CIO View

Investment Traffic Lights

September 6, 2023
Marketing material

DWS

Our monthly market analysis and positioning

Björn Jesch
Global Chief
Investment Officer

IN A NUTSHELL

— August has been one of the weakest months of the year so far with various asset classes posting negative returns.
— While China's economy and policy measures dominated headlines, it is still the U.S. economy and central banks that set the tone globally.
— Our short-term outlook is slightly cautious as we believe that markets are overconfident about an economic soft landing. Some reality checks are due.

1 / Market overview

1.1 China attracting most headlines, but investors focus on U.S. inflation and growth

A mixed month overall, with a bias on disappointment. But why should investors fare better in August than holidaymakers? The little spurt in the last week of the month reduced the losses somewhat, but otherwise it was the first down month for U.S. equities since February[1] and bonds also lost ground, again.
On the political side, it was a quieter month, which may have helped to push China into the spotlight, and with negative headlines. Ongoing payment difficulties at Chinese property developers were echoed by troubles in the $3 trillion shadow banking system[2]. Economic data continued to fall short of expectations and inflation slipped into negative territory. Added to this were further concrete economic sanctions by the Biden administration[3] to curb China's technological ambitions, even as high-level diplomatic exchanges between the two countries gained momentum. By contrast, little emerged from the widely anticipated meeting of the BRICS countries in South Africa. The extent to which China and India are still at odds with each other is evident in the rumor that Xi Jinping does not want to appear at the G20 meeting in India. More positive news from China included a large number of measures intended to help the real estate market, along with minor interest rate cuts. But this has not yet made much of an impression on the capital markets, even though expectations of China could hardly fall lower at the moment. We analyze the most pressing challenges for the country and why we are not quite so pessimistic about the economic prospects in our latest China note[4].
However, the summer showed once again that although it is the world's second largest economy, China's influence on capital markets often remains limited. The U.S. sets the tone and is less dependent on events in the rest of the world due to its much lower dependence on exports compared to Europe, for example. Instead, it is dependent on its huge domestic economy and, for more than two-thirds of GDP, consumption. And here, Americans have not disappointed, proving more willing to spend than expected, which is probably one of the reasons why the consensus estimates for third quarter GDP have been revised upwards from 0.9% to 2.1% since mid-June. However, we do not expect this momentum to be sustained until the end of the year.

1.2 Still solid performance year-to-date

[1] By contrast, the MSCI World and MSCI AC World also performed negatively in May.
[2] https://www.ft.com/content/d150a3c9-4d0b-4d46-b856-153a253d9dbc
[3] U.S. companies have been prohibited from investing in China in three sectors: semiconductors and microelectronics, quantum technology, and artificial intelligence technologies.
[4] https://dws.com/insights/cio-view/macro/china-downturn-or-u-turn/?setLanguage=en

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Alternative investments may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Alternatives are not suitable for all clients. Source: DWS Investment GmbH.

Market events in August were once again dominated by the questions of how long the Fed must and will remain restrictive, and whether the U.S. economy could manage to get through this aggressive cycle of interest rate hikes with only a slight slowdown. In inflation, meanwhile, there was a significant and welcome slowdown, with the headline CPI rising just 3.2% from a year ago in July, but core inflation remained uncomfortable, at 4.7%, and U.S. 10-year Treasury yields climbed to 4.34% in August, their highest level since 2007.

This does not bode well for homeowners. Interest rates on 30-year mortgages stood at 7.5% at the end of August. A year ago the figure was 6%, two years ago just 3%. U.S. nominal yields are driven by real yields, which are being propelled upwards by the better-than-expected economic momentum in the U.S. so far, and possibly concern that the government's enormous budget deficits (which were one of the reasons for Fitch's downgrading U.S. of government debt from AAA to AA+ this summer) could face much more restrained demand in the future, especially from abroad. Further likely factors are that interest rate cuts are now seen as being more distant and the Fed intends to make a further reduction in its balance sheet of USD 1.5 trillion by mid-2025. U.S. technology stocks, however, have recently taken all this in their dynamic stride. Though five months of strong outperformance by growth stocks over value stocks since the beginning of the year were followed by three more even months, end-August saw growth stocks flexing their high-tech muscles again.

Among the few gainers in August was the U.S. dollar[5], although it has continued to trade in a fairly narrow band since the beginning of the year. Oil also rose slightly in the month thanks to a late-month jump. Globally almost all stock indices lost – in Europe and the U.S. by about 2-3% but in China by almost double digits, while Hong Kong's Hang Seng lost more than 8%. But even after a red August, most are still well up on the year. And in the past week the scenario of only a slight economic slowdown coupled with declining inflation and robust labor markets (call it Goldilocks or a soft landing) regained traction as, on the one hand, 2-year Treasury yields fell by about 20 basis points while the Nasdaq 100 gained almost 5%. Year-to-date the Nasdaq 100 is up more than 40%, while the S&P 500 is up 17%, and the Euro Stoxx 50 is up 13%. UK stocks, on the other hand, haven't done too well this year, as the price return of the FTSE 100 has been negative.

