CIO Insights

Weekly Bulletin
July 27, 2018

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Global CIO

Trade: dealing with disequilibrium

Having upset the current trade regime, the U.S. administration may be in no particular hurry to find a new status quo. We would treat the recent U.S./Europe deal with some caution and expect continued trade (and therefore market) disequilibrium.

1. The U.S./EU trade deal has high aims and also puts threatened tariffs on hold. But points of contention remain.

2. It may suit the U.S. administration to take a softer line on Europe for now, but pressure on China will continue.

3. The U.S. could feel less pressure to find a solution than its trading partners, given its strong economy.

1 One danger of upsetting an existing equilibrium is that you are never sure what the next equilibrium point will be. Recent trade developments illustrate this very well. Wednesday's meeting between President Trump and European Commission President Juncker appeared to turn out better than many had expected. The two sides announced that they would work together in an attempt to eliminate tariffs and other trade barriers on industrial goods (excluding the contentious auto sector). They would also put on hold any threatened new tariffs (including those on autos imports) while negotiations continued, and would strive to reform the WTO. Reaction to the deal was generally positive, with the German economy minister, Peter Altmaier describing it as a "breakthrough". His French opposite number, Bruno Le Maire, was more circumspect, saying that he needed clarification, and warning that agriculture should be excluded from the discussion. Food and environmental standards may be a future point of contention, as could be U.S. public sector procurement policies.

2 The outcome of these U.S./EU talks led to a modest equities rally. But we think it would be wise to stay cautious. For the moment, it may suit the U.S. administration to take a more conciliatory approach to Europe: there is some evidence that some U.S. politicians and voters are increasingly getting cold feet over tariffs and trade protectionism. Certainly, the reaction to President Trump's new USD12bn plan to compensate farmers impacted by regulatory tariffs has been largely negative. President Trump may therefore want to demonstrate a "win" in the run-up to the U.S. mid-term elections. But he will also want to keep the pressure on China, which is his real focus, and NAFTA reform is still up in the air. So expect more trade-related volatility ahead: we are still a long way away from a new world trade order.

3 Today's strong U.S. Q2 GDP figures, and likelihood of upbeat U.S. consumer confidence, ISM manufacturing, motor vehicle sales and employment data next week also suggests that the U.S. will continue to feel little pain from this tariff dispute. Strong growth in U.S. Q2 earnings also suggests resilience. So while the U.S.'s trading partners will want a quick resolution to existing disputes, the U.S. could (perhaps wrongly) be much less concerned by the prospect of continued disequilibrium.

Inside the Bulletin

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Busy week ahead

U.S.

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Despite concerns emanating from tariff issues and questions surrounding the flattening of the yield curve, U.S. economic fundamentals remain robust. This is evident as Q2 2018 GDP released today showed that the U.S. economy grew 4.1% in the second quarter, the strongest pace of quarterly economic growth since Q3 2014. This strength is likely to not solely be constrained to Q2, as a number of indicators suggest that the strong momentum will continue through the third quarter. Next week, we will receive a number of key economic data points which should reflect this fact. These include:

- **Near Record Consumer Confidence –** Consumer confidence for July will be released Tuesday and while the Index to expected to modestly decline to 126.0 (from 126.4), it remains near the highest level since 2000. Elevated consumer confidence should continue to support robust personal consumption, which grew 4.0% QoQ during the second quarter.
- **Solid Manufacturing –** ISM Manufacturing for July will be released Wednesday and is expected to modestly decline for the first time in three months but still remain in expansion territory for the 23rd consecutive month. The U.S. manufacturing sector continues to shrug off concerns surrounding trade and a stronger USD. We will pay particular attention to the production and new orders subsectors as they are harbingers for future manufacturing growth.
- **Strong Motor Vehicle Sales** – Motor vehicle sales for July will be released Wednesday and are expected to decline modestly to an annualized pace of 17.1 million (from 17.4 million). Motor vehicle sales is one of our favorite data points as consumers typically do not buy large ticket items without confidence in their future economic prospects, so strong sales here reflect solid future consumer spending and confidence.
- **Robust Employment** – The employment report for July will be released Friday and is expected to show 185k jobs were added, marking the 10th consecutive month of greater than 150k monthly job gains. In addition, the unemployment rate is expected to decline to nearly the lowest level (3.9%) since 1969 and wages are expected to growth 2.7% YoY. Continued labor market improvement should stay supportive of consumer spending.

