CIO Insights

Weekly Bulletin
October 19, 2018

Christian Nolting
Global CIO

An uneven world

A buoyant U.S. economy continues to contrast with indifferent Chinese data, while structural problems persist in Europe. Do our base-case scenarios suggest any possible reversal of this pattern?

1 U.S. mid-term elections will not change economic policy direction, but any equities rally could be muted.

2 We still expect a Chinese soft economic landing, despite slower export growth, but continued market volatility looks likely.

3 The Brexit impasse should eventually prove resolvable, but the path to it will be bumpy and unsettling for markets.

1 The U.S. holds its midterm elections on November 6 and current polling and prediction markets are suggesting that they could result in a "split" government, with the Democrats likely to win the House of Representatives but unlikely to win the Senate (page 2). This scenario would be unlikely to prejudice U.S. growth as tax cuts could not be reversed in this situation and, if anything, fiscal spending might actually move higher. Continued strong economic growth and a progression of the tightening cycle by the Fed is still expected to push global sovereign rates higher 12 months and although history suggests that equity markets usually make gains in the 12-month period after the election, the rally this time may be relatively muted. But, even so, the U.S. economy and markets should remain generally positive.

2 By contrast, as we discuss on page 5, Chinese economic data over the next few months could be mixed. Export growth was higher than expected, but this may have been due to firms front-loading shipments and the new orders PMI has fallen to its lowest level in two years. Weaker export growth could be a drag on Chinese GDP growth in Q4, but our central scenario remains an economic soft, rather than hard, landing. Government stimulus could play an increasing role in supporting growth in Q4 amidst a weakening export sector and higher issuance of local government bonds in recent months suggests that infrastructure investment is likely to pick up soon. But even if, as seems likely, the economic slowdown is well managed, this will not stop continued volatility in the Chinese equity and bond markets in coming months. On pages 6 and 7 we discuss what factors could help boost these markets.

3 In Europe, the two main structural problems remain Brexit and Italy. This week's EU leaders' Brexit summit failed to achieve a breakthrough, but did hint that the transition period could be extended (page 3). Our expectation remains that a deal can be reached with the EU, and then ratified by the UK government, but the path to this could be bumpy and a hard Brexit remains a possibility. The markets' focus will return to Italy when the EU Commission expresses its views on the budget, and rating agency decisions draw closer. We continue to think that the Italian government could prove more reactive to markets than to EU institutions.

Inside the Bulletin

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

Deutsche Bank
Wealth Management

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

Mid-term elections – investment implications

U.S.

Larry V Adam
CIO and Chief Investment Strategist – WM Americas

On November 6, the 2018 midterm elections to elect the 116th session of the United States Congress will take place. For the last two years (since the 2016 Presidential election), Republicans have had "control" of Washington DC by holding majorities in both the House of Representatives and Senate in addition to having a Republican in the White House (President Trump). Over that time period, Republicans have pushed a "market friendly" pro-growth legislative agenda through the passage of individual and corporate tax reform, increased fiscal spending (in large part due to increased military spending) and substantial deregulation. These legislative successes have offset uncertainty surrounding trade policies, administration turnover, the Mueller investigation and the President's historically low approval rating.

With only 17 days before the election, both polling and prediction markets show that the Republican majority may be in jeopardy. In order to reclaim either the House or Senate, Democrats would need to flip 24 or 2 seats, respectively. Given current demographics and the number of vulnerable GOP House seats, betting markets (as reflected by PredictIt) reflect a 67% probability that Democrats will win the House but only a 18% probability that they will take the Senate. As a result, the base case is that a "split" government will result, with the Democrats winning the House. Assuming this outcome, the impact on the economy and markets include:

