India

Money, Military & Markets-XV

Crude oil - The queen's gambit by Saudi

- OPEC's internal power struggle and Saudi Arabia's strategy are likely to keep global crude oil prices low, hurting Russia's economy
- Saudi Arabia, despite a high fiscal breakeven, is cushioned by strong reserves, FDI, and tourism, whereas countries like Qatar & Iran will face economic woes.
- India stands to gain from lower crude oil prices. Buy shares of oil marketing companies (OMCs) and defence sector companies.

OPEC power struggle to hit Russia hard: history repeats itself

The politics of the Middle East could keep crude oil prices anchored around US$60/bbl or lower for a long time. One potential consequence of this would be a significant blow to Russia's ability to sustain its economy and fund its war efforts — much like what happened (unintentionally, though) during the Gorbachev era from 1985 to 1990.It is now abundantly clear that President Vladimir Putin is dismissive of US President Donald Trump and his simplistic, schoolboy approach of using trade and tariffs as a one-size-fits-all solution. Russia continues to strike Ukraine with impunity, and Trump's claim to end the war in a day has fallen flat. The complex relationships Saudi Arabia maintains with regional powers such as Qatar and Iran are, at the moment, serving the strategic interests of the US and Europe — particularly in countering the Russian influence. Saudi Arabia will keep pumping more oil and US oil production is unlikely to decline. Fracking remains viable if WTI stays above US$50/bbl, which implies that the fair value of Russia's Urals blend could fall below US$40/bbl. India emerges as a major beneficiary of this prolonged conflict, which may extend over the next four-to-five years. The country's fiscal position is likely to improve.

Saudi to pump more oil- high FX reserves & tourism to be saviours

By flooding the global market, Saudi Arabia can drive oil prices lower, a move that significantly impacts the economies of Iran and Qatar, Declining oil and gas prices squeeze their government budgets, which rely substantially on hydrocarbon revenue. Geopolitically, the Saudis have long harboured tensions with Shia-majority Iran and radical elements within Qatar. In a recent interview, Saudi Arabia's minister of state for foreign affairs openly criticized Qatar for supporting and financing radical Islam. Qatar's fiscal breakeven stands at approx. US$44/bbl. However, its position is under threat as American LNG will flood the global market, Qatar's export share will come down, pushing its fiscal breakeven price higher. Saudi Arabia, on the other hand, has a higher fiscal breakeven price (US$90/bbl) and a current account breakeven at US$83/bbl, but it is relatively better cushioned. Its large forex reserves, strong FDI inflow into new projects, and a tourism industry provide support.

Russia will be hurt as well - don't expect ceasefire in Ukraine soon

Out of its total foreign exchange reserves of US$630bn, Russia can access only around US$330bn — the rest has been frozen by Western powers. Russian Urals crude already trades at a discount of at least US$15/bbl compared to Brent crude. When transported via the shadow fleet — without insurance or formal recognition — the discount widens even further. Currently, Russia's current account breaks even at approximately US$41/bbl. However, if Brent crude prices fall to US$55/bbl or lower, Russia is likely to slip into a current account deficit. To defend the rouble, the government may be forced to dip into its gold reserves. President Putin, driven by pride and geopolitical positioning, is unlikely to offer a ceasefire anytime soon. But if Ukraine can stretch this conflict for another two-to-three years, the economic strain on Russia could lead to outcomes a few can predict.

India to benefit; buy OMC and defence sector stocks

Lower crude oil prices are a clear positive for the Indian economy. However, we do not expect the government to reduce retail petrol or diesel prices in the near term. Instead, it is more likely that any gains from lower crude oil prices will be captured through higher excise duty, with the additional revenue potentially directed toward emergency procurement of arms and ammunition. As for naphtha, its price can only fall to a certain threshold, beyond which its discount to crude oil begins to narrow. At its peak, naphtha traded at a discount of US$17/bbl to crude oil, but that spread has now narrowed to US$3–5/bbl. Gross refining margin or GRM of oil marketing companies (OMCs) to rise and hence, their earnings as well.

