CIO Insights

Weekly Bulletin
December 7, 2018

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Global CIO

Seeking reassurance

Markets are seeking reassurance on a range of geopolitical issues. But these issues may be too complex to succumb to easy solutions. Expect further volatility ahead as trade tariffs, Brexit, Italian and other worries continue to cast a shadow.

1 Market scepticism about **U.S./China trade negotiations** will prompt market volatility, until there are signs of consensus.

2 Political machinations around **Brexit** have hit both GBP and the FTSE 100: various outcomes are possible, but fears will persist.

3 Evidence of supply controls could help push **oil prices** higher over the longer term, but demand concerns have been a dampener.

1 Global markets rallied at the start of this week following apparently successful talks between Presidents Trump and Xi at the G20 summit on Saturday. But reassurance quickly turned to scepticism as investors picked over the sparse (and conflicting) details of what had be agreed to, and considered what was realistically possible. U.S. markets came down with a bump on Tuesday (see page 2) but problem lies more heavily on European stocks (page 6) and in particular German companies (page 4). We doubt that it will be possible to reach comprehensive agreement within the stipulated 90 days on the multiple issues supposedly touched on by the deal, but the markets will probably find some reassurance in any evidence of broad consensus in the most important areas. But while we wait for this to emerge, expect more market volatility.

2 Meanwhile, the markets remain bemused by the Brexit process, with Mrs. May now experiencing very heavy weather as she attempts to pilot the proposed withdrawal agreement (WA) through the House of Commons. The political situation remains extremely fluid and while a smooth or soft Brexit remains technically possible, other options (e.g. a second referendum, early elections) are also increasingly discussed. GBP, as ever, is the conduit for market uncertainty, trending down from GBP/USD of 1.31 in early November to a rate of 1.28 now. What is interesting is that the FTSE 100 has also declined sharply in recent days: previously, a weaker GBP had tended to support its export-oriented constituent companies. Markets are unlikely to find much comfort here in coming weeks as any moves to a possibly more market-friendly outcome may well be accompanied by increasing risks of a "hard Brexit" outcome if the political decision process threatens to break down.

3 Market uncertainties have been reflected in further downward pressure on German Bund yields (page 4). Gold prices have also moved higher in recent days, although rising yields may limit any further upside. Global growth worries have hit oil prices in recent months, but they have stabilized this week, on hopes that the meeting between OPEC and its allies will control the supply situation (page 8). We still believe that oil prices are likely to increase on a 12-month horizon, but markets may need more evidence to be reassured this is indeed the most likely outcome.

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Fatter tails and flatter curves

U.S.

Deepak Puri
Interim CIO Americas and Head of WD Americas

Trade truce is questioned

At the G20, U.S. President Donald Trump and Chinese President Xi Jinping agreed to temporarily set aside any further escalations in the trade front. The U.S. agreed to postpone raising tariffs on Chinese goods for 90 days (setting the new deadline to March 1, 2019). Tariffs on USD200bn of Chinese goods had been set to rise from 10% to 25% on January 1. China has also agreed to buy more agricultural, industrial, and energy products from the U.S.

While the two sides have agreed to proceed with constructive talks on the remaining trade issues, several discrepancies still remain in the two statements that were released. Initially, the sign of a potential breakthrough in trade progress sent stocks rallying on Monday, but the rally was short-lived as markets began to dissect the conditions set on both sides. The following day, U.S. stocks slid over 3% for all three of the major indices as investors began to doubt the legitimacy of the trade truce. This ignited worries that U.S. economic growth could moderate in the future. It was a broad sell-off with only the utilities sector finishing the day positive. Meanwhile bonds, as measured by the Bloomberg Barclays US Aggregate index, are down over 100 bps. It is easy to forget that safe haven assets, such as bonds, are also exposed to market risks and in the world of investing, nothing is ever guaranteed.

Term premiums evaporate

Bond traders have been bidding up bond prices in a manner that expresses late cycle views of lower inflation and growth. The recent moves stem from last week's statements form Federal Reserve Chairman Jerome Powell which sounded increasingly dovish on Federal Reserve policy going forward. The lack of clarity on trade negotiations with China, discussed above, creates further uncertainty for the global economy. This is a recipe which typically causes bonds to rally. For the first time since 2007, the spread between 3-year to 5-year Treasuries turned negative, while the spread of the infamous 2/10 year duo fell to just above 9 bps - another cyclical low. While a flattening or inverted yield curve doesn't directly or immediately cause trouble for equity and bond markets, investors should be prepared for heightened volatility and review their asset allocation for 2019.

