

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

After some improvement in May, business climate returned to its April level (1.39) in June.

UNITED KINGDOM

Q1 GDP was revised up from 0.1% to 0.2% QoQ, raising hopes for a pick-up after a sluggish start to 2018.

UNITED STATES

Q1 GDP was revised down from 2.2% to 2% while core Personal Consumption Expenditure was confirmed at +2.3%.

ASIA & EMERGING COUNTRIES

In Japan, retail sales disappointed at +0.6% YoY and are now at a 6-month low. Industrial production declined from 0.5% to -0.2% MoM in May. The unemployment rate fell to 2.2%, a 25-year low.

THEME OF THE WEEK

A study in contrasts

SUMMARY

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A study in contrasts

Many commentators often observe that President Trump is unpredictable in his words and actions. While it is undeniable that his style of communication and government is radically different from his predecessors and peers, he does hold strong, unshakeable beliefs. One is that bilateral relations are preferable to multilateral organizations. Another is that a trade deficit is proof that foreign companies have won out to the detriment of US workers, a problem which is best addressed by tariffs.

Throughout his career, even before entering politics, Donald Trump has been a vocal opponent of free trade. Since winning the presidency, he has set about putting his beliefs into action, with little distinction between traditional US allies and adversaries. And his approach is proving popular with his electoral base – according to fivethirtyeight.com, his approval rating has risen from 37.9% at the turn of the year to 42.2% today. With mid-term elections looming on November 6, we would expect trade to remain a key focus point for politics and markets

The past six months have proved a challenging environment for risk assets. The first quarter saw sluggish growth in the United States (perhaps due to imperfect seasonal adjustments), the euro zone hit a soft patch and media headlines have been dominated by geopolitical and trade tensions. Is the global economy sliding into recession?

In order to identify turning points in the cycle, economists tend to use a number of forward-looking tools, either by constructing a composite leading index or by studying corporate confidence. In our VaMoS™ investment framework for example, we use the Conference Board's US Leading Economic Index. This blends a number of components such as new orders, consumer expectations or building permits in order to estimate future trends in growth. The most recent reading – for May 2018 – remains very close to recent cycle highs and suggests continued robust growth.

In addition, monthly surveys of corporate confidence provide good real-time data on trends in the economy, well ahead of the computation and publication of Gross Domestic Product figures. For example, the Purchasing Manager Index calculated by IHS Markit is widely used to gauge periods of expansion and contraction in activity, with the dividing line between the two set at 50 points. It is therefore encouraging that the most recent preliminary composite figures for the euro zone jumped from 54.1 to 54.8 in June, still well in expansion territory, and suggesting that the first quarter soft patch is not a harbinger of a downturn in activity.

Although the macro environment remains solid, there are sufficient geopolitical headwinds at present for us to continue to recommend a neutral stance. The higher volatility environment we expect will no doubt generate some attractive opportunities to reweight portfolios in due course.

Source: Societe Generale Private Banking, Strategy, 02/072018

ONCOMING OBSERVATIONS IN NEXT 15 DAYS		
ISIN	TICKER	DATE
XS1574509565	3Y EUR PH+ SECURITY WORST OF 70% CA FP MEO GY BN FP 1.50%	04.07.2018
XS1456533634	5Y USD PHOENIX PLUS SECURITY 50% HUI 1,68% P.Q. 19102021	05.07.2018
XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	09.07.2018
XS1816572199	18M USD PHOENIX PLUS 80% VK MT	09.07.2018
XS1816573247	5Y EUR PH+ WO 75% SX7E SXPP SXDP 0,39% P.M.	09.07.2018
XS1574472384	3Y EURQ PHOENIX PLUS WORST OF 50% HUI SX5E 1.10% P.Q.	11.07.2018
XS1417403265	3Y USD FLOORED CAPPED FLOATER 100%KG	12.07.2018
XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q.	13.07.2018
XS1669740976	3Y USDQ PH+ SD WO 70% 2914 JT	17.07.2018

Market News

This week and next

EUROZONE

After some improvement in May, business climate returned to its April level (1.39) in June.

Economic sentiment remained high but decreased for the 6th consecutive time in June, reaching 112.3.

The flash estimate for consumer price (ex. food & energy) eased down from 1.3% to 1.2% YoY.

M3 money supply edged up from 3.9% to 4% YoY in May.



