

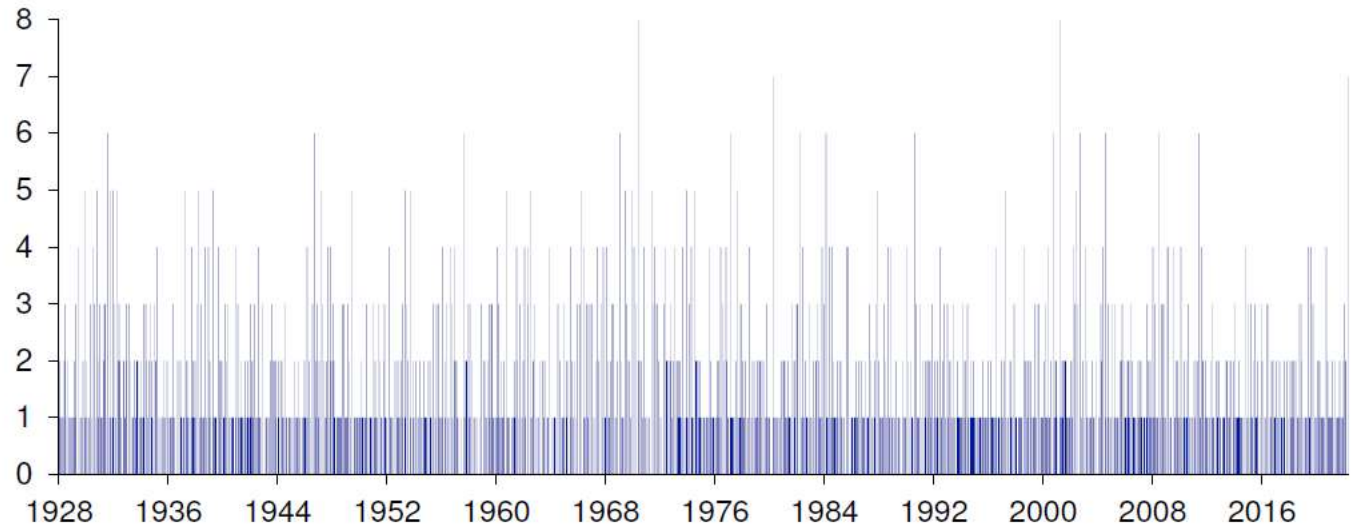
Angeles



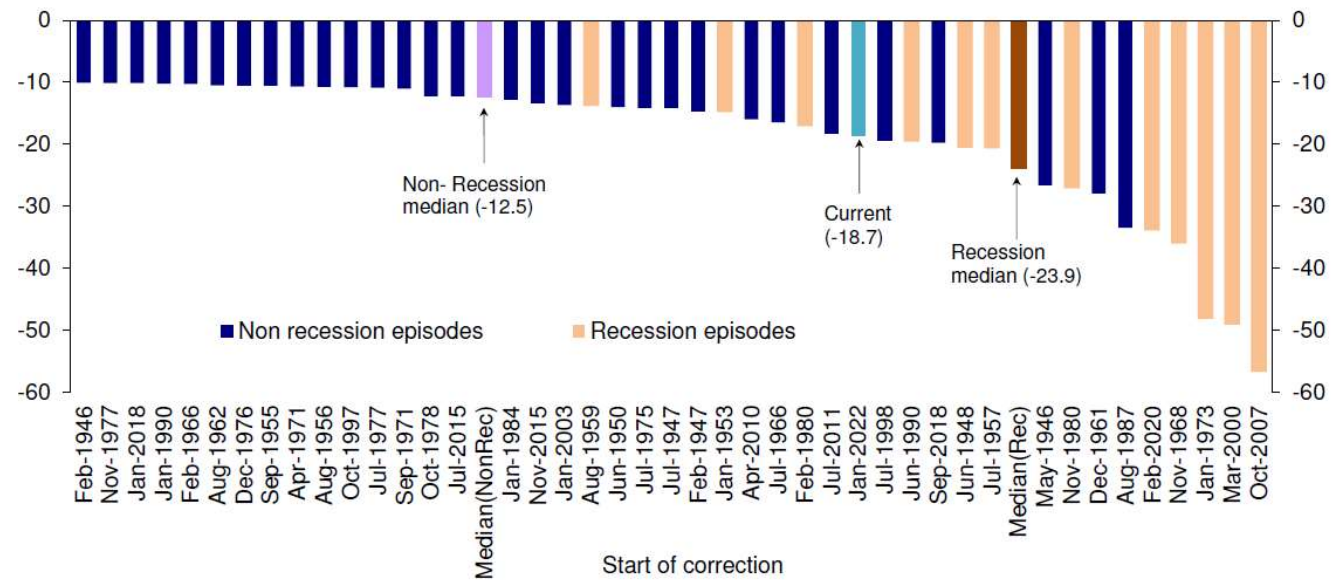
What A Start!

