CIO Insights

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Stay vigilant on volatility

Recent market gains have followed decent U.S. Q4 2018 earnings releases so far. But stay vigilant on volatility: a wide range of unresolved geopolitical problems still could cause upset, as could future changes in earnings expectations.

1 U.S. Q4 earnings releases suggest continued strong YoY growth but future revisions could start to set a different tone.

2 Eurozone data suggests a continued loss of steam and Brexit developments could well prompt more market volatility.

3 Trade data have prompted more China stimulus commitments. Less pronounced USD strength would be helpful for Indonesia.

1 After a torrid end to 2018, markets have so far taken heart from initial releases in the U.S. Q4 corporate earnings season, now underway. Q4 earnings growth is expected to remain strongly positive, with consensus estimating a rate of 11.2%. However, as always, it is worth looking beyond the headline data and, as we discuss on page 2, analyst revisions are increasingly downwards, with investors keen to find out how trade disputes and a softer Chinese economy have impacted U.S. multinationals. There are also increasing concerns, as the government shutdown drags on, that it will have a growing impact on the real economy and could soften business and consumer confidence – creating an impact that could outlast the shutdown itself.

2 Caution is advisable on the macroeconomic and political outlook elsewhere too. In the Eurozone, industrial output has been falling and inflation data remains obstinately low (page 3) although it appears that a German technical recession may have been avoided (page 4). The Brexit drama also continues, with Prime Minister May's plan thrown out by the UK parliament on Tuesday. GBP rose after this event, but it is premature to be confident about eventually reaching a "soft Brexit" or "no Brexit" outcome, although an extension of Article 50 looks increasingly likely. Mrs. May is now involved in cross-party talks to find possible alternative approaches and parliament will debate these on January 29, but any path forward will not be a smooth one and market volatility could be high.

3 Asia has seen a range of good and bad news this week. In China, disappointing December external trade data published at the start of this week prompted further government stimulus commitments and a subsequent market rally. Nonetheless, worries about how effective or quick-acting these measures will be, or the likely extent of the Chinese growth slowdown, will persist. In Indonesia, however, Bank Indonesia has managed to keep rates on hold (page 5) and pressures on the Indonesian rupiah (IDR) could well be less in 2019 than in the year just ended. Much will depend on future trends in the USD, one of our six 2019 themes. As we discuss on page 9, recent weakness in the USD is unlikely to become a trend, but subsequent USD appreciation in 2019 is likely to be only moderate – helping Indonesia and many other emerging markets.

Inside the Bulletin

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Deutsche Bank
Wealth Management

Earnings lift equities as shutdown continues

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

Stocks rise as investors digest earnings data

U.S. stocks are higher after the first batch of companies in the S&P 500 begin to report Q4 2018 results. Financials continued the tradition of being the first to report, along with some consumer and technology names. Q4 revenue is expected to increase 4.3% from Q4 2017, while earnings are expected to rise 11.2%. Of the 49 companies in the S&P 500 that have reported earnings, 79% have reported earnings above analyst expectations, which is well above the long-term average of 64%. Furthermore, there have been 72 negative earnings per share (EPS) preannouncements issued by S&P 500 members compared to 48 positive. This ratio is so far in-line with the recent ratios throughout the recent quarters. However, investors may want to focus on the trend in negative analyst revisions. Since the beginning of last month, downward revisions have risen from 47% to 66%, while upward revisions fell from 53% to 34%. Market participants are interested in finding out just how the ongoing trade disputes and a softer Chinese economy have impacted U.S. multinationals. Interestingly, adverse dollar dynamics from a rally in the world's reserve currency has taken the spotlight as being the most cited excuse for causing a negative impact, while tariffs and China take the backseat, for now.

Government shutdown drags on

The partial government shutdown has continued to carry on with no real solution yet in sight as leadership from both congressional parties and the President have made no progress on their disagreements over border security. Investors are rightfully beginning to worry that an extended, more economically-damaging shutdown may begin to have knock-on effects on the U.S. economy. First off, just before last weekend began, approximately 800,000 federal workers missed their first paycheck, possibly forcing households to rein-in spending. Additionally, federal contractors are having a tough time generating cash flow since the government has cut off payments. Lastly, spottier government services may soon have indirect impacts across various areas of the economy. For example, tourism may be hurt since tourists may choose to avoid the longer lines and additional delays at airports, or small businesses may not be able to secure a Small Business Administration (SBA) loan for funding operations. While all of the negative effects are difficult to exactly quantify, the White House's advisors have estimated that this shut down is costing 13 bps of growth per week. It is reasonable to assume that an extended government shutdown will only soften both consumer and business confidence – creating a negative impact that may outlast the shutdown itself.

