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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

November | 2020

Horizon Handout – Capital Market Outlook
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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: 30 October 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 the last 5 years				
	4W (30/09/20 - 28/10/20)	YTD (31/12/19 - 28/10/20)	28/10/19 28/10/20	28/10/18 28/10/19	28/10/17 28/10/18	28/10/16 28/10/17	28/10/15 28/10/16
MSCI Emerging Markets	3.4	-2.1	3.8	16.9	-11.8	18.6	8.7
EUR IG Bonds	0.9	1.6	1.5	5.6	-0.8	2.1	4.8
EM Hard Currency Bonds	0.6	3.3	4.8	11.2	-1.5	5.9	10.1
EUR Sovereign Bonds	0.4	1.9	1.2	5.1	-1.1	0.4	1.6
Topix	0.1	-4.6	-1.1	11.8	-4.7	13.3	6.5
Eonia	0.0	-0.4	-0.5	-0.4	-0.4	-0.4	-0.3
USDEUR	-0.2	-4.6	-5.5	2.7	1.8	-5.4	-0.6
Gold	-0.7	18.1	18.9	24.3	-1.5	-5.5	9.7
S&P 500	-2.9	-1.8	3.6	19.8	6.8	16.9	5.2
Euro Stoxx 50	-7.2	-19.3	-16.5	18.8	-11.9	21.6	-7.3
Brent	-7.5	-49.2	-44.4	-13.1	40.3	3.6	-13.6
DAX	-9.4	-12.7	-10.7	15.5	-15.3	23.6	-1.3

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: 28/10/2015 – 28/10/2020

Concise overview of capital markets
Outlook by asset class

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Economics

- Economy: The global economy is recovering. However, the recovery is faltering due to the new wave of infections.
- Governments and central banks continue to do everything they can to support the economic comeback.
- Risks have increased. Weaker fourth quarter would be compensated by stronger growth from spring 2021 onwards.

Equities

- Emerging market equities performed significantly better than European equities, which suffered from stricter corona restrictions.
- Q3 reporting season is so far better than expected, analysts revise earnings expectations upwards accordingly.
- US elections and Covid-19 situation weighed on markets. However, uncertainty should subside in the coming weeks.

Bonds

- Increasing Covid-19 infections and lockdown measures increased the demand for safe government bonds.
- Spreads for high yield corporate bonds rose slightly. However, quality (investment grade) remains in demand.
- Among emerging-market bonds, we prefer hard currencies; rising yields favour the high-yield segment.

Alternative investments / commodities

- First rising interest rates, later the stronger dollar put pressure on Gold. However, it should remain in portfolios as a hedge.
- Covid-19 restrictions weigh on crude oil demand. With vaccine in sight, one should not be too pessimistic.
- Base metals surprisingly stable in recent "risk off". Industrial activity and infrastructure programmes provide tailwind.

Currencies

- The euro is under pressure. The economic consequences of the second wave of Covid-19 bring uncertainty.
- Restart of Brexit negotiations on a deal strengthen the British pound.
- Little news for the franc: the Swiss currency remains very strong within a relatively narrow range.

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

EQUITIES

– +

Europe

Germany

United Kingdom

Rest of Europe

US

Out of Benchmark

Japan

Emerging Markets

BONDS

– +

Euro Government Bonds

Core Eurozone

Eurozone Periphery

Euro Corporate Bonds

EUR Investment Grade ex-Financials

EUR Investment Grade Financials

Out of Benchmark

Covered Bonds

Inflation-Linked Bonds

EUR High Yield

US Government Bonds

USD Investment Grade

USD High Yield

Emerging Market Bonds

Duration

short long

ALTERNATIVE INVESTMENTS

– +

Gold / Precious Metals

Other AI

LIQUIDITY

– +

CURRENCIES

These positions apply at portfolio level

EUR

USD

GBP

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

– Underweight ▮ Neutral + Overweight

Source: Berenberg.

As of 28/10/2020.

Concise overview of Berenberg's asset allocation

Review of Core Strategy 3

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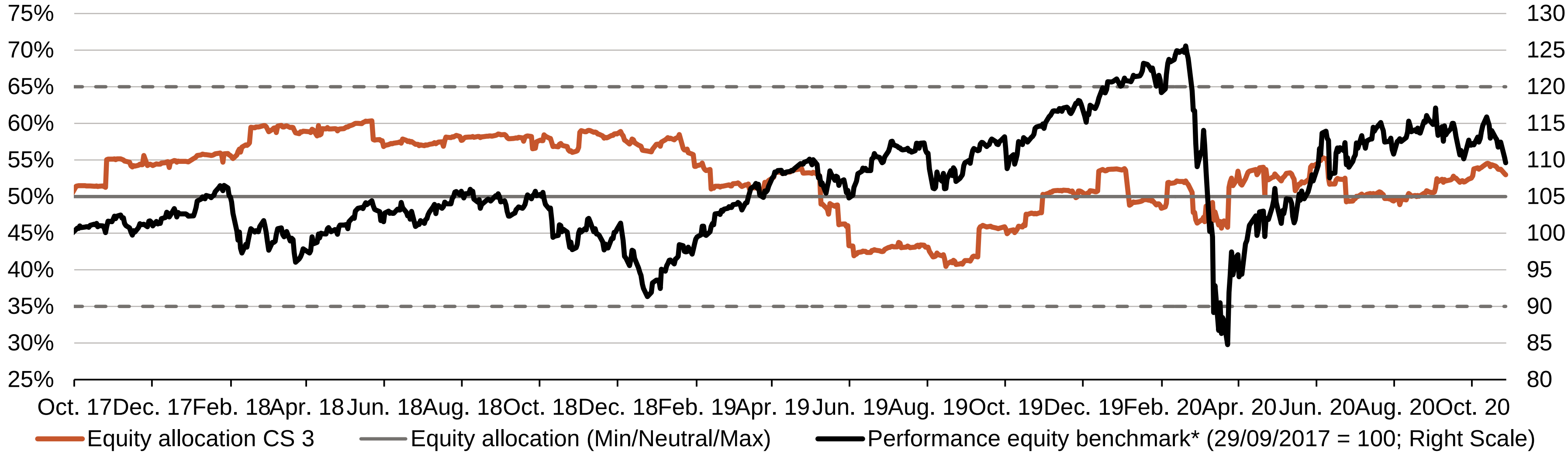
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	27/10/15 - 27/10/16	27/10/16 - 27/10/17	27/10/17 - 27/10/18	27/10/18 - 27/10/19	27/10/19 - 27/10/20
	-3.40%	16.06%	-3.30%	18.23%	-7.07%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 27/10/2015 – 27/10/2020.
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.
- Despite the recent sell-off due to the new Covid-19 restrictions in Europe, one should not be too pessimistic, as the situation this time is different from the previous lockdown in March and April. The measures taken do not affect all sectors of the economy, but mainly sectors such as leisure and tourism, which have not yet shown any noticeable recovery. At the same time, the development of therapies and vaccines continues at a rapid pace. The situation in markets is also different from Q1. There is no euphoria and most investors are still cautiously to neutrally positioned. As volatility eases, further inflows into risky assets should follow.

