# CIO Insights

Weekly Bulletin
September 14, 2018

Christian Nolting
Global CIO

## Still seeking closure

Tomorrow is the 10th anniversary of the Lehman bankruptcy. So how does the world look now? It depends on where you are. The U.S. has got its mojo back, Europe and emerging markets rather less so. In short, the fall-out is by no means over.

1 From a U.S. perspective, recovery has delivered both strong economic growth and big equities gains.

2 Europe is still some way behind, with political and structural problems still clouding the policy response.

3 And China and other emerging markets may now be suffering from indirect post-Lehman effects.

1 On page 2, we briefly summarize the economic and market fallout from the Lehman bankruptcy and the policy response. The Fed led the way here and, from a U.S. perspective, policy intervention – which went further than simple quantitative easing (QE) – has delivered the goods. U.S. economic expansion, while initially weak, has been sustained. U.S. housing prices have rallied, although starts and new home sales remain significantly below pre-crisis highs. After widening sharply, credit spreads have fallen to multi-decade lows. U.S. equities have made 10 consecutive yearly gains. And U.S. financials appear much healthier than in 2008, with the total debt to assets ratio at its lowest level for a decade and healthy earnings growth.

2 From a European perspective, the post-Lehman decade may have been rather less positive. This was illustrated, in rather different ways, by the European Central Bank (ECB) and Bank of England (BoE) meetings yesterday (page 3). The ECB is slowly edging closer to the end of QE but an interest rate rise looks very unlikely before autumn 2019: in other words, policy "normalization" is still a long way off. For its part, the BoE is coaxing along a sluggish UK economy, with uncertainty around Brexit a significant dampener. Arguments will doubtless continue for many years on the extent to which economic and social dislocation resulting from the Global Financial Crisis fostered populist sentiment and thus the Brexit decision, as well as political shifts elsewhere in Europe (e.g. Italy). Some economies (e.g. Germany, as discussed on page 4) have come through the crisis better than others, but it is difficult to give Europe as a whole a clean bill of health.

3 Current tariff tensions can also be seen as an indirect result of the Lehman collapse and the subsequent popular disillusionment in the U.S,. and to a lesser extent elsewhere, with the existing global economic order. Such tensions are already having an impact on China, as we discuss on page 5. But emerging markets more broadly are increasingly caught, a decade after the event, in a post-Lehman double-whammy. They are suffering not only from trade concerns, but also from the implications of a strong USD (itself, indirectly, the result of the U.S.'s very effective crisis response). As always, investor worries are encouraging a more skeptical look at emerging market fundamentals and we expect a few more months of volatility here, before trade concerns slowly subside and sentiment recovers.

## Inside the Bulletin



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# 10-year anniversary of the Lehman bankruptcy

## U.S.

Larry V Adam
CIO and Chief Investment Strategist – WM Americas

This Saturday (September 15) marks the 10th anniversary of the Lehman bankruptcy, an event that reshaped the financial landscape. It remains the largest bankruptcy in U.S. history and was the primary catalyst for what is commonly referred to as the "Global Financial Crisis" and "Great Recession." From a U.S. economic perspective, the slowdown in activity and questions surrounding the stability of the banking system led to the longest and deepest recession (~4.0% decline in real U.S. GDP) since the 1934 Great Depression.

### Unprecedented fiscal and monetary tools unleashed

In response to the sharp global recession, central banks and governments enacted significant fiscal and monetary policy stimulus to boost economic growth and instill confidence in the global banking system. Fiscally, the U.S. government passed TARP in 2007 (Troubled Asset Relief Program, a USD700bn bank bailout program where the government purchased "toxic assets" to strengthen the financial system) and ARRA in 2009 (The American Recovery and Reinvestment Act, a USD800bn program focused on infrastructure investments). Monetarily, central banks aggressively cut interest rates and implemented multiple rounds of quantitative easing, boosting their respective balance sheets to record highs. In fact, since Lehman, the Fed's balance sheet has more than quadrupled in size (to USD4.5trillion).

### Market performance

As a result of this dramatic stimulus, economic growth and risk assets improved strongly as consumer, business and investor confidence recovered.