2 / Outlook and changes

We will keep the outlook a little shorter in this edition, as the quarterly revision of the 12-month forecasts is due shortly. The basic scenario of a slight economic downturn followed by a slight upswing remains, although we believe that U.S. growth will form a trough a little later than previously expected – maybe at the turn of the year. Our concern about more volatile markets in the second half of the year remains. The market may have priced in a fairly optimistic scenario for the U.S. by now but may have become too pessimistic about China's medium-term outlook.

2.1 Fixed Income

Sovereign yields did not move much in August and we expect them to continue to do so for the time being, which may open up short-term trading opportunities. Data dependence remains the central banks' mantra. Currently we are Neutral on both U.S. and German 10-year bonds. But soft labor data in the U.S. showed that higher rates might be starting to have an impact on the economy and there is a risk that inflation might accelerate again in September. This combined with high Treasury issuance and hawkish Fed talk might mean that yields could retest their recent higher ranges. In Europe we remain positive on Italian and Spanish spreads, although we believe that markets might start to view Italy more critically should it fail to secure NextGenEU-funds in time.

IG credit and HY credit:

We continue to prefer Investment Grade (IG) over High Yield (HY) as IG asset class inflows continue to be positive and primary issuance should prove manageable for the remainder of 2023. HY spreads have moved sideways in the absence of any meaningful catalysts for prices. Activity in August calmed down notably, with market liquidity quite limited. We remain neutral, however, as supportive factors are fading and corporate news has been mixed.

Emerging Markets:

[5] As measured by the dollar index DXY, Bloomberg.

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Alternative investments may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Alternatives are not suitable for all clients. Source: DWS Investment GmbH.

We remain cautious on EM sovereigns altogether, although we are witnessing more discrimination within the asset class. Since early summer, bonds of issuers facing financial or operational problems (many of which related to certain sectors in China) have seen their spreads widening compared to better quality paper. In general, EM credit spreads have resumed their gradual tightening trend since early June, helped by muted primary supply. Continuing disinflationary trends and a sense that interest rates are approaching their peak for the Fed and other major economies have further lifted bond prices. But this means a lot of the good news is already priced in.

Currencies:

We have recently reduced our positive stance on the euro versus the U.S. dollar to neutral. We have the impression that the outlook of one more potential rate hike in Europe and none in the U.S. had been fully priced in. The dollar's current strength is probably based on better recent economic growth dynamics versus Europe, a faster increase in real rates in the U.S. and weakening emerging market currencies which increase demand for the dollar. We continue to be neutral on other currencies.

2.2 Equities

We will provide a full update on our sectoral and regional preferences in the next Traffic Lights, with fresh input from our quarterly strategic meeting. From a general perspective, we enter the final four months of the year with some caution, given that some parts of the equity market have become quite expensive, especially compared to Fixed Income. The equity risk premium for the U.S. market has dropped to a 20-year low. Weak earnings growth, high real interest rates and stretched valuations in some areas make equity markets look vulnerable. There is a big disconnect between the relative performance of cyclical versus defensive stocks and leading indicators such as the purchasing managers indices. Therefore, we reiterate our defensive vs. cyclical stance. We are Neutral on global financial stocks but keep with our Overweight in European financials. Banks are benefitting from higher central bank rates and a potential normalization of the yield curve. In addition, valuations are not demanding, which ties in well with our value stance. There is also little sign of deteriorating loan quality, which is encouraging. We are Overweight on Communication Services. Telecoms have improved their pricing power and their Capex needs are easing. We have upgraded Consumer Discretionary to outperform as we look ahead though the likely soft period for the economy. As healthy labor markets are keeping consumers well-funded, luxury, sport fashion, car and e-commerce spending is strong. We remain skeptical, however, about the listed real estate sector – it keeps underperforming the wider market on a global basis, though some regions are better than others.

U.S.

We remain cautious on U.S. equities relative to global equities. The current price/earnings-ratio of above 20 is not consistent with our base case scenario of modest earnings per share (EPS) growth in 2023 and 2024 and continuing high real U.S. yields. Our view that stocks are facing stiff competition from other asset classes remains unchanged.

Europe

We stick to our Overweight on European equities. Europe remains attractively priced, although early indicators have clouded somewhat recently. Nonetheless Europe is still achieving decent earnings momentum and trades at reasonable valuations.

Japan

We remain Neutral on Japan. While many tailwinds persist, we fear that as inflation is at multi-decade highs, potential tightening by the Bank of Japan (BoJ) is an increasing tail-risk at current valuations.

Emerging Markets

We are Neutral on Emerging Markets. Economic growth is fading and is expected to be too shallow to boost commodity-sensitive EMs. In addition, Chinese growth and stimulus measures may continue to disappoint. On the other hand, sentiment on China turned so sour over the summer that even a marginally positive news flow might be enough to maintain the recovery that began in late August.

2.3 Alternatives

Real Estate

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Alternative investments may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Alternatives are not suitable for all clients. Source: DWS Investment GmbH.

