HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

December | 2020

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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: 27 November 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 (28/10/20 - 25/11/20)	YTD (31/12/19 - 25/11/20)	25/11/19 25/11/20	25/11/18 25/11/19	25/11/17 25/11/18	25/11/16 25/11/17	25/11/15 25/11/16
Brent	19.0	-39.6	-36.8	19.1	4.2	11.0	-14.0
Euro Stoxx 50	18.6	-4.4	-3.3	21.5	-10.1	20.4	-9.3
DAX	15.0	0.3	0.3	18.3	-14.3	22.1	-4.2
S&P 500	9.6	7.7	9.0	25.1	8.5	6.5	8.6
Topix	8.1	3.1	2.6	15.2	-3.5	11.8	2.1
MSCI Emerging Markets	7.2	5.0	9.2	14.9	-9.5	22.5	5.1
EM Hard Currency Bonds	1.8	5.2	6.4	12.4	-2.6	9.5	6.9
EUR IG Bonds	1.0	2.6	2.6	6.4	-1.7	3.2	3.3
EUR Sovereign Bonds	0.2	2.1	1.7	4.7	-1.1	1.5	0.6
Eonia	0.0	-0.4	-0.5	-0.4	-0.4	-0.4	-0.3
USDEUR	-1.4	-5.9	-7.6	3.0	5.3	-11.2	0.3
Gold	-5.1	12.1	14.8	22.5	-0.1	-3.3	10.8

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: 25/11/2015 – 25/11/2020

Concise overview of capital markets

Outlook by asset class

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Economics

- Economy: The recovery is interrupted by a second wave of infection. Smaller setback than in spring.
- Governments and central banks continue to support the economic recovery with all available means.
- Monetary and fiscal policy support and the vaccine news point to a strong recovery from 2021 onwards.

Equities

- Market-friendly US election results and encouraging vaccine news have led to a significant rise in stock markets.
- The market seems to be looking through the current growth dip and is looking forward to a synchronous economic recovery.
- Upside potential after strong November performance and due to new wave of US infections is rather limited for the time being.

Bonds

- Successes in vaccine development are reducing demand for government bonds. Yields should rise.
- High yield bonds benefited significantly from investors' increased risk appetite. Hunt for yield continues.
- We are underweight bonds and focus on credit risks with shorter duration.

Alternative investments / commodities

- Gold suffered from a rotation into risky assets. Weak US dollar is likely to boost demand for jewelry in emerging markets.
- Positive vaccine news boosted oil prices. Expectations for the OPEC+ meeting are high.
- Base metals continued their rally. Fundamentals seem to be priced in. Green deals provide long-term tailwinds.

Currencies

- The US presidential election was accompanied by strong currency movements. However, EUR/USD has now stabilised again.
- Follow-up Brexit agreement: The prospect of a deal has strengthened the British pound.
- After Joe Biden's victory, uncertainty has subsided in markets. The Swiss franc is weakening accordingly.

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

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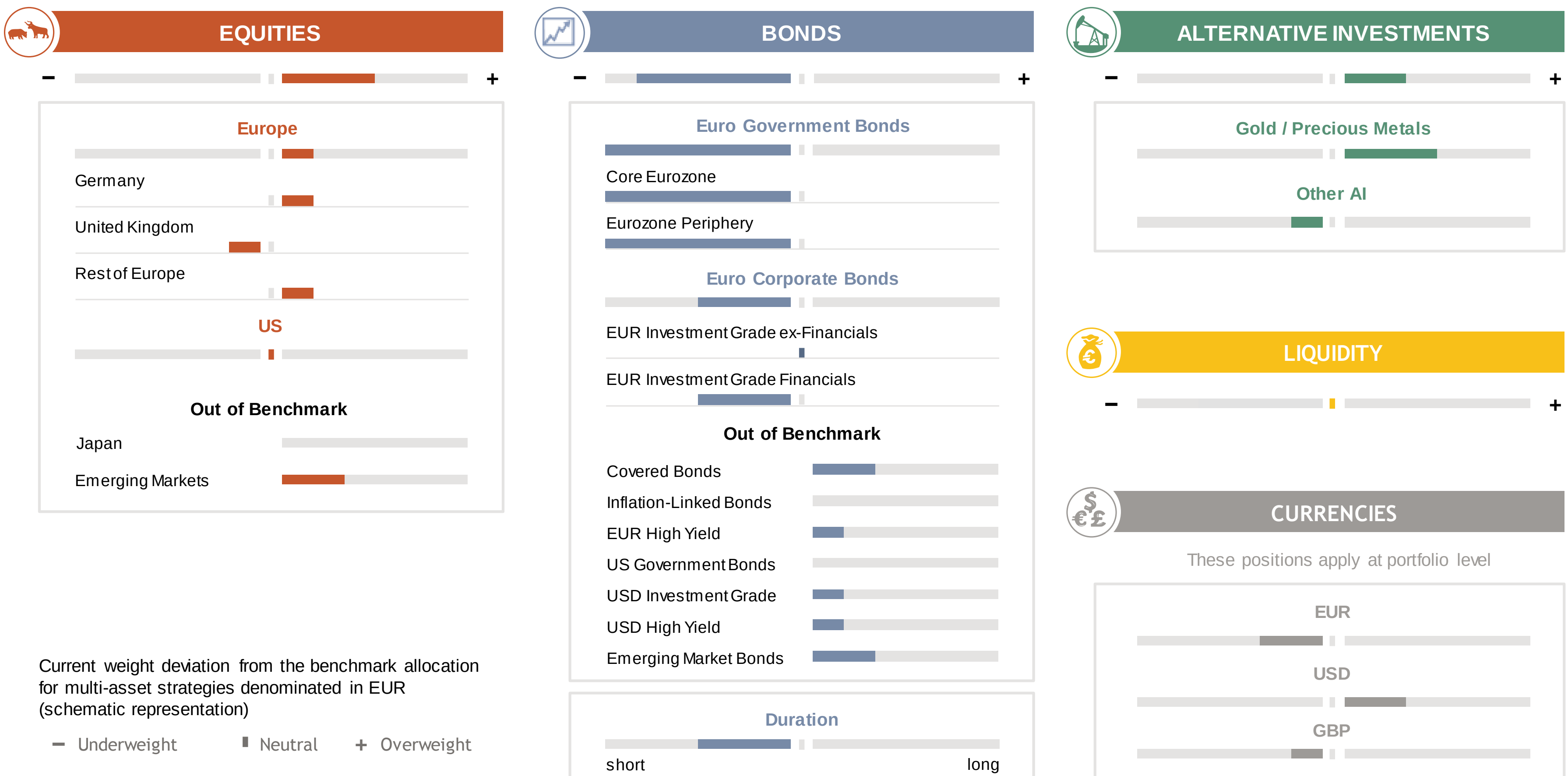
Portfolio positioning of a balanced mandate at a glance



Source: Berenberg.

As of 25/11/2020.

