

Macroeconomic and Strategic Analysis

UniCredit Weekly Report



The NBR to stay on hold at 6.5% on 14 February

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Weekly briefing

In the **US**, the **ISM Manufacturing index increased to 50.9 in January** beating the expectations by about 1pp and being the first expansion of the indicator after 26 consecutive months of contraction. **The number of job openings decreased by 556k in December to 7.6mn from November's 8.1mn. Nonfarm payrolls rose 143k in January** and the **unemployment rate declined to 4.0%**, while the **average hourly earnings rose 0.5% mom (+4.1%yoy)**.

In the **eurozone**, the **HICP inflation for January accelerated to 2.5%** from 2.4% in the previous month, slightly more than expected, and the **producer prices increased by +0.4%mom** in December. The **HCOB Eurozone Manufacturing PMI was adjusted upward to 46.6 in January**, surpassing the preliminary estimate of 46.1 and showing improvement from the previous month. **In Germany, factory orders increased by +6.9%mom** in December, rebounding from the previous month's fall, while **industrial production declined -2.4%mom**, the sharpest decline since July.

In Romania, The BCR Romania Manufacturing PMI index recorded a decline of -0.3 to 46.1 in January from 46.4 in December, marking a new record low. **Industrial producer prices decreased by -0.9%mom** (seasonally adjusted data) in December, with the electricity and mining sectors declining the most, while manufacturing rose marginally. The **Romanian international reserves decreased slightly to EUR 69.8 bn in January. The retail sales slowed down to 7.8%yoy in December, after a decrease of -1.3% mom (s.a.)**, with sales falling the most for food products followed by non-food products, while fuel increased. In January, **Romania's international reserves were EUR 69.8bn**, of which EUR 60.8bn foreign exchange reserve and 103.6 tones of gold worth almost EUR 9bn (a record high).

This week's **external calendar** includes the **January US CPI and Core CPI** (Tuesday), the **December EMU Industrial Production** (Thursday) **US Retail sales and Industrial Production for January** (Friday). For **Romania**, it includes the **December Trade Balance for RO** (Monday), the **Industrial Production, Current account and Net Wages for December** (Thursday), and the **January Inflation Rate and GDP estimate** (Friday). Moreover, **on Friday the NBR will provide the Interest Rate Announcement** in the February meeting.

Data spotlight: 3 – 7 February

CURRENCIES - MAJORS

Currencies	Last	1D ch (%)	1M ch (%)
EURUSD	1.0328	-0.55%	-0.13%
EURCHF	0.94	-0.03%	-0.06%
USDJPY	151.42	-0.02%	-4.01%
GBPUSD	1.2398	-0.32%	-0.65%

CURRENCIES - CEE

Currencies	Last	1D ch (%)	1M ch (%)
EURPLN	4.1915	0.05%	-1.65%
EURHUF	405.70	0.25%	-2.43%
EURCZK	25.11	0.16%	-0.04%

CURRENCIES - NBR REFERENCE

Currencies	EUR	USD	SDR	XAU (1g)
10-Feb	4.9765	4.8173	1.3516	0.6184

CURRENCIES - RON

	EURRON	USD RON
10-Feb	4.976	4.817
7-Feb	4.976	4.819
6-Feb	4.976	4.793

FIXED INCOME MARKET YIELDS - LOCAL

Mid-rate	1Y	3Y	5Y	10Y
10-Feb	6.4	7.1	7.1	7.4
7-Feb	6.3	7.1	7.0	7.4
5-Feb	6.4	7.2	7.2	7.5

MONEY MARKET RATES - LOCAL

ROBOR	ON	1M	3M
10-Feb	5.63	5.77	5.94
7-Feb	5.63	5.97	5.95
6-Feb	5.65	5.90	5.95

MONEY MARKET RATES - MAJORS

Euribor	1M	3M	6M
7-Feb	2.65	2.53	2.47
6-Feb	2.66	2.54	2.47
5-Feb	2.62	2.53	2.48
USDSFOR	1M	3M	6M
7-Feb	4.33	4.48	4.81
6-Feb	4.33	4.48	4.81
5-Feb	4.32	4.49	4.82

STOCK MARKETS

Index	Last	1D ch (%)	1M ch (%)
S&P 500	6,026.0	-0.95%	0.85%
FTSE	45,695.0	0.00%	0.06%
Hang Seng	38,801.2	0.04%	-2.03%
Bucharest BET	21,522.0	1.84%	10.67%

Romanian Economy

■ BCR Romania Manufacturing PMI index declined in January

The BCR Romania Manufacturing PMI index (compiled by S&P Global based on answers from 400 respondents) recorded a decline of -0.3, reaching 46.1 points in January from 46.4 in December, marking a new record low.

