

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

Eurozone economic sentiment continued to slide from 112.1 in July to 111.6 in August (vs an expected 111.9). Over the same period, consumer confidence fell from -0.6 to -1.9.

UNITED KINGDOM

Mortgage approvals fell from 65,374 to 64,768 in July vs an expected 65,000.

UNITED STATES

US consumer confidence hit a high since October 2000 at 133.4 in August.

ASIA & EMERGING COUNTRIES

Japanese retail sales rose 1.5% YoY in July, beating expectations of 1.2%. However, the pace of gains slowed sharply on a MoM basis, from 1.4% to 0.1%.

THEME OF THE WEEK

Turkey – could the domestic crisis become contagious?

SUMMARY

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Observation date in next two weeks

ISIN	TICKER	DATE
	3Y USDQ PH+ STEP DOWN WO 70% 9201 JT CHL UN BP LN 2.60% P.Q.	
XS1596972668	16062020	4.9.2018
XS1667711961	2 Y EUR PHOENIX PLUS RNO 2,0% p.q. 5 Y EUR PHOENIX PLUS 60% ACA	5.9.2018
XS1667712852	1,75% p.q.	10.9.2018
XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	10.9.2018
XS1816572199	18M USD PHOENIX PLUS 80% VK MT 5Y EUR PH+ WO 75% SX7E SXPP SXDP	10.9.2018
XS1816573247	0,39% P.M.	10.9.2018
XS1314889129	5Y USD FLOORED CAPPED FLOAT 100%KG	13.9.2018
XS1620557394	5Y EUR PH+ WO 75% SX5E CAC SMI 1,02% P.Q.	17.9.2018

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Turkey – could the domestic crisis become contagious?

The reduction in global liquidity is hurting the weakest links in the emerging world and Turkey is the first fuse to blow.

Turkey's economic fundamentals are too dreadful to avert a full-blown financial crisis.

Direct contagion has been limited so far. However, emerging markets (EM) are set to continue to feel the pinch of dollar strength, higher funding costs and trade uncertainties.

Turkey is heading for full-speed collision

To further strengthen his grip on the country and ensure widespread political support, President Erdogan has taken serious risks with the Turkish economy. First, he has let credit growth surge to 35%, threatening financial stability. Second, spiralling inflation (15.9% in July 2018) saw the lira plunge 25% versus the US dollar in August alone, with a year-to-date trough at -45%. Such currency weakness will only generate more price pressure, which could cause a series of defaults in the banking and corporate sectors unless the government finally takes action. Third, high dependence on external funding to finance the current account deficit (6.3% in Q1 2018) leaves the economy exposed to sudden capital outflows and a potential loss of access to global markets. Against such a weak background, it is no surprise that it didn't take much – US tariffs on Turkish imports – to trigger a deep crisis in Turkey. However, domestic factors are not the only problem – emerging countries have also faced headwinds from abroad (a stronger dollar, rising US rates and trade war escalation). Trade tensions are hitting exporters directly and indirectly while a strong dollar is tightening financing conditions. Year-to-date, the MSCI EM index is down over 9% in dollar terms, while the Emerging Market Bond Index spread on hard-currency debt over US Treasuries is up 60 basis points to 390bp.

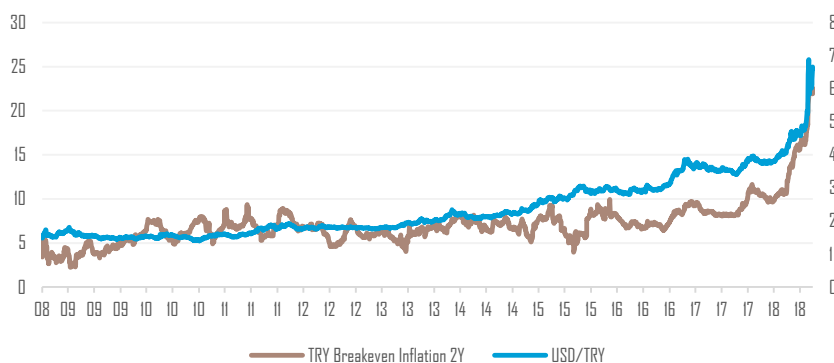
However, contagion has proved limited so far

Healthier policies – flexible exchange rates, prudent fiscal policies – and stronger fundamentals – tighter deficits, softer inflation, large currency reserves – have helped the other emerging markets resist the Turkish crisis. However, they are not immune to potential side effects. Although the Turkish debacle has pushed valuations of emerging assets lower, it seems too early to buy the dips as the roller-coaster will continue in coming months. Trade war ceasefires, more stable growth in China and a more dovish Fed are the signs to look for before increasing exposure to emerging assets.

