



# NextGen Summer Seminar: CIO Update

June 20, 2024

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# Landscape of Deutsche Bank investment views

The separation of investment views across the Corporate Bank (sell side) and the Private Bank (buy side)



Source: Deutsche Bank AG

# Growth & inflation update



## Eurozone

	2024 F	2025 F
GDP	0.7%	1.1%
CPI	2.5%	2.3%
FD*	-2.8%	-2.7%



## Germany

	2024 F	2025 F
GDP	0.4%	1.2%
CPI	2.6%	2.5%
FD*	-1.5%	-1.0%



## Japan

	2024 F	2025 F
GDP	0.3%	1.4%
CPI	2.5%	2.0%
FD*	-5.0%	-3.0%



## China

	2024 F	2025 F
GDP	5.0%	4.4%
CPI	0.6%	1.7%
FD*	-13.3%	-13.0%



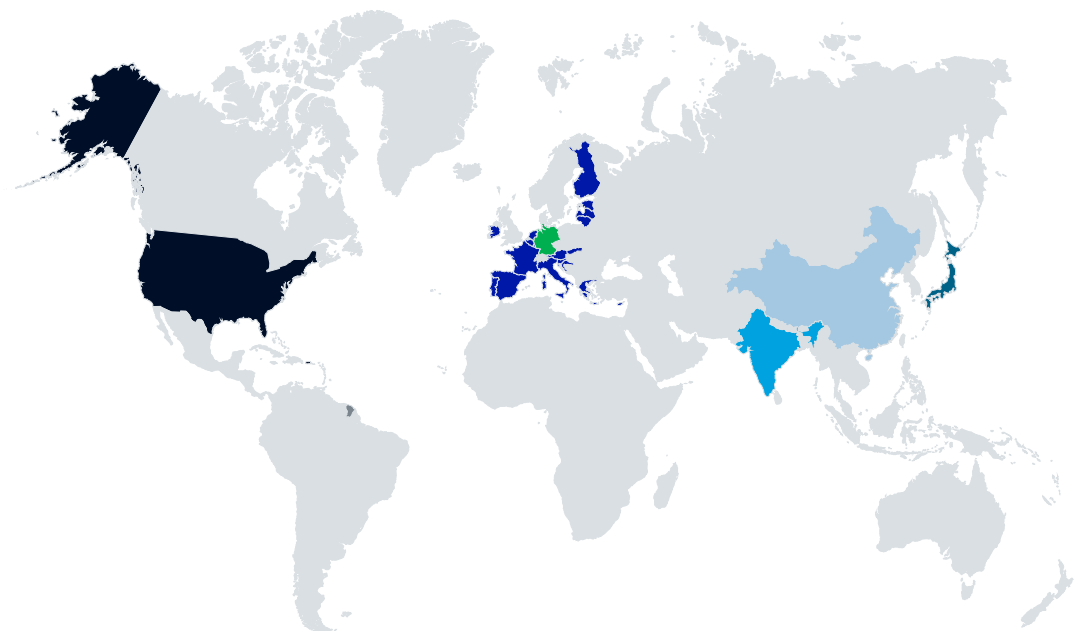
## U.S.

	2024 F	2025 F
GDP	2.0%	1.6%
CPI	3.0%	2.3%
FD*	-6.0%	-5.9%



## India

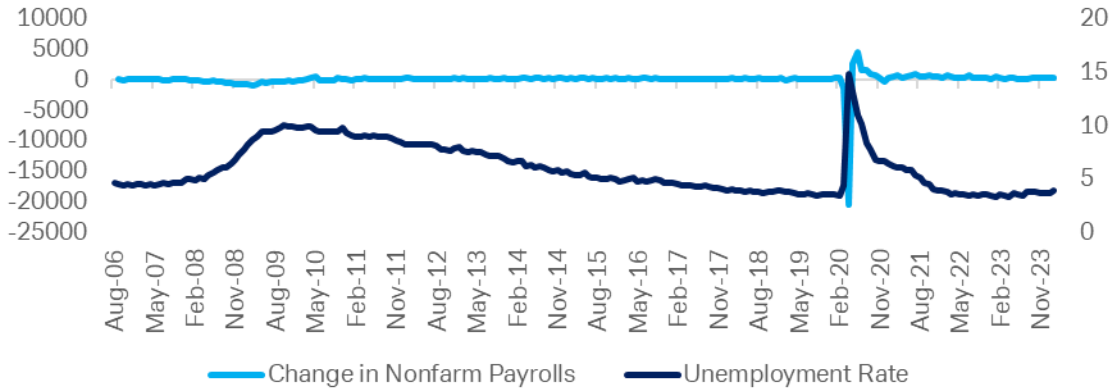
	2023 F	2024 F
GDP	7.2%	6.7%
CPI	4.4	4.4%
FD*	-7.8%	-7.6%



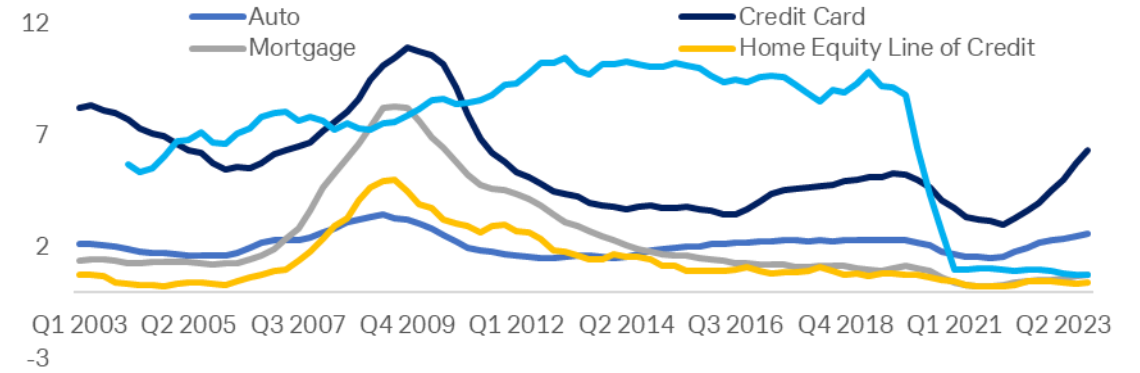
\*Fiscal deficit (% of GDP)  
Source: Deutsche Bank AG. Data as of June 13, 2024.

# “Soft landing” and “no landing”: take your pick

Nonfarm Payrolls vs. Unemployment Rate



90+ Days delinquency rate by loan type – Student loans have high late delinquency rate (%)



Gas Price (\$)



