

# Weekly Newsletter



## MARKET OVERVIEW

### EUROZONE

In June, eurozone retail sales grew 0.3%, below expectations, while May was revised from 0% MoM to 0.3%.

### UNITED KINGDOM

On first estimates, the UK economy grew 0.4% QoQ in Q2 as expected – after 0.2% in Q1. This reversed the downward trend for year-on-year growth over the past six quarters

### UNITED STATES

The US trade deficit worsened to \$-46.3bn in June after some improvement in May.

### ASIA & EMERGING COUNTRIES

Japanese GDP growth printed at +0.5% in Q2 after -0.2% QoQ in Q1. New machinery orders excluding volatile items plunged from a strong +16.5% YoY in May to +0.3% YoY in June. A tight job market drove cash earnings up 3.6% YoY in June, the highest since 1997..

### THEME OF THE WEEK

Istan-bears

## SUMMARY

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### GLOSSARY

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### Observation date in next two weeks

ISIN	TICKER	DATE
	3Y USD PHOENIX PLUS 80% HUI 7.60%	
XS1511962331	P.S. 03032020	16.8.2018
	3YE PHOENIX + 75% SX5E 2,84%	
XS1245190555	3 Y EUR PHOENIX PLUS 60% WO ISP	20.8.2018
	UCG 1,95% p q	
XS1759355412		20.8.2018
	5Y EUR PHOENIX PLUS 70% BNP FP	
XS1622385232	2.18% P.Q. NC2Q 06062022	22.8.2018
	4Y EUR PHOENIX PL SD WO RWE	
XS1658366932	EOAN ENGE 1,375% P.Q.	23.8.2018
	18M EUR PHOENIX PLUS 80% VK MT	
XS1797182869	3Y EUR PHOENIX PLUS 60% WO EDF	24.8.2018
	BNP CO 1,91% P.Q.	
XS1706791214		27.8.2018
	18M EUR PHOENIX PLUS 80% VK MT	
XS1778577186	5Y EUR PH+ WO 55% SX7E SXPP SXDP	29.8.2018
	0,33% P.M.	
XS1778576535		29.8.2018

## Istan-bears

After months of market and media focus on US trade tariffs, this week another device in Washington's foreign policy toolbox has come to the fore – economic sanctions.

As widely anticipated, on Monday August 6 [President Trump confirmed the reimposition of sanctions on Iran](#). The US has banned trade with Iran in cars, gold and metals as well as preventing the country from using the US dollar. And further sanctions are planned in November, on Iranian oil exports and on financial institutions doing business with its central bank. In anticipation of these measures, the Iranian rial has already fallen more than 50% against the dollar year-to-date (source: Financial Times).

Then on Wednesday 8, the US announced [further sanctions on Russia](#), after those imposed in April on several Russian businessmen and large companies. This time, Washington has targeted Russian purchases of technologies with national security implications. And more is in the pipeline – a new sanctions bill before Congress could potentially ban dealing with Russian state-owned banks and purchases of new Russian sovereign bonds. Here again, the currency has tumbled, down 6.4% versus USD since end July and some 13.8% year-to-date.

But it is [US sanctions on Turkey which have triggered the sharpest moves](#), with the lira (TRY) down 17% against the dollar since the start of August, taking this year's losses to 36%. The sanctions against two Turkish ministers in protest at the imprisonment of a US cleric are negligible in scope, but highly unusual between NATO allies. However, they have come when the Turkish economy already appeared highly vulnerable.

Turkey's current account deficit reached 6.3% of GDP in Q1 2018, underlining the country's heavy dependence on foreign financing. In addition, the most recent report on non-financial corporate liabilities from the Turkish central bank (TCMB) estimated foreign-exchange liabilities in May at USD 337bn– since then, the TRY has shed 23.9% against the USD, dramatically adding to the debt burden. And currency weakness has pushed [inflation uncomfortably high](#) – consumer prices were up 15.8% year-on-year in July, more than three times the official target.

