ScotiaMocatta

Precious Metals 2014 Forecast

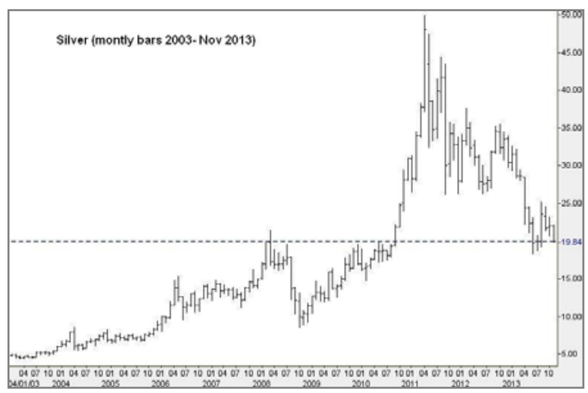
Silver

November 2013

Executive Summary

- Silver prices have been under pressure this year. The break below support at $26/oz in April led to a rapid fall to $18.21/oz. Prices have since traded either side of $20/oz.
- Unlike in Gold, investors have added to their holdings of Silver in ETFs since the start of the year, but the rate of buying has dropped significantly.
- Silver's fundamentals remain bearish, the supply surplus has grown as less metal has been absorbed by ETFs.
- We feel creditors and investors will continue to want to monetise Silver as a means to preserve wealth and protect against currency debasement and financial risk.
- Basis the fundamentals, Silver is likely to become rangebound again, albeit at lower levels.

Introduction



Silver prices have been under downward pressure for most of the year and the move has now corrected the run-up that was seen in 2010 and 2011. After oscillating sideways in a big range in 2011 and 2012, Silver headed lower this year. Prices have now returned to the levels that were trading before the financial crisis started and before quantitative easing (QE) was introduced. Silver may therefore be well into the process of discounting the prospect of QE ending, although for now that seems to be one of the popular reasons behind the price weakness. However, the price weakness is also justified by the weak fundamentals that show a large supply surplus and now that investors are not buying nearly as much Silver through ETFs, less of the supply surplus is being absorbed and that means more of the surplus has weighed on prices. Given the high level of redemptions in Gold ETFs, combined with the price weakness in Silver, it is surprising that investors have not been cutting their exposure to Silver ETFs, but holdings are in fact slightly up on the year. The long term demand outlook for Silver is strong, but a few more years of surplus are expected and that is likely to mean prices become more rangebound, possibly at lower levels. There is a more bullish scenario involving further monetisation of bullion as confidence in debt ladened currencies deteriorates and we expect that to unfold at some stage. For the rest of this year and for 2014, we expect prices to spend most of the time in the $17/oz to $25/oz range.

GLOBAL BANKING AND MARKETS

FABRICATION DEMAND

Fabrication demand covers Silver's use in industry (55% of fabrication demand), photography (7%), jewellery manufacturing (22%), silverware (5%) and in the making of coins and medals (11%). In 2012, fabrication demand dipped 6.6 percent to 26,340 tonnes, according to the World Silver Survey; this followed a 1.2 percent fall in 2011 and after a 13 percent rise in 2010. Fabrication demand in 2012 fell back to levels not seen since around 2007, which suggests a degree of stabilisation after the run up in demand in 2010 when demand peaked at 28,550 tonnes on the back of restocking, following the destocking in 2009.

Last year, all of the above sectors saw demand fall, even demand for jewellery, which we would have expected to be more price elastic. Given even lower prices this year and slightly stronger economic activity that has seen manufacturing PMIs move into expansion mode, we expect fabrication demand to recover this year. This is especially likely considering the Indian government's crackdown on Gold imports that has worked in Silver's favour. In addition, in line with strong sales of Gold bars and coins, Silver coin sales have also been strong so far in 2013. Sales of US Silver Eagle coins in the January to October period totalled 39,175,000 ounces, compared with 28,948,000 ounces in the same period in 2012.

Looking forward into 2014, it is difficult to get too optimistic as although the outlook for Europe has improved slightly, no strong recovery is expected. The US recovery is expected to continue, but the eventual ending of QE is likely to produce headwinds for the domestic market, as well as the country's exports as tapering negatively impacts growth in emerging markets. We also feel China will continue to be content to see relatively low growth for a while to ensure inflation remains under control. As such, fabrication demand growth is expected to remain subdued.

