Current market commentary

The last two weeks revealed a lack of direction in stock markets. European equities rose only thanks to the rapprochement of Trump and Juncker in the customs dispute, as well as encouraging Q2 reporting for many companies, before relinquishing profits after an intensification of the trade dispute between the USA and China. Implied volatilities for risky assets remain low, while gold fell to a 12-month low despite global uncertainties. Meanwhile, 10-year US interest rates are nibbling back at 3% and the US dollar is rising, thanks to an optimistic Fed, solid US economic data and an increasing supply of US Treasuries. At present, protectionism concerns on the one hand and robust economic data as well as respectable corporate results on the other are in balance, so that the short-term return potential is limited to the up- and downside. Accordingly, a successful strategy currently seems to be to trade the trading range.

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

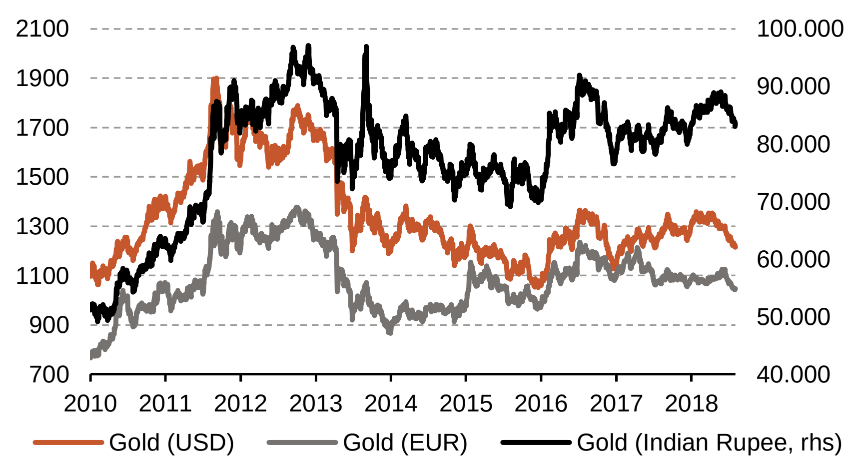
The further progress of the trade war will occupy the markets.

The trade disputes are keeping the markets on tenterhooks. EU Commission President Junker and US President Trump were able to de-escalate the trade dispute and avoid higher US import duties on European cars, but the relief did not last long. Rather, market participants were unsettled by the US announcement to raise tariffs on Chinese imports.

The corporate reporting season and economic data are also providing impetus.

The corporate reporting season will continue to provide new impetus in the coming two weeks. In addition, June data on industrial production in Germany, France and the UK will be published this week. On Thursday and Friday, initial jobless claims and consumer prices will be announced in the US. Next week, the ZEW survey and US consumer confidence from the University of Michigan will be the focus of attention.

Gold has not yet benefited from the increased uncertainty



- Tariff wars, growth concerns and geopolitical tensions - yet gold has lost in euro and US dollar terms since the beginning of the year.
- A stronger dollar and (the fear of) rising US interest rates have led to ETF outflows and a sharp reduction of hedge funds' gold exposure. The depreciation of the rupee also weakened the demand for gold, as the price-sensitive Indians were purchasing less of it. A glimmer of hope remains: August has historically been a favourable month for gold.

Source: Bloomberg, Time period: 01/01/2010 - 03/08/2018

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (06/07/18 - 03/08/18)	YTD (31/12/17 - 03/08/18)	03/08/17 - 03/08/18	03/08/16 - 03/08/17	03/08/15 - 03/08/16	03/08/14 - 03/08/15	02/08/13 - 03/08/14
MSCI Frontier Markets	3.4	-4.0	6.6	12.8	-9.9	0.2	29.2
MSCI World	3.4	7.5	14.2	10.9	-3.1	28.9	12.1
MSCI Emerging Markets	3.0	-2.3	5.7	18.0	-2.0	5.4	12.5
REITs	1.7	3.4	4.1	-10.9	10.9	26.1	8.8
USDEUR	1.5	3.8	2.6	-6.1	-1.8	22.6	-1.1
Global Coporates	1.1	1.0	1.1	-2.6	4.2	17.7	6.1
Global Convertibles	0.9	7.3	9.8	7.8	-2.1	23.4	10.7
Eonia	0.0	-0.2	-0.4	-0.4	-0.2	0.0	0.1
Global Treasuries	-0.1	2.0	0.9	-8.4	10.1	12.2	3.7
Industrial Metals	-1.2	-8.5	5.6	11.7	-2.7	-10.5	6.5
Gold	-1.8	-3.3	-1.8	-12.3	22.7	3.0	-2.5
Brent	-3.0	18.9	53.5	1.4	-30.7	-48.6	2.3

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.

- Over the last four weeks, most asset classes have gained in euro terms. During this period, the US dollar appreciated 1.5% against the euro.
- Equities advanced the most, climbing 3% and more.
- The ongoing tariff war between the US and China had a particularly adverse effect on commodities. Industrial metals, gold and oil suffered all losses over the last four weeks.

Total return of selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 02/08/2013 – 03/08/2018

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (06/07/18 - 03/08/18)	YTD (31/12/17 - 03/08/18)	03/08/17 - 03/08/18	03/08/16 - 03/08/17	03/08/15 - 03/08/16	03/08/14 - 03/08/15	02/08/13 - 03/08/14
S&P 500	4.4	11.4	19.9	9.8	3.5	36.3	13.6
Topix	3.7	1.8	10.5	13.7	-6.2	33.7	4.3
MSCI EM Eastern Europe	2.6	3.1	14.9	18.0	-2.7	-5.8	-4.9
Stoxx Europe 50	2.1	1.1	4.8	13.4	-15.4	20.9	11.3
MSCI EM Asia	1.9	-2.5	6.1	21.0	-2.0	13.7	16.1
Stoxx Europe Cyclicals	1.8	-0.4	3.2	30.8	-19.8	20.5	10.9
Stoxx Europe Defensives	1.6	6.6	8.6	3.2	-10.4	21.0	21.2
Stoxx Europe Small 200	1.3	2.7	8.5	20.8	-10.9	25.8	12.8
Euro Stoxx 50	1.1	1.7	3.1	22.2	-17.6	21.4	12.3
DAX	1.0	-2.3	3.8	19.5	-11.1	24.3	9.6
MSCI UK	0.6	1.8	6.0	17.2	3.1	2.9	4.0
Russell 2000	0.1	13.8	23.5	10.6	-1.9	37.1	5.3

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 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.

- Within equity regions, the US and Japan fared best in euro terms, supported also by a domestic currency appreciation vs the euro. Eastern European equities gained as well despite falling oil prices.
- Over the last four weeks, US small caps did worst despite the USD appreciation. After the strong YTD rally (+13.8%) the upside potential seems to be limited at the moment.

