CIO Insights

Weekly Bulletin
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Global CIO

Market malaise

Global markets have continued to fall in recent days and further volatility looks likely. But what are the causes of recent reversals, and should they prompt a fundamental reappraisal of market prospects?

1. Recent market falls have been encouraged by multiple concerns, e.g. around U.S. yields, China and Italy.

2. These concerns will eventually be resolvable, but expect continued volatility for several more months.

3. Global growth will underpin risky assets, but guard portfolios against such continued volatility.

1 Current market concerns include the recent rise in U.S. yields, problems in the Chinese economy and markets (in part due to U.S./China trade tensions), and Italian budget proposals. Markets also remain worried about the outlook for oil prices and may become concerned that U.S. Q3 earnings could disappoint compared to existing very high expectations.

2 We believe that these concerns will eventually be resolvable. U.S. yields have been driven up by strong U.S. growth, increased Treasury supply, Fed policy normalization and inflation worries. However, we do not think that a further sustained rise in U.S. yields is likely as believe that U.S. inflation is unlikely to move much higher. Higher yields will make Treasuries more attractive to foreign investors (putting downward pressure on yields), the impact of a threatened sustained rise in U.S. yields would also tend to autocorrect. As regards China concerns, we think that policy measures and better news on the U.S./China trade dispute should improve Chinese market sentiment towards the end of the year. On Italy, we believe that the Italian government will prove reactive to market pressure and that a full-scale dispute with the EU will be avoided. As regards U.S. earnings, we stay positive for also reasons we discuss on page 2. Concerns around oil prices could come into sharper focus as the deadline for U.S./Iran sanctions approaches, but we continue to believe that production from other sources can offset any fall in oil availability: our 12-month forecast here is USD65/b.

3 It is worth putting recent market falls into an historical perspective. As we discuss on page 2, falls of 5% on the S&P 500 are not that rare – in fact we get an average of a little over three such falls each year. It is also worth remembering that the global economy is likely to continue to grow – if at slightly slower pace than we expected a year ago – and this should help underpin risky assets. So we do not believe that this is the time to make major change to broad asset allocations within portfolios but we do think that it is sensible to try and guard portfolios against the possible consequences of several more months of volatility. Such measures, in addition to diversification and risk control, could include sub-asset class (e.g. sectoral) changes to boost portfolio quality and thus resilience.

Inside the Bulletin

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Deutsche Bank
Wealth Management

A necessary breather

U.S.

Larry V Adam
CIO and Chief Investment Strategist – WM Americas

Following the resilience of the U.S. equity market in the third quarter, when the S&P 500 shrugged off concerns surrounding trade, EM contagion and continued Fed tightening to post the best quarterly gain (+7.7%) since Q4 2013, U.S. equities have struggled to begin the fourth quarter. As the recent rise in Treasury yields (10 YR Treasury yield at the highest level since 2011) stoked investor concerns of a continued sharp rise in interest rates, the S&P 500 posted its first consecutive five day decline (including the fourth worst point decline on record on Wednesday) since November 2016 and volatility (VIX Index: 21.3) rose to the highest level in six months.

While the swift nature of the equity market decline has been concerning, investors should remember that the S&P 500 historically averages a little more than three 5% or more declines on an annual basis. Given that the recent decline would mark only the second 5% pullback for the S&P 500 this year, the current pullback is well within the historical framework. While equities may have further to fall in the near term as markets are challenged by higher interest rates, trade uncertainty with China, mid term elections and technical levels (e.g. 200-day moving average), we caution investors against panic selling as fundamentals remain supportive of equities. We are constructive on equities at current levels, specifically surrounding some of our favorite U.S. sectors like financials and health care, for a few reasons:

