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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

December | 2022

Horizon Handout – Capital Market Outlook
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Date 25/11/2022.

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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 (26/10/22 - 23/11/22)	YTD (31/12/21 - 23/11/22)	23/11/21 23/11/22	23/11/20 23/11/21	23/11/19 23/11/20	23/11/18 23/11/19	23/11/17 23/11/18
MSCI Emerging Markets	6.6	-14.6	-17.0	10.5	10.8	14.1	-10.0
REITs	4.2	-18.3	-14.1	33.7	-14.2	18.4	1.2
MSCI World	3.6	-6.9	-6.9	33.9	6.0	20.7	2.5
EUR Coporates	2.8	-12.9	-13.2	-0.6	2.6	6.4	-1.7
Industrial Metals	1.9	1.3	3.8	37.3	6.4	3.2	-7.5
Gold	1.9	4.6	5.8	2.5	17.0	23.0	-1.0
EUR Sovereign Debt	1.0	-9.4	-9.9	-1.1	1.7	4.6	-1.1
Euro overnight deposit	0.1	-0.2	-0.3	-0.6	-0.5	-0.4	-0.4
Global Convertibles	-0.9	-12.3	-15.8	17.0	32.0	11.4	-0.7
MSCI Frontier Markets	-1.7	-21.2	-22.1	32.4	-6.1	13.9	-7.6
USDEUR	-3.0	9.4	8.2	5.3	-6.9	2.9	4.5
Brent	-8.9	53.3	46.1	103.3	-39.3	18.3	3.8

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

Time period: 23/11/2017 – 23/11/2022.

Overview of capital markets
Outlook by asset class

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Economics

- Inflationary pressures remain high and Europe is stuck in the energy crisis. Consumers are unsettled ahead of winter.
- Early signs of falling inflationary pressures are fuelling hopes that central banks will no longer need to tighten as much.
- The risks and stress factors are leading into recession, even if labour markets are still robust.

Equities

- Year-end rally so far in tact thanks to hopes of a Fed pivot on falling inflation. Risk of a bear market rally.
- Valuations have risen. Earnings growth expectations for 2023 still clearly positive despite gloomy economic outlook.
- The lows should be behind us, even if the way up is not yet clear with central banks remaining restrictive.

Bonds

- Safe government bond yields decline. Strongest inversion of the German yield curve in 30 years.
- Corporate bonds increasingly attractive in the medium term. Emerging market bonds with mixed spread development.
- We underweight bonds due to government bonds but are increasingly overweight in credit risk.

Alternative investments / commodities

- Oil with upside potential on China re-opening, end of US strategic reserve release and only mild recession.
- Gold benefits from weak dollar. Fed pivot needed for uptrend. Relative attractiveness to bonds reduced.
- 16-point plan in China boosts industrial metals. Inventories low, liquidity very thin. Supercycle remains intact.

Currencies

- The euro remains at depressed levels. Uncertainty about the economic consequences of the energy crisis is weighing on it.
- The somewhat higher risk appetite has slightly weakened the US dollar, allowing the euro to rise above parity.
- A sustainable upward trend for the euro is not expected until next year, when the winter is over.

