Deutsche Bank
Markets Research
North America
United States
Periodical
US Equity Insights
Window for 2015 liftoff slams shut:
Cut S&P 2015 end target to 2050
Any single jobs report is doubtful, but we heed this one and cut our S&P target
A pivotal September jobs report. We expected a further decline in mfg jobs, but we were surprised by the sizable downshift in private jobs growth. We're skeptical of this report, but investors and especially the Fed will heed this data
point. Eyes will turn to the non-mfg ISM on Monday for confirmation, but we now think the Fed is unlikely to hike in 2015. This reduces upside for stocks. It
means rates, currency, commodity and PE uncertainty continues. It also means spartan interest rate conditions for Banks in 2016. The report's other concerning details included even lower workforce participation. Rates will be low in 2016, but where overnight rates will be in 2017 is now more uncertain.
Will 2015 be an up year? That's now a coin toss, but still 5%+ upside from here
We hate to do this as we know it seems equivocal, but we cut our 2015 S&P target despite our fundamental longer-term S&P EPS and 10yr real interest rate
views (cost of equity base) still being intact. But we acknowledge that our timing on Fed hikes has been wrong and this and other uncertainties will linger
longer. We stick with our 2016 end target of 2300, which assumes $125+ of S&P EPS in 2016. We make no changes to our sector strategy. But if any new strategy tweaks it would be to Borrow & Buy more Utility & Telecom stocks.
3Q S&P EPS will be weak, weakest sales/EPS growth yet of the profit recession
The DB Profit Indicator is a diffusion style index based on six macro indicators.
It dropped to 49.2 in July and then 46.7 in August dragged down by Mfg. ISM, Exports and Oil prices. At ~47 it suggests flat to slightly down y/y 3Q EPS. Btm-up 3Q EPS is now $29.04, or -4.4% y/y on -3.4% y/y sales. EPS growth likely slows at Financials to flat ex litigation given soft capital markets conditions. Health Care EPS should be up high single-digit. Btm-up Tech EPS growth is now merely 2.8% y/y, on FX headwinds and still very sluggish corp IT spending. But final Tech EPS growth should be mid single digit on good growth at consumer exposed Tech. Btm-up 3Q EPS will fall a bit more before turning up on typical "fishhook" beats. We think 3Q EPS will finalize around $29.75, down 2% y/y, with sales down ~4%, and margins up slightly. Margin improvement is on a non-GAAP basis, GAAP margins and EPS are poor.
We prefer a LIFO strategy for playing a market rebound
3Q results will once again highlight a divergence between a sharp profit recession at Energy, Industrials, Materials, but decent EPS growth elsewhere. 3Q won't be great for Banks ex. litigation. But Health Care, most of Consumer Discretionary and consumer exposed Tech will be good. Because of this

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ongoing divergence in EPS growth and also shareholder distribution coverage, we advocate a LIFO strategy, meaning that stocks last into the correction will
likely be first out, as opposed to a FIFO or YTD momentum reversal strategy.
Buybacks plateau, small contraction possible in 2016, but dividends will rise
See our buyback funding coverage analysis inside. More reasons to stick with Healthcare, select Tech & Consumer and Banks. Industrial buybacks will fall.
The future is all about firsts: Forget past cycles and precedents. This is all new
We see a better chance of landing men on Mars before a full normalization of nominal and real interest rates, especially 10yr yields, to historical norms. Growth will be slow, but we do expect S&P EPS growth next year and likely through 2018. We doubt 10yr Tsy yields exceed 3% for the rest of this cycle. This supports an 18 or higher trailing S&P PE provided up EPS in year ahead.

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be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should
consider this report as only a single factor in making their investment decision. DISCLOSURES AND ANALYST
CERTIFICATIONS ARE LOCATED IN APPENDIX 1. MCI (P) 124/04/2015.

Date
2 October 2015

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Strategist
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Strategist
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S&P 500 Key Forecasts
Price
Next 5%+ move

Ju Wang
[redacted]

Up
2014
Year-end Target 2058.90
EPS
Target P/E
Current P/E
DPS
17.4x
16.5x

$38.75
Related recent research
Debt ceiling showdowns: A new twist to the election cycle?
Fed delays: Less S&P upside for 2015
Stocks will leave hike decision to Fed but dollar likely climbs either way
First back to school assignment: Stress test 2016 S&P EPS estimates
US Equity Strategy Baskets
High Foreign Cash (Repatriation Beneficiaries)
Big-Cap Reasonable PE Tech
Challenged Industrial Capital Goods
US Domestic Strength
2015E
2050
$118 $119.50
17.2x
16.3x
$42
2016E
2300
$128
18.0x
15.2x
$45
Date
28 Sep 2015
18 Sep 2015
11 Sep 2015
4 Sep 2015
Bloomberg
Ticker
DBUSHIFC
DBUSBRTE
DBUSCICG
DBUSDMST

2 October 2015
US Equity Insights
3Q S&P EPS will be weak, weakest sales/EPS growth yet of the profit recession
The DB Profit Indicator is a diffusion style index based on six macro indicators.
It dropped to 49.2 in July and then 46.7 in August dragged down by Mfg. ISM, Exports and Oil prices. At ~47 it suggests flat to slightly down y/y 3Q EPS. Btm-up 3Q EPS is now $29.04, or -4.4% y/y on -3.4% y/y sales. EPS growth likely slows at Financials to flat ex litigation given soft capital markets conditions. Health Care EPS should be up high single-digit. Btm-up Tech EPS growth is now merely 2.8% y/y, on FX headwinds and still very sluggish corp IT spending. But final Tech EPS growth should be mid single digit on good growth at consumer exposed Tech. Btm-up 3Q EPS will fall a bit more before turning up on typical “fishhook” beats. We think 3Q EPS will finalize around $29.75, down 2% y/y, with sales down ~4%, and margins up slightly. Margin improvement is on a non-GAAP basis, GAAP margins and EPS are poor.
Figure 1: Fishhooks: S&P 500 quarterly btm-up EPS revisions
22
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24
25
26
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28
29
30
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32
33
4Q14
S&P 500 quarterly btm-up EPS revisions
3Q14
4Q13
3Q13
4Q12
4Q11
3Q11
2Q11
2Q12
3Q12
1Q12
1Q13
2Q13
1Q14
2Q14
2Q15
3Q15
4Q15
1Q15

22
23
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31
32
33
Figure 2: Change in quarterly EPS before and during reporting (1Q11 – now)
-10%
-8%
-6%
-4%
-2%
0%
2%
4%
6%
8%
Avg (1Q11-1Q15): 3.3%
Avg: -3.9%
EPS beat during reporting
EPS cut prior to reporting
Source: IBES, Deutsche Bank
Source: IBES, Deutsche Bank
Figure 3: Change in btm-up 3Q15 EPS since 6/30/2015 (current 3Q EPS is blended: actual for reported and consensus for the rest)
-16%
-11%
-6%
-1%
4%
3.5%
Figure 4: Change in btm-up 2015 EPS since 6/30/2015
-3.6%
-3.2%
-3.7%
-3.0%
-3.9%
-6.0%
-1.9% -1.9%
-4.2%
-1.1%
-6.0%
-3.2%

-2.6%
-14.2%
-13.0%
-10%
-8%
-6%
-4%
-2%
0%
2%
4%
Change in btm-up 2015 EPS since 6/30/2015
0.2%
-1.0%-1.1%
-0.6%-0.9%
-2.1%
-0.6%
-1.1%
-0.7%
2.5%
0.8%
-1.6%
-1.2%
-3.9%
-0.8%
-8.2%
Source: IBES, Deutsche Bank
Source: IBES, Deutsche Bank

S&P
ex. Fin
ex. En
ex. Tech
En, Fin.
Ex. En, Fin
Ex. En, Fin, HC
Disc.
Staples
Energy
Financials
Health Care
Industrials
Tech
Materials
Telecom
Utilities
Jan-11
Apr-11
Jul-11
Oct-11

Jan-12
Apr-12
Jul-12
Oct-12
Jan-13
Apr-13
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Jul-14
Oct-14
Jan-15
Apr-15
Jul-15
Oct-15
S&P
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ex. En
ex. Tech
En, Fin.
Ex. En, Fin
Ex. En, Fin, HC
Disc.
Staples
Energy
Financials
Health Care
Industrials
Tech
Materials
Telecom
Utilities
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3Q11
4Q11
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3Q12
4Q12
1Q13
2Q13
3Q13
4Q13
1Q14
2Q14
3Q14
4Q14
1Q15
2Q15

3Q15

3Q results will once again highlight a divergence between a sharp profit recession at Energy, Industrials, Materials, but decent EPS growth elsewhere. 3Q won't be great for Banks ex. litigation. But Health Care, most of Consumer Discretionary and consumer exposed Tech will be good. Because of this ongoing divergence in EPS growth and also shareholder distribution coverage, we advocate a LIFO strategy, meaning that stocks last into the correction will
likely be first out, as opposed to a FIFO or YTD momentum reversal strategy.
Figure 5: S&P 500 quarterly EPS & Sales growth and Net Margins by sector (3Q15 is blended with actual for reported
and consensus for the rest)
2011
EPS growth (y/y)
S&P 500
S&P 500 ex. Financials
S&P 500 ex. Energy
S&P 500 ex. Tech
S&P ex. Energy & Financials
S&P ex. Energy, Financials, Healthcare
Consumer Discretionary
Multiline & Specialty Retail
Cons. Disc. ex. Auto & Home Builders
Consumer Staples
Energy
Energy Equipment & Services
Oil, Gas & Consumable Fuels
Financials
Financials ex. BAC, C & JPM
Health Care
Industrials
Industrials ex. Defense
Information Technology
Tech ex. AAPL & GOOG
Materials
Telecommunication Services
Utilities
1Q11
2Q11
19.2%
8.0%
9.9%
15.2%
16.7%
7.6%
36.6%
-3.6%
42.6%
6.3%
10.8%

10.6%
38.7%
45.3%
23.9%
17.1%
56.5%
-6.0%
-5.5%
19.4%
21.9%
11.3%
41.6%
19.0%
44.5%
-23.9%
3.5%
8.6%
16.2%
17.1%
23.3%
11.8%
60.3%
-3.8%
8.5%
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18.4% 12.3% 17.5%
21.1%
15.9%
17.1%
18.4%
20.4%
19.8%
11.9%
19.0%
13.1%
13.2%
18.1%
15.7%
13.1%
8.5%
20.7%
18.6%
19.9%
10.3%
62.7%
26.8%
68.3%
6.6%
0.9%
12.5%
17.5%

19.0%
11.5%
5.2%
23.6%
3.7%
1.4%
2011
Sales growth (y/y)
S&P 500
S&P 500 ex. Financials
S&P 500 ex. Energy
S&P 500 ex. Tech
S&P ex. Energy & Financials
S&P ex. Energy, Financials, Healthcare
Consumer Discretionary
Multiline & Specialty Retail
Cons. Disc. ex. Auto & Home Builders
Consumer Staples
Energy
Energy Equipment & Services
Oil, Gas & Consumable Fuels
Financials
Financials ex. BAC, C & JPM
Health Care
Industrials
Industrials ex. Defense
Information Technology
Tech ex. AAPL & GOOG
Materials
Telecommunication Services
Utilities
1Q11
2Q11
15.1%
9.2%
10.8%
10.2%
3.8%
11.0%
8.1%
24.7%
30.8%
24.2%
-1.4%
3.9%
5.3%
12.6%
15.5%
14.7%
8.9%
29.1%

