Current market commentary

Stock markets continue to be relatively stable despite catastrophic economic data and numerous corporate profit warnings. Not even a temporarily negative WTI oil price led to a sustainable sell-off. In our view, the already negative sentiment and the light positioning of investors make a sharp slump unlikely, at least in the short term, unless something unexpected for markets should happen. This could include, for example, an unexpected escalation in the trade dispute between the US and China or a second, violent wave of coronavirus infections. However, after the strong equity rally over the past four weeks, we have now reduced our temporary equity overweight to neutral. The upside potential should be limited in the short term, while the risks are still numerous. Moreover, equities have recently become significantly more expensive due to negative earnings revisions and rising stock markets.

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

Short-term outlook

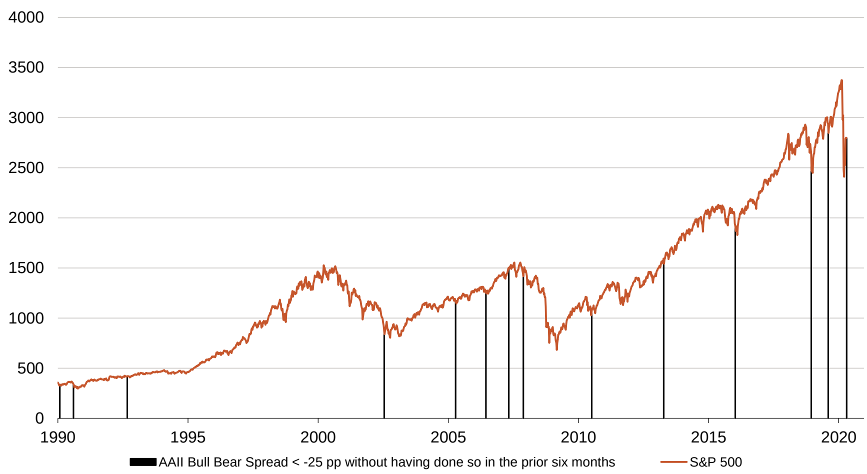
Fed, ECB and BoE monetary policy meetings are imminent.

In the coming days, the Fed (29 April), the ECB (30 April) and the BoE (7 May) will meet for their monthly monetary policy meetings. The market does not currently expect any changes in interest rates from any of the central banks. The corporate reporting season is clearly picking up speed. In the STOXX Europe 600, about 35% of companies by weighted market capitalisation will report in the next two weeks, compared to almost 60% in the S&P 500.

Q1 economic growth figures for the eurozone and US will be released.

The economic situation also remains tense. Q1 economic growth figures for the US will be published on 29 April and for the eurozone on 30 April. Economists (Bloomberg survey) expect an economic slump of -3.7% (QoQ) for the US. On Thursday, China's Industrial and Service Purchasing Managers' Index (April) will be released, as well as the eurozone, Germany and US Labour Market data. On Friday the ISM Industrial Purchasing Managers' Index (April) for the US will be published.

A good sign? Sentiment among US private investors is very pessimistic



- Currently, among US private investors the proportion of bears is more than 25 percentage points higher than the proportion of bulls. Historically, this extreme pessimism has often been a good buying opportunity for stocks on a 3-6 month horizon - most recently in December 2018 and August 2019.
- However, there were also false signals, such as in December 2007, when US equities showed directionless volatility over the following six months before falling sharply in the wake of the financial crisis.

Explanations see chart at the top of page 4.
Source: Bloomberg, Time period: 04/01/1990 - 23/04/2020

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (27/03/20 - 24/04/20)	YTD (31/12/19 - 24/04/20)	24/04/19 24/04/20	24/04/18 24/04/19	24/04/17 24/04/18	24/04/16 24/04/17	24/04/15 24/04/16
MSCI World	12.1	-11.8	-3.4	16.6	0.4	17.2	-7.6
Gold	9.6	17.9	39.6	5.2	-7.4	6.9	1.3
Global Convertibles	9.0	-3.3	2.7	13.0	-0.6	16.4	-8.5
MSCI Emerging Markets	7.6	-17.5	-13.9	5.6	7.6	21.8	-21.1
REITs	7.5	-17.0	-11.2	25.0	-15.4	4.0	-2.1
Industrial Metals	6.1	-13.4	-16.1	-1.7	9.4	18.8	-21.3
Global Coporates	6.0	2.0	8.4	11.7	-7.3	5.2	-1.9
MSCI Frontier Markets	3.8	-21.6	-14.7	-3.8	8.9	15.9	-16.9
USDEUR	2.9	3.6	3.1	9.7	-11.2	3.3	-3.1
Global Treasuries	2.2	5.6	10.4	8.3	-7.0	1.9	1.4
Eonia	0.0	-0.1	-0.4	-0.4	-0.4	-0.4	-0.2
Brent	-17.4	-61.9	-62.8	14.9	26.6	5.4	-44.7

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 Capitalizaiton Index; USDEUR: Price of 1 USD in EUR.

- Since the beginning of the year, gold has clearly performed best out of all the asset classes considered here. It gained just under 18% in euro terms, supported by a demand for safe havens, lower interest rates worldwide and rising public debt, which is leading to inflation concerns.
- Equities have recovered in the last four weeks, but are still well into negative territory since the beginning of the year.
- Global corporate bonds are now back in the green zone year-to-date.

Total return of selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 24/04/2015 - 24/04/2020

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (27/03/20 - 24/04/20)	YTD (31/12/19 - 24/04/20)	24/04/19 24/04/20	24/04/18 24/04/19	24/04/17 24/04/18	24/04/16 24/04/17	24/04/15 24/04/16
S&P 500	15.0	-8.0	2.3	24.3	0.2	20.0	-2.4
MSCI EM Eastern Europe	14.0	-29.9	-17.7	20.5	1.2	22.8	-14.4
MSCI USA Small Caps	12.1	-23.1	-19.0	17.1	-0.7	24.6	-9.5
Stoxx Europe Small 200	10.6	-21.2	-13.9	2.3	6.5	17.3	-8.0
Stoxx Europe Defensives	9.6	-11.3	-1.4	8.4	1.3	4.6	-11.6
MSCI EM Asia	8.0	-11.1	-7.4	5.8	10.4	22.6	-21.8
DAX	7.3	-22.0	-16.1	-1.9	0.8	20.1	-12.2
Stoxx Europe 50	6.2	-16.9	-9.4	7.5	-0.6	12.2	-14.5
MSCI UK	5.9	-25.9	-21.7	6.0	2.9	9.7	-15.3
Euro Stoxx 50	3.1	-24.7	-17.7	2.5	0.6	17.4	-13.4
Stoxx Europe Cyclicals	2.9	-27.8	-23.6	0.1	4.9	21.0	-15.7
Topix	1.9	-11.9	-2.5	-0.6	7.5	14.8	-8.4

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 Cyclicals: Stoxx Europe Cyclicals TR;
Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kindom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR;
MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- European small caps were among the biggest winners over the last four weeks. However, they have still underperformed the Stoxx Europe 50 since the beginning of the year. Thanks to its large proportion of Swiss quality stocks with a defensive business model, the Stoxx Europe 50 index fared relatively well during the coronavirus crisis.
- Year-to-date, the S&P 500 has performed best.

