CIO Insights

Weekly Bulletin
January 11, 2019

Christian Nolting
Global CIO

In our stars?

"The fault, dear Brutus, lies not in our stars" says a character in Shakespeare "but in ourselves". Events in early 2019 have raised hopes that several geopolitical crises might indeed not prove preordained, but be instead imperfectly resolvable.

1 The U.S. partial government shutdown could break records, but both sides may find themselves under pressure to end it.

2 Likewise, both U.S. and Chinese leaderships will good reasons to show trade talk progress – despite underlying differences.

3 Brexit discussions have entered a volatile period in the UK parliament, with the intended solution increasingly under fire.

1 The U.S. federal government's partial shutdown could soon become the longest in U.S. history, with talks between the White House and the Congress yielding no progress so far. But a series of key deadlines will start to put increased pressure on both the President or the Democrats to a compromise, as we discuss on page 2. Approximately 800K federal workers will soon miss their first paycheck, then next month taxpayers will be uncertain if the IRS will be able to begin processing tax refunds as the standard protocol prohibits this. The economic fallout from a shutdown is also likely to increase, with stalled government contracts, further delays to economic data, and the combined income loss of furloughed salaries and delayed tax refunds potentially hitting consumption and thus growth.

2 Moving from domestic to external U.S. policy, President Trump has been keen to make positive noises on U.S./China trade talks this week – as has the official Chinese commentary. We think that a detailed resolution of all the issues under discussion is all but impossible within the given 90-day deadline but, again, both sides will have good reasons to maintain forward progress. With Chinese growth likely decelerate this year, not helped by a cooling property market and weak private sector sentiment, China needs ways to support the export sector and boost corporate sentiment. On the U.S. side, growth is also expected to ease and the implications of a prolonged stand-off for the U.S. equity market may also be unwelcome. On page 5 we explain the areas in which some sort of Chinese compromise is possible: promises to buy more U.S. goods, opening up the Chinese financial sector, CNY stability and extending intellectual property rights protection.

3 Recent UK parliamentary debate appears to have made it less likely that the Brexit process will go down the path preordained by Prime Minister May: a vote scheduled for next Tuesday may well reject her deal and where we go from here remains unclear. On page 4, we look at why the market reaction to a likely prolongation of Brexit uncertainty has been muted so far. If Mrs. May is defeated, volatility will however increase in the three day window that she then has to present a "Plan B" to parliament. We will publish a CIO Insights Memo on the vote and its implications next week.

Inside the Bulletin

Please click here or use the QR code to find out more about Deutsche Bank Wealth Management.

Deutsche Bank
Wealth Management

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

U.S. government shutdown; Q4 2018 earnings

U.S.

Deepak Puri
Interim CIO Americas and Head of WD Americas

Partial shutdown continues

Since December 22 the federal government has been partially closed, making this shutdown one of the longest in U.S. history. This shutdown is likely to surpass the previous record of 21 days over the 1995-1996 holiday season. Historically, shutdowns are the result of a political calculus done by one or both parties in which one side will try to make the other side look unreasonable to ultimately shift most of (or all) of the blame in order to get their way. In this case, President Trump has called upon Congress to fully fund his border wall which he argues is a necessity for national security. Meanwhile the opposing Democrats have remained united in blocking any funding bill that provides the full USD5.7bn requested. At the onset of the shutdown, the President's Republican party held control of both Houses of Congress but the White House still needed some Democratic Senators' support in order to reach the 60 votes necessary for a long-term funding bill. However, the new Congress is now split between the two parties with the Democrats in control of the House. Talks between the White House and Congress have so far yielded no progress and investors are rightfully questioning how much longer this will last and what the implications will be.

As for the first concern, a series of key deadlines may push the President or the Democrats to a compromise. First off, approximately 800K federal workers will soon miss their first paycheck. Next, the shutdown will break the previously mentioned record this Saturday. As we enter the following month, taxpayers will be uncertain if the IRS will be able to begin processing tax refunds as the standard protocol prohibits this. So far, the implications of a partial government shutdown have been moderate, but this will not be the case indefinitely: with stalled government contracts, further delays to economic data, and the combined income loss of furloughed salaries and delayed tax refunds, we could potentially see downside risks to Q1 2019 GDP growth expectations.

Looking ahead – Q4 earnings season

The Q4 earnings season has officially begun and Wall Street analysts currently expect S&P 500 companies to report earnings growth of 15.1% from Q4 2017. Top-line revenue growth is also expected to increase at a healthy 6.1% rate. If strong corporate earnings manifest and analysts don't find any catalysts for negative revisions in 2019, then investors may find relief from the downside volatility seen at the end of 2018 that sent risky assets into a tailspin. Additionally, the U.S. economy has continued to deliver strong economic data with robust jobs growth in December that came in well above economists' forecasts. We remain constructive on both the U.S. economy and markets despite the likelihood that earnings growth and economic growth may have peaked last year, and we feel that as this business cycle enters the late stage, it still has some room to run.

Brexit debates; ECB Minutes

EUROPE

Stéphane Junod
CIO Europe and Head of WD Europe

UK parliament aims to gain control over Brexit

The UK parliament is due to vote on Theresa May's Brexit plan next Tuesday, January 15. But the parliamentary manoeuvring has already taken several unexpected twists and turns in recent days, with the government losing votes on preparatory financing for non-deal Brexit and on the timeline for Mrs. May to produce an alternative plan should, as expected, the Tuesday vote go against her. (Any compromise around the Northern Ireland backstop or other issues now looks very unlikely.) These votes suggest that the House of Commons is determined to wrest back control of the Brexit process from Mrs. May and her cabinet.

The market response to the parliamentary drama has been muted so far but broadly positive, with GBP tending to edge up against the USD and the FTSE100 rising in line with other major stock markets. In essence, markets appear to have accepted that any quick resolution of Brexit uncertainty through a positive vote on Mrs. May's plan next week is now unlikely, but would appear (at present) to believe that a relatively market-friendly outlook is still possible. Our suspicion is that, even if markets ride through the initial Brexit legislation defeat relatively smoothly, they could still prove volatile in the three days that Mrs. May then has to present a "Plan B" to parliament – during which time the political noise will be very loud and relative likelihood of different ways forward difficult to assess.