What a Start!

- 7 Consecutive Weeks of Decline in the S&P 500 (-15%).
- Only worse was 8-week drop in 2001 (-16.9%) and 1970 (-21.5%).
- The 6th largest non-recession correction (so far).



Source : Bloomberg Finance LP, Deutsche Bank



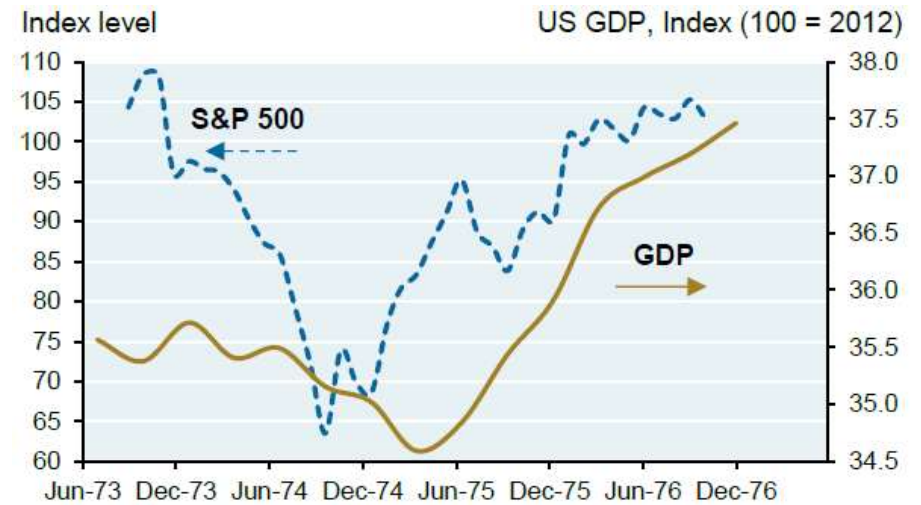
Source : Shiller data, Haver, Deutsche Bank Asset Allocation, Deutsche Bank



