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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

August | 2022

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: 28 July 2022.

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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

Overview of capital markets
Performance review

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Performance of selected asset classes

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

	4-week & YTD		12-month periods over that last 5 years				
	4W (29/06/22 - 27/07/22)	YTD (31/12/21 - 27/07/22)	27/07/21 27/07/22	27/07/20 27/07/21	27/07/19 27/07/20	27/07/18 27/07/19	27/07/17 27/07/18
MSCI World	7.4	-5.9	3.6	33.6	0.5	9.9	11.9
REITs	7.1	-7.3	4.7	29.8	-14.5	17.2	-1.1
Global Convertibles	6.2	-9.1	-8.1	31.5	12.4	6.1	4.9
EUR Coporates	4.3	-8.9	-10.4	3.1	-0.3	5.8	0.6
MSCI Frontier Markets	2.8	-10.3	-1.6	37.8	-19.0	7.8	2.9
USDEUR	2.4	11.5	15.8	-0.5	-5.3	4.8	0.2
EUR Sovereign Debt	2.2	-5.6	-6.9	0.7	0.6	4.3	0.3
MSCI Emerging Markets	1.4	-7.9	-4.9	18.0	-0.8	3.2	4.6
Euro overnight deposit	0.0	-0.3	-0.6	-0.6	-0.4	-0.4	-0.4
Gold	-2.4	5.6	11.6	-7.9	29.6	21.5	-2.7
Brent	-2.7	72.1	100.0	64.6	-35.7	-6.9	53.9
Industrial Metals	-3.7	-2.1	9.8	42.9	-6.6	-0.1	4.5

MSCI World: MSCI World Net Return; MSCI Emerging Markets: MSCI EM Net Return; MSCI Frontier Markets: MSCI Frontier Markets Net Return;
REITs: MSCI World REITs Index; EUR Sovereign Debt: IBOXX Eurozone Sovereign 1-10Y TR; EUR Corporates: IBOXX Euro Corporates Overall TR;
Global Convertibles: SPDR Convertible Securities ETF; Gold: Gold US Dollar Spot; Brent Crude: Bloomberg Brent Crude Subindex TR;
Industrial Metals: Bloomberg Industrial Metals Subindex TR; Euro overnight deposit: ICE BofA Euro Overnight Deposit Rate Index; USDEUR: Price of 1 USD in EUR.

Sources: Bloomberg, Berenberg.

Time period: 27/07/2017 – 27/07/2022.

Note: The historical performance presented here is not a reliable indicator of future performance.

Overview of capital markets
Outlook by asset class

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Economics

- Inflationary pressures remain high and an energy crisis looms, at least in Germany. Consumers are unsettled.
- Supply bottlenecks, energy crisis, inflation, rising interest rates – this macroeconomic mix will lead to recession.
- Central banks have to tighten monetary policy, even if the economy is slowing down. Now the ECB has also reacted.

Equities

- Equity markets could recover slightly. However, negative economic and earnings momentum are likely to be headwinds.
- Analysts have significantly reduced earnings expectations, but are still too positive for 2022 in our opinion.
- We are positioning ourselves with a moderate equity underweight, as risks still dominate at present.

Bonds

- Safe government bonds caught between restrictive interest rate policy and recession worries. Inversion of the yield curve.
- Risk premiums on emerging market bonds still on an upward trend. EUR-IG bond spreads under pressure.
- We are underweight bonds and remain cautiously positioned on credit risk. Duration: less short than previously.

Alternative investments / commodities

- Oil is dominated by recession worries, but the physical market remains tight. Prices are unlikely to fall more sharply.
- Gold suffers from dollar strength. After risk premiums were priced out, there is now positive surprise potential again.
- Base metals are bottoming out and offer upside potential. Producers are increasingly suffering from high input costs.

Currencies

- Despite the first interest rate hike, the euro remains weak. Other central banks were faster and seem more determined.
- Against the US dollar and the Swiss franc, the euro trades around parity.
- The Swiss franc is still benefiting from the surprise interest rate hike and the risk-off sentiment.

Overview of Berenberg's asset allocation
Current positioning within asset classes

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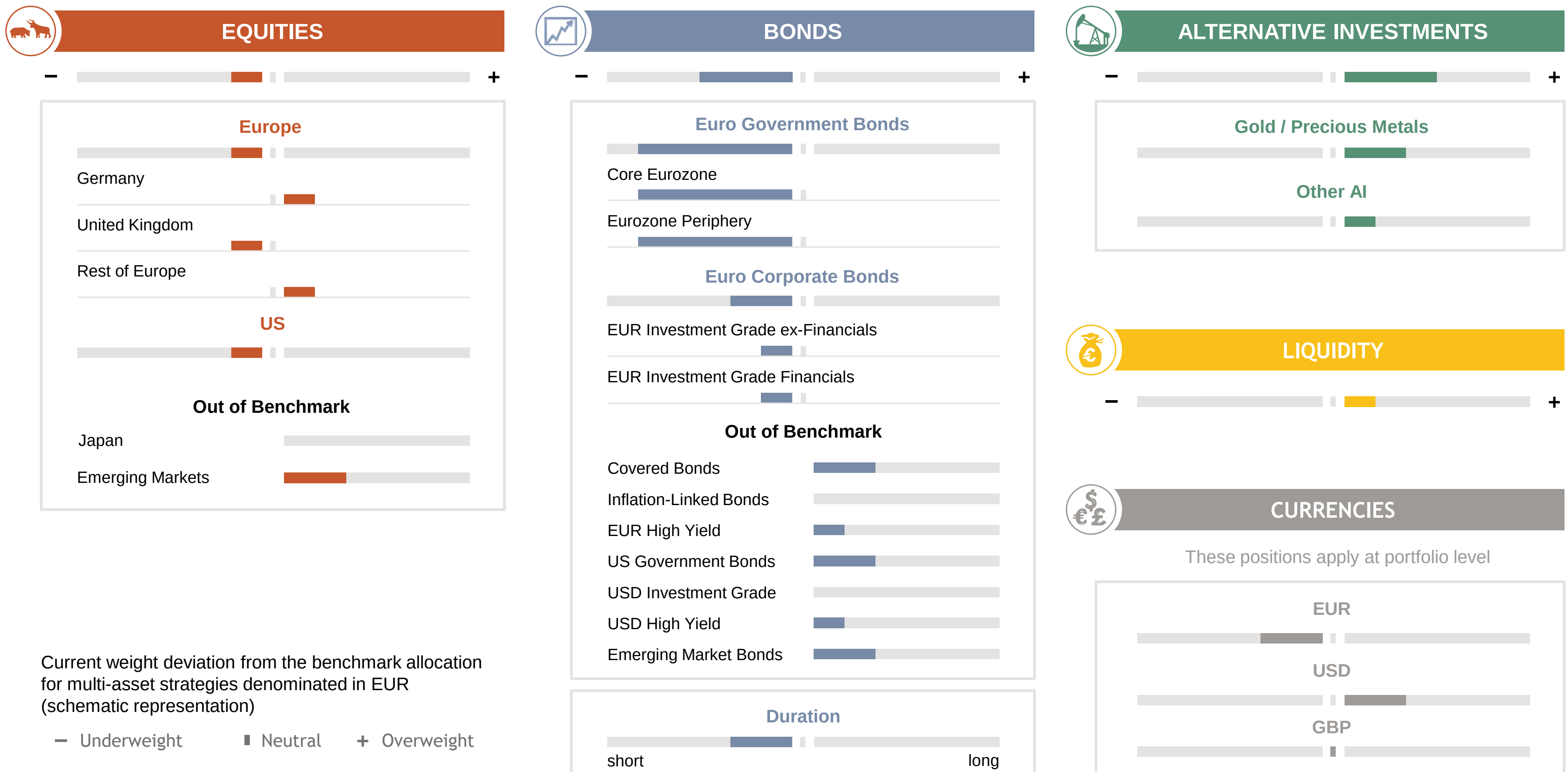
Portfolio positioning of a balanced mandate at a glance