ECB minutes suggest increased pessimism

On January 10 the European Central Bank (ECB) published the minutes of the latest meeting of its Governing Council. The short verdict is that deteriorating economic data throughout the Eurozone have forced it to become more pessimistic. The ECB cited "weaker than expected" macroeconomic indicators that "could indicate a moderation in the growth momentum". It further acknowledged the "heightened uncertainty" about the economic outlook. As a consequence, the Bank's stance on risks to its economic assessment has been revised from "broadly balanced" to "broadly balanced but moving to the downside". However, the Council remains "confident" that "the sustained convergence of inflation would continue in the period ahead". It is not out of place to doubt whether this confidence is justified. First of all, since the ECB's meeting in mid-December, the economic outlook in the Eurozone could have deteriorated further, although fears around the implications of a technical recession in Germany (two consecutive quarters of negative GDP growth) may be overstated. Core inflation in the Eurozone has been also stuck at about 1% for the last five years, exactly half the ECB's target. Therefore, while the Bank is not expected to resume the quantitative easing program that it would up just last month, markets are pushing previous expectations of an H2 2019 interest rate hike, perhaps into next year.

German assets: the history and the future

GERMANY
Gerit Heinz
Chief Strategist Germany

Previous DAX reversals and ongoing sectoral issues

2018 marks one of the worst years in history for the German stock market and the DAX was the worst performer among major developed market stock market indices ending 18% below the previous year end level (see page 6). As a result, the longest-lasting sequence of positive annual returns in the index's history (which goes back to 1988) has come to an end. Previous negative return years often have been associated with major global crises such as the financial crisis or the burst of the dot com bubble. Such a major crisis seems to be missing this time but of course the passing of the global liquidity peak and ongoing global trade disputes – just to mention a few concerns have had an impact.

When looking into the index's history it also becomes obvious that a negative year is rarely followed by another negative year. Thinking in terms of a long-term investment horizon is an important prerequisite for investments into equities and this is supported by a look back at the history.

Looking forward into 2019, some of the topics that affected 2018 performance will not disappear swiftly but at least we will have more clarity on topics such as Brexit and, potentially, on the trade dispute between the U.S. and China. Any positive developments regarding the latter in particular could have a positive impact on German economic development and stock markets, but they need to materialize.

German manufacturing is still hampered by the "Dieselgate" scandal that is weighing on the automotive industry, which is also strongly linked to global trade. This needs to be taken into account when comparing the price/earnings (P/E) valuation of the DAX where autos have a higher weight compared to other national indices, because this industry is currently trading on mid single-digit P/Es only. Hence the start of this year may prove difficult as long as last year's concerns remain in place.

Bund yields again a safe haven

10 year Bund yields have been on the decline since October and continued the downward move at the beginning of this year, falling below 20 bp. Slowing growth in Germany and the Eurozone as a whole, along with higher budget deficits in France, the Italian budget controversy and still-accommodative ECB policy have kept Bund yields low (with any upward move in yields vulnerable to being quickly reversed by safe-haven inflows). We do expect a higher German yield curve, with the 2-year Bund forecast at -0.30% at end-2019, and the 10-year and 30- year forecast at 0.60% and 1.20% respectively, with Eurozone core inflation likely to remain muted.

China: RRR cuts and trade talks lend a hand

EMERGING MARKETS
Tuan Huynh
CIO Emerging Markets and Head of WD Emerging Markets

Monetary and fiscal policy support to continue to aid sentiment

So far this year, China's market sentiment has been supported by two factors. Firstly, the People's Bank of China (PBoC, China's central bank) has announced that it will cut the reserve requirement ratio (RRR) by 100bps in total in January. Secondly, U.S. and China trade talks in Beijing this week have boosted hopes of a possible trade deal between the two countries in coming months. As of January 10, Hong Kong's benchmark Hang Seng Index had increased 2.6% year to date. China's domestic A-share Shanghai Composite Index had increased 1.7% year to date.

We think that China will continue to actively support the economy this year through both monetary and fiscal easing measures. On the monetary front, we expect the PBoC to cut RRR a few more times in 2019. As the PBoC tightens up shadow banking, it will want to give more liquidity to banks. On the fiscal front, we expect corporate tax cuts this year, including likely reductions in value-added tax to relieve tax burdens, especially on private corporations. Besides, we expect more infrastructure investment and more welfare spending in 2019. We also expect the government to slightly ease property market rules from Q2 this year.

Trade negotiations outlook

We think that both China and the U.S. have strong incentives to scale back their trade dispute this year. On the Chinese side, China's growth will decelerate this year with a cooling property market and weak private sector sentiment. China therefore needs a better trade relationship to support the export sector and boost corporate sentiment. On the U.S. side, growth is also expected to decelerate as the positive impact from last year's tax reform fades. The U.S. equity market has also seen higher volatility in recent months on recession worries.

However, what can China can offer to make it easier reach a deal? In our view, China could compromise in the following areas:

1) Import support: China could offer to buy more U.S. products, in the areas of energy, agriculture, aircrafts and autos, etc. More detailed purchase plans could be part of the deal. China's current account balance could move into a structural deficit in the coming two years, in our view.
2) Opening up China's financial sector: China recently liberalized rules around the foreign ownership on Chinese banks, security brokerages, insurance and fund management sectors. Better execution of these announced policies are expected. Preferential treatment could be given to U.S. financial companies, eager to fully enter China's financial sector.
3) More stable CNY: China could keep the CNY largely stable against USD, allaying suspicions that it wanted to engineer a CNY depreciation.
4) Extending intellectual property rights protection especially on U.S. software products in China.

