Santander
Private Banking

October 2021

Quarterly Market Outlook

Full recovery faces temporary bottlenecks (COVID-19).

Supply chain bottlenecks and SARS-CoV-2 (COVID-19) a variants are having an impact in lowering short-term economic growth, but pent-up demand and favorable financial conditions continue to support the path to full recovery.

The global economy is transitioning from a policy-induced economic recovery to an organic and self-sustained expansion. Central banks have so far been successful in communicating to the market a path towards less monetary accommodation and have avoided a "taper tantrum". Current negative real yields in developed markets imply a benign path for both inflation and future monetary policy, although that is looking increasingly less likely.

High valuations in risky assets are increasing the fragility of the market. We highlight four risks that could bring volatility in the coming months: (i) Inflation, (ii) Chinese property market, (iii) margin compression for companies as costs increase, and (iv) fiscal policy uncertainty in the US. However, we believe the bullish uptrend in equities and credit is still supported by relative valuations, improving corporate earnings, and a still-accommodative monetary policy environment.

Key messages for Q4 2021

Bottlenecks and variants slow down the global recovery.

The global economy continues to progress towards full recovery due to extremely favorable financial conditions. However, economic surprises have turned negative, impacted by the Delta variant and significant bottlenecks in the global supply chain. We believe the current expansionary cycle continues to be supported by accommodative monetary policies, positive corporate confidence towards future investing and hiring and pent-up demand.

Policy support continues to flow in 2021.

Central bankers have been successful in convincing investors about the short-term nature of the inflationary spike and about the need to start tapering. However, the liftoff of interest rates promises to be more complicated as was already seen in emerging markets in 2021. Investors are not anticipating interest rate or tax increases in the next 12 months, but the odds for a negative surprise in terms of less policy support are increasing.

Risky assets still supported by flows and relative valuations.

After strong performance in the first 9 months of 2021, many investors wonder whether the market can keep the pace. We continue to believe that the bull market for risky assets is not over, as risk-free rates do not offer an alternative and the global economy has not fully recovered from the shock of the pandemic. However, absolute valuations are increasingly stretched, and this is a source of fragility and concern for future volatility and returns.

01 Mixed messages on the economic radar.

Investors are caught in the crosscurrents of inconsistent economic data and contradictory trends. Global difficulties in bringing COVID-19 cases under control is changing business expectations of a rapid economic revival, forcing companies to reset plans and revise forecasts.

Over the summer, expectations have moved from a full reopening triggering a strong and sustained recovery, to what now appears as slower and uneven one. The global consumer confidence index published by the Organisation for Economic Co-operation and Development OECD continues to improve on a global basis, but it has started to show moderation in China and the US which were among the first to recover from the pandemic. The rapid spread of the Delta variant seems to be the source of this recent loss of economic momentum, as the latest surge in cases coincid with the beginning of the decline in confidence.

Still, **household finances remain in good shape thanks to generous government stimulus programs in developed economies and global financial conditions are very favorable for companies to invest.** Europe's economy is a good example of the strong recovery from the coronavirus crisis. Growth in the Eurozone outpaced both the US and China in the second quarter of 2021, more than 70% of EU adults are fully vaccinated against COVID-19, investment is strong, and unemployment is declining. Nevertheless, European Central Bank (ECB) president Christine Lagarde sounded a cautious note in early September saying "We are not out of the woods" and highlighted several risks over the coming months, despite the ECB raising its growth forecasts for the third consecutive time this year.

In the two graphs below, we can see the mixed signals coming from the hard economic data. Measures of **economic "surprise" in activity indicators** (i.e., a comparison of official data with economists' forecasts) started to deteriorate and **turned negative during the summer. On the other hand, inflation data been higher than forecasts globally.** Bring all these together and the picture is one of increasing uncertainty about whether the global economic recovery will carry on at a rapid clip. **Economists see downside risks to the global economy but still expect robust growth for the remainder of 2021.**

The Delta variant is the key driver behind the decline in confidence and indicators of economic momentum.

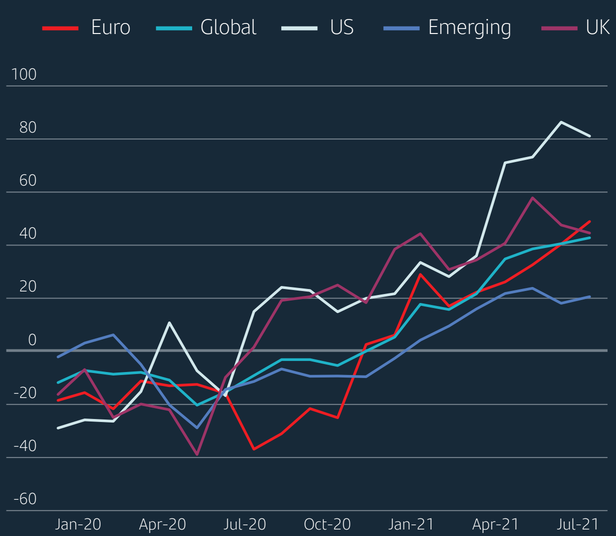
The picture is one of increasing uncertainty about whether or not the global economic recovery will carry on at a rapid pace.

The global economy is sending mixed messages regarding growth and inflation.

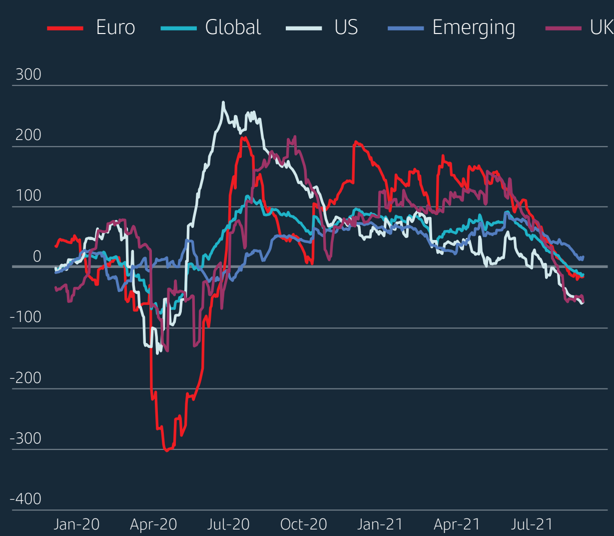
Source: Bloomberg as of 9/29/2021.

Investors are concerned about the current trend of higher inflation and lower economic growth.

INFLATION - Citi Inflation Surprise Index



GROWTH - Citi Economic Surprise Index



Path to normal requires booster shots.

Almost 18 months have passed since the beginning of the pandemic and the economy is gradually on the mend. It has strengthened as immunizations have increased. Still, the world is facing the Delta variant and the need for a booster shot seems to be the only way to maintain a high level of effectiveness.

By the end of 2020, it was estimated that herd immunity would be achieved with 70% of the population inoculated. According to Our World in Data, data as of September 7, 2021, which compiles all data available in the world regarding COVID-19, the share of population with at least one dose is over 40%, with the European Union at 65%, the United States at 62%, South America at 56%, Asia at 46% and Africa at 5.5%. The graph below shows that, **while it is true that new infections generally declined around June, the emergence of the Delta variant was responsible for more than 90% of new infections in the United Kingdom and has led to new peaks of infections in most countries and regions,** especially among the unvaccinated.

Faced with this spike in infections, countries have reacted in different ways. The United States and the United Kingdom tried to remain on the path of normalcy, while other governments, such as China, Australia, New Zealand and most of Southeast Asia, imposed tighter restrictions. Renewed lockdowns in Asia, a key producer of much needed intermediate goods, dimnished economic activity and caused even more supply bottlenecks with two consequences: price increases and a economic slowdown elsewhere due to scarcity of those goods, i.e. the Delta variant could be causing a "stagflation".

Vaccine hesitancy will likely diminish as evidence of their effectiveness continues to mount. A UK analysis by Public Health England (PHE) as of June 2021 showed that two doses of the Pfizer-BioNTech vaccine was 96% effective against hospitalization from the Delta variant, while the Oxford-AstraZeneca vaccine was 92% effective. It has also been shown that the effectiveness of the vaccines decreases over time, **so a booster dose could become necessary to maintain the path of economic normalcy.** The higher the infection rates caused by the new variants, the higher the required vaccination rate. Nevertheless, we do not see this as a showstopper for the recovery as the players in the economy have become used to dealing with such uncertainties – authorities included. However, the possibility of new COVID-19 variants that bypass vaccines continues to pose the biggest risk to market stability and economic growth.

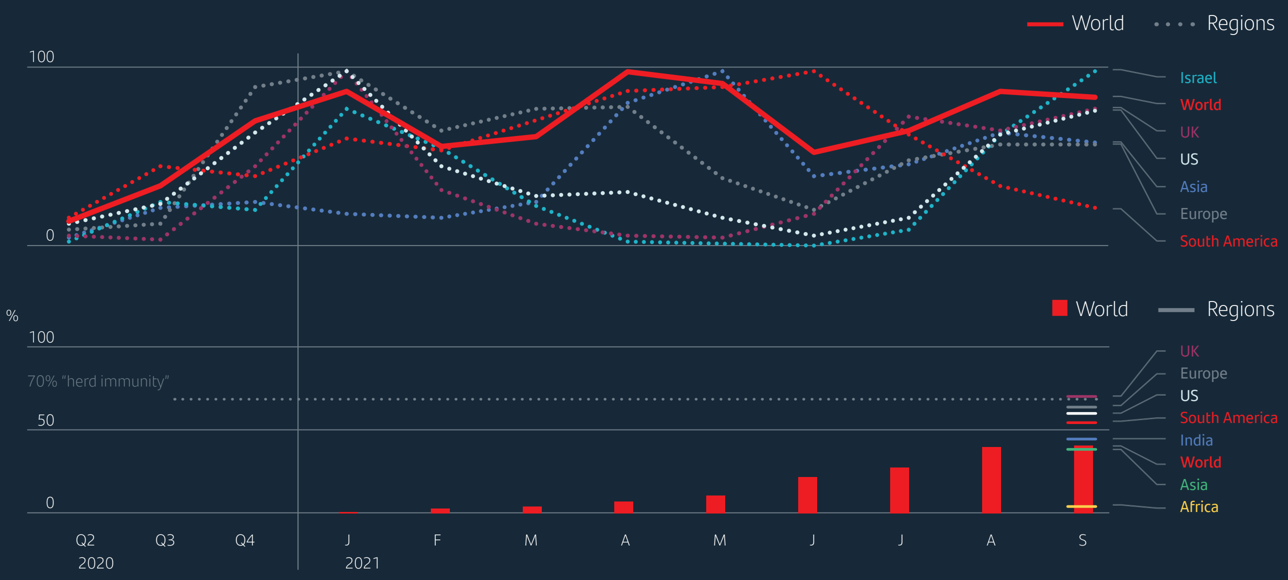
The pandemic does not seem to be over but the new variants so far have not inflicted the same type of damage to the global economy as the first wave.

