

Current market commentary

The S&P 500 with a new all-time high, the VIX Index below 13 and the DAX with a YTD performance of almost 17% is good news for investors. The danger of increasing complacency rises. Although this is not yet pronounced, a number of indicators are showing initial warning signals. Market participants are increasingly relying on riskier positions (e.g. short positions in the VIX), even European equity ETFs have recently recorded net inflows and alternative risk measures such as the put call ratio for the Euro Stoxx 50 reflect less demand for hedging instruments. Moreover, Chinese equities fell last week by more than they have since October 2018. The equity markets are now increasingly in need of positive impulses from economic data in the eurozone and the US, a trade deal between China and the US and/or a Brexit clarification. Otherwise the air will become thin and investors will have to prepare for corrections in the next few months.

Short-term outlook

The reporting season in the US and Europe continues to pick up speed. In Europe, 62 companies are reporting their Q1 results this week alone. And in the US, everything revolves around the question of whether a profit recession in Q1 can be avoided - the results to date suggest that, despite analysts' negative profit growth expectations for Q1, profits will ultimately grow compared to the previous year.

A lot of important economic data will be released in the coming days, such as the Q1 GDP of the eurozone on Tuesday and the core inflation rate of the eurozone on Thursday. In addition, the ISM Manufacturing Purchasing Managers' Index is due this week. The regional industrial indicators published to date tended to fall in April, suggesting a lower ISM value than in the previous month. No new impetus is expected from the Fed meeting on 1 May.

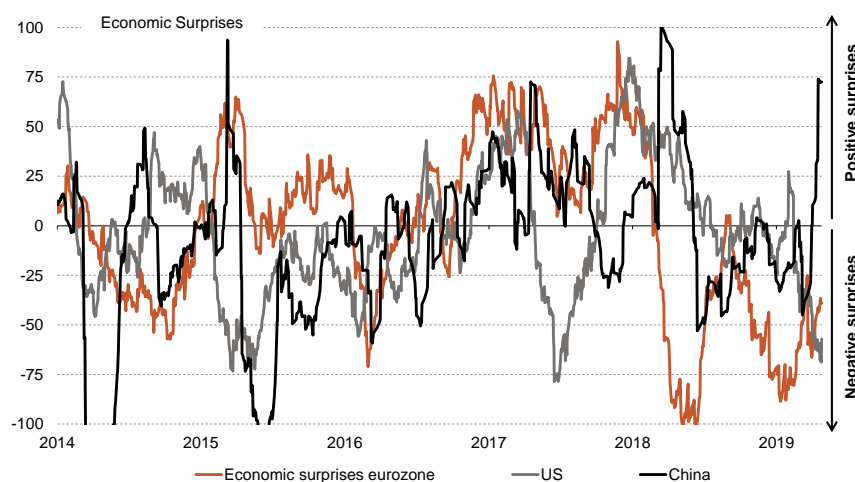
The bi-weekly *Monitor* gives you a structured overview of the current capital market environment and highlights important developments:

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

The current corporate reporting season remains in the focus of investors' attention.

Important macro data are due at the beginning of May.

Economic data in China surprised positively. What is next?



- Economic data in China has recently surprised positively. Stimulus from the government and the central bank seems to be working and stock markets have rewarded this.
- In contrast to China, economic data in the West continued to disappoint on average. This must change in the coming weeks so that stock markets can continue to rise.
- A Brexit clarification and a trade deal between China and the US would also provide positive impetus. Else, it is likely

Explanations see page 5.

Source: Bloomberg, Period: 01/01/2014 - 26/04/2019



Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (29/03/19 - 26/04/19)	YTD (31/12/18 - 26/04/19)	26/04/18	26/04/17	26/04/16	26/04/15	25/04/14
Brent	7.3	37.2	9.2	29.0	5.2	-44.4	-29.9
MSCI World	3.8	19.2	15.1	1.6	18.3	-8.2	40.0
MSCI Emerging Markets	2.5	15.0	4.9	6.8	24.0	-21.8	39.4
Global Convertibles	1.6	10.4	3.6	11.3	12.7	-5.1	3.6
MSCI Frontier Markets	0.8	9.9	-3.6	8.8	15.6	-17.3	19.4
USDEUR	0.6	2.8	8.5	-9.9	3.6	-3.7	27.2
Global Corporates	0.2	4.0	2.7	4.0	1.6	1.5	-1.0
Gold	0.1	3.1	6.0	-6.5	5.8	1.5	15.1
REITs	0.0	17.7	23.6	-13.3	2.5	-1.4	41.7
Eonia	-0.1		-0.4	-0.4	-0.3	-0.2	0.0
Global Treasuries	-0.8	0.8	-0.4	4.9	-2.2	5.0	-5.5
Industrial Metals	-2.7	12.0	-3.3	9.9	20.9	-22.2	15.0

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.

- Equity markets have continued to rise over the last few weeks and the S&P 500 reached a new all-time high last week. The Q1 reporting season, which has been very pleasing to date, was particularly supportive. US companies have so far exceeded their earnings estimates by an average of 6%.
- Brent oil continued to grow strongly. The US government no longer wants to allow exceptions to its sanctions against oil imports from Iran.

Total return of selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Period: 25/04/2014 - 26/04/2019

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (29/03/19 - 26/04/19)	YTD (31/12/18 - 26/04/19)	26/04/18	26/04/17	26/04/16	26/04/15	25/04/14
DAX	6.8	16.6	-1.5	0.2	21.6	-13.1	25.6
Stoxx Europe Cyclical	6.6	20.0	0.2	3.6	22.5	-15.9	21.0
Euro Stoxx 50	4.7	17.5	2.5	0.6	18.1	-13.9	21.3
S&P 500	4.4	21.1	22.2	2.2	21.1	-3.0	47.9
Stoxx Europe Small 200	4.3	17.9	1.9	5.5	18.6	-8.0	21.7
Russell 2000	4.0	21.6	12.5	-0.3	30.0	-11.5	45.8
MSCI EM Eastern Europe	3.9	15.2	18.5	0.5	26.5	-15.9	21.0
Stoxx Europe 50	2.7	17.0	7.4	-0.9	13.3	-14.8	24.9
MSCI UK	2.2	16.4	5.1	2.7	10.6	-15.2	25.6
MSCI EM Asia	1.9	15.6	4.8	8.6	25.8	-22.7	52.7
Topix	1.4	11.1	-0.6	8.0	16.9	-9.8	54.2
Stoxx Europe Defensives	-0.9	10.0	7.9	1.6	5.6	-12.1	27.9

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; Russell 2000: Russell 2000 TR (US Small Caps); 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.

- As Chinese economic data improved, cyclical equity segments in particular, including the DAX, gained significantly in value.
- Over the last four weeks, cyclicals performed c. 8 percent better than defensive sectors in Europe.
- One of this year's underperformers is Japan, which is lagging far behind all other major equity regions.

