CIO Insights

Weekly Bulletin
December 14, 2018

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Global CIO

Still to fix

As we approach the end of 2018, it makes sense to identify those policy issues where progress has been made – and those that are proving particularly intractable. Success or failure will have major asset class return implications.

1 Attention in the U.S. is now focused on government funding, but continued wages growth could also be a longer-term concern.

2 In Europe, further fiscal flare ups are possible, even if the Italian budget issue can be resolved. Brexit is also still far from resolved.

3 Recent Chinese data continues to cast a shadow, but limited further USD upside will provide some relief for emerging markets.

1 In the U.S., the over-arching trade dispute with China has gone relatively quiet for now, putting the focus back on the federal budget, and the threat of an impending government shutdown. Looking beyond the immediate politicking around government funding, budget deficits remains a long-term concern for the U.S. The implications of continued wages growth (given a very tight labour market) for unit labour costs could be another, more immediate problem, as we discuss on page 2.

2 In Europe, the ECB has ended net purchases under its asset purchase program (APP, page 3) and we have had signs of movement on the Italian budget issue, with a revised 2019 budget submitted including a deficit target of 2% rather than 2.4%. But, just as the budget issue in Italy appears to be inching towards some sort of solution, fiscal issues are flaring up elsewhere – most obviously in France (page 2) where a very disappointing flash manufacturing PMI number this morning has further deepened the gloom. Protests against a fuel tax rise and against austerity in general have resulted in a raft of fiscal spending initiatives from the government which threaten to push the budget deficit to as high as 3.5% of GDP – well above EC limits. A reaction against austerity is evident in many other European economies, suggesting that budget overshoots could be a growing issue in 2019, given that a pickup in growth looks unlikely. And meanwhile, of course, the Brexit drama continues, with prime minister May's survival of a confidence vote this week doing very little to resolve the major outstanding issues. In this situation, while the focus is still in theory on agreeing to a soft Brexit, risk scenarios are also coming increasingly under consideration.

3 Chinese industrial production and retail sales YoY growth in November failed to meet expectations, falling to multi-year lows. This suggests that Chinese government stimulus policies are yet to gain adequate traction. Emerging markets could however get some relief from only limited likely further USD upside in 2019, after a year when USD strength caused headaches for many of them. On page 9, we focus on the fortunes of the Indian rupee, now recuperating after a difficult 2018.

We wish all our readers a very happy holiday season. The next edition of the CIO Insights Bulletin will be published on January 11, 2019.

Inside the Bulletin

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Deutsche Bank
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Watching wages and inflation

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

Inflation stays muted but wages growth continues

The sharp drop in oil prices has left the headline producer price inflation (PPI) figure little changed at 0.1% MoM. A 14% fall in gasoline prices kept the index subdued. Core PPI, which excludes food and energy, rose at a faster rate of 0.3% MoM with the main driver being a 1.2% increase in prices of the typically volatile category of transportation and warehousing. The effects of falling energy prices have also made a dent on November consumer price inflation (CPI): headline inflation fell to a YoY rate of 2.2%, down from 2.5% in October. Core CPI came in at the same rate, being bolstered by a 2.4% increase in used vehicle prices.

As investors, we should keep individual monthly data releases in perspective. It is important to step back to see the broader trends flowing through the economy and what those trends are telling us. Last week's non-farm payrolls report highlighted another important issue - average hourly earnings. It seems that the U.S. economy's stellar 12-month average of just over 200K job gains per month has boosted wages, with the labor force appearing to be close to full employment. Hourly earnings grew at a YoY rate of 3.1% in November, below consensus expectations, but one of the highest rates in almost ten years. Higher wage growth may eventually translate into higher unit labor costs if productivity gains don't keep pace, in turn possibly increasing inflationary pressures. It is notable in this context that core inflationary pressures have kept above the Fed's target rate of 2%. Core inflation and wages trends need to be monitored next year, to assess their possible impact on real returns.

The week ahead

Next week's economic calendar appears to be action-packed for investors. Early in the week, we will be updated on the status of the U.S. housing market which has shown some weakness in recent times, not helped by higher mortgage rates and building costs. On Wednesday, the FOMC will announce their rate decision and market participants are fully prepared for another 25 bps increase in the Fed funds rate. On Friday, we will kick off with the third and final reading of Q3 GDP, which is generally expected to be unchanged from the previous reading of 3.5% annualized. Looking beyond the data releases, later in the week the focus will shift to Washington where law makers will have to come to an agreement to fund the government through at least the very beginning of 2019. Since 2013, we have had three shutdowns (two of them occurred in 2018) and while the effects range from minor nuances to painful situations, depending on the government's classification of your employee status, Washington's lack of constructiveness may unfortunately keep investors on edge throughout this holiday season.

