

US Macro Outlook - Banking on a mild recession

Credit squeeze, growth downturn, and peak policy rate

14 APRIL 2023, CIO OFFICE & MACRO RESEARCH

AUTHOR
XIAO CUI
xcui@pictet.com

FLASH NOTE

SUMMARY

- Recent banking sector stress, although stabilizing, is likely to tighten financing conditions and further raise the probability of a recession in the US. We expect a recession starting from H2, with Q2 growth now downgraded close to zero. Cyclical spending more dependent on credit, including inventories and business investment, should weaken further.
- Weaker growth should help cool the labor market and reduce medium-term inflation risks, with a lag. We continue to expect core PCE inflation to slow to an above-target 3.5% by year end, with no wage-price spiral. Housing inflation is likely to fall more markedly in coming months, along with a gradual deceleration in core services and goods inflation.
- The Fed is very close to reaching peak policy rate. It remains a close call whether the FOMC will hike rates by 25bps or pause in May. The decision will come down to whether officials place more emphasis on solid, but lagging, fundamental economic data, or deteriorating, but leading, credit condition signals. Given the long and variable lags of policy tightening, it may be prudent for the Fed to wait and assess. Either way, if the Fed hikes in May, we believe it is going to be the last one this tightening cycle.
- We still see no rate cuts this year due to above-target inflation, but risks emerge if there is a severe credit crunch. We don't expect changes to quantitative tightening in 2023 but wouldn't rule out an earlier stop as we approach levels of bank reserves scarcity.

For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

A CREDIT SQUEEZE WILL HURT US GROWTH

In our baseline scenario, we expect the recent swift policy response to be effective in avoiding a severe credit crunch in the US.

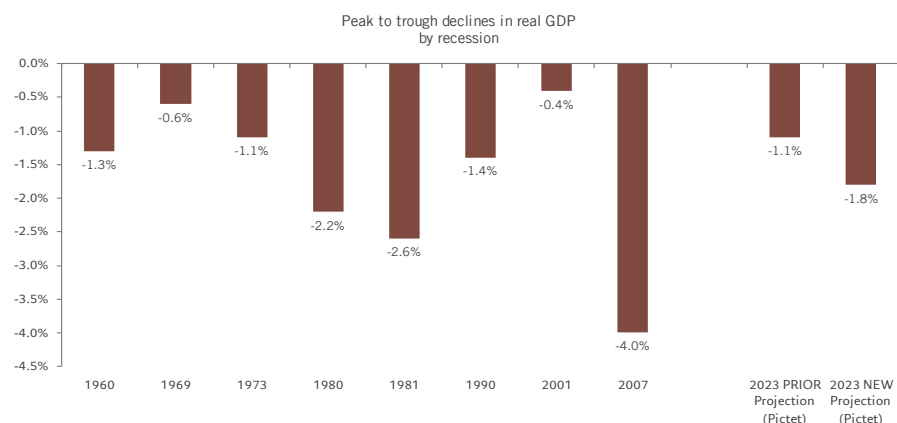
However, even before recent banking stress, loan standards were already tightening sharply. Small and medium-sized regional banks in the US are important lenders, making almost 80% of commercial real estate loans and close to half of consumer and business loans. Although large banks with a more stable deposit base and higher liquidity buffer could compensate for some loss in lending from smaller banks, a rise in general risk aversion should on aggregate lead to a credit squeeze – we will not have the results of the Fed’s Senior Loan Officer survey (SLO) until early May, but more timely surveys suggest credit has already tightened in response to the banking sector turmoil (*see appendix*).

We now see a deeper recession in the US starting from Q3 this year, with Q2 growth downgraded close to zero. We expect a peak to trough contraction in real GDP of -1.8%, similar in magnitude to the 1990 recession but significantly smaller than the GFC (*chart 1*).

Cyclical spending more reliant on bank loans should weaken further. Inventories are likely to become a large drag to growth –retailers were already overstocked and firms use bank loans heavily to finance inventories. Business equipment investment should also contract (*chart 2*) – manufacturing PMIs have already darkened significantly, and recent durable goods orders data suggest weakness is forming. Business structures investment, including those in office space and malls, is also at risk of a further slump. Despite a contraction in cyclical sectors, we expect consumer spending to weaken but remain slightly positive – household balance sheets are in a stronger position compared to the onset of previous recessions, offering an extra degree of resilience.

The economic backdrop is likely to deteriorate in earnest in the summer. Importantly, the debt ceiling will start to bind and the pause on student loan payment is scheduled to cease around the same time. We expect Congress to raise or suspend the debt ceiling at the eleventh hour, but financial market turmoil leading up to the X-date is likely to dent confidence, creating a further headwind to growth.

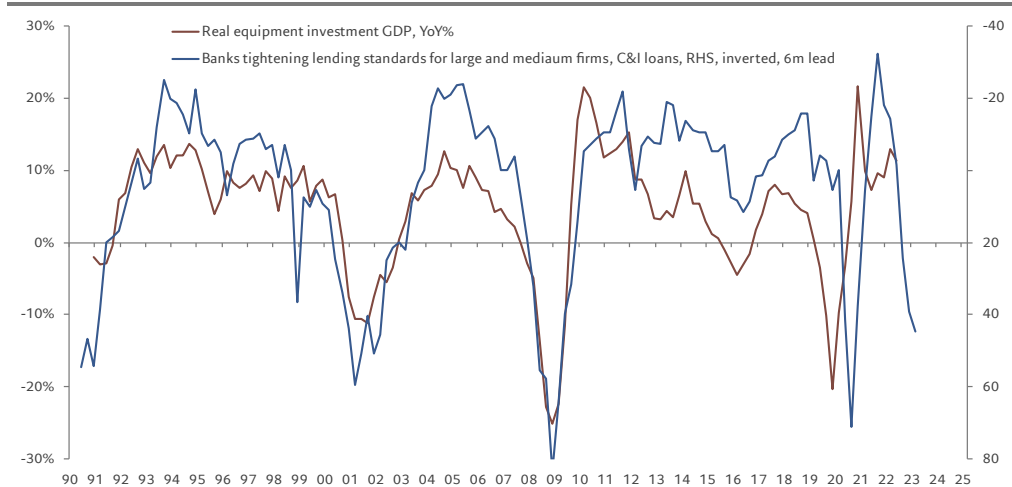
Chart 1: Peak to trough decline in US real GDP, by recession