Payrolls fall short

U.S. employers added 155,000 jobs in November, short of the 200,000 economists were estimating, but still a very respectable pace for an economy at or near full employment. The U.S. economy has added 170,000 jobs on average over the past three months which is above the threshold of 100,000 jobs needed to keep up with the growth in the working-age population.

Eurozone growth, Brexit, Turkish inflation

EMEA
Stéphane Junod
CIO EMEA and Head of WD EMEA

Further signs of Eurozone growth moderation

The Eurozone composite PMI for November came in at 52.7, above the flash estimate of 52.4, but the result was still the third month-on-month in a row and took the index to a new two-year low. This is a further indication that weak Q3 2018 GDP growth momentum might have well carried into Q4. A composite PMI of 52.7 has in the past been equivalent with a quarterly GDP expansion of around 0.2%. Particularly, the momentum in Italy has become worrisome. The Italian composite PMI survey has remained at 49.3, which theoretically points to a second successive quarter of negative GDP growth which by definition would mean a technical recession. It has to been seen how much responses to the PMI surveys have been influenced by the ongoing Italian budget discussion and how fast an agreement on that front would translate to a rebound in optimism. The bigger picture remain that the Eurozone as a whole has lost some growth momentum. We forecast a growth slowdown from 1.9% in 2018 to 1.6% in 2019. The main pillar of this still above-potential growth forecast is consumer spending. Lower unemployment rates and a pick-up in wage growth are likely to support this. This is also in line with Eurozone retail sales date published this week (0.3% MoM in October) that paints a more encouraging picture.

UK still not out of the woods

In the UK the services PMI came in surprisingly low at 50.4 (vs. 52.5 expected), resulting in the composite PMI falling to 50.7. This is the lowest level since July 2016 immediately following the Brexit vote and is consistent with GDP growth of around +0.1% QoQ. However, such data releases are currently all overshadowed by the Brexit debate, where the next act is approaching with the vote on the UK-EU withdrawal agreement (WA) in the UK parliament scheduled for December 11. The political dynamics appear to have shifted significantly in recent days as discuss on page 1. New elections or a second referendum are still outliers but currently seem more likely than they did only a few days ago. A smooth and soft Brexit is still achievable but the various possible versions of this still have to be seen and could also depend on further negotiations, perhaps after the transition period starting after March 2019.

Turkey's inflation pressure eases further

Turkish inflation fell in November from a 15-year high of 25.2% YoY to a still high 21.6% YoY. The decline was mainly caused by currency effects as the Turkish Lira (TRY) has rebounded by around 35% versus the USD from its August lows. Less inflation pressure and weak economic activity makes it more likely that the Turkish central bank could switch from tightening to easing mode. However, inflation expectations are still far from anchored and premature rate cuts could lead to a return of the vicious cycle of increasing inflation rates driven by a falling TRY.

Drifting signals

GERMANY
Gerit Heinz
Chief Strategist, Germany

Better incoming data

After the slowdown of economic activity in Q3 (-0.2% QoQ) timid signs of a recovery in the current quarter are emerging. Factory orders in October surprised to the upside, being up 0.3% MoM, significantly better than consensus expectations of a fall of -0.4%. Although September number was revised down it still showed a moderate uptick compared to the previous month (revised +0.1% MoM from +0.3% previously). Purchasing Manager Indices (PMI) continue to remain in expansionary territory. Next week's export and import data will give an indication how the global trade tensions are affecting the German industry. Overall the weakness in Q3 seems to be a temporary one, heavily impacted by the problems in the German car sector. According to the Ministry of Economics the impact of the new emission test procedure is still noticeable in the sector, but progress has been made and vehicle orders have revived. Q4 is therefore likely to show a recovery.

Bund yields testing 2018 lows

The bond market seems to tell a different story as 10 year bund yields are testing their 2018 lows seen in May this week trading at 0.25%. The strong demand for the safe haven asset can be seen as a sign of increasing concerns of investors regarding the global economic outlook. Yields of Austrian and French 10-year bonds moved in tandem. Now Bund yields which have shown a strong increase at the beginning of the year are below the year end level 2017, a contrast to the increase of around 50 bp seen in 10-year U.S. Treasury yields since the beginning of the year. While we do not expect the Bund yield to close the gap to U.S. Treasury yields, we expect them to rise to 0.8% at the end of next year. The current noise around Brexit, Italian budget and trade tensions and the subsequent safe haven flows may need to settle down for this increase to materialize.

