

European Economic Comment

ECB: more easing in March

Economics

Europe including UK

ECB signals another round of easing is in the pipeline

Following the announcement of QE-2 on 3 December, our call was that the ECB was now essentially "done". Yet, this call no longer seems tenable. Reacting to the sharp decline in oil prices and new concerns about EM growth, the ECB indicated strongly today that it will deliver another easing package in its upcoming meeting on 10 March. We see it likely that the ECB will cut its deposit rate by another 10bps to -0.4% and make further amendments to its QE programme, with an increase of its monthly asset purchases (possibly adding €10bn to its current level of €60bn) and/or a further extension in the maturity of the programme beyond March 2017. The exact structure of the easing package will likely depend on the incoming data (exchange rate, oil prices, and evidence for any adverse spillovers of EM weakness or financial volatility on the growth outlook, for example through weaker sentiment data) and the ECB's new staff macroeconomic projections, which will contain 2018 forecasts for the first time.

ECB to review its policy stance on 10 March

ECB President Draghi announced today that, in light of the increased risks for the inflation and growth outlook, the ECB will "review and possibly reconsider" its monetary policy stance at the next meeting on 10 March. On that day, the ECB will release new macroeconomic projections which will cover 2018 for the first time. Although the ECB announced its last round of stimulus only in December, Mr Draghi argued that the situation had changed materially since then. He noted in particular the sharp decline in oil prices, the appreciation of the effective Euro exchange rate, a weaker EM outlook and financial volatility.

The ECB introductory statement made it clear that both interest rate changes and amendments to the QE programme will be considered. Specifically, the statement said that key ECB interest rates would remain at "present or lower levels" for an extended period of time – which in our view suggests that the ECB might well cut the deposit rate from currently -0.3% to -0.4% on 10 March. In today's press conference, Mr Draghi made several references to the Euro's trade-weighted exchange rate, which has appreciated in recent weeks. The ECB might want to counter-act the appreciation through a lower deposit rate.

In addition, the ECB said that in the run-up to the March meeting, "work will be carried out to ensure that all the technical conditions are in place to make the full range of policy options available for implementation, if needed". This, in our view, suggests that changes to the size, structure and duration of the QE programme will be considered. In our view, whether and how the ECB will change the QE programme will depend on incoming economic data (oil prices, activity data in EM, sentiment data in the Eurozone) and the ECB's new inflation and growth forecasts on 10 March. Should the ECB conclude that, in light of greater economic weakness from the EM world, the dose of monetary accommodation needs to be strengthened, an increase in the monthly asset purchases by perhaps €10bn from currently €60bn would seem likely. In this case, the ECB might also reconsider, and potentially widen, the pool of available assets.

Reinhard Cluse

Economist

reinhard.cluse@ubs.com

+44-20-7568 6722

Felix Huefner

Economist

felix.huefner@ubs.com

+49-69-1369 8280

Jennifer Aslin

Associate Economist

jennifer.aslin@ubs.com

+44-20-7568 6585

To reflect the likely delay in inflation returning to the ECB's target of "close to but below 2%" the ECB might also announce a further lengthening in the maturity of its asset purchases beyond March 2017 – particularly, if the new staff macroeconomic projections were to show that inflation might still not be back to the ECB's target in 2018.

How does the ECB react to lower oil prices?

Mr Draghi argued that the ECB's reaction to lower oil prices is dependent on an assessment of the *size* and the *duration* of the negative oil price shock, as well as the assessment of negative *second round effects*. He indicated that the recent moves had to be taken seriously, both because of the size of the decline and the persistence of the regime of low oil prices.

Inflation to return to zero or even negative values again in February-July

Given the latest oil prices declines, we now expect Eurozone HICP to pick up from 0.2% y/y in December to 0.5% y/y in January, driven by base effects. However, assuming oil prices in line with the oil futures curve, inflation will then decline again to around zero in February-July, with some monthly figures even slightly negative. As of August, positive base effects related to energy prices would likely become effective again and push inflation to around 1.2% by year-end (Figure 9 below). This trajectory would imply a 2016 average of just 0.3%, a downgrade from our previous forecast of 0.7%. The ECB's staff macroeconomic forecasts from December (see Figure 1 below) contained a 2016 inflation projection of 1.0%; it is likely to be downgraded substantially on 10 March.

Eurozone growth – so far so good, but downside risks increasing

Compared with the inflation projections, we think the ECB GDP growth projection for 2016 (1.7% in the December projection) is unlikely to come down a great deal. After all, the current structure of Eurozone growth is strongly geared towards domestic demand, not foreign trade. This should give Eurozone growth some resilience against external weakness. We would also point out that, following the increased jitters from China/EM, Eurozone growth and sentiment (e.g. PMIs, Ifo index) have held up respectably in recent months. Nevertheless, we acknowledge that the risk to our own 2016 growth forecast of 1.8% is now skewed to the downside.