Source: Pictet Wealth Management, BEA, 2020 recession is excluded, as of 14.04.2023

For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

Chart 2: Bank lending standards for business loans lead business investment and indicate a contraction in capital expenditure



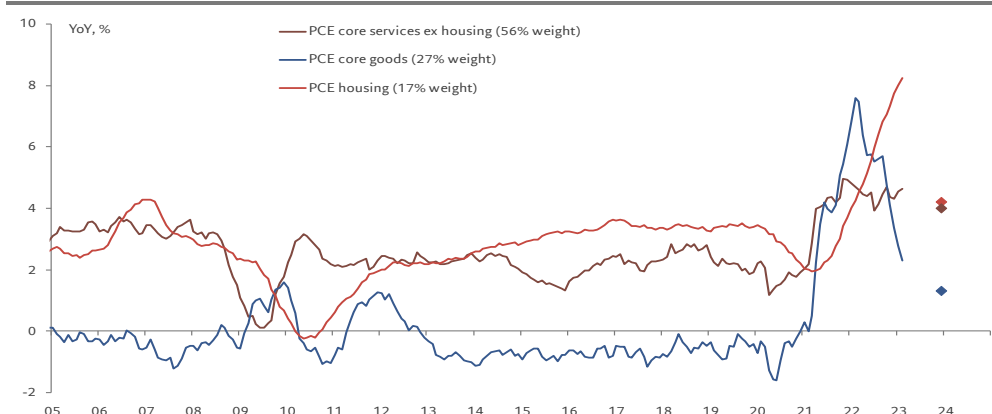
Source: Pictet Wealth Management, BEA, FRB, as of 14.04.2023

INFLATION TO DECELERATE BUT REMAIN ABOVE TARGET

A decline in aggregate demand should become a disinflationary force and reduce medium-term inflation risks, with a lag. From a top down perspective, money supply growth is declining sharply, and inflation expectations remain anchored.

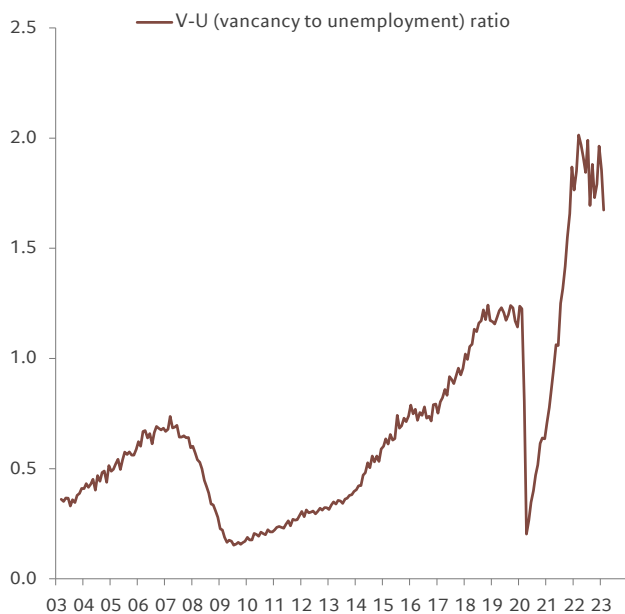
Looking bottom up, core inflation will likely ease only slowly (*chart 3*). Supercore inflation (core services ex housing) could be sticky in the near term, but we still do not think there is a “wage-price spiral” - the recent slowdown in labor demand and the deceleration in wage growth further strengthen the case (*chart 4 and 5*). The slowdown in housing inflation that we’ve been expecting has finally arrived, and measured inflation should drop more meaningfully in coming months due to earlier decline in actual rent and home prices. Meanwhile, improvements in supply chains, although uneven, should lead to a gradual deceleration in goods inflation.

Chart 3: Core PCE inflation with projections for year end 2023

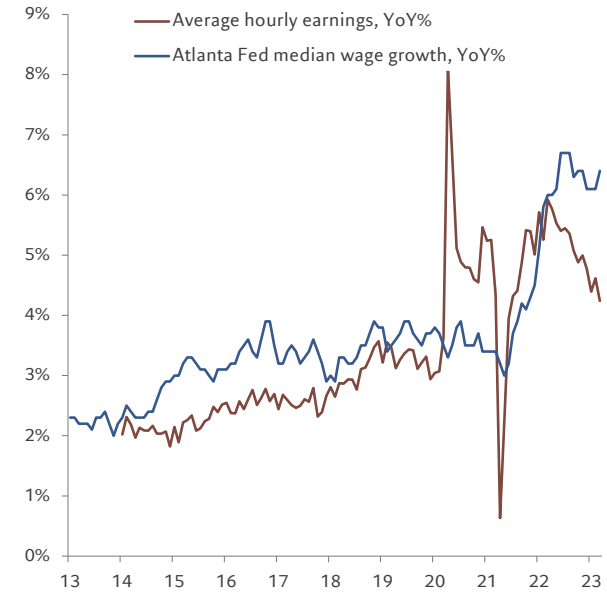


Source: Pictet Wealth Management, BEA, as of 13.04.2023

For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

Chart 4: Job market remains tight, but demand is slowing as openings fell

Source: Pictet Wealth Management, BLS, as of 14.04.2023

Chart 5: Wage growth has shown tentative signs of slowing, supporting disinflation in services

Source: Pictet Wealth Management, BLS, Atlanta Fed, as of 14.04.2023

PEAK POLICY RATE IS NEAR BUT HIGH HURDLES FOR CUTS

By effectively tightening monetary policy through lending and confidence channels, stricter credit conditions should obviate the need for further rate hikes. The decision for the May meeting will come down to whether officials place more emphasis on solid, but lagging, fundamental economic data, or deteriorating, but leading, credit condition signals.

