

## Macro Keys

### ECB QE 2: What might it mean for Equities?

#### Economics & Macro Strategy

Global

#### What's priced in?

Our central expectations are for a further 10bps cut in the deposit rate and a 3-6 month extension of QE. But we would highlight there are vast arrays of measures open to the ECB in changing the duration, magnitude and composition of the programme or cutting rates. Given the move up in equities since the October 22 "pre-announcement", failure to deliver would likely cause a pull back. Interestingly, an investor poll at our recent European conference suggested the majority of those polled thought ECB QE wouldn't end until 2018 or later.

#### What happened last time and what's different now?

From the beginning of the year to mid-April the Euro Stoxx was up 21%. But we have given up much of these gains – equities are now only up c.6% since QE was launched. This time round we do not expect the same degree of magnitude as this is not the first announcement of the programme and market concerns over China and Emerging Markets have increased.

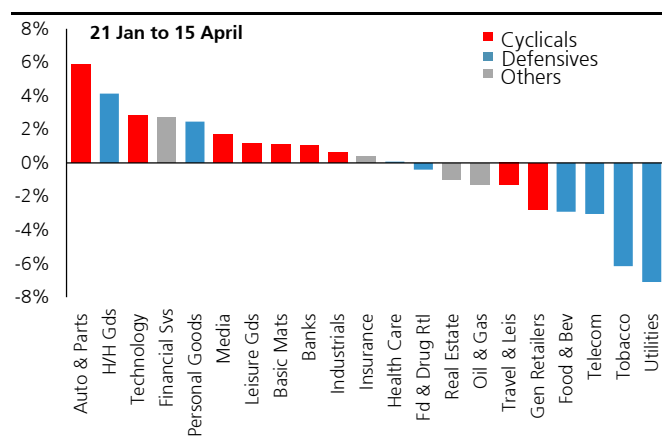
#### Cyclicals at recession lows – 4 catalysts to turn performance...

Cyclicals (even ex-Energy and ex-Banks) have made new lows relative to defensives below the March 2009 and summer 2012 lows. We see 4 catalysts for a turn in performance: (1) QE announcement (cyclicals outperformed when this occurred in the US, UK and Japan and also in Europe – Figure 1), (2) rising bond yields (our interest rate strategists expect yields to rise sharply - Figure 2), (3) PMIs staying robust / rising, (4) earnings momentum relative to defensives is close to 7yr lows (worst since February 2009) – unless we fall into recession in 2016, this is likely to recover.

#### What stocks moved in the previous announcement?

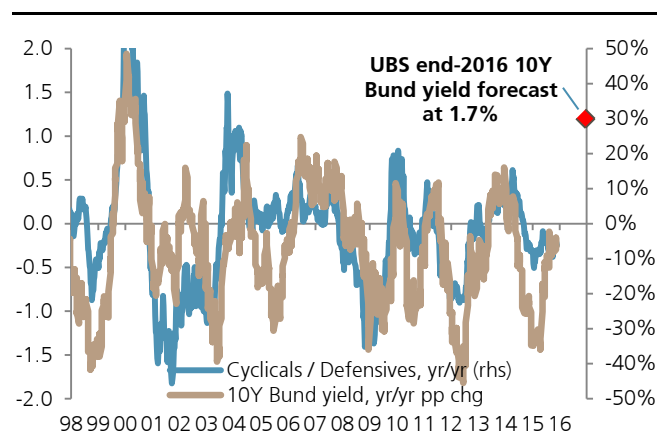
We show a screen for the best (and worst) performing stocks when QE1 was launched earlier this year. Clearly this is just a quantitative approach and there were differing external events at the time (such as sharp moves in the oil prices) but nonetheless it supports the sector themes – 27 out of the top 30 performing stocks were cyclicals (see p. 9-10).

**Figure 1: European Sectors: Relative Performance after QE launch (Jan 21 – April 15 2015)**



Source: Datastream, UBS European Equity Strategy

**Figure 2: Cyclicals vs Defensives and the change in 10yr Bund Yields**



Source: Datastream, UBS European Equity Strategy

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## QE 2: What might it mean for Equities?

The ECB meeting on Thursday this week is loaded with expectations from markets and investors. What might be the outcome and the likely impact on European equities?

**The ECB meeting on Thursday is loaded with investor expectations...**

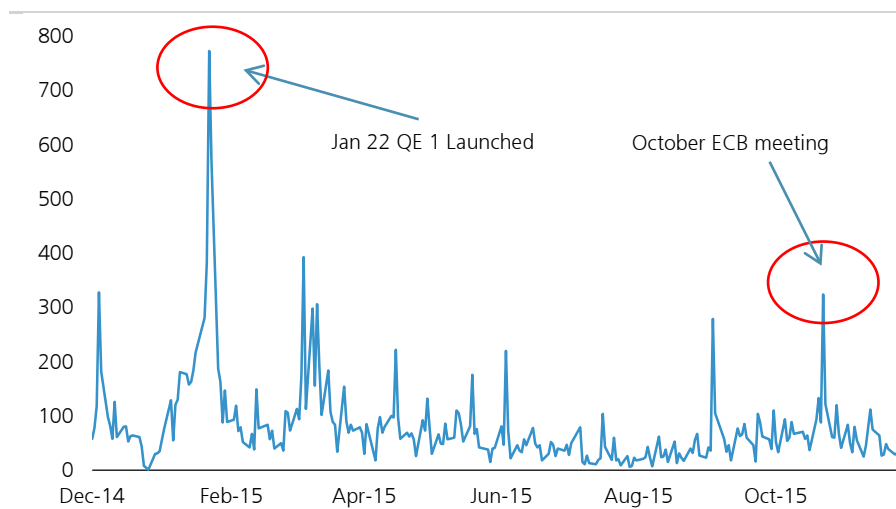
Our central expectations are for a further 10bps cut in the deposit rate to -0.3% and an extension of the QE programme by 3-6 months. But there is a vast smorgasbord of options open to the ECB and in the past they have been creative with some of their policy solutions.

For more details on our ECB call please see our European Economics team's Macro Keys from Friday: [Macro Keys - The ECB's rich menu for further easing](#) 27 November 2015

### Where are market expectations?

We would argue that if the ECB failed to deliver, this would be taken badly by equity markets. The Stoxx 600 has rallied c.6% since the "pre-announcement" at the previous meeting, part of this on the hope for more policy response from the ECB. There has also been a spike in QE mentions on newswires.

