

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

As expected, preliminary figures indicated that German headline inflation was unchanged for the third month in a row, at 1.7% YoY in February.

UNITED KINGDOM

Nationwide's house price index remains sluggish, up 0.4 % YoY in February, a small improvement from January's 0.1%. Brexit uncertainty continues to weigh on the economy.

UNITED STATES

According to preliminary figures, core personal consumption expenditure (PCE) prices increased slightly to 1.7% YoY in Q4, from 1.6% in the previous quarter.

ASIA & EMERGING COUNTRIES

In Japan, retail sales growth slowed to 0.6% YoY in January, down from 1.3%, missing the market consensus of 1.4%.

THEME OF THE WEEK

(Not-so-soft) Kashmir

SUMMARY

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Observation date in next two weeks		
ISIN	TICKER	DATE
XS1667711961	2 Y EUR PHOENIX PLUS RNO 2,0% p.q. 5 Y EUR PHOENIX PLUS 60% ACA	05/03/2019
XS1667712852	1,75% p.q.	08/03/2019
XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	08/03/2019
XS1816572199	18M USD PHOENIX PLUS 80% VK MT 5Y EUR PH+ WO 75% SX7E SXPP SXDP	08/03/2019
XS1816573247	0,39% P.M. 5Y USD FLOORED CAPPED FLOAT	08/03/2019
XS1314889129	100%KG 5Y EUR PH+ WO 75% SX5E CAC SMI	14/03/2019
XS1620557394	1,02% P.Q. 18M EUR PHOENIX PLUS 80% TUI	15/03/2019
XS1864698011	BKNG TRIP	18/03/2019

(Not-so-soft) Kashmir

Tensions over the disputed Kashmir province have long simmered between India and Pakistan. This week they boiled over. In retaliation to a mid-February suicide bombing attack by Pakistan-based terrorists, India carried out an airstrike on one of their training camps, prompting the first aerial combat between the neighbours since 1971. Given that both countries hold large nuclear arsenals, this conflict has rattled nerves across the world.

These tensions come just as India's general elections in April and May begin to loom. Incumbent Prime Minister Narendra Modi is under popular pressure to adopt a firm line with Pakistan, adding to the risks of a misstep and further escalation. In this context, the offer by his counterpart Imran Khan to release an Indian pilot captured during the dogfight is a welcome move. Why might Pakistan want to diffuse tensions?

Pakistan's role as a base for terrorist groups, such as the one which launched February's attack, has been a source of concern for its allies, in particular for China. **Pakistan is one of the largest beneficiaries of the Belt and Road Initiative (BRI)** via the \$62bn China-Pakistan Economic Corridor plan, involving expansion of a major port, rail and road links and new power plants.

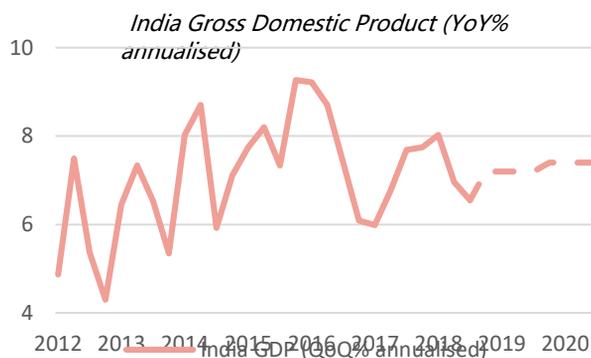
With BRI projects being mooted as targets by Pakistan-based terrorist groups, in reaction to China's treatment of its Muslim minorities, Mr Khan can ill afford to alienate his key ally by military action in defence of terrorists.

The tensions come at a time of slowing growth in India. GDP increased 6.6% QoQ annualised in Q4 2018 after 8.0% and 7.0% in the two previous quarters. Growth has been hit by last summer's spike in oil prices and by shrinkage in shadow banking. Since then however, oil prices have corrected and mainstream banks have increased lending. Also, the Reserve Bank of India cut rates unexpectedly on February 7 on the back of recent weakness in inflation. In addition, fiscal policy will remain supportive – the recent pre-election budget outlined an increase in the deficit to 3.4% of GDP, with populist measures such as cash handouts to India's 120 million small farmers.

There are now signs that these measures have begun to ease the headwinds – the February manufacturing Purchasing Managers Index jumped to 54.3, while the new order component hit the highest level since October 2016. For the fiscal year to March 2019, **our economists are expecting growth to hit 7.2%**, and 7.4% the following year.

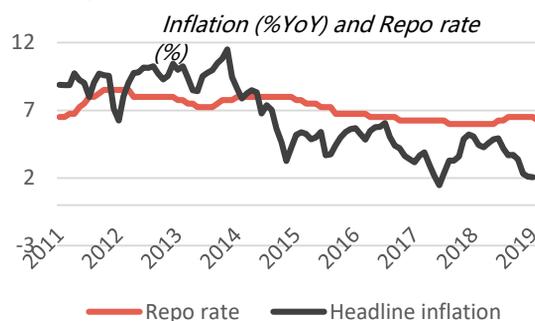
Mr Modi came to power on a platform to reform India's economy. Despite some disappointments, his government has made progress in key areas – 2016's demonetisation to clamp down on the informal economy by replacing certain banknotes and 2017's introduction of the Goods and Sales Tax to create a single market between states should prove lasting legacies.