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

− Underweight ▮ Neutral + Overweight

Source: Berenberg

As of 27/07/2022.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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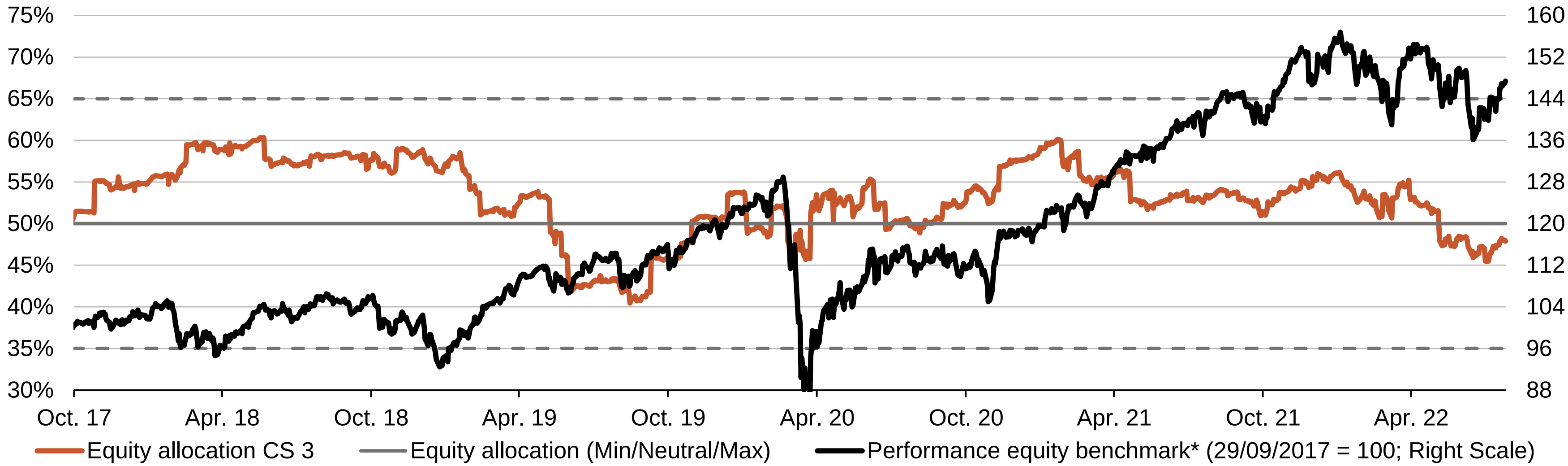
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	26/07/17 - 26/07/18	26/07/18 - 26/07/19	26/07/19 - 26/07/20	26/07/20 - 26/07/21	26/07/21 - 26/07/22
	7.41%	7.92%	-1.57%	25.56%	4.34%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 26/07/2017 – 26/07/2022.
Note: The historical performance presented here is not a reliable indicator of future performance.

- We took advantage of the sharp sell-off in the equity markets after Russia's invasion and the associated negative investor sentiment to gradually increase our equity exposure to a moderate overweight. We then took advantage of the strong recovery in March to take profits, including reducing Latin America after the strong YTD performance.
- During the short rally after the Fed meeting in May, we further reduced our equity exposure counter-cyclically. Taking into account our position in the tail hedge certificate, we are now moderately underweight equities.
- In addition, we have built up a position in US Treasuries following the large rise in interest rates in the US. In Europe, we have also recently invested in long-duration government bonds in order to reduce our bond underweight in view of the simmering energy crisis and the looming recession. We remain underweight equities for now. Our focus on quality stocks should pay off more again in this environment.

02 Economics

Eurozone

GDP and inflation

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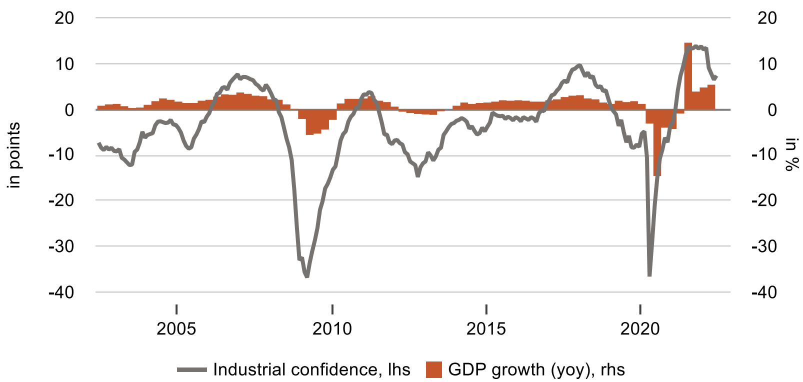
PMI drops significantly

- The Eurozone PMI fell to 49.4 in July (June: 52.0), below the threshold of 50 points that delineates economic growth from contraction. Germany recorded the strongest decline. France remains just above the expansion mark at 50.6 points, but the decline was surprisingly sharp (in June the value was still 52.5 and only a decline to 51.8 points was expected).
- The data reflects the difficult macroeconomic situation. The ongoing supply chain problems, the energy crisis and high inflation rates are taking their toll.

Political turbulence in Italy

- Mario Draghi has offered President Sergio Mattarella his resignation as Italian Prime Minister. Mattarella accepted at the second attempt.
- In the event of new elections, Giorgia Meloni could take over as prime minister at the head of a (centre-) right coalition this year or in spring 2023. She comes from a party (Fratelli d'Italia) with neo-fascist roots, has repeatedly blamed the EU for Italy's problems and advocated an "Italy First" approach. The outcome of the current political situation is considered unclear.

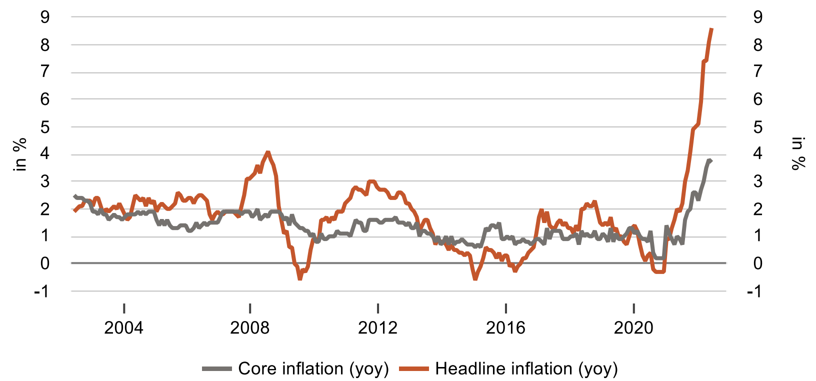
Eurozone GDP growth and industrial confidence