Quicker declines in output and inventory of purchases, along with slower rise in suppliers' delivery times, played a role in the decrease of the headline index in January.

The January reading was the seventh consecutive month of decline in factory activity due to quicker decreases in output and inventory levels of purchases amidst weaker demand, especially from Eurozone, and the still difficult economic conditions.

New orders continued to decrease, with the international sales diminishing at one of the weakest level on record, while employment decreased. Delivery times extended, though at a slower pace, due to a reduced pressure on supply chains.

The decline in purchasing activity also added slight momentum, with one of the deepest contraction rate on record. Input costs continued to increase, while output prices rose triggered by the rising wages, elevated taxes, and the higher raw materials expenses. The German Manufacturing PMI showed an improvement in January and, if sustained, it might imply an improvement for Romania too, Germany being Romania's main trade partner. Ultimately, sentiment rose to a seven-month peak on the back of expectations for new contracts and planned product launches to facilitate output growth.

Data spotlight: 3 – 7 February

Romanian Economy (continued)

■ **The Romanian industrial producer prices declined in December**

Industrial producer prices decreased by -0.9%mom (seasonally adjusted data) in December, after a 3.2%mom increase in November. The energy sector decreased by -3.2%mom and the mining sector by -1.5%mom, while the manufacturing sector increased by 0.1%mom. Compared to the corresponding month of 2023, the industrial production was lower by -0.7%yoy on adjusted data, after -0.3%yoy in November. Although the oil price is under control (at an average USD 81/bl in January), UniCredit believes there is the risk of rising again towards USD 100/bl, due to under-supply if OPEC+ will not rise significantly the oil production by the end of next summer.

■ **International reserves decreased slightly in January**

In January, Romania's international reserves were EUR 69.8bn, of which EUR 60.8bn foreign exchange reserve and 103.6 tones of gold worth almost EUR 9bn (a record high). For this month inflows were EUR 2.7bn, lower than the EUR 4bn worth of outflows. The monthly dues for February 2025 are EUR 543mn.

■ **Romanian retail sales slowed down in December**

The retail sales slowed down to 7.8%yoy in December (seasonally adjusted data – s.a.) contrary to our expectations of an acceleration [UniCredit: 10], after the 8.8%yoy in November. On a monthly basis, they decreased by 1.3% s.a. (vs. 0.0%mom in November). The sales fell the most for food products (-2%mom vs. -1.3%mom in November), followed by non-food products (-0.9%mom vs. +0.5%mom in November), while fuel increased (1.7%mom vs. +0.5%mom last month). In 2024 overall, retail sales increased by 8.6% on gross data. Although consumer optimism is still high, we believe that the more tempered real wage growth anticipated for 2025 will lead to a slowdown in retail sales as well.

Data spotlight: 3 – 7 February

European Economy (continued)

■ **Eurozone inflation increased slightly in January**

HICP inflation for January accelerated to 2.5% from 2.4% in the previous month, slightly more than expected [UniCredit and consensus: 2.4%]. The increase was mainly explained by energy prices, which increased by 1.8%yoy vs. 0.1%yoy in December. Core inflation was stable at 2.7%. Both headline and core inflation will likely resume the decline in the following months. UniCredit forecasts that headline inflation will decline to 2% by spring and remain in line with the ECB's goal for the remainder of the year and in 2026, unless there is a large shock. The ECB has become more confident about inflation converging to target and has signaled that a restrictive monetary policy is no longer warranted. As it becomes clear that (downside) growth risks outweigh inflation risks, UniCredit expects the deposit rate to be cut to 1.75% by the end of the year. This would put it at the lower bound of the "neutral" range indicated by the ECB.

■ **HCOB Eurozone Manufacturing PMI rose in January**

The HCOB Eurozone Manufacturing PMI was adjusted upward to 46.6 in January 2025, surpassing the preliminary estimate of 46.1 and showing improvement from 45.1 in December. Although the index stayed in contraction territory, it indicated the slowest decline in manufacturing activity since May 2024. Both output and new orders decreased at their slowest rate since May, while employment levels continued to drop, with job losses picking up slightly. On the pricing side, input costs increased for the first time since last August, but output prices stayed the same as businesses chose not to transfer higher costs to customers. Looking forward, business sentiment improved, with growth expectations reaching their highest point since February 2022.

