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Date: November 4, 2016

TO: MEMBERS, INVESTMENT COMMITTEE

I. AGENDA ITEM # AND TITLE :	Agenda Item 4 – Market Outlook and Economic Update
II. NAME AND PROGRAM:	Deutsche Asset Management
III. ACTIVITY:	<input checked="" type="checkbox"/> Informational <input type="checkbox"/> Request for Direction <input type="checkbox"/> Action Proposed <input type="checkbox"/> Exploratory
IV. JUSTIFICATION:	<input checked="" type="checkbox"/> Standard/Required Item <input type="checkbox"/> Board Request – New Item <input type="checkbox"/> New Topic from Staff

V. EXECUTIVE SUMMARY:

Mr. Larry Adam, U.S. CIO & Chief Investment Strategist Deutsche Bank - Wealth Management - Americas will provide a broad 4Q16 market outlook with the theme Batman vs. Superman (With a Lesson from the Greatest American Hero).

VI. ANALYSIS:

Mr. Larry Adam will provide a broad 4Q16 market outlook

The overview will focus on 10 themes:

Batman vs. Superman (With a Lesson from the Greatest American Hero)

1. Review of Performance Year to Date – Some Blockbuster Performance
2. Where are We in the U.S. Economic Cycle? – A “Superman” Economy?
3. Divergent Monetary Policy – Using Their X-Ray Abilities
4. Market Risks – Kryptonite Caution
5. Global Fixed Income – Time to Put on the Cape...and Use Intellect!
6. U.S. Equities – Same Bat Time, Same Bat Channel!
7. Global Equities – Batman. Beware of the Trap!
8. U.S Dollar – Solving the Riddler’s Dollar Dilemma
9. Commodities – The “Dark Knight” Commodity Rises
10. Coming Together – Collide or Collaborate

Conclusion: Summary of Asset Class Attractiveness



4Q16 Outlook

Batman vs. Superman
(With a Lesson from the Greatest American Hero)

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4Q16 Outlook



Batman vs. Superman (With a Lesson from the Greatest American Hero)

1	Review of Performance Year to Date — <i>Some Blockbuster Performance</i>
2	Where are We in the U.S. Economic Cycle? — <i>A “Superman” Economy?</i>
3	Divergent Monetary Policy — <i>Using Their X-Ray Abilities</i>
4	Market Risks — <i>Kryptonite Caution</i>
5	Global Fixed Income — <i>Time to Put on the Cape...and Use Intellect!</i>
6	U.S. Equities — <i>Same Bat Time, Same Bat Channel!</i>
7	Global Equities — <i>Batman..Beware of the Trap!</i>
8	U.S. Dollar — <i>Solving the Riddler’s Dollar Dilemma</i>
9	Commodities — <i>The “Dark Knight” Commodity Rises</i>
10	Coming Together — <i>Collide or Collaborate</i>

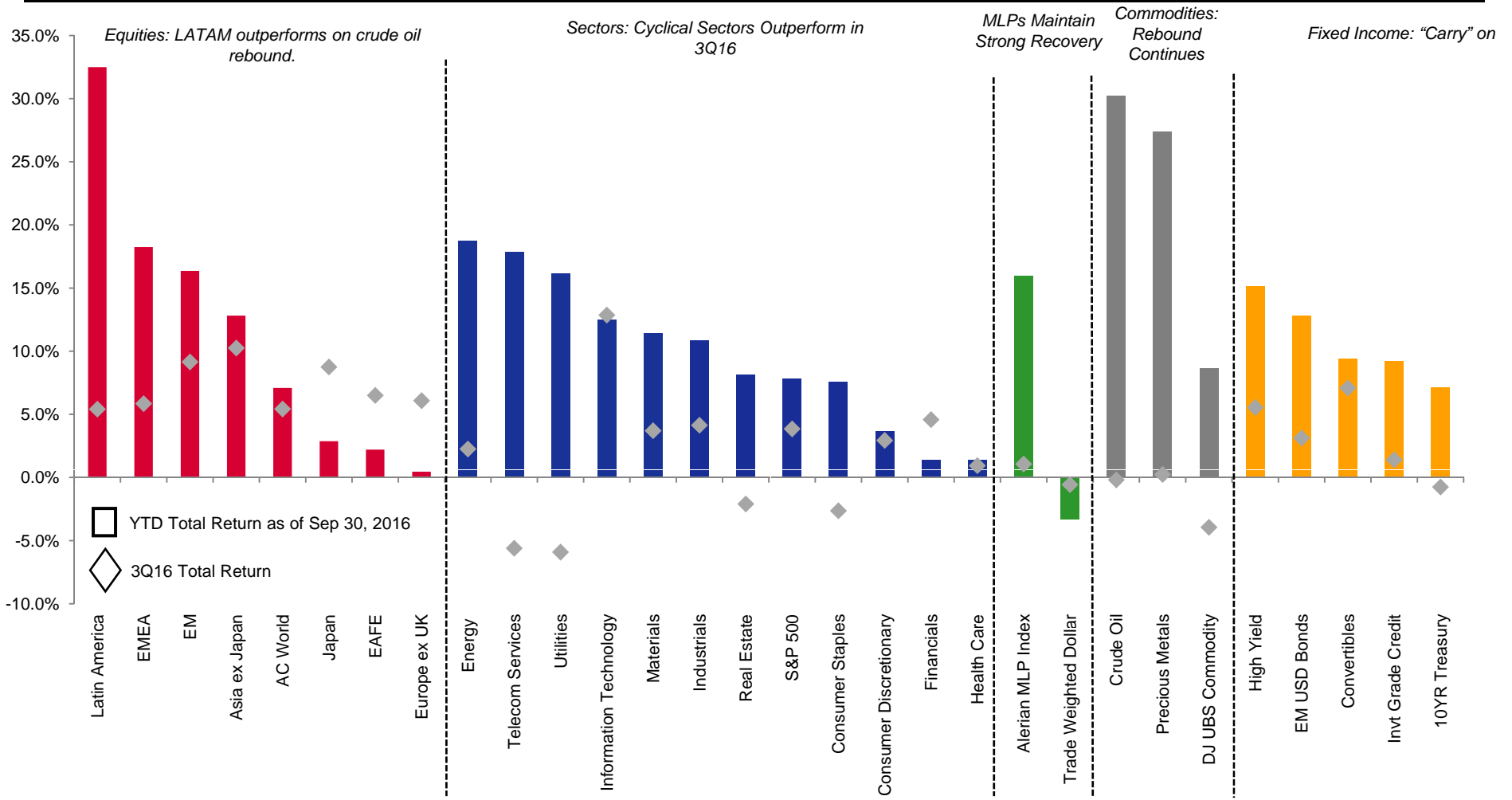


1 Review of Performance Year to Date



A Review of Asset Class Performance in 3Q16 and YTD

Some "Blockbuster" Performance

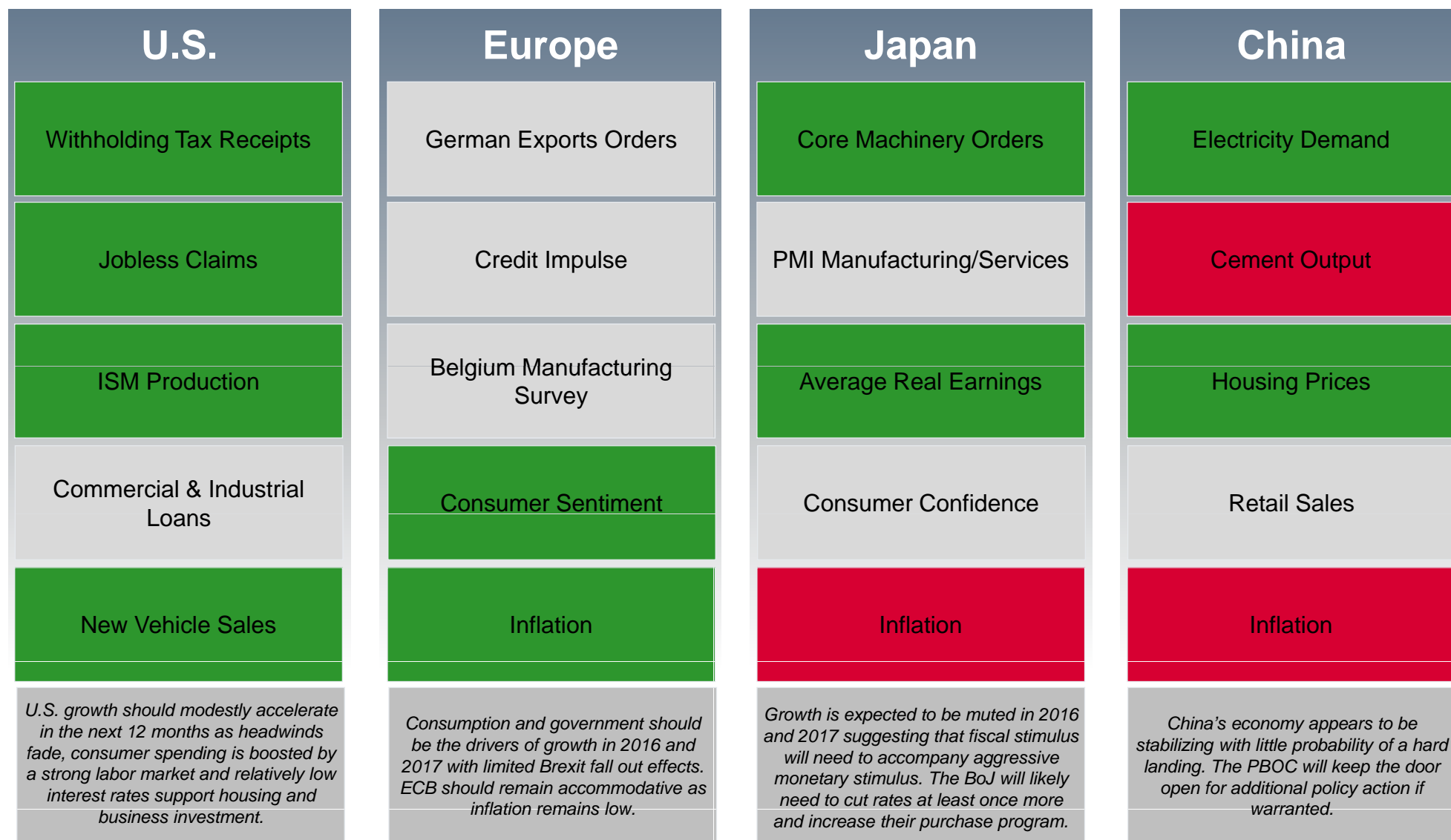


Footnotes: Data as of September 30, 2016. Sorted by year to date returns.
Source: FactSet, Deutsche Bank Wealth Management.

2 Where are We in the U.S. Economic Cycle?



A “Superman” Economy?



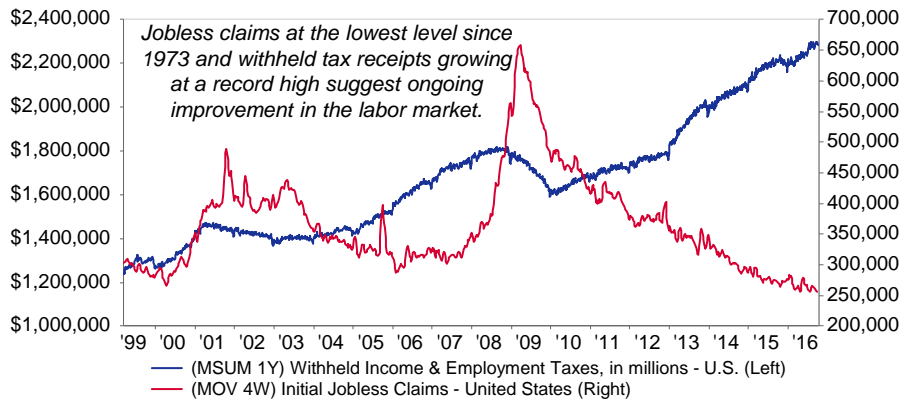
Source: Deutsche Bank Wealth Management.

Where are We in the U.S. Economic Cycle?



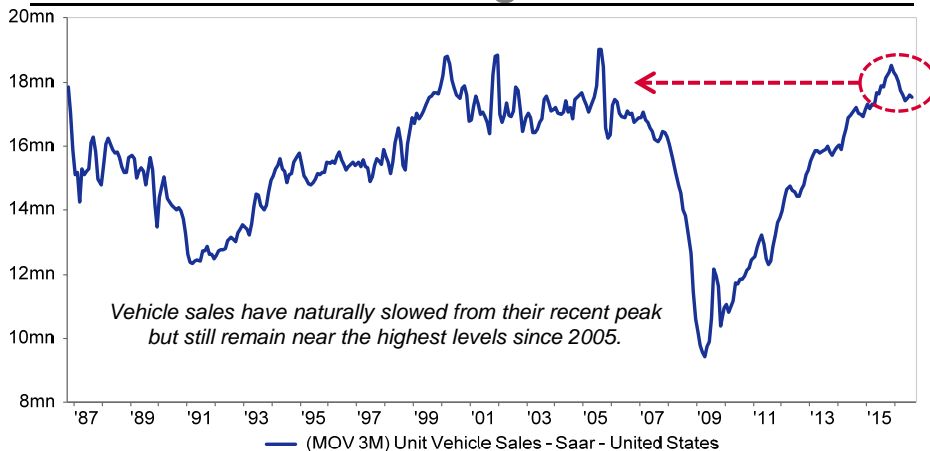
Faster than Trend Growth.....

Employment Conditions Solid



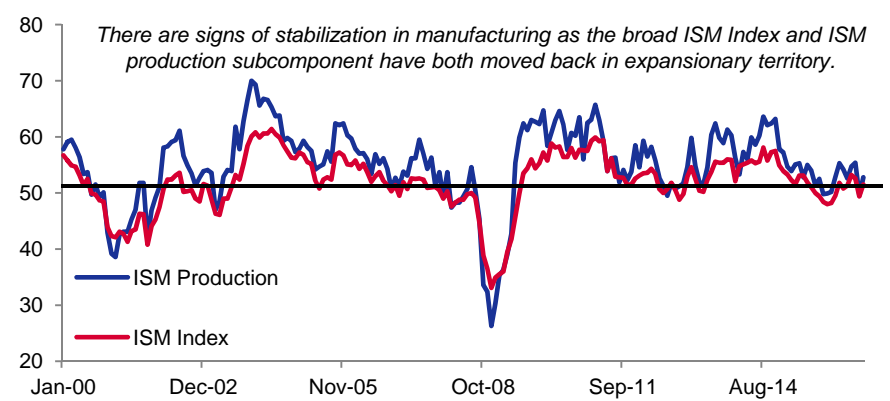
Footnotes: Data is weekly and as of September 30, 2016.
 Source: FactSet, Deutsche Bank Wealth Management.

Vehicle Sales Strong



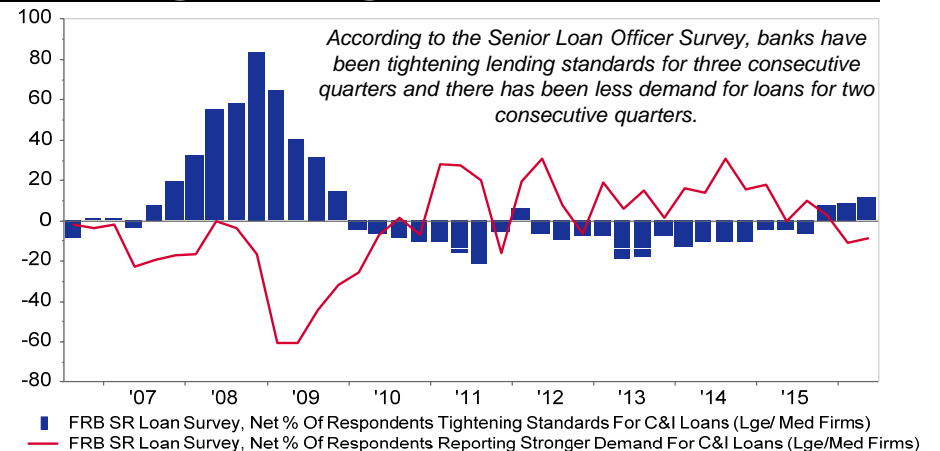
Footnotes: Data as of September 2016.
 Source: FactSet, Deutsche Bank Wealth Management.

Manufacturing Stabilizing



Footnotes: Data as of September 2016.
 Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Lending Stalling?



