CIO Insights

Weekly Bulletin
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Sentiment and reality

Markets have had a good start to 2019, with the S&P 500 rising by 7.9% in January. But can positive market sentiment survive more downbeat global economic data? An overtly flexible Fed suggests that policymakers see clouds ahead.

1. Fed Chair Powell has reassured markets that rate rises will be on a "wait and see" basis but not all U.S. data is turning down.
2. Slowdown fears are more immediate in the Eurozone after poor Q4 2018 GDP growth data. Brexit fears also still cast a big shadow.
3. Policy stimulus measures permit positive Chinese market sentiment to coexist with further data disappointments.

1 If the U.S. government stays back at work (page 2), the immediate economic effects of the shutdown should be reversed. But uncertainty will immediately resurface if there is another shutdown, with the negative impacts (quantifiable and non-quantifiable) already cited in a number of corporate earnings calls. U.S. consumer confidence also continued to slide in January. In the environment, Fed Chair Jerome Powell played it very carefully in the post-FOMC press conference this week, reminding his audience that the Fed's policies are in constant evolution in light of global economic developments and noting recent softer data. A change in the Fed wording around rates to "wait and see" approach served to reassure markets, although it did also imply that the Fed sees real risks ahead. For the moment, however, the data is not universally pointing in a downwards direction: today's non-farm payrolls release revealed a healthy increase of +304k in January.

2 Across the Atlantic, yesterday's Eurozone growth numbers may be creating more immediate policy worries for the ECB. Eurozone Q4 2018 growth slowed on a YoY basis and the Italian economy went into a technical recession (page 3). Consumer price inflation has also slowed in many Eurozone economies, with many still dealing (more than a decade on) with the aftermath of the global financial crisis in the form of high levels of unemployment. Forthcoming German data over the next week (page 4) could add to the gloom. The threat of a "no deal" Brexit also remains very real, with a UK parliamentary debate this week in effect mandating Mrs. May to reopen intractable Northern Ireland border backstop talks with the EU – as the clock continues to tick down towards the March 29 exit date.

3 The battle between sentiment and reality is perhaps most obvious in China, where equities have continued to rise despite repeatedly disappointing economic data – pages 5 and 6. The Chinese government's commitment to economic stimulus measures – across multiple policy fronts – is a reassurance here and we remain constructive on Chinese equities. Hopes also rest on U.S./China trade negotiations and there is still a long way to go here, even after the apparent progress at this week's talks and China's commitment to by more U.S. agricultural products.

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Shutdown and the flexible Fed

U.S.
Deepak Puri
Interim CIO Americas and Head of WD Americas

Shutdown woes end for now

The partial government shutdown has been put on pause with a short-term funding bill that will keep the lights on through mid-February. Meanwhile, President Trump has done all he can to tame investors' expectations by personally predicting less than a 50% probability for a long-term solution, and proclaiming that he is willing to shutdown the government again if he does not get funding for the border wall. We still believe that it is most probable that President Trump will use his executive powers to harvest the wall funding if the lawmakers fail to do so, as this saves face for both parties.

As of now, the economic effects should quickly reverse themselves, reducing the downside risks to GDP growth. However, if the government shuts down again then we will again find ourselves in the middle of a sea of uncertainty. The negative impacts of the government shutdown have already reared their heads in earnings calls. Companies are citing both quantifiable and unquantifiable impacts, concerns over economic uncertainty, and delayed government approvals or reviews to list some material concerns. Additionally, we learned this week that consumer confidence continued to decline sharply in January due to the shutdown and the market volatility surrounding it. With the hopes of a long term solution ahead, there is a chance that this important survey will rebound in the following month.