Growth eased in H2 2018 but should rebound



Sources: Macrobond, Indian Ministry of Statistics, 28/02/2019

Slower inflation bodes well for RBI to cut rates



Sources: Macrobond, RBI, Indian Ministry of Statistics, 28/02/2019



What happened last week?

EUROZONE

- Eurozone economic confidence slipped for the eighth consecutive month to a new two-year low at 106.1 points in February, down from 106.3 in January. Business sentiment was more downbeat in terms of inventories, order books and production expectations. •
- As expected, preliminary figures indicated that German headline inflation was unchanged for the third month in a row, at 1.7% YoY in February. •
- According to INSEE, France's quarterly economic growth met expectations of 0.3% in Q42018. Foreign trade balance contributed 0.3 point to GDP growth, while changes in inventories detracted -0.2 point.

UNITED STATES

- GDP surprised to the upside at 2.6% YoY in Q4 2018, down from 3.4% in Q3 but above expectations thanks to higher investment. The Federal Reserve's cautious approach to future interest rate hikes suggested growth may remain stronger for longer than expected. •
- According to preliminary figures, core personal consumption expenditure (PCE) prices increased slightly to 1.7% YoY in Q4, from 1.6% in the previous quarter. •
- Chicago PMI bounced back significantly in February, printing at 64.7, vs 56.7 the previous month, beating expectations of 57.5.

UNITED KINGDOM

- GfK Consumer confidence bounced back by one point in February to -13. The index remains well below the level reached before the Brexit Referendum in June 2016. •
- The number of mortgages issued for house purchases rose to 40'634 in January, the highest since September 2017. Consumer credit growth picked up by 4.6% YoY. •
- Nationwide's house price index remains sluggish, up 0.4 % YoY in February, a small improvement from January's 0.1%. Brexit uncertainty continues to weigh on the economy.

ASIA & EMERGING MARKETS

- China's official Manufacturing PMI contracted to 49.2 in February, from 49.5 in January – the lowest since February 2016. •
- Japan's industrial output fell unexpectedly by -3.7% MoM in January, for the third month in a row and below market expectations of -2.5%, reflecting slowing demand in China. •
- In Japan, retail sales growth slowed to 0.6% YoY in January, down from 1.3%, missing the market consensus of 1.4%.

This week's key events

		Per.	Prev.	Cons.
EUROZONE				
04 Mar	Sentix Index	Mar	-3.7	-3.1
05 Mar	PMI composite	Feb	51.4	51.4
07 Mar	ECB refinancing rate	Mar	0.0%	0.0%
USA				
05 Mar	ISM Non-manufacturing	Feb	56.7	57.1
06 Mar	International trade bal. (\$bn)	Dec	-49.3	-51.3
07 Mar	Initial jobless claims	Mar 2	225k	--
UNITED KINGDOM				
05 Mar	CIPS Service PMI	Feb	50.1	50.1
05 Mar	BRC retail sales YoY	Feb	1.8%	--
ASIA & EMERGING MARKETS				
05 Mar	Japan: Services PMI	Feb	51.6	--
08 Mar	Japan: GDP QoQ	Q4 A	0.3%	--
08 Mar	China: trade balance (CNYbn)	Feb	271.16	--