The Delta variant's ability to spread even among the vaccinated means today's "new normal" looks less like the pre-pandemic world than was hoped when vaccines appeared.

Average new cases per million (100=highest level) and share of people vaccinated in the world.

Source: Our World in Data as of Sept 7, 2021. Share of people vaccinated refers to world population and to those who have received at least one dose.

The delta variant shows that infections occur in spite of rising vaccination levels.



Bottlenecks are bad news for short-term growth and could lengthen the recovery.

Supply chain disruption has been in the news. It is somewhat sensationalist but while some products have reduced supply, global manufacturing output is near an all-time high. The problem seems to be a supply-demand imbalance rather than a problem of "less supply". The scarcities seem to go beyond the realm of anecdotes. **We have to go back to the mid-1970s to find similar delays in supplier deliveries. Present business surveys conducted by IHS Markit indicate that manufacturers' backlogs of work are increasing.** We can see a clear example of the impact of shortages of semiconductors and staff in the automobile industry (see graph below) that was forced to cut production significantly to properly allocate the limited number o microchips to its automotive assembly plants.

Many sectors are experiencing shortages of materials and delivery delays due to disruptions caused by COVID-19.

Throughout 2021, consumers in developed economies spent the savings that they had accumulated during the lockdown periods. Much of that spending was on goods rather than services—due to pandemic restrictions on the services sector, and because consumers feel safer avoiding services-related businesses. This led to an extraordinary level of demand for goods increasing spending on durable goods significantly above trend.

The boom is creating two kinds of bottlenecks. The first relates to supply chains. There are shortages of everything from timber to semiconductors. **The second is in labor markets.** In August, the United States created only 235,000 jobs, far fewer than the expected 720,000. Yet job vacancies are at all-time highs, and firms are struggling to fill positions.

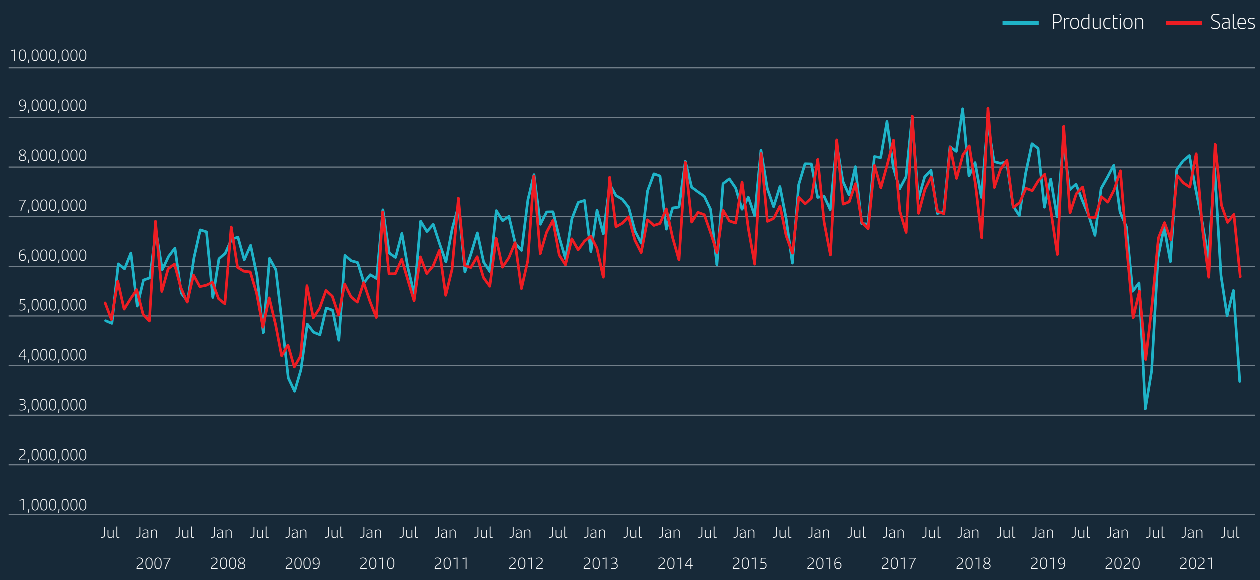
Businesses remain optimistic about growth, but also concerned about the extent of these disruptions and the impact on inflation.

Some of these bottlenecks should ease over the coming 12 months. Global supply chains will be adjusted and strengthened, and the labor market will adapt to new spending patterns. While recovery from the pandemic will be far from smooth, **the good news is that there is still plenty of pent-up demand in many industries (housing, auto, semiconductors, etc.), therefore the economic recovery doesn't seem to be threatened by short-term shortages.**

Global automobile production plummets and cannot satisfy strong demand.

Source: Wards Intelligence and Datastream as of July 2021.

Shortage of chips creates bottleneck for car manufacturers.



Economic cycle is past the peak of growth.

Economic momentum has slowed over the past few months. Confidence indicators reveal bifurcated economic performance among major developed markets as well as divergence with emerging markets. **Rising infections, production bottlenecks, labor supply constraints and the end of several stimulus measures in the United States specifically, are prompting an economic slowdown -although levels of growth are still very high- in most of the largest economies.** Moreover, sky-high economic growth rates following the initial pandemic slump in economic activity were ultimately unsustainable after the sharp rebound from last year's deep downturn.

Economic momentum is weakening due to rising infections, production bottlenecks and labor supply constraints.

Negative pandemic dynamics continue to weigh on economic activity in Australia and Japan where infections are rising, and severe measures of lockdowns are being implemented. Services PMIs fell sharply, and manufacturing activity is also slowing.

The US and the UK are also experiencing waves of infections that are causing greater than expected manufacturing and services slowdown. Restrictions have not been tightened and infections seem to be on the rise, dampening consumer activity as well.

On the bright side, **confidence indicators for both the services and the manufacturing sectors reveal the Eurozone is showing resilience.** As we mentioned last quarter, economic recovery in this area was running behind the rest of the world -which probably peaked in Q2- and now it is catching up.

Economic growth in 2021 remains at significantly high levels despite the recent downgrades.

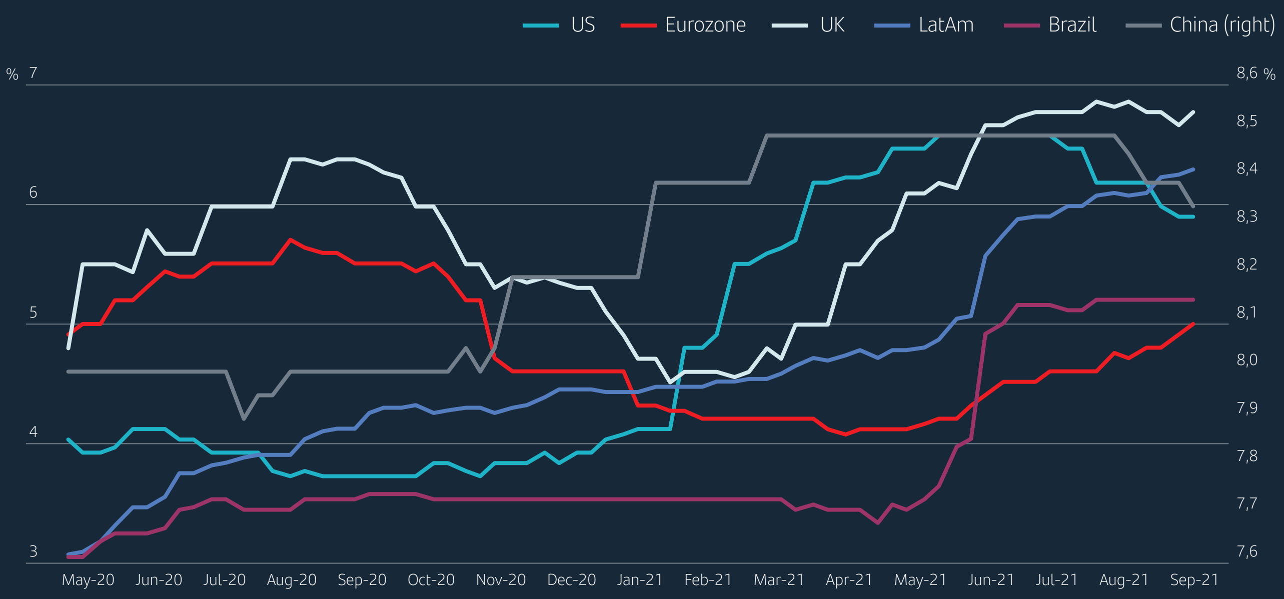
Emerging economies were hit by the Delta variant at an early stage of economic recovery and are struggling with weak domestic conditions. China is no different than other large countries and is also experiencing economic moderation in the second half of the year.

