PIMCO

Global Update
January 2017

Gotta Have Faith

LAST MONTH IN PERSPECTIVE

For just the second time in a decade, the Federal Reserve had enough faith in the U.S. economy to raise rates. While investors had anticipated the move with near certainty in the prior weeks, the Fed surprised with a more hawkish outlook for interest rates. The Fed's move was supported by economic data that generally pointed to a healthier backdrop of fundamentals.

Geopolitical tensions flared in the month. Hostility built between President-elect Trump and China, a terrorist attack occurred in Germany, the Russian ambassador to Turkey was assassinated, and the U.S. asserted charges of hacking against Russia.

Investors kept faith in the pro-growth potential of the incoming administration's policies, and the risk rally continued. Anticipation of tax reform, infrastructure spending and broader deregulation drove risk markets higher, despite geopolitical tensions. In addition, correlations among individual stocks fell and more traditional (inverse) correlations between stocks and bonds continued to emerge.

A company of Allianz

Global Update

PIMCO's Global Update delivers a brief but comprehensive review of the month's market-moving events – across countries and asset classes – and PIMCO's thoughts on what to expect going forward. Convenient and easily digestible sections include:

PG. 3 **In the world**

A recap of world events, including an update on global growth trends, major political developments and changes to policies that drive financial markets.

PG. 4 **In the markets**

A quick review of performance by asset class, including global equities, commodities, currencies, and both developed and emerging market bonds.

PG. 6 **Outlook**

The latest update to PIMCO's outlook for global growth, including where we are most optimistic and the risks we are watching on the cyclical horizon.

In the world

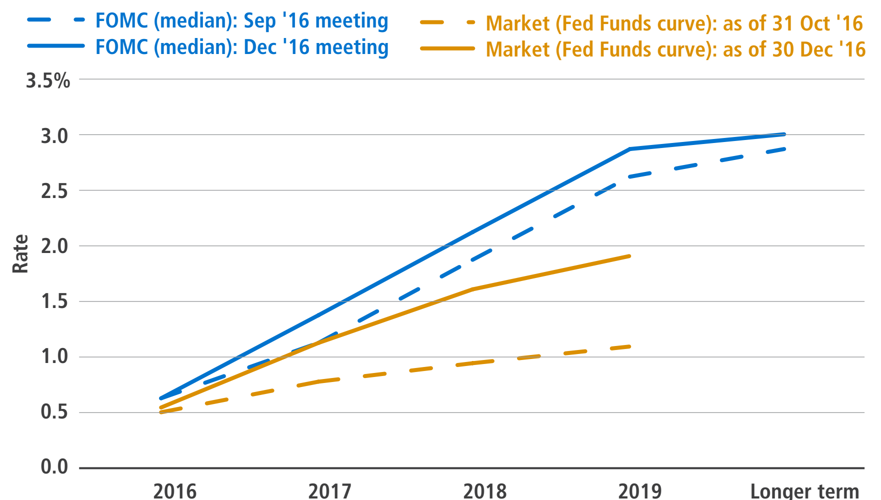
For just the second time in a decade, the Federal Reserve had enough faith in the U.S. economy to raise its benchmark rate by 25 bps. While investors had anticipated the move with near certainty, the Fed surprised with a more hawkish outlook for interest rates. The so-called "dot plot" – the Fed's own forecast for the future path of the fed funds rate – indicated policymakers expect to hike rates three times in 2017, up from just two expected hikes back in September. The front end of the U.S. yield curve sold off on the news, especially as Fed officials also affirmed a tightening labor market and improving growth prospects. Indeed, recent signs of economic activity pointed toward an upbeat U.S. growth outlook: Third-quarter GDP was revised up to 3.5%, the fastest quarter-over-quarter growth in two years. In addition, the unemployment rate fell to 4.6%, and confidence indicators climbed for consumers and businesses alike. News was also generally positive in the eurozone, where unemployment dipped below 10% for the first time in seven years, and the European Central Bank looked set to taper its bond purchase program. The central bank announced that it would extend its quantitative easing until December 2017, but reduced its monthly purchases to €60 billion from €80 billion, causing the German yield curve to steepen.

