

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

The flash composite PMI weakened to 54.3 in July from 54.9. Confidence in the service sector fell 0.8pts but manufacturing rose 0.2pts to 55.1, the first rise this year.

UNITED KINGDOM

Mortgage approvals in May rose to 64.5k according to the Bank of England, but remain in a slowing trend since early 2016's highs.

UNITED STATES

The flash composite PMI eased lower in July to 55.9, mainly due to services down 0.3pts to 56.2. Manufacturing surprised on the upside at 55.5 versus 55.1 expected.

ASIA & EMERGING COUNTRIES

In Japan, Nikkei PMI manufacturing confidence hit 51.6 in July, the lowest level since late 2016. The Tokyo core CPI measure rose to 0.8% YoY, up 0.1pt over June.

THEME OF THE WEEK

China's balancing act – deleveraging versus trade war

SUMMARY

INVESTMENT & MARKETS OVERVIEW

- Introduction / p. 2
- Market news and performance p. 3
- Overview of commodities and currencies p. 4
- Structured products Splitska banka p. 5
- Structured products secondary p. 6

GLOSSARY

p. 7

Observation date in next two weeks

ISIN	TICKER	DATE
XS1555608782	5Y USDQ PHOENIX PLUS STEP DOWN 50% CO FP 2,20% P.Q. NC2Q 16052022	2.8.2018
XS1513289469	2Y USD PH+ WO GG NEM ABX 2,40% P.Q.	3.8.2018
XS1622812326	2 Y EUR PHOENIX PLUS WO CS BNP INGA 7,62% P.S	7.8.2018
XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	8.8.2018
XS1816572199	18M USD PHOENIX PLUS 80% VK MT	8.8.2018
XS1816573247	5Y EUR PH+ WO 75% SX7E SXPP SXDP 0,39% P.M.	8.8.2018
XS1555620720	3Y USDQ PH+ STEP DOWN SEC WO 75% SLB XOM RDSA 2.36% P.Q. NC2Q 26052020	9.8.2018

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China's balancing act – deleveraging versus trade war

Since 2017, China has strived to curb excessive leverage of its economy. Policymakers have taken several measures to slow credit growth – letting interest rates rise, reintermediating shadow finance within the banking sector and trimming debt-fueled overseas acquisitions by conglomerates.

In the wake of the financial crisis, China opened wide the floodgates of credit to mitigate the impact of the Great Recession and avert hard landing. The results between 2008 and end 2017 are striking – corporate sector debt skyrocketed from 100% of GDP to 160%, taking China's overall debt burden from 165% of GDP to 265%. Household debt looks manageable (up from 18% of GDP to 48% over the period) but is rising fast.

Much of the borrowing was unwise and bad debt piled up, notably within local government firms and big state-owned enterprises. It was easy to extend and pretend with no imminent risk of default given the public backing. China had become addicted to credit growth, hence the crackdown on borrowing last year.

However, these concerns have had to take a back seat as the risk of trade war with the US has emerged, bringing with it significant downside risk to growth. According to some estimates, the impact of recently imposed tariffs on Chinese imports and those in pipeline (covering some USD250bn worth of goods) could shave 0.5pp off China's GDP growth in the first year.

China has reacted on three fronts to mitigate these risks:

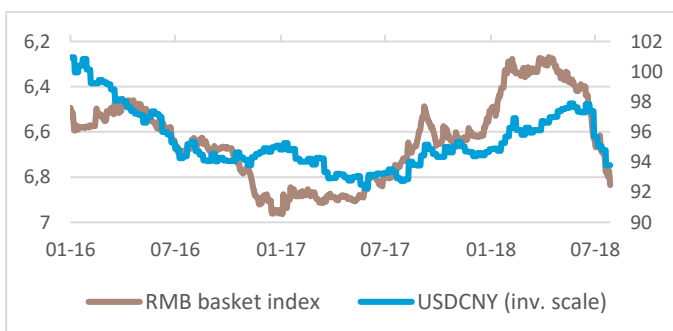
- **Monetary policy:** the reserve requirement ratio has been reduced by 150bps and 3-month interbank rates cut by 120bps since March in order to boost liquidity for mid-sized enterprises.
- **Exchange rate policy:** the RMB – a managed currency – has lost 8% versus the USD since April and over 4% against its trade-weighted basket.
- **Fiscal policy:** the Ministry of Finance has loosened the tighter fiscal stance decided last year, with tax cuts in March and specific measures targeting MSEs such as tax breaks for R&D.