ECB QE; Brexit drama; French budget

EMEA
Stéphane Junod
CIO EMEA and Head of WD EMEA

ECB ends APP net purchases

In line with expectations, the European Central Bank (ECB) has confirmed that net purchases under the asset purchase program (APP) will end this month and repeated its view that key interest rates will be on hold at least through summer 2019. However, proceeds from maturing assets will be fully reinvested for an extended period of time. The ECB has also slightly downgraded its growth projections for 2018 (from 2% to 1.9%) and for 2019 (from 1.8% to 1.7%). CPI projections were equally adjusted slightly for 2018 (from 1.7% to 1.8%) and 2019 (from 1.7% to 1.6%).

Brexit: the drama continues

The British prime minister, Theresa May, survived a confidence vote by her own Conservative MPs earlier this week, but not by a big enough majority to significantly ease her own domestic problems. Conservative rebel MPs will continue to fight her Brexit legislation in parliament – as will the UK opposition parties. Achieving a soft Brexit remains the focus of attention but risk scenarios such as a new election (the opposition Labour party could still call for motion of no confidence in the government), a non-Brexit or a hard Brexit cannot be neglected. If a hard Brexit can be avoided, we do see some eventual upside for UK assets and the GBP as they are currently both undervalued and under-owned – but on a risk-adjusted basis, UK assets and the GBP do not seem very attractive.

France could join Italy in budget breach

Widespread protests in recent weeks all over France have stifled economic activity to the point that the French central bank has halved its GDP growth estimate for Q4 from 0.4% to 0.2% QoQ. In an effort to calm things down, the French government has announced a raft of fiscal spending measures including a suspension of the envisaged fuel tax in 2019, an increase in the minimum wage by EUR100 per month, tax exemptions for retirees and tax credits on overtime and year-end bonus payments. These measures are forecast to cost EUR10-14bn a year, or around 0.5% of GDP. They would also boost the budget deficit for 2019 to 3.5% of GDP, on one calculation, a significantly bigger breach of EU regulations than Italy, which is targeting a budget deficit of 2.4%.
It is true that Italy's total government debt stands at 131% of GDP, over double the EU-imposed limit of 60%, but France's debt exceeds 60% as well, currently standing at 97% of GDP and likely to touch 100% soon. France is one of six countries together with Belgium, Portugal, Slovenia and Spain that have already been admonished by the European Commission in November because of risks to the Stability and Growth Pact in their budgets for 2019. Financial markets have started to react. Spreads on 10-year government bonds (OATs) have risen to about 45 basis points this week, to a 17-month high.

The seven year itch

GERMANY
Gerit Heinz
Chief Strategist, Germany

Ending a difficult year

This year's German equity market performance reminds us that equity markets can move in more than one direction and that global developments can have a huge impact on an internationally-exposed stock market. As matters stand, the DAX is going to end 2018 below where it closed 2017 – the first such decline for seven years. The performance of the MDAX moved more or less in lockstep, demonstrating that not only the very largest German companies are heavily geared to international developments and global trade.

Earnings forecasts for German companies in 2018 were in hindsight too optimistic and negative earnings revisions for German stocks were exceeded only by those for emerging markets. The escalation of trade conflicts and the diesel issue were among the most important factors affecting the market's development during the course of the year as the automobile industry represents approximately 13% of the DAX compared to 4% for the EuroStoxx50 and 3% of the Stoxx600. The number of profit warnings was unusually high this year and not all of them could be attributed to global issues: company-specific developments also proved important. An easing of global trade tensions next year would be positive for German stocks, but as long as there remain differences between the U.S. and China, the German economy and stock market remain potential hostages to fortune.

Bund yields as a global risk thermometer

The rise in Bund yields at the beginning of 2018 was in line with economic developments, but the safe haven status of German bonds reasserted itself in the course of the year. Italian budget, Brexit and trade concerns resulted in flight to safety. The challenge for fixed income investors remains that once these topics fade from the scene, along with the effects of ECB net asset purchases (now ending), then the resultant rise in yields will result in negative return expectations for Bunds – meaning that better investment opportunities in the fixed income space will need to be found elsewhere.