Against the more optimistic fundamental backdrop, geopolitical tensions flared. Russia's ambassador to Turkey was killed in Ankara in an assassination linked to the civil war raging in neighboring Syria. The killing was the latest flashpoint in a conflict that has drawn in many regional and global players and followed the recent rapprochement between Turkey and Russia. In addition, several members of Russia's intelligence community were ejected from the U.S. in response to accusations by the U.S. that Russia had engaged in a campaign of hacking and propaganda intended to influence the result of the presidential election. U.S. President-elect Trump found himself at the center of tensions once more with China after accepting a phone call from the president of Taiwan in a breach of diplomatic protocol. In a perceived retaliation, China seized a U.S. naval drone operating in the South China Sea. These events underscored the fragile global balance that the new U.S. administration will inherit after the transition of power in January, though markets seemed generally unfazed ahead of the holidays.

Investors kept faith in the pro-growth potential for the incoming administration's policies, and the risk rally continued. In a continuation from last month, anticipation of tax reform, infrastructure spending and broader deregulation – as well as a resurgence of "animal spirits" (see "In Sight") – drove risk markets higher, despite increasing geopolitical uncertainty. Global equities surged, and frenzy built that the Dow Jones Industrial Average might break the psychologically epochal 20,000 level, though the index ended the month just shy of the mark. Of note, a subtle shift in market trends since the election continued: Correlations between individual stocks in indices like the S&P 500 fell as sector- and company-level analysis (including on the impact of the new administration's potential policies) appeared to drive price movements rather than widespread "risk-on/risk-off" reactions to macro drivers like central bank policy. Similarly, more traditional inverse correlations between equities and bonds were apparent once more as the bond sell-off continued. The largest move occurred in U.S. front-end yields following the Fed's increase in both the actual policy rate and its projection for 2017. The U.S. dollar gained in tandem, rallying against nearly all global counterparts with the exception of several emerging market currencies. Those appreciated as oil prices soared 12.6%, supported by OPEC's recent agreement on production cuts.

CONNECTING THE DOTS

After markets priced in a Fed rate hike in December with almost 100% certainty, the Fed's decision to raise rates 25 basis points (bps) came as little surprise. More headline-grabbing, however, was the change in the FOMC's "dot plot," which displays each committee member's projection of the path of the fed funds target rate. Surprisingly, the median forecast for the end of 2017 rose to about 1.5%, implying three rate hikes (25 bps each) over the year, versus a previous forecast of only two. This modestly hawkish shift may be in response to stronger U.S. economic data in the second half of 2016, and perhaps an expectation of rising inflation given the potential for more expansionary fiscal policy. Despite the hawkish tilt, however, the Fed's economic forecasts for inflation and growth in 2017 remained largely unchanged – a sign that policy uncertainty remains elevated.

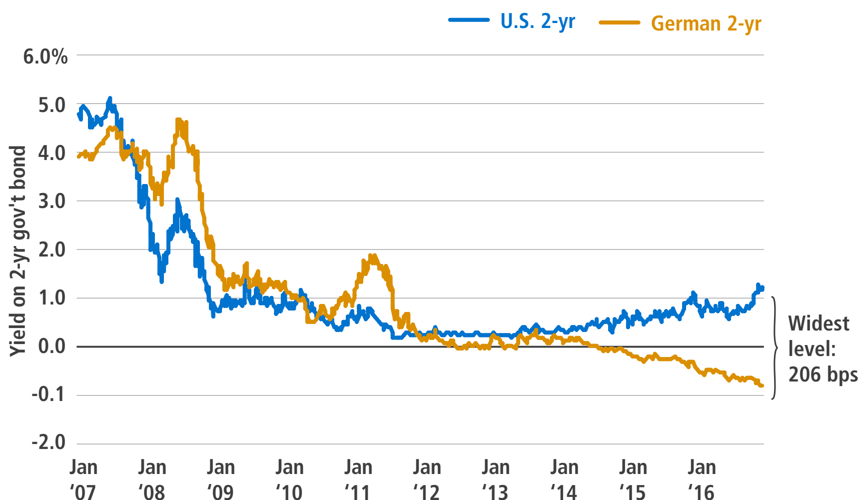


Source: Bloomberg

In the markets

THE GREAT DIVIDE

While the U.S. has ostensibly moved past the era of quantitative easing and toward the prospect of accelerated growth, the eurozone has sputtered along in a low-growth, negative yield, central bank-dependent economic environment. Pursuant to this trend, front-end rates in the two economies have diverged, with the spread between U.S. and German 2-year yields reaching its widest level in a decade. The trend has been amplified by the ECB's continued commitment to quantitative easing, as well as by the surprise result of November's U.S. elections, which investors have largely interpreted as pro-growth and reflationary. This phenomenon has also passed through to currency markets, where the widening interest rate differential has caused the euro to weaken considerably against the U.S. dollar and even touch its lowest level versus the greenback since 2003.



