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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

October | 2020

Horizon Handout – Capital Market Outlook Disclaimer

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Please refer to the online glossary at www.berenberg.de/glossar for definitions of the technical terms used in this document.

Date: 25 September 2020.

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An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary

01 Overview of capital markets outlook and asset allocation

Concise overview of capital markets
Performance review

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Performance of selected asset classes

Total return of asset classes in the last 4 weeks, year to date and over 5 years (%, EUR)

	4-week & YTD		12-month periods over that last 5 years				
	4W (26/08/20 - 23/09/20)	YTD (31/12/19 - 23/09/20)	23/09/19 23/09/20	23/09/18 23/09/19	23/09/17 23/09/18	23/09/16 23/09/17	23/09/15 23/09/16
Topix	3.1	-4.0	0.6	2.1	12.1	6.8	13.2
USDEUR	1.5	-3.8	-5.7	6.9	1.7	-6.1	-0.4
EUR Sovereign Bonds	0.5	1.6	0.1	5.5	-0.2	-0.9	3.6
EUR IG Bonds	0.4	0.8	0.3	5.9	0.2	0.4	6.7
Eonia	0.0	-0.3	-0.5	-0.4	-0.4	-0.4	-0.3
EM Hard Currency Bonds	-1.0	2.6	4.4	10.6	-1.3	5.1	13.0
MSCI Emerging Markets	-2.3	-5.4	2.1	5.9	-0.7	15.5	18.0
Gold	-3.3	18.1	15.4	35.6	-6.0	-8.9	17.9
DAX	-4.1	-4.6	2.4	-0.7	-1.3	18.5	10.6
Euro Stoxx 50	-5.2	-13.5	-8.2	6.0	-0.6	19.8	1.4
S&P 500	-5.6	-2.3	3.7	11.4	21.4	11.0	13.5
Brent	-8.9	-45.0	-41.7	-7.6	50.7	3.7	-20.2

S&P 500: S&P 500 TR (US equities); Euro Stoxx 50: Euro Stoxx 50 TR; DAX: DAX TR (German equities); Topix: Topix TR (Japanese equities);
MSCI Emerging Markets: MSCI EM NR (EM equities); EUR Sovereign Bonds: IBOXX Euro Eurozone Sovereign 1-10 TR; EUR IG Bonds: IBOXX Euro Corporates Overall TR;
EM Hard Currency Bonds: Barclays EM Hard Currency Agg Govt Related TR; Gold: Gold US Dollar Spot; Brent: Bloomberg Brent Crude Subindex TR;
Eonia: Eonia Capitalization Index; USDEUR: USDEUR: Price of 1 USD in EUR. All return data are calculalated in EUR.

Sources: Bloomberg, Berenberg.
Note: The historical performance presented here is not a reliable indicator of future performance.

Time period: 23/09/2015 – 23/09/2020

Concise overview of capital markets
Outlook by asset class

Economics

- Economy: The global economy is recovering. The recovery is underway despite rising infection rates. Risks increased.
- Governments and central banks continue to do everything they can to support the economic comeback.
- The recovery is progressing rapidly at first, but slows down later on. A return to pre-crisis levels is unlikely before 2022.

Equities

- Corporate profits in the eurozone should rise sharply next year, provided the euro does not appreciate too strongly.
- Valuation has risen, especially for US technology stocks. Compared to bonds, however, stocks are not expensive.
- Vaccine approval in Q4 is becoming more likely, this should encourage a rotation into Covid-19 related stock segments.

Bonds

- Safe haven government bonds are still unattractive as an investment, although US Treasuries could serve as a hedge.
- Despite the lower yield spreads, we remain overweight in European corporate bonds.
- Among emerging-market bonds, we prefer hard currencies; rising yields favour the high-yield segment.

Alternative investments / commodities

- Gold temporarily under pressure due to dollar strength. Still attractive against safe bonds thanks to negative real interest rates.
- Rising infection rates weigh on oil prices. Sustained recovery when Covid-19 vaccine in sight.
- Recovery in industrial production and structural trends boosted by fiscal stimulus support industrial metals.

Currencies

- The US dollar is suffering from various factors, but continues to benefit when equity prices fall.
- Sterling remains under pressure from the sharp economic downturn and Brexit uncertainties.
- The Swiss franc remains in demand. This is once again evident these days when equity markets are falling.

Concise overview of Berenberg's asset allocation
Current positioning within asset classes

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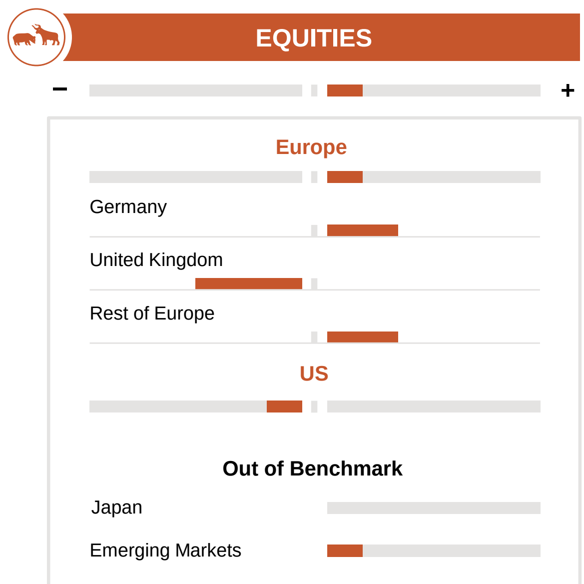
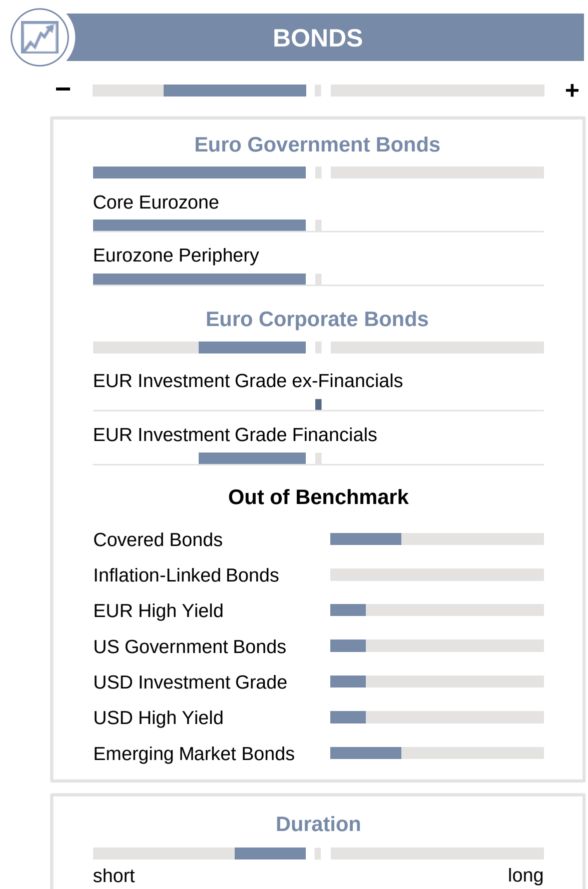
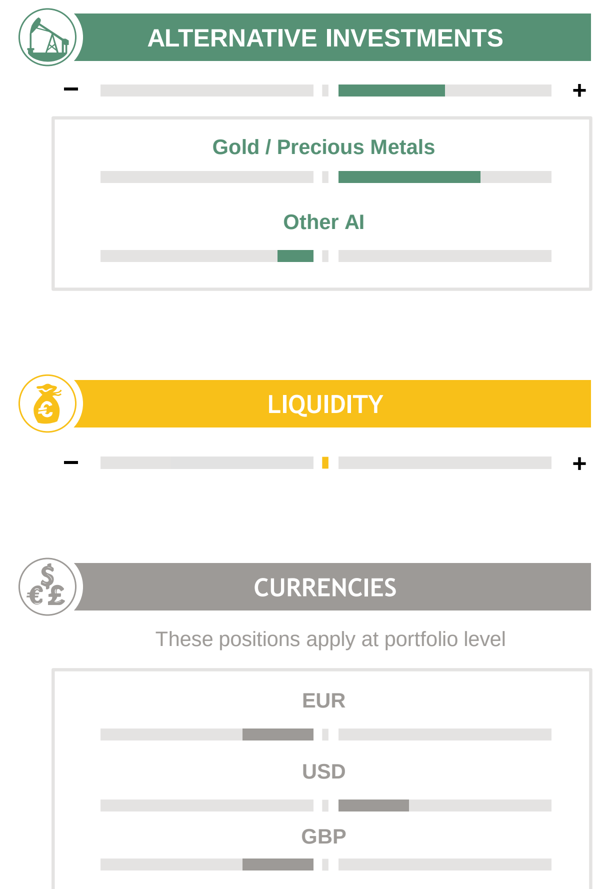
Portfolio positioning of a balanced mandate at a glance







Current weight deviation from the benchmark allocation for multi-asset strategies denominated in EUR (schematic representation)

− Underweight ▮ Neutral + Overweight

Source: Berenberg.