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The fall of USSR in 1991- crude oil triggered it

Though the Berlin Wall fell in 1989, the USSR formally dissolved in 1991. Low crude oil prices throughout the second half of the 1980s deeply strained the Soviet economy, undermining central control and contributing to the collapse.

Oil prices were surging at the beginning of the 1980's which led to cheating by OPEC members ➤

Here is the chronology of events from the beginning of the 1980's till 1991 which led to the collapse of USSR.

1980

1. Iraq–Iran war begins: Disrupts ~4m bbl/day of oil output. Prices rise sharply.
2. Oil price spikes: Brent crude climbs above US$35/bbl.
3. USSR benefits: High oil prices fund Soviet military, subsidies, and imports.

1981–1982

1. Global recession (post-1979 oil shock): Oil demand slows.
2. OPEC adopts quotas, led by Saudi Arabia, to prevent oversupply.
3. Saudi Arabia cuts output to support prices, dropping from ~10m to ~6m bbl/day.
4. Others cheat: Iran, Iraq, Venezuela and Nigeria exceed their quotas.

1983–1984

1. Oil glut emerges: Non-OPEC production (North Sea, Mexico, USSR) rises.
2. OPEC losing control: Prices stagnate; Saudi Arabia cuts more, down to ~4.9 m bbl per day (mbpd).
3. Soviet economy stagnates, but high oil still props it up.

1985

1. Mikhail Gorbachev becomes General Secretary of the Communist Party (March).
2. Announces Perestroika (economic reforms) and Glasnost (openness).
3. Saudi Arabia abandons swing producer role in response to quota cheating.
4. Saudi Arabia ramps up production in late 1985.

1986 – Oil shock

1. Oil prices crash: From ~US$30/bbl to under $10/bbl by mid-1986.
2. Saudi production jumps from ~4.5 to 6+ mbpd.
3. USSR loses billions in export revenue; foreign debt soars.
4. OPEC loses credibility, but other members agree to cuts by end-1986.

1987–1989

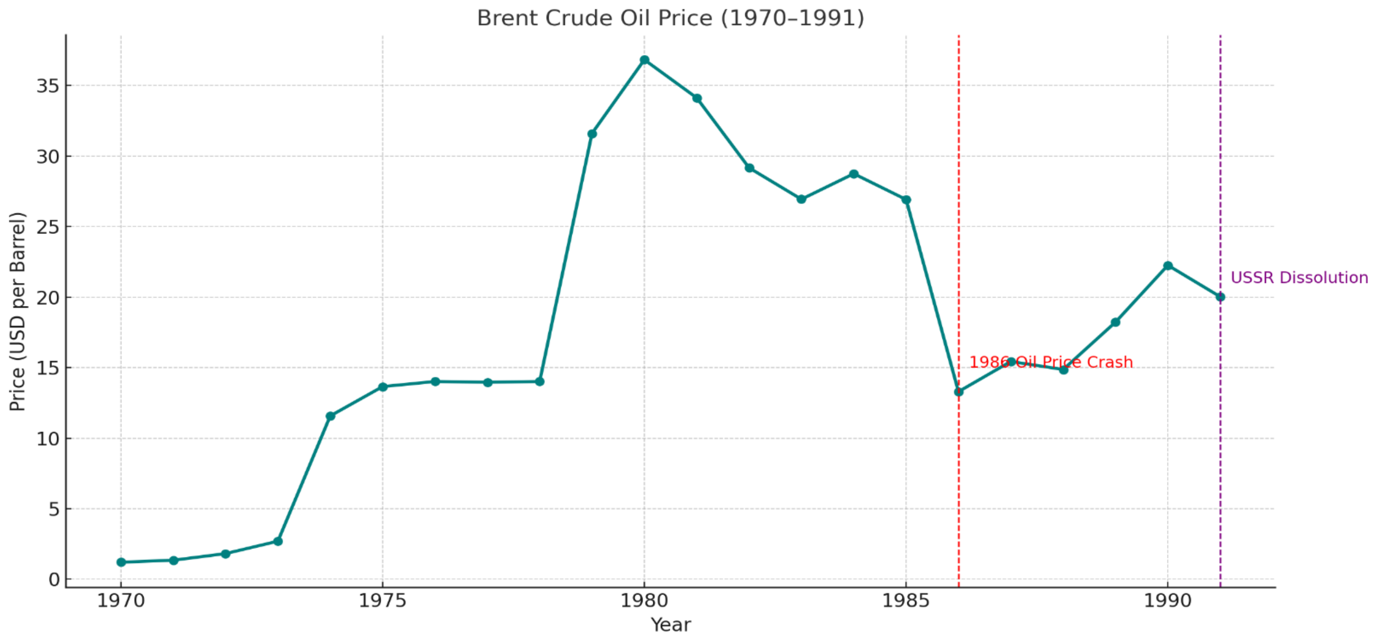
1. Soviet economy worsens: Widespread shortages, inflation, debt crisis.
2. Fall of Berlin Wall (1989): Symbolizes collapse of communist control in Eastern Europe.
3. Warsaw Pact countries break away from Moscow's grip.

