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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

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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: 22 December 2020.

Table of contents

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 (20/11/20 - 18/12/20)	YTD (31/12/19 - 18/12/20)	18/12/19 18/12/20	18/12/18 18/12/19	18/12/17 18/12/18	18/12/16 18/12/17	18/12/15 18/12/16
Brent	12.2	-36.6	-36.5	31.0	-1.9	-3.1	28.8
DAX	3.8	2.9	3.1	23.1	-19.3	16.7	7.5
Euro Stoxx 50	2.3	-3.4	-3.2	26.4	-13.5	13.5	2.9
MSCI Emerging Markets	1.7	6.5	6.2	20.8	-9.4	19.6	15.1
EM Hard Currency Bonds	1.5	6.7	7.0	11.7	-1.4	9.3	8.8
S&P 500	1.1	7.3	7.6	30.7	0.2	7.7	19.4
Topix	1.1	2.9	1.9	19.7	-9.0	11.0	10.4
EUR IG Bonds	0.2	2.8	2.5	6.6	-1.9	3.5	4.0
EUR Sovereign Bonds	0.0	2.1	1.9	3.6	-0.4	1.2	1.5
Eonia	0.0	-0.5	-0.5	-0.4	-0.4	-0.4	-0.3
Gold	-2.7	13.4	15.6	20.7	2.7	-1.3	10.7
USDEUR	-3.3	-8.5	-9.3	2.2	3.7	-11.3	4.0

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: 18/12/2015 – 18/12/2020

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

- All equity regions and especially COVID-19-ravaged sectors and regions gained in Q4.
- We expect corporate earnings to rise substantially next year, more than offsetting a decline in valuations.
- We prefer for the full-year 2021 especially European and emerging-market equities.

Bonds

- Government bonds: Risk-on sentiment, rising debt and inflation expectations are negative for safe-haven bonds.
- Corporate bonds: Companies with improved balance sheets, persistent excess demand, positive investment outlook.
- Emerging-market bonds: Local-currency bonds to benefit from stronger growth and weaker US dollar.

Alternative investments / commodities

- Rising demand for gold jewellery from emerging markets and negative real interest rates should support the gold price.
- OPEC+ is successfully steering the oil market. Anticipated demand recovery opens up moderate price potential.
- In the long term, structural trends are driving demand for industrial metals. In the short term, a setback seems likely.

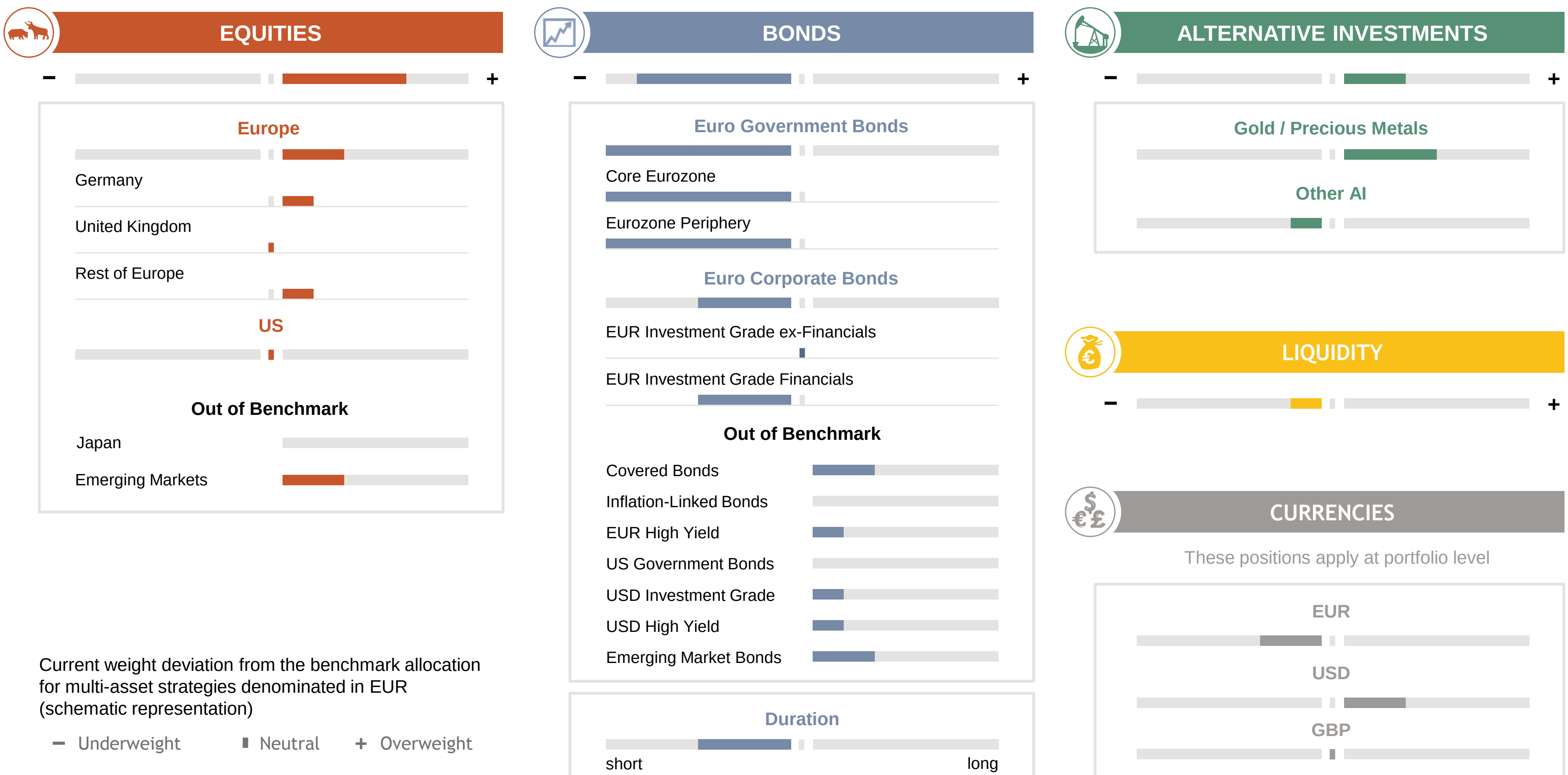
Currencies

- The common currency remains above 1.20 U.S. dollars per euro. ECB measures without much effect.
- The British pound hangs closely on Brexit news situation. Virus mutation in southern England brings new uncertainty.
- The Swiss franc remains very highly valued. Its price fluctuations reflect risk modus on the markets. .

Concise overview of Berenberg's asset allocation

Current positioning within asset classes

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)

Source: Berenberg.

As of 16/12/2020.

