

# Weekly Newsletter



## MARKET OVERVIEW

### EUROZONE

The unemployment remained steady in February at 7.8% – a decade low.

### UNITED KINGDOM

Construction PMI saw little improvement, up from 49.5 to 49.7, slightly below expectations, and commercial construction remained weak with projects on hold.

### UNITED STATES

Retail sales slowed down from 0.7% MoM to -0.2% in February.

### ASIA & EMERGING COUNTRIES

As expected, India cut its benchmark repo rate by 25 bp to 6.0%.

### THEME OF THE WEEK

China – private enterprise with socialist characteristics

7  
The final furlong?

## SUMMARY

### INVESTMENT & MARKETS OVERVIEW

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### GLOSSARY

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Observation date in next two weeks			
ISIN	TICKER		DATE
XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI		08/04/2019
XS1816572199	18M USD PHOENIX PLUS 80% VK MT		08/04/2019
XS1816573247	5Y EUR PH+ WO 75% SX7E SXPP SXDP 0,39% P.M.		08/04/2019
XS1574472384	3Y EURQ PHOENIX PLUS WORST OF 50% HUI SX5E 1.10% P.Q. 21042020		11/04/2019
XS1417403265	3Y USD FLOORED CAPPED FLOATER 100%KG [3.00%;{USDLIB3M;1.00%}] 12102019		12/04/2019
XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q.		15/04/2019
XS1669740976	3Y USDQ PH+ SD WO 70% 2914 JT		16/04/2019
XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP		17/04/2019
XS1778379898	7 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q.		22/04/2019



## China – private enterprise with socialist characteristics

According to the International Monetary Fund, China overtook the United States in 2014 to become the world's largest economy in purchasing power parity terms. With China growing at twice the US pace today, it represents the largest single contribution to global growth. More recently, equity index provider MSCI announced a three-stage tripling in the weight given to Chinese domestic A shares in its indices. And then last weekend, Bloomberg confirmed that Chinese government bonds were soon to be included in its benchmark indices. China is already one of the largest, most liquid financial markets in the world. In coming years, it is set to become one of the key allocations in global portfolios. Increasingly, China matters. So what is going on?

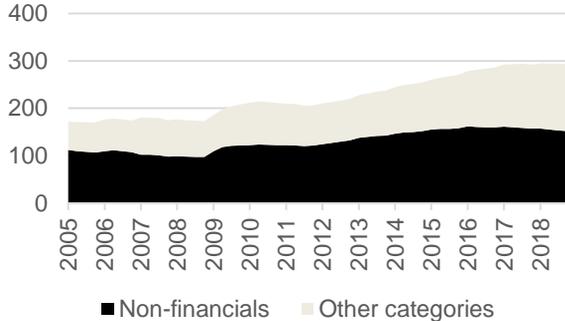
Much recent commentary has focused on the damage wrought to Chinese output by the ongoing trade war with the United States. Here, recent news has been rather encouraging. Last week's talks in Beijing have been followed by a trip this week to Washington by a delegation led by Chinese vice-premier Liu He, who also met President Trump before leaving. Although we are sceptical that all tariffs imposed will be cancelled, the hope that the period of escalation might soon be over has bolstered risk appetite in global markets.

Given the trade-led slowdown, China has embarked on a number of policy easing initiatives. In the main, these have largely disappointed western investors perhaps hoping for the scale of policy response provided by China in the aftermath of the Great Recession of 2008-2009. On the contrary, we would argue that this should be viewed as positive news. The previous rounds of stimulus were heavily debt-financed – since 2007, Chinese corporate debt (mainly owed by SOE, or state-owned enterprises) has increased from 97.9% to 152.1% of GDP (source: IIF, Q4 2018).

Chinese authorities have long been worried about the macro-prudential risks posed by over-dependence on debt and have decided that this round of stimulus should be different in nature. This time, China has focused its attention on the private sector. This makes sense – privately-owned companies account for some 90% of all exports, 80% of urban employment and over 60% of GDP. However, the private sector only represents around 23% of all types of corporate borrowing.