Total return of selected equity indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 24/04/2015 - 24/04/2020

Fixed Income

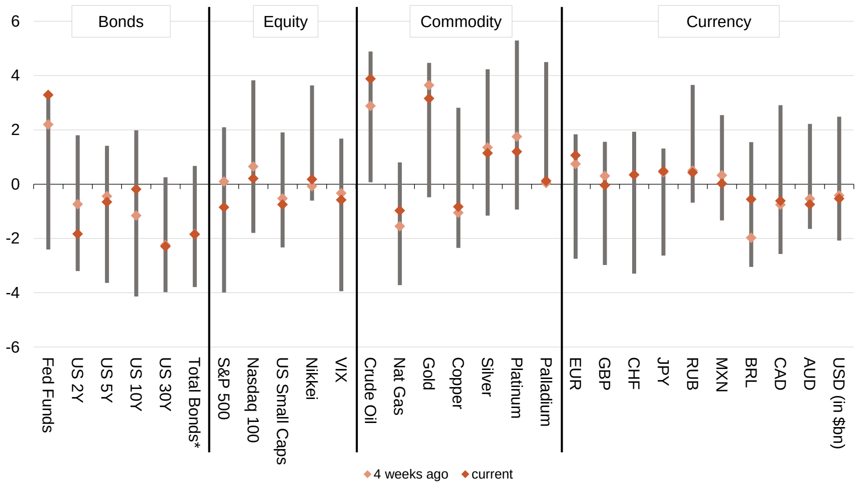
	4-week & YTD		12-month periods over that last 5 years				
	4W (27/03/20 - 24/04/20)	YTD (31/12/19 - 24/04/20)	24/04/19 24/04/20	24/04/18 24/04/19	24/04/17 24/04/18	24/04/16 24/04/17	24/04/15 24/04/16
USD Corporates	9.2	5.2	13.0	16.9	-11.0	6.8	-1.9
USD High Yield	7.4	-6.0	-1.5	17.9	-8.8	15.8	-5.8
EUR High Yield	6.1	-10.3	-7.5	2.6	3.1	6.2	0.4
Gilts	3.9	6.2	14.1	6.1	-5.4	0.0	-5.9
EUR Financials	3.4	-3.9	-1.7	2.8	1.8	2.5	1.0
Treasuries	3.3	13.4	18.9	14.4	-12.4	3.3	-1.6
EM Local Currency Bonds	2.8	-3.3	3.7	6.6	-5.1	8.2	-5.3
EUR Non-Financials	2.6	-3.5	-1.2	3.4	1.1	1.8	0.6
Bunds	0.2	2.5	3.8	4.8	-1.3	-0.1	-0.1
EM Hard Currency Bonds	-0.5	-11.5	-7.4	1.2	-0.5	5.7	2.8
EUR Inflation Linkers	-1.2	-5.7	-1.2	-0.7	4.1	1.2	-3.1
BTPs	-3.7	-3.2	5.4	-2.3	4.8	-1.7	1.5

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: Markit 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 fixed income, USD bonds have recently performed well with support from the substantial new purchase programs of the US Federal Reserve.
- High-yield bonds have recovered significantly in the last four weeks, but have remained negative since the beginning of the year.
- Within government bonds, US government bonds have so far performed best in 2020.

Total return of selected fixed income indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 24/04/2015 - 24/04/2020

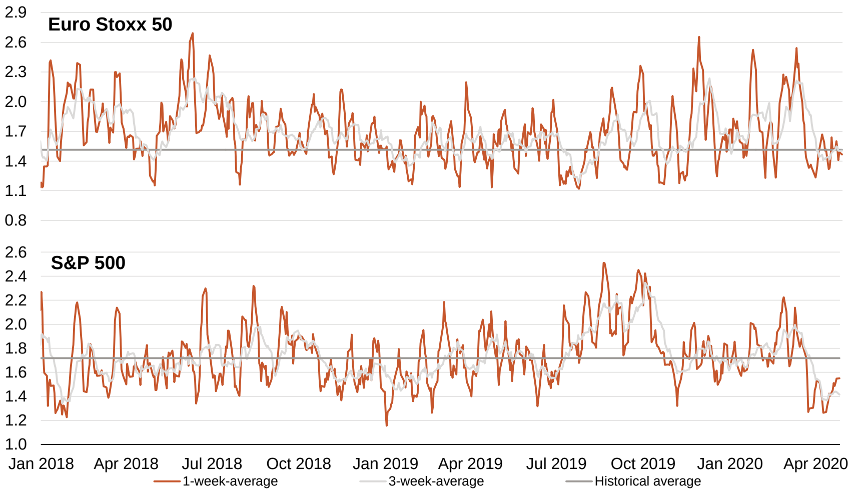
Non-Commercial Positioning



- Speculative investors have recently sold short-dated US government bonds and bought long-term ones. Equity positioning was mostly cut, especially in the S&P 500.
- The pronounced net long position in oil should limit the upside potential.

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: 21/04/2010 - 21/04/2020

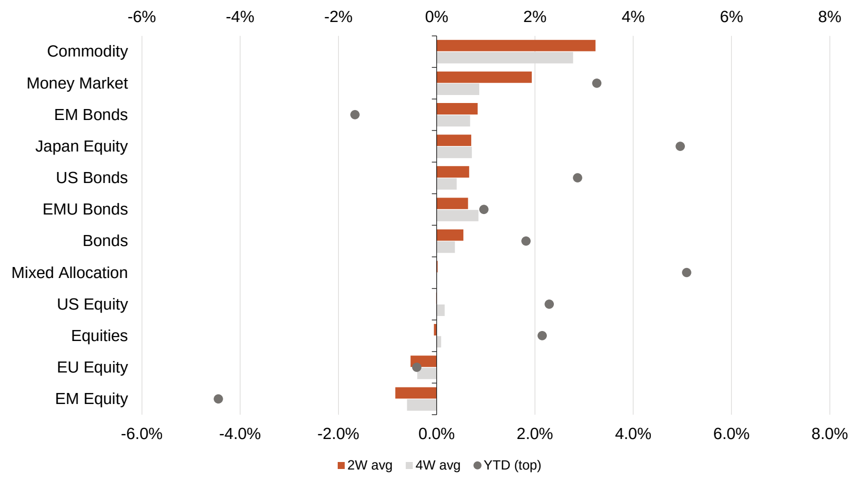
Put-Call Ratio



- The put-call ratio usually declines during market corrections. This happens for several reasons; investors take profits on puts. They also sell stocks, which reduce the need for hedging. The increase in volatility means that investors are more likely to sell futures instead of buying more expensive puts for hedging purposes. In addition, investors buy calls as a hedge against rising markets if they are heavily underweight in equities.

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 - 24/04/2020

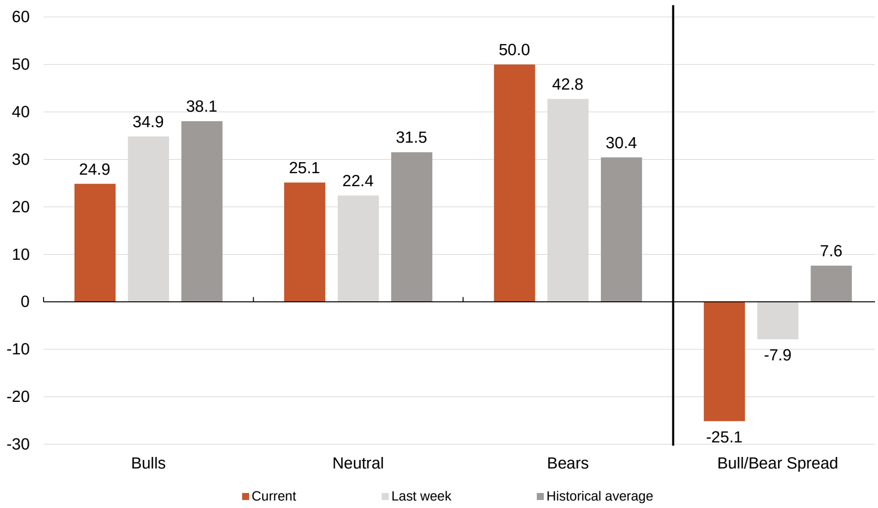
ETF Flows



- Precious metals, especially gold ETFs, saw strong inflows last week. Precious metals funds saw more than USD 2 billion in inflows, the ninth largest weekly inflow ever measured.
- However, investors remain sceptical about emerging market equities. ETF outflows have continued recently.
- Meanwhile, significant inflows into money market ETFs have continued.