- *US economic expansion: weak, but long.* After the steep financially-induced recession, the resulting expansion, while historically weak in growth terms, is on pace to become the longest on record by June 2019.
- *Housing: slowly building.* After sharply declining 35% from the peak (2006) until the bottom (2012), housing prices have rallied ~60% and are back to record highs. However, housing starts and new home sales have yet to recover as both indices are over 40% below their pre-crisis record highs.
- *Treasury yields: lower for longer.* Given the bond buying by central banks, sovereign yields have, for the most part, remained in a downward trend with the 10-year Treasury yield hitting a record low of 1.36% in 2016.
- *Credit: fear to healing.* Given the uncertainty of the health of large financial institutions, a lack of liquidity, and the threat of spillover effects, interest rates on investment grade financial companies skyrocketed to a record high of 14% ( ~1120 bps spread over Treasuries). However, as the crisis subsided, credit spreads narrowed to multi-decade lows (today: 128 bps).
- *Equities: "streaking" higher.* On the day of the bankruptcy, the S&P 500 declined ~5% and, in total, fell an additional 50%, before bottoming on March 9tth, 2009. However, the S&P 500 is up 200% since the bankruptcy, posting 206 new record highs on its way to its 10th consecutive yearly gain.
- *Financials: reformed and stronger.* The U.S, financial sector was down 84% at its lows during the crisis. While the sector has recovered 560% since the bottom (March 2009), it has not yet reached its pre-cycle high. We currently rate the sector "Overweight" for several reasons. First, fundamentally, U.S. financials are healthier relative to 2008. For example, institutions are better capitalized as debt levels (measured by total debt to assets) have significantly declined (from ~65% in 2008 to 15% currently) to the lowest level on record. Second, the sector is more positively correlated to Treasury yields relative to 2008. Given our forecast that Treasury yields will rise to 3.25% over the next 12 months, financials should benefit. Third earnings growth is expected to remain healthy and rise 32% in 2018 and 10% in 2019. Lastly, valuations are currently at the lowest level in two years.


# Central banks try to convince

## EMEA

Stéphane Junod
CIO EMEA and Head of WD EMEA

### ECB and BoE stay on course

European Central Bank (ECB) and Bank of England (BoE) meetings on Thursday delivered what was expected. The ECB said that it would halve the monthly amount of net purchases to EUR15bn from October and stop net purchases altogether at the end of December. It is also indicated its intention to keep interest rates on hold "through the summer of 2019": this forward guidance suggests that the ECB is still working hard to cope with the after-effects of the Global Financial Crisis following the Lehman collapse a decade ago. Markets took the ECB statement and Mr. Draghi's subsequent press conference very much in their stride with the EUR initially managing to strengthen slightly on some positive language from Mr. Draghi on the inflation outlook.

The BoE also kept policy on hold: its Monetary Policy Committee (MPC) voted 9-0 to keep interest rates are current levels. As regards the accompanying statement, a very slightly upgrade to the immediate growth outlook was offset by stated concerns about the risks from emerging markets, global trade tensions and Brexit. The GBP rode out the MPC statement relatively smoothly, but looks certain to be volatile in coming months as such concerns continue.

### Turkish central bank does enough, for now

While markets remain inclined to give the ECB and BoE the benefit of the doubt on policy decisions (or the lack of them), their attitude to Turkey's central bank (the CBRT) is considerably more sceptical, thanks in part to concerns about its independence and also its inaction earlier this year during a Turkish lira (TRY) slide in July. The CBRT had taken the unusual step of announcing before Thursday's meeting that its monetary stance would shift and it delivered on this promise: its policy rate (one-week repo facility) was raised by 625 bps to 24%, above market expectations. (Although the extent of actual monetary tightening will be less than this raise suggests, as the CBRT will now provide all liquidity to commercial banks at this policy rate, rather than a slightly more expensive overnight lending facility.) A sharp rate rise was probably inevitable, given the rise in Turkish inflation to a 15-year high of 17.9% YoY in August, but the size of the increase (and the stilling of fears that the CBRT might just go against economic orthodoxy) gave the markets an initial lift, with the TRY making gains against the USD. But, over the longer term, the only way to restore investor confidence in the policy framework is to break the vicious cycle between a weakening lira and rising inflation by the central bank acting ahead of the markets.

On the basis of current inflation levels, real interest rates are now about 6%, which could stop or discourage further outflows in the short term. But rising inflation could erode real rates, making further tightening necessary – having a negative impact on the economy, and possibly resulting in stagflation or a recession. So we stay cautious on the Turkish lira, equities and bonds.

# Domestic strengths, external vulnerabilities

## GERMANY


Gerit Heinz
Chief Strategist, Germany

### 10 years after Lehman

In the aftermath of the Lehman collapse ten years ago, Germany fell into deep recession but recovered remarkably well afterwards. The 2017 unemployment rate of 3.5% for the 25-64 years old age group was significantly below the OECD average of 5.8%. Real German GDP is now 8.5% above its pre-crisis peak. Like elsewhere, government debt relative to GDP surged significantly during the crisis but has been declining since 2010 and is now below its pre-crisis level, whereas in the Eurozone as a whole it is more than 20 percentage points higher. Relatively strong GDP growth in Germany is one reason for this and the fact that the government has not taken on new debt in recent years is the other. The extremely low yield environment is supportive too. But why did the country recover so convincingly from one of the deepest recessions among industrialized countries?

### Europe’s sick man gets to his feet

It should be remembered that Germany had subpar growth after the Euro’s introduction, as the country had to digest the consequences of German reunification while also entering the monetary union with an overvalued exchange rate. Some observers were calling it “the sick man of Europe” at the beginning of the millennium. Reforms undertaken by Chancellor Schröder (known as Agenda 2010) with respect to the labor market and social insurance are one important reason for Germany’s subsequent recovery. Broad agreement at the enterprise level, even among unions, that in a globalized world companies need to be competitive is another. Below-average wage growth led to higher competitiveness at a time when wages were rising elsewhere in the Eurozone, without the potential to ameliorate imbalances via currency fluctuations. It took time for this to translate into the current low German employment rate, however, and it is important to realize that temporary employment has risen in Germany and the structure of the labor market is different.

