CREDIT SUISSE

Overview

# Investment Committee meeting of 24 February

**Credit Suisse Investment Committee Report** | 24/02/2022, 11:06, UTC

**Escalation: Russia decides to invade Ukraine**
In an ad-hoc meeting, the Credit Suisse Investment Committee (IC) met to discuss the escalation in the Ukraine conflict: As Russia is moving toward a full-scale military escalation, the conflict has now turned into what we described in mid-February as our "Invasion and Open Conflict" scenario. Late last year, we reduced risk in portfolios due to rising geopolitical tensions. We sold our overweight position in global equities, as we feared that a combination of monetary tightening and the Russia conflict plus rising energy prices would create an unwelcome confluence of headwinds.

To the IC, the latest events mark another significant step toward a new world order, where Russian President Vladimir Putin intends to reposition Russia as a powerful nation whose strength rests on its energy and commodity resources as well as its military. This is likely to have significant repercussions for the security arrangements in Europe and globally. Other powers are likely to watch closely how this conflict evolves and how the West and NATO react.

Markets are responding rapidly to this further escalation, with markets in Europe down sharply in early trading. For investors, a key question is whether this market reaction is enough to sufficiently account for the risks this crisis poses to the global economy and thus corporate profits, and how this affects the relative attractiveness of asset markets.

**Retain current allocation**
Although members of the IC agree that markets will learn to live with the reality of a new world order in the longer term, we advocate continued caution in the near term. Markets are not cheap yet, and there are several unknowns as to how this crisis might evolve. First, it remains to be seen how the Ukraine will react to the latest developments, which will decide whether this might become a more drawn out war or might be over in a rather short period. Second, we have yet to gain clarity on the reaction of the West in terms of further sanctions, though the gas market has already reacted sharply to the news. Rising energy prices and potential supply restrictions could start to pose a serious risk to the growth outlook.

For the time being, we keep our current allocations, including a neutral allocation to equities. Moreover, we believe investors should still seek ways to provide portfolio diversification also with respect to this geopolitical crisis and the potential impact on other economies. In our portfolios, in-house hedge fund solutions have posted solid year-to-date gains and thus remain valuable pillars of diversification. Besides the risk to more directly affected assets, a key question investors need to ask is whether this conflict has the potential to drive the Western economies and thus the global economy into recession.

**Ready to act**
So far, this is not our base case, also because we assume that Western governments, especially in the European countries most affected by this crisis, will use fiscal policy tools to buffer the economic fallout. The USA should be much less affected economically than Europe. However, there is the inflation channel, which adds another layer of uncertainty. Given already high inflation, central banks will find it more difficult to support the economy, especially if supply bottlenecks are accentuated again. Our base case is for a recession to not happen in the near term and for corporate earnings hold up. Should this view become endangered as the crisis unfolds and as we learn more about the actions of policy

makers, especially the trajectory of upcoming tightening steps by the US Federal Reserve (Fed), we would have to consider de-risking further.

To sum up, the IC does not think that now is the time to increase risk in portfolios. The focus should be on maintaining sufficient diversification in portfolios to limit any potential further downside related to this crisis. Moreover, we consider it prudent to build in hedges. As we have written before, we are on stand-by to change allocations should we see asset markets as having fallen to levels that appear out of line with our evaluation of risk. But we have not reached this point yet.

## Tactical views

The terms attractive / unattractive describe the return potential of the various asset classes. An asset class is considered attractive if its expected return is above the local cash rate. It is considered unattractive if the expected return is negative. Very attractive / very unattractive denote the highest conviction views of the Investment Committee. The time horizon for these views is 3–6 months.