Estimated ETF flows in percent of assets under management, sorted by 2-week average.
Source: Bloomberg, Time period: 31/12/2019 - 24/04/2020

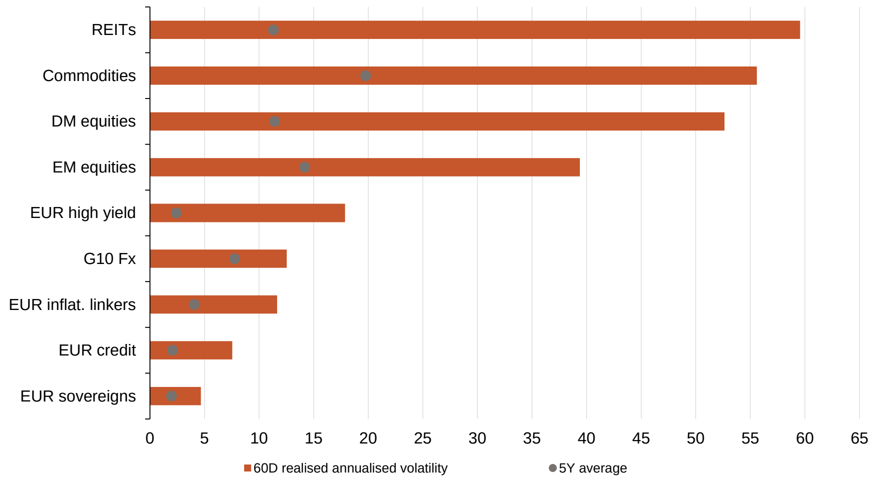
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment among US private investors has deteriorated dramatically. Currently, the proportion of bears is twice as high as that of bulls. The bull-bear spread is extremely negative at -25ppts.
- Many investors view the recent bull market with great scepticism in light of coronavirus consequences which cannot be fully assessed yet.

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 – 23/04/20

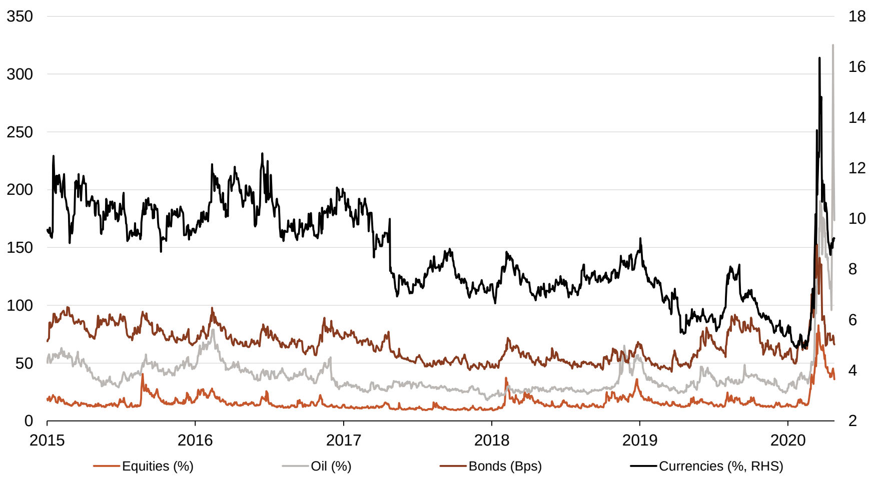
Realised Volatilities



- The realised 60-day volatility continues to be above its 5-year average for all asset classes presented here.
- REITs are the most volatile due to the threat of rent losses.
- Although volatility in emerging market equities is well above its historical average, it is remarkably low compared with equities in developed countries.

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: 24/04/2015 – 24/04/2020

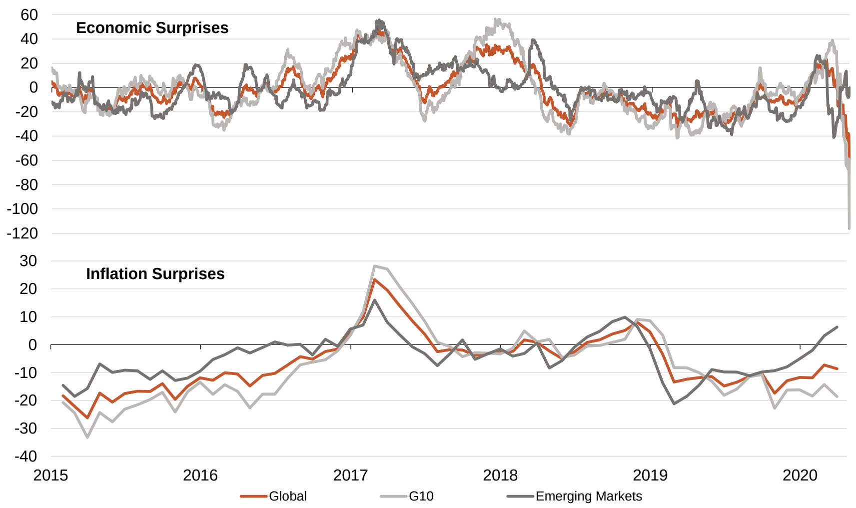
Implied Volatilities



- After negative oil prices were recorded for the first time in history, the implied volatility in oil heightened, reaching a new all-time high of over 300. In the medium term, an easing from these extreme levels is inevitable.
- Other asset classes implied volatilities stabilised.

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 – 24/04/2020

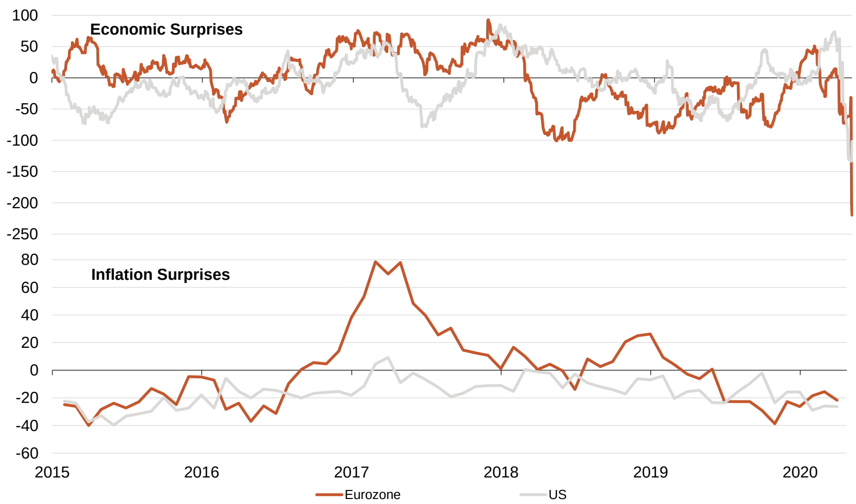
Global



- The trend of global negative economic surprises continues. The main drivers were the industrialised nations (G10), but emerging markets have also recently provided negative surprises. In China, the year-on-year contraction of the economy was stronger than expected, with -6.8% in the first quarter and retail sales slumped by 15.8% in March. Positive year-on-year surprises came from March data on industrial production (-1.1%), exports (-6.6%) and imports (-0.9%).