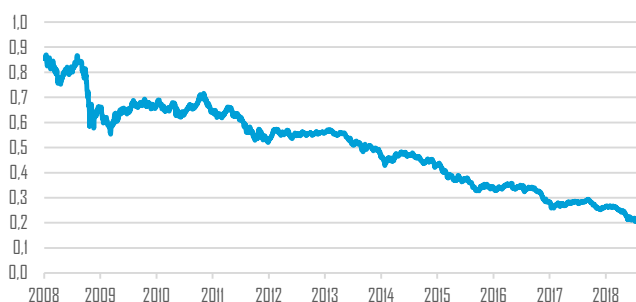
In many other emerging markets, [central banks have reacted to spiraling inflation and currency weakness by hiking interest rates](#). However, the TCMB failed to raise interest rates in July, potentially under political pressure. President Erdogan, long a critic of high rates, was returned with new executive powers in June's election, since when he has tightened his grip over the economy by appointing his son-in-law as economy and finance minister.

**Putting it all together.** In addition to the currency weakness, Turkey's financial markets have come under selling pressure – 5-year credit default swaps, which measure the cost of insuring against default, are up from 155 at the start of the year to 400 at present; 5-year sovereign bond yields have shot up from 12% at end-2017 to 21.3% at present; and the MSCI Turkey index is down 18.2% year-to-date. On Friday 10, these fears spilled over to the European banking sector, given many lenders' exposure to the country.

While many of Turkey's problems are self-inflicted, the current environment of dollar strength and rising US rates is typically challenging for emerging economies, especially those most dependent on external financing. US sanctions – and of course protectionism – only add to the pressure. In this context, [we continue to suggest caution on emerging assets](#).

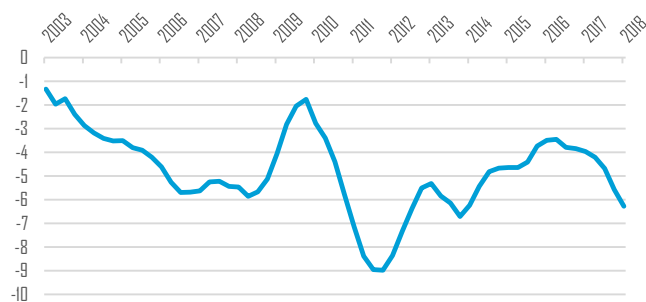
Source: Societe Generale Private Banking, Strategy, 13/08/2018

### Turkish lira loses further ground vs dollar



Sources: SGPB, Bloomberg, 10/08/2018.

### Turkey's current account deficit has worsened recently



Sources: SGPB, Bloomberg, 10/08/2018.

# Market News

## This week and next

### EUROZONE

In June, eurozone retail sales grew 0.3%, below expectations, while May was revised from 0% MoM to 0.3%.

The Sentix investor confidence index continue to improve in August (14.7), moving further away from June's 20-month low.

German industrial production (including construction) fell 0.9% MoM in June after a 2.4% increase in May, while factory orders were down 4% MoM, below forecasts.



#### This week's key events

	Period	Prev.	Cons.
14 Aug GDP, YoY	Q2 P	2.5%	2.1%
17 Aug Headline inflation	Jul F	2%	2.1%

### UNITED KINGDOM

On first estimates, the UK economy grew 0.4% QoQ in Q2 as expected – after 0.2% in Q1. This reversed the downward trend for year-on-year growth over the past six quarters.

Retail sales rose 0.5% MoM in July after +1.1% a month before.

The RICS housing market price balance survey pointed to a firmer trend, rising for the third month in a row (from 3 to 4 in July).



#### This week's key events

	Period	Prev.	Cons.
14 Aug Unemployment rate	Jun	4.2%	4.2%
15 Aug Inflation, YoY	Jul	2.4%	2.5%

### UNITED STATES

The US trade deficit worsened to \$-46.3bn in June after some improvement in May.

Job creation remained strong in July, 224k on average over last three months, sending the unemployment rate from 4% to 3.9%. Average earnings growth remained unchanged at 2.7% YoY.

SM non-manufacturing confidence fell from 59.1 to 55.7 in July, 2.9 pp below expectations.

Contrary to expectations, producer price inflation (ex. food & energy) declined from +0.3% to +0.1% MoM in July, sending Yoy figures down from 2.8% to 2.7%.