02 Economics

Eurozone
GDP and inflation

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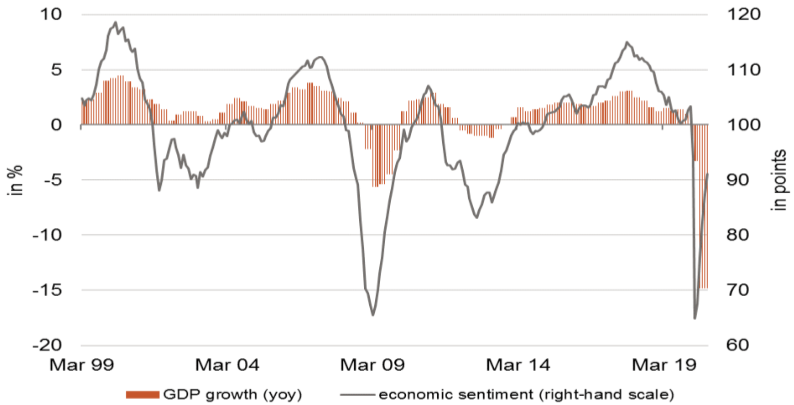
"Brexit-Deal": Improved prospects of success

- After much to and fro, the EU and Britain are now in a rush to reach an agreement on their future relationship. If their negotiators succeed in doing so by mid-November, it could be ratified just in time for December 31, 2020. At that time the British will leave the Common Market and the customs union with the EU. The chances of success have probably risen to at least 50 %. Nevertheless, the negotiating positions are still far apart and a "no-deal-brexit" is not yet off the table.

Consumer prices continue to decline year-on-year

- The inflation rate in September was again negative at -0.3 % year-on-year and continued to decline. Compared to the previous month, prices have nevertheless risen again (+0.1 %). Nonetheless, pressure on the ECB is increasing. In December, it may feel compelled to provide new impetus due to the rising number of infections and the slowdown in economic growth. We expect an inflation rate of 0.3 % for the year 2020 as a whole.

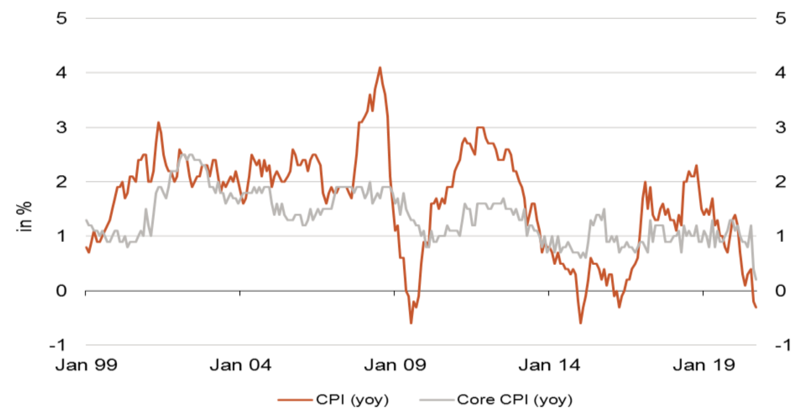
Eurozone GDP growth and economic sentiment



Sources: Eurostat, European Commission

Time period: 31/03/1999 – 30/09/2020

Eurozone inflation



Source: Eurostat

Time period: 31/01/1999 – 30/09/2020

USA
GDP and inflation

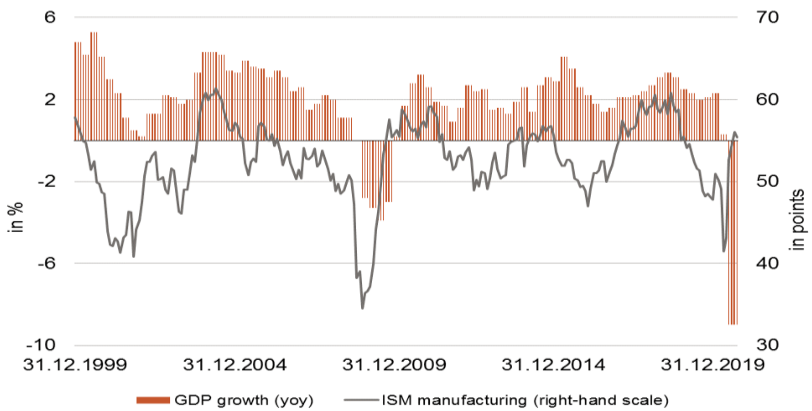
Presidential election in focus

- Election day is one week away: Can President Donald Trump surprise again or will Joe Biden bring his poll lead across the finish line? Second important question: Will the Democrats win the Senate election? If so, Joe Biden could easily implement his non-business friendly election programme.
- Retail sales remain positive: at +1.9 % over the previous month and +5.4 % over the previous year, they continue to grow rapidly in September. Retail sales already exceeded their pre-crisis level again in June. The renewed growth is therefore considerable.

Moderate increase in inflation

- The corona crisis is putting pressure on prices. In the US, however, prices have been rising moderately for some time. September was no exception: compared to the previous month, prices rose by +0.2 %. Compared to the previous year, inflation rose to +1.4 %. It should be noted, however, that inflation is still almost one percentage point below the pre-crisis level of +2.3 % (February 2020).
- For 2020 as a whole, we expect the inflation rate to be 1.2 %, and to rise to 1.9 % in the coming year.