A minority of Fed officials are already advocating for “patience and prudence”, and the latest minutes show Fed staff is now projecting a mild recession this year. Most Fed officials seem to be comfortable with one last rate hike in May, which was the median interest rate projection at their March meeting.

Our base case has been that the Fed has reached its peak policy rate in March. It remains a close call whether the Fed will hike or pause at its May meeting. If the Fed hikes, we believe it is going to be the last one this tightening cycle.

Importantly, we expect the Fed to hold rates at its peak level this year and don't see rate cuts until 2024. Despite our projected recession, inflation is likely to remain way above 2% this year, putting a high hurdle for the Fed to cut.

Risks of aggressive rate cuts this year do emerge if there is a severe credit crunch – Fed staff projections noted historical recessions related to financial market problems tend to be more severe and persistent than average recessions. A larger than expected contraction in aggregate demand could put more downward pressure on inflation, arguing for a less restrictive monetary policy stance.

The Fed is still doing quantitative tightening (QT) predictably and passively and the committee prefers to keep it that way. However, an earlier stop is possible if the

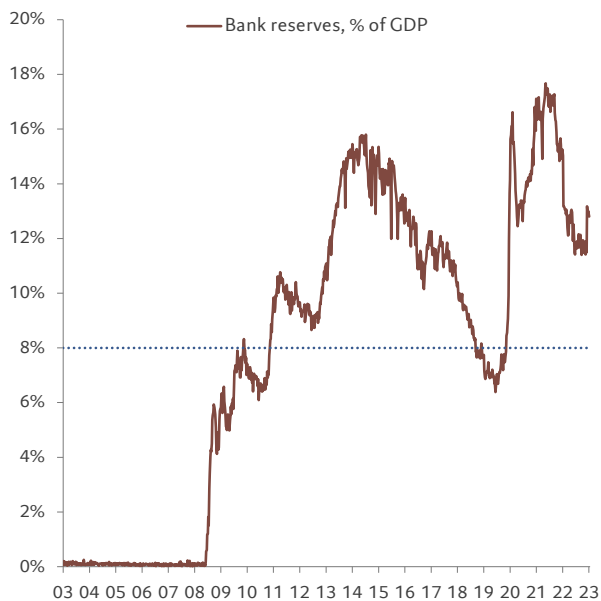
For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

Fed runs into reserves scarcity problems. The ultimate size of the balance sheet depends crucially on the lowest comfortable level of reserves in the banking system, which is difficult to estimate even for the Fed (although projections from the NY Fed annual report suggests 8% of GDP as the level at which QT would stop) (chart 6).

We remain of the view that QT will operate in the background and rate cuts remain the first policy response to deal with a severe recession. If the unemployment rate starts rising past 5% this year (current Fed median projection is 4.5%), we could start to see possible rate cuts. QT can stay on autopilot in the initial phase of policy easing, but once the rate cutting train is in motion, we expect QT to stop as well (another option would be to lower the caps on Treasuries and MBS first before a complete halt).

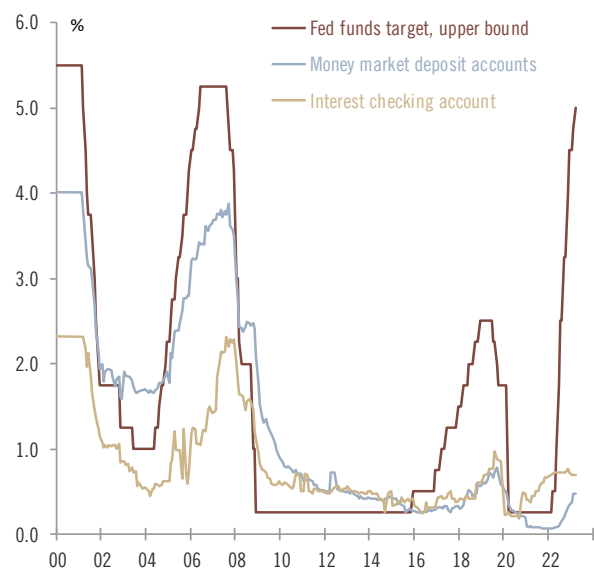
The recent emergency Bank Term Funding Program, and the Fed’s long-standing discount window seem to be effectively meeting the unusual funding needs of some banks, and deposit outflows seem to be stabilizing. However, as money market fund yields remain far above deposit rates, further deposit outflows cannot be ruled out (chart 7).

Chart 6: Bank reserves are closer to the lowest comfortable level, raising risks of an early QT stop



Source: Pictet Wealth Management, FRB, as of 13.04.2023

Chart 7: US deposit rates are far below money market fund yields



Source: Pictet Wealth Management, Bloomberg, as of 13.04.2023

For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

APPENDIX: HIGH-FREQUENCY CREDIT CONDITION INDICATORS

Credit conditions provide key insight into the economic and monetary policy outlook - they deserve greater attention during banking sector stress and times of rising economic uncertainty. We think it is useful to present a list of high frequency indicators that we track to gauge funding, lending and broader credit conditions in the US.

The government has acted swiftly to take failing banks into receivership, guarantee uninsured deposits at failed institutions, and establish emergency lending facilities.

If banking stresses were to deteriorate materially, however, further policy options are on the table.

Talks have emerged about a potential increase in the deposit insurance limit (currently at \$250,000) or even a blanket deposit guarantee. Such changes would need Congressional approval and is highly challenging politically. There may be an option to bypass Congress but that would be both legally and politically fraught.