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-2.7%
12.7%
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12.0%
9.7%
5.1%
10.4%
10.2%
34.8%
34.4%
34.8%
0.0%
6.6%
6.9%
10.2%
12.8%
14.9%
8.3%
33.6%
7.8%
8.3%
2011
Net margins
S&P 500
S&P 500 ex. Financials
S&P 500 ex. Energy
S&P 500 ex. Tech
S&P ex. Energy & Financials
S&P ex. Energy, Financials, Healthcare
Consumer Discretionary
Multiline & Specialty Retail
Cons. Disc. ex. Auto & Home Builders
Consumer Staples
Energy
Energy Equipment & Services
Oil, Gas & Consumable Fuels
Financials
Financials ex. BAC, C & JPM
Health Care
Industrials
Industrials ex. Defense
Information Technology
Tech ex. AAPL & GOOG
Materials
Telecommunication Services
Utilities
Source: IBES, Deutsche Bank
1Q11
9.7%
9.3%

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2013
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3.2%
-6.0%
2.1%
1.2%
9.9%
12.0%
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18.6% 10.9% -24.3% -57.6% -56.1% -64.5%
10.7% 16.5% 15.8% 20.9% 16.7% 22.2% -22.3% -44.9% -60.0%
18.2%
-6.5%
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-33.5% -63.7% -58.3% -65.5%
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14.6% 14.9% 14.0% 10.3%
15.6% 15.7% 12.7% 11.8%
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3Q15
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-10.3% -24.8% -32.8%

-4.7% -20.9% -37.8% -32.5% -37.4%
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2015
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17.7% 18.7% 20.2% 19.0% 18.5% 18.6% 21.2% 19.3% 18.9%
17.0% 18.1% 19.2% 17.7% 17.7% 17.8% 19.8% 17.6% 17.7%
8.5%
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11.0% 11.1%
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6.2%
7.9%
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-6.1%
1.4%
-3.9%
-8.9%
15.0%
3.1%
3Q15
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7.8%
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6.6%
4.5%
7.7%
4.1%
16.5%
15.7%
9.9%
10.1%

10.3%
18.9%
17.5%
7.6%
10.0%
11.3%
Deutsche Bank Securities Inc.

Figure 6: % of S&P Reported by Week
0%
5%
10%
15%
20%
25%
30%
35%
S&P 500 EPS (earnings weight) to be reported each week
31.8%
25.3%
18.6%
12.9%
3.3%
1.1%
2.1% 3.3%
1.6%
Source: IBES, Deutsche Bank
Figure 7: Summary stats for firms with August-quarter end that have reported results (AA has September-quarter end)
3Q15 EPS
Ticker
Company Name
FDX-US FedEx Corp
ORCL-US Oracle Corp
LEN-US Lennar Corp
AZO-US Autozone Inc
KMX-US Carmax Inc
CCL-US Carnival Corp
GIS-US General Mills Inc
ACN-US Accenture PLC
CTAS-US Cintas Corp
Sector
Industrials
Information Technology
ADBE-US Adobe Systems Inc Information Technology
RHT-US Red Hat Inc
Information Technology
Industry
Air Freight & Logistics
Software
Software
Software
Consumer Discretionary Household Durables
Consumer Discretionary
Consumer Discretionary
Specialty Retail
Specialty Retail

Consumer Discretionary Hotels, Restaurants & Leisure
DRI-US Darden Restaurants IncConsumer Discretionary Hotels, Restaurants & Leisure
CAG-US ConAgra Foods Inc Consumer Staples
Consumer Staples
Food Products
Food Products
BBBY-US Bed Bath & Beyond IncConsumer Discretionary
NKE-US Nike Inc
Consumer Discretionary
Information Technology
Industrials
COST-US Costco Wholesale CorpConsumer Staples
PAYX-US Paychex Inc
Information Technology
MU-US Micron Technology IncInformation Technology
MKC-US McCormick & Company IncConsumer Staples
Weighted Average
Source: IBES, Deutsche Bank
MU and ORCL management guidance and color suggest that corporate IT spending remains very sluggish
Specialty Retail
Textiles, Apparel & Luxury Goods
IT Services
Commercial Services & Supplies
Food & Staples Retailing
IT Services
Reporting
Date
9/16/2015
9/16/2015
9/17/2015
9/21/2015
9/21/2015
9/22/2015
9/22/2015
9/22/2015
9/22/2015
9/22/2015
9/22/2015
9/24/2015
9/24/2015
9/24/2015
9/24/2015
9/29/2015
9/30/2015
Semiconductors & Semiconductor Equipment10/1/2015
Food Products
10/1/2015
Surprise
(%)

y/y
3Q15 Sales
Surprise
(%)
y/y
3Q15 Est. Change
(since 9/1/2015)
EPS
Sales
-1.3% 15.2% -0.5% 5.1% 0.2% -0.3%
1.7% -14.5% -1.0% -1.7% 0.3% -0.1%
8.4% 92.9% 0.2% 21.1% -0.2% -0.1%
6.6% 14.6% 1.9% 13.1% 0.2% 0.0%
20.4% 23.1% 2.9% 23.7% -0.4% -0.4%
0.4% 13.0% 1.0% 7.9% -0.1% -0.1%
7.0% 28.1% -2.6% 7.9% -0.7% -0.7%
7.5% 10.8% 1.4% -1.3% 0.0% 0.1%
20.1% 112.5% 0.8% 5.7% 1.6% 0.0%
13.5% 15.4% -24.1% -24.5% 0.2% -0.2%
14.5% 29.5% -1.0% -1.4% 0.1% 0.0%
0.0% 3.4% -1.1% 1.7% 0.0% 0.0%
13.0% 22.9% 2.4% 5.4% 0.4% 0.1%
2.9% 6.5% 2.9% 1.4% 0.1% 0.1%
2.9% 19.2% 2.4% 8.8% 0.1% 0.0%
4.2% 9.5% -2.0% 0.7% 0.0% -0.8%
2.0% 10.6% 0.8% 8.4% 0.0% 0.0%
2.7% -54.9% 0.1% -14.8% -9.4% -1.1%
-1.8% -10.5% 0.3% 1.6% 0.2% 0.0%
5.1% 1.3% -1.2% 1.0% -0.9% -0.1%

Pre-season
W1 (10/5-10/9)
19
#5
W2 (10/12-10/16) #37
W3 (10/19-10/23)
W4 (10/26-10/30)
W5 (11/2-11/6)
W6 (11/9-11/13)
W7(11/16-11/20)
After 11/23
#118
#174
#93
#15
#25
#14

Figure 8: Oil and USD since 2012
2012
avg.
WTI Oil ($/bbl)
Brent Oil
Natural Gas
Trade-weighted broad index (1/97 = 100)
Trade-weighted major currency (3/73=100)
EUR/USD
GBP/USD
USD/JPY
Trade-weighted OITP (1/97=100)
Source: EIA, WSJ, FRB, Deutsche Bank
94.3
111.8
2.74
73.50
1.29
1.58
79.79
2013
avg.
97.9
108.6
3.72
75.95
1.33
1.56
2014
avg.
93.70
99.62
4.30
78.34
1.33
1.65
1Q14
avg.
98.6
108.4
4.88
76.88
1.37
1.65
2Q14
avg.
103.1
109.4
4.58

76.38
1.37
1.68
3Q14
avg.
98.2
102.5
3.95
77.66
1.33
1.67
4Q14
avg.
74.88
78.24
3.79
82.44
1.25
1.59
1Q15
y/y
avg. % chg
2Q15
y/y
avg. % chg
3Q15
y/y
q/q
avg. % chg % chg
48.9 -50.4% 57.4 -44.4% 47.4 -51.8% -17.4%
53.7 -50.5% 61.2 -44.0% 50.6 -50.6% -17.3%
2.88 -40.9% 2.75 -40.1% 2.74 -30.6% -0.1%
99.85 101.02 104.07 102.88 102.40 103.12 107.87 114.20 11.0% 114.85 12.2%
118.74 15.2% 3.4%
89.12 15.9% 90.01 17.8% 91.67 18.0% 1.8%
1.13 -17.4% 1.11 -19.4% 1.11 -16.3% 0.6%
-8.3% 1.53
1.52
128.32 127.77 131.52 130.73 130.31 130.28 134.77 140.47
-9.1% 1.55
-7.2% 1.4%
97.50 105.71 102.87 102.13 103.77 114.09 119.18 15.9% 121.33 18.8% 122.27
17.8% 0.8%
7.5% 140.82
8.1% 147.25 13.0% 4.6%
Figure 9: DB Profit Indicator dropped sharply in 3Q to 46.7, back to Feb/-
March levels; it has exceeded 50 since Feb ‘14
2Q15
DB Profit Indicator (qtrly avg.)
DB Profit Indicator (monthly)
Mfg. ISM

ISM New Orders Index
ISM Production Index
Industrial Production (seq. 3mo % chg, a.r.)
Capacity Utilization (%)
Exports (seq. 3mo % chg, a.r.)
Capital Goods exports (seq. 3mo % chg, a.r.)
Mfg ISM Export Orders Index - 3mo avg.
Initial claims (month avg., 000's)
Unemployment Rate (%)
Change in non-farm payroll (000's)
Loan growth (seq. 3mo % chg, a.r.)**
C&I loan growth (seq. 3mo % chg, a.r.)
CRE loan growth (seq. 3mo % chg, a.r.)
52.5
Aug
46.7
Aug-15
Aug-15
Aug-15
Aug-15
Aug-15
Aug-15
Aug-15
Aug-15
Aug-15
Aug-15
Aug-15
Home Equity & Other Residential loan growth (seq. 3mo % chg, a.r.)
Consumer loan growth (seq. 3mo % chg, a.r.)
Other loan growth (seq. 3mo % chg, a.r.)
Aug-15
Aug-15
Aug-15
Aug-15
Aug-15
Aug-15
Oil price (% chg from prior quarter avg. price)
WTI spot month end, $/bbl
Brent spot month end, $/bbl
Source: Deutsche Bank, ISM, Federal Reserve, Census, DOL, BLS, EIA, WSJ, CME
Aug-15
Aug-15
Aug-15
1Q15
47.9
Jul
49.2
Current
Month
51.1
51.7

53.6
0.5%
77.6
-4.6%
-7.1%
48.0
274
5.1
173
6.6%
9.3%
8.8%
1.0%
5.5%
9.7%
4Q14
51.1
Jun
53.3
Prior
Month
52.7
56.5
56.0
-1.1%
78.0
Chg.
-1.6
-4.8
-2.4
1.6%
-0.4
1.1% -5.7%
-3.9% -3.1%
49.2
275
5.3
245
-1.2
-1
-0.2
-72
6.8% -0.1%
10.2% -0.9%
8.2%
1.2% -0.2%
5.1%
10.2% -0.5%
-22.6% -19.5%
45.29
41.86

47.11
-1.82
54.30 -12.44
0.6%
0.4%
Prior 3mo
avg.
53.0
56.1
54.8
-2.1%
77.6
-1.2%
0.2%
49.7
274
5.4
250
7.3%
10.9%
8.1%
1.5%
4.5%
12.7%
55.59
58.75
Prior 6mo
avg.
54.7
-1.1% Neutral
77.9
-11.2% Negative
-6.0%
49.5
283 Positive
5.4
220
7.7% Neutral
11.6%
7.9%
1.3%
3.7%
16.1%
Negative
53.57
58.82
Current
Signal
52.5 Negative
54.4
Tactical Signal