Equity strategy: We reiterate the case for European equity

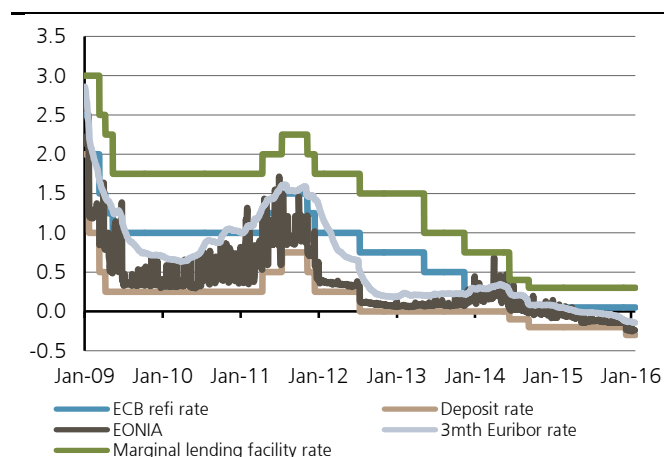
With market sentiment in Europe 80% more bearish than a year ago (pre QE), our equity strategists argue that today's good news from the ECB supports the case for European equities. See [Market temperature: 80% more bearish than last January and Value back to 2012 levels](#), 8 January 2016.

Figure 1: Eurosystem staff macroeconomic projections for the Euro area, 3 Dec 2015

	December 2015			
	2014	2015	2016	2017
Real GDP	0.9	1.5	1.7	1.9
		[1.4 – 1.6]	[1.1 – 2.3]	[0.9 – 2.9]
Private consumption	0.8	1.6	1.9	1.7
Government consumption	0.8	1.4	1.2	1.0
Gross fixed capital formation	1.3	2.3	2.8	3.8
Exports	4.1	4.8	4.0	4.8
Imports	4.5	5.3	4.8	5.3
Employment	0.6	1.0	1.0	1.0
Unemployment rate (% of labour force)	11.6	11.0	10.5	10.1
HICP	0.4	0.1	1.0	1.6
		[0.1 – 0.1]	[0.5 – 1.5]	[0.9 – 2.3]
HICP ex energy	0.7	0.9	1.3	1.5
HICP ex food and energy	0.8	0.9	1.3	1.6
HICP ex food, energy & indirect taxes	0.7	0.8	1.3	1.6
Unit labour costs	1.1	0.9	0.9	1.2
Compensation per employee	1.4	1.4	1.5	2.1
Labour productivity	0.3	0.5	0.7	0.9
General govt budget balance (% of GDP)	-2.6	-2.0	-2.0	-1.8
Structural budget balance (% of GDP)	-1.8	-1.7	-1.9	-1.9
General govt gross debt (% of GDP)	92.1	91.1	90.1	88.9
Current account balance (% of GDP)	2.4	3.0	2.9	2.7

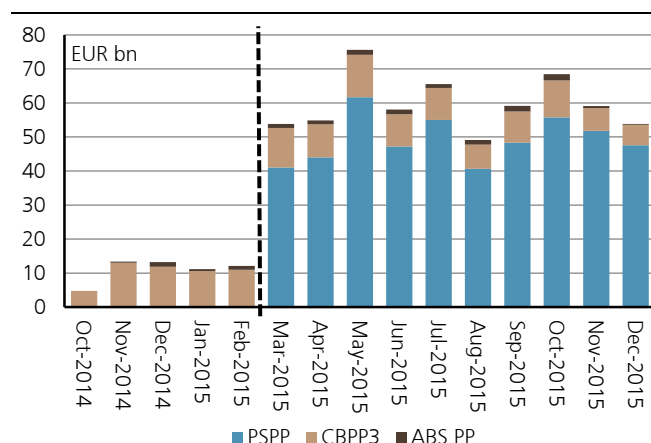
Source: ECB 'December 2015 ECB staff macroeconomic projections for the Euro area', 3 December 2015. Note: Numbers in brackets denote changes from rounded numbers to 1 decimal place, whereas the ECB calculates the revisions from unrounded figures.
www.ecb.europa.eu/pub/projections/html/index.en.html

Figure 2: ECB interest rates, EONIA and Euribor (%)



