CREDIT SUISSE

Global Research
Private Banking & Wealth Management
Investment horizon: 6-12+ months

Research Monthly

November 2013

Buy **Land Securities Group**
Has exposure to Central London real estate where demand is strong and rents are growing.

Buy **Top 30 Portfolio Stock: SAP**
SAP has repeatedly demonstrated its ability to leverage its significant customer base and to execute in times of changing business conditions.

This month's featured topic

Stock market set for secular bull market page 9

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EUR senior bank bonds look expensive given new "bail-in" plans page 10

Investment theme

USD undervalued; set to recover once US yields rise page 11

Editorial

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The search is on to identify the world's new growth regions. Trend growth in the familiar emerging markets in Asia, Latin America and Eastern Europe, though on average still above that of the developed countries, seems to have slowed as their economies become more mature and structural problems appear. Investors seeking new long-term structural growth stories have looked at many possibilities, including Kazakhstan, Mongolia, Myanmar, and countries in sub-Saharan Africa such as Nigeria and Kenya. All are interesting, often helped by mineral or energy resources, but most are not large and for sheer scale each of them is dwarfed by the giants of the Middle East, often overlooked as a growth region.

The GDP of Saudi Arabia can be estimated at around USD 600 bn, more than double that of Nigeria and roughly triple that of Kazakhstan. In aggregate, the four main Gulf states are already nearly two-thirds the size of Brazil and the gap is narrowing, their average growth running around 6%. Growth drivers include indigenous and immigrant demographics, fueled by energy revenues. Four decades ago, Saudi Arabia was an undeveloped economy of just 7 million people, unable to use the vast resources from rising oil revenues. Now, with a youthful population of 29 million, it deploys its revenues for education, industry and defense, as it progressively diversifies from its core oil sector. Investors are naturally concerned about regional geopolitical strains, but these can be a spur to growth as countries aim for security based on economic strength. One of our key themes is that emerging market growth has to be played selectively. The major economies of the Middle East, although it still remains somewhat difficult for international investors to gain exposure, have the combination of size, demographics and financial strength to make them clear contenders for the growth league.

In this issue

Editorial deadline: 29 October 2013

Investment Strategy

From liquidity-driven toward growth-driven markets

■ Economic data remain robust and suggest a certain unwind of postponed tapering expectations.

■ We remain tactically cautious on equities, but expect an entry opportunity to appear once the growth outlook improves.

■ Hedge funds to outperform among alternative investments; USD to appreciate somewhat.

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From next month, we will bring together key material from Research Monthly and from Mandates Monthly into a single new publication, Investment Monthly. This will provide information and views on markets, investments, asset allocation and mandates in one place. Moreover, in the new year, we will add selected examples of funds that can be used to express our investment strategy, for locations where this is allowed. This new combined publication will give a comprehensive overview, which we believe is a major step forward.

Tapering complacency

The September FOMC decision to postpone tapering, the subsequent government shutdown, the appointment of Janet Yellen at the helm of the Fed and the latest softer-than-expected labor market data have all induced markets to push back expectations for the start of Fed tapering further and further out. We believe there is an element of complacency. Overall data in the USA – taking not only employment data but also leading indicators and financing conditions into account – all are entirely compatible with a possible start of tapering in January. We think US Treasury yields are likely to drift up again from current levels against that backdrop.

Equities: Best equipped for the new business and policy cycle

Equities are not immune to adjustments in yield expectations. For example, historical evidence shows that when monetary policies start being tightened (traditionally this is when central bank rates rise, but this time around an exit from quantitative monetary measures could lead to similar outcomes), equity performance becomes more volatile. But, we would use any phase of temporary softness to rebuild equity exposure as performance generally remains positive, while it can turn negative for a whole range of other assets (e.g. high grade bonds, gold). Equities holding up despite the negative impact of higher discount rates on valuations (as future cash flows get discounted at a higher rate) generally comes from the improved earnings prospects that coincide with a better economic outlook. We therefore retain our preference for this asset class over the next 6–12 months. We continue to focus on cyclical sectors and emphasize Europe in our regional strategy. Eurozone stocks benefit from attractive valuations and cyclical catalysts: this is our investment theme this month.

Fixed income: Time for active fixed income management

In contrast to past years, fixed income investors will likely have to manage their portfolios very actively going forward. Instruments which have performed well in the past (senior bank debt, for example) may disappoint in the future. The instruments we continue to put at the core of our fixed income strategy are short maturity credits of low investment grade or crossover quality in combination with subordinated bank and hybrid corporate bonds, convertibles, senior loans, and at some stage, floating-rate bonds, which can help manage a time in which plain vanilla bonds of better credit quality will likely have a hard time delivering much return. Our more cautious view on senior bank debt stems from the bail-in resolutions adopted in Europe. These have meaningfully changed the risk-reward of senior unsecured bank bonds and we believe this bond segment will likely underperform after having been a popular fixed income investment in recent years. We devote a special article on this topic in this publication.

Alternative investments: Hedge funds still to outperform

Hedge funds benefit from the combination of continuous economic expansion and attractive financing conditions. Equity long/short and fixed income arbitrage strategies are particularly appealing to us. Within commodities, the phase of energy underperformance is likely to end in the face of the seasonal pick-up in heating oil demand. On real estate, we remain neutral.

Foreign exchange: Toppish EUR, resilient CHF

Our view remains that the EUR/USD is in a broad 1.27–1.37 range. At the upper end of this range, the risk of a reversal for the EUR is high. Conversely, we anticipate that the USD can trade toward the stronger end of the range before long. We have toned down our views on the CHF. Although capital outflows should lead the currency to soften, we believe the scope for a substantial weakening declines as time passes by. The inflation differential in favor of the CHF and the significantly increased net foreign asset position of Switzerland are leading to a stronger equilibrium exchange rate. We have published a comprehensive study on our currency fair value estimates and provide a summary in this issue. For all other main crosses, our views are unchanged and our preferred emerging market currencies remain the MXN, the CNY and the PLN.

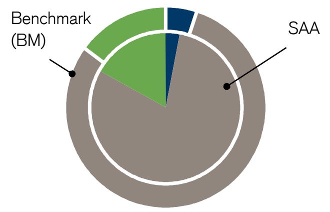
Top Investment Ideas – October update

We have made no change to our still open investment ideas this month. Next month, we will present our new Top Investment Ideas for 2014. (25/10/2013)

Strategic asset allocation (SAA)

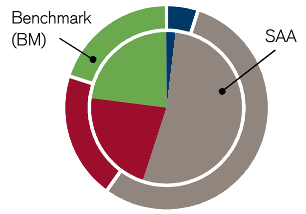
The neutral allocations serve as a guideline and represent the average weighting over an entire market cycle. Since the global strategy is based on a medium-term investment horizon, it deviates from the neutral position. We recommend an overweight in equities and alternative assets, particularly hedge funds. Conversely, we recommend underweighting fixed income investments and liquidity.