### The strong industrial backbone remains but so do risks

Another important factor behind the deeper recession and subsequent upswing is the relative importance of industry for Germany – it accounts for 27% of gross value added compared to 20.2% for the entire Eurozone. Emerging and other markets continue to have a high appetite for German industrial products and German companies have managed to benefit from shifting some production capabilities abroad (e.g. to Eastern European countries) to maintain their competitiveness. When looking at current developments, there is no room for complacency though. As an open economy, trade conflicts are an important risk for Germany. Among developed economies, as noted, it has particularly strong links to emerging markets. As a result, recent volatility in Asian emerging markets in particular had an impact on the domestic German stock market too. In fact the DAX has shown a correlation of 0.67 to MSCI Asia Pacific as of late, just behind the Hong Kong and Malaysian blue chip indices. Longer term, and at the domestic level, demographic challenges are inevitable and some of the pension reforms have been scaled back in recent years.


# China: export growth moderates

ASIA

Tuan Huynh
CIO APAC and Head of WD APAC

## Tariffs uncertainty is having an impact on business sentiment

China's export growth moderated to 9.8% YoY in August, after growth of 12.2% in July. On a seasonally adjusted basis, China's exports declined 1.7% MoM in August, after a decline of 0.9% in the previous month. The decline follows the U.S. starting to implement 25% tariffs on USD50bn of Chinese goods from early July. Meanwhile, Chinese import growth has held up well, aided by policy easing measures, being up 20% YoY in August (vs. 27.3% in July). China's trade surplus was at USD27.9bn in August, slightly down from USD28.1bn in July.

The market's focus is now shifting to possible 10% (or 25%) tariffs on another USD200 billion of Chinese goods. On top of this, U.S. President Trump has said that his administration was considering tariffs on a further US$267bn of Chinese goods.

Amid all these uncertainties over trade tariffs, it is unsurprising that business sentiment in China has fallen recently. The purchasing manager index (PMI) for Guangdong province, the most export-oriented region in China, dropped to 49.3 in August, below the neutral level of 50. This was the lowest reading in more than two years. U.S.-China trade disputes could lead to a further moderation in China's export growth in coming months.

Having said that, we think that the trade negotiations between China and the U.S. could get easier after the U.S. mid-term elections in early November. At the time of writing, there are reports that U.S. officials are asking for a round of high-level talks with China on trade disputes. So while we do not expect any breakthroughs in U.S.-China trade issues over the next few weeks, we are likely to see more positive news on the trade negotiations between the two sides in coming months.

We think that a full-scale "trade war" is not in the interest of both sides. Higher tariffs will likely be reflected in U.S. consumer price very quickly given the country's high dependence on Chinese imports, particularly of consumer products such as furniture, consumer electronics, etc. Besides, President Trump and President Xi are expected to have a face-to-face meeting at the G20 meeting in Argentina in late November this year, which may provide a pretext for easing U.S.-China trade tensions by year end.

While the export growth has been weakening in China, we have already seen active measures to stimulate its economy from the government, on both monetary and fiscal fronts. We think these counter-cyclical measures could start to stabilize the economic growth from November/December this year onward. On the back of this, we think Chinese financial market sentiment could improve by end this year.

# European equities' underperformance

## Global Equities

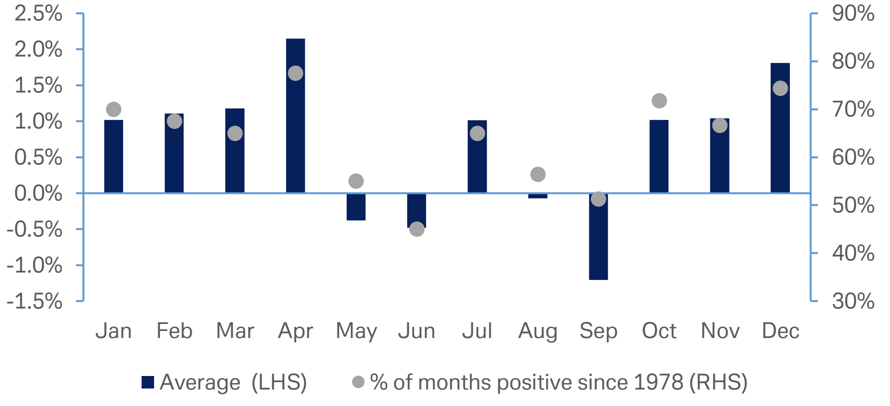
- European equities have had a disappointing summer. The MSCI Europe and the MSCI EMU are down 5.6% and 6.7% respectively from their May highs. Over this period the MSCI World has rallied by 1.6%.
- Certainly, disappointing European macro data in the first half of the year didn't help the equity markets. But concerns solely about economic growth would not justify the magnitude of the underperformance.
- First, all important leading indicators such as purchasing manager or consumer sentiment indices still point to above potential growth. And, hence, corporate earnings haven't been revised down significantly.
- Second, the relative European equity underperformance has continued, even as European economic data has started to surprise on the upside both in absolute terms and compared to other economies.
- The underperformance has political as well as economic reasons.
- Trade tensions and, in particular, the threat of tariffs on European export industries such as autos has weighed heavily on European equities as they tend to rely more on overseas revenue than do other regions.
- Furthermore, emerging markets (EM) fears do more damage to European than U.S. equities as Europe exports a bigger share to EM.
- Domestic political issues such as the ongoing Brexit process and the Italian budget discussions have also weighed on sentiment.
- The chart below shows that summer weakness is nothing unusual for European equities. Indeed, the MSCI Europe has had negative average returns in May, June, August and September since 1978.
- The chart, however, shows also that European markets tend to rally during the last months of the year.
- Nevertheless, with all the political issues still unsolved and plenty of volatility probably ahead, we think it would be premature to position for a European year-end rally.