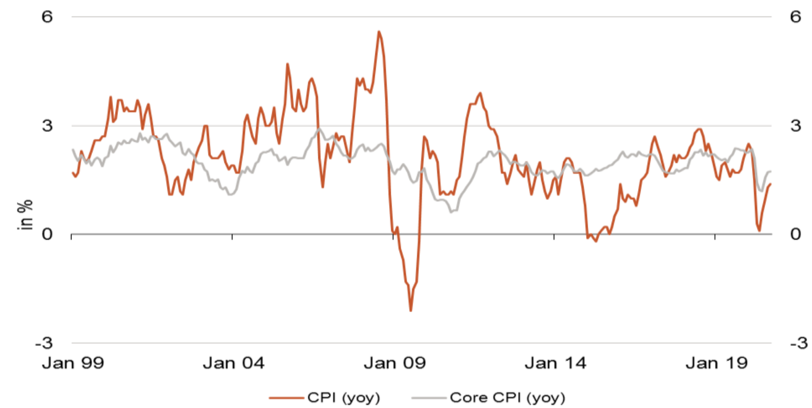
US GDP growth and Purchasing Managers Index



Sources: BEA, ISM

Time period: 31/12/1999 – 30/09/2020

US inflation



Source: BLS

Time period: 31/01/1999 – 30/09/2020

China
GDP and inflation

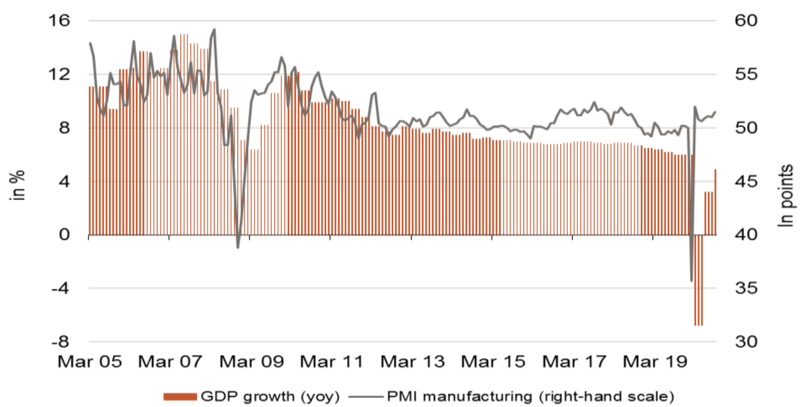
Recovery course continues

- According to official figures, China's GDP grew by 4.9 % over the previous year. An increase of 5.5 % had been expected.
- Industrial production rose by 6.9 % in September (compared with the previous year), thus clearly exceeding expectations (consensus: +5.8 %). Retail sales also rose more strongly than expected, by around 2.8 %.
- Based on official data, China's recovery course is continuing.

Significant price damper in September

- Despite the swine fever crisis, the price-dampening forces predominated. After inflation stood at +3.3 % in April (year-on-year comparison), it gradually decreased further. By August, it was already at "only" +2.4 %. The expected price damper in September has now turned out to be even stronger than expected. Inflation has fallen significantly to 1.7 %. The trend is thus continuing.
- We forecast an inflation rate of 3.0 % for 2020 as a whole. In the coming year, we expect it to fall to a good 2.2 %.

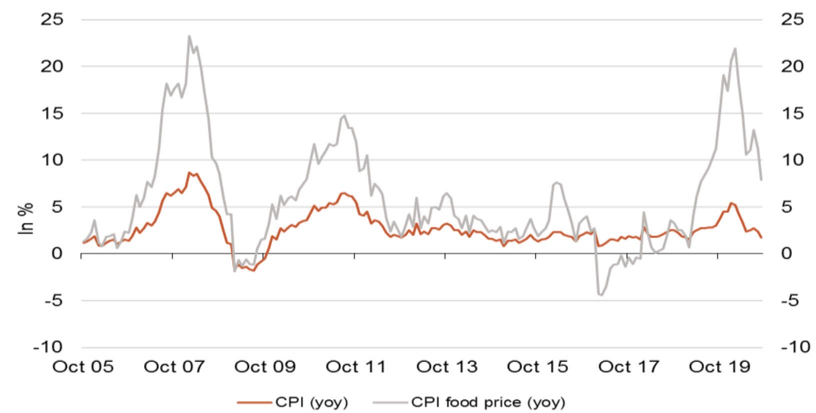
Chinese GDP growth and Purchasing Managers Index



Sources: NBS, CFLB

Time period: 31/03/2005 – 30/09/2020

Chinese inflation (YoY)



Source: NBS

Time period: 31/10/2005 – 30/09/2020

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	-3.5	-4.0	3.9	3.8	1.8	1.8	1.2	1.2	1.9	1.9
Eurozone	1.3	1.2	-7.8	-7.9	5.5	5.5	1.2	1.2	0.2	0.3	0.9	1.0
Germany	0.6	0.6	-5.6	-5.9	4.6	4.6	1.4	1.4	0.5	0.5	1.5	1.4
France	1.5	1.3	-10.2	-10.0	7.7	6.7	1.3	1.1	0.5	0.5	0.7	1.0
Italy	0.3	0.2	-10.4	-10.0	6.6	5.5	0.6	0.6	-0.2	-0.2	0.4	0.4
Spain	2.0	2.0	-13.1	-12.0	7.8	6.7	0.8	0.8	-0.3	-0.3	0.5	0.7
United Kingdom	1.3	1.3	-10.2	-10.0	6.7	6.0	1.8	1.8	0.8	0.9	1.1	1.5
Japan	0.7	0.9	-5.8	-5.6	3.0	2.5	0.5	0.5	0.1	0.0	0.3	0.2
China	6.2	6.1	2.7	2.1	9.0	8.0	2.9	2.9	3.0	2.8	2.2	2.3
World*	2.3	3.0	-3.3	-3.9	4.1	5.2	-	3.0	-	2.3	-	2.6

Source: Bloomberg, Berenberg as of 28/10/2020.
* 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
Rising Covid-19 fears have weighed on equity markets

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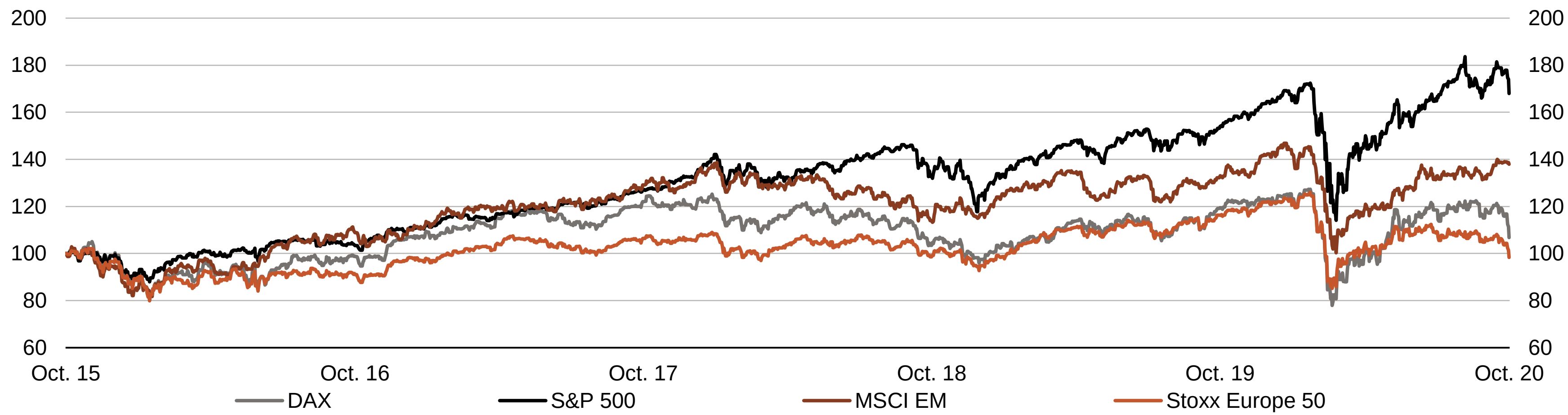
Tighter Covid-19 restrictions have dampened investor sentiment