■ **Eurozone industrial producer prices increased in December**

The eurozone producer prices increased by +0.4%mom in December, following a +1.7% jump in November. Prices increased significantly for energy (1.4%mom after 5.6%mom in November) and slightly for durable consumer goods (+0.2%mom), non-durable consumer goods, capital goods and intermediate goods (+0.1%mom each). Among the largest economies, producer prices rose by 1%mom in France, 0.9%mom in Spain and 0.8%mom in Italy, while declining by 0.1%mom in Germany. On an annual basis, producer prices in eurozone remained unchanged, after a 1.2% drop in November due to a base effect.

■ **German factory orders surged in December**

Factory orders in Germany increased by +6.9%mom in December 2024, rebounding from a downwardly revised -5.2% decrease in November and significantly surpassing market expectations [Consensus: 2.0]. This marked the first growth in three months and the strongest rate since September, supported by a 55.5% surge in large-scale orders for aircraft, ships, and trains, along with an 8.6% increase in machinery and equipment orders. However, demand in the automotive sector decreased by 3.2%. New orders rose for all the sector: capital goods (+10.9%), consumer goods

Data spotlight: 3 – 7 February**European Economy (continued)**

(+7.7%), and intermediate goods (+0.2%). Domestic orders skyrocketed by +14.6%; meanwhile, foreign orders increased by +1.4%, with demand from the eurozone climbing +6.2% but orders from the rest of the world falling by -1.5%. Excluding large orders, incoming orders grew by +2.2% from November. New orders remained steady in 4Q compared to 3Q. For the full year 2024, factory orders contracted by -3.0% (adjusted for calendar effects).

■ German industrial production declined in December

Industrial production declined -2.4%mom in December, after a revised increase of 1.3% in November. It was the sharpest decline since July, pulled down by reduced output from the automotive sector (-10.0%mom), and machine maintenance and assembly (-10.5%mom). In contrast, production experienced a strong increase in the pharmaceutical industry (11.6%mom). On an annual basis, industrial production shrank by 3.1% in December, accelerating from the prior 2.8% fall.

Data spotlight: 3 – 7 February

US Economy

■ US ISM Manufacturing rose in January

The ISM Manufacturing index increased to 50.9 in January beating the expectations by about 1pp, up from a revised 49.2 in December. The reading revealed the first expansion of the indicator after 26 consecutive months of contraction. New orders accelerated (55.1 vs. 52.1), while the production (52.5 vs. 49.9) and the employment rebounded (50.3 vs. 45.4). However, supplier deliveries indicated marginally slower deliveries (50.9 vs. 50.1), inventories fell further (45.9 vs 48.4) and price pressures intensified (54.9 vs. 52.5). The manufacturing activity appears to be improving in the US amid a period of high interest rates, subdued global growth, geopolitical tensions and high US-policy uncertainty, but there still is a persistent downside risk of potential worsening due to tariff wars with Canada, Mexico, China and the EU.

■ US ISM Non-manufacturing declined in January

The ISM Services PMI declined to 52.8 in January from 54.0 in December. There were reported slower rises in both the business activity (54.5 vs 58.0) and the new orders (51.3 vs 54.4), while inventories contracted for the third consecutive month (47.5 vs 49.4). The employment (52.3 vs 51.3) and the new export orders (52 vs 50.1) rose at a faster pace and the price pressures diminished (60.4 vs 64.4). "Poor weather conditions impacted the production level. Like last month, many panelists also mentioned preparations or concerns related to potential U.S. government tariff actions", according to Steve Miller, Chair of the ISM Services Business Survey Committee.

■ JOLTS job openings fell by 556k in December

The number of job openings decreased by 556k in December to 7.6mn from November's 8.1mn, ending well under market expectations of 8mn. The biggest decreases were seen in professional and business services (-225,000); health care and social assistance (-180,000), and finance and insurance (-136,000). The number of total separations (dismissals and resignations) in December was up by 38k at 5.3 million.

