

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

Business climate was unchanged at 1.21 in September while economic sentiment eased from 111.6 to 110.9.

UNITED KINGDOM

Q2 GDP growth has been revised down from 1.3% YoY to 1.2%. Business investment slid from 2.3% YoY to -0.2% in Q2.

UNITED STATES

As widely expected, the US Federal Reserve raised its key rate by another 25bp, shifting the target range from 1.75-2% to 2-2.25%. This was third hike this year and the eighth in this economic cycle. The Fed still projects one more hike this year and three in 2019.

ASIA & EMERGING COUNTRIES

In China, foreign direct investments rose 2.3% YoY in August. Outstanding loans increased 13.2% YoY in August, the same pace as July, as authorities decided to improve credit conditions (among other measures) to offset US tariffs and a slowing economy.

THEME OF THE WEEK

Context still supportive despite trade war

SUMMARY

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GLOSSARY

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Observation date in next two weeks		
ISIN	TICKER	DATE
XS1574509565	3Y EUR PH+ SECURITY WORST OF 70% CA FP MEO GY BN FP 1.50% PQ 22042020	4.10.2018
XS1456533634	5Y USD PHOENIX PLUS SECURITY 50% HUI 1,68% P.Q. 19102021	4.10.2018
XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LHN VX 3% P.S. 22042020	5.10.2018
XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	8.10.2018
XS1816572199	18M USD PHOENIX PLUS 80% VK MT	8.10.2018
XS1816573247	5Y EUR PH+ WO 75% SX7E SXPP SXDP 0,39% P.M.	8.10.2018
XS1265964210	5Y EUR DEP LN STL 5.70% 2020	9.10.2018
XS1265966009	5Y EUR DEPOSIT LINKED NOTE WO	9.10.2018
XS1574472384	3Y EURQ PHOENIX PLUS WORST OF 50% HUI SX5E 1.10% P.Q. 21042020	11.10.2018
XS1417403265	3Y USD FLOORED CAPPED FLOATER 100%KG [3.00%;(USDLIB3M;1.00%)] 12102019	12.10.2018

Context still supportive despite trade war

Trade tensions have further deteriorated as the US has introduced tariffs on another \$200bn worth of imports of Chinese goods, and threatened to go the whole hog by taxing all Chinese imports, or a total of \$505bn.

In fact, the dispute with China goes beyond reigning in the bilateral trade deficit. The Trump administration is committed to challenging China's rising economic and technological clout, and national security has become the watchword for most economic initiatives adopted by the administration to maintain US hegemony.

The ongoing trade war is morphing into a new cold war, with the tech race replacing the arms race. The US-China trade spat is unlikely to unwind soon as it is both strategic and ideological. The impact on future global trade flows is set to be profound.

Despite mounting risks, the economic context is still supportive. Monetary policies remain accommodative and fiscal policies are being relaxed – massively in the US, more moderately in the eurozone and China. Nominal growth is soaring, on the back of robust economic momentum and higher inflation, and in turn lifting corporate profits. Capital spending expansion bodes well for a longer business cycle as it expands production capacity, encourages hiring and paves the way for a pick-up in productivity.

In the short run, this goldilocks environment should prevail, notably in the US. Corporate margins in the US should remain protected by modest wage inflation, the impact of dollar strength on import prices, and limited upside for commodity prices. In the eurozone, growth is still running above potential but has started to decelerate. Pricing power is more limited in Europe than in the US, as company profits depend more on global growth.

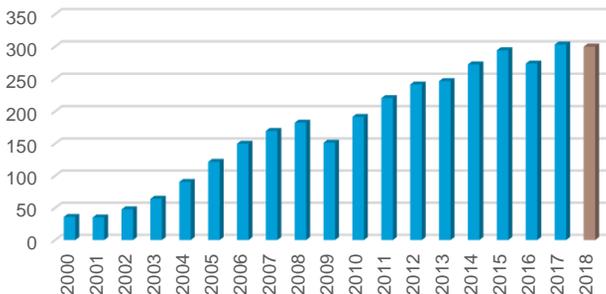
According to some models, the probability of a US recession is still low (22%) over one year. The global economy should remain resilient to political risks so long as they do not coincide with trade tensions, i.e. an oil price surge fuelled by tensions in the Middle East or renewed sovereign risk in the euro zone. If the Democrats were to win control of Congress after US midterms, the ensuing political gridlock would be bad news for markets.