| | very unattractive | unattractive | neutral | attractive | very attractive | |
|---|---|---|---|---|---|---|
| **Global Fixed Income** | | | ■ | | | |
| Government Bonds | | ■ | | | | Short-duration view on GBP, EUR and CHF government bonds. |
| Investment Grade Bonds | | | ■ | | | EM corporate bonds offer spread pick-up vs. US IG. Global convertibles favored. |
| High Yield Bonds | | | ■ | | | Favor senior loans and EM corporate high yield bonds. |
| Emerging Market HC Bonds | | | ■ | | | Prefer China within emerging market hard currency sovereigns. |
| **Global Equities** | | | | ■ | | |
| Developed Markets | | | | ■ | | Favor Italy, Japan, energy, financials, healthcare and US small caps vs. US large caps. |
| Emerging Markets | | | | ■ | | Indonesia, Mexico and South Africa preferred. |
| **Commodities** | | | ■ | | | Broad basket as inflation and geopolitical hedge. Oil seen outperforming. |
| **FX** | | | | | | |
| US Dollar Index | | | ■ | | | Favor CAD, NOK, NZD. Avoid low-yielding currencies such as JPY. |
| Emerging Market FX Index | | | ■ | | | SGD our preferred currency. |

(24/02/2022)

# Forecast tables

## Central bank rate/10-year government bonds

| | CB rate | | | 10Y yield | | |
|---|---|---|---|---|---|---|
| in % | Spot | 3M* | 12M* | Spot | 3M* | 12M* |
| CHF | -0.75 | -0.75 | -0.75 | 0.28 | 0.25 | 0.55 |
| EUR | -0.50 | -0.50 | -0.25 | 0.23 | 0.25 | 0.60 |
| USD | 0.13 | 0.50-0.75 | 1.75-2.00 | 1.87 | 2.20 | 2.60 |
| GBP | 0.50 | 1.00 | 1.50 | 1.48 | 1.60 | 1.70 |
| AUD | 0.10 | 0.10 | 0.25 | 2.16 | 2.40 | 2.60 |
| JPY | -0.10 | -0.10 | -0.10 | 0.19 | 0.20 | 0.20 |

Spot rates are closing prices as of 23/2/2022. Forecast* date 24/2/2022. Source: Bloomberg, Credit Suisse/IDC.

## 10Y government bond yields

| | Close on 23/02/2022 | 3M Forecast* | 12M Forecast* |
|---|---|---|---|
| USA | 1.87% | 2.20% | 2.60% |
| Germany | 0.23% | 0.25% | 0.60% |
| UK | 1.48% | 1.60% | 1.70% |
| Japan | 0.19% | 0.20% | 0.20% |
| Australia | 2.16% | 2.40% | 2.60% |
| Switzerland | 0.28% | 0.25% | 0.55% |

Source: Bloomberg, Credit Suisse / IDC

## Selected credit indices

| | Index | 3M* | 12M* |
|---|---|---|---|
| Barclays Global Aggregate | 572 | 574 | 572 |
| Barclays Global IG Corp | 288 | 287 | 282 |
| Barclays Global HY Corp | 425 | 426 | 427 |
| JPM EMBI Global Diversified HC | 918 | 948 | 961 |
| JPM GBI-EM Global Diversified LC | 217 | 219 | 222 |

Closing prices as of 23/02/2022. Forecasts as of 24/02/2022. Source: Bloomberg, Credit Suisse/IDC.

## MSCI regional equity indices

| | Close on 23/02/2022 | 3M Forecast* | 12M Forecast* |
|---|---|---|---|
| MSCI AC World | 1746 | 1780 | 1880 |
| MSCI US | 18485 | 18850 | 19900 |
| MSCI EMU | 526 | 535 | 565 |
| MSCI Switzerland | 5631 | 5740 | 6060 |
| MSCI UK | 17829 | 18200 | 19200 |
| MSCI Japan | 2735 | 2820 | 3000 |
| MSCI Australia | 12487 | 12500 | 13000 |
| MSCI Canada | 12469 | 12700 | 13420 |
| MSCI Emerging Markets | 166492 | 169700 | 179200 |

All indices are total return in local currency. Source: Bloomberg, Credit Suisse / IDC.