- Stock markets started October on a positive note, but then fell sharply in the second half of the month. The Covid-19 crisis has recently worsened, especially in Europe. The situation looks much better in Asia and especially in China. In the third quarter, the second-largest economy grew by 4.9 percent year-on-year. At the same time, Joe Biden was able to gain ground in the election polls over the last two months, even if his lead over Trump has recently declined slightly.
- The beneficiaries of this development were emerging market equities, which significantly outperformed developed market equities in October - also driven by increased fund inflows. German and European equities have recently suffered the biggest losses.

Performance of selected equity indices



Source: Bloomberg; performance scaled to 100.

Time period: 28/10/2015–28/10/2020.

Corporate profits
Q3 reporting season has so far surprised positively

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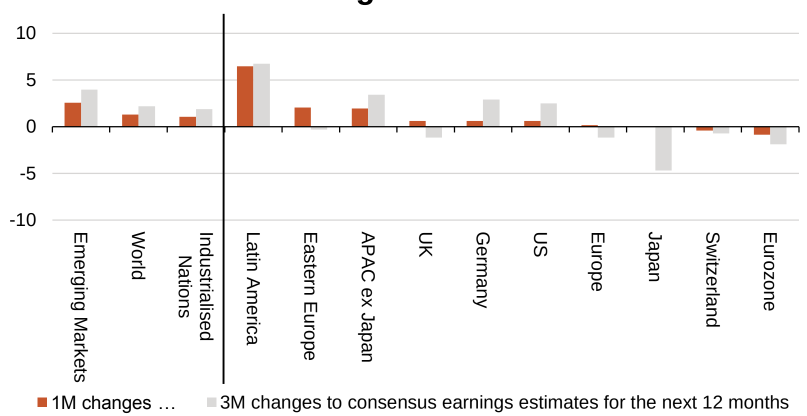
Emerging markets with positive earnings revisions

- The Q3 reporting season has so far turned out much better than expected. In the US alone, 84% of companies have exceeded earnings expectations. This is tempting analysts to adjust their earnings estimates upwards.
- The most positive earnings revisions have recently been seen in the emerging markets, above all in Latin America. Within developed markets, analysts have now become more optimistic, especially for the UK, the US and Germany.

Asia Pacific ex Japan with most stable earnings

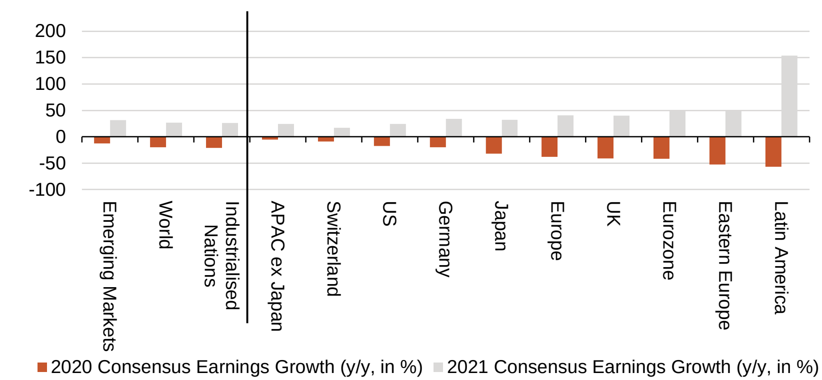
- Asia Pacific ex Japan with most stable earnings
- Expected earnings growth continues to be negative for all regions this year. However, Asia Pacific ex Japan is now approaching breakeven. For Switzerland, the slump in profits is also likely to be fairly moderate.
- The consensus is more optimistic for emerging markets. A smaller drop in profits is expected in 2020 and stronger profit growth in 2021 than in industrialised countries.

Positive trend in earnings revisions



Source: FactSet. As of 28/10/2020.

Consensus expects strong earnings recovery in 2021



Source: FactSet. As of 28/10/2020.

Valuation & Positioning

Cautious positioning of market participants

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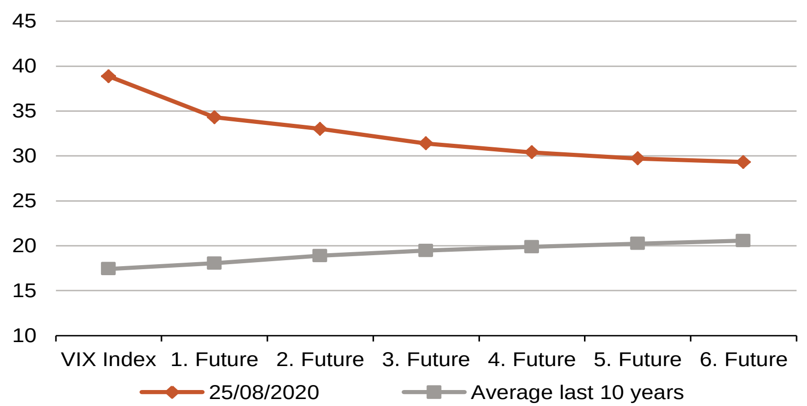
Market prices increased volatility

- Investors remain sceptical and by no means careless. Volatility is at historically high levels and market expectations are that it will remain high for at least six months.
- For example, the volatility curve for the S&P 500, measured by the VIX Index and the related futures, is trading significantly above the average of the last 10 years for all maturities.
- The October futures contract (1st VIX future) trades at 34. After the US elections, a slight decrease in volatility is expected.