Meanwhile, the Treasury Department has signaled it would be prepared use the systemic risk exception clause again for single banks who are failing, hoping that such ex ante “insurance” would be sufficient to bolster depositor confidence and avoid further bank runs.

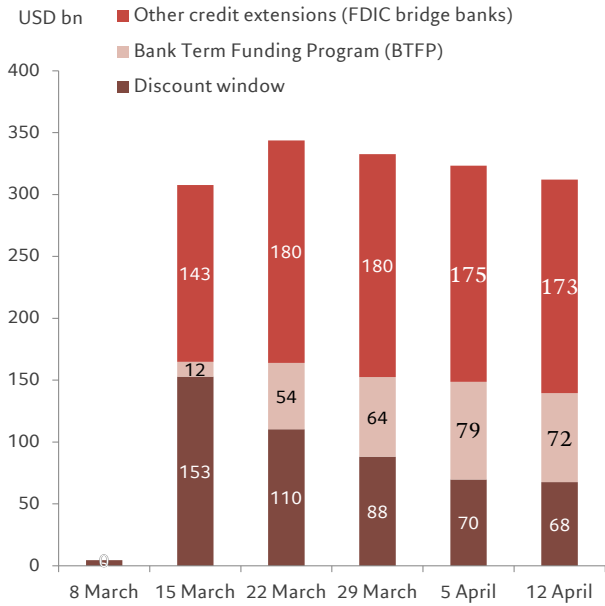
Key data on credit conditions in the US

DATA	USE	FREQUENCY
Federal Reserve Balance Sheet H.4.1	Bank emergency lending from the Fed	Weekly on Thursday
Assets and Liabilities of Commercial Banks H.8	Bank deposit flows and loan growth	Weekly on Friday
Money market fund flows	Deposit flows	Daily and Weekly
New York Fed survey of consumer expectations	Credit conditions	Monthly
NFIB small business survey	Credit conditions	Monthly
Dallas fed bank lending conditions survey	Bank lending standards	Twice a quarter
Senior Loan Officer Opinion Survey on Bank Lending Practices	Bank lending standards	Quarterly

Source: Pictet Wealth Management

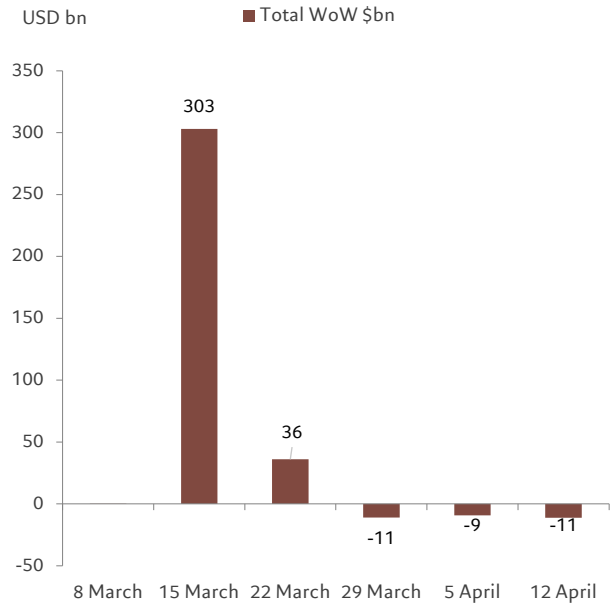
For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

Emergency Fed lending remains elevated



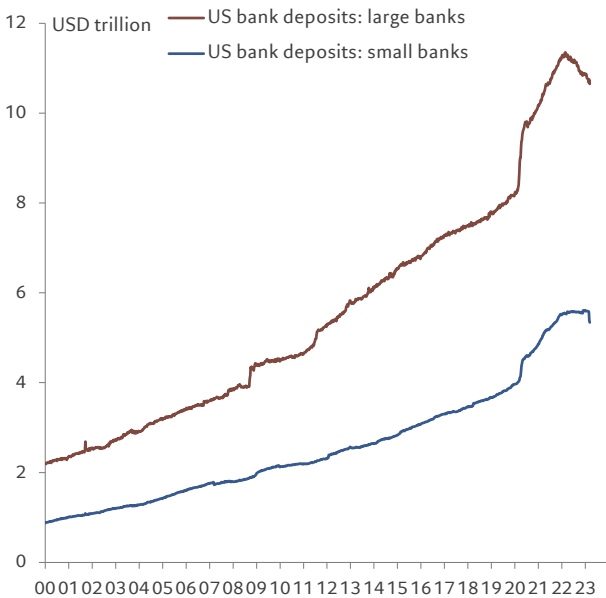
Source: Pictet Wealth Management, FRB, as of 14.04.2023

But has seen declines for three consecutive weeks



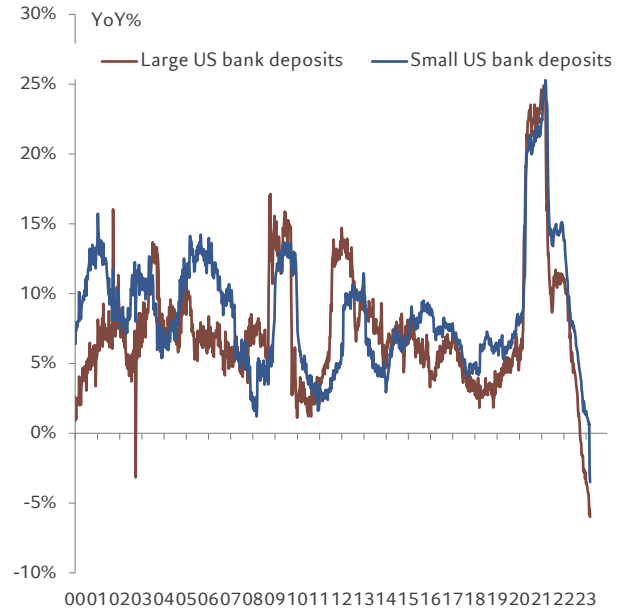
Source: Pictet Wealth Management, FRB, as of 14.04.2023

