Deutsche Bank
Chief Investment Office

2026 Third Quarter: CIO Outlook

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Our live event will start shortly...

July 2026

Deutsche Bank
Chief Investment Office

2026 Third Quarter: CIO Outlook

Please email questions to:
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July 2026

Economy – The art of intelligence

US

	2026F	2027F
GDP	2.0%	2.0%
CPI	3.2%	2.3%
Deficit	-6.6%	-6.8%

Eurozone

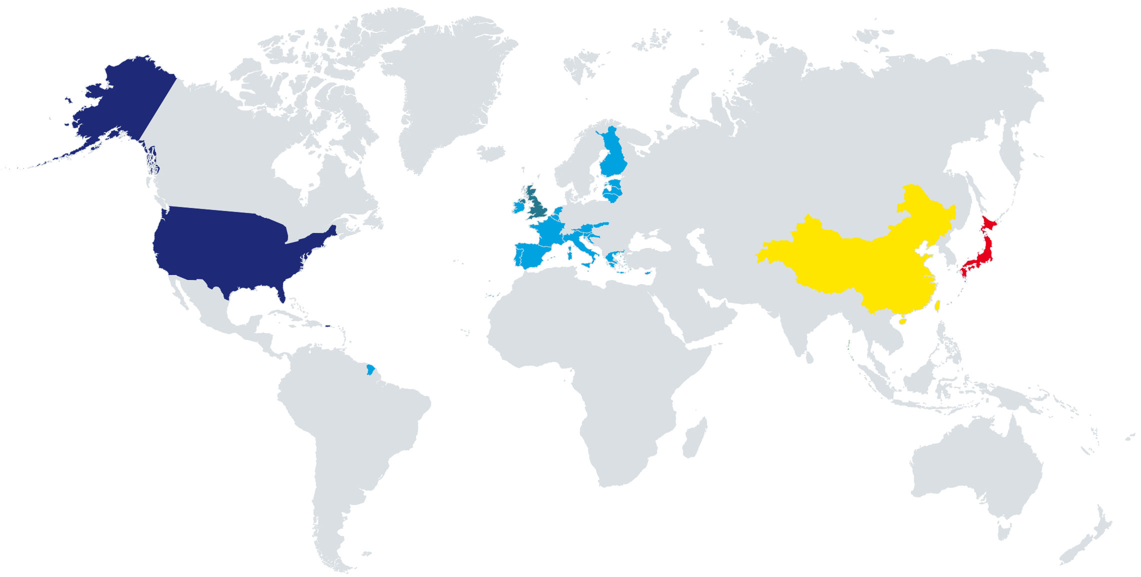
	2026F	2027F
GDP	0.9%	1.3%
CPI	3.1%	2.5%
Deficit	-3.4%	-3.4%

China

	2026F	2027F
GDP	4.7%	4.4%
CPI	0.8%	1.0%
Deficit	-8.5%	-8.4%

Germany

	2026F	2027F
GDP	0.7%	1.1%
CPI	3.1%	2.6%
Deficit	-3.4%	-3.7%



Japan

	2026F	2027F
GDP	0.7%	0.9%
CPI	2.3%	2.4%
Deficit	-8.5%	-8.4%

Note: 2026F and 2027F are Deutsche Bank forecasts.
Source: Deutsche Bank AG. Data as of July 10, 2026

US-Israel-Iran Conflict: latest supply shock

	Swift normalisation **Energy flows normalize quickly**	Base case scenario **Gradual normalization** **Energy flows start to normalize, approaching full normalization by September**	**Sustained supply disruptions** **Strait of Hormuz remains effectively closed into H2 2026**
Economics	**US**: Limited hit to growth; headline inflation rises temporarily **EZ**: Slower growth but no recession; headline inflation rises, core only slightly	**US**: Measured growth impact; temporary increase in headline inflation **EZ**: Transitory impact on growth. Increase in headline inflation. Longer term inflation expectations takes slightly longer to re-adjust.	**US**: Stagflationary environment, risk of recession. High increase in headline inflation, rising core inflation **EZ**: Recession; Significant increase in headline inflation, feeding into core inflation
Central Banks	**Fed** delays cuts **ECB** stays put and data dependent	**Fed** delays cuts to confirm temporary nature of inflation increase **ECB** to hike twice to mitigate the risk of second round inflation, easing bias in 2027	**Fed** hikes rates, but may be forced to cut rates once growth concerns intensify **ECB** hiking in 2026, cutting in 2027 as recession materialises

Source: Deutsche Bank AG. As of July 10, 2026.

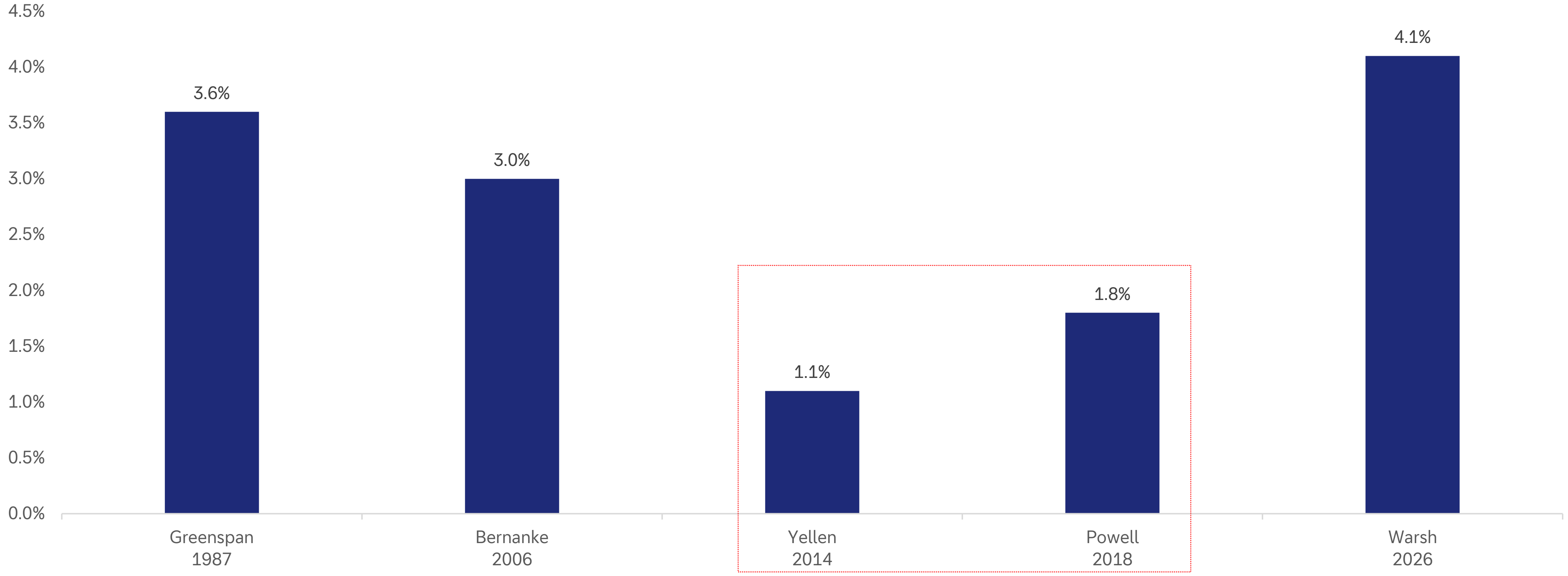
The Fed under Kevin Warsh – Five Task Force

Area of focus	Objective	Leadership Team*
Communications	**Review** how the Fed communicates policy decisions under uncertainty	Peter R. Fisher (CB, ECO) Arminio Fraga (CB) Mervyn King (CB)
Balance Sheet Policy	**Evaluate** the effectiveness and trade-offs of the current monetary policy framework	Karen Dynan (ECO) Raghuram Rajan (CB, ECO) Jeremy Stein (ECO)
Data Sources	**Enhance** the use of timely, high-quality economic data in policymaking	Raj Chetty (ECO) Doug McMillon (BUS) Kevin Murphy (ECO)
Productivity and Jobs	**Assess** the macroeconomic impact of emerging technologies, including AI	Marc Andreessen (BUS) Charles I. Jones (ECO, BUS) Asha Sharma (BUS)
Inflation Frameworks	**Deepen** understanding of inflation dynamics and their policy implications	Greg Mankiw (ECO) Thomas Sargent (ECO) William White (ECO, CB)

*Leadership team: ECO (Economist), CB (Central Banker), BUS (Business/Industry expert)
Source: Federal Reserve, Deutsche Bank Data as of July 10, 2026.

Warsh is stepping into a much different enviroment than the two prior Fed chairs

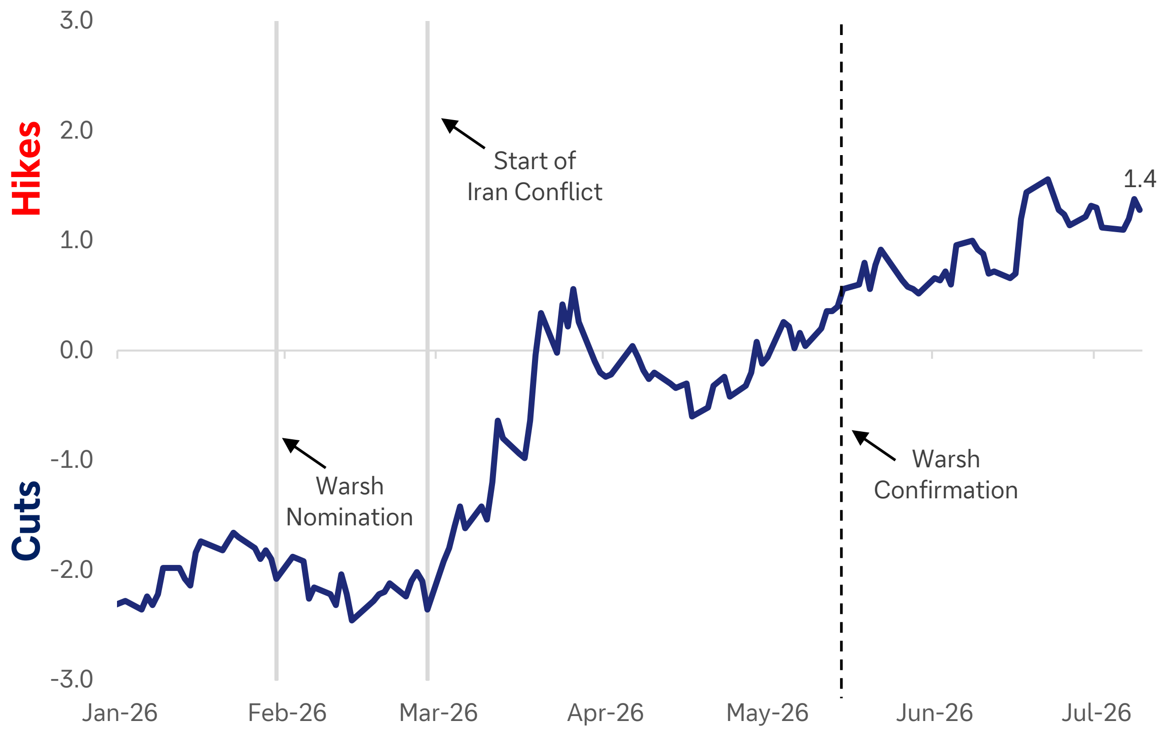
Personal Consumption Expenditures (chain-type price index*): at start of Fed chair



*A chained-price index measures inflation using a basket of goods that is continuously updated to show how consumers substitute products as relative prices change.
Source: FRED, Deutsche Bank AG. Data as of July 10, 2026.