Too much stimulus; too few workers

Even after the ending of its bond buying program, ECB policy will continue to be too accommodative in an economy with a record low (post reunification) unemployment rate and running at its capacity limits. The consequences of this can be seen in continuous real estate market price gains. Wages are increasing by faster than inflation, creating a feedback loop. Labour shortages are a driver here: more than 20% of companies say that they are hindering production. The implication is that this could be a limiting factor for growth. In this late-cycle environment, the GDP growth forecast for 2019 is lower: 1.5%, after an estimated 1.7% this year.

Malaysia: growth headwinds continue

ASIA

Tuan Huynh
CIO Asia and Head of WD Asia

Malaysia's economy has showed slowing YoY rates of GDP growth during 2018. We think the economy could continue to face several headwinds on both domestic and external fronts in 2019. We forecast Malaysia's GDP growth to moderate from 5.0% in 2018 to 4.8% in 2019.

On the external front, Malaysia's exports could be affected by the global growth moderation and by still relatively low oil prices. Malaysia is an export-oriented economy and its exports could be affected by the growth slowdown forecasts for the major economies of the U.S., China and Eurozone in 2019. Any continuation in U.S.-China trade tensions may also affect Malaysia. Besides, Malaysia is a rare net oil exporter in the region. If crude oil prices stay at relatively low levels in 2019, Malaysia's total oil exports are likely to decline compared to this year.

On the domestic front, Malaysia could see fiscal consolidation and slower infrastructure investment in 2019. Malaysia's government under Prime Minister Mahathir Mohamad has been advocating fiscal consolidation. The government has already announced a conservative budget for 2019. While fiscal discipline could help Malaysia's sovereign ratings, it might negatively affect its immediate GDP growth prospects in 2019.

In addition, the Malaysian government is reviewing the mega-infrastructure construction projects, particularly the ones with Chinese investment. For example, the East Coast Rail Link is under review now and the Kuala Lumpur-Singapore high speed rail has been suspended for two years. The Klang Valley mass rapid transit line 3 (MRT 3) has been postponed. As a result, we think Malaysia's infrastructure investment growth in 2019 is likely to moderate with the delay of these mega projects.

Having said that, we think consumption could remain a steady driver of Malaysia's growth in 2019. Household income is likely to be supported by government's tax rebates. The removal of the goods and services tax (GST) and the implementation instead of a sales and services tax (SST) have reduced the tax burden on households, which will be positive for household consumption.

Given the likely growth moderation in 2019, we think Malaysia's central bank, the Bank Negara Malaysia (BNM), is likely to keep its policy rate on hold throughout the year.

Weak trade figures add to Chinese gloom

Equities

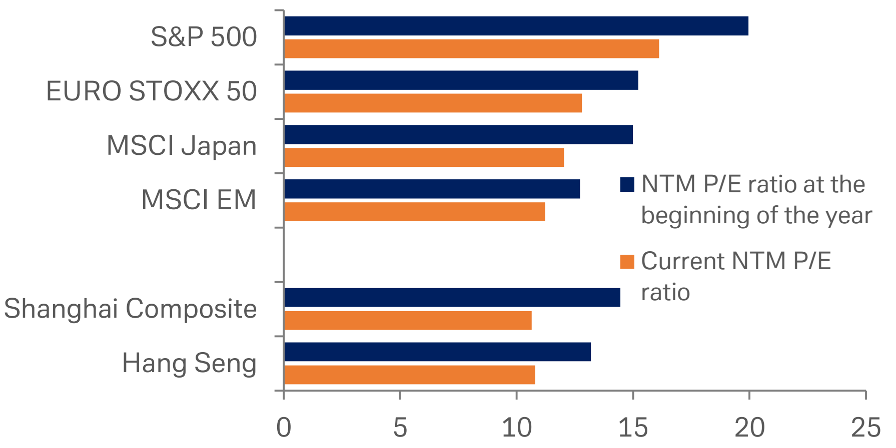
- In 2018 Hong Kong and mainland China equities have struggled with Hang Seng and the Shanghai Composite Indices having fallen by -11.4% and -20.4% respectively on a YTD basis, as of December 13. However, since the beginning of December, both indices have appreciated, by 0.1% and 1.8% respectively.
- Concerns about U.S./China trade relations have contributed to market falls and we expect these to continue: it will be very challenging to reach a comprehensive agreement on all issues within the 90-day period stipulated. Chinese import and export data for November, which came in significantly below expectations, suggest that the dispute is already having an impact on global and domestic demand.
- The most recent trade data has made it more likely that Beijing may soon provide more policy stimuli to support growth.
- On the positive side, ongoing liberalization efforts should, we think, help to attract foreign investment, thus acting as a long-term catalyst for Chinese mainland equity markets.
- The Shanghai Stock Exchange (SSE) has released long-awaited draft rules to stop listed companies from stopping trading in their shares whenever they suspect that the market will turn against them.
- In the middle of 2019 the technology innovation board at the SSE is expected to debut, with companies allowed to submit listing applications earlier. The long-term goal is to build a real Nasdaq-style market on the mainland, with looser regulations around initial public offerings (IPOs), based on revenue and capitalization thresholds rather than profitability, and a more flexible trading system.
- China is currently the cheapest major equity market in the world trading at a remarkable discount to historical average price/earnings (P/E) ratios.