Bank deposits surged during the pandemic before seeing large outflows as the Fed hikes rates



Source: Pictet Wealth Management, FRB, as of 14.04.2023

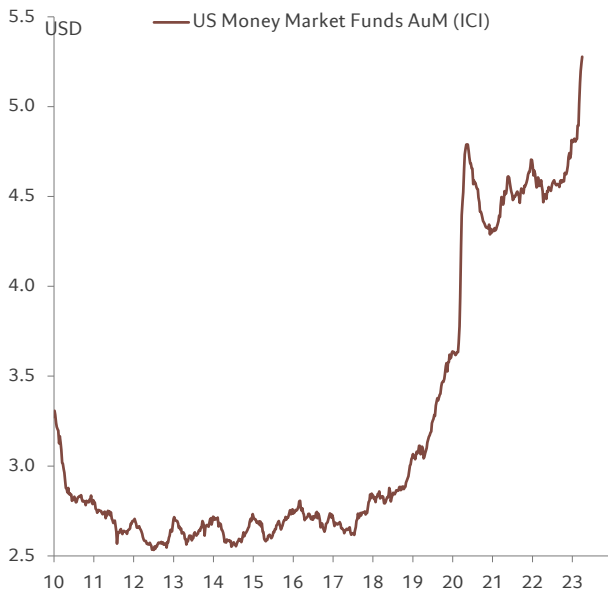
Bank deposits contraction accelerated due to banking stress



Source: Pictet Wealth Management, FRB, as of 14.04.2023

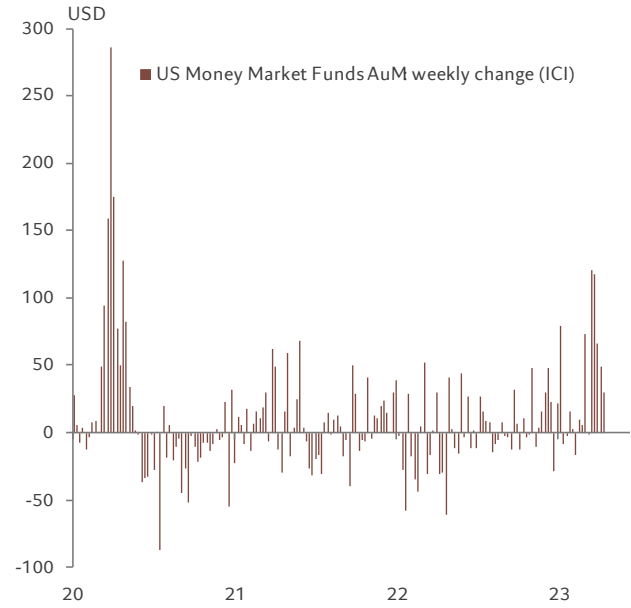
For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

Money market funds have saw significant inflows since recent banking turmoil



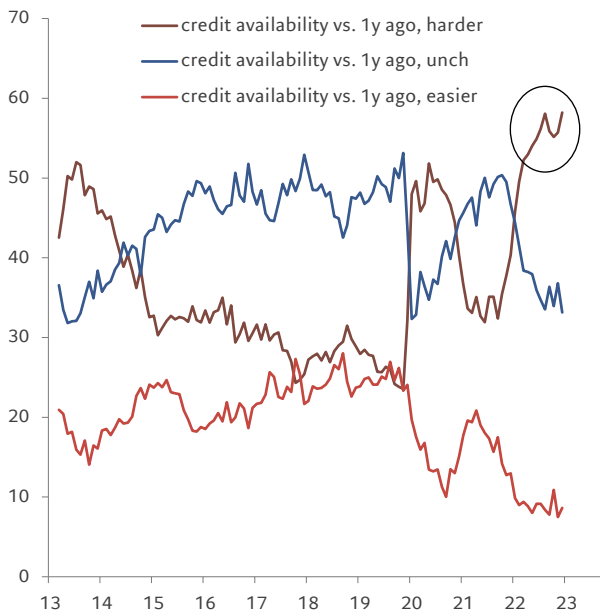
Source: Pictet Wealth Management, ICI, as of 14.04.2023

But the pace of inflows has slowed in recent weeks



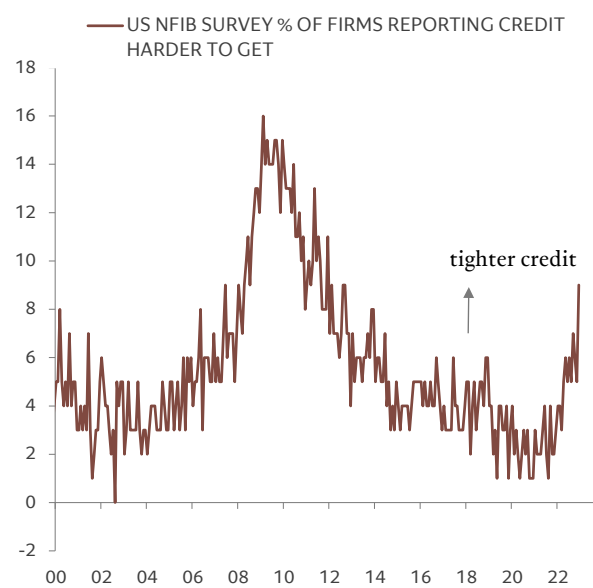
Source: Pictet Wealth Management, ICI, as of 14.04.2023

New York Fed survey – more consumers report credit harder to get after banking stress