Higher interest rates have filtered into real estate valuations, causing prices to drop 10%-20% globally; yet, fundamentals are generally stalwart, evidenced in tight vacancies and rising rents. E-commerce growth, coupled with efforts to bolster supply chains, is driving demand for warehouses. Chronic housing shortages also persist across most major European, Asian, and U.S. cities. We believe that the outlook is positive for the next 12 months and that commercial real estate has largely priced in today's interest rates. Rent growth may slacken as economies slow, but any leasing pullback should be mild, and tighter financing should curb construction, paving the way for fundamentals to re-tighten next year as economies gather momentum.

Gold

As the Chinese economy remains challenged, investors have shown little demand for base metal. Both offshore and onshore traders have been staying put as market waits for the Chinese government to produce a more comprehensive economic stimulus plan. High real yields on U.S. debt have generated a strong bid for the U.S. dollar, putting further pressure on gold prices. However, gold has been very resilient so far, staying above the 1,900 USD/oz floor. We expect the gold price to trade in a tight range until the September Fed meeting.

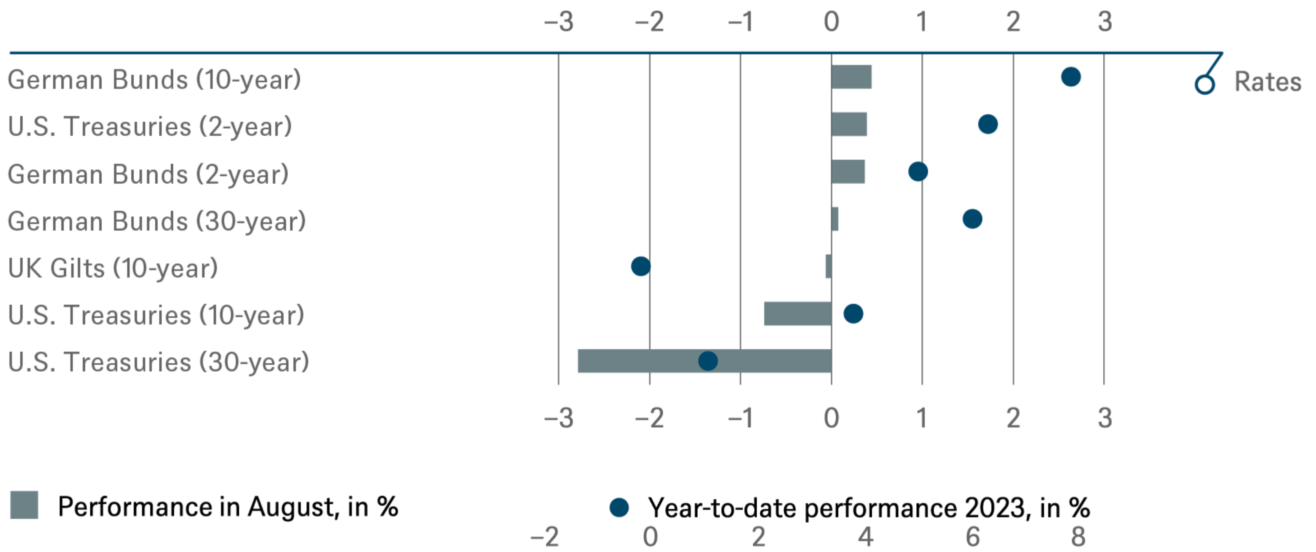
Oil

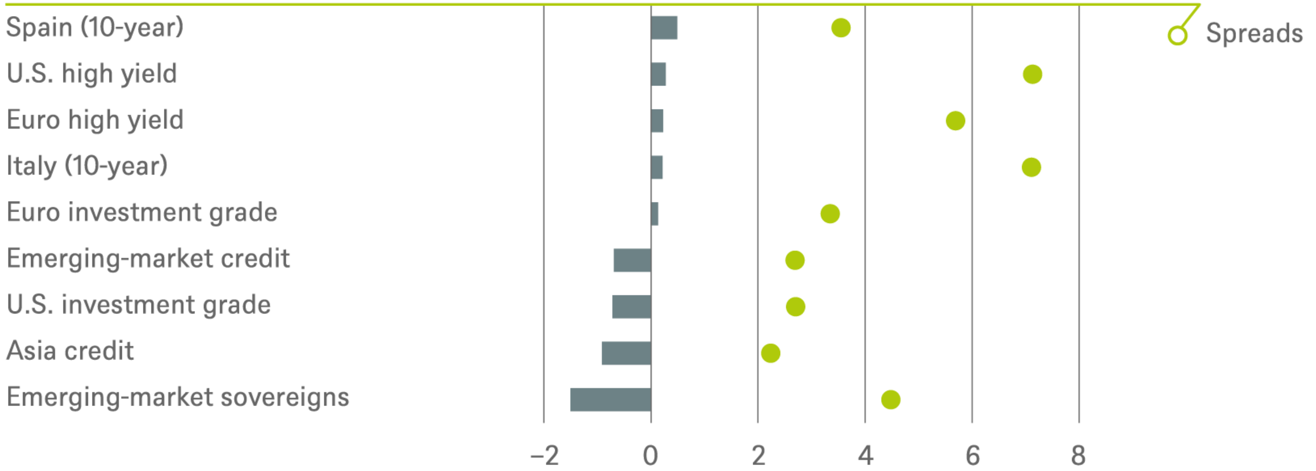
With global demand steady and OPEC+ controlling supply, crude prices have posted an impressive run. As long as general risk appetite remains strong and OPEC+ continues to provide support by limiting supply, crude should continue to trade higher. Even with potential strikes (e.g. Australia), global natural gas should remain well supplied.