Savings rate as % of disposable income

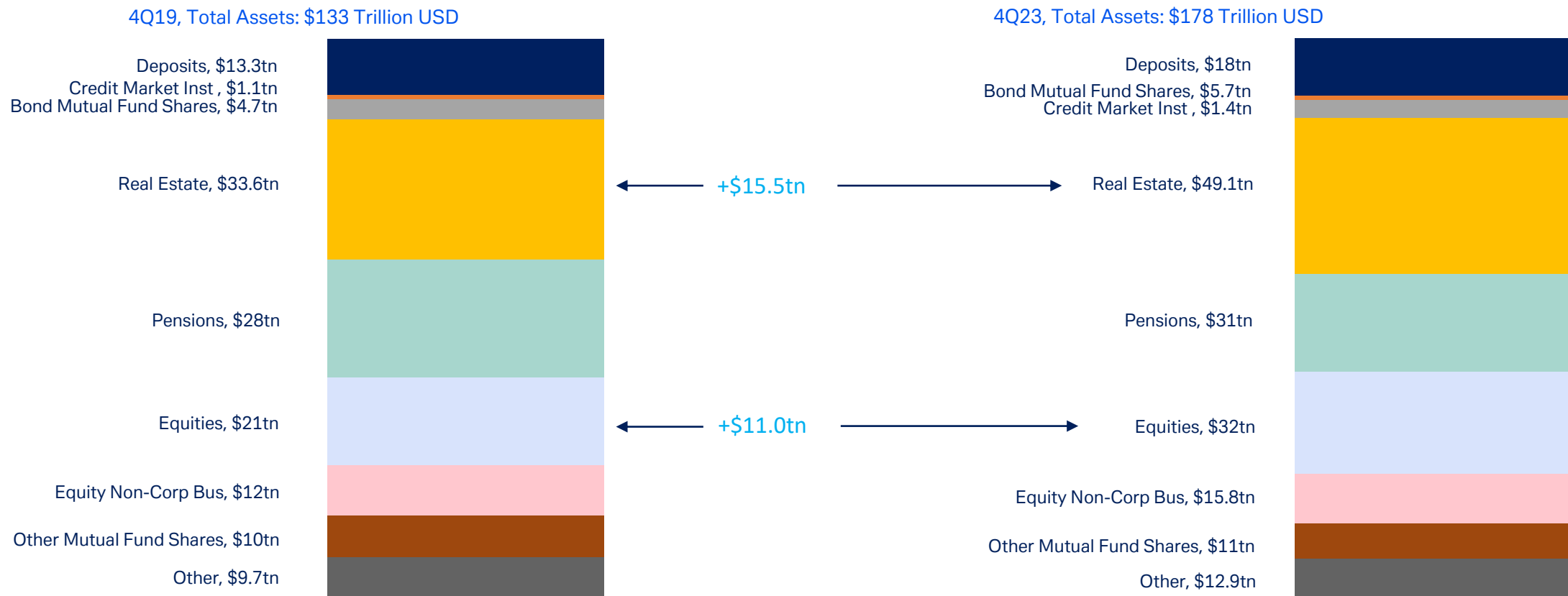


Source: Bureau of Economic Analysis, Energy Information Administration, The Conference Board, U.S. Bureau of Labor Statistics, Deutsche Bank AG. Data as of May 2024.

# The 'Wealth Effect' is alive and well with household balance sheets strongly supported by asset inflation

Household balance sheet assets (4Q19, USD)

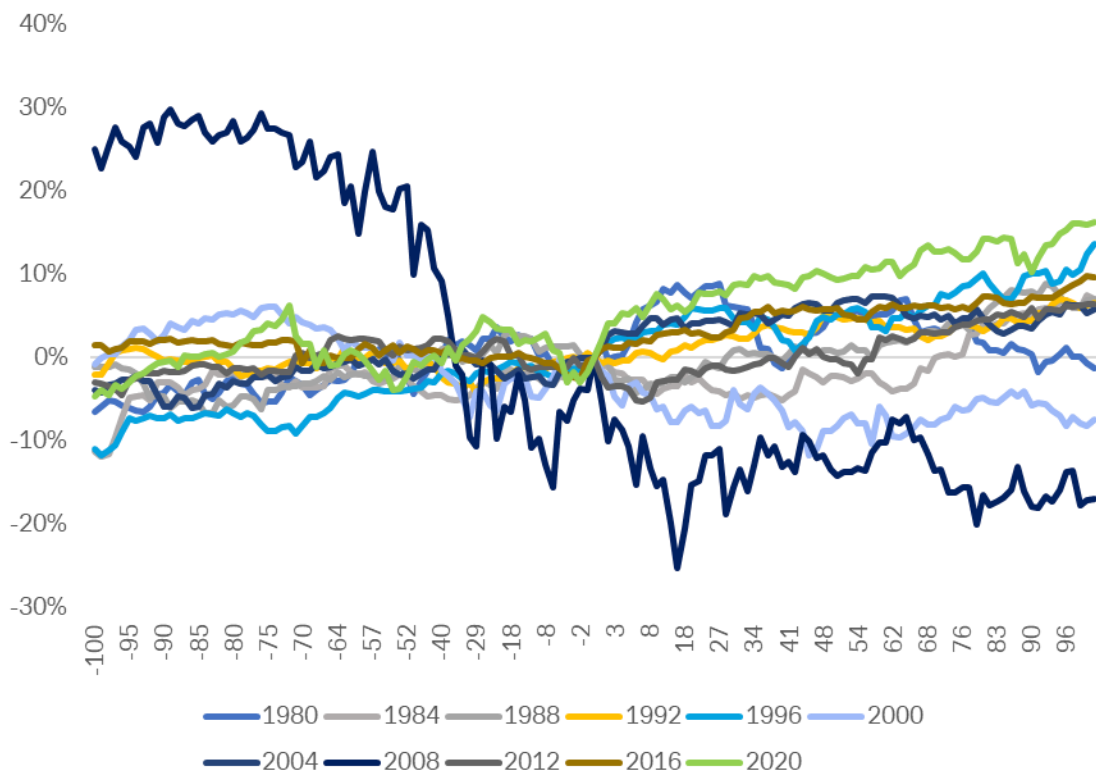
Household balance sheet assets (4Q23, USD)



Source: Wolfe Research Portfolio Strategy, Federal Reserve, Federal Reserve Bank of Atlanta, Deutsche Bank Wealth Management. Data are based on availability as of December 31st, 2023

# U.S. Presidential elections are the main event for politics in 2024

S&P 500, 100 days prior to and following a presidential election



S&P 500 quarterly returns during election years

Year	Q1	Q2	Q3	Q4	FY Return
2020	-20.0%	20.0%	8.0%	12.0%	18.0%
2016	1.0%	2.0%	3.0%	3.0%	12.0%
2012	12.0%	-3.0%	6.0%	-1.0%	16.0%
2008	-10.0%	-3.0%	-9.0%	-23.0%	-37.0%
2004	1.0%	1.0%	-2.0%	9.0%	11.0%
2000	2.0%	-3.0%	-1.0%	-8.0%	-9.0%
1996	5.0%	4.0%	2.0%	8.0%	23.0%
1992	-3.0%	1.0%	2.0%	4.0%	8.0%
1988	5.0%	6.0%	-1.0%	2.0%	17.0%
1984	-3.0%	-4.0%	8.0%	1.0%	6.0%
1980	-5.0%	12.0%	10.0%	8.0%	32.0%
1976	14.0%	1.0%	1.0%	2.0%	24.0%
1972	5.0%	0.0%	3.0%	7.0%	19.0%
1968	-6.0%	10.0%	3.0%	1.0%	11.0%
1964	5.0%	3.0%	3.0%	1.0%	16.0%
1960	-8.0%	3.0%	-6.0%	9.0%	1.0%
1956	7.0%	-3.0%	-3.0%	3.0%	7.0%
1952	3.0%	2.0%	-2.0%	8.0%	18.0%
1948	-1.0%	11.0%	-7.0%	-2.0%	5.0%
1944	3.0%	8.0%	-2.0%	4.0%	20.0%
1940	-2.0%	-18.0%	7.0%	-1.0%	-1.0%
1936	11.0%	-1.0%	8.0%	7.0%	34.0%
<b>Average</b>	<b>0.6%</b>	<b>2.3%</b>	<b>1.5%</b>	<b>2.5%</b>	<b>11.4%</b>
Median	1.6%	1.7%	2.4%	3.1%	14.0%

Source: Bloomberg Finance L.P., Deutsche Bank Wealth Management. Data as of June 2024.

