Current market commentary

The rapid spread of the coronavirus outside China has led to fears of a recession and has recently caused quite a stir in markets. The S&P 500 lost more than 10% in only six days - a record! VIX, which measures the volatility of US equities, experienced its strongest percentage rise ever measured over one week. Many hedge funds and systematic investors were caught on the wrong foot. They were (heavily) overweight in equities and had to massively divest risk positions due to the negative momentum and increasing volatility. These sell-offs are likely to continue this week, albeit with much lower volumes. Support is likely to come from contrarian market participants and stimulus measures from central banks and governments. We expect a volatile bottoming out in the coming weeks - including phases with strong upward movements - a rapid, sustained recovery seems unlikely.

Short-term outlook

The coronavirus will continue to hold markets in suspense in the coming weeks. Economic data is likely to disappoint in the coming weeks and corporate earnings prospects are likely to be significantly reduced. In order to dampen the negative economic impact of the coronavirus, central bank meetings in March may lead to interest rate cuts. In addition, tomorrow is "Super Tuesday", when primary elections will be held in a number of US states. After that, it should become clearer which Democrat will be running against President Trump.

Today, the U.S. Manufacturing ISM index will be released, the Services ISM on Wednesday, January Factory Orders follow on Thursday and Labor Market data on Friday. Consumer Confidence will be released on the 13th of March. In the eurozone, the Unemployment Rate (March 3), the Purchasing Managers’ Indices of several member countries, and January New Orders in Germany (March 6) will be released this week.

Uncertainty in stock markets has exploded

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 S&P 500 fell 11% last week. In particular, systematic trading strategies have massively reduced risk positions. Short, medium and long-term sell signals were triggered by momentum strategies.

- The VIX index recorded the largest ever measured percentage 1-week rise to its highest level since 2015.
- This triggered sell signals for strategies with target volatility or risk parity - the sell-off intensified.

Source: Bloomberg, Time period: 01/01/1998 - 28.02.2020
### Multi Asset

<table>
<thead>
<tr>
<th>4-week &amp; YTD</th>
<th>12-month periods over that last 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD (31/01/20 - 28/02/20)</td>
<td>28/02/19 - 28/02/18</td>
</tr>
<tr>
<td>YTD (31/01/19 - 28/02/20)</td>
<td>28/02/19 - 28/02/18</td>
</tr>
</tbody>
</table>

- **Global Treasuries**
  - 11.5
  - 5.6
  - 6.9
  - 2.3
  - 4.6
- **Global Corporates**
  - 14.4
  - 7.3
  - 7.6
  - 7.3
  - 0.2
- **USD EUR**
  - 3.1
  - 7.2
  - 13.3
  - 3.4
  - 2.4
- **Gold**
  - 24.3
  - 6.8
  - 8.4
  - 5.5
  - 3.3
- **Eonia**
  - -0.4
  - -0.4
  - -0.4
  - -0.3
  - -0.1
- **Global Convertibles**
  - 11.1
  - 9.0
  - 0.1
  - 19.8
  - 6.6
- **Industrial Metals**
  - -10.6
  - -1.5
  - 0.3
  - 33.8
  - 20.6
- **MSCI Emerging Markets**
  - 1.5
  - -3.3
  - 13.4
  - 33.4
  - -21.6
- **MSCI Frontier Markets**
  - 8.7
  - -9.1
  - 12.3
  - 15.8
  - -13.9
- **REITs**
  - 7.8
  - 19.5
  - -17.2
  - 11.2
  - -5.1
- **MSCI World**
  - 8.3
  - 7.7
  - 2.0
  - 24.3
  - -8.4
- **Brent**
  - -12.1
  - 14.2
  - -0.2
  - 41.7
  - -52.0

### Equities

<table>
<thead>
<tr>
<th>4-week &amp; YTD</th>
<th>12-month periods over that last 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD (31/01/20 - 28/02/20)</td>
<td>28/02/19 - 28/02/18</td>
</tr>
<tr>
<td>YTD (31/01/19 - 28/02/20)</td>
<td>28/02/19 - 28/02/18</td>
</tr>
</tbody>
</table>