- Strong Economic Fundamentals – U.S. economic fundamentals continue to remain robust, evidenced by ISM Manufacturing, ISM Services, and Business and Consumer Confidence remaining near multi-decade highs. A continued tightening in the labor market and positive impacts from the pro-growth legislative agenda should support the U.S. economy to grow 2.9% in 2018 and 2.5% in 2019. This above trend growth should support positive late-cycle equity performance going forward.
- Resilient Earnings – Q3 2018 earnings are expected to be very strong, with consensus expecting ~21.2% YoY earnings growth. However, we expect earnings growth to be revised higher by ~4% (the last 8Q average upward revision from the start of the quarter) throughout earnings season which would make Q3 2018 the third consecutive quarter of above 25% earnings growth (the first time this has occurred since Q4 2010). Also of note, future earnings estimates remain strong as FY 2019 EPS estimates have risen to $178 from $162 at the start of the year.
- Attractive Valuations – Despite the positive total return performance YTD, the S&P 500 is significantly more attractive from a valuation perspective relative to the start of the year. In fact, the robust 2018 earnings have resulted in significant P/E contraction (current S&P 500 NTM PE = 16.0x vs. 18.1x at the start of the year) year-to-date.
- Positive Seasonality Ahead - There are two seasonal factors that should be supportive for the S&P 500 going forward. First, Q4 has historically been the best quarter of the year as the S&P 500 has been up ~5.7%, on average, over the past 20 years. Second, the 12 months following a midterm election has historically been a positive environment for the S&P 500 as the Index has been positive following 21 of the past 22 midterm elections and is up ~15%, on average, over that period.

Italy and the UK

EMEA

Stéphane Junod
CIO EMEA and Head of WD EMEA

An economic silver lining in Italy, but longer-term outlook uncertain

Italy’s industrial sector surprised markets on the upside. Industrial production rose by 1.7% in August, which was the fastest monthly expansion since December 2017. It seems that while political volatility has so far impacted stocks, bonds and to a limited extend also sentiment indicators (“soft” data), the impact on “hard” data thus far seems muted. Nevertheless the Italian industrial sector is most likely to post a small decline of -0.3% for Q3 in aggregate after disappointing numbers for July. The softness in manufacturing continued to reflect weakness in the auto sector, for which Italian domestic politics can hardly be blamed as the decline is much less dramatic than, for example, in Germany. We continue to assume that Italy’s industrial production will return to positive territory in Q4, but the presentation of the 2019 budget has made the outlook less predictable. On one hand, fiscal loosening usually has a positive cyclical effect on GDP growth. According to the government’s economic and finance document (NADEF) the cyclically-adjusted budget balance will deteriorate by around 1 percentage point (ppt) of GDP from 2018 to 2019. Using standard fiscal multipliers, a fiscal expansion of 1ppt of GDP could boost GDP growth by around 0.6-0.7ppt. However, the final effect might be lower in the case of Italy. Increased uncertainty could dampen consumer sentiment and households to save more rather than spend. Financial conditions have already tightened with a sharp increase in the cost of sovereign funding and potential transmission to the banking sector. Hence, we don’t expect that any boost to GDP growth from fiscal loosening will be bigger than 0.5%.

Growth acceleration in UK, but BoE likely remains on the sideline

UK GDP expanded by 0.7% in the three months through to August according to the Office for National Statistics. With that, the UK economy is on track for its best calendar quarter in almost two years. The economy has profited from a hot summer that has boosted construction projects and retail sales. However, this upbeat news of growth is making the challenges for Bank of England (BOE) policy makers even larger. The labor market is tight and wages are on the rise. In order to dampen building price pressures, the BoE might have to raise interest rates further. However, given all the political uncertainty and a more challenging external environment, we think that the BoE will be hesitant to hike interest rates before there is greater clarity about the most likely Brexit outcome.

Growth worries and equity markets sensitivity

GERMANY
Gerit Heinz
Chief Strategist, Germany

GDP growth concerns

In an environment of rising yields globally, 10 year Bund yields have crept higher as well and have risen by 10 bps from their October lows and 20 bps since beginning of September. This comes at the same time as rising growth concerns globally but also lower German domestic growth expectations. The official projections of the federal government were reduced this week to 1.8% GDP growth, for this and next year. The globally downgraded growth forecasts of the International Monetary Fund include a reduction in its projections for German growth to 1.9% for 2018 and 2019. It is worth noting that, compared to market consensus, both institutions had been optimistic and their new downgraded forecasts are now close to our expectations of German GDP growth of 1.9% for this year and 1.8% for 2019. Global trade risks were a key reason cited by the federal government for the reduction of growth expectations, while domestic demand is expected to be strong. Global growth concerns related to the trade conflict, as well as rising yields, could also be important reasons for the recent downturn in German equities.

