

# Weekly Newsletter



## MARKET OVERVIEW

### EUROZONE

- Manufacturing confidence slid again to 50.5 in January after 51.4 in December.

Unemployment was unchanged at 7.9% in January, the lowest since 2008.

### UNITED KINGDOM

- According to Nationwide, growth in house prices decelerated from 0.5% YoY to 0.1% in January – the slowest in almost six years.

### UNITED STATES

- The unemployment rate ticked up to 4.0% after 3.9% in December. Average hourly earnings were up 3.2% YoY.

### ASIA & EMERGING COUNTRIES

- In China, the official composite PMI rose from 52.6 to 53.2 in January, boosted by services (up from 53.8 to 54.7) while manufacturing confidence stabilised just under the 50-threshold.

### THEME OF THE WEEK

Time to turn more cautious

## SUMMARY

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### GLOSSARY

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Observation date in next two weeks		
ISIN	TICKER	DATE
	5Y USDQ PHOENIX PLUS STEP DOWN 50% CO FP 2,20% P.Q. NC2Q	
XS1555608782	16052022	04/02/2019
	2Y USD PH+ WO GG NEM ABX 2,40%	
XS1513289469	P.Q	04/02/2019
	5 Y EUR PHOENIX PLUS SX7E 60%	
XS1864598906	1,25% p.q.	05/02/2019
	2 Y EUR PHOENIX PLUS WO CS BNP	
XS1622812326	INGA 7,62% P.S	07/02/2019
XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	08/02/2019
	18M USD PHOENIX PLUS 80% VK MT 5Y EUR PH+ WO 75% SX7E SXPP SXDP	
XS1816572199	0,39% P.M.	08/02/2019
XS1816573247		08/02/2019



## Time to turn more cautious

**The sharp market rally in January may not pull the market for the rest of the year.** Risky assets rebounded sharply in January following the massive sell-off late last year. Tighter financial conditions combined with weaker macro prints and rising political uncertainty weighed on market sentiment, prompting a correction. Markets were relieved by news that recession risks were overblown and the Federal Reserve's far more dovish tone, triggering a market rebound. At the current stage, we are not convinced the equity rally will continue much further given still high political risks and downside momentum for earnings and growth.

**Fading policy stimulus and political uncertainty are blurring the macro outlook.** Global economic growth will decelerate further in 2019. US fiscal stimulus is waning, and higher US interest rates will filter through. The trade war will continue to weigh on exports and business sentiment, though any US-China deal would boost sentiment. In China, economic activity has been hit by the trade war and further policy relaxation is still necessary to stabilize growth. In the euro area, the end of ECB asset purchases, limited room for fiscal expansion and faltering overseas demand will dampen activity this year. On top of this, a non-deal Brexit scenario would likely disrupt both the economy and the markets. In brief, macro risks remain skewed to the downside but a recession is not on the cards.

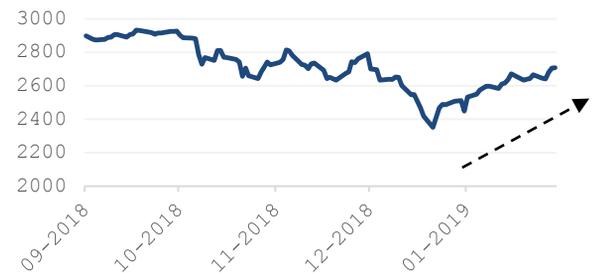
**Reallocating risk.** As long as growth momentum does not bottom out, we are reallocating our equity allocation to EM equities and lowering exposure to eurozone stocks. Eurozone equities remain the most exposed to domestic and external risks. Valuations are not cheap enough to provide a sturdy support. We reduce our exposure to Underweight. China has sufficient ammunition to mitigate the impact of the trade war. We expect a softer Fed stance to further fuel the dollar peak, and lead to a recovery in emerging market equities. Valuation has significantly eroded, and capital inflows are returning to emerging markets. A trade deal late February could unleash value on the equity market. We remain constructive on credit markets as moderate inflation risk, decent growth and low default risk pr

### Uncertainty is at its highest



Global uncertainty index, source: EPU, 04/02/2019

### Equity market rally won't last



S&P 500 share price, source: Yahoo Finance, 04/02/2019

### Putting it all together

- The market rebound has offered an opportunity to adjust equity risk allocation.
- Any further growth disappointment would again prompt equity divestment. US and emerging market equities will benefit from policy flexibility in these regions. In Europe, political and economic hurdles are likely to hold back investors for now, warranting our downgrade for eurozone equities.
- Diversification remains key to mitigate market risks.



# Food for thought

What happened last week?

## EUROZONE

According to preliminary figures, GDP growth was up 0.2% QoQ in Q4, as in Q3. YoY growth is now 1.2% after 1.6% YoY in Q3. Italy slipped into recession after GDP growth contracted QoQ for the second consecutive quarter (-0.2% after -0.1% in Q3).

As expected, headline inflation slowed from 1.6% to 1.4% YoY. Core inflation edged up from 1.0% to 1.1%, above forecasts.

