FOR PROFESSIONAL INVESTORS

BNP PARIBAS
INVESTMENT PARTNERS
The asset manager for a changing world

Asset Allocation View

Multi Asset Solutions (MAS), May 2016

Summary

- With the arrival of spring, risk assets enjoyed an improvement in the market climate, with equities continuing to rise and yield spreads narrowing further on the credit market. The failure of the OPEC summit in Doha, where the opposing views of Saudi Arabia and Iran prevented any agreement to freeze output in the months ahead being reached, did not stop oil prices rising (with the price of WTI crude up 20% on end-March).
- Having remained virtually unchanged between mid-March and the beginning of the second week of April, global equities began to rise again, albeit sometimes in a somewhat random fashion. We do not think this upswing reflects the macro or micro-economic fundamentals of the equity market. In the first phase of the upturn in equities in mid-February technical factors were at work and investor conviction did not seem very strong. Nor is it now, and a sort of tacit consent is gradually becoming apparent, as investors are happy merely to follow an uptrend which is still driven in part by movements in oil prices (even though the link seems to have become weaker compared to the beginning the year).
- There is still appears to be no firmly established economic consensus: having gloomily anticipated recession at the start of the year and shrugged off the more encouraging indicators published in March, investors now seem to want to be persuaded that the global economy is on the point of returning to robust growth. Disappointments are possible and could cause renewed volatility.

Where are the risks?

- As mentioned above, equities have been rising without conviction in recent months. Such a configuration makes the market more fragile and any disappointment on economic growth would result in renewed volatility.
- The ECB, the Fed and the BoJ held their monetary policy committee meetings between 21 and 28 April. Once the decisions taken have been digested and the information distilled, investors are likely to revert to the topics that worried them at the start of the year – namely, the anticipated increase in Fed interest rates at a time when the ECB and BoJ are faced with reaching the limits of the effectiveness of their very accommodative policies and are calling, in essence, for a little patience.
- Politics are likely to feed through into investment decisions with increasing frequency; the situation in Spain looks like something that will need monitoring in the weeks ahead. More generally, sliding popularity ratings for the leaders of the major countries of Europe and the gains achieved by Euro-sceptic parties are likely to be a source of concern to non-resident investors. In the United States, the onward march of Donald Trump is becoming a problem for the Republican Party, so the convention in July could attract great attention on the financial markets.
- **These factors do not form part of our central scenario**, but we continue to keep a close eye on them and remain ready to adjust our allocation if any of them were to look like materialising.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Tactical outlook: caution and profit taking

Main positions and changes over the month

- We are maintaining our **cautious tactical view on equities**, particularly since their valuation is not attractive and it is difficult to envisage corporate earnings growth gathering pace in the current climate of modest growth and low inflation. This decoupling of fundamentals and equity prices renders the recent upward trend of the equity markets vulnerable.
- Within developed equities, we currently **favour the United States and Japan**. In the event of widespread financial turbulence, US equities generally perform better. In Japan, relative valuations are more supportive and the downward revisions of earnings prospects appear excessive. Within **European equities**, we took our profits on overweight position in small caps vs. large caps as, following a fine run, some small caps support factors are weakening.
- Following the rise in corporate bond prices, we completed our **profit-taking on both high-yield and investment grade credit in dollars**, in light of the strong narrowing of yield spreads, which have returned to their long-term average and their equilibrium value.
- Our model portfolio is unquestionably more cautious, but we remain ready to tactically increase our exposure to risk assets if opportunities arise.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Multi Asset Solutions: portfolio views

Multi-asset	Active weights avr-16	Active weights mai-16	Δ active weight
Equities	Underweight	Underweight	No change
Duration	Neutral	Neutral	No change
Investment grade	Overweight	Neutral	Decrease
High yield	Overweight	Neutral	Decrease
Emerging market debt	Underweight	Underweight	No change
Real estate	Neutral	Neutral	No change
Commodities	Underweight	Underweight	No change

Equities	Active weights avr-16	Active weights mai-16	Δ active weight
European large caps	Underweight	Underweight	Decrease
European small caps	Overweight	Neutral	Decrease
US large caps	Neutral	Overweight	Increase
US small caps	Neutral	Neutral	No change
Japan	Neutral	Overweight	Increase
Emerging markets	Neutral	Neutral	No change

Real estate	Active weights avr-16	Active weights mai-16	Δ active weight
European Real Estate	Neutral	Neutral	No change
US Real Estate	Neutral	Neutral	No change
Asian Real Estate	Neutral	Neutral	No change

KEY					
Overweight:	Overweight	Neutral:	Neutral	Underweight:	Underweight
Increase:	Increase	No change:	No change	Decrease:	Decrease

Fixed income	Active weights avr-16	Active weights mai-16	Δ active weight
Euro Govies	Underweight	Neutral	Increase
Euro Short Dated	Neutral	Neutral	No change
US Govies	Overweight	Overweight	No change
Investment Grade (EUR)	Neutral	Neutral	No change
Investment Grade (US)	Overweight	Neutral	Decrease
Euro Inflation linked	Neutral	Neutral	No change
High Yield (EUR)	Neutral	Neutral	No change
High Yield (USD)	Overweight	Neutral	Decrease
Emerging Bonds USD	Underweight	Underweight	No change
Emerging Bonds Local Ccy	Neutral	Neutral	No change

Foreign exchange	Active weights avr-16	Active weights mai-16	Δ active weight
AUD	Neutral	Neutral	No change
CAD	Neutral	Neutral	No change
CHF	Neutral	Neutral	No change
DKK	Neutral	Neutral	No change
EUR	Neutral	Neutral	No change
GBP	Underweight	Underweight	No change
HKD	Neutral	Neutral	No change
JPY	Neutral	Neutral	No change
NOK	Neutral	Neutral	No change
NZD	Neutral	Neutral	No change
SEK	Neutral	Neutral	No change
SGD	Neutral	Neutral	No change
USD	Overweight	Overweight	No change
EM FX	Neutral	Neutral	No change

Source : BNP Paribas IP, 4 May 2016, changes from 4 April 2016

The tables reflect net positions versus the benchmark within the MAS strategy model portfolio. Views on a particular asset class should not be seen in isolation but in the context of the overall portfolio.

- Duration risk is managed independently of the underlying fixed income allocation using government bond futures.

Economic and market outlook

Economic scenario

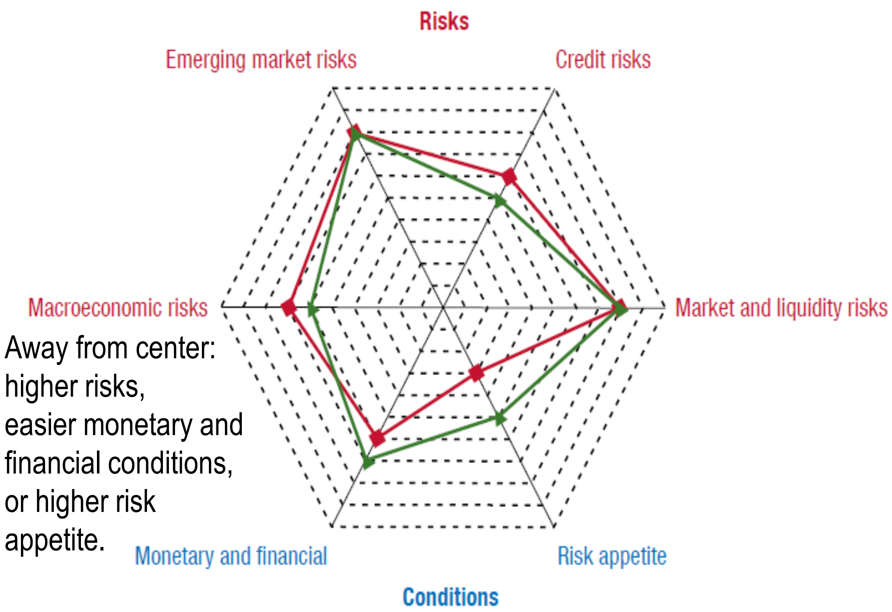
- The growth prospects for the global economy do not appear very encouraging. The IMF has just downgraded its projections again and warns that "uncertainty has increased, and risks of weaker growth scenarios are becoming more tangible". A cautious analysis, in line with investor sentiment, despite the recent improvement in a number of indicators.
  - **US** GDP grew by an annual rate of 0.5% in the 1st quarter (following 1.4% in the 4th quarter of 2015). Consumption remained fairly solid (+1.9% following +2.4%) but business fixed investment contracted. Residential fixed investment remains firm. The contribution from foreign trade and the contribution from private inventory investment each knocked 0.3 pp off growth. The reduction in inventories that has been taking place since mid-2015 is expected to come to an end soon, which would bring about a rebound in manufacturing activity. The Fed left its interest rates on hold.
  - **Eurozone** GDP expanded by 0.6% from the 4th quarter. No breakdown is available for this growth, which was stronger than expected. In France GDP grew by 0.5% due to a strong pickup in consumption (+1.2%). Surveys remain hesitant at the start of the 2nd quarter. Inflation is very low (-0.2% year-on-year in April). The ECB reckons that the risks to growth are on the downside.
  - Following a contraction of 0.3% in GDP in the 4th quarter, the **Japanese** economy appears once again to be close to a "technical recession". Furthermore, inflation turned negative again in March (-0.1% year-on-year)). The BoJ opted to make no monetary policy changes in late April but hinted that further measures were possible later. For its part, the government might delay the latest consumption tax hike or announce a new stimulation programme. The earthquakes that have just hit the south of the country strengthen this possibility.
  - Year-on-year, **Chinese** GDP expanded by 6.7% in the 1st quarter, following 6.8% in the 4th quarter of 2015. Industrial activity appears to have bottomed out but consumption is struggling. It is difficult to foresee any lasting increase in the pace of growth in view of considerable surplus capacity.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Global economy: numerous downside risks …

Overall stability risks have increased

Global Financial Stability Map: Risks and Conditions



Source: Global Financial Stability Report, IMF, April 2016

New downward revisions to global growth

Output (changes in %)					
	2015	2016		2017	
World	3.1	~~3.4~~	3.2	~~3.6~~	3.5
Advanced Economies	1.9	~~2.1~~	1.9	~~2.1~~	2.0
USA	2.5	~~2.6~~	2.4	~~2.6~~	2.5
Euro zone	1.5	~~1.7~~	1.5	~~1.7~~	1.6
Japan	0.6	~~1.0~~	0.5	~~0.3~~	-0.1
Emerging Economies	4.0	~~4.3~~	4.1	~~4.7~~	4.6
China	6.9	~~6.3~~	6.5	~~6.0~~	6.2
Strikethrough numbers as of January 2016					

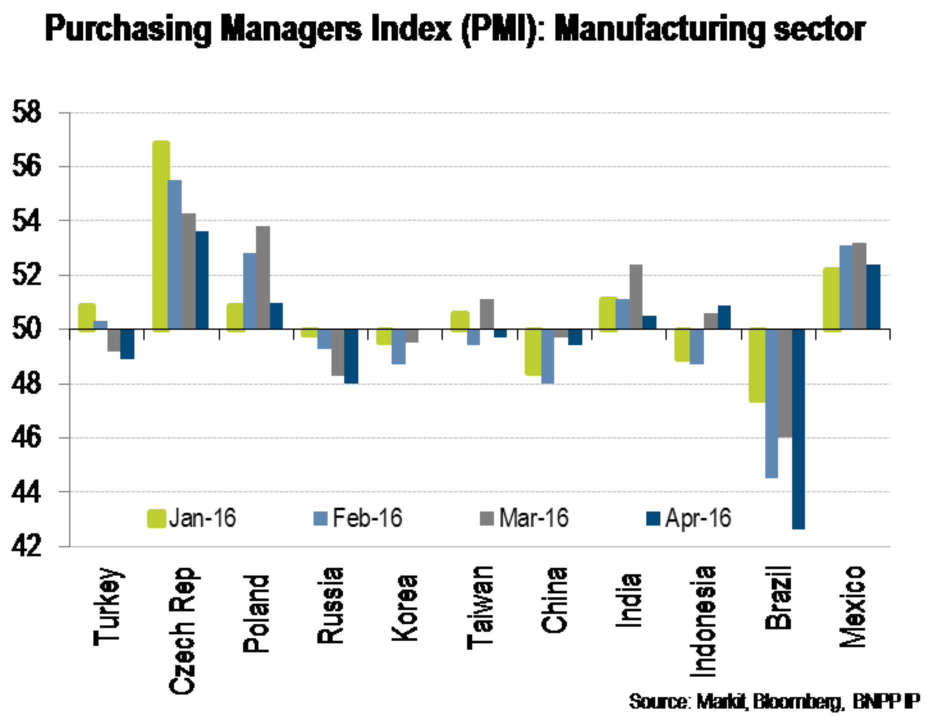
Source: IMF World Economic Outlook,April 2016 , BNPP IP

- In its latest World Economic Outlook the IMF describes the recovery as “still slower and increasingly fragile” and adds that “considerable risks remain”: tighter financial conditions, especially in emerging economies; China’s transition to more sustainable growth; weakness of potential growth; political and geopolitical factors.

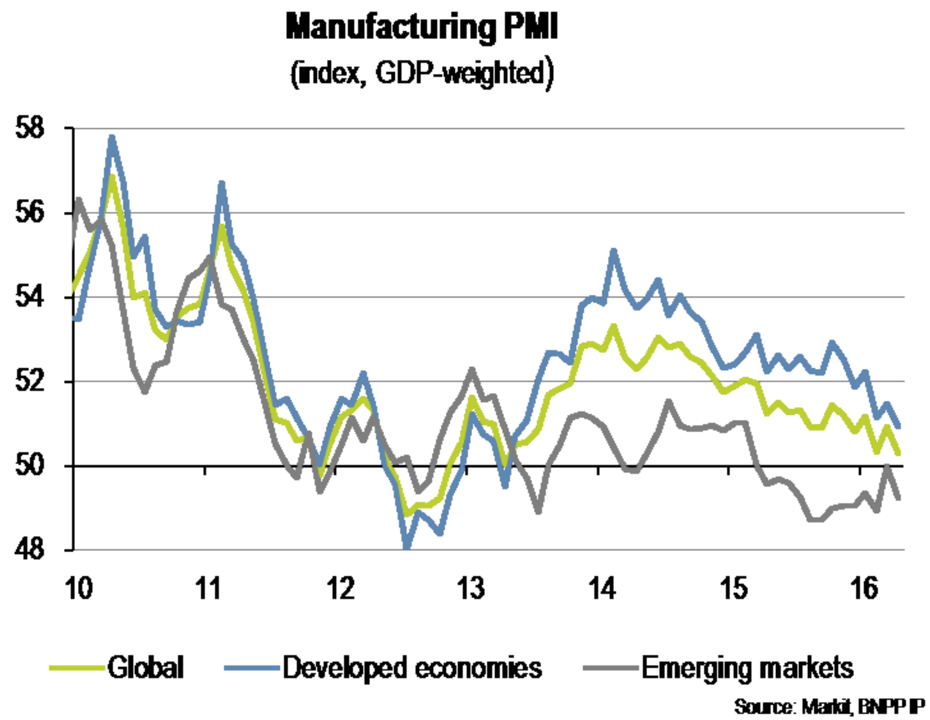
BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Global economy: …and variable surveys

No clear trend for emerging economies



Disappointing business surveys in manufacturing

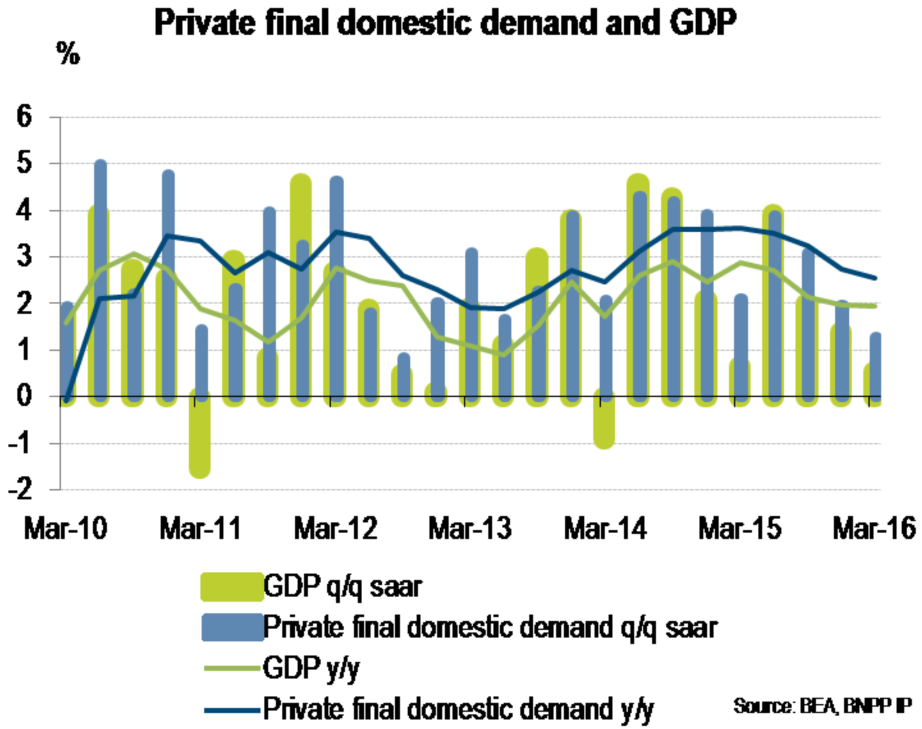


- The improvement in purchasing manager surveys was not confirmed across the board in April. These variations are contributing to the difficulty in forming a clear view on the economic outlook, particularly in the emerging areas.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

