

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

Eurozone Sentix investor sentiment fell from 14.7 to 12 in September while the consensus was for 14.3.

UNITED KINGDOM

GDP rose +0.6% in the three months to July, up from +0.4% (from April to June), boosted mainly by services and retail sales.

UNITED STATES

Labour market conditions remain tight with unemployment still at 3.9%, a multi-decade low. Job creation stood at 201k in August while the number of Americans filing for unemployment benefits hit its lowest level in nearly 49 years at 204k. Average hourly earnings rose 2.9% YoY, the fastest pace since 2009.

ASIA & EMERGING COUNTRIES

In Japan, stronger-than-expected business spending in Q2 (+3.1% QoQ after +1.3% in Q1) benefited real GDP growth which was revised up from 0.5% to 0.7% QoQ (+1.3% YoY).

THEME OF THE WEEK

Inflation – is the dog about to bark?

SUMMARY

INVESTMENT & MARKETS OVERVIEW

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Observation date in next two weeks		
ISIN	TICKER	DATE
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 2Y USDQ PH+ WO 70% BMW GY DAI	24.9.2018
XS1472027330	GY VOW3 GY 3.24% P.Q. NC2Q	28.9.2018
XS1367217558	5Y USD FLOORED FLOATER NOTE	29.9.2018
XS1778577186	18M EUR PHOENIX PLUS 80% VK MT 5Y EUR PH+ WO 55% SX7E SXPP SXDP	1.10.2018
XS1778576535	0,33% P.M.	1.10.2018
XS1574509565	3Y EUR PH+ SECURITY WORST OF 70% CA FP MEO GY BN FP 1.50% PQ	4.10.2018
XS1456533634	5Y USD PHOENIX PLUS SECURITY 50% HUI 1,68% P.Q. 19102021	4.10.2018
XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LHN VX 3% P.S. 22042020	5.10.2018

Inflation – is the dog about to bark?

With a number of central banks due to review monetary policy in the run-up to the US Federal Reserve's (Fed) meeting on September 26, investor attention has been drawn back to the outlook for inflation. Will the recent gradual pick-up begin to accelerate, and what is likely to happen to key rates?

In the US, inflation has languished well below the Fed's 2% target for most of the past decade according to its preferred gauge, the Personal Consumption Expenditure (PCE) excluding volatile items. However, the trend has turned more positive since end-2015 reaching 2% year-on-year (YoY) in July, the highest since 2012. In the eurozone, the pattern is similar but the level less elevated – the August core inflation rate hit 1% YoY and shows little sign of reaching the European Central Bank's (ECB) own 2% target, last exceeded back in December 2002.

The main difference between headline and core measures of inflation is that the latter exclude volatile items such as food and, in particular, energy. After the shale shock in 2014-2015 which drove Brent to below \$30 per barrel, prices have recovered steadily, reaching \$74 on average over the past six months. This in turn has pushed headline inflation well above core – 2.0% YoY in the eurozone and 2.3% in the US.

Another contributing factor to rising inflation has been tightness in labour markets, particularly in the US. With the August underemployment rate hitting a low since 2001, wage pressures have firmed steadily over the past six years with average hourly earnings hitting a cycle high at 2.9% YoY last month. In addition, 2018's massive US tax cuts have only added to overheating risk in the US economy. And tariffs on imports bring their own price pressures – US washing machine prices, which had fallen steadily in recent years, have shot up by 14% over the past twelve months.

However, there are also a number of factors which have contributed to keep inflation well below historic levels – US core PCE averaged 5.6% per annum between 1970 and 1989 but only 1.7% since the turn of the millennium. These factors include technological change (e-commerce and online price comparison), cross-border supply chains (which have globalised deflationary pressures) and the tight control on wages kept by companies in the aftermath of the great recession of 2008-2009.

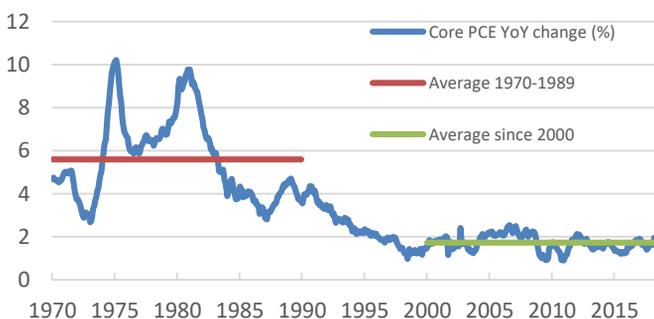
The experience of recent years has anchored consumer and investor expectations of inflation at low levels and the increase in prices we have seen this cycle has been slower to emerge and less pronounced than in previous decades. In addition, our expectation of weakness in oil prices suggests that YoY changes in headline inflation should ease lower by the end of this year.

