PICTET

PICTET WEALTH MANAGEMENT

# US macro update

## Remarkable resilience so far but headwinds ahead

AUTHOR
XIAO CUI
xcui@pictet.com

FLASH NOTE

30 AUGUST 2023, CIO OFFICE & MACRO RESEARCH


### SUMMARY

- The US economy has proven remarkably resilient to rate hikes, and the third quarter is on track to post strong growth. **Interest rate sensitivity seems to be rather low and lags to monetary policy tightening seem to be longer than previous cycles** – households and businesses termed out their debt aggressively during the era of zero lower bound. Additionally, fiscal stimulus provided significant buffers to absorb income shocks. The labor market rebalancing has come primarily through fewer openings instead of higher unemployment, keeping labor income robust.
- But with the policy rate set to stay elevated and inflation having decelerated, **real rates will become increasingly restrictive**. Lags from monetary policy tightening could be long-lasting, and we now see **the economy decelerate in Q4 and tip into a shallow contraction in 2024, delayed from Q3**. We still expect credit tightening to slow cyclical spending, and we see diminishing tailwinds and upcoming headwinds to consumers and firms' finances. **We are therefore raising our 2023 real GDP growth forecast to 2.1% YoY from 1.6% and expect growth to average 0.4% in 2024**.
- **The FOMC** is on track to leave rates unchanged in September and recent signs of disinflation and moderating job gains raise the odds of 5.25-5.50% being the terminal rate. Guidance will remain hawkish to prevent aggressive cuts pricing, but political pressures next year could mount for the central bank to ease policy at the first sign of economic weakness. We do not expect rate cuts or changes to quantitative tightening (QT) this year and see the first rate cut at the end of Q2 2024.

## WHY HAS THE ECONOMY BEEN REMARKABLY RESILIENT TO HIGHER RATES?

**In dramatic fashion, the consensus GDP forecast has shifted from a sure recession to a soft landing**. In our view, a recession is typically caused by an unforecastable exogenous shock, exacerbated by unhealthy finances or excesses in parts of the economy. Coming out of the pandemic, several factors have led to robust balance sheets among households and businesses, helping to extend the expansion.

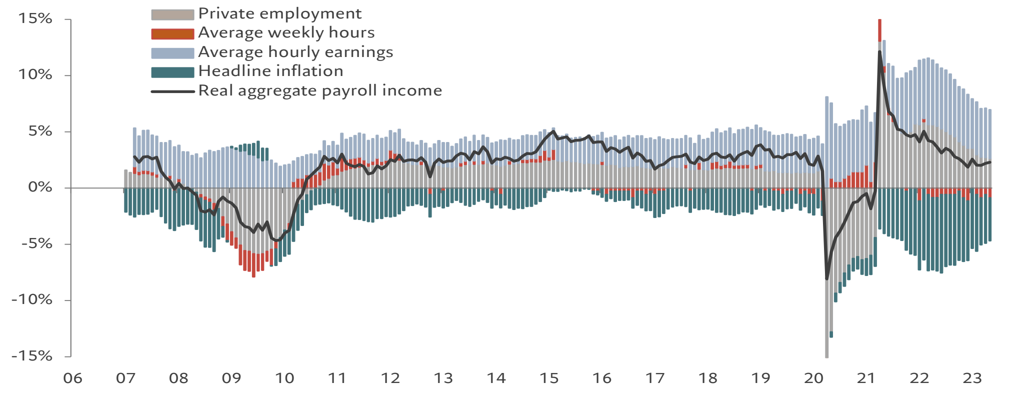
First, the pandemic created unprecedented tightness in the labor market, and **labor demand is normalizing so far through fewer job openings instead of employment reduction**. As a result, both nominal and real labor income are growing at a rate near their pre-pandemic averages, as jobs gains and strong wage growth have supported overall labor income, despite a drop in hours worked (chart 1).

Second, households and businesses **termed out their debt and refinanced aggressively during the era of ultralow interest rates**, significantly dampening the impact of rising policy rates. Take mortgages for example. The 30y mortgage rate has risen sharply from just below 3% to a cycle high of 7.5%, yet the effective rate on existing mortgages, the majority of which have fixed rate, has only risen slightly to 3.6% (chart 2). Thus monetary tightening is effective in discouraging the marginal borrower, but not quickly transmitted to rising financial burdens for existing homeowners. Similarly, business net interest payment has trended lower as firms extended the maturity of their debt and boosted fixed-rate borrowing at low rates during the pandemic (chart 3).