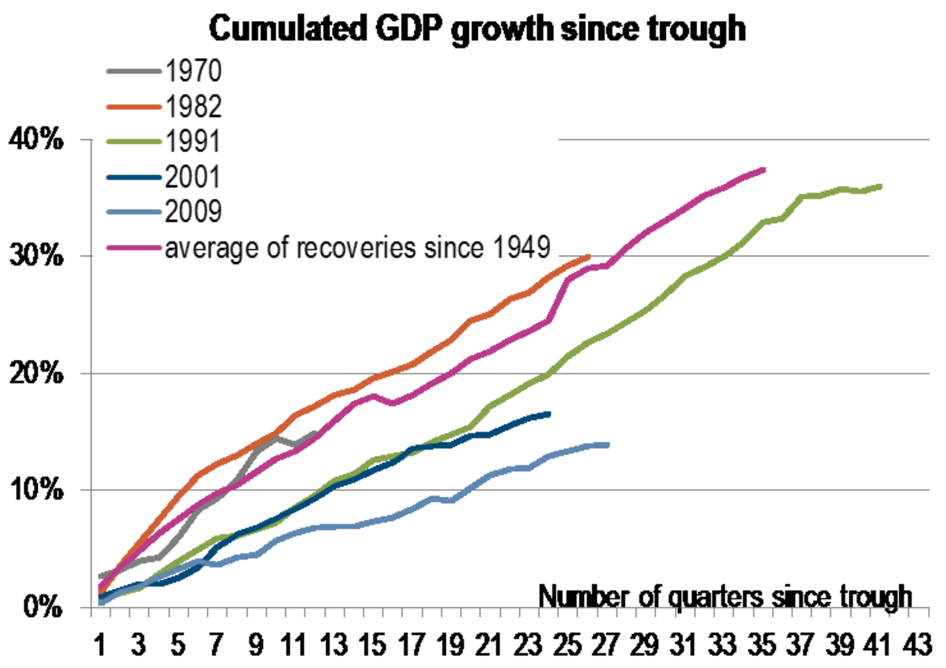
United States: GDP up 0.5% in first quarter

Final domestic demand a little firmer than GDP



Source: BEA, BNPP IP

Expansion for almost 7 years but at a modest pace

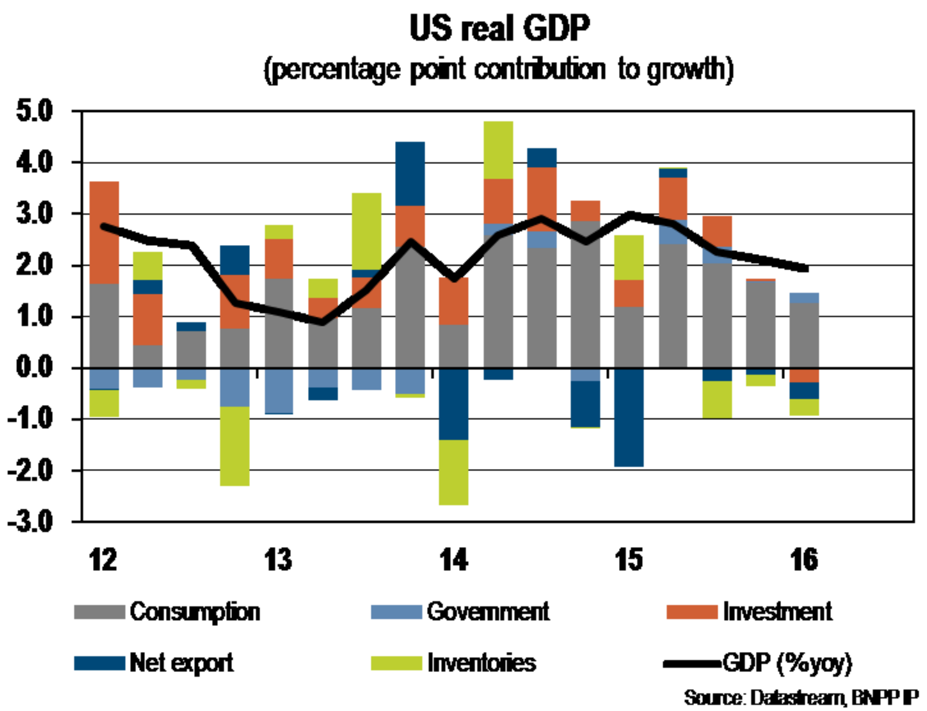


Source: BEA, BNPP IP

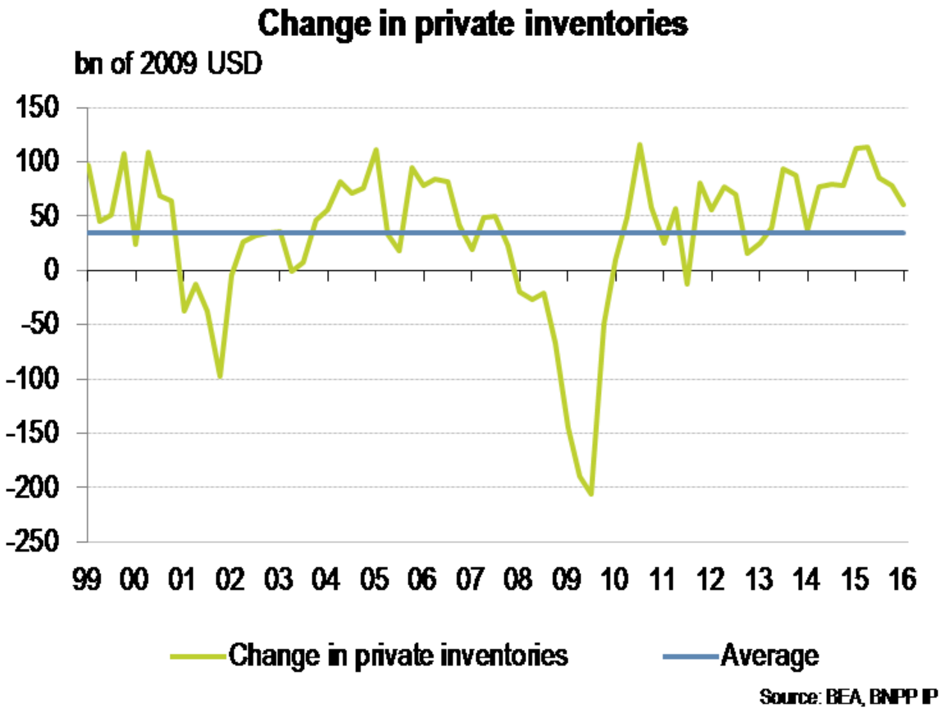
- GDP growth was weak in the 1st quarter and final domestic demand slowed despite private consumption still remaining reasonable. The most worrying component of GDP was the contraction of private non-residential investment.

United States: growth limited by a number of negative factors

Growth in Q1 adversely impacted by inventories and foreign trade



Inventory adjustment coming to an end

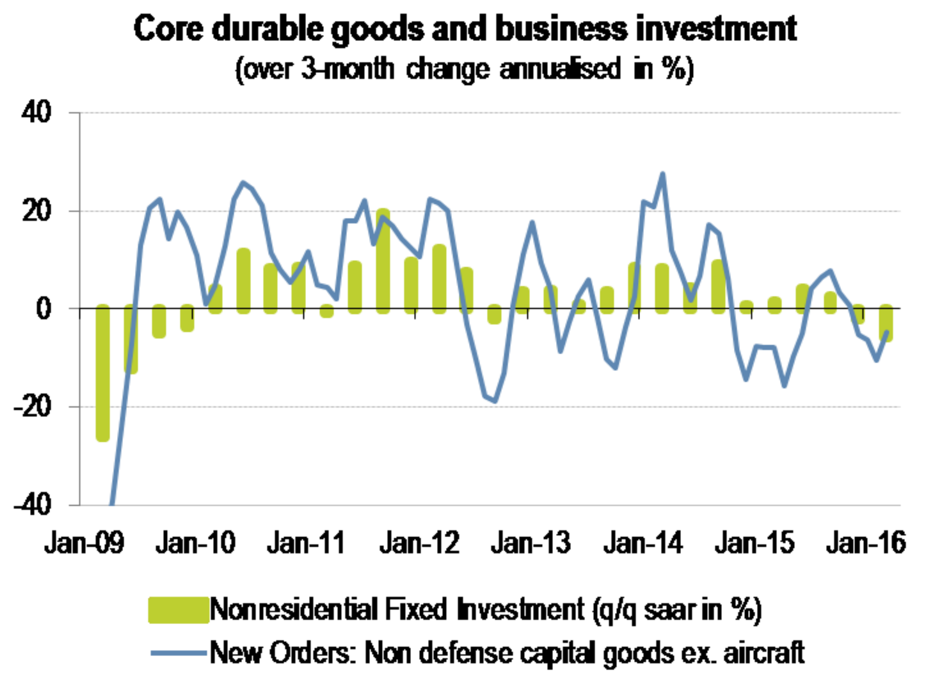


- Consumption remained fairly solid (+1.9% following +2.4%) but business fixed investment contracted. Residential fixed investment remains firm. These figures are the first estimate of the national accounts and are often subject to revision, especially for the contribution from foreign trade (-0.3 pp this quarter) and the contribution from private inventory investment (-0.3 pp).

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

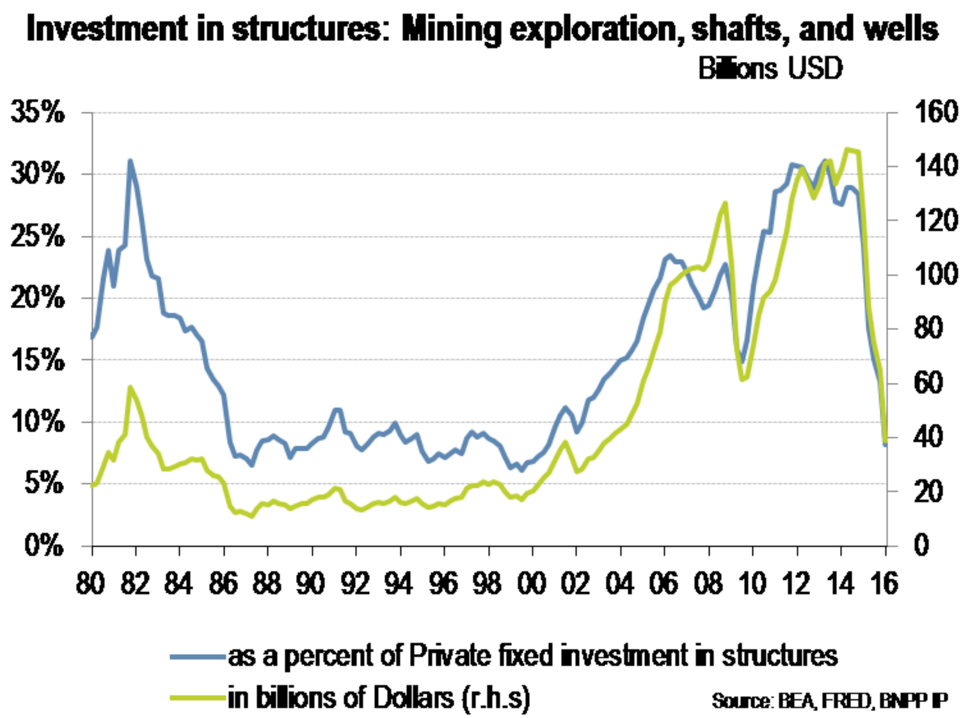
United States: towards a pickup in business fixed investment?

Recovery in durable goods orders at end-quarter



Source: Bloomberg, BNPP IP

Oil sector depressing investment



Source: BEA, FRED, BNPP IP

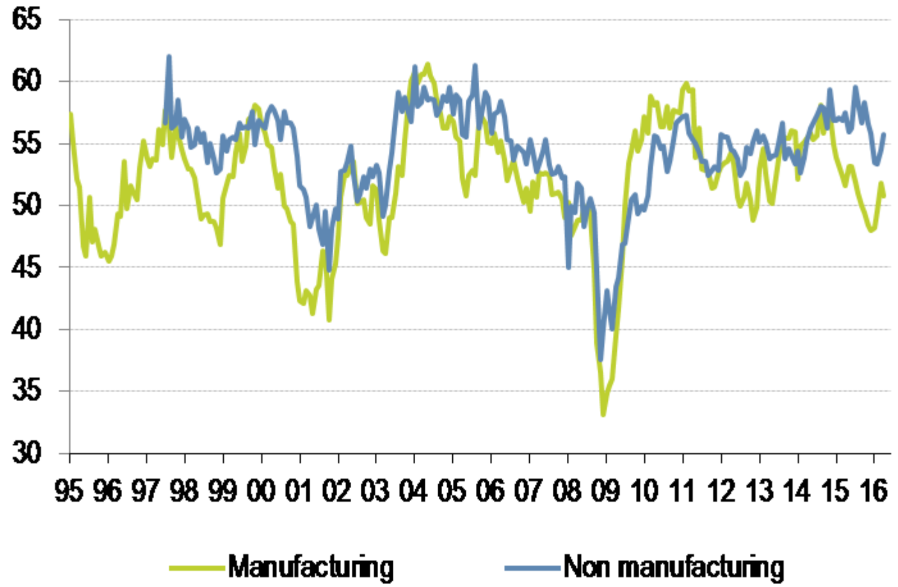
- Even though it accounts for only a small proportion of investment (8% of “structure” investment, which is itself equivalent to 20% of private non-residential investment), the sharp decline in infrastructure expenditure on mining and oil extraction has been impacting heavily on investment for more than a year. Site closures are continuing but the trend is likely to be coming to an end.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

United States: surveys rather favourable in April

Soft patch seems to be over in industry and services

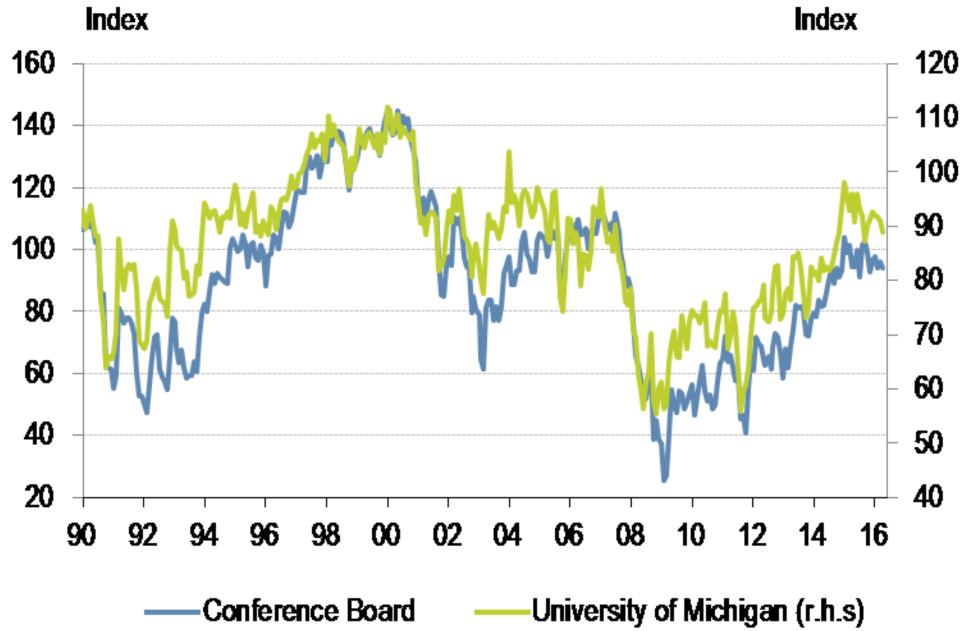
ISM indices



Source: Bloomberg, BNPP IP

Consumer confidence remains quite stable

Consumer confidence



Source: Bloomberg, BNPP IP

- Consumer confidence has not been affected very much by the downturn in manufacturing activity reflected in purchasing manager surveys. Changes from one month to another tend to be due to movements in petrol prices at the pump and equity market performance. In the run-up to the main parties' conventions in July, political developments could come into play more.