Data points towards a German slowdown

Equities

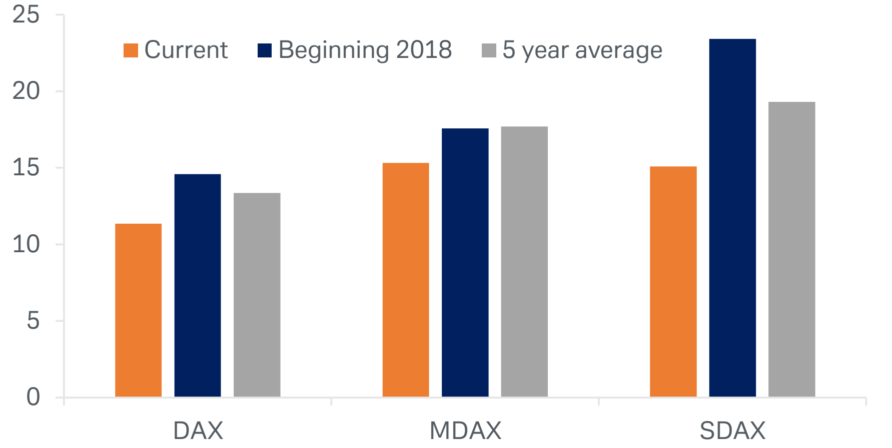
- Having been burdened by the escalation of trade tensions, reignited Eurozone political fears and a creeping slowdown in global economic momentum on top of a fading domestic economy, German equities closed 2018 deep in the red. Over the year, DAX, MDAX and SDAX indices fell by -18.3%, -17,6% and -20.0%, with most of the losses accumulated in Q4 (-17.7%, -17.0%, and -20.2% respectively).
- The upside of this broad correction is that valuations appear now more attractive, with price/earnings (P/E) ratios (DAX) falling 23.5% below their levels at the beginning of 2018 as well as 16.7% below their five year averages. According to consensus, YoY earnings growth is expected to come in above 2018 levels for all German major indices (DAX +9.3%, MDAX +10.3%, SDAX +14.1%). However, such expectations may prove to be high, and could well get scaled down.
- German manufacturing is still hampered by the "Dieselgate" scandal in the automotive industry, a sector which is also strongly linked to global trade. The overall manufacturing slowdown continued into December, with the manufacturing PMI falling to a 33-month low. The recent downturn in new orders deepened amid a steep and accelerated decline in exports. Moreover, the headline Ifo business climate index came in at 101.0 for December, weaker than last month's 102.0 and missing consensus (101.8) suggesting that concerns concerning the growth outlook are continuously rising.
- A further easing of global trade tensions after promising U.S./China talks in Beijing earlier this week would be supportive for German stocks, but as long as differences remain, the German economy and stock market may lack a clear catalyst for recovery. Germany derives more than a third of its GDP from exports – relying more than any other European country on the emerging markets and China.

Equity

Valuations appear more attractive with P/E ratios falling below their levels at the beginning of 2018 as well as their five year averages – but watch earnings

— Focus of the Week

Price /Earnings ratios for the DAX, MDAX, SDAX



Source: Bloomberg Finance LP, Deutsche Bank AG. Data as of January 9, 2019.

European yields: not just political risk

Fixed Income

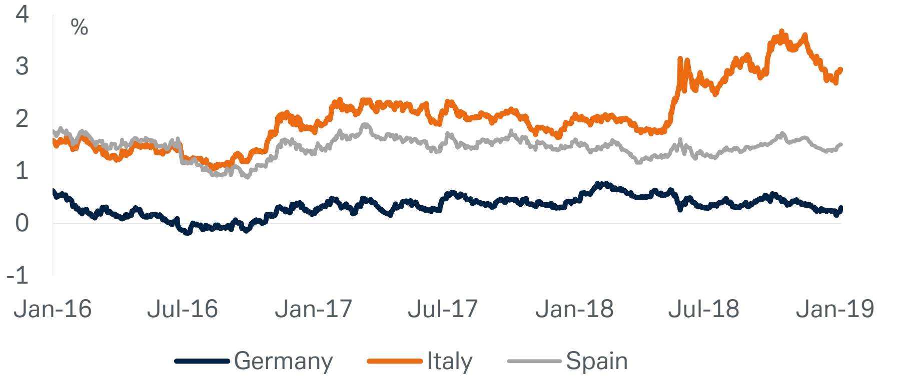
- In Q4 2018, the10Y benchmark German government bond yield fell from a peak of 0.57% to 0.24%. Various factors contributed to this:
- Firstly, and most obviously, political risk, specifically Brexit, Italian budget negotiations and – last but not least – trade conflict issues. These uncertainties have caused asset allocation shifts and flows into the so-called "safe havens" of core government bonds. Whereas the Italian-EU budget issue seems solved for the time being, Brexit and trade concerns are on-going, with Brexit newsflow likely to intensify.
- Secondly, such uncertainty seems increasingly to be weighing on sentiment and real economic data. Recent indicators such as purchasing manager indices, industrial production and factory orders have often proved disappointing.
- Thirdly, inflation, the most important fundamental economic driver for interest rates, has fallen recently and has contributed to lower bond yields as well. The Eurozone consumer price index declined to 1.9% YoY in November (from 2.2% in October) on the back of a significant fall in energy prices and is likely to continue to moderate. We forecast an inflation rate of 1.8% in the Eurozone this year.
- Looking forward, the overall supply/demand perspective for government bonds seems favourable for January. Gross issuance is expected at EUR70bn although the overall net flow is, however, negative at -EUR1.9bn due to redemptions and coupon payments.
- On an individual country basis, the net flow is positive in Germany and France, negative in Italy and Spain. Provided three are no headwinds from political developments, this flow perspective would argue for some short term spread tightening potential between countries of the Eurozone core and the periphery.

Fixed Income

Three factors have been pushing down European yields: political risk, the impact of this on sentiment and real economic data, and lower inflation

— Focus of the Week

Eurozone 10Y government bond yields



Source: Bloomberg Finance LP, Deutsche Bank AG. Data as of January 9, 2019.

