

Deutsche Bank



# Markets, Mergers & Megadeals

June 2015

*Passion to Perform*



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Global Chairman of M&A



*"In a controversial move today, the State of Rhode Island made a tender offer for the State of New Jersey."*



*"I'm afraid I have some bad news. The company has been taken over by the little kid who sells lemonade down the street."*



# Markets, Mergers & Megadeals



## Macro Backdrop ("Stars Aligned")

## Why Now?

## Notable Themes & Trends

1. Long & Steady Recovery

11. Boardroom Confidence

21. Heightened Pace of Activity

2. Unprecedented Central Bank Liquidity

12. Investor Receptivity

22. Mega M&A Deals

3. Historically Low Cost Funding

13. Rapid U.S. Dollar Strengthening

23. Mega Bond Deals

4. Robust Credit Markets

14. Organic Growth Headwinds

24. M&A Driven Capital Markets

5. Strong Equity Valuations

15. Changing Face of Shareholder Returns

25. M&A Driven Loan Market

6. M&A Affordability Near Highs

16. Activism as the New Hostile

26. Surge in Cross-Border Activity

7. Strong, Flexible Balance Sheets

17. Aging Sponsor Portfolios

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8. LBO Fund "Dry Powder"

18. Sponsor Driven Exits

28. Expanding Target Valuation Multiples

9. Lower Oil's Slow Squeeze

19. Industry Transformational Activity

29. Stock as Acquisition Currency

10. Low Equity Volatility

20. Tax Driven Dynamics

30. Strategic FX Hedging

**"I would have written a shorter letter, but I did not have the time."**

*- Blaise Pascal, French philosopher & mathematician (1623 – 1662)*



# I. Introduction



# Stars Aligned for Global M&A



## Near Perfect Macro Backdrop

Long Economic Recovery

Unprecedented Central Bank Liquidity

Historic Low Cost Funding

Strong Equity Valuations

Record Cash Balances

Low Equity Volatility

Low Oil Prices

## Why Now?

Boardroom Confidence High

Strong Investor Receptivity

Rapid USD Strengthening

Organic Growth Headwinds

Rise in Shareholder Activism

Consolidation / Restructuring Pressures

Tax-Driven Dynamics

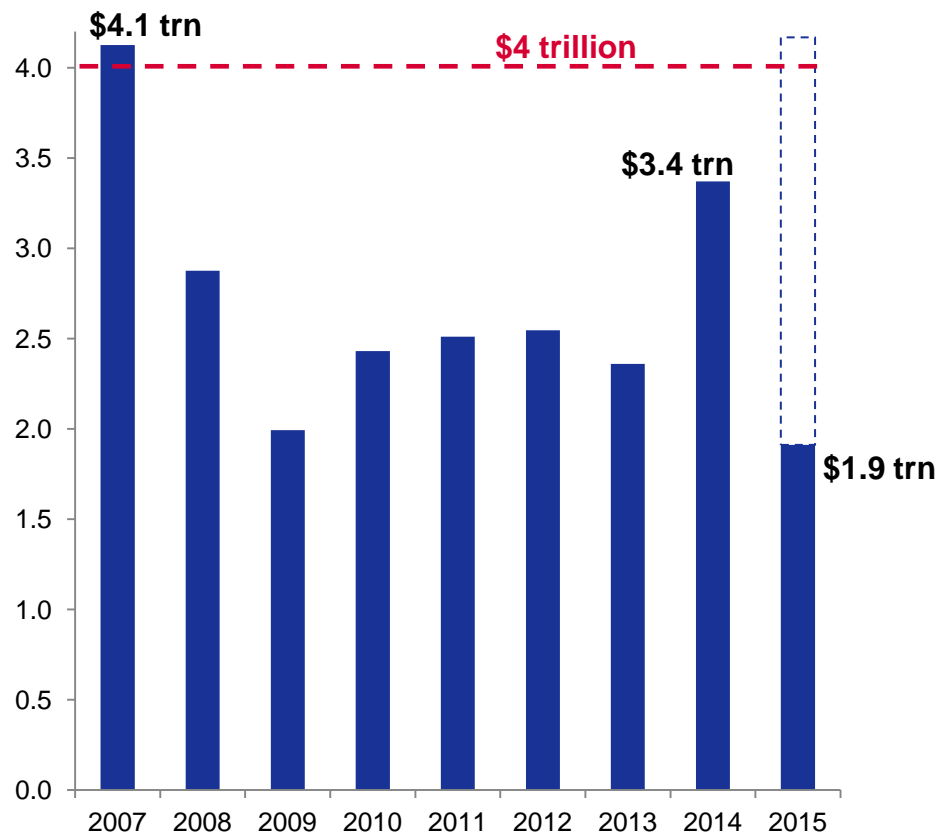
**While many of the pre-conditions for M&A's resurgence have been in place for numerous years, a number of notable factors have converged in recent months to drive a sharp acceleration in deal activity**

# M&A's Resurgence Has Been *the* Story of 2015



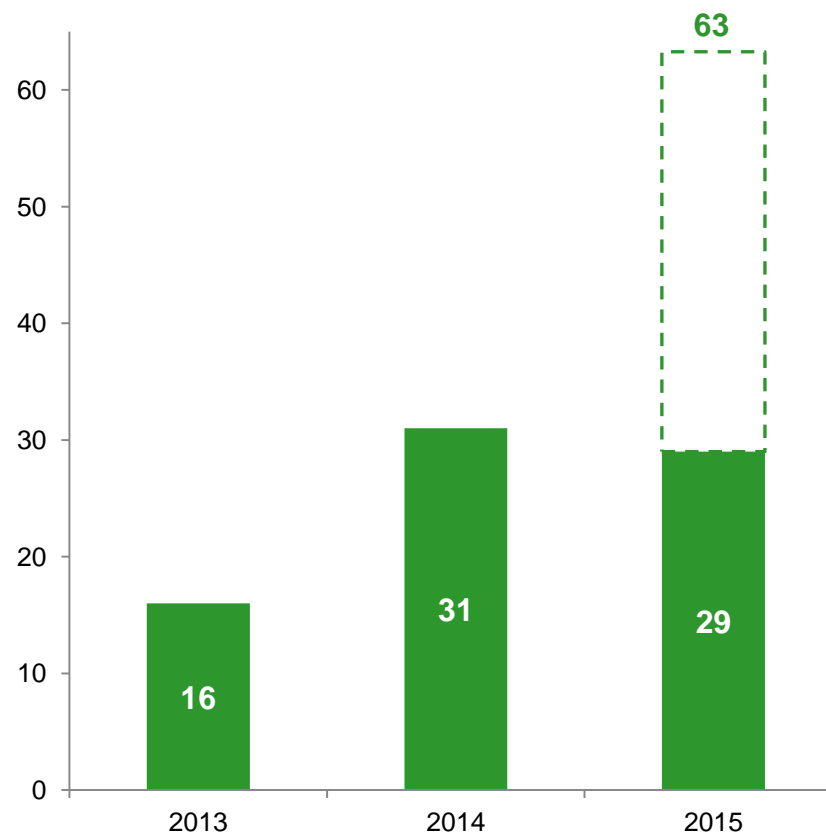
## Global M&A Volumes

Global M&A Volumes (\$ trn)



## Megadeal Uptick

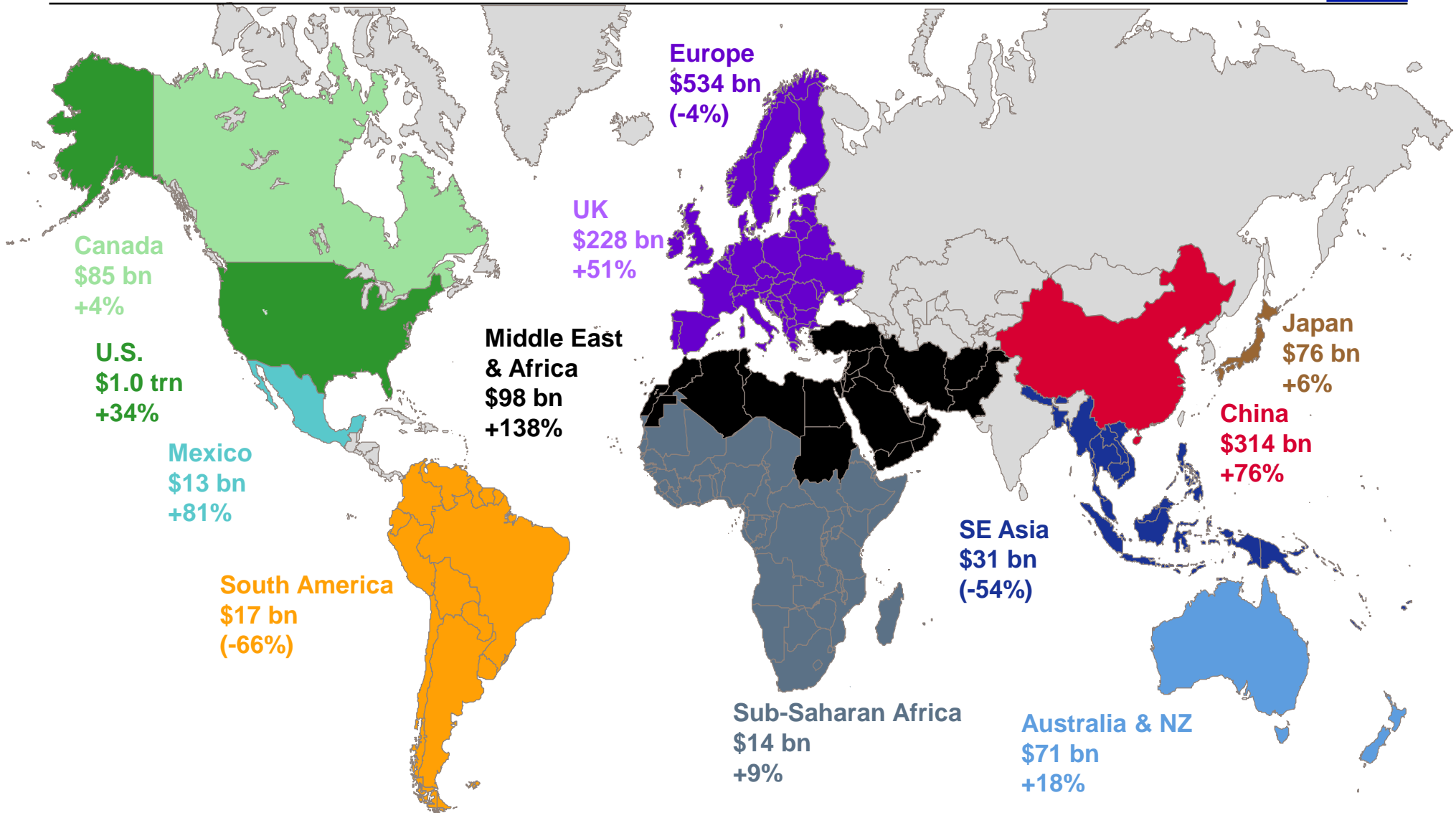
Global Announced Deals > \$10bn



- Global M&A jumped sharply in 2014 to levels not seen since before the financial crisis, with over 7,500 deals announced totaling nearly \$3.5 trillion in value
- The megadeals of 2014 also increased confidence in the global M&A deal environment going into 2015
- 2015 YTD volumes have actually exceeded this remarkable pace, including a notable resurgence in larger megadeals

# The 2015 M&A Wave Has Been Global...

## Worldwide Announced M&A (2015 YTD)



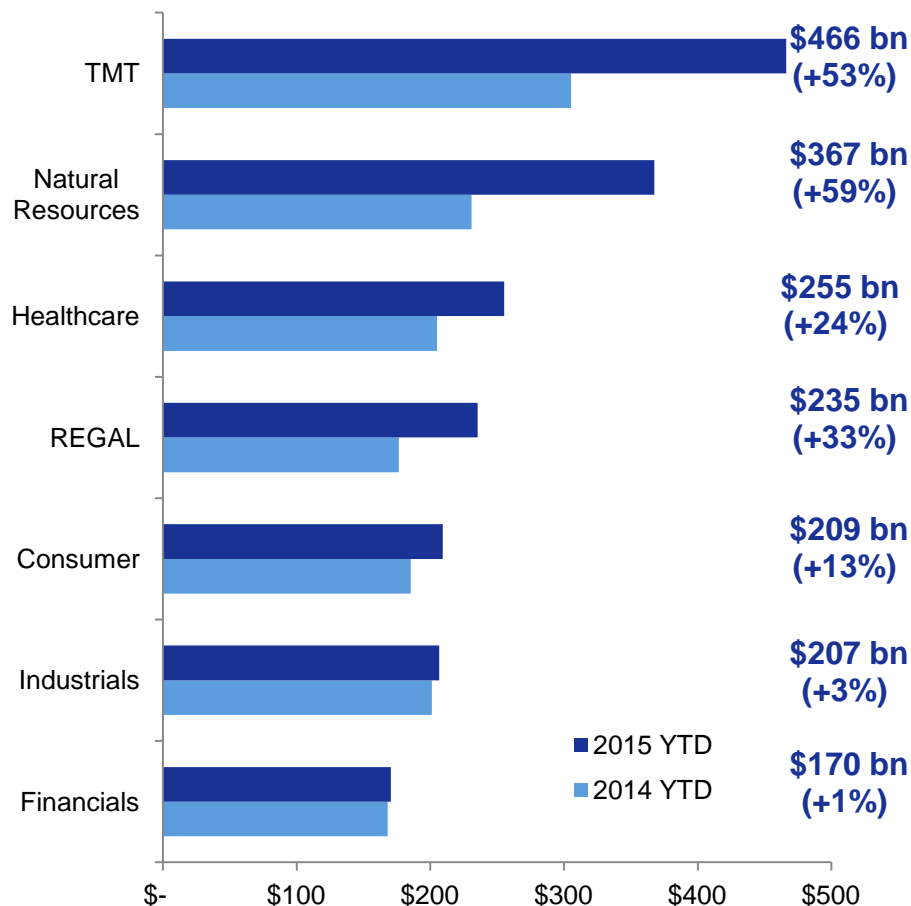
While the U.S. and Europe are driving global M&A volumes, the uptick in activity has been broad-based across most regions globally

# ...And Has Been Broad-Based Across Most Industries



## Global M&A Market by Industry

### 2015 M&A Activity



### Industry Leadership in M&A

2000:

- 1) Tech / Media / Telecom: 45% of total
- 2) Financials: 16%
- 3) Natural Resources: 12%

2007:

- 1) Natural Resources: 21% of total
- 2) Financials: 18%
- 3) Tech / Media / Telecom: 14%

2014 - 2015:

- 1) Natural Resources: 21% of total
- 2) Tech / Media / Telecom: 20%
- 3) Healthcare: 13%

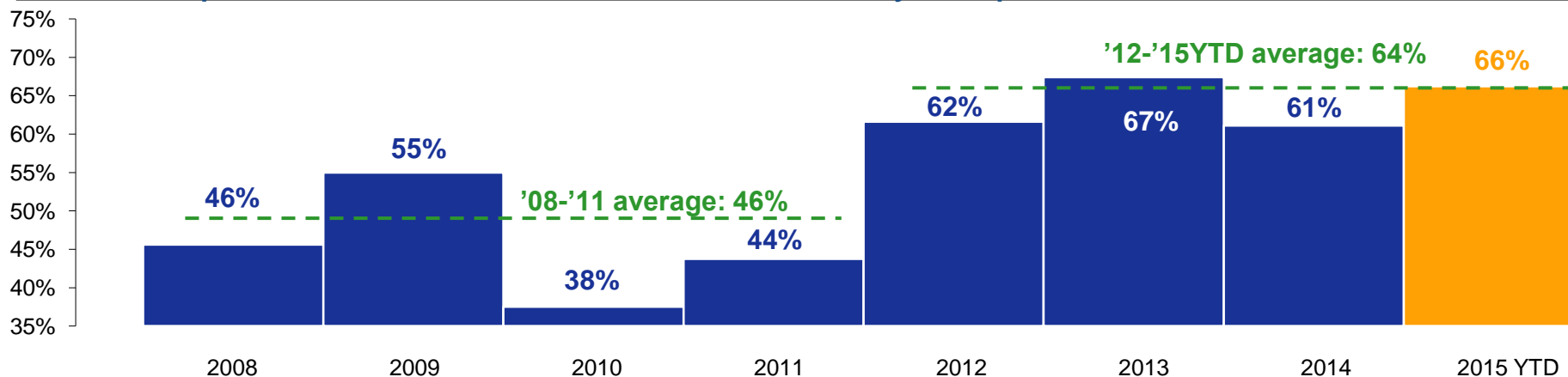
- Industries that have been among the most active in M&A are those undergoing the most transformation
- Industry leadership in the current M&A wave has also evolved from prior cycles



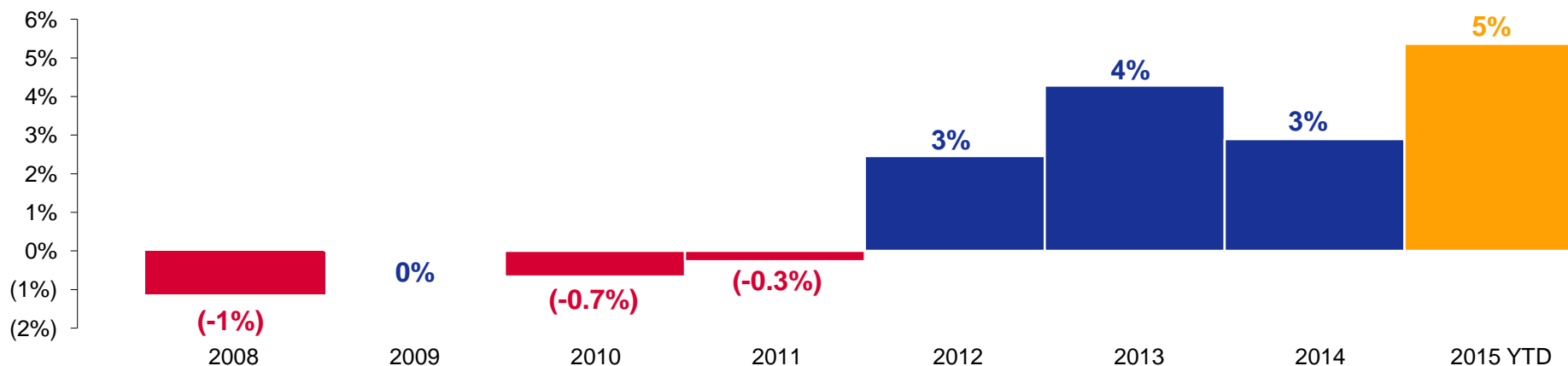
# Investor Receptivity Has Been a Notable Driver