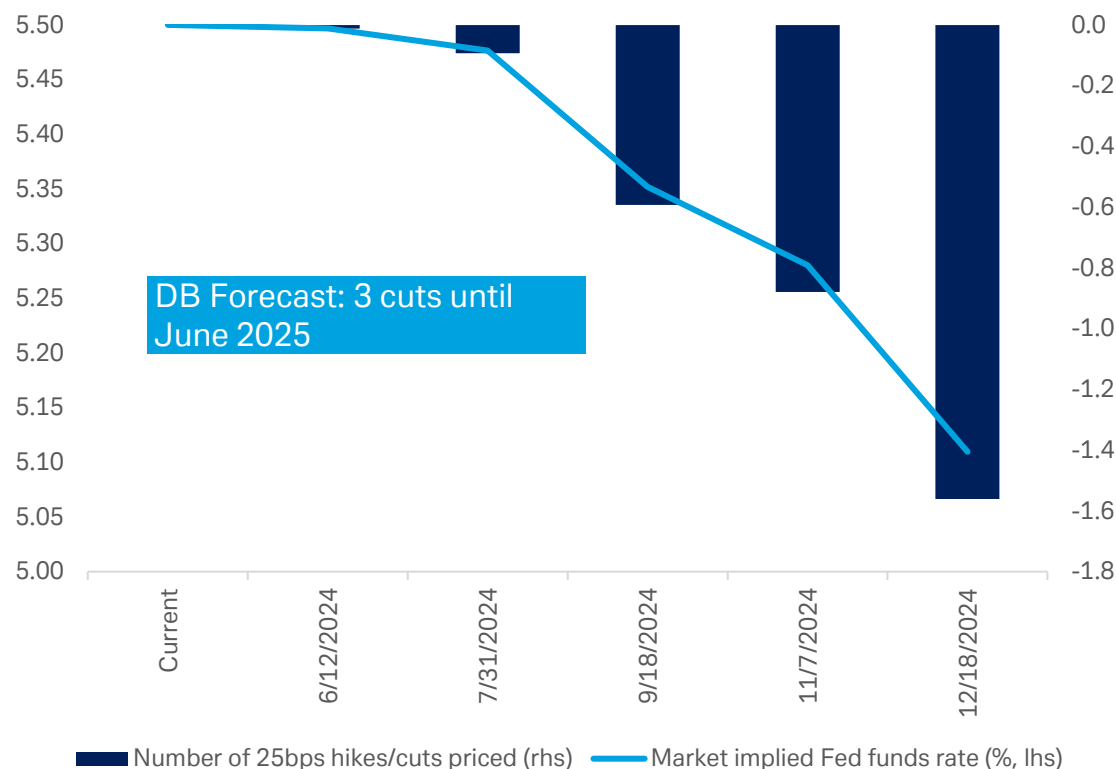
# Monetary tightening cycle now shifting to cuts

Country	Central Bank	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
	Fed	Hike	Pause	Hike		Pause		Pause	Pause	Pause		Pause		Pause	Pause
	ECB	Hike	Hike	Hike		Hike	Pause		Pause	Pause		Pause	Pause		Cut
	BOJ		Pause	Pause		Pause	Pause		Pause	Pause		Hike	Pause		Pause
	BOE	Hike	Hike		Hike	Pause		Pause	Pause	Pause	Pause	Pause	Pause	Pause	
	BOC		Hike	Hike		Pause	Pause	Pause	Pause	Pause		Pause	Pause		Cut
	RBA	Hike	Hike	Pause	Pause	Pause	Pause	Hike	Pause		Pause	Pause	Pause	Pause	
	SNB		Hike			Pause			Pause			Cut			
	BdeM	Pause	Pause		Pause	Pause		Pause	Pause		Pause	Cut	Pause	Pause	
	BCB	Pause	Pause			Cut		Cut	Cut	Cut		Cut	Pause	Cut	
	RBI		Pause		Pause		Pause		Pause		Pause		Pause		Pause
	PBoC	Pause	Cut	Pause	Cut	Pause	Pause	Pause	Pause	Pause	Pause	Pause	Pause	Pause	Pause

Source: Bloomberg Finance L.P., Deutsche Bank Wealth Management. Data as of June 2024.

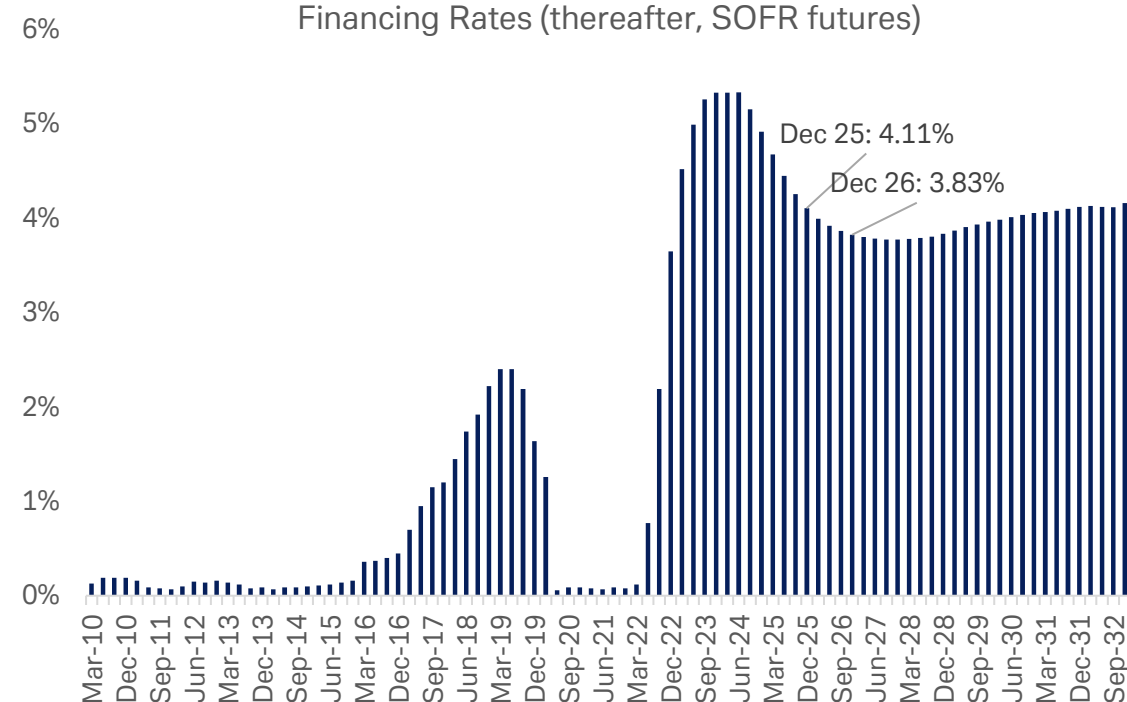
# High for longer after the cycle ends

Fed Funds Rate (%)



Tight monetary policy for years to come in the U.S. ...

Fed Fund Rate (through today) and Secured Overnight Financing Rates (thereafter, SOFR futures)



