

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

Consumer confidence fell to -3.9 in November, from -2.7 a month ago, confirming the flash estimate released earlier this month.

UNITED KINGDOM

GfK consumer confidence fell from -10 to -13 in November, a 11-month low ahead of the UK exit from the European Union in March next year.

UNITED STATES

The consumer confidence index fell to 135.7 in November but remained strong as the October reading of 137.9 was an 18-year high.

ASIA & EMERGING COUNTRIES

In China, the manufacturing PMI index fell 0.2 pp in November and hit the 50-threshold, the dividing line between expansion and contraction in output.

THEME OF THE WEEK

Just below

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
XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	8.11.2018
XS1816572199	18M USD PHOENIX PLUS 80% VK MT	8.11.2018
XS1816573247	0,39% P.M.	8.11.2018
	18M EUR PHOENIX PLUS 80% TUI	
XS1864698011	BKNG TRIP	19.11.2018
	3 Y EUR PHOENIX PLUS 60% WO ISP	
XS1759355412	UCG 1,95% p q	20.11.2018

Just below

When central bankers talk about the “neutral level” of interest rates, they mean the point at which the cost of borrowing is neither stimulative nor restrictive. What level that might actually be is the subject of much debate and little consensus, despite its key importance for economies. So, when the Chairman of the US Federal Reserve Board (Fed) Jerome Powell observed on Wednesday November 28 that rates were “just below” the neutral range, markets rallied sharply. Did he mean that the Fed would soon halt its regular rate hikes? What does this mean for the US economy?

As Powell observed, the Fed is very close to achieving its dual objectives for the US economy, i.e. full employment and stable inflation. Unemployment at 3.7% is at 49-year lows and core Personal Consumption Expenditure inflation at 1.8% is just below the Fed’s definition of stability.

However, as markets have corrected in recent weeks, some signs of weakening economic momentum have emerged. Business confidence measures have eased from recent highs, jobless claims are at their highest level since May while car and home sales data have been weaker than expected. Moreover, high-profile companies such as GM and GE are in the throes of deep restructuring. Finally, the boost to activity from this year’s tax cuts will begin to wane as 2019 advances.

In parallel, there has been a clear shift in the way the Fed has articulated its policy stance. After hiking at the September 26 meeting, the Fed governors decided to adjust their statement, removing the previous wording that policy “remained accommodative” – a hint that the neutral level for rates was within reach. However, the Fed’s projections continued to call for four more hikes by end-2019, prompting a flurry of Fed-critical tweets from President Trump, who professes a preference for low interest rates.

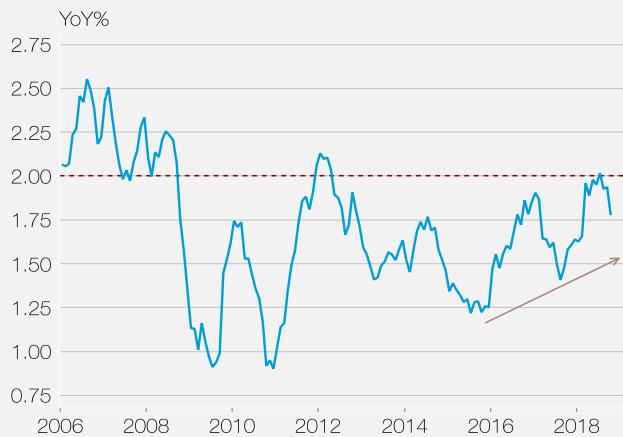
So, this week’s pronouncement from Powell seems designed to clarify the Fed’s thinking. The range in estimates for the neutral level varies between economists – for example, the President of the Atlanta Fed Raphael Bostic suggests a range between 2.5% and 3.5%, just above today’s rates. This suggests that the end of the rate-hike cycle is in sight. At the same time, Fed chair Powell clearly wants to de-emphasise the neutral level and to increase his flexibility in light of changes in data – he stressed there is “no preset policy path”.

Putting it all together. We maintain our conviction that rates will rise again at the December 18-19 meeting to 2.25-2.5%. For 2019, it now looks likely that rates may only be hiked twice, taking Fed Funds to the middle of Bostic’s neutral range. And with monetary policy set to be neither stimulative nor restrictive, we expect another year of decent US growth in 2019.

Source: Societe Generale Private Banking, Strategy, 03/12/2018

US inflation close to the Fed’s 2% objective

Core Personal Consumption Expenditures



Sources: SGPB, Macrobond, BEA, October 2018

Recent weakening in business confidence

US Composite PMI index



Sources: SGPB, Macrobond, IHS Markit, November 2018

Market News

This week and next

EUROZONE

- November economic sentiment dropped less than expected, from 109.7 in October to 109.5, as industrial sentiment improved for the first time since April from 3.0 to 3.4. The business climate index rose to 1.09 in November, up from 1.01 and beat expectations for 0.96.
- Consumer confidence fell to -3.9 in November, from -2.7 a month ago, confirming the flash estimate released earlier this month.
- The M3-money supply annual growth rate unexpectedly increased to a three-month high in October at 3.9% YoY, up from 3.5%.
- Headline inflation decelerated from 2.2% YoY to 2.0% in November, mostly due to the drop in oil prices. The core measure (excl. food and energy) also slowed from 1.2% YoY to 1.1% missing expectations.