Total return of selected equity indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 02/08/2013 – 03/08/2018

Fixed Income

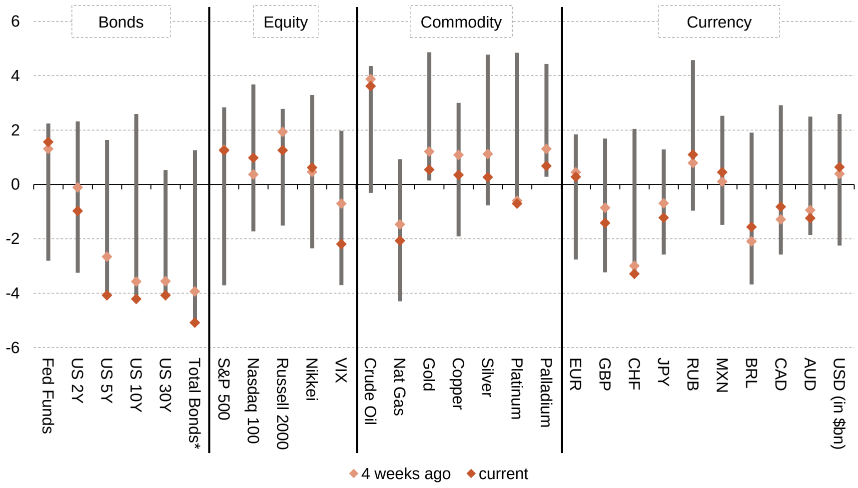
	4-week & YTD		12-month periods over that last 5 years				
	4W (06/07/18 - 03/08/18)	YTD (31/12/17 - 03/08/18)	03/08/17 - 03/08/18	03/08/16 - 03/08/17	03/08/15 - 03/08/16	03/08/14 - 03/08/15	02/08/13 - 03/08/14
USD High Yield	2.8	5.5	4.9	3.7	1.8	23.4	5.2
EM Local Currency Bonds	1.8	-1.1	0.0	-1.1	5.7	6.1	5.8
USD Corporates	1.8	1.4	1.3	-3.4	5.1	24.7	5.7
EM Hard Currency Bonds	1.7	1.9	2.1	-0.1	6.4	20.7	6.3
EUR High Yield	0.9	-0.1	0.8	6.8	2.6	2.9	7.9
Treasuries	0.8	2.2	0.7	-7.5	3.0	26.6	1.1
EUR Financials	0.2	-0.6	0.0	2.6	4.3	2.4	6.6
EUR Non-Financials	0.2	0.0	0.6	-0.1	5.8	2.4	6.6
Bunds	-0.5	1.2	1.1	-3.5	6.2	4.9	4.6
EUR Inflation Linkers	-1.1	-0.4	1.2	-0.1	3.3	1.3	3.3
Gilts	-1.1	-0.3	2.1	-8.3	-5.0	24.4	12.9
BTPs	-1.2	-4.2	-3.8	-2.8	6.3	7.9	13.3

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.

- On the fixed-income side, we saw a mixed picture regarding the risk appetite. High yield bonds beat corporate bonds in the eurozone, while emerging markets bods gained
- However, the sell-off in Italian risk serves as a reminder that beyond the challenges of the ECB's exit, political risks could also end up playing an important role in H2. Italian government bonds lost 1.2% in the last four weeks.

Total return of selected fixed income indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 02/08/2013 – 03/08/2018

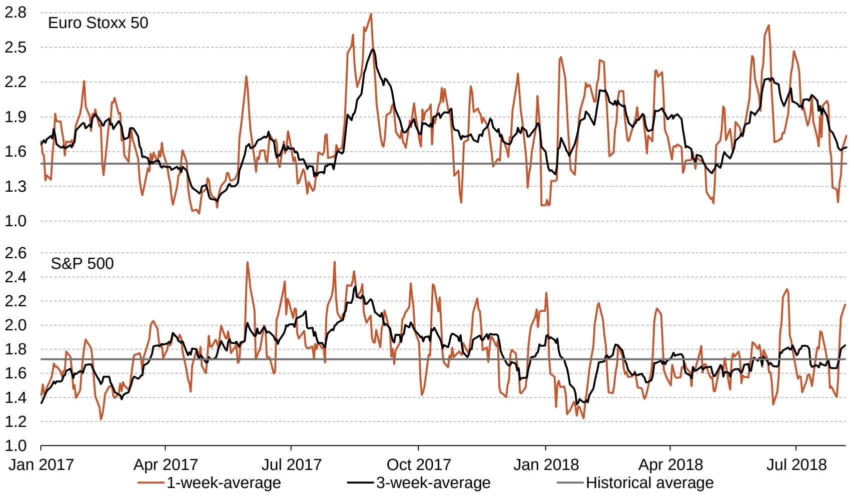
Non-Commercial Positioning



- Net short positions in long-term US bonds were reduced further. Speculative investors have additionally scaled down their precious metals exposure across the board.
- By contrast, they have become more optimistic about the USD.

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: 06/03/2008 - 31/07/2018

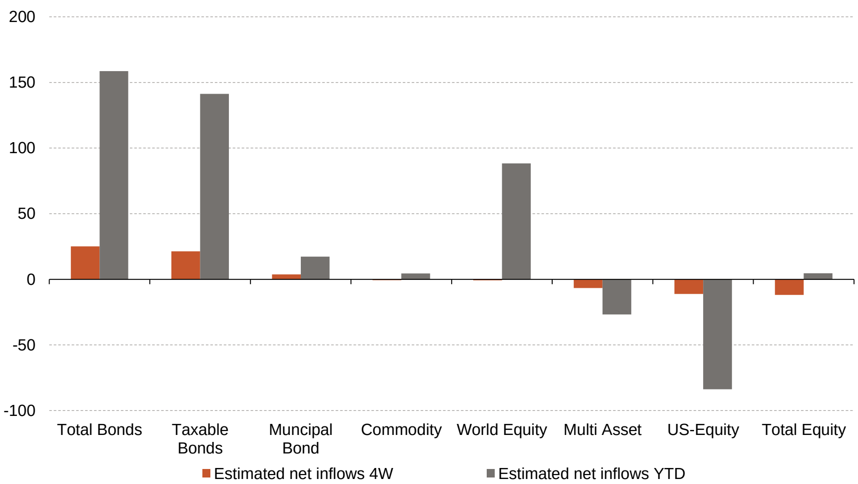
Put-Call Ratio



- The put call ratios for the Euro Stoxx 50 and the S&P 500 have recently climbed. Investors sought protection from falling prices, given also attractive options prices thanks to low implied volatilities.
- The hedging ratio for European equities remains at a historically above-average level.

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 - 03/08/2018

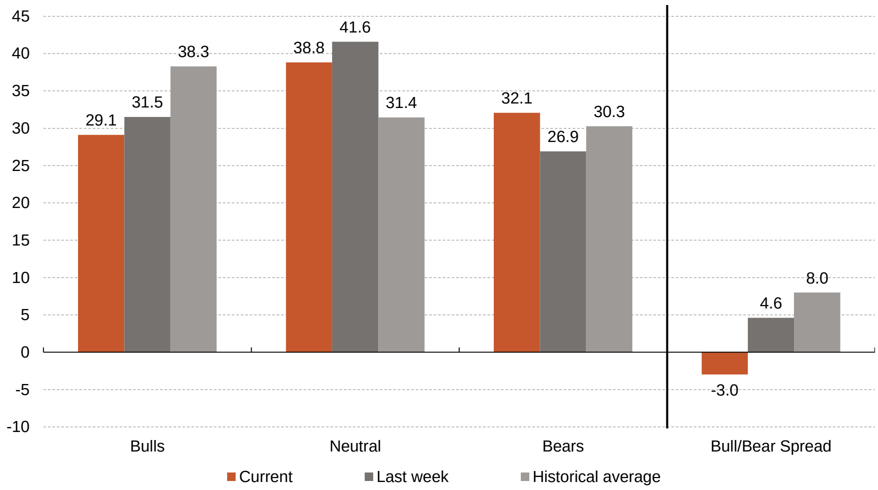
Fund flows



- Over the last four weeks, US investors have been primarily interested in bonds. By contrast, equity, multi-asset and commodity funds have recorded outflows.
- Equity funds were hit particularly hard. They experienced outflows of $12 billion. $11.1 billion were pulled out from U.S. equity funds and $800 million from the other regions.

