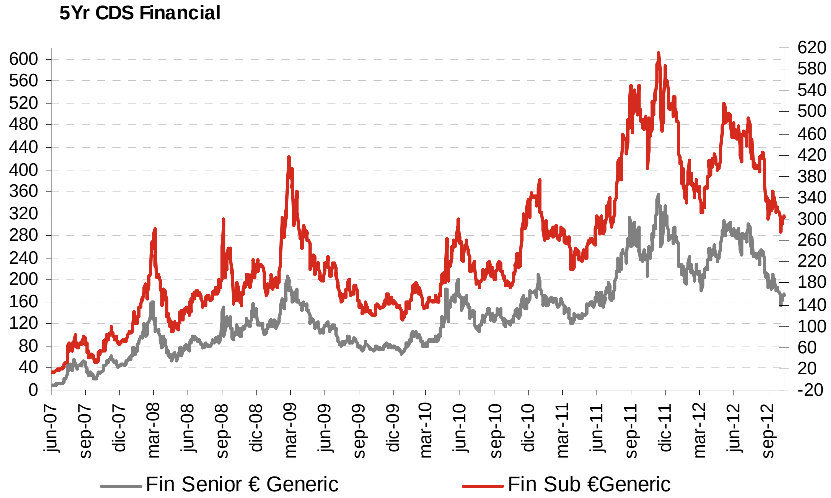
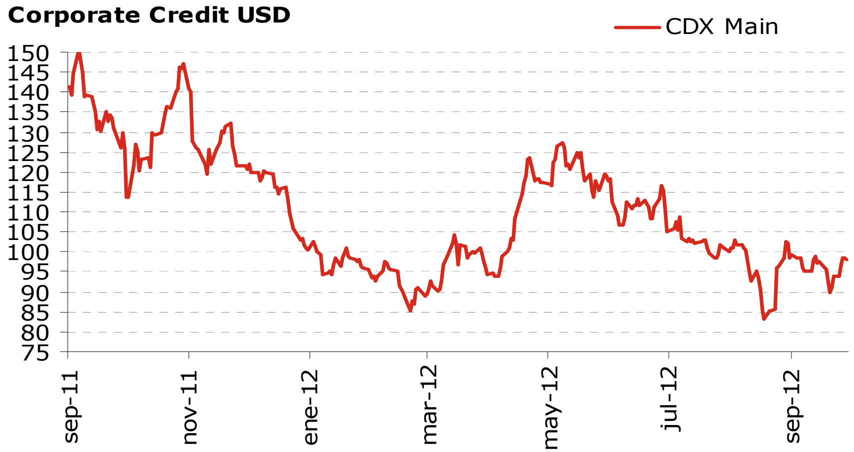
Corporate Credit – Evolution & Outlook.

Credit is expensive. Financials senior already at industrial level.







OUTLOOK: Better moments of entry

- ✓ At 129 b.p currently, we consider there will be better points of entry.
- ✓ We recommend wait to **levels above 175 b.p to increase exposure**.

Corporate Credit – Expected Performance.

Our short term view for equities and risky assets suggest also some widening for corporate spreads …

SHORT TERM OUTLOOK FOR CREDIT - 3M - (ex-interest rate risk)

	Change (bp)	Price effect	From	To	Change
Spread effect	42.461	-1.49%	132.5	175	42.461
Coupon effect		0.38%	Eur3m+	1.33%	0.38%
Total Effect		**-1.11%**			
Yield effect	3	-0.12%	1.47%	1.50%	0.03%

MID TERM OUTLOOK FOR CREDIT - 12M - (ex-interest rate risk)

	Change (bp)	Price effect	From	To	Change
Spread effect	-2.539	0.09%	132.539	130	-2.539
Coupon effect		1.52%	Eur3m+	1.33%	1.52%
Total Effect		**1.61%**			
Yield effect	53	-1.87%	1.47%	2.00%	0.53%

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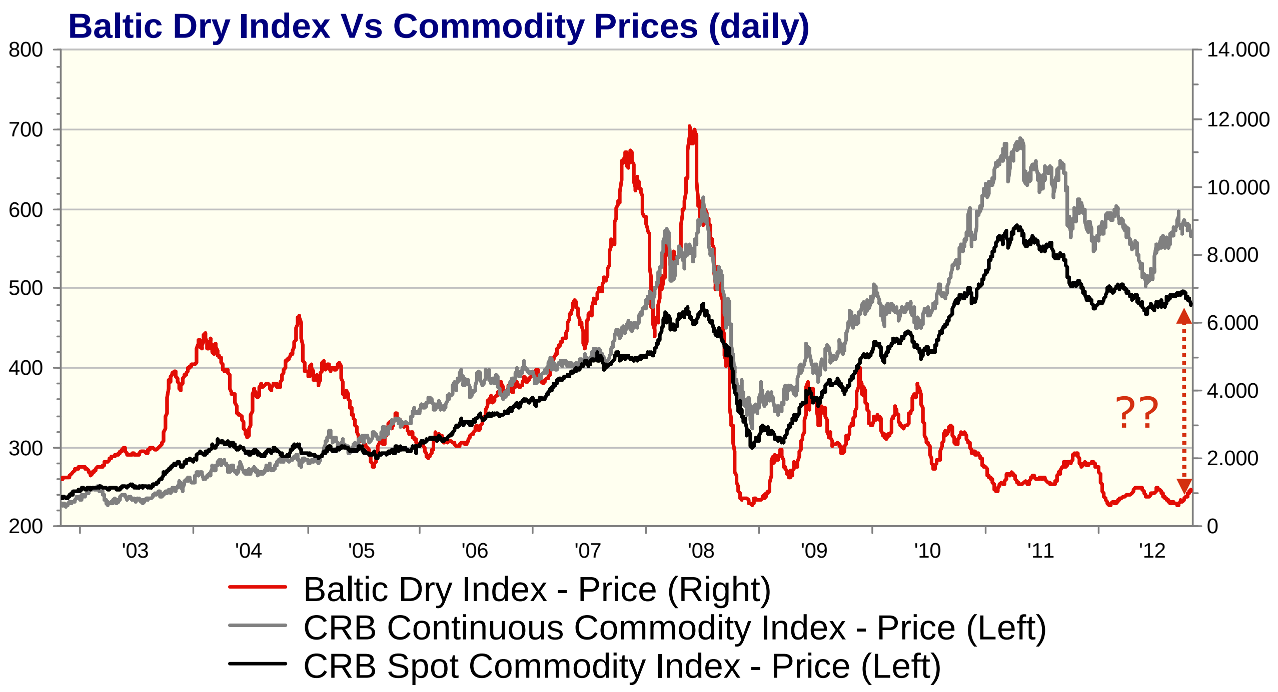
Commodities Dry – Real vs speculative demand.