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

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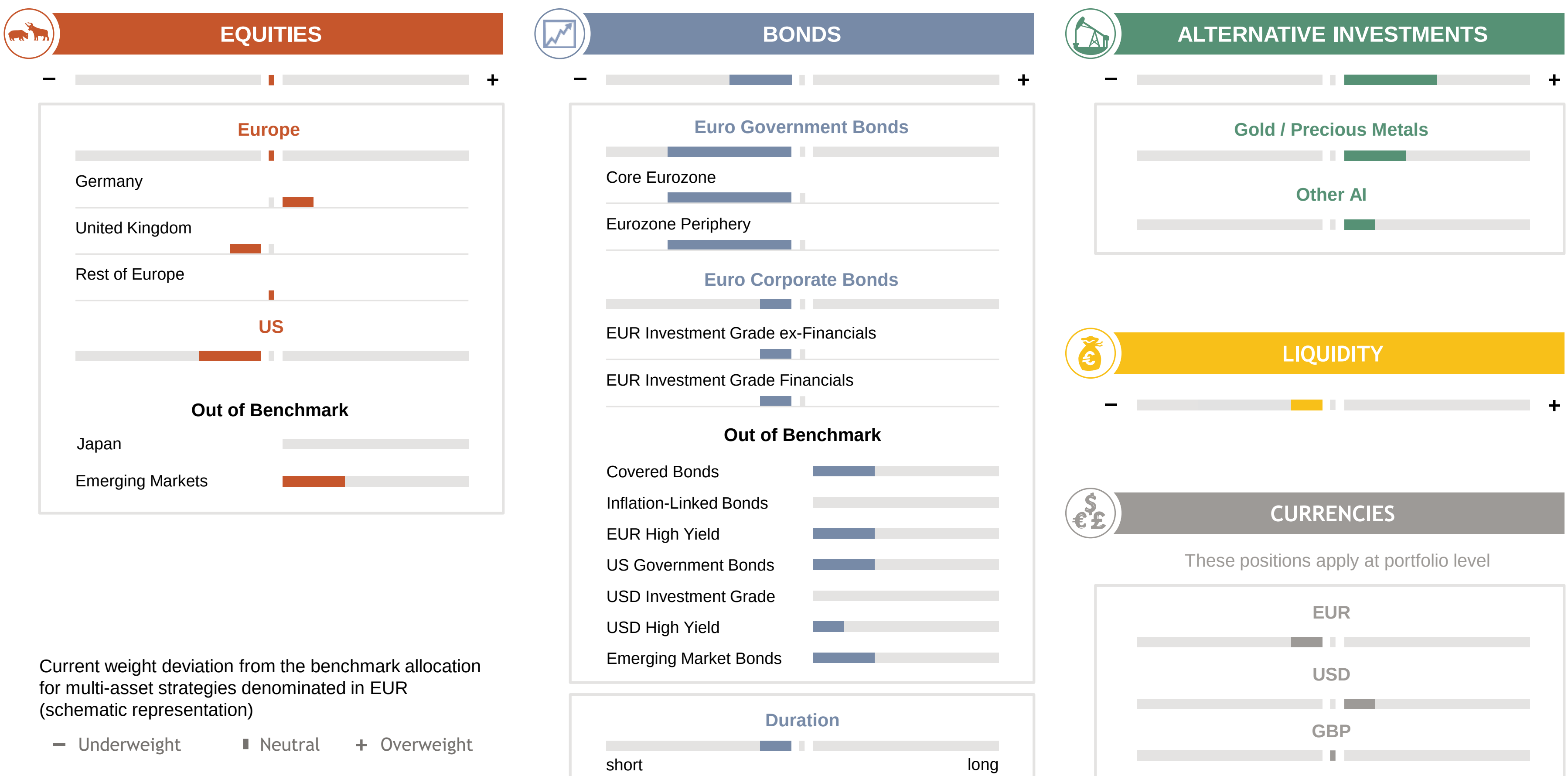
Portfolio positioning of a balanced mandate at a glance



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

– Underweight ▮ Neutral + Overweight

Source: Berenberg

As of 23/11/2022.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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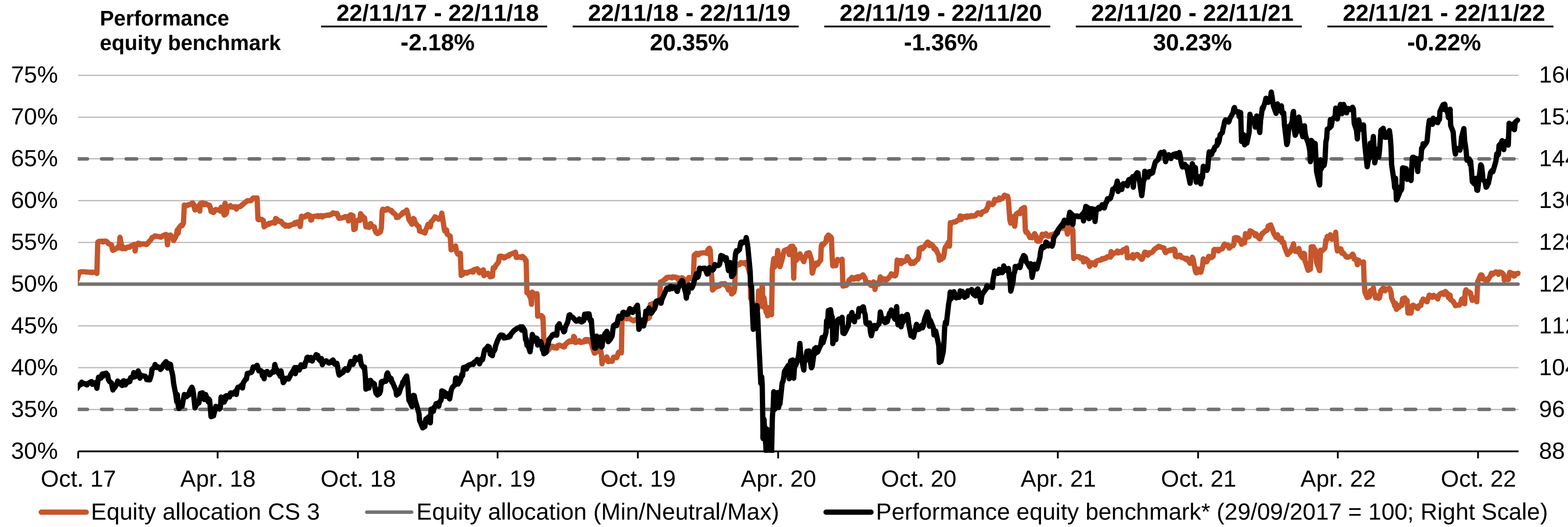
Management of the equity allocation of a balanced multi-asset mandate since inception



