BANKING / INVESTMENTS \ ADVISORY

Global Financial Market: Topical Issues 2012

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Results of 2012

The year 2012 was marked by noticeable slowing of world economic growth compared to 2011.

A number of the world's leading economies, including the euro zone and the UK, again fell into a recession (two consecutive quarters of negative GDP growth), after the deep recession of 2008-2009.

The IMF estimates that global GDP growth in 2012 may be as high as 3.3%, against 3.8% in 2011. Moreover, the euro zone and the UK economies could lose 0.4% each over the year.

The pace of economic growth in Germany slowed down compared to last year from 3.1% to 0.9%, and that of China – from 9.2% to 7.8%. At the same time, the rate of US GDP growth could rise from 1.8% to 2.2%, and that of Japan – from 0.8% to + 2.2%.

Another major negative factor in 2012 was the fact that nearly all the leading developed countries have again closed the year with a budget deficit (although for many it will be lower than in 2011).

This means that the debt of the major developed countries, which already reached catastrophic proportions, continued to grow (see Table 1).

Table 1. Table of public debt and deficits of developed countries with high debt

		2011		2010		2009		2008	
Country	**Public debt**	**Public debt to GDP**	**Budget to GDP**	**Public debt to GDP**	**Budget to GDP**	**Public debt to GDP**	**Budget to GDP**	**Public debt to GDP**	**Budget to GDP**
Japan	$12 trillion	233%	-10%	220.3%	-9.5%	216.3%	-10.3%	195%	-4.2%
Greece*	€356 bn	170%	-9.4%	142.8%	-10.5%	127.1%	-15.4%	110.7%	-9.8%
Italy	€1.9 trillion	121%	-3.9%	119.0%	-4.6%	116.1%	-5.4%	106.3%	-2.7%
Portugal	€184 bn	108%	-4.4%	93.5%	-9.8%	83.0%	-10.1%	71.6%	-3.5%
Ireland	€169 bn	106%	-13.4%	96.2%	-32.4%	65.6%	-14.3%	44.4%	-7.3%
US	$15 trillion	100%	-10.3%	91.6%	-10.6%	84.6%	-12.7%	71.2%	-6.4%
Belgium	€361 bn	98%	-3.7%	95.5%	-3.8%	95.7%	-5.5%	89.6%	-1.3%
France	€1.7 trillion	86%	-5.2%	81.7%	-7.0%	78.3%	-7.5%	67.7%	-3.3%
UK	£1.3 trillion	85%	-7.8%	80.0%	-10.4%	69.6%	-11.4%	54.4%	-5.0%
Germany	€2.1 trillion	81%	-2.3%	83.2%	-3.3%	73.5%	-3.0%	66.3%	0.1%
Cyprus	€13 bn	71%	-6.3%	61.3%	-5.3%	58.5%	-6.1%	48.9%	0.9%
Spain	€736 bn	69%	-9.4%	60.1%	-9.2%	53.3%	-11.1%	39.8%	-4.2%

Source: Bloomberg, Eurostat, EconomyWatch
* following the writing off 50% of the debt to private investors in March 2012 and repurchase of €30 billion worth debt from the market for €10 billion in December, the Greek debt still amounts to about €300 billion and is estimated to constitute over 150% of GDP.

Last year was also very rich in dramatic events at the front of the fight against the debt crisis in the euro zone.

The first half of the year was marked by "victory" of the crisis, and in June the 4th and 5th euro zone countries – Spain and Cyprus – had to apply to the European institutions for financial aid.

But in the second half of the year, the initiative was taken by the euro zone authorities.

After several "successful operations", including the empowerment of stabilization funds, the decision to establish a bank union and especially the ECB decisions on unlimited buying of bonds, the crisis began to recede.

Another topical issue in 2012 was the strengthening of the US FRS, to extend "Operation Twist" in summer, and then start in September and December the new program of quantitative easing, QE3 and QE4.

End of the year was marked by increasing intrigue with the American "fiscal cliff," partly solved only on New Year's night.

In the financial markets, according to the change of "scenery" around them, in 2012 negative and positive trends took turns, but in the second half of the year optimism prevailed.

As a result, all the world's leading stock index monitored by us closed 2012 with an increase, while for the German DAX it was the best year after the crisis of 2008-2009 (+29%).

Moreover, two indexes of our list – the Mexican IPC and South African TOP40 – managed to reach new historical highs in 2012.

In the bond market, the year was also full of events, especially in the PIIGS sector, where restructuring and buyout of Greek bonds was performed in March and December, and in June the yield on Spanish 10-year ones reached almost 8%.

But here, too, mainly due to the decision of the ECB, strong positive trends dominated, with the price of Greek benchmark 10-year bonds having doubled since the restructuring in March! Growth in benchmark bonds of Portugal for the year was 60%!

In the sector of emerging bonds market, the year was also very volatile, with the rise and fall of prices, but the overall result of the EMBI+ index was strong growth by 18%, reducing the spread to treasuries from 3.8% to 2.5%.

In the sector of safe haven – US and German bonds – the first half of the year, given the crisis growth, there was a substantial rise in prices, and yields on 10-year securities established their historic lows.

But in the second half of the year, the trends split, and the American securities began to fall slightly, closing the year almost at the level of opening (despite QE3 and QE4!), while the German ones continued to grow.

In the currency market, the year was also very volatile in the sector of both developed and developing currencies, where, during the May crisis, there was another sharp fall against the dollar.

However, according to the aggregate results, the changes in the levels of conversion were minor, with annual dollar index falling by 0.6%.

The exception was the dollar/yen market, where a significant increase appeared at the end of the year, resulting in the dollar growth by 13.5% for the year. In this market, another players' attempt to change the yen long-term growth trend with the long-term drop trend is observed.

In the leading commodity markets, the year was also quite volatile.

Especially in the oil market, where the price of a barrel of Brent oil dropped to $90 and rose to $130 during the year, but closed the year near the level of $112, only 2% above the close of 2011.

In the precious metals market, movements, on the contrary, were less significant than in 2011, but all metals showed significant growth in prices – gold by 7%, silver by 9%, platinum by 11% and palladium by 8%.

Expectations 2013

Judging by most forecasts, the economic situation in 2013 will remain difficult, and almost all of the leading institutions in late 2012 reduced the outlook for economic growth in the coming year.

However it is expected that economic growth in 2013 will still be higher than in 2012, and, according to the IMF, could reach 3.6%.

A lot (but not nearly as much as a decade ago) would depend on the situation in America, where, due to various options of addressing the problem of "fiscal cliff", economic growth forecasts vary from 2% to negative indicators.

Euro zone economy is likely to close 2013, as 2012, with a fall in real GDP, although some forecasts expect a slight increase by 0.1% - 0.2%.

It is expected that the main engine of global economic growth will remain Asian countries – China and India. However, an increasing contribution to the global economy will be given by developing countries of a "second tier".

These are Nextgem (Next generation emerging markets) countries, such as Indonesia, Pakistan, Vietnam, South Africa, Nigeria, Egypt, Turkey, Iran and others.

Some of these countries in the future could push European countries out of the club G20 (Indonesia and Turkey are already included in this club).

As regards the situation in the financial markets, here due to new stimulation (read: money-printing) programs adopted in late 2012 by leading CB, prices are expected to continue rising.

It is possible that in the coming year will further stabilize the situation in PIIGS debt markets, of course, if the euro zone authorities manage to implement their plans.

On the global stock market, faster price growth can return to emerging markets, which were lagging in price increases compared to the developed markets almost during the whole 2012 and caught up with them in December only.

The highest growth could be demonstrated by Chinese and Russian stock markets. The former showed a significant lag in growth in 2012, which makes it attractive to buy.

The latter, which has also showed relatively weak dynamics in 2012, remains the "cheapest" among the leading markets. P/E index of Russian companies on average is below 6, while in developed Europe and America the same ranges from 12 to 16.

We expect the precious metals market to continue rising in prices, with the price of an ounce of gold possibly exceeding $2 000 (in 2013 or 2014).

According to our forecasts, price of oil in 2013 will mostly continue lateral movement in a wide range of $100 - $120 per barrel. And is more likely to break the lower level of this range, with prices going below $100 per barrel.

The crisis in the euro zone: will 2012 be the turning point?

The year 2012 was very rich in events related to the debt crisis in the euro zone.
The year started with a final agreement between Greece and representatives of private investors on a "voluntary" restructuring, with a total write-off of 53.5% of the face value of old securities.

But, as correctly noted by the head of Commerzbank Martin Blessing: "Write-off on Greek bonds was as voluntary as a confession of sins before the Spanish Inquisition."

However, this step did not stabilize the situation in the debt market neither in Greece, nor in other PIIGS markets, even prompting serious problems in the banking sector of the euro zone, particularly in the Greek and Cypriot banks.

Falling prices and rising yield of PIIGS bonds continued, and in June Spain and Cyprus were forced to turn for financial assistance from international lenders.

Spain immediately received approval for assistance from the Troika (European Commission, the ECB and the IMF), but negotiations on aid to Cyprus lasted until 2013.