Commodity prices in derivatives markets have raised sharply in 3Q, while prices in the spot market has remained more stable, although showing also a positive performance.

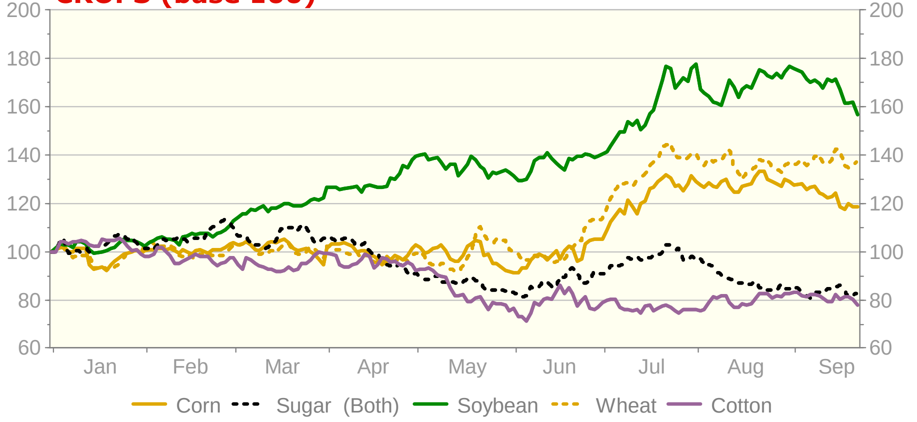


Nevertheless, The level of dry commodities transported remains at record lows. Under this approach, we keep our bearish outlook for the medium/long - term view in dry commodities.

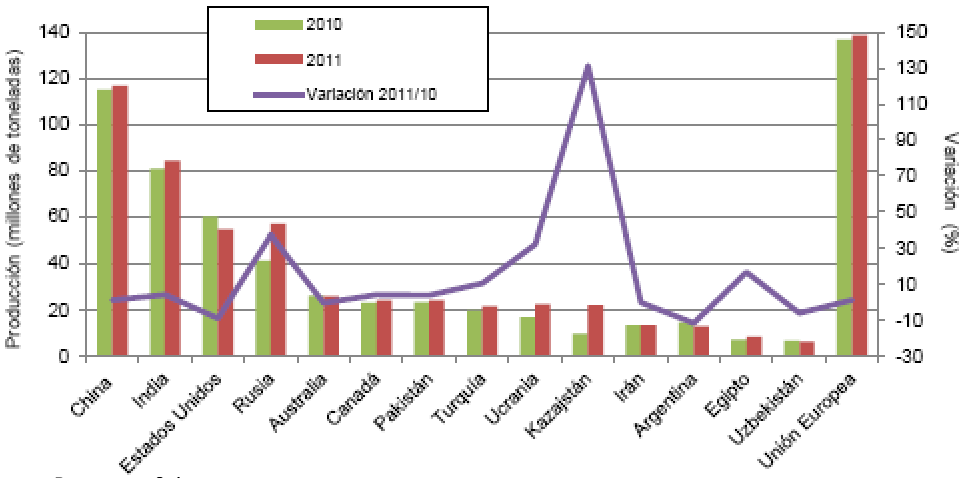
The reasons behind this strong movement are:

1. A severe drought in North America (that has led the USDA to reduce its harvest projections for corn).
2. Strikes of mine workers in South Africa's rich platinum mines.
3. Rebound in Oil prices due to QE3?