Difficult terrain for the DAX

The DAX has not managed to find bottom yet, making it the worst performer among the major stock markets year to date. The relief after the G20 summit and hopes for an easing of global trade tensions proved to be short-lived. Tangible results from the U.S./China trade negotiations are particularly important to achieve a stabilization of the cyclical German stock market, given firms' overall export dependence. The recent meeting of German carmakers with U.S President Trump did not provide a clear picture of future developments from here. Hence volatility is likely to remain high for the time being.

South Korea raises rates

ASIA

Tuan Huynh
CIO Asia and Head of WD Asia

In its monetary policy meeting on November 30, the Bank of Korea (BoK) raised the policy interest rate by 25 bps to 1.75%. The was in line with the consensus forecast. Central banks in Indonesia and the Philippines had previously raised policy rates along in the face of a stronger USD and expected further Fed rate hikes.

The main reasons for the South Korean rate hikes were both domestic and external. Domestically, Korea's household debt has been on the rise in recent months. The higher levels of household debt could lead to significant financial risks in future, when the interest repayment burden could get heavier with higher interest rates. Therefore, the Bank of Korea in part may have raised the policy rate in order to curb the growth of household sector debt. On the external front, as the Fed has continued to raise rates and USD strength has continued, South Korea has been subject to capital outflows and currency weakness. Despite the rate hike, the monetary environment in South Korea remains accommodative and the new policy rate of 1.75% is still below the 2% rate prevailing during the start of the global financial crisis in 2008/09.

Having said that, we think the BoK may now keep the policy rate on hold for some time before the next move. The next rate hike may only happen until H2 2019 depending on financial market developments. We think that the BOK is unlikely to raise rates in the next few months for the following reasons:

First, South Korea's domestic demand is weak particularly regarding fixed investment. Fixed investment in facilities and construction fixed investment have both showed visible declines in recent months, due to weak business sentiment, partly caused by trade tariff concerns.

Second, inflation has stayed low. South Korea's headline inflation is at 2% with lower oil and food price inflation. Weak domestic demand also reduces one source of inflationary pressure.

Third, two of the seven BoK Monetary Policy Committee (MPC) members voted against a rate hike last week. This suggest that a few of the BoK MPC members still prefer a dovish monetary policy stance, likely putting a brake on rate rises in next few months.

Looking ahead, we think Korea's economy could see more downside risks in 2019 with the likely weaker export growth in face of growth moderation in all China, Eurozone and the U.S. Korea's domestic demand expansion could be modest in 2019 without clear drivers of household income growth and the labor market. We also expect Korea's GDP growth to moderate from 2.8% in 2018 to 2.6% in 2019.