Source: Macrobond

Period: 06/2002 - 06/2022

Eurozone Inflation



Source: Macrobond

Period: 06/2002 - 06/2022

United Kingdom
GDP and inflation

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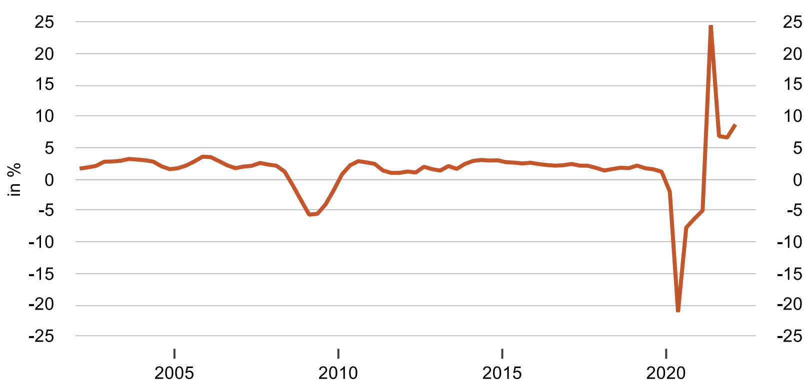
Political uncertainty slows down investment activity

- The UK's political situation is weighing on the economic environment. This is clearly reflected in the data of business investment since 2007. For example, in the wake of the global financial crisis in 2009, a drop in investment of a good 25% was observed. The elections in May 2010 led to a market-friendly coalition under the joint leadership of the Conservatives and Liberal Democrats. After rising 40% above 2010 levels by early 2016, business investment plummeted in 2016. Political uncertainties resulting from the Brexit vote prevented an increase in investment between H2 2016 and Q1 2020.
- When the first wave of the pandemic hit the UK in early 2020, business investment slumped c.20%. After a partial recovery from H2 2020, investment in Q1 2022 was still no higher than its pre-financial crisis peak in Q4 2007.
- A fresh start for the new PM could have a positive effect on the economy, as the new government is likely to withdraw the planned increase in corporation tax from 19% to 25% in 2023 alongside piecemeal incentives to encourage investment. However, what businesses probably need most is to return to a situation where UK politics is stable and predictable. Better relations with the EU would be a start.

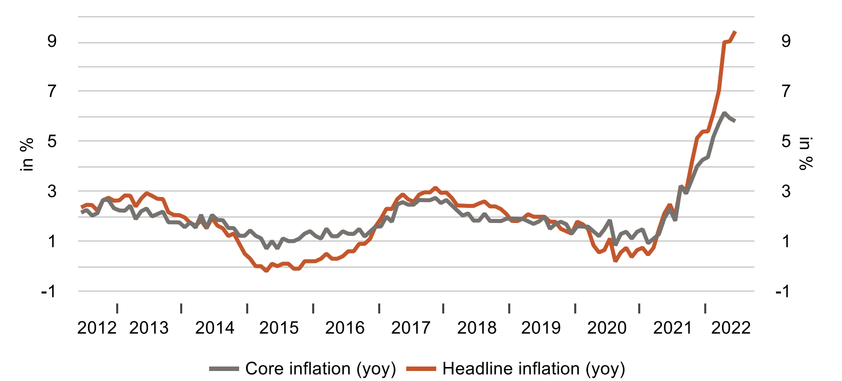
United Kingdom GDP growth (yoy)



Source: Macrobond

Period: 03/2002 - 03/2022

United Kingdom Inflation



Source: Macrobond

Period: 06/2012 - 06/2022

USA
GDP and inflation

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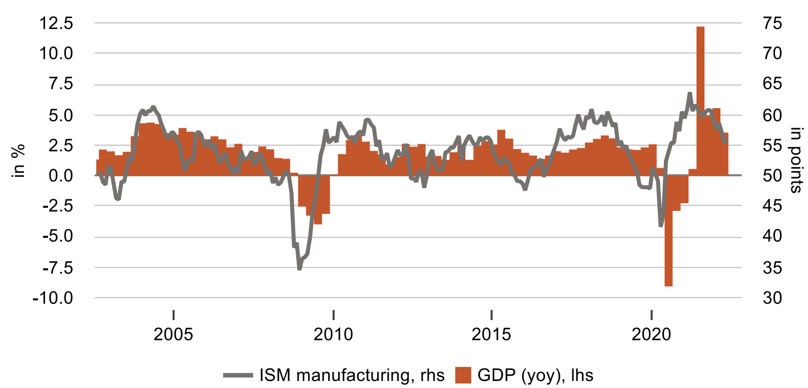
Fed hikes interest rate again

- The Fed raised the key interest rate again at its July meeting. As most observers expected, the Fed raised the rate by 75 basis points to 2.25-2.50%.
- The Fed's determination strengthens the US dollar. The dollar’s strength is likely to continue for the time being, as the Fed will continue to tighten monetary policy. We expect further rate hikes this year, with the Fed fund rate reaching 3.50-3.75 % by the end of the year.
- When the economy has cooled down next year, the Fed should pivot and lower interest rates moderately again.

Real estate market cools down

- Higher interest rates and the rise in real estate prices have significantly slowed the pace of real estate sales and construction activity in the US. Existing home sales in the US fell 5.4% to 5.1 million (annualised) in June, marking the fifth consecutive monthly decline. This is the lowest level since May 2020 and represents an annualised decline of around 1.2 million since the peak in November.
- New construction activity has also slowed significantly, with building permits and housing starts down 0.6% and 2% respectively (mom).

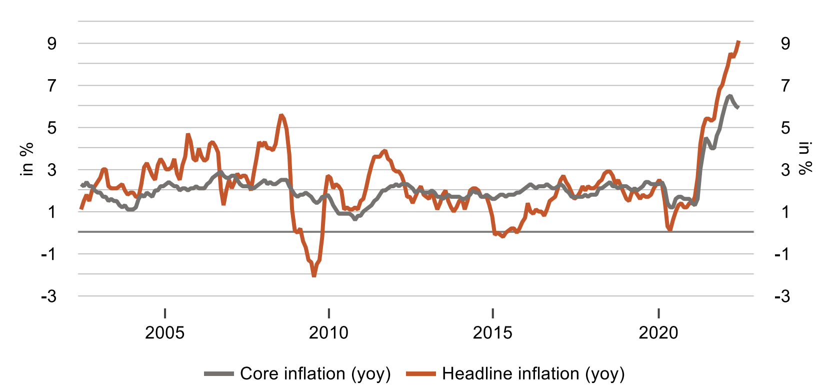
US GDP growth and Purchasing Managers Index



Source: Macrobond

Period: 06/2001 - 06/2022

USA Inflation



Source: Macrobond

Period: 06/2002 - 06/2022

Economic forecasts
Key estimates at a glance

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	GDP growth (in %)						Inflation (in %)					
	2022		2023		2024		2022		2023		2024	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	1.7	2.0	-0.5	1.3	1.0	1.8	8.0	8.0	3.5	3.6	2.7	2.5
Eurozone	2.2	2.7	-1.0	1.3	2.1	1.9	8.1	7.5	4.3	3.5	2.0	2.0
Germany	1.0	1.5	-1.2	1.4	2.2	1.8	8.0	7.6	4.6	3.6	2.1	1.8
France	1.9	2.4	-0.6	1.4	2.1	1.7	5.9	5.7	3.9	3.3	2.1	1.9
Italy	2.3	2.8	-1.1	1.2	1.3	1.6	7.7	7.0	4.4	2.8	2.1	1.7
Spain	3.6	4.2	-0.8	2.5	2.2	2.5	8.9	8.0	3.8	3.0	2.1	1.9
United Kingdom	3.1	3.4	-1.1	0.6	1.7	1.5	8.6	8.5	4.9	5.0	2.0	2.0
Japan	1.2	1.6	0.0	1.8	1.3	1.1	2.0	2.0	1.2	1.2	0.7	0.8
China	3.5	4.0	4.6	5.2	4.3	5.0	2.0	2.3	2.3	2.3	2.3	2.1
World*	2.5	-	1.4	-	2.5	-	-	7.1	-	4.2	-	3.3

Source: Bloomberg. Berenberg as of 27/07/2022.
* 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.