Fixed Income



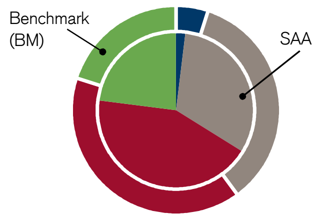
	BM	SAA
Cash	5%	3%
Fixed Income	80%	80%
Equity	0%	0%
Alternative	15%	17%

Income



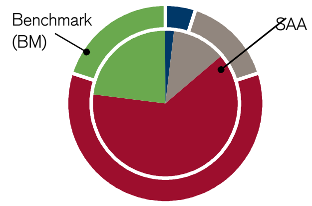
	BM	SAA
Cash	5%	2%
Fixed Income	55%	53%
Equity	20%	22%
Alternative	20%	23%

Balanced



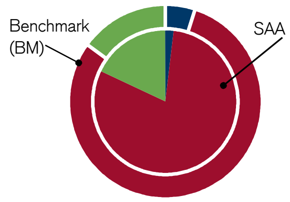
	BM	SAA
Cash	5%	2%
Fixed Income	35%	32%
Equity	40%	43%
Alternative	20%	23%

Capital Gain



	BM	SAA
Cash	5%	2%
Fixed Income	15%	12%
Equity	60%	63%
Alternative	20%	23%

Equities



	BM	SAA
Cash	5%	2%
Fixed Income	0%	0%
Equity	80%	80%
Alternative	15%	18%

Source: Credit Suisse

Investment summary

Short interest rates 3M Libor / 10-year government bonds

	3M Libor			10Y bonds		
in %	**Spot**	**3M**	**12M**	**Spot**	**3M**	**12M**
CHF	0.02	0.0-0.2	0.0-0.2	0.98	1.0-1.2	1.3-1.5
EUR *	0.23	0.1-0.3	0.3-0.5	1.76	1.7-1.9	1.9-2.1
USD	0.24	0.3-0.5	0.3-0.5	2.51	2.7-2.9	2.7-2.9
GBP	0.52	0.5-0.7	0.5-0.7	2.61	2.7-2.9	2.9-3.1
JPY	0.14	0.1-0.3	0.1-0.3	0.62	0.6-0.8	0.9-1.1

Spot rates are closing prices as of 25/10/2013. Forecast date: 19/10/2013. * 3M Euribor

Source: Bloomberg, Credit Suisse

Bonds: Selected indices

Index	YTM (%)	Spread to benchmark (bp)	Total return YTD (%)	12M TR outlook
USD (CS LUCI)	3.1	110	-1.1	→
EUR (CS LEI)	1.9	114	1.8	→
CHF (CS LSI)	0.9	41	-0.8	↘
GBP(CS LEI)	3.6	123	2.9	→
EM HC (JPM EMBI Global)	5.7	331	-4.7	↗
EM LC hedged in USD (JPM GBI)	6.2	n.a.	-2.9	↗
High Yield (CS HY Index)	5.8	467	6.3	↗

Prices as of 25/10/2013

Source: Bloomberg, Credit Suisse

Commodities

	Spot	3M	12M
Gold (USD)	1,350.80	1,250	1,300
Silver (USD)	22.54	21	20
Platinum (USD)	1,453.15	1,500	1,650
Oil (USD)	97.85	104	100

Spot prices: New York close 25/10/2013

Source: Bloomberg, Credit Suisse

Equities: Selected indices

Index	Price	MTD (%)	YTD (%)	12M price target
S&P 500	1,759.77	4.7%	25.5%	1,750
SMI	8,249.31	2.8%	20.9%	8,200
FTSE-100	6,721.34	4.0%	13.4%	6,650
Euro Stoxx 50	3,034.50	4.9%	15.5%	3,300
Nikkei 225	14,088.19	-2.5%	35.5%	17,500
MSCI EM	1,027.27	4.0%	-2.6%	1,080
China H-Shares	10,177.82	-1.3%	-10.6%	12,000

Prices as of 25/10/2013

Source: Bloomberg, Credit Suisse

Foreign exchange

	Spot	3M	12M
EUR/USD	1.38	1.30-1.34	1.29-1.33
USD/CHF	0.89	0.93-0.97	0.95-0.99
EUR/CHF	1.23	1.23-1.27	1.25-1.29
USD/JPY	97	100-104	103-107
EUR/JPY	134	133-137	136-140
EUR/GBP	0.85	0.82-0.86	0.84-0.88
GBP/USD	1.62	1.56-1.60	1.51-1.55
EUR/SEK	8.72	8.68-8.72	8.68-8.72
AUD/USD	0.96	0.94-0.98	0.90-0.94
USD/CNY	6.08	5.95-6.15	5.90-6.10

Spot rates: London close 25/10/2013

Source: Bloomberg, Credit Suisse

Real GDP growth and inflation

	GDP growth			Inflation		
in %	**2012**	**2013E**	**2014E**	**2012**	**2013E**	**2014E**
CH	1.0	1.8	2.0	-0.7	-0.1	0.6
EMU	-0.6	-0.3	1.2	2.5	1.5	1.7
USA	2.2	1.6	2.6	2.1	1.6	2.1
UK	0.2	1.4	2.2	2.8	2.8	2.5
Japan	2.0	1.8	1.8	0.0	0.0	1.4

Source: Bloomberg, Credit Suisse

Global Research asset category strategy

	By region/strategy (1-6 month view from IC report)	Comments and comparison of weightings	Tactical 1–6 M	Strategic 6–12+ M
Fixed income	Overweight: Italy, Australia; Underweight: Canada, Switzerland, UK, USA; Neutral: Germany, Japan	Bond yields have fallen sharply. We remain cautious and move our tactical arrow to underweight.	↘	↘
Equities	Overweight: Europe; Underweight: Switzerland, UK, USA; Neutral: Emerging Markets, Japan, Australia, Canada	With US fiscal risks ebbing, we look for a stock market setback to remove our underweight; triggers could include early tapering. There is a risk of new equity highs if the ECB eases.	↘	↗
Commodities	Neutral: Energy, industrial metals, precious metals and agriculture, Gold and WTI Oil	We end our short energy, long base metals view, which worked well.	→	→
Real estate	Overweight: USA.	Equities: Valuations fairer, but risk of interest rates to rise further.		→
Private equity	Focus on SME LBOs and EM.	We favor small/mid-sized LBOs and fund with an investment focus on emerging markets.		↗
Hedge funds	We maintain our positive stance on directional strategies, FI arbitrage.	We overweight directional strategies, (e.g. EM, long-short). We maintain our positive stance for global macro, fixed income arbitrage.		↗
Foreign exchange	EUR/USD ↘, USD/CHF ↗, GBP/USD ↘, USD/JPY ↗.	EUR/USD close to a high; if it threatens to break upward, we expect the ECB to ease. EUR/CHF: We see less upside than before.		