Total return of selected equity indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Period: 25/04/2014 - 26/04/2019

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (29/03/19 - 26/04/19)	YTD (31/12/18 - 26/04/19)	26/04/18	26/04/17	26/04/16	26/04/15	25/04/14
USD High Yield	1.7	11.6	16.8	-8.0	16.5	-6.4	30.7
EUR High Yield	1.2	6.0	2.5	2.9	6.5	0.3	4.0
USD Corporates	1.1	8.3	16.1	-9.9	7.2	-2.7	34.8
EUR Non-Financials	0.7	4.1	3.4	1.1	2.1	0.4	7.2
EUR Financials	0.7	3.8	2.8	1.7	2.8	0.8	5.9
EM Hard Currency Bonds	0.4	4.8	5.1	2.5	8.0	2.6	2.0
BTPs	0.3	1.9	-2.2	5.7	-2.1	1.3	13.0
Treasuries	0.3	4.3	14.1	-11.4	3.8	-2.4	33.7
EUR Inflation Linkers	0.1	1.4	-1.2	4.9	1.0	-3.4	8.2
Bunds	-0.3	1.8	4.6	-0.9	0.3	-0.5	11.0
EM Local Currency Bonds	-0.7	1.6	-1.9	6.6	4.2	-2.0	-4.8
Gilts	-1.3	6.3	5.3	-4.1	-0.3	-5.8	29.9

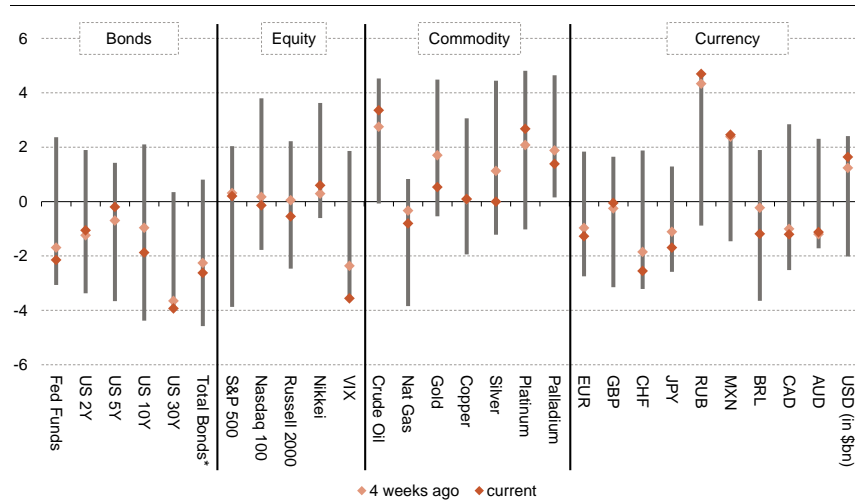
Bunds: Barclays Germany Govt All Bonds TR; BTPs: Barclays Italy Govt All Bonds TR; Treasuries: Barclays US Treasury TR; Gilts: Barcl. UK Govt All Bonds TR; EUR Inflation Linkers: Barcl. Euro Govt Inflation-Linked Bond All Maturities TR; EUR Financials: IBOXX Euro Fin. Overall TR; EUR Non-Financials: 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.

- Within bonds, demand was particularly strong for the riskier segments over the last four weeks. High-yield bonds, for example, performed better than average.
- However, government bonds can be found further down the performance table. British government bonds suffered from rising yields and the weakness of the pound.

Total return of selected fixed income indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Period: 25/04/2014 - 26/04/2019



Non-Commercial Positioning

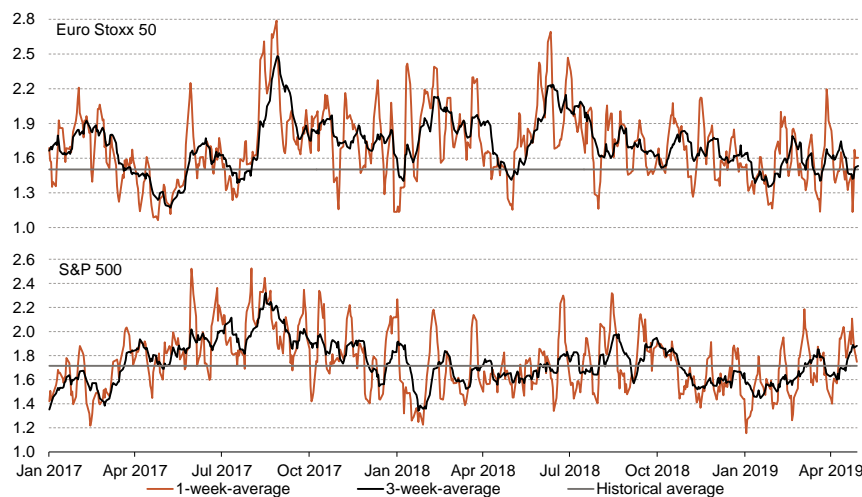


- Speculative investors remain neutral on equities, while in the US they expect government bond yields to rise.
- The net short position in VIX futures has climbed towards record levels. A vulnerable positioning.

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, Period: 23/04/2009 - 23/04/2019

Put-Call Ratio

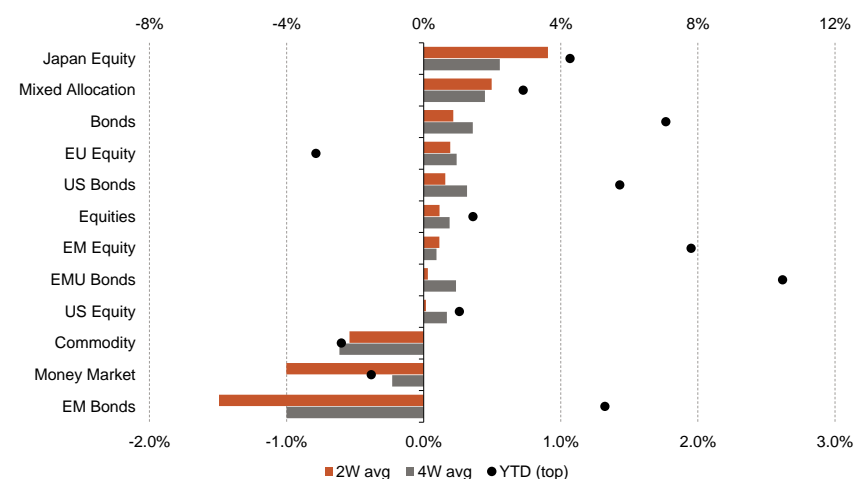


- The put call ratio for eurozone equities has fallen further recently, i.e. market participants are demanding fewer hedging instruments despite low prices due to low volatility. The mood of investors thus appears to have brightened considerably.

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 - 26/04/2019

ETF Flows



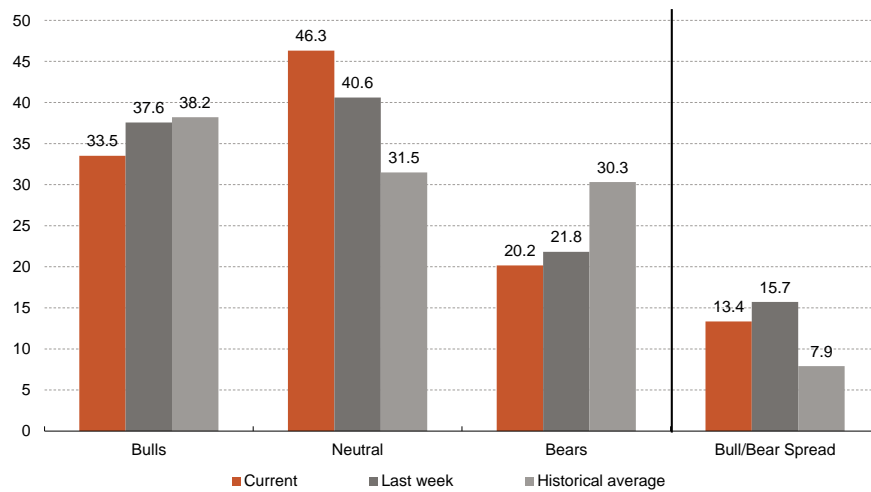
- The biggest ETF inflows over the last four weeks have been Japanese equities and multi-asset products.
- Demand for bonds, especially from the US, remains strong.
- Meanwhile in emerging markets, momentum has recently weakened. Emerging market bond ETFs even suffered outflows in April.