China is walking a tightrope. Further deleveraging remains necessary to address financial risks and keep the country on a sustainable growth path. This is why policy initiatives are much less broad-based than in 2008, but rather primarily focused on the private sector.

Bottom line. Deleveraging will remain a key priority to avert a debt-fueled hard landing and so we expect China to continue to roll back shadow banking but at a slower pace. We do not expect the yuan to weaken further. **Devaluation** is a double edged-sword: it creates incentives for capital outflows and can only exacerbate tensions with the US. There is probably additional room for fiscal easing should it be deemed necessary. All in all, this three-pronged policy should enable China to withstand the negative impact on growth of the ongoing trade frictions with the US.

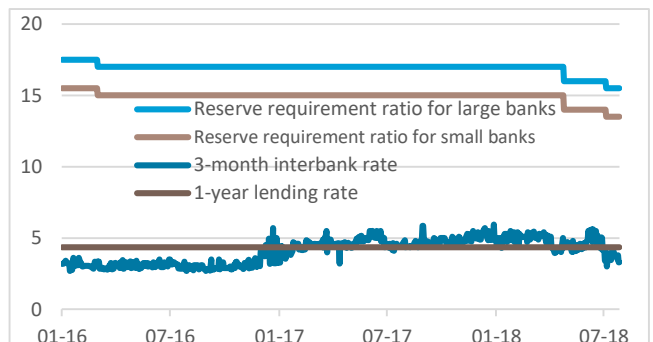
Source: Societe Generale Private Banking, Strategy, 30/07/2018

USDCNY and RMB basket



Sources: SGPB, Bloomberg, 27/07/2018

China money market



Sources: SGPB, Bloomberg, 27/07/2018.

Market News

This week and next

EUROZONE

The flash composite PMI weakened to 54.3 in July from 54.9. Confidence in the service sector fell 0.8pts but manufacturing rose 0.2pts to 55.1, the first rise this year.

The IFO measure of German business confidence in July hit 101.7, better than expected but marginally down from June. In France, July INSEE business confidence was unchanged.

Eurozone consumer confidence was unchanged -0.6 in July, better than expected and still close to decade highs.



This week's key events

	Period	Prev.	Cons.
30 Jul Consumer confidence	Jul F	-0.6	-0.6
31 Jul Unemployment	Jul	8.4%	8.3%
25 Jul Money-M3 annual growth	Jul F	54.3	54.3

UNITED KINGDOM

Mortgage approvals in May rose to 64.5k according to the Bank of England, but remain in a slowing trend since early 2016's highs.

The Confederation of British Industry (CBI) index of the trend in total orders in July hit 11, down from June but well above forecasts of a decline to 8.

The CBI also noted that average unit costs in the three months to July reached the fastest pace in a year.



This week's key events

	Period	Prev.	Cons.
1 Aug Nationwide house prices YoY	Jul	2.0%	1.9%
2 Aug MPC	Aug	0.5%	0.75%

UNITED STATES

The flash composite PMI eased lower in July to 55.9, mainly due to services down 0.3pts to 56.2. Manufacturing surprised on the upside at 55.5 versus 55.1 expected.

Core capital goods orders (ex defence and aircraft) rose 0.6% MoM in June, above forecasts, after 2.0% in April and 0.7% in May, boding well for a strong capex contribution to Q2 GDP.

Existing home sales in June hit 5.38m versus forecasts of 5.44m, but median prices remained in a rising trend at 5.2% YoY..



This week's key events

	Period	Prev.	Cons.
1 Aug FOMC	Aug	1.75-2	NC
3 Aug Unemployment	Jul	4.0%	3.9%

ASIA & EMERGING COUNTRIES

In Japan, Nikkei PMI manufacturing confidence hit 51.6 in July, the lowest level since late 2016. The Tokyo core CPI measure rose to 0.8% YoY, up 0.1pt over June.

Chinese industrial total profits rose 20% YoY in June, the third consecutive month above 20%.

Brazil's June current account balance shrank from \$729m in May to \$435m but net foreign direct investment bounced to \$6.5bn in June.



