Deutsche Bank
Chief Investment Office

PERSPECTIVES

ECONOMIC AND ASSET CLASS OUTLOOK

September 2026

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Letter to Investors

Earnings flying higher

Christian Nolting
Global CIO

Financial markets have come through 2026 so far in generally good spirits. This has been largely due to very strong corporate earnings. Further earnings growth is expected, with artificial intelligence (AI) still the key driver.

The current focus is on the AI capex supercycle, which will have an impact that goes far beyond the technology sector, affecting other industries and the overall macroeconomic environment. But equity markets will also likely benefit from a broadening-out of earnings growth, assuaging concerns about equity market concentration. The medium-term macroeconomic backdrop is also likely to be favourable for equities, with low recession risks and sticky inflation.

Concerns remain around geopolitics, policy and tech-related issues including cyber attacks. In this reflationary world with strong nominal economic growth, higher yields are also likely to persist for longer. This combination of strong earnings and elevated yields mean that equities and bonds will continue to compete for attention in investor portfolios.

From a portfolio perspective, AI investment should be diversified across its value chain, spanning energy, semiconductors, data centres and machinery. We do see AI as a secular trend, but one that will be subject to occasional setbacks: consider increasing investments in defensive sectors, when this trend takes a pause. In this changing world, there is also a case for what we would call “strategic resilience” investments: for example, some industrial, cyber security and private infrastructure investments. Global banks are also likely to remain interesting, given elevated interest rates, comparatively steep yield curves and low recession risks.

In the bond markets, we would stay with quality, avoiding excessive duration and credit risk: active management of bonds, where possible, may also be desirable. The AI capex “wave” has arrived at the bond markets, and government bond yields have also been affected by borrowing level concerns. But, in credit, there is still calm at the top of the market, although the weakest credits have missed the recovery in other high-yield areas. Depending on your risk profile, perhaps also consider gold, a potentially valuable portfolio addition, albeit with the possibility of volatility in the short term. US dollar weakness should remain an issue but is likely to be limited, given continued global interest in the US stock market.

We are always available to discuss the most effective ways of investing in this remarkable period of technological and economic change.

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Global CIO

Macroeconomics: Investment-led resilience

- Growth: AI investment and fiscal policy in the driving seat.
- Inflation: Gradually easing from elevated levels.
- Monetary policy: Caution remains warranted.

In real terms, the **US** economy lost momentum in Q2, with annualised GDP growth slowing to 1.5% from 2.1% in Q1. Nominal GDP growth, however, accelerated to 8.0%, driven by a 6.4% rise in the GDP deflator, reflecting both elevated energy costs and resilient demand. Notably, the demand destruction that typically accompanies higher inflation has failed to materialise, partly due to the wealth effect from US equity indices near record highs and the large amount of fiscal stimulus still circulating through the economy. At the same time, AI-related investments by the top five US AI infrastructure spenders alone could reach USD1tn in 2027, while the federal government continues to run annual budget deficits of around USD2tn. Against this backdrop, we expect the US economy to remain robust, growing by 2.1% in 2026 and 2.0% in 2027. We expect the Fed to deliver one additional rate hike, raising its policy rate to 3.75%-4.00% over the next twelve months. This should help in containing inflation, which is likely to ease gradually, with CPI averaging 3.2% in 2026 before moving closer to the 2% target in 2027 (2.3%).

The **Eurozone** economy regained traction in Q2, with GDP growth accelerating to 0.4% QoQ from stagnation in Q1. Robust AI-related investment and resilient government spending helped offset the impact of the Gulf conflict – at least to date. Absent a sustained surge in energy costs, these investment and fiscal tailwinds should continue to support activity, with GDP growth expected to reach 0.9% in 2026 and 1.3% in 2027. Inflation is likely to decline only gradually, averaging 3.1% in 2026 before easing to 2.5% in 2027. Within this framework, we expect the ECB to maintain a cautious stance, potentially delivering one additional 25bp rate hike in the near term before adopting a wait-and-see approach in 2027. Given the economy's resilience any easing bias is unlikely, so we expect the deposit rate to be held at 2.5% until the end of our forecast horizon.