Source: Pictet Wealth Management, NY Fed, as of 14.04.2023

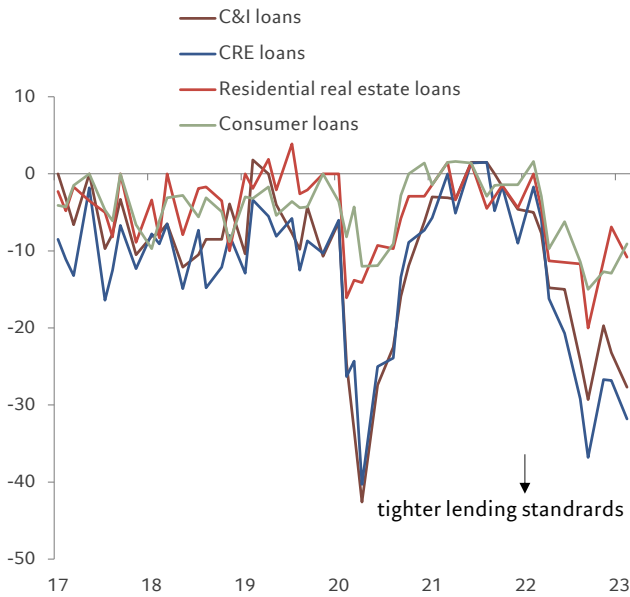
NFIB survey – more small businesses report credit harder to get after banking stress



Source: Pictet Wealth Management, NFIB, as of 14.04.2023

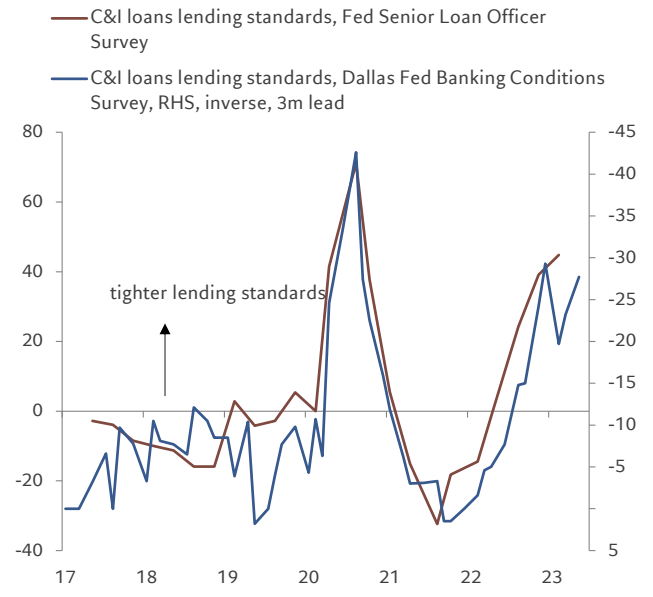
For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

Dallas Fed bank lending conditions survey – lending standards tightened after banking stress



Source: Pictet Wealth Management, Dallas Fed, as of 14.04.2023

Dallas Fed lending conditions suggest SLO credit conditions should tighten further



Source: Pictet Wealth Management, FRB, as of 14.04.2023

For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved. The projection is not based on simulated past performance.

DISCLAIMERS

Distributors: Banque Pictet & Cie SA, Route des Acacias 60, 1211 Geneva 73, Switzerland and Pictet & Cie (Europe) SA, 15A, avenue J. F. Kennedy, L-1855 Luxembourg/B.P. 687 L-2016 Luxembourg.

Banque Pictet & Cie SA is established in Switzerland, exclusively licensed under Swiss Law and therefore subject to the supervision of the Swiss Financial Market Supervisory Authority (FINMA).

Pictet & Cie (Europe) SA is established in Luxembourg, authorized and regulated by the Luxembourg Financial Authority, Commission de Surveillance du Secteur Financier.

This marketing communication is not intended for persons who are citizens of, domiciled or resident in, or entities registered in a country or a jurisdiction in which its distribution, publication, provision or use would violate current laws and regulations.

The information, data and analysis furnished in this document are disclosed for information purposes only. They do not amount to any type of recommendation, either general or tailored to the personal circumstances of any person. Unless specifically stated otherwise, all price information is indicative only. No entity of the Pictet Group may be held liable for them, nor do they constitute an offer or an invitation to buy, sell or subscribe to securities or other financial instruments. The information contained herein is the result neither of financial analysis within the meaning of the Swiss Bankers Association's Directives on the Independence of Financial Research, nor of investment research for the purposes of the relevant EU MiFID provisions. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness.

Except for any obligations that any entity of the Pictet Group might have towards the addressee, the addressee should

consider the suitability of the transaction to individual objectives and independently assess, with a professional advisor, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences.

Furthermore, the information, opinions and estimates in this document reflect an evaluation as of the date of initial publication and may be changed without notice. The Pictet Group is not under any obligation to update or keep current the information contained herein. In case this document refers to the value and income of one or more securities or financial instruments, it is based on rates from the customary sources of financial information that may fluctuate. The market value of financial instruments may vary on the basis of economic, financial or political changes, currency fluctuations, the remaining term, market conditions, the volatility and solvency of the issuer or the benchmark issuer. Some investments may not be readily realizable since the market in the securities can be illiquid. Moreover, exchange rates may have a positive or negative effect on the value, the price or the income of the securities or the related investments mentioned in this document.

When investing in emerging countries, please note that the political and economic situation in those countries is significantly less stable than in industrialized countries. They are much more exposed to the risks of rapid political change and economic setbacks.

Past performance must not be considered an indicator or guarantee of future performance, and the addressees of this document are fully responsible for any investments they make. No express or implied warranty is given as to future performance. Moreover, forecasts are not a reliable indicator of future performance. The content of this document can only be read and/or used by its addressee. The Pictet Group is not liable for the use, transmission or exploitation of the content of this document. Therefore, any form of reproduction, copying, disclosure, modification

and/or publication of the content is under the sole liability of the addressee of this document, and no liability whatsoever will be incurred by the Pictet Group. The addressee of this document agrees to comply with the applicable laws and regulations in the jurisdictions where they use the information reproduced in this document.

This document is issued by Banque Pictet & Cie SA. This publication and its content may be cited provided that the source is indicated. All rights reserved. Copyright 2022.

