

Weekly Newsletter



MARKET OVERVIEW

EUROZONE

• The German economy decelerated from 2.2% in 2017 to 1.5% in 2018 – its slowest GDP growth rate since 2013.

UNITED KINGDOM

• The RICS housing survey declined from -11 to -19 in December – its lowest level since August 2012, suggesting further weakness in the UK housing market.

UNITED STATES

• Headline inflation softened from 2.2% YoY to 1.9% in December while core inflation remained stable at 2.2% – both as expected.

ASIA & EMERGING COUNTRIES

• China imports and exports pulled back in December (respectively -7.6% and -4.4%YoY) as the ongoing slowdown deepened on the back of trade war.

THEME OF THE WEEK

Brexit – Anarchy in the UK ?

SUMMARY

INVESTMENT & MARKETS OVERVIEW

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Observation date in next two weeks		
ISIN	TICKER	DATE
XS1533380355	5Y EUR PHOENIX PLUS 50% CO FP 1,81% P.Q. NC2Q 12052022	28/01/2019
XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP 0,33% P.M.	29/01/2019
XS1555608782	5Y USDQ PHOENIX PLUS STEP DOWN 50% CO FP 2,20% P.Q. NC2Q 16052022	04/02/2019
XS1513289469	2Y USD PH+ WO GG NEM ABX 2,40% P.Q.	04/02/2019
XS1864598906	5 Y EUR PHOENIX PLUS SX7E 60% 1,25% p.q.	05/02/2019
XS1622812326	2 Y EUR PHOENIX PLUS WO CS BNP INGA 7,62% P.S	07/02/2019
XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	08/02/2019
XS1816572199	18M USD PHOENIX PLUS 80% VK MT 5Y EUR PH+ WO 75% SX7E SXPP SXDP	08/02/2019
XS1816573247	0,39% P.M.	08/02/2019



Extending the US equity rally further

Since the Q4 2018 sell-off (close to -20% from peak to low), US equity markets have regained more than half the ground lost (+12% between December 24 and January 24). Looking back, investors had priced in a very bearish macro scenario that has not proved to be correct so far. Now, the question is: what would it take for the US equity market to rally further? For this to happen, we foresee at least four necessary prerequisites.

A surprise upside in macro data: the Citi Surprise index measuring the gap between market expectations and macro prints has bounced back since late December. Early 2019, US momentum remains underpinned by the fiscal stimulus, a buoyant job market and solid entrepreneur optimism. However, signs of a slowdown are already showing, with a softening real estate market and the trade war impact for exporters.

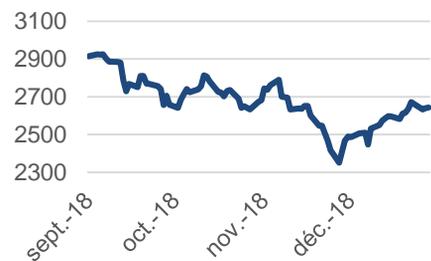
Significantly easing trade tensions: investors are closely monitoring any trade war news flow. So far, in the US the impact has been dampened by the fiscal stimulus package. Any sign of a thaw between both countries would certainly reduce the uncertainty and lift investor sentiment. However, while a deal would bring a welcome relief, the prospects of a resolution remains unlikely as the US and China are strategic competitors and the imposed tariffs are unlikely to be rolled back in full.

Easing in China: growth has been running out of steam, and policymakers have already announced several measures to sustain the economy: a currency depreciation to mitigate the impact of tariffs, a cut to banks' reserve requirement ratio to boost corporate lending, and fiscal easing to push up investment and consumption. Further easing measures are likely to be implemented as momentum remains weak. H2 2019 should reflect better macro data.

A more dovish Federal Reserve (Fed) policy: after the December hike (4th in 2018) accelerated a new leg down for equities, Fed officials strived to reassure investors by stating the Fed was in no rush. But the Fed has lost touch with the markets. Fed dots (the median projection of the future Fed path built on FOMC members' projections) point to two more hikes while the markets do not discount any. The Fed would need to u-turn for the market to be fully reassured about its stance, although any shift to dovish would signal US outlook concern. We expect the Fed to release a "wait and see" message at its January 30 meeting.

