CIO Insights

Weekly Bulletin
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Global CIO

Central banks: focus is changing

A gaggle of central bank meetings this week largely followed expectations. The RBI and BoE raised rates, the Fed hinted at more rate rises to come and the BoJ generally stuck to the status quo. But their concerns are starting to shift.

1. RBI and BoE rate rise decisions make explicit reference to inflation concerns, if for rather different reasons.

2. Fed prepares the ground well for further tightening but BoJ commitments don't completely convince.

3. So inflation is now on many central banks' radar. Prepare for a more fluid policy environment ahead.

1 On Wednesday, the Reserve Bank of India (RBI) raised rates, in part because of concerns around inflation, exacerbated by raised agricultural minimum support prices and oil import costs. A depreciating rupee was also a concern. This was the second RBI rate rise in two months. On Thursday, the Bank of England (BoE) followed suit (and market expectations) by raising the base rate from 0.5% to 0.75%. Its Monetary Policy Committee (MPC) minutes, published immediately, after the meeting set out a conventional rationale: limited spare capacity in the economy (given low productivity and lower net migration) meant that any increase in demand would have inflationary implications. In other words, the focus was ongoing economic trends rather than any future shocks from Brexit or global trade disputes.

2 The Fed's FOMC, which announced its decision on Wednesday, had a different focus. The Fed wanted to indicate that further policy tightening should be expected, given still very buoyant economic conditions: its post-meeting statement that used the word "strong" to describe economic activity, household spending and investment and jobs. Immediate inflation concerns were not too much to the fore, although there was a reminder that core inflation remained close to the target 2% rate. The Bank of Japan (BoJ), by contrast, wanted to reassure markets that ultra accommodative monetary policy would continue. It was partially successful in doing this. Its policy announcement on Tuesday talked of "continuous powerful monetary easing" and interest rates remaining low "for an extended period of time". But some relatively minor changes in policy (e.g. a greater range for 10-year JGB rates around zero) were sufficient to unsettle markets, with Japanese 10-year yields having their biggest jump in two years.

3 So what does this all mean? Firstly, nearly 10 years after the eruption of the Global Financial Crisis, many central banks are not just focused on economic resuscitation. Future increases in inflation, perhaps exacerbated by tariff hikes, are on their radar too. Recent developments in China remind us that policy complexities in an uncertain environment, can mount up quickly. Secondly, markets should get used to a rather more fluid policy environment and not assume (as they did with the BoJ announcement) that bank hand-holding will continue unadjusted forever. Times change.

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Reiterating Tech as a favorite sector

U.S.

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Following recent weakness in social media and other tech related names, there has been increased rhetoric surrounding the "demise of Tech" and the suggestion that tech has lost its market leadership position. In short, we believe this rhetoric is premature. Admittedly,18% of the constituents of the S&P 500 info tech sector (14% of its market cap) and 43% of the constituents of the NASDAQ (18% of the market cap) are down more than 20% from their YTD highs. However, while the S&P 500 info tech sector is down about 4% since July 25, the reality is that the Index remains up 28% over the past year and is the best performing S&P 500 sector over that time period.

Going forward, tech remains one of our favorite sectors and the recent weakness has not shaken our confidence in the sector for a few reasons:

- ***Thematic Trends –*** Technology remains the most transformational sector as the pace of innovation and "disruption" to our daily lives accelerates. As a result, the secular trends developing in this sector have found their way into many of our "Tomorrow's Themes Today" including Milllenials, Cybersecurity, Smart Mobility, and Artificial Intelligence.
- ***Robust Economic Growth –*** Q2 GDP growth of 4.1% (the fastest since Q3 2014), reaffirmed the U.S. economy remains on solid footing. This Q2 momentum likely carried into early H2, as the Atlanta Fed currently estimates that Q3 2018 GDP will come in at 5.0%. In addition, at this week's FOMC meeting the Fed upgraded its economic assessment and acknowledged that the U.S. economy is growing at a "strong" pace (from a "solid" pace previously). This should support cyclical sectors, specifically info tech that should not only benefit from strong consumer demand but also a surge in business spending (incentivized by corporate tax reform).
- ***Solid Earnings –*** Despite heightened scrutiny surrounding quarterly results, tech earnings remain robust. In fact, with 64% of S&P 500 info tech reporting, the sector has posted 33.5% earnings growth with over 90% of companies beating their earnings estimate. Going forward, earnings should remain strong as full year earnings are expected to rise by ~20% in 2018 and 11% in 2019. Confidence on 2019 earnings continues to grow as NTM revisions have been revised ~4% higher over the past three months.
- ***Relatively Attractive Valuations*** – While the info tech sector is only 4% off of its all time high, its NTM P/E ratio is down almost 10% since its peak YTD as a result of strong earnings growth dynamics. As a result, valuations have improved for this growth-oriented sector.
- ***Seasonal Support*** – Seasonally, the coming months have historically been supportive for the technology sector. In fact, after the typical summer challenges, the S&P 500 info tech sector over the last 15 years has ended the September through December period up, on average, 6.1% (positive 87% of the time), outpacing the S&P 500 by more than 1%.
- ***Solid Shareholder Value*** – With record cash flow and balance sheet cash, tech companies have enacted a number of supportive shareholder friendly actions. Firstly, tech has seen buybacks of USD66bn in Q2 2018, representing ~40% of total S&P 500 buybacks. Secondly, dividends are expected to grow 11% in 2018 and 9% in 2019. These favorable shareholder activities increase tech's attractiveness.
- ***Stable Technicals*** – Despite the recent weakness over the past week, the weakness appears to be a "natural" consolidation after a healthy rally as the sector has not breached its 50, 100, and 200 day moving averages.