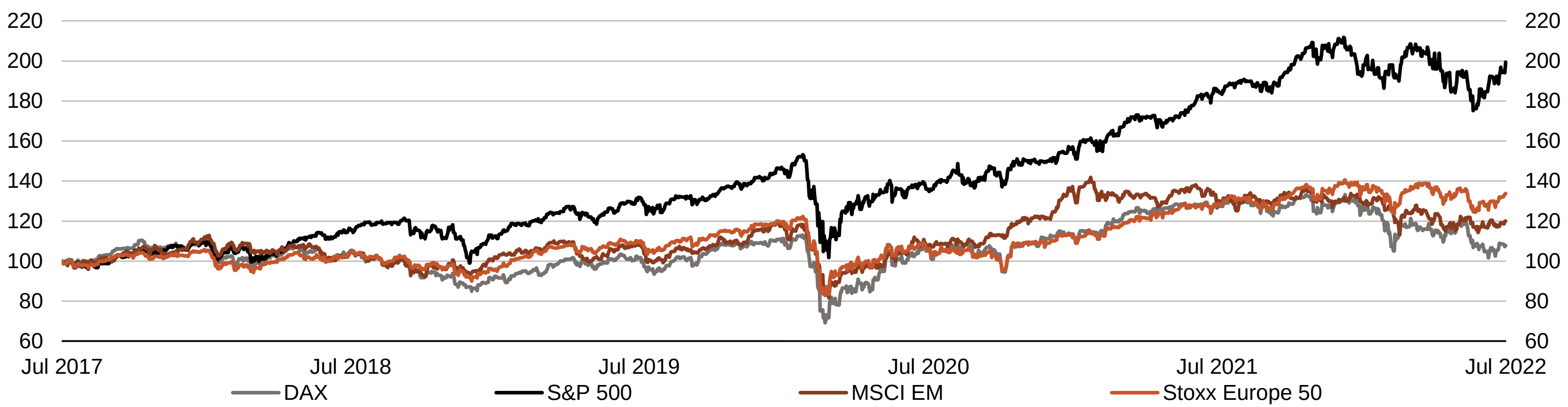
03 Equities

Market developments
Recovery could be short-lived

Equity markets recover despite difficult outlook

- The market has moved from inflation to recession concerns, although the US inflation rate in July was again higher than expected at 9.1%. However, the high in US inflation may be behind us, partly due to falling commodity prices and weak demand. Yields on 10-year government bonds have also already fallen significantly. Central bank interest rates, however, may continue to rise for the time being. Despite this, two to three rate cuts by the Fed are already priced in for 2023. The market thus expects a reversal of the Fed's monetary policy in view of weaker growth and easing inflation concerns. Stock markets, which have been trending upwards since mid-July, already seem to anticipate this.
- The risk, however, is that the recent good market performance is a bear market rally, as the earnings and economic outlook has clouded significantly and the consumer spending is starting to weaken. We remain moderately underweight equities for the time being, as fundamental risks still dominate with central banks remaining restrictive. Moreover, historically, the market bottom has often been reached at the beginning or in the recession and not before.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 27/07/2017 – 27/07/2022.

Corporate earnings
Earnings estimates are being revised downwards

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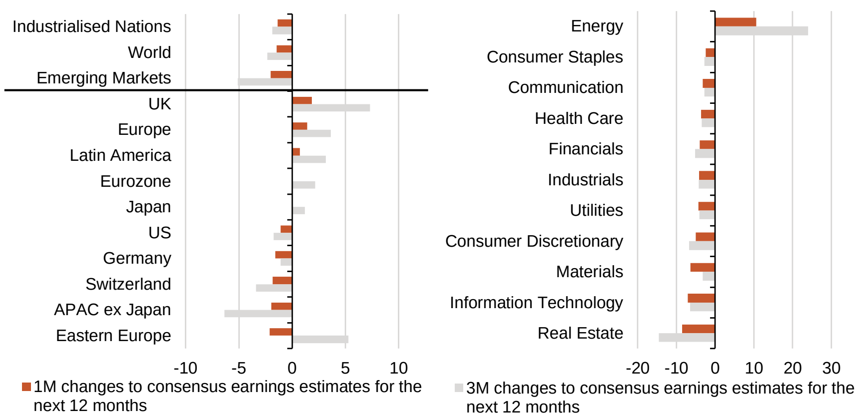
Profit revisions clearly negative

- As we expected, analysts have been reducing their earnings estimates for the next twelve months as the Q2 reporting season has progressed. While the Q2 reporting season has been in line with expectations so far, the earnings outlook for many companies has dimmed.
- Emerging markets such as Latin America saw the most significant negative earnings revisions. The UK, on the other hand, can still report positive earnings revisions.
- At the sector level, only the energy sector is bucking the trend of negative earnings revisions.

Profit growth still too positive

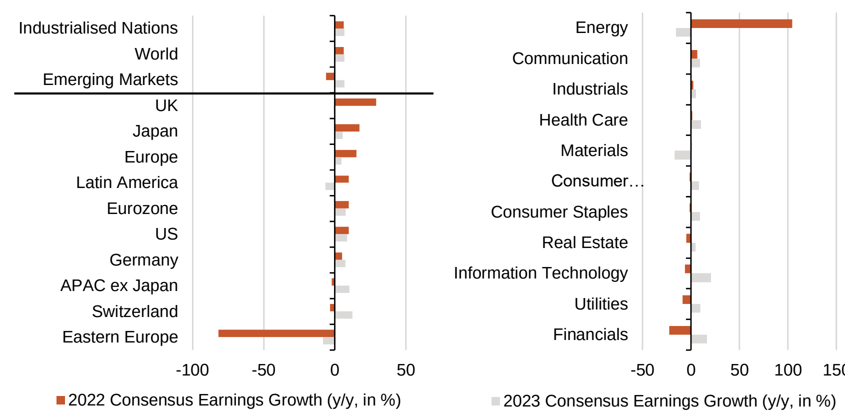
- Even though negative earnings revisions have increased recently, we consider earnings growth of around 15% for Europe and around 10% for the USA in 2022 to be too high. The weakening consumer and cost inflation are likely to make themselves increasingly felt in the second half of the year.
- According to analysts, the special stimulus for the energy sector will lose momentum in 2023. While profits should rise massively in 2022, consensus expects a decline in profits in 2023. IT stocks, on the other hand, are expected to see the biggest earnings growth in 2023.

Negative profit revisions on the rise



Source: Factset, MSCI Regions and Europe sectors As of 27/07/2022.

Profit expectations likely to fall further



Source: FactSet; MSCI regions and European sectors. As of 27/07/2022.

Valuation & Volatility

US equities more in demand than their European counterparts

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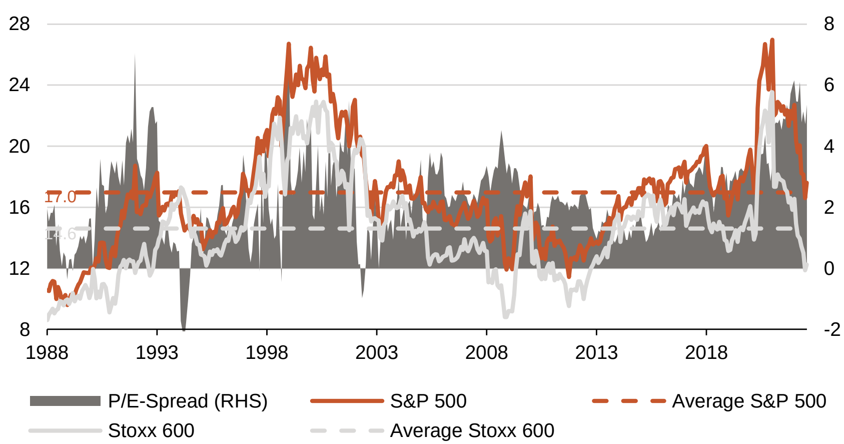
US equities still more expensive than European equities

- With bond yields falling recently amid increasing recession concerns, the pressure on valuation metrics has eased. The S&P 500, for example, is no longer historically cheap but rather fairly valued. The Stoxx 600, on the other hand, is still favourably valued.
- In relative terms, the more technology-heavy S&P 500 has a historically higher valuation premium over the more cyclical Stoxx 600. Should the economic worries ease, there is a good chance that this premium will fall again.