Third, **generous stimulus checks** during the pandemic created large excess savings for consumers, and household net worth (financial and real estate assets) is sitting close to its historic high. Various **fiscal infrastructure spending packages** (IRA, CHIPS, IIJA) aimed at semiconductor and green energy projects have also provided a small boost to otherwise lacklustre construction spending, lifting overall business capex despite depressed PMIs.

We have therefore revised up our H2 growth forecast from contraction to moderate growth, as the above-mentioned factors could support the cycle for longer than previously expected. The upgrade was mainly driven by stronger consumption, and less drag from investment and inventories.

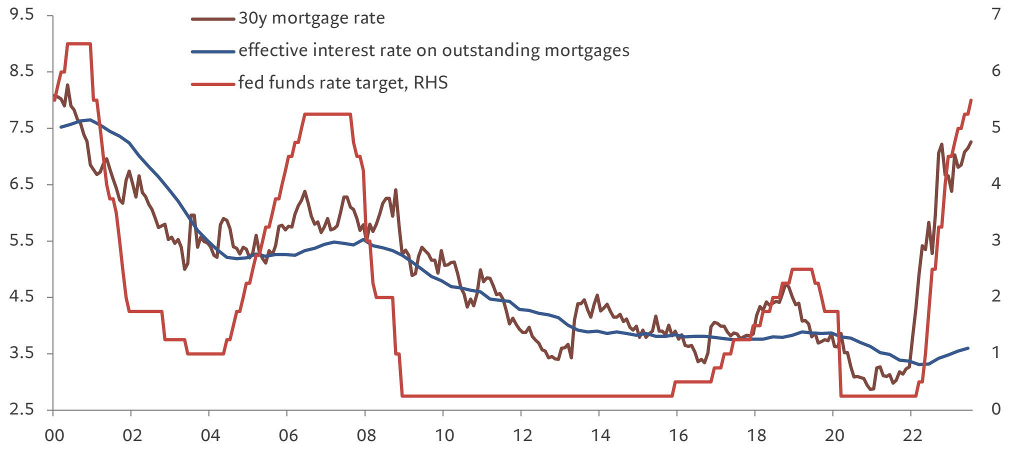
**Chart 1: contribution to real labor income growth, YoY%**




Source: Pictet Wealth Management, BLS, BEA, as of 30.08.2023

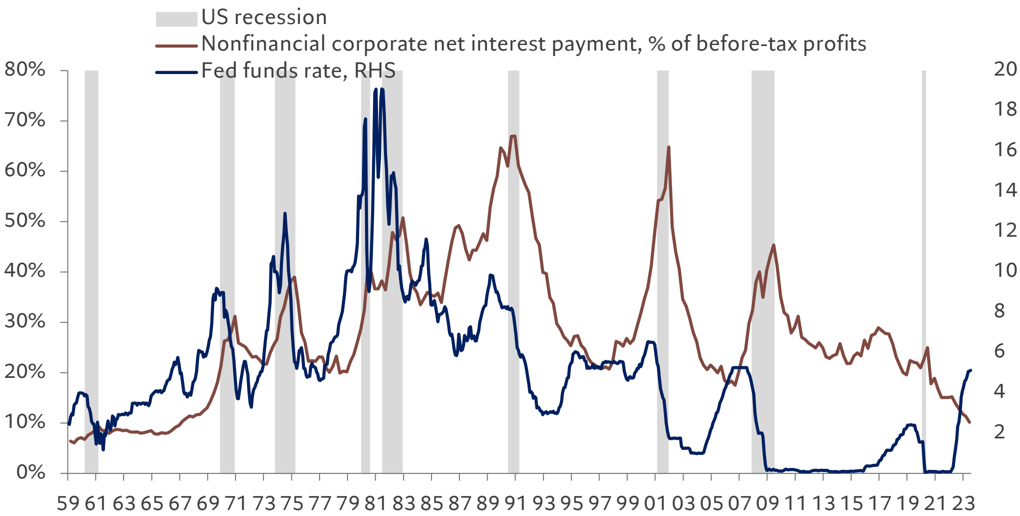
*For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved.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

**Chart 2: actual vs. effective mortgage rate**




Source: Pictet Wealth Management, FRB, BEA, MBA, as of 30.08.2023

**Chart 3: business net interest payment has trended lower with more fixed debt at longer maturities and lower rates, dampening the impact of monetary tightening**




Source: Pictet Wealth Management, BEA, FRB, as of 30.08.2023

## HOW LONG CAN THIS RESILIENCE LAST?

Estimates of monetary policy lags are wide ranging, but we side with Chair Powell's recent assessment at Jackson Hole that there may be **significant further drag** in the pipeline from policy tightening.

