



The Fed's experience with forward guidance and asset purchases

December 2014

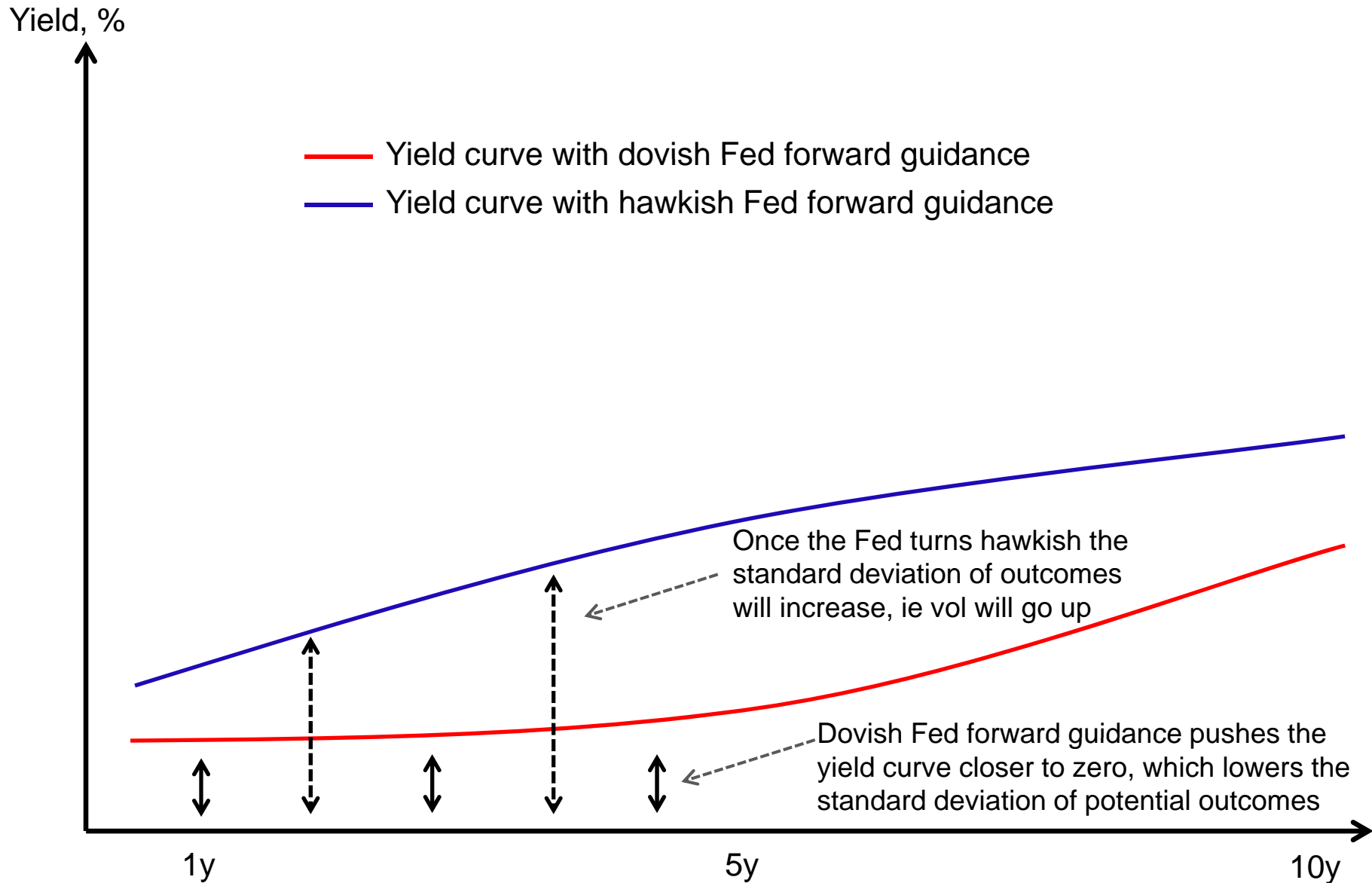
Passion to Perform

