PERSPECTIVES Viewpoint Equity

Reshuffling the cards

January 24, 2025

Authors:

Ivo Višić
Senior Investment Officer

Lorenz Vignold-Majal
Investment Strategist

Please use the QR code to access a selection of other Deutsche Bank CIO reports **www.deutschewealth.com**.

Key takeaways

- A higher level of dispersion could emerge as one central subject for equity investors in 2025, but U.S. equities are likely to remain the centre of gravity for the time being.
- The overall outlook for the DAX is currently cloudy, especially since valuations now provide less crumple zone to deal with downside earnings surprises.
- Q4 2024 U.S. earnings could prove reassuring, relative to lowered expectations. European earnings appear more at risk despite a steeper decline in hurdle rates.

2024 – another year to remember

2024 turned out to be another outstanding year for most equity markets (see Chart 1). Economic growth surprised to the upside – versus the U.S. recession that consensus was expecting – and major central banks finally started to cut interest rates. Against this backdrop and powered by a 67% surge of the Magnificent 7, the S&P 500 posted a total return of +25% in 2024. This was the first time since the late-1990s that the index had recorded back-to-back annual total returns of more than 20%. The strongest monthly performance was in November (+5.9%) after the U.S. election result. Equity markets also managed increases elsewhere. The STOXX Europe 600 rose by +9.6% and the MSCI Japan even advanced by +21.1% in local currency terms. Emerging markets grew relatively slowly, but the MSCI EM index still posted a solid gain of +8.0%.

Spurred on by the persistent excitement around artificial intelligence (AI), the Information Technology and Communication Services sectors globally showed the strongest performance of all GICS level 1 sectors with the corresponding MSCI ACWI indices both gaining 32% on a total return basis. Materials (-7.7%) was the only sector that recorded a loss in 2024 (see Chart 2).

Despite the general equity market buoyancy in 2024, there were bumps along the way. Geopolitics induced several market wobbles, particularly around April when tensions in the Middle East escalated. Moreover, it took longer for major central banks to commence their rate cutting cycles than many market participants had anticipated. There was also a brief but intense period of market turmoil in the summer as the combination of weak U.S. economic data and a BoJ rate hike led to the unwinding of JPY carry trades. Finally, equity markets slipped again after the Fed pivoted in a more hawkish direction in December: the Federal Open Market Committee (FOMC) delivered a third rate cut of 25bps, but its members' dot plots signalled only 50bps of cuts for 2025. As a result, the S&P 500 saw its biggest daily decline following an FOMC decision since 2001 and broader equities have struggled to find a clear during the first trading days of 2025.

Concerns to monitor in 2025

Since the beginning of the year inflation concerns have risen again, reviving fears that the Fed and other central banks could have to keep rates higher for longer. Taken together with robust labour markets, expectations of higher public deficits and uncertainties around trade, such concerns had pushed long-end bond yields significantly higher around the globe (see Chart 3).

Consequently, it was a challenging start into 2025 for equities – particularly for more rate-sensitive segments. However, recent downside inflation surprises in the U.S. and the UK have allowed markets to take a step back a one-way trade on inflation and bond yields. Falling bond yields unleashed a significant equity market rally that brought the S&P 500 (+3.5%) clearly back into positive territory on a YTD basis and this was accompanied by a clear rotation back into the strongest performing sectors of 2024 (see Chart 4). The rally got further support from the start of Q4 2024 earnings season, with U.S. banks posting upbeat results that were largely driven by their capital market activities.

It is worth noting that European equity markets are faring better so far in 2025 – consider the STOXX Europe 600 (+4.1%), the FTSE 100 (+4.6%) and the CAC 40 (+6.1%). The DAX (+6.8%) has hit an all-time high with roughly one month until the German federal election (performance data as of January 22).

Q1 will bring several important political events. One big question will be how the new U.S. administration moves on tariffs, and which countries they focus on. Markets have reacted in various ways to recent tariff comments by President Trump and his incoming team, with continued uncertainty about the degree to which provocative statements will translate into actual policy.

The early German federal election is taking place on February 23. For investors, a key focus is the possibility of changes to the constitutional debt brake after the election, which in turn could enable a more expansive fiscal stance through more borrowing. But given that it usually takes a few months for a German government to be formed after coalition negotiations, that a policy change here currently seems unlikely (see below) and that it would take some time for any policy changes to be implemented, any easing in the debt brake in terms of implications is more likely be a story for 2026 or later.

In the meantime, central banks will stay in the spotlight in 2025. U.S. and Eurozone headline and core inflation rates are still lingering slightly above their 2% target levels and potential upward price pressures (e.g. from new tariffs) are looming. So another major question is whether the Fed and ECB deliver rate cuts according to market expectations, or whether this will be another year where market pricing proves too dovish.

U.S. exceptionalism still holds

Overall, we foresee a generally supportive equity market environment in 2025 with major economies showing moderate levels of economic growth. Earnings growth will therefore remain the primary driver for returns in the asset class. Against the backdrop of rising earnings across regions, we globally assume high single-digit returns on average for equities in the year to the end of 2025 (see Chart 5).

But we emphasize that this is still an uncertain situation: a fluid backdrop is characterised by plenty of cross-cutting themes which could trigger bouts of volatility. Interdependencies and reactions to changes in monetary policy and tariffs will have an impact on inflation, global trade and economic growth and thus determine equity markets' trajectory. There will also be continuous reassessment of the political landscape in Europe and its fiscal policy implications, as well as of geopolitical developments.

The possibility of a higher level of dispersion across stocks, styles, sectors, countries, and investment themes might therefore emerge as a central subject for equity investors in 2025. De-coupling monetary policy paths, uneven disinflation progress and technological change/innovation could drive regional business cycle divergence. After a period of very narrow stock market leadership, this could open up a broader spectrum of investment opportunities, providing a more favourable operating environment for active management. The equal-weighted S&P 500 just posted its longest streak of daily advances with more than two thirds of its constituents having climbed since data begins in 1928.

There is also quite a chance of a convergence trade, given extreme relative positioning and valuations divergences across regions (see Chart 6).

For the time being, however, U.S. equities may remain the centre of gravity owing to their macro and earnings advantages relative to the rest of world, at least until there is more clarity on trade, fiscal and geopolitical developments. While one should closely monitor the potential disruptive effects from excessively high bond yields, the lack of an adequate quality substitute to U.S. equities is likely to keep investors loyal to them.

Continuing global growth is coupled with a healthy U.S. labour market. Together with a broadening of AI-related capital expenditure, and the prospect of stronger capital market and deal activity should allow for among best-in-class U.S. earnings growth rates (see Chart 7). Consensus numbers currently indicate a 14% YoY increase of aggregate FY2025 S&P 500 earnings, probably again driven by the mega cap Tech space.

While the U.S. exceptionalism narrative could face headwinds further down the road, opportunities are likely to outweigh the risks posed by U.S. policy changes. The longer-term benefits of extensive government investment, greater deregulation and a more business-friendly environment (e.g. additional tax relief) may be underestimated, along with the potential for unlocking significant productivity gains. Hence, our long-term focus is on Financials and those sectors that are likely to benefit from a growth-enhancing environment, such as IT, Consumer Discretionary and Communication Services. The latter three sectors account for around the half of the market capitalisation of the S&P 500.

