

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

In Germany, the Ifo survey revealed a deterioration for both current and expectations for business conditions, with the headline release falling from 99.7 to 99.2, against 99.9 expected.

UNITED KINGDOM

Public sector net borrowing (ex. state-owned banks) stood at £1.7bn in March, or £0.9bn higher than in March 2018, i.e. the lowest March borrowing since 2006

UNITED STATES

Last week, initial jobless claims reached 230,000, up 37,000 over the week and a 10-week high.

ASIA & EMERGING COUNTRIES

Unsurprisingly, the Bank of Japan maintained rates unchanged at -0.1%.

THEME OF THE WEEK

Central bank independence under fire

Is the final furlong?

SUMMARY

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Observation date in next two weeks		
ISIN	TICKER	DATE
XS1405915569	3Y AUD FLOORED CAPPED FLOAT 100%KG [5.00%(AUDLIBOR3M;2.10%)] 16052019	16/05/2019
XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP	17/05/2019
XS1759355412	3 Y EUR PHOENIX PLUS 60% WO ISP UCG 1,95% p q	20/05/2019
XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	22/05/2019
XS1797182869	18M EUR PHOENIX PLUS 80% VK MT	24/05/2019
XS1706791214	3Y EUR PHOENIX PLUS 60% WO EDF BNP CO 1,91% P.Q.	27/05/2019



Spotlight back on trade

In recent months, we have observed growing investor confidence that a trade deal would be struck quickly between the US and Chinese presidents. One measure of this conviction has been the marked outperformance of those US stocks which are most heavily dependent on trade with China. It is therefore hardly surprising that last week-end's announcement by Donald Trump that higher tariffs would be charged from now on generated such a spike in risk aversion. Is the trade deal dead ?

At the time of writing (May 9, p.m.), the likelihood remains high that the US president will push ahead with his threat to hike the current 10% tariffs to 25% on around USD 200bn of imports from China. Bilateral negotiations will continue but there is little time for meaningful progress on the major stumbling points. Unless there is another U-turn, the additional tariffs will apply

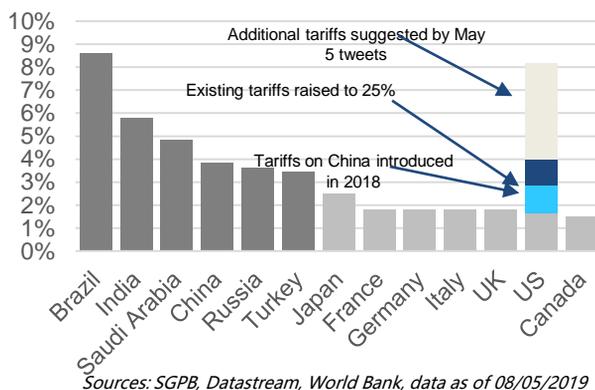
from 12:00 p.m. Washington time on May 10. In addition, President Trump has threatened to impose 25% tariffs on all remaining imports from China (some USD 325bn in total), although no deadline has been set as yet. The radical shift in US attitudes appears to have been sparked by the conviction that Chinese negotiators had begun to backtrack on previous commitments, on areas such as the protection of intellectual property rights. The White House administration's decision to increase pressure on China seems designed to underline the importance of concluding a « good deal » on trade, i.e. one which would be seen to protect the interests of US workers. In order to maximise negotiating leverage, both parties need to be seen to be able to walk away from talks if necessary.

The outlook for the US and Chinese economies remains robust. Chinese stimulus appears to be underpinning activity.

Business confidence surveys have improved, taxes have been cut and demand has picked up, as illustrated by the unexpected bounce in imports last month. In the US, Q1 corporate reports show robust topline growth, while last Friday's payroll report saw better-than-expected job creation.

However, both sides need a deal. China is in the midst of dealing with over-extended borrowing by large state-owned enterprises (SOEs). Punitive tariffs on exports to the US would hit many privately-owned businesses on which China is counting to take up the slack as SOEs deleverage. And for the US president, retaliatory measures by China are denting export demand in areas such as agricultural products. The slump in soybean sales to China affects many rural states which voted Trump in 2016 – an unwelcome factor in the run-up to the 2020 campaign.

US tariff levels would surpass many EM Weighted mean of tariff rate applied on all products



US stocks exposed to China have recovered Baskets of large caps with high share of revenues from

Baskets of 50-100 large caps with high overseas exposition
Net return rebased 100 from 2018 peak

	US stocks exposed to China	China stocks exposed to US	EU stocks exposed to China
Drawdown			
Trade war climax	-14%	-13%	-15%
Current (08/05/2019)	-4%	-7%	-10%

Sources: SGPB, Macrobond, data as of 08/05/2019



EUROZONE

- According to preliminary data, Q1 economic growth outpaced April final Services PMI data were revised up to 52.8 from 52.5, still lower than 53.3 hit in March. Italy and Spain saw a deterioration while France and Germany print improved. The Composite PMI thus edged higher from 51.3 to 51.5 – albeit slightly lower than March's 51.6.
- Investor sentiment beat expectations in May, rising for the third straight month to a six-month high of 5.3.
- March retail sales grew 1.9% YoY but were unchanged from February.
- German orders (+0.6% MoM, from -4.0%) and output (+0.5% MoM, from 0.4%) recovered somewhat in March but less than expected.