As of 22/09/2020.

Concise overview of Berenberg's asset allocation

Review of Core Strategy 3

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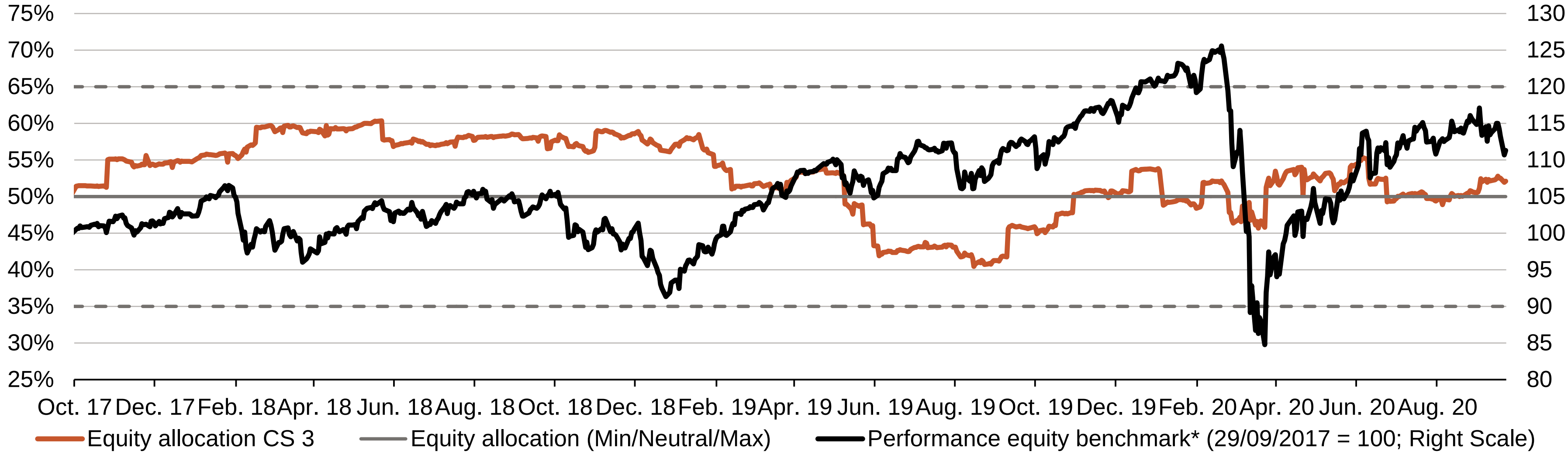
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	22/09/15 - 22/09/16	22/09/16 - 22/09/17	22/09/17 - 22/09/18	22/09/18 - 22/09/19	22/09/19 - 22/09/20
	4.65%	11.07%	7.17%	9.54%	-3.89%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 22/09/2015 – 22/09/2020.
Note: The historical performance presented here is not a reliable indicator of future performance.

- At the beginning of the Covid-19 crisis, we were positioned close to our strategic asset allocation. Following sharp sell-offs, widespread pessimism and the cautious positioning of many investors, we already seized selective opportunities before the end of March. We benefitted noticeably from the slight overweight in equities in the months that followed.
- There is still no euphoria in markets and investors are sitting on large amounts of liquidity with negative real interest rates. If the economic recovery continues, albeit at a slower pace, the starting position for the fourth quarter is not too bad. The US elections and Brexit are likely to cause increased volatility. The approval of Covid-19 drugs or vaccines would eventually pave the way for a synchronised, global economic recovery in 2021. However, this scenario would be largely priced in by then, ushering in the end of the rally in capital markets. Until then, however, investors should not be too sceptical, despite the continued risks. We have positioned our portfolios even more cyclically.

02 Economics

Eurozone
GDP and inflation

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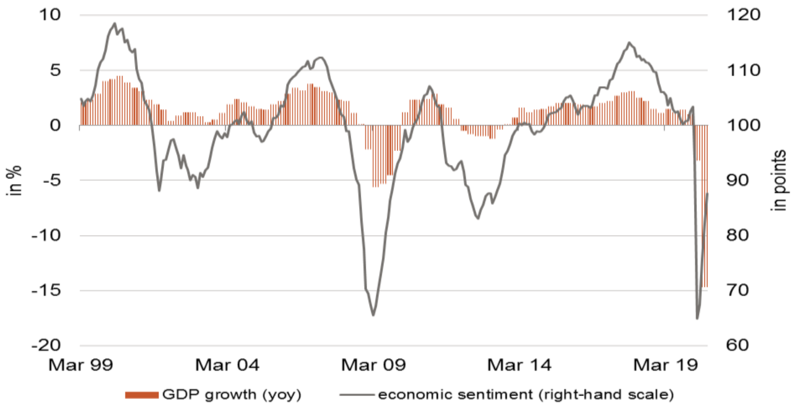
On the way to recovery

- New data on industrial production show that the recovery within the eurozone is continuing. Even though it grew by 4.1% in July (mom) slightly less than expected, the increase remains solid. However, the yoy-decline of 7.7% is less severe than expected. It is also clear that it will take some time before the pre-crisis level is reached again.
- The ongoing Brexit negotiations are causing some trouble again. In particular, the controversial British Internal Market Act could provoke an end to the negotiations.

Consumer prices down in August

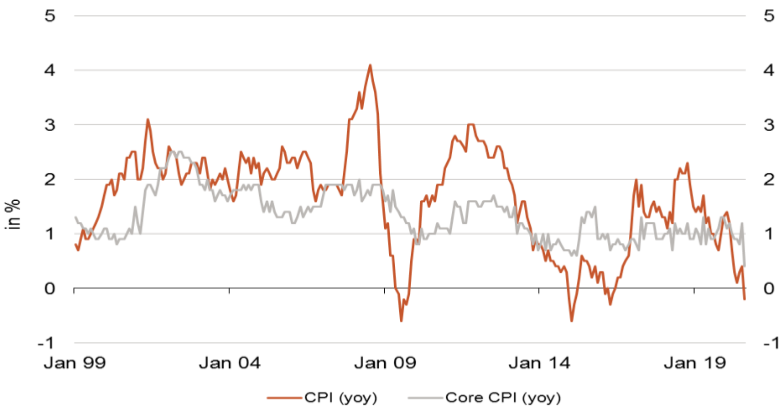
- With consumer prices falling by 0.2 % in August (yoy), the eurozone inflation rate is negative for the first time since 2016.
- Although core inflation remains positive, it only rose by 0.4 % (annualised) in August, compared with 1.2% in July. This is the lowest increase since the introduction of the euro. For the time being, the ECB sees no concrete need for monetary policy action.