At just over two years old, the current U.S. equity bull market (+68% in USD) is also still relatively young from a historical perspective. Since 1935, the average U.S. bull market has lasted 47 months, during which the S&P 500 has on average gained 137% (see Chart 8). While past patterns cannot serve as a blueprint for future performance, this provides one argument that concerns around already-exceptional performance are not necessarily justified. Note that historical data also shows that stock markets rarely slide into a bear market without a pronounced slump in GDP.

Can the DAX defy gravity once more?

Germany's leading stock index, the DAX, rose by 19% in 2024 and recently reached a new all-time high. It therefore significantly outperformed most other European country indices as well as the STOXX Europe 600, defying the gloom enveloping the German economy. The performance was largely driven by a small group of companies: seven companies contributed more than 18ppts to the DAX return, with the five largest companies making up almost 45% of the index market cap. Concentration risks have therefore increased and the DAX has become more vulnerable to earnings shocks from a few large companies and the biggest sectors.

To extend the index's rally in 2025, DAX companies also need to fulfil market earnings expectations, as the index valuation has climbed over long-term average levels. Expected 2025 earnings growth of 11% YoY is higher than for its major European peers. As in the last few years, aggregate earnings delivery remains very dependent on the contributions of just three sectors: Consumer Discretionary (which is dominated by automobile companies), Financials and Industrials. This combination of sectors is expected to generate two-thirds of aggregate DAX earnings per share (EPS). Market expectations for these sectors are all above estimates for the respective sectors in the STOXX Europe 600. As such, they certainly appear ambitious.

While we feel that Financials should be able to clear expectations hurdles in the current macro and yield environment, the earnings outlook for Industrials is significantly less clear. This is because it could hinge on future developments in U.S.-European trade policy. Six of the eight DAX industrials generated more than 15% of their revenues in North America in 2023, one generated over 40%. The sector's quarterly EPS growth has thus followed YoY growth in German goods exports to the U.S. closely since 2010. Hence any new trade restrictions would hit the sector hard, even if a stronger USD provides some FX tailwinds.

New tariffs on German automobile imports are one topic for discussion. But expectations of subdued volume growth in 2025 suggest that earnings recovery will hinge on better pricing and higher unit margins. This seems already quite challenging amid, given sluggish Chinese demand and potential U.S. tariffs. In this context, it is worth noting that German IT and Communication companies also have significant exposure to the U.S. and could be negatively affected if the new U.S. government decides to target areas outside of goods trading.

Although the DAX is significantly more sensitive to global than domestic growth, domestic German developments still matter. Hence Germany's snap elections on February 23 carry some risks. On the upside, as noted above, a new government could reform the constitutional "debt brake" and increase fiscal spending. This could stimulate economic growth and boost domestic and international investors' confidence in German equities. However, the conservative CDU and CSU sister parties, likely to head any new coalition, have committed to retain the debt brake in their recently published election manifesto. Furthermore, any changes to the constitution need a two-thirds majority in the federal parliament. Current polling suggests there is a chance that the AfD and BSW could win more than one-third of the seats in the new Bundestag and effectively block any constitutional changes. Such an outcome could dash all hopes for significant fiscal easing during the next couple of years. and probably weigh on risk sentiment.

The DAX NTM P/E ratio of 14.2 is currently 10% above the 10-year median (see Chart 9) with its relative valuation having significantly risen since the summer.

It is meanwhile trading at a 2% premium to the STOXX Europe 600 which is more than 2 standard deviations higher than the 10-year median discount of -12%. Also, the equity risk premium has declined significantly as of late. At 3.1 ppts it sits at a level last seen in 2010 (see Chart 10).

All in all, the fate of the DAX will depend on external factors. It should do well in our base case scenario of robust global growth, declining interest rates and slightly lower bond yields. But a range of adverse scenarios (e.g. trade disruptions, higher political uncertainty globally and disappointing fiscal dynamics in Germany) could materialise soon. Since valuations have normalised over the last year, they now provide less crumple zone to the downside. The outlook for the DAX is quite cloudy at the moment although one clear prediction is possible: volatility will rise. Last year the volatility index VDAX exceeded the critical level of 20 on just three trading days in the whole year (see Chart 11).

Q4 2024 earnings season update

The Q4 2024 earnings season is now well underway. As in Q3, hurdle rates have come down noticeably over the past three months, with aggregate S&P 500 Q4 2024 earnings growth estimates revised down by -2.1ppt since the beginning of October. Nine out of eleven sectors have seen downward revisions to consensus Q4 EPS growth estimates with Materials (-16ppt), Energy (-13ppt), Healthcare (-10ppt) and Industrials (-6ppt) having experienced the strongest cuts. Given apparently accelerating economic momentum during Q4 and typically positive Q4 seasonality, this current assessment appears quite conservative. Better-than-expected Q4 earnings delivery could therefore result in a reassuring U.S. earnings season.

Seven sectors are expected to deliver positive YoY earnings growth for Q4 2024: Financials (+26% YoY expected), Communication Services (+23%), IT (+15%), Consumer Discretionary (+13%), Healthcare (+12%), Real Estate (+11%) and Utilities (+10%). By contrast, Energy (-31%) is expected to take the clear lead in terms of YoY Q4 earnings declines (see Chart 12).

On an aggregate basis consensus forecasts are currently pointing to a +10.7% YoY increase in S&P 500 earnings in Q4 2024 on +4.1% higher revenues. This would mark the six consecutive quarter of positive aggregate earnings growth for the index. The Magnificent 7 (Mag 7) are expected to see 22% YoY earnings growth in Q4, with the group now having beaten consensus expectations for seven straight quarters. While some broadening in terms of earnings contributions is observable, the gap between the Mag 7 and the rest of S&P 500 remains wide with S&P 500 ex Mag 7 earnings forecast to grow by only 5.3% YoY in Q4 (see Chart 13).

In line with a sluggish European economic environment, STOXX Europe 600 earnings expectations for Q4 2024 have been trimmed down by 9.2ppt since October and now suggest an earnings increase of 1.5% YoY (which, if achieved, would be the third consecutive quarter of positive YoY earnings growth).

Consumer Discretionary (-45ppt), Materials (-27ppt), Real Estate (-21ppt) and Utilities (-20ppt) EPS growth forecasts have experienced the strongest reductions.

On a YoY basis all STOXX Europe 600 sectors except Consumer Discretionary (-25% YoY), Energy (-18%) and Consumer Staples (-1%) are currently expected to deliver positive earnings growth figures in Q4 2024. Real Estate (+77% YoY), Materials (+29%), Industrials (+19%) and Healthcare (+10%) are expected to deliver double-digit YoY earnings growth rates (see Chart 14).

Q4 2024 revenues of the STOXX Europe 600 in aggregate are expected to rise by +1.6% YoY. We believe that European earnings are more at risk than the U.S., despite considerably reduced earnings expectations, given the contrast between resilient U.S. expansion in Q4 and quite soft activity momentum in Europe.

In addition, European FY2025 consensus numbers are currently indicating a more pronounced earnings growth acceleration than in U.S. This seems overly optimistic – even after excluding potential trade issues and China uncertainty from the equation – given the significant real GDP growth spread that is expected to continue between the two regions. Therefore, we emphasize that U.S. earnings may continue to outperform European ones for the time being.