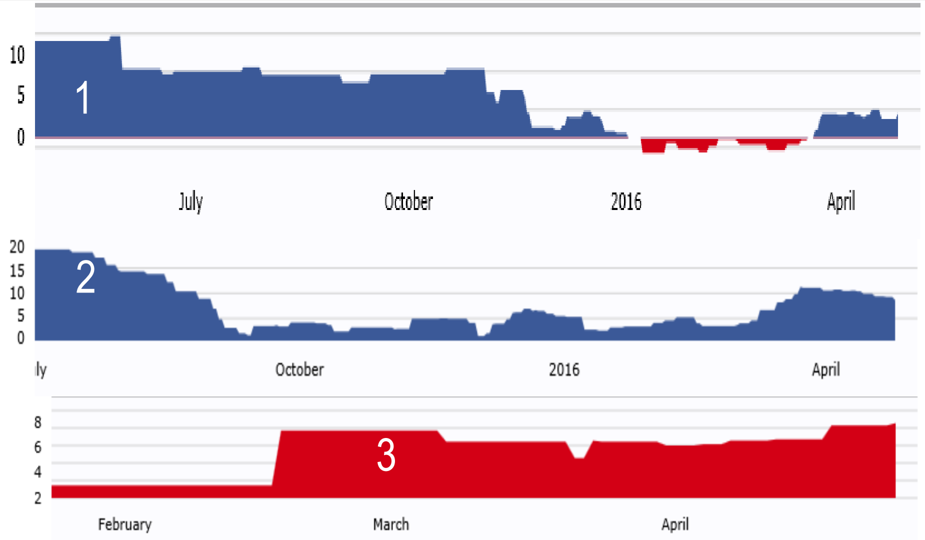
BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

United States: waiting for July conventions

Nomination of Donald Trump would pose problem for Republicans…

Source: Washington Post Writers Group

…but not for Democrats



1: Clinton 46 vs. Cruz 43

2: Clinton 49.0 vs. Trump 40.5

3: Kasich 48.2 vs. Clinton 40.2

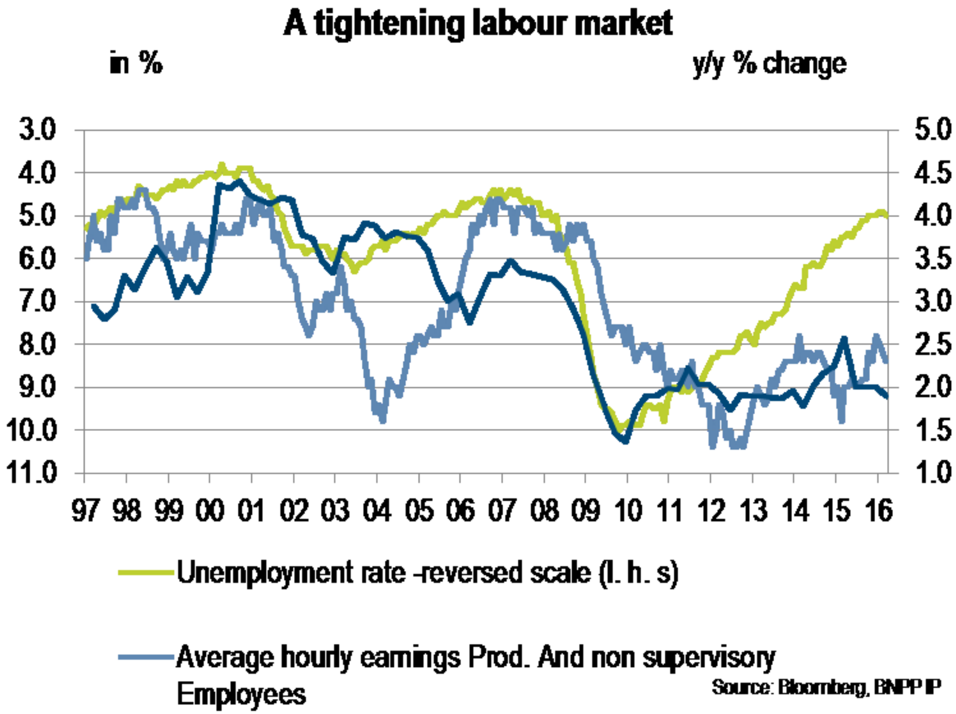
Source: RealClear Politics

- The Republican Party convention, which will be held from 18 to 21 July, is likely to attract a lot of attention. For it is not certain that Donald Trump will be nominated as candidate despite his victories in the primaries (which will finish on 7 June). The nomination process is complex and can also be amended.

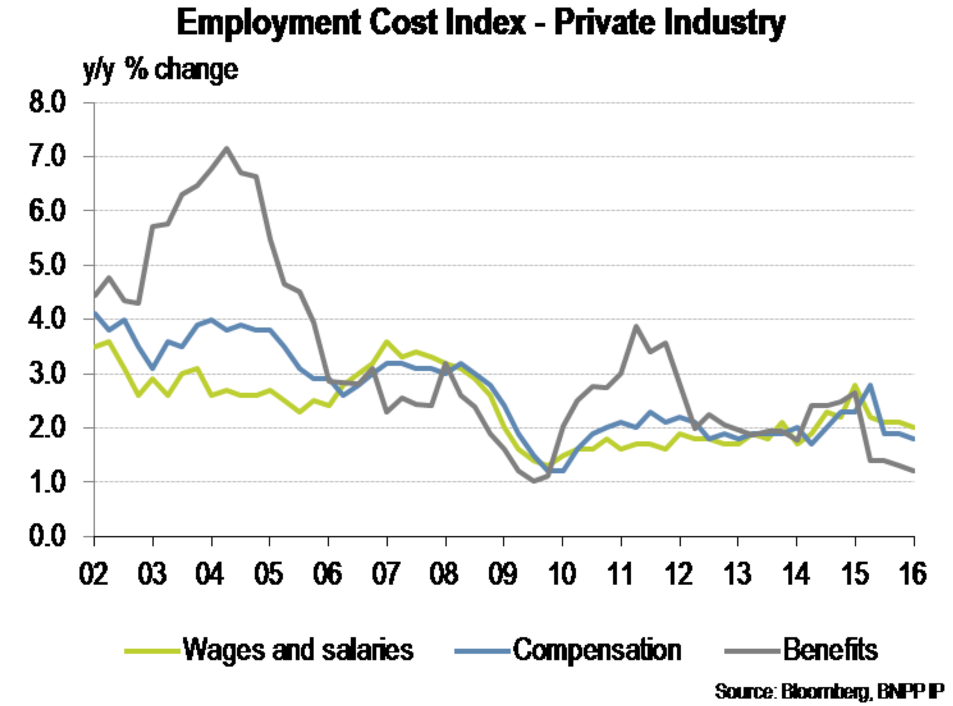
BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

United States: still doubts about wages

No faster wage growth despite low unemployment rate



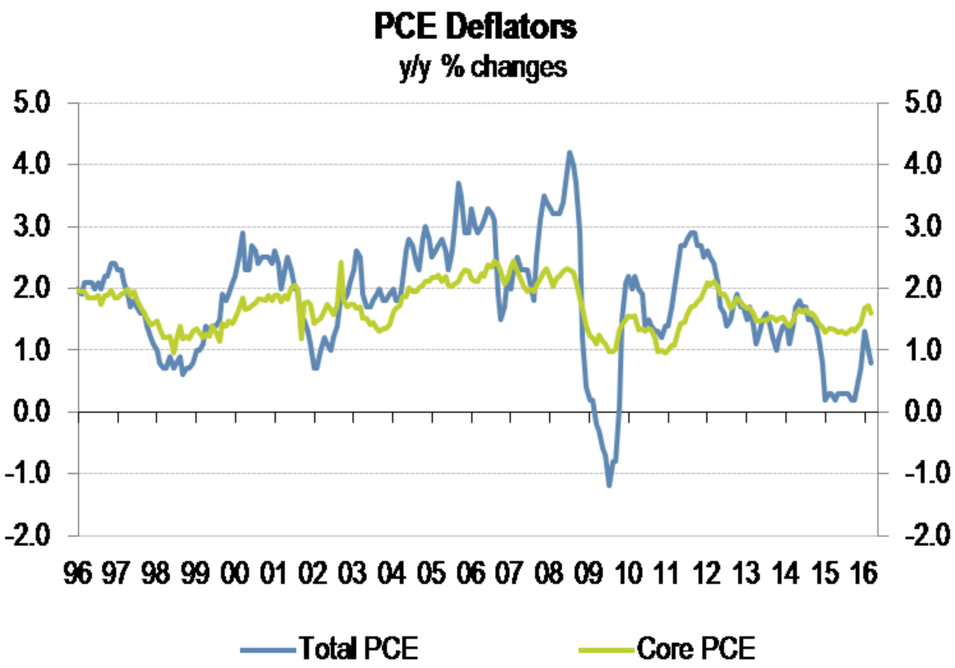
Quarterly employment cost index has provided no answer



- The unquestionable improvement in employment is still not being accompanied by a notably faster increase in wages, whichever indicator is used. This situation is not preventing wage income increasing in aggregate, since more and more people have a job.

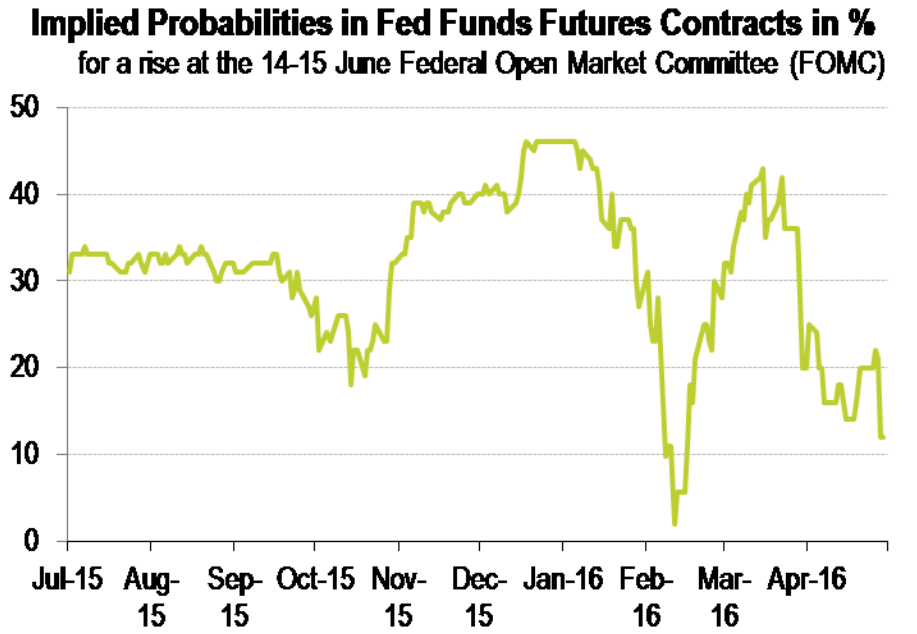
United States: Fed's dilemma

Core inflation close to 2%



Source: Bloomberg, BNPP IP

Futures contracts reflecting low probability of increase in June



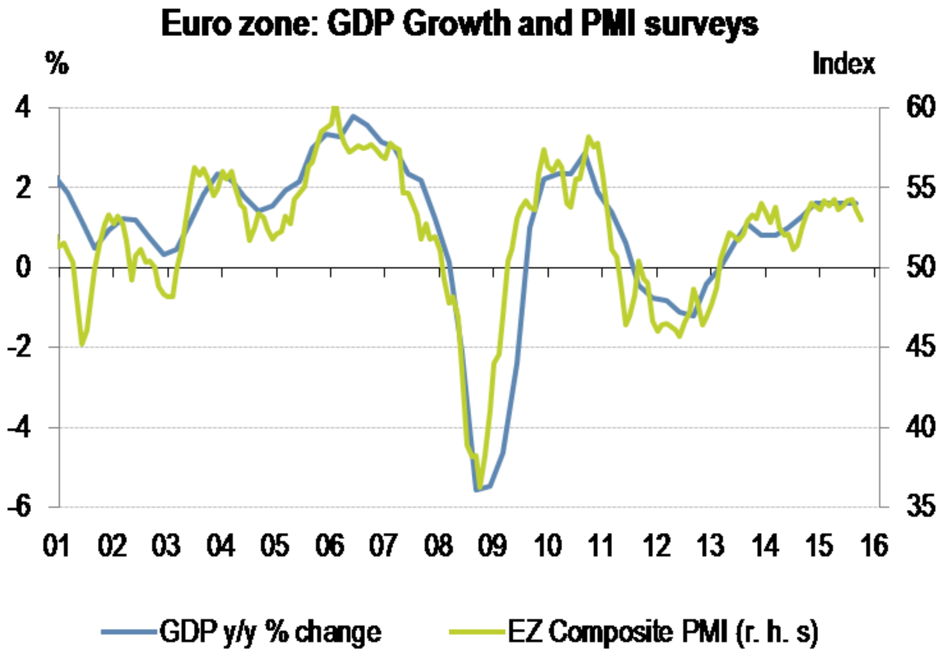
Source: Bloomberg, BNPP IP

- The Fed seems to be inspired by the Hippocratic oath principle of "First of all, do no harm" to guide its monetary policy decisions and is seeking in particular "not to surprise". Even though its dual mandate (full employment and 2% inflation) has been achieved (or almost), it will be in no hurry to raise its interest rates. A hike in June remains possible if expectations change by then.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

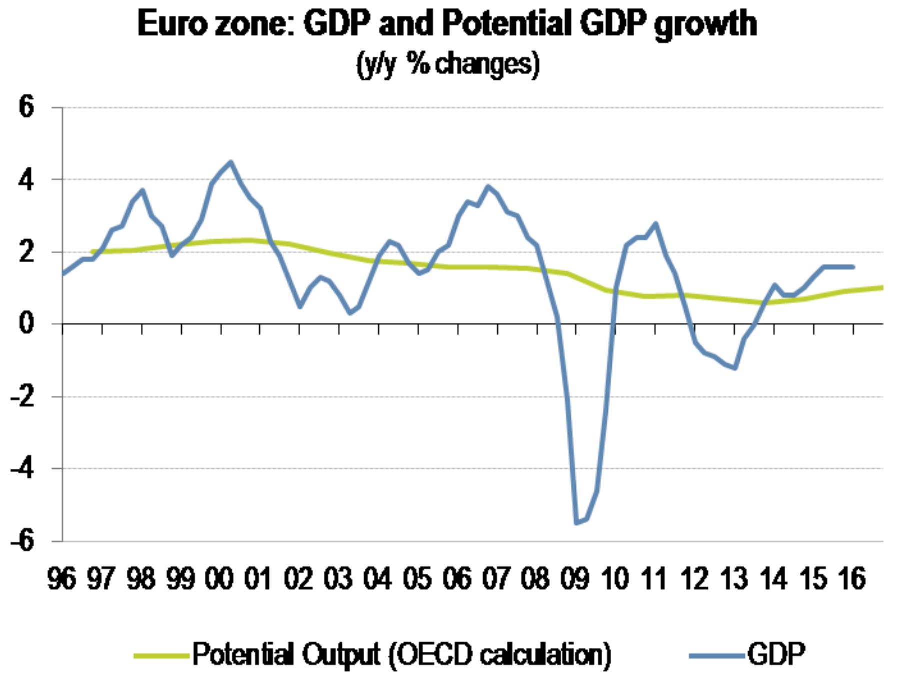
Euro zone: better-than-expected news on growth

Some surveys a little less favourable…



Source: Bloomberg, Markit, BNPP IP

…but not enough to prevent GDP growth of 0.6%

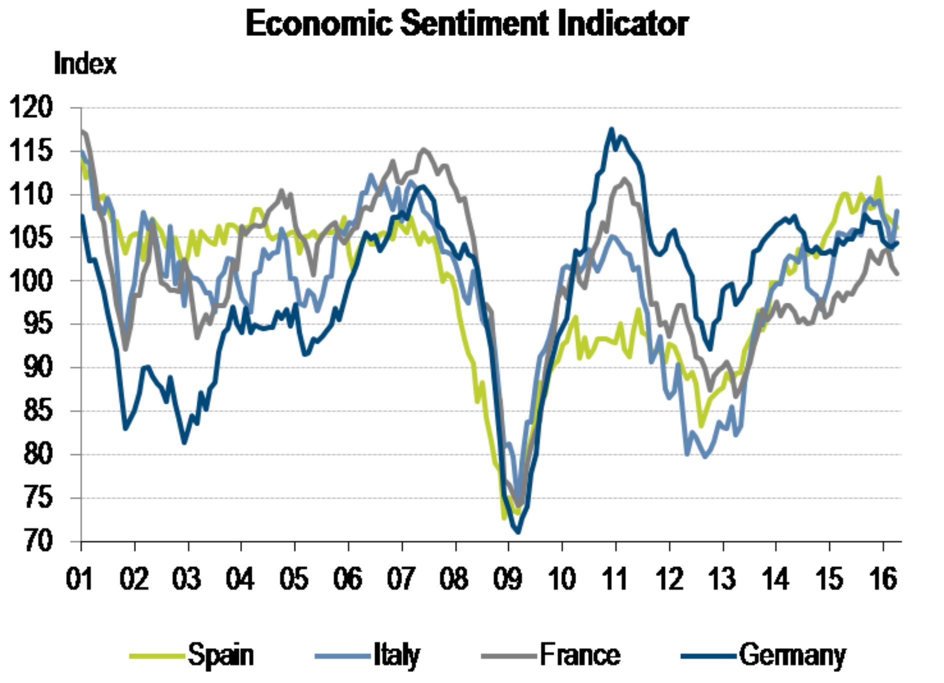


Source: Bloomberg, OECD, BNPP IP

- GDP expanded by 0.6% compared to the 4th quarter; year-on-year growth remained unchanged at 1.6%. The pace of expansion remains hesitant at the start of the 2nd quarter: according to the purchasing managers survey (PMI), the composite index (manufacturing and services) stood at 53 in April, virtually unchanged on March (53.1).