Equity

China is the cheapest major equity market in the world and is trading at a remarkable discount to historical average P/E ratios

— Focus of the Week

China vs. other regions' NTM* P/E ratios



Source: Bloomberg Finance LP, Deutsche Bank AG. Data as of December 12, 2018. * NTM = next twelve months.

Asian credit after a challenging 2018

Fixed Income

- It was a challenging year for Asia credit in 2018. The benchmark JP Morgan Asia Credit Index (JACI) had declined 2.2% YTD as of December 12, the worst performance since the Global Financial Crisis.
- Headwinds to Asia credit this year included 1) U.S.-China trade tensions; 2) the stronger USD and higher Treasury yields; 3) renewed market concerns over EM vulnerability and contagion effects; and 4) tight onshore liquidity in China, leading to higher offshore issuance.
- Some challenges will remain in 2019, but there will also be opportunities in Asia credit in the new year. We see three possible positive developments: 1) we would expect the U.S. and China to reach some form of trade deal; 2) China's onshore liquidity situation could get less tight compared to this year, with the PBoC further cutting the RRR rate to inject liquidity into the banks and encouraging the banks to lend more to the private companies; and 3) we think that further upside to USD strength will be limited in 2019, given slightly slower economic growth in the U.S. and a likely ECB rate hike in H2 2019.
- Within Asia credit, we think that one promising area is short-dated Chinese property high yield.
- We think that the profitability of the Chinese property companies is likely to remain resilient, especially large property companies with national operations. The government's generally supportive policies for the economy should also reduce the risk of liquidity shortage situations, as seen this year, in our view.
- While the property market in tier-1 cities could continue to slow down, the property markets in lower tier cities may prove more resilient with higher household income and increased infrastructure spending.

Fixed Income

Three positive developments could help Asian credit in 2019 – a U.S./China trade deal, better Chinese liquidity and only limited further USD upside

— Focus of the Week

The JP Morgan Asia Credit Index in 2018

Source: Bloomberg Finance LP, Deutsche Bank AG. Data as of December 13, 2018

Limited upside for gold prices

Commodities

- The gold price has recovered slightly over the past month. Compared to a recent low of USD1,200.4/oz on November 12, gold prices had risen by 3.4% to USD1,242.9/oz on December 13. This was the highest level in five months.
- We think that the gold price has been mainly supported by the following factors.
    - First, higher financial market volatility, especially in U.S. equities. Gold is generally viewed as a "safe haven" asset when investors turn risk averse.
    - Second, the market is now pricing in fewer rate hikes from the Fed. Due to recent market volatility and the Fed governor's apparently dovish recent statement, the market is now scaling back rate hike expectations for 2019. Gold is an asset which generate no yields, so if rates are not expected to rise as much as previously, it becomes relatively attractive to yield-bearing assets.
    - Third, the USD appears more stable, which should help the gold price. A strong USD is generally negative to gold price.
- Looking at 2019, we expect some more limited upside in the gold price due to :
    - First, the likely continual market volatility in the late cycle environment.
    - Second, only limited further upside for the USD.
    - Third, geopolitical risks prompting "safe haven" capital flows to gold.
- We expect the gold price to reach USD1,275/oz at end 2019.