Fed seeks flexibility

On Wednesday, the FOMC held their January meeting and confirmed our expectations that the fed funds rate will remain steady at the 2.25 to 2.5 percent range. Afterwards, Chair Jerome Powell began his inaugural post-meeting press conference in which he emphasized patience in raising rates, presented the Fed's outlook on the economy, and discussed the composition of the balance sheet. He reiterated that their policies are in constant evolution in light of global economic developments, highlighting the softer economic and inflation data in recent months, which are weakening the case for raising interest rates. Investors were delightfully surprised to see this outlook was formally reflected in their policy statement by removing the phrase "further gradual increases", which has been substituted with a "wait and see" statement. The Fed funds futures market expects the Fed to remain inactive for 2019 (currently at approx. 90%) and has raised its probability for a rate cut in 2020. Lastly, the equity market has welcomed the idea the central bank is now open to adjusting their process in balance sheet normalization as well. This new era of a more flexible Fed has pushed equities higher by 7.9% YTD, inching us closer to our year-end target of 2,850 for the S&P 500 Index.

Eurozone slowdown confirmed

EUROPE

Stéphane Junod
CIO Europe and Head of WD Europe

This week a raft of economic data has given investors an insight into what is happening with the Eurozone economy. After repeated signs of weakness since the second half of last year, market participants have been divided over whether the slowdown is temporary or of a more lasting nature. The latest figures for December and Q4 2018 give a few clues as to what is going on.

Eurozone GDP growth has slowed from 1.6% YoY in Q3 to 1.2% YoY in Q4, in line with expectations, although QoQ growth remained stable at 0.2%. The overall Eurozone unemployment rate in December has remained unchanged at 7.9%. In some of the Eurozone's constituent countries the picture is however less balanced. Italy has slipped into its third recession in a decade on the back of declining domestic demand, as GDP contracted by -0.2% QoQ in Q4, the second quarter of contraction in a row after a -0.1% fall in Q3. On a YoY basis, Italian GDP growth was just 0.1% in Q4, close to a standstill. The Italian unemployment rate stood at 10.3% as of December, just over twice the German level.

In France, GDP growth in Q4 exceeded the Eurozone average at 0.3% QoQ, mainly thanks to strong net exports, but consumer spending turned negative in December, falling by -1.5% MoM, and while producer prices fell by -1.1% MoM in that month. French consumer price inflation softened from 1.9% YoY in December to 1.4% YoY in January, with a -0.6% MoM fall. For the whole year 2018 French GDP grew by 1.5%, after growth of 2.3% in 2017, dragged down by weak household spending. In Spain GDP growth reached 2.4% YoY in Q4 but consumer price inflation slowed to 1% YoY in January and prices fell by -1.3% MoM. The EU has also expressed doubts about Spain's ability to meet its deficit target for 2019. The Bank of Spain expects the budget deficit for 2019 to reach -2.3%, in marked contrast to the official estimate of -1.3%. Spanish unemployment stands at over 14%.

These numbers go a long way in explaining why the expected rise in Eurozone bond yields has not materialized. In its latest press conference, the ECB did not dwell on its previous intention to hike the deposit rate in the second half of the year. ECB Council member Hernandez de Cos has acknowledged that "so far, our attitude has been that almost all the deceleration in the Eurozone we've seen quarter to quarter, we've considered it as temporary". He went on to argue that "maybe we need to start asking ourselves if these [risks] are more persistent than what we have included in our central scenario of growth for the future, and that the revision could be higher than we have said in the past." Outside of the Eurozone, Switzerland has not escaped the prevailing slowdown. The KOF Economic Barometer has fallen from 96.4 to 95 points, hinting at annual GDP growth of just 1%.

All eyes now on the hard data

GERMANY
Gerit Heinz
Chief Strategist Germany

Industry data is in focus

The latest leading indicators have not been encouraging and indicate a slowdown. The manufacturing purchasing manager index (PMI) in January was 49.9, in contraction territory, although the services PMI still pointed to expansion. As a result of the sharp downturn in the expectations component of the Ifo Index, the Ifo business cycle clock (a four quadrant presentation that plots expectations vs. the current business situation) has moved from boom into downswing territory for the first time in several years – negative expectations are combined with a business situation which remains good on balance but deteriorating.

Current surveys on expectations may of course be influenced by the ongoing Brexit uncertainty as well as U.S.-China trade talks and could therefore turn upwards in the case of any market friendly outcome. Nevertheless, hard data from the industrial sector has also not been encouraging recently, meaning that next week's factory orders, industrial production and export/import data (all for December 2018) will be important to watch. Factory orders in November declined 1.0% MoM and 4.3% YoY. While this data series is volatile in nature, the YoY comparisons have been fairly consistently negative in recent months, although the comparison is tough as this is against strong order intake a year before. Industrial production was down in November by 1.9% MoM and 4.7% YoY. All in all, growth seems to have decelerated and risks are skewed to the downside.