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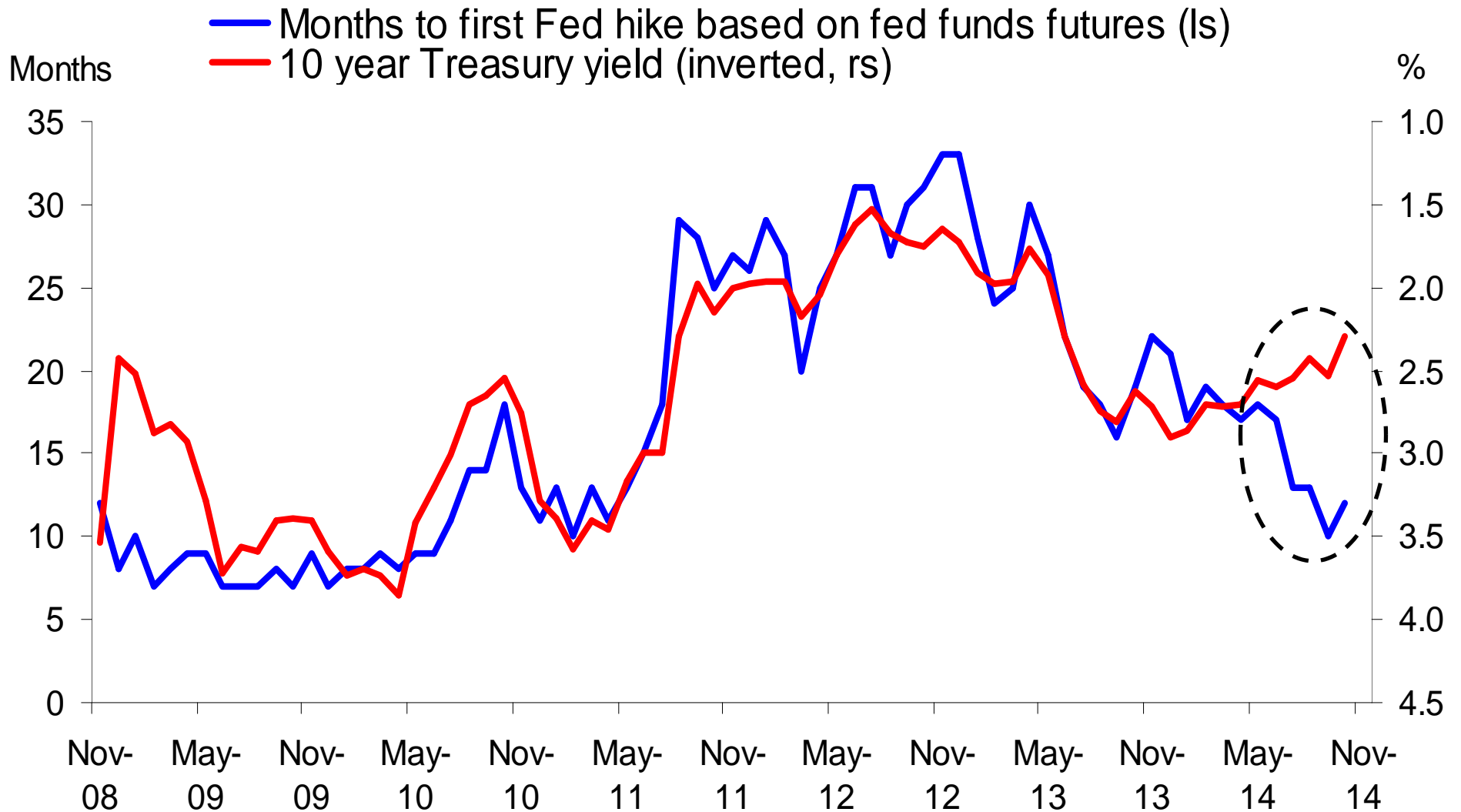
Effects of Fed forward guidance and asset purchases

