

Deutsche Bank
Wealth Management

Experts In-House: CIO 2025 Annual Outlook





Deutsche Bank
Wealth Management

Deepak Puri, CFA[®]

Chief Investment Officer,
Wealth Management Americas

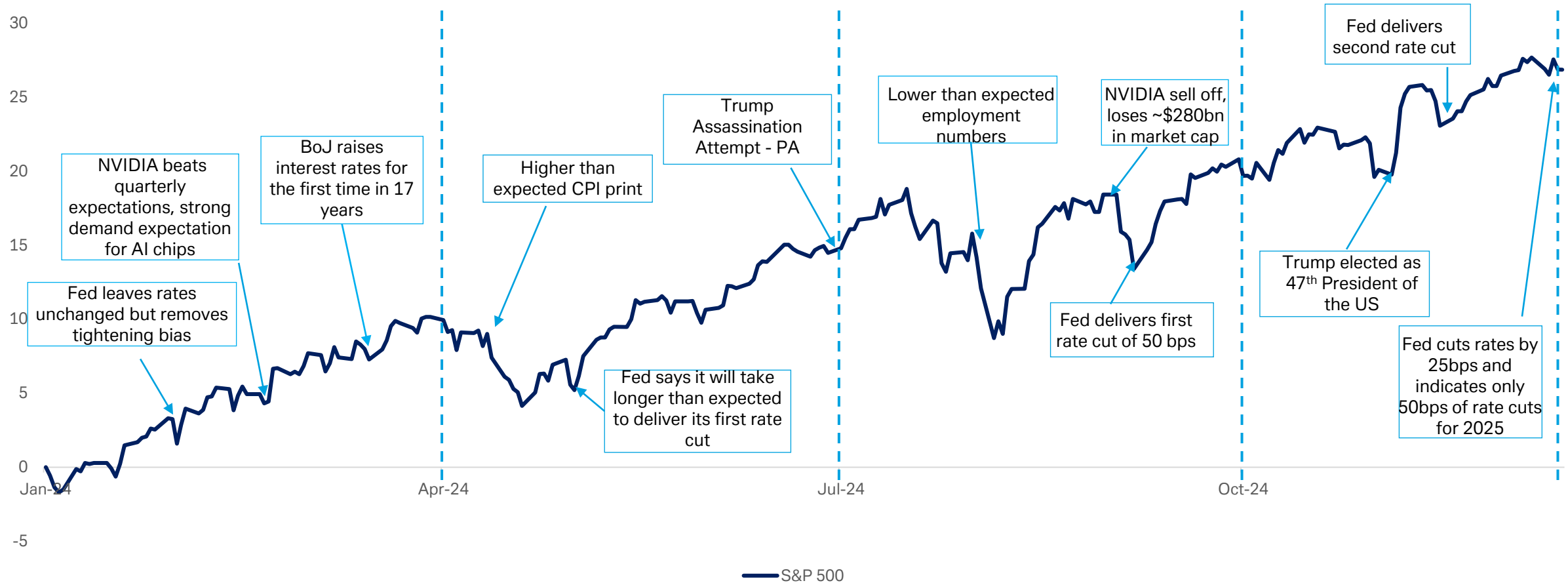
February 2025



2024 Recap – Second consecutive year of above average stock market returns



Quarterly breakdown (strong start and a strong finish)



Source: LSEG Datastream, Deutsche Bank AG. Data as of January 22, 2025

Annual Outlook 2025 – Deeply invested in growth



1. **Macro & strategy – Staying the course in turbulent times**
2. **Politics & policies – The future is fiscal**
3. **Bonds – The return of the premium**
4. **Stocks – Key to success**
5. **U.S. stocks – Centre of gravity**
6. **Stocks in Germany, Industrials ≠ Industrial Production**
7. **Dollar – Strong Economy, Strong currency**
8. **Commodities – Off to new shores**
9. **Alternatives – Public & private mixology**
10. **Risk – Recessions, rates & rotations**



Source: Deutsche Bank Private Bank

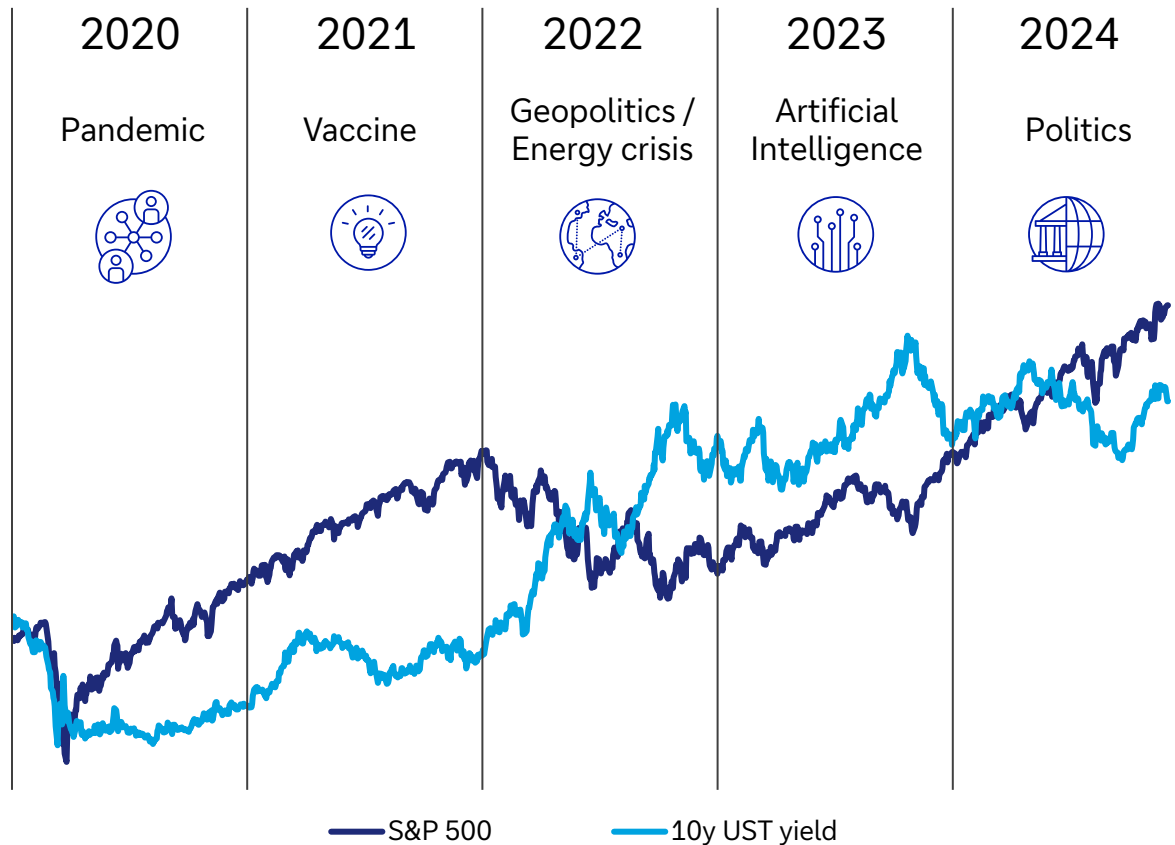
Deutsche Bank Chief Investment Office

In Europe, Middle East and Africa as well as marketing material, but this is not the case in the U.S. No assurance can be given that any forecast or target can be achieved. Forecasts are based on assumptions, estimates, opinions and hypothetical models which may prove to be incorrect. Past performance is not indicative of future returns in Asia Pacific this material is considered. Performance refers to a nominal value based on price gains/losses and does not take into account inflation. Inflation will have a negative impact on the purchasing power of this nominal monetary value. Depending on the current level of inflation, this may lead to a real loss in value, even if the nominal performance of the investment is positive. Investments come with risk. The value of an investment can fall as well as rise and you might not get back the amount originally invested at any point in time. Your capital may be at risk.

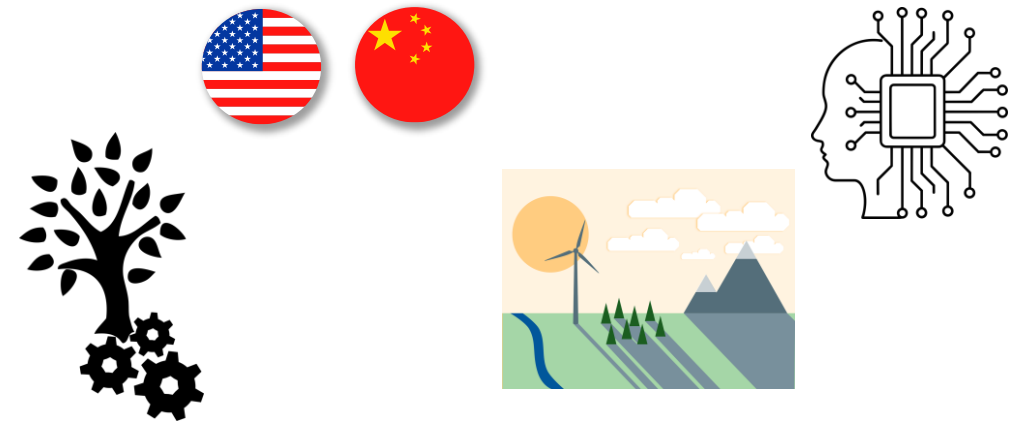
Theme 1: Macro & strategy – Staying the course in turbulent times



Only five years into the 20s – Mega shocks keep markets busy



2025 - 2030



- Demographics & Wealth
- Consumption trends
- Technology / Big Data / AI
- Rate regime & financial markets

- Role of Government
- US-China relationship
- Decarbonization
- De-dollarization
- Unknown unknowns

Source: LSEG Datastream, Deutsche Bank AG. Data as of January 22, 2025.

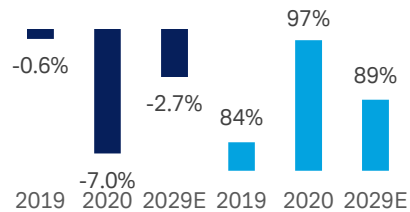
Deutsche Bank Chief Investment Office

In Europe, Middle East and Africa as well as marketing material, but this is not the case in the U.S. No assurance can be given that any forecast or target can be achieved. Forecasts are based on assumptions, estimates, opinions and hypothetical models which may prove to be incorrect. Past performance is not indicative of future returns in Asia Pacific this material is considered. Performance refers to a nominal value based on price gains/losses and does not take into account inflation. Inflation will have a negative impact on the purchasing power of this nominal monetary value. Depending on the current level of inflation, this may lead to a real loss in value, even if the nominal performance of the investment is positive. Investments come with risk. The value of an investment can fall as well as rise and you might not get back the amount originally invested at any point in time. Your capital may be at risk.