Concise overview of Berenberg's asset allocation

Review of Core Strategy 3

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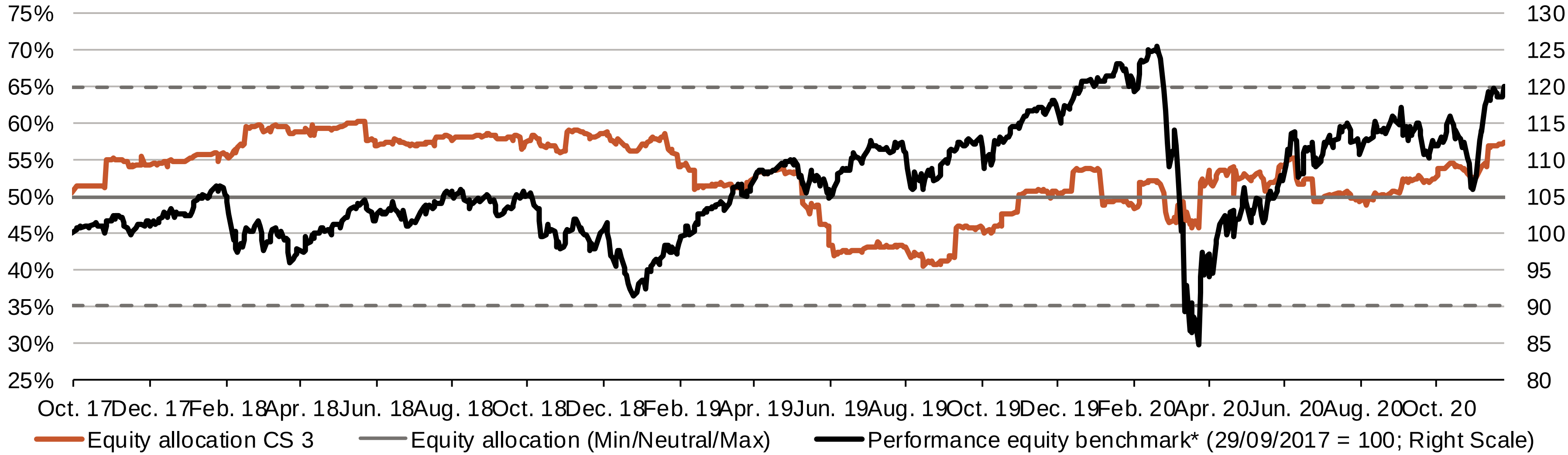
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	24/11/15 - 24/11/16	24/11/16 - 24/11/17	24/11/17 - 24/11/18	24/11/18 - 24/11/19	24/11/19 - 24/11/20
	-3.95%	12.79%	-1.66%	20.07%	-0.29%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 24/11/2015 – 24/11/2020.
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. Before the end of March, we already selectively seized opportunities during the crisis. In the months that followed, we benefited noticeably from our slight overweight in equities. From June onwards, we positioned ourselves neutrally for what we expected would be a tough summer.
- Since September, we have started to gradually increase our equity exposure in order to benefit from the ongoing economic recovery and progress in vaccine development. In return, we have reduced safe haven assets such as US Treasuries and cash alternatives. Within equities, we have positioned ourselves more cyclically to benefit from the rotation from Covid-winners to Covid-losers. Important building blocks are new positions in small caps, China and the strong reduction of the long-term underweight in the UK. In addition to the relatively high value exposure, the region also appears increasingly attractive due to the increased probability of a Brexit follow-up agreement and the strong underweight of many investors.

02 Economics

Eurozone
GDP and inflation

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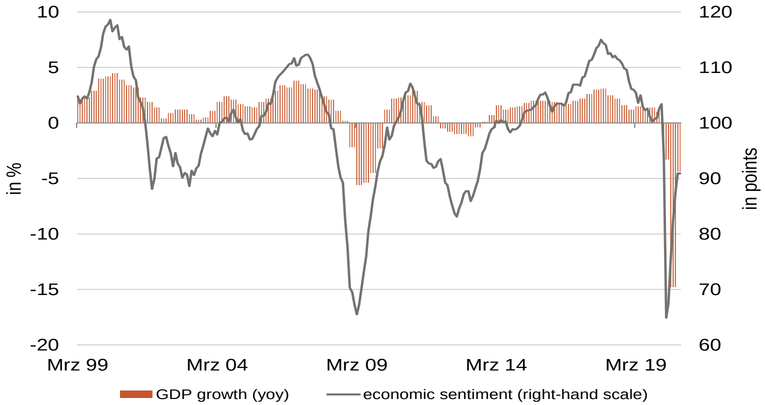
Dispute over EU fiscal package

- As expected, Poland and Hungary used their right of veto at the virtual EU summit. Thus, the finalisation of the 1.8 trillion Euro fiscal package has been halted for the time being.
- However, for Poland and Hungary the stakes are high. High-ranking representatives of the countries have therefore signaled a fundamental willingness to compromise. The conflicts could well continue into spring 2021. As the other 25 EU member states have a stronger negotiating position, a "just-in-time" solution is still possible.

Inflation outlook increases pressure on the ECB

- Despite the record-breaking recovery in the summer, inflationary pressures remained extremely subdued in October, even before the larger European countries resumed tightening restrictions. The harsher-than-expected cuts reinforce the price-dampening effects. This should prompt the ECB to revise its short-term inflation forecasts downwards and set monetary policy priorities accordingly on 10 December 2020.
- For the entire year 2020 we expect an inflation rate of 0.2 %.

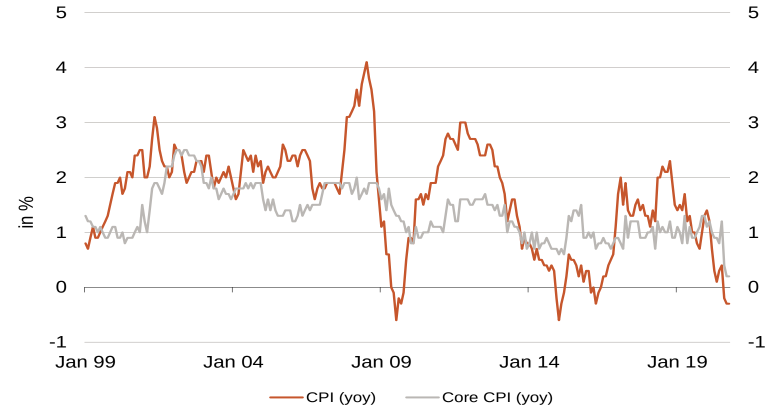
Eurozone GDP growth and economic sentiment



Sources: Eurostat, European Commission

Time period: 31/03/1999 – 31/10/2020

Eurozone inflation



Source: Eurostat

Time period: 31/01/1999 – 31/10/2020

USA
GDP and inflation

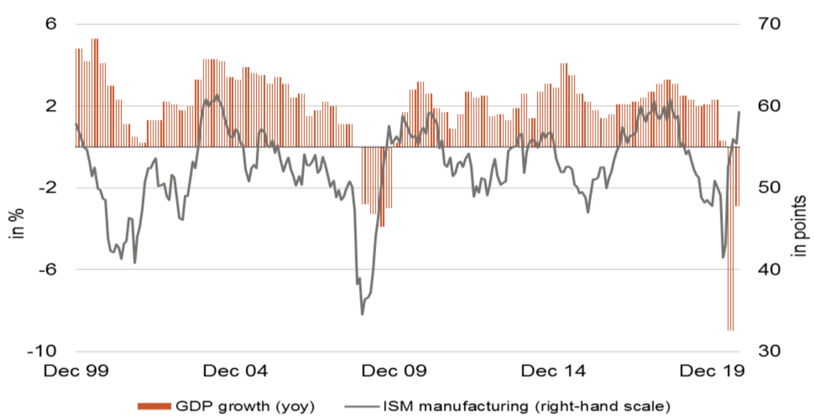
Strong momentum in the real estate sector

- The number of construction projects in October increased by 4.9 % compared to the previous month to an annualised 1.53 million (September: 1.46 million). This represents an increase of 15 % over the previous year. The rolling sum of construction projects over the past twelve months is at a 13-year high and reflects the sharp rise in housing builds between late 2019 and early 2020 and the V-shaped recovery after the sharp cut in April.
- Industrial production rose by 1.1 % in October compared to the previous month, and is now 5.6 % below its pre-crisis level.

