

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

Eurozone manufacturing PMI dropped from 55.1 in July to a near two-year low of 54.6 in August, but still well above the 50 mark.

UNITED KINGDOM

Manufacturing PMI confidence hit a 25-month low of 52.8 in August, down from 53.8 July. It came well below expectations (53.8) partly because of a contraction in new exports.

UNITED STATES

ISM manufacturing confidence rose to 61.3 in August, from 58.1 in July. This marks is the 24th straight month above the 50 mark and the highest reading since 2004

ASIA & EMERGING COUNTRIES

China's manufacturing PMI eased from 50.8 to 50.6 in August, partly because of a slowdown in new orders growth and a weaker employment component.

THEME OF THE WEEK

Submerged for now

SUMMARY

INVESTMENT & MARKETS OVERVIEW

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Observation date in next two weeks

ISIN	TICKER	DATE
XS1667712852	5 Y EUR PHOENIX PLUS 60% ACA 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	10.9.2018
XS1816573247	5Y EUR PH+ WO 75% SX7E SXPP SXDP 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
XS1570747094	5Y EURQ PH+ SD SC 75% NOVN SAN PFE ROG 2.12% PQ NC2Q 270622	20.9.2018
XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	20.9.2018
XS1778765930	4Y EUR PH+ WO SPX,SX5E, CAC 1,0% P.Q.	21.9.2018
XS1797182869	18M EUR PHOENIX PLUS 80% VK MT	24.9.2018

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Submerged for now

In our recent reports, we have highlighted the deep problems faced by Turkey and Argentina. The current context is challenging for emerging world economies (EM), characterized as it is by dollar strength, rising US rates and trade war tensions. The weakest links – i.e., the countries with the poorest macro fundamentals – have been hardest hit. In addition to Argentina and Turkey, cracks have appeared in Venezuela, South Africa and Brazil. What's next?

The weakest links tend to run large current account deficits – leaving them dependent on international financing – and to have built heavy debt burdens in foreign currencies, especially the dollar. While the general trend in emerging economies in recent years has been a reduction in current account deficits, there remain exceptions to the rule – according to World Bank data, among the ten largest EM only Turkey at 6.3% has a deficit larger than 2% of GDP.

In recent years, these financing needs have been met by foreign investment, in particular by portfolio flows as investors have chased higher yields, a scarce commodity in developed markets. According to Institute for International Finance (IIF) calculations, aggregate portfolio flows over the last 4 quarters into the 53 EM it follows reached 1.6% of GDP, the highest since 2013. However, “hot money” portfolio investors can be fickle, especially in times of EM turmoil.

In addition, the IIF's latest Global Debt Monitor highlights the rapid build-up in foreign-currency debt by EM non-financial corporations. Over the past ten years, the total burden has almost doubled, from \$2.2 to \$4.3 trillion, especially worrisome for those countries with the highest reliance on foreign-currency borrowing – Turkey, where it represents 37% of GDP, Chile at 35% and Hungary at 33%.

In recent weeks, this toxic combination has exerted severe pressure in currency markets. Year-to-date (YTD), the Argentine peso has tumbled 50% against the US dollar, the Turkish lira by 43% while the Brazilian real and South African rand have shed 20% and 16% respectively. Indeed, among major emerging currencies, only the Mexican peso has gained against the dollar, up 3% aided no doubt by its proximity to the booming US economy and the recent agreement on trade. And currency weakness in turn has revived inflationary pressures, forcing a number of EM central banks to tighten policy, most strikingly in Argentina where rates reached 60% last week.

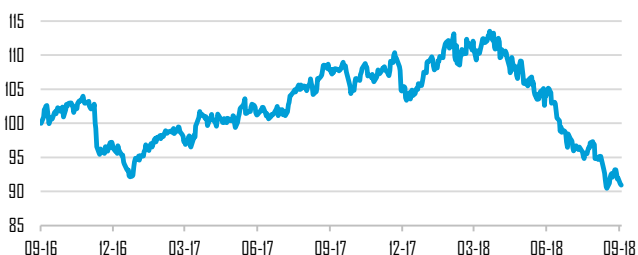
In this context, EM financial markets have underperformed the developed world this year – the JP Morgan EMBI Global Diversified index of hard-currency EM bonds has shed 4.7% YTD, while the MSCI Emerging Market equity index is down 12.1%.

Bottom line. Improved macro fundamentals in many emerging economies should help contain contagion from the woes suffered by the weak links. However, with the US set to launch its next round of trade sanctions on China and tax cut-fuelled US growth keeping the Federal Reserve on track for further rate hikes, we do not expect pressure on EM assets to be alleviated any time soon. We continue to advise caution, as highlighted in our recent September House Views, Spirits Level.