The above has already led to downward revisions to economic forecasts (see the graph below) in the largest economies over the past couple of months. As we mentioned, the Eurozone and Latin America are experiencing a lag in the recovery and downward revisions could come later in the year. Still, Bloomberg News Monthly Survey of economists as of 9/20/2021, estimates that global growth will be around 5.9% this year and 4.5% in 2022.

Economic Forecasts 2021.

Source: Bloomberg News Monthly Survey of Economists. Data as of 9/20/2021.

Production bottlenecks and the Delta variant are slowing down growth.



02 Policy support continues in 2021, but it´s a different story for 2022.

Governments are beginning to pull back the generous support they provided earlier in the pandemic, but both monetary and fiscal policy stance continue to be accommodative in 2021. **Markets are still extremely dependent on monetary stimulus,** and investors are wondering how long it will take the global economy to return to full employment and what will happen to inflation in the meantime and beyond.

There is a **growing risk that higher inflation exacerbated by ongoing supply chain friction could cause a dent in demand next year.** In the US, the consumer price (CPI) index published by the Bureau of Labor Statistics rose 5.3 % in August from a year ago — just below the 5.4% level reported previously, which is the highest since 2008. Core CPI, which excludes the most volatile items such as food and energy, also decelerated. Most of the price gains seen so far this year have stemmed from sectors most sensitive to supply bottlenecks, a narrow group such as used cars and leisure travel and other sectors affected by pandemic-related disruptions. The latest CPI number confirmed that price pressures in those sectors are starting to subside.

Policymakers and economists are paying more attention to longer-term inflation expectations which have remained anchored in both Europe and The United States, allowing, both the Fed and the ECB to look through these temporary swings in inflation. Longer-term inflation expectations have moved much less than actual inflation or near-term expectations, suggesting that households, businesses, and market participants also believe that current high inflation readings are likely to prove transitory. In all cases, **inflationary dynamics are unlikely to impact Fed policy over the near-term.** Instead, the speed of the labor market recovery will probably dictate the Fed's liftoff date. We believe inflation will remain a secondary priority for the Fed until the US economy nears maximum employment.

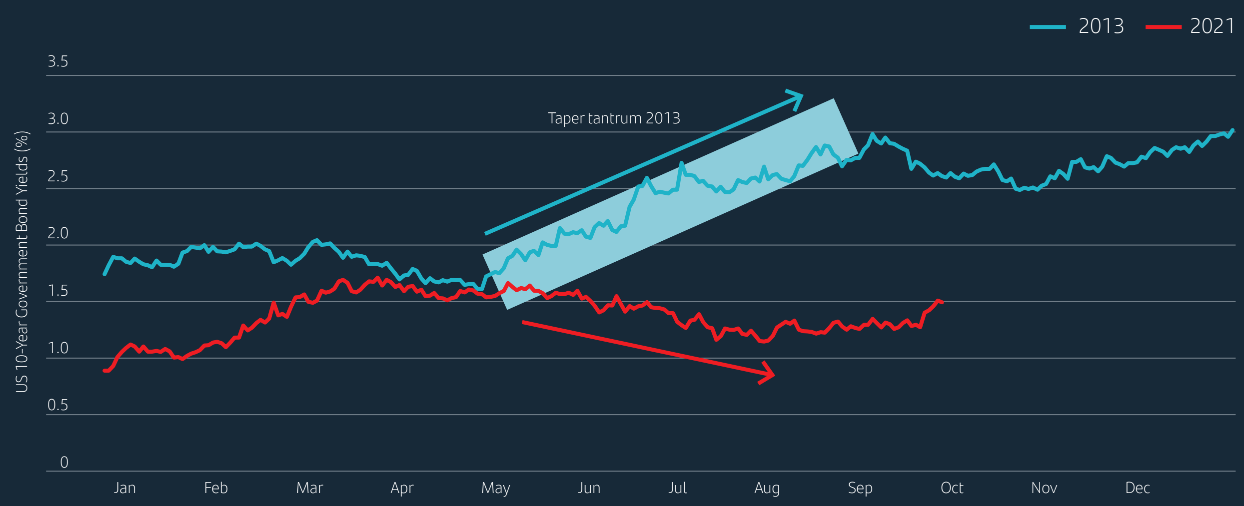
We expect current inflation spikes to wane in developed economies in the coming months, just as the central banks are predicting.

The biggest risk to the inflation outlook is a prolonged increase in energy prices. Higher energy bills would hit household budgets and consumer confidence, threatening economic recovery.

Long term interest rates in 2021 (unlike 2013) are ignoring the taper news.

Source: Bloomberg and Santander. Data as of 9/28/2021.

Despite the spike in headline inflation bond markets remain calm even as tapering is approaching.



CPI 2013	1.6%	2.0%	1.5%	1.1%	1.4%	1.8%	2.0%	1.5%	1.2%	1.0%	1.2%	1.2%
CPI 2021	1.4%	1.7%	2.6%	4.2%	5.0%	5.4%	5.4%	5.3%				

Central banks are beginning to taper asset purchases.

Central bankers, just like companies, governments, and health services, are struggling to answer the question of what "normal" will look like after the pandemic. The answer is crucial to **determine how fast the exit strategy will be implemented implemented, with the first step being to slowly turn off the flow of asset purchases, known as "tapering".** As we can see in the graph on the previous page, the process of tapering created some turbulence in the previous cycle (the taper tantrum of 2013) with a spike in global bond yields. **Currently, government bond spreads remain narrow** and the real yield on low rated debt (junk bonds) has recently turned negative for the first time, falling below the headline rate of inflation. Therefore, **the recent market behavior suggests central banks can signal the intention to scale back its purchases without causing a tightening of financial conditions.**

Central Banks have been successful so far in preparing financial markets for a withdrawal of pandemic-era policy stimulus from quantitative easing (QE).

This process has already been started by three regulators in the G7 economies. The Bank of Canada began the process of reducing its bond buying programs in April 2021, and the Bank of England will soon reach its bond-purchase target of £875billion ($1.2 trillion) after announcing in May 2021 the decision to slow down the pace of its bond-buying program. In addition, the Reserve Bank of Australia began tapering its monthly asset purchases after the September 7, 2021 meeting. **The ECB has also been successful in implementing a "taper" in all but words. Recently Lagarde announced a reduction in asset purchases but was able to portray it as a "recalibration".** The ECB has, in short, secured a taper without a tantrum. Jerome Powell and the Fed are trying to pull off the same feat. **The Fed has been successful in communicating a separation of balance sheet and interest rate components of its monetary policy, to limit bond volatility** stemming from markets pulling forward the timing of rate hikes during the taper.

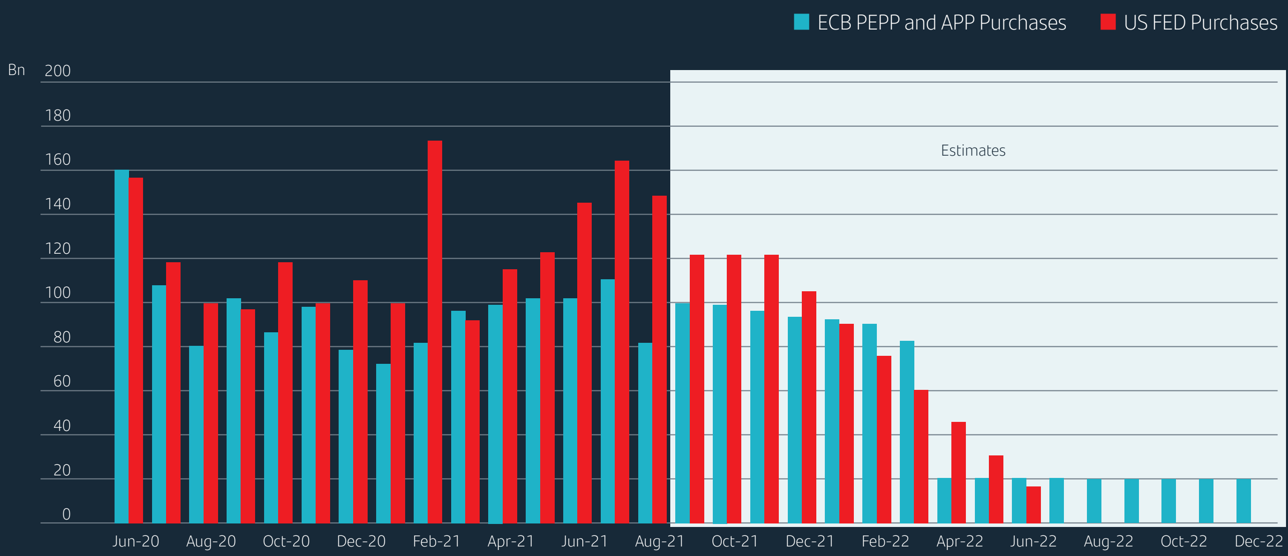
Our current baseline assumption remains that the Fed could start the tapering process as early as November and finish it by mid-2022.

Central bankers understand valuations on all kinds of asset prices have been boosted by loose monetary policies, that and **markets have welcomed the measured approach and attention to the narrative in which the tapering process is being conducted.**

ECB and FED Monthly Asset Purchases.

Source: Bloomberg, ECB and Santander. Data as of September 2021.
ECB: In-house estimates for PEPP and ECB estimates for APP. FED: Estimates correspond to the New York Fed Survey of Primary Dealers July 2021. EUR for the ECB and USD for the FED.

Going forward policymakers will reduce the flow of asset purchases as vaccinations increase and growth bounces back.



Monetary policy prioritizes growth and labor market recovery over price stability.

Now that markets have digested a slower pace in asset purchases and are not as concerned about tapering, **investors are wondering how long they will be able to enjoy the current historically low interest rates.** The trend towards rising rates has already started on a global basis in some countries, such as Brazil and Russia, where central banks have raised interest rates several times this year as food and energy costs have soared. While **the earliest movers in raising rates have been emerging countries where inflation is often aggravated by movements in choppy currency markets,** the gears of interest rate tightening are also starting to turn in developed economies. Interest-rate increases in most advanced economies are still not on the table but the question of when the actual date of tightening could occur is very important for the markets.