Uncertainty should subside after US elections

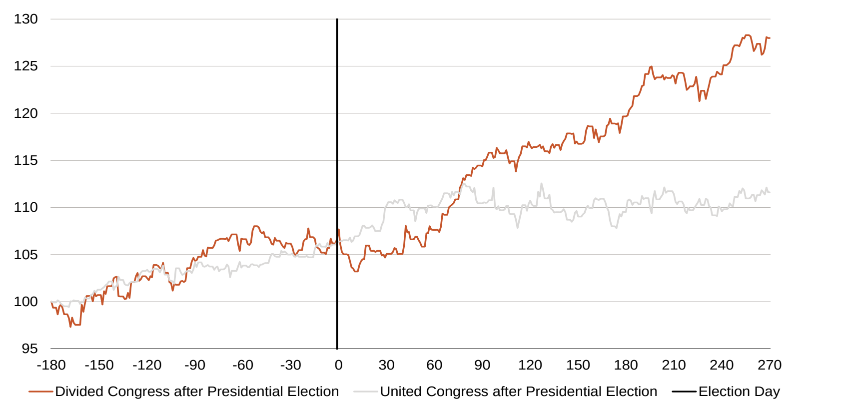
- Whether presidential elections or not, the US stock markets have historically performed well in the months following early November.
- Over the 270 days following the US election, the S&P 500 performed better on a median for a divided Congress than for a united Congress.
- In view of the massive infrastructure and fiscal programmes planned by the Democrats, it is doubtful whether this would be the case this time - even if taxes are to be raised.

Investors are cautiously positioned



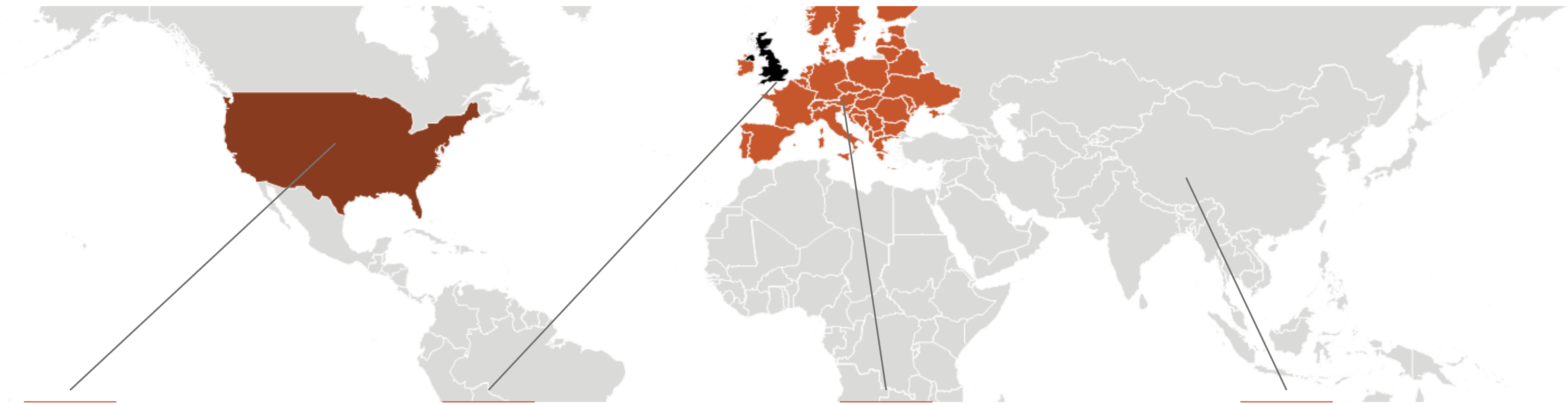
Source: Bloomberg, own calculations. Time period: 28/10/2010 – 28//10/2020.

Markets tend to perform positively after US elections



Median Total Return Performance of the S&P 500. Time period: 10/05/1928 – 05/08/2017.
Source: Bloomberg, own calculations.

Equity allocation
Overweight emerging markets



USA
Neutral
- The uncertainty surrounding the upcoming US presidential elections is likely to cause increased volatility.
- As the impact on US equity markets is highly dependent on the outcome of the US elections, we believe a neutral positioning is appropriate.

United Kingdom
Underweight
- The upcoming (final) 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

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	Current			Ø*
Index forecasts	**28/10/2020**	**30/06/2021**	**31/12/2021**	**in 12 months**
S&P 500	3,271	3,600	3,700	3,807
Dax	11,561	13,800	14,200	14,700
Euro Stoxx 50	2,964	3,500	3,650	3,673
MSCI UK	1,566	1,800	1,850	1,952

Index potential (in %)				
S&P 500	-	10.1	13.1	16.4
Dax	-	19.4	22.8	27.2
Euro Stoxx 50	-	18.1	23.2	23.9
MSCI UK	-	15.0	18.2	24.7

Source: Bloomberg, Berenberg, as of 28/10/2020.
*Average based on bottom-up estimates.

04 Bonds

Market developments
Interest rates and yields

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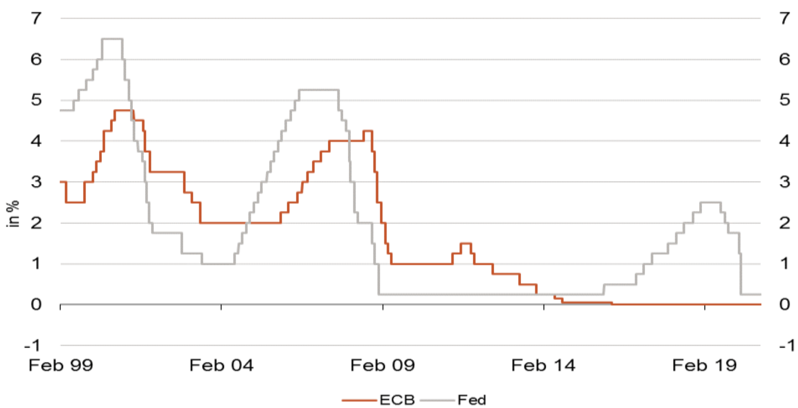
What does the ECB do?

- Monetary policy is once again moving more into the focus of the markets in several respects. The ECB suggested that additional monetary stimulus could come as soon as December. In the long term, the question is whether the ECB, like the US Federal Reserve, would change its monetary policy strategy and thereby allow more inflation.
- The composition of the consumer price index could also be put to the test to better measure the actual cost of living. For example, owner-occupied housing could also be taken into account.

Bund yields remain under pressure

- Yields on safe federal bonds remain under pressure due to rising uncertainty. Although yields on ten-year bonds recovered slightly last week, they still remain at a very low level.
- US government bond yields rose and are approaching the 1.0% mark again, where we expect them to be at the end of the year.
- In the longer term, there are upside risks to US interest rates, partly because the US budget deficits will continue to rise - regardless of who wins the presidential election.

