

A DIFFERENT WAY TO LOOK AT VARIOUS ASSET CLASSES

Unlike other asset classes, most equity markets continue to trade below the levels of September 2018. That makes sense, once you look at the reasons behind turns in sentiment.

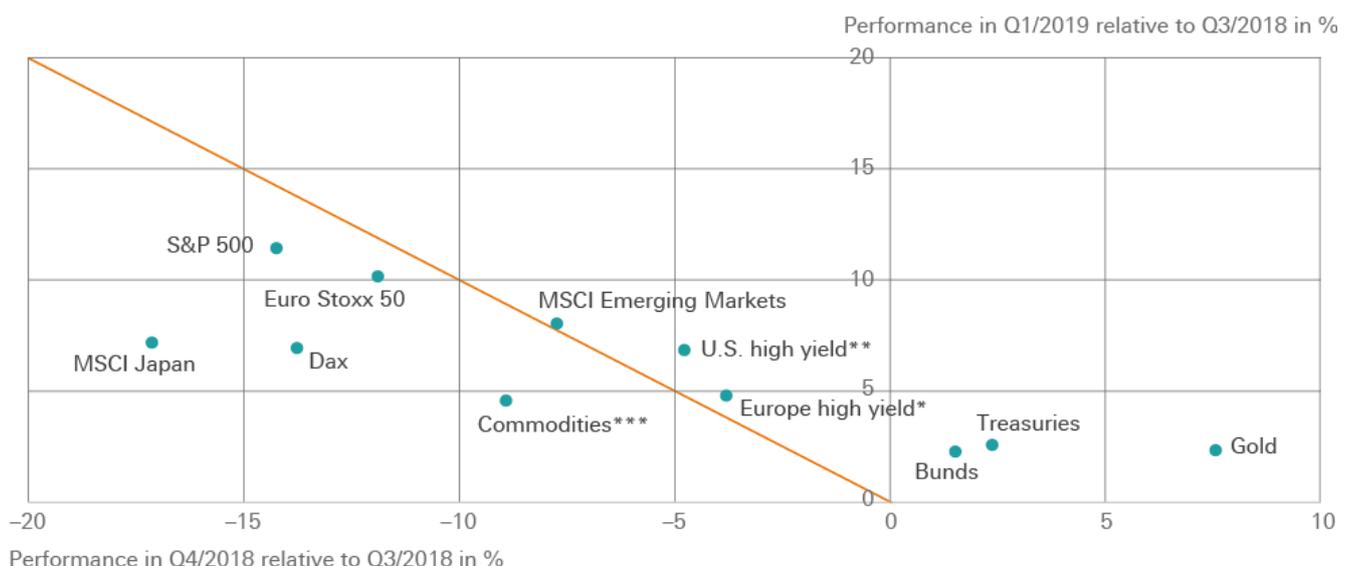
After a turbulent fourth quarter in 2018, things got a lot calmer for financial markets so far in 2019. In our "Chart of the Week", we are looking at various asset classes and to what extent they've made up for the losses in late 2018.

Several interesting observations can be made. While many stock indices have risen by more than 10 percent this year, most markets continue to trade below the levels from September 2018. Comparing major equity indices, emerging markets were the only ones to fully recover the losses of the fourth quarter 2018. Corporate-credit-indices' performance exceeds the previous losses, too. Commodities, while up year-to-date, on average remain below their September prices.

Safe-haven investments, like sovereign bonds, were the top performers: after their strong run in the fourth quarter 2018, they continued to deliver positive performance so far this

year, producing positive returns in excess of pure coupon income. Gold was performing best: the yellow metal's price rose strongly in late 2018, and kept going up this year.

These positive results are another indication that the U-turn by monetary policy was quite helpful in turning around market sentiment. Going forward, it might prove difficult for central bankers to continue providing such support for financial markets. While markets might cheer to announcements of easy money, they usually do not appreciate the justifications for it, as they demonstrated after the recent Federal Reserve (Fed) and European Central Bank (ECB) meetings.



■ Neutral line

Sources: Bloomberg Finance L.P., DWS Investment GmbH as of 3/28/19
 * ICE BofA Merrill Lynch Euro Non-Financial High Yield Constrained Index
 ** ICE BofA Merrill Lynch US High Yield Index
 *** Bloomberg Commodity Index

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 Source: DWS Investment GmbH

PERFORMANCE OVER THE PAST 5 YEARS (12-MONTH PERIODS)

	03/14 - 03/15	03/15 - 03/16	03/16 - 03/17	03/17 - 03/18	03/18 - 03/19
Commodities	-22.8%	-26.6%	15.5%	0.5%	-7.7%
Dax	25.2%	-16.7%	23.6%	-1.8%	-5.5%
Euro Stoxx 50	16.9%	-18.7%	16.5%	-4.0%	-1.2%
Europe high yield	6.1%	-0.6%	9.5%	3.8%	1.9%
MSCI Emerging Markets	-2.0%	-14.1%	14.5%	22.2%	-10.8%
MSCI Japan	28.4%	-14.5%	11.4%	12.1%	-5.0%
S&P 500	10.4%	-0.4%	14.7%	11.8%	6.2%
U.S. high yield	2.0%	-3.7%	16.4%	3.8%	5.7%

Past performance is not indicative of future returns.

Sources: Bloomberg Finance L.P., DWS Investment GmbH as of 3/4/19

GLOSSARY

Bloomberg Commodity Index

The **Bloomberg Commodity Index (BCOM)** traces 23 commodities and reflects commodity futures price movements.

Coupon

Coupons are interest rate payments made on a bond.

Dax

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

Emerging markets (EM)

Emerging markets (EM) are economies not yet fully developed in terms of, amongst others, market efficiency and liquidity.

Euro Stoxx 50

The **Euro Stoxx 50** is an index that tracks the performance of blue-chip stocks in the Eurozone.

European Central Bank (ECB)

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

High Yield (HY)

High-yield bonds are issued by below-investment-grade-rated issuers and usually offer a relatively high yield.

ICE BofA Merrill Lynch Euro Non-Financial High Yield Constrained Index

The **ICE BofA Merrill Lynch Euro Non-Financial High Yield Constrained Index** tracks the performance of euro-denominated below investment-grade corporate debt publicly issued in the euro-bond or euro-domestic markets by non-financial issuers, capping issuer exposure at 3%.

ICE BofA Merrill Lynch US High Yield Index

The **ICE BofA Merrill Lynch US High Yield Index** tracks the performance of dollar-denominated below investment grade, including zero-coupon and payment-in-kind (PIK) bonds.

Monetary policy

Monetary policy focuses on controlling the supply of money with the ulterior motive of price stability, reducing unemployment, boosting growth, etc. (depending on the central bank's mandate).

MSCI Emerging Markets Index

The **MSCI Emerging Markets Index** captures large- and mid-cap representation across 23 emerging-market countries.

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.

Sovereign bonds

Sovereign bonds are bonds issued by governments.

U.S. Federal Reserve (Fed)

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

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