See explanations below.
Source: Bloomberg, Time period: 01/01/2015 - 24/04/2020

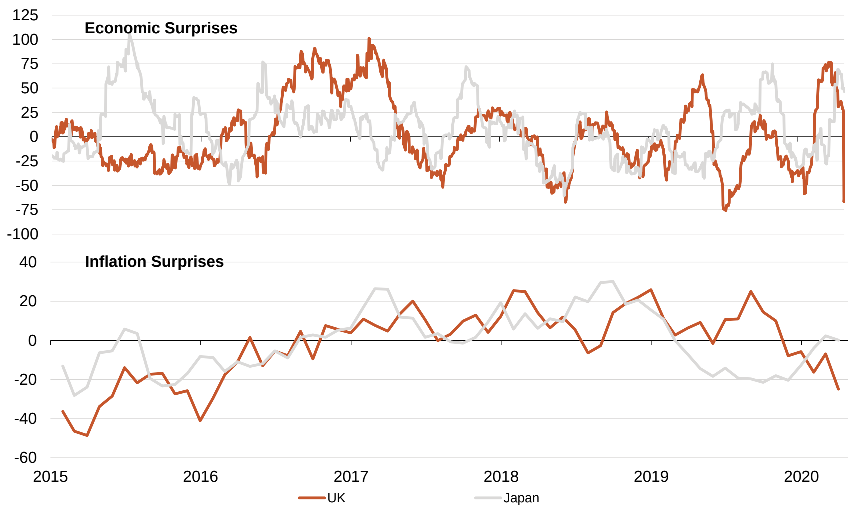
Eurozone and US



- The US economic surprises indicate an economy in free fall. In addition to the massive slump in the labour market, retail sales (March), industrial production (March) and the Empire Manufacturing Index (April) led economic disappointments.
- The eurozone economy also saw a very disappointing data release. The Purchasing Managers' Indices, especially those from the service industry, provided a clearly negative surprise. The ZEW indicator for Germany rose in April, while the Ifo index fell.

See explanations below.
Source: Bloomberg, Time period: 01/01/2015 - 24/04/2020

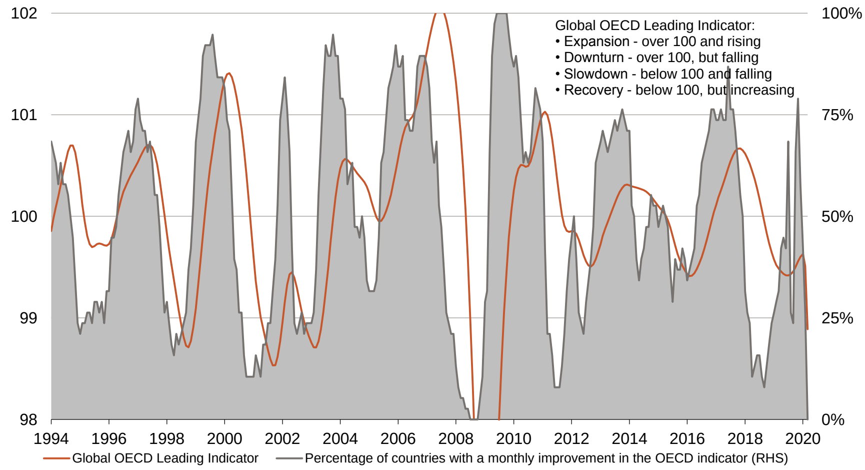
UK and Japan



- In the UK, the Purchasing Managers' Indices (April) and retail sales (March) have recently disappointed.
- In Japan, industrial production (Feb.) and exports (-11.7% YoY, March) came as a negative surprise.

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 - 24/04/2020

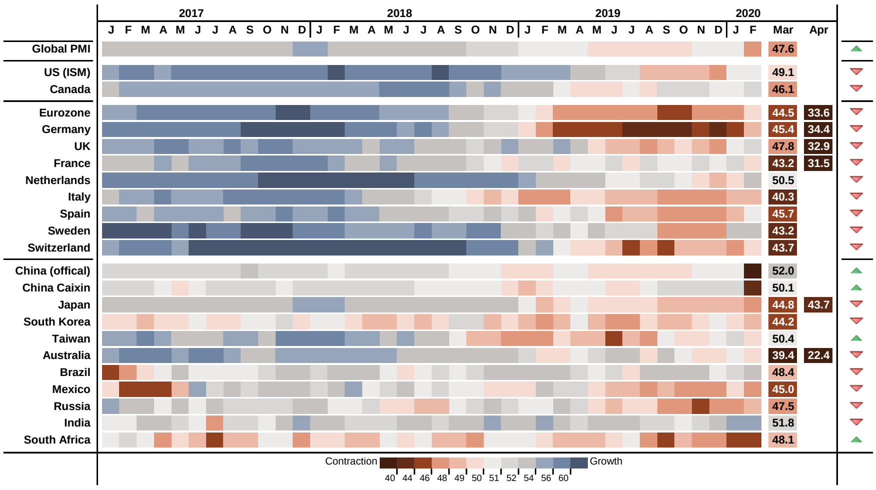
OECD Leading Indicator



- The OECD leading indicator shows a significant economic slump with a value below 99 points and it continues to fall. There was not a single country which had an improvement in the indicator during March, 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 - 31/03/2020

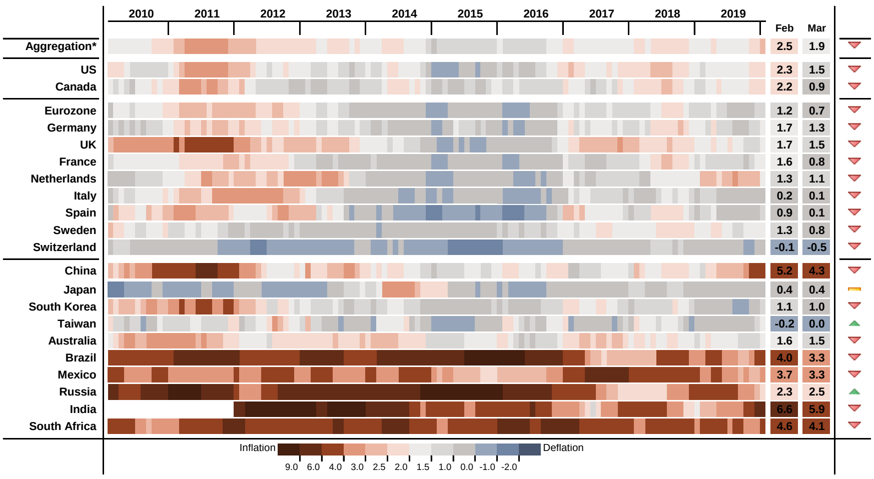
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- Economic sentiment in the eurozone is down. April PMIs fell to historic record lows, indicating a significant deterioration in economic sentiment compared to March.
- The same applies to the UK, Japan and South Korea.

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: 31/01/2017 - 24/04/2020

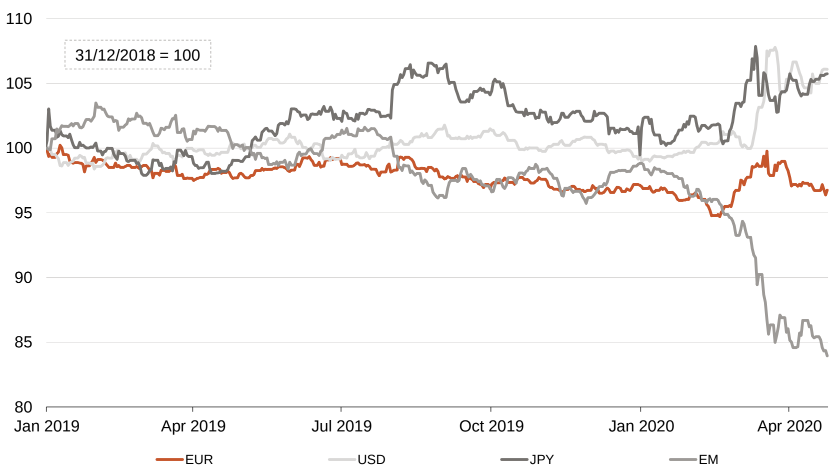
Headline Inflation



- Inflation in the UK fell from 1.7% in February to 1.5% in March. However, compared to other regions in Europe, inflation in the UK remains above average.
- In Canada, inflation has fallen much more sharply. It fell further from over 2% in February to under 1% in March.