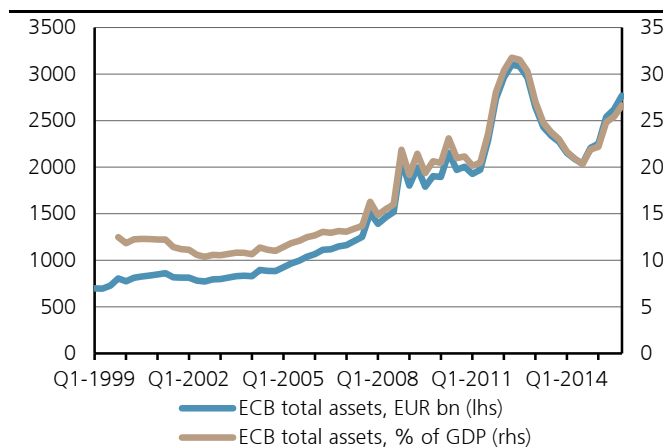
Source: Haver, UBS

Figure 3: ECB's Expanded Asset Purchase Programme



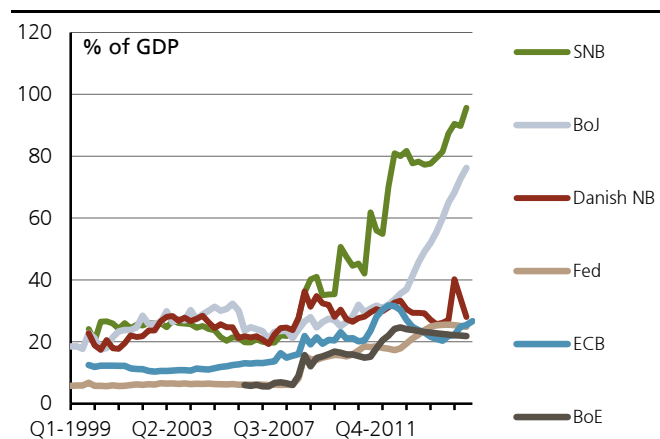
Source: ECB, Haver, UBS. PSPP: Public Sector Purchase Programme, i.e., sovereigns, agencies, supranationals. ABS PP: Asset Backed Securities Purchase Programme. CBPP3: Covered Bond Purchase Programme 3.