Eurozone GDP, BoE decision and Greece

EMEA

Daniel Kunz
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Eurozone GDP disappoints

Eurozone GDP rose by just 0.3% QoQ in Q2, according to the flash estimate published on Tuesday, the slowest rate of growth in two years. This disappointing result (consensus had expected 0.4% growth) confirmed fears about a slowdown in Eurozone growth in H1 2018 and will add to concerns about the possible impact of additional U.S. import tariffs. However, the Q2 GDP result on its own will not lead the ECB to reconsider its QE exit plans, with asset purchases still expected to end this December. On the following page, we discuss why the ECB policy outlook will not be affected by higher-than-expected Eurozone consumer price inflation in July.

Bank of England raises rates

As widely expected, the BoE went ahead and raised rates by 0.25% at its August 2 meeting. All the Monetary Policy Committee (MPC) members voted for an increase. The BoE was facing a unique set of circumstances. Most economic data has suggested a mild recovery in Q2 after a poor Q1, although wages growth has been modest and inflation recently came in below expectations. The MPC's argument for raising rates was that there was little spare capacity in the UK economy (given low productivity and lower net migration) so that even a slight increase in demand could lead to inflationary pressures.

However, continuing concerns around Brexit could still upset the economy. The presumption is that Prime Minister May can reach some sort of deal with the EU in the autumn, and that this will then be put to a parliamentary vote. Mrs. May is concerned that Conservative "Brexiteers" could vote against this legislation (if they think it keeps the UK too close to the EU) and has pointed out that the opposition Labour party could exploit any signs of uncertainty by using an obscure parliamentary procedure to put the Article 50 exit process on hold. At present, there are a number of possible political permutations with a "hard Brexit" (exit with no deal) still a possibility, as is a "blind Brexit" (exit on the basis of a deliberately imprecise deal with the EU. This is forcing policymakers and business into considerable contingency planning: BoE Governor Carney said recently that he was spending 50% of his time on Brexit preparations.

IMF warns on Greece

Greece continues to prepare for the end of its bailout program on August 20, with the Eurozone governments agreeing in June on a program to that will limit Greece's payments on it debt stock until 2032. However, the IMF has now warned that over the longer term Greece will need more debt relief and is also critical of the way in which debt relief is tied to a "very ambitious primary surplus path": the EU requires a primary of surplus of 3.5% until 2020, followed by one of 2.2% until 2060, while the IMF believes that a surplus target of 1.5% would be more appropriate. The IMF also thinks that the Eurozone's commitment to review matters in 2032 may not be sufficient to maintain investor confidence, if budget targets are not met in the interim.

Germany in a Eurozone context

GERMANY

Helmut Kaiser
Chief Strategist, Germany

In the Eurozone, headline consumer price inflation (CPI) rose to 2.1%, taking it above the ECB target for first time in five and a half years and to its highest level since December 2012. German inflation was also 2.1%. In addition to higher oil prices YoY and corresponding base effects, current trade tensions and the extremely hot summer could also contribute to higher inflation in the next months, in particularly on food prices (so far well behaved at 2.5% YoY in July).