## Proportion of deals with Positive 1-Day Acquiror Stock Price Reaction



## Average Acquiror 1-Day Stock Price Reaction vs. S&P 500

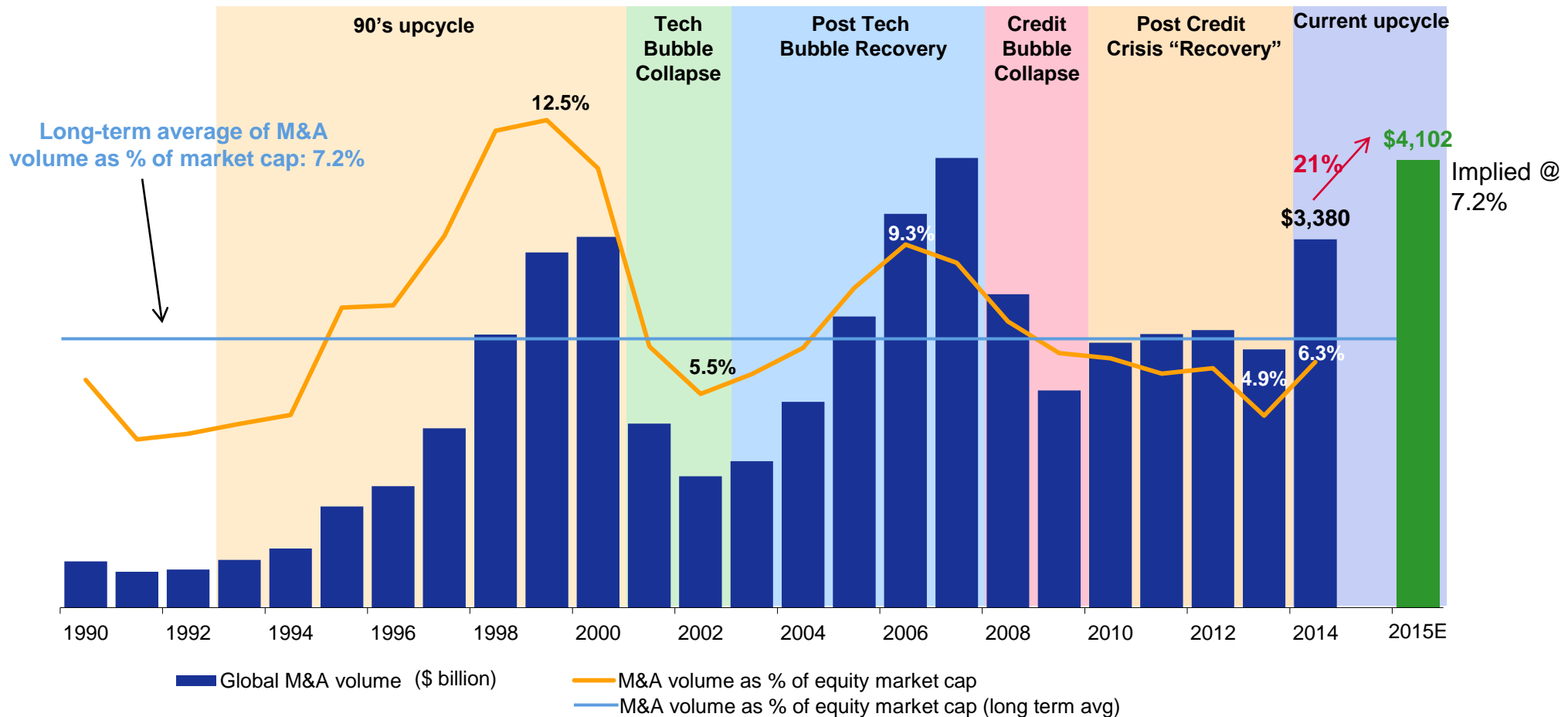


- The favorable reaction to acquiror stock prices has arguably been the most notable feature of M&A's resurgence
- With slow global growth and low yielding markets, investors are rewarding the value creation thesis of strategic M&A, dividends, and share buybacks
- In fact, since 1998, the average announcement effects have never shown investors to be as optimistic about large deals as they have been in the last few years (McKinsey)

# Looking Ahead From Here



## Global M&A Volume and Equity Market Capitalization



- Historically, M&A volumes have been highly correlated with global equity markets (with a one year lag on average)
- While global M&A volumes as a percent of equity market cap have picked up from 20 year lows, they are still substantively below long term averages
- Looking ahead, a reversion of M&A volumes to its long term mean % of global equity market capitalization (7.2%) would imply a 21% increase in 2015 global M&A volumes to approximately \$4.1 trillion



## II. Macro Backdrop



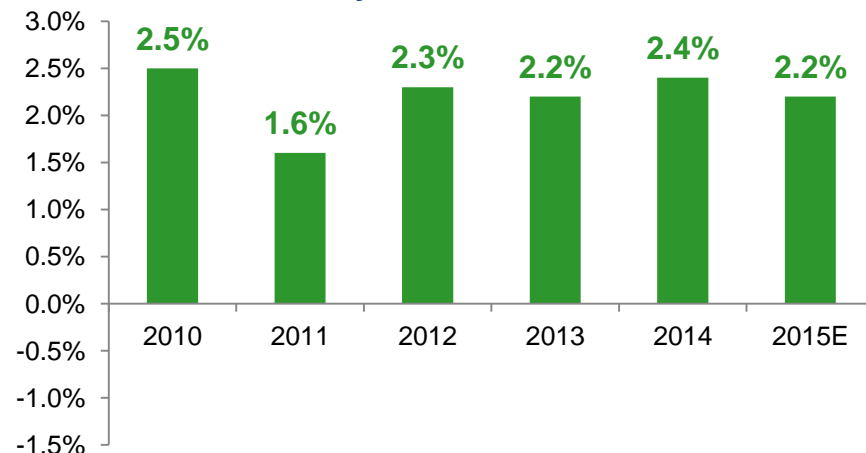
# 1. Long & Steady Recovery

Length of

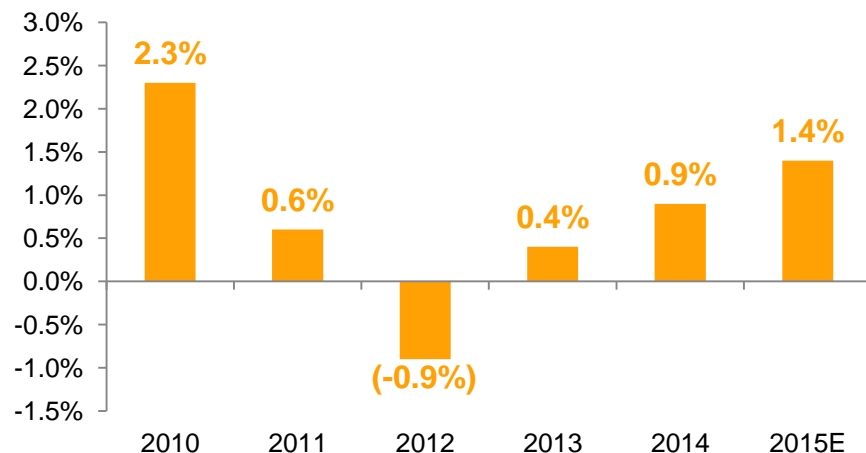
Economic Expansions



Steady U.S. Growth



Europe Recovering

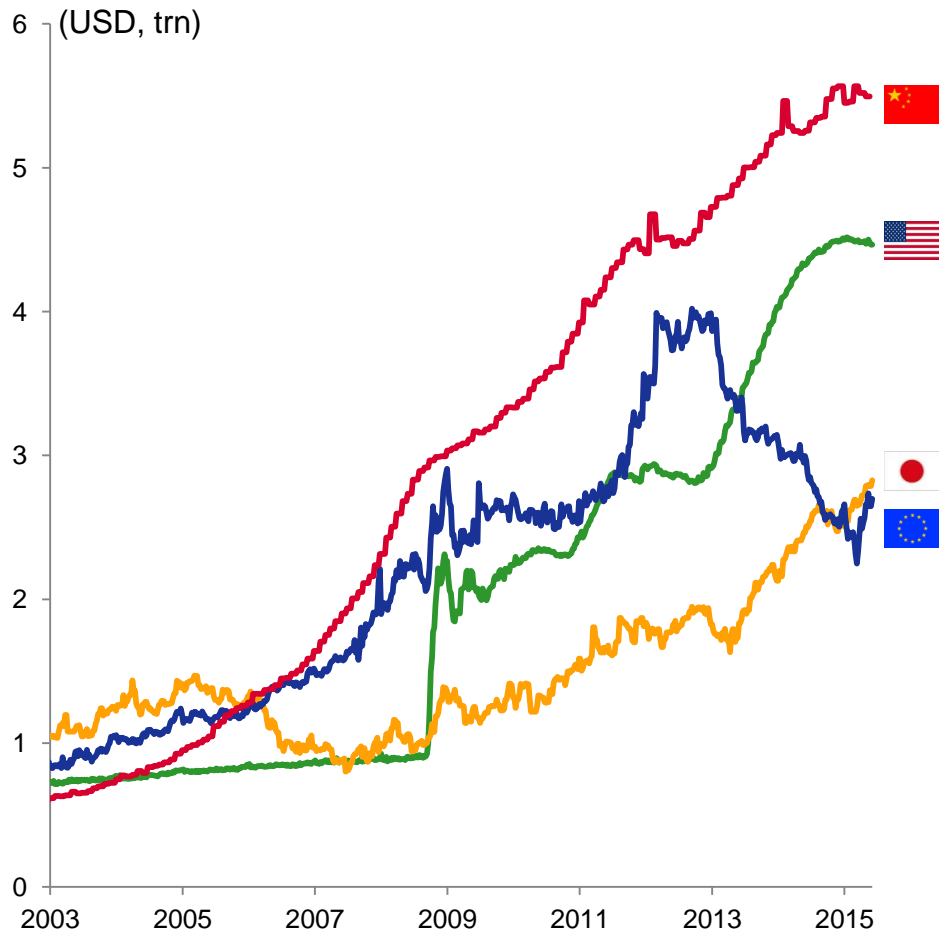


- M&A volumes historically ebb and flow with both economic and financial conditions
- The mature stage of the U.S. economic cycle and Europe's recent recovery have contributed to heightened activity
- Divergent economic growth (whether Europe, Japan, China or EM) provides stimulus for both growth-seeking outbound M&A, and valuation opportunities for inbound activity

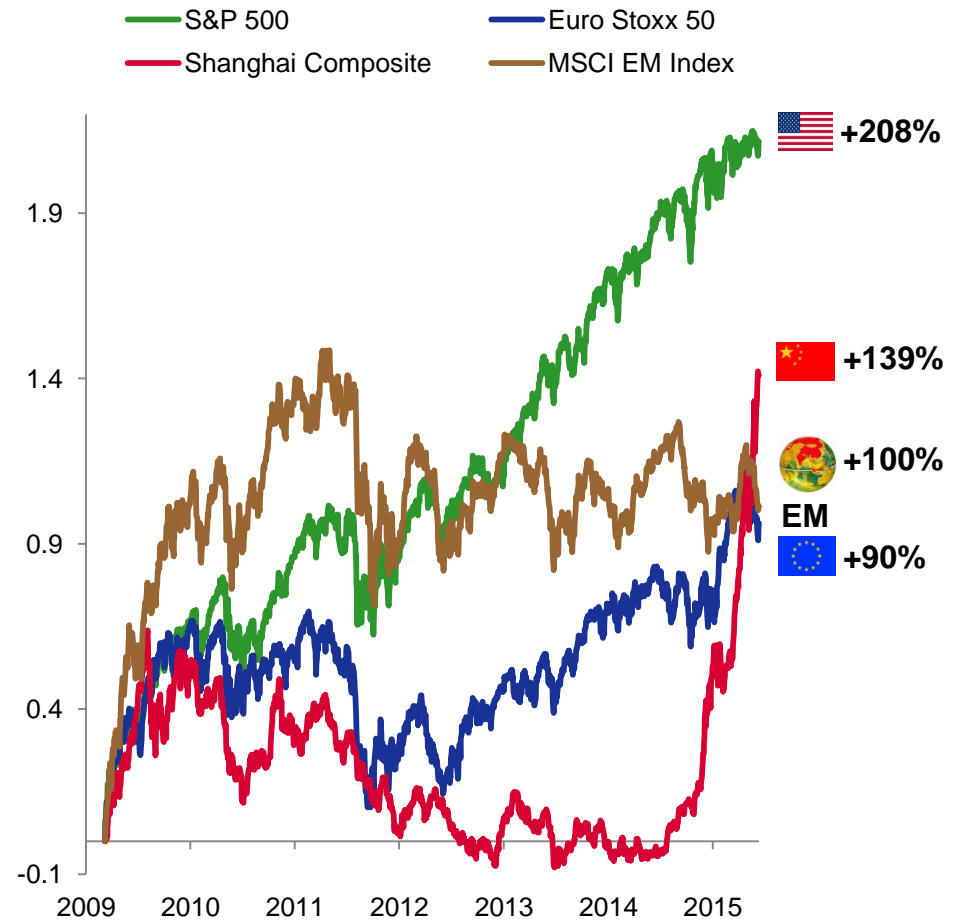
# 2. Unprecedented Central Bank Liquidity



## Central Bank Balance Sheets



## Global Equity Markets



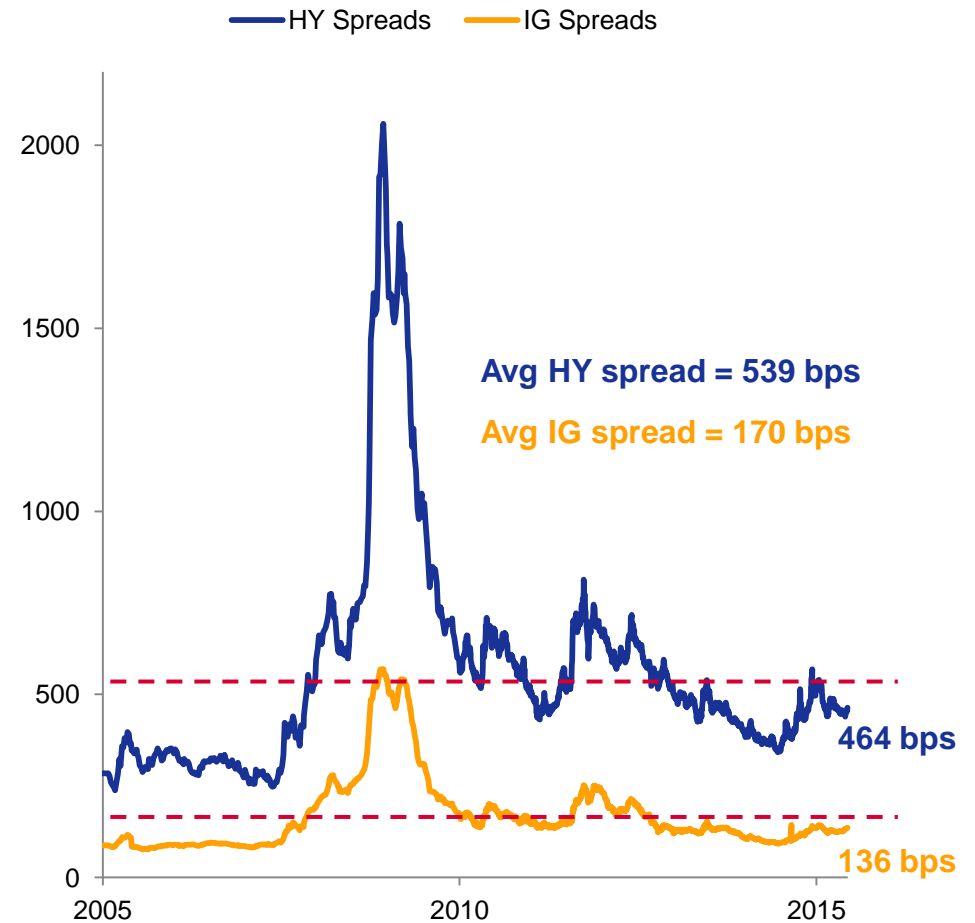
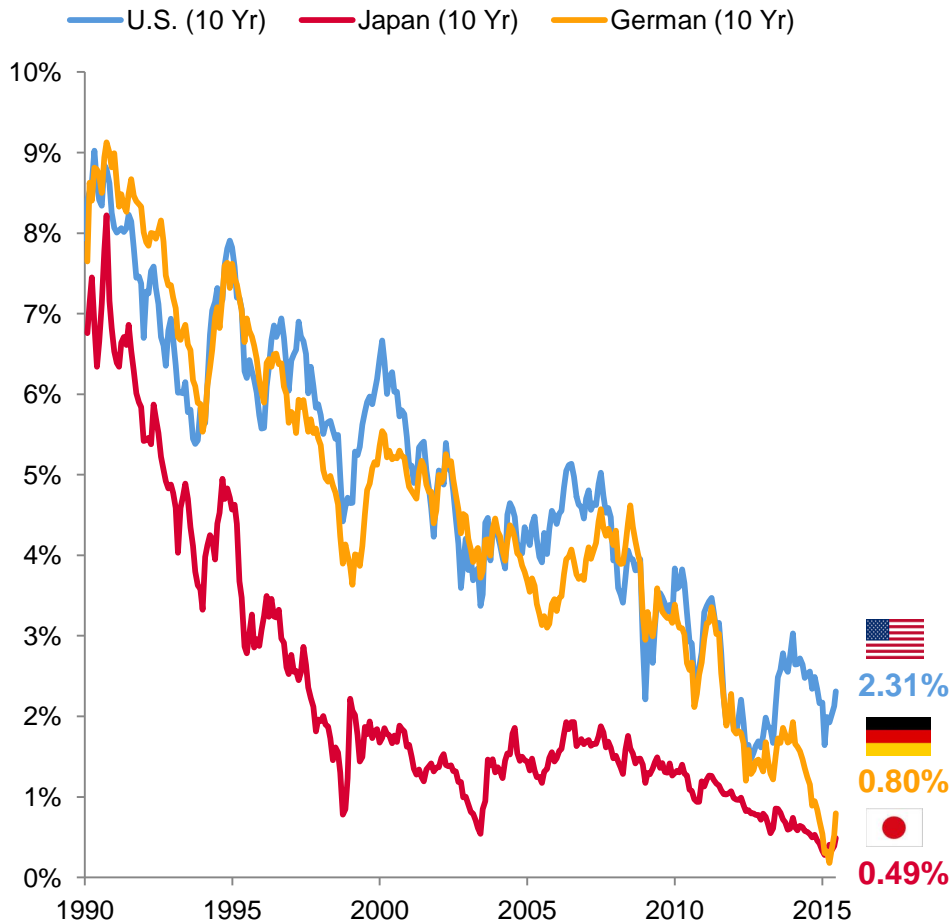
The unprecedented scale of global central bank easing policies have positively impacted global M&A through numerous channels: lowering the cost of debt, raising equity values, suppressing equity vol, enhancing EPS accretion, assisting economic recovery, facilitating higher Boardroom confidence, and encouraging corporates and investors alike to look beyond their own borders in a global search for yield and higher returns.

