

# Weekly Newsletter



## MARKET OVERVIEW

### EUROZONE

This week saw the confirmation that first quarter GDP growth had slowed to 0.4% QoQ. This is due to the first decline in exports in five years (-0.4% QoQ).

### UNITED KINGDOM

Retail sales increased 2.8% YoY in May, from a weak -4.2% in April.

### UNITED STATES

ISM manufacturing confidence bounced from 57.3 to 58.7 in May while the non-manufacturing survey was up from 56.8 to 58.6. Both indicate healthy growth.

### ASIA & EMERGING COUNTRIES

In China, the trade surplus narrowed from \$28.3bn to \$24.9bn in May as prices and domestic demand boosted imports.

### THEME OF THE WEEK

Italian political crisis unlikely to derail eurozone growth

## SUMMARY

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## Italian political crisis unlikely to derail eurozone growth

After a soft patch in Q1, global growth is picking up, although the pace is slower than last year. Regional divergence will be more marked, as US tax cuts have provided additional stimulus whereas the eurozone has experienced some capacity constraints. Growth however should continue to outpace its potential. Brexit uncertainties are capping both business investment and consumer spending in the UK. In emerging countries, China remains a substantial contributor to global activity.

Headline inflation pressure continues to build, given tightening labour markets and rising energy prices. These are most visible in the US, although recent price data in Germany did surprise on the upside. In the UK, sterling strength in recent quarters has alleviated imported price pressure and inflation has eased lower. Although inflation rates in emerging countries have converged with the advanced world and stand at multi-decade lows, this masks wide disparity between countries.

Although consensus expectations are for two more US rate hikes this year, a third remains a distinct possibility given the inflationary potential of pro-cyclical tax cuts. Recent political turmoil in Italy seems likely to foster continued uncertainty, which could delay the ECB's plans to wind down asset purchases.

The Bank of England has taken advantage of the slide in inflation towards its target to put plans for hikes on hold. And recent declines in Japanese inflation suggest continued patience from the Bank of Japan.

Our overall neutral stance on risk reflects opposing forces. Moderating but still robust growth is a strong support for corporate credit quality and earnings. On the other hand, talk of trade wars, Italy's eurosceptic coalition, tightening dollar financial conditions and the turmoil buffeting Argentina and Turkey all suggest caution.

# Market News

## This week and next

### EUROZONE

This week saw the confirmation that first quarter GDP growth had slowed to 0.4% QoQ. This is due to the first decline in exports in five years (-0.4% QoQ).

Retail sales growth rose from 1.5% to 1.7% YoY in April as expected.

The composite index for business confidence declined from 55.1 to 54.1 in May, an 18-month low.

Investor sentiment, as measured by the Sentix index, fell to its lowest level since end-2016 in June.



#### This week's key events

	Period	Prev.	Cons.
13 Jun Industrial production, YoY	Apr	3%	--
15 Jun Inflation (ex volatile items) YoY final	May	0.7%	1.1%

### UNITED KINGDOM

Retail sales increased 2.8% YoY in May, from a weak -4.2% in April.

After a 3.1% decline in April, Halifax house prices rose 1.5% MoM in May, beating expectations.

Services business confidence outperformed expectations in May, bouncing to 54 after a dip to 51.7 in March.



#### This week's key events

	Period	Prev.	Cons.
12 Jun Unemployment rate	Apr	4.2%	4.2%
14 Jun Retail sales, YoY	May	1.4%	2.4%

### UNITED STATES

ISM manufacturing confidence bounced from 57.3 to 58.7 in May while the non-manufacturing survey was up from 56.8 to 58.6. Both indicate healthy growth.

Factory orders fell -0.8% MoM in April, below expectations.

The April trade deficit narrowed slightly from \$47.2bn to \$46.2bn.

Non-farm payrolls surprised on the upside, with 223k job creations in May. Unemployment hit an 18-year low at 3.8% in May while average earnings edged up to 2.7% YoY.



#### This week's key events

	Period	Prev.	Cons.
13 Jun Fed Funds target rate	N/A	1.625%	1.875%
14 Jun Retail sales, MoM	May	0.2%	0.4%

### ASIA & EMERGING COUNTRIES

In China, the trade surplus narrowed from \$28.3bn to \$24.9bn in May as prices and domestic demand boosted imports.

In Japan, the Nikkei and Markit business confidence surveys both showed weakness in May – the manufacturing index fell from 53.8 to 52.8 and services declined from 52.5 to 51.