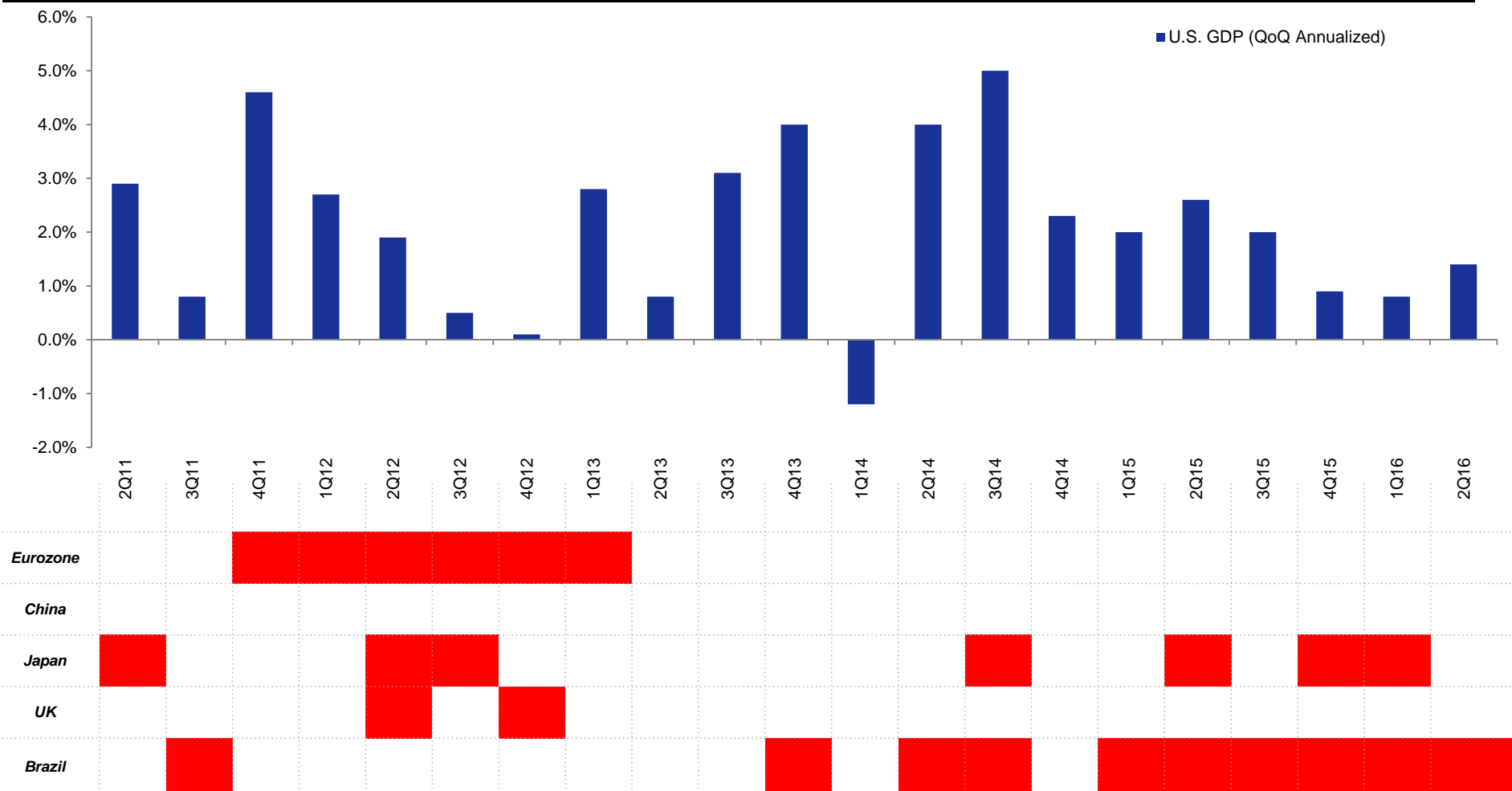
Footnotes: Data as of 2Q16.
 Source: FactSet, Deutsche Bank Wealth Management.

Where are We in the U.S. Economic Cycle?



More Powerful than Other Economies....

U.S. Economy Resilient – Entering the Eighth Year of Expansion



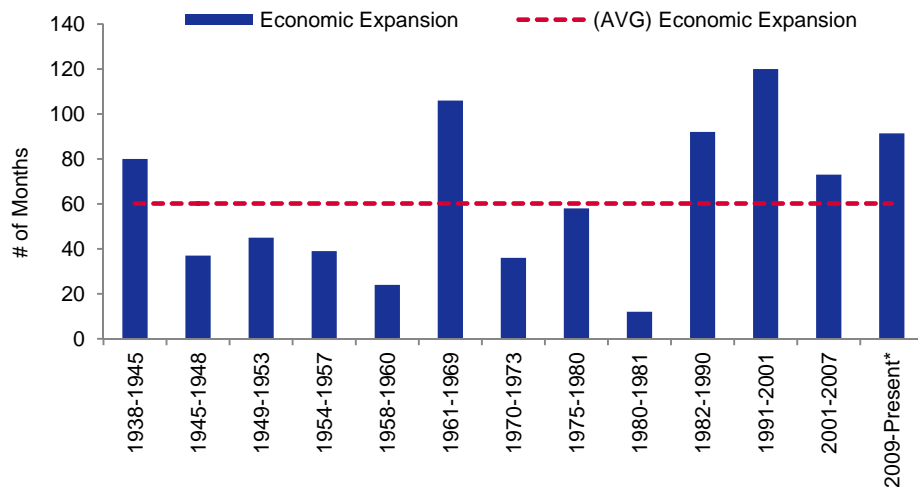
Footnotes: Data is most recent data as of October 4, 2016. Red squares indicate when GDP was negative.
Data Source: FactSet, Deutsche Bank Wealth Management.

Where are We in the U.S. Economic Cycle?



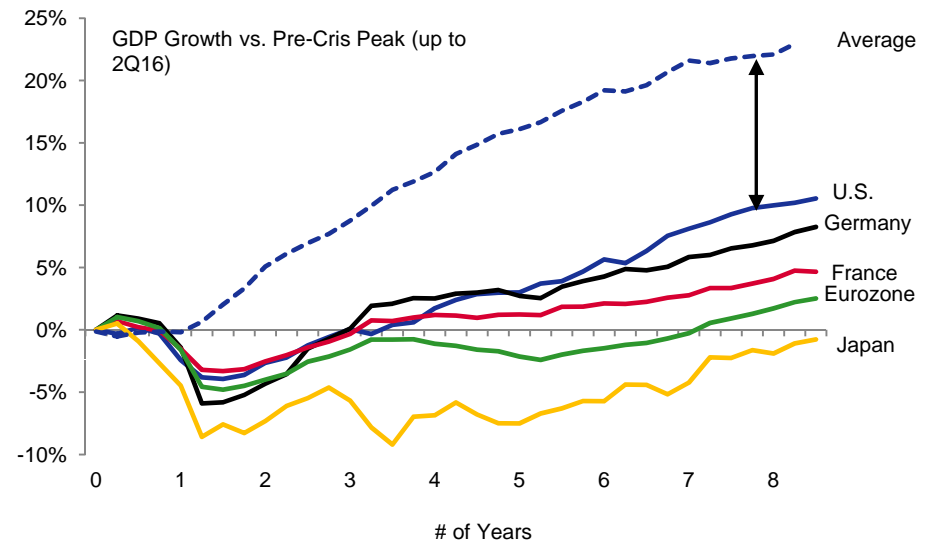
Able to Leap Tall Buildings in a Single Bound....

Current Expansion vs. History



- By the end of 2016, the current expansion will be 91 months, well above the historical average of 60 months and the fourth longest in history.

Slow Growth or Recession Ahead?



- The recovery after the “Great Recession,” has significantly lagged the recovery seen in prior recessions.
- In fact, the U.S. economy is ~10% above its pre-crisis GDP, vs. 22% for previous recoveries.
- However, the U.S. recovery has been significantly stronger than Eurozone and Japan.

Footnotes: Time period reflects 1938 to present. Current expansion is using June 2009-Dec 2016.

Source: NBER, Deutsche Bank Wealth Management.

Footnotes: Data as of 2Q16. *Average recessions are 1973, 1981, 1990 and 2001. Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Where are We in the U.S. Economic Cycle?



Remember, Even Superman Gets Tired

Analyzing Historical Economic Cycles								
% of Time in Cycle	Business Cycle	S&P 500 Return	Average S&P 500 P/E	Earnings Growth	Average Real Fed Funds	Average Real 10 YR Yield	Average Real GDP	10Year Treasury Return
17%	Recession	-14.7%	13.31	-20.1%	0.7%	1.8%	-1.7%	10.7%
	Current Cycle	-25.2%	16.18	-15.0%	-1.0%	0.8%	-2.2%	8.5%
13%	Recovery	25.1%	15.90	7.5%	0.6%	2.3%	3.7%	11.2%
	Current Cycle	23.2%	16.62	25.5%	-0.5%	2.6%	2.7%	4.5%
22%	Expansion	8.9%	18.36	17.5%	0.6%	2.5%	4.3%	11.1%
	Current Cycle	10.2%	15.39	5.5%	-1.4%	0.7%	2.1%	4.9%
48%	Late Cycle	5.9%	16.74	8.5%	1.8%	2.3%	4.1%	4.7%
	Current Cycle	8.2%	18.11	1.1%	-0.6%	0.5%	2.2%	9.6%

Returns tend to slow in late cycle.

P/Es contract as the cycle matures.

Earnings growth cut nearly in half in late cycle.

Fed starts raising rates.

"Real" Treasury yields stabilize.

GDP growth slows.

Bond returns slow.

Footnotes: Table is using eight economic cycles from 1953 to present. Current cycle is from 2007 to 9/30/2016. All available data, returns and estimates for current cycle are through 9/30/2016. Recession is quarter prior to start of recession to the trough in real GDP. Recovery is from trough in real GDP to when real GDP surpasses prior cycle peak. Expansion is from recovery to first rate hike. Late cycle is first rate hike to next recession. 1980 and 1981 -1982 recessions are treated as one economic cycle. Late cycle in current cycle began 12/31/2015, data annualized as of 9/30/2016 where applicable.

Source: Bloomberg Finance LP, FactSet, Deutsche Bank Wealth Management.

3 Divergent Monetary Policy

Central Bank Playbook: Using Their X-Ray Abilities



Fed



ECB



BOJ



BoE



Tightening Policy

Base case is two rate hikes over the next 12 months, with one by December 2016 and another by September 2017.

Easing Policy

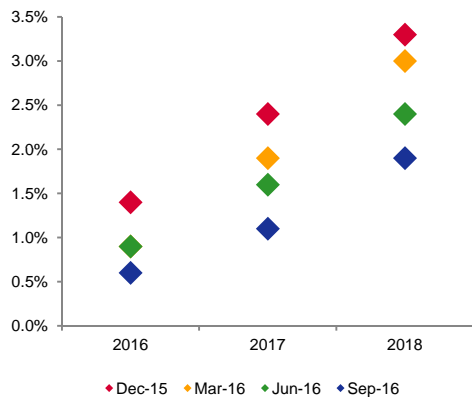
Following the extension of QE earlier this year, the ECB is in wait and see mode. We anticipate the ECB to prolong QE from Mar '17 to Sep '17 and remain open to another rate cut if warranted (not our base case scenario).

Easing Policy

Base case is that the BoJ will increase their QE program and announce additional measures (fiscal and monetary), all in an effort to steepen the yield curve.

Easing Policy

Base case is for one rate cut over the next 12 months due to Brexit fallout.



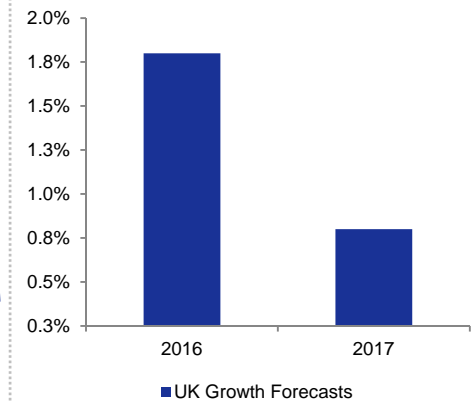
While we anticipate two Fed rate hikes over the next 12 months, the trajectory of Fed rate hikes continue to move lower.



While the ECB is in wait and see mode, low inflation and a stubbornly strong Euro increases the probability of more monetary policy over the next 12 months.



As Japanese economic growth continues to disappoint, the Japanese yield curve has flattened to the lowest level in years. The BoJ announced yield curve targeting in the attempt to steepen the yield curve.



As the U.K. economy is expected to be significantly impacted by the Brexit, we expect the BoE to cut interest rates one time over the next 12 months.

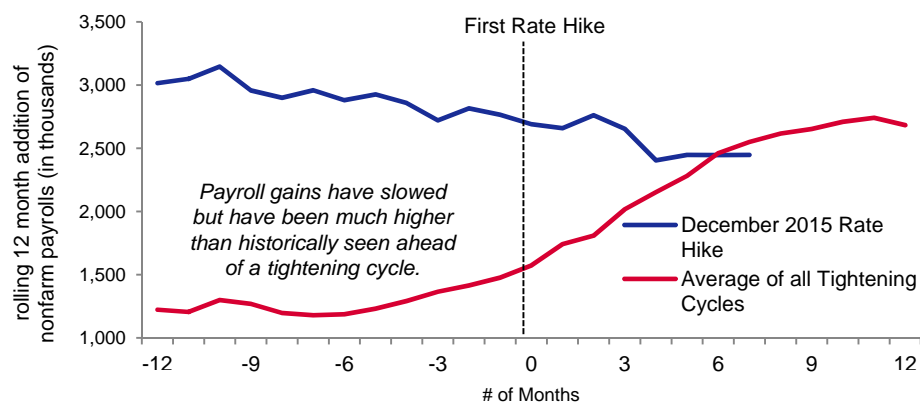
Footnotes: Data is most recent as of September 30, 2016.
Source: FactSet, Deutsche Bank Wealth Management.

Divergent Monetary Policy

Why the Fed is Walking a Fine Line

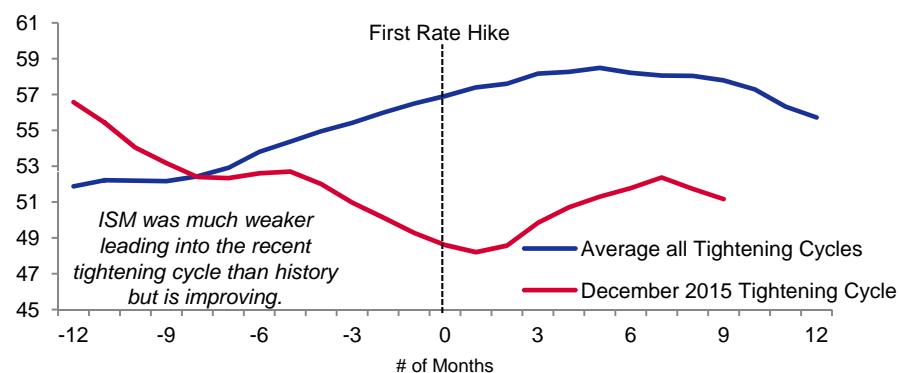


Job Gains and Tightening Cycles



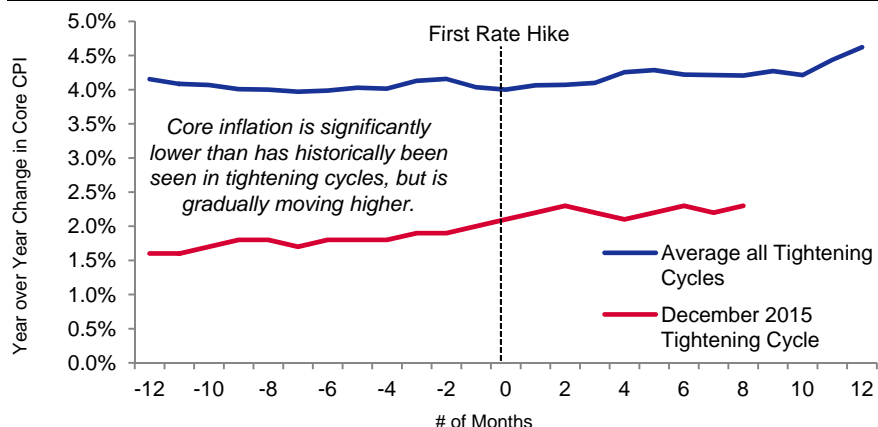
Footnotes: Average is 15 tightening cycles since 1955. Recent as of August 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

ISM and Tightening Cycles



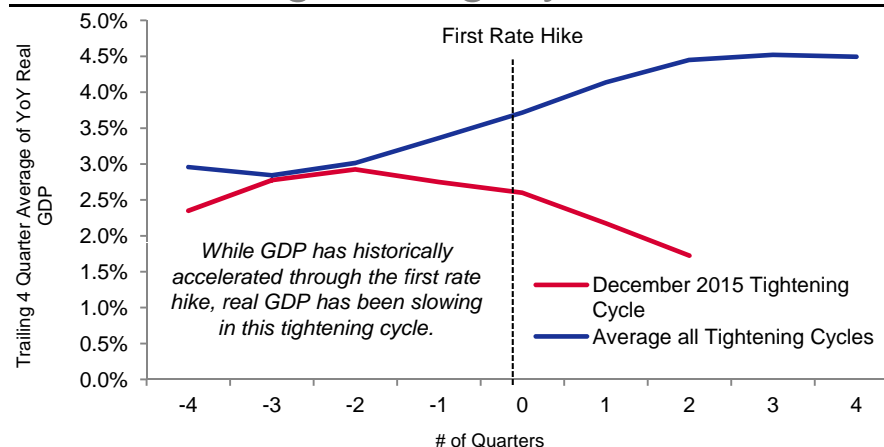
Footnotes: Average is 15 tightening cycles since 1955. 3 Mo Moving Average of ISM. Recent as of September 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Core CPI and Tightening Cycles



Footnotes: Average is 14 tightening cycles since 1958. Recent as of August 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

