

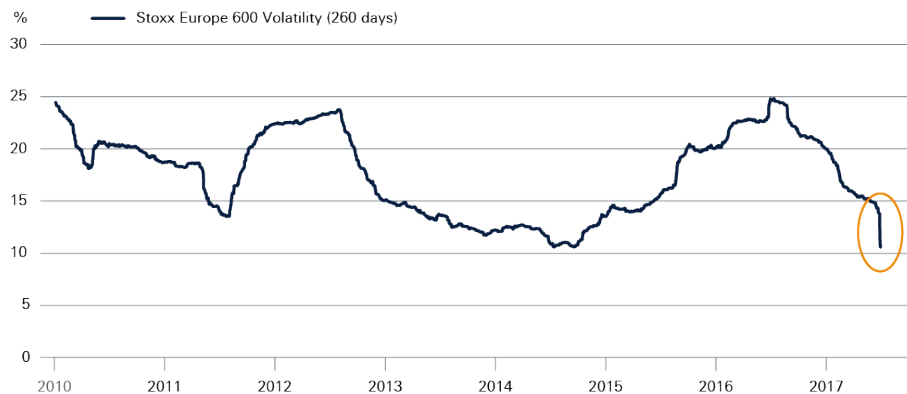


Chart of the week

European Equities: Receding volatility, and possible causes

Low equity markets volatility has been around for some time (see also <https://deutscheam.com/thought-leadership/cio-view/article/no-messing-with-volatility>). In June we have witnessed a special development in European equity markets: swings in equity markets have been moderate so far this year. In fact, the aftermath of the BREXIT referendum in June 2016 was the last period when stocks gyrated widely. These heavy fluctuations are now dropping out of the one-year calculations, leading to a substantial drop in 12month volatility measures, as our *Chart of the Week* demonstrates.

Investment strategies, which e.g. try to balance risk contributions from different asset classes, in such an environment may have to add to equity exposure. This seems to have been a supportive factor recently. If however, for whatever reason, volatility were to pick up again, these strategies should have to close these positions again.



Sources: Bloomberg Finance L.P., Deutsche Asset Management Investment GmbH, as of 6/29/17

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Glossary

Brexit

Brexit is a combination of the words "Britain" and "Exit" and describes the possible exit of the United Kingdom of the European Union.

Volatility

Volatility is the degree of variation of a trading-price series over time. It can be used as a measure of an asset's risk.

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