Oil prices edge upwards

Commodities

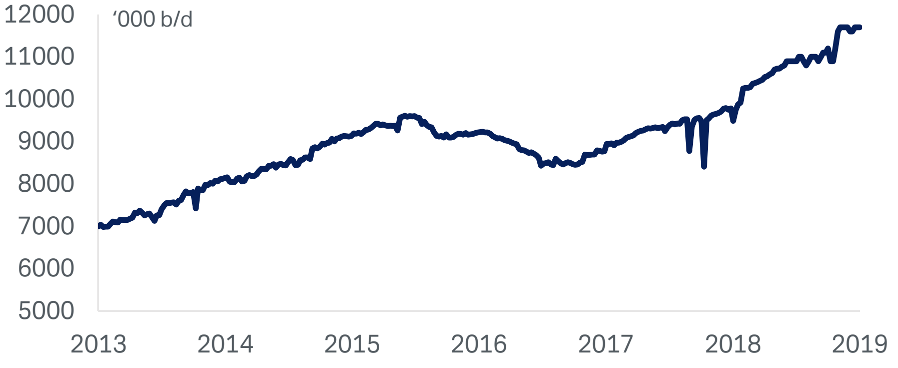
- Oil prices continue to driven by both supply and demand concerns, but with a medium-term upward trend evident. The WTI price stood at just under USD52/b on January 10, up from a low of USD42/b in December.
- Positive sentiment around U.S./China trade talks early in the week pushed oil prices up, on demand growth hopes, before markets started to fret about the lack of detail in the official statements.
- Meanwhile, global supply appears to have remained high, with U.S. oil production remaining at a record 11.7mn b/d in the week ending January 4. U.S. gasoline inventories also increased substantially in the first week on January, although there was a small drawdown in crude oil inventories.
- The focus therefore remains on OPEC efforts to rein in output. On January 7, the Saudi Arabian energy minister, Khalid al Falih, said Saudi Arabia currently had output of 10.2mn b/d in January, which would represent a fall of around 800,000 b/d from record November output. Saudi Arabia and Russia had previously taken the lead in December in promising to reduce total "OPEC+" output by 1.2mn b/d.
- Mr. Al Falih says that Saudi Arabia wants to "stabilise" prices in a range that is sufficient to encourage new supplies, while not being damaging to the global economy. He has, however, been careful not to suggest a target price.
- We think that continued commitments by Saudia Arabia will help stabilize prices, but they will remain vulnerable to newsflow around production and demand issues.
- We do expect a gain in oil prices from current levels, to USD60/b (WTI) at end-December 2018, but sustained gains will depend on more evidence that any slowdown in global growth is likely to be modest.

Commodities

Saudi Arabia has confirmed an output cut, but a sustained rise in prices may depend on more evidence that nay global growth slowdown is likely to be modest

— Focus of the Week

U.S. crude oil output over the last five years



Source: U.S. Energy Information Administration, Deutsche Bank AG. Data as of January 9, 2019.

Political uncertainty and the EUR

Currencies

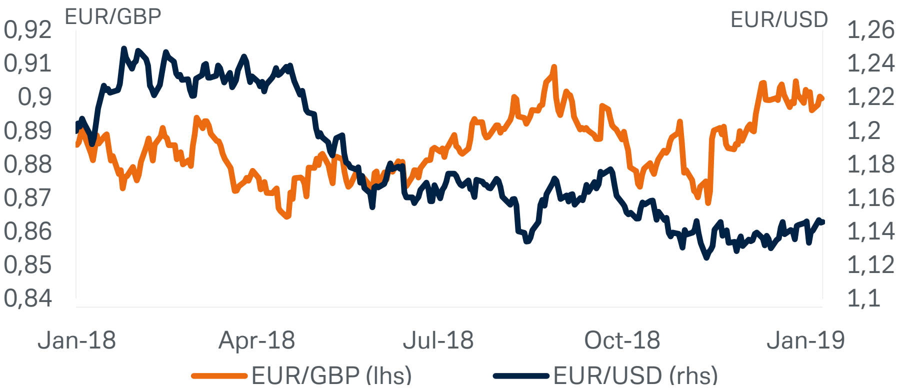
- Political uncertainty has been and is likely to continue to be the main driving force on forex markets for some time to come.
- Political risk is especially complex with respect to the EUR. Brexit is the most imminent risk and therefore the EUR/GBP rate has been volatile for some time now, driven by newsflow.
- Markets appear to have largely priced in the likelihood that the UK government will lose next week's parliamentary vote on Brexit, suggesting that a volatile sideways trading pattern will continue.
- On a 12 month horizon, we expect, that UK economic fundamentals will drive the GBP weaker, with a growing UK twin deficit (budget and current account) weighing on the currency. Our 12 month forecast reflects a weaker pound at EUR/GBP 0.90.
- The EUR/USD rate has largely been driven by uncertainty around trade conflicts and related negotiations. As the focus has shifted from the European automobile sector to U.S.-China trade negotiations, the EUR/USD has entered into sideways trend pattern. In November/ December last year the EUR/USD rate move predominantly in a band between 1.13 and 1.15. If some sort of U.S.-China trade deal can be reached, the EUR/USD rate will break out of this trading range.
- In the longer term, economic fundamentals are expected to dominate currency developments again. Although Eurozone growth is likely to remain below the level seen in the U.S., the differential is not expected to widen further, so will probably not be a major drag on the EUR/USD exchange rate. The boost to the USD from higher U.S. interest rates may be offset by valuations and the Eurozone's large current account surplus. Hence, we expect the EUR/USD to remain within a relatively tight range. Our 12 month forecast for the EUR/USD rate is at 1.15.

Currencies

Over the longer term, UK economic fundamentals may drive EUR/GBP lower; fundamentals may also start to play a bigger role in EUR/USD

— Focus of the Week

EUR/GBP and EUR/USD over the last year



Source: Bloomberg Finance LP, Deutsche Bank AG. Data as of January 9, 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	EUR/HUF	325	330
EUR/GBP	0.88	0.90	EUR/PLN	4.35	4.40
USD/JPY	113	115	USD/RUB	70.0	75.0
EUR/CHF	1.17	1.15	USD/ZAR	15.00	16.50
USD/CAD	1.28	1.28	USD/CNY	7.20	7.00
AUD/USD	0.76	0.68	USD/INR	74.0	75.0
NZD/USD	0.72	0.62	USD/KRW	1,140	1,100
EUR/SEK	10.25	10.10	USD/IDR	14,250	15,500
EUR/NOK	9.50	9.40	USD/MXN	20.75	21.00
EUR/TRY	6.15	6.50	USD/BRL	4.08	4.25

Forecasts are from Deutsche Bank AG, as of January 11, 2019 and are subject to change without notice.