So should be worry that inflation could run out of control? We don’t think so. Wage rises are observable to some degree in Germany, and to a more significant extent in Spain, but are not an issue in the rest of the Eurozone The ability of companies to shift production to low-cost producers appear to be combining with the rise of robots (digitalisation, AI etc.) to constrain wage gains. Moreover, recent labour market reforms in many economies has made the Eurozone labour market more flexible. In addition, Germany is attracting qualified immigrants mostly from other European countries to match the high demand in certain sectors (in particular IT, services, machinery & equipment, and construction). Hence we do not expect German or Eurozone unit labour costs to grow by more than 0.3ppt per year in 2018 and 2019. As a result core inflation should only rise to 1.5-1.75% YoY in this period from its current level of 1.1%.

Apart from the benign inflation outlook some other factors argue for an ongoing low interest rate environment in Germany and Eurozone, as they will encourage the ECB to remain cautious. Despite some progress at the last EU summit in June on further integration in fiscal policy with regard to ESM reform and agreement in principle on a European budget for infrastructure, an “ever-closer EU” is still far away. In particular, it is still unclear whether the German government will compromise with French president Macron on these issues, given the current tension in the German coalition and the upcoming election in Bavaria in October where the political future of the CSU is on stake. Moreover, the new government in Italy still is aiming for a fiscal policy which is not in line with European fiscal rules, meaning that upcoming discussions and decisions with regard to the Italian 2019 budget will be important to watch from September onwards. Further political and fiscal integration in the Eurozone is also not very popular in the smaller EU core countries (Netherlands, Austria) as well as in the Eastern Europe (Poland, Hungary, Baltic states). These are not abstract concerns: since the Italian elections, the TARGET II imbalances have risen again and increased Italian bond yields signal potential trouble ahead for the Eurozone from Italian political developments. Time is also running out for the Brexit negotiations, with appreciable risks of a hard Brexit (see the previous page). Hence, despite slightly higher CPI, we expect still cautious ECB in future, with it remaining intrinsically on the dovish side of the “monetary equation”.

RBI raises rate to anchor inflation expectations

ASIA

Tuan Huynh
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At its monetary policy meeting on August 1, the Reserve Bank of India (RBI) raised its policy repo rate by 25 bps to 6.5%, maintaining a neutral monetary stance. This was in line with market expectations. The key reasons for the rate hike this week were the following:

First, India's inflation will probably rise in H2 this year, given still elevated oil prices (in YoY terms) and increased government minimum support prices for agricultural products.

Second, the INR has depreciated against USD since the start of the year. A weak currency risks even higher inflationary pressure. A rate hike should help defend the currency.

Third, the Indian economy has been on a positive recovery trend since H2 2017 with improving business and consumer sentiments. The rate hike should therefore not dampen down economic recovery much.

Fourth, rate hikes are needed in India to encourage financial savings, which would be source of funding for investment needs.

Fifth, in the run up to the general election in 2019, the Indian government has been implementing expansionary fiscal policy, particularly for rural population. Against this backdrop, a more neutral policy stance from the central bank may be necessary to counterbalance this.

Nonetheless, the pace of rate hikes (two in only two months) was not foreseen at the start of this year and we think that the RBI may not want to take a "wait-and-see" approach over coming months in order to evaluate the rate hikes' impact. We are not expecting any more rate changes from the RBI in the rest of this year.

We expect the Indian economy to keep growing strongly for the remainder of this fiscal year, which ends in March 2019. We think the key growth drivers for Indian economy will be from the domestic demand side, namely investment and household consumption. Investment would be supported by the positive business sentiment and a high current capacity utilization rate. Consumption will be encouraged by higher household incomes, particularly the rural areas, amid the government's populist measures ahead of the general election.

But there are a number of risk factors that could force a RBI rates reappraisal. These include 1) any further strengthening of the USD and rising U.S. Treasury yields; 2) any upside risks in inflation caused by oil prices and the government's fiscal expansion; and 3) any deterioration in India's currency account which might lead to more currency depreciation.

