

### Current market commentary

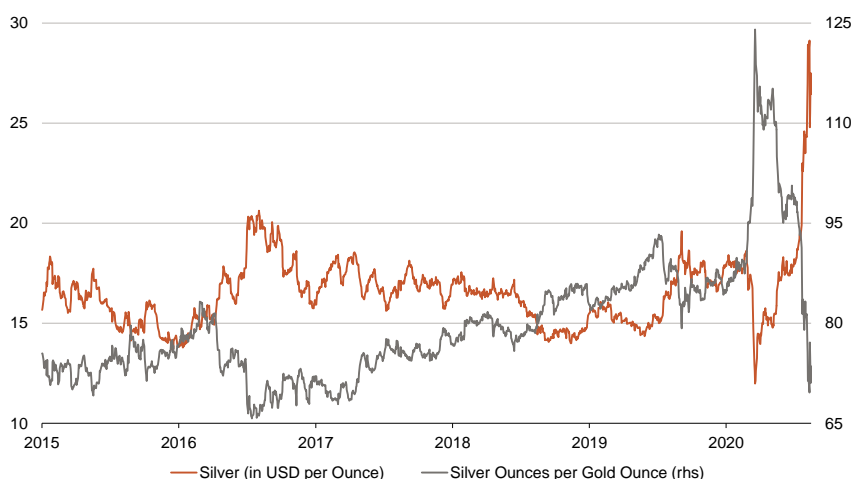
The summer remains lacklustre. Over the past four weeks, not only have European stock markets stagnated. Below the surface, however, cyclicals and especially small caps have outperformed more defensive stocks. Positive economic surprises and hopes for a coronavirus vaccine also provided support, as did the continuing scepticism and cautious positioning of many market participants. Speculative investors, for example, have reduced their equity positioning in futures over the past few weeks. Positions in corporate and emerging market bonds benefitted from a further narrowing of risk premiums. Bond yields have recently risen slightly, as have inflation expectations. This has put pressure on "bond proxies" on the equity side and has also led to a correction in gold and silver after last week's mega rally. We have now taken our profits in silver, but continue to have a positive view on gold and more cyclical commodities in the medium term.

### Short-term outlook

In the coming weeks, very few impulses can be expected from the central banks. On 20 August, the ECB will publish its report on the Monetary Policy Meeting of mid-July and on 27 to 28 August the Fed Economic Forum will meet. The reporting season also enters its summer break at the end of August with significantly better than expected results.

This week, the July inflation rates for the UK and the eurozone will be published on 19 August. The initial jobless claims in the US will follow on 20 August. The preliminary Purchasing Managers' Indices for Germany, France, UK, the US, and the eurozone will be released on Friday, and will provide information regarding the ongoing recovery in the industrial sector. Next week, the ifo Business Climate Index and the Conference Board's Consumer Confidence will be released in the US on 25 August. The University of Michigan's Sentiment Index for the month of August will follow on 28 August.

### Relative attractiveness of silver versus gold has normalised



The bi-weekly *Monitor* gives you a structured overview of the current capital market environment and highlights important developments:

- Performance
- Positioning
- Sentiment
- Surprise Indicators
- Economics
- Foreign Exchange
- Equities
- Sovereign Bonds & Central Banks
- Corporate Bonds
- Commodities

*The significantly better than expected reporting season is coming to an end.*

*The manufacturing purchasing managers' indices provide insights into the ongoing recovery.*

- With the gold-silver ratio close to an all-time high, at the start of the economic recovery and rising gold prices, we added silver in mid-May as an attractive addition to our portfolio.
- Since then, silver has gained almost 50% in euro terms, as demand from industrial applications and, in particular, from investors has risen sharply.
- In the meantime, the gold-silver ratio has normalised and the growth in demand appears to be priced in. Silver should thus have largely seen its recovery relative to gold.

Source: Bloomberg, Time period: 01/01/2015-14/08/2020



Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (17/07/20 - 14/08/20)	YTD (31/12/19 - 14/08/20)	14/08/19	14/08/18	14/08/17	14/08/16	14/08/15
Gold	3.7	21.4	20.6	29.3	-3.3	-9.1	19.3
Global Convertibles	0.7	8.4	15.5	4.3	11.0	6.5	1.2
Brent	-40.8	0.5	-30.5	-12.6	58.6	-8.7	-22.1
MSCI World	-3.1	0.4	9.4	1.3	16.0	8.6	1.4
MSCI Emerging Markets	-5.5	0.2	9.2	-3.4	5.3	12.1	7.6
Eonia	0.0	-0.3	-0.5	-0.4	-0.4	-0.4	-0.2
Industrial Metals	-0.3	-5.9	-5.1	-0.6	2.7	17.5	-1.5
MSCI Frontier Markets	-0.5	-17.5	-15.1	8.1	1.4	17.0	-8.5
REITs	-0.9	-16.4	-14.5	13.9	4.5	-10.5	11.4
Global Coporates	-1.9	0.8	1.3	11.5	2.2	-3.0	6.4
Global Treasuries	-2.0	0.3	-1.7	11.1	1.7	-8.3	12.0
USDEUR	-3.5	-5.3	-5.9	1.8	3.9	-5.3	-0.5

MSCI World: MSCI World Net Return; MSCI Emerging Markets: MSCI EM Net Return; MSCI Frontier Markets: MSCI Frontier Markets Net Return;  
 REITs: MSCI World REITs Index; Global Treasuries: Bloomberg Barclays Global Agg Treasuries TR; Global Corporates: Bloomberg Barclays Global Aggregate Credit TR  
 Global Convertibles: Bloomberg Barclays Global Convertibles Composite TR; Gold: Gold US Dollar Spot; Brent Crude: Bloomberg Brent Crude Subindex TR;  
 Industrial Metals: Bloomberg Industrial Metals Subindex TR; Eonia: Eonia Capitalization Index; USDEUR: Price of 1 USD in EUR.

- Even though gold has fallen over the last week, it remains the best asset class over the past four weeks and since the beginning of the year. Drivers for the gold rally are above all the negative real interest rates in the US, which have now also driven more US investors into the precious metal. The weak US dollar, from which emerging markets equities have also benefitted, had also helped.
- Government and corporate bonds, on the other hand, have recently been at a disadvantage.

Total return of selected asset classes, in euros and in percent, sorted by 4-week performance.  
 Source: Bloomberg, Time period: 14/08/2015 - 14/08/2020

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (17/07/20 - 14/08/20)	YTD (31/12/19 - 14/08/20)	14/08/19	14/08/18	14/08/17	14/08/16	14/08/15
MSCI EM Eastern Europe	-20.8	5.3	-5.8	15.7	11.0	12.5	5.3
Stoxx Europe Small 200	-7.5	3.4	8.2	-5.8	8.3	15.7	-4.7
MSCI USA Small Caps	-9.8	2.8	1.0	-6.6	26.4	7.6	3.0
S&P 500	0.2	1.1	13.9	3.9	22.1	9.2	6.5
MSCI EM Asia	0.2	0.7	19.1	-5.8	7.6	14.9	7.0
Stoxx Europe Cyclical	-11.3	0.2	6.2	-9.5	2.5	23.2	-12.8
Topix	-7.4	0.1	3.8	-4.1	11.9	8.1	-0.6
DAX	-0.1	-2.6	12.3	-7.0	1.6	13.6	-2.5
Euro Stoxx 50	-1.7	-10.2	2.6	-0.9	1.4	16.3	-10.2
MSCI UK	-2.0	-23.6	-11.1	-5.6	8.9	5.2	-9.6
Stoxx Europe 50	-3.1	-10.5	1.0	1.4	4.4	9.4	-9.9
Stoxx Europe Defensives	-3.9	-8.1	1.9	3.0	8.7	1.9	-6.7

S&P 500: S&P 500 TR (US-Equity); Stoxx Europe 50: Stoxx Europe 50 TR; Euro Stoxx 50: Euro Stoxx 50 TR; Topix: Topix TR (Japanese Equity);  
 Stoxx Europe Small 200: Stoxx Europe Small 200 TR; MSCI USA Small Caps: MSCI USA Small Caps TR; Stoxx Europe Cyclical: Stoxx Europe Cyclical TR;  
 Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kingdom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR;  
 MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- Within the equity regions, small caps have outperformed significantly. The hope for a coronavirus vaccine has given a boost to cyclical equity segments in particular.
- Defensive stocks were the relative losers, partly because of rising bond yields.
- The weak UK economy and continuing Brexit uncertainty make UK stocks one of the major underperformers in 2020.