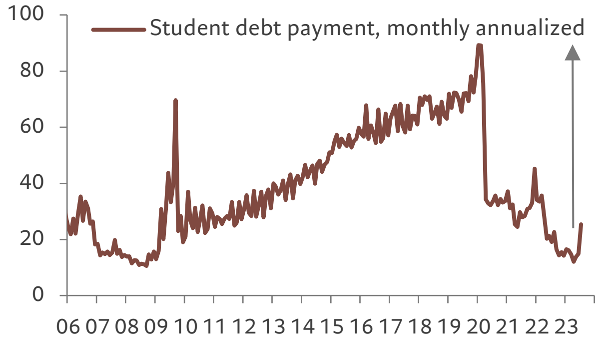
With the policy rate set to stay elevated and inflation having decelerated, **real rates will become increasingly restrictive**. We expect the economy to decelerate in Q4 and tip into a mild contraction in H1 2024. The cyclical sectors, including goods consumption and business investment, should continue to underperform, while services spending should decelerate (but remain positive) as the labor market slows.

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

**Many of the factors underpinning recent resilience are deteriorating as time passes.** Excess savings from the pandemic are being spent down and are on track to be depleted in Q4. Moreover, student debt payments, which had been on hold since March 2020, are set to resume in October (chart 4), bringing a negative cash flow shock worth around 0.3%-0.5% of disposable income. There is a one-year grace period where missed payments won't be marked delinquent (interest will still accrue), thus the pullback in discretionary spending could be moderate (around 0.2-0.3% hit to consumption).

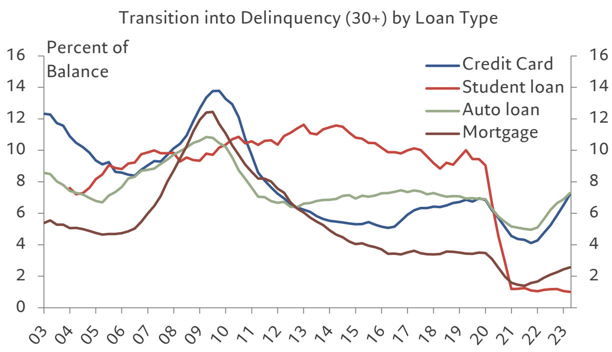
**We expect labor income growth to decelerate** as demand normalizes and hiring slows, providing much less support to consumption. **Lower income households are already showing some financial stress -** delinquency rates for credit cards and auto loans are approaching pre-pandemic highs (chart 5). Consumer debt service burdens should keep rising as elevated rates continue to pass through to borrowers.