Concise overview of Berenberg's asset allocation

Review of Core Strategy 3

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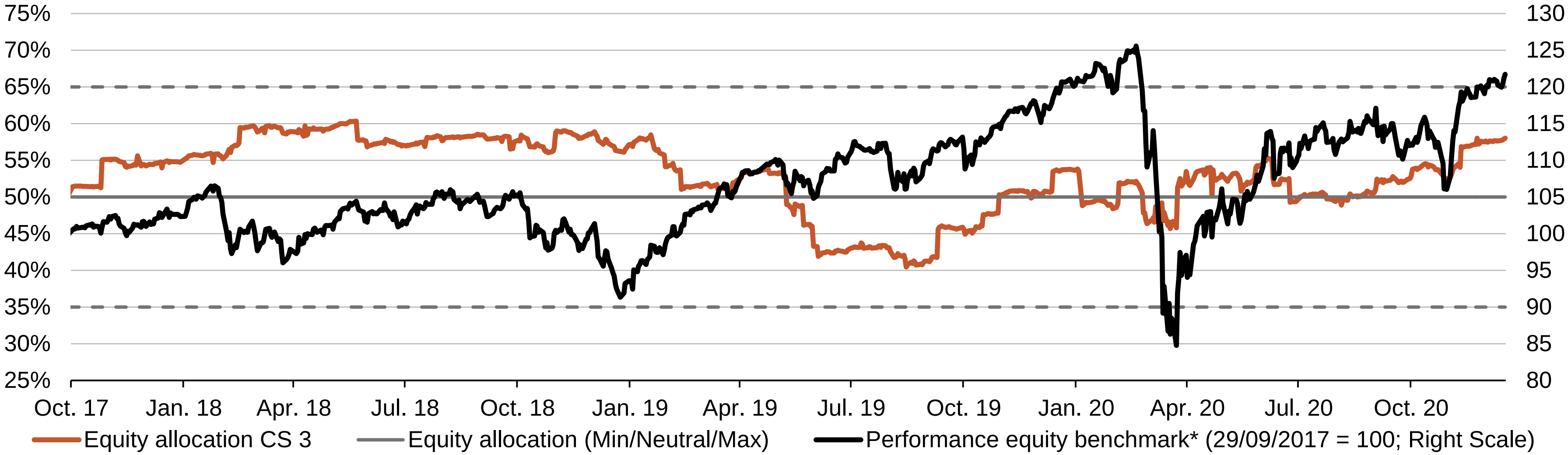
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	17/12/15 - 17/12/16	17/12/16 - 17/12/17	17/12/17 - 17/12/18	17/12/18 - 17/12/19	17/12/19 - 17/12/20
	5.28%	8.63%	-6.02%	25.77%	-1.80%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 17/12/2015 – 17/12/2020.
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. Overall, our multi asset strategy still has a strong "growth quality" focus, but now supplemented by selected cyclical exposure.

02

Economics

Eurozone
GDP and inflation

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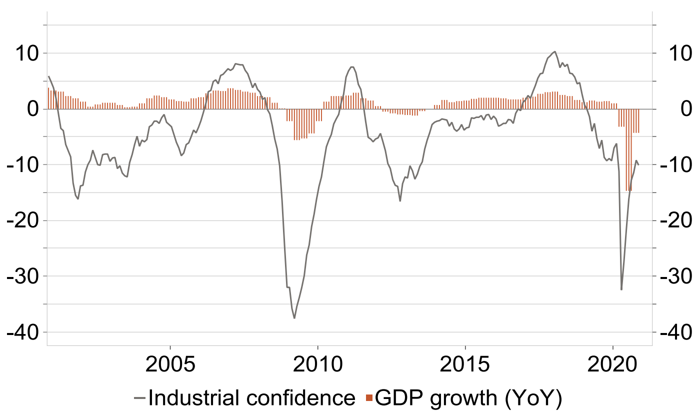
Agreement on fiscal deal

- Success in critical EU negotiations is only achieved in the home stretch. This was once again the case with the fiscal package. The Polish-Hungarian veto on the controversial rule of law clause was finally overcome. The first substantial payments should therefore flow as planned around June 2021.
- It remains to be seen whether Europe and Great Britain will be able to find common ground in the final spurt. Nevertheless, the negotiations will continue after several missed deadlines.

ECB delivers at the lower edge of expectations

- Although the ECB remained at the lower end of expectations, it expanded its Pandemic Purchase Program (PEPP) and adjusted some of the technical details of its programs to strengthen the monetary policy impulse. Overall, the ECB thus delivered more or less what it had previously promised.
- With inflation at -0.3% yoy, prices also fell in November. The pandemic is temporarily creating a price-dampening environment.
- For the entire year 2020 we expect inflation of 0.2%.

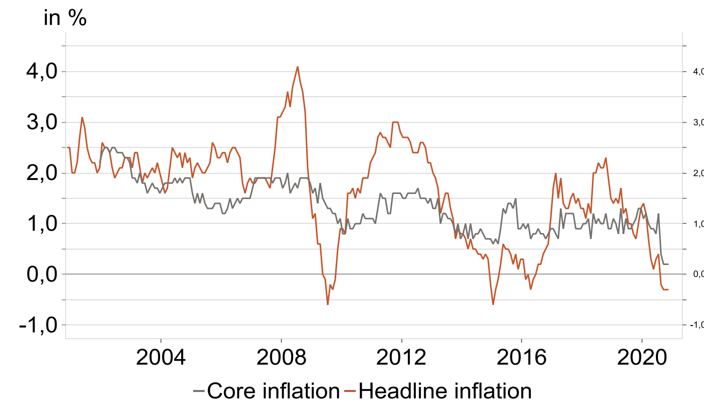
Eurozone GDP growth and industrial confidence



Source: Macrobond

Time period: 30/11/2000 – 30/11/2020

Eurozone inflation



Source: Macrobond

Time period: 30/11/2000 – 30/11/2020

USA
GDP and inflation

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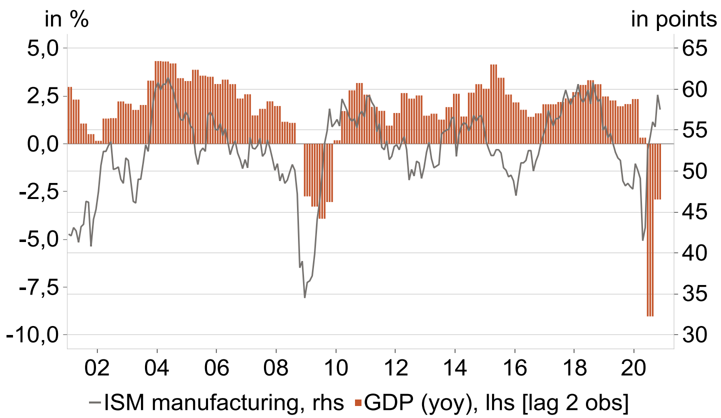
Agreement on further economic stimulus package

- Democrats and Republicans have agreed on another USD 900 billion stimulus package after months of negotiations.
- Non-farm employment growth was unexpectedly weak in November. Nevertheless, the unemployment rate continued to fall (6.7 %). Although 56 % of the employment losses of March and April has already been made up. The measured number of available workers and thus the labor force participation rate has also declined.

Inflation further subdued in November

- In November, prices rose by 0.2 mom. Compared with November 2019, the inflation rate remains at 1.2 %, more than one percentage point below the pre-crisis level of 2.3% reached in February.
- As soon as the acute phase of the pandemic subsides as a result of extensive vaccination campaigns and the lifting of various restrictions, inflation should also become more noticeable again.
- For the entire year 2020, we expect an inflation rate of 1.3 %.