Eurozone stocks still under several clouds

Equities

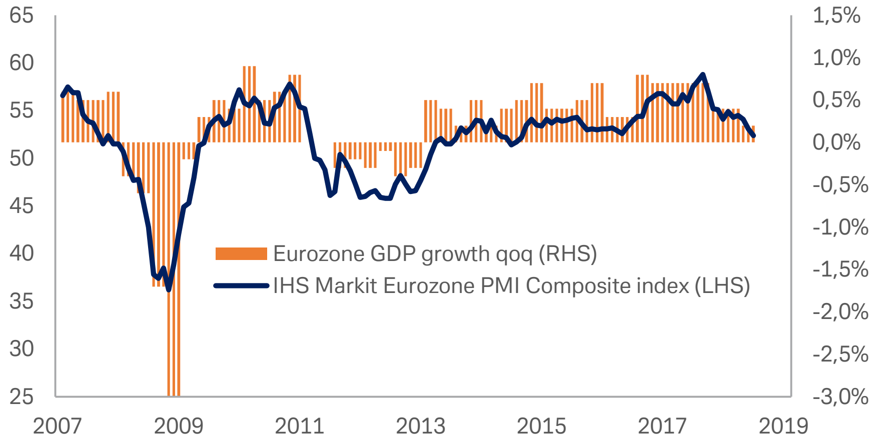
- Having shown an unfavorable performance on a YTD (-9.0%) and QTD (-7.5%) basis, the Stoxx Europe 600 tracked a global relief rally on Monday, after Washington and Beijing agreed a temporary truce on trade issues at the G20 summit in Argentina. Intraday the index climbed 2.1% and it closed 1.0% higher.
- Since then, investor sentiment has turned negative, as details around the trade deal have proved elusive. It will also be very difficult for the U.S. and China to reach a comprehensive agreement on all issues within a 90-day period. The focus in Europe is likely to stay on developments here, given the region's reliance on exports.
- Eurozone economic momentum has slowed markedly as of late, evidenced by falling PMIs over recent months. The IHS Markit Eurozone PMI Composite index dropped from 53.1 in October to 52.4 in November, hitting a four year low. The main drivers for the decline were slowing order book growth and falling exports, which were accompanied by deteriorating sentiment about the outlook, as well as rising costs and prices.
- Overall, we believe that Eurozone economic indicators are unlikely to be weak enough in coming weeks to change ECB's plans to end QE in December. However, even after the end of QE, the reinvestment of principal payments from maturing securities and no change in deposit rates (unlikely to be raised until H2 2019) will keep ECB monetary policy accommodative in the next 12 months.
- Consensus estimates still indicate high single digit annual earnings growth over 2018-2021 for the Stoxx Europe 600. And considering its QTD fall, valuations may look increasingly look attractive. However, we believe political and macro uncertainties will persist being the major performance constrain until year end.

Equity

U.S./China trade negotiations will continue to overshadow Eurozone stocks, as will regional economic momentum fears

— Focus of the Week

Eurozone IHS Markit PMI Composite vs. GDP growth



Source: Bloomberg Finance LP, Deutsche Bank AG. Data as of December 5, 2018.

European spreads pain may be overdone

Fixed Income

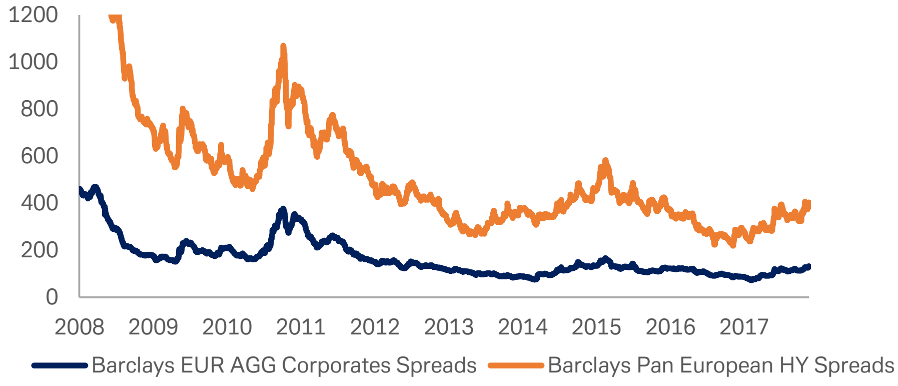
- The last month have been painful for European investment grade and high yield bonds. Carry cushions (i.e. the buffer against falling asset values provided by yields and other sources of return) have become extremely low after the massive decline in European rates and frequently lowered coupons over the last few years.
- The negative year-to-date performance of such bonds highlights the fact that carry cushions have been too low to offset a reversal in risk sentiment.
- Credit spreads have widened due to idiosyncratic problems around some corporates, increased political uncertainties around Brexit and Italy, anticipation of the impact of the end of the ECB's (net) asset purchases program and fears about growth.
- Going forward, however, the spread widening looks excessive.
- European investment grade bonds seem for example to have already fully priced out the premium of the ECB's asset purchases.
- Hence, we don't expect any additional negative surprises from the ECB when the end of the corporate sector purchase program (CSPP) is formally announced later this month.
- On the contrary, the recent IG spreads level seems to offer some opportunities over the next 12 months. EUR IG credit has become more constructive from total yield and credit spread levels. We expect EUR IG spreads to narrow to 130bps on a 12-month horizon.
- We also keep our constructive view on EUR HY, but expect to see a higher level of volatility as the default rate could increase due to the economic slowdown. Our 12 month spread target for EUR HY is 400bps.