Eurozone and UK data; ECB policy

EUROPE
Stéphane Junod
CIO Europe and Head of WD Europe

Eurozone industrial output falls and inflation refuses to perk up

The Eurozone is losing steam. Industrial production has declined by 3.3% YoY in November, confounding already negative consensus expectations of a 2.3% fall. On the heels of the decline in Germany reported last week, Italy announced a fall in industrial output of 2% YoY in November, while output in France and Spain that month shrank by 2.1% and 2.6% YoY respectively. As a consequence, it comes as little surprise that inflation refuses to perk up. Eurozone consumer price inflation (CPI) remained stable at 1.6% YoY in December, well below the ECB's target of 2%, and core inflation (stripped of volatile fuel and food prices) barely reached half of that, having remained steady at 1% YoY in December. As regards the headline inflation figure, there are also differences within the Eurozone economies: While in France consumer price inflation reached 1.9% YoY last month, in Spain it is limited to 1.2% and in Italy to 1.1%.

Implications of ECB ending QE

Such subdued data for November and December were despite ECB injections of liquidity into the continent's financial system via its quantitative easing (QE) program. As of this month, this form of net monetary stimulus has disappeared, implying a certain degree of monetary tightening. What tighter monetary conditions may do to weakening economic conditions and subpar inflation is a question that is increasingly on investors' minds. For this reason, ECB President Draghi's speech on January 15 attracted particular interest. He acknowledged that the Eurozone's economy was slowing down, and that this soft patch might last for "longer than expected before". However, he declared the current monetary policy to be "very accommodative already" and stressed that the ECB had the tools to address potential problems ahead, before stating that countries that suffer from low growth had to blame themselves because of a lack of economic reforms in recent years. While it is undeniable that economic reforms in the Eurozone have fallen short of expectations, such statements don't address the doubts about whether the ending of the ECB's quantitative easing program is fortuitously timed. Further data and statements by ECB members will be monitored closely.

Some UK data is holding up for now

Meanwhile, despite the ongoing Brexit debate, UK economic data is holding up – at least for now. While industrial production has, here too, declined – by 1.5% YoY in November, with manufacturing production shrinking by 1.1% YoY – the Index of Services for the three months to November has risen by 0.3%, exceeding expectations. Gross Domestic Product also surprised on the upside with 0.2% growth MoM in November, ahead of expectations of 0.1%. Consumer price inflation slowed down to 2.1% YoY in December from the previous reading of 2.3% in November, while core inflation rose from 1.8% to 1.9% YoY.

Growth engine stutters but is still firing

GERMANY

Gerit Heinz
Chief Strategist Germany

Full year 2018 GDP data suggests positive growth in Q4

Concerns regarding a possible technical recession (i.e. two consecutive quarters of negative QoQ growth) emerged after the negative growth number in Q3 and much weaker-than-expected industrial production in November, but have not materialized. The first calculations of the Federal Statistical Office published this week resulted in an estimated full year 2018 growth rate of 1.5% YoY. Taking the already published Q1 to Q3 data into account, and assuming there will be no revisions to them, the full year estimate points to a positive growth number in Q4. Some uncertainty remains, however, as the first estimates on Q4 will not be published until February 14, with details following February 22. In this context, the purchasing manager indices (PMI) and Ifo index to be published next week need to be watched carefully as they should give an indication about the current trend of the German economy.

External trade proves a hindrance not a help

On a price and calendar-adjusted basis, estimated 2018 growth fell significantly compared to 2017, taking it to the same level as in 2015. As expected, global trade tensions left their mark. While consumption expenditures and gross fixed capital formation were positive contributors, net trade subtracted 0.2 percentage points from GDP growth as imports grew more strongly than exports (3.4% vs. 2.4%). This is a reflection of manufacturing sector weakness which might persist as long as trade conflicts, Brexit and other geopolitical issues are a drag on exports. German economic recovery since 2009 owed much to the country' manufacturing sector and strong demand for its goods in a growing global economy – but the peaks of growth seem behind us for now.

