

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

After five consecutive months of decline, consumer confidence exceeded expectations and rebounded slightly from -2.9 to -2.7 in October, according to initial estimates.

UNITED KINGDOM

Business sentiment deteriorated according to the Confederation of British Industry's (CBI) latest Industrial Trends Survey as the clock ticks down towards Brexit-day.

UNITED STATES

Manufacturing confidence gained ground in October, according to the preliminary PMI estimates up from 55.6 to 55.9.

ASIA & EMERGING COUNTRIES

In Japan, manufacturing confidence edged up from 52.5 to 53.1 in October with an acceleration in output, new orders and employment.

THEME OF THE WEEK

Another volatile week on equity markets

SUMMARY

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Observation date in next two weeks		
ISIN	TICKER	DATE
XS1555608782	5Y USDQ PHOENIX PLUS STEP DOWN 50% CO FP 2,20% P.Q. NC2Q 16052022	2.11.2018
XS1513289469	2Y USD PH+ WO GG NEM ABX 2,40% P.Q	5.11.2018
XS1669454537	1Y EUR PHOENIX PLUS 75% STM FP 4.80% P.S. 20112018	6.11.2018
XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	8.11.2018
XS1816572199	18M USD PHOENIX PLUS 80% VK MT	8.11.2018
XS1816573247	5Y EUR PH+ WO 75% SX7E SXPP SXDP 0,39% P.M.	8.11.2018

Another volatile week on equity markets

The equity market sell-off reignited on Wednesday. The S&P500 dropped 3.1% while the US tech-heavy Nasdaq index shed 4.4%, its biggest one-day drop since August 2011. Markets then rebounded on Thursday, and at closure on 25 October, the S&P 500 was down 7.5% versus 1 October. European markets were also dragged lower on Wednesday, with the Euro Stoxx now in negative territory year-to-date.

The market correction appears to have been caused by a combination of heightened political uncertainties (US/China, Italy/European Union, and Brexit uncertainties), hawkish US Federal Reserve (reiterated rates hiking), softer growth (notably in China) and mixed third-quarter (Q3) results indicating a possible peak in corporate earnings.

Indeed, we are in the middle of the earnings season in the US, where 46% of all S&P 500 companies have reported Q3 earnings. Initial results point to positive surprises as 83% of the companies have delivered better-than-expected earnings (+6%). Earnings per share (EPS) increased 23% YoY while sales growth printed at 8.8% YoY. So far, all sectors have surprised positively with nine out of 11 sectors posting double-digit EPS growth, notably Financials and Cyclical. Although corporate profits remain robust, investor sentiment is more mixed as several companies reported profit warnings or negative guidance, which in some cases was related to trade tensions. This has raised concerns that earnings growth could decelerate faster than expected, while margins could be dented by the fading benefits from tax cuts, higher raw material and freight costs, rising wages and higher funding costs.

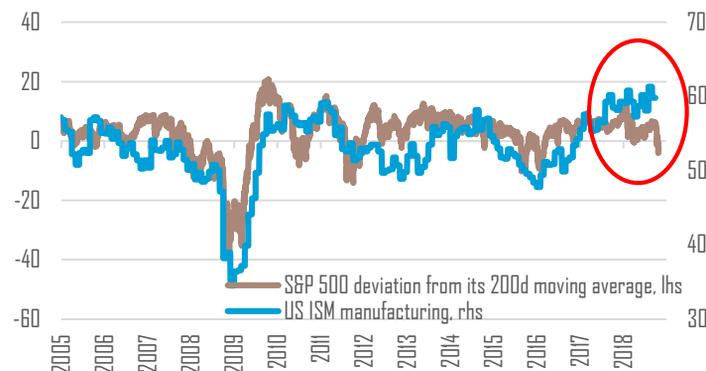
Despite these headwinds, we believe the equity market sell-off appears excessive. The fundamental backdrop has not changed as global growth is still supported by the US. In China, the authorities appear to have acknowledged the challenges and are taking effective measures to support the economy. The picture is less compelling in the EMU and Japan but the recovery is still rather recent. If the market stress continues until the next FOMC meeting on 8 November, Chairman Powell could be tempted to offer support to the economy should growth start to decelerate. In addition, US corporate profits should continue to grow – albeit at a slower pace – as sales growth remains solid and corporate margins sound.

Putting it all together – We think that equities are unlikely to enter a bear market. We suggest keeping a moderate pro-cycle allocation with a preference for US equities versus eurozone and Japanese equities. In fixed income, we maintain a preference for short-dated bonds and high yielding credit in Europe. We stay defensive on long-dates bonds (US Treasuries and German Bund) as interest risks are tilted to the upside.