Renewed optimism (for now) in Europe

Equities

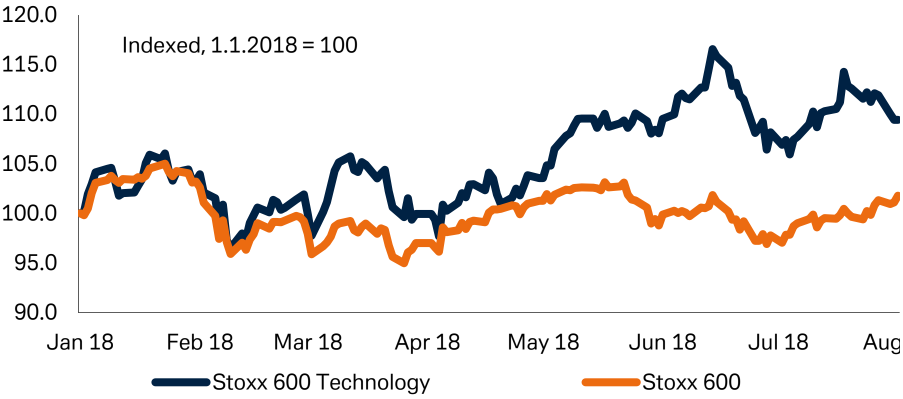
- The compromise between President Trump and the EU Commission President Juncker on the U.S.-EU tariff conflict last week lifted (at least for now) one factor weighing on equity market sentiment.
- Trade negotiations and the resulting uncertainty will continue to contribute to equity market volatility but, as the events of the last week have demonstrated, the overall economic environment appears robust enough to cope with such headwinds, with equities brightening up as soon as there is some positive trade-related news.
- As a result, markets have now recovered from their weak spot at the end of Q2. The Stoxx 50 Index rose 3.9% in July and its performance since the start of the year is now positive. The same is true for the broader Stoxx 600 Index (up 3.5% in July).
- One problem in last two weeks has been the Tech sector, as shown in the chart below. Until very recently, this has been an important growth and performance locomotive and had outperformed the overall market.
- In the current Q2 reporting season, however, some individual European Tech company results have made disappointed and the sector has been underperforming the equity market.
- However, despite some talk of sectoral “fatigue”, Tech results in aggregate have been strong and have surprised on the upside. So price reaction may be due to valuation parameters moving down to more sustainable levels.
- The European Q2 reporting season is well under way, with 63% of the Stoxx600 Index having published their results so far. Two thirds of these companies have reported positive sales and earnings growth.
- European earnings growth has averaged 4.6% so and sales growth 7%. Oil & Gas and Basic Materials sectors have shown the strongest numbers, along with the Consumer Goods sector. But many companies in other sectors have cited cost pressures from raw material, energy and labor cost inflation.

Equity

European markets have now recovered from their weak spot at the end of Q2, despite some problems in the Tech sector

— Focus of the Week

Stoxx 600 performance in 2018



Source: Bloomberg Finance L P, Deutsche Bank A G. Data as of August 1, 2018.

European bond yields

Fixed income

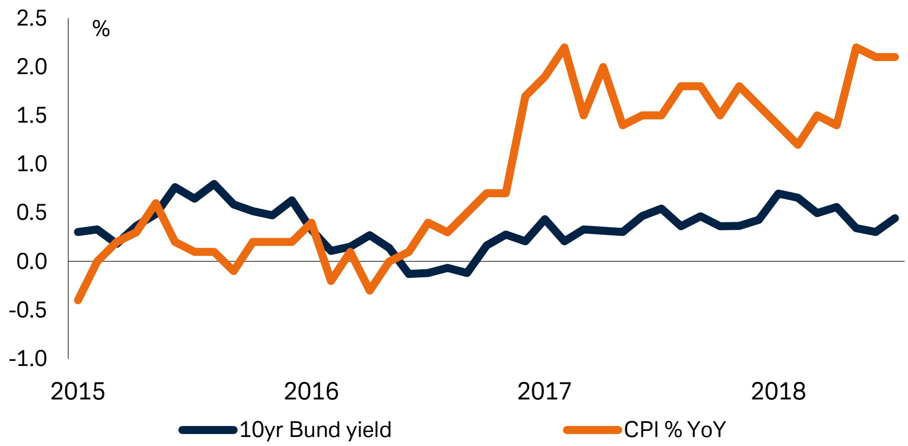
- Consumer price inflation (CPI) data for July was published in many Eurozone countries this week, as we discussed on page 4.
- Headline Eurozone inflation beat expectations at 2.1% YoY, with core inflation (i.e. excluding energy and food prices) at 1.1% YoY.
- The difference between headline and core rates can be largely explained by a strong increase in energy prices (+9.4% YoY) and higher food and beverage prices due to hot and dry European weather.
- We do not expect sharp upward moves in inflation, but these price rises could filter through to other sectors and, in combination with tariff-induced higher input costs, could in time add to upward pressure on inflation: the ECB sees core inflation as still too low.
- The German inflation rate is also 2.1% YoY. For some time now it has been well above 10Y yield on German government bonds. In "normal" economic conditions we would expect the reverse, with bond investors demanding a yield premium above the inflation rate.
- We think that the current wide gap between yields and the inflation rate, the solid economic environment and ECB plans to end its quantitative easing program this year will likely put a floor to German government bond yields.
- We continue to forecast a slow increase in 10Y German Bund yields toward 1.0% by end-June 2019 from current levels of 0.48%.
- The steepness of the yield curve is expected to stay roughly unchanged, with yields in all maturities rising by a similar extent. So we forecast 2Y Bund yields in at -0.10% at end-June 2018 (from currently -0.57%).
- Yields of German government bonds with maturities of up to five years are still in negative territory.