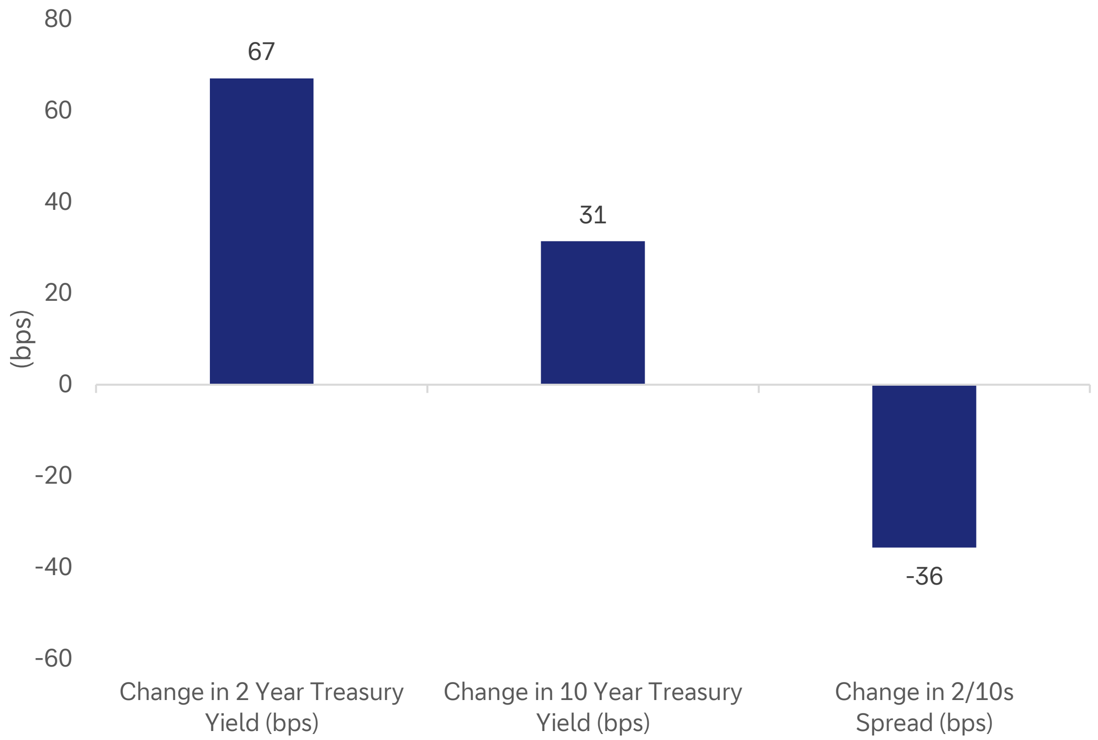
Price stability > Maximum employment > Easing cycle

Number of 25 bps cuts/hikes priced in by year end 2026



Source: FactSet, Deutsche Bank AG. Data as of July 10, 2026.
Hike/Cut Pricing = Current Effective Fed Funds Rate - Implied Yield of December 2026 Fed Funds Futures Contract

The curve has bear flattened since Warsh nomination



Source: FactSet, Deutsche Bank AG. Data as of July 10, 2026.

Key calendar dates and how the President's party has fared in the last 15 midterm elections

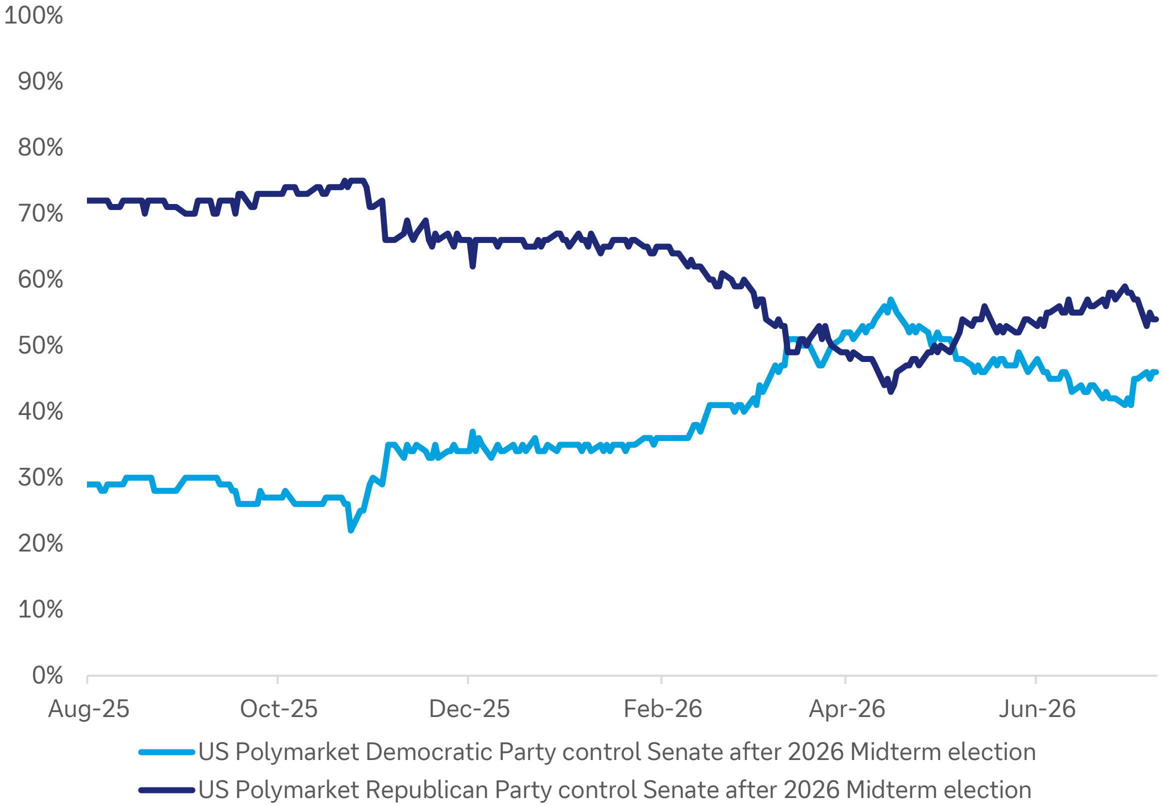
Date	Event
Jul 24^{th}	Section 122 tariffs set to expire
Aug 20^{th} – 22^{nd}	Jackson Hole Economic Symposium
Oct 1^{st}	Federal funding for FY 2027 expires (potential for government shutdown)
Oct 12^{th} – 18^{th}	IMF/World Bank annual meetings
Nov 3^{rd}	US midterm election
Nov 18^{th}	APAC summit in Shenzhen
Dec 14-15^{th}	G20 Leader's Summit – Trump National Doral
Spring 2027	Debt ceiling reached

Year	President	House Seat Change
2022	Joe Biden	-9
2018	Donald Trump	-41
2014	Barack Obama	-13
2010	Barack Obama	-63
2006	George W. Bush	-31
2002	George W. Bush	8
1998	Bill Clinton	5
1994	Bill Clinton	-54
1990	George H.W. Bush	-8
1986	Ronald Reagan	-6
1982	Ronald Reagan	-26
1978	Jimmy Carter	-15
1974	Gerald Ford	-42
1970	Richard Nixon	-12
1966	Lyndon B. Johnson	-47

Source: TD Cowen, Deutsche Bank Data as of July 10, 2026.

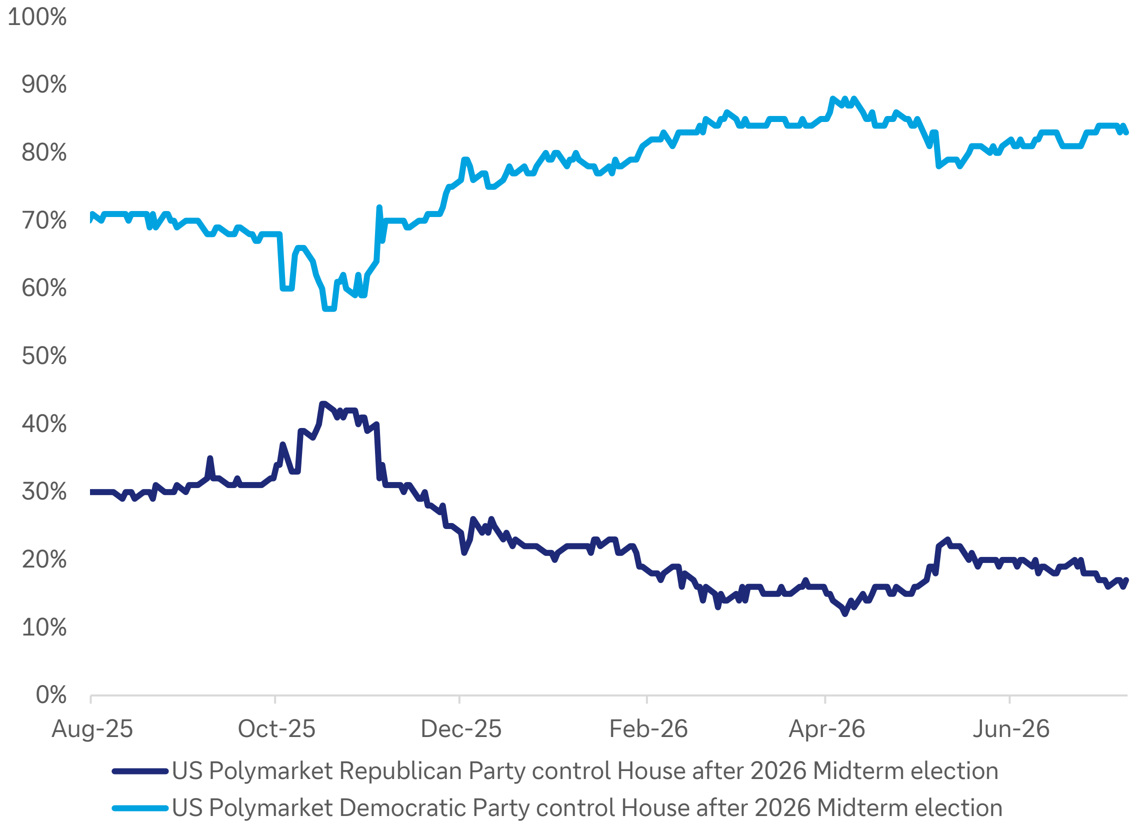
Betting markets are split on who will control the house and senate

Polymarket: party control of senate after 2025 midterms



Source: Polymarket, Deutsche Bank AG. Data as of July 10, 2026.