Japan's economy grew by 0.4% QoQ in Q2, down from 0.5% in Q1. However, inventory effects masked stronger underlying demand dynamics and, together with firmer price pressures, point to a more robust nominal growth backdrop. Looking ahead, rising real incomes, continued fiscal support, and a recovery in capital expenditure next year should lift real GDP growth from 0.8% in 2026 to 1.0% in 2027. Headline inflation is expected at 2.0% in 2026 and 1.8% in 2027, partly due to the planned food tax cut from April 2027. However, underlying inflation pressures and JPY weakness should prompt the BoJ to hike rates three more times, lifting the policy rate to 1.75% by end-Q3 2027.

China's real GDP growth slowed to 4.3% YoY in Q2 from 5.0% in Q1, while early Q3 data point to further moderation, partly due to adverse weather conditions. Beneath the headline numbers, the economy remains highly uneven: export-oriented manufacturing and technology-related sectors continue to expand solidly, whereas the property market and parts of domestic consumption remain weak, keeping price pressures subdued. Beijing is therefore more likely to accelerate the rollout of previously announced support measures than to launch a broad-based stimulus package, particularly as the official 2026 growth target of 4.5%-5.0% remains within reach. We expect GDP growth of 4.6% in 2026, easing slightly to 4.5% in 2027.

Fixed Income: Navigating elevated yields

- Sovereign yields to ease, but risks to send yields higher remain.
- Credit spreads to widen modestly, buffered by fundamentals and carry.
- Regional risks diverge, as pressure rises on France, Japan and Asia.

The rise in **US Treasury** yields reflects multiple factors: Elevated energy prices, sticky inflation, strong nominal growth, persistent fiscal deficits/elevated debt levels, anticipated Fed pricing and the premium investors require amid reduced Fed forward guidance have all lifted yields. Large Treasury funding needs are also competing with growing AI-related corporate issuance for investor capital. Although Treasury Department interventions may help contain disorderly market moves in the short term, they cannot sustainably lower yields without an improvement in the fiscal and supply outlook. Nevertheless, a more dovish Fed than the one being currently priced in by the market should allow yields to ease moderately (10-year yield target: 4.50%; 2-year yield target: 4.00%).

Bund yields should decline modestly as energy-related inflation pressure fades and recent global rates spillovers partly reverse. However, concerns about global debt sustainability and spillovers from US yields should keep them elevated. Risks remain skewed towards higher yields if energy-price or broader inflation pressures persist, issuance exceeds expectations or demand for duration weakens (September 2027 10-year yield target: 3.10%; 2-year yield target: 2.60%).

Italy's spread should remain tight, with risks broadly balanced given political stability and favourable rating momentum. **France**, by contrast, faces greater fiscal and election-related risks, albeit they are partly priced in.

The front end should reflect further BoJ policy normalisation, while fiscal expansionary plans remain key drivers of the long-end term premium. However, **Japan's** debt dynamics should remain manageable, supported by a balanced primary position and healthy nominal growth. This would limit the upward pressure on long-end yields. Our 2-year and 10-year yield targets for September 2027 are 2.0% and 3.0% respectively, implying modest curve flattening.

USD and EUR **investment-grade** spreads should face mild upward pressure from tight starting levels. However, solid fundamentals and attractive all-in yields should limit the extent of widening. Heavy AI-related issuance remains a greater constraint in USD IG but should also rise in Europe, limiting tightening potential in both markets and leaving carry as the main return driver.

High-yield spreads should also widen modestly from historically tight levels. Solid fundamentals and attractive carry should contain the move, but prolonged high rates and refinancing needs leave weaker issuers vulnerable, while AI-related financing could increase dispersion.

Asia credit remains supported by strong fundamentals, liquidity and yield demand. However, high oil prices, tighter regional policy and elevated US Treasury yields should drive modest spread widening. **EM sovereign** spreads should remain broadly stable, as improved terms of trade, a weaker dollar and attractive all-in yields offset the pressure from higher US yields. With spreads already tight, further compression appears limited.

Equities: Confidence beyond the noise

- Markets continue to take geopolitical and energy headwinds in their stride.
- Earnings momentum remains the key engine.
- AI investment and resilient economic growth remain powerful tailwinds.