Source: Bloomberg

EQUITIES

Developed market stocks[1] returned 2.4% in December, and U.S. equities[2] rose 2.0% as investors appeared to price in a new paradigm of pro-business and pro-growth policies in Washington. European investors[3] seemingly shrugged off the potential for Italian banking and Greek debt crises, with stocks returning 5.8% as the ECB extended its asset purchase program until December 2017. Japanese equities[4] rallied 4.5% on the back of a weaker yen, which should benefit export-oriented firms.

In emerging markets,[5] stocks ended the month flat, returning 0.2%. Gains from a surge in oil prices were partially offset by the potential for a faster-than-expected rate tightening cycle in the U.S. Brazilian stocks[6] fell 2.7% amid reports of corruption in the president's Democratic Movement Party and on lower industrial metal prices. Doubt over the sustainability of China's stimulus-led recovery weighed on returns, and Chinese equities[7] dropped 4.5% to end their worst year since 2011. Indian equities[8] fell 0.1% on concerns that excessive taxation and Prime Minister Modi's currency crackdown may hamper economic growth and corporate profits. Russian equities[9] advanced 6.8% to cap seven consecutive months of gains thanks to higher oil prices and a stronger ruble.

DEVELOPED MARKET DEBT

Yields in the U.S. continued to climb higher, diverging from those in most other developed economies, on improving growth prospects and indications of a more hawkish Fed. While a 25-bps rate hike was fully priced into the bond markets ahead of the Fed's December meeting, a revision to the Fed's guidance for 2017 – raising its forecast from two hikes to three – caused a sell-off at the front end of the U.S. yield curve, and two-year yields jumped 8 bps. Meanwhile, German yields fell following the extension of the ECB's asset purchase program, and the spread between U.S 10-year Treasury yields and 10-year bund yields widened to its highest level in over two decades. While the ECB reduced its monthly allotment of purchases from €80 billion to €60 billion, it also expanded the scope of purchases that could be made on the front end, causing the German yield curve to steepen.

INFLATION-LINKED DEBT

Rising oil prices following the OPEC production cut agreement on 30 November pushed global breakeven inflation rates higher, and global inflation-linked bond (ILB) markets posted gains in December. In the U.S., despite the 25-bps Fed rate hike in mid-December, the real yield curve steepened; five-year inflation expectations in the U.S. reached a two-year high driven by higher energy prices and a strong auction for five-year TIPS. UK breakeven inflation was also up, led by the front end of the yield curve, on firmer inflation data and continued weakness in the pound. In Mexico, Banxico implemented a larger-than-expected rate hike to combat higher-than-expected inflation brought on by the weaker peso. In contrast, Brazilian inflation expectations dropped as the central bank noted more "favorable than expected" inflation data and signs of "widespread disinflation."

CREDIT

Global investment grade credit[10] continued its post-U.S.-election rally, logging four consecutive weeks of tighter spreads before pulling back slightly in mid-December in response to the Fed's 25-bps rate increase. The second half of the month was relatively benign for credit markets, and all told, global IG credit returned +0.6% in December while spreads tightened by 3 bps.

Global high yield bonds[11] had a strong rebound from November in response to higher oil prices, the potential for fiscal action and deregulation in the U.S. under the Trump administration, and more record highs in the stock markets. Both yields and spreads on global high yield bonds fell by just over 40 bps for a return of 2.0% in December.

EMERGING MARKET DEBT

As emerging market debt returned to positive territory in December, November's acute sell-off proved to be an anomaly in an otherwise strong year for the asset class. External debt spreads tightened considerably and index yields on local currency debt fell over the month as investors looked past the uncertainty surrounding the new Trump administration and focused instead on stabilizing commodity prices and improving fundamentals. Even as U.S. Treasury yields rose moderately, EM currencies regained some ground against the U.S. dollar. A sustained rise in crude oil prices bolstered the returns of most oil-exporting nations, while a worsening security situation compounded Turkey's economic woes, and the currency continued its march lower against the dollar.