In addition to the busy week of economic data, central banks will also be in focus as the Fed (decision on Wednesday) and BoJ (Tuesday) and BoE (Thursday) will hold meetings next week. With respect to the Fed, while it is not expected that the Fed will hike at this meeting, we will look for further guidance with respect to future rate hikes as the market is currently pricing in a 64% probability of two additional rate hikes before year end.

Busiest Week of Earnings

In addition to the economic data releases and monetary policy decisions, next week will mark the second busiest week of the Q2 2018 earnings season as 147 S&P 500 companies representing ~22% of the S&P 500 market cap will release their earnings. Some of the key bellwethers to report will be Apple, Berkshire Hathaway, Pfizer and Procter & Gamble. With 41% of the S&P 500 market cap reporting thus far, blended earnings growth for Q2 2018 is strong at 21.3% YoY with 86% of companies beating estimates (a record high).

Turkish central bank concerns; European PMI

EMEA

Daniel Kunz
Senior Strategist – EMEA

Turkish central bank keeps rates on hold, weakening the currency

Earlier this week, Turkey's central bank surprised financial markets by leaving its benchmark interest rate unchanged at 17.75%. The Turkish lira (TRY), which had already lost 20% of its value since the beginning of the year, promptly fell from 4.76 to 4.94 against the dollar, before stabilizing at around 4.84. The reason behind the markets' surprise is that, not helped by a weakened currency, the country is battling with an inflation rate that now exceeds 15%, a 14-year high. A rate rise by the central bank would have been seen as a commitment to stabilize Turkey's standing in financial markets.

Since April, interest rates have already been increased by 500 basis points, so the central bank can't be accused of inaction. Rather, what worries markets is that this missed opportunity to increase rates could represent a sign of the central bank's diminishing independence. Turkey's President Erdogan has made it known in the recent past that he favors an accommodative monetary policy in order to boost consumption, which explains why concerns about potential government interference in monetary policy have risen.

Up until now, Turkey's public finances have been strong. The national budget deficit over the past decade has been limited on average to 2.3% of GDP, while public debt does not exceed 30% of GDP. However, these solid figures have been deteriorating since last year as the government has attempted to stimulate current economic growth at the expense of the economy's long-term fiscal and financial health. If the president were to appear increasingly involved in both fiscal and monetary policy, Turkey could quickly lose the confidence of financial markets, with negative consequences for the currency and the nation's access to international capital markets.

PMI numbers in Europe

The forward-looking purchasing managers' indicators (PMI) for July have once again revealed a mixed but altogether positive picture for economic growth in the Eurozone. The composite Markit PMI indicator for France stood at 54.5 points, narrowly missing estimates of 54.8 but still showing an economic expansion ahead. The composite PMI reading for Germany reached a better-than-expected 55.3 points, while for the Eurozone as a whole the composite PMI index in July stands at 54.3. Germany's Ifo business climate and expectations indicators paint a similarly solid picture. As a consequence, the European Central Bank (ECB) may be reassured that it can wind down its quantitative easing program at the end of the year, as planned, without jeopardizing the ongoing economic recovery.

Trade tensions, sentiment and the real economy

GERMANY

Markus Müller
Global Head, CIO Office

In search of level playing fields

With exports of USD1,448bn in 2017, Germany is the third largest exporter in the world, behind only China and USA. Exports account for 47% of GDP. Due to the openness and importance of the export sector, German business leaders and officials are always focused on changes in the international trade framework – which seems to be changing a lot, as national interests increasingly move centre-stage, with the current focus on a series of tariffs introduced by U.S. President Trump (and subsequent counterparty retaliations) and also Brexit. The discussion on car tariffs is followed very closely in Germany, due to the importance of this sector. This week, the German economics ministry also announced a tightening of its law regulating foreign investments. Since 2016, a series of foreign investments into German companies have occurred, some of which could potentially affect German economic and/or security interests. The stated aim is to ensure an equal level playing field. All of this, however, risks ignoring the import side of the equation: there remains a good case to be made for boosting imports, partly through higher domestic investment, as a way of reducing trade imbalances.