# 3. Historically Low Cost Funding



## Rates Near Record Lows

## Spreads Below Historical Avg



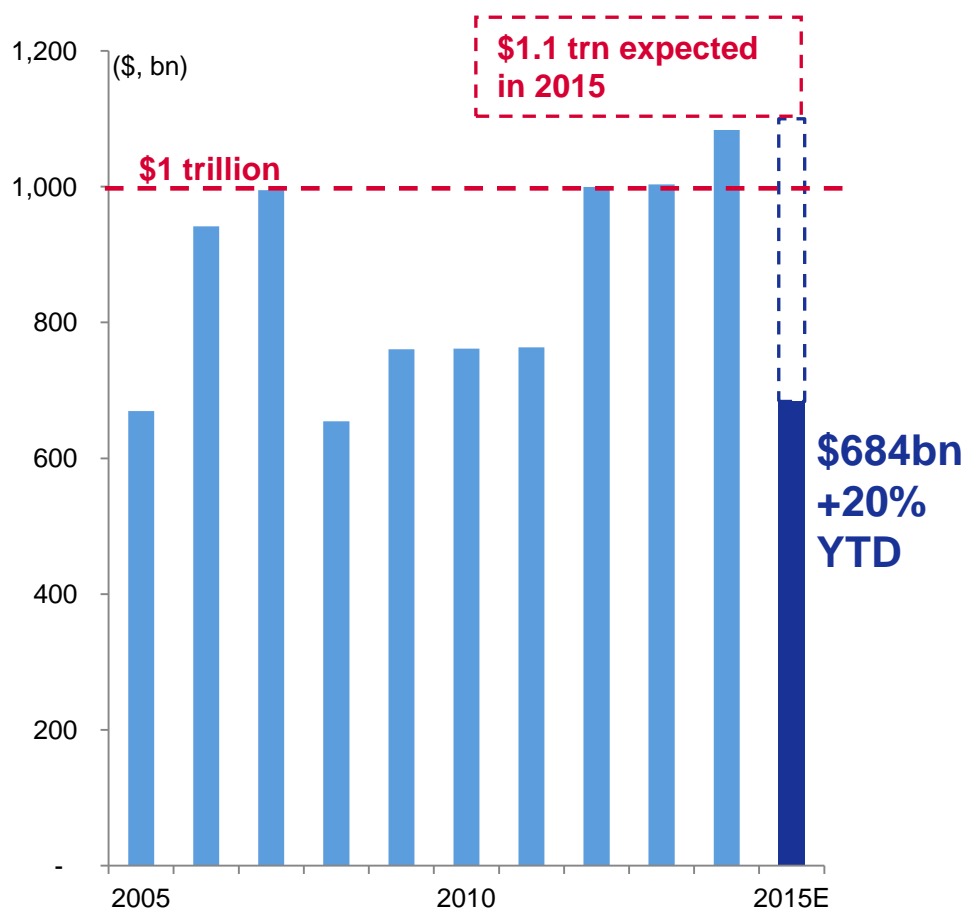
- Few would question the notion that today's low cost debt has been critical to the EPS accretion in so many deals
- However, history has demonstrated that M&A volumes can surge even during periods of higher cost debt
- Nonetheless, with so many other factors already favorable, global rates at multi-century lows and credit spreads below historic averages have combined to create a powerful tailwind for today's M&A resurgence

# 4. Robust Credit Markets

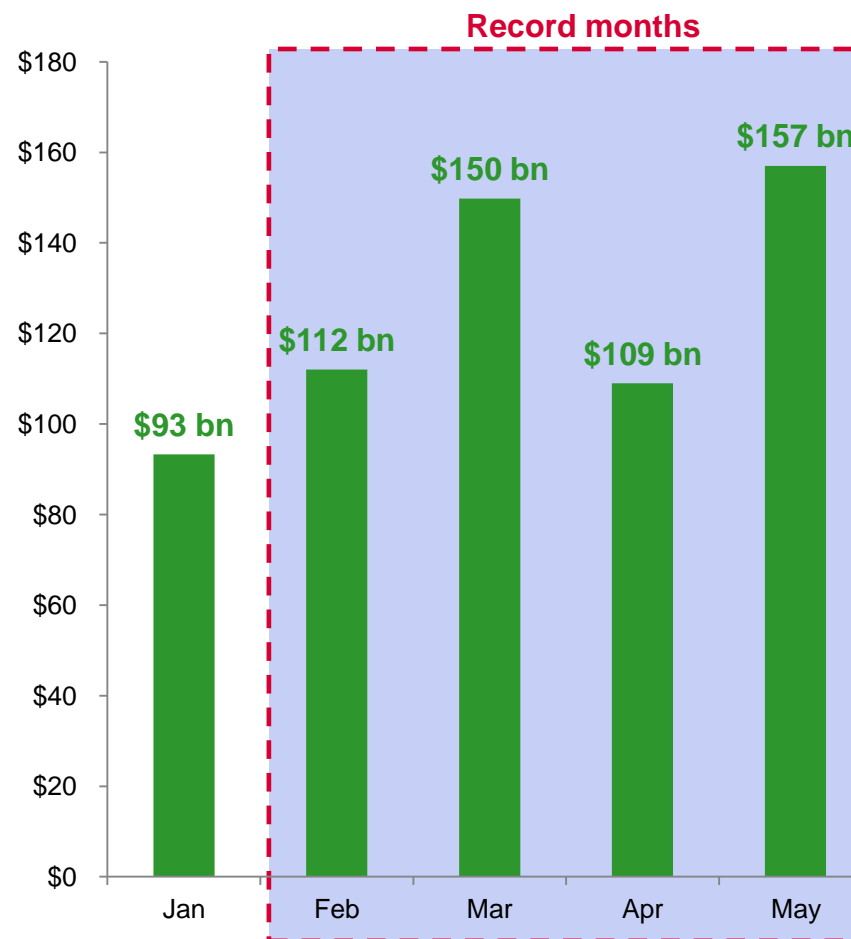


## Record U.S. IG Credit Issuance

Annual (2005 – 2015)



Monthly (2015)

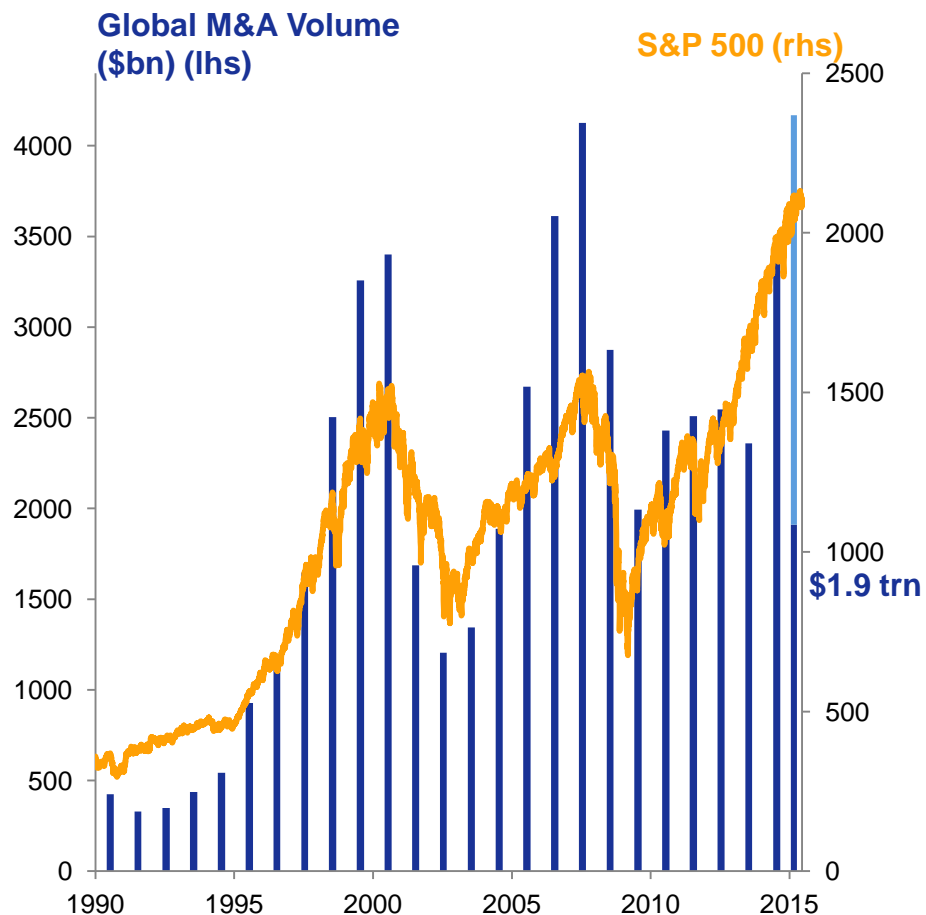


- Abundant pools of capital are available to fuel global M&A, and chief among them is the US IG bond market
- US IG corporate debt issuance is running at its fastest rate ever in 2015, this after three straight record years
  - Record IG issuance levels for February, March, April, May and Q1 2015 with May the largest month ever (\$157 bn)

# 5. Strong Equity Valuations



## M&A and S&P 500



## Equity Valuations

	Next 12 Months PE	10Yr Avg	20Yr Avg
<b>S&amp;P 500</b>	<b>17.1x</b>	13.9x	16.3x
<b>Energy</b>	<b>26.5x</b>	12.2x	15.1x
<b>Consumer Staples</b>	<b>19.6x</b>	15.9x	17.6x
<b>Consumer Discretionary</b>	<b>19.1x</b>	16.5x	18.1x
<b>Health Care</b>	<b>17.6x</b>	14.0x	18.2x
<b>Materials</b>	<b>17.2x</b>	14.6x	15.6x
<b>Industrials</b>	<b>16.4x</b>	14.5x	16.3x
<b>Information Technology</b>	<b>16.4x</b>	15.3x	21.3x
<b>Utilities</b>	<b>16.3x</b>	14.2x	13.7x
<b>Financials</b>	<b>14.0x</b>	12.3x	12.8x
<b>Telecom</b>	<b>13.7x</b>	14.7x	16.9x

- Historically, M&A volumes have been highly correlated with equity market capitalization and performance
- Though there is typically an 8 month lag in this relationship, the M&A wave many had predicted in 2011 came several years later, due to financial crisis overhang and other related issues



# 6. M&A Affordability Near Highs



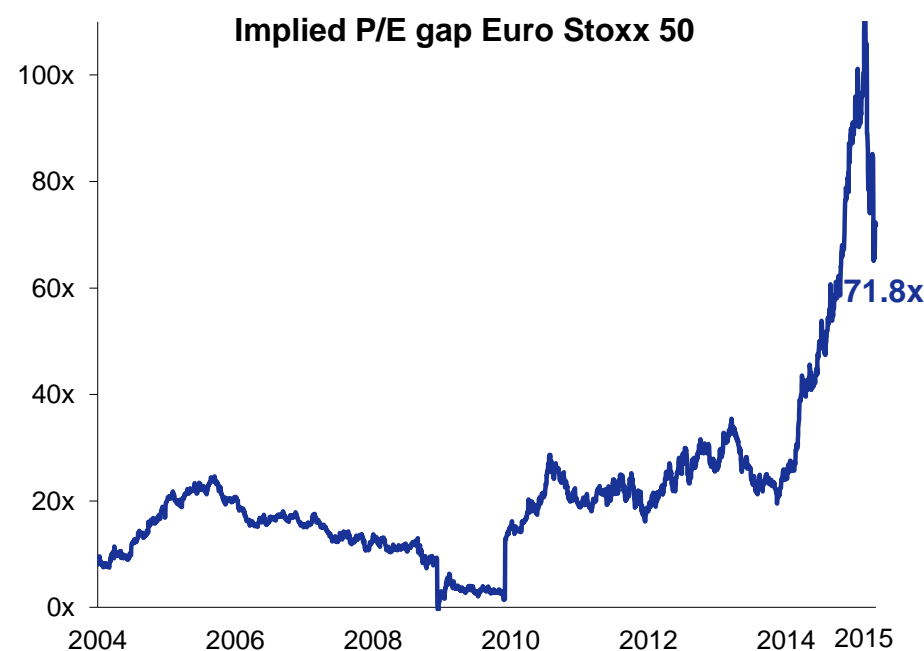
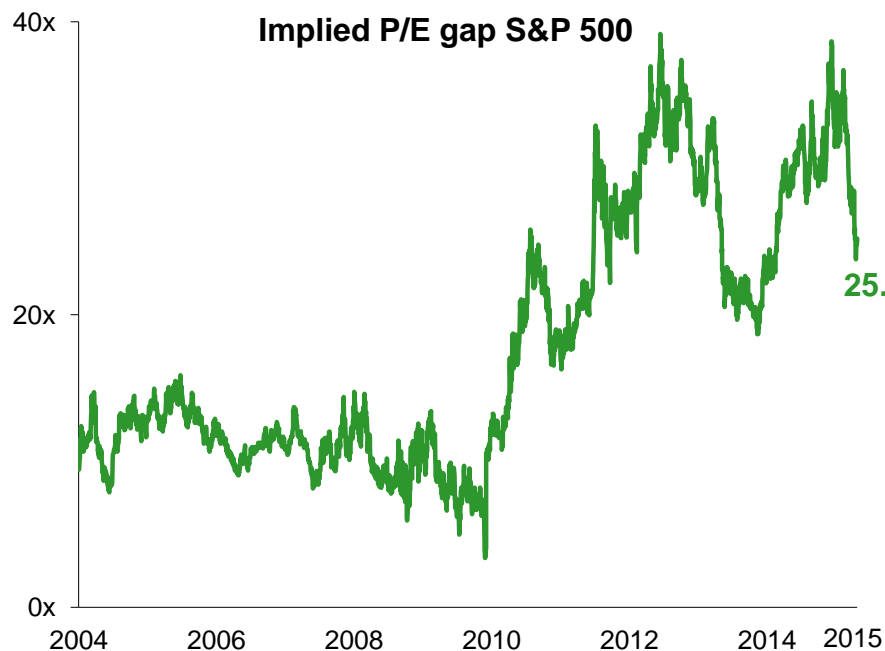
## Implied M&A Affordability



U.S.



Europe



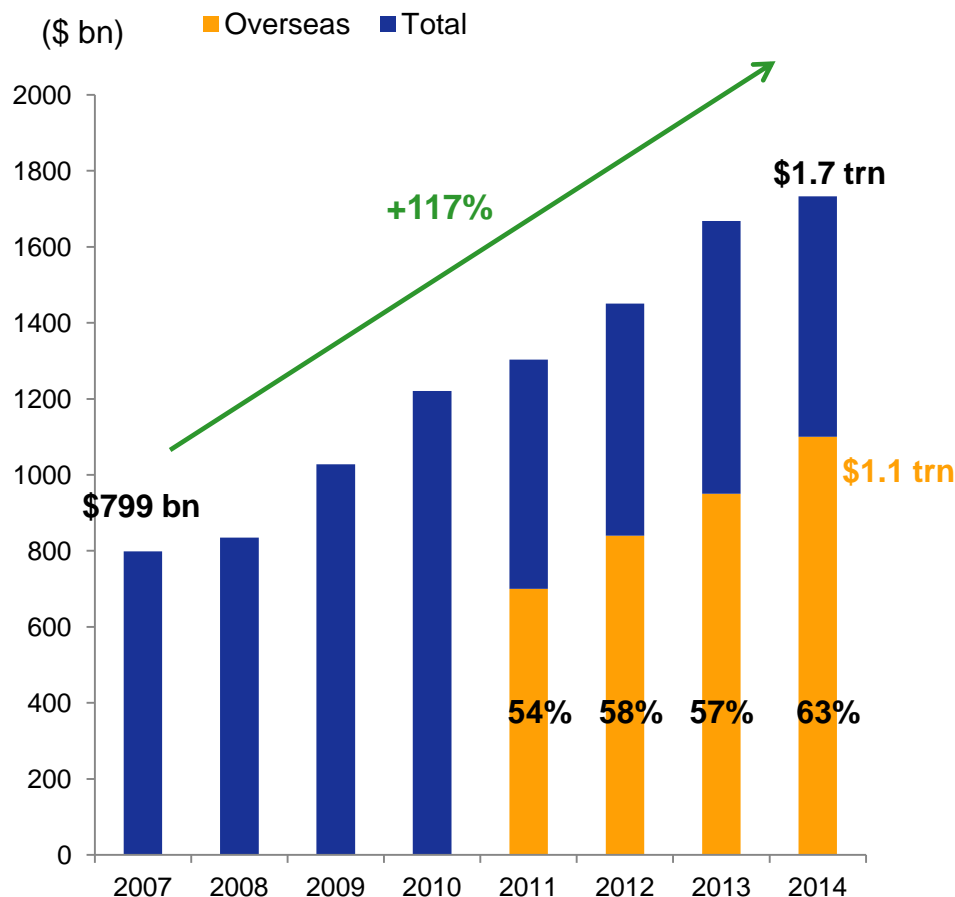
10 Yr Interest rate	Acquiror P/E (100% debt financed)	Target P/E	Affordability (Acquiror P/E – Target P/E)
3.81%	USD "A" 43.8x	S&P 500 18.6x	25.2x
1.56%	EUR "A" 91.4x	Euro Stoxx 50 19.7x	71.8x

- By various metrics, M&A affordability is currently very high for most U.S. and European corporates
- Over 75% of U.S. and European corporates have earnings yields above their 10 year cost of debt, while over 60% have free cash flow yields (vs market cap) above their 10 year cost of debt, implying a more affordable M&A financing market
- In fact, the cost of corporate debt is so low that acquisitions financed using low cost debt provide very high purchasing power relative to valuations of targets

# 7. Strong, Flexible Balance Sheets



## U.S. Corporate Cash Balances



## S&P 500 Leverage

S&P 500 (ex-Fin) Net Debt / EBITDA

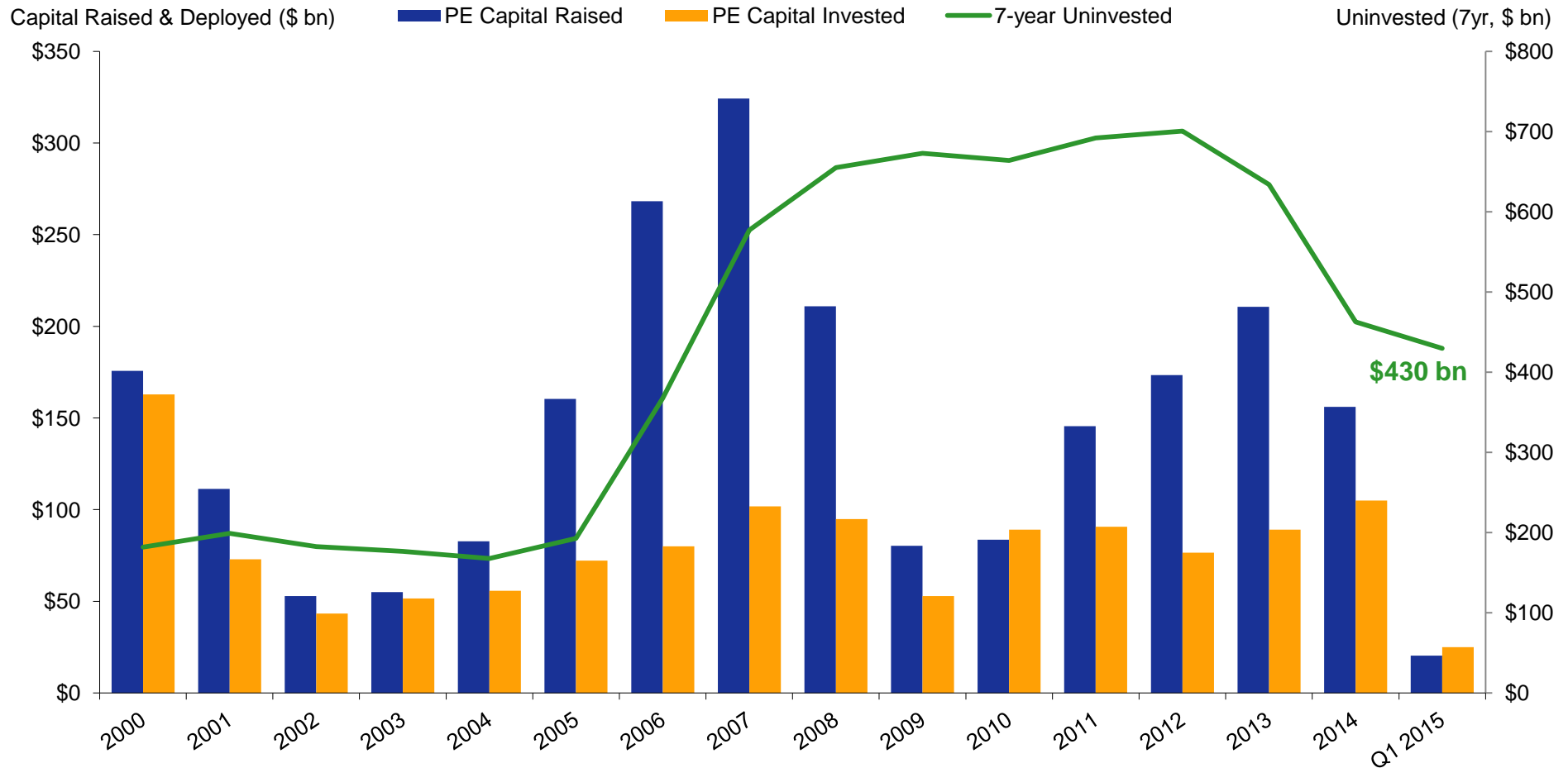


- By historical standards, corporate balance sheets remain ripe for M&A as cash levels are near historic highs (both in absolute and relative terms) while corporate leverage and liquidity levels remain more attractive than prior M&A cycles
- U.S. corporations account for nearly \$2 trillion of the approximately \$4.5 trillion of corporate cash globally
- Though rising, corporate leverage has remained reasonably low over the last decade (and much lower than the late 1990s)