Total return of selected equity indices, in euros and in percent, sorted by 4-week performance.  
 Source: Bloomberg, Time period: 14/08/2015 - 14/08/2020

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (17/07/20 - 14/08/20)	YTD (31/12/19 - 14/08/20)	14/08/19	14/08/18	14/08/17	14/08/16	14/08/15
EM Hard Currency Bonds	0.8	2.4	2.2	8.1	-5.1	1.2	11.9
EUR High Yield	-2.9	1.7	-0.4	3.2	0.9	5.8	3.8
EUR Inflation Linkers	0.4	1.5	-0.8	6.7	1.2	-1.3	5.5
BTPs	0.4	1.4	5.2	13.3	-4.6	-3.8	7.3
EUR Non-Financials	0.9	0.5	-0.8	6.3	0.6	-0.5	6.5
EUR Financials	0.2	0.9	-0.4	5.5	0.2	1.9	5.0
Bunds	-0.3	1.9	-2.1	7.9	1.3	-3.4	6.6
Gilts	-0.8	0.7	6.6	6.8	2.2	-8.9	-3.0
USD High Yield	-1.4	-6.0	-2.4	7.9	7.3	1.8	6.9
EM Local Currency Bonds	-2.3	-6.6	-3.6	11.4	-0.5	-3.2	10.9
USD Corporates	-3.3	1.4	2.1	14.3	3.3	-3.9	8.3
Treasuries	-3.9	3.1	1.2	12.5	2.2	-6.7	4.6

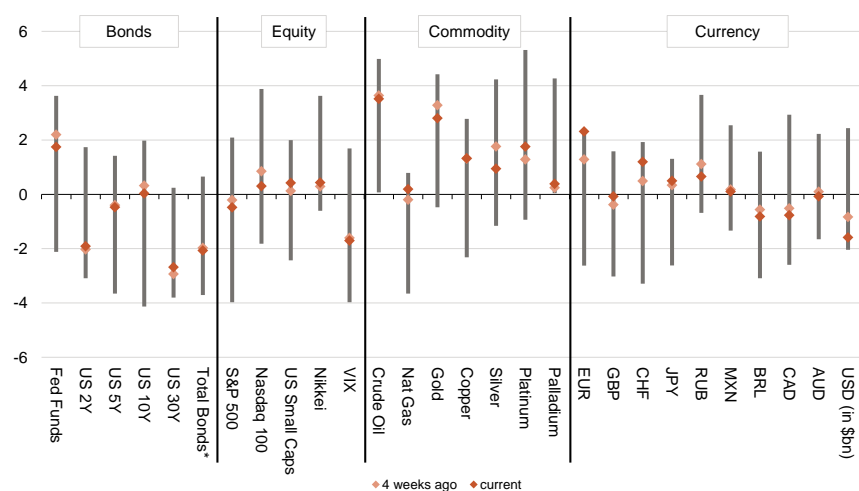
Bunds: Barclays Germany Govt All Bonds TR; BTPs: Barclays Italy Govt All Bonds TR; Treasuries: Barclays US Treasury TR;  
 Gilts: Barcl. UK Govt All Bonds TR; EUR Inflation Linkers: Barcl. Euro Govt Inflation-Linked Bond All Maturities TR; EUR Financials: iBOXX Euro Fin. Overall TR;  
 EUR Non-Financials: iBOXX Euro Non-Fin. Overall TR; EUR High Yield: Markt iBoxx EUR Liquid HY TR; USD Corporates: iBoxx USD Corporates TR;  
 USD High Yield: iBOXX USD Liquid HY TR; EM Hard Currency: Barcl. EM Hard Currency Agg Govt Related TR; EM Local Currency: Barcl. EM Local Currency Govt TR.

- Bonds with higher carry are in demand within government bonds over the summer. EM government bonds, high yield bonds and Italian government bonds are among the relative winners.
- Italian government bonds have now risen by more than 3% this year, overtaking US government bonds as the best bond segment (in euro terms) since the beginning of the year.

Total return of selected fixed income indices, in euros and in percent, sorted by 4-week performance.  
 Source: Bloomberg, Time period: 14/08/2015 - 14/08/2020



Non-Commercial Positioning

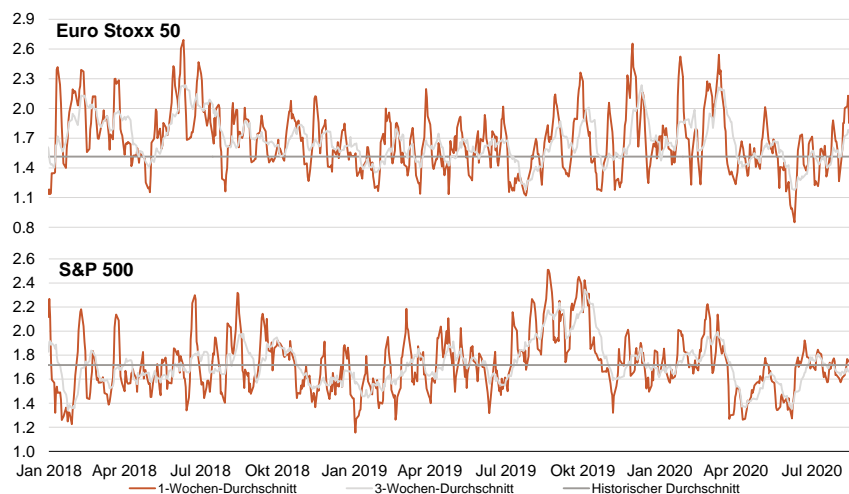


- Stock markets are rising, but speculative market participants seem to be hardly participating in this upward trend. Compared to four weeks ago, equity positions have actually been reduced. Euro and CHF long positions, on the other hand, have been significantly increased.

The Commodity Futures Trading Commission (CFTC) publishes the Commitments of Traders Reports every Friday. A distinction is made between "non-commercial" and "commercial traders" positions. Non-commercial traders enter into purely speculative positions. Commercial traders hedge underlying transactions with futures or options. The chart shows the historical, normalized distribution in standard deviations and focuses on the net future position (long positions minus short positions) of non-commercial traders, thus indicating how speculative investors have positioned themselves.

\*Duration weighted average bond position.  
Source: Bloomberg, CFTC, Time period: 11/08/2010 - 11/08/2020

Put-Call Ratio

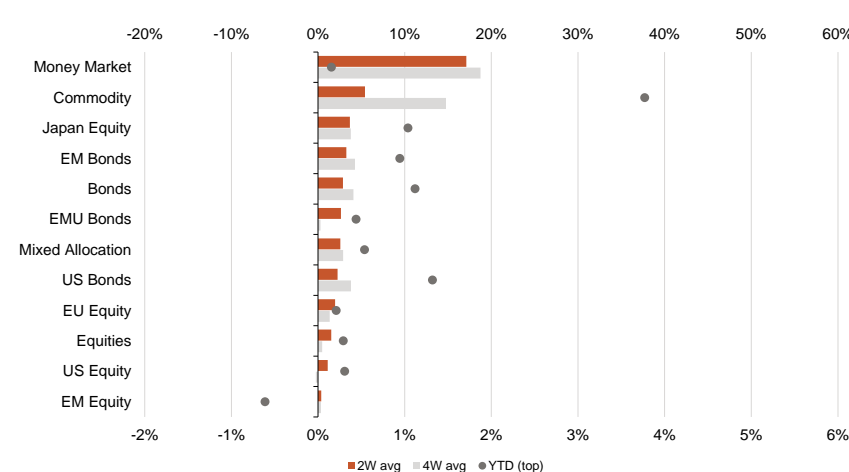


- According to the put-call ratio for the Euro Stoxx 50, which is well above long-term average, options market participants are more sceptical about euro-zone equities than they are about the S&P 500.

The put-call ratio is the ratio of traded put options (speculation on falling prices) to call options (speculation on rising prices) across all maturities. The higher (lower) the ratio, the more cautious (optimistic) are the market participants. The data have been available for the S&P 500 since 20 December 1993 and for the Euro Stoxx 50 since 24 February 2006.

Source: Bloomberg, Time period: 20/12/1993 - 14/08/2020

ETF Flows



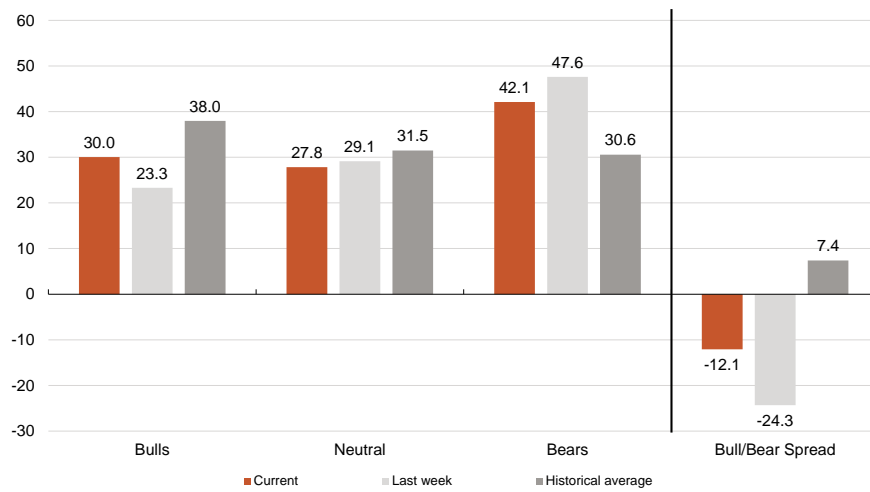
- Within the ETF spectrum, money market vehicles have recently been the most popular, followed by commodities (especially gold and silver) and emerging market bonds.
- Equity ETFs saw only marginal inflows over the last two weeks. Japan and Europe were favoured over the US and emerging markets.