#### This week's key events

	Period	Prev.	Cons.
15 Aug Retail sales, MoM	Jul	0.5%	0.3%
17 Aug Producer prices YoY	Aug P	97.9	98.0

### ASIA & EMERGING COUNTRIES

Japanese GDP growth printed at +0.5% in Q2 after -0.2% QoQ in Q1. New machinery orders excluding volatile items plunged from a strong +16.5% YoY in May to +0.3% YoY in June. A tight job market drove cash earnings up 3.6% YoY in June, the highest since 1997.

In China, inflation surprised on the upside, climbing to 2.1% YoY in July from 1.9% in June. Producer prices rose 4.6% YoY vs 4.7% the month before. Exports grew faster-than-expected (12.2% YoY) but imports surged +27.3% YoY, narrowing the trade surplus from \$41.5bn to \$28.1bn.

Indonesia's GDP rose at its fastest pace since 2013 (5.3% YoY in Q2 vs 5.1% in Q1).



#### This week's key events

	Period	Prev.	Cons.
16 Aug Japan: Trade balance (bn ¥)	Jul	720.8	-41.2
14 Aug China: Industrial production, YoY	Jul	6%	6.3%

# Market Performance

## MARKETS AT A GLANCE

Interest rates						Government bonds*					
	Last	1w k	3mth	YTD	12mth		1w k	3mth	YTD	12mth	
EONIA (EUR)	-36 bp	0 bp →	0 bp	-1 bp	0 bp	United States (3-7yr)	0,2 % ↑	0,8 %	-1,0 %	-1,8 %	
3mth Euribor (EUR)	-32 bp	0 bp →	1 bp	1 bp	1 bp	United Kingdom (3-7yr)	0,3 % ↑	0,8 %	-0,3 %	-1,0 %	
3mth Libor (USD)	234 bp	0 bp →	-2 bp	64 bp	103 bp	Germany (3-7yr)	0,3 % ↑	0,9 %	0,6 %	0,2 %	
3mth Libor (GBP)	81 bp	0 bp →	12 bp	29 bp	52 bp	Japan (3-7yr)	0,0 % →	-0,2 %	-0,2 %	-0,1 %	
10-year US Treasury bond	294 bp	-4 bp ↓	-6 bp	53 bp	70 bp	Equities*					
10-year German bond	38 bp	-8 bp ↓	-18 bp	-5 bp	2 bp		Last	1w k	3mth	YTD	12mth
10-year French bond	61 bp	-9 bp ↓	-19 bp	-5 bp	-11 bp	MSCI AC World	522	0,9 % ↑	2,3 %	3,4 %	11,9 %
10-year UK bond	135 bp	-7 bp ↓	-15 bp	12 bp	20 bp	Eurostoxx 50	3 494	0,8 % ↑	-0,6 %	2,8 %	4,3 %
Credit						DAX	12 676	1,0 % ↑	-2,1 %	-1,9 %	4,3 %
		1w k	3mth	YTD	12mth	CAC 40	5 502	0,8 % ↑	1,1 %	6,5 %	10,4 %
BAML EURO Corp. IG		0,4% ↑	0,4 %	0,0 %	0,5 %	S&P 500	2 854	1,0 % ↑	6,3 %	8,0 %	17,6 %
BAML EURO Corp HY		0,2% ↑	0,0 %	0,1 %	1,4 %	FTSE 100	7 742	2,7 % ↑	2,4 %	3,7 %	8,0 %
BAML GBP Corp IG		0,7% ↑	0,9 %	-1,0 %	-0,5 %	SMI	9 146	-0,1 % ↓	1,9 %	0,8 %	4,8 %
BAML US IG		0,3% ↑	1,4 %	-2,2 %	-0,7 %	Topix	1 740	-0,7 % ↓	-1,7 %	-3,1 %	9,9 %
BAML US HY		0,4% ↑	1,8 %	1,6 %	3,3 %	IBOV Brazil	78 768	-1,1 % ↓	-6,5 %	3,1 %	16,4 %
JPM Global EM Sov. Plus		-0,5% ↓	0,6 %	-4,9 %	-2,3 %	MICEX Russia *	2 310	0,6 % ↑	0,3 %	9,5 %	16,9 %
Exchange rates						MSCI EM	1 079	1,1 % ↑	-4,4 %	-5,0 %	3,6 %
	Last	1w k	3mth	YTD	12mth	SENSEX 30 India	38 024	2,3 % ↑	8,4 %	13,4 %	20,9 %
EUR/USD	1,15	-0,5 % ↓	-2,7 %	-4,0 %	-2,0 %	Hang Seng (H-K)	28 607	3,2 % ↑	-4,5 %	-2,0 %	6,8 %
EUR/CHF	1,15	-0,7 % ↓	-3,9 %	-2,2 %	1,1 %	Shanghai Composite	2 794	1,0 % ↑	-11,5 %	-15,5 %	-14,7 %
GBP/USD	1,28	-1,5 % ↓	-5,3 %	-5,0 %	-1,4 %	Commodities					
USD/JPY	111	-0,5 % ↓	1,2 %	-1,4 %	0,9 %		Last	1w k	3mth	YTD	12mth
USD/BRL	3,80	1,4 % ↑	5,8 %	14,8 %	20,5 %	Brent	\$72	-1,4 % ↓	-6,5 %	8,5 %	38,2 %
USD/CNY	6,82	-0,3 % ↓	7,2 %	4,8 %	2,2 %	Gold	\$1 213	-0,1 % →	-7,7 %	-6,9 %	-4,7 %
USD/RUB	66,7	5,2 % ↑	5,8 %	15,6 %	10,9 %	Silver	\$15,5	0,3 % ↑	-6,7 %	-9,2 %	-8,4 %

