# CIO Insights

Weekly Bulletin
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Christian Nolting
Global CIO

## Central banks hold fire

ECB and BoJ meetings this week made no policy changes – and the Fed seems likely to sit on its hands too next week. But we wouldn't get too pessimistic about the economic situation: U.S. earnings results suggest continued vigour.

1 BoJ and ECB meetings didn't change interest rates, but did warn of risks ahead. Markets hope that the FOMC holds fire too.

2 We don't expect a U.S. rate hike next week, but the Fed may prove not to be long-term dovish: data remains the real driver here.

3 The BoE meeting in February won't hike rates either: the focus will remain on Brexit debates in the UK parliament.

1 The Bank of Japan (BoJ) met on Tuesday/Wednesday this week and the European Central Bank (ECB) on Thursday. The meetings were lacking in drama, with no changes to interest rate policy but some accompanying talk of increased risks and (in the BoJ's case) significant inflation forecast reductions (pages 3 and 5). The U.S. Fed's Federal Open Market Committee (FOMC) unveils its interest rate decision next Wednesday. Markets are expecting the FOMC to leave interest rates unchanged, having built up hopes that there will be a "pause" in the rate hike sequence (page 2). Currently, in an interesting downwards shift, the Fed funds futures market is pricing in zero rate hikes for the entire 2019, due to in part to expectations around a global economic slowdown, as well as domestic factors (e.g. the Federal government shutdown).

2 But, as always, it remains important to disentangle investor hopes from likely economic reality. Investor hopes of a Fed "pause" to rate hikes have certainly provided equity markets with a helping hand so far in 2019. But, on the other hand, a strong U.S. labor market and decent household data suggest that U.S. growth will remain strong. Once the government shutdown is ended, there could also be a partial rebound in consumption. We don't expect a rate rise next week, but still believe for now that the Fed is likely raise interest rates twice this year. The Fed could certainly go down a more dovish track in future, but the economic data will have to lead such a change in direction. And, at least so far, Q4 2018 U.S. corporate earnings seem to reduce any case for further equity market support: with 15% of S&P firms now having reported, nearly 80% of the companies have beaten analysts' earnings expectations (page 2).

3 The Bank of England (BoE) Monetary Policy Committee (MPC) is lagging behind its peers, with a policy meeting not due until February 7. No shocks are expected here, either: recent UK economic data does not argue for a rate rise and the BoE will be sensitive to the continuing parliamentary debate about Brexit – with important votes due next week. The recent upwards trend in the GBP (page 9) suggests that the markets are increasingly assuming a "soft" Brexit or an extension to Article 50. But we would warn against complacency here: there will be plenty of bumps ahead on this particular road.

## Inside the Bulletin



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Wealth Management


# In a good pause

U.S.

Deepak Puri
Interim CIO Americas and Head of WD Americas

## Fed announcement preview

Investors will be eagerly awaiting a dovish confirmation from the Federal Reserve in regards to their interest rate decision this coming Wednesday. Market participants are expecting the committee to leave interest rates unchanged, which might just be the first tangible step for the longed-for "pause" or the belief that the central bank will take a break from their scheduled rate increases. This renewed dovish sentiment has been echoed by many of its members over the recent weeks and has caused equity markets to bounce back nicely from their 2018 lows. Currently, the Fed funds futures market is pricing in zero rate hikes for the entire calendar year with the main thesis being the rising risk of a global economic slowdown. The IMF recently noted that global economic activity is slowing faster than they anticipated, which led them to revise global growth downward for the next two years. Domestically, recent ISM data has fallen sharply and the prospects for a quick resolution for the government shutdown seem very slim. Lastly, the Sino-American trade conflict which has plagued markets all of last year continues to throw a wrench into global supply chains and corporate planning.

In summary, while it is always easy to identify and focus on the negative stories in economies and markets, we still currently believe that the strong labor market and household data are fostering a relatively strong U.S. economy with 2019 GDP growth still exceeding potential. Additionally, the softer ISM Surveys still remain in expansionary territory, and the disruptive forces from the current government shutdown should be reversed once government is reopened. Our current outlook is that the Fed will raise interest rates twice this year, but we also acknowledge that the central bank will be remain data dependent, and thus this issue may need to be revisited. Investors may not want to get too far ahead of themselves in believing that the Fed has hung up its hawkish hat.