Volatility will move up as we get closer to the first Fed hike



Source: DB Global Markets Research

10y has moved closely with Fed expectations – except in 2014

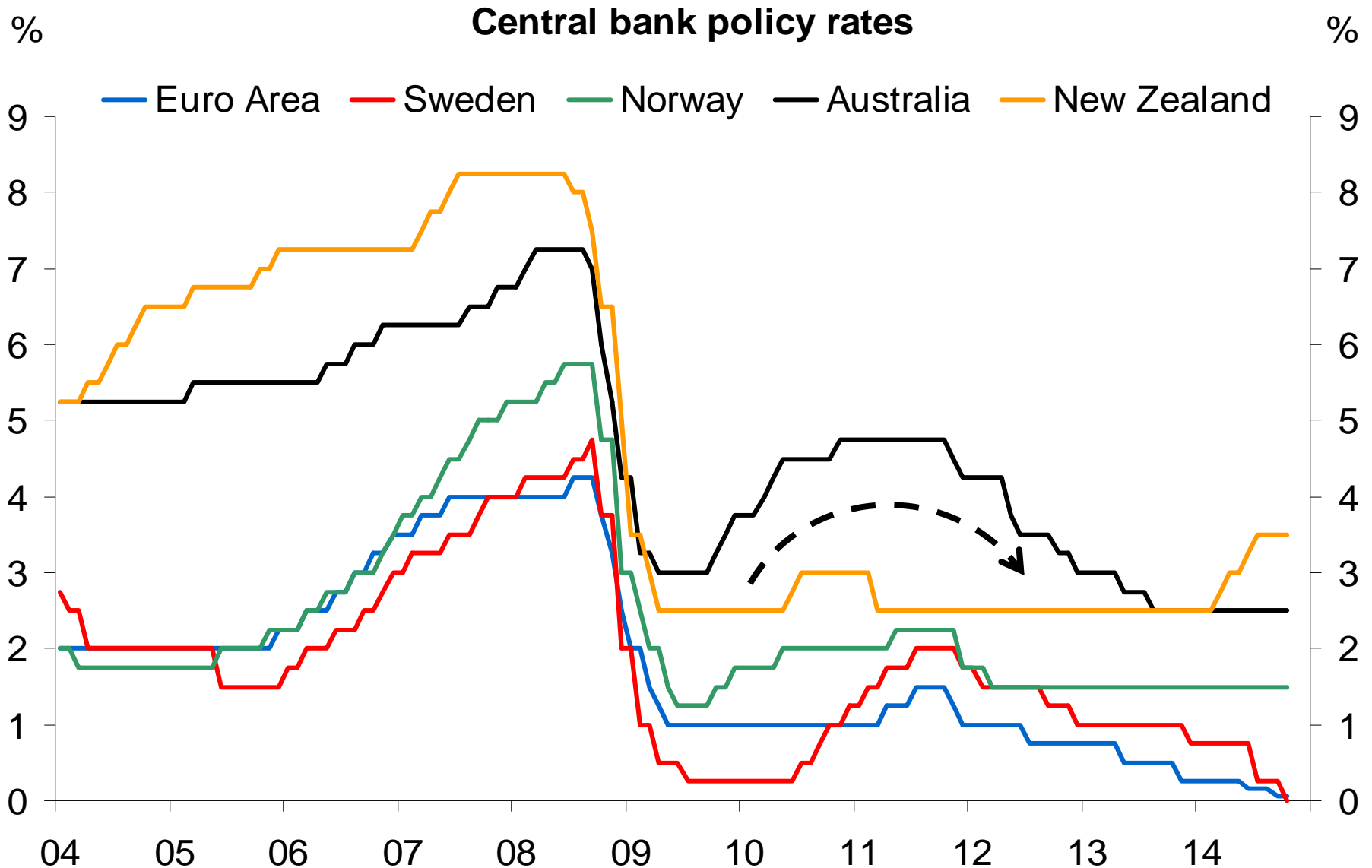