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

Source: Bloomberg, Time period: 31/12/2018 - 26/04/2019



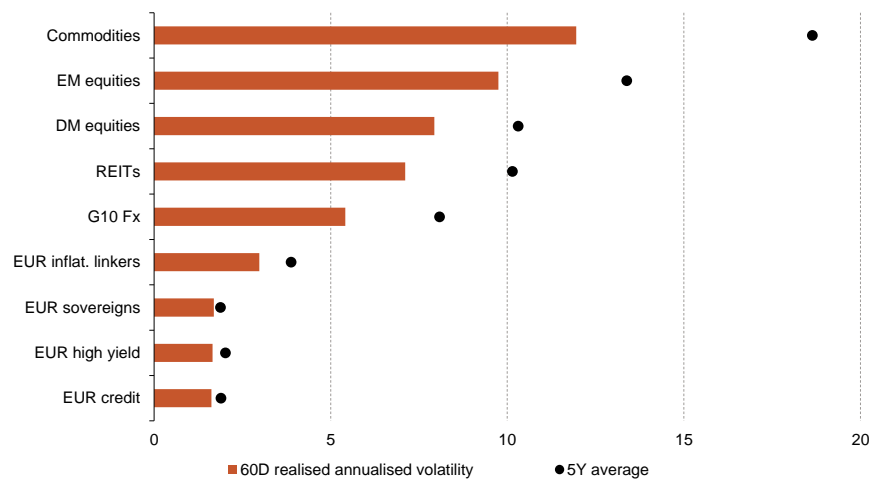
AAIL Sentiment Survey (Bulls vs Bears)



- Among US private investors, both the share of optimists and the share of pessimists have declined compared to the previous week. The majority of survey participants currently have a neutral opinion of the stock market.

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, AAIL, Time period: 23/07/87 - 24/04/19

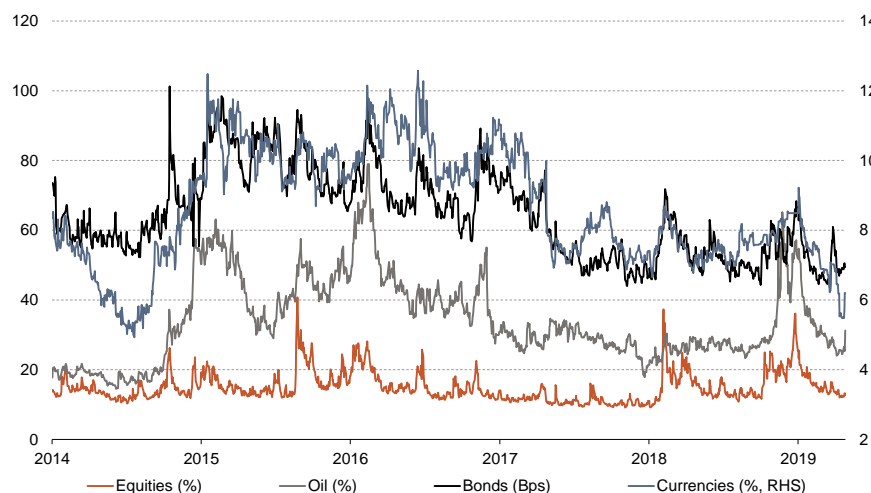
Realised Volatilities



- Volatilities are still on the retreat. There are now no asset classes considered here with a higher realised volatility compared to their own 5-year average.
- Commodities show the highest overall volatility, followed by emerging market equities.
- EUR corporate and EUR high yield bonds show the lowest volatility.

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: 26/04/2014 - 26/04/2019

Implied Volatilities

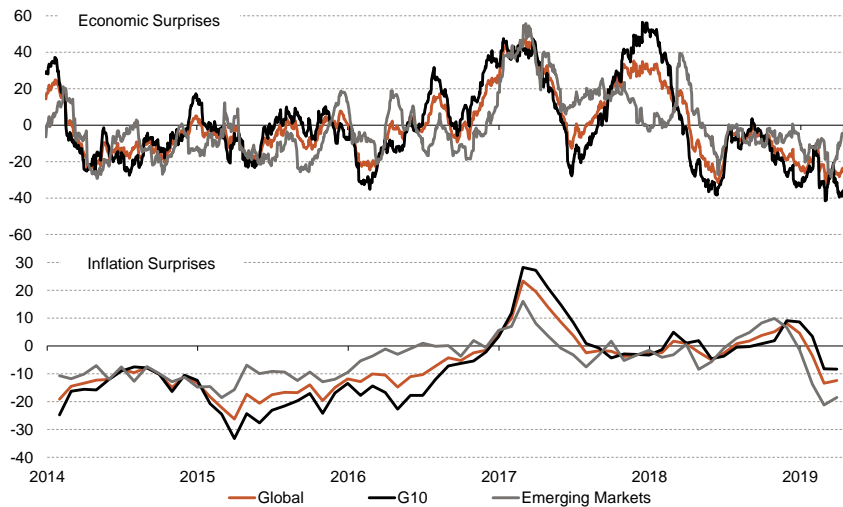


- The implied volatility for currencies has fallen sharply thanks to cautious central banks and the short-term avoidance of a hard Brexit.
- The range of fluctuation for equities and oil has also fallen. The VIX temporarily fell below 13 again and thus to its lowest level since October 2018.

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: 01/01/2014 - 26/04/2019



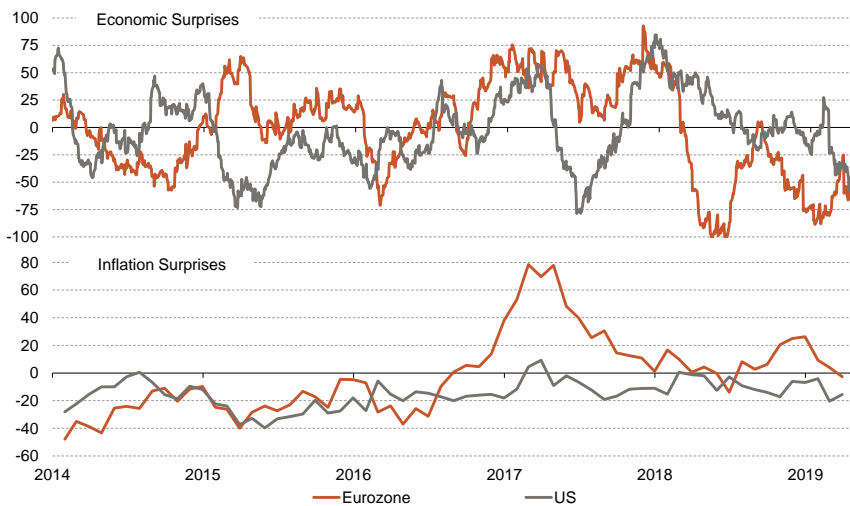
Global



- In the industrial nations (G10), economic disappointments have recently stabilised, while in emerging markets positive economic surprises have temporarily dominated. China surprised positively with its Q1 growth figure (6.4% YoY), March industrial production and retail sales.
- Inflation is on the decline in both emerging and developed countries and has tended to surprise downwards.

See explanations below.
Source: Bloomberg, Time period: 01/01/2014 - 26/04/2019

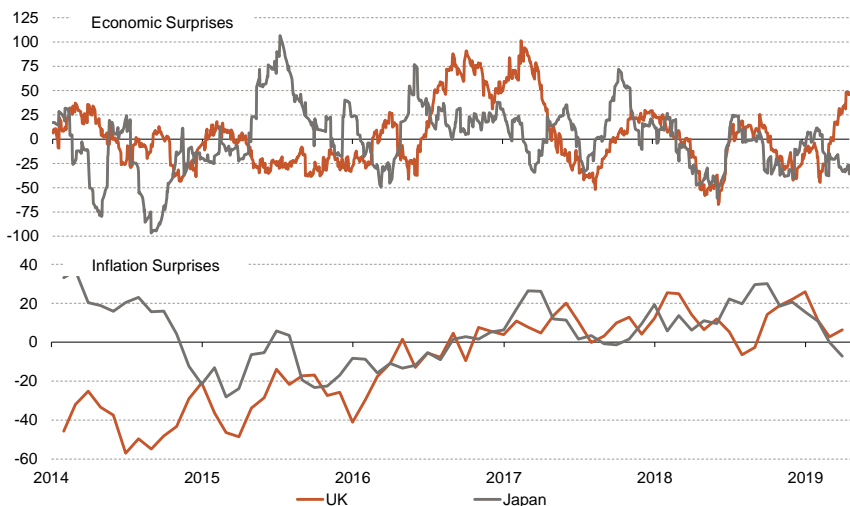
Eurozone and US



- The economic disappointments in the USA and the eurozone are continuing. In the eurozone, however, the index value improved somewhat, while it became more negative in the USA.
- In the eurozone, the figures from Germany in particular were disappointing. The IFO indices and the Purchasing Managers' Index for industry were worse than expected.
- Even though the negative surprises dominated in the US, economic growth in Q1 was clearly surprisingly positive, at 3.2% year-on-year (cons. 2.3%).