Earnings season underway

The first corporate results for Q4 2018 have now been published and the bulk of corporate reporting will come in February. Among the major developed equity markets, Germany has seen the biggest downward earnings revisions and this trend does not yet show signs of ending. Individual company issues have played a role here, but so has the high exposure of the German stock market to the automotive industry, which is struggling with its own problems, and to global trade in general. As neither Brexit debates nor U.S.-China trade talks have led to tangible results yet, the outlook from companies is likely to remain rather uncertain. Positive news on these two items could be a prerequisite for negative earnings revisions to fade out. The current economic weakness in Europe is not supportive, however. While the overall price/earnings (P/E) ratio of the German stock market is low relative to other markets, there are good reasons for this, as we have outlined before.

Chinese industrial profits; India's budget

EMERGING MARKETS

Tuan Huynh
CIO Emerging Markets and Head of WD Emerging Markets

Chinese industrial profits fall back

China's industrial profits declined 1.9% YoY in December, after falling by 1.8% in November. This decline contrasts with double-digit growth a year earlier. In total, China's industrial profits increased 10.3% in 2018, compared with growth of 21% in 2017.

As China's economic growth seems likely to continue to decelerate, we think industrial profits could stay relatively weak in 2019, but government measures will give some support. VAT in China is set at a rate of 16% for most manufacturing sector products. If the VAT rate was cut to 14%, this would probably raise corporate sector profits by 0.4%-0.5% of GDP. Cutting VAT would be especially positive for manufacturers with thin profit margins. More monetary policy easing measures from the People's Bank of China (PBoC) would also help relieve funding pressures. With last year's deleveraging measures, funding costs in China have been high, especially for the private sector companies. With more reserve requirement ratio (RRR) cuts and related monetary easing measures likely this year, funding costs could start to trend down in 2019 for Chinese corporates. On the demand side, government's stimulus measures could boost fixed investment in 2019, particularly in infrastructure. Stronger infrastructure construction activities could partially offset slower export and consumption demand, which has impacted corporate profits.

Despite lower industrial profits, we remain constructive on Chinese equities. We think much of the negative impact from U.S.-China trade tensions was priced into the market in 2018, meaning that Chinese equities could be supported in the near term by progress in trade talks and stimulus measures. Chinese equities were also affected in 2018 by CNY depreciation, amidst the drop in market confidence. In 2019, we think that a steadier CNY will help stabilize sentiment on Chinese equities.

Indian budget delivers tax breaks

India's FY2019/2020 budget, delivered today, includes significant tax breaks for around 30m individual taxpayers, raising the minimum income threshold to INR500,000 per year and boosting a number of other exemptions. There will also be a benefit transfer to small farmers and pension provision for workers in the "unorganized" sector (small private enterprises). This a transparently political budget, in the run up to national elections later this year, with the ruling BJP seeking to strengthen its position after a mixed recent state election results. The government's forecast for the FY2018/2019 fiscal deficit has been increased slightly (to 3.4% of GDP) but no further increase in this ratio is officially expected in FY2019/2020. Evidence of further fiscal slippage would have implications for India's bond market: yields on government debt rose today as the budget was announced.