Mixed picture in sentiment indicators

These political twists and turns have created uncertainty, which has led to a soft patch in economic sentiment in April/May. Momentum may be slowing, but there is not yet a downturn in confidence. German purchasing managers in the manufacturing sector still seems to assume robust economic growth as the respective PMI (purchasing manager index) surprised to the upside, rising to 57.3 from 55.9. The fact that the private sector output seems to be growing faster than orders is however a source of concern and the widely followed Ifo business climate index, which is based on a survey of 9000 companies, has weakened further to 101.7, the lowest since March 2017. At least for now, the impression seems to be that while the peak of the economic recovery has been passed, economic growth will continue but at rather slower rates. Some recent data suggests that the real economy (rather than sentiment) remains robust, however: orders from German construction companies with at least 20 employees have increased to EUR7bn, the largest ever order value in May. Low interest rates, higher wages and increased job security obviously continue to support housing demand.

What's on next week

A full basket of economic data will be published the coming week. We will get retail sales data for June, which are expected to recover from a weak spot the month before (consensus looks for 1.0% MoM after -1.6% MoM in May). On Monday, consumer price data for July will give more insights into the inflation dynamics as we get further into Q3. Labor market data and final Markit PMI will give further signals on the state of the real economy and whether the stress of trade uncertainties is now having an impact on the economy.

China: more proactive fiscal policy in H2 2018

ASIA

Tuan Huynh
CIO APAC and Head of WD – APAC

The China equity market was boosted this week by further evidence that the government's intention to support the economy through expansionary fiscal policies. A state radio broadcast which cited a statement after a cabinet meeting chaired by Premier Li Keqiang that "the proactive fiscal policy will become more active". This has been taken as an indication of the government's desire to use fiscal policy to support the economy in H2 2018.

This statement on fiscal policy follows monetary easing by the People's Bank of China (PBoC) earlier this year, with two symbolic reserve requirement ratio (RRR) cuts to inject liquidity into the economy and other measures on lending. Government support for the economy in H2 through both monetary and fiscal measures is intended to achieve a "soft landing" for the economy, rather than an abrupt slowdown.

We think the following factors have encouraged this new focus on fiscal easing.

1) The economy is starting to show visible signs of a slowdown since June, particularly in the infrastructure investment sector.

2) While trade tensions have not yet affected China's exports much, they have already affected business sentiment. Some early indicators also now suggest that export orders in H2 have slowed because of tariff worries.

3) There have already been some initial successes in deleveraging efforts in China. A slow easing in fiscal policies could help avoid any resulting over-tightening risks.

We think China's fiscal easing policies could be in three forms.

1) Relaxing the approval process for key infrastructure projects in China. The Chinese government could also start to partly support local government bond issuance to finance the infrastructure projects.

2) Tax cuts. The government was already planning to cut income tax for households. While the magnitude of the tax cut remains to be seen, given heavy government expenditures, we think there is general consensus among government officials that income tax could be cut to some extent.

3) Subsidies for household consumption. The Chinese government used to subsidize households' purchases of cars, TVs or air-conditioning units, particularly in rural areas, to boost consumption. Some similar kinds of measures might also be in consideration this time.