German stocks are more sensitive than the economy

In this context it is worth noting that there is a difference between domestic GDP growth and domestic equity markets. The latter are much more geared to global developments compared to other industrialized countries. For many of the companies listed on the DAX, foreign revenues account for 80% or more of total revenues. 2.6 million of DAX companies' 4 million employees work abroad and more than 50% of their shares are owned by foreign investors. This might explain why the German stock market often reacts sharply to global growth fears. This high proportion of foreign revenues is an advantage in a globalized world based on free trade – but in a world of rising trade conflicts it can turn into a headwind. Idiosyncratic issues such as the diesel crisis affecting the car industry, which is not only important for the economy but also for the German stock market, are an additional factor. The ongoing Brexit discussions also have an effect on Germany's export outlook. Germany ran a trade surplus of EUR47bn with the UK last year. The situation regarding the budget in Italy is important to German stocks in terms of sentiment. If foreign investors are concerned about Europe in general, then the high foreign ownership of DAX firms can put a dampener on German markets too. This may explain why Germany has been one of the weaker European markets this year and it is likely that volatility is going to persist, given that most of the topics mentioned above will continue to create newsflow in the coming weeks.

Indian monetary policy

ASIA
Tuan Huynh
CIO Asia and Head of WD Asia

Rate hikes to continue after the surprise pause in October

At its monetary policy meeting on October 5, India's central bank, the Reserve Bank of India (RBI), surprisingly kept the policy rate unchanged at 6.5%. This was against market expectations of a rate hike of 25bps. The decision was clear-cut: the RBI's Monetary Policy Committee voted 5-1 to keep the policy rate on hold. The RBI has already raised its policy rate twice early this year by a total of 50 bps. Following the rate pause decision from the RBI, the Indian Rupee (INR) depreciated against the USD and it reached a record low level of above 74.

We think that the RBI kept the rate unchanged in October mainly due to two reasons. Firstly, the RBI has been making an effort to manage the liquidity situation in India. A rate pause in October takes some pressure off the funding environment, particularly for the non-bank finance sector. Secondly, consumer price inflation (CPI) eased recently in India and the RBI lowered their CPI forecast at this meeting. Therefore, a rate hike in October would have translated into much higher real interest rates for the economy, with multiple implications.

Having said that, we think the RBI remains on a rate hiking path and believe that it could deliver a rate hike at its next meeting in December. Looking further ahead, we think the RBI might raise interest rates even further with another two rate hikes in 2019. India is facing challenging external environment in that, first, oil prices continue to stay at elevated levels which could lead to higher inflation and, second, the INR is under severe depreciation pressures, due to a wider current account deficits and foreign capital outflows. In addition to this, the US Fed may well continue to raise interest rates in coming quarters, which should lead to a further rise in the USD and in U.S. Treasury yields and hence add to downward pressures on the INR.

Despite the likely rate hikes from the RBI, we think India's domestic economy may prove resilient ahead of the general election in mid-2019. It should stay on a cyclical recovery path driven by the corporate capex investment and household consumption. Corporate capex recovery is supported by positive business sentiment and tight capacity utilization. Besides, government's expansionary fiscal budget in this pre-election year will also support household income growth, particularly in the rural areas. We expect India's GDP growth to be 7.5% in 2018 and 7.8% in 2019, up from only 6.2% in 2017.