Thus, all four PIGS countries during the crisis have already received consent to international financial assistance (of different amount) for the replacement of market-based financing, which became more expensive because of the crisis (see Fig. 1).

Fig. 1. Amount of aid compared with GDP of PIGS countries

Source: Financial Times

But the euro zone and the European Union leadership did not sit idly in 2012, taking over the past year a number of important steps to fight the debt crisis.

In early March, leaders of 25 out of 27 EU countries (except Great Britain and the Czech Republic) have signed a pact on budget stability, aimed at ensuring a more rigorous financial discipline.

At the June summit a number of important for the euro zone and the entire Union decisions were adopted.

EU stabilization funds (temporary EFSF and permanent ESM to be started in July) were entitled to provide direct financial assistance to the European banks, including the direct capitalization.

This was the first step towards the creation of the banking union – a supranational body to supervise banks, guarantee the return of deposits and provide emergency assistance to banks.

In addition, it was agreed that the stabilization funds will use their resources to buy government bonds of troubled countries, replacing the Central Bank as a "lender of last resort."

Final plan for a bank union has already been approved at the October summit of EU leaders.

And the first step towards the creation of the union was the decision on the introduction of a single banking regulator the functions of which have been entrusted to the ECB, instead of merging the existing national regulators.

It is planned that in the future the responsibility of the ECB will also include the banks of the EU countries outside the euro zone.

But the most important step in the fight against the crisis, of course, was the September ECB decision about running OMT (Outright Monetary Transactions), under which the ECB will buy bonds of the euro zone countries from the market, without limits on the volume of purchases (!), to control the level of market rates.

Following this decision, the situation in the euro zone debt market has changed significantly.

Price of the bonds of troubled countries started increasing significantly, and the yield dropped accordingly, down to 4% on 10-year bonds of Italy and Ireland till the end of the year, of Spain - 5%, and of Portugal - 6%.

Despite the fact that the ECB has not made any purchases until the end of the year.

This is an example of how a statement on the possible measures made in the financial markets, essentially tied to psychology, could lead to the measure taking being not longer necessary.

It is just regrettable that the decision was taken only 2.5 years after the crisis began.

Already at the end of the year, the first operation of stabilization funds buying Greek securities from the market was held, which allowed, spending €10 billion, reduce the total Greek debt by €30 billion.

The success of this operation was spurred by already good growth of the Greek securities, and the yield on Greek 10-year ones has fallen by the end of the year to 11%, compared to a maximum of 31% reached in May.

And if the euro zone authorities succeed in all the plans, it is possible that the erosion of the crisis will be irreversible, and 2012 will be a turning point in the fight against the debt crisis in the eurozone.

US: QE1, QE2, QE3, QE4...?

Another hot topic in 2012 was the significant activity of the American FRS to stimulate the US economy and financial system.

Despite the fact that the US economic and financial systems functioned in 2012 much better than the European ones, the FRS, unlike the ECB, did not skimp on measures to support them.

So in June, the FRS decided to extend until the end of the year the programme "Twist", under which short treasuries were sold and long treasuries were bought to keep long-term rates low.

In September, a week after the ECB "strong move" of launching OMT, the FRS made QE3 move.

Under the new programme of quantitative easing, the FRS decided to buy mortgage-backed bonds (MBS) for $40 billion per month, without limiting (!) the time of purchases.

In addition, at the FRS meeting in September, it was decided to extend the period of zero rates from 2014 to mid-2015.

But this was not enough for the US central bank.

At the end of the last year, the FRS took another aggressive step to ease monetary policy, replacing "Twist" with unlimited buying of long-term US bonds for $45 billion per month.

In fact, it can be considered the beginning of QE4, as unlike "Twist," the new programme increases the FRS balance sheet. Along with QE3 started in September, two programmes will increase the FRS balance sheet by $85 billion monthly.

Under QE1 and QE2 the FRS have bought the mortgage and government bonds worth (read: printed) $2.4 billion over the past 4 years, bringing its balance sheet to $2.9 trillion from $900 billion in August 2008.

After the launch of new programmes in September and December 2012, the FRS balance sheet could rise to "exorbitant" $4 trillion till the end of 2013!

Officially, the main purpose of the taken measures is to stimulate economic growth, which is at low levels and could further decrease (up to the recession) in 2013 due to the "fiscal cliff."

However, it seems that an equally important goal of these measures is to maintain a "swollen" public debt market and prevent the debt crisis of the Greek type.

As well as to protect the entire US financial system, "heavily battered" by the global financial crisis of 2008-2009, against a possible repeat of this crisis.

What would be the future consequences for America and the world economic and financial system of this sharp increase of the dollar monetary base (the main global reserve currency), is difficult to understand.

There were no such "experiments" made during the lifetime of the current financial and economic relations.

What is clear is that described in all the economic books apocalyptic consequences of such monetary policy in the form of hyperinflation and a sharp devaluation have not yet come true.

This suggests that the current global financial system based on Jamaican currency system is more complex and "tenacious" than known economic theories.

But the American experience, in comparison with the experience of Europe, shows that this monetary policy can yield positive results without destabilizing the system.

However, this does not exclude that in the future the consequences of such a policy can be very negative and eventually trigger a new large-scale systemic crisis.

Global stock market

In accordance with the change of "scenery" around the global stock market, positive and negative attitudes of the participants alternated there, but in the second half of the year optimism clearly prevailed. As a result, all the world's leading stock indexes monitored by us closed 2012 with an increase, while for the German DAX it was the best year after the crisis of 2008-2009 (see Table 2). Moreover, two indexes of our list – the Mexican IPC and South African TOP40 – even managed to reach new historical highs in 2012.

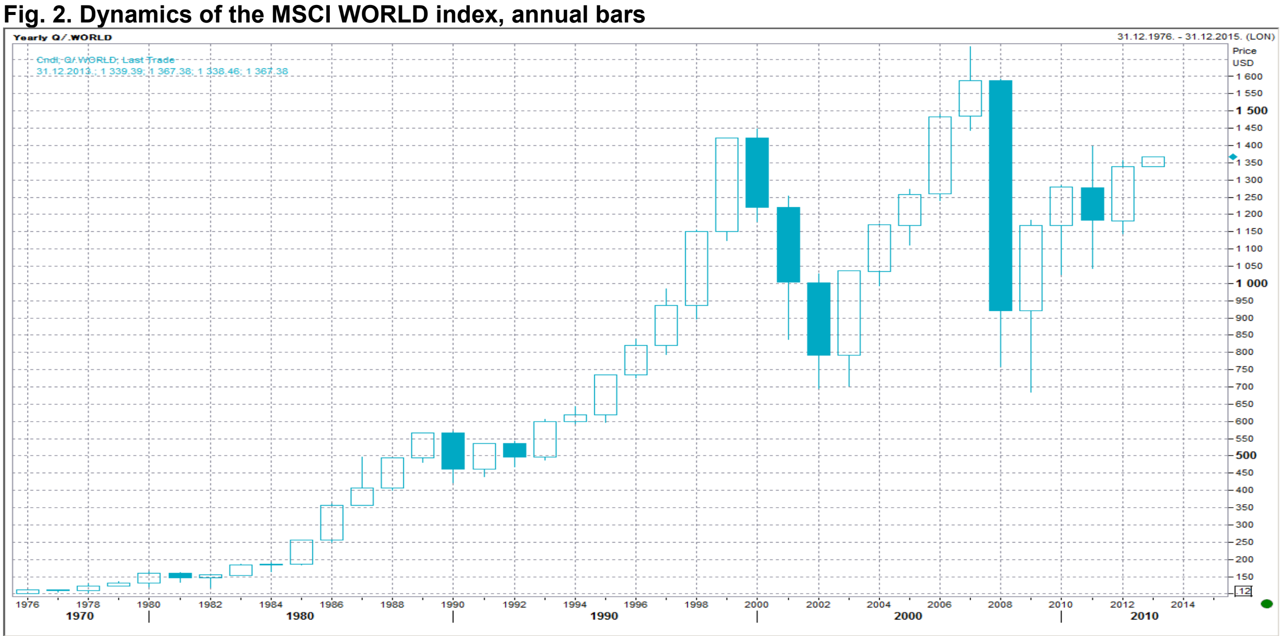
Table 2. The dynamics of movements of several leading world stock market indexes