Global equity markets have remained resilient despite continued elevated geopolitical uncertainty, reaccelerating energy prices and higher bond yields. The strong Q2 earnings season reinforced confidence in the AI investment cycle, while broader earnings growth across sectors and regions strengthens the case for global equities.

In the US, the earnings season for **S&P 500** companies was among the strongest in five years, reinforcing confidence in profit growth through 2027. Continued AI investment, broadening earnings momentum and resilient economic activity provide a powerful foundation. While elevated yields, temporarily weak consumer spending and an increase in policy uncertainty could lead to a pick-up in volatility from currently low levels, strong earnings growth should continue to underpin US equities. With earnings expected to rise by more than 20% over the next 12 months, we remain constructive and increase our 12-month target for the S&P 500 to 8,400 points.

European equities have performed well despite renewed energy concerns. **STOXX Europe 600** Q2 earnings rose by 24% year on year and by more than 10% excluding energy, underscoring the resilience of corporate profits and the ongoing economic recovery. Although earnings growth remains slower than in the US and higher energy prices and tightening financial conditions pose risks, the improving economic backdrop and earnings revision breadth provide a supportive environment for European equities. We increase our STOXX Europe 600 target to 690 points.

The **MSCI Japan** has been supported by a strong earnings season, sustained investment in AI and Premier Takaichi's economy-supportive policy. Rising wages and firmer inflation suggest that Japan is continuing to move away from its long-standing deflationary environment, bolstering corporate revenues and earnings. While abrupt JPY moves may lead to periods of volatility, JPY weakness supports exporters' earnings, whereas a stronger JPY may cushion returns for international investors through currency gains. Spillovers from recent US exchange-rate interventions to equity markets have been short-lived. We increase our target for the MSCI Japan to 2,760 points.

Demand for semiconductors and AI infrastructure should remain a tailwind for export-oriented Asian markets such as South Korea and Taiwan, which dominate the **MSCI Emerging Markets**. In China, continued progress in technology, advanced manufacturing and other strategic industries could support earnings growth and investor sentiment, even as the broader economy remains uneven. However, while earnings trends remain supportive, elevated geopolitical uncertainty and energy prices for energy-importing economies could weigh on market sentiment and warrant a more cautious outlook. Against this backdrop, we reduce our 12-month target for the MSCI Emerging Markets to 1,790 points.

Commodities: Price pressures persist

- Rerouting has capped oil prices; gas and product markets remain tight.
- A range of factors points to further upside potential for gold prices.
- Tight copper supply and strong demand support further gains.

Disruptions to flows through the Strait of Hormuz have pushed oil prices onto a volatile path. The global economy is less oil-intensive than in past decades, while supply has been maximised through alternative pipelines and shipping, including diversions through the Suez Canal and around Africa to reach Asia. Other flows rely on "dark voyages" (tankers with obscured tracking) by state-owned fleets and tankers willing to risk crossing the Strait before transferring cargo ship-to-ship in the Gulf of Oman. Contained crude prices are masking stress in refined-products, with crack spreads – the margin between crude and refined-product prices – elevated by disrupted Middle East exports, attacks on Russian refineries and lower refinery throughput. Infrastructure damage, transportation disruptions and the receding cushion of strategic reserves represent upside risks. Nevertheless, easing Middle Eastern disruptions should improve crude and product availability, allowing prices to decline over the forecast horizon (September 2027 Brent target: USD79/bbl). However, a word of caution is in order. Continued unresolved disruption to supply from the Middle East could push oil prices higher, presenting risks to the global economy.

European gas prices recently rose to their highest levels since early 2023, as reduced Middle Eastern LNG flows have tightened the winter balance and increased competition with Asia for flexible US cargoes. EU storage is lower for this time of year than in both energy crisis years 2021 and 2022. De-escalation could provide temporary relief, but the need to attract LNG and rebuild inventories means prices are unlikely to fall significantly over the next few months.