# 8. LBO Fund “Dry Powder”



## Excess Capital for PE Funds



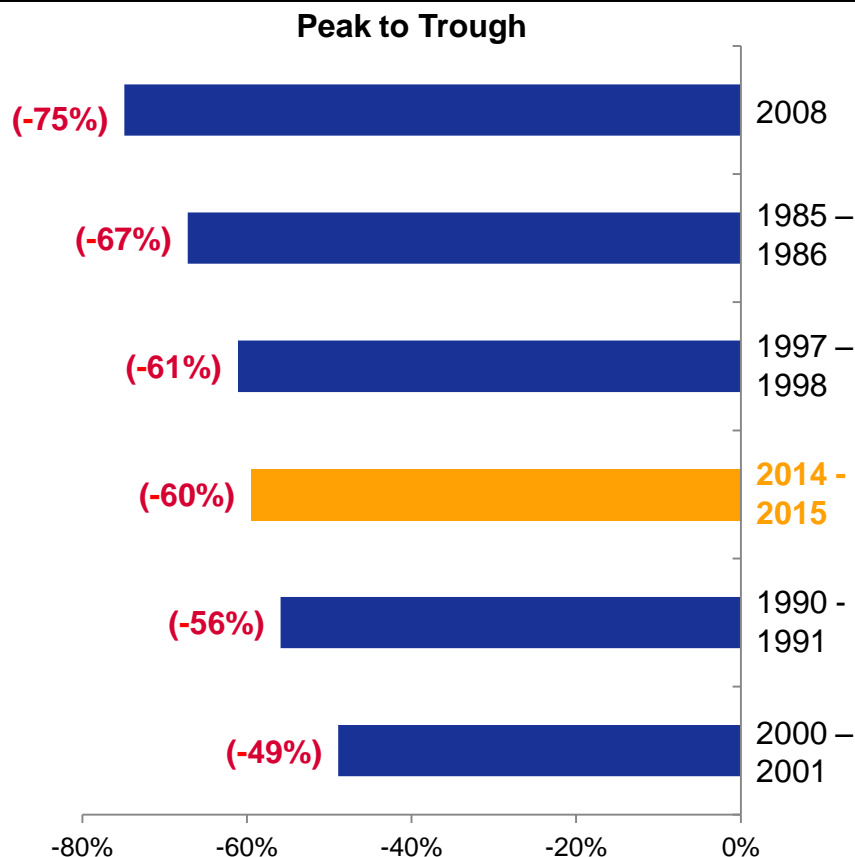
▪ Following strong fundraising in 2011 – 2014, US private equity firms have approximately \$430 bn of un-invested capital  
 — Represents approximately \$1.5 - \$2 trillion of purchasing power (assuming avg PE deal multiples of 4-5x)

# 9. Lower Oil's Slow Squeeze

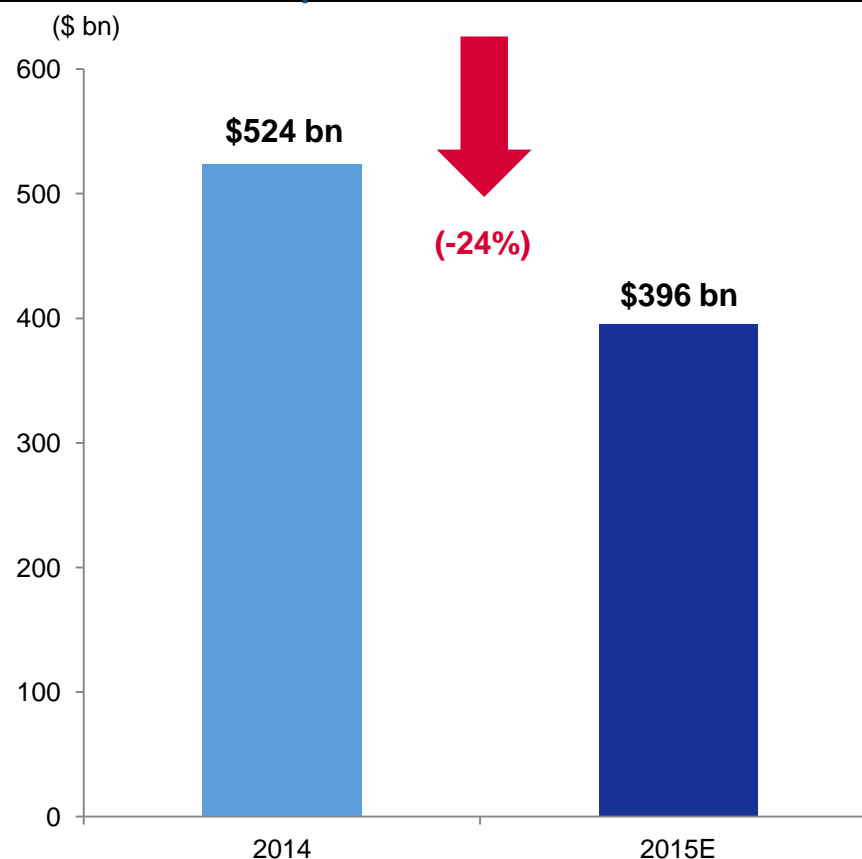


## Global Energy Sector

### Oil Price Declines



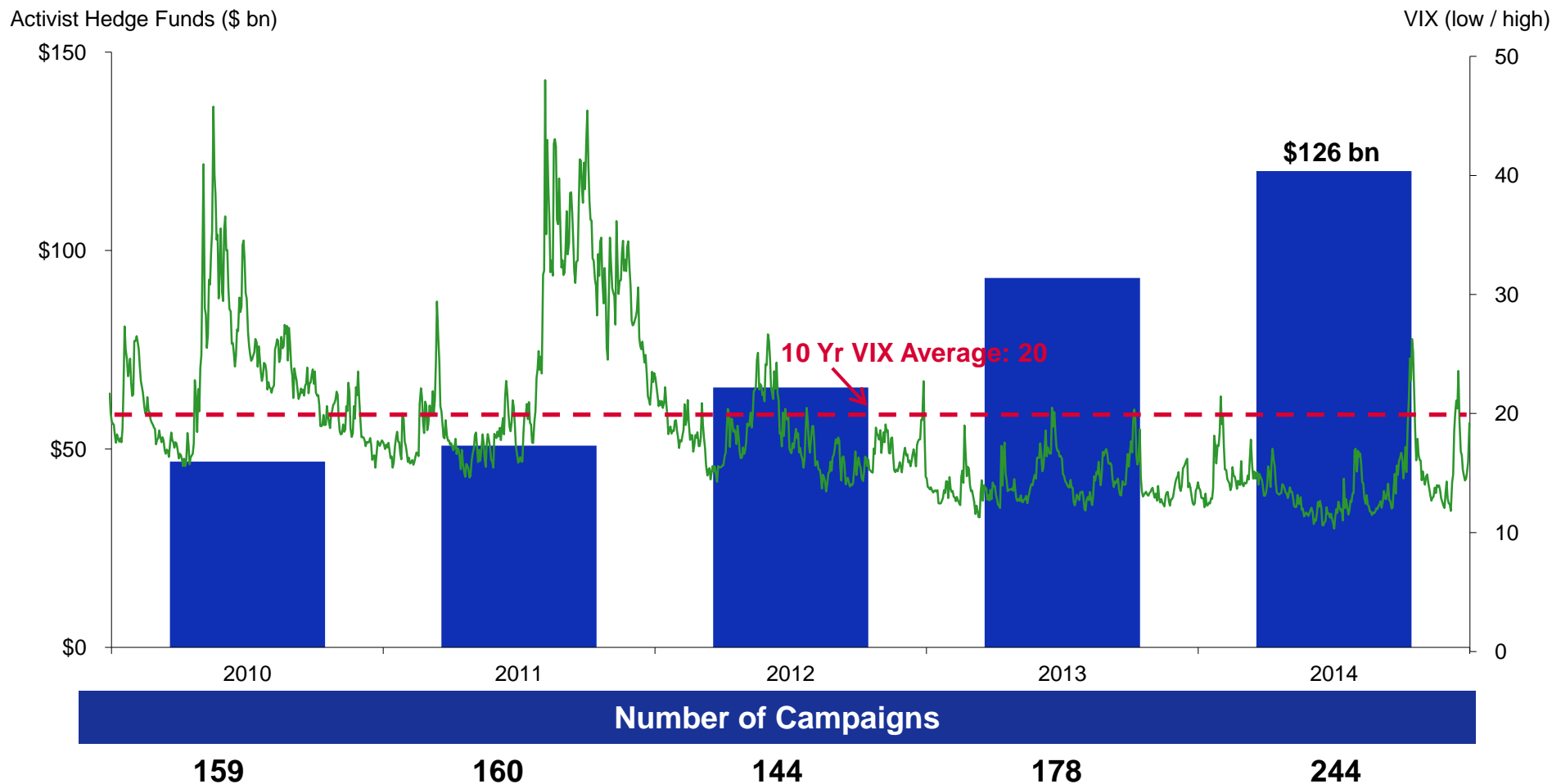
### CapEx Reductions



- With oil prices likely to stay low in 2015 - 2016, the oil sector has potentially entered a protracted period of sustained margin pressure, higher asset impairments, lower valuations and refinancing challenges
- Faced with pressure to reduce operating costs and improve operational efficiencies, the cap ex reductions and dividend cutbacks of recent months are likely to be followed by higher levels of opportunistic M&A, distressed sellers, restructurings and divestitures of non core assets

# 10. Low Equity Volatility

## Low Equity Volatility and Rising Shareholder Activism



- Generally speaking, companies are more acquisitive when equity volatility is low, as evidenced by the inverse relationship, historically, between M&A volumes and the VIX
- In addition, low equity vol creates a more favorable environment for activism, an integral driver of today's M&A activity



### III. Why Now?



# 11. Boardroom Confidence

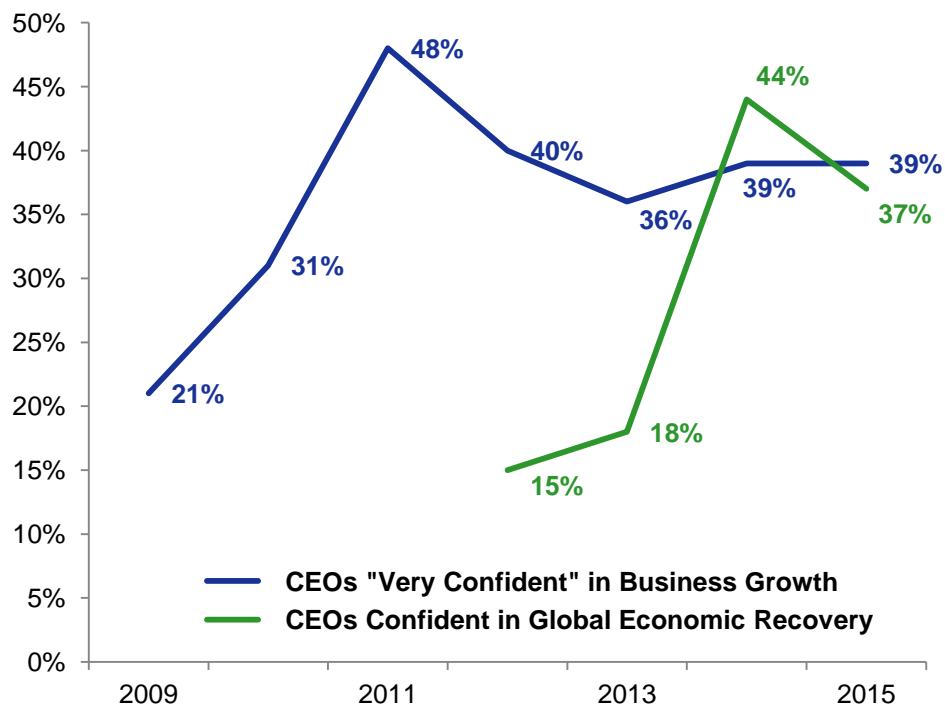


## PwC Survey of CEO Confidence

### Economic & Business Confidence

Q: How confident are you about your company's prospects for revenue growth over the next 12 months?

Q: Do you believe global economic growth will improve over the next 12 months?



### Markets Most Important for Growth

Q: Which countries, excluding the one in which you are based, do you consider most important for your overall growth prospects over the next 12 months?

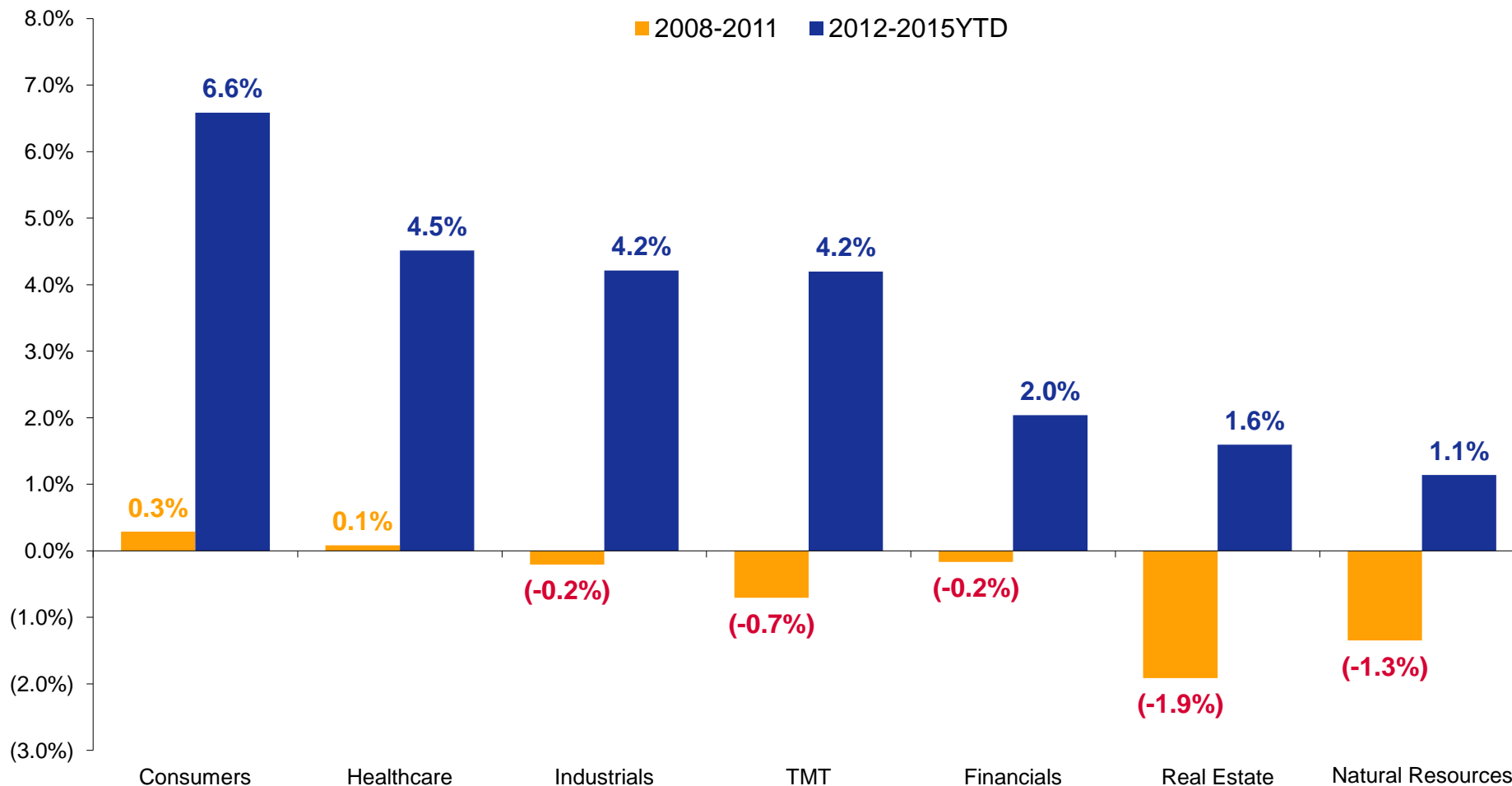
	2014	2015	
USA	30%	38%	↑
China	33%	34%	↑
Germany	17%	19%	↑
UK	10%	11%	↑
Brazil	12%	10%	↓
India	7%	9%	↑
Japan	7%	8%	↑
Russia	7%	6%	↓

- A broad number of surveys suggest that CEO and Boardroom confidence is higher than it has been at any time since the crisis began (an improvement consistent with the relative decline in macro uncertainty)
- Sentiment varies widely from region to region, with confidence in more advanced economies currently out-performing EM on a relative basis

# 12. Investor Receptivity



## Acquiror One-Day Stock Price Reaction (vs. S&P 500)



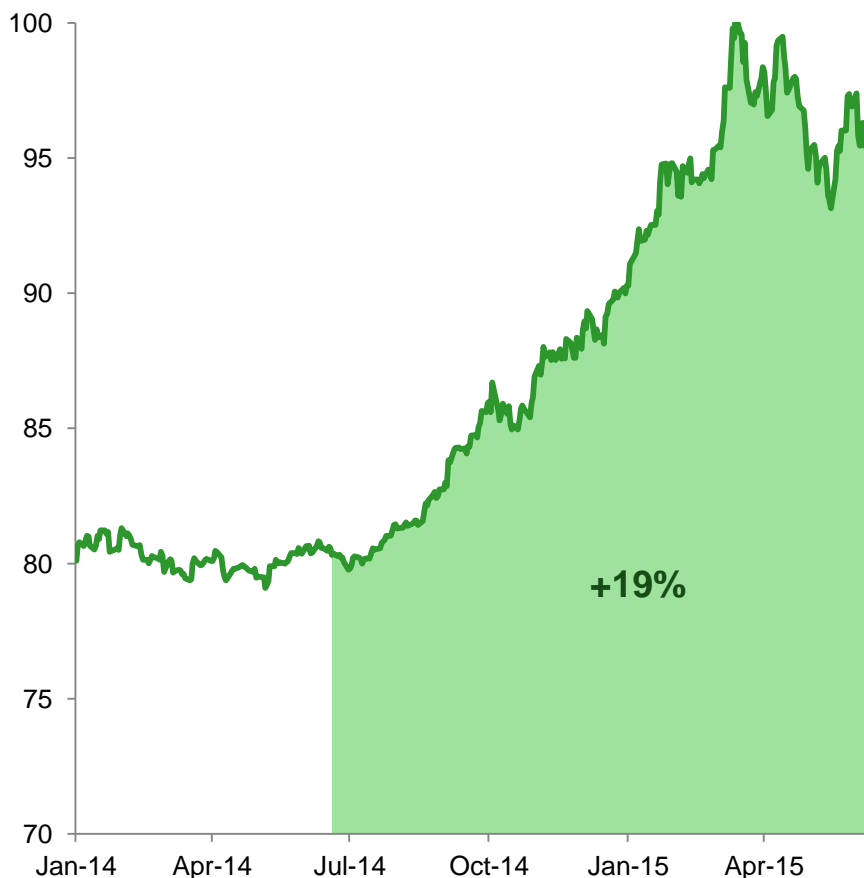
- For decades, acquiror stock prices typically sold off on announcement (even more so on stock transactions)
- Today, in a sharp reversal of long established trends, acquiror stock prices have been rising on announcement (across a broad spectrum of industries and deal types) as investors reward strategic M&A in a low growth, low yield global market