Inflation declines slightly in October

- Until September, there was a trend of moderately rising inflation rates. Compared with the previous month, prices rose by +0.2%. Year-on-year inflation rose to +1.4% (August: +1.3%).
- In October inflation remained stable (mom) and fell to 1.2% (yoy), breaking the previous trend. This is more than one percentage point below the pre-crisis level of +2.3% recorded in February.

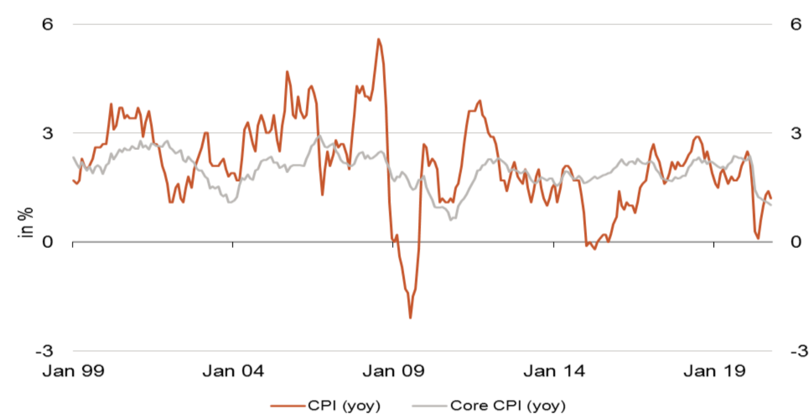
US GDP growth and Purchasing Managers Index



Sources: BEA, ISM

Time period: 31/12/1999 – 30/10/2020

US inflation



Source: BLS

Time period: 31/01/1999 – 31/10/2020

China
GDP and inflation

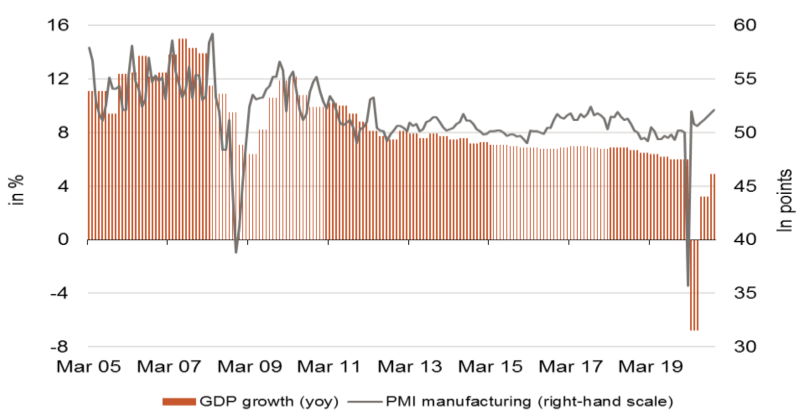
Stimulus from industry supports recovery

- The positive flow of data continues: China's industrial output in October was up 6.9 % (yoy).
- China's foreign trade also set the tone: China's export volume in October was up 11.4 % (yoy). Imports also recorded a robust increase of 4.7 % on an annual basis. China's recovery course is continuing overall.
- China's GDP is expected to grow officially by 2.7 % in 2020, followed by 9.0 % in 2021.

Inflation declines significantly

- Inflation, which stood at +3.3 % in April (yoy), has been declining gradually in recent months. In August it was already at "only" +2.4 %. The significant price damper in September is followed by another one in October, when inflation falls significantly year-on-year to just 0.5%.
- We forecast an inflation rate of 2.6 % for 2020. In the following year we expect it to fall to just over 1.4%.

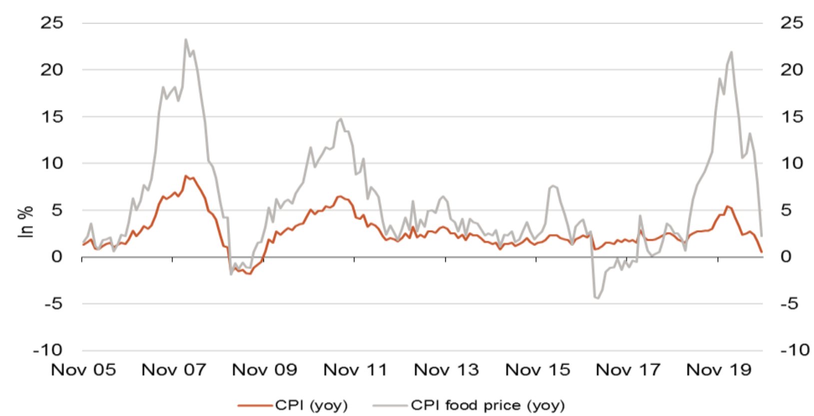
Chinese GDP growth and Purchasing Managers Index



Sources: NBS, CFLB

Time period: 31/03/2005 – 30/10/2020

Chinese inflation (YoY)



Source: NBS

Time period: 30/11/2005 – 31/10/2020

Economic forecasts
Most important estimates at a glance

	GDP growth (in %)						Inflation (in %)					
	2019		2020		2021		2019		2020		2021	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	2.2	2.3	-3.5	-3.6	3.9	3.8	1.8	1.8	1.2	1.2	1.8	1.9
Eurozone	1.3	1.2	-7.4	-7.3	5.0	4.7	1.2	1.2	0.2	0.3	0.8	0.9
Germany	0.6	0.6	-5.5	-5.7	4.3	3.8	1.4	1.4	0.4	0.5	1.3	1.3
France	1.5	1.3	-9.5	-9.4	6.7	6.0	1.3	1.1	0.4	0.5	0.8	0.8
Italy	0.3	0.2	-9.1	-9.0	6.0	5.4	0.6	0.6	-0.2	-0.2	0.5	0.4
Spain	2.0	2.0	-12.0	-11.7	7.1	6.0	0.8	0.8	-0.4	-0.3	0.6	0.6
United Kingdom	1.3	1.3	-11.9	-11.0	6.5	5.4	1.8	1.8	0.9	0.9	1.2	1.4
Japan	0.7	0.9	-5.3	-5.3	3.2	2.5	0.5	0.5	0.1	0.0	0.3	0.1
China	6.2	6.1	2.7	2.0	9.0	8.1	2.9	2.9	2.6	2.7	1.4	2.2
World*	2.3	3.0	-3.3	-3.9	4.0	5.2	-	3.0	-	2.2	-	2.6

Source: Bloomberg, Berenberg as of 25/11/2020.
* 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.