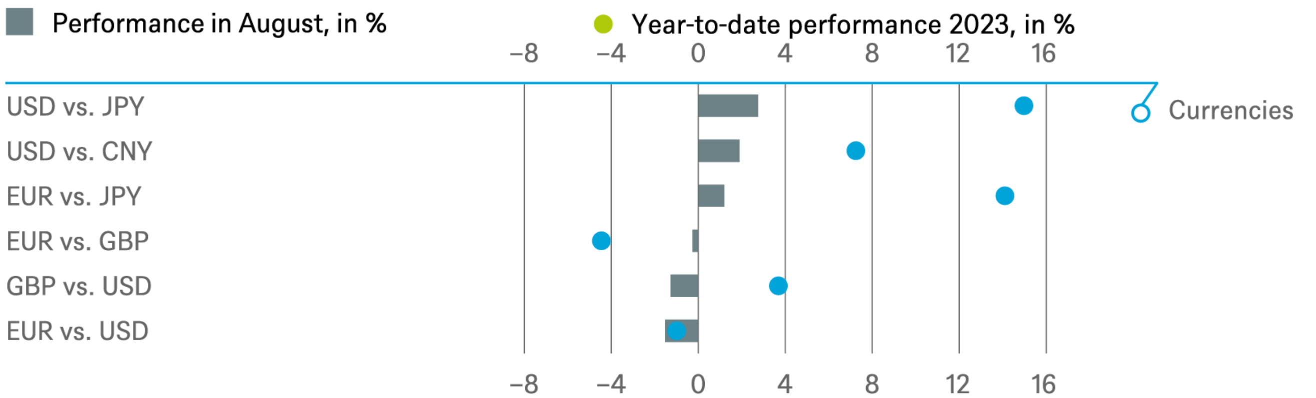
This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Alternative investments may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Alternatives are not suitable for all clients. Source: DWS Investment GmbH.

3 / Past performance of major financial assets

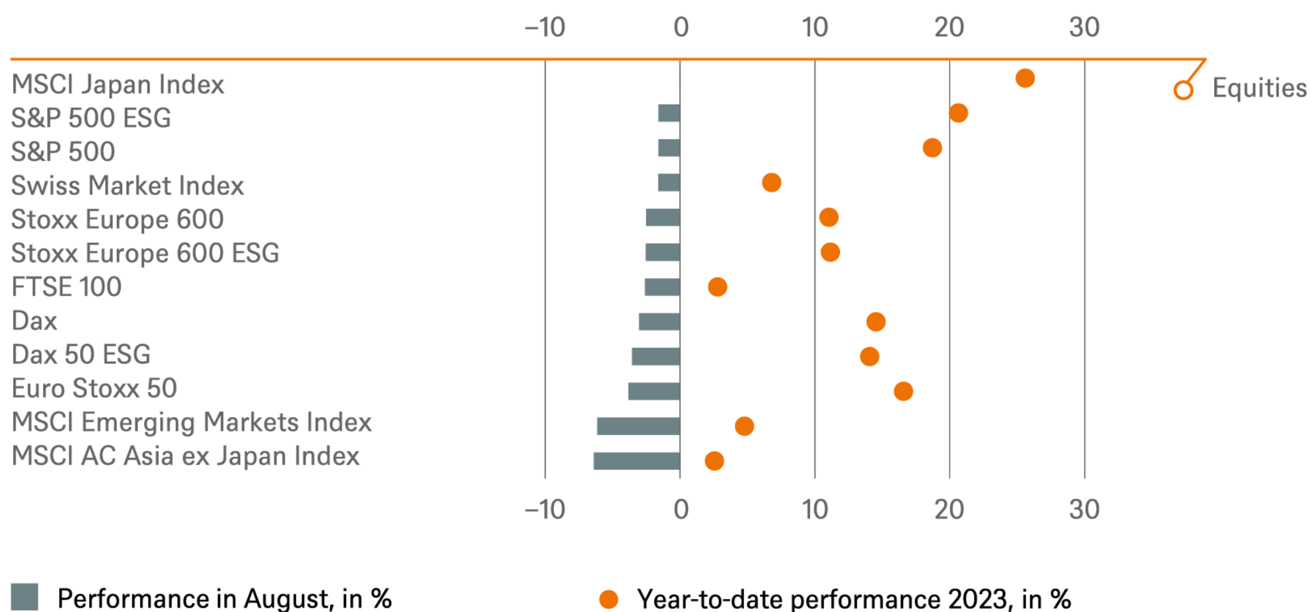
Total return of major financial assets year-to-date and past month