S&P sees a rebound in Q1 following a decline in Q4 2018

S&P, 500, Index, Price Return



EPS momentum on a downtrend

S&P 500 12-month forward EPS



Sources: SGPB, Macrobond, data as of 28/01/2019

Putting it all together

- Put all together, these conditions seem hard to achieve over an extended period, implying the current rally could be short and contained.
- Clouds still hover over issues such as the trade war or Brexit, and corporate earnings revisions are on the downside.
- Cautiousness is warranted as current market bullish sentiment could turn into a damp squib.



EUROZONE

Manufacturing confidence preliminary figures slipped from 51.4 to 50.5 (a 50-month low) in January, while services slide from 51.2 to 50.8 (a 65-month low), sending the composite reading from 51.1 to 50.7 (a 66-month low).

Consumer confidence edged up to -7.9 in January from -8.3 in Dec. • The Bank of Italy announced the country may have entered recession in Q4 2018 and cut its 2019 GDP forecast from 1.0% to only 0.6%. This could worsen the 2.04% GDP budget deficit agreed on with the EU.

German producer prices eased from 3.3% YoY to 2.7% in December; excluding energy, prices increased by only 1.6%.

UNITED STATES

Manufacturing confidence surprised on the upside, at 54.9 in January on preliminary figures, up 1.1 point from year-end.

The year-end rise in mortgage rates rose sent existing home sales down -6.4% MoM to 4.99m in December, down from 5.33m in Dec., i.e. its lowest level in three years.

The Richmond Fed manufacturing index rebounded to -2 in January after -8 in December (a two and a half year low).

Americans filing new applications for unemployment benefits undershot expectations, falling by 13k to 199k in the week ending January 19, the lowest since November 1969. However, new claims from federal employees jumped from 15k to 25k after the third week of government shutdown (January 12).

UNITED KINGDOM

Retail sales growth softened from 3.4% YoY to 3.0% in December.

According to the Confederation of British Industry (CBI), total order books decreased from 8 to -1 in January, indicating manufacturers' pessimism for the next three months.

The labour market remains resilient despite Brexit uncertainty. The unemployment rate declined slightly from 4.1% to 4.0% in November, reaching a 43-year low.

Three-month average weekly earnings rose from 3.3% YoY to 3.4% in November, i.e. a decade high.

ASIA & EMERGING MARKETS

In Japan, manufacturing confidence slide from 52.6 to 50.0 in January, suggesting neither expansion nor contraction.

Exports posted their worst fall (-3.8% YoY) in two years as overseas demand faltered.

As expected, Chinese Q4 GDP growth slowed to 6.4% YoY, down from 6.5% in Q3, its slowest pace since Q1 2009. Retail sales inched up +8.2% YoY in December after a 15-year low in November.

South Korean GDP rose 1.0% QoQ in Q4, up from 0.6% in Q3. • In Taiwan, exports orders shrunk -10.5% YoY in December, i.e. their sharpest fall since April 2016.

This week's key events

		Per.	Prev.	Cons.
EUROZONE				
31 Jan.	GDP YoY	Q4	1.6%	1.2%
	Unemployment rate	(P)		
31 Jan.		Dec.	7.9%	7.9%
01 Feb..	Core inflation YoY	Jan(P)	1.1%	--
USA				
30 Jan .	Fed funds target rate)	30Jan .	2.375 %	2.375 %
01 Feb.	Non-farm payrolls	Jan.	312k	183k
01 Feb .	Uni. Michigan consumer sentiment	Jan(F)	94.5	98.3
UNITED KINGDOM				
30 Jan .	BOE consumer credit (£bn)	Dec .	0.924	--
31 Jan.	GfK consumer confidence	Jan.	-14	--
01 Feb .	Manufacturing confidence	Jan.	54.2	--
ASIA & EMERGING MARKETS				
30Jan.	Japan: Retail sales YoY	Dec.	1.4%	--
01 Feb .	China: Caixin manuf. confidence	Jan.	49.7	49.5
01 Feb .	Brazil: Manufacturing confidence	Jan.	52.6	--

Sources: DataStream Bloomberg 25 January 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)		-37 bp	0 bp →	0 bp	-1 bp	-1 bp
3mth Euribor (EUR)		-31 bp	0 bp →	1 bp	0 bp	2 bp
3mth Libor (USD)		276 bp	-1 bp ↓	26 bp	-4 bp	101 bp
3mth Libor (GBP)		93 bp	0 bp →	12 bp	1 bp	40 bp
10-year US Treasury bond		271 bp	-4 bp ↓	-41 bp	2 bp	6 bp
10-year German bond		18 bp	-6 bp ↓	-21 bp	-7 bp	-41 bp
10-year French bond		59 bp	-5 bp ↓	-18 bp	-12 bp	-28 bp
10-year UK bond		127 bp	-7 bp ↓	-19 bp	0 bp	-14 bp