Eurozone GDP growth and economic sentiment



Sources: Eurostat, European Commission Time period: 31/03/1999 – 31/08/2020

Eurozone inflation



Source: Eurostat Time period: 31/01/1999 – 31/08/2020

USA
GDP and inflation

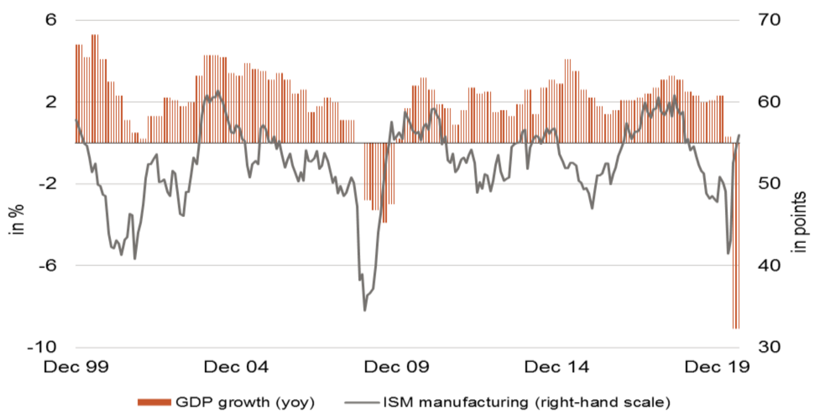
Retail with V-shaped recovery

- Although retail sales grew less than expected (+0.6 %, mom), they had already completed their V-shaped recovery in August. Overall, they are now 1.9% above their February level. We therefore expect only moderate growth rates in future.
- Industrial production rose by 0.4% in August (mom). Although this is the fourth consecutive month of growth, it is still around 7.3% below its pre-crisis level.
- The sentiment indicator for the manufacturing sector around New York rose sharply to 17 points.

Inflation continues to rise temporarily

- The Covid-19 crisis is putting pressure on prices. However, inflation picked up slightly in July; compared with June, prices rose by 0.6%, bringing inflation to 1.0% yoy (consensus: 0.7%). This trend also continued in August. Instead of rising by 1.2% (consensus expectation), inflation rose to 1.3% yoy.
- Nevertheless, inflationary pressure will remain subdued in the longer term as well, despite the extremely expansionary monetary policy. We expect an average inflation rate of 1.2% for 2020.

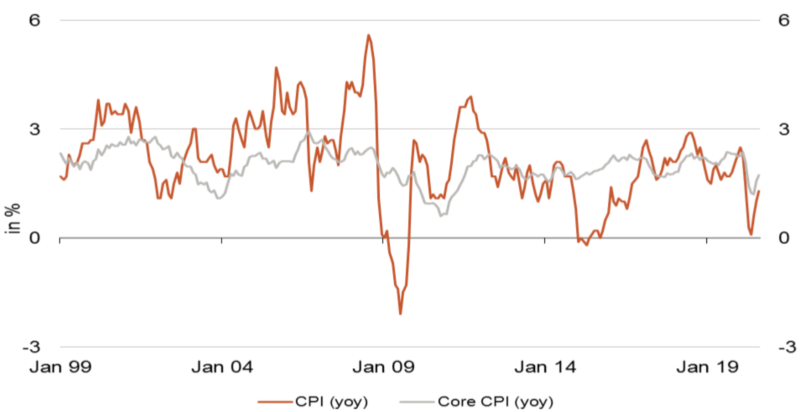
US GDP growth and Purchasing Managers Index



Sources: BEA, ISM

Time period: 31/12/1999 – 31/08/2020

US inflation



Source: BLS

Time period: 31/01/1999 – 31/08/2020

China
GDP and inflation

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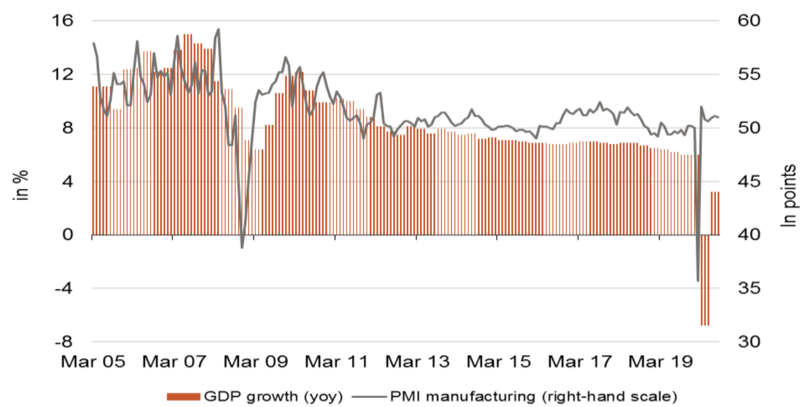
Retail sales and industrial production better than expected

- Both retail sales and industrial production are surprisingly positive.
- Retail sales rose by 0.5% in August (yoy), following a decline of -1.1% in July.
- Industrial production grew by a solid 5.6% in the same period, instead of the expected 5.1%. China's recovery is continuing very solidly.

Food inflation remains to be observed

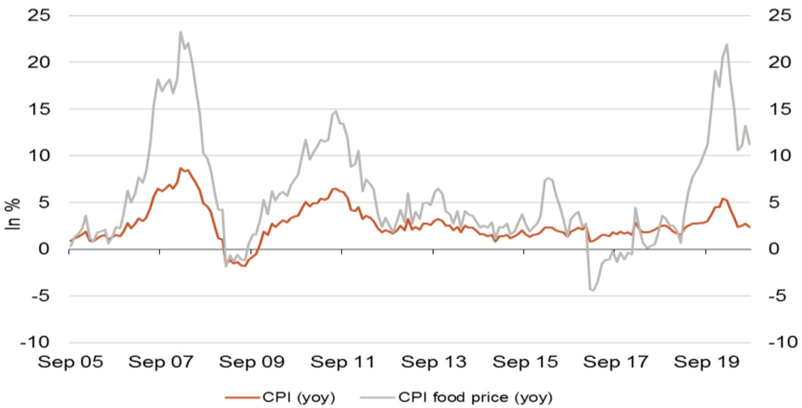
- The Covid-19 crisis is also having a price-dampening effect in China and has therefore led to a reversal of the trend. After 3.3% in April (yoy), the inflation rate in August was "only" 2.4%. The tense situation resulting from the swine fever crisis and the ban on imports of pork could once again slightly boost food inflation.
- For 2020, we expect the inflation rate to reach 3.2%. For 2021, we forecast a decline to 2.1%.

Chinese GDP growth and Purchasing Managers Index



Sources: NBS, CFLB Time period: 31/03/2005 – 31/08/2020

Chinese inflation (YoY)



Source: NBS Time period: 30/09/2005 – 31/08/2020

Economic forecasts
Most important estimates at a glance

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	GDP growth (in %)						Inflation (in %)					
	2019		2020		2021		2019		2020		2021	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	2.2	2.3	-3.7	-4.5	3.8	3.7	1.8	1.8	1.2	1.1	1.8	1.9
Eurozone	1.3	1.2	-7.9	-8.0	5.5	5.5	1.2	1.2	0.4	0.4	0.6	1.0
Germany	0.6	0.6	-6.0	-6.0	4.6	4.8	1.4	1.4	0.6	0.5	1.6	1.4
France	1.5	1.3	-10.2	-10.0	8.4	6.5	1.3	1.1	0.8	0.6	1.0	1.0
Italy	0.3	0.2	-10.4	-10.0	6.7	5.6	0.6	0.6	-0.1	-0.1	0.7	0.6
Spain	2.0	2.0	-13.3	-12.0	8.5	6.9	0.8	0.8	-0.3	-0.2	0.6	0.7
United Kingdom	1.5	1.3	-9.8	-10.0	6.7	6.4	1.8	1.8	0.6	0.9	1.5	1.5
Japan	0.7	0.9	-5.8	-5.7	3.0	2.5	0.5	0.5	0.1	0.0	0.2	0.2
China	6.2	6.1	2.5	2.1	5.0	8.0	2.9	2.9	3.2	2.7	2.1	2.2
World*	2.3	3.0	-3.6	-3.9	3.5	5.2	-	3.0	-	2.3	-	2.6

Source: Bloomberg, Berenberg as of 23/09/2020.
* At actual exchange rates, not purchasing power parity; PPP would give more weight to the fast-growing emerging-market countries.
** Average of estimates of other experts (Bloomberg); consensus.