Chart 1: Regional performance

	YTD	2024
S&P 500	3.5%	25.0%
MSCI Japan	-1.6%	21.1%
MSCI China	-2.0%	19.0%
DAX	6.8%	18.8%
MSCI ACWI	3.3%	18.0%
MSCI Asia ex Japan	-0.1%	12.5%
STOXX Europe 600	4.1%	9.6%
FTSE 100	4.6%	9.6%
MSCI EM	0.8%	8.0%
MSCI LatAm	6.1%	-26.0%

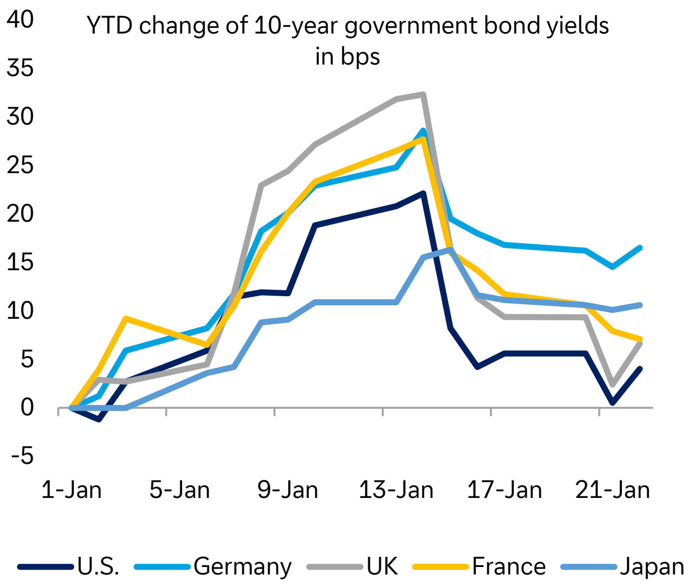
Source: Deutsche Bank AG, Bloomberg Finance L.P., Data as of January 22, 2025.

Chart 2: Sectoral performance – MSCI ACWI

	YTD	2024
ComS	3.3%	31.9%
IT	3.4%	31.9%
FN	3.9%	25.1%
CD	2.8%	20.7%
MSCI ACWI	3.3%	18.0%
UT	1.7%	12.9%
IN	5.1%	12.8%
CS	-0.9%	4.7%
RE	0.5%	3.1%
EN	5.7%	2.9%
HC	3.0%	1.5%
MA	4.5%	-7.7%

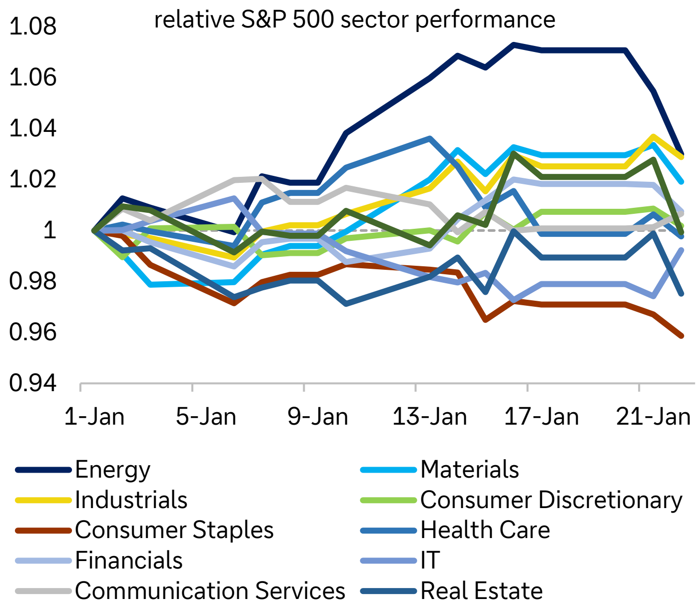
Source: Deutsche Bank AG, Bloomberg Finance L.P., Data as of January 22, 2025.

Chart 3: YTD change of 10-year government bond yields



Source: Deutsche Bank AG, Bloomberg Finance L.P., Data as of January 22, 2025.

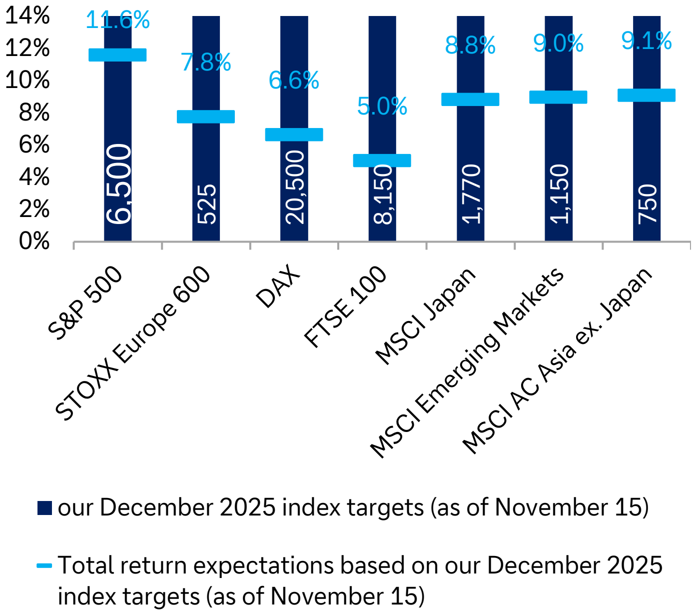
Chart 4: Relative sector performance – S&P 500



Source: Deutsche Bank AG, Bloomberg Finance L.P., Data as of January 22, 2025.

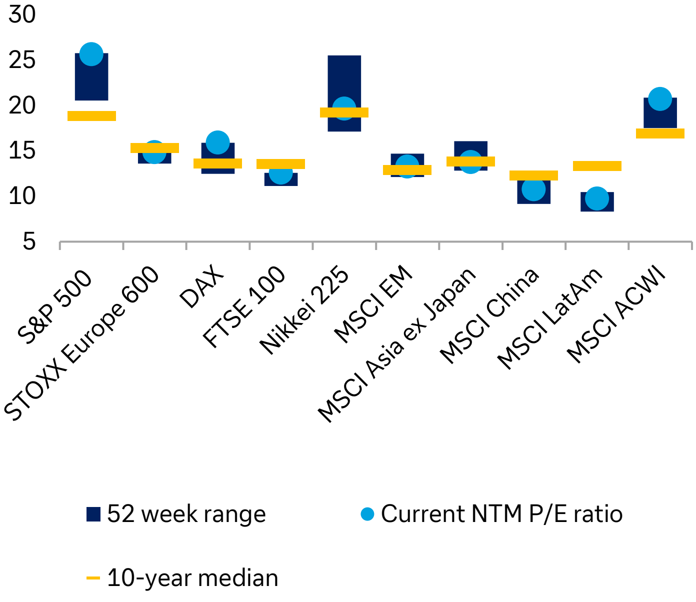
Notes: CD = Consumer Discretionary, ComS = Communication Services, CS = Consumer Staples, EN = Energy, FN = Financials, HC = Healthcare, IN = Industrials, IT = Information Technology, MA = Materials, RE = Real Estate, UT = Utilities