Negative
Figure 10: Federal Reserve Surveys still read negatively,
but capex outlook has somewhat improved
Federal Reserve Manufacturing Surveys
Prior
Current Outlook Index
Empire State Mfg Survey (NY)
Philly Fed Business Outlook Survey
Texas Mfg Outlook Survey (Dallas)
Richmond Mfg Survey
Kansas City Fed Mfg Survey
Future 6mo Capital Expenditures Index
Empire State Mfg Survey (NY)
Philly Fed Business Outlook Survey
Richmond Mfg Survey
Kansas City Fed Mfg Survey
Sep-15 3mo avg
-4.3
-14.7
-6.0
-9.5
-5.0
-8.0
11.3
27.2
33.0
-1.0
9.7
-9.1
6.7
-8.3
16.7
11.4
28.7
4.0
Level: % of firms reporting increase less % of firm reporting decrease
Source: Federal Reserve, Deutsche Bank
Global
Euro Area
Germany
France
Italy
Spain
UK
Australia
Canada
Japan
China
India
Brazil
Russia

US
ISM Chicago
ISM Milwaukee
Figure 11: Global Mfg PMI (Red = <50 and lower than last month and prior 3 months)
Global Manufacturing PMI
m/m
Sep-15
50.6
52.1
52.3
50.6
52.7
51.7
51.5
52.1
48.6
51.0
49.8
51.2
47.0
49.1
50.2
48.7
39.4
-0.3
-1.0
2.3
-1.1
-1.6
-0.1
0.4
-0.8
-0.7
0.1
-1.1
1.2
1.2
-0.9
-5.7
-8.2
Prior
chg. 3mo avg.
-0.1
50.9
52.4
52.3
49.5
54.4
53.8
51.7

48.7
50.5
51.0
50.0
52.1
46.5
48.3
52.4
50.1
47.1
Chg.
-0.3
-0.4
0.0
1.1
-1.7
-2.1
-0.2
3.4
-1.9
0.0
-0.2
-0.9
0.5
0.78
-2.2
-1.4
-7.7
Source: Markit, JP Morgan, Comp des Dirigeants et Acheteurs France, Associazione Ital Acquisti e
Supply Mgmt, CIPS, Australian Industry Group-PricewaterhouseCoopers, Royal Bank of Canada,
Nikkei, China Federation of Logistics & Purchasing, HSBC, ISM, Deutsche Borse, Marquette Univ.
Center for Supply Chain Mgmt, Creighton University College of Business, Deutsche Bank

Any single jobs report is doubtful, but we heed this one
and cut our S&P target
A pivotal September jobs report. We expected a further decline in mfg jobs,
but we're very surprised by the sizable downshift in private jobs growth.
We're
skeptical of this report, but investors and especially the Fed will heed
this data
point. Eyes will turn to the non-mfg ISM on Monday for confirmation, but we
now think the Fed is unlikely to hike in 2015. This reduces upside for stocks
(although it may also reduce downside). It means rates, currency, commodity
and PE uncertainty continues. And if the Fed does hike in 2015 the typical
initial adverse market reaction could be worse than usual. It also means
Spartan interest rate conditions for Banks in 2016. The report's only other
new
data to ring true to us was lower workforce participation. Rates will be low
in
2016, but where rates will be in 2017 is now more uncertain.
We see a better chance of landing men on Mars before a full normalization of
nominal and real interest rates, especially 10yr yields, to historical norms.
Growth will be slow, but we do expect S&P EPS growth next year and likely
through 2018. We doubt 10yr Tsy yields exceed 3% for the rest of this cycle.
This supports an 18 or higher trailing S&P PE provided up EPS in year ahead.
(On a related note, please see DB research note on Sept 30 2015 “US
Aerospace/Defense - How Space Got to be Cool Again”)
Figure 12: Labor participation
58%
60%
62%
64%
66%
68%
Recession
Full-time employed (% of employed, rhs)
Source: BLS, Deutsche Bank
78%
80%
82%
84%
86%
88%
Participation rate (% of 16 yrs+ pop, lhs)
Figure 13: Wage growth
0%
2%
4%
6%
8%
10%
0%

1%
2%
3%
4%
5%
Recession
Fed Funds Target (lhs)
Avg. hourly earnings (Production and non-supervisory, y/y, rhs)
Source: BLS, Deutsche Bank
Figure 14: Productivity vs Unit Labor Cost
Rolling 2 yr average, y/y
-2%
0%
2%
4%
6%
8%
10%
12%
Recession
Source: BLS, Deutsche Bank
Unit labor costs (lhs)
ULC y/y was
1.7% in 2Q 2015
-2%
0%
2%
4%
6%
8%
10%
12%
Productivity (Output/hour, rhs)
Figure 15: Fed still hasn't started hiking
Rolling 2 yr average , y/y
-2%
0%
2%
4%
6%
8%
10%
Recession
Avg. Hourly Earnings (lhs)
Source: BLS, FRB, Deutsche Bank
Unit labor costs (lhs)
Fed Funds Rate (rhs)
0%
2%
4%
6%

8%
10%
12%

1960
1963
1966
1969
1972
1975
1978
1981
1984
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Buybacks plateau, small contraction possible in 2016, but
dividends will rise
3Q buybacks announcements are significantly lower than the strong announcements in the first half of this year, but total buyback announcements are still strong at $600bn on a trailing 4-qtr basis. S&P is using up its domestic
FCF for payouts and part of buybacks are funded by domestic debt issuance. For 2016, we assume 62% of profits are domestically generated with US dollar strengthening more. We also assume that capex is equal or below D&A for the US portion (as a lot of capex is Energy or foreign). $125-$128 of 2016E EPS should be ~$1100bn net income. Domestic profits are 62% of that or $680bn, and domestic FCF (FCF = pro-forma earnings – capex + D&A) is around the same amount. So domestic profits or rough domestic FCF of $680bn less dividends of $390bn is $300bn (domestic surplus FCF). We think buybacks will be no higher than 450bn or contract slightly in 2016. And ~$150bn net buybacks will be funded with domestic debt issuance.
There are other drains on domestic surplus FCF, such as cash paid for domestic acquisitions, and also the strong possibility of mandatory pension deficit reduction contributions this year (especially at Industrials). We think
working capital will not grow much and perhaps even shrink slightly, and cash taxes could be a small boost to FCF.
All of the strains on maintaining buybacks (even dividends) will be at Energy,
Industrials, and Materials. But we think Healthcare, most of big cap Tech, and
even Banks should be in a very good position to maintain buybacks or even boost them a bit as surplus FCF at these sectors is healthy and these companies still very much have access to bank lines of credit and debt capital
markets and very low borrowing rates despite slightly wider credit spreads.
Figure 16: S&P 500 buybacks: announcements, gross
buybacks and net buybacks (4-qtr sum)
100
200
300
400
500
600
700
-100
0
Recession
Announcements
Source: Compustat, Deutsche Bank
Gross Buybacks
S&P 500
(4qtr sum, $bn)
100

200
300
400
500
600
700
-100
0
Net Buybacks
Figure 17: Buybacks % of market cap: announcements, gross buybacks, net buybacks (4-qtr sum)
-1%
0%
1%
2%
3%
4%
5%
6%
S&P 500
(4qtr sum % avg mkt cap)
-1%
0%
1%
2%
3%
4%
5%
6%
Recession
Announcements
Source: Compustat, Deutsche Bank
Gross Buybacks
Net Buybacks

1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009

2010
2011
2012
2013
2014
2015
1995
1996
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1999
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2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015

Figure 18: S&P 500 buybacks: announcements, gross buybacks and net buybacks (quarterly)
120
160
200
240
40
80
-80
-40
0
S&P 500
(quarterly, $bn)
120
160
200
240
40
80
-80
-40
0
Figure 19: Buybacks % of market cap: announcements, gross buybacks, net buybacks (quarterly)
-4%
-2%
0%
2%
4%
6%
S&P 500
(quarterly % avg mkt cap, ar)
-4%
-2%
0%
2%
4%
6%
Recession
Recession
Series5
Source: Compustat, Deutsche Bank
Announcements
Gross Buybacks
Net Buybacks
Source: Compustat, Deutsche Bank
Announcements
Gross Buybacks
Net Buybacks

Figure 20: S&P 500 net buybacks vs. surplus FCF
100
200
300
400
500
600
700
-100
0
Net Buybacks (4qtr sum, $bn)
Source: IBES, Compustat, Deutsche Bank
Surplus FCF (4qtr sum, $bn)
S&P 500
Figure 21: S&P 500 ex Financials at 15.1% net debt / mkt cap
10%
20%
30%
40%
50%
60%
Recession
Source: Compustat, Deutsche Bank
Net Debt / Mkt Cap (S&P 500 ex. Financials)
10%
20%
30%
40%
50%
60%
Figure 22: S&P 500 ex Financials at $3.91tr total debt and $1.54tr cash
1,000
1,500
2,000
2,500
3,000
3,500
4,000
500
0
Recession
Source: Compustat, Deutsche Bank
Total Debt
Cash
S&P 500 ex Financials
500
1,000
1,500
2,000

2,500
3,000
3,500
4,000
0

1967
1969
1971
1973
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2015

Companies repurchase shares at market prices, but issue them at lower prices through employee stock option programs. Thus, cash flow statement reported net dollars spent on share repurchases as a percent of market cap overstates likely share count shrink. Just as option expense shouldn't be excluded from EPS, it should not be neglected in buyback activity measures. Buyback yield estimates should reflect the continuous issuance of stock to employees at option exercise prices that are well below the market price at which shares are
repurchased. This is why we estimate buyback yield as: (net dollars spent on buybacks less option expense) / market cap. On this basis, the S&P buyback yield is 1.5%, its dividend yield is 2.0% and its total yield is 3.6% with a total
payout ratio of 62% (as of the end of 2Q 2015).
Figure 23: Total yield: dividend + buyback yield
S&P 500
Figure 24: Total payout: dividend + buyback payout
-2%
-1%
0%
1%
2%
3%
4%
5%
6%
Recession
Dividend Yield
Source: IBES, Compustat, Deutsche Bank
Buyback Yield
Total Yield
-2%
-1%
0%
1%
2%
3%
4%
5%
6%
-40%
-20%
0%
20%
40%
60%
80%
100%
S&P 500
-40%

-20%
0%
20%
40%
60%
80%
100%
Recession
Dividend Payout
Source: IBES, Compustat, Deutsche Bank
Buyback Payout
Total Payout

1995
1996
1997
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2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
1995
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2014

Strategy Flashcard
Strategy Flashcard
S&P 500 to reach 2300 by 2016 end on a long expansionary cycle of moderate growth
2015 end target: 2050
2014A
EPS
PE on yearend S&P targets
DPS
EPS/DPS growth
Market strategy and tactics:
Lower S&P returns than history likely, but still decent and few alternatives - stay involved, buy on dips
Consider lesson of 2014: Interest rates stayed very low despite better growth and tighter labor market
Next 5%+ move is likely:
Up
Thematic and sector strategy:
Tilt toward:
1) Secular Growth Sectors - industries with strong sales growth in the middle of economic cycles
2) Sales Growth near 5% - industries not dependent on margin expansion to drive 5%+ EPS growth
3) High ROE or long competitive advantage - ability to defend ROE/margins amidst low interest rates
4) Dividend Growth - stocks with ability to significantly raise dividend payout ratios
5) Debt Capacity - companies that can issue cheap debt for acquisitions and share buybacks
Tilt away from:
1) Consumer companies w/tired brands or facing tough competition (seek unique products/experiences)
2) Smaller cap cyclical plays which are still expensive, prefer big-cap banks and select retailers
3) Commodity and industrial capital goods producers, prefer Transports
Risk of near-term correction: Moderate
"S&P PE stands on the shoulders of bonds."
17.4
$39
2015E
$118 $119.50
17.2
$42
2016 end target: 2300
2016E
$128
18.0