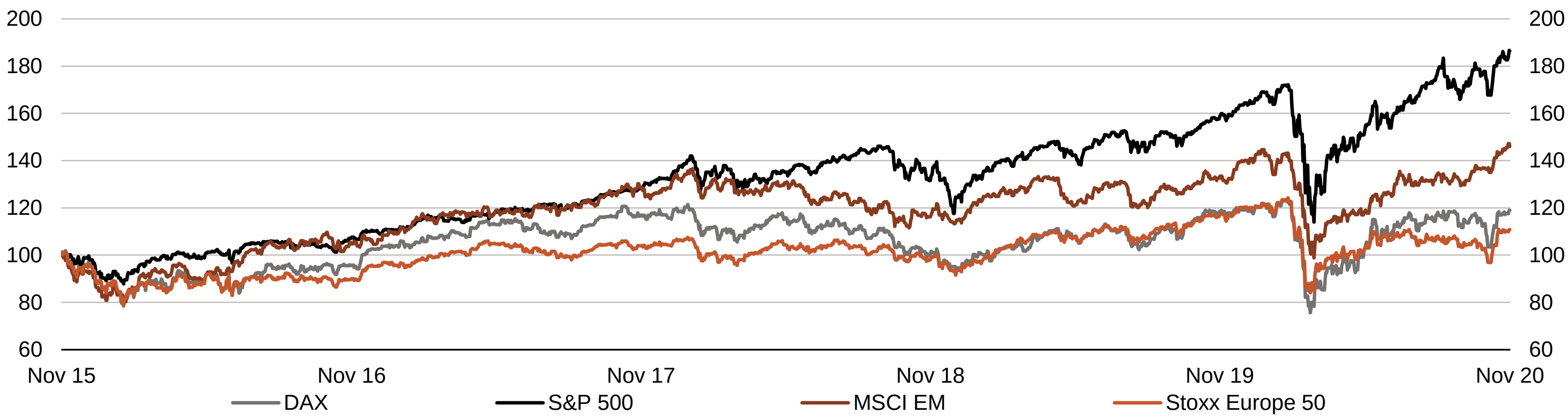
03 Equities

Market developments
Equity markets rose strongly in November

Market-friendly U.S. election results and encouraging vaccine news have significantly brightened investor sentiment

- The optimists have gained the upper hand in markets. A market-friendly US election outcome, encouraging vaccine news and ready central banks have significantly improved investor sentiment and led to a rotation from Covid-19 winners (tech, gold, safe government bonds) to Covid-19 losers (value sectors, cyclical commodities). Equity funds have recently recorded the largest inflow ever measured over three weeks with more than USD 89 billion.
- The market seems to be looking through the current expected growth dip and focusing on the synchronous economic recovery next year. USD 4.3 trillion is still parked in US money market funds.
- However, for the market to continue to rise in the short term, volatility would have to fall (VIX < 20). Systematic strategies would then also raise demand for equities. Otherwise, following the strong performance in November and in light of the new wave of infections in the US, the upside potential is limited for the time being.

Performance of selected equity indices



Source: Bloomberg; performance scaled to 100.

Time period: 25/11/2015–25/11/2020.

Corporate profits
Analysts become more optimistic

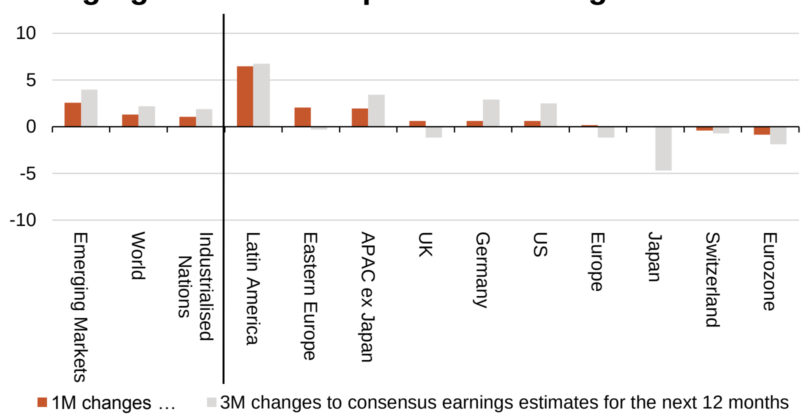
Positive picture for earnings revisions

- The positive Q3 reporting season and the approaching approval of a Covid-19 vaccine have led to higher earnings estimates for most regions.
- Eastern Europe and Latin America also benefitted from higher commodity prices.
- Earnings estimates for German companies, on the other hand, were adjusted slightly downwards as a result of the renewed partial lockdown.

US earnings: Reaching pre-corona levels by end of 2021

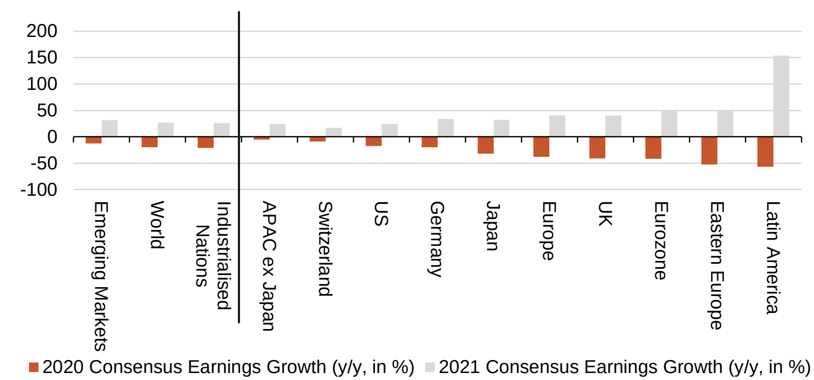
- Next year, most companies can look forward to a substantial increase in profits. Analysts expect profits to rise by more than 30% for emerging markets and by more than 20% for developed markets.
- US companies in aggregate are forecast at the end of 2021 to return to or even exceed the earnings level of the end of 2019 - according to consensus figures.

Emerging markets with positive earnings revisions



Source: FactSet. As of 25/11/2020.

Consensus expects strong earnings recovery in 2021



Source: FactSet. As of 25/11/2020.

Valuation & Positioning

Optimism of market participants increases

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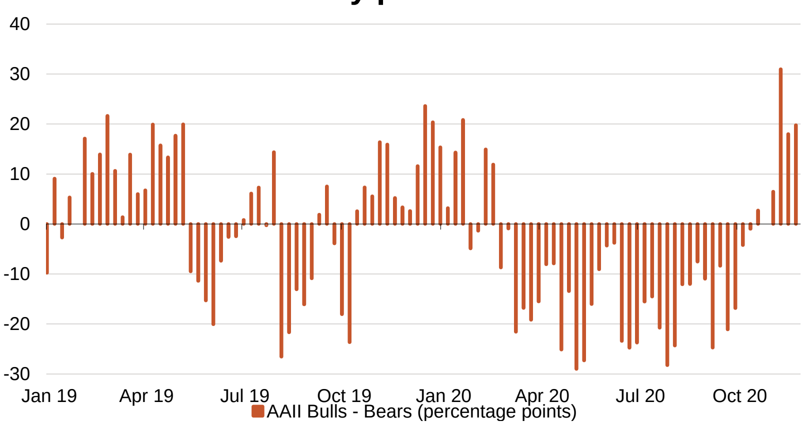
US investors more optimistic for six weeks

- The bulls among US private investors are still in the majority, and in fact they have increased positioning further compared to the previous week – which is unsurprising given the strong stock market performance in November.
- For the sixth consecutive week, the optimists are no longer in the minority. Overall, investor sentiment is correspondingly much more optimistic. 47% of investors surveyed expect rising US equity markets on a six-month horizon, 27% expect falling prices.

Still a heterogeneous performance picture in 2020

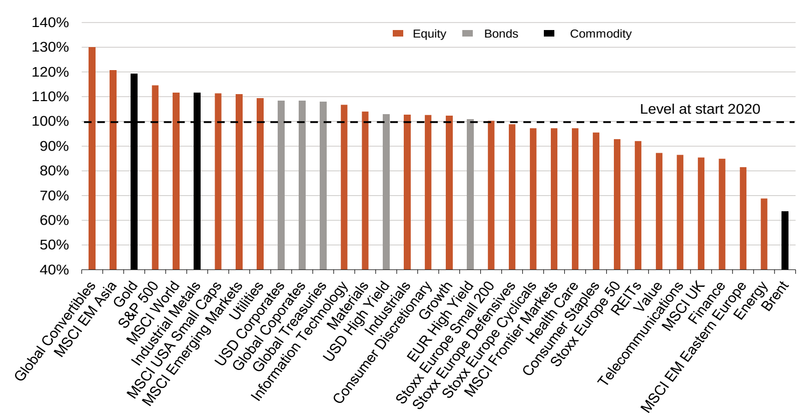
- Many asset classes have already exceeded the price level at the beginning of 2020 - despite the Covid-19 crisis. However, other asset classes offer strong catch-up potential if the economy recovers strongly in 2021.
- UK equities are likely to be one of these asset classes, as the significant under-weight of many investors is likely to close at least somewhat after the conclusion of Brexit negotiations. In fact, a favourable Brexit settlement should be a catalyst for a catch-up rally.