Chinese markets defy domestic data for now

Equities

- After entering a bear market last year, Chinese equities have had a better start to 2019. The Hang Seng Index and the CSI 300 Index gained 11.2% (in HKD) and 7.2% (in CNY) respectively in January.
- Investors have looked through some gloomy domestic economic data, apparently focusing more on stimulus measures and hopes of a U.S.-China trade resolution – which is far from guaranteed.
- But even after recent gains, the MSCI China's 12-months forward price/earnings (P/E) ratio is still below its 10-year average – being cheaper than the broader MSCI EM Index.
- The latest effort by the People's Bank of China (PBoC) to counter broad-based economic slowdown will allow holders to swap commercial bank perpetual debt for central bank bills which could essentially be interpreted as a Chinese version of QE. The aim is to provide more credit to the real economy via the banking system. This will add to the active support being provided through lower bank reserve requirement ratios (RRR) as well as possible VAT cuts, along with infrastructure investment and welfare spending increases (as we discuss on page 5).
- Nonetheless, we anticipate that Chinese economy will continue to face substantial headwinds and do not think that stimulus measures can return GDP growth to previous levels. We expect China's GDP growth to decelerate further to 6.0% in 2019 and believe that markets will need to accept this new reality.
- Although we assume trade tensions could further weigh on China's short-term growth trajectory, keeping Chinese equities volatile, we think that they will speed up China's transformation into a more domestically-driven economy, which could provide significant longer-term opportunities for Chinese equity investors.

Equity

Even after recent gains, MSCI China's 12-months forward P/E ratio is below its 10-year average – being also cheaper than the broader MSCI EM

— Focus of the Week

China's annual GDP growth rates since 1989

Source: Bloomberg Finance L.P., Deutsche Bank AG. Data as of January 30, 2019.

Asia credit: a good start to the year

Fixed income

- Asia credit has had a good start to 2019. As of January 25, Asia credit (as measured by the JP Morgan Asia Credit index) had increased 1.5% year to date, driven by the following factors:
    - The PBoC announced that commercial banks could use their perpetual bonds as part of collateral pools for a planned central bank bills swap. Insurance companies will be allowed to invest in these perpetual bonds.
    - U.S.-China trade negotiations raised investors' expectations (on little evidence) that there would be no further escalation in trade tensions, at least for now.
    - Progress towards ending a longer-than-expected U.S. government shutdown had reduced one source of uncertainty over U.S. economic performance in Q1 this year.
- We continue to favor Asia credit, as we think that the region's credit fundamentals are superior to those for Latam credit.
- Besides, we think Asia credit could be supported during the course of 2019 by the following:
    - A further loosening in monetary policy in China this year amid slowing economic growth.
    - Likely milder USD strength with a cautious Fed and U.S. economic growth moderation.
    - A possible loosening of property sector restrictions by the Chinese government from Q2 this year which would, If it happens, benefit the China high yield (HY) property sector.

Fixed income

Asian credit has had a good start to the year and three factors are likely to continue to support it

— Focus of the Week

The JP Morgan Asia Credit Index, 2017-2019

Source: Bloomberg Finance L.P., Deutsche Bank AG. Data as of January 29, 2019.

Supply concerns push up oil prices

Commodities

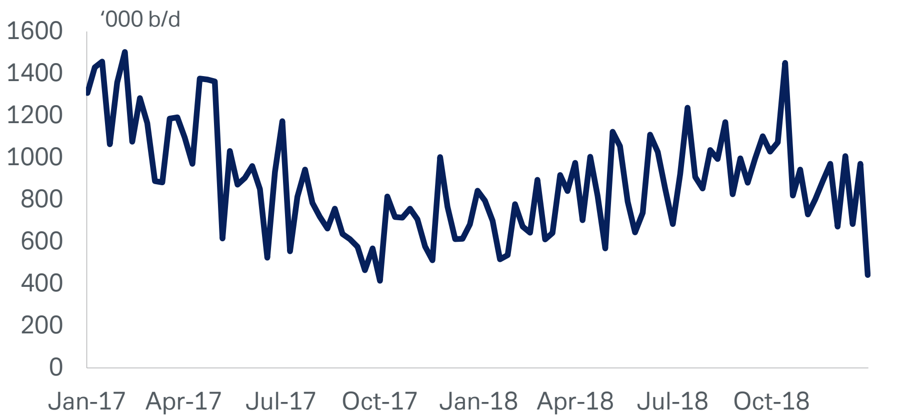
- Oil prices have risen this week, with supply concerns outweighing worries about softer global demand.
- The unveiling of U.S. sanctions against Venezuela pushed up oil prices at the start of the week, with WTI going above USD54/b, and a focus on measures against Venezuela's state-owned PDVSA.
- With Venezuela's output already at a seven-decade low, and the likelihood that oil originally intended for the U.S. will be rerouted to other markets, the impact of sanctions on world prices seems likely to be containable. At present, there also seems little risk of damage to Venezuela's oil production infrastructure.
- At a U.S. level, however, there are worries that refiners on the U.S. Gulf Coast will need to find alternative heavy oil supplies to replace Venezuelan inputs, with purchases from Canada already increasing.
- In addition, oil prices were driven higher by a U.S. Energy Information Administration (EIA) report that revealed a sharp fall in U.S. weekly imports from Saudi Arabia, which markets interpreted as suggesting that OPEC production cuts could be having a real impact.
- The Saudi Arabian oil minister, Khalid al-Falih, had said earlier in the week that his country was aiming to reduce oil production by another 100,000 b/d in February, taking output down to around 10.1mn b/d.
- Nonetheless, it is important to put all this in perspective. U.S. imports from Saudi Arabia fluctuate, as shown in the chart below. Crude oil remains in good supply and while the rise in U.S. crude inventories last week was smaller than expected (919,000b vs. 3.2mb), U.S. stockpiles are still over 6% higher than a year ago – and U.S. production remains at high levels. Future gains in the oil price are therefore likely to be limited. We continue to forecast a WTI oil price of USD60/b at end 2019.