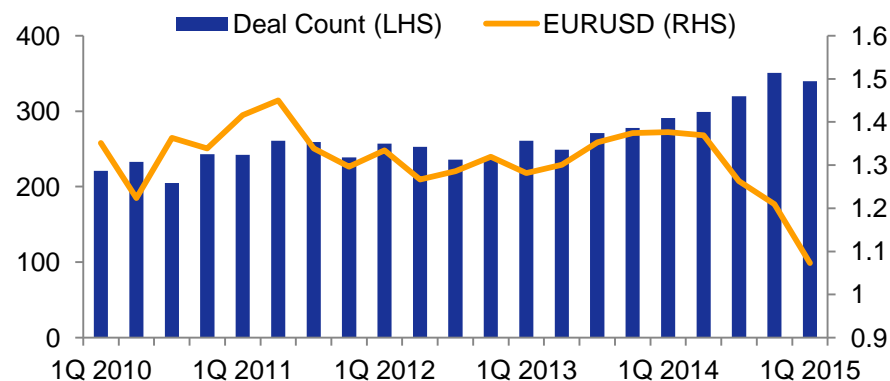
# 13. Rapid U.S. Dollar Strengthening



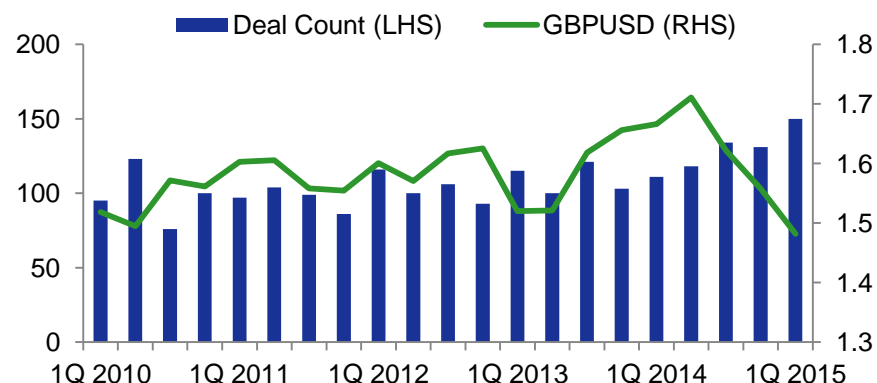
## U.S. Dollar Index



## U.S. M&A into Europe



## U.S. M&A into UK

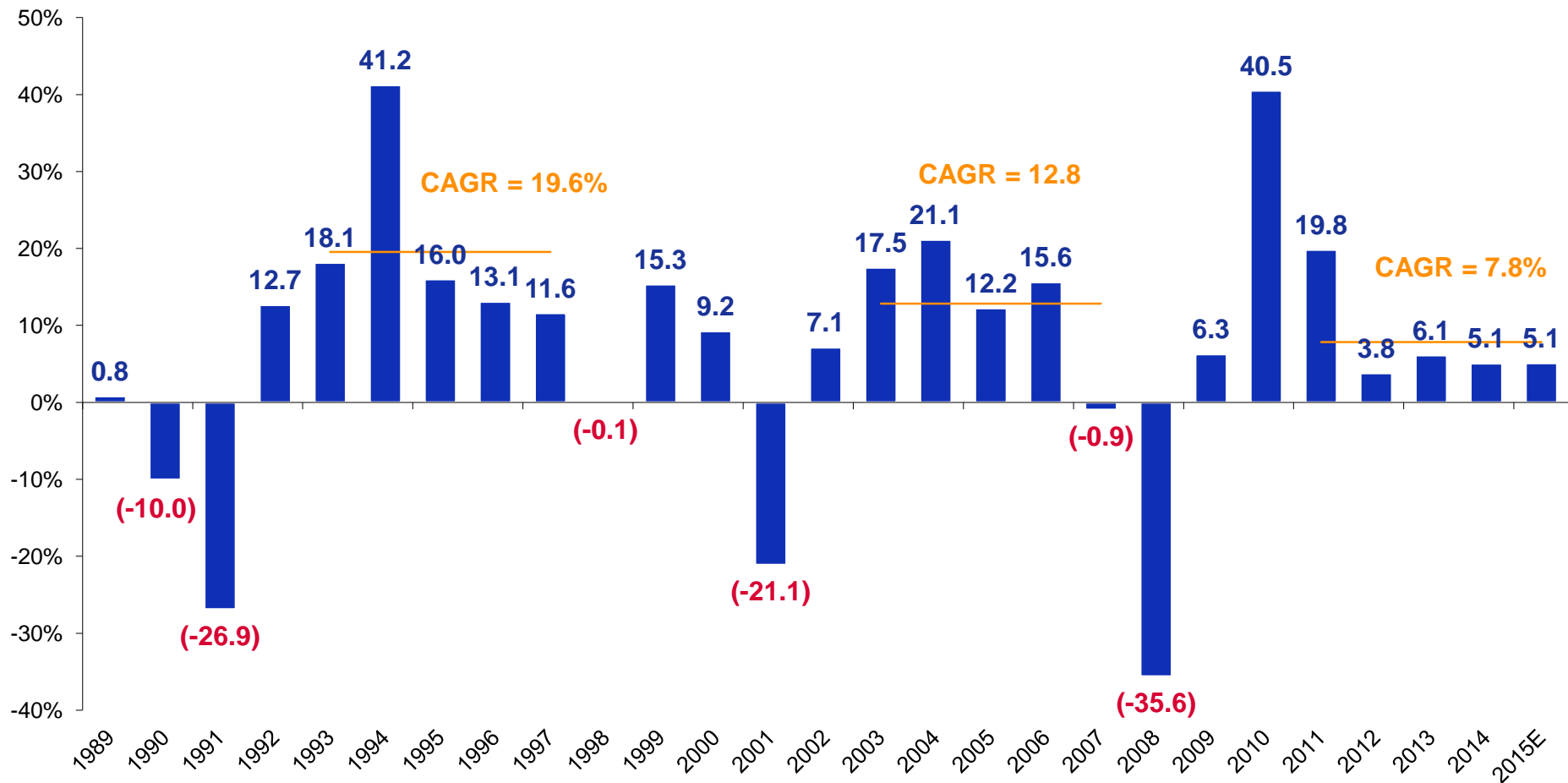


- The USD's near record strengthening pace over the last year has made many overseas assets more attractive
- As evidenced in both Europe and the UK, inbound M&A activity is closely correlated with currency performance
- For example, in 2014, the Euro declined 12% against the USD while deal volumes from US acquirors into Europe increased by 30%

# 14. Organic Growth Headwinds



## S&P 500 EPS Growth in Recent Recoveries



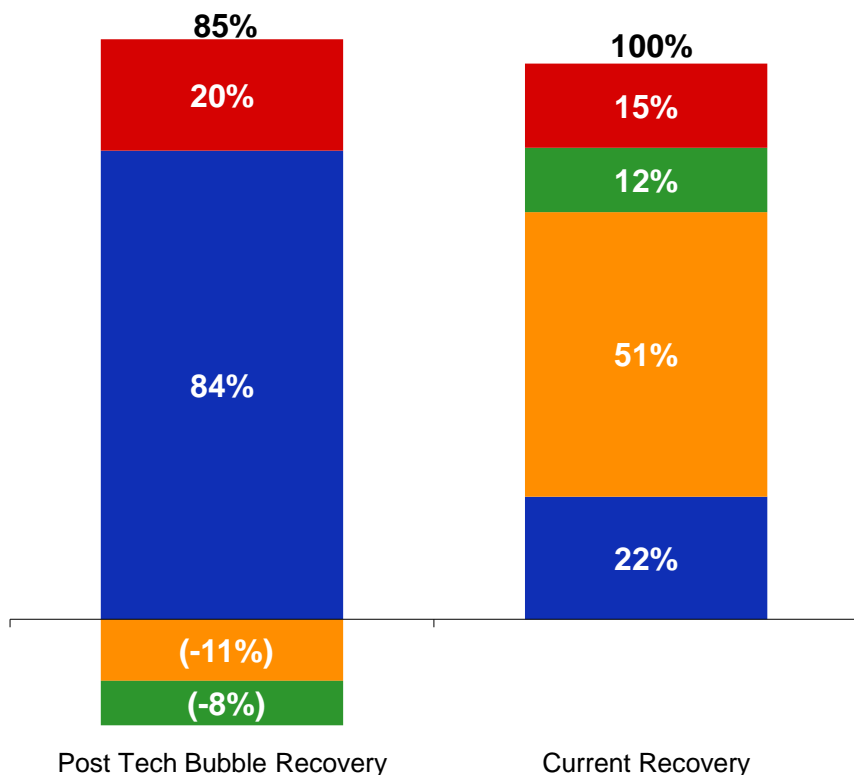
- Organic earnings growth in this cyclical recovery has trailed the growth in previous recoveries
- Many companies remain constrained by low organic growth and therefore view M&A as a key strategic differentiator
- To this end, divergent global growth and increased shareholder activism is reshaping corporate strategy

# 15. Changing Face of Shareholder Returns



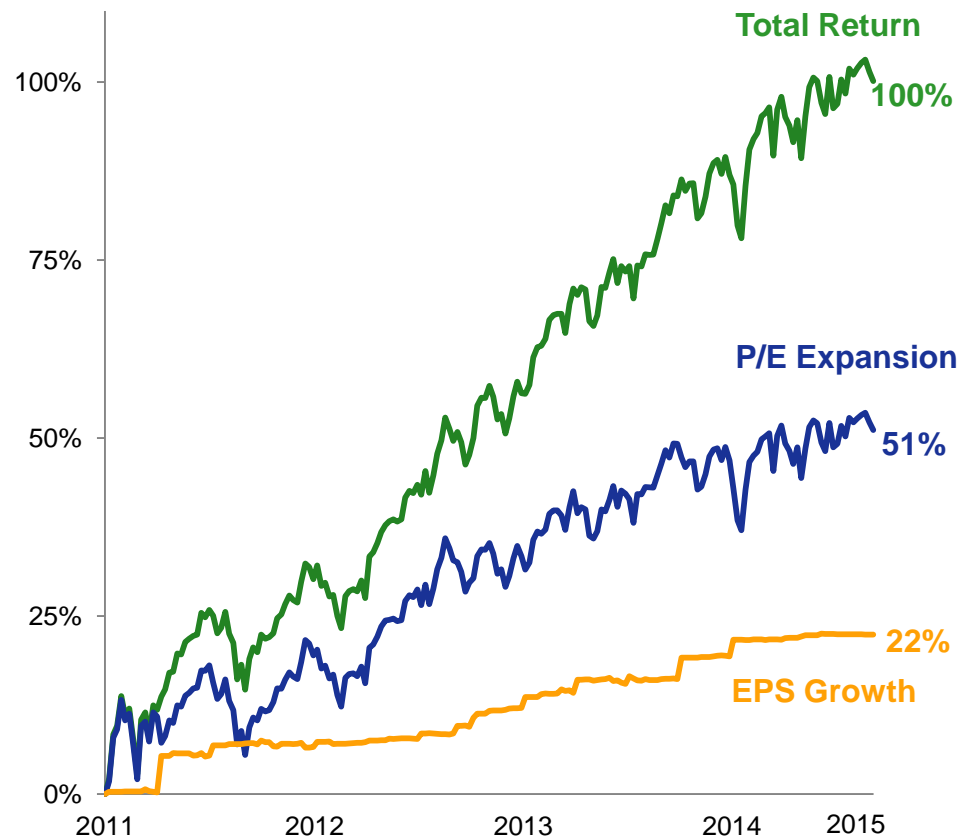
## Shareholder Return Components

- EPS growth alone
- PE multiple expansion alone
- Multiplier effect of PE multiple expansion and EPS growth
- Dividends



## Return Components Since 2011

- Total Return w/Div
- PE Multiple Expansion
- EPS Growth

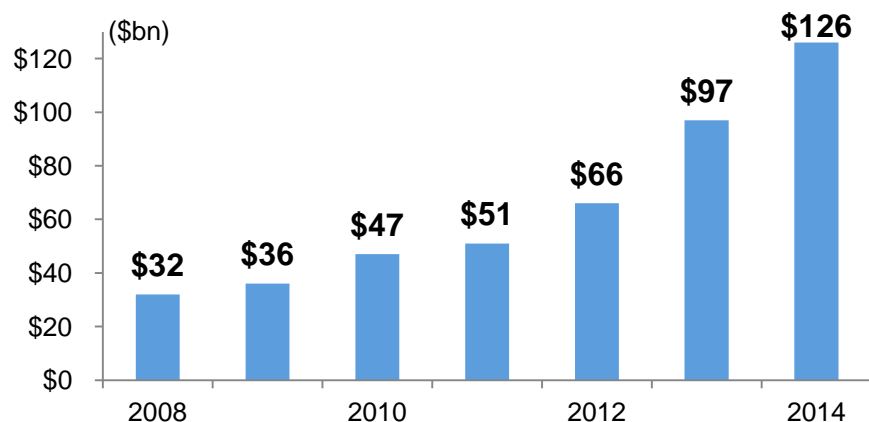


- Earnings growth has been a much smaller contributor to shareholder returns in the current recovery as compared to prior economic cycles
- While low rates have been an important driver of multiple expansion, share buybacks and strategic M&A have become critical drivers of shareholder returns in today's low growth markets

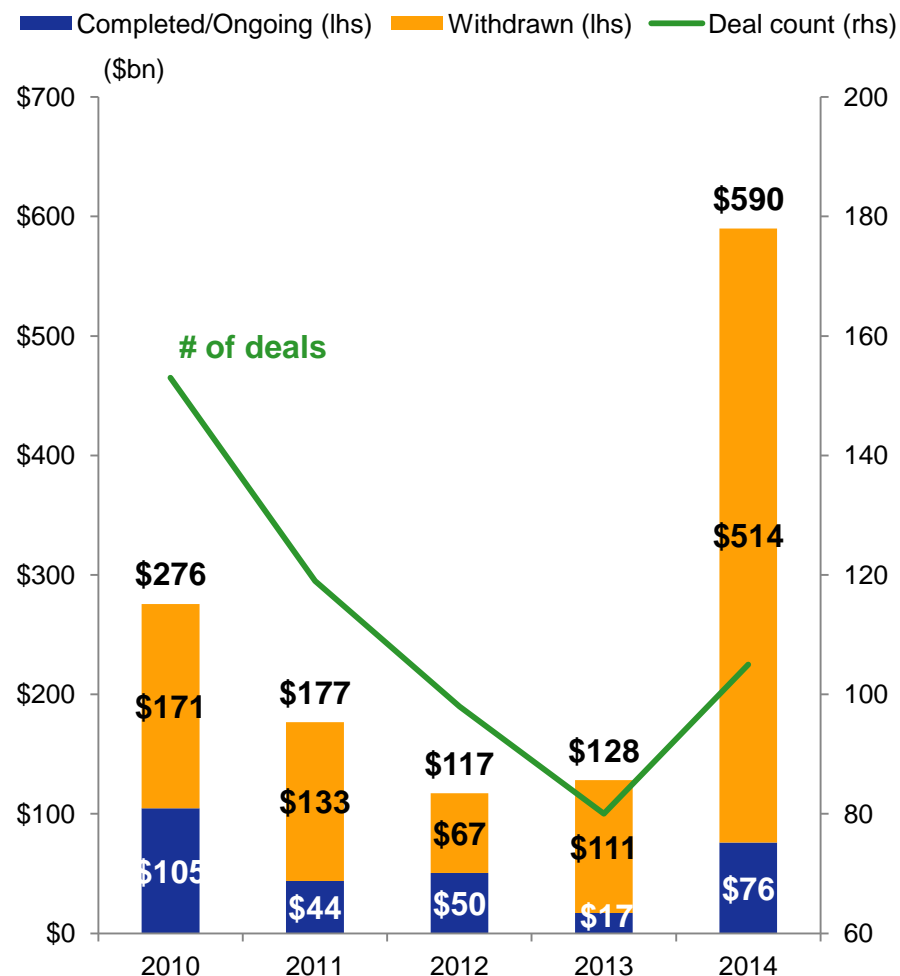
# 16. Activism as the New Hostile



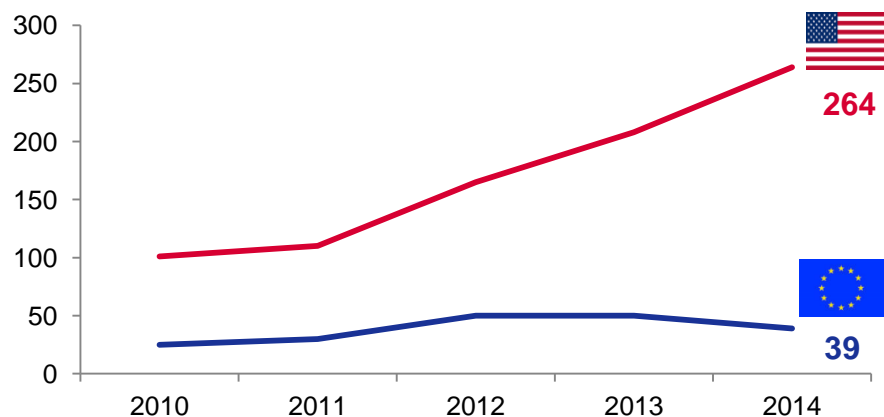
## Activist Funds



## Unsolicited Deals



## Targeted Companies

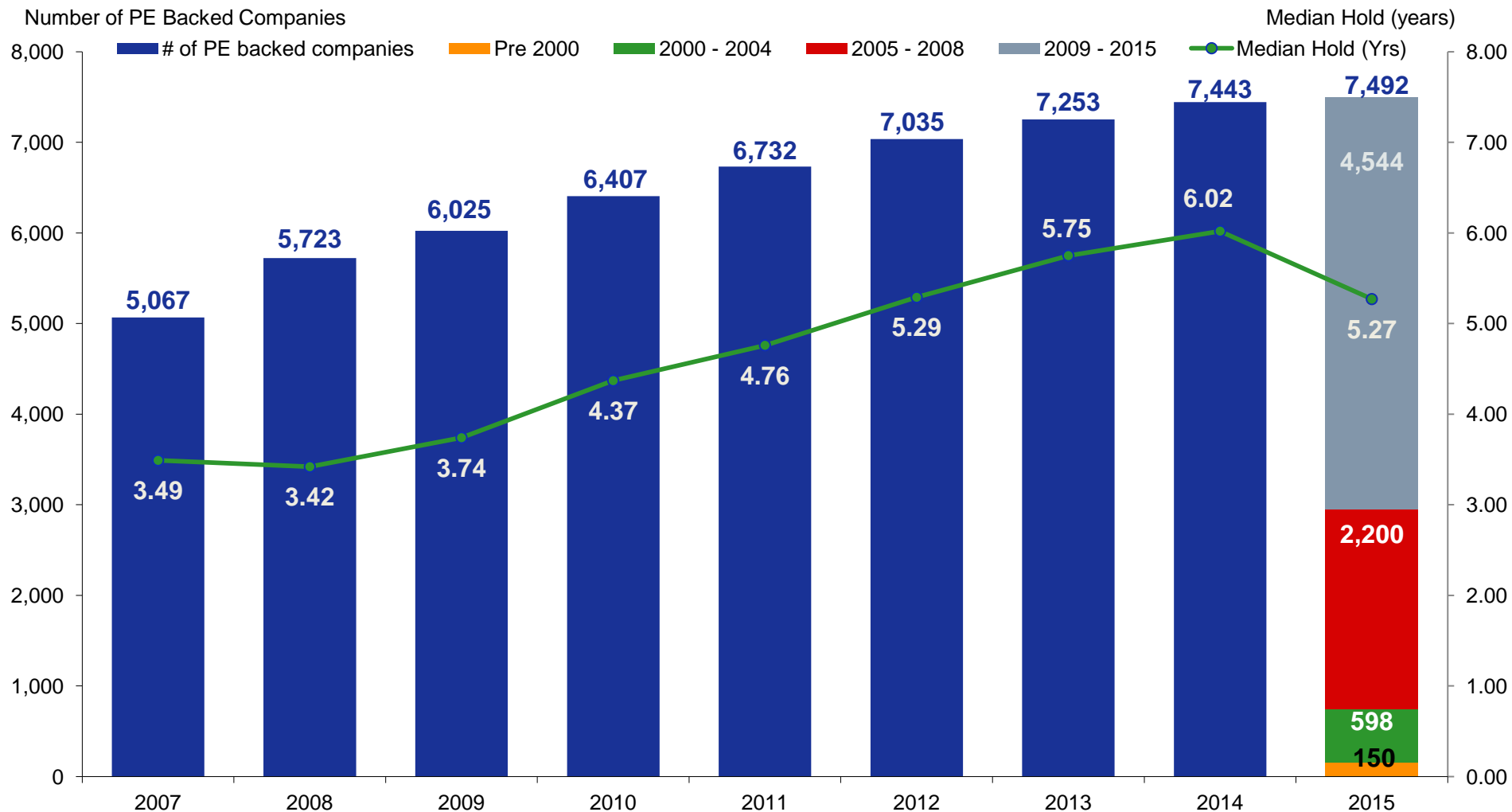


- The impact of activism on M&A has been profound, and going forward should be viewed as an integral feature in the corporate M&A landscape, and not just a passing fad or cyclical phenomenon
- The proliferation of activism has been a function of favorable markets, rising risk appetite, and high success rates
- While unsolicited volume was high in 2014 it was driven by a few large deals that were eventually withdrawn