**Chart 4: Student debt payment resumption will be a negative cash flow shock starting October**




Source: Pictet Wealth Management, Treasury, as of 30.08.2023

**Chart 5: Delinquency rates are approaching pre-pandemic highs for credit cards and auto loans**



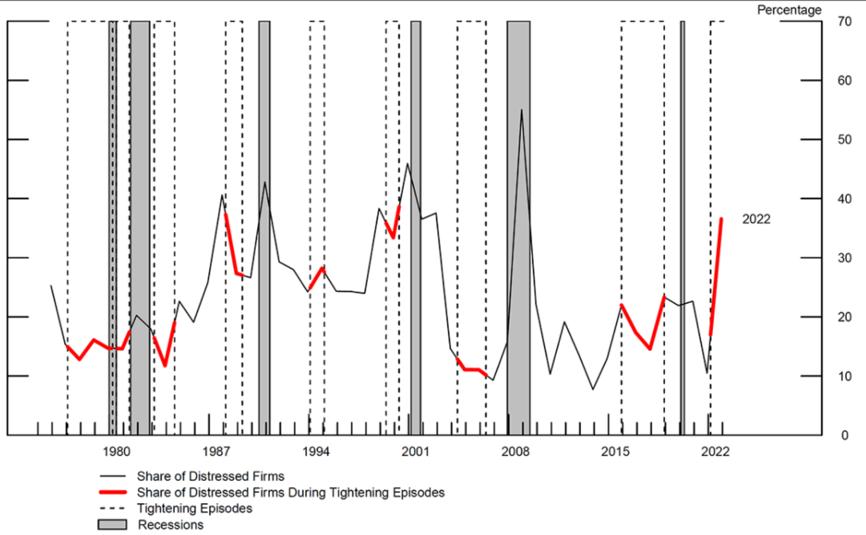

Source: Pictet Wealth Management, NY Fed, as of 30.08.2023

Banks continue to report tightening lending standards, and **loan growth has slowed visibly for businesses**. A recent [research paper from the Fed] showed the current share of distressed firms is higher than during most previous tightening episodes (chart 6), and investment and employment at such distressed firms should contract significantly in response to tightening monetary policy, usually with a lag of one to two years. Similarly, [another Fed paper] found that firms' interest expenses will rise in coming months even absent any additional rate hikes, negatively impacting capex and labor demand.

Although the worst contraction for the **most rate-sensitive sectors**, housing and commercial real estate, might be behind us (both home prices and CRE prices have seemingly troughed), **we don't expect a meaningful growth rebound** as interest rates stay restrictive. Similarly, inventory destocking may be less of a drag going forward, but capex intensions remain low and manufacturing PMIs remain in contractionary territory, arguing against a meaningful pickup in factory output. The leading economic index, which focuses heavily on the goods sector, remains in deep contractionary territory. The rolling recession might just live on.

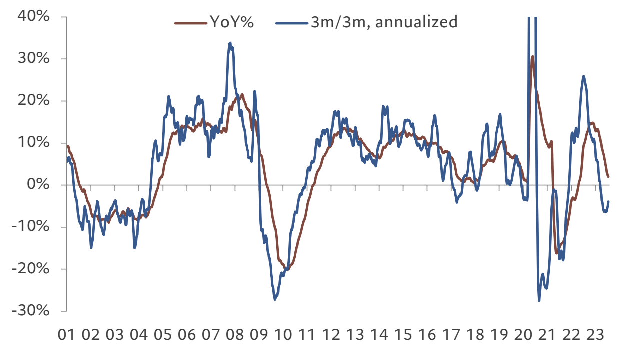
*For illustrative purposes. Past performance should not be taken as a guide to or guarantee of future performance. Performances and returns may increase or decrease as a result of currency fluctuations. There can be no assurance that these projections, forecasts or expected returns will be achieved.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

**Chart 6: the share of nonfinancial firms in financial distress is higher than during most previous tightening episodes since the 1970s**



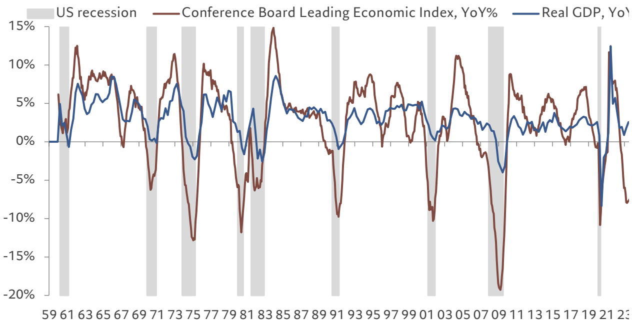

Source: Pictet Wealth Management, FRB paper, as of 30.08.2023

**Chart 7: Bank loan growth has slowed visibly for businesses**




Source: Pictet Wealth Management, FRB, as of 30.08.2023

**Chart 8: The leading economic index remains at recessionary levels**




Source: Pictet Wealth Management, Conference Board, as of 30.08.2023

## FOMC – OPPORTUNITIC DISINFLATION VS. OVERTIGHTENING

The FOMC is on track to leave rates unchanged in September and recent signs of disinflation and moderating job gains raise the odds of 5.25-5.50% being the terminal rate. Guidance will remain hawkish to prevent aggressive cuts pricing - a reacceleration in inflation and strong labor market prints could prompt another hike later this year.

Looking ahead, with an expected growth contraction in H1 and decelerating inflation, we expect the Fed to start cutting policy rates at the end of Q2 2024, with a cumulative 150bps of cuts through year end.

Importantly, long-run inflation expectations have remained well anchored throughout the whole inflation spike, and the FOMC could be patient in the last mile of the inflation fight. We don’t expect the Fed to change its inflation target, but it doesn’t

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

have to risk a sharp demand slowdown to return inflation to 2% quickly. In fact, the median FOMC participant doesn't see core inflation coming back down to target until at least after 2025.