## FX & commodities

| | Close on 23/02/2022 | 3M Forecast* | 12M Forecast* |
|---|---|---|---|
| EUR/USD | 1.12 | 1.13 | 1.16 |
| USD/JPY | 114.63 | 118 | 118 |
| GBP/USD | 1.35 | 1.37 | 1.40 |
| USD/CHF | 0.92 | 0.94 | 0.92 |
| AUD/USD | 0.72 | 0.73 | 0.76 |
| USD/CAD | 1.28 | 1.22 | 1.18 |
| EUR/CHF | 1.03 | 1.05 | 1.07 |
| Gold (USD / oz) | 1940.12 | 1950 | 1750 |
| WTI oil (USD / bbl) | 96.48 | 95 | 77 |

Source: Bloomberg, Credit Suisse / IDC

## Real GDP growth and inflation

| | GDP | | | Inflation | | |
|---|---|---|---|---|---|---|
| in % | 2021 | 2022 | 2023 | 2021 | 2022 | 2023 |
| CH | 4.0 | 2.5 | 1.6 | 0.6 | 1.0 | 1.0 |
| EMU | 5.0 | 3.8 | 2.3 | 2.6 | 4.0 | 1.8 |
| USA | 5.7 | 3.3 | 2.1 | 4.7 | 5.1 | 2.5 |
| UK | 7.2 | 4.3 | 1.9 | 2.6 | 6.2 | 2.4 |
| Australia | 4.2 | 4.2 | 3.3 | 2.8 | 3.3 | 2.2 |
| Japan | 1.7 | 2.0 | 1.2 | -0.2 | 0.5 | 0.5 |
| China | 8.1 | 5.9 | 4.9 | 0.9 | 2.1 | 2.0 |

Last forecast as of 23/2/2022
Source: Bloomberg, Credit Suisse/IDC

## Local equity indices

| | Close on 23/02/2022 | 3M Forecast* | 12M Forecast* |
|---|---|---|---|
| S&P 500 | 4226 | 4290 | 4470 |
| EuroStoxx50 | 3973 | 4020 | 4180 |
| SMI | 11942 | 12100 | 12540 |
| FTSE 100 | 7498 | 7580 | 7790 |
| TOPIX | 1881 | 1930 | 2025 |
| S&P ASX 200 | 7206 | 7160 | 7290 |

Source: Bloomberg, Credit Suisse / IDC

## MSCI global sectors (GICS)

| | Close on 23/02/2022 | 3M Forecast | 12M Forecast |
|---|---|---|---|
| MSCI World Energy | 431 | 445 | 475 |
| MSCI World Materials | 583 | 594 | 627 |
| MSCI World Industrials | 506 | 515 | 545 |
| MSCI World Cons Disc. | 530 | 540 | 570 |
| MSCI World Cons Staples | 512 | 515 | 530 |
| MSCI World Healthcare | 512 | 528 | 560 |
| MSCI World Financials | 292 | 300 | 320 |
| MSCI World IT | 586 | 597 | 630 |
| MSCI World Communication | 216 | 220 | 233 |
| MSCI World Utilities | 376 | 375 | 390 |
| MSCI World Real Estate | 1410 | 1440 | 1520 |

All indices are total return in local currency. Source: Bloomberg, Credit Suisse / IDC.

* These forecasts are no reliable indicators of future performance.

(24/02/2022)

# Credit Suisse House View

**The Credit Suisse House View represents the cornerstone of our views on global macroeconomics, asset classes, regions, sectors and currencies, driving conversations and solutions for both private and institutional clients across the bank's divisions, globally.**

### Our views on the economy and financial world

**Capital Market Assumptions (CMAs)**
Our CMAs are a set of total return estimates, volatilities and correlations for over 90 different asset classes over the next five years that reflect our long-term view of the world.

**Key macro views and forecasts**
We harness our global network of senior economists to deliver clear insights into the drivers of the major economies around the world.