The Fed is likely to be guided by the unemployment figures and we do not expect a full job recovery until 2023.

The Fed has made it clear that it needs to see the labor market return to "maximum employment" and inflation to remain above 2% for some time before it considers raising rates. The inflation situation seems to be on track, leaving the definition of "maximum employment" as critical to assess the timing of the first hike. **We estimate (see graph below) that the job recovery could be achieved at the beginning of 2023 if the economy is able to create an average of 250k new jobs during 2022,** taking into consideration the record number of vacancies and the willingness of companies to hire new workers. The number of available vacancies has risen to historic highs and there are now five job openings for every four unemployed Americans. The U.S. still has a long battle to wage in its jobs recovery task, but we believe it could return to full employment next year with the Federal Reserve possibly raising interest rates in 2023.

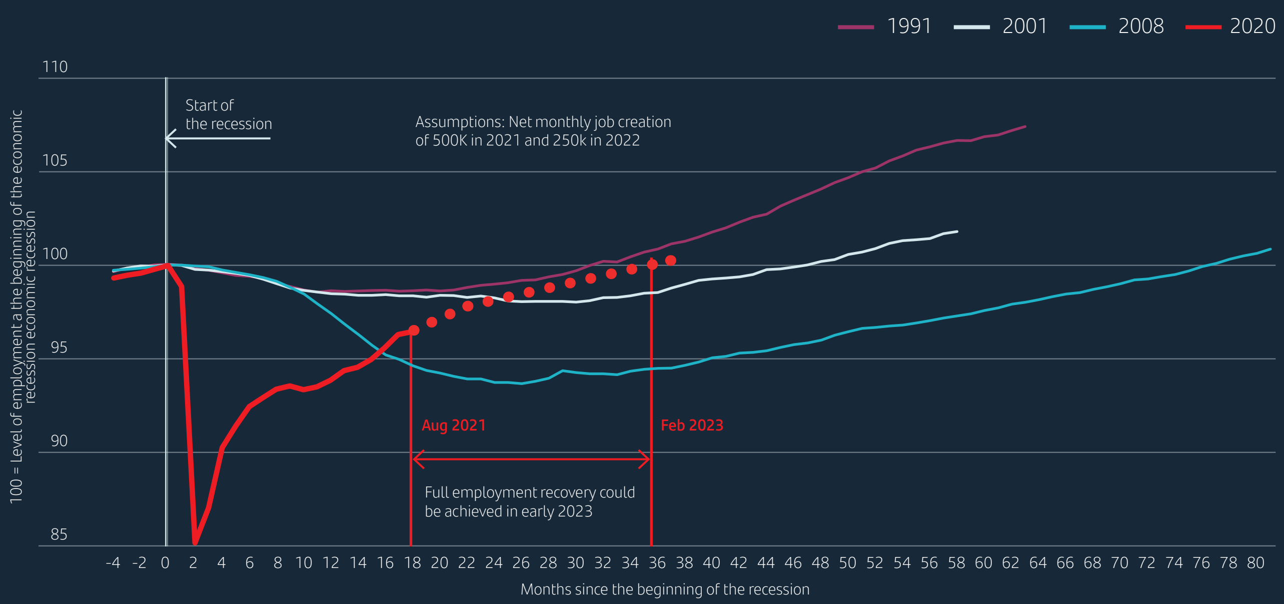
Monetary policy is unlikely to become restrictive in any major economy during the next 18 months, which should allow global growth to remain at an above-trend pace.

The Bank of England could move ahead of the US Federal Reserve and raise rates perhaps before year-end to contain a surge in inflation, which it now expects will exceed 4% following a spike in energy prices. On the other hand, the ECB is not expected to raise its benchmark rate in the next two years. Given the unusual nature of this crisis, both in the decline and in the recovery, we expect monetary authorities to implement a very gradual withdrawal of the monetary stimulus.

US - Current job recovery compared with previous economic downturns.

Source: Bloomberg and own elaboration. Data as of September 30, 2021.

Current record levels in vacancies suggest full job market recovery could be achieved in early 2023.



Governments begin to run out of fiscal ammunition.

Advanced economies governments around the world have performed a high-wire fiscal act, heavily supported by central banks' ultra-loose monetary policies, to fight the pandemic related downturn. Substantial fiscal resources and public health measures were rightly used to buffer the impact of the pandemic on the economy, and debt levels increased substantially. As an example, EU fiscal deficit increased from 0.5% of GDP in 2019 to 7.5% in 2021. Public debt to GDP has increased from 79% of GDP in 2019 to 94% in 2021. In the US fiscal deficit reached 15.6% in 2020 and economic experts expect a figure above 13% in 2022. **As the economy recovers, the fiscal exit strategy from this substantial support will be of paramount importance.**

Fiscal deficits will remain high in 2022 in both the US and Europe as a result of approved spending programs.

In the US, Congress' passage of the American Families Act (AFP) and the American Jobs Plan (AJP or infrastructure bill) is the keystone of President Biden's legislative agenda. However, to pay for the additional spending, Democrats will seek to levy more taxes on corporations and higher-income earners. The Biden Administration is aiming to raise the corporate tax rate from 21% to 26%, bringing it halfway back to the 35% level that prevailed prior to the 2017 tax cuts (see graph below). Some Democrats in the House of Representatives want to scale back President Biden's proposed tax increases on corporate income and capital gains, as part of **$2.9 trillion in tax rises to pay for the President's expansion of the social safety net** (a $3.5Tn expansion of investment in education, childcare, healthcare, and green energy). While this is unlikely to cause major problems for the economy and the tax increases will likely be lower, it could weigh on stocks.

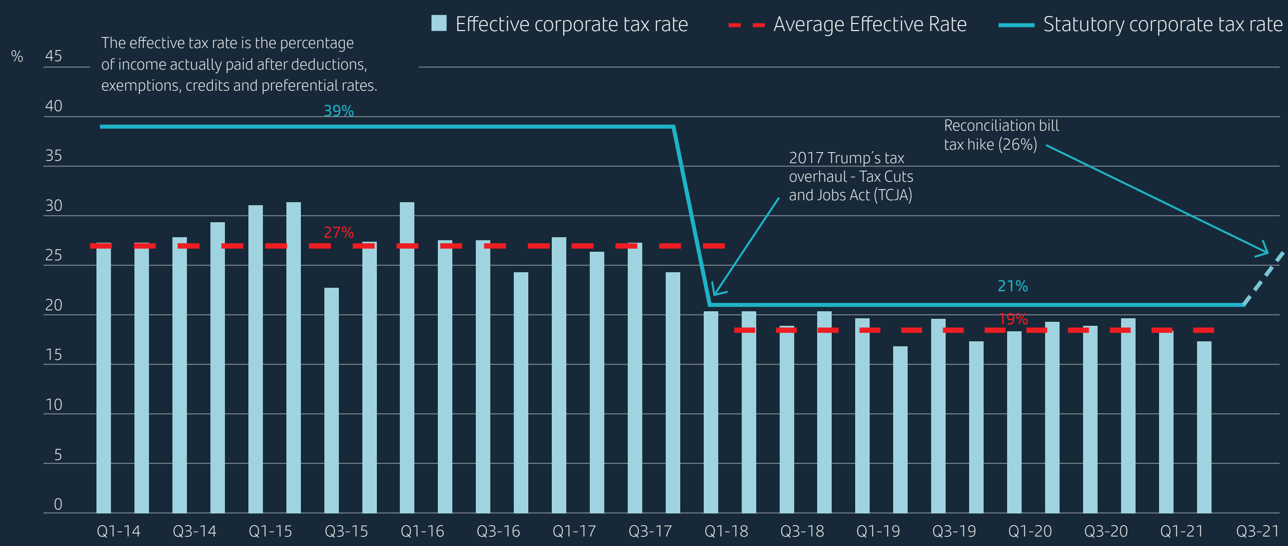
In the short term, a turn towards austerity is not in the cards. Indeed, in the European Union spending out of the €750 billion Next GenerationEU recovery fund agreed in 2020 is only now beginning. Yet fiscal policy is becoming much less accommodative. Across the G20 group of economies, fiscal deficits, net of interest payments and adjusted for business-cycle conditions, are expected to shrink in half next year compared with 2021. An example is the recent **announcement by the UK Prime Minister Boris Johnson that they will raise payroll taxes to help support a state-funded healthcare system** that is struggling to manage the aftermath of the pandemic. Beyond 2022 politicians will have to make very difficult decisions regarding tax increases or aggressive cuts in spending.

The UK is set to take the lead among developed economies by raising taxes to help trim pandemic budget deficits. Eventually, tax increases will follow the global spending spree.

Effective and statutory corporate tax rate in the US.

Source: S&P Global and Goldman Sachs. Data as of June 30, 2021.

Democrats want to fund their social spending plans by partially reversing Trump´s 2017 tax cuts.



03 Strong earnings and improved financial conditions continue to support risky assets.

The odds that global economy will experience a recession before 2023 are low as fiscal and monetary policy are still supportive, and households in many countries hold historically high levels of savings. Despite the slow progress of immunizing against the virus, the general trend of fewer restrictions on activity likely implies a continued broadening of the global economic expansion over the course of the next year. We continue to believe the best recommendation is to stay invested in the market at least until central banks signal the beginning of a rate hiking cycle. Both the Fed and the ECB are unlikely to hike rates for at least 12 months, and it will take much longer than that for monetary policy to turn restrictive. Financial conditions in developed markets remain favorable, relative to history. **This economic backdrop coupled with low corporate defaults continue to favor investor appetite for corporate bonds over investing in lower-risk government bonds.**

Company earnings have been impressive by any measure. The S&P 500 in Q2 recorded the highest year-over-year earnings growth in over a decade.