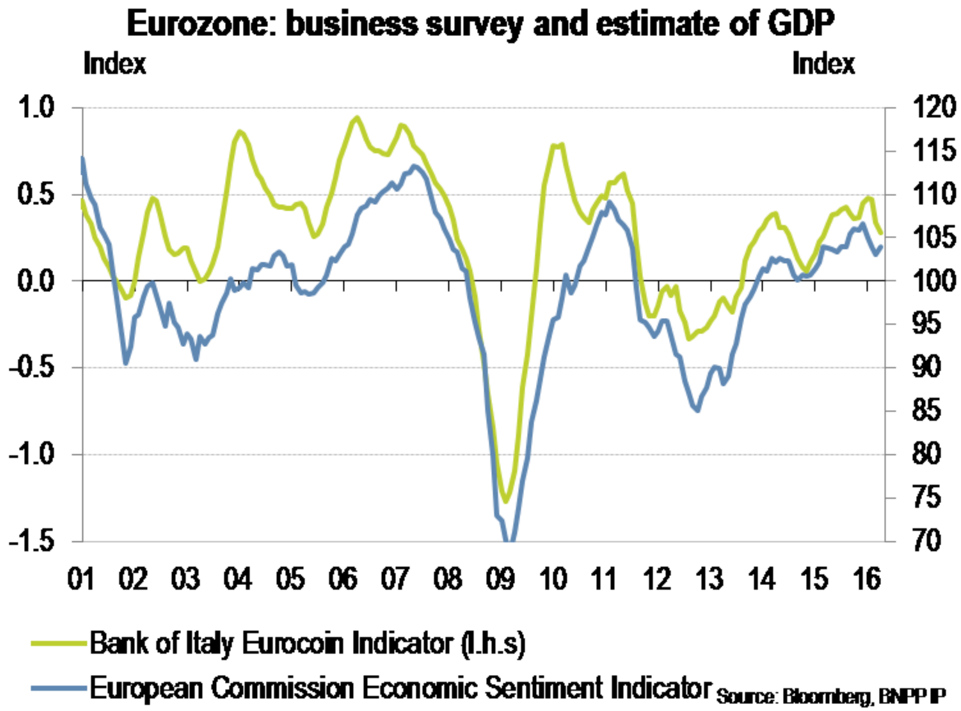
Euro zone: message from surveys remains a little confused

The European Commission survey points to divergence between countries



Source: Bloomberg, BNPP IP

Indicators sometimes conflicting



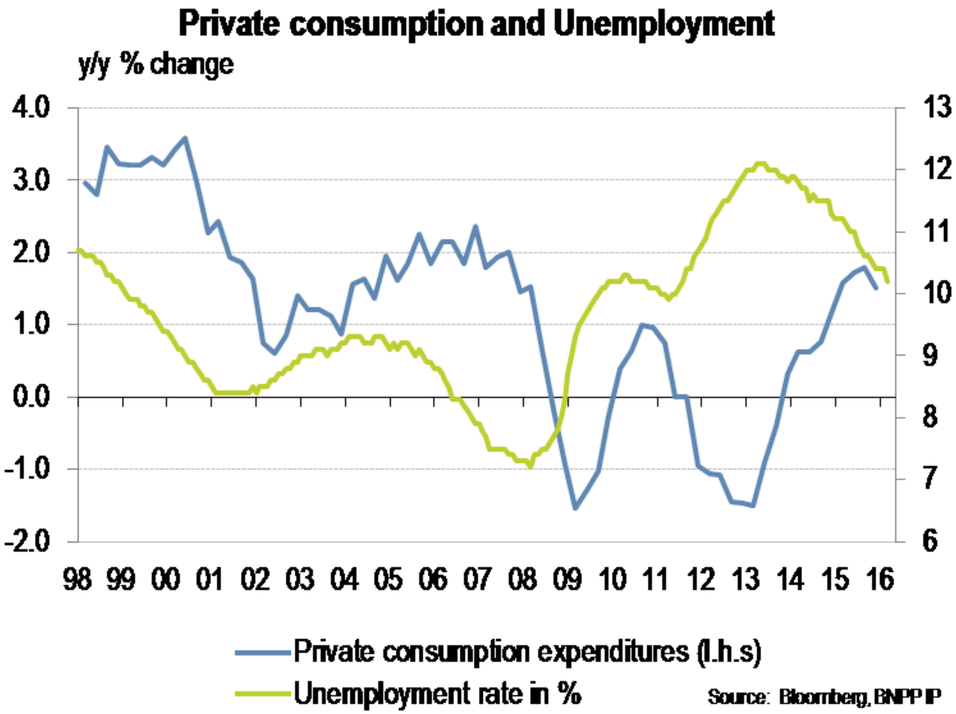
Source: Bloomberg, BNPP IP

- The composition of 1st quarter growth is not available and GDP is not yet known in all countries. According to first indications, GDP in France grew by 0.5% (following 0.3%) on the previous quarter and by 0.8% in Spain, whereas business indices have been weakening in both countries since the start of the year.

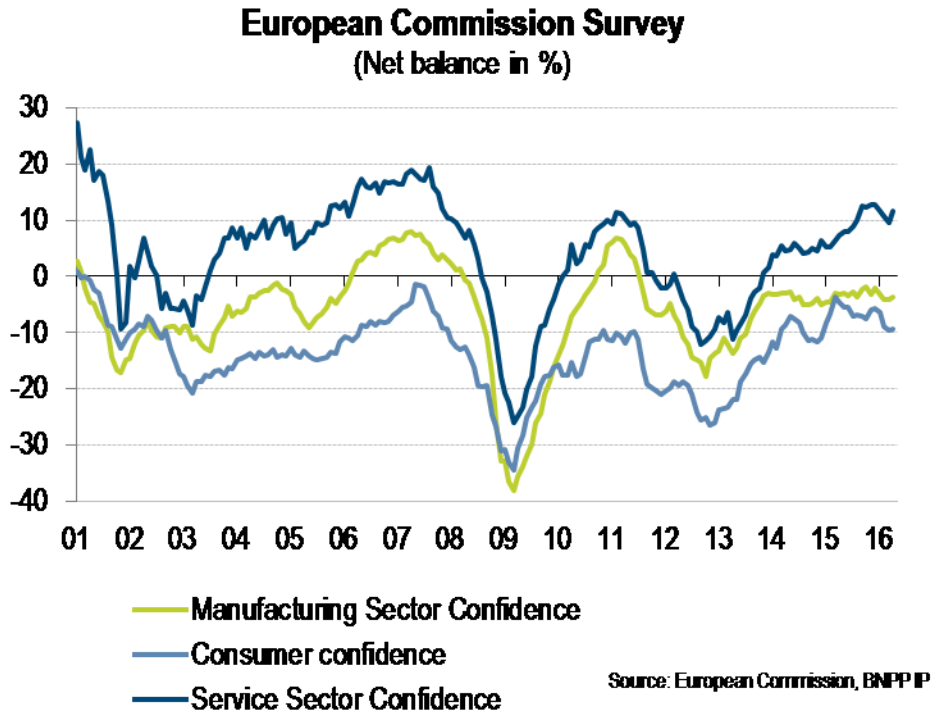
BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Euro zone: consumption should continue to expand

Reduction in unemployment : slowly but surely



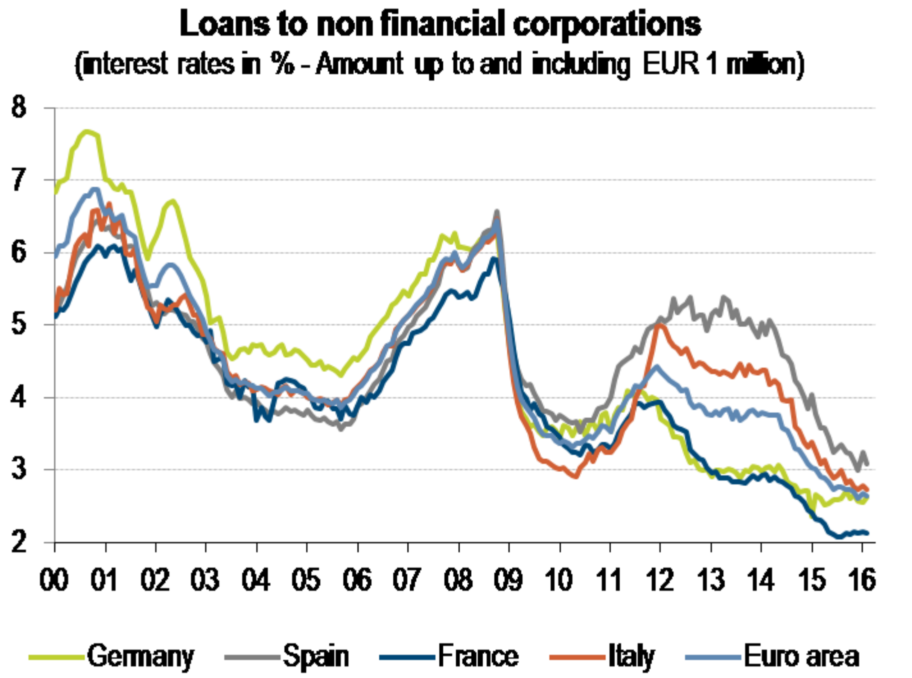
To monitor carefully: confidence of economic agents



- The improvement in employment should underpin consumption. Political situations that are quite difficult to “read” in a number of European countries could, however, worry consumers and make them put off making large purchases.

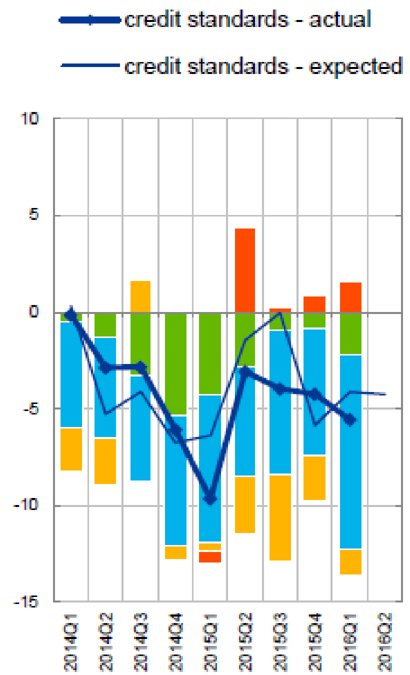
Euro zone: encouraging news for lending

Lower interest rates for private businesses



Source: ECB, National Central Banks, BNPP IP

Credit standards for loans to enterprises eased further in Q1 2016



Net percentages of banks reporting tightening credit standards applied to the approval of loans or credit lines to enterprises,, and contributing factors

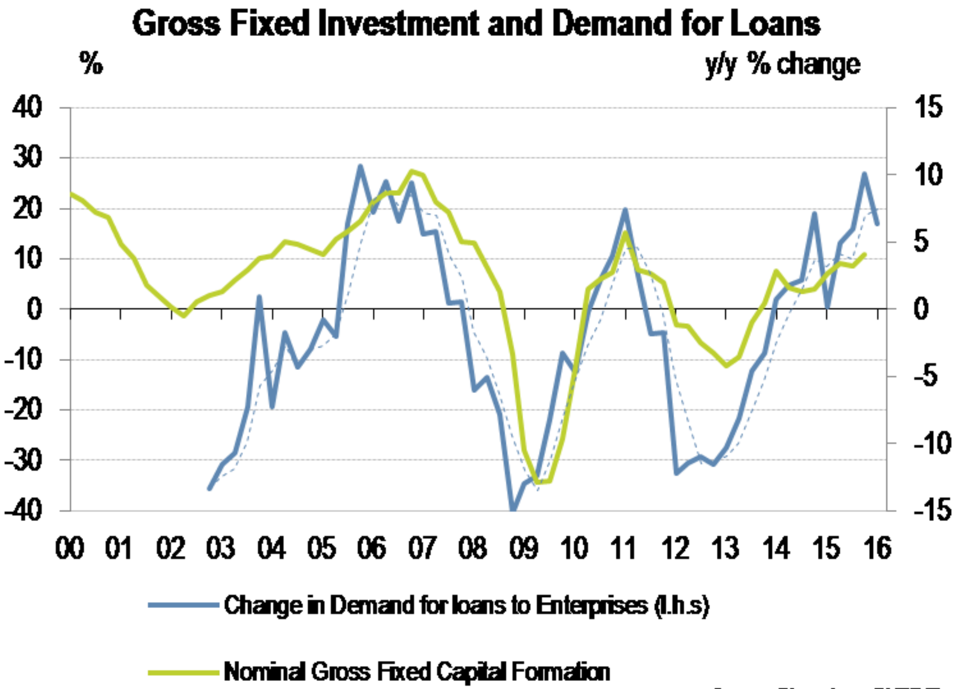
Source: The euro area bank lending survey, First quarter of 2016, ECB

- The news concerning credit distribution and the conditions applied by banks to new loans granted to businesses support the analysis put forward by Mario Draghi on 21 April: “The pass-through of the monetary policy stimulus to firms and households, notably through the banking system, is strengthening.”

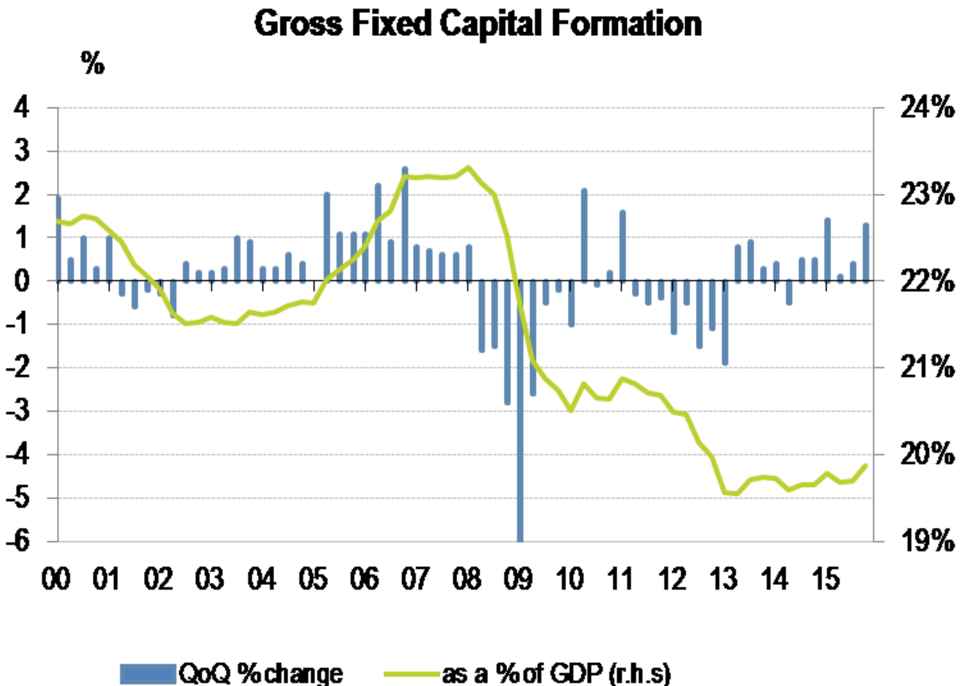
BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Euro zone: towards a recovery in business fixed investment?