See explanations below.
Source: Bloomberg, Time period: 01/01/2014 - 26/04/2019

UK and Japan

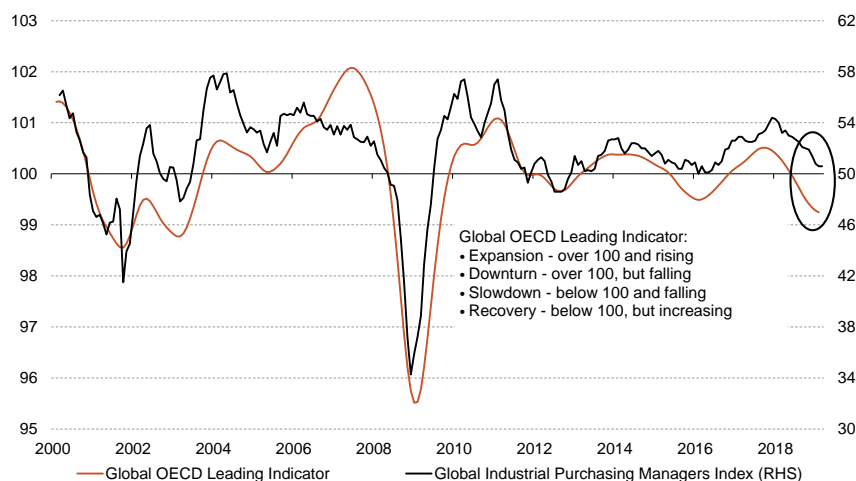


- The momentum of the positive economic figures in Great Britain continued in the last two weeks. Labour market data has improved and retail sales in March were better than expected.
- In Japan, the unemployment rate has recently risen from 2.3% to 2.5%.

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: 01/01/2014 - 26/04/2019



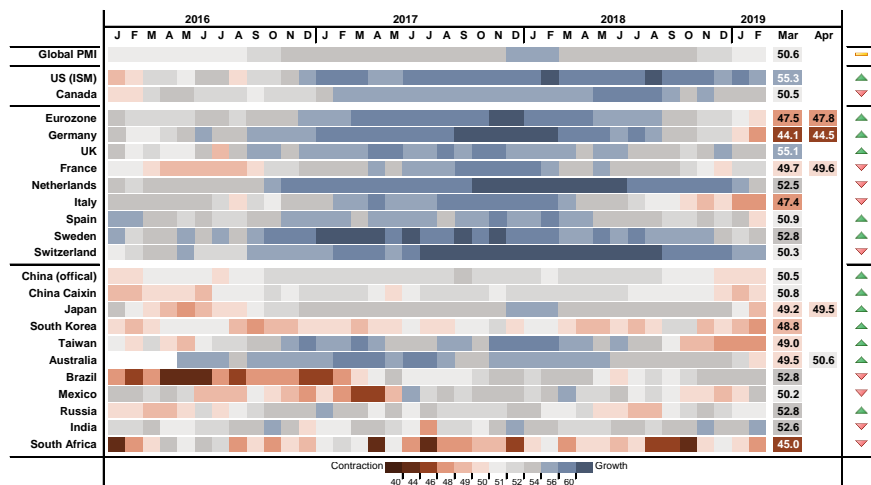
OECD Leading Indicator and Global Purchasing Managers Index



- Contrary to market expectations, the global PMI did not fall below 50 points. It stabilised at 50.6 points in March, driven by better values in emerging markets.
- The global OECD leading indicator is also losing downward momentum and could turn into a "recovery" in the coming months.

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: 31/01/2000 - 31/03/2019

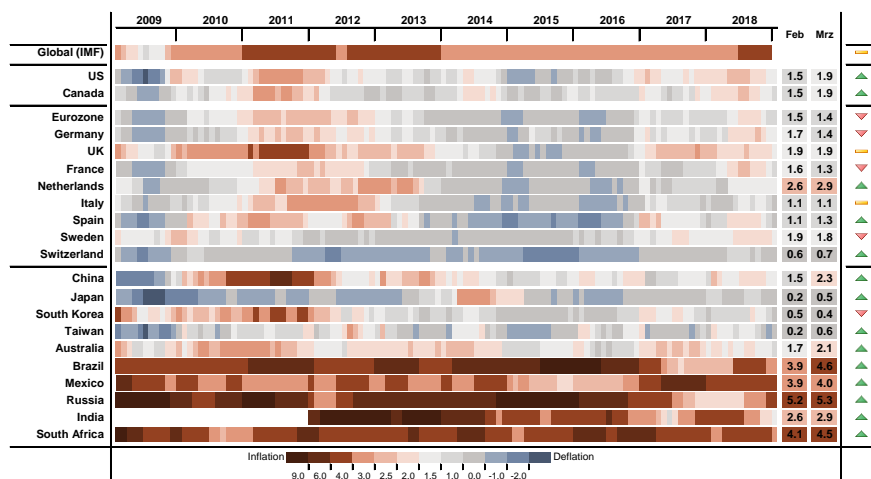
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The PMI for Germany and the eurozone was slightly better in April than in March, although PMIs are still far from the 50 mark.
- In Brazil, the PMI rose above the important mark of 50 points.

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: 30/09/2015 - 29/04/2019

Headline Inflation

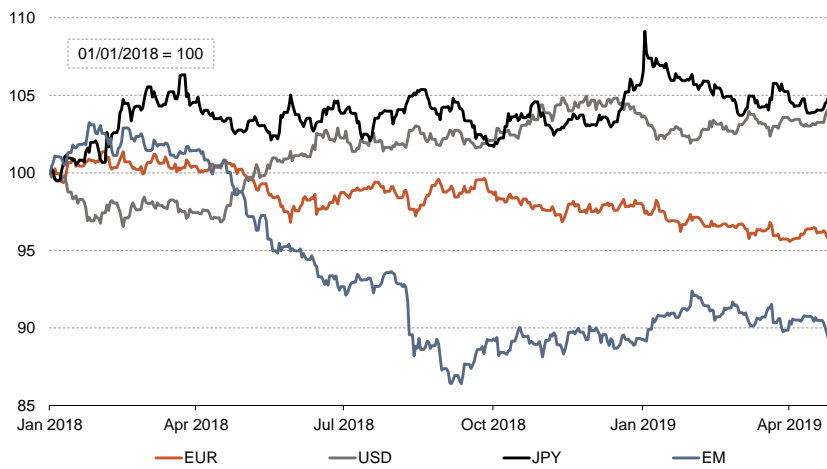


- In Great Britain, inflation in March was 1.9% in line with the February value. Higher fuel prices were accompanied by lower prices for food and computer games.
- In Japan, inflation has recently risen slightly, but remains close to the deflation threshold of 0%.