Source: Credit Suisse

Top Investment Ideas for 2013

Fixed Income	Status	Action	Rationale/update
1. Beyond cash: Credit not duration	■ (green)	Buy short dated AA- to BBB financials and A to BB non-financials (excluding autos) in CHF, EUR, GBP and USD.	Cash is likely to continue to be unremunerative (near-zero yields) in most markets. Corporate bonds of short maturities still offer a reasonable yield pick-up versus cash, given the essentially stable default rate expectations for most of 2014. Conservative investors should continue to focus on short (1-3 year) investment grade bonds.
Equities			
2. Recovery stocks	■ (green)/● (red)	Take profit on US consumer and US recovery stocks. Buy M&A stocks.	Global growth is likely to accelerate. The US clearly remains the leader of the recovery, and exposure to the US is the cornerstone of the recovery theme. However, due to continued short-term risks, we maintain US consumer and US recovery stocks on Red. M&A stocks remain on Green as M&A activity is expected to increase further. European economic data has surprised on the positive side and European recovery stocks may start to look increasingly attractive.
3. Dividends and beyond	■ (green)/▲ (yellow)/● (red)	Selectively buy high-dividend-yielding stocks and stocks generating high free cash flow and hold, but do not add to global convertibles.	A defensive theme for investors who are interested in absolute returns and have expectations of relatively high cash flow disbursements from dividends. Many of the fundamental drivers for equity yield remain intact; however, we leave Dynamic Dividends and Convertibles on Yellow and the emerging market and APAC strategies on Red.
4. New gas and oil sources	● (red)	Take profit on upstream energy stocks.	Higher crude oil prices should disproportionately benefit oil and gas companies with new exploration technologies or that have interest in unexploited shale gas, tight oil or deep water oil sources, since these are becoming increasingly attractive and profitable the higher the crude oil price is. Due to the volatile market environment, however, we recommend taking profit on this high beta idea at this time.
Alternative Investments			
5. US real estate	● (red)	Exit listed real estate investments.	The pressure on long-term interest rates will likely remain more to the upside than the downside on a strategic horizon. While we expect positive performance, we think listed real estate is unlikely to outperform overall stock markets in such an environment. We therefore close "US real estate" as a top investment idea. But, selectively, US REITs continue to offer attractive investment opportunities to investors looking for defensive dividends.
Foreign Exchange			
6. The new hard currencies	▲ (yellow)	Hold selected emerging market currencies funded in EUR, USD or GBP.	CNY remains our most preferred Asian currency pick and the FOMC decision to delay tapering made the positive CNY view even stronger. However, for other Asian currencies with entrenched longer-term macroeconomic issues, specifically the IDR and INR, it remains to be seen if recent post FOMC gains can be sustained. We therefore keep the idea on Yellow for now.

Key to status symbols: green = attractive investment opportunities – continue to invest in theme; yellow = keep holdings but do not add to existing positions; red = reduce /exit existing positions.

Source: Credit Suisse

Economics

Growth to strengthen further into 2014

■ With money still easy and fiscal headwinds waning, global growth should strengthen into 2014.

■ The US fiscal conflict should now be much less virulent. We expect gradual Fed tapering as of January.

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Business surveys, after surging for several months in advanced economies, have softened slightly, including in the USA and UK, but clearly continue to signal expansion. Even if oil prices do not fall significantly from current levels, the risk of sharply higher prices has diminished as oil and gas production keeps rising swiftly in the United States, and Middle East tensions have subsided. Inflation pressure should thus stay subdued, allowing major central banks to remain highly supportive. Meanwhile, fiscal headwinds in the USA and the Eurozone are waning.

Although US fiscal conflicts have been defused, "tapering" is likely to be cautious
The US government shutdown is unlikely to have significant economic effects, as payments to government workers are delayed but not cut. More importantly, the fiscal drama is unlikely to re-escalate to anywhere near the same extent, given the negative voter reaction to the recent events. Even if no "grand fiscal bargain" is achieved by mid-December and the so-called sequester remains in place, US fiscal policy will be far less restrictive than in 2013, when taxes rose. With bond yields and mortgage rates somewhat lower, the recent weakness in some housing indicators should also prove transitory. Higher stock prices should support consumption as well as investment and, thus, overall US growth. The Fed is nevertheless likely to reduce its asset purchases only cautiously.

Eurozone demand recovery from depressed levels
Industrial production in the Eurozone has been stronger than expected recently, with particular strength in Portugal and Spain, and at a minimum, stabilization elsewhere. Survey indicators remain consistent with ongoing expansion. There are also some very tentative signs of bottoming in consumer and investment spending as well as in labor markets. As fears of a debt default or even euro break-up continue to subside, financing conditions are easing in the vulnerable economies. However, with credit still weak, inflation falling and the euro strengthening, the ECB may well resort to additional easing measures.

EM momentum slightly better, but trend still fairly weak
In China, growth was stronger than expected in Q3 and the government's target of 7.5% growth for 2013 is likely to be slightly exceeded. The rebound largely reflects (mild) government stimulus measures, but these are unlikely to be repeated in Q4, given rising real estate prices and fiscal constraints. A renewed surge in credit looks unlikely. While Eastern Europe continues to feel the mildly positive effects of the Eurozone's emergence from recession, the overall growth trend in emerging markets is likely to remain rather subdued.

(25/10/2013)

Selected ideas from previous months

October 2013 (24/09/2013)		
Recommendation		**Action to be taken**
BUY M&A 15 – a component of our Top Investment Ideas for 2013.	EQ	Add exposure
BUY BNP Paribas, ING, Deutsche Bank. Attractive valuation in a normalizing economic environment.	EQ	Add exposure
BUY Top 30 Portfolio Stock: Deere. The stock corrected over the summer and still offers an attractive buying opportunity. We see nearly 20% upside from current levels.	EQ	HOLD
BUY Long/short equity and fixed income arbitrage funds. Both strategies should outperform in an environment of elevated yields.	AI	Add exposure

September 2013 (27/08/2013)		
Recommendation		**Action to be taken**
BUY Top 30 Portfolio Stock: Schlumberger. The stock has delivered good earnings and revisions have been positive. We see close to 20% upside potential in the stock.	EQ	Add exposure
BUY Fixed income arbitrage hedge funds. Fixed income arbitrage funds should outperform long-only fixed income investments in an environment of rising yields.	AI	Add exposure

August 2013 (30/07/2013)		
Recommendation		**Action to be taken**
BUY Lower Tier 2 from Société Générale and BPCE in EUR, as well as from Morgan Stanley in USD. Offering a favorable risk/return profile.	FI	Add exposure
BUY Toyota Motor (7203 JP), Bridgestone (5108 JP) and Astellas Pharma (4503 JP). Major international players among Japanese companies.	EQ	Add exposure
BUY Top 30 Portfolio stock: Apple. Earnings have come ahead of expectations; it trades at a 20% discount to its peers.	EQ	Add exposure
BUY Long/short equity hedge funds. Long/short equity hedge funds with a focus on US stocks offer attractive risk-reward.	AI	Add exposure

FI Fixed income, EQ Equities, AI Alternative investments, FX Foreign exchange, RE Real estate

Source: Credit Suisse

This month's featured topic

Stock market set for secular bull market

■ 2009 looks to have marked the start of a secular equity bull market that can continue for many more years.

■ The bottoming secular momentum indicator supports our positive long-term view for equities.