Figure 4: ECB balance sheet



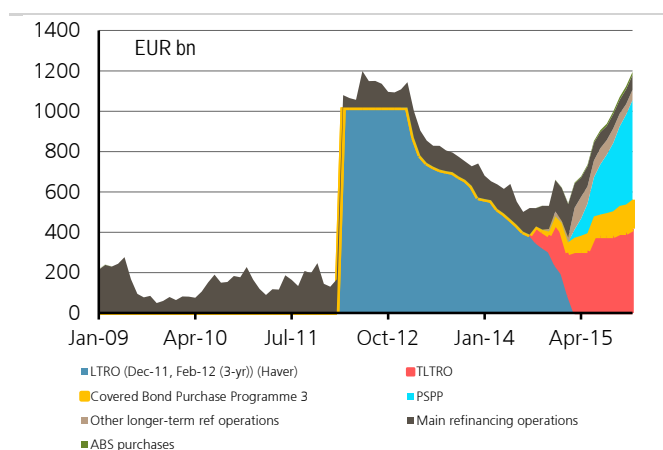
Source: ECB, Haver, UBS

Figure 5: Other central bank balance sheets, % of GDP



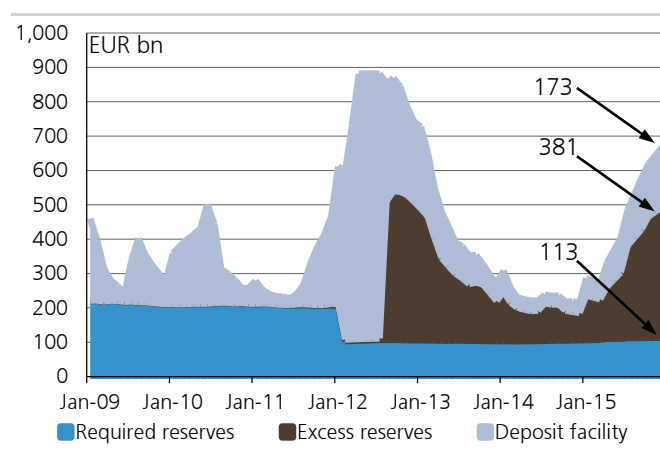
Source: Haver, UBS

Figure 6: Asset side of ECB balance sheet



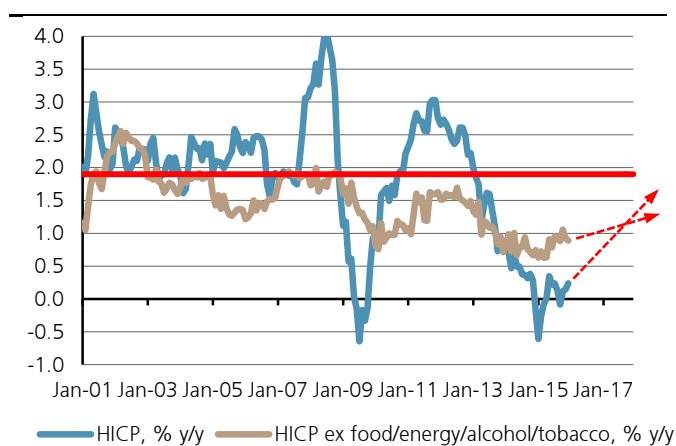
Source: Haver, UBS

Figure 7: ECB's excess liquidity



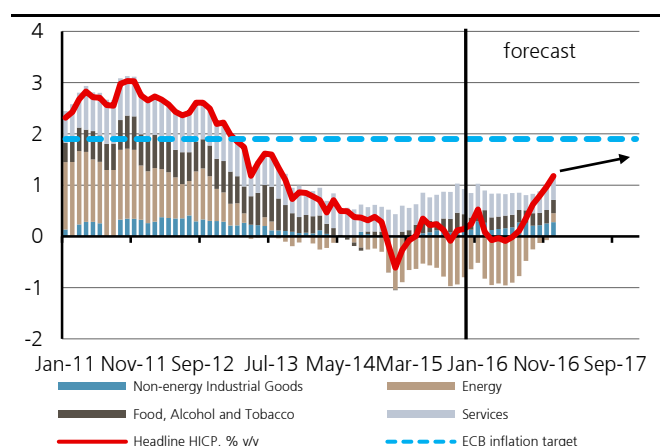
Source: Haver, UBS

Figure 8: Eurozone headline and core inflation



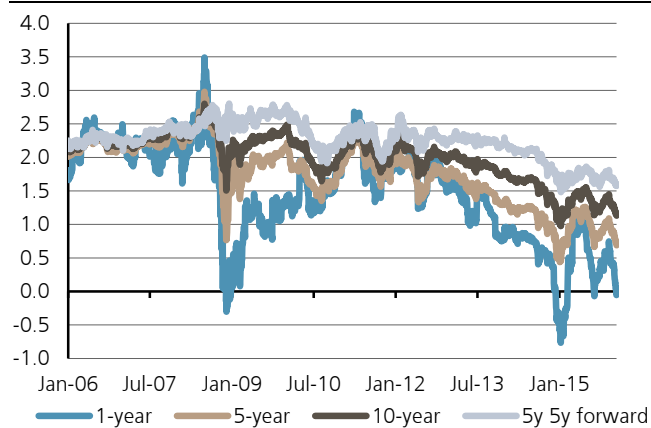
Source: Haver, UBS

Figure 9: Contributions to Eurozone HICP inflation, ppt



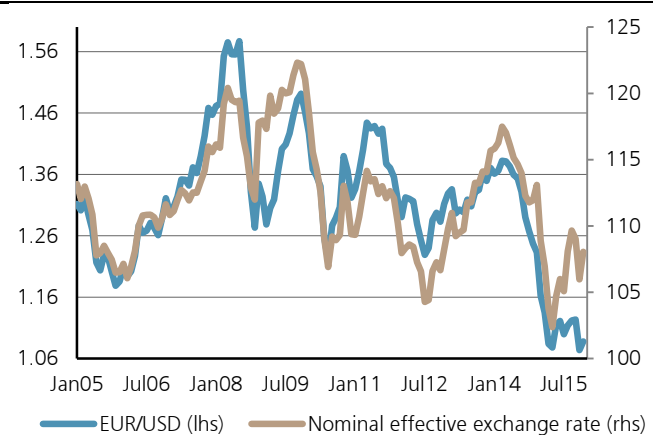
Source: Haver, UBS

Figure 10: Eurozone inflation breakevens*



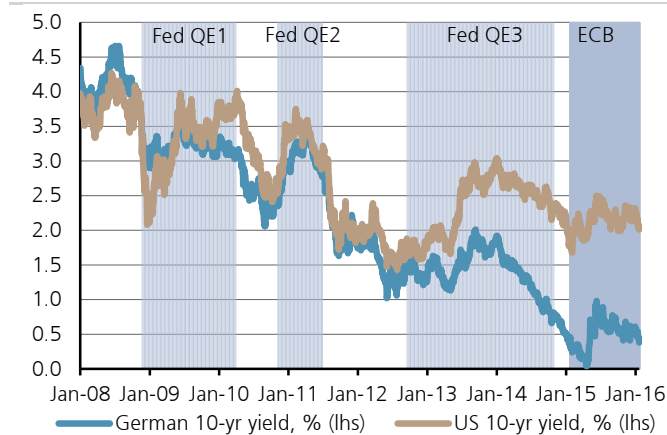
Source: Bloomberg, UBS *Using inflation-linked swaps.