Chinese equities to remain volatile

Equities

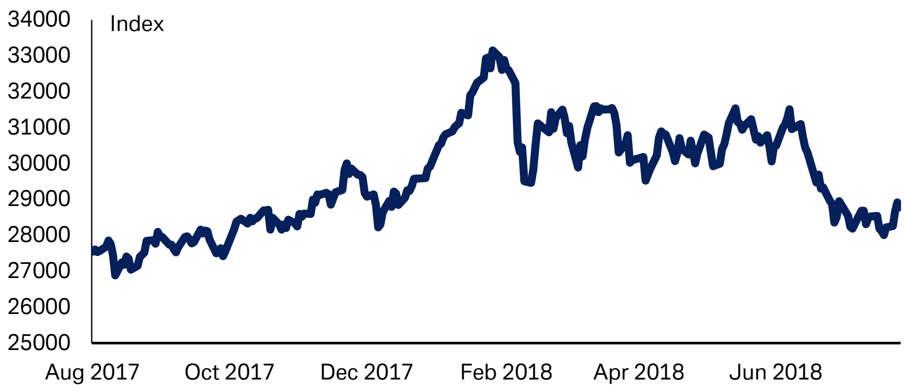
- Chinese equities have seen a weak performance since the start of the year. Chinese A-share market has declined 13.5% year to date and Hong Kong's benchmark Hang Seng index has fallen by 5.6% year to date.
- The sharp fall in Chinese equities seen during June has been braked in July, but they remain volatile.
- We think that the weak performance of Chinese equities has mainly been caused by:
- First, trade war concerns, with the imposition of new U.S. tariffs on imports from China and the threat of more.
- Second, the recent slowdown of Chinese economy, with some disappointing data for June.
- Third, the CNY depreciation evident over the last few weeks which affected investor confidence.
- Looking at H2 this year, we think that Chinese equities are likely to remain volatile due to the following reasons:
- First, uncertainty over the "trade war" escalation is likely to continue and affect markets in the run-up to the November mid-term elections in the U.S. We think that China-US trade negotiations will only get easier only after November.
- Second, global financial markets may remain volatile with the Fed expected to make two further rate rises in remainder of the year and the ECB due to exit its asset purchasing programs by the end of the year.
- Third, Chinese economic growth is likely to moderate in H2. Softer economic growth momentum and government expansionary policies intended to offset this may cause volatility in the financial markets.

Equity

Chinese equities are likely to remain volatile in H2 due to continued trade concerns, slower Chinese growth and unsettled global financial markets

— Focus of the Week

The Hang Seng Index over the last year



Source: Bloomberg Finance L P, Deutsche Bank A G. Data as of July 25, 2018.

Asian credit valuations

Fixed income

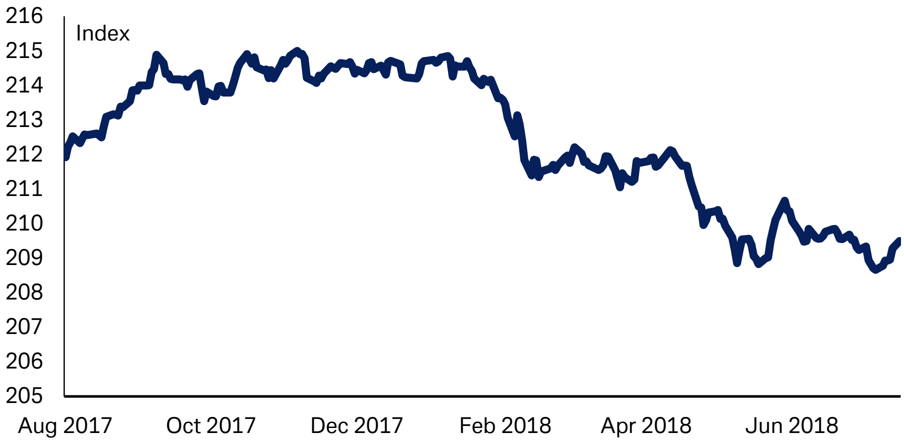
- Over the past week, we have seen an increase in risk appetite for Asian investment grade and high yield debt, in selective areas.
- In part, this is because the April-May credit sell-off, triggered by trade war threats and China's onshore liquidity squeeze had left some sectors looking relatively cheap.
- Over last weekend, there were also reports that the Chinese Investment Corporation (CIC, China's sovereign wealth fund) was seeking approval from the National Development and Reform Commission (NDRC) for an increase in the limits on its purchases of onshore credit.
- If these reports are confirmed, it would be positive for Chinese USD offshore credit, as it would ease the onshore liquidity squeeze and reduce offshore USD credit supply.
- H2 Asian credit performance is likely to depend on 1) how heavy the supply pipeline and 2) the evolution of the trade war dispute, which remains unpredictable despite the agreement reached between the U.S. and EU this week.
- We continue to have a High Conviction Idea on short-dated Chinese property bonds.
- We think that this sector looks attractive due to a supportive regulatory environment, favourable Chinese property credit fundamentals (e.g. relative to Chinese industrials), positive market technical (reduced supply in H1 2018), and attractive valuations for BB and B-rated developers vs. BBB leaders.