### Portfolio strategy

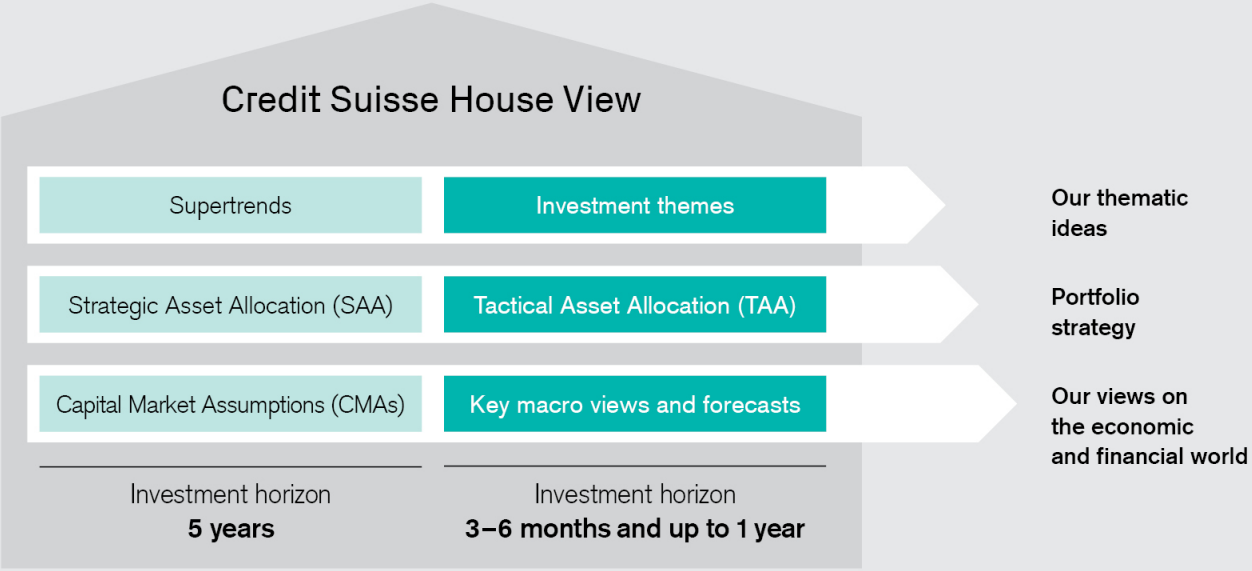
**Strategic Asset Allocation (SAA)**
The SAA is a range of optimal combinations of asset classes, reflecting their expected returns, correlations and volatilities. The individual SAA, which considers an investor's objectives and risk tolerance, determines more than 80% of a portfolio's performance and volatility. The other 20% is determined by factors such as market timing and security selection.

**Tactical Asset Allocation (TAA)**
Reviewed on a bi-weekly basis, our tactical views seek to anticipate market movements or react to market dislocations to guide investors to temporarily over- or underweight asset classes and markets against the SAA.

### Our thematic ideas

**Supertrends**
Supertrends are six high-conviction thematic equity investment ideas. Our Supertrends link the most significant societal changes with tangible investment opportunities for clients with a long-term investment horizon.

**Investment themes**
Based on our key macro views and forecasts, our investment professionals carve out investment themes to anticipate developments in the global economy.




(12/01/2022)

## Credit Suisse Investment Committee

**Voting members**

| | |
|---|---|
| Michael Strobaek (Chair) | Global Chief Investment Officer |
| Burkhard Varnholt (Vice-Chair) | CIO Credit Suisse (Switzerland) |
| Philipp Lisibach | Chief Global Strategist |
| John Woods | Regional CIO APAC |
| Nannette Hechler-Fayd'herbe | Head of Global Economics & Research & CIO IWM |
| Daniel Imhof | Head of Investment Management & Client Coverage |
| Steven Bates | Head of Investment Products & Selection |

**Non-voting members**

| | |
|---|---|
| Walter Edelmann | Senior Strategy Advisor |
| Alexandre Bouchardy | Head of Asset Management Investment Strategy Switzerland and EMEA |

**Guests attending the meeting**

| |
|---|
| Pascal Nef |
| Tobias Merath |
| Claude Maurer |
| Aaron Matzinger |

Next IC meeting: 09/03/2022

(24/02/2022)

