Santander Investment Services
A Division of Santander Securities LLC

Santander Private Client

Quarterly Market Outlook

October 2023

Difficult balance between growth and inflation

After the steepest interest rate hikes in decades, central banks and markets are shifting their focus from inflation to growth. This dynamic has different speeds, with emerging economies leading and already shifting the focus from inflation containment to economic slowdown. Overall, the effect of monetary tightening on economic activity is occurring more slowly than in previous cycles and this may lead to a longer period of higher interest rates. The strength of the labor market and generous fiscal stimulus have made this economic cycle more resilient than previous periods of adjustment.

Difficult balance between growth and inflation

01 Focus on inflation in Europe and the U.S.

The market is starting to show a high probability that both the US Federal Reserve ("Fed") and the European Central Bank ("ECB") have completed the process of interest rate hikes. However, **we believe that the focus will remain on controlling inflation for some time, and we rule out rate cuts in the short-term.** The risk of deterioration in economic growth fundamentals remains elevated in the coming quarters. Our belief is that growth will decrease only moderately due to labor market support and the absence of marked imbalances in the private sector, although the magnitude of the adjustment is uncertain. Rates should remain higher for longer and **this is going to imply a headwind in terms of growth.**

02 Focus on growth in emerging markets

China failed to meet expectations of a rebound in growth after the reopening. This is creating cause for concern in the real estate sector and the country is once again exporting deflation to the rest of the world. There are doubts about the effectiveness of the Chinese government's measures to shore up growth. **In other emerging economies, central banks** have made substantial progress towards their goal of controlling inflation with early and decisive action. **As a result, they have already shifted the focus to growth and have started to cut interest rates.** This is the case in Chile, Brazil, Peru and Uruguay, as well as Poland – although the latter is focusing on growth despite high inflation.

03 Time to lock in high interest rates

Monetary policy tightening has brought interest rates to their highest level in decades. **Interest rates have most likely reached their terminal level and that supports the attractiveness of increasing exposure and duration in bond portfolios.** Investors may also want to keep equity exposure at moderate levels as long as the risk of further adjustment in earnings estimates persists. That is a strategy recommendation.

01 U.S.: Longer adjustment

Markets are increasingly wondering if the time has come for central banks to pause the interest rate tightening process (the fastest and most aggressive since the 1980s). It will all depend on the **relative degree of concern between two sources of imbalance: inflation and growth.** In the United States, the Federal Reserve (Fed) looks favorably on a significant moderation in price pressures on year-over-year inflation which - according to data from the U.S. Bureau of Labor Statistics (BLS) - has fallen from a peak of 9.1% in June 2022 to 3.7% in August 2023. However, **the Fed cannot yet call the battle over,** as the fall in core inflation is much more incipient and there is an additional downward resistance in wages, as seen in the chart to the right. If this trend persists, the goal of bringing inflation back to 2%, given the importance of wages in services inflation, is at risk.

The **lagged adjustment in wage inflation is due to a robust labor market** that remains at full employment because, as seen in the left chart, the **U.S. economy continues to show signs of strength thanks to stable consumer growth.** Consumer strength has been supported by two key drivers: savings accumulated during the pandemic and the confidence provided by a robust labor market. The Fed's forecast assumed a cost in terms of job destruction and economic slowdown as a result of monetary policy tightening, which has not yet come into effect, as a counterpart to achieving price equilibrium. As a result, in its September Summary of Economic Projections, the Fed revised growth upward for both 2023 and 2024 and revised downward the unemployment rate for both periods.

Further signs of economic weakness are likely to appear in the coming quarters. In any case, **concerns about economic growth are low, which is why we believe that interest rate cuts by the Fed are still a long way off.** The financial balance sheets of households and companies as a whole are quite healthy and this would mean that the growth adjustment process of this monetary tightening cycle would be particularly moderate.

The most stubborn components of inflation show signs of turning around

A surprisingly strong labor market supports consumer spending (and stokes inflation)

Excess savings are being depleted and consumers are replacing it with credit, which is beginning to show signs of deterioration

The trade-off between inflation control and economic slowdown is leveling and supports a monetary pause

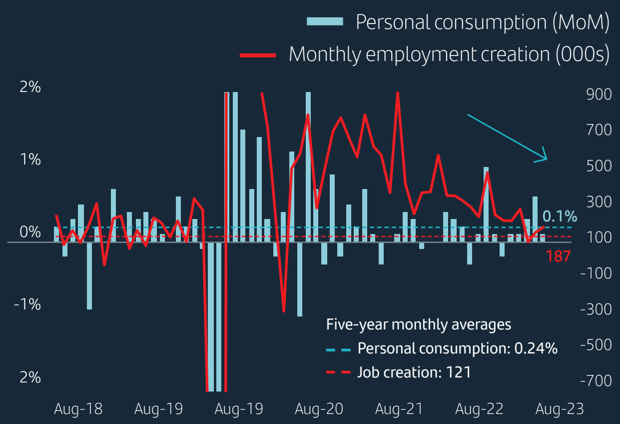
FED FOCUS

Growth

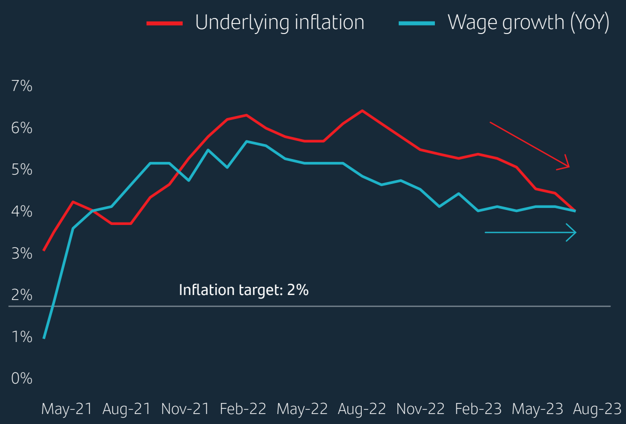
Job creation is moderating but remains robust and supports consumption

Inflation

Wage pressure casts doubt on the 2% inflation target



Source: Bloomberg. Data as of the end of August 2023.



Source: Bloomberg. Data as of the end of August 2023.

The Federal Reserve faces a scenario in which the economy continues to show signs of strength despite high interest rates.

01 Eurozone: Inflation remains sticky

The European Central Bank (ECB) is facing **greater concern about inflation and price dynamics in the Eurozone** compared to the United States. The chart on the right shows a **significant lag in disinflation trends with a particular focus of concern in Germany.** This is why the ECB raised its deposit rate to a record high of 4% at its September '23 meeting, despite signs that monetary tightening is significantly affecting financial conditions. The ECB has signaled that interest rates have reached a level that, if sustained for a sufficiently long period of time, will help inflation return to its 2% target over the medium-term. The market shows a high probability that the September hike may have been the last in this cycle and **the focus now is on the length of the period that policy rates will remain high.**

Inflation is moving back toward its target more slowly than in the U.S. due to the war in Ukraine and the delay in the start of rate hikes

The added concern for the ECB is that the economy is already showing signs of a slowdown, as can be seen in the chart on the left. The higher demand for services vs. goods (as a result of post-pandemic normalization dynamics) is negatively affecting the European economy due to its greater exposure to the manufacturing sector. This is **particularly significant in the case of the German economy, which also suffers from the lower dynamism of exports to China.** Southern European countries, with a greater weight in the services sector, show less deterioration in activity but, according to Bloomberg consensus estimates, growth for the Eurozone as a whole is expected to be extremely low in 2023.