Investors are cautiously positioned



Source: Bloomberg, Berenberg. Time period: 01/01/2019 – 26/11/2020.

Some assets with catch-up potential



Sectors and styles are based on the MSCI Europe.
Source: Bloomberg, own calculations. Time period: 31/12/2019 – 25/11/2020.

Equity allocation

Underweight in UK equities markedly reduced

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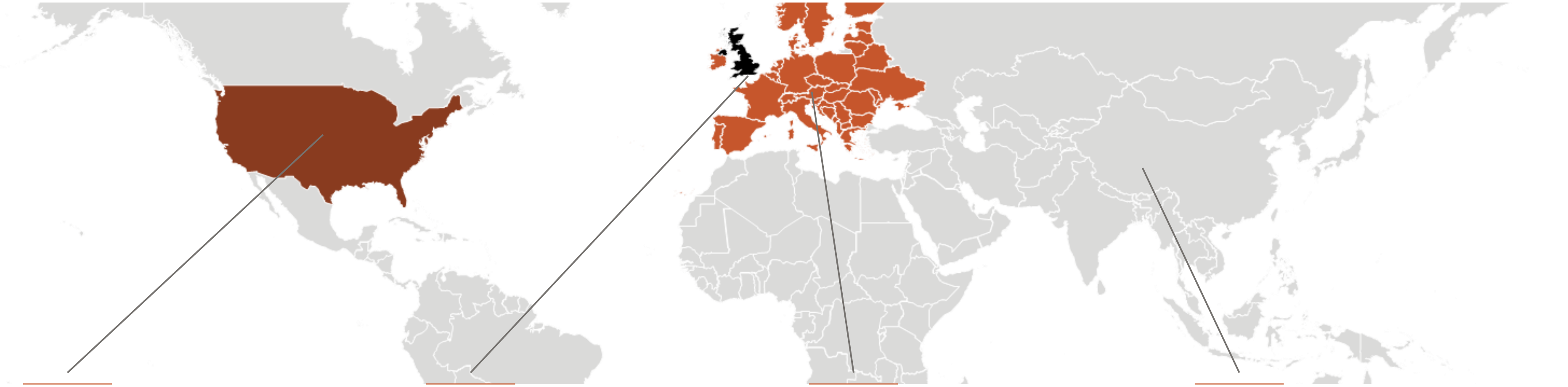

USA

Neutral

- We continue to neutrally weight US equities in our portfolio. However, we have recently allocated US small caps as cyclical exposure to participate more strongly in the probable economic recovery in the US.

United Kingdom

Underweight

- Increased likelihood of a Brexit deal, a significant economic upturn next year, relatively favourable valuations compared to other regions and a massive underweight in the investment consensus suggest that a strong underweight in the UK should be avoided for risk management reasons alone. We have significantly reduced our UK underweight, which has paid off over the past few years.

Europe ex UK

Overweight

- A synchronised global economic recovery next year, after the Covid-19 recession this year, should benefit export-dependent European companies in particular.
- The announced fiscal packages and the ECB's monetary policy should also provide support.

Emerging markets

Overweight

- Emerging market equities should profit from a recovery in the global economy.
- We are particularly positive about Chinese equities. Chinese companies should benefit from the resurgent domestic economy and the recently agreed Asia-Pacific trade agreement.

Equity market forecasts

Estimates for selected indices

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Index forecasts	Current 25/11/2020	30/06/2021	31/12/2021	Ø* in 12 months
S&P 500	3,630	3,600	3,700	3,902
Dax	13,290	13,800	14,200	14,811
Euro Stoxx 50	3,512	3,500	3,650	3,715
MSCI UK	1,797	1,800	1,850	1,982

Index potential (in %)				
S&P 500	-	-0.8	1.9	7.5
Dax	-	3.8	6.8	11.4
Euro Stoxx 50	-	-0.3	3.9	5.8
MSCI UK	-	0.2	3.0	10.3

Source: Bloomberg, Berenberg, as of 25/11/2020.
*Average based on bottom-up estimates.

04 Bonds

1y
2y
3y
4y
5y
6y
7y
8y
9y
10y
15y
20y
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

Market developments
Interest rates and yields

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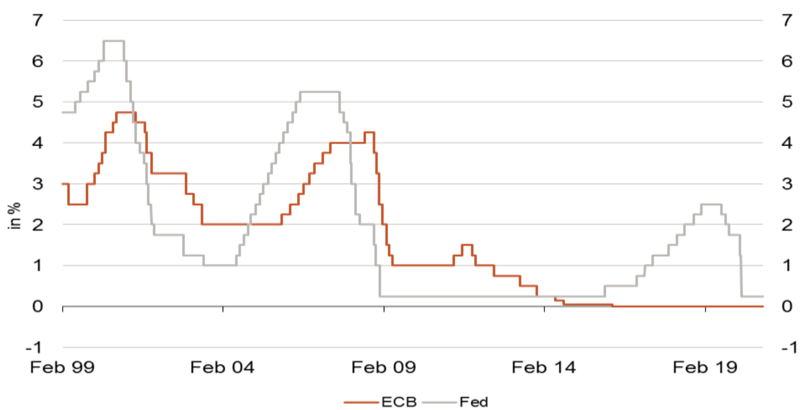
Federal Reserve: Price drivers after the crisis?

- The Fed's purchases of securities, combined with the US government's fiscal and social policy measures, have led to a strong increase in M2 money supply.
- The broad money growth and the historically high level of household savings point to a significant consumer purchasing power base once the pandemic and the uncertainty associated with it subsides. Price driving forces could then become clearly visible again.

Larger picture for yields unchanged

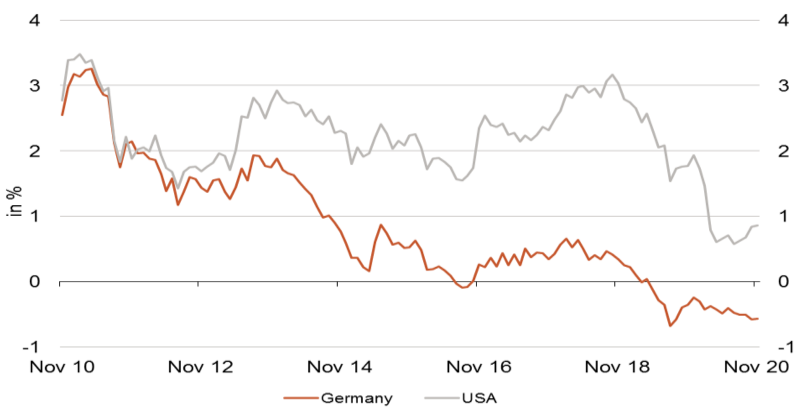
- In light of rising uncertainty, yields on safe federal bonds remain under pressure. Yields on paper with a ten-year maturity remain at a very low level.
- Yields on ten-year US government bonds are approaching the 1.0 % level again, where we expect them to be at the end of the year.
- In the longer term, there are upside risks to US yields, partly because US budget deficits will continue to rise.