MORTGAGE-BACKED SECURITIES

Performance in agency MBS[12] was flat for the month, although it outperformed like-duration Treasuries by 6 bps, bringing year-to-date returns relative to Treasuries to –11 bps. Convexity selling continued to weigh on the sector, but agency MBS rebounded later in the month as yields stabilized and investor demand improved. Ginnie Mae MBS outperformed conventional MBS, 15-year MBS performed in line with 30-year MBS, and lower-coupon outperformed higher-coupon securities. New issuance surprised to the upside, but prepayments and the refinancing index continued to decline. Non-agency MBS prices were flat to modestly higher, and spreads over swaps were flat to tighter. Non-agency CMBS[13] returned –0.35% and underperformed like-duration Treasuries by 27 bps. Real estate prices rose again: The seasonally-adjusted S&P/Case-Shiller 20-City Composite Home Price Index was up 0.6%, and the Moody's/RCA Commercial Property Price Index was up 1.2% for the month of October (the most recent data).

MUNICIPAL BONDS

Municipal bonds[14] rallied, recovering some of their post-election losses, and posted the first month of positive total returns since August. That brought 2016 returns to 0.25%. Although new issuance totaled only $19 billion in December, total 2016 issuance still hit a record $446 billion. Municipal fund flows remained negative throughout the month as investors continued to assess the consequences of a Donald Trump presidency and a Republican-controlled legislature. While investors remained concerned about the potential for tax reform, historically, there is little to no correlation between changes in the top marginal tax rate for individuals and muni performance.

CURRENCIES

The U.S. dollar extended its gains against most G10 currencies as the Fed, in a hawkish shift, raised its "dots," or rate forecasts for 2017. In Europe, Italian voters rejected the constitutional referendum for government reform, which highlighted political unease, while a longer-than-expected extension of the ECB's quantitative easing program pushed the euro closer to parity with the dollar in late December. In Asia, widening interest rate differentials continued to weaken the Japanese yen, while flagging investment weighed on growth in Australia and the currency fell. In emerging markets, stable oil prices following the OPEC production cut announcement at the end of November and falling inflation boosted the Russian ruble, while rising geopolitical uncertainty and deteriorating economic fundamentals drove the Turkish lira down.

COMMODITIES

Commodities posted positive returns in December, with gains supported primarily by the energy sector. OPEC's decision on 30 November to cut production created a positive sentiment for oil over the month of December, which more than offset strong global production data and any intermittent doubts about the implementation of the cut. Natural gas prices found notable support as cold weather drove strong demand and production struggled. Within agriculture, wheat and corn gained, but the soybean complex and soft commodities took the overall sector into negative territory. Soybean prices fell as concern over dry weather in Argentina abated and Brazil's crop agency CONAB confirmed a huge crop potential. Among the soft commodities, coffee was the worst performer on improving Brazilian weather; sugar prices were down as expectations for a supply deficit in Q1 2017 continued to diminish. Industrial metals reversed a portion of their prior-month gains, but pressure on precious metals continued from higher long-term real yields.

Outlook

PIMCO's baseline forecast for 2017 calls for real global growth to remain in the 2.5%–3.0% range that has held for the past five years. Headline inflation should pick up in developed market economies while high inflation in emerging economies like Brazil and Russia is likely to ebb significantly. However, in light of significant political and policy uncertainty ahead, we recognize that both left- and right-tail risks have increased. In our baseline scenario, the economic expansion, now already in its eighth year, becomes the third-longest in postwar history in March and stays alive during the remainder of 2017. We assume that three transitions will progress in a relatively orderly fashion: Fiscal policy will become supportive, including a package in the U.S. that could take effect from October for fiscal year 2018; central banks will largely maintain their stimulus, thus limiting the rise in bond yields; and a full-blown trade war will be avoided.

In the U.S., we see growth above-trend at 2%–2.5% in 2017, twice the annualized rate from fourth quarter 2015 through second quarter 2016, but below the 3.5% in third quarter 2016. We expect business investment to snap back, helped by higher energy prices and more clarity on corporate tax reform under the new Trump administration. Consumer spending is likely to be supported by further declining unemployment, rising wages and expectations of personal income tax cuts. Headline CPI inflation should rise to converge with core inflation above 2%, and we expect the Federal Reserve to raise interest rates two or three times during 2017 (with risks to the upside).