Remember our August recommendation for crops? – *"3 reasons to be bearish in agriculture"*



Wheat Production (million tones)



Reuters, Odepa

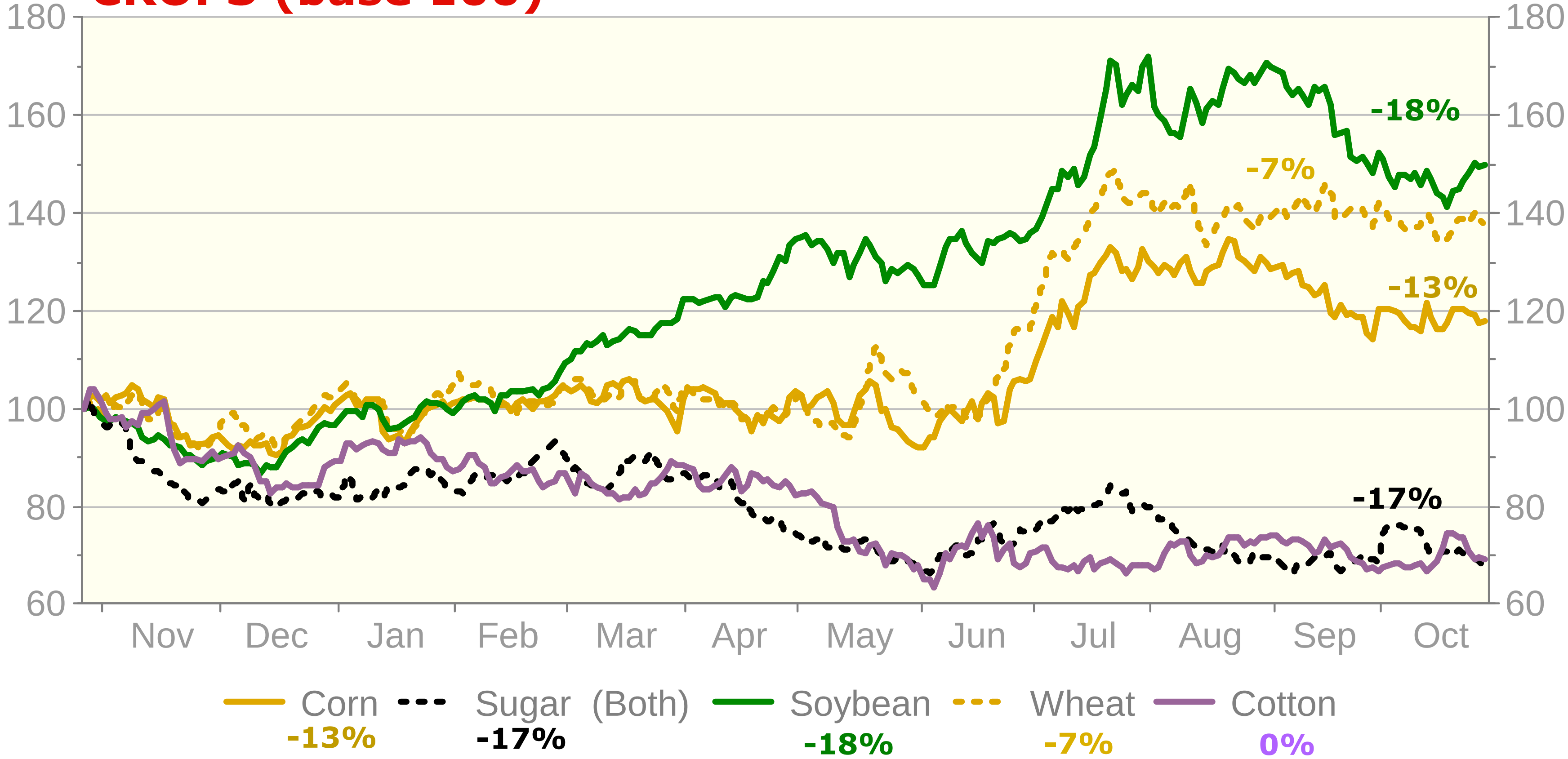
1. *"Many of the grains have experienced sharp increases, when just in only one (corn) harvest projections have been cut". (Wheat and soybeans have raised 40% and 21% respectively in one month)*

2. *"The grains component of the most closely watched commodity index (S&PGSCI) comprises wheat, corn and soybeans (that have raised an average of 30% in the July-August period). Although prices in some of these commodities have started to decline, there is still room for more declines".*

3. *"While the US is one of the world's largest corn exporter (and key supplier of soybeans and wheat) is by no means the only player, and there is some scope for better harvest elsewhere to offset any shortfall in the US".*

Agricultural prices have fallen on average 14% since August. We consider that prices could fall a little more in the short term but declines would be limited at this stage

CROPS (base 100)



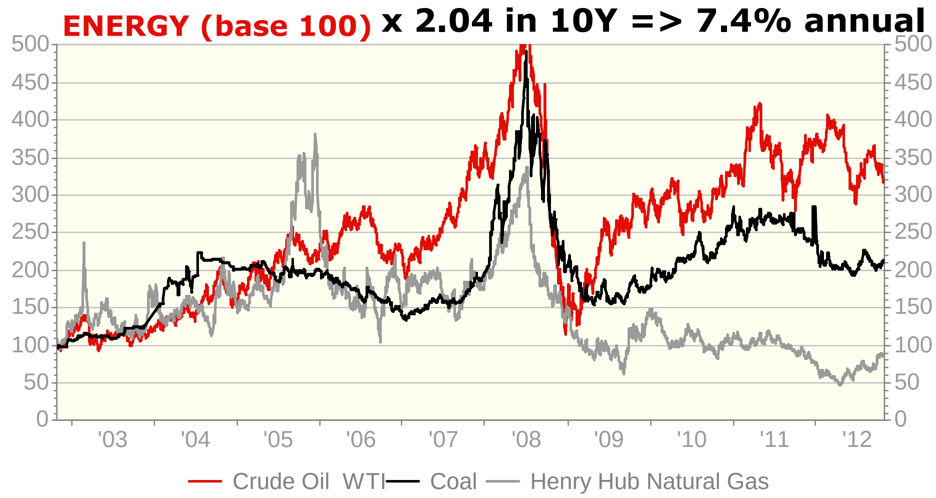
Precious Metals – Gold.