Commodities

Oil prices have been driven higher by concerns around Venezuela and a fall in U.S. imports from Saudi Arabia

— Focus of the Week

U.S. oil imports from Saudi Arabia



Source: U.S. Energy Information Administration, Deutsche Bank AG. Data as of January 31, 2019.

CNY starts the year on a strong note

Currencies

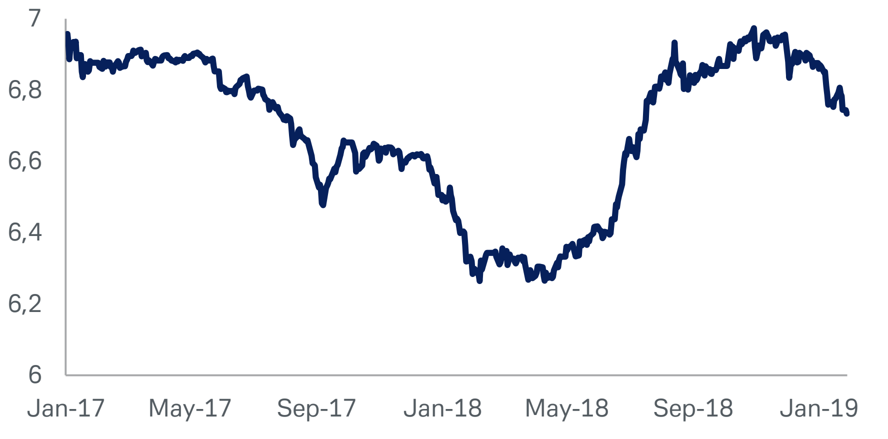
- Despite the slowing Chinese macroeconomic data, CNY has showed stronger-than-expected performance at the start of this year.
- As of January 29, CNY had appreciated 2.0% against USD year to date. The main drivers were as below:.
    - Market sentiment towards Chinese economy and equities markets improved in January, with the PBoC's reserve requirement ratio (RRR) cut and the likelihood of more stimulus measures.
    - With U.S.-China trade talks taking place, the market got more hopeful of a de-escalation of trade tensions – which would be positive to CNY.
    - The latest Fed FOMC meeting minutes suggested that the committee was getting more dovish, which led to a slight softness in the broad US dollar index - with CNY appreciation against the USD one result.
- Our forecast is for USD/CNY of 7.0 at end 2019.
- We think any sustained CNY depreciation beyond 7.0 is unlikely this year, due to:
    - The government's willingness to keep CNY stable by introducing counter-cyclical factors in CNY fixing.
    - The likely stabilization of the Chinese economy from Q2 this year, after implementation of stimulus measures
    - Relatively mild USD strength this year compared to 2018, with slower Fed rate hikes compared to last year.

Currencies

CNY has gained from better market sentiment towards the Chinese economy and equities, hopes around U.S./China trade talks, and expectations of a more dovish Fed

— Focus of the Week

USD/CNY over 2017-2019



Source: Thomson Reuters Datastream, Deutsche Bank AG. Data as of January 29, 2019.