Total cash flows estimated by Investment Company Institute (mutual funds and ETFs) of US investors, in USD billions.
Source: Bloomberg, Time period: 03/01/2018 - 25/07/2018

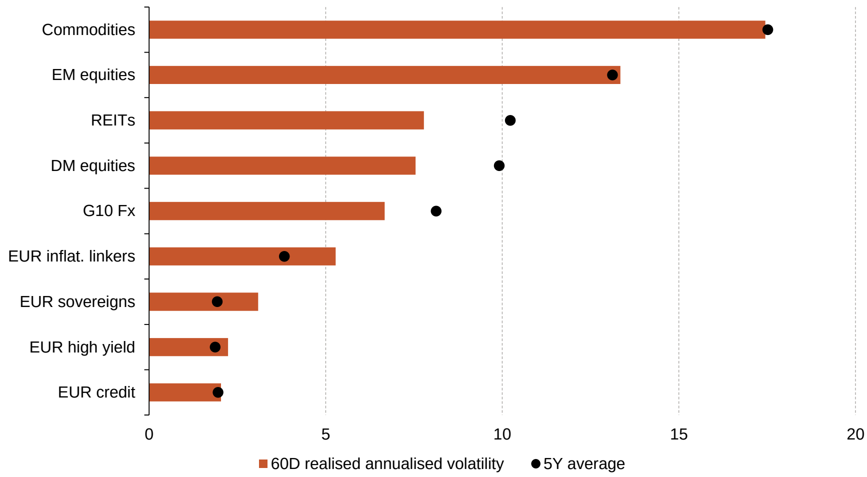
AAII Sentiment Survey (Bulls vs Bears)



- In the US, the bears now have the upper hand again. The last time that happened was in early July. 32.1 percent of private investors are pessimistic about the stock market development over the next six months.
- Historically, this has been a good counter-indicator.

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 - 02/08/18

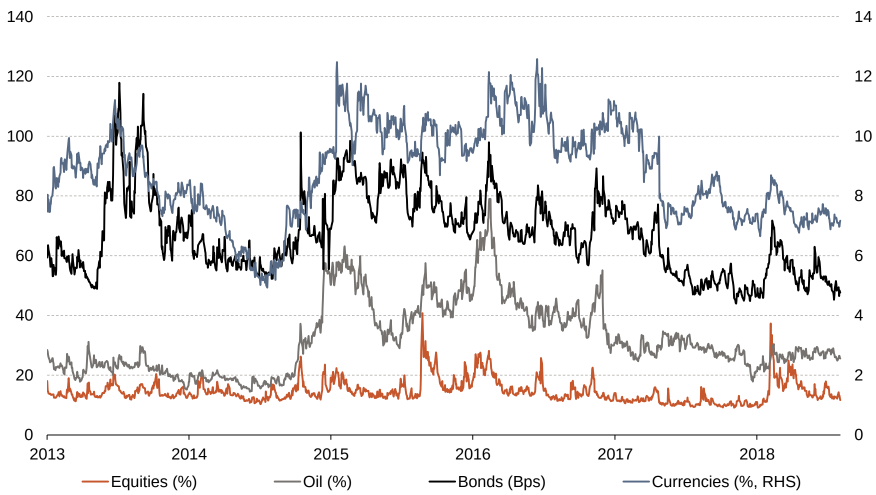
Realised Volatilities



- Despite the ongoing tariff war, volatility in risky asset classes such as equities remains historically low. This is partly due to a certain adjustment effect and also due to a strong Q2 reporting season. The earnings situation of most companies remains solid.
- Things look different for the FI side: The looming end of global expansionary central bank policy is causing higher fluctuations in the bond market.

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: 03/08/2013 - 03/08/2018

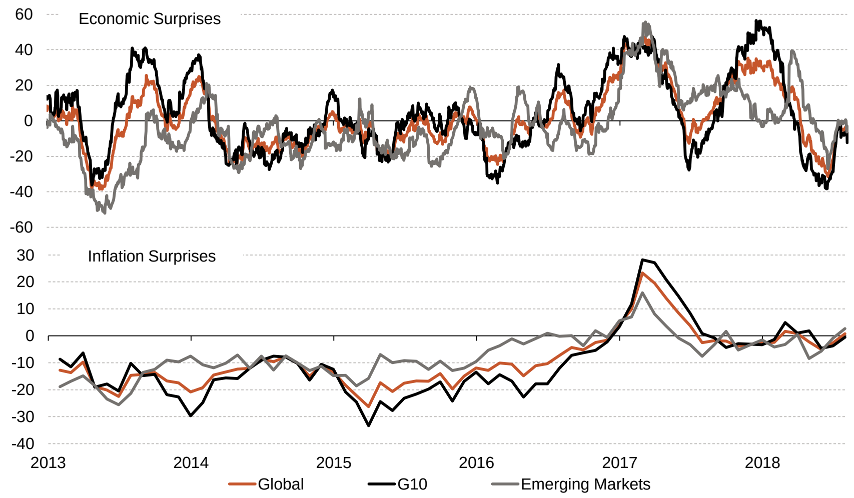
Implied Volatilities



- The S&P 500 is trading near the January all-time high, so there is no sign of panic. Implied volatility for US equities is correspondingly low.
- For many investments, the difference between realised and implied volatility is currently low. It is even negative at the moment for Japanese equities, which makes hedging cheaper.

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: 01/01/2013 - 03/08/2018

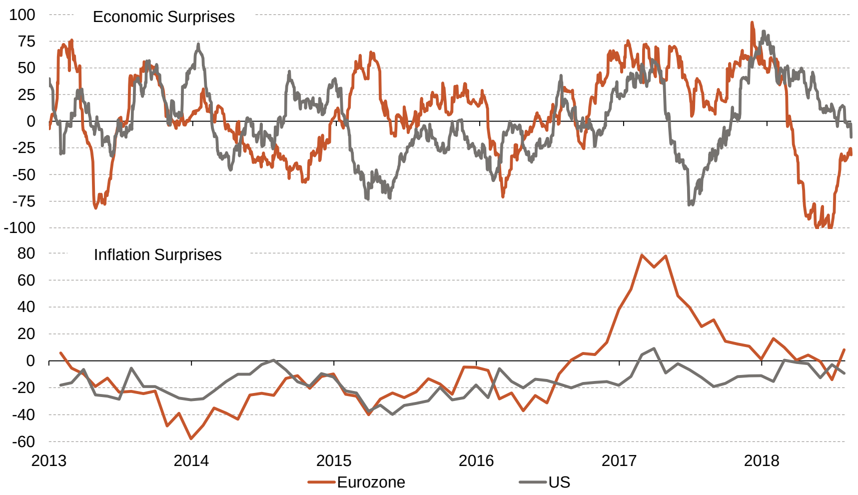
Global



- The global economy continues to grow despite ongoing trade disputes. Economic data for the industrial and emerging countries recently met expectations.
- Nevertheless, the trade dispute weighed on corporate sentiment in China. At 50.8 points, the purchasing managers' index was 0.1 points below expectations and is close to the growth threshold of 50.
- Inflation has recently tended to surprise upwards.