Germany, the main engine of the European economy, faces difficulties due to China's slower growth dynamics

The ECB faces a particularly difficult challenge because rate hikes have had an impact on credit and economic activity but have failed so far to have a marked effect on core inflation. Both inflation and growth are worrisome and this complicates monetary policy. **The focus needs to remain on inflation, and investors and economic agents are realizing the new monetary outlook in which rate cuts are highly unlikely in the short-term.**

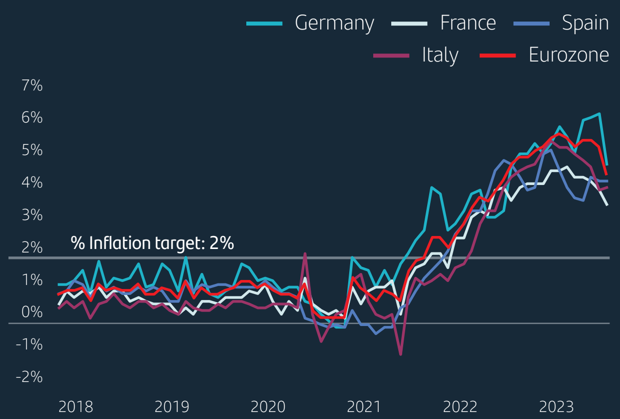
The ECB is facing an economic slowdown, and a slower decrease in inflation than expected

EUROPEAN CENTRAL BANK FOCUS

Germany's manufacturing sector affected by China's economic dynamics

Core inflation is still far from the 2% target

Source: Bloomberg. Data as of the end of September 2023.



Source: Bloomberg. Data as of the end of September 2023.

The ECB has probably activated a pause in rate hikes, but inflation will not allow it to consider lowering rates in the short term despite the economic slowdown.

02 China: Doubts about the economic model

Unlike the United States, China has missed expectations in terms of growth in 2023. The announcement of the **end of the zero COVID policy aroused great expectations of a resurgence of consumption that has not been realized.** The economy grew at an annualized rate of only 3.2% in the second quarter (the government target is 5%), housing prices weakened further and real estate developers continue to have serious financial problems due to excessive indebtedness. The Chinese government has announced a series of economic stimulus measures but so far they have failed to have the desired effect. In addition, consumer spending, business investment and exports stagnated. **Finally, while much of the world is struggling with high inflation, China is on the verge of deflation.**

Some analysts suggest that China could enter a deflationary trap like Japan in the 1990s and future sustainability of the investment-led growth model is in question. **China is likely to grow by close to 5% this year, but market sentiment is less confident in the government's ability to redirect that investment-dependent growth** to a consumption-based model. The need is clear because, as the chart on the left shows, reliance on investment – especially real estate – is dragging down growth.

Indicators highlight the need to focus on growth, but **measures announced to date have not been strong enough to halt the negative trend** and the market is waiting for a more ambitious fiscal stimulus program. Xi Jinping's government has prioritized other objectives (corruption, equality, financial stability, geopolitics...) over short-term growth. After three decades of successful management of the macroeconomic framework, **the Chinese authorities are beginning to show difficulties in adapting the growth model to the new challenges and realities.**

Doubts about the effectiveness of the Chinese government's measures to revive growth

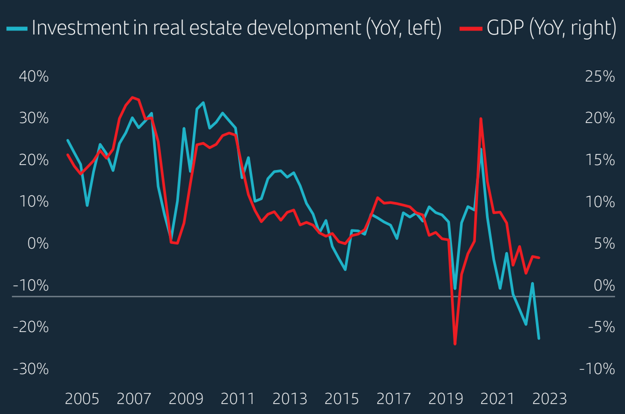
Elevated indebtedness of companies and authorities at the local level hamper the implementation of a massive stimulus

The market remains hopeful that a thorough economic stimulus plan will be approved

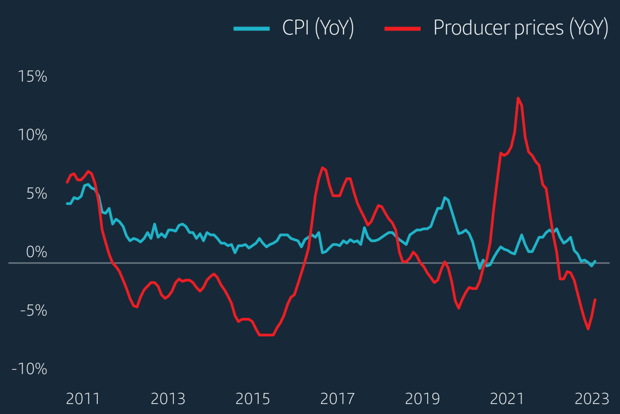
PEOPLE'S BANK OF CHINA FOCUS

Weak residential investment is a drag on growth

China is once again exporting deflation to the rest of the world



Source: Bloomberg. Data as of the end of August 2023.



Source: Bloomberg. Data as of the end of August 2023.

The growth model based on residential investment is losing momentum and consumers are not taking up the baton due to concerns, amongst other factors, about real estate valuations.

02 Emerging economies ex-China: Mature monetary cycle

The countries of the emerging bloc ex-China (and in particular Latin American countries) are ahead of developed economies regarding the monetary policy cycle. As an example, the Banco Central do Brasil began to raise rates in March 2021, a year ahead of the first interest rate hike by the U.S. Federal Reserve, and it did so very aggressively. As can be seen in the graph on the right, actions such as this have allowed **real interest rates** to be placed **in very restrictive territory** (except in Poland) and have significantly reduced inflation levels. In the case of Mexico, inflation has moderated from 9.1% in September 2022 to 4.6% in August 2023 with an official interest rate that has remained at 11.25% for more than six months. This represents a real interest rate (net of inflation) of 6.6%, which has whetted the appetite of foreign investors and led to a **10% appreciation of the Mexican peso in the first nine months of 2023.**

This aggressive process of rate hikes is taking a toll in terms of growth, as can be seen in the graph on the left. Inflation control has been achieved thanks to the intensity and duration of monetary tightening and has **enabled monetary authorities to focus on growth. At the end of September, Chile and Brazil had lowered rates by 100 and 175bp, respectively.** The National Bank of Poland (BNP) surprised the market with a rate cut of 75bp despite little progress in inflation control (now at 10.1% YoY). Volatility of the **Polish zloty** has increased and the currency has depreciated as the market interpreted the monetary authority as prioritizing economic growth and being more lax and is more lenient on the inflation target (2.5%). **Weak growth dynamics in major trading partners (China and Germany) are adding to the negative effects of monetary policy on growth.** Countries where central banks have acted with discipline and have reinforced their anti-inflationary credibility will be able to enjoy lower interest rates faster and alleviate pressures on economic growth.