**Figure 3: News Story Counts on "QE"...**



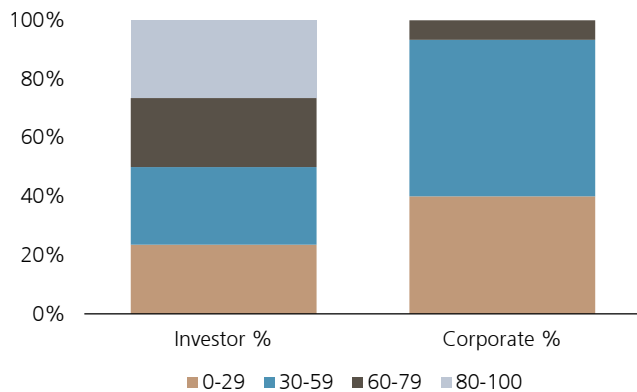
**...there has been a spike up in newswire comments on QE**

Source: Bloomberg, UBS European Equity Strategy

At our European conference (November 10-11) we surveyed investors and corporates about their expectations for ECB QE: half the investors responding saw a greater than 60% probability of QE being extended on December 3. Corporates were much more uncertain. Interestingly, when asked when they thought QE in Europe would end, over half felt not until 2018 or beyond.

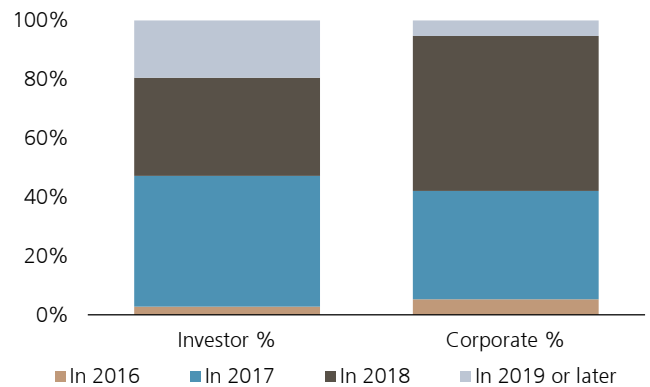
For full survey results please see: [Survey Results EU Conference: Taking the Pulse of Investors](#) 18 November 2015

**Figure 4: What is the likelihood that the ECB will increase QE above the current amount in its December 3 meeting?**



Source: UBS European Conference poll. Sample size 49

**Figure 5: When will the ECB's QE policy stop?**

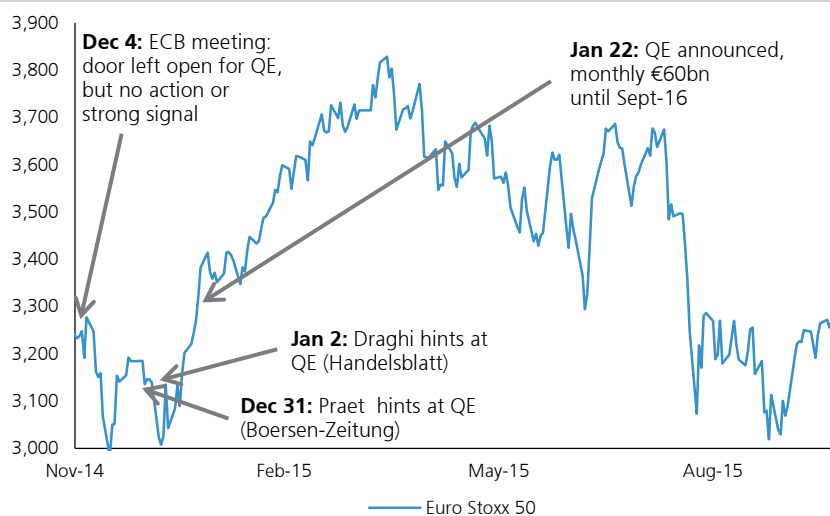


Source: UBS European Conference poll. Sample size 55

## What happened last time?

QE was officially launched on January 22. But there had been comments by Draghi and other ECB members well ahead of the event. It was first discussed in April 2014. From the start of the year to the peak in mid-April the Euro Stoxx 50 rose 21%.

**Figure 6: Timeline of ECB QE "pre-announcements"**

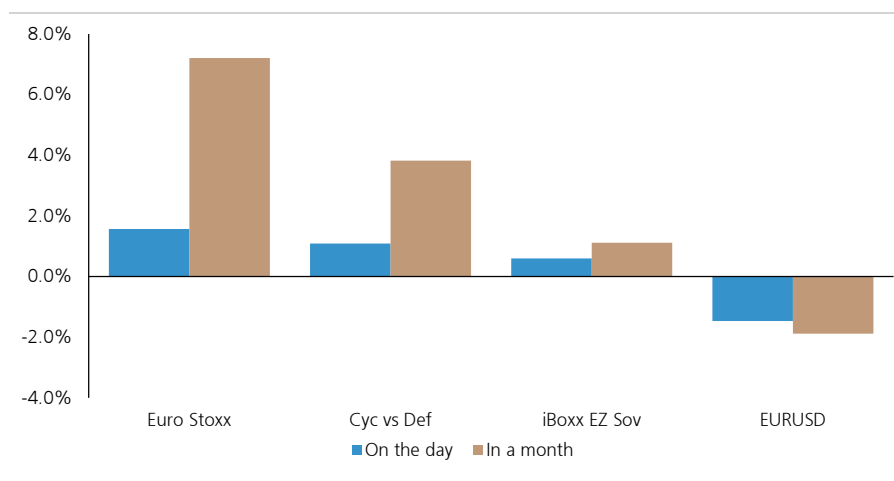


Source: Datastream, ECB, Press articles, UBS European Equity Strategy

**This time round, again there has been "pre-announcements" and hints at QE**

Immediate market responses to policy actions on "day 1" are not always reliable indicators but on the day of the announcement of QE back in January the initial move in markets was a good lead steer for the next month.

**Figure 7: Performance on Jan 22 and over the following month**



Source: Datastream, UBS European Equity Strategy

The "day 1" move after QE1 followed through over the next month

### What's different this time round?

Equity markets have given up much of their post-QE gains – the Stoxx 600 is now just 6% higher than on January 22 - and more particularly, within the market cyclicals have now underperformed defensives by 5% since QE1 was launched, despite the strong initial rally.

Equity markets are almost back to their pre-QE levels...