Source: Societe Generale Private Banking, Strategy, 10/09/2018

MSCI EM has recently underperformed developed peers

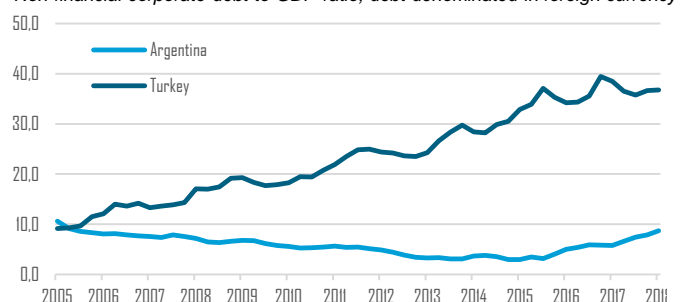
MSCI EM minus MSCI World (USD), 02/09/2016=100



Source: Datastream, , 04/09/2018

Rapid build-up in foreign-currency debt by EM non-financial corporations

Non-financial corporate debt-to-GDP ratio, debt denominated in foreign currency



Sources: SGPB, Institute for International Finance, 04/09/2018

Market News

EUROZONE

Eurozone manufacturing PMI dropped from 55.1 in July to a near two-year low of 54.6 in August, but still well above the 50 mark.

The eurozone producer price index rose 4.0% YoY in July, from 3.6% in June, mostly because of a 10.7% rise in Energy.

Eurozone GDP growth eased to 2.1% YoY in 2Q from 2.5% in 1Q. The 2Q rate was revised down from 2.2%.

In Italy, manufacturing PMI fell sharply in August, from 51.5 in July to 50.1. Expectations for output and new orders were lower due to weak domestic demand.

Surprisingly, German industrial orders fell 0.9% MoM in July after -3.9% the previous month.



This week's key events

	Period	Prev.	Cons.
10 Sep	Sentix investor confidence index	Sep 14.7	15.0
13 Sep	ECB refinancing rate	Sep 0.0%	0.0%

UNITED KINGDOM

Manufacturing PMI confidence hit a 25-month low of 52.8 in August, down from 53.8 July. It came well below expectations (53.8) partly because of a contraction in new exports.

Construction PMI eased to 52.9 in August after July's 14-month high at 55.8.



This week's key events

	Period	Prev.	Cons.
11 Sep	Unemployment rate	Jul 4.0%	4.0%
13 Sep	BoE Bank rate	Sep 0.75%	0.75%

UNITED STATES

ISM manufacturing confidence rose to 61.3 in August, from 58.1 in July. This marks is the 24th straight month above the 50 mark and the highest reading since 2004

Construction spending rose 0.1% MoM in July from -0.8% in June, thanks to stronger homebuilding and publicly-funded schools and highways.

The trade deficit reached \$50.1bn in July, its highest level since February, after \$45.7bn in June.

The unemployment rate remained at a multi-decade low 3.9%.



This week's key events

	Period	Prev.	Cons.
13 Sep	Inflation YoY	Aug 2.9%	2.8%
14 Sep	Retail sales MoM	Aug 0.5%	0.4%
14 Sep	Consumer confidence index	Sep 96.2	96.5

ASIA & EMERGING COUNTRIES

China's manufacturing PMI eased from 50.8 to 50.6 in August, partly because of a slowdown in new orders growth and a weaker employment component.

In Japan, manufacturing PMI rose to 52.5 in August from 52.3 in July. The index remained above the 50 mark for the 24th month in a row.

Turkey recorded its highest inflation rate in 15 years at 17.9% YoY in July, up from 15.9% in July.

South Africa GDP was down 0.7% QoQ in Q2 after -2.6% in Q1, marking a technical recession.



This week's key events

	Period	Prev.	Cons.
10 Sep	China: Inflation YoY	Aug 2.1%	2.2%
14 Sep	China: Retail sales YoY	Aug 8.8%	8.7%
10 Sep	Turkey: GDP YoY	Q2 7.4%	

Market Performance

MARKETS AT A GLANCE

Interest rates						Government bonds*						
	Last	1w k		3mth	YTD	12mth		1w k	3mth	YTD	12mth	
EONIA (EUR)	-35 bp	1 bp	➡	0 bp	-1 bp	0 bp	United States (3-7yr)	0,0 %	➡	0,7 %	-0,7 %	-1,8 %
3mth Euribor (EUR)	-32 bp	0 bp	➡	0 bp	1 bp	1 bp	United Kingdom (3-7yr)	0,1 %	➡	0,1 %	-0,2 %	-1,1 %
3mth Libor (USD)	232 bp	1 bp	➡	1 bp	63 bp	101 bp	Germany (3-7yr)	0,1 %	⬆️	0,2 %	0,6 %	-0,2 %
3mth Libor (GBP)	80 bp	-1 bp	➡	18 bp	28 bp	52 bp	Japan (3-7yr)	0,0 %	➡	-0,2 %	-0,2 %	-0,4 %
10-year US Treasury bond	290 bp	2 bp	⬆️	-4 bp	49 bp	75 bp						
10-year German bond	36 bp	-2 bp	⬆️	-6 bp	-7 bp	-1 bp						
10-year French bond	69 bp	-3 bp	⬆️	-4 bp	-9 bp	1 bp						
10-year UK bond	143 bp	-2 bp	⬆️	13 bp	24 bp	37 bp						