Chile, Brazil and, surprisingly, Poland, have started their interest rate cutting cycle

Real interest rates in the largest Latin American economies are at high levels

Slower economic dynamism of trading partners such as China and Germany may affect the growth of other emerging markets

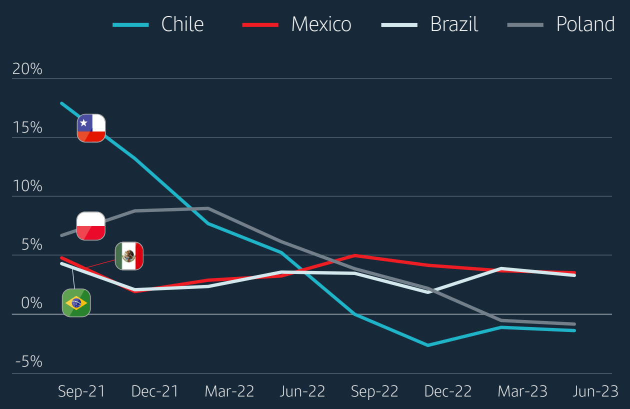
OTHER EMERGING ECONOMIES CENTRAL BANKS' FOCUS

Growth

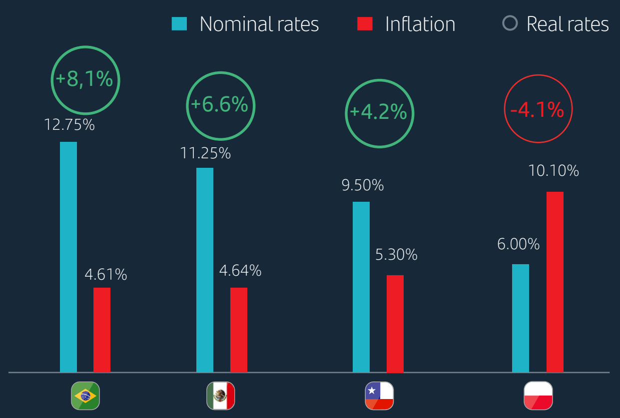
Inflation

Economic growth on a yearly basis has weakened and, in the case of Poland and Chile, has entered negative territory

Real rates (nominal rates - inflation) have reached very high levels in Latin America. In Poland they are negative due to monetary policy focus on growth



Source: Bloomberg. Data as of the end of August 2023.



Source: Bloomberg. Data as of the end of August 2023.

Early action to control inflation with rate hikes allows these emerging economies to move the focus to growth.

03 Time to lock in high interest rates

The focus of concern will eventually shift, as a logical sequence, from inflation to economic growth. There are many nuances depending on the geographic area and the maturity of the rate adjustment process, although **globally we see greater downside risk in growth estimates than in those related to inflation and interest rates.** Therefore, we remain cautious when allocating resources between more conservative assets (very sensitive to interest rates) and riskier assets (more sensitive to growth). In contrast to the environment of recent years, where risk-free investment was penalized by low interest rates, **the risk/return trade-off** now **favors the lower-risk investment options.** Inverstors are no longer forced to increase risk in order to obtain positive real returns.

Our central scenario implies **adverse monetary and financial conditions for growth dynamics due to the delayed effect of the rate hike.** The debate centers on the type of growth adjustment: a soft-landing (low growth without pronounced recession and low unemployment), a hard-landing (recession with rising unemployment) or no-landing (no need for adjustment). The **scenario we see as most likely is that of a soft-landing or prolonged period of below-normal growth** that would ensure the return of inflation to levels around the 2% target. Although the economic slowdown is occurring at different speeds around the globe, the mild economic adjustment hypothesis is supported by the fact that the U.S. is showing unusual resilience in growth.

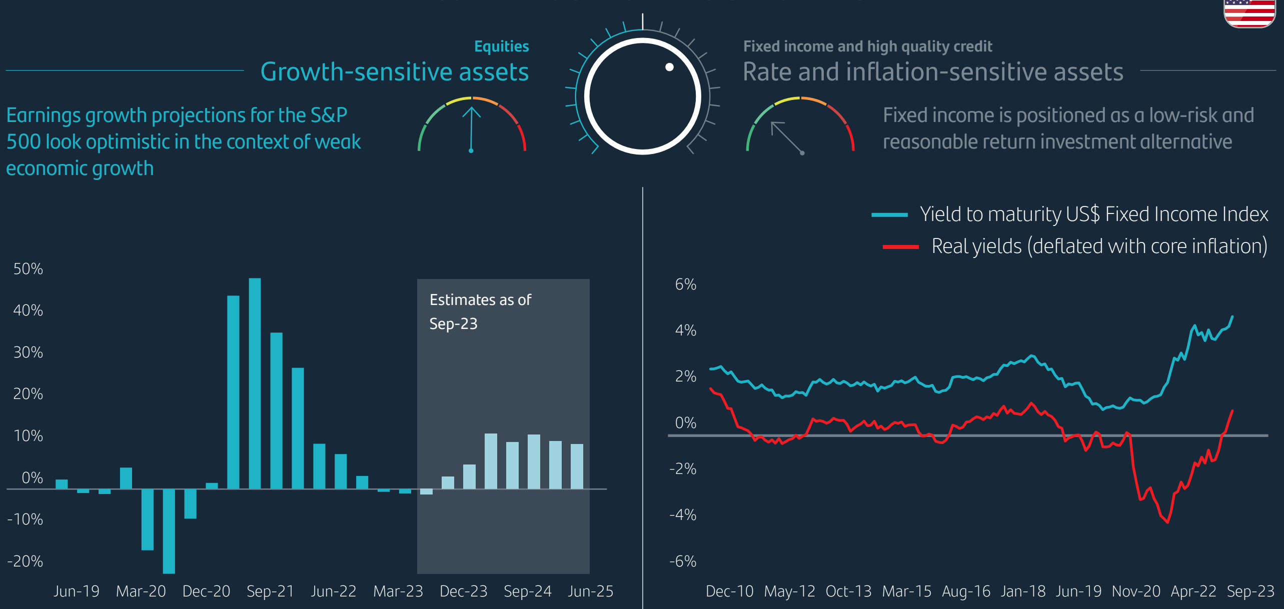
With the above, if we analyze the **investment alternatives for a client with a US$ profile,** we can see in the left chart that the current economic environment conditions a **certain degree of caution towards assets with greater sensitivity to the economic cycle.** The S&P 500 earnings growth projection seems to discount that the worst is behind and conveys a degree

The return on low-risk assets is no longer penalized by negative real returns

The risk of a slowdown has eased but has not disappeared, so we remain cautious on the risk budget

When it comes to asset allocation, we see greater risk in the expectations of growth-sensitive assets

ASSET ALLOCATION IN U.S. DOLLARS



Source: Bloomberg. Data as of the end of August 2023.

