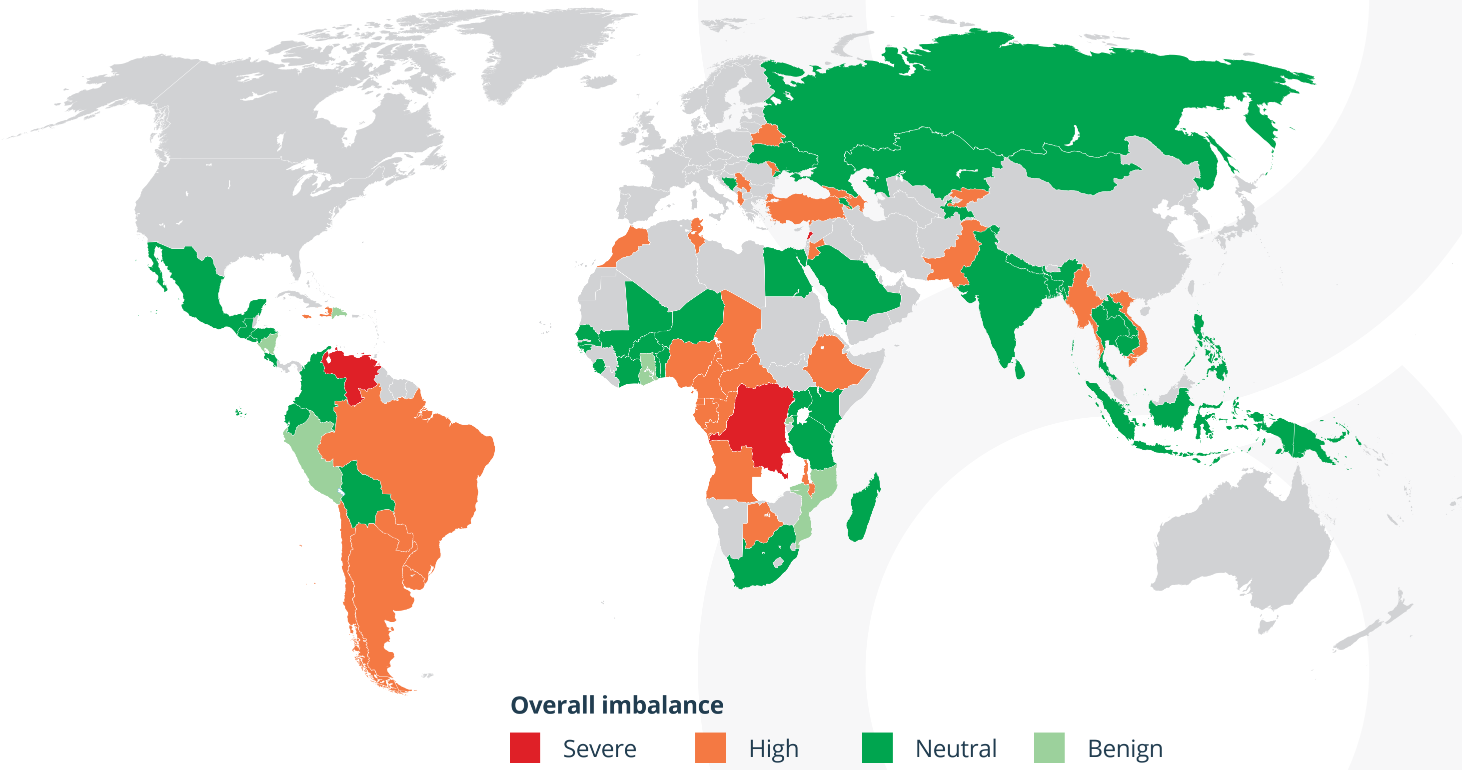
OGResearch

Macro Risk

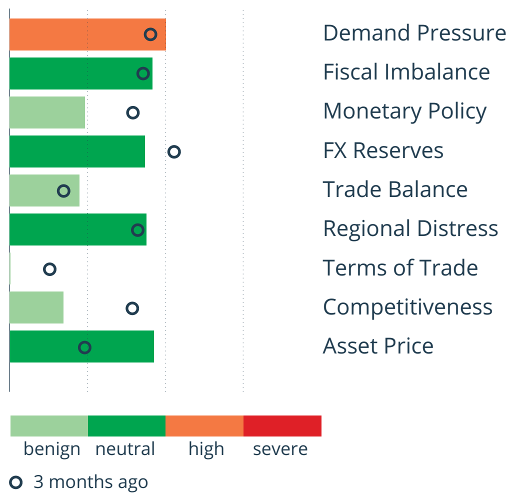


Macro Risk alerts users when an economy is developing an imbalance and becoming prone to future corrections such as a potential exchange rate adjustment or realignment of macroeconomic policies. The tool monitors a number of crucial macro-fundamental variables on a monthly basis and checks for economic distress based on a robust algorithm.