Stocks Lead Economy



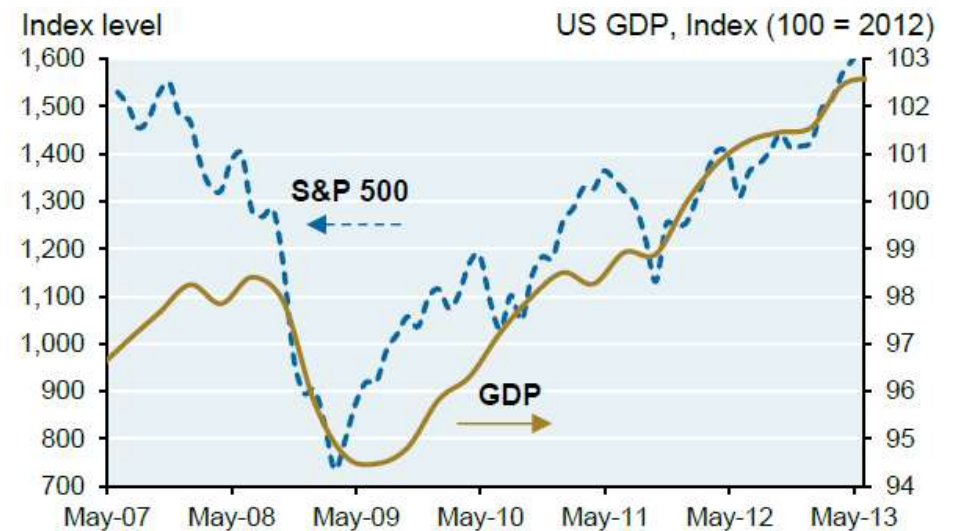
Source: BEA, Bloomberg, JPMAM. 2022.



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Inflation—Not So Much?

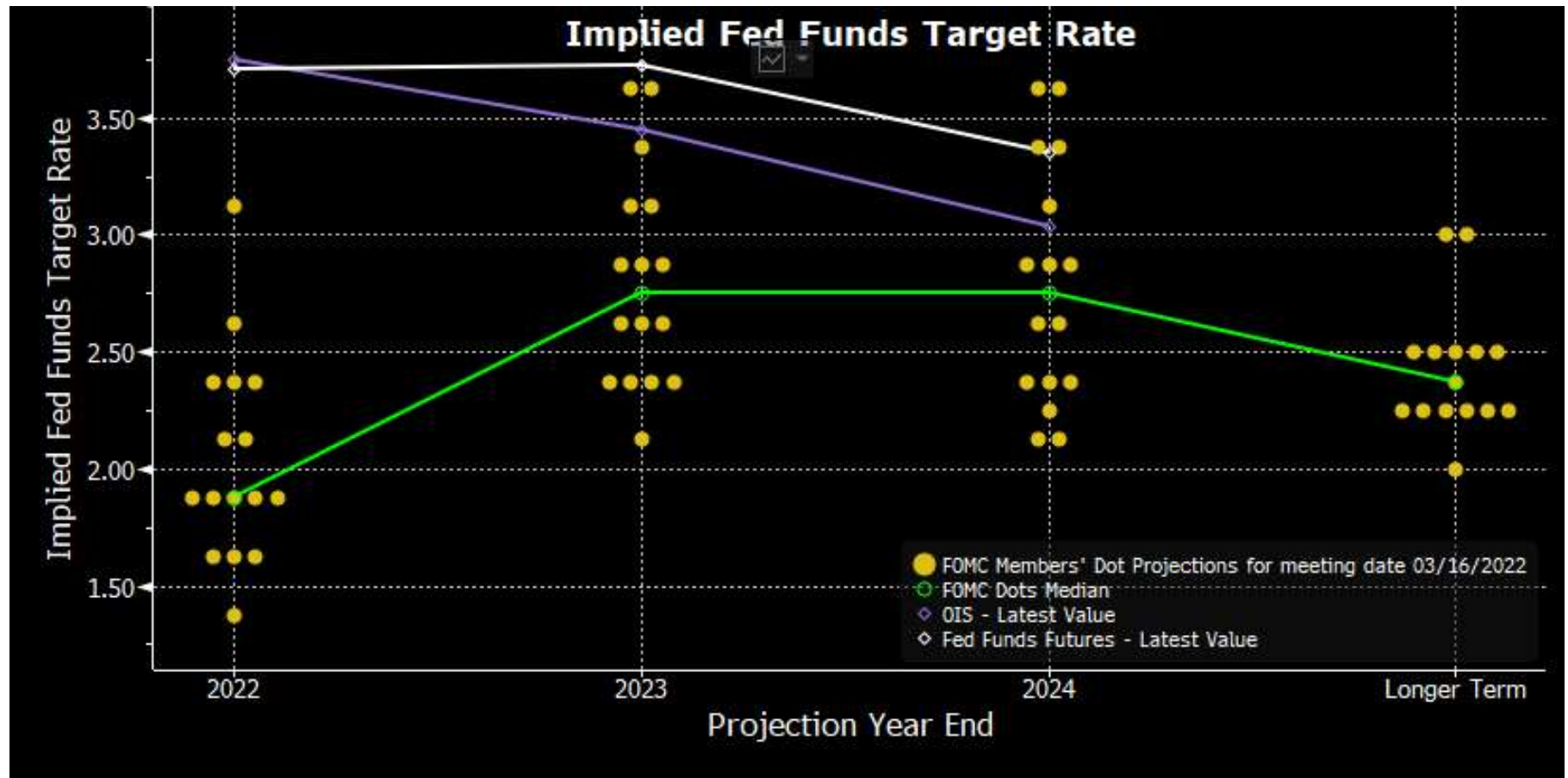
Five-Year Breakeven Inflation, 2002-2022