1990

1. Iraq invades Kuwait (Aug) → Oil prices briefly spike.
2. USSR unable to benefit: Production and infrastructure decay.
3. Soviet GDP contracts sharply.

Global oil prices began to collapse dramatically at the beginning of 1986

Figure 1: Starting in 1986, global crude oil prices collapsed by 60% to around US$10/bbl and did not recover to previous levels until the 1990s



SOURCE: INCRED RESEARCH, COMPANY REPORTS

The chart above shows Brent crude oil prices from 1970 to 1991, with two key events highlighted:

1. 1986 oil price crash (red line): A sharp fall triggered by Saudi Arabia increasing oil production, which deeply hurt the Soviet economy.
2. 1991 USSR dissolution (purple line): The final collapse, after years of economic strain caused in part by low oil revenue.

What triggered this collapse in 1986? It was not long-term thinking of Americans for sure, Saudis did it

Saudi Arabia dramatically increased its oil production in **1986** as a **strategic response to internal OPEC cheating and to regain market share**. Here's what happened:

Background: OPEC quotas and cheating

Throughout the early 1980s, OPEC (led by Saudi Arabia) had been trying to prop up global oil prices by reducing supply. Saudi Arabia:

- Cut its production massively (from ~10m bbl/day in 1980 to ~3.5m bbl/day by 1985).
- Hoped others in OPEC would follow suit to stabilize prices.

But many OPEC members (like Iran, Iraq, Venezuela and Nigeria) cheated — they kept **overproducing while benefiting from high prices**, undercutting Saudi Arabia.

Saudi Arabia's retaliation: 1986

In late 1985 and early 1986, **Saudi Arabia abandoned its role as OPEC's 'swing producer'** and:

- Flooded the market with cheap oil.
- Increased production from ~3.5 to over 6m bbl/day.
- Shifted to **'netback pricing'** — selling oil linked to refining margin, ensuring low prices to regain buyers.

This triggered a **collapse in oil prices** from over US**$30/bbl to under US$10/bbl** in a few months.

Saudis got their objective of teaching a lesson to cheating OPEC members ➤

Strategic goals of Saudi Arabia

1. **Punish OPEC cheats:** Force them to comply with production quotas.
2. **Regain market share:** Especially in the US and Europe, where non-OPEC producers (like the North Sea and Mexico) were growing.
3. **Reassert dominance in OPEC:** Send a message that only Saudi Arabia could make or break the oil market.

The unintended consequence of this action by the Saudis was the collapse of the USSR ➤

- The USSR lost a major source of revenue, accelerating its decline.
- US shale and North Sea producers struggled.
- OPEC fell into disarray.
- Saudi Arabia successfully pressured OPEC members to return to quota discipline in 1987.

Saudi Arabia's 1986 oil flood was a deliberate act of economic warfare — aimed at disciplining the OPEC and reclaiming its leadership. The unintended side effect? It helped push the Soviet Union closer to collapse.