Deutsche Bank Wealth Management forecasts

	December 2019
Equity indices	
USA (S&P 500)	2,850
Eurozone (Euro STOXX 50)	3,150
Germany (DAX)	11,800
UK (FTSE 100)	7,080
Japan (MSCI Japan)	990
Emerging Markets (MSCI Emerging Markets)	1,050
Asia ex Japan (MSCI in USD)	650
Key sovereign bond yields (10-year, %)	
USA	3.00
Germany	0.60
UK	1.75
Japan	0.20
Commodities	
Oil (WTI)	60
Gold in USD	1,275

Currencies	3 months	End-December 2019		3 months	End-December 2019
EUR/USD	1.15	1.15	USD/TRY	5.75	6.50
EUR/GBP	0.88	0.90	EUR/HUF	325	330
GBP/USD	1.31	1.28	EUR/PLN	4.35	4.40
USD/JPY	111	115	USD/RUB	70.00	75.00
EUR/CHF	1.15	1.15	USD/ZAR	14.00	16.50
USD/CAD	1.32	1.28	USD/CNY	7.00	7.00
AUD/USD	0.68	0.68	USD/INR	72	75
NZD/USD	0.66	0.62	USD/KRW	1,120	1,100
EUR/SEK	10.25	10.10	USD/IDR	14,200	15,500
EUR/NOK	9.60	9.40	USD/MXN	20.00	21.00
EUR/TRY	6.61	7.47	USD/BRL	3.85	4.25

Forecasts are from Deutsche Bank Wealth Management, as of January 31, 2019 and are subject to change without notice.

Facts and Figures

	Current	1-Wk Return	1-M Return	YTD Return	Jan 30 2018 – Jan 30 2019	Jan 30 2017 – Jan 30 2018	Jan 30 2016 – Jan 30 2017	Jan 30 2015 – Jan 30 2016	Jan 30 2014 – Jan 30 2015
Rates									
2-Year German Bund	-0.56%	-0.04%	-0.13%	-0.10%	-0.33%	-0.91%	-0.26%	0.25%	0.57%
5-Year German Bund	-0.36%	0.00%	0.22%	0.23%	2.32%	-1.04%	0.46%	1.44%	4.57%
10-Year German Bund	0.13%	0.37%	1.02%	1.11%	6.37%	-0.59%	0.14%	1.17%	16.12%
10-Year U.S. Treasury	2.70%	0.57%	0.63%	0.37%	2.86%	-0.21%	-2.53%	-0.67%	13.09%
10-Year UK Gilt	1.25%	0.66%	0.29%	0.24%	4.49%	2.12%	3.75%	0.82%	16.54%
2-Year BTP	0.30%	0.07%	0.37%	0.41%	0.26%	0.72%	-0.08%	0.92%	2.22%
5-Year BTP	1.54%	0.37%	1.38%	1.47%	-0.32%	3.89%	-0.94%	3.99%	10.02%
10-Year BTP	2.61%	1.36%	1.52%	1.62%	-0.12%	6.58%	-5.48%	4.36%	24.01%
Barclays Euro Corporate	1.21%	0.37%	0.78%	0.76%	-0.24%	2.74%	3.49%	-0.89%	8.11%
Barclays Euro High Yield	4.21%	0.35%	1.75%	1.72%	-2.12%	6.14%	10.94%	-1.64%	6.74%
JP Morgan EMBIG Div.	6.44%	-0.36%	3.36%	3.38%	7.51%	-6.48%	13.18%	4.35%	30.90%
Equities									
USA (S&P 500)	2,681.1	1.6%	7.9%	7.0%	-5.0%	23.7%	17.6%	-2.7%	11.2%
Euroland (Euro Stoxx 50)	3,161.7	1.6%	5.9%	5.3%	-12.3%	10.5%	7.1%	-9.1%	10.7%
Germany (DAX)	11,181.7	1.0%	5.9%	5.9%	-15.3%	13.0%	19.2%	-8.4%	14.1%
UK (FTSE 100)	6,941.6	1.4%	3.1%	3.2%	-8.5%	6.6%	17.0%	-9.9%	3.2%
Italy (FTSE MIB)	19,771.6	1.9%	7.9%	7.9%	-15.8%	25.2%	0.6%	-9.0%	5.6%
France (CAC 40)	4,974.8	2.8%	6.3%	5.2%	-9.1%	14.4%	8.3%	-4.1%	10.2%
Japan (MSCI Japan)	930.5	0.3%	4.2%	4.2%	-15.5%	18.6%	7.2%	-0.4%	15.3%
Asia ex Japan (MSCI, USD)	633.8	2.6%	6.7%	6.2%	-17.0%	39.2%	18.8%	-20.1%	10.4%
Emerging Markets (MSCI, USD)	1,036.6	2.5%	7.7%	7.3%	-16.9%	36.6%	23.0%	-22.8%	2.7%
Commodities & Alternatives									
WTI (USD)	54.23	3.1%	19.6%	19.4%	-15.9%	22.6%	56.2%	-29.3%	-51.4%
Gold (USD)	1,311.7	2.3%	2.7%	2.4%	-2.1%	12.1%	7.1%	-12.3%	2.6%
EUR/USD	1.1426	0.4%	-0.1%	-0.1%	-7.9%	16.1%	-1.2%	-4.1%	-16.8%
EUR/GBP	0.8742	0.3%	-3.0%	-2.6%	-0.6%	2.9%	12.0%	1.5%	-8.6%
EUR/JPY	125.22	0.4%	-0.8%	-0.2%	-7.3%	11.0%	-7.1%	-1.2%	-4.9%
VIX Index	17.66	-1.86	-10.68	-7.76	2.87	2.91	-8.32	-0.77	3.68
VDAX Index	17.52	-0.65	-5.87	-5.87	1.67	-0.86	-10.80	3.48	4.60