Putting it all together. The gradual rise in core inflation measures suggests that the global economy is at last completing its recovery from the crisis. As a result, we expect central banks to continue normalization of monetary policy – the Fed remains on track to hike twice and the ECB to halt asset purchases by year-end. In this context, defensive, short maturity bonds will help protect against the likely rise in US and eurozone government bond yields.

Source: Societe Generale Private Banking, Strategy, 17/09/2018

Recent core inflation well below historic levels

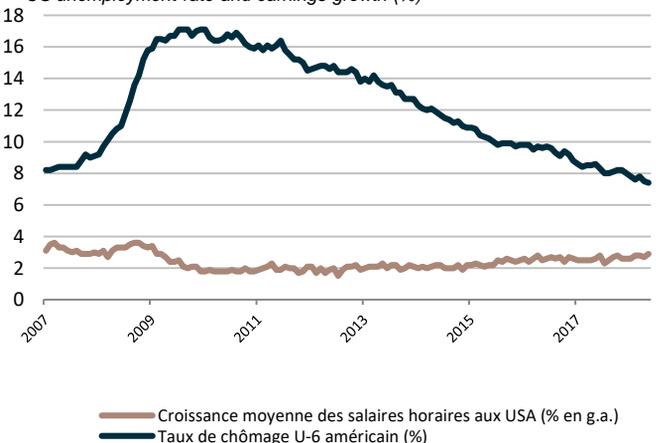
US Core Personal Consumption Expenditures index (YoY change, %)



Sources: SGPB, Bloomberg, BEA, 31/07/2018

Wage pressures firming with tighter job market

US unemployment rate and earnings growth (%)



— Croissance moyenne des salaires horaires aux USA (% en g.a.)
— Taux de chômage U-6 américain (%)

Source: SGPB, Bloomberg, 31/08/2018

Market News

This week and next

EUROZONE

Eurozone Sentix investor sentiment fell from 14.7 to 12 in September while the consensus was for 14.3.

Eurozone industrial production was down -0.8% for the second consecutive month, worse than the expected -0.5%. This sent YoY change into negative territory, from 2.3% to -0.1% for the first time since January 2017. Also of note is the 1.8% MoM decline in Italy's industrial production.

As expected, the ECB kept its deposit rate at -0.4%, unchanged since March 2016, and confirmed asset purchases would be cut to €15bn per month for Q4.

The ZEW survey of German growth expectations continued its rebound to -10.6 in September, well above July's low at -24.7.



This week's key events

	Period	Prev.	Cons.
17 Sep Headline inflation, YoY	Aug	2%	--
13 Sep ECB refinancing rate	Sep P	-1.9	--

UNITED KINGDOM

GDP rose +0.6% in the three months to July, up from +0.4% (from April to June), boosted mainly by services and retail sales.

Total production output fell 0.5% for the three months to July versus the previous period, dragged lower by energy supply.

The unemployment rate remained unchanged at 4.0% in July, its lowest level since 1975, while growth in average earnings increased from +2.4% to +2.6% YoY.

Monetary Policy Committee members unanimously voted to keep the Bank of England rate unchanged at 0.75% as well as the level of corporate bond and Gilt purchases.



This week's key events

	Period	Prev.	Cons.
19 Sep Headline inflation, YoY	Aug	2.5%	--
13 Sep BoE Bank rate	Aig	3.5%	--

UNITED STATES

Labour market conditions remain tight with unemployment still at 3.9%, a multi-decade low. Job creation stood at 201k in August while the number of Americans filing for unemployment benefits hit its lowest level in nearly 49 years at 204k. Average hourly earnings rose 2.9% YoY, the fastest pace since 2009.

Headline consumer prices rose less than expected at +0.2% MoM in August, the same rate as July, taking YoY inflation to 2.7% from 2.9%. Core inflation slipped from 2.4% YoY to 2.2%.

Producer price inflation eased from +3.3% to +2.8% YoY in August, lower than an expected +3.2%.



This week's key events

	Period	Prev.	Cons.
14 Sep Retail sales, MoM	Aug	0.5%	2.8%
14 Sep University of Michigan sentiment	Sep P	96.2	96.6

ASIA & EMERGING COUNTRIES

In Japan, stronger-than-expected business spending in Q2 (+3.1% QoQ after +1.3% in Q1) benefited real GDP growth which was revised up from 0.5% to 0.7% QoQ (+1.3% YoY).

In China, imports (+20% YoY) grew faster than exports (+9.8%) in August, for the sixth consecutive month, while the trade surplus remained stable at \$27.9bn. Trade surplus vs the US hit record highs (\$36.8bn) as exporters front-load orders before Trump tariffs take effect. Consumer prices rose for the fourth month in a row to 2.3% YoY in August.

Turkey's economic growth has already started to decelerate, falling from +7.4% YoY to +5.2% in Q2. Seasonally and calendar adjusted GDP only rose 0.9% QoQ.