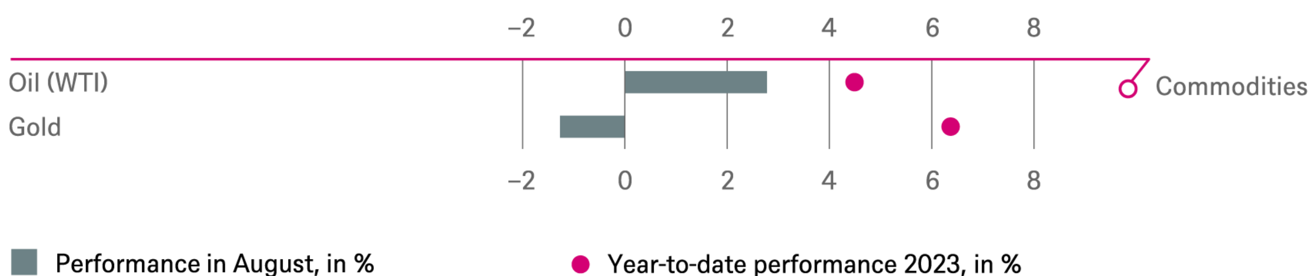






This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Alternative investments may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Alternatives are not suitable for all clients.
Source: DWS Investment GmbH.





Past performance is not indicative of future returns.
Sources: Bloomberg Finance L.P., DWS Investment GmbH as of 8/31/23

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Alternative investments may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Alternatives are not suitable for all clients. Source: DWS Investment GmbH.

4 / Tactical and strategic signals

The following exhibit depicts our short-term and long-term positioning.

4.1 Fixed income

Rates	1 to 3 months	until June 2024
U.S. Treasuries (2-year)	🟢	🟢
U.S. Treasuries (10-year)	🟡	🟢
U.S. Treasuries (30-year)	🟡	🟡
German Bunds (2-year)	🟡	🟡
German Bunds (10-year)	🟡	🟡
German Bunds (30-year)	🟡	🔴
UK Gilts (10-year)	🟡	🟢
Japanese government bonds (2-year)	🟡	🔴
Japanese government bonds (10-year)	🟡	🟡

Spreads	1 to 3 months	until June 2024
Spain (10-year)[1]	🟢	🟡
Italy (10-year)[1]	🟢	🟡
U.S. investment grade	🟢	🟢
U.S. high yield	🟡	🟢
Euro investment grade[1]	🟢	🟢
Euro high yield[1]	🟡	🟢
Asia credit	🟢	🟢
Emerging-market credit	🟢	🟢
Emerging-market sovereigns	🟡	🟡

Secritized / specialities	1 to 3 months	until June 2024
Covered bonds[1]	🟢	🟢
U.S. municipal bonds	🟡	🟢
U.S. mortgage-backed securities	🟢	🟢

Currencies	1 to 3 months	until June 2024
EUR vs. USD	🟡	🟡
USD vs. JPY	🟡	🔴
EUR vs. JPY	🟡	🔴
EUR vs. GBP	🟡	🔴
GBP vs. USD	🟡	🟡
USD vs. CNY	🟡	🔴

4.2 Equities

Regions	1 to 3 months[2]	until June 2024
United States[3]	🔴	🔴
Europe[4]	🟢	🟢
Eurozone[5]	🟡	🟢
Germany[6]	🟡	🟢
Switzerland[7]	🟡	🟢
United Kingdom (UK)[8]	🟡	🟢
Emerging markets[9]	🟡	🟢
Asia ex Japan[10]	🟡	🟢
Japan[11]	🟡	🟡

Sectors	1 to 3 months[2]
Consumer staples[12]	🟡
Healthcare[13]	🟡
Communication services[14]	🟢
Utilities[15]	🟡
Consumer discretionary[16]	🟢
Energy[17]	🟡
Financials[18]	🟡
Industrials[19]	🟡
Information technology[20]	🟡
Materials[21]	🟡

Style	1 to 3 months
U.S. small caps[22]	🟡
European small caps[23]	🟢

4.3 Alternatives

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Alternative investments may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Alternatives are not suitable for all clients.
Source: DWS Investment GmbH.

Alternatives	1 to 3 months[2]	until June 2024
Commodities[24]	🟡	🟢
Oil (WTI)	🟢	🟡
Gold	🟢	🟢
Infrastructure (listed)	🟡	🟢
Infrastructure (non-listed)		🟢
Real estate (listed)	🟢	🟢
Real estate (non-listed) APAC[25]		🟡
Real estate (non-listed) Europe[25]		🟢
Real estate (non-listed) United States[25]		🟢

[1] Spread over German Bunds. [2] Relative to the MSCI AC World Index (only for the tactical signals),[3] S&P 500, [4] Stoxx Europe 600, [5] Euro Stoxx 50, [6] Dax, [7] Swiss Market Index, [8] FTSE 100, [9] MSCI Emerging Markets Index, [10] MSCI AC Asia ex Japan Index, [11] MSCI Japan Index, [12] MSCI AC World Consumer Staples Index, [13] MSCI AC World Health Care Index, [14] MSCI AC World Communication Services Index, [15] MSCI AC World Utilities Index, [16] MSCI AC World Consumer Discretionary Index, [17] MSCI AC World Energy Index, [18] MSCI AC World Financials Index, [19] MSCI AC World Industrials Index, [20] MSCI AC World Information Technology Index, [21] MSCI AC World Materials Index, [22] Russell 2000 Index relative to the S&P 500, [23] Stoxx Europe Small 200 relative to the Stoxx Europe 600, [24] Relative to the Bloomberg Commodity Index, [25] Long-term investments.