03 Equities

Market developments
US markets in particular fell in September

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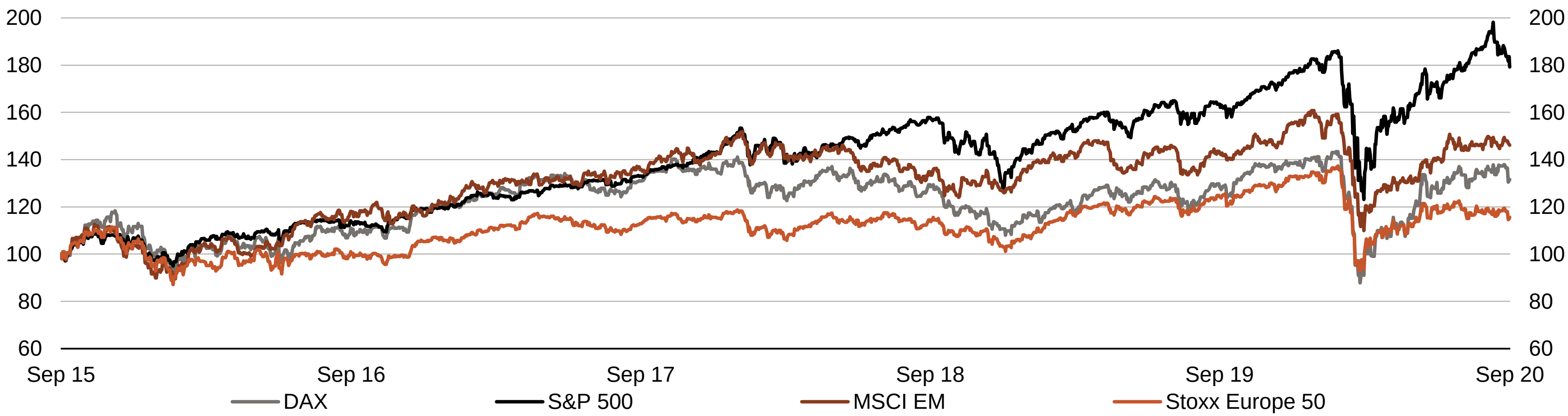
Risks were reduced in the run-up to the US elections

- September is considered one of the most difficult months of the year in terms of seasonality, and this year is no exception. Stock markets fell across all regions. In particular, the US stock market with its high technology weighting retreated. After the strong rally in August, which was accompanied by a significant increase in valuation, there was some profit taking. In addition, many investors are likely to have reduced risks before the now beginning 'hot phase' of the US election campaign. It was also of little help that there was no new impetus from either the US Federal Reserve or the US government with regards to another fiscal package.
- In addition to the US election campaign, the focus in the coming weeks is likely to be on further development of the Covid-19 vaccine candidates. In addition, the market will look closely at companies' outlook for the upcoming Q3 reporting season.

Performance of selected equity indices



Source: Bloomberg; performance scaled to 100.

Time period: 23/09/2015–23/09/2020.

Corporate profits

Q3 reporting season - focus on company guidance

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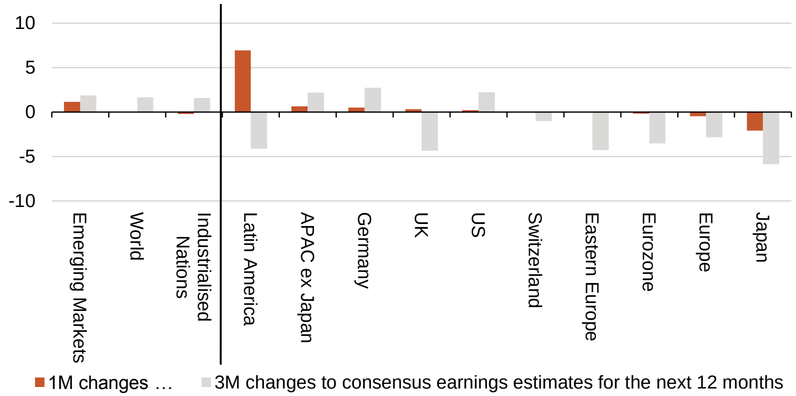
Emerging markets with positive earnings revisions

- In line with the improved economic data, analysts have recently revised their earnings estimates upwards in some cases, especially for Germany and the emerging markets.
- The upcoming Q3 reporting season provides an insight into the state of the companies. In addition to Q3 earnings, the focus is primarily on the corporate guidance.
- Globally, however, profits are likely to fall noticeably this year.

Significant profit growth expected in 2021

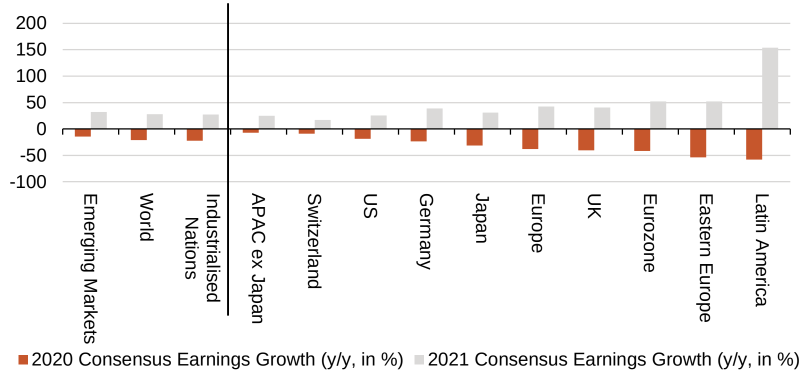
- The consensus expectation is a 20% profit decline for the industrialised nations, although the regional differences are huge. Analysts expect a profit decline of less than 10% for Switzerland but more than 40% for the United Kingdom. They anticipate a synchronised economic recovery next year, which will presumably fuel double-digit earnings growth rates. The consensus expectation for the Eurozone and Germany is optimistic, also thanks to fiscal policy support. However, strong earnings growth next year is contingent on the euro not rising as quickly and sharply as recently.

Heterogeneous picture for profit revisions



Source: FactSet. As of 23/09/2020.

Consensus expects strong earnings recovery in 2021



Source: FactSet. As of 23/09/2020.

Valuation & Positioning

Higher volatility also due to increased valuation

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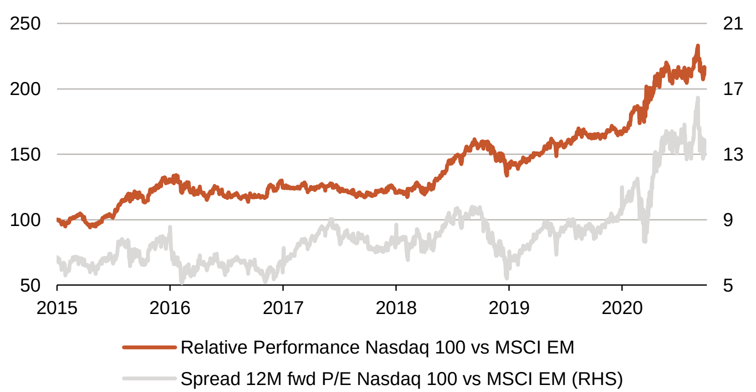
Valuations are very ambitious in some cases

- The enormous liquidity and the low interest rate environment have caused equity prices to run well ahead of earnings estimates. For example, the price/earnings ratio for the NASDAQ-100 based on earnings estimates for the next 12 months has nearly doubled from 18 in mid-March to 32 in early September. Even though equities are still not expensive compared with bonds, they are indeed expensive compared with their own history. This is especially true for US equities.

Influence of options market is likely to weaken

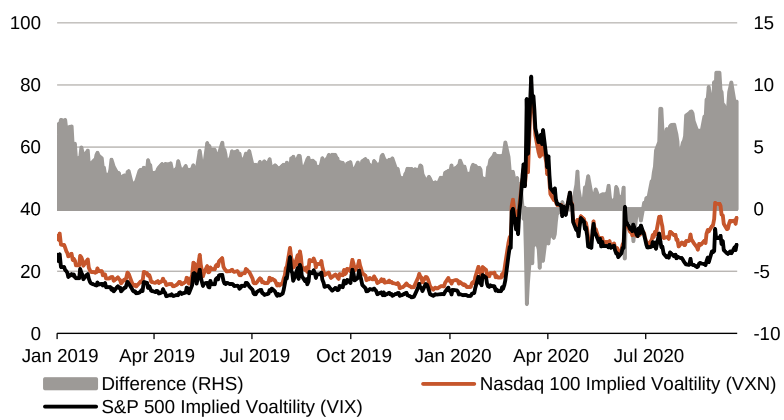
- In August we had the rare phenomenon of US equities and implied volatility rising simultaneously due to imbalances in the options market.
- As the call options were mainly concentrated on US stocks, Nasdaq volatility has risen enormously. Recently, there has been a decrease in volatility despite the sell-off, which suggests that the position has been cleaned somewhat.