This week's key events

	Period	Prev.	Cons.
04 Dec. Producer prices YoY	Oct.	4,5%	4,5%
07 Dec. GDP YoY (second release)	Q3	2,2%	1,7%

Period Prev. Cons.



This week's key events

	Period	Prev.	Cons.
03 Dec. Manufacturing PMI	Nov.	51,1	51,5
07 Nov. Halifax house prices MoM	Nov.	0,7%	0,5%

Period Prev. Cons.

UNITED STATES

- The consumer confidence index fell to 135.7 in November but remained strong as the October reading of 137.9 was an 18-year high.
- Gross domestic product (GDP) rose 3.5% YoY in Q3 according to the second release – unchanged from the previous estimate. US economic growth was still above its 2% estimated potential.
- Consumption expenditure, which accounts for more than two thirds of the US economic activity rebounded from 0.2% MoM to 0.6% in October, a 7-month high.
- Initial jobless claims jumped by 10K to 234k in the week ending November 24, the highest level since May.



This week's key events

	Period	Prev.	Cons.
03 Dec. ISM manufacturing PMI	Nov.	57,7	57,8
07 Dec. Unemployment rate	Nov.	3,7%	3,7%

Period Prev. Cons.

ASIA & EMERGING COUNTRIES

- Japanese manufacturing PMI declined from 52.9 – a six-month high – to 51.8 in November. Conversely, retail sales rose 3.5% YoY in October, the fastest pace this year, following a 2.2% rise in September. The unemployment rate missed expectations of no-change, edging higher from 2.3% to 2.4% in October.
- In China, the manufacturing PMI index fell 0.2 pp in November and hit the 50-threshold, the dividing line between expansion and contraction in output.
- Chinese industrial production jumped 1.0% MoM in October after a 2.7% decline in September. The YoY rebound printed at 10.7%, the fastest since February 2012.



This week's key events

	Period	Prev.	Cons.
03 Dec. Japan: Business capex YoY	Q3	12,8%	--
08 Dec. China: Trade balance (\$bn)	Nov.	34	34

Period Prev. Cons.

Sources: Datastream, Bloomberg, 03 December 2018, Note: YoY = year-on-year; QoQ = quarter-on-quarter; MoM = month-on-month, P = preliminary figure, A = advanced figure, F = final figure, seasonally adjusted, ECB = European Central Bank