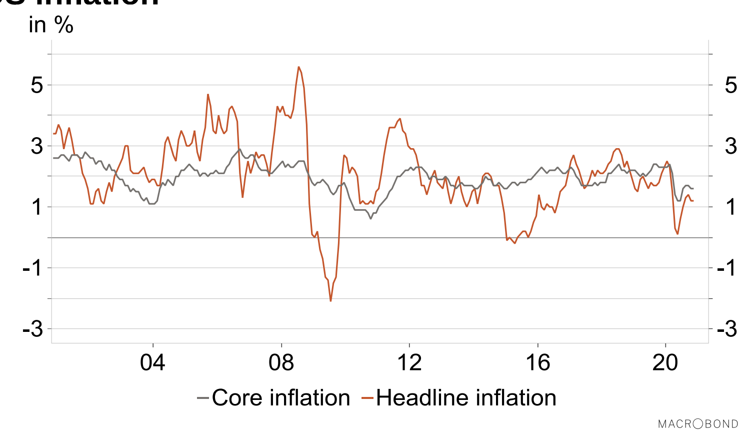
US GDP growth and Purchasing Managers Index



Source: Macrobond

Time period: 30/11/2000 – 30/11/2020

US inflation



Source: Marcobond

Time period: 31/12/2000 – 18/12/2020

China
GDP and inflation

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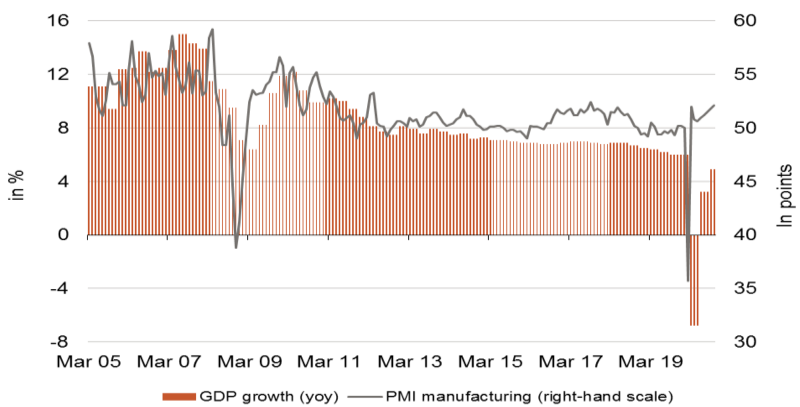
China's economic development remains strong

- In terms of the economy, the positive flow of data continues unabated: despite the recent appreciation episode of the yuan against the US dollar, export data were extremely positive in November. With a plus of 21.1% yoy, expectations are strongly exceeded (consensus: 12.0 %).
- The November data on industrial production (+7,0 %, yoy) and retail sales (+4,2 %, yoy) also turned out well.

Inflation at lowest level since 2009

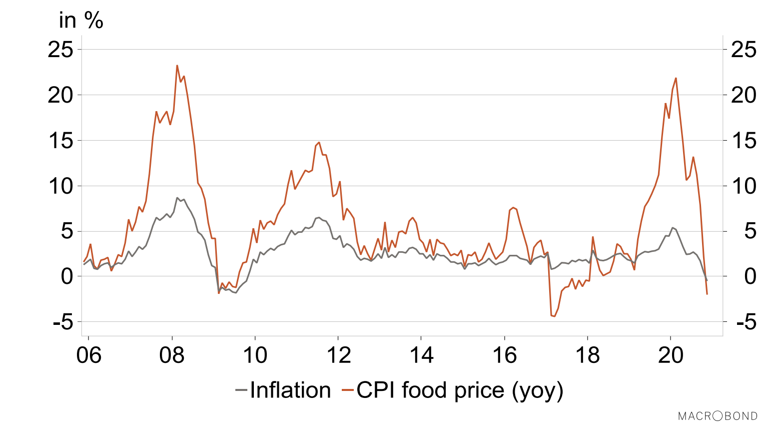
- Prices in China also fell year-on-year in November. At -0.5 %, inflation is at its lowest level since 2009. The environment is persistently price-dampening and has turned down inflation rates since September. However, the corresponding benchmarks were also relatively high last year because of galloping food inflation.
- For the entire year 2020, we forecast an inflation rate of 2.5%. Next year, we expect it to fall to 1.4%.

Chinese GDP growth and Purchasing Managers Index



Source: Macrobond Time period: 30/11/2000 – 30/11/2020

Chinese inflation (YoY)



Source: Macrobond Time period: 30/11/2005 – 30/11/2020

Economic forecasts
Most important estimates at a glance

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	GDP growth (in %)						Inflation (in %)					
	2020		2021		2022		2020		2021		2022	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	-3.7	-3.5	5.0	3.9	4.1	3.1	1.3	1.2	2.2	2.0	2.4	2.1
Eurozone	-7.5	-7.4	5.0	4.6	3.6	3.7	0.2	0.3	0.8	0.9	1.3	1.2
Germany	-5.8	-5.6	4.4	4.0	3.4	3.3	0.4	0.4	1.3	1.3	1.2	1.4
France	-9.3	-9.3	7.0	6.1	3.9	3.8	0.5	0.5	0.9	0.8	1.3	1.2
Italy	-9.5	-9.0	5.8	5.4	3.3	3.1	-0.1	-0.2	0.6	0.4	1.3	0.9
Spain	-12	-11.6	7.1	5.9	6.2	4.8	-0.4	-0.3	0.7	0.6	1.3	1.1
United Kingdom	-11.6	-11.2	7.3	5.4	4.9	4.5	0.9	0.9	1.2	1.5	2.1	1.9
Japan	-5.3	-5.3	3.4	2.6	1.9	1.8	0.1	0.0	0.2	0.1	0.5	0.5
China	2.7	2.0	9.0	8.2	4.8	5.5	2.5	2.7	1.4	1.7	2.2	2.4
World*	-3.4	-3.8	4.3	5.2	3.1	3.7		2.2		2.7		2.9

Source: Bloomberg, Berenberg as of 18/12/2020.
* 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.