Chart 5: Our December 2025 index targets



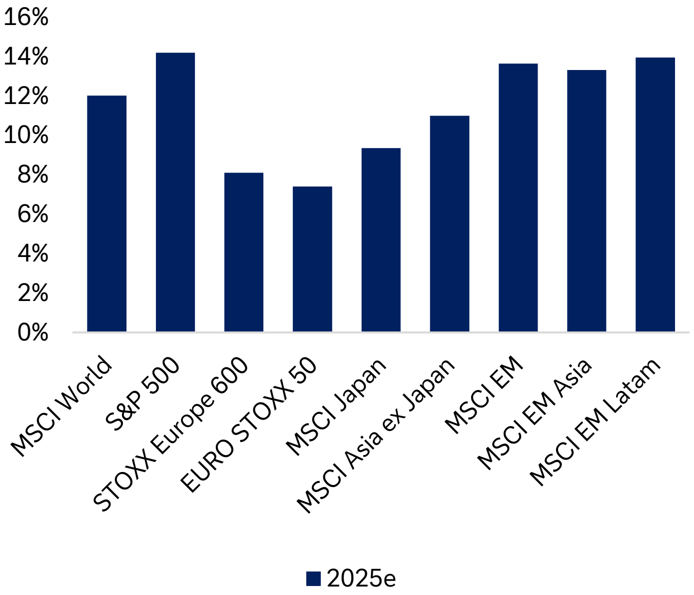
Source: Deutsche Bank AG, Bloomberg Finance L.P., Data as of January 22, 2025.

Chart 6: Regional P/E ratios



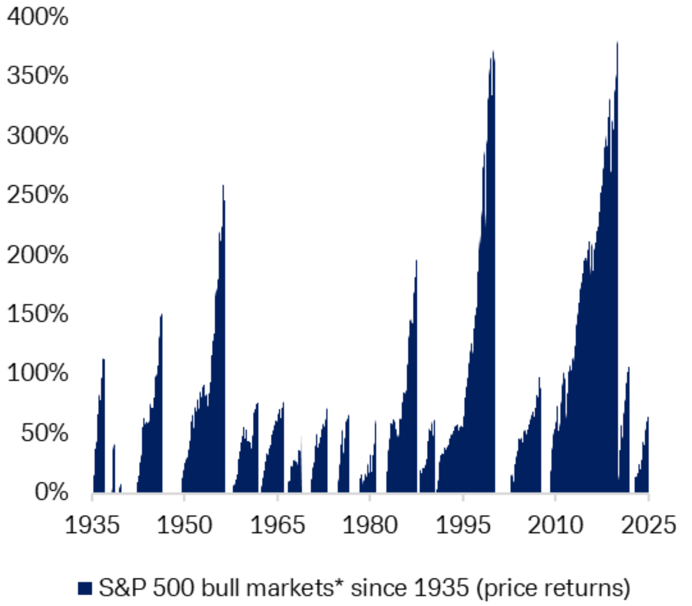
Source: Deutsche Bank AG, Bloomberg Finance L.P., Data as of January 22, 2025.

Chart 7: Expected earnings growth FY 2025



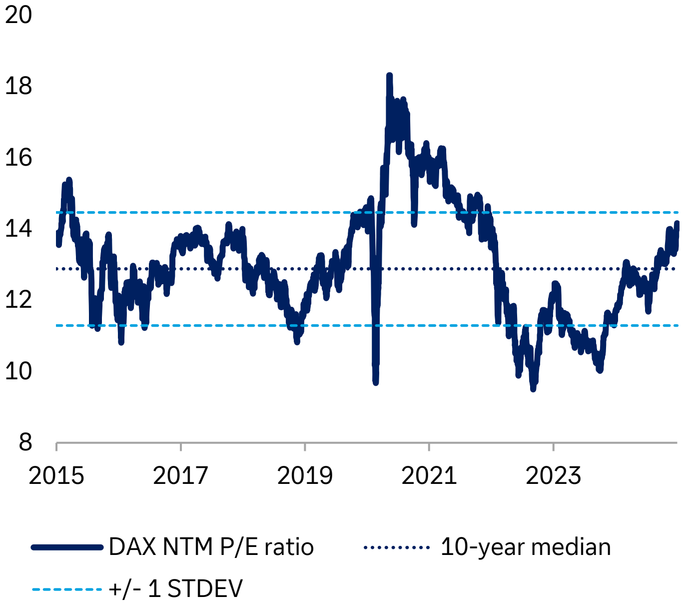
Source: Deutsche Bank AG, LSEG Datastream, Data as of January 22, 2025.

Chart 8: S&P 500 bull markets since 1935



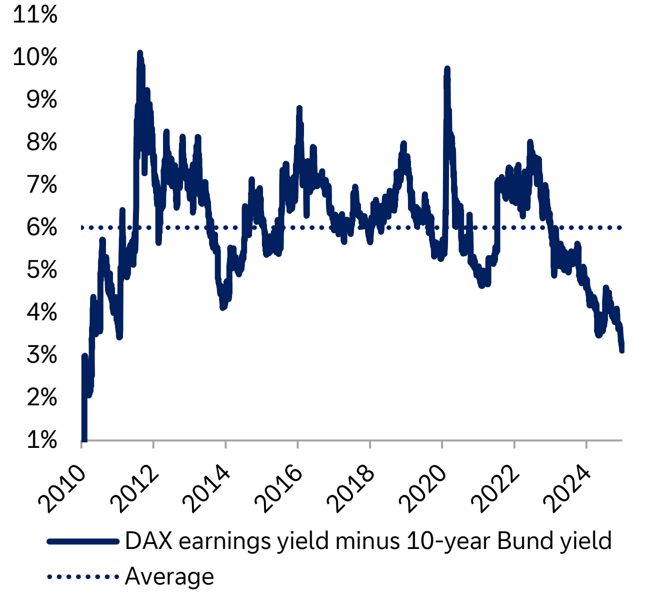
Source: Deutsche Bank AG, LSEG Datastream, Data as of January 21, 2025.

Chart 9: DAX NTM P/E ratio



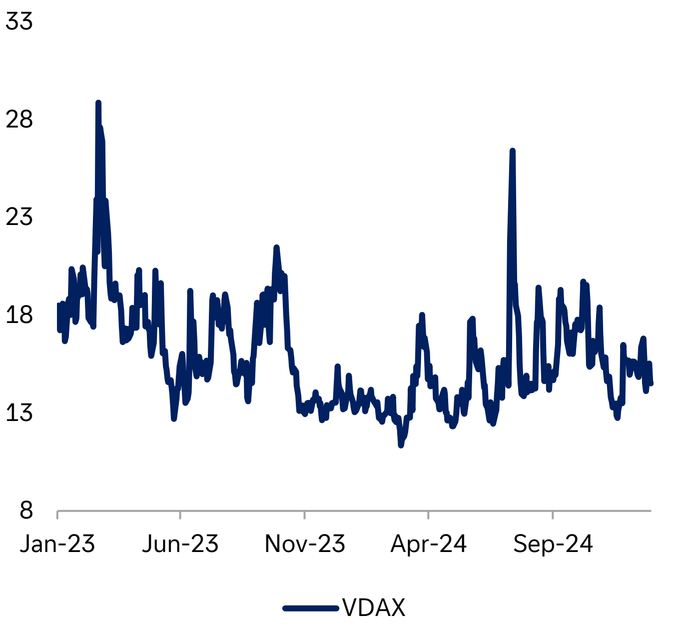
Source: Deutsche Bank AG, Bloomberg Finance L.P., Data as of January 22, 2025.