Stock index	P/E	Div.Yeld	2003-2007	2008	2009	2010	2011	December 2012	2012
DJI (USA)	12.7	2.6	59.0%	-33.8%	18.8%	11.0%	5.5%	0.6%	7.3%
S&P 500 (USA)	14.3	2.1	66.9%	-38.5%	23.5%	12.7%	0.0%	0.7%	13.4%
Nasdaq Comp. (USA)	16.1	1.2	98.6%	-40.5%	43.9%	16.9%	-1.8%	0.3%	15.9%
GDAX (Germany)	13.8	3.6	178.9%	-40.4%	23.8%	16.1%	-14.7%	2.8%	29.1%
FTSE (UK)	13.4	4.2	61.5%	-31.0%	23.2%	9.0%	-5.6%	0.5%	5.8%
CAC (France)	12	4.1	83.2%	-42.7%	22.3%	-3.4%	-17.0%	2.2%	15.3%
N225 (Japan)	23.2	2.3	78.4%	-42.1%	19.0%	-3.0%	-17.3%	10.0%	22.9%
RTS (Russia)	5.7	3.7	537.9%	-72.4%	128.6%	22.5%	-22.0%	6.5%	10.9%
MICEX (Russia)	5.8	3.5	492.3%	-67.2%	121.1%	23.2%	-16.9%	5.1%	5.3%
SSEC (China)	11.6	2.7	287.4%	-65.4%	80.0%	-14.3%	-21.7%	14.6%	3.2%
HSI (Hong Kong)	10.9	3.3	198.4%	-48.3%	52.0%	5.3%	-20.0%	2.8%	22.9%
KOSPI (Korea)	25.4	1.4	202.3%	-40.7%	49.7%	21.9%	-11.0%	3.4%	9.4%
TWII (Taiwan)	24.1	3.8	91.0%	-46.0%	78.3%	9.6%	-21.2%	1.6%	8.9%
SENSEX (India)	15.7	1.5	500.7%	-52.4%	81.0%	17.4%	-24.6%	0.4%	25.7%
BOVESPA (Brazil)	18.6	4.4	467.0%	-41.2%	82.7%	1.0%	-18.1%	6.1%	7.4%
IPC (Mexico)	18.1	1.5	382.1%	-24.2%	43.5%	20.0%	-3.8%	4.5%	17.9%
TOP40 (South Africa)	13.9	3.2	202.4%	-25.9%	28.6%	14.6%	-0.6%	2.7%	22.2%
MSCI WD (world)			100.6%	-42.1%	27.0%	9.6%	-7.7%	1.7%	13.2%
MSCI EM (emerging)			326.6%	-54.5%	74.4%	16.4%	-20.4%	4.8%	15.2%

Source: Thomson Reuters, Bloomberg, ABLV Bank

The rise in prices on the world MSCI World index for the year was 13.2, which is almost double its fall in 2011 by 7.7% (see Fig. 2).

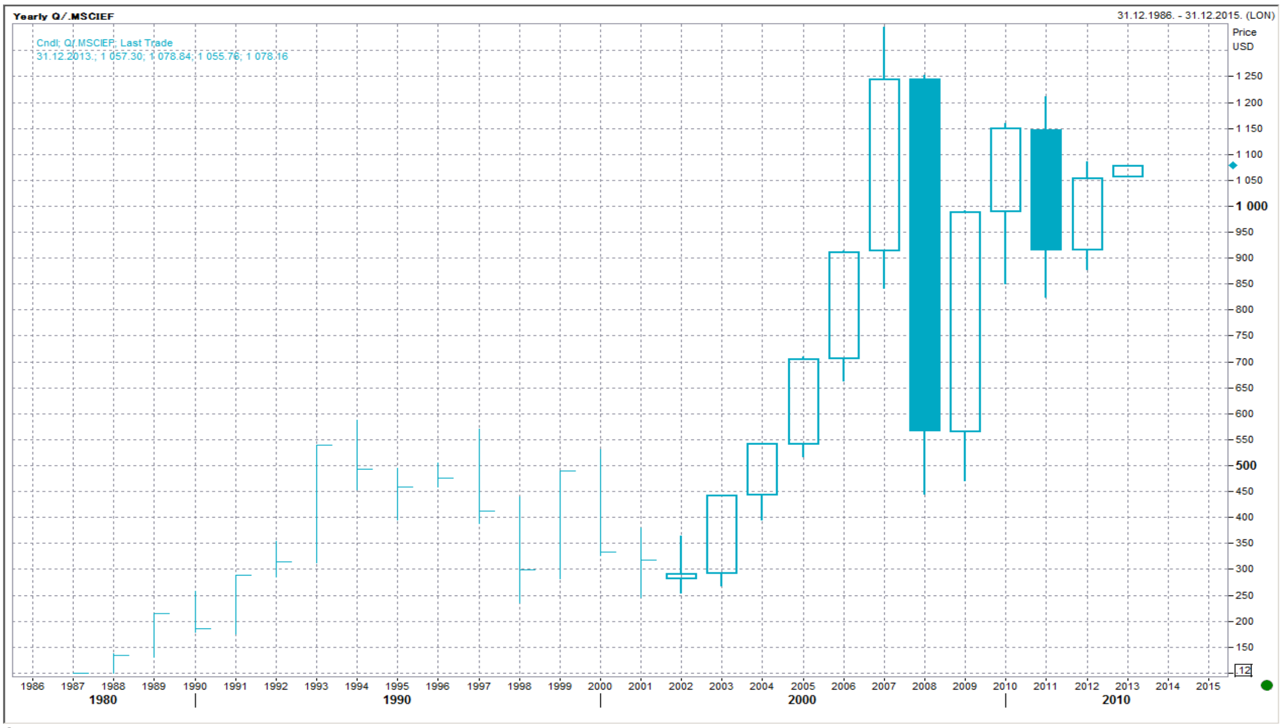
Fig. 2. Dynamics of the MSCI WORLD index, annual bars



Source: Thomson Reuters

Rising prices of developing countries index MSCI EM was slightly more significant: 15.2%, but this is less than the fall of the index in 2011 by 20.4% (see Fig. 3).

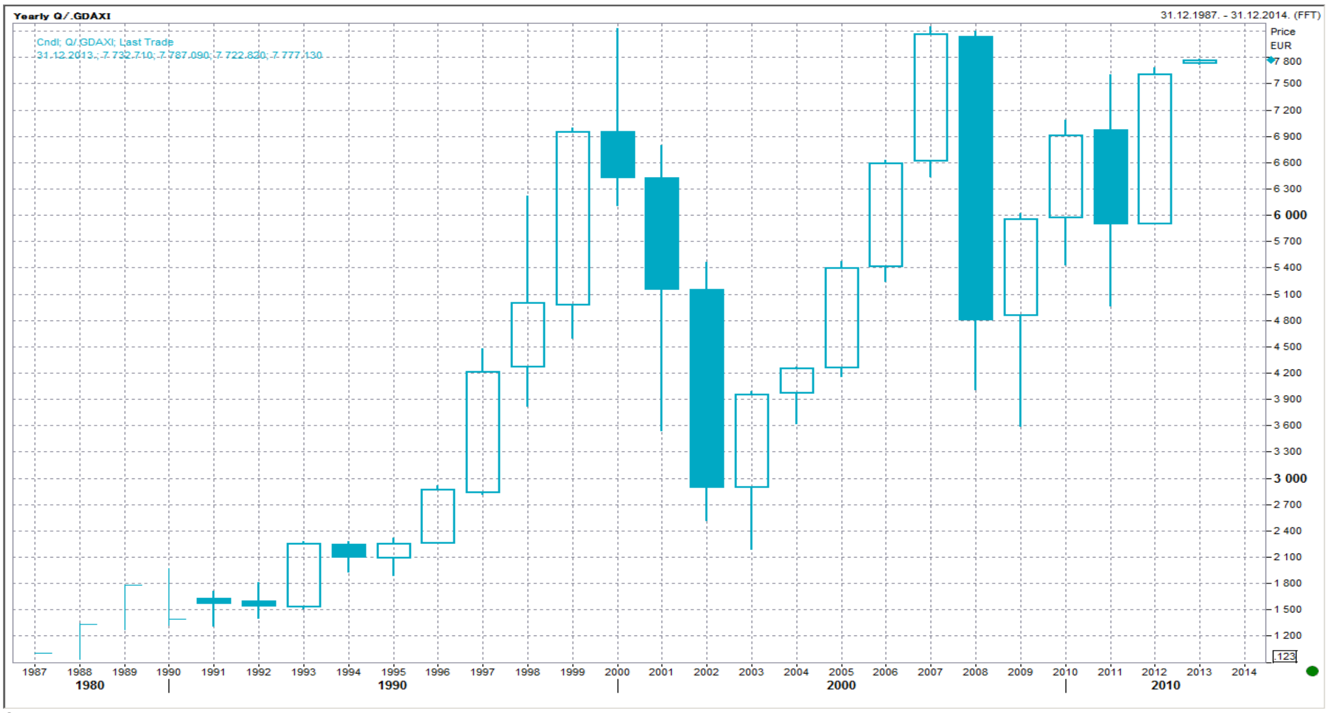
Fig. 3. Dynamics of the MSCI EMERGING MARKETS index, annual bars



Source: Thomson Reuters

The highest growth among all indexes monitored by us was shown by the German DAX, which grew by 29.1% (see Fig. 4), which was the highest annual index growth after the crisis in 2008.