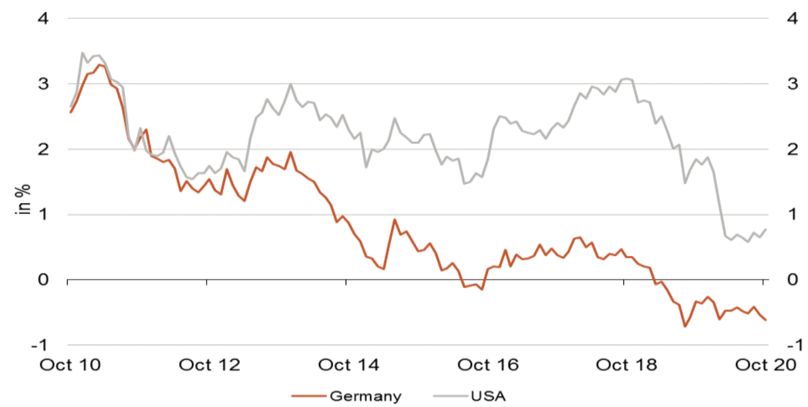
Base interest rates



Source: Bloomberg

Time period: 01/02/1999 – 28/10/2020

10-year government bonds



Source: Bloomberg

Time period: 28/10/2010 – 28/10/2020

Government bonds
Safe haven EUR government bonds delivered

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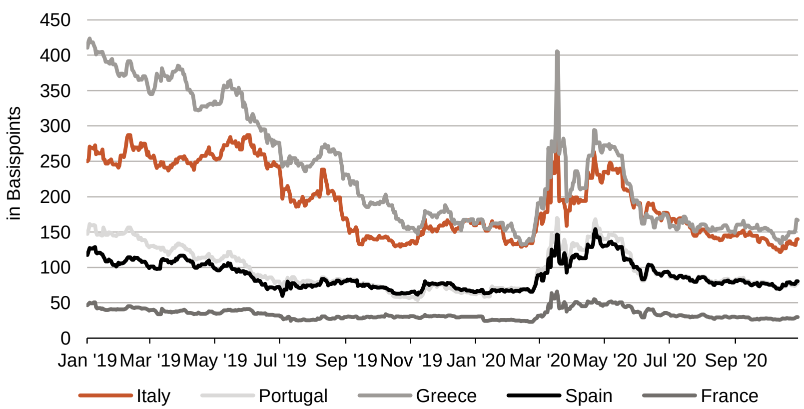
Risk-Off: periphery with rising spreads

- Rising Covid-19 infections and increasing lockdown measures drove investors into safe investments such as German government bonds. By contrast, spreads in the more indebted European periphery rose significantly. Spreads on Greek and Italian government bonds were particularly affected by this. However, with a spread of only around 150 basis points over German government bonds, both countries are still far from the high in spring at the beginning of the corona crisis.

Divergence within safe haven government bonds

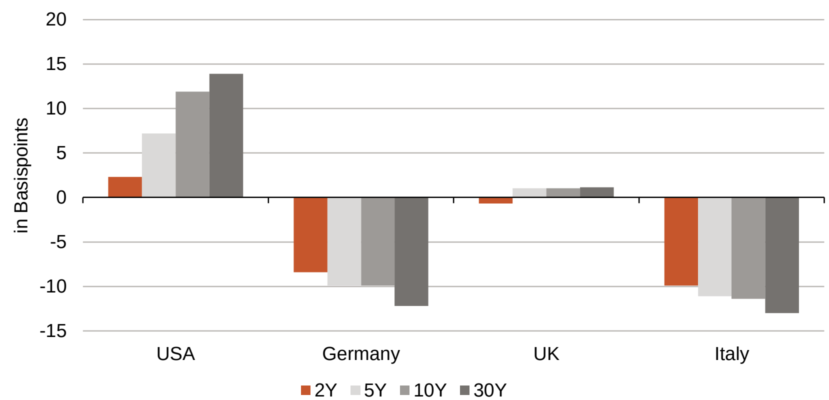
- While yields have continued to fall in the eurozone, they have risen in the US. In the eurozone, safety remains in demand in the context of rising corona infection numbers. Yields on 10-year German government bonds have fallen by almost 10 basis points in the last four weeks. In contrast, the yield on US Treasuries has risen by more than 10 basis points. There, investors' inflation concerns have dominated lockdown fears.

Spreads versus German government bonds



Source: Bloomberg, 10-year government bonds. Time period: 01/01/2019–28/10/2020

Falling yields in the eurozone



Source: Bloomberg; monthly change in yields of 2, 5,10, 30-year government bond yields. Time period: 30/09/2020–28/10/2020.

Corporate bonds
Quality wins

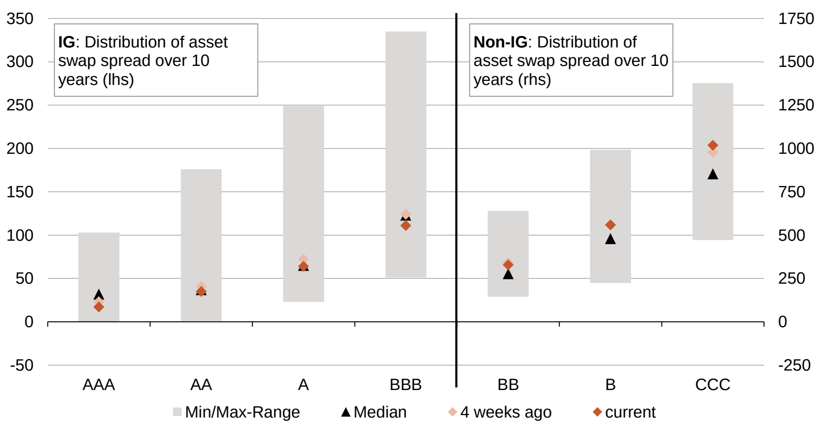
IG bonds more in demand than high-yield bonds

- Investment-grade corporate bonds have seen spreads fall slightly in the last four weeks, while risk premiums on EUR high yield bonds have tended to rise. Fears of the economic damage of the second European lockdown are causing investors to favour financially stronger companies. Quality was therefore in demand.
- Within investment grade, the higher-yielding BBB corporate bonds saw the largest spread tightening in the last four weeks.

Lockdown losers were punished

- The new lockdown measures in Germany and many other European countries are hitting the travel and leisure sector particularly hard, while the industry is less affected. The market has already priced this in. Risk premiums on bonds from the travel and leisure sector have seen unchanged spreads over the past four weeks, while spreads on bonds from the automotive sector have fallen.
- Insurance companies and banks remain burdened by the negative interest rates and were less in demand.