Tactical view (1 to 3 months)

The focus of our tactical view for fixed income is on trends in bond prices.

- 🟢 Positive view
- 🟡 Neutral view
- 🔴 Negative view

Strategic view until June 2024

— The focus of our strategic view for sovereign bonds is on bond prices.

— For corporates, securitized/specialties and emerging-market bonds in U.S. dollars, the signals depict the option-adjusted spread over U.S. Treasuries. For bonds denominated in euros, the illustration depicts the spread in comparison with German Bunds. Both spread and sovereign-bond-yield trends influence the bond value. For investors seeking to profit only from spread trends, a hedge against changing interest rates may be a consideration.

— The colors illustrate the return opportunities for long-only investors.

— 🟢 Positive return potential for long-only investors

— 🟡 Limited return opportunity as well as downside risk

— 🔴 Negative return potential for long-only investors

This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Alternative investments may be speculative and involve significant risks including illiquidity, heightened potential for loss and lack of transparency. Alternatives are not suitable for all clients. Source: DWS Investment GmbH.

Glossary

The Bank of Japan (BoJ) is the central bank of Japan.

One basis point equals 1/100 of a percentage point.

The Bloomberg Commodity Index (BCOM) traces 23 commodities and reflects commodity futures price movements.

BRIC is the abbreviation for the four large emerging economies Brazil, Russia, India and China.

The gross domestic product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

A budget deficit is created whenever the spending in a public budget exceeds the income within a given time period

Capital expenditure (Capex) are funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment.

Core inflation excludes items which can be susceptible to volatile price movements, e.g. food and energy.

The Dax is a blue-chip stock-market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Earnings per share (EPS) is calculated as a company's net income minus dividends of preferred stock, all divided by the total number of shares outstanding.

Emerging markets (EM) are economies not yet fully developed in terms of, amongst others, market efficiency and liquidity.

The Euro Stoxx 50 is an index that tracks the performance of blue-chip stocks in the Eurozone.

The FTSE 100 is an index that tracks the performance of the 100 major companies trading on the London Stock Exchange.

The term Goldilocks economy refers to a state of the economy, where there is neither a threat of inflation due to an overheating economy, nor a threat of a recession.

The Group of 20 are the largest industrialized and emerging economies in the world.

Growth stocks are stocks from companies that are expected to grow significantly above market average for a certain period of time.

The Hang Seng Index (HSI) is a freefloat-adjusted market-capitalization-weighted stock-market index in Hong Kong. It tracks the 50 biggest and most traded companies on the Hong Kong stick exchange.

High-yield bonds are issued by below-investment-grade-rated issuers and usually offer a relatively high yield.

Inflation is the rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.

Investment grade (IG) refers to a credit rating from a rating agency that indicates that a bond has a relatively low risk of default.

Key interest rates stated by central banks to determine the most important rates of borrowing.

The MSCI AC Asia ex Japan Index captures large- and mid-cap representation across 2 of 3 developed-market countries (excluding Japan) and 8 emerging-market countries in Asia.

The MSCI AC World Communication Services Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Communications Sercives sector.

The MSCI AC World Consumer Discretionary Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Consumer Discretionary sector.

The MSCI AC World Consumer Staples Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Consumer Staples sector.

The MSCI AC World Energy Index captures large- and mid-cap securities across 23 developed-markets classified in the Energy sector.

The MSCI AC World Financials Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Financials sector.

The MSCI AC World Health Care Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Health Care sector.

The MSCI AC World Index captures large- and mid-cap companies across 23 developed- and 24 emerging-market countries.

The MSCI AC World Industrials Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Industrials sector.

The MSCI AC World Information Technology Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Information Technology sector.

The MSCI AC World Materials Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Materials sector.

The MSCI AC World Utilities Index captures large- and mid-cap securities across 23 developed- and 26 emerging-markets classified in the Utilities sector.

The MSCI Emerging Markets Index captures large- and mid-cap representation across 23 emerging-market countries.

The MSCI Japan Index is designed to measure the performance of the large- and mid-cap segments of the Japanese market.

The Nasdaq-100 is an equity index which contains the 100 biggest common stocks listed on the Nasdaq Stock Market.

In economics, a nominal value is not adjusted for inflation; a real value is.

OPEC+ is an informal alliance of OPEC members and other oil-producing countries, led by Russia, aiming to coordinate their production strategies.

The price-to-earnings (P/E) ratio compares a company's current share price to its earnings per share.

Primary issuance is the sale of newly issued debt securities by borrowers to lenders.

The Russell 2000 Index is an index that captures the 2,000 smallest stocks of the Russell-3000 index, which again comprises 3,000 small- and mid-cap U.S. listed stocks.

The S&P 500 is an index that includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

The spread is the difference between the quoted rates of return on two different investments, usually of different credit quality.

A soft landing is when an economy's rate of growth slows in a controlled fashion without major disruptive effects on employment, external balances etc.