See explanations below.
Source: Bloomberg, Time period: 01/01/2013 - 03/08/2018

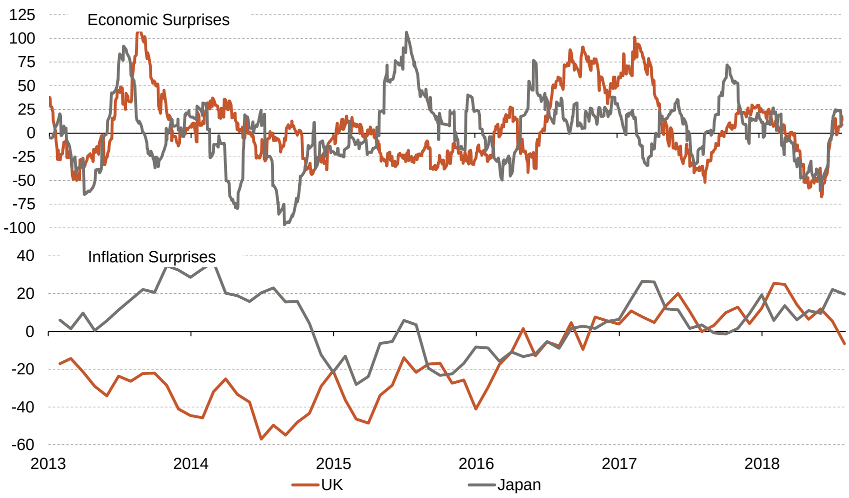
Eurozone and US



- The euro zone continues to recover, even though Q2 economic growth was slightly disappointing at 2.1%. Industrial production in Italy, retail sales in Germany and industrial sentiment in France were surprisingly higher then expected.
- The USA achieved annualized economic growth of 4.1% in Q2 (compared to Q1), although this was slightly below consensus, as were labour market data.
- In the euro zone, July inflation surprised with 2.1% to the upside, while in the USA prices rose less than expected.

See explanations below.
Source: Bloomberg, Time period: 01/01/2013 - 03/08/2018

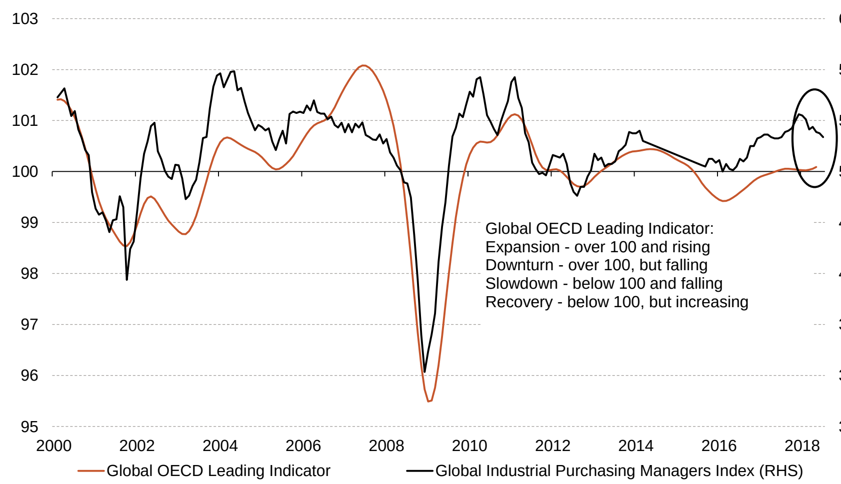
UK and Japan



- Despite Brexit concerns, the British economy remains stable. Data have met expectations, although a slight downward trend can be observed.
- At -2.1%, the monthly growth rate of industrial production in Japan in June was well below the expected -0.3%.

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: 01/01/2013 - 03/08/2018

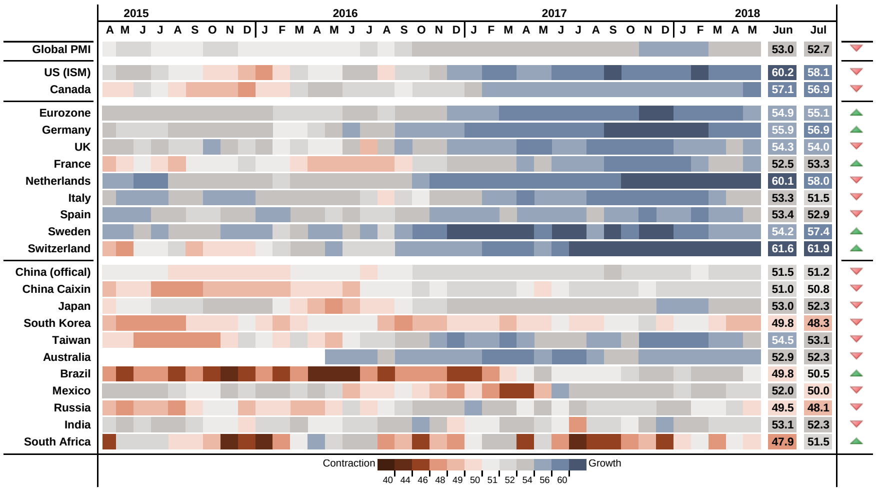
OECD Leading Indicator and Global Purchasing Managers Index



- The global economy continues to expand. However, the global purchasing managers' index for industry is still in a downward trend.
- The recent threat from the US to increase duties on USD 200 billion of Chinese imports from 10% to 25% should temporarily accelerate the downward trend further.

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 - 31/07/2018

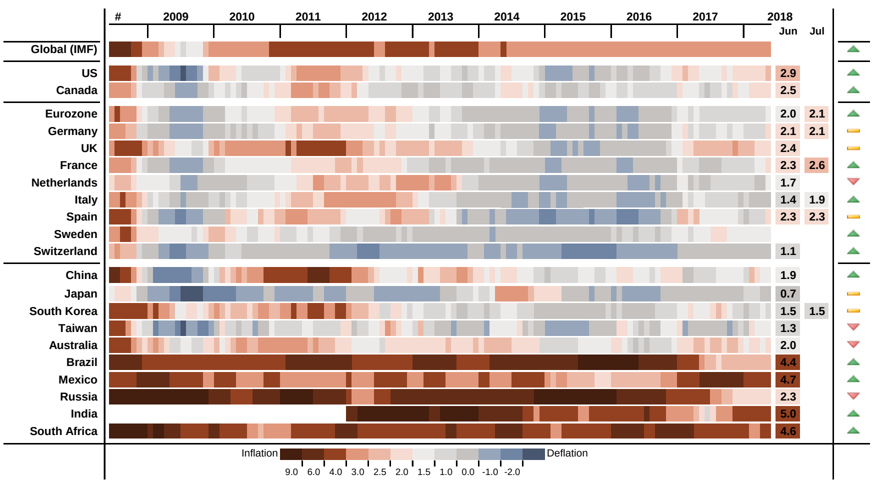
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- In addition to China, the mood of companies in the USA is now also declining. Due to the trade war, the first US farmers are already insolvent.
- Bright spots come from Europe: In the eurozone and especially in Germany, the mood in industry has recently improved again.

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: 31/04/2015 - 31/07/2018

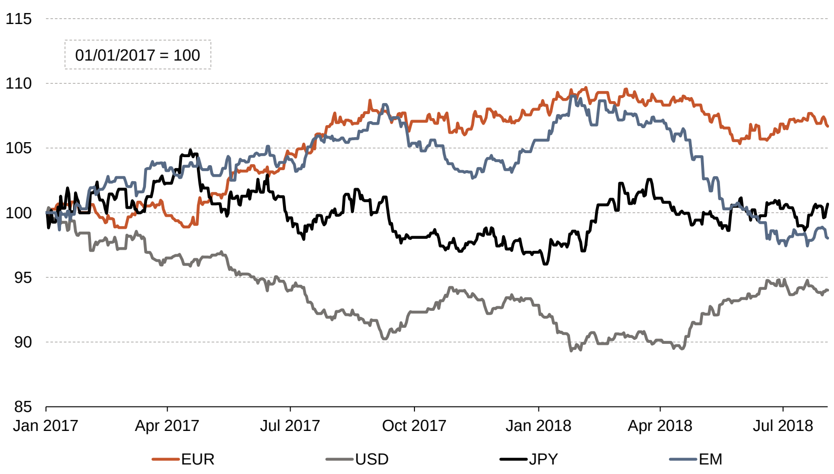
Headline Inflation



- Eurozone inflation in July reached 2.1%. It was thus slightly above the ECB's inflation target of 2%. Inflation in France, at 2.6%, was the highest in over 6 years.
- A key driver of global inflation is the rise in oil prices compared with the previous year, which is why core inflation in individual countries is often significantly lower than headline measures.