GDP and Tightening Cycles



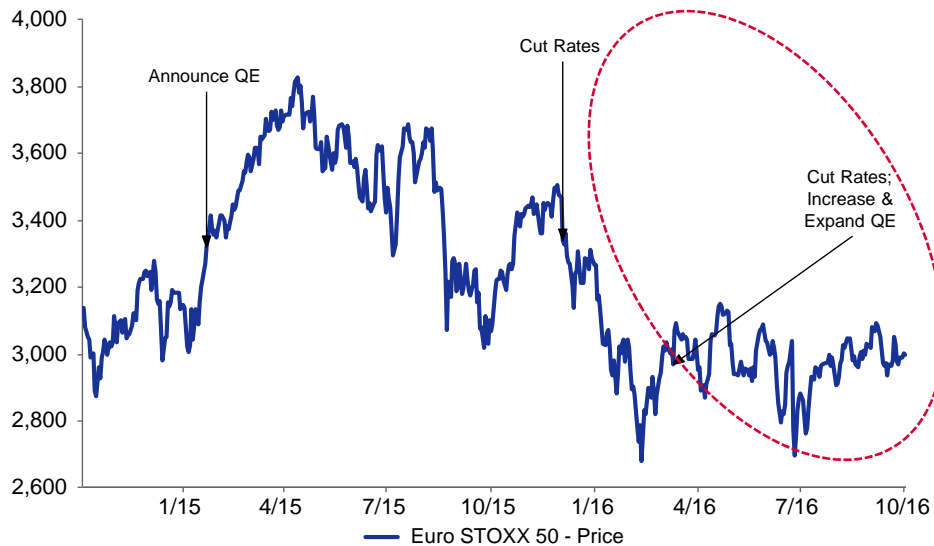
Footnotes: Average is 15 tightening cycles since 1955. Recent as of 2Q16.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

4 Market Risks - Kryptonite Caution



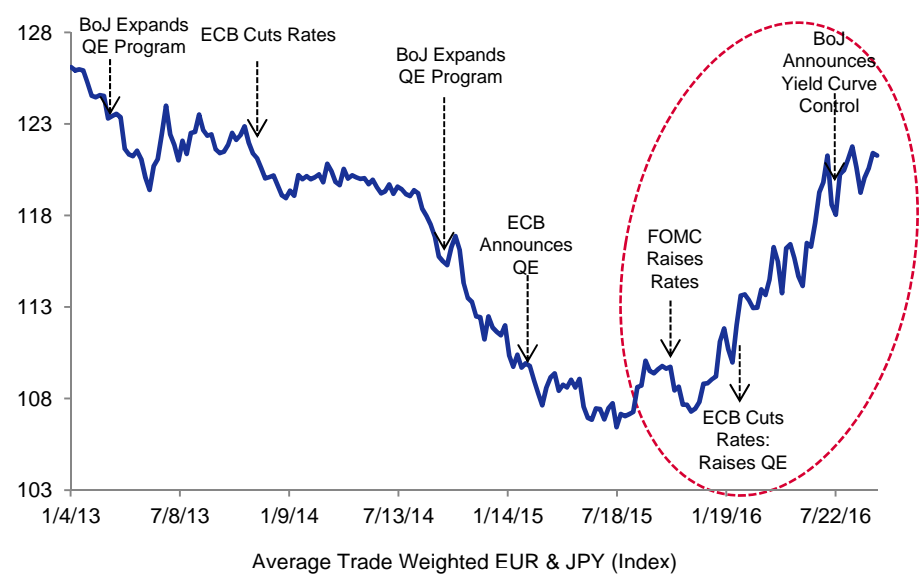
Fading Impact of QE (and Aggressive Monetary Policy)

EuroStoxx Limited Response



— The positive impact of aggressive central bank measures on equity prices is losing its lasting effects.

Currency Conundrum



— Despite aggressive easing and the expansion of their balance sheets, the Trade Weighted Euro and JPY have rallied 5% and 19% year to date, respectively.

Footnotes: Data as of October 3, 2016. Annotations are strictly ECB actions.
Source: FactSet, Deutsche Bank Wealth Management.

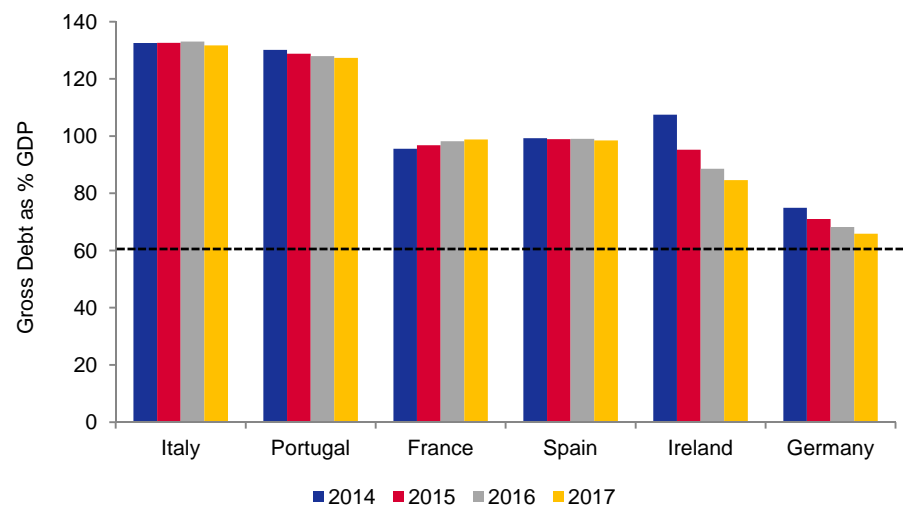
Footnotes: Data is weekly and as of September 30, 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Market Risks - Kryptonite Caution

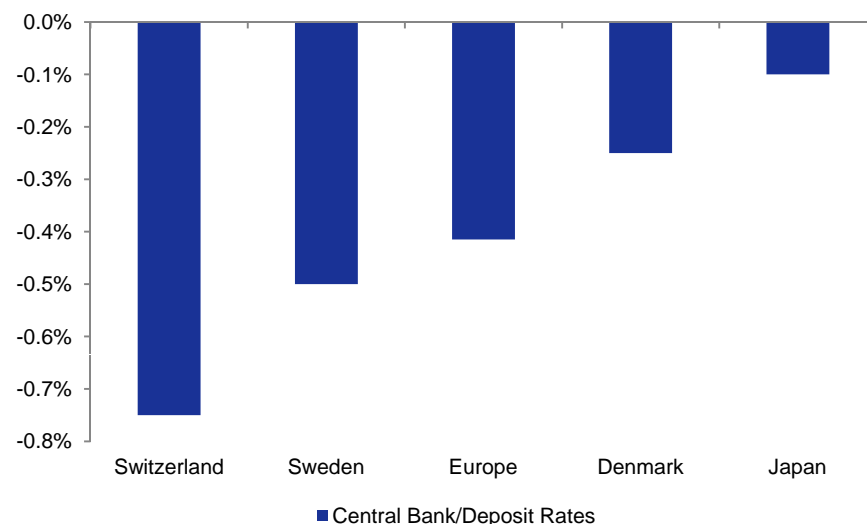


Fading Impacts of QE (with Limited Fiscal Flexibility)

Limited Ability for Fiscal Stimulus



Economies in “NIRP”*



- Many European governments have limited ability to use fiscal stimulus as a way to boost their economies.
- This is due to the fact that they are exceeding the debt to GDP limitations set by the Maastricht Treaty.
- According to the criteria, each member state must not have more than 60% of debt to GDP.

- Another way to try to boost growth has been to drive short term interest rates into negative territory to entice investors to move to risky assets and spark lending.

Footnotes: Data as of 2015. Estimates as of April 2016. Ranked according to 2017. Source: IMF, Deutsche Bank Wealth Management.

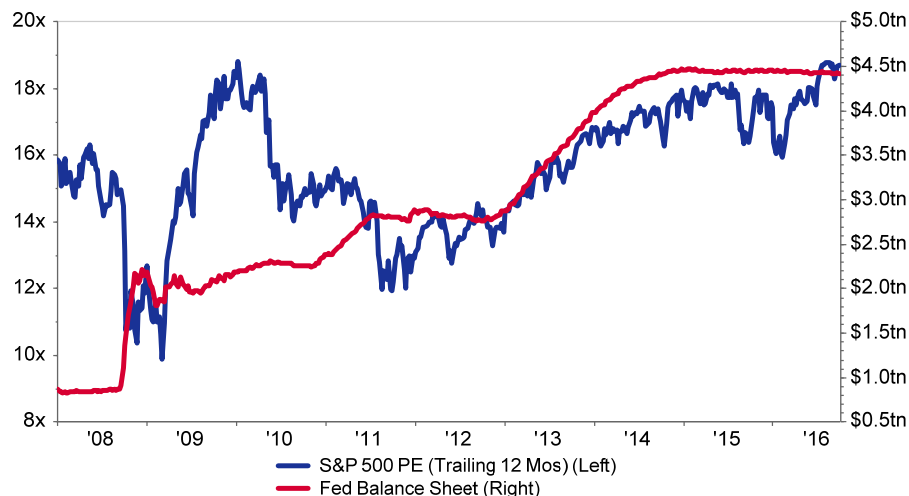
Footnotes: Data as of October 4, 2016. *NIRP stands for negative interest rate policy. Switz., Sweden, Denmark and Japan are central bank rates. Europe is overnight deposit rate. Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Market Risks - Kryptonite Caution



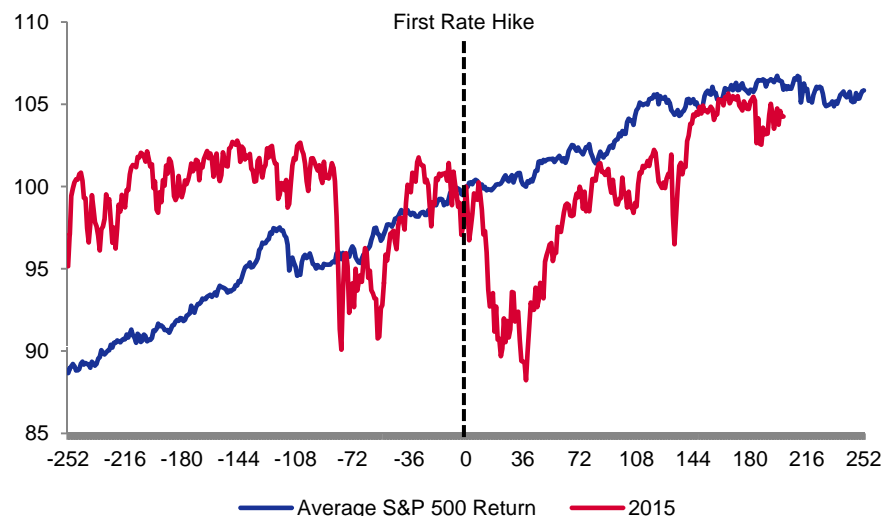
Normalizing Monetary Policy

P/E Tailwind Turns into Headwind



- The U.S. equity market has seen valuations supported by the expansion of the Fed balance sheet.
- As the Fed continues down its path of normalization, P/E expansion is unlikely.

Late Cycle Set Back?



- Historically, the S&P 500 tends to peak ~ nine months after the Fed starts their tightening cycle.
- In fact, from nine months after the tightening cycle to one year later, the S&P 500 only returns, on average, 0.2%.
- If history is a guide, the S&P 500 can be sideways through 4Q16.

Footnotes: Data as of September 30, 2016.
Source: FactSet, Deutsche Bank Wealth Management.

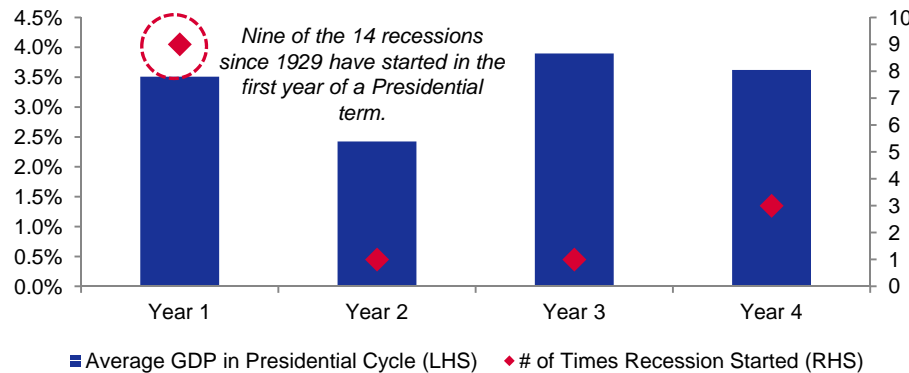
Footnotes: Data as of October 3, 2016. Average tightening cycles from 1955-2004.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Market Risks - Kryptonite Caution



Market and Economic Performance in Election Cycle

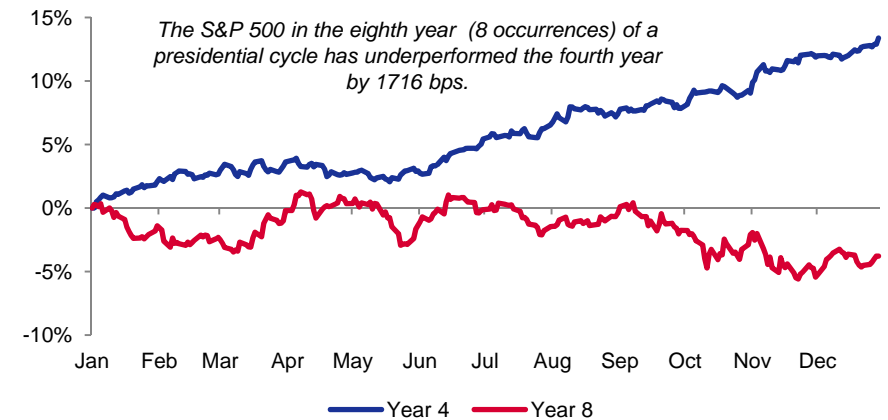
GDP Cycle



Footnotes: Time period reflects 1929-2015.

Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

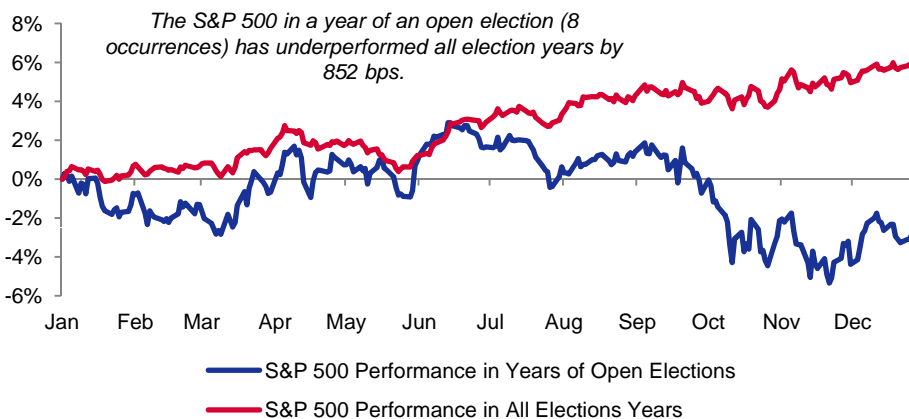
Eighth Year vs. Fourth Year of Cycle



Footnotes: Time period reflects 1933-2015. Eight occurrences.

Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Equities in Open Election Underperform



Footnotes: Time period reflects 1933-2015.

Source: FactSet, Deutsche Bank Wealth Management.

- The U.S. Presidential election has often been an inflection point for both the S&P 500 and economic growth.
- For example, going back to 1929, nine of the 14 recessions have started in the first year of a Presidential term.
- In addition, the S&P 500 tends to underperform in the fourth quarter of an open election year.

Market Risks - Kryptonite Caution



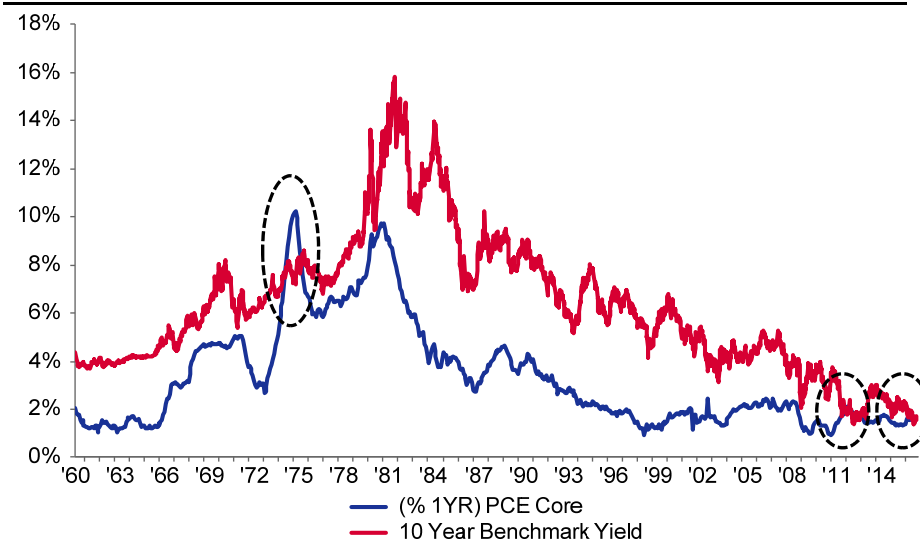
Expensive Valuations....I am Batman!

Equities “Stretched”



- Equity valuations (trailing P/E of the S&P 500) are trading well above their historical average.
- In fact, over the past 10 years the S&P 500 P/E (LTM) has been lower than its current level, 97% of the time.*

Interest Rates at Record Lows



- Fixed income yields look expensive as they hover near record lows. Since 1960, the 10 year Treasury yield has been higher than its current level 99% of the time.
- In fact, the 10 year yield recently fell below the year over year pace of core PCE for the first time since September 2012.
- This is a rare occurrence and has only happened in two other instances since 1960.

Footnotes: Data is as of October 3, 2016. *Current level used is 18.5x LTM as of October 3, 2016.

Source: FactSet, Deutsche Bank Wealth Management.

Footnotes: Data as of October 3, 2016.