## Corporate earnings continue to shine

With just over 15% of S&P 500 constituents reporting their final quarter of 2018 earnings, the scoreboard currently shows that almost 80% of the companies have beaten analysts' earnings expectations, while over 60% have also beaten top-line estimates. Additionally, the pessimistic trend in analysts' revisions has begun to reverse with downward revisions falling to 57% from last week's recent peak of 67%. A strong showing of corporate strength this earnings season should bode well for reinvigorating the animal spirits of the equity markets.


# PMI at odds with consumer confidence

EUROPE

Stéphane Junod
CIO Europe and Head of WD Europe

## Eurozone consumer confidence measure may point to stabilization

January's consumer confidence reading was, at -7.9, slightly higher than the revised December reading of -8.3 and may point to some stabilization in consumer sentiment. The European Commission has changed the calculation methodology, which makes it harder to compare the January numbers to historical data. Nevertheless, it seems that consumer confidence has remained above the historical average and it is encouraging that recent reading edged up compared to the adjusted December number. Household consumption is likely to remain the main pillar of Eurozone growth in 2019 as export growth seems increasingly challenged by a rough external environment.

## PMI and ECB bank lending survey point to downside risks

While consumer sentiment may be stabilizing at a relatively high level, business sentiment has remained on a downward trajectory. Indeed, disappointing Eurozone flash purchasing manager indices (PMI) in January point to a further deterioration in the outlook. The composite PMI fell from 51.1 in December to 50.7 in January, which was not only below consensus expectations of 51.5, but also marks the lowest level for the this index since August 2013. Furthermore, the fall in the French PMI to 47.9 indicates that the year-end drop in French business sentiment was not only caused by "yellow vest" protests, but also has more fundamental reasons.

Additionally, the ECB bank lending survey – published earlier in the weak - revealed that both consumers' and corporates' demand for credit softened in the Q4 2018. The survey's outlook for Q1 also implies further moderation, adding to the evidence that the Eurozone economy has lost momentum. This week's data gives further support to our house view of growth deceleration, although a recession remains unlikely in 2019.

## The ECB leaves policy unchanged

The ECB left policy rates and forward guidance unchanged at Thursday's monetary policy meeting with a commitment to leave interest rates unchanged at least through the summer. Risks are seen as to the downside, but recession risks in the Eurozone remain low. A replacement for the so-called targeted long-term refinancing operations (TLTRO) was discussed during the meeting but no decision was reached. Mr. Draghi also defended the negative deposit rate, but acknowledged that it hits bank earnings. The ECB is well aware that it needs to normalize monetary policy but keep it as accommodative as possible, particularly as the Eurozone economy seems to be losing momentum. Options for the next ECB meeting include a replacement of long term funding facility and an increase of the share of bank reserves exempted from the negative deposit rate.


# Private wealth rises but growth outlook mixed

GERMANY
Gerit Heinz
Chief Strategist Germany

## Households' liquid assets go above EUR6 trillion for the first time

According to the latest calculations by the Bundesbank, the private wealth of German households (liquid assets) reached EUR6.05 trillion in Q3 2018, above EUR6 trillion for the first time, although the low interest rate environment would not seem an ideal support for wealth creation. Furthermore, the fact that Germans only hold around 20 % of their liquid assets in equities and investment funds means that the positive effects from rising stock markets globally over the last few years (until Q3 2018) is unlikely to have been the key factor driving the growth in private wealth.

What other factors are behind the rise in private wealth? Unemployment remains low and wages are rising, so perhaps one answer can be found in the availability of income. What is more, the German savings rate has been rising for a few years. It had risen from below 9% in 2013 to 10.5% in Q3 2018, suggesting that people are using increases in income to save more. Maybe Germans are also aware that the good times might not last forever, although the country was ranked the third most competitive country globally in the latest report on this subject from the World Economic Forum. This puts it behind the U.S. and Singapore but ahead of Switzerland and Japan. The good news from the German aversion to equities is that the severe downturn of global equities in Q4 2018 is unlikely to have as big an impact on consumer sentiment as in other major developed economies. The bad news is that holding almost 40% of liquid assets in cash and short-term deposits does not compensate German investors for wealth erosion via inflation as short-term interest rates are below inflation.