Estimated ETF flows in percent of assets under management, sorted by 2-week average.

Source: Bloomberg, Time period: 31/12/2019 - 11/08/2020



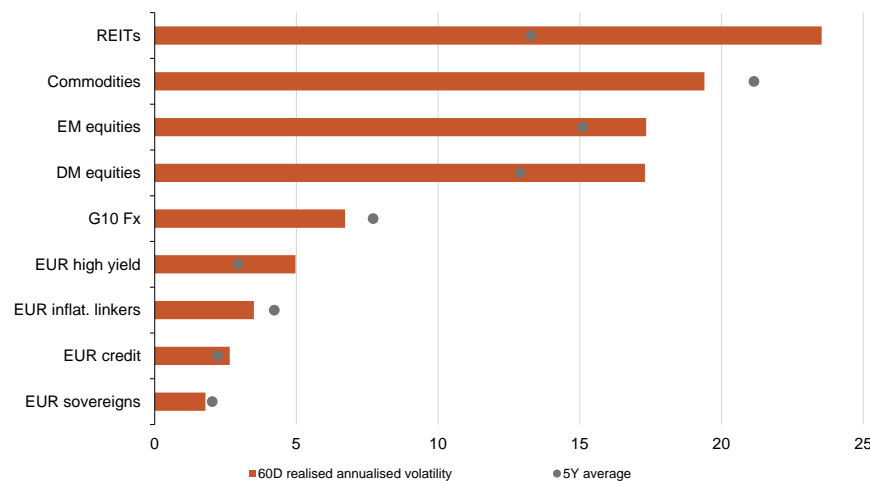
**AAll Sentiment Survey (Bulls vs Bears)**



- Although the sentiment of US private investors is still negative with a bull/bear spread of -12 ppts, it has brightened considerably compared to the previous week. The sentiment is better than it has been for 10 weeks. This is likely to be attributable to the slowdown in the rate of infection in the US.

The sentiment survey conducted by the American Association of Individual Investors determines the percentage of private investors who are optimistic, pessimistic or neutral regarding the US equity market outlook for the upcoming six months. It has been carried out since 1987. The survey is conducted from Thursday to Wednesday and the results are published every Thursday. For the stock market, it tends to be supportive when there is a high proportion of bears and a low proportion of bulls. However, it is a negative indicator when there are significantly more optimists than pessimists.  
Source: Bloomberg, AAll, Time period: 23/07/87 - 13/08/20

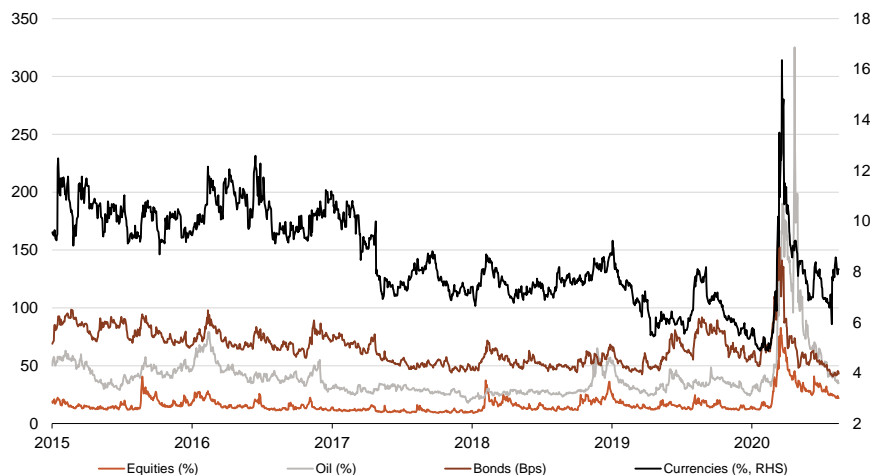
**Realised Volatilities**



- Realised volatilities over the last 60 days have fallen over the last two weeks in almost all asset classes presented here. Thanks to the stabilised oil price, volatility in commodities is now even below its 5-year average.
- For the first time since the beginning of March, the realised volatility of developed markets equities has fallen below the volatility of emerging markets equities.

Realised volatility (in percent) measures the historical range of variation of a time series and is defined here as the standard deviation of the daily returns over the last 60 trading days. Volatility is often used as a measure of risk.  
Source: Bloomberg, Time period: 14/08/2015 - 14/08/2020

**Implied Volatilities**

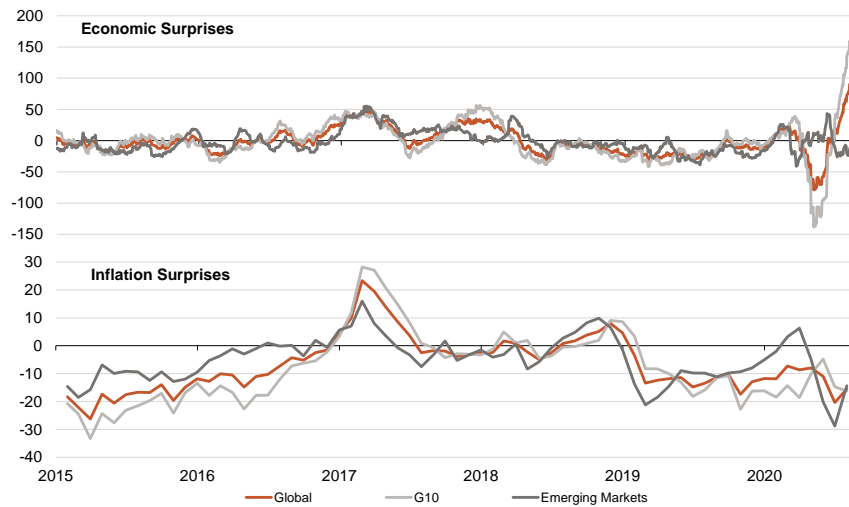


- The implied volatilities are almost unchanged or slightly lower than two weeks ago. Thanks to an expansionary Fed, volatility in bond markets is close to all-time lows. The VIX is currently trading at 22. Should it fall below the 20 mark, risk parity and target volatility strategies should take additional positions in equity markets.

The price of options depends on the volatility of the underlying instrument. Implied volatility can therefore be interpreted as a measure of the currently expected fluctuation range of the underlying compared to the market over the remaining term of the option. It is a measure of prevailing uncertainty in the financial markets.  
Stocks = VIX Index, Oil = OVX Index, Government Bonds = MOVE Index, Currencies = CVIX Index  
Source: Bloomberg, Time period: 01/01/2015 - 14/08/2020



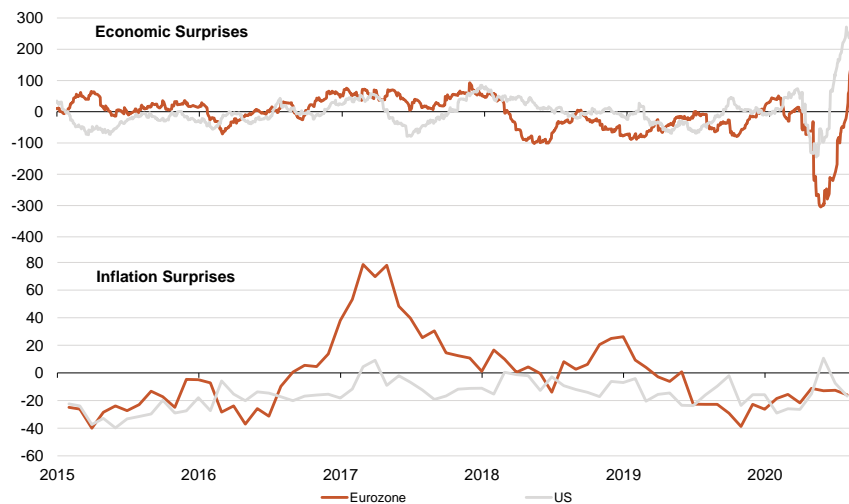
## Global



- The positive economic surprises continued in the last two weeks. Following the global and G10 indices, the emerging markets index has recently also made it into positive territory. In China, the July Manufacturing Purchasing Managers' Index (PMI) and exports were better than expected, while the unemployment rate in South Korea provided a positive surprise. In India the industrial PMI was weak in July. However, industrial production in June fell less than expected.