Chart 10: DAX earnings yield minus 10-year Bund yield



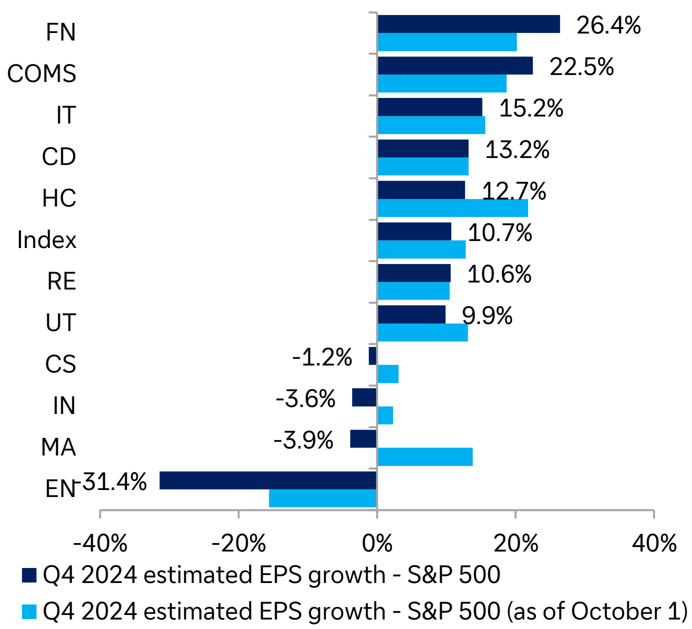
Source: Deutsche Bank AG, Bloomberg Finance L.P., Data as of January 22, 2025.

Chart 11: VDAX



Source: Deutsche Bank AG, Bloomberg Finance L.P., Data as of January 22, 2025.

Chart 12: Q4 2024 EPS growth – S&P 500



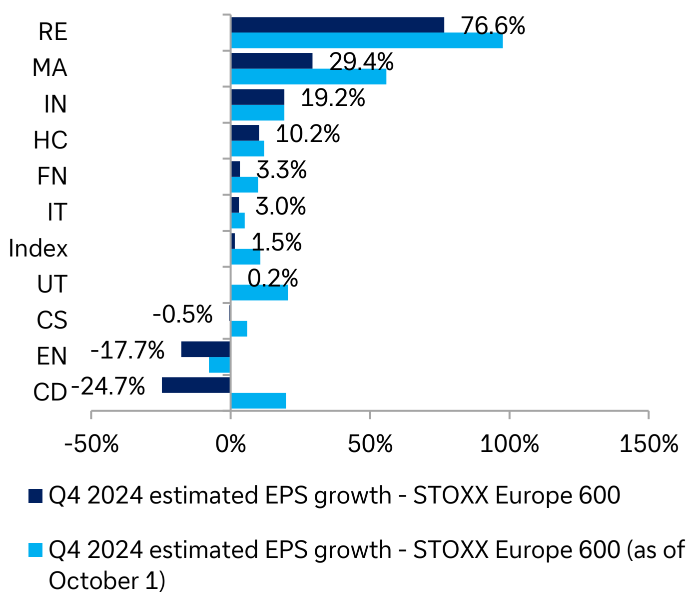
Source: Deutsche Bank AG, Bloomberg Finance L.P., Data as of January 21, 2025.

Notes: CD = Consumer Discretionary, ComS = Communication Services, CS = Consumer Staples, EN = Energy, FN = Financials, HC = Healthcare, IN = Industrials, IT = Information Technology, MA = Materials, RE = Real Estate, UT = Utilities

Chart 13: Earnings growth S&P 500 & S&P 500 ex Mag 7

Source: Deutsche Bank AG, LSEG, Data as of January 17, 2025.

Chart 14: Q4 2024 EPS growth – STOXX Europe 600



Source: Deutsche Bank AG, LSEG, Data as of January 21, 2025.

Notes: CD = Consumer Discretionary, ComS = Communication Services, CS = Consumer Staples, EN = Energy, FN = Financials, HC = Healthcare, IN = Industrials, IT = Information Technology, MA = Materials, RE = Real Estate, UT = Utilities

Glossary

AfD (Alternative for Germany) is a right-wing populist political party in Germany.

Beta is a statistical measure of the volatility of a stock versus the overall market.

The **Bank of Japan (BoJ)** is the central bank for Japan.

The Sahra Wagenknecht Alliance **BSW** was founded by former Die Linke parliamentary group leader Wagenknecht in early 2024. She previously left Die Linke. The BSW Bundestag members stood for Die Linke when they were originally elected and switched to the BSW in 2024. The BSW is a left-wing populist party:

The German **Bundestag** is the national parliament of the Federal Republic of Germany.

CAGR stands for compound annual growth rate.

Carry trades are intended to deliver higher returns, perhaps accessed (as in currencies) through borrowing in a lower-yielding environment.

The **CDU/CSU** is an alliance of two German centre-right political parties, the Christian Democratic Union and the Bavarian Christian Social Union.

Cyclical stocks are affected by the business cycle, typically including goods and services the purchase of which is discretionary.

The **DAX** is a blue-chip stock-market index consisting of the major German companies trading on the Frankfurt Stock Exchange; other DAX indices include a wider range of firms.

Defensive stocks provide more consistent dividends and stable earnings regardless of the state of the overall stock market.

Earnings per share (EPS) are calculated as a companies' net income minus dividends of preferred stock all divided by the total number of shares outstanding.

Earnings surprises occur when a reported earning deviate from the consensus estimate either positively or negatively.

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

The **Euro (EUR)** is the sole legal tender in the EU member states that have adopted it.

The **Eurozone** is formed of 20 European Union member states that have adopted the euro as their common currency and sole legal tender.

The **Federal Reserve (Fed)** is the central bank of the United States. Its Federal Open Market Committee (FOMC) meets to determine interest rate policy.

The **FOMC Dot Plot** is comprised typically of 19 dots: seven members of the Board of Governors of the Federal Reserve System and presidents of the 12 regional banks. Each is asked to indicate where they believe the Federal Funds rate should be in the future.

The **FTSE 100** Index tracks the performance of the 100 major companies trading on the London Stock Exchange.

Gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Growth stocks are those of companies seen as likely to have above-average earnings or revenues growth.

JPY is the currency code for the Japanese yen, the Japanese currency.

"Magnificent 7" is a term for the most dominant tech companies. The group is made up of mega-cap stocks Apple, Alphabet, Microsoft, Amazon.com, Meta Platforms, Tesla and Nvidia.

Month-to-date (MTD).

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

The **MSCI Asia ex Japan** Index captures large- and mid-cap representation across 2 of 3 developed-market countries (excluding Japan) and 8 emerging-market countries in Asia.

The **MSCI EM** Index captures large and mid cap representation across 23 emerging markets countries.

The **MSCI Emerging Markets Asia** Index captures large and mid cap representation across 8 Asian Emerging Markets countries including China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand.

The **MSCI Europe Index** includes large and mid cap stocks across 15 developed markets countries in Europe.

The **MSCI LatAm** Index includes large and mid-cap firms in five Latin American countries.