## Glossary

### Risk warnings

| | |
|---|---|
| Emerging markets | Emerging markets are located in countries that possess one or more of the following characteristics: a certain degree of political instability, relatively unpredictable financial markets and economic growth patterns, a financial market that is still at the development stage or a weak economy. Emerging market investments usually result in higher risks as a result of political, economic, credit, exchange rate, market liquidity, legal, settlement, market, shareholder and creditor risks. |
| Hedge funds | Regardless of structure, hedge funds are not limited to any particular investment discipline or trading strategy, and seek to profit in all kinds of markets by using leverage, derivative instruments and speculative investment strategies that may increase the risk of investment loss. |
| Commodity investments | Commodity transactions carry a high degree of risk and may not be suitable for many private investors. The extent of loss due to market movements can be substantial or even result in a total loss. |
| Real estate | Investors in real estate are exposed to liquidity, foreign currency and other risks, including cyclical risk, rental and local market risk as well as environmental risk, and changes to the legal situation. |
| Currency risks | Investments in foreign currencies involve the additional risk that the foreign currency might lose value against the investor's reference currency. |
| Equity risk | Equities are subject to market forces and hence fluctuations in value, which are not entirely predictable. |
| Market risk | Financial markets rise and fall based on economic conditions, inflationary pressures, world news and business-specific reports. While trends may be detected over time, it can be difficult to predict the direction of the market and individual stocks. This variability puts stock investments at risk of losing value. |
| High Yield bond risk | High Yield Bonds are typically rated below investment grade or are unrated and as such are often subject to a higher risk of issuer default. |
| Perpetual bond risk | Perpetual Bonds have no maturity date and therefore the Interest pay-out depends on the viability of the issuer in the very long term. |
| Subordinated bond risk | In case of liquidation of the issuer, investors can only get back the principal after other senior creditors are paid. |
| Risk of bonds with variable/deferral of interest terms | Investors would face uncertainty over the amount and time of the interest payments to be received. |
| Callable bond risk | Investors face reinvestment risk when the issuer exercises its right to redeem the bond before it matures. |
| Risk of bonds with extendable maturity date | Investors would not have a definite schedule of principal repayment. |
| Convertible or exchangeable bond risk | Investors are subject to both equity and bond investment risk. |
| Cocos risk | The bond may be written-off fully or partially or converted to common stock on the occurrence of a trigger event. |