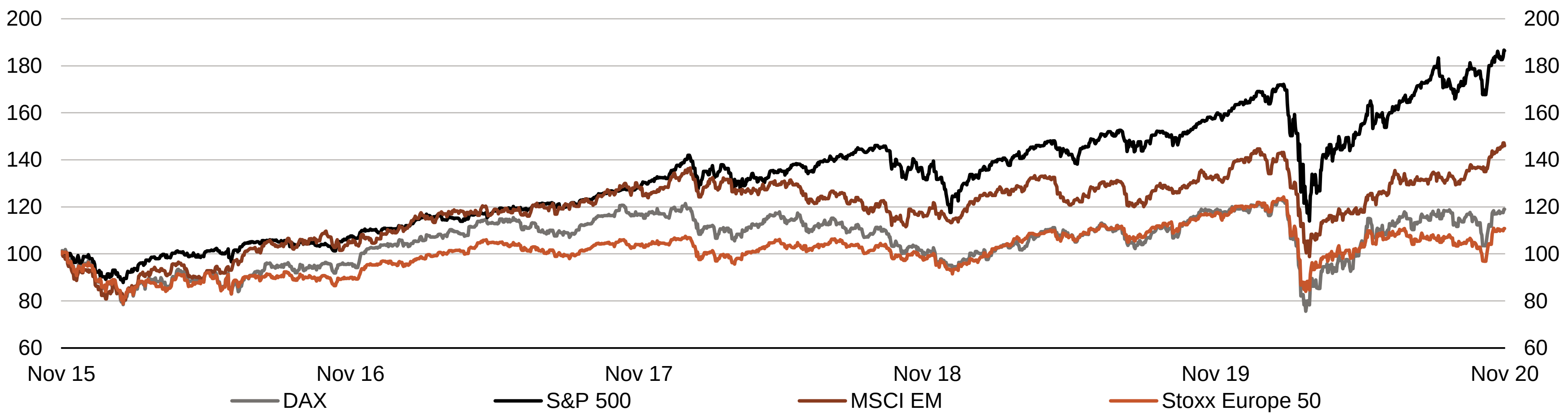
03 Equities

Market developments
Stock market rally continued

Equities on fire in Q4 thanks to diminishing uncertainty

- Joe Biden's election victory combined with positive COVID-19 vaccine news let stock markets skyrocket in November and December. All prominent stock barometers throughout the world, particularly regional indices that were especially hard hit by COVID-19 re-strictions, made substantial gains in the fourth quarter. For instance, US small caps and eastern European equities are up 20% and 17% respectively in euro terms.
- US large caps, which had experienced a strong run-up already before the fourth quarter, were among the relative losers due to the below-average performance of tech stocks. On a year-to-date basis, however, the situation is different: eastern European and UK equities are clearly down on the year, while Asian and US equities are well up on the year and have reached all-time highs in some cases.

Performance of selected equity indices



Source: Bloomberg; performance scaled to 100.

Time period: 18/12/2015–18/12/2020.

Corporate earnings

Substantial increase in corporate earnings in 2021

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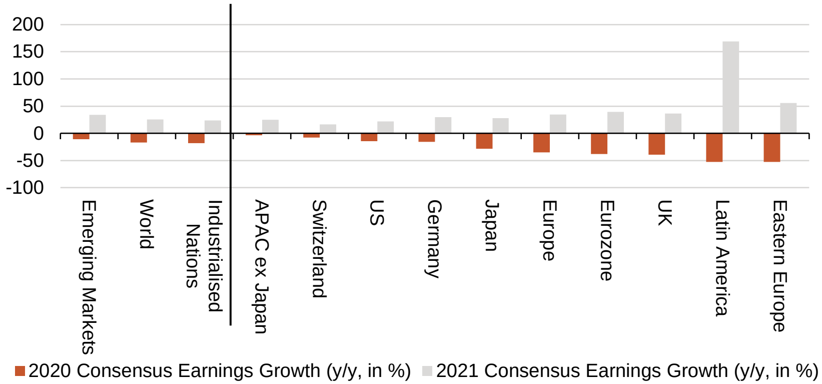
Earnings likely to rise sharply

- After corporate earnings fell sharply in 2020, especially in sectors hit hard by COVID-19 such as energy, finance and leisure, the consensus expectation calls for a strong recovery in 2021. Analysts expect the strongest profit growth next year to come in Latin America and eastern Europe, regions that can be expected to benefit especially from a recovery of commodity prices. Profit growth of 22% is expected for the US and 34% for Europe.

Positive picture for earnings revisions

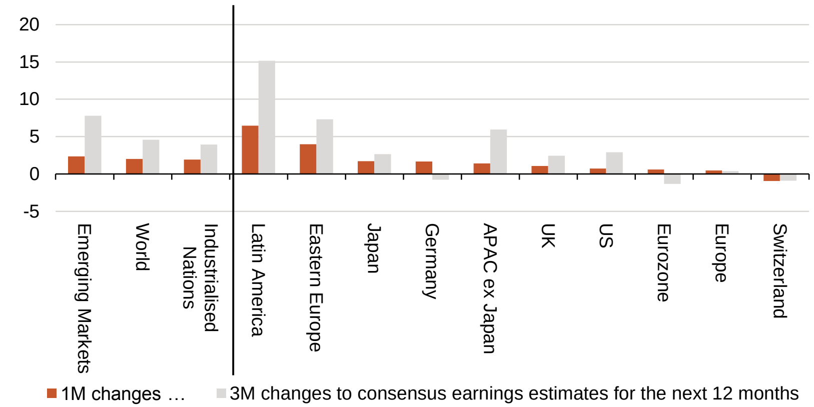
- We think that the optimistic estimates are justified. For one thing, the baseline is lower after the profit decline in 2020. Expansive central bank policy all over the world and the planned fiscal stimulus measures in many regions will continue to support equity markets. A more diplomatic approach to trade and foreign policy under Joe Biden combined with higher business investment spending should also be conducive to corporate profit growth. Therefore, the historically often too optimistic earnings forecasts of analysts could prove to be correct or even too conservative

Emerging markets with strongest earnings growth



Source: FactSet. As of 18/12/2020.

Positive earnings revisions for most regions recently



Source: FactSet. As of 18/12/2020.

Valuation & Outlook

Valuations have risen, cyclical equities preferred

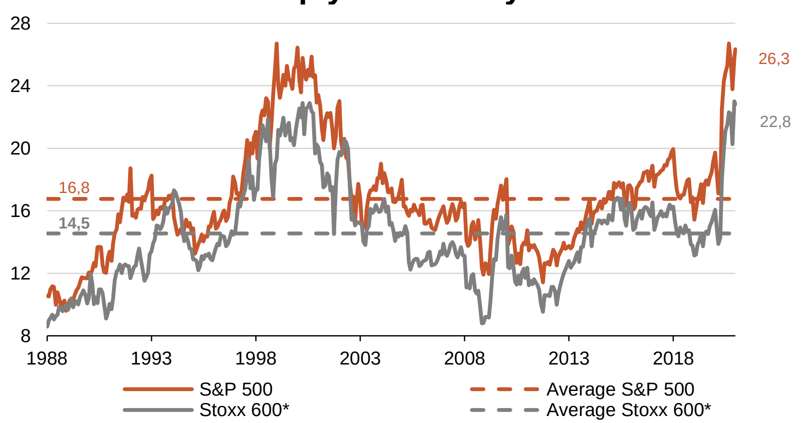
Valuations are likely to come down

- Equity valuations increased considerably in 2020 for two reasons. Lower interest rates, especially in the US, led to lower discount factors being applied to future profits. Moreover, the market looked past the COVID-19 crisis in the justified hope that vaccines would be available soon. Considering that bond yields will probably rise at least modestly next year, and with the market also already partially pricing in a profit recovery, equity valuations are likely to come down slightly next year because earnings growth can be expected to exceed the rise in prices.

Cyclical stocks preferred

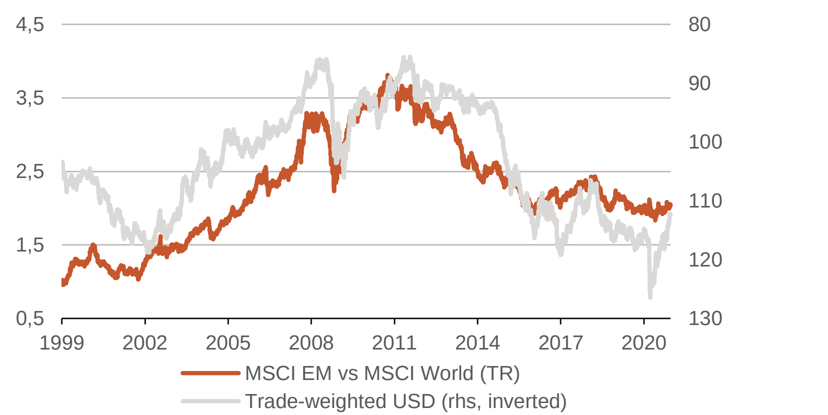
- With a view to the full-year 2021, we prefer emerging-market and European equities, which can be expected to benefit most from a synchronised economic recovery next year. Although US equities should also rise next year, their performance should be below-average, at least in the first half of the year. This expectation is supported by the fact that the index is composed of many growth stocks that will probably have only limited upside potential due to their higher valuations as interest rates rise. US equities can be expected to perform better again once the market begins to focus more on 2022.

