

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

Eurozone GDP growth eventually printed at 0.4% QoQ in Q2 vs 0.3% on first estimate, as German GDP growth was revised up from 0.4% to 0.5%.

UNITED KINGDOM

The unemployment rate for the three months to June was below expectations, falling to 4.0% – the lowest level since 1975. However, average weekly earnings continued to ease lower from +2.5% to +2.4% YoY.

UNITED STATES

Industrial production rose 0.1% MoM in July after +0.6% the previous month.

ASIA & EMERGING COUNTRIES

Japanese export growth declined from 6.7% to 3.9% YoY in July while imports surged from 2.6% to 14.6% sending the trade balance back into negative territory at ¥-231bn.

THEME OF THE WEEK

Greece – Long Night's Journey into Day

SUMMARY

INVESTMENT & MARKETS OVERVIEW

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Observation date in next two weeks

ISIN	TICKER	DATE
XS1245190555	3YE PHOENIX + 75% SX5E 2,84%	20.8.2018
	3 Y EUR PHOENIX PLUS 60% WO ISP	
XS1759355412	UCG 1,95% p q	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 ENGIE 1,375% P.Q.	23.8.2018
XS1797182869	18M EUR PHOENIX PLUS 80% VK MT	24.8.2018
	3Y EUR PHOENIX PLUS 60% WO EDF	
XS1706791214	BNP CO 1,91% P.Q.	27.8.2018
XS1778577186	18M EUR PHOENIX PLUS 80% VK MT	29.8.2018
	5Y EUR PH+ WO 55% SX7E SXPP SXDP	
XS1778576535	0,33% P.M.	29.8.2018
XS1245190555	3YE PHOENIX + 75% SX5E 2,84%	20.8.2018

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Greece – Long Night’s Journey into Day

On Monday August 20, Greece will finally exit the final stage of its third bailout programme since the Great Recession in 2009. The crisis hit the country particularly hard – its Gross Domestic Product (GDP) has shrunk 25% from pre-crisis highs – with the Greece’s bourses being reclassified as emerging markets by MSCI. What is the outlook now that the €86bn bailout package is expiring?

The bailout packages supervised by the “troika” – the International Monetary Fund (IMF), the Eurogroup and the European Central Bank – were conditional on the implementation of a series of structural reforms. The main areas of concern were (1) the over-regulated job market, (2) the over-generous and fragmented pension system, (3) the barriers to competition in product markets, and (4) endemic tax evasion. In total, Greece has implemented over 400 policy reforms, with varying degrees of success. More still needs to be done, for example, to address inefficiencies in the public sector.

However, the reforms have enabled Greece to move its budget back into primary surplus – that is to say that government revenues outstripped expenditure by 3.8% of GDP in 2017 (source OECD), before factoring the cost of servicing the debt burden. In addition, the maturity profile of Greece’s debt has been steadily extended in recent years, most recently via the June agreement to defer payments of interest and capital to the stability fund until 2033 and to extend the average loan maturity to 40 years. These measures mean that the effective interest rate on Greece’s debt will remain manageable until at least 2022 at less than 2%.

The June agreement with the Eurogroup also foresees additional stability mechanism disbursements – €15bn, including €9.5bn as a cash buffer – in exchange for a commitment from Greece to maintain a multi-decade primary surplus, of 3.5% of GDP until 2022 and then 2.2% on average until 2060. Given that Greece has already exceeded this target, staying with it should not prove recessionary. However, it does reduce fiscal policy flexibility for the foreseeable future.

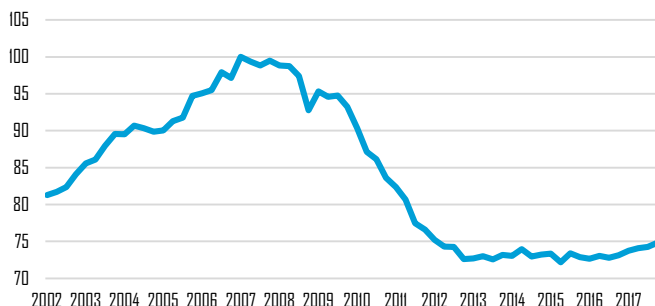
All of these measures, although welcome, have done little to improve Greece’s long-term debt sustainability. Since 2010, loans from the troika have added €289bn to Greek debt, the equivalent of 148% of GDP, taking the overall ratio to over 180%, an untenable level. In its most recent report, the IMF highlighted that more relief was necessary to return debt ratios to more sustainable levels. And this dynamic is reflected in Greece’s low marks from rating agencies, none of which consider Greek bonds as investment-grade.

Bottom line. Greece has made great strides in recent years with GDP finally growing again, unemployment falling gradually and no short-term financing problems in sight. However, without more radical debt relief, the country is likely to remain a weak link in the eurozone. This means Greek bonds are vulnerable whenever problems emerge, as illustrated by the recent widening in yield spreads over German bunds as concerns have risen about Italy’s forthcoming budget.