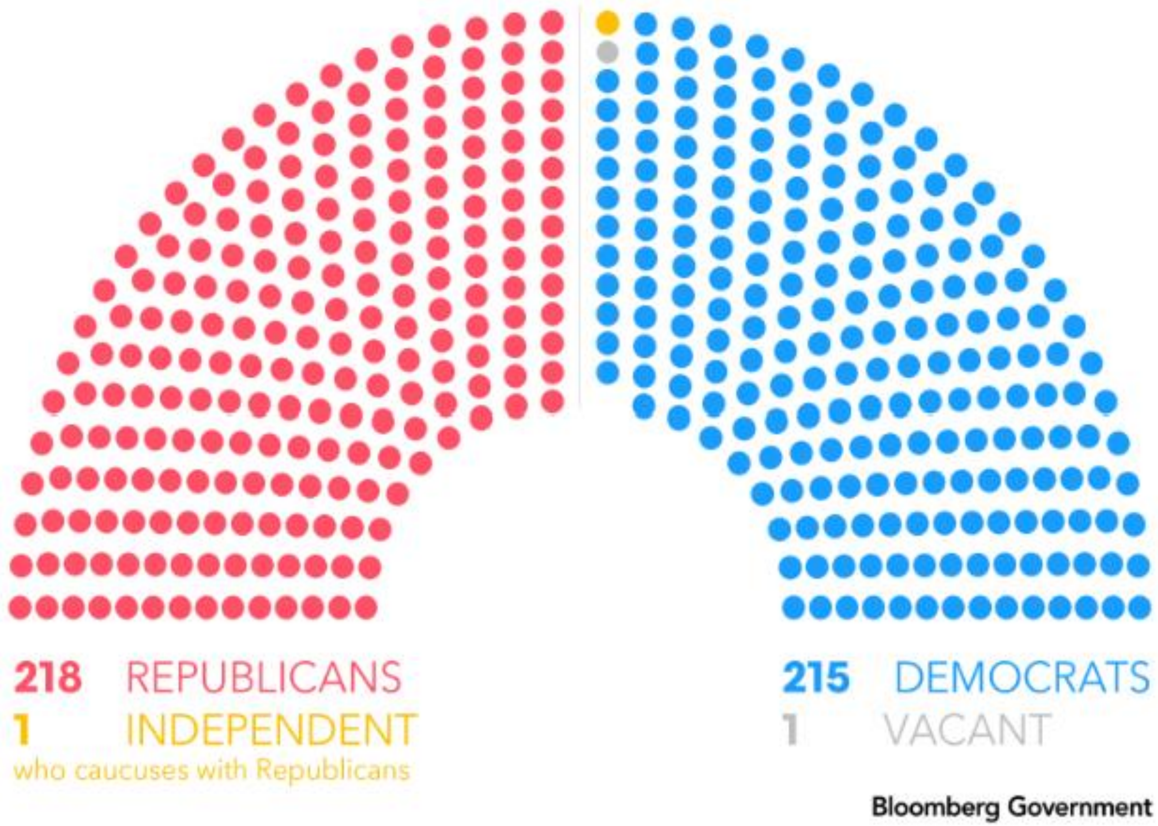
Polymarket: party control of house after 2025 midterms



Source: Polymarket, Deutsche Bank AG. Data as of July 10, 2026.

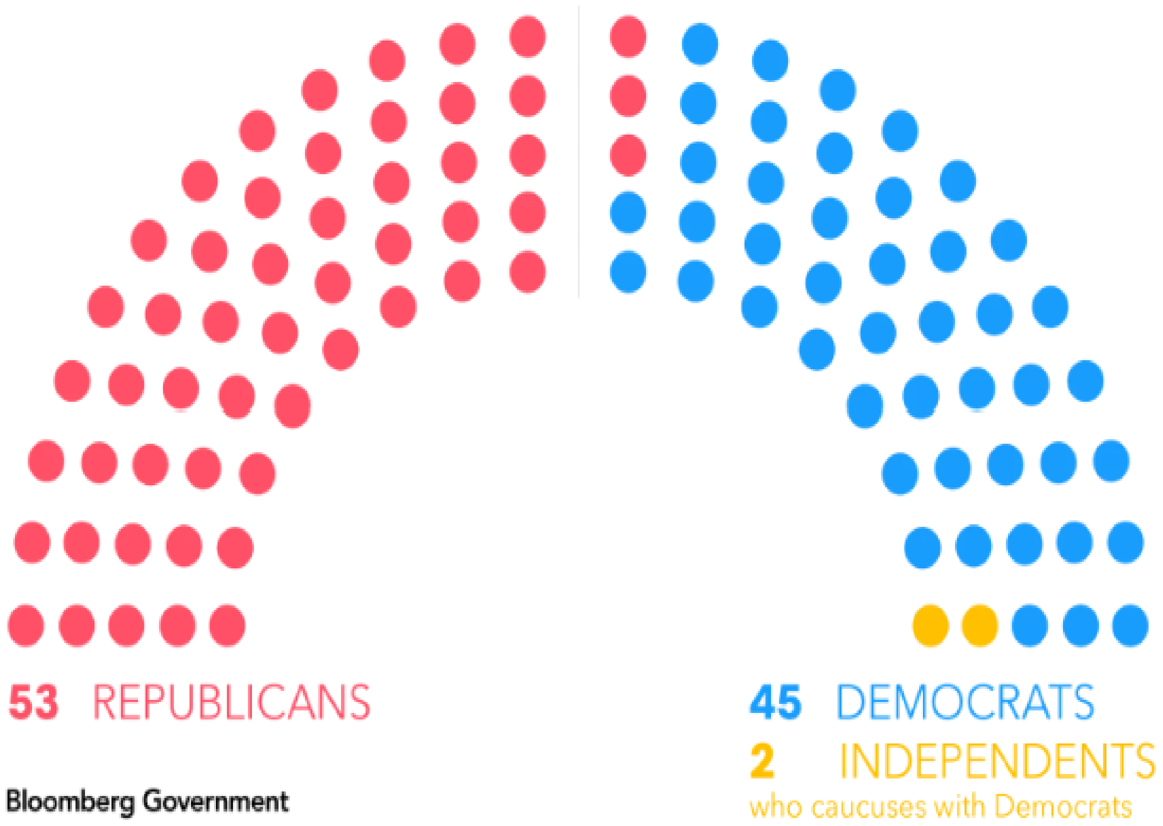
What's at stake: Congressional balance of power

Balance of Power in the House



Source: Bloomberg Government, Deutsche Bank AG. Data as of July 10, 2026.

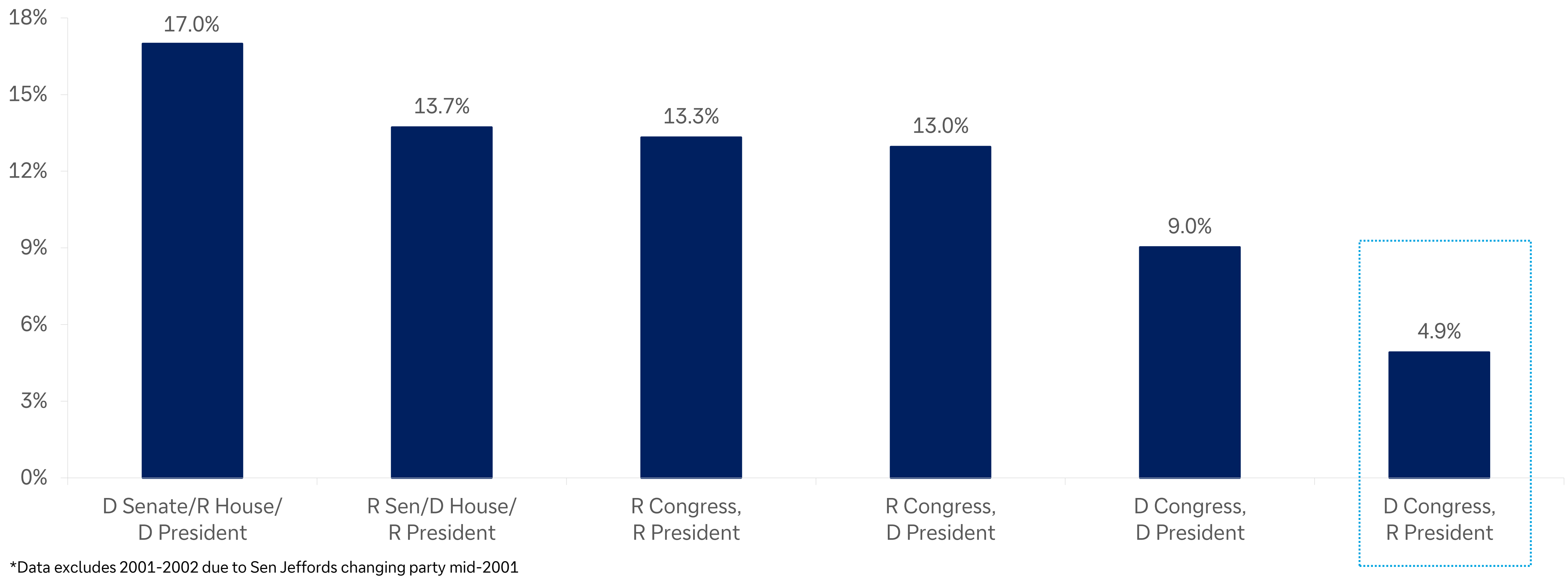
Balance of Power in the Senate



Source: Bloomberg Government, Deutsche Bank AG. Data as of July 10, 2026.

A democratic sweep would be bearish for risk assets come midterms (but not our base case)

Partisan control: average annual S&P 500 performance (1933 – 2025)

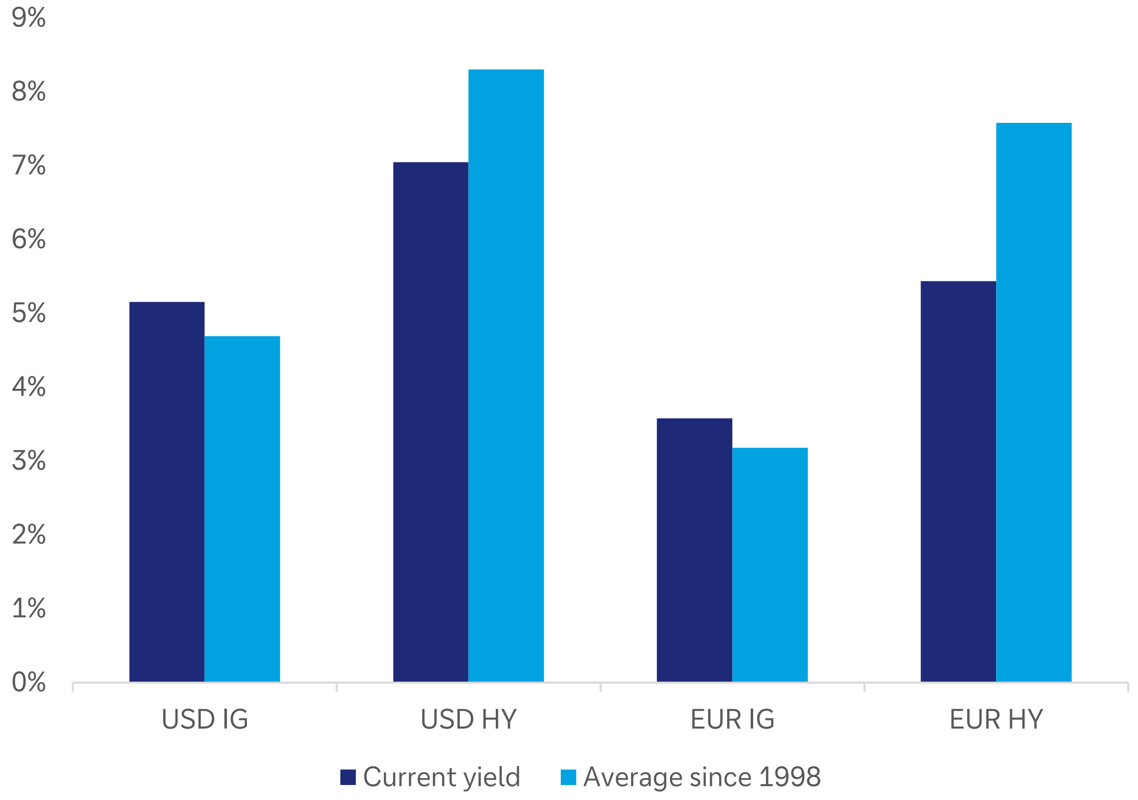


*Data excludes 2001-2002 due to Sen Jeffords changing party mid-2001

Source: Strategas, Deutsche Bank AG. Data as of July 10, 2026.