Source: Bloomberg. US Agg Total Return Index. Data as of the end of September 2023.

The unusual resilience of the U.S. economy should be viewed with caution when investing. Preference for lower risk assets.

of optimism, but the market assumes a rapid recovery that may not occur given the low growth environment we see as more likely. The right chart shows how the yield to maturity of the fixed income bond index in US$ offers nominal yields (above 5%) not seen in the last fifteen years. In addition, the downward trend in inflation has also made it possible for these **fixed income asset** returns in real terms (net of inflation) to **return to positive territory and once again become an investment with an attractive risk-reward profile.**

The charts below illustrate a similar dilemma for an investor in **euros** in terms of asset allocation, with two particularities: **lower optimism in growth expectations and delayed recovery of positive real bond yields due to persistent inflation. The optimization of the risk-return trade-off for the investor in euro assets also favors fixed income investment due to the expected weakness in earnings growth** and the high probability that we have already seen the last rate hike by the ECB in this cycle.

The current environment is one of limited visibility regarding inflation and economic growth, but at the same time there are attractive alternatives available for investors to lock in high yields and build well-diversified portfolios recommendation. Emerging and European stock markets may not be supported by a strong earnings growth environment, but they are trading at valuation levels below their historical averages. As for the United States, overvaluation and optimism are focused on a few companies with a common denominator: exposure to growth in artificial intelligence and leadership in global technological platforms. Elevated fixed income yields also help mitigate the impact of the volatility of stock market exposure in diversified portfolios.

The change of bias in interest rates may be used to extend duration in bond positions

Excessive valuations are concentrated in a few companies that are also global technology leaders

Investors have access to a wide range of options for building diversified and balanced portfolios in terms of risk-return

ASSET ALLOCATION IN EUROS

Equities

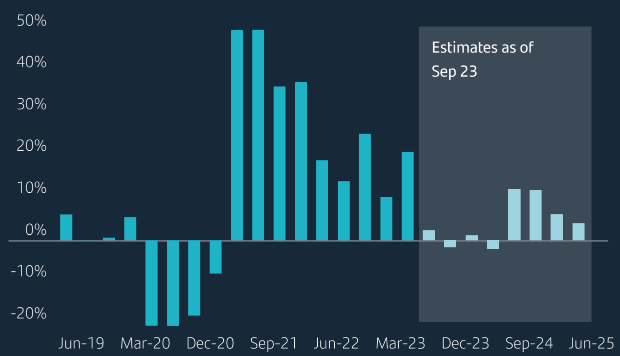
Growth-sensitive assets

The profile of expected earnings growth in the European stock market is less optimistic and so are growth expectations

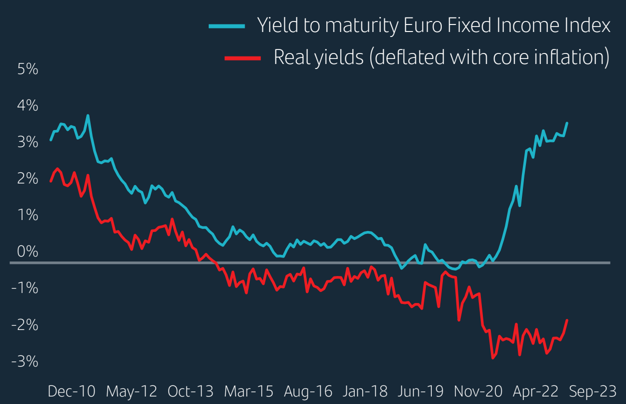
Fixed income and high quality credit

Rate and inflation-sensitive assets

Unlike in the U.S., real yields have yet to recover



Source: Bloomberg. Data as of the end of August 2023.



Source: Bloomberg. Euro Agg Total Return Index. Data as of the end of September 2023.

Preference for fixed income investment given reduced visibility in terms of growth versus inflation

Appendix: Tables.

Returns of main assets in last 10 years.

Source: Bloomberg.

Data as of 09/30/2023							Returns			Annualized returns
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**YTD**	**3 years**	**5 years**	**10 years**
Short-term (USD) (1)	**1.0%**	**1.9%**	**2.2%**	**0.4%**	**0.1%**	**1.7%**	**3.8%**	**1.9%**	**1.7%**	**1.2%**
Short-term (EUR) (2)	**-0.4%**	**-0.4%**	**-0.4%**	**-0.5%**	**-0.5%**	**0.1%**	**2.3%**	**0.6%**	**0.2%**	**0.0%**
Global Fixed Income (3)	**7.4%**	**-1.2%**	**6.8%**	**9.2%**	**-4.7%**	**-16.2%**	**-2.2%**	**-6.9%**	**-1.6%**	**-0.4%**
Fixed Income (USD) (4)	**3.5%**	**0.0%**	**8.7%**	**7.5%**	**-1.5%**	**-13.0%**	**-1.2%**	**-5.3%**	**0.1%**	**1.1%**
Sovereign (USD) (5)	1.1%	1.4%	5.2%	5.8%	-1.7%	-7.8%	0.3%	-3.2%	0.7%	0.8%
Corporates (USD) (6)	6.4%	-2.5%	14.5%	9.9%	-1.0%	-15.8%	0.0%	-5.0%	0.9%	2.2%
High Yield (USD) (7)	7.5%	-2.1%	14.3%	7.1%	5.3%	-11.2%	5.9%	1.9%	3.0%	4.2%
Fixed Income (EUR) (8)	**0.7%**	**0.4%**	**6.0%**	**4.0%**	**-2.9%**	**-17.2%**	**0.6%**	**-6.5%**	**-2.1%**	**0.6%**
Sovereign (EUR) (9)	0.2%	1.0%	6.8%	5.0%	-3.5%	-18.5%	-0.1%	-7.4%	-2.2%	0.7%
Corporates (EUR) (10)	2.4%	-1.3%	6.2%	2.8%	-1.0%	-13.6%	2.5%	-3.7%	-1.0%	1.0%
High Yield (EUR) (11)	6.2%	-3.6%	12.3%	1.8%	4.2%	-11.1%	6.8%	1.4%	1.7%	3.5%
Emerging Global Fixed Income (USD) (12)	**8.2%**	**-2.5%**	**13.1%**	**6.5%**	**-1.7%**	**-15.3%**	**0.9%**	**-4.2%**	**0.2%**	**2.3%**
LatAm (USD) (13)	10.6%	-4.9%	12.3%	4.5%	-2.5%	-13.2%	0.9%	-2.9%	-0.2%	2.0%
MSCI World (USD)	**20.1%**	**-10.4%**	**25.2%**	**14.1%**	**20.1%**	**-19.5%**	**9.6%**	**6.5%**	**5.5%**	**6.3%**
S&P 500 (USD)	19.4%	-6.2%	28.9%	16.3%	26.9%	-19.4%	11.7%	8.7%	8.0%	9.7%
MSCI Europe (EUR)	7.3%	-13.1%	22.2%	-5.4%	22.4%	-11.9%	6.2%	8.1%	3.2%	3.6%
MSCI Emerging Markets (USD)	34.3%	-16.6%	15.4%	15.8%	-4.6%	-22.4%	-0.4%	-3.8%	-1.9%	-0.5%
MSCI Asia Pac. ex-Japan (USD)	37.0%	-13.9%	19.2%	22.4%	-2.9%	-17.5%	-0.4%	-1.4%	1.2%	3.3%
MSCI Latin America (USD)	20.8%	-9.3%	13.7%	-16.0%	-13.1%	-0.1%	8.1%	8.5%	-2.2%	-3.6%