Ten-Year Breakeven Inflation, 2002-2022



Inflation—Modest Tightening?

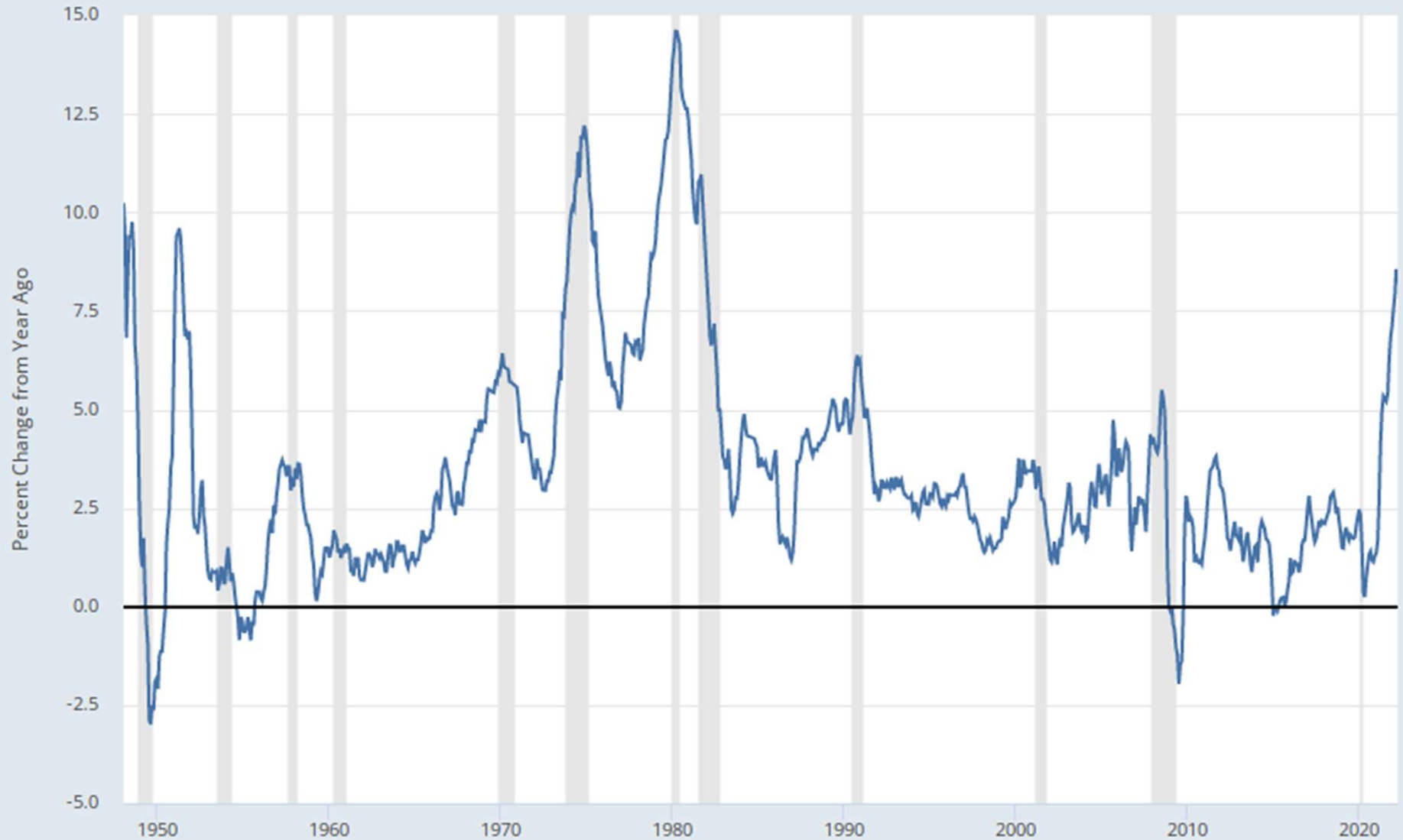


Source: Bloomberg



Inflation—CPI

FRED  — Consumer Price Index for All Urban Consumers: All Items in U.S. City Average