- **MSCI EM Asia**
  - 4.9
  - -3.2
  - 15.6
  - 30.4
  - -18.9
- **STOXX Europe Defensives**
  - 6.0
  - 11.9
  - -1.6
  - 6.8
  - -10.4
- **S&P 500**
  - 11.9
  - 12.3
  - 1.7
  - 27.7
  - -3.1
- **MSCI USA Small Caps**
  - 0.5
  - 14.3
  - -3.7
  - 36.7
  - -11.6
- **STOXX Europe Small 200**
  - 3.8
  - -1.4
  - 11.9
  - 15.4
  - -8.4
- **DAX**
  - 3.3
  - -7.4
  - 5.1
  - 24.4
  - -16.6
- **Euro Stoxx 50**
  - 3.7
  - -1.4
  - 6.2
  - 16.7
  - -16.6
- **STOXX Europe Cyclical**
  - 3.0
  - 6.2
  - 11.2
  - 23.7
  - -18.6
- **STOXX Europe 500**
  - 4.3
  - 3.1
  - 2.1
  - 14.2
  - -15.3
- **Topix**
  - 2.6
  - -4.4
  - 7.2
  - 25.5
  - -5.5
- **MSCI UK**
  - 4.5
  - -5.0
  - 0.5
  - 14.6
  - -16.5
- **MSCI EM Eastern Europe**
  - 5.6
  - 2.9
  - 12.2
  - 41.5
  - -14.7

### Fixed Income

<table>
<thead>
<tr>
<th>4-week &amp; YTD</th>
<th>12-month periods over that last 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>YTD (31/01/20 - 28/02/20)</td>
<td>28/02/19 - 28/02/18</td>
</tr>
<tr>
<td>YTD (31/01/19 - 28/02/20)</td>
<td>28/02/19 - 28/02/18</td>
</tr>
</tbody>
</table>

- **Treasuries**
  - 16.3
  - 10.6
  - -13.4
  - 1.7
  - 5.5
- **USD Corporates**
  - 19.0
  - 10.3
  - -11.3
  - 9.6
  - 0.9
- **Bunds**
  - 6.1
  - 3.7
  - -2.5
  - 0.4
  - 2.1
- **EM Local Currency Bonds**
  - 8.6
  - 4.7
  - -3.9
  - 14.6
  - -7.7
- **EUR Non-Financials**
  - 5.6
  - 0.9
  - 1.0
  - 4.6
  - -1.7
- **EUR Financials**
  - 4.6
  - 0.7
  - 2.2
  - 4.4
  - -0.9
- **EM Hard Currency Bonds**
  - 5.5
  - -0.1
  - 1.8
  - 8.5
  - 0.7
- **USD High Yield**
  - 9.2
  - 13.1
  - -10.4
  - 22.9
  - -6.4
- **EUI Inflation Linkers**
  - 7.6
  - -1.2
  - 2.4
  - 2.6
  - -2.5
- **BTPs**
  - 12.9
  - -2.0
  - 3.2
  - 1.8
  - 1.2
- **Gilts**
  - 12.1
  - 5.9
  - -4.7
  - -1.3
  - -3.4
- **EUR High Yield**
  - 3.5
  - 0.7
  - 3.1
  - 11.2
  - -4.1

- Gold is shining. Since the beginning of the year the safe haven has increased by more than 6%. However, the momentum has weakened recently. This was likely due to forced selling aimed at offsetting losses elsewhere and covering so-called margin calls.
- Global corporate and government bonds gained as well in the last four weeks.
- All other asset classes fell sharply. Brent oil alone lost 11% last month.
- All equity regions fell over the last four weeks. Asian emerging markets remained fairly stable thanks to initial stimulus measures and announcements.
- Eastern European stocks fell the most, by more than 13%, followed by British equities.
- Within the bond segment, the picture looks a little rosier. Safe havens such as US government bonds and Bunds gained, while riskier segments such as emerging markets and high yield bonds declined.
- Italian government bonds also came under pressure.

Total return of selected asset classes, in euros and in percent, sorted by 4-week performance. Source: Bloomberg, Time period: 27/02/2015 - 28/02/2020

Total return of selected equity indices, in euros and in percent, sorted by 4-week performance. Source: Bloomberg, Time period: 27/02/2015 - 28/02/2020

Total return of selected fixed income indices, in euros and in percent, sorted by 4-week performance. Source: Bloomberg, Time period: 27/02/2015 - 28/02/2020
Speculative investors were largely caught on the wrong foot. They were short US Treasuries in aggregate, while they were mostly long in equities and commodities.