#### This week's key events

	Period	Prev.	Cons.
11 Jun Japan: Machinery orders, YoY	Apr	-2.4%	3.9%
14 Jun China: Industrial output, YoY	May	7%	6.9%

# Market Performance

## MARKETS AT A GLANCE

Interest rates						Government bonds*							
	Last	1wk	3mth	YTD	12mth		1wk	3mth	YTD	12mth			
EONIA (EUR)	-36 bp	0 bp	→	0 bp	-1 bp	0 bp	United States (3-7yr)	-0.1%	↓	0.1%	-1.3%	-1.9%	
3mth Euribor (EUR)	-32 bp	0 bp	→	1 bp	1 bp	1 bp	United Kingdom (3-7yr)	-0.5%	↓	0.4%	-0.7%	-1.4%	
3mth Libor (USD)	233 bp	1 bp	→	25 bp	63 bp	110 bp	Germany (3-7yr)	-0.2%	↓	0.9%	0.3%	-0.6%	
3mth Libor (GBP)	63 bp	1 bp	→	3 bp	11 bp	34 bp	Japan (3-7yr)	0.0%	→	-0.1%	0.0%	0.1%	
10-year US Treasury bond	295 bp	5 bp	↑	8 bp	54 bp	76 bp							
10-year German bond	45 bp	7 bp	↑	-19 bp	3 bp	19 bp	Equities**						
10-year French bond	81 bp	11 bp	↑	5 bp	15 bp	15 bp		Last	1wk	3mth	YTD	12mth	
10-year UK bond	145 bp	12 bp	↑	-5 bp	22 bp	47 bp	MSCI AC World	519	1.3%	↑	0.8%	2.5%	13.9%
							Eurostoxx 50	3 447	-0.2%	↓	3.5%	1.1%	0.2%
							DAX	12 767	0.3%	↑	3.3%	-1.2%	0.4%
							CAC 40	5 450	-0.1%	↓	6.3%	5.2%	6.9%
							S&P 500	2 779	1.7%	↑	2.0%	4.9%	16.4%
							FTSE 100	7 681	-0.1%	↓	8.0%	2.1%	7.3%
							SMI	8 512	-1.2%	↓	-1.8%	-6.2%	-0.1%
							Topix	1 781	1.9%	↑	5.2%	-1.0%	14.4%
							IBOV Brazil	72 942	-5.6%	↓	-14.2%	-4.5%	16.2%
							MICEX Russia ***	2 268	-1.2%	↓	-1.0%	7.5%	21.0%
							MSCI EM	1 135	0.5%	↑	-4.4%	-1.1%	14.4%
							SENSEX 30 India	35 444	0.6%	↑	6.7%	5.3%	15.0%
							Hang Seng (H-K)	30 958	1.8%	↑	2.2%	4.9%	23.6%
							Shanghai Composite	3 067	-0.3%	↓	-6.7%	-7.3%	-2.6%
Credit						Commodities							
		1wk	3mth	YTD	12mth		Last	1wk	3mth	YTD	12mth		
BAML EURO Corp. IG		-0.23%	↓	-0.6%	-0.9%	0.2%	Brent	\$77	0.2%	↑	19.7%	15.1%	59.7%
BAML EURO Corp HY		-0.18%	↓	-0.9%	-1.1%	1.6%	Gold	\$1 298	-0.3%	↓	-1.8%	-0.4%	1.7%
BAML GBP Corp IG		-0.65%	↓	-0.4%	-2.2%	-1.1%	Silver	\$17	1.8%	↑	1.7%	-1.4%	-3.9%
BAML US IG		-0.26%	↓	-0.7%	-3.2%	-0.7%							
BAML US HY		0.41%	↑	0.8%	0.2%	2.7%							
JPM Global EM Sov. Plus		0.03%	→	-3.3%	-5.2%	-1.5%							
Exchange rates													
	Last	1wk	3mth	YTD	12mth								
EUR/USD	1.18	0.9%	↑	-4.4%	-2.0%	4.9%							
EUR/CHF	1.16	0.6%	↑	-1.0%	-0.9%	6.9%							
GBP/USD	1.34	0.5%	↑	-2.9%	-0.7%	3.5%							
USD/JPY	109.55	0.0%	→	3.1%	-2.8%	-0.4%							
USD/BRL	3.71	-1.4%	↓	13.5%	12.0%	13.7%							
USD/CNY	6.41	-0.2%	↓	1.0%	-1.5%	-5.8%							
USD/RUB	62.33	0.2%	↑	9.2%	8.1%	9.5%							

Performance should not be seen as a guarantee of future returns. Source: Datastream, 08 June 2018.

