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## Chart of the week

### **In equity markets, the hope for a year-end rally has failed to materialize. In some ways, that might have positive implications for 2019.**

Those who find waiting for Godot<sup>1</sup> frustrating might not know how investors feel this year, having been waiting for the year-end rally. As things stand now, no major stock market are likely to generate a positive return for 2018, at least in U.S. dollar terms. As if that were not enough, historical experience with such a late sell-off might add to the annoyance: since 1928 there have only been nine cases when the S&P 500 has fallen by more than 10% in the fourth quarter (as of December 19, we are at -14%). In six out of nine times, the decline continued into the subsequent first quarter. And a bad start into the year really means a bad start into the year. For many investment funds, risk budgets will have been used up directly, making it impossible to get more offensive back into the markets.

But we are not approaching the New Year with an overdose of pessimism. Not only because we continue to be more positive about the economic development for 2019 than many segments of the markets appear to be doing, but also because we assume that, after the recent U.S. Federal Reserve (Fed) meeting and the subsequent market reaction, that the probability of a pause in rate hikes in March has increased. If markets then were to recover, we could well see a similar pattern as our Chart of the Week demonstrates for the various stock market indices over the past two years: what has moved most in one direction will move most in the other. Admittedly, this is a rather simplistic investment approach, even if it has proven correct when comparing 2018 returns to 2017. But why not wish for such an outcome just before Christmas? Even if Godot will probably not come any more.

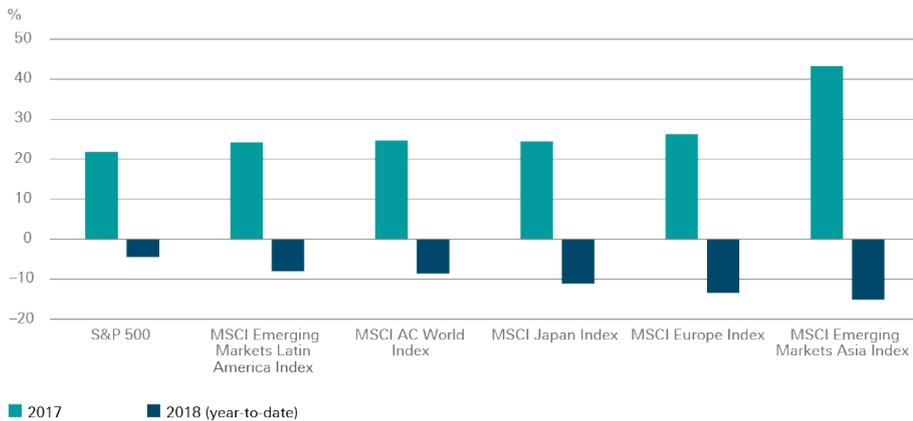
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<sup>1</sup>It is a play writing by Samuel Beckett, in which Valdimir and Estragon are desperately waiting for the arrival of a person Godot.  
All articles are available on <https://go.dws.com/cio-view-articles>

## Total-return comparison across regions\*



Sources: Thomson Reuters Datastream as of 12/20/18

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\*MSCI Emerging Markets Latin America Index, MSCI AC World Index, MSCI Japan Index, MSCI Europe Index, MSCI Emerging Markets Asia Index

## Performance Table

	11/13 - 11/14	11/14 - 11/15	11/15 - 11/16	11/16 - 11/17	11/17 - 11/18
S&P 500	14.5%	0.6%	5.7%	20.4%	4.3%
MSCI Emerging Markets Latin America Index	-8.6%	-36.2%	21.4%	16.7%	-4.4%
MSCI AC World Index	5.9%	-4.4%	1.5%	22.3%	-2.9%
MSCI Japan Index	11.9%	10.0%	-7.7%	19.9%	-6.4%
MSCI Europe Index	6.6%	9.8%	-10.9%	12.7%	-7.3%
MSCI Emerging Markets Asia Index	3.3%	-12.8%	4.6%	34.2%	-12.2%

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## Glossary

### MSCI AC World Index

The **MSCI AC World Index** captures large- and mid-cap companies across 23 developed- and 24 emerging-market countries.

### MSCI Emerging Markets (EM) Latin America Index

The **MSCI Emerging Markets (EM) Latin America Index** captures large- and mid-cap representation across five emerging-market countries in Latin America.

### MSCI Emerging Markets Asia Index

The **MSCI Emerging Markets Asia Index** captures large and mid cap representation across nine Emerging Markets countries.

### MSCI Europe Index

The **MSCI Europe Index** is designed to measure the performance of the large- and mid-cap segments of 15 developed markets in Europe.

### MSCI Japan Index

The **MSCI Japan Index** is designed to measure the performance of the large- and mid-cap segments of the Japanese market.

### 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.

### Sell-off

A **sell-off** is the rapid selling of securities such as stocks, bonds, ETFs, commodities or currencies.

### U.S. dollar (USD)

The **U.S. dollar (USD)** is the official currency of the United States and its overseas territories.

### U.S. Federal Reserve Board (the Fed)

The **U.S. Federal Reserve Board**, often referred to as "**the Fed**", is the central bank of the United States.

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Foreign Exchange/Currency – Such transactions involve multiple risks, including currency risk and settlement risk. Economic or financial instability, lack of timely or reliable financial information or unfavorable political or legal developments may substantially and permanently alter the conditions, terms, marketability or price of a foreign currency. Profits and losses in transactions in foreign exchange will also be affected by fluctuations in currency where there is a need to convert the product's denomination(s) to another currency. Time zone differences may cause several hours to elapse between a payment being made in one currency and an offsetting payment in another currency. Relevant movements in currencies during the settlement period may seriously erode potential profits or significantly increase any losses.

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