The **NASDAQ Composite** Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 2,500 companies

The **NASDAQ 100** Index is a collection of the 100 largest, most actively traded companies listed on the Nasdaq stock exchange.

The **Net earnings revision ratio** represents the number of forward earnings estimates up less number of estimates down, expressed as a percentage of the total number of forward earnings estimates.

The **net profit margin** measures how much net income or profit is generated as a percentage of revenue.

Next twelve months (NTM) refers to any financial measure that is being forecasted for the immediate next twelve months from the current date.

The **Purchasing Managers' Index (PMI)** is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions are expanding, staying the same, or contracting as viewed by purchasing managers.

Glossary

Price/book (P/B) ratios measure a company's share price relative to its tangible assets.

Price/earnings (P/E) ratios measure a company's current share price relative to its per-share earnings.

Quarter-to-date (QTD).

Real rates adjust changes of values for factors such as inflation.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe.

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

The **S&P 500 Equal Weight** Index is the equal-weight version of the widely-used S&P 500. The index includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight – or 0.2% of the index total.

The **STOXX Europe 600** Index includes 600 companies across 18 European Union countries.

Treasuries are bonds issued by the U.S. government.

U.S. is the United States.

USD is the currency code for the U.S. Dollar.

Valuation attempts to quantify the attractiveness of an asset, for example through looking at a firm's stock price in relation to its earnings.

Value stocks are those that appear to be trading lower than justified by their fundamentals (e.g. sales and earnings).

The **VDAX** indicates in percentage points the volatility to be expected in the next 30 days for the DAX. The basis for the calculation of this index is provided by the DAX option contracts.

The **VIX** Index is a measurement of volatility implied by S&P 500 Index options.

Volatility is the degree of variation of a trading price series over time.

Year-to-date (YTD).

The **yield curve** shows the different rates for bonds of differing maturities but the same credit quality.

Yield curve inversion is when longer-term debt has a lower yield than short-term debt.

Appendix

Historical performance

Performance	22.1.2020 – 22.1.2021	22.1.2021 – 22.1.2022	22.1.2022 – 22.1.2023	22.1.2023 – 22.1.2024	22.1.2024 – 22.1.2025
S&P 500	15.6%	14.5%	-9.7%	22.1%	25.5%
S&P 500 equal-weighted	11.8%	16.5%	-3.6%	6.1%	15.7%
Russell 2000	28.8%	-8.3%	-6.1%	6.2%	16.2%
NASDAQ Composite	44.3%	1.7%	-19.1%	37.9%	30.3%
STOXX Europe 600	-3.4%	16.1%	-4.7%	4.6%	11.7%
DAX	2.7%	12.5%	-3.7%	11.0%	27.4%
FTSE 100	-11.6%	11.9%	3.7%	-3.6%	14.1%
MSCI Japan	8.3%	4.3%	-1.3%	33.4%	7.6%
EUROSTOXX 50	-4.4%	17.4%	-2.6%	8.7%	16.2%
MSCI Asia ex Japan	31.1%	-13.6%	-15.3%	-11.1%	17.3%
MSCI EM	22.9%	-10.7%	-16.7%	-7.0%	12.3%
MSCI China	38.1%	-28.8%	-15.1%	-33.1%	28.7%
MSCI LatAm	-18.6%	-5.6%	1.7%	9.0%	-20.9%
Magnificent Seven	110.1%	25.4%	-30.6%	92.1%	67.5%
S&P 500 Energy	-27.2%	50.2%	45.8%	-11.7%	13.7%
S&P 500 Financials	-1.6%	26.0%	-7.4%	7.7%	32.4%
S&P 500 Industrials	6.9%	14.3%	-2.1%	14.5%	23.8%
S&P 500 Communication Services	18.3%	7.6%	-27.2%	44.8%	38.7%
S&P 500 Consumer Staples	1.6%	18.3%	-4.2%	0.1%	11.5%
S&P 500 Consumer Discrettionary	36.4%	3.4%	-23.5%	28.5%	36.6%
S&P 500 Utilities	-6.8%	9.5%	0.6%	-12.4%	29.2%
S&P 500 Information Technology	36.7%	15.8%	-15.4%	56.1%	32.3%
S&P 500 Materials	23.8%	12.7%	-1.2%	-0.3%	7.4%
S&P 500 Healthcare	12.4%	10.1%	3.5%	4.5%	1.5%
S&P 500 Real Estate	-6.9%	28.2%	-16.1%	-1.1%	5.8%

Source: Deutsche Bank AG, Bloomberg Finance L.P., Data as of January 22, 2025

Important note

General
This document may not be distributed in Canada or Japan. This document is intended for retail or professional clients only. This document is being circulated in good faith by Deutsche Bank Aktiengesellschaft, its branches (as permitted in any relevant jurisdiction), affiliated companies and its officers and employees (collectively, "Deutsche Bank").

This material is for your information only and is not intended as an offer, or recommendation or solicitation of an offer to buy or sell any investment, security, financial instrument or other specific product, to conclude a transaction, or to provide any investment service or investment advice, or to provide any research, investment research or investment recommendation, in any jurisdiction, but is intended solely for information purposes. The information does not replace advice tailored to the individual circumstances of the investor.

All materials in this communication are meant to be reviewed in their entirety.

If a court of competent jurisdiction deems any provision of this disclaimer unenforceable, the remaining provisions will remain in full force and effect. This document has been prepared as a general market commentary without consideration of the investment needs, objectives or financial circumstances of any particular investor. Investments are subject to market risks which derive from the instrument or are specific to the instrument or attached to the particular issuer. Should such risks materialise, investors may incur losses, including (without limitation) a total loss of the invested capital. The value of investments can fall as well as rise and you may not recover the amount originally invested at any point in time. This document does not identify all the risks (direct or indirect) or other considerations which may be material to an investor when making an investment decision.

This document and all information included herein are provided "as is", "as available" and no representation or warranty of any kind, express, implied or statutory, is made by Deutsche Bank regarding any statement or information contained herein or in conjunction with this document. To the extent permissible under applicable laws and regulations, we are making no representation as to the profitability of any financial instrument or economic measure. All opinions, market prices, estimates, forward looking statements, hypothetical statements, forecast returns or other opinions leading to financial conclusions contained herein reflect Deutsche Bank's subjective judgment as of the date of this document. Without limitation, Deutsche Bank does not warrant the accuracy, adequacy, completeness, reliability, timeliness or availability of this communication or any information in this document and expressly disclaims liability for errors or omissions herein. 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.

Unless otherwise indicated in this document, all statements of opinion reflect the current assessment of Deutsche Bank, which may change at any time. Deutsche Bank does not assume any obligation to either update the information contained in this document or inform investors about available updated information. The information contained in this document is subject to change without notice and based on a number of assumptions, estimates, opinions and hypothetical models or analyses which – although, From the Bank's current point of view are based on adequate information – may not prove valid or turnout in the future to be accurate or correct and may be different from conclusions expressed by other departments within Deutsche Bank. Although the information contained in this document has been derived from sources that Deutsche Bank considers trustworthy and reliable, Deutsche Bank does not guarantee the completeness, fairness, or accuracy of the information and it should not be relied upon as such. This document may provide, for your convenience, references to websites and other external sources. Deutsche Bank takes no responsibility for their content and their content does not form any part of this document. Accessing such external sources is at your own risk.