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: 31/07/2008 - 31/07/2018

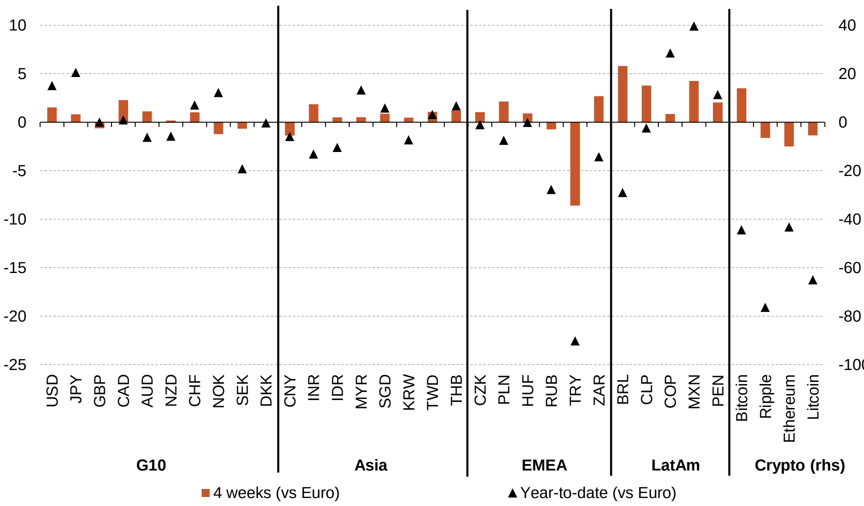
Trade-Weighted Currency Development



- The foreign exchange market has been relatively quiet lately. Over the last few weeks, the volatility of major trade-weighted currencies has been quite low.
- The US dollar is benefiting from the trade disputes and remains sought after by investors as a safe haven. In contrast, emerging market currencies are the biggest losers.

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: 01/01/2017 - 03/08/2018

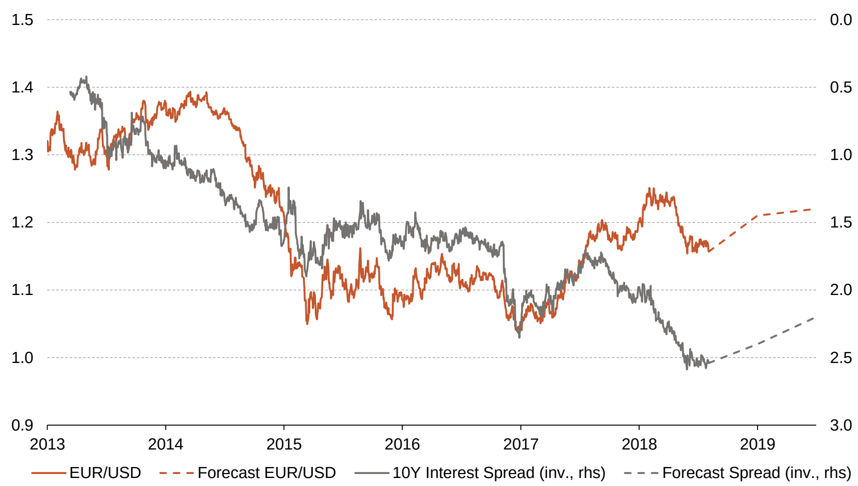
Currency Moves vs Euro



- In the last four weeks there has been no clear trend in the performance of the euro.
- The US dollar and the Canadian dollar have appreciated against the euro, as have Latin American currencies.
- The Turkish lira remains under pressure in view of the political conflict with the USA and has further increased its losses since the beginning of the year.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 01/01/2018 - 03/08/2018

EUR/USD exchange rate and interest rate differential



- The interest rate differential between 10-year US Treasuries and Bunds remains at a level of around 2.5 percentage points.
- The EUR/USD exchange rate is fluctuating around the 1.16 level. The US dollar is benefiting from the interest rate differential and the expectation of further interest rate hikes by the Fed. In addition, the US dollar remains sought after due to the trade disputes.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US Treasuries and 10-year Bunds.
Source: Bloomberg, Time period: 01/01/2013 - 30/06/2019

European Sector & Style Performance

	4W (06/07/18 - 03/08/18)	YTD (31/12/17 - 03/08/18)	03/08/17 03/08/18	03/08/16 03/08/17	03/08/15 03/08/16	03/08/14 03/08/15	02/08/13 03/08/14
Health Care	5.8	7.6	7.7	-2.6	-12.3	35.2	18.4
Industrials	3.3	2.2	7.7	20.1	-6.8	22.1	6.9
Consumer Staples	3.0	1.7	3.2	3.9	1.7	29.9	5.4
Growth	2.5	3.8	7.9	10.0	-8.9	29.7	7.5
Information Technology	2.2	11.6	17.3	19.3	2.6	24.3	10.8
Finance	1.8	-4.8	-5.3	43.6	-30.8	25.1	10.3
Value	1.0	0.1	2.9	22.5	-18.6	15.0	16.5
Materials	0.6	1.2	14.2	24.6	-9.9	4.9	14.2
Consumer Discretionary	-0.1	0.7	5.2	16.7	-16.9	33.8	6.5
Telecommunications	-1.1	-6.7	-8.9	3.3	-20.7	35.3	22.0
Energy	-1.6	11.8	27.6	13.8	-6.5	-10.5	17.8
Utilities	-3.4	3.7	2.7	3.8	-5.5	8.7	23.5

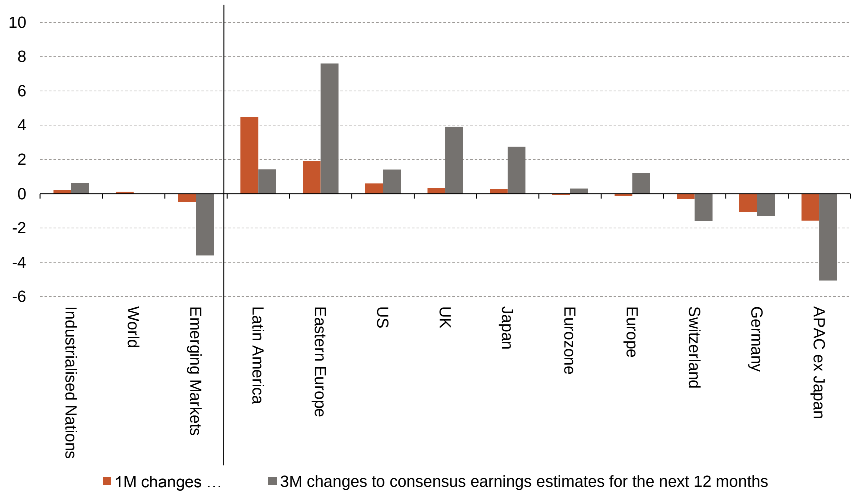
4-week & YTD | 12-month periods over that last 5 years

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.

- Healthcare was the best performing European sector over the last four weeks. Healthcare companies have impressed in the Q2 reporting season: 60% of companies so far have exceeded expectations, while only 20% have disappointed.
- Utilities lost 3.4%, also due to modest Q2 reporting. Only 25% of companies surprised positively.

