

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

Q3 Gross Domestic Product (GDP) growth slowed from 0.4% QoQ to 0.2% on preliminary data, missing expectations for 0.4%.

UNITED KINGDOM

PMI Manufacturing confidence slid 2.5 points to 51.1 in October, a 27-month low given weaker output growth, declining new order inflows and employment.

UNITED STATES

Conference Board Consumer Confidence rose from 135.3 to 137.9 in October, an 18-year high and above expectations.

ASIA & EMERGING COUNTRIES

Japan's unemployment rate declined to 2.3% in September, just above the 26-year low reached in May, while retail sales rose 2.1% YoY in September, down from 2.7% in August.

THEME OF THE WEEK

Triple B – Budget, BoE and Brexit

SUMMARY

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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	5Y EUR PH+ WO 75% SX7E SXPP SXDP 0,39% P.M.	8.11.2018
XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP	19.11.2018
XS1759355412	3 Y EUR PHOENIX PLUS 60% WO ISP UCG 1,95% p q	20.11.2018

Triple B – Budget, BoE and Brexit

The UK's annual budget – setting out the government's tax and spending plans – coincided this week with the Bank of England (BoE) Monetary Policy Committee. With Brexit now less than four months away, what is the outlook for the UK economy and its financial markets?

One positive surprise in the UK this year has been the sharp increase in tax receipts, enabling a £68bn windfall in forecast borrowing requirements according to the Office for Budget Responsibility (OBR) and giving Chancellor Hammond room for manoeuvre ahead of the Budget. He duly announced an increase in public spending (notably for healthcare), higher personal income tax allowances, more generous welfare benefits and a 4.9% hike in minimum wages. This largesse provides near-term fiscal stimulus but also cancels out the forecast improvement in government borrowing needs.

There were no surprises from the BoE on Thursday as rates were held steady at 0.75%. The bank indicated that a smooth Brexit would mean faster rate hikes, a more hawkish stance than expected. However, Governor Carney highlighted the risks of a disorderly Brexit, cautioning "there is little monetary policy can do" to mitigate the impact. We therefore expect the BoE to hold off from hikes until visibility improves.

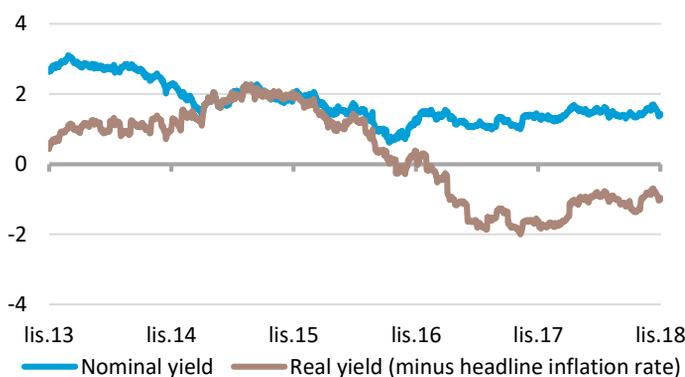
Carney's wariness did little to stop sterling moving higher across the board as optimism strengthened in the UK that a Brexit deal was within reach. Brexit Secretary Dominic Raab suggested that a deal could be finalised by November 21, while a press article intimated that an agreement on equivalence in trade in financial services was likely. However, there is little sign that this optimism is shared in Brussels – no November summit has been called so far and EU negotiators continue to bemoan the lack of progress on the Irish border question. We would not set too much store on an imminent breakthrough – much remains to be settled before the arduous process of ratification by national governments can begin.

Bottom line. Brexit uncertainties continue to cloud the skies over the UK and hamper business investment plans. Economic growth has slowed – the OBR cites studies suggesting that the UK economy is 2-2.5% smaller due to the Brexit vote – though the fiscal boost should provide some support. With the BoE on hold, we do not expect sharp rises in long-dated bond yields – however, inflation-adjusted yields are still negative. Sterling's bounce against dollar this week has taken it back to the mid-point of the recent range at around 1.30. In this context, we maintain a neutral stance on UK equities, given the lack of catalysts for sustained outperformance.

Source: Societe Generale Private Banking, Strategy, 05/11/2018

Yields remain negative in real terms

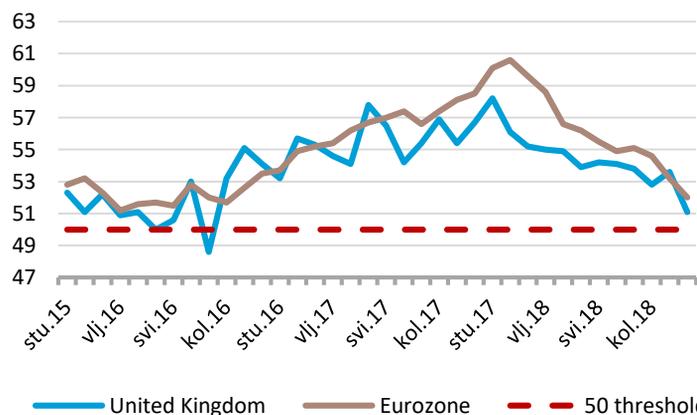
Gilt nominal and real 10-year yields (%)