This week's key events

	Period	Prev.	Cons.
30 Jul Japan: Jobless rate	Jun	2.2%	2.3%
31 Jul China: GDP YoY	Jul	50.9	51.0

Market Performance

MARKETS AT A GLANCE

Interest rates						Government bonds*				
	Last	1w k	3mth	YTD	12mth		1w k	3mth	YTD	12mth
EONIA (EUR)	-37 bp	0 bp →	0 bp	-2 bp	-1 bp	United States (3-7yr)	-0,4 % ↓	0,5 %	-1,3 %	-1,9 %
3mth Euribor (EUR)	-32 bp	0 bp →	1 bp	1 bp	1 bp	United Kingdom (3-7yr)	-0,3 % ↓	1,1 %	-0,3 %	-0,6 %
3mth Libor (USD)	234 bp	-1 bp →	-2 bp	64 bp	102 bp	Germany (3-7yr)	-0,2 % ↓	0,9 %	0,5 %	0,6 %
3mth Libor (GBP)	80 bp	4 bp ↑	4 bp	28 bp	51 bp	Japan (3-7yr)	-0,1 % →	0,0 %	-0,1 %	0,1 %
10-year US Treasury bond	298 bp	13 bp ↑	-1 bp	57 bp	70 bp					
10-year German bond	34 bp	7 bp ↑	-25 bp	-8 bp	-15 bp					
10-year French bond	64 bp	7 bp ↑	-18 bp	-2 bp	-17 bp					
10-year UK bond	133 bp	9 bp ↑	-21 bp	10 bp	4 bp					

Credit					
		1w k	3mth	YTD	12mth
BAML EURO Corp. IG		-0,1% →	0,2 %	-0,2 %	0,9 %
BAML EURO Corp HY		0,1% ↑	-0,3 %	-0,3 %	1,5 %
BAML GBP Corp IG		-0,5% ↓	0,7 %	-1,3 %	0,3 %
BAML US IG		-0,4% ↓	0,7 %	-2,7 %	-0,9 %
BAML US HY		0,3% ↑	1,3 %	1,0 %	2,3 %
BAML Emerging External Sovereign		0,6% ↑	-1,0 %	-3,7 %	-0,4 %

Exchange rates					
	Last	1w k	3mth	YTD	12mth
EUR/USD	1,16	0,0 % →	-3,8 %	-3,1 %	-0,8 %
EUR/CHF	1,16	-0,5 % ↓	-3,3 %	-1,1 %	3,7 %
GBP/USD	1,31	0,7 % ↑	-5,8 %	-2,9 %	-0,1 %
USD/JPY	111	-1,1 % ↓	1,8 %	-1,3 %	0,0 %
USD/BRL	3,75	-2,2 % ↓	7,8 %	13,1 %	19,4 %
USD/CNY	6,79	0,3 % ↑	7,2 %	4,4 %	0,6 %
USD/RUB	63,0	-1,0 % ↓	0,2 %	9,2 %	6,0 %

Equities*					
	Last	1w k	3mth	YTD	12mth
MSCI AC World	522	1,5 % ↑	3,1 %	3,3 %	12,0 %
Eurostoxx 50	3 509	1,1 % ↑	2,1 %	3,2 %	4,1 %
DAX	12 809	1,0 % ↑	2,5 %	-0,8 %	4,1 %
CAC 40	5 481	1,2 % ↑	2,7 %	6,0 %	9,0 %
S&P 500	2 837	1,2 % ↑	6,9 %	7,3 %	16,8 %
FTSE 100	7 663	-0,2 % ↓	4,2 %	2,1 %	7,1 %
SMI	9 139	2,3 % ↑	4,0 %	0,7 %	5,2 %
Topix	1 766	0,9 % ↑	-0,2 %	-1,7 %	11,3 %
IBOV Brazil	79 405	2,5 % ↑	-8,1 %	3,9 %	22,1 %
MICEX Russia *	2 293	1,0 % ↑	0,3 %	8,7 %	18,6 %
MSCI EM	1 089	2,8 % ↑	-3,5 %	-4,2 %	5,3 %
SENSEX 30 India	36 985	1,8 % ↑	7,2 %	10,3 %	15,5 %
Hang Seng (H-K)	28 781	2,8 % ↑	-2,1 %	-1,4 %	10,9 %
Shanghai Composite	2 882	4,0 % ↑	-6,3 %	-12,8 %	-11,3 %

Commodities					
	Last	1w k	3mth	YTD	12mth
Brent	\$75	1,8 % ↑	0,0 %	12,0 %	47,0 %
Gold	\$1 227	0,8 % ↑	-6,9 %	-5,9 %	-1,7 %
Silver	\$15,5	1,2 % ↑	-6,1 %	-9,0 %	-5,8 %

Performance should not be seen as a guarantee of future returns. Source: Datastream, 26 July 2018.

