

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

The fall in Sentix investor confidence in October was greater than expected, from 12 to 11.4. Uncertainties related to Italian fiscal policies and the German automotive industry probably took their toll.

UNITED KINGDOM

GDP grew 0.7% in the three months to August, unchanged from the three months to July, boosted by a 0.8% rise in manufacturing.

UNITED STATES

Headline inflation slowed from 2.7% YoY to 2.3% in September, but core prices rose 2.2% YoY, unchanged from August.

ASIA & EMERGING COUNTRIES

Japan machinery orders expanded +12.6% YoY in August, slightly lower than the previous reading at 13.9%.

THEME OF THE WEEK

Keep calm and carry on

SUMMARY

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Observation date in next two weeks		
ISIN	TICKER	DATE
XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q.	15.10.2018
XS1669740976	3Y USDQ PH+ SD WO 70% 2914 JT	16.10.2018
XS1778379898	6 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q.	22.10.2018
XS1583545865	5Y EUR PHOENIX PLUS STEP DOWN 60% CO FP 2% P.Q. NC2Q 08082022	24.10.2018
XS1797182869	18M EUR PHOENIX PLUS 80% VK MT	24.10.2018
XS1533380355	5Y EUR PHOENIX PLUS 50% CO FP 1,81% P.Q. NC2Q 12052022	29.10.2018
XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP 0,33% P.M.	29.10.2018

Keep calm and carry on

The equity sell-off which began in the US last week has intensified in recent days and spread to other markets. The selling was triggered when strong US data – non-manufacturing ISM index at record highs and the lowest unemployment since 1969 – bred fears that rates would rise faster than expected. The S&P 500 shed 5.3% on Wednesday 10 and Thursday 11, leaving it down 6.9% from September 20's historic high. However, the overall decline has been more moderate so far than during the February correction while there has been little sign of a flight to safety in traditional safe havens such as Gold, US Treasuries or German Bunds.

The selling pressure may be related to investors locking in profits on equities in light of numerous headwinds for risky assets – the challenges created by rising bond yields, escalating trade wars, Brexit uncertainty or Italian budget concerns. Liquidity support to richly-valued assets is being removed gradually as central banks normalise policy – liquidity is tightening steadily as the Federal Reserve hikes rates and shrinks its balance sheet, while the European Central Bank will soon halt Quantitative Easing. In addition, inflationary pressure is building gradually, especially in the US and Germany where output gaps have narrowed, fuelling fears that central banks might need to hike more than anticipated.

However, the fundamental backdrop is unchanged. Sustained global growth still justifies a moderate pro-risk stance and we do not expect that recent declines in equities will turn into a bear market. This being said, high valuations and tighter US monetary conditions are a recipe for temporary sell-offs. In addition, market jitters are likely as investors try to assess signals of easing momentum and worry about softer earnings growth.

The third-quarter (Q3) earnings season should reassure investors about US corporate sales and earnings – according to FactSet, the S&P 500 should report earnings growth above 20% for the third straight quarter. We do not expect any squeeze on US corporate margins before mid-2019, suggesting robust profitability. Banks will kick off Q3 reporting with JP Morgan, Citigroup, Wells Fargo on October 12.

Putting it all together. Our current allocation is unchanged, with a preference for US equities versus eurozone and Japanese equities. We prefer short-dated bonds, and high yielding credit. We remain defensive on long-dated bonds (US Treasuries and German Bund) as interest risks are tilted to the upside.

Source: Societe Generale Private Banking, Strategy, 15/10/2018

Trends remain on the upside despite the sell-off

S&P 500 daily rate, in net returns



Sources: SGPB, Macrobond, 11/10/2018.

Little sign of a flight to safety in traditional safe havens

10-yr US Treasury yield and Gold trends (in \$)



Sources: SGPB, Macrobond, 11/10/2018.

Market News

This week and next

EUROZONE

The fall in Sentix investor confidence in October was greater than expected, from 12 to 11.4. Uncertainties related to Italian fiscal policies and the German automotive industry probably took their toll.

Industrial production growth rebounded from 0.3% YoY to 0.9% in August but is still well below early 2018 levels.