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. Source: Bloomberg, Time period: 31/03/2009 - 31/03/2019



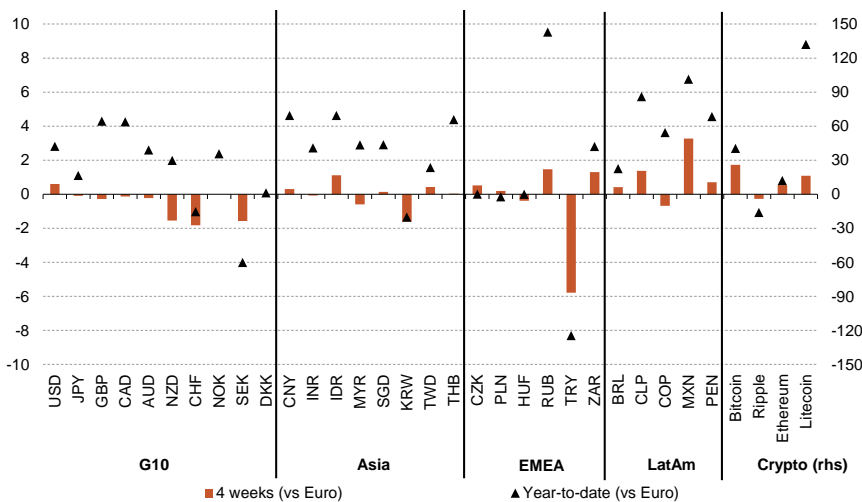
Trade-Weighted Currency Development



- The comparatively good economic data in the USA has recently given the US dollar a boost again. Since the beginning of 2018, it has gained almost 4.0% on a trade-weighted basis.
- In return, the euro and emerging market currencies in particular have depreciated. The euro suffered from weak economic figures and political uncertainties.

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: 01/01/2018 - 26/04/2019

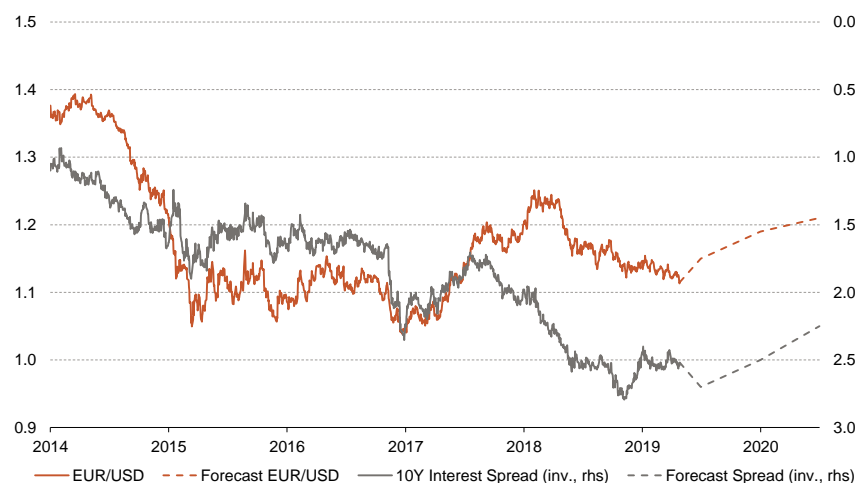
Currency Moves vs Euro



- The euro continues to have a hard time. It has depreciated against most currencies since the beginning of the year. Against the US dollar, for example, it has fallen by almost 3%. The weak economic situation and political uncertainties could increase the pressure on the ECB to act.
- Over the past four weeks, the Turkish lira has lost over 5% against the euro, while the Mexican peso has gained over 3%.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2018 - 26/04/2019

EUR/USD exchange rate and interest rate differential



- The EUR/USD exchange rate recently fell below 1.12, its lowest level since June 2017. Our economists expect the euro to recover by the end of the year to an exchange rate of 1.19 EUR/USD.
- This expected recovery is based, among other things, on a lower interest rate differential in the future and a recovery of the eurozone economy.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US Treasuries and 10-year Bunds.
Source: Bloomberg, Time period: 01/01/2014 - 31/12/2019



European Sector & Style Performance

	4-week & YTD		12-month periods over that last 5 years				
	4W (29/03/19 - 26/04/19)	YTD (31/12/18 - 26/04/19)	26/04/18	26/04/17	26/04/16	26/04/15	25/04/14
			26/04/19	26/04/18	26/04/17	26/04/16	26/04/15
Information Technology	8.5	26.0	16.0	8.3	26.5	-10.5	36.4
Finance	7.4	17.0	-5.8	2.8	21.4	-19.5	22.5
Industrials	7.3	22.2	7.6	-0.3	24.1	-8.4	19.4
Consumer Discretionary	6.6	21.8	0.6	3.8	17.2	-15.6	32.3
Materials	4.0	20.5	4.5	9.8	30.6	-19.8	16.4
Growth	3.8	19.4	9.7	0.7	12.7	-9.8	30.3
Value	3.3	14.3	0.3	2.4	17.8	-17.0	20.4
Telecommunications	2.4	4.9	-3.8	-2.7	-4.4	-11.7	33.6
Consumer Staples	1.0	18.4	14.6	-6.8	9.1	-1.0	32.3
Energy	-0.1	12.6	3.3	20.3	16.0	-15.1	3.0
Utilities	-0.5	11.1	11.4	6.3	1.4	-9.3	17.0
Health Care	-2.7	10.3	14.2	-8.4	5.7	-15.1	42.0

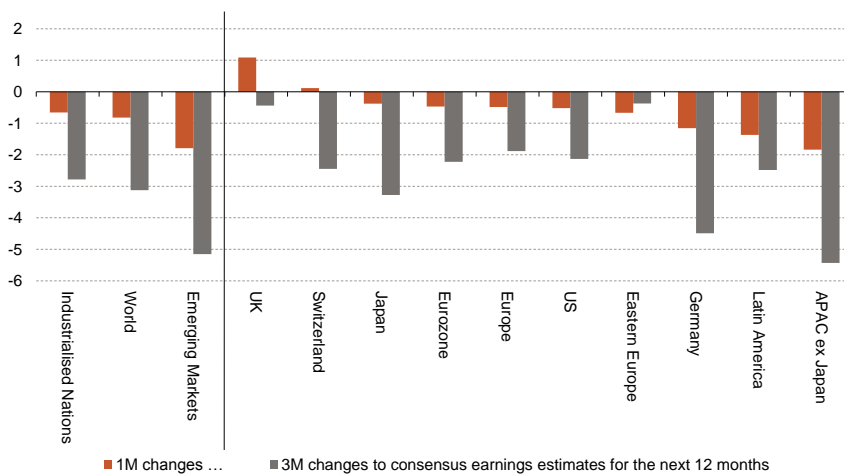
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Staples: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. 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 IT sector has been the strongest in Europe over the last month and is now the best performing sector YTD. Strong quarterly company results, e.g. by SAP, supported this.
- Defensive sectors such as healthcare and utilities, on the other hand, performed much worse.

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: 25/04/2014 - 26/04/2019

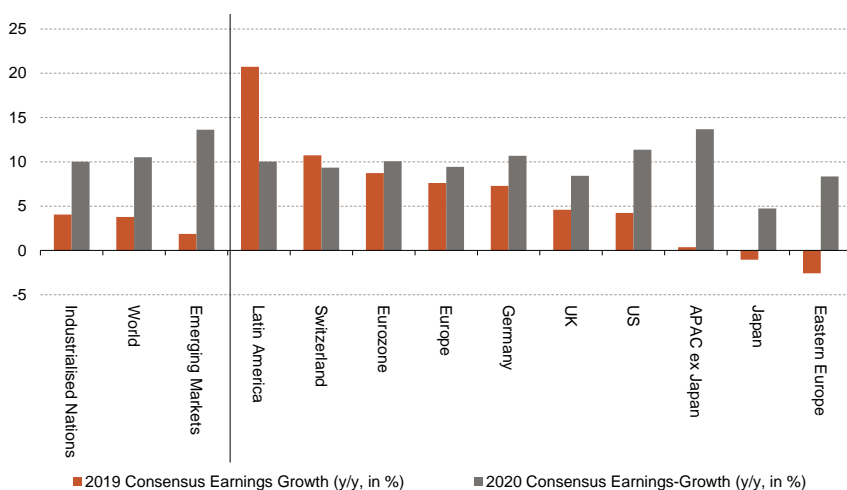
Changes in Consensus Earnings Estimates



- The Q1 reporting season in Europe has started and the company's results to date are pleasing. For example, over 70% of companies have exceeded analysts' earnings expectations to date.
- Most analysts are reducing their earnings expectations for the next 12 months though. They are particularly sceptical of Germany and Asia Pacific ex Japan.