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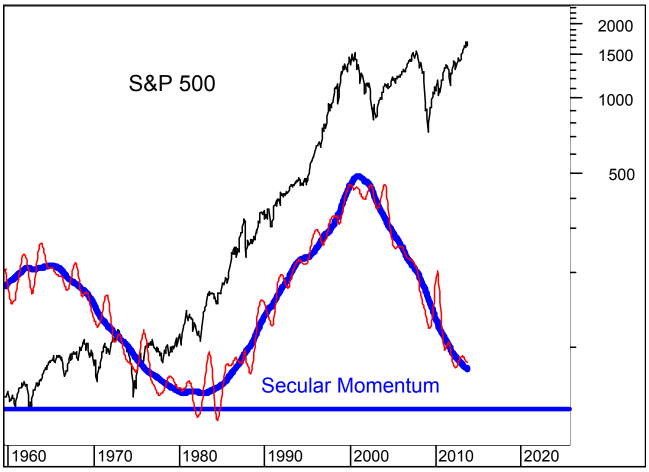
Crowd behavior leads equities into a secular uptrend

We look at the US as a bellwether for global stock markets. The chart shows the US stock market based on the Standard & Poor's Index, together with our very long-term momentum indicator. We call this the secular momentum indicator. It is based on a monthly rate of change, which measures the index change over a constant period of roughly ten years. Secular trends are made up of several bull markets and are shifting from overbought to oversold as also described by Joseph Schumpeter and Nikolai Kondratieff. They tend to correct extremes in inflation and deflation. We believe that secular peaks and troughs are a reflection of crowd psychology.

Secular momentum is bottoming

Our secular momentum indicator shows that, from 2000 to 2009, the mood changed again from euphoria to panic. We believe that the low of 2009 marked the end of the secular decline and the beginning of a new secular uptrend. The indicator has moved from its highly overbought condition registered in the year 2000 and is now bottoming. As a conclusion, we forecast a stock market uptrend, but not as strong as the one seen in the 1980s. The secular momentum indicator is not a timing indicator. It merely provides an idea of the big picture for US equities. The timing signals are derived from the long-term momentum indicator. This indicator is also shown in the chart. Currently, it shows that the US stock market has been slowing down since May 2013, the month after the index managed to break the highs from 2000 and 2007. This historical breakout is likely to be digested and the index likely to consolidate above these highs. Following this consolidation, which could span from 1,600 to 1,800, we think the US stock market is likely to resume its secular uptrend, probably in the first half of 2014. (25/10/2013)

S&P 500 Index
Monthly chart with secular momentum indicator



Source: Reuters, MetaStock

Investment theme

EUR senior bank bonds look expensive given new "bail-in" plans

■ Expected increase in subordinated debt issuance to protect senior bondholders.

■ EUR Lower Tier 2 spreads already reflecting bail-in risk.

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As part of the new regulatory framework for banks in the EU, the authorities plan to introduce rules to resolve failing banks, comprising writing down or converting liabilities into equity. Unsecured debt will be affected after 1) equity and 2) all junior creditors have incurred losses.

This represents a new development, as senior bondholders have not generally been required to absorb losses in major bank restructurings. We thus believe that the bail-in topic might become a key issue for investors in the coming months, particularly as the Asset Quality Review by the ECB might raise fears regarding the recapitalization of the weakest banks next year.

Bail-in-able buffers gaining in importance

In our view, the best way to assess the loss given default for senior bondholders is to look at the amount of equity and subordinated securities in relation to total liabilities. For many banks in our coverage universe, this is well below 8% of total liabilities (see Figure 1), which is likely to be considered a minimum threshold, leaving senior unsecured bonds of some banks dangerously exposed. However, the provisions for senior bail-in will not come into force for a few years (2018, but some regulators are already pushing for 2016), giving the banks time to reduce assets further and build up capital.

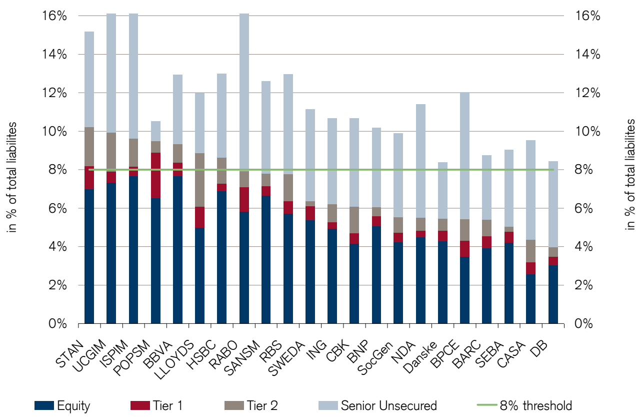
Of course, there are also other factors that influence the credit strength of a bank. Based on our fundamental analysis, conservative investors should focus on senior debts from leading retail and commercial banks such as HSBC, Rabobank and Lloyds. More risk tolerant investors could look into selected bonds from leading Spanish and Italian banks such as BBVA, Unicredit and Intesa.

Underweight senior debt and overweight Lower Tier 2

For Lower Tier 2 instruments (LT2), we think that current valuations generally take into account the new regulation, as we have seen new rating methodologies linking the subordinated rating to the intrinsic strength of the respective bank and strong underperformance of LT2 in terms of beta, compared with senior debt. In contrast, we think that senior debt is not pricing in the risk inherent to the new regulation. Indeed, EUR bank senior spreads are currently trading around pre-crisis levels, while nearly 50% of the bonds in the index mature after 2018 and the average rating is five notches lower than in early 2008. We thus recommend bank debt investors rather buy LT2 instruments than senior unsecured bonds.

(24/10/2013)

Figure 1: Overview of capital securities for selected banks



Source: Bloomberg, company data, Credit Suisse

Investment theme

USD undervalued; set to recover once US yields rise

■ The Credit Suisse Fair Value Update 2013 shows that USD is generally cheap, as is JPY. CHF is now close to fair value versus EUR.

■ We maintain diversification out of USD into selected currencies such as CNY, MXN and PLN. Other emerging market units with external deficits are at risk once US yields rise.

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The model

The Credit Suisse Fair Value model is an estimate of equilibrium exchange rates, and has been produced annually since 1999. The model is based on the theory of traditional purchasing power parity (PPP), augmented by several real economic variables, such as productivity, net foreign assets and real interest rates. The motivation is to develop a theoretically sound, statistically robust medium-term benchmark to indicate whether major currencies should be considered overvalued or undervalued. The idea is, in principle, that currencies with higher inflation tend to depreciate over the long term. Similarly, currencies with structurally lower inflation (like CHF and JPY) tend to appreciate. A large net foreign asset position indicates that a country is a net creditor. The resulting income flow from assets held abroad thus puts upward pressure on a currency. Conversely, a country with an external deficit needs to attract foreign capital inflows to fund this deficit. Higher local yields are therefore required. For more information on the model, please see our Research Alert, "Equilibrium exchange rates: Credit Suisse Fair Value Update 2013" of 18 October 2013.