## Manufacturing is weakening

After the negative QoQ GDP growth number in Q3 2018, the preliminary full year 2018 growth number of 1.5% suggests that growth was likely positive in Q4 and that a technical recession (two negative quarterly GDP growth numbers in a row) was thus avoided. But the German purchasing manager indices (PMI) published on Thursday showed a mixed picture and reflected a degree of apprehension about the economic outlook. The composite PMI rose by 0.5 to 52.1, driven by an increase of 1.3 in the services PMI but the manufacturing PMI slumped by 1.6 points to 49.9. This was a four-year low and significantly below expectations of an unchanged level of 51.5. Readings below 50 indicate a contraction with the auto industry and weaker demand from China as potential reasons. Concerns on the future and risks to the downside are also visible in the Ifo indices published today where expectations dropped by 3.1 to 94.2 vs. consensus expectations of 97.1 while the current assessment remained on a high level of 104.3 (down 0.4 compared to December but 0.1 better than expected). The overall business climate measure declined from 101.0 to 99.1 vs. 100.7 expected. Brexit and US-China trade uncertainties are leaving their mark on assessments of future prospects.


# BoJ meeting; China talks and policy stimulus

EMERGING MARKETS

Tuan Huynh
CIO Emerging Markets and Head of WD Emerging Markets

## Bank of Japan reduces inflation forecasts

The Bank of Japan (BoJ) meeting on Wednesday sprung no major surprises, but there were significant reductions to its inflation forecasts and warnings of "downside risks" to the domestic economy from external developments. The BoJ cuts its core consumer inflation forecast to 0.9% in FY2019/2020 (previously 1.4%); the forecast for FY2020/2021 was trimmed back from 1.5% to 1.4%.  The BoJ's short-term interest rate target remains at -0.1%. The inflation rate forecast changes obviously make the BoJ's long-term inflation target of 2% seem even more distant, and government efforts to avoid deflation by boosting worker pay also appear to be faltering: this week the Keidanren employers' federation simply told its members that an increase in pay was "one option". Last year, the Keidanren suggested that its members raised pay by 3%.

Meanwhile, Japanese firms continue to face external headwinds. Japanese exports fell by 3.8% YoY in December, with exports to China dropping by 7% (in JPY terms). By contrast, Japanese exports to the U.S. rose by 1.6%. Total Japanese imports rose by 1.9% YoY in December.For full year 2018, Japanese exports grew by 4.1% (after a near 12% expansion in 2017), with import growth slowing from 14.1% to 9.7%. In the coming months, it will be important to monitor confidence and orders surveys. At present, these are reasonably positive, suggesting that a sustained large fall in exports or imports is unlikely.

## China trade talks concerns offset by more stimulus

Hopes of a breakthrough in U.S/China trade relations were dented early in the week by the U.S. rejecting an offer by Chinese officials to travel to the U.S. for preparatory talks. But news of further stimulus measures – an RMB258bn cash injection into the banking system – was enough to result in strengthening of the RMB after several days of losses. We think that this zigzag pattern is likely to continue for some time, with the unveiling of government stimulus measures running in parallel to mixed news on the trade negotiations front.

Uncertainty is encouraging discussion of what China's medium and long-term objectives are. Following the release of Q4 GDP data at the start of the week, Chinese officials have sought to manage expectations with, for example, the vice chairman of the China Securities Regulatory Commission (CSRC) saying that the Chinese economy would definitely slow this year, due to trade and a cooling real estate levels. At a business level, the chairman of Sinochem, Ning Gaoning, said this week that he thought outward Chinese investment would fall, with some areas less receptive to it. Meanwhile, Chinese data releases may continue to unsettle the markets. One to watch next week is the Caixin manufacturing purchasing manager index (PMI) on Friday.