Jewellery

Jewellery fabrication slipped 0.5 percent in 2012 to 5,771 tonnes, according to the World Silver Survey, with most regions seeing little change, while jewellery fabrication fell 6 percent in Europe, with Italy, the regionals largest fabricator, the hardest hit with output off 8.5 percent. The areas of growth were India, the Middle East, Indonesia and China. The slowdown in Europe is not hard to justify given the dire straits the economy has been in. Whereas we would have expected Silver jewellery to win market share from Gold, it looks as though Silver has lost market share to other materials that went into making costume jewellery. In the Middle East, Indonesia and India, demand for Silver jewellery did benefit from gaining market share from Gold jewellery as even though Silver prices were relatively high, they were still affordable when compared to Gold. In India, demand has also increased as the disposable income in rural communities has grown in recent years on the back of some good harvests that have coincided with strong global food prices. Chinese demand for fabricated Silver jewellery continues to trend higher, with demand rising four percent to 1,762 tonnes. Despite relatively lower economic growth, compared with what China has been used to, demand for Silver jewellery has held up well. Its relative cheapness compared with Gold and the good margins available to fabricators and retailers have boosted the number of new Silver jewellery shops. These trends are expected to have continued in 2013, although the biggest change will be seen in India, where demand for all things Silver in terms of luxury items will have received a significant boost following the government's introduction of import restrictions on Gold. In the first eight months of the year, India's imports of Silver have more than doubled to 4,000 tonnes, compared with 1,900 tonne for the whole of last year. Some of this increase is no doubt due to stock building as traders build up inventory in case the government imposes restrictions on Silver imports. Globally, we expect to see these trends continue into 2014, where a relatively weak Silver price combined with the cost advantages Silver has over Gold jewellery, should continue to boost demand for Silver jewellery. This should especially be the case in emerging markets where there are growing middle classes with more disposable income. Likewise, for India, while the restrictions on Gold imports continue, we feel Silver jewellery will continue to win market share.

Industrial Demand

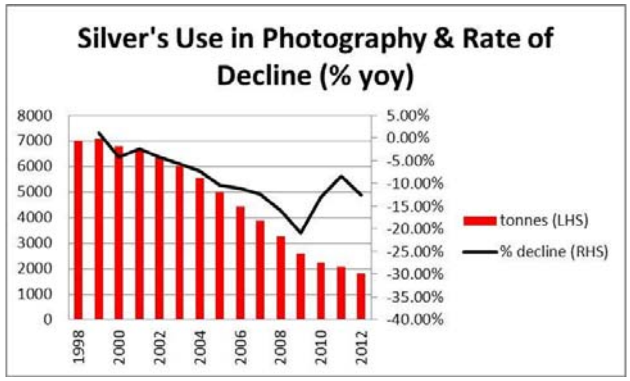
Industrial demand for Silver fell four percent to 14,490 tonnes in 2012, according to the World Silver Survey, this was mainly as a result of the economic hardship being felt in the developed world. 2012 was the second consecutive year that industrial demand had fallen with demand last year reverting back towards the level seen in 2006. The main weaknesses were seen in Japan, US, Germany and Taiwan as demand for electronics suffered and as companies destocked into the price weakness. This year has seen a rebound as economic recoveries have made some progress with even Europe seeing a mild recovery. Silver's use in the electrical and electronics industries account for around 48 percent of Silver's industrial use and a good barometer of how the industry is doing can be gauged from semiconductor sales. Data from the Semiconductor Industry Association (SIA) shows that worldwide sales of semiconductors in the third quarter were at record levels and were up 8.4 percent over the second quarter. Silver's use in rechargeable and non-rechargeable batteries is also gaining ground and although they are expensive they have a high power-to-weight attribute. Originally the batteries have been widely used in watches, calculators and electronic products, but they are now expanding into laptops and mobile phones to replace lithium batteries. Given the size of this new market for Silver alloy batteries, demand from this sector is expected to show rapid growth.