(1) Barclays Benchmark Overnight USD Cash Index; 2) Barclays Benchmark 3mEUR Cash Index; 3) Bloomberg Barclays Global Aggregate Total Return Index Value Unhedged USD; 4) Bloomberg Barclays US Agg Total Return Value Unhedged USD; 5) Bloomberg Barclays US Intermediate Treasury TR Index Value Unhedged SD; 6) Bloomberg Barclays US Corporate Total Return Value Unhedged USD; 7) Bloomberg Barclays US Corporate High Yield Total Return Value Unhedged USD; 8) Bloomberg Barclays EuroAgg Total Return Index Value Unhedged EUR; 9) Bloomberg Barclays EuroAgg Treasury Total Return Index Value Unhedged EUR; 10) Bloomberg Barclays Euro Aggregate Corporate Total Return Index Value Unhedged EUR; 11) Bloomberg Barclays Pan-European Aggregate High Yield TR Index Value Unhedged EUR; 12) Bloomberg Barclays EM Aggregate Total Return Value Unhedged USD; 13) Bloomberg Barclays Emerging Markets LatAm Total Return Value Unhedged USD

Equities indices.

Source: Bloomberg.

Data as of 09/30/2023

			Change	Last 10 years			Return			Annualized returns			
		Last Price	12 months	Low	Range	High	2021	2022	YtD	1 year	3 years	5 years	10 years
US	S&P 500	4,288		1,757		4,766	26.9%	-19.4%	11.7%	19.6%	8.7%	8.0%	9.8%
	DOW JONES INDUS.	33,508		15,546		36,338	18.7%	-8.8%	1.1%	16.6%	6.9%	4.8%	8.3%
	NASDAQ	13,219		3,920		15,645	21.4%	-33.1%	26.3%	25.0%	6.0%	10.4%	13.4%
Europe	Stoxx 50	3,920		2,701		4,054	22.8%	-4.4%	7.3%	17.6%	10.3%	5.0%	3.5%
	Eurozone (EuroStoxx)	4,175		2,787		4,471	21.0%	-11.7%	10.0%	25.8%	9.1%	4.2%	3.7%
	Spain (IBEX 35)	9,428		6,452		11,521	7.9%	-5.6%	14.6%	28.0%	12.0%	0.1%	0.3%
	France (CAC 40)	7,135		4,166		7,498	28.9%	-9.5%	10.2%	23.8%	13.9%	5.4%	5.6%
	Germany (DAX)	15,387		9,034		16,447	15.8%	-12.3%	10.5%	27.0%	6.3%	4.7%	6.0%
	United Kingdom (FTSE 100)	7,608		5,577		7,876	14.3%	0.9%	2.1%	10.4%	8.9%	0.3%	1.6%
	Italy (MIB)	28,243		16,198		29,645	23.0%	-13.3%	19.1%	36.8%	14.0%	6.4%	4.9%
	Portugal (PSI 20)	6,090		3,945		7,608	13.7%	2.8%	6.4%	14.9%	14.7%	2.6%	0.2%
	Switzerland (SMI)	10,964		7,808		12,876	20.3%	-16.7%	2.2%	6.8%	2.3%	3.8%	3.2%
LatAm	Mexico (MEXBOL)	50,875		34,555		56,537	20.9%	-9.0%	5.0%	14.0%	11.1%	0.5%	2.4%
	Brazil (IBOVESPA)	116,565		40,406		126,802	-11.9%	4.7%	6.2%	5.9%	7.6%	8.0%	8.3%
	Argentina (MERVAL)	562,569		5,165		653,603	63.0%	142.0%	178.4%	304.4%	137.1%	75.8%	61.1%
	Chile (IPSA)	5,833		3,439		6,394	3.1%	22.1%	10.9%	14.1%	17.9%	2.0%	4.3%
Asia	Japan (NIKKEI)	31,858		14,304		33,189	4.9%	-9.4%	22.1%	22.8%	10.6%	5.7%	8.2%
	Hong Kong (HANG SENG)	17,810		14,687		32,887	-14.1%	-15.5%	-10.0%	3.4%	-8.5%	-8.5%	-2.5%
	South Korea (KOSPI)	2,465		1,755		3,297	3.6%	-24.9%	10.2%	14.4%	1.9%	1.0%	2.1%
	India (Sensex)	65,828		20,514		66,528	22.0%	4.4%	8.2%	14.6%	20.1%	12.7%	13.0%
	China (CSI)	3,690		2,146		5,352	-5.2%	-21.6%	-4.7%	-3.0%	-7.0%	1.4%	4.4%
World	MSCI WORLD	2,853		1,547		3,232	20.1%	-19.5%	9.6%	20.0%	6.5%	5.5%	6.3%

Equities by factor and sector.

Source: Bloomberg.

Data as of 09/30/2023

			Change		Last 10 years		Return			Annualized returns				Ratios	
		Last Price	12 months	Low	Range	High	2021	2022	YtD	1 year	3 years	5 years	10 years	PE Ratio	Divi-dend Yield
	MSCI World	2,853		1,547		3,232	20.1%	-19.5%	9.6%	20.0%	6.5%	5.5%	6.3%	17.42	2.10
Factor	MSCI World High Dividend Yield	1,334		978		1,447	12.6%	-7.4%	-0.4%	13.4%	5.0%	1.8%	2.6%	13.15	3.73
	MSCI World Momentum	3,207		1,336		3,978	14.6%	-17.8%	-0.3%	12.6%	1.5%	5.4%	9.5%	18.38	1.71
	MSCI World Quality	3,716		1,314		4,058	25.7%	-22.2%	17.7%	29.7%	8.5%	10.6%	11.4%	22.08	1.64
	MSCI World Minimum Volatility	4,296		2,202		4,730	14.3%	-9.8%	0.7%	10.7%	3.3%	4.0%	7.0%	17.01	2.66
	MSCI World Value	11,279		6,429		11,937	21.9%	-6.5%	2.0%	17.1%	10.5%	4.4%	5.8%	12.85	3.37
	MSCI World Small Cap	582		318		705	15.8%	-18.8%	2.9%	14.0%	6.3%	3.1%	6.3%	17.44	2.33
	MSCI World Growth	8,294		3,189		9,693	21.2%	-29.2%	20.9%	26.6%	5.4%	9.4%	10.4%	26.11	0.92
Sector	Energy	479		164		479	40.1%	46.0%	6.9%	27.8%	37.1%	4.1%	2.4%	10.21	4.05
	Materials	522		229		590	16.3%	-10.7%	1.9%	17.3%	6.3%	5.7%	5.4%	15.10	3.19
	Industrials	479		238		520	16.6%	-13.2%	8.2%	17.9%	5.1%	3.9%	6.5%	18.27	2.04
	Consumer Discretionary	481		210		595	17.9%	-33.4%	21.5%	-2.4%	-2.9%	3.0%	6.9%	19.87	1.41
	Consumer Staples	424		241		470	13.1%	-6.1%	-2.8%	11.7%	4.3%	5.5%	6.2%	18.65	2.87
	Health Care	480		205		518	19.8%	-5.4%	-2.0%	13.1%	6.9%	7.5%	9.5%	18.98	1.82
	Financials	237		125		263	27.9%	-10.2%	2.6%	15.9%	12.7%	3.8%	5.6%	11.40	3.08
	Information Technology	616		126		682	29.8%	-30.8%	30.4%	5.1%	0.7%	9.4%	14.6%	28.48	0.88
	Real Estate	363		269		517	28.7%	-25.1%	-6.2%	5.6%	1.6%	1.4%	3.5%	23.97	3.98
	Communica-tion Services	169		106		220	14.4%	-36.9%	31.4%	0.4%	-5.8%	1.0%	2.3%	18.54	1.24
	Utilities	283		175		331	9.8%	-4.7%	-9.3%	11.0%	4.7%	6.2%	6.1%	13.84	4.20