Distributor: Pictet & Cie (Europe) S.A., London branch ("Pictet London Branch")

This is a marketing communication distributed by Pictet London Branch.

This document sets forth neither a personal recommendation tailored to the needs, objectives and financial situation of any individual or company (investment advice as defined in the Financial Conduct Authority's Handbook of rules and guidance (the "FCA Handbook")), nor the results of investment research within the meaning of the FCA Handbook. Moreover, it does not constitute an offer, or an invitation to buy, sell or subscribe to securities or other financial instruments, nor is it meant as a proposal for the conclusion of any type of agreement. Furthermore, this document should not be considered a suitability report as Pictet London Branch has not received all the necessary information on the recipient to complete its suitability assessment that covers the recipient's knowledge and experience, tolerance to risk, investment needs and the recipient's ability to absorb financial risk. Should its addressee decide to proceed to any transaction in relation to a financial product referred to herein, this will be in his sole responsibility, and the suitability/appropriateness of the transaction and other financial, legal and tax aspects should be assessed by an expert.

Any information contained in this document is disclosed for

information purposes only, and neither the producer nor the distributor can be held liable for any fluctuation of the price of the securities. No express or implied warranty is given as to future performance. The opinions expressed reflect an objective evaluation of information available to the general public, such as rates from customary sources of financial information. The market value of securities mentioned may vary on the basis of economic, financial or political changes, the remaining term, market conditions, the volatility and solvency of the issuer or the benchmark issuer. Moreover, exchange rates may have a positive or negative effect on the value, the price or the income of the securities or the related investments mentioned in this document. It is also expressly noted that forecasts are not a reliable indicator of future performance, while past performance is not a reliable indicator of future results.

You shall only take investment decisions when you fully understand the relevant financial product and the involved risks. In particular, the relevant product documentation (such as the issuance program, final terms, prospectus, simplified prospectus and key (investor) information document), as well as Appendix 4: Risk Warnings Relating to Trading in Financial Instruments of the Terms and Conditions of Pictet London Branch, shall be read. Structured products are complex financial products and involve a high degree of risk. The value of structured products depends not only on the performance of the underlying asset(s), but also on the credit rating of the issuer. Furthermore, the investor is exposed to the risk of default of the issuer/guarantor.

In respect of any product documentation, including key information documents of Packaged Retail and Insurance-based Investment Products ("KIDs") and key investor information documents of Undertakings for Collective Investment in Transferable Securities ("KIIDs"), please note that these may change

without notice. You should therefore ensure that you review the latest version of them prior to confirming to Pictet London your decision to invest. If you have been provided with a link to access the respective KID/KIID/other product document, you should therefore click on the link immediately before confirming to Pictet London Branch your decision to invest, in order to review the most recent version of the respective KID/KIID/other product document. If you have not been provided with a link to access the relevant document, or if you are in any doubt as to what the latest version of the respective KID/KIID/other product document is, or where it can be found, please ask your usual Pictet London Branch contact.

Pictet London Branch is not the manufacturer of the product(s) and the KID/KIID/other product document is provided by a third party. The KID/KIID/other product document is obtained from sources believed to be reliable. Pictet London Branch does not make any guarantee or warranty as to the correctness and accuracy of the data contained in the KID/KIID/other product document. Pictet London Branch may not be held liable for an investment decision or other transaction made based on reliance on, or use of, the data contained in the KID/KIID/other product document.

By subscribing to the product(s) proposed herein, you acknowledge that you have (i) received, in good time, read and understood any relevant documentation linked to the product(s), including, as the case may be, the respective KID/KIID/other product document; (ii) taken note of the product(s) restrictions; and (iii) meet the applicable subjective and objective eligibility conditions to invest in the product(s).

Pictet London Branch may, if necessary, rely on these acknowledgements and receive your orders, to transmit them to another professional, or to execute them, according to the relevant clauses of your mandate, as well as the Terms

and Conditions of Pictet London Branch.

The content of this document shall only be read and/or used by its addressee. Any form of reproduction, copying, disclosure, modification and/or publication in any form or by any means whatsoever is not permitted without the prior written consent of Pictet London Branch and no liability whatsoever will be incurred by Pictet London Branch. The addressee of this document agrees to comply with the applicable laws and regulations in the jurisdictions where they use the information provided in this document.

Pictet London Branch is a branch of Pictet & Cie (Europe) S.A.. Pictet & Cie (Europe) S.A. is a société anonyme (public limited liability company) incorporated in Luxembourg and registered with the Luxembourg Registre de Commerce et des Sociétés (RCS no. B32060). Its head office is at 15A, avenue J.F. Kennedy, L-2016 Luxembourg. Pictet London Branch is registered as a UK establishment with Companies House (establishment number BR016925) and its UK establishment office address is Stratton House 6th Floor, London, 5 Stratton Street, W1J 8LA.

Authorised and regulated by the Commission de Surveillance du Secteur Financier. Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website.

Distributors: Bank Pictet & Cie (Asia) Ltd ("BPCAL") in Singapore and/or Banque Pictet & Cie SA, Hong Kong Branch ("Pictet HK Branch") in Hong Kong.

The information, tools and material presented in this document are provided for information purposes only and are not to be used or

considered as an offer, an invitation to offer or solicitation to buy, sell or subscribe for any securities, commodities, derivatives, (in respect of Singapore only) futures, or other financial instruments (collectively referred to as "Investments") or to enter into any legal relations, nor as advice or recommendation with respect to any Investments. This document is intended for general circulation and it is not directed at any particular person. This document does not have regard to the specific investment objectives, financial situation and/or the particular needs of any recipient of this document. Investors should seek independent financial advice regarding the appropriateness of investing in any Investments or adopting any strategies discussed in this document, taking into account the specific investment objectives, financial situation or particular needs of the investor, before making a commitment to invest.