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 22/11/2017 – 22/11/2022.
Note: The historical performance presented here is not a reliable indicator of future performance.

- We had reduced our equity exposure in several steps in the first half of 2022. In addition, we reduced our bond underweight after the massive rise in interest rates via US Treasuries and long-duration euro government bonds in view of the smouldering energy crisis and impending recession. At the end of September, we countercyclically increased our equity quota to neutral again, among others through European small caps. The record negative investor sentiment and positioning suggested limited downside potential and we saw the chance of an equity recovery towards the end of this year or early next year.
- We leveraged October and November mainly to increase bond ratios (corporate bonds) after the significant rise in interest rates. We also reduced gold slightly and continued to add to industrial metals. These are structurally supported by the energy transition and could additionally benefit from a reopening of China. Within US equities, we have now partially hedged our exposure to currencies and also turned large caps into mid caps, which are more favourably valued.

02 Economics

Eurozone
GDP and inflation

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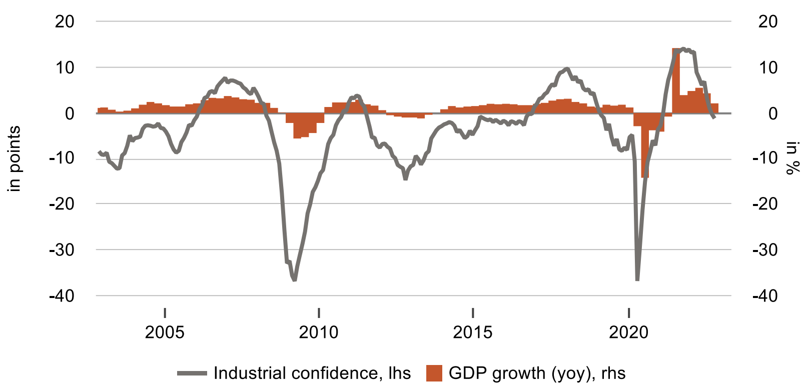
Winter recession

- Eurostat confirms its earlier estimate with the latest GDP data: the eurozone economy grew by 0.2% quarter-on-quarter in Q3. We expect the eurozone to enter a recession in Q4/2022 and Q1/2023 – albeit a less severe one than Germany.
- However, the ZEW survey results for the euro area are slightly worse than for Germany. The current situation indicator rose to -65.1 in November from -70.6 in October and the expectations indicator improved to -38.7 in November from -59.7 in October.

Prices continue to rise

- In the Eurozone, the inflation rate continues to rise. After 9.9 % in September, the inflation rate in October was 10.7 %. Core inflation has risen from 4.8 to 5.0 %.
- The range of inflation rates remains very high: France marks the lower end with an inflation rate of 7.1 %, Estonia the upper end with 22.4 %. France is in a comparatively good position because the government is strongly cushioning the rise in energy prices with price brakes. Government intervention in price formation complicates the inflation forecast.