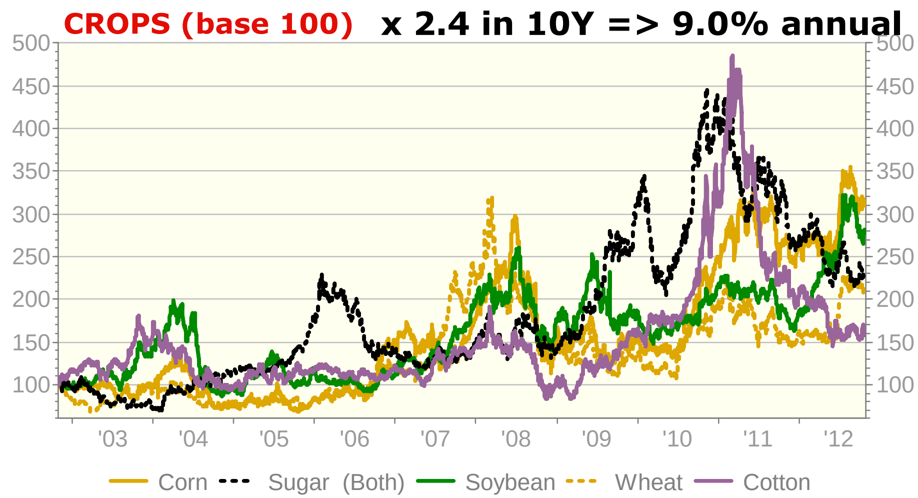
We see Gold well supported during 2012 … thought we consider it as "expensive" at current levels. Neutral (Short Term) / Bearish (Long Term)

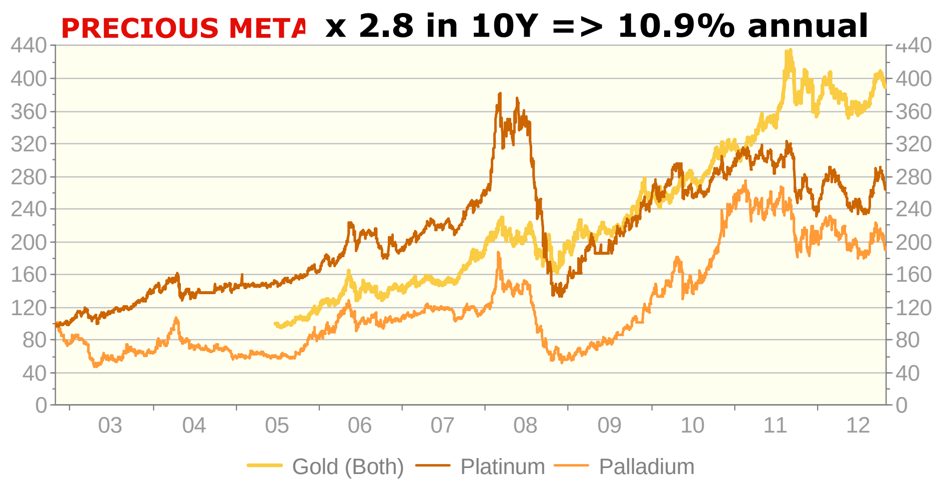
Criteria	Andbank's Long Term considerations	Rationale
Gold in Real Terms	**Expensive**	Using quarterly data, Real Gold price (deflated by US CPI) fell in 2Q below 1,400, still near the maximum (1,371$) seen in December 1980, after boycott in South Africa and the closing of many mines of gold.
Gold in terms of Oil (Gold / Oil)	**Expensive**	Currently at 19,2, the ratio is well above its long term average of 15,02. Our long term (5y) target for oil price is in the 80-90. Which means that for this ratio to remain in equilibrium (near 15,02), gold should quote in the 1,275 area.
Gold in Terms of Equity (Dow / Gold)	**Expensive**	This ratio has dropped to 7,61 (from the 8,08 last month) and remains well below the long term average (13,6), suggesting that Gold price is expensive in terms of Equity (or Equity is cheap). Since we do not think at all that Equities are cheap, we suggest that the only way this ratio can reach the equilibrium point is troughout a strong decline in Gold price.
Gold & QE	**--**	There is no evidence of a high correlation between QE and Gold price, however, speculation on additional QE helps keep Gold well supported, when we do not support a hypothetical correlation.
Gold & M2 (liquidity)	**Expensive**	Gold price increase has been more tha 5 times the increase in liquidity.
Come back to Bretton Woods thesis	**--**	We consider this as something unconceivable.
Further deterioration of debt crisis in Europe & US	**Expensive**	In our central scenario, we consider a normalization of tensions in the debt crisis arena and debt ceiling topic, **though we must recognize that this will not happen in 2012, thus Gold price could remain well supported this year**. Nevertheless, with a longer term view, satisfactory resolution of the process in Europe should help ease systemic concerns and bring gold price well below the current levels.