The long term outlook for Silver's use in industry is exciting. There are numerous new applications for the metal that have potential to make a big difference to demand – in time. Many of these new applications are using nano-technology where they use tiny amounts of Silver per application, but they have potential to be used extensively. In addition, because the amount of Silver per application is so small, demand is likely to remain price inelastic. In the years ahead, we expect Silver's industrial use to grow as a percentage of total demand. During the years of strong economic growth between 2004 and 2007, industrial demand was growing at an average of 7 percent per annum, we expect to see similar, if not higher, growth rates in the years ahead. That said, for 2014, given a mildly bullish outlook for global growth, we expect industrial demand to remain subdued, other than for the relatively new applications, such as solar panels.

Solar power – Photo voltaic (PV)

The solar power industry is growing fast and the outlook is for more of the same. Silver demand from this industry has jumped from 30 tonnes in 2002 to an estimated 1,843 tonnes in 2011. Demand dropped to around 1,660 tonnes in 2012 as government subsidies in Europe were cut, as an oversupply of solar panels was worked off and as new technology meant less Silver paste was needed for each PV cell. Demand this year, however, is expected to rebound, with China now looking to take over the helm as it seeks to capture more solar energy for itself. China's State Council has raised its target for solar energy capacity to 35 Gigawatts (GW) by 2015, an increase of 67 percent from its earlier target of 21 GW. In 2012, China's solar capacity was 12 GW and the plan is to install 10 GW per annum until it reaches its new target. Given past history the target may well be raised again. Silver's use in the PV industry already accounts for some six percent of Silver's use and given the rapid growth the industry is seeing that is likely to grow significantly in the years ahead. Although European governments might have tapped the brakes on the rate of solar panel installations, growth elsewhere has a bright outlook. In addition to China's ambitions, India from a very low base is looking to install 20 GW of capacity by 2020. Globally, the outlook for Silver demand in the solar energy industry is second to none, but it is an area that needs careful watching as demand could take off even faster, but conversely new technology using less Silver per item, or substitute materials could change the market's dynamics.

Photographic demand



Use of Silver in the photographic industry peaked in 1999 at around 7,000 tonnes. Between 2000 and 2009, the decline in Silver's use was accelerating as seen by the falling black line on the chart opposite. There was a blip during the financial crisis/recession when the rate of decline slowed as the weaker economic growth environment slowed the conversion to digital photography in the medical and film (motion picture) industries. Photography accounts for some 6.8 percent of fabrication demand, down from 24 percent at its peak before digital photography started to make inroads. In 2012, photographic demand for Silver fell 12.6 percent to around 1,800 tonnes. Silver's main use in photography is for x-rays. Most medical establishments where possible are using digital x-rays, but they are prohibitively expensive so as medical care expands in the developing world, medical establishments are often opting initially to install second-hand conventional x-ray machines and this is keeping photographic demand for Silver alive. The rate of fall in Silver's use in this industry started to accelerate again in 2012 and that trend is likely to continue as global economic recovery continues. Overall, we would expect photographic demand for Silver to drop at a rate of 12-14 percent per annum.

New applications

Silver's new applications are diverse and are being used in health, electronics and transport/packaging. Many of these new applications, including smart tags (RFIDs) and Silver antibacterial applications, use nano-technology with each unit using a tiny amount of Silver. Until these applications have widespread use their impact on Silver demand is likely to take time to be felt. That said, it was not that long ago that Silver PV cells were in this 'new applications' category and now they are consuming significant quantities of metal. Silver's antibacterial properties means more Silver is finding its way into a wide range of products including: consumer products (like socks, towels and sheets), medical products (equipment, bandages and ointments) and office, public and household equipment (like telephones, photocopier buttons, hand rails, door handles and kitchen utensils).