Fixed Income

Recent EUR spread widening looks excessive, and could offer some opportunities over a 12-month horizon

— Focus of the Week

EUR IG and HY spreads edge up again



Source: Bloomberg Finance L.P., Deutsche Bank AG. Data as of December 4, 2018.

Oil prices could have further upside

Commodities

- Crude oil prices rose more than 6% from last week's lows ahead of Thursday's meeting of OPEC and its allies before giving up some of the gains.
- The rally was supported by the G20 outcome, where the U.S. and China agreed to a 90-day ceasefire in the trade dispute, ameliorating fears around global GDP growth and thus oil demand.
- Furthermore, hopes had been building that the OPEC and its allies would agree on production cuts after crude oil exports had surged massively after the last few months, leading to a massive sell-off.
- At the time of writing on Friday, OPEC seems close to agreeing a cut of 0.8mbd, with its allies also reducing output by 0.4mbd. If confirmed, the total cut in output (1.2mbd) would be close to the level (1.4mbd) estimated as necessary to balance supply and demand, and oil prices initially rallied on the news.
- We forecast some further upside for oil markets over the next 12 months, with an end-2019 forecast of USD65/b.
- Solid global demand (given only a limited risk of recession over the next 12 months), the extension of the OPEC production cap, the above mentioned OPEC production cut, and pipeline constraints in the U.S. and Canada should push oil prices higher from current levels.
- The gold price has reached a 5-week high despite the trade ceasefire between the U.S. and China. The precious metal benefited from last week's dovish Fed comments and falling Treasury yields.
- We continue to see some value in gold as geopolitical issues and building inflation pressures support the asset class, but rising yields are likely to limit the upside. Our 12 month forecast is USD1275/oz.

Commodities

Supply constraints (voluntary and involuntary) and solid global demand should lift prices to USD65/b (WTI) at end-2019

— Focus of the Week

Oil prices (WTI Spot Cushing) over the last five years

Source: Thomson Reuters Datastream, Deutsche Bank AG. Data as of December 4, 2018.

EUR rally this week proves short-lived

Currencies

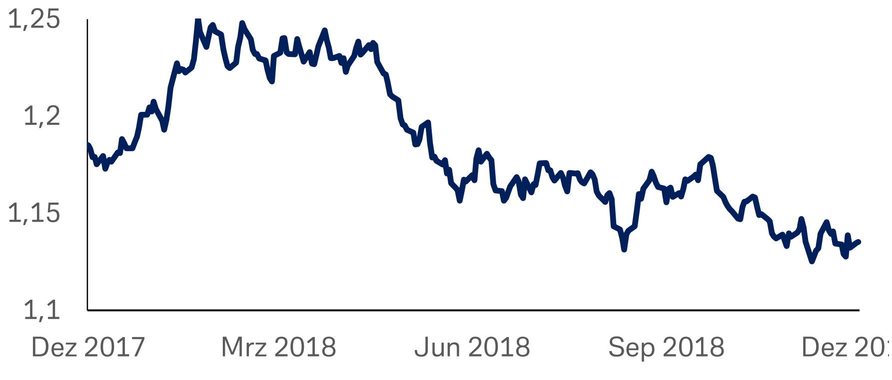
- The EUR/USD exchange has remained in its recent tight trading range throughout the week despite a short rally on Monday after the apparently positive outcome to U.S. – China discussions at the G20 summit.
- Additionally, comments by Fed Chairman Jerome Powell last week were interpreted as rather dovish and had also weighed on the USD.
- Progress on resolving the U.S./China trade dispute would tend to be positive for the EUR as it would make safe haven flows to the USD less appealing.
- A more dovish U.S. Fed might reduce the pace of future U.S. rate hikes. However, the widening of the interest rate differential between the U.S. and Eurozone might well not come to an end before the second half of 2019, once the ECB starts to hike rates as well.
- In fact, the EUR rally early in the week was short-lived as later in the week, strong U.S. ISM manufacturing numbers signaled that the U.S. economy was likely continue to outgrow the Eurozone by quite some margin.
- We also expect Eurozone growth to remain below that of the U.S. in 2019, but the GDP growth differential is unlikely to widen further.
- Political uncertainty, on the other hand, might continue to weigh the EUR/USD exchange rate, although the rich USD valuation suggest that this is to a large extend already priced in.
- Hence, the EUR/USD is likely to continue to trade in its current range. A breakthrough seems unlikely without any major change in the fundamental picture and/or political risk perceptions. We keep our 12 month target for the EUR/USD exchange rate at 1.15.