UK equities and Brexit scenarios

Equities

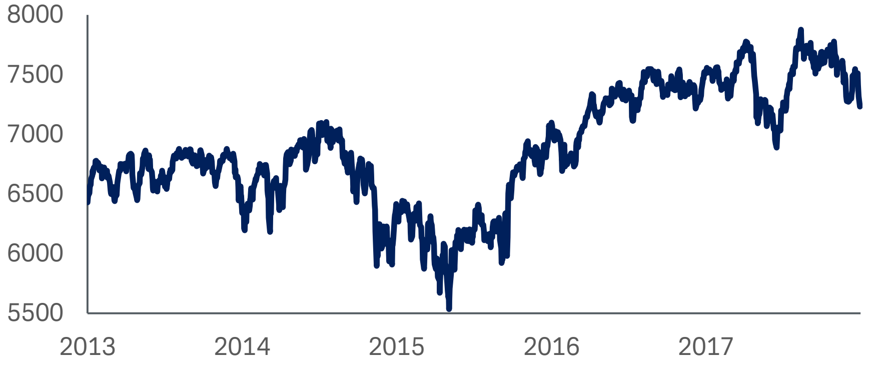
- With UK-EU negotiations approaching their final stages, markets will have a special focus on UK assets. The equity benchmark index FTSE 100 has performed poorly year-to-date despite a heavy weighting in energy-related stocks.
- We don't think it's the time to overweight UK stocks despite their relatively attractive valuations and a dividend yield above 4% as none of our most-likely Brexit outcomes are likely to provide the necessary boost to UK stocks.
- In a smooth or soft Brexit, the GBP would likely rebound, which would be a problem for FTSE 100 performance vs. global indices. (A smooth Brexit is defined as a successful withdrawal agreement; a soft Brexit would involve continued customs union or even EEA membership.)
- Domestically-focused UK firms, for example in consumer discretionary, would be likely to further suffer from weak UK consumer sentiment which could exacerbate underlying problems (e.g. related to structural or regulatory issues).
- The worst case outcome would be an uncontrolled Brexit. The large spike in uncertainty could lead to even lower valuations and downward revisions in earnings expectations.
- Against this background, and considering the market reaction in June 2016 (when UK stocks fell by much less than feared and recovered quickly due to the fall in the GBP), a drop of 5-10% in the broad market cannot be ruled out in the case of a hard Brexit.
- Financials would likely be the biggest underperformers while internationally-exposed defensives (e.g. food, beverage & tobacco and healthcare) and large-caps should do relatively better, as they should be less exposed to UK and Eurozone domestic economies.

Equities

Most-likely Brexit scenarios are unlikely to give a boost to UK equities and weak UK consumer sentiment could be a further drag

— Focus of the Week

FTSE 100 over the last five years



Source: T. R. Datastream, Deutsche Bank AG. Data as of October 8, 2018.

Italian debt opportunities

Fixed Income

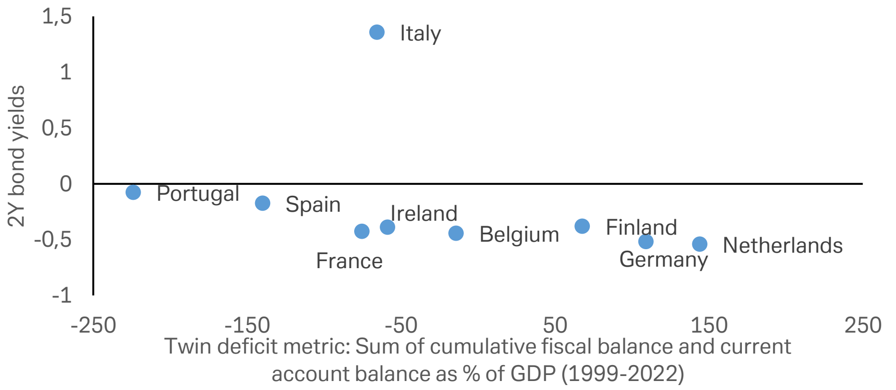
- Worries about Italy's public debt have resurfaced following announcement of Italy's budget target of -2.4% for 2019. 2-year BTP yields have more than doubled and are currently trading around 1.4%.
- The potential escalation of the budget dispute with the European Commission and the threat of a rating downgrade are clearly weighing on sentiment.
- However, we think that 2-year Italian bonds are attractively valued despite this potential rating downgrade.
- In general, summing a country's cumulated current account and budget deficits gives some indication about the risks underlying sovereign bonds.
- On this metric, Italian yields are much higher than other countries in an apparently similar position, as the chart below demonstrates. This is probably due to political uncertainty and its possible implications for the high debt burden.
- However, we are less concerned about the sustainability of the debt burden on a 2-year horizon and think that a buy and hold approach could generate an attractive yield despite market volatility.
- While the planned budget deficit for 2019 is larger than most had expected, it is unlikely to precipitate Italy's public finances into a full blown crisis in the next few years.
- Furthermore, the Italian government seems likely to change its expansionary stance in response to increased pressure from the EU and/or financial markets. Therefore, we believe that Italian bonds offer some attractive yields despite the likelihood of short-term volatility.