■ US job market continued on a positive path in January

The US employment report for January was in line with UniCredit's expectations [UniCredit: 140k; consensus: 150k], as nonfarm payrolls rose 143k, less than half of an upwardly revised rise of 307k in December. The unemployment rate, which is constructed from a different survey to payrolls, declined to 4.0% in January from 4.1%, beating market expectations [UniCredit and consensus:4.1]. Average hourly earnings rose 0.5% mom [UniCredit and consensus: 0.3], taking the yoy rate to 4.1%.

Data spotlight: 3 – 7 February

International and Romanian Markets

■ The EURRON was stable last week

The EURRON traded within a 4.9744-4.9772 range last week, ending Friday's trading session close to 4.9760. Absent any surprises, the pair is likely to continue to trade within the recent trading ranges for now..

■ The ROBOR curve declined marginally on the 1W-1M segment

The ON ROBOR was stable at 5.63% last week, while 1W ROBOR decreased by 2bp to 5.67%. The 1M-3M segment declined by up to 2bp to 5.77%-5.94%. The excess liquidity increased by around 6.2bn in January to RON 24.5bn. Yet, the increase is too small to put downward pressure on ROBOR rates. We expect the NBR on hold at 6.50% on Friday, 14 February, due to the still high inflation, the prospect of strong consumption before the presidential elections and the lack of clarity on the future fiscal policy and its impact on inflation. During the meeting, the NBR will also approve the meetings' calendar for 2025 and the February 2025 Inflation Report, likely to include an upward revision to the short-term headline inflation forecasts versus the November 2024 estimate. The NBR could cut by 0.5-1pp in 2H25, depending on the exact fiscal measures adopted, to support the economy.

■ MinFin auctions

Last Monday, the Ministry of Finance held auctions for a 4.2Y T-bond and a 7M T-bill. The bids for the T-bond covered the planned amount, at RON 1075.1mn vs. RON 500mn, enabling MinFin to place RON 590.1mn. The average accepted yield was 7.54% (max. 7.54%), which is 15bp above the yield at the previous reopening three weeks before. The bids for the T-bill covered the planned amount, at RON 994.5mn vs RON 800mn, enabling MinFin to place RON 800m. The average accepted yield was 6.47% (max. 6.60%).

Moreover, MinFin placed a dual tranche EUR-denominated 5Y bond and 9Y bond and an 12Y USD-denominated bond on the external market.. For the two EUR-denominated bonds there was demand of EUR 4.8bn, enabling MinFin to place EUR 1.4bn for each. For the USD-denominated bond, demand was more than USD 2.6bn, enabling MinFin to place USD 1.25bn.

On Thursday, MinFin held auctions for a 3.2Y T-bond and a 9.5Y T-bond. The bids for the first T-bond covered the planned amount, at RON 1961mn vs. RON 700mn, enabling MinFin to place RON 966mn. The average accepted yield was 7.23% (max. 7.24%), which is 47bp under the yield at the previous reopening one month ago. The bids for the second T-bond, covered the planned amount, at RON 852.7mn vs RON 500mn, enabling MinFin to place RON 567.2m. The average accepted yield was 7.45% (max. 7.46%), which is 53bp under the yield of the previous reopening last month.

Data spotlight: 3 – 7 February

International and Romanian Markets (continued)

■ FX markets

The EUR-USD traded above 1.03 last week, briefly touching levels above 1.04 on Wednesday. Yet, a good US jobs report brought the pair to around 1.032 on Friday. The FX market is likely to further reflect uncertainty regarding US President Trump's intentions on tariffs. Next week, investors will be scrutinizing inflation data from the US. The Munich Security Conference is unlikely to feature US President Donald Trump, but his tariff threats will likely keep moving markets.

■ US-China: trade truce or tit-for-tat?