# European earnings so far do not dispel doubts

## Equities

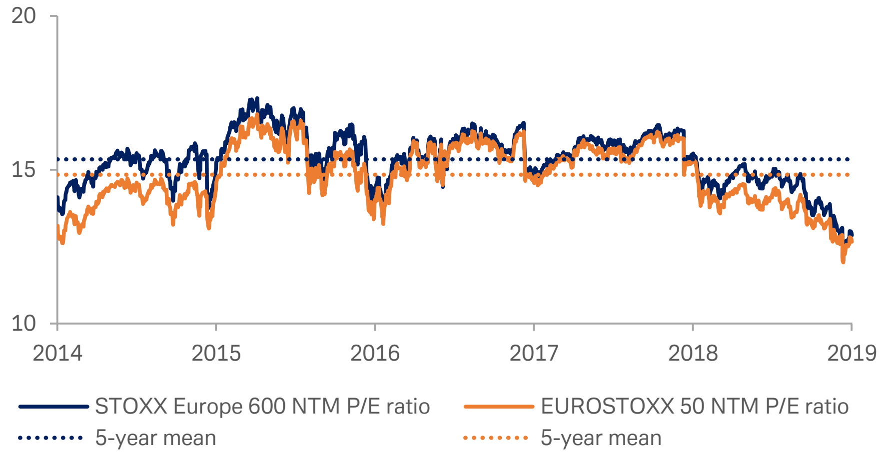
- This week STOXX Europe 600 firms had a mixed start to the Q4 2018 earnings season. Of those companies that have reported earnings so far, around 65% of STOXX Europe 600 members have had earnings above consensus expectations, but with a negative with an aggregate earnings surprise of -3.9%..
- With European economic momentum apparently fading, investor sentiment is suffering. In January the ZEW indicator on Eurozone economic development edged up to -20.9 (+0.1 MoM) but still missed market expectations of -20.1 and remained well below the long-term average of 23.8. By contrast, the ZEW respondents' assessment of the current Eurozone economic situation fell again to 5.3 (-6.8 MoM).
- Consensus expects earnings growth of the STOXX Europe 600 to drop to 6.8% in full year 2019. In order to reach this level of expected earnings growth, Eurozone GDP growth needs to stay at or come in slightly above its long-run potential, which we believe is achievable and in-line with our forecast of 1.6% for 2019. The key risks to our view remain the budget conflict between Italy and the EU, a disorderly Brexit, and lack of resolution of global trade disputes.
- Meanwhile, European equities are relatively cheap – trading at a five-year valuation low and at the same time offering an attractive next twelve months (NTM) dividend yield of above 4% on average. However, due to their substantial foreign and corporate-linked revenue exposure, we expect European equities to be disproportionately affected by a creeping global slowdown and protective tariffs. Moreover, we emphasise that Europe's equity market is heavy on cyclical companies which tend to lag in late cycle. And, last but not least, its value bias makes Europe less attractive without a clear catalyst for value outperformance.

Equity

European equities are trading at a five-year valuation low, but their revenues are vulnerable to global slowdown or protective tariffs

— Focus of the Week

## STOXX Europe 600 and EUROSTOXX 50 P/E ratios




Source: Bloomberg Finance LLP, Deutsche Bank AG. Data as of January 22, 2019. P/E = price/earnings. NTM = next twelve months.

# European investors' low yield tolerance

## Fixed income

- One of the big questions in bond markets is who is going to replace the ECB as a purchaser of European government bonds, now that this institution has stopped net asset purchases.
- For the moment, it seems that private investors are still willing to accept ultra-low yields even with fading central bank support.
- European bond yields are remaining close to two-year lows. In fact, the 10- year German government bund yield is hovering around 0.25%, a level it never went below in 2018.
- This low yield environment hasn't been challenged yet as incoming European macro data has generally been disappointing.
- Weak industrial production data even triggered fears that Germany could have entered a technical recession in Q4 2018 – although initial full year 2018 German growth estimates, along with other economic indicators such as retail sales and services sector purchasing manager indices (PMI) suggest that such a recession was avoided.
- We expect that demand for safe haven assets such as German bunds will decline once recession fears fade.
- Private investors might then prove increasingly unwilling to replace the ECB as bidders for European government bonds at recent yield levels.
- Hence, we expect European government bond yields to rise. Our 12 month forecast for 10-year German bund yields is 0.6%.

Fixed income

Once European economic fears start to fade, private investors may be less tolerant of low European bond yields

— Focus of the Week

## German 10-year bond yields over the last five years


Source: Bloomberg, Deutsche Bank AG. Data as of January 22, 2019.