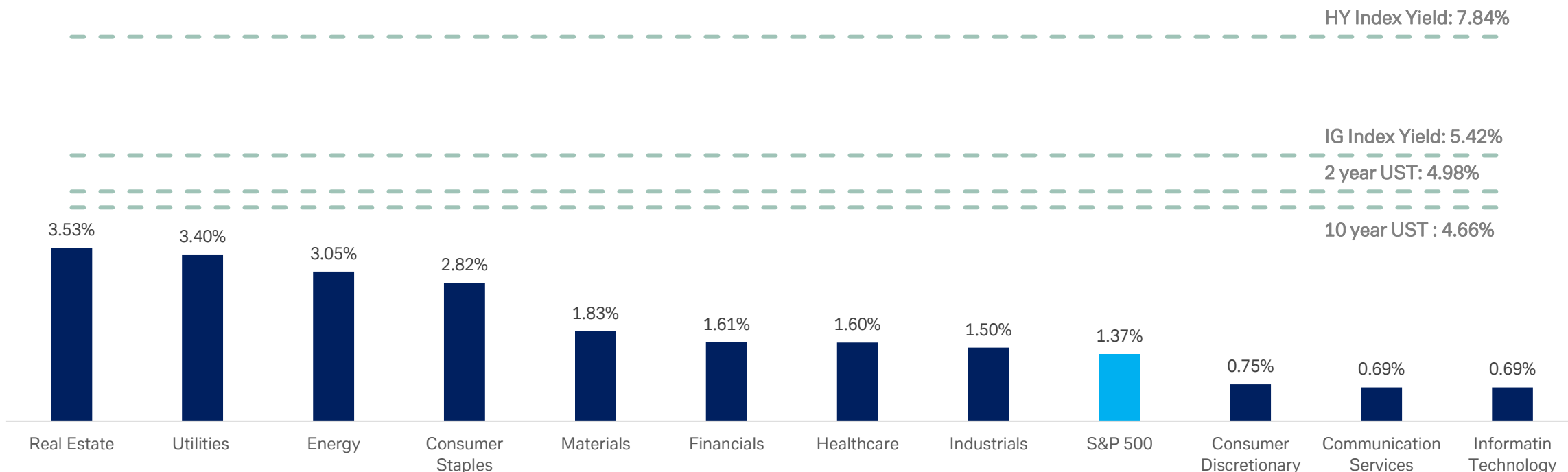
Source: LSEG Datastream, Deutsche Bank AG. Data as of June 4, 2024.



# Corporate credit offering historic yield opportunity

Yield differentials between corporate credit and S&P 500 dividends are at their widest in 15 years, offering yields nearly double their recent 5-year average and outpacing dividend yields for every sector of the S&P 500

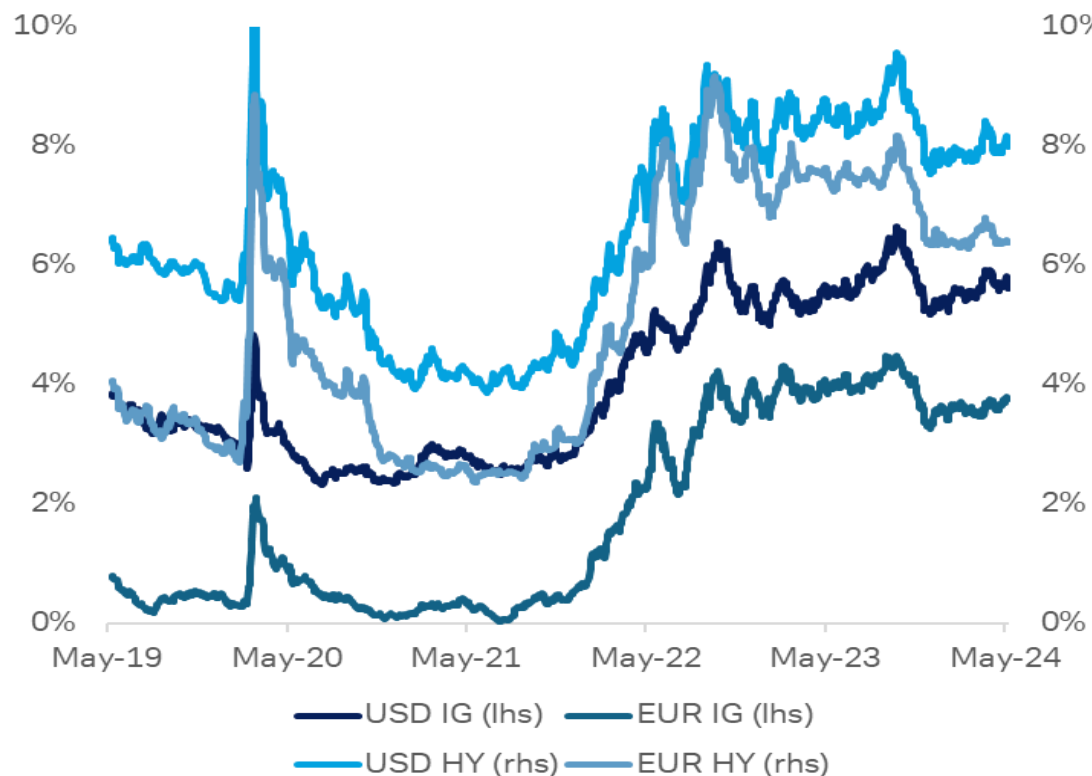
## S&P 500 dividend yields by sector



Source: MUFG, Bloomberg L.P., Deutsche Bank Wealth Management, Data as of May 2024. Dividend yields are Bloomberg trailing 12-month dividend yields.

# Credit spreads trading below their long-term averages

U.S. & EUR Investment Grade / High Yield yields



U.S. & EUR Investment Grade / High Yield credit spreads



Source: Bloomberg L.P., Deutsche Bank Wealth Management. Data as of June 4, 2024.

# Recent momentum for S&P 500 has historical precedent

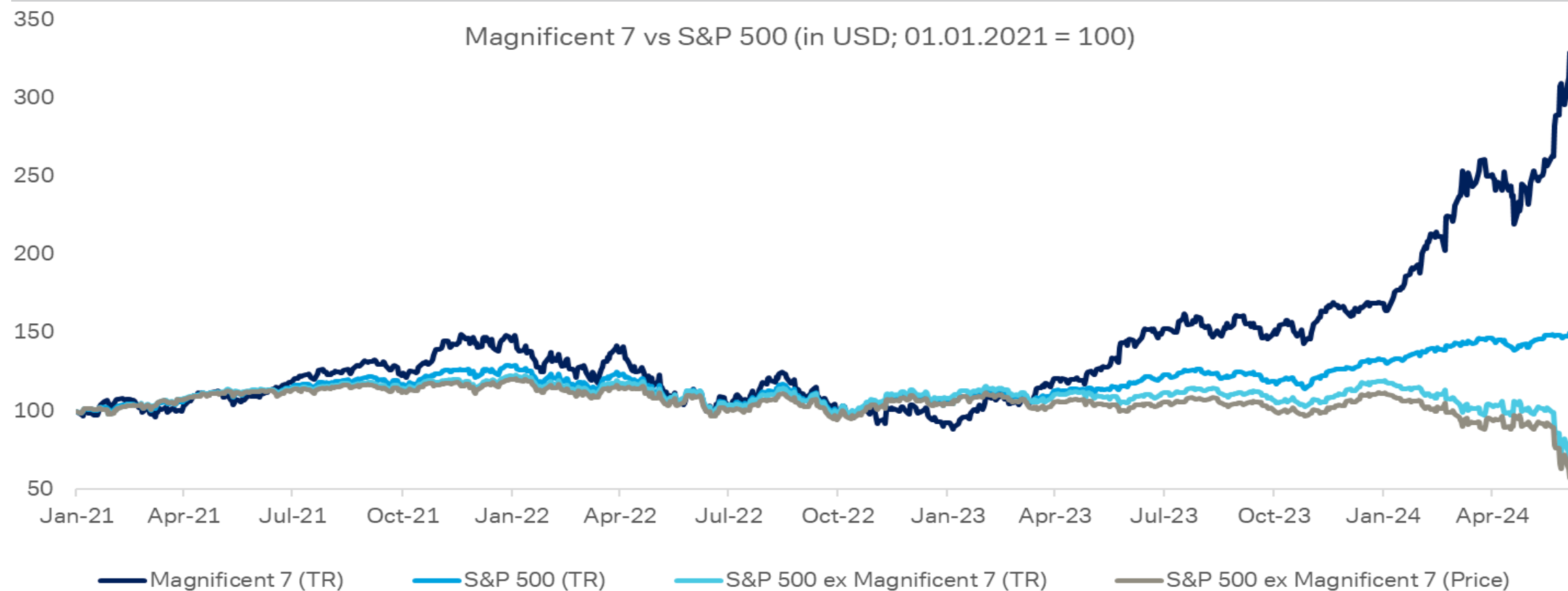
S&P 500 return after 5 straight positive months and >20% gain