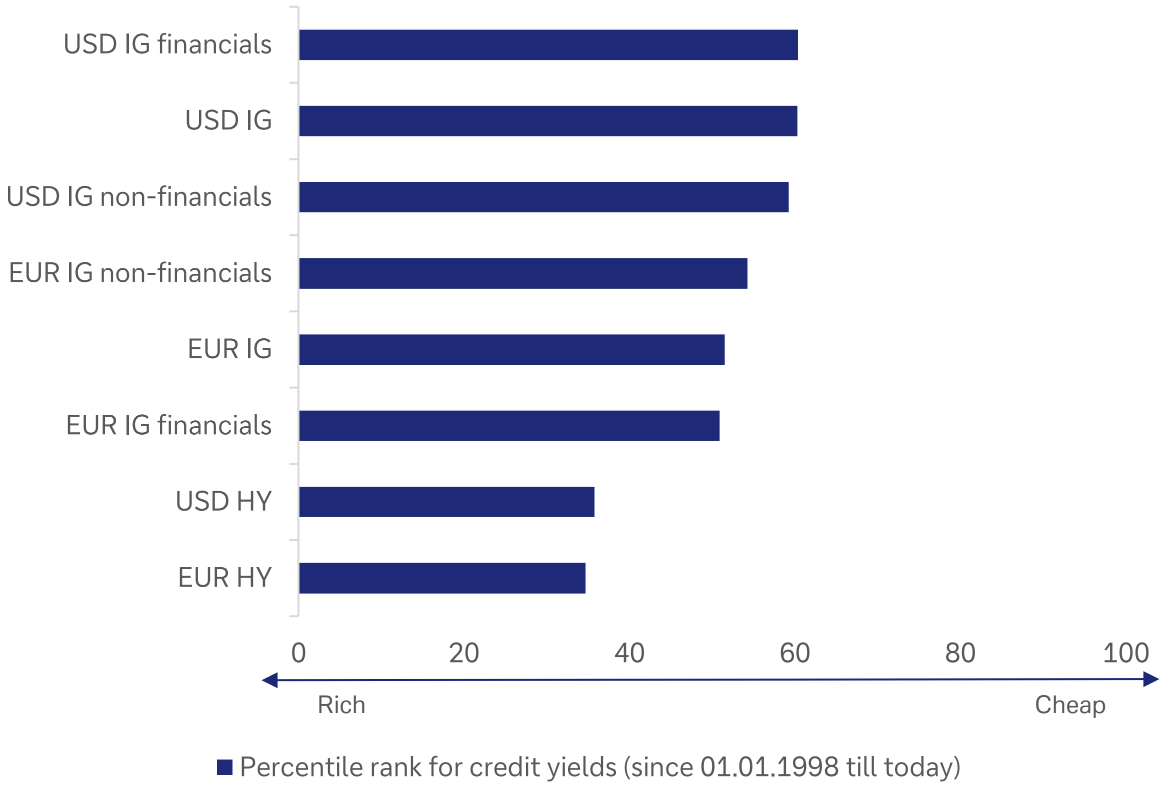
Credit – Yields remain attractive

Income still looks attractive even with narrow spreads



Source: LSEG Datastream, Deutsche Bank AG. Data as of July 10, 2026.

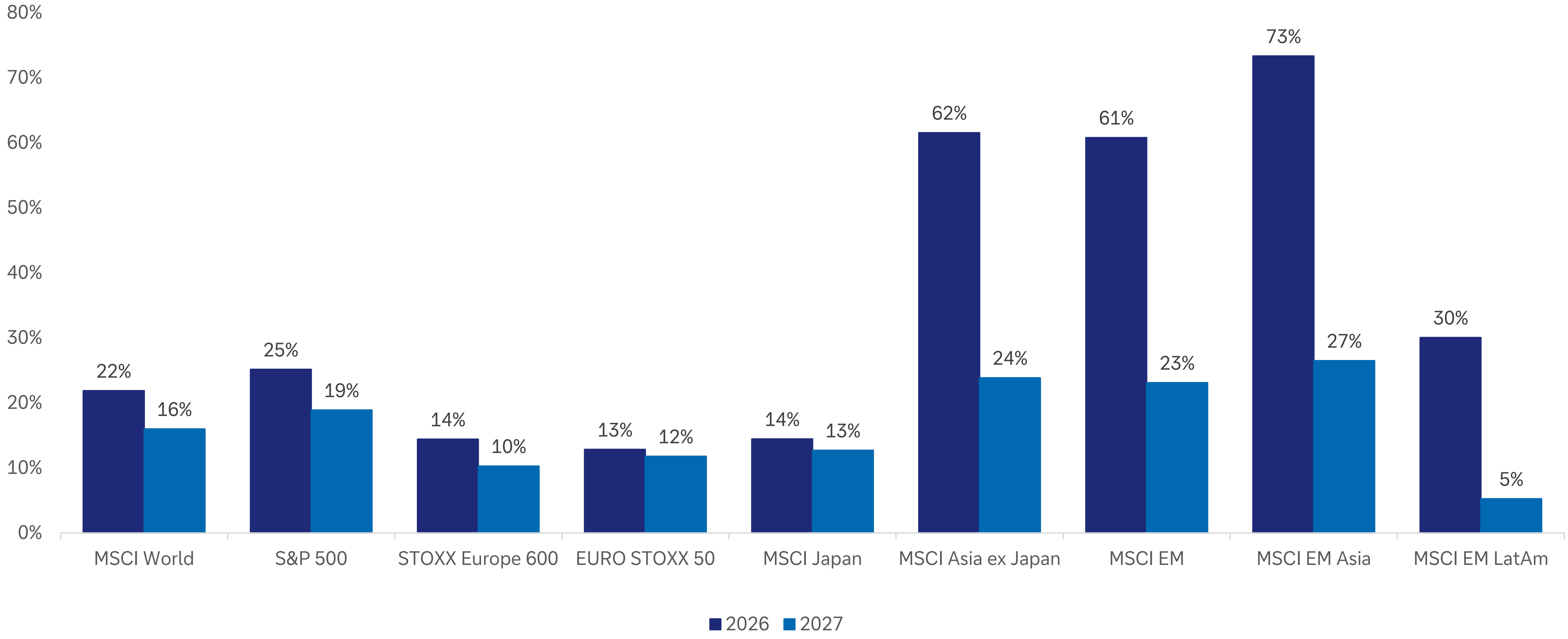
Yields are not expensive by historical standards



Source: LSEG Datastream, Deutsche Bank AG. Data as of July 10, 2026.

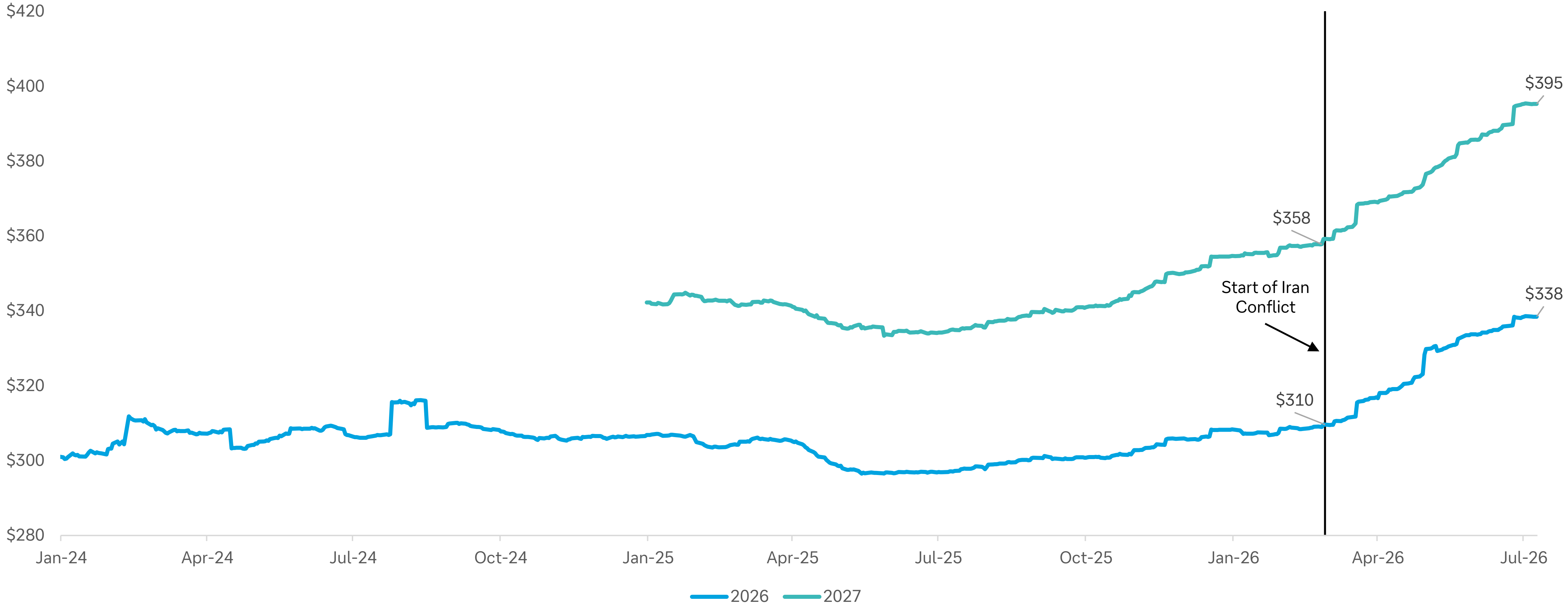
Positive earnings growth expected ahead

Expected earnings growth of major indices (YoY)



Note: For Japan, 2026e refers to the Japanese fiscal year 2026 (from April 2026 to end of March 2027). 2027e refers to the Japanese fiscal years 2027 (from April 2027 to end of March 2028).
Source: LSEG Datastream, Deutsche Bank AG. Data as of July 10, 2026.