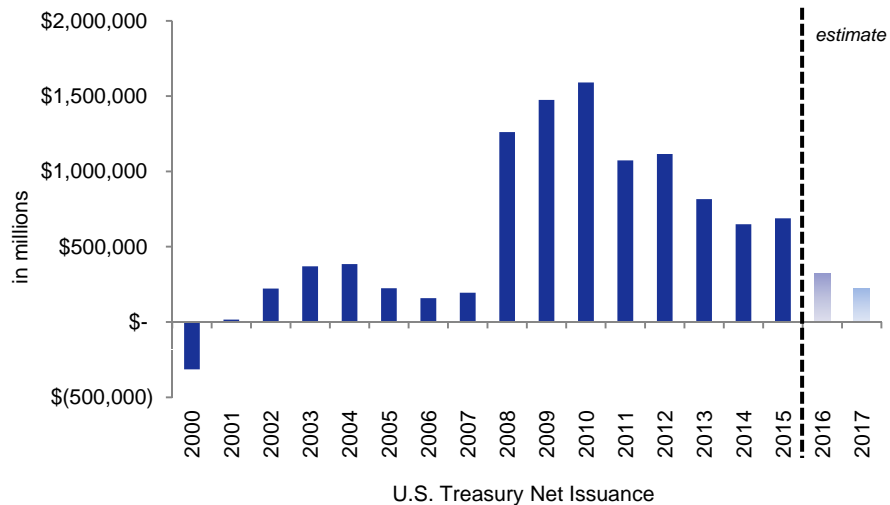
Source: FactSet, Deutsche Bank Wealth Management.

5 Global Fixed Income



Time to Put on the Cape...and Use Intellect!

Lower U.S. Supply



- Due to sequestration and better tax revenue, the U.S. budget deficit should continue to shrink in 2016 and 2017.
- This should reduce the amount of Treasury issuance in 2016 to the lowest level (~\$325 billion) since 2007 and down to \$225 billion in 2017.

At a Time When Yield is Needed

	Switz.	Japan	Germ.	France	Swed.	Italy	Spain	U.S.	Port.	UK
3 Mo	-0.96%	-0.40%	-0.80%	-0.68%	-0.75%	-0.39%	-0.58%	0.33%	-0.04%	0.32%
2 YR	-0.95%	-0.28%	-0.68%	-0.63%	-0.67%	-0.10%	-0.23%	0.82%	0.42%	0.12%
3 YR	-0.97%	-0.27%	-0.69%	-0.60%	-0.51%	0.03%	-0.13%	0.94%	1.01%	0.12%
5 YR	-0.85%	-0.23%	-0.55%	-0.41%	-0.35%	0.31%	0.10%	1.23%	1.95%	0.23%
7 YR	-0.75%	-0.22%	-0.44%	-0.23%	-0.20%	0.69%	0.33%	1.51%	2.52%	0.44%
10 YR	-0.54%	-0.07%	-0.05%	0.27%	0.21%	1.31%	0.98%	1.68%	3.39%	0.78%
30 YR	-0.02%	0.46%	0.53%	1.05%	0.42%	2.37%	2.10%	2.41%	4.32%	1.51%

- This lower issuance is coinciding with the ECB's aggressive monetary policy which makes the need for yield even greater.

Footnotes: Data as of September 30, 2016. Estimate as of October 2016.
Source: Bloomberg Finance LP, Deutsche Bank Global Markets, Deutsche Bank Wealth Management.

Footnotes: Data as of October 4, 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Global Fixed Income



Holy Supply/Demand Imbalance, Batman!

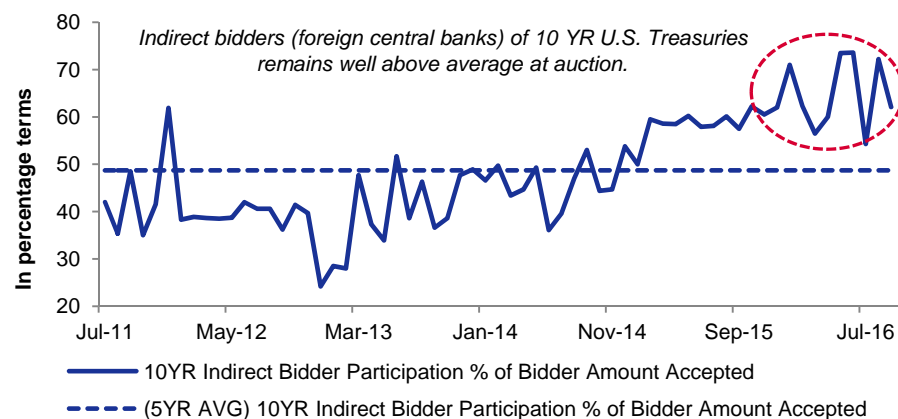
ECB Absorbs Europe Supply

Country	Cap Key (%)	Implied Buying (billion EUR)	Net Issuance (billion EUR)
Germany	25.6	309.6	-19.3
France	20.1	262.6	89.0
Italy	17.5	250.5	220.6
Spain	12.6	177.6	104.1
Netherlands	5.7	69.8	5.5
Belgium	3.5	50.4	4.3
Austria	2.8	40.3	0.8
Portugal	2.5	36.0	13.8
Finland	1.8	25.1	13.5
Ireland	1.6	23.0	18.8
Slovakia	1.1	15.8	0.9
Slovenia	0.5	7.1	3.1
Others	4.7	67.7	
Total	100	1335.5	455.1

The ECB will purchase ~293% of the expected net issuance through its asset purchase program.

Footnotes: Data as of October 4, 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Strong Participation in Auctions

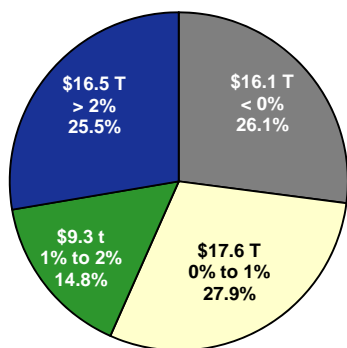


Footnotes: Data as of September 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Amount of Negative Yielding Debt

Breaking Down Sovereign Debt Interest Rate Ranges

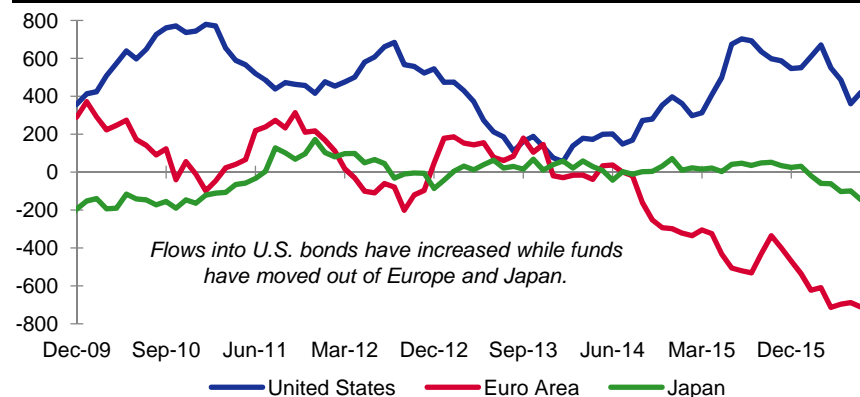
Total Global Sovereign Debt: \$63T as of October 4, 2016



Almost 30% of the total Global sovereign debt is yielding less than zero.

Footnotes: Data as of October 4, 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Inflows into U.S. Bonds



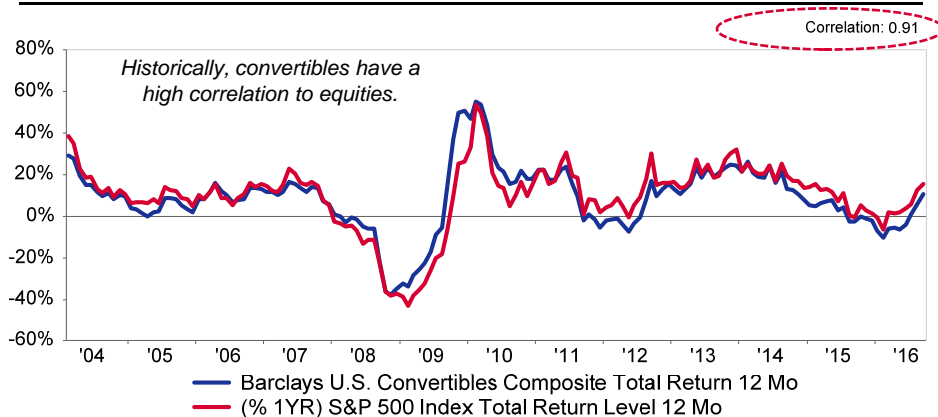
Footnotes: Data as of July 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Global Fixed Income

Combing the Field for Yield



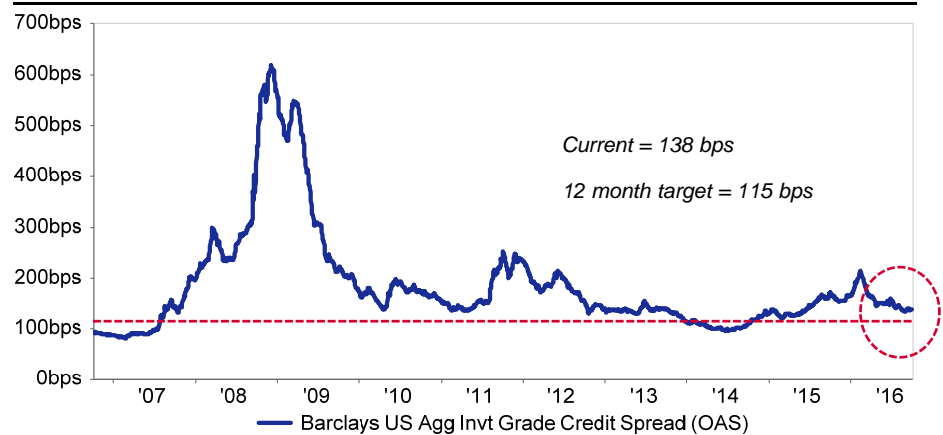
Convertibles



Footnotes: Data is monthly and as of September 2016. *Check marks indicate favored sectors.

Source: FactSet, Deutsche Bank Wealth Management.

Investment Grade

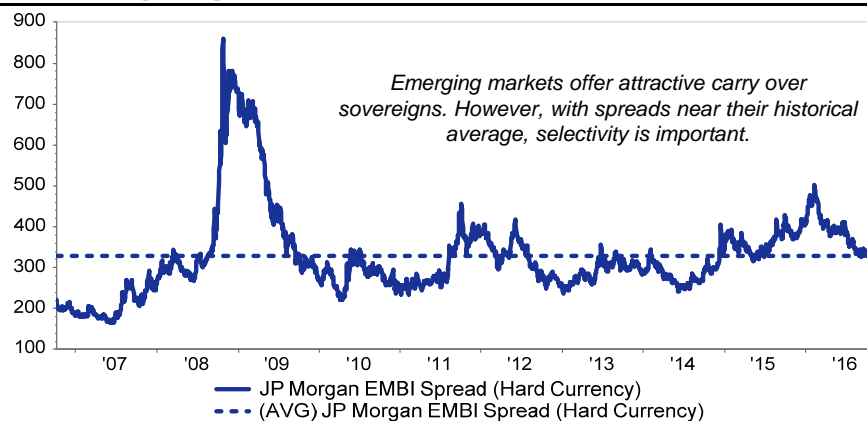


Footnotes: Data as of October 4, 2016.

Source: FactSet, Deutsche Bank Wealth Management.

Emerging Market

Selective

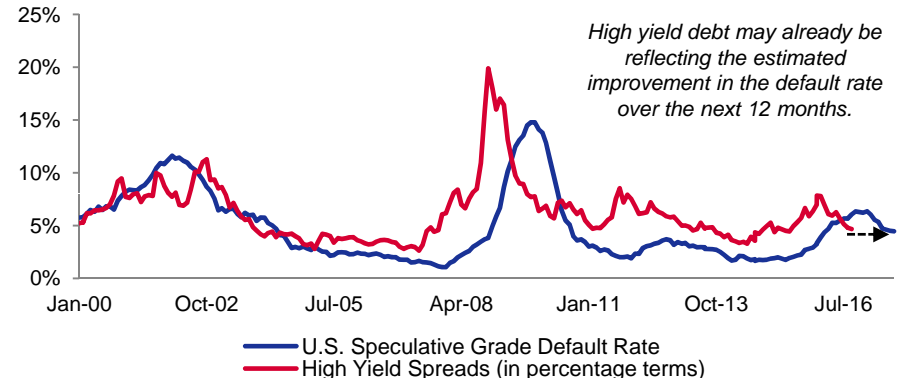


Footnotes: Data as of October 4, 2016.

Source: FactSet, Deutsche Bank Wealth Management.

High Yield

Selective



Footnotes: Data is default rate estimates per Moody's as of August 2016. Current spreads is as of October 3, 2016.

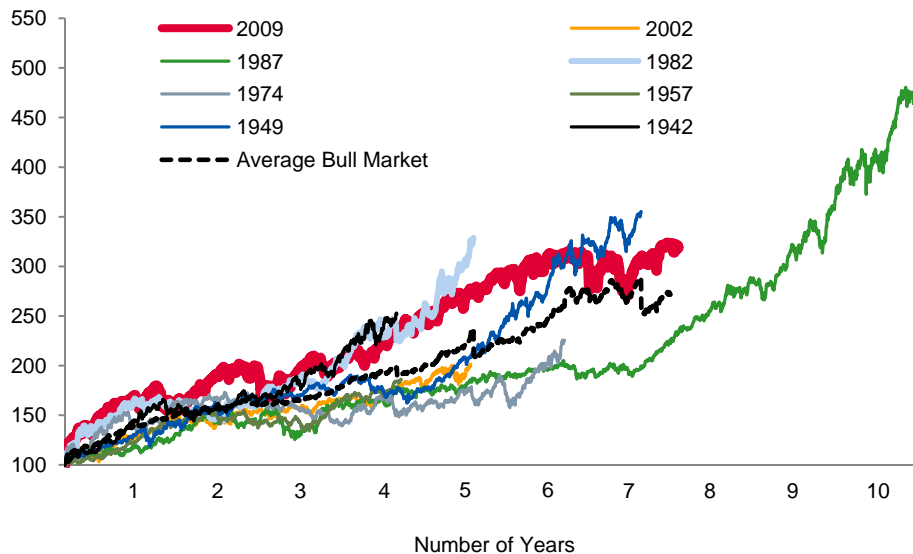
Source: FactSet, Moody's, Deutsche Bank Wealth Management.

6 U.S. Equities



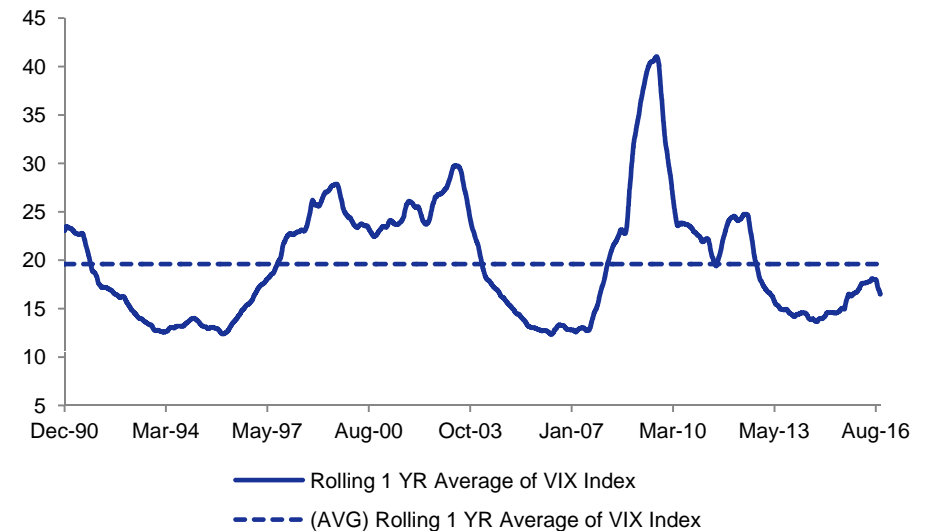
Same Bat Time, Same Bat Channel!

Bull Market Trudges On



- The current bull market is the strongest at this juncture (~8 years) and is the second longest bull market in history.

As Volatility Picking Up



- As the bull market matures, the historically low environment of volatility is likely to reverse.
- In fact, the rolling one year average VIX Index has increased ~20% from its October 2014 low.

Footnotes: Time period reflects all bull markets from 1942 to present. Current bull market is taken from March 9, 2009 and current data as of October 3, 2016. Source: FactSet, Deutsche Bank Wealth Management.

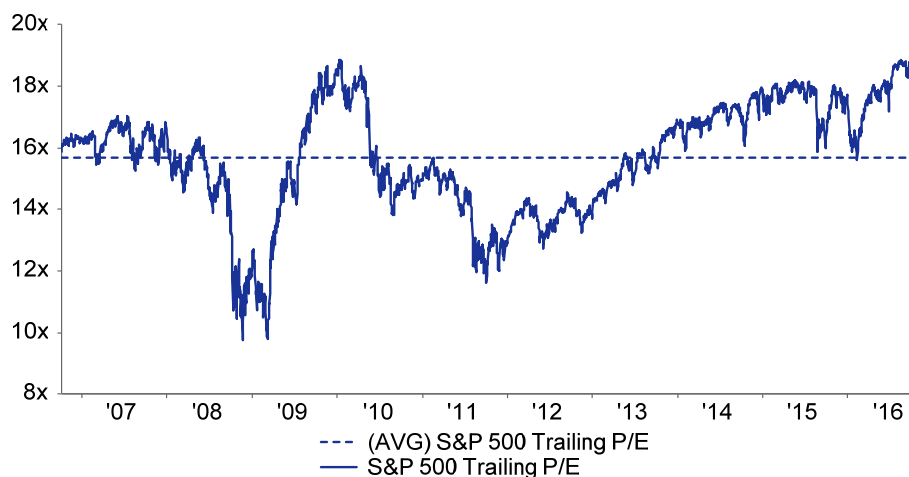
Footnotes: Data as of October 4, 2016. Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

U.S. Equities

What is the Appropriate P/E?