Positioning in equity markets has been propped up by a strong recovery in earnings. As we can see in the two graphs below, in both Europe and the US, stock market gains continue to be supported by rising earnings expectations. **The recovery in both estimated and real earnings have outpaced the performance of stock indices.** The recovery in earnings, from June 2020 to June 2021, has been around 50% for both Europe (MSCI Europe index) and US (S&P 500 Index) and as a result, the multiples measured in terms of the price/earnings ratio (P/E) have decreased in the past 15 months.

Companies have been able to raise prices and push higher costs on to the consumer, a reflection of pent-up demand and consumer willingness to pay.

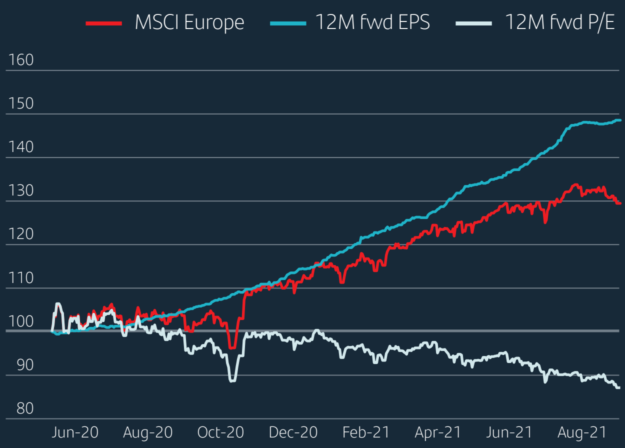
Earnings estimates in all regions apart from the UK have recovered and surpassed pre-pandemic levels. Analysts and companies have been much more optimistic than normal in their estimate revisions and earnings outlook for the third quarter to date. As a result, expected earnings for the S&P 500 for the third quarter are higher today compared to the start of the quarter. Second-quarter earnings reports caught market analysts by surprise, with 87% of S&P 500 firms reporting earnings above analyst expectations. Such a sustained and systematic miss by analysts across so many firms is suggestive that there may be a prolonged uplift to earnings.

Market rally supported by earnings recovery.

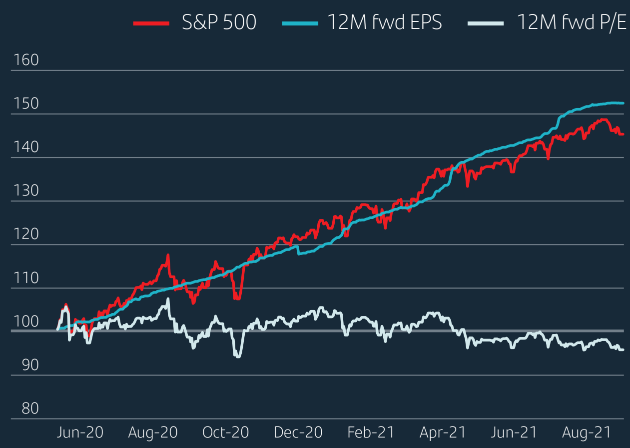
Source: Bloomberg and Santander. Data as of September 30, 2021.
Charts show percentage change in the price index, 12M fws EPS and 12M fwd P/E for each index since June 1, 2020.

European and US equity market multiples have not gone up as earnings growth has surpassed price appreciation.

European Stock Market



US Stock Market



Negative real yields in bonds drive record flows into equities.

The notion that "there is no alternative" (TINA) to stocks remains a key mantra to investors, despite the cautious risk sentiment and hefty equity valuations. A conservative investor who keeps their money in cash or "risk-free" high-grade government bonds will find that the purchasing power of that money has lessened over time. As such, negative real yields tend to incentivize investors to make investment decisions in pursuit of higher returns, despite the higher risks that accompany those returns. Nominal bond yields have fallen sharply from their highs in March 2021 at a time when inflation expectations have dipped only slightly, driving real yields beneath last year's record trough. **One reason behind the rally in equities is that there is still nothing as attractive as that asset class, given that bond yields and credit spreads have tightened to their lowest levels in over a decade.**

Given strong support from global central banks, investment flows have continued to pour into equities, though return expectations should be much lower from here.

In the first half of 2021, according to Morningstar data, aggregate net asset flows into both ETFs and mutual funds (see graph below) revealed strong investor appetite for riskier products (equity and asset allocation among multiple asset categories, including stocks, bonds, and cash) compared with fixed income alternatives. **Total flows into equities and asset allocation products have surpassed over $900 billion worldwide inthe first six months of 2021** as investors are trying to compensate for record low real returns on the world´s most important government bonds.

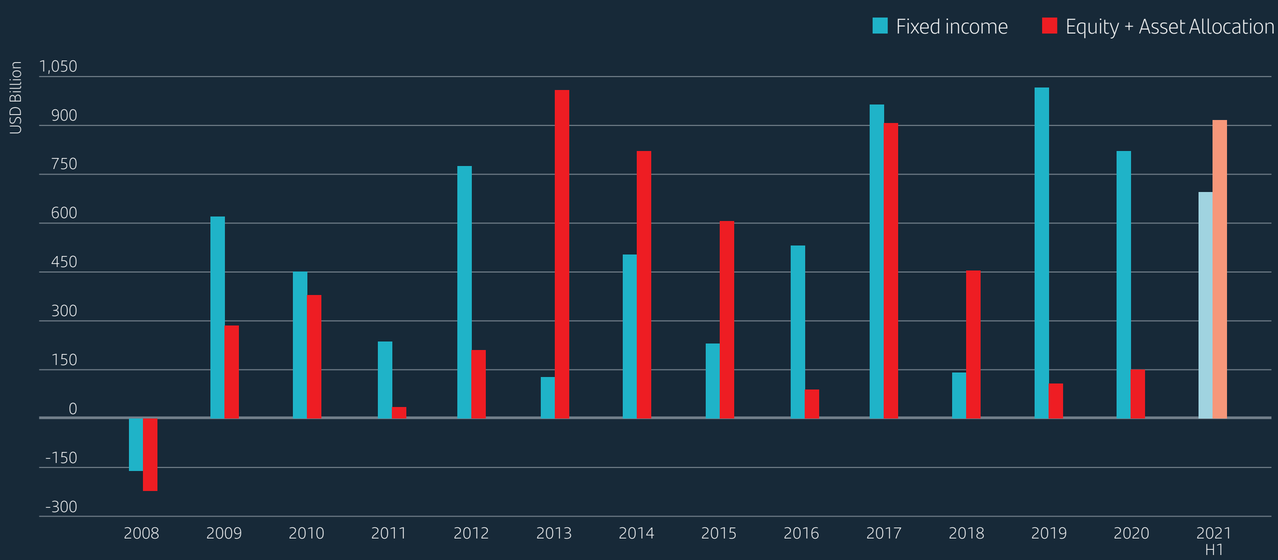
Policymakers are accelerating the transition to carbon net zero and investors are tilting their portfolios to ESG solutions.

Another area which is experiencing record inflows is ESG (Environmental, Social & Governance) focused funds due to increased awareness among individuals and institutions of the need to invest in a more sustainable way. Overall, **assets in European sustainable funds rose to a new record high of $1.83 trillion at the end of June,** representing an 11.5% increase since the end of March according to data provided by Morningstar.

We try not to underestimate how far this equity rally can run on the back of such strong investment flows, but we also recognize a multitude of risks: A monetary policy mistake, unexpected inflation, a significant COVID resurgence, a Chinese spillover, or increased geopolitical risk.

Worldwide mutual funds and ETF Net Asset Flows.
Source: Morningstar Direct and Santander. Data as of June 30, 2021.
2021 data is first half of year.

Inflows into equities in the first half of 2021 have reached levels only seen in full calendar years.



Equities still enjoy relative valuation support versus safer alternatives.

Absolute valuation ratios for equities have reached levels not seen since the dot.com rally. Global stock valuations are high on a price-to-earnings (PE) basis, which values a stock relative to its prior or future earnings potential. However, we believe PE is a less informative measure than the difference between the equity yield and the risk-free rate offered by government bonds. This differential is known as **the equity risk premium (ERP), and gauges whether investors are compensated for the greater risk in equities vs. "risk-free" government bonds.**

This spread can be observed in the graph below, which compares the earnings yield of the global equity market (MSCI World) versus the real return of government bonds in three different geographies. Indeed, **compared with the real yields offered on risk-free government bonds, equity prices have plenty of appeal.** Equities do not have to beat their historical returns to be worth holding, but just need to yield more than bonds by a decent margin.

It is no secret that nominal rates have been declining for a long time. COVID accelerated that trend as investors flocked to safe haven assets like Treasuries during the crisis, pushing nominal yields down to record lows. In early 2021, as economies opened and economic growth restarted, demand for Treasuries waned and nominal yields rose. But now, with economies still chugging along and yield-eating inflation rising, investors are piling back into Treasuries. The result is real yield dynamics plunging to record lows in all developed economies. Real negative rates on bonds are an easy benchmark to beat by the income provided by equities.