Growth stocks in demand amid recession worries

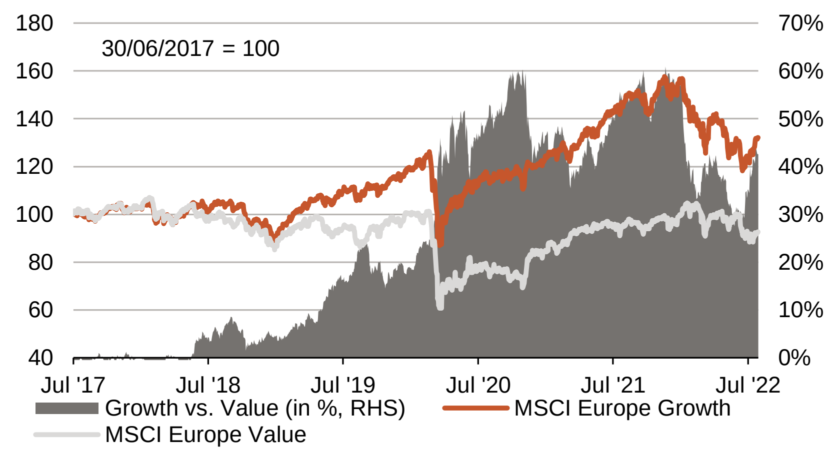
- The relative strength of value stocks versus growth stocks since the beginning of the year came to an abrupt end with rising recession concerns and thus falling real and nominal interest rates.
- The market is thus already pricing in a return to loose monetary policy and a phase of low economic growth, in which the quality growth stocks we prefer are likely to come out on top.

Only Europe still historically cheap



Source: Factset, own calculations. Time period: 01/01/1988 – 27/07/2022.

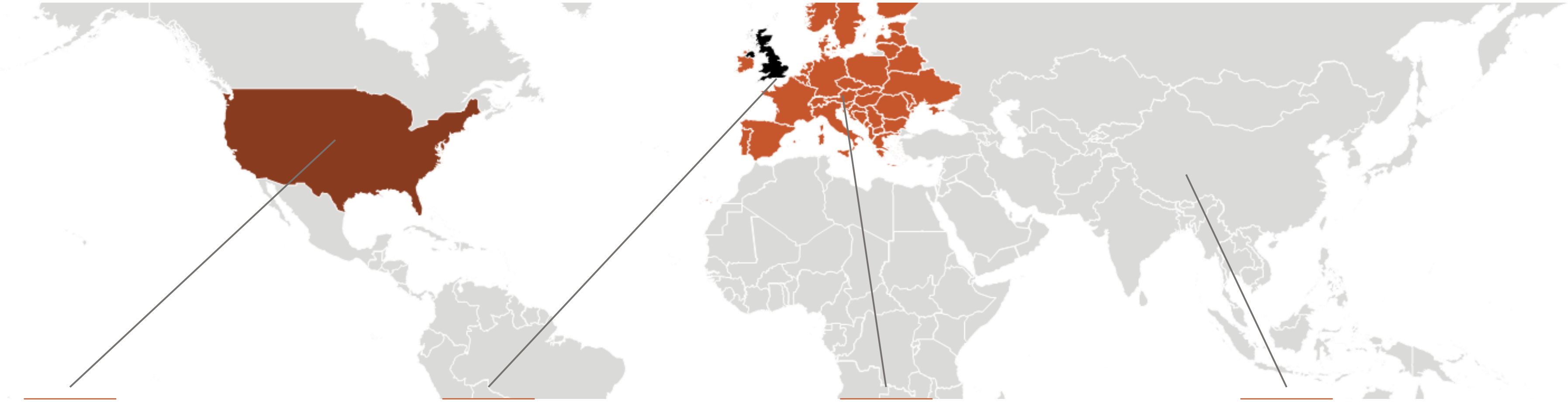
Growth stocks recover



Source: Bloomberg, own calculations. As of 27/07/2022.

Equity allocation

China offers recovery potential



US

Underweight

- The earnings expectations of US companies are still clearly too high in view of high inflation, the restrictive policy of the Fed and the resulting threat of recession. These risks are not adequately reflected in the higher valuation of US stocks.
- Within the equity regions, we are equally underweight US and European equities.

United Kingdom

Underweight

- UK equities are cheap compared to many other regions. At the index level, UK equities have a more defensive as well as commodity-rich profile, which should pay off in an environment of rising interest rates and geopolitical risks.
- We have reduced the underweight.

Europe ex. UK

Neutral

- The weaker euro, adopted fiscal packages and the comparatively cheap valuation should support European equities.
- However, Russia's Ukraine war and the associated rise in inflation are likely to weigh on European companies in particular. We are neutrally weighted in Europe ex UK.

Emerging markets

Overweight

- We have included Latin American equities in Q1 as they should benefit from higher commodity prices and represent a value-heavy addition to the portfolio.
- The chance of a market recovery in China has risen due to increasing stimulus programmes and more situation-appropriate covid policies.

Equity market forecasts

Estimates for selected indices

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Index forecasts	Current 27/07/2022	31/12/2022	30/06/2023	Ø* in 12 months
S&P 500	4,024	3,900	4,100	4,749
Dax	13,166	14,500	15,800	18,150
Euro Stoxx 50	3,608	3,800	4,000	4,650
MSCI UK	2,121	2,200	2,350	2,494

Index potential (in %)				
S&P 500	-	-3.1	1.9	18.0
Dax	-	10.1	20.0	37.9
Euro Stoxx 50	-	5.3	10.9	28.9
MSCI UK	-	3.7	10.8	17.6

Source: Bloomberg. Berenberg. as of 27/07/2022.
*Average based on bottom-up estimates.

04 Bonds


1y 2y 3y 4y 5y 6y 7y 8y 9y 10y 15y 20y
0.04
0.02
0
Coupon
Maturity Date
Current Price Yield
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

Government bonds
Ongoing tug of war between recession and inflation

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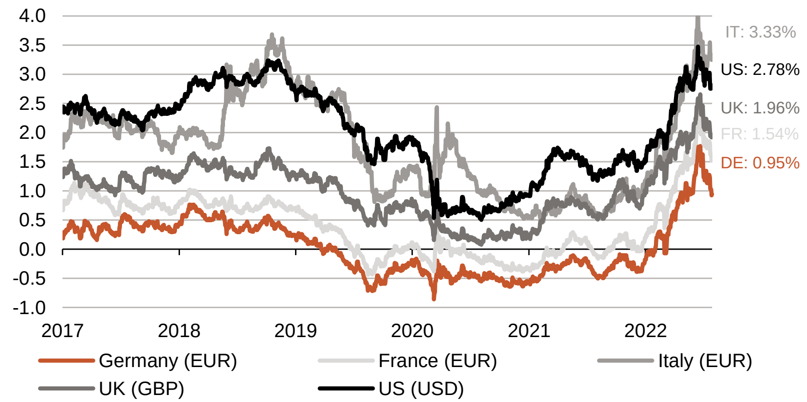
ECB decides on first rate hike since 2011

- Safe government bonds remain caught between restrictive interest rate policies and rising recession concerns month to date. However, unlike the US or the UK, the ECB's decision to raise interest rates by 50 bps – the first rate hike in 11 years and the largest since 2000 – is affecting 27 diverse member states and their economies. The situation has become even more precarious after Italian Prime Minister Draghi announced his resignation, pushing the yield on the 10-year Italian government bond to over 3.3%, compared to the yield on the 10-year German Bund of just under 1%.