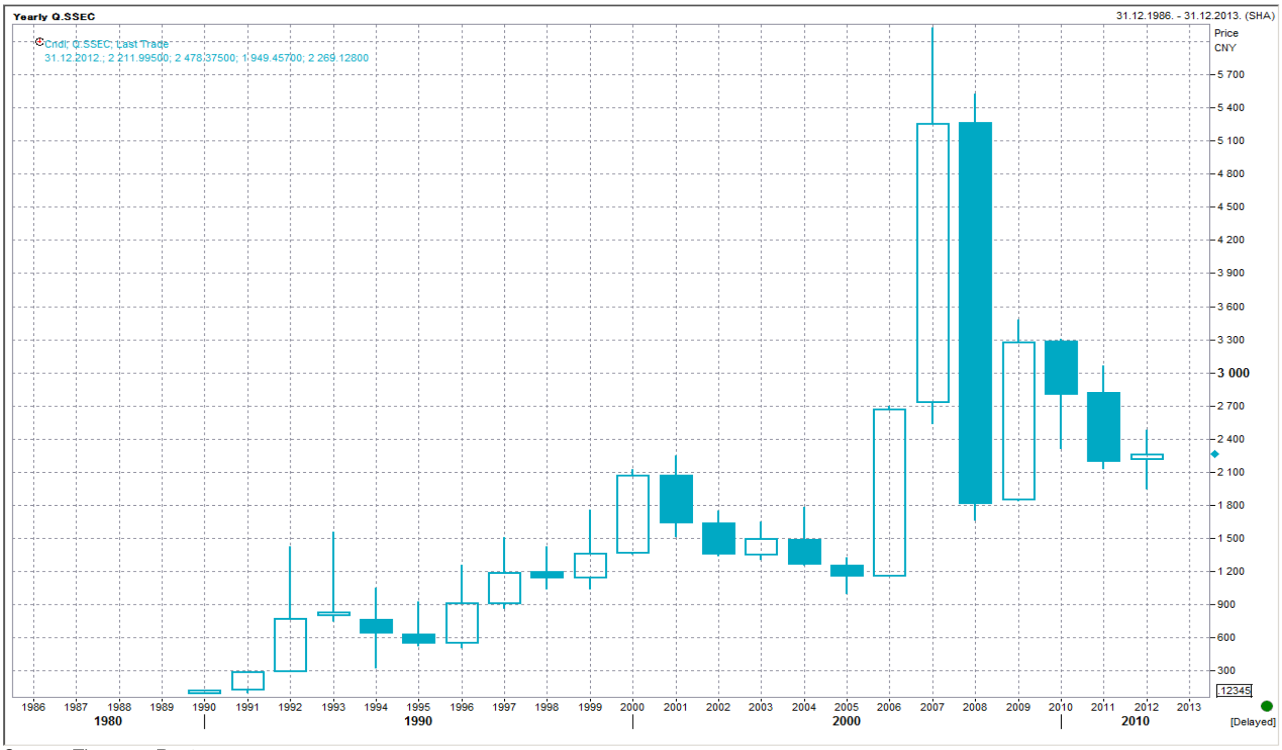
Fig. 4. Dynamics of DAX index, annual bars



Source: Thomson Reuters

The worst dynamics in 2012 among the leading indexes monitored by us was demonstrated by China's SSEC, which grew just by 3.2% over the year (see Fig. 5).

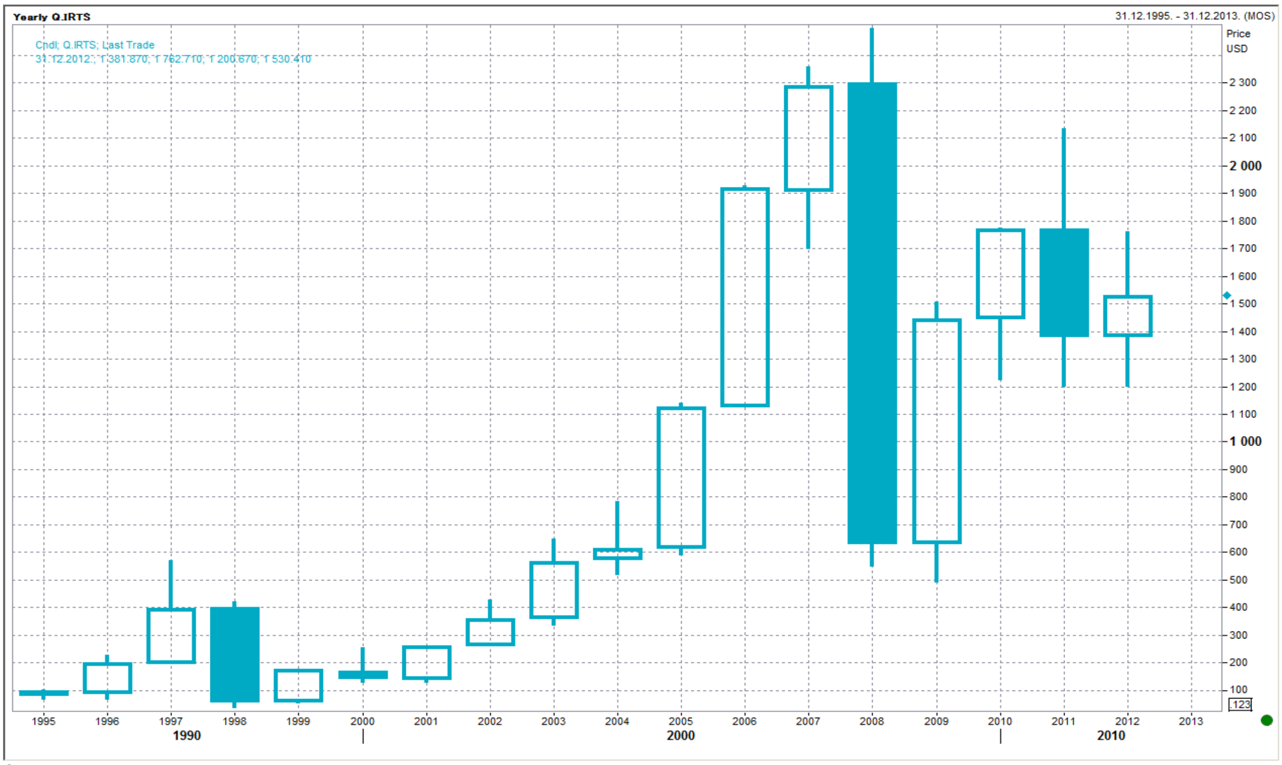
Fig. 5. Dynamics of SSEC index, annual bars



Source: Thomson Reuters

Russia's RTS showed in 2012 the "average" dynamics, rising by 11% (see Fig. 6). But half of this increase was ensured by growth of the rouble against the dollar, and the rouble index of the Russian market MICEX rose for the year by 5.3%, the worst figure after the Chinese SSEC.

Fig. 6. Dynamics of RTS index, annual bars



Source: Thomson Reuters

Our assessment of future scenarios

Adopted by the FRS and the ECB in late 2012 "money printing" programmes will provide good support to the market, and it is likely that the stock market will continue to increase in 2013.

The highest growth could be demonstrated by Chinese and Russian stock markets. The former showed a significant lag in growth in 2012, which makes it attractive to buy.

The latter, which has also showed weak dynamics in 2012, remains the "cheapest" among the leading markets. P/E index of Russian companies on average is below 6, while in developed Europe and America the same ranges from 12 to 16.

However, there remains the possibility of resumed negative trends – for example in case of failure to solve the problem of the fiscal cliff, or a stronger-than-expected fall in economic growth.

Therefore, we recommend to continue to adhere to the stock purchase strategy proposed by us in 2011, which proved to be successful in 2012, choosing "strong" companies (or indexes) with low P/E and high dividend payouts Div. Yeld (see table).

The high level of dividends will allow investors to outwait the period of negative trends returning to the market, receiving a steady cash flow, which exceeds coupon yield on government bonds of the leading countries.

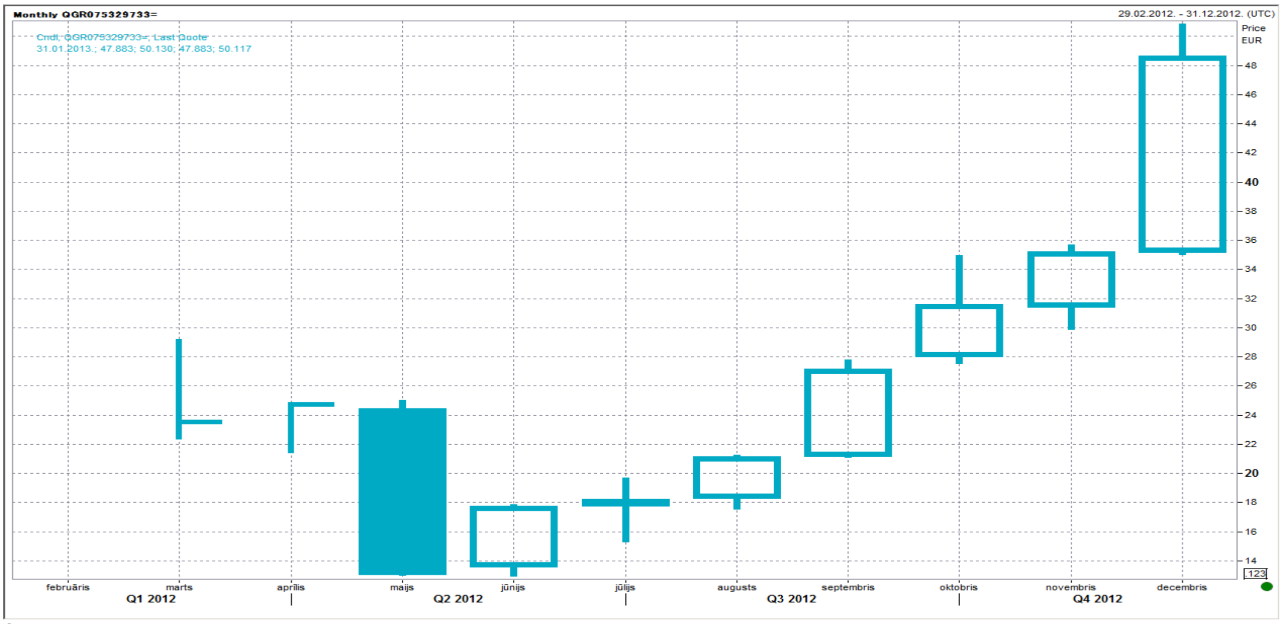
But if steady increase in prices is continued, the investors will gain extra yield from increase in stock prices.