### Explanation of indices frequently used in reports

| Index | Comment |
|---|---|

| | |
|---|---|
| Australia S&P/ASX 200 | S&P/ASX 200 is an Australian market-capitalization-weighted and float-adjusted stock index calculated by Standard and Poor's. |
| BC High Yield Corp USD | The US Corporate High Yield Index measures USD-denominated, non-investment grade, fixed-rate and taxable corporate bonds. The index is calculated by Barclays. |
| BC High Yield Pan EUR | The Euro Corporate Index tracks the fixed-rate, investment-grade, euro-denominated corporate bond market. The index includes issues that meet specified maturity, liquidity and quality requirements. The index is calculated by Barclays. |
| BC IG Corporate EUR | The US Corporate Index tracks the fixed-rate, investment-grade, euro-denominated corporate bond market. The index includes both US and non-US issues that meet specified maturity, liquidity and quality requirements. The index is calculated by Barclays. |
| BC IG Corporate USD | The IG Corporate Index tracks the fixed-rate, investment-grade, dollar-denominated corporate bond market. The index includes both US and non-US issues that meet specified maturity, liquidity and quality requirements. The index is calculated by Barclays. |
| Canada S&P/TSX comp | The S&P/TSX composite index is the Canadian equivalent of the S&P 500 Index in the USA. The index contains the largest stocks traded on the Toronto Stock Exchange. |
| Consumer Confidence Indices | Consumer Confidence Indices (CCIs) are based on surveys of consumers' spending intentions and economic situations, as well as their concerns and expectations for the immediate future. |
| CS Hedge Fund Index | The Credit Suisse Hedge Fund Index is compiled by Credit Suisse Hedge Index LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The index reflects performance net of all hedge fund component performance fees and expenses. |
| CS LSI ex govt CHF | The Liquid Swiss Index ex govt CHF is a market-capitalized bond index representing the most liquid and tradable portion of the Swiss bond market excluding Swiss government bonds. The index is calculated by Credit Suisse. |
| DAX | The German Stock Index stock represents 40 of the largest and most liquid German companies that trade on the Frankfurt Exchange. |
| DXY | A measure of the value of the US dollar relative to the majority of its most important trading partners. The US Dollar Index is similar to other trade-weighted indices, which also use the exchange rates from the same major currencies. |
| Eurostoxx 50 | Eurostoxx 50 is a market-capitalization-weighted stock index of 50 leading blue-chip companies in the Eurozone. |
| FTSE EPRA/NAREIT Global Real Estate Index Series | The FTSE EPRA/NAREIT Global Real Estate Index Series is designed to represent general trends in eligible real estate equities worldwide. |
| Hedge Fund Barometer | The Hedge Fund Barometer is a proprietary Credit Suisse scoring tool that measures market conditions for hedge fund strategies. It comprises four components: liquidity, volatility; systemic risks and business cycle. |
| Japan Topix | TOPIX, also known as the Tokyo Stock Price Index, tracks all large Japanese companies listed in the stock exchange's "first section." The index calculation excludes temporary issues and preferred stocks. |
| JPM EM hard curr. USD | The Emerging Market Bond Index Plus tracks the total return of hard-currency sovereign bonds across the most liquid emerging markets. The index encompasses US-denominated Brady bonds (dollar-denominated bonds issued by Latin American countries), loans and Eurobonds. |
| JPM EM local curr. hedg. USD | The JPMorgan Government Bond Index tracks local currency bonds issued by emerging market governments across the most accessible markets for international investors. |
| MSCI AC Asia/Pacific | The MSCI All Country Asia Pacific Index captures large and mid cap representation across 5 developed market countries and 8 emerging markets countries in the Asia Pacific region. With 1,000 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. |
| MSCI AC World | The MSCI All Country World Index captures large and mid cap representation across 23 developed markets and 23 emerging market countries. With roughly 2480 constituents, the index covers around 85% of the global investable equity opportunity set. |
| MSCI Emerging Markets | MSCI Emerging Markets is a free-float-weighted Index designed to measure equity market performance in global emerging markets. The index is developed and calculated by Morgan Stanley Capital International. |
| MSCI EMU | The MSCI EMU Index (European Economic and Monetary Union) captures large and mid cap representation across the 10 Developed Markets countries in the EMU. With 237 constituents, the index covers approximately 85% of the free float-adjusted market capitalization of the EMU. |
| MSCI Europe | The MSCI Europe Index captures large and mid cap representation across 15 developed markets countries in Europe. With 442 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European developed markets equity universe. |
| MSCI UK | The MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the UK market. With 111 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the UK. |
| MSCI World | MSCI World is an index of global equity markets developed and calculated by Morgan Stanley Capital International. Calculations are based on closing prices with dividends reinvested. |
| OECD Composite Leading Indicators | OECD Composite Leading Indicators (CLIs) are designed to provide early signals of turning points in business cycles with components that measure early stages of production, respond to changes in economic activity, and are sensitive to expectations of future activity. |
| Purchasing Managers' Indices | Purchasing Managers' Indices (PMIs) are economic indicators derived from monthly surveys of private-sector companies. The two principal producers of PMIs are Markit Group, which conducts PMIs for over 30 countries worldwide, and the Institute for Supply Management (ISM), which conducts PMIs for the United States. The indices include additional sub-indices for manufacturing surveys such as new orders, employment, exports, stocks of raw materials and finished goods, prices of inputs and finished goods, and services. |
| Russell 1000 Growth Index | The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the US equity universe based on 1000 large-cap companies with higher price-to-book ratios and higher forecast growth values. |
| Russell 1000 Index | The Russell 1000 Index is a stock market index that represents the highest-ranking 1,000 stocks in the Russell 3000 Index (encompassing the 3,000 largest US-traded stocks, with the underlying companies all incorporated in the USA), and representing about 90% of the total market capitalization of that index. The Russell 1000 Index has a weighted average market capitalization of USD 81 billion and the median market capitalization is approximately USD 4.6 billion. |
| Russell 1000 Value Index | The Russell 1000 Value Index measures the performance of the large-cap value segment of the US equity universe based on 1000 large-cap companies with lower price-to-book ratios and lower expected growth values. |
| Switzerland SMI | The Swiss Market Index is made up of 20 of the largest companies listed of the Swiss Performance Index universe. It represents 85% of the free-float capitalization of the Swiss equity market. As a price index, the SMI is not adjusted for dividends. |
| UK FTSE 100 | FTSE 100 is a market-capitalization-weighted stock index that represents 100 of the most highly capitalized companies traded on the London Stock exchange. The equities have an investibility weighting in the index calculation. |
| US S&P 500 | Standard and Poor's 500 is a capitalization-weighted stock index representing all major industries in the USA, which measures the performance of the domestic economy through changes in the aggregate market value. |