Equity

**Summer weakness is not unusual for European equities, but unresolved political issues argue against a year-end rally**

— Focus of the Week

## MSCI monthly returns since 1978




Source: Datastream, Deutsche Bank A G. Data as of September 11, 2018.

# Italian bonds: potential returns and risks

## Fixed income

- The spread between Italian government bond yields and German government bond yields, a good indicator of the risk premium for Italian debt, has been back in focus since the formation of the new government in April.
- 10Y spreads rose from 112bps in April to a peak of 290bps as markets became worried about fiscal slippage, should the government implement all of its the electoral promises.
- Fiscal slippage would not only put the sustainability of public finances at risk and possibly lead to rating agency downgrades, but would also most likely lead to a political confrontation with the European Union.
- However, more recently we have seen some spread compression as Italian officials have suggested they may comply with EU budget rules.
- 10-year Italian bonds are still yielding almost 3% - more than 250bp above German bund yields – and could be regarded as an interesting alternative in the low Eurozone yield environment.
- There is certainly potential for further spread compression if the Italian government presents a more or less prudent budget draft by the September 27 deadline.
- However, while we think that the probability of a positive or at least market-neutral budget draft is above 50%, a negative outcome would have a much stronger market impact. And a market-friendly budget might not be approved by parliament, as is required.
- Hence, we think that the short-term potential for spread narrowing is limited to around 50bp, but spread widening could be much bigger in a worst-case scenario. In such a scenario (which we think is unlikely) even the Euro crisis highs of 550bps may not be out of reach.

Fixed Income

## The Italian budget process still carries risks of substantial spread widening

— Focus of the Week

## Italian-German 10-year bond spreads


Source: Bloomberg Finance L P, Deutsche Bank A G. Data as of September 11, 2018.

# Gold: reasons to be positive

## Commodities

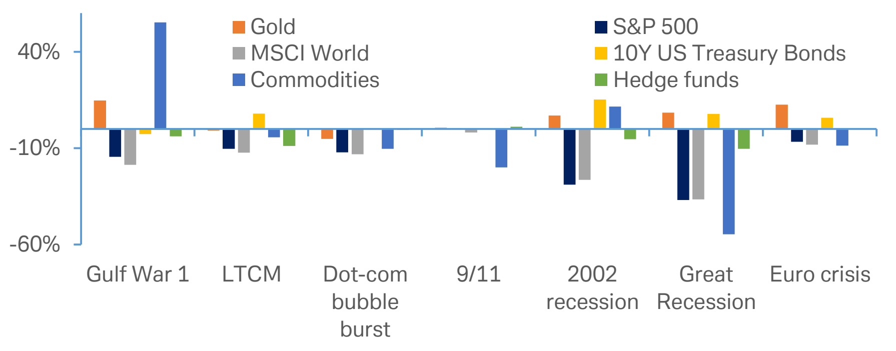
- Gold hasn't profited from safe haven flows thus far despite the ongoing turmoil in some emerging markets, political issues in the Eurozone and continued trade tensions.
- Indeed, the gold price has fallen by 1.1% so far in September. September is therefore on track to be the sixth consecutive month where the gold price declines, which would also be the longest losing streak for the precious metals since 2013.
- It seems that USD strength, together with rising Fed rates, have more than offset the usual benefits of more global uncertainty for the gold price.
- However, some recovery seems increasingly likely as the bulk of USD strengthening is probably behind us. Without further major USD appreciation, gold should benefit from sustained geopolitical uncertainties, trade tensions and also the U.S. midterm elections. Our end-June 2019 is USD1,290/oz.
- In volatile times, gold's lack of correlation to other asset classes offers interesting diversification benefits.
- Indeed, gold has a strong history of resilience during periods of elevated systemic risk, having outperformed most other asset classes when markets have undergone a major correction (see chart below).
- Furthermore, gold positioning is currently at extreme levels with non-commercial positions at their biggest net-short level since April 2001. At such extreme short levels, risks would appear to be tilted to the upside. This provides another reason to remain constructive on gold.