Our currency outlook taking the CSFV into account

The USD is weaker, even after the resolution of the US government shutdown, as markets expect that Fed tapering will be postponed further. But we see downside for US yields from current levels as limited, and long positions in USD have likely been scaled back. There may be bouts of USD weakness in the near term, but we still have a bias for the USD to drift higher within its range, once US yields rise and rate spreads move in favor of the USD. The fair value for EUR/USD is at 1.22, slightly higher than the 1.18 on our estimates in 2012. Sustainable upside for the EUR should thus be limited, especially if the ECB were to ease. GBP/USD is overvalued, with our fair value estimate at 1.41 and the fair value for GBP declining since 2003 due to the weak external position and persistently high inflation. We are negative GBP/USD due to the external deficit and low real yields. The CHF is overvalued vs. the USD compared to our estimate of parity, but significantly less than in 2012. EUR/CHF is close to our fair value of 1.22 (previously 1.35). The substantial change in CHF valuation is due to data revisions, strong Swiss fundamentals like low inflation, high productivity and large external assets (also due to SNB FX reserve accumulation). We expect the Swiss National Bank to maintain its EUR/CHF floor at 1.20 through 2014. We thus see limited upside for EUR/CHF, but see the CHF weakening vs. the USD. The JPY is the notable exception, undervalued at 80.4 vs. USD. A successful reflation in Japan may reverse the trend to higher fair values for the JPY, but only if Japanese inflation in future is higher than in the USA. We expect moderate JPY weakness as capital outflows will help to recycle the external surplus and the BoJ remains expansionary. The AUD, NZD and CAD remain overvalued, but significantly less so than in 2012. The AUD is cyclically supported by the improvement in Chinese data, but overvaluation is likely to cap further strength in the long term. The Scandinavian currencies (NOK, SEK) look relatively cheap on a valuation basis.

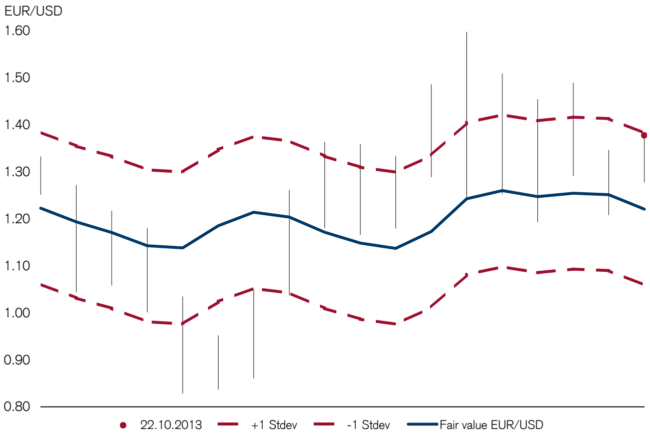
Emerging market currencies have appreciated, as US yields have declined and some capital flows have returned. But we stress that after the recent rally, selection is even more important. Currencies with external deficits are still vulnerable to a renewed rise of US yields. We thus diversify only a small allocation into the MXN and PLN, which are both neutrally valued and should benefit from a recovery in the USA and the Eurozone. As China's current account surplus is increasing and we remain positive on the CNY, we retain our forecast for USD/CNY to reach 6.00 in 12 months.

Investment strategy over 12 months and beyond

We would expect currencies to revert back to around fair value over a multi-year period. Given our new fair values and our currency outlook, our investment conclusions are: sell the EUR into strength and sell the GBP vs. the USD. The JPY should be sold into recoveries, but not into weakness. The prospects of significant CHF weakness have diminished. We would recommend starting to hedge against a stronger CHF into any meaningful CHF weakness over 12 months. The most attractive position from a pure valuation stand point is to buy the SEK and the NOK and sell the AUD and the NZD.

(24/10/2013)

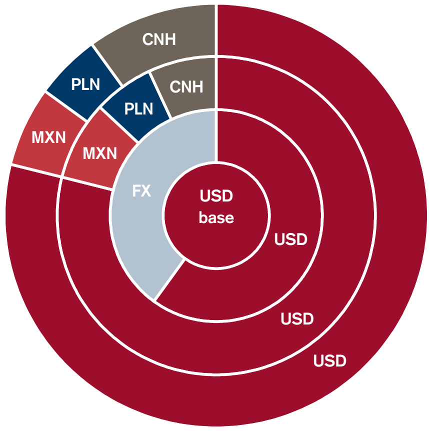
Fair value (FV) EUR/USD



Source: Datastream, Credit Suisse / IDC

USD model currency portfolio

Our USD-based currency portfolio shows an assumed 60% benchmark home bias and 40% exposure to a broader universe of foreign currencies, against which we allocate strategically and tactically, according to our views and portfolio analytics.



Core Diversification			Strategic Allocation		+ Tactical Overlay	= Optimal Portfolio	
Americas	USD	60%	USD	79%	0%	USD	79%
			MXN	8%	-2%	MXN	6%
			CAD	0%	0%	CAD	0%
EMEA			PLN	6%	-1%	PLN	5%
			EUR	0%	0%	EUR	0%
			GBP	0%	0%	GBP	0%
			CHF	0%	0%	CHF	0%
			SEK	0%	0%	SEK	0%
			NOK	0%	0%	NOK	0%
			RUB	0%	0%	RUB	0%
			TRY	0%	0%	TRY	0%
			ZAR	0%	0%	ZAR	0%
APAC			CNH	7%	3%	CNH	10%
			JPY	0%	0%	JPY	0%
			AUD	0%	0%	AUD	0%
			NZD	0%	0%	NZD	0%
			SGD	0%	0%	SGD	0%
Gold			XAU	0%	0%	XAU	0%
FX		40%					

Source: Credit Suisse

Alternative investments

Hedge funds to outperform other alternative investments

■ Market conditions for hedge funds remain supportive.

■ Commodity and real estate outlook neutral amid rate risks.

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Buy **Land Securities Group**
Has exposure to Central London real estate where demand is strong and rents are growing.

A diverse outlook

The performance of alternative investments continues to diverge. Stabilizing growth is positive, but the risk of higher bond yields over the long term should limit the potential for gold and real estate. We prefer hedge funds as they can react flexibly to changing market conditions.

Hedge funds: Solid performance and positive outlook

In September, the CS Hedge Fund Index gained 1.3%, bringing its YTD performance to 5.35%. Equity-linked strategies such as equity long/short (+2.6%), event driven (+1.5%) and emerging markets (+1.3%) continued to perform well. Looking at manager positioning, the performance of these sectors is likely to be solid in October as well. Longer term, stabilizing growth, low volatility and the low correlation between individual stocks should help managers implement their strategies. We prefer equity long/short and fixed income arbitrage strategies. The former should benefit from our positive long-term view on equities, while the latter should perform well if rates start moving higher.

Commodities: Upside potential limited

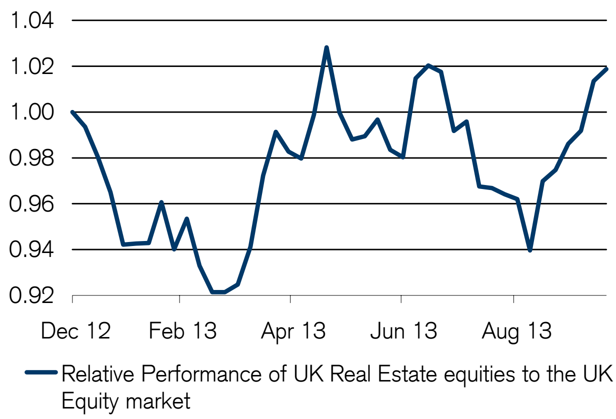
The stabilization of growth is positive for commodities and has reduced downside risks. However, upside potential seems limited as well as growth is not yet strong enough. Our outlook is neutral. Within commodities, oil still looks more expensive than other markets, but after the recent pullback, prices should find a bottom soon. As a result, we have closed our tactical recommendation to favor industrial metals over energy. In precious metals, gold is undervalued, but vulnerable to a move up in yields. We think sideways trading is the most likely outcome for gold.