Inversion of the US yield curve

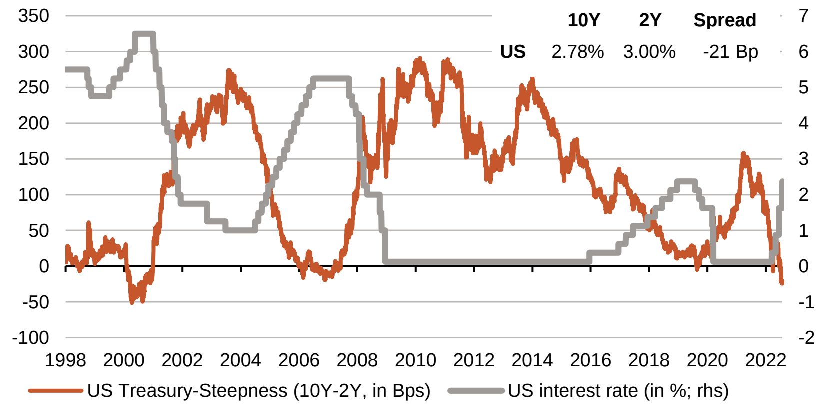
- In the USA, the inflation report for June came in well above expectations at 9.1% year-on-year – the largest increase since 1981 – which led to a renewed 75 basis point increase in interest rates by the Fed.
- As a result, there was a sharp flattening of the US yield curve. US 2-year yields fell sharply, leading to a rapid reversal of the 10Y-2Y curve by over -21 basis points. The curve was last inverted at the end of April this year.

Divergence in yield developments in the euro area



Source: Bloomberg Time period: 01/01/2017 – 27/07/2022

Renewed inversion of the US yield curve



Source: Bloomberg Time period: 01/01/1998 – 27/07/2022

Corporate & EM bonds
Risk premium trends with clear divergences

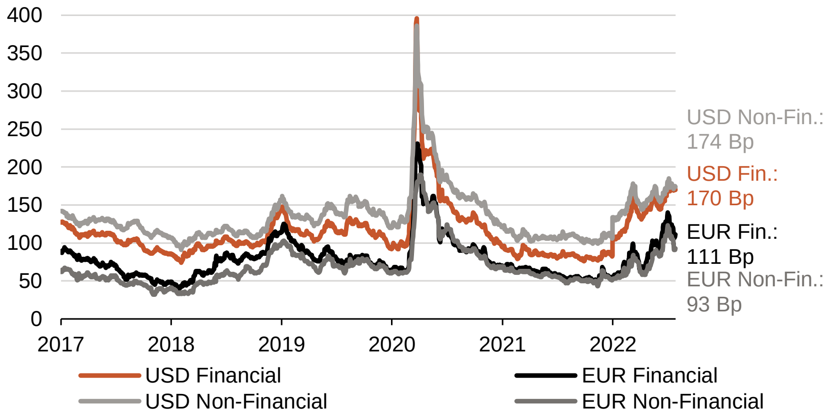
Significant spread narrowing in the Eurozone

- EUR investment grade bonds saw significant spread tightening over the last four weeks: 17 basis points for financial bonds and 22 basis points for other corporate bonds. Spreads on financial bonds thus returned to levels seen at mid-June.
- American corporate bonds, on the other hand, have recently remained burdened by the risk-off environment and suffered from slight spread widening. In USD investment grade bonds, for example, risk premiums rose by 4 basis points for financial bonds and by 1 basis points for other corporate bonds relative to four weeks prior.

Emerging markets: Widening risk premiums

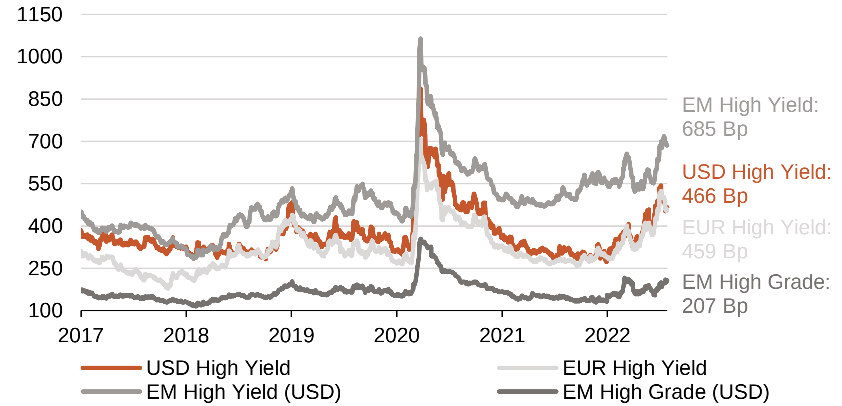
- There was also no uniform development in the high-yield bond market over the last four weeks. The risk premiums of USD high-yield bonds lost almost 43 basis points, while EUR high-yield bonds narrowed by only 16 basis points.
- In contrast, emerging market bond spreads widened. EM high-yield spreads widened 29 basis points, reaching their highest level since the beginning of 2020, while EM high-grade spreads saw a widening of 22 basis points.

EUR risk premiums under pressure



Source: Factset Time period: 01/01/2017 – 27/072022

Spreads on EM bonds widened slightly



Source: Factset Time period: 01/01/2017 – 27/07/2022

Capital market strategy
Bonds

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Core segments

Government bonds
Underweight

- In the case of high credit ratings, safe government bonds remain fundamentally in demand in risk-off phases. With the rise in yields and in view of the threat of a recession, the segment is somewhat more attractive again, despite continued high inflation.
- After the recent declines in yields, however, we expect yields to rise again in the medium term. For this reason, duration should continue to be kept moderately short.

Corporate bonds
Overweight

- Corporate bonds have already started to gain relative attractiveness compared to government bonds due to the widening of spreads.
- Within the corporate bond segment, we prefer securities with short maturities.

Other segments

Emerging market bonds
Overweight

- Attractive yield levels and a shortage of supply speak in favour of emerging market securities. In general, however, high inflation and rising interest rates, especially in the US, pose increased risks for emerging market investments, especially in hard currency bonds.
- We see the Asian region as having an advantage over others; the local currency component in particular seems opportune to us here, as well as in Latin America.

High yield bonds
Neutral

- For the time being, we are holding on to the addition of high-yield bonds, but are becoming more cautious, as the historically not very high-risk premiums with rising economic risks are making the risk-return ratio less attractive.
- In European high-yield bonds, we are positioning ourselves away from the usual papers.

Forecasts
Estimates for selected bond markets

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Base interest rates and government bond yields (in %)	27/07/2022 Current	31/12/2022	31/12/2022 Ø*	30/06/2023	30/06/2023 Ø*
US					
Base interest rate	2.25-2.50	3.50-3.75	3.55	3.50-3.75	3.60
10Y US yield	2.79	3.20	3.29	3.40	3.23
Eurozone					
Base interest rate	0.50	1.50	1.40	1.50	1.70
10Y Bund yield	0.94	1.50	1.61	1.70	1.59
United Kingdom					
Base interest rate	1.25	2.50	2.15	2.50	2.20
10Y Gilt yield	1.96	2.40	2.38	2.60	2.23

Source: Bloomberg. Berenberg as of 27/07/2022.
*Average of estimates by other experts (Bloomberg) consensus.

