

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

• October retail sales rebounded from 0.3% YoY to 1.7% boosted by a 2.3% increase for food, drinks and tobacco.

UNITED KINGDOM

• November manufacturing PMI printed at 53.1, a 2-point jump from October, supported by pre-Brexit stock-building. However, new export orders were weak.

UNITED STATES

• The good and services trade deficit deteriorated to \$55.5bn in October, a decade low.

ASIA & EMERGING COUNTRIES

• Q3 GDP growth in India decelerated from 8.2% YoY to 7.1%, below expectations for 7.5%. Softer inflation allowed the Reserve Bank of India to keep its repo rate at 6.5%.

THEME OF THE WEEK

May Day

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.	17/12/2018
XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP	17/12/2018
XS1570747094	5Y EURQ PH+ SD SC 75% NOVN SAN PFE ROG 2.12% PQ NC2Q 270622	20/12/2018
XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	20/12/2018
XS1778765930	4Y EUR PH+ WO SPX,SX5E, CAC 1,0% P.Q.	21/12/2018
XS1797182869	18M EUR PHOENIX PLUS 80% VK MT	24/12/2018
XS1367217558	5Y USD FLOORED FLOATER NOTE	29/12/2018
XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP 0,33% P.M.	31/12/2018

May Day

“Brexit uncertainty”. Over the past few quarters, this phrase has been used extensively in reports and articles as an easy explanation for waning business confidence and tumbling sterling. Could things really be as uncertain as analysts and journalists were suggesting? This week, it emerged that they could. What is going on, and what happens next?

After cancelling the planned vote on the EU Withdrawal Agreement (WA), and then winning a vote of confidence from the Conservative party on Wednesday, Prime Minister May must now attempt to find a way out of the Brexit labyrinth. According to whatukthinks.org, another referendum would solve little – voter intentions at 52% for Remain and 48% for Leave are exactly where they were just before the referendum and the proportion of undecided voters has peaked at almost one-third.

PM May has embarked on yet another attempt to wring concessions from EU27 leaders but, understandably perhaps, has found little appetite to reopen discussions. Brexit has monopolised time and energy for the past thirty months and the EU may want to move on to deal with other priorities – banking union, a common eurozone fiscal policy, the “gilets jaunes”, Merkel’s succession or Italy’s budget approval to name but a few.

Although GDP growth has slowed over the past two years – the UK economy has moved from the top ranking among the G7 towards the bottom – activity has remained quite resilient. Manufacturing confidence recently ticked up, retail sales volumes rose 2.7% year-on-year in October and unemployment at 4.1% remains close to 43-year lows. Our economists’ projection is for annualised quarter-on-quarter (QoQ) GDP growth to bottom at 1.0% in Q1 2019 before stabilising at a yearly rate of 1.3%. However, a no-deal Brexit would mean downward revisions to forecasts, as underlined by recent reports from the Bank of England.

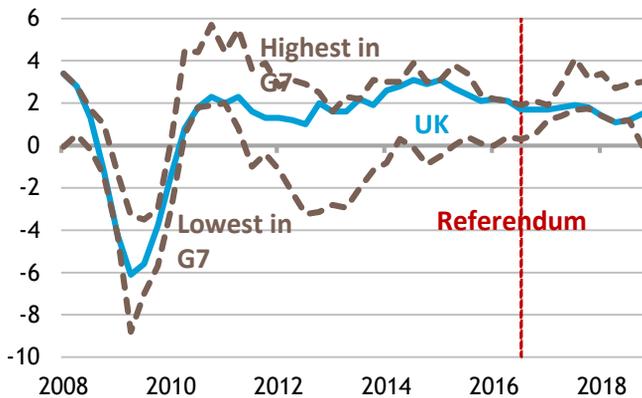
Next steps. If no significant concessions are forthcoming at this week’s EU summit, it looks unlikely that May will be able to have Westminster ratify the WA before parliament goes into recess on December 21. And with opposition to the WA still running high, there will be little time to achieve consensus – even with modest EU concessions – between the return from recess on January 7 and the approval cut-off on January 21. Given this, a request to extend the Article 50 deadline could provide much-needed breathing room.