Relatively higher P/E ratio due to Nasdaq outperformance



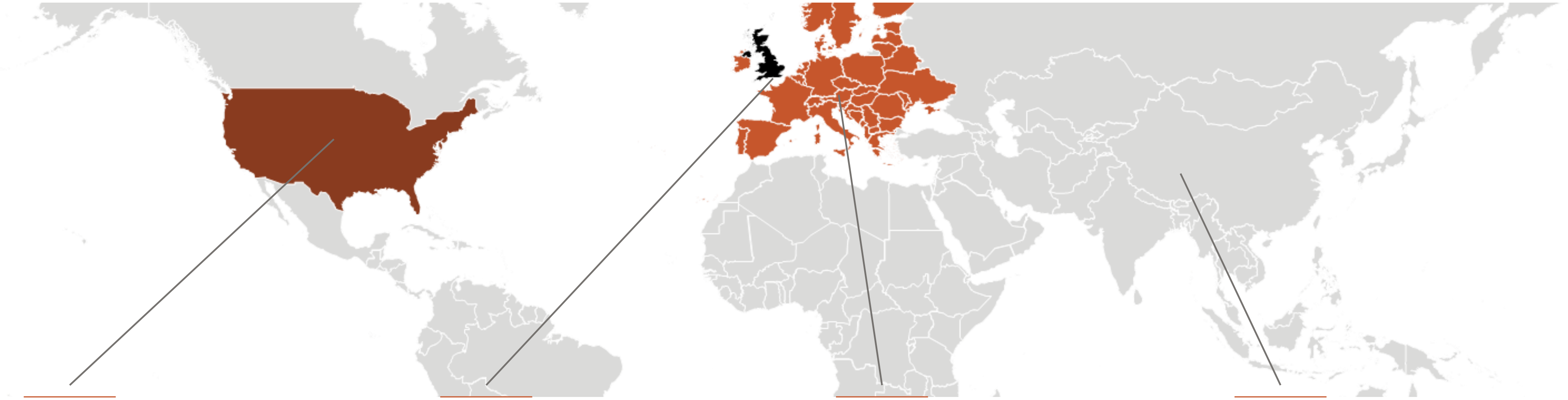
Source: Bloomberg, own calculations Time period: 01/01/2015 – 23//09/2020.

Increased Nasdaq volatility



Source: Bloomberg, own calculations Time period: 01/01/2019 – 23/09/2020.

Equity allocation
Overweight Europe ex UK



USA

Underweight

- The uncertainty surrounding the upcoming US presidential elections is likely to cause increased volatility over the period leading up to the elections.
- US equities are also the most ambitiously priced.

United Kingdom

Underweight

- The upcoming negotiations of a trade agreement between the UK and the EU are likely to make some negative headlines. Neither party is likely to be quick to compromise.

Europe ex UK

Overweight

- Cautious positioning of international investors speak for Europe.
- Equity valuations are cheaper than in the US and offer upside potential in the medium term, especially compared to bonds.

Emerging markets

Overweight

- Emerging market equities should benefit from a recovery in the global economy.
- Asian emerging markets above all are receiving substantial support from the stimulus measures of regional governments and central banks.

Equity market forecasts

Estimates for selected indices

Index forecasts	Current 23/09/2020	30/06/2021	31/12/2021	Ø* in 12 months
S&P 500	3,237	3,600	3,700	3,726
Dax	12,643	13,800	14,200	14,585
Euro Stoxx 50	3,180	3,500	3,650	3,658
MSCI UK	1,659	1,800	1,850	1,955

Index potential (in %)				
S&P 500	-	11.2	14.3	15.1
Dax	-	9.2	12.3	15.4
Euro Stoxx 50	-	10.1	14.8	15.0
MSCI UK	-	8.5	11.5	17.8

Source: Bloomberg, Berenberg, as of 23/09/2020.
*Average based on bottom-up estimates.

Current
Price Yield
Maturity
Date
Coupon
U.S.
Treasuries
3-Month
6-Month
12-Month
2-Year
3-Year
5-Year
7-Year
10-Year
0.000
0.000
0.000
1.000
1.375
2.375
3.125
3.375
4.375
11/18/2010
10/31/2011
11/15/2012
10/31/2014
10/31/2016
11/15/2019
11/15/2039
0 / .01
0.13 / .13
0.26 / .26
11-16+ / .72
11/20
15y
20y

04 Bonds

Market developments
Interest rates and yields

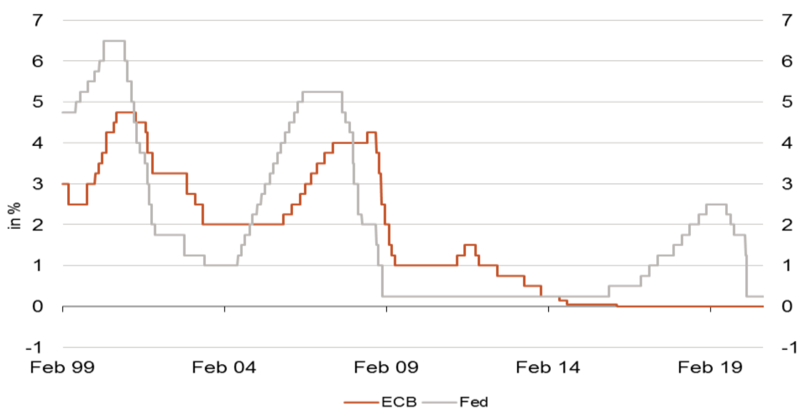
Central banks: wait and see

- Both the Bank of England (BoE) and the Fed left their monetary policy unchanged in September. However, we expect the BoE to announce a further expansion of its securities purchase program in November and thus make net purchases into 2021.
- The Fed's median inflation forecast for the end of 2023 is close to 2%, but not beyond that. Given the average inflation target, this implicitly suggests that the Fed's expansionary episode could continue for more than three years.

Returns for several months within stable corridors

- After the German and US government bonds (duration: 10 years) had experienced the last major uptrend at the beginning of June (to -0.277% and around 0.9%), they have been in rather calmer waters since then.
- German yields have since moved between -0.55 % and a good -0.4%. At around -0.5%, they are now back at the lower end of the corridor.
- At 0.66%, the American counterparts remain between about 0.5% and about 0.75%.