# Gold headwinds remain but some oil upside

## Commodities

- The recent gold rally has temporarily consolidated around USD1280/oz as we progress through a number of important central bank meetings in late January.
- But with plenty of political risks ahead such as the ongoing U.S./China trade dispute, the U.S. government shutdown and Brexit, gold could see another upward move.
- In the longer run, however, the upside for gold will likely be limited given headwinds such as the ongoing global monetary tightening and still robust global economic growth, even after the expected deceleration.
- The relief rally in crude oil has continued with the WTI price reaching a new two-month high on Monday of just under USD54/b.
- The rally was also supported by a Baker Hughes report last Friday which revealed a surprising reduction in the numbers of active oil and gas rigs.
- U.S. rig counts have dropped to their lowest level since May 2018, with producers apparently becoming more hesitant to increase drilling activity after the oil price drop in Q4 2018.
- Meanwhile, the IEA and OPEC have both kept their 2019 demand estimates unchanged, as the lower oil prices should offset the expected global economic growth deceleration.
- We expect some further upside ahead for crude oil prices due to reasonably solid global demand (given only a limited risk of recession over the next 12 months), the OPEC production cuts and pipeline constraints in the U.S. and Canada.
- Our 12-month target for WTI is USD 60/b.

Commodities

Continued solid global demand, OPEC production cuts and U.S. pipeline constraints point to some further upside for oil prices

— Focus of the Week

## The gold price over the last year


Source: Thomson Reuters Datastream, Deutsche Bank AG. Data as of January 22, 2019.

# GBP still vulnerable to volatility; EUR vs. USD

## Currencies

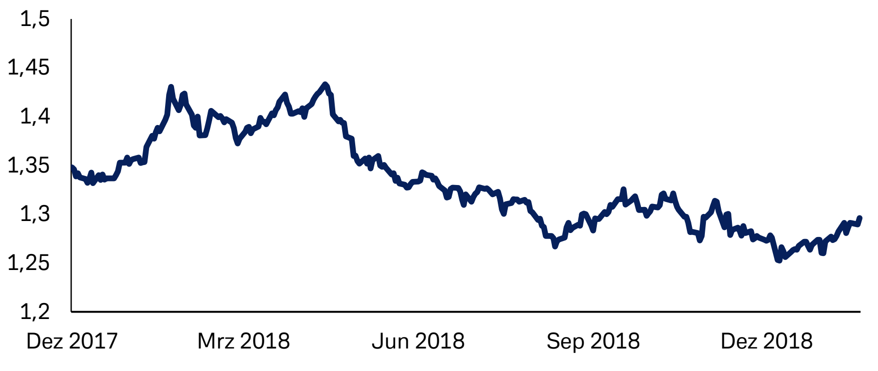
- The GBP has continued its upward trend against both the USD and the EUR, despite no progress being made with regards to the Brexit process.
- Despite Prime Minister May's statement in parliament about the so-called "plan B" failing to provide more insights and clarity, markets seem to have become more complacent, apparently expecting either a soft Brexit or some sort of extension of Article 50.
- Additionally, better-than-expected UK labor market data this week has also supported GBP as unemployment fell to 4% and average weekly earnings growth came in at a robust 3.3%.
- The Brexit clock, however, continues to tick down and we expect GBP to remain vulnerable to bouts of volatility, particularly so long as a "no deal" outcome remains on the table.
- The EUR has lost some ground against the USD ahead of the ECB meeting, but the exchange rate has remained in its narrow trading range.
- While recent macro releases confirm that economic growth in the Eurozone is likely to remain well below that in the U.S., the transatlantic growth differential is not expected to widen any further. An elevated USD valuation suggests that the U.S. growth and interest rate advantage might already be priced in.
- Hence, a breakthrough from the EUR/USD current trading range (1.125 -1.15) seems unlikely without any major change in the fundamental picture and/or political risk perceptions.