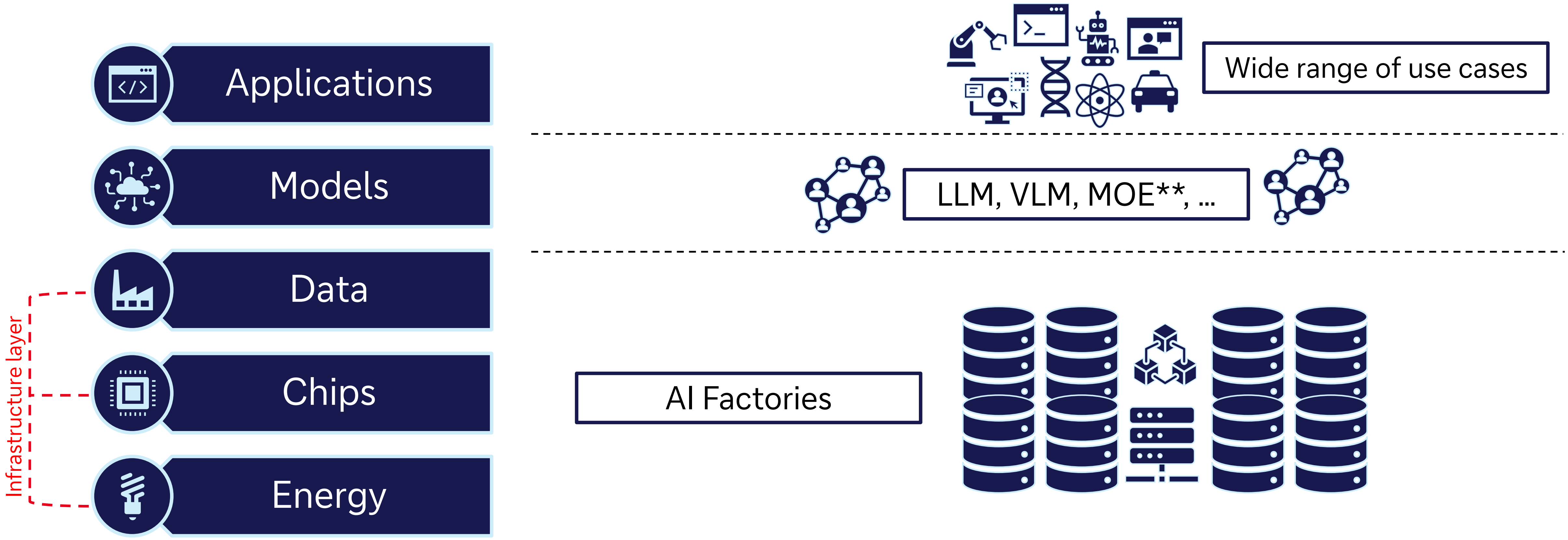
S&P 500 calendar year EPS progression



Source: FactSet, Deutsche Bank AG. Data as of July 10, 2026.

Sector in focus -Technology : The AI buildout persists

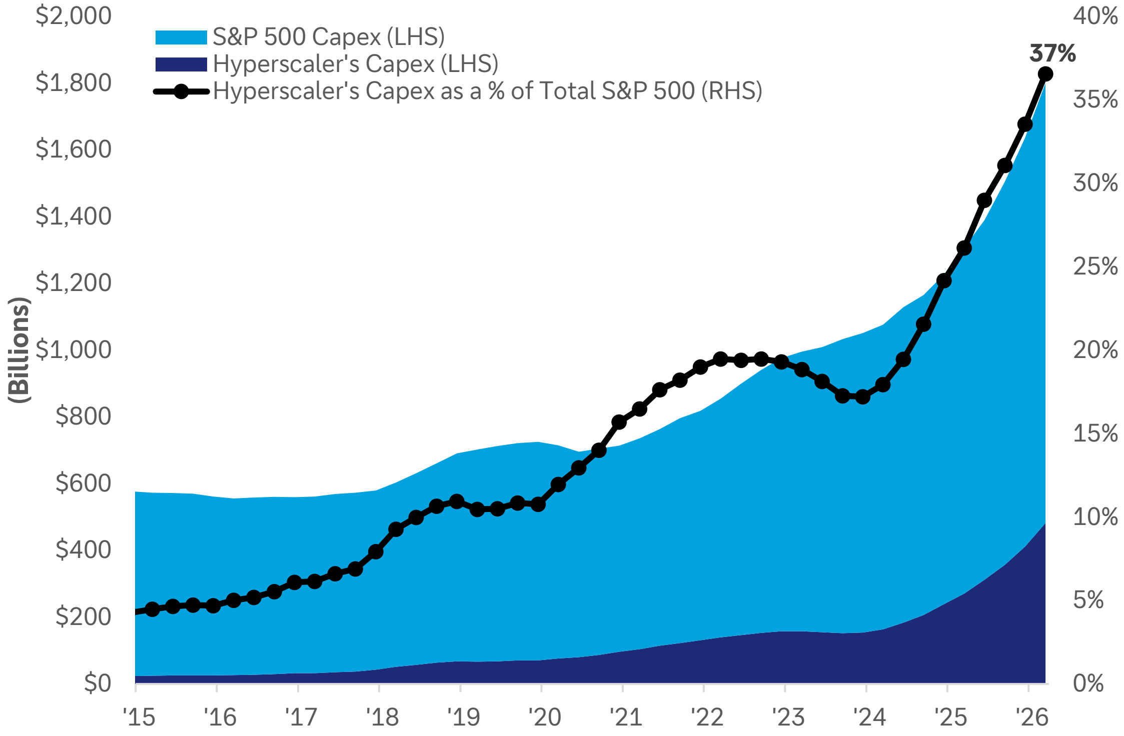
Investments in Infrastructure dominates while AI monetization from applications remain a work in progress



Note: (*Jensen Huang at the WEF 2026. **) Large Language Model, Vision-Language-Model, Mixture of Experts
Source: Deutsche Bank AG

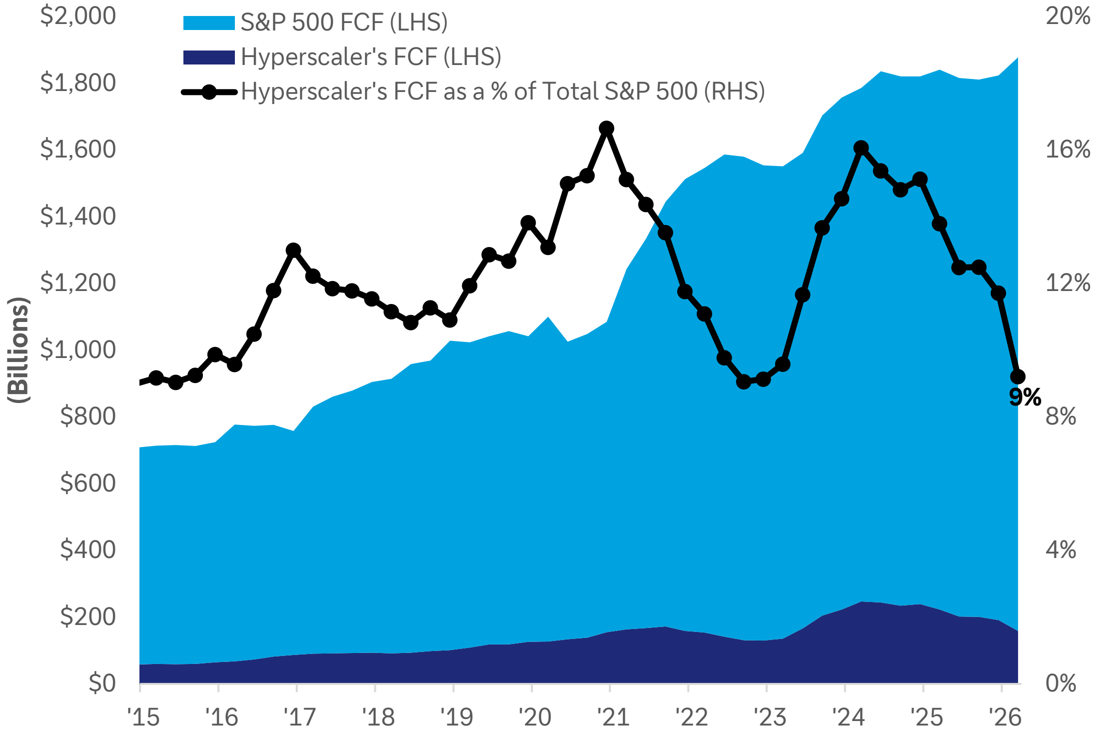
Hyperscaler's capex cycle is driving the S&P 500's capex cycle (at the expense of FCF)

Hyperscaler's LTM capex vs. S&P 500 LTM capex



Source: FactSet, Deutsche Bank AG. "Hyperscaler's" = ORCL, MSFT, AMZN, META, GOOG,
Data as of July 10, 2026 or Most Recent Earnings Report

Hyperscaler's LTM FCF vs. S&P 500 LTM FCF

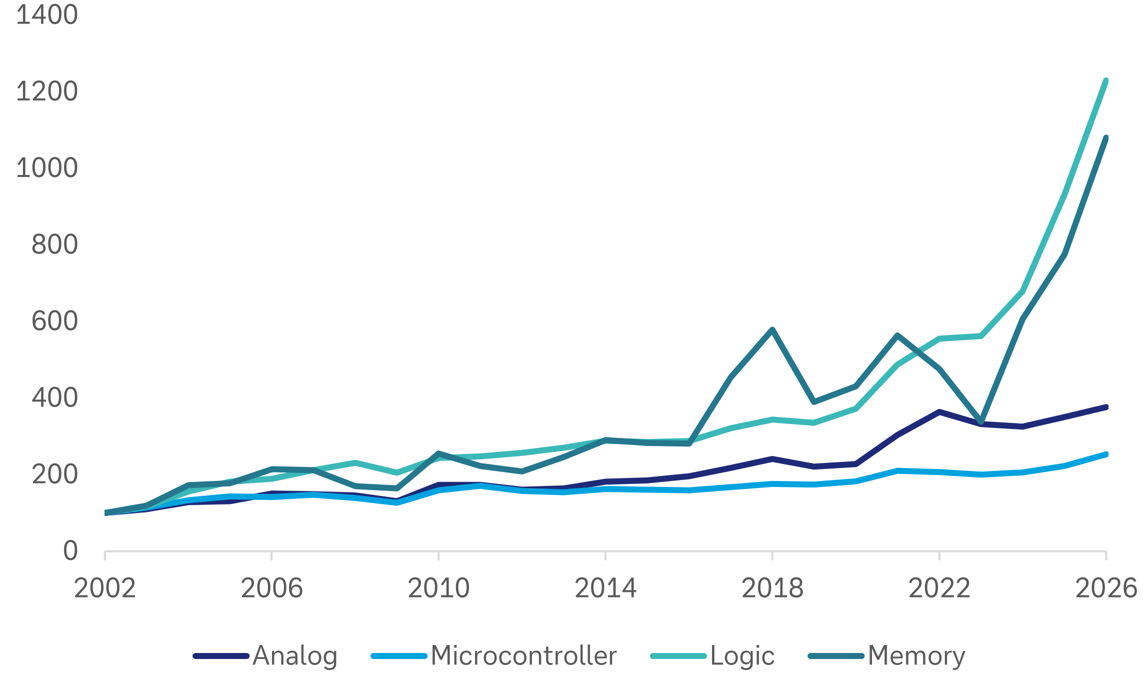


Source: FactSet, Deutsche Bank AG. "Hyperscaler's" = ORCL, MSFT, AMZN, META, GOOG,
Data as of July 10, 2026 or Most Recent Earnings Report