Real estate: We maintain our neutral outlook

Real estate equities have added 8.6% since the beginning of September. However, global real estate equities have underperformed the broader equity market by 13.9% YTD, as the market started to price in potential long-term interest rate upmoves. Our outlook for the sector is neutral for the same reason. Nevertheless, we single out UK real estate equities as an attractive investment opportunity within the real estate sector. UK development activity remains subdued and stock valuations are appealing. We are particularly positive on Land Securities, given the company's solid fundamentals and its exposure to the Central London market. (25/10/2013)

Performance of UK real estate equities relative to the UK equity market

UK real estate equities are outperforming



Source: Datastream, Credit Suisse / IDC

Fixed income

We maintain our constructive view on credit

■ Corporate high yield bonds remain our preferred fixed income asset class.

■ US Treasury yields likely to face upward pressure after the recent rally.

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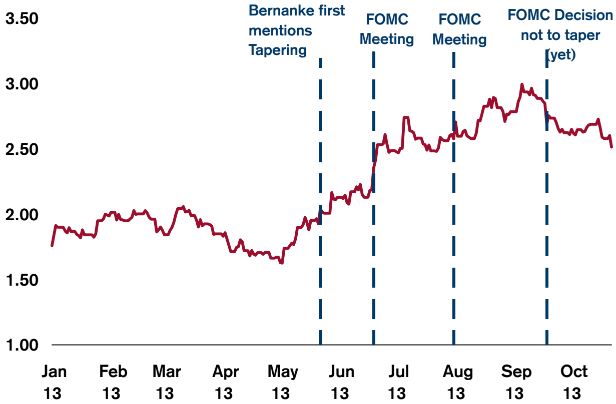
Support for risk-free assets might fade

The resurgence of US fiscal issues has caused government bond yields, especially in USD, to trade materially lower. Further, expectations for the future hiking path of US central bank rates have been pushed back. With the recent US government shutdown likely to have only a limited impact on growth and the economic backdrop expected to improve, we believe the discussion about a reduction in monetary accommodation will take center stage again rather sooner than later. Hence, some increased upward pressure on bond yields is likely to materialize, in our view. While this argues in favor of a short duration strategy in USD, we remain somewhat more constructive on the Eurozone, where we expect the ECB to keep its dovish stance, limiting the upside potential for German Bund yields in the coming months. Globally, our Investment Committee recently introduced a bearish stance toward fixed income, also on a tactical time horizon (1–6 months), which is now in line with its negative strategic view.

10-year US Treasury yield in 2013



Source: Bloomberg, Credit Suisse / IDC

Market environment remains supportive of high yield

Although corporate credit and emerging market sovereign spreads have tended to widen on fears of a reduction in monetary stimulus by the Fed, it is likely that the correlation between government bond yields and credit spreads will turn negative again, reflecting our belief that the US Fed would only taper amid evidence of a sustained economic recovery. While we do not view corporate credit as particularly cheap, the still benign default rate outlook and reasonable prospects for economic growth should lead to positive total returns. In that regard, high yield bonds remain our favored fixed income asset class, with a preference for the European market, where the credit cycle is least advanced.

Using the rally to curb exposure to the weakest emerging market issuers

In emerging markets, we would take advantage of the recent improvement in sentiment to reduce exposure to the fundamentally weakest countries in hard currencies (e.g. Ukraine) as structural challenges are likely to re-emerge in 2014. In local currencies, we continue to see the best risk-reward in Mexico and maintain our preference for South Africa among the most vulnerable countries. For emerging market corporates, we favor fundamentally stronger issuers, focusing on BBB and BB credits, and on bonds of short to medium tenors.

(25/10/2013)

Selected bond recommendations

ISIN	Curr.	Issuer	Rating (1)	Coup.	Maturity	Min.denom./ inc. (in 1000)	Vol. (m)	Ask price (2)	YTW (%)	Benchm. spread	Dur-ation
CHF											
CH0226274261	CHF	GAZPROM (GAZ CAPITAL SA)	NR / Baa1	2.850	25/10/2019	5 / 5	500	101.10	2.65	220	5.4
CH0225710588	CHF	GLENCORE FINANCE EUROPE	BBB / Baa2	2.125	23/12/2019	5 / 5	175	101.30	1.90	145	5.7
CH0222418300	CHF	TELEFONICA EMISIONES SAU	BBB / Baa2	2.595	23/10/2020	5 / 5	225	103.00	2.13	156	6.3
USD											
US87938WAQ69	USD	TELEFONICA EMISIONES SAU (3)	BBB / Baa2	3.192	27/04/2018	150 / 1	1,250	101.53	2.83	173	4.2
US83368RAD44	USD	SOCIETE GENERALE (3)	A / A2	2.625	01/10/2018	250 / 1	750	101.40	2.32	105	4.6
USU3821PAA04	USD	GENERAL MOTORS CO (3)	BB+ / Ba1	3.500	02/10/2018	2 / 1	1,500	102.75	2.90	169	4.5
US06051GEX34	USD	BANK OF AMERICA CORP (3)	A- / Baa2	2.600	15/01/2019	2 / 1	2,500	100.73	2.45	110	4.8
EUR											
XS0901738392	EUR	BBVA SENIOR FINANCE SA	BBB- / Baa3	3.250	21/03/2016	100 / 100	1,500	103.46	1.75	157	2.3
FR0011568963	EUR	RENAULT S.A.	BB+ / Ba1	3.625	19/09/2018	1 / 1	600	103.04	2.95	222	4.4
XS0954946926	EUR	BANK OF AMERICA CORP	A- / Baa2	2.500	27/07/2020	100 / 1	1,500	100.30	2.45	138	6.1
XS0981442931	EUR	CRH FINLAND SERVICES OYJ	BBB+ / Baa2	2.750	15/10/2020	100 / 1	750	101.07	2.58	149	6.1
XS0981438582	EUR	GAS NATURAL FENOSA FINAN	BBB / Baa2	3.500	15/04/2021	100 / 100	500	101.87	3.22	198	6.5
Others											
XS0875034703	AUD	RABOBANK NEDERLAND	AA- / Aa2	4.250	22/01/2018	1 / 1	325	100.36	4.15	94	3.7
XS0969811123	AUD	BNP PARIBAS	A+ / A2	5.250	19/09/2019	2 / 2	200	101.54	4.94	144	5.0
XS0974126186	GBP	GAZPROM (GAZ CAPITAL SA) (3)	BBB / Baa1	5.338	25/09/2020	100 / 1	500	104.75	4.53	263	5.7
EM/Below IG/Sub. Debt*											
XS0955232854	USD	OJSC RUSS AGRIC BK(RSHB) (3)	NR / Baa3	5.100	25/07/2018	200 / 1	800	102.90	4.41	329	4.1
XS0982644774	USD	TURKIYE IS BANKASI A.S (3)	NR / Baa2	5.500	21/04/2019	200 / 1	500	101.80	5.12	368	4.7
USN77608AD49	USD	SCHAEFFLER FINANCE BV (3, 8)	BB- / Ba2	4.750	15/05/2021	200 / 1	850	100.25	4.70	280	6.1
US71647NAF69	USD	PETROBRAS GLOBAL FINANCE (3)	BBB / Baa1	4.375	20/05/2023	2 / 1	3,500	92.91	5.33	289	7.5
US61747YDU64	USD	MORGAN STANLEY (3, 5)	BBB+ / Baa2	4.100	22/05/2023	1 / 1	2,000	97.22	4.46	204	7.7
XS0893205186	EUR	VNESHECONOMBANK(VEB)	BBB / NR	3.035	21/02/2018	100 / 1	1,000	100.10	3.01	253	3.9
XS0923613060	EUR	SCHAEFFLER FINANCE BV (3, 8)	BB- / Ba2	4.250	15/05/2018	100 / 1	600	102.70	3.43	309	3.2
XS0975113498	EUR	LAFARGE SA	BB+ / Ba1	4.750	30/09/2020	100 / 1	750	104.52	3.99	285	5.8
XS0919581982	EUR	RZD CAPITAL PLC (RZD)	BBB+ / Baa1	3.374	20/05/2021	100 / 1	1,000	96.00	4.00	279	6.4
XS0986063864	EUR	UNICREDIT SPA (5, 6)	BBB- / Ba1	5.750	28/10/2025	100 / 1	1,000	99.73	5.80	466	5.6
XS0765386627	GBP	JAGUAR LAND ROVER AUTOMO (3, 8)	BB / Ba2	8.250	15/03/2020	100 / 1	500	113.00	4.12	363	2.2
FR0011531722	GBP	GDF SUEZ (4)	BBB+ / A3	4.625	perpetual	100 / 100	300	103.50	3.87	235	4.5