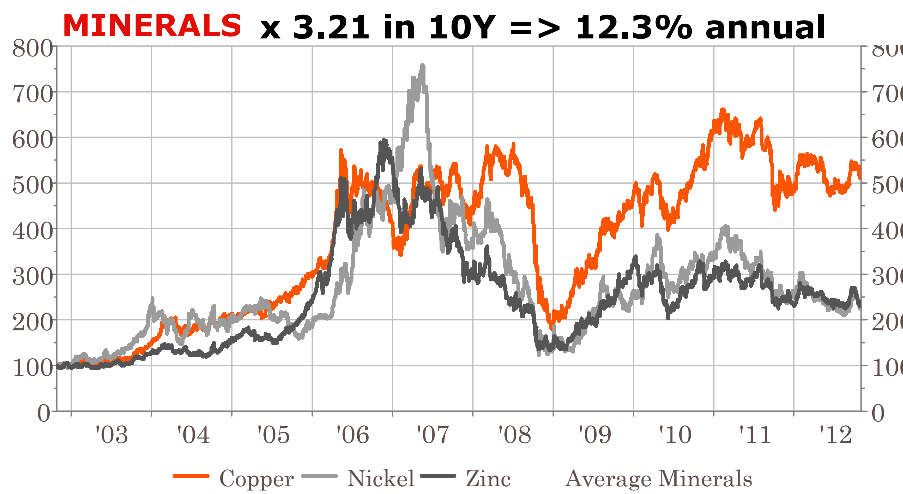
Final Assessment	**Expensive**	Despite this, **we consider gold will remain well supported during 2012, as is happening.**

COMMODITIES IN PERSPECTIVE.









ANDBANK'S ASSESSMENT ON COMMODITIES.

		CURRENT 2002 = 100	10 YEAR PERFORMANCE	ANNUALIZED GROWTH	ANDBANK'S ASSESSMENT
Energy		***204***	***104%***	***7,4%***	***FAIR VALUE***
	Oil	319,8	220%	12,3%	EXPENSIVE
	Gas	84,4	-16%	-1,7%	VERY CHEAP
	Coal	209,4	109%	7,7%	FAIR VALUE
Crops		***236,74***	***137%***	***9,0%***	***FAIR VALUE***
	Corn	311,3	211%	12,0%	EXPENSIVE
	Wheat	213,6	114%	7,9%	FAIR VALUE
	Soybean	281,9	182%	10,9%	EXPENSIVE
	Sugar	218,6	119%	8,1%	FAIR VALUE
	Cotton	158,3	58%	4,7%	CHEAP
Precious		***281,7***	***182%***	***10,9%***	***EXPENSIVE***
	Gold	391,1	291%	14,6%	EXPENSIVE
	Palladium	191,3	91%	6,7%	FAIR VALUE
	Platinum	261,8	162%	10,1%	EXPENSIVE
Minerals		***320***	***220%***	***12,3%***	***EXPENSIVE***
	Cooper	507,9	408%	17,6%	BUBBLE
	Nikel	225,3	125%	8,5%	FAIR VALUE
	Zinc	230,9	131%	8,7%	FAIR VALUE

Recommended Strategy for commodities:

- Do not be structurally long in commodities (do not engage in long term passive management strategies).

- We consider none of them is really cheap under a historical perspective. Only gas but because of fundamental reasons. We think there will be much better entry points for increasing exposure to raw materials in general.

- With a short term view, reduce exposure to general commodities (for the next 2-3 months). During this period we could witness some additional declines together with declines in risky assets such as equities.

- Be short in the following assets: Cooper, soybean, Corn, Oil. Include in your portfolio inverse ETFs on the assets mentioned or include structured products betting on declines in the price of these assets.

- Also with a short term perspective, be long precious metals. Specifically Gold and platinum.

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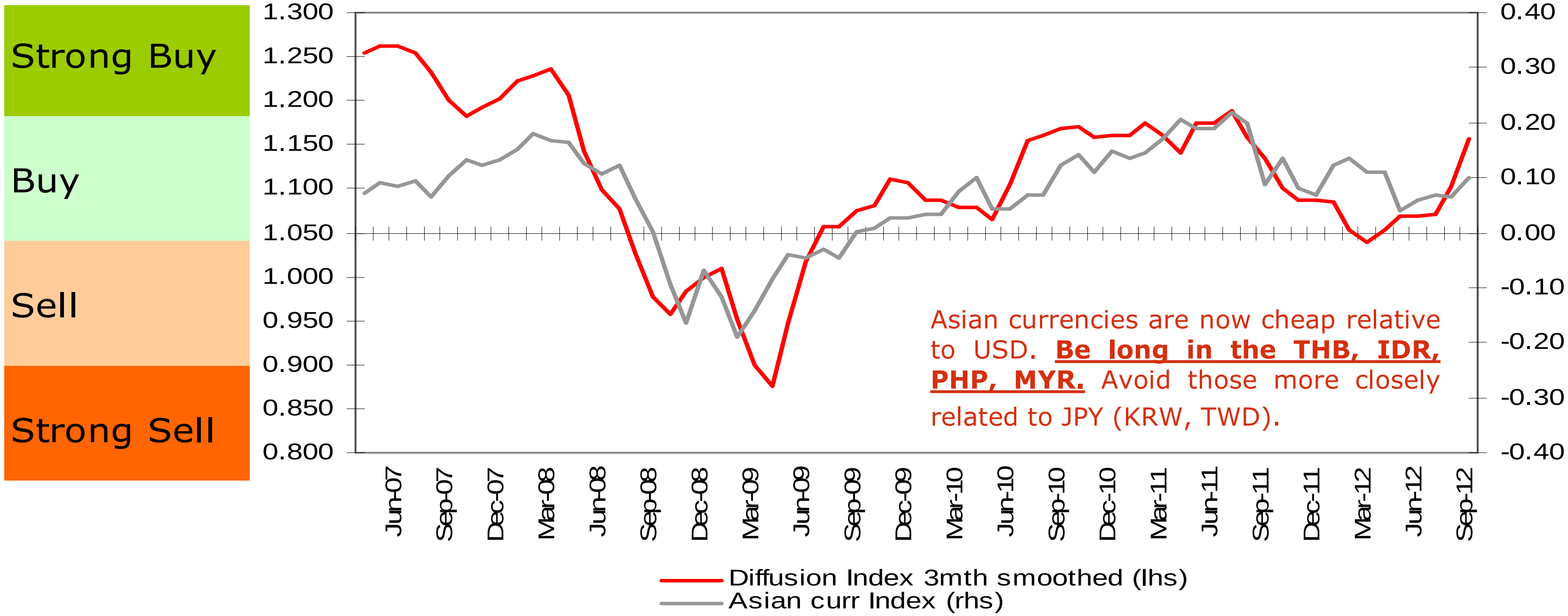
USD/EUR