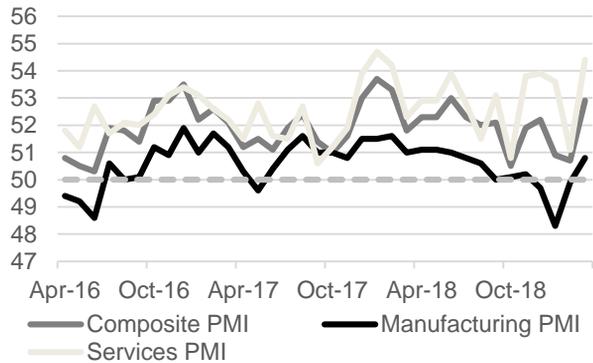
In terms of monetary policy, the People's Bank of China has made regular cuts to reserve ratio requirements for banks, targeting its efforts to free up new lending capacity for the private sector. And taxes have been cut, most recently value-added tax for manufacturing businesses (from 16% to 13%) and for transportation and construction (down 1 point to 9%). Given that private sector represents around 60% of VAT payments and that it is concentrated in higher-band activities, it stands to be the prime beneficiary of this year's cuts.

**Rapid increase in SOE debt**  
Debt in % of GDP



Source: Institute of International Finance, data as at Q4 2018

**Signs of improvement in corporate confidence**  
Purchasing Manager's Index (PMI)



Sources: Macrobond, IHS Markit, data as at 03/04/2019



## EUROZONE

- March Manufacturing PMI fell from 49.3 to 47.5, hitting a 6-year low according to final data. New orders saw their biggest monthly decline since late-2012. Even if Services PMI rose from 52.8 to 53.3, the Composite reading declined from 51.9 to 51.6.
- Both flash headline (1.4% YoY) and core inflation (0.8% YoY) slowed and printed below expectations in March. Meanwhile, producer prices rose from 2.9% YoY to 3.0%, indicating few signs of inflationary pressures.
- The unemployment remained steady in February at 7.8% – a decade low.
- Retail sales rebounded from 2.2% YoY to 2.8% in February against expectations for 2.3% – their best pace in more than a year.

## UNITED STATES

- Retail sales slowed down from 0.7% MoM to -0.2% in February.
- March ISM Manufacturing PMI rebounded from 54.2 to 55.3 with New orders, Production and Employment components expanding. Economic activity in the Non-Manufacturing sector expanded for the 110th consecutive month but at a slower rate, from 59.7 to 56.1. The survey concluded that respondents remain mostly optimistic about overall business conditions but still have underlying concerns over employment resources and capacity constraints.
- Ex-transport durables goods new orders rose 0.1% MoM in February after -0.1%.
- Total nonfarm private employment rose 129k in March after 197k, according to the ADP survey.

## UNITED KINGDOM

- Manufacturing PMI surged 3 points to 55.1 in March (13-month high) whereas expectations were for a decline to 51.2. The report highlighted the fact that Stocks of inputs and finished goods rose at record rates.
- Against expectations for 50.9, Services PMI slipped from 51.3 to 48.9 – below the 50.0 no-change mark for the first time since July 2016. New orders fell for the third straight month while prices charged rose at their slowest pace since June 2017 given clients delay spending decisions over political worries.
- Construction PMI saw little improvement, up from 49.5 to 49.7, slightly below expectations, and commercial construction remained weak with projects on hold.

## ASIA & EMERGING MARKETS

- China's official Manufacturing PMI rebounded from 49.2 to 50.5 in March (a 6-month high), outperforming expectations for 49.5. The Caixin/Markit Manufacturing PMI ticked up from 49.9 to 50.8, against expectations for no changes.
- Japanese Manufacturing PMI rose from 48.9 to 49.2 in March while the Services PMI declined from 52.3 to 52.0.
- The Japanese Q1 Tankan survey on large manufacturing firms indicated current conditions have worsened (from 19 to 12) while forecasts also pointed to less optimism (from 15 to 8). Non-manufacturing firms are less pessimistic with current conditions falling from 24 to 21 and forecasts unchanged at 20.
- As expected, India cut its benchmark repo rate by 25 bp to 6.0%.