Market Performance

MARKETS AT A GLANCE

Interest rates		Last	1wk	3mth	YTD	12mth	Government bonds*		1wk	3mth	YTD	12mth	
EONIA (EUR)	-36 bp	0 bp	→	0 bp	-2 bp	-6 bp	United States (3-7yr)	0,2 %	↑	0,3 %	-0,4 %	-0,4 %	
3mth Euribor (EUR)	-32 bp	0 bp	→	0 bp	1 bp	1 bp	United Kingdom (3-7yr)	0,3 %	↑	1,0 %	0,6 %	1,0 %	
3mth Libor (USD)	274 bp	5 bp	↑	43 bp	104 bp	126 bp	Germany (3-7yr)	0,2 %	↑	0,3 %	0,8 %	0,3 %	
3mth Libor (GBP)	90 bp	0 bp	→	9 bp	38 bp	38 bp	Japan (3-7yr)	0,0 %	→	0,2 %	0,0 %	0,0 %	
10-year US Treasury bond	304 bp	-3 bp	↓	1 bp	62 bp	66 bp							
10-year German bond	32 bp	-5 bp	↓	-9 bp	-10 bp	-6 bp							
10-year French bond	70 bp	-5 bp	↓	-5 bp	-9 bp	-2 bp							
10-year UK bond	137 bp	-6 bp	↓	-12 bp	18 bp	3 bp							
Credit		1wk		3mth	YTD	12mth	Equities**		Last	1wk	3mth	YTD	12mth
BAML EURO Corp. IG		0,1%	↑	-0,9 %	-1,3 %	-1,6 %	MSCI AC World	490	2,6 %	↑	-6,6 %	-2,3 %	-0,4 %
BAML EURO Corp HY		-0,3%	↓	-3,1 %	-3,2 %	-3,3 %	Eurostoxx 50	3 174	1,6 %	↑	-7,9 %	-6,3 %	-8,4 %
BAML GBP Corp IG		0,1%	→	-1,8 %	-3,0 %	-1,5 %	DAX	11 298	1,4 %	↑	-10,1 %	-12,5 %	-13,5 %
BAML US IG		-0,1%	↓	-1,8 %	-3,7 %	-2,9 %	CAC 40	5 006	1,4 %	↑	-8,8 %	-2,9 %	-4,2 %
BAML US HY		0,3%	↑	-2,0 %	-0,1 %	0,2 %	S&P 500	2 738	3,4 %	↑	-5,6 %	4,2 %	6,3 %
JPM Global EM Sov. Plus		0,2%	↑	-1,5 %	-6,8 %	-5,9 %	FTSE 100	7 039	1,2 %	↑	-6,1 %	-4,6 %	-0,7 %
Exchange rates		Last	1wk	3mth	YTD	12mth	SMI	9 016	2,7 %	↑	-0,7 %	-0,6 %	0,3 %
EUR/USD	1,14	-0,1 %	↓	-2,7 %	-5,1 %	-3,8%	Topix	1 659	1,9 %	↑	-3,8 %	-6,9 %	-5,1 %
EUR/CHF	1,13	0,0 %	→	-0,1 %	-3,1 %	-2,7%	IBOV Brazil	89 710	2,6 %	↑	14,4 %	17,4 %	23,4 %
GBP/USD	1,28	-0,6 %	↓	-1,8 %	-5,3 %	-4,6%	MICEX Russia ***	2 399	1,2 %	↑	2,1 %	13,7 %	12,9 %
USD/JPY	113	0,5 %	↑	1,6 %	0,7 %	1,4%	MSCI EM	998	2,3 %	↑	-6,3 %	-11,6 %	-10,1 %
USD/BRL	3,85	1,3 %	↑	-6,2 %	16,3 %	18,7%	SENSEX 30 India	36 170	3,4 %	↑	-6,3 %	8,3 %	9,0 %
USD/CNY	6,94	0,2 %	↑	1,8 %	6,7 %	5,0%	Hang Seng (H-K)	26 451	1,7 %	↑	-6,2 %	-8,5 %	-7,5 %
USD/RUB	66,2	0,9 %	↑	-2,6 %	14,9 %	13,0%	Shanghai Composite	2 567	-2,9 %	↓	-7,3 %	-22,4 %	-23,1 %
Commodities													
Brent		\$60		-5,1 %	↓	-22,2 %	-10,5 %	-5,9 %					
Gold		\$1 227		0,0 %	→	2,0 %	-5,8 %	-4,4 %					
Silver		\$14,4		-1,2 %	↓	-2,6 %	-15,6 %	-13,6 %					

Performance should not been seen as a guarantee of future returns. Source: Datastream, 29 November 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	1.14
GBP/USD	1.28
EUR/CHF	1.13
USD/JPY	113
Brent	\$59,6
Gold	\$1227

Source: Datastream. On 29 November 2018.. Projections of future performance rely on internal calculations and the opinions of Societe Generale Private Banking can change anytime.
Performance should not been seen as a guarantee of future returns.

** Starting from the publication day of the Letter.

Splitska banka structured products
(pricing as of 30.11.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	93,97%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	103,91%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	96,34%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,94%
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	98,24%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	101,97%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,35%
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	75,15%
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	95,27%
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	79,84%
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	68,71%
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	93,21%
14	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	82,74%
15	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	78,03%
16	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	75,27%
17	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	38,39%
18	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	36,14%
19	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	35,12%
20	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	82,66%
21	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	96,13%
22	XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP CIB	WO TUI, BKNG, TRIP	EUR	0,95% p.m.	24/10/2020	91,33%
23	XS1864726242	4Y USD CAPPED AND FLOORED FLOATER	USD LIBOR 3M	USD	2,0% p.a.	26/10/2022	97,63%
24	XS1864647612	3 Y USD PHOENIX PLUS WO FP RDS PUT LEVERAGE 70% SG CIB	Total, RDS	USD	1,60% p.q.	01/11/2021	96,01%
25	XS1864640286	3 Y USD PHOENIX PLUS WO FP RDS PUT LEVERAGE 60% SGCIB	Total, RDS	USD	1,80% p.q.	01/11/2021	95,76%
26	XS1864598906	5 Y EUR PHOENIX PLUS ON SX7E SGCIB	Eurostoxx Banks	EUR	1,31% p.q.	13/11/2023	96,07%

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 30.11.2018.)**

	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	98,31%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	76,58%
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	87,56%
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	74,11%
5	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	89,10%
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	71,62%
7	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	70,30%
8	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	72,21%
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	100,08%
10	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	73,55%
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	58,53%
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	96,62%
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	86,97%
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	70,82%
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	97,74%
16	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	82,60%
17	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	81,81%
18	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	75,24%
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.

Bovespa 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 (Quantitative 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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