

**STOXX**

# MONTHLY INDEX NEWS

December 2015



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## Performance: Top 5 STOXX Indices – A difficult month for stock markets around the world

### 1-Mth Performance (Nov. 2015)

STOXX CHINA B-SHARES TOTAL MARKET USD – TOTAL RETURN INDEX	5.52 %
STOXX EUROPE STRONG BALANCE SHEET – TOTAL RETURN INDEX	3.99 %
STOXX EUROPE SMALL 200 – TOTAL RETURN INDEX	3.40 %
STOXX GLOBAL SELECT DIVIDEND 100 USD – TOTAL RETURN INDEX	3.02 %
STOXX EUROPE 600 – TOTAL RETURN INDEX	2.83 %

Source: STOXX Limited

### 1-Yr Performance (YTD Nov. 30, 2015)

STOXX CHINA A-SHARES TOTAL MARKET USD – TOTAL RETURN INDEX	29.46 %
STOXX CHINA B-SHARES TOTAL MARKET USD – TOTAL RETURN INDEX	23.84 %
STOXX EUROPE 600 MINIMUM VARIANCE UNCONSTRAINED – TOTAL RETURN INDEX	23.76 %
STOXX EUROPE 600 MINIMUM VARIANCE – TOTAL RETURN INDEX	22.12 %
STOXX EUROPE SMALL 200 – TOTAL RETURN INDEX	21.52 %

Source: STOXX Limited

(Top 5 STOXX indices, performance as of Nov. 30, 2015; all performance figures are in USD whenever specified in the index name and in Euro in the remaining cases)

- The EURO STOXX 50® and the STOXX® Europe 600 returned a positive 2.73% and 2.83% respectively for November in euro gross-return terms.
- European benchmarks fared relatively well compared to other regions and have recovered from early losses posted in the two trading sessions after the terrorist attacks. European benchmarks outperformed both their developed and emerging peers for the month.
- On Nov. 27 Chinese stocks plunged the most since the turmoil last summer amid news reporting China's stock regulator had widened its probe on brokerages to include two major Chinese brokerage firms. On the same day, the STOXX® China A Total Market Index dropped 5.89% in yuan gross return terms.
- Outperformance of the STOXX Europe 600 Minimum Variance Index, for both the constrained and unconstrained versions, against the STOXX European benchmark stood at 760 basis points and 925 basis points, respectively, for the one-year period ending Nov. 30.

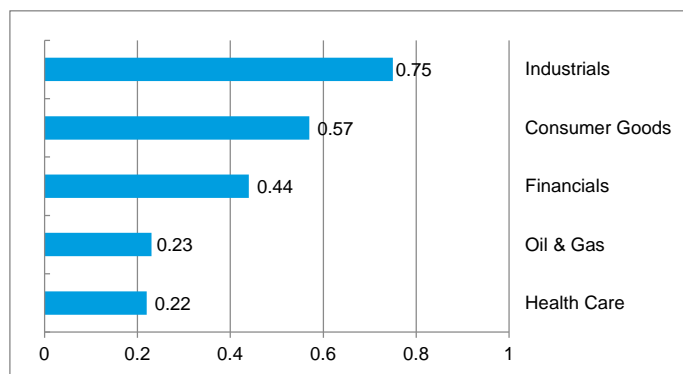
## Comment by Aureliano Gentilini, Head of Research, STOXX Ltd.

"In addition to more traditional political risk, social unrest in emerging countries remains a factor to weigh in portfolio allocations to developing economies. The emergence of what has been dubbed "The Facebook Middle Class" or "Twitter Revolutionaries" – identifying an aspirational stratum of the population that is not able to reap the benefits of economic growth, which remains under the control of a small elite – creates potentially unmanageable sources of risk in economies such as Brazil, China and Turkey."