The USSR was almost entirely dependent on oil revenue to fund its military spending and keep its economy running ➤

The USSR's economy in the late 1980s, specifically during 1986–1990, was quite dependent on oil and energy exports, but let's break down the details:

Oil's role in the USSR economy (1986–1990)

1. **Oil production and export:**
   A. The Soviet Union was one of the world's largest oil producers in the 1980s.
   B. Oil exports were a critical source of hard currency (foreign exchange), as much of the Soviet economy relied on exports to earn hard currency to buy imports and technology.
   C. During this period, oil and gas exports accounted for **around 40-50% of the USSR's total export revenues**.
2. **Economic dependency:**
   A. The USSR's budget heavily depended on revenue from oil and natural gas.
   B. Estimates suggest that **oil and gas revenue made up roughly 25-30% of the Soviet government's total budget income** in the late 1980s.

C. This revenue was crucial to fund social programs, military expenditure, and industrial development.

3. **Impact of oil prices:**
   A. The Soviet economy was highly vulnerable to oil price fluctuations.
   B. The collapse of oil prices in the mid-1980s (especially after the 1985 oil price crash) severely affected Soviet foreign currency earnings.
   C. Lower oil revenue exacerbated the USSR's economic difficulties, contributing to fiscal strain and balance of payments problems.
4. **GDP contribution:**
   A. Oil and gas industries directly accounted for about **10-15% of the USSR's GDP** in the late 1980s.
   B. However, the indirect role of oil was bigger as energy inputs were essential for many industrial sectors.

Figure 2: Oil used to contribute 40-50% of the overall export revenue and the government budget was hugely dependent on oil revenue

Metric	Approximate (1986–1990)
Oil & gas export revenue share	40-50% of total exports
Oil & gas share of government budget revenues	~25-30%
Oil & gas sector contribution to GDP	~10-15%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

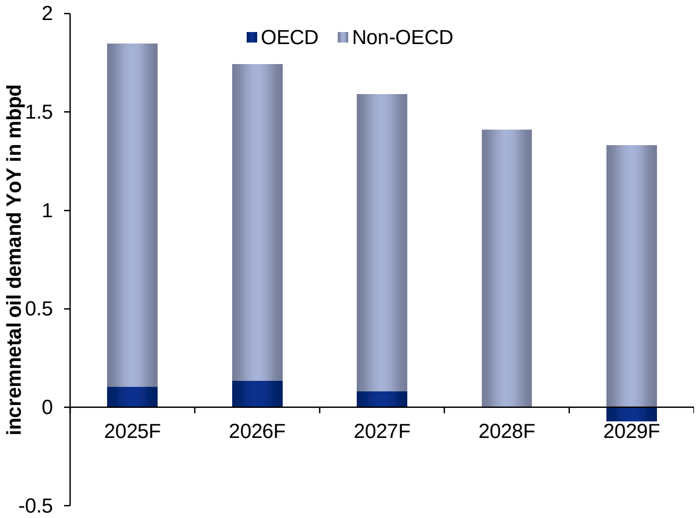
- The Soviet economy was not diversified enough; it was dependent on oil revenue for foreign currency.
- When oil prices fell in the mid-1980s, the USSR struggled financially, which was a factor in economic stagnation and contributed to the systemic crises leading to its collapse in 1991.

Saudi Arabia is again flooding the global market

Saudi Arabia flooding the global oil market is a move we often see when they want to influence prices or market share. It usually means they're boosting production and exports significantly, which tends to push global oil prices down due to increased supply.

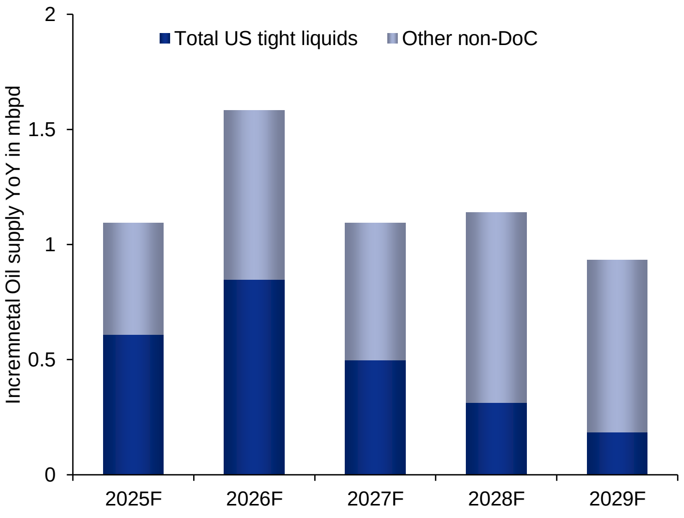
OPEC is projecting crude oil surplus till 2030F ›