Global bond market

In the bond market, the year was also full of events, especially in the PIIGS sector, where restructuring and buyout of Greek bonds was performed in March and December, and in June the yield on Spanish 10-year ones reached almost 8%.

Here, mainly due to the decision of the ECB, strong positive trends prevailed at the end of the year.
In addition, the price of Greek 10-year securities since restructuring in March has doubled and tripled from the May lows (see Fig. 7)! Growth in 10-year bonds of Portugal for the year was 60%!

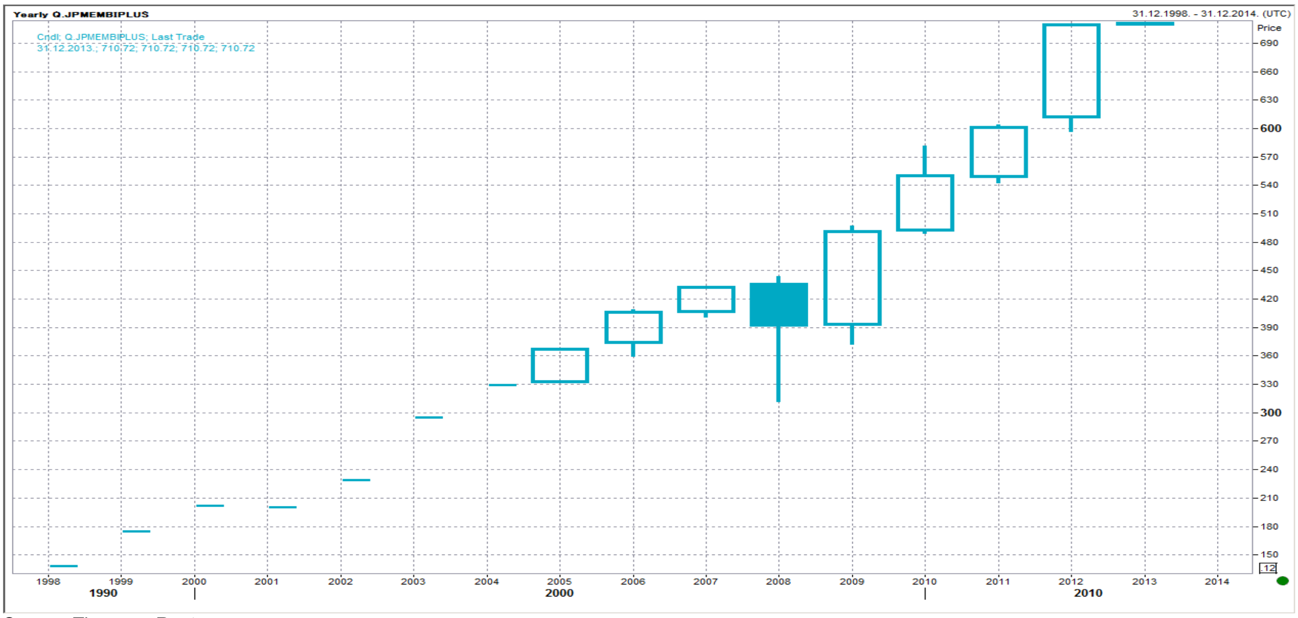
Fig. 7. Dynamics of prices on 10-year Greek bonds, monthly bars



Source: Thomson Reuters

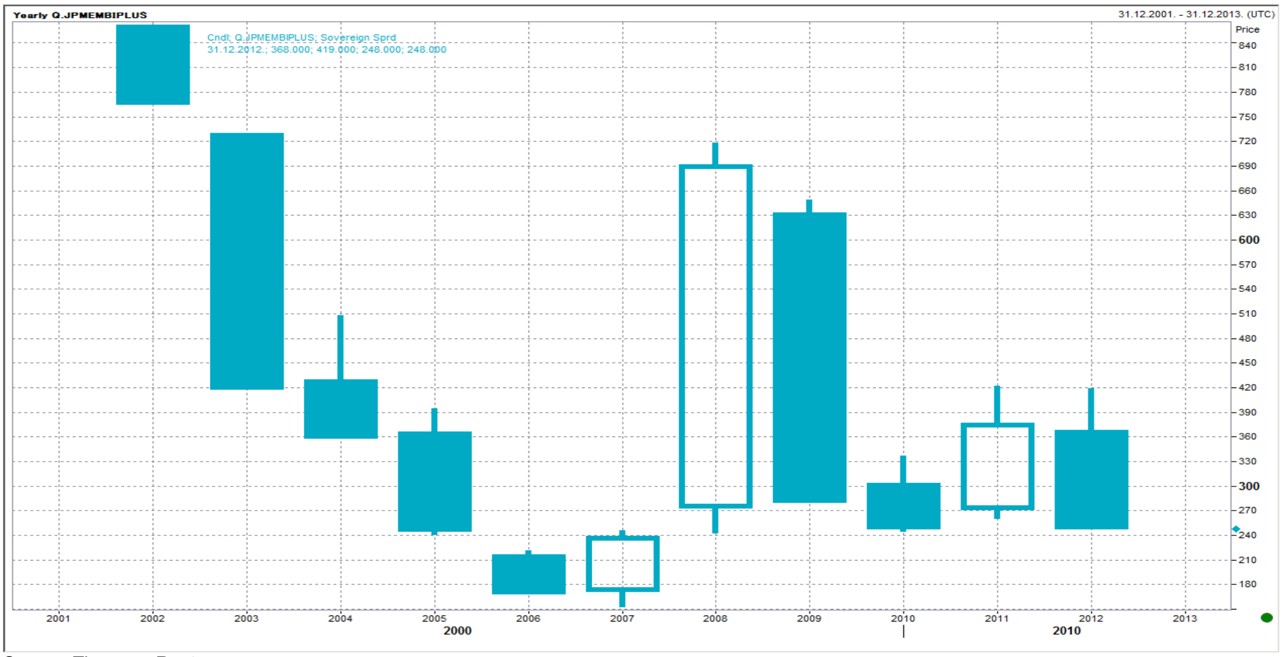
In the sector of emerging bonds market, the year was also very volatile, with the rise and fall of prices, but the overall result of the EMBI+ index was strong growth by 18%, reducing the spread to treasuries from 3.8% to 2.5% (see Fig. 8, 9).