With 2024 being an election year in the US, political pressures could mount for the central bank to ease policy earlier than expected at the first sign of economic weakness.

One downside risk to growth comes from fiscal policy – Congress faces a September 30th deadline to pass a budget and avoid a government shutdown. Although lost growth from a shutdown itself is going to be made up later, downside risks remain from cuts to medium-term government spending. Although 2024 is an election year, we don't expect a divided Congress to pass major stimulus measures.

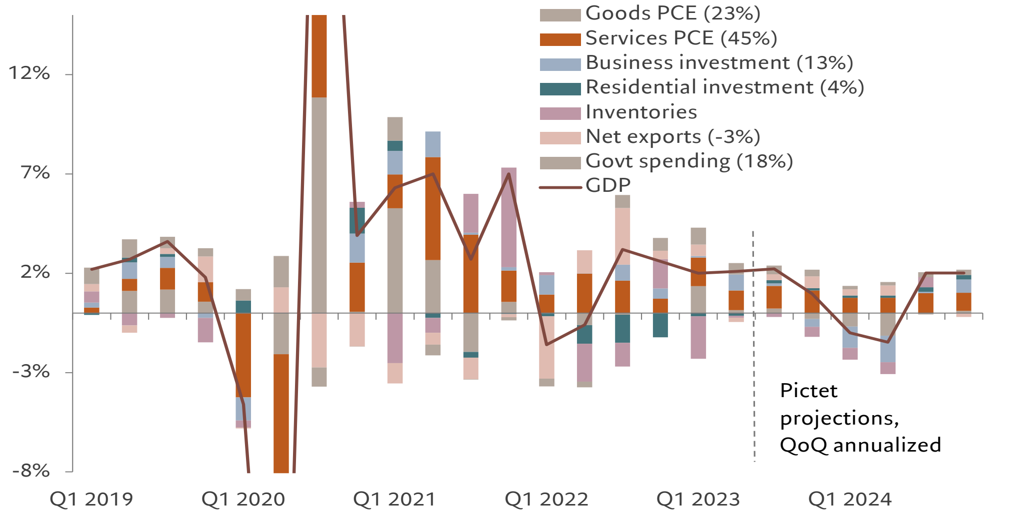
Alternatively, if growth turned out much stronger than we expect and put more upward pressures on inflation, the Fed also risks eventually overtightening into a sharper downturn.

## FORECAST PROFILE

Recent economic strength has meaningfully lifted markets' expectation of a soft landing. The current expansion could go on longer than expected - estimates of excess savings and buffers to balance sheets are subject to a wide uncertainty band – if consumers and businesses feel more upbeat about the outlook, savings could be tapped further than typically seen during previous cycles. There is also a path towards a soft landing that involves supply side improvements, including a more significant increase in labor supply, or a more rapid pickup in productivity.

In our base case, we have revised up our H2 2023 forecast, but lags from monetary policy could be long-lasting, and we expect the hardest battle to be ahead with growth slowing in Q4 and contracting in H1 2024. The pandemic has upended many traditional economic models, and we are "navigating by the stars under cloudy skies", just like the central bankers.

**Chart 9: Real GDP growth contribution, QoQ annualized.**




Source: Pictet Wealth Management, BEA, as of 30.08.2023

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

## DISCLAIMERS

Distributors: Banque Pictet & Cie SA, Route des Acacias 60, 1211 Geneva 73, Switzerland and Bank Pictet & Cie (Europe) AG, Neue Mainzer Str. 1 60311 Frankfurt am Main Germany.

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

Bank Pictet & Cie (Europe) AG is established in Germany, authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht, the German Federal Financial Supervisory Authority (Bafin).

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

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

Except for any obligations that any entity of the Pictet Group might have towards the addressee, the addressee should consider the suitability of the transaction to individual objectives and independently assess, with a professional advisor, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences.

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

Past performance must not be considered an indicator or guarantee of future performance, and the addressees of this document are fully responsible for any investments they make. No express or implied warranty is given as to future performance. Moreover, forecasts are not a reliable indicator of future performance. The content of this document can only be read and/or used by its addressee. The Pictet Group is not liable for the use, transmission or exploitation of the content of this document. Therefore, any form of reproduction, copying, disclosure, modification and/or publication of the content is under the sole liability of the addressee of this document, and no liability whatsoever will be incurred by the Pictet Group. The addressee of this document agrees to comply with the applicable laws and regulations in the jurisdictions where they use the information reproduced in this document.