$45
6%/8% 1%/8% 7%/7%
Quarterly EPS
1Q14A
2Q14A
3Q14A
4Q14A
$28.00
$29.75
$30.00
$30.25
Div Yld: 2%
1Q15A
2Q15E
3Q15E
4Q15E
$28.65
$30.20
~ $29.75
$31.00
Reasons to still buy stocks:
1) ~2.5% US GDP likely in 2015
2) S&P EPS will rise despite $/oil
3) PEs justifiable and been higher
4) Bond yields are nil after inflation
Dare to ask:
Why not 2500+ S&P cycle-high?
2500+ = ~18x 2018E EPS of ~$145
S&P 500 avg. trailing 4qtr PE:
1960-2014
1985-2014
1995-2014
2005-2014
16.0
17.6
18.6
15.9
Sectors/Industries:
Health Care, Tech
Health Care, Tech, Consumer Disc.
Tech, Health Care, some Consumer
Big Banks, Mega-cap Tech
Tech, Health Care, some Consumer
Staples
Be selective and valuation mindful
Energy, Industrial Capital Goods
Risks
- US tax on foreign profits, whether repatriated or not, threatens large multinationals and would cause margin contraction
- EM economy weakness that causes a steep decline in commodity prices, especially oil, and threatens US exports and investment spending

- A surge in long-term interest rates or any global economic shock would threaten our constructive view on the S&P for 2015

Seven Signs
Figure 25: The Seven Signs: cross asset class market signals
Current Change vs
"The Seven Signs" Cross Asset Class Market Signals
Interest Rates and Inflation
10yr Treasury yield
10yr TIPS yield
10yr Treasury - TIPS spread
5yr Treasury yield
30yr Treasury yield
Fed Fund Rate 2015 End (Futures)
Fed Fund Rate 2016 End (Futures)
Duration
US Treasury yield curve slope (10-2yr)
US Treasury yield curve slope (10-5yr)
Credit
Corporate IG credit spreads (bps)
Financial
Industrial
Financial spreads over Industrial
Corporate HY credit spreads (bps)
TED spreads (bps)
Muni spreads (bps)
Sovereign spreads (bps)
Germany
France
Italy
Spain
Currency
US Dollar index
USD/EUR
JPY/USD
CHF/USD
USD/Gold (real $)
Commodities
CRB
Brent Oil
WTI Oil
Natural gas
Copper
Uncertainty
VIX
1M Implied Vol
1M Realized Vol
1M Vol Premium (Implied - Realized)
Correlation (S&P 500)
1M Implied Correlation

1M Realized Correlation
1M Correl Premium (Implied - Realized)
LTM PE / 3m Avg. VIX (mkt emotion)
Offered Equity Risk Premium
LTM PE
PE on 2015E EPS
PE on normalized 2015E EPS
Implied real return offered by S&P 500
Implied ERP offered by S&P 500
Source: FRB, Bloomberg Finance LP, I/B/E/S, Deutsche Bank
21.7
22.4
-0.7
50.2
64.1
-13.9
0.83
16.1
16.0
15.6
6.2%
5.6%
Prices as of 9/30/2015
A signal’s risk aversion is based on its current level expressed as a percentile of all the observations in its long-term history. Monthly observations from 1960 for Interest Rates & Inflation, Duration, LTM PE and Implied ERP; 20 yr history for the rest.
2.7
-3.2
5.9
2.8
-6.2
9.0
-0.04
-1.0%
1.0%
1.4%
20.8
28.3
-7.5
51.8
72.0
-20.2
0.91
16.3
6.1%
5.5%
3.3
12.3
-9.0
8.0

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35.4
-27.4
-0.27
-4.0%
4.2%
3.1%
13.6
9.4
4.2
40.3
33.8
6.5
1.29
17.0
5.9%
5.4%
15.0
13.7
1.3
40.6
37.0
3.6
0.95
15.2
6.7%
6.2%
18.6
16.9
1.6
37.0
32.2
2.7
0.98
18.5
6.5%
3.6%
74%
82%
22%
85%
96%
4%
31%
46%
53%
83%
403.13
48.37
45.09
2.52
5176.5

-0.6%
1.3%
1.4%
-1.8%
2.1%
405.66
48.39
45.47
2.64
5228.0
-0.6%
0.5%
6.3%
-4.1%
2.2%
473.42
94.67
91.16
4.12
6720.0
482.61
98.14
87.21
3.57
7478.2
346.53
56.26
54.41
4.48
4518.8
64%
48%
47%
21%
57%
92.10
1.1177
119.88
0.9733
469.9
1.5%
-0.1%
-0.3%
-0.7%
-1.4%
91.66
1.1234
120.11
0.9730
473.0
-0.3%

0.4%
-2.0%
0.6%
0.0%
81.09
1.2631
109.65
0.9551
509.9
76.95
1.3012
95.05
0.9251
618.7
86.53
1.2203
108.08
1.2367
348.9
67%
28%
79%
23%
70%
160.4
184.4
-24.0
670.0
34.5
41.32
-145.1
-105.3
-31.4
-14.8
8.4
12.6
-4.2
47.1
2.5
8.7
10.3
12.2
9.8
3.7
153.0
173.2
-20.2
610.2
32.1
34.4
-149.9

-110.7
-34.4
-13.0
1.6
2.7
-1.1
15.7
5.1
0.1
-2.2
2.9
-6.2
-0.1
121.9
116.8
5.1
462.1
22.0
-1.3
-154.3
-120.6
-15.7
-35.3
184.6
140.9
43.7
526.4
25.5
21.6
-73.2
-13.5
174.1
185.3
175.0
156.0
19.1
609.5
43.7
2.3
-46.1
-23.5
69.9
57.0
65%
79%
31%
69%
55%
80%
5%
10%

26%
36%
1.41%
0.68%
-0.04%
-0.02%
1.46%
0.68%
-0.01%
0.05%
1.92%
0.73%
1.94%
1.04%
1.24%
0.61%
66%
79%
Level
2.04%
0.61%
1.43%
1.36%
2.85%
0.20%
0.66%
-0.02%
-0.09%
-0.09%
-0.09%
0.00%
-0.05%
2.16%
0.64%
1.52%
1.48%
2.95%
0.25%
0.76%
Change vs
1 Wk Ago 4 Week Avg. 4 Wks Ago
-0.11%
0.01%
0.08%
-0.07%
-0.04%
0.10%
-0.05%
-0.16%
Level
1yr Ago

2.49%
0.52%
1.97%
1.76%
3.20%
0.77%
1.85%
0.21%
2.14%
1.32%
3.35%
0.25%
0.26%
4.21%
1.77%
2.44%
3.60%
4.81%
2.70%
2.70%
5yr Avg. 20yr Avg. Rel to Hist. Rel to Hist.
2.35%
3%
11%
2%
4%
2%
97%
89%
2%
96%
98%
PCTL Risk Aver. Risk Aversion Incremental
Level
High
High
High
Low
High
High
High
High
Normal
35% Normal
21% Normal
Normal
65% Normal
High
79%
31% Normal
69% Normal

55% Normal
80%
5%
10%
26%
72%
21%
77%
70%
High
Low
Low
Low
36% Normal
Normal
67% Normal
High
Low
High
High
Normal
36% Normal
52% Normal
53% Normal
79%
High
43% Normal
Normal
74%
82%
22%
85%
96%
4%
69%
High
High
Low
High
High
Low
High
Normal
54% Normal
Normal
Normal
53% Normal
83% Normal
Down
Down
Up

Up
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Flat
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Up
Up
Not Safe
No
No
Neutral
No
Not Safe
No

No
Yes
No
No
Yes
Yes
Neutral
Neutral
Neutral
Neutral
Neutral
Yes
below 18
below 18
below 3
below 40
below 40
below 10
0.8 - 1.2
below 18
below 17
below 17
above 5.5%
above 4%
$70 - $100
$70 - $100
Risk Aversion
Flat
Strategic
Safety
Caution
Caution
Caution
Yes
Caution
Yes
Yes
Yes
Neutral
Yes
Caution
Neutral
Yes
Yes
Yes
No
Yes
No
Yes
Yes
Yes

Yes
Neutral
Caution
$1.20 - $1.40
Safe
Criteria
2 - 4%
0.5% - 2%
bet. 1 - 3%
1.5% - 3%
2.5% - 4.5%
below 2.5%
below 2.5%
above 100bps
above 60bps
below 200
below 200
below 50
below 600
below 50
below 25
below 0 bps
below 100 bps
below 100 bps
below 100 bps

Figure 26: Advised S&P 500 Sector and Industry Allocation (2014/15 PE based on DB US Equity Strategy top down sector and industry EPS estimates)
Market
Advised
Weight (%) Weight (%)
Sector
2015 2016
PE
PE
IT Services
20.1%
20.5%
Information
Technology
15.6
14.6 Semiconductors
Software
Communications Equipment
Electronic Equipment
Biotechnology
Health Care Equipment & Supplies
14.8% 16.2% Health Care
Overweight
16.5%
17.2%
Financials
15.7 14.4 Health Care Technology
Life Sciences Tools & Services
Pharmaceuticals
Banks
Capital Markets
12.6 12.0 Consumer Finance
Electric Utilities
Gas Utilities
3.1%
2.2%
3.4%
2.6%
Utilities
16.0
15.5
Independent Power Producers
Multi-Utilities
Telecom 12.0 12.0 Telecommunication Services
Overweight
Technology Hardware, Storage & Peripherals
Internet Software & Services

2015 2016
PE
PE
11.5 10.9
25.4 21.7
17.2 16.2
15.1 14.3
18.4 17.4
11.9 11.4
14.7 13.8
14.2 12.5
17.1 16.0
26.1 26.1
17.5 16.8
16.0 15.1
11.0 10.4 Diversified Financial Services
12.7 11.5 Insurance
10.6 10.2 REITs
Real Estate Mgmt. & Development
Thrifts & Mortgage Finance
15.4 15.0
18.2 18.2
10.8 9.9
17.3 16.6
12.0 12.0
Auto Components
Automobiles
Distributors
Equalweight
13.3%
13.2%
Consumer
Discretionary
19.4 17.7
Household Durables
Leisure Products
Multiline Retail
Specialty Retail
Internet & Catalog Retail
Media
Food & Staples Retailing
10.0%
9.0%
Consumer
Staples
19.2
18.8
Airlines
Underweight
10.1%
9.0%

Industrials
15.5
15.0
7.1
6.6 Building Products
Air Freight & Logistics
Commercial Services & Supplies
Industrial Conglomerates
Professional Services
Road & Rail
Chemicals
2.8%
2.6%
Materials
14.5
14.5
20.7
17.9
18.2
19.7
19.8
14.5
14.0
11.9
7.7
18.2
14.1
17.1
15.5
19.4
66.4
18.0
18.3
10.4 Diversified Consumer Services
7.4 Hotels, Restaurants & Leisure
15.9 Textiles, Apparel & Luxury Goods
12.5
17.1
13.7
17.1
53.1
17.0
17.7 Beverages
Food Products
Household Products
Personal Products
Tobacco
19.3 Aerospace & Defense
16.3 Construction & Engineering
17.0 Electrical Equipment
19.2 Machinery