Sources: DataStream, Bloomberg , 01 March 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	Government bonds*	1wk	3mth	YTD	12mth	
EONIA (EUR)	-37 bp	1 bp →	-2 bp	-1 bp	-1 bp	United States (3-7yr)	0,0 % →	2,2 %	0,4 %	3,4 %	
3mth Euribor (EUR)	-31 bp	0 bp →	1 bp	0 bp	2 bp	United Kingdom (3-7yr)	-0,4 % ↓	0,2 %	-0,1 %	1,8 %	
3mth Libor (USD)	262 bp	-4 bp ↓	-12 bp	-19 bp	60 bp	Germany (3-7yr)	-0,2 % ↓	0,2 %	0,0 %	1,6 %	
3mth Libor (GBP)	85 bp	-1 bp ↓	-4 bp	-6 bp	27 bp	Japan (3-7yr)	-0,1 % →	0,2 %	0,1 %	0,2 %	
10-year US Treasury bond	271 bp	2 bp ↑	-30 bp	2 bp	-16 bp						
10-year German bond	19 bp	6 bp ↑	-12 bp	-6 bp	-48 bp						
10-year French bond	58 bp	3 bp ↑	-11 bp	-13 bp	-35 bp						
10-year UK bond	130 bp	10 bp ↑	-6 bp	4 bp	-20 bp						
Credit		1wk	3mth	YTD	12mth	Equities**	Last	1wk	3mth	YTD	12mth
BAML EURO Corp. IG		0,1% →	1,9 %	1,7 %	0,9 %	MSCI AC World	503	0,4 % ↑	3,1 %	10,9 %	-0,3 %
BAML EURO Corp HY		0,8% ↑	3,7 %	4,1 %	0,7 %	Eurostoxx 50	3 298	1,1 % ↑	4,5 %	10,3 %	-0,6 %
BAML GBP Corp IG		-0,3% ↓	3,4 %	2,2 %	1,8 %	DAX	11 516	0,8 % ↑	2,3 %	9,1 %	-7,4 %
BAML US IG		0,1% ↑	4,0 %	2,5 %	2,6 %	CAC 40	5 241	0,9 % ↑	5,1 %	10,8 %	1,8 %
BAML US HY		0,5% ↑	4,0 %	6,4 %	4,3 %	S&P 500	2 784	0,4 % ↑	1,4 %	11,5 %	4,7 %
BAML Global EM Sov. External Plus		0,7% ↑	6,5 %	5,0 %	1,1 %	FTSE 100	7 075	-1,1 % ↓	2,3 %	6,0 %	2,2 %
						SMI	9 389	0,6 % ↑	3,9 %	11,4 %	9,1 %
						Topix	1 608	-0,3 % ↓	-3,4 %	7,7 %	-7,1 %
						IBOV Brazil	95 584	-1,4 % ↓	6,8 %	8,8 %	12,0 %
						MICEX Russia ***	2 485	0,6 % ↑	3,9 %	5,4 %	8,2 %
						MSCI EM	1 051	0,1 % →	6,2 %	9,0 %	-9,5 %
						SENSEX 30 India	35 867	0,0 % →	-0,8 %	-0,5 %	6,3 %
						Hang Seng (H-K)	28 633	0,0 % →	8,3 %	11,1 %	-3,8 %
						Shanghai Composite	2 941	6,9 % ↑	13,6 %	17,9 %	-9,8 %
Exchange rates	Last	1wk	3mth	YTD	12mth	Commodities	Last	1wk	3mth	YTD	12mth
EUR/USD	1,14	0,3 % ↑	0,5 %	-0,9 %	-6,8%	Brent	\$66,0	-1,7 % ↓	12,4 %	24,3 %	0,5 %
EUR/CHF	1,14	0,0 % →	0,4 %	0,8 %	-1,4%	Gold(Ounce)	\$1 316	-1,2 % ↓	7,9 %	2,7 %	-0,3 %
GBP/USD	1,33	1,6 % ↑	4,0 %	3,9 %	-3,6%	Copper(Ton)	\$6 556	2,5 % ↑	5,3 %	10,2 %	-4,9 %
USD/JPY	111	0,6 % ↑	-1,8 %	1,7 %	4,4%						
USD/BRL	3,75	-0,5 % ↓	-3,0 %	-3,3 %	15,6%						
USD/CNY	6,69	-0,4 % ↓	-3,8 %	-2,7 %	5,7%						
USD/RUB	66,0	0,5 % ↑	-1,7 %	-5,4 %	17,1%						

Thursday close

EUR/USD	1.14
GBP/USD	1.33
EUR/CHF	1.14
USD/JPY	111.4
Brent(barrel)	\$66.0
Gold (ounce)	\$1316

Performance should not be seen as a guarantee of future returns. Source: Datastream 28/02/2019. *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 4.3.2019.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	94,58%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,78%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	97,54%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	97,27%
5	XS1334783617	AUD CAPPED & FLOORED FLOATER NOTE	AUD-BBR-BBSW	AUD	2,10% p.a.	29/04/2019	99,83%
6	XS1367217558	USD FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,50% p.a.	01/07/2021	98,56%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	100,80%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,74%
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	84,86%
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	99,38%
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	89,28%
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	72,37%
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	95,33%
14	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	85,16%
15	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	78,03%
16	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	75,34%
17	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	43,36%
18	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	39,81%
19	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	39,43%
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	87,46%
21	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	97,82%
22	XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP CIB	WO TUI, BKNG, TRIP	EUR	0,95% p.m.	24/10/2020	70,52%
23	XS1864726242	4Y USD CAPPED AND FLOORED FLOATER	USD LIBOR 3M	USD	2,0% p.a.	26/10/2022	97,81%
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	97,48%
25	XS1864640286	3 Y USD PHOENIX PLUS WO FP RDS PUT LEVERAGE 60% SGCIB	Total, RDS	USD	1,80% p.q.	01/11/2021	97,72%
26	XS1864598906	5 Y EUR PHOENIX PLUS ON SX7E SGCIB	Eurostoxx Banks	EUR	1,31% p.q.	13/11/2023	94,00%

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 4.3.2019.)

	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	101,20%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q 06012020	Daimler	USD	2,40% p.q.	06/01/2020	84,78%
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	88,44%
4	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	97,91%
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	88,02%
6	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	83,26%
7	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q 06062022	BNP	EUR	2,18% p.q.	06/06/2022	75,11%
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	98,92%
9	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	90,64%
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	60,42%
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	97,20%
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	99,58%
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	71,66%
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	101,37%
15	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	82,65%
16	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	79,27%
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	72,49%
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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Risk level

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In order to draw our clients' attention to the risk associated with each investment solution, each product is classified according to its specific risk level, on a risk scale ranging from the lowest level of risk to the highest level of risk as shown in table on previous page.