Sector in focus – Technology: Physical bottlenecks in AI create pricing power

Chip sales going through the roof, still not covering demand

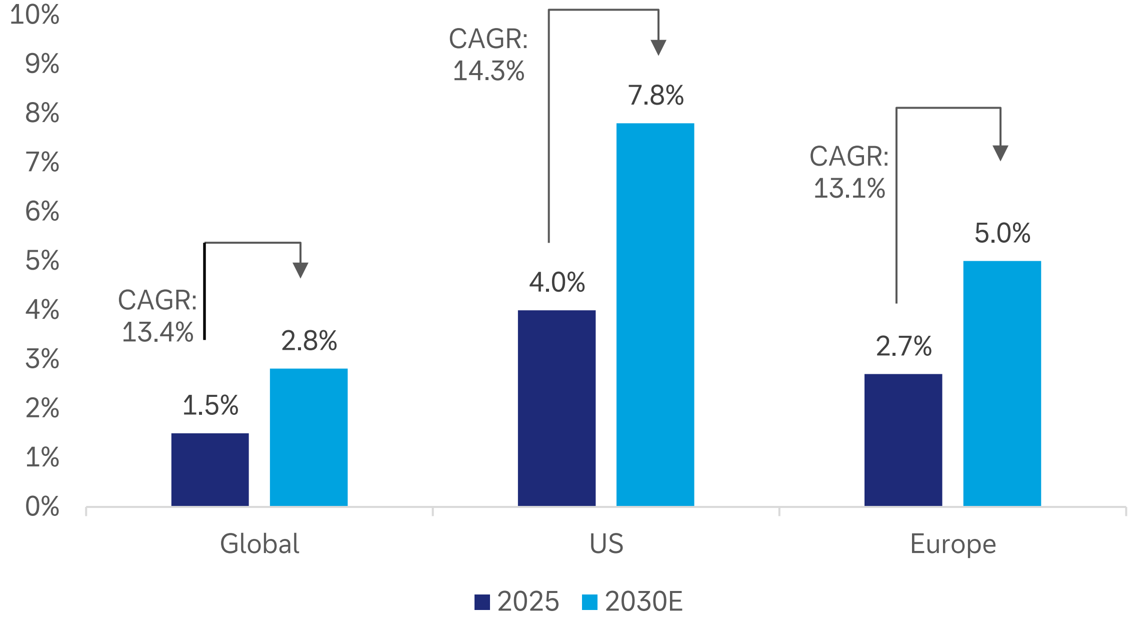
Annual global semiconductor sales (Indexed: 100 = 2002, USD)



Source: LSEG Datastream, Deutsche Bank AG. Data as of July 10, 2026.

Data center electricity demand to roughly double

Data center electricity consumption as % of total electricity demand

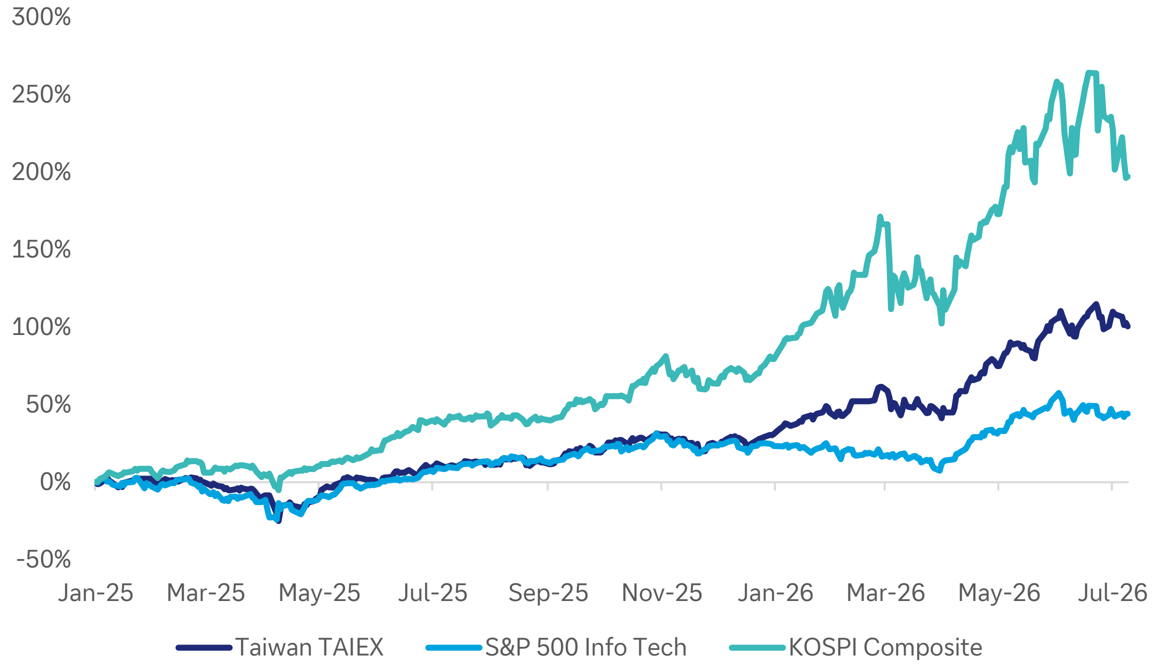


Source: Gartner, Deutsche Bank AG. Data as of July 10, 2026.

Sector in focus – Technology: More than just a US tech trade

Rally is gaining momentum, especially abroad

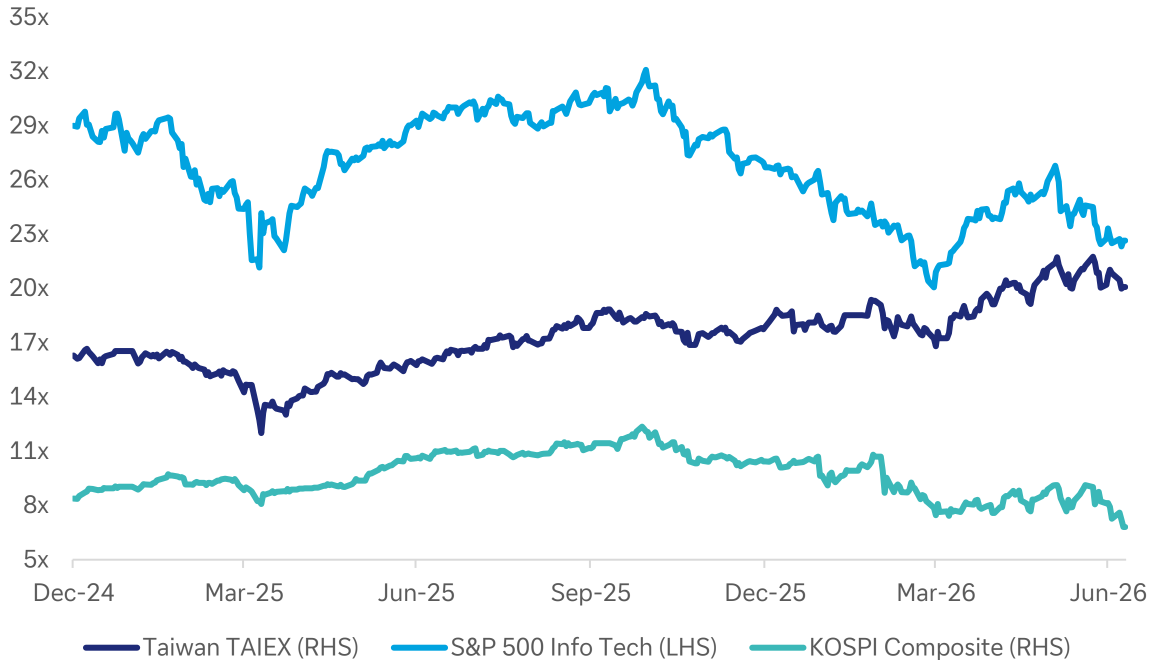
Price return since Jan 1, 2025 (in USD terms)



Source: FactSet, Deutsche Bank AG. Data as of July 10, 2026.

Earnings gains have kept a lid on multiples

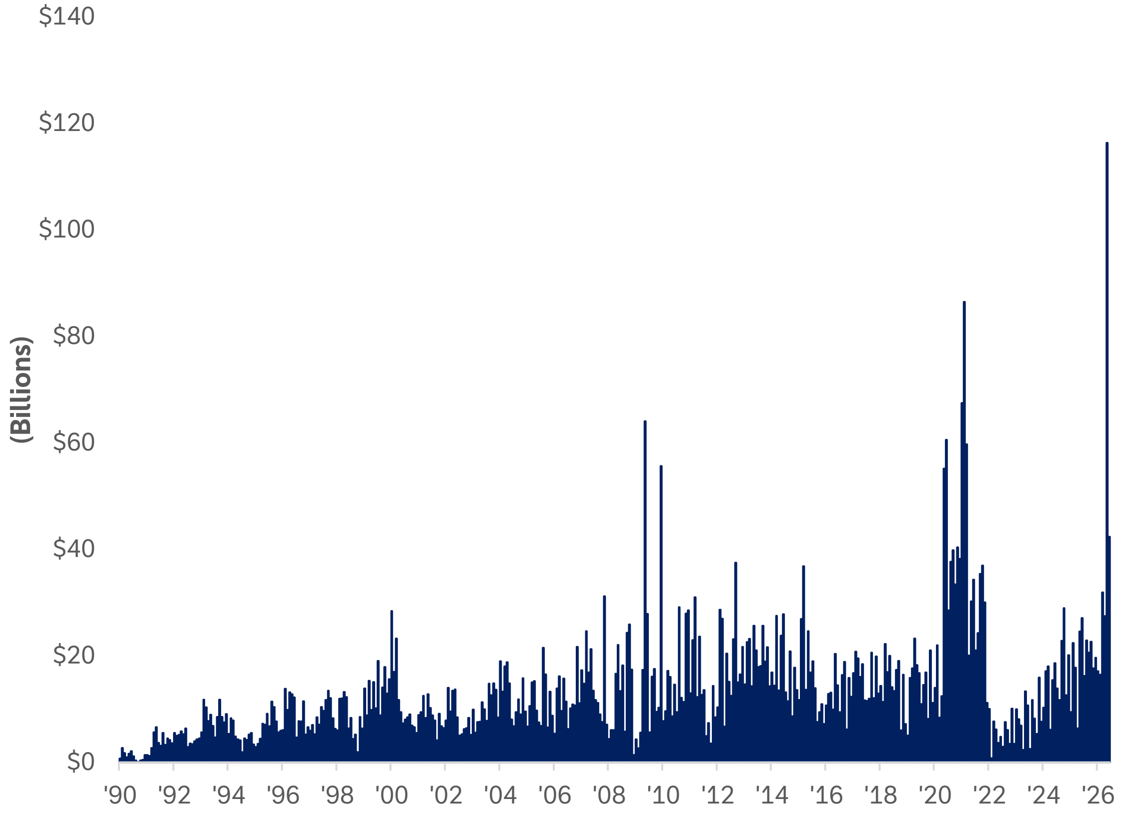
NTM P/E



Source: FactSet, Deutsche Bank AG. Data as of July 10, 2026.