Precious metals experienced continued volatility throughout Q2 as the risk of tighter central bank policy pressured markets and pushed real yields higher. **Gold** bottomed at around USD4,000/oz. Gold prices were periodically weighed down by significant outflows from gold ETCs and the liquidation of long positions by speculative market participants on US futures exchanges. Following a period of stabilisation, supported in part by diminishing expectations of additional Federal Reserve rate hikes, gold prices benefited from a resurgence in central bank demand as well as the gradual return of ETC inflows and speculative buying interest in futures markets. Factors such as a slightly weaker USD, growing US and global deficits, and uncertainty in global trade should continue to support gold prices. Our 12-month target is USD5,000/oz.

Copper prices have recently touched record levels, supported by US tariff concerns that have pulled metal into US warehouses and tightened availability elsewhere. Rising demand from power grids, renewable energy, AI data centres and infrastructure has added momentum. Supply remains constrained by declining ore grades, limited investment, lengthy project development and disruptions at major mines, making a deficit likely over the coming year. Key risks include weaker Chinese demand and an unwinding of US stockpiles if tariffs do not materialise (September 2027 copper target: USD15,100/t).

Currencies: Headwinds for the USD ahead

- Political pressure, Eurozone resilience point to modest EUR, GBP gains.
- Continued loose fiscal policy might restrain JPY gains.
- The CNY is expected to continue its gradual appreciation against USD.

Lately, **EUR/USD** has been driven primarily by shifting expectations for Fed and ECB monetary policy. Whereas financial markets have long priced in an additional ECB rate increase on September 10, expectations for the timing of the next Fed rate hike have fluctuated considerably between the September meeting and the December meeting. Currently, the USD is still supported by high energy prices and capital inflows due to the AI boom. On the other hand, the resilience of the euro-area economy in the face of elevated energy costs and geopolitical frictions has exceeded expectations to date, potentially affording the ECB greater scope to maintain a restrictive monetary policy stance.

Looking beyond the near term, the most compelling case for a weaker USD may arise from growing concerns over the sustainability of US fiscal dynamics. These concerns have recently reignited discussions about the diversification of USD-denominated bond portfolios. However, we expect only modest US dollar weakness. While potential US intervention in currency and rates markets may create headwinds, strong corporate earnings and the appeal of the US AI ecosystem should sustain foreign portfolio inflows and limit the downside. Therefore, our target for **EUR/USD** is 1.20 over the next 12 months.

The appointment of Andy Burnham as the UK Prime Minister and John Healey as Chancellor of the Exchequer helped to calm market concerns and stabilise the GBP. Market sentiment also remains constructive ahead of the Autumn Budget on October 28. In this regard, GBP option markets suggest relatively limited concern, with implied volatility for the event trading well below the levels seen in previous years. On the monetary policy front, investors broadly expect the Bank of England to remain on hold in the near term. Looking further ahead, the resilience of the UK economy should support a moderate appreciation of the GBP against the USD, broadly mirroring the expected trajectory of the EUR, with **GBP/USD** forecast to rise to 1.42 over the next twelve months.

Despite gradual BoJ policy normalisation in response to underlying inflation pressures, we expect the JPY to appreciate only modestly over the next 12 months. The still wide US-Japan interest-rate differential, along with negative real rates in Japan, limited repatriation by Japanese investors, and expectations of continued loose fiscal policy, is likely to restrain JPY gains. We therefore expect **USD/JPY** to trade around 150 over the next 12 months.

China's export sector continues to post record revenues, and recent industrial production figures suggest that domestic manufacturing activity remains on a solid footing. By contrast, private consumption remains subdued and the property sector continues to face significant headwinds. Rising repatriation flows as well as the PBoC's continued willingness to tolerate and facilitate a gradual appreciation of the CNY against the USD, underpin our expectation of further CNY strength over the coming twelve months, with **USD/CNY** forecast to reach 6.60.

Alternatives: Different paths by asset class

- Opportunities may emerge for infrastructure and venture capital.
- Fewer private equity and private credit deals; selectivity is key.
- Real estate and hedge funds call for differentiation.

Global **private equity** deal activity has remained relatively muted, similar to the preceding quarter. The US market has generally been less affected than Europe or APAC. While there are signs of a pick-up in deal activity in some sub-sectors, and areas such as logistics continue to attract investor interest, a broader recovery will likely require greater investor confidence. On the other hand, global **venture capital** activity has remained robust despite ongoing global uncertainty. Opportunities may continue to emerge in segments aligned with long-term structural themes such as Deep Technologies and Defence Technologies, with Europe increasingly positioned as an attractive growth market.