Facts and Figures

	Current	1-Wk Return	1-M Return	YTD Return	Jan 9 2018 – Jan 9 2019	Jan 9 2017 – Jan 9 2018	Jan 9 2016 – Jan 9 2017	Jan 9 2015 – Jan 9 2016	Jan 9 2014 – Jan 9 2015
Rates									
2-Year German Bund	-0.58%	-0.08%	-0.09%	-0.04%	-0.44%	-0.87%	-0.02%	0.29%	0.60%
5-Year German Bund	-0.33%	-0.18%	0.11%	0.12%	1.33%	-0.73%	1.80%	1.06%	5.62%
10-Year German Bund	0.22%	-0.42%	0.38%	0.30%	3.91%	0.11%	3.28%	0.84%	16.90%
10-Year U.S. Treasury	2.71%	-0.26%	1.99%	0.01%	0.98%	0.44%	0.04%	0.42%	12.67%
10-Year UK Gilt	1.25%	-0.19%	0.25%	0.20%	2.96%	2.75%	6.40%	1.21%	16.52%
2-Year BTP	0.51%	-0.06%	0.46%	0.03%	-0.14%	0.51%	0.15%	1.20%	2.02%
5-Year BTP	1.89%	-0.46%	1.68%	-0.14%	-2.14%	2.66%	1.09%	4.32%	9.40%
10-Year BTP	2.90%	-1.55%	2.23%	-1.01%	-2.60%	2.78%	-1.15%	5.83%	21.82%
Barclays Euro Corporate	1.38%	-0.49%	0.06%	-0.29%	-1.71%	2.85%	4.30%	-0.66%	8.32%
Barclays Euro High Yield	4.46%	0.66%	0.89%	0.58%	-3.42%	6.63%	9.80%	0.07%	5.77%
JP Morgan EMBIG Div.	6.61%	0.36%	1.26%	1.11%	0.73%	-3.49%	15.65%	9.92%	22.61%
Equities									
USA (S&P 500)	2,585.0	3.0%	-1.8%	3.1%	-6.1%	21.3%	18.1%	-6.0%	11.2%
Euroland (Euro Stoxx 50)	3,070.2	2.6%	0.4%	2.3%	-15.3%	9.5%	9.1%	-0.3%	-1.5%
Germany (DAX)	10,893.3	3.0%	1.0%	3.2%	-18.6%	15.8%	17.4%	2.1%	2.4%
UK (FTSE 100)	6,906.6	2.6%	1.9%	2.7%	-10.7%	6.8%	22.4%	-9.1%	-2.8%
Italy (FTSE MIB)	19,179.2	4.6%	2.3%	4.7%	-16.6%	18.8%	-2.6%	9.3%	-6.8%
France (CAC 40)	4,813.6	2.7%	0.0%	1.8%	-12.9%	13.0%	12.8%	3.7%	-1.1%
Japan (MSCI Japan)	919.1	2.9%	-4.9%	2.9%	-17.8%	19.9%	6.6%	2.9%	6.2%
Asia ex Japan (MSCI, USD)	607.4	3.7%	0.4%	1.8%	-18.2%	41.0%	12.4%	-17.3%	6.0%
Emerging Markets (MSCI, USD)	994.4	4.1%	1.3%	3.0%	-17.5%	37.2%	18.7%	-23.0%	-0.2%
Commodities & Alternatives									
WTI (USD)	52.36	12.5%	-0.5%	15.3%	-16.8%	21.2%	57.0%	-31.5%	-47.7%
Gold (USD)	1,289.7	0.2%	3.5%	0.7%	-1.7%	11.2%	7.0%	-9.5%	-0.7%
EUR/USD	1.1511	1.4%	1.1%	0.7%	-3.5%	13.0%	-3.2%	-7.8%	-12.9%
EUR/GBP	0.9034	0.3%	1.2%	0.7%	2.4%	1.5%	15.9%	-4.0%	-5.3%
EUR/JPY	124.54	0.4%	-3.0%	-0.7%	-7.1%	9.1%	-4.2%	-8.7%	-1.2%
VIX Index	19.98	-3.24	-3.25	-5.44	9.90	-1.48	-15.45	9.46	4.66
VDAX Index	20.38	-2.87	-1.99	-3.01	8.14	-2.90	-14.78	5.00	9.33

Current data as of January 9, 2019. Data source: FactSet, negative numbers are in orange

Facts and Figures

	Current	1 Wk Change	1M Change	YTD Change	Jan 9 2018 – Jan 9 2019	Jan 9 2017 – Jan 9 2018	Jan 9 2016 – Jan 9 2017	Jan 9 2015 – Jan 9 2016	Jan 9 2014 – Jan 9 2015
Rates Valuations									
Eco Refi Rate	0.00%	0	0	0	0	0	-5	0	-20
Bund Yld Curve (10YR-2YR)	79	1	-6	-4	-31	7	13	32	-113
Spread Gov. FRA—GER (10YR)	49	0	5	2	27	-31	15	8	-35
Spread Gov. Ita-GER (10YR)	269	15	-19	16	115	-9	61	-39	-57
Spread Gove. SPA-GER (10YR)	128	4	8	11	23	-14	-2	-3	-62
Investment Grade Spread (10YR)	117	4	8	11	89	-37	-27	37	41
High Yield Spread (10YR)	425	-20	-16	-7	201	-17	-115	72	100
J.P. Morgan EMBIG Div. Spread	639	-29	-22	-23	161	-54	-62	71	127
Equity Valuations									
USA (S&P 500)	16.1	0.4	-0.3	0.4	-4.8	1.8	2.8	-1.1	0.7
Euroland (Euro Stoxx 50)	12.8	0.2	0.0	0.2	-2.7	-0.2	2.4	-0.4	-0.5
Germany (DAX)	12.5	0.3	0.2	0.3	-2.4	0.1	2.3	-1.1	-0.7
UK (FTSE 100)	12.1	0.3	0.3	0.3	-3.5	-1.6	2.3	1.3	-0.6
Italy (FTSE MIB)	11.3	0.4	0.3	0.4	-5.3	-1.7	1.5	1.2	-1.2
France (CAC 40)	12.6	0.2	-0.1	0.1	-3.4	0.5	1.4	0.1	-0.5
Japan (MSCI Japan)	11.8	0.3	-0.6	0.3	-4.0	-0.8	2.1	-0.9	-1.5
Asia ex Japan (MSCI, USD)	12.2	0.3	0.1	0.1	-2.9	0.9	2.4	-1.1	0.7
Emerging Markets (MSCI, USD)	11.7	0.3	0.2	0.2	-2.8	0.9	2.2	-0.9	1.1