*Emerging Markets / Below Investment Grade / Subordinated Debt; 1) e = expected rating, subject to final documentation / NR = not rated; 2) Indicated prices as of 25 October 2013; 3) Semi-annual coupon; 4) Corporate subordinated hybrid debt, first call 10/01/2019; 5) Subordinated bank debt; 6) LT2, first call 28/10/2020 7) Call 15/03/2016; 8) call 15/05/2016. For the detailed analysis accompanying the recommendations listed, please refer to the latest Global Research Credit Updates and Research Alerts.

Source: Bloomberg, Credit Suisse

Equities

European stocks to outperform

■ US fiscal risks have been averted for the time being, removing another potential roadblock for equities. As momentum improved, many equity indices reached new highs in October.

■ We have turned more positive on Europe on improved economic dynamics and still attractive valuation, but reduce Japan to a neutral weighting.

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Buy **Top 30 Portfolio Stock: SAP**
SAP has repeatedly demonstrated its ability to leverage its significant customer base and to execute in times of changing business conditions.

Equity markets shrug off political uncertainty

The focus of markets in the first half of the month was clearly on the US political tug-of-war. However, in spite of all the headlines, most of the major stock indices were up month-to-date. The MSCI World Index advanced by 4.2%, while the MSCI Emerging Markets Index rose 4.4% (close as per 24 October).

Following such strong price reaction, however, we expect the markets to take a breather. Volatility is likely to increase from here as political risks and tapering discussions will remain key in the next few months. US fiscal risks have merely been pushed back, and uncertainties remain as to when the Fed will start tapering. Consequently, the market could move into "good news is bad news" mode. Strong macro data could lead to sooner-than-expected tapering, which would likely result in negative reactions in the equity markets. Hence, we reiterate our tactical underweight in equities.

Structural tailwinds remain intact

Looking beyond the short term, the structural case for equities remains favorable. Valuations, while less attractive than at the start of the year, remain compelling, especially compared to other asset classes. Even now, there is room for a further compression in the equity risk premium, while the asset class remains underowned. In an environment of improving growth, equities are likely to outperform. In addition, with still plenty of labor market slack globally, the inflation outlook remains tame and central banks can afford to continue with expansive monetary policies. Still, a more normal cyclical and financial outlook will at one point also mean a return to a more normal yield environment. Equities certainly will not be completely immune to higher yield expectations. But importantly, equity performance generally remains positive in a rising yield environment, as higher discount rates usually coincide with improved earnings prospects due to a better economic outlook. Given this backdrop, our strategic view on equities remains positive.

Tactically more positive on Europe, less so on Japan

From a regional perspective, we have turned more positive on Europe. Leading indicators signal a return to growth, and better economic momentum should in turn translate into earnings growth, thereby supporting European equities. Even though we are still positive on Japan longer term, tactically we have turned more cautious and downgraded the country to neutral. A lot of the good news is already reflected in share prices and we notice that economic indicators relative to expectations have lost momentum.

Sector-wise, we have become more cautious on the consumer discretionary sector, which we downgrade to underweight, and turn more positive on consumer staples, which we upgrade to neutral. Relative valuations of the former are looking stretched, while the sector is also overbought, calling for a breather. Staples, conversely, have lagged behind, and relative valuations have normalized. (25/10/2013)

Global equity sector strategy and top picks (6-12+ months)

Sector (strategic weight)	Industry (strategic weight)	Europe (O)# / UK (U)	Switzerland (U)	USA (N)	Emerging Markets (N)	Japan (N)# / Australia (N) / Others
Energy (N)	Energy (N)	BG Group		Anadarko Petroleum, Schlumberger	Ultrapar*, Pacific Rubiales*, Gazprom+*	Woodside Petroleum
Materials (N)	Chemicals (N)		Clariant		Mexichem*	
	Construction Materials (N)	Heidelbergcement AG+				
	Metals & Mining (U)	Arcelormittal+, BHP Billiton				Rio Tinto Limited+
	Pulp & Paper (N)					
Industrials (O)	Capital Goods (O)	EADS, Schneider Electric	Georg Fischer	Deere & Co, Owens Corning	Gamuda	Toshiba, Keppel Corp
	Commercial Services & Supplies (N)		Adecco			
	Transportation, incl. Logistics (N)					
Consumer discretionary (U)#	Automobiles & Components (N)#					Bridgestone, Honda, Toyota Motor
	Consumer Durables & Apparel, Textiles, Apparel & Luxury (N)	Adidas				
	Hotels, Restaurants & Leisure (N)					
	Media (N)			Time Warner+		
	Retailing (U)			Home Depot+		
Consumer staples (N)#	Food & Staples Retailing (N)			CVS Caremark		Seven & I
	Beverages (N)#	Anheuser-Busch Inbev			Ambev*	
	Food Products (N)#		Nestlé			
	Tobacco (N)#					
	Household & Personal Products (N)	L'Oréal		Colgate-Palmolive+		
Healthcare (N)	Healthcare Equipment & Services (N)			Zimmer Holdings Inc+		
	Biotechnology (N)			Biomarin Pharmaceutical Inc+, Gilead Sciences		
	Pharmaceuticals (N)	Sanofi, Bayer	Nobel Biocare+, Novartis, Roche			
Financials (O)	Banks (O)				China Construction Bank, Sberbank*	Mitsubishi UFJ, Mizuho Financial Group, Sumitomo Mitsui Finacial Group
	Diversified Financials (O)		UBS	Citigroup Inc, Goldman Sachs+		
	Insurance (O)	Allianz	Swiss Re		Ping An Insurance	
	Real Estate (N)	Unibail-Rodamco		Omega Healthcare Invs Inc+		Henderson Land Development, Frasers Centrepoint Trust
IT (O)	Software & Services (O)	SAP		Google, Oracle, Mastercard	Mail.ru*	
	Technology Hardware & Equipment (O)		Logitech			
	Semiconductors & Semiconductor Equipment (O)				Mediatek, TSMC, Samsung Electronics*	
Telecom services (U)	Diversified Telecoms (U)				China Unicom	
	Wireless Telecoms(U)				MTN Group Limited*	
Utilities (U)	Utilities (U)					