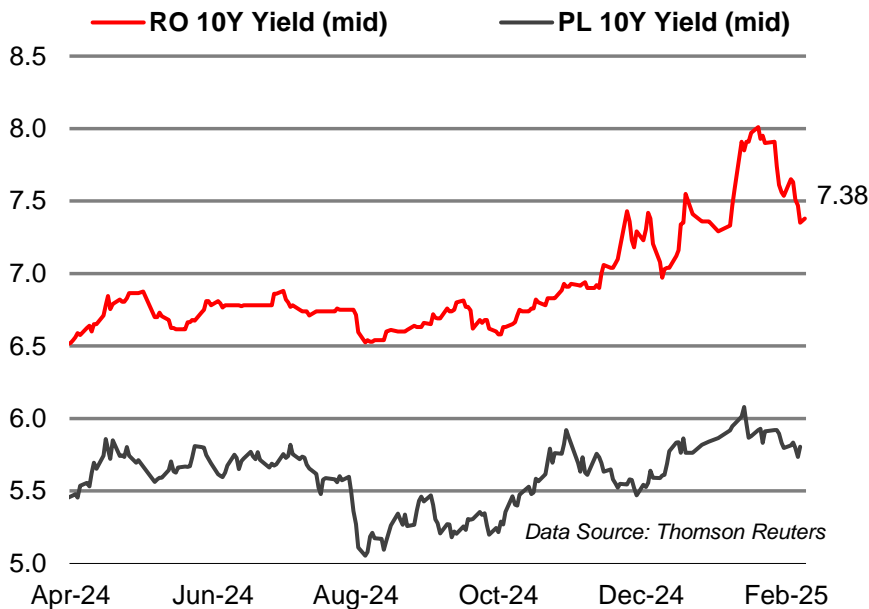
On 10 February, China's retaliatory measures against US tariffs are scheduled to take effect. In response to the additional 10% tariff imposed by the Trump administration last week on all Chinese imports, Beijing announced the following countermeasures: 1. 10% tariffs on crude oil, agricultural machinery and large-engine vehicles; 2. 15% tariffs on coal and liquefied natural gas; 3. tighter export restrictions on minerals essential for high-tech industries. The measures are seen as proportional and not as escalatory as they do not target imports of American farm products – which were the focus of Beijing's trade retaliation during Trump's first term.

■ OPEC+ agreed to gradually increase oil output from April

On 3 February, OPEC+ delegates gathered online for a regular meeting of the Joint Ministerial Monitoring Committee and decided to maintain its policy of gradually raising oil output from April. UniCredit expects the cartel to gradually unwind its 2.2mb/d output curbs in April, with monthly increases of 138kb/d for the subsequent 18 months. Yet, without the injection of additional barrels of crude by the cartel, the oil market risks being under-supplied as a result of Biden's "farewell" sanctions on Russia and Trump's maximum-pressure strategy towards Iran. In order to avoid oil prices spiking towards USD 100/bbl, the phasing-in of this 2.2mb/d of supply should be finalized quickly, possibly by the end of next summer.

Focus Ahead: 10 – 14 February

MinFin Issues



- Last week, the Romanian yields continued to decline in line with the global trends, by 2bp on the short-end, 6-7bp on the belly and 13bp on the long end according to the fixing levels. Sticky inflation and the Fed in no rush to cut interest rates (a stance Powell will likely reiterate in his semi-annual testimony before Congress this week) could push up US yields. Romanian and European yields are likely to follow the trend in the absence of major domestic data releases or events.
- MinFin will issue RON 600mn in 5.5Y T-bonds on Monday and RON 600mn in 13Y T-bonds on Thursday.

BOND ISSUES - FEBRUARY

ISIN Code	Auction Date	Maturity Date	Months	Planned Amount	Currency	Total Applications	Total Allocated	Yield (avg)
RODFIUK7ZV55	27-Feb-25	25-Apr-35	124	500lei				
ROXNS8ONSUB3	24-Feb-25	27-Jul-26	17	600lei				
ROFOYB15203	24-Feb-25	27-Jul-31	78	500lei				
ROAXXDU0HWO7	20-Feb-25	28-Jan-26	11	800lei				
RO52CQA3C829	20-Feb-25	29-Sep-32	93	600lei				
RO45DLJ4EE76	17-Feb-25	28-Apr-27	27	500lei				
RO0DU3PR9NF9	13-Feb-25	24-Feb-38	159	600lei				
ROYNCLHRHV6	10-Feb-25	29-Jul-30	67	600lei				
ROTM7EDD92S2	6-Feb-25	31-Jul-34	115	500lei		853	567	7.45
ROCDG04X8WJ7	6-Feb-25	26-Apr-28	39	700lei		1,961	966	7.23
XS2999564581	3-Feb-25	10-Feb-37	146	1,250usd		1,250	1,250	7.55
XS2999552909	3-Feb-25	10-Sep-34	117	1,400euro		1,400	1,400	6.34
XS2999533271	3-Feb-25	10-Mar-30	62	1,400euro		1,400	1,400	5.29
RO05RCI2KKE4	3-Feb-25	27-Aug-25	7	800lei		995	800	6.47
ROJVM8ELBDU4	3-Feb-25	25-Apr-29	51	500lei		1,075	590	7.54