Growth drivers becoming increasingly domestic

Even if there was a technical recession (which looks unlikely) the country would still be some distance from a recession in a broader sense. Capacity utilization remains above its long-term average and the order backlog in the manufacturing industry in November rose by 1.1% on the previous month. Real income is growing, as is employment (with 44.8 million persons in employment in 2018, up 562,000 YoY) suggesting that the drivers of growth are now more domestically than externally driven. Public finances remain in good shape, with a new record general government surplus of EUR 59.2bn, equalling 1.7% of GDP, the fifth surplus in a row. Such positive numbers should not be uncritically extrapolated, however. While the highly cyclical German economy could benefit nicely if trade tensions fade, the scaling back of previous reforms could become a drag on future growth as well as public finances in a more adverse economic environment.

Indonesia keeps rates on hold

EMERGING MARKETS

Tuan Huynh
CIO Emerging Markets and Head of WD Emerging Markets

In its monetary policy meeting on January 17, Bank Indonesia (BI, Indonesia's central bank) kept the policy rate on hold at 6.0%, in line with the consensus forecast.

BI was one of the most aggressive central banks in the region last year, raising its policy rate by a total of 175 bps in the face of IDR depreciation. However, we think that Indonesia's external funding risks have eased somewhat this year, reducing depreciation pressures on the currency. The main reasons for this are set out below.

Firstly, the oil price is lower than last year. A lower oil price should (everything else being equal) lead to narrower current account deficits, reducing Indonesia's USD funding pressures. While we expect oil prices to pick up later this year, we think the strong oil production in the U.S. could cap the upside.

Secondly, USD strength could be less evident this year. We expect the Fed to raise rates only twice this year, compared to four times in 2018. Besides, the U.S. economy is also expected to see some GDP growth moderation. 10-year U.S. Treasury yields are also lower compared to the end last year. Milder USD strength would ease the depreciation pressures on the IDR.

Thirdly, CNY is expected be more stable this year compared to 2018. As the most important EM currency in the region, CNY movement can have an important impact on fund flows and currency volatility in the region. We expect the People's Bank of China (PBoC) to keep CNY broadly stable, at a level below 7 vs. the USD. As a result, IDR volatility may also decline, in our view.

With the likely easing external funding pressures and lower Indonesian inflation recently, we think the BI could try to keep the policy rate on hold throughout the year. The economic outlook for the country seems unlikely to worsen significantly. We forecast Indonesia's economic growth to decelerate slightly from 5.2% in 2018 to 5.0% in 2019 with slower domestic demand growth. Domestic fixed income growth could remain resilient with positive business sentiment despite the BI rate hikes last year. In addition to this, the government's social assistance programs and infrastructure spending ahead of the election may also support growth. On the external front, global growth deceleration in 2019 is likely to affect Indonesia's export sector. However, the impact could be relatively small, given that Indonesia remains more of a domestically-driven economy.

Slower but decent growth in the U.S.

Equities

- So far, we have seen a decent kick-off to the Q4 2018 U.S. earnings season, although a few big banks disappointed slightly.
- While the overall pace of quarterly earnings growth is expected to decelerate to its lowest level since Q3 2017, consensus estimates suggest it will remain at double-digit (11.2%) YoY levels. Ten out of eleven S&P 500 sectors are expected to post positive earnings growth for Q4 led by Energy and Industrials. Consensus expects full year 2018 sales and earnings growth to come in at 7.4% and 17.2%, respectively.
- The next twelve months (NTM) price earnings (P/E) ratio of the S&P 500 currently stands at 15.5x which is below its 5-year average (16.4x) but above its 10-year average (14.6x) as well as its YE 2018 level (14.4x). At a sector level, Consumer Discretionary (19.3x) currently has the highest, while the Financials (11.2x) has the lowest valuation.
- U.S. equities historically do not outperform during late cycles. Nevertheless, the U.S. remains from our point of view the most buoyant developed equity market, even though we are expecting U.S. GDP growth to ease from 3.1% to 2.4% this year and the tailwinds from the U.S. tax reform are losing speed.
- Consensus projects earnings growth of the S&P 500 index to reach 6.9% in 2019 with Industrials and Consumer Discretionary expected to deliver the highest earnings growth rates.
- While the government shutdown will likely continue to drive headlines, the key drivers for U.S equities going forward will rather be the progress of the trade U.S.-China trade dispute, the trajectory of future Fed policy as well as future guidance by corporates provided during the current earnings season.