Fixed Income

Italian 2-year debt offers attractive yields and debt sustainability concerns are probably less relevant over this time horizon

— Focus of the Week

Italian yields higher than twin deficit metric suggests



Source: T.R. Datastream, Deutsche Bank AG. Data as of October 8, 2018.

Oil supply concerns could eventually ease

Commodities

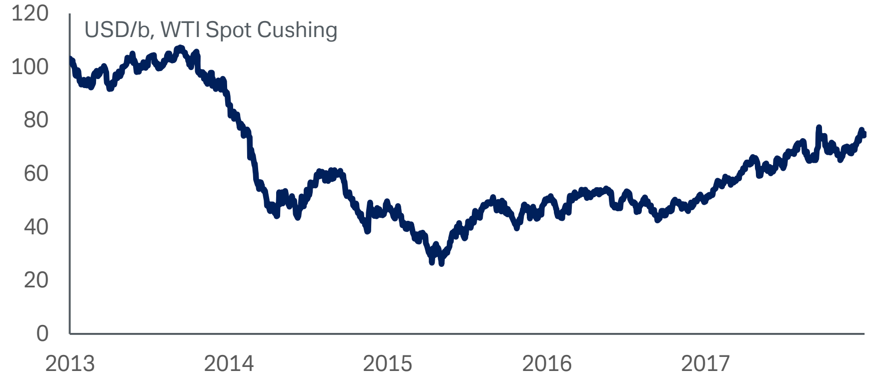
- Crude oil has continued its strong rally and is trading around USD75/b (WTI), a level that seems to worry the International Energy Agency (IEA).
- The IEA has stated that rising crude oil prices could derail demand in some of the world's fastest growing regions if producers won't take steps to boost supplies.
- In the immediate future, however, demand concerns may be less important than supply worries. While the global supply-demand dynamics seem relatively well balanced at this time, limited spare production capacity is a particular source of concern.
- Iran's oil exports have dropped faster than anticipated as many major buyers of Iranian crude oil have reduced purchases even before U.S. sanctions are enforced in November. Iranian exports have fallen by almost 1mn b/d since May
- Meanwhile, Venezuela's production continues to drop due to the country's economic collapse.
- However, we think that the loss of supply can be compensated going forward. Saudi Arabia is likely to compensate for lower Iranian exports by increasing their own production.
- Furthermore, U.S. production continues to rise, encouraged by higher prices. The EIA expects U.S. production to rise to an average of 11.9mn b/d in 2019.
- Our 12 month forecast for WTI is USD65/b, but geopolitical events could lead to increased price volatility in the shorter term.

Commodities

Iranian oil exports have fallen faster than anticipated, but Saudi Arabia is likely to boost output to compensate and U.S. production continues to rise

— Focus of the Week

Crude oil prices (WTI) over the last five years



Source: T. R. Datastream, Deutsche Bank AG. Data as of October 10, 2018.

Italian budget proposals and the EUR

Currencies

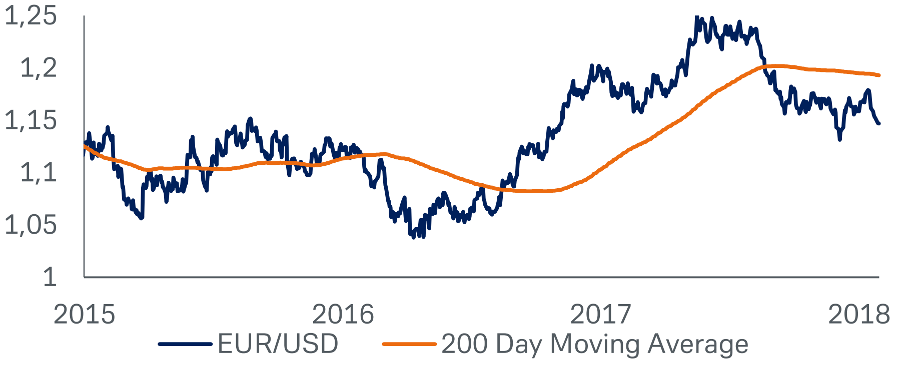
- The EUR/USD fell from 1.18 to around 1.15 after the announcement of Italian budget targets at the end of September and has remained around this level in the last two weeks.
- One could argue that the markets are reacting irrationally as the budget deficit of the U.S. is around double the size of the proposed Italian budget of 2.4% of GDP. Note also that the public debt stock of the Eurozone remains smaller relative to GDP than in the U.S., UK or Japan.
- However, this is not the main point. The EUR weakening has less to do with the Italian budget itself, but more with Italy's violation of the EU's growth and stability pact that the proposed budget implies.
- The markets fear a further escalation of the dispute after the formal submission of the budget to the European authorities on October, potentially triggering a harsh reaction from the European Commission with the opening of an excessive debt procedure, which could eventually lead to sanctions.
- In the end, what matters for the EUR outlook are the systemic implications a struggling and/or non-compliant country has to redenomination risk (in the case where a country threatens to leave the Eurozone) and how it affects the monetary policy stance of the ECB.
- While redenomination risks are very small in the case of Italy, the risk that uncertainty could further postpone ECB tightening cannot be denied. Conversely, a compromise between Brussels and Rome could lead to a EUR/USD relief rally, although the upside potential against the USD remains limited by diverging Eurozone/U.S. growth dynamics and widening interest rates differential.
- We think that the risks are well balanced. Our 12 month target for the EUR/USD is at 1.15.