See explanations below.  
Source: Bloomberg, Time period: 01/01/2015 - 14/08/2020

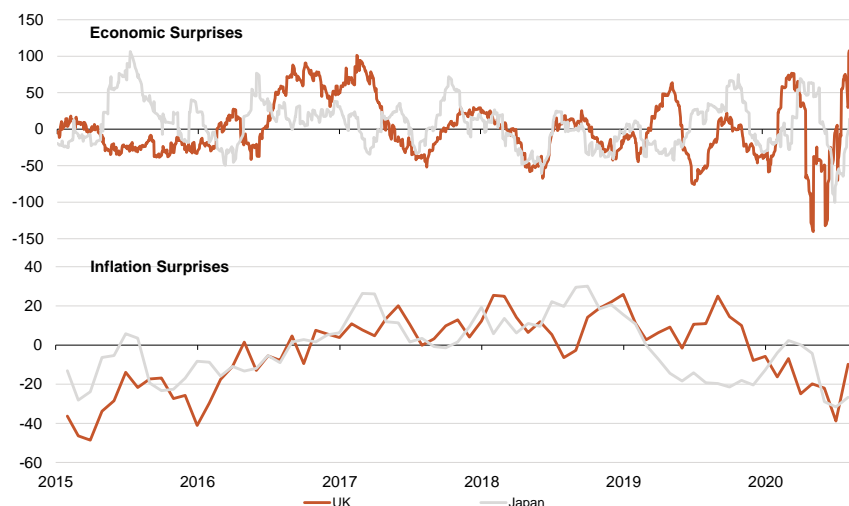
## Eurozone and US



- The eurozone has now caught up with the US in terms of positive economic surprises. In Germany, the ZEW Index of Economic Sentiment, Industrial Production Data (June), New Orders (June) and Export Data (June) provided positive surprises. In France and Italy, industrial production data and the industrial purchasing managers' index were better than expected.
- In the US, the labour market data, the ISM index and incoming orders were among the positive indicators.

See explanations below.  
Source: Bloomberg, Time period: 01/01/2015 - 14/08/2020

## UK and Japan

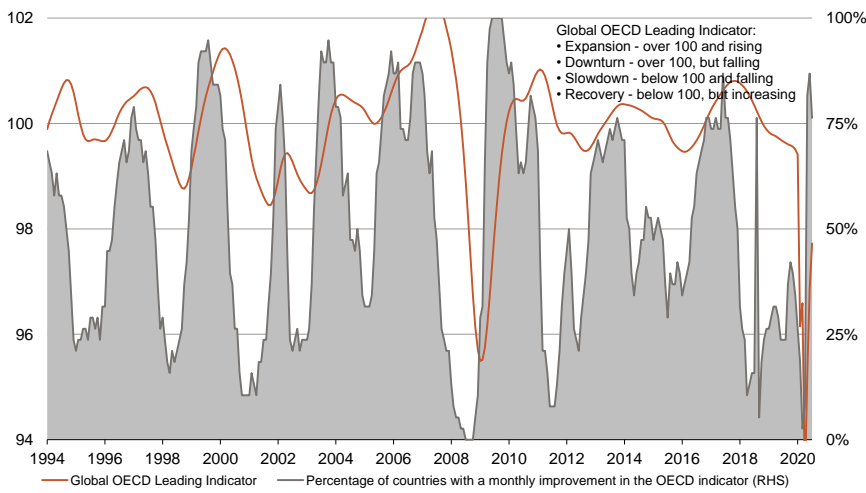


- In the UK and Japan, the trend is also upwards. Both labour market and industrial production data in the UK were better than expected. In Japan the purchasing managers' indices were better than in the previous month.

Citigroup Economic Surprise Indices are defined as weighted historical, normalized data surprises (actual releases vs. Bloomberg survey median) over the last three months. A positive value of the index indicates that the economic data have exceeded the consensus on balance. The indices are calculated daily based on a rolling three-month period. The indices use a time decay function to replicate the markets limited memory, i.e. the weight of a data surprise decreases over time.  
Source: Bloomberg, Time period: 01/01/2015 - 14/08/2020



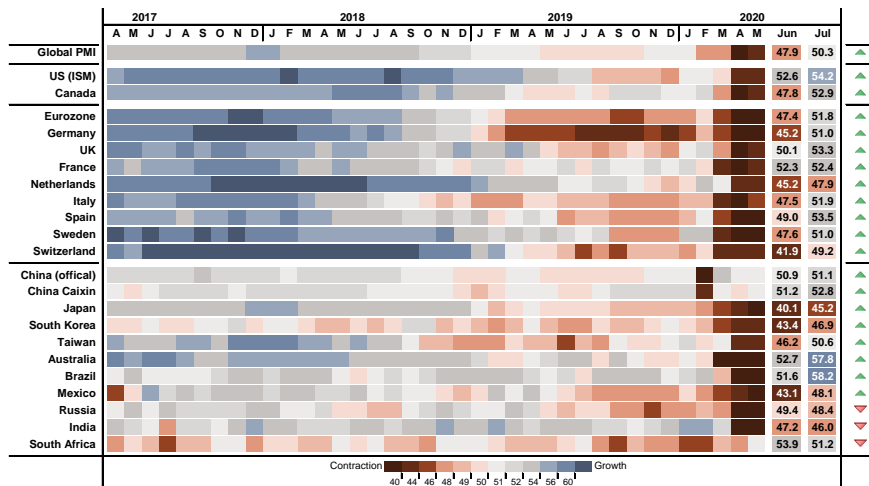
OECD Leading Indicator



- The global OECD leading indicator continued to rise in July and, at just under 98 points, is now approaching the important 100 mark. The global economic recovery thus continued to progress in July.
- More than 75% of the countries surveyed saw an improvement in the OECD leading indicator compared to the previous month.

The OECD Leading Indicator is composed of a series of selected economic indicators whose composition provides a robust signal for future turning points. A turning point in the indicator usually signals a turning point in the economic cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly detected.  
 Source: Bloomberg, Time period: 31/01/1994 - 31/07/2020

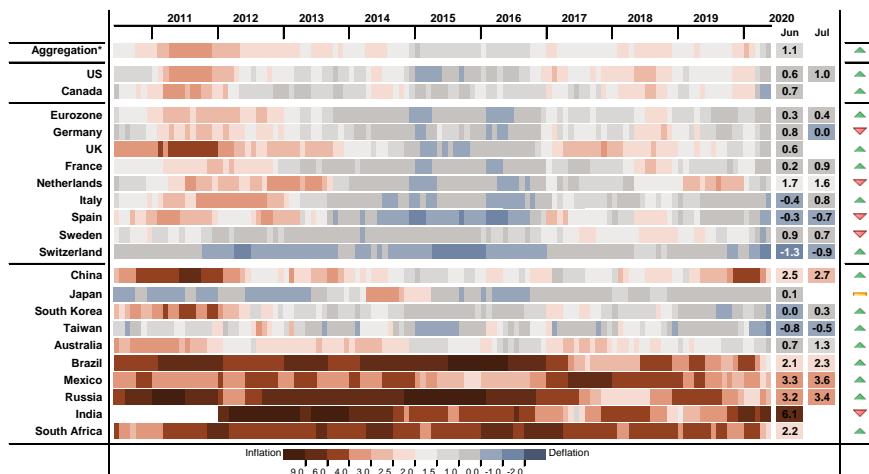
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The global PMI returned to expansionary territory in July with 50.3 points. This should strengthen the cyclical tailwind of the recovery.
- The ISM index (USA) rose by 1.6 points to 54.2 points in July, making it the second month in a row above the 50 points mark.