Commodities

Gold could benefit in 2019 from further late cycle volatility, only limited further USD upside and continued geopolitical risks

— Focus of the Week

The gold price in 2018

Source: Bloomberg Finance LP, Deutsche Bank AG. Data as of December 13, 2018/

USD/INR outlook

Currencies

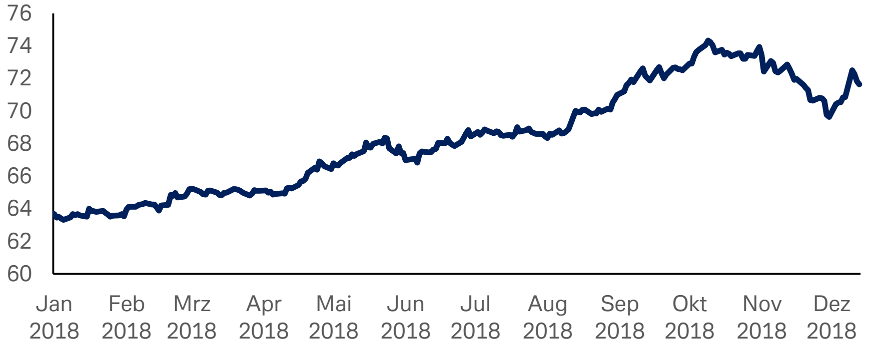
- After reaching its record low of 74.3 in early October, USD/INR (Indian rupee) has showed a visible rebound in the past two months. As of December 13, the INR had appreciated nearly 3.4% against USD since early October.
- We think there have been two principal factors supporting the INR:
    - First, lower oil prices. India is highly dependent on oil imports. As crude oil price declined nearly 20% in the past two months, India's current account deficits are also likely to decline. Lower current account deficits would reduce the pressures on India's external balance sheet.
    - Second, the fact that the USD has remained largely stable in the past two months. A stable USD tends to be favorable to emerging market currencies in general, as it helps to stabilize the servicing costs of their USD-denominated short-term external debt.
- Looking ahead, we expect the INR to depreciate moderately against USD to 75.0 at end 2019.
- We think INR remains vulnerable to any risk of higher oil price in 2019 and of a markedly stronger USD (which we do not expect) following further Fed rate hikes.
- Besides, the future Reserve Bank of India (RBI) monetary policy bias is not yet known by the market, as a new governor has just been appointed. RBI independence from the Indian government could remain important, particularly with Indian national elections due next year.

Currencies

The USD/INR has appreciated by more than 3% in the past two months, helped by lower oil prices and a more stable USD

— Focus of the Week

USD/INR in 2018



Source: Bloomberg Finance LP, Deutsche Bank AG. Data as of December 13, 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-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 December 12, 2018 and are subject to change without notice.