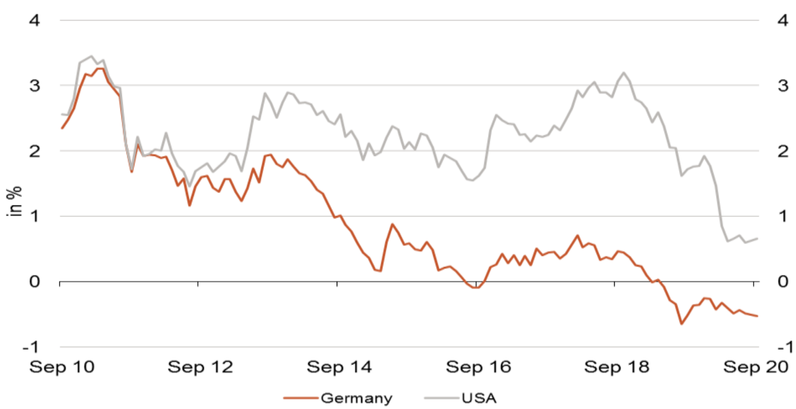
Base interest rates



Source: Bloomberg

Time period: 01/02/1999 – 22/09/2020

10-year government bonds



Source: Bloomberg

Time period: 22/09/2010 – 22/09/2020

Government bonds
EUR-Government bonds are largely unattractive

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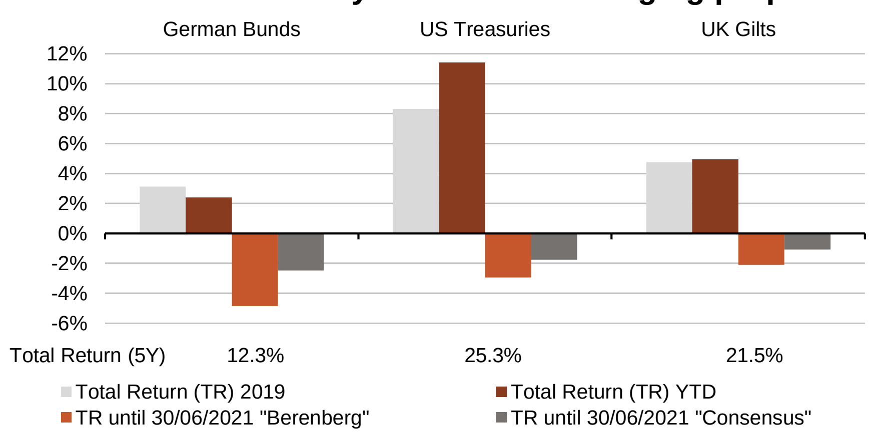
Government bonds are getting less attractive

- Improving economic data and rising inflation expectations on the one hand, and continued massively expansionary central bank policy on the other, created an environment in which German Bunds and US Treasuries traded sideways in the third quarter. Negative real interest rates and the low level of (nominal) yields remain in effect. Coupled with the expected trend of modestly rising yields, these factors make an investment in safe European bonds unattractive.

EUR-Periphery and US-Treasuries more attractive

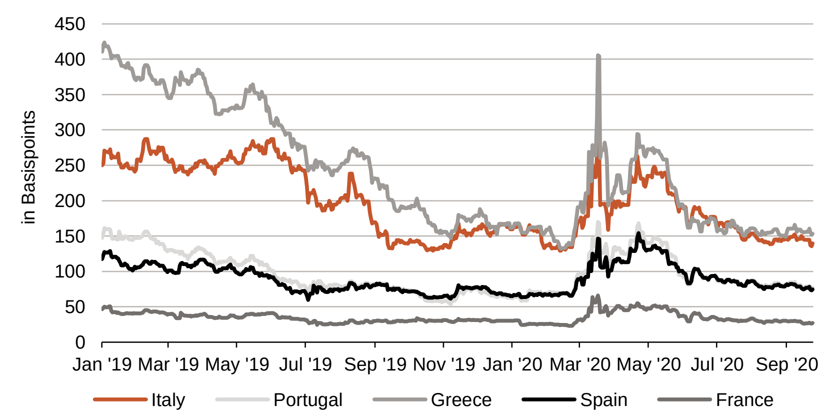
- Issuers from the so-called periphery countries are somewhat more attractive, although their yield advantage over core eurozone countries has shrunk recently. Inflation-hedged bonds are worth a look in the medium term.
- In the multi-asset context, US government bonds could serve as a hedge. Moreover, their yield advantage over German Bunds is still around 115 basis points in the 10-year tenor. Nevertheless, US Treasuries are exposed to the risk of a new US dollar weakness.

Government bonds only attractive for hedging purposes



Source: Bloomberg, own calculations, iBoxx Government Bond Indices (7–10 years, TR) Time period: 23/09/2015–23/09/2020

Spreads versus German government bonds



Source: Bloomberg, 10-year government bonds. Time period: 01/01/2019–23/09/2020

Corporate bonds
Spreads are a "Must-Have"

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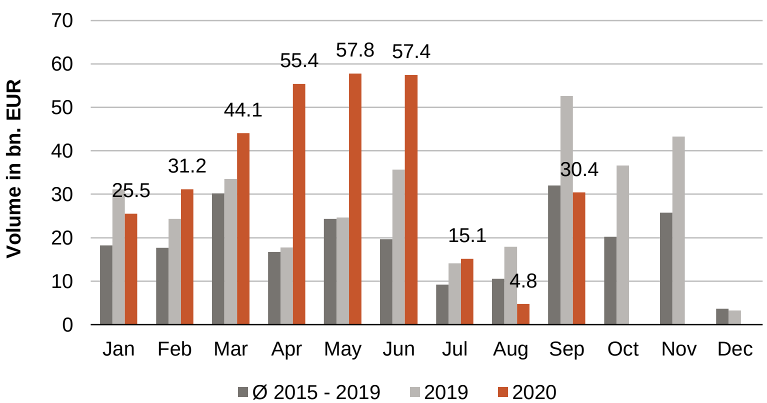
More expensive towards year-end

- Over the summer, positive returns were achieved with corporate bonds. Steady central bank purchases and fund inflows kept demand high, and the still relatively high cash position of many market participants offered the prospect of further price potential. On the other hand, especially in the vacation months of July and August, there was a sharp decline in the volume of new issuance, with banks' trading books relatively empty. We expect new issuance activity to be a key driver of performance in this asset class through the end of the year.

EM: Attractive spreads in hard currencies

- During the third quarter, both hard and local currency bonds continued their positive development. Stable raw material prices and a weaker US dollar made a sustained contribution to this. Capital inflows into the asset class increased steadily over time. We continue to regard the spreads on EM hard currency bonds as attractive.
- Despite the already sharply lower yields of local-currency bonds, we consider them to be worthwhile in the medium term due to the currency catch-up potential associated with a US dollar weakness.

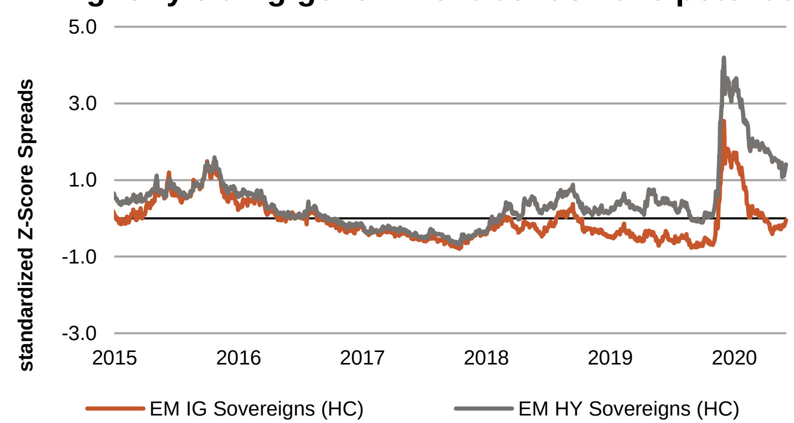
Strong demand and shrinking supply



Source: Bloomberg, New issuance of EUR corporate bonds in EUR billion

Time period: 01/01/2015-22/09/2020

EM: higher-yielding government bonds have potential



Source: Bloomberg, Z-Score, moving 15-year average, HC = hard currency.

Time period: 23/09/2015-23/09/2020

Capital market strategy
Bonds

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Core segments

Government bonds & covered bonds
Underweight

- Euro bonds remain in a low-yield environment, but bonds with strong credit ratings remain in demand during risk-off phases.
- We expect yields to rise slightly, although the central banks' low interest rate policy should continue. The duration should be kept moderate - interest rate risks are not adequately compensated.
- US Treasuries exhibit positive returns and appear useful in a multi-asset context to hedge against political and economic risks. From the perspective of a euro investor, however, the development of the US dollar should be watched closely.

Corporate bonds
Overweight

- Loose monetary policy and low yields on government bonds make us prefer corporate bonds to government bonds.
- Within the corporate bond segment, we prefer securities with a solid balance sheet and thus low default risk.

Other segments

Emerging-market bonds
Overweight

- Emerging-market bonds are still strategically attractive due to higher yields and economic catch-up potential. In particular frontier market bonds are appealing to us.
- We are explicitly optimistic about emerging market hard currency bonds, where we prefer government bonds. We consider local currency bonds to be worthwhile in the medium term.