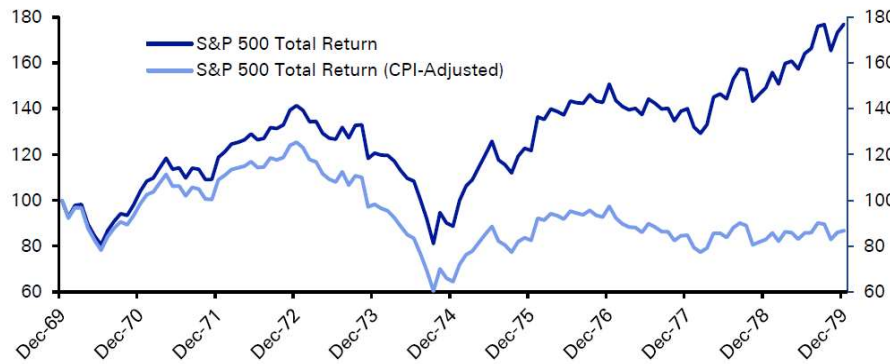
Source: U.S. Bureau of Labor Statistics

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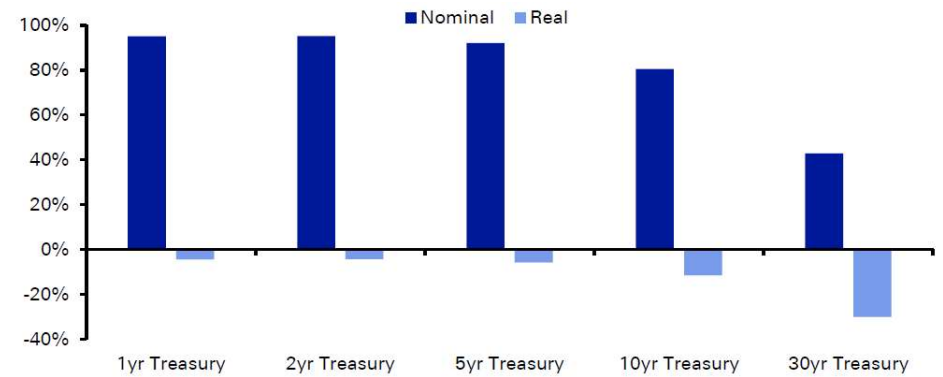
Nowhere to Hide in 1970s Inflation