This marketing publication is issued by Banque Pictet & Cie SA. This marketing publication and its content may be cited provided that the source is indicated. 

Distributor: Bank Pictet & Cie (Europe) AG, London branch ("Pictet London Branch")

This is a marketing communication distributed by Pictet London Branch.

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

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

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

In respect of any product documentation, including key information documents of

Packaged Retail and Insurance-based Investment Products ("KIDs"), please note that these may change without notice. You should therefore ensure that you review the latest version of them prior to confirming to Pictet London your decision to invest. If you have been provided with a link to access the respective KID/other product document, you should therefore click on the link immediately before confirming to Pictet London Branch your decision to invest, in order to review the most recent version of the respective KID/other product document. If you have not been provided with a link to access the relevant document, or if you are in any doubt as to what the latest version of the respective KID/other product document is, or where it can be found, please ask your usual Pictet London Branch contact.

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

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

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

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

Pictet London Branch is a branch of Bank Pictet & Cie (Europe) AG. Bank Pictet & Cie (Europe) AG is a credit institution incorporated in Germany and registered with the Handelsregister, the German Commercial Register under the no. HRB 131080. Its head office is at Neue Mainzer Str. 1, 60311 Frankfurt am Main, Germany. Bank Pictet & Cie (Europe) AG is authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht, the German Federal Financial Supervisory Authority (BaFIN)

Pictet London Branch is registered as a UK establishment with Companies House (establishment number BR016925) and its UK establishment office address is Stratton House, 6th Floor, 5 Stratton Street, London W1J 8LA. Authorised by the Prudential Regulation Authority (PRA) and subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

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

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

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

This document is not to be relied upon in substitution for the exercise of independent judgment. The value and income of any Investment mentioned in this document may fall as well rise. The market value may be affected by, amongst other things, changes in economic, financial, political factors, time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer. Furthermore, foreign currency rates of exchange may have a positive or adverse effect on the value, price or income of any Investment mentioned in this document. Accordingly, investors must be willing and able to assume all risks and may receive back less than originally invested.

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

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

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

BPCAL/Pictet HK Branch and its affiliates (or employees thereof) may or may not have long or short positions in, and buy or sell, or otherwise have interest in, any of the Investments mentioned herein, and may or may not have relationships with the issuers of or entities connected with Investments mentioned in this document. BPCAL/Pictet HK Branch and their affiliates (or employees thereof) may act inconsistently with the information and/or opinions presented in this document.

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

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

Singapore

This document is not directed to, or intended for distribution, publication to or use by, persons who are not accredited investors, expert investors or institutional investors as defined in section 4A of the Securities and Futures Act 2001 ("SFA") or any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject BPCAL and any of its affiliates or related corporations to any prospectus or registration requirements.

BPCAL is a wholesale bank regulated by the Monetary Authority of Singapore ("MAS") under the Banking Act 1970 of Singapore, an exempt financial adviser under the Financial Advisers Act 2001 of Singapore ("FAA") and an exempt capital markets licence holder under the SFA. Please contact BPCAL in Singapore in respect of any matters arising from, or in connection with this document.

Hong Kong

This document is not directed to, or intended for distribution, publication to or use by, persons who are not "professional investors" within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and any rules made thereunder (the "SFO") or any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Pictet HK Branch and any of its affiliates or related corporations to any prospectus or registration requirements. If you do not want Pictet HK Branch to use your personal information for marketing purposes, you can request Pictet HK Branch to stop doing so without incurring any charge to you.

In distributing an investment product as agent for a third party service provider, Pictet HK Branch distributes the product for the third party service provider and the product is a product of the third party service provider but not Pictet HK Branch. In respect of an eligible dispute (as defined in the Terms of Reference for the Financial Dispute Resolution Centre in relation to the Financial Dispute Resolution Scheme) arising between Pictet HK Branch and you out of the selling process or processing of the related transaction, Pictet HK Branch is required to enter into a Financial Dispute Resolution Scheme process with you; however any dispute over the contractual terms of the product should be resolved directly between the third party service provider and you.

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

Warning: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. Please contact Pictet HK Branch in Hong Kong in respect of any matters arising from, or in connection with this document.