Valuations have sharply risen this year



* For the Stoxx 600, the history prior to 2000 is of MSCI Europe.
Source: Bloomberg, own calculation Time period: 31/12/1987 – 18/12/2020.

EM equities are likely to benefit from weakening USD



Relative performance of MSCI EM vs MSCI World on a total return basis
Source: Bloomberg, own calculations. Time period: 31/12/1988 – 18/12/2020.

Equity allocation

EM and European ex UK equities preferred

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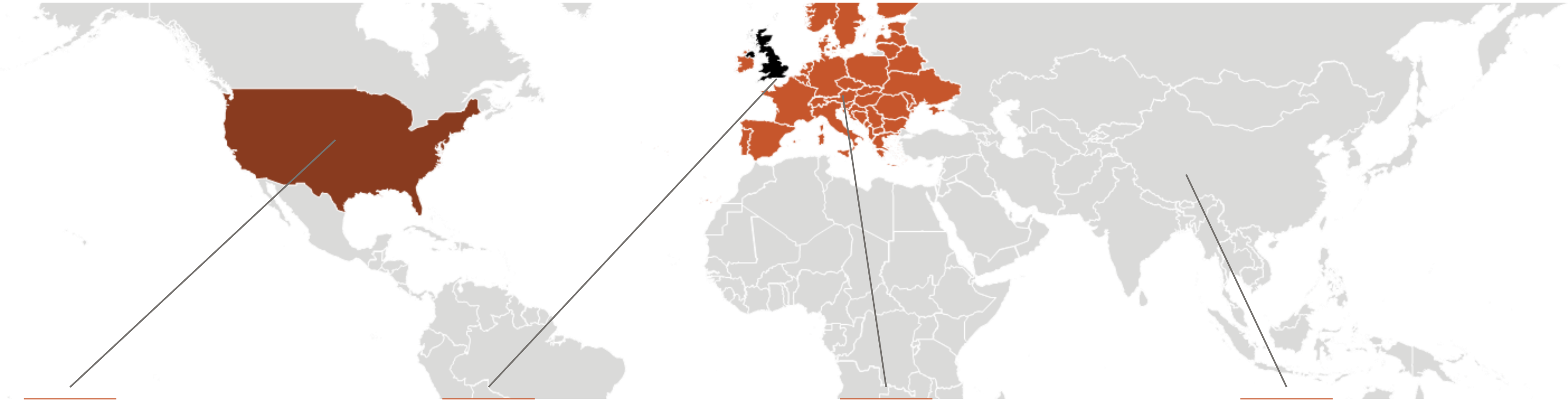

USA

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

- Less Brexit uncertainty and 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 recently 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 14/12/2020	30/06/2021	31/12/2021	Ø* in 12 months
S&P 500	3,647	3,800	3,950	3,965
Dax	13,223	14,000	14,600	14,761
Euro Stoxx 50	3,504	3,700	3,800	3,782
MSCI UK	1,834	1,950	2,050	2,021

Index potential (in %)				
S&P 500	-	4.2	8.3	8.7
Dax	-	5.9	10.4	11.6
Euro Stoxx 50	-	5.6	8.4	7.9
MSCI UK	-	6.3	11.8	10.2

Source: Bloomberg, Berenberg, as of 14/12/2020.
*Average based on bottom-up estimates.

04 Bonds

U.S.
Treasuries
3-Month
6-Month
12-Month
2-Year
3-Year
5-Year
7-Year
10-Year
Coupon
0.000
0.000
0.000
1.000
1.375
2.375
3.125
3.375
4.375
Maturity
Date
11/18/2010
10/31/2011
11/15/2012
10/31/2014
10/31/2016
11/15/2019
11/15/2039
Current
Price Yield
0 / .01
0.13 / .13
0.26 / .26
11-16+ / .72
11/20
6m 1y 2y 3y 4y 5y 6y 7y 8y 9y 10y 15y 20y

Market developments
Interest rates and yields

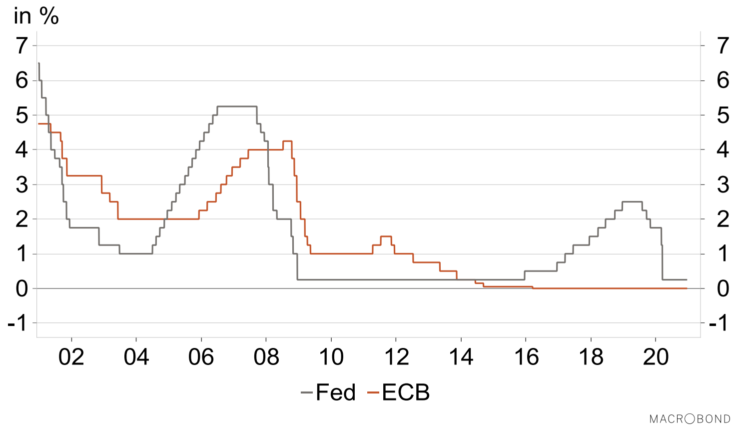
ECB provides additional stimulus

- With EUR 500 billion in additional bond purchases until March 2022 and three more long-term refinancing offers for banks, the ECB remained at the lower end of expectations, but it adjusted some of the technical details of its programs to strengthen the monetary stimulus.
- According to the ECB, it will take longer for the inflation rate to visibly pick up after some special factors have expired.
- Essentially, it will thus maintain its expansive monetary policy until well into 2022.

Larger picture for yields unchanged

- In view of the rising uncertainty, yields on safe assets such as Bunds remain under pressure. Yields on ten-year Bunds remain at a very low level.
- Yields on ten-year US government bonds are now just below 1.0% again.
- In the longer term, there are still upside risks to US yields, as budget deficits – among other things – are likely to rise further in the future. We therefore expect an increase to 1.5% by mid-2021.