*Government bonds = 3-7 year returns. **Equities; total return in local currency. ***Price return for MICEX equity index.

1wk = 1-week change, 3mth = 3-month change, 12mth = 12-month change, YTD = year-to-date change, YoY = year-on-year change, BAML = Bank of America Merrill Lynch, JPM = JP Morgan, IG = Investment Grade, EM = emerging markets.

CURRENCIES & COMMODITIES

Thursday close	
EUR/USD	1.16
GBP/USD	1.31
EUR/CHF	1.16
USD/JPY	111
Brent	\$74.6
Gold	\$1,227

Source: Datastream. On 30 July 2018, . Projections of future performance rely on internal calculations and the opinions of Societe Generale Private Banking can change anytime. Performance should not be seen as a guarantee of future returns.

** Starting from the publication day of the Letter.

Splitska banka structured products (pricing as of 27.07.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	93,14%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,75%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	101,80%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,85%
5	XS1334783617	AUD CAPPED & FLOORED FLOATER NOTE	AUD-BBR-BBSW	AUD	2,10% p.a.	29/04/2019	99,03%
6	XS1367217558	USD FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,50% p.a.	01/07/2021	97,80%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	103,85%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	98,85%
9	XS1574509565	3Y EUR PH+ SECURITY WORST OF 70% CA FP MEO GY BN FP 1.50% PQ 22042020	WO Carrefour, Metro, Danone	EUR	1,50% p.q.	22/04/2020	72,60%
10	XS1574472384	3Y EURQ PH + WO 50% HUI SX5E 1.10% PQ 21042020	WO Eurostoxx 50, HUI	EUR	1,10% p.q.	21/04/2020	99,02%
11	XS1706791214	3Y EUR PHOENIX PLUS 60% WO EDF BNP CO 1,91%	WO EDF BNP CO	EUR	1,91% p.q.	04/12/2020	87,69%
12	XS1759355412	3Y EUR PHOENIX PLUS 60% WO ISP UCG 1,95% p q	WO ISP UCG	EUR	1,95% p.q.	01/03/2021	87,43%
13	XS1778765930	4Y EUR PH+ WO SPX,SX5E, CAC 1,0% P.Q.	WO SPX,SX5E, CAC	EUR	1,0% p.q.	28/03/2022	97,46%
14	XS1778577186	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,75% p.m	07/10/2019	102,80%
15	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	93,84%
16	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	91,15%
17	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	88,99%
18	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	96,21%
19	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	99,24%
20	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	98,03%
21	XS1816573247	5Y EUR PH+ WO 75% SX7E SXPP SXDP 0,33% P.M-SG CIB	WO SX7E SXPP SXDP	EUR	0,39% p.m	15/06/2023	94,10%

Important: There is limited availability of structured products on secondary market so availability should be checked before every transaction.

