

Good MornING Asia - 18 November 2020

Despite stocks caution once more, there are still good reasons to remain hopeful about the future

In this bundle



A glimmer of hope

Despite stocks caution once more, there are still good reasons to remain hopeful about the future

By Robert Carnell



Asia Morning Bites

ASEAN Morning Bytes

Asian markets may pullback as optimism over recent vaccine development fades

Video

Asia in 2021: Ascendant

Fiscal and monetary policymakers have ripped up the rule book in Asia this year to battle the pandemic, but the strength of the recovery in 2021 will...

By Robert Carnell

China | Video

China in 2021: Quantifying quality growth

In its fourteenth five year plan, China has outlined a vision for achieving high-quality growth. Here's what it means in practice



Philippines

Philippines in 2021: The economy continues to lose steam

Philippine GDP growth contracted 10% in the first three quarters of the year and there's little hope of a big turnaround in 2021

Opinion | 17 November 2020

A glimmer of hope

Despite stocks caution once more, there are still good reasons to remain hopeful about the future



Source: Shutterstock

Shameless plug

Before starting on anything else today, I want to give a big plug to our [newly published 2021 outlook](#). I really don't think we have ever published anything so glitzy before. For which thanks are owed to our very hard-working editorial team. It even has a [short video of me looking very sweaty at the edge of Clementi Forest](#) here in Singapore (it was several hundred metres off the beaten track and I could dare to remove my mask for a few moments). I've watched it several times already...

But it's not just Glitz, there is also some great content (including from our [Chief Economist for Greater China, Iris Pang](#)), and for which our Global Head of Macro, Carsten Brzeski also deserves many plaudits.

US Senate rejects Shelton, for now

This morning, I woke to the news that the US Senate had narrowly managed to reject the nomination of Judy Shelton to serve on the Federal Reserve Board. Shelton, who is reputedly an advocate of the gold standard, an inflation hawk, and an opponent of the Fed's dual mandate, is also allegedly an opponent of independent central banking.

Most economists I can think of, and hopefully all of my colleagues, would argue strongly against

pegging the USD to any nominal anchor such as a gold standard. Yes, I know there are still a few gold nuts around, but honestly, we can do better than that. This doesn't even merit further discussion.

And in my opinion, independent central banks are also a great step forward from the boom-bust cycles we used to generate. I should know, I participated at the edges of this failed system during the last days of the UK's government-set rate system before independence was handed to the Bank of England after New Labour swept to power over the Spring Bank holiday of 1997 (I left at the same time). Again, I think that the vast majority of my profession would agree. Certainly, a bunch of 106 Nobel Laureates and former Fed members seem to think so, [given their open letter on this](#). Don't take my word for it.

But while the US Fed may have avoided having a disrupter placed in their midst in the outgoing days of the Trump administration, it has not entirely dodged this issue. There is still apparently time for Shelton to get a reconfirmation vote. The Senate maths remains tight, and so does the calendar, with a number of senators self-isolating, and Thanksgiving holidays to mess things up further. This isn't necessarily over.

Markets lack direction today

Markets today seem to be struggling to decide whether to be buoyed by the further positive statements from Pfizer about vaccine safety or to worry about the continued spread of the pandemic. There is also potentially some good news brewing over Brexit. Though I don't think markets will price in anything until it has happened. We've been here too many times already and fingers are badly burned.

Over the last 24 hours, the EUR was a times stronger against the dollar, reaching to 1.19. But it has given most of that up to sit almost unchanged from when we looked at this time yesterday. Stocks were a little soft in the US and equity futures offer little direction. Bonds are a bit more decisive, with US 10 Year Treasury yields back into the mid-eighties, about 5bp lower than yesterday.

Asian currencies remain broadly bid against the USD. But it is worth noting that although the Covid situation here is much, much better in comparison to other parts of the world, the recent direction of new cases is troubling in a number of countries. Among these, electronics giants, South Korea and Japan (two north Asian countries with marked seasonality which may favour second waves), but also Indonesia. We are not complacent. There is nothing about Asia that makes it intrinsically virus-proof.