Bottom line. The country and Parliament remain deeply divided on Brexit. However, there are no alternatives to May’s WA on the table, and zero appetite among the EU 27 to recommence negotiations. The risk of a no-deal Brexit has clearly risen in recent days but a soft Brexit along the lines of the WA still seems the most likely option. With “Brexit uncertainty” set to high, sterling could remain under pressure in coming weeks, but we do expect it to recover from this week’s 1.26 towards 1.32 in twelve months.

Source: Société Générale Private Banking, Strategy, 17 December 2018.

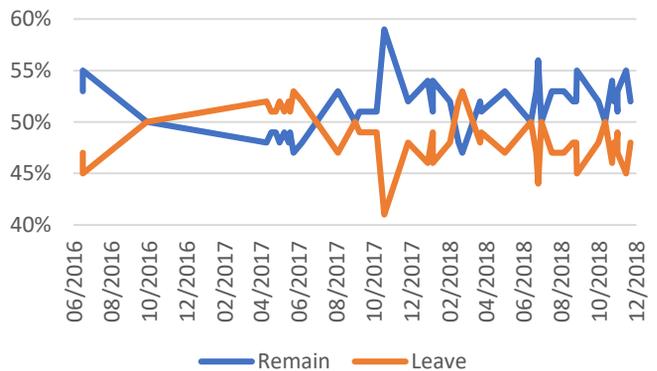
UK growth has slipped from top of G7 range towards bottom

G7-countries GDP growth rate (%YoY)



No change in two years

Polls for another referendum on Brexit



Source: Société Générale Private Banking, Strategy, 17 December 2018.

Market News

This week and next

EUROZONE

Q3 GDP growth has been revised down from 1.7% YoY to 1.6%.

Q3 employment growth rate decelerated from +1.5% YoY to +1.3%.

In December, Sentix investor confidence slipped sharply to a 4-year low, from 8.8 to -0.3.

Industrial production edged up from 0.8% YoY to 1.2% in October, above expectations of 0.7%.

Despite a 0.7% MoM rebound in exports, the German current account surplus fell from €21.4bn to €15.9bn in October.

Preliminary PMIs for December were down in the eurozone. The Composite PMI fell from 52.7 to 51.3 (vs. 52.8 expected), led by a sharp dip from 54.2 to 49.3 in France.



This week's key events

	Period	Préc.	Cons.
17 dec. Headline inflation YoY	Nov.	2,2%	2,0%
17 dec. Core inflation YoY	Nov.	1,0%	1,0%
21 dec. Consumer confidence	Dec.	-3,9	-4,2

UNITED STATES

As expected, headline inflation declined from 2.5% YoY to 2.2% in November, its lowest since February on fading energy base effects. Core prices rose from 2.1% YoY to 2.2%, in line with headline for the first time since July 2017.

Increases in producer prices moderated from 2.9% YoY in November to 2.5%, given lower oil prices and dollar strength.

Jobs openings (JOLTs) rose from 6.96m to 7.08m in October. Last week, initial jobless claims dropped by 27k to a 3-month low at 206k.

The NFIB small business optimism index fell from 107.4 to 104.8 in November, back to April levels.



This week's key events

	Period	Préc.	Cons.
19 dec. Fed funds target rate	Nov.	2-2.25%	2,22.25%
21 dec. Durable goods new orders	Nov.	-4.3%	2.0%
21 dec. GDP growth YoY	Dec.	3.5%	3.5%

UNITED KINGDOM

3M/3M GDP growth decelerated from 0.6% to 0.4% in October, as expected.

Total production output in October fell by 0.6% MoM vs. September, due to a 0.9% contraction in manufacturing.