Figure 3: In a normal economic scenario, OPEC is projecting sedate demand growth for oil



SOURCE: INCRED RESEARCH, OPEC

Figure 4: However, oil supply is rising much faster



SOURCE: INCRED RESEARCH, OPEC

Still, Saudi Arabia is pumping more oil and the US is showing no signs of relenting ›

Saudi Arabia continues to pump significant volumes of oil, and despite previous attempts to manage supply through OPEC+ cuts, recent trends suggest a more pragmatic approach from Riyadh focused on:

- **Market share protection**: Especially in Asia, where competition with Russian and Iranian crude oil has intensified due to discounted offerings.
- **Revenue maximization**: Despite weaker prices, maintaining output helps support budgetary needs and fund Vision 2030 megaprojects.

On the **US side**, shale production has remained resilient. Even with lower rig counts and capital discipline from publicly listed producers, output is:

- **Still hovering near record highs (~13mbpd).**
- **Boosted by efficiency gains**, such as higher initial productivity per well and drilled-but-uncompleted wells coming online.

While Saudi has economic rationale to do it ➤

1. **To regain or maintain market share:** Especially against competitors like the US shale producers, Russia, or even OPEC+ members.
2. **To pressure higher-cost producers:** Flooding the market with cheaper oil can make it harder for producers with higher extraction costs to stay profitable.
3. **Geopolitical strategy:** Sometimes it's used as a geopolitical tool to exert influence on other oil-dependent countries.
4. **Revenue needs:** Although it might lower prices temporarily, producing and selling more volume can sometimes offset lower per-barrel prices.

However, much deeper is the strategic rationale to punish Iran and Qatar ➤

1. **Geopolitical rivalries:** Saudi Arabia, Iran, and Qatar are key players in the Gulf with long-standing political and regional tensions. Saudi Arabia often seeks to assert dominance in the Gulf Cooperation Council (GCC) and the broader Middle East.
2. **Economic pressure via oil supply:** By increasing oil production and flooding the market, Saudi Arabia can push global oil prices down. Lower oil prices hurt Iran and Qatar's economies because they rely heavily on oil and gas revenue. Both Iran and Qatar depend on energy exports for a significant share of government revenue, and so price drops squeeze their budgets.
3. **Qatar's LNG vs. Saudi Arabia's oil:** Qatar is a global leader in LNG (liquefied natural gas), while Saudi Arabia is more focused on crude oil. Lower oil prices can make LNG contracts relatively more expensive, affecting Qatar's energy revenue indirectly. Also, Saudi Arabia and its allies have had a diplomatic blockade on Qatar (2017–2021), showing clear tensions.
4. **Iran sanctions and pressure:** Iran faces international sanctions limiting its oil exports. Lower oil prices reduce the value of whatever exports Iran can manage. Saudi Arabia's moves can add economic stress on Iran, weakening its regional influence.

The discord between Saudi Arabia and Qatar is out in the open ➤

The recent statement of Saudi Arabia's Minister of State for Foreign Affairs Aden Al-Jubeir on the question of supporting radical Islam.

Figure 5: Nothing comes out from Saudi Arabia without the consent of the government and this statement by its foreign minister is proof enough that Mohammed bin Salman doesn't like Qatar at all

SOURCE: INCRED RESEARCH, WWW.YOUTUBE.COM

Lower oil prices can punish Qatar as well ➤

Lower oil prices can affect Qatar economically, even though it is primarily a gas exporter and not an oil powerhouse like Saudi Arabia. However, oil and gas markets are interlinked, and here's how lower oil prices could hurt Qatar:

LNG contracts often linked to oil prices

1. Many of Qatar's long-term liquefied natural gas (LNG) contracts are indexed to oil prices (e.g., Japan Crude Cocktail or Brent).
2. When oil prices fall, Qatar earns less per unit of LNG sold, even if gas volume stays the same.
3. This directly reduces Qatar's export revenue.