As a result, many loss positions were covered recently - especially in VIX shorts.

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: 25/02/2010 – 25/02/2020

Investors reacted to the selloff with hedging and call option selling. The put-call ratio for European and US equities rose sharply and is now above historic averages.

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 24 February 2006.

Source: Bloomberg, Time period: 20/12/1993 – 28/02/2020

Unsurprisingly, equities in aggregate have seen strong outflows over the past two weeks. Since the beginning of the year, however, the flows have still been positive.

Commodity ETFs, by contrast, have seen inflows. These went primarily into the safe haven of gold.

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

Source: Bloomberg, Time period: 31/12/2019 – 28/02/2020
• Following the resurgence of the coronavirus outside China, bears currently outnumber bulls among US private investors by almost 9%.

• As the real economic consequences of the virus are still unclear, the mood remains volatile. Compared to the previous week, the bull-bear spread has turned around by approximately 20%.

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, AAII, Time period: 23/07/87 - 27/02/20

• As a result of sharp market movements in recent days, the realised volatility of risky asset classes has risen sharply. Equities in developed and emerging markets are now showing above-average volatility compared with their own 5-year history - a picture that we have not seen since Q1 2019.

• EUR government and corporate bonds benefited in this environment and therefore currently have the lowest realised 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: 23/07/2015 - 28/02/2020

• Implied volatilities have risen across all asset classes presented here. The strongest relative movement was observed in equities, as was the realised volatility. At around 40, the VIX is trading at a level last seen in the summer of 2015.

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 - 28/02/2020

S E N T I M E N T

AAII Sentiment Survey (Bulls vs Bears)

Realised Volatilities

Implied Volatilities
**Surprise Indicators**

- In recent weeks, the global economy has been able to continue its upward surge. In both the industrialised nations and emerging markets, the economy has tended to surprise upwards in recent weeks. The coronavirus has thus only partially arrived in the economy so far. In particular, leading indicators such as the purchasing managers’ indices have recently surprised to the upside. In China, however, they have already disappointed significantly for the month of February. See explanations below.

  Source: Bloomberg, Time period: 01/01/2015 – 28/02/2020

- Economic data in the eurozone was better than expected, largely due to better leading indicators in February. In Germany, the Ifo Business Climate Index and the Markit Purchasing Managers' Index (PMI) surprised positively, while the latter disappointed in France.

- On average, the US economy continues to surprise positively. While the Markit PMI has recently disappointed, other leading indicators such as the Empire Manufacturing, Conference Board Leading Index or consumer confidence have surprised positively. See explanations below.

  Source: Bloomberg, Time period: 01/01/2015 – 28/02/2020

- The prospect of the end of the Brexit drama in 2020 has a liberating effect on the British economy. The industrial PMI is close to 52 points and retail sales have recently provided a positive surprise.

**Surprise Indicators**

- *Global*

  ![Economic Surprises](image1)

  ![Inflation Surprises](image2)

- *Eurozone and US*

  ![Economic Surprises](image3)

  ![Inflation Surprises](image4)

- *UK and Japan*

  ![Economic Surprises](image5)

  ![Inflation Surprises](image6)

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 – 28/02/2020
OECD Leading Indicator

* As in the previous month, the OECD leading indicator for December points to a global economic recovery. However, the spread of the coronavirus and its effects on the economy could stall or at least delay the economic recovery.

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 - 31/12/2019

Manufacturing Purchasing Managers Index (Manufacturing PMI)

* February PMIs were better than last month in Germany, the UK and the eurozone as a whole. In France, however, the PMI has dropped below the 50 mark. However, the coronavirus should leave its mark by March at the latest.

* In China the coronavirus has already left its mark. The PMIs have fallen to new record lows.

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: 30/30/2016 - 29/02/2020

Headline Inflation

* In January, inflation rose to around 2.7% on a global average. In particular, higher customs duties and rising food prices in China have caused inflation to rise.

* In Germany inflation rose to 1.7% in February, while in France it fell to 1.6%.

* Inflation rose to 1.8% in the UK in January.

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: 30/11/2010 - 29/02/2020
After a strong devaluation since the beginning of the year, the euro has recently been able to end its downward trend.

