- **The commodity price declines underway since 2011 have been primarily a reflection of the rising dollar and a correction of overvaluation not slower global growth** (Trading The Commodity Underperformance Cycle, Apr 2013). We expect the dollar to remain the primary driver of the complex and while we expect the dollar pause to continue near-term the dollar up cycle has further to run medium term. Oil is a little above fair value currently while gold and especially industrial metals remain expensive and should remain under pressure even if the dollar remains flat.
- **Strong trend-like underlying earnings growth is consistent with trend like global GDP growth; low headline growth reflects impact of past dollar and oil price moves.** Attention has continued to focus on the weak headline earnings growth in the US. However, adjusted for the impacts of oil price declines and the higher dollar, underlying earnings growth in Q3 remained robust across all of DM: US (10.6%); Europe (7.4%) and Japan (29.4%). Unless the declines in oil prices and appreciation in the dollar continue at the extreme pace of the last year, the drags will subside as a matter of arithmetic and earnings growth will converge to the 8-10% underlying rate prevailing for the last 2 years.

CONFIDENTIAL – PURSUANT TO FED. R. CRIM. P. 6(e)
CONFIDENTIAL
DB-SDNY-0118625
SDNY_GM_00264809
EFTA01458628