Sovereign bonds are bonds issued by governments.

The Stoxx Europe 600 is an index representing the performance of 600 listed companies across 18 European countries.

The Stoxx Europe Small 200 is an index representing the performance of 200 small capitalization companies across 17 European countries.

The Swiss Market Index (SMI) is Switzerland's most important equity index, consisting of the 20 largest and most liquid large- and mid-cap stocks.

The spread is the difference between the quoted rates of return on two different investments, usually of different credit quality.

The U.S. dollar (USD) is the official currency of the United States and its overseas territories.

The U.S. Federal Reserve, often referred to as "the Fed," is the central bank of the United States.

Value stocks are stocks from companies that are trading at prices close to their book value and that are therefore cheaper than the market average on that metric.

Volatility is the degree of variation of a trading-price series over time. It can be used as a measure of an asset's risk.

Yield is the income return on an investment referring to the interest or dividends received from a security and is usually expressed annually as a percentage based on the investment's cost, its current market value or its face value.

A yield curve shows the annualized yields of fixed-income securities across different contract periods as a curve. When it is inverted, bonds with longer maturities have lower yields than those with shorter maturities.

Important information – EMEA, APAC & LATAM

DWS is the brand name of DWS Group GmbH & Co. KGaA and its subsidiaries under which they do business. The DWS legal entities offering products or services are specified in the relevant documentation. DWS, through DWS Group GmbH & Co. KGaA, its affiliated companies and its officers and employees (collectively "DWS") are communicating this document in good faith and on the following basis.

This document is for information/discussion purposes only and does not constitute an offer, recommendation or solicitation to conclude a transaction and should not be treated as investment advice.

This document is intended to be a marketing communication, not a financial analysis. Accordingly, it may not comply with legal obligations requiring the impartiality of financial analysis or prohibiting trading prior to the publication of a financial analysis.

This document contains forward looking statements. Forward looking statements include, but are not limited to assumptions, estimates, projections, opinions, models and hypothetical performance analysis. No representation or warranty is made by DWS as to the reasonableness or completeness of such forward looking statements. Past performance is no guarantee of future results.

The information contained in this document is obtained from sources believed to be reliable. DWS does not guarantee the accuracy, completeness or fairness of such information. All third party data is copyrighted by and proprietary to the provider. DWS has no obligation to update, modify or amend this document or to otherwise notify the recipient in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

Investments are subject to various risks. Detailed information on risks is contained in the relevant offering documents.

No liability for any error or omission is accepted by DWS. Opinions and estimates may be changed without notice and involve a number of assumptions which may not prove valid.
DWS does not give taxation or legal advice.

This document may not be reproduced or circulated without DWS's written authority.

This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, including the United States, where such distribution, publication, availability or use would be contrary to law or regulation or which would subject DWS to any registration or licensing requirement within such jurisdiction not currently met within such jurisdiction. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions.

For institutional / professional investors in Taiwan:
This document is distributed to professional investors only and not others. Investing involves risk. The value of an investment and the income from it will fluctuate and investors may not get back the principal invested. Past performance is not indicative of future performance. This is a marketing communication. It is for informational purposes only. This document does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. Certain data used are derived from various sources believed to be reliable, but the accuracy or completeness of the data is not guaranteed and no liability is assumed for any direct or consequential losses arising from their use. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted.

© 2023 DWS Investment GmbH

Issued in the UK by DWS Investments UK Limited which is authorised and regulated in the UK by the Financial Conduct Authority.
© 2023 DWS Investments UK Limited

In Hong Kong, this document is issued by DWS Investments Hong Kong Limited. The content of this document has not been reviewed by the Securities and Futures Commission.
© 2023 DWS Investments Hong Kong Limited

In Singapore, this document is issued by DWS Investments Singapore Limited. The content of this document has not been reviewed by the Monetary Authority of Singapore.
© 2023 DWS Investments Singapore Limited

In Australia, this document is issued by DWS Investments Australia Limited (ABN: 52 074 599 401) (AFSL 499640). The content of this document has not been reviewed by the Australian Securities and Investments Commission.
© 2023 DWS Investments Australia Limited

as of 8/31/23; 082325_30 (09/2023)

Important information – North America

The brand DWS represents DWS Group GmbH & Co. KGaA and any of its subsidiaries, such as DWS Distributors, Inc., which offers investment products, or DWS Investment Management Americas Inc. and RREEF America L.L.C., which offer advisory services.

This document has been prepared without consideration of the investment needs, objectives or financial circumstances of any investor. Before making an investment decision, investors need to consider, with or without the assistance of an investment adviser, whether the investments and strategies described or provided by DWS, are appropriate, in light of their particular investment needs, objectives and financial circumstances. Furthermore, this document is for information/discussion purposes only and does not and is not intended to constitute an offer, recommendation or solicitation to conclude a transaction or the basis for any contract to purchase or sell any security, or other instrument, or for DWS to enter into or arrange any type of transaction as a consequence of any information contained herein and should not be treated as giving investment advice. DWS, including its subsidiaries and affiliates, does not provide legal, tax or accounting advice. This communication was prepared solely in connection with the promotion or marketing, to the extent permitted by applicable law, of the transaction or matter addressed herein, and was not intended or written to be used, and cannot be relied upon, by any taxpayer for the purposes of avoiding any U.S. federal tax penalties. The recipient of this communication should seek advice from an independent tax advisor regarding any tax matters addressed herein based on its particular circumstances. Investments with DWS are not guaranteed, unless specified. Although information in this document has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness, and it should not be relied upon as such. All opinions and estimates herein, including forecast returns, reflect our judgment on the date of this report, are subject to change without notice and involve a number of assumptions which may not prove valid.