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: 02/08/2013 - 03/08/2018

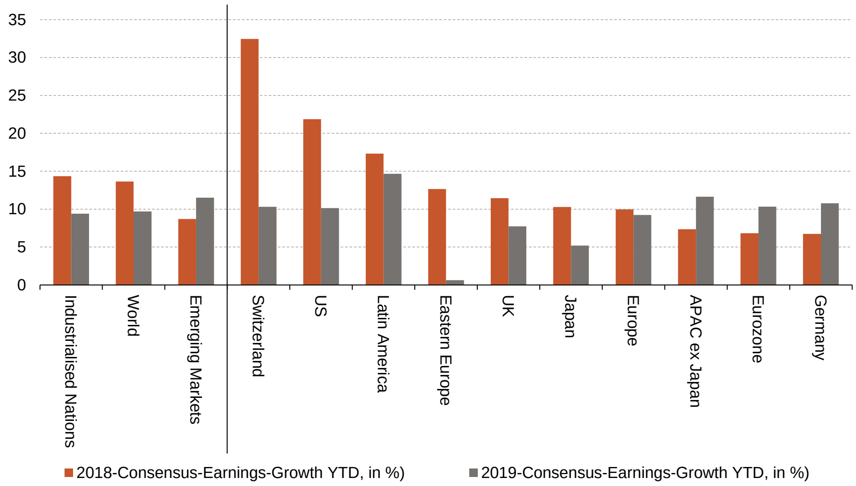
Changes in Consensus Earnings Etimates



- The biggest changes in earnings estimates have been recorded in emerging markets: Latin America and Eastern Europe saw the highest positive earnings revisions over the past month, while Asia Pacific excluding Japan experienced the strongest negative changes in earnings estimates due to the intensifying tariff war between the US and China and currency devaluations.
- Analysts have become more pessimistic about Switzerland and Germany.

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 03/08/2018

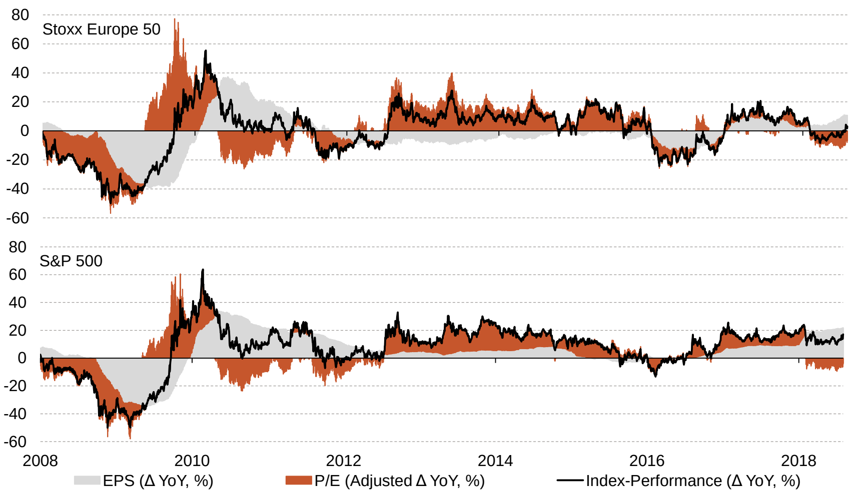
Earnings Growth



- While the consensus for 2018 expects 5 percentage points higher profit growth for the industrial nations compared to the emerging countries, emerging countries are expected to grow faster in 2019. One reason for this is the US tax reform, which resulted in a substantial surge in profits for US companies in 2018.
- Analysts are most pessimistic for Eastern Europe and Japan in 2019.

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 03/08/2018

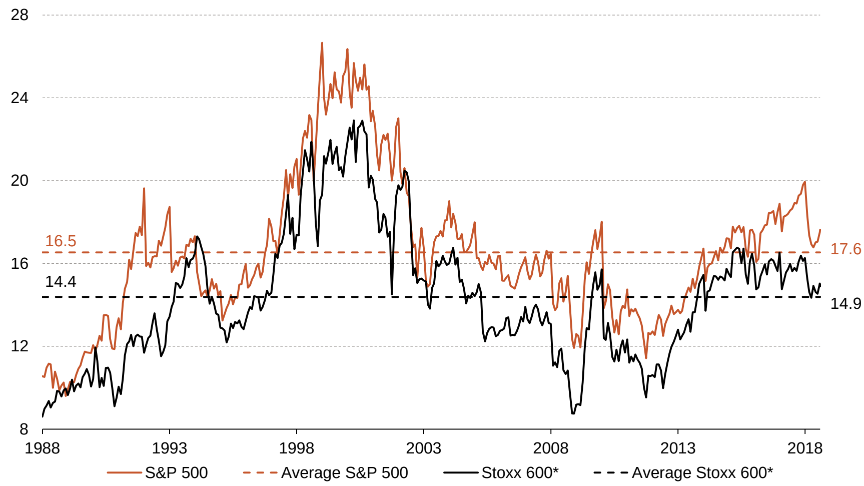
Contribution Analysis



- Valuations over the past twelve months have become more favorable for both the US and Europe as earnings estimates have risen more strongly than the corresponding stock indices.
- For the USA, however, the increase in profits was significantly stronger. The S&P 500 has therefore performed significantly better than the Stoxx Europe 50 over the last 12 months.

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: 01/01/2008 - 03/08/2018

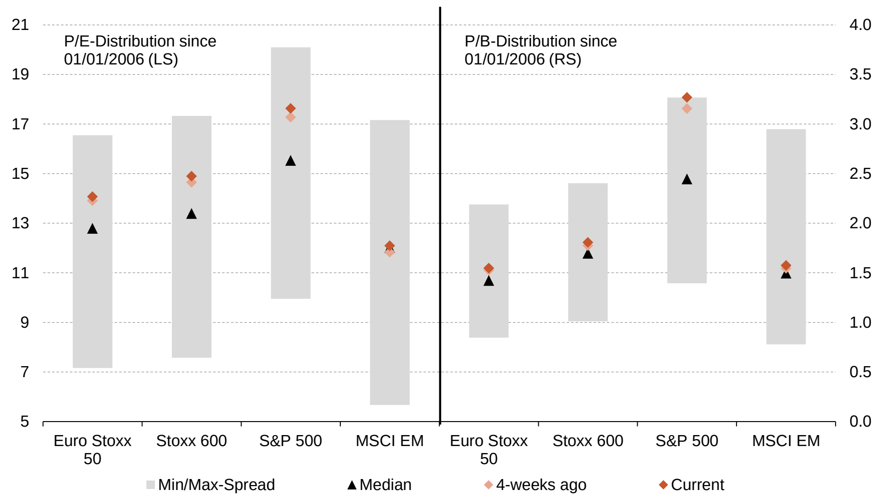
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Since the end of January, falling share prices and rising profits have led to a contraction in the P/E ratio for the S&P 500 and the Stoxx 600.
- US equities, with a P/E of 17.5, are cheaper than at the end of last year, but slightly more expensive than the historical average.
- European shares are now valued fairly to their own history on a P/E basis.

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 - 03/08/2018

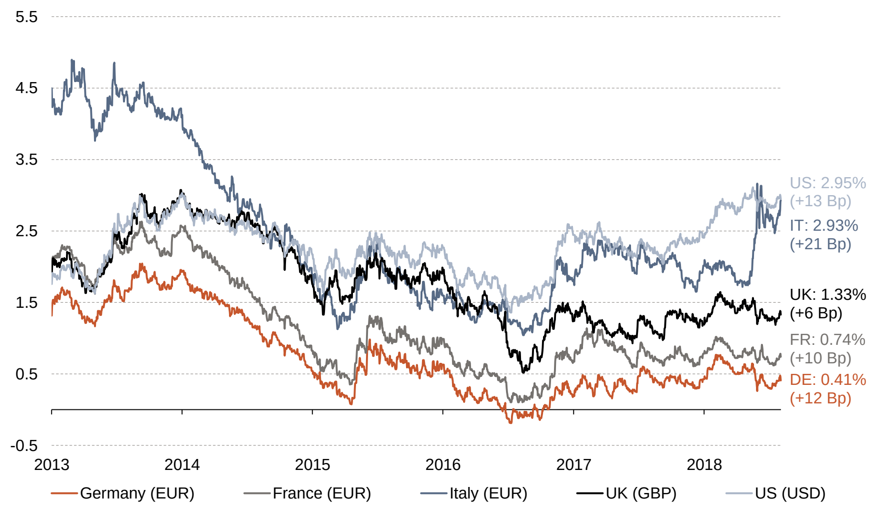
Historical Distribution: Price/Earnings and Price/Book Ratio