- Economy — The U.S. economy remains strong and is likely to remain robust (2019 GDP forecasts: +2.4%) as both consumer and business confidence remains at or near record highs. The tax cuts cannot be reversed under a "split" government scenario and, if anything, fiscal spending may actually move higher as a compromise to appease both Republican and Democrat funding priorities. Keep in mind that the President has the ability to further deregulate (via executive orders) and will continue to dictate the tone and direction of trade with China, Europe, Japan and others. A potential upside risk could be a Republican "sweep" as the individual tax cuts, which are currently set to expire in 2025, could be voted on to become permanent.
- Fixed Income — Continued strong economic growth and a progression of the tightening cycle by the Fed should push global sovereign rates higher over the next 12 months (10 Year Treasury Yield Target: 3.25%). If fiscal spending leads to higher deficits, the reduction in demand by the Fed (e.g. Quantitative Tightening) could put further upward pressure on sovereign yields.
- Equities — Historically, volatility has increased in the run-up to the mid-term elections, with an average drawdown of ~20% (looking at the last 21 elections). The good news though is that 12-months post the election, the market has been positive the last 19 times, with an average return of 15%. However, given the max drawdown of only 11% so far this year (experienced in February), the ultimate rally post election, while positive, may be more muted versus history. As a result, we remain comfortable with our 12 month S&P 500 forecast of 3,000. Incidentally, split government has been good for the equity markets as a Republican President with a split Congress (Democratic House and Republican Senate) has led to an average annual S&P 500 return of ~13%.

Brexit impasse; the Russian economy

EMEA

Stéphane Junod
CIO EMEA and Head of WD EMEA

EU Brexit summit hints at a longer transition period

This week's summit of EU leaders failed to make a breakthrough, with the Northern Ireland border still the key sticking point. There was however a suggestion by Mrs. May she would accept an extension of the Brexit transition period by a few months and a subsequent confirmation by EU Council president, Donald Tusk, that such an extension could be offered if the UK wanted it. Mrs. May faces multiple pressures, with many Brexiteers unwilling to agree to any backstop agreement concerning Northern Ireland (which could effectively keep the UK in the EU customs union) and keen not to delay departure from the EU. Meanwhile, the Democratic Unionist Party (DUP) could withdraw its support of the May government, if it agrees to a solution which implies a border between Ireland and the UK. We still expect there will be a last-minute deal that will be ratified by the UK parliament, but the road to this could be bumpy.

Meanwhile, the UK labour market is proving resilient. The unemployment rate has held steady at 4% in August, as expected, while pay growth has accelerated. In the three months to August, average earnings excluding bonuses have risen by 3.1% YoY vs. expectations of a 2.8% increase, and there has been a shift from part-time to full-time work large enough to be statistically relevant. The GBP rose immediately after the release of these data, prompting speculation that the Bank of England may have to hike interest rates again earlier than expected. However, inflation has not risen by as much as feared. The consumer price index for September shows an increase of 2.4% YoY, a value that exceeds central bank's target inflation rate of 2%, but remains below expectations of 2.8% and represents a slowdown from the 2.7% increase posted in August. UK retail sales were solid in September, posting a 3% increase YoY, however this figure fell short of expectations of a 3.6% rise. All in all, these data paint a picture of solid economic growth but don't suggest that the economy is overheating, nor do we see enough evidence to justify another UK interest rate hike for the remainder of this year.

Slowdown in Russia – a temporary affair?

There has been a slew of relatively weak economic data coming out of Russia this past week. Retail sales growth in September fell to 2.2% YoY after having reached 2.8% in August, possibly a consequence of the decline in real disposable incomes (-1.5% YoY) suffered in September, which came on the heels of a 0.9% decline in August. Similarly, the industrial sector expanded by 2.2% YoY in September after having grown by 2.7% YoY in August, however this was partly due to fewer working days last month. Going forward, the Russian economy is due to benefit from a recent increase in oil production and higher oil prices, aided further by supportive fiscal policy. On balance, the latest slowdown in economic data may well prove to be temporary.

Seeking stability

GERMANY

Gerit Heinz
Chief Strategist, Germany

Some stabilization in German equities

Following last week's market movements, the German stock market has stabilized to some extent this week, but has not make up the losses incurred in October so far. As the news flow on geopolitical topics such as foreign trade, Brexit and Italian Budget has continued to be volatile, German stocks have remained dependent on developments in these topics.

Market stabilization has happened despite some negative news flow from the corporate side. After a few profit warnings from the automobile sector earlier this year, the market was surprised this week by cuts in guidance from companies in the healthcare sector and building materials industry. The reasons for the guidance cuts were less related to the overarching topics mentioned above, and more due to company-specific factors. This is a not very encouraging start to the Q3 earnings season, now just getting fully underway.

ZEW index falls by more than expected

The ZEW index published this week fell by more than expected, with a particularly sharp decrease in survey respondents' expectations (the biggest drop since the Brexit vote in 2016). While this can be seen as a reflection of a more cautious stance due to the ongoing global uncertainties, this indicator is intrinsically volatile as the responses of the survey base of financial market analysts can be influenced by current stock market developments. Next week, two important data points from the economy will be worth watching. Purchasing manager indices (PMI) will be published on Wednesday and the Ifo index on Thursday. Market consensus expects a moderate decline in both indicators, but to still solid levels overall.

