Conclusion

Lower oil prices would normally be expected to benefit the global economy through aiding both consumers and corporates in oil-importing economies. We remain constructive on global growth, but there is still some risk of the benefits of lower oil prices being overshadowed by continuing financial-market turbulence. Perhaps most importantly, lower oil prices have reopened the Pandora's box of concerns about the longer-term negative side effects of looser monetary policy. In the ancient Greek fable, of course, Hope lies at the bottom of the box – but many more problems fly out first.

If there is one message to take from this report, it is that the changing structure of the oil market and uncertainty about what this means will continue to have market implications. Oil can no longer be seen as a "known problem" that can be assessed in terms of known fundamentals. We have therefore reduced our forecasts for major equity indices and increased our end-2016 spread forecasts for U.S. high yield. Although we have slightly adjusted the euro high-yield spread forecast as well, we see much lower risks of defaults in this segment.

We caution that it is still too early to invest in oil-related equities. But this, in a sense, is the easy part. What is more difficult is to assess the timing to re-enter or to build up positions. For U.S. high yield, for example, implied default rates look excessive, in our view. But the tag-war between markets and fundamentals might well continue, in high yield as in other areas, and impair fundamentals in the process.

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

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