

Figure 6: S&P 2016 EPS scenarios

| | Foreign Sales % | FX Profits % | A possible upside scenario | | | | DB's base case for 2016 S&P EPS | | | | A continued profit recession, but decent US and global GDP growth | | | | Poor global growth (China ~5%) yet 2%+ US growth with low credit costs Tight US labor mkt, Fed hikes >1% in 2016 | | | | Global recession and flat US GDP | | | |
|----------------------|-----------------|--------------|----------------------------|--------------|-------|----------|---------------------------------|--------------|-------|----------|---|--------------|--------|----------|---|--------------|--------|----------|----------------------------------|--------------|--------|----------|
| | | | 2015 | 2016 | y/y | 2016 EPS | 2015 | 2016 | y/y | 2016 EPS | 2015 | 2016 | y/y | 2016 EPS | 2015 | 2016 | y/y | 2016 EPS | 2015 | 2016 | y/y | 2016 EPS |
| Cons Disc | 27% | 25% | 115.5 | 128 | 10.8% | 14.39 | 115.5 | 125 | 8.2% | 14.05 | 115.5 | 125 | 8.2% | 14.05 | 115.5 | 122 | 5.6% | 13.72 | 115.5 | 110 | -4.8% | 12.37 |
| Cons Staples | 28% | 28% | 85.5 | 89 | 4.1% | 10.01 | 85.5 | 87.5 | 2.3% | 9.84 | 85.5 | 85.5 | 0.0% | 9.61 | 85.5 | 85 | -0.6% | 9.56 | 85.5 | 83 | -2.9% | 9.33 |
| Energy | 41% | 20% | 45 | 60 | 33.3% | 6.75 | 45 | 52 | 15.6% | 5.85 | 45 | 30 | -33.3% | 3.37 | 45 | 30 | -33.3% | 3.37 | 45 | 20 | -55.6% | 2.25 |
| Financials | 18% | 15% | 218 | 234 | 7.3% | 26.31 | 218 | 230 | 5.5% | 25.86 | 218 | 230 | 5.5% | 25.86 | 218 | 233 | 6.7% | 26.16 | 218 | 210 | -3.7% | 23.61 |
| Health Care | 20% | 20% | 154.5 | 168 | 8.7% | 18.89 | 154.5 | 165 | 6.8% | 18.55 | 154.5 | 161 | 4.2% | 18.10 | 154.5 | 160 | 3.6% | 17.99 | 154.5 | 158 | 2.3% | 17.76 |
| Industrials | 36% | 35% | 115 | 120 | 4.3% | 13.49 | 115 | 117 | 1.7% | 13.15 | 115 | 105 | -8.7% | 11.80 | 115 | 100 | -13.0% | 11.24 | 115 | 90 | -21.7% | 10.12 |
| Tech | 59% | 37% | 225 | 242 | 7.6% | 27.21 | 225 | 239 | 6.2% | 26.87 | 225 | 232 | 3.1% | 26.08 | 225 | 225 | 0.0% | 25.30 | 225 | 210 | -6.7% | 23.61 |
| Materials | 49% | 40% | 30.3 | 34 | 12.2% | 3.82 | 30.3 | 32.5 | 7.3% | 3.65 | 30.3 | 29 | -4.3% | 3.26 | 30.3 | 26 | -14.2% | 2.92 | 30.3 | 23 | -24.1% | 2.59 |
| Telecom | 1% | 0% | 33.5 | 32.5 | -3.0% | 3.65 | 33.5 | 32.5 | -3.0% | 3.65 | 33.5 | 32.5 | -3.0% | 3.65 | 33.5 | 32 | -4.5% | 3.60 | 33.5 | 30 | -10.4% | 3.37 |
| Utilities | 6% | 6% | 33.4 | 34.5 | 3.3% | 3.88 | 33.4 | 34.5 | 3.3% | 3.88 | 33.4 | 34.5 | 3.3% | 3.88 | 33.4 | 34 | 1.8% | 3.82 | 33.4 | 32.5 | -2.7% | 3.65 |
| S&P 500 per share | 31% | 25% | 1055.7 | 1142 | 8.2% | 128.39 | 1055.7 | 1115 | 5.6% | 125.35 | 1055.7 | 1064.5 | 0.8% | 119.68 | 1055.7 | 1046.7 | -0.9% | 117.68 | 1055.7 | 966.5 | -8.4% | 108.66 |
| | | | \$119 | \$128 | | | \$119 | \$125 | | | \$119 | \$120 | | | \$119 | \$118 | | | \$119 | \$109 | | |
| Avg oil price | | | \$47 | \$60 | | | \$47 | \$55 | | | \$47 | \$40 | | | \$47 | \$40 | | | \$47 | \$35 | | |
| Euro | | | 1.10 | 1.10-1.15 | | | 1.05 | 1.05 | | | 1.05 | 0.90 | | | 1.05 | 0.90 | | | 1.05 | 0.85 | | |
| Avg FF rate | | | 0.2% | 0.75% | | | 0.2% | 0.50% | | | 0.2% | 0.50% | | | 0.2% | 1.2% | | | 0.2% | 0.25% | | |
| US UE yr end | | | 5.0% | 4.7% | | | 5.0% | 4.7% | | | 5.0% | 4.7% | | | 5.0% | 4.4% | | | 5.0% | 6.5% | | |
| US GDP | | | 2.5% | 2.5-3% | | | 2.5% | ~2.5% | | | 2.5% | ~2.5% | | | 2.5% | 2.25% | | | 2.5% | 0.5% | | |
| Global GDP | | | 3% | 3.5% | | | 3% | ~3.0% | | | 3% | ~3.0% | | | 3% | 2.5% | | | 3% | 1.5% | | |

Source: Deutsche Bank

Figure 7: S&P annual EPS rule-of-thumb sensitivities

Rules of thumb sensitivities

Oil prices: Every \$5/bbl decline in oil prices reduces S&P net income by roughly \$7.5bn or nearly \$1 EPS

Dollar FX rates: Every 10% appreciation in the dollar vs. mature currencies (DXY) tends to reduce S&P net income by \$20bn or ~\$2.50 of EPS

FF rate: Every 25bp on the FF rate, if it similarly moves net interest margins at banks is ~\$0.50 to S&P

US GDP: S&P EPS is most sensitive to US investment spending on equipment and software and exports

Global GDP: S&P EPS tends to be more sensitive to global GDP than US GDP

Source: Deutsche Bank