This is our sector strategy and top picks as of 25 October 2013 recommended by Credit Suisse, Private Banking and Wealth Management division. Our sector/industry strategy shows our sector/industry preferences with recommendations relative to regional benchmarks: Global: (MSCI World in USD), Europe (MSCI Europe in EUR), Switzerland (Swiss Market Index in CHF), USA (S&P 500 in USD), Asia/Pacific (MSCI AC Asia/Pacific in USD). An overweight (underweight) is a recommendation to invest more (less) than in a neutral position indicated by the market-cap weights of the respective benchmarks. The sector/industry weights as well as the neutral positions in figures are available upon request; please contact your relationship manager. The Top Picks is a selection of our favorite stocks within our coverage. The selection was made to reflect the sector/industry and regional preferences. Regular full updates are provided via our Research Monthly publications as well as in our Equity Research reports. Additionally, we publish our adds and drops in our Research Daily publication. Legend: (O) = Overweight, (N) = Neutral, (U) = Underweight. (*) = Emerging Markets top picks. Changes are marked as follows: (+) = additions to the top picks, (#) = changes to sector/industry/country weightings. For further information, including disclosures with respect to any other issuers, please refer to the Credit Suisse Global Research Disclosure site at: http://www.credit-suisse.com/research/disclaimer. Please note that trading facilities in certain securities may be limited.

Source: Credit Suisse

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.

Source: Credit Suisse

Risk disclaimer

Investors should consider this report as only a single factor in making their investment decision. For a discussion of the risks of investing in the securities mentioned in this report, please refer to the following Internet link:

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Company	Rating	Date
APPLE INC (AAPL US)	BUY	24/07/2013
	BUY	24/04/2013
	HOLD	24/01/2013
	BUY	07/12/2012
	BUY	26/10/2012
ASTELLAS PHARMA (4503 JP)	BUY	05/08/2013
	BUY	13/05/2013
	BUY	11/02/2013
	BUY	20/11/2012
	BUY	11/11/2011
BNP PARIBAS (BNP FP)	BUY	01/08/2013
	BUY	03/05/2013
	BUY	14/02/2013
	BUY	08/11/2012
	BUY	02/08/2012
BRIDGESTONE (5108 JP)	BUY	12/08/2013
	BUY	10/05/2013
	BUY	14/03/2013
	BUY	26/02/2013
	BUY	16/01/2013
	BUY	13/11/2012
	BUY	08/08/2012
DEERE & CO (DE US)	BUY	21/08/2013
	BUY	21/05/2013
	BUY	27/02/2013
	BUY	23/11/2012
	BUY	17/08/2012
DEUTSCHE BANK (DBK GY)	BUY	31/07/2013
	BUY	02/05/2013
	HOLD	31/01/2013
	HOLD	30/10/2012
	HOLD	02/08/2012
HSBC (HSBA LN)	BUY	06/08/2013
	BUY	19/06/2013
	HOLD	08/05/2013
	HOLD	08/03/2013
	HOLD	06/11/2012
	HOLD	30/07/2012
ING GROEP (INGA NA)	BUY	07/08/2013
	BUY	08/05/2013
	RESTRICTED	04/03/2013
	BUY	15/02/2013
	BUY	08/11/2012
	BUY	31/08/2012
INTESA SANPAOLO (ISP IM)	HOLD	05/08/2013
	HOLD	16/05/2013
	HOLD	18/03/2013
	HOLD	16/11/2012
	HOLD	06/08/2012
LLOYDS BANKING GROUP (LLOY LN)	HOLD	01/08/2013
	HOLD	03/05/2013
	HOLD	09/04/2013
	HOLD	08/11/2012
	HOLD	05/10/2012
MORGAN STANLEY (MS US)	HOLD	18/10/2013
	HOLD	19/07/2013
	HOLD	19/04/2013
	HOLD	21/01/2013
	HOLD	19/10/2012
SAP (SAP GR)	BUY	22/10/2013
	BUY	23/07/2013
	BUY	06/06/2013
	BUY	22/04/2013
	BUY	24/01/2013
	BUY	15/01/2013
	BUY	28/11/2012
	BUY	24/10/2012
SCHLUMBERGER (SLB US)	BUY	21/10/2013
	BUY	22/07/2013
	BUY	23/04/2013
	BUY	22/01/2013
	BUY	22/10/2012
SOCIETE GENERALE (GLE FP)	HOLD	21/08/2013
	BUY	01/08/2013
	HOLD	13/02/2013
	HOLD	08/11/2012
	HOLD	02/08/2012
TOYOTA MOTOR (7203 JP)	BUY	07/08/2013
	BUY	10/05/2013
	BUY	06/02/2013
	BUY	14/01/2013
	BUY	06/11/2012
	BUY	07/08/2012
UNICREDIT (UCG IM)	HOLD	07/08/2013
	HOLD	14/05/2013
	HOLD	19/03/2013
	HOLD	19/02/2013
	BUY	10/01/2013
	HOLD	15/11/2012

Company	Rating	Date
	HOLD	17/09/2012

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Guide to analysis

Equity rating allocation as of (29/10/2013)

	Overall	Investment banking interests only
BUY	42.48 %	41.75 %
HOLD	50.7 %	51.93 %
SELL	6.05 %	5.7 %
RESTRICTED	0.78 %	0.61 %

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At the stock level, the selection takes into account the relative attractiveness of individual shares versus the sector, market position, growth prospects, balance-sheet structure and valuation. The sector and country recommendations are "overweight," "neutral", and "underweight" and are assigned according to relative performance against the respective regional and global benchmark indices.

Absolute stock performance

The stock recommendations are BUY, HOLD and SELL and are dependent on the expected absolute performance of the individual stocks, generally on a 6-12 months horizon based on the following criteria:

BUY	10% or greater increase in absolute share price
HOLD	variation between -10% and +10% in absolute share price
SELL	10% or more decrease in absolute share price
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HOLD	Expectation that the bond issue will perform in line with the specified benchmark
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