Source: Societe Generale Private Banking, Strategy, 29/10/2018

Equity market sell-off seems excessive in respect to US activity

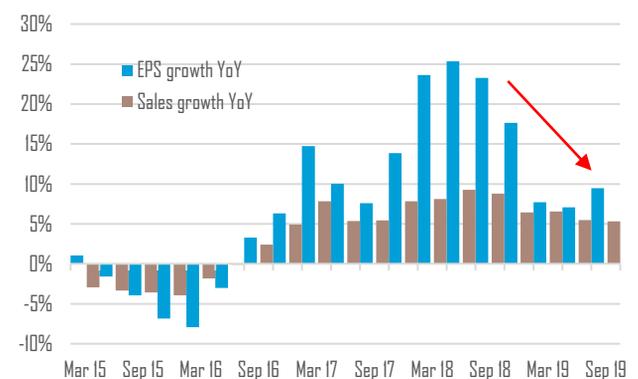
S&P 500 and US ISM Manufacturing



Sources: SGPB, Macrobond data as of 25 October 2018

Corporate profits expected to grow at a slower pace in coming quarters

EPS and Sales growth YoY



Sources: SGPB, Bloomberg data as of 25 October 2018

Market News

EUROZONE

After five consecutive months of decline, consumer confidence exceeded expectations and rebounded slightly from -2.9 to -2.7 in October, according to initial estimates.

Manufacturing confidence (the PMI index) fell from 53.2 to 52.1 in October, after the German indicator hit a 29-month low at 52.3. Services confidence weakened from 54.7 to 53.3, sending the composite indicator down from 54.1 to 52.7.

Unsurprisingly, the ECB maintained its refinancing and deposit facility rate, at respectively 0.0% and -0.4%.

The annual growth rate of loans to households stood at 3.1% in September, whereas loans to non-financial corporations rose from 4.2% YoY to 4.3%, the highest rate since the 2008 financial crisis.



This week's key events

	Period	Prev.	Cons.
30 Oct GDP YoY (P)	Q3	2.1%	1.8%
31 Oct Headline inflation YoY	Oct	2.1%	2.1%

UNITED KINGDOM

Business sentiment deteriorated according to the Confederation of British Industry's (CBI) latest Industrial Trends Survey as the clock ticks down towards Brexit-day. Manufacturing new orders slid at their fastest pace in three years in the quarter to October, reflecting weaknesses both in domestic and export orders. The survey indicated that output growth was stable in the three months to October but was expected to be flat over the coming quarter.

Mortgage approvals for house purchases dropped to a six-month low of 38.5k in September, down 6.7% YoY.

Brexit worries has prompted an increase in personal deposits, up 0.9% YoY in September, with a preference for cash for immediate use. Instant access deposit levels grew 3.1% YoY



This week's key events

	Period	Prev.	Cons.
31 Oct GfK consumer confidence	Oct	-9	-10
01 Nov Manufacturing PMI	Oct	53.8	53

UNITED STATES

Manufacturing confidence gained ground in October, according to the preliminary PMI estimates up from 55.6 to 55.9. The Services estimate came in up from 53.5 to 54.7, thus sending the composite reading up from 53.9 to 54.8, still well above the crucial 50.0 no-change threshold.

Durable goods demand (ex. transport) was slower in September, up only by a modest 0.1% MoM after 0.3% (data revised) in August. Non-defence capital goods (ex. aircraft), a closely followed proxy for business spending plans, dipped 0.1% in September after -0.2% (data revised) in August.

Last week, the number of people filling for unemployment benefits rose from 210k to 215k despite an unchanged 4-week average measure at 212k, i.e. close to historical lows.



This week's key events

	Period	Prev.	Cons.
02 Nov Average earnings YoY	Oct	2.8%	23.1%
02 Nov Trade balance deficit (\$bn)	Sep	53.2	52.2

ASIA & EMERGING COUNTRIES

In Japan, manufacturing confidence edged up from 52.5 to 53.1 in October with an acceleration in output, new orders and employment. According to the report, export sales rose for the first time since May, despite the growing concern around global trade tensions.

In South Korea, GDP growth decelerated from 2.8% YoY to 2.0% in Q3, slightly lower than expectations but in line with Q2's 0.6% QoQ growth. Higher private consumption and exports offset the plunge in construction investment (-6.4% QoQ).