Weak industrial output in Germany meant a third consecutive month of decline, at -0.3% MoM in August. In contrast, output in France has recovered over the past three months, up +0.3% in August.

In Italy, consumer surveys improved with the Thomson Reuters sentiment index for October up from 45 to 45.6.

UNITED KINGDOM

GDP grew 0.7% in the three months to August, unchanged from the three months to July, boosted by a 0.8% rise in manufacturing.

Industrial production was resilient, up 1.3% YoY from 1% in July. However, manufacturing output decelerated for the second consecutive month in August, down from 1.4% YoY to 1.3%.

Domestic retail sales lost momentum for the fifth consecutive month according to BRC/KPMG, down -0.2% YoY.

After three months of improvement, the trade deficit widened to -£11.2bn in August.



This week's key events

	Period	Prev.	Cons.
17 Oct	Headline inflation YoY	Sep 2.1%	2.1%
19 Oct	Current account SA, €bn	Aug 21.3	--



This week's key events

	Period	Prev.	Cons.
16 Oct	Unemployment rate	Aug 4.0%	4.0%
17 Oct	Headline inflation YoY	Sep 2.7%	2.6%

UNITED STATES

Headline inflation slowed from 2.7% YoY to 2.3% in September, but core prices rose 2.2% YoY, unchanged from August.

The producer price index rose 2.6% YoY in September, slightly below expectations and the previous reading, both at 2.8%.

The number of Americans filing for unemployment benefits surprised on the upside last week at 214k but still is close to early September's 49-year low.

The NFIB's small business optimism index dropped slightly from August's historic high of 108.8 to 107.9 in September.

ASIA & EMERGING COUNTRIES

Japan machinery orders expanded +12.6% YoY in August, slightly lower than the previous reading at 13.9%.

Japanese bank lending has gained traction in recent months and printed at 2.3% YoY in September.

Corporate goods prices (price companies charge each other for their goods and services) rose 3% YoY – encouragement for the Bank of Japan to reach its 2% inflation target.

China's trade surplus was higher than expected at \$31.7bn in September, as imports decelerated from +19.9% YoY to +14.3% and exports outperformed expectations, improving from +9.8% YoY to +14.5%.



This week's key events

	Period	Prev.	Cons.
15 Oct	Retail sales (ex. autos) MoM	Sep 0.3%	0.3%
16 Oct	Industrial production MoM	Oct 0.4%	0.3%



This week's key events

	Period	Prev.	Cons.
10 Oct	Japan: Trade balance (¥bn)	Sep -438.4	-50
19 Oct	China: Trade balance (\$bn)	Q3 6.7%	6.6%

Market Performance

MARKETS AT A GLANCE

Interest rates						Government bonds*				
	Last	1w k	3mth	YTD	12mth		1w k	3mth	YTD	12mth
EONIA (EUR)	-37 bp	0 bp →	0 bp	-2 bp	0 bp	United States (3-7yr)	0,3 % ↑	-0,4 %	-1,3 %	-1,8 %
3mth Euribor (EUR)	-32 bp	0 bp →	0 bp	1 bp	1 bp	United Kingdom (3-7yr)	0,0 % →	-0,6 %	-1,0 %	-0,5 %
3mth Libor (USD)	244 bp	3 bp ↑	10 bp	74 bp	108 bp	Germany (3-7yr)	0,1 % ↑	-0,7 %	-0,1 %	-0,4 %
3mth Libor (GBP)	81 bp	1 bp →	9 bp	29 bp	44 bp	Japan (3-7yr)	0,1 % →	-0,2 %	-0,2 %	-0,1 %
10-year US Treasury bond	313 bp	-6 bp ↓	rke	72 bp	79 bp					
10-year German bond	52 bp	-2 bp ↓	21 bp	9 bp	5 bp					
10-year French bond	88 bp	0 bp →	23 bp	9 bp	-1 bp					
10-year UK bond	168 bp	1 bp →	38 bp	49 bp	29 bp					