However, we would argue that the announcement effect on equities of QE2 will likely be less than that of QE1 given: (1) this is an extension rather than new policy tool, and (2) the backdrop in emerging markets has deteriorated since January. Nevertheless, we would expect it to be somewhat supportive for equities if confirmed and in particular see it as one of 4 potential catalysts for a turn in the performance of cyclicals against defensives.

...Cyclicals relative to Defensives are 5% lower

For analysis on some of the risks facing European equities into 2016 (both downside and upside) please see: [European Equity Strategy – Outlook 2016: Operating Leverage - Set to Surprise](#) 5 November 2015.

### Cyclicals vs Defensives – What might be the catalyst for a turn?

The starting point is well known: cyclicals (ex-Energy) relative performance to defensives has fallen through the 2012 and 2009 lows (even ex-Banks) and relative valuations are at recession levels. This is one of the unusual crisis gaps that we highlight in the report below. But what might make this turn?

We see 4 catalysts for cyclicals to turn...

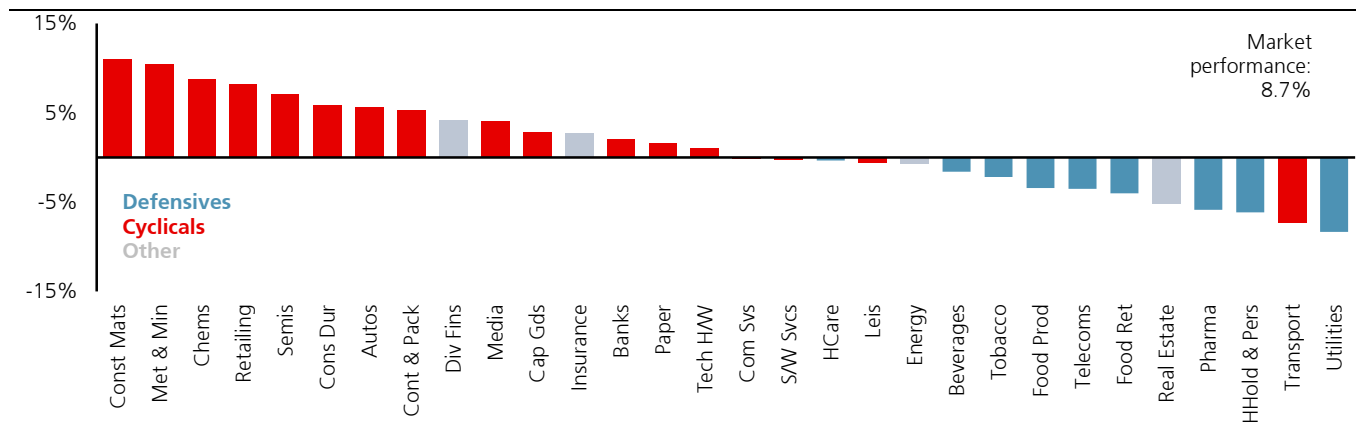
For more details please see: [Europe Thematic Outlook 2016 - Buy crisis gaps at new high: Europe is cleansed](#) 10 November 2015

## Catalyst #1: QE 2

We track previous periods of QE in the US, UK and Japan. All occurred in different regions at different stages of the cycle – but the average sector performance is interesting. Almost all the cyclicals outperform (with the main exception of transport, which is likely oil price related) and all the defensive sectors tend to underperform in the following 6 months. In particular, rate sensitive defensives – such as Utilities and Pharma.

**Increased QE has tended to lead to cyclicals outperforming**

**Figure 8: Average Relative Sector Performance in the US, UK and Japan 6m after each announcement of QE**

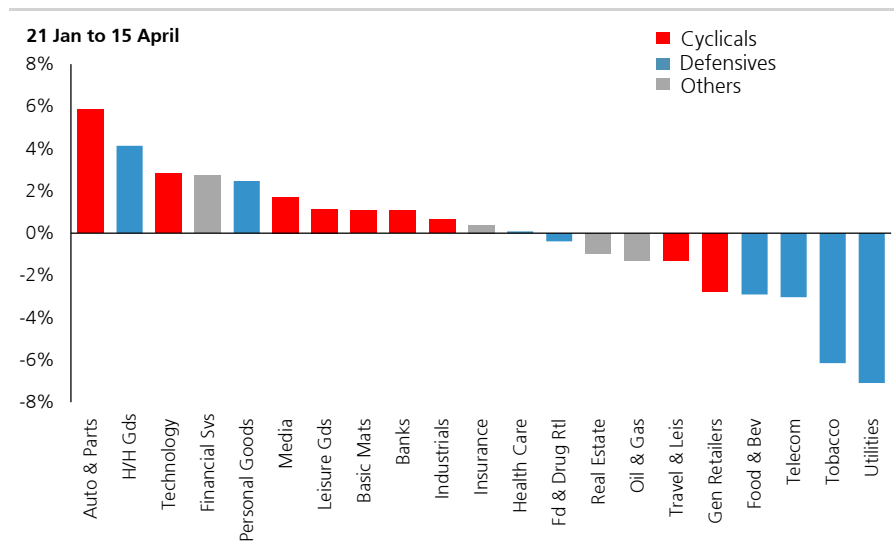


Source: Thomson Datastream, UBS

*So why didn't this work in Europe?* Well, it did, at least initially. Mapping the performance from the Jan 21 to the mid-April peak again shows a large majority of cyclicals outperforming with the rate sensitive utilities being the worst performers.