As US rates rise, so does the hurdle for risky assets to outperform defensive assets such as bonds. Given the robust growth environment, markets should be able to withstand any politically triggered volatility

Source: Societe Generale Private Banking, Strategy, 01/10/2018

US/China trade deficit reaches \$300bn

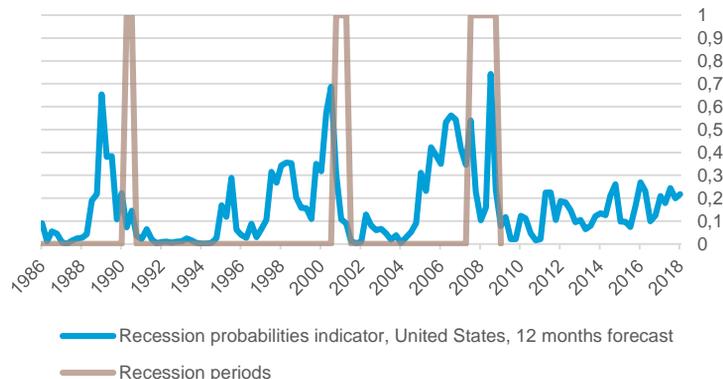
US trade deficit vis-a-vis China (\$bn)



Sources: SGPB, Macrobond, 01/10/2018.

The probability of a US recession is still low (22%) over one year

US recession probability over one year (in %)



Sources: SGPB, Macrobond, 01/10/2018.

Market News

This week and next

EUROZONE

Business climate was unchanged at 1.21 in September while economic sentiment eased from 111.6 to 110.9.

Industrial sentiment continued the downtrend initiated in February, printing at 4.7 in September. However, sentiment in services improved from 14.4 to 14.6.

Consumer confidence weakened for the second consecutive month, falling from -1.9 to -2.9 in September.

Headline inflation printed at 2.1% YoY in September (as expected) and at 1.1% excluding volatile items (lower than forecast).

M3 money supply growth was down from 4% YoY to 3.5% in August, its lowest pace in almost four years.



This week's key events

	Period	Prev.	Cons.
1 Oct	Unemployment rate	Aug 8.2%	8.2%
3 Oct	Retail sales, YoY	Aug 1.1%	--

UNITED KINGDOM

Q2 GDP growth has been revised down from 1.3% YoY to 1.2%. Business investment slid from 2.3% YoY to -0.2% in Q2.

The current account deficit widened from £17.7bn to £20.3bn in Q2.

GfK consumer confidence was weaker than expected, down from -7 to -9 in September, due to growing uncertainty ahead of Brexit day.

Public sector net borrowing (excluding public banks) rose to £6.8bn in August while expectations were for £3.4bn.



This week's key events

	Period	Prev.	Cons.
1 Oct	Manufacturing confidence	Sep 52.2	--
1 Oct	Consumer credit (£bn)	Aug 0.82	--

UNITED STATES

As widely expected, the US Federal Reserve raised its key rate by another 25bp, shifting the target range from 1.75-2% to 2-2.25%. This was third hike this year and the eighth in this economic cycle. The Fed still projects one more hike this year and three in 2019.

Q2 GDP growth was confirmed at 4.2% YoY after 2.2% in Q1.

PMI manufacturing confidence bounced from 54.7 to 55.6 in September, the highest since May.

Consumer sentiment was higher than expected rising from 134.7 to 138.4 in September, its highest level in 18 years.



This week's key events

	Period	Prev.	Cons.
5 Oct	Unemployment rate	Sep 3.9%	3.8%
5 Oct	Trade balance (\$bn)	Aug -50.1	-50.0

ASIA & EMERGING COUNTRIES

In China, foreign direct investments rose 2.3% YoY in August. Outstanding loans increased 13.2% YoY in August, the same pace as July, as authorities decided to improve credit conditions (among other measures) to offset US tariffs and a slowing economy.

In Japan, headline consumer prices continued to rise gradually in August, up from 0.9% to 1.3% YoY. Core inflation rose from 0.8% YoY to 0.9% as expected. Producer prices increased by 3.0% YoY.

Economic conditions have continued to worsen in Turkey with economic confidence down from 83.9 to 71 in September, the lowest since 2009.



This week's key events

	Period	Prev.	Cons.
1 Oct	Japan: Large enterprises outlook	Q3 21	19
1 Oct	Japan: Manuf. confidence	Sep 52.5	--

Market Performance

MARKETS AT A GLANCE

Interest rates

	Last	1wk	3mth	YTD	12mth
EONIA (EUR)	-35 bp	2 bp ↑	2 bp	-1 bp	1 bp
3mth Euribor (EUR)	-32 bp	0 bp →	1 bp	1 bp	1 bp
3mth Libor (USD)	240 bp	3 bp ↑	6 bp	70 bp	106 bp
3mth Libor (GBP)	80 bp	0 bp →	13 bp	28 bp	47 bp
10-year US Treasury bond	306 bp	-1 bp ↓	rke	65 bp	75 bp
10-year German bond	47 bp	1 bp ↑	16 bp	5 bp	-1 bp
10-year French bond	81 bp	3 bp ↑	11 bp	2 bp	4 bp
10-year UK bond	157 bp	2 bp ↑	31 bp	39 bp	20 bp