Asia data today

It's a quiet day all round. Japan has already had some trade data for October, which showed a slightly better performance than expected for exports, which were basically flat from a year ago, compared with much weaker imports, resulting in a widening trade surplus. The JPY is very marginally stronger as of writing on the back of that, but it isn't a particularly big deal.

And Prakash Sakpal has this today on the Bank of Thailand meeting later today (see also our sister Daily note, ASEAN bytes). "The Bank of Thailand's Monetary Policy Committee meets today, the first meeting under new governor Sethaput Suthiwart-Narueput who took office in October. The decision is expected at around 2 pm local time, though it will pass as a non-event given a unanimous consensus for stable policy rates. At 0.5% currently, the Thai policy rate is one of the

lowest in Asia. Hopes for the Thai economy's recovery rest on the revival of tourism rather than any additional macro-policy support. Unfortunately, those hopes too are misplaced in an unabating global pandemic. BoT policymakers have been vocal about the need for more fiscal policy support instead, while the new governor is also worried about rising household debt. Accelerating THB appreciation is another headwind to the potential recovery, though all efforts in this direction so far have failed and nothing more can be anticipated. Our end-2020 USD/THB forecast is 30.30.

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

ASEAN Morning Bytes

Asian markets may pullback as optimism over recent vaccine development fades



EM Space: Covid-19 infection spike outweighs optimism over vaccine development

- **General Asia:** Asian markets are likely to edge lower as the shine from the recent string of positive developments on the vaccine front are overshadowed by the sustained pickup in daily infections. Investors are also reacting to comments from the Fed's Powell and disappointing US retail sales which fell below market expectations as stimulus measures remain in limbo with President Trump focused mainly on his election protest. Market players will remain focused on Covid-19 developments as well as the ongoing US election challenge by President Trump.
- **Thailand:** The Bank of Thailand's Monetary Policy Committee meets today, the first meeting under new governor Sethaput Suthiwart-Narueput who took office in October. The decision is expected at around 2 pm local time, though it will pass as a non-event given an unanimous consensus for stable policy rates. At 0.5% currently, the Thai policy rate is one of the lowest in Asia. Hopes for the Thai economy's recovery rest on the revival of tourism rather than any additional macro-policy support. Unfortunately, those hopes too are misplaced in an unabating global pandemic. BoT policymakers have been vocal about the need for more fiscal policy support instead, while the new governor is also worried about rising household debt. Accelerating THB appreciation is another headwind to the potential

recovery, though all efforts in this direction so far have failed and nothing more can be anticipated. Our end-2020 USD/THB forecast is 30.30.

- **Philippines:** Bangko Sentral ng Pilipinas (BSP) reportedly slowed down on its secondary market bond purchases with the central bank cornering roughly 13% of total bond trading volume, down from 20% at the height of the pandemic. The daily bond purchase window is part of BSP's unconventional monetary policy strategy to help keep rates floored in a bid to bolster economic activity with the Philippines currently in recession. The gradual pullback in purchase volume was felt by the market with the yield curve steepening by roughly 16 bps on intermediate tenors. BSP vowed, however, to retain its support for the bond market in the near term as the economy weathers the recession.

What to look out for: Covid-19 developments

- Bank of Thailand policy meeting (18 November)
- US building permits and housing starts (18 November)
- Bank Indonesia policy meeting (19 November)
- Bangko Sentral ng Pilipinas policy meeting (19 November)
- US initial jobless claims and existing home sales (19 November)
- Malaysia GIR (20 November)
- Thailand GIR (20 November)
- Fed's Kaplan, Bostic and Barkin give speeches (20 November)

Asia in 2021: Ascendant

Fiscal and monetary policymakers have ripped up the rule book in Asia this year to battle the pandemic, but the strength of the recovery in 2021 will...