Tectonic shifts in Bavaria

Last Sunday's state elections in Bavaria resulted in the governing CSU losing its absolute majority but the result turned out to be better for them than some polls had predicted (although it was still the weakest result since 1950.) Coalition talks with the independent "Freie Wähler" will start and incumbent prime minister Söder is therefore likely to remain in charge. Many politicians are saying these days that their party, their state or the country needs stability. Hence any direct impact on federal politics seems likely to be modest for now. Party leaders are now focusing on the state elections in Hesse on October 28. In current polls support for the CDU is at around 26%, and that for the Greens and SPD in the low 20s. Six parties are likely to be represented in the parliament overall. According to the polls a number of coalition combinations are possible and incumbent prime minister Bouffier may not necessarily remain in charge.

Q4 exports may disappoint, but stimulus likely

ASIA

Tuan Huynh
CIO Asia and Head of WD Asia

The YoY growth rate of China's exports unexpectedly increased to 14.5% in September, compared to 9.1% in August. It was also much higher than consensus forecast of 8.2% YoY. The increase in export growth in September took place against a background of escalating U.S.-China trade tensions. The U.S. had started to impose tariffs on Chinese exports in July and the tariffs were then imposed on expanded list of products in September.

Nonetheless, market concerns over China's export sector in Q4 have been growing. Better-than-expected September exports could have been partly caused by many exporters front-loading their Q4 exports into September due to fears over US tariffs, in our view. (Firms will have started to plan their export shipments ahead of the final announcement from the U.S. on the added tariffs in September.) Now that broad-based tariffs have been introduced, Chinese exports could start to see negative impacts as early as Q4 this year, in our view.

China's manufacturing PMI for new export orders declined to 48 points in September, the lowest level in nearly two years. This index has now been below the 50 threshold (indicating pessimism) for four consecutive monthly readings. Expectations of lower order levels indicates that Chinese exporters anticipate a negative impact from higher U.S. tariffs. We think that a weaker export sector could become a drag on Chinese economic growth in Q4.

Having said that, we expect China's economy to experience a soft landing in Q4 this year. We think Chinese government stimulus could play an increasing role in supporting growth in Q4 amidst a weakening export sector, particularly through infrastructure construction investment. China's issuance of local government bonds has recently increased significantly, starting from July this year. Total local government bond issuance stood at RMB1,639.9bn in the two months of July and August, higher than the RMB1,411.2bn issuance in the first six months of this year. This is a clear signal that the government plans to support infrastructure investment in H2 2018, which must be partly financed through local government bond issuance.

Chinese equities: possible catalysts

Equities

- Market sentiment towards Chinese equities remains weak. As of October 16, the one-month return on Hong Kong's Hang Seng Index (HIS) was -6.9% and that on China's A-share Shanghai Composite Index was -5.1%. Weak performance is largely the result of escalating of US-China trade tensions, domestic economic slowdown, government deleveraging policies and CNY depreciation in recent months.
- After the recent market pullback, Chinese equities' valuations may be getting attractive, given Chinese corporates' resilient sales and earnings growth. But so far the market is still lacking catalysts to lift sentiment.
- We think the following factors could however support the market in the medium term.
- First, any signs of easing U.S.-China tensions after the mid-term elections. A recent speech by U.S. Vice President Pence put further strain on the bilateral relationship and there is rising market concern that the trade war could escalate further. However, we still believe that there could be some easing in tension after the US mid-term election in early November.
- Second, signs of a recovery in Chinese infrastructure investment in November. China's fiscal policy turned accommodative as early as July this year, but we still haven't seen any signs of improvement in macro data. Infrastructure investment could one of the first indicator series to turn around.
- Third, tax cuts by the Chinese government. There have been growing discussions in China whether the government should cut tax more aggressively to support growth. At this stage, comments here must be purely speculative, but tax cut would be one possible catalyst for Chinese stock markets, if they happen.

Equities

Chinese markets have fallen further, but three factors could provide support over the medium term

— Focus of the Week

Shanghai Composite Index has fallen further

Source: Bloomberg Finance L P, Deutsche Bank AG. Data as of October 17, 2018.