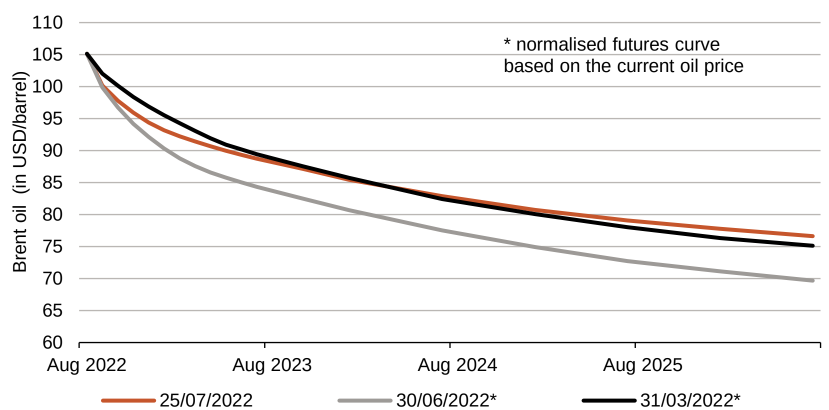
05 Commodities

Crude oil
Remains scarce and well supported

Weak demand meets tight supply

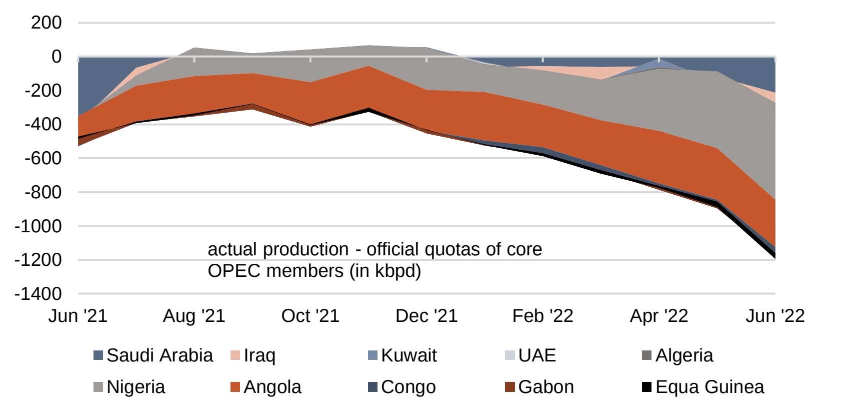
- The rollercoaster ride in energy markets continues. Last month, recession concerns won the tug-of-war against fundamental supply shortages and crude oil (Brent) fell from a peak of USD 115 to a low of USD 95 per barrel. Most recently, Brent has settled at around USD 105 per barrel. Given the oil-specific news over the last few weeks, this poor development is somewhat surprising. For example, both the IEA and OPEC+ confirm that oil is likely to remain tight in the coming year. Meanwhile, hopes that Joe Biden might elicit more supply from Saudi Arabia on his trip to the Middle East have been dashed.
- Historically, a global recession hits the oil market hard. However, the former is unlikely due to the asynchronous development of China, the world's second-largest oil consumer, so that strong sell-offs as in past recessions are unlikely. In addition, the potentially declining demand in the West meets a still very tight supply, as shown by the futures curve, low inventories and the continued significant shortfall of OPEC+ production targets. In addition, the US has announced its intention to replenish its strategic reserves in autumn, which are now at their lowest level since the end of the 1980s following large-scale releases in recent months. Therefore, the oil price should remain well supported for the time being.

Futures curve in steep backwardation



Source: Bloomberg, own calculations. Time period: 31/03/2022 – 27/07/2022.

OPEC production continues to fall short of targets



Source: Bloomberg, own calculations. Time period: 30/06/2021 – 30/06/2022.

Precious and industrial metals
Gold and industrial metals with more upside again

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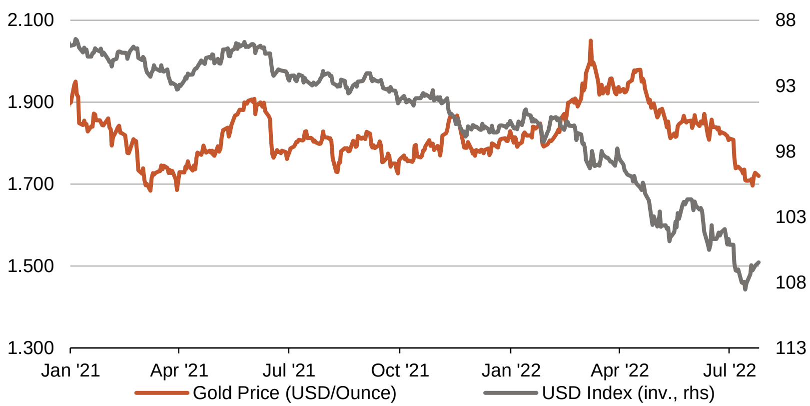
Gold with positive surprise potential

- Although real yields, the biggest headwind since the beginning of the year, stagnated in July, gold still recorded significant losses. The main culprit this time was the massive appreciation of the dollar.
- Even if, historically, real yields only begin to fall again when the Fed starts to cut rates, the increasingly likely recession should lessen the headwinds from real yields.
- Conversely, now that geopolitical and inflation-related risk premiums have been largely priced out, gold offers positive surprise potential again – especially since investors have significantly reduced their positions over the past few weeks.

Industrial metals stabilise

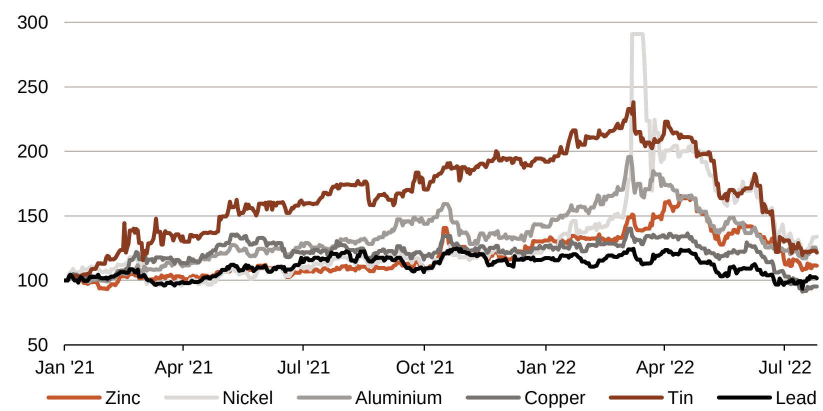
- Industrial metals started to bottom out in July after being heavily weighed down in previous months by recession concerns in the West and the covid outbreak in China.
- But not only is demand suffering from inflation, supply too is struggling with the sharp rise in input costs, so that in combination with the fall in metals prices, some producers have started to cut back production.
- By now, the sell-off is comparable to past recessions. Together with the brought-forward stimulus in China and the very pessimistic investor positioning, industrial metals offer upside potential.

Gold weighed down by strong US dollar



Source: Bloomberg, own calculations. Time period: 01/01/2021 – 27/07/2022.

Industrial metals bottom out



Source: Bloomberg, own calculations. Time period: 01/01/2021 – 27/07/2022.