This week's key events

		Period	Prev.	Cons.
2 Jul	Unemployment rate	May	8.5%	8.5%
3 Jul	Retail sales, YoY	May	1.7%	1.6%

UNITED KINGDOM

Q1 GDP was revised up from 0.1% to 0.2% QoQ, raising hopes for a pick-up after a sluggish start to 2018.

The GfK consumer confidence index remained unstable. It fell to -9 in June.

Thanks to strong exports, the current account balance narrowed for the 3rd quarter in a row, falling to £-17.7bn in Q1 or 3.4% of GDP, a record among its G7 peers.

Brexit uncertainty pushed Nationwide house prices down to 2% YoY in June, a 5-year low. Mortgage approvals hit a 4-month high in May but remain down 4% year-on-year.



This week's key events

		Period	Prev.	Cons.
2 Jul	Manufacturing confidence	Jun	54.4	54
4 Jul	Services confidence	Jun	54	54.2

UNITED STATES

Q1 GDP was revised down from 2.2% to 2% while core Personal Consumption Expenditure was confirmed at +2.3%.

Manufacturing confidence eased down to 54.6 in June while services confidence proved more resilient, falling only to 56.5.

Consumer confidence weakened more than expected from 128.8 to 126.4 in June but remained around its cycle highs.

Durable goods orders fell for the second month in a row, reaching -0.6% MoM in May.

Pending home sales fell -0.5% MoM or -2.8% YoY in May as higher mortgage rates weighed on sales.



This week's key events

		Period	Prev.	Cons.
3 Jul	Factory orders, MoM	May	-0.8%	--
26 Jul	Trade balance (\$bn)	May	-46.2	-47

ASIA & EMERGING COUNTRIES

In Japan, retail sales disappointed at +0.6% YoY and are now at a 6-month low. Industrial production declined from 0.5% to -0.2% MoM in May. The unemployment rate fell to 2.2%, a 25-year low.

In China, the PBoC decided for the third time this year to cut its reserve requirement ratio (RRR) to 15.5%, effective 5 July. This 700m yuan liquidity boost will strengthen credit supply to smaller firms and sustain economic growth in a context of trade war with the US.

Rising commodity prices also supported industrial profits growth.



This week's key events

		Period	Prev.	Cons.
2 Jul	Japan: Tankan manuf. Survey	Q2	24	22
30 Jun	China: NBS manufacturing conf.	Jun	51.9	51.6

Market Performance

MARKETS AT A GLANCE

Interest rates						Government bonds*						
	Last	1wk	3mth	YTD	12mth		1wk	3mth	YTD	12mth		
EONIA (EUR)	-36 bp	1 bp	–	-1 bp	-1 bp	0 bp	United States (3-7yr)	0.3%	↑	0.0%	-1.0%	-1.1%
3mth Euribor (EUR)	-32 bp	0 bp	–	1 bp	1 bp	1 bp	United Kingdom (3-7yr)	0.2%	↑	0.6%	-0.3%	-0.2%
3mth Libor (USD)	234 bp	0 bp	–	2 bp	64 bp	104 bp	Germany (3-7yr)	0.0%	–	0.8%	0.8%	0.9%
3mth Libor (GBP)	67 bp	1 bp	↑	-4 bp	15 bp	37 bp	Japan (3-7yr)	0.0%	–	0.0%	0.0%	0.2%
10-year US Treasury bond	286 bp	-3 bp	↓	12 bp	45 bp	59 bp						
10-year German bond	31 bp	-3 bp	↓	-19 bp	-12 bp	-15 bp						
10-year French bond	62 bp	-3 bp	↓	2 bp	-5 bp	-19 bp						
10-year UK bond	133 bp	-4 bp	↓	-6 bp	11 bp	15 bp						