The PMI is an overall index that provides a general overview of the economic situation in industry. The PMI is derived from a total of eleven sub-indices, which reflect the change from the previous month. A value of 50 is regarded as neutral, a value of over 50 points as an indicator of rising activity in industry and a value of less than 50 points for falling activity in industry compared with the previous month. The index has an average lead time before actual industrial production of three to six months. The PMI is based on a survey of a relevant selection of purchasing managers regarding the development of parameters such as incoming orders.  
 Source: Bloomberg, Time period: 30/09/2017 - 31/07/2020

Headline Inflation



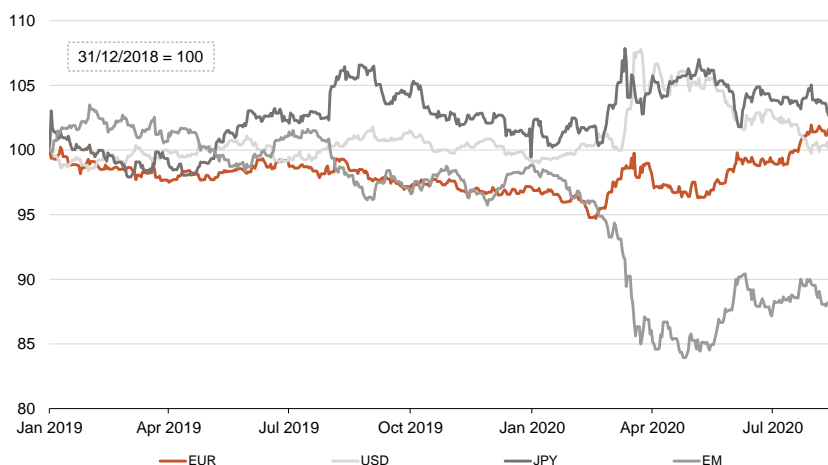
- US inflation rose for the second consecutive month to 1% in July. In particular energy prices rose, while food prices declined.
- Inflation in China rose to 2.7% in July, thus moving further away from the May low. Food inflation reached its highest level in three months.

Inflation is measured (in percent, year-on-year comparison) using a consumer price index, also known as a shopping basket of goods. This shopping basket contains all goods and services that a household purchases on average per year. \* = weighting by gross domestic product.  
 Source: Bloomberg, Time period: 31/10/2010 - 31/07/2020





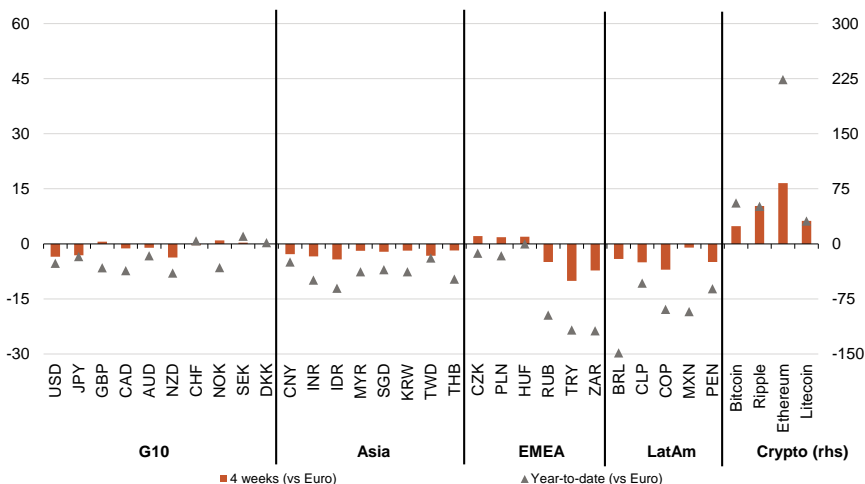
Trade-Weighted Currency Development



- Following several strong weeks, the euro recently had to pause in its upward trend on a trade-weighted basis. The US dollar has recently stabilised. By contrast, the Japanese yen lost strength in the course of the risk-on attitude in markets.
- The recent weakness of emerging market currencies visible here was not due to bad sentiment in general, but was driven by a few individual countries such as Turkey.

A trade-weighted index is used to measure the effective value of an exchange rate against a basket of currencies. The importance of other currencies depends on the share of trade with the country or currency zone.  
Source: Bloomberg, Time period: 01/01/2019 - 14/08/2020

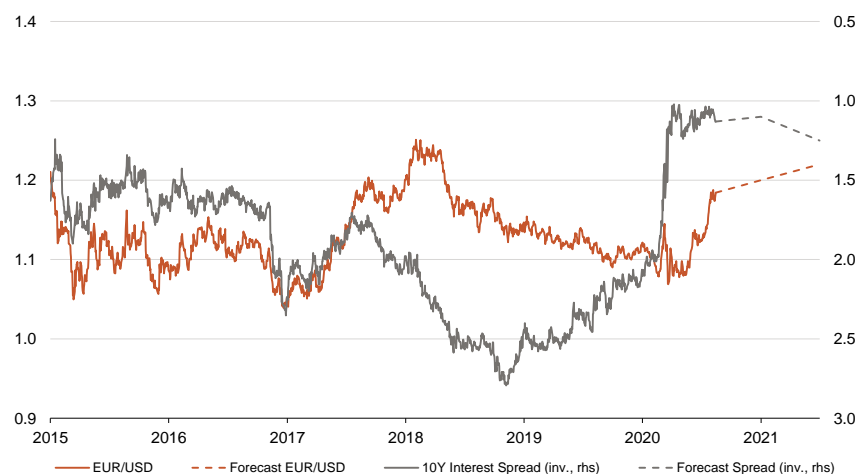
Currency Moves vs Euro



- Both on a four-week and annual basis, the euro was ahead of most of the currencies presented here.
- In particular, the euro made gains against Latin American currencies as well as the Russian rouble, Turkish lira and the South African rand.
- Compared with over developed countries, the appreciation was somewhat more moderate.
- Only crypto currencies were able to clearly outperform the euro.

Performance of selected currencies against the euro, in percent.  
Source: Bloomberg, Time period: 31/12/2019 - 14/08/2020

EUR/USD exchange rate and interest rate differential



- The EUR/USD exchange rate has settled at 1.18 over the past two weeks following the strong appreciation of the euro.
- The interest rate differential between US Treasuries and Bunds remains slightly above 1% and should offer further upside potential for the euro in the medium term.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US Treasuries and 10-year Bunds.  
Source: Bloomberg, Time period: 01/01/2015 - 30/06/2021



## European Sector & Style Performance

	4-week & YTD		12-month periods over that last 5 years				
	4W (17/07/20 - 14/08/20)	YTD (31/12/19 - 14/08/20)	14/08/19	14/08/18	14/08/17	14/08/16	14/08/15
Industrials	-8.2	2.2	8.4	-2.4	7.6	14.1	0.5
Consumer Discretionary	-13.6	0.5	0.8	-3.4	6.2	11.0	-9.9
Materials	-4.0	0.0	14.3	-8.0	12.0	19.9	-3.1
Growth	-1.0	-1.6	10.2	3.5	7.9	6.9	-3.2
Consumer Staples	-5.8	-1.0	-2.6	8.6	3.6	1.0	7.6
Utilities	-1.2	4.1	17.4	14.6	0.6	4.8	-3.1
Information Technology	-1.5	6.0	23.0	-0.6	17.2	16.2	10.2
Value	-20.8	-1.9	-8.1	-7.5	2.0	16.6	-12.6
Finance	-24.8	-2.2	-9.2	-11.9	-6.1	33.0	-24.1
Telecommunications	-16.9	-2.3	-11.5	-2.6	-10.6	0.2	-16.2
Energy	-38.5	-3.8	-32.9	-10.7	27.9	8.1	-0.4
Health Care	-5.6	-0.1	12.0	9.7	6.9	-1.9	-9.9

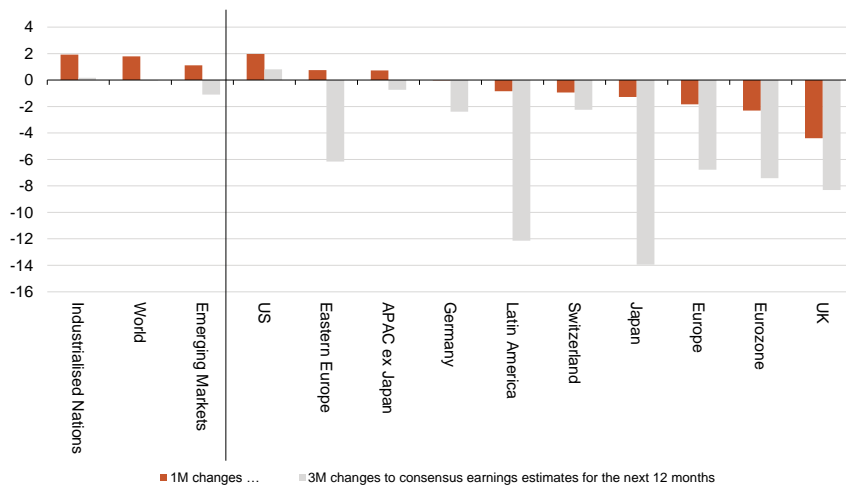
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Staples: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. NR; Materials: MSCI Europe Materials NR; Telecommunications: MSCI Europe Telecommunication Services NR; Utilities: MSCI Europe Utilities NR; Value: MSCI Europe Value NR; Growth: MSCI Europe Growth NR.

- The recovery of economic data worldwide and the hope for a coronavirus vaccine have recently boosted cyclical sectors in Europe. The relative winners included industrials, basic materials and cyclical consumer goods.
- The healthcare sector has remained one of the top performers since the beginning of the year, but has recently performed underperformed significantly.