Chinese property high-yield headwinds

Fixed Income

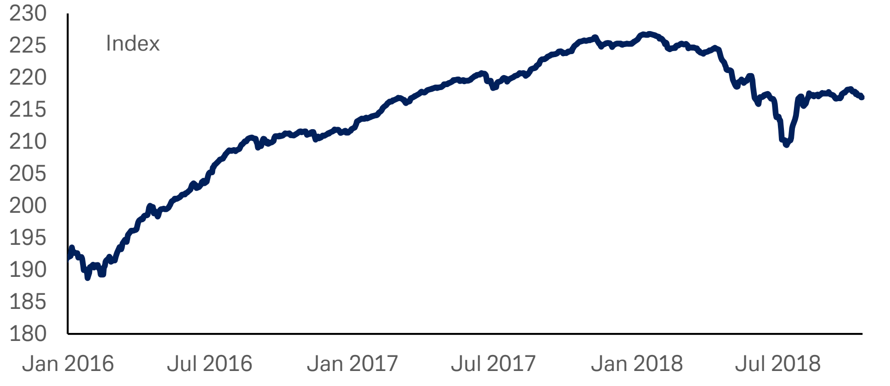
- The Chinese property sector could face near-term headwinds from policy uncertainties in two areas.
- First, Chinese regulators may have tightened approvals for onshore debt issuance by Chinese property developers, even for refinancing. Some bond issuance proposals by large developers may have been suspended recently. In September, onshore bond issuance totaled only RMB44.3bn, below the previous low of RMB 45.1bn in May, based on data from Sina news.
- Second, a senior official in China's housing ministry said recently in an interview that he would prefer to use a series of actions to smooth out the property "bubble". The measures could include the implementation of real estate taxes, including vacancy tax. The official said that the property vacancy rate in Chinese cities was high, with Beijing at 10%-20%, and he wanted to introduce vacancy tax soon.
- With such policy uncertainties, market sentiment towards the China property sector is weak. In the near term, Chinese property developers could face seasonal liquidity issues onshore, if approvals continue to be held back. Many of these developers might then turn to the offshore bond market to meet their financing needs, which could lead in turn to stresses in the offshore bond market. In addition, many property developers have speeded up their property sales plans in order to solve these short-term liquidity issues.
- We would caution that such near-term policy uncertainties could lead to further market volatility before the year end. Over the long term, however, we remain positive on Chinese property high yield, as we see resilient fundamentals and low default rates of the Chinese property developers.

Fixed Income

Continued market volatility is likely in Chinese property high yield, but we stay long-term positive on the sector

— Focus of the Week

China High Yield Credit (Bloomberg Barclays Index)



Source: Bloomberg Finance L P, Deutsche Bank AG. Data as of October 17, 2018.

Gold prices rise amidst market volatility

Commodities

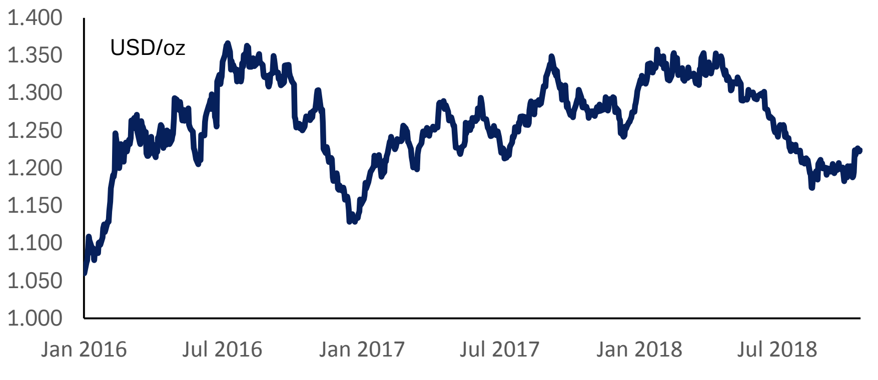
- The gold price has been on the rise in the past few weeks. As of October 18, it had reached USD1223.7/oz, its highest level in two months and up 3.0% since the start of the month.
- The rise in the gold price has been mainly driven by "safe haven" inflows amidst increased equity market volatility in the past few months, in our view.
- We continue to see room for further gains and our target for gold price is at USD1275/oz at end-September 2019.
- We think that there could be continued upward pressure on the gold price from the following factors.
- First, a modest uptick in levels of inflation and hence declining real yields.
- Second, increased volatility amid elevated U.S./China trade tensions, the upcoming U.S. midterm elections and geopolitical risks around U.S./Iran sanctions.
- These factors may boost demand for gold from investors who see it as a way to hedge against such risks.
- In addition, we see only modest further USD strengthening on a 12-month horizon, reducing on the previous headwinds holding back the commodity's price.