Figure 11: EUR/USD and nominal effective exchange rate



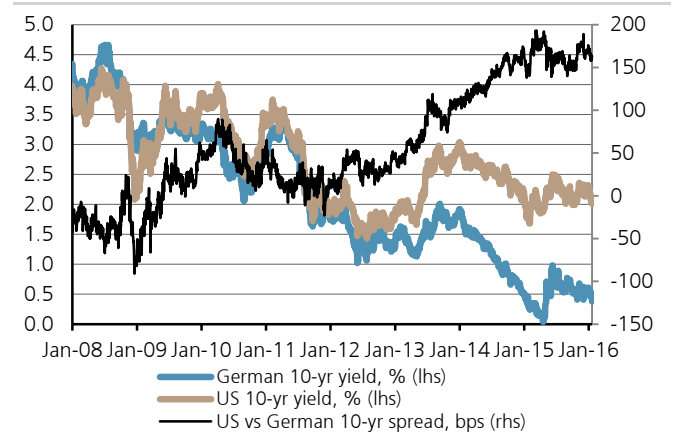
Source: Haver, UBS

Figure 12: German and US 10-year yields and QE phases



Source: Haver, UBS

Figure 13: German and US 10-year bond yields vs spread



Source: Haver, UBS

Valuation Method and Risk Statement

Risks include macroeconomic variables (such as GDP growth rates and inflation), economic slowdown, a weakening currency, global economic events, and government policy changes.

Required Disclosures

This report has been prepared by UBS Limited, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

For information on the ways in which UBS manages conflicts and maintains independence of its research product; historical performance information; and certain additional disclosures concerning UBS research recommendations, please visit www.ubs.com/disclosures. The figures contained in performance charts refer to the past; past performance is not a reliable indicator of future results. Additional information will be made available upon request. UBS Securities Co. Limited is licensed to conduct securities investment consultancy businesses by the China Securities Regulatory Commission. UBS acts or may act as principal in the debt securities (or in related derivatives) that may be the subject of this report.

Analyst Certification: Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner, including with respect to UBS, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Company Disclosures

Issuer Name

European Union²²

22. UBS AG, its affiliates or subsidiaries held other significant financial interests in this company/entity as of last month's end (or the prior month's end if this report is dated less than 10 working days after the most recent month's end).

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report. For a complete set of disclosure statements associated with the companies discussed in this report, including information on valuation and risk, please contact UBS Securities LLC, 1285 Avenue of Americas, New York, NY 10019, USA, Attention: Investment Research.

Global Disclaimer

This document has been prepared by UBS Limited, an affiliate of UBS AG. UBS AG, its subsidiaries, branches and affiliates are referred to herein as UBS.

Global Research is provided to our clients through UBS Neo, the UBS Client Portal and UBS.com (each a "System"). It may also be made available through third party vendors and distributed by UBS and/or third parties via e-mail or alternative electronic means. The level and types of services provided by Global Research to a client may vary depending upon various factors such as a client's individual preferences as to the frequency and manner of receiving communications, a client's risk profile and investment focus and perspective (e.g. market wide, sector specific, long-term, short-term, etc.), the size and scope of the overall client relationship with UBS and legal and regulatory constraints.

When you receive Global Research through a System, your access and/or use of such Global Research is subject to this Global Research Disclaimer and to the terms of use governing the applicable System.

When you receive Global Research via a third party vendor, e-mail or other electronic means, your use shall be subject to this Global Research Disclaimer and to UBS's Terms of Use/Disclaimer (<http://www.ubs.com/global/en/legalinfo2/disclaimer.html>). By accessing and/or using Global Research in this manner, you are indicating that you have read and agree to be bound by our Terms of Use/Disclaimer. In addition, you consent to UBS processing your personal data and using cookies in accordance with our Privacy Statement (<http://www.ubs.com/global/en/legalinfo2/privacy.html>) and cookie notice (<http://www.ubs.com/global/en/homepage/cookies/cookie-management.html>).