Private **infrastructure** is currently experiencing a phase of structural growth. The US is likely to remain the largest market, while Europe could continue to see above-average growth rates, driven by a mix of public and private investment. The funding gap between public and private capital continues to present opportunities across infrastructure modernisation, energy transition, AI, and defence. Core infrastructure may provide some inflation protection, while higher rates, regulation and changing public priorities remain key risks.

The global **private credit** market has slowed, and investor selectivity has increased in recent quarters. The US remains the largest market, where refinancing needs, growing use of pay-in-kind structures, and higher-for-longer rates warrant a focus on quality. Europe is relatively resilient, with refinancing activity and direct lending supporting growth despite a slower pace than last year. APAC remains smaller and fragmented, with India and Australia offering the strongest opportunities, though legal complexity, FX, and execution risks emerge as potential headwinds.

The global private **real estate** market has changed significantly over the past five years, with developments varying across property types. Looking ahead, demand for residential real estate in metropolitan areas may remain comparatively stable. Some specialty segments, including logistics and data centres, may continue to benefit from structural demand drivers. At the same time, retail and office properties are likely to face ongoing adjustments to changing user needs. The outlook remains subject to uncertainty and will depend on factors such as interest rates, regulation, and demography.

Within **hedge funds**, equity strategies have delivered the strongest returns this year, albeit below the levels achieved over the past three years. They may continue to benefit from elevated stock dispersion. Macro strategies have generated solid performance, broadly in line with returns over the past three years, supported by policy divergence and geopolitical fragmentation. Multi-asset strategies have also delivered positive returns, though they did not reach the levels of the aforementioned strategies. Quantitative and systematic managers have generally benefited from heightened market volatility and persistent trends across commodities, rates, and currencies. Key risks include incorrect positioning, limit management, changing market conditions, and periods of elevated volatility.

Appendix

Macroeconomic forecasts

	2026	2027	Consensus 2026 (BBG[1])
GDP growth rate (%)			
US[2]	2.1	2.0	2.2
Eurozone	0.9	1.3	0.8
Germany	1.3	1.1	0.8
France	0.8	1.2	0.8
Italy	0.8	1.0	0.9
Spain	2.6	2.0	2.4
Japan	0.8	1.0	0.6
China	4.6	4.5	4.6
World	3.0	3.3	3.0
Consumer price inflation (%)			
US	3.2	2.3	3.3
Eurozone	3.1	2.5	2.8
Germany	3.1	2.6	2.6
Japan	2.0	1.8	2.0
China	0.8	1.0	1.1
Unemployment rate (%)			
US	4.4	4.4	4.3
Eurozone	6.3	6.1	6.3
Germany	6.3	6.1	6.3
Japan	2.5	2.5	2.6
China[3]	5.1	5.1	5.1
Fiscal balance (% of GDP)			
US	-6.3	-6.4	-6.3
Eurozone	-3.6	-3.7	-3.4
Germany	-3.9	-4.4	-3.8
Japan	-3.3	-3.3	-2.9
China[4]	-8.1	-8.3	-5.6

[1] Bloomberg consensus.
[2] For the US, GDP growth Q4/Q4 % is 2.0% in 2026 and 1.8% in 2027.
[3] Urban unemployment rate (end of period), not comparable to consensus data.
[4] China fiscal deficit refers to IMF general public sector deficit. It is not comparable with the consensus.

Source: Deutsche Bank AG, Bloomberg Finance L.P.; Data as of September 3, 2026.

