



For Immediate Release
Citigroup Inc. (NYSE: C)
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CITI PRIVATE BANK FORECASTS 2012 INVESTMENT OUTLOOK

Opportunities Exist Despite Dim Outlook for Global Economy

Hong Kong/London/New York/Singapore – Citi Private Bank today released its investment outlook for 2012, stating that despite increasing concerns about the solvency of some of the world's largest economies, a festering European sovereign debt crisis and slowing global growth, the current risk environment continues to provide opportunities that stand out from the dark outlook.

“From an investment viewpoint, the worse the crisis becomes and the greater the carnage in markets, the more volatile will be the reaction to any perceived solution,” said Richard Cookson, Global Chief Investment Officer. “We would counsel caution for now. If these risks do materialize, we think it will lead to investment opportunities that would be an awful lot more attractive than they are now.”

Important highlights of the report include:

Equities in an Environment of Slow Growth: The current period of deleveraging will lead to weaker economic growth, and, as a result, slower growth or contraction in corporate revenues and earnings. As profit margins are already at elevated levels, we believe that corporate earnings are likely to be more dependent on final demand rather than further efficiency initiatives. Stick to companies with stable and high dividends, and stable market shares. On a cyclically adjusted price-to-earnings basis, valuations in core Europe and Japan are far more compelling than in the US. Emerging markets seem like a mixed bag, with the likes of emerging Europe, Middle East and Africa looking less expensive, Latin America (excluding Brazil) looking more expensive, and Asia somewhere in between.

Safety First: The European debt crisis and slowing global growth are poised to be the principal drivers of return in the fixed income markets. Uncertainties fueled by peripheral Europe are likely to keep safe-haven sentiment elevated as contagion concerns persist. This bodes well for the performance of high-quality fixed income assets and long-dated debt that feature superior market liquidity. Our strongest conviction continues to be long-dated high-grade corporate bonds and we favor non-financial issuers in the US, where fundamentals are solid, balance sheets are strong and liquidity is robust and firms continue to seek to pay down debt and raise their credit ratings.

Hedge Funds for Volatile Markets: In an environment of heightened volatility we believe that hedge funds continue to offer investors active management of exposures and risks, and expertise in navigating and profiting from market volatility. Managers who specialize in a narrow skill set—for example, in a particular sector, region or style—are more equipped to stay the course, avoid style-drift and realize profits through deep fundamental analysis. Furthermore, we believe corporations will meet varying levels of success in adapting to the current, low-growth environment, and equity long–short managers will be in a position to select winners and losers when correlations do eventually revert to their long-term mean.

A Forecast for Foreign Exchange: We expect the dollar to appreciate against most currencies — in particular the euro and the currencies of emerging nations and commodity exporters. The British pound should also fare relatively well, as will the Japanese yen.

Commodities in a Challenging Market: Slow growth, high risk aversion and long positioning suggest that the medium- to long-term upside for commodity prices in general remains limited. With economic growth slowing in the emerging world and Chinese growth a major risk, food prices and industrial metals may well continue to underperform. We do like the long-term outlook for gold. With major central banks engaged in unprecedented and experimental quantitative easing/money base expansion, the fixed supply of gold is a relative advantage.

Opportunities in Distressed Debt: As fear and uncertainty increases and the pricing of particular investments declines below their perceived long-term intrinsic value, investors must determine whether the prices of these opportunities make sense. The next four years may prove to be troubling for companies seeking ways to refinance substantial upcoming debt maturities. In the US and Europe, looming corporate debt maturities combined with market uncertainty may also result in attractive investment opportunities as well.

Prime Locations in Global Real Estate: Investors seeking a more conservative strategy have gravitated toward high-quality properties in central business districts in cities such as Beijing, London, Munich, New York, Paris and Sydney. Conversely, for those willing to accept more risk, high growth markets, such as Asia and Latin America, may be able to generate more attractive returns relative to the US and Europe. Investors must remain cautious as adverse global economic growth re-forecasting will continue to influence all property markets, and investors should reduce their yield and return expectations.

To request a copy of the report or to speak with one of its authors, please contact the Citi press office.

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