Rob Carnell: Asia in 2021

[Watch video](#)

Three main themes for Asia in 2021

Three issues most likely to dominate the outlook for Asia in 2021, excluding China are:

1. The development of the semiconductor cycle
2. The effectiveness of Covid-19 support measures
3. Central banks drift towards unorthodox monetary policies

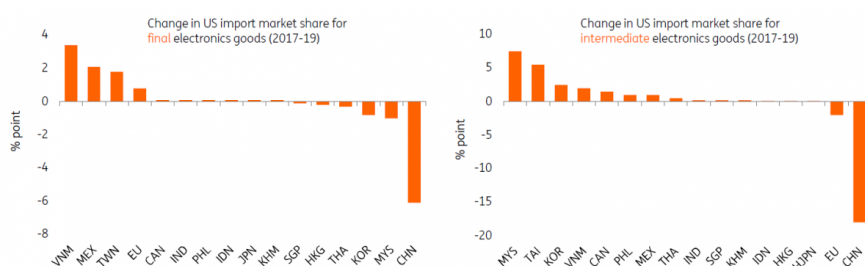
1 Semiconductor upcycle

Recent export and industrial production releases around the region have shown recovery from the depths of the pandemic. But the recovery has been uneven. Most industries are still struggling. The big exception to this is semiconductors and select electronic components.

This is of especial importance to the region's semiconductor giants - South Korea and Taiwan. But there are few countries in Asia that are not tightly linked into the semi-conductors cycle. Increasingly Vietnam, Thailand and Malaysia have been taking market share from China in this

sector, attracting new inward foreign direct investment as well as some relocations from China. Indonesia and India are the two least affected economies and will likely miss out on any upturn.

Gains of electronics market share from China



Source: ITC, MAS - Market share gains

While the momentum for the semiconductor industry is currently strong, this is a notoriously fickle sector, prone to overinvestment and excess capacity, price plunges as well as gains. With relations between the US and China over technology hanging in the balance, backing a continued technology upswing is not without risks.

On the other hand, China’s push towards “new infra” and roll out of 5G could well provide a multi-year push for the sector, which would provide all of Asia with a considerable boost.

2 Effectiveness of fiscal support

The outlook for 2021 will be heavily tempered by how the pandemic evolves, possibility of a vaccine and potential return to more normal work and leisure practices.

But the difference between solid recoveries for some, and tepid and erratic recoveries for others, might be the scale and effectiveness of fiscal support measures put in place in 2020. All countries in Asia have provided considerable fiscal support measures, though there has been a considerable exaggeration of the scale of support in many instances, making a reliable comparison impossible.

What 2021 will show, is the effectiveness of these efforts in three important areas:

1. Protecting the business sector, and maintaining the productive capacity of the economy
2. Providing the same support/insurance, for the labour force
3. Longer-term reform measures undertaken in some economies

While there is probably some overlap between the amounts set aside for fiscal spending and the strength of the recovery in 2021, the nature of that spending may well prove as important as the amounts.

3 Unorthodox central bank policies in Asia

As well as ripping up the rule books on fiscal policy during the crisis, monetary policy has also come under assault from central banks running out of traditional support tools.

The assumption has always been that emerging market economies would not be “allowed” negative real interest rates, and if so then certainly not quantitative easing and definitely not direct deficit financing.

But while fiscal policy easing has been less constrained during the pandemic, emerging market economies have still had to pay heed to the mood of rating agencies, and that has meant preserving some vestige of fiscal respectability, some have been pushed towards more monetary easing.