# 17. Aging Sponsor Portfolios



## Number & Age of Sponsor Portfolio Companies

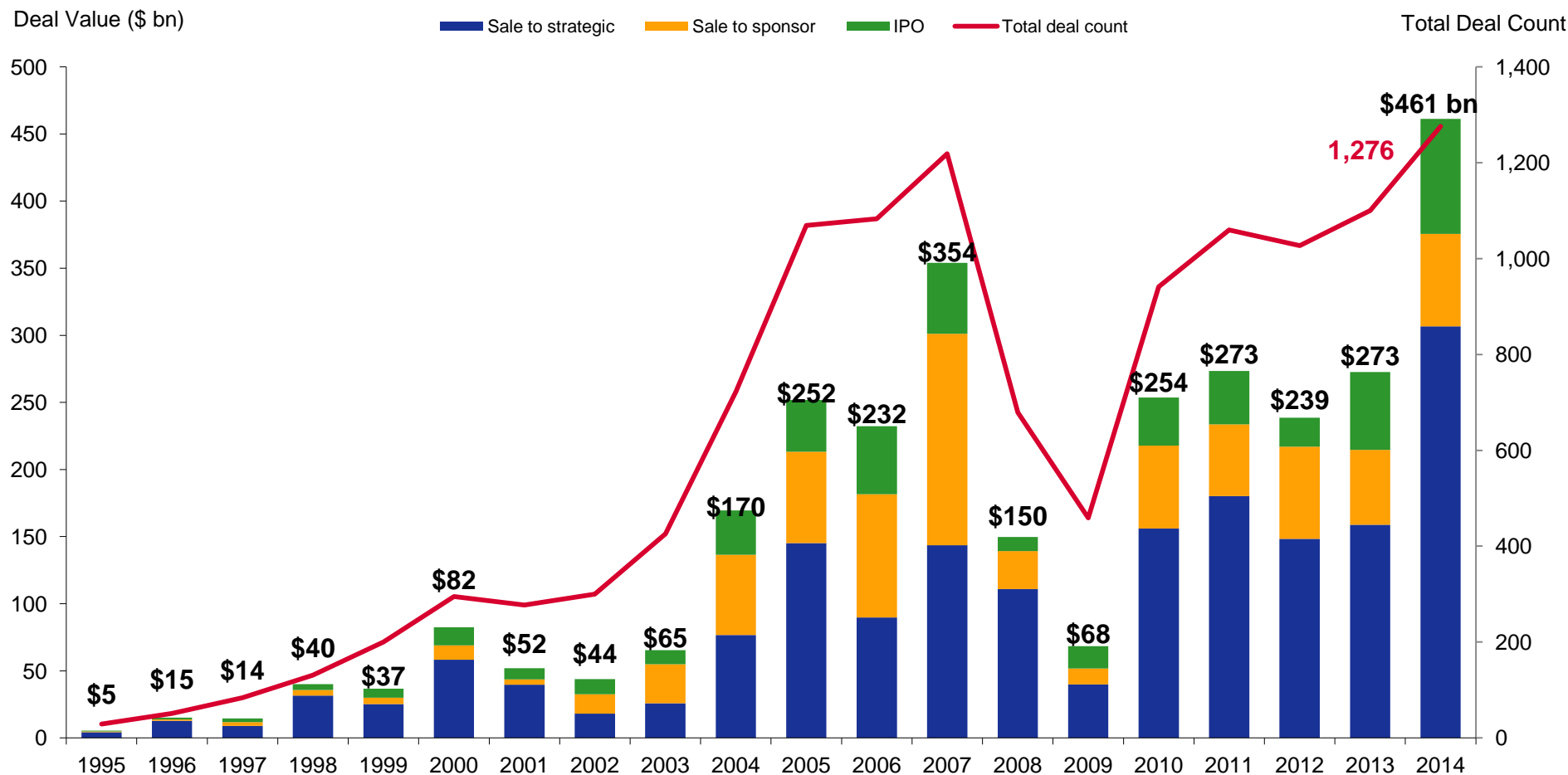


- While sponsor portfolios continue to grow in size, so too have the average age of their assets
- 39% of 2015 financial sponsor portfolio companies have been held for 6 or more years

# 18. Sponsor Driven Exits



## Sponsor Exit Trends

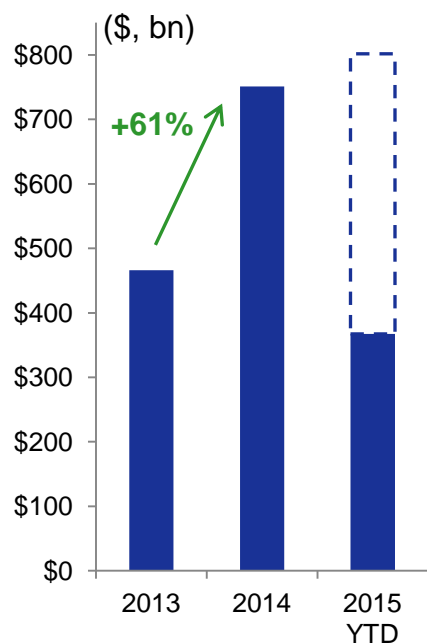


- Sponsor-backed exits have increased across all channels, accounting for 15% of 2014 global M&A deal volumes
- Much of this volume growth has been driven by exit activity in maturing funds, ongoing portfolio optimization, as well as by increased sales to strategic buyers

# 19. Industry Transformational Activity

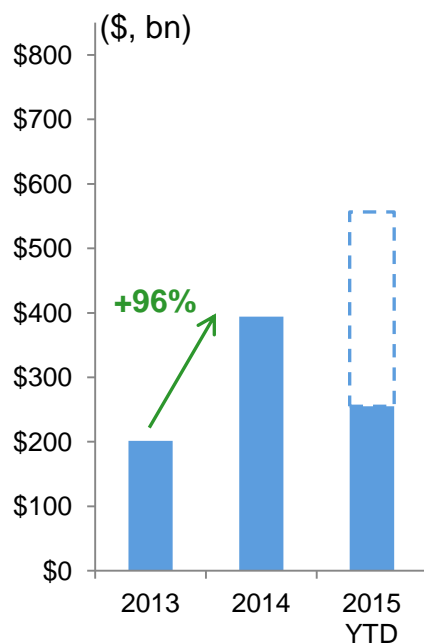


## Natural Resources



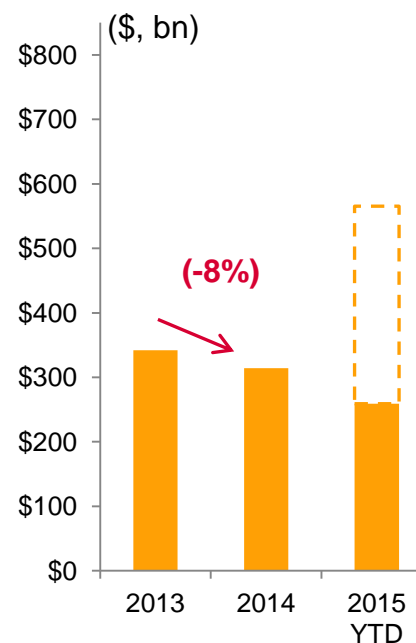
- Oil price capitulation pressures
- Restructuring activity
- Opportunistic transactions to build scale
- Technology transfer
- Desire for high growth, lower risk OECD exposure

## Healthcare



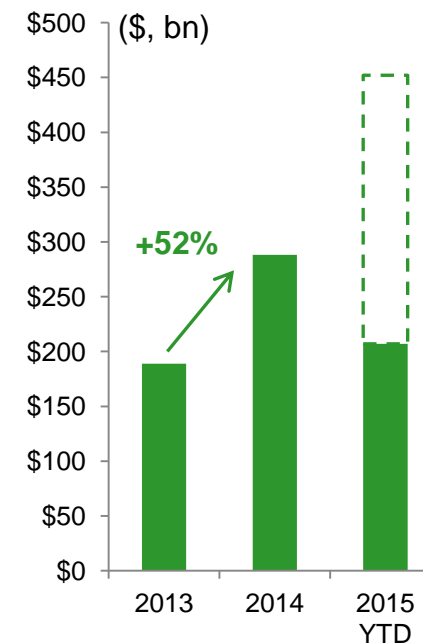
- Affordable Care Act
- Tax driven strategies helped create consolidation leaders
- Strategic drivers related to R&D, marketing and distribution
- Regulatory / political
- Margin differentials

## Media / Telecom



- Rapid market and technological changes
- Scale and scope in distribution and capacity
- Consumer demand for mobile and broadband
- New entrants / partnerships
- Margin differentials

## Technology



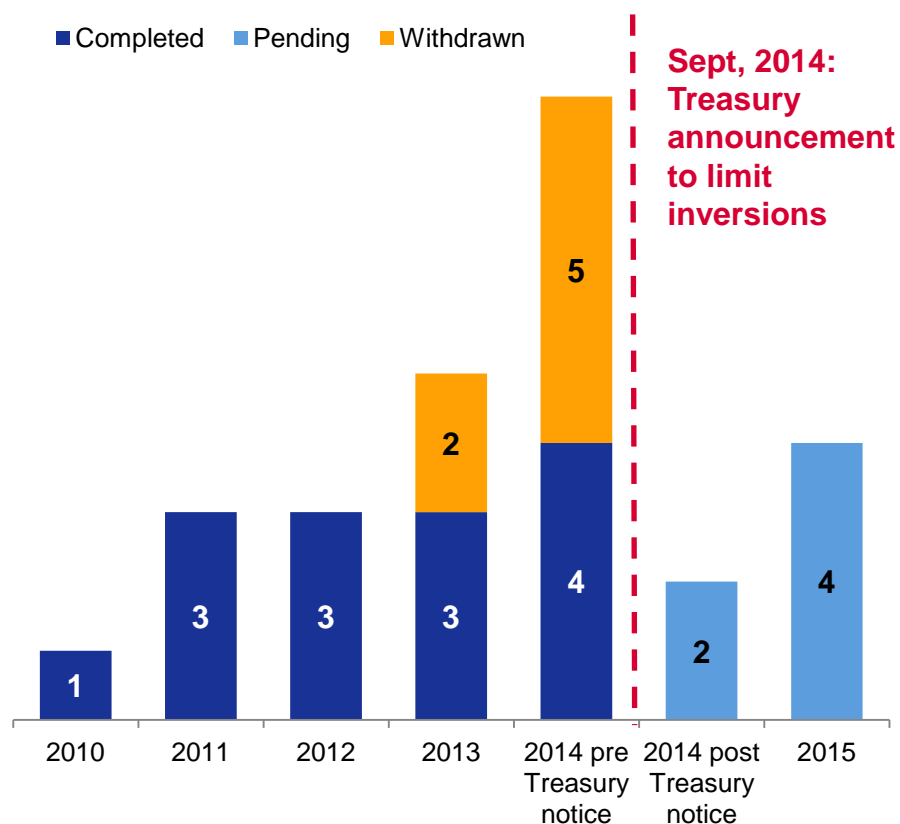
- Rapid industry transformation and tech change across multiple verticals
- Acquisition of users, IP and talent
- Margin and valuation differentials

- Not surprisingly, industries that have been among the most active in M&A are those undergoing the most transformation
- Each industry has its own set of industry related opportunities, challenges, and specialized deal specific attributes
  - Regulatory hurdles and anti-trust concerns remain a formidable obstacle for large deals in several industries

# 20. Tax Driven Dynamics



## Tax Inversions (2010 – 2015)



## Acquisitions of US Targets by Tax Advantaged Non-US Buyers

Acquiror	Target	Deal value (\$bn)
Actavis	ALLERGAN	\$66bn
AVAGO	BROADCOM	\$36bn
VALEANT Pharmaceuticals International	Salix PHARMACEUTICALS, LTD.	\$16bn
endo	PAR PHARMACEUTICAL	\$8bn

## US Acquirors Using Offshore Cash

Acquiror	Target	Deal value (\$bn)
Johnson & Johnson	SYNTHESIS LABORATORIOS	\$21bn
Pfizer	Hospira	\$17bn
Microsoft	NOKIA	\$5bn
FedEx	TNT	\$4bn

- Tax driven strategies continue to be an important feature of corporate M&A
- Tax inversions, which gathered significant momentum in 2013 and 2014, have slowed somewhat since the September 2014 Treasury announcement, but there are still ways for corporates to structure inversion transactions within the new rules and still extract tax advantages
- Acquisitions of US targets by non-US tax advantaged buyers is expected to be a meaningful driver of tax driven M&A activity going forward





# IV. Notable Themes & Trends



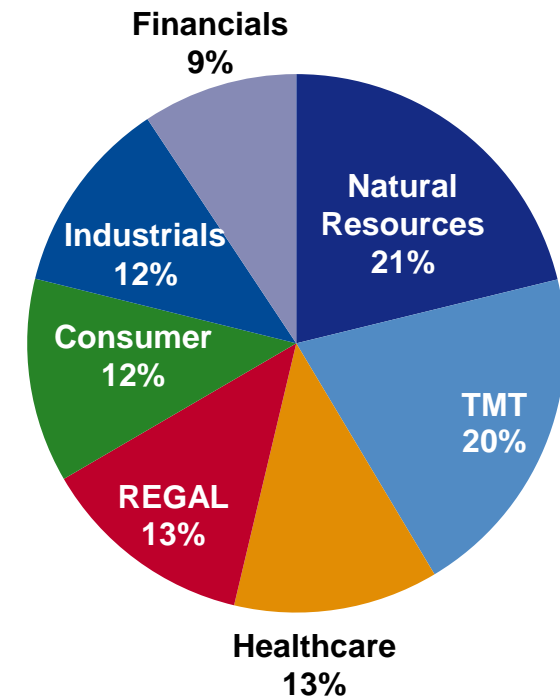
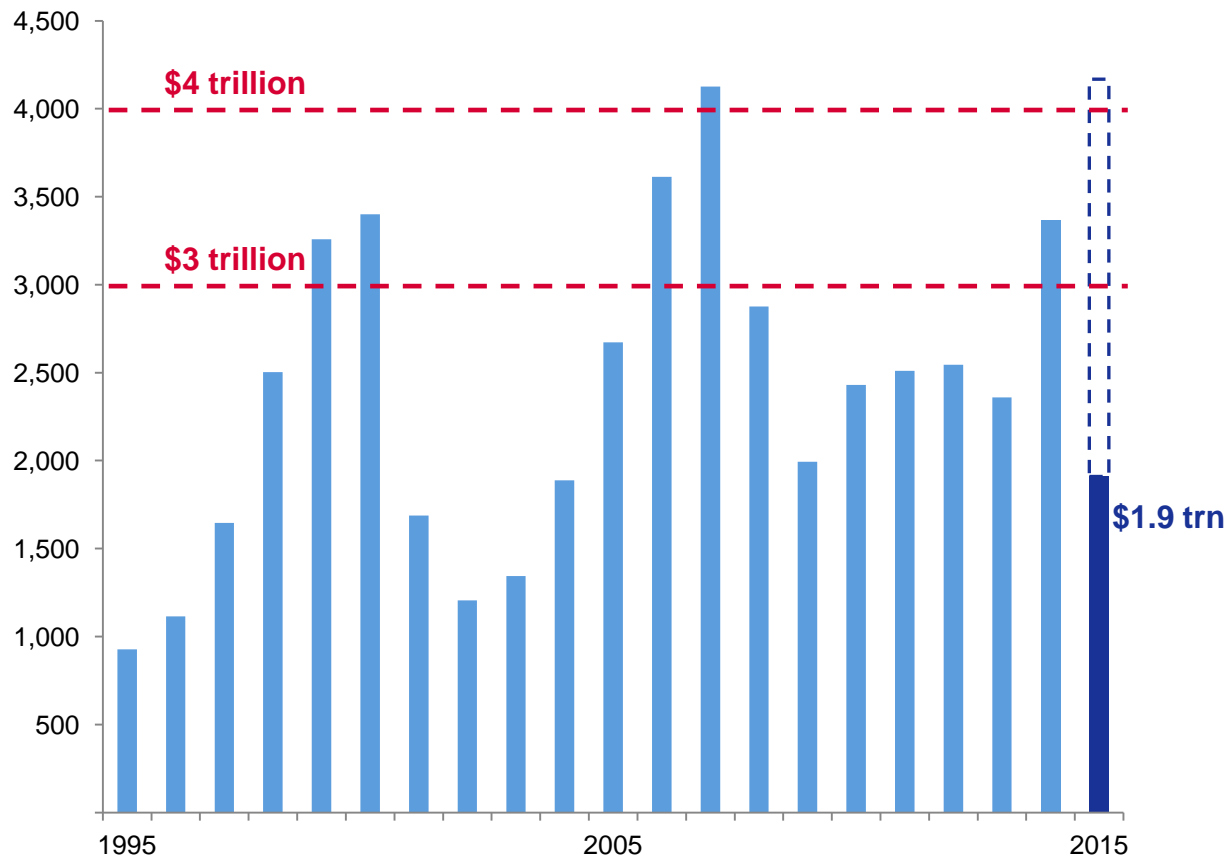
# 21. Heightened Pace of Activity



## M&A Volume

## By Industry (2014 - 2015)

Global Announced M&A Volume (\$bn)

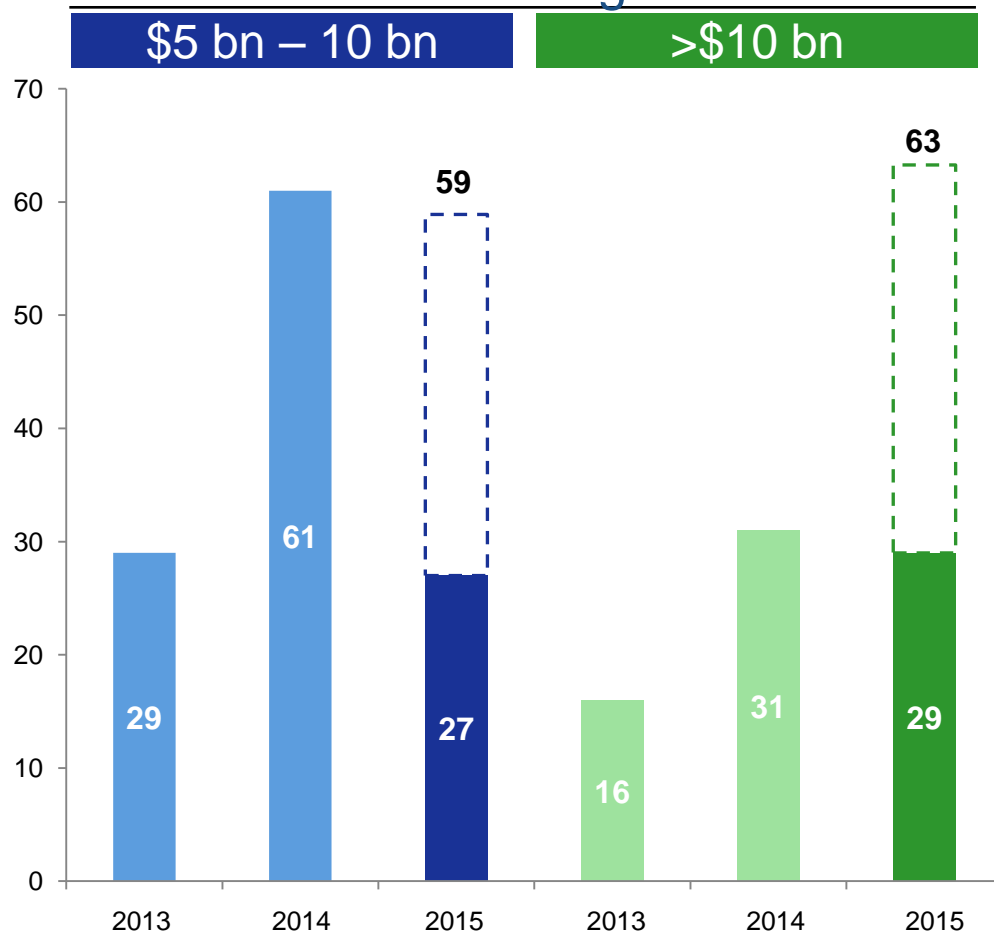


- After lackluster M&A volumes in 2013, 2014 saw a resurgence in global M&A volumes to levels not seen since 2007
  - U.S. M&A volumes reached a record high of \$1.5 trn in 2014, 50% higher than 2013
- 2015 has demonstrated continued strength with volume outpacing 2014 by over 20%