Currencies

Redenomination risks around Italy are very small, but a budget row could conceivably delay ECB tightening, with implications for the EUR

— Focus of the Week

EUR vs. USD over the last three years



Source: T. R. Datastream, Deutsche Bank A G. Data as of October 8, 2018.

Deutsche Bank Wealth Management forecasts

	End-September 2019
Equity indices	
USA (S&P 500)	3,000
Eurozone (Euro STOXX 50)	3,410
Germany (DAX)	12,800
UK (FTSE 100)	7,400
Japan (MSCI Japan)	1,090
Asia ex Japan (MSCI in USD)	680
Latin America (MSCI in USD)	2,500
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	1.15	1.15	EUR/HUF	325	330
EUR/GBP	0.88	0.90	EUR/PLN	4.30	4.40
USD/JPY	111	111	USD/RUB	70.0	75.0
EUR/CHF	1.15	1.15	USD/ZAR	15.50	16.50
USD/CAD	1.28	1.25	USD/CNY	6.85	7.00
AUD/USD	0.71	0.70	USD/INR	72.0	74.0
NZD/USD	0.65	0.64	USD/KRW	1,130	1,100
EUR/SEK	10.50	10.1	USD/IDR	15,000	15,500
EUR/NOK	9.50	9.35	USD/MXN	19.75	21.00
EUR/TRY	7.47	8.28	USD/BRL	4.35	4.50

Forecasts are from Deutsche Bank AG, as of October 12, 2018 and are subject to change without notice.