Source: Societe Generale Private Banking, Strategy, 03/09/2018

Turkish lira reaches historical lows while inflation flares up

2y Turkish breakeven inflation rate and USD/TRY exchange rate



Source: SGPB, Macrobond, 31/08/2018

Market News

This week and next

EUROZONE

Eurozone economic sentiment continued to slide from 112.1 in July to 111.6 in August (vs an expected 111.9). Over the same period, consumer confidence fell from -0.6 to -1.9.

The eurozone unemployment rate stayed at 8.2% in July, its lowest level since end 2008.

Eurozone inflation surprised on the downside in August, falling from 2.1% to 2% and from 1.1% to 1% excluding volatile items.

Eurozone M3 money supply was down from 4.5% to 4% YoY in July.

French real GDP grew 0.2% QoQ in Q2. Household spending fell 0.1% QoQ, while capital expenditures accelerated from 0.2% in Q1 to 0.8% and net exports contributed negatively.



This week's key events

	Period	Prev.	Cons.
3 Sep	Manufacturing PMI (final)	Aug	55.1 54.6
7 Sep	GDP revised YoY	Q2	2.5% 2.2%

UNITED KINGDOM

Mortgage approvals fell from 65,374 to 64,768 in July vs an expected 65,000.

Consumer credit increased by 817 million pounds in July, half the pace of the previous month.

Consumer confidence rose from -10 to -7 in August, confirming the uptrend initiated earlier this year.



This week's key events

	Period	Prev.	Cons.
3 Sep	Manufacturing PMI	Aug	54.0 54.0
5 Sep	Composite PMI	Aug	53.6 54.1

UNITED STATES

US consumer confidence hit a high since October 2000 at 133.4 in August.

US real GDP growth was an annualized 4.2% in Q2, up from 4.1% on first estimate. The slight upward revision is partly due to greater spending on software and a reduction in petroleum imports.

Pending home sales surprised on the downside at 0.7% MoM in July after +1% the previous month. On an annual basis, pending home sales were down for the seventh month in row, suggesting a slowdown on the housing market.

US consumer spending rose 0.4% in July for the second time in a row.



This week's key events

	Period	Prev.	Cons.
4 Sep	Manufacturing ISM	Aug	58.1 57.6
5 Sep	Trade balance \$	Jul	-46.3b -47.5b
7 Sep	Change in non-farm payrolls	Aug	157k 191k

ASIA & EMERGING COUNTRIES

Japanese retail sales rose 1.5% YoY in July, beating expectations of 1.2%. However, the pace of gains slowed sharply on a MoM basis, from 1.4% to 0.1%.

Japan's unemployment rate rose from 2.4% to 2.5% in July but remains close to the lowest level since the 1990s recently recorded. This highlights labour shortage in Japan.

Japanese inflation rose 1.2% YoY in August after 0.9% a month earlier.

In China, manufacturing PMI confidence edged up from 51.2 to 51.3 in August.

Brazil posted a current account deficit of \$4.4bn in July vs a surplus of \$0.435bn in June.



This week's key events

	Period	Prev.	Cons.
3 Sep	China: manufacturing PMI	Aug	50.8 50.6
7 Sep	Japan: composite PMI	Aug	51.8 --
3 Sep	Turkey: inflation MoM	Aug	0.55% 2.23%

Market Performance

MARKETS AT A GLANCE

Interest rates

	Last	1wk	3mth	YTD	12mth
EONIA (EUR)	-36 bp	0 bp ²	0 bp	-1 bp	0 bp
3mth Euribor (EUR)	-32 bp	0 bp ²	0 bp	1 bp	1 bp
3mth Libor (USD)	232 bp	1 bp ²	2 bp	63 bp	101 bp
3mth Libor (GBP)	80 bp	0 bp ²	20 bp	28 bp	52 bp
10-year US Treasury bond	287 bp	4 bp ☑	2 bp	46 bp	73 bp
10-year German bond	35 bp	1 bp ²	0 bp	-8 bp	6 bp
10-year French bond	63 bp	1 bp ²	-7 bp	-4 bp	-5 bp
10-year UK bond	136 bp	4 bp ☑	7 bp	13 bp	27 bp

Credit

	1wk	3mth	YTD	12mth
BAML EURO Corp. IG	-0,1% È	0,3%	-0,3%	0,2%
BAML EURO Corp HY	-0,1% È	1,1%	-0,2%	1,1%
BAML GBP Corp IG	-0,3% È	0,2%	-1,1%	-1,0%
BAML US IG	-0,2% È	0,8%	-1,8%	-1,0%
BAML US HY	0,1% ☑	2,2%	2,0%	3,3%
JPM Global EM Sov. Plus	-0,6% È	-1,1%	-5,9%	-4,8%