Fixed Income

Various factors will likely put a floor under German Bund yields in coming months. Over the next year, yields are expected to rise modestly

— Focus of the Week

10Y Bund yields vs. German consumer price inflation



Source: Bloomberg Finance L P, Deutsche Bank A G. Data as of August 1, 2018.

Oil prices fall further

Commodities

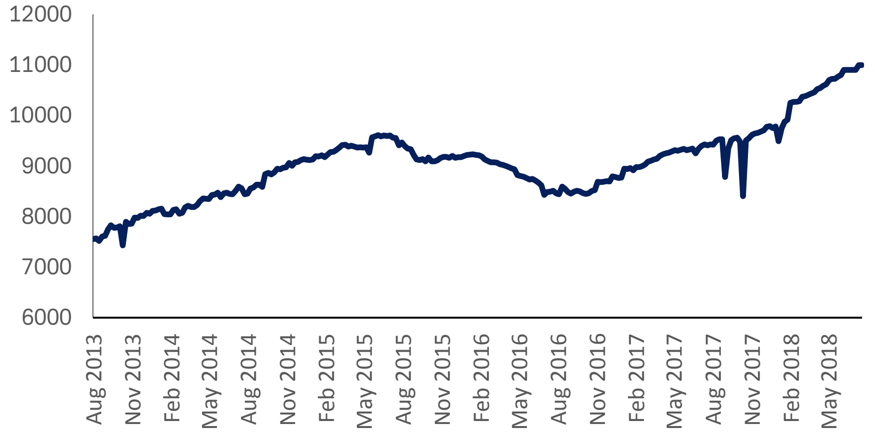
- Oil prices fell further on Wednesday, on data from the American Petroleum Institute (API) showing that U.S. inventories had risen by 5.6mn barrels last week vs. a Reuters poll forecast of a 2.8mn loss.
- Prices have also been depressed by suggestions that supply disruption through the Bab al-Mandep Strait in the Red Sea could be coming to an end, with Yemen's Houthis saying that they were willing to halt attacks on tankers.
- WTI oil prices had already fallen by 7.3% during July, with Brent prices falling by 6.5%. This was the biggest monthly loss since 2016.
- The fall in prices was caused by rising supply. Higher U.S. supply (which reached a record 11mn b/d in the weeks ending July 13 and July 20) is likely to have been driven up largely by higher prices.
- However, concerns around the possible impact of sanctions on Iran (from November onwards) will have been another factor pushing up supply from OPEC producers and Russia.
- OPEC had promised in June to increase to output by around 1m b/d to offset disruptions in output from Venezuela and Libya.
- But it is unclear how much spare OPEC production capacity there is, and some of the recent increase in Saudi Arabian output may have been achieved by selling off oil stocks.
- Concerns around Iran sanctions have pushed the oil market into so-called "contango", with contracts for December delivery priced higher than for September delivery.
- While Iranian concerns may temporarily push up prices in the medium term, we think further rises in U.S. production will ultimately depress them. Our end-June 2019 WTI forecast is USD60/b.

Commodities

Over the longer term, increasing U.S. oil output will continue to push down prices

— Focus of the Week

U.S. crude oil output over the last five years



Source: U.S. EIA, Deutsche Bank A G. Data as of August 1, 2018.