Date	Cumulative 5-month return	1 month later	3 months later	6 months later	12 months later
March 1961	22%	0%	-1%	3%	7%
March 1971	20%	4%	-1%	-2%	7%
May 1975	33%	4%	-5%	0%	10%
December 1982	31%	3%	9%	20%	17%
February 1986	25%	5%	9%	11%	25%
March 1991	23%	0%	-1%	3%	8%
March 1998	20%	1%	3%	-8%	17%
January 1999	34%	-3%	4%	4%	9%
July 2009	34%	3%	5%	9%	12%
August 2020	35%	-4%	3%	9%	29%
March 2024	25%	-4%	?	?	?
<b>Average</b>	<b>28%</b>	<b>1%</b>	<b>3%</b>	<b>5%</b>	<b>14%</b>
<b>% Time positive</b>	<b>100%</b>	<b>72%</b>	<b>60%</b>	<b>80%</b>	<b>100%</b>

Source: Bloomberg Finance L.P., Deutsche Bank AG. Data as of June 2024.

# What next for Magnificent 7?

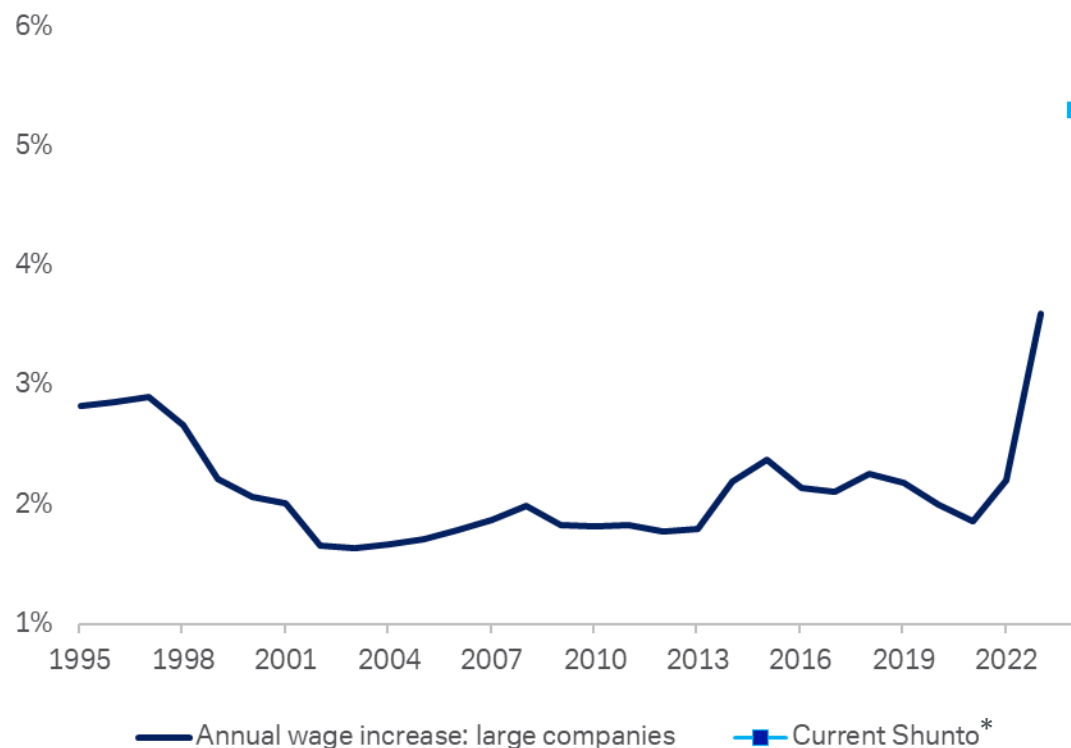
Small group of technology names continue to dominate equity returns



\*Performance of Magnificent 7 calculated based on free float market value weighted returns. S&P 500 ex Magnificent 7 adjusts the performance of the S&P 500 by the market share weighted performance of the Magnificent 7. Source: LSEG Datastream, Deutsche Bank AG. Data as of June 7, 2024.

# A new era has begun in Japan

## Wages are rising significantly



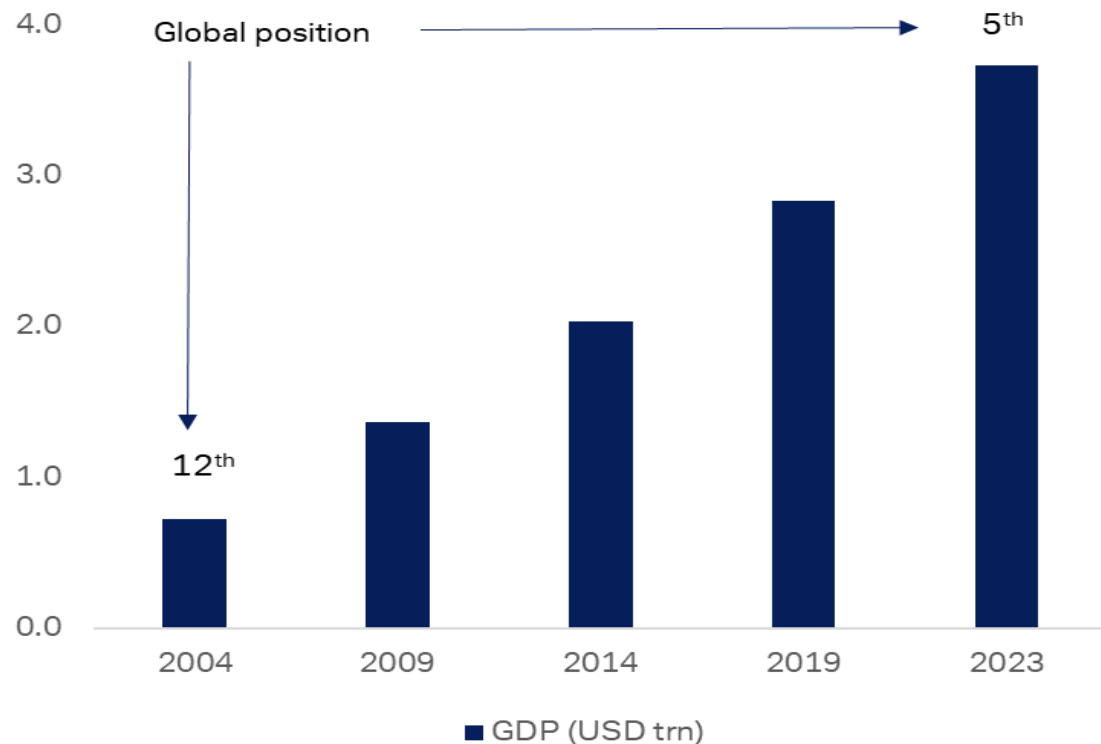
## The BoJ finally ended its negative interest rate policy