If you receive Global Research, whether through a System or by any other means, you agree that you shall not copy, revise, amend, create a derivative work, transfer to any third party, or in any way commercially exploit any UBS research provided via Global Research or otherwise, and that you shall not extract data from any research or estimates provided to you via Global Research or otherwise, without the prior written consent of UBS.

For access to all available Global Research on UBS Neo and the Client Portal, please contact your UBS sales representative.

This document is for distribution only as may be permitted by law. It is not directed to, or intended for distribution to or use by, 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 UBS to any registration or licensing requirement within such jurisdiction. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document ('the Information'), except with respect to Information concerning UBS. The Information is not intended to be a complete statement or summary of the securities, markets or developments referred to in the document. UBS does not undertake to update or keep current the Information. Any opinions expressed in this document may change without notice and may differ or be contrary to opinions expressed by other business areas or groups of UBS. Any statements contained in this report attributed to a third party represent UBS's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party.

Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgement in making their investment decisions. The financial instruments described in the document may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors, and trading in these instruments is considered risky. Mortgage and asset-backed securities may involve a high degree of risk and may be highly volatile in response to fluctuations in interest rates or other market conditions. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument referred to in the document. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

The value of any investment or income may go down as well as up, and investors may not get back the full (or any) amount invested. Past performance is not necessarily a guide to future performance. Neither UBS nor any of its directors, employees or agents accepts any liability for any loss (including investment loss) or damage arising out of the use of all or any of the Information.

Any prices stated in this document are for information purposes only and do not represent valuations for individual securities or other financial instruments. There is no representation that any transaction can or could have been effected at those prices, and any prices do not necessarily reflect UBS's internal books and records or theoretical model-based valuations and may be based on certain assumptions. Different assumptions by UBS or any other source may yield substantially different results.

This document and the Information are produced by UBS as part of its research function and are provided to you solely for general background information. UBS has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. In no circumstances may this document or any of the Information be used for any of the following purposes:

- (i) valuation or accounting purposes;
- (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or
- (iii) to measure the performance of any financial instrument.

By receiving this document and the Information you will be deemed to represent and warrant to UBS that you will not use this document or any of the Information for any of the above purposes or otherwise rely upon this document or any of the Information.

Research will initiate, update and cease coverage solely at the discretion of UBS Investment Bank Research Management. The analysis contained in this document is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting market information. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS into other areas, units, groups or affiliates of UBS. The compensation of the analyst who prepared this document is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues; however, compensation may relate to the revenues of UBS Investment Bank as a whole, of which investment banking, sales and trading are a part.

For financial instruments admitted to trading on an EU regulated market: UBS AG, its affiliates or subsidiaries (excluding UBS Securities LLC) acts as a market maker or liquidity provider (in accordance with the interpretation of these terms in the UK) in the financial instruments of the issuer save that where the activity of liquidity provider is carried out in accordance with the definition given to it by the laws and regulations of any other EU jurisdictions, such information is separately disclosed in this document. For financial instruments admitted to trading on a non-EU regulated market: UBS may act as a market maker save that where this activity is carried out in the US in accordance with the definition given to it by the relevant laws and regulations, such activity will be specifically disclosed in this document. UBS may have issued a warrant the value of which is based on one or more of the financial instruments referred to in the document. UBS and its affiliates and employees may have long or short positions, trade as principal and buy and sell in instruments or derivatives identified herein; such transactions or positions may be inconsistent with the opinions expressed in this document.

United Kingdom and the rest of Europe: Except as otherwise specified herein, this material is distributed by UBS Limited to persons who are eligible counterparties or professional clients. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. **France:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities France S.A. UBS Securities France S.A. is regulated by the ACPR (Autorité de Contrôle Prudentiel et de Résolution) and the Autorité des Marchés Financiers (AMF). Where an analyst of UBS Securities France S.A. has contributed to this document, the document is also deemed to have been prepared by UBS Securities France S.A. **Germany:** Prepared by UBS Limited and distributed by UBS Limited and UBS Deutschland AG. UBS Deutschland AG is regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). **Spain:** Prepared by UBS Limited and distributed by UBS Limited and UBS Securities España SV, SA. UBS Securities España SV, SA is regulated by the Comisión Nacional del Mercado de Valores (CNMV). **Turkey:** Distributed by UBS Limited. No information in this document is provided for the purpose of offering, marketing and sale by any means of any capital market instruments and services in the Republic of Turkey. Therefore, this document may not be considered as an offer made or to be made to residents of the Republic of Turkey. UBS AG is not licensed by the Turkish Capital Market Board under the provisions of the Capital Market Law (Law No. 6362). Accordingly, neither this document nor any other offering material related to the instruments/services may be utilized in connection with providing any capital market services to persons within the Republic of Turkey without the prior approval of the Capital Market Board. However, according to article 15 (d) (ii) of the Decree No. 32, there is no restriction on the purchase or sale of the securities abroad by residents of the Republic of Turkey. **Poland:** Distributed by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce regulated by the Polish Financial Supervision Authority. Where an analyst of UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce has contributed to this