Fixed Income

The April-May credit sell-off has left some Asian credit sectors looking relatively cheap

— Focus of the Week

The JP Morgan Asian Credit Index



Source: Datastream, Deutsche Bank A G. Data as of July 25, 2018.

Oil prices move up but so does U.S. output

Commodities

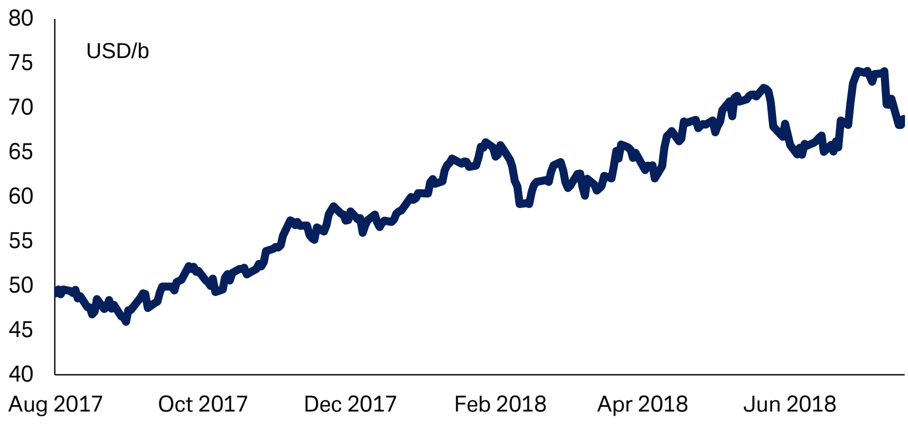
- Oil prices moved higher on Wednesday after the U.S. Energy Information Administration (EIA) said that U.S. crude inventories had fallen by 6.15mn barrels in the week to July 20, much greater than the consensus expectation of a 2.3mn barrel fall. Inventories are now at their lowest since February 2015.
- Prices were also supported by news that Saudi Arabia was temporarily suspending tanker shipments through the Red Sea, after attacks by Yemeni Houthi rebels on two of its tankers.
- Current additional worries for the market include very limited spare production capacity and the planned reimposition of U.S. sanctions on Iranian production in November, which has already led to an escalating war of words between the countries' two leaders.
- The current WTI oil price of just under USD70/b compares with a price of USD49/b a year ago. The current price is however slightly down MoM and lower than the recent highs of USD74/b reached in early July.
- While we remain concerned that concerns around Iran could worsen in the medium-term, our 12-month forecast for WTI remains at USD60/b as we expect U.S. output to increase in response to higher prices.
- Domestic U.S. oil production has set a new record (or matched an existing one) every week since March 30, according to EIA data.
- U.S. domestic oil production reached 11mn b/d for the first time last week and has risen 30% since October 2016.
- A recent EIA report on the Q1 results of 46 U.S. oil exploration and production companies that they usually track reveals that most have announced planned increases in capital expenditure, and have already hedged (i.e. locked in revenues at a fixed price) more oil production for 2018 and 2019.

Commodities

Domestic U.S. oil production has now reached 11mn b/d, having matched or beaten existing records every week since March 30

— Focus of the Week

WTI oil prices over the last year



Source: FactSet, Deutsche Bank A G. Data as of July 25, 2018.