## This week's key events

		Per.	Prev.	Cons.
<b>EUROZONE</b>				
08 Apr.	Sentix investors sentiment	Apr.	-2.2	-1.7
10 Apr.	ECB meeting (Refi. Rate)	--	0.0%	0.0%
12 Apr.	Industrial production YoY	Feb .	-1.1%	-1.0%
<b>USA</b>				
10 Apr.	Core inflation YoY	Mar.	2.1%	2.1%
10 Apr.	Headline inflation YoY	Mar.	1.5%	1.8%
11 Apr.	Initial jobless claims	1 Apr.	202k	--
<b>UNITED KINGDOM</b>				
10 Apr.	BRC retail sales YoY	Mar.	-0.1%	--
10 Apr.	GDP MoM	Feb.	0.5%	0.0%
10 Apr.	Industrial output YoY	Feb.	-0.9%	-0.8%
<b>ASIA &amp; EMERGING MARKETS</b>				
10 Apr.	Japan: Machinery orders YoY	Feb.	-2.9%	-5.2%
10 Apr.	China: Total social financing (CNY bn)	Mar.	703	1850
11 Apr.	China: Headline inflation YoY	MAr.	1.5%	2.3%

Sources: DataStream, Bloomberg 5 April 2019, 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

Interest rates							Government bonds*					
	Last	1wk	3mth	YTD	12mth		1wk	3mth	YTD	12mth		
EONIA (EUR)	-37 bp	0 bp	→	0 bp	-1 bp	-1 bp	United States (3-7yr)	-0,5 %	↓	1,3 %	1,5 %	4,1 %
3mth Euribor (EUR)	-31 bp	0 bp	→	0 bp	0 bp	2 bp	United Kingdom (3-7yr)	-0,2 %	↓	0,8 %	0,8 %	2,5 %
3mth Libor (USD)	259 bp	0 bp	→	-22 bp	-22 bp	26 bp	Germany (3-7yr)	-0,1 %	↓	0,5 %	0,6 %	1,6 %
3mth Libor (GBP)	83 bp	0 bp	→	-8 bp	-8 bp	9 bp	Japan (3-7yr)	-0,2 %	↓	-0,1 %	0,1 %	0,2 %
10-year US Treasury bond	251 bp	12 bp	↑	-15 bp	-18 bp	-28 bp						
10-year German bond	-1 bp	7 bp	↑	-21 bp	-25 bp	-51 bp						
10-year French bond	37 bp	6 bp	↑	-33 bp	-34 bp	-36 bp						
10-year UK bond	109 bp	9 bp	↑	-19 bp	-18 bp	-28 bp						

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

Exchange rates						
	Last	1wk	3mth	YTD	12mth	
EUR/USD	1,12	0,0 %	→	-1,5 %	-2,2 %	-8,6%
EUR/CHF	1,12	0,3 %	↑	-0,2 %	-0,4 %	-4,9%
GBP/USD	1,31	0,3 %	↑	2,7 %	2,5 %	-7,1%
USD/JPY	111,7	0,9 %	↑	2,9 %	1,9 %	4,6%
USD/BRL	3,86	-1,1 %	↓	3,9 %	-0,6 %	15,9%
USD/CNY	6,72	-0,3 %	↓	-2,2 %	-2,3 %	6,5%
USD/RUB	65,4	0,7 %	↑	-3,3 %	-6,2 %	13,9%