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 26/04/2019

Earnings Growth

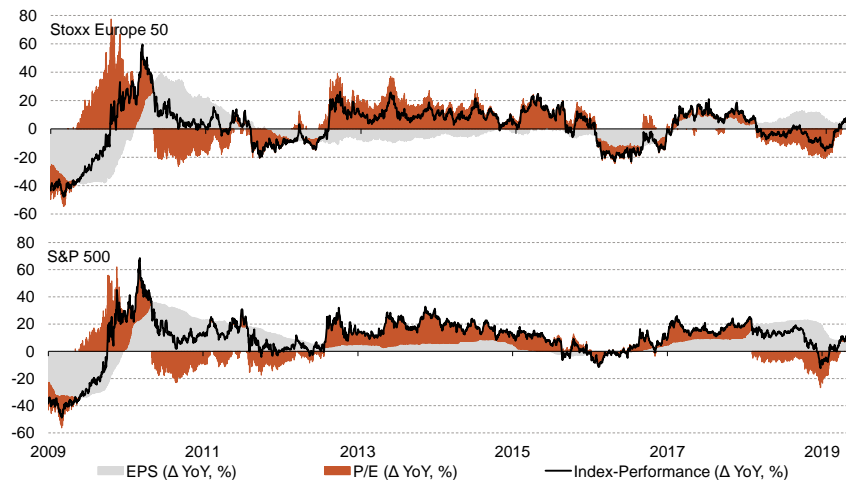


- The consensus expectation for profit growth in 2019 is now negative for Japan and Eastern Europe and only marginally positive for Asia Pacific ex Japan.
- However, double-digit profit growth is still expected for Latin America and Switzerland.
- For the USA analysts expect a significant recovery in earnings growth next year.

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 26/04/2019



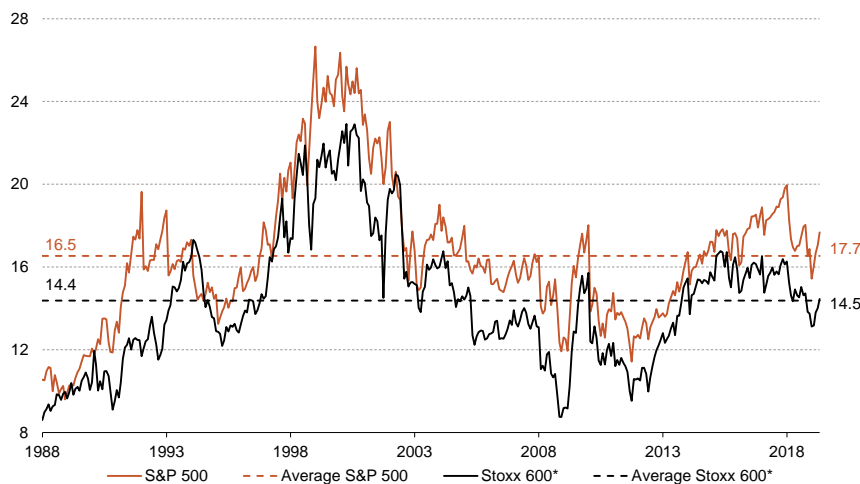
Contribution Analysis



- Stock markets in Europe and the US have risen slightly over the last twelve months.
- This was driven by rising profits, while the P/E valuation for both regions fell slightly 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: 01/01/2009 - 26/04/2019

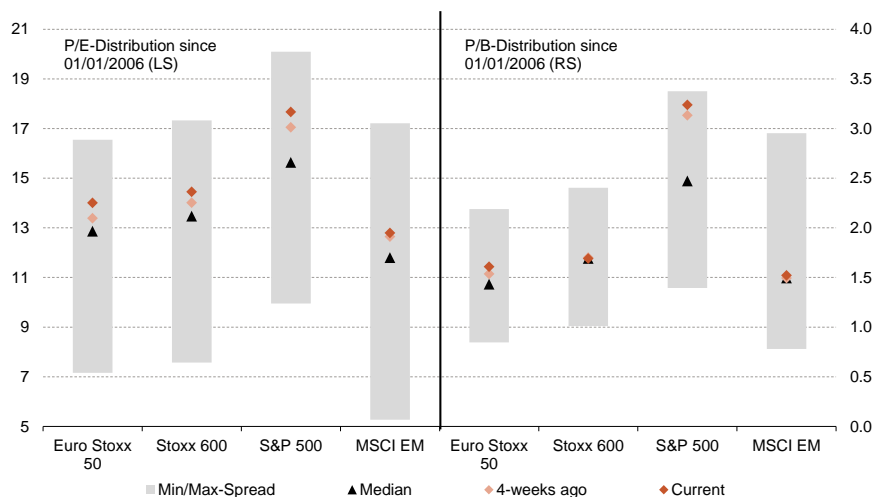
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- For both Europe and the US, the respective P/E ratios are now close to or slightly above their historical averages.
- If stock markets continue to rise, economic data must continue to improve. Otherwise, growth worries will return.

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, Time period: 31/12/1987 - 26/04/2019

Historical Distribution: Price/Earnings and Price/Book Ratio

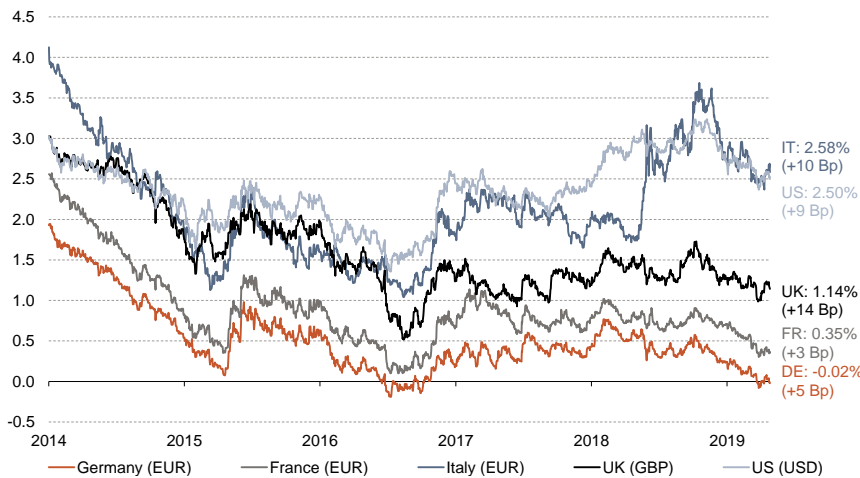


- European shares are still valued fairly to their own history on both a P/E and P/B basis. The same applies to emerging market equities.
- US equities seem to be valued ambitiously, especially on a P/B basis.