CNY depreciation

Currencies

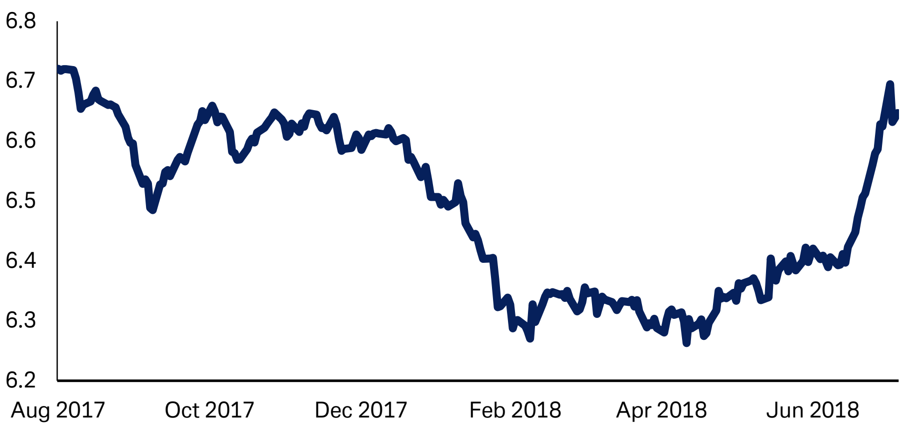
- The CNY has remained volatile, touching 6.8 vs. the USD earlier this week (its lowest level for a year) on news of further economic stimulus measures.
- The CNY initially gained on the news of the U.S./EU trade agreement, but has now resumed its depreciation.
- As a result, CNY strengthening against the USD earlier in 2018 has now been reversed, with the CNY down by about 4% against the USD year-to-date.
- We do not think that recent CNY weakness is evidence of a deliberate policy to use currency depreciation to offset the impact of tariffs.The Chinese authorities will be well aware that while a weaker CNY might give Chinese exports some temporary price advantage, it also carries substantial risks.
- In China's case, the key risks are probably to market sentiment-related (as evidenced by recent Chinese equity volatility) and capital outflows. These risks are likely to make the Chinese authorities want to avoid a period of sustained currency weakness.
- We think that, aside from escalating trade frictions with the U.S., the reasons for CNY weakness are the economic slowdown in China, and the People's Bank of China (PBoC) policy loosening.
- We do not think that further sustained CNY falls are likely. This will be due to reduced economic slowdown concerns (thanks to increasingly supportive government policies), continued strong external surpluses, the authorities' desire to avoid continued weakness for reasons outlined above, and their desire not to let perceptions around the causes of CNY weakness to prejudice future trade negotiations with the U.S.

FX

We do not think that further sustained CNY falls are likely

— Focus of the Week

USD vs. CNY



Source: Bloomberg Finance L P, Deutsche Bank A G. Data as of July 25, 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 July 27, 2018 and are subject to change without notice.