Government bonds*		1wk	3mth	YTD	12mth
United States (3-7yr)		0,2 % ↑	2,6 %	0,0 %	2,4 %
United Kingdom (3-7yr)		0,3 % ↑	0,8 %	0,1 %	1,6 %
Germany (3-7yr)		0,1 % ↑	0,7 %	0,2 %	1,6 %
Japan (3-7yr)		0,0 % →	0,4 %	0,0 %	0,3 %

Equities**		Last	1wk	3mth	YTD	12mth
MSCI AC World		480	0,5 % ↑	1,0 %	5,4 %	-9,9 %
Eurostoxx 50		3 126	1,9 % ↑	0,3 %	4,3 %	-11,1 %
DAX		11 130	1,9 % ↑	-0,6 %	5,4 %	-17,0 %
CAC 40		4 872	1,6 % ↑	-1,3 %	3,0 %	-8,4 %
S&P 500		2 642	0,3 % ↑	0,0 %	5,5 %	-5,0 %
FTSE 100		6 819	-0,2 % ↓	-1,4 %	1,4 %	-7,0 %
SMI		8 937	0,3 % ↑	2,4 %	6,0 %	-3,2 %
Topix		1 553	0,6 % ↑	-5,8 %	3,9 %	-16,5 %
IBOV Brazil		97 677	2,4 % ↑	17,6 %	11,1 %	16,7 %
MICEX Russia ***		2 483	1,4 % ↑	6,3 %	5,3 %	7,6 %
MSCI EM		1 019	1,0 % ↑	7,5 %	5,6 %	-16,7 %
SENSEX 30 India		36 195	-0,5 % ↓	6,6 %	0,4 %	1,3 %
Hang Seng (H-K)		27 121	1,4 % ↑	7,6 %	4,9 %	-14,8 %
Shanghai Composite		2 592	1,3 % ↑	-0,4 %	3,9 %	-27,2 %

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

Exchange rates		Last	1wk	3mth	YTD	12mth
EUR/USD		1,13	-0,8 % ↓	-0,8 %	-1,4 %	-8,9 %
EUR/CHF		1,13	-0,6 % ↓	-0,9 %	0,1 %	-3,9 %
GBP/USD		1,31	0,6 % ↑	1,4 %	2,4 %	-8,3 %
USD/JPY		110	0,4 % ↑	-2,3 %	0,1 %	0,4 %
USD/BRL		3,77	0,6 % ↑	1,0 %	-2,8 %	19,9 %
USD/CNY		6,79	0,2 % ↑	-2,2 %	-1,3 %	6,6 %
USD/RUB		65,7	-0,9 % ↓	0,1 %	-5,7 %	17,0 %

Commodities		Last	1wk	3mth	YTD	12mth
Brent		\$61,0	0,2 % ↑	-20,6 %	14,9 %	-12,8 %
Gold		\$1 283	-0,7 % ↓	4,2 %	0,1 %	-5,2 %
Copper		\$5 894	-1,2 % ↓	-4,8 %	-0,9 %	-17,1 %

Thursday close

EUR/USD	1.13
GBP/USD	1.31
EUR/CHF	1.13
USD/JPY	110
Brent	\$61.0
Gold	\$1283

Performance should not be seen as a guarantee of future returns. Source: Datastream 25 January 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 28.1.2019.)