Global gas prices also tend to fall

1. When oil prices drop, it often leads to **broad energy price weakness**, including spot LNG prices.
2. Lower spot prices make **Qatar's long-term LNG contracts look expensive**, putting pressure on them to renegotiate.
3. Increased competition from US and Australian LNG further erodes Qatar's pricing power.

Fiscal strain on government budget

1. Qatar's government budget is still heavily dependent on **hydrocarbon revenue**.
2. Lower energy prices mean **less income for public spending**, infrastructure projects, and social programs.
3. Qatar may have to dip into its **sovereign wealth fund (QIA)** or cut spending.

Current account and budget surpluses shrink

1. Lower export earnings reduce **Qatar's trade and current account surpluses**.
2. It also weakens its **budget surplus**, which could affect domestic investment plans and foreign policy ambitions.

Less room for economic diversification

1. Qatar's Vision 2030 aims at economic diversification.
2. Lower energy revenue means **less funding available** for non-oil investments, slowing the diversification agenda.

Iran will be in deep trouble, given its sanctions are not coming to an end pretty soon

As of early 2025, Iran's fiscal breakeven oil price is estimated at approximately US$124.12/bbl, according to the International Monetary Fund (IMF). This figure represents the oil price Iran requires to balance its national budget, considering its current levels of government spending and revenue. In contrast, Brent crude oil prices are projected to average around US$68/bbl in 2025F. This significant disparity indicates that Iran is likely to face substantial fiscal deficits unless it adjusts its expenditure, increases non-oil revenue, or secures alternative financing sources. Several factors contribute to Iran's high fiscal breakeven oil price:

- **Economic sanctions**: Ongoing international sanctions have limited Iran's ability to export oil freely, reducing its revenue stream.
- **Subsidy programs**: The government maintains extensive subsidy programs, particularly in energy and food sectors, which strain the national budget.
- **Limited access to capital markets**: Sanctions and geopolitical tensions restrict Iran's access to international financial markets, making it challenging to finance deficits through borrowing.

Given these challenges, Iran may need to implement fiscal reforms, such as reducing subsidies, diversifying its economy, and seeking alternative revenue sources, to achieve greater economic stability in the face of fluctuating oil prices.

Saudi Arabia will also face trouble as its fiscal deficit will rise but it has started issuing debt and its current account can be balanced by new initiatives from the government

With Brent crude oil trading below US$20-25/bbl below, what's likely needed to **balance the Saudi budget (~US$85–90/bbl)** is the Kingdom **running a fiscal deficit**. However, the country is managing through the following steps:

Increased debt issuance

A. Saudi Arabia has **ramped up bond issuance**, both in local and international markets.

B. The government's **Public Debt Management Office (PDMO)** plans to keep the debt-to-GDP ratio under 30% (still low vs. global peers).

C. Recent bond issuances (including sukuk) have been **well received**, indicating market confidence in Saudi's creditworthiness.

Public Investment Fund (PIF) activity

A. PIF is acting as a **parallel fiscal lever**, funding mega projects (NEOM, Red Sea Project) and investing globally.

B. Saudi Arabia uses **PIF to indirectly stimulate the economy** without loading the national budget.

Current account support through non-oil sectors

A. **Tourism (Vision 2030 target: 100m visitors/year)** with giga-projects like AlUla, Qiddiya.

B. **Logistics**, aiming to turn Saudi Arabia into a regional hub via ports and rail.

C. **Mining** sector expansion, tapping vast untapped reserves (phosphate, bauxite, gold, rare earths).

D. **Foreign direct investment or FDI** through regulatory easing and free zones.

These efforts are already helping the **current account** stay **positive** or near-balance, even when oil prices are soft. And remember that while dipping from peak levels, Saudi Arabia still holds **over US$400bn in FX reserves**, giving it significant room to manoeuvre.