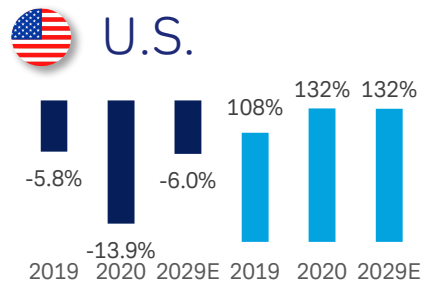
Theme 2: Politics & policies – The future is fiscal



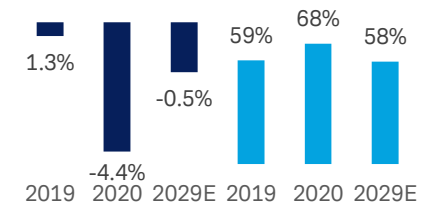
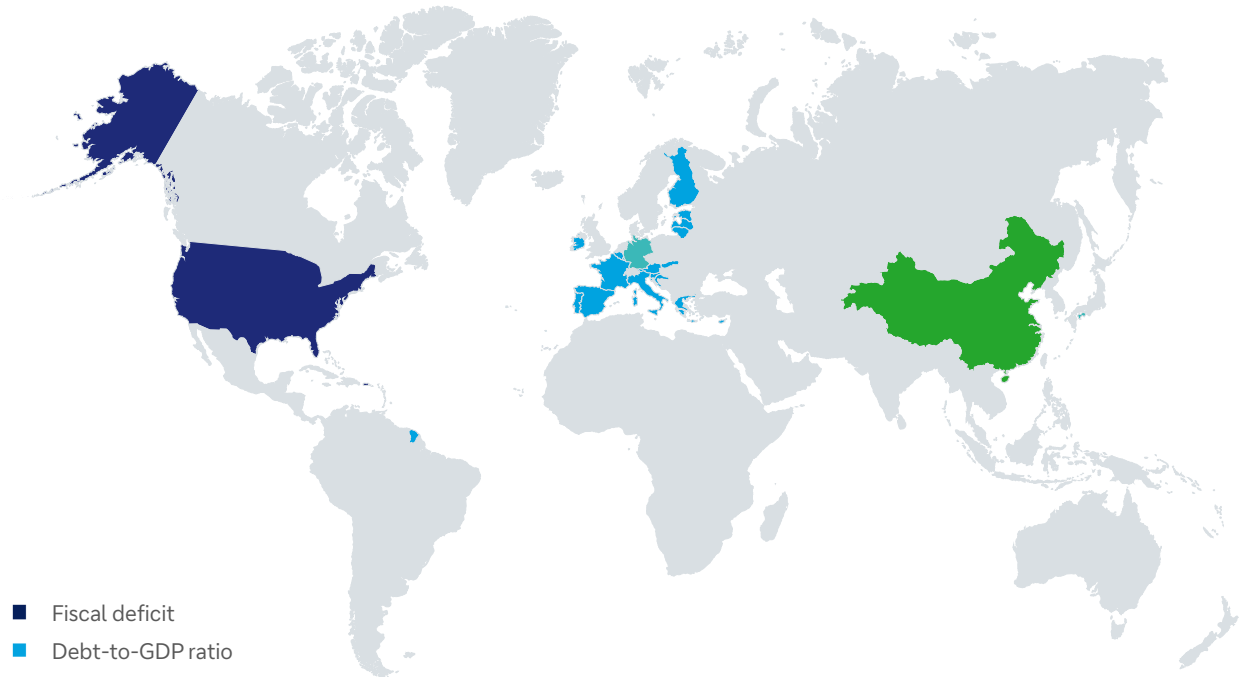
Fiscal policy landscape – Increasing government spending



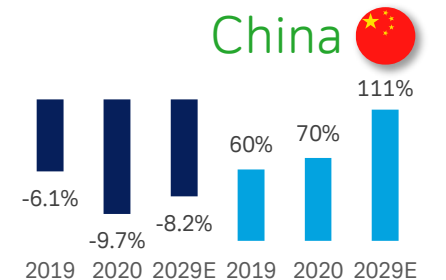
Eurozone



U.S.



Germany



China

- Declining inflation worldwide is making interest rate cuts possible, and monetary policy is increasingly supporting growth
- Handover to fiscal policy – Global infrastructure expansion, potential U.S. corporate tax cuts
- Reactive monetary policy and expansionary fiscal policy – Renewed inflation risks in the coming years

Source: IMF, LSEG Datastream, Deutsche Bank AG. Data as of November 26, 2024.

Theme 2: Politics & policies – The future is fiscal

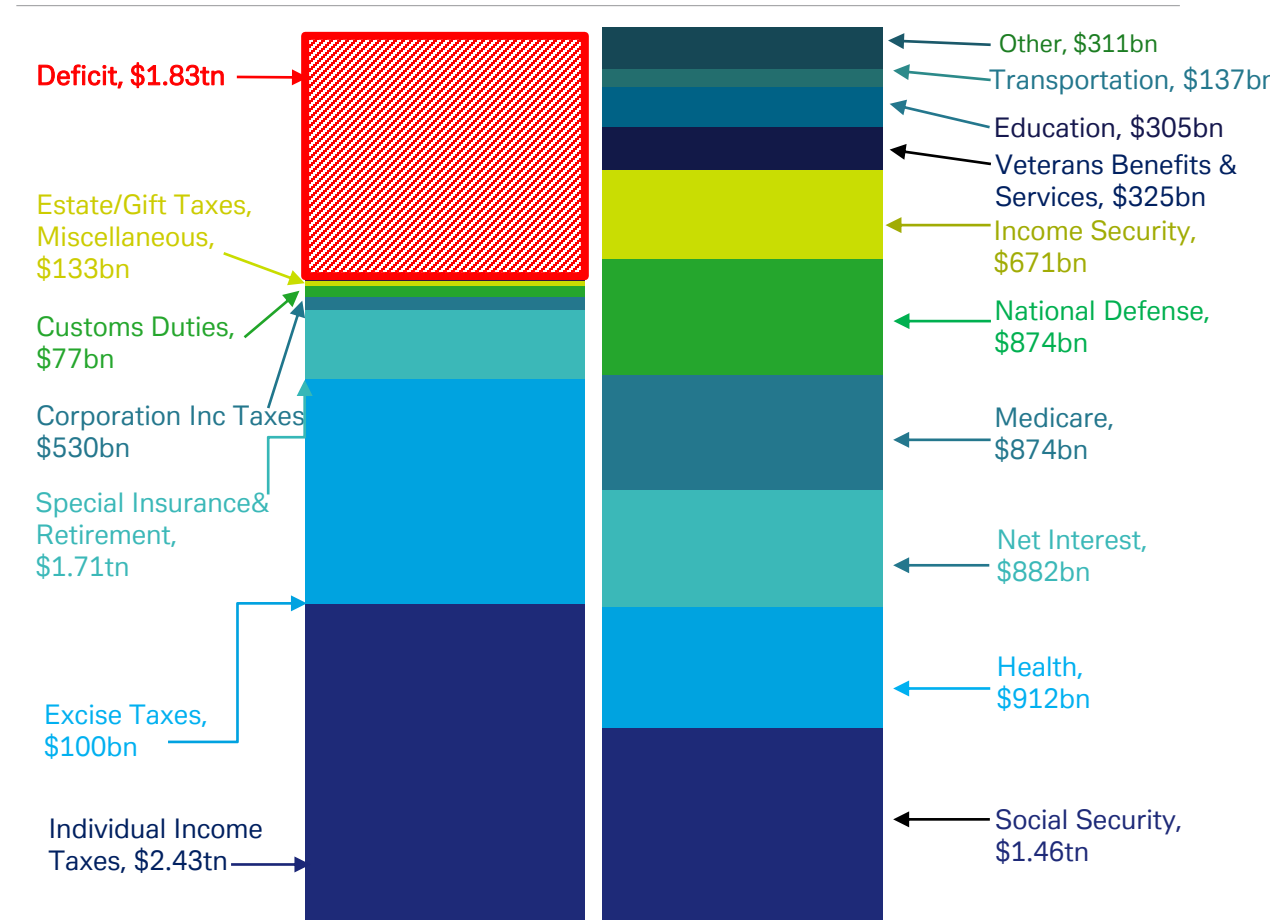


Time required to reach Total U.S. Debt Levels

Time required to reach total U.S. debt levels	
\$10 Trillion	232 Years
\$20 Trillion	9 Years
\$30 Trillion	4.5 Years
\$31 Trillion	8 Months
\$32 Trillion	8 Months
\$33 Trillion	3 Months
\$34 Trillion	3 Months
\$35 Trillion	7 Months
Latest level	\$36.15 Trillion

Averaging 6 months/each additional tn of debt from \$31 - \$35

U.S. Government Income & Expenditures (\$1.8tr shortfall)



Source: FRED, U.S. Department of the Treasury, Strategas, Deutsche Bank AG. Data as of January 22, 2025.

What to focus on in Q1 2025 and beyond



America First Policy – MAGA



Trade and Tariff Policies (Deals) – ERS



Deregulation



Energy security as National Security



Fiscal Stimulus via Tax Cuts



Department of Government Efficiency



Political calendar / Fed Cuts



Political Calendar 2025-2026

Date	Event
March 14 th , 2025	Government Funding
April 30 th , 2025	First 100 days
May 23 rd , 2025	Budget Reconciliation Bill passage (aspirational)
Summer 2025	Debt Ceiling
Oct 1 st , 2025	Reconciliation Bill Expiration
July 4 th , 2026	Semi Quincentennial (250 th Anniversary)

Source: Deutsche Bank AG. Data as of January 22, 2025

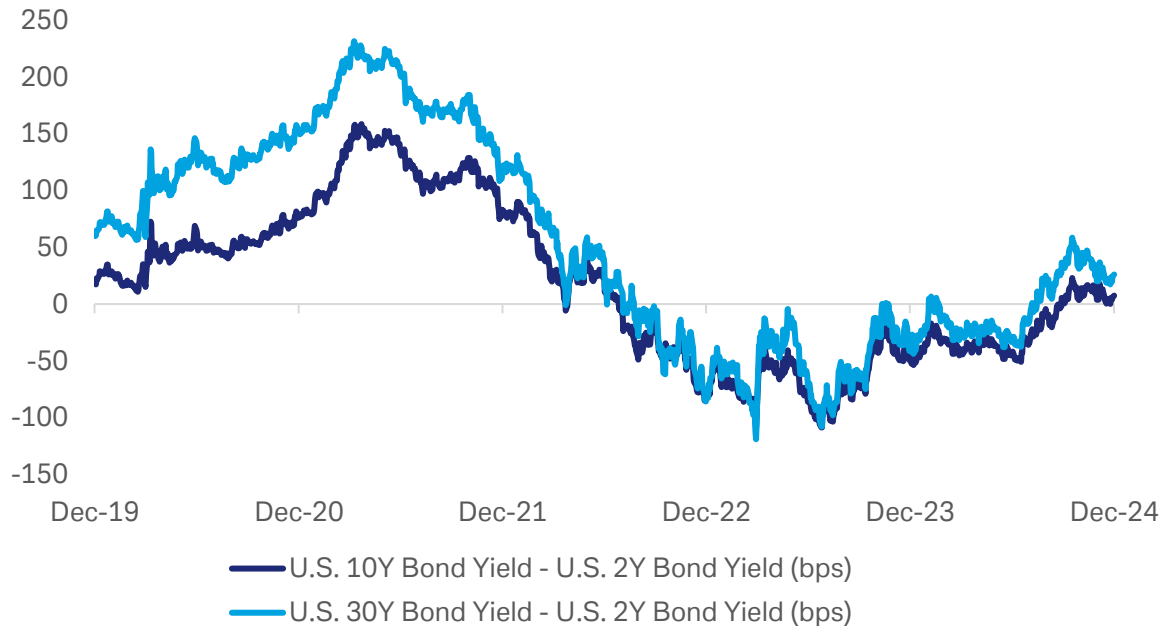
Number of Fed rate cuts priced in until December 2025



Theme 3: USD IG corporate bonds (Higher for Longer)