## Abbreviations frequently used in reports

| Abb. | Description | Abb. | Description |
|---|---|---|---|
| 3/6/12 MMA | 3/6/12 month moving average | IMF | International Monetary Fund |
| AI | Alternative investments | LatAm | Latin America |
| APAC | Asia Pacific | Libor | London interbank offered rate |
| bbl | barrel | m b/d | Million barrels per day |
| BI | Bank Indonesia | M1 | A measure of the money supply that includes all physical money, such as coins and currency, as well as demand deposits, checking accounts and negotiable order of withdrawal accounts. |
| BoC | Bank of Canada | M2 | A measure of money supply that includes cash and checking deposits (M1) as well as savings deposits, money market mutual funds and other time deposits. |
| BoE | Bank of England | M3 | A measure of money supply that includes M2 as well as large time deposits, institutional money market funds, short-term re-purchase agreements and other larger liquid assets. |
| BoJ | Bank of Japan | M&A | Mergers and acquisitions |
| bp | Basis points | MAS | Monetary Authority of Singapore |
| BRIC | Brazil, Russia, China, India | MLP | Master Limited Partnership |
| CAGR | Compound annual growth rate | MoM | Month-on-month |
| CBOE | Chicago Board Options Exchange | MPC | Monetary Policy Committee |
| CFO | Cash from operations | OAS | Option-adjusted spread |
| CFROI | Cash flow return on investment | OECD | Organisation for Economic Co-operation and Development |
| DCF | Discounted cash flow | OIS | Overnight indexed swap |
| DM | Developed Market | OPEC | Organization of Petroleum Exporting Countries |
| DMs | Developed Markets | P/B | Price-to-book value |
| EBITDA | Earnings before interest, taxes, depreciation and amortization | P/E | Price-earnings ratio |
| ECB | European Central Bank | PBoC | People's Bank of China |
| EEMEA | Eastern Europe, Middle East and Africa | PEG | P/E ratio divided by growth in EPS |
| EM | Emerging Market | PMI | Purchasing Managers' Index |
| EMEA | Europe, Middle East and Africa | PPP | Purchasing power parity |
| EMs | Emerging Markets | QE | Quantitative easing |
| EMU | European Monetary Union | QoQ | Quarter-on-quarter |
| EPS | Earnings per share | r.h.s. | right-hand side (for charts) |
| ETF | Exchange traded funds | RBA | Reserve Bank of Australia |
| EV | Enterprise value | RBI | Reserve Bank of India |
| FCF | Free cash flow | RBNZ | Reserve Bank of New Zealand |
| Fed | US Federal Reserve | REIT | Real estate investment trust |
| FFO | Funds from operations | ROE | Return on equity |
| FOMC | Federal Open Market Committee | ROIC | Return on invested capital |
| FX | Foreign exchange | RRR | Reserve requirement ratio |
| G10 | Group of Ten | SAA | Strategic asset allocation |
| G3 | Group of Three | SDR | Special drawing rights |
| GDP | Gross domestic product | SNB | Swiss National Bank |
| GPIF | Government Pension Investment Fund | TAA | Tactical asset allocation |
| HC | Hard currency | TWI | Trade-Weighted Index |
| HY | High yield | VIX | Volatility Index |
| IBD | Interest-bearing debt | WTI | West Texas Intermediate |
| IC | Credit Suisse Investment Committee | YoY | Year-on-year |
| IG | Investment grade | YTD | Year-to-date |
| ILB | Inflation-linked bond | Personal Consumption Expenditure (PCE deflator) | An indicator of the average increase in prices for all domestic personal consumption. |

