2.a. US recession:

In this scenario, strong U.S. payroll figures from late 2015 and early 2016 turn out to be misleading. By the time the depth of the slump in U.S. manufacturing becomes fully clear, the downturn has already spread to other parts of the U.S. economy.

North American oil demand falls, also dragging down emerging-market oil-demand growth. Falling oil prices reinforce the gloom in financial markets. Before too long, sharp negative wealth effects push the U.S. into recession territory, with consumers far too nervous to spend their energy savings.

Likelihood
Unlikely

Comment
A U.S. recession would drag down the rest of the world. It would also push down prices for risk assets everywhere. Note, however, the very tangential contribution of oil to any putative future recession – energy capital expenditure already halved in 2015 after all. This might understate the broader impact of sharp swings in shale output on related sectors, such as chemical processing. Still, you would also need to imagine a sharp negative reaction by holders of financial assets and little or no positive reaction by the beneficiaries of cheaper oil. This seems implausible – unless you think that, even in the absence of falling oil prices, the U.S. economy is likely to be a lot weaker than it appears to be now.

2.b. Emerging-market contagion:

The current market turmoil results in a broader emerging-market crisis starting in South America and then spreading around the world. Political instability in countries such as Venezuela, Russia and Nigeria ensues. Defaults of highly indebted corporate borrowers from emerging markets spike.

Likelihood
Moderate

Comment
Some would argue that we are already seeing a crisis of this sort unfolding. However, oil demand outside the Organization for Economic Cooperation and Development (OECD) is still expected to grow, by 1.2mb/d in 2016. Structural reasons, such as growing populations and economic modernization, suggest that emerging-market oil-demand growth will continue. It would take a very broad crisis to change this trend.

The impact on developed markets would range from limited (if already relatively-isolated countries such as Venezuela and Russia are the main ones impacted) to serious. Also note that if commodities other than oil get disrupted, the net impact on inflation trends in the U.S. and Europe would be mixed.

These scenarios are based on assumptions, estimates, opinions and hypothetical models or analysis which may prove to be incorrect. 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. Source: Deutsche Asset & Wealth Management Investment GmbH, as of 02/2016