Structured products bought on secondary market (pricing as of 27.07.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1245190555	3Y EUR PHOENIX PLUS 75% SX5E 2,84% P.S. 03092018	EURO STOXX 50	EUR	2.84% p.s.	03/09/2018	102,40%
2	XS1456533634	5Y USD PHOENIX PLUS SECURITY 50% HUI 1.68% P.Q. 19102021	HUI	USD	1,68% p.q.	19/10/2021	100,93%
3	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	93,68%
4	XS1472027330	2Y USDQ PH+ WO 70% BMW GY DAI GY VOW3 GY 3.24% P.Q. NC2Q 140119	BMW, DAIMLER, VOLKSWAGEN	USD	3,24% p.q.	14/01/2019	99,61%
5	XS1457486402	5Y USDQ PHOENIX PLUS 60% WO RDS FP 2,25% P.Q.	WO Total Royal Dutch Shell	USD	2,25% p.q.	12/01/2022	101,13%
6	XS1533380355	5Y EUR PHOENIX PLUS 50% CO FP 1,81% P.Q. NC2Q 12052022	Casino Guichard	EUR	1,81% p.q.	12/05/2022	72,09%
7	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	99,83%
8	XS1555608782	5Y USDQ PHOENIX PLUS STEP DOWN 50% CO FP 2,20% P.Q.	Casino Guichard	USD	2,20% p.q.	16/05/2022	68,64%
9	XS1555620720	3Y USDQ PH+ STEP DOWN SEC WO 75% SLB XOM RDSA 2.36% P.Q.	WO Schlumberger, Exxon, Royal Dutch Shell	USD	2,36% p.q.	26/05/2020	101,00%
10	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	84,58%
11	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	93,42%
12	XS1596972668	3Y USDQ PH+ STEP DOWN WO 70% 9201 JT CHL UN BP LN 2.60% P.Q. 16062020	JT, CHL, BP	USD	2,60% p.q.	16/06/2020	94,30%
13	XS1570747094	5Y EURQ PH+ SD SC 75% NOVN SAN PFE ROG 2.12% PQ NC2Q 270622	WO Novartis, Sanofi, Pfizer, Roche	EUR	2,12% p.q.	27/06/2022	96,90%
14	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	66,11%
15	XS1622812326	2Y EUR PHOENIX PLUS WO 80% CS FP BNP FP INGA NA 7.62% P.S. 21082019	WO AXA, BNP, ING	EUR	7,62% p.s.	21/08/2019	84,11%
16	XS1620557394	5Y EURQ PH+ SECURITY WO 75% SX5E CAC SMI 1.02% P.Q. NC4Q 29092022	WO SX5E, CAC, SMI	EUR	1,02% p.q.	29/09/2022	97,81%
17	XS1513289469	2Y USDQ PH+ STEP DOWN WO 60% GG NEM ABX 2.40% P.Q. 17052019	WO Goldcorp, Newmont mining, Barrick gold	USD	2,40% p.q.	17/05/2019	91,77%
18	XS1669740976	3Y USDQ PH+ SD WO 70% 2914 JT DAI GY VOW3 GY 2.95% P.Q. 30102020	WO Volkswagen, Daimler, JT	USD	2,95% p.q.	31/10/2020	82,94%
19	XS1658366932	4Y EUR PH+ SD SEC WO 57% RWE EOAN ENGI 1,375% P.Q.	WO EOAN, ENGIE RWE	EUR	1,375% p.q.	07/12/2021	100,23%
20	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	98,36%
21	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	90,04%
22	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	96,61%
23	XS1706665269	2Y EUR PHOENIX PLUS WO 80% CS FP RNO FP 16.35% P.A. 20122019	Renault, AXA	EUR	16,35% p.a.	20/12/2019	92,22%
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GLOSSARY

Accommodative Monetary Policy: when a central bank attempts to expand the overall money supply to boost the economy when growth is slowing by lowering the interest rate or by purchasing Treasury bonds.

Basis Points: A unit that is equal to 1/ 100th of 1% and used to denote the change in a financial instrument.

Bear: an investor who believes, for any technical or fundamental reason, that a security or the broader market will decline significantly. A bear takes the appropriate steps to limit losses during the period that they believe that the security will decline.

Ibovespa Index: The Ibovespa Index is a gross total return index weighted by traded volume & is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange.

BoC: Central Bank of Canada

BoE: Central Bank of England

BoJ: Central Bank of Japan

CPI (Consumer Price Index): measures changes in the price level of a market basket of consumer goods and services purchased by households.

Credit risk: credit risk is the chance that a bond issuer will not make the coupon payments or principal repayment to its bondholders. In other words, it is the chance the issuer will default.

Deflation: a general decline in prices, often caused by a reduction in the supply of money or credit. Deflation can be caused also by a decrease in government, personal or investment spending.

EPS (Earnings Per Share): the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

ECB (European Central Bank): created in 1998, the European Central Bank determines the monetary policy to be adopted within the Eurozone. To do so, it has various means, in particular the key interest rates. The ECB is responsible for the single currency. Its main mission consists of maintaining price stability within the Euro zone.

EM/ EC (Emerging markets/ countries): markets/ countries in the process of rapid growth and industrialization.

Equity Risk Premium: The excess return that an individual stock or the overall stock market provides over a risk-free rate.

Eurostoxx50: A market capitalization-weighted stock index of 50 large, blue-chip European companies operating within eurozone nations.

Fed (Federal Reserve): central bank of the United States and controls the money supply.

FOMC (Federal Open Market Committee): The branch of the Federal Reserve Board that determines the direction of monetary policy.