Fig. 8. Dynamics of EMBI+ index, annual bars



Source: Thomson Reuters

Fig. 9. Dynamics of EMBI+ index spread, annual bars



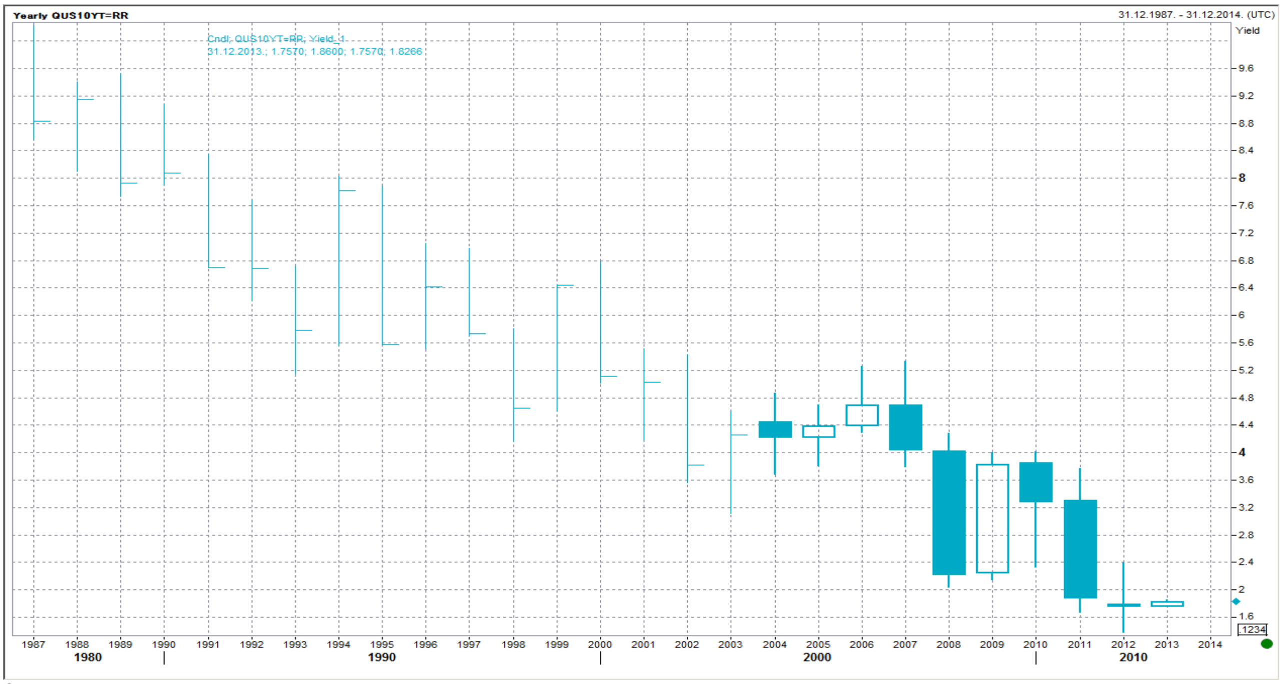
Source: Thomson Reuters

In the corporate sector of emerging markets, growth was less substantial, and CEMBI index grew by 15% over the year, reducing the spread to treasuries to 3.2%.

In the sector of safe haven – US and German bonds – the first half of the year, given the crisis growth, there was a substantial rise in prices, and yields on 10-year securities established their historic lows.

But in the second half of the year, the trends split, and the American securities began to fall slightly, closing the year almost at the level of opening (despite QE3 and QE4!). While their yield still fell from 1.88% to 1.77% (see Fig. 10).

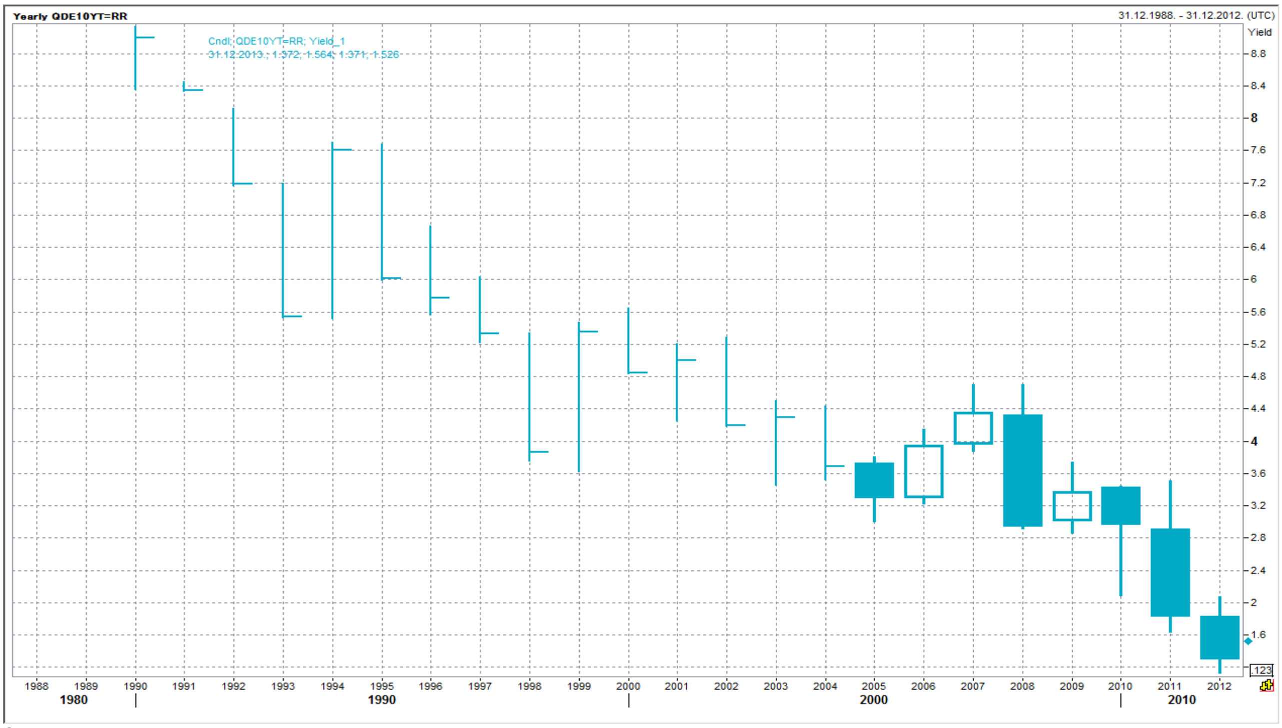
Fig. 10. Yield dynamics of the US 10-year government bonds, annual bars



Source: Thomson Reuters

German securities continued to rise in the second half of the year, and as a result of annual growth return on 10-year German bunds fell in 2012 from 1.8% to 1.3% (see Fig. 11).

Fig. 11. Yield dynamics of the German 10-year government bonds, annual bars



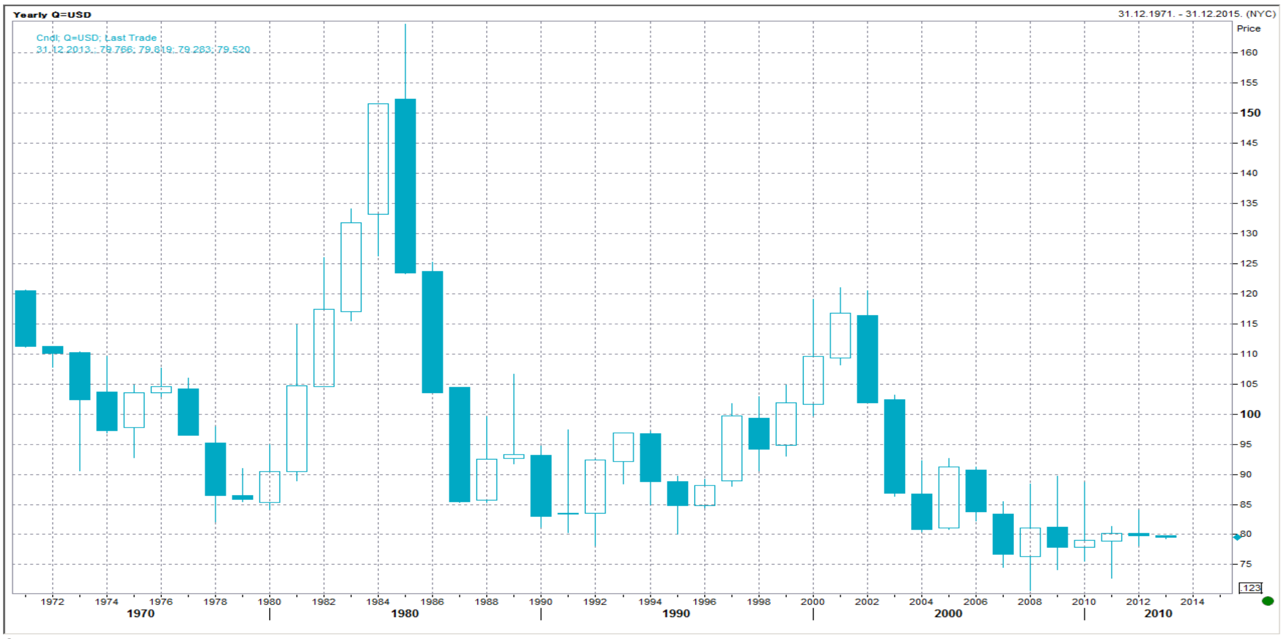
Source: Thomson Reuters

Global currency market

In the currency market, the year was also very volatile in the sector of both developed and developing currencies, where, during the May crisis, there was another sharp fall against the dollar.

However, according to the aggregate results, the changes in the levels of conversion were minor, with annual dollar index falling by just 0.6% (see Fig. 12).