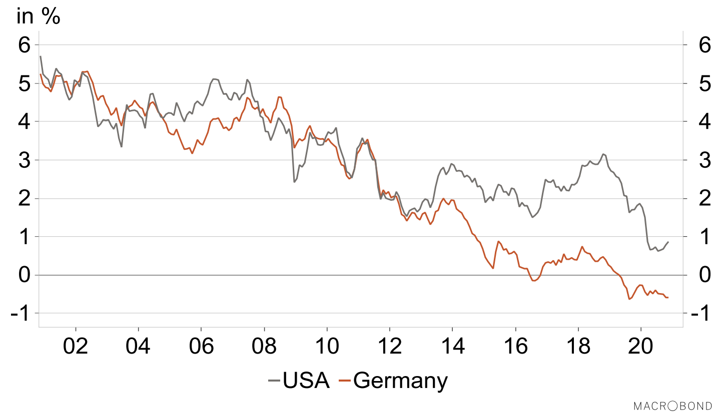
Base interest rates



Source: Macrobond

Time period: 31/12/2000 – 18/12/2020

10-year government bonds



Source: Macrobond

Time period: 31/12/2000 – 18/12/2020

Government bonds
Vanishing safety bonus

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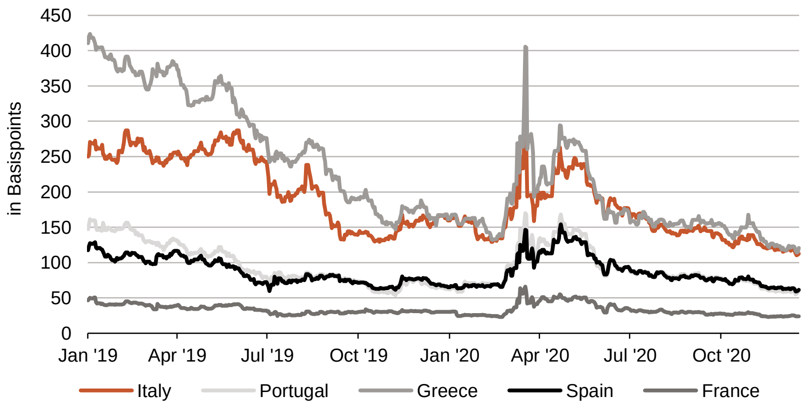
Political uncertainty diminishes, vaccines give hope

- The market-friendly US election outcome and the completion of Brexit at the turn of the year allow two important political uncertainty factors to lapse. Also in light of continued vaccine advances, bond investors should start 2021 in risk-on mode.
- Although 2020 was another year of falling government bond yields, a trend reversal is already emerging, at least for US government bonds. In addition to the aforementioned factors, continuously rising inflation expectations since the summer and increasing government debt are proving to be yield drivers.

Safe government bonds not very attractive

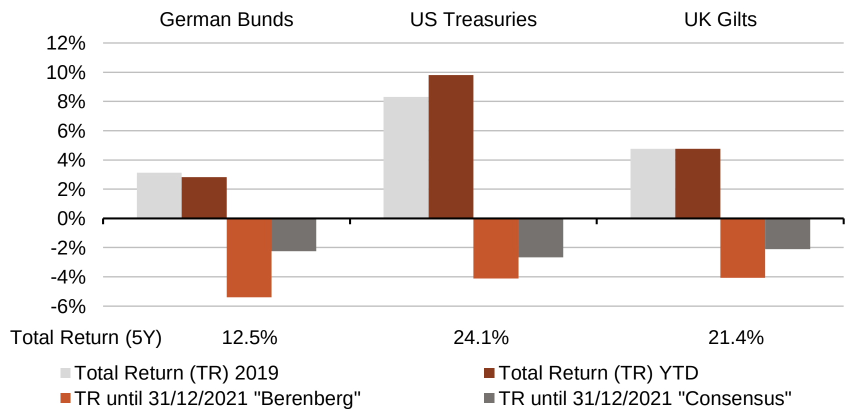
- The "safe havens" no longer offer the same protection as they did a few months ago, but should themselves be treated with caution. Within the Eurozone, the yield premiums of the peripheral countries have narrowed considerably compared to papers from the core states and now show little potential as an investment alternative. We are taking a cautious stance towards the government bond segment.

Spreads versus German government bonds



Source: Bloomberg, 10-year government bonds. Time period: 01/01/2019–17/12/2020

Losses with government bonds in economic upswing



Source: Bloomberg, own calculations, iBoxx Government Bond Indices (7–10 years, TR) Time period: 17/12/2015–17/12/2020.

Corporate bonds
Positive investment outlook

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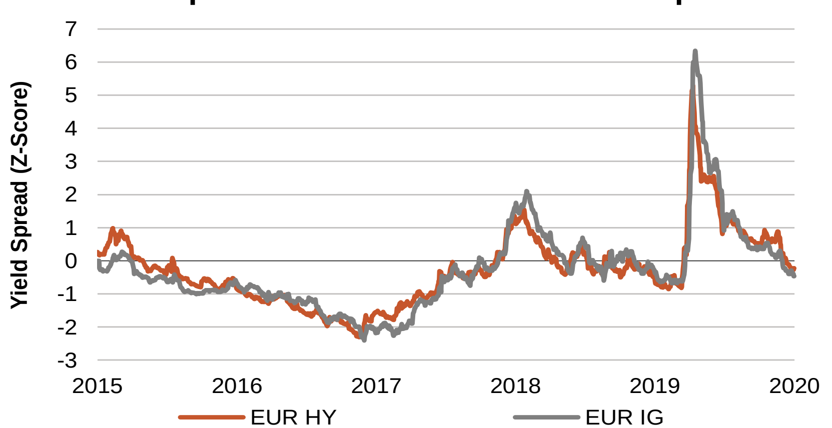
Technical factors trump weaker balance sheets

- At the end of the year, corporate bonds can shine with a positive performance. We also see a positive development for 2021: a significant economic recovery, coupled with unprecedented stimulus, should stabilise corporate sector earnings and keep credit defaults at bay. In Europe, the focus should remain on balance sheet repair for a little longer than in the US. More relevant for credit markets, however, are some technical factors such as declining new issuance and ECB bond purchases and negative interest rate policies.

EM: Local currency bonds with catch-up potential

- In the context of our positive growth expectations, we expect a gradual increase in US government bond yields and more favourable conditions for many emerging markets. We therefore continue to see spreads for government and corporate bonds as attractive.
- In terms of credit quality, the high-yield segment is expected to outperform. We also consider the local currency segment to be worthwhile. They should benefit from an intensification of international trading activities and the weakness of the US dollar.

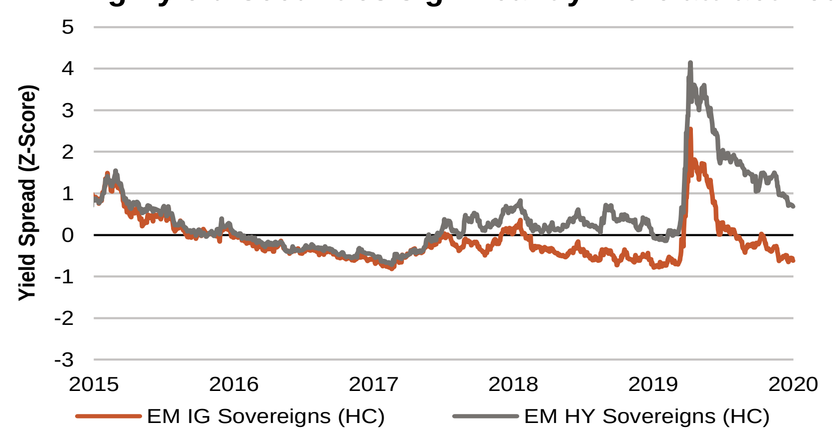
Credit: Risk premiums still have room for improvement



Source: Bloomberg, ICE; chart: corporate bond Z-score, 5Y moving average

Time period: 17/12/2010-17/12/2020

EM: High-yield securities significantly more attractived



Source: Bloomberg, Z-Score, 5Y moving average, HC = hard currency.

Time period: 16/12/2015-16/12/2020

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 short - 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. We expect a catch-up movement in cyclical sectors, such as automobiles or capital goods.
- 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 particular particularly about emerging market local currency bonds and prefer government securities there.