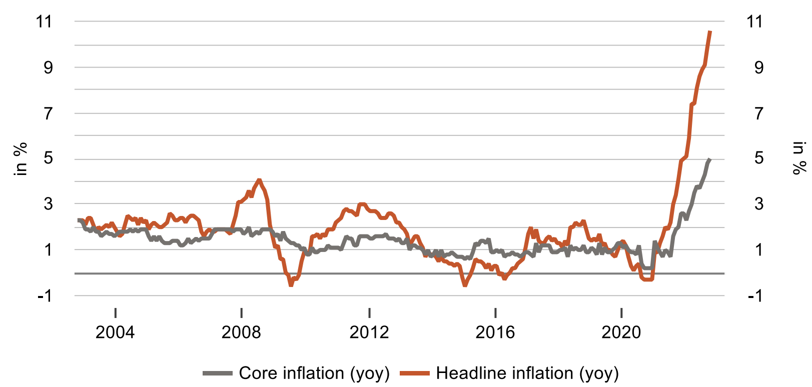
Eurozone GDP growth and industrial confidence



Source: Macrobond

Period: 11/2002 - 11/2022

Eurozone Inflation



Source: Macrobond

Period: 10/2002 - 10/2022

United Kingdom
GDP and inflation

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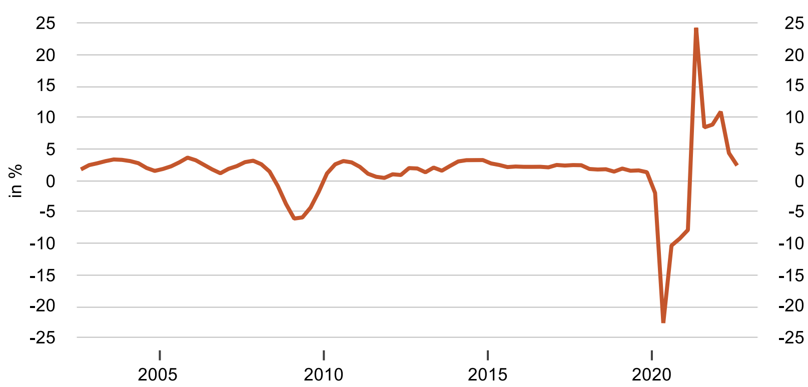
Higher taxes announced

- Chancellor Jeremy Hunt has announced tax hikes. All citizens must be prepared for higher taxes, especially the wealthy and high-income individuals. Cuts are to be made on the expenditure side. This would seal the complete departure from "Trussonomics". A few weeks ago, former Prime Minister Liz Truss had sent the markets into turmoil with tax-cutting plans.
- In the meantime, it has become increasingly clear that the days of supposedly free state welfare are coming to an end. The old economic truism – "there is no free lunch" – had long been out of fashion but is now celebrating its comeback.

Prices pick up again

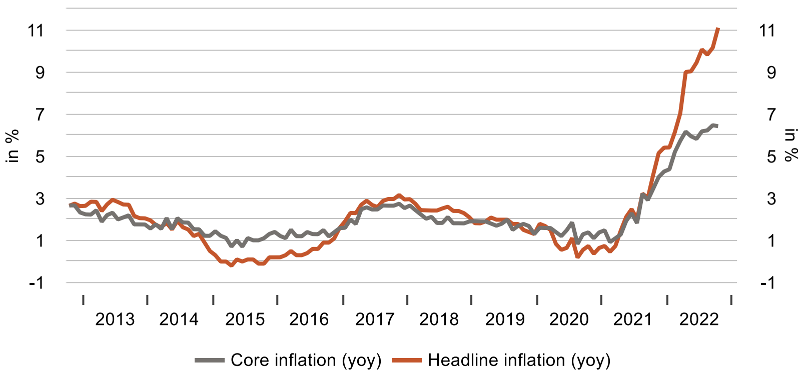
- Consumer prices rose by 11.1 % year-on-year in October, significantly more than in September (10.1 %). The Bloomberg consensus and we had only expected a rise to 10.7 %.
- Inflation had already reached a 40-year high. In this respect, the upside surprise is worrying. However, the rise is largely due to the increase in the price ceiling for household energy in October. Core inflation is moving sideways year-on-year at 6.5 %. The rise in producer prices continues. With a little luck, inflation peaked in October.

United Kingdom GDP growth (yoy)



Source: Macrobond Period: 09/2002 - 09/2022

United Kingdom Inflation



Source: Macrobond Period: 10/2012 - 10/2022

USA
GDP and inflation