However, Russia will be in much deeper trouble as its fiscal deficit will increase

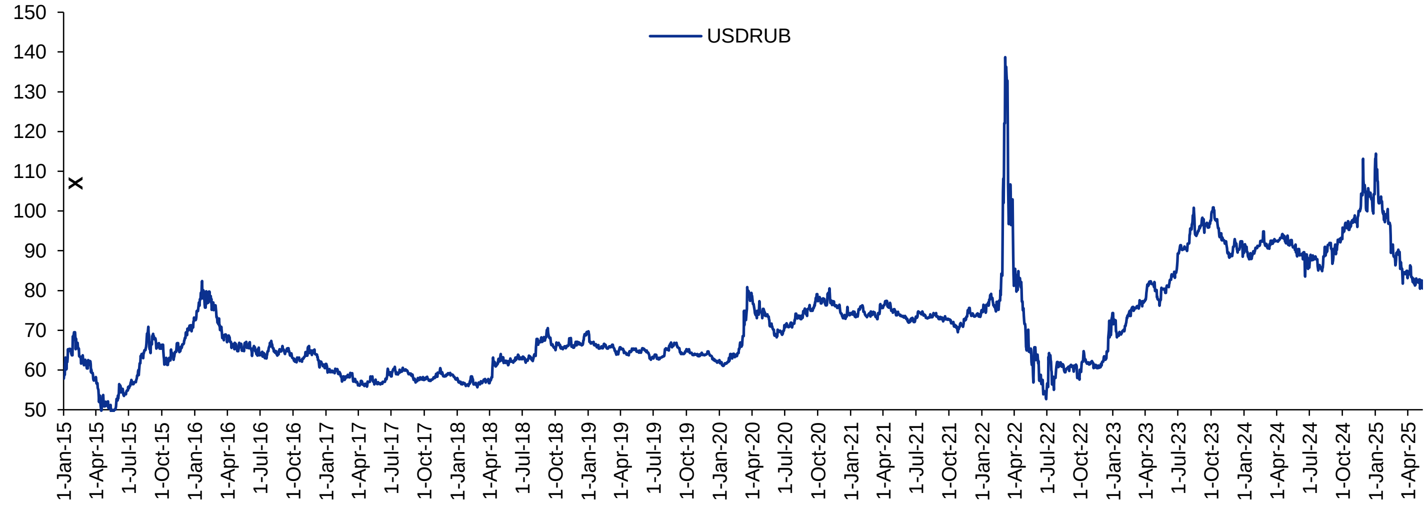
As of 2025, Russia's fiscal breakeven oil price—the price per barrel needed to balance its federal budget—is estimated at approximately US$77, according to the Institute of International Finance (IIF). This figure reflects the price required to cover government expenditure, including significant defence spending, without incurring a budget deficit.

However, given the current Brent crude oil prices, the average price of Russia's Urals crude oil is projected to be around US$50/bbl in 2025F, marking the lowest level since the COVID-19 pandemic. This substantial gap between the breakeven price and actual oil prices poses significant challenges for Russia's economy.

However, unless Russian export prices fall below US$40/bbl, the rouble will not be in trouble

Remember, as per the International Institute of Finance, Russia's current account breakeven price of oil is ~US$41/bbl.

Figure 6: Russia will continue to run a current account surplus if its export prices remain above US$40/bbl; while the fiscal deficit may rise — potentially weakening its long-term war-waging capability — an immediate economic collapse is unlikely



SOURCE: INCRED RESEARCH, COMPANY REPORTS

India has been the biggest buyer of Russian crude oil which provided Russia high volume, but the price cap didn't work for India

India has played a critical role in sustaining Russian oil export volume since the imposition of Western sanctions and the G7-led US**$60/bbl price cap** on Russian crude. India's buying behaviour impacted Russia's oil economy and the price cap was ineffective in this case. This action by India led to the following outcomes:

Volume surge:

1. Before the Ukraine war (2021), Russia's share in India's oil imports was **~2%**.
2. By 2023–2024, Russia became **India's largest oil supplier**, accounting for **over 35%** of its crude imports — often exceeding **1.5m bbl/day**.