Main Features

- Serves as an early warning system to signal emerging imbalances in the macroeconomic data.
- The assessment is expressed on the scale from “benign“ to “severe“. The higher the level of the overall imbalance, the greater the probability of a macroeconomic adjustment.
- Covers about 80 frontier and emerging markets.
- Monitors domestic, regional and global economic conditions through a number of crucial macro-fundamental variables on a monthly basis.
- Interprets imbalances as deviations of variables over long term trends.

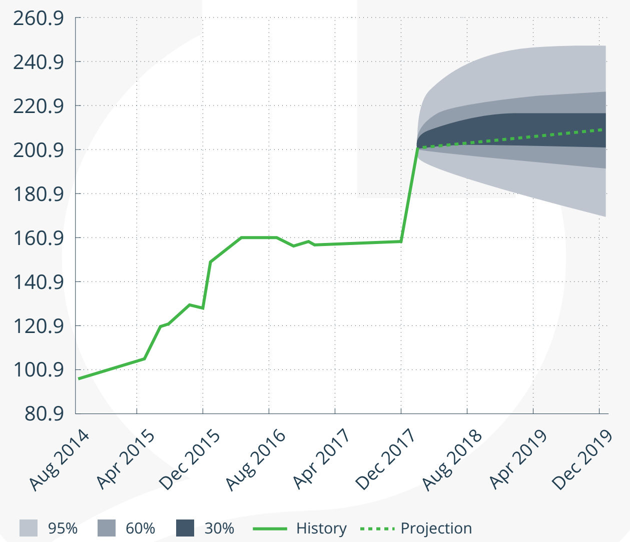
Macroeconomic Imbalance Indicators



Key added value

- Assists with investment decisions, evaluation of currency exposures and mitigation of risk.
- Simple and convenient access through a web-portal.
- Efficiently aggregates large volumes of available macroeconomic data.
- Access to a comprehensive database of emerging and frontier market data.
- Macro Risk-implied confidence intervals around the exchange rate projections derived from the IMF World Economic Outlook.

Exchange Rate Risk Distribution (AOA per USD)



The confidence intervals implied by our proprietary Macro Risk economic model indicate the ranges of values within which an exchange rate may fluctuate on the forecast horizon. The intervals are derived from the historical development of a given currency and skewed according to the Macro Risk assessment of currency risks.

What the tool monitors

Regional Distress – a weighted average of economic pressures from important trade partners.

Trade Balance – a ratio of net exports and nominal GDP.

FX Reserves – the central bank's ability to defend the nominal exchange rate.

Competitiveness – ability of an economy to offset Balance of Payments pressures by means of trade.

Terms of Trade – a ratio of export and import prices.

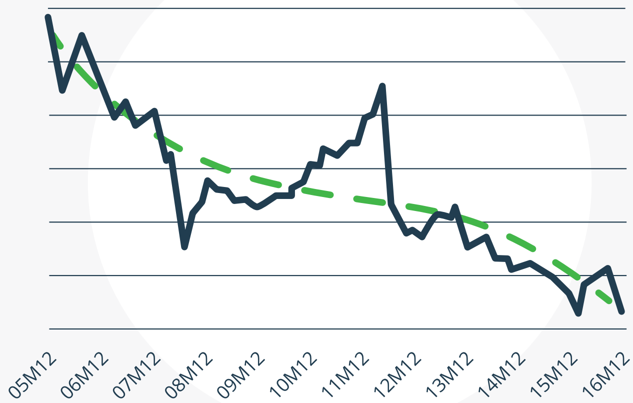
Asset Price – a ratio of domestic stock prices to CPI.

Demand – nominal GDP deflated by CPI.

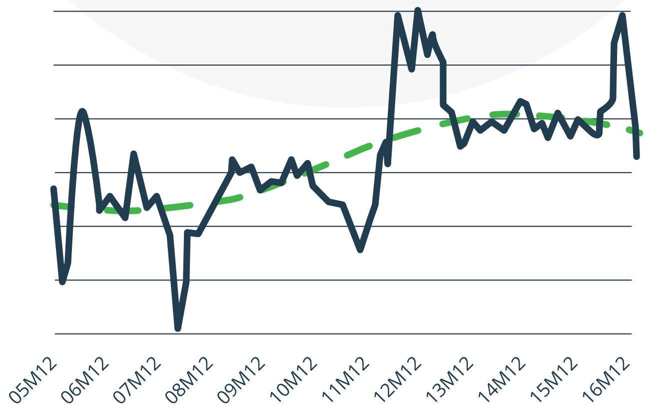
Monetary Policy – indicator for over-expansionary monetary conditions.

Fiscal Imbalance – an indicator of fiscal policy's sustainability.

Competitiveness



Monetary Policy



The solid black line shows the observed levels of the variables or their monthly interpolations. The green dashed line represents an estimated long term trend. The macroeconomic imbalance is calculated as the difference of the current level of the indicator from its long-term trend. The larger the imbalance the greater the probability of a sharp correction.

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