Facts and Figures

	Current	1-Wk Return	1-M Return	YTD Return	Oct 10 2017 – Oct 10 2018	Oct 10 2016 – Oct 10 2017	Oct 10 2015 – Oct 10 2016	Oct 10 2014 – Oct 10 2015	Oct 10 2013 – Oct 10 2014
Rates									
2-Year German Bund	-0.53%	-0.03%	-0.08%	-0.48%	-0.75%	-0.56%	0.18%	0.19%	0.53%
5-Year German Bund	-0.04%	-0.22%	-0.58%	-0.10%	-0.42%	-0.37%	2.44%	1.26%	4.79%
10-Year German Bund	0.55%	-0.68%	-1.36%	0.22%	0.51%	-1.99%	6.74%	3.64%	12.52%
10-Year U.S. Treasury	3.17%	-0.04%	-2.10%	-5.36%	-5.48%	-2.51%	4.54%	4.11%	6.78%
10-Year UK Gilt	1.73%	-1.32%	-2.11%	-2.50%	-0.68%	-0.85%	10.59%	5.76%	8.55%
2-Year BTP	1.42%	-0.29%	-1.02%	-2.31%	-2.35%	0.51%	0.30%	1.24%	3.40%
5-Year BTP	2.87%	-0.75%	-3.03%	-6.61%	-5.89%	0.84%	3.14%	3.51%	13.38%
10-Year BTP	3.53%	-1.67%	-4.77%	-8.57%	-6.79%	-2.71%	5.52%	7.58%	22.09%
Barclays Euro Corporate	1.13%	-0.31%	-0.22%	-0.90%	-0.45%	1.22%	6.22%	0.10%	7.97%
Barclays Euro High Yield	3.66%	-0.47%	0.03%	-0.34%	0.14%	7.63%	7.03%	2.15%	8.04%
JP Morgan EMBIG Div.	6.67%	-1.22%	1.17%	-0.58%	-1.14%	-0.71%	15.20%	12.37%	16.87%
Equities									
USA (S&P 500)	2,785.7	-4.8%	-3.2%	4.2%	9.2%	17.9%	7.4%	5.7%	12.6%
Euroland (Euro Stoxx 50)	3,266.9	-4.1%	-1.3%	-6.8%	-9.2%	18.5%	-6.6%	8.7%	0.7%
Germany (DAX)	11,712.5	-4.7%	-2.3%	-9.3%	-9.6%	21.9%	5.2%	14.9%	1.2%
UK (FTSE 100)	7,145.7	-4.9%	-1.8%	-7.1%	-5.2%	6.2%	10.6%	1.2%	-1.4%
Italy (FTSE MIB)	19,719.0	-4.9%	-5.7%	-9.8%	-11.7%	34.3%	-25.3%	15.9%	1.9%
France (CAC 40)	5,206.2	-5.2%	-1.2%	-2.0%	-2.9%	19.3%	-4.3%	15.4%	-3.4%
Japan (MSCI Japan)	1,050.3	-2.1%	4.7%	-2.1%	4.7%	23.6%	-11.9%	20.6%	5.1%
Asia ex Japan (MSCI, USD)	608.6	-5.2%	-4.2%	-14.7%	-10.7%	22.2%	7.5%	-7.0%	2.2%
Latin America (MSCI, USD)	2,692.0	-0.1%	10.5%	-4.8%	-9.2%	18.8%	17.3%	-33.1%	-6.0%
Commodities & Alternatives									
WTI (USD)	73.17	-4.2%	8.3%	21.1%	43.7%	-0.8%	3.5%	-42.2%	-16.6%
Gold (USD)	1,187.5	-1.2%	-0.8%	-8.9%	-8.2%	2.6%	8.8%	-5.3%	-6.1%
EUR/USD	1.1533	0.0%	-0.6%	-4.0%	-2.4%	5.9%	-1.7%	-10.1%	-6.6%
EUR/GBP	0.8737	-1.5%	-2.0%	-1.6%	-2.3%	-0.8%	21.5%	-5.8%	-7.1%
EUR/JPY	129.98	-1.3%	0.8%	-3.9%	-1.8%	14.6%	-15.4%	0.3%	2.7%
VIX Index	22.96	11.35	8.80	11.92	12.88	-3.30	-3.70	-4.16	4.76
VDAX Index	18.73	3.31	1.70	4.58	6.16	-6.20	-4.28	1.13	3.55

Current data as of October 10, 2018. Data source: FactSet, negative numbers are in orange

Facts and Figures

	Current	1 Wk Change	1M Change	YTD Change	Oct 10 2017 – Oct 10 2018	Oct 10 2016 – Oct 10 2017	Oct 10 2015 – Oct 10 2016	Oct 10 2014 – Oct 10 2015	Oct 10 2013 – Oct 10 2014
Rates Valuations									
Eco Refi Rate	0.00%	0	0	0	0	0	-5	0	-45
Bund Yld Curve (10YR-2YR)	108	6	13	-1	-11	45	-13	-3	-79
Spread Gov. FRA—GER (10YR)	29	1	5	6	3	4	-5	-12	-13
Spread Gov. Ita-GER (10YR)	298	13	64	145	129	30	22	-31	-99
Spread Gove. SPA-GER (10YR)	107	0	-1	-7	-17	21	-18	0	-127
Investment Grade Spread (10YR)	58	-2	-8	25	27	-36	-20	53	3
High Yield Spread (10YR)	311	4	-6	74	82	-38	-48	83	-20
J.P. Morgan EMBIG Div. Spread	612	14	-14	127	136	-25	-39	89	61
Equity Valuations									
USA (S&P 500)	18.0	-1.2	-0.8	-2.6	-2.1	1.5	1.4	0.8	0.8
Euroland (Euro Stoxx 50)	13.4	-0.7	0.0	-1.7	-2.1	0.9	0.2	0.9	0.3
Germany (DAX)	12.6	-0.6	0.0	-2.0	-1.9	0.8	0.5	0.8	-0.4
UK (FTSE 100)	12.9	-0.9	-0.2	-2.6	-2.8	-2.1	2.2	2.2	0.3
Italy (FTSE MIB)	12.1	-0.6	-0.8	-3.9	-4.5	0.4	-1.6	1.2	0.1
France (CAC 40)	13.8	-0.9	-0.3	-1.5	-1.9	1.1	-0.6	1.5	-0.1
Japan (MSCI Japan)	13.4	-0.3	0.6	-2.1	-2.3	0.9	-0.6	1.0	-2.9
Asia ex Japan (MSCI, USD)	12.1	-0.8	-0.6	-2.6	-2.9	0.6	2.1	0.0	-0.2
Latin America (MSCI, USD)	14.5	-0.6	0.9	-1.3	-1.3	-1.4	1.0	2.0	-0.2