18.9 Trading Companies & Distributors
13.7
14.4 Construction Materials
Containers & Packaging
Metals & Mining
Paper & Forest Products
7.0%
6.3%
Energy
26.0
Aggregate PE of DB Industry allocations
S&P 500 Index
Source: Deutsche Bank Markets Research
Prices as of 9/30/2015
19.5
Overweight
14.2
1920.03
13.4
Equalweight
2015 & 2016 DB Strategy EPS
Bottom-up Cons. EPS
16.8
15.9
Energy Equipment & Services
Oil, Gas & Consumable Fuels
Underweight
120.0 128.0 2015 & 2016 DB Strategy PE
119.0 130.8 Bottom-up Cons. PE
21.7 21.5
17.8 17.1
19.2 18.6
26.0 22.8
18.8 19.0
16.3 15.8
11.3 11.0
13.7 13.7
14.6 15.1
14.8 13.4
39.2 32.7
15.7 14.6
16.7 13.9
10.2 10.2
19.5 19.5
27.9 19.5
19.6
17.7
16.0 15.0
16.1 14.7
19.3 16.1
23.4 21.5

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24.1 21.7
19.4
10.9
18.0
14.8
24.3
18.4
10.6
17.3
14.8
10.6
Equalweight
2015 2016
PE
PE
Underweight
2015 2016
PE
PE
Health Care Providers & Services
15.7 14.1

Figure 27: Sector and Industry ETFs
Note: Please see DB note "Equity ETPs capture $4.1bn during last week" published on May 27 2015. Click here for complete report
Source: Deutsche Bank

Figure 28: S&P 500 Annual EPS Outlook and PE (based on current constituents in the index unless specified)
EPS
y/y
2005A
S&P 500 EPS (historical index)
S&P 500 EPS (current constituents)
Sector ($ bn)
Consumer Discretionary
Consumer Staples
Energy
Financials
Health Care
Industrials
Information Technology
Materials
Telecommunication Services
Utilities
S&P 500 ($ bn)
S&P ex. Financials ($bn)
S&P ex. Energy ($bn)
S&P ex. Tech ($bn)
Energy & Financials ($bn)
S&P ex. Energy and Financials ($bn)
Key Macro Forecast
Global GDP growth (real, DB est.)
US GDP growth (real, DB est.)
US Bus. FI (Equip + IPP, DB est.)
US Unemployment Rate (year-end, DB est.)
US 10yr Treasury Yield (year-end, Our est.)
Bank Litigation (post-tax, $bn)
Loan Loss Provisioning (% of loans, Our est.)
US$/Euro (average/year-end, Our est.)
Avg Oil Price (WTI/Brent, $/bbl)
Avg Natural Gas Price (Henry Hub $/mmbtu)
$76.28
$79.46
51.8
94.6
134.7
69.1
64.2
84.1
17.0
12.9
21.3
605.7

471.0
511.1
521.5
229.2
376.5
2006A
$88.18
$91.20
55.3
57.2
2007A
2008A
2009A
2010A
$85.12 $65.47 $60.80 $85.28
$93.86 $71.81 $64.40 $88.39
2007 - 14 shown below is agg. net income, 2014 y/y is EPS growth:
56.0
54.0
61.3
115.2
174.6
73.4
71.7
98.2
20.8
16.3
23.3
706.0
531.4
590.8
607.9
289.8
416.2
120.1
144.9
82.3
84.4
121.7
24.5
23.3
25.8
742.2
597.3
622.1
620.5
264.9
477.2
42.4
67.0
143.2

-21.0
87.3
77.5
121.8
20.9
23.9
26.8
589.8
610.7
446.6
468.0
122.2
467.5
50.1
69.1
60.8
56.5
89.0
53.5
104.8
13.1
19.5
26.5
543.0
486.4
482.1
438.2
117.4
425.6
76.3
73.8
95.3
129.3
102.1
73.7
150.7
24.7
20.7
28.1
774.7
645.4
679.4
624.1
224.7
550.1
2011A
2012A
2013A
2014A
$97.82 $103.75 $110.39 $118.82 7.6%
$99.58 $105.04 $111.40 $118.33 6.2% $119.01 0.6% $130.79 9.9% $120

86.5
78.2
130.2
133.1
110.2
88.0
174.4
31.5
20.0
29.4
881.5
748.3
751.3
707.0
263.3
618.2
92.1
78.9
123.4
163.5
113.1
94.9
184.7
29.1
21.5
29.7
930.8
767.3
807.4
746.1
286.9
643.9
101.3
83.5
115.2
190.1
118.7
102.7
191.3
30.5
22.7
30.3
986.2
796.1
871.0
794.9
305.3
680.9
106.5
85.4
113.6

190.9
137.6
113.4
207.8
33.1
28.3
33.1
1049.7
858.8
936.1
841.9
304.5
745.2
4.7% 5.2% 5.3% 2.7% -0.4% 5.2% 3.9% 3.2% 2.8% 3.4%
3.4% 2.7% 1.8% -0.3% -2.8% 2.5% 1.9% 2.8% 1.9% 2.6%
8.4% 7.1% 3.8% -3.1% -14.1% 9.4% 9.2% 5.9% 4.1% ~5.5%
4.9% 4.4% 5.0% 7.3% 9.9% 9.5% 8.6% 7.8% 7.0% 5.7%
4.4% 4.7% 3.9% 2.5% 3.8% 3.3% 1.9% 1.8% 3.0% 2.2%
8.9
5.7
8.67
66/65
6.74
72/72
6.96
100/97
8.88
61/61
3.95
79/79
4.40
95/111
3.99
8.4
94/111
2.75
14.3
98/108
3.73
23.3
0.8% 0.7% 1.3% 3.0% 4.2% 2.6% 1.2% 0.8% 0.4% 0.4%
1.25/1.18 1.26/1.32 1.37/1.46 1.47/1.40 1.39/1.32 1.33/1.29 1.39/1.30
1.28/1.32 1.33/1.38 1.33/1.21
56/54
93/99
4.26
Consumer Discretionary
Consumer Staples
Energy
Financials
Health Care

Industrials
Information Technology
Materials
Telecommunication Services
Utilities
S&P 500
S&P ex. Financials
S&P ex. Energy
S&P ex. Tech
Energy & Financials
S&P ex. Energy & Financials
Trailing Pro-forma PE (year-end prices)
2005
17.5
16.1
10.2
15.0
17.8
18.4
19.8
16.9
13.2
15.1
15.9
14.6
17.0
15.3
13.0
17.7
2006
20.8
16.8
10.4
13.8
17.6
18.2
18.7
15.3
15.7
16.6
15.7
14.3
16.8
15.3
12.5
18.0
2007
19.0
17.6
12.8
14.8

16.3
17.0
17.9
16.5
16.6
17.3
16.1
15.8
16.8
15.8
13.9
17.4
Bottom-up
2008
15.6
14.1
7.0
NA
11.2
10.6
10.3
10.8
11.1
11.6
12.9
13.8
14.7
13.5
17.4
11.7
Prices as of 9/30/2015
2009
18.6
15.0
17.9
26.1
12.5
18.2
18.9
26.3
13.6
12.7
17.6
18.4
17.5
17.2
21.8
16.4
2010
16.5
15.4

13.4
14.4
11.3
16.6
14.4
17.8
14.4
12.3
14.4
14.9
14.6
14.4
14.0
14.6
2011
14.7
15.8
10.5
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11.5
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12.5
12.4
16.1
13.7
12.8
13.6
13.1
12.8
11.4
13.4
2012
16.5
16.5
11.4
12.6
13.3
14.1
13.4
15.6
16.4
14.0
13.8
14.4
14.1
13.9
12.1
14.5
2013
20.9
18.8

14.7
14.3
17.7
18.0
16.4
18.3
15.9
15.5
16.8
17.4
17.1
16.9
14.5
17.9
2014
21.0
20.2
13.2
16.1
18.4
17.4
17.6
17.3
14.2
17.8
17.4
18.0
17.9
17.4
15.0
18.4
2015
19.4
19.6
24.8
12.7
16.1
15.4
15.6
14.8
12.0
16.0
16.1
17.0
15.7
16.2
14.9
16.5
2016
16.8
18.1

23.0
11.6
14.6
14.2
14.3
12.8
11.5
15.3
14.7
15.4
14.3
14.8
13.6
15.0
Note: 2005-2013 PE based on year end prices, 2014/2015 PE based on current prices and FC and DB US Equity Strategy EPS estimates for 2014 and 2015. Dividend yield and payout is based on indicated dividend.
Source: Company reports, First Call, Deutsche Bank Markets Research
5.1% 118.4
2.3% 85.4
-1.4% 47.2
0.4% 221.0
16.0% 152.2
10.4% 113.5
8.6% 221.7
8.7% 32.4
24.9% 31.0
9.2% 33.0
6.4% 1055.8
7.9% 834.8
7.5% 1008.6
5.9% 834.0
-0.3% 268.2
9.4% 787.6
-0.1% 92.5
-58.5% 50.9
15.8% 241.9
10.6% 168.2
0.1% 123.5
6.7% 242.7
-2.1% 37.3
9.5% 32.4
-0.3% 34.4
0.6% 1160.3
-2.8% 918.4
7.7% 1109.4
-0.9% 917.6
-11.9% 292.8
5.7% 867.5
15.3% 118.5
8.4% 87.0

8.0% 45.0
9.4% 223.0
10.5% 156.0
8.8% 113.0
9.5% 222.0
15.1% 33.0
4.3% 31.0
4.4% 33.0
9.9% 1061.5
10.0% 838.5
10.0% 1016.5
10.0% 839.5
9.2% 268.0
10.1% 793.5
3.2%
2.6%
~4%
4.7%
2.5%
4
0.6%
~$1.10
~$50
~2.50
1.4% $128
All 2015/16 estimates are aggregate earnings representative of EPS
11.2% 136.5
11.3% 130.0
1.9% 89.0
-60.4% 60.0
16.8% 235.0
13.3% 170.0
-0.3% 117.0
6.9% 237.0
-0.3% 33.0
9.4% 31.0
-0.2% 34.1
6.7% $123
9.7% 118.5
2.3% 87.0
33.3% 85.0
5.4% 223.0
8.9% 152.9
3.5% 111.7
6.8% 222.0
0.0% 33.0
0.0% 31.0
3.3% 33.0
1.4% 1136.1 6.7% 1097.1
-2.4% 901.1
7.5% 874.1

8.6% 1076.1 5.9% 1012.1
-0.3% 899.1
-12.0% 295.0
6.5% 841.1
7.1% 875.1
10.1% 308.0
6.0% 789.1
3.6%
3.0%
~5%
4.5%
3.0%
1
0.6%
$1.00-1.05
~$55
~3.00
DB US Equity Strategy
2015
19.4
19.2
26.0
12.6
15.7
15.5
15.6
14.5
12.0
16.0
16.0
16.9
15.6
16.1
14.9
16.4
2016
17.7
18.8
19.5
12.0
14.4
15.0
14.6
14.5
12.0
15.5
15.0
15.7
14.7
15.1
13.5