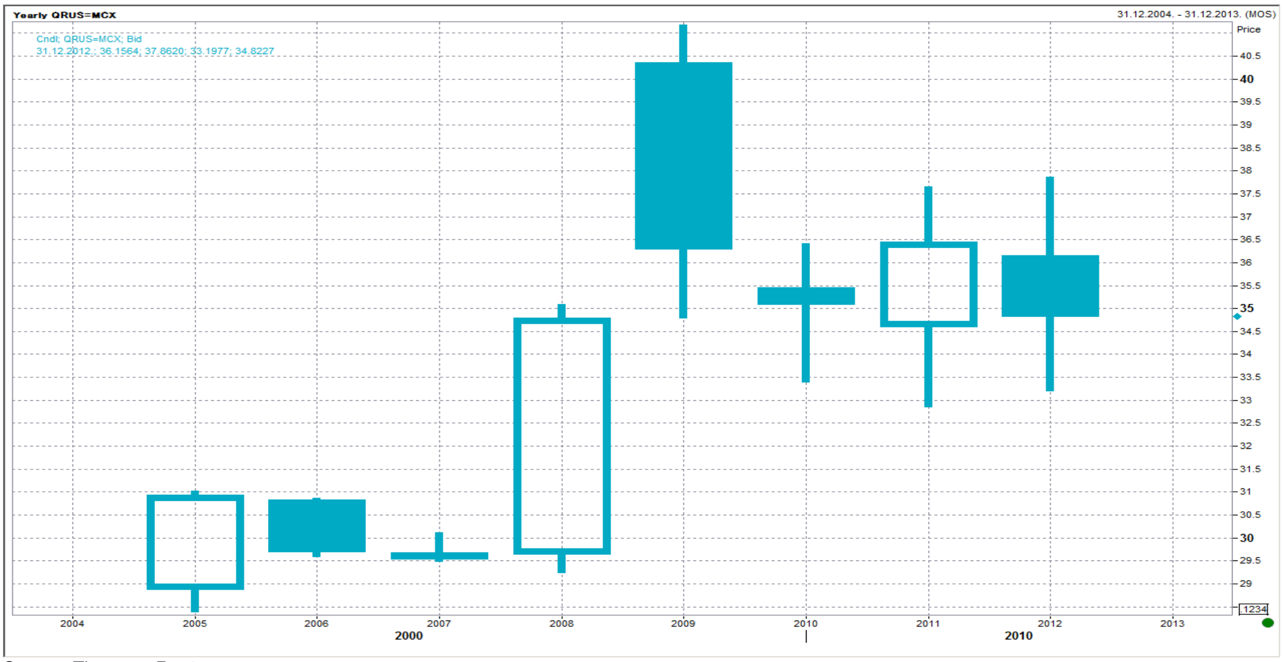
Fig. 12. Dollar index dynamics, annual bars



Source: Thomson Reuters

Russian rouble, due to the May crisis, also showed a significant drop against the dollar, but by the end of the year managed to compensate it, growing against the dollar by 5% over the year. The growth of the rouble to the euro-dollar basket was 4.5% for the year (see Fig. 13).

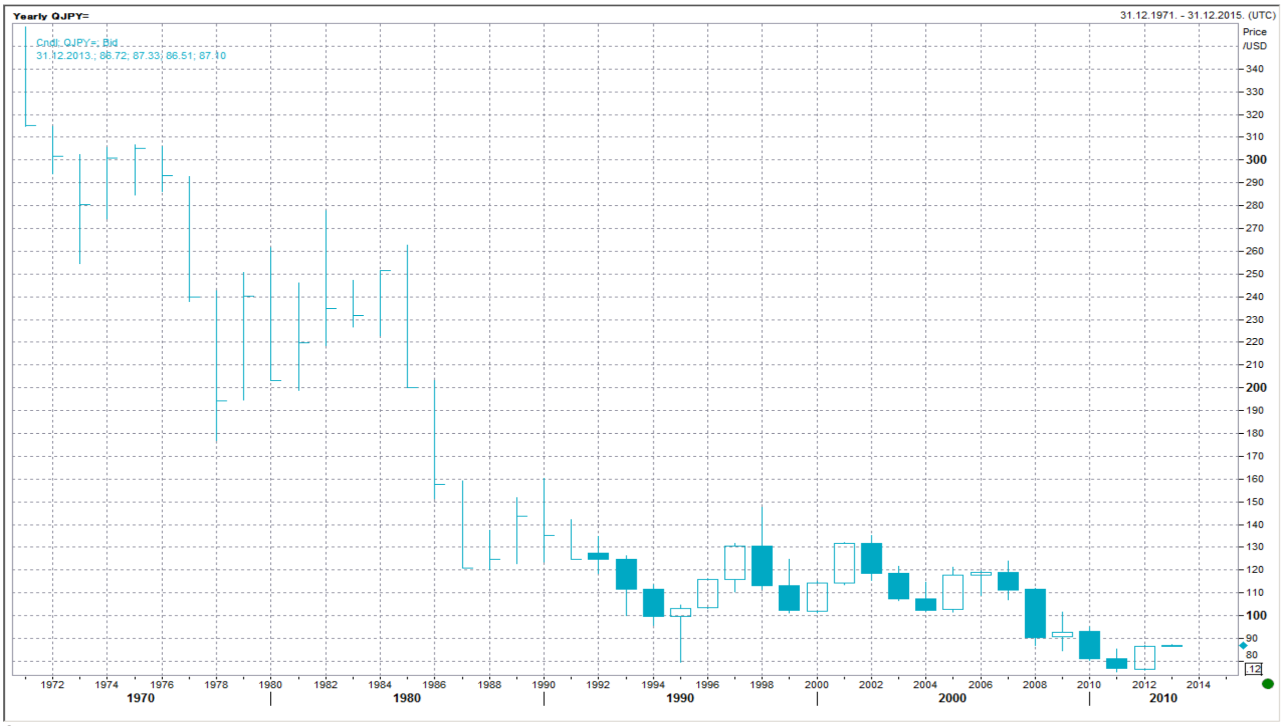
Fig. 13. Dynamics of the Russian rouble to euro-dollar basket, annual bars



Source: Thomson Reuters

The exception to the calmer markets of developed currencies was the dollar/yen market, where a significant increase of the dollar appeared at the end of the year, resulting in the dollar growth by 13.5% for the year (see Fig. 14). In this market another players' attempt to change the yen long-term growth trend with the long-term drop trend is made.

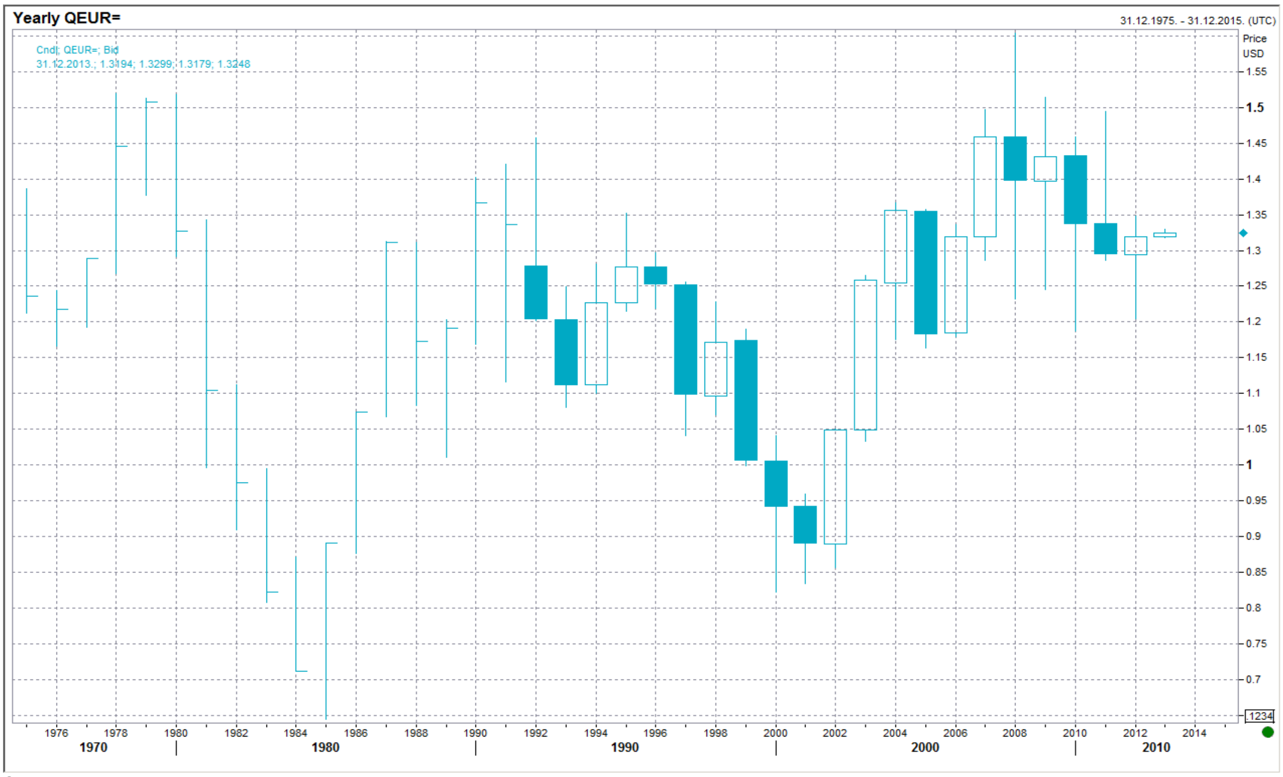
Fig. 14. Dynamics of the dollar against yen, annual bars



Source: Thomson Reuters

As for the main rival of the dollar – the euro, during the first six months, the euro was falling, coming close to the level of 1.20 in July. However, alongside weakening of the debt crisis in the euro zone, the trend was reversed, and the euro closed the year rising against the dollar by 1.9% near the level of 1.32 (see Fig. 15).