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 - 26/04/2019



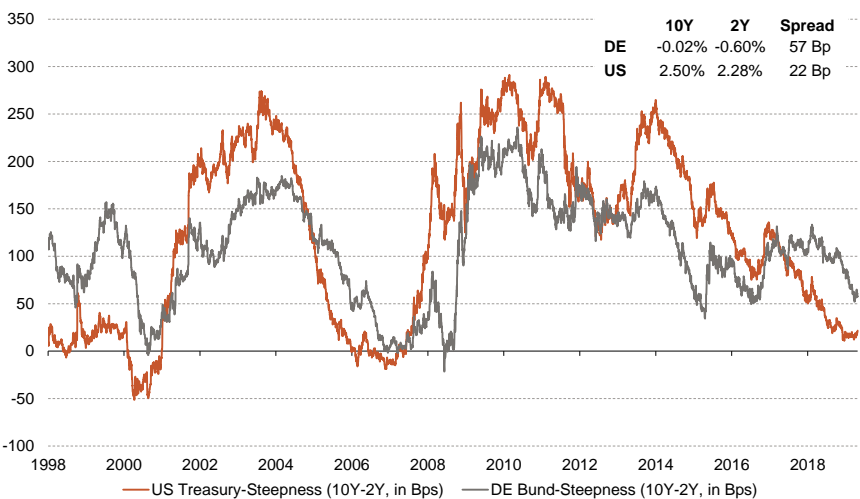
10-Year Government Bond Yields



- Yields on Italian government bonds have risen further in the last four weeks and now stand at 2.58%. Economic data remains weak. However, the rating agency S&P confirmed the BBB/negative rating.
- The situation in Germany is quite different. Economic and political concerns in Europe are causing yields on German Bunds to fall below the 0% mark again.

Effective yield of 10-year government bonds and change in the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2014 - 26/04/2019

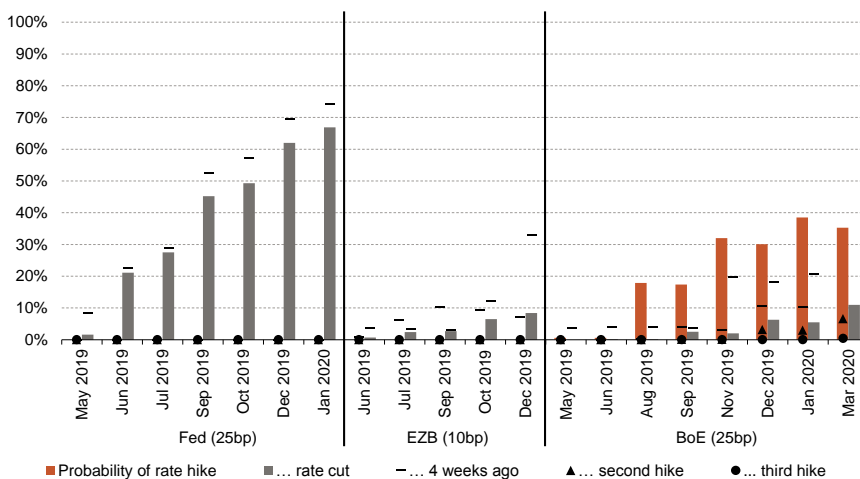
Yield curve steepness (10Y - 2Y)



- At 22 basis points, the steepness of the US yield curve is less flat than two weeks ago. A steeper yield curve statistically reduces the probability of a coming recession.
- The steepness of the German yield curve remains below 60 basis points.

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 - 26/04/2019

Implicit Probabilities for Changes in Key Interest Rates

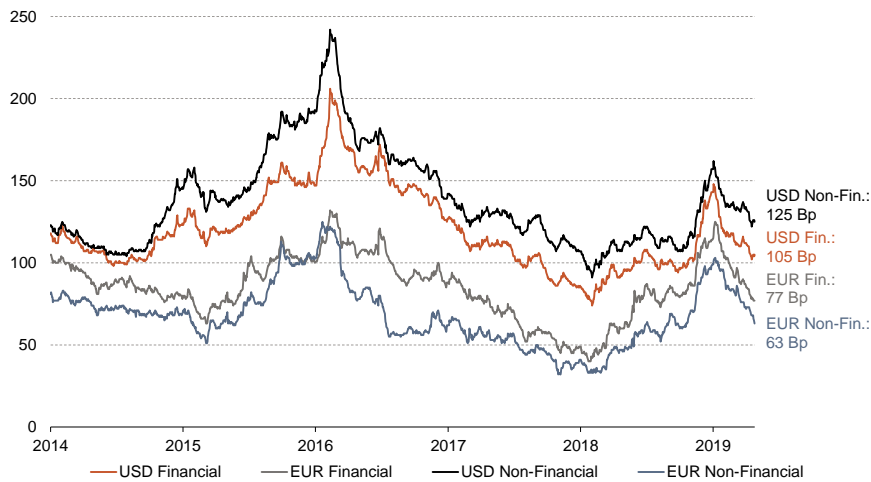


- The market does not expect the Fed meeting on 1 May and the Bank of England meeting on 2 May to result in any interest rate changes.
- An interest rate cut by the Fed in 2019 continues to be priced with a probability of over 60%.
- In the UK, the likelihood of an interest rate hike has risen again after good economic data and inflation of close to 2%.

Derivatives on money market rates - such as the Fed funds futures - can be used to determine the probability of a change in the key interest rate priced by the market
Source: Bloomberg, Time period: 29/03/2019 - 26/04/2019



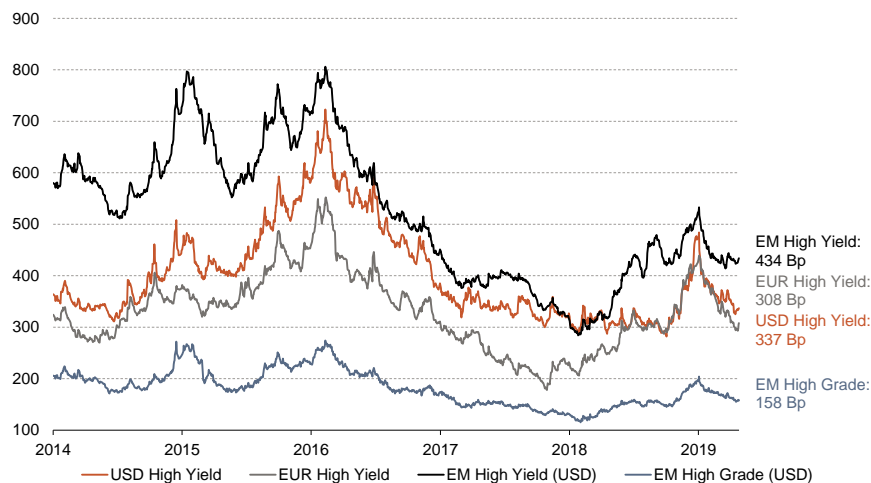
Credit Spreads Financial and Non-Financial Bonds



- Spreads on USD corporate bonds have hardly moved in a two-week comparison. At the sector level, however, the automotive and telecommunications sectors have experienced a significant narrowing of the spread.
- In contrast, the EUR corporate bonds saw a slight narrowing of the spreads. Consumer goods and automotive sectors benefited most from this.

Explanations see middle and bottom illustration.
Source: FactSet, Time period: 01/01/2014 - 26/04/2019

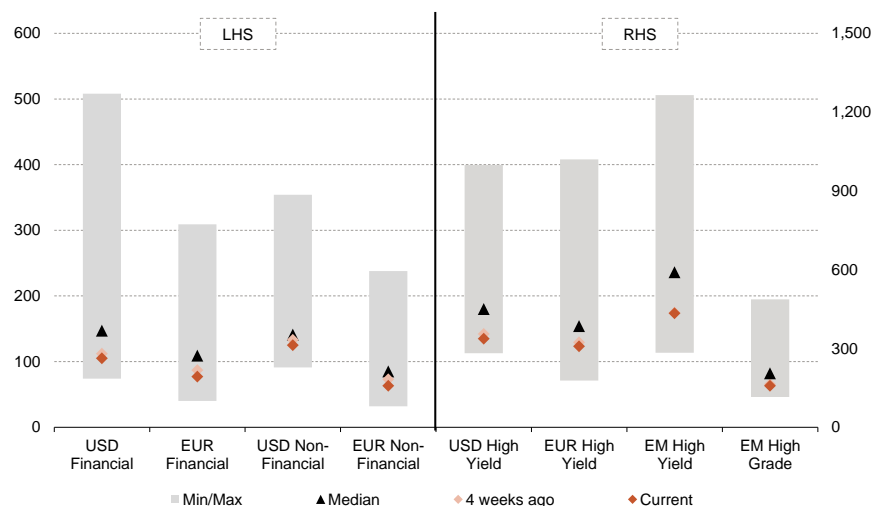
Credit Spreads High Yield and Emerging Markets Bonds



- Spreads on EM high-yield bonds remained above the 400bp mark despite better economic data.
- Spreads on USD high-yield bonds do not appear to be falling any further either. In the last two weeks these have even increased by 9 basis points. Retailers in particular saw rising spreads.