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: 31/03/2010 - 31/03/2020

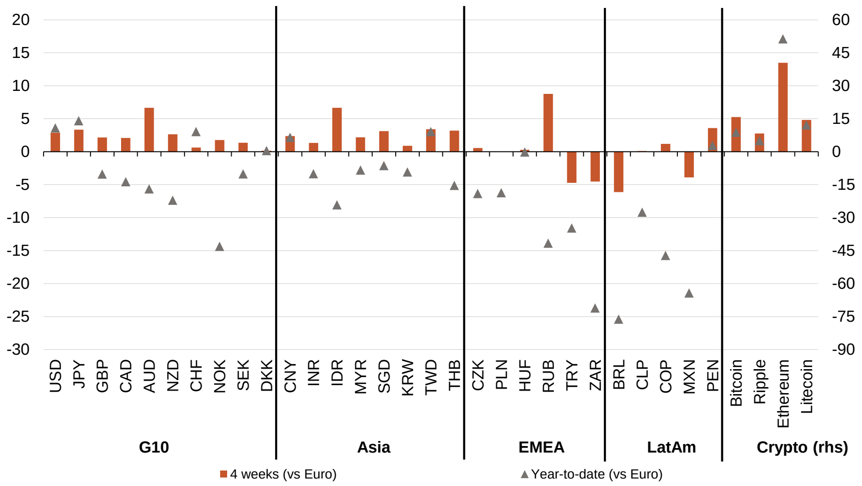
Trade-Weighted Currency Development



- The "risk on" sentiment in equity markets was not reflected in currency markets. The Japanese yen and the US dollar remained in demand as safe havens. The euro and emerging market currencies were the losers of the last two weeks.

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 - 24/04/2020

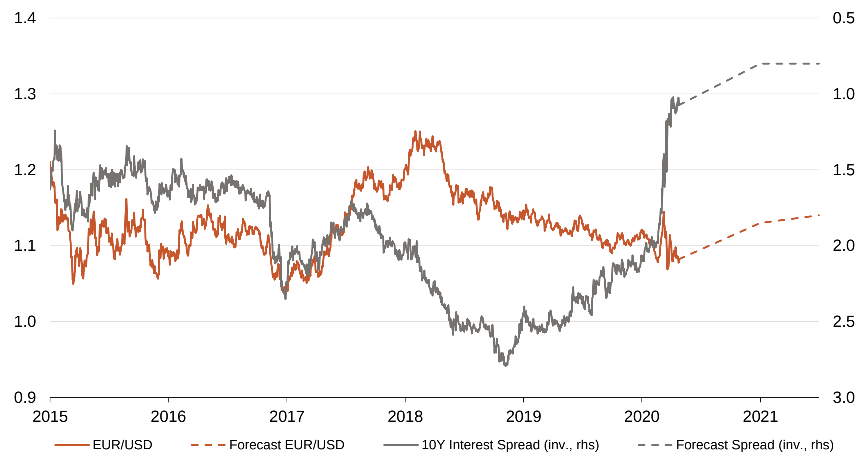
Currency Moves vs Euro



- The euro has fallen against all G10 and Asian currencies in the last four weeks. The sharp rise in government spending in the euro zone must be financed with fresh money from the ECB in the form of bond purchases putting a strain on the euro.
- Since the beginning of the year, however, the common currency has continued to appreciate across the board.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2019 - 24/04/2020

EUR/USD exchange rate and interest rate differential



- The EUR/USD exchange rate has been moving sideways in the past weeks. Recently, the common currency had to give way and is currently trading below 1.08. However, a clear trend is not yet discernible.
- In addition to monetary policy, the success of the restart of economic activity in the respective currency area should point the way forward for the currency pair.

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

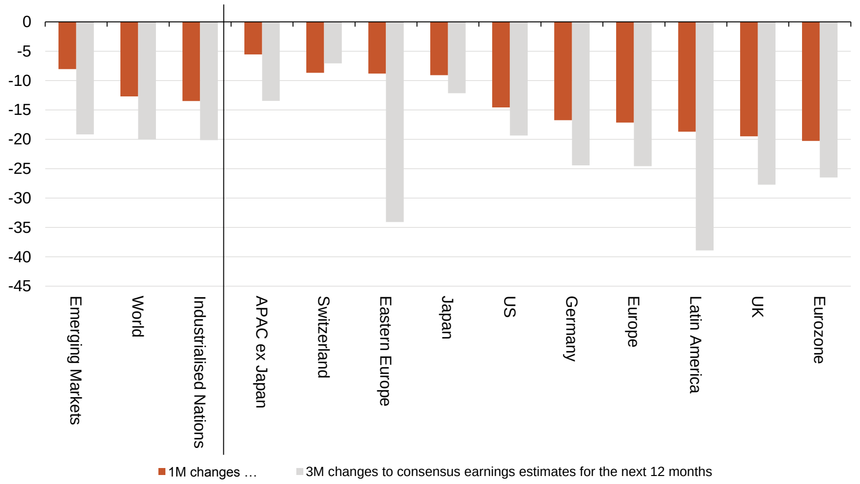
	4-week & YTD: 4W (27/03/20 - 24/04/20)	4-week & YTD: YTD (31/12/19 - 24/04/20)	12-month periods over that last 5 years: 24/04/19 24/04/20	24/04/18 24/04/19	24/04/17 24/04/18	24/04/16 24/04/17	24/04/15 24/04/16
Health Care	16.4	3.0	24.5	12.8	-7.3	2.9	-13.9
Information Technology	11.0	-10.9	-3.7	17.6	8.2	25.6	-10.1
Materials	10.4	-21.1	-17.8	4.4	11.0	27.4	-18.1
Growth	8.6	-11.6	-1.7	10.1	0.9	11.4	-9.5
Consumer Staples	8.3	-8.7	-3.0	16.5	-8.5	8.9	-1.0
Energy	5.8	-36.7	-39.9	5.0	21.0	14.5	-14.6
Consumer Discretionary	4.5	-26.7	-20.2	1.7	4.5	15.8	-15.7
Industrials	2.9	-27.1	-19.4	6.9	1.2	22.2	-7.9
Telecommunications	2.8	-23.8	-22.9	-3.8	-3.8	-4.8	-11.4
Value	2.7	-29.4	-26.2	0.3	3.0	16.7	-16.7
Utilities	-0.1	-13.6	2.3	12.0	3.1	3.5	-9.9
Finance	-4.8	-35.9	-32.9	-6.3	3.9	21.0	-19.8

Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: 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.

Over the last four weeks and since the beginning of the year, the technology and defensive sectors in Europe have performed best. Growth has so far beaten value by almost 18pp in 2020. The financial and energy sectors have contributed to the strong underperformance of value.