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

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

## CURRENCIES & COMMODITIES

Thursday close	
EUR/USD	1.18
GBP/USD	1.34
EUR/CHF	1.16
USD/JPY	110
Brent	\$76.7
Gold	\$1,298

Source: Datastream. On 07 June 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 08.06.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	92,82%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,08%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	100,72%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,55%
5	XS1334783617	AUD CAPPED & FLOORED FLOATER NOTE	AUD-BBR-BBSW	AUD	2,10% p.a.	29/04/2019	99,03%
6	XS1367217558	USD FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,50% p.a.	01/07/2021	97,43%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	102,21%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	98,83%
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	77,50%
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	100,18%
11	XS1706791214	3Y EUR PHOENIX PLUS 60% WO EDF BNP CO 1,91%	WO EDF BNP CO	EUR	1,91% p.q.	04/12/2020	86,48%
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	82,10%
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	97,62%
14	XS1778577186	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,75% p.m.	07/10/2019	103,17%
15	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO 55% SX7E SXPP SXDP	EUR	0,33% p.m.	05/04/2023	94,02%
16	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	89,54%
17	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	87,17%
18	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m.	31/10/2019	97,88%

### ONCOMING OBSERVATIONS IN NEXT 15 DAYS

ISIN	TICKER	DATE
XS1314889129	5Y USD FLOORED CAPPED FLOAT 100%KG	14.06.2018
XS1620557394	5Y EUR PH+ WO 75% SX5E CAC SMI 1,02% P.Q.	15.06.2018
XS1570747094	5Y EURQ PH+ SD SC 75% NOVN SAN PFE ROG 2.12% PQ NC2Q	20.06.2018
XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	20.06.2018
XS1778765930	4Y EUR PH+ WO SPX,SX5E, CAC 1,0% P.Q.	21.06.2018
XS1797182869	18M EUR PHOENIX PLUS 80% VK MT	25.06.2018
XS1457486402	5Y USDQ PH+ WO 60% RDSA NA FP FP 2.25% P.Q. NC2Q 12012022	29.06.2018
XS1367217558	5Y USD FLOORED FLOATER NOTE	29.06.2018
XS1472027330	2Y USDQ PH+ WO 70% BMW GY DAI GY VOW3 GY 3.24% P.Q.	29.06.2018
XS1778577186	18M EUR PHOENIX PLUS 80% VK MT	29.06.2018
XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP 0,33% P.M.	29.06.2018

**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 08.06.2018.)

ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE	
1	XS1245190555	3Y EUR PHOENIX PLUS 75% SX5E 2,84% P.S. 03092018	EURO STOXX 50	EUR	2.84% p.s.	03/09/2018	102,14%
2	XS1456533634	5Y USD PHOENIX PLUS SECURITY 50% HUI 1.68% P.Q. 19102021	HUI	USD	1,68% p.q.	19/10/2021	101,66%
3	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	97,67%
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	103,02%
5	XS1457486402	5Y USDQ PHOENIX PLUS 60% WO RDS FP 2,25% P.Q.	WO Total Royal Dutch Shell	USD	2,25% p.q.	12/01/2022	100,65%
6	XS1562505542	3Y USD PHOENIX PLUS 70% WO RDS FP 2,26% P.Q.	WO BAYER PFIZER	USD	2,26% p.q.	20/03/2020	102,26%
7	XS1533380355	5Y EUR PHOENIX PLUS 50% CO FP 1,81% P.Q. NC2Q 12052022	Casino Guichard	EUR	1,81% p.q.	12/05/2022	70,61%
8	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	98,57%
9	XS1555608782	5Y USDQ PHOENIX PLUS STEP DOWN 50% CO FP 2,20% P.Q.	Casino Guichard	USD	2,20% p.q.	16/05/2022	67,48%
10	XS1555620720	3Y USDQ PH+ STEP DOWN SEC WO 75% SLB XOM RDSA 2.36% P.Q.	WO Schlumberger, Exxon, Royal Dutch Shell	USD	2,36% p.q.	26/05/2020	99,74%
11	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	89,65%
12	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	90,77%
13	XS1596972668	3Y USDQ PH+ STEP DOWN WO 70% 9201 JT CHL UN BP LN 2.60% P.Q. 16062020	JT, CHL, BP	USD	2,60% p.q.	16/06/2020	96,51%
14	XS1570747094	5Y EURQ PH+ SD SC 75% NOVN SAN PFE ROG 2.12% PQ NC2Q 270622	WO Novartis, Sanofi, Pfizer, Roche	EUR	2,12% p.q.	27/06/2022	86,98%
15	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	63,53%
16	XS1622812326	2Y EUR PHOENIX PLUS WO 80% CS FP BNP FP INGA NA 7.62% P.S. 21082019	WO AXA, BNP, ING	EUR	7,62% p.s.	21/08/2019	80,01%
17	XS1242978770	3Y EUR PHOENIX PLUS WORST OF 60% FR FP ML FP VOW3 GY 2% P.Q. 12062018	WO Volkswagen, Valeo, Michelin	EUR	2,0% p.q.	12/06/2018	102,00%
18	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	97,72%
19	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	97,59%
20	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	81,15%
21	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	97,05%
22	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	99,04%
23	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	90,11%
24	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	99,66%
25	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	95,71%
26							
27							
28							
29							
30							

## 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/ 100<sup>th</sup> 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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