BPCAL/Pictet HK Branch has not taken any steps to ensure that the Investments referred to in this document are suitable for any particular investor, and accepts no fiduciary duties to any investor in this regard, except as required by applicable laws and regulations. Furthermore, BPCAL/Pictet HK Branch makes no representations and gives no advice concerning the appropriate accounting treatment or possible tax consequences of any Investment. Any investor interested in buying or making any Investment should conduct its own investigation and analysis of the Investment and consult with its own professional adviser(s) as to any Investment including the risks involved.

This document is not to be relied upon in substitution for the exercise of independent judgment. The value and income of any Investment mentioned in this document may fall as well rise. The market value may be affected by, amongst other things, changes in economic, financial, political factors, time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Furthermore,

foreign currency rates of exchange may have a positive or adverse effect on the value, price or income of any Investment mentioned in this document. Accordingly, investors must be willing and able to assume all risks and may receive back less than originally invested.

Past performance should not be taken as an indication or guarantee of future performance and no representation or warranty, expressed or implied, is made by BPCAL/Pictet HK Branch regarding future performance.

This document does not constitute the investment policy of BPCAL/Pictet HK Branch, or an investment recommendation, and merely contains the different assumptions, views and analytical methods of the analysts who prepared them. Furthermore, the information, opinions and estimates expressed herein reflect a judgment at its original date of publication and are subject to change without notice and without any obligation on BPCAL/Pictet HK Branch to update any of them. BPCAL/Pictet HK Branch may have issued or distributed other reports or documents that are inconsistent with, and reach different conclusions from, the information presented in this document.

While the information and opinions presented herein are from sources believed to be reliable, BPCAL/Pictet HK Branch is not able to, and do not make any representation or warranty as to its accuracy or completeness. Accordingly, BPCAL/Pictet HK Branch accepts no liability for loss arising from the use of or reliance on this document presented for information purposes only. BPCAL/Pictet HK Branch reserves the right to act upon or use any of the information in this document at any time, including before its publication herein.

BPCAL/Pictet HK Branch and its affiliates (or employees thereof) may or may not have long or short positions in, and buy or sell, or otherwise have interest in, any of the Investments mentioned herein, and may or may not have relationships with the issuers of or

entities connected with Investments mentioned in this document. BPCAL/Pictet HK Branch and their affiliates (or employees thereof) may act inconsistently with the information and/or opinions presented in this document.

The information used to prepare this document and/or any part of such information, may have been provided or circulated to employees and/or one or more clients of BPCAL/Pictet HK Branch before this document was received by you and such information may have been acted upon by such recipients or by BPCAL/Pictet HK Branch.

This document is provided solely for the information of the intended recipient only and should not be reproduced, published, circulated or disclosed in whole or in part to any other person without the prior written consent of BPCAL/Pictet HK Branch.

Singapore

This document is not directed to, or intended for distribution, publication or use by, persons who are not accredited investors, expert investors or institutional investors as defined in section 4A of the Securities and Futures Act (Cap. 289 of Singapore) ("SFA") or any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject BPCAL and any of its affiliates or related corporations to any prospectus or registration requirements.

BPCAL is a wholesale bank regulated by the Monetary Authority of Singapore ("MAS") under the Banking Act Cap. 50 of Singapore, an exempt financial adviser under the Financial Advisers Act Cap. 110 of Singapore ("FAA") and an exempt capital markets licence holder under the SFA. Please contact BPCAL in Singapore in respect of any matters arising from, or in connection with this document.

Hong Kong

This document is not directed to, or intended for

distribution, publication or use by, persons who are not "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder (the "SFO") or any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Pictet HK Branch and any of its affiliates or related corporations to any prospectus or registration requirements. If you do not want Pictet HK Branch to use your personal information for marketing purposes, you can request Pictet HK Branch to stop doing so without incurring any charge to you. In distributing investment products as agents for third party service providers, Pictet HK Branch is an agent of the third party service provider and the product is a product of the third party service provider but not Pictet HK Branch. In respect of an eligible dispute (as defined in the Terms of Reference for the Financial Dispute Resolution Centre in relation to the Financial Dispute Resolution Scheme) arising between Pictet HK Branch and you out of the selling process or processing of the related transaction, Pictet HK Branch is required to enter into a Financial Dispute Resolution Scheme process with you; however any dispute over the contractual terms of the product should be resolved between directly the third party service provider and you.

Banque Pictet & Cie SA is a limited liability company incorporated in Switzerland. It is an authorized institution within the meaning of the Banking Ordinance and a registered institution (CE No.: BMG891) under the SFO carrying on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. The registered address of Pictet HK Branch is 9/F., Chater House, 8 Connaught Road Central, Hong Kong.

Warning: The contents of this document have not been

reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. Please contact Pictet HK Branch in Hong Kong in respect of any matters arising from, or in connection with this document.

Distributor: Pictet Bank & Trust Limited, where registered office is located at Building 1, Bayside Executive Park, West Bay Street & Blake Road, Nassau, New Providence, The Bahamas.

The document is not directed to, or intended for distribution or publication to or use by persons who are not Accredited Investors (as defined in the Securities Industry Regulations, 2012) and subject to the conditions set forth in the Securities Industry Regulations, 2012 or to any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Pictet Bank & Trust Limited to any prospectus or registration requirements. Pictet Bank & Trust Limited is incorporated in The Bahamas with limited liability. It is a bank and trust company that is licensed in accordance with the Banks and Trust Companies' Regulation Act and is regulated by the Central Bank of The Bahamas. Additionally, Pictet Bank & Trust Limited is registered with the Securities Commission of The Bahamas as a Broker Dealer II and is approved to (i) Deal in Securities 1.(a) & (c); (ii) Arrange Deals in securities; (iii) Manage Securities; (iv) Advise on Securities.

Warning: The content of this document has not been reviewed by any regulatory authority in The Bahamas. You are, therefore, advised to exercise caution when processing the information contained herein. If you are in any doubt about any of the content of this document, you should obtain independent professional advice.