Commodities

Recent gold price falls could be reversed by a several traditional supports for gold, with current net-short positioning also a likely positive

— Focus of the Week

## Gold during recent major market events*




Source: Bloomberg Finance L P, Deutsche Bank A G. Data as of August 14, 2018. * Performance over 3-month period starting as follows: Gulf War 1 06/30/1990; LTCM 06/30/1998; Dot-com bubble 03/30/2001; 9/11 08/31/2001; 2002 recession 03/30/2002; Great Recession 09/30/2008; Euro crisis 03/30/2010/

# CHF outlook

## EM currencies

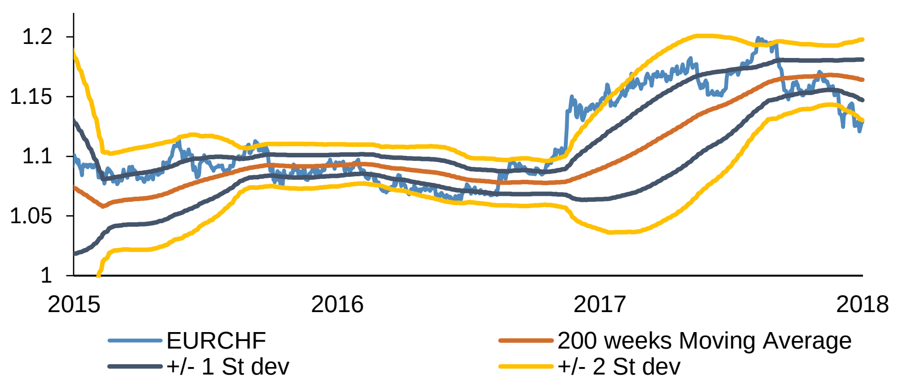
- The Swiss franc (CHF) has a reputation as a safe haven currency that can do particularly well when political uncertainties elsewhere are on the rise.
- Hence, it doesn't come as a surprise that the EUR has lost around 6% versus the CHF since April, due in part to the return of Italian political worries.
- Furthermore, the CHF is (besides the JPY) the only G10 currency with a positive year-to-date performance versus the USD.
- However, the further upside or crises-hedging potential of the CHF seems very limited from recent levels.
- First of all, the EUR/CHF exchange rate has fallen two standard deviations below its 200 days moving average, a technical level that often is associated with a rebound.
- Even more important, it is unlikely that the Swiss National Bank (SNB) will accept much further CHF appreciation. In its last monetary policy assessment the SNB wrote that "the situation on the foreign exchange market thus remains fragile, and the negative interest rate and our willingness to intervene in the foreign exchange market as necessary therefore remain essential."
- We don't expect the SNB to increase interest rates ahead of the ECB. Furthermore, the SNB is unlikely to tolerate an EUR/CHF exchange rate below 1.10 and hence will intensify forex intervention should we approach those levels.
- Our twelve month forecast for the EUR/CHF is 1.15 and for the USD/CHF is 1.00.

FX

## The SNB looks unlikely to accept further CHF appreciation against the EUR: intensified forex intervention looks likely if it approaches 1.10

— Focus of the Week

## EUR/CHF falls two standard deviations*




Source: Datastream, Deutsche Bank A G. Data as of September 12, 2018.
* A measure of the amount of variation in data: see appendix

# Deutsche Bank Wealth Management forecasts

| | | | | | End-June 2019 |
|---|---|---|---|---|---|
| **Equity indices** | | | | | |
| USA (S&P 500) | | | | | 2,900 |
| Eurozone (Euro STOXX 50) | | | | | 3,550 |
| Germany (DAX) | | | | | 13,500 |
| UK (FTSE 100) | | | | | 7,800 |
| Japan (MSCI Japan) | | | | | 1,080 |
| Asia ex Japan (MSCI in USD) | | | | | 740 |
| Latin America (MSCI in USD) | | | | | 2,500 |
| **Key sovereign bond yields (10-year, %)** | | | | | |
| USA | | | | | 3.25 |
| Germany | | | | | 1.00 |
| UK | | | | | 1.75 |
| Japan | | | | | 0.10 |
| **Commodities** | | | | | |
| Oil (WTI) | | | | | 60 |
| Gold in USD | | | | | 1,290 |
| **Currencies** | **3 months** | **End-June 2019** | | **3 months** | **End-June 2019** |
| EUR/USD | 1.15 | 1.15 | EUR/HUF | 320 | 330 |
| EUR/GBP | 0.88 | 0.90 | EUR/PLN | 4.25 | 4.40 |
| USD/JPY | 111 | 111 | USD/RUB | 63.50 | 64.50 |
| EUR/CHF | 1.17 | 1.15 | USD/ZAR | 13.50 | 14.50 |
| USD/CAD | 1.28 | 1.25 | USD/CNY | 6.65 | 6.50 |
| AUD/USD | 0.76 | 0.78 | USD/INR | 72.0 | 74.0 |
| NZD/USD | 0.72 | 0.71 | USD/KRW | 1,070 | 1,055 |
| EUR/SEK | 10.30 | 9.95 | USD/IDR | 14,250 | 14,050 |
| EUR/NOK | 9.45 | 9.30 | USD/MXN | 20.50 | 20.80 |
| EUR/TRY | 5.87 | 5.75 | USD/BRL | 4.00 | 4.10 |

Forecasts are from Deutsche Bank AG, as of September 14, 2018 and are subject to change without notice.