Currencies

**Markets may have become complacent about the GBP, as an extension to Article 50 or a "soft" Brexit is not guaranteed**

— Focus of the Week

### GBP vs. USD over the last year




Source: Thomson Reuters Datastream, Deutsche Bank AG. Data as of January 22, 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 23 2018 – Jan 23 2019 | Jan 23 2017 – Jan 23 2018 | Jan 23 2016 – Jan 23 2017 | Jan 23 2015 – Jan 23 2016 | Jan 23 2014 – Jan 23 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Rates** | | | | | | | | | |
| 2-Year German Bund | -0.58% | -0.06% | -0.10% | -0.05% | -0.40% | -0.81% | -0.20% | 0.24% | 0.62% |
| 5-Year German Bund | -0.36% | -0.08% | 0.28% | 0.23% | 1.75% | -0.88% | 1.22% | 1.24% | 4.91% |
| 10-Year German Bund | 0.17% | 0.04% | 0.82% | 0.74% | 4.77% | -0.19% | 2.26% | 0.30% | 16.55% |
| 10-Year U.S. Treasury | 2.76% | -0.17% | 1.12% | -0.20% | 1.34% | 0.05% | -0.73% | -0.47% | 12.38% |
| 10-Year UK Gilt | 1.32% | -0.12% | 0.10% | -0.41% | 2.98% | 2.46% | 5.59% | 0.50% | 16.12% |
| 2-Year BTP | 0.34% | 0.00% | 0.43% | 0.34% | 0.11% | 0.51% | 0.23% | 0.83% | 2.36% |
| 5-Year BTP | 1.62% | 0.19% | 1.32% | 1.10% | -1.32% | 3.10% | 0.97% | 3.02% | 10.79% |
| 10-Year BTP | 2.76% | 0.07% | 1.04% | 0.26% | -2.58% | 4.87% | -1.58% | 2.12% | 25.45% |
| Barclays Euro Corporate | 1.27% | 0.23% | 0.47% | 0.39% | -1.09% | 2.95% | 4.64% | -1.53% | 8.14% |
| Barclays Euro High Yield | 4.28% | 0.10% | 1.43% | 1.36% | -2.84% | 6.60% | 11.81% | -2.42% | 6.36% |
| JP Morgan EMBIG Div. | 6.43% | 1.26% | 3.62% | 3.76% | 6.73% | -4.95% | 13.96% | 2.96% | 31.52% |
| **Equities** | | | | | | | | | |
| USA (S&P 500) | 2,638.7 | 0.9% | 9.2% | 5.3% | -7.1% | 25.3% | 18.8% | -7.1% | 12.2% |
| Euroland (Euro Stoxx 50) | 3,112.1 | 1.1% | 3.7% | 3.7% | -15.3% | 12.2% | 8.3% | -10.6% | 8.5% |
| Germany (DAX) | 11,071.5 | 1.3% | 4.1% | 4.9% | -18.4% | 17.4% | 18.2% | -8.3% | 10.6% |
| UK (FTSE 100) | 6,842.9 | -0.3% | 1.8% | 1.7% | -11.5% | 8.1% | 21.2% | -13.7% | 0.9% |
| Italy (FTSE MIB) | 19,400.2 | -0.4% | 5.5% | 5.9% | -18.6% | 23.3% | 1.6% | -7.3% | 3.6% |
| France (CAC 40) | 4,840.4 | 0.6% | 3.1% | 2.3% | -12.6% | 14.8% | 11.2% | -6.6% | 8.4% |
| Japan (MSCI Japan) | 927.6 | 0.6% | 3.9% | 3.8% | -18.3% | 24.7% | 9.3% | -3.7% | 9.0% |
| Asia ex Japan (MSCI, USD) | 617.5 | 0.0% | 4.2% | 3.5% | -19.7% | 42.6% | 20.4% | -23.7% | 9.7% |
| Emerging Markets (MSCI, USD) | 1,011.6 | 0.2% | 5.7% | 4.7% | -19.2% | 38.8% | 26.9% | -28.3% | 2.8% |
| **Commodities & Alternatives** | | | | | | | | | |
| WTI (USD) | 52.62 | 0.6% | 15.4% | 15.9% | -18.4% | 24.1% | 68.6% | -31.7% | -53.7% |
| Gold (USD) | 1,282.7 | -0.9% | 1.8% | 0.1% | -4.1% | 9.9% | 10.5% | -14.9% | 2.6% |
| EUR/USD | 1.1379 | -0.1% | -0.3% | -0.5% | -7.4% | 14.4% | -0.7% | -3.8% | -17.8% |
| EUR/GBP | 0.8712 | -1.7% | -3.3% | -2.9% | -0.7% | 1.9% | 13.9% | 0.9% | -9.0% |
| EUR/JPY | 124.75 | 0.6% | -1.7% | -0.5% | -8.0% | 11.7% | -5.3% | -3.2% | -6.5% |
| VIX Index | 19.52 | 0.48 | -10.59 | -5.90 | 8.42 | -0.67 | -10.57 | 5.68 | 2.89 |
| VDAX Index | 18.17 | 0.37 | -2.74 | -5.22 | 5.40 | -3.58 | -12.13 | 6.33 | 6.25 |