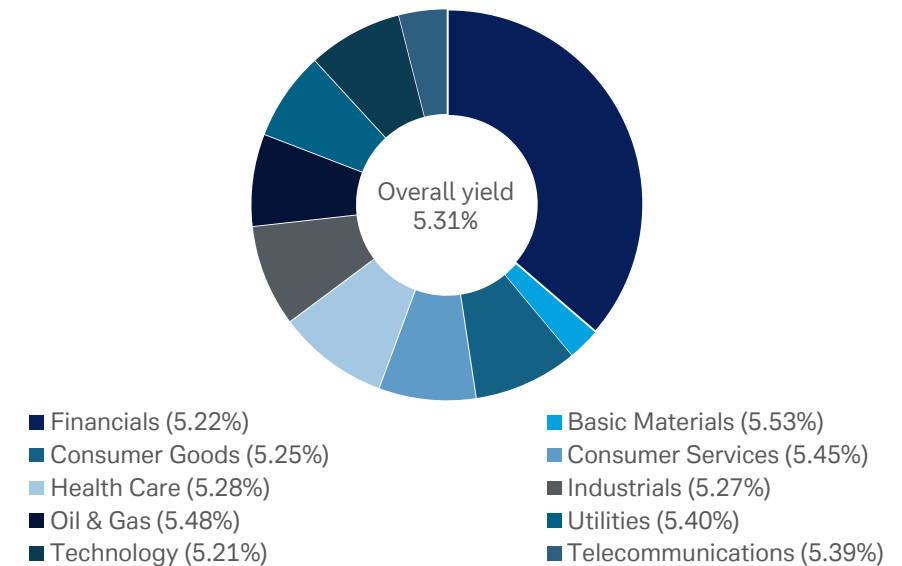


The curve – Back to “normal” without recession



Well diversified IG market, financials dominate

USD corporate bond (Yield)



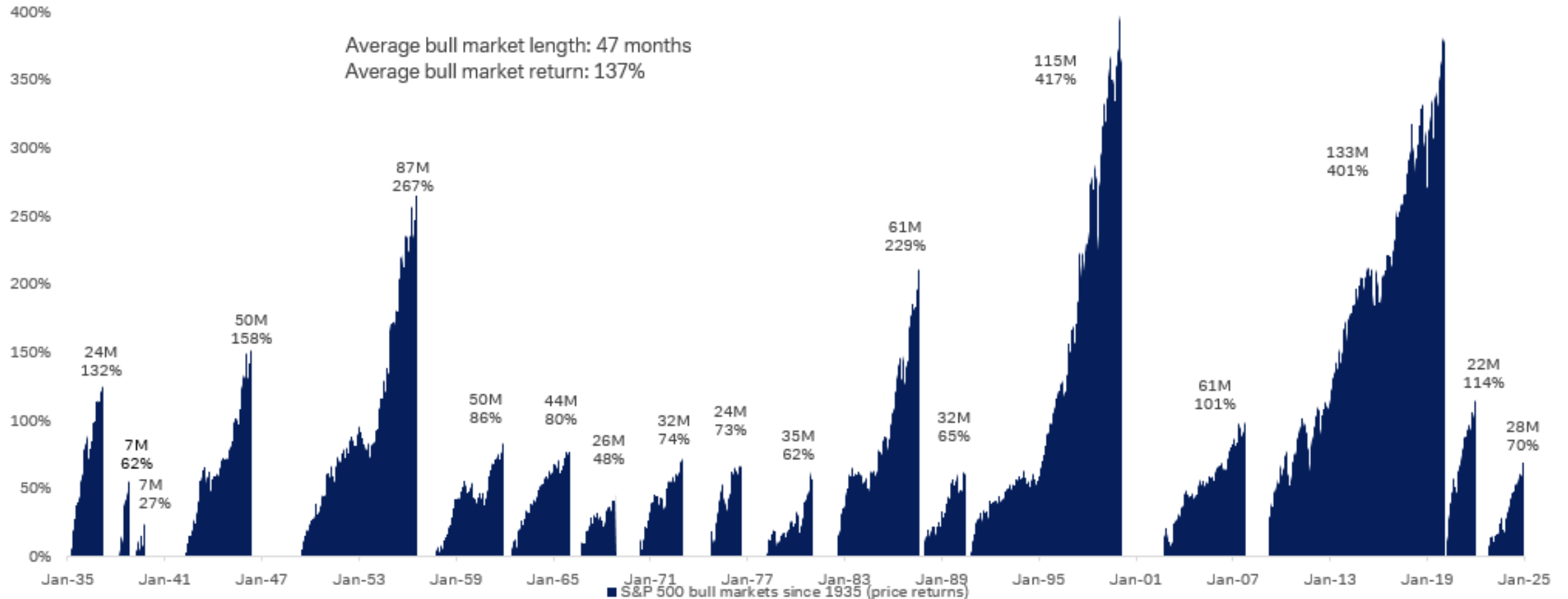
- Low yield environment left behind – Increased yields enable investment opportunities (even after deducting inflation)
- High interest rates for a long time – Increased yield levels will remain with us in 2025, focus on carry
- Corporate bonds have a favorable risk premium compared to government bonds; investment grade preferred

Source: LSEG Datastream, Deutsche Bank AG. Data as of January 22, 2025.

Theme 4: Stocks – Key to success



Room to run

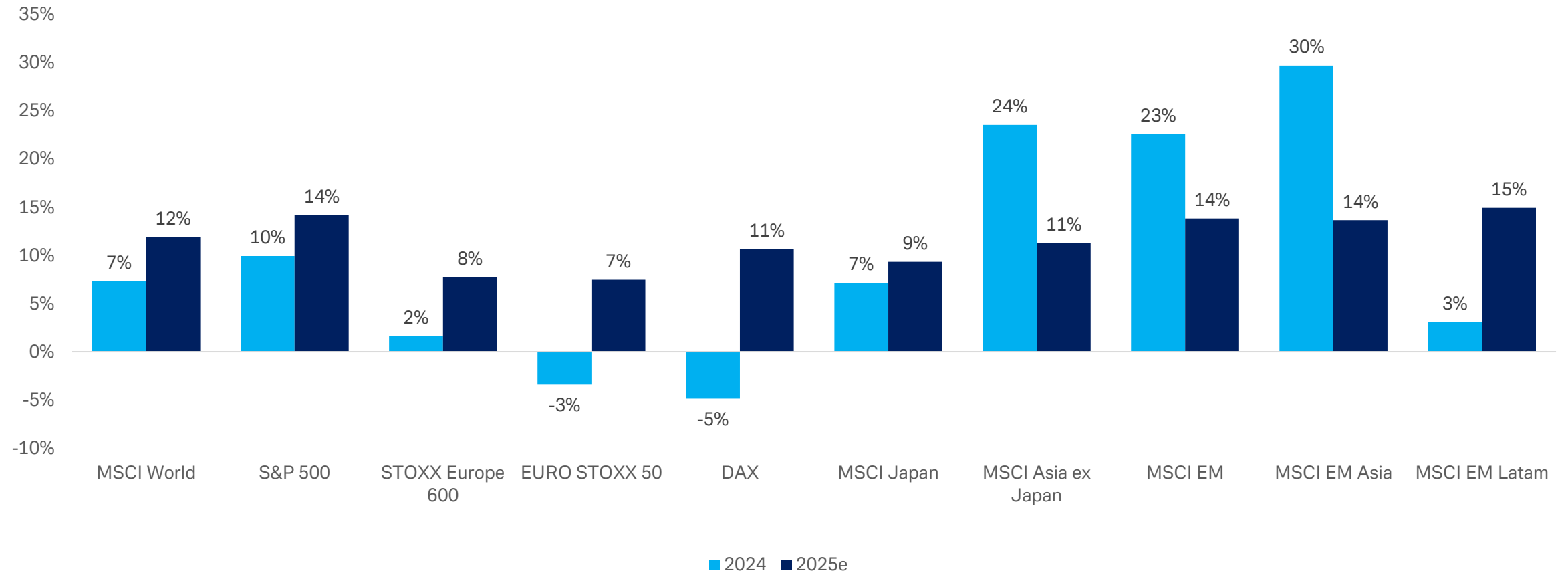


Source: Bloomberg, LSEG Datastream, Deutsche Bank AG. Data as of January 22, 2025.

Theme 4: Stocks – Key to success



Positive earnings growth expected for major indices (YoY)

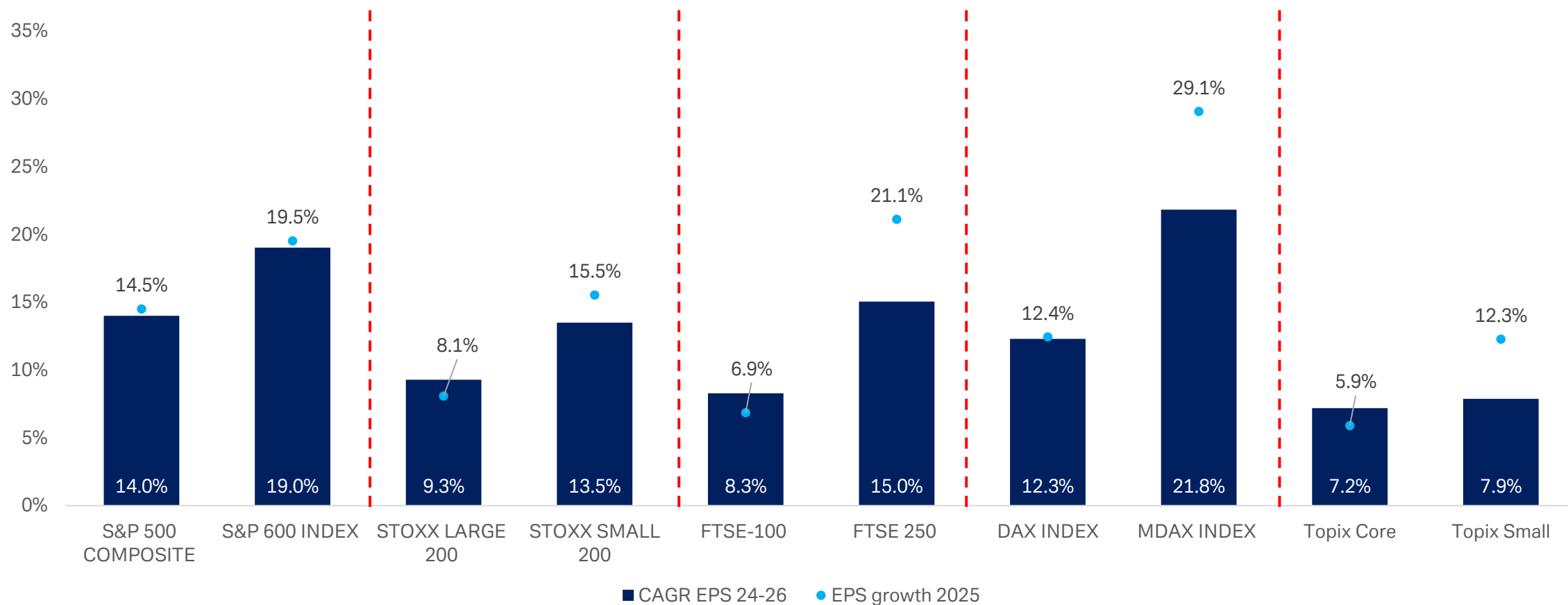


Source: Bloomberg, LSEG Datastream, Deutsche Bank AG. Data as January 22, 2025

Theme 4: Stocks – Key to success



Small Caps – Great (earnings) expectations

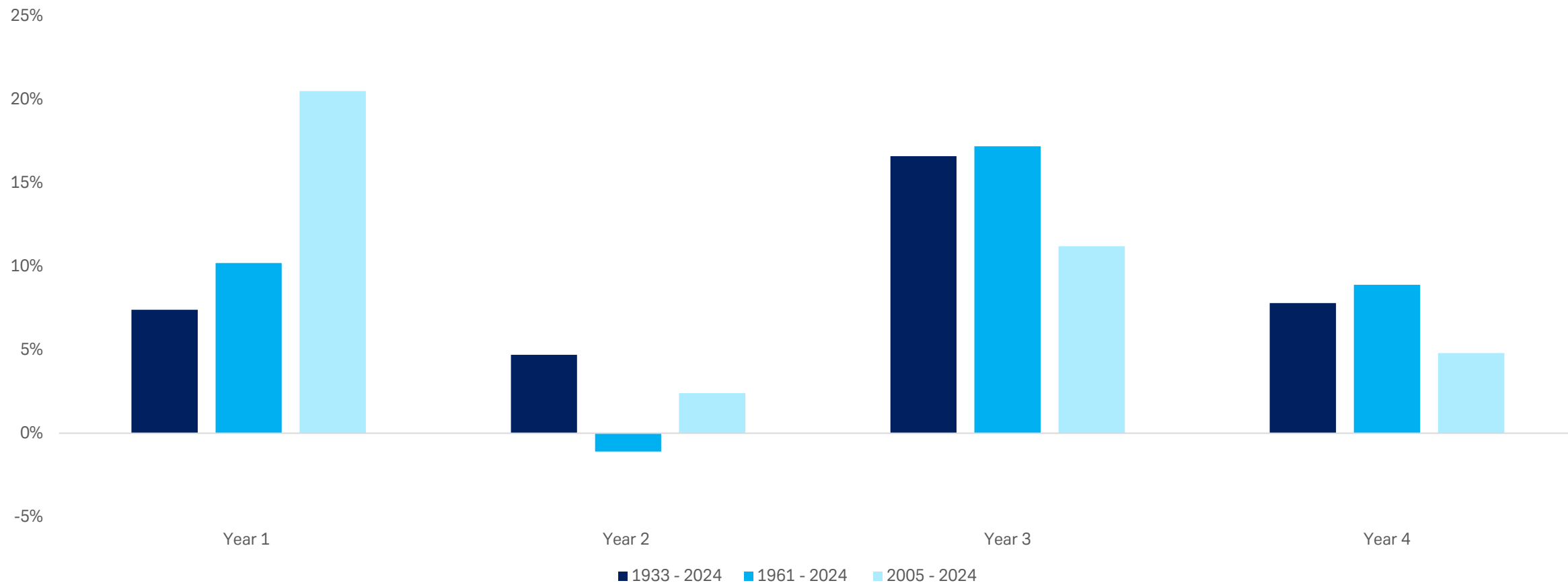


Source: Bloomberg, LSEG Datastream, Deutsche Bank AG. Data as December 31, 2024.