Valuations Stretched



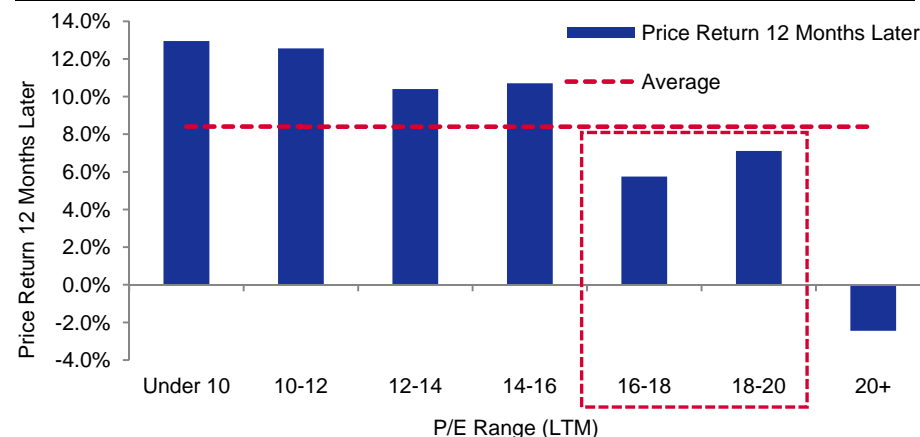
- The trailing P/E (18.6x LTM) of the S&P 500 is well above average (15.6x LTM) and above our 12 month target (17.25x LTM).
- We arrive at an estimated P/E range by using a variety of economic factors that can drive P/Es.
- What is important to note is that when using our estimated range, history suggests that returns are likely to be below average.

What's the Appropriate P/E?

Factor	Mean P/E	Median P/E	Direction From Current Level (17.8x)
Consumer Confidence	20.5x	19.1x	Expansion
Earnings Volatility	17.4x	16.8x	Contraction
Real Interest Rate	14.5x	15.5x	Contraction
Earnings Growth	16.2x	16.8x	Contraction
GDP	16.0x	16.2x	Contraction
Govt Budget Balance	15.1x	16.4x	Contraction
Demographics	<15x	<15x	Contraction
Suggested Range	16.25x	17.25x	Contraction

Footnotes: Time period reflects 4Q63-1Q16. All analysis most recent as of September 2016. Source: FactSet, Deutsche Bank Wealth Management.

Returns to be More Muted



Footnotes: Average is average 12 months return of all years. Time period reflects January 1945 – September 2016. Source: FactSet, Deutsche Bank Wealth Management.

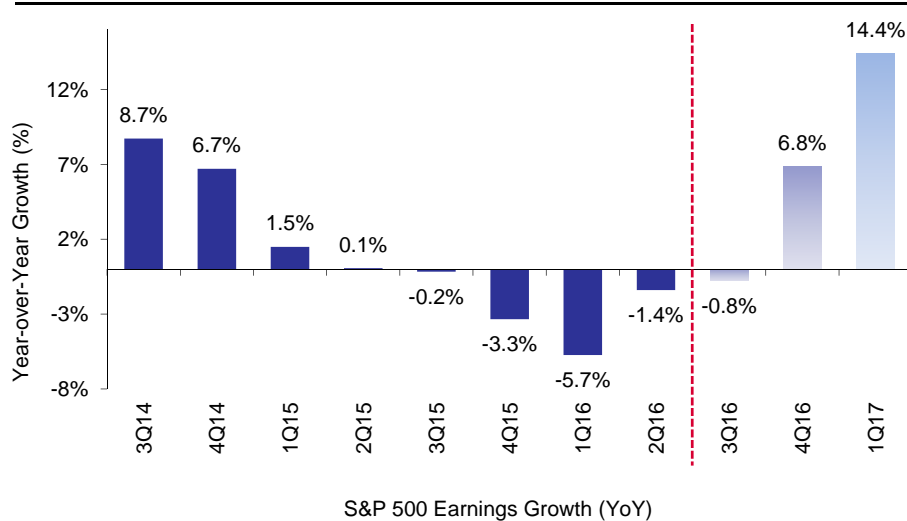
Footnotes: Data as of October 3, 2016. Source: FactSet, Deutsche Bank Wealth Management.

U.S. Equities



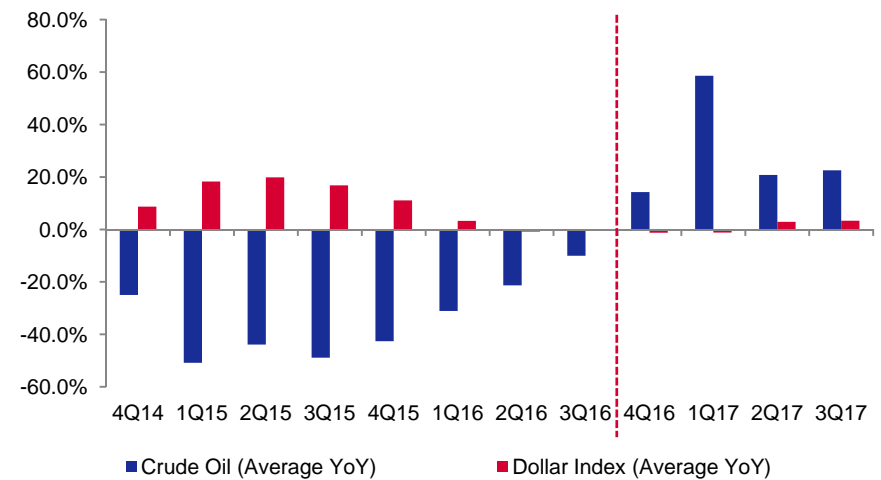
With No P/E Expansion, Looking for Earnings to Turn Around

Earnings Trough?



- The S&P 500 is experiencing its first earnings recession (at least two consecutive quarters of negative earnings growth) since 2009 as earnings have declined on a year over year basis for four consecutive quarters (not including 3Q16).
- Given that earnings typically beat estimates by ~3-5%, it is likely that the earnings recession ended in 2Q16.

Fading Earnings Drags



- The deterioration in energy prices and strong rally in the dollar have had major impacts on earnings during the recent earnings recession.
- However, these drags should begin to fade as we move through 2016 and into 2017.

Footnotes: Data as of October 4, 2016.
Source: FactSet, Deutsche Bank Wealth Management.

Footnotes: Data is estimates as of October 2016.
Source: Bloomberg Finance LP, Deutsche Asset Management, Deutsche Bank Wealth Management.

U.S. Equities

Cyclicals vs. Defensives — Cyclicals Catch the Economic Upswing



	Sector	Scale Green (Most Attractive) Grey (Neutral) Red (Least Attractive)	Rationale	Subsector in Focus
Cyclicals	Technology	Green	From a fundamental perspective, capex spending should increase as companies work to increase productivity. Dividend growth and buybacks have been steady. From a valuation perspective, valuations are attractive on an absolute and relative (to the S&P 500) basis.	Hardware, software, security
	Cons. Discretionary	Green	Consumer discretionary should benefit from increased job creation, wage increases, solid confidence and lower commodity prices.	Focus on internet (e.g. online retailers). Another way to gain "volume exposure" is via transactions (e.g. credit cards in technology/financial sectors).
	Healthcare	Green	Increased volumes and positive demographics should support healthcare but election year politics pose a modest headwind. Evaluate periods of weakness as potential buying opportunities.	Biotech
	Industrials	Green	Gradual improvement in the global economy, increased transportation in the U.S. and better valuations may benefit Industrials. In addition, any increase in defense spending could benefit the sector.	Transportation, Machinery, Aerospace, Defense
	REITs	Grey	REITs should benefit from a gradual increase in growth, low interest rate environment and attractive yield.	Apartments, Hotels, Self Storage
Defensives	Financials	Grey	Financials may be challenged in the near term due to margin compression given flat yield curves and negative interest rates.	Money centers, life insurers, asset managers.
	Energy	Grey	Stabilization in oil prices is underway, we expect modest upside over next 12 mos (\$55/bbl). Expect M&A and modest dividend cuts. However, as the dollar gains momentum, oil prices may face renewed pressure.	MLPs
	Cons. Staples	Red	Staples may benefit as the global economy improves. However, valuations look less attractive and a stronger dollar may weigh on prices.	
	Materials	Red	Less attractive valuations and strength in the dollar should weigh on mining companies.	
	Utilities	Red	Utilities should be negatively impacted by a modest rise in interest rates and less attractive valuations.	
	Telecom	Red	Telecom should be negatively impacted by modestly rising interest rates and less attractive valuations. Pricing wars among large providers may present challenges.	

Bottom Line:

- Favor Cyclicals versus Defensives

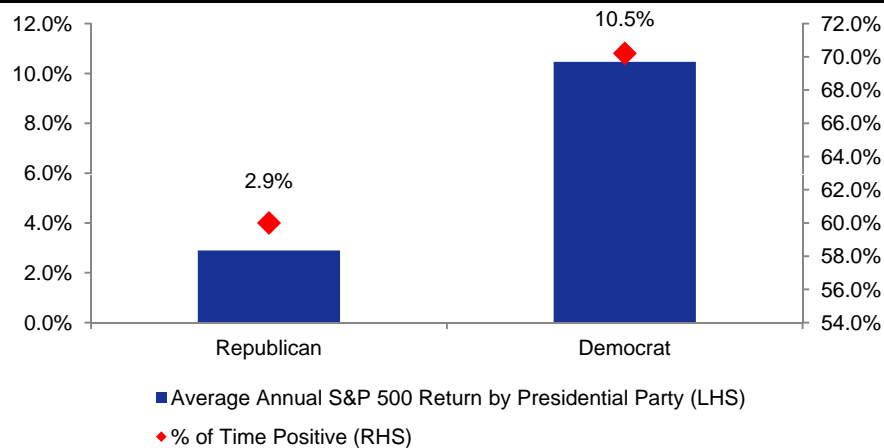
Source: Deutsche Bank Wealth Management.

U.S. Equities

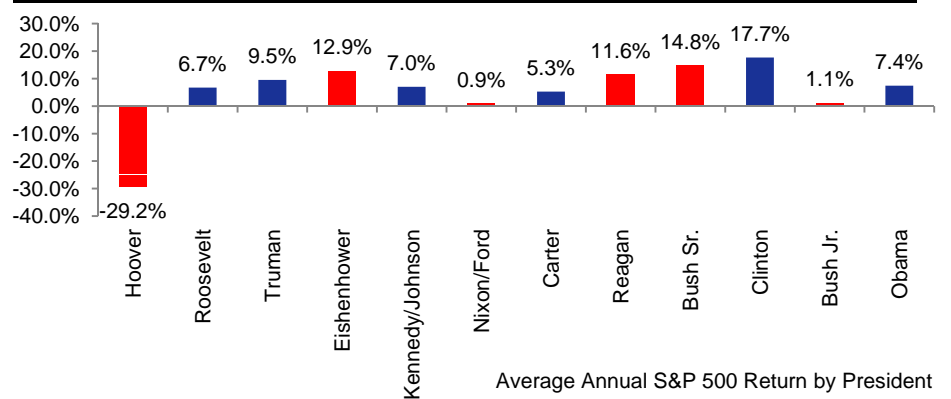


Which Party Does the Equity Market Favor?

Average S&P 500 Return by Party



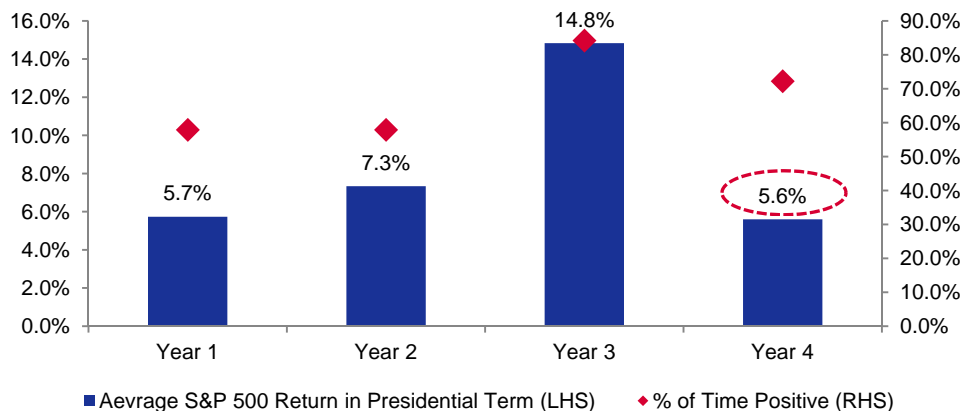
Average Annual S&P 500 by President



Footnotes: Data is 1930-2015. Price return only. Annual growth.
Source: FactSet, Bloomberg Finance LP, Deutsche Bank Wealth Management.

- Historically, the equity market favors Democrats over Republicans.
- However, it is important to remember that these historical differences can be explained by the sharp decline seen in the Herbert Hoover (Republican) administration which took place in the Great Depression. President Clinton (Democrat) was a beneficiary of the dotcom bubble.
- In addition, equity returns tend to be the lowest in year four of a Presidential cycle.

S&P 500 in Presidential Cycle



Footnotes: Time period reflects 1929 to 2015.
Source: FactSet, Deutsche Bank Wealth Management.

Footnotes: Time period reflects 1930-2015.
Source: Bloomberg Finance LP, FactSet, Deutsche Bank Wealth Management.

U.S. Equities



“Consensus” Thinking May Be a Trick

Sectors and Presidential Party

	S&P 500	Consumer Discretionary	Consumer Staples	Energy	Financials	Healthcare	Industrials	Info Tech	Materials	Telecom	Utilities
Truman	8.2%	-3.3%	7.6%	13.6%	8.5%	1.7%	8.8%	12.2%	11.8%	-0.2%	6.6%
Eisenhower	11.4%	-4.8%	18.6%	8.9%	8.2%	19.9%	13.4%	35.8%	10.0%	10.4%	10.4%
Kennedy/Johnson	7.8%	-13.1%	3.9%	10.5%	6.7%	10.5%	7.3%	16.4%	2.7%	2.4%	4.5%
Nixon/Ford	-0.7%	-2.4%	8.3%	-1.0%	-1.6%	5.2%	0.1%	-1.5%	4.5%	-1.1%	-4.8%
Carter	6.5%	7.4%	-4.9%	19.5%	5.0%	4.5%	6.7%	1.3%	-2.2%	-4.1%	1.0%
Reagan	10.2%	-8.5%	15.6%	6.6%	0.4%	16.7%	7.9%	7.3%	12.6%	13.2%	10.5%
George Bush Sr.	11.5%	-22.1%	19.8%	5.7%	4.8%	18.4%	8.6%	3.1%	4.7%	9.9%	9.4%
Bill Clinton	15.2%	13.2%	10.0%	11.7%	19.2%	18.0%	15.4%	29.5%	4.2%	12.0%	6.5%
George Bush Jr.	-6.2%	-5.0%	1.0%	5.9%	-12.5%	-3.8%	-5.1%	-12.5%	1.7%	-9.6%	-3.7%
Barack Obama	9.9%	17.9%	10.3%	1.3%	4.3%	13.0%	9.9%	14.3%	7.4%	5.3%	6.6%
Average Republican	5.3%	-8.6%	12.7%	5.2%	-0.1%	11.3%	5.0%	6.4%	6.7%	4.6%	4.3%
Average Democrat	9.5%	4.4%	5.4%	11.3%	8.7%	9.5%	9.6%	14.7%	4.8%	3.1%	5.0%

Footnotes: Time period reflects elections from 1945 to 2012. Red is republican, blue is democrat. Return is from election day to the day prior to the candidate leaving office so returns may differ from annual returns per year on prior page (page 24).

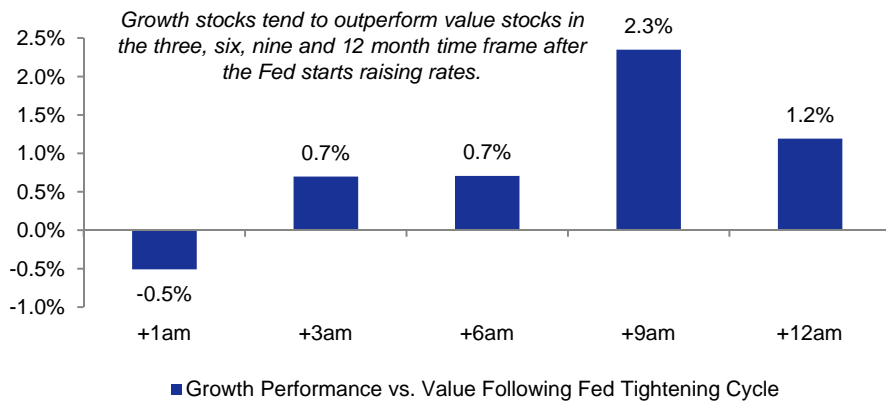
Source: FactSet, Deutsche Bank Wealth Management.