Current data as of January 23, 2019. Data source: FactSet, negative numbers are in orange

# Facts and Figures

| | Current | 1 Wk Change | 1M Change | YTD Change | Jan 23 2018 – Jan 23 2019 | Jan 23 2017 – Jan 23 2018 | Jan 23 2016 – Jan 23 2017 | Jan 23 2015 – Jan 23 2016 | Jan 23 2014 – Jan 23 2015 |
|---|---|---|---|---|---|---|---|---|---|
| **Rates Valuations** | | | | | | | | | |
| Eco Refi Rate | 0.00% | 0 | 0 | 0 | 0 | 0 | -5 | 0 | -20 |
| Bund Yld Curve (10YR-2YR) | 75 | -3 | -11 | -8 | -38 | 14 | 14 | 36 | -109 |
| Spread Gov. FRA—GER (10YR) | 47 | 1 | 3 | 1 | 26 | -35 | 18 | 18 | -50 |
| Spread Gov. Ita-GER (10YR) | 259 | 0 | -1 | 7 | 124 | -36 | 55 | -3 | -96 |
| Spread Gove. SPA-GER (10YR) | 116 | -5 | 1 | -2 | 30 | -29 | -19 | 29 | -100 |
| Investment Grade Spread (10YR) | 110 | -3 | 4 | 5 | 87 | -42 | -44 | 47 | 40 |
| High Yield Spread (10YR) | 411 | -2 | -19 | -20 | 195 | -20 | -177 | 139 | 80 |
| J.P. Morgan EMBIG Div. Spread | 626 | -15 | -32 | -36 | 145 | -53 | -89 | 97 | 105 |
| **Equity Valuations** | | | | | | | | | |
| USA (S&P 500) | 16.5 | 0.2 | 1.4 | 0.8 | -5.1 | 2.4 | 2.8 | -1.3 | 0.9 |
| Euroland (Euro Stoxx 50) | 13.1 | 0.2 | 0.4 | 0.4 | -2.7 | 0.2 | 2.3 | -2.0 | 1.0 |
| Germany (DAX) | 13.1 | 0.2 | 0.8 | 0.9 | -2.1 | 0.4 | 2.4 | -2.6 | 0.5 |
| UK (FTSE 100) | 12.1 | 0.0 | 0.4 | 0.3 | -3.5 | -1.5 | 2.3 | 0.4 | -0.1 |
| Italy (FTSE MIB) | 11.5 | 0.1 | 0.6 | 0.6 | -5.6 | -1.2 | 1.8 | -1.7 | 1.0 |
| France (CAC 40) | 12.7 | 0.1 | 0.4 | 0.3 | -3.3 | 0.7 | 1.2 | -1.6 | 0.9 |
| Japan (MSCI Japan) | 12.0 | 0.1 | 0.6 | 0.5 | -4.0 | -0.1 | 2.2 | -1.6 | -1.3 |
| Asia ex Japan (MSCI, USD) | 12.5 | 0.0 | 0.6 | 0.4 | -3.1 | 1.3 | 2.8 | -1.9 | 1.0 |
| Emerging Markets (MSCI, USD) | 12.0 | 0.0 | 0.6 | 0.5 | -3.0 | 1.2 | 2.6 | -1.6 | 1.4 |