Credit

	1wk	3mth	YTD	12mth
BAML EURO Corp. IG	-0.2% ↓	0.0%	-0.6%	0.1%
BAML EURO Corp HY	-0.3% ↓	1.7%	0.0%	0.7%
BAML GBP Corp IG	-0.2% ↓	-0.4%	-2.0%	0.0%
BAML US IG	0.2% ↑	1.0%	-2.2%	-1.1%
BAML US HY	0.1% ↑	2.5%	2.5%	2.9%
JPM Global EM Sov. Plus	0.4% ↑	2.2%	-4.2%	-3.1%

Exchange rates

	Last	1wk	3mth	YTD	12mth
EUR/USD	1.16	-1.2% ↓	0.3%	-3.3%	-1.5%
EUR/CHF	1.14	1.2% ↑	-1.2%	-2.6%	-0.3%
GBP/USD	1.30	-0.4% ↓	-0.4%	-3.5%	-3.1%
USD/JPY	114	1.0% ↑	2.9%	0.9%	1.2%
USD/BRL	4.05	-0.1% →	4.8%	22.2%	27.2%
USD/CNY	6.87	0.2% ↑	3.6%	5.6%	3.1%
USD/RUB	65.6	-1.3% ↓	4.4%	13.8%	13.3%

Government bonds*

	1wk	3mth	YTD	12mth
United States (3-7yr)	0.1% ↑	-0.2%	-1.2%	-1.7%
United Kingdom (3-7yr)	-0.1% →	-0.5%	-0.7%	-0.2%
Germany (3-7yr)	-0.2% ↓	-0.7%	0.0%	-0.3%
Japan (3-7yr)	0.1% →	-0.2%	-0.2%	-0.1%

Equities*

	Last	1wk	3mth	YTD	12mth
MSCI AC World	524	-0.6% ↓	5.1%	4.3%	10.9%
Eurostoxx 50	3 399	-0.8% ↓	1.3%	0.2%	-1.2%
DAX	12 247	-1.5% ↓	0.6%	-5.2%	-3.6%
CAC 40	5 493	0.1% ↑	4.3%	6.4%	7.1%
S&P 500	2 914	-0.5% ↓	7.8%	10.6%	18.4%
FTSE 100	7 510	0.3% ↑	-0.4%	1.0%	6.8%
SMI	9 088	1.0% ↑	7.5%	0.2%	3.2%
Topix	1 817	1.5% ↑	6.1%	2.0%	10.8%
IBOV Brazil	79 342	-0.1% ↓	10.6%	3.9%	7.9%
MICEX Russia *	2 475	2.0% ↑	10.0%	17.3%	19.5%
MSCI EM	1 048	-0.2% ↓	1.2%	-7.3%	0.4%
SENSEX 30 India	36 227	-1.7% ↓	3.8%	8.2%	17.1%
Hang Seng (H-K)	27 789	-0.6% ↓	-0.9%	-4.1%	4.9%
Shanghai Composite	2 821	0.9% ↑	1.2%	-14.7%	-15.5%

Commodities

	Last	1wk	3mth	YTD	12mth
Brent	\$82	3.5% ↑	5.1%	22.5%	41.0%
Gold	\$1 191	-0.6% ↓	-4.7%	-8.6%	-7.3%
Silver	\$14.7	2.4% ↑	-8.2%	-13.7%	-12.4%

Performance should not be seen as a guarantee of future returns. Source: Datastream, 27 September 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 1.30

EUR/CHF 1.14

USD/JPY 114

Brent \$81.6

Gold \$1191

Source: Datastream. On 27 September 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 28.09.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	93,55%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,41%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	103,30%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,47%
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	98,43%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	101,07%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,32%
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	82,77%
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	95,12%
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	85,92%
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	75,10%
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	96,17%
14	XS1778577186	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,75% p.m	07/10/2019	100,75%
15	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	90,15%
16	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	84,48%
17	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	81,99%
18	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	95,49%
19	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	93,57%
20	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	92,96%
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	91,68%
22	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	97,74%

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 28.09.2018.)

ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE	
1	XS1456533634	5Y USD PHOENIX PLUS SECURITY 50% HUI 1.68% P.Q. 19102021	HUI	USD	1,68% p.q.	19/10/2021	98,48%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	88,17%
3	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	98,09%
4	XS1533380355	5Y EUR PHOENIX PLUS 50% CO FP 1,81% P.Q. NC2Q 12052022	Casino Guichard	EUR	1,81% p.q.	12/05/2022	76,03%
5	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	98,53%
6	XS1555608782	5Y USDQ PHOENIX PLUS STEP DOWN 50% CO FP 2,20% P.Q.	Casino Guichard	USD	2,20% p.q.	16/05/2022	71,31%
7	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	69,07%
8	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	88,59%
9	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	96,68%
10	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	72,47%
11	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	71,64%
12	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	97,48%
13	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	88,00%
14	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	76,74%
15	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	97,04%
16	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	85,79%
17	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	89,78%
18	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	97,38%
19	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	98,19%
20							
21							

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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