FX, central banks and other concerns

Currencies

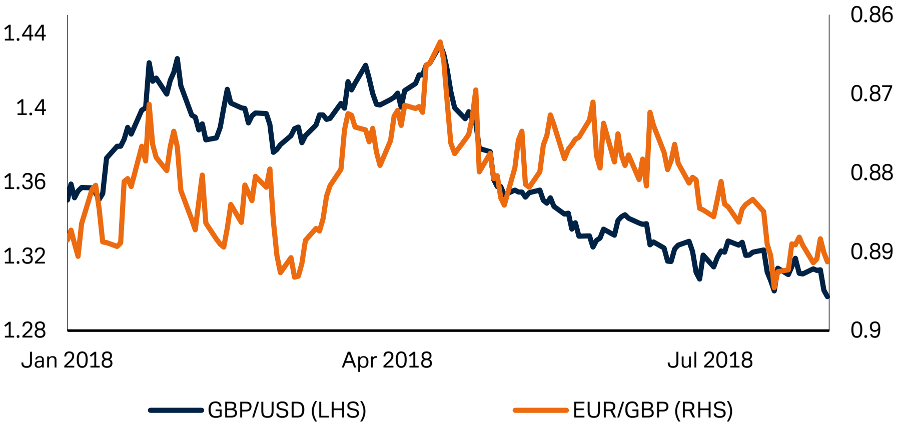
- Central bank meetings this week have not been the only factor affecting exchange rates: waxing and waning trade war fears have also had an impact.
- News of a trade agreement between President Trump and EU Commission President Juncker had been sufficient to depress the USD at the end of last weak, and temporarily slightly boost the EUR.
- In the run-up to this week's Fed meeting, the USD DXY Index had not followed a predictable pattern, falling on Monday before strengthening to around 94.6 – still well below its mid-July high of 95.2. Recent hints that President Trump might escalate the trade dispute with China appear to have contributed to USD strength.
- The Bank of Japan's (BoJ) pledge in its monetary policy statement on Tuesday to keep interest rates low for some time was sufficient to weaken the JPY vs. the USD slightly on that day – although it has recovered slightly since then. Again, trade war concerns may be a driver, given the JPY's "safe haven" status.
- The GBP had also been following an uncertain path before Thursday's BoE meeting, strengthening from levels around 1.33 vs. the USD early in July to a high of 1.30 on July 19 before falling back to around 1.31 before the policy announcement.
- Markets had largely factored in a 0.25% rate hike by the Bank of England, but this did not stop an initial rise in the GBP being subsequently sharply reversed.
- GBP is now back towards the bottom of the 1.30-1.32 range it has been trading in vs. the USD over the last two weeks, with Brexit concerns certain to remain a key future driver.

FX

GBP has fallen back sharply since the BoE rate rise announcement, with Brexit concerns certain to remain a key future driver

— Focus of the Week

GBP vs. USD and EUR



Source: Bloomberg Finance L P, Deutsche Bank A G. Data as of August 1, 2018.

Deutsche Bank Wealth Management forecasts

					End-June 2019
Equity indices					
USA (S&P 500)					2,900
Eurozone (Euro STOXX 50)					3,550
Germany (DAX)					13,500
UK (FTSE 100)					7,800
Japan (MSCI Japan)					1,080
Asia ex Japan (MSCI in USD)					740
Latin America (MSCI in USD)					2,500
Key sovereign bond yields (10-year, %)					
USA					3.25
Germany					1.00
UK					1.75
Japan					0.10
Commodities					
Oil (WTI)					60
Gold in USD					1,290
Currencies	3 months	End-June 2019		3 months	End-June 2019
EUR/USD	1.15	1.15	EUR/HUF	320	330
EUR/GBP	0.88	0.90	EUR/PLN	4.25	4.40
USD/JPY	111	111	USD/RUB	63.50	64.50
EUR/CHF	1.19	1.15	USD/ZAR	13.50	14.50
USD/CAD	1.28	1.25	USD/CNY	6.65	6.50
AUD/USD	0.76	0.78	USD/INR	70.0	70.0
NZD/USD	0.72	0.71	USD/KRW	1,070	1,055
EUR/SEK	10.30	9.95	USD/IDR	14,250	14,050
EUR/NOK	9.45	9.30	USD/MXN	20.50	20.80
EUR/TRY	5.41	5.75	USD/BRL	4.00	4.10

Forecasts are from Deutsche Bank AG, as of August 3, 2018 and are subject to change without notice.