	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)	54.13	2,627.5	2,737.1	2,742.3	8.0%	-2.2%	2.3%
Euroland (Euro Stoxx 50)	53.73	3,105.9	3,212.6	3,342.6	9.7%	-2.4%	4.3%
Germany (DAX)	54.28	11,026.6	11,510.7	12,071.4	10.9%	-4.5%	3.8%
UK (FTSE 100)	57.40	6,897.4	7,095.9	7,346.3	5.5%	-1.9%	5.0%
Italy (FTSE MIB)	60.68	18,865.6	19,566.0	20,986.4	10.5%	-0.7%	4.9%
France (CAC 40)	53.30	4,885.3	5,090.1	5,262.2	8.4%	-1.9%	4.1%
Japan (MSCI Japan)	50.29	948.9	988.2	1,011.6	2.2%	-2.4%	2.7%
Asia ex Japan (MSCI, USD)	57.95	601.2	615.3	654.5	7.8%	-5.8%	3.1%
Emerging Markets (MSCI, USD)	61.90	976.0	993.5	1,051.7	8.7%	-0.6%	3.3%

Current data as of January 9, 2019. Data source: FactSet, negative numbers are in orange.

Key forthcoming data releases and other events

	U.S.	Europe	Asia
Monday January 14	n/a	Eurozone: Industrial Production (November)	China: Exports & Imports (December) Australia: Melbourne Institute Inflation (December) New Zealand: Food Prices (December) South Korea: Export & Import Price Index (December)
Tuesday January 15	Empire Manufacturing (January), PPI (December)	France & Spain: CPI (December)	Japan: Money stock M2, M3 (December) China: Money Supply M0, M1, M2 (December), New Yuan Loans (December) New Zealand: REINZ House Sales (December)
Wednesday January 16	MBA Mortgage Applications (January 11), Retail Sales (December), Import Price Index (December), NAHB Housing Market Index (January), Treasury International Capital (Nov)	Germany: CPI (December) Italy: Industrial Orders (November), CPI (December) UK: CPI & PPI (December)	Japan: Core Machine Orders (November), PPI (December), Tertiary Industry Index (November)
Thursday January 17	Housing starts & Building Permits (Dec), Initial Jobless Claims (Jan 12), Philadelphia Fed Business Outlook (January), Bloomberg Consumer Comfort & Economic expectations (January 13)	Eurozone: CPI (December) Italy: Trade Balance (November)	Australia: Home Loans (November) New Zealand: BusinessNZ Manufacturing PMI (December)
Friday January 18	Industrial Production (December), Capacity Utilization (December), University of Michigan Sentiment (January)	Eurozone: ECB Current Account (November) Switzerland: Producer Import Prices (December) UK: Retail Sales (December)	Japan: NATL CPI (December), Capacity Utilization (November), Industrial Production (November)

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.

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.

Core or underlying inflation refers to a measure of inflation which excludes some volatile components (e.g. energy). These excluded components can vary country by country.

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 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.

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 Hang Seng Index (HSI) includes the 50 largest companies traded on the Hong Kong stock exchange.

The IRS, in a U.S. context, refers to the Inland Revenue Service

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.

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 Shanghai Composite Index contains all shares traded on the Shanghai exchange.

government budget deficits and debt.

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.

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

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

Important Information

General

This document may not be distributed in Canada or Japan. This document is intended for retail or professional clients only.

This document is being circulated in good faith by Deutsche Bank AG, its branches (as permitted in any relevant jurisdiction), affiliated companies and its officers and employees (collectively, "Deutsche Bank"). This material is for your information only and is not intended as an offer, or recommendation or solicitation of an offer to buy or sell any investment, security, financial instrument or other specific product, to conclude a transaction, or to provide any investment service or investment advice, or to provide any research, investment research or investment recommendation, in any jurisdiction. All materials in this communication are meant to be reviewed in their entirety.

If a court of competent jurisdiction deems any provision of this disclaimer unenforceable, the remaining provisions will remain in full force and effect. This document has been prepared as a general market commentary without consideration of the investment needs, objectives or financial circumstances of any investor. Investments are subject to generic market risks which derive from the instrument or are specific to the instrument or attached to the particular issuer. Should such risks materialise, investors may incur losses, including (without limitation) a total loss of the invested capital. The value of investments can fall as well as rise and you may not recover the amount originally invested at any point in time. This document does not identify all the risks (direct or indirect) or other considerations which may be material to an investor when making an investment decision.

This document and all information included herein are provided "as is", "as available" and no representation or warranty of any kind, express, implied or statutory, is made by Deutsche Bank regarding any statement or information contained herein or in conjunction with this document. All opinions, market prices, estimates, forward looking statements, hypothetical statements, forecast returns or other opinions leading to financial conclusions contained herein reflect Deutsche Bank's subjective judgment on the date of this report. Without limitation, Deutsche Bank does not warrant the accuracy, adequacy, completeness, reliability, timeliness or availability of this communication or any information in this document and expressly disclaims liability for errors or omissions herein. Forward looking statements involve significant elements of subjective judgments and analyses and changes thereto and/or consideration of different or additional factors could have a material impact on the results indicated. Therefore, actual results may vary, perhaps materially, from the results contained herein.

Deutsche Bank does not assume any obligation to either update the information contained in this document or inform investors about available updated information. The information contained in this document is subject to change without notice and based on a number of assumptions which may not prove valid, and may be different from conclusions expressed by other departments within Deutsche Bank. Although the information contained in this document has been diligently compiled by Deutsche Bank and derived from sources that Deutsche Bank considers trustworthy and reliable, Deutsche Bank does not guarantee or cannot make any guarantee about the completeness, fairness, or accuracy of the information and it should not be relied upon as such. This document may provide, for your convenience, references to websites and other external sources. Deutsche Bank takes no responsibility for their content and their content does not form any part of this document. Accessing such external sources is at your own risk.

Before making an investment decision, investors need to consider, with or without the assistance of an investment adviser, whether any investments and strategies described or provided by Deutsche Bank, are appropriate, in light of their particular investment needs, objectives, financial circumstances and instrument specifics. When making an investment decision, potential investors should not rely on this document but only on what is contained in the final offering documents relating to the investment.