Facts and Figures

	Current	1-Wk Return	1-M Return	YTD Return	Dec 12 2017 – Dec 12 2018	Dec 12 2016 – Dec 12 2017	Dec 12 2015 – Dec 12 2016	Dec 12 2014 – Dec 12 2015	Dec 12 2013 – Dec 12 2014
Rates									
2-Year German Bund	-0.58%	-0.08%	-0.07%	-0.44%	-0.67%	-0.65%	0.11%	0.33%	0.59%
5-Year German Bund	-0.26%	-0.14%	0.28%	0.96%	0.32%	0.26%	1.63%	1.35%	4.90%
10-Year German Bund	0.27%	0.07%	1.17%	3.04%	2.00%	2.66%	2.41%	1.85%	14.82%
10-Year U.S. Treasury	2.91%	0.20%	2.58%	-2.51%	-2.41%	2.43%	-0.62%	1.73%	10.29%
10-Year UK Gilt	1.27%	0.47%	1.69%	1.92%	2.29%	4.58%	5.64%	2.44%	13.98%
2-Year BTP	0.59%	0.02%	1.36%	-0.21%	-0.58%	0.82%	0.30%	1.35%	2.09%
5-Year BTP	2.07%	0.07%	2.97%	-2.78%	-4.02%	4.27%	0.76%	4.87%	9.87%
10-Year BTP	3.01%	0.55%	4.21%	-3.94%	-6.21%	6.63%	-2.03%	7.46%	22.27%
Barclays Euro Corporate	1.35%	-0.06%	-0.89%	-1.61%	-2.18%	3.90%	3.52%	0.13%	8.03%
Barclays Euro High Yield	4.58%	-0.16%	-2.52%	-3.57%	-3.52%	7.36%	7.11%	1.68%	6.54%
JP Morgan EMBIG Div.	6.84%	0.27%	-0.67%	0.87%	-0.96%	0.03%	13.38%	16.36%	17.29%
Equities									
USA (S&P 500)	2,651.1	-1.8%	-2.8%	-0.8%	-0.5%	18.0%	12.2%	0.5%	12.8%
Euroland (Euro Stoxx 50)	3,108.0	-1.3%	-2.7%	-11.3%	-13.7%	12.5%	-0.1%	4.4%	4.8%
Germany (DAX)	10,929.4	-2.4%	-3.5%	-15.4%	-17.1%	17.8%	8.2%	7.8%	6.4%
UK (FTSE 100)	6,880.2	-0.6%	-2.5%	-10.5%	-8.3%	8.9%	15.8%	-5.5%	-2.2%
Italy (FTSE MIB)	18,945.8	-2.0%	-0.6%	-13.3%	-16.6%	23.7%	-12.6%	13.0%	4.5%
France (CAC 40)	4,909.5	-0.7%	-3.0%	-7.6%	-9.5%	14.0%	4.6%	10.7%	1.0%
Japan (MSCI Japan)	959.9	-1.8%	-3.7%	-10.6%	-10.6%	16.3%	-1.8%	8.8%	12.5%
Asia ex Japan (MSCI, USD)	605.1	-2.3%	1.9%	-15.2%	-12.6%	31.6%	7.6%	-12.4%	1.9%
Emerging Markets (MSCI, USD)	978.9	-2.3%	1.3%	-15.5%	-12.0%	27.5%	12.8%	-17.6%	-5.4%
Commodities & Alternatives									
WTI (USD)	51.15	-3.3%	-14.7%	-15.3%	-10.5%	8.2%	48.5%	-38.4%	-40.7%
Gold (USD)	1,246.2	0.7%	3.6%	-4.4%	0.7%	6.7%	7.7%	-12.0%	-0.6%
EUR/USD	1.1366	0.2%	1.0%	-5.3%	-3.1%	10.6%	-3.5%	-11.8%	-9.4%
EUR/GBP	0.8977	0.8%	2.7%	1.1%	2.0%	5.1%	15.9%	-8.9%	-5.8%
EUR/JPY	128.68	0.3%	0.5%	-4.9%	-3.5%	8.9%	-8.0%	-9.9%	4.3%
VIX Index	21.46	0.72	1.01	10.42	11.54	-2.72	-11.75	3.31	5.54
VDAX Index	20.73	0.59	1.80	6.58	7.55	-3.45	-9.41	2.79	7.15

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

Facts and Figures

	Current	1 Wk Change	1M Change	YTD Change	Dec 12 2017 – Dec 12 2018	Dec 12 2016 – Dec 12 2017	Dec 12 2015 – Dec 12 2016	Dec 12 2014 – Dec 12 2015	Dec 12 2013 – Dec12 2014
Rates Valuations									
Eco Refi Rate	0.00%	0	0	0	0	0	-5	0	-20
Bund Yld Curve (10YR-2YR)	84	-4	-16	-24	-24	-7	27	22	-93
Spread Gov. FRA—GER (10YR)	45	5	7	22	26	-28	16	5	-35
Spread Gov. Ita-GER (10YR)	274	-5	-34	121	139	-26	61	-45	-83
Spread Gove. SPA-GER (10YR)	117	-3	-6	2	1	7	-1	-17	-100
Investment Grade Spread (10YR)	108	3	34	76	76	-27	-24	34	25
High Yield Spread (10YR)	431	2	77	195	183	10	-77	66	53
J.P. Morgan EMBIG Div. Spread	658	-5	15	173	159	-47	-34	57	116
Equity Valuations									
USA (S&P 500)	16.5	-0.5	-0.7	-4.1	-4.0	1.3	2.1	0.0	0.9
Euroland (Euro Stoxx 50)	13.0	-0.2	-0.4	-2.1	-2.5	0.1	1.4	0.1	0.4
Germany (DAX)	12.4	-0.3	-0.3	-2.1	-2.4	0.4	1.4	-0.5	-0.1
UK (FTSE 100)	12.1	-0.2	-0.6	-3.5	-3.1	-1.7	1.9	1.7	-0.5
Italy (FTSE MIB)	11.1	-0.4	-0.3	-4.8	-5.3	-1.6	0.0	2.4	-0.2
France (CAC 40)	12.9	-0.2	-0.5	-2.5	-2.8	0.5	0.5	0.7	0.2
Japan (MSCI Japan)	12.3	-0.2	-0.4	-3.2	-3.6	-0.9	1.2	-0.4	-1.1
Asia ex Japan (MSCI, USD)	12.0	-0.4	0.1	-2.7	-2.4	0.4	1.8	-0.5	0.2
Emerging Markets (MSCI, USD)	11.4	-0.4	0.0	-2.8	-2.3	0.2	1.9	-0.1	0.3