Theme 5: U.S. Stocks - Centre of gravity(S&P 500 Avg Annual Price Returns by Presidential Cycle)



Over the past two decades, US equities have yielded the highest total returns during the first year of a presidential cycle

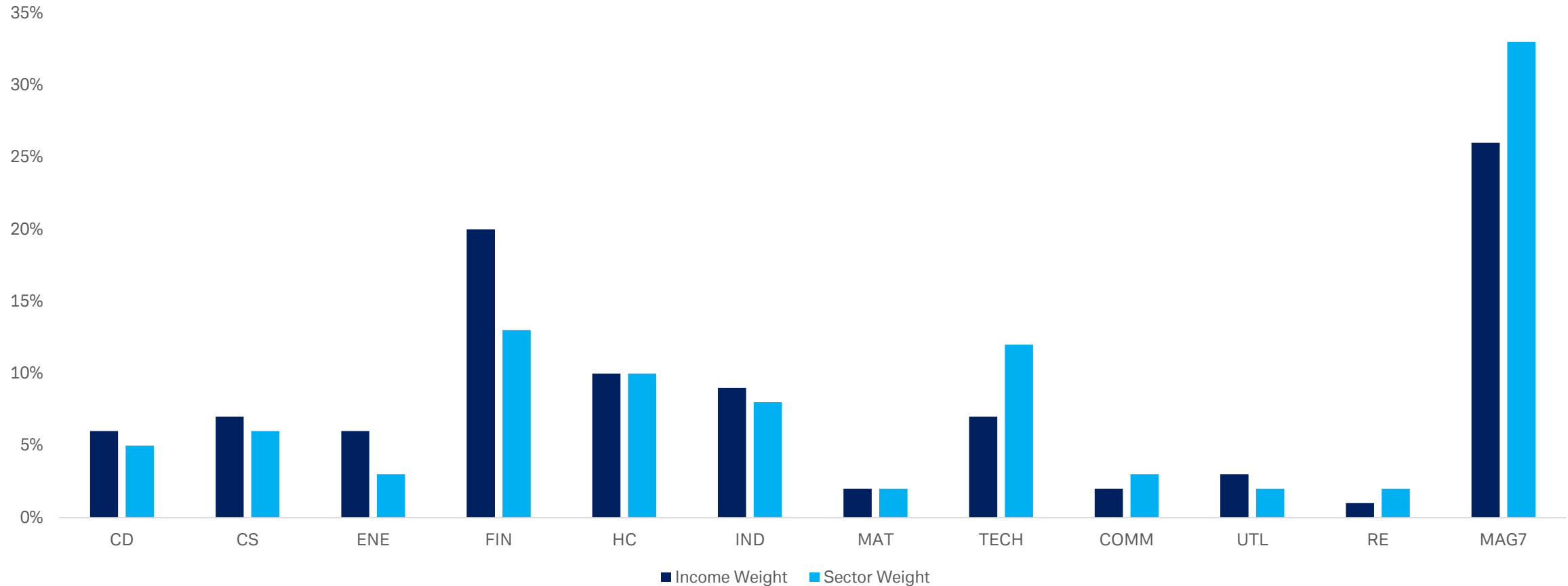


Source: Strategas, Deutsche Bank AG. Data as of January 22, 2025.

Theme 5: U.S. stocks – Centre of gravity



S&P 500 Income Weight vs Sector Weight

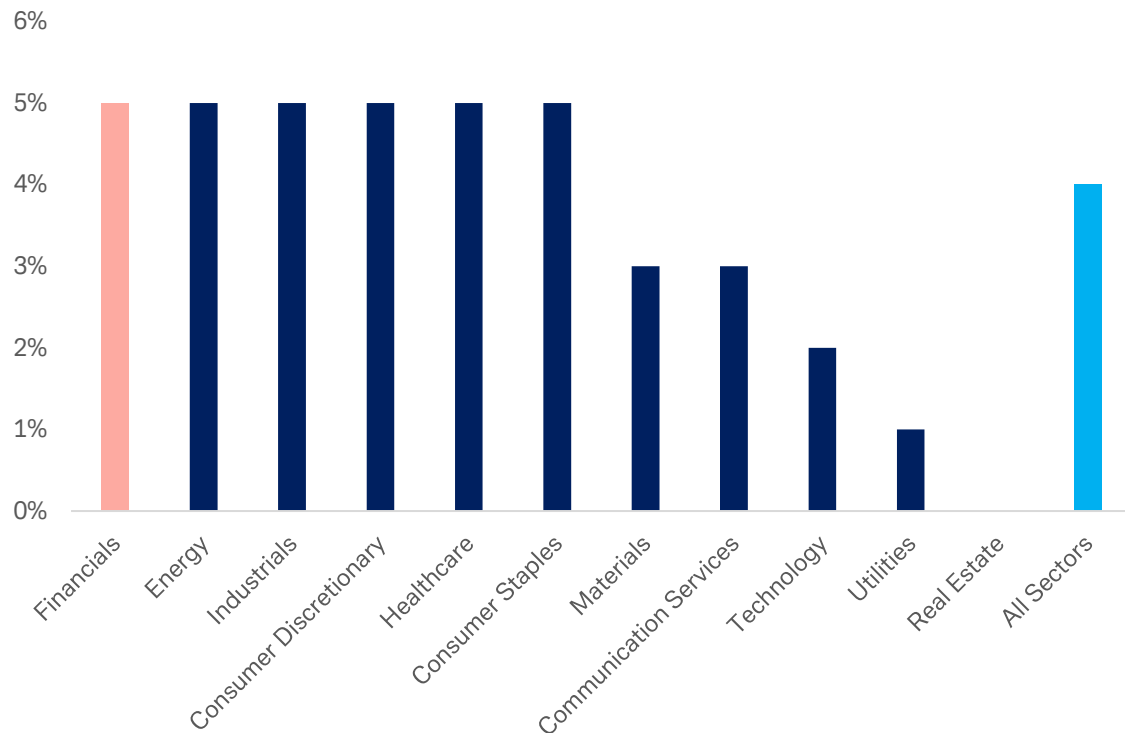


Source: LSEG Datastream, Deutsche Bank AG. Data as January 22, 2025

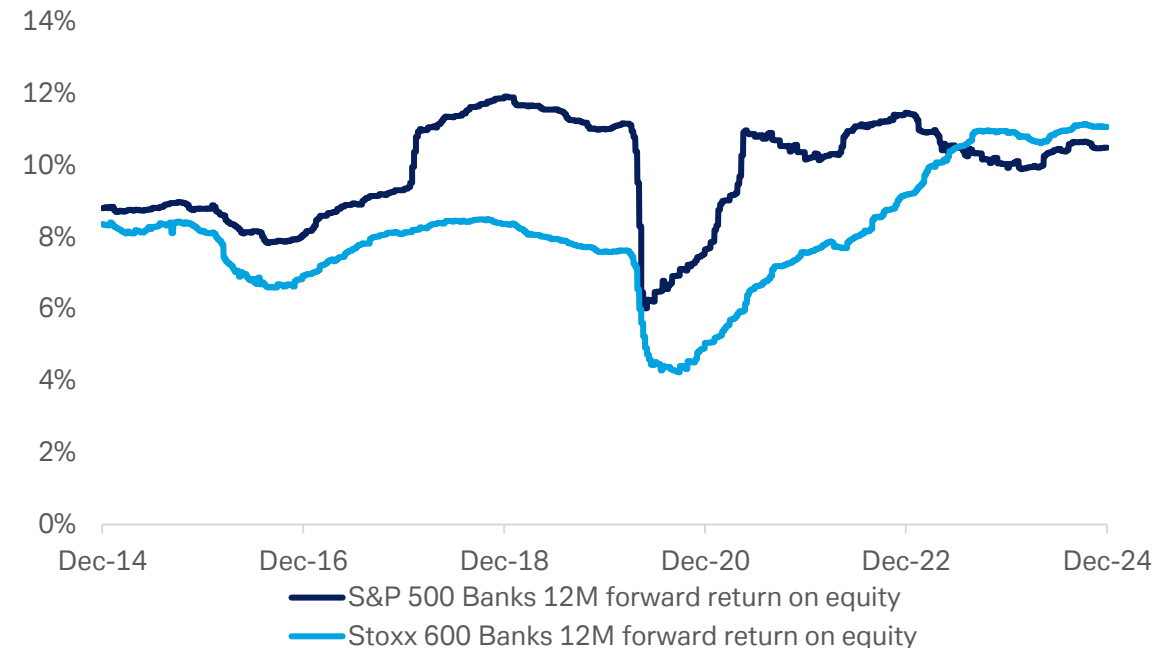
Theme 5: Selective Sector Investments - Financials



EPS growth per S&P 500 Sector based on potential tax cut



European banks now returning more on equity vs. U.S. peers



- If the U.S. corporate tax rate were cut from 21% to 15%, the EPS for the S&P 500 financials sector would grow by 5%
- Banks' profitability in Europe lagged its U.S. peers over much of the last decade
- European banks today are much more efficient and in strong financial position, but valuations remain subdued

Source: Strategas, LSEG Datastream, Deutsche Bank AG. Data as of January 22, 2025.