Currencies

EUR/USD is likely to continue to trade in its current range, without any major change in the fundamental picture or around political risk perceptions

— Focus of the Week

EUR/USD in 2018



Source: Thomson Reuters Datastream, Deutsche Bank AG. Data as of December 4, 2018.

Deutsche Bank Wealth Management forecasts

	December 2019
Equity indices	
USA (S&P 500)	2,950
Eurozone (Euro STOXX 50)	3,280
Germany (DAX)	12,200
UK (FTSE 100)	7,250
Japan (MSCI Japan)	1,040
Emerging Markets (MSCI Emerging Markets)	1,050
Asia ex Japan (MSCI in USD)	650
Key sovereign bond yields (10-year, %)	
USA	3.25
Germany	0.80
UK	1.75
Japan	0.20
Commodities	
Oil (WTI)	65
Gold in USD	1,275

Currencies	3 months	End-September 2019		3 months	End-September 2019
EUR/USD	1.13	1.15	EUR/HUF	325	330
EUR/GBP	0.88	0.90	EUR/PLN	4.35	4.40
USD/JPY	111	115	USD/RUB	70.0	75.0
EUR/CHF	1.13	1.15	USD/ZAR	15.50	16.50
USD/CAD	1.28	1.25	USD/CNY	6.90	7.00
AUD/USD	0.71	0.70	USD/INR	74.0	74.0
NZD/USD	0.64	0.64	USD/KRW	1,130	1,100
EUR/SEK	10.35	10.10	USD/IDR	15,500	15,500
EUR/NOK	9.50	9.35	USD/MXN	19.75	21.00
EUR/TRY	6.78	8.28	USD/BRL	3.85	4.50

Forecasts are from Deutsche Bank AG, as of November 28, 2018 and are subject to change without notice.

Facts and Figures

	Current	1-Wk Return	1-M Return	YTD Return	Dec 5 2017 – Dec 5 2018	Dec 5 2016 – Dec 5 2017	Dec 5 2015 – Dec 5 2016	Dec 5 2014 – Dec 5 2015	Dec 5 2013 – Dec 5 2014
Rates									
2-Year German Bund	-0.61%	0.03%	0.01%	-0.36%	-0.61%	-0.61%	0.16%	0.28%	0.46%
5-Year German Bund	-0.29%	0.26%	0.57%	1.10%	0.48%	0.40%	1.97%	1.15%	4.59%
10-Year German Bund	0.27%	0.73%	1.47%	2.98%	2.06%	1.83%	4.51%	2.00%	13.42%
10-Year U.S. Treasury	2.92%	1.16%	2.35%	-2.70%	-3.08%	2.15%	1.44%	2.30%	8.19%
10-Year UK Gilt	1.32%	0.58%	1.79%	1.44%	2.19%	3.59%	7.37%	3.30%	12.01%
2-Year BTP	0.59%	0.61%	1.10%	-0.23%	-0.62%	1.23%	-0.08%	1.01%	2.78%
5-Year BTP	2.08%	1.51%	1.98%	-2.85%	-4.05%	4.93%	0.36%	3.59%	11.73%
10-Year BTP	3.06%	1.76%	2.56%	-4.46%	-6.67%	6.66%	-0.97%	5.22%	24.90%
Barclays Euro Corporate	1.33%	-0.07%	-0.71%	-1.55%	-2.10%	3.97%	3.73%	0.13%	7.80%
Barclays Euro High Yield	4.57%	-0.27%	-2.50%	-3.42%	-3.50%	8.53%	5.11%	2.10%	7.27%
JP Morgan EMBIG Div.	6.90%	0.71%	0.26%	0.60%	-0.39%	0.96%	9.35%	13.39%	22.59%
Equities									
USA (S&P 500)	2,700.1	-1.6%	-1.4%	1.0%	2.7%	19.3%	5.4%	0.8%	16.3%
Euroland (Euro Stoxx 50)	3,150.3	-0.6%	-2.1%	-10.1%	-11.8%	17.0%	-8.3%	1.6%	11.0%
Germany (DAX)	11,200.2	-0.9%	-2.6%	-13.3%	-14.2%	22.1%	-0.6%	6.6%	11.0%
UK (FTSE 100)	6,921.8	-1.2%	-2.6%	-10.0%	-5.5%	8.6%	8.2%	-7.5%	3.8%
Italy (FTSE MIB)	19,328.7	1.1%	0.3%	-11.6%	-13.8%	31.5%	-22.6%	9.6%	11.6%
France (CAC 40)	4,944.4	-0.8%	-3.1%	-6.9%	-8.0%	17.5%	-3.0%	6.7%	7.8%
Japan (MSCI Japan)	977.5	-0.8%	0.0%	-8.9%	-7.7%	19.9%	-7.4%	6.8%	17.6%
Asia ex Japan (MSCI, USD)	619.5	1.1%	2.7%	-13.2%	-10.5%	32.9%	3.0%	-11.7%	3.6%
Latin America (MSCI, USD)	2,598.4	0.6%	-6.4%	-8.1%	-5.3%	21.6%	15.5%	-31.7%	-10.1%
Commodities & Alternatives									
WTI (USD)	52.89	5.2%	-16.2%	-12.5%	-8.2%	11.3%	29.2%	-39.0%	-32.7%
Gold (USD)	1,237.8	2.0%	0.6%	-5.0%	-2.1%	8.6%	7.3%	-9.2%	-2.7%
EUR/USD	1.1341	0.6%	-0.5%	-5.6%	-4.1%	10.3%	-1.5%	-11.5%	-10.0%
EUR/GBP	0.8905	0.7%	1.7%	0.3%	1.3%	4.2%	17.1%	-8.6%	-5.7%
EUR/JPY	128.31	-0.2%	-0.6%	-5.1%	-3.9%	8.8%	-8.5%	-10.2%	7.1%
VIX Index	20.74	2.25	0.78	9.70	9.41	-0.81	-2.67	2.99	-3.26
VDAX Index	20.14	0.71	0.52	5.99	6.12	-3.84	-4.63	6.54	0.01