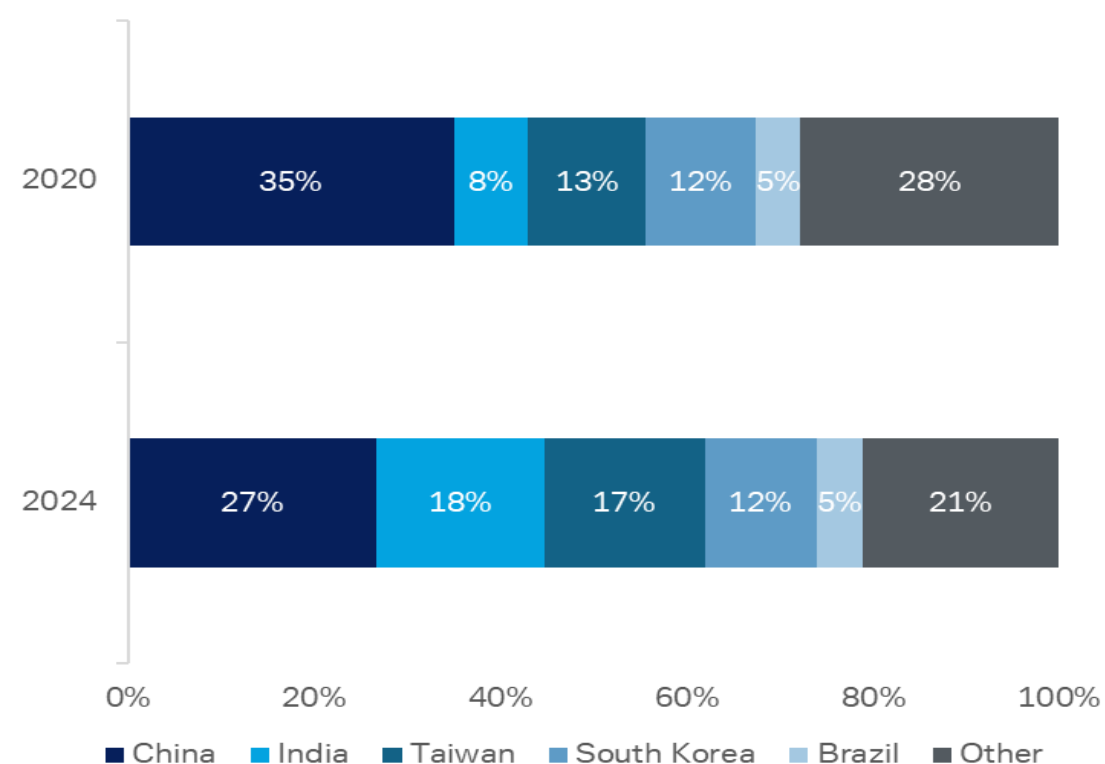
Sources: LSEG Datastream. Data as of May 2024. \*Annual wage negotiations between enterprise unions and the employers in Japan.

# Who is next? Hopefully still India...

India's GDP ranking is now 5th largest in the world



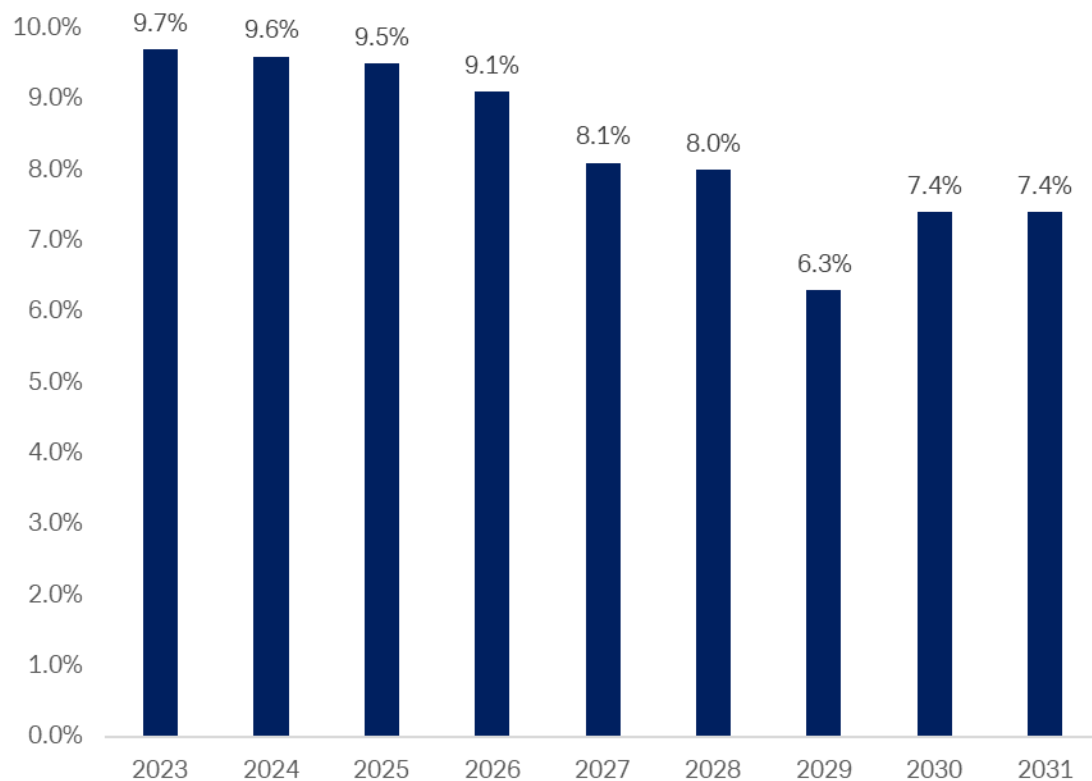
India's weight in MSCI Emerging Markets 2020 vs 2024



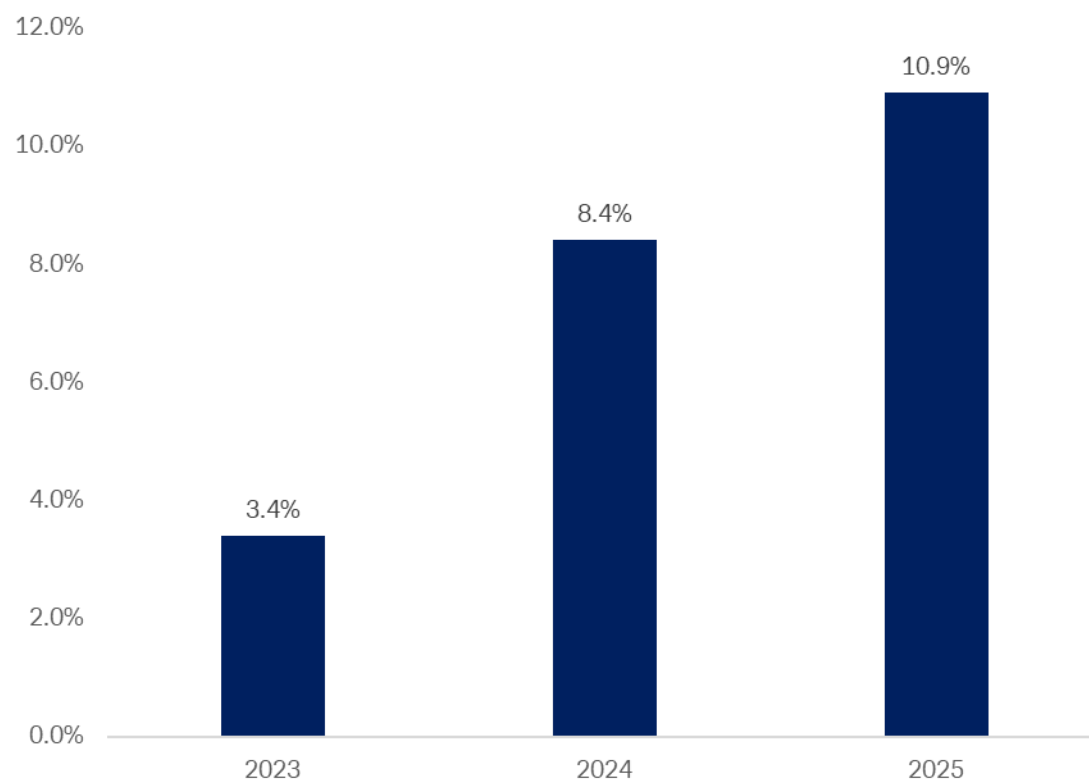
Source: IMF, LSEG Datastream, MSCI Website, Deutsche Bank AG. Data as of May 13, 2024.