U.S. Equities

The Growth vs. Value Debate

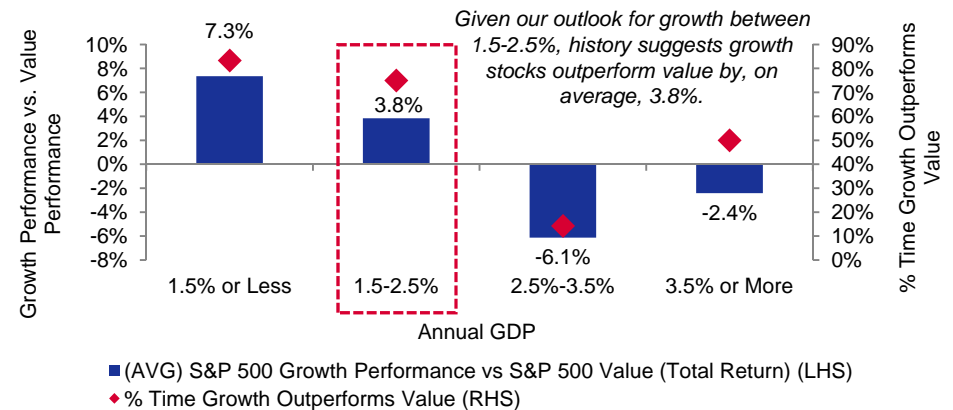


Fed Tightening Cycles



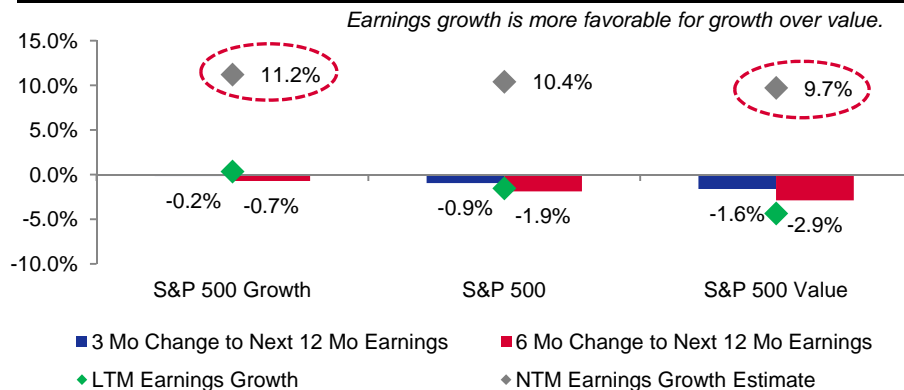
Footnotes: Time period reflects tightening cycles since 1976. Total return.
Source: FactSet, Deutsche Bank Wealth Management.

Growth vs. Value and GDP



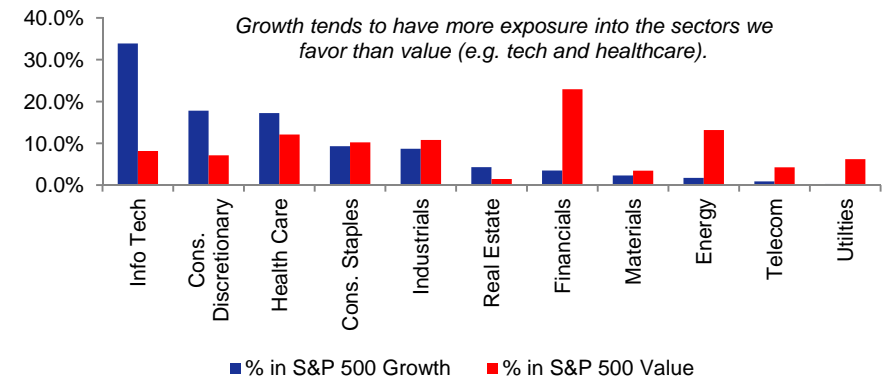
Footnotes: Time period reflects 1976-2015.
Source: FactSet, Deutsche Bank Wealth Management.

Earnings Favor Growth over Value



Footnotes: Data as of September 30, 2016.
Source: FactSet, Deutsche Bank Wealth Management

Sector Composition



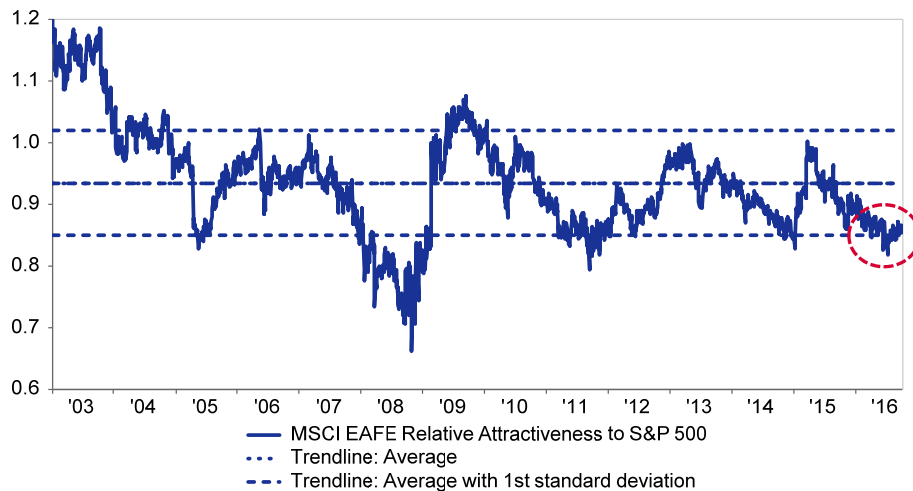
Footnotes: Data is as of October 4, 2016.
Source: FactSet, Deutsche Bank Wealth Management.

7 Global Equities



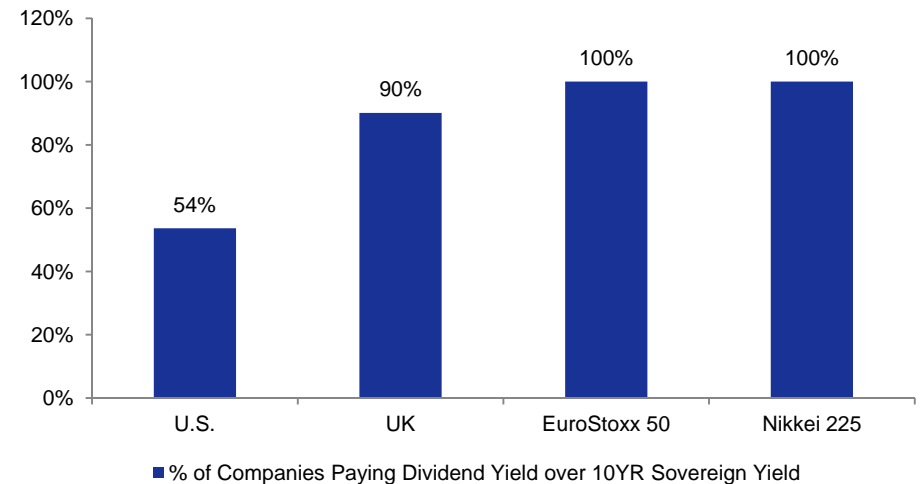
Batman....Beware of the Trap!

Valuations Attractive



- Relative to the S&P 500, the MSCI EAFE P/E is trading at or below the lower end of its long term average range.

Attractive vs. Bonds



- Relative to bonds, most major developed Indices have a significant amount (or all) of stocks in their Indices paying a dividend yield above their comparable 10 year sovereign bond yield.

Footnotes: Data is as of October 4, 2016.
 Source: FactSet, Deutsche Bank Wealth Management.

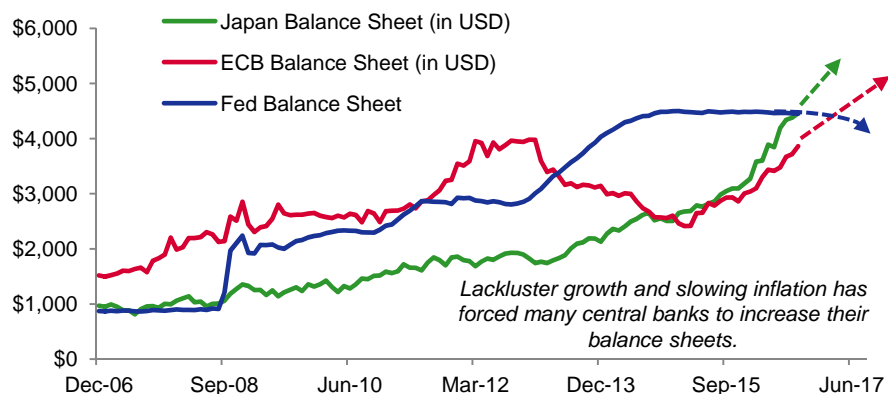
Footnotes: Data as of October 5, 2016. EuroStoxx 50 uses 10YR German Bund as comparable.
 Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Global Equities



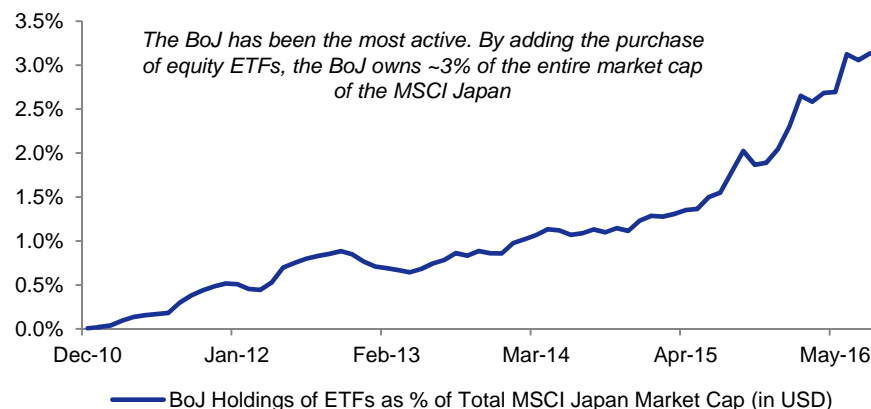
Batman...Beware of the Trap!

Central Bank Stimulus



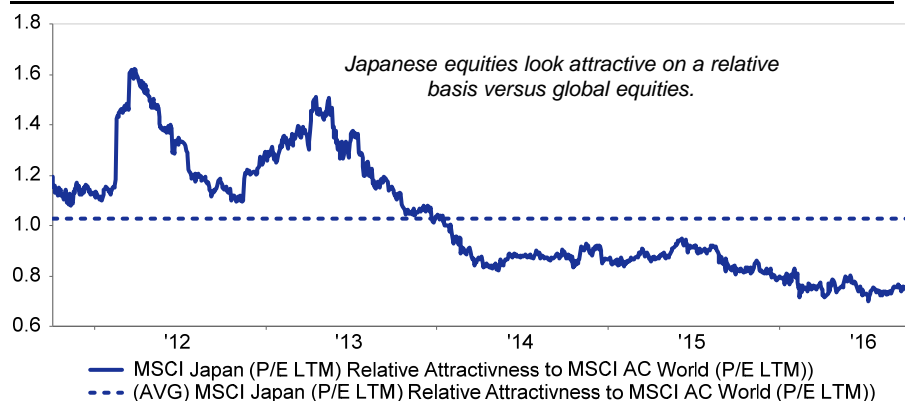
Footnotes: Data as of September 30, 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

BoJ Support to Equity Market



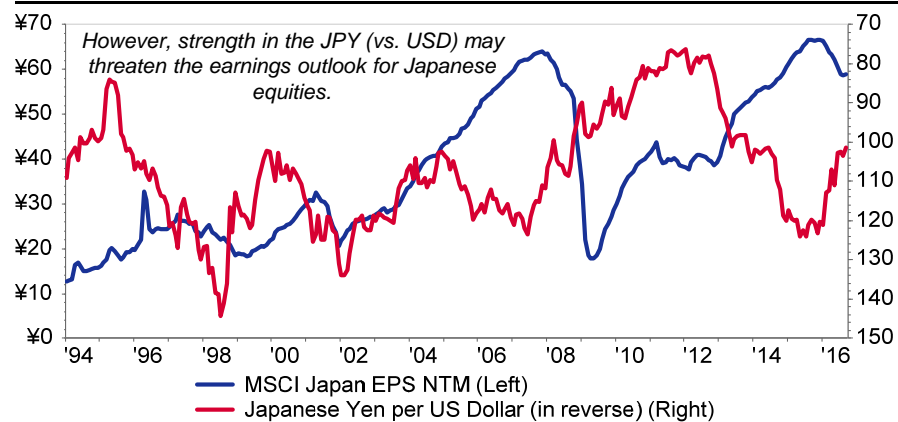
Footnotes: Data is as of August 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Valuations Attractive



Footnotes: Data is as of October 4, 2016.
Source: FactSet, Deutsche Bank Wealth Management.

Beware of JPY



Footnotes: Data is as of October 4, 2016.
Source: FactSet, Deutsche Bank Wealth Management.

Global Equities



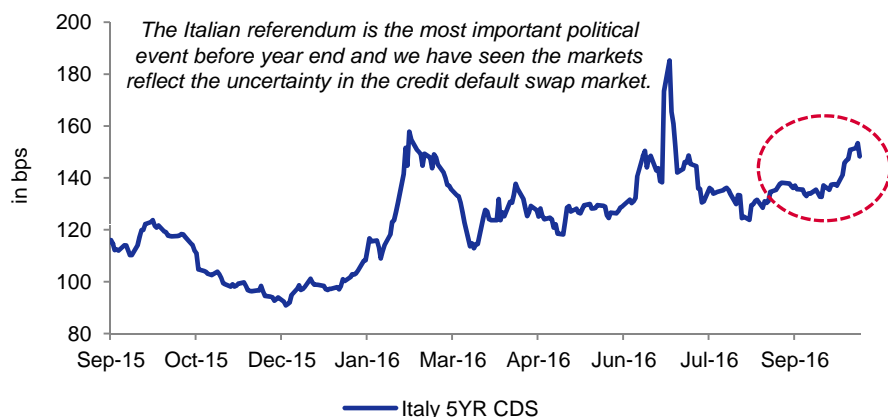
Batman...Beware of the Near Term Risks

Risks Clouding Europe

Looming Risks for Europe	
Earnings Uncertainty	Banking Crisis
Stubbornly Strong EURO	Central Bank Credibility/Error
Italian Referendum (October)	Debt Spiral
France Elections (Apr/May 2017)	"Brexit" Fallout
German Elections (Aug/Oct 2017)	Terrorism
Immigration Crisis	Global Slowdown

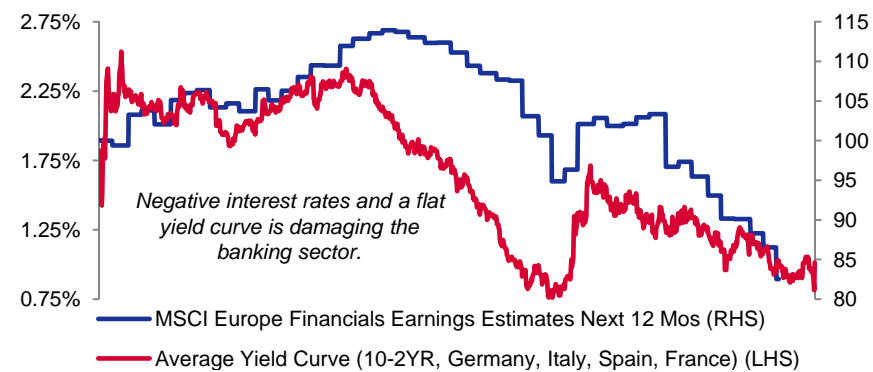
Footnotes: Data as of October 2016.
Source: FactSet, Deutsche Bank Wealth Management.

Italian Fears Heating Up



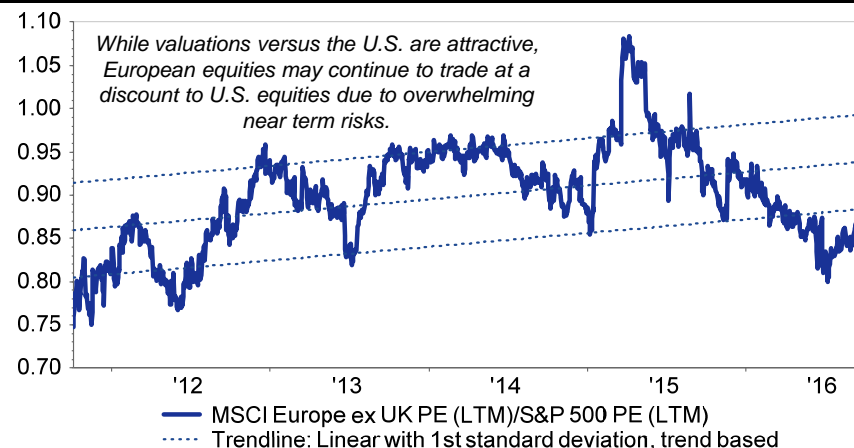
Footnotes: Data as of October 4, 2016.
Source: FactSet, Deutsche Bank Wealth Management.

Financials and Flat Yield Curves



Footnotes: Data as of October 4, 2016.
Source: FactSet, Deutsche Bank Wealth Management.

Valuation Discount May Linger



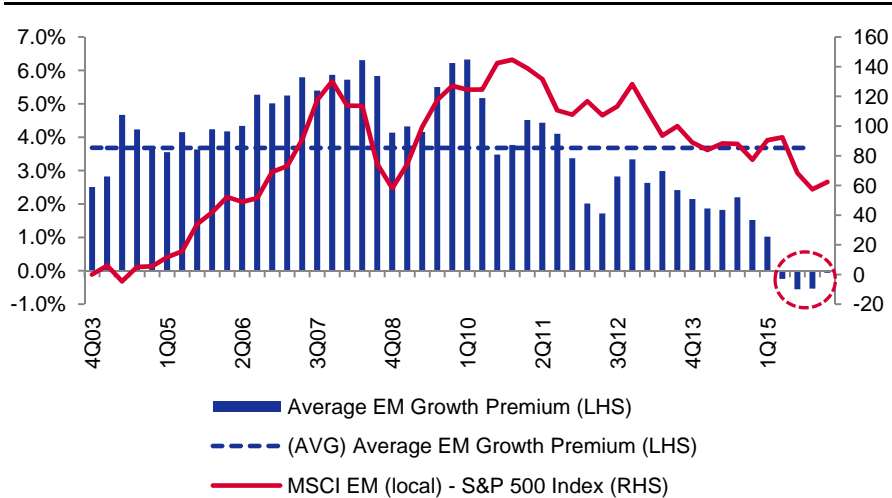
Footnotes: Estimates as of October 4, 2016.
Source: FactSet, Deutsche Bank Wealth Management.