document, the document is also deemed to have been prepared by UBS Limited (spółka z ograniczoną odpowiedzialnością) Oddział w Polsce. **Russia:** Prepared and distributed by UBS Bank (OOO). **Switzerland:** Distributed by UBS AG to persons who are institutional investors only. UBS AG is regulated by the Swiss Financial Market Supervisory Authority (FINMA). **Italy:** Prepared by UBS Limited and distributed by UBS Limited and UBS Italia Sim S.p.A. UBS Italia Sim S.p.A. is regulated by the Bank of Italy and by the Commissione Nazionale per le Società e la Borsa (CONSOB). Where an analyst of UBS Italia Sim S.p.A. has contributed to this document, the document is also deemed to have been prepared by UBS Italia Sim S.p.A. **South Africa:** Distributed by UBS South Africa (Pty) Limited (Registration No. 1995/011140/07), an authorised user of the JSE and an authorised Financial Services Provider (FSP 7328). **Israel:** This material is distributed by UBS Limited. UBS Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. UBS Securities Israel Ltd is a licensed Investment Marketer that is supervised by the Israel Securities Authority (ISA). UBS Limited and its affiliates incorporated outside Israel are not licensed under the Israeli Advisory Law. UBS Limited is not covered by insurance as required from a licensee under the Israeli Advisory Law. UBS may engage among others in issuance of Financial Assets or in distribution of Financial Assets of other issuers for fees or other benefits. UBS Limited and its affiliates may prefer various Financial Assets to which they have or may have Affiliation (as such term is defined under the Israeli Advisory Law). Nothing in this Material should be considered as investment advice under the Israeli Advisory Law. This Material is being issued only to and/or is directed only at persons who are Eligible Clients within the meaning of the Israeli Advisory Law, and this material must not be relied on or acted upon by any other persons. **Saudi Arabia:** This document has been issued by UBS AG (and/or any of its subsidiaries, branches or affiliates), a public company limited by shares, incorporated in Switzerland with its registered offices at Aeschenvorstadt 1, CH-4051 Basel and Bahnhofstrasse 45, CH-8001 Zurich. This publication has been approved by UBS Saudi Arabia (a subsidiary of UBS AG), a Saudi closed joint stock company incorporated in the Kingdom of Saudi Arabia under commercial register number 1010257812 having its registered office at Tatweer Towers, P.O. Box 75724, Riyadh 11588, Kingdom of Saudi Arabia. UBS Saudi Arabia is authorized and regulated by the Capital Market Authority to conduct securities business under license number 08113-37. **Dubai:** The information distributed by UBS AG Dubai Branch is intended for Professional Clients only and is not for further distribution within the United Arab Emirates. **United States:** Distributed to US persons by either UBS Securities LLC or by UBS Financial Services Inc., subsidiaries of UBS AG; or by a group, subsidiary or affiliate of UBS AG that is not registered as a US broker-dealer (a 'non-US affiliate') to major US institutional investors only. UBS Securities LLC or UBS Financial Services Inc. accepts responsibility for the content of a document prepared by another non-US affiliate when distributed to US persons by UBS Securities LLC or UBS Financial Services Inc. All transactions by a US person in the securities mentioned in this document must be effected through UBS Securities LLC or UBS Financial Services Inc., and not through a non-US affiliate. UBS Securities LLC is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule"), and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule. **Canada:** Distributed by UBS Securities Canada Inc., a registered investment dealer in Canada and a Member-Canadian Investor Protection Fund, or by another affiliate of UBS AG that is registered to conduct business in Canada or is otherwise exempt from registration. **Brazil:** Except as otherwise specified herein, this material is prepared by UBS Brasil CCTVM S.A. to persons who are eligible investors residing in Brazil, which are considered to be: (i) financial institutions, (ii) insurance firms and investment capital companies, (iii) supplementary pension entities, (iv) entities that hold financial investments higher than R\$300,000.00 and that confirm the status of qualified investors in written, (v) investment funds, (vi) securities portfolio managers and securities consultants duly authorized by Comissão de Valores Mobiliários (CVM), regarding their own investments, and (vii) social security systems created by the Federal Government, States, and Municipalities. **Hong Kong:** Distributed by UBS Securities Asia Limited and/or UBS AG, Hong Kong Branch. **Singapore:** Distributed by UBS Securities Pte. Ltd. [MCI (P) 018/09/2015 and Co. Reg. No.: 198500648C] or UBS AG, Singapore Branch. Please contact UBS Securities Pte. Ltd., an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110); or UBS AG, Singapore Branch, an exempt financial adviser under the Singapore Financial Advisers