Manufacturing confidence slid again to 50.5 in January after 51.4 in December.

Unemployment was unchanged at 7.9% in January, the lowest since 2008.

## UNITED STATES

The Federal Reserve left interest rates range unchanged at 2.25-2.5% and delivered a more dovish message.

Consumer confidence dropped more than expected from 126.6 to 120.2 in January, the lowest since July 2017.

ISM manufacturing confidence for January exceeded expectations at 56.6 versus 54.3.

January non-farm payrolls increased by 304'000, well above expectations, although December was revised sharply lower. The unemployment rate ticked up to 4.0% after 3.9% in December. Average hourly earnings were up 3.2% YoY.

## UNITED KINGDOM

The pace of growth in net consumer credit hit 6.6% YoY in December, the slowest since June 2014.

The GfK consumer confidence index for January disappointed at -14, the lowest since summer 2013.

According to Nationwide, growth in house prices decelerated from 0.5% YoY to 0.1% in January – the slowest in almost six years.

Manufacturing confidence slipped from 54.2 to 52.8 in January, missing expectations of 53.5.

## ASIA & EMERGING MARKETS

Manufacturing confidence in Japan was down 2.3 points in January to 50.3. The unemployment rate printed down from 2.5% to 2.4%.

In China, the official composite PMI rose from 52.6 to 53.2 in January, boosted by services (up from 53.8 to 54.7) while manufacturing confidence stabilised just under the 50-threshold.

In January, manufacturing confidence edged up from 53.2 to 53.9 in India. Meanwhile, Indonesia and South Korea contracted, from 51.2 to 49.9 and from 49.8 to 48.3, respectively.

## This week's key events

		Per.	Prev.	Cons.
<b>EUROZONE</b>				
04 Feb	Sentix investor sentiment index	Feb	-1.5%	-1.1%
05 Feb	Composite PMI	Jan (F)	50.7	50.7
05 Feb	Retail Sales YoY	Dec	1.1%	0.5%
<b>USA</b>				
05 Feb	ISM non-manufacturing PMI	Jan	58.0	57.2
06 Feb	Retail sales MoM	Dec	0.2%	0.2%
06 Feb	Foreign trade balance (\$bn)	Nov	-55.5	-54.0
<b>UNITED KINGDOM</b>				
04 Feb	Construction PMI	Jan	52.8	52.5
05 Feb	Services PMI	Jan	51.2	51.0
07 Feb	BoE bank rate	Feb	0.75%	0.75%
<b>ASIA &amp; EMERGING MARKETS</b>				
03 Feb	China: Caixin services PMI	Jan	53.9	53.4
05 Feb	Japan: Services PMI	Jan	51.0	--
06 Feb	Indonesia: GDP YoY	Q4	5.2%	5.1%

Sources: DataStream Bloomberg februar the 1<sup>st</sup> 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	Last	1wk	3mth	YTD	12mth
EONIA (EUR)	-36 bp	1 bp <span style="color: green;">↑</span>	-2 bp	0 bp	0 bp
3mth Euribor (EUR)	-31 bp	0 bp <span style="color: black;">→</span>	1 bp	0 bp	2 bp
3mth Libor (USD)	274 bp	-3 bp <span style="color: red;">↓</span>	18 bp	-7 bp	96 bp
3mth Libor (GBP)	91 bp	-1 bp <span style="color: red;">↓</span>	10 bp	0 bp	39 bp
10-year US Treasury bond	264 bp	-8 bp <span style="color: red;">↓</span>	-52 bp	-6 bp	-9 bp
10-year German bond	16 bp	-2 bp <span style="color: red;">↓</span>	-23 bp	-9 bp	-54 bp
10-year French bond	56 bp	-3 bp <span style="color: red;">↓</span>	-20 bp	-15 bp	-43 bp
10-year UK bond	122 bp	-5 bp <span style="color: red;">↓</span>	-22 bp	-5 bp	-29 bp

Credit	1wk	3mth	YTD	12mth
BAML EURO Corp. IG	0.1% <span style="color: green;">↑</span>	0.3%	0.7%	-0.2%
BAML EURO Corp HY	0.3% <span style="color: green;">↑</span>	-0.6%	1.8%	-2.3%
BAML GBP Corp IG	0.5% <span style="color: green;">↑</span>	0.7%	1.6%	0.1%
BAML US IG	0.9% <span style="color: green;">↑</span>	3.4%	2.1%	0.7%
BAML US HY	0.9% <span style="color: green;">↑</span>	1.4%	4.6%	1.6%
BAML Global EM Sov. External Plus	0.8% <span style="color: green;">↑</span>	5.2%	4.1%	-2.0%