Total return of European equity sectors and European style indices, in euros and in percent, sorted by 4-week performance. The difference between Value and Growth lies in the valuation. A growth stock is highly valued because the company is expected to grow strongly. Value stocks generally have less growth potential and are valued lower.

Source: Bloomberg, Time period: 14/08/2015-14/08/2020

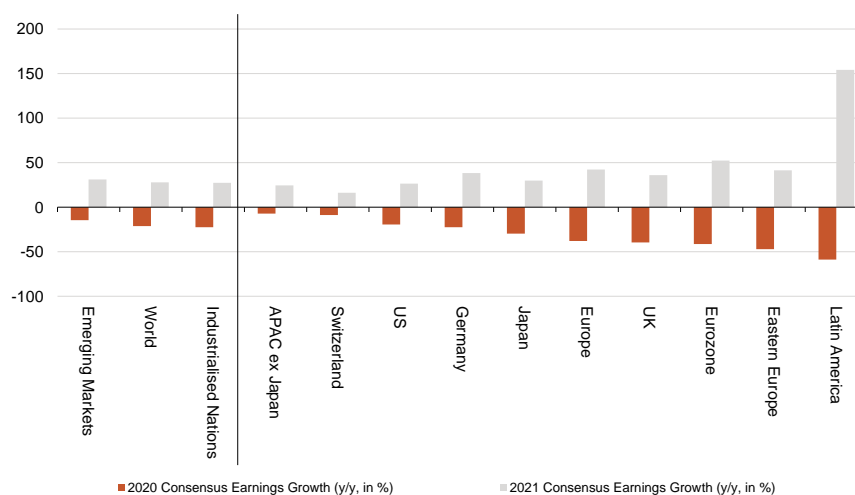
## Changes in Consensus Earnings Estimates



- Earnings estimates have recently stabilised due to the strong reporting season. In the USA and Asia Pacific ex Japan they have even risen.
- For the euro zone, however, they have fallen over the past month. One reason for this is certainly the strong appreciation of the euro, which weighs on export orientated companies in particular.

1-month and 3-month changes in consensus earnings estimates for the next 12 months, in percent. APAC ex Japan = Asia Pacific ex Japan. Source: FactSet, as of 14/08/2020

## Earnings Growth



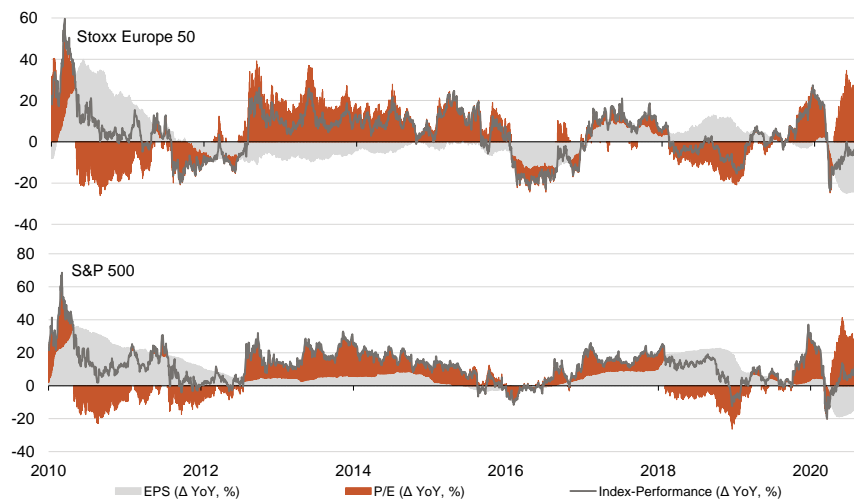
- For this year, analysts are forecasting by far the sharpest drop in profits for Latin America, which has been particularly hard hit by the Corona crisis, followed by Eastern Europe.
- Asia Pacific ex Japan and Switzerland as well as the USA and Germany, on the other hand, are likely to record milder profit losses.

Calendar year earnings growth expected to the consensus for selected equity regions, compared to the previous year and in percent. The earnings estimates of the individual companies are aggregated using the index weights (bottom-up). APAC ex Japan = Asia Pacific ex Japan. Source: FactSet, as of 14/08/2020





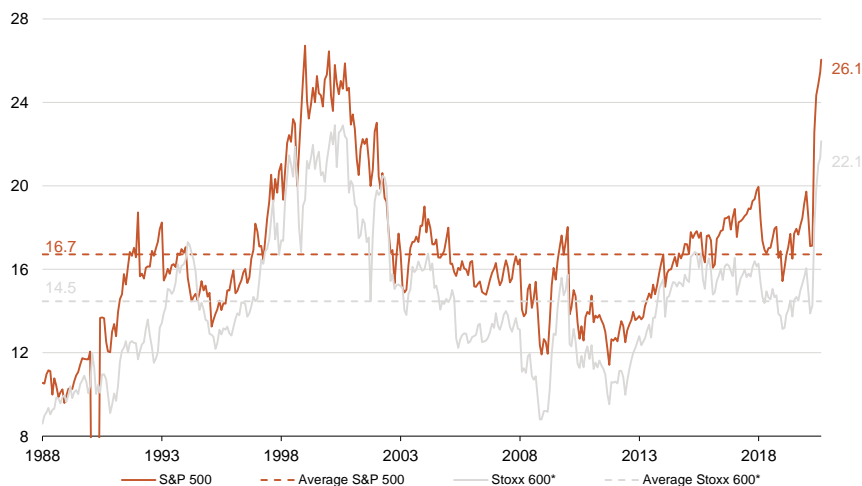
## Contribution Analysis



- Over the past 12 months, US equities are now clearly positive again, thanks to a massive increase in valuations. Compared with August 2019, the price-earnings ratio has risen by more than 30% in the USA and Europe. By contrast, earnings estimates have fallen sharply over the past year.

Analysis of the stock market drivers over the last 12 months. This takes into account the change in earnings estimates and the change in valuation (price/earnings ratio). EPS = earnings per share  
Source: Bloomberg, Time period: 01/01/2010 - 14/08/2020

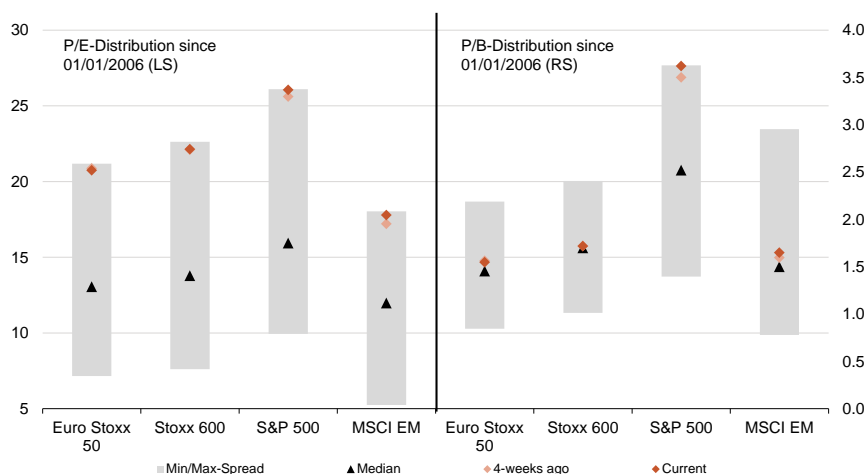
## Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Although earnings estimates have risen in the US over the past month, the S&P 500 has gained even more and is now trading near its all-time high. As a result, valuations have risen further. The P/E ratio for the S&P 500 now stands at 26.1.

P/E valuation based on earnings estimates for the next twelve months for European and US equities and the respective P/E average since 1988 \* For the Stoxx 600, the history prior to 2000 is of MSCI Europe.  
Source: Bloomberg, IBES Time period: 31/12/1987 - 14/08/2020

## Historical Distribution: Price/Earnings and Price/Book Ratio

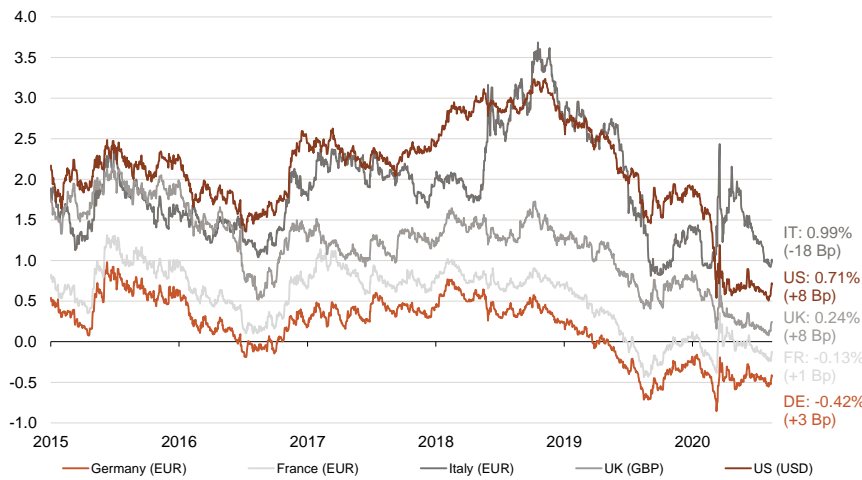


- On a P/E basis, all regions are now very expensive relative to their own history. However, this approach ignores the fact that interest rates worldwide have never been so low and that equities are therefore still not expensive compared to other asset classes.