Trend followed by demand for bank loans improving	Business investment is lagging



Source: Bloomberg, BNPP IP



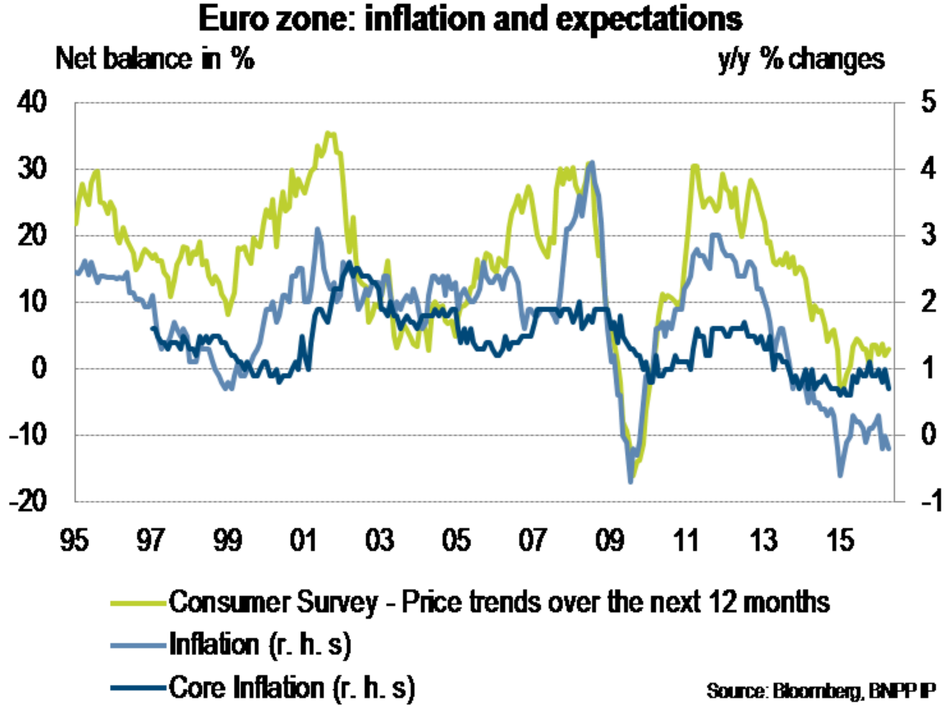
Source: Bloomberg, BNPP IP

- The gathering pace of investment observed in the 4th quarter of 2015 has still to be confirmed. According to the French national accounts, investment – excluding construction – remained strong in the 1st quarter. A similar performance for the euro zone would open the way to the establishment of self-sustaining growth.

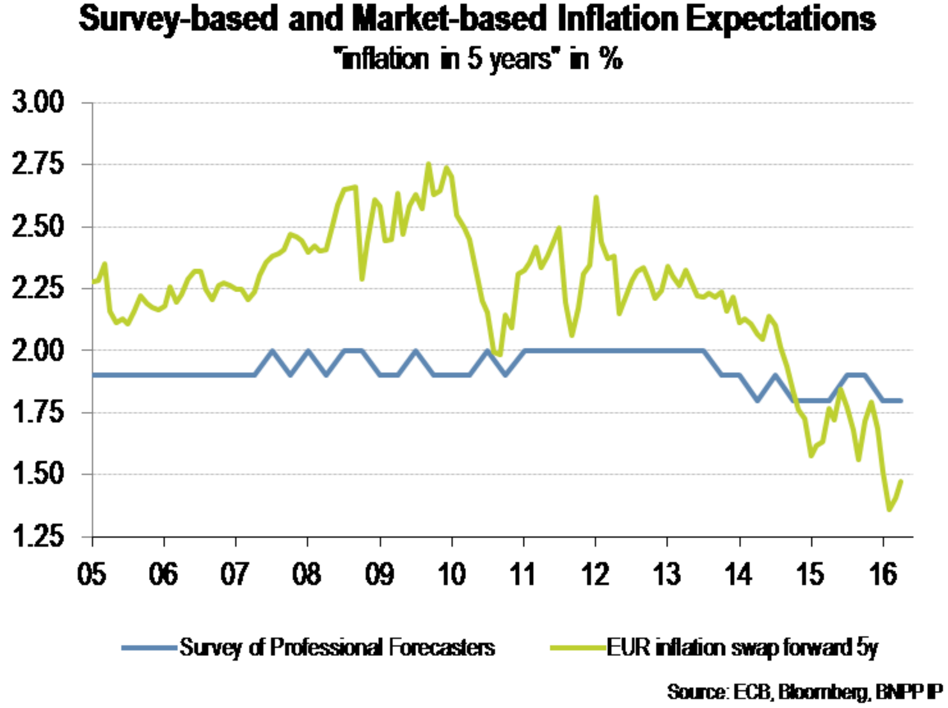
BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Euro zone: inflation remains very low

Total inflation fell back into negative territory in February



Expectations very measured

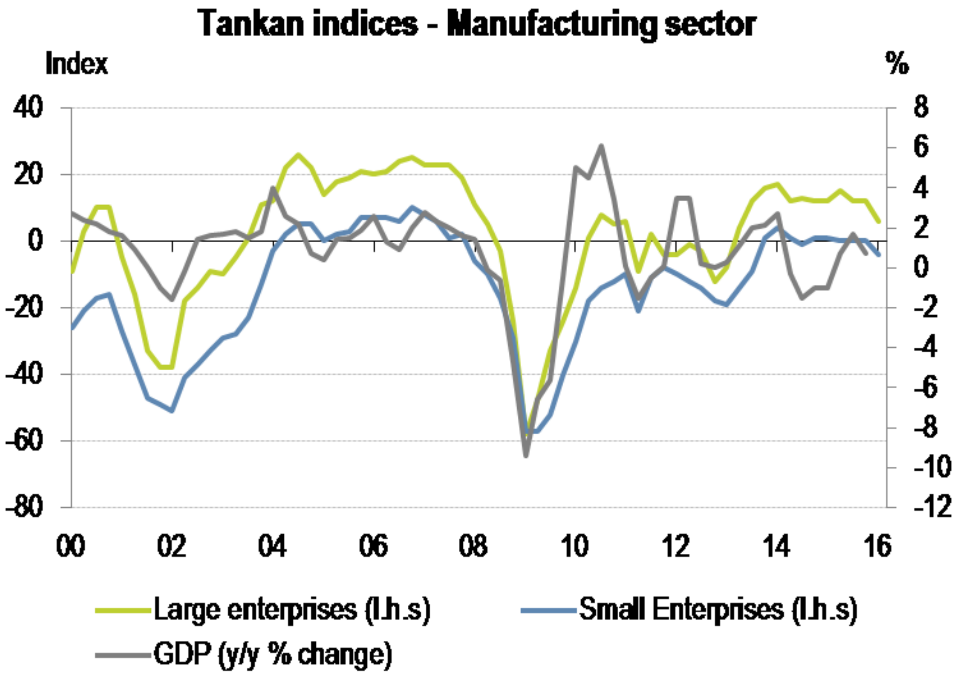


- Mario Draghi reminded listeners of the need to observe the effects of the measures announced on activity, of course, but also on inflation expectations, which remain low according to the inflation swap rates curve. According to its projections published in March, the ECB is not expecting inflation to return to its target before end-2018.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

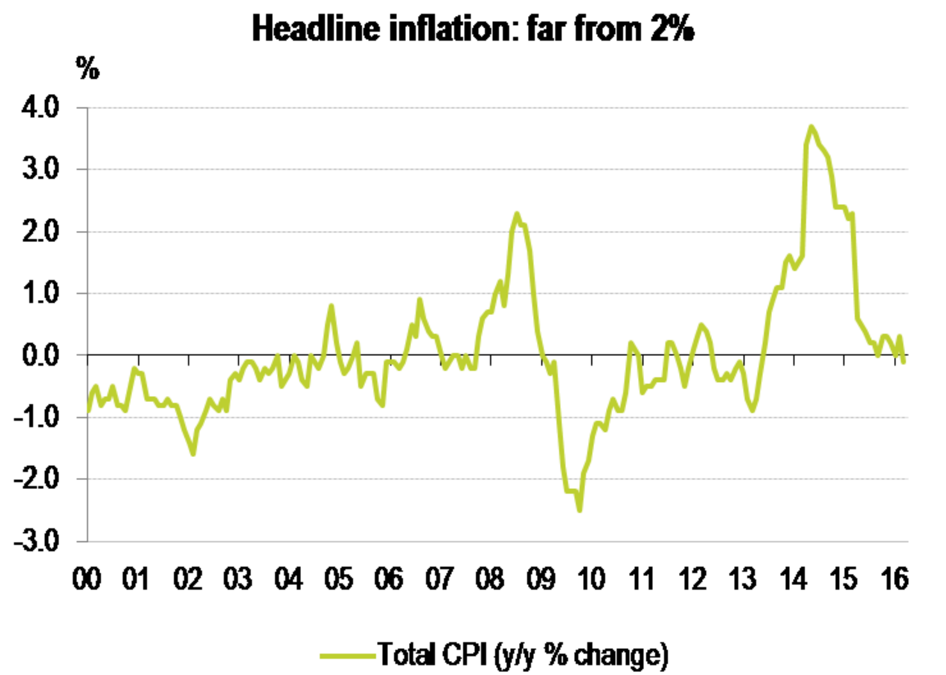
Japan: no improvement in sight

Surveys head south



Source: Bloomberg, BNPP IP

Inflation: back below 0%

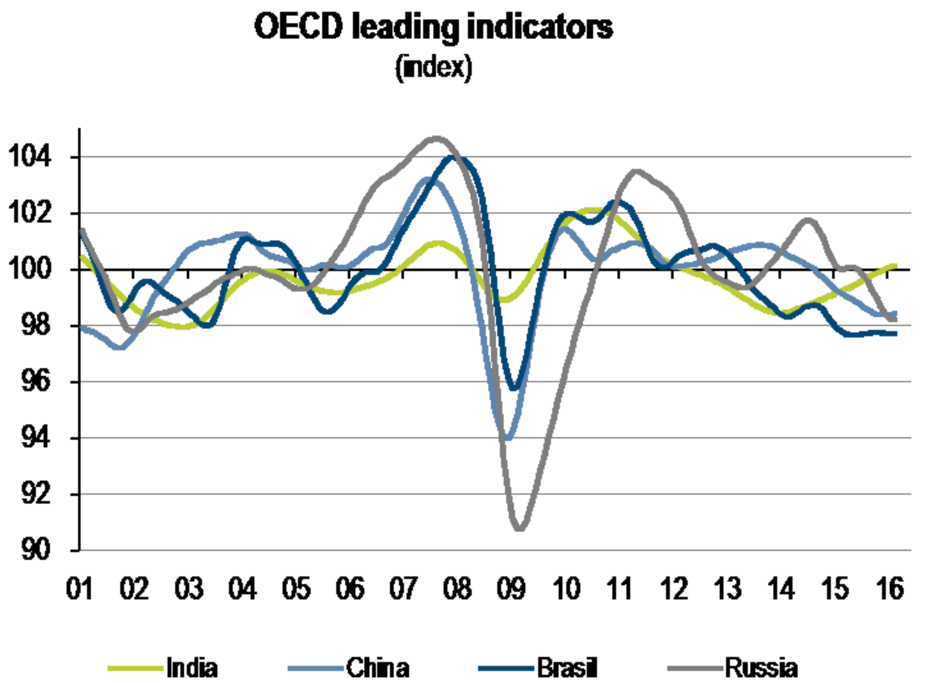


Source: Bloomberg, BNPP IP

- The Bank of Japan's quarterly business sentiment survey (Tankan) clearly showed a worsening of the outlook for both large corporations in the manufacturing sector –due to the appreciation the yen– and companies more exposed to domestic demand (services and small businesses). The Bank of Japan is likely to act as inflation is very low.

Emerging economies: no obvious improvement

Performance of main economies mixed



Source: Datastream, BNPP IP

Illusory acceleration of exports

* Includes Brazil, Chile, China, India, Korea, Taiwan

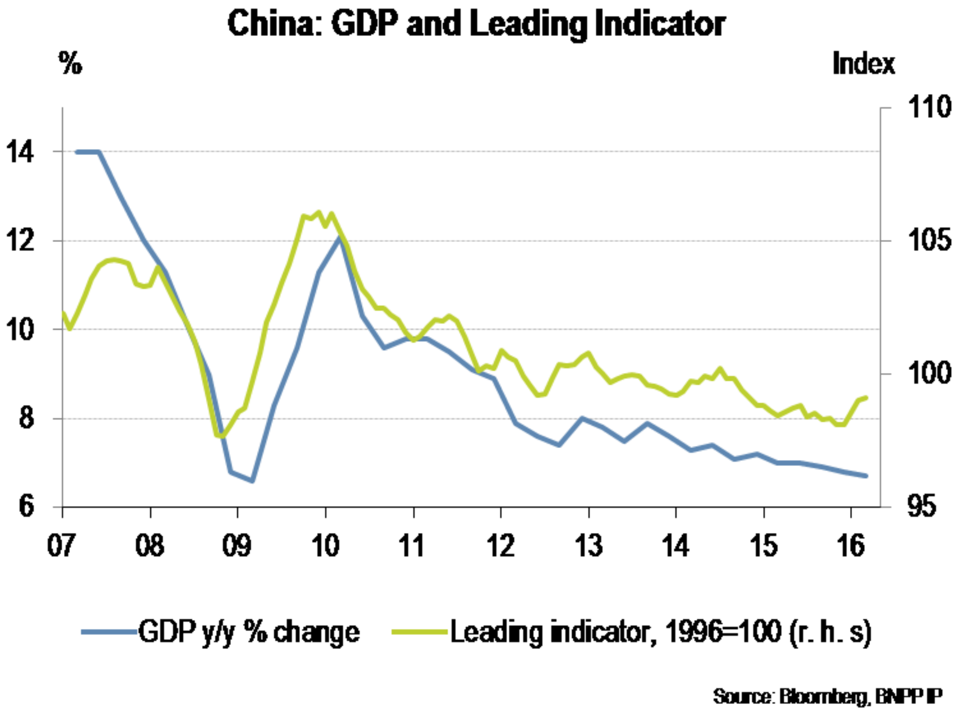
Source: Bloomberg, BNPP IP

- The OECD's composite leading indicators (CLI) show a softening of growth in Russia and Brazil and signs of stabilisation in China and India. Exports from the emerging countries picked up in March, but this performance reflects no more than an improvement in China and not a more general trend.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

China: some signs of rebound but nothing convincing

GDP growth slowing



Industrial production up

- Many economic indicators were not published in January and February since the Lunar New Year (a movable feast) festivities make data difficult to interpret. The first news available for March is positive on industrial production but more mixed on consumption. The various business surveys are sending out conflicting signals.

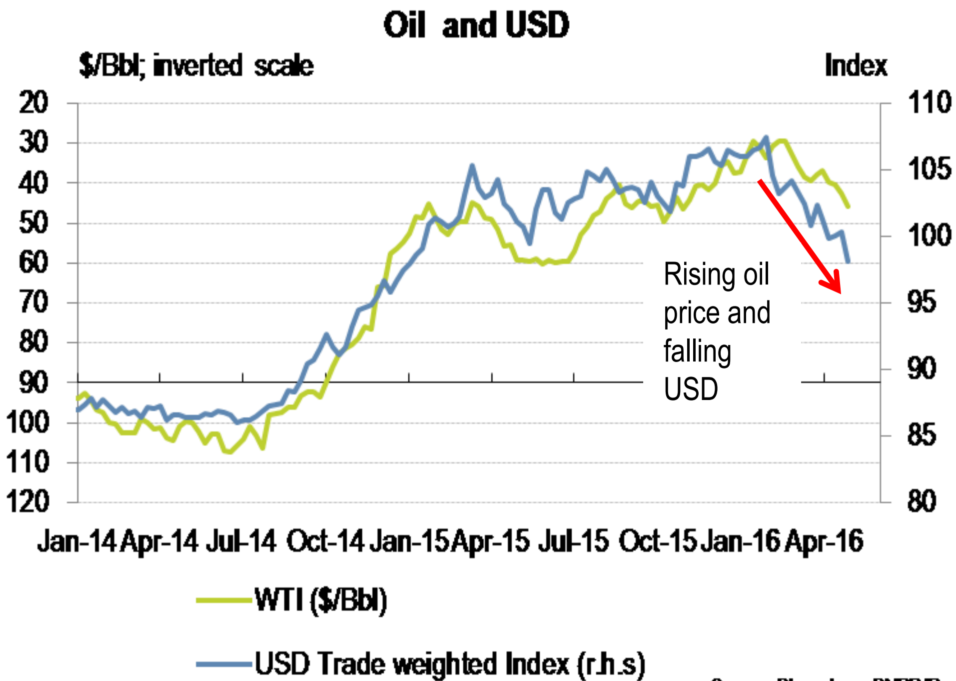
Asset allocation implications

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Global equities: we remain cautious

What exactly is going on?