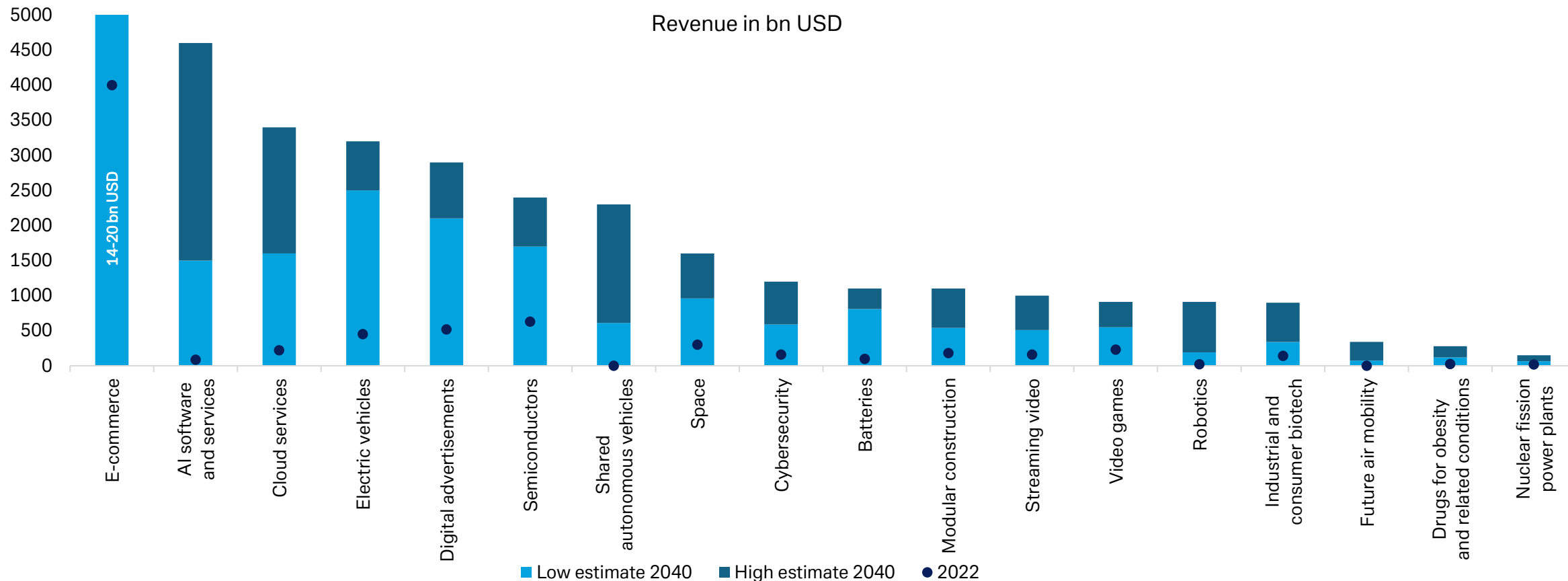
Deutsche Bank Chief Investment Office

In Europe, Middle East and Africa as well as marketing material, but this is not the case in the U.S. No assurance can be given that any forecast or target can be achieved. Forecasts are based on assumptions, estimates, opinions and hypothetical models which may prove to be incorrect. Past performance is not indicative of future returns in Asia Pacific this material is considered. Performance refers to a nominal value based on price gains/losses and does not take into account inflation. Inflation will have a negative impact on the purchasing power of this nominal monetary value. Depending on the current level of inflation, this may lead to a real loss in value, even if the nominal performance of the investment is positive. Investments come with risk. The value of an investment can fall as well as rise and you might not get back the amount originally invested at any point in time. Your capital may be at risk.

Theme 5: U.S. stocks – Centre of gravity



Growth markets – Tech dominates sales potential

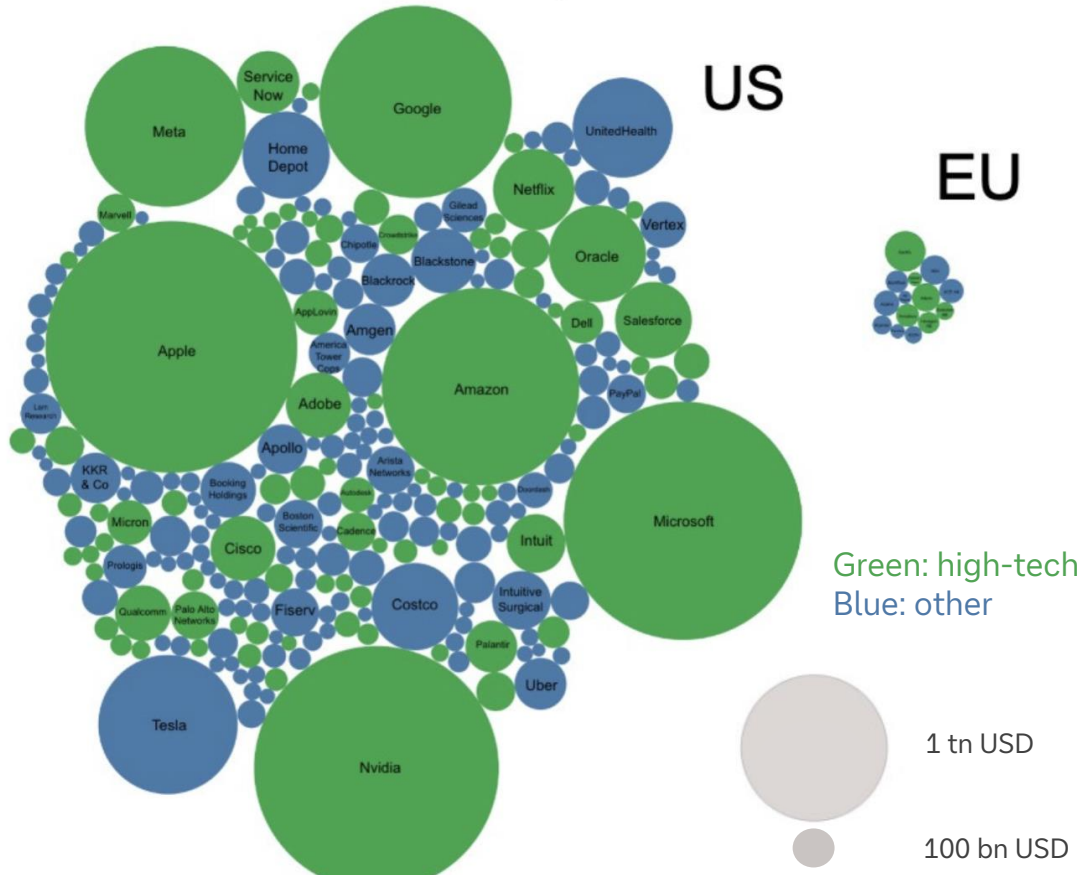


Source: LSEG Datastream, Deutsche Bank AG. Data as January 22, 2025

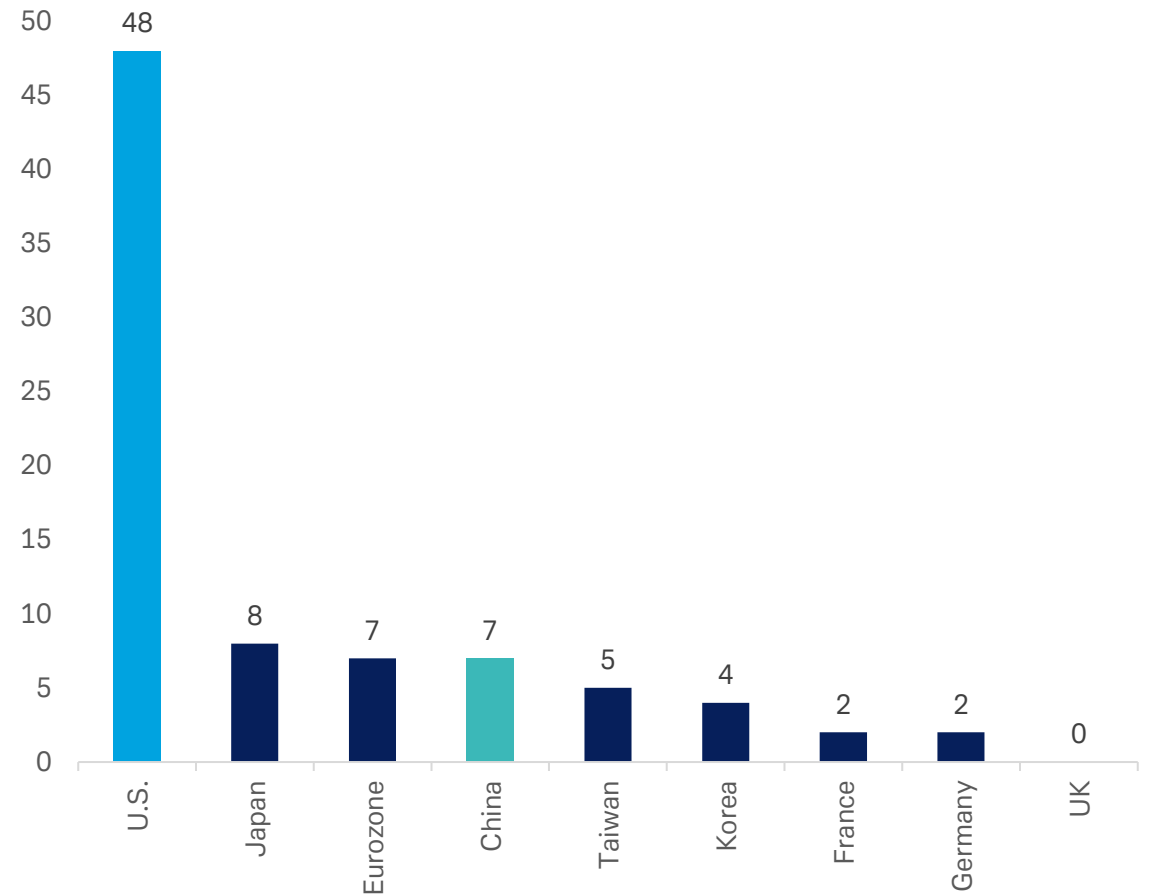
Theme 5: U.S. stocks – Centre of gravity



Listed companies with a market cap of over \$10 billion*



Number of tech companies with net income above 1 bn USD



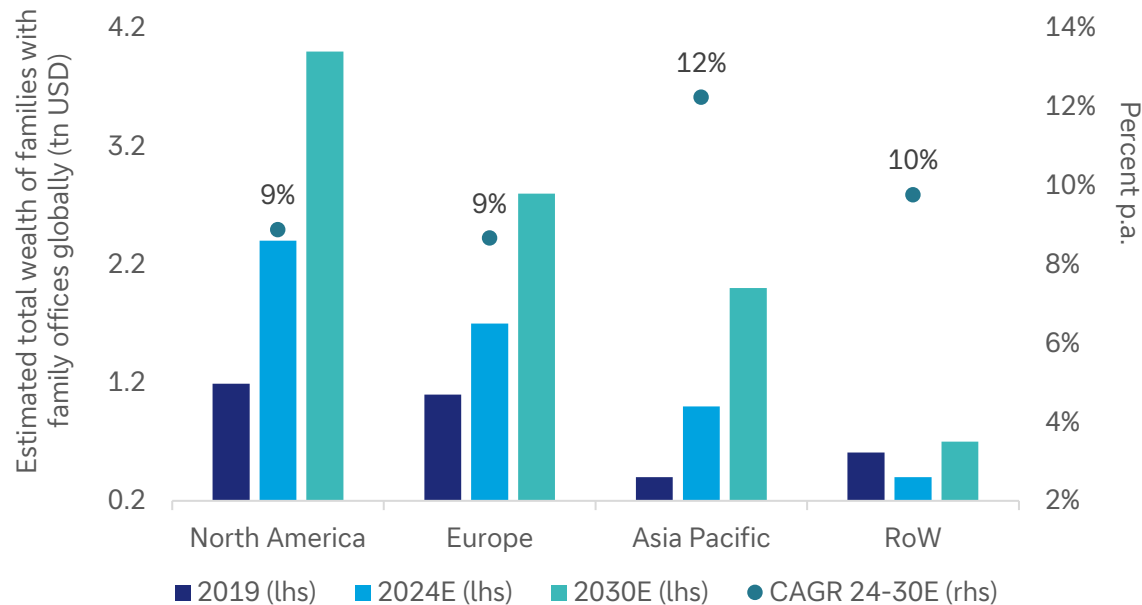
*Newly founded companies (no takeovers), younger than 50 years; Bubble size proportional to market capitalization. Source: Andrew McAfee, MIT. Data as of November 26, 2024. Goldman Sachs. Data as of January 22, 2025.

