



Chart of the week

The Dax price index is approaching levels only seen once before – in March 2000

The Dax is making a valiant effort. It is trying to break through chart hurdles. Technical analysis might already see new records looming. However, we are not talking about the Dax once again approaching the 13,525 index points, which it first broke through last November. Instead, we are talking about its lesser known younger sibling, the Dax price index (price Dax), now facing a resistance at 6,388 points, a level it also reached last November. The more familiar Dax is a performance index. It is calculated based on the assumption that all dividends are reinvested. That makes the Dax unusual among the world's equity indices. It helps with superficial return comparisons, if no adjustments are made, whenever you look at the Dax compared to foreign rivals for any prolonged time period. The longer the period considered, the bigger the gap between the Dax and the price Dax. After all, reinvested dividends benefit from compounding. This presents itself in the different levels that would mark new records. With slightly above 13,000 points, the Dax is already 60% above the levels seen in March 2000. By contrast, the price Dax is only just approaching those levels last seen 18 years ago. It is testing them for the third time. This puts the price Dax roughly in line with the Stoxx 600. Contrast that with the S&P 500, which has doubled since then. Of course, this is not enough to explain our current preference for the Dax compared to U.S. equities. Other reasons include strong German sentiment indicators, bursting order books, the high level of confidence among German chief executives and valuation levels that still look acceptable. Which takes us to one final, historic comparison. Relative to 2000, Dax companies earned three times as much in 2017, and dividends have more than doubled.



Sources: Bloomberg Finance L.P., Deutsche Asset Management Investment GmbH; as of 1/18/18

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Glossary

Dax

The **Dax** is a blue-chip stock-market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange.

S&P 500

The **S&P 500** is an index that includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

Stoxx Europe 600

The **Stoxx Europe 600** is an index representing the performance of 600 listed companies across 18 European countries.

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