Government Bonds.

Source: Bloomberg.

Data as of 09/30/2023

	Rating (S&P)	Interest rate			Change	Last 10 years			10 years			Yield curve
		C. Bank*	2 years	10 years	12 months	Low	Range	High	Month	YtD	YoY	10-2 years
Developed												
U.S.	AA+	5.50%	5.04%	4.57%		0.53%		4.67%	0	306	52	-0.47
Germany	AAA	4.00%	3.20%	2.84%		-0.70%		2.90%	0	302	70	-0.36
France	AA	4.00%	3.51%	3.40%		-0.40%		3.46%	0	320	72	-0.11
Italy	BBB	4.00%	4.02%	4.78%		0.54%		4.80%	0	361	48	0.77
Spain	A	4.00%	3.61%	3.93%		0.05%		4.15%	0	337	71	0.33
United Kingdom	AA	5.25%	4.90%	4.44%		0.10%		4.52%	0	347	92	-0.47
Greece	BB+	4.00%	n.d.	4.36%		0.61%		15.42%	0	302	-26	n.d.
Portugal	BBB+	4.00%	3.24%	3.60%		0.03%		6.13%	0	314	46	0.36
Switzerland	AAA	1.75%	1.20%	1.06%		-1.05%		1.58%	0	121	-6	-0.14
Japan	A+	-0.10%	0.05%	0.77%		-0.27%		0.77%	0	69	52	0.72
Emerging Markets												
Brazil	BB-	12.75%	10.64%	11.65%		6.49%		16.51%	0	81	-22	1.01
Mexico	BBB	11.25%	10.64%	9.88%		5.24%		9.94%	0	231	3	-0.76
Chile	A	9.50%	6.74%	6.34%		2.19%		6.79%	n.d.	n.d.	n.d.	n.d.
Argentina	CCC-	118.00%	n.d.	n.d.		0.00%		0.00%	n.d.	n.d.	n.d.	n.d.
Colombia	BB+	13.25%	10.52%	11.78%		5.39%		13.79%	0	359	n.d.	1.26
Turkey	B	30.00%	27.81%	n.d.		6.98%		25.52%	n.d.	n.d.	n.d.	n.d.
Poland	A-	6.00%	5.02%	5.91%		1.16%		8.37%	0	224	-245	0.90
China	A+	2.46%	2.22%	2.67%		2.51%		4.58%	0	-10	3	0.45
India	BBB-	6.50%	7.14%	7.21%		5.84%		8.86%	0	76	-23	0.07

*Central Bank lending facility, except in Eurozone countries, where the marginal deposit facility is used.

Currencies.

Source: Bloomberg.

Data as of 09/30/2023

	Last	Change		Last 10 years		Return	Annualized returns			
	Price	12 months	Low	Range	High	YtD	1 year	3 years	5 years	10 years
EUR/USD	1.0573		0.98		1.39	-1.2%	7.9%	-3.4%	-1.8%	-2.4%
EUR/GBP	0.87		0.70		0.92	2.2%	-1.2%	-1.7%	-0.5%	0.4%
EUR/CHF	0.97		0.96		1.23	2.3%	0.0%	3.7%	3.3%	2.4%
EUR/JPY	158		114		158	12.5%	-10.2%	-7.7%	-3.5%	-1.7%
EUR/PLN	4.62		4.04		4.86	1.3%	5.0%	-0.7%	-1.5%	-0.9%
GBP/USD	1.22		1.12		1.71	1.0%	9.2%	-1.8%	-1.3%	-2.8%
USD/CHF	0.92		0.87		1.03	1.0%	7.8%	0.2%	1.4%	-0.1%
USD/JPY	149		98		149	-12.2%	-3.1%	-10.9%	-5.3%	-4.1%
USD/MXN	17.42		12.86		24.17	11.9%	15.6%	8.8%	1.4%	-2.8%
USD/ARS	350.00		5.91		350.01	-49.4%	-57.9%	-39.9%	-34.8%	-33.6%
USD/CLP	892		507		969	-4.5%	8.7%	-4.1%	-5.9%	-5.5%
USD/BRL	5.03		2.21		5.75	4.9%	7.6%	3.8%	-4.3%	-7.9%
USD/COP	4.068		1.877		4.940	19.3%	13.3%	-1.5%	-6.1%	-7.3%
USD/CNY	7.30		6.05		7.31	-5.5%	-2.5%	-2.3%	-1.2%	-1.7%
EUR/SEK	11.55		8.81		11.88	-3.4%	-5.9%	-3.0%	-2.2%	-2.8%
EUR/NOK	11.32		8.07		11.85	-7.2%	-5.7%	-0.8%	-3.5%	-3.2%

Commodities.

Source: Bloomberg.

Data as of 09/30/2023

	Last	Change		Last 10 years				Return	Annualized returns		
	Price	12 months	Low	Range	High	2021	2022	YTD	3 years	5 years	10 years
Crude Oil (Brent)	96.3		18		124	49.2%	5.5%	18.4%	32.7%	5.6%	-3.2%
Crude Oil (W. Texas)	90.8		19		115	58.7%	4.2%	13.1%	32.2%	7.4%	-3.9%
Gold	1,848.1		1.060		1,999	-3.5%	-0.1%	1.2%	-0.8%	15.8%	11.7%
Copper	8,270.5		4.561		10,375	25.2%	-13.9%	-1.2%	7.9%	9.7%	4.2%
CRB Index	284.5		117		317	38.5%	19.5%	2.4%	24.7%	13.4%	-0.1%
Natural Gas (USA)	2.9		2		6	34.1%	36.0%	-34.7%	5.9%	3.1%	-21.4%
Natural Gas (Europe)	41.9		15		176	119.7%	144.3%	-49.9%	38.1%	29.6%	n.d.

"Periodic table" of asset returns.