# Facts and Figures

| | Current | 1-Wk Return | 1-M Return | YTD Return | Sep 12 2017 – Sep 12 2018 | Sep 12 2016 – Sep 12 2017 | Sep 12 2015 – Sep 12 2016 | Sep 12 2014 – Sep 12 2015 | Sep 12 2013 – Sep 12 2014 |
|---|---|---|---|---|---|---|---|---|---|
| **Rates** | | | | | | | | | |
| 2-Year German Bund | -0.54% | -0.05% | -0.21% | -0.40% | -0.77% | -0.45% | 0.14% | 0.21% | 0.62% |
| 5-Year German Bund | -0.15% | -0.14% | -0.52% | 0.47% | -0.07% | -0.11% | 2.48% | 1.54% | 5.24% |
| 10-Year German Bund | 0.42% | -0.36% | -0.88% | 1.50% | 1.41% | -1.79% | 7.35% | 5.11% | 11.98% |
| 10-Year UK Gilt | 1.39% | -0.33% | -0.69% | -0.52% | -0.43% | -0.48% | 11.91% | 9.22% | 7.51% |
| 2-Year BTP | 0.83% | 0.42% | 0.71% | -1.41% | -1.45% | 0.55% | 0.34% | 1.09% | 4.31% |
| 5-Year BTP | 1.98% | 0.87% | 1.24% | -3.97% | -3.38% | 0.85% | 3.80% | 3.54% | 15.00% |
| 10-Year BTP | 2.79% | 1.33% | 1.95% | -4.40% | -3.34% | -2.93% | 8.11% | 7.67% | 23.96% |
| Barclays Euro Corporate | 1.06% | 0.10% | -0.72% | -0.62% | -0.10% | 0.99% | 6.00% | 0.93% | 8.33% |
| Barclays Euro High Yield | 3.56% | 0.29% | -0.07% | -0.27% | 0.70% | 7.32% | 5.94% | 2.25% | 10.38% |
| JP Morgan EMBIG Div. | 6.66% | 0.21% | -2.23% | -1.81% | -1.55% | -0.57% | 14.37% | 14.59% | 15.98% |
| **Equities** | | | | | | | | | |
| USA (S&P 500) | 2,888.9 | 0.0% | 2.0% | 8.1% | 15.7% | 15.6% | 10.1% | -1.2% | 18.0% |
| Euroland (Euro Stoxx 50) | 3,326.6 | 0.3% | -2.9% | -5.1% | -5.3% | 16.6% | -5.5% | -1.5% | 13.0% |
| Germany (DAX) | 12,032.3 | -0.1% | -3.2% | -6.9% | -3.9% | 20.1% | 3.0% | 4.9% | 13.6% |
| UK (FTSE 100) | 7,313.4 | -1.0% | -4.6% | -4.9% | -1.2% | 10.4% | 9.5% | -10.1% | 3.3% |
| Italy (FTSE MIB) | 20,963.0 | 1.9% | -0.6% | -4.1% | -5.7% | 32.0% | -22.6% | 3.3% | 20.3% |
| France (CAC 40) | 5,332.1 | 1.4% | -1.5% | 0.4% | 2.4% | 17.3% | -2.4% | 2.4% | 8.2% |
| Japan (MSCI Japan) | 1,007.1 | -0.6% | -1.3% | -6.2% | 4.5% | 20.6% | -11.2% | 11.7% | 10.1% |
| Asia ex Japan (MSCI, USD) | 631.1 | -2.6% | -5.5% | -11.5% | -5.9% | 23.7% | 10.6% | -17.5% | 11.0% |
| Latin America (MSCI, USD) | 2,426.9 | 2.0% | -5.4% | -14.2% | -18.4% | 25.1% | 21.2% | -42.4% | 3.8% |
| **Commodities & Alternatives** | | | | | | | | | |
| WTI (USD) | 70.37 | 2.4% | 4.1% | 16.5% | 45.9% | 4.2% | 3.4% | -51.4% | -15.3% |
| Gold (USD) | 1,199.0 | 0.1% | -1.3% | -8.0% | -9.6% | 0.2% | 20.4% | -10.6% | -7.6% |
| EUR/USD | 1.1625 | 0.0% | 1.7% | -3.2% | -2.7% | 6.5% | -0.6% | -12.8% | -2.8% |
| EUR/GBP | 0.8927 | -0.5% | -0.3% | 0.6% | -0.9% | 6.8% | 15.1% | -8.1% | -5.2% |
| EUR/JPY | 129.35 | -0.3% | 2.2% | -4.4% | -1.6% | 14.9% | -16.0% | -2.0% | 5.3% |
| VIX Index | 13.14 | -0.77 | -0.02 | 2.10 | 2.56 | -4.58 | -8.04 | 9.89 | -0.98 |
| VDAX Index | 16.37 | -2.09 | -1.56 | 2.22 | 3.06 | -7.15 | -10.56 | 15.45 | -1.62 |