**Figure 9: Sector performance after ECB QE announcement (21 Jan 2015 -15 April 2015)**

**This also worked in Europe initially after QE was launched...**

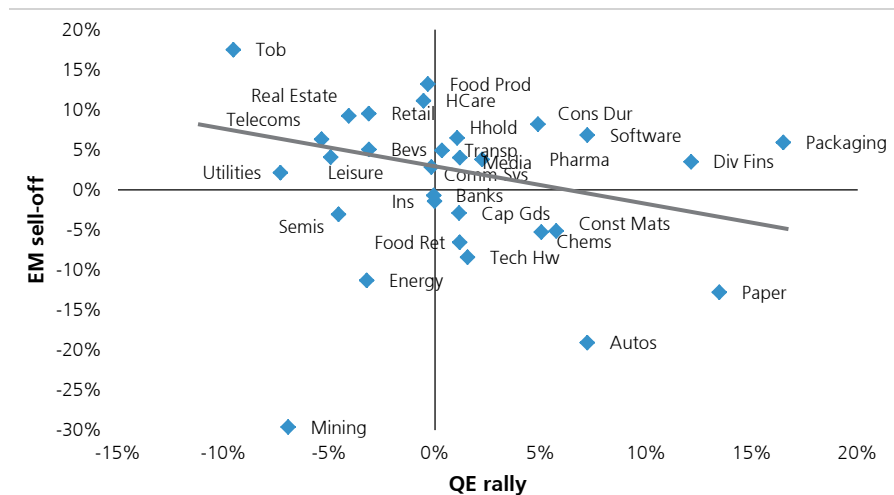


Source: Datastream, UBS European Equity Strategy

The problem was that this then got washed away by the China / EM growth shock through to the end of the summer as sector leadership reversed. Many of the

sectors that fared well in the QE rally (Construction Materials, Paper, Autos etc.) then underperformed in the EM sell off. Tobacco was the worst performer in the QE rally and then the best performer in the EM sell-off.

**Figure 10: Sector rotation: QE rally (Jan to Apr) vs EM sell-off (Apr to Sept)**



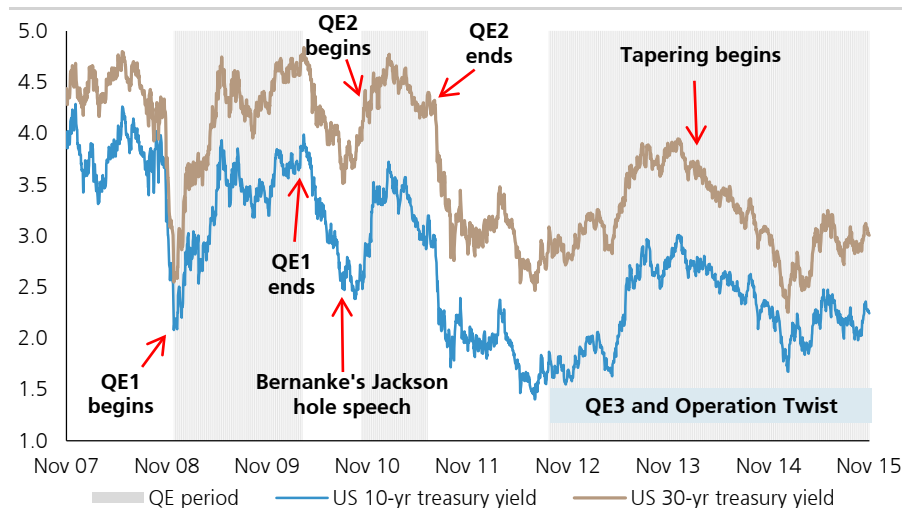
Source: Datastream, UBS European Equity Strategy; Regression line excludes Mining (outlier); QE rally: 21 Jan 2015 to 15 Apr 2015, EM sell-off: 15 Apr 2015 to 29 September 2015

...but reversed when the China/EM growth shock occurred

## Catalyst #2: Rising Bond Yields

Experience shows us that in the US, new announcements of QE tended to lead to higher, not lower bond yields.

**Figure 11: US 10yr and 30yr yields and QE announcements**



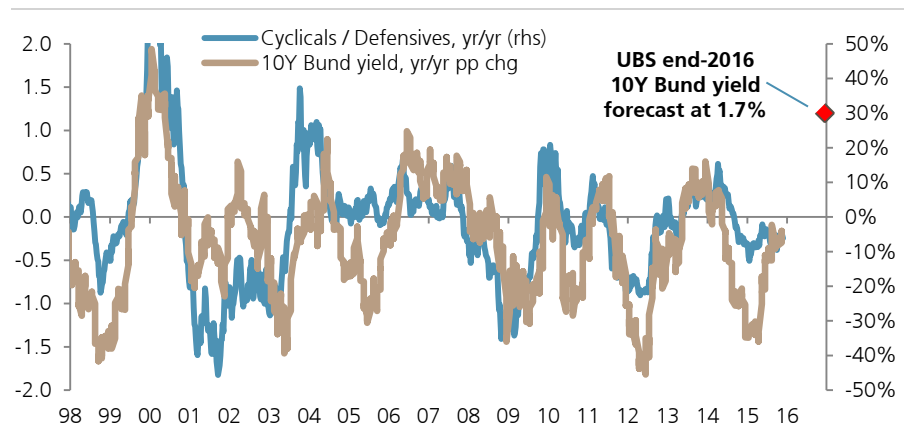
Source: Datastream, Fed, UBS European Equity Strategy

Previous announcements of QE have led to higher, not lower bond yields

Rising bond yields have been one of the missing catalysts for cyclical in Europe. In the past there has been a reasonable correlation between the move in cyclical vs defensives and the change in 10yr Bund yields. Our rates strategists have a non-

consensus call of 10yr Bund yields at 1.70% by end-2016. If that was to occur that would suggest cyclicals outperforming defensives by a large 20%. But even a modest rise in yields from here should cause cyclicals to outperform.

**Figure 12: Cyclicals vs Defensives and the change in 10yr Bund Yields**

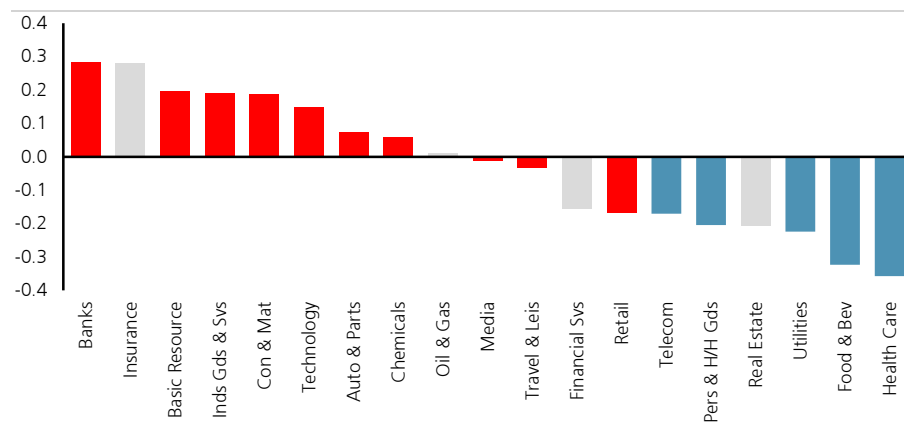


Source: Datastream, UBS European Equity Strategy

Higher EU bond yields – the missing catalyst so far...