Under the sign of the dollar weakness



Source: Bloomberg, BNPP IP

Central banks magic has gone

Source: https://app.hedgeye.com

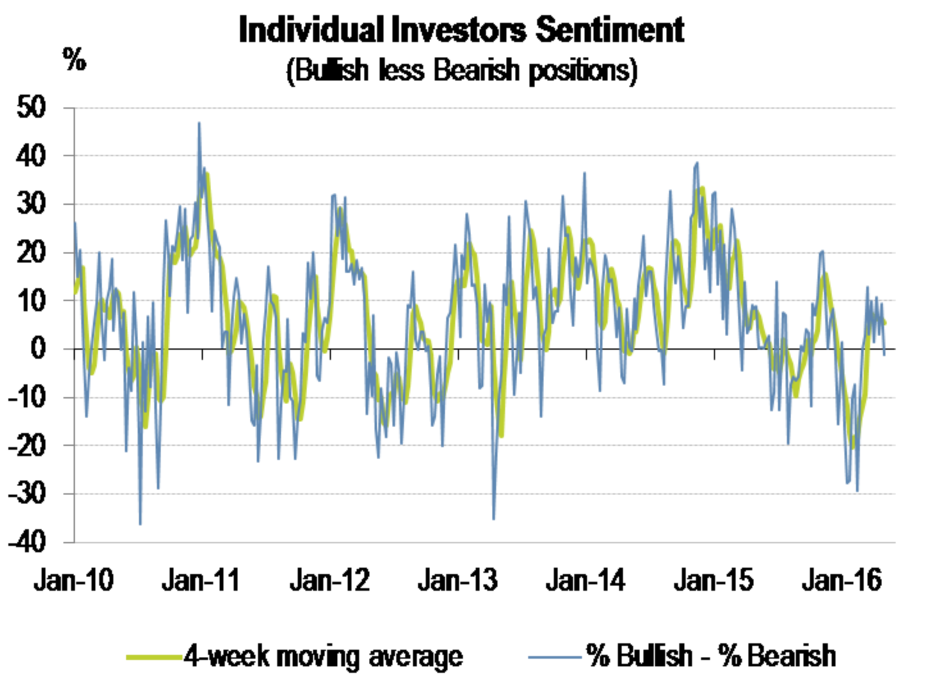
- Interpreting comments and decisions by central banks has not been easy in April, adding to uncertainties on the next moves and reinforcing scepticism on monetary policies effectiveness. The fall in the US Dollar (-7.5% YTD) reflects these doubts and explains part of the performance in oil price and financial markets.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Global equities: we remain cautious

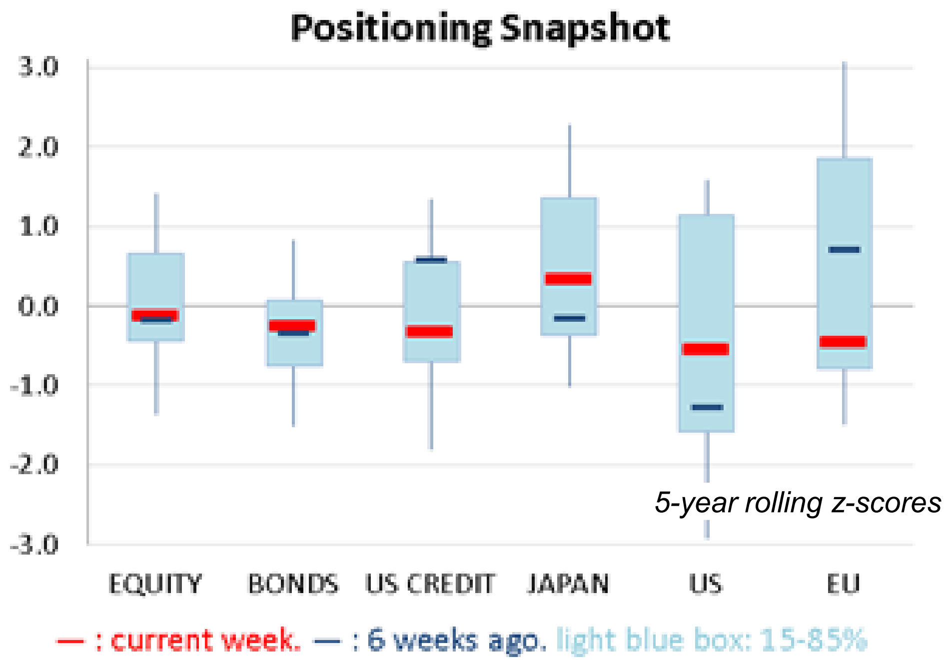
No more support for "technical" positioning adjustment

Investors have adjusted their positions



Source: American Association of Individual Investors, Bloomberg, BNPP IP

Investors' positioning in neutral territory



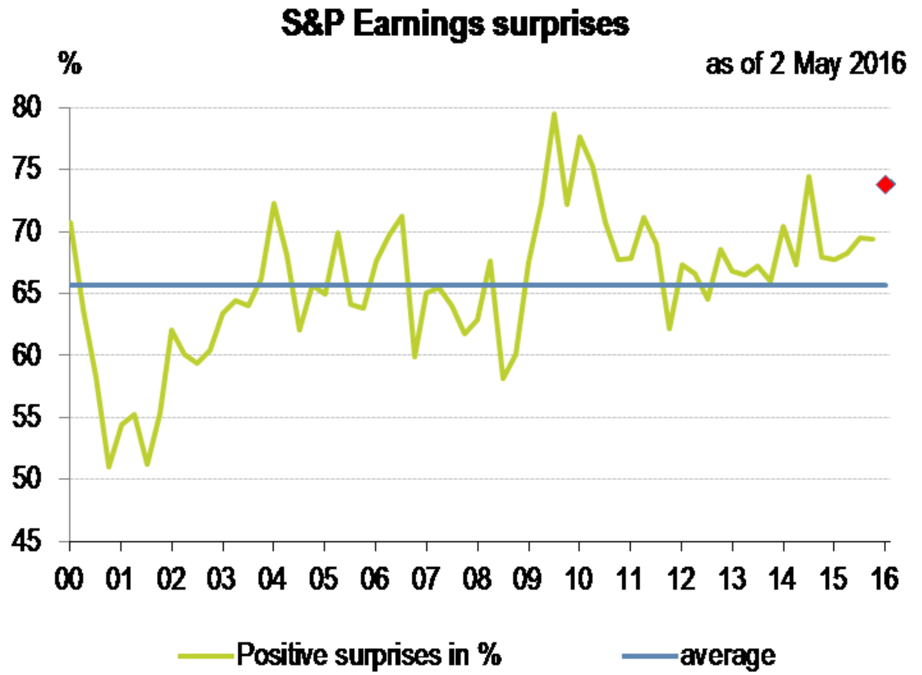
Source: Bloomberg, BNPP IP as of 26 April 2016

- In the first phase of the equities rally in February, a correction in very short investors' positioning and other technical factors played a decisive role. This phase is over as short-term indicators are back to neutral territory. The neutral signal from our proprietary momentum model on developed equities has been confirmed for May.

Global equities: we remain cautious

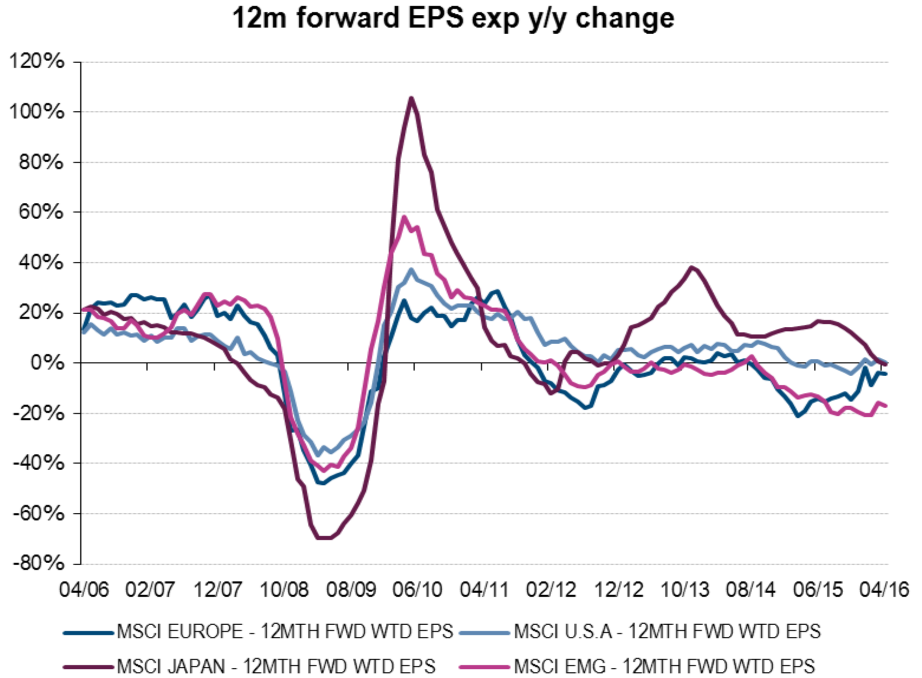
Earnings numbers look more uncertain than previously

US : analysts' expectations were low



Source: Bloomberg, BNPP IP

Global earnings still under pressure



EPS = Earnings Per Share

Source: MSCI, IBES, Datastream, BNPP IP

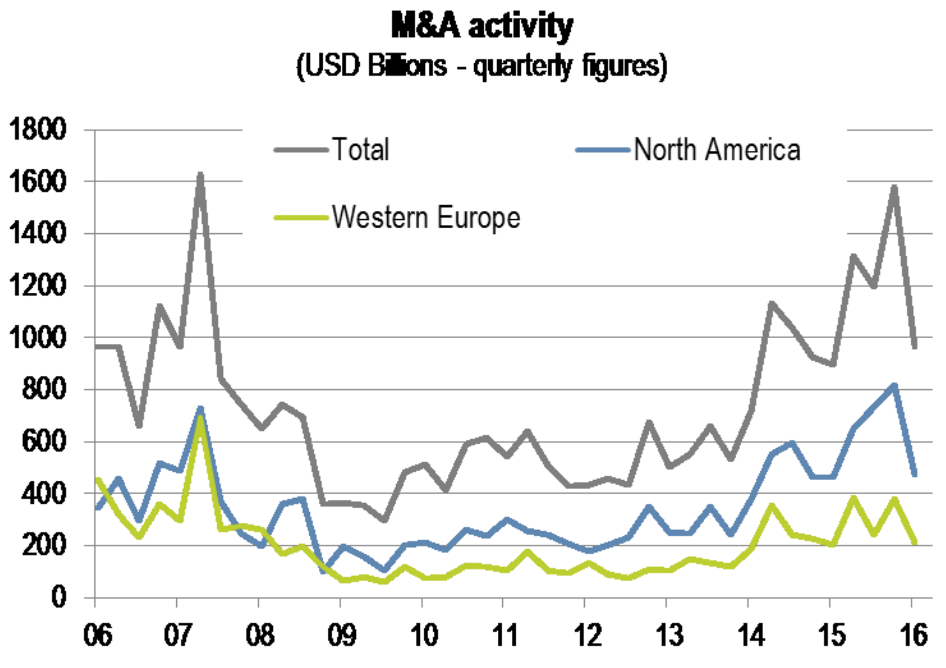
- Analysts had set a low bar for earnings growth in the US and the number of companies that have been so far able to beat earnings expectations in Q1 is higher than in the previous five quarters. Nevertheless, sales and earnings are so far lower than in Q1 2015 (respectively -2.3% and -6.6% as of 2 May).

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

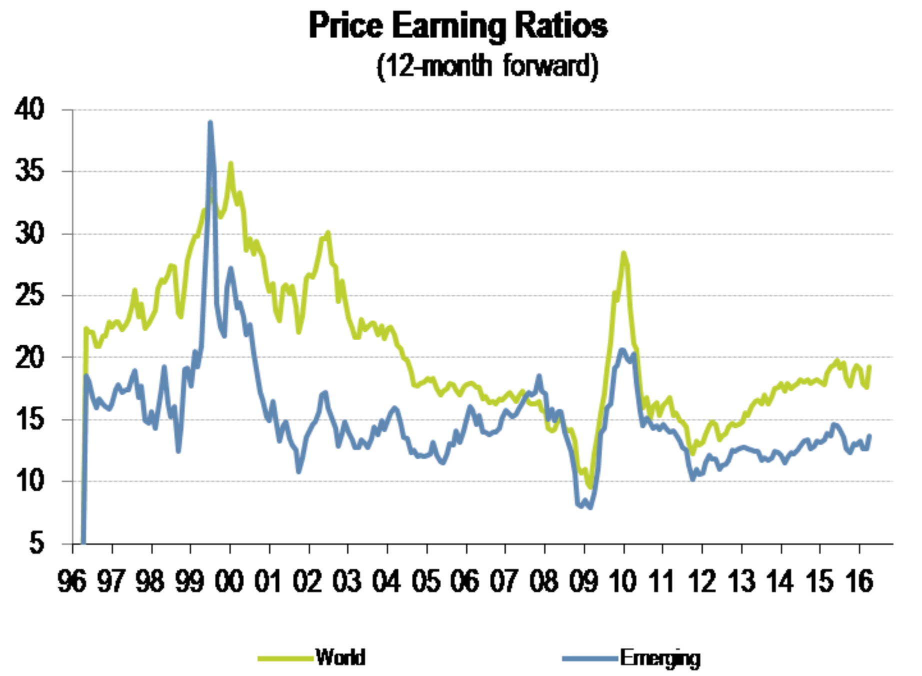
Global equities: we remain cautious

Microeconomic factors are not likely to support equities on the short run

M&A activity: a weak start of the year	Valuations are not supportive



Source: Bloomberg, BNPP IP



Source: Datastream, BNPP IP

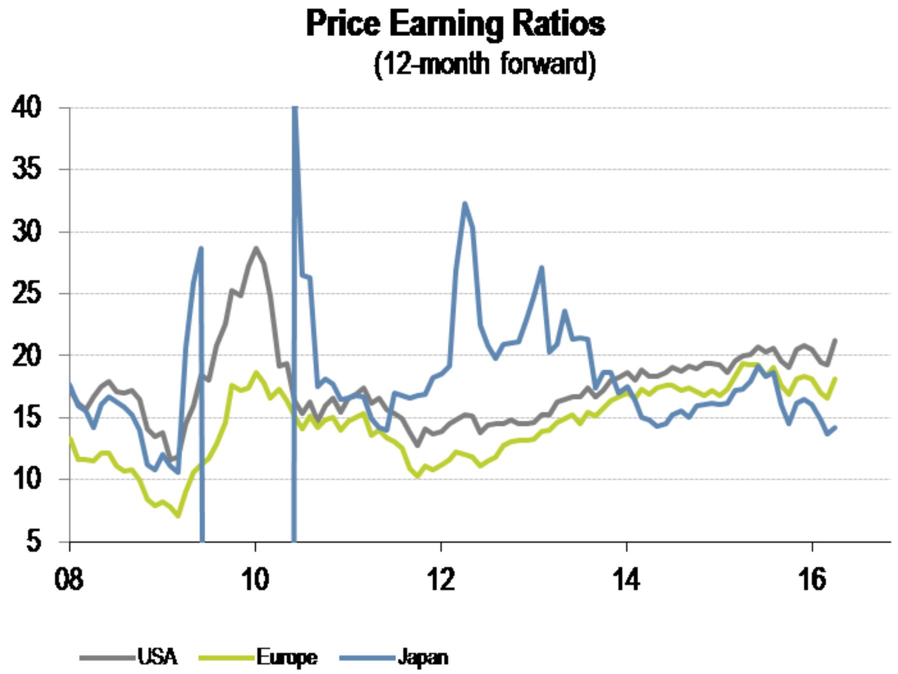
- Equities are somewhat expensive. Valuations could be justified in an economic environment consistent with cyclically depressed, or about to turnaround, earnings. This is not the case as margins are close to a high in the US and as the rise in euro and yen is likely to weigh on top line growth.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Global equities: preference for US and Japan equities