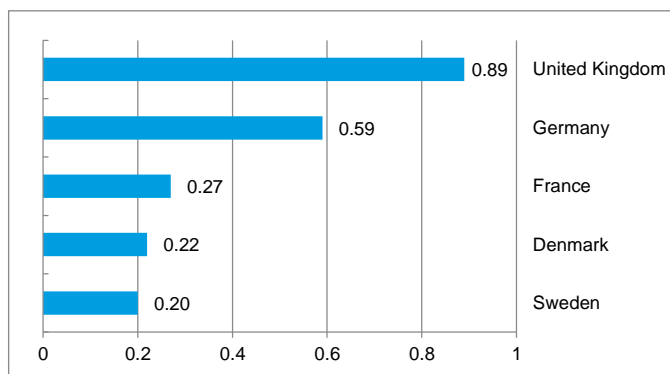
"Oil prices will continue suffering. Saudi Arabia and its Gulf allies appear to be less sensitive to the desires of OPEC's poorer members to cut oil supplies. Rather, Saudi Arabia is bound to a strategy of defending market share under the expectation that lower oil prices will push higher-cost producers, such as US shale oil corporations, out of the market."

"The divergence in monetary policy stance on the two sides of the Atlantic, which is expected to materialize as the Fed starts a tightening cycle at its December council meeting, will lead to a progressive single-currency depreciation."

## STOXX Europe 600 Index: Domicile Country/Industry Sector Contribution



Source: STOXX Limited



Source: STOXX Limited

(Domicile country and industry sector contribution to STOXX EUROPE 600 index in November; all performance figures in EUR)

- In performance-attribution terms, the positive return of the STOXX Europe 600 Index for November (+2.83% in total-return terms) was sustained most by industrials (+0.75%), consumer goods (+0.57%) and financials (+0.44%).
- For the European benchmark, the utility sector (+0.02%), bettered by basic materials (+0.07%) and consumer services (+0.12%), were the bottom-performers.
- At the country level the UK (+0.89%) held the top spot in the performance-contribution league table for November. Germany (+0.59%) and France (+0.27%) were the runners-up for the month.
- The European Central Bank and the Bank of Japan are considering extensions of their asset-purchase programs even as the Fed starts to tighten. This entails significant divergence in the performance of currencies, with obvious implications for global investors, who may find that their returns are heavily distorted by currency effects.
- Multinational manufacturers based in Europe or Japan have a real competitive advantage against their U.S. counterparts – making shares in the European and Japanese firms highly attractive to investors worldwide.