Base interest rates



Source: Bloomberg Time period: 01/02/1999 – 23/11/2020

10-year government bonds



Source: Bloomberg Time period: 23/11/2010 – 23/11/2020

Government bonds
Vulnerable when risk sentiment is positive

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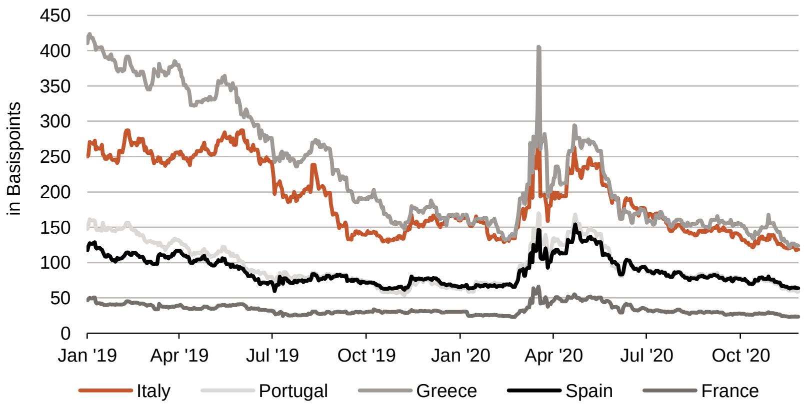
EUR periphery benefits from risk on environment

- The rise in spreads in the euro periphery only lasted for a short period of time. The increased risk appetite of investors, thanks to positive vaccine news and the US election outcome, has caused spreads of euro periphery bonds to fall significantly in recent weeks. 10-year Greek government bonds are now posting spreads similar to their Italian counterparts. The hunt for yield thus continues - especially as the ECB is expected to announce further monetary policy easing in the December meeting.

Safe government bonds less in demand

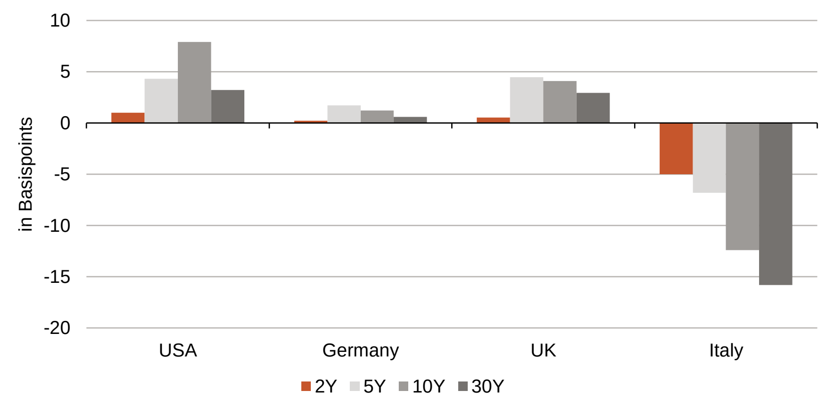
- 10-year US, German and UK government bonds saw yields rise in the last four weeks. The positive economic outlook for 2021 has reduced demand for safe haven government bonds. We expect yields to continue rising in the coming months.
- Brexit negotiations should be over by the end of the year. This will remove further uncertainty from the market. UK government bonds should therefore continue to see rising yields - especially with a favourable Brexit agreement.

Spreads versus German government bonds



Source: Bloomberg, 10-year government bonds. Time period: 01/01/2019–25/11/2020

Only Italy saw falling yields



Source: Bloomberg; monthly change in yields of 2, 5,10, 30-year government bond yields. Time period: 26/10/2020–25/11/2020.

Corporate bonds
Hunt for yield

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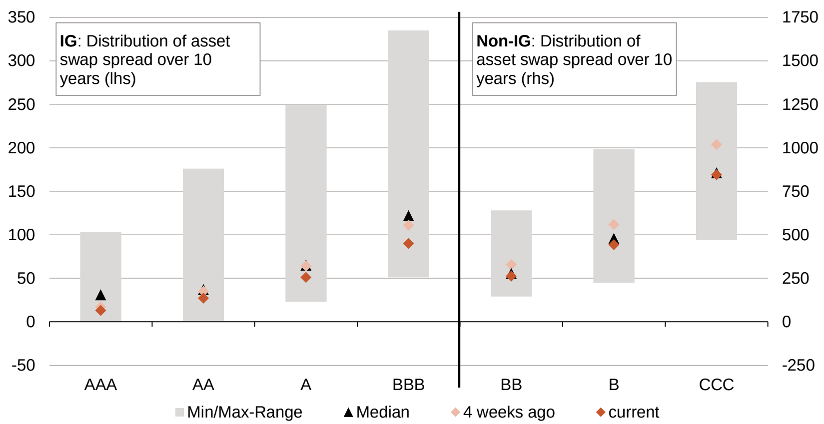
In search of credit risk

- While EUR investment-grade corporate bonds were ahead in October, investors increased their exposure in EUR high yield bonds in November. Spreads narrowed significantly the higher the risk. The biggest spread tightening in the last four weeks was seen in CCC-rated high yield bonds.
- Following recent spread movement, all segments are now historically either fair or expensive. Nevertheless, the narrowing of spreads should continue as risk appetite rises.

Covid-19 losers became winners

- The multitude of positive vaccine news has turned the Covid-19 losers, such as the travel and leisure industry, into the winners over the last four weeks. The travel and leisure industry saw a massive spread tightening of over 200 basis points during this period. But the transport and real estate sectors also had significantly falling spreads.
- The healthcare, utilities and consumer goods sectors, on the other hand, had only slightly declining spreads.

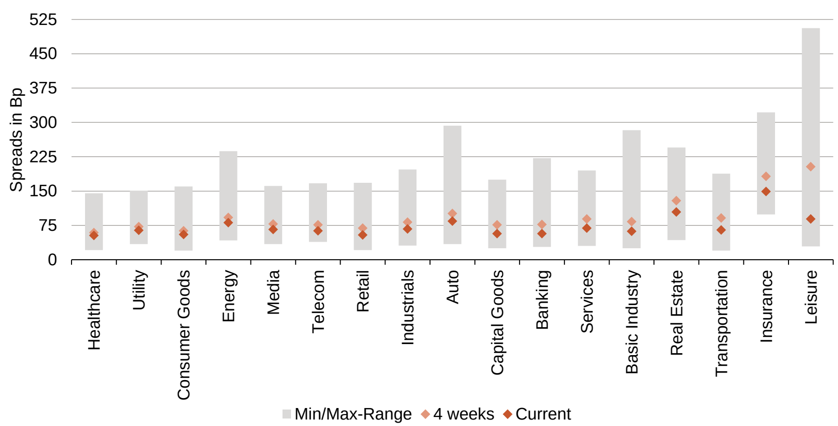
Rising spreads for high-yield bonds



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

Time period: 26/11/2010-25/11/2020

Travel/leisure with massive narrowing of the spread



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

Time period: 26/11/2015-25/11/2020

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.