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: 24/04/2015 - 24/04/2020

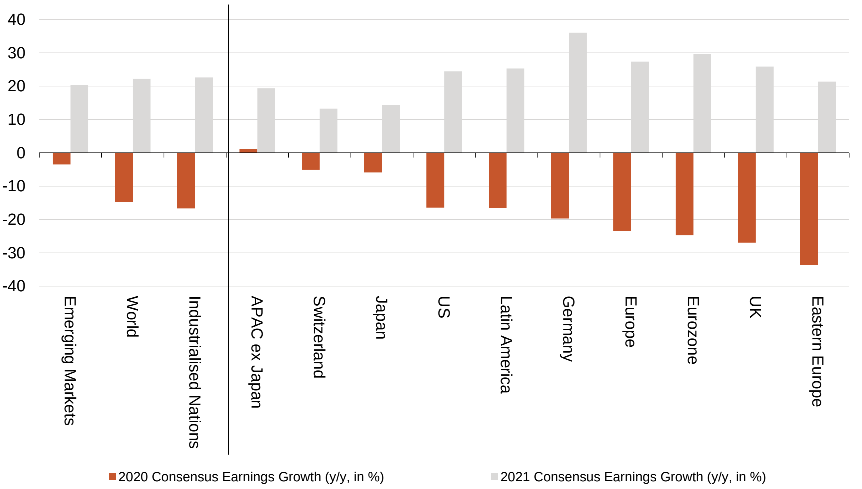
Changes in Consensus Earnings Estimates



- Now earnings revisions have also turned negative for the defensive Swiss equity market. Over the past month, analysts have lowered their estimates for companies from the eurozone and Great Britain in particular.
- Asian companies saw the fewest negative earnings revisions.

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 24/04/2020

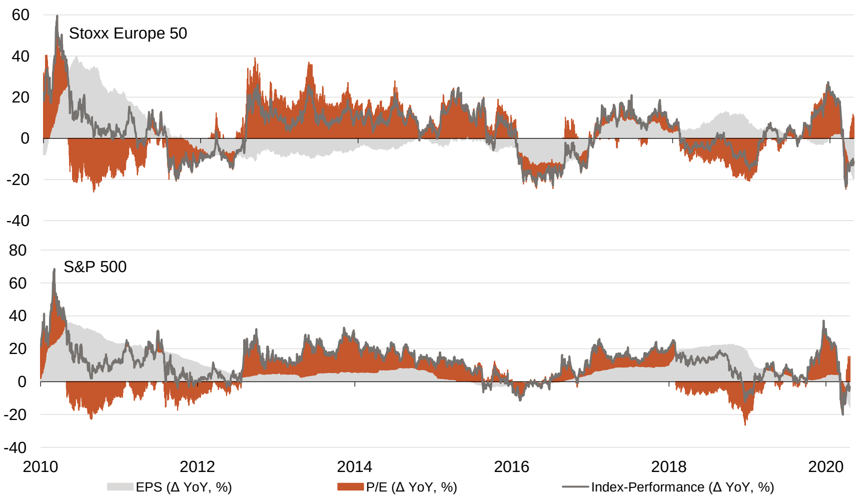
Earnings Growth



- Negative earnings growth for 2020 is now expected for all regions except Asia ex Japan. Consensus predicts the sharpest drop in profits for Eastern Europe. The large drop in oil prices is likely to play a decisive role in this.
- For 2021, analysts see a gradual recovery in corporate earnings for all regions.

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 24/04/2020

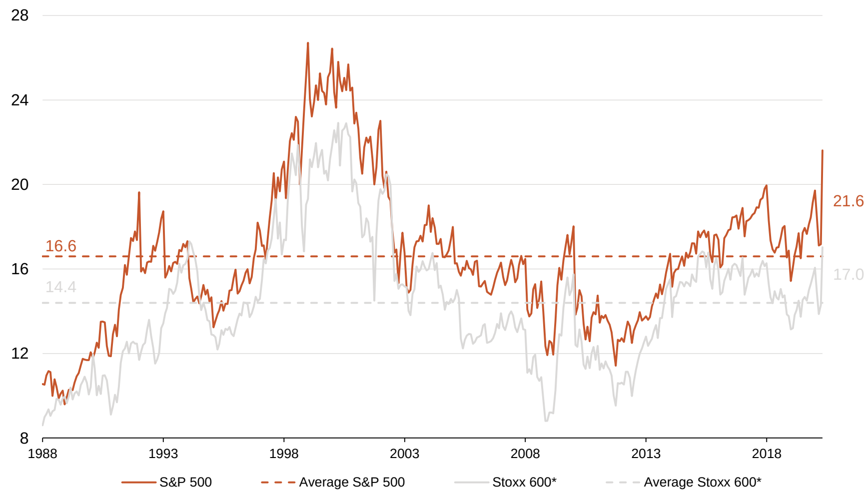
Contribution Analysis



- The contribution analysis impressively shows that over the past 12 months, earnings estimates have fallen sharply in Europe, while P/E valuations have risen significantly, partly due to lower bond yields. Despite these opposing effects, the Stoxx Europe 50 lost more than 12% during this period.

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 – 24/04/2020

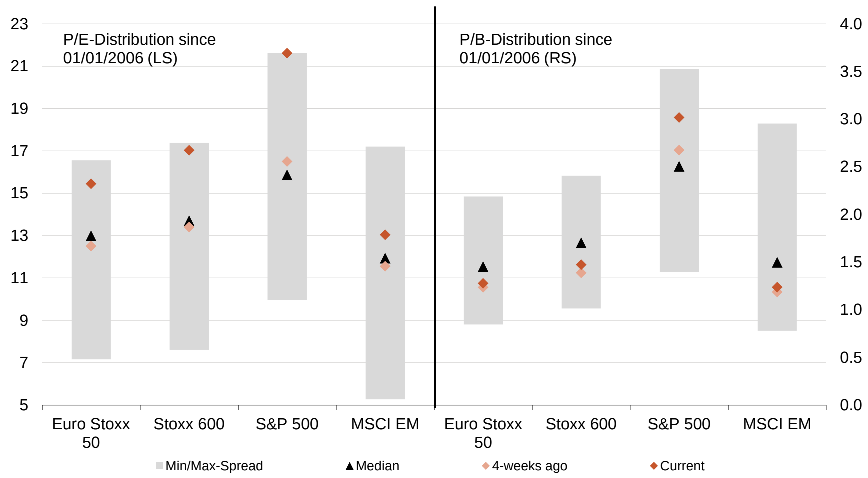
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- In April, analysts made strong downward adjustments to earnings estimates, while equity markets rose sharply over the same period. As a result, the P/E ratios have risen significantly.
- In the US, we have now exceeded the high valuation level seen in the wake of the announced tax cuts at the end of 2017.

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 – 24/04/2020

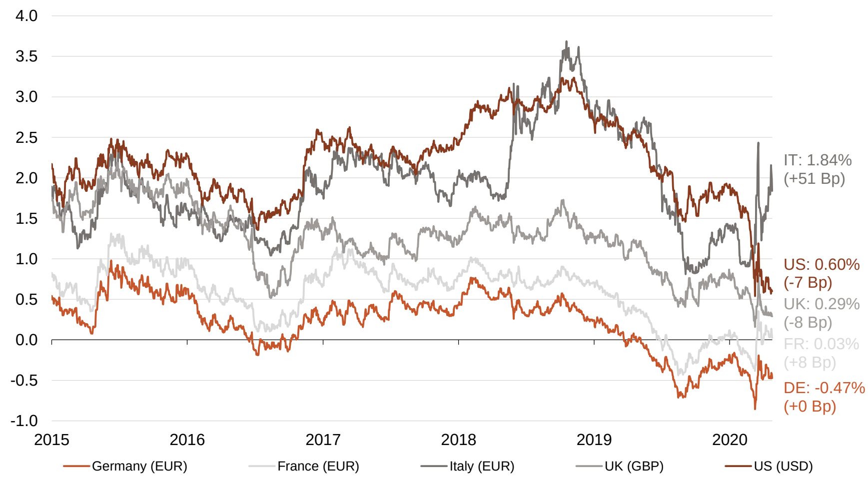
Historical Distribution: Price/Earnings and Price/Book Ratio



- On a P/E basis, all regions are now valued higher than their own historical median since 2006, following the strong April recovery of equity markets, with the US even reaching its highest level during this time period.
- On a P/E basis, valuations look somewhat friendlier. But even there, the US is expensive compared to its own historical median and all other regions.