This week's key events

	Period	Prev.	Cons.
29 Oct Japan: Retail sales YoY	Sep	2.7%	2.0%
31 Oct Japan: Industrial output MoM	Sep	0.2%	-0.2%

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	-1 bp	United States (3-7yr)	0,3 % ↑	0,0 %	-1,1 %	-1,3 %
3mth Euribor (EUR)	-32 bp	0 bp →	0 bp	1 bp	1 bp	United Kingdom (3-7yr)	0,5 % ↑	0,3 %	0,1 %	0,8 %
3mth Libor (USD)	251 bp	4 bp ↑	17 bp	81 bp	113 bp	Germany (3-7yr)	0,1 % ↑	-0,1 %	0,5 %	0,2 %
3mth Libor (GBP)	81 bp	0 bp →	2 bp	29 bp	39 bp	Japan (3-7yr)	0,1 % ↑	-0,1 %	-0,1 %	0,0 %
10-year US Treasury bond	314 bp	-4 bp ↓	rke	73 bp	69 bp					
10-year German bond	40 bp	-3 bp ↓	1 bp	-3 bp	-9 bp					
10-year French bond	77 bp	-3 bp ↓	8 bp	-1 bp	-11 bp					
10-year UK bond	144 bp	-10 bp ↓	17 bp	26 bp	4 bp					

Equities**					
	Last	1w k	3mth	YTD	12mth
MSCI AC World	481	-2,7 % ↓	-7,3 %	-4,3 %	-0,1 %
Eurostoxx 50	3 164	-1,5 % ↓	-8,5 %	-6,7 %	-8,7 %
DAX	11 307	-2,4 % ↓	-10,1 %	-12,5 %	-12,7 %
CAC 40	5 032	-1,7 % ↓	-7,1 %	-2,5 %	-3,3 %
S&P500	2 706	-2,3 % ↓	-4,5 %	2,8 %	7,9 %
FTSE 100	7 004	-0,3 % ↓	-7,4 %	-5,6 %	-2,0 %
SMI	8 706	-0,8 % ↓	-3,4 %	-4,0 %	-0,8 %
Topix	1 601	-6,1 % ↓	-7,9 %	-10,2 %	-6,6 %
IBOV Brazil	84 084	0,3 % ↑	4,8 %	10,1 %	9,7 %
MICEX Russia ***	2 332	-2,0 % ↓	2,1 %	10,5 %	13,8 %
MSCI EM	949	-2,2 % ↓	-12,3 %	-16,0 %	-12,4 %
SENSEX 30 India	33 690	-3,0 % ↓	-8,3 %	0,8 %	3,2 %
Hang Seng (H-K)	24 994	-1,8 % ↓	-12,8 %	-13,6 %	-8,6 %
Shanghai Composite	2 604	4,7 % ↑	-10,3 %	-21,3 %	-23,3 %

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

Exchange rates					
	Last	1w k	3mth	YTD	12mth
EUR/USD	1,14	-0,7 % ↓	-3,0 %	-5,3 %	-3,7 %
EUR/CHF	1,14	-0,3 % ↓	-2,3 %	-2,8 %	-2,7 %
GBP/USD	1,28	-1,5 % ↓	-2,8 %	-5,1 %	-3,4 %
USD/JPY	112	0,2 % ↑	1,3 %	-0,2 %	-1,2 %
USD/BRL	3,71	-0,4 % ↓	0,5 %	11,9 %	14,6 %
USD/CNY	6,95	0,2 % ↑	2,6 %	6,8 %	4,7 %
USD/RUB	65,6	-0,3 % ↓	4,4 %	13,8 %	13,6 %

Commodities					
	Last	1w k	3mth	YTD	12mth
Brent	\$77	-3,4 % ↓	4,0 %	15,5 %	31,8 %
Gold	\$1 229	0,2 % ↑	0,1 %	-5,7 %	-3,7 %
Silver	\$14,6	-0,1 % →	-6,0 %	-14,0 %	-13,5 %

Performance should not be seen as a guarantee of future returns. Source: Datastream. 25 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	1.14
GBP/USD	1.28
EUR/CHF	1.14
USD/JPY	112
Brent	\$77
Gold	\$1229

Source: Datastream. On 25 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 26.10.2018.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	93,74%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	103,03%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	96,88%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,90%
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	97,96%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	100,03%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	98,97%
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	74,94%
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	94,10%
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	83,55%
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	62,99%
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	91,97%
14	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	83,74%
15	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	75,56%
16	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	74,14%
17	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	71,36%
18	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	72,55%
19	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	67,84%
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	84,62%
21	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	97,01%
22							

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 26.10.2018.)

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	97,44%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	78,25%
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	88,57%
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	75,84%
5	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	85,78%
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	72,65%
7	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	73,18%
8	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	76,15%
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	93,39%
10	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	73,12%
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	59,53%
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	94,01%
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	81,13%
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	73,15%
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	92,84%
16	XS1669454537	1Y EUR PH+ 75% STM FP 4,80% P.S.	ST Microelectronics	EUR	4,80% p.s.	20/11/2018	56,41%
17	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	80,93%
18	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	84,88%
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	78,67%
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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