Current data as of January 30, 2019. Data source: FactSet, negative numbers are in orange

Facts and Figures

	Current	1 Wk Change	1M Change	YTD Change	Jan 30 2018 – Jan 30 2019	Jan 30 2017 – Jan 30 2018	Jan 30 2016 – Jan 30 2017	Jan 30 2015 – Jan 30 2016	Jan 30 2014 – Jan 30 2015
Rates Valuations									
Eco Refi Rate	0.00%	0	0	0	0	0	-5	0	-20
Bund Yld Curve (10YR-2YR)	69	-6	-15	-14	-50	13	33	29	-108
Spread Gov. FRA—GER (10YR)	47	0	0	1	26	-46	29	11	-40
Spread Gov. ITA-GER (10YR)	248	-11	-5	-5	111	-57	77	-19	-87
Spread Gove. SPA-GER (10YR)	114	-2	-5	-4	36	-47	1	6	-92
Investment Grade Spread (10YR)	108	-2	2	3	89	-43	-47	45	35
High Yield Spread (10YR)	408	-3	-24	-23	195	-25	-186	133	66
J.P. Morgan EMBIG Div. Spread	631	5	-30	-31	157	-56	-95	92	91
Equity Valuations									
USA (S&P 500)	16.8	0.3	1.2	1.1	-4.6	2.1	2.7	-0.6	0.8
Euroland (Euro Stoxx 50)	13.3	0.2	0.7	0.6	-2.2	0.0	2.1	-2.1	1.6
Germany (DAX)	13.2	0.1	1.0	1.0	-1.5	-0.2	2.6	-2.5	0.8
UK (FTSE 100)	12.4	0.3	0.5	0.5	-3.1	-1.6	1.7	1.0	0.2
Italy (FTSE MIB)	11.7	0.2	0.8	0.8	-5.1	-4.3	5.4	-2.8	1.3
France (CAC 40)	13.1	0.4	0.8	0.7	-2.7	0.7	0.8	-1.1	1.1
Japan (MSCI Japan)	12.1	0.2	0.7	0.7	-4.3	0.0	1.9	-1.1	-0.2
Asia ex Japan (MSCI, USD)	12.9	0.4	0.9	0.9	-2.5	0.9	2.7	-1.3	0.9
Emerging Markets (MSCI, USD)	12.4	0.4	0.9	0.8	-2.5	1.0	2.1	-0.5	1.2