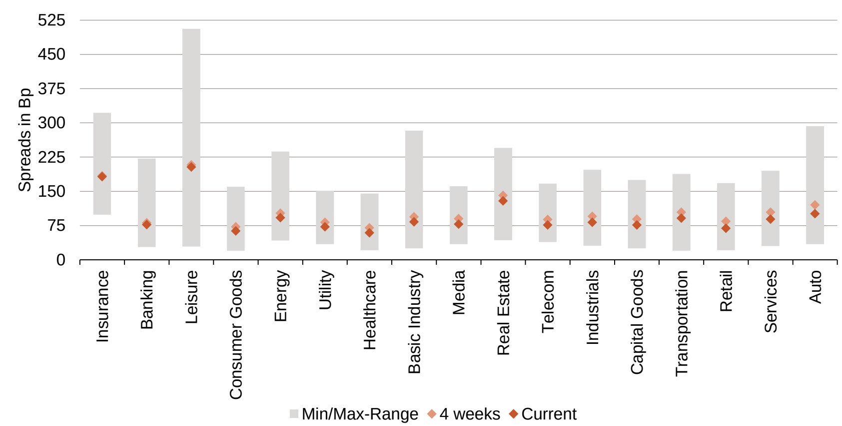
Rising spreads for high-yield bonds



Source: Factset, 10Y distribution of spreads of EUR corporate bonds by rating

Time period: 28/10/2010-28/10/2020

Finance and travel/leisure were less in demand



Source: Factset, Historical 5-year distribution of euro sector risk premiums

Time period: 28/10/2015-28/10/2020

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

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Base interest rates and government bond yields (in %)	28/10/2020 Current	30/06/2021	30/06/2021 Ø*	31/12/2021	31/12/2021 Ø*
USA					
Base interest rate	0.00-0.25	0.00-0.25	0.25	0.00-0.25	0.30
10Y US yield	0.77	1.25	0.96	1.40	1.14
Eurozone					
Base interest rate	0.00	0.00	0.00	0.00	0.00
10Y Bund yield	-0.63	-0.10	-0.34	0.10	-0.25
United Kingdom					
Base interest rate	0.10	0.10	0.05	0.10	0.05
10Y Gilt yield	0.21	0.50	0.32	0.60	0.44

Source: Bloomberg, Berenberg as of 28/10/2020
*Average of estimates by other experts (Bloomberg), consensus

05 Commodities

Crude oil
Demand recovery is faltering

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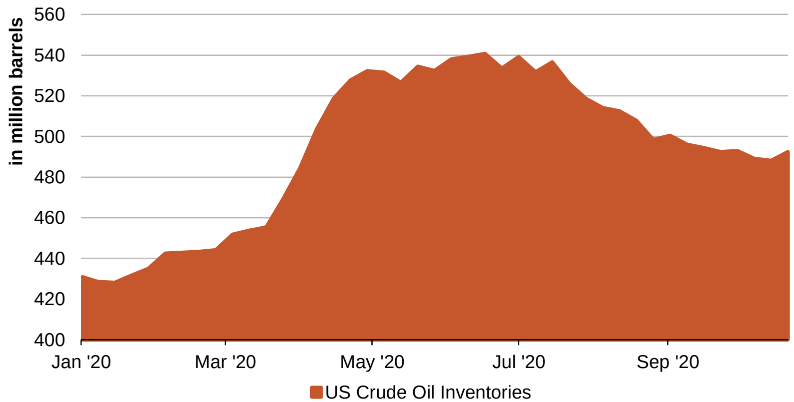
Restrictions on public life weigh on crude oil demand

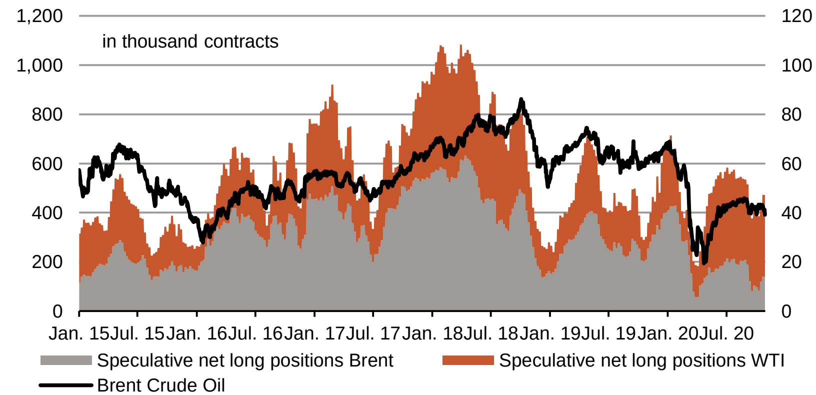
- In recent weeks, the oil price has experienced noticeable headwinds from both the demand and the supply side. The newly imposed, severe restrictions on public life in Europe, which jeopardise the further recovery of demand in oil markets, are currently weighing particularly heavily. In the US, the demand recovery from private households also seems to have come under pressure. Recently, the EIA announced a much larger than expected increase in crude oil inventories. Meanwhile, Libya reopened the last of its oil fields last week after months of civil war. According to the state-owned oil company, this should boost production from less than 100,000 barrels a day in early September to over one million barrels a day by mid-November.
- Meanwhile, OPEC+ is signaling a strong willingness to stabilise oil prices. Saudi Arabia's energy minister and also Russia's President Putin have expressed their support for extending the cuts, which expire at the turn of the year, by a few months. In the medium to long term, investors should not be too pessimistic, because while oil consumption in the commercial sector is already continuing to recover, private consumption should also pick up strongly once a vaccine has been approved.

US inventories have increased surprisingly strongly



Source: Bloomberg, DOE. Time period: 01/01/2020 – 28/10/2020.

Speculative investors increase their positions



Source: Bloomberg, CFTC. Time period: 01/01/2015 – 20/10/2020.

Precious and industrial metals
Gold has a hard time

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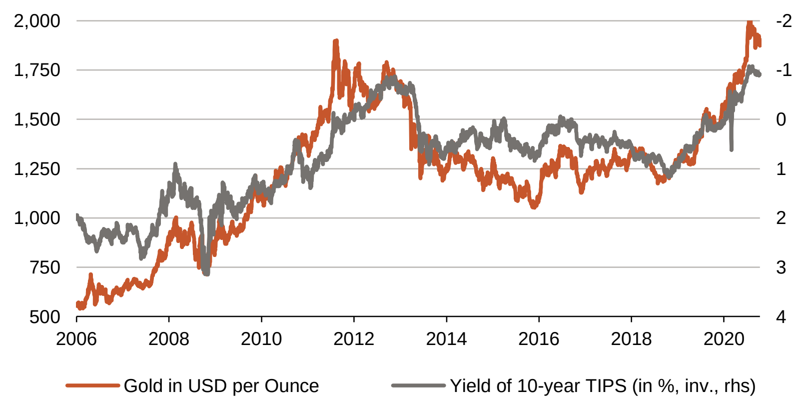
Gold suffers from higher interest rates and strong dollar

- Gold was unable to make gains despite rising infection rates and renewed corona restrictions last month.
- This unusual behaviour is most likely due to nominal yields rising more strongly than inflation expectations and thereby also increasing real yields – the opportunity cost for gold.
- Even in the most recent "risk off" the safe haven offered little protection. In this case, the stronger US dollar weighed on the precious metal.
- ETF investors reduced their holdings slightly in October.