Performance should not be seen as a guarantee of future returns. Source: Datastream. 09 August 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	1.15
GBP/USD	1.28
EUR/CHF	1.15
USD/JPY	111
Brent	\$72.3
Gold	\$1213

Source: Datastream. On 09 August 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 10.08.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	93,23%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	103,88%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	102,03%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,95%
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	98,06%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	100,46%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	98,99%
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	78,99%
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	99,25%
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	81,02%
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	81,18%
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	96,91%
14	XS1778577186	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,75% p.m	07/10/2019	100,89%
15	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	91,64%
16	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	87,48%
17	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	87,95%
18	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	93,67%
19	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	93,51%
20	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	93,50%
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	94,10%
22	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	97,60%

**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 10.08.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1245190555	3Y EUR PHOENIX PLUS 75% SX5E 2,84% P.S. 03092018	EURO STOXX 50	EUR	2.84% p.s.	03/09/2018	102,39%
2	XS1456533634	5Y USD PHOENIX PLUS SECURITY 50% HUI 1.68% P.Q. 19102021	HUI	USD	1,68% p.q.	19/10/2021	101,06%
3	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	91,94%
4	XS1472027330	2Y USDQ PH+ WO 70% BMW GY DAI GY VOW3 GY 3.24% P.Q. NC2Q 140119	BMW, DAIMLER, VOLKSWAGEN	USD	3,24% p.q.	14/01/2019	98,79%
5							
6	XS1533380355	5Y EUR PHOENIX PLUS 50% CO FP 1,81% P.Q. NC2Q 12052022	Casino Guichard	EUR	1,81% p.q.	12/05/2022	74,75%
7	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	99,64%
8	XS1555608782	5Y USDQ PHOENIX PLUS STEP DOWN 50% CO FP 2,20% P.Q.	Casino Guichard	USD	2,20% p.q.	16/05/2022	70,66%
9	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	101,46%
10	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	84,28%
11	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	92,64%
12	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	94,21%
13	XS1570747094	5Y EURQ PH+ SD SC 75% NOVN SAN PFE ROG 2.12% PQ NC2Q 270622	WO Novartis, Sanofi, Pfizer, Roche	EUR	2,12% p.q.	27/06/2022	96,66%
14	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	66,18%
15	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	83,45%
16	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	97,53%
17	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	91,05%
18	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	80,67%
19	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	99,04%
20	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	98,26%
21	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	93,83%
22	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	95,30%
23	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	92,67%
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## GLOSSARY

**Accommodative Monetary Policy:** when a central bank attempts to expand the overall money supply to boost the economy when growth is slowing by lowering the interest rate or by purchasing Treasury bonds.

**Basis Points:** A unit that is equal to 1/ 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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