Commodities

The gold price has risen by 3% since the start of October amidst equity market volatility. Further price gains are possible on a 12-month horizon.

— Focus of the Week

Gold prices reverse their recent decline



Source: Bloomberg Finance L P, Deutsche Bank AG. Data as of October 17, 2018.

Mild CNY depreciation as trade tensions rise

Currencies

- So far this October, the CNY has been on a mild depreciation path against the USD. As of October 18, USD/CNY was 6.935, compared to 6.868 at the beginning of the month. This is the lowest point the CNY has reached since January 2017. Year to date, CNY already depreciated severely by 6.6% against USD.
- We think that recent CNY weakness was mainly due to three factors.
- First, the escalation of US-China trade tensions in recent weeks, with no progress on talks.
- Second, Chinese domestic economic weakness with declining infrastructure investment and milder-than-expected consumption growth.
- Third, the of easing monetary policy by the People's Bank of China (PBoC) with another reserve requirement ratio (RRR) cut in October, which contrasts the Fed's continual rate hikes.
- Looking ahead, we expect further CNY depreciation to be limited and we keep our USD/CNY target at 7.0 at end-September 2019.
- Factors likely to support the CNY in future will include the following.
- First, a likely improvement in Chinese macro data in November/December given the government's fiscal stimulus for infrastructure construction.
- Second, the PBoC's recent introduction of counter-cyclical factor in Yuan fixing which demonstrates their willingness to keep CNY broadly stable.
- Third, any positive news around U.S.-China trade tensions after the November US mid-term election would support sentiment.

Currencies

Further CNY depreciation is likely to be limited and we stick with our 12-month CNY/USD target of 7.0

— Focus of the Week

USD/CNY exchange rate lowest since January 2017

Source: Bloomberg Finance L P, Deutsche Bank AG. Data as of October 17, 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 19, 2018 and are subject to change without notice.