Current data as of September 12, 2018. Data source: FactSet, negative numbers are in orange

# Facts and Figures

| | Current | 1 Wk Change | 1M Change | YTD Change | Sep 12 2017 – Sep 12 2018 | Sep 12 2016 – Sep 12 2017 | Sep 12 2015 – Sep 12 2016 | Sep 12 2014 – Sep 12 2015 | Sep 12 2013 – Sep 12 2014 |
|---|---|---|---|---|---|---|---|---|---|
| **Rates Valuations** | | | | | | | | | |
| Eco Refi Rate | 0.00% | 0 | 0 | 0 | 0 | 0 | -5 | 0 | -45 |
| Bund Yld Curve (10YR-2YR) | 96 | 2 | 0 | -12 | -21 | 49 | -22 | -19 | -64 |
| Spread Gov. FRA—GER (10YR) | 24 | -5 | -5 | 0 | -5 | 6 | -11 | -7 | -21 |
| Spread Gov. Ita-GER (10YR) | 238 | -19 | -30 | 85 | 76 | 38 | 6 | -26 | -116 |
| Spread Gove. SPA-GER (10YR) | 107 | -4 | 4 | -8 | -13 | 9 | -35 | 14 | -121 |
| Investment Grade Spread (10YR) | 64 | -6 | 6 | 32 | 30 | -31 | -8 | 51 | -14 |
| High Yield Spread (10YR) | 314 | -10 | 3 | 78 | 77 | -36 | -16 | 87 | -69 |
| J.P. Morgan EMBIG Div. Spread | 624 | -5 | 7 | 140 | 156 | -33 | -37 | 117 | 5 |
| **Equity Valuations** | | | | | | | | | |
| USA (S&P 500) | 18.9 | -0.3 | 0.1 | -1.7 | -0.8 | 1.2 | 1.9 | -0.6 | 1.6 |
| Euroland (Euro Stoxx 50) | 13.5 | 0.0 | -0.5 | -1.6 | -1.7 | 1.2 | 0.2 | -0.8 | 1.9 |
| Germany (DAX) | 12.6 | 0.0 | -0.3 | -1.9 | -1.4 | 0.7 | 0.4 | -0.7 | 1.2 |
| UK (FTSE 100) | 13.2 | -0.2 | -0.8 | -2.3 | -2.4 | -1.5 | 2.7 | 0.3 | 1.1 |
| Italy (FTSE MIB) | 12.9 | 0.0 | -0.2 | -3.0 | -3.9 | 0.4 | -1.0 | -1.5 | 3.7 |
| France (CAC 40) | 14.2 | 0.0 | -0.4 | -1.1 | -1.2 | 0.9 | -0.1 | -0.2 | 1.6 |
| Japan (MSCI Japan) | 12.9 | -0.1 | -0.3 | -2.7 | -2.5 | 0.3 | -0.3 | 0.0 | -3.1 |
| Asia ex Japan (MSCI, USD) | 12.6 | -0.3 | -0.8 | -2.2 | -2.3 | 0.9 | 2.2 | -1.2 | 0.5 |
| Latin America (MSCI, USD) | 13.7 | 0.3 | 0.4 | -2.2 | -2.2 | -0.8 | 2.2 | -0.2 | 0.5 |

| | Relative Strength Index | 50 Day Moving Average | 100 Day Moving Average | 200 Day Moving Average | Next 12M Earnings Growth | Earnings Est (NTM) 3M Change | Div Yld |
|---|---|---|---|---|---|---|---|
| **Equity Technicals and Fundamentals** | | | | | | | |
| USA (S&P 500) | 58.97 | 2,840.9 | 2,781.8 | 2,744.6 | 12.6% | 1.2% | 2.0% |
| Euroland (Euro Stoxx 50) | 37.15 | 3,432.1 | 3,460.1 | 3,471.4 | 9.7% | -0.5% | 4.1% |
| Germany (DAX) | 35.73 | 12,459.0 | 12,603.9 | 12,636.8 | 8.6% | -1.9% | 3.6% |
| UK (FTSE 100) | 34.11 | 7,586.4 | 7,620.5 | 7,492.6 | 7.7% | 1.5% | 4.6% |
| Italy (FTSE MIB) | 52.38 | 21,275.8 | 21,983.0 | 22,389.4 | 13.8% | 0.3% | 4.4% |
| France (CAC 40) | 44.83 | 5,411.4 | 5,438.7 | 5,381.6 | 9.8% | 1.9% | 3.6% |
| Japan (MSCI Japan) | 42.61 | 1,023.2 | 1,033.8 | 1,044.2 | 4.2% | 1.5% | 2.4% |
| Asia ex Japan (MSCI, USD) | 28.25 | 661.8 | 684.2 | 705.3 | 12.1% | -1.0% | 3.0% |
| Latin America (MSCI, USD) | 42.84 | 2,565.9 | 2,600.1 | 2,801.3 | 16.2% | 0.9% | 3.8% |

Current data as of September 12, 2018. Data source: FactSet, negative numbers are in orange.