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 – 24/04/2020

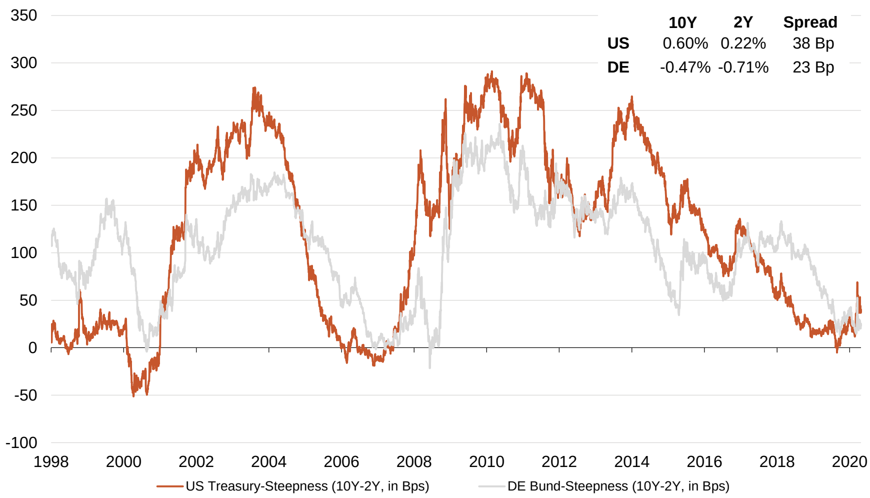
10-Year Government Bond Yields



- The gloomy economic outlook and the increased political risk caused yields on 10-year Italian government bonds to rise significantly close to 2%. According to the latest surveys, the risk of an EU exit has increased. Nevertheless, S&P has confirmed its investment grade rating of BBB for Italy.
- By contrast, safe havens such as US or German government bonds saw yields fall in the last four weeks.

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 - 24/04/2020

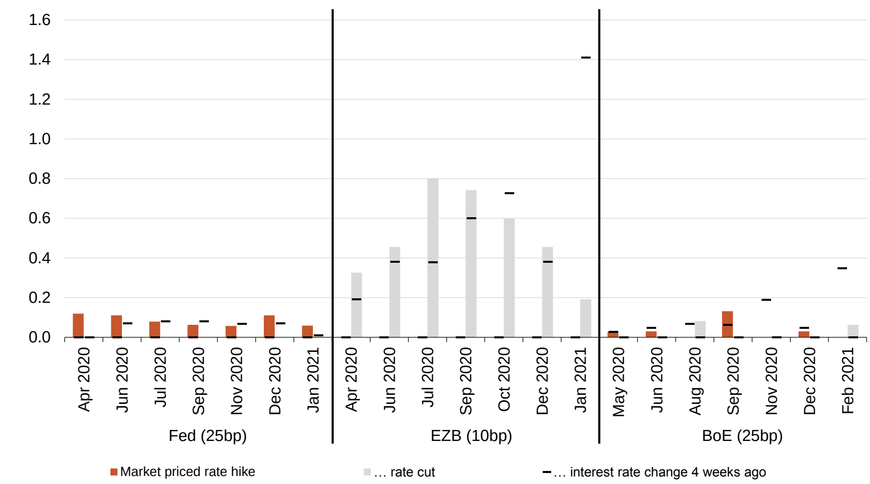
Yield Curve Steepness (10Y - 2Y)



- While the steepness of the German yield curve has hardly changed over the past two weeks, the steepness of the US yield curve has fallen by around 10 basis points. At 38 basis points, however, it is still noticeably away from inversion.

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 - 24/04/2020

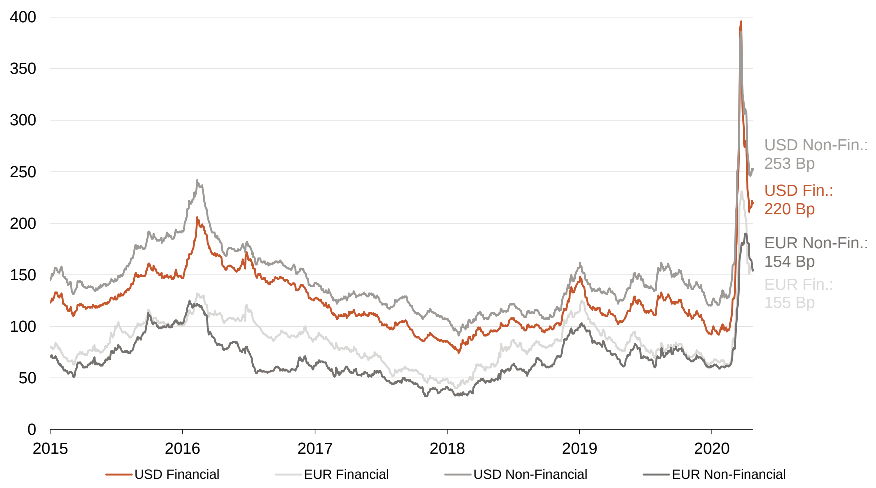
Implicit Changes in Key Interest Rates



- In times of a massive provision of liquidity, the market does not expect the Fed to cut rates further in 2020, so US central bank interest rates are unlikely to fall below 0% in the near future. By contrast, the probability of an interest rate increase is around 10%.
- In the eurozone, the market considers a rate cut to -0.6% in July with a probability of around 80%.

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: 27/03/2020 - 24/04/2020

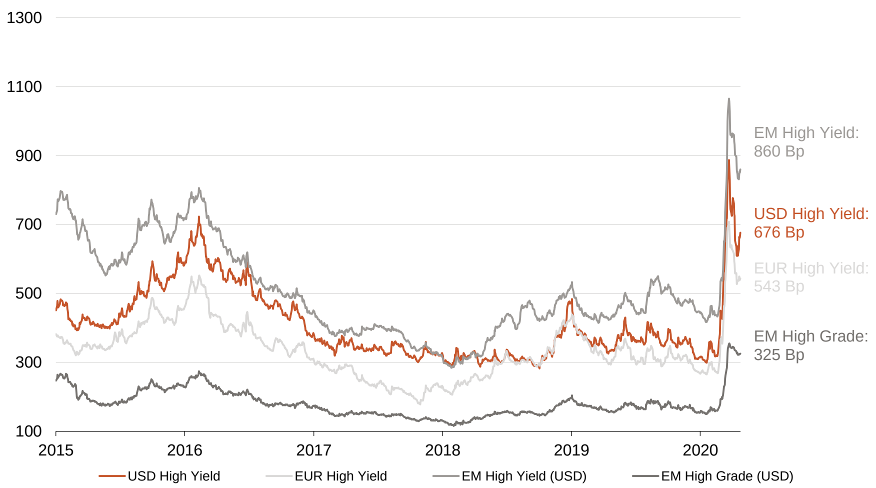
Credit Spreads Financial and Non-Financial Bonds



- In the last two weeks, spreads on investment grade corporate bonds have fallen slightly. After the rapid widening of spreads and the relatively rapid narrowing of spreads, the market thus appears to be taking a break for the time being.
- In the case of EUR corporate bonds, non-financial bonds in particular have seen spreads narrow recently. Spreads have narrowed most in the auto and leisure sectors, even though they remain at historically high levels.