For the eurozone, we expect growth will hover in a 1%–1.5% range as political uncertainty remains elevated ahead of crucial elections in France, Germany, the Netherlands and, potentially, Italy. Headline inflation should rise above 1%, but core inflation is unlikely to make much headway toward the European Central Bank's (ECB) objective of below but close to 2%. **In the U.K., we expect growth to slow to 0.75%–1.5%,** reflecting fairly robust momentum tempered by the ongoing uncertainty over Brexit; inflation should exceed the 2% target, inducing the Bank of England to keep policy rates unchanged and complete its existing quantitative easing program at the end of January – and then do no more.

In Japan, fiscal stimulus and recent yen weakening should propel GDP growth to 0.75%–1.25% in 2017 while inflation remains significantly below the 2% target. The Bank of Japan is likely to keep to its new yield curve targeting framework, including the 10-year at 0%, thus continuing its standing invitation to the government to engage in more fiscal policy. We think the invitation will be accepted during 2017.

For China, we expect growth to slow to a 6%–6.5% band in 2017 as policymakers prioritize financial stability over economic stimulus ahead of the 19th National Party Congress in the fourth quarter. China's public sector credit bubble and private sector capital outflows should remain under control. We think any trade war with the U.S. will involve words rather than action and the yuan will depreciate gradually by about 7% against the U.S. dollar.

In emerging markets, we expect moderate growth will return to Brazil and Russia as their deep recessions end. With inflation dropping, both countries' central banks could cut rates multiple times. Mexico's Banxico is expected to tighten policy, following the Fed's lead, and growth should slow to 1.75%–2.25%.

IN SIGHT: CHANNELING ANIMAL SPIRITS

Prospects for tax reform and the Trump administration's focus on deregulation have fueled speculation that Keynesian "animal spirits" could lift U.S. economic growth from the 1.5%-2% range in 2016 to 2.5%-3.0% in 2017. Business and consumer confidence measures have surged, including the University of Michigan Consumer Sentiment Index and the NFIB Small Business Optimism Index, which argues for an acceleration in growth as businesses and households start to consume and invest more today.

We are somewhat cautious, however, and our 2%-2.5% growth forecast for 2017 is unchanged since the election. Animal spirits – emotional responses that inform consumer confidence and behavior – are prone to unpredictable shifts. Attention could switch to the more controversial aspects of Trump's policy agenda and/or rising tensions between the U.S. and China, thereby derailing the recent optimism. In addition, not all measures of sentiment are aligned: The Economic Policy Uncertainty Index has increased. Using data such as disagreements among forecasters and the volume of news articles on economic policy issues, researchers Scott Baker, Nick Bloom and Steven Davis theorize that as uncertainty rises, businesses and consumers become more pessimistic and change their behaviors accordingly.

Appendix

BONDS	U.S.				U.K.				EUROZONE				JAPAN				BRAZIL			
	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015
	Level	Change (bps)			Level	Change (bps)			Level	Change (bps)			Level	Change (bps)			Level	Change (bps)		
Target Rate*	0.75				0.25				-0.40				-0.10				13.75			
2 YR	1.19	+8	+14	+38	0.08	-4	-57	+21	-0.77	-4	-42	-25	-0.18	-2	-17	+1	11.04	-57	-551	+363
5 YR	1.93	+9	+17	+11	0.49	-12	-86	+18	-0.53	-10	-49	-6	-0.11	-1	-14	-0	12.63	+0	-409	+411
10 YR	2.44	+6	+17	+10	1.24	-18	-72	+20	0.21	-7	-42	+9	0.05	+2	-22	-6				
30 YR	3.07	+3	+5	+26	1.88	-17	-79	+16	0.94	-0	-54	+10	0.72	+15	-55	+3				
5 YR ILBs	-0.03	-3	-42	+7	-2.44	-22	-135	+26	1.41	+20	+35	+18					5.90	-29	-140	+116
10 YR Muni[a]	2.35	-16	+35	-11																

CURRENCIES	USD**				GBP/USD				EUR/USD				USD/JPY				USD/BRL			
	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015
	Level	Change			Level	Change			Level	Change			Level	Change			Level	Change		
	102.21	0.7%	3.6%	9.3%	1.23	-1.3%	-16.3%	-5.4%	1.05	-0.7%	-3.2%	-10.2%	117.00	-2.2%	2.8%	-0.5%	3.25	4.2%	22.0%	-32.9%