Appendix

Asset class forecasts for September 2027

Sovereign bond yields (%)

United States (2-Year US Treasury)	4.00
United States (10-Year US Treasury)	4.50
United States (30-Year US Treasury)	5.10
Germany (2-Year German Bund)	2.60
Germany (10-Year German Bund)	3.10
Germany (30-Year German Bund)	3.70
United Kingdom (10-Year UK Government)	4.40
Japan (2-Year Japan Government)	2.00
Japan (10-Year Japan Government)	3.00

Benchmark rates (%)

United States (federal funds rate)	3.75-4.00
Eurozone (deposit rate)	2.50
United Kingdom (repo rate)	3.75
Japan (policy rate)	1.75
China (1-year lending rate)	3.00

Currencies

EUR vs. USD	1.20
USD vs. JPY	150
EUR vs. JPY	180
EUR vs. CHF	0.92
EUR vs. GBP	0.85
GBP vs. USD	1.42
USD vs. CNY	6.60

Equity indices

United States (S&P 500)	8,400
Germany (DAX)	28,600
Eurozone (EURO STOXX 50)	6,900
Europe (STOXX Europe 600)	690
Japan (MSCI Japan)	2,760
Switzerland (SMI)	15,150
United Kingdom (FTSE 100)	11,300
Emerging Markets (MSCI EM)	1,790
Asia ex Japan (MSCI Asia ex Japan)	1,180

Commodities (USD)

Gold (oz)	5,000
Crude Oil (Brent Spot, bbl)	79
Copper (t)	15,100
EU Carbon Allowances (Carbon Spot, t)	90

Corporate & EM bond spreads (bps)

EUR IG Corp	80
EUR HY	280
USD IG Corp	85
USD HY	300
Asia Credit	125
EM Sovereign	240

Source: Deutsche Bank AG;
Data as of September 3, 2026.

Appendix

Historical performance

	03.09.2021–03.09.2022	03.09.2022–03.09.2023	03.09.2023–03.09.2024	03.09.2024–03.09.2025	03.09.2025–03.09.2026
Performance					
S&P 500	-12.2%	17.0%	24.2%	18.2%	21.6%
STOXX Europe 600	-9.0%	13.8%	17.2%	8.7%	22.4%
MSCI EM	-23.6%	4.6%	13.9%	19.5%	37.4%
EURO STOXX 50	-14.0%	19.6%	15.2%	14.9%	22.9%
SMI	-9.3%	4.9%	15.1%	2.0%	21.6%
DAX	-17.3%	21.4%	18.4%	25.9%	10.2%
FTSE 100	5.8%	6.5%	15.4%	14.6%	21.8%
MSCI Japan	-2.0%	24.6%	20.1%	12.1%	39.3%
MSCI Asia ex Japan	-24.6%	3.6%	15.7%	20.1%	39.6%
2-Year US Treasury	-3.2%	0.5%	6.1%	4.3%	2.6%
10-Year US Treasury	-14.0%	-4.4%	6.9%	1.4%	0.3%
30-Year US Treasury	-26.2%	-12.7%	6.9%	-7.9%	-0.7%
2-Year German Bund	-2.5%	-0.7%	2.9%	2.4%	0.6%
10-Year German Bund	-15.2%	-5.9%	4.9%	-1.1%	-1.6%
30-Year German Bund	-35.1%	-21.9%	4.7%	-13.1%	-5.3%
10-Year UK Government	-16.4%	-9.1%	9.0%	-1.2%	3.2%
2-Year Japan Government	-0.1%	-0.1%	-0.2%	0.0%	-0.2%
10-Year Japan Government	-1.1%	-0.1%	-1.2%	-4.0%	-7.8%
EUR vs. USD	-16.2%	8.3%	2.5%	5.6%	-0.3%
USD vs. JPY	27.8%	4.3%	-0.5%	1.8%	5.2%
EUR vs. JPY	7.0%	12.9%	2.0%	7.5%	4.9%
EUR vs. CHF	10.5%	2.8%	1.8%	0.1%	-0.3%
EUR vs. GBP	0.9%	-1.0%	-1.6%	3.0%	-0.9%
GBP vs. USD	-17.0%	9.4%	4.2%	2.5%	0.6%
USD vs. CNY	6.9%	5.2%	-1.9%	0.3%	-5.9%
Gold (oz)	-6.4%	13.0%	27.9%	43.6%	26.4%
Crude Oil (Brent Spot. bbl)	25.9%	-2.0%	-16.7%	-9.7%	43.8%
Copper (t)	-18.4%	10.2%	4.1%	12.2%	45.2%

Source: Deutsche Bank AG, Bloomberg Finance L.P., LSEG Datastream; Data as of September 3, 2026.