# U.S. commercial real estate overview

Office real estate lease expiration (expiration by year as % of total square feet)



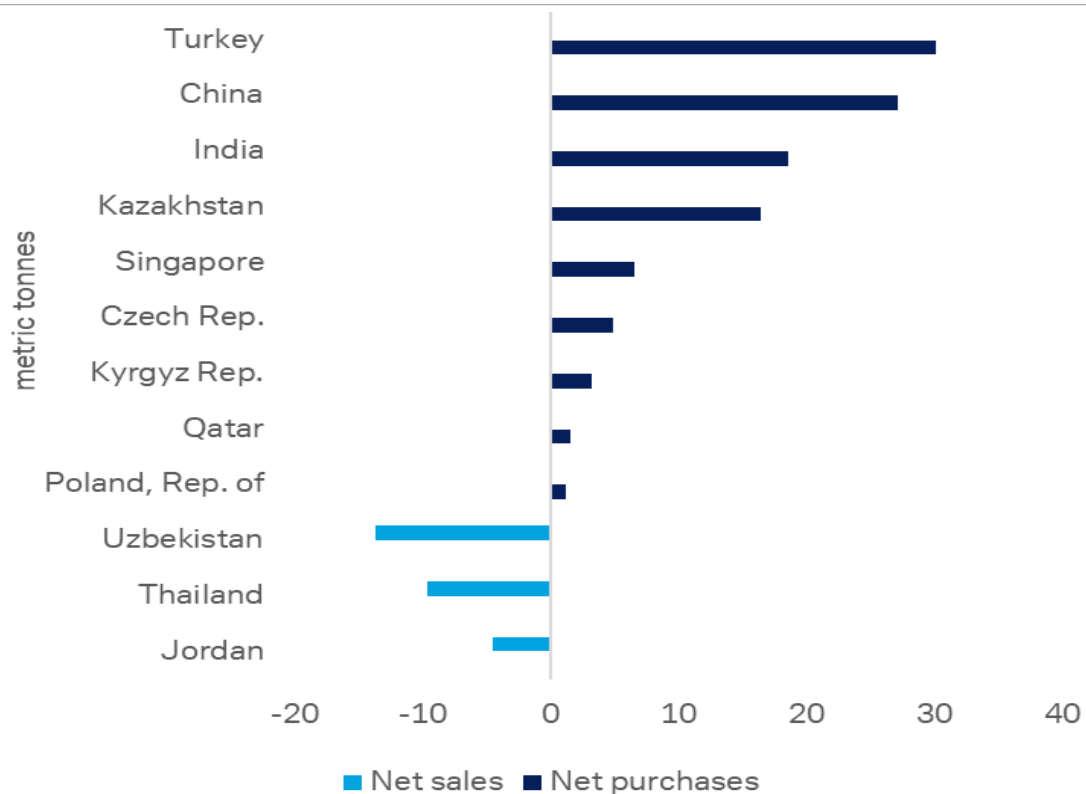
Office real estate debt maturity (% of current total debt balance)



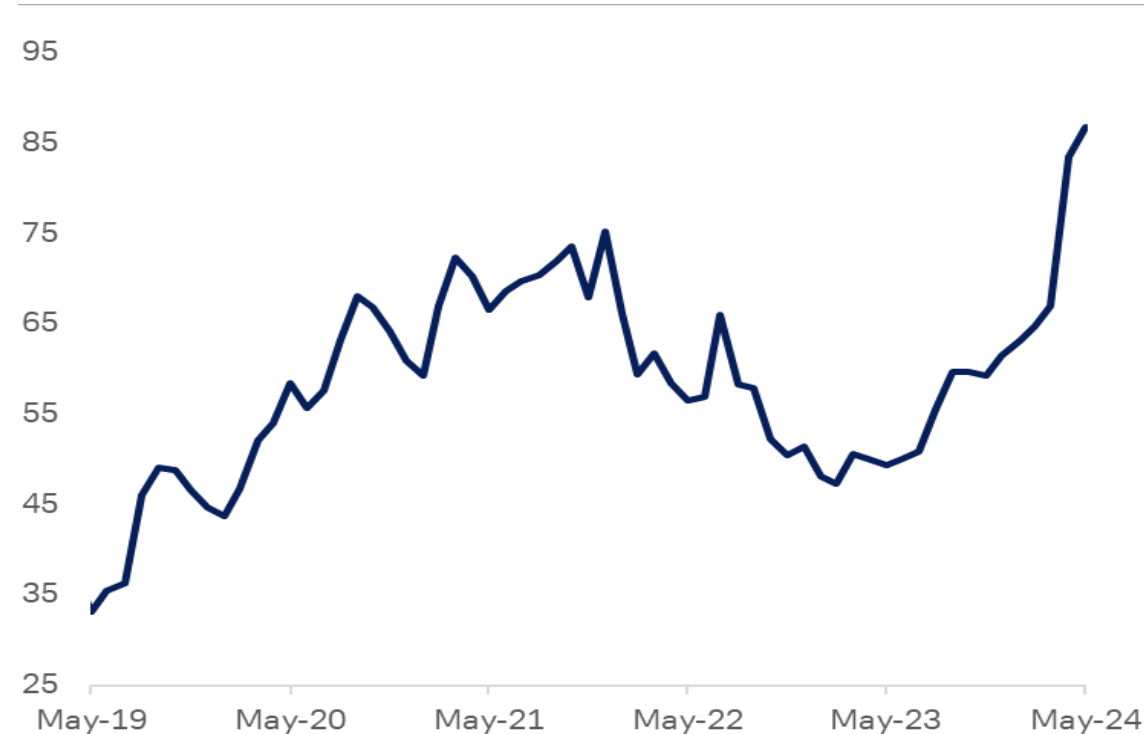
Source: Factset, Deutsche Bank Wealth Management. Office real estate data are for large U.S. REITs. Data are based on availability as of December 2023.

# What about gold?

Central bank buying continued in Q1 2024



China Gold ETF holdings (t)



Source: World Gold Council, Deutsche Bank AG. Data as of June 4, 2024.



# Asset class forecasts

	Current level June 12, 2024*	vs. current level	Strategic Forecast as of June 2024 Target June 2025	Expected Total Return
<b>Capital market yields (sovereign bonds) in percent</b>				
United States (2-year)	4.71	↘	4.15	4.97%
United States (10-year)	4.28	↘	4.25	5.02%
United States (30-year)	4.45	↗	4.55	2.98%
Germany (2-year)	2.94	↘	2.50	3.02%
Germany (10-year)	2.52	↗	2.60	2.65%
Germany (30-year)	2.68	↗	2.80	0.46%
United Kingdom (10-year)	4.15	↗	4.20	4.57%
Japan (2-year)	0.33	↗	0.70	0.13%
Japan (10-year)	0.98	↗	1.40	-1.48%
<b>Benchmark rates in percent</b>				
United States (federal funds rate)	5.25-5.50	↘	4.50-4.75	
Eurozone (deposit rate)	3.75	↘	3.00	
United Kingdom (repo rate)	5.25	↘	4.25	
Japan (overnight call rate)	0.10	↗	0.50	
China (1 year lending rate)	3.45	↘	3.10	
<b>Currencies</b>				
EUR vs. USD	1.10	↘	1.08	-1.52%
USD vs. JPY	145	↗	150	0.24%
EUR vs. JPY	160	↗	162	-1.29%
EUR vs. CHF	0.95	↗	1.00	5.23%
EUR vs. GBP	0.86	↘	0.85	-0.87%
GBP vs. USD	1.28	↘	1.27	-0.69%
USD vs. CNY	7.30	↗	7.35	3.97%