Facts and Figures

	Current	1-Wk Return	1-M Return	YTD Return	Jul 25 2017 – Jul 25 2018	Jul 25 2016 – Jul 25 2017	Jul 25 2015 – Jul 25 2016	Jul 25 2014 – Jul 25 2015	Jul 25 2013 – Jul 25 2014
Rates									
2-Year German Bund	-0.60%	-0.07%	-0.18%	-0.23%	-0.50%	-0.62%	0.20%	0.36%	0.47%
5-Year German Bund	-0.26%	-0.23%	-0.27%	0.68%	0.90%	-1.01%	2.91%	1.85%	3.53%
10-Year German Bund	0.33%	-0.42%	0.00%	1.71%	3.30%	-4.23%	8.75%	5.81%	8.36%
10-Year UK Gilt	1.32%	-0.32%	0.39%	-0.07%	1.31%	-1.04%	13.78%	8.34%	2.77%
2-Year BTP	0.68%	-0.10%	0.65%	-1.26%	-1.19%	0.42%	0.39%	1.26%	4.20%
5-Year BTP	1.75%	-0.55%	1.25%	-3.26%	-2.00%	0.13%	4.31%	4.04%	13.28%
10-Year BTP	2.68%	-1.29%	1.74%	-3.80%	-1.56%	-4.34%	9.07%	9.51%	20.59%
Barclays Euro Corporate	0.98%	-0.15%	0.04%	-0.35%	0.83%	0.35%	5.57%	2.43%	7.02%
Barclays Euro High Yield	3.44%	-0.03%	0.63%	-0.53%	1.20%	7.67%	3.69%	3.96%	10.94%
JP Morgan EMBIG Div.	6.27%	-0.16%	2.14%	-0.37%	-0.07%	-1.60%	11.72%	22.16%	8.76%
Equities									
USA (S&P 500)	2,846.1	1.1%	4.8%	6.5%	14.9%	14.2%	4.3%	5.1%	17.0%
Euroland (Euro Stoxx 50)	3,468.5	-0.5%	2.9%	-1.0%	-0.1%	16.8%	-17.4%	13.4%	15.9%
Germany (DAX)	12,579.3	-1.5%	2.5%	-2.6%	2.6%	20.3%	-10.1%	17.7%	16.2%
UK (FTSE 100)	7,658.3	-0.2%	2.0%	-0.4%	3.0%	10.8%	2.0%	-3.1%	3.1%
Italy (FTSE MIB)	21,561.5	-1.9%	1.0%	-1.3%	0.5%	28.6%	-29.0%	11.6%	28.2%
France (CAC 40)	5,426.4	-0.4%	2.7%	2.1%	5.1%	17.6%	-13.2%	16.8%	9.5%
Japan (MSCI Japan)	1,040.1	0.1%	1.7%	-3.1%	8.6%	20.2%	-21.2%	28.9%	5.3%
Asia ex Japan (MSCI, USD)	677.8	1.8%	0.1%	-5.0%	3.9%	24.1%	-5.8%	-6.3%	13.9%
Latin America (MSCI, USD)	2,731.6	5.0%	12.1%	-3.4%	-0.4%	15.6%	4.1%	-35.9%	9.9%
Commodities & Alternatives									
WTI (USD)	69.30	0.8%	1.8%	14.7%	44.7%	12.9%	-11.2%	-53.1%	-3.4%
Gold (USD)	1,228.8	0.2%	-3.0%	-5.7%	-1.8%	-5.1%	21.6%	-16.6%	-2.1%
EUR/USD	1.1674	0.3%	-0.1%	-2.8%	0.1%	6.3%	0.1%	-18.4%	1.5%
EUR/GBP	0.8878	-0.5%	0.8%	0.0%	-0.7%	6.9%	18.2%	-10.6%	-8.4%
EUR/JPY	129.51	-1.4%	1.0%	-4.3%	-0.5%	11.8%	-14.2%	-0.8%	3.7%
VIX Index	12.29	0.19	-5.04	1.25	2.86	-3.44	-0.87	1.05	-0.28
VDAX Index	16.67	2.93	-2.88	2.52	2.87	-5.20	-0.77	3.99	-1.27

Current data as of July 25, 2018. Data source: FactSet, negative numbers are in orange

Facts and Figures

	Current	1 Wk Change	1M Change	YTD Change	Jul 25 2017 – Jul 25 2018	Jul 25 2016 – Jul 25 2017	Jul 25 2015 – Jul 25 2016	Jul 25 2014 – Jul 25 2015	Jul 25 2013 – Jul 25 2014
Rates Valuations									
Eco Refi Rate	0.00%	0	0	0	0	0	-5	-10	-35
Bund Yld Curve (10YR-2YR)	93	2	-6	-15	-27	67	-37	-23	-43
Spread Gov. FRA—GER (10YR)	30	1	-3	6	-2	3	-3	-9	-20
Spread Gov. Ita-GER (10YR)	235	11	-18	82	72	30	11	-35	-115
Spread Gove. SPA-GER (10YR)	97	-4	-7	-18	-7	-18	-4	-26	-147
Investment Grade Spread (10YR)	65	-2	2	33	32	-46	15	35	-24
High Yield Spread (10YR)	311	-4	-10	75	79	-60	55	49	-111
J.P. Morgan EMBIG Div. Spread	594	-4	-21	109	110	-39	4	129	-3
Equity Valuations									
USA (S&P 500)	19.3	0.2	0.6	-1.3	-0.6	1.3	0.9	0.5	1.5
Euroland (Euro Stoxx 50)	14.2	-0.1	0.4	-0.9	-1.1	1.6	-2.0	1.3	2.5
Germany (DAX)	13.0	-0.2	0.3	-1.5	-1.0	1.1	-1.9	1.2	1.9
UK (FTSE 100)	14.2	-0.1	0.1	-1.4	-2.0	-0.9	1.8	0.5	2.0
Italy (FTSE MIB)	13.6	-0.2	0.0	-2.4	-3.6	0.8	-2.7	-1.5	6.4
France (CAC 40)	14.9	-0.1	0.3	-0.5	-0.6	1.0	-1.9	2.0	1.9
Japan (MSCI Japan)	13.4	0.0	0.2	-2.1	-2.3	0.9	-2.7	2.6	-5.4
Asia ex Japan (MSCI, USD)	13.7	0.3	0.1	-1.1	-1.6	1.5	0.9	-0.3	0.9
Latin America (MSCI, USD)	14.8	0.7	1.4	-1.1	-0.4	-2.9	3.6	-0.3	1.2