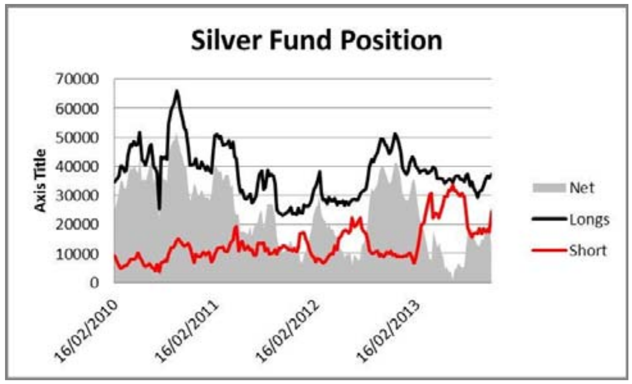
INVESTMENT DEMAND

The fact ETF investors have generally remained committed to Silver, which is in stark contrast to what is happening in Gold, is a strange phenomenon. Perhaps institutional investors over the years have opted to invest in Gold ETFs and less so in Silver ETFs and therefore the institutional investor selling has not impacted holdings in Silver ETF that much. This would suggest the Silver ETF investors are mainly retail investors. However, it is hard to comprehend why Silver investors have not been spooked by the redemptions in Gold, especially when Silver prices tend to follow Gold's lead. As things stand, as of late November 2013, the combined holdings in the Silver ETFs we follow stood at 19,680 tonnes, which were just 1.4

percent lower than the peak holding of 19,960 tonnes seen in mid-March. However, whereas the accumulation of Silver in ETFs in the early days of ETFs helped absorb a large part of the market surplus, the relatively small increases since 2011 mean that the ETFs are not absorbing much of the supply surplus anymore and that means there is more of the surplus to weigh on prices.

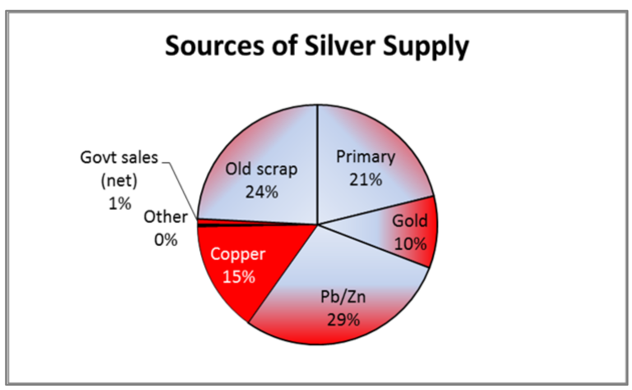
What is surprising is that given the supply surplus, investing in Silver is and has been a confidence game, so the fact the pull back in prices has not prompted liquidation selling is all the more remarkable. However, with holdings in Silver ETFs near record highs it does suggest robust confidence in the outlook for Silver demand down the road. Needless to say, there are concerns in the market that redemptions could follow and that could then really send prices lower, but if redemptions have not been triggered by a 63 percent fall in prices, then its seems unlikely they will be spooked by further price weakness. All in all, it seems that ETF investors like the long term outlook for demand.

Funds far from bullish



2013 has seen another spell of major fund liquidation that saw the net long fund position (NLFP) drop from the previous peak of 41,275 contracts in November 2012, to a low of 837 contracts in late June. The drop in the NLFP came about on the back of long liquidation and a build-up of short selling, the latter reaching record levels of 33,668 contracts, which was well above previous peaks of around 20,000 contracts. The rebound in the NLFP has come about initially with short-covering, which was then fuelled by fresh buying, but since the start of November the gross short position has started to grow again, while the gross long position has climbed too. As of mid-November, the gross long position was at 37,380 contracts, which is in line with the average gross long position since start of 2010, which has been 37,827 contracts. The gross short position, at 24,344 contracts, is still well above the average of 13,270 contracts. Looking forward it is difficult predict what the funds will do, but we would be wary of short-covering given prices are already low.

SUPPLY



Silver supply in 2012 came from mine output (75%), scrap (24%), forward producer hedging (< 1%) and net government sales (1%). The biggest change to supply came from an increase in by-product output from lead and zinc mines.

Mine output rose four percent in 2012, to a new record of 24,478 tonnes, according to the World Silver Survey. Primary Silver mines provided 28 percent of mined metal (21 percent of total supply), 39 percent came from by-products of lead and zinc, 19 percent from copper mines and 13 percent from Gold mines. The largest increases in mine output were from China, Mexico, Russia and India, while the biggest declines in output were seen in Chile and the US. Mexico held on to its position as the world's largest producer of Silver, having overtaken Peru in 2010 and Peru dropped into third place last year, with China moving up into second place. Russia climbed from 8th place to 5th place, while India jumped to 13th place from 17th. Most of China's Silver mine output is a by-product from its lead-zinc and copper mining, all of which have been growing rapidly in recent years, especially lead and zinc.