Global Equities



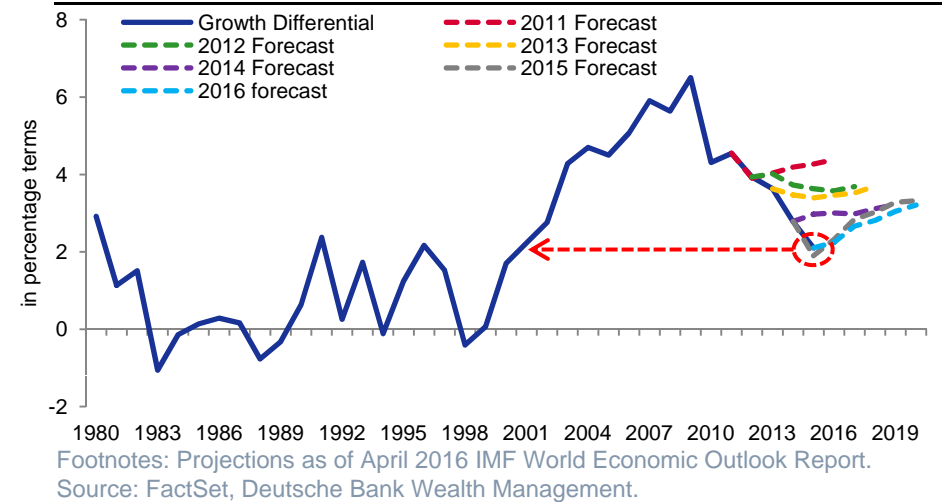
Robin, the Boy Wonder, Continues to Struggle

Growth Premium No More

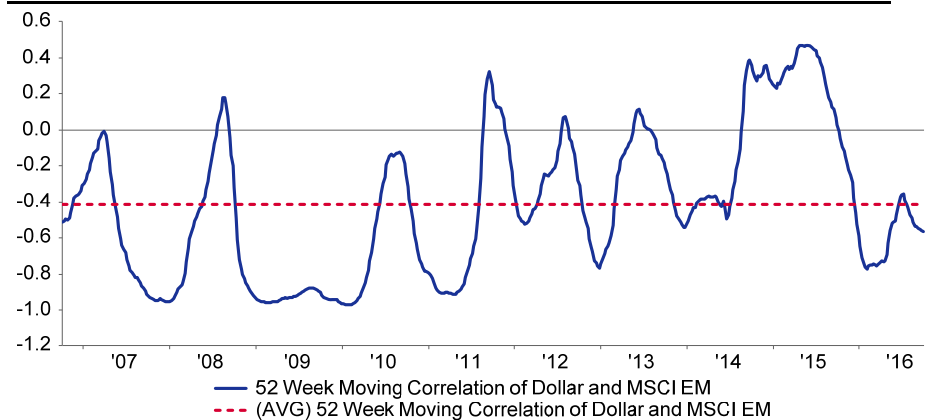


- EM growth surpassed DM growth from 4Q03 – 1Q15, however, since then, the average growth differential has been negative for four consecutive quarters.
- In fact, according to the IMF, the 2016 growth difference should be the smallest level (2.1%) since 2000.
- Lastly, given our expectation for the dollar to regain momentum, the negative correlation between the dollar and emerging markets may put pressure on prices.

Premium to Remain Narrow



Cautious on Emerging Markets



Footnotes: Data as of 1Q16. Growth premium is year over year real GDP. Developed market is equally weighted (U.S., UK, Europe and Japan). EM countries are equally weighted (Brazil, Russia, India, China, Korea, Taiwan, South Africa). Source: Bloomberg LP, FactSet, Deutsche Bank Wealth Management.

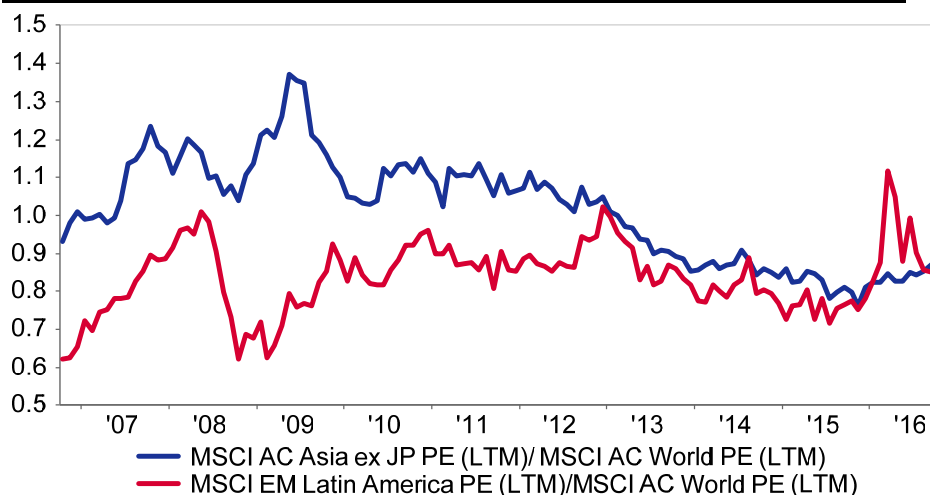
Footnotes: Data is weekly and as of September 30, 2016. Source: FactSet, Deutsche Bank Wealth Management.

Global Equities



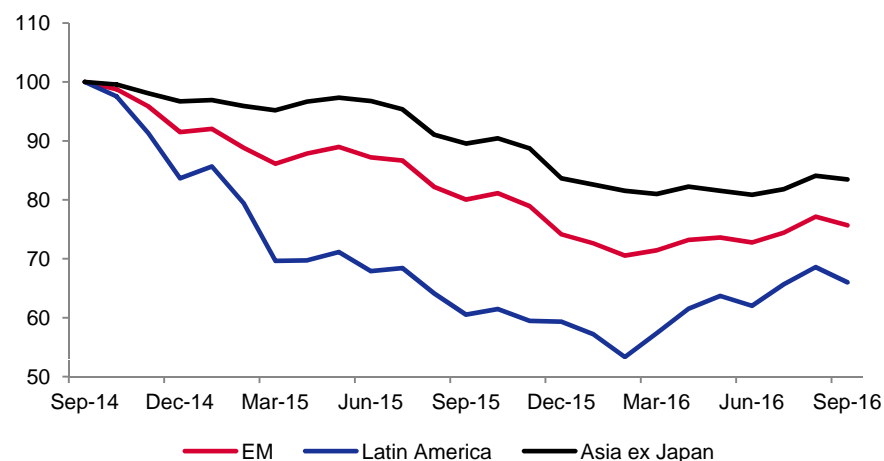
Remember Robin, Always Look Both Ways

Asia and Latam Fair Valued



— EM valuations for Asia relative to Latam are fair valued.

Earnings Uncertainty



— Despite the stabilization in commodity prices, since September 2014, earnings have been revised down by 34% in Latin America, 24% in the MSCI EM Index and 17% in Asia ex Japan.

Footnotes: Data is as of October 4, 2016.
 Source: FactSet, Deutsche Bank Wealth Management.

Footnotes: Data as of September 2016.
 Source: FactSet, Deutsche Bank Wealth Management.

8 Is There Room for the Dollar to Run?

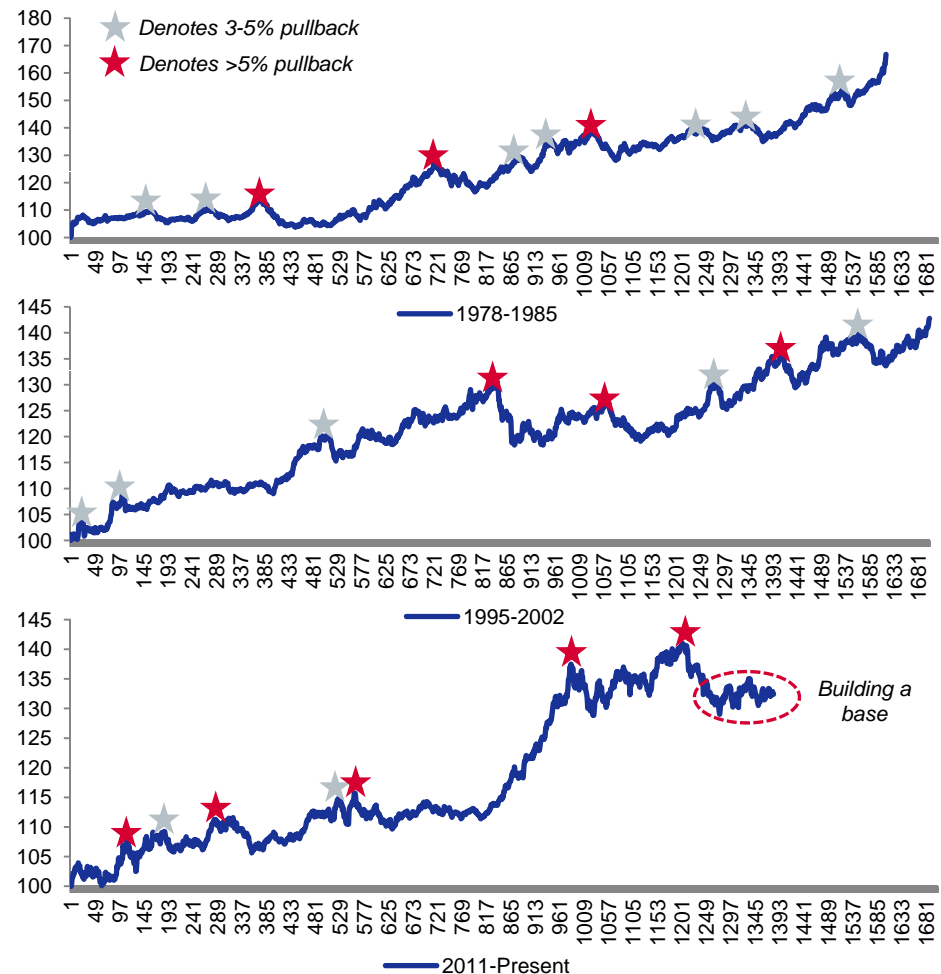


Solving the Riddler's Dollar Dilemma

Pullbacks are Expected

Peak Date	Trough Date	Peak	Trough	Pull Back	Total Days
6/5/1979	7/24/1979	97.43	93.59	-3.94%	49
11/13/1979	1/7/1980	98.37	94.30	-4.14%	55
4/7/1980	7/10/1980	102.98	92.25	-10.42%	94
8/4/1981	11/30/1981	114.00	103.64	-9.09%	118
4/8/1982	5/7/1982	114.94	110.26	-4.08%	29
7/7/1982	7/23/1982	120.33	116.01	-3.59%	16
8/12/1982	8/24/1982	120.27	116.23	-3.36%	12
11/8/1982	1/10/1983	123.36	113.80	-7.75%	63
8/11/1983	10/7/1983	124.88	120.19	-3.76%	57
1/11/1984	3/6/1984	126.06	119.90	-4.89%	55
10/16/1984	11/7/1984	136.77	131.61	-3.77%	22
Average for First Strengthening Cycle				-5.34%	51.8
5/23/1995	5/26/1995	82.36	79.89	-3.00%	3
9/19/1995	9/22/1995	86.38	83.75	-3.04%	3
4/28/1997	5/21/1997	95.27	91.34	-4.12%	23
8/25/1998	1/11/1999	103.28	93.79	-9.19%	139
7/12/1999	10/15/1999	100.63	94.37	-6.22%	95
5/17/2000	6/19/2000	103.69	99.23	-4.30%	33
11/24/2000	1/3/2001	108.19	102.52	-5.24%	40
7/5/2001	9/19/2001	110.88	105.86	-4.52%	76
Average for Second Strengthening Cycle				-4.96%	51.5
10/4/2011	10/27/2011	73.75	69.69	-5.51%	23
1/13/2012	2/9/2012	74.26	71.92	-3.16%	27
7/12/2012	9/14/2012	75.77	71.81	-5.23%	64
5/22/2013	6/14/2013	78.09	75.11	-3.82%	23
7/9/2013	10/22/2013	78.66	74.55	-5.23%	105
3/13/2015	5/13/2015	93.37	87.60	-6.18%	61
1/19/2016	5/2/2016	95.80	87.71	-8.49%	103
Average for Current Cycle				-5.37%	58.0

Pullbacks in Indexed Cycles



Footnotes: Data as of July 15, 2016.
 Source: FactSet, Deutsche Bank Wealth Management.

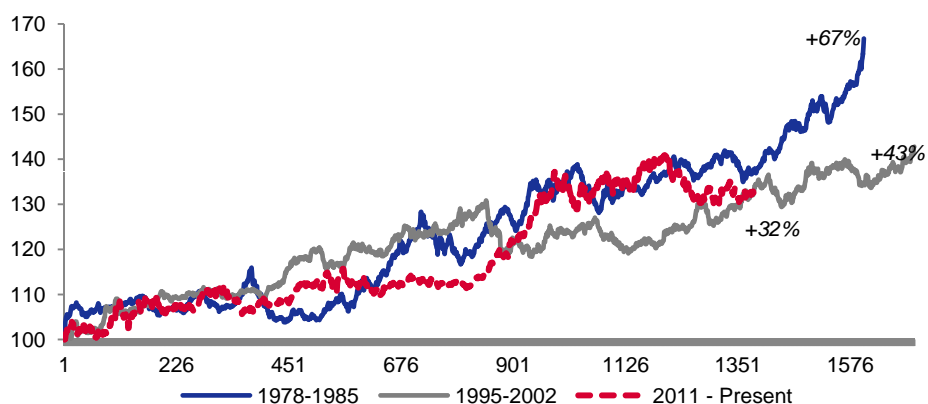
Footnotes: Data as of September 30, 2016.
 Source: FactSet, Deutsche Bank Wealth Management.

Is There Room for the Dollar to Run?



Historically the Dollar is in Line, but Technicals Pose a Risk

Current Run in Dollar On Par



Footnotes: Data as of September 30, 2016.

Source: FactSet, Deutsche Bank Wealth Management.

No Friends Left

	Nov 76 May 81	Nov 82 Aug 84	Aug 86 May 89	Sep 92 Feb 95	Nov 98 May 00	Jun 03 Jun 06	2016
JPN	Yes	No	Yes	No	No	Yes	Easing
EU	Yes	Yes	Yes	No	Yes	Yes	Easing
CAN	Yes	Yes	Yes	Yes	Yes	Yes	No
GBR	Yes	Yes	Yes	Yes	No	Yes	Easing
CHE	Yes	No	Yes	No	Yes	Yes	No
AUD	Yes	Yes	Yes	Yes	Yes	Yes	No
NZL	N/A	N/A	N/A	Yes	Yes	Yes	Easing
SWE	Yes	Yes	Yes	Yes	Yes	Yes	No
NOR	Yes	Yes	Yes	No	Yes	Yes	Easing
Total	8	6	8	5	7	9	0

Footnotes: Data as of October 3, 2016.

Source: Deutsche Bank Global Markets, Deutsche Bank Wealth Management.

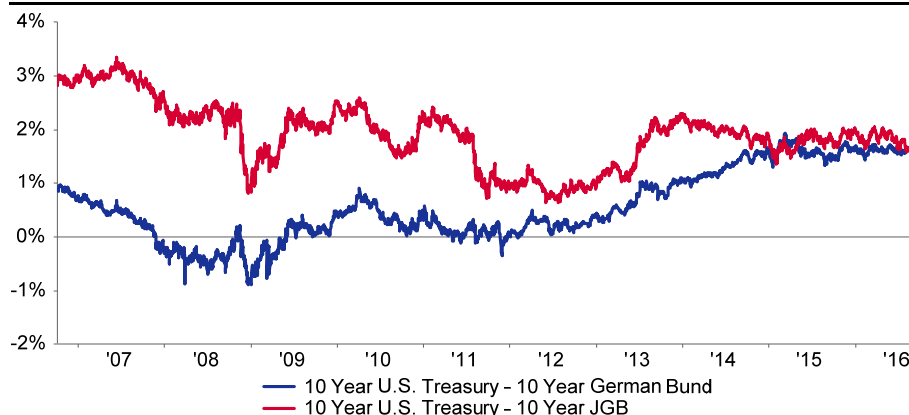
Deutsche Bank Wealth Management

4Q16 Market Outlook

Larry V. Adam, CIO and Chief Investment Strategist – Wealth Management - Americas

Past performance is not indicative of future returns.

Rate Differentials Favor Dollar



Footnotes: Data as of October 3, 2016.

Source: FactSet, Deutsche Bank Wealth Management.