	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)	22.64	2,881.2	2,823.8	2,767.3	11.8%	0.9%	2.1%
Euroland (Euro Stoxx 50)	32.61	3,393.4	3,424.1	3,453.5	9.9%	-0.9%	4.1%
Germany (DAX)	28.41	12,288.6	12,466.9	12,550.0	9.7%	-2.5%	3.7%
UK (FTSE 100)	29.07	7,476.0	7,567.5	7,476.2	7.5%	0.4%	4.7%
Italy (FTSE MIB)	31.77	20,877.3	21,374.9	22,253.8	13.3%	0.3%	4.7%
France (CAC 40)	31.47	5,405.6	5,412.2	5,386.6	9.9%	1.3%	3.7%
Japan (MSCI Japan)	47.53	1,036.2	1,035.2	1,043.1	4.0%	0.5%	2.3%
Asia ex Japan (MSCI, USD)	25.32	650.4	669.3	699.1	11.3%	-1.8%	3.1%
Latin America (MSCI, USD)	61.24	2,545.6	2,546.9	2,781.0	17.7%	2.0%	3.6%

Current data as of October 10, 2018. Data source: FactSet, negative numbers are in orange.

Key forthcoming data releases and other events

	U.S.	Europe	Asia
Monday October 15	Empire State Manufacturing (October) Retail Sales (September) Business Inventories (August)	UK: Rightmove House Prices (October) Switzerland: Producer & Import Prices (September)	Japan: Industrial Production, Capacity Utilization (August) New Zealand: CPI (Q3)
Tuesday October 16	Industrial Production (September) JOLTS (August) NAHB Housing Market Index (October) Treasury International Capital (August)	Eurozone: Trade Balance (August), ZEW Survey (October) Germany: ZEW Survey (October) Italy: Industrial Orders (August), CPI (September), Trade Balance (August) UK: ILO Unemployment Rate (August)	China: CPI, PPI (September)
Wednesday October 17	Housing Starts (September) FOMC Minutes	Eurozone: EU27 New Car Registrations (September), CPI (September) UK: CPI, PPI, Retail Price Index (September), House Price Index (August)	Australia: Westpac Leading Index (September)
Thursday October 18	Leading Indicators (September)	UK: Retail Sales (September) Switzerland: Ex-/Imports (September)	Japan: Trade Balance (September); Foreign Buying Japan Bonds & Stocks (Oct. 12) Australia: NAB Business Confidence (Q3), Unemployment Change (September)
Friday October 19	Existing Home Sales (September)	Italy: Current Account Balance (September)	Japan: National CPI (September) China: GDP (Q3), Retail Sales, Industrial Production, Fixed Assets ex Rural (September)

Glossary

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.

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.

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

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.

Diversification refers to the dispersal of investments across asset types, geographies and so on with the aim of reducing risk or boosting risk-adjusted returns.

Earnings per share (EPS) are calculated as a companies' net income minus dividends of preferred stock all divided by the total number of shares outstanding.

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 Indian rupee (INR) is the currency of India.

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

NTM stands for next twelve months in the context of earnings and thus price/earnings ratios.

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.

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 Reserve Bank of India is the central bank of India.

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.

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

The VIX Index is a measurement of volatility implied by S&P 500 Index options.

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

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