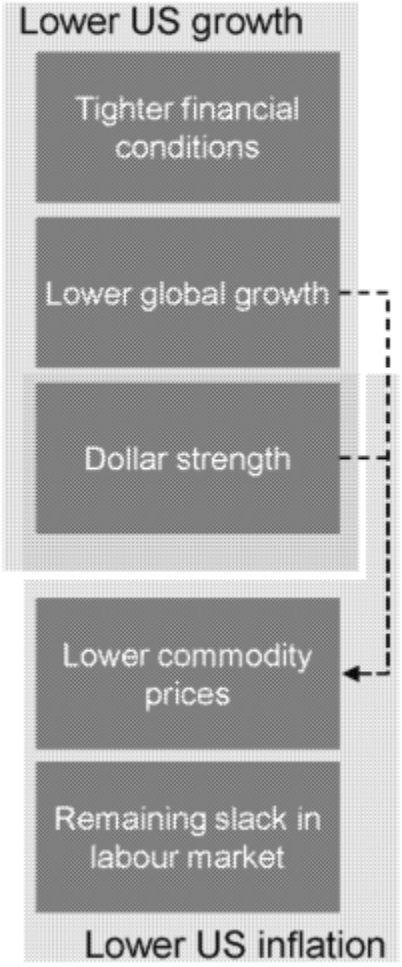
The reasons that kept the Fed put in September and October have now largely dissipated



Ahead of September / October FOMCs	Current conditions	
▪ Hike not priced by market – risk of financial tightening (stronger dollar, higher rates) ▪ High financial markets volatility	▪ Market almost fully pricing a hike ▪ Volatility has abated	✓
▪ Fears of sharp slowdown in China ▪ Concerns over US and eurozone growth, despite solid macro data	▪ Buy into stabilisation and gradual, not sharp, slowdown in China ▪ Less concern about downside risks in US and eurozone	✓
▪ Concern given 20% rise since mid-2014 ▪ Rate hike would have led to further strength	▪ Further strength but largely driven by hike expectations ▪ Less a concern following ECB-driven euro rally*	~
▪ Sharp sell-off in commodities since May-2015, including nearly 30% drop in oil ▪ Worry that it reflects global growth weakness	▪ Weakness continues – though less tied to global growth concerns	×
▪ Some slowdown in labour market ▪ Little evidence of wage inflation	▪ Strong rebound in labour market and pick-up in wage inflation – confirming diminishing slack	✓

Note: (*) ECB delivered less than market expectations on 3-December, leading to a 2%+ surge in the euro vs. the dollar

✓ Largely dissipated ~ Partly dissipated × Still a concern

CONFIDENTIAL – PURSUANT TO FED. R. CRIM. P. 6(e)
CONFIDENTIAL
DB-SDNY-0119250
SDNY_GM_00265434
EFTA01459041