We expect the US 10-year Treasury yield to move slowly back up to 1.7%-to-1.9% by the end of the year. Bond yields in other developed markets will also rise, but less so than in the US, given the relatively "high beta" status of US Treasuries. **Given negative real return opportunities in government bonds, investors with a 12 month timeframe ought to maintain at least an equal weight exposure to equities and credit in a multi-asset class portfolio.**

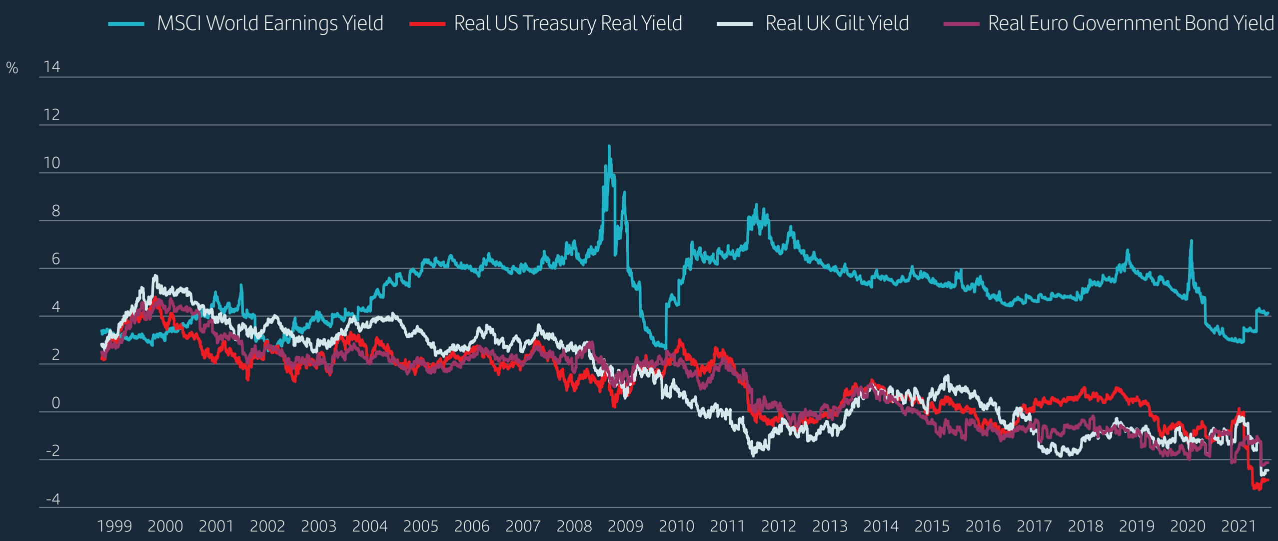
One effect of deeply negative real yields is to buoy up a range of riskier asset classes, whose returns they offer more attractive in comparison to bonds.

Real negative rates on bonds are an easy benchmark to beat by the income provided by equities.

Earnings yield of world equities compared to government bond real interest rates.

Source: Bloomberg and Santander. Data as of September 29, 2021.

Despite the post-pandemic bull market in equities, stocks continue to offer attractive yields relative to safer alternatives.



Stretched valuations lead to an increasingly fragile market.

2021 has rewarded investors with strong market performance in major risk assets and geographies with few exceptions. **The strength of corporate earnings and calm bond markets have allowed the equities to withstand many headwinds:** Spread of the delta variant, the US-China conflict, inflation spikes, supply-chain disruptions, waning recovery momentum, and a harsh wave of regulation in China among others.

So what's next for markets? There are reasons to believe that the upswing is still intact given the fact that the economic recovery is ongoing, but valuations seem to have reached the point of exhaustion and as a result, markets are more susceptible to negative surprises. **We have highlighted four potential catalysts for a risk-off event in the coming months: (i) Further spike in the electricity crisis** causing concerns of inflation and lower growth, **(ii) A compression in corporate margins** because of supply chain bottlenecks and rising producer prices, **(iii)** A deterioration in liquidity within the **Chinese real estate sector** and, **(iv)** Potential **turmoil in the US Congress** as a result of negotiations over the president's spending plans and the need to **raise the debt ceiling.** The crisis at Evergrande, the world's most indebted developer and a symbol of the leverage that helped fuel China's urbanization, is currently in focus. This event could have profound consequences for the wider economy if Chinese authorities are not able to avoid a spillover credit quality effect.

There are reasons for anxiety, along with reasons for the equity markets to experience volatility as the best of this stock market rally is probably behind us. But, **if the markets and the economy continue to have the support of central banks and investors increase positions when the market falls buy the dip as safe alternatives in the bond market offer negative real yields, we remain constructive on equities versus fixed income and cash. We suggest staying invested according to your individual risk profile and take advantage of volatility to temporarily increase equity positions.**

Buoyant asset valuations reflect positive expectations built into asset prices and create the potential for spikes in volatility.

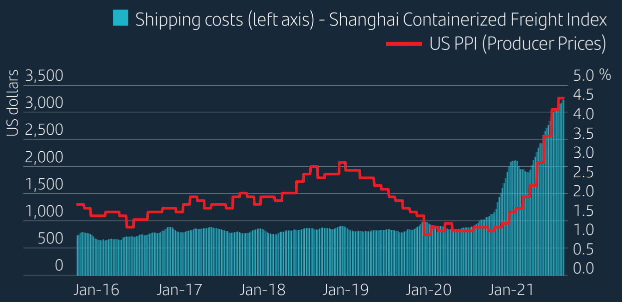
Hefty valuations increase the sensitivity of markets to negative shocks. We highlight four main risks that could bring increased volatility in Q4: Evergrande, energy crisis, bottlenecks and US debt ceiling.

The rally in the stockmarket is extended and could experience volatility spikes.

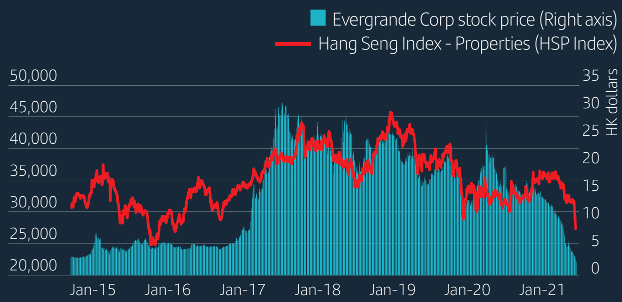
Source: Bloomberg and Congressional Budget Office. Data as of September 24, 2021.

Markets could experience a correction due to several potential risks.

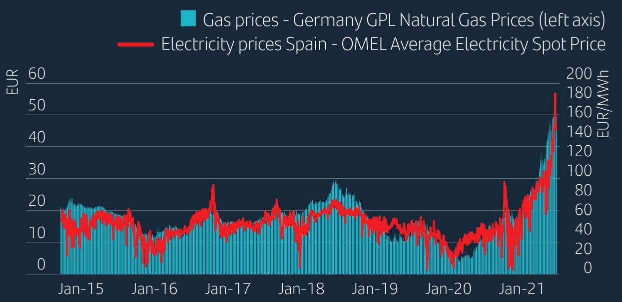
Corporate margins could be under pressure as a result of rising costs



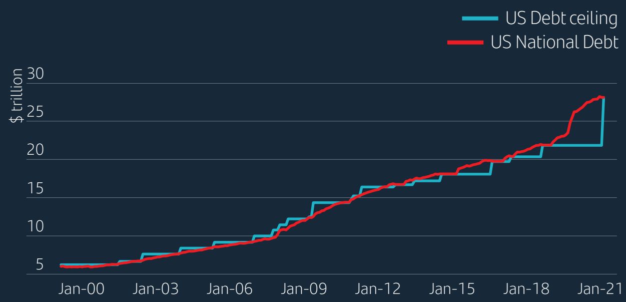
Evergrande liquidity crisis could have spillover effects on the Chinese economy



Record high gas and electricity prices could have stagflationary implications



Debt ceiling debate could complicate the approval of Biden´s spending plans



Appendix: Tables.

Returns of main assets in last 10 years.

Source: Bloomberg and Santander.

Data as of 9/30/2021

						Returns		Annualized returns		
	Jul-21	Aug-21	Sep-21	YtD	YoY	2019	2020	3 years	5 years	10 years
Short-term (USD) (1)	**0.0%**	**0.0%**	**0.0%**	**0.1%**	**0.1%**	**2.2%**	**0.4%**	**1.1%**	**1.1%**	**0.6%**
Short-term (EUR) (2)	**0.0%**	**0.0%**	**0.0%**	**-0.4%**	**-0.4%**	**-0.4%**	**-0.5%**	**-0.4%**	**-0.4%**	**-0.2%**
Global Fixed Income (3)	**1.3%**	**-0.4%**	**-1.8%**	**-4.1%**	**-1.0%**	**6.8%**	**9.2%**	**4.2%**	**2.0%**	**1.9%**
Fixed Income (USD) (4)	**1.1%**	**-0.2%**	**-0.9%**	**-1.6%**	**-0.5%**	**8.7%**	**7.5%**	**5.4%**	**2.9%**	**3.0%**
Sovereign (USD) (5)	0.8%	-0.2%	-0.6%	-1.2%	-1.0%	5.2%	5.8%	4.0%	2.0%	1.8%
Corporates (USD) (6)	1.4%	-0.3%	-1.1%	-1.3%	1.9%	14.5%	9.9%	7.4%	4.6%	4.9%
High Yield (USD) (7)	0.4%	0.5%	0.0%	4.5%	10.7%	14.3%	7.1%	6.9%	6.5%	7.4%
Fixed Income (EUR) (8)	**1.6%**	**-0.5%**	**-1.1%**	**-2.3%**	**-1.9%**	**6.0%**	**4.0%**	**2.8%**	**1.2%**	**3.7%**
Sovereign (EUR) (9)	1.8%	-0.6%	-1.2%	-2.9%	-2.7%	6.8%	5.0%	3.4%	1.3%	4.0%
Corporates (EUR) (10)	1.1%	-0.4%	-0.6%	-0.3%	0.9%	6.2%	2.8%	2.7%	1.7%	3.9%
High Yield (EUR) (11)	0.5%	0.3%	-0.1%	4.2%	9.4%	12.3%	1.8%	4.7%	4.5%	7.8%
Emerging Global Fixed Income (USD) (12)	**0.2%**	**1.0%**	**-1.7%**	**-1.1%**	**3.4%**	**13.1%**	**6.5%**	**5.9%**	**4.1%**	**5.7%**
LatAm (USD) (13)	0.5%	1.1%	-2.3%	-2.6%	4.3%	12.3%	4.5%	4.0%	3.2%	5.0%
MSCI World (USD)	**1.7%**	**2.3%**	**-4.3%**	**11.8%**	**31.1%**	**25.2%**	**14.1%**	**11.2%**	**11.7%**	**10.5%**
S&P 500 (USD)	2.3%	2.9%	-4.8%	14.7%	31.7%	28.9%	16.3%	13.9%	14.7%	14.3%
MSCI Europe (EUR)	1.8%	1.7%	-3.1%	14.0%	32.7%	22.2%	-5.4%	5.2%	5.4%	6.7%
MSCI Emerging Markets (USD)	-7.0%	2.4%	-4.2%	-3.0%	13.6%	15.4%	15.8%	6.1%	6.8%	3.6%
MSCI Asia Pac. ex-Japan (USD)	-6.6%	2.2%	-4.0%	-2.1%	13.9%	19.2%	22.4%	9.2%	9.9%	8.3%
MSCI Latin America (USD)	-4.2%	0.2%	-11.4%	-9.1%	23.4%	13.7%	-16.0%	-4.7%	-1.3%	-4.0%