Current data as of December 5, 2018. Data source: FactSet, negative numbers are in orange

Facts and Figures

	Current	1 Wk Change	1M Change	YTD Change	Dec 5 2017 – Dec 5 2018	Dec 5 2016 – Dec 5 2017	Dec 5 2015 – Dec 5 2016	Dec 5 2014 – Dec 5 2015	Dec 5 2013 – Dec 5 2014
Rates Valuations									
Eco Refi Rate	0.00%	0	0	0	0	0	-5	0	-20
Bund Yld Curve (10YR-2YR)	88	-8	-15	-20	-21	4	8	18	-88
Spread Gov. FRA—GER (10YR)	40	1	3	16	21	-29	15	8	-34
Spread Gov. Ita-GER (10YR)	279	-13	-12	126	145	-34	71	-20	-121
Spread Gove. SPA-GER (10YR)	119	-1	3	5	10	-12	16	2	-137
Investment Grade Spread (10YR)	106	11	34	73	74	-37	-4	37	15
High Yield Spread (10YR)	430	21	82	193	190	1	-7	57	23
J.P. Morgan EMBIG Div. Spread	663	-10	28	178	168	-67	11	89	50
Equity Valuations									
USA (S&P 500)	17.1	-0.3	-0.3	-3.5	-3.4	1.7	0.9	0.1	1.4
Euroland (Euro Stoxx 50)	13.2	-0.1	0.0	-1.9	-2.3	0.8	0.1	-0.3	1.3
Germany (DAX)	12.7	-0.1	-0.1	-1.8	-2.0	1.0	0.2	-0.6	0.5
UK (FTSE 100)	12.2	-0.2	-0.3	-3.3	-2.8	-1.5	0.8	1.6	0.3
Italy (FTSE MIB)	11.6	0.1	0.0	-4.4	-5.0	-0.2	-2.0	1.9	1.0
France (CAC 40)	13.0	-0.1	-0.4	-2.3	-2.6	1.1	-0.5	0.1	1.1
Japan (MSCI Japan)	12.5	-0.1	0.0	-3.1	-3.4	-0.1	0.3	-0.8	-0.4
Asia ex Japan (MSCI, USD)	12.5	0.1	0.3	-2.3	-2.1	0.6	1.4	-0.4	0.3
Latin America (MSCI, USD)	14.0	0.3	-0.6	-2.1	-1.3	0.1	-0.3	1.3	-0.4