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 particularly 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

	25/11/2020	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	0.88	1.25	1.01	1.40	1.20
Eurozone					
Base interest rate	0.00	0.00	0.00	0.00	0.00
10Y Bund yield	-0.57	-0.20	-0.39	0.00	-0.28
United Kingdom					
Base interest rate	0.10	0.10	0.15	0.10	0.15
10Y Gilt yield	0.32	0.60	0.29	0.70	0.42

Source: Bloomberg, Berenberg as of 25/11/2020
*Average of estimates by other experts (Bloomberg), consensus

05 Commodities

Crude oil
Positive vaccine news boost oil price

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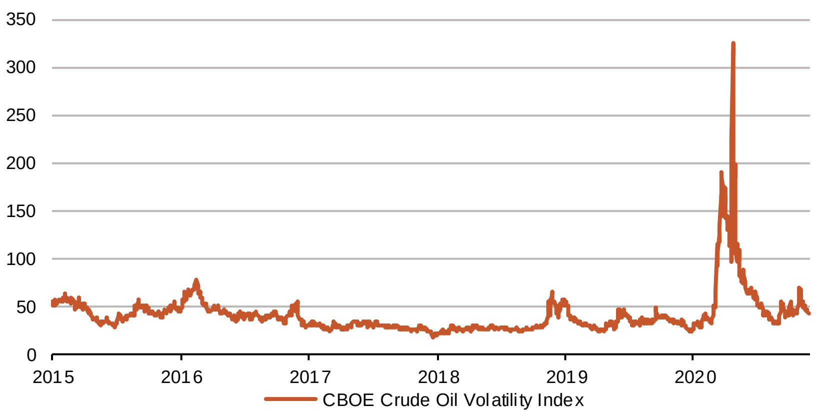
There is no euphoria yet

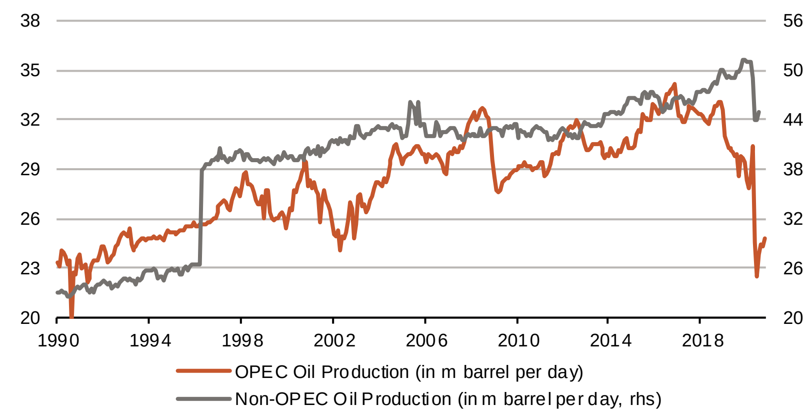
- In November, crude oil (Brent) recorded the second strongest month since the turn of the millennium with a return of 29%, and at USD 48 per barrel it is at its highest level since the beginning of the Covid-19 crisis in March. The price was boosted by positive vaccine news, after renewed lockdowns in Europe at the end of October fuelled demand concerns.
- Although potential for further gains is likely to be limited for the time being until a vaccine becomes widely available given the high number of infections, there is no excessive optimism yet. Speculative investors have recently increased their net long positions. However, this increase can be explained primarily by the reduction of short positions. Moreover, the current price is just under three US dollars above its high in August. With the recovery of the economy, as well as heavily affected and oil-sensitive sectors such as the travel and transport sector, crude oil should continue to benefit in the medium term. Meanwhile, the OPEC+ meeting on 1 December holds the greatest potential for disappointment. After both Saudi Arabia and Russia have already confirmed their restrictive course, market participants expect at least an extension of the existing cuts of 7.7 million barrels per day for another three to six months.

Implied volatility has decreased after vaccine news



Source: Bloomberg. Time period: 01/01/2015 – 25/11/2020.

OPEC supply likely to remain historically low



Source: Bloomberg. Time period: 01/01/1990 – 31/10/2020.

Precious and industrial metals
Rotation out of gold into risky assets

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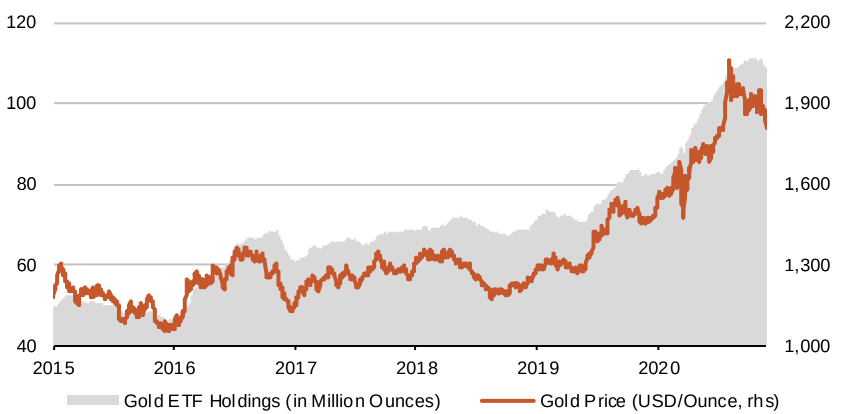
Gold suffers from positive vaccine news

- Gold suffered losses for the fourth consecutive month in November and is currently trading just above USD 1,800 an ounce.
- The positive vaccine news caused investors to pull money out of the precious metal and shift it into riskier assets. ETF holdings declined for the first time in 2020 on a monthly basis with an outflow of 2.3 million ounces in November.
- In addition to negative real interest rates and rising inflation, demand for gold jewelry from emerging markets is likely to increase significantly again with a weakening US dollar, supporting gold in the medium term.

Industrial metals rise further

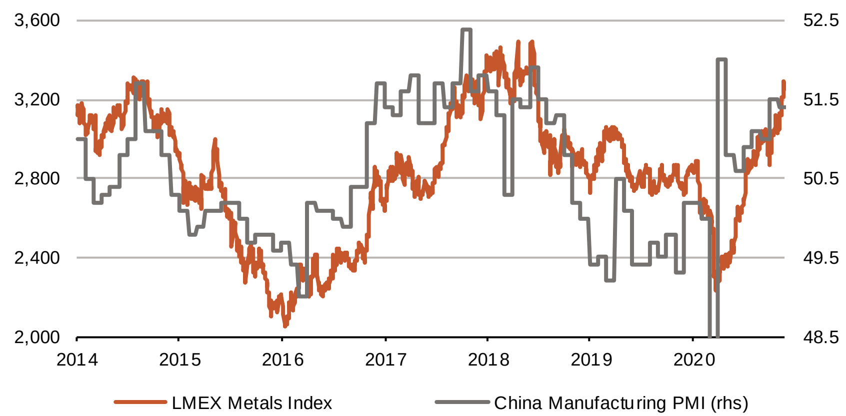
- Industrial metals continued their rally in November. The LME metals index rose by over 8% and is now at its highest level since June 2018. Since the beginning of the year, the index has gained almost 16%. Hence, it is ahead of almost all major equity market indices.
- In addition to the "risk-on" sentiment, positive data on industrial production from China, the US and in some cases even from Europe gave the metals a further boost. Green deals and infrastructure programs offer structural tailwinds, but in the short term the fundamentals seem to be priced in.

Gold ETFs record significant outflows



Source: Bloomberg. Time period: 01/01/2015 – 25/11/2020.

Strong activity in China supports industrial metals



Source: Bloomberg. Time period: 01/01/2014 – 25/11/2020.