To the extent permissible under applicable laws and regulations, this document is for discussion purposes only and is not intended to create any legally binding obligations on Deutsche Bank and Deutsche Bank is not acting as your financial advisor or in a fiduciary capacity unless otherwise expressly agreed by Deutsche Bank in writing. Before making an investment decision, investors need to consider, with or without the assistance of a financial professional, whether any investments and strategies described or provided by Deutsche Bank, are appropriate, in light of the investor's particular investment needs, objectives, financial circumstances, the possible risks and benefits of such investment decision. When making an investment decision, potential investors should not rely on this document but only on what is contained in the final offering documentation relating to the investment. As a global financial services provider, Deutsche Bank from time to time faces actual and potential conflicts of interest. Deutsche Bank's policy is to take all appropriate steps to maintain and operate effective organisational and administrative arrangements to identify and manage such conflicts. Senior management within Deutsche Bank are responsible for ensuring that Deutsche Bank's systems, controls and procedures are adequate to identify and manage conflicts of interest. Deutsche Bank does not give tax or legal advice, including in this document, and nothing in this document should be interpreted as Deutsche Bank providing any person with any investment advice. Investors should seek advice from their own tax experts, lawyers, and investment advisers in considering investments and strategies described by Deutsche Bank. Unless notified to the contrary in a particular case, investment instruments are not insured by any governmental entity, not subject to deposit protection schemes and not guaranteed, including by Deutsche Bank. This document may not be reproduced or circulated without Deutsche Bank's express written authorisation. Deutsche Bank expressly prohibits the distribution and transfer of this material to third parties. Deutsche Bank accepts no liability whatsoever arising from the use or distribution of this material or for any action taken or decision made in respect of investments mentioned in this document which the investor may have made or may make in the future.

The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries, including, without limitation, the United States. 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 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. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions. Past performance is no

Important note

guarantee of future results; nothing contained herein shall constitute any representation, warranty, or prediction as to future performance. Further information is available upon investor's request.

Deutsche Bank AG is a stock corporation ("Aktiengesellschaft") incorporated under the laws of the Federal Republic of Germany with its head office in Frankfurt am Main. It is registered with the district court ("Amtsgericht") in Frankfurt am Main under number HRB 30 000and licensed to carry out banking business and to provide financial services. Supervisory authorities are the European Central Bank ("ECB"), Sonnemannstraße 22, 60314 Frankfurt am Main, Germany (www.ecb.europa.eu) and the German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" or "BaFin"), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main(www.bafin.de), and by the German Central Bank ("Deutsche Bundesbank"), Wilhelm-Epstein-Straße 14, 60431 Frankfurt am Main (www.bundesbank.de).

This document has neither been submitted to nor reviewed or approved by any of the above or below mentioned supervisory authorities.

For Residents of the United Arab Emirates
This document is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. By receiving this document, the person or entity to whom it has been issued understands, acknowledges and agrees that this document has not been approved by the UAE Central Bank, the UAE Securities and Commodities Authority, the UAE Ministry of Economy or any other authorities in the UAE. No marketing of any financial products or services has been or will be made from within the United Arab Emirates and no subscription to any funds, securities, products or financial services may or will be consummated within the United Arab Emirates. This does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 2 of 2015 (as amended from time to time) or otherwise. This document may only be distributed to "Professional Investors", as defined in the UAE Securities and Commodities Authority's Rulebook on Financial Activities and Reconciliation Mechanism (as amended from time to time).

For Residents of Kuwait
This document has been sent to you at your own request. This presentation is not for general circulation to the public in Kuwait. The Interests have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of the Interests in Kuwait on the basis a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990 and the implementing regulations thereto (as amended) and Law No. 7 of 2010 and the bylaws thereto (as amended). No private or public offering of the Interests is being made in Kuwait, and no agreement relating to the sale of the Interests will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Interests in Kuwait.

For Residents of the Kingdom of Saudi Arabia
This document may not be distributed in the Kingdom except to such persons as are permitted under the Investment Fund Regulations issued by the Capital Market Authority. The Capital Market Authority does not take any responsibility for the contents of this document, does not make any representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective subscribers of the securities should conduct their own due diligence on the accuracy of any information relating to securities. If you do not understand the contents of this document, you should consult an authorised financial adviser.

For Residents of Qatar
This document has not been filed with, reviewed or approved by the Qatar Central Bank, the Qatar Financial Markets Authority, the Qatar Financial Centre Regulatory Authority or any other relevant Qatari governmental body or securities exchange or under any laws of the State of Qatar. This document does not constitute a public offering and is addressed only to the party to whom it has been delivered. No transaction will be concluded in Qatar and any inquiries or applications should be received, and allotments made, outside Qatar.

For Residents of the Kingdom of Bahrain
This document does not constitute an offer for sale of, or participation in, securities, derivatives or funds marketed in Bahrain within the meaning of Bahrain Monetary Agency Regulations. All applications for investment should be received and any allotments should be made, in each case from outside of Bahrain. This document has been prepared for private information purposes of intended investors only who will be institutions. No invitation shall be made to the public in the Kingdom of Bahrain and this document will not be issued, passed to, or made available to the public generally. The Central Bank (CBB) has not reviewed, nor has it approved, this document or the marketing of such securities, derivatives or funds in the Kingdom of Bahrain.

For Residents of South Africa
This document does not constitute or form a part of any offer, solicitation or promotion in South Africa. This document has not been filed with, reviewed or approved by the South African Reserve Bank, the Financial Sector Conduct Authority or any other relevant South African governmental body or securities exchange or under any laws of the Republic of South Africa.

For Residents of Belgium
This document has been distributed in Belgium by Deutsche Bank AG acting though its Brussels Branch. Deutsche Bank AG is a stock corporation ("Aktiengesellschaft") incorporated under the laws of the Federal Republic of Germany and licensed to carry on banking business and to provide financial services subject to the supervision and control of the European Central Bank ("ECB") and the German Federal Financial Supervisory Authority ("BaFin"). Deutsche Bank AG, Brussels Branch, is also supervised in Belgium by the Financial Services and Markets Authority ("FSMA", www.fsma.be). The branch has its registered address at Marnixlaan 13-15, B-1000 Brussels and is registered under number VAT BE 0418.371.094, RPM/RPR Brussels. Further details are available on request or can be found at www.deutschebank.be.

Important note

For Residents of the United Kingdom
This document is a financial promotion as defined in Section 21 of the Financial Services and Markets Act 2000 and is approved by and communicated to you by DB UK Bank Limited. DB UK Bank Limited is a member of the Deutsche Bank group and is registered.at Company House in England & Wales with company number 315841 with its registered Office: 21 Moorfields, London, United Kingdom, EC2Y 9DB. DB UK Bank Limited is authorised by the Prudential Regulation Authority and is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. DB UK Bank Limited's Financial Services Registration Number is 140848.

Deutsche Bank Aktiengesellschaft is incorporated in the Federal Republic of Germany and its members' liability is limited.

For Residents of Hong Kong
This material is intended for: Professional Investors in Hong Kong. Furthermore, this material is provided to addressee only, further distribution of this material is strictly prohibited. This document and its contents are provided for information only. Nothing in this document is intended to be an offer of any investment or a solicitation or recommendation to buy or to sell an investment and should not be interpreted or construed as an offer, solicitation, or recommendation.