High-yield bonds
Overweight

- The relatively attractive risk premiums, despite the narrowing of spreads, still speak for a tactical allocation of high yield bonds. For US positions, the currency risk should be hedged.
- We remain invested in European high-yield bonds, but are positioning ourselves away from the usual plain vanilla securities.

Forecasts

Estimates for selected bond markets

	23/09/2020	30/06/2021		31/12/2021	
Base interest rates and government bond yields (in %)	**Current**		**Ø***		**Ø***
USA					
Base interest rate	0.00-0.25	0.00-0.25	0.25	0.00-0.25	0.30
10Y US yield	0.67	1.25	0.97	1.40	1.16
Eurozone					
Base interest rate	0.00	0.00	0.00	0.00	0.00
10Y Bund yield	-0.51	-0.10	-0.25	0.10	-0.17
United Kingdom					
Base interest rate	0.10	0.10	0.10	0.10	0.10
10Y Gilt yield	0.22	0.50	0.39	0.60	0.57

Source: Bloomberg, Berenberg as of 23/09/2020
*Average of estimates by other experts (Bloomberg), consensus

05 Commodities

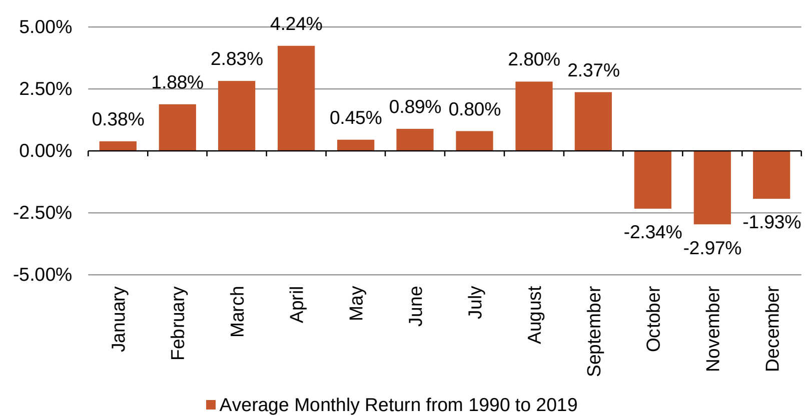
Crude oil

Oil price with upward potential

Covid-19 vaccine would boost crude oil demand

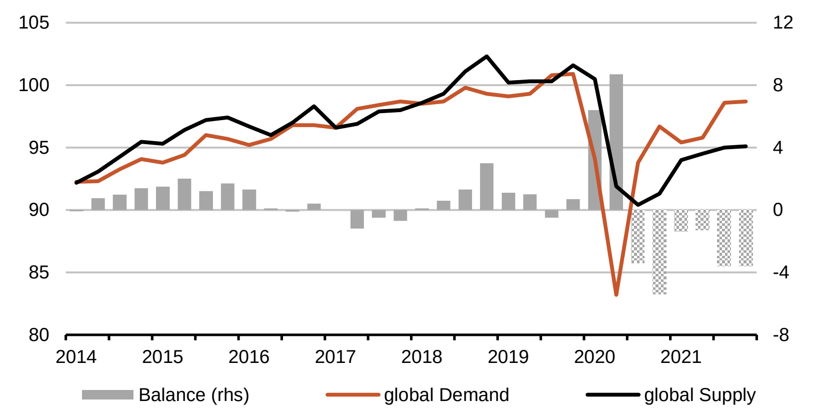
- After the oil market had become unusually calm in recent months, September was considerably more volatile. Initially, demand worries due to rising infection rates gained the upper hand and crude oil (Brent) fell below the USD 40 per barrel mark, dropping by more than 12%. Shortly afterwards, at the OPEC+ meeting, the Saudi Energy Minister, Prince Abdulaziz bin Salman, strongly condemned those members who did not stick to their cuts. The "quota-breakers" reassured that they would make up for their excess production by implementing additional cuts in the coming months. The power of Saudi Arabia to force members to comply was well received by the market and the oil price recovered partially.
- The recent demand concerns show, however, that the broad availability of a Covid-19 vaccine is necessary for a further, sustained price increase and that compliance within OPEC+ alone is not enough. Only then can a significant recovery in demand in the transport sector, the most important consumer of crude oil, be expected. As the likelihood of an effective vaccine is slowly but surely increasing, crude oil is likely to receive support if OPEC+ members comply with their official cuts, despite typically weak autumn months.

Autumn months with historically weak demand



Source: Bloomberg Time period: 01/01/1990 – 31/12/2019.

Oil market expected to be in deficit in 2021



Source: Bloomberg, Commerzbank Research Time period: 01/01/2014 – 31/12/2021.

Precious and industrial metals
Gold with temporary weakness

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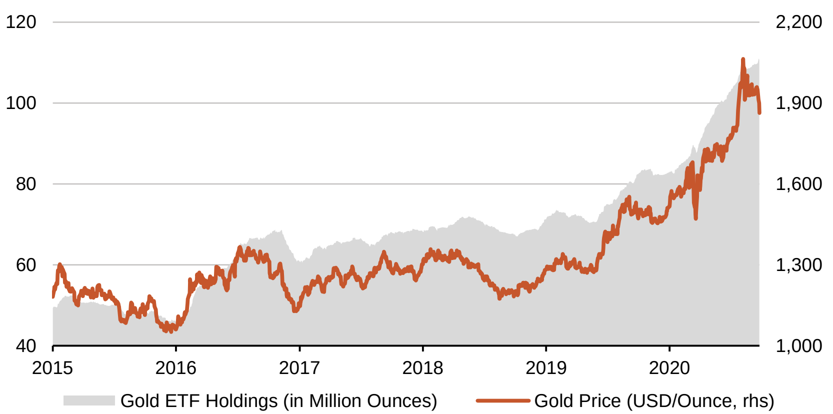
Gold suffers from strong US dollar

- Despite numerous political risks such as the US presidential election, Brexit and rising Covid-19 cases, gold has had to give way in recent weeks. The latest weakness is particularly attributable to the strengthening of the US dollar.
- Nevertheless, gold remains well supported in the medium term. In order not to jeopardise the sustainability of the mountains of debt of many governments, which have risen sharply in the fight against coronavirus, real interest rates should remain negative. The opportunity costs compared with other nominal safe havens will therefore remain non-existent.

Industrial metals are likely to shift downward

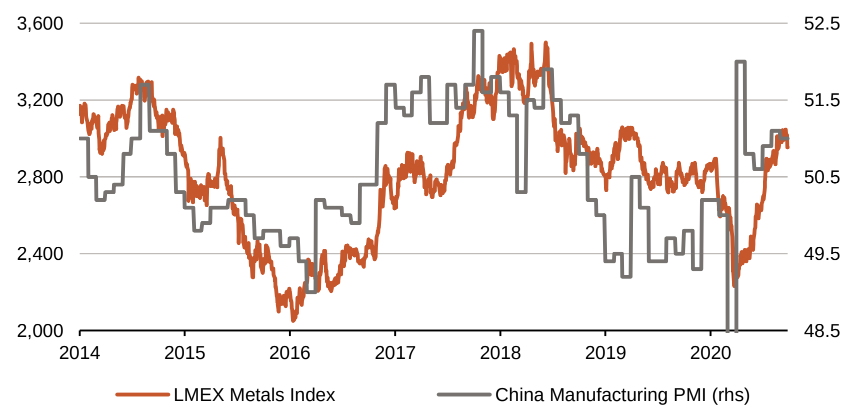
- After the impressive rally in the past months, industrial metals have recently moved sideways. While rising infection rates were a cause for concern, the manufacturing purchasing managers' indices signalled a continuation of the economic recovery.
- With a globally synchronised economic recovery, industrial metals should continue to gain, albeit at a slower pace. In the medium term, some metals will also benefit from the sustainability trend.

ETF holdings rise despite falling gold price



Source: Bloomberg. Time period: 01/01/2015 – 23/09/2020.

Industrial metals benefit from economic recovery



Source: Bloomberg. Time period: 01/01/2014 – 23/09/2020.