(1) Barclays Benchmark Overnight USD Cash Index; 2) Barclays Benchmark 3mEUR Cash Index; 3) Bloomberg Barclays Global Aggregate Total Return Index Value Unhedged USD; 4) Bloomberg Barclays US Agg Total Return Value Unhedged USD; 5) Bloomberg Barclays US Intermediate Treasury TR Index Value Unhedged SD; 6) Bloomberg Barclays US Corporate Total Return Value Unhedged USD; 7) Bloomberg Barclays US Corporate High Yield Total Return Value Unhedged USD; 8) Bloomberg Barclays EuroAgg Total Return Index Value Unhedged EUR; 9) Bloomberg Barclays EuroAgg Treasury Total Return Index Value Unhedged EUR; 10) Bloomberg Barclays Euro Aggregate Corporate Total Return Index Value Unhedged EUR; 11) Bloomberg Barclays Pan-European Aggregate High Yield TR Index Value Unhedged EUR; 12) Bloomberg Barclays EM Aggregate Total Return Value Unhedged USD; 13) Bloomberg Barclays Emerging Markets LatAm Total Return Value Unhedged USD

Equities indices.

Source: Bloomberg and Santander.

Data as of 9/30/2021

			Change	Last 10 years			Return			Annualized return			
		Last Price	12 months	Low	Range	High	Month	YtD	YoY	1 year	3 years	5 years	10 years
US	S&P 500	4,308		1,247		4.523	-4.8%	14.7%	16.3%	29.1%	13.9%	14.9%	14.3%
	DOW JONES INDUS.	33,844		11,955		35.361	-4.3%	10.6%	7.2%	21.8%	8.6%	13.3%	12.0%
	NASDAQ	14,449		2,605		15.259	-5.3%	12.1%	43.6%	29.4%	21.5%	22.4%	19.6%
Europe	Stoxx 50	3,499		2,257		3.617	-3.3%	12.6%	-8.7%	20.5%	4.5%	4.2%	4.9%
	Eurozone (EuroStoxx)	4,048		2,119		4.196	-3.5%	13.9%	-5.1%	26.8%	6.0%	6.2%	6.4%
	Spain (IBEX 35)	8,796		6,090		11.521	-0.6%	9.0%	-15.5%	31.0%	-2.2%	0.0%	0.3%
	France (CAC 40)	6,520		3,017		6.680	-2.4%	17.4%	-7.1%	35.7%	5.9%	8.0%	8.1%
	Germany (DAX)	15,261		5,898		15.835	-3.6%	11.2%	3.5%	19.6%	7.6%	8.0%	10.7%
	United Kingdom (FTSE 100)	7,086		5,321		7.749	-0.5%	9.7%	-14.3%	20.8%	-1.9%	0.5%	3.3%
	Italy (MIB)	25,684		12,874		26.009	-1.3%	15.5%	-5.4%	35.1%	7.4%	9.5%	5.6%
	Portugal (PSI 20)	5,461		3,945		7.608	0.8%	11.5%	-6.1%	34.3%	0.6%	3.5%	-0.8%
	Switzerland (SMI)	11,642		5,652		12.411	-6.2%	8.8%	0.8%	14.3%	8.6%	7.4%	7.7%
LatAm	Mexico (MEXBOL)	51,386		34,555		53.305	-3.6%	16.6%	1.2%	37.2%	1.3%	1.5%	4.4%
	Brazil (IBOVESPA)	110,979		40,406		126.802	-6.6%	-6.8%	2.9%	17.3%	11.8%	13.7%	7.8%
	Argentina (MERVAL)	77,364		2,257		77.364	1.2%	51.0%	22.9%	87.5%	32.2%	35.8%	41.2%
	Chile (IPSA)	4,363		3,439		5.855	-2.9%	4.4%	-10.5%	19.9%	-6.2%	1.5%	1.2%
Asia	Japan (NIKKEI)	29,453		8,435		29.453	4.9%	7.3%	16.0%	27.0%	6.9%	12.0%	13.0%
	Hong-Kong (HANG SENG)	24,576		17,989		32.887	-5.0%	-9.8%	-3.4%	4.8%	-4.0%	0.7%	3.4%
	South Korea (KOSPI)	3,069		1,755		3.297	-4.1%	6.8%	30.8%	31.8%	9.4%	8.2%	5.7%
	India (Sensex)	59,126		15,455		59.126	2.7%	23.8%	15.8%	55.3%	17.7%	16.3%	13.6%
	China (CSI)	4,866		2,140		5.352	1.3%	-6.6%	27.2%	6.1%	12.3%	8.4%	6.5%
World	MSCI WORLD	3,007		1,178		3.141	-4.3%	11.8%	14.1%	27.0%	11.2%	11.8%	10.5%

Equities by style and sector.

Source: Bloomberg and Santander.

Data as of 9/30/2021			Change	Last 10 years			Return			Annualized return				Ratios	
		Last Price	12 months	Low	Range	High	Month	YtD	YoY	1 year	3 years	5 years	10 years	PE Ratio	Divi-dend Yield
	MSCI World	3,007		1,178		3,141	-4.3%	11.8%	14.1%	27.4%	11.2%	11.8%	10.5%	19.44	1.74
Style	MSCI World High Dividend Yield	1,358		810		1,422	-4.4%	5.7%	-3.0%	17.8%	3.6%	4.6%	5.5%	13.59	3.69
	MSCI World Momentum	3,699		936		3,842	-3.7%	8.4%	28.3%	20.5%	14.5%	17.7%	15.5%	16.78	1.41
	MSCI World Quality	3,680		961		3,933	-6.4%	14.0%	22.2%	26.4%	17.8%	17.5%	15.3%	23.34	1.41
	MSCI World Minimum Volatility	4,425		1,730		4,635	-4.5%	6.9%	2.6%	13.5%	7.8%	8.6%	10.2%	20.12	2.04
	MSCI World Value	11,033		4,695		11,376	-3.0%	13.8%	-1.2%	32.1%	6.7%	8.6%	9.6%	14.13	2.77
	MSCI World Small Cap	680		218		702	-3.1%	13.2%	16.0%	40.5%	10.9%	12.5%	12.9%	21.06	1.60
	MSCI World Growth	8,962		2,262		9,454	-5.2%	12.0%	33.8%	26.5%	19.2%	18.7%	15.6%	30.14	0.76
Sector	Energy	294		164		428	9.4%	34.1%	-31.5%	69.1%	-7.1%	-0.4%	0.9%	13.16	4.32
	Materials	522		229		573	-7.4%	5.7%	19.9%	22.2%	10.4%	11.5%	7.2%	11.52	3.46
	Industrials	481		167		505	-4.7%	10.1%	11.7%	26.2%	9.6%	11.5%	12.2%	21.79	1.63
	Consumer Discretionary	548		127		562	-2.4%	8.8%	36.6%	26.7%	17.2%	17.6%	16.5%	26.30	0.85
	Consumer Staples	424		181		442	-3.9%	3.2%	7.8%	10.4%	8.4%	6.4%	9.5%	20.51	2.84
	Health Care	480		130		507	-5.2%	11.0%	13.5%	19.7%	12.1%	12.7%	14.5%	18.60	1.63
	Financials	248		87		251	-1.3%	23.2%	-2.8%	53.5%	9.0%	12.0%	11.4%	12.23	2.43
	Information Technology	602		93		639	-5.7%	14.7%	43.8%	30.2%	26.0%	27.0%	21.3%	28.56	0.77
	Real Estate	467		205		495	-5.6%	16.2%	-5.0%	26.6%	9.0%	6.5%	9.2%	28.96	2.78
	Communica-tion Services	208		78		220	-5.9%	16.3%	23.0%	34.8%	19.3%	11.2%	10.4%	20.39	1.14
	Utilities	294		147		316	-7.0%	-1.3%	4.8%	8.4%	8.4%	7.1%	6.9%	18.04	3.62

Sovereign Bonds.

Source: Bloomberg and Santander.