Asian central banks' conventional and unconventional policy easing during Covid-19 crisis

Economies	Conventional			Unconventional					
	Rate Cuts	Near-zero/-ve rates	CRR/SLR * cuts	Govt. bonds	Corp bonds	Comm paper	ABS **	Yield Control	Advances to govt.
Australia	√	√/X	X	√/X	X	X	√/X	√/X	X
China	√	X	√	X	X	X	X	X	X
India	√	X	√	√/X	√/X	√	X	√	√
Indonesia	√	X	√	√	X	X	X	X	√
Japan	X	√/√	X	√	√	√	X	√	X
Korea	√	√/X	X	√	√/X	√/X	X	X	X
Malaysia	√	X	√	√	X	X	X	X	√
New Zealand	√	√/X	X	√	X	X	X	√	X
Philippines	√	X	√	√	X	X	X	√	√
Taiwan	√	X	√	X	X	X	X	X	X
Thailand ***	√	√/X	X	X	√	X	X	X	X

* Cash Reserve Ratio/Statutory Liquidity Ratio

** Asset-backed securities

*** The Bank of Thailand has set up the Corporate Bond Stabilization Fund (BSF) to provide liquidity support and stabilize the corporate bond market as well as maintain overall financial stability.

Source: Newswires, ING

With negative real rates seemingly posing few problems, some governments have been emboldened to supplement their fiscal constraints with more imaginative monetary support – namely thinly-veiled direct deficit financing, or quasi-quantitative easing.

[A number of economies have dabbled in this area, including South Korea, with their “Korean style” QE, and the Philippines, with some outright bond purchases in secondary markets.](#) But perhaps most blatantly of all, Indonesia's central bank, is engaged in small-scale (currently) direct primary market financing “burden-sharing”, and the independence of the Bank is also being watered down.

[Read more about the depth of Asia's unconventional central bank easing](#)

Asia Pacific – unorthodox policy by country

	Philippine central bank	Indonesia central bank	Reserve Bank of India	Bank of Korea
What has happened?	BSP unloaded a hefty monetary response with a flurry of conventional easing - 175bp of rate cuts and 200bp reduction in reserve requirements. As a result, PHP 1.9 trillion was released into the system.	BI has carried out its fair share of conventional easing, with rates slashed by 100 bp and reserve requirements reduced for both dollar and specific IDR-denominated accounts in first-quarter. But Indonesia is constrained by a vulnerable currency- the rupiah.	India's central bank action has been a mix of both conventional and unconventional measures. The RBI cut policy interest rates by a total of 115 bp and banks' cash reserve ratio by 100bp from March to May.	The Bank of Korea leapt in to help with a quick 50bp rate cut in March followed by another 25bp of easing in May. This is still where policy rates stand today, at 0.50%- still above zero, and indicating some slight additional room for further orthodox easing should it be required.
Quantitative Easing	FULL - The central bank has bought up government securities with no volume limits or target tenors. To date, we estimate, it has bought up roughly PHP 1.1 trillion worth of bonds & given the heft of their holdings relative to the outstanding total (20%).	FULL - At the onset of the pandemic, BI received provisional authority to expand its scope to purchases of long-term securities in the primary market via "perpu" or presidential declaration to assist the govt. manage the impact of Covid. Currently, BI's monetary operations have totalled roughly IDR 658 trillion, worth roughly 4.2% of GDP.	LITE - When hefty rate cuts failed to revive growth and CPI started to rise towards the year-end, the RBI resorted to buying long tenor govt bonds and selling short ones to drive market yields lower. Given the long-term nature of this operation (1 to 3-years), assets created remain on the RBI's balance sheet until the maturity of TLTRO. As of August, the outstanding balance on this account was INR 2.5 trillion (1.2% of GDP).	LITE - The Bank has been keen to enter the unorthodox club with talk of "Korean-style QE". At its 9 April meeting, it announced the adoption of an unlimited liquidity support facility. This was to use a weekly repo purchase facility to supply an "unlimited" amount of liquidity at set interest rates for a period of 3 months. The new measures were also linked to the implementation of the government's financial support package.
Deficit financing	LITE - The Bank's charter allows short-term cash advances to the govt, capped at PHP 810 bn. Given the cash crunch faced by authorities in October, the Bank agreed to purchase PHP 540 bn worth of 3-month paper directly from the government. As time goes by, it looks like BSP may be willing to move on to full-on deficit financing .	FULL - Indonesia's central bank has also recently entered into a "burden-sharing" agreement with the govt, as the Bank carries out full deficit financing. Despite subsequent pronouncements highlighting the independence of BI, investors remain wary of future burden-sharing agreements in the coming months with BI tagged as standby financier of the deficit.	LITE - Under Governor Das, the RBI has been generous in helping the govt to fund a wide budget deficit. The main channel here is the RBI's dividend payment and transfer of excess reserves to the government. The Bank also boosted its Ways and Means Advance limits for central and state governments. This isn't a source of deficit financing per se - just a mean to tide over short-term (usually up to 3 months) mismatch of government's receipts and spending.	
Where do we go from here?	Despite, pledging the use of unconventional policies was "time-bound" and will be phased out, authorities have secured legislation to extend and upsize the budget for cash advances, setting the precedent for more cash advances between monetary and fiscal authorities.	The Bank appears ready to resort to unconventional measures to support the govt's recovery efforts. Bank officials have repeatedly declared independence from fiscal authorities but we expect the Bank to carry out more deficit financing activities in 2021 and also use QE measures to ensure adequate liquidity in the system.	The RBI balance sheet doesn't provide sufficient grounds for thinking about outright QE or deficit monetisation. Total assets/GDP ratio of 27% is small compared to many developed market central banks pursuing full QE. We look for signs of significant balance sheet expansion to indicate policy has switched from its current lite measures to full QE or deficit financing.	Despite the Governor raising the possibility of purchasing corporate bonds or commercial paper as an expansion of this exercise, the Korean-style QE program concluded at the end of July, having supplied around KRW19tr. With market rates having stabilised, the liquidity benefits of this program are not required. Nor does the Governor seem keen to embark on mainstream QE.

