

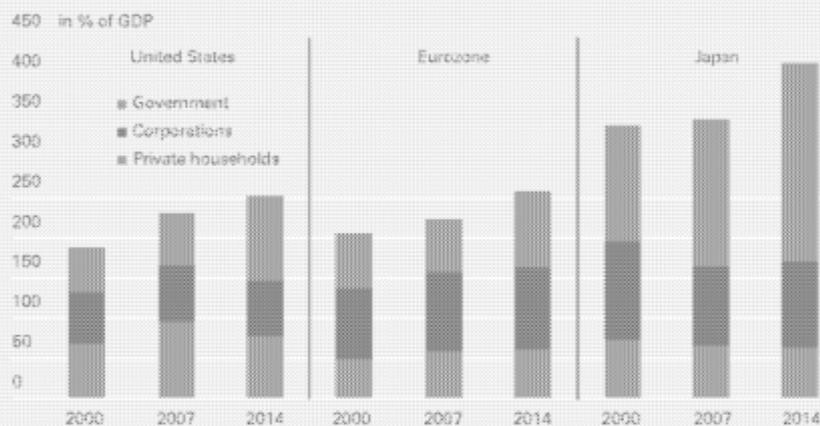
## A glance at the bond markets

The renminbi devaluation, worsening economic dynamics in the emerging markets, falling commodity prices and stock-market volatility were factors leading the Fed to postpone its first rate hike. Moreover, U.S. exports have been hurt by the stronger U.S. dollar. Since current economic growth rates are moderate and the economic recovery may not yet be as well-embedded as desired, the Fed is likely to opt for gentle upward moves in interest rates.

Before any interest-rate move, the Fed will closely observe developments in the U.S. labor market, the pace of growth and inflation as well as in capital markets. The Fed stressed at its last meeting that the deceleration of growth in emerging markets would be considered when making a decision on interest rates. Thus, it has become more unlikely that rates will increase markedly on the bond markets.

Since the debt level as a ratio of GDP is high in the industrialized countries, a significant rise in interest rates would particularly burden governments, but also cause difficulties for corporations and private households and weaken economies. Interest-rate levels are not likely to reach those observed during previous recovery phases.

### The development of debt

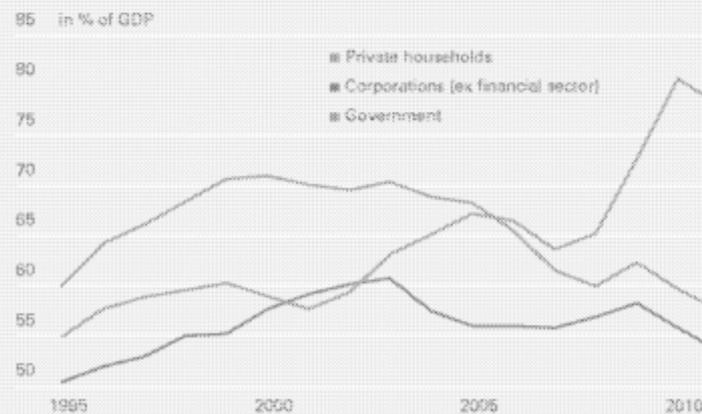


Sources: Bank for International Settlements, Thomson Reuters Datastream, European Commission, as of September 2015

### Rising public debt

In the industrialized countries, governments have markedly raised their debt in relation to GDP. Reasons are higher welfare payments in the wake of the financial crisis and state incentives to boost growth. High indebtedness should limit the rise of interest rates in the developed economies.

### The development of debt in Germany



Sources: Thomson Reuters Datastream, European Commission, as of September 2015

### Receding private-sector debt

In Germany, the financial crisis also caused the ratio of government debt to GDP to rise from 2008 onwards, whereas debt ratios for corporations and private households fell. In total, debt in 2014 amounted to roughly 185% of GDP – a low ratio compared to the United States or Japan.

Past performance is not indicative of future returns. No assurance can be given that any forecast, investment objectives and/or expected returns will be achieved. Allocations are subject to change without notice. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect.