

AND THE LOSERS ARE...

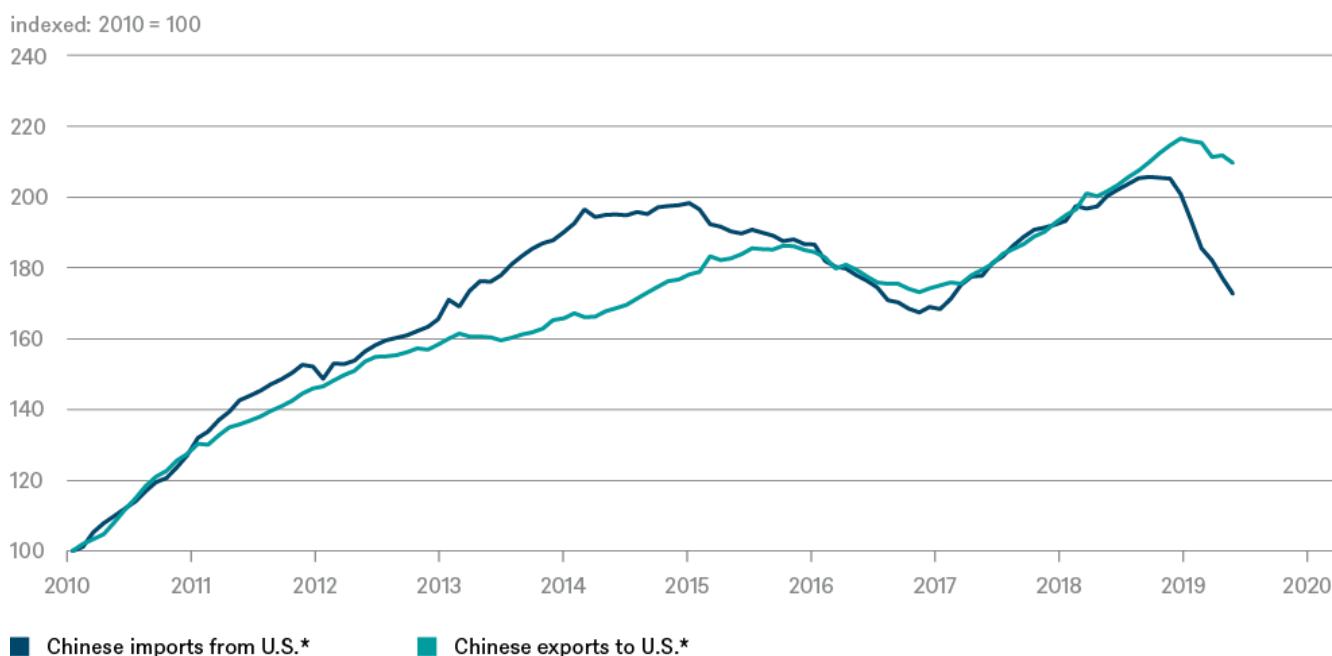
When it comes to U.S. exports to China, current U.S. trade policy appears to have backfired.

The administration in Washington started imposing tariffs on U.S. imports originating from China in early 2018, aiming to make Chinese products more expensive and hence less appealing to U.S. consumers. China retaliated in due course by imposing tariffs on select U.S. goods. One might assume that this policy is hurting China's exporters more than their U.S. counterparts, not least as Washington triggered the escalation. Ironically, just the opposite has happened, as the latest trade data and our "Chart of the Week" demonstrate. In terms of trade with the U.S., China's exports declined by 13.1% in April (year-on-year), whereas imports even declined by 25.7% - the U.S.' trade deficit with China therefore increased further. As monthly trade figures tend to be quite volatile, the chart shows smoothed figures (rolling 12-month total trend). Compared to Q4 2018 levels, Chinese exports to the U.S. dropped by 3% (as of 4/30/19), while Chinese imports of U.S. goods are down by 15%. Even in absolute terms, the decline in Chinese imports from the U.S. outstripped declining exports to the U.S. by a factor of 2. Hence, so far, the trade conflict seems to be a lose-

lose situation, inflicting bigger pain on the U.S. exporters than on their Chinese peers, however.

"Strong consumer sentiment and early deals in order to avoid these tariffs help to explain why the U.S.'s imports from China haven't declined that much," says Xueming Song, DWS China economist. "I also believe China's resilience to the U.S. tariffs can partly be explained by the fact that the country succeeded to broaden its export markets in the last couple of years."

The decline in imports of U.S. goods partly hints to a broader U.S. problem, which becomes clearer when one looks at China's trade figures with the world as a whole. Goods such as soybeans, which China used to buy from the U.S., are now increasingly being sourced from Brazil, in response to China's retaliatory tariffs. All these data suggest that any further escalation of the trade conflict would be costly to almost everyone, starting with U.S. consumers. But based on the evidence so far, that is even true for U.S. exporters, the supposed beneficiaries of Washington's trade policies.