Facts and Figures

	Current	1-Wk Return	1-M Return	YTD Return	Aug 1 2017 – Aug 1 2018	Aug 1 2016 – Aug 1 2017	Aug 1 2015 – Aug 1 2016	Aug 1 2014 – Aug 1 2015	Aug 1 2013 – Aug 1 2014
Rates									
2-Year German Bund	-0.55%	-0.12%	-0.31%	-0.34%	-0.71%	-0.52%	0.18%	0.36%	0.47%
5-Year German Bund	-0.17%	-0.39%	-0.67%	0.28%	0.12%	-0.67%	2.81%	1.98%	3.45%
10-Year German Bund	0.49%	-1.01%	-1.22%	0.69%	1.52%	-3.99%	8.80%	6.18%	8.16%
10-Year UK Gilt	1.43%	-0.89%	-0.89%	-0.96%	-0.16%	-1.27%	14.07%	8.82%	2.81%
2-Year BTP	0.78%	-0.17%	-0.13%	-1.43%	-1.40%	0.47%	0.32%	1.36%	4.11%
5-Year BTP	1.88%	-0.52%	-0.61%	-3.76%	-2.84%	0.32%	4.11%	4.52%	13.34%
10-Year BTP	2.80%	-0.96%	-0.99%	-4.73%	-3.32%	-4.00%	8.64%	10.58%	20.15%
Barclays Euro Corporate	1.01%	-0.15%	0.15%	-0.50%	0.22%	0.69%	5.53%	2.52%	6.74%
Barclays Euro High Yield	3.40%	0.30%	1.59%	-0.23%	1.07%	7.98%	3.95%	4.34%	9.92%
JP Morgan EMBIG Div.	6.28%	-0.02%	1.60%	-0.39%	0.77%	-0.64%	10.11%	22.88%	8.80%
Equities									
USA (S&P 500)	2,813.4	-1.2%	3.2%	5.2%	13.6%	14.1%	3.2%	9.3%	12.8%
Euroland (Euro Stoxx 50)	3,509.2	1.2%	4.1%	0.2%	0.9%	17.2%	-17.6%	17.2%	9.4%
Germany (DAX)	12,737.1	1.3%	4.1%	-1.4%	4.0%	18.6%	-8.7%	22.8%	9.5%
UK (FTSE 100)	7,652.9	-0.1%	1.4%	-0.5%	3.1%	10.9%	0.0%	0.3%	0.0%
Italy (FTSE MIB)	21,791.5	1.1%	1.7%	-0.3%	0.8%	30.6%	-29.7%	15.6%	21.1%
France (CAC 40)	5,498.4	1.3%	4.2%	3.5%	7.2%	16.3%	-13.3%	20.9%	4.0%
Japan (MSCI Japan)	1,049.1	0.9%	4.5%	-2.2%	8.5%	21.6%	-21.6%	29.0%	9.0%
Asia ex Japan (MSCI, USD)	673.5	-0.6%	0.9%	-5.6%	2.4%	23.0%	-2.5%	-7.4%	14.0%
Latin America (MSCI, USD)	2,705.9	-0.9%	11.8%	-4.3%	-2.7%	17.7%	2.6%	-32.7%	6.6%
Commodities & Alternatives									
WTI (USD)	67.66	-2.4%	-8.5%	12.0%	37.6%	22.7%	-14.6%	-51.9%	-9.5%
Gold (USD)	1,217.5	-0.9%	-2.3%	-6.6%	-4.3%	-5.7%	23.4%	-15.5%	-1.5%
EUR/USD	1.1673	0.0%	0.6%	-2.8%	-1.2%	5.7%	1.1%	-17.7%	1.5%
EUR/GBP	0.8895	0.2%	0.6%	0.2%	-0.3%	5.5%	19.5%	-11.2%	-8.6%
EUR/JPY	130.70	0.9%	1.7%	-3.4%	0.5%	13.8%	-16.5%	-0.5%	4.8%
VIX Index	13.15	0.86	-2.94	2.11	3.06	-2.35	0.32	-4.91	4.09
VDAX Index	15.59	-1.08	-2.24	1.44	2.06	-5.49	-0.48	0.29	1.90

Current data as of August 1, 2018. Data source: FactSet, negative numbers are in orange

Facts and Figures

	Current	1 Wk Change	1M Change	YTD Change	Aug 1 2017 – Aug 1 2018	Aug 1 2016 – Aug 1 2017	Aug 1 2015 – Aug 1 2016	Aug 1 2014 – Aug 1 2015	Aug 1 2013 – Aug 1 2014
Rates Valuations									
Eco Refi Rate	0.00%	0	0	0	0	0	-5	-10	-35
Bund Yld Curve (10YR-2YR)	104	11	7	-4	-10	60	-32	-27	-41
Spread Gov. FRA—GER (10YR)	24	-6	-7	0	-9	11	-11	-6	-19
Spread Gov. Ita-GER (10YR)	230	-4	-8	77	70	34	10	-43	-113
Spread Gove. SPA-GER (10YR)	91	-6	-11	-24	-12	-17	-3	-29	-147
Investment Grade Spread (10YR)	52	-14	-19	19	18	-44	11	38	-22
High Yield Spread (10YR)	291	-21	-48	54	59	-51	47	45	-87
J.P. Morgan EMBIG Div. Spread	579	-15	-44	94	90	-36	6	111	-3
Equity Valuations									
USA (S&P 500)	19.0	-0.2	0.3	-1.5	-0.8	1.2	0.7	1.1	1.0
Euroland (Euro Stoxx 50)	14.4	0.2	0.4	-0.7	-1.0	1.6	-2.0	1.8	1.7
Germany (DAX)	13.2	0.2	0.5	-1.3	-0.8	0.9	-1.6	1.7	1.1
UK (FTSE 100)	14.2	0.0	-0.1	-1.4	-2.0	-0.8	1.4	1.1	1.5
Italy (FTSE MIB)	13.7	0.1	-0.1	-2.2	-3.6	0.9	-2.9	-0.6	5.5
France (CAC 40)	15.0	0.2	0.3	-0.3	-0.4	0.9	-1.9	2.5	1.2
Japan (MSCI Japan)	13.6	0.1	0.3	-2.0	-2.3	1.0	-2.8	2.6	-3.8
Asia ex Japan (MSCI, USD)	13.7	0.1	0.2	-1.0	-1.6	1.4	1.2	-0.4	1.0
Latin America (MSCI, USD)	14.3	-0.4	0.9	-1.5	-1.1	-2.4	2.6	1.0	0.7

