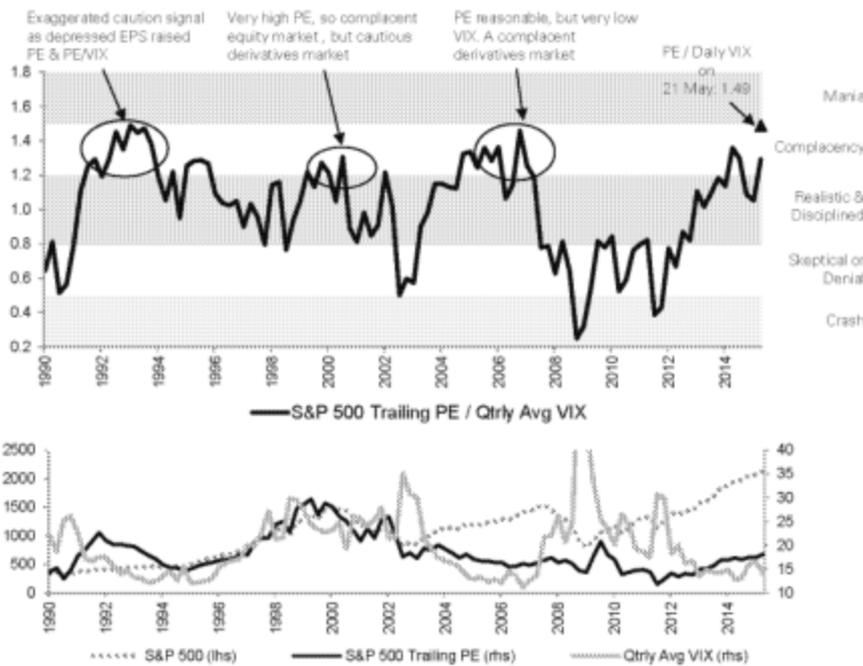




Market complacency re-emerges in both cash equities and derivatives

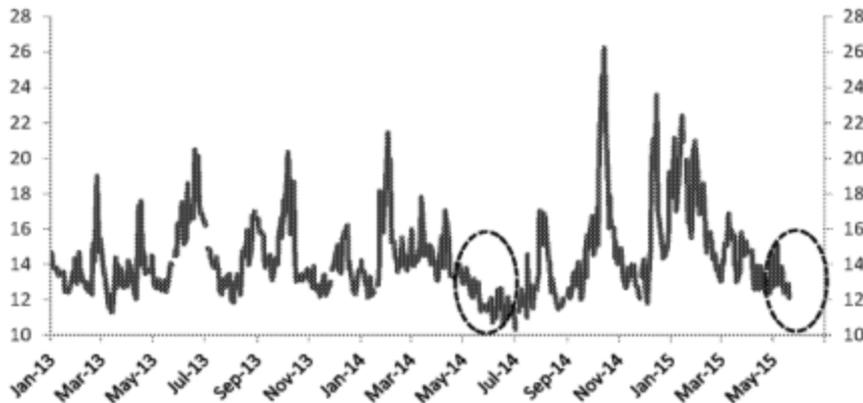
Our PE/VIX market emotion indicator climbed to 1.3 on S&P trailing PE of 18 and 3m avg VIX of 14. A level between 1.2-1.5 signals complacency. There was similar complacency going into summer last year, with S&P trailing PE at 17.5 and a calm market kept VIX at 10-14. The complacency persisted to July but then faded as the risk of higher yields came on falling unemployment, but yields ultimately stayed subdued preventing any major summer sell-off. Yet a selloff began in late Sept as oil prices started cracking and the dollar climbing.

Figure 12: PE/VIX: our market emotion indicator



Source: CBOE, S&P, Deutsche Bank

Figure 13: S&P 500 daily VIX



Source: CBOE, Deutsche Bank