06 Currencies

Market developments
Currencies

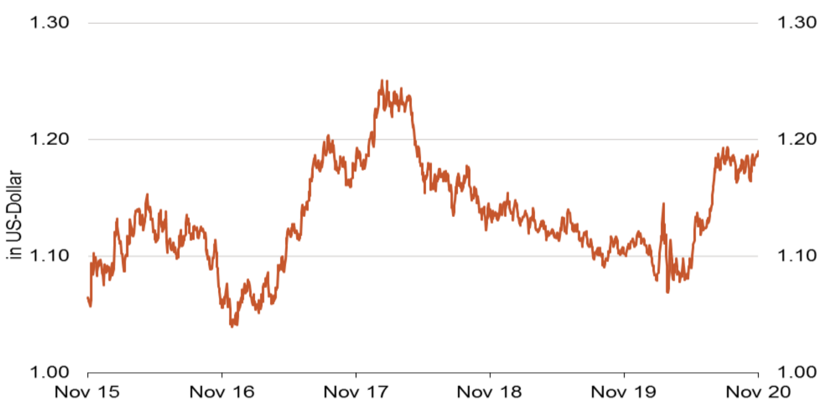
EUR/USD: temporary setback?

- Christine Lagarde has further fuelled expectations of additional monetary easing in December. Depending on the strength of the actual measures, the euro could devalue in the short term.
- But in the long term, other parameters are driving the course: Joe Biden's spending policy is more likely to weigh on the dollar and give the euro a tailwind in the medium term. Also, the expected more conciliatory tone on trade issues on the part of the US should reduce uncertainties and support investors' risk appetite which is negative for the dollar.

EUR/GBP: Opportunities for deal increase further

- The chances of a Brexit deal of any kind continue to increase. According to media reports, 95% of a draft deal is already expected to be completed. However, the key issues (fisheries, competition conditions and a dispute settlement mechanism) remain to be resolved.
- As there are only a few, quite clearly defined issues left to be resolved, a breakthrough could still be achieved. For the time being, the pound should be supported by these developments, and has already received a tailwind in recent weeks.

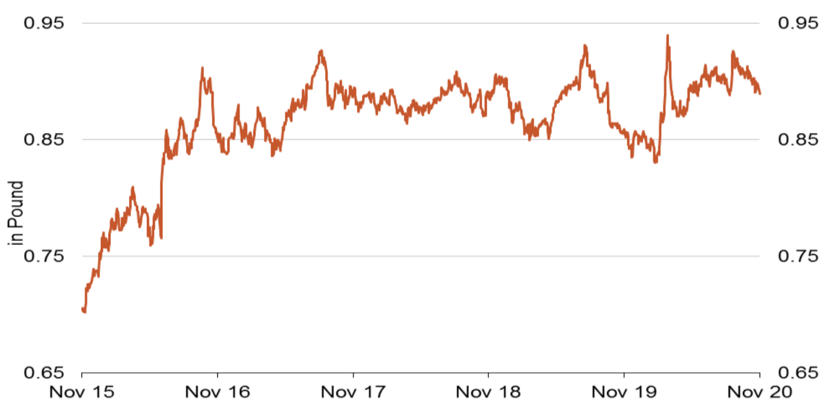
Euro/US dollar exchange rate



Source: Bloomberg

Time period: 23/11/2015 – 23/11/2020

Euro/British pound exchange rate



Source: Bloomberg

Time period: 23/11/2015 – 23/11/2020

Forecasts
Estimates of the most important currencies

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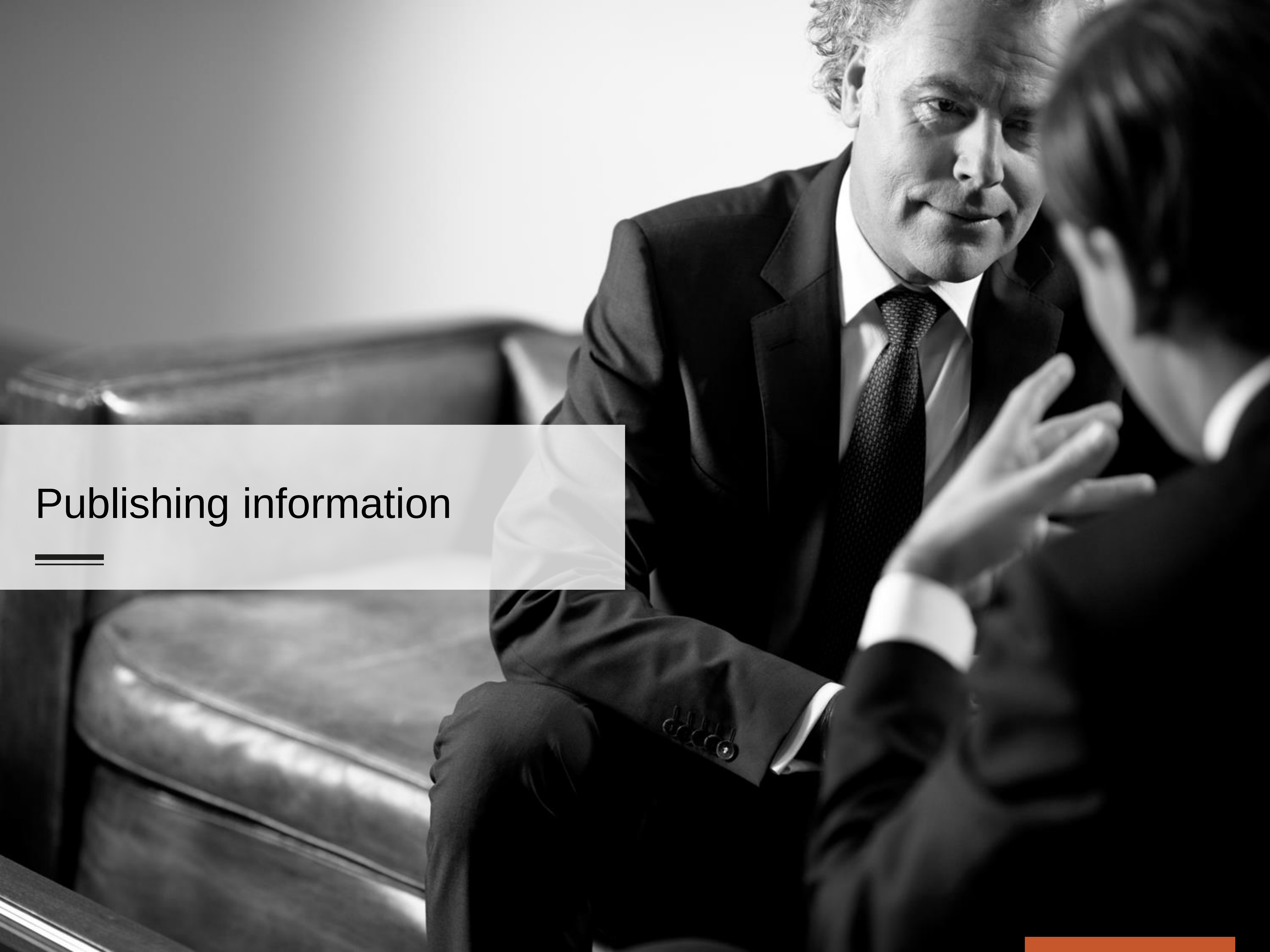
	25/11/2020	30/06/2021		31/12/2021	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.19	1.22	1.21	1.23	1.22
EUR/GBP	0.89	0.90	0.90	0.88	0.90
EUR/CHF	1.08	1.08	1.09	1.11	1.11
EUR/JPY	124	127	126	128	130

Change against the euro (in %)					
USD	-	-2.3	-1.5	-3.1	-2.3
GBP	-	-1.1	-1.1	1.1	-1.1
CHF	-	0.2	-0.7	-2.5	-2.5
JPY	-	-2.0	-0.8	-2.8	-3.9

*Source: Bloomberg, Berenberg as of 25/11/2020.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information



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