Key Technicals Remain Intact



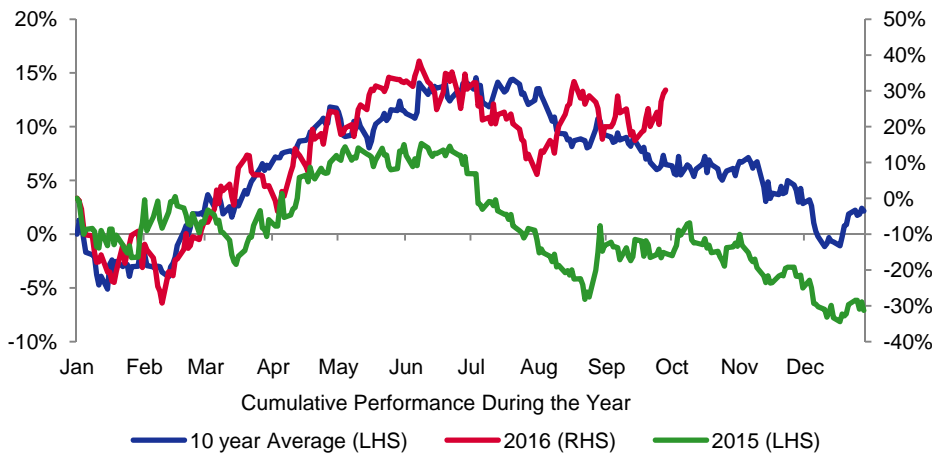
Footnotes: Data as of October 3, 2016

Source: FactSet, Deutsche Bank Wealth Management.



The “Dark Knight” Commodity Rises

Crude Oil Bucking Seasonal Trend

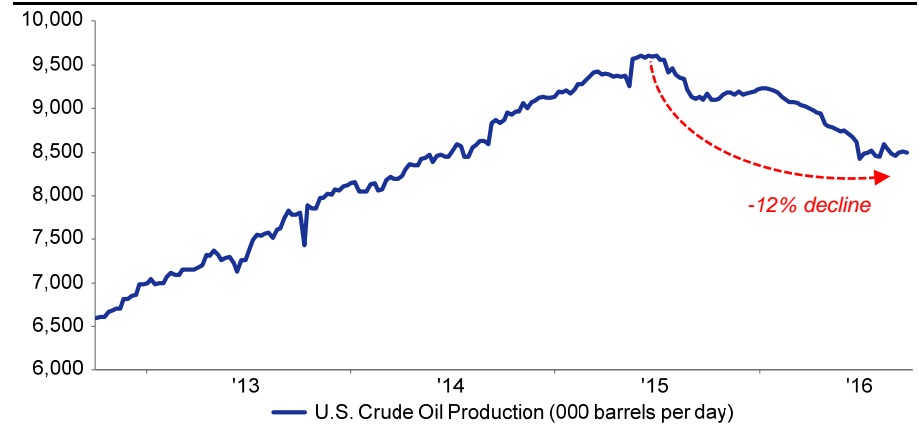


- Crude oil was resilient in 3Q16, bucking a seasonal trend of declining in the second half of the year in recent years.
- The resiliency was largely in part due to an announced production cut by OPEC and strength in U.S. gasoline consumption.
- As U.S. production has come offline, global demand is expected to exceed supply this quarter for the first time since 4Q13 in 2017.
- Going forward as the supply/demand imbalance narrows in 2017, we expect crude oil to move modestly higher to \$55/barrel over the next 12 months.

Footnotes: Data as of September 30, 2016.

Source: FactSet, Deutsche Bank Wealth Management.

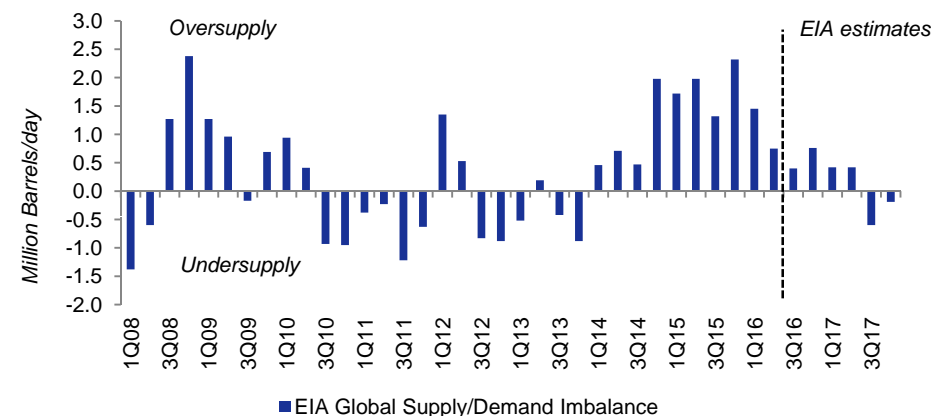
U.S. Production Stabilizing



Footnotes: Data as of September 23, 2016.

Source: FactSet, Deutsche Bank Wealth Management.

Supply/Demand Imbalance Waning



Footnotes: Data as of September 2016.

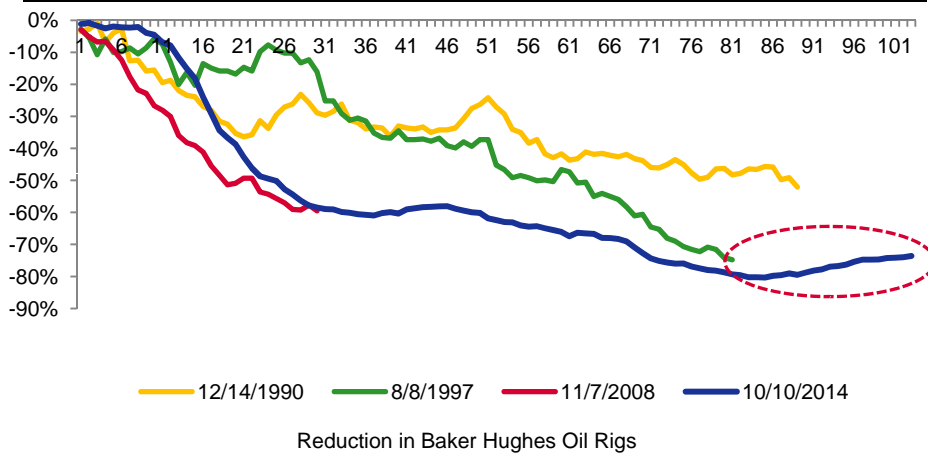
Source: FactSet, Deutsche Bank Wealth Management.

Commodities – Finding a Balance



The “Dark Knight” Commodity Rises

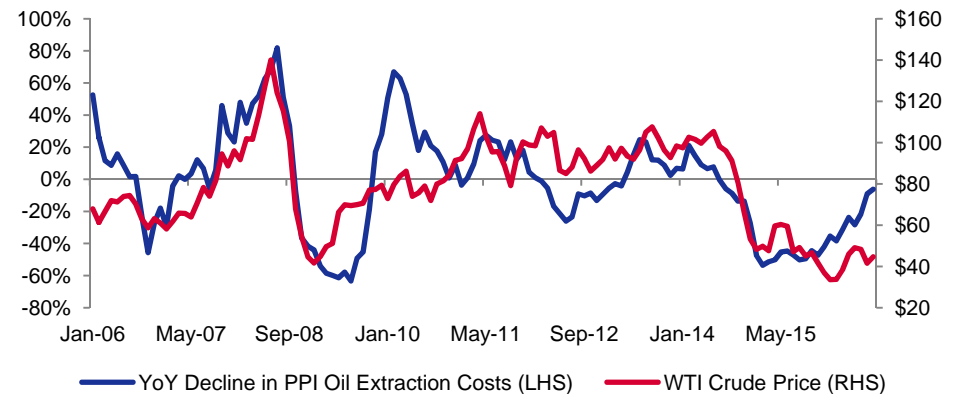
Rig Count Turnaround



- Following the largest reduction in rig counts on record (-78%), rig counts have now risen for 14 consecutive weeks.
- While oil prices have declined, so have costs for U.S. oil producers as oil extraction costs have fallen 20% YoY.
- As production slowly comes offline and demand (particularly U.S. gasoline demand) remains near record highs, we expect crude oil prices to gradually rise to \$55 over the next 12 months.

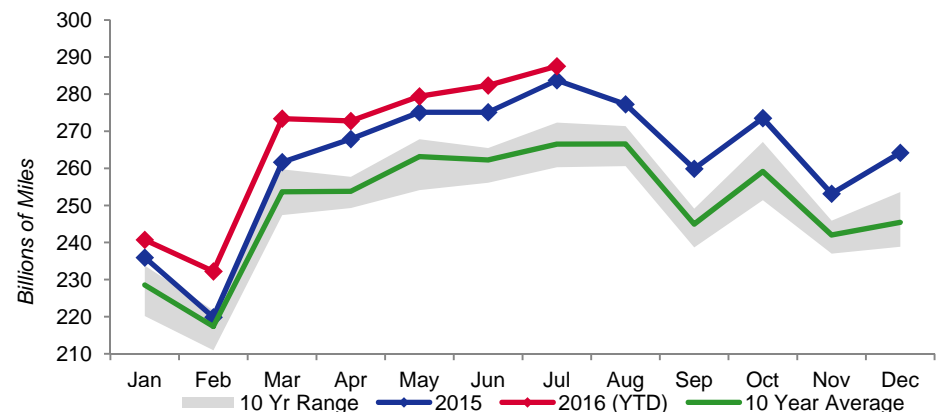
Footnotes: Data as of September 30, 2016.
Source: FactSet, Deutsche Bank Wealth Management.

Oil Production Costs Falling



Footnotes: Data as of August 2016.
Source: St. Louis Federal Reserve, Deutsche Bank Wealth Management.

Summer Driving Season Ending



Footnotes: Data as of July 2016.
Source: Department of Transportation, Deutsche Bank Wealth Management.

Commodities – Finding a Balance



Not a “Golden” Opportunity

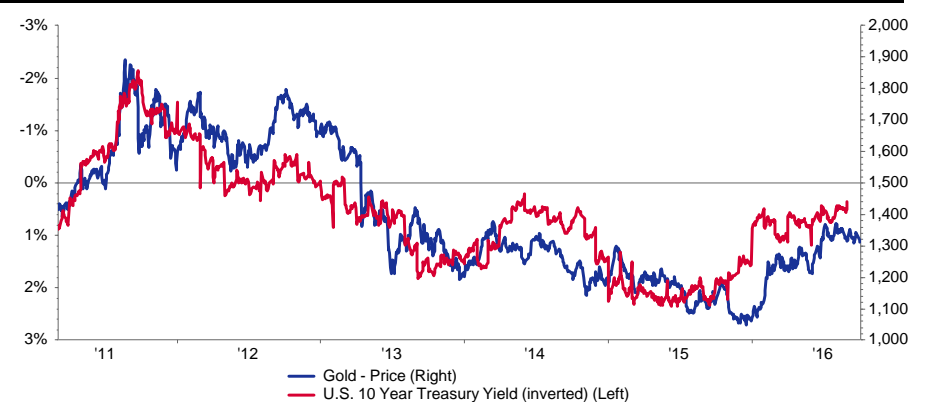
Gold Speculative Demand Rising



- On increased volatility following the Brexit vote, speculative demand for Gold ETFs rose to the highest level since July 2013. Fund flows have been a key driver to gold’s performance.
- Falling real interest rates have also boosted demand for gold. As we expect a limited rise in rates over the next 12 months, gold should remain range bound.
- However, as the Dollar continues to strengthen, gold could come under pressure due to its negative 20 year correlation (-.45) to the dollar.

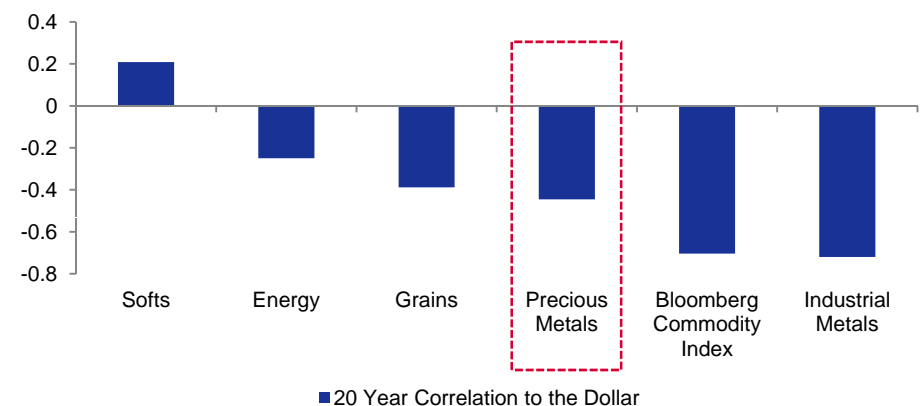
Footnotes: Data as of September 30, 2016.
Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Real Interest Rates Driving Demand



Footnotes: Data as of October 3, 2016.
Source: FactSet, Deutsche Bank Wealth Management.

Dollar Poses a Challenge



Footnotes: Data as of October 3, 2016. Data is daily 20 year correlation.
Source: FactSet, Deutsche Bank Wealth Management.

10 Come Together: Collide or Collaborate



"The World has Been so Caught up With What He Can Do, that No-one Has Asked What He Should Do."**

	Economy	Central Bank Policy	U.S. Dollar Strength	Valuations	Summary	Rationale
U.S. Equities	+	/	/	-	/	Favor Large Cap, Select Cyclical over Defensives, Dividend growth stocks; Favorite sectors = Tech, Consumer Discretionary, Healthcare and Industrials
International Equities	/	+	/	/	/	No clear delineation between DM and EM. Favor U.S. and Japan over Europe. Favor Asia over Latam.
Treasuries	-	/	/	-	-	Neutral Duration
Credit	+	+	/	/	+	Favor Credit over Treasuries (Investment Grade; Select High Yield and Hard Currency EM Debt)
Commodities	/	/	-	/	-	Avoid Raw Commodities. Recommend Income Producing Real Assets (MLPs).
Dollar	+	+	/	+	+	Dollar over Select Developed Currencies (e.g. EUR and GBP). Hedge select International Exposure.

Footnotes: Data is as of October 4, 2016. *Batman versus Superman movie.
Source: Deutsche Bank Wealth Management.

Multi Asset Investment Committee Forecasts

October 2016



GDP Growth <i>in %</i>	2016	2017	Currencies	Current ¹		12 Month Forecast (Sept 2017)	12 Month Return (Sept 2017)			
World	3.3%	3.4%	EUR vs. USD	1.12		1.08	-3.2%			
USA	1.8%	1.9%	USD vs. JPY	102.85		100.00	-2.8%			
Euroland	1.5%	1.2%	EUR vs CHF	1.09		1.10	0.5%			
UK	1.8%	0.8%	GBP vs USD	1.28		1.25	-2.0%			
Japan	0.5%	0.7%	USD vs CNY*	6.67		6.90	3.4%			
China	6.3%	6.0%								
Inflation <i>in %</i>	2016	2017	Commodities	Current ¹		12 Month Forecast (Sept 2017)	12 Month Return (Sept 2017)			
USA (core PCE)	1.6%	1.8%	Oil (WTI) in USD	49		55	13.0%			
Euroland	0.2%	1.5%	Gold in USD	1270		1375	8.3%			
UK	0.7%	2.4%								
Japan	-0.2%	0.2%	Equities	Current ¹	Dividend Yield	P/E (LTM) ²	NTM P/E Forecast ³	NTM EPS Forecast ³	12 Month Forecast (Sept 2017)	12 Month Return (Sept 2017)
China	2.0%	1.5%	USA (S&P 500)	2150	2.1%	18.56	17.25	127	2190	3.9%
Curr Acct Balance <i>in % of GDP</i>	2016	2017	Euroland (Euro Stoxx 50)	3030	3.6%	14.04	13.50	224	3050	4.2%
USA	-2.7%	-2.9%	Germany (DAX)	10620	2.7%	13.65	13.00	821	10700	0.8%
Euroland	2.9%	2.7%	UK (FTSE 100)	7074	3.6%	18.00	14.75	434	6400	-6.0%
UK	-5.5%	-4.5%	MSCI Japan (JPY)	804	2.3%	15.02	14.75	56	820	4.2%
Japan	2.8%	2.5%	Asia ex Japan (MSCI in USD)	558	2.5%	14.50	13.75	41	560	2.8%
China	2.5%	2.5%	Latin America (MSCI in USD)	2421	2.9%	17.29	13.50	180	2400	2.0%
Fiscal Balance <i>in % of GDP</i>	2016	2017	Sovereign Rates	Current ¹		12 Month Forecast (Sept 2017)	12 Month Return (Sept 2017)			
USA	-2.8%	-3.0%	USA	1.69%		1.80%	0.8%			
Euroland	-1.9%	-1.9%	Euroland (German Bund)	-0.05%		0.25%	-2.7%			
UK	-3.5%	-4.0%	UK	0.68%		1.30%	-4.3%			
Japan	-6.0%	-5.2%	Japan	-0.08%		-0.10%	-0.3%			
China	-2.4%	-2.5%	Credit	Current Coupon ¹	Yield	Current Spread ⁵	12-Month (Price Return Estimate)	12 Month Return		
Key Interest Rates	Current ¹	12 Mo Forecast (Sept 2017)	Barclays U.S. High Yield	6.54%	6.10%	468	-1.7%	4.8%		
USA (Fed funds)	0.25%-0.50%	0.75-1.00%	JPM GBI- EM Global Diversified (Local)		6.18%					
Euroland (Refi rate)	0.00%	0.00%	JPM EMBIG (EM Broad Index) (Hard Currency)			329				
UK (Repo rate)	0.25%	0.10%								
Japan (O/N call rate)	0.00%	0.00%								

Footnotes: Macro estimates are according to Deutsche Asset Management and are as of September 2016. U.S. GDP is 4Q over 4Q. ¹ Current as of October 4, 2016. ² LTM stands for last twelve months. ³ P/E and EPS forecasts are according to Deutsche Asset Management and Deutsche Bank Wealth Management. ⁴ Direction in sovereign bonds is yield move. ⁵ High yield spread is high yield versus five year Treasury. ⁶ Next 3% move in credit is return move.

Source: FactSet, Deutsche Asset Management, Deutsche Bank Wealth Management.

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