	ISIN	NAME	UNDERLYING	CURRENCY	BONUS	MATURITY	PRICE
1	XS1119148853	5Y EUR DEPOSIT LINKED NOTE	Košarica valuta	EUR	9% p.a.	10/12/2019	94,33%
2	XS1212271008	5Y EUR TWINWIN 65 SX5E100 CAP	Eurostoxx 50	EUR	sudjelujući	12/06/2020	104,38%
3	XS1265964210	5Y EUR DEPOSIT LINKED NOTE	WO Total, Repsol, Statoil	EUR	5,70% p.a.	16/10/2020	96,17%
4	XS1314889129	USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,70% p.a.	17/03/2021	96,70%
5	XS1334783617	AUD CAPPED & FLOORED FLOATER NOTE	AUD-BBR-BBSW	AUD	2,10% p.a.	29/04/2019	99,03%
6	XS1367217558	USD FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,50% p.a.	01/07/2021	97,99%
7	XS1416369285	3Y EUR PHOENIX PLUS WO	ENGIE, E.ON, Enel	EUR	3,0% p.s.	08/08/2019	103,48%
8	XS1417403265	3 Y USD CAPPED & FLOORED FLOATER NOTE	USD LIBOR 3M	USD	1,0% p.a.	12/10/2019	99,38%
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	82,65%
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	98,14%
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	82,11%
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	67,79%
13	XS1778765930	4Y EUR PH+ WO SPX,SX5E, CAC 1,0% P.Q.	WO SPX,SX5E, CAC	EUR	1,0% p.q.	28/03/2022	91,58%
14	XS1778576535	5Y EUR PH+ WO 55% SX7E SXPP SXDP	WO SX7E SXPP SXDP	EUR	0,33% p.m	05/04/2023	81,23%
15	XS1778423894	5 Y USD PHOENIX PLUS SX7E 60% 1,415% p.q	Eurostoxx Banks	USD	1,415% p.q.	20/04/2023	73,55%
16	XS1778379898	5 Y USD PHOENIX PLUS SX7E 60% 1,30% p.q	Eurostoxx Banks	USD	1,30% p.q.	27/04/2023	71,10%
17	XS1797182869	18M EUR PHOENIX PLUS 80% VK	WO Vallorec, Arcelormittal	EUR	1,45% p.m	31/10/2019	31,40%
18	XS1816572785	18M EUR PHOENIX PLUS 80% VK FTI	WO Vallorec, Technip	EUR	1,75% p.m	16/12/2019	28,88%
19	XS1816572199	18M USD PHOENIX PLUS 80% VK MT.- SG CIB	WO Vallorec, Arcelormittal	USD	1,91% p.m	16/12/2019	28,39%
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	83,11%
21	XS1842908557	4Y USD TWIN WIN CL1	CL1	USD	sudjelujući	08/08/2022	97,15%
22	XS1864698011	18M EUR PHOENIX PLUS 80% TUI BKNG TRIP CIB	WO TUI, BKNG, TRIP	EUR	0,95% p.m.	24/10/2020	92,11%
23	XS1864726242	4Y USD CAPPED AND FLOORED FLOATER	USD LIBOR 3M	USD	2,0% p.a.	26/10/2022	97,15%
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	93,32%
25	XS1864640286	3 Y USD PHOENIX PLUS WO FP RDS PUT LEVERAGE 60% SGCIB	Total, RDS	USD	1,80% p.q.	01/11/2021	92,98%
26	XS1864598906	5 Y EUR PHOENIX PLUS ON SX7E SGCIB	Eurostoxx Banks	EUR	1,31% p.q.	13/11/2023	92,82%

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 28.1.2019.)

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	99,32%
2	XS1471994811	3Y USDQ PHOENIX PLUS 70% DAI GY 2.40% P.Q. NC2Q.06012020	Daimler	USD	2,40% p.q.	06/01/2020	82,42%
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	77,83%
4	XS1574623341	3Y CHF PHOENIX PLUS 60% 70% LH	Lafarge Holcim	CHF	3,0% p.s.	22/04/2020	92,30%
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	76,17%
6	XS1511962331	3Y USD PHOENIX PLUS 80% HUI 7.60% P.S.	HUI	USD	7,60% p.s.	03/03/2020	82,15%
7	XS1622385232	5Y EUR PHOENIX PLUS 70% BNP FP 2.18% P.Q. NC2Q.06062022	BNP	EUR	2,18% p.q.	06/06/2022	66,92%
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	95,38%
9	XS1583545865	5Y EUR PHOENIX PLUS 60% CO FP 2% P.Q.	Casino Guichard	EUR	2,0% p.q.	08/08/2022	77,16%
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	55,51%
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	95,11%
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	99,55%
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	71,80%
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	99,22%
15	XS1667712852	5Y EUR PH+ 60% ACA FP 1,75%	Credit Agricole	EUR	1,75% p.q.	22/12/2022	73,57%
16	XS1667711961	2Y EUR PH+ 70% RNO FP 2%	Renault	EUR	2,0% p.q.	08/01/2020	77,48%
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	70,54%
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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