Facts and Figures

	Current	1-Wk Return	1-M Return	YTD Return	Oct 17 2017 – Oct 17 2018	Oct 17 2016 – Oct 17 2017	Oct 17 2015 – Oct 17 2016	Oct 17 2014 – Oct 17 2015	Oct 17 2013 – Oct 17 2014
Rates									
2-Year German Bund	-0.58%	0.10%	0.04%	-0.39%	-0.71%	-0.51%	0.14%	0.22%	0.54%
5-Year German Bund	-0.13%	0.43%	0.07%	0.33%	-0.28%	-0.09%	2.27%	1.52%	4.68%
10-Year German Bund	0.46%	0.86%	-0.01%	1.08%	0.59%	-1.28%	6.06%	4.12%	12.90%
10-Year U.S. Treasury	3.18%	0.52%	-1.04%	-4.87%	-5.46%	-2.24%	4.23%	3.64%	6.86%
10-Year UK Gilt	1.57%	1.44%	-0.19%	-1.09%	-0.09%	0.82%	9.02%	6.04%	9.10%
2-Year BTP	1.35%	0.14%	-0.95%	-2.18%	-2.30%	0.61%	0.30%	1.49%	2.80%
5-Year BTP	2.97%	-0.40%	-3.69%	-6.98%	-6.88%	1.49%	3.00%	4.45%	11.63%
10-Year BTP	3.56%	-0.20%	-5.40%	-8.76%	-8.50%	-1.03%	4.66%	9.84%	19.23%
Barclays Euro Corporate	1.09%	0.27%	0.01%	-0.63%	-0.66%	1.65%	6.01%	0.53%	7.48%
Barclays Euro High Yield	3.71%	-0.14%	-0.45%	-0.48%	-0.38%	7.74%	7.07%	3.22%	6.49%
JP Morgan EMBIG Div.	6.61%	0.52%	1.76%	-0.06%	-1.53%	-0.66%	15.59%	13.82%	15.95%
Equities									
USA (S&P 500)	2,809.2	0.8%	-2.8%	5.1%	9.8%	20.4%	4.6%	7.8%	8.9%
Euroland (Euro Stoxx 50)	3,243.1	-0.7%	-3.1%	-7.4%	-10.1%	19.9%	-7.8%	10.2%	-1.6%
Germany (DAX)	11,715.0	0.0%	-3.2%	-9.3%	-9.9%	23.7%	4.0%	14.2%	0.4%
UK (FTSE 100)	7,054.6	-1.3%	-3.4%	-8.2%	-6.1%	8.2%	8.9%	1.1%	-4.0%
Italy (FTSE MIB)	19,455.0	-1.3%	-7.9%	-11.0%	-12.9%	34.3%	-25.6%	19.5%	-2.6%
France (CAC 40)	5,145.0	-1.2%	-3.8%	-3.2%	-4.0%	20.5%	-5.4%	16.6%	-4.9%
Japan (MSCI Japan)	1,021.0	-2.8%	-0.8%	-4.9%	0.0%	25.7%	-11.3%	26.6%	-2.8%
Asia ex Japan (MSCI, USD)	599.7	-1.5%	-6.2%	-15.9%	-13.2%	27.6%	2.3%	-3.6%	-1.0%
Latin America (MSCI, USD)	2,765.0	2.7%	12.2%	-2.2%	-5.7%	16.4%	23.0%	-35.1%	-9.2%
Commodities & Alternatives									
WTI (USD)	69.75	-4.7%	1.2%	15.4%	34.4%	3.9%	5.5%	-43.0%	-17.5%
Gold (USD)	1,226.7	3.3%	1.9%	-5.9%	-4.4%	2.1%	6.3%	-4.1%	-6.5%
EUR/USD	1.1530	0.0%	-1.4%	-4.0%	-1.9%	6.9%	-3.4%	-10.9%	-6.6%
EUR/GBP	0.8779	0.5%	-1.2%	-1.1%	-1.6%	-1.3%	22.8%	-7.1%	-6.3%
EUR/JPY	129.23	-0.6%	-1.2%	-4.5%	-2.1%	15.5%	-15.7%	-0.4%	1.9%
VIX Index	17.40	-5.56	3.72	6.36	7.09	-5.90	1.16	-6.94	8.51
VDAX Index	17.31	-1.42	1.91	3.16	6.05	-8.83	-2.30	0.20	6.61

Current data as of October 17, 2018. Data source: FactSet, negative numbers are in orange

Facts and Figures

	Current	1 Wk Change	1M Change	YTD Change	Oct 17 2017 – Oct 17 2018	Oct 17 2016 – Oct 17 2017	Oct 17 2015 – Oct 17 2016	Oct 17 2014 – Oct 17 2015	Oct 17 2013 – Oct 17 2014
Rates Valuations									
Eco Refi Rate	0.00%	0	0	0	0	0	-5	0	-45
Bund Yld Curve (10YR-2YR)	105	-3	5	-4	-10	41	-8	-6	-82
Spread Gov. FRA—GER (10YR)	29	0	3	5	4	3	-5	-20	-3
Spread Gov. Ita-GER (10YR)	309	12	86	156	152	17	25	-50	-67
Spread Gove. SPA-GER (10YR)	120	13	15	5	1	13	-17	-12	-108
Investment Grade Spread (10YR)	63	5	1	30	30	-35	-25	50	16
High Yield Spread (10YR)	325	14	21	88	94	-31	-55	56	24
J.P. Morgan EMBIG Div. Spread	615	3	2	130	135	-32	-26	89	75
Equity Valuations									
USA (S&P 500)	18.7	0.8	-0.1	-1.8	-1.5	1.9	0.9	1.1	0.2
Euroland (Euro Stoxx 50)	13.3	-0.1	-0.3	-1.8	-2.2	1.1	0.0	1.0	-0.1
Germany (DAX)	12.6	0.0	-0.2	-1.9	-2.0	1.0	0.5	0.7	-0.6
UK (FTSE 100)	12.9	-0.1	-0.4	-2.7	-2.8	-1.2	1.4	2.3	-0.2
Italy (FTSE MIB)	11.9	-0.2	-1.1	-4.1	-4.9	0.8	-2.0	1.6	-0.4
France (CAC 40)	13.6	-0.2	-0.6	-1.7	-2.1	1.3	-0.8	1.6	-0.4
Japan (MSCI Japan)	13.0	-0.4	-0.2	-2.5	-3.0	1.1	-0.5	1.7	-4.1
Asia ex Japan (MSCI, USD)	12.1	-0.1	-0.8	-2.7	-3.1	1.0	1.6	0.3	-0.6
Latin America (MSCI, USD)	14.4	-0.1	0.5	-1.4	-1.2	-1.6	2.0	1.0	-0.4