- Valuations have increased slightly from four weeks ago. If one considers the price/book value ratio, the S&P 500 valuation is at its highest level since at least 2006.
- Only emerging market equities are currently valued near their median levels and thus appear to be relatively more attractive than the 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 - 03/08/2018

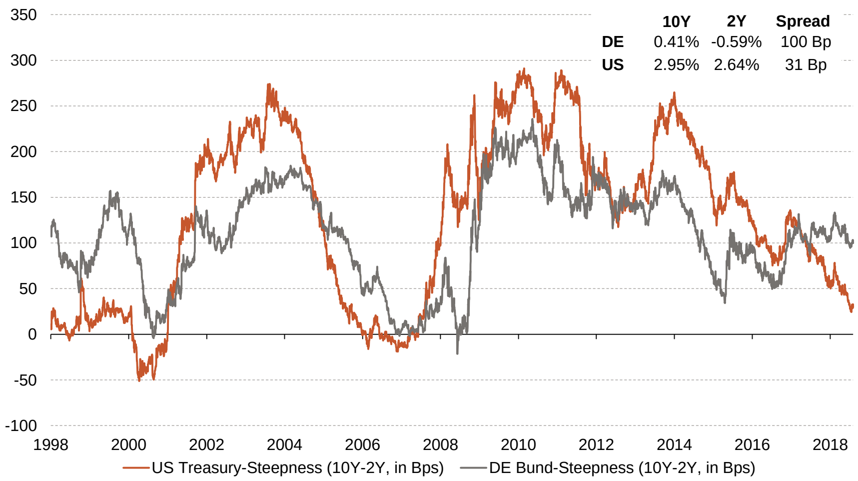
10-Year Government Bond Yields



- Bond yields rose significantly across the board because of an optimistic Fed, solid economic data and an increasing supply of US Treasuries. The yield on US government bonds again nudged the 3% mark, while the 10-year German Bund yield approached 0.5%.
- Italian government bonds have also retreated and moved towards a yield of 3% as concerns about a rising budget deficit continued to increase.

Effective yield of 10-year government bonds and change in the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2013 - 03/08/2018

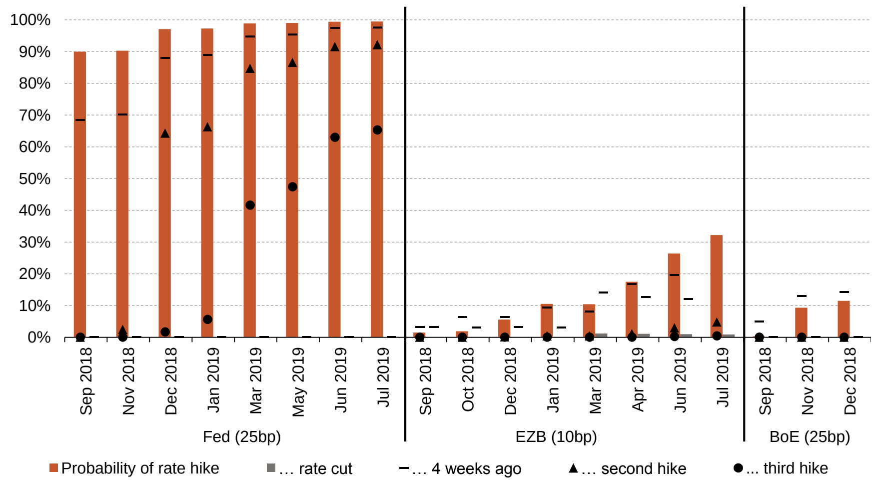
Yield curve steepness (10Y - 2Y)



- At 31 basis points, the steepness of the US yield curve has barely moved away from its 10-year low of 30 basis points.
- The steepness of the German yield curve has hardly changed in a two-week comparison and remains close to 100 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 - 03/08/2018

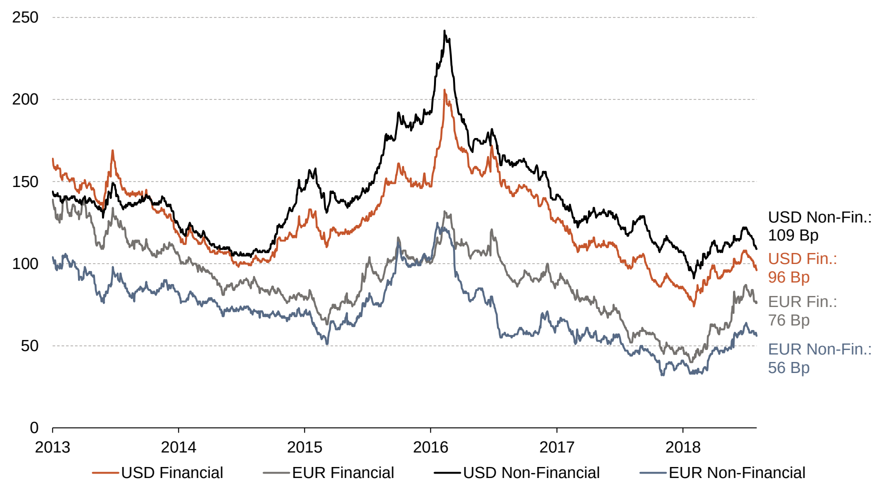
Implicit Probabilities for Changes in Key Interest Rates



- After the Bank of England's rate hike to 0.75% last week, a further increase in 2018 is extremely unlikely (<15%), partly due to the slowdown in economic growth.
- In the USA, an interest rate hike in September is priced to 90%, which is attributable to the extremely good economic data of the USA.
- In the eurozone, a rise in interest rates before mid-2019 remains unlikely despite rising inflation.

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: 06/07/2018 - 03/08/2018

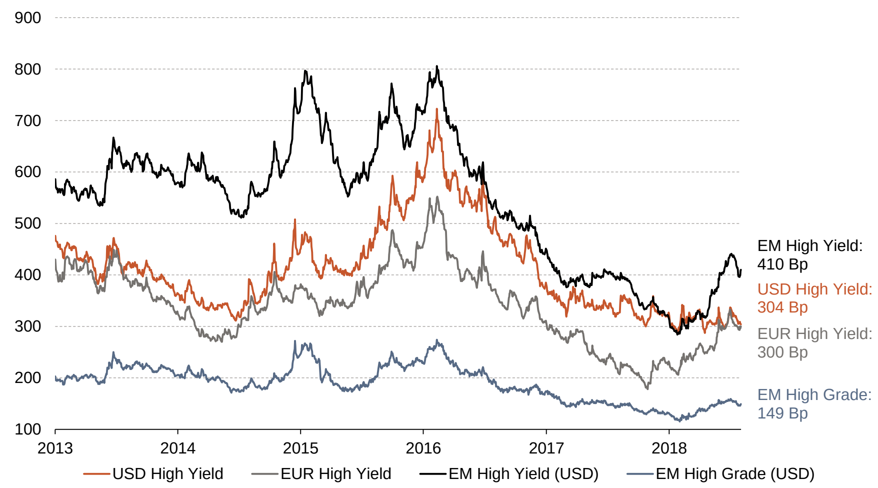
Credit Spreads Financial and Non-Financial Bonds



- The trend of falling risk premia continued in all segments. Corporate earnings data remain good and the trade dispute between the US and the EU has eased temporarily.
- For EUR corporate bonds, financial bonds in particular saw a narrowing of spreads, while non-financial bonds tended sideways. An exception was the automotive industry, which experienced a spread widening of 4 bp.