Explanations see middle and bottom illustration.
Source: FactSet, Time period: 01/01/2015 – 24/04/2020

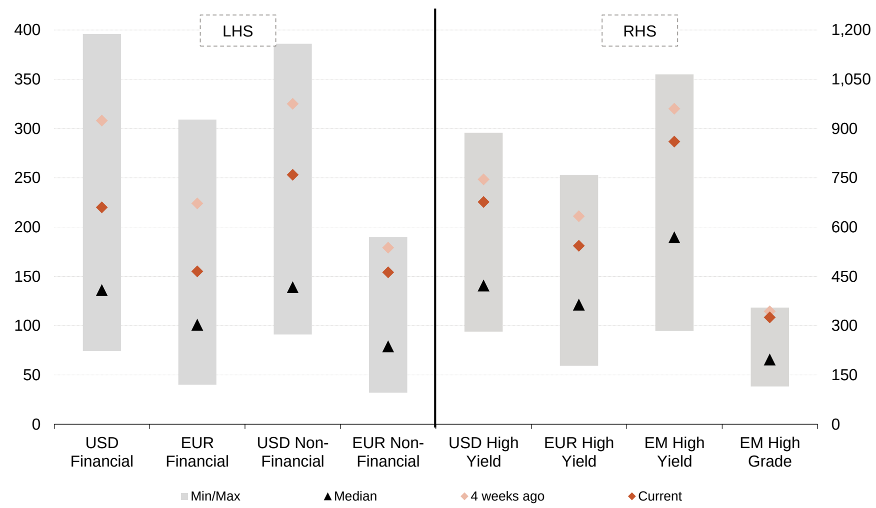
Credit Spreads High Yield and Emerging Markets Bonds



- Despite historically high capital inflows into high-yield bond products, spreads have not fallen significantly in the last two weeks. For USD high-yield bonds spreads have even increased by about 20 basis points.
- Only emerging market high-yield bonds saw markedly falling spreads of around 40 basis points.

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 – 24/04/2020

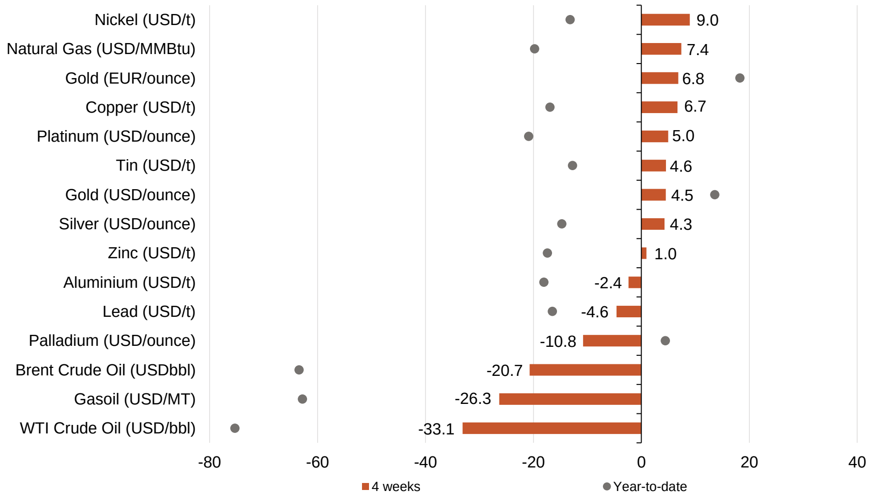
Historical Distribution of Credit Spreads (in bp)



- In a four-week comparison, spreads have fallen significantly across all segments except EM High Grade. In absolute terms, the strongest spread tightening was seen in USD financial bonds. Nevertheless, spreads remain well above the 10-year median.

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: 24/04/2010 – 24/04/2020

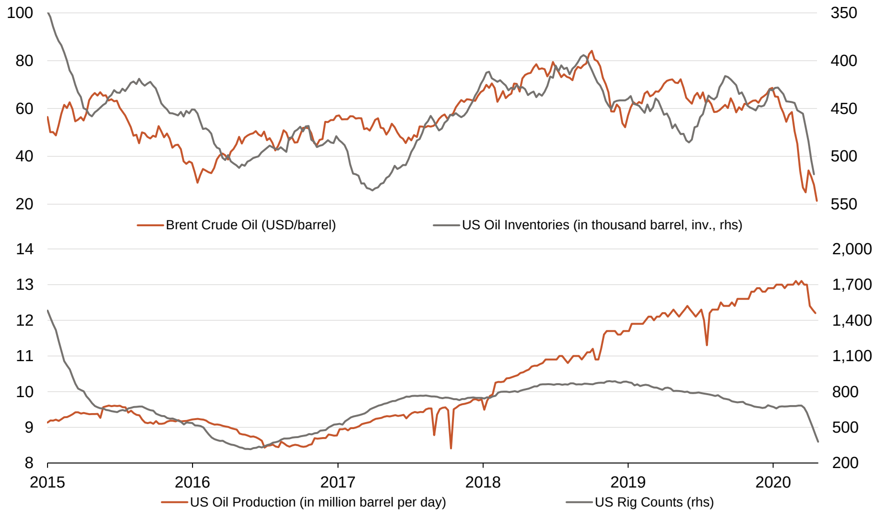
Commodities Performance



- The commodities sector also benefited across the board from the "risk on" movement of recent weeks.
- In addition to gold, the winners were industrial metals as well as silver and platinum, which are also widely used in industrial applications.
- Energy commodities suffered another sharp setback. WTI has lost over 70% since the beginning of the year.

Total return of selected commodity prices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/01/2020 - 24/04/2020

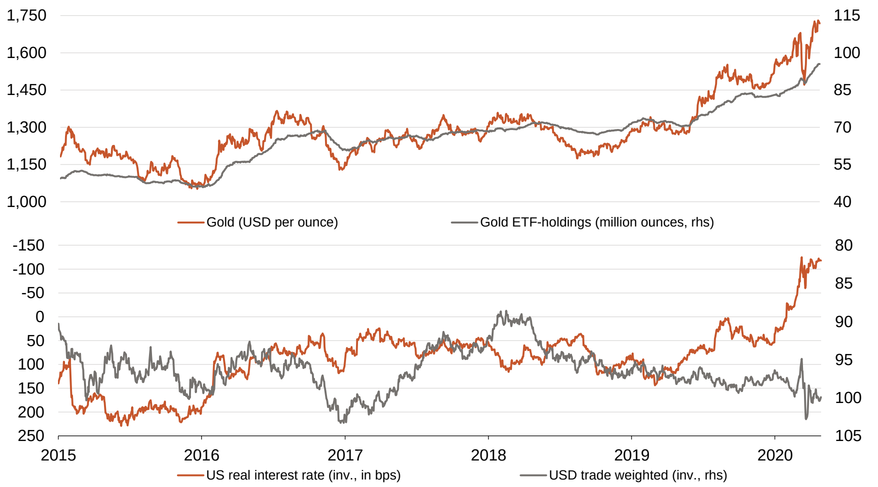
Crude Oil



- Due to the extension of quarantine measures decided in many places, the demand for crude oil continues to decline. Despite OPEC+ cuts, global storage capacities should therefore be completely exhausted in the coming weeks.
- However, negative prices for WTI for the first time in history were mainly driven by sales of ETFs. These had to roll their futures contracts and thus exerted considerable price pressure.

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 - 24/04/2020

Gold



- Gold has continued to shine in recent weeks despite rising stock markets and a strong US dollar. Calculated in Euro it even reached a new all-time high of 1,609 Euros per ounce. ETF investors in particular remain the driving force behind the rally.

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 - 24/04/2020

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