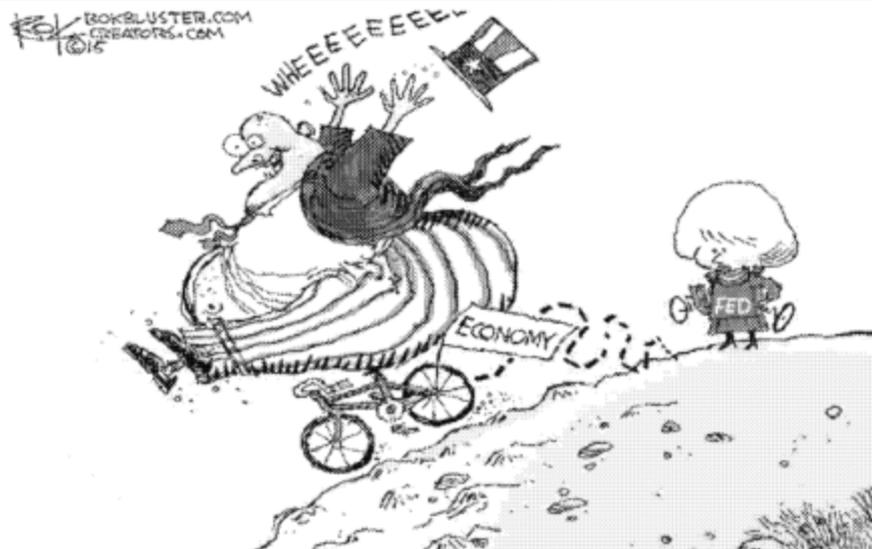


Monetary Policy Divergence



“Two Roads Diverged in a Wood, and I Took the one Less Traveled.”

Fed Takes off Training Wheels



- As the Fed has taken the “training wheels” off the U.S. economy, we expect increased volatility.

Expect More Volatility

Tightening Cycle	# of Day	3-4.99%	5.00-9.99%	10% or More	Average of all Pullbacks
3/84-8/84	147	2	1	0	-5.2%
12/86-9/87	262	0	3	0	-6.4%
3/88-2/89	332	1	3	0	-6.3%
2/94-2/95	363	1	3	0	-6.0%
6/99-5/00	321	0	4	1	-9.2%
6/04-6/06	729	2	4	0	-5.7%
Average	369	1	3	0	-6.5%

S&P 500 Pullbacks

- When looking at the most recent tightening cycles, they last, on average, one year and see at least one S&P 500 pullback of 3-5% and three pullbacks of 5-10%.
- The only tightening cycle that experienced a more than 10% decline was in 2000.

Footnotes: Chip Bok Editorial Cartoon used with the permission of Chip Bok and Creators Syndicate. All rights reserved.

Source: The Cartoonist Group, Deutsche Bank Wealth Management.

Footnotes: Time period is considered a tightening cycle when the Fed raises rates three or more consecutive times. The tightening cycle is considered over at the last rate hike. # of days is calendar days. S&P 500 price only.

Source: Bloomberg Finance LP, Deutsche Bank Wealth Management.

Deutsche Bank
Wealth Management