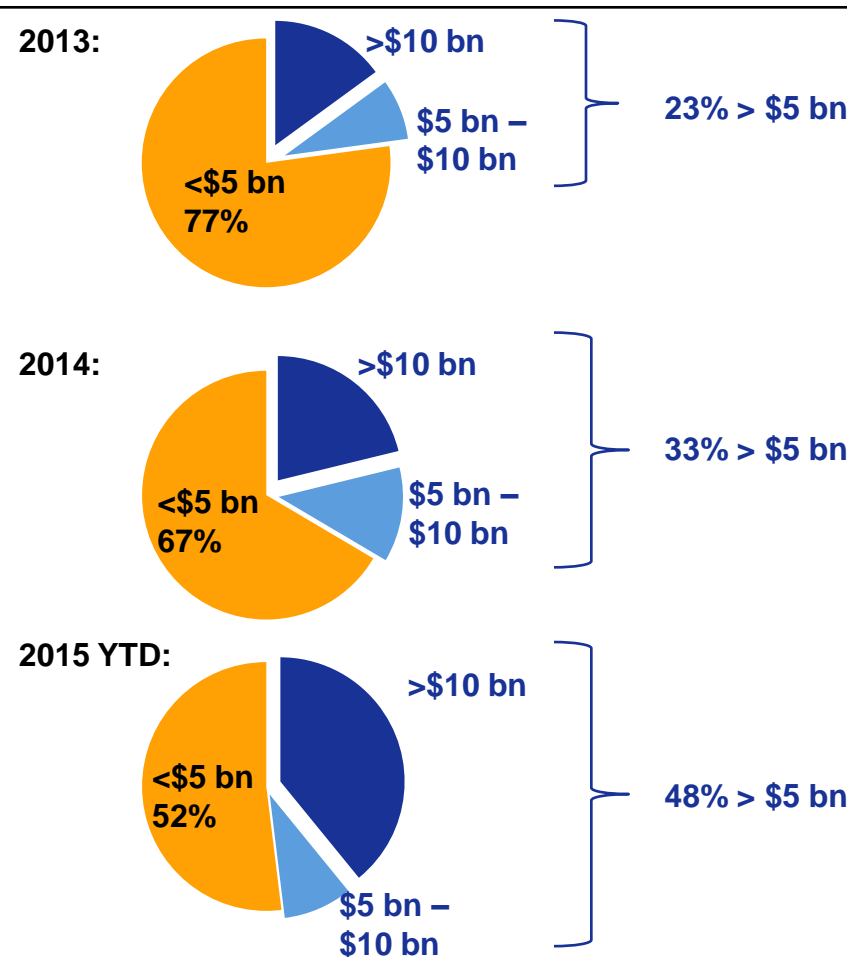
# 22. Mega M&A Deals



### Number of Megadeals



### Breakdown of Deal Sizes



- Similar to prior cycles, the resurgence of large deals is an important driver of the increase in overall deal activity
- The number of large transactions increased significantly in 2014 with over 90 announced deals in excess of \$5 billion, driving nearly \$1.25 trillion (or 35%) of global deal value (an important confidence driver going into 2015)
- 2015 has since witnessed a surge in even larger transactions, mega-deals > \$10 billion, with nearly as many such transactions in just the first 6 months of 2015 as there were in the entire year 2014

# 23. Mega Bond Deals



## U.S. Bond Megadeals

### Largest Ever U.S. IG Deals

Date	Issuer	Amt (\$bn)	Use of Proceeds
Sep-13	Verizon	49.0	M&A
Mar-15	Actavis	21.0	M&A
Apr-15	AT&T	17.5	M&A, GCP
Apr-13	Apple	17.0	Div / Buyback, GCP
Dec-14	Medtronic	17.0	M&A, GCP
May-15	AbbVie	16.7	M&A, GCP, Buyback
Nov-12	AbbVie	14.7	M&A (Spinoff), GCP
Feb-09	Roche	13.5	M&A, Refi, GCP
Mar-09	Pfizer	13.5	M&A, Refi, GCP
Apr-14	Apple	12.0	Div / Buyback, GCP

### Largest Ever U.S. HY Deals

Date	Issuer	Amt (\$bn)	Use of Proceeds
Apr-14	Numericable / Altice	16.6	M&A
Oct-07	TXU / EFH	11.3	LBO
Mar-15	Valeant	10.1	M&A
Sep-08	First Data	7.1	LBO
Sep-13	Sprint	6.5	GCP
Jan-08	Caesar's	6.3	LBO
Mar-07	Freeport	6.0	M&A
Nov-06	Freescale	6.0	LBO
Oct -06	NXP	5.8	LBO
Nov-06	HCA	5.7	LBO

- 8 of the 10 largest U.S. IG deals of all time have been M&A related financings (and 5 of the 10 since Jan 2014)
- 9 of the 10 largest U.S. HY deals in history were M&A / LBO related financings

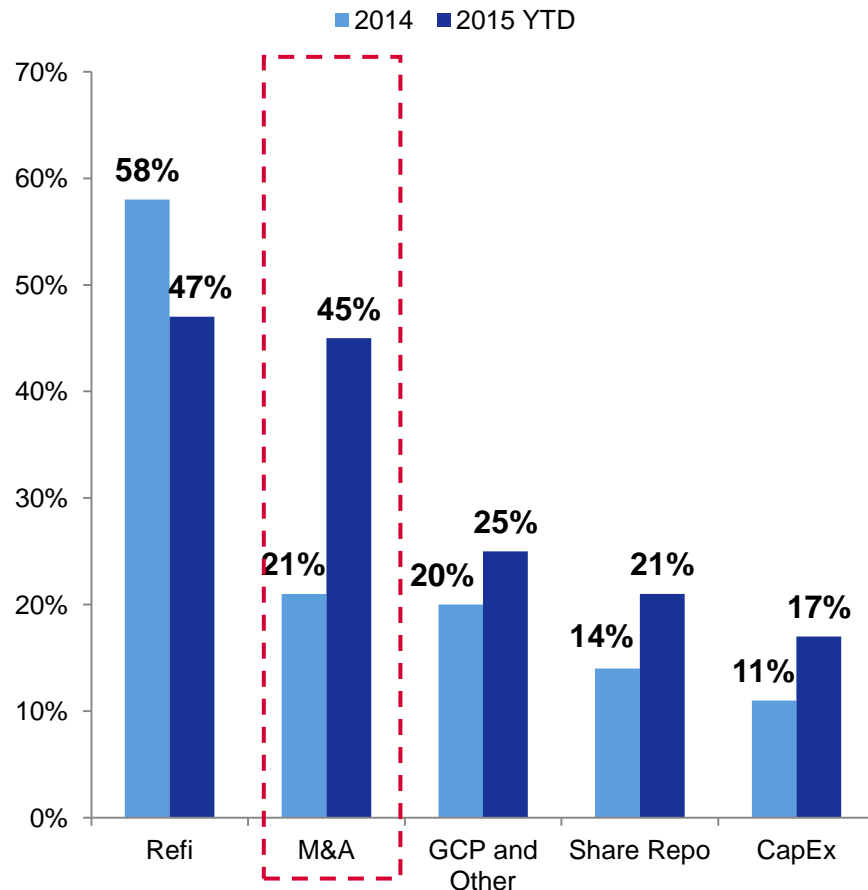
# 24. M&A Driven Capital Markets



## Global Corporate IG Issuance Use of Proceeds



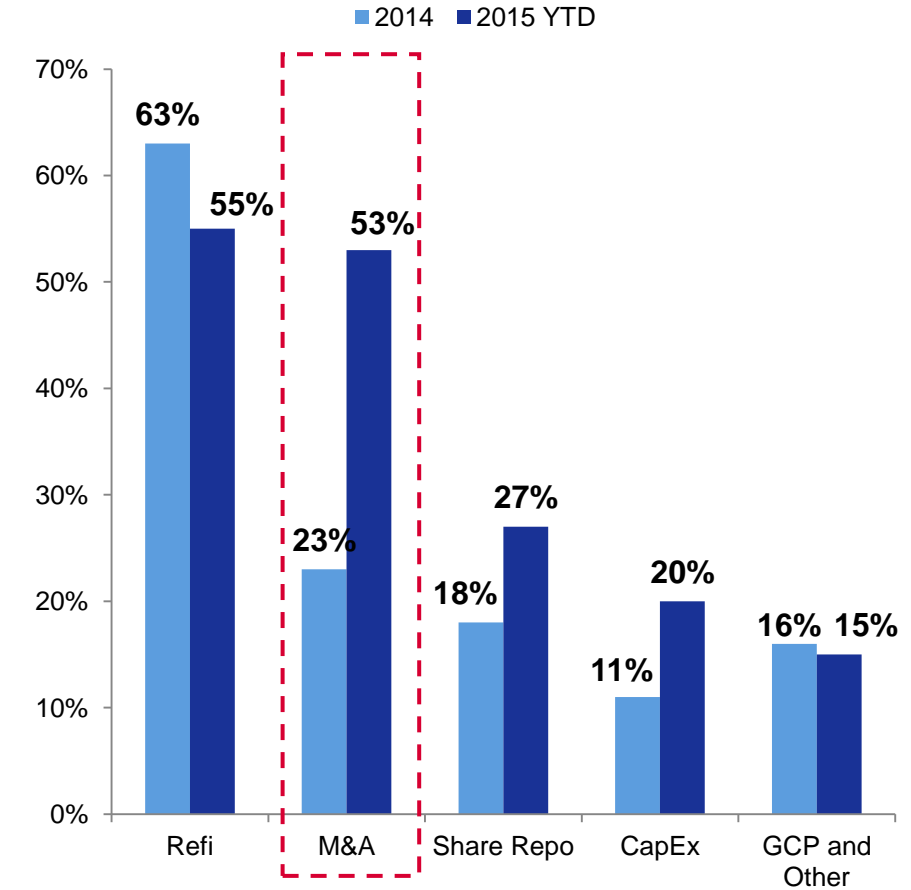
% of new issue that mention category as Use of Proceeds



## North American Corporate IG Issuance Use of Proceeds



% of new issue that mention category as Use of Proceeds



- The pace of global M&A has been so strong that it has become a primary driver of our 2015 capital markets – so much so that US 2015 IG issuance volumes are already 20% ahead of last year's historic \$1.1 trillion pace
- In just one year, the percentage of global and US IG debt proceeds allocated toward M&A has more than doubled

# 25. M&A Driven Loan Market

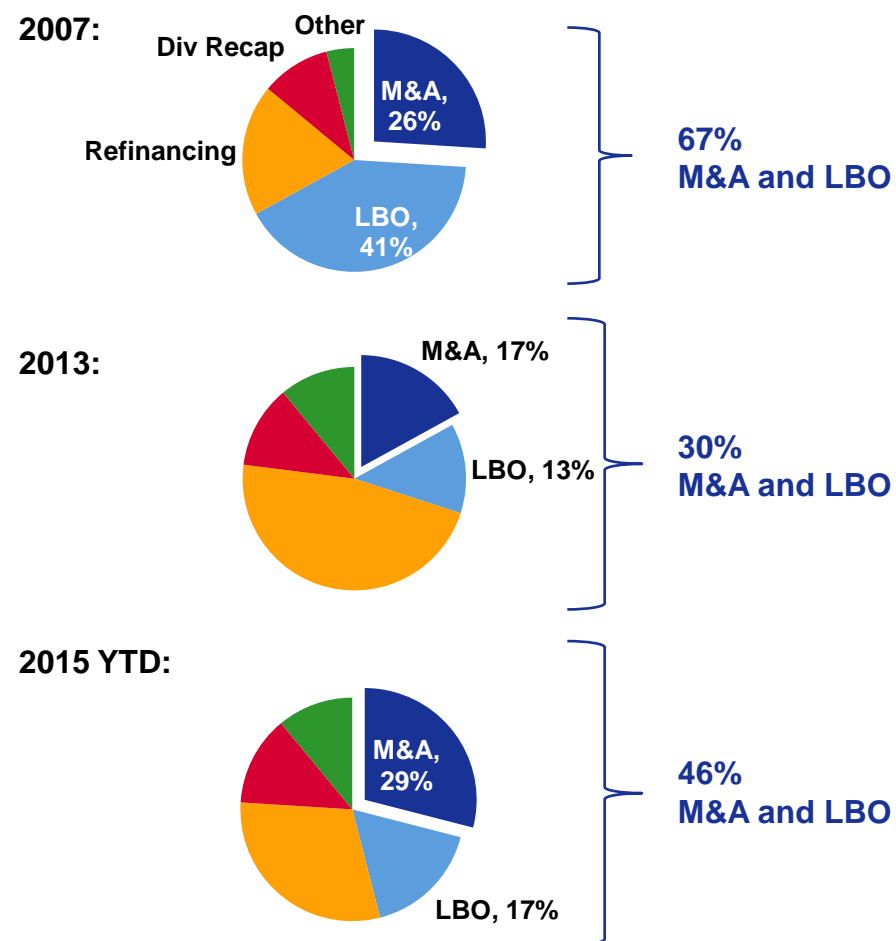
## Institutional Loan Market



### Largest Outstanding Institutional Term Loans

Issuer	Amt (\$bn)	Use of Proceeds
Avago	\$12.3	M&A
Caesars	\$8.9	LBO
Valeant	\$8.7	M&A
First Data	\$8.6	LBO
Clear Channel	\$7.2	LBO
Asurion	\$6.9	Dividend recap
Burger King	\$6.8	M&A
Dell	\$6.7	LBO
Charter	\$6.5	M&A
Heinz	\$6.4	M&A

### Use of Proceeds Breakdown

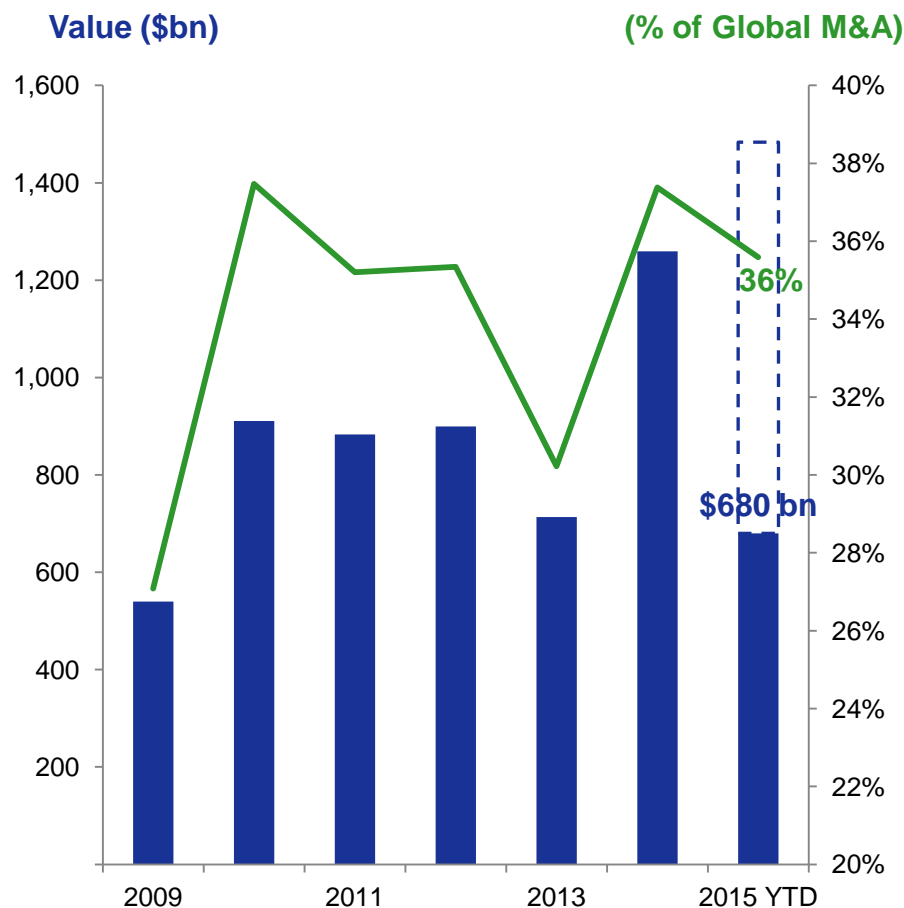


- M&A and LBO volumes have become increasingly important drivers of the institutional loan market in 2014 and 2015 YTD
- 9 of the 10 largest outstanding institutional term loans in the market globally are for M&A and LBO related activity

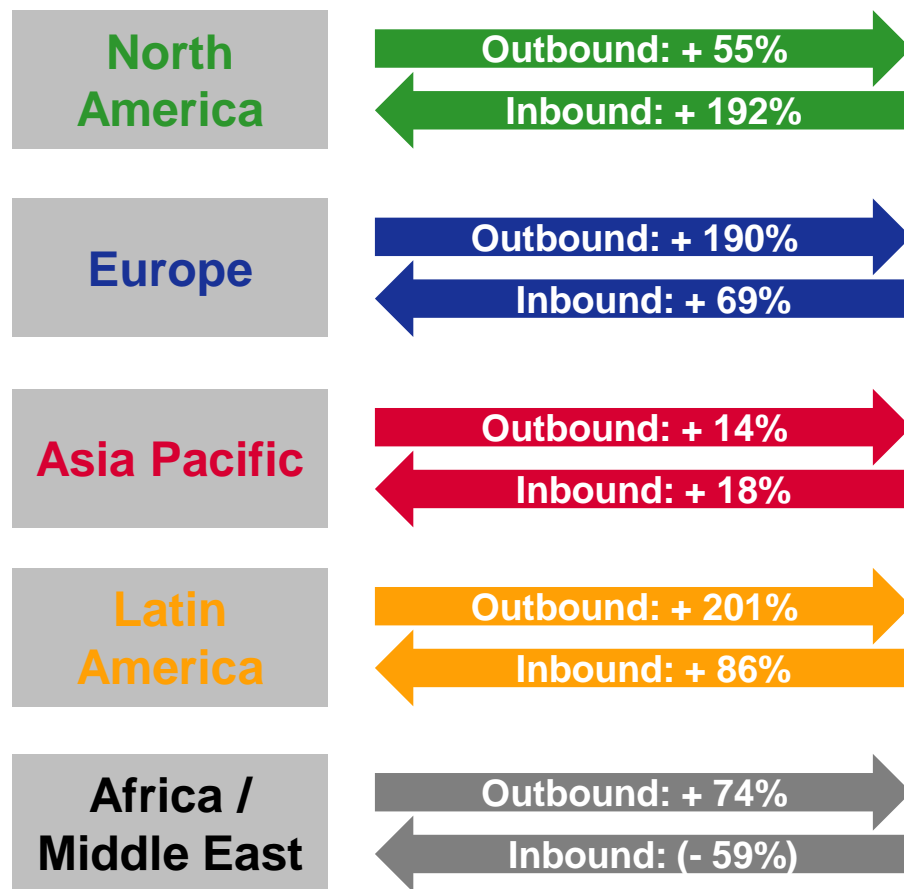
# 26. Surge in Cross-Border Activity



## Cross-Border Transactions



## Regional Breakdown (2014)

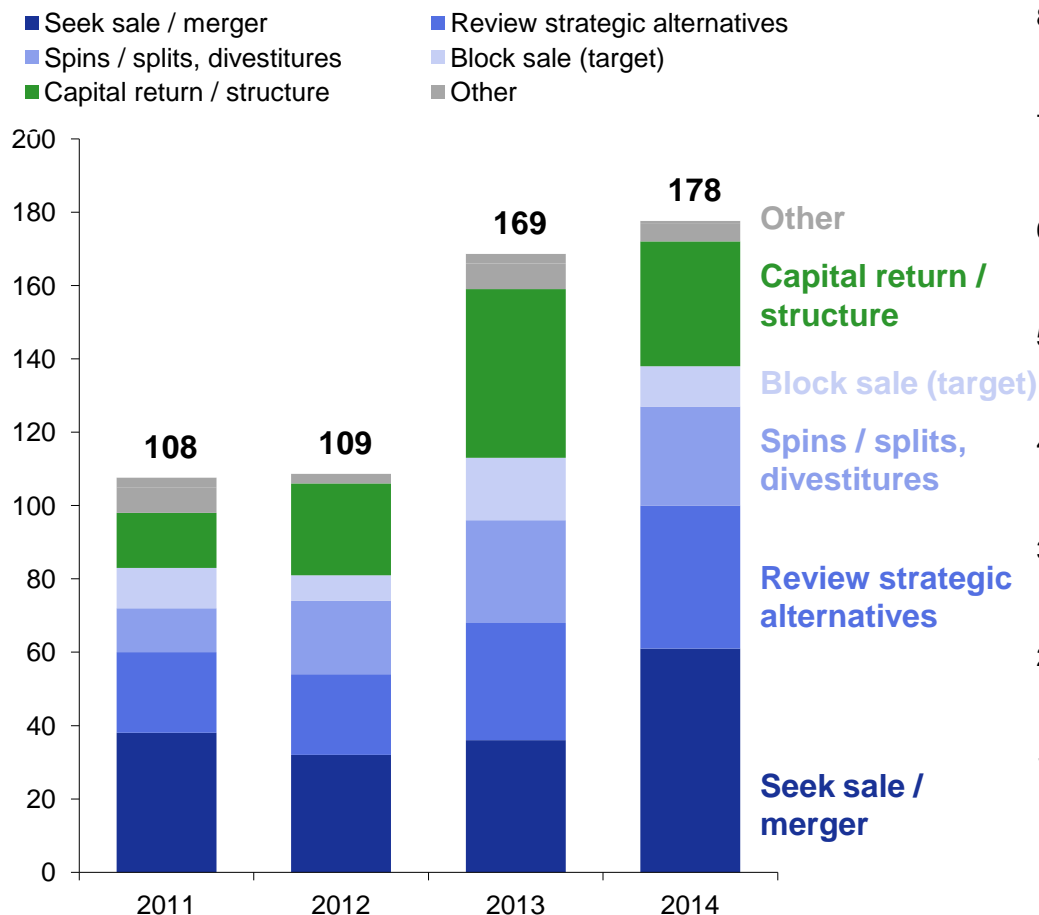


- A number of factors have driven a sharp increase in cross border activity since 2014, including: a stronger USD, currency devaluations, tax inversions, lower commodity prices, SWF activity, financial liberalization, and stagnating home markets
- While investment into the US has increased from every major region in 2014, outbound activity has also been strong
- The rise of China as a global M&A player is also evident, now accounting for over 10% of global cross border activity
- The search for growth outside of stagnating home markets has also been an important theme (2014 saw a significant shift in flows as outbound European M&A into the US exceeded US flows into Europe for the first time)