Sources: SGPB, Macrobond, data as of 31/10/2018

Industry confidence weakened both in the eurozone and the UK

Manufacturing PMIs



Sources: SGPB, Macrobond, data as of 31/10/2018

Market News

This week and next

EUROZONE

Q3 Gross Domestic Product (GDP) growth slowed from 0.4% QoQ to 0.2% on preliminary data, missing expectations for 0.4%. YoY economic growth is down from 2.2% to 1.7% and unlikely to reach the ECB's 2% forecast for 2018. France grew 0.4% QoQ in Q3, twice as fast as in Q2, while Italy stagnated. German GDP will be released later this month.

Flash estimates for headline inflation rose in October from 2.1% YoY to 2.2%, driven by energy prices. Core inflation (excl. volatile items) outperformed expectations, up from 0.9% YoY to 1.1%.

Both economic sentiment and business climate indicators missed expectations in October, printing at their lows since mid-2017.

However, consumer confidence improved from -2.9 to -2.7, still well above its long-run average of -12.1. The September unemployment rate remained unchanged at 8.1%.



This week's key events

	Period	Prev.	Cons.
5 Nov Investors sentiment index	Nov	11.4	--
6 Nov Headline inflation YoY	Oct	54.1	52.7

UNITED KINGDOM

PMI Manufacturing confidence slid 2.5 points to 51.1 in October, a 27-month low given weaker output growth, declining new order inflows and employment.

Bank of England members unanimously decided to keep rates unchanged at 0.75%.

Despite recent lower retail prices and rising wages, GfK consumer confidence declined from -9 to -10 in October as the prospect of a no-deal/hard Brexit still weighs on sentiment.

Despite the Brexit backdrop, the housing market is solid with additional £3.9bn in mortgage lending in September, up from £3.1bn in August. The annual growth rate in mortgage lending was unchanged at 3.2%.



This week's key events

	Period	Prev.	Cons.
9 Oct GDP 3M/3M	Sep	0.7%	--
9 Nov Manufacturing output YoY	Sep	1.3%	--

UNITED STATES

Conference Board Consumer Confidence rose from 135.3 to 137.9 in October, an 18-year high and above expectations.

Personal Consumption Expenditure (PCE) data for September showed real growth in consumer spending at 0.3% MoM after 0.4% in August, taking YoY growth to 3.0%. Core PCE inflation – the Fed's favourite measure – rose 2.0% YoY for the fifth consecutive month.

October ISM manufacturing confidence slid again to 57.7, still high but down from August's 14-year high at 61.3.

Nonfarm unit labour costs rose 1.5% YoY in Q3, while labour productivity increased 1.3% YoY (output was up 3.7% while the number of hours worked rose 2.4%).



This week's key events

	Period	Prev.	Cons.
6 Nov Job openings (million)	Sep	7.1	--
9 Nov Uni. of Michigan consumer surveys	Nov	98.6	--

ASIA & EMERGING COUNTRIES

Japan's unemployment rate declined to 2.3% in September, just above the 26-year low reached in May, while retail sales rose 2.1% YoY in September, down from 2.7% in August. October PMI manufacturing confidence rose to 52.9, a 4-month high.

In China, manufacturing confidence surveys diverged in October. The Caixin PMI inched up from 50 in September to 50.1 while the national PMI series declined from 50.8 to 50.2.

Activity slowed sharply in South Korea with industrial production down -8.4% in September from August's +2.5%.



This week's key events

	Period	Prev.	Cons.
6 Nov Japan: Household spending YoY	Sep	2.8%	--
8 Nov China: Trade balance surplus (\$bn)	Oct	31.7	36.3

Market Performance

MARKETS AT A GLANCE

Interest rates

	Last	1w k	3mth	YTD	12mth
EONIA (EUR)	-35 bp	2 bp ▲	1 bp	-1 bp	0 bp
3mth Euribor (EUR)	-32 bp	0 bp ▬	0 bp	1 bp	1 bp
3mth Libor (USD)	258 bp	7 bp ▲	23 bp	89 bp	120 bp
3mth Libor (GBP)	83 bp	2 bp ▲	2 bp	30 bp	38 bp
10-year US Treasury bond	314 bp	1 bp ▬	rke	73 bp	77 bp
10-year German bond	40 bp	0 bp ▬	-10 bp	-3 bp	3 bp
10-year French bond	76 bp	-2 bp ▼	-3 bp	-3 bp	-1 bp
10-year UK bond	145 bp	1 bp ▬	7 bp	27 bp	11 bp