EQUITIES	S&P 500				FTSE 100				EURO STOXX 50				NIKKEI				BOVESPA			
	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015	Dec '16	MTD	YTD	2015
	Level	Change			Level	Change			Level	Change			Level	Change			Level	Change		
	2,239	2.0%	12.0%	1.4%	7,143	5.4%	19.1%	-1.3%	3,291	7.9%	3.7%	6.4%	19,114	4.5%	2.0%	10.6%	60,227	-2.7%	38.9%	-13.3%

SECTOR SPREADS***	Dec '16	MTD	YTD	2015
	Level	Change (bps)		
MBS[b]	15	-1	-9	-4
FINANCIALS[c]	129	-4	-7	+20
UTILITIES[d]	121	-5	-31	+33
COVERED[e]	64	+3	+11	+17
HIGH YIELD[f]	425	-41	-213	+122
EM EXTERNAL[g]	365	-22	-80	+41

COMMODITIES	Dec '16	MTD	YTD	2015
	Level	Change		
Oil	$54	8.7%	45.0%	-30.5%
Gold	$1,152	-1.6%	8.6%	-10.5%
Copper	$251	-4.4%	17.4%	-24.4%
Grains[h]	$37	-0.7%	-6.2%	-19.5%

*Central Bank Policy Rate
**U.S. Dollar Index (DXY)
***Sector spreads to like-duration government bonds

Source: Bloomberg

[1]MSCI World Index, [2]S&P 500 Index, [3]MSCI Europe Index (MSDEE15N INDEX), [4]Nikkei 225 Index (NKY Index), [5]MSCI Emerging Markets Index Daily Net TR, [6]IBOVESPA Index (IBOV Index), [7]Shanghai Composite Index (SHCOMP Index), [8]S&P BSE SENSEX Index (SENSEX Index), [9]MICEX Index (INDEXCF Index), [10]Barclays Global Aggregate Credit USD Hedged Index, [11]BofA Merrill Lynch Developed Markets High Yield Index, Constrained, [12]Barclays Fixed Rate MBS Index (Total Return, Unhedged), [13]Barclays Investment Grade Non-Agency MBS Index, [14]Bloomberg Barclays Municipal Bond Index, [a]Thomson Municipal Market Data (MMD) AAA Curve, [b]Barclays Global Agg MBS Index, [c]Barclays Global Agg Financial Index, [d]Barclays Global Agg Utilities Index, [e]Barclays Covered Bonds Global Index, [f]Barclays Global Agg High Yield Index, [g]JPMorgan Emerging Markets Bond Index, [h]Dow Jones – UBS Grains Subindex

PIMCO

Past performance is not a guarantee or a reliable indicator of future results.

A word about risk: All investments contain risk and may lose value. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk and liquidity risk. The value of most bonds and bond strategies is impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and the current low interest rate environment increases this risk. Current reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Investing in **foreign denominated and/or -domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in **emerging markets. Currency rates** may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. **Mortgage- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its obligations. **Sovereign securities** are generally backed by the issuing government. Obligations of U.S. government agencies and authorities are supported by varying degrees, but are generally not backed by the full faith of the U.S. government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value. Income from **municipal bonds** may be subject to state and local taxes and at times the alternative minimum tax; a strategy concentrating in a single or limited number of states is subject to greater risk of adverse economic conditions and regulatory changes. **Inflation-linked bonds (ILBs)** issued by a government are fixed income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Treasury Inflation-Protected Securities (TIPS) are ILBs issued by the U.S. government. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. **Corporate debt** securities are subject to the risk of the issuer's inability to meet principal and interest payments on the obligation and may also be subject to price volatility due to factors such as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. **Commodities** contain heightened risk, including market, political, regulatory and natural conditions, and may not be suitable for all investors. It is not possible to invest directly in an unmanaged index.