Drivers	Effect on USD (Short-Term view).	Effect on USD (Longer- Term view. >12m)	Rationale
Tensions in Europe	POSITIVE	NEGATIVE	This risk factor will not disappear in the short term, so we expect to continue supporting the dollar in the coming weeks. But structural measures adopted in Spain and Italy, and further steps in the adoption of the fiscal compact should crystallize in a reduction of the risk premiums and a stronger Euro (1.40).
Global accumulation of the reserve currency	NEUTRAL	NEGATIVE	China, Brazil and Japan remain as the countries accumulating major portions of currency reserve compared to its own history, and all of them has increased positions in recent weeks. Japan increased their currency reserves in USD from 16.8 to 17.2 months of imports. Brazil also accelerated this trend of accumulation (to 19.29 months of imports, from 18.75). And China has kept the level of currency reserve stable in the 21.9 months of imports. All these countries remain at record highs in their holdings of currency reserve (20 months on average) and well above their historical average levels (6-10 months). Persistence of problems in Europe will make this activity to continue high, even increase (supportive for USD) but with a longer term view this trend should revert to the average (negative for USD).
Short positioning in €	NEUTRAL	NEGATIVE	Short contracts Non commercial in EUR are 122k (vs 48k in long contracts). The net position remains therefore in the short side. This positioning should revert at some point in time putting pressure to the USD (vs EUR), although we expect a lot of noise coming from Spain and Italy in October. Something that could keep the USD well supported in the next weeks.
US Current account balance	POSITIVE	POSITIVE	The inability of U.S. consumers to expand their balance sheet will make it difficult to see a deterioration in the US current account, which means that the flow of USD abroad will remain scarce (low supply). We do not see a substantial improvement of this situation in the coming months. Thus, this shortage of USD with respect the global level of commerce (primarily in USD) will keep this currency well supported. With a longer term view, we see some aspects (as the development of a RMB debt market and this currency as a new reserve currency) as something negative for the USD, but we are still far from reaching that point.
QE	NEGATIVE	NEGATIVE	Higher aggressiveness from the Fed could dampen the credibility of the USD. We indeed believe that monetary expansion will take place at both sides, however we see the ECB less aggressive.
FINAL ASSESSMENT	**NEUT-POSIT (1.25)**	**NEGATIVE (>1.40)**	

Asian Fx: **POSITIVE OUTLOOK**

Asian Currency Diffusion Index



1. S&P Volatility. Asian assets are the first to be sold when Managers need to liquidate portfolios. A rise in the volatility of S&P has a negative reading for the attractiveness of Asian currencies. A VIX above 25 converts this factor negative.
2. Kospi volatility. This factor helps to capture the risks specific to the region. A reading above 23 makes this factor to contribute negatively.
3. Overall velocity of money. As this increases, wake up the "animal spirits" that prevail in financial markets. We take as a proxy for that rate variation in M1 in the Euro zone, USA and Japan. Asia's natural response to an up tick in the overall level of prices is to allow an appreciation of their currencies, thus keeping the level of purchasing power. Thus an increase in the overall M1 is synonymous with currency appreciation of emerging countries.
4. OECD LEI. When global growth slows, exchange rate policies of Asian countries is used as a tool to counter short-term dynamics and manage the domestic economy. The mercantilist mindset of many central bankers made □□these to limit the appreciation of their currencies in such episodes. This factor computes negatively when LEI of the Asian big five fall.
5. Trend of the RMB. This component turns negative with an appreciation of the yuan less than 50 ticks in 2 months.
6. JPY Trend. Traditionally a currency "anchor" for the rest. Korea and Taiwan have product overlap with Japan, competing in many fields with Japanese products. Therefore, a weak yen "invites" competitive devaluations from the rest. With over 300 bp reductions in JPY (from 80 to 83), this component is negative for the rest.

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Market Outlook: Summary Table

Asset Class	Instrument	Current 10/30/2012	Short Term Performance (1-2 months)	Fundamnetal Target	Mid Term Performance (12 months)	Confidence
Equity	S&P Eurostoxx 600 MSCI Em. Latam MSCI Em. Asia	1,412 269 3,664 417	**(0%, -5%)** **(0%, -5%)** **(0%, -5%)** **(0%, -5%)**	1,340 240 3,242 417	**-5.1%** **-10.9%** **-11.5%** **-0.1%**	Weak Weak Weak Weak
Fixed Income (1)	Bund 10y Treasury 10y	1.47% 1.72%	**2.08%** **3.37%**	1.50% 1.75%	**1.19%** **1.46%**	Strong Strong
Sovereign Risk Europe *(spread levels in 10Y cash bonds vs German bund)*	Spain Italy Portugal Ireland *Average*	416 353 643 315 *432*	**(0%, -5%)** **(0%, -5%)** **(0%, -5%)** **(0%, -5%)**	391 328 618 290 *407*	**7.6%** **7.0%** **9.9%** **6.6%** **7.8%**	Weak Weak Weak Weak Weak
Corporate Credit - EUR (2)	Itraxx (€)	132.539	**-1.11%**	130	**1.61%**	Strong