In Europe, Middle East and Africa as well as marketing material, but this is not the case in the U.S. No assurance can be given that any forecast or target can be achieved. Forecasts are based on assumptions, estimates, opinions and hypothetical models which may prove to be incorrect. Past performance is not indicative of future returns in Asia Pacific this material is considered. Performance refers to a nominal value based on price gains/losses and does not take into account inflation. Inflation will have a negative impact on the purchasing power of this nominal monetary value. Depending on the current level of inflation, this may lead to a real loss in value, even if the nominal performance of the investment is positive. Investments come with risk. The value of an investment can fall as well as rise and you might not get back the amount originally invested at any point in time. Your capital may be at risk.

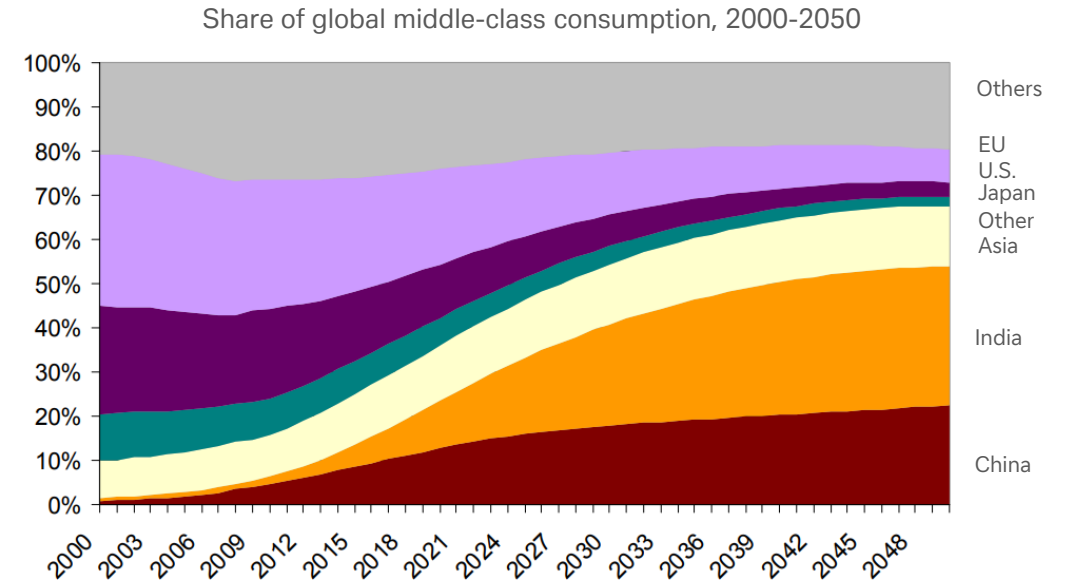
Theme 5: Selective Sector Investments - Consumer Cyclicals



Robust wealth growth – U.S., Europe & Asia



Rise of the middle class – China & India growing significantly



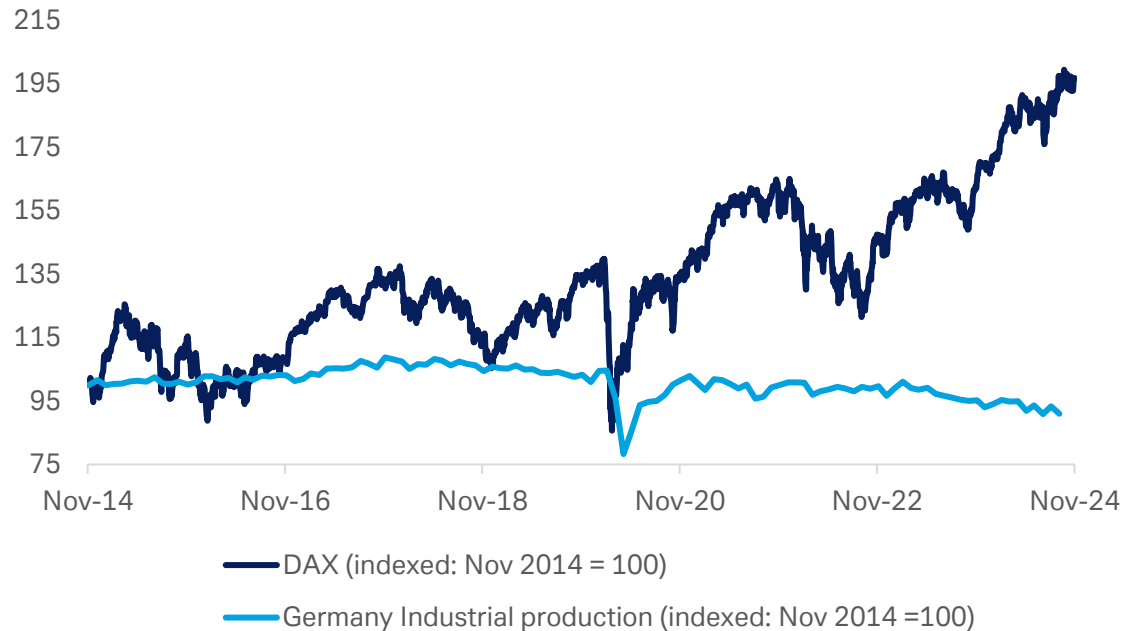
- Robust U.S. consumption thanks to improving consumer confidence, income growth & wealth effects
- Europe with catch-up potential, rising wages & real income growth vs. weak consumer confidence
- Long-term consumption growth in Asia, strong growth of the middle class

Source: Deloitte, Deutsche Bank AG, OECD. Data as of January 22, 2025.

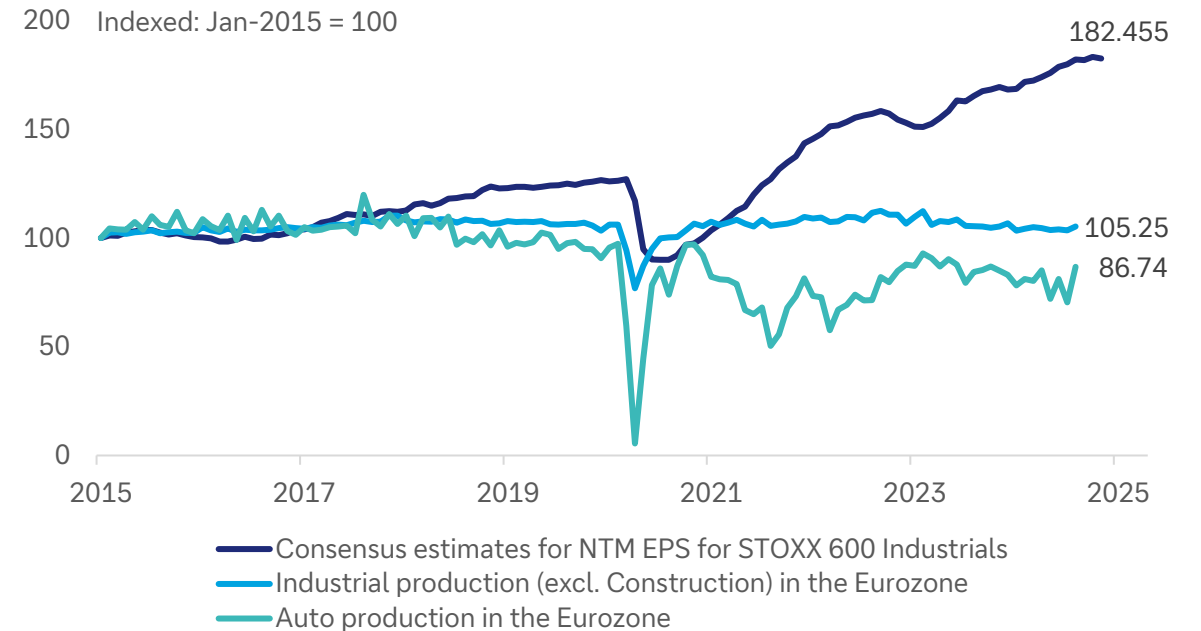
Theme 6: Stocks in Germany, Industrials ≠ Industrial Production



Germany – Not growing and de-industrializing



Industrials thriving, autos dragging



- The German economy is stagnating, the German stock market is flourishing
- German companies dependent on global demand developments, 84% of DAX 40 sales abroad
- Structural change in the automotive industry, infrastructure measures as a tailwind for industrial stocks

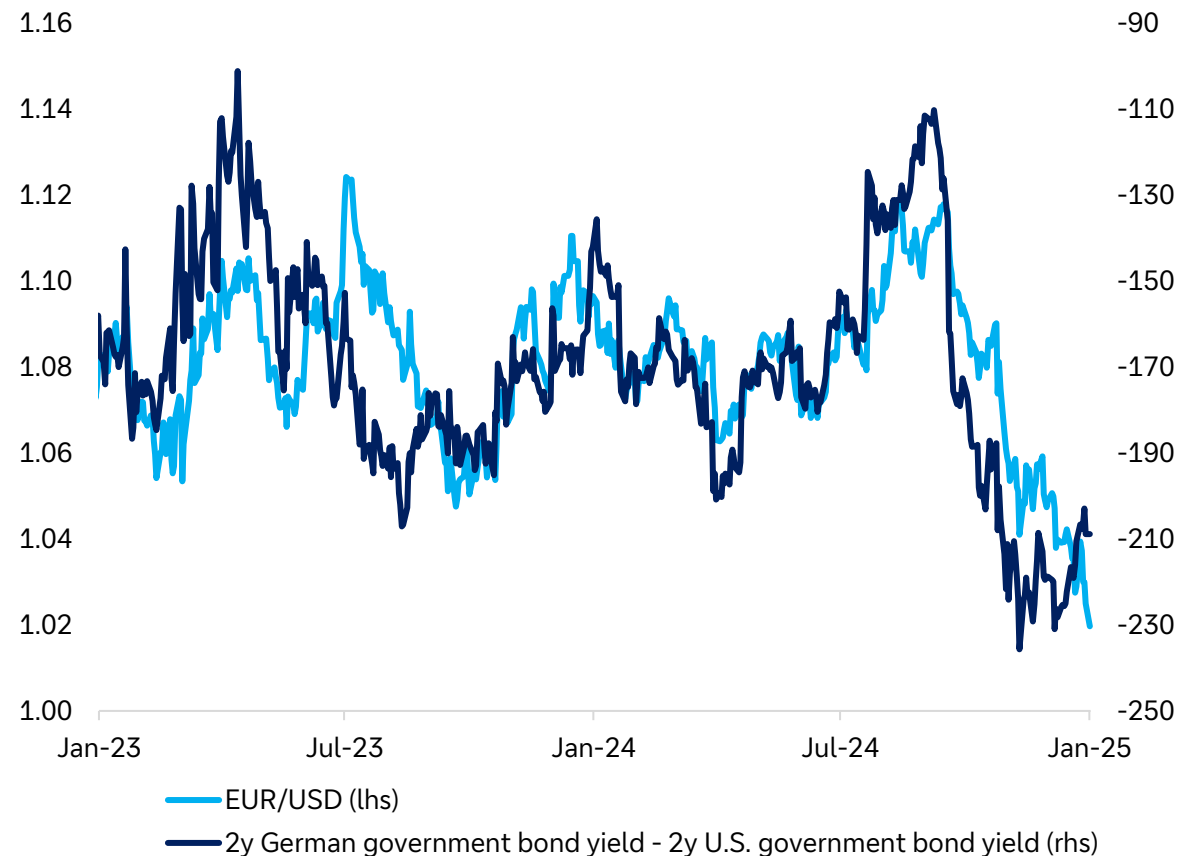
Source: LSEG Datastream, Deutsche Bank AG. Data as of December 5, 2024.