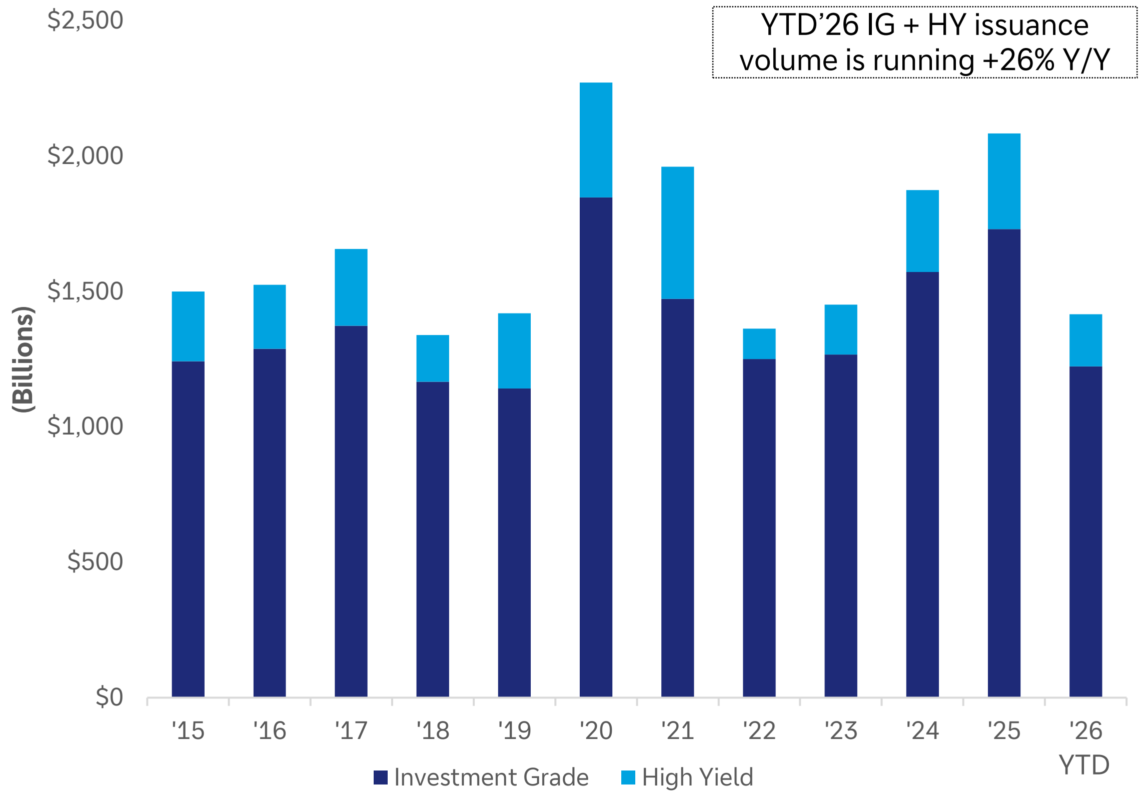
Sector in focus: Financials – Robust capital market activity will be a tailwind for the sector

U.S. IPO & Follow On equity issuance volume



Source: Bloomberg, Deutsche Bank AG. Data as of July 10, 2026.

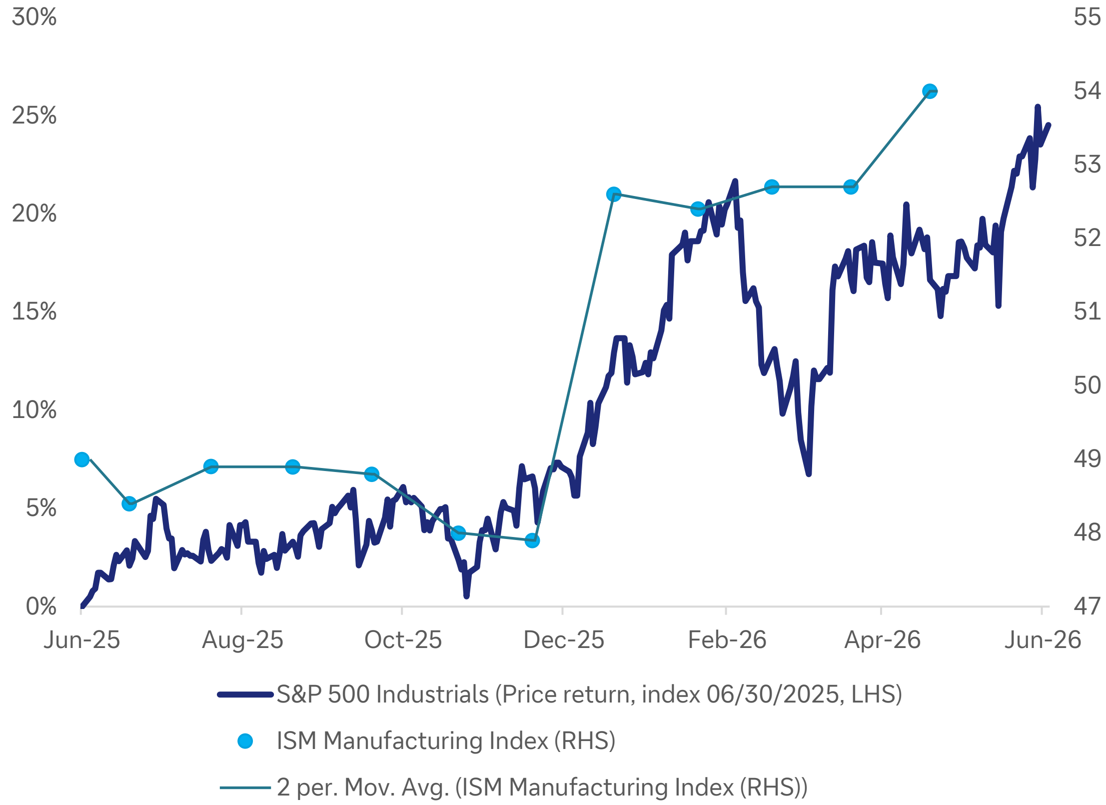
U.S. IG & HY debt issuance volume



Source: Refinitiv, Deutsche Bank AG. Data as of July 10, 2026.

Sector in focus: Industrials driven by manufacturing momentum and energy transition

Industrials track improving manufacturing momentum



Source: LSEG Datastream, Deutsche Bank AG. Data as of July 10, 2026.

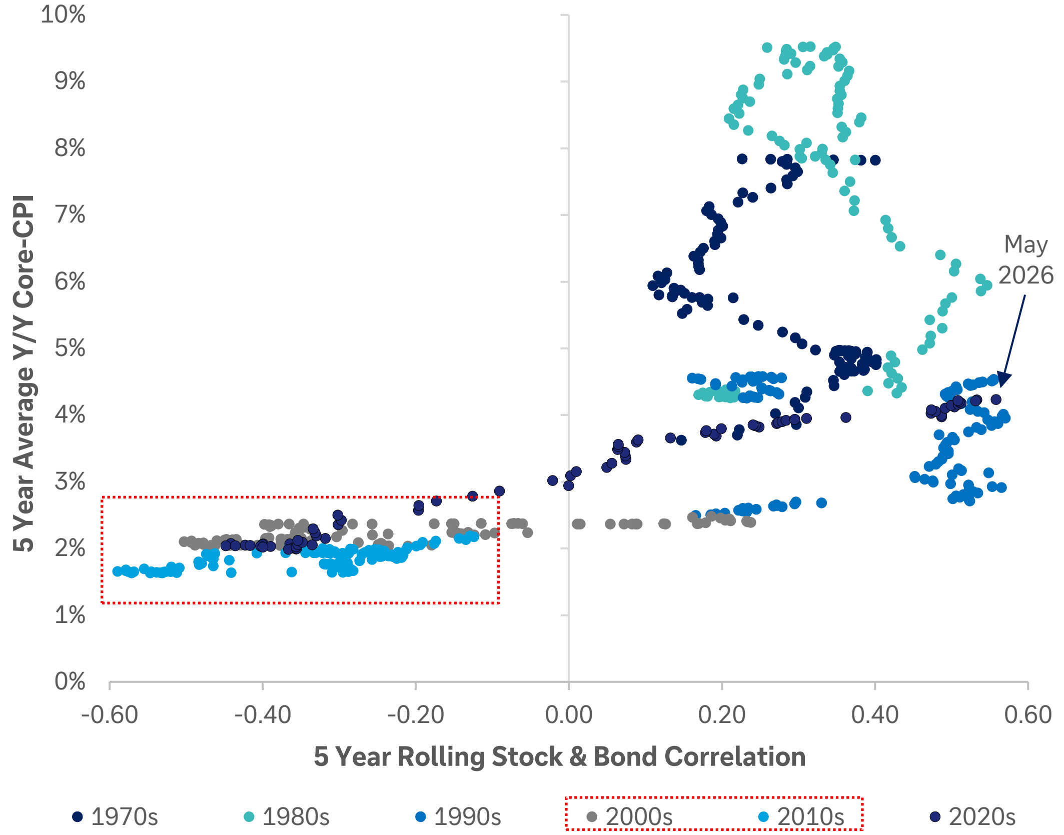
Industrials and energy transition sectors perform well

Total return of MSCI ACWI industries
(indexed: 100 = January 1, 2025, USD)

Source: LSEG Datastream, Deutsche Bank AG. Data as of July 10, 2026.

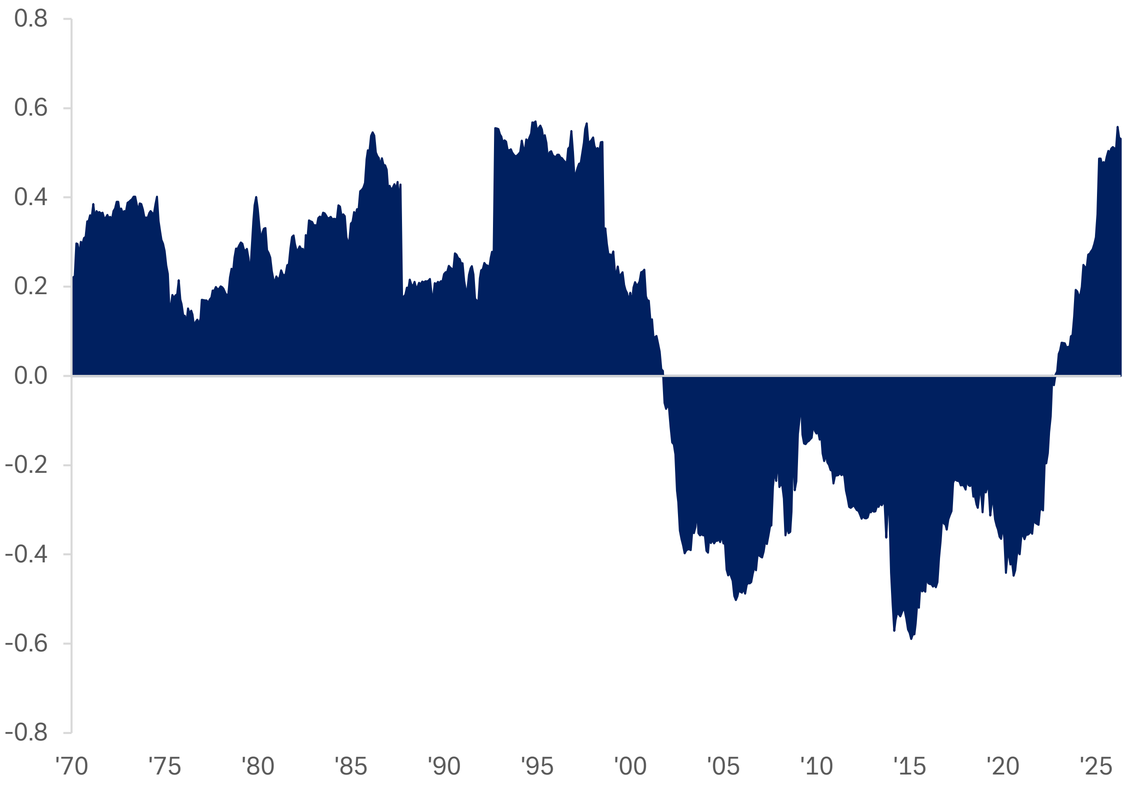
Alternatives – Inflation regime change warrants a more thoughtful approach to portfolio construction

Inflation regimes vs. stock & bond correlation



**Using Monthly Total Return Data For S&P 500 & 10-Year US Treasury
Source: Strategas, FactSet, Deutsche Bank AG. Data as of July 10, 2026.