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: 01/01/2014 - 26/04/2019

Historical Distribution of Credit Spreads (in bp)

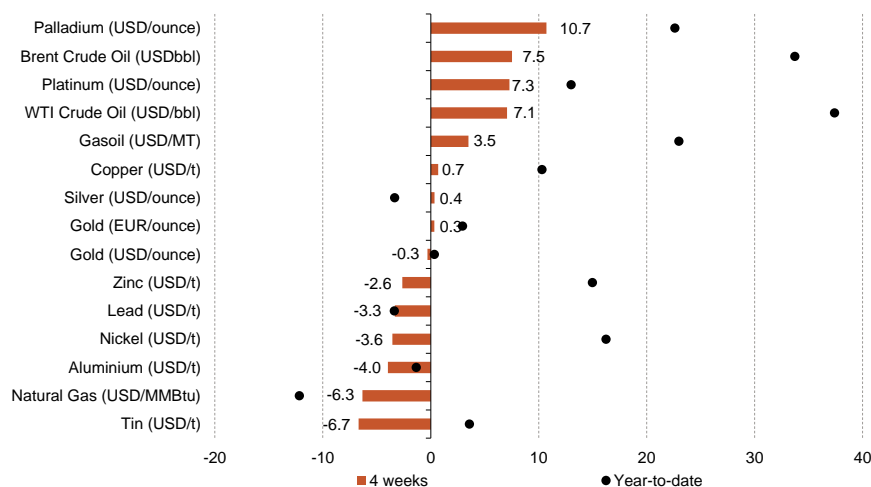


- In a 10-year comparison, most spreads moved towards the historical minimum.
- The largest movement in the four-week comparison was made by EUR corporate bonds, especially EUR-Non-Financials.

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: 26/04/2009 - 26/04/2019



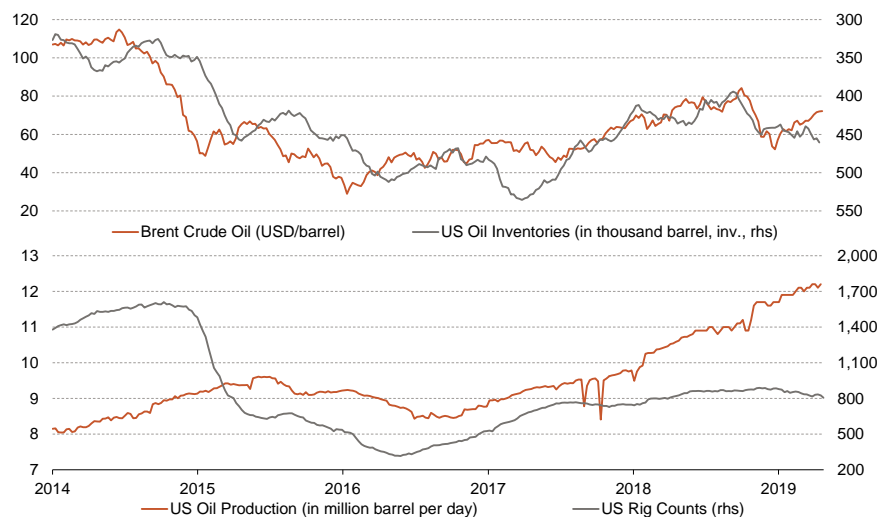
Commodities Performance



- Since the beginning of the year, crude oil has been able to gain by more than 30% and in the last four weeks by almost 8%. Crude oil thus continues to occupy the top position among commodities.
- Among the precious metals, palladium has performed particularly well and has risen by more than 10% in the last four weeks. On the other hand gold has fluctuated sideways.
- Natural gas and tin are at the bottom of the league. Natural gas with a loss of more than 10% since the beginning of the year.

Total return of selected commodity prices, in percent, sorted by 4-week performance. Source: Bloomberg, Time period: 01/01/2019 - 26/04/2019

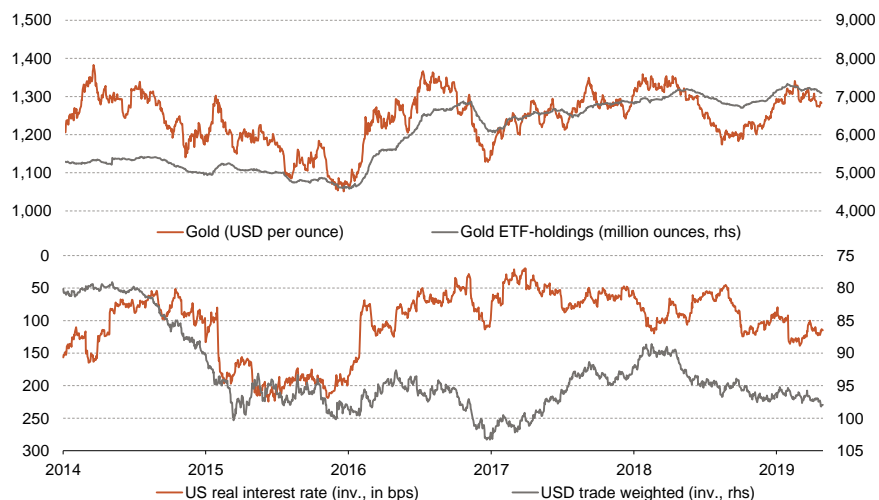
Crude Oil



- Brent Crude oil continued to gain thanks to declining oil production in Venezuela and a hard line taken by the USA against Iran. Brent crude oil was recently quoted at around USD 72 per barrel, which corresponds to an increase of over 30% since the beginning of the year.
- Even rising US oil inventories and an increasing US oil production were unable to stop the recent price increase.

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: 01/01/2014 - 26/04/2019

Gold



- Over the past four weeks, gold has been one of the losers among asset classes. The gold price was unable to break through the 1,300 mark and was recently quoted at around USD 1,280 an ounce.
- A strong US dollar, rising US real interest rates and declining ETF holdings have weighed on the gold price.

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: 01/01/2014 - 26/04/2019

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PUBLISHING INFORMATION

PUBLISHER

Dr. Bernd Meyer, CFA | Chief Strategist Wealth and Asset Management

EDITORS



Ulrich Urbahn, CFA | Head Multi Asset Strategy & Research
focuses on the multi-asset investment process, the development of investment ideas and capital market communications
+49 69 91 30 90-501 | ulrich.urbahn@berenberg.de



Guido Urban, CFA | Senior Analyst Multi Asset Strategy & Research
is in charge of capital market publications with a focus on commodities, supports the investment process and develops investment ideas
+49 69 91 30 90-215 | guido.urban@berenberg.de



Karsten Schneider | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-502 | karsten.schneider@berenberg.de



Richard Garland | UK Wealth Management
will be in charge of managing UK Discretionary Wealth Management portfolios
+44 20 3753 -3126 | richard.garland@berenberg.com

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Joh. Berenberg, Gossler & Co. KG
Neuer Jungfernstieg 20
20354 Hamburg (Germany)
Phone +49 40 350 60-0
Fax +49 40 350 60-900
www.berenberg.com
MultiAssetStrategyResearch@berenberg.de