Sources: Bloomberg Finance L.P., DWS Investment GmbH as of 5/8/19

* 12-months rolling

All opinions and claims are based upon data on 5/9/19 and may not come to pass. This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Source: DWS Investment GmbH

All articles are available on <https://go.dws.com/cio-view-articles>

R-067462-1 (5/19)

/ 1

GLOSSARY

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.

IMPORTANT INFORMATION

The brand DWS represents DWS Group GmbH & Co. KGaA and any of its subsidiaries, such as DWS Distributors, Inc., which offers investment products, or DWS Investment Management Americas Inc. and RREEF America L.L.C., which offer advisory services.

This document has been prepared without consideration of the investment needs, objectives or financial circumstances of any investor. Before making an investment decision, investors need to consider, with or without the assistance of an investment adviser, whether the investments and strategies described or provided by Deutsche Bank, are appropriate, in light of their particular investment needs, objectives and financial circumstances. Furthermore, this document is for information/discussion purposes only and does not and is not intended to constitute an offer, recommendation or solicitation to conclude a transaction or the basis for any contract to purchase or sell any security, or other instrument, or for Deutsche Bank to enter into or arrange any type of transaction as a consequence of any information contained herein and should not be treated as giving investment advice. Deutsche Bank AG, including its subsidiaries and affiliates, does not provide legal, tax or accounting advice. This communication was prepared solely in connection with the promotion or marketing, to the extent permitted by applicable law, of the transaction or matter addressed herein, and was not intended or written to be used, and cannot be relied upon, by any taxpayer for the purposes of avoiding any U.S. federal tax penalties. The recipient of this communication should seek advice from an independent tax advisor regarding any tax matters addressed herein based on its particular circumstances. Investments with Deutsche Bank are not guaranteed, unless specified. Although information in this document has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness, and it should not be relied upon as such. All opinions and estimates herein, including forecast returns, reflect our judgment on the date of this report, are subject to change without notice and involve a number of assumptions which may not prove valid.

Investments are subject to various risks, including market fluctuations, regulatory change, counterparty risk, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you may not recover the amount originally invested at any point in time. Furthermore, substantial fluctuations of the value of the investment are possible even over short periods of time. Further, investment in international markets can be affected by a host of factors, including political or social conditions, diplomatic relations, limitations or removal of funds or assets or imposition of (or change in) exchange control or tax regulations in such markets. Additionally, investments denominated in an alternative currency will be subject to currency risk, changes in exchange rates which may have an adverse effect on the value, price or income of the investment. This document does not identify all the risks (direct and indirect) or other considerations which might be material to you when entering into a transaction. The terms of an investment may be exclusively subject to the detailed provisions, including risk considerations, contained in the Offering Documents. When making an investment decision, you should rely on the final documentation relating to the investment and not the summary contained in this document.

This publication contains forward looking statements. Forward looking statements include, but are not limited to assumptions, estimates, projections, opinions, models and hypothetical performance analysis. The forward looking statements expressed constitute the author's judgment as of the date of this material. Forward looking statements involve significant elements of subjective judgments and analyses and changes thereto and/or consideration of different or additional factors could have a material impact on the results indicated. Therefore, actual results may vary, perhaps materially, from the results contained herein. No representation or warranty is made by DWS as to the reasonableness or completeness of such forward looking statements or to any other financial information contained herein. We assume no responsibility to advise the recipients of this document with regard to changes in our views.

No assurance can be given that any investment described herein would yield favorable investment results or that the investment objectives will be achieved. Any securities or financial instruments presented herein are not insured by the Federal Deposit Insurance Corporation ("FDIC") unless specifically noted, and are not guaranteed by or obligations of Deutsche Bank AG or its affiliates. We or our affiliates or persons associated with us may act upon or use material in this report prior to publication. DB may engage in transactions in a manner inconsistent with the views discussed herein. Opinions expressed herein may differ from the opinions expressed by departments or other divisions or affiliates of Deutsche Bank. This document may not be reproduced or circulated without our written authority. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries. This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, including the United States, where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Deutsche Bank to any registration or licensing requirement within such jurisdiction not currently met within such jurisdiction. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions.

Past performance is no guarantee of future results; nothing contained herein shall constitute any representation or warranty as to future performance. Further information is available upon investor's request. All third party data (such as MSCI, S&P & Bloomberg) are copyrighted by and proprietary to the provider.

Deutsche Bank AG is authorised under German Banking Law (competent authority: European Central Bank and the BaFin, Germany's Federal Financial Supervisory Authority) and by the Prudential Regulation Authority and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority. Details about the extent of our authorisation and regulation by the Prudential Regulation Authority, and regulation by the Financial Conduct Authority are available from us on request.

© 2019 DWS Investment GmbH, Mainzer Landstraße 11-17, 60329 Frankfurt am Main, Germany.

All rights reserved.