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

Base interest rates and government bond yields (in %)	14/12/2020	30/06/2021		31/12/2021	
	Current		Ø*		Ø*
USA					
Base interest rate	0.00-0.25	0.00-0.25	0.25	0.00-0.25	0.25
10Y US yield	0.89	1.25	1.06	1.40	1.23
Eurozone					
Base interest rate	0.00	0.00	0.00	0.00	0.00
10Y Bund yield	-0.62	-0.20	-0.40	0.00	-0.33
United Kingdom					
Base interest rate	0.10	0.10	0.10	0.10	0.10
10Y Gilt yield	0.22	0.60	0.34	0.70	0.49

Source: Bloomberg, Berenberg as of 14/12/2020
*Average of estimates by other experts (Bloomberg), consensus

05 Commodities

Crude oil
Normalisation of the oil market continues

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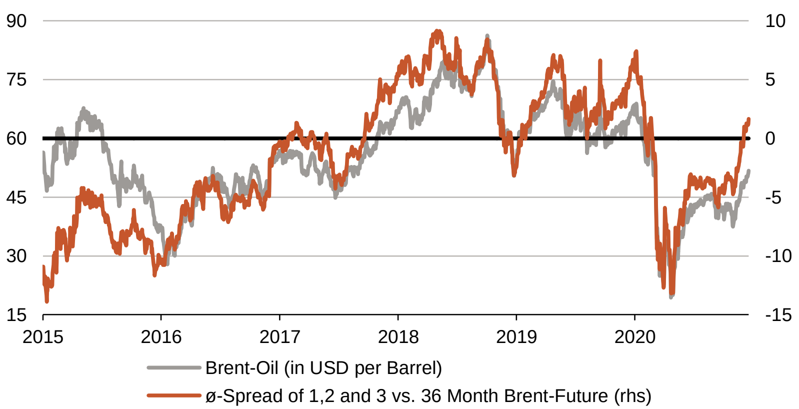
OPEC+ supply discipline gives a tailwind to the oil market

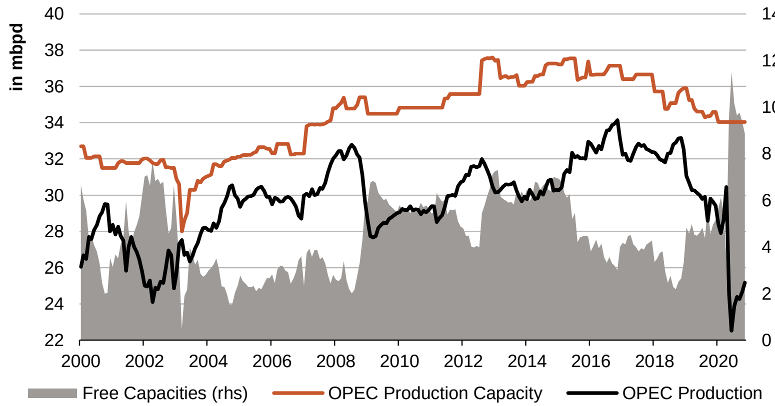
- Despite the sharp rise in daily COVID-19 cases and renewed partial lockdowns, crude oil made strong gains in the past quarter thanks to the positive vaccine news. The short-term potential now seems limited because the COVID-19 situation is likely to remain tense over the winter months, depressing physical demand growth.
- Later, the economic recovery and particularly the broad availability of a vaccine, which will support the recovery of hard-hit oil-dependent sectors like tourism, should stimulate demand significantly. Meanwhile, downside risk is limited by the OPEC+ and its restrictive policies to keep supply in check. With the new strategy agreed at the beginning of December to decide on further production increases on a monthly basis, the risk of a sudden supply surplus should have decreased.
- That said, upside potential is limited by the high capacity reserves of its member countries and the still high level of inventories. We therefore anticipate only a moderate rise in prices in the coming year.
- Production ramp-ups by Iran, should the US ease its sanctions, pose a major risk for 2021.

Backwardation indicates tight supply



Source: Bloomberg. Time period: 01/01/2015 – 16/12/2020.

Free capacities of OPEC countries near all-time high



Source: Bloomberg. Time period: 01/01/2000 – 30/11/2020.

Precious and industrial metals

Industrial metals look overbought in the short term

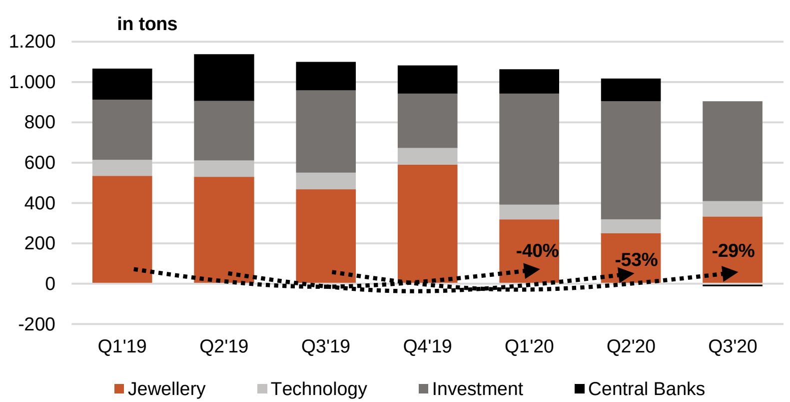
Gold can buck the economic recovery

- Since the beginning of the year Gold has been one of the best investments despite the recent vaccine successes. Aside from the diminishing economic uncertainty, the outlook is still positive.
- Firstly, the weaker US dollar and the economic recovery, should boost jewellery demand, which has plunged by up to 50% this year, considerably. Secondly, the relative attractiveness of gold remains high compared to government bonds. That is because rising inflation expectations with anchored central bank interest rates and massive bond purchasing programmes should keep real interest rates lower for a longer period of time.

Structural updraft for industrial metals

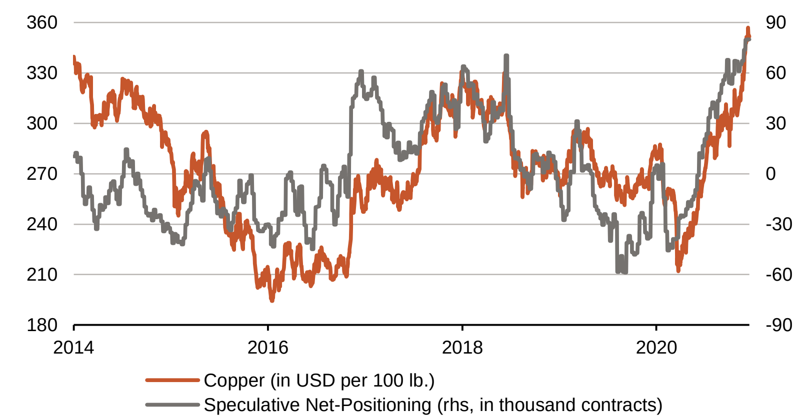
- Industrial metals are increasingly proving to be the big winners of the pandemic. The LME Index is now up by more than 20% since the start of the year. The numerous economic and infrastructure programmes and the investments associated with the increasing focus on sustainability should ensure strong demand in the medium to long term.
- In the short term, however, caution is advisable because the rise in prices has also been driven substantially by speculative investors. Net investor positioning in copper, for example, is currently at an all-time high. For that reason, the latest rally is prone to pullbacks..