Credit

	1w k	3mth	YTD	12mth
BAML EURO Corp. IG	-0,1% ▼	-0,3 %	-0,7 %	-1,3 %
BAML EURO Corp HY	0,2% ▲	-1,1 %	-1,1 %	-1,7 %
BAML GBP Corp IG	-0,1% ▼	0,1 %	-1,6 %	-0,2 %
BAML US IG	-0,3% ▼	-0,9 %	-3,5 %	-2,8 %
BAML US HY	-0,1% ▼	-0,3 %	0,9 %	0,9 %
JPM Global EM Sov. Plus	-0,1% ▼	-2,2 %	-6,2 %	-5,3 %

Exchange rates

	Last	1w k	3mth	YTD	12mth
EUR/USD	1,14	0,3 % ▲	-2,2 %	-5,0 %	-1,8%
EUR/CHF	1,14	0,5 % ▲	-1,2 %	-2,3 %	-1,9%
GBP/USD	1,30	1,5 % ▲	-0,9 %	-3,7 %	-1,8%
USD/JPY	113	0,3 % ▲	0,9 %	0,1 %	-1,3%
USD/BRL	3,70	-0,1 % ▼	-1,3 %	11,7 %	13,3%
USD/CNY	6,92	-0,4 % ▼	1,5 %	6,4 %	4,9%
USD/RUB	65,7	0,1 % ▬	4,2 %	13,9 %	12,7%

Government bonds*

	1w k	3mth	YTD	12mth
United States (3-7yr)	0,1 % ▲	0,3 %	-1,0 %	-1,4 %
United Kingdom (3-7yr)	-0,1 % ▬	0,6 %	0,0 %	0,5 %
Germany (3-7yr)	0,0 % ▬	0,3 %	0,4 %	-0,2 %
Japan (3-7yr)	0,0 % ▬	0,2 %	-0,1 %	0,0 %

Equities**

	Last	1w k	3mth	YTD	12mth
MSCI AC World	489	1,8 % ▲	-5,2 %	-2,5 %	0,7 %
Eurostoxx 50	3 204	1,3 % ▲	-8,4 %	-5,5 %	-10,2 %
DAX	11 469	1,4 % ▲	-10,0 %	-11,2 %	-14,8 %
CAC 40	5 086	1,1 % ▲	-7,3 %	-1,4 %	-4,8 %
S&P 500	2 740	1,3 % ▲	-2,1 %	4,1 %	8,3 %
FTSE 100	7 115	1,6 % ▲	-5,9 %	-4,1 %	-1,0 %
SMI	9 017	3,6 % ▲	-1,6 %	-0,6 %	0,7 %
Topix	1 632	2,0 % ▲	-7,0 %	-8,4 %	-6,7 %
IBOV Brazil	88 419	5,2 % ▲	11,5 %	15,7 %	19,8 %
MICEX Russia ***	2 359	1,2 % ▲	1,9 %	11,8 %	13,3 %
MSCI EM	971	2,4 % ▲	-10,1 %	-14,0 %	-11,5 %
SENSEX 30 India	34 432	2,2 % ▲	-8,0 %	3,0 %	3,7 %
Hang Seng (H-K)	25 416	1,7 % ▲	-9,5 %	-12,1 %	-8,0 %
Shanghai Composite	2 606	0,1 % ▬	-7,7 %	-21,2 %	-23,3 %

Commodities

	Last	1w k	3mth	YTD	12mth
Brent	\$73	-5,3 % ▼	0,3 %	9,4 %	19,9 %
Gold	\$1 231	0,2 % ▲	1,1 %	-5,5 %	-3,6 %
Silver	\$14,7	0,5 % ▲	-4,8 %	-13,6 %	-14,0 %

Performance should not be seen as a guarantee of future returns. Source: Datastream, 01 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	1.30
EUR/CHF	1.14
USD/JPY	113
Brent	\$72.8
Gold	\$1231

Source: Datastream. On 01 Novembre 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 2.11.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	93,78%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	103,71%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	96,76%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,90%
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	98,00%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	100,89%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,03%
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	79,89%
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	95,22%
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	83,42%
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	67,83%
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	93,38%
14	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	86,79%
15	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	79,42%
16	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	76,71%
17	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	76,91%
18	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	76,18%
19	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	73,42%
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	88,27%
21	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	96,17%
22	XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP CIB	WO TUI, BKNG, TRIP	EUR	0,95% p.m.	24/10/2020	98,93%
23	XS1864726242	4Y USD CAPPED AND FLOORED FLOATER	USD LIBOR 3M	USD	2,0% p.a.	26/10/2022	97,78%

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 2.11.2018.)

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	97,80%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	83,58%
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	93,11%
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	76,33%
5	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	92,10%
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	73,15%
7	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	73,19%
8	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	77,09%
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	97,30%
10	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	73,65%
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	63,63%
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	96,22%
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	89,70%
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	71,96%
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	95,13%
16	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	65,07%
17	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	85,98%
18	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	88,97%
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	85,31%
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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