	Current level June 12, 2024*	vs. current level	Strategic Forecast as of June 2024 Target June 2025	Expected Total Return
<b>Equity indices</b>				
United States (S&P 500)	5,432	↗	5,600	4.59%
Germany (DAX)	18,382	↗	19,600	6.63%
Eurozone (Eurostoxx 50)	4,967	↗	5,100	5.98%
Europe (Stoxx 600)	518	↗	530	5.71%
Japan (MSCI Japan)	1,705	↗	1,760	5.50%
Switzerland (SMI)	12,099	↘	11,900	1.45%
United Kingdom (FTSE 100)	8,169	↗	8,200	4.18%
Emerging Markets (MSCI EM)	1,069	↗	1,100	5.84%
Asia ex Japan (MSCI Asia ex Japan)	675	↗	710	5.84%
Australia (MSCI Australia)	1,500	→	1,500	0.86%
<b>Commodities in USD</b>				
Gold	2,312	↗	2,600	7.36%
Crude Oil (Brent Spot)	83	↘	80	1.59%
Carbon	70	↗	80	14.71%
<b>Spreads (corporates &amp; EM bonds) in bps</b>				
EUR IG Corp	107	↘	95	4.92%
EUR HY	340	↗	400	3.98%
USD IG Corp	83	↘	80	5.59%
USD HY	302	↗	400	4.01%
Asia Credit	226	↘	200	9.19%
EM Sovereign	390	→	390	7.97%

Source: Bloomberg Finance L.P., Deutsche Bank AG, Data as of June 13, 2024. \*Market close prior to latest CIO Day.

# Macroeconomic forecasts

## GDP growth rate (% YoY)

	2024 F	2025 F	Consensus 2024 (BBG*)
U.S. <sup>1</sup>	2.0	1.6	2.4
EUZ	0.7	1.1	0.7
GER	0.4	1.2	0.2
Japan	0.3	1.4	0.6
China	5.0	4.4	4.9
World	3.1	3.2	3.0

## CPI inflation (% YoY)

	2024 F	2025 F	Consensus 2024 (BBG*)
U.S.	3.0	2.3	3.2
EUZ	2.5	2.3	2.4
GER	2.6	2.5	2.4
Japan	2.5	2.0	2.4
China	0.6	1.7	0.7

## Unemployment rate (Annual average)

	2024 F	2025 F	Consensus 2024 (BBG*)
U.S.	4.0	4.1	3.9
EUZ	6.6	6.5	6.6
GER	5.9	5.7	5.9
Japan	2.4	2.3	2.5
China <sup>2</sup>	5.0	5.0	5.1

## Fiscal balance (% of GDP)

	2023 F	2024 F	Consensus 2024 (BBG*)
U.S.	-6.0	-5.9	-5.8
EUZ	-2.8	-2.7	-2.9
GER	-1.5	-1.0	-1.6
Japan	-5.0	-3.0	-4.1
China <sup>3</sup>	-13.3	-13.0	-4.9

\*Bloomberg consensus

(1) For the U.S., GDP growth Q4/Q4 % is 0.9% in 2024 and 2.1% in 2025, (2) Urban unemployment rate (end of period), not comparable to consensus data, (3) China fiscal deficit refers to augmented fiscal balance (widest definition) and refers to IMF. It's not comparable with the consensus. Source: Deutsche Bank AG, Bloomberg Finance L.P. Data as of June 2024

# Main calls & Long-Term Investment Themes

## Main Calls



### IG Corporates (EUR, USD)

- Sound fundamentals
- Strong demand for yield and quality



### Gold

- Recession and risk-off hedge
- Rates now less of a headwind



### Nasdaq 100

- Secular earnings growth & pricing power
- Buy the winners of the past



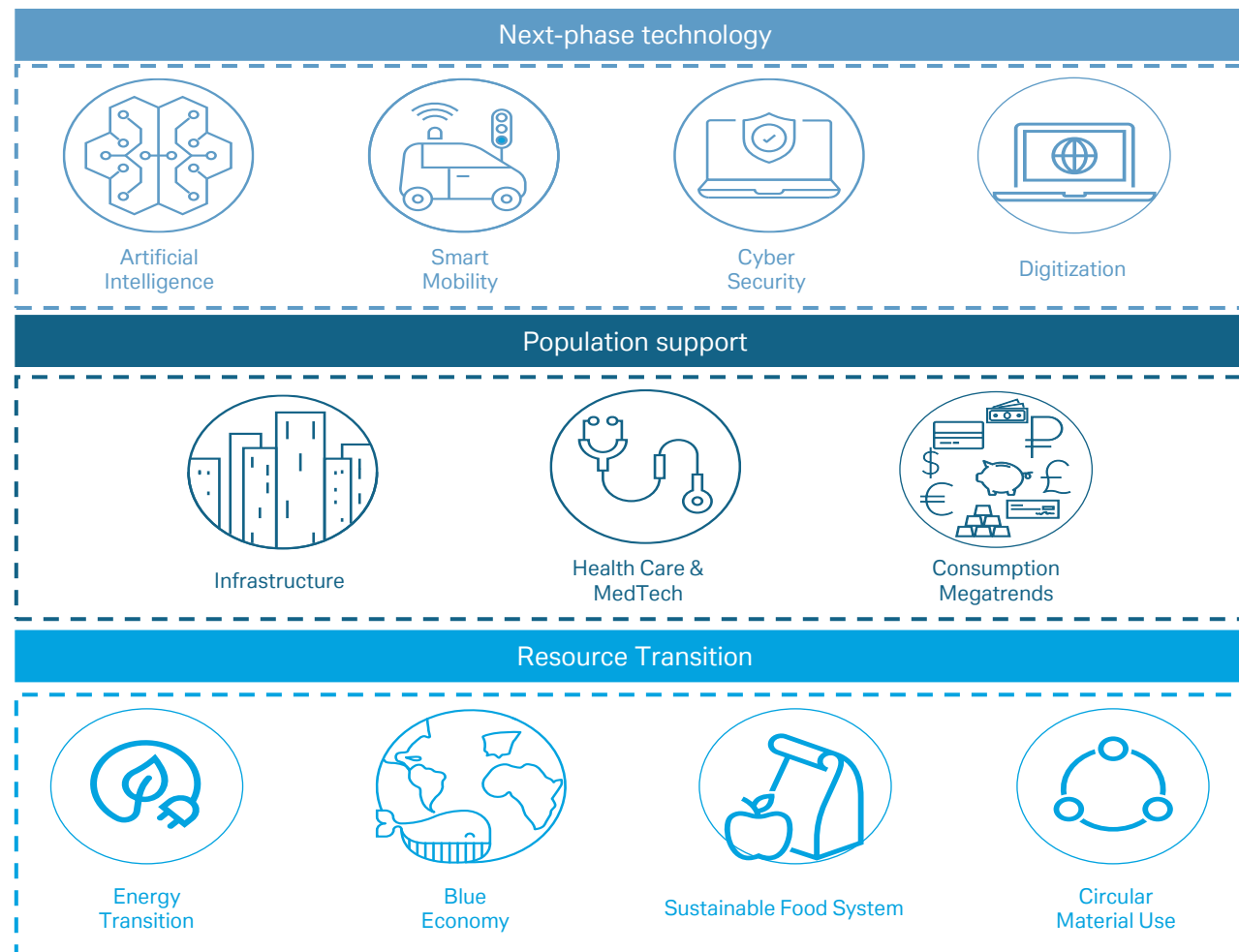
### European Financials (Banks & Insurance)

- Resilient earnings and discount at a 20-year high
- Strong fundamentals



### Japan (unhedged)

- TSE reforms kicking in
- Escaping 30 years of deflation



Source: Deutsche Bank AG., Data as of June 2024.



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