Source: ING

Author

Robert Carnell

Regional Head of Research, Asia-Pacific

robert.carnell@asia.ing.com

China in 2021: Quantifying quality growth

In its fourteenth five year plan, China has outlined a vision for achieving high-quality growth. Here's what it means in practice



Iris Pang: China in 2021

[Watch video](#)

To be an advanced economy means a lot for China

We've already written extensively about China's 2021 goals [here](#). The vision for 2035 provides a little more quantification. China wants an "advanced economy" in fifteen years' time. There is no specific definition of this. But we can make some estimates.

Using the latest World Bank data. China's GDP per capita is US\$10.6 thousand. That compares to US\$18 thousand for Greece. The UK, France and Japan are all about \$39 thousand. While Germany is US\$45 thousand, and the US is US\$63 thousand. That shows where China stands relative to most advanced/developed economies.

From this standpoint, China's objective in terms of GDP per capita would be to at least double within the next 15 years. And that is an aggressive target.

To realize this vision, China must pursue two main strategies

1. Become self-reliant in technology;
2. Export green products, such as vehicles, renewable energy technologies and so on, areas

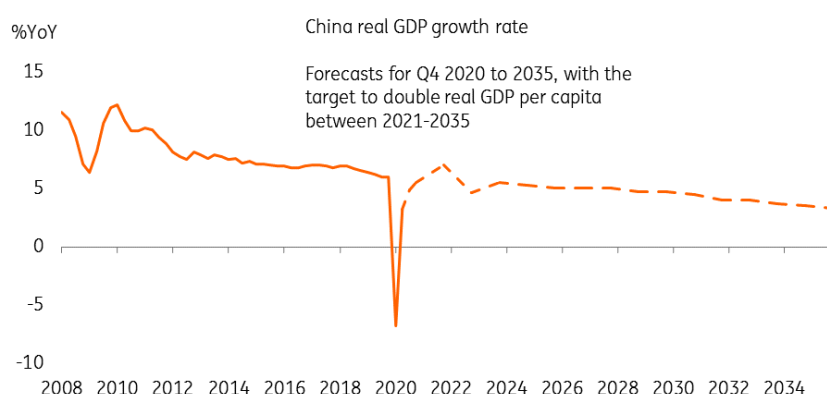
where it's starting to have a technological advantage.