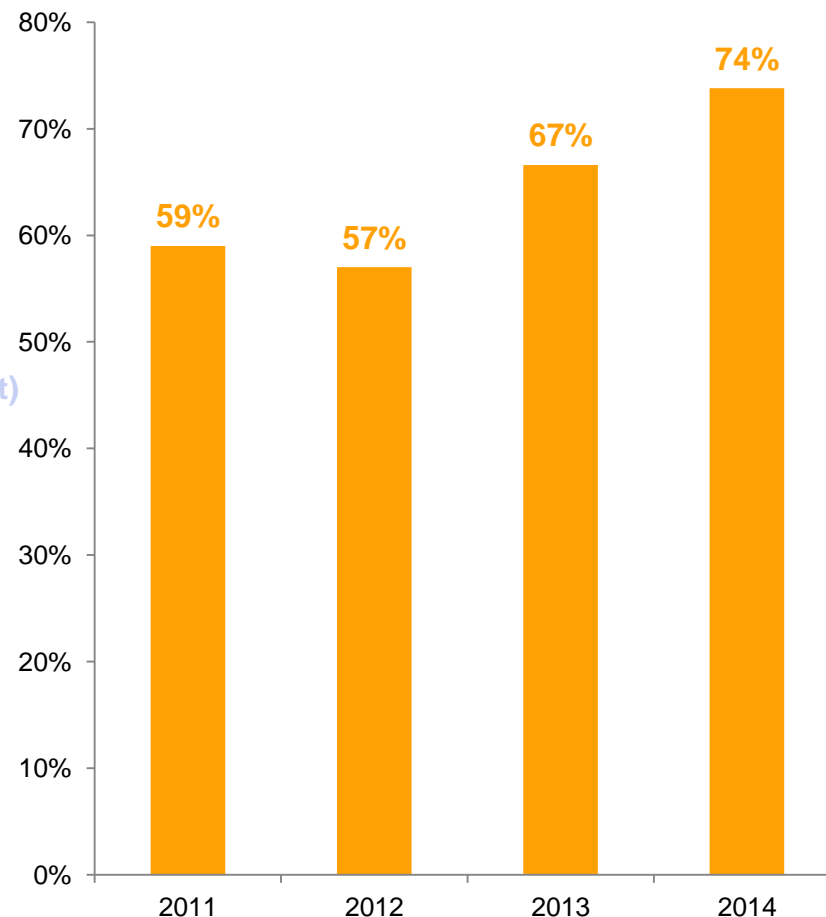
# 27. Activism Driven Activity



## Publicly Disclosed Activist Value Demand Incidence



## Success Rate



- In addition to consolidation activity, M&A's resurgence has been accompanied by a sharp increase in divestitures as large companies continue to place more emphasis on core strategies
- Activists have also been an important driver of spins, splits, break-ups and other strategic campaigns aimed at realizing value through strategic action (sale or divestiture) and the return of capital to shareholders

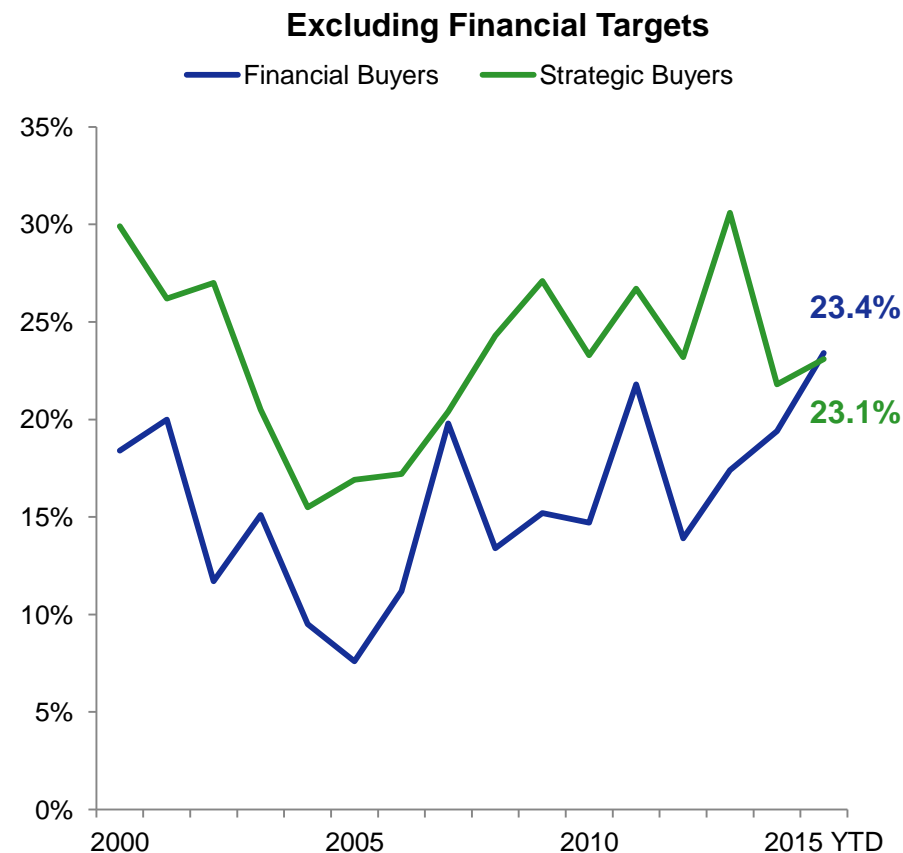
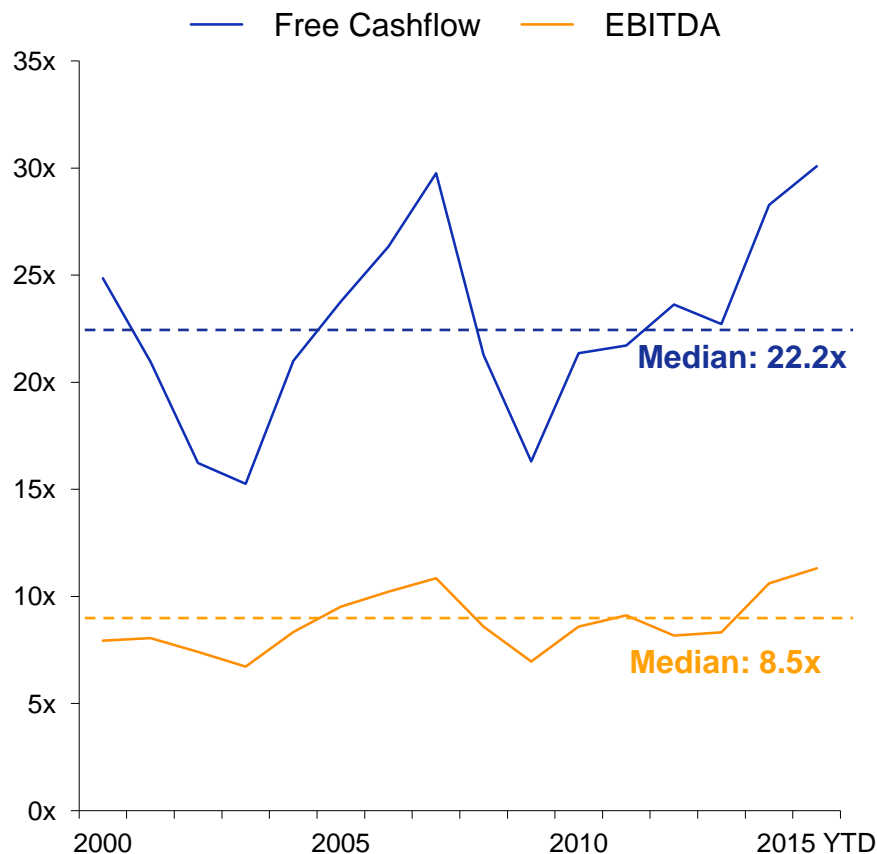


# 28. Expanding Target Valuation Multiples



## Financial vs Strategic Buyer Premiums

### Global Target Valuation Multiples

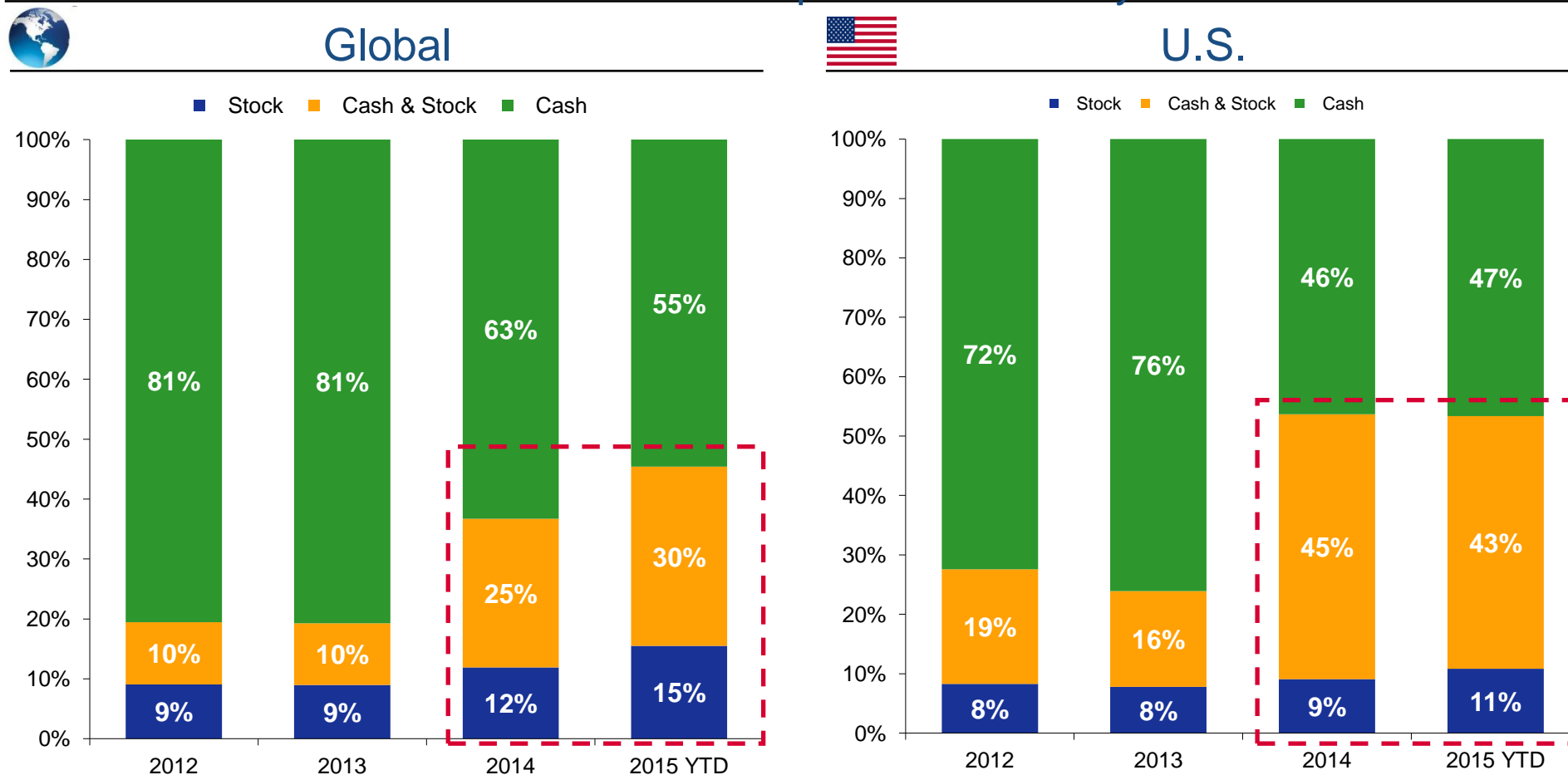


- As equity valuations rise, and M&A momentum picks up, target valuation multiples across a broad spectrum of metrics have risen accordingly
- In addition, financial buyers (ie, private equity) are now paying higher premiums (on average) than strategic buyers for the first time in nearly 15 years
  - Given the synergies available to strategic buyers, this dynamic should feed on itself and drive valuations higher

# 29. Stock as Acquisition Currency



## Breakdown of Acquisition Currency








- Cash continues to be an important component of M&A as global debt markets offer unprecedented size and low cost
- However, several factors have been driving the increased use of stock as acquisition currency:
  - The sheer size of many “mega-deals” today necessitate inclusion of equity
  - Importance of defending the corporate rating (especially given high ASR and debt volumes of recent years)
  - The post announcement rise in acquiror stock prices has made sellers less averse to equity consideration

# 30. Strategic FX Hedging



## FX Hedging Disclosures (Selected Recent Transactions)

Offer Date	Close Date	Acquiror	Target	Equity Value	Hedging Tool
22-Sep-14	TBD			\$16.9bn	FX hedging transactions in 2014 for expected 2015 U.S. Dollar purchase
7-Sep-09	16-Apr-10			\$13.4bn	FX swap and option contracts to hedge Canadian dollar exposure
10-Jul-14	15-May-15			\$12.5bn	Partial hedging for USD purchase through deal-based forward contracts and currency options
16-Oct-13	21-Nov-14			\$6.8 bn	Cross-currency derivative contracts for Euro exposure

- Disclosure of FX hedging activity directly related to cross border M&A is often limited, or reported with some delay
- In today's high vol global FX markets, the importance of strategic hedging has arguably never been higher
- Cross-border transactions lead to EPS volatility, and so given the size of recent currency swings, we have observed a trend in companies hedging such exposures with increased frequency pre-close



## Appendix: DB Forecasts



# DB Forecasts



GDP Growth (%)	2015	2016
U.S.	2.2%	3.0%
Japan	0.8	1.8
EuroZone	1.4	1.6
Germany	1.6	1.7
France	1.1	1.6
Italy	0.6	1.3
Spain	2.8	2.4
Netherlands	1.7	1.1
Belgium	1.3	1.6
Austria	1.2	1.8
Finland	0.8	1.4
Greece	0.8	3.2
Portugal	1.6	1.6
Ireland	3.7	3.5
UK	2.4	2.3
Sweden	2.8	2.8
Denmark	1.7	1.8
Norway	2.0	2.2
Switzerland	1.0	1.0
Canada	2.5	2.7
Australia	2.2	3.1
New Zealand	3.0	2.6

GDP Growth (%)	2015	2016
Czech Republic	2.7%	2.5%
Egypt	3.7	4.1
Hungary	2.7	2.4
Israel	3.1	3.3
Kazakhstan	2.1	2.6
Poland	3.4	3.5
Romania	3.0	3.2
Russia	(-3.2)	(-0.4)
Saudi Arabia	2.8	1.8
South Africa	2.1	2.4
Turkey	3.0	3.0
Ukraine	(-7.5)	1.5
U.A.E	2.5	2.8
China	7.0	6.7
India	7.5	7.5
Indonesia	5.0	5.5
Thailand	3.5	3.0
Argentina	(-0.5)	2.1
Brazil	(-1.4)	0.6
Colombia	3.2	3.0
Mexico	2.6	3.3
Venezuela	(-7.4)	(-1.2)



## Foreign Exchange

### DM

	Spot	2015	2016
EUR / USD	1.13	1.00	0.90
USD / JPY	123	125	130
GBP / USD	1.56	1.36	1.22
USD / CHF	0.93	1.10	1.20
AUD / USD	0.78	0.70	0.65
NZD / USD	0.70	0.70	0.65
USD / CAD	1.23	1.30	1.35
USD / SEK	8.16	8.90	9.72
USD / NOK	7.75	9.00	9.78

### EM

	Spot	2015	2016
USD / CNY	6.21	6.20	6.20
USD / INR	64.2	64.0	65.0
USD / RUB	54.53	55.60	54.30
USD / ZAR	12.40	11.80	11.50
USD / BRL	3.13	3.20	3.40
USD / COP	2537	2800	3200
USD / MXN	15.44	14.60	14.40



## Rates

### U.S. Treasury Rates

(%)	Current	2Q 15	3Q 15	4Q 15
2Yr	0.70	0.50	0.75	1.15
5Yr	1.70	1.35	1.60	1.90
10Yr	2.36	2.00	2.25	2.45
30Yr	3.09	2.75	2.95	3.10

### Central Bank Policy Rates

(%)	Current	2Q 15	3Q 15	4Q 15	1Q 16
US	0.13	0.125	0.375	0.625	0.875
UK	0.50	0.50	0.50	0.50	0.50
Eurozone	0.05	0.05	0.05	0.05	0.05
Japan	0.10	0.10	0.10	0.10	0.10
China	2.25	2.00	1.75	1.75	1.75
India	7.50	7.25	7.00	7.00	7.00



## Commodities

	3Q 15	4Q 15	2016
<b>Energy</b>			
WTI (USD / bbl)	55.00	57.50	65.00
Brent (USD / bbl)	60.00	62.50	70.00
US natural gas (USD / mmBtu)	2.70	2.90	3.50
<b>Industrial Metals</b>			
Aluminum (USD / t)	1,820	1,950	2,056
Copper (USc / lb)	281.3	294.9	273.4
<b>Precious Metals</b>			
Gold (USD / oz)	1,150	1,125	1,100
Silver (USD / oz)	17	17	17
Palladium (USD / oz)	825	830	856
<b>Bulk Metals</b>			
Iron Ore China CF (USD / t)	46.00	52.00	60.00
<b>Agriculture</b>			
Corn (USD / bushel)	-	-	4.25
Wheat (USD / bushel)	-	-	5.45
Soybeans (USD / bushel)	-	-	9.56
Sugar (USc / lb)	-	-	21.00



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# Reader's Notes



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