As a global financial services provider, Deutsche Bank from time to time faces actual and potential conflicts of interest. Deutsche Bank's policy is to take all appropriate steps to maintain and operate effective organisational and administrative arrangements to identify and manage such conflicts. Senior management within Deutsche Bank are responsible for ensuring that Deutsche Bank's systems, controls and procedures are adequate to identify and manage conflicts of interest.

Deutsche Bank does not give tax or legal advice, including in this document and nothing in this document should be interpreted as Deutsche Bank providing any person with any investment advice. Investors should seek advice from their own tax experts, lawyers and investment advisers in considering investments and strategies described by Deutsche Bank. Unless notified to the contrary in a particular case, investment instruments are not insured by any governmental entity, not subject to deposit protection schemes and not guaranteed, including by Deutsche Bank.

This document may not be reproduced or circulated without Deutsche Bank's express written authorisation. Deutsche Bank expressly prohibits the distribution and transfer of this material to third parties. Deutsche Bank accepts no liability whatsoever arising from the use or distribution of this material or for any action taken or decision made in respect of investments mentioned in this document the investor may have entered into or may enter in future.

The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including, without limitation, the United States. This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Deutsche Bank to any registration or licensing requirement within such jurisdiction not currently met. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions.

Important Information

Past performance is no guarantee of future results; nothing contained herein shall constitute any representation, warranty or prediction as to future performance. Further information is available upon investor's request.

Kingdom of Bahrain

For Residents of the Kingdom of Bahrain: This document does not constitute an offer for sale of, or participation in, securities, derivatives or funds marketed in Bahrain within the meaning of Bahrain Monetary Agency Regulations. All applications for investment should be received and any allotments should be made, in each case from outside of Bahrain. This document has been prepared for private information purposes of intended investors only who will be institutions. No invitation shall be made to the public in the Kingdom of Bahrain and this document will not be issued, passed to, or made available to the public generally. The Central Bank (CBB) has not reviewed, nor has it approved, this document or the marketing of such securities, derivatives or funds in the Kingdom of Bahrain. Accordingly, the securities, derivatives or funds may not be offered or sold in Bahrain or to residents thereof except as permitted by Bahrain law. The CBB is not responsible for performance of the securities, derivatives or funds.

State of Kuwait

This document has been sent to you at your own request. This presentation is not for general circulation to the public in Kuwait. The Interests have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the Interests in Kuwait on the basis a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990 and the implementing regulations thereto (as amended) and Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Interests is being made in Kuwait, and no agreement relating to the sale of the Interests will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Interests in Kuwait.

United Arab Emirates

Deutsche Bank AG in the Dubai International Financial Centre (registered no. 00045) is regulated by the Dubai Financial Services Authority. Deutsche Bank AG -DIFC Branch may only undertake the financial services activities that fall within the scope of its existing DFSA license. Principal place of business in the DIFC: Dubai International Financial Centre, The Gate Village, Building 5, PO Box 504902, Dubai, U.A.E. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available to Professional Clients, as defined by the Dubai Financial Services Authority.

State of Qatar

Deutsche Bank AG in the Qatar Financial Centre (registered no. 00032) is regulated by the Qatar Financial Centre Regulatory Authority. Deutsche Bank AG -QFC Branch may only undertake the financial services activities that fall within the scope of its existing QFCRA license. Principal place of business in the QFC: Qatar Financial Centre, Tower, West Bay, Level 5, PO Box 14928, Doha, Qatar. This information has been distributed by Deutsche Bank AG. Related financial products or services are only available to Business Customers, as defined by the Qatar Financial Centre Regulatory Authority.

Kingdom of Belgium

This document has been distributed in Belgium by Deutsche Bank AG acting though its Brussels Branch. Deutsche Bank AG is a stock corporation ("Aktiengesellschaft") incorporated under the laws of the Federal Republic of Germany and licensed to carry on banking business and to provide financial services subject to the supervision and control of the European Central Bank ("ECB") and the German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" or "BaFin"). Deutsche Bank AG, Brussels Branch has its registered address at Marnixlaan 13-15, B-1000 Brussels, registered at the RPM Brussels, under the number VAT BE 0418.371.094. Further details are available on request or can be found at www.deutschebank.be.

Kingdom of Saudi Arabia

Deutsche Securities Saudi Arabia Company (registered no. 07073-37) is regulated by the Capital Market Authority. Deutsche Securities Saudi Arabia may only undertake the financial services activities that fall within the scope of its existing CMA license. Principal place of business in Saudi Arabia: King Fahad Road, Al Olaya District, P.O. Box 301809, Faisaliah Tower, 17th Floor, 11372 Riyadh, Saudi Arabia.

United Kingdom

In the United Kingdom ("UK"), this publication is considered a financial promotion and is approved by DB UK Bank Limited on behalf of all entities trading as Deutsche Bank Wealth Management in the UK. Deutsche Bank Wealth Management is a trading name of DB UK Bank Limited. Registered in England & Wales (No. 00315841). Registered Office: 23 Great Winchester Street, London EC2P 2AX. DB UK Bank Limited is authorised and regulated by the Prudential Financial Conduct Authority and its Financial Services Registration Number is 140848. Deutsche Bank reserves the right to distribute this publication through any of its UK subsidiaries, and in any such case, this publication is considered a financial promotion and is approved by such subsidiary where it is authorised by the appropriate UK regulator (if such subsidiary is not so authorised, then this publication is approved by another UK member of the Deutsche Bank Wealth Management group that has the requisite authorisation to provide such approval).

Important Information

Hong Kong

This document and its contents are provided for information only. Nothing in this document is intended to be an offer of any investment or a solicitation or recommendation to buy or to sell an investment and should not be interpreted or construed as an offer, solicitation or recommendation.

To the extent that this document makes reference to any specific investment opportunity, its contents have not been reviewed. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the investments contained herein. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice. This document has not been approved by the Securities and Futures Commission in Hong Kong nor has a copy of this document been registered by the Registrar of Companies in Hong Kong and, accordingly, (a) the investments (except for investments which are a "structured product", as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) may not be offered or sold in Hong Kong by means of this document or any other document other than to "professional investors" within the meaning of the SFO and any rules made thereunder, or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) ("CO") or which do not constitute an offer to the public within the meaning of the CO and (b) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the investments which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the investments which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the SFO and any rules made thereunder.