(1) Expected performance includes price and coupon effect. (2) Credit performance exclude interest rate effect, and refers to spread performace and coupon (FRNs)

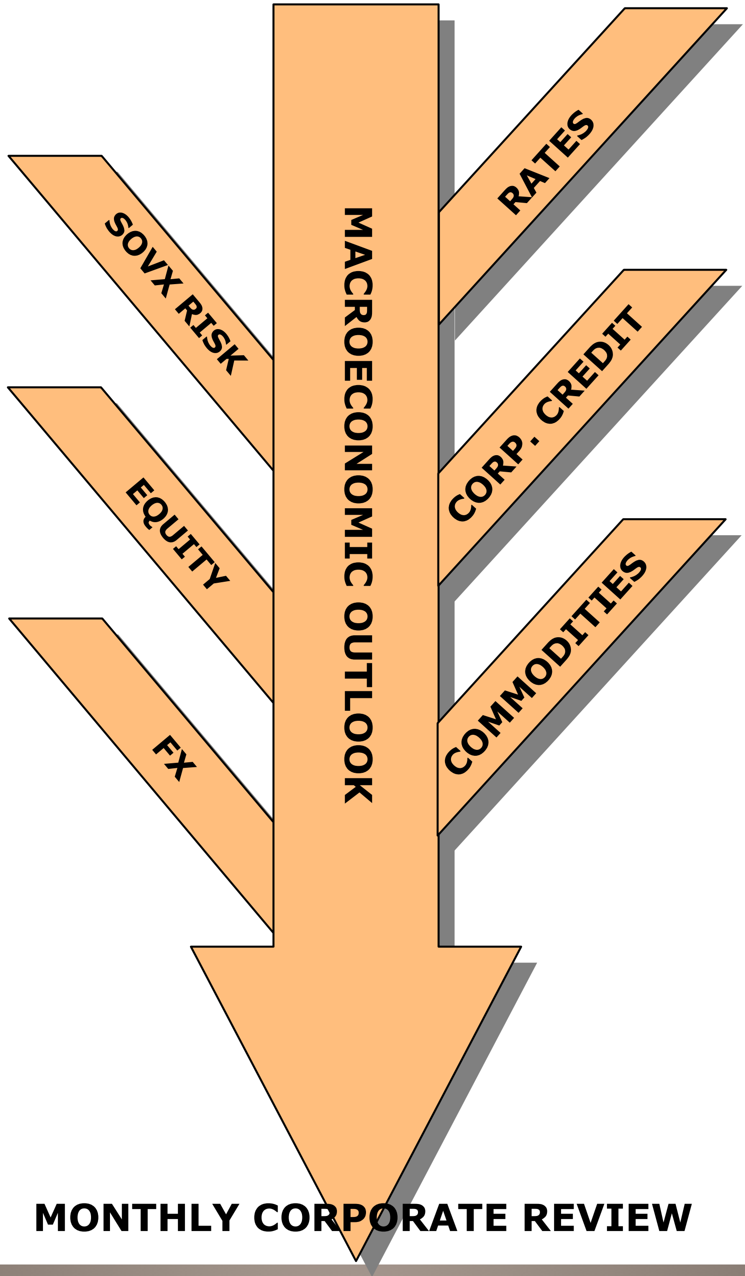
Market Outlook: Summary Table

Asset Class	Instrument	Current 10/30/2012	Short Term Performance (1-2 months)	Fundamnetal Target	Mid Term Performance (12 months)	Confidence
EM bonds Asia	Taiwan	1.14%	**(0%, +5%)**	1.14%	**1.1%**	Strong
	Thailand	3.34%	**(0%, +5%)**	2.84%	**7.3%**	Strong
	Indonesia	5.72%	**(0%, +5%)**	5.22%	**9.7%**	Strong
	Malaysia	3.45%	**(0%, +5%)**	2.95%	**7.4%**	Strong
	India	8.17%	**(0%, +5%)**	7.67%	**12.2%**	Strong
	Philipines	5.09%	**(0%, +5%)**	4.59%	**9.1%**	Strong
EM bonds Latam	Brazil	9.16%	**(0%, +5%)**	8.66%	**13.2%**	Strong
	Mexico	5.53%	**(0%, +5%)**	5.03%	**9.5%**	Strong
	Colombia	6.01%	**(0%, +5%)**	5.51%	**10.0%**	Strong
	Peru	4.53%	**(0%, +5%)**	4.03%	**8.5%**	Strong
	Chile	5.37%	**(0%, +5%)**	4.87%	**9.4%**	Strong
Commodities	Oil	85.74	**(0%, -5%)**	85	**-0.9%**	Strong
	CRY	295.76	**(0%, -5%)**	285	**-3.6%**	Strong
	Gold	1714.40	**(0%, +5%)**	1600	**-6.7%**	Weak
Fx ($ perspective)	EUR/USD	1.294	**(0%, +5%)**	1.4	**-7.6%**	Weak

(1) Expected performance includes price and coupon effect. (2) Credit performance exclude interest rate effect, and refers to spread performace and coupon (FRNs)

Annex

Andbank's Committe Decision Making Process



MONTHLY CORPORATE REVIEW

Andbank's Fundamental Equity Valuation Model.