15.5
103%
100%
100%
189%
100%
98%
99%
100%
100%
100%
100%
103%
104%
100%
104%
115%
99%
2015E
y/y
Bottom-up
2016E
y/y
2015E
DB US Equity Strategy
y/y
2016E
Normalized 2015
y/y
($) % of 2015
~3.5%
0.8%
$1.10-1.15
~$65
~ 3.50
Indicated Dividend
Yield
1.6%
2.8%
3.8%
2.2%
1.7%
2.5%
1.8%
2.5%
5.5%
3.9%
2.3%
2.3%
2.2%
2.4%

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2.6%
2.2%
Payout (2015)
30.8%
54.4%
96.2%
27.2%
28.1%
38.5%
28.0%
36.0%
65.9%
61.8%
36.7%
39.3%
34.1%
39.0%

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07-15
Figure 29: EPS revisions – The % below shows the change in 2015 consensus estimate since May end
Cons. Disc. ($bn) – up 0.3%
Cons. Staples ($bn) – down 4.0%
110
130
150
30

50
70
90
2010
2011
2008
2009
100
2016
2015
2014
2012
2013
60
70
80
90
2013
2012
2011
2009 2010
2008
2015 2016
2014
100
120
140
160
180
200
40
60
80
2008
2012
2011
2009
2010
2016
2015
Energy ($bn) – down 7.4%
Financials ($bn) – down 0.5%
2013 2014
100
150
200
250
300
2008
50
0

2009
2016
2014 2015
2011
2012
2010
2013
Healthcare ($bn) – up 1.3%
Industrials ($bn) – down 2.6%
100
110
120
130
140
150
160
170
180
80
90
2016
2015
2014
2012 2013
2011
2008
2009
2010
40
60
80
100
120
140
160
2016
2015
2013 2014
2012
2008
2011
2010
2009
50
Technology ($bn) – down 1.0%
100
150
200
250
300
2016

2013
2012
2011
2008
2009
2010
2015
2014
Materials ($bn) – down 1.0%
10
15
20
25
30
35
40
45
5
2016
2013
2012
2011
2008
2010
2009
2015
2014
Telecom ($bn) – up 2.4%
Utilities ($bn) – down 1.5%
17
19
21
23
25
27
29
31
33
35
2015 2016
2014
2011
2008
2009
2010
2012
2013
24
26
28
30

32
34
36
2016
2015
2014
2008
2009
2011
2012 2013
2010
S&P ex. Fin ($bn) – down 1.2%
400
500
600
700
800
900
1000
1100
20152016
2014
2008
2009
2013
2012
2011
2010
S&P 500 EPS ($/sh) – down 1.7%
$40
$60
$80
$100
$120
$140
$160
2015
2009
2008
2012 2013 2014
2011
2010
2016
Source: I/B/E/S and Deutsche Bank Markets Research

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01-14
07-14
01-15
07-15
Figure 30: Sales revisions – The % below shows the change in 2015 consensus estimate since May end
Cons. Disc. ($bn) – down 0.1%
Cons. Staples ($bn) – down 1.4%
925
1025
1125
1225

1325
1425
1525
1625
1725
2016
2015
2014
2013
2012
2009
2008
2010
2011
900
1000
1100
1200
1300
1400
1500
2016
2015
2014
2013
2012
2008
20092010
2011
800
1000
1200
1400
1600
1800
2000
2008
Energy ($bn) – down 1.9%
Financials ($bn) – down 0.3%
2012 2013
2014
2011
2016
2015
2009
2010
900
1000
1100
1200
1300

1400
2016
2015
2011
2009
2010
2008
2012
2014
2013
Healthcare ($bn) – up 1.6%
Industrials ($bn) – down 2.0%
800
900
1000
1100
1200
1300
1400
1500
1600
1700
2016
2015
2014
2013
2012
2011
2009
2010
2008
800
850
900
950
1000
1050
1100
1150
1200
1250
1300
2013
2012
2011
2008
2010
2009
2016
2014 2015
Technology ($bn) – down 0.6%

600
700
800
900
1000
1100
1200
1300
1400
2016
2015
2013 2014
2011
2012
2009
2008
2010
Materials ($bn) – up 0.3%
240
260
280
300
320
340
360
380
400
420
2013
2012
2008
2010
2011
2009
2014
2015
2016
Telecom ($bn) – up 6.5%
Utilities ($bn) – down 1.0%
220
240
260
280
300
320
340
360
2016
2014 2015
2013
2012

2008
2009 2010
2011
280
290
300
310
320
330
340
350
2016
2011
2009
2008
2013
2014
2012
2010
2015
S&P ex. Fin ($bn) - down 0.3%
5500
6000
6500
7000
7500
8000
8500
9000
9500
10000
2016
2014 2015
2013
2012
2011
2008
2009
2010
S&P 500 ($bn) - down 0.3%
7000
7500
8000
8500
9000
9500
10000
10500
11000
2016
2014 2015

2013
2009
2010
2008
2011
2012
Source: I/B/E/S and Deutsche Bank Markets Research
Cons. Disc. 2010/11 jumped in Nov 2010 after GM was added to S&P. Cons. Staples 2013 jumped in Oct 2012 due to KRFT IPO. Health Care 2012/13 jumped after ESRX's acquisition of Medco. Telecom 2011/12 jumped due to CTL's Qwest and Savvis acquisition.

Figure 31: What to buy now (large caps)? DB Buy-rated S&P 500 stocks in our OW industries with market cap > $10bn, PE on 2015 EPS < 22, 2015 EPS growth > 0%
DB
Ticker Company Name
BAC
JPM
KEY
MTB
PNC
STI
USB
KEYCORP
M&T Bank Corp
PNC Financial Services Group Inc
SunTrust Banks Inc
U.S. BANCORP
WFC Wells Fargo & Co
AMP Ameriprise Financial Inc
BK
AXP
ABT
Bank of New York Mellon Corp
TROW T. Rowe Price Group Inc
American Express Co
MDT
SYK
ABBOTT LABORATORIES
Medtronic Inc
Stryker Corp
AGN Allergan plc
ENDP Endo International PLC
MYL
Mylan Inc
PRGO Perrigo Company PLC
AAL
DAL
LUV
UAL
APH
ADS
Southwest Airlines Co
United Continental Holdings Inc
CSCO Cisco Systems Inc
Amphenol Corp
GOOG Google Inc
ACN

Accenture PLC
Alliance Data Systems Corp
AEP
EXC
NEE
PEG
American Airlines Group Inc
Delta Air Lines Inc
Bank of America Corp
JPMorgan Chase & Co
GICS Sector
Financials
Financials
Financials
Financials
Financials
Financials
Financials
Financials
Financials
Financials
Financials
Financials
Health Care
Health Care
Health Care
Health Care
Health Care
Health Care
Health Care
Industrials
Industrials
Industrials
Industrials
GICS Industry
Banks
Banks
Banks
Banks
Banks
Banks
Banks
Banks
Capital Markets
Capital Markets
Capital Markets
Consumer Finance
DB
Rating
Buy
Buy

EFTA01475077

Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Health Care Equipment & Supplies Buy
Health Care Equipment & Supplies Buy
Health Care Equipment & Supplies Buy
Pharmaceuticals
Pharmaceuticals
Pharmaceuticals
Pharmaceuticals
Airlines
Airlines
Airlines
Airlines
Information Technology Communications Equipment
Information Technology
Information Technology
Information Technology
Information Technology
CTSH Cognizant Technology Solutions Corp Information Technology
AMAT Applied Materials Inc
LRCX Lam Research Corp
American Electric Power Company IncUtilities
Exelon Corp
NextEra Energy Inc
Source: Deutsche Bank, Compustat, Thomson Reuters
Utilities
Utilities
Public Service Enterprise Group Inc Utilities
IT Services
IT Services
IT Services
Electric Utilities
Electric Utilities
Electric Utilities
Multi-Utilities
Electronic Equipment, Instruments & Components
Internet Software & Services
Buy
Buy
Buy
Buy
Buy
Buy

Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Information Technology Semiconductors & Semiconductor EquipmentBuy
Information Technology Semiconductors & Semiconductor EquipmentBuy
Buy
Buy
Buy
Buy
Prices as of 9/30/2015
*Net Buyback Yield is calculated as (trailing 12-month buyback expenditures less option exercise proceeds and less stock option expense) / Market Cap
Note: The list has the following changes from our previous US Equity Insights report based on the screening rules: additions (ENDP, PRGO), deletion (IVZ).
DB's Ross Sandler reiterated a good outlook and Buy ratings on GOOG, AMZN, FB, TWTR this week. Please refer to his notes: "Half-Way Home", "Looking At Another Solid Print From AMZN", "Strong 3Q & Investing Aggressively" and "The 'Moment' May Be Just Around" (October 2).
Price
Target
20
75
17
150
105
50
47
60
150
46
82
90
53
90
112
343
88
66
185
50
50
52
72
35
60

840
107
341
69
23
100
63
42
115
46
Price
13.01
Mkt Cap
($m)
121.95
89.20
38.24
41.01
109.13
39.15
69.50
74.13
40.22
66.94
94.10
40.26
157.27
38.83
44.87
38.04
53.05
15.58 163,490
60.97 226,534
10,940
16,248
45,813
19,657
73,361
51.35 263,598
19,449
43,320
17,807
74,225
59,946
94,627
35,434
271.81 106,994
69.28
15,685
19,790
23,021

26,087
35,690
25,082
20,040
26.25 132,859
50.96
15,754
608.42 429,929
98.26
258.98
62.61
14.69
65.33
56.86
29.70
97.55
42.16
61,609
15,910
38,163
17,637
10,355
27,893
25,590
45,450
21,328
P/E on
2015
EPS
11.0
10.6
11.9
15.6
12.1
11.3
13.0
12.3
11.6
14.0
14.7
13.4
18.7
15.6
18.5
14.8
15.1
9.6
20.6
4.7
10.4
10.9

4.8
15.0
20.8
21.0
20.4
17.2
20.3
12.4
12.9
16.0
12.4
17.3
14.5
2015
EPS
2016
EPS
Growth Growth
298%
8%
6%
6%
1%
5%
3%
2%
13%
12%
13%
23%
3%
7%
7%
6%
10%
16%
4%
1%
9%
12%
8%
31%
7%
18%
22%
44%
32%
74%
119%
18%
9%

15%
7%
19%
19%
11%
14%
4%
0%
7%
5%
18%
12%
5%
8%
12%
2%
10%
22%
28%
13%
8%
-33%
7%
4%
1%
-5%
11%
18%
8%
13%
12%
18%
26%
7%
6%
8%
-2%
Dividend
Payout
Ratio
34%
30%
24%
38%
26%
22%
31%
33%
26%
27%
39%

18%
44%
29%
26%
0%
0%
0%
8%
7%
7%
10%
0%
48%
20%
0%
38%
0%
0%
37%
4%
59%
52%
55%
54%
2015
DPS
Growth Div Yield
67%
9%
16%
0%
7%
31%
5%
9%
15%
3%
132%
12%
9%
9%
10%
Net
Buyback
Yield
Total
Yield
1.3% -2.2% -0.9%
2.9% -3.3% -0.4%
2.3% 3.5% 5.8%
2.3% -3.1% -0.9%

