

FIXED INCOME Structured Note Idea (Update)

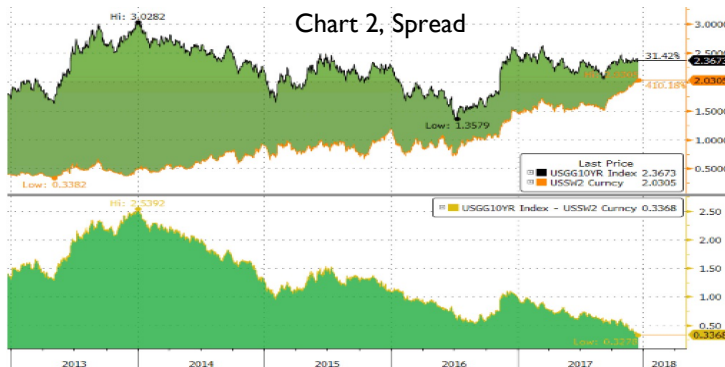
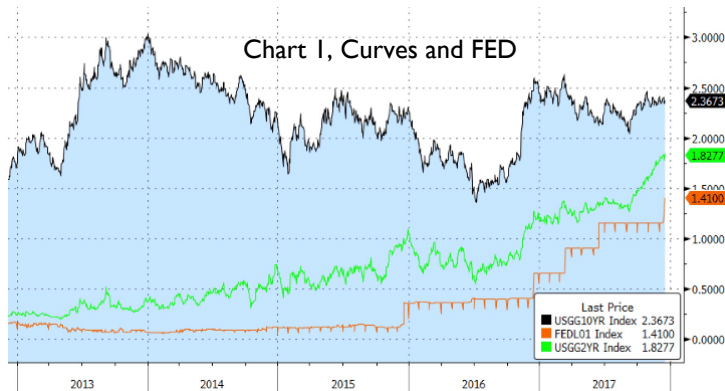
JANUARY 2018 UPDATE

USD Fixed Income Spread Note (Update)

Better Conditions

Rationale

- The US 10Y rates have been anchored around the 2.0-2.5% zone even after the rate rising environment started in the US. The 2 years rate curve has finally catch-up after a similar pattern (Chart 1). The rate differential is now at its 5 year historical low (Chart II).
- We believe the spread should narrow towards the 0.15 levels within 12 months as the FED will raise short rates and the long part of the curve reflects the growth and inflation expectations still subdued for the latter. The spread currently it stands at 0.33 as seen in Chart 2 hereunder.
- For risk oriented investors looking to profit from this situation and considering the large cushion of the note (68.75% from current levels), the risk/return could be considered.



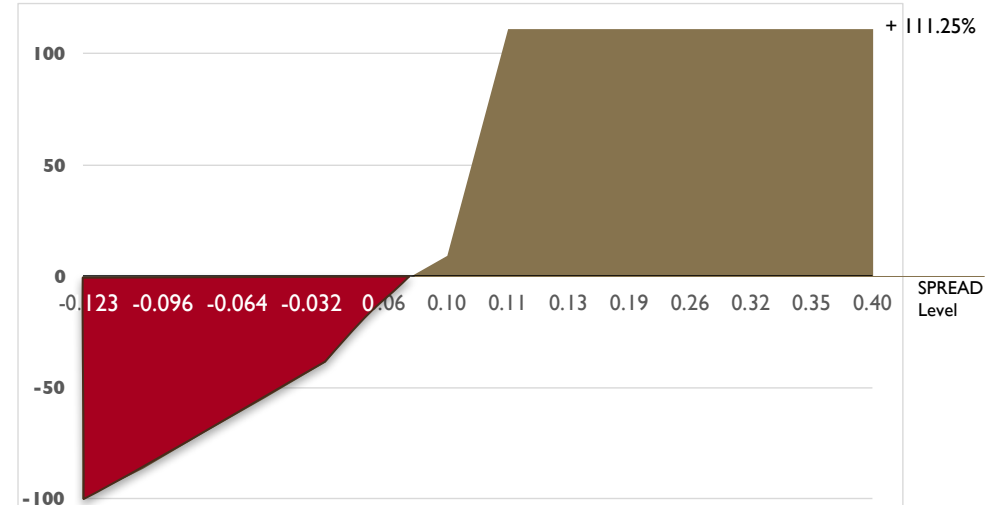
PRODUCT DESCRIPTION

Underlying:	Spread US Rates: 10 years – 2 years
Currency:	USD
Coupon:	12% 11.25% p.a. guaranteed (paid each semester)
Maturity:	1 Years
Issuer/Rating:	Minimum A 9.5bps (71.21% cushion)
Barrier/Protection:	High strike of 10bps (68.75% cushion from initial level), Low Strike of -10bps -9.5bps The initial current spread at 0.32 0.32 (See Chart 2 red line for cushion level)

Redemption Features: If final spread \geq high strike level = 100%
 If Low Strike \leq final spread < High strike = 100% - 5* (High Strike – Final Spread)
 If Final Spread < Low Strike = 0%

% Gains / Losses

PAY-OFF CHART (Coupon + Redemption)



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