## Currency codes frequently used in reports

| Code | Currency | Code | Currency |
|---|---|---|---|
| ARS | Argentine peso | KRW | South Korean won |
| AUD | Australian dollar | MXN | Mexican peso |
| BRL | Brazilian real | MYR | Malaysian ringgit |
| CAD | Canadian dollar | NOK | Norwegian krone |
| CHF | Swiss franc | NZD | New Zealand dollar |
| CLP | Chilean peso | PEN | Peruvian nuevo sol |
| CNY | Chinese yuan | PHP | Philippine peso |
| COP | Colombian peso | PLN | Polish złoty |
| CZK | Czech koruna | RUB | Russian ruble |
| EUR | Euro | SEK | Swedish krona/kronor |
| GBP | Pound sterling | SGD | Singapore dollar |
| HKD | Hong Kong dollar | THB | Thai baht |

| | | | |
|---|---|---|---|
| HUF | Hungarian forint | TRY | Turkish lira |
| IDR | Indonesian rupiah | TWD | New Taiwan dollar |
| ILS | Israeli new shekel | USD | United States dollar |
| INR | Indian rupee | ZAR | South African rand |
| JPY | Japanese yen | | |

## Important information on derivatives

| | |
|---|---|
| Pricing | Option premiums and prices mentioned are indicative only. Option premiums and prices can be subject to very rapid changes: The prices and premiums mentioned are as of the time indicated in the text and might have changed substantially in the meantime. |
| Risks | Derivatives are complex instruments and are intended for sale only to investors who are capable of understanding and assuming all the risks involved. Investors must be aware that adding option positions to an existing portfolio may change the characteristics and behavior of that portfolio substantially. A portfolio's sensitivity to certain market moves can be heavily impacted by the leverage effect of options. |
| Buying calls | Investors who buy call options risk the loss of the entire premium paid if the underlying security trades below the strike price at expiration. |
| Buying puts | Investors who buy put options risk loss of the entire premium paid if the underlying security finishes above the strike price at expiration. |
| Selling calls | Investors who sell calls commit themselves to sell the underlying for the strike price, even if the market price of the underlying is substantially higher. Investors who sell covered calls (own the underlying security and sell a call) risk limiting their upside to the strike price plus the upfront premium received and may have their security called away if the security price exceeds the strike price of the short call. Additionally, the investor has full downside participation that is only partially offset by the premium received upfront. If investors are forced to sell the underlying they might be subject to taxing. Investors shorting naked calls (i.e. selling calls but without holding the underlying security) risk unlimited losses of security price less strike price. |
| Selling puts | Put sellers commit to buying the underlying security at the strike price in the event the security falls below the strike price. The maximum loss is the full strike price less the premium received for selling the put. |
| Buying call spreads | Investors who buy call spreads (buy a call and sell a call with a higher strike) risk the loss of the entire premium paid if the underlying trades below the lower strike price at expiration. The maximum gain from buying call spreads is the difference between the strike prices, less the upfront premium paid. |
| Selling naked call spreads | Selling naked call spreads (sell a call and buy a farther out-of-the-money call with no underlying security position): Investors risk a maximum loss of the difference between the long call strike and the short call strike, less the upfront premium taken in, if the underlying security finishes above the long call strike at expiration. The maximum gain is the upfront premium taken in, if the security finishes below the short call strike at expiration. |
| Buying put spreads | Investors who buy put spreads (buy a put and sell a put with a lower strike price) also have a maximum loss of the upfront premium paid. The maximum gain from buying put spreads is the difference between the strike prices, less the upfront premium paid. |
| Buying strangles | Buying strangles (buy put and buy call): The maximum loss is the entire premium paid for both options, if the underlying trades between the put strike and the call strike at expiration. |
| Selling strangles or straddles | Investors who are long a security and short a strangle or straddle risk capping their upside in the security to the strike price of the call that is sold plus the upfront premium received. Additionally, if the security trades below the strike price of the short put, investors risk losing the difference between the strike price and the security price (less the value of the premium received) on the short put and will also experience losses in the security position if they owns shares. The maximum potential loss is the full value of the strike price (less the value of the premium received) plus losses on the long security position. Investors who are short naked strangles or straddles have unlimited potential loss since, if the security trades above the call strike price, investors risk losing the difference between the strike price and the security price (less the value of the premium received) on the short call. In addition, they are obligated to buy the security at the put strike price (less upfront premium received) if the security finishes below the put strike price at expiration. |

## Risk warning

Every investment involves risk, especially with regard to fluctuations in value and return. If an investment is denominated in a currency other than your base currency, changes in the rate of exchange may have an adverse effect on value, price or income.

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IC Report GLOBAL_190611

# Imprint

**Cross Border classification: 5.4.1.**

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