The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the investments contained herein (if any). If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document has not been approved by the Securities and Futures Commission in Hong Kong ("SFC"), nor has a copy of this document been registered by the Registrar of Companies in Hong Kong, unless specified otherwise. The investments contained herein may or may not be authorised by the SFC. The investments may not be offered or sold in Hong Kong, by means of any document, other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("SFO") and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong)(the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O. No person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the investments, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to investments which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

For Residents of Singapore
This material is intended for: Accredited Investors / Institutional Investors in Singapore. Furthermore, this material is provided to addressee only, further distribution of this material is strictly prohibited.

For Residents of the United States of America
In the United States, brokerage services are offered through Deutsche Bank Securities Inc., a broker-dealer and registered investment adviser, which conducts securities activities in the United States. Deutsche Bank Securities Inc. is a member of FINRA, NYSE and SIPC. Banking and lending services are offered through Deutsche Bank Trust Company Americas, member FDIC, and other members of the Deutsche Bank Group. In respect of the United States, see earlier statements made in this document. Deutsche Bank makes no representations or warranties that the information contained herein is appropriate or available for use in countries outside of the United States, or that services discussed in this document are available or appropriate for sale or use in all jurisdictions, or by all counterparties. Unless registered, licensed as otherwise may be permissible in accordance with applicable law, none of Deutsche Bank or its affiliates is offering any services in the United States or that are designed to attract US persons (as such term is defined under Regulation S of the United States Securities Act of 1933, as amended).This United States-specific disclaimer will be governed by and construed in accordance with the laws of the State of Delaware, without regard to any conflicts of law provisions that would mandate the application of the law of another jurisdiction.

For Residents of Germany
This information is advertising. The texts do not meet all legal requirements to ensure the impartiality of investment and investment strategy recommendations or financial analyses. There is no prohibition for the compiler or for the company responsible for the compilation to trade with the respective financial instruments before or after the publication of these documents.

General information on financial instruments is contained in the brochures "Basic Information on Securities and Other Investments", "Basic Information on Financial Derivatives", "Basic Information on Forward Transactions" and the information sheet "Risks in Forward Transactions", which the customer can request from the Bank free of charge.

Past performance or simulated performance is not a reliable indicator of future performance.

For Residents of India
The investments mentioned in this document are not being offered to the Indian public for sale or subscription. This document is not registered and/or approved by the Securities and Exchange Board of India, the Reserve Bank of India, or any other governmental/ regulatory authority in India. This document is not and should not be deemed to be a "prospectus" as defined under the provisions of the Companies Act, 2013 (18 of 2013) and the same shall not be filed with any regulatory authority in India. Pursuant to the Foreign Exchange Management Act, 1999 and the regulations issued there under, any investor resident in India may be required to obtain prior special permission of the Reserve Bank of India before making investments outside of India including any investments mentioned in this document.

Important note

For Residents of Italy
This report is distributed in Italy by Deutsche Bank S.p.A., a bank incorporated and registered under Italian law subject to the supervision and control of Banca d'Italia and CONSOB. Its registered office is located at Piazza del Calendario 3 – 20126 Milan (Italy) and is registered with the Chamber of Commerce of Milan, VAT and fiscal code number 001340740156, part of the interbank fund of deposits protection, enrolled in the Bank Register and the head of Deutsche Bank Banking Group, enrolled in the register of the Banking Groups pursuant to Legislative Decree September 1st , 1993 n. 385 and subject to the direction and coordination activity of Deutsche Bank AG, Frankfurt am Main (Germany).

For Residents of Luxembourg
This report is distributed in Luxembourg by Deutsche Bank Luxembourg S.A., a bank incorporated under the laws of the Grand Duchy of Luxembourg in the form of a public limited company (Société Anonyme), subject to the supervision and control of the European Central Bank ("ECB") and Commission de Surveillance du Secteur Financier ("CSSF"). Its registered office is located at 2, Boulevard Konrad Adenauer, 1115 Luxembourg, Grand Duchy of Luxembourg and is registered with Luxembourg Registre de Commerce et des Sociétés ("RCS") under number B 9.164 .

For Residents of Spain
Deutsche Bank, Sociedad Anónima Española Unipersonal is a credit institution regulated by the Bank of Spain and the CNMV and registered in their respective Official Registries under the Code 019. Deutsche Bank, Sociedad Anónima Española Unipersonal may only undertake the financial services and banking activities that fall within the scope of its existing license. The principal place of business in Spain is located in Paseo de la Castellana number 18, 28046 – Madrid. Registered in the Mercantile Registry of Madrid, Volume 28100, Book 0, Folio 1, Section 8, Sheet M506294, Registration 2. NIF: A08000614. This information has been distributed by Deutsche Bank, Sociedad Anónima Española Unipersonal.

For Residents of Portugal
Deutsche Bank AG, Portugal Branch is a credit institution regulated by the Bank of Portugal and the Portuguese Securities Commission ("CMVM"), registered with numbers 43 and 349, respectively and with commercial registry number 980459079. Deutsche Bank AG, Portugal Branch may only undertake the financial services and banking activities that fall within the scope of its existing license. The registered address is Rua Castilho, 20, 1250-069 Lisbon, Portugal.

For Residents of Austria
This document is distributed by Deutsche Bank AG Vienna Branch, registered in the commercial register of the Vienna Commercial Court under number FN 140266z.Deutsche Bank AG's Vienna branch is also supervised by the Austrian Financial Market Authority (FMA), Otto-Wagner-Platz 5, 1090 Vienna. This document has neither been submitted to nor approved by the aforementioned supervisory authorities.

For Residents of the Netherlands
This document is distributed by Deutsche Bank AG, Amsterdam Branch, with registered address at De entree 195 (1101 HE) in Amsterdam, the Netherlands, and registered in the Netherlands trade register under number 33304583 and in the register within the meaning of Section 1:107 of the Netherlands Financial Supervision Act (Wet op het financieel toezicht). This register can be consulted through www.dnb.nl.

For Residents of France
Deutsche Bank AG is an authorised credit institution, subject to the overall supervision of the European Central Bank and BaFin, the German Federal Financial Supervisory Authority. Its various branches are locally supervised, for certain activities, by the competent banking authorities, such as the Prudential Control and Resolution Authority (Autorité de Controle Prudentiel de Résolution, "ACPR") and the Financial Markets Authority (Autorité des Marchés Financiers, " AMF") in France.

Publication date: January 24, 2025

056194 012425

IV/ST

In Europe, Middle East and Africa as well as in Asia Pacific this material is considered marketing material, but this is not the case in the U.S. No assurance can be given that any forecast or target can be achieved. Forecasts are based on assumptions, estimates, opinions and hypothetical models which may prove to be incorrect. Past performance is not indicative of future returns. Performance refers to a nominal value based on price gains/losses and does not take into account inflation. Inflation will have a negative impact on the purchasing power of this nominal monetary value. Depending on the current level of inflation, this may lead to a real loss in value, even if the nominal performance of the investment is positive. Investments come with risk. The value of an investment can fall as well as rise and you might not get back the amount originally invested at any point in time. Your capital may be at risk. This document was produced in January 2025.