06 Currencies

Market developments
Currencies

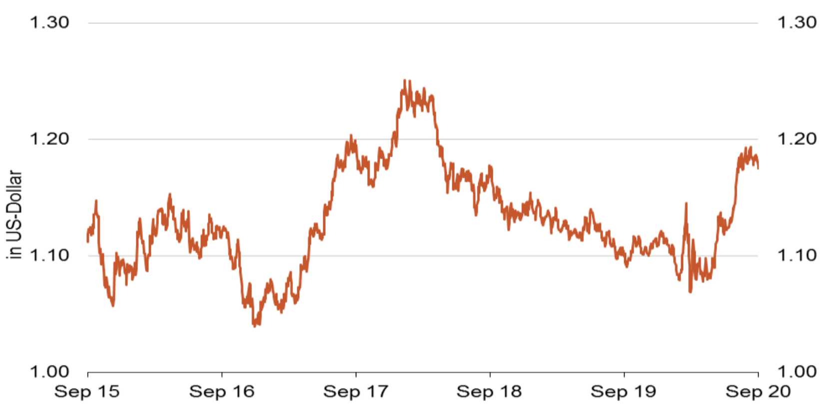
EUR/USD: Euro with slight reset

- The main drivers of the dollar's weakness are the Fed's extremely expansionary monetary policy, ongoing unrest and the uncertainty surrounding the US presidential election. The implicit indications by the Fed of an extremely prolonged episode of expansive monetary policy are clouding the outlook for the dollar in the process.
- Encouraged by the ECB's recent rather passive stance, the euro should therefore remain stable at a strong level.
- Currently, the euro is slightly weaker below USD 1.18. Economic concerns are strengthening the dollar.

EUR/GBP: Brexit Poker provides impetus

- Johnson's questionable manoeuvres in the Brexit negotiations caused the euro to shoot up against the pound. The probability of a hard Brexit has recently increased. Since this risk is again priced in, the pound has devalued.
- After a lack of impulses at the beginning of the month, increased volatility should be expected by the end of September. Until then the EU has called on the UK to withdraw the controversial Single Market Act. Otherwise Brexit negotiations would come to an end without a result.

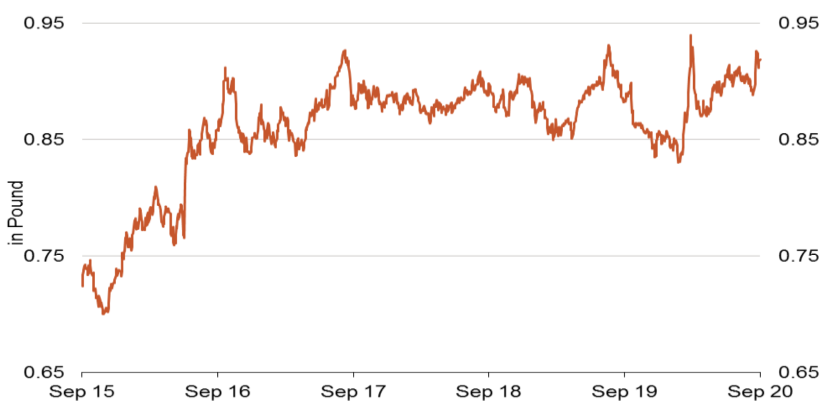
Euro/US dollar exchange rate



Source: Bloomberg

Time period: 22/09/2015 – 22/09/2020

Euro/British pound exchange rate



Source: Bloomberg

Time period: 22/09/2015 – 22/09/2020

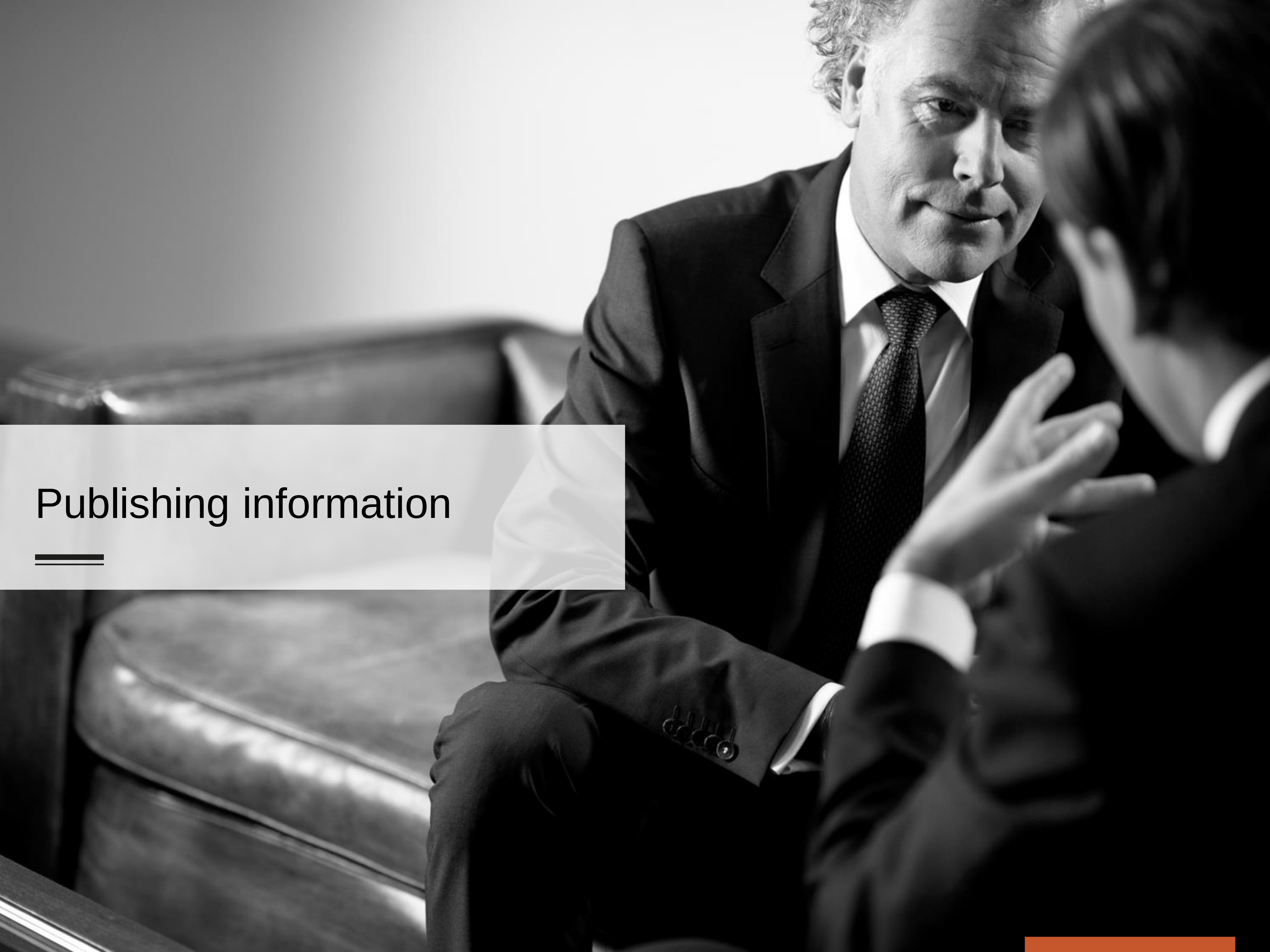
Forecasts

Estimates of the most important currencies

Exchange rate forecasts	23/09/2020	30/06/2021		31/12/2021	
	Current		Ø*		Ø*
EUR/USD	1.17	1.22	1.21	1.23	1.23
EUR/GBP	0.92	0.9	0.91	0.88	0.90
EUR/CHF	1.08	1.08	1.09	1.11	1.12
EUR/JPY	123	127	127	128	131

Change against the euro (in %)					
USD	-	-4.4	-3.6	-5.2	-5.2
GBP	-	1.8	0.7	4.1	1.8
CHF	-	-0.2	-1.2	-2.9	-3.8
JPY	-	-3.2	-3.2	-4.0	-6.2

*Source: Bloomberg, Berenberg as of 23/09/2020.
*Average of estimates of other experts (Bloomberg); consensus.



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