Exchange rates	Last	1wk	3mth	YTD	12mth
EUR/USD	1.14	1.2% <span style="color: green;">↑</span>	1.2%	-0.2%	-7.8%
EUR/CHF	1.14	1.0% <span style="color: green;">↑</span>	-0.2%	1.1%	-1.6%
GBP/USD	1.31	0.3% <span style="color: green;">↑</span>	2.6%	2.7%	-7.7%
USD/JPY	109	-0.7% <span style="color: red;">↓</span>	-3.6%	-0.6%	-0.3%
USD/BRL	3.64	-3.4% <span style="color: red;">↓</span>	-2.1%	-6.1%	14.4%
USD/CNY	6.70	-1.3% <span style="color: red;">↓</span>	-3.9%	-2.6%	6.6%
USD/RUB	65.4	-0.5% <span style="color: red;">↓</span>	-0.7%	-6.2%	16.4%

Government bonds*	1wk	3mth	YTD	12mth
United States (3-7yr)	0.5% <span style="color: green;">↑</span>	3.1%	0.5%	3.2%
United Kingdom (3-7yr)	0.1% <span style="color: green;">↑</span>	0.8%	0.2%	2.0%
Germany (3-7yr)	-0.1% <span style="color: red;">↓</span>	0.6%	0.2%	2.1%
Japan (3-7yr)	0.0% <span style="color: black;">→</span>	0.3%	0.1%	0.4%

Equities**	Last	1wk	3mth	YTD	12mth
MSCI AC World	491	2.4% <span style="color: green;">↑</span>	1.9%	7.9%	-7.0%
Eurostoxx 50	3 159	1.3% <span style="color: green;">↑</span>	-0.6%	5.6%	-9.1%
DAX	11 173	0.4% <span style="color: green;">↑</span>	-2.4%	5.8%	-15.3%
CAC 40	4 993	2.5% <span style="color: green;">↑</span>	-1.6%	5.6%	-5.9%
S&P 500	2 704	2.4% <span style="color: green;">↑</span>	0.3%	8.0%	-2.3%
FTSE 100	6 969	2.2% <span style="color: green;">↑</span>	-1.6%	3.6%	-3.5%
SMI	8 969	0.4% <span style="color: green;">↑</span>	-0.6%	6.4%	-0.6%
Topix	1 567	1.0% <span style="color: green;">↑</span>	-4.6%	4.9%	-12.8%
IBOV Brazil	97 394	-0.3% <span style="color: red;">↓</span>	11.4%	10.8%	14.7%
MICEX Russia ***	2 521	1.6% <span style="color: green;">↑</span>	7.2%	6.9%	10.1%
MSCI EM	1 050	3.0% <span style="color: green;">↑</span>	10.3%	8.8%	-13.9%
SENSEX 30 India	36 257	0.2% <span style="color: green;">↑</span>	5.4%	0.5%	2.1%
Hang Seng (H-K)	27 942	3.1% <span style="color: green;">↑</span>	12.0%	8.1%	-12.0%
Shanghai Composite	2 585	-0.3% <span style="color: red;">↓</span>	-0.7%	3.6%	-25.7%

Commodities	Last	1wk	3mth	YTD	12mth
Brent(barrel)	\$62.3	2.0% <span style="color: green;">↑</span>	-17.8%	17.2%	-9.3%
Gold (ounce)	\$1 323	3.1% <span style="color: green;">↑</span>	8.8%	3.2%	-1.4%
Copper(ton)	\$6 151	4.4% <span style="color: green;">↑</span>	1.9%	3.4%	-13.1%

### Thursday close

EUR/USD	1.14
GBP/USD	1.31
EUR/CHF	1.14
USD/JPY	109
Brent(barrel)	\$62.3
Gold (ounce)	\$1323

Performance should not be seen as a guarantee of future returns. Source: Datastream februar the 1<sup>st</sup> 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 4.2.2019.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	94,39%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,84%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	96,64%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,85%
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	98,18%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	103,58%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,45%
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	82,66%
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	98,83%
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	83,22%
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	60,30%
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	93,13%
14	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	79,39%
15	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	69,67%
16	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	67,09%
17	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	25,55%
18	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	23,40%
19	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	23,06%
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	82,90%
21	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	97,48%
22	XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP CIB	WO TUI, BKNG, TRIP	EUR	0,95% p.m.	24/10/2020	92,89%
23	XS1864726242	4Y USD CAPPED AND FLOORED FLOATER	USD LIBOR 3M	USD	2,0% p.a.	26/10/2022	97,48%
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	96,10%
25	XS1864640286	3 Y USD PHOENIX PLUS WO FP RDS PUT LEVERAGE 60% SGCIB	Total, RDS	USD	1,80% p.q.	01/11/2021	96,15%
26	XS1864598906	5 Y EUR PHOENIX PLUS ON SX7E SGCIB	Eurostoxx Banks	EUR	1,31% p.q.	13/11/2023	89,25%

**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 4.2.2019.)

	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	100,17%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	82,54%
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	85,30%
4	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	93,94%
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	83,10%
6	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	87,48%
7	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	59,58%
8	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	97,97%
9	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	84,34%
10	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	51,95%
11	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	95,84%
12	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	101,17%
13	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	68,52%
14	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	99,38%
15	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	68,57%
16	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	78,00%
17	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	69,32%
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19							
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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/ 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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