	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)	42.07	2,731.5	2,803.8	2,760.3	8.6%	-1.1%	2.2%
Euroland (Euro Stoxx 50)	44.91	3,187.1	3,299.9	3,378.1	10.5%	-1.8%	4.2%
Germany (DAX)	41.37	11,394.3	11,881.6	12,219.4	11.4%	-4.1%	3.8%
UK (FTSE 100)	45.16	7,029.3	7,273.8	7,377.9	6.1%	-0.7%	5.0%
Italy (FTSE MIB)	48.40	19,160.0	20,110.4	21,379.8	11.6%	1.7%	5.0%
France (CAC 40)	45.68	5,045.6	5,234.6	5,309.6	9.3%	-1.0%	4.0%
Japan (MSCI Japan)	43.50	989.8	1,012.2	1,022.5	3.3%	-1.4%	2.6%
Asia ex Japan (MSCI, USD)	48.94	601.5	629.0	668.0	8.6%	-4.5%	3.1%
Emerging Markets (MSCI, USD)	48.16	978.5	1,013.0	1,074.5	9.6%	-0.6%	3.4%

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

Key forthcoming data releases and other events

	U.S.	Europe	Asia
Monday December 17	Empire Manufacturing (December), NAHB Housing Market Index (December)	Eurozone: Trade Balance (October), CPI (November) UK: Rightmove House Prices (December) Italy: Trade Balance (October)	Japan: Tokyo Condominium Sales (November)
Tuesday December 18	Housing Starts (November), Building Permits (November)	UK: Gfk Consumer Confidence (December) Germany: ifo Business Climate (December) Spain: Labour Cost (Q3)	China: Foreign Direct Investments (November) New Zealand: ANZ Business Confidence (December), Current Account Balance (Q3)
Wednesday December 19	FOMC Rate Decision (December), MBA Mortgage Applications (December), Current Account Balance (Q3), Existing House Sales (November),	UK: CPI (November), PPI (November) Germany: PPI (November) Spain: Total Mortgage (October)	Japan: Trade Balance (November), Export / Import (November) Australia: Westpac Leading Index (November) New Zealand: GDP (Q3), NZD Trade Balance (November), Export / Import (November)
Thursday December 20	Philadelphia Fed Business Outlook (December), Initial Jobless Claims (December), Bloomberg Consumer Comfort Economic Expectations (December 16), Leading Index (November)	Eurozone: ECB Current Account (October) UK: Bank of England Bank Rate (December), Retail Sales (November) Italy: PPI (November), Current Account Balance (October) Switzerland: Export / Import (November)	Japan: BoJ Decision (December), Japan Buying Foreign Bonds and Stocks (December 14), All Industry Activity Index (October), Machine Tool Orders (November) Australia: Employment & Unemployment Rate (November) South Korea: PPI (November)
Friday December 21	GDP (Q3), Durables Goods Orders (November), University of Michigan Sentiment (December)	Eurozone: Consumer Confidence (December) UK: GDP (Q3) Germany: Gfk Consumer Confidence (January) France: Manufacturing Confidence (December), GDP (Q3), PPI (November) Italy: Manufacturing Confidence (December), Consumer Confidence (December), Economic Sentiment (December) Switzerland: Money Supply M3 (November)	Japan: NATL CPI (November) New Zealand: Credit Card Spending (November)

Glossary

Bank Negara Malaysia is the central bank of Malaysia.

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 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.

INR is the currency code for the Indian rupee.

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

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

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

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

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

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.

The EU's Stability and Growth Pact is focused on monitoring fisal policy around maximum limits for 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.

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

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