Heavy discounts:

1. Russian Urals crude was sold to India at a US**$15–US$30/bbl discount** to Brent crude oil during 2022–2023.
2. Even when prices were above US$60/bbl, India continued buying, often using **non-dollar currencies** or through **obscured shipping and insurance channels** that bypassed G-7 oversight.

Refining & re-exporting:

1. Indian refiners processed this discounted crude into diesel, jet fuel, and gasoline, much of which was **exported to Europe** — effectively **laundering Russian crude** back into Western markets.

Why the price cap didn't work (for India)?

1. **India didn't sign on**: India **never officially joined** the price cap coalition (led by G-7, EU, Australia), giving it room to negotiate independently.
2. **Alternative supply chain**: Russia developed a **'shadow fleet'** and **non-Western insurance** to ship oil, weakening Western enforcement mechanisms.
3. Payment mechanisms shifted to **rupees, yuan, dirhams**, and **barter trade**, outside SWIFT and Western banks.

Geopolitical neutrality:

India maintained **strategic autonomy**, continuing ties with both the West and Russia, enabling it to act based on **economic interest** rather than alignment.

As the price cap didn't work, the only way to hurt Russia is lower oil prices- don't expect the US to stop pumping oil ›

With the price cap proving ineffective — especially due to India and China continuing to buy Russian crude — lower global oil prices are indeed one of the few remaining levers that can economically pressure Russia. Here's a detailed view of how and why:

Why lower oil prices hurt Russia more than sanctions - Fiscal & current account breakeven

A. Russia's fiscal breakeven is around US$77/bbl.
B. Its current account breakeven is also about US$41/bbl.
C. With Urals crude oil expected to average US$56/bbl in 2025F, Russia is operating below sustainability thresholds, and budget deficits are inevitable.

Limited alternatives to oil revenue

A. **Oil & gas account for ~30-40% of federal budget revenue**.
B. Sanctions have choked off many non-energy exports (technology, luxury goods, aviation, etc.).
C. Falling oil prices **directly weaken Russia's ability to fund the war**, social spending, and domestic subsidies.

Exhausting financial buffers

A. The **National Wealth Fund (NWF)** has dwindled to **<3% of GDP**.
B. If oil stays sub-US$60/bbl, **Russia risks depleting the NWF in <12 months**, forcing it to resort to:
   a. Domestic borrowing (with inflationary consequences)
   b. Forced monetization or 'shadow' financing (e.g., coercing banks to fund defence)

Why the US won't stop pumping oil?

A. **Domestic price stability**: High production keeps gasoline prices in check — a political priority in an election year.
B. **Global leverage**: Maintaining high output **pressures OPEC+** (especially Saudi Arabia and Russia) and helps allies with energy security.
C. **Geopolitical containment**: Flooding the market **indirectly weakens adversaries** (Russia, Iran, Venezuela).

Coordinated market pressure on Russia will impair its war waging capacity

A. There is increasing speculation that **Saudi Arabia may align tactically with the US**, despite recent efforts to prop up prices.

B. If **Saudi Arabia increases output**, even slightly, alongside continued US high production and weaker Chinese demand, **prices could trend below US$65/bbl**— the pain point for Russia and Iran.

Russian usable forex reserves may not be enough to sustain war efforts if the current account deficit starts hitting them hard

As of 30 Apr 2025, Russia's total international reserves stood at approximately US**$680.3bn**, comprising:

A. **Foreign exchange reserves**: US$433.2bn

B. **Gold holdings**: US$247.0bn

These figures represent an increase from US$647.4bn in Mar 2025, marking an all-time high for Russia's reserves. However, it's important to note that a significant portion of these reserves is not readily accessible due to international sanctions: Approximately US**$280–$330bn** of Russia's reserves are frozen in Western jurisdictions, primarily in the European Union and the US.

This means that while the headline reserve figures appear robust, the **usable reserves**—those that Russia can actively deploy—are substantially lower.

Additionally, Russia's **National Wealth Fund (NWF)**, which serves as a fiscal buffer, has seen a significant decline - from US**$117bn in 2021** to an estimated US**$31bn by Nov 2024**.

This depletion is attributed to increased defence spending and the economic strain from ongoing sanctions.

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Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.