This material contains the opinions of the manager and such opinions are subject to change without notice. This material has been distributed for informational purposes only. Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

PIMCO provides services only to qualified institutions and investors. This is not an offer to any person in any jurisdiction where unlawful or unauthorized. **| Pacific Investment Management Company LLC,** 650 Newport Center Drive, Newport Beach, CA 92660 is regulated by the United States Securities and Exchange Commission. **| PIMCO Investments LLC,** U.S. distributor, 1633 Broadway, New York, NY, 10019 is a company of PIMCO. **| PIMCO Europe Ltd** (Company No. 2604517) and PIMCO Europe Ltd - Italy (Company No. 07533910969) are authorised and regulated by the Financial Conduct Authority (25 The North Colonnade, Canary Wharf, London E14 5HS) in the UK. The Italy branch is additionally regulated by the CONSOB in accordance with Article 27 of the Italian Consolidated Financial Act. PIMCO Europe Ltd services and products are available only to professional clients as defined in the Financial Conduct Authority's Handbook and are not available to individual investors, who should not rely on this communication. **| PIMCO Deutschland GmbH** (Company No. 192083, Seidlstr. 24-24a, 80335 Munich, Germany) is authorised and regulated by the German Federal Financial Supervisory Authority (BaFin) (Marie-Curie-Str. 24-28, 60439 Frankfurt am Main) in Germany in accordance with Section 32 of the German Banking Act (KWG). The services and products provided by PIMCO Deutschland GmbH are available only to professional clients as defined in Section 31a para. 2 German Securities Trading Act (WpHG). They are not available to individual investors, who should not rely on this communication. **| PIMCO (Schweiz) GmbH** (registered in Switzerland, Company No. CH-020.4.038.582-2), Brandschenkestrasse 41, 8002 Zurich, Switzerland, Tel: + 41 44 512 49 10. The services and products provided by PIMCO Switzerland GmbH are not available to individual investors, who should not rely on this communication but contact their financial adviser. **| PIMCO Asia Pte Ltd** (501 Orchard Road #09-03, Wheelock Place, Singapore 238880, Registration No. 199804652K) is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence and an exempt financial adviser. The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. **| PIMCO Asia Limited** (Suite 2201, 22nd Floor, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong) is licensed by the Securities and Futures Commission for Types 1, 4 and 9 regulated activities under the Securities and Futures Ordinance. The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. **| PIMCO Australia Pty Ltd** ABN 54 084 280 508, AFSL 246862 (PIMCO Australia) offers products and services to both wholesale and retail clients as defined in the Corporations Act 2001 (limited to general financial product advice in the case of retail clients). This communication is provided for general information only without taking into account the objectives, financial situation or needs of any particular investors. **| PIMCO Japan Ltd** (Toranomon Towers Office 18F, 4-1-28, Toranomon, Minato-ku, Tokyo, Japan 105-0001) Financial Instruments Business Registration Number is Director of Kanto Local Finance Bureau (Financial Instruments Firm) No. 382. PIMCO Japan Ltd is a member of Japan Investment Advisers Association and The Investment Trusts Association, Japan. Investment management products and services offered by PIMCO Japan Ltd are offered only to persons within its respective jurisdiction, and are not available to persons where provision of such products or services is unauthorized. Valuations of assets will fluctuate based upon prices of securities and values of derivative transactions in the portfolio, market conditions, interest rates and credit risk, among others. Investments in foreign currency denominated assets will be affected by foreign exchange rates. There is no guarantee that the principal amount of the investment will be preserved, or that a certain return will be realized; the investment could suffer a loss. All profits and losses incur to the investor. The amounts, maximum amounts and calculation methodologies of each type of fee and expense and their total amounts will vary depending on the investment strategy, the status of investment performance, period of management and outstanding balance of assets and thus such fees and expenses cannot be set forth herein.**| PIMCO Canada Corp.** (199 Bay Street, Suite 2050, Commerce Court Station, P.O. Box 363, Toronto, ON, M5L 1G2) services and products may only be available in certain provinces or territories of Canada and only through dealers authorized for that purpose. **| PIMCO Latin America** Edifício Internacional Rio Praia do Flamengo, 154 1o andar, Rio de Janeiro – RJ Brasil 22210-906. | No part of this publication may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO is a trademark of Allianz Asset Management of America L.P. is a trademark in the United States and throughout the world. © 2016, PIMCO.

49300

Newport Beach Headquarters
650 Newport Center Drive
Newport Beach, CA 92660
+1 949.720.6000

Hong Kong

London

Milan

Munich

New York

Rio de Janeiro

Singapore

Sydney

Tokyo

Toronto

Zurich

pimco.com
blog.pimco.com

CMR2017-0111-242070