	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)	56.83	2,766.5	2,719.5	2,704.1	14.1%	1.8%	2.0%
Euroland (Euro Stoxx 50)	57.24	3,454.9	3,461.7	3,501.2	9.3%	0.4%	3.8%
Germany (DAX)	53.89	12,645.3	12,581.5	12,756.6	7.2%	-1.1%	3.4%
UK (FTSE 100)	49.23	7,659.0	7,507.5	7,477.3	8.0%	3.2%	4.3%
Italy (FTSE MIB)	47.77	21,872.6	22,612.9	22,634.6	15.4%	6.0%	4.3%
France (CAC 40)	58.56	5,418.9	5,396.8	5,382.5	10.0%	2.5%	3.4%
Japan (MSCI Japan)	59.65	1,034.2	1,033.8	1,049.7	3.7%	1.6%	2.3%
Asia ex Japan (MSCI, USD)	47.45	688.2	703.8	711.9	13.1%	-0.2%	2.8%
Latin America (MSCI, USD)	62.61	2,548.1	2,749.9	2,839.2	17.0%	4.3%	3.5%

Current data as of August 1, 2018. Data source: FactSet, negative numbers are in orange.

Key forthcoming data releases and other events

	U.S.	Europe	Asia
Monday August 6	n/a	Eurozone: Sentix Investor Confidence (August) Germany: Factory Orders (June) UK: New Car Registration (July)	China: Current Account Balance (Q2) Australia: ANZ Job Advertisements (July)
Tuesday August 7	JOLTS Job openings (June)	Germany, France: Trade Balance, Current Account Balance, Industrial Production (all June) Switzerland: Foreign Currency Reserves (July) UK: Halifax House Prices (July)	Japan: Household Spending, Leading Index (both June) China: Foreign Reserves (July), Trade Balance (July) Australia: RBA Meeting, Foreign Reserves (July)
Wednesday August 8	n/a	Spain: Industrial Production (June)	Japan: Trade Balance, Current Account Balance (June) Australia: Home Loans (June) New Zealand: RBNZ Meeting
Thursday August 9	PPI (July) Wholesale Inventories (June)	Switzerland: Unemployment Rate (July)	Japan: Money Stock M2/M3 (July), Core Machine Orders (June), Foreign Buying of Japanese Stocks & Bonds (August 3) Machine Tool Orders (July) China: PPI, CPI (July)
Friday August 10	CPI (July) Monthly Budget Statistics (July)	UK, France: Industrial Production (June) UK, Italy: Trade Balance (June) UK: GDP (Q2)	Japan: PPI (July), GDP (Q2), Tertiary Industry Index (June)

Glossary

The American Petroleum Institute (API) is a national trade association for the U.S. oil and natural gas industry.

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

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

A base rate (or discount or bank rate) is the rate at which a central bank lends to domestic banks.

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.

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.

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

The Energy Information Administration (EIA) is part of the U.S. Department of Energy and an agency of the U.S. Federal Statistical System.

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

The Eurozone is formed of 19 European Union member states that have adopted the euro as their common currency and sole legal tender.

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

GBP is the currency code for the British pound/sterling.

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

The Indian rupee (INR) is the currency of India.

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.

The Reserve Bank of India is the central bank of India.

Reserve requirement ratios determine the proportion of banks' deposit liabilities that must be held as reserves.

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

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

Volatility is the degree of variation of a trading-price series over time.

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

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