In 2013, output growth is expected to slow to 1.3 percent from the four percent seen last year, but of particular note will be ramp up of output in the Dominican Republic, where the Pueblo Viejo mine started in January – it is expected to produce 135 tonnes of Silver this year and increase that to 195 tonnes in 2014. In addition, the Penasquito mine in Mexico is expected to add 120 tonnes this year and a further 35 tonnes next year. In 2014, output is expected to grow around 1.2 percent, it would have been higher had it not been for a start-up delay at the massive Pascua-Lama project on the Chile/Argentina border that would have added another 1,088 tonnes to annual production – the project is not expected to start production now until 2015. That said, given that base metal prices are looking heavy and are sitting just above important support levels, plus supply surpluses are expected again in most of the metals next year, there is a possibility that some production cutbacks could be seen at zinc mines should prices fall and stay below $1,800/tonne (last $1,890/tonne).

Supply from Scrap

Scrap supply grew at a fast pace in 2010 and 2011, reaching record levels in the process, but supply levelled out last year and ended up falling 1.6 percent to just short of 7,900 tonnes. Scrap accounted for 24 percent of total Silver supply. The run up in scrap supply in recent years has been a function of the higher price and the ease with which it is has been possible to sell scrap. The latter is the result of various commercial schemes to encourage people to scrap old Gold jewellery and that has enticed old Silver jewellery, silverware and coins to be scrapped too– this has especially been so in the US, India and in Europe. The dynamics of the scrap market are ever changing, regulations governing the recycling of electronic waste have increased the amount of scrap in those countries where regulation has been introduced, currency considerations can affect scrap flows, for example the weak rupee has sent Silver prices in India to record highs and that has encouraged more scrap into the market. High metals prices have also prompted coins to be scrapped if the value of metal content exceeds the face value of the coin. However, where 'cash-for-scrap' schemes have been popular for a number of years, the stock of old scrap has now been largely depleted and in these countries scrap flow have starting to fall. In 2012, scrap supply fell 16 percent in France, 13 percent in the UK and 10 percent in the US. However, this was not the case in Germany where scrap supply shot up 29.3 percent to 671 tonnes.

Looking forward, we feel it might take considerably higher Silver prices to entice more Silver scrap out of households, especially in the developed world. With economies facing less harsh times now and with recoveries generally underway, there is likely to be less distress selling. As such, we expect the amount of scrap supply to drop away from record levels, before climbing again at a steady pace as tighter environmental legislation about recycling electronic goods spreads geographically.

Government stocks continue to fall

Sales of government held stocks have slumped in recent years; they averaged around 300 tonnes in 2011 and 2012, down from an average of around 1,660 tonne between 2003 and 2010. As has been the case since 2007, most of the official sales have come from Russia, but the fact sales dropped in 2011, when average prices were at a record high, suggests that Russia's stockpiles have either been depleted, or in line with its Gold buying for its official reserves, Russia may have decided that Silver would complement its Gold holdings. With China and India also absent from selling Silver, it seems likely that what sales have been made are to do with the disposal of old coin stocks. In line with less central bank selling of Gold and indeed their switch to buying, we would not be surprised if government sales of Silver stocks remained subdued.

Producer hedging

Having added to the global hedge book in 2010 and 2011, the book declined 1,289 tonnes in 2012 on a net basis, with some producers adding protection and others dehedging, or not replacing hedges that had come prompt. As such, it seems as though there is no clear message coming from producers as to their outlook for prices. A good proportion of the new hedging seems to have been option based, with put buying and call selling, although there were also some outright forward sales too. Given the net decrease in the hedge book, the market ended 2012 less hedged than it started. This year, given the weaker prices it looks as though producers are now prepared to hedge at lower prices, whereas in 2012 the rallies were capped above $35/oz, the August rally this year was capped ahead of $25/oz. Looking forward into 2014, given the weakness over the past twelve months we would expect producer selling to take advantage of rallies – that is unless sentiment turns decidedly more bullish.