Equity

Q4 2018 earnings growth is expected to decline to its lowest levels since Q3 2017, but should still remain at double digit YoY levels

— Focus of the Week

S&P 500 sales and earnings growth expectations

Source: FactSet, Deutsche Bank AG. Data as of January 16, 2019.

Credit spreads narrow

Fixed income

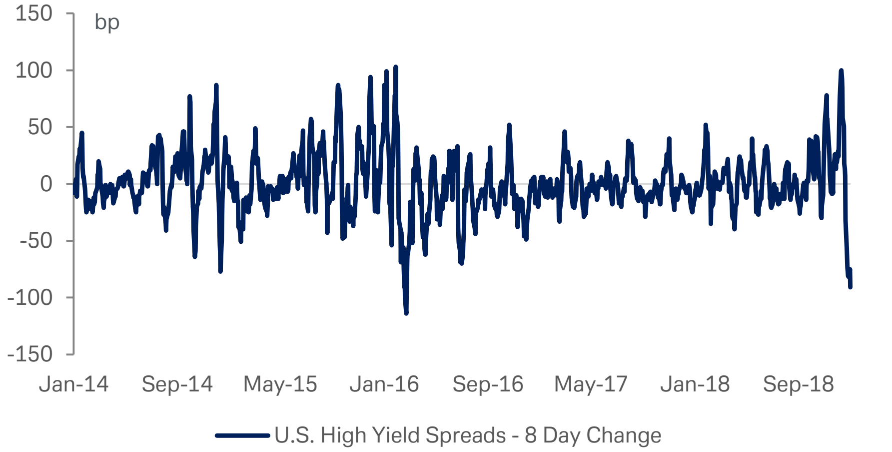
- While the sharp rally in equities and other risk assets has been impressive, the rally in credit related sectors have been just as, if not more, impressive relative to those other assets.
- As a result of the sharp decline in energy prices, increased risk asset volatility, concerns of slowing global growth and fears of increased fallen angels from investment grade, the Bloomberg Barclays High Yield Index was the worst performing fixed income sector, posting the worst quarterly decline (-4.5% QoQ) since Q3 2015 as high yield spreads widened to the highest level (534 bps) since August 2016.
- However since January 3, as the December U.S. employment report eased concerns of deteriorating U.S. economic fundamentals and as the sharp rally in both risk assets (namely equities) and crude oil prices supported high yield, high yield has rallied 3.0% and high yield spreads have narrowed by the widest amount over an eight trading day span (-91 bps) since March 2016.
- As we forecast little risk of recession and expect crude oil prices to rally to USD60/b over the next 12 months, we expect high yield spreads to remain at around current levels through December 2019. This makes high yield an attractive carry opportunity and we forecast a modest positive return for the full year 2019.
- With respect to Treasuries, 10 Year Treasury yields (2.70%) continue to remain stubbornly low and well below the 2018 YTD high (3.23%).
- We continue to believe that the trajectory for Treasury yields is upwards and expect the 10 YR Treasury yield to rise to 3.00% as above-trend U.S. economic growth, two rate hikes in 2019, continued Fed balance sheet normalization and increased Treasury issuance to finance pro-growth policies should push yields higher.

Fixed Income

U.S. high yield spreads have posted the largest eight day narrowing since March 2016

— Focus of the Week

U.S. High Yield spreads narrow sharply



Source: FactSet, Deutsche Bank A G. Data as of January 16, 2019.