Source: Societe Generale Private Banking, Strategy, 20/08/2018

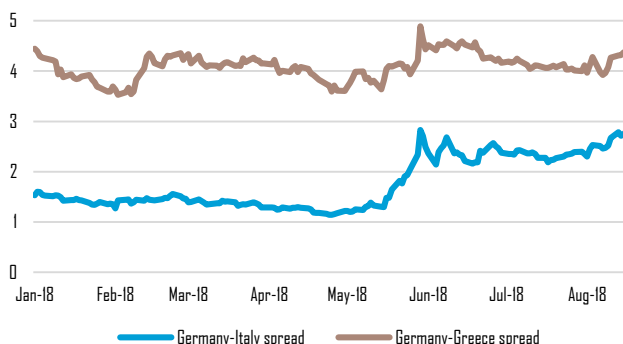
Greek GDP is still 25% below its 2007 level

Real GDP (seasonally-adjusted, Q2 2007=100)



Eurozone worries likely to keep spreads wide

10-year government bond yield spread (%)



Sources: Bloomberg, National Statistical Service of Greece, Q1 2018

Source: Datastream, 16/08/2018

Market News

This week and next

EUROZONE

Eurozone GDP growth eventually printed at 0.4% QoQ in Q2 vs 0.3% on first estimate, as German GDP growth was revised up from 0.4% to 0.5%.

Eurozone industrial production declined 0.7% MoM in June, but remains up 2.5% YoY.

French headline inflation rose to 2.6% YoY in July – the highest since March 2012 and continuing the uptrend initiated in 2015. Core inflation was up 1.0% YoY.



This week's key events

	Period	Prev.	Cons.
23 Aug PMI composite	Aug P	54.3	54.5
23 Aug Consumer confidence	Aug	-0.6	-0.6

UNITED KINGDOM

The unemployment rate for the three months to June was below expectations, falling to 4.0% – the lowest level since 1975. However, average weekly earnings continued to ease lower from +2.5% to +2.4% YoY.

Retail sales rose 0.7% MoM in July after -0.5% in June. The improvement is partly due to extended discounts at stores.

For the first time in eight months, inflation ticked up, from 2.4% to 2.5% YoY in July, boosted by transport costs.



This week's key events

	Period	Prev.	Cons.
21 Aug CBI industrial trends, total orders	Aug	11	9

UNITED STATES

Industrial production rose 0.1% MoM in July after +0.6% the previous month.

The New York Fed manufacturing survey hit a 10-month high at 25.6 in August, beating expectations.

On first estimate, non-farm unit labour costs declined 0.9% QoQ in Q2 (on a seasonally-adjusted basis), reflecting a 2% increase in hourly compensation and a 2.9% increase in productivity (strongest rate in 3 years).

Retail sales rose 0.5% MoM in July, beating expectations.



This week's key events

	Period	Prev.	Cons.
23 Aug Manufacturing confidence	Aug P	55.3	55.2
14 Aug China: Industrial production, YoY	Jul	5.4m	5.4m

ASIA & EMERGING COUNTRIES

Japanese export growth declined from 6.7% to 3.9% YoY in July while imports surged from 2.6% to 14.6% sending the trade balance back into negative territory at ¥-231bn.

In China, value added in industrial production remained unchanged at +6% YoY in July.

China's M2 money supply beat expectations, bouncing from a record low of +8.0% to +8.5% YoY in July, a 5-month high.

Against expectations, the central bank of Indonesia raised its key rate by 25bp to 5.5%, the third increase since April, in order to underpin the currency.



This week's key events

	Period	Prev.	Cons.
23 Aug Japan: Manuf. Confidence	Aug P	52.3	--
14 Aug China: Industrial production, YoY	Jul	0.8%	0.9%