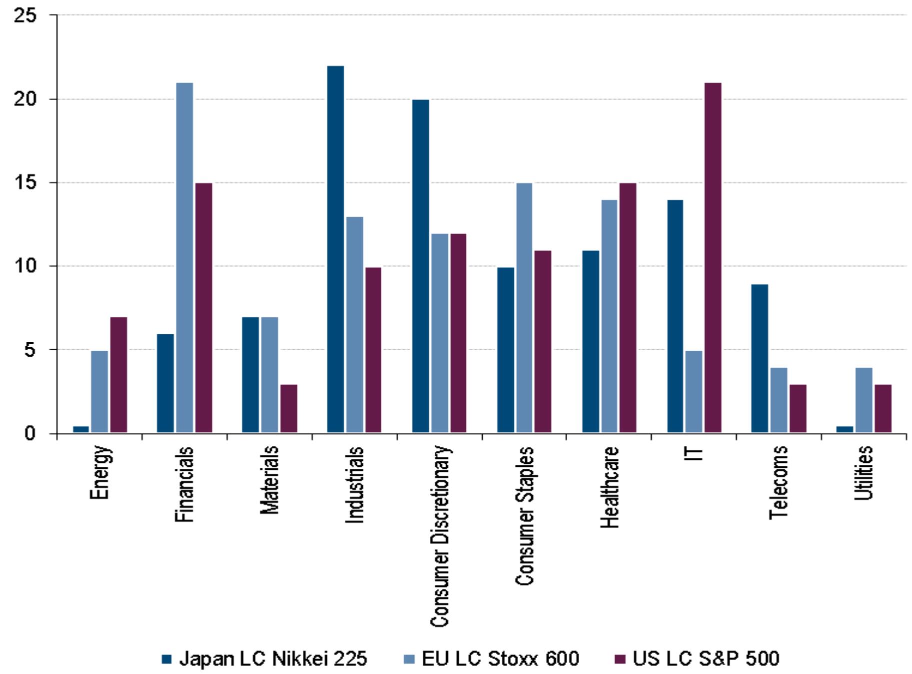
Several elements speak for this call

Relative valuations are positive for Japan



Source: Datastream, BNPP IP

Sector breakdown of main indices



Source: Datastream, BNPP IP

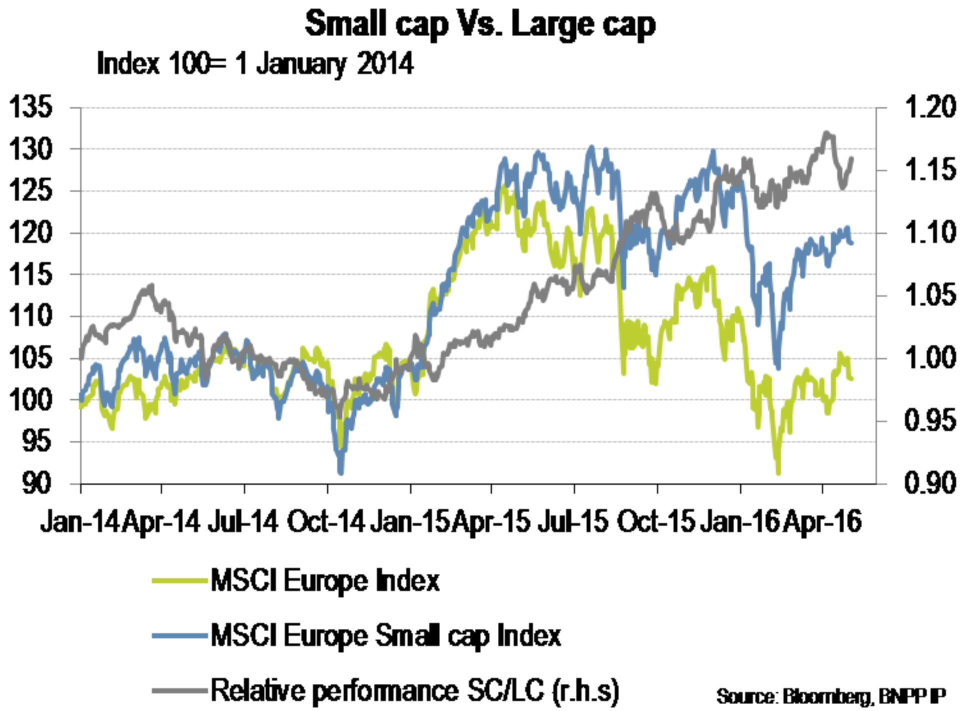
- In Japan, valuations is less stretched and earnings downgrades look excessive. Monetary policy is more favourable in Europe and Japan. Further stimulus by the BoJ could have a bigger impact on the country's equity market. US equities should offer better downside protection in a risk-off event. Besides, momentum is positive. Short-term factors such as positioning and political risks are stacking up against Europe.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

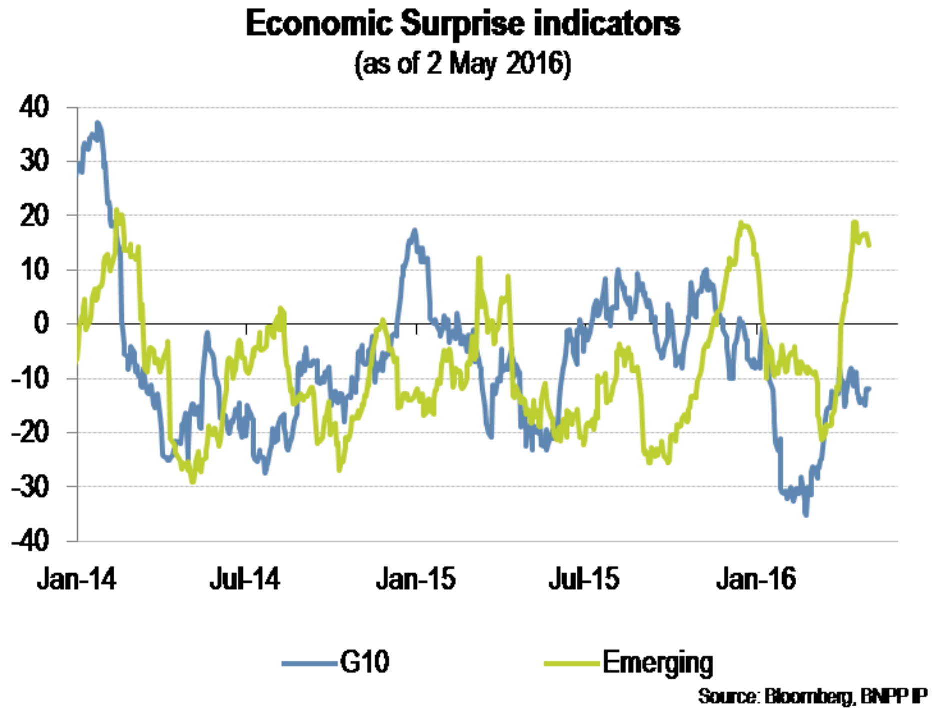
European equities: taking profit on our small caps exposure

European small caps have significantly outperformed large caps over the past year

A pause in the outperformance



A pick-up in investor sentiment toward emerging economies



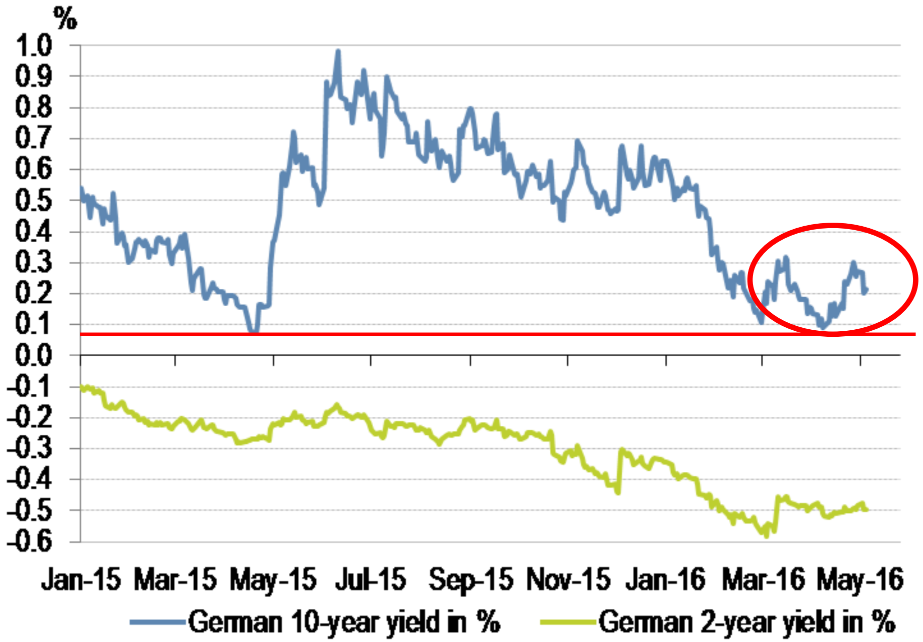
- Recently, small caps (SC) performance waned as investor sentiment towards emerging economies picked-up, supporting large caps (LC) equities most exposed to these countries. Moreover, M&A activities, which should be beneficial for small caps, has slowed and our proprietary momentum model signal on the trade “European SC vs LC” has turned from positive to neutral.

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Government bonds

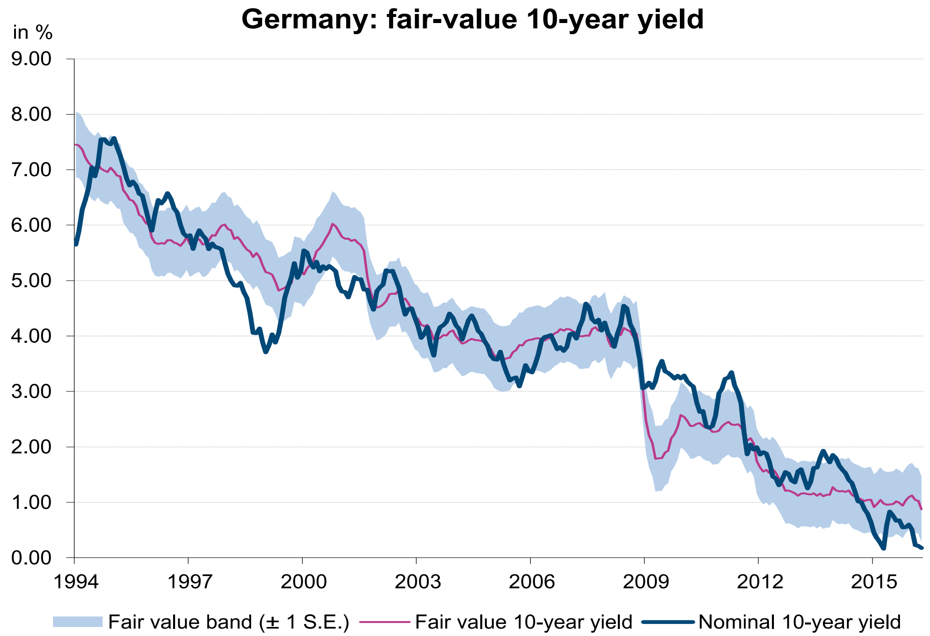
Long-term interest rates are likely to stay low

A trading range for Bund yields?



Source: Bloomberg, BNPP IP

Due to ECB's Quantitative Easing, fair-value may not act as an anchor



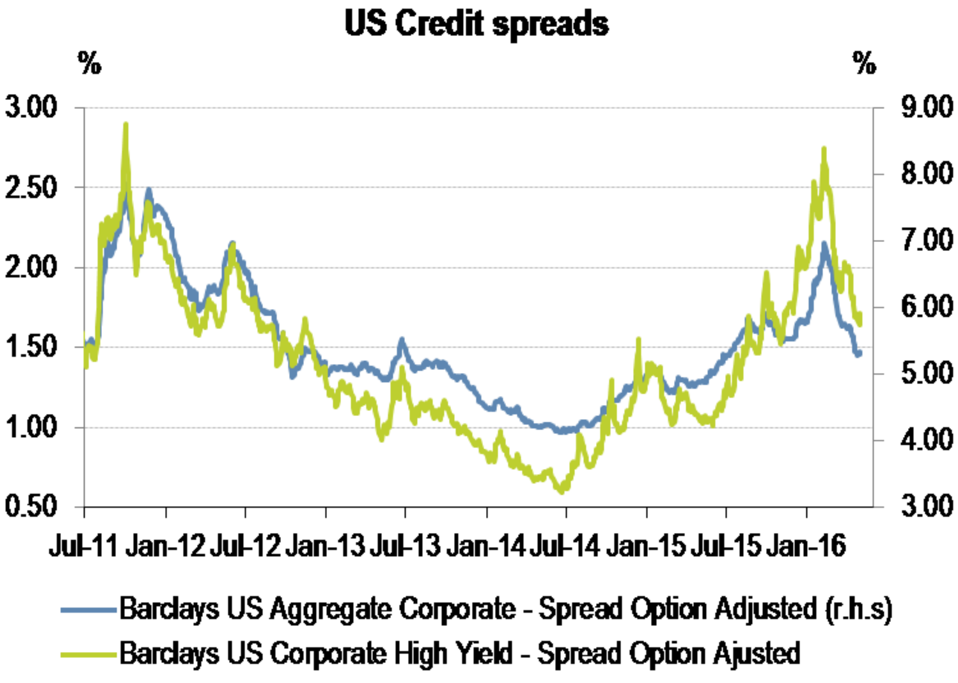
Source: Bloomberg, Datastream, BNPP IP

- 10-yields have bounced back somewhat from their February and April lows, but remain historically low. We think that bond markets generally are discounting a very modest growth and inflation outlook, which makes a long position unappealing. Events in May of last year showed that yields can snap back quickly, but the power of the asset purchases by the ECB should cap the upside potential.

We took profit on our exposure in USD corporate bonds

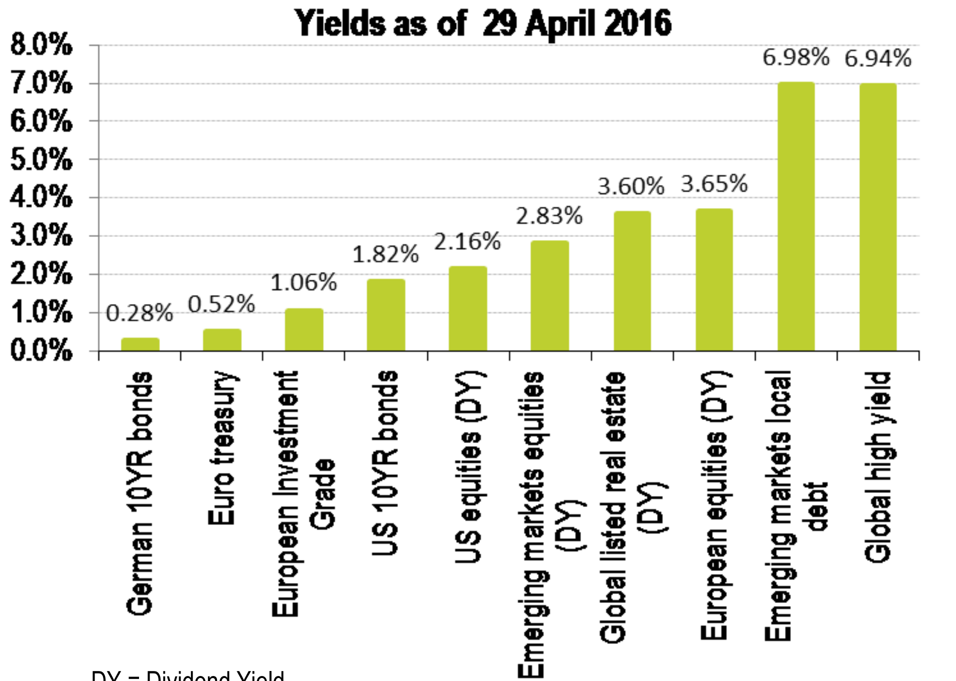
Recent credit spreads tightening makes us more cautious

A strong performance since mid- February



Source: Bloomberg, BNPP IP

Carry is less attractive from a risk-return perspective



DY = Dividend Yield

Source: Datastream, BNPP IP

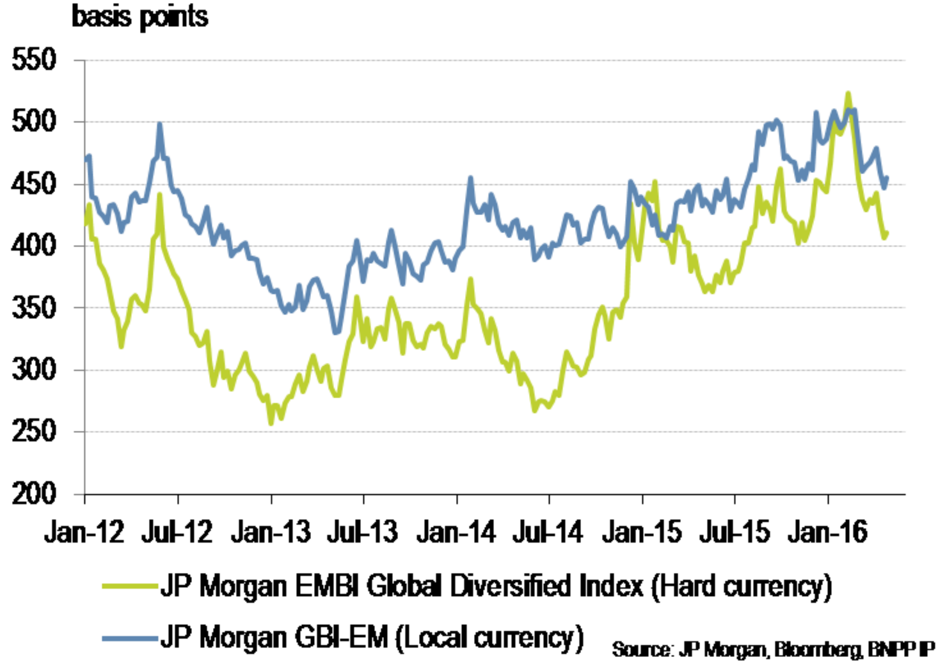
- Macroeconomic fundamentals remain positive for investment grade but have deteriorated slightly for high yield (re-leveraging, more downgrades than upgrades, increase in default rate). In this context, we decided to take profits on our position in USD corporate bonds in the wake of less supportive valuations. Our macro fair-value model stands currently at 610 bp for the HY spread (at 575 bp in early May).