The labour market remained tight in October with unemployment unchanged at 4.1%. This increased pressure on wages with growth in average weekly earnings hitting 3.3%, the fastest in a decade.

Brexit uncertainty took its toll on the housing market as the RICS survey fell further from -10 to -11, a 6-year low.



This week's key events

	Period	Préc.	Cons.
19 dec. CBI industrial trend orders	Nov.	10	7
19 dec. Headline inflation YoY	Nov.	2.4%	2,3%
19 dec. GfK consumer confidence	Dec.	-13	14

ASIA & EMERGING COUNTRIES

In Japan, revised Q3 GDP growth decelerated more than initially estimated, down from -0.3% to -0.6% QoQ - a significant change from Q2 growth of +0.8%.

In China, growth exports declined from +15.5% YoY to only +5.4% in November but imports slowed even more from +20.8% to +3.0%! This sent the trade surplus to \$44.8bn, the highest this year. Broad M2-money supply growth remained stable at only 8.0% in November, the lowest on record, highlighting China's deleveraging.

Indian headline inflation reached a 17-month low in November, down from 3.4% YoY to 2.3% in contrast to Russia where prices rose 3.8% YoY, a 16-month high.

Turkey saw Q3 GDP decline -1.1% after +0.6% QoQ in Q2.



This week's key events

	Period	Préc.	Cons.
17 Dec. Indonesia: Trade balance (\$bn)	Nov.	-1.8	--
19 Dec. Japan: Trade balance (¥bn)	Nov.	-449	630
21 dec. Japan: Headline inflation YoY	Nov.	1.4%	0.8%

Sources: Datastream, Bloomberg, 17 December 2018, Note: YoY = year-on-year; QoQ = quarter-on-quarter; MoM = month-on-month, P = preliminary figure, A = advanced figure, F = final figure, seasonally adjusted, ECB = European Central Bank

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	-2 bp	0 bp	United States (3-7yr)	0,0 %	→	1,2 %	0,2 %	-0,1 %
3mth Euribor (EUR)	-31 bp	0 bp	→	1 bp	2 bp	2 bp	United Kingdom (3-7yr)	-0,2 %	↓	1,2 %	0,7 %	0,8 %
3mth Libor (USD)	279 bp	2 bp	↑	45 bp	109 bp	120 bp	Germany (3-7yr)	-0,2 %	↓	0,5 %	0,8 %	0,1 %
3mth Libor (GBP)	90 bp	0 bp	→	10 bp	38 bp	38 bp	Japan (3-7yr)	0,0 %	→	0,3 %	0,1 %	0,0 %
10-year US Treasury bond	291 bp	4 bp	↑	-5 bp	50 bp	56 bp						
10-year German bond	28 bp	6 bp	↑	-14 bp	-14 bp	-4 bp						
10-year French bond	73 bp	7 bp	↑	0 bp	-6 bp	6 bp						
10-year UK bond	129 bp	5 bp	↑	-21 bp	11 bp	8 bp						

Equities**						
	Last	1wk	3mth	YTD	12mth	
MSCI AC World	476	-0,6 %	↓	-7,6 %	-5,0 %	-3,7 %
Eurostoxx 50	3 112	2,2 %	↑	-6,3 %	-8,1 %	-10,0 %
DAX	10 925	1,1 %	↑	-9,4 %	-15,4 %	-16,8 %
CAC 40	4 897	2,4 %	↑	-7,8 %	-4,9 %	-6,3 %
S&P 500	2 651	-1,6 %	↓	-8,3 %	1,0 %	1,5 %
FTSE 100	6 878	2,6 %	↑	-4,8 %	-6,8 %	-4,3 %
SMI	8 815	1,8 %	↑	-1,5 %	-2,8 %	-2,9 %
Topix	1 617	0,4 %	↑	-4,7 %	-9,2 %	-8,8 %
IBOV Brazil	87 838	-1,1 %	↓	17,6 %	15,0 %	20,5 %
MICEX Russia ***	2 379	-1,4 %	↓	0,9 %	12,7 %	11,6 %
MSCI EM	986	0,7 %	↑	-2,8 %	-12,7 %	-9,4 %
SENSEX 30 India	35 930	1,8 %	↑	-4,5 %	7,6 %	10,0 %
Hang Seng (H-K)	26 524	1,4 %	↑	-1,5 %	-8,2 %	-6,0 %
Shanghai Composite	2 634	1,1 %	↑	-2,0 %	-20,4 %	-20,3 %