The Japanese yen benefited the most from the risk-off movement in equity markets.

Emerging market currencies, on the other hand, are still in free fall.

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 - 28/02/2020

In the last four weeks, the euro has been able to hold its ground against almost all the currencies presented here.

In particular, the euro has appreciated broadly against emerging market currencies in the EMEA region and Latin America.

In light of the central bank’s disciplined policy, the recent depreciation of the Russian rouble is surprisingly severe despite the fall in oil prices.

Performance of selected currencies against the euro, in percent. Source: Bloomberg, Time period: 31/12/2019 - 28/02/2020

The euro depreciated further against the US dollar in the last two weeks, but has recently been able to break this trend and is currently trading at USD 1.10 per euro.

The reason for the trend reversal is that the market sees greater potential for interest rate cuts at the Fed than at the ECB. This view is also reflected in the falling interest rate differential between Treasuries and Bunds.

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 - 31/12/2020
European Sector & Style Performance

<table>
<thead>
<tr>
<th>Utilities</th>
<th>4-week</th>
<th>YTD</th>
<th>12-month periods over that last 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
<tr>
<td>Information Technology</td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
<tr>
<td>Health Care</td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
<tr>
<td>Growth</td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
<tr>
<td>Finance</td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
<tr>
<td>Industrials</td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
<tr>
<td>Value</td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
<tr>
<td>Materials</td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
<tr>
<td>Energy</td>
<td>28/02/19</td>
<td>28/02/18</td>
<td>28/02/17</td>
</tr>
</tbody>
</table>

- European energy companies and basic materials have come under particular pressure in the last four weeks. The spread of the coronavirus is dampening the global economy and demand for commodities.
- Overall, growth stocks fared markedly better than value stocks.

Changes in Consensus Earnings Estimates

- Over the past month, there were negative earnings revisions for developed economies, and for particularly emerging markets. The coronavirus and resulting weakness in commodities has had a negative impact. Within emerging markets, analysts have revised their earnings estimates downwards most strongly for Latin America.
- We expect further negative earnings revisions in the coming weeks and months.

Earnings Growth

- Only a slight increase in global economic growth, coupled with low inflation, will continue to limit nominal sales growth of companies in 2020. The margin expansion expected by consensus appears unrealistic. The impact of the coronavirus is an additional burden. Global corporate earnings in 2020 are likely to increase by at best 3-5% year-on-year. At present the consensus expectation is still at 7.1%.

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).

Source: FactSet, as of 28/02/2020
**Contribution Analysis**

- The strong sell-off in markets has meant that the Europe Stoxx 50 and the S&P 500 are no longer so strongly in the green zone over a 12-month period.
- While earnings have hardly increased, the S&P 500 has gained 6% and the Europe Stoxx 1% year-on-year.
- The most recent correction therefore levels out last year’s exaggeration to some extent.

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

- Equity valuations have fallen recently as share prices have plunged by more than analysts’ earnings estimates. Compared with their own history, however, US equities remain slightly expensive.
- Compared with bonds, equities have recently become even more attractive. Yields on 10-year German government bonds, for example, have fallen towards -0.5%, while the DAX dividend yield stands at 3%.

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

- Although stock markets have fallen quickly and sharply, they are not yet cheap - at least not compared to its history. Also, since further earnings revisions are likely to follow, this is unlikely to change that quickly.
- Emerging market equities are currently the most favourably valued.
With the spread of the coronavirus outside China, there was a massive drop in yields on safe government bonds. 10-year US government bonds are close to the yield mark of 1.2%, marking a record low.

Yields on Italian government bonds have risen slightly on the back of the virus hitting the country hardest and the weakness of the economy is likely to weigh heavily on public finances.

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 - 28/02/2020

Despite the economic worries related to the coronavirus, the steepness of the US yield curve has not decreased further. The German yield curve has fallen by around seven basis points, but is still in positive territory. A recession is therefore not yet being priced in.

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 - 28/02/2020

The market is already pricing in three interest rate cuts in 2020 as a reaction of the Fed to the risks of the coronavirus. Fed Chairman Jerome Powell announced that the Fed is prepared to cut rates to cushion the economic impact of the coronavirus.