	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)	62.14	2,598.8	2,699.0	2,740.4	6.6%	-3.7%	2.2%
Euroland (Euro Stoxx 50)	62.92	3,079.1	3,172.6	3,316.3	8.9%	-3.4%	4.2%
Germany (DAX)	59.70	10,924.0	11,332.5	11,968.2	10.1%	-4.1%	3.6%
UK (FTSE 100)	56.58	6,842.1	7,010.7	7,315.6	4.0%	-3.8%	5.0%
Italy (FTSE MIB)	63.35	18,985.5	19,395.4	20,689.2	9.5%	-2.2%	4.7%
France (CAC 40)	64.40	4,822.2	5,011.8	5,225.2	7.5%	-3.5%	3.9%
Japan (MSCI Japan)	52.74	932.7	974.7	1,004.2	2.6%	-3.4%	2.7%
Asia ex Japan (MSCI, USD)	68.33	606.6	610.1	647.2	6.4%	-7.9%	2.9%
Emerging Markets (MSCI, USD)	70.59	986.0	989.8	1,040.3	7.3%	-4.3%	3.2%

Current data as of January 30, 2019. Data source: FactSet, negative numbers are in orange.

CIO Office, Deutsche Bank Wealth Management, Deutsche Bank AG - Email: WM.CIO-Office@db.com

Key forthcoming data releases and other events

	U.S.	Europe	Asia
Monday February 4	Factory Orders (December), Durables Goods (December)	Eurozone: PPI (Dec) UK: Markit Construction PMI (January) Italy: CPI (Jan)	Japan: Monetary Base (January) Australia: Melbourne Institute Inflation (January), Building Approvals (December)
Tuesday February 5	Trade Balance (December), Markit PMI Services & Composite (December), ISM Non-Manufacturing (December)	Eurozone, Germany, UK, France, Italy, Spain: Markit PMI Services & Composite (January) Eurozone: Retail Sales (December)	Japan: Nikkei PMI Composite & Services (January) Australia: RBA Rate Decision (February), Trade Balance (December), Retail Sales (December) New Zealand: ANZ Commodity Price (January)
Wednesday February 6	MBA Mortgage Applications (February 1)	Germany: Factory Orders (December)	New Zealand: Unemployment Rate (Q4), Employment Change (Q4)
Thursday February 7	Initial Jobless Claims (February 2), Bloomberg Consumer Comfort (February 3)	Germany: Industrial Production (December) UK: BOE Rate Decision (February) Italy: Retail Sales (December) Switzerland: Foreign Currency Reserves (January)	China & South Korea: Foreign Reserves (January)
Friday February 8	Wholesale Inventories (December)	Germany: Trade Balance (December) France: Industrial Production (December), Manufacturing Production (December) Italy: Industrial Production (December) Switzerland: Unemployment Rate (January)	Japan: BoP Current Account Balance (December), Trade Balance (December)

Glossary

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.

Chinese A-shares are shares of mainland companies, with limited accessibility to foreign investors.

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.

The CSI 300 Index consists of 300 A-shares traded on the Shanghai and Shenzhen stock markets.

The Energy Information Administration (EIA) is part of the U.S. Department of Energy and an agency of the U.S. Federal Statistical System.

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

The Fed funds rate is the interest rate at which depository institutions lend overnight to other depository institutions.

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

Futures are financial contracts regarding the buying or selling of an asset at a future time and price.

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

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.

HKD is the currency code for the Hong Kong dollar.

The JP Morgan Asia Credit Index (JACI) measures the total return of the Asian dollar-denominated bond market.

KOF is a Swiss economics research institute.

The Organization of the Petroleum Exporting Countries (OPEC) is an international organization with the mandate to "coordinate and unify the petroleum policies" of its 12 members. The so-called "OPEC+" brings in Russia and other producers.

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.

Producer price inflation (PPI) measures the change in prices received by producers (e.g. firms) for their output.

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).

A recession is usually defined as two consecutive quarters of GDP contraction.

Reserve requirement ratios (RRR) determine the proportion of banks' deposit liabilities that must be held as reserves.

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

West Texas Intermediate (WTI) is a grade of crude oil used as a benchmark in oil pricing.

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