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Negative in hard currency emerging debt and in commodities

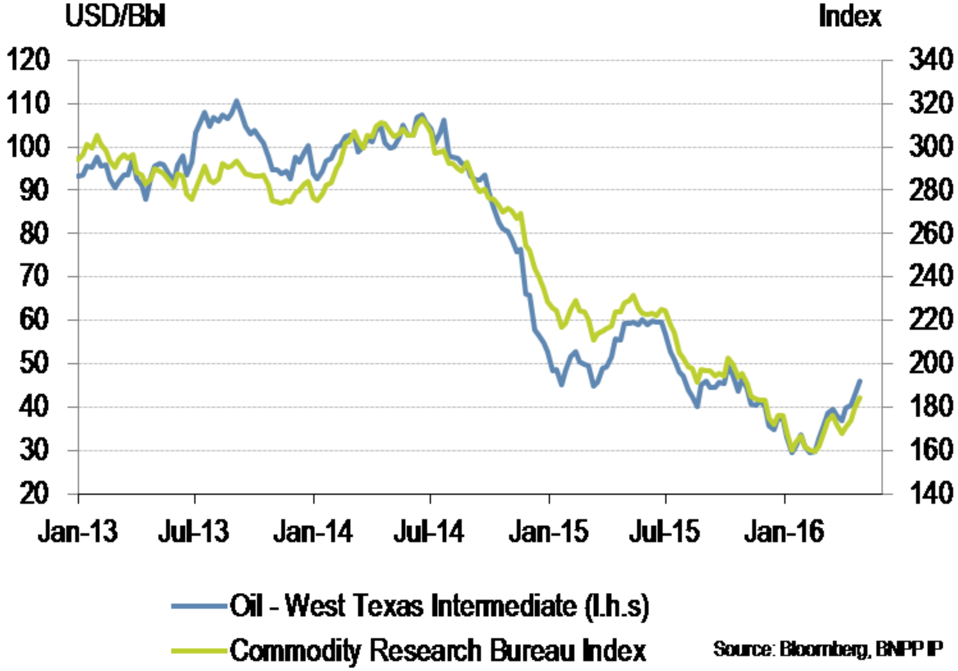
The rebound in commodity prices has been supportive for emerging debt

EM debt: spreads tightening



Source: JP Morgan, Bloomberg, BNPP IP

A premature rally



Source: Bloomberg, BNPP IP

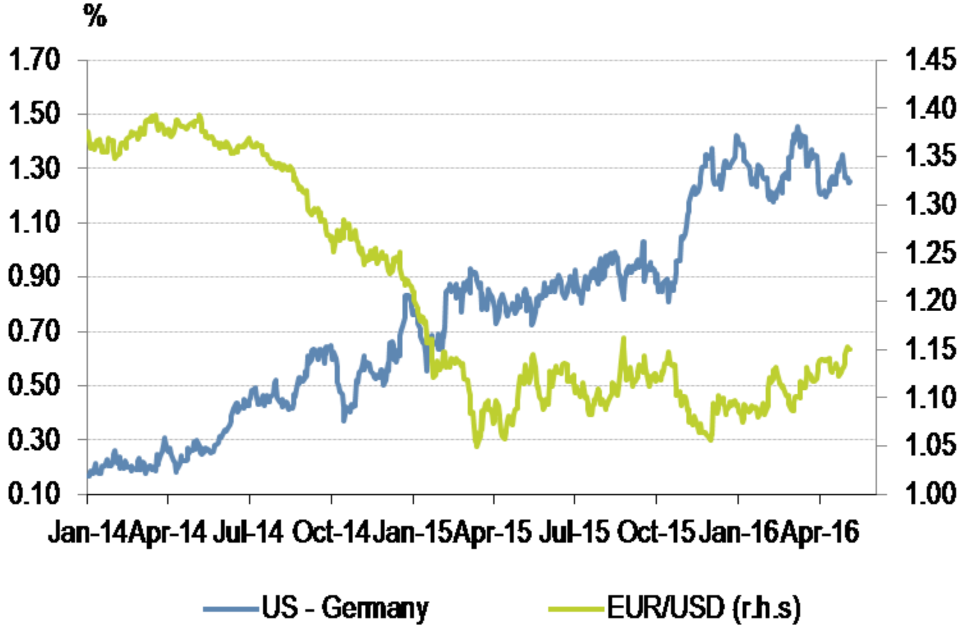
- Looking at the supply and demand balance and high inventories, we think the rally in commodities has come too soon and has gone too fast. Volatility should remain high given the lack of clarity on underlying fundamental trends. The risk spread on hard currency emerging market debt has tightened and does not properly reflects the cyclical and structural challenges of emerging economies.

Dollar is low, Yen is high…

…and we can't say exactly why!

Fed and ECB monetary policy differential

2-year yield differential and EUR/USD

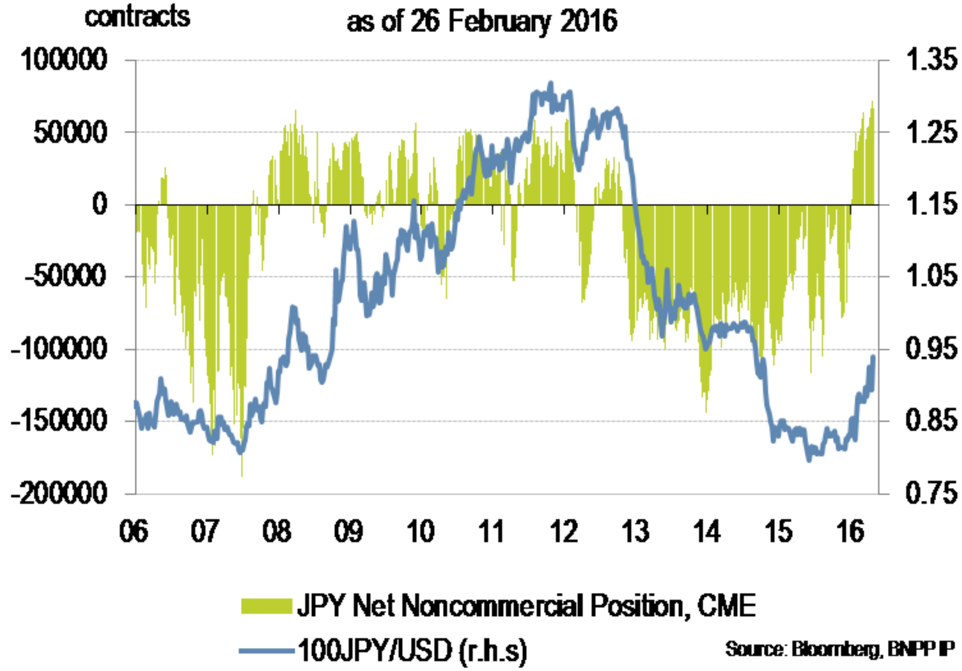


Source: Bloomberg, BNPP IP

"The Japanese government would not tolerate speculation over the yen." Really?

Speculative positions on JPY

as of 26 February 2016



Source: Bloomberg, BNPP IP

- The EUR/USD exchange rate rose above 1.15 in early May. On both sides of the Atlantic, monetary policy meetings at the ECB (21 April) and the Fed (27 April) provided no new factors or surprises, leaving observers with nothing specific to analyse. In Japan, the status quo in key rates resulted in a stronger yen despite lower inflation forecasts suggesting that action could be taken later. Higher volatility to come?

Appendix

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Consensus Forecasts: Growth & Inflation

	GDP YoY %									Inflation YoY %								
	2015	2016				2017				2015	2016				2017			
M= Mean; H= High; L=Low		M	H	L	-1M	M	H	L	-1M		M	H	L	-1M	M	H	L	-1M
Developed Economies																		
USA	2.4	**2.0**	2.4	1.5	[2.1]	**2.4**	3.0	1.9	[2.4]	0.1	**1.3**	2.2	0.6	[1.3]	**2.2**	2.8	1.7	[2.2]
Canada	1.2	**1.7**	2.1	0.7	[1.4]	**2.2**	2.8	1.2	[2.1]	1.1	**1.5**	1.8	1.0	[1.6]	**2.1**	2.5	1.5	[2.0]
Eurozone	1.5	**1.5**	1.8	1.3	[1.5]	**1.6**	2.0	1.3	[1.6]	0.0	**0.3**	0.6	-0.2	[0.3]	**1.4**	1.7	0.3	[1.4]
UK	2.3	**2.0**	2.5	1.6	[2.0]	**2.2**	2.7	1.2	[2.2]	0.0	**0.7**	1.1	0.3	[0.7]	**1.7**	2.8	0.9	[1.8]
Switzerland	0.9	**1.1**	1.5	0.7	[1.1]	**1.5**	2.0	0.5	[1.5]	-1.1	**-0.6**	-0.2	-1.0	-[0.6]	**0.2**	0.5	0.0	[0.2]
Japan	0.5	**0.6**	2.0	-0.4	[0.7]	**0.5**	1.0	0.0	[0.6]	0.8	**0.0**	0.7	-0.4	[0.0]	**1.6**	2.3	0.8	[1.6]
Australia	2.5	**2.6**	3.0	2.2	[2.6]	**2.9**	3.5	2.4	[2.9]	1.5	**1.9**	2.4	1.1	[2.0]	**2.5**	3.2	1.8	[2.5]
Developing Economies																		
China	6.9	**6.5**	6.7	6.2	[6.4]	**6.3**	6.7	5.8	[6.2]	1.4	**1.9**	2.5	1.2	[1.5]	**1.9**	2.7	0.9	[1.7]
India (FY)	7.5	**7.6**	7.9	7.1	[7.6]	**7.7**	8.2	6.7	n.a	5.0	**5.2**	5.8	4.6	[5.3]	**5.3**	5.8	4.5	n.a
South Korea	2.6	**2.6**	3.0	2.2	[2.7]	**2.8**	3.2	2.3	[2.8]	0.7	**1.2**	1.9	0.8	[1.2]	**1.8**	2.5	0.9	[1.9]
Taiwan	0.7	**1.4**	2.0	0.4	[1.6]	**2.3**	2.9	1.7	[2.5]	-0.3	**0.9**	1.5	0.1	[0.7]	**1.3**	1.6	0.8	[1.2]
Argentina	2.1	**-1.1**	0.5	-2.3	-[0.7]	**3.2**	5.0	1.4	[3.6]	23.2	**33.4**	38.3	25.0	[32.1]	**19.9**	27.3	10.0	[19.0]
Brazil	-3.8	**-3.8**	-3.0	-4.6	-[3.5]	**0.6**	1.5	-0.6	[0.6]	10.7	**7.1**	7.8	6.6	[7.3]	**5.6**	7.0	4.5	[5.7]
Mexico	2.5	**2.4**	2.8	1.8	[2.4]	**2.9**	3.5	2.2	[2.9]	2.1	**3.3**	3.7	2.7	[3.4]	**3.4**	4.1	2.7	[3.4]
Russia	-3.7	**-1.3**	-0.5	-3.0	-[1.5]	**1.1**	3.0	-0.4	[1.1]	12.9	**7.5**	10.0	4.0	[8.0]	**5.7**	7.5	4.0	[6.0]
Turkey	4.0	**3.3**	4.1	1.7	[3.2]	**3.5**	4.7	2.5	[3.5]	7.7	**8.2**	9.5	7.5	[8.6]	**7.5**	8.7	6.6	[7.5]

Source: Consensus Forecasts as of 11/04/2016; Asia Pacific as of 11/04/2016; Latin American as of 18/04/2016; Eastern Europe as of 18/04/2016

Source : Consensus Economics as of April 2016, BNPP IP

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Eurozone

Consensus forecasts: growth & inflation (in %)

		2011	2012	2013	*2014*	*2015*	*2016*	*2017*
Eurozone	GDP	1.6	-0.8	-0.2	*0.9*	*1.5*	*1.5*	*1.6*
	CPI	2.7	2.5	1.3	*0.4*	*0.0*	*0.3*	*1.4*
Austria	GDP	2.8	0.8	0.3	*0.4*	*0.9*	*1.2*	*1.5*
	CPI	3.3	2.4	2.0	*1.6*	*0.9*	*1.2*	*1.8*
Belgium	GDP	1.6	0.2	0.0	*1.3*	*1.4*	*1.3*	*1.7*
	CPI	3.5	2.8	1.1	*0.3*	*0.6*	*1.3*	*1.7*
Finland	GDP	2.6	-1.4	-0.8	*-0.7*	*0.5*	*0.7*	*1.2*
	CPI	3.4	2.8	1.5	*1.0*	*-0.2*	*0.4*	*1.3*
France	GDP	2.1	0.2	0.7	*0.2*	*1.2*	*1.3*	*1.5*
	CPI	2.1	2.0	0.9	*0.5*	*0.0*	*0.3*	*1.2*
Germany	GDP	3.6	0.4	0.3	*1.6*	*1.7*	*1.6*	*1.5*
	CPI	2.1	2.0	1.5	*0.9*	*0.3*	*0.5*	*1.6*
Greece	GDP	-9.1	-7.3	-3.2	*0.7*	*-0.2*	*-1.0*	*1.2*
	CPI	3.3	1.5	-0.9	*-1.3*	*-1.7*	*-0.1*	*1.5*
Ireland	GDP	2.6	0.2	1.4	*5.2*	*7.8*	*4.8*	*3.6*
	CPI	2.6	1.7	0.5	*0.2*	*-0.3*	*0.5*	*1.5*
Italy	GDP	0.6	-2.8	-1.7	*-0.3*	*0.8*	*1.1*	*1.2*
	CPI	2.8	3.1	1.2	*0.2*	*0.1*	*0.1*	*1.1*
Netherlands	GDP	1.7	-1.1	-0.5	*1.0*	*2.0*	*1.6*	*1.8*
	CPI	2.3	2.5	2.5	*1.0*	*0.6*	*0.7*	*1.4*
Portugal	GDP	-1.3	-4.0	-1.1	*0.9*	*1.5*	*1.4*	*1.6*
	CPI	3.7	2.8	0.3	*-0.3*	*0.5*	*0.5*	*1.2*
Spain	GDP	-0.6	-2.6	-1.7	*1.4*	*3.2*	*2.7*	*2.3*
	CPI	3.2	2.4	1.4	*-0.2*	*-0.5*	*-0.2*	*1.3*

Source : Consensus Economics as of April 2016, BNPP IP

BNP PARIBAS INVESTMENT PARTNERS | The asset manager for a changing world

Disclaimer

BNPP IP is the source for all data in this document as of 4 May 2016, unless otherwise specified.

This material is issued and has been prepared by BNP Paribas Asset Management S.A.S. ("BNPP AM")*, a member of BNP Paribas Investment Partners (BNPP IP)** .

This material is produced for information purposes only and does not constitute:

1. an offer to buy nor a solicitation to sell, nor shall it form the basis of or be relied upon in connection with any contract or commitment whatsoever or
2. any investment advice.

Opinions included in this material constitute the judgment of BNPP AM at the time specified and may be subject to change without notice. BNPP AM is not obliged to update or alter the information or opinions contained within this material. Investors should consult their own legal and tax advisors in respect of legal, ac-counting, domicile and tax advice prior to investing in the Financial Instrument(s) in order to make an independent determination of the suitability and consequences of an investment therein, if permitted. Please note that different types of investments, if contained within this material, involve varying degrees of risk and there can be no assurance that any specific investment may either be suitable, appropriate or profitable for a client or prospective client's investment portfolio.

Given the economic and market risks, there can be no assurance that the Financial Instrument(s) will achieve its/their investment objectives. Returns may be affected by, amongst other things, investment strategies or objectives of the Financial Instrument(s) and material market and economic conditions, including interest rates, market terms and general market conditions. The different strategies applied to the Financial Instruments may have a significant effect on the results portrayed in this material. Past performance is not a guide to future performance and the value of the investments in Financial Instrument(s) may go down as well as up. Investors may not get back the amount they originally invested.

The performance data, as applicable, reflected in this material, do not take into account the commissions, costs incurred on the issue and redemption and taxes.

This document is directed only at person(s) who have professional experience in matters relating to investments ("relevant persons"). Any investment or investment activity to which this document relates is available only to and will be engaged in only with Professional Clients as defined in the rules of the Financial Services Authority. Any person who is not a relevant person should not act or rely on this document or any of its con-tents.

*BNPP AM is an investment manager registered with the "Autorite des marches financiers" in France under number 96002, a simplified joint stock company with a capital of 67,373,920 euros with its registered office at 1, boulevard Haussmann 75009 Paris, France, RCS Paris 319 378 832. www.bnpparibas-ip.com

** "BNP Paribas Investment Partners" is the global brand name of the BNP Paribas group's asset management services. The individual asset management entities within BNP Paribas Investment Partners if specified

herein, are specified for information only and do not necessarily carry on business in your jurisdiction. For further information, please contact your locally licensed Investment Partner.