Achieving these objectives would help China sustain continuous income growth, as well as speeding up the engine of "domestic circulation", creating more jobs from domestic consumption of goods and services.

While this may sound simple, it will be quite a challenge. China has relied on exports of technology for more than ten years. Although these were predominantly basic products using elementary technological inputs, they provided more than a third of China's export value. This has been changed by the technology war. China has responded by promoting a new export area, "green" exports. As more countries set Environment and Social Governance (ESG) targets, they need renewable energy, waste management, and water management systems, which China has been developing and can now export, and which will face far less resistance from other economies.

Our simple growth projection for the next 15 years is as follows: There will be faster growth in the first five years, but then slow gradually in the remaining years up to 2035. This projection assumes a roughly stable population. Promoting higher child-birth has been successful in some areas in China. But this policy also faces an ageing population, and won't make much difference to the labour force over this timescale. Our projected real GDP growth rate is 4.5% on average for 2021-2035.

Growth in 2021 should be much stronger than this at around 7%.



Source: CEIC, ING

Projection of GDP according to the 2035 envision to become an advanced economy by 2035.

Technology war is still the number one risk in 2021

The biggest risk factor in 2021 is still the technology war, which we have incorporated into our forecast. This is not just confined to the US and China. Many more economies could become reluctant to use Chinese-made technology because of security concerns.

Interest and exchange rate reform is both risk and opportunity

We don't expect any significant changes in monetary policy in 2021. The People's Bank of China (PBoC) will take advantage of the stable interest rate environment, to promote market-based interest rate instruments on loan products to pave the way for further interest rate liberalisation.

The PBoC will do the same for exchange rate liberalisation. The recent fading out of the counter-

cyclical factor in daily USDCNY fixing is a step in this direction. USDCNY and USDCNH will be more sensitive to intraday market information. And the CNY trend will also be more market-driven. We expect USDCNY to reach 6.30 by end of 2021.

Philippines in 2021: The economy continues to lose steam

Philippine GDP growth contracted 10% in the first three quarters of the year and there's little hope of a big turnaround in 2021



Authorities forecast a quick recovery in 2021 but trends suggest otherwise

The Philippine economy is mired in a recession with year-to-date GDP at -10% as elevated Covid-19 infections force an ongoing 9-month-long partial lockdown in the capital and surrounding provinces.

Authorities have acknowledged that growth will contract sharply on a year-on-year basis in 2020 but continue to bet on a quick recovery in 2021 (6.5 to 7.5%) and 2022 (6.0%) touting the economy's "solid fundamentals".

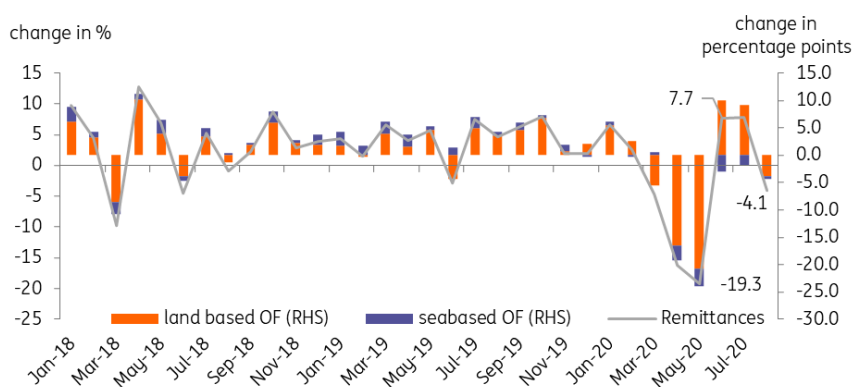
ING maintains that growth will likely enter a lower trajectory as current trends point to a very different scenario heading into 2021 with the Philippine economy missing contributions from every sector of the economy. Worrisome trends for consumption, capital formation and government spending will not likely reverse quickly even as lockdown restrictions are relaxed.