Glossary

The **Bank of England (BoE)** is the central bank of the United Kingdom.

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

Brent is a grade of crude oil used as a benchmark in oil pricing.

Bunds are longer-term bonds issued by the German government.

CNY is **the** currency code for the Chinese yuan.

The **consumer price index (CPI)** measures the price of a basket of products and services based on the typical consumption of a private household.

Crack spread is the margin between crude-oil prices and refined-product prices.

Credit spread is the yield difference between a credit instrument and a comparable government benchmark.

Curve flattening occurs when the difference between longer-term and shorter-term bond yields decreases.

The **DAX** is a blue-chip stock-market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange; other DAX indices include a wider range of firms.

A **developed market (DM)** is a country that is advanced economically, with developed capital markets and high levels of per capita income.

Duration measures the sensitivity of the price of a bond to changes in interest rates, expressed in the number of years that it will take for an investor to recoup a bond's value through its interest (coupon) and final principal repayment.

An **emerging market (EM)** is a country that has some characteristics of a developed market in terms of market efficiency, liquidity and other factors, but does not meet all developed market criteria.

The **European Central Bank (ECB)** is the central bank for the Eurozone.

The **ECB's deposit rate** is the rate paid to banks on their overnight deposits with the ECB.

The **EURO STOXX 50 Index** tracks the performance of blue-chip stocks in the Eurozone and includes the super-sector leaders in terms of market capitalization.

The **Eurozone** is formed of 21 European Union member states that have adopted the euro as their common currency and sole legal tender.

EUR is the currency code for the euro, the currency of the Eurozone.

Exchange Traded Commodities (ETCs) are commodities traded on a stock exchange and can provide exposure to individual commodities.

The **Fed funds rate** is the interest rate at which depository institutions lend overnight to other depository institutions.

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

Forward guidance refers to the communication by a central bank of its likely future monetary policy actions.

The **FTSE 100 Index** tracks the performance of the 100 major companies trading on the London Stock Exchange.

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

Gilts are bonds that are issued by the British Government.

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.

A **GDP deflator** measures changes in the prices of all final goods and services produced domestically.

Glossary

Hedge funds are alternative investment vehicles using pooled funds that may use a number of different strategies in order to earn active return for their investors.

High-yield (HY) bonds are higher-yielding bonds with a lower credit rating than investment-grade corporate bonds, Treasury bonds and municipal bonds.

Implied volatility is the market's expectation of future price variability derived from option prices.

An **investment grade (IG) rating** by a rating agency such as Standard & Poor's indicates that a bond is seen as having a relatively low risk of default.

JGB stands for Japanese Government Bonds.

JPY is the currency code for the Japanese yen, the Japanese currency.

The **London Metal Exchange (LME)** is a major centre for industrial metals trading.

LNG stands for Liquefied natural gas.

The **MSCI Asia ex Japan Index** captures large- and mid-cap representation across 2 of 3 developed-market countries (excluding Japan) and 8 emerging-market countries in Asia.

The **MSCI EM Index** captures large- and mid-cap representation across 24 emerging markets countries.

The **MSCI Japan Index** measures the performance of around 168 large- and mid-cap stocks, accounting for about 85% of Japanese market capitalisation.

NTM stands for next twelve months in the context of earnings and thus price/earnings ratios.

The **People's Bank of China (PBoC)** is the central bank of the People's Republic of China.

Private credit is debt financing supplied to companies by non-bank lenders through privately negotiated transactions.

Private equity refers to funds or individuals investing directly in private, non-listed companies.

Private infrastructure involves privately financed investment in essential physical or organisational systems and facilities.

Private real estate is property investment conducted through private, non-listed funds or direct ownership.

A **real yield** is a bond's yield after accounting for inflation.

The **S&P 500 Index** includes 500 leading US companies capturing approximately 80% coverage of available US market capitalisation.

The **STOXX Europe 600** includes 600 companies across 17 European countries.

The **Swiss Market Index (SMI)** includes 20 large and mid-cap stocks.

The **term premium** measures the yield difference between a longer-term bond and a shorter-term bond.

Treasuries are bonds issued by the US government.

US is the United States.

USD is the currency code for the US dollar.

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

Important note

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