	Relative Strength Index	50 Day Moving Average	100 Day Moving Average	200 Day Moving Average	Next 12M Earnings Growth	Earnings Est (NTM) 3M Change	Div Yld
Equity Technicals and Fundamentals							
USA (S&P 500)	41.47	2,873.8	2,826.6	2,768.1	11.8%	0.9%	2.0%
Euroland (Euro Stoxx 50)	37.21	3,367.0	3,411.4	3,444.0	10.1%	-0.7%	4.1%
Germany (DAX)	36.82	12,191.1	12,407.6	12,508.3	9.7%	-2.3%	3.7%
UK (FTSE 100)	30.08	7,411.1	7,534.0	7,458.9	7.6%	0.1%	4.7%
Italy (FTSE MIB)	34.88	20,654.2	21,243.4	22,167.8	13.5%	0.6%	4.7%
France (CAC 40)	34.05	5,369.1	5,393.7	5,377.7	10.2%	1.4%	3.8%
Japan (MSCI Japan)	41.46	1,033.7	1,033.7	1,040.5	3.9%	0.4%	2.4%
Asia ex Japan (MSCI, USD)	33.52	643.5	663.5	695.5	11.2%	-1.7%	3.2%
Latin America (MSCI, USD)	65.20	2,544.6	2,552.3	2,774.9	18.8%	3.7%	3.6%

Current data as of October 17, 2018. Data source: FactSet, negative numbers are in orange.

Key forthcoming data releases and other events

	U.S.	Europe	Asia
Monday October 22	n/a	Switzerland: M3 Money Supply (September)	Japan: All Industry Activity Index (August) South Korea: PPI (September)
Tuesday October 23	n/a	Eurozone: Consumer Confidence (October) Germany: PPI (September) Spain: Trade Balance (August)	Japan: Machine Tool Orders (September)
Wednesday October 24	New Home Sales (September) Fed Beige Book	Eurozone: M3 Money Supply (September) Eurozone, Germany, France: Markit PMI Composite, Manufacturing, Service (October) France: INSEE-Index (October) UK: UK Finance Loans for Housing (September)	Japan: Nikkei PMI Manufacturing (October) New Zealand: Trade Balance (September)
Thursday October 25	Wholesale Inventories (September) Durable Goods Orders (September) Pending Home Sales (September)	Germany: ifo Index (Oct), GfK Consumer Confidence (November) Spain: Unemployment Rate (Q3), PPI (September) ECB Meeting (October)	Japan: Foreign Buying of Japanese Bonds & Stocks (October 19) South Korea: GDP (Q3), Consumer Confidence (October)
Friday October 26	GDP, Core PCE (Q3) University of Michigan Consumer Sentiment (October)	France: Consumer Confidence (October), PPI (September)	Japan: Tokyo CPI (October)

Glossary

The Bank of England (BoE) is the UK central bank.
CNY is the currency code for the Chinese yuan.

Brexit is a combination of the words "Britain" and "Exit" and describes the possible exit of the United Kingdom of the European Union.

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.

Congress is the bicameral federal legislature of the United States.

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.

The European Central Bank (ECB) is the central bank for the Eurozone.

The European Commission is the executive body of the European Union (EU) representing the interests of the European Union as a whole. It consists of 28 Commissioners (one from each EU Member State).

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

Freie Wähler are candidates in German elections who may be a member of an association but do not represent a registered political party.

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.

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

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

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.

PredictIt is a U.S. "real money" political prediction market.

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 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.

ZEW (Zentrum für Europäische Wirtschaftsforschung) produces economic sentiment indicators and other research.

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

Important Information

General

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

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

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

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

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

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

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

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

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

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

Important Information

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

Kingdom of Bahrain

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

State of Kuwait

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

United Arab Emirates

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

State of Qatar

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

Kingdom of Belgium

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

Kingdom of Saudi Arabia

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

United Kingdom

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

Important Information

Hong Kong

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

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

Singapore

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

United States

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

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

Germany

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

Important Information

India

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

Italy

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

Luxembourg

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

Spain

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

Portugal

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

Austria

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

The Netherlands

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

027741 181018