Consumption lacking the remittance punch

Household consumption delivers the bulk of Philippine economic output and we expect this sector to struggle given elevated unemployment, virus concerns and fading remittance flows. Overseas Filipino (OFs) remittances augment domestic incomes with households receiving Php59,295 annually, roughly 19% of the average income in the Philippines. Land-based remittances will likely slide as global lockdowns are reinstated while a downturn in maritime traffic should impact remittances sent by seafarers. Authorities estimate that up to 300,000 Filipinos will be repatriated due to the pandemic, depleting the stock of 2.2 million Filipino contract workers based abroad.

We forecast a 5-10% drop in remittances this year given renewed lockdowns and negative prospects for maritime traffic. This will translate to a drop of up to \$3.1 bn in 2020 and 2021 with consumption missing the integral boost from these inflows.

Philippine remittances per source



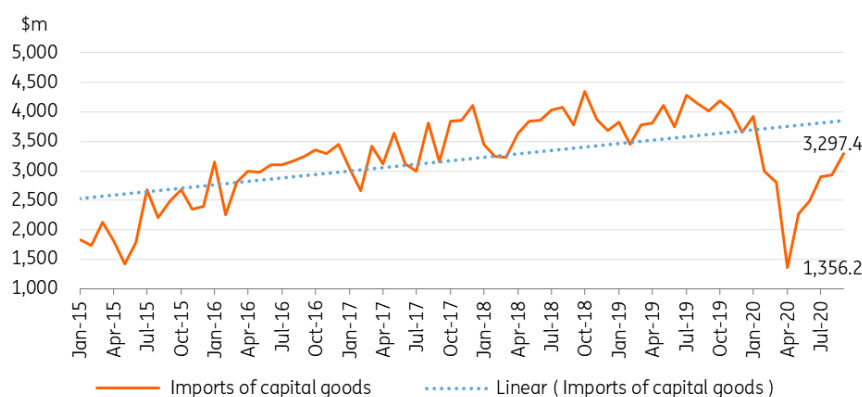
Source: Bangko Sentral ng Pilipinas

Investment momentum stalls, potential output fades

Prior to the pandemic, capital formation was increasing thanks to a construction boom coupled with the administration's hallmark infrastructure programme but the current trends point to stalling momentum for this sector.

Capital imports fell sharply in April and have recovered somewhat but remain below the 5-year average of \$3.5 bn per month. We expect the recent downturn in capital goods to weigh on potential output as corporates are likely to put off large scale investments given the recession to protect cash and weather the downturn. Meanwhile, we also expect households to defer investment plans given the challenging job market, reflected in a steep fall in road vehicle sales, which are down 44.6% for the year.