The specific sectors that have tended to be the most positively exposed to rising yields from low levels have been Financials, Tech and Industrials. Healthcare has been the worst relative performer.

**Figure 13: European Sectors: Correlation to changes in German 10Y Bond Yields when Yields are below 5% (period 1980-2015)**

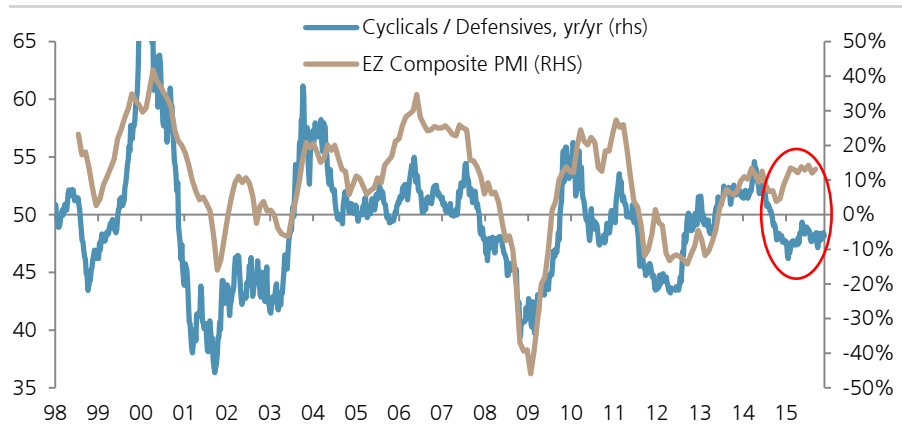


Source: Datastream, UBS European Equity Strategy

### Catalyst #3: A continued move up in the PMIs

Eurozone PMIs have stabilised at relatively robust levels. This is something we can see clearly see in the Earnings momentum data when we break Europe down into stocks with different regional sales exposure. Stocks with domestic exposure have far better earnings momentum, but those with EM exposure have been seeing 3 years of downgrades, dragging down the market average.

**Figure 14: Cyclical vs Defensive Relative Performance vs. Eurozone Composite PMI**



Source: Datastream, UBS European Equity Strategy

The PMI suggest better a turn in performance

#### Catalyst #4: A turn in Earnings momentum...

Earnings revisions for cyclicals relative to defensives (ex-Energy) are the worst for nearly 7 years (since February 2009).

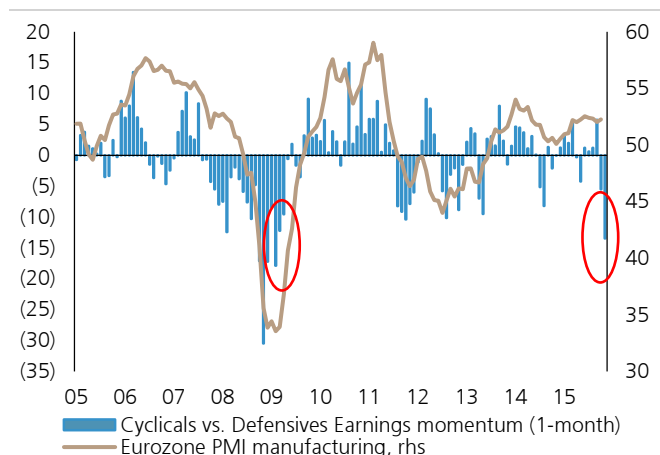
Figure 16 shows that the Q3 reporting season (now over 90% complete) has been the worst for cyclicals for earnings misses in 2½ years. See our Q3 report for more details: [European Equity Strategy - Q3 results - Cyclicals miss: EM carnage wipes out last 'excess'](#) 25 November 2015

When at these extreme levels they tend to revert – unless we fall into recession, not something we forecast for 2016.

Relative earnings momentum is at a 7 year low...

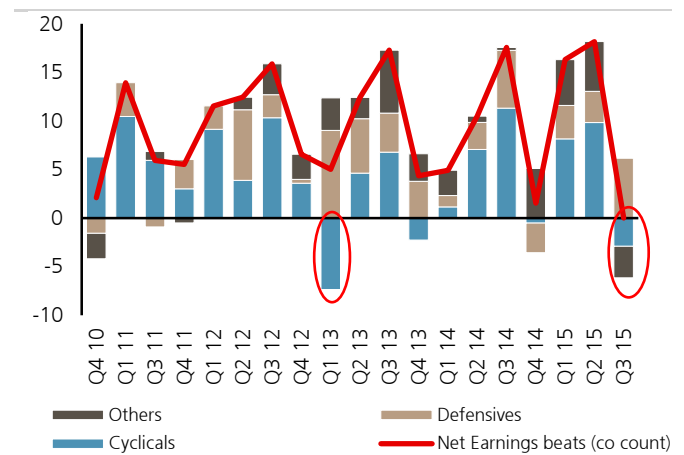
...unless we have a recession in 2016, this will likely turn

**Figure 15: Cyclical vs. Defensives relative Earnings momentum and Eurozone PMI (manufacturing)**



Source: Datastream, IBES, UBS European Equity Strategy

**Figure 16: Cyclical: Earnings net misses in Q3 are the most in 2½ years**



Source: Bloomberg, UBS European Equity Strategy



# Appendix: Stock Performance Post QE 1

Below we show the best (and worst) performing stocks in Europe after the launch of QE 1. This is just a quantitative list and a point of reference - clearly there are many other external factors that were going on at the same time, such as sharp moves in the oil price that may not be repeated this time round. Nevertheless, the sector themes are present – 27 of the 30 best performing stocks were in cyclical sectors.