Oil prices more up again from December low

Commodities

- The whipsaw and volatile movements experienced in crude oil prices over the last six months has continued as of late.
- In fact, after rising to its highest level (USD76/b, WTI) in four years in October, oil prices ended 2018 in bear market territory (a decline of greater than 20%). But, having fallen 44% from its October highs, crude oil has rebounded sharply and is now up 23% since the December 25 low.
- The sharp increase in crude oil has occurred for a few reasons:
  1. *OPEC production cut bites* – OPEC production has declined by ~0.5mn b/d MoM to below 33mn b/d, with Saudi Arabian crude oil exports declining by the same amount. In an already tight oil market, the reduction in OPEC supply has supported crude prices.
  2. *USD moderation* – Given the negative correlation between the Dollar and crude oil prices (-0.8), the recent weakness in the Dollar has been positive for crude oil prices.
  3. *Market technicals support* – During the sharp decline to end 2018, crude oil technicals became significantly washed out and thereby supportive of a rebound. The 14 day relative strength indicator (RSI) for crude oil fell to its lowest level in at least five years late last year.
- Despite the continued rise in U.S. crude oil production, we expect crude oil prices to rise to USD60/b over the next 12 months as still solid demand and OPEC production cuts push prices higher.
- With respect to gold, gold prices continue to hover near the highest level in six months (USD1293/oz) as a result of continued geopolitical uncertainty (trade concerns, global growth moderation, U.S. government shutdown, Brexit deal) and a moderation in interest rates.
- We expect gold to remain around current levels over the next 12 months as geopolitical concerns offset rising interest rates.

Crude oil price swings continue

Commodities

USD moderation and market technicals have supported the oil price, in addition to OPEC production cuts

— Focus of the Week

Source: Bloomberg Finance LP, Deutsche Bank A G. Data as of January 16, 2019.

USD weakness may prove to be temporary

Currencies

- After rising to the highest level in almost two years (97.44) towards the end of last year on December 14, the USD (DXY Index) has moved steadily lower and is now near the lowest level since October.
- The JPY and GBP have been the two best performing assets against the USD since the peak, as both have appreciated 4.4% and 2.3% respectively over that time period. The JPY in particular was supported by the sharp increase in risk asset volatility to end 2018, as the currency typically acts as a safe haven asset amidst periods of market volatility.
- On a broad scale, the USD has weakened to begin the year as a result of concerns surrounding future economic growth (particularly surrounding weakness in the ISM manufacturing index), falling expectations for future Fed rate hikes following more dovish comments by the Fed chair and U.S. political concerns amidst the longest government shutdown in history.
- We believe the recent weakness will not become a trend and expect the USD to strengthen modestly over the next 12 months due to:

1. *Stronger U.S. economic growth* – We expect the U.S. to grow 2.4% in 2019 against growth of only 1.6% in Europe and 0.8% in Japan.
2. *Higher U.S. interest rates* – While interest rate differentials have moderated in recent weeks, we expect U.S. interest rate differentials to widen against both Europe and Japan.
3. *More aggressive Fed* – While expectations for future Fed rate hikes have declined sharply, we continue to believe that the Fed will raise rates one or two more times over the next 12 months and continue the balance sheet run-off process. This is in contrast to other central banks, especially the ECB, who we expect to remain on the sidelines through Q4 2019.

FX

Recent weakness in the USD will not become a trend: we expect the currency to strengthen modestly over the next 12 months

— Focus of the Week

USD continues to strengthen

Source: FactSet, Deutsche Bank A G. Data as of January 15, 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 18, 2019 and are subject to change without notice.