PER = P / BPA

P = PER x BPA

PER ? EYG = (1 / PER) - T10

PER = 1 / (EYG + **T10**)

EYG = a + b **(VIX)**

EYG € = 3,1 + 0,11 (VDAX)

EYG $ = 1,3 + 0,09 (VIX)

BPA ? BPA t = (BPA t-1) x (1+**g**)

Flow & Sentiment analysis. Indices description

•**Equity Put/call ratio** Yet one of the most reliable indicators of future market direction is a contrarian-sentiment measure known as the put/call options volume ratio. By tracking the daily and weekly volume of puts and calls in the U.S. stock market, we can gauge the feelings of traders. While a volume of too many put buyers usually signals that a market bottom is nearby, too many call buyers typically indicates a market top is in the making, On balance, option buyers lose about 90% of the time, The contrarian sentiment put/call ratio demonstrates that it does pay to go against the options-trading crowd. After all, the options crowd is usually wrong. When speculation in calls gets too excessive, the put/call ratio will be low. When investors are bearish and speculation in puts gets excessive, the put/call ratio will be high.

•**The AAII Investor Sentiment Survey** measures the percentage of individual investors who are bullish, bearish, and neutral on the stock market for the next six months.

•**Investor Sentiment Intelligence Survey** measures the percentage of stock market newsletter writers who are bullish, bearish, and neutral.

•**NDR Crowd sentiment Poll,** This chart shows perspective on a composite sentiment indicator designed to highlight short- to intermediate-term swings in investor psychology. The indicator in the lower clip of the chart is a composite reading which is based on seven different individual sentiment indicators in order to represent the psychology of a broad array of investors. The indicators used are mostly based on ratios of relative bullishness or bearishness (bullish investors as a percentage of all investors) among different categories of investors, including data from:

-Investors Intelligence -- surveys of stock market newsletter writers

-American Association of Individual Investors -- surveys of market expectations among individual investors

-CBOE Put/Call ratios -- ratio of the volume of call options to total options traded (calls plus puts) on Chicago Board Option Exchange

-Rydex fund assets -- ratio of assets invested in bullish market timing Rydex funds to total assets in bullish plus bearish Rydex funds

-MBH Commodity Advisors Daily Sentiment Index for the S&P 500 -- surveys of non-professional retail traders

-Other surveys of investors and traders

•**“Climax” Compra/Venta de Investors Intelligence,** El indicador “Climax” Compra es cuando la cotización de una acción llega al máximo de los últimos 12 meses, y la siguiente semana termina a un nivel inferior.
El Indicador “Climax” Venta es cuando la cotización de una acción llega al mínimo de los últimos 12 meses, y la siguiente semana termina a un nivel superior.

Flow & Sentiment analysis. Indices description

•**The AAII Investor Allocation Survey**, which polls about 600 investors and has a 30% average response rate, reveals the degree to which investors have their money invested in stocks, bonds, and cash. This survey measures long-term sentiment, so it can vary greatly from the shorter-term sentiment picture provided by the AAII AAII Bull and Bear Index (next 6 months).

•**NAAIM Survey of Management Sentiment,** NAAIM member firms who are active money managers are asked each week to provide a number which represents their overall equity exposure at the market close on a specific day of the week, currently Wednesdays. Responses can vary widely as indicated below. Responses are tallied and averaged to provide the average long (or short) position or all NAAIM managers, as a group. Range of Responses :200% Leveraged Short, 100% Fully Short, 0%, 100% Cash or Hedged to Market Neutral, 100% Fully Invested, 200% Leveraged Long.

•**Citigroup Panic/Euphoria Model ,** The model uses the Market Sentiment Composite, a measure of investor sentiment. This metric tracks the mood of investors, which is then translated into a probability of the market's advancing or declining over the near term and over the next 12 months. It is supposed to be a contrarian indicator that produces a bullish signal when market sentiment is overwhelmingly negative, and vice versa. The model's methodology is undisclosed, and no statistical data is available to support the claim that the Composite value is an indicator for the 12-month forward return of the stock market. For example, Citigroup does not disclose the correlation coefficient used to measure the strength of the linear dependence between the Market Sentiment Composite and the 12-month forward return.

•**FC Market Sentiment** is a proprietary indicator derived from actionable sell-side trade ideas sent by the sell-side to their buy-side clients over the First Coverage platform. Over 1,000 institutional sales people at more than 250 firms participate on the First Coverage platform and have contributed hundreds of thousands of ideas since inception. Each Idea is associated with a ticker or sector and is tagged bullish or bearish by the creator. This data is aggregated at the sector, industry and market level. The FC Market Sentiment score ranges from 0-100 (0=most bearish, 50=neutral, and 100=most bullish) and represents a completely objective, real-time view into what advice the sell-side is providing to their buy-side clients).

• **The Market Vane Bullish Consensus** is compiled daily by tracking the buy and sell recommendations of leading market advisors and CTA's (Commodity Trading Advisers) relative to a particular market. The advice is collected by:
1. Reading a current copy of the market advisors' market letter.
2. Calling hotlines provided by advisors.
3. Contacting major brokerage houses to learn what the house analyst is recommending for the different markets.
4. Reading fax and e-mail sent from advisers.

The buy and sell recommendations from each advisor are tracked during the day to verify the entry and exit of each trading position. The Bullish Consensus is compiled at the end of the day to reflect the open positions of the advisors as of that day's market close. GUIDELINES: When it approaches the upper red band, we are seeing excessive bullishness; when it approaches the lower green band, we are seeing excessive bearishness.

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