Equities**						
	Last	1wk	3mth	YTD	12mth	
MSCI AC World	517	2,5 %	↑	13,2 %	14,3 %	5,4 %
Eurostoxx 50	3 442	3,8 %	↑	13,8 %	15,3 %	7,0 %
DAX	11 988	4,9 %	↑	11,3 %	13,5 %	0,3 %
CAC 40	5 464	3,2 %	↑	15,6 %	15,8 %	9,8 %
S&P 500	2 879	2,3 %	↑	14,3 %	15,5 %	11,1 %
FTSE 100	7 402	2,5 %	↑	9,7 %	11,5 %	10,0 %
SMI	9 564	1,8 %	↑	12,6 %	14,9 %	15,4 %
Topix	1 620	2,4 %	↑	11,4 %	9,7 %	-2,8 %
IBOV Brazil	96 313	2,0 %	↑	4,9 %	9,6 %	14,2 %
MICEX Russia ***	2 536	1,7 %	↑	5,4 %	7,5 %	11,9 %
MSCI EM	1 081	3,4 %	↑	12,4 %	12,3 %	-3,8 %
SENSEX 30 India	38 685	0,4 %	↑	8,6 %	7,5 %	18,6 %
Hang Seng (H-K)	29 936	4,1 %	↑	17,3 %	16,3 %	5,0 %
Shanghai Composite	3 247	8,4 %	↑	29,1 %	30,2 %	3,7 %

Commodities						
	Last	1wk	3mth	YTD	12mth	
Brent	\$69,7	3,8 %	↑	22,5 %	31,3 %	2,9 %
Gold	\$1 288	-0,2 %	↓	0,4 %	0,5 %	-3,7 %
Copper	\$6 437	1,2 %	↑	9,2 %	8,2 %	-3,8 %

### Thursday close

EUR/USD	1.12
GBP/USD	1.31
EUR/CHF	1.12
USD/JPY	111.7
Brent(barrel)	\$69.7
Gold (ounce)	\$1288

Performance should not be seen as a guarantee of future returns. Source: Datastream 04/04/2019. \*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.

## OTP banka structured products (pricing as of 8.4.2019.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	94,81%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,60%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	98,48%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,95%
5	XS1334783617	AUD CAPPED & FLOORED FLOATER NOTE	AUD-BBR-BBSW	AUD	2,10% p.a.	29/04/2019	99,95%
6	XS1367217558	USD FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,50% p.a.	01/07/2021	98,20%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	101,38%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	100,09%
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	85,47%
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	100,75%
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	83,39%
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	73,74%
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	95,96%
14	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	85,06%
15	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	77,36%
16	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	74,60%
17	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	39,78%
18	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	36,49%
19	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	35,43%
20	XS1816573247	5Y EUR PH+ WO 75% SX7E SXPP SXDP 0,33% P.M-SG CIB	WO SX7E SXPP SXDP	EUR	0,39% p.m	15/06/2023	88,36%
21	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	98,13%
22	XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP CIB	WO TUI, BKNG, TRIP	EUR	0,95% p.m.	24/10/2020	64,62%
23	XS1864726242	4Y USD CAPPED AND FLOORED FLOATER	USD LIBOR 3M	USD	2,0% p.a.	26/10/2022	98,12%
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	98,69%
25	XS1864640286	3 Y USD PHOENIX PLUS WO FP RDS PUT LEVERAGE 60% SGCIB	Total, RDS	USD	1,80% p.q.	01/11/2021	98,83%
26	XS1864598906	5 Y EUR PHOENIX PLUS ON SX7E SGCIB	Eurostoxx Banks	EUR	1,31% p.q.	13/11/2023	93,20%

**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 8.4.2019.)

	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	103,50%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q.06012020	Daimler	USD	2,40% p.q.	06/01/2020	85,91%
3	XS1533380355	5Y EUR PHOENIX PLUS 50% CO FP 1,81% P.Q. NC2Q.12052022	Casino Guichard	EUR	1,81% p.q.	12/05/2022	78,40%
4	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	99,64%
5	XS1555608782	5Y USDQ PHOENIX PLUS STEP DOWN 50% CO FP 2,20% P.Q.	Casino Guichard	USD	2,20% p.q.	16/05/2022	75,67%
6	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	90,48%
7	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q.06062022	BNP	EUR	2,18% p.q.	06/06/2022	73,25%
8	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	74,47%
9	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	59,59%
10	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	97,87%
11	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	101,57%
12	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	71,47%
13	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	82,14%
14	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	79,07%
15	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	74,96%
16							
17							
18							
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/ 100<sup>th</sup> 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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