UNITED STATES

- Labour market remains buoyant as jobs openings rose to 7.49 (above expectations) from 7.14m in March, with +363,000 jobs in the private sector.
- Non-manufacturing ISM eased a bit in April at 55.5 down from 56.1 while remaining comfortably high.
- Consumer sentiment improved for the third consecutive month according to the Reuters/Ipsos index, rising to 62.6 in May from 60.7.
- After declining for several consecutive weeks, mortgage applications reversed course for the week ending May 3, rising from -4.3% to 2.7% – its highest print in 5 weeks

UNITED KINGDOM

- According to the British Retail Consortium, like-for-like retail sales rose from -1.1% YoY to 3.7% – its fastest pace in 2 years mostly attributable to Easter's timing.
- House prices annual growth rate reached a 2-year high, rising from 2.6% to 5.0% in the 3 months to April, according to Halifax data.

ASIA & EMERGING MARKETS

- Chinese exports declined 2.7% YoY (from 14.2%) while imports rose 4.0% (from -7.6%) in April, sending the trade balance surplus down from \$32.7bn to 13.8bn. In accordance with market expectations, headline inflation rose from 2.3% YoY to 2.5% in April, while producer prices edged up from 0.4% YoY to 0.9%. Meanwhile, M2-money supply slightly lost speed to 8.5% YoY in April from 8.6% and total social financing slowed more than expected from CNY2.9trn to 1.4trn.
- In Japan, April final manufacturing PMI has been revised up from 49.5 to 50.2 and swung above the 50-threshold for the first time since January. In the meantime, Services PMI saw a second straight month of deterioration, down from 52.0 to 51.8 – still in expansion territory. Consumer confidence index remained flat in April after a 1-year ongoing decline.

This week's key events

		Per.	Prev.	Cons.
EUROZONE				
14 May	Industrial production MoM	Mar	-0.2%	--
15 May	Germany: GDP QoQ	Q1 (F)	0.0%	--
17 May	Headline inflation YoY	Apr (F)	1.4%	--
USA				
15 May	Retail sales MoM	Apr	1.6%	0.2%
15 May	Industrial production MoM	Apr	-0.1%	0.2%
15 May	New York Fed manufacturing	May	10.1	10.5
UNITED KINGDOM				
14 May	Unemployment rate	Mar	3.9%	--
14 May	3M average weekly earnings YoY YoY	Mar	3.5%	--
17 May	Car registrations YoY	Apr	-3.4%	--
ASIA & EMERGING MARKETS				
15 May	China: Retail sales YoY	Apr.	8.7%	8.6%
15 May	China: Industrial output YoY	Apr.	8.5%	6.5%
17 May	Russia: GDP YoY	Q1 (P)	2.7%	--

Sources: DataStream, Bloomberg 09 May 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

OTP banka structured products (pricing as of 13.5.2019.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	95,04%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,51%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	96,85%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	97,28%
5	XS1334783617	AUD CAPPED & FLOORED FLOATER NOTE	AUD-BBR-BBSW	AUD	2,10% p.a.	29/04/2019	100,00%
6	XS1367217558	USD FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,50% p.a.	01/07/2021	98,49%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	101,54%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,71%
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	84,66%
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	98,31%
11	XS1706791214	3Y EUR PHOENIX PLUS 60% WO EDF BNP CO 1,91%	WO EDF BNP CO	EUR	1,91% p.q.	04/12/2020	81,62%
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	68,68%
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	95,16%
14	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	81,05%
15	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	73,43%
16	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	70,67%
17	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	37,76%
18	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	36,48%
19	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	34,03%
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	82,29%
21	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	98,52%
22	XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP CIB	WO TUI, BKNG, TRIP	EUR	0,95% p.m.	24/10/2020	67,35%
23	XS1864726242	4Y USD CAPPED AND FLOORED FLOATER	USD LIBOR 3M	USD	2,0% p.a.	26/10/2022	97,64%
24	XS1864598906	5 Y EUR PHOENIX PLUS ON SX7E SGCIB	Eurostoxx Banks	EUR	1,31% p.q.	13/11/2023	89,39%
25							
26							

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 13.5.2019.)

	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	101,41%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q.06012020	Daimler	USD	2,40% p.q.	06/01/2020	80,13%
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	72,50%
4	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	96,23%
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	69,47%
6	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	71,78%
7	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q.06062022	BNP	EUR	2,18% p.q.	06/06/2022	74,74%
8	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	64,49%
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	59,65%
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	98,08%
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	102,40%
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	61,48%
13	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	82,25%
14	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	64,71%
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	61,28%
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/ 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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