Singapore

The contents of this document have not been reviewed by the Monetary Authority of Singapore ("MAS"). The investments mentioned herein are not allowed to be made to the public or any members of the public in Singapore other than (i) to an institutional investor under Section 274 or 304 of the Securities and Futures Act (Cap 289) ("SFA"), as the case may be (as any such Section of the SFA may be amended, supplemented and/or replaced from time to time), (ii) to a relevant person (which includes an Accredited Investor) pursuant to Section 275 or 305 and in accordance with other conditions specified in Section 275 or 305 respectively of the SFA, as the case may be (as any such Section of the SFA may be amended, supplemented and/or replaced from time to time), (iii) to an institutional investor, an accredited investor, expert investor or overseas investor (each as defined under the Financial Advisers Regulations) ("FAR") (as any such definition may be amended, supplemented and/or replaced from time to time) or (iv) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA or the FAR (as the same may be amended, supplemented and/or replaced from time to time).

United States

In the United States, brokerage services are offered through Deutsche Bank Securities Inc., a broker-dealer and registered investment adviser, which conducts securities activities in the United States. Deutsche Bank Securities Inc. is a member of FINRA, NYSE and SIPC. Banking and lending services are offered through Deutsche Bank Trust Company Americas, member FDIC, and other members of the Deutsche Bank Group. In respect of the United States, see earlier statements made in this document. Deutsche Bank makes no representations or warranties that the information contained herein is appropriate or available for use in countries outside of the United States, or that services discussed in this document are available or appropriate for sale or use in all jurisdictions, or by all counterparties. Unless registered, licensed as otherwise may be permissible in accordance with applicable law, none of Deutsche Bank or its affiliates is offering any services in the United States or that are designed to attract US persons (as such term is defined under Regulation S of the United States Securities Act of 1933, as amended).

This United States-specific disclaimer will be governed by and construed in accordance with the laws of the State of Delaware, without regard to any conflicts of law provisions that would mandate the application of the law of another jurisdiction.

Germany

This document has been created by Deutsche Bank Wealth Management, acting through Deutsche Bank AG and has neither been presented to nor approved by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*). For certain of the investments referred to in this document, prospectuses have been approved by competent authorities and published. Investors are required to base their investment decision on such approved prospectuses including possible supplements. Further, this document does not constitute financial analysis within the meaning of the German Securities Trading Act (*Wertpapierhandelsgesetz*) and, thus, does not have to comply with the statutory requirements for financial analysis. Deutsche Bank AG is a stock corporation ("Aktiengesellschaft") incorporated under the laws of the Federal Republic of Germany with principal office in Frankfurt am Main. It is registered with the district court ("Amtsgericht") in Frankfurt am Main under No HRB 30 000 and licensed to carry on banking business and to provide financial services. Supervisory authorities: The European Central Bank ("ECB"), Sonnemannstrasse 22, 60314 Frankfurt am Main, Germany and the German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" or "BaFin"), Graurheindorfer Strasse 108, 53117 Bonn and Marie-Curie-Strasse 24-28, 60439 Frankfurt am Main, Germany.

Important Information

India

The investments mentioned in this document are not being offered to the Indian public for sale or subscription. This document is not registered and/or approved by the Securities and Exchange Board of India, the Reserve Bank of India or any other governmental/ regulatory authority in India. This document is not and should not be deemed to be a "prospectus" as defined under the provisions of the Companies Act, 2013 (18 of 2013) and the same shall not be filed with any regulatory authority in India. Pursuant to the Foreign Exchange Management Act, 1999 and the regulations issued there under, any investor resident in India may be required to obtain prior special permission of the Reserve Bank of India before making investments outside of India including any investments mentioned in this document.

Italy

This report is distributed in Italy by Deutsche Bank S.p.A., a bank incorporated and registered under Italian law subject to the supervision and control of Banca d'Italia and CONSOB.

Luxembourg

This report is distributed in Luxembourg by Deutsche Bank Luxembourg S.A., a bank incorporated and registered under Luxembourg law subject to the supervision and control of the *Commission de Surveillance du Secteur Financier*.

Spain

Deutsche Bank, Sociedad Anónima Española is a credit institution regulated by the Bank of Spain and the CNMV, and registered in their respective Official Registries under the Code 019. Deutsche Bank, Sociedad Anónima Española may only undertake the financial services and banking activities that fall within the scope of its existing license. The principal place of business in Spain is located in Paseo de la Castellana number 18, 28046 - Madrid. This information has been distributed by Deutsche Bank, Sociedad Anónima Española.

Portugal

Deutsche Bank AG, Portugal Branch is a credit institution regulated by the Bank of Portugal and the Portuguese Securities Commission ("CMVM"), registered with numbers 43 and 349, respectively and with commercial registry number 980459079. Deutsche Bank AG, Portugal Branch may only undertake the financial services and banking activities that fall within the scope of its existing license. The registered address is Rua Castilho, 20, 1250-069 Lisbon, Portugal. This information has been distributed by Deutsche Bank AG, Portugal Branch.

Austria

This document is distributed by Deutsche Bank Österreich AG, with its registered office in Vienna, Republic of Austria, registered with the companies' register of the Vienna Commercial Court under FN 276838s. It is supervised by the Austrian Financial Market Authority (Finanzmarktaufsicht or FMA), Otto-Wagner Platz 5, 1090 Vienna, and (as entity in the Deutsche Bank AG group) by the European Central Bank ("ECB"), Sonnemannstrasse 22, 60314 Frankfurt am Main, Germany. This document has neither been presented to nor been approved by any of the before-mentioned supervisory authorities. For certain of the investments referred to in this document, prospectuses may have been published. In such case, investment decisions should be made exclusively on the basis of the published prospectus including possible supplements. Only these documents are binding. This document constitutes marketing material, which has been provided exclusively for informational and advertising purposes, and is not the result of any financial analysis or research.

The Netherlands

This document is distributed by Deutsche Bank AG, Amsterdam Branch, with registered address at De entree 195 (1101 HE) in Amsterdam, the Netherlands, and registered in the Netherlands trade register under number 33304583 and in the register within the meaning of Section 1:107 of the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*). This register can be consulted through www.dnb.nl.

028036 011118