**Figure 17: QE ON: LEADERS up to April. Top performing names relative to market (21 Jan 2015 to mid-April 2015)**

| Name                 | Sector                         | Mkt Cap (EUR bn) | UBS Rating    | Perf rel to Mkt b/w 21 Jan to Mid April | Perf rel to Sector b/w 21 Jan to Mid April | P/E 2015e | Div Yield % 2015e |
|----------------------|--------------------------------|------------------|---------------|---|--|-----------|-------------------|
| Petrofac             | Energy                         | 3.8              | Buy (CBE)     | 50%                                     | 42%  | 20.4      | 5.5               |
| Boliden              | Metals & Mining                | 4.7              | Buy           | 44%                                     | 47%  | 14.7      | 2.2               |
| Saipem               | Energy                         | 3.6              | Neutral (CBE) | 39%                                     | 40%  | 34.7      | 0.0               |
| Rightmove            | Media                          | 5.4              | Buy           | 30%                                     | 18%  | 34.8      | 1.0               |
| Raiffeisen Bank Intl | Banks                          | 4.3              | Neutral       | 28%                                     | 26%  | 12.9      | 0.0               |
| Asos                 | Retailing                      | 3.8              | Buy           | 28%                                     | 22%  | 69.2      | 0.0               |
| Buzzi Unicem         | Construction Materials         | 3.3              | Buy           | 26%                                     | 22%  | 21.5      | 0.3               |
| Lanxess AG           | Chemicals                      | 4.3              | Buy           | 24%                                     | 20%  | 20.7      | 1.1               |
| BG Group             | Energy                         | 49.9             | Buy           | 24%                                     | 17%  | 36.2      | 1.8               |
| Henderson            | Diversified Financials         | 4.9              | Neutral       | 23%                                     | 5%   | 17.4      | 3.3               |
| Clariant             | Chemicals                      | 5.6              | Buy           | 23%                                     | 23%  | 15.2      | 2.2               |
| Smurfit Kappa Group  | Containers & Packaging         | 5.7              | Buy           | 22%                                     | 0%   | 12.7      | 1.6               |
| Securitas            | Commercial Services & Supplies | 5.2              | Sell          | 22%                                     | 19%  | 18.5      | 2.8               |
| PSA                  | Automobiles & Components       | 12.9             | Neutral       | 22%                                     | 15%  | 19.0      | 0.0               |
| CWC                  | Telecommunication Services     | 4.6              | Neutral       | 20%                                     | 18%  | 20.5      | 4.9               |
| Renault              | Automobiles & Components       | 25.6             | Buy           | 19%                                     | 13%  | 8.8       | 2.8               |
| TNT Express          | Transportation                 | 4.2              | Neutral       | 19%                                     | 20%  | 187.0     | 0.0               |
| Julius Baer Group    | Diversified Financials         | 10.1             | Buy           | 18%                                     | 11%  | 15.4      | 2.1               |
| CS Group             | Diversified Financials         | 38.4             | Neutral       | 18%                                     | 11%  | 14.2      | 1.6               |
| Coca-Cola Hellenic   | Beverages                      | 8.4              | Sell          | 18%                                     | 13%  | 26.6      | 1.7               |
| Finmeccanica         | Capital Goods                  | 7.9              | Neutral       | 17%                                     | 17%  | 13.9      | 0.0               |
| Taylor Wimpey        | Consumer Durables & Apparel    | 8.7              | Buy           | 17%                                     | 7%   | 12.7      | 5.1               |
| Wacker Chemie        | Chemicals                      | 4.2              | Buy           | 17%                                     | 13%  | 25.1      | 1.8               |
| Airbus Group         | Capital Goods                  | 53.5             | Buy           | 16%                                     | 15%  | 19.7      | 1.9               |
| DnB ASA              | Banks                          | 19.9             | Buy           | 16%                                     | 9%   | 8.0       | 3.7               |
| Novo Nordisk         | Pharmaceuticals                | 136.4            | Neutral       | 16%                                     | 16%  | 29.0      | 1.5               |
| Randstad             | Commercial Services & Supplies | 10.7             | Neutral       | 16%                                     | 15%  | 18.3      | 2.7               |
| GALP                 | Energy                         | 8.2              | Buy           | 16%                                     | 17%  | 13.7      | 4.2               |
| Sandvik              | Capital Goods                  | 11.9             | Sell          | 16%                                     | 13%  | 16.2      | 4.0               |
| Vestas               | Capital Goods                  | 12.4             | Sell          | 16%                                     | 15%  | 26.9      | 1.1               |

Source: UBS European Equity Strategy, UBS European Equity Research

**Figure 18: QE ON: LAGGARDS up to April. Worst performing names relative to market (21 Jan 2015 to mid-April 2015)**

| Name               | Sector                      | Mkt Cap<br>(EUR bn) | UBS Rating    | Perf rel to Mkt<br>b/w 21 Jan to<br>Mid April | Perf rel to Sector<br>b/w 21 Jan to<br>Mid April | P/E 2015e | Div Yield<br>% 2015e |
|--------------------|-----------------------------|---------------------|---------------|---|--|-----------|----------------------|
| Lufthansa          | Transportation              | 6.2                 | Buy           | -28%  | -27%   | 5.3       | 4.7                  |
| Fresnillo          | Metals & Mining             | 7.6                 | Neutral       | -26%  | -29%   | 56.0      | 0.9                  |
| OTE                | Telecommunication Services  | 4.6                 | Neutral (CBE) | -26%  | -22%   | 14.6      | 1.6                  |
| Ocado              | Retailing                   | 3.0                 | Buy           | -19%  | -23%   | 162.9     | 0.0                  |
| Aryzta             | Food Products               | 3.8                 | Buy           | -18%  | -13%   | 16.8      | 1.0                  |
| Randgold Resources | Metals & Mining             | 5.4                 | Buy           | -17%  | -19%   | 28.1      | 1.2                  |
| PSP Swiss Property | Real Estate                 | 3.6                 | Neutral       | -15%  | -10%   | 23.7      | 3.8                  |
| Abertis            | Transportation              | 13.7                | Buy           | -15%  | -14%   | 18.2      | 4.8                  |
| Fortum             | Utilities                   | 12.4                | Sell          | -14%  | -8%  | 17.3      | 9.3                  |
| Cobham             | Capital Goods               | 4.9                 | Neutral       | -14%  | -20%   | 14.7      | 3.7                  |
| TeliaSonera        | Telecommunication Services  | 20.1                | Sell          | -14%  | -11%   | 12.1      | 7.0                  |
| ASML               | Semiconductors              | 37.9                | Neutral       | -14%  | -10%   | 27.1      | 0.9                  |
| RBS Group          | Banks                       | 50.0                | Neutral       | -14%  | -20%   | 11.3      | 0.0                  |
| Anglo American     | Metals & Mining             | 7.5                 | Neutral (CBE) | -13%  | -16%   | 8.3       | 5.6                  |
| Edenred            | Consumer Services           | 4.4                 | Buy           | -13%  | -11%   | 21.2      | 4.4                  |
| Elisa Corporation  | Telecommunication Services  | 5.6                 | Neutral       | -12%  | -8%  | 22.6      | 3.8                  |
| Verbund            | Utilities                   | 4.5                 | Sell          | -12%  | -6%  | 26.9      | 2.2                  |
| Kering             | Consumer Durables & Apparel | 20.7                | Neutral       | -12%  | -15%   | 16.9      | 2.5                  |
| Polymetal Int      | Metals & Mining             | 3.1                 | Neutral       | -12%  | -15%   | 11.8      | 4.9                  |
| Vodafone Group     | Telecommunication Services  | 84.9                | Buy           | -12%  | -13%   | 38.3      | 5.3                  |
| Royal Dutch Shell  | Energy                      | 151.8               | Buy           | -12%  | -16%   | 13.5      | 7.4                  |
| Generali           | Insurance                   | 27.8                | Buy           | -11%  | -11%   | 10.0      | 3.5                  |
| RSA                | Insurance                   | 6.3                 | Neutral       | -11%  | -17%   | 14.1      | 2.5                  |
| National Grid      | Utilities                   | 50.0                | Neutral       | -11%  | -10%   | 15.2      | 4.9                  |
| Zalando            | Retailing                   | 7.9                 | Buy           | -11%  | -9%  | 104.1     | 0.0                  |
| UCB                | Pharmaceuticals             | 15.8                | Neutral       | -11%  | -11%   | 42.4      | 1.3                  |
| Swisscom           | Telecommunication Services  | 24.3                | Neutral       | -10%  | -3%  | 16.5      | 4.3                  |
| Swedish Match      | Tobacco                     | 6.3                 | Buy           | -10%  | -7%  | 19.1      | 2.6                  |
| Engie              | Utilities                   | 39.6                | Buy           | -10%  | -4%  | 15.6      | 6.1                  |
| Centrica           | Utilities                   | 16.2                | Sell          | -10%  | -9%  | 12.9      | 5.4                  |