Focus Ahead: 10 – 14 February

Data Calendar

Date	Country	Indicator/Event	Period	UniCredit forecast	Consensus	Previous
10-Feb-2025	RO	Trade Balance (EUR mn)	Dec	-3270.8		-2837.7
12-Feb-2025	US	Consumer price index, CPI (% yoy)	Jan	2.9	2.9	2.9
	US	Core CPI (% yoy)	Jan	3.2		
	US	Consumer price index, CPI (% mom)	Jan	0.3	0.3	0.3
	US	Core CPI (% mom)	Jan	0.3	0.3	0.2
13-Feb-2025	EMU	Industrial production (% mom)	Dec			0.2
	RO	CPI (% yoy)	Jan	5.0		5.1
	RO	Wages Net (% yoy)	Dec	11.6		13.1
	RO	Industrial production (% mom)	Dec	0.2		-0.6
	RO	Current Account YTD (EUR mn)	Dec	-29494		-26301
14-Feb-2025	US	Retail sales (% mom)	Jan	0.1	0	0.4
	US	Industrial production (% mom)	Jan			
	RO	Interest Rate Announcement, %	Feb	6.50	6.50	6.50
	RO	Inflation Rate (% yoy)	Jan	5.0		5.1
	RO	GDP (% yoy)	4Q A	1.5		1.2

Data Source: Bloomberg

Economic Forecasts

MACROECONOMIC DATA AND FORECASTS

	2021	2022	2023	2024F	2025F
GDP (EUR bn)	241.7	284.1	324.6	349.6	374.5
Population (mn)	19.2	19.0	19.1	19.1	19.0
GDP per capita (EUR)	12,567	14,917	17,035	18,346	19,685
Real economy, change (%)					
GDP	5.7	4.1	2.1	1.7	1.9
Private Consumption	7.2	5.8	2.8	5.8	2.2
Fixed Investment	2.9	5.9	14.4	4.6	4.2
Public Consumption	1.8	-3.3	6.0	0.7	-0.4
Exports	12.6	9.7	-1.4	-0.9	4.7
Imports	14.8	9.5	-1.4	5.8	4.9
Monthly wage, nominal (EUR)	1175	1303	1489	1717	1807
Real wage, change (%)	2.0	-2.2	3.6	9.7	1.7
Unemployment rate (%)	5.6	5.6	5.6	5.4	5.6
Fiscal accounts (% of GDP)					
Budget balance	-7.2	-6.3	-6.6	-7.4	-6.0
Primary balance	-5.7	-4.2	-4.7	-5.5	-4.2
Public debt	48.5	47.5	48.8	51.8	53.2
External accounts					
Current account balance (EUR bn)	-17.5	-26.0	-22.6	-24.6	-22.5
Current account balance/GDP (%)	-7.2	-9.2	-7.0	-7.0	-6.0
Extended basic balance/GDP (%)	-1.5	-3.6	-2.9	-3.2	-2.1
Net FDI (% of GDP)	3.7	3.1	2.0	2.0	2.0
Gross foreign debt (% of GDP)	56.5	50.7	52.4	52.8	52.9
FX reserves (EUR bn)	40.5	46.6	59.8	59.7	60.6
Months of imports, goods & services	4.3	3.9	5.0	4.9	4.8
Inflation/Monetary/FX					
CPI (pavg)	5.0	13.7	10.5	5.8	4.7
CPI (eop)	8.2	16.4	6.6	5.0	4.4
Central bank target	2.50	2.50	2.50	2.50	2.50
Central bank reference rate (eop)	1.75	6.75	7.00	6.50	5.00
3M money market rate (Dec avg)	2.83	7.66	6.25	5.66	4.72
USDRON (eop)	4.37	4.63	4.50	4.49	4.49
EURRON (eop)	4.95	4.95	4.97	4.99	5.07
USDRON (pavg)	4.16	4.68	4.57	4.55	4.51
EURRON (pavg)	4.92	4.93	4.95	4.98	5.04

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Glossary

A comprehensive glossary for many of the terms used in the report is available on our website:

<https://www.investmentinsights.unicredit.eu/glossary>.

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