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

Exchange rates						
	Last	1wk	3mth	YTD	12mth	
EUR/USD	1,14	-0,1 %	↓	-2,8 %	-5,4 %	-3,9%
EUR/CHF	1,13	0,0 %	→	0,1 %	-3,5 %	-3,1%
GBP/USD	1,27	-1,0 %	↓	-3,4 %	-6,3 %	-5,7%
USD/JPY	114	0,9 %	↑	1,5 %	0,9 %	1,0%
USD/BRL	3,89	0,3 %	↑	-7,5 %	17,5 %	17,6%
USD/CNY	6,88	0,0 %	→	0,5 %	5,8 %	4,0%
USD/RUB	66,2	-1,1 %	↓	-2,9 %	14,9 %	13,1%

Commodities						
	Last	1wk	3mth	YTD	12mth	
Brent	\$61	2,9 %	↑	-22,6 %	-9,0 %	-3,4 %
Gold	\$1 243	0,0 %	→	3,3 %	-4,7 %	-0,4 %
Silver	\$14,8	2,2 %	↑	3,8 %	-13,1 %	-6,1 %

Performance should not be seen as a guarantee of future returns. Source: Datastream, 13 December 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	1.14
GBP/USD	1.27
EUR/CHF	1.13
USD/JPY	114
Brent	\$60,6
Gold	\$1243

Source: Datastream. On 13 December 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.

OTP banka structured products (pricing as of 17.12.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	94,07%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	102,55%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	96,15%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,64%
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	98,32%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	102,31%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,54%
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	65,18%
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	97,12%
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	74,76%
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	63,65%
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	90,16%
14	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	78,71%
15	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	71,77%
16	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	69,06%
17	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	35,08%
18	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	32,16%
19	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	31,99%
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	80,23%
21	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	96,51%
22	XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP CIB	WO TUI, BKNG, TRIP	EUR	0,95% p.m.	24/10/2020	89,03%
23	XS1864726242	4Y USD CAPPED AND FLOORED FLOATER	USD LIBOR 3M	USD	2,0% p.a.	26/10/2022	97,66%
24	XS1864647612	3 Y USD PHOENIX PLUS WO FP RDS PUT LEVERAGE 70% SG CIB	Total, RDS	USD	1,60% p.q.	01/11/2021	94,88%
25	XS1864640286	3 Y USD PHOENIX PLUS WO FP RDS PUT LEVERAGE 60% SGCIB	Total, RDS	USD	1,80% p.q.	01/11/2021	94,34%
26	XS1864598906	5 Y EUR PHOENIX PLUS ON SX7E SGCIB	Eurostoxx Banks	EUR	1,31% p.q.	13/11/2023	90,54%

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 17.12.2018.)

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	99,80%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	70,56%
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	78,23%
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	68,38%
5	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	81,89%
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	66,04%
7	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	82,24%
8	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	61,32%
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	99,46%
10	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	67,44%
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	52,39%
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	94,09%
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	87,49%
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	65,10%
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	96,71%
16	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	73,52%
17	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	70,53%
18	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	60,36%
19							
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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In order to draw our clients' attention to the risk associated with each investment solution, each product is classified according to its specific risk level, on a risk scale ranging from the lowest level of risk to the highest level of risk as shown in table on previous page.