Theme 7: Dollar – Strong economy, Strong currency

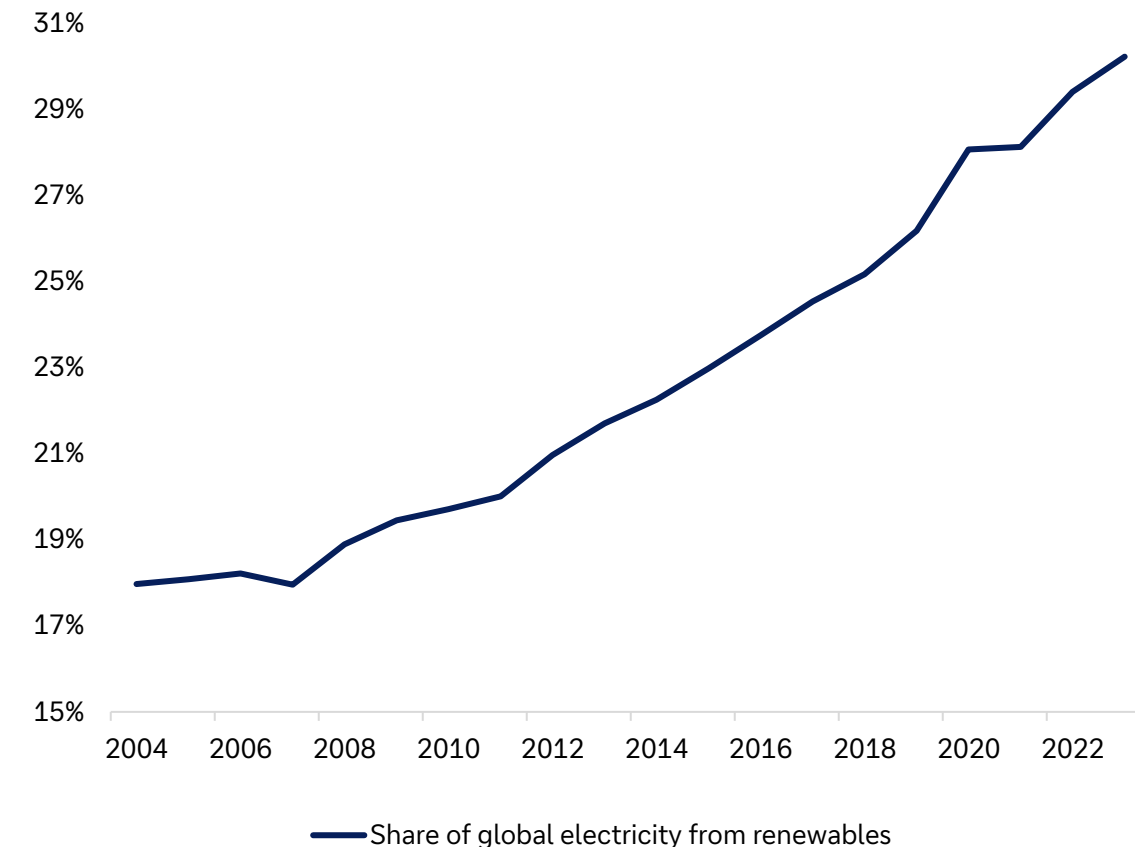
Theme 8: Commodities off to new shore



Tariffs and U.S. exceptionalism supporting the greenback



Electrification – Clearly on the rise



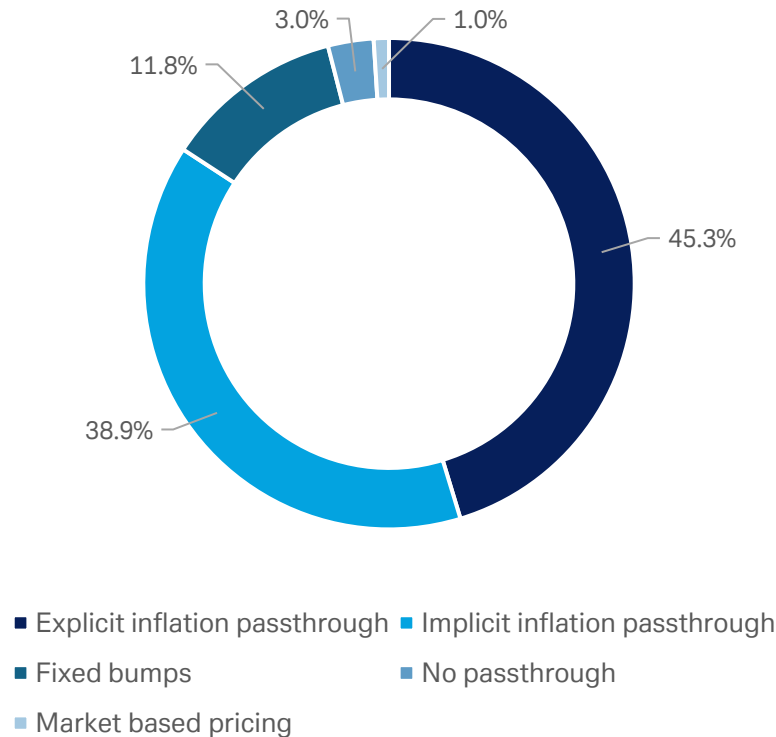
Source: LSEG Datastream, Deutsche Bank AG. Data as of January 22, 2025.

Theme 9: Alternatives – Public & private mixology

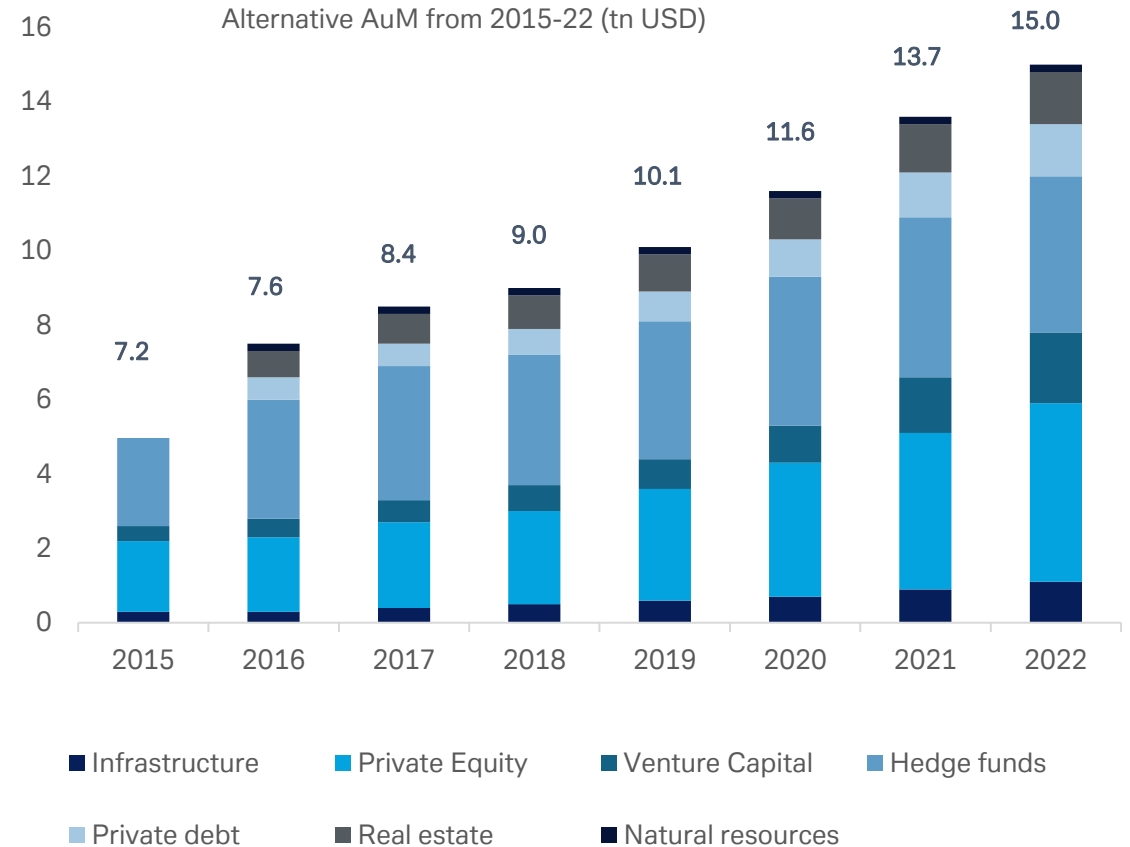


Infrastructure – A reasonable inflation hedge

Approximately 84% of pure-play infrastructure provides a full inflation hedge and 13% provides a partial inflation hedge



Growing popularity of Alternatives



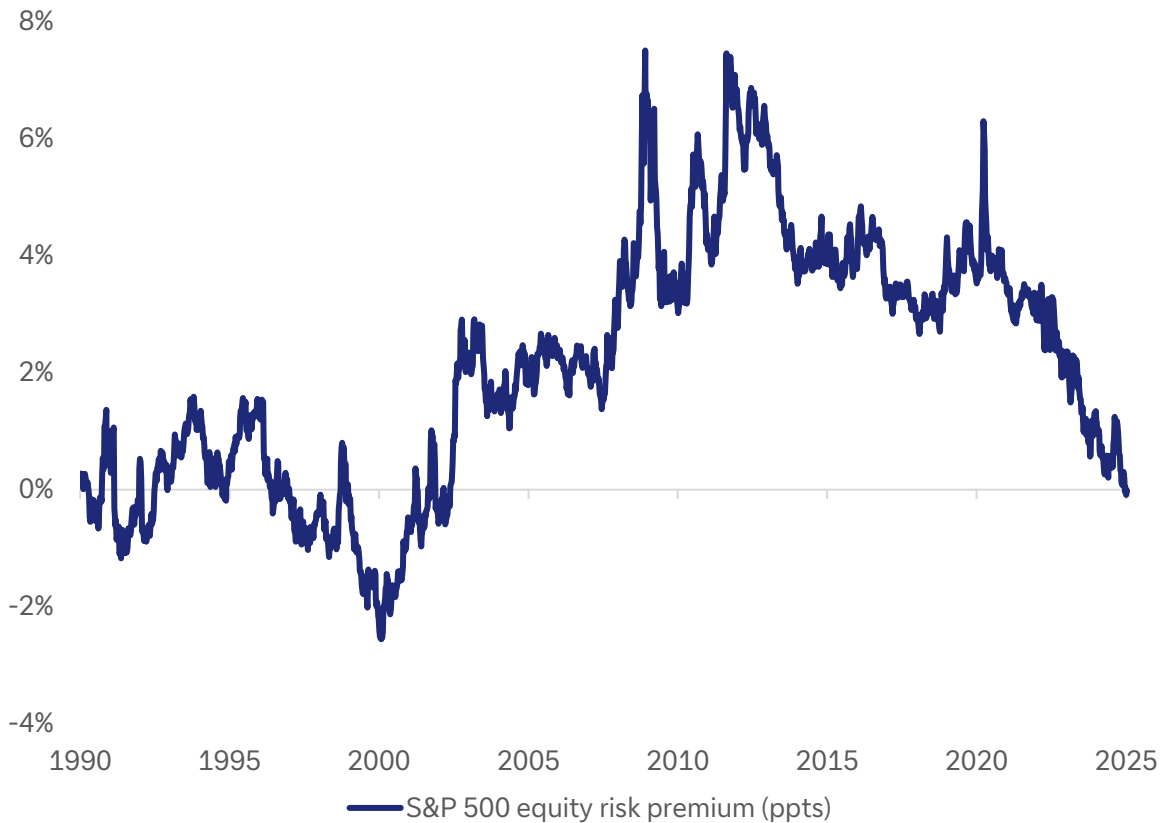
*Estimates. Source: LSEG Datastream, Deutsche Bank AG. Data as of January 22, 2025.

In Europe, Middle East and Africa as well as marketing material, but this is not the case in the U.S. No assurance can be given that any forecast or target can be achieved. Forecasts are based on assumptions, estimates, opinions and hypothetical models which may prove to be incorrect. Past performance is not indicative of future returns in Asia Pacific this material is considered. Performance refers to a nominal value based on price gains/losses and does not take into account inflation. Inflation will have a negative impact on the purchasing power of this nominal monetary value. Depending on the current level of inflation, this may lead to a real loss in value, even if the nominal performance of the investment is positive. Investments come with risk. The value of an investment can fall as well as rise and you might not get back the amount originally invested at any point in time. Your capital may be at risk.