Balance

The Silver market has been in a supply surplus since 2006 so above-ground stocks have accumulated significantly. The emergence of the Silver ETFs in 2006 initially helped absorb much of the surplus, but as the inflow into ETFs has waned, the surplus has become more apparent. So far in 2013, the ETFs have accumulated some 400 tonnes and COMEX stocks have risen some 620 tonnes, but the supply surplus, which is the balance between supply and fabrication demand, is likely to be around 6,000 tonnes this year. This means the increase in the ETFs and in COMEX stocks only account for around 1,020 tonnes of the surplus. The surplus is significant, it accounts for around 19 percent of fabrication demand and as things stand therefore, the market badly needs the new industrial applications for Silver to become large consumers of the metal. To put this into perspective, the solar panel industry, which is relatively new, consumed an estimated 1,660 tonnes in 2012. Looking forward it seems likely that it will still be a few years before demand catches up with supply and therefore investors are going to have to remain bullish for the outlook for Silver if prices are to stay elevated.

Technical

The sell-off from October 2012 to June 2013 was fairly relentless with prices dropping to $18.21/oz from $35.39, a fall of 48.5 percent. The rebound that started in August took prices back up to $25.12/oz, but it was relatively short-lived and prices are now working their way lower again. The pull-back has now unwound the whole of the stellar rally that started in August 2010 that went from around $20/oz to $49.81/oz. This means that prices are now back around the highs seen before the financial crisis got underway. In early 2008, the peak had been $21.36/oz. Although the down trend has been formidable, prices have now pulled back into a region where we would expect support. The dotted line on the chart is where prices are at the time of writing and this level matches the top of the range seen in late 2009 and the first half of 2010. Between here and the lower horizontal line, which lines up the support area from that period, seems a likely area for prices to now find support. The bottom horizontal line is around the $17/oz level. With the stochastics still falling at a fast pace and with the blue line of the indicator still not as low as it has been during previous sell-offs, there may well be further weakness, so a test of support down towards $17/oz would not be too surprising. That said, the stochastics tend not to stay down in the weak zone for too long and when the stochastics rebound, the moves in the price can be significant. For now we would be on the lookout for support at $19.15/oz, $18.70/oz, $18.20/oz and the $17/oz. A rebound that gets going before prices reach $18.20/oz that then clear $23.10/oz would start to look constructive. On the upside we would expect resistance between the down trend line and the August peak at $25.12/oz and then at the upper horizontal line around $26/oz.

Conclusion and Forecast

Given the supply surplus and a significant slowing up in buying into ETFs it is not surprising that Silver prices have fallen sharply and have remained under pressure. The increase in supply from mining and scrap seems manageable and any growth from this area is expected to slowdown in the year ahead. The problem, however, is that supply is significantly larger than demand for fabricated products and that puts the onus on investors. With equity markets booming and investors' confidence stronger as policymakers seem to be more adept at living with the ugly debt situation, the opportunity cost of investing in Silver has risen. Indeed, given the supply surplus and the exodus from Gold ETFs it is remarkable that there has not been a corresponding flight out of Silver ETFs. There is a danger that this could follow, but the fact investors have not liquidated their positions given such a pull-back in price, seems to suggest they are less likely to do so now when you could argue Silver is better valued at these lower prices.

Given the surplus is unlikely to go away for at least a few years, until new applications including the solar panel industry, takes up the slack, it seems likely that Silver prices will remain rangebound. The most likely situation that could bring about a more bullish scenario is if there was a marked deterioration in confidence in the monetary system that leads to faster monetisation of Gold and Silver. Considering the debt situation and how some governments are handling their finances, plus an apparent lack of an exit plan to the debt situation, it would not be surprising if foreign creditors of the developed world's debt did look to diversify their exposure more. With the debt situation in the world's major economies escalating rapidly since financial crisis, you do have to wonder how much longer the monetary system can continue along its current path.

In summary, basis the fundamentals we expect Silver to become more of a rangebound market again with support around the $17/oz level and resistance above $25/oz. The long term fundamentals for Silver do look bullish, but they lie some years away. There is potential for a more bullish scenario for Silver and we feel that will unfold at some time, but between now and then, Silver prices could remain relatively weak. On balance therefore we expect a rangebound market, we expect dips will attract bargain hunting and rallies to attract producer selling, but we would keep in the back of our minds that a potentially more bullish scenario could unfold at any time.