Source: Bloomberg Finance, Deutsche Bank Research



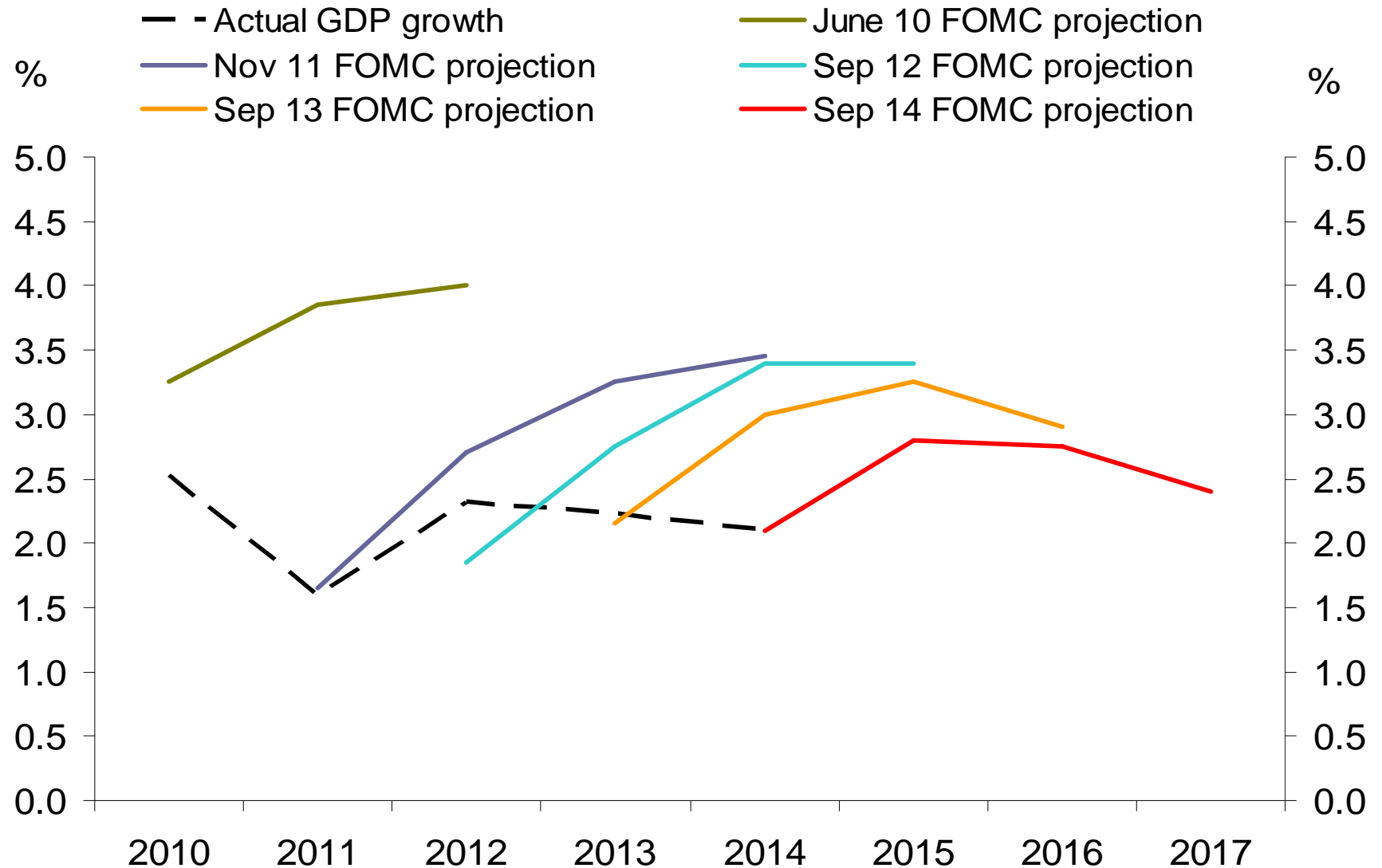
Has the Fed done a good job?

The Fed has done a better job than these five central banks. They raised rates too early.