Historical distribution of valuation indicators for selected stock regions since 2006, showing the current value, the observation four weeks ago and the historical median, the maximum (upper limit of the grey bar) and the minimum (lower limit of the grey bar).  
Source: Bloomberg, Time period: 01/01/2006 - 14/08/2020



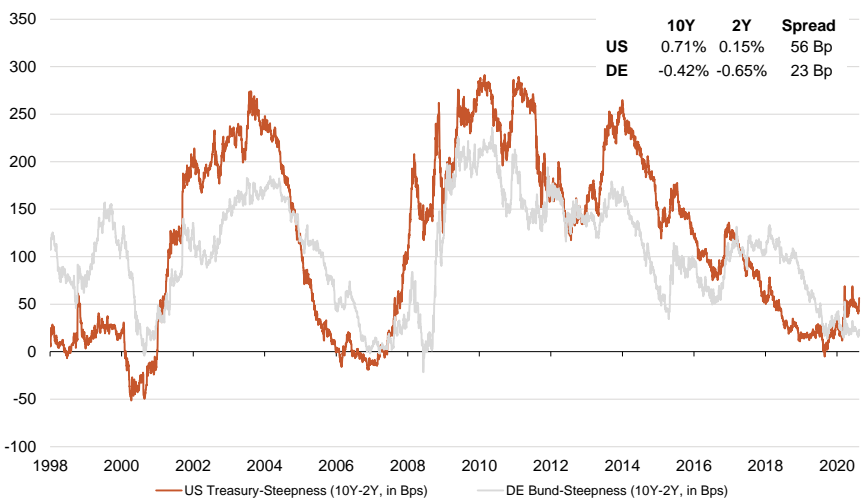
10-Year Government Bond Yields



- Yields on government bonds in the euro zone have continued to fall. Especially periphery nations such as Italy, Spain and Portugal saw yields falling significantly. By contrast, the yield on 10-year German government bonds hardly changed at -0.42%.
- The yield on US government bonds has risen slightly over the past four weeks and most recently stood at 0.71%. The declining number of new coronavirus cases in the USA and the hope for an early vaccine is causing investors to take more risk again.

Effective yield of 10-year government bonds and change in the last four weeks in basis points (in brackets).  
Source: Bloomberg, Time period: 01/01/2015 - 14/08/2020

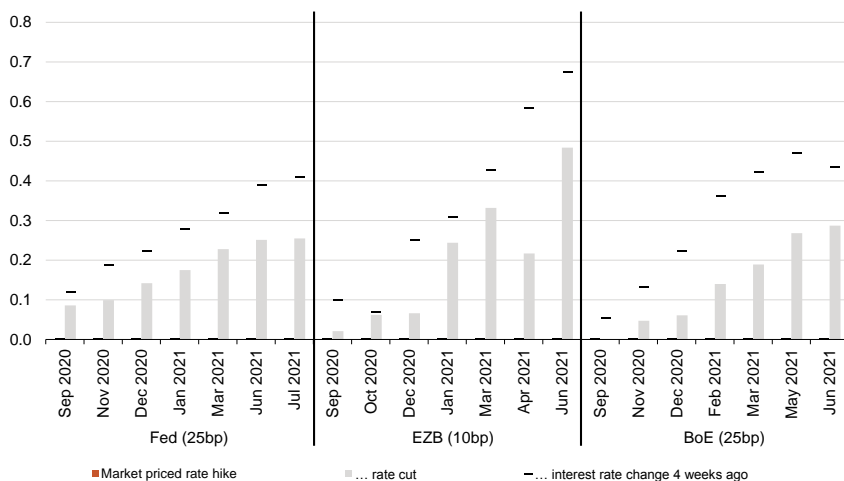
Yield Curve Steepness (10Y - 2Y)



- The steepness of the German and US yield curve has recently risen again. The German yield curve has gone above 20 basis points and the US yield curve above 50 basis points. Investors are therefore less concerned about a sustained recession.

The yield curve distinguishes between the so-called short and the long end. The reason for this lies in the way in which factors influence returns. Central banks control the short end of the curve through their monetary policy and key rates. By contrast, the long end is influenced less by central banks than by inflation expectations, supply, demand and risk premia.  
Source: Bloomberg, Time period: 01/01/1998 - 14/08/2020

Implicit Changes in Key Interest Rates

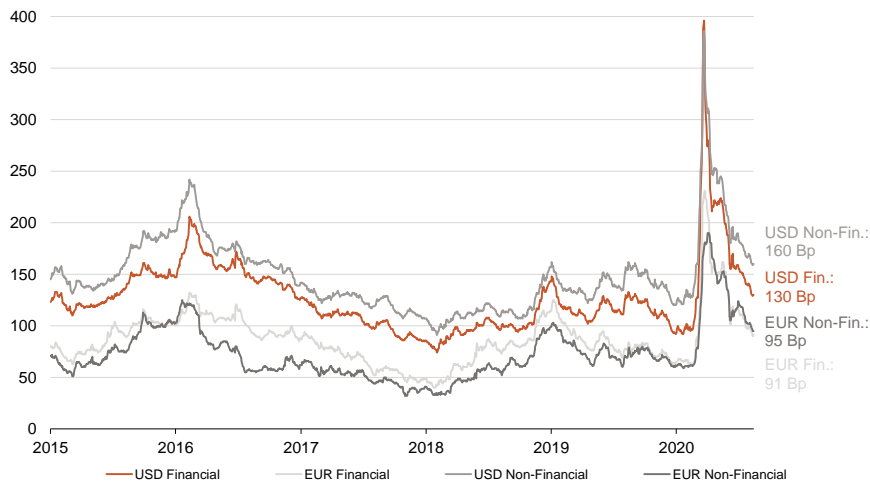


- There has been little impetus from central banks recently. The ECB and the Fed have entered the summer break and the BoE did not decide on any new substantial monetary policy steps in its August meeting. Central banks are in "wait and see" mode.
- The likelihood of further rate cuts has declined noticeably. For example, a rate cut by the Fed by the middle of 2021 is now only 20% likely.

Derivatives on money market rates - such as the Fed funds futures - can be used to determine changes (number of steps) in the key interest rate priced by the market  
Source: Bloomberg, Time period: 07/12/2020 - 14/08/2020



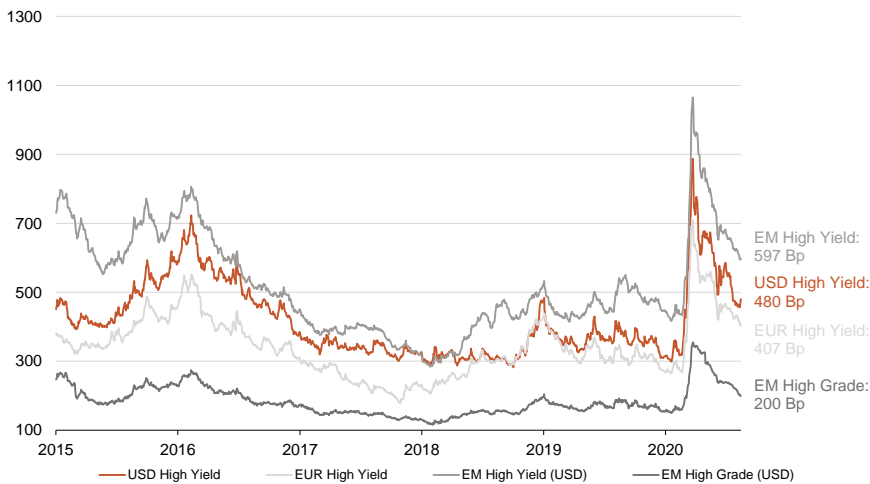
**Credit Spreads Financial and Non-Financial Bonds**



- Taking credit risks over the summer has also worked well recently. Spreads on investment grade bonds have fallen further in the last two weeks. USD-IG corporate bonds saw the biggest spread tightening at around 10 basis points, while EUR-IG corporate bonds saw spreads tightening slightly below 10 basis points.
- At the EUR sector level, the largest spread tightening was seen in the real estate and leisure sectors.