Scotiabank's precious and base metals division, ScotiaMocatta, is a global leader in metals trading, brokerage and finance. Clients can access a full range of financial products and services.
To obtain additional information on our products and services, please contact one of the offices listed below.

CANADA
Toronto
Scotia Plaza
40 King Street West
Box 4085, Station 'A'
Scotia Plaza
Toronto, Ontario
M5W 2X6

Tim Dinneny
Tim.Dinneny@scotiabank.com
Tel: 1-212-225-6200
Fax: 1-212-225-6248

UNITED KINGDOM
London
201 Bishopsgate
6th Floor
London
EC2M 3NS

David Wilkinson
David.Wilkinson@scotiabank.com
Tel: 44-20-7826-5931
Fax: 44-20-7826-5948

UNITED STATES
New York
One Liberty Plaza
165 Broadway
New York, N.Y. 10006

Tim Dinneny
Tim.Dinneny@scotiabank.com
Tel: 1-212-225-6200
Fax: 1-212-225-6248

MEXICO
Mexico City
Blvd. M. Avila Camacho #1, Piso 11
Col. Chapultepec Polanco
Colonia Polanco 11560
Mexico

Jose Maria Tapia
Jose.Tapia@scotiabank.com
Tel: 52 55 9179 5142
Fax: 52 55 5325 3527

INDIA
Mumbai
91, 3rd North Avenue
Maker Maxity
Bandra Kurla Complex
Mumbai 400 051

Rajan Venkatesh
Rajan.Venkatesh@scotiabank.com
Tel: 91-22-6658-6901 (Direct)
Fax: 91-22-6658-6911

New Delhi
Upper Ground Floor
Dr. Gopal Das Bhavan
28 Barakhamba Road
New Delhi 110001

Prem Nath
Prem.Nath@scotiabank.com
Tel: 91-11-2335-8789
Fax: 91-11-2335-9342

Bangalore
25/2 S.N. Towers
M.G. Road
Bangalore 560001

Mahendran Krishnamurthy
Mahendran.Krishnamurthy@scotiabank.com
Tel: 91-80-2532-5325
Fax: 91-80-2558-1435

Coimbatore
Classic Towers
1547 Trichy Road
Coimbatore 641018

Shankara Subramanian
Shankara.Subramanian@scotiabank.com
Tel: 91-422-2304-489
Fax: 91-422-2301-596

HONG KONG SAR
21st Floor, Central Tower
28 Queen's Road Central
Central
Hong Kong

Alice Lam
Alice.Lam@scotiabank.com
Tel: 852-2861-4778
Fax: 852-2573-7869

SINGAPORE
1 Raffles Quay
#20-01, North Tower
One Raffles Quay
Singapore, 048583

Swee Kiang Teo
Sweekiang.Teo@scotiabank.com
Tel: 65-6536-3683
Fax: 65-6534-7825

UNITED ARAB EMIRATES
Dubai
302, Precinct Building 03
Dubai International Financial Cent
Dubai
UAE

Pramod Mohan
Pramod.Mohan@scotiabank.com
Tel: 971 4 371 1555
Fax: 971 4 448 4640

This report has been prepared on behalf of Scotiabank and is not for the use of private individuals. The Scotiabank trademark represents the precious metals business of The Bank of Nova Scotia. The Bank of Nova Scotia, a Canadian chartered bank, is incorporated in Canada with limited liability.

Opinions, estimates and projections contained herein are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither the Bank of Nova Scotia, its affiliates, employees or agents accepts any liability whatsoever for any loss arising from the use of this report or its contents. The Bank of Nova Scotia, its affiliates, employees or agents may hold a position in the products contained herein. This report is not a direct offer financial promotion, and is not to be construed as, an offer to sell or solicitation of an offer to buy any products whatsoever.

This market commentary is regarded as a marketing communication. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

The Bank of Nova Scotia is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia and Scotiabank Europe plc are authorised by the UK Prudential Regulation Authority. The Bank of Nova Scotia is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request.