	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)	70.38	2,757.2	2,716.8	2,697.8	13.9%	2.0%	2.0%
Euroland (Euro Stoxx 50)	53.13	3,460.5	3,456.4	3,503.3	9.3%	0.4%	3.9%
Germany (DAX)	49.98	12,673.4	12,557.2	12,761.3	7.2%	-1.3%	3.4%
UK (FTSE 100)	51.09	7,671.5	7,482.0	7,472.7	8.0%	3.1%	4.3%
Italy (FTSE MIB)	42.92	22,006.7	22,649.1	22,645.5	15.6%	6.4%	4.3%
France (CAC 40)	53.04	5,430.6	5,384.6	5,379.5	9.8%	2.4%	3.5%
Japan (MSCI Japan)	57.85	1,036.4	1,032.7	1,049.4	3.7%	1.5%	2.3%
Asia ex Japan (MSCI, USD)	51.90	692.1	707.0	712.1	13.1%	-0.1%	2.8%
Latin America (MSCI, USD)	70.08	2,548.2	2,769.6	2,843.9	16.3%	3.4%	3.4%

Current data as of July 25, 2018. Data source: FactSet, negative numbers are in orange.

Key forthcoming data releases and other events

	U.S.	Europe	Asia
Monday July 30	Pending Home Sales (June) Dallas Fed Manufacturing Index (July)	Germany: CPI (July, Preliminary) UK: Mortgage Approvals (June)	Japan: Retail Sales (June)
Tuesday July 31	Employee Cost Index (2Q18) Personal Income and Outlays (June) Chicago PMI (July) Consumer Confidence (July)	Eurozone, France, Spain: CPI (July, Preliminary) Eurozone, Italy: Unemployment Rate (June, Preliminary) Spain: GDP (2Q18, Preliminary) Germany: Unemployment Rate (July)	China: Manufacturing PMI (July) Japan: Unemployment rate (June), Industrial Production (June, Preliminary) Korea: Industrial Production (June) Australia, New Zealand: Building Approvals (June) Bank of Japan: Statement on Monetary Policy
Wednesday August 1	FOMC Meeting Decision Manufacturing PMI (July) ADP Employment (July) Construction Spending (June) ISM Manufacturing (July) Motor Vehicle Sales (July)	France, Germany, Italy, Spain, UK: Markit Manufacturing PMI (July) UK: Nationwide House Price (July)	Australia: Commodity Index (July) Japan: Manufacturing PMI (July) Korea: CPI (July), Trade Balance (July), Manufacturing PMI (July) New Zealand: Unemployment Rate (2Q18)
Thursday August 2	Factory Orders (June) Durable Goods Orders (June)	Spain: Unemployment rate (July) UK: Bank of England Bank Minutes	Australia: Trade Balance (June)
Friday August 3	Employment Report (July) International Trade (June) ISM Non-Manufacturing (July)	France, Germany, Spain, UK: Services PMI, Composite PMI (both July) Italy: Industrial Production (June), Retail Sales (June)	Australia: Retail Sales (July) Japan: Services PMI, Composite PMI (both July) China: Caixin Composite PMI, Caixin Services PMI (July)

Glossary

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

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

Chinese A-shares are shares of mainland companies, with limited accessibility to foreign investors.

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 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.

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.

The North American Free Trade Agreement (NAFTA) came into force in 1994 and covers the U.S., Mexico and Canada.

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).

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.

TRY is the currency code for the Turkish lira.

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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