Explanations see middle and bottom illustration.  
Source: FactSet, Time period: 01/01/2015 - 14/08/2020

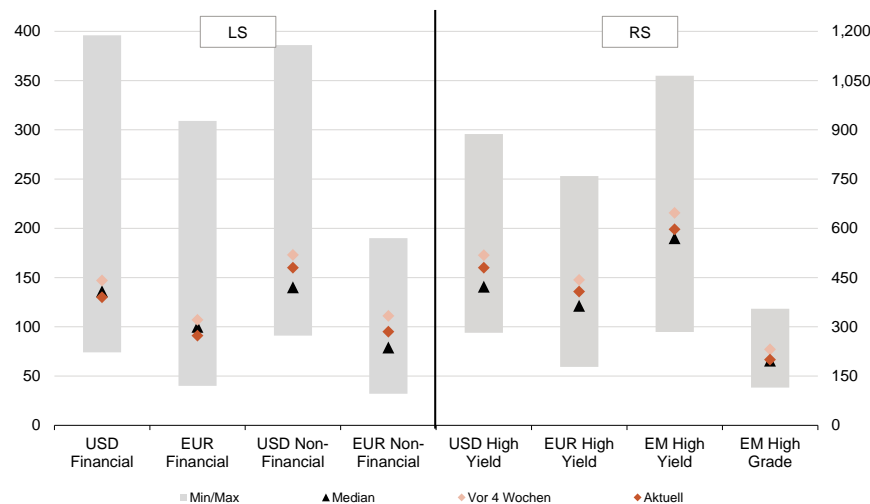
**Credit Spreads High Yield and Emerging Markets Bonds**



- Risk premiums on high-yield bonds have mostly continued to fall. In the last two weeks, spreads on EUR and EM high yield bonds in particular have fallen significantly. There, spreads have narrowed by more than 20 basis points, while USD high yield spreads have slightly widened after their recent run.

The extent of the risk associated with a corporate bond is shown by its asset swap spread (in basis points). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term to offset its credit risk. See further explanations below.  
Source: FactSet, Time period: 01/01/2015 - 14/08/2020

**Historical Distribution of Credit Spreads (in bp)**

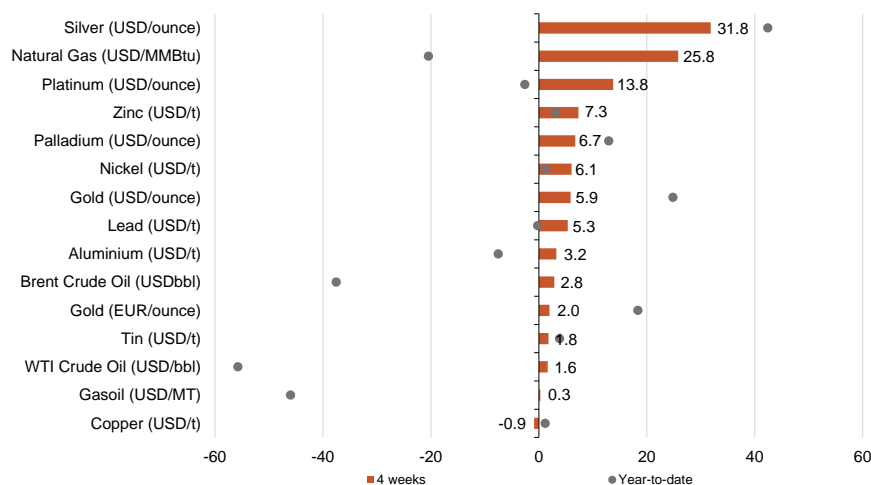


- The search for safe corporate bonds and central bank support have pushed both USD and EUR-IG financial spreads below their 10-year median. As a result, both segments are historically no longer cheap.

USD Financial = ICE BofAML US Financial; EUR Financial = ICE BofAML Euro Financial; USD Non-Financial = ICE BofAML US Non-Financial; EUR Non-Financial = ICE BofAML Euro Non-Financial; USD High Yield = ICE BofAML US High Yield; EM High Yield = ICE BofAML High Yield Emerging Markets Corporate Plus; EM High Grade = ICE BofAML High Grade Emerging Markets Corporate Plus. The EM indices shown here are hard currency bonds.  
Source: FactSet, Time period: 14/08/2010 - 14/08/2020



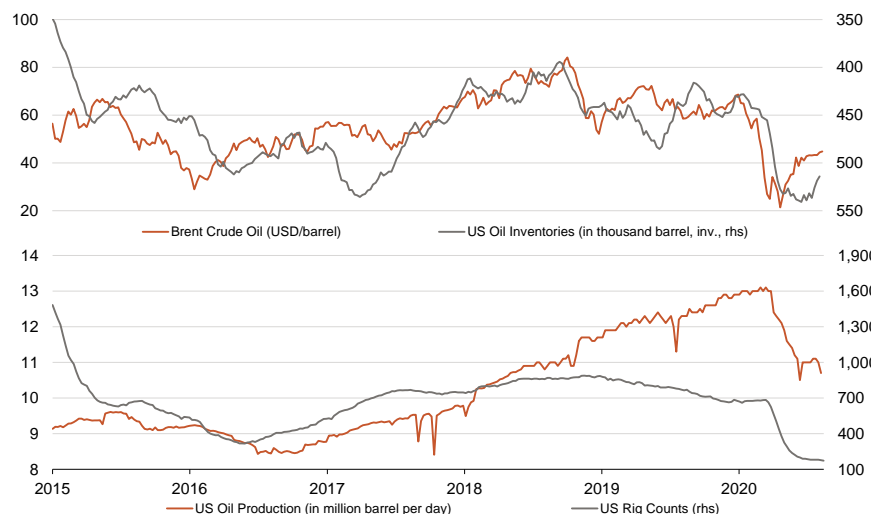
Commodities Performance



- By far the biggest winner in the commodities sector over the last four weeks was silver, which benefited from the recovery in the industrial sector and was increasingly in demand by investors as an alternative to gold. After the strong rally, however, silver's relative attractiveness seems to have been exhausted.
- Platinum and palladium also benefited from the "expensive" gold prices.
- Industrial metals and energy commodities continued their recovery at a slower pace.

Total return of selected commodity prices, in percent, sorted by 4-week performance.  
Source: Bloomberg, Time period: 01/01/2020 - 14/08/2020

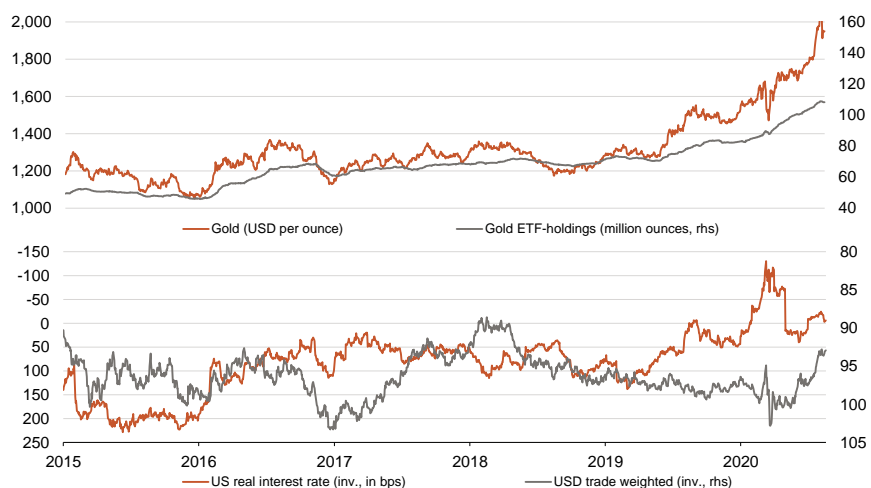
Crude Oil



- Crude oil (Brent) continues to move in a very narrow corridor, but has recently made it above the USD 45 per barrel mark thanks to positive seasonality caused by the driving season and falling inventories.
- However, since OPEC+ is reversing some of its cuts in August, thereby bringing additional supply to the market, while demand is currently recovering only slowly, the upside potential remains limited in the short term.

Higher oil production and higher inventories tend to depress oil prices and vice versa. An increase in active oil rigs indicates a future increase in oil production.  
Source: Bloomberg, Time period: 01/01/2015 - 14/08/2020

Gold



- For the first time in history, gold managed to break through the USD 2000 mark in the last two weeks. However, profit taking followed shortly afterwards, so that the precious metal is currently trading at USD 1,950 an ounce.
- In the medium term, however, gold remains well supported by expansive central bank policy.

The US dollar and the real interest rate, i.e. adjusted for inflation, are among the fundamental price factors of the gold price. Rising real interest rates tend to depress the price of gold, while falling real interest rates have a supportive effect. The same applies to the US dollar. The development of gold ETF holdings reflects the demand for gold from financial investors.  
Source: Bloomberg, Time period: 01/01/2015 - 14/08/2020

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