Explanations see middle and bottom illustration.
Source: FactSet, Time period: 01/01/2013 - 03/08/2018

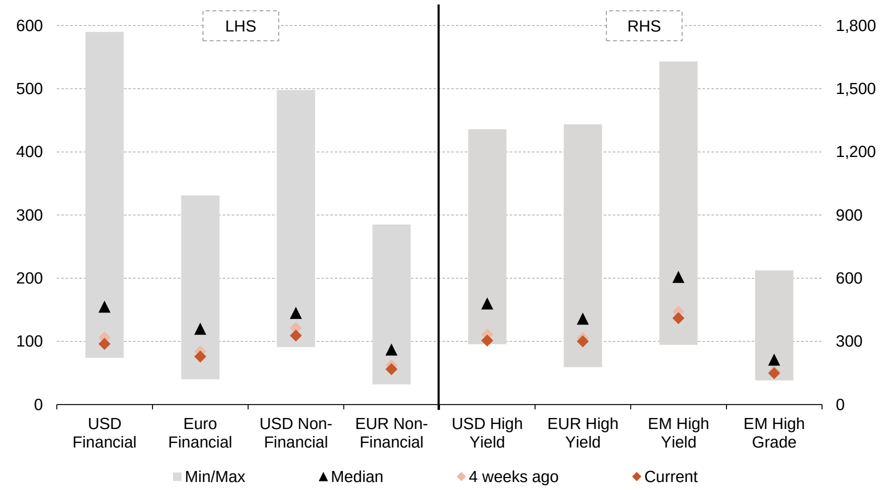
Credit Spreads High Yield and Emerging Markets Bonds



- Spreads for high-yield and emerging market corporate bonds have narrowed further.
- EM-High Yield experienced the largest narrowing of spreads in the last two weeks, by 19 basis points, closely followed by USD-High Yield with 13 basis points.
- Risk premia for EUR high yield remain close to 300 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: 01/01/2013 - 03/08/2018

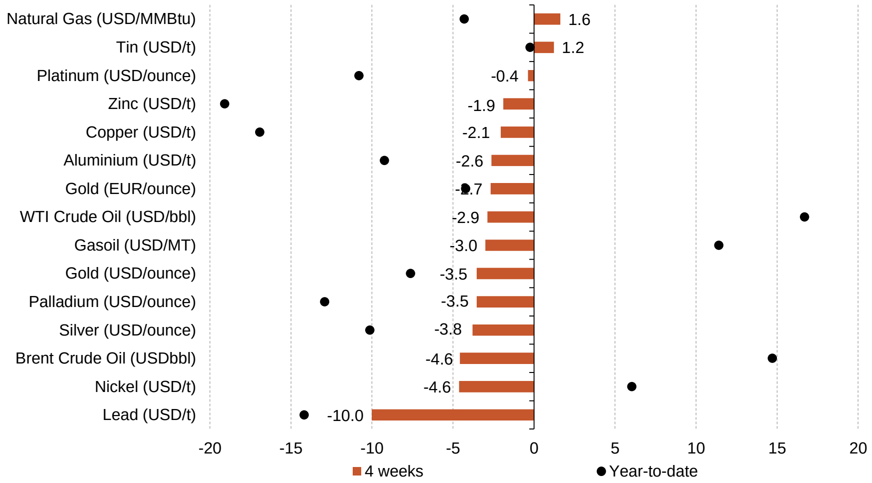
Historical Distribution of Credit Spreads (in bp)



- All risk premia have approached their 10-year low in the last four weeks.
- The largest movement was EM High Yield, while EM High Grade moved the least. USD high-yield bonds are also moving away significantly from their long-term 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: 03/08/2008 - 05/08/2018

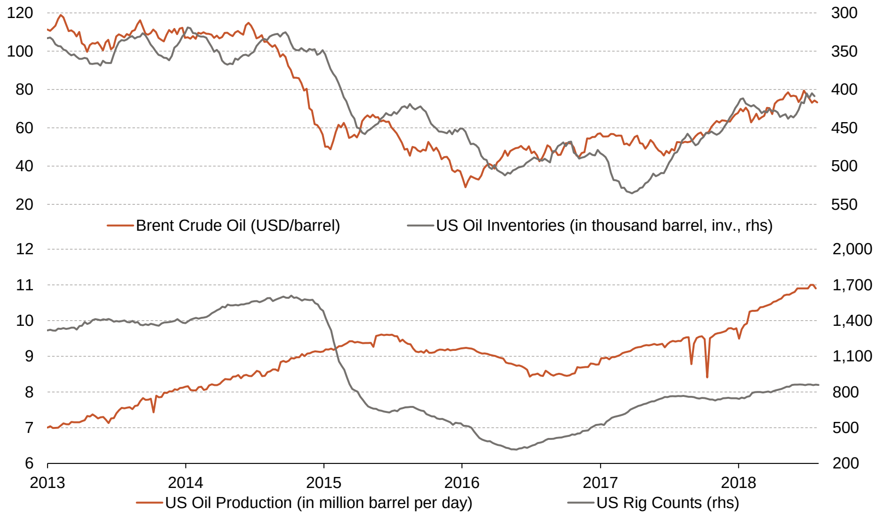
Commodities Performance



- In a 4-week perspective, raw material prices continued to fall, in some cases even significantly. This is due to trade disputes, especially between the US and China.
- Concerns about weaker growth in China were also not conducive and burdened industrial metals in particular.
- Platinum benefited from the agreement that there will initially be no additional US tariffs on European cars.

Total return of selected commodity prices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/01/2018 - 03/08/2018

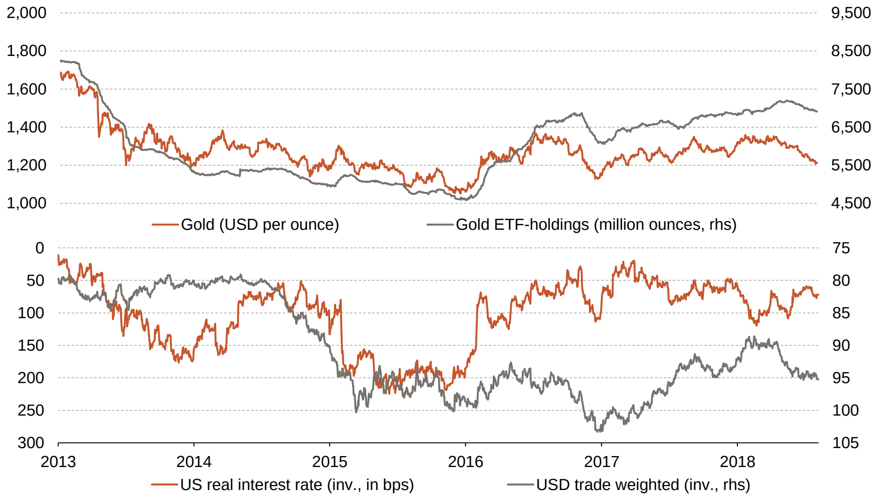
Crude Oil



- Brent crude oil has fallen slightly with improved supply in the oil market. Production in OPEC countries increased in July thanks to Saudi Arabia and Russia also increased its oil production.
- The verbal attacks between the USA and Iran have not yet had a lasting effect on oil prices. This is likely to change when US sanctions come into force.

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: 01/01/2013 - 03/08/2018

Gold



- The price of gold is slightly above the USD 1,200 per ounce mark. The mix of a solid US dollar, declining positions of speculative investors, falling ETF portfolios and rising US interest rates has had a negative impact.
- Higher inflation and comparatively low real interest rates have also not supported gold recently.

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: 01/01/2013 - 03/08/2018

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