S&P 500 Index Returns 1970s



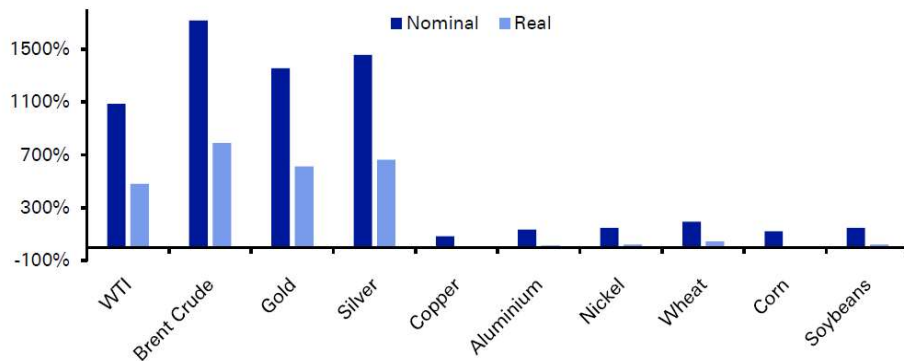
Source : Bloomberg Finance LP, Haver Analytics, Deutsche Bank

US Treasury Returns 1970s



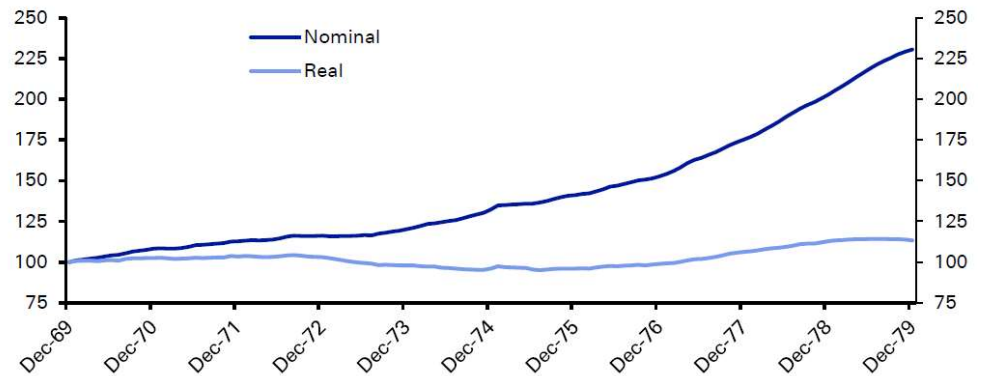
Source : GFD, Haver Analytics, Deutsche Bank

Commodities Returns 1970s



Source : GFD, Deutsche Bank

Schiller House Price Index 1970s



Source : Haver Analytics, Deutsche Bank



Beware Bear Market Rallies


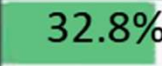



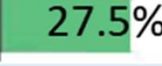















Source: Bloomberg; courtesy State Street Global Markets



What a Start! BUT...A Better Ending?

Worst Starts Since 1927 (through 20 May)

#	<u>Year</u>	<u>Events</u>	<u>YTD</u>	<u>5/20 to YE</u>
1	1932	Great Depression	 -35.8%	 32.8%
2	1940	World War II	 -26.5%	 15.5%
3	1970	Vietnam War/Tightening	 -21.5%	 27.5%
4	2022	Current	 -17.3%	?
5	1962	Kennedy Slide	 -15.3%	 4.1%
6	1939	World War II	 -13.0%	 9.0%
7	1941	World War II	 -10.8%	 -7.9%
8	1973	Oil Shock	 -9.2%	 -9.0%
9	1974	OPEC Embargo/Stagflation	 -9.2%	 -22.6%
10	1931	Great Depression	 -9.1%	 -41.8%

Source: J.P. Morgan



Summary

- This really has been a terrible start to the year
- Markets lead economic data
 - But every market downturn does not lead to economic contraction
 - But every economic recession is preceded by a market downturn
- Inflation is the key risk for the economy and for the markets
 - Investors have few safe places



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