Data as of 9/30/2021

	Rating (S&P)	Interest rate C. Bank*	Interest rate 2 years	Interest rate 10 years	Change 12 months	Last 10 years Low	Last 10 years Range	Last 10 years High	10 years Interest rates change (bp) 10 years Month	YtD	YoY	Yield curve 10-2 years
Developed												
U.S.	AA+	0.25%	0.28%	1.49%		0.53%		3.14%	18	57	80	1.21
Germany	AAA	-0.50%	-0.69%	-0.20%		-0.70%		2.28%	18	37	32	0.49
France	AA	-0.50%	-0.68%	0.16%		-0.40%		3.39%	19	49	40	0.84
Italy	BBB	-0.50%	-0.45%	0.86%		0.54%		7.11%	15	32	-1	1.31
Spain	A	-0.50%	-0.58%	0.46%		0.05%		6.86%	12	41	21	1.04
United Kingdom	AA	0.10%	0.41%	1.02%		0.10%		3.02%	31	83	79	0.61
Greece	BB	-0.50%	n.d.	0.88%		0.61%		34.96%	11	25	-15	n.d.
Portugal	BBB	-0.50%	-0.69%	0.36%		0.03%		16.40%	14	33	9	1.04
Switzerland	AAA	-0.75%	-0.78%	-0.18%		-1.05%		1.06%	16	40	33	0.60
Poland	A-	0.10%	0.72%	2.16%		1.15%		5.91%	34	94	86	1.44
Japan	A+	-0.10%	-0.12%	0.07%		-0.27%		1.07%	5	5	6	0.20
Emerging Markets												
Brazil	BB-	6.25%	9.70%	11.11%		6.49%		16.51%	61	420	352	1.41
Mexico	BBB	4.75%	5.89%	7.38%		4.49%		9.16%	40	184	126	1.49
Chile	A	1.50%	4.42%	5.49%		2.19%		5.49%	52	284	281	1.07
Argentina	CCC+	38.00%	n.d.	n.d.	n.d.	0.00%		0.00%	n.d.	n.d.	n.d.	n.d.
Colombia	BB+	2.00%	n.d.	7.66%		4.85%		8.98%	45	228	n.d.	n.d.
Turkey	B+	18.00%	17.40%	17.71%		6.21%		20.69%	124	520	n.d.	0.31
Russia	BBB-	6.75%	7.24%	7.32%		5.55%		12.98%	43	275	282	0.09
China	A+	2.89%	2.47%	2.87%		2.51%		4.58%	3	-27	-26	0.40
India	BBB-	4.00%	4.23%	6.22%		5.84%		8.87%	1	36	21	1.99

*Central Bank lending facility, except in Eurozone countries, where the marginal deposit facility is used.

Currencies.

Source: Bloomberg and Santander.

Data as of 9/30/2021

	Last Price	Change 12 months	Last 10 years Low	Range	High	Return Month	YtD	YoY	Annualized return 3 years	5 years	10 years
EUR/USD	1.1580		1.05		1.39	-1.9%	-5.2%	-1.2%	0.0%	0.6%	-1.3%
EUR/GBP	0.86		0.70		0.92	0.1%	-3.9%	-5.3%	-1.1%	-0.2%	0.1%
EUR/CHF	1.08		1.03		1.24	-0.2%	-0.2%	-0.1%	-1.8%	-0.2%	-1.2%
EUR/JPY	129		96		148	-0.8%	2.1%	4.2%	-0.8%	2.5%	2.5%
EUR/PLN	4.61		4.04		4.63	1.9%	1.1%	1.7%	2.5%	1.4%	0.4%
GBP/USD	1.35		1.22		1.71	-2.0%	-1.4%	4.3%	1.1%	0.8%	-1.3%
USD/CHF	0.93		0.88		1.03	1.8%	5.3%	1.2%	-1.8%	-0.8%	0.1%
USD/JPY	111		76		124	1.2%	7.8%	5.5%	-0.8%	1.9%	3.8%
USD/MXN	20.64		12.13		24.17	2.8%	3.6%	-6.7%	3.3%	1.3%	3.9%
USD/ARS	98.74		4.24		98.74	1.0%	17.3%	29.6%	35.7%	45.2%	37.1%
USD/CLP	810		471		855	4.6%	13.8%	3.3%	7.2%	4.3%	4.4%
USD/BRL	5.44		1.72		5.75	5.6%	4.7%	-3.0%	10.6%	10.8%	11.2%
USD/COP	3.808		1.763		4.056	1.0%	11.0%	-0.6%	8.3%	5.7%	6.9%
USD/CNY	6.44		6.05		7.16	-0.2%	-1.3%	-5.1%	-2.1%	-0.7%	0.1%
EUR/SEK	10.14		8.34		10.93	-0.4%	0.9%	-3.4%	-0.7%	1.0%	1.0%
EUR/NOK	10.13		7.29		11.48	-1.4%	-3.3%	-7.4%	2.4%	2.5%	2.6%

Commodities.

Source: Bloomberg and Santander.

	Last Price	Change 12 months	Last 10 years Low	Range	High	Return Month	YtD	YoY	Annualized return 3 years	5 years	10 years
Crude Oil (Brent)	78.8		21		124	10.6%	53.9%	92.4%	-2.5%	18.2%	-8.8%
Crude Oil (W. Texas)	75.0		19		108	9.5%	54.6%	86.5%	-0.1%	15.9%	-1.1%
Gold	1,755.3		1,060		1.971	-3.3%	-7.4%	-7.0%	13.9%	10.2%	2.0%
Copper	8,936.5		4,561		10.258	-6.1%	15.1%	33.9%	12.7%	22.5%	8.5%
CRB Index	228.9		117		322	4.9%	36.4%	54.1%	5.0%	7.1%	-8.2%
Rogers International	3,087.1		1,560		3.915	5.4%	36.3%	56.0%	6.5%	11.6%	-3.6%
Soybean	498.7		334		697	-2.8%	-4.2%	22.7%	13.6%	9.6%	2.2%

"Periodic table" of asset returns.

Calendar Year Returns

Asset Class	Reference Index	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	9M'21
US Equities	S&P 500 TR	9.6% Eurozone Government	20.9% Japan Equities	54.4% Japan Equities	16.7% Spain Government	12.1% Japan Equities	14.8% Global High Yield	37.3% Emerging Market Equities	2.6% Spain Government	31.5% US Equities	18.4% US Equities	36.5% Commodities
Japan Equities	Topix TR	7.4% Spain Government	19.3% Global High Yield	32.4% US Equities	13.7% US Equities	6.4% Europe Equities	12.0% US Equities	22.4% Global Equities	2.4% Eurozone Government	28.2% Europe Equities	18.3% Emerging Market Equities	15.9% US Equities
Spain Equities	Ibex35 TR	2.6% Global High Yield	18.2% Emerging Market Equities	27.8% Spain Equities	10.3% Eurozone Government	1.6% Spain Government	11.2% Emerging Market Equities	22.2% Japan Equities	-0.4% Liquidity	27.7% Global Equities	15.9% Global Equities	15.9% Europe Equities
Emerging Markets Equities	MSCI EM TR	2.1% US Equities	18.1% Europe Equities	26.7% Global Equities	10.3% Japan Equities	1.4% US Equities	9.7% Commodities	21.8% US Equities	-1.2% Europe IG	18.4% Emerging Market Equities	8.0% Global High Yield	14.7% Japan Equities
Europe Equities	Eurostoxx50 TR	2.0% Europe IG	16.0% US Equities	21.5% Europe Equities	8.6% Spain Equities	0.3% Eurozone Government	7.5% Global Equities	11.3% Spain Equities	-3.3% Global High Yield	18.1% Japan Equities	7.4% Japan Equities	13.0% Global Equities
Commodities	Commodity RB TR	0.9% Liquidity	15.8% Global Equities	11.0% Spain Government	8.3% Europe IG	-0.1% Liquidity	4.8% Europe IG	10.2% Global High Yield	-4.4% US Equities	16.6% Spain Equities	4.4% Spain Government	11.1% Spain Equities
Global Equities	MSCI World TR	-5.5% Global Equities	13.2% Europe IG	8.0% Global High Yield	4.9% Global Equities	-0.5% Europe IG	4.2% Spain Government	9.2% Europe Equities	-8.7% Global Equities	13.7% Global High Yield	3.0% Eurozone Government	2.1% Global High Yield
Europe IG	ERL0 TR	-7.7% Spain Equities	5.5% Spain Government	2.3% Europe IG	4.0% Europe Equities	-0.9% Global Equities	4.0% Eurozone Government	2.5% Europe IG	-10.7% Commodities	11.8% Commodities	2.7% Europe IG	-0.4% Liquidity
Liquidity EUR	Eonia TR	-8.2% Commodities	4.6% Eurozone Government	0.1% Liquidity	0.1% Liquidity	-3.5% Spain Equities	3.7% Europe Equities	1.7% Commodities	-11.5% Spain Equities	8.6% Eurozone Government	-0.5% Liquidity	-0.4% Europe IG
Global High Yield	HW00 TR	-14.1% Europe Equities	2.8% Spain Equities	-2.3% Eurozone Government	-0.1% Global High Yield	-4.2% Global High Yield	2.6% Spain Equities	1.1% Eurozone Government	-12.0% Europe Equities	6.3% Europe IG	-3.2% Europe Equities	-1.2% Emerging Market Equities
Spain Government	SPAIN 10 YR	-17.0% Japan Equities	0.2% Liquidity	-2.6% Emerging Market Equities	-2.2% Emerging Market Equities	-14.9% Emerging Market Equities	0.3% Japan Equities	-0.4% Liquidity	-14.6% Emerging Market Equities	3.0% Eurozone Government	-9.3% Commodities	-2.5% Spain Government
Eurozone Government	GERMANY 10 YR	-18.4% Emerging Market Equities	-3.3% Commodities	-5.0% Commodities	-17.9% Commodities	-23.4% Commodities	-0.3% Liquidity	-1.4% Eurozone Government	-16.0% Japan Equities	-0.4% Liquidity	-12.7% Spain Equities	-2.9% Eurozone Government

\+ Returns -

*Data as of 9/30/2021
*Total return indices track both the capital gains as well as any cash distributions, such as dividends or interest, attributed to the components of the index.

Global team.

Heads of Investment.

Santander Private Banking.

Private Banking

- Álvaro Galiñanes, CEFA
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- Felipe Arrizubieta

- Manuel Pérez Duro
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- Carlos Shteremberg, CFA
- José Rodríguez, CFA
- Michelle Chan

- Gustavo Schwartzmann
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- Fernando Buendía
- Pablo Figueroa

- Fernando Bustamante
- Eduardo Gibbs

- Paulo Jorge Sa Luis

- Carlos Mansur

- David Sterland

- Juan de Dios Sánchez-Roselly, CFA
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