Source: ECB, SRB, NB, RBA, RBNZ, Haver Analytics, DB Global Markets Research

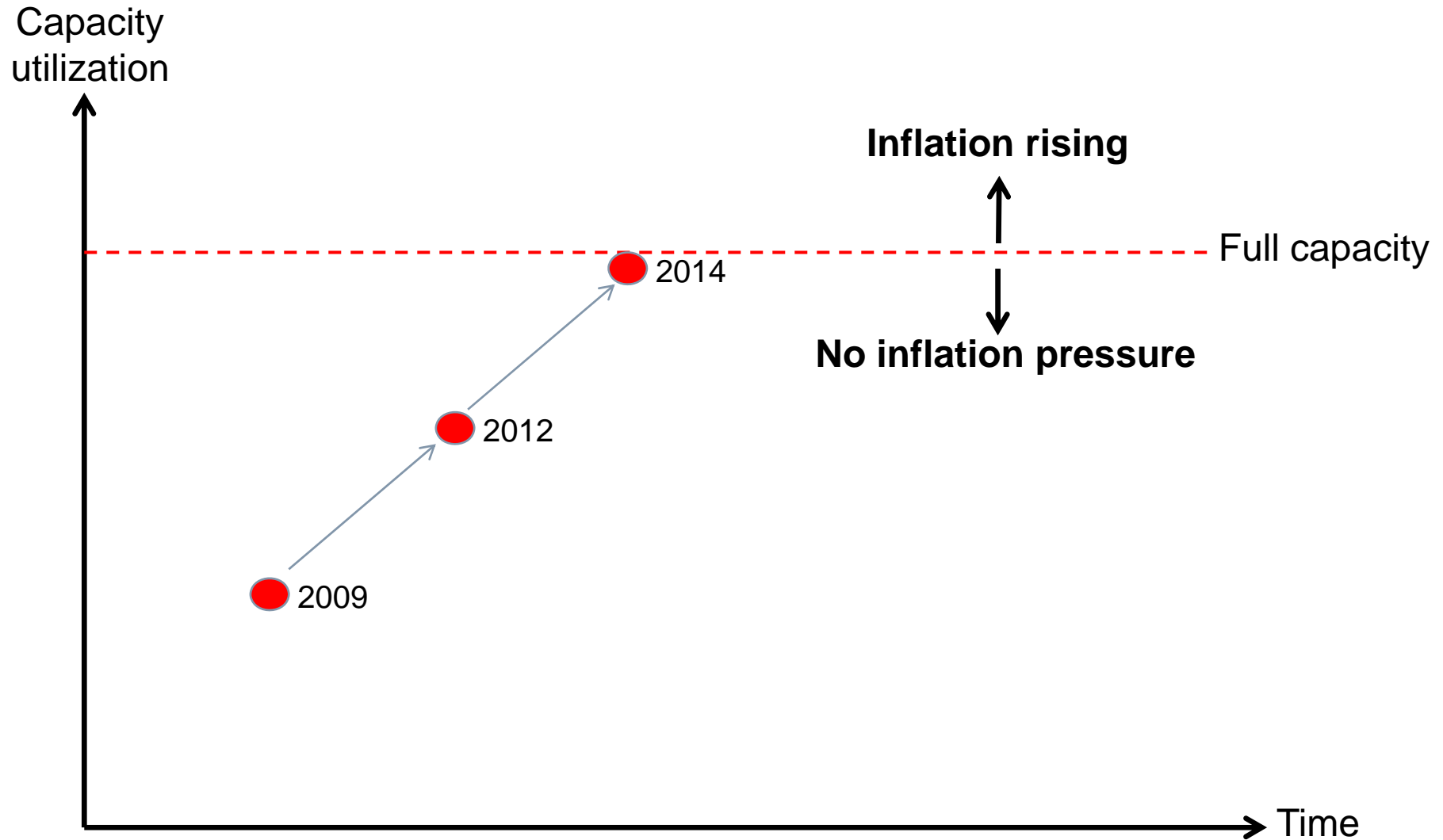
The FOMC has been too optimistic about the recovery



Note: Actual GDP is annual data and the observation for 2014 is the latest consensus estimate.