## Investment Outlook – Key Developments to Consider, by Aureliano Gentilini, Head of Research, STOXX Ltd.

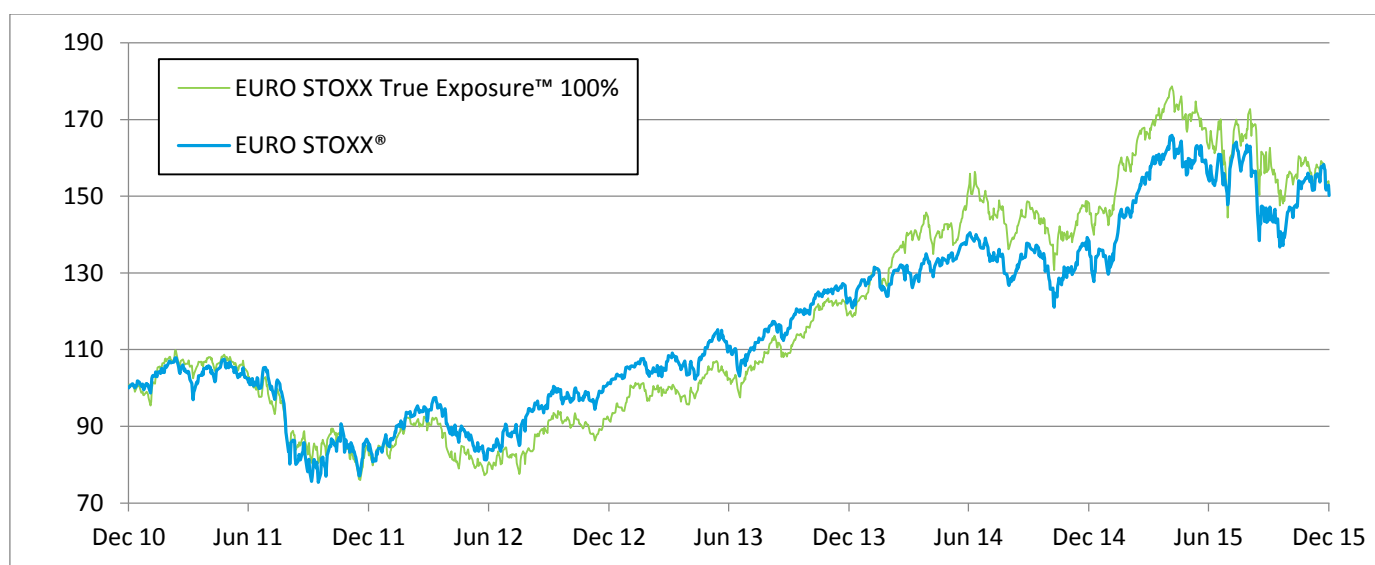
1. “Global economies are not yet out of a secular stagnation trap, which also conveys the potential risk of exacerbating a number of geopolitical risks.”
2. “The Swiss National Bank (SNB) is at a key decision point as it strives to fend off an appreciation pattern of the Swiss franc against the euro. Two scenarios appear to be feasible: Either to follow the ECB’s move and send further into the negative the rates on sight deposits or to enforce the alternative measure of removing the exemption threshold above which negative interest rates on sight deposit account balances are charged.”
3. “In the current market scenario, a prolonged period of ultra-low rates could continue to pose a number of threats for the banking sector, especially in Europe. A low-yield investment environment puts pressure on banks’ net interest margin, hurting in turn banks’ profitability and corporate earnings. As a result, in the hunt for yield, banks may show a higher propensity to move further ahead along the risk curve in order to counter decreased interest income.”
4. “The expected market scenario, with anticipated volatility patterns ahead, continues to favor allocations to minimum-variance portfolios with a view to a longer-term investment horizon.”

## Fact of the Month:

### Over 500,000 Structured Products based on STOXX and DAX indices

STOXX Limited has won the Structured Products Europe 2015 Award under the category "Index Provider Of The Year" for the second time in a row. The award was presented at a ceremony after the annual Structured Products Europe conference on Nov. 19, 2015 in London. The award reflects the increasing usage of STOXX indices: The number of structured products based on STOXX indices rose 70.2% to 73,746 at the end of Q3 2015, compared to Q3 2014. The number of structured products based on STOXX and DAX indices rose 80.2% to 509,633 in the same period.

## Index of the Month – EURO STOXX True Exposure™ 100%



Source: STOXX Limited

(5-year performance of EURO STOXX True Exposure™ 100% Index and EURO STOXX® Index as of Dec. 9, 2015; performance figures are in EUR)

- Traditional equity indices bundle companies based on their country of domicile and primary listing, regardless of where the selected companies generate their revenues. In the absence of such consideration, the outcome overlaps in regional revenue exposure among indices.
- Viewed in a portfolio context, revenue overlaps among portfolio constituents increase correlations between indices. STOXX TRU Indices take into account each company's revenue exposure to single countries in the selection process and focus on companies that generate all or a significant portion of their revenues in targeted countries or regions.
- The Indices are available with a minimum turnover in the local market of 25, 50, 75 or 100%. With an increasing share, investors get more exposure to the characteristics and economic developments of the respective market.
- STOXX TRU Indices offer similar levels of volatility but significantly lower correlations. Viewed in a portfolio context, a combination of STOXX TRU indices is, therefore, found to increase portfolio efficiency, i.e. to offer more return per unit of risk taken compared to the use of traditional equity indices.
- Alternatively, the STOXX International Exposure Indices focus on businesses with a strong share of foreign sales and allow investors to gain exposure to very international companies and the respective investment characteristics.

Further information: <https://www.stoxx.com/research>

## Meet us

- Inside ETFs, Hollywood, USA, Jan. 25-27
- Finanz '16, Zurich, Switzerland, Feb. 03-04

P: +41 58 399 5300  
stoxx@stoxx.com