Philippine imports of capital goods

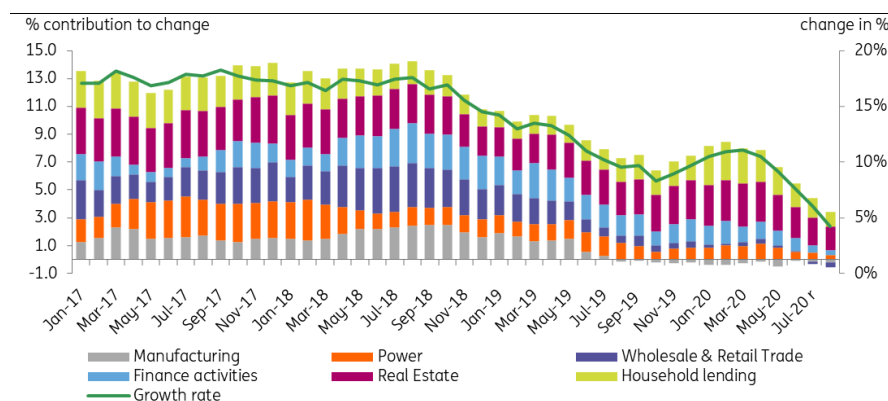


Source: Philippine Statistics Authority

Bank lending grinding lower

Meanwhile, declining investment momentum is mirrored in trends for commercial bank lending, which has now been decelerating for five months through August. Loan disbursements to retail trade and manufacturing have turned negative with manufacturing activity now in contraction (October PMI: 48.5) while retail trade plunged as vacancies in mall space hit 14%, the highest level reported since the Asian financial crisis. Prospects for a pickup in lending to real estate are not particularly upbeat with office space vacancy rising to 8.3% as Chinese offshore gaming operators close shop.

Philippine bank lending per sector



Source: Bangko Sentral ng Pilipinas

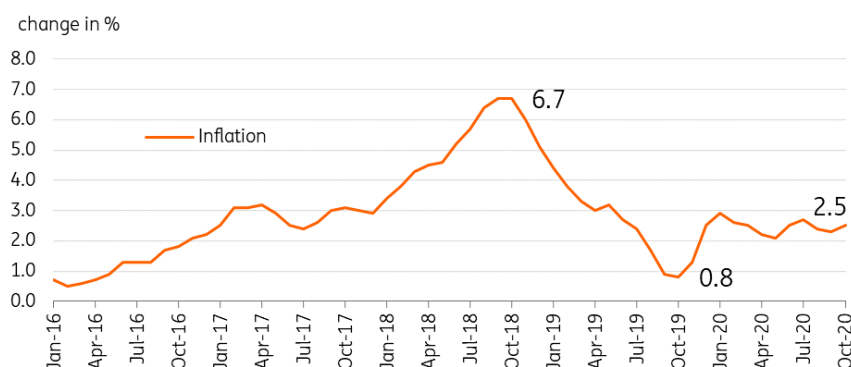
BSP unconventional moves and low inflation

The response of the central bank, the BSP, to the pandemic has been aggressive, resorting to both conventional and unconventional measures, such as quantitative easing and de facto debt monetisation. The net effect of BSP's unconventional moves was a surge in excess liquidity, now at Php1.4 trillion, roughly 7.2% of GDP and 8.9% of money supply, resulting in a flatter and lower yield curve. Inflation (2.5%) is not expected to accelerate in the next few months given depressed demand conditions and a stronger currency.

Inflation is expected to be benign through to 2022 and BSP is not expected to exit from

unconventional policies soon, so we expect the yield curve to remain flat with rates suppressed unless government borrowing picks up substantially next year.

Philippine inflation



Source: Philippine Statistics Authority

Fiscal response has been modest at best

Trends in government spending also point to a downward trajectory for growth. The fiscal response, however, has been modest with authorities recently passing additional Covid-19 funding worth Php140 bn, to bring the total Covid-19 response spending to roughly Php590 bn or 2.7% of GDP. After seeing an initial surge in spending, we've noted a sharp slowdown with September expenditures falling 15.5% as authorities clamped down on efforts to manage the budget deficit. Government officials have repeatedly turned down calls for additional fiscal packages in 2021 and it appears that the economy will not be able to count on government spending to help offset the slowing growth momentum.

Recession to continue into 2021 as trends point to weakness across key sectors

The Philippines is poised to remain in recession for a couple of more quarters with trends pointing to sustained weakness across key sectors. Government officials remain confident of a quick turnaround, but signs of soft consumption, decelerating investment and lacklustre government spending all suggest otherwise. Unless we see a reversal in these trends we believe that the Philippine economy is on pace to enter a lower growth trajectory, failing to return to the pre-pandemic growth average of 6%.

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.