Credit					
		1w k	3mth	YTD	12mth
BAML EURO Corp. IG		0,0% →	-0,4 %	-0,8 %	-0,3 %
BAML EURO Corp HY		-0,7% ↓	0,1 %	-0,6 %	-0,2 %
BAML GBP Corp IG		-0,5% ↓	-1,3 %	-2,9 %	-0,9 %
BAML US IG		0,2% ↑	-0,3 %	-2,8 %	-1,9 %
BAML US HY		-0,8% ↓	1,0 %	1,4 %	1,6 %
JPM Global EM Sov. Plus		-0,7% ↓	-1,5 %	-5,9 %	-5,0 %

Exchange rates					
	Last	1w k	3mth	YTD	12mth
EUR/USD	1,16	0,7 % ↑	-0,7 %	-3,5 %	-2,2%
EUR/CHF	1,15	0,5 % ↑	-1,3 %	-2,0 %	-0,6%
GBP/USD	1,32	1,7 % ↑	0,2 %	-2,0 %	0,1%
USD/JPY	112	-1,5 % ↓	0,1 %	-0,4 %	-0,3%
USD/BRL	3,78	-2,4 % ↓	-2,5 %	14,2 %	19,2%
USD/CNY	6,89	0,3 % ↑	3,1 %	5,9 %	4,5%
USD/RUB	66,3	-1,1 % ↓	6,2 %	15,0 %	14,7%

Equities**					
	Last	1w k	3mth	YTD	12mth
MSCI AC World	489	-5,5 % ↓	-3,7 %	-2,6 %	1,6 %
Eurostoxx 50	3 209	-4,9 % ↓	-5,9 %	-5,4 %	-7,9 %
DAX	11 539	-5,8 % ↓	-7,1 %	-10,7 %	-11,0 %
CAC 40	5 106	-5,6 % ↓	-4,4 %	-1,0 %	-1,7 %
S&P 500	2 728	-5,9 % ↓	-1,2 %	3,6 %	8,8 %
FTSE 100	7 007	-5,4 % ↓	-6,6 %	-5,6 %	-3,0 %
SMI	8 639	-5,0 % ↓	-0,4 %	-4,7 %	-3,5 %
Topix	1 702	-5,5 % ↓	0,8 %	-4,5 %	2,5 %
IBOV Brazil	82 921	0,0 % →	11,5 %	8,5 %	8,2 %
MICEX Russia ***	2 366	-4,0 % ↓	1,3 %	12,2 %	12,6 %
MSCI EM	955	-5,5 % ↓	-9,7 %	-15,5 %	-12,2 %
SENSEX 30 India	34 001	-3,3 % ↓	-6,0 %	1,6 %	8,0 %
Hang Seng (H-K)	25 266	-5,0 % ↓	-10,0 %	-12,7 %	-7,8 %
Shanghai Composite	2 583	-8,4 % ↓	-7,0 %	-21,9 %	-23,8 %

Commodities					
	Last	1w k	3mth	YTD	12mth
Brent	\$81	-5,6 % ↓	5,7 %	21,6 %	43,7 %
Gold	\$1 219	1,3 % ↑	-2,2 %	-6,5 %	-5,4 %
Silver	\$14,6	-0,2 % ↓	-7,9 %	-14,2 %	-14,7 %

Performance should not be seen as a guarantee of future returns. Source: Datastream. 11 October 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	1.30
EUR/CHF	1.14
USD/JPY	114
Brent	\$84.5
Gold	\$1199

Source: Datastream. On 11 October 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 12.10.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	93,64%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	103,40%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	102,50%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,68%
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	97,89%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	100,31%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,45%
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	77,01%
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	97,13%
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	86,09%
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	93,13%
14	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	87,02%
15	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	81,35%
16	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	78,72%
17	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	88,37%
18	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	86,87%
19	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	83,95%
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	88,03%
21	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	96,68%

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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 12.10.2018.)

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	99,77%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	83,10%
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	93,08%
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	80,08%
5	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	93,18%
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	76,50%
7	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	75,43%
8	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	83,62%
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	94,68%
10	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	76,89%
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	66,60%
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	95,06%
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	93,64%
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	72,88%
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	94,16%
16	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	73,26%
17	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	89,77%
18	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	93,83%
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	93,16%
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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