5-year rolling stock & bond correlation

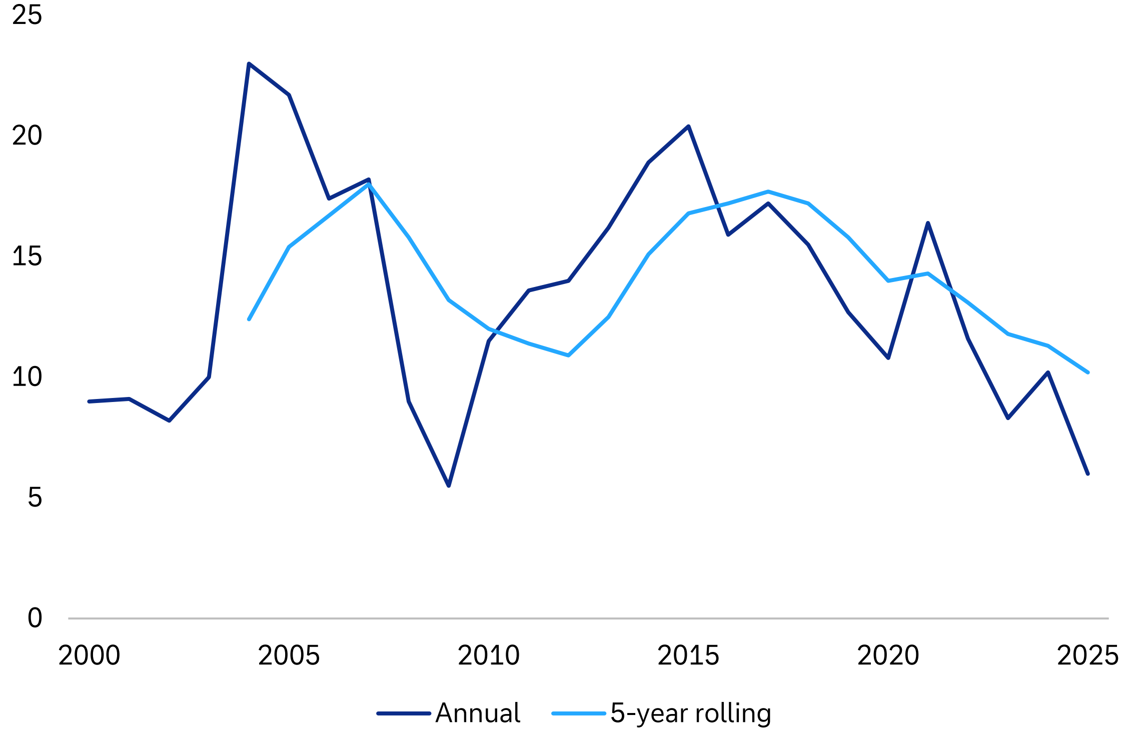


**Using Monthly Total Return Data For S&P 500 & 10-Year US Treasury
Source: Strategas, FactSet, Deutsche Bank AG. Data as of July 10, 2026.

Alternatives – Private Equity's shift from financial tailwinds to value creation

Distributions as a share of AUM have fallen to cycle lows

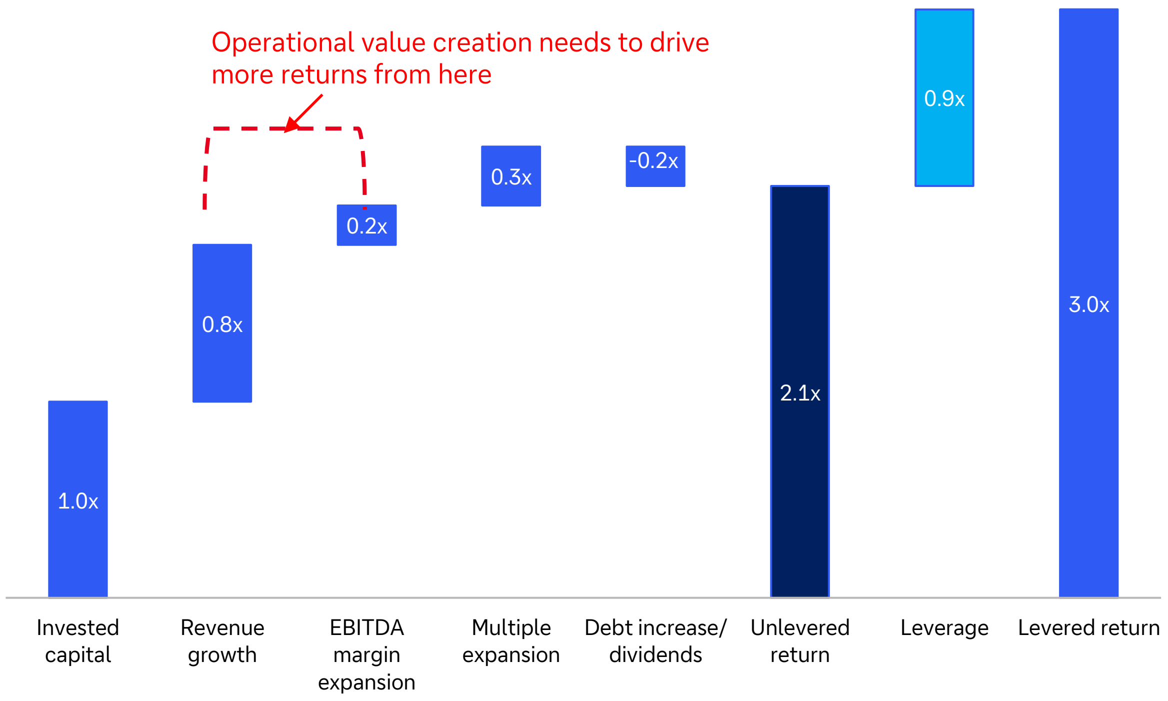
Distributions as a share of AUM, 2000-25%*



*Annual numbers reflect 12-month trailing averages, 2025 value is as of June 2025, all other values as of December
Source: Preqin, McKinsey and Company, Deutsche Bank AG. Data as of July 10, 2026.

The old buyout return engine was leverage/multiple expansion

Drivers of investment returns for buyouts from 2010-22, deal multiples



Source: McKinsey and Company, Deutsche Bank AG. Data as of July 10, 2026.

Macroeconomic forecasts

GDP growth rate (%)

	2026 F	2027 F	Consensus 2027 (BBG*)
US[1]	2.0	2.0	2.2
Eurozone	0.9	1.3	0.9
Germany	0.7	1.1	0.7
Japan	0.7	0.9	0.7
China	4.7	4.4	4.6
World	3.1	3.3	3.0

CPI inflation (%)

	2026 F	2027 F	Consensus 2027 (BBG*)
US	3.2	2.3	3.3
Eurozone	3.1	2.5	2.8
Germany	3.1	2.6	2.7
Japan	2.3	2.4	2.0
China	0.8	1.0	1.0

Unemployment rate (%)

	2026 F	2027 F	Consensus 2027 (BBG*)
US	4.7	4.5	4.4
Eurozone	6.3	6.1	6.3
Germany	6.3	6.0	6.3
Japan	2.5	2.5	2.5
China[2]	5.1	5.1	5.1

Fiscal balance (% of GDP)

	2026 F	2027 F	Consensus 2027 (BBG*)
US	-6.6	-6.8	-6.3
Eurozone	-3.4	-3.4	-3.3
Germany	-3.4	-3.7	-3.8
Japan	-3.0	-3.2	-2.9
China[3]	-8.5	-8.4	-5.4

*Bloomberg consensus
Source: (1) For the US, GDP growth Q4/Q4 % is 1.6% in 2026 and 2.1% in 2027, (2) Urban unemployment rate (end of period), not comparable to consensus data, (3) China fiscal deficit refers to IMF general public sector deficit, it's not comparable with the consensus Source: Deutsche Bank AG, Bloomberg Finance L.P. Data as of July 10, 2026.

Asset class forecasts

	Current level May 20' 2026	vs. current level	Strategic Forecast as of May 2026 Target June 2027	Expected 12m total return
Capital market yields (sovereign bonds) in percent				
United States (2-year)	4.10	↘	3.40	5.11%
United States (10-year)	4.65	↘	4.20	8.63%
United States (30-year)	5.17	↘	4.95	8.52%
Germany (2-year)	2.74	↘	2.30	3.40%
Germany (10-year)	3.18	↘	2.90	5.95%
Germany (30-year)	3.69	↘	3.50	7.15%
United Kingdom (10-year)	5.08	↘	4.40	10.36%
Japan (2-year)	1.45	↗	1.50	1.67%
Japan (10-year)	2.78	↘	2.40	5.57%
Benchmark rates in percent				
United States (federal funds rate)	3.50-3.75	↘	3.00-3.25	
Eurozone (deposit rate)	2.00	↗	2.50	
United Kingdom (repo rate)	3.75	↗	4.00	
Japan (overnight call rate)	0.75	↗	1.25	
China (1 year lending rate)	3.00	↘	2.80	
Currencies				
EUR vs. USD	1.16	↗	1.22	3.88%
USD vs. JPY	159	↘	145	-6.12%
EUR vs. JPY	184	↘	177	-2.65%
EUR vs. CHF	0.91	↗	0.92	1.10%
EUR vs. GBP	0.87	↘	0.85	-3.51%
GBP vs. USD	1.34	↗	1.44	7.88%
USD vs. CNY	6.80	↘	6.60	-1.61%

	Current level May 20' 2026	vs. current level	Strategic Forecast as of May 2026 Target June 2027	Expected 12m total return
Equity indices				
United States (S&P 500)	7,354	↗	8,200	13.00%
Germany (DAX)	24,414	↗	26,300	7.73%
Eurozone (Eurostoxx 50)	5,864	↗	6,250	9.97%
Europe (Stoxx 600)	612	↗	650	9.79%
Japan (MSCI Japan)	2,367	↗	2,660	14.50%
Switzerland (SMI)	13,318	↗	13,850	7.20%
United Kingdom (FTSE 100)	10,301	↗	10,800	8.54%
Emerging Markets (MSCI EM)	1,639	↗	1,870	17.11%
Asia ex Japan (MSCI Asia ex Japan)	1,083	↗	1,245	17.53%
Commodities in USD				
Gold (per ounce)	4,479	↗	5,400	20.57%
Crude Oil (Brent Spot)	110	↘	82	-25.54%
Copper (per tonne)	13,596	↗	14000	2.97%
Carbon	75	↗	90	17.85%
Spreads (corporates & EM bonds) in bps				
EUR IG Corp	78	↘	65	5.82%
EUR HY	256	↗	280	4.52%
USD IG Corp	74	↗	85	8.42%
USD HY	273	↗	300	7.75%
Asia Credit	108	↗	125	7.70%
EM Sovereign	242	↘	240	10.89%

Source: Deutsche Bank AG, Bloomberg Finance L.P. Data as of July 10, 2026.

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