| | 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) | 57.67 | 2,602.3 | 2,710.3 | 2,740.6 | 6.9% | -3.5% | 2.2% |
| Euroland (Euro Stoxx 50) | 57.97 | 3,080.3 | 3,180.6 | 3,325.1 | 9.1% | -3.4% | 4.2% |
| Germany (DAX) | 58.28 | 10,928.5 | 11,371.3 | 12,001.4 | 10.4% | -4.4% | 3.7% |
| UK (FTSE 100) | 49.04 | 6,860.1 | 7,033.9 | 7,329.4 | 4.1% | -3.7% | 5.0% |
| Italy (FTSE MIB) | 58.63 | 18,892.6 | 19,447.9 | 20,794.1 | 10.3% | -1.9% | 4.8% |
| France (CAC 40) | 54.57 | 4,829.4 | 5,029.7 | 5,237.8 | 7.5% | -3.5% | 4.0% |
| Japan (MSCI Japan) | 52.48 | 936.6 | 978.3 | 1,006.9 | 2.4% | -2.8% | 2.7% |
| Asia ex Japan (MSCI, USD) | 59.32 | 604.0 | 610.5 | 649.3 | 6.8% | -7.5% | 3.0% |
| Emerging Markets (MSCI, USD) | 62.99 | 981.1 | 989.0 | 1,043.6 | 7.6% | -4.4% | 3.3% |

Current data as of January 23, 2019. Data source: FactSet, negative numbers are in orange.

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# Key forthcoming data releases and other events

| | U.S. | Europe | Asia |
|---|---|---|---|
| **Monday** January 28 | Chicago Fed Nat Activity Index (December), Dallas Fed Manufacturing Activity (January) | Eurozone: M3 Money supply (December)<br>UK: Nationwide House Price Index (January) | New Zealand: Trade Balance (December) |
| **Tuesday** January 29 | Wholesale Inventories (December), Confidence Board Consumer Confidence (November) | France: Consumer Confidence (January)<br>Italy: PPI (December)<br>Spain: Unemployment Rate (Q4) | Australia: NAB Business Conditions (December)<br>South Korea: Business Survey Manufacturing (F ebruary) |
| **Wednesday** January 30 | FOMC Rate Decision (January), ADP Employment change (January), GDP Annualized (Q4), Personal Consumption (Q4), GDP Price Index (Q4) | UK: Mortgage Approvals (December)<br>Germany: Gfk Consumer Confidence (February), CPI (January)<br>France: GDP (Q4)<br>Italy: Consumer Confidence Index (January), Manufacturing Confidence (January) Economic Sentiment (January)<br>Spain: Retail Sales (December) | Japan: Retail Sales (December)<br>Australia: CPI (Q4) |
| **Thursday** January 31 | Personal Income & Spending (December), Chicago Purchasing Manager (January) | Eurozone: Markit Manufacturing (January),<br>Eurozone, France & Spain: CPI (January)<br>Italy: GDP (Q4) | Japan & South Korea: Industrial Production (December)<br>China. Non-Manufacturing PMI (January)<br>Australia: Private Sector Credit (December) |
| **Friday** February 1 | Unemployment Rate (January), ISM Manufacturing (January), Construction Spending (December) | UK, Germany, France, Italy, Switzerland & Spain: Markit UK PMI Manufacturing<br>Switzerland: Retail Sales (December) | Japan: Jobless Ratio (December), Nikkei PMI Manufacturing (January), Vehicles Sales (January)<br>China. Caixin PMI Manufacturing (January)<br>Australia: PPI (Q4), Commodity Index (January)<br>South Korea: CPI (January), Import & Export (January), Nikkei South Korea PMI Manufacturing (January) |

# Glossary

Animal spirits are the emotions that drive economic behaviour (and in particular consumption) in addition to a fully-reasoned decision making process.

The Bank of England (BoE) is the UK central bank.

The Bank of Japan (BoJ) is the central bank of Japan.

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

Bunds are longer-term bonds issued by the German government.

The consumer price index (CPI) measures the price of a basket of products and services that is based on the typical consumption of a private household.

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

The 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.

Futures are financial contracts regarding the buying or selling of an asset at a future time and price.

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 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.

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 Stoxx 50 Index tracks the performance of blue-chip stocks in the Eurozone; the Stoxx Europe 600 has a wider scope, taking in 600 companies across 18 European Union countries.

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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