Source: UBS European Equity Strategy, UBS European Equity Research

## Required Disclosures

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| 12-Month Rating   | Definition  | Coverage <sup>1</sup> | IB Services <sup>2</sup> |
|-------------------|---|-----------------------|--------------------------|
| <b>Buy</b>        | FSR is > 6% above the MRA.  | 49%                   | 33%                      |
| <b>Neutral</b>    | FSR is between -6% and 6% of the MRA.   | 40%                   | 26%                      |
| <b>Sell</b>       | FSR is > 6% below the MRA.  | 12%                   | 18%                      |
| Short-Term Rating | Definition  | Coverage <sup>3</sup> | IB Services <sup>4</sup> |
| <b>Buy</b>        | Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event. | less than 1%          | less than 1%             |
| <b>Sell</b>       | Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event. | less than 1%          | less than 1%             |

Source: UBS. Rating allocations are as of 30 September 2015.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

3:Percentage of companies under coverage globally within the Short-Term rating category. 4:Percentage of companies within the Short-Term rating category for which investment banking (IB) services were provided within the past 12 months.

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| Company Name  | Reuters  | 12-month rating | Short-term rating | Price     | Price date  |
|---|----------|-----------------|-------------------|-----------|-------------|
| <b>Abertis</b> <sup>1, 2, 5, 22</sup>                       | ABE.MC   | Buy             | N/A               | €14.42    | 26 Nov 2015 |
| <b>Airbus Group SE</b> <sup>5, 22</sup>                     | AIR.PA   | Buy             | N/A               | €68.15    | 26 Nov 2015 |
| <b>Anglo American</b> <sup>4, 5, 18c, 20</sup>              | AAL.L    | Neutral (CBE)   | N/A               | 436p      | 26 Nov 2015 |
| <b>Aryzta AG</b> <sup>4, 5, 13</sup>                        | ARYN.VX  | Buy             | N/A               | CHF47.13  | 26 Nov 2015 |
| <b>ASML</b> <sup>16</sup>                                   | ASML.AS  | Neutral         | N/A               | €87.28    | 26 Nov 2015 |
| <b>Asos</b> <sup>2</sup>                                    | ASOS.L   | Buy             | N/A               | 3,253p    | 26 Nov 2015 |
| <b>Banco de Sabadell</b> <sup>5, 22</sup>                   | SABE.MC  | Not Rated       | N/A               | €1.73     | 26 Nov 2015 |
| <b>BG Group</b> <sup>13</sup>                               | BG.L     | Buy             | N/A               | 1,033p    | 26 Nov 2015 |
| <b>Boliden</b>  | BOL.ST   | Buy             | N/A               | SKr157.60 | 26 Nov 2015 |
| <b>Brown (N) Group</b>                                      | BWNG.L   | Buy             | N/A               | 351p      | 26 Nov 2015 |
| <b>Buzzi Unicem</b>   | BZU.MI   | Buy             | N/A               | €17.67    | 26 Nov 2015 |
| <b>Cable &amp; Wireless Communications</b> <sup>13</sup>    | CWC.L    | Neutral         | N/A               | 76p       | 26 Nov 2015 |
| <b>Centrica</b> <sup>2, 4, 5, 13, 14</sup>                  | CNA.L    | Sell            | N/A               | 222p      | 26 Nov 2015 |
| <b>Clariant</b> <sup>5, 13, 18b</sup>                       | CLN.VX   | Buy             | N/A               | CHF18.77  | 26 Nov 2015 |
| <b>Cobham</b> <sup>4</sup>                                  | COB.L    | Neutral         | N/A               | 297p      | 26 Nov 2015 |
| <b>Coca-Cola Hellenic Bottling Company S.A</b> <sup>5</sup> | CCH.L    | Sell            | N/A               | 1,628p    | 26 Nov 2015 |
| <b>Credit Suisse Group</b> <sup>5, 16</sup>                 | CSGN.VX  | Neutral         | N/A               | CHF21.94  | 26 Nov 2015 |
| <b>Deutsche Lufthansa AG</b>                                | LHAG.DE  | Buy             | N/A               | €13.39    | 26 Nov 2015 |
| <b>DnB ASA</b> <sup>2, 4, 22</sup>                          | DNB.OL   | Buy             | N/A               | NKr111.80 | 26 Nov 2015 |
| <b>Edenred</b>  | EDEN.PA  | Buy             | N/A               | €19.53    | 26 Nov 2015 |
| <b>Elisa Corporation</b>                                    | ELI1V.HE | Neutral         | N/A               | €35.19    | 26 Nov 2015 |
| <b>Engie</b> <sup>4, 5</sup>                                | ENGIE.PA | Buy             | N/A               | €16.42    | 26 Nov 2015 |
| <b>Finmeccanica</b> <sup>2, 4, 5, 14</sup>                  | SIFI.MI  | Neutral         | N/A               | €13.66    | 26 Nov 2015 |
| <b>Fortum</b>   | FUM1V.HE | Sell            | N/A               | €14.07    | 26 Nov 2015 |
| <b>Fresnillo</b>  | FRES.L   | Neutral         | N/A               | 749p      | 26 Nov 2015 |
| <b>GALP</b>   | GALP.LS  | Buy             | N/A               | €9.97     | 26 Nov 2015 |
| <b>Generali</b> <sup>2, 4, 5</sup>                          | GASI.MI  | Buy             | N/A               | €17.87    | 26 Nov 2015 |
| <b>Henderson Group</b>                                      | HGGH.L   | Neutral         | N/A               | 306p      | 26 Nov 2015 |
| <b>Julius Baer Group</b> <sup>2, 4, 5</sup>                 | BAER.VX  | Buy             | N/A               | CHF48.66  | 26 Nov 2015 |
| <b>Kering</b>   | PRTP.PA  | Neutral         | N/A               | €164.35   | 26 Nov 2015 |
| <b>Lanxess AG</b> <sup>24</sup>                             | LXSG.DE  | Buy             | N/A               | €47.71    | 26 Nov 2015 |
| <b>National Grid</b> <sup>4, 5, 16</sup>                    | NG.L     | Neutral         | N/A               | 932p      | 26 Nov 2015 |
| <b>Novo Nordisk</b> <sup>16, 18a</sup>                      | NOVOB.CO | Neutral         | N/A               | DKr385.70 | 26 Nov 2015 |
| <b>Ocado Group Plc</b>                                      | OCDO.L   | Buy             | N/A               | 364p      | 26 Nov 2015 |
| <b>OTE</b> <sup>5, 20</sup>                                 | OTEr.AT  | Neutral (CBE)   | N/A               | €9.36     | 26 Nov 2015 |
| <b>Petrofac</b> <sup>20</sup>                               | PFC.L    | Buy (CBE)       | N/A               | 799p      | 26 Nov 2015 |
| <b>Peugeot SA</b>   | PEUP.PA  | Neutral         | N/A               | €16.42    | 26 Nov 2015 |
| <b>Polymetal International</b>                              | POLYP.L  | Neutral         | N/A               | 554p      | 26 Nov 2015 |
| <b>PSP Swiss Property</b> <sup>2, 4, 5, 12</sup>            | PSPN.S   | Neutral         | N/A               | CHF85.25  | 26 Nov 2015 |
| <b>Raiffeisen Bank Intl</b> <sup>5</sup>                    | RBIV.VI  | Neutral         | N/A               | €14.96    | 26 Nov 2015 |
| <b>Randgold Resources</b> <sup>16</sup>                     | RRS.L    | Buy             | N/A               | 4,176p    | 26 Nov 2015 |