Fig. 15. Dynamics of euro against dollar, annual bars



Source: Thomson Reuters

Our assessment of future scenarios

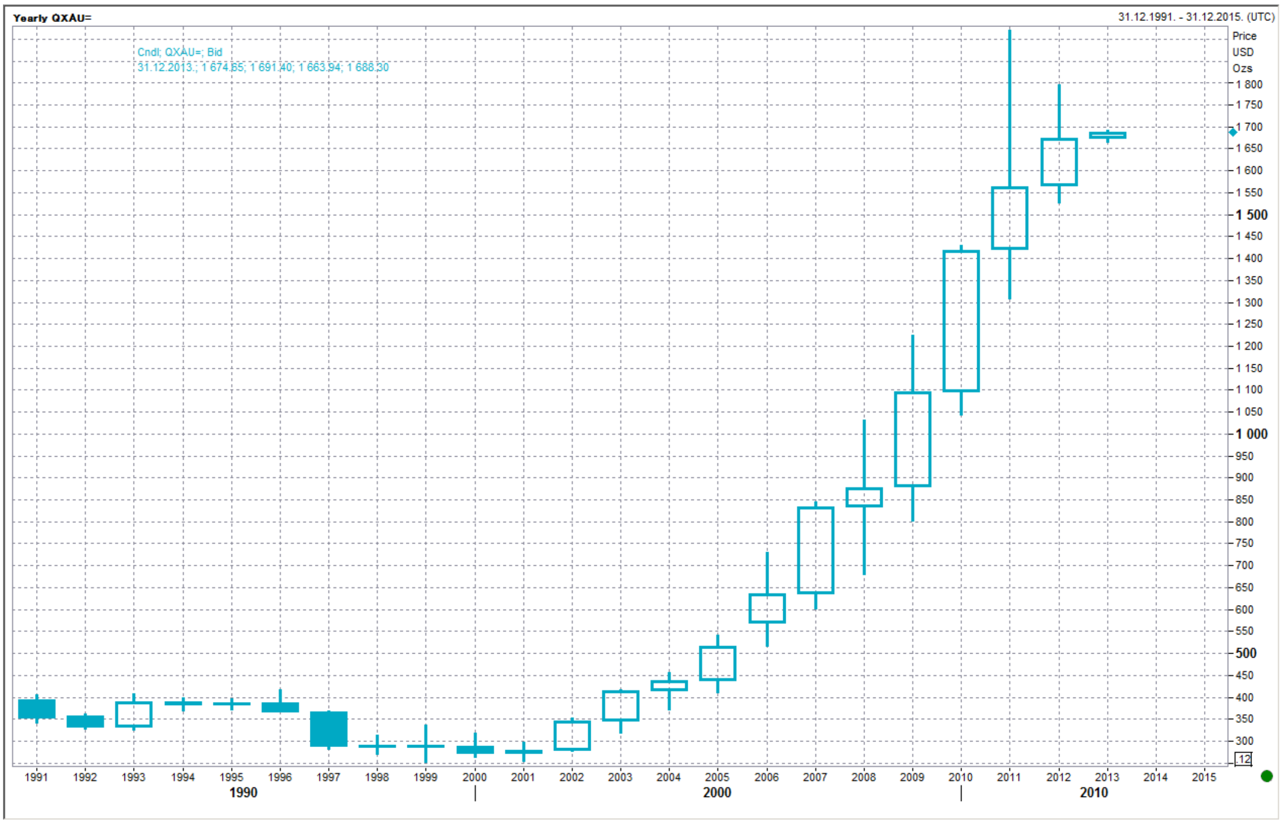
Our main scenario for the euro-dollar market remains unchanged. According to this scenario, the dollar minimum reached in July 2008 at the level of 1.6040 EUR/USD, is the end point of the long-term trend of the dollar falling against euro and the beginning of the trend for its long-term growth.

Consequently, we do not change our fundamental outlook for the market, according to which exchange of the euro to the dollar will fall to parity-close levels (1 EUR/USD) in the following years.

Gold

Gold in 2012 demonstrated less volatile trading, than in previous years, rising by "modest" 7% (see Fig. 16).

Fig. 16. Dynamics of the gold prices, annual bars



Source: Thomson Reuters

Our assessment of future scenarios

However, given the strength of the growth trend in 2004-2011, it is still very likely that prices will continue to grow, reaching the level of $2000-$2500 per ounce. From a technical point of view, the current growth trend can be considered active until support zone of $1400-$1500 is not broken.

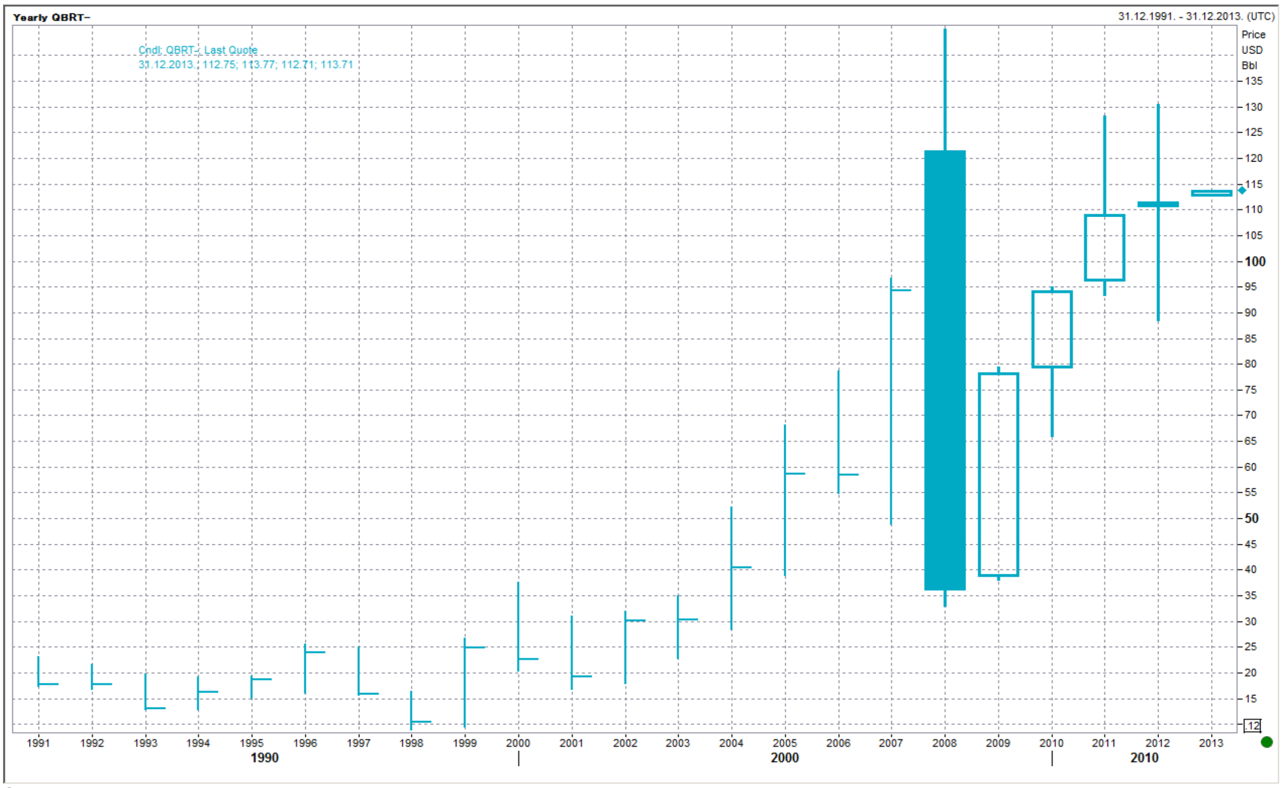
But it should be noted that the movement in gold prices in recent years is strikingly speculative, and prices are unlikely to remain at high levels for long periods of time. Later, we are likely to see a rapid fall in prices, often observed in other speculative bubbles. Of course, it is possible that prices do not go back to previous levels of $300-$400 per ounce, but return to levels near $1000 is very likely.

A possible signal for the bubble break can be a sharp rise in prices for a short time, similar to the silver price movements in February-April 2011.

Oil

In the oil market, the year 2012 was more volatile than 2011, and the price of a barrel of Brent oil dropped to $90 and rose to $130 during the year, but closed the year near the level of $112, only 2% above the close of 2011 (see Fig. 17).

Fig. 17. Brent price dynamics, annual bars



Source: Thomson Reuters

Our assessment of future scenarios

According to our forecasts, price of oil in 2013 will mostly continue lateral movement in a wide range of $100 - $120 per barrel. And is more likely to break the lower level of this range, with prices going below $100 per barrel.

Review information

This review is supposed to be for information only and cannot be treated as investment advice, investment research, or a consultation on investment.

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