06 Currencies

Market Development
Interest rates and currencies

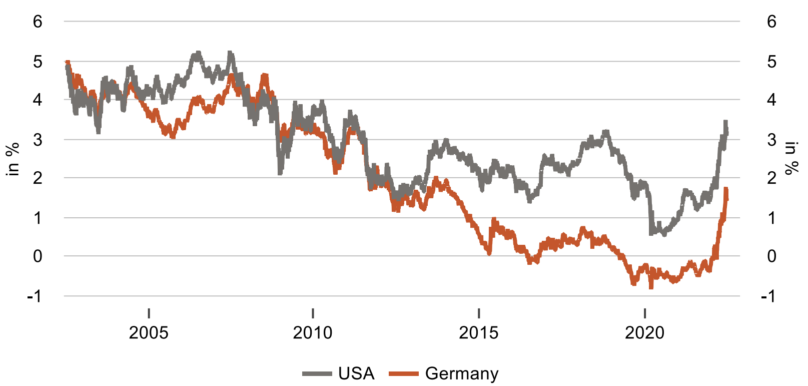
ECB rate hike hardly helps the euro exchange rate

- During the ECB meeting, the euro-dollar exchange rate experienced a small rollercoaster ride and fluctuated between 1.0280 and 1.0150. The surprisingly large interest rate step, however, did not bring any lasting tailwind to the euro. The exchange rate is currently at 1.02 US dollars per euro and thus still at a low level.
- Against the Swiss franc it even fell further. The exchange rate has fallen to just over 0.98 francs per euro. From the markets' point of view, the ECB continues to lag behind the other central banks. Moreover, the details of the "Transmission Protection Instrument" were rather disappointing.

Yield rise paused

- The rise in market yields remains interrupted for the time being. Yields on ten-year government bonds in both the USA and Europe are more than half a percentage point below their temporary high in mid-June. We expect yields to rise again a little from their current level by the end of the year.
- Key interest rates will also continue to rise in all major Western countries. We see the greatest determination in the fight against inflation at the US Federal Reserve.

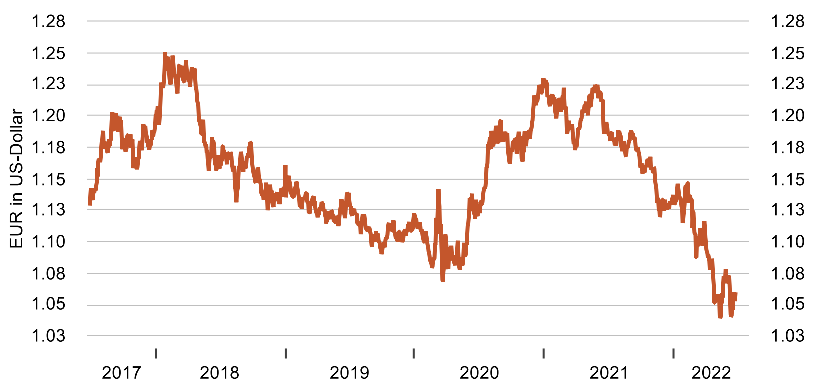
Yields: 10-year government bonds



Source: Macrobond

Period: 06/2002 - 06/2022

Exchange rate: Euro/US-Dollar



Source: Macrobond

Period: 06/2017 - 06/2022

Forecasts
Estimates of key currencies

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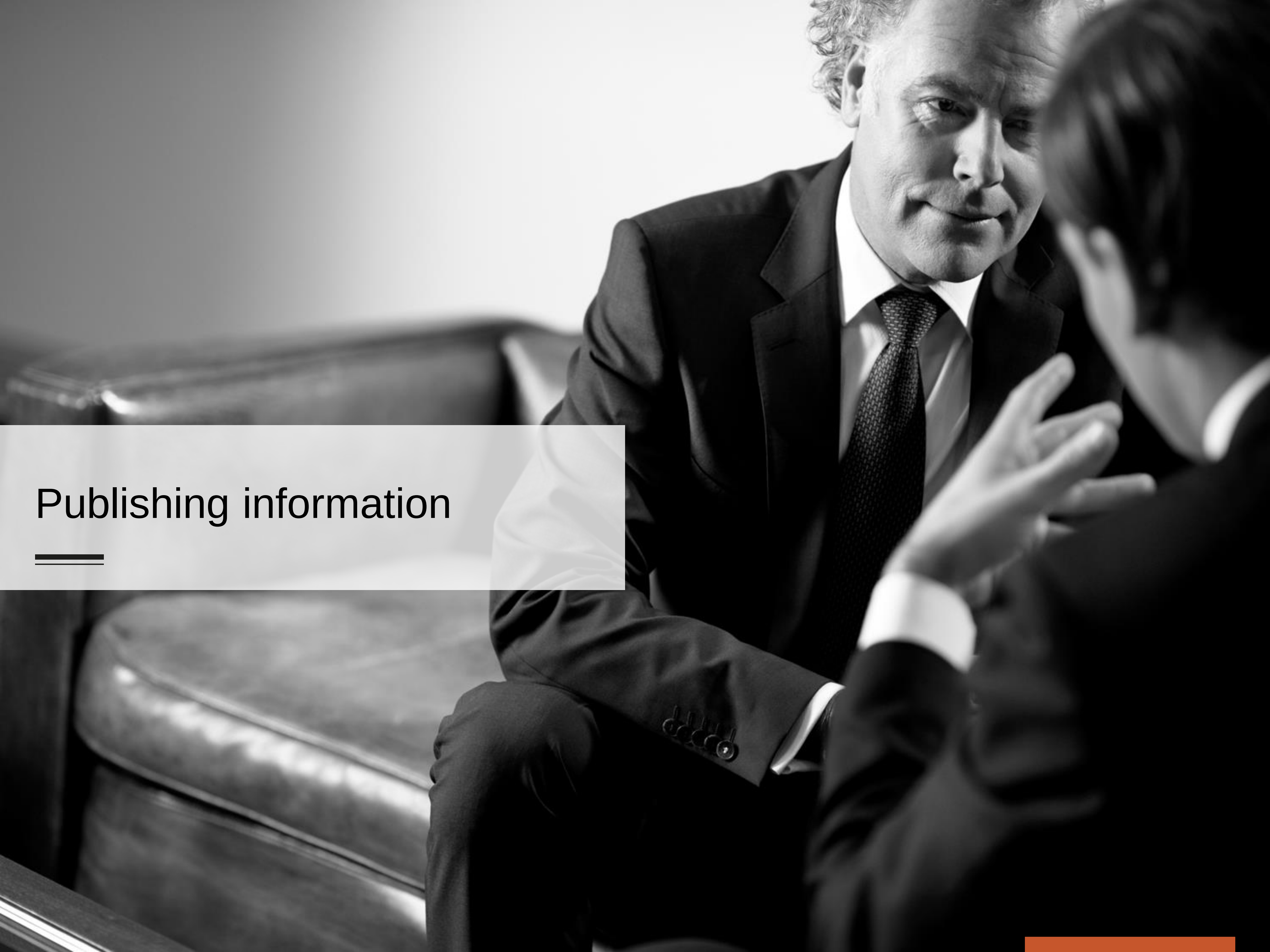
	27/07/2022	31/12/2022		30/06/2023	
Exchange rate forecasts	Current		Ø*		Ø*
EUR/USD	1.02	1.00	1.06	1.05	1.10
EUR/GBP	0.84	0.86	0.86	0.85	0.86
EUR/CHF	0.98	1.00	1.01	1.02	1.03
EUR/JPY	139	135	140	142	141

Change against the Euro (in %)					
USD	-	2.0	-3.8	-2.9	-7.3
GBP	-	-2.4	-2.4	-1.3	-2.4
CHF	-	-2.1	-3.1	-4.0	-5.0
JPY	-	3.2	-0.1	-1.9	-1.2

*Source: Bloomberg. Berenberg as of 27/07/2022.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information



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