	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)	46.59	2,758.4	2,812.1	2,761.8	9.4%	-0.8%	2.1%
Euroland (Euro Stoxx 50)	43.38	3,222.6	3,320.4	3,385.8	10.1%	-1.8%	4.2%
Germany (DAX)	42.79	11,547.7	11,973.0	12,252.6	10.5%	-4.1%	3.7%
UK (FTSE 100)	40.59	7,102.3	7,318.8	7,386.8	6.5%	-0.5%	4.9%
Italy (FTSE MIB)	52.88	19,376.0	20,264.3	21,467.4	12.4%	1.5%	4.9%
France (CAC 40)	39.99	5,114.6	5,264.6	5,319.0	9.3%	-0.8%	3.9%
Japan (MSCI Japan)	45.83	1,002.0	1,016.3	1,023.9	3.4%	-1.1%	2.5%
Asia ex Japan (MSCI, USD)	58.20	606.4	632.3	671.0	9.0%	-4.0%	3.0%
Latin America (MSCI, USD)	48.08	2,649.6	2,601.1	2,695.9	17.1%	-0.3%	3.7%

Current data as of December 5, 2018. Data source: FactSet, negative numbers are in orange.

Key forthcoming data releases and other events

	U.S.	Europe	Asia
Monday December 10	JOLTS Job Openings (October)	Germany: Trade Balance (October), Current Account Balance (October), Export / Import (October) France: Bank of France Ind. Sentiment (November) Italy: Industrial Production (October) Switzerland: Unemployment Rate (November) UK: Trade Balance (October), Industrial Production (October), Manufacturing Production (October)	Japan: GDP (Q3), BoP Current Account Balance & Trade Balance (October) Australia: Home Loans (October)
Tuesday December 11	NFIB Small Business Optimism (November), PPI (November)	Eurozone: ZEW Survey Expectations (December) Germany: ZEW Survey Current Situation / Expectations (December) France: Wages (Q3) UK: ILO Unemployment Rate (October)	Japan: Money Stock M3 (November), Machine Tool Orders (November) Australia: NAB Business Conditions (November)
Wednesday December 12	CPI (November), Monthly Budget Statement (November)	Eurozone: Industrial Production (October), Employment (Q3) Italy: Unemployment Rate (Q3) Spain: House Transactions (October)	Japan: PPI (November), Core Machine Orders (October), Tertiary Industry Index (October) China: Foreign Direct Investment (November) Australia: Westpac Consumer Confidence (December) New Zealand: Food Prices (November) South Korea: Unemployment Rate (November), Money Supply (October), Import / Export Price Index (November)
Thursday December 13	Import / Export Price Index (November)	Eurozone: ECB Meeting (December) Germany & France: CPI (November) Switzerland: Producer / Import Prices (November) UK: RICS House Price Balance (November) Switzerland: SNB Meeting (December)	China: Money Supply M0, M1, M2 (November), New Yuan Loans (November) New Zealand: BusinessNZ Manufacturing PMI (November)
Friday December 14	Retail Sales (November), Industrial Production (November), Capacity Utilization (November), Markit Services PMI (December), Business Inventories (October)	Eurozone, Germany, France: Markit Manufacturing, Services Composite (December) Eurozone: EU27 New Car Registrations (November) Italy: Industrial Sales & Orders (October), CPI (November) Spain: CPI (November)	Japan: Tankan (Q4), Nikkei Japan PMI (December), Capacity Utilization (October), Industrial Production (October) China: Retail Sales (November), Industrial Production (November), Fixed Assets Ex rural (November)

Glossary

The Bank of Korea is the central bank of South Korea.

The Bloomberg Barclays U.S. Aggregate Index includes investment grade bonds traded in the U.S.

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.

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

The FTSE 100 Index tracks the performance of the 100 major companies trading on the London Stock Exchange.

The G20 is an international forum of the governments and central- bank governors from 19 individual countries—Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom and the United States—along with the European Union (EU).

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.

Ifo Indices measure business confidence and expectations in Germany and other economies.

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

The NASDAQ index is a market-capitalization weighted index of around 3,000 equities listed on the Nasdaq exchange.

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.

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.

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

The term premium measures the difference in yield to maturity of a longer-term bond compared to a shorter-term one.

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

TRY is the currency code for the Turkish lira.

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

Yield curve inversion is when longer-term debt has a lower yield than short-term debt.

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