This week's key events

	Period	Prev.	Cons.
19 Sep Japan: Trade balance, ¥bn	Aug	-232	--
21 Sep Japan: Manufacturing PMI	Sep P	52.5	--

Market Performance

MARKETS AT A GLANCE

Interest rates

	Last	1w k	3mth	YTD	12mth
EONIA (EUR)	-37 bp	-1 bp →	0 bp	-2 bp	-1 bp
3mth Euribor (EUR)	-32 bp	0 bp →	0 bp	1 bp	1 bp
3mth Libor (USD)	233 bp	1 bp →	-1 bp	64 bp	101 bp
3mth Libor (GBP)	80 bp	0 bp →	17 bp	28 bp	50 bp
10-year US Treasury bond	296 bp	9 bp ↑	-2 bp	55 bp	77 bp
10-year German bond	42 bp	7 bp ↑	-5 bp	0 bp	2 bp
10-year French bond	73 bp	4 bp ↑	-11 bp	-6 bp	4 bp
10-year UK bond	150 bp	9 bp ↑	14 bp	32 bp	36 bp

Credit

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

Exchange rates

	Last	1w k	3mth	YTD	12mth
EUR/USD	1,17	0,6% ↑	-0,9%	-2,7%	-1,7%
EUR/CHF	1,13	0,6% ↑	-2,9%	-3,6%	-1,5%
GBP/USD	1,31	1,4% ↑	-2,0%	-2,9%	-0,8%
USD/JPY	112	1,1% ↑	1,4%	-0,6%	1,3%
USD/BRL	4,21	3,7% ↑	13,1%	27,0%	34,2%
USD/CNY	6,84	0,1% ↑	7,0%	5,2%	4,6%
USD/RUB	68,2	-1,5% ↓	9,2%	18,3%	17,7%

Government bonds*

	1w k	3mth	YTD	12mth
United States (3-7yr)	-0,5% ↓	0,6%	-1,0%	-2,1%
United Kingdom (3-7yr)	-0,3% ↓	0,1%	-0,5%	-0,9%
Germany (3-7yr)	-0,3% ↓	0,2%	0,3%	-0,3%
Japan (3-7yr)	0,0% →	-0,2%	-0,2%	-0,3%

Equities*

	Last	1w k	3mth	YTD	12mth
MSCI AC World	518	0,8% ↑	0,3%	2,9%	9,5%
Eurostoxx 50	3 334	1,1% ↑	-4,0%	-1,9%	-2,0%
DAX	12 056	0,8% ↑	-6,5%	-6,7%	-4,0%
CAC 40	5 328	1,6% ↑	-2,2%	3,1%	5,4%
S&P 500	2 904	1,0% ↑	5,2%	10,1%	18,5%
FTSE 100	7 282	-0,5% ↓	-4,4%	-2,1%	2,8%
SMI	8 960	1,6% ↑	3,8%	-1,3%	2,4%
Topix	1 710	1,0% ↑	-4,9%	-4,8%	6,7%
IBOV Brazil	74 687	-2,3% ↓	3,6%	-2,3%	-0,1%
MICEX Russia *	2 357	1,6% ↑	3,8%	11,7%	14,8%
MSCI EM	1 018	0,0% →	-9,2%	-10,1%	-4,9%
SENSEX 30 India	37 718	-1,4% ↓	6,1%	12,7%	18,5%
Hang Seng (H-K)	27 014	0,3% ↑	-10,6%	-6,8%	0,3%
Shanghai Composite	2 687	-0,2% ↓	-11,9%	-18,8%	-20,6%

Commodities

	Last	1w k	3mth	YTD	12mth
Brent	\$78	2,3% ↑	2,5%	17,5%	42,2%
Gold	\$1 203	0,3% ↑	-7,3%	-7,7%	-9,1%
Silver	\$14,2	0,4% ↑	-16,1%	-16,3%	-19,7%

Performance should not be seen as a guarantee of future returns. Source: Datastream, 13 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 1.17

GBP/USD 1.31

EUR/CHF 1.13

USD/JPY 112

Brent \$78.3

Gold \$1203

Source: Datastream. On 13 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 14.09.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	93,45%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,55%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	102,31%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,42%
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	98,30%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	100,77%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,22%
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	83,95%
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	93,47%
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	81,37%
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	79,78%
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	96,79%
14	XS1778577186	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,75% p.m	07/10/2019	99,90%
15	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	89,05%
16	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	85,06%
17	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	82,43%
18	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	89,91%
19	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	87,51%
20	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	86,08%
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	89,25%
22	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	96,97%

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 14.09.2018.)

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	98,41%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	89,92%
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	98,97%
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	66,40%
5	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	94,01%
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	63,31%
7	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	66,07%
8	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	86,68%
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	98,46%
11	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	62,65%
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	69,64%
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	98,93%
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	79,91%
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	77,32%
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	96,57%
17	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	86,23%
18	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	92,91%
19	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	97,91%
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	96,50%
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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