Act (Cap. 110) and a wholesale bank licensed under the Singapore Banking Act (Cap. 19) regulated by the Monetary Authority of Singapore, in respect of any matters arising from, or in connection with, the analysis or document. The recipients of this document represent and warrant that they are accredited and institutional investors as defined in the Securities and Futures Act (Cap. 289). **Japan:** Distributed by UBS Securities Japan Co., Ltd. to professional investors (except as otherwise permitted). Where this document has been prepared by UBS Securities Japan Co., Ltd., UBS Securities Japan Co., Ltd. is the author, publisher and distributor of the document. Distributed by UBS AG, Tokyo Branch to Professional Investors (except as otherwise permitted) in relation to foreign exchange and other banking businesses when relevant. **Australia:** Clients of UBS AG: Distributed by UBS AG (Holder of Australian Financial Services License No. 231087). Clients of UBS Securities Australia Ltd: Distributed by UBS Securities Australia Ltd (Holder of Australian Financial Services License No. 231098). Clients of UBS Wealth Management Australia Ltd: Distributed by UBS Wealth Management Australia Ltd (Holder of Australian Financial Services License No. 231127). This Document contains general information and/or general advice only and does not constitute personal financial product advice. As such, the Information in this document has been prepared without taking into account any investor's objectives, financial situation or needs, and investors should, before acting on the Information, consider the appropriateness of the Information, having regard to their objectives, financial situation and needs. If the Information contained in this document relates to the acquisition, or potential acquisition of a particular financial product by a 'Retail' client as defined by section 761G of the Corporations Act 2001 where a Product Disclosure Statement would be required, the retail client should obtain and consider the Product Disclosure Statement relating to the product before making any decision about whether to acquire the product. The UBS Securities Australia Limited Financial Services Guide is available at: www.ubs.com/ecs-research-fsg. **New Zealand:** Distributed by UBS New Zealand Ltd. The information and recommendations in this publication are provided for general information purposes only. To the extent that any such information or recommendations constitute financial advice, they do not take into account any person's particular financial situation or goals. We recommend that recipients seek advice specific to their circumstances from their financial advisor. **Korea:** Distributed in Korea by UBS Securities Pte. Ltd., Seoul Branch. This document may have been edited or contributed to from time to time by affiliates of UBS Securities Pte. Ltd., Seoul Branch. **Malaysia:** This material is authorized to be distributed in Malaysia by UBS Securities Malaysia Sdn. Bhd (Capital Markets Services License No.: CMSL/A0063/2007). This material is intended for professional/institutional clients only and not for distribution to any retail clients. **India:** Prepared by UBS Securities India Private Ltd. (Corporate Identity Number U67120MH1996PTC097299) 2/F, 2 North Avenue, Maker Maxity, Bandra Kurla Complex, Bandra (East), Mumbai (India) 400051. Phone: +912261556000. It provides brokerage services bearing SEBI Registration Numbers: NSE (Capital Market Segment): INB230951431, NSE (F&O Segment) INF230951431, NSE (Currency Derivatives Segment) INE230951431, BSE (Capital Market Segment) INB010951437; merchant banking services bearing SEBI Registration Number: INM000010809 and Research Analyst services bearing SEBI Registration Number: INH000001204. UBS AG, its affiliates or subsidiaries may have debt holdings or positions in the subject Indian company/companies. Within the past 12 months, UBS AG, its affiliates or subsidiaries may have received compensation for non-investment banking securities-related services and/or non-securities services from the subject Indian company/companies. The subject company/companies may have been a client/clients of UBS AG, its affiliates or subsidiaries during the 12 months preceding the date of distribution of the research report with respect to investment banking and/or non-investment banking securities-related services and/or non-securities services. With regard to information on associates, please refer to the Annual Report at: http://www.ubs.com/global/en/about_ubs/investor_relations/annualreporting.html

The disclosures contained in research documents produced by UBS Limited shall be governed by and construed in accordance with English law.

UBS specifically prohibits the redistribution of this document in whole or in part without the written permission of UBS and UBS accepts no liability whatsoever for the actions of third parties in this respect. Images may depict objects or elements that are protected by third party copyright, trademarks and other intellectual property rights. © UBS 2016. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.