For the Euro-Zone, where central bank rates are already clearly negative, the market expects a rate cut.

In UK, too, interest rates are now expected to be lowered again.

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: 30/01/2020 - 28/02/2020
Credit Spreads Financial and Non-Financial Bonds

- Investors have reduced credit risk as the risk of a global economic downturn due to production restrictions caused by the coronavirus has increased. USD corporate bonds in particular have suffered as a result, with spreads widening by over 30 basis points over the last two weeks.
- In EUR bonds, the leisure sector in particular suffered, and in USD bonds the energy sector, suffered from the weak oil price.

Explanations see middle and bottom illustration. Source: FactSet, Time period: 01/01/2015 – 28/02/2020

Credit Spreads High Yield and Emerging Markets Bonds

- Spreads on market-sensitive high-yield bonds have risen massively. USD high-yield bonds saw a rise in risk premiums of over 130 basis points in a two-week comparison, whereas the figure for EUR high-yield bonds was around 100 basis points.
- In the case of USD high-yield bonds the energy sector in particular suffered.

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 – 28/02/2020

Historical Distribution of Credit Spreads (in bp)

- Despite the significant widening of spreads on corporate bonds, most segments are historically still slightly cheap or fairly valued. Only USD non-financial bonds and USD high-yield bonds now have higher risk premiums than the historical 10-year median.
Commodities Performance

- Over the last few days, commodity markets have been very turbulent. Since the beginning of the year, the coronavirus has now affected almost all commodities shown here. Only palladium and gold have demonstrated resistance.

- The energy sector has been hit particularly hard in the past four weeks. Industrial metals, on the other hand, are proving surprisingly stable in light of the massive sell-offs in stock markets.

The oil market sentiment has fluctuated in the past few weeks. When the danger from Covid-19 seemed to be averted temporarily, Brent was able to rise to up to USD 60 per barrel.

- With the rising number of infected people outside of China, the oil price, however, declined again and is currently trading at below USD 52 per barrel - a level last seen at the end of 2018.

- The OPEC meeting this week is therefore eagerly awaited.

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.

Despite massive sell-offs in stock markets, gold could not continue its upward trend. Quite the contrary, due to the strong price declines, some investors were forced to liquidate their gold positions in order to cover their margin calls.

- However, ETF investors’ holdings remain at all-time highs.

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.

Total return of selected commodity prices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/01/2020 - 28/02/2020

Crude Oil

Gold
Publishing Information

Publisher
Prof 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

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

Ludwig Kemper | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-224 | ludwig.kemper@berenberg.de

Richard Garland | UK Wealth Management
manages UK multi-asset discretionary strategies and portfolios
+44 20 3753 - 3126 | richard.garland@berenberg.com

Important Notices
This document is a marketing communication. This information and references to issuers, financial instruments or financial products do not constitute an investment strategy recommendation pursuant to Article 3 (1) No. 34 Regulation (EU) No 596/2014 on market abuse (market abuse regulation) nor an investment recommendations pursuant to Article 3 (1) No. 35 Regulation (EU) No 596/2014, both provisions in connection with section 85 (1) of the German Securities Trading Act (WpHG). As a marketing communication this document does not meet all legal requirements to warrant the objectivity of investment recommendations and investment strategy recommendations and is not subject to the ban on trading prior to the publication of investment recommendations and investment strategy recommendations.
This document is intended to give you an opportunity to form your own view of an investment However, it does not replace a legal, tax or individual financial advice. Your investment objectives and your personal and financial circumstances were not taken into account. We therefore expressly point out that this information does not constitute individual investment advice.
Any products or securities described may not be available for purchase in all countries or only in certain investor categories. This information may only be distributed within the framework of applicable law and in particular not to citizens of the USA or persons resident in the USA. The statements made herein have not been audited by any external party, particularly not by an independent auditing firm.
The statements contained in this document are based either on the company’s own sources or on publicly accessible third-party sources, and reflect the status of information as of the date of preparation of the presentation stated below. Subsequent changes cannot be taken into account in this document. The information given can become incorrect due to the passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document. Past performance, simulations and forecasts are not a reliable indicator of future performance and custody fees may occur which can reduce overall performance.
Please refer to the online glossary at www.berenberg.de/glossar for definitions of the technical terms used in this document.
Date: 2nd March 2020