Calendar Year Returns

Asset Class	Reference Index	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023*
US Equities	S&P 500 TR	**54.4%** Japan Equities	**71.3%** Eurozone Government	**12.1%** Japan Equities	**14.8%** Global High Yield	**37.3%** Emerging Market Equities	**3.3%** Spain Government	**0.3%** US Equities	**18.4%** US Equities	**38.5%** Commodities	**22.0%** Commodities	**25.7%** Japan Equities
Japan Equities	Topix TR	**32.4%** US Equities	**61.3%** Spain Government	**6.4%** Europe Equities	**12.0%** US Equities	**22.4%** Global Equities	**0.1%** Eurozone Government	**0.3%** Europe Equities	**18.3%** Emerging Market Equities	**28.7%** US Equities	**0.1%** Liquidity	**18.3%** Spain Equities
Spain Equities	Ibex35 TR	**27.8%** Spain Equities	**13.7%** US Equities	**1.4%** US Equities	**11.2%** Emerging Market Equities	**22.2%** Japan Equities	**-0.4%** Liquidity	**0.3%** Global Equities	**0.2%** Global Equities	**23.2%** Europe Equities	**-2.0%** Spain Equities	**13.1%** US Equities
Emerging Markets Equities	MSCI EM TR	**26.7%** Global Equities	**10.3%** Japan Equities	**-0.1%** Liquidity	**9.7%** Commodities	**21.8%** US Equities	**-1.2%** Europe IG	**0.2%** Emerging Market Equities	**8.0%** Global High Yield	**21.8%** Global Equities	**-2.5%** Japan Equities	**12.8%** Europe Equities
Europe Equities	Eurostoxx50 TR	**21.5%** Europe Equities	**8.6%** Spain Equities	**-0.5%** Europe IG	**7.5%** Global Equities	**11.3%** Spain Equities	**-3.3%** Global High Yield	**0.2%** Japan Equities	**0.1%** Japan Equities	**12.7%** Japan Equities	**-9.5%** Europe Equities	**11.1%** Global Equities
Commodities	Commodity RB TR	**21.1%** Spain Government	**8.3%** Europe IG	**-0.8%** Global Equities	**6.6%** Eurozone Government	**10.2%** Global High Yield	**-4.4%** US Equities	**0.2%** Spain Equities	**6.4%** Eurozone Government	**10.8%** Spain Equities	**-13.2%** Global High Yield	**6.4%** Commodities
Global Equities	MSCI World TR	**8.0%** Global High Yield	**4.9%** Global Equities	**-3.6%** Spain Equities	**5.7%** Spain Government	**9.2%** Europe Equities	**-8.7%** Global Equities	**0.1%** Global High Yield	**4.4%** Spain Government	**1.4%** Global High Yield	**-14.4%** Europe IG	**5.4%** Global High Yield
Europe IG	ERL0 TR	**2.4%** Europe IG	**4.0%** Europe Equities	**-4.2%** Global High Yield	**4.8%** Europe IG	**2.5%** Europe IG	**-10.7%** Commodities	**0.1%** Commodities	**2.7%** Europe IG	**-0.5%** Liquidity	**-17.7%** Spain Government	**2.3%** Liquidity
Liquidity EUR	Eonia TR	**0.1%** Liquidity	**0.1%** Liquidity	**-10.5%** Spain Government	**3.7%** Europe Equities	**1.7%** Spain Government	**-11.5%** Spain Equities	**0.1%** Spain Government	**-0.5%** Liquidity	**-1.1%** Europe IG	**-17.8%** Eurozone Government	**2.3%** Europe IG
Global High Yield	HW00 TR	**-2.6%** Emerging Market Equities	**-0.1%** Global High Yield	**-16.3%** Eurozone Government	**2.6%** Spain Equities	**1.7%** Commodities	**-12.0%** Europe Equities	**0.1%** Eurozone Government	**-3.2%** Europe Equities	**-2.5%** Emerging Market Equities	**-18.1%** US Equities	**1.80%** Emerging Market Equities
Spain Government	SPAIN 10 YR	**-5.0%** Commodities	**-2.2%** Emerging Market Equities	**-14.9%** Emerging Market Equities	**0.6%** Japan Equities	**-0.2%** Eurozone Government	**-14.6%** Emerging Market Equities	**0.1%** Europe IG	**-0.1%** Commodities	**-2.7%** Eurozone Government	**-18.1%** Global Equities	**-0.2%** Spain Government
Eurozone Government	GERMANY 10 YR	**-46.6%** Eurozone Government	**-17.9%** Commodities	**-23.4%** Commodities	**-0.3%** Liquidity	**-0.4%** Liquidity	**-16.0%** Japan Equities	**0.0%** Liquidity	**-0.1%** Spain Equities	**-3.1%** Spain Government	**-20.09%** Emerging Market Equities	**-0.8%** Eurozone Government

\+ Returns -

*Data as of 09/30/2023
*Total return indices track both the capital gains as well as any cash distributions, such as dividends or interest, attributed to the components of the index.

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Index Definitions

Barclays Benchmark Overnight USD Cash	Overnight Interest Rate in USD
Barclays Benchmark Overnight EUR Cash	Overnight Interest Rate in EUR
Bloomberg Barclays Global-Aggregate Total Return	The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.
Bloomberg Barclays US Aggregate Total Return	The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes treasury, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).
Bloomberg Barclays US Intermediate Treasury TR Index	The Bloomberg Barclays US Treasury: Intermediate Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury with maturities of 1 to 9.9999 years to maturity.
Bloomberg Barclays US Corporate Total Return	The Bloomberg Barclays US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility, and financial issuers.
Bloomberg Barclays US Corporate High Yield Total Return	The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market.
Bloomberg Barclays EuroAgg Total Return Index Value Unhedged EUR	The Bloomberg Barclays Euro-Aggregate Index is a benchmark that measures the investment grade, euro-denominated, fixed-rate bond market, including treasuries, government-related, corporate, and securitized issues. Inclusion is based on currency denomination of a bond and not country of risk of the issuer.
Bloomberg Barclays EuroAgg Treasury Total Return	The Bloomberg Barclays Euro-Aggregate: Treasury Index is a benchmark that measures the Treasury component of the Euro-Aggregate. The index consists of fixed-rate, investment grade public obligations of the sovereign countries in the Eurozone. This index currently contains euro-denominated issues from 17 countries.
Bloomberg Barclays Euro Aggregate Corporate Total Return	The Bloomberg Barclays Euro-Aggregate: Corporates Index is a benchmark that measures the corporate component of the Euro Aggregate Index. It includes investment grade, euro-denominated, fixed-rate securities.
Bloomberg Barclays Pan-European High Yield Total Return	The Bloomberg Barclays Pan-European High Yield Index measures the market of non-investment grade, fixed-rate corporate bonds denominated in the following currencies: euro, pounds sterling, Danish krone, Norwegian krone, Swedish krona, and Swiss franc. Inclusion is based on the currency of issue, and not the domicile of the issuer.
Bloomberg Barclays EM USD Aggregate Total Return	The Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