Facts and Figures

	Current	1-Wk Return	1-M Return	YTD Return	Jan 16 2018 – Jan 16 2019	Jan 16 2017 – Jan 16 2018	Jan 16 2016 – Jan 16 2017	Jan 16 2015 – Jan 16 2016	Jan 16 2014 – Jan 16 2015
Rates									
2-Year German Bund	-0.61%	0.04%	-0.05%	0.00%	-0.31%	-0.94%	-0.02%	0.19%	0.65%
5-Year German Bund	-0.37%	0.20%	0.32%	0.32%	1.90%	-1.22%	1.82%	0.98%	5.17%
10-Year German Bund	0.17%	0.40%	0.79%	0.70%	4.70%	-0.56%	3.22%	0.48%	16.38%
10-Year U.S. Treasury	2.73%	-0.05%	2.19%	-0.03%	0.87%	0.54%	-0.73%	0.07%	12.67%
10-Year UK Gilt	1.31%	-0.49%	-0.47%	-0.29%	2.66%	2.32%	5.79%	1.49%	15.46%
2-Year BTP	0.34%	0.30%	0.45%	0.33%	0.14%	0.49%	0.22%	0.98%	2.20%
5-Year BTP	1.66%	1.06%	1.75%	0.91%	-1.24%	2.69%	1.20%	3.30%	10.28%
10-Year BTP	2.76%	1.22%	1.85%	0.20%	-1.96%	3.20%	-0.95%	3.69%	23.81%
Barclays Euro Corporate	1.30%	0.44%	0.20%	0.15%	-1.10%	2.56%	4.89%	-1.21%	7.93%
Barclays Euro High Yield	4.30%	0.68%	0.95%	1.27%	-2.73%	6.56%	11.30%	-1.27%	5.59%
JP Morgan EMBIG Div.	6.58%	1.34%	1.18%	2.46%	4.60%	-5.64%	17.73%	4.25%	26.07%
Equities									
USA (S&P 500)	2,616.1	1.2%	0.6%	4.4%	-5.8%	22.1%	21.0%	-6.9%	9.4%
Euroland (Euro Stoxx 50)	3,077.2	0.2%	-0.5%	2.5%	-15.0%	9.9%	11.6%	-7.8%	1.7%
Germany (DAX)	10,931.2	0.4%	0.6%	3.5%	-17.5%	14.6%	21.1%	-6.1%	4.6%
UK (FTSE 100)	6,862.7	-0.6%	0.3%	2.0%	-11.5%	5.9%	26.2%	-11.4%	-3.9%
Italy (FTSE MIB)	19,477.8	1.6%	3.0%	6.3%	-17.1%	22.1%	0.3%	-0.3%	-3.1%
France (CAC 40)	4,810.7	-0.1%	-0.9%	1.7%	-12.8%	12.9%	16.0%	-3.9%	1.4%
Japan (MSCI Japan)	922.3	0.3%	-3.0%	3.3%	-17.9%	22.2%	8.5%	0.9%	5.2%
Asia ex Japan (MSCI, USD)	617.2	1.6%	2.5%	3.5%	-17.6%	40.5%	18.3%	-20.8%	5.4%
Emerging Markets (MSCI, USD)	1,009.4	1.5%	3.9%	4.5%	-17.1%	37.0%	25.4%	-25.9%	-1.8%
Commodities & Alternatives									
WTI (USD)	52.31	-0.1%	2.2%	15.2%	-17.9%	21.1%	77.2%	-38.7%	-48.5%
Gold (USD)	1,294.5	0.4%	4.5%	1.0%	-3.0%	11.0%	10.3%	-14.5%	2.6%
EUR/USD	1.1395	-1.0%	0.9%	-0.3%	-6.8%	15.3%	-3.2%	-4.7%	-15.5%
EUR/GBP	0.8860	-1.9%	-1.5%	-1.3%	-0.2%	1.0%	14.8%	0.6%	-8.6%
EUR/JPY	124.02	-0.4%	-3.2%	-1.1%	-8.4%	11.9%	-5.4%	-5.4%	-4.6%
VIX Index	19.04	-0.94	-2.59	-6.38	7.38	0.43	-15.79	6.07	8.42
VDAX Index	17.80	-2.58	-2.49	-5.59	5.47	-3.00	-18.75	8.57	10.94

Current data as of January 16, 2019. Data source: FactSet, negative numbers are in orange

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Facts and Figures

	Current	1 Wk Change	1M Change	YTD Change	Jan 16 2018 – Jan 16 2019	Jan 16 2017 – Jan 16 2018	Jan 16 2016 – Jan 16 2017	Jan 16 2015 – Jan 16 2016	Jan 16 2014 – Jan 16 2015
Rates Valuations									
Eco Refi Rate	0.00%	0	0	0	0	0	-5	0	-20
Bund Yld Curve (10YR-2YR)	78	-2	-8	-6	-32	10	14	31	-106
Spread Gov. FRA—GER (10YR)	46	-3	0	0	25	-34	16	15	-44
Spread Gov. Ita-GER (10YR)	259	-10	-11	6	116	-21	58	-19	-81
Spread Gove. SPA-GER (10YR)	121	-8	4	3	20	-17	-11	17	-85
Investment Grade Spread (10YR)	113	-4	9	7	86	-39	-37	44	40
High Yield Spread (10YR)	413	-12	-9	-19	193	-24	-152	110	93
J.P. Morgan EMBIG Div. Spread	641	1	-14	-21	165	-58	-91	97	124
Equity Valuations									
USA (S&P 500)	16.3	0.2	0.1	0.6	-4.8	1.9	3.2	-1.3	0.5
Euroland (Euro Stoxx 50)	12.9	0.1	-0.1	0.3	-2.7	-0.1	2.7	-1.5	0.0
Germany (DAX)	12.9	0.4	0.4	0.7	-1.9	0.0	2.7	-2.1	-0.4
UK (FTSE 100)	12.1	-0.1	0.2	0.2	-3.6	-1.8	2.8	0.8	-0.8
Italy (FTSE MIB)	11.4	0.1	0.3	0.6	-5.5	-1.3	1.9	-0.6	-0.3
France (CAC 40)	12.6	0.0	-0.2	0.2	-3.3	0.5	1.8	-1.4	0.3
Japan (MSCI Japan)	11.8	0.1	-0.3	0.4	-4.0	-0.5	2.2	-1.2	-1.7
Asia ex Japan (MSCI, USD)	12.4	0.3	0.3	0.4	-2.8	1.0	2.8	-1.4	0.6
Emerging Markets (MSCI, USD)	11.9	0.2	0.4	0.4	-2.7	1.0	2.6	-1.1	0.9