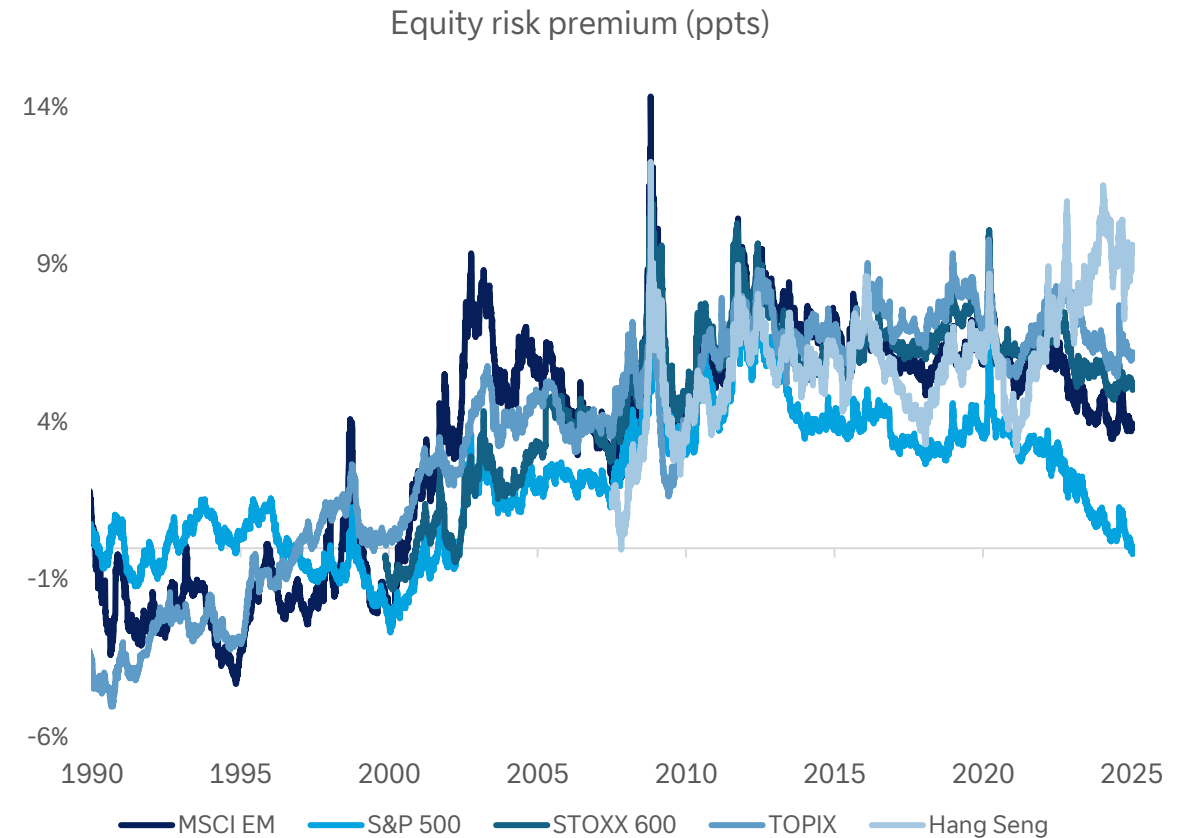
Theme 10: A few thoughts on valuations & risks – Equity risk premia trending downwards



Negative ERP in the U.S. – We have been there before



Falling ERP is a global phenomenon, but the U.S. stand out



Note: Equity risk premium calculated as the difference between the earnings yield and the yield on the corresponding 10Y gov. bond. Source: LSEG Datastream, Deutsche Bank AG. Data as of January 16, 2025.

Review Annual Outlook 2024 – Finding growth



Themes - 2024

- ✓ 1. 2024 will be the busiest election year in history
- ✓ 2. Geopolitics coming to the fore
- ✓ 3. Fight against inflation going according to plan
- ✓ 4. Strong capital markets calling for later rate cuts
- ✓ 5. AI: More than just a passing fad
- ✓ 6. Stocks: Not too late to engage
- ✓ 7. The global consumer is on the rise
- ✓ 8. European favourites – Consumer, insurance & industrials
- ✓ 9. U.S. favourites – IT, communication, consumer discretionary
- ✓ 10. Asian favourites – IT, Indian Financials & Japanese Industrials
- ✓ 11. Asia – Global growth engine for years to come
- ✓ 12. Bonds are a vital part of portfolios as real rates turn positive



Macroeconomic forecasts



GDP growth rate (%)¹

	2024 F	2025 F	Consensus 2025 (BBG*)
U.S.	2.7	2.0	1.9
EUZ	0.7	0.9	1.2
GER	-0.1	0.6	0.8
Japan	-0.1	1.2	1.2
China	4.9	4.2	4.5
World	3.1	3.1	

Unemployment rate (%)

	2024 F	2025 F	Consensus 2025 (BBG*)
U.S.	4.1	4.2	4.3
EUZ	6.4	6.3	6.5
GER	6.0	6.1	6.1
Japan	2.5	2.4	2.5
China ³	5.1	5.0	5.1

CPI inflation (%)²

	2024 F	2025 F	Consensus 2025 (BBG*)
U.S.	2.9	2.4	2.3
EUZ	2.3	2.0	2.0
GER	2.5	2.3	2.1
Japan	2.5	2.0	2.0
China	0.5	1.3	1.3

Fiscal balance (% of GDP)

	2024 F	2025 F	Consensus 2025 (BBG*)
U.S.	-6.6	-7.3	-6.5
EUZ	-2.8	-3.0	-2.7
GER	-2.1	-1.8	-1.5
Japan	-6.0	-4.0	-3.5
China ⁴	-13.2	-13.1	-5.0

*Bloomberg consensus

Source: Deutsche Bank AG. (1) For the U.S., GDP growth Q4/Q4 % is 1.5% in 2024 and 2.1% in 2025, (2) Measure is average CPI, other measures for the U.S. see in the respective part of the presentation, (3) Urban unemployment rate (end of period), not comparable to consensus data, (4) China fiscal deficit refers to augmented fiscal balance (widest definition) and refers to IMF. It's not comparable with the consensus. Data as of November 15, 2024.

In Europe, Middle East and Africa as well as marketing material, but this is not the case in the U.S. No assurance can be given that any forecast or target can be achieved. Forecasts are based on assumptions, estimates, opinions and hypothetical models which may prove to be incorrect. Past performance is not indicative of future returns in Asia Pacific this material is considered. Performance refers to a nominal value based on price gains/losses and does not take into account inflation. Inflation will have a negative impact on the purchasing power of this nominal monetary value. Depending on the current level of inflation, this may lead to a real loss in value, even if the nominal performance of the investment is positive. Investments come with risk. The value of an investment can fall as well as rise and you might not get back the amount originally invested at any point in time. Your capital may be at risk.

Asset class forecasts



	Current level	vs. current level	Strategic Forecast as of November 2024	Expected 12m total return
	November 15, 2024		Target December 2025	
Capital market yields (sovereign bonds) in percent				
United States (2-year)	4.34	↘	4.20	4.47%
United States (10-year)	4.47	↗	4.50	4.58%
United States (30-year)	4.64	↗	4.65	4.54%
Germany (2-year)	2.13	↘	1.75	2.24%
Germany (10-year)	2.36	↘	2.20	4.28%
Germany (30-year)	2.57	↘	2.50	4.22%
United Kingdom (10-year)	4.49	↘	4.00	8.50%
Japan (2-year)	0.55	↗	0.80	0.46%
Japan (10-year)	1.07	↗	1.40	-0.62%
Benchmark rates in percent				
United States (federal funds rate)	4.50-4.75	↘	3.75 - 4.00	
Eurozone (deposit rate)	3.25	↘	2.00	
United Kingdom (repo rate)	4.75	↘	3.00	
Japan (overnight call rate)	0.25	↗	1.00	
China (1 year lending rate)	3.10	↘	2.75	
Currencies				
EUR vs. USD	1.05	↘	1.02	
USD vs. JPY	155	↘	145	
EUR vs. JPY	163	↘	148	
EUR vs. CHF	0.94	→	0.94	
EUR vs. GBP	0.83	↘	0.82	
GBP vs. USD	1.26	↘	1.25	
USD vs. CNY	7.20	↗	7.45	

	Current level	vs. current level	Strategic Forecast as of November 2024	Expected 12m total return
	November 15, 2024		Target December 2025	
Equity indices				
United States (S&P 500)	5,894	↗	6,500	11.58%
Germany (DAX)	19,223	↗	20,500	6.64%
Eurozone (Eurostoxx 50)	4,806	↗	4,950	6.50%
Europe (Stoxx 600)	504	↗	525	7.75%
Japan (MSCI Japan)	1,663	↗	1,770	8.82%
Switzerland (SMI)	11,632	↗	12,050	6.99%
United Kingdom (FTSE 100)	8,067	↗	8,150	5.03%
Emerging Markets (MSCI EM)	1,084	↗	1,150	8.95%
Asia ex Japan (MSCI Asia ex Japan)	704	↗	750	9.08%
Australia (MSCI Australia)	1,649	↗	1,650	3.67%
Commodities in USD				
Gold	2,571	↗	2,800	3.84%
Crude Oil (Brent Spot)	72	↘	69	-1.78%
Carbon	68	↗	75	10.57%
Spreads (corporates & EM bonds) in bps				
EUR IG Corp	99	↘	95	4.73%
EUR HY	324	↗	400	3.53%
USD IG Corp	73	↗	85	4.26%
USD HY	254	↗	325	3.95%
Asia Credit	133	↘	125	6.54%
EM Sovereign	325	↗	390	3.44%

Source: Deutsche Bank AG, Bloomberg Finance L.P.; Data as of November 15, 2024.



Deutsche Bank
Wealth Management

Thank you for joining

For more information about any of our events, please get in touch with your Relationship Manager.

For more information, please visit,
[deutschewealth.com](https://www.deutschewealth.com)



Important information



This presentation is not an offer to buy a security or enter into any transaction. There is currently a lack of uniform criteria and a common market standard for the assessment and classification of financial services and financial products as sustainable. This can lead to different providers assessing the sustainability of financial services and financial products differently. In addition, there are various new regulations on ESG (Environment, Social and Corporate Governance) and Sustainable Finance, which need to be substantiated, and additional regulations are currently being developed, which may lead to financial services and financial products currently labeled as sustainable not meeting future legal requirements for qualification as sustainable.

In Europe, Middle East and Africa as well as in Asia Pacific this material may be considered marketing material, but this is not the case in the U.S. The value of an investment can fall as well as rise and you might not get back the amount originally invested.

The services described in this video are provided by Deutsche Bank AG or by its subsidiaries and/or affiliates in accordance with appropriate local legislation and regulation. Deutsche Bank AG is subject to comprehensive supervision by the European Central Bank (ECB), by Germany's Federal Financial Supervisory Authority (BaFin) and by Germany's central bank (Deutsche Bundesbank). Brokerage services in the United States are offered through Deutsche Bank Securities Inc., a broker-dealer and registered investment adviser, which conducts investment banking and securities activities in the United States. Deutsche Bank Securities Inc. is a member of FINRA, NYSE and SIPC. Lending and banking services in the United States are offered through Deutsche Bank Trust Company Americas, member FDIC, and other members of the Deutsche Bank Group. The products, services, information and/or materials referred to within this video may not be available for residents of certain jurisdictions.

© 2024 Deutsche Bank AG and/or its subsidiaries. All rights reserved. This video may not be used, reproduced, copied or modified without the written consent of Deutsche Bank AG. 056206 012325