Credit						Equities*							
		1w k		3mth	YTD	12mth		Last	1w k	3mth	YTD	12mth	
BAML EURO Corp. IG		-0,1%	⬆️	0,2 %	-0,4 %	0,0 %	MSCI AC World	519	-1,1 %	⬆️	1,2 %	3,1 %	11,1 %
BAML EURO Corp HY		-0,4%	⬆️	0,2 %	-0,4 %	0,8 %	Eurostoxx 50	3 359	-2,6 %	⬆️	-2,8 %	-1,1 %	1,4 %
BAML GBP Corp IG		0,0%	➡	0,4 %	-1,0 %	-0,7 %	DAX	12 210	-2,5 %	⬆️	-4,4 %	-5,5 %	0,9 %
BAML US IG		-0,3%	⬆️	1,0 %	-2,2 %	-1,2 %	CAC 40	5 343	-2,6 %	⬆️	-2,0 %	3,4 %	8,1 %
BAML US HY		0,0%	➡	2,0 %	2,0 %	3,2 %	S&P 500	2 897	0,0 %	➡	6,0 %	9,8 %	19,2 %
JPM Global EM Sov. Plus		-1,9%	⬆️	-2,1 %	-6,9 %	-5,9 %	FTSE 100	7 458	-2,1 %	⬆️	-2,5 %	0,2 %	4,8 %

Exchange rates						Commodities							
	Last	1w k		3mth	YTD	12mth		Last	1w k	3mth	YTD	12mth	
EUR/USD	1,16	-1,0 %	⬆️	-1,0 %	-3,6 %	-2,6%	Brent	\$78	2,4 %	⬆️	4,0 %	17,7 %	49,2 %
EUR/CHF	1,13	-1,2 %	⬆️	-2,3 %	-3,6 %	-1,0%	Gold	\$1 193	-1,4 %	⬆️	-7,8 %	-8,5 %	-10,7 %
GBP/USD	1,29	-0,2 %	⬆️	-3,4 %	-4,8 %	-0,6%	Silver	\$14,1	-5,1 %	⬆️	-14,2 %	-17,0 %	-20,3 %
USD/JPY	111	0,2 %	⬆️	1,5 %	-1,1 %	1,6%							
USD/BRL	4,16	0,6 %	⬆️	11,0 %	25,6 %	32,4%							
USD/CNY	6,84	0,6 %	⬆️	6,8 %	5,2 %	4,8%							
USD/RUB	68,1	0,4 %	⬆️	9,8 %	18,1 %	17,8%							

Performance should not be seen as a guarantee of future returns. Source: Datastream. 06 September 2018.

*Government bonds = 3-7 year returns. **Equities; total return in local currency. ***Price return for MICEX equity index.

1wk = 1-week change, 3mth = 3-month change, 12mth = 12-month change, YTD = year-to-date change, YoY = year-on-year change, BAML = Bank of America Merrill Lynch, JPM = JP Morgan, IG = Investment Grade, EM = emerging markets.

CURRENCIES & COMMODITIES

Thursday close	
EUR/USD	1.16
GBP/USD	1.29
EUR/CHF	1.13
USD/JPY	111
Brent	\$78.4
Gold	\$1193

Source: Datastream. On 06 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 07.09.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	93,41%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	103,89%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	101,55%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	97,06%
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	98,26%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	100,09%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,19%
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	81,77%
10	XS1574472384	3Y EURQ PH + WO 50% HUI SX5E 1.10% PQ 21042020	WO Eurostoxx 50, HUI	EUR	1,10% p.q.	21/04/2020	92,57%
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	72,14%
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	77,05%
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	96,02%
14	XS1778577186	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,75% p.m	07/10/2019	98,88%
15	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	88,09%
16	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	83,75%
17	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	81,29%
18	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	88,75%
19	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	87,67%
20	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	87,49%
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	88,54%
22	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	97,11%

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 07.09.2018.)

ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE	
1	XS1456533634	5Y USD PHOENIX PLUS SECURITY 50% HUI 1.68% P.Q. 19102021	HUI	USD	1,68% p.q.	19/10/2021	97,45%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	87,81%
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	97,01%
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	55,18%
5	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	92,73%
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	53,22%
7	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	66,08%
8	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	83,91%
9	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	102,60%
10	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	95,78%
11	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	51,19%
12	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	69,07%
13	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	98,09%
14	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	78,49%
15	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	73,05%
16	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	96,07%
17	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	88,33%
18	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	91,65%
19	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	95,77%
20	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	91,71%
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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