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 →	1 bp	-1 bp	0 bp	United States (3-7yr)	0,3 % ↑	1,5 %	-0,7 %	-1,6 %		
3mth Euribor (EUR)	-32 bp	0 bp →	1 bp	1 bp	1 bp	United Kingdom (3-7yr)	0,3 % ↑	1,1 %	0,0 %	-0,6 %		
3mth Libor (USD)	232 bp	-2 bp ↓	0 bp	63 bp	101 bp	Germany (3-7yr)	0,2 % ↑	1,3 %	0,8 %	0,5 %		
3mth Libor (GBP)	80 bp	0 bp →	18 bp	28 bp	52 bp	Japan (3-7yr)	0,1 % →	-0,1 %	-0,2 %	-0,1 %		
10-year US Treasury bond	288 bp	-6 bp ↓	-24 bp	47 bp	65 bp							
10-year German bond	32 bp	-6 bp ↓	-30 bp	-11 bp	-5 bp	Equities*						
10-year French bond	60 bp	-1 bp →	-25 bp	-6 bp	-14 bp		Last	1w k	3mth	YTD	12mth	
10-year UK bond	128 bp	-7 bp ↓	-26 bp	6 bp	12 bp	MSCI AC World	511	-1,9 % ↓	-0,4 %	1,4 %	10,2 %	
						Eurostoxx 50	3 378	-3,3 % ↓	-4,0 %	-0,6 %	0,4 %	
						DAX	12 237	-3,5 % ↓	-5,8 %	-5,3 %	-0,2 %	
						CAC 40	5 349	-2,8 % ↓	-2,7 %	3,5 %	6,7 %	
						S&P 500	2 841	-0,4 % ↓	4,9 %	7,6 %	17,3 %	
						FTSE 100	7 556	-2,2 % ↓	-1,0 %	1,4 %	6,0 %	
						SMI	8 998	-1,6 % ↓	0,3 %	-0,9 %	3,0 %	
						Topix	1 687	-3,0 % ↓	-6,1 %	-6,1 %	6,6 %	
						IBOV Brazil	76 819	-2,5 % ↓	-11,2 %	0,6 %	12,0 %	
						MICEX Russia *	2 261	-2,1 % ↓	-3,3 %	7,2 %	16,4 %	
						MSCI EM	1 022	-5,3 % ↓	-10,3 %	-10,0 %	-1,0 %	
						SENSEX 30 India	37 664	-0,9 % ↓	7,2 %	12,4 %	19,9 %	
						Hang Seng (H-K)	27 100	-5,2 % ↓	-11,2 %	-7,1 %	2,6 %	
						Shanghai Composite	2 705	-3,2 % ↓	-14,7 %	-18,2 %	-16,7 %	
Credit							Commodities					
		1w k	3mth	YTD	12mth		Last	1w k	3mth	YTD	12mth	
BAML EURO Corp. IG		0,0% →	0,7 %	0,1 %	0,6 %	Brent	\$71	-1,4 % ↓	-9,0 %	7,0 %	40,1 %	
BAML EURO Corp HY		-0,3% ↓	-0,2 %	-0,2 %	1,1 %	Gold	\$1 181	-2,7 % ↓	-8,3 %	-9,4 %	-7,3 %	
BAML GBP Corp IG		0,4% ↑	1,5 %	-0,6 %	0,1 %	Silver	\$14,8	-4,3 % ↓	-9,4 %	-13,0 %	-12,8 %	
BAML US IG		0,3% ↑	2,0 %	-2,0 %	-0,5 %							
BAML US HY		-0,2% ↓	1,7 %	1,5 %	3,3 %							
JPM Global EM Sov. Plus		-1,2% ↓	-1,3 %	-6,1 %	-3,6 %							
Exchange rates												
	Last	1w k	3mth	YTD	12mth							
EUR/USD	1,14	-1,3 % ↓	-3,6 %	-5,3 %	-3,3 %							
EUR/CHF	1,13	-1,0 % ↓	-4,1 %	-3,1 %	-0,2 %							
GBP/USD	1,27	-0,8 % ↓	-5,7 %	-5,8 %	-1,3 %							
USD/JPY	111	-0,2 % ↓	0,5 %	-1,6 %	0,6 %							
USD/BRL	3,91	2,8 % ↑	6,3 %	18,0 %	23,9 %							
USD/CNY	6,88	0,9 % ↑	8,0 %	5,8 %	2,9 %							
USD/RUB	66,8	0,2 % ↑	8,3 %	15,9 %	12,5 %							

Performance should not be seen as a guarantee of future returns. Source: Datastream. 16 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 1.14

GBP/USD 1.27

EUR/CHF 1.13

USD/JPY 111

Brent \$71.3

Gold \$1183

Source: Datastream. On 16 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 17.08.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	93,28%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,38%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	101,42%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,97%
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	98,12%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	100,43%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,02%
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	74,57%
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	94,30%
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	80,15%
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	76,87%
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	96,61%
14	XS1778577186	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,75% p.m	07/10/2019	99,11%
15	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	89,65%
16	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	84,77%
17	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	82,36%
18	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	89,44%
19	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	87,03%
20	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	87,09%
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	90,10%
22	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	97,64%

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 17.08.2018.)

	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	102,37%
2	XS1456533634	5Y USD PHOENIX PLUS SECURITY 50% HUI 1.68% P.Q. 19102021	HUI	USD	1,68% p.q.	19/10/2021	98,66%
3	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	87,58%
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	96,37%
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	63,62%
7	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	97,02%
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	60,31%
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	102,36%
10	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	69,97%
11	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	86,53%
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	96,55%
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	95,57%
14	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	57,41%
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	72,70%
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	98,18%
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	79,29%
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	77,37%
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	98,67%
20	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	91,72%
21	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	89,64%
22	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	95,10%
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	90,65%
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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/ 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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