# Key forthcoming data releases and other events

| | U.S. | Europe | Asia |
|---|---|---|---|
| **Monday** September 17 | New York Empire State Manufacturing Index (September) | Eurozone: Consumer Price Inflation (August) | Indonesia: Merchandise Trade (August) |
| **Tuesday** September 18 | NAHB Housing Market Index (September), API Weekly Crude Oil Stocks (September 14) | Italy: Industrial Sales and Orders (June) | Australia: Reserve Bank of Australia Meeting Minutes, House Price Index (Q2) |
| **Wednesday** September 19 | Housing Starts, Building Permits (both August) Current Account (Q2) EIA Oil Stocks (September 14) | Eurozone: Current Account (July) UK: Consumer, Retail and Producer Price Indices (August) | Japan: Bank of Japan Monetary Policy Statement, Merchandise Trade (August) |
| **Thursday** September 20 | Philadelphia Fed Manufacturing Survey (August) Existing Home Sales (August) | Switzerland: SNB Meeting, Merchandise Trade (August). Consumer Confidence (September) UK: Retail Sales (August) Eurozone: Consumer Confidence (September) | New Zealand: GDP (Q2) Australia: Westpac Leading Index (August) |
| **Friday** September 21 | Baker Hughes Oil Rig Count | France: GDP (Q2) Eurozone, France, Germany: Markit Manufacturing, Services and Composite PMI UK: Public Sector Net Borrowing (August) | Japan: National Consumer Price Inflation (August), Foreign Investment in Japanese Stocks and Bonds (September 14), Nikkei Manufacturing PMI (September), All Industry Activity Index (July) |

# Glossary

The Bank of England (BoE) is the UK central bank.

Brexit is a combination of the words "Britain" and "Exit" and describes the possible exit of the United Kingdom of the European Union.

Bunds are longer-term bonds issued by the German government**.**

The consumer price index (CPI) measures the price of a basket of products and services that is based on the typical consumption of a private household.

Depreciation (in an FX context) generally refers to a gradual loss of value of a currency; immediate, policy-driven changes are devaluations.

CNY is the currency code for the Chinese yuan.

The consumer price index (CPI) measures the price of a basket of products and services that is based on the typical consumption of a private household.

Correlation is a statistical measure of how two securities (or other variables) move in relation to each other.

The DAX is a blue-chip stock-market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange; other DAX indices include a wider range of firms.

The European Central Bank (ECB) is the central bank for the Eurozone.

The Euro Stoxx 50 Index tracks the performance of blue-chip stocks in the Eurozone; the **Euro Stoxx 600** has a wider scope, taking in 600 companies across 18 European Union countries.

The Eurozone is formed of 19 European Union member states that have adopted the euro as their common currency and sole legal tender.

The Federal Reserve is the central bank of the United States. Its Federal Open Market Committee (FOMC) meets to determine interest rate policy.

GBP is the currency code for the British pound/sterling.

The Global Financial Crisis refers to the crisis of 2007-2008.

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

The ISM Manufacturing Index is based on a survey of manufacturing firms by the Institute for Supply Management.

The MSCI AC World Index captures large- and mid-cap companies across 23 developed- and 23 emerging-market countries.

The MSCI Asia Pacific Index includes large and mid-cap stocsk from five developed markets and nine emerging markets in the region.

The MSCI EMU Index includes around 250 large companies across the Eurozone.

The Organisation for Economic Co-operation and Development (OECD) has 35 member countries and has the objective of encouraging economic progress and world trade.

The People's Bank of China (PBoC) is the central bank of the People's Republic of China.

Price/earnings (P/E) ratios measure a company's current share price relative to its per-share earnings. In this context, LTM refers to last twelve months' earnings.

Purchasing manager indices (PMI) provide an indicator of the economic health of the manufacturing sector and are based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. The composite PMI includes both manufacturing and services sectors. They can be published by public sector or private agencies (e.g. Caixin, Nikkei).

The S&P 500 Index includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

A standard deviation is a measure of the amount of variation in a data set. In a normal distribution, 68% of the values lie within one standard deviation and 95% within two.

The Swiss National Bank (SNB) is the central bank of Switzerland.

Treasuries are bonds issued by the U.S. government.

TRY is the currency code for the Turkish lira.

Volatility is the degree of variation of a trading-price series over time.

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