	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)	57.57	2,612.1	2,722.7	2,741.4	7.2%	-3.1%	2.2%
Euroland (Euro Stoxx 50)	54.54	3,091.1	3,194.0	3,333.8	9.3%	-3.0%	4.3%
Germany (DAX)	55.54	10,965.4	11,431.7	12,036.4	10.5%	-4.6%	3.7%
UK (FTSE 100)	52.30	6,877.4	7,061.6	7,338.1	4.5%	-3.2%	5.1%
Italy (FTSE MIB)	64.78	18,860.4	19,494.8	20,892.7	10.2%	-1.2%	4.8%
France (CAC 40)	53.22	4,854.2	5,056.4	5,250.0	7.8%	-2.9%	4.1%
Japan (MSCI Japan)	51.61	942.5	982.9	1,009.2	2.1%	-2.7%	2.7%
Asia ex Japan (MSCI, USD)	61.84	601.9	612.6	651.8	7.0%	-6.8%	3.0%
Emerging Markets (MSCI, USD)	65.23	977.1	990.5	1,047.5	7.9%	-4.1%	3.3%

Current data as of January 16, 2019. Data source: FactSet, negative numbers are in orange.

Key forthcoming data releases and other events

	U.S.	Europe	Asia
Monday January 21	Martin Luther King Day	Germany: PPI (December) Switzerland: Money Supply M3 (December)	China: Retail Sales (December), Industrial Production (December), GDP (Q4)
Tuesday January 22	Wholesale Inventories (November), Existing Home Sales (December)	Eurozone and Germany: ZEW Survey Expectation (January) UK: Claimant Count Rate (December), Jobless Claims Change (December), ILO Unemployment Rate (November)	New Zealand: CPI (Q4) South Korea: GDP (Q4)
Wednesday January 23	MBA Mortgage Applications (January 18), FHFA House Price Index (November), Richmond Fed Manufacturing Index (January)	Eurozone: Consumer Confidence (January) Germany: Manufacturing Confidence (January)	Japan: BoJ Rate Decision (January), Trade Balance (December), Machine Tool Orders (December) Australia: Westpac Leading Index (December)
Thursday January 24	Initial Jobless Claims (January 19), Bloomberg Consumer Comfort (January 12), Markit Composite PMI, Manufacturing PMI, Services PMI (January), Leading Index (December)	Eurozone: ECB Rate Decision (January) Eurozone, Germany & France: Markit PMI Manufacturing, Service, Composite (January)	Japan: Japan Buying Foreign Bonds & Stocks (January 18), Nikkei Japan PMI Manufacturing (January) Australia: Unemployment Rate (December) South Korea: BoK Rate Decision (January)
Friday January 25	Durables Goods Orders (December), New Home Sales (December)	Germany: IFO Business Climate, Expectation & Current Assessment (January) Spain: PPI (December)	Japan: Tokyo CPI (Jan)

Glossary

Bank Indonesia is the central bank of Indonesia.

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.

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.

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.

High yield (HY) bonds are high-paying bonds with a lower credit rating than investment-grade corporate bonds, Treasury bonds and municipal bonds.

IDR is the currency code for the Indonesia Rupiah.

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).

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

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

The U.S. Small Business Administration is a federal government agency that supports small businesses and entrepreneurs.

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

The U.S. Dollar Index (DXY) is a weighted index based on the value of the U.S. dollar versus a basket of six other currencies.

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

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