Investments are subject to various risks, including market fluctuations, regulatory change, counterparty risk, possible delays in repayment and loss of income and principal invested. The value of investments can fall as well as rise and you may not recover the amount originally invested at any point in time. Further-more, substantial fluctuations of the value of the investment are possible even over short periods of time. Further, investment in international markets can be affected by a host of factors, including political or social conditions, diplomatic relations, limitations or removal of funds or assets or imposition of (or change in) exchange control or tax regulations in such markets. Additionally, investments denominated in an alternative currency will be subject to currency risk, changes in exchange rates which may have an adverse effect on the value, price or income of the investment. This document does not identify all the risks (direct and indirect) or other considerations which might be material to you when entering into a transaction. The terms of an investment may be exclusively subject to the detailed provisions, including risk considerations, contained in the Offering Documents. When making an investment decision, you should rely on the final documentation relating to the investment and not the summary contained in this document.

This publication contains forward looking statements. Forward looking statements include, but are not limited to assumptions, estimates, projections, opinions, models and hypothetical performance analysis. The forward looking statements expressed constitute the author's judgment as of the date of this material. Forward looking statements involve significant elements of subjective judgments and analyses and changes thereto and/or consideration of different or additional factors could have a material impact on the results indicated. Therefore, actual results may vary, perhaps materially, from the results contained herein. No representation or warranty is made by DWS as to the reasonableness or completeness of such forward looking statements or to any other financial information contained herein. We assume no responsibility to advise the recipients of this document with regard to changes in our views.

No assurance can be given that any investment described herein would yield favorable investment results or that the investment objectives will be achieved. Any securities or financial instruments presented herein are not insured by the Federal Deposit Insurance Corporation ("FDIC") unless specifically noted, and are not guaranteed by or obligations of DWS or its affiliates. We or our affiliates or persons associated with us may act upon or use material in this report prior to publication. DB may engage in transactions in a manner inconsistent with the views discussed herein. Opinions expressed herein may differ from the opinions expressed by departments or other divisions or affiliates of DWS. This document may not be reproduced or circulated without our written authority. The manner of circulation and distribution of this document may be restricted by law or regulation in certain countries. This document is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, including the United States, where such distribution, publication, availability or use would be contrary to law or regulation or which would subject DWS to any registration or licensing requirement within such jurisdiction not currently met within such jurisdiction. Persons into whose possession this document may come are required to inform themselves of, and to observe, such restrictions.

Past performance is no guarantee of future results; nothing contained herein shall constitute any representation or warranty as to future performance. Further information is available upon investor's request. All third party data (such as MSCI, S&P & Bloomberg) are copyrighted by and proprietary to the provider.

For Investors in Canada: No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein and any representation to the contrary is an offence. This document is intended for discussion purposes only and does not create any legally binding obligations on the part of DWS Group. Without limitation, this document does not constitute an offer, an invitation to offer or a recommendation to enter into any transaction. When making an investment decision, you should rely solely on the final documentation relating to the transaction you are considering, and not the [document – may need to identify] contained herein. DWS Group is not acting as your financial adviser or in any other fiduciary capacity with respect to any transaction presented to you. Any transaction(s) or products(s) mentioned herein may not be appropriate for all investors and before entering into any transaction you should take steps to ensure that you fully understand such transaction(s) and have made an independent assessment of the appropriateness of the transaction(s) in the light of your own objectives and circumstances, including the possible risks and benefits of entering into such transaction. You should also consider seeking advice from your own advisers in making this assessment. If you decide to enter into a transaction with DWS Group you do so in reliance on your own judgment. The information contained in this document is based on material we believe to be reliable; however, we do not represent that it is accurate, current, complete, or error free. Assumptions, estimates and opinions contained in this document constitute our judgment as of the date of the document and are subject to change without notice. Any projections are based on a number of assumptions as to market conditions and there can be no guarantee that any projected results will be achieved. Past performance is not a guarantee of future results. The distribution of this document and availability of these products and services in certain jurisdictions may be restricted by law. You may not distribute this document, in whole or in part, without our express written permission.

For investors in Bermuda: This is not an offering of securities or interests in any product. Such securities may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 of Bermuda which regulates the sale of securities in Bermuda. Additionally, non-Bermudian persons (including companies) may not carry on or engage in any trade or business in Bermuda unless such persons are permitted to do so under applicable Bermuda legislation.

© 2023 DWS Investment GmbH, Mainzer Landstraße 11-17, 60329 Frankfurt am Main, Germany.
All rights reserved.

as of 8/31/23; 082326_30 (09/2023)