| Company Name                                | Reuters  | 12-month rating | Short-term rating | Price     | Price date  |
|---|----------|-----------------|-------------------|-----------|-------------|
| <b>Randstad</b>                             | RAND.AS  | Neutral         | N/A               | €58.34    | 26 Nov 2015 |
| <b>RBS Group</b> <sup>2, 4, 5, 16</sup>     | RBS.L    | Neutral         | N/A               | 307p      | 26 Nov 2015 |
| <b>Renault SA</b>                           | RENA.PA  | Buy             | N/A               | €93.68    | 26 Nov 2015 |
| <b>Rightmove</b> <sup>4, 14</sup>           | RMV.L    | Buy             | N/A               | 3,879p    | 26 Nov 2015 |
| <b>Royal Dutch Shell</b> <sup>16</sup>      | RDSa.L   | Buy             | N/A               | 1,673p    | 26 Nov 2015 |
| <b>RSA Insurance Group</b> <sup>4, 13</sup> | RSA.L    | Neutral         | N/A               | 437p      | 26 Nov 2015 |
| <b>Saipem</b> <sup>5, 20</sup>              | SPMI.MI  | Neutral (CBE)   | N/A               | €8.20     | 26 Nov 2015 |
| <b>Sandvik</b>                              | SAND.ST  | Sell            | N/A               | SKr87.10  | 26 Nov 2015 |
| <b>Securitas</b>                            | SECUb.ST | Sell            | N/A               | SKr131.30 | 26 Nov 2015 |
| <b>Smurfit Kappa Group</b>                  | SKG.I    | Buy             | N/A               | €25.26    | 26 Nov 2015 |
| <b>Swedish Match</b>                        | SWMA.ST  | Buy             | N/A               | SKr296.20 | 26 Nov 2015 |
| <b>Swisscom</b> <sup>2, 4, 5</sup>          | SCMN.VX  | Neutral         | N/A               | CHF510.50 | 26 Nov 2015 |
| <b>Taylor Wimpey</b>                        | TW.L     | Buy             | N/A               | 188p      | 26 Nov 2015 |
| <b>TeliaSonera</b> <sup>3, 4, 5</sup>       | TLSN.ST  | Sell            | N/A               | SKr42.73  | 26 Nov 2015 |
| <b>TNT Express</b> <sup>13</sup>            | TNTE.AS  | Neutral         | N/A               | €7.72     | 26 Nov 2015 |
| <b>UCB</b>                                  | UCB.BR   | Neutral         | N/A               | €82.73    | 26 Nov 2015 |
| <b>Verbund AG</b> <sup>5</sup>              | VERB.VI  | Sell            | N/A               | €13.18    | 26 Nov 2015 |
| <b>Vestas Wind Systems</b>                  | VWS.CO   | Sell            | N/A               | DKr440.80 | 26 Nov 2015 |
| <b>Vodafone Group</b> <sup>5, 14, 16</sup>  | VOD.L    | Buy             | N/A               | 225p      | 26 Nov 2015 |
| <b>Wacker Chemie</b>                        | WCHG.DE  | Buy             | N/A               | €84.54    | 26 Nov 2015 |
| <b>Zalando SE</b>                           | ZALG.DE  | Buy             | N/A               | €32.37    | 26 Nov 2015 |

Source: UBS. All prices as of local market close.

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