2.3% 0.5% 2.7%
2.5% 0.9% 3.4%
2.5% 1.6% 4.0%
2.9% 0.3% 3.2%
2.5% 7.0% 9.5%
1.7% 1.9% 3.6%
3.0% 0.5% 3.5%
1.6% 4.4% 5.9%
2.4% 3.1% 5.5%
10%
100%
20%
19%
11%
18%
10%
0%
300%
6%
0%
6%
5%
2.3% 1.3% 3.6%
1.5% 0.2% 1.7%
0.0% 0.3% 0.3%
0.0% -0.5% -0.5%
0.0% 2.0% 2.0%
0.3% -0.1% 0.2%
1.0% 0.1% 1.1%
1.2% 1.4% 2.6%
0.8% 2.3% 3.1%
0.0% 0.5% 0.5%
3.2% 4.6% 7.8%
1.1% 1.8% 2.9%
0.0% -0.5% -0.5%
2.2% 2.2% 4.4%
0.0% 0.9% 0.9%
0.0% -0.2% -0.2%
2.7% -0.7% 2.0%
1.8% 2.6% 4.4%
3.7% -0.9% 2.8%
4.2% -0.6% 3.5%
3.2% -1.5% 1.7%
3.7% -0.5% 3.3%

Figure 32: What to buy now (mid and small caps)? DB Buy-rated non-S&P 500 stocks in our OW industries with market cap > $800m, PE on 2015 EPS < 25, 2015 EPS growth > 8%, net debt/market cap < 30%, price upside > 5%
DB
DB
Price
Ticker
LEA
LOPE
LOCK
FL
FLO
JAZZ
HAWK
GPN
Company Name
Lear Corp
Grand Canyon Education Inc
LifeLock Inc
Foot Locker Inc
Flowers Foods Inc
Jazz Pharmaceuticals PLC
PRGO Perrigo Company PLC
IACI
WNS WNS (Holdings) Ltd
NXPI
SPWR SunPower Corp
MSTR
NUAN
SNCR
VRNT
IAC/INTERACTIVECORP
Blackhawk Network Holdings Inc
Global Payments Inc
NXP Semiconductors NV
ONNN ON Semiconductor Corp
POWI
Power Integrations Inc
MicroStrategy Inc
Nuance Communications Inc
Synchronoss Technologies Inc
Verint Systems Inc
GICS Sector
GICS Industry
Consumer Discretionary Auto Components
Consumer Discretionary
Consumer Discretionary

Consumer Discretionary Specialty Retail
Consumer Staples
Health Care
Health Care
Information Technology
Information Technology
Information Technology
Information Technology
Food Products
Pharmaceuticals
Pharmaceuticals
Internet Software & Services
IT Services
IT Services
IT Services
Information Technology Semiconductors & Semiconductor Equipment
Information Technology Semiconductors & Semiconductor Equipment
Information Technology Semiconductors & Semiconductor Equipment
Information Technology Semiconductors & Semiconductor Equipment
Information Technology Software
Information Technology Software
Information Technology Software
Information Technology Software
Source: Deutsche Bank, Compustat, Thomson Reuters
Prices as of 9/30/2015
Note: The list has the following changes from our previous US Equity Insights report based on the screening rules: addition (MSTR).
For screening purpose, our over-weight industries for mid and small caps are all industries in Consumer Discretionary, Consumer Staples, Health Care, and Tech.
Diversified Consumer Services
Diversified Consumer Services
Rating
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy
Buy

Buy
Target
119.0
50.0
15.0
80.0
27.0
183.0
185.0
90.0
50.0
122.0
31.0
125.0
16.0
48.0
43.0
240.0
25.0
65.0
66.0
Price
Upside
9%
32%
71%
11%
38%
18%
38%
18%
6%
11%
44%
70%
14%
115%
22%
53%
98%
53%
DB Analyst
Rod Lache
Adrienne Colby
Nandan Amladi
Paul Trussell
9% Eric Katzman, CFA
Gregg Gilbert
Gregg Gilbert
Ross Sandler
Bryan Keane

Bryan Keane
Bryan Keane
Ross Seymore
Ross Seymore
Vish Shah
Karl Keirstead
Nandan Amladi
Nandan Amladi
Nandan Amladi
Price
108.78
37.99
8.76
71.97
24.74
132.81
157.27
65.27
42.39
114.73
27.95
87.07
9.40
42.17
20.04
196.47
16.37
32.80
43.15
Mkt Cap
($m)
8,344
1,791
835
10,031
5,197
8,146
23,021
5,361
2,314
7,451
1,456
21,920
3,881
1,227
2,734
2,233
5,071
1,439
2,681
Net Debt /

Mkt Cap
2%
-8%
-26%
-8%
16%
11%
11%
0%
-2%
20%
-6%
13%
8%
-17%
4%
-16%
29%
-5%
17%
P/E on
2015 EPS
11.0
14.0
14.8
20.1
24.1
15.4
20.6
19.0
18.7
22.8
16.1
16.4
9.9
22.4
12.1
24.9
13.4
14.7
12.9
2015 EPS
Growth
22%
14%
28%
24%
14%
16%
22%
35%

28%
22%
26%
26%
27%
207%
26%
1754%
9%
25%
18%
2016 EPS
Growth Div Yield
9%
7%
42%
18%
37%
8%
38%
14%
13%
1%
12%
27%
28%
11%
8%
6%
12%
3%
0.9%
0.0%
0.0%
1.4%
2.3%
0.0%
0.3%
2.1%
0.0%
0.1%
0.0%
0.0%
0.0%
1.1%
0.0%
0.0%
0.0%
0.0%
0.0%
Net

Buyback
Yield
1.2%
Total
Yield
2.1%
-0.7% -0.7%
-4.3% -4.3%
2.1%
3.5%
-0.3% 2.1%
0.0%
0.0%
-0.1% 0.2%
0.9%
3.0%
-1.0% -1.0%
5.1%
5.2%
-0.6% -0.6%
3.1%
1.4%
3.1%
1.4%
-1.3% -0.2%
0.0%
0.0%
-0.3% -0.3%
-2.2% -2.2%
-3.1% -3.1%
-12.5% -12.5%

Figure 33: S&P 500 sector performance (total returns)
12 Month
YTD
S&P 500
Consumer Discretionary
Consumer Staples
Energy
Financials
Health Care
Industrials
Information Technology
Materials
Telecommunication Services
Utilities
Note:
-0.6%
13.2%
7.1%
-5.3%
4.1%
-1.0%
-7.1%
Since
3 Month 1 Month 1 Week
-7.1% -2.5% -0.9%
-3.6% -0.6% -0.9%
-1.4%
-29.7% -21.3% -16.3% -6.7% -0.5%
-0.3%
5.2%
-3.6%
2.1%
-2.1% -11.5% -5.7% -4.6%
-9.8%
-3.0%
-7.3% -1.8% -0.2%
-4.3% -1.0% -0.9%
-18.0% -16.5% -17.3% -7.4% -1.0%
-7.9%
6.6%
-3.9%
-5.9%
Two biggest outperforming (underperforming) sectors are highlighted in green (red)
All sectors within 5% of their 5 year high are highlighted in yellow
Source: Deutsche Bank, Thomson Reuters
Prices as of 9/30/2015
-7.3% -3.6% 0.0%
4.8%

2.9% 3.2%
8/25/2015
Mkt Trough
0.5% 0.3%
-7.9% -3.0% 0.1%
3.0%
4.9%
4.1%
4.6%
2.3%
-2.0%
2.9%
6.1%
-1.2%
1.3%
4.0%
Current Price
vs. 5yr High
2015
PE
90.1% 15.9
92.6% 18.9 13.1%
93.1% 19.2
61.2% 26.0
9.9%
6.9%
88.7% 12.6 16.5%
85.9% 15.6 14.7%
86.7% 15.4 10.1%
90.7% 15.6 20.4%
76.8% 14.5
83.6% 12.0
87.4% 16.0
2.8%
2.4%
3.1%
Sector
Wt. by
Mkt Cap
Figure 34: S&P 500 sector 12m vs. 3m performance
-20%
-15%
-10%
-5%
0%
5%
Utilities
Lagging
but gaining
Cons. Staples
Tech ex. AAPL

Tech
Telecom
Industrials
Lagging and
slipping
Energy
-35%
-25%
Source: Deutsche Bank, Thomson Reuters
Materials
-15%
Prices as of 9/30/2015
-5%
12 Month Total Return
Figure 35: S&P 500 sector ytd vs. mtd performance
-8%
-7%
-6%
-5%
-4%
-3%
-2%
-1%
0%
1%
2%
3%
4%
Lagging
but gaining
Utilities
Leading
and gaining
Cons. Staples
Tech ex. AAPL
Tech
Industrials
Lagging and
slipping
Health Care
Energy
-25%
-20%
Source: Deutsche Bank, Thomson Reuters
Materials
-15%
Prices as of 9/30/2015
-10%
YTD Total Return
-5%
0%

5%
S&P 500
Financials Telecom
Leading
but slipping
Cons. Disc.
5%
15%
25%
S&P 500
Financials
Health Care
Leading
but slipping
Cons. Disc.
Leading
and gaining
Deutsche Bank Securities Inc.

MTD Total Return
3 Month Total Return

Figure 36: Russell 2000 sector ytd vs. mtd performance (price returns)
12
Since
3
Month
Russell 2000
Consumer Discretionary
Consumer Staples
Energy
Financial Services
Health Care
Materials & Processing
Producer Durables
Information Technology
Utilities
Note:
YTD
1
-0.1% -8.6% -12.4% -5.1% -3.5%
4.3% -8.5% -12.7% -4.9% -2.8%
8.1% -4.9% -4.5% -1.7% -3.7%
-58.9% -37.0% -31.1% -17.2% -5.0%
5.1% -4.7% -6.7% -0.4% -1.0%
15.4% -1.7% -16.8% -12.0% -11.8%
-14.6% -19.5% -20.2% -9.7% -3.1%
-9.1% -16.3% -15.8% -6.3% -2.2%
6.7% -5.1% -11.1% -3.0% -1.3%
4.7% -8.5% -2.8% 0.8% 1.5%
8/25/2015
Month Month 1 Week Mkt Trough
Current
Price vs.
5yr High
-0.3% 84.9%
-0.1% 85.4%
2.3% 92.3%
0.1% 32.2%
3.4% 91.4%
-7.5% 78.0%
-3.6% 74.9%
-1.7% 79.6%
1.9% 84.4%
3.2% 88.4%
Two biggest outperforming (underperforming) sectors are highlighted in green (red)
All sectors within 5% of their 5 year high are highlighed in yellow
Source: Deutsche Bank, Thomson Reuters, Bloomberg Finance LP
Prices as of 9/30/2015
2015 PE

(ex. Neg
EPS)
17.4
17.8 15.8%
3.5%
2.7%
18.9
NA
16.1 26.2%
22.4 15.9%
5.3%
16.2
15.2 11.5%
19.7 14.5%
4.6%
18.4
Sector
Weight
Figure 37: Russell 2000 sector 12m vs. 3m performance
-35%
-30%
-25%
-20%
-15%
-10%
-5%
0%
Utilities
Lagging
but gaining
Cons. Staples
Financial Svcs
Tech
Russell 2000
Materials & Proc
Producer Dur
Lagging and
slipping
Energy
-60%
-40%
Source: Deutsche Bank, Thomson Reuters, Bloomberg Finance LP
-20%
0%
12 Month Price Return
Prices as of 9/30/2015
Figure 38: Russell 2000 sector ytd vs. mtd performance
Lagging
-18%
-16%
-14%

-12%
-10%
-8%
-6%
-4%
-2%
0%
2%
but gaining
Utilities
20%
Cons. Disc.
Health Care
Leading
but slipping
Leading
and gaining
Leading
and gaining
Financial Svcs
Russell 2000 Cons. Disc.
Cons. Staples
Tech
Producer Dur
Materials & Proc
Lagging and
slipping
-40%
Energy
-35%
-30%
-25%
Source: Deutsche Bank, Thomson Reuters, Bloomberg Finance LP
-20%
-15%
YTD Price Return
Prices as of 9/30/2015
-10%
Health Care
Leading
but slipping
-5%
0%