Exchange rates

	Last	1wk	3mth	YTD	12mth
EUR/USD	1,17	1,1% ☑	0,1%	-2,8%	-1,8%
EUR/CHF	1,13	-0,6% È	-2,0%	-3,4%	-1,2%
GBP/USD	1,30	1,5% ☑	-2,1%	-3,7%	0,7%
USD/JPY	111	-0,3% È	1,9%	-1,5%	0,7%
USD/BRL	4,15	0,8% ☑	11,4%	25,3%	31,3%
USD/CNY	6,84	-0,5% È	6,6%	5,2%	3,8%
USD/RUB	68,2	0,0% ²	9,9%	18,4%	16,6%

Government bonds*

	1wk	3mth	YTD	12mth
United States (3-7yr)	-0,2% È	0,3%	-0,6%	-1,9%
United Kingdom (3-7yr)	-0,2% È	-0,3%	-0,3%	-1,2%
Germany (3-7yr)	0,0% ²	-0,1%	0,6%	-0,1%
Japan (3-7yr)	-0,1% ²	-0,2%	-0,2%	-0,4%

Equities*

	Last	1wk	3mth	YTD	12mth
MSCI AC World	524	1,5% ☑	3,4%	4,0%	12,9%
Eurostoxx 50	3 431	0,3% ☑	0,1%	1,0%	4,4%
DAX	12 494	1,0% ☑	-2,3%	-3,3%	4,1%
CAC 40	5 478	1,1% ☑	1,4%	6,0%	11,9%
S&P 500	2 901	1,6% ☑	7,0%	9,9%	20,3%
FTSE 100	7 516	-0,6% È	-1,0%	0,9%	6,3%
SMI	9 042	-0,1% ²	5,4%	-0,4%	5,7%
Topix	1 739	2,4% ☑	0,4%	-3,2%	10,5%
IBOV Brazil	76 404	1,0% ☑	-0,5%	0,0%	7,8%
MICEX Russia *	2 331	3,1% ☑	1,5%	10,5%	16,0%
MSCI EM	1 058	1,0% ☑	-3,7%	-6,7%	-0,1%
SENSEX 30 India	38 690	1,0% ☑	11,5%	15,5%	23,7%
Hang Seng (H-K)	28 164	1,5% ☑	-4,7%	-3,2%	4,0%
Shanghai Composite	2 738	0,5% ☑	-10,0%	-17,2%	-18,6%

Commodities

	Last	1wk	3mth	YTD	12mth
Brent	\$78	3,7% ☑	0,5%	16,4%	49,6%
Gold	\$1 201	1,0% ☑	-7,8%	-7,9%	-8,3%
Silver	\$14,6	-0,3% È	-11,9%	-14,4%	-16,5%

Performance should not be seen as a guarantee of future returns. Source: Datastream. 3 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 1.17

GBP/USD 1.30

EUR/CHF 1.13

USD/JPY 111

Brent \$77,5

Gold \$1201

Source: Datastream. On 3 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 31.08.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	93,37%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,13%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	102,20%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	97,02%
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	98,22%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	100,26%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,13%
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	81,88%
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	95,81%
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	70,99%
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	72,67%
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	96,88%
14	XS1778577186	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,75% p.m	07/10/2019	101,40%
15	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	89,32%
16	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	83,89%
17	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	81,37%
18	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	92,19%
19	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	92,09%
20	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	91,29%
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	90,27%
22	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	97,45%

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 31.08.2018.)

	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	102,84%
2	XS1456533634	5Y USD PHOENIX PLUS SECURITY 50% HUI 1.68% P.Q. 19102021	HUI	USD	1,68% p.q.	19/10/2021	99,24%
3	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q.06012020	Daimler	USD	2,40% p.q.	06/01/2020	90,05%
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	98,36%
5	XS1533380355	5Y EUR PHOENIX PLUS 50% CO FP 1,81% P.Q. NC2Q.12052022	Casino Guichard	EUR	1,81% p.q.	12/05/2022	55,96%
6	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	96,87%
7	XS1555608782	5Y USDQ PHOENIX PLUS STEP DOWN 50% CO FP 2,20% P.Q.	Casino Guichard	USD	2,20% p.q.	16/05/2022	53,25%
8	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	70,66%
9	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q.06062022	BNP	EUR	2,18% p.q.	06/06/2022	86,12%
10	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	97,51%
11	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	96,63%
12	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	49,64%
13	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	72,01%
14	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	98,70%
15	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	83,59%
16	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	75,82%
17	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	98,60%
18	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	96,82%
19	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	89,76%
20	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	97,78%
21	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	94,38%
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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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