Demand for gold from jewellery should come back



Source: World Gold Council, own calculations. Time period: 01/01/2019 – 30/09/2020.

Industrial metals are vulnerable in the short term



Source: Bloomberg, CFTC. Time period: 01/01/2014 – 16/12/2020.

06 Currencies

Market developments
Currencies

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EUR/USD: ECB is worried by the euro exchange rate

- By indicating that it is monitoring the exchange rate and that the appreciation of the euro is putting downward pressure on consumer prices, the ECB is sending a signal to the currency markets. However, since the U.S. Fed is also pursuing an extraordinarily aggressive monetary policy and the dollar exchange rate is currently being weighed down more by capital flows from the dollar back to emerging markets, the ECB's signal is unlikely to have a sustained impact on the dollar-euro exchange rate. We expect the US dollar to depreciate further to 1.25 against the euro next year.

EUR/GBP: Deal or no Deal?

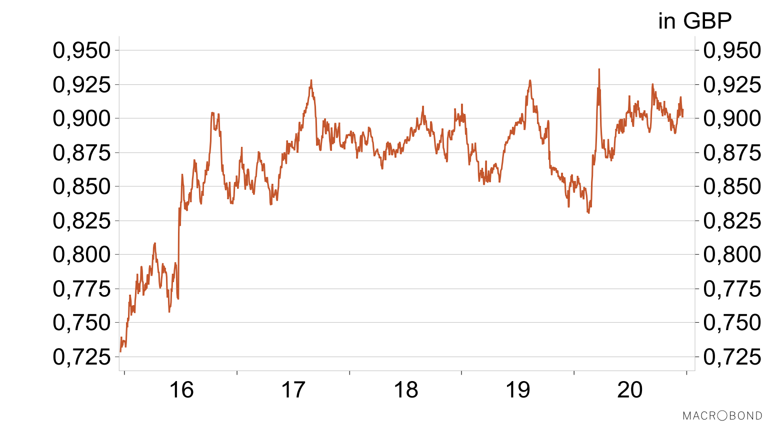
- The chances of a Brexit deal of any kind were not bad. However, after further talks at the top level failed to get a result, the prospects for a deal have dimmed. Although negotiations are continuing, the lower chances of success for a last-minute deal are also reflected in the pound..
- New uncertainty arise from the mutation of the coronavirus in southern England. The British currency has lost some ground to 0.92 pound per euro.

Euro/US dollar exchange rate

Source: Macrobond

Time period: 31/12/2015 – 18/12/2020

Euro/British pound exchange rate



Source: Bloomberg

Time period: 31/12/2015 – 18/12/2020

Forecasts

Estimates of the most important currencies

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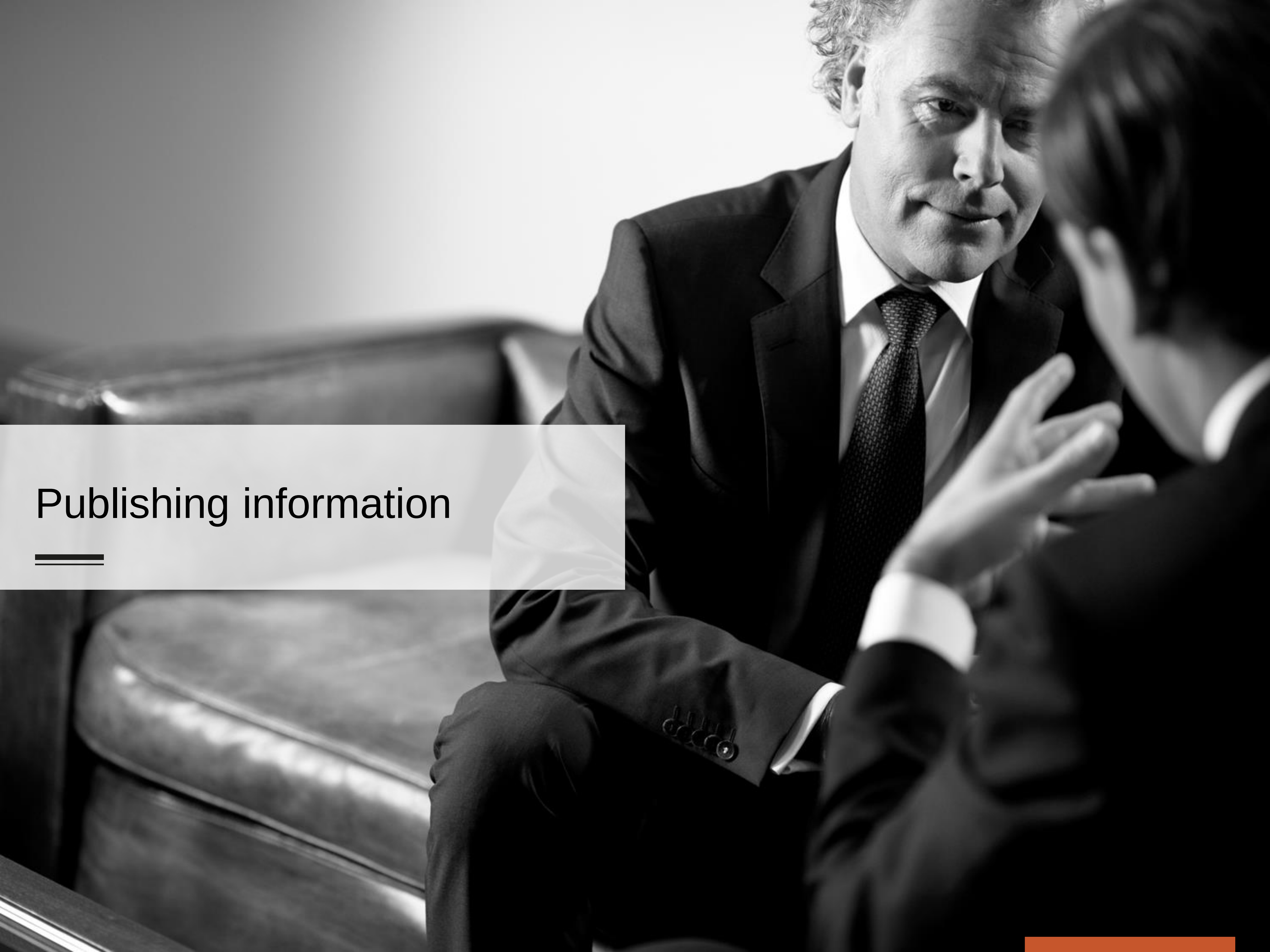
	14/12/2020	30/06/2021		31/12/2021	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.21	1.22	1.22	1.25	1.24
EUR/GBP	0.91	0.86	0.90	0.85	0.90
EUR/CHF	1.08	1.08	1.09	1.11	1.11
EUR/JPY	126	127	125	130	128

Change against the euro (in %)					
USD	-	-0.5	-0.5	-2.8	-2.1
GBP	-	5.9	1.2	7.2	1.2
CHF	-	-1.9	-1.2	-3.0	-3.0
JPY	-	-0.5	1.1	-2.8	-0.9

*Source: Bloomberg, Berenberg as of 14/12/2020.
*Average of estimates of other experts (Bloomberg); consensus.



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