Equities**						
	Last	1wk	3mth	YTD	12mth	
MSCI AC World	505	-1.2%	↓	0.8%	-0.1%	11.1%
Eurostoxx 50	3 396	-1.3%	↓	3.6%	-0.3%	1.3%
DAX	12 306	-2.2%	↓	1.7%	-4.7%	-0.9%
CAC 40	5 324	-1.2%	↓	5.6%	3.0%	6.7%
S&P 500	2 718	-1.3%	↓	3.4%	2.7%	14.6%
FTSE 100	7 637	-0.5%	↓	9.6%	1.7%	8.2%
SMI	8 609	-0.1%	–	0.4%	-5.2%	-0.4%
Topix	1 731	-0.7%	↓	1.8%	-3.7%	8.9%
IBOV Brazil	72 763	3.0%	↑	-14.8%	-4.8%	16.9%
MICEX Russia ***	2 296	2.1%	↑	0.9%	8.8%	22.1%
MSCI EM	1 070	-1.4%	↓	-7.7%	-6.4%	8.3%
SENSEX 30 India	35 423	-0.7%	↓	7.9%	5.4%	16.2%
Hang Seng (H-K)	28 955	-1.2%	↓	-2.5%	-1.6%	15.4%
Shanghai Composite	2 847	-1.5%	↓	-9.9%	-13.9%	-10.7%

Credit						
		1wk	3mth	YTD	12mth	
BAML EURO Corp. IG		-0.3%	↓	-0.2%	-0.6%	1.2%
BAML EURO Corp HY		-0.85%	↓	-1.2%	-1.7%	0.8%
BAML GBP Corp IG		-0.34%	↓	-0.4%	-1.8%	0.5%
BAML US IG		0.31%	↑	-0.9%	-3.1%	-0.7%
BAML US HY		-0.54%	↓	1.0%	0.1%	2.5%
JPM Global EM Sov. Plus		-0.39%	↓	-4.7%	-6.1%	-2.0%

Exchange rates						
	Last	1wk	3mth	YTD	12mth	
EUR/USD	1.17	0.2%	↑	-5.0%	-2.7%	2.1%
EUR/CHF	1.16	0.5%	↑	-1.6%	-1.1%	5.9%
GBP/USD	1.32	-0.5%	↓	-5.8%	-2.2%	1.6%
USD/JPY	110.68	0.6%	↑	4.0%	-1.8%	-1.3%
USD/BRL	3.88	2.4%	↑	17.3%	17.0%	17.3%
USD/CNY	6.62	1.8%	↑	5.3%	1.8%	-2.4%
USD/RUB	62.83	-0.2%	↓	9.7%	9.0%	5.7%

Commodities						
	Last	1wk	3mth	YTD	12mth	
Brent	\$79	6.4%	↑	13.3%	19.3%	66.4%
Gold	\$1 251	-1.5%	↓	-5.5%	-4.0%	0.6%
Silver	\$16	-1.6%	↓	-1.1%	-5.1%	-2.9%

Performance should not be seen as a guarantee of future returns. Source: Datastream, 28 June 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	1.32
EUR/CHF	1.16
USD/JPY	111
Brent	\$79.4
Gold	\$1,251

Source: Datastream. On 02 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 29.06.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	92,97%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,10%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	100,74%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,44%
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	97,71%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	102,66%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	98,88%
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	71,49%
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	99,96%
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	86,89%
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	84,28%
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	95,70%
14	XS1778577186	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,75% p.m	07/10/2019	100,26%
15	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	93,11%
16	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	89,26%
17	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	86,78%
18	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	90,51%
19	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	94,18%
20	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	91,53%
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	94,54%

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 29.06.2018.)

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	102,21%
2	XS1456533634	5Y USD PHOENIX PLUS SECURITY 50% HUI 1.68% P.Q. 19102021	HUI	USD	1,68% p.q.	19/10/2021	102,45%
3	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	90,63%
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	98,44%
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	XS1562505542	3Y USD PHOENIX PLUS 70% WO RDS FP 2,26% P.Q.	WO BAYER PFIZER	USD	2,26% p.q.	20/03/2020	102,26%
7	XS1533380355	5Y EUR PHOENIX PLUS 50% CO FP 1,81% P.Q. NC2Q 12052022	Casino Guichard	EUR	1,81% p.q.	12/05/2022	71,73%
8	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	96,59%
9	XS1555608782	5Y USDQ PHOENIX PLUS STEP DOWN 50% CO FP 2,20% P.Q.	Casino Guichard	USD	2,20% p.q.	16/05/2022	69,13%
10	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	99,65%
11	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	87,92%
12	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	90,83%
13	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	92,56%
14	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	88,90%
15	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	66,33%
16	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	77,66%
17	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	96,75%
18	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	99,03%
19	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	79,95%
20	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	97,79%
21	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	96,19%
22	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	86,95%
23	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	96,08%
24	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	88,63%
25							
26							
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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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