MTD Price Return
3 Month Price Return

Figure 39: YTD total returns of thematic plays
-24%
-21%
-18%
-15%
-12%
-9%
-6%
-3%
0%
3%
Source: S&P, Deutsche Bank, Thomson Reuters, Bloomberg Finance LP
Prices as of 9/30/2015
Figure 40: YTD total returns of thematic plays and underlying sectors and baskets
Cyclicals
YTD Total Returns
Consumer Discretionary
Energy
Financials
Industrials
Materials
Defensives
Utilities
Telecommunication Services
Consumer Staples
Health Care
Information Technology
Domestic Cyclicals
Consumer Discretionary
Financials
DBUSDMST (US Domestic Strength) *
Global Cyclicals
Energy
Industrials
Value
DBUSCICG (Challenged Cap Goods) *
Information Technology
Energy
Materials
Financials
Cyclical Growth
Consumer Discretionary
Industrials
Secular Growth
Health Care
Information Technology
S&P 500 ex. Secular Growth
* Returns of stock baskets are price returns

** Equal-weighted total return
Source: S&P, Deutsche Bank, Thomson Reuters, Bloomberg Finance LP
Prices as of 9/30/2015
-7.9%
4.1%
-21.3%
-7.1%
-9.8%
-16.5%
-2.3%
-5.9%
-3.9%
-1.0%
-2.1%
-3.0%
-2.4%
4.1%
-7.1%
-2.8%
-9.4%
-21.3%
-9.8%
-17.3%
-16.5%
-3.0%
-11.8%
-21.3%
-7.1%
-2.3%
4.1%
-9.8%
-2.6%
-2.1%
-3.0%
-6.7%
Credit vs. Commodity Play
Financials
Energy
Capex
Industrials
Energy Equipment & Services
Information Technology
DBUSBRTE (Reasonable PE Tech) *
Consumer
Consumer Discretionary
Consumer Staples
Dividend Growth
Financials
Information Technology
Dividend Yield (Bond Substitutes)
Utilities

Telecommunication Services
REITs
Consumer Staples
Share Buybacks
Consumer Discretionary
Information Technology
Industrials
Health Care
Repatriation Holiday Beneficiaries
Strong Dollar
No foreign sales (139 Cos) **
Small Cap vs. Large Cap
Russell 2000
S&P 500
DBUSHIFC (High Foreign Cash) *
High foreign sales (139 Cos) **
-7.1%
-21.3%
-5.9%
-9.8%
-19.1%
-3.0%
-17.1%
1.8%
4.1%
-1.0%
-4.8%
-7.1%
-3.0%
-2.7%
-5.9%
-3.9%
-3.6%
-1.0%
-2.5%
4.1%
-3.0%
-9.8%
-2.1%
-6.2%
-9.9%
-4.0%
-7.7%
-5.3%

Figure 41: Historical sector performance
Beta > 1
Beta ≈ 1
US Value
Credit Plays
Financials
1960
1961
1962
1963
1964
1965
1966
1967
1968
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002

2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015 YTD
Financials
2.4%
48.7%
-14.4%
14.6%
2.6%
-5.6%
1.4%
2.0%
50.2%
-10.8%
6.4%
10.1%
32.3%
-5.9%
-35.1%
19.3%
35.5%
-8.9%
5.9%
18.2%
14.7%
11.4%
20.4%
14.8%
8.8%
41.7%
8.2%
-16.1%
18.0%
32.5%
-20.8%
49.1%
23.3%
10.6%
-3.5%
54.1%
35.2%

48.2%
11.4%
4.1%
25.7%
-9.0%
-14.6%
31.0%
10.9%
6.5%
19.2%
-18.6%
-55.3%
17.2%
12.1%
-17.1%
28.8%
35.6%
15.2%
-7.1%
Global Value
Commodity Plays
Global Growth
Capex Plays
Energy Materials Industrials
Energy Materials Industrials
-4.4%
25.4%
-6.4%
31.6%
11.9% -10.5%
22.1%
26.7%
1.5%
-7.1% -16.9%
17.9%
22.0%
-24.1% -15.3%
17.5%
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Source: Deutsche Bank, Haver Analytics, Thomson Reuters Prices as of 9/30/2015
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Figure 42: List of DB US Equity Strategy research notes
Research Title
Date
Debt ceiling showdowns: A new twist to the election cycle?
Fed delays: Less S&P upside for 2015
Stocks will leave hike decision to the Fed, but dollar likely gains either way
First back to school assignment: Stress test 2016 S&P EPS estimates
Post correction: Better without the froth, but still real risks to monitor
Further downside for global cyclicals
Stretching to hit numbers? GAAP vs. non-GAAP S&P EPS spread widens
Secular growth shines as acceleration hopes fade
A chance to go away until Labor Day
Another "fish hook" earnings season
The Hulk vs. the Amazing Euro Hero: Has the Euro found bottom at $1.10?
Got your 2H sector strategy ready? Consider Utilities over regional Banks
Yellen keeps equities on bullish path
Bullish if dollar and yields settle here
Dear Fed, avoid 1994 by hiking in Sep
10 themes to watch this summer
S&P hits record high on 18 trailing PE, PE will be sensitive to Treasury yields
What if Fed relents on hikes for 2015? A little EPS upside, but more PE risk
Ascent of S&P margins continues: 10%+ net margin survives Energy dip
Jobs suggest: Fed hikes, stronger $, low inflation, flatter curve still ahead
Midway 1Q earnings season update: Barely clearing a low bar
Meet & Maintain is new Beat & Raise: Results/guides support $118 S&P EPS
What to expect for 1Q and guidance? Burden on 2H for up 2015 S&P EPS
The many measures of S&P EPS
Banks are the last cheap stocks left: But what if the yield curve goes flat?
2015's S&P 500 tug-of-war intensifies: Dimmer EPS vs. brighter PE outlook
The Hulk flexes, S&P EPS shrinks
Is S&P ready for Fed hikes?: 10 FAQs
Reaching for small caps, selectively: Prefer small Retailers vs. small Banks
Tech Titans can overcome the Hulk
Why should investors look through it?
Repatriation holiday: Good step to a territorial system, but not a substitute
Finding Domestic S&P 500 stocks: Both Domestic Cyclicals & Defensives
2015 S&P gains now PE expansion dependent
S&P 500 Industrial Capital Goods: High risk, low reward - we prefer Tech
Seven Signs: 2 Red, 4 Yellow, 1 Green
The PE tug-of-war continues in 2015: Slow EPS growth vs. low bond yields
2015 S&P Outlook: Better time for consumers, but tougher for producers
What's a profit recession?
Happy Thanksgiving: US GDP vs. S&P
US equity strategy 2015 Outlook
* Chartbook publications

Source: Deutsche Bank
Research Title
28-Sep-15 Macro trends favor Retailers over Industrial Capital Goods, so do we
18-Sep-15 Dollar and oil snip S&P 4Q EPS
11-Sep-15
4-Sep-15
25-Aug-15 Post-bounce strategy into yearend
21-Aug-15 Better time for consumers ahead, tougher time for producers
14-Aug-15 Dollar Hulk? A somewhat stronger greenback ok, but beware the beast
6-Aug-15 Midterm elections matter, but no reason for correction
19-Jul-15 Catching a falling knife?
12-Jul-15 PE expansion is rare as the Fed hikes
2-Jul-15 S&P EPS growth after the super-cycle
26-Jun-15 The Seven Signs: Interest Rates, Oil Prices & the Dollar *
21-Jun-15 2Q EPS finishes with S&P at its top
12-Jun-15 Good reasons to return to the top
5-Jun-15 Dog days of August: Heat from interest rate and geopolitical anxiety
29-May-15 Lo and behold: Participation rate ticks up, mitigating interest rate risk
22-May-15 The pressure release valve gets stuck: Treasury yields climb as stocks sell off
15-May-15 The Seven Signs: Has the climb in yields begun? *
10-May-15 2Q growth better, as expected, but leaves market PE driven
1-May-15 Thematic sector strategy update: OW Secular Growth sectors & Financials
26-Apr-15 The hunt for sales growth
17-Apr-15 Help wanted: A participation spurt with reliable productivity needed
12-Apr-15 2Q EPS: A moment of truth for EPS acceleration
2-Apr-15 The Golden Ratio: Real GDP / Inflation
27-Mar-15 Summer Flip-book *
22-Mar-15 S&P 500 Valuation: Sum of Sectors
13-Mar-15 S&P Valuation Chartbook - Snapshot at another record high *
9-Mar-15 Chasing in the summer: Is it worth it?
Standing on the shoulders of bonds
27-Feb-15
18-Feb-15 GDP is a deceptive denominator: Several popular charts improved
6-Feb-15 Bank those Energy gains
30-Jan-15
3-Feb-15 Yields are key to S&P PE & Styles: Watch Participation & Productivity
Signature Charts *
25-Jan-15 No sweat yet for yields, but more heat to come
18-Jan-15 Can yields stay cool this summer as growth heats up?
13-Jan-15 More rotation and reset? Watch yields
11-Jan-15 April showers: Aunt Yellen to give less and Uncle Sam to take more
15-Dec-14 1Q EPS Preview: Cold from banks to retailers, but rest of year to warm-up
5-Dec-14 The small cap growth correction
26-Nov-14 S&P 500 sources and uses of cash: How to deploy $1 trillion?

2015 S&P Outlook: Better time for consumers, but tougher for producers
Slow growth, but strong payouts: Definitive dividend vs blurry buybacks
Trick or treat? Skip the dark houses
Date
21-Nov-14
14-Nov-14
7-Nov-14
31-Oct-14
26-Oct-14
19-Oct-14
10-Oct-14
9-Oct-14
26-Sep-14
19-Sep-14
12-Sep-14
11-Sep-14
24-Aug-14
15-Aug-14
8-Aug-14
1-Aug-14
1-Aug-14
31-Jul-14
25-Jul-14
18-Jul-14
13-Jul-14
2-Jul-14
30-Jun-14
20-Jun-14
18-Jun-14
13-Jun-14
13-Jun-14
6-Jun-14
30-May-14
22-May-14
16-May-14
11-May-14
9-May-14
2-May-14
25-Apr-14
17-Apr-14
13-Apr-14
4-Apr-14
30-Mar-14
23-Mar-14
15-Dec-14

Appendix 1
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Equity rating dispersion and banking relationships
Buy: Based on a current 12- month view of total
share-holder return (TSR = percentage change in
share price from current price to projected target price
plus pro-jected dividend yield) , we recommend that
investors buy the stock.
Sell: Based on a current 12-month view of total shareholder
return, we recommend that investors sell the
stock
Hold: We take a neutral view on the stock 12-months
out and, based on this time horizon, do not
recommend either a Buy or Sell.
Notes:
1. Newly issued research recommendations and
target prices always supersede previously published
research.
2. Ratings definitions prior to 27 January, 2007 were:
Buy: Expected total return (including dividends)
of 10% or more over a 12-month period
Hold: Expected total return (including
dividends) between -10% and 10% over a 12month
period
Sell: Expected total return (including dividends)
of -10% or worse over a 12-month period
100
200
300
400
500

600
0
Buy
Companies Covered
Hold
Sell
Cos. w/ Banking Relationship
North American Universe
51 %
57 %
43 %
2 %41 %
47 %

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