Source: FRB, BEA, DB Global Markets Research

We are getting close to full capacity in the US economy



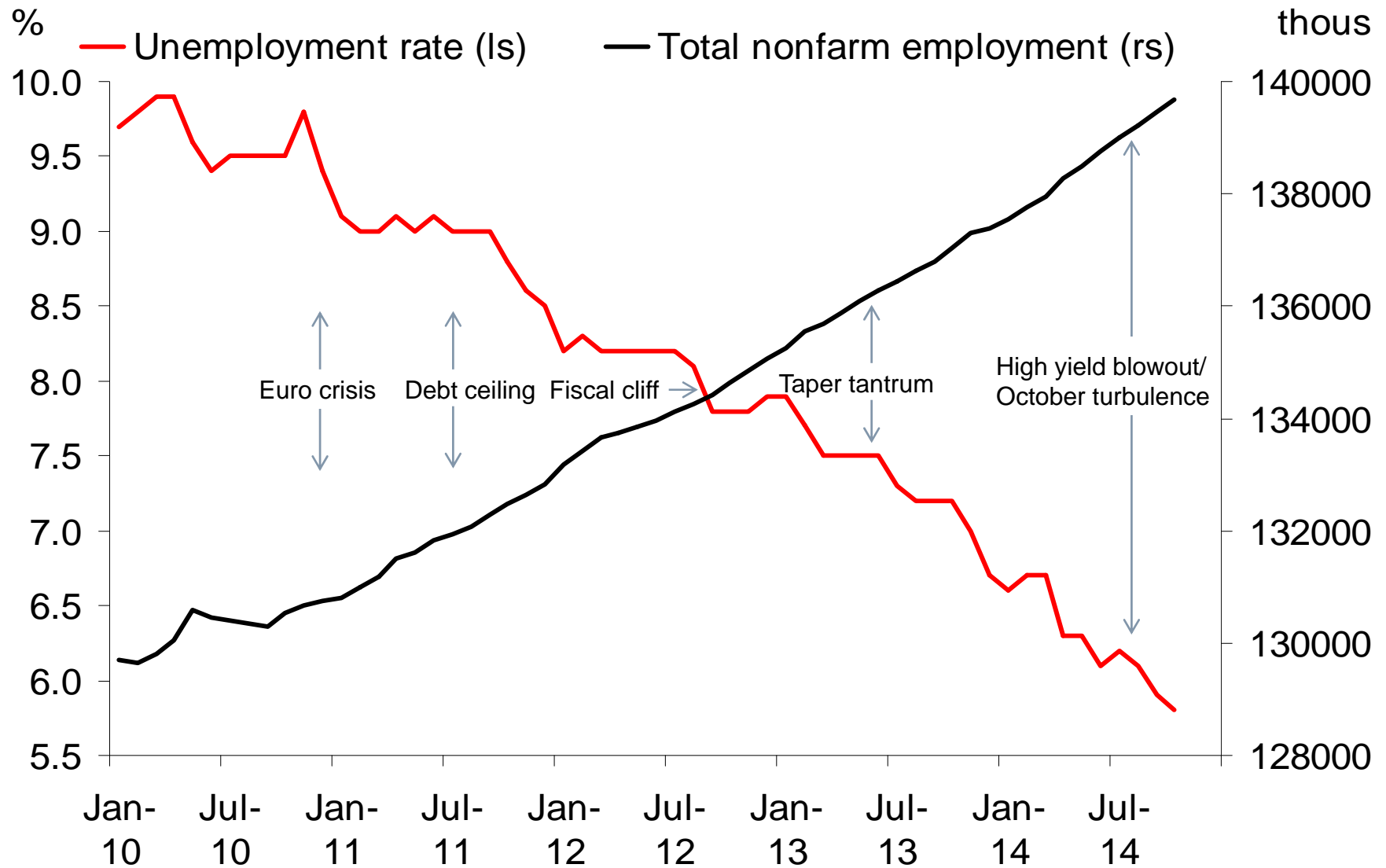
Source: DB Global Markets Research



Can the US economy handle higher rates?



The Fed can easily begin to hike rates: The taper tantrum had no impact on the speed of the recovery



Source: BLS, BEA Haver Analytics, DB Global Markets Research



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-
- Torsten Slok joined Deutsche Bank Securities in the fall of 2005.
 - Mr. Slok's Economics team has been top-ranked by Institutional Investor in fixed income and equities for the past five years. Slok currently serves as a member of the Economic Club of New York
 - Prior to joining the firm, Mr. Slok worked at the OECD in Paris in the Money and Finance Division and the Structural Policy Analysis Division. Before joining the OECD he worked for four years at the IMF in the Division responsible for writing the World Economic Outlook and the Division responsible for China, Hong Kong, and Mongolia.
 - Mr. Slok studied at University of Copenhagen and Princeton University. He has published numerous journal articles and reviews on economics and policy analysis, including in Journal of International Economics, Journal of International Money and Finance, and The Econometric Journal.



Appendix 1

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