Industrial metals surprisingly stable in the "risk off"

- After industrial metals had to give way in the second half of September, they were able to post strong gains again until the third week of October. However, the recent risk aversion did not leave metal markets entirely unscathed, although the sell-off was less severe than in stock markets.
- The International Study Groups for copper, nickel, zinc and lead have recently published their forecasts for 2021 and see excess supply for all four metals. The market seems more optimistic in view of the numerous infrastructure programmes underway.

Higher real interest rates put the brakes on the gold price



Source: Bloomberg. Time period: 01/01/2006 – 28/10/2020.

Strong activity in China supports industrial metals

Source: Bloomberg. Time period: 01/01/2014 – 28/10/2020.

06 Currencies

Market developments
Currencies

EUR/USD: Euro under pressure

- With the number of infections in Europe rising again and fears of new lockdowns, the euro has corrected noticeably. The main reason for this was the "safe haven" status of the US dollar. The gloomy stock market sentiment had driven investors into the safe haven of the US dollar.
- Until the end of the year, the euro still has some room for appreciation once the infection has been brought under control again.

EUR/GBP: Pound benefits from Brexit talks

- The main driver of the currency pair is the Brexit negotiations. As the prospects for a "deal" have increased, the pound is also benefiting. The fact that negotiators on both sides are already working on individual wordings gives hope. The exchange rate is moving back in the direction of 0.90 pounds per euro.
- We estimate that with an agreement, British trend growth could settle at around 1.7 % per year. Before leaving the EU it was around 2 %, but without a follow-up agreement it would probably fall to just 1.5 %.

Euro/US dollar exchange rate

Source: Bloomberg

Time period: 27/10/2015 – 27/10/2020

Euro/British pound exchange rate

Source: Bloomberg

Time period: 27/10/2015 – 27/10/2020

Forecasts

Estimates of the most important currencies

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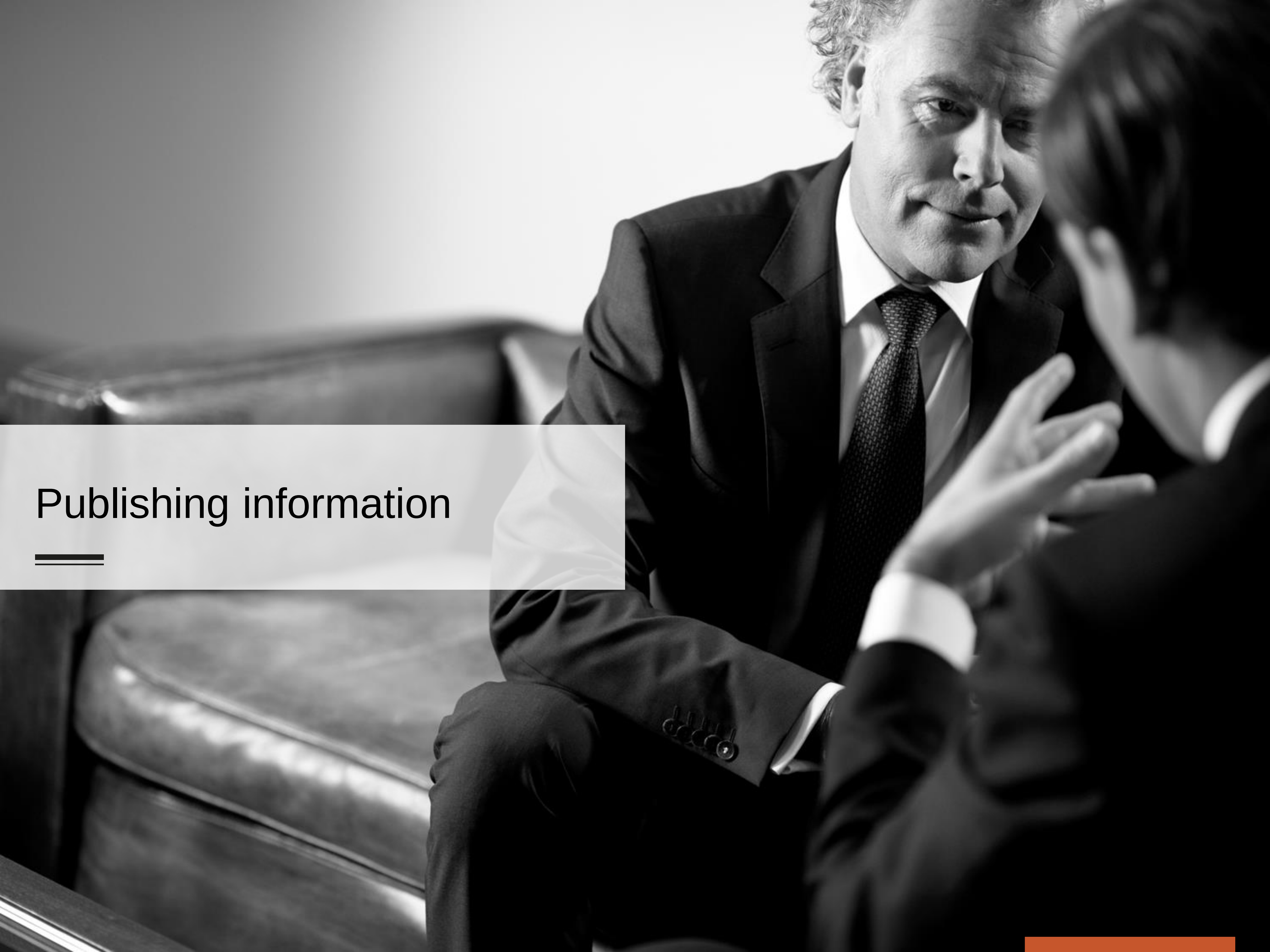
	28/10/2020	30/06/2021		31/12/2021	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.17	1.22	1.20	1.23	1.23
EUR/GBP	0.90	0.90	0.90	0.88	0.90
EUR/CHF	1.07	1.08	1.09	1.11	1.12
EUR/JPY	123	127	126	128	129
Change against the euro (in %)					
USD	-	-3.7	-2.1	-4.5	-4.5
GBP	-	0.5	0.5	2.8	0.5
CHF	-	-1.0	-1.9	-3.7	-4.5
JPY	-	-3.5	-2.7	-4.3	-5.0

*Source: Bloomberg, Berenberg as of 28/10/2020.
*Average of estimates of other experts (Bloomberg); consensus.



Publishing information

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