Bloomberg Barclays Emerging Markets LatAm Total Return	Bloomberg Barclays Emerging Markets LatAm Total Return Index Value Unhedged USD.
MSCI World	The MSCI World Index is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1969. MXWO includes developed world markets, and does not include emerging markets.
MSCI Europe	The MSCI Europe Index in EUR is a free-float weighted equity index measuring the performance of Europe Developed Markets.
MSCI Emerging Markets	The MSCI Em (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
MSCI AC Asia Pacific ex Japan	The MSCI AC Asia Pacific ex Japan Index captures large and mid-cap representation across 4 of 5 Developed Markets countries (excluding Japan) and 9 Emerging Markets countries in the Asia Pacific region.
MSCI Emerging Markets Latin America	The MSCI Emerging Markets Latin America Index captures large and mid cap representation across 6 Emerging Markets countries in Latin America. With 101 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.
S&P 500	The S&P 500® is widely regarded as the best gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.
Dow Jones Industrial Average	The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry.
NASDAQ Composite	The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market, and Capital Market.
STOXX Europe 50 Price EUR	The STOXX Europe 50 Index, Europe's leading blue-chip index, provides a representation of supersector leaders in Europe. The index covers 50 stocks from 17 European countries.
EURO STOXX 50 Price EUR	The EURO STOXX 50 Index, Europe's leading blue-chip index for the Eurozone, provides a blue-chip representation of supersector leaders in the region. The index covers 50 stocks from 8 Eurozone countries.
IBEX 35	The IBEX 35 is the official index of the Spanish Continuous Exchange. The index is comprised of the 35 most liquid stocks traded on the Continuous market.
CAC 40	The CAC 40® is a free float market capitalization weighted index that reflects the performance of the 40 largest and most actively traded shares listed on Euronext Paris, and is the most widely used indicator of the Paris stock market.
DAX	The DAX is a total return index of 40 selected German blue-chip stocks traded on the Frankfurt Stock Exchange.
FTSE 100	The FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange.

FTSE MIB	The Index consists of the 40 most liquid and capitalized stocks listed on the Borsa Italiana.
PSI 20	The PSI 20® is a free float market capitalization weighted index that reflects the performance of the 20 largest and most actively traded shares listed on Euronext Lisbon, and is the most widely used indicator of the Portuguese stock market.
Swiss Market	The Swiss Market Index is an index of the largest and most liquid stocks traded on the Geneva, Zurich, and Basel Stock Exchanges.
S&P/BMV IPC	The S&P/BMV IPC seeks to measure the performance of the largest and most liquid stocks listed on the Bolsa Mexicana de Valores.
Ibovespa Brasil São Paulo Stock Exchange	Ibovespa is a gross total return index weighted by free float market cap and is comprised of the most liquid stocks traded on the São Paulo Stock Exchange.
S&P MERVAL	The S&P MERVAL Index (MERcado de VALor) is the most important index of the Buenos Aires Stock Exchange. It is a price-weighted index, calculated as the market value of a portfolio of stocks selected based on their market share, number of transactions, and quotation price.
S&P/CLX IPSA	The Indice de Precio Selectivo de Acciones (IPSA) is a Chilean stock market index composed of the 30 stocks with the highest average annual trading volume in the Santiago Stock Exchange.
Nikkei 225	The Nikkei-225 Stock Average is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.
Hang Seng	The Hang Seng Index is a free-float capitalization-weighted index of a selection of companies from the Stock Exchange of Hong Kong.
Korea Stock Exchange KOSPI	The KOSPI Index is a capitalization-weighted index of all common shares on the KRX main board.
S&P BSE SENSEX	The BSE SENSEX (also known as the S&P Bombay Stock Exchange Sensitive Index or simply the SENSEX) is a free-float market-weighted stock market index of 30 well-established and financially sound companies listed on the Bombay Stock Exchange.
Shanghai Shenzhen CSI 300	The CSI 300 Index is a free-float weighted index that consists of 300 A-share stocks listed on the Shanghai or Shenzhen Stock Exchanges.
MSCI World Minimum Volatility Net Total Return	The MSCI World Minimum Volatility (USD) Index aims to reflect the performance characteristics of a minimum variance strategy applied to the MSCI large and mid-cap equity universe across 23 Developed Markets countries. The index is calculated by optimizing the MSCI World Index, its parent index, for the lowest absolute risk (within a given set of constraints).
MSCI World Growth Net Total Return	The MSCI World Growth Index captures large and mid-cap securities exhibiting overall growth style characteristics across 23 Developed Markets countries.
MSCI World Value Net Total Return	The MSCI World Value Index captures large and mid-cap securities exhibiting overall value style characteristics across 23 Developed Markets countries.

MSCI World Consumer Discretionary Net Total Return	The MSCI World Consumer Discretionary Index is designed to capture the large and mid-cap segments across 23 Developed Markets around the world. All securities in the index are classified in the Consumer Discretionary sector.
MSCI World Consumer Staples Net Total Return	The MSCI World Consumer Staples Index is designed to capture the large and mid cap segments across 23 Developed Markets around the world. All securities in the index are classified in the Consumer Staples sector.
MSCI World Energy Net Total Return	The MSCI World Energy Index is designed to capture the large and mid cap segments across 23 Developed Markets around the world. All securities in the index are classified in the Energy sector.
MSCI World Financials Net Total Return USD Index	The MSCI World Financials Index is designed to capture the large and mid cap segments across 23 Developed Markets around the world. All securities in the index are classified in the Financials sector.
MSCI World Health Care Net Total Return	The MSCI World Health Care Index is designed to capture the large and mid cap segments across 23 Developed Markets around the world. All securities in the index are classified in the Health Care sector.
MSCI World Industrials Net Total Return	The MSCI World Industrials Index is designed to capture the large and mid cap segments across 23 Developed Markets around the world. All securities in the index are classified in the Industrials sector.
MSCI World Information Technology Net Total Return	The MSCI World Information Technology Index is designed to capture the large and mid cap segments across 23 Developed Markets around the world. All securities in the index are classified in the Information Technology sector.
MSCI World Materials Net Total Return	The MSCI World Materials Index is designed to capture the large and mid cap segments across 23 Developed Markets around the world. All securities in the index are classified in the Materials sector.
MSCI World Real Estate Net Total Return	The MSCI World Real Estate Index is designed to capture the large and mid cap segments across 23 Developed Markets around the world. All securities in the index are classified in the Real Estate sector.
MSCI World Communication Services Net Total Return	The MSCI World Services Index is designed to capture the large and mid cap segments across 23 Developed Markets around the world. All securities in the index are classified in the Services sector.
MSCI World Utilities Net Total Return	The MSCI World Utilities Index is designed to capture the large and mid cap segments across 23 Developed Markets around the world. All securities in the index are classified in the Utilities sector.
MSCI World Momentum Net Total Return	The MSCI World Momentum Index is based on MSCI World, its parent index, which includes large and mid-cap stocks across 23 Developed Markets (DM) countries. It is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum, while maintaining reasonably high trading liquidity, investment capacity and moderate index turnover.

MSCI World Quality Net Total Return	The MSCI World Quality Index is based on MSCI World, its parent index, which includes large and mid-cap stocks across 23 Developed Market (DM) countries. The index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage.
MSCI World Small Cap Net Total Return	The MSCI World Small Cap Index captures small cap representation across 23 Developed Markets countries. With 4,463 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country.
MSCI World High Dividend Yield	The MSCI World High Dividend Yield Index is based on the MSCI World Index which includes large and mid-cap stocks across 23 Developed Markets countries. The index is designed to reflect the performance of equities with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

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