Guaranteed capital: on maturity, a capital-guaranteed structured product repays a minimum 100% of the capital invested on expiry. However, the investor bears the risk associated with the issuer of a structured product. If the issuer defaults, there is a risk of loss of capital.

Hang Seng index (Hong-Kong Index): A market capitalization-weighted index of 40 of the largest companies that trade on the Hong Kong Exchange. The index aims to capture the leadership of the Hong Kong exchange, and covers approximately 65% of its total market capitalization.

Investment-grade bonds: a rating that indicates that a municipal or corporate bond has a relatively low risk of default.

ISM Manufacturing Index: monitors employment, production inventories, new orders and supplier deliveries.

Issuer: in the case of a structured product, an issuer is an entity that issues and distributes investment products. An issuer may be a bank or a company created specifically for this purpose. In the case of a bond, an issuer is an entity (government, company, government agency etc.) that issues bonds and borrows the amounts required for its financing.

Long/ Short Strategy: An investing strategy of taking long positions in stocks that are expected to appreciate and short positions in stocks that are expected to decline.

Maturity date: in finance, maturity or maturity date refers to the final payment date of a loan or other financial instrument, at which point the principal (and all remaining interest) is due to be paid. The term fixed maturity is applicable to any form of financial instrument under which the loan is due to be repaid on a fixed date.

MSCI World Index: index designed to provide a broad measure of equity-market performance throughout the world. The Index is maintained by Morgan Stanley Capital International, and is comprised of stocks from both developed and emerging markets.

Overweight: An analyst's opinion regarding the future performance of a security. Overweight will usually signify that the security is expected to outperform either its industry, sector or, even, the market altogether.

P/B Value (Price/ Book value): a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.

P/E ratio (Price/Earning ratio): the ratio [Share price/earnings per share] reflects the trading price of a share in relation to the expected earnings. As such, the higher this ratio, the more expensive the stock, and vice versa. Note: the P/E ratio also depends on profit growth; companies with high profit growth tend to have a higher P/E.

PMI composite : composite of five of the survey indices. These are New orders, Output, Employment, Suppliers' delivery times (inverted) and Stocks of purchases

PMI (Purchasing Managers Index): Economic indicator of the manufacturing sector.

Protected capital: a product with protected capital does not guarantee the repayment of all the capital invested on maturity. The main risk associated with this type of product is a risk of capital loss, linked to fluctuations in the capital markets. There is a risk part or all of the capital may not be returned, depending on the type of protection.

QE (Quantative Easing): An unconventional monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply.

Quarterly Earnings Report: A quarterly filing made by public companies to report their performance. Included in earnings reports are items such as net income, earnings per share, earnings from continuing operations and net sales. These reports follow the end of each quarter. Most companies file in January, April, July and October.

S&P500 (SPX Index): An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

Structured product: structured products are investment solutions comprised of a number of financial instruments. They combine one or more financial assets such as equities, currencies, interest rates etc. with a more sophisticated options component.

Topix stock index: an index that measures stock prices on the Tokyo Stock Exchange (TSE).

Underweight: An analyst's opinion regarding the future performance of a security. Underweight will usually mean that the security is expected to underperform either its industry, sector, or even the market altogether.

US Dollar Index (DXY): A measure of the value of the U.S. dollar relative to majority of its most significant trading partners.

Valuation: the process of determining the current worth of an asset or company.

Valuation metric: assessment method to determine the valuation of an asset such as the P/E for equities.

Volatility: volatility is a measure for variation of price of a financial instrument over time.

EXPLANATION OF RISK LEVELS

For example, risk level R1 corresponds to a defensive risk profile. These indicators are based on the 1-year 95% Value at Risk (VaR). VaR is a measurement of the maximum amount a portfolio could lose under normal market conditions over a given period with a given probability. If the 1-year 95% VaR amounts to x%, this means that there is a 95% probability that the portfolio will not lose more than x% of its value in one year.

Risk classification	0 Lowest Risk	1 Low Risk	2 Medium Risk	3 High Risk	4 - Highest Risk
Loss	There is a 95% probability that the product will not depreciate in value in one year.	There is a 95% probability that the product will not lose more than 5% of its value in one year.	There is a 95% probability that the product will not lose more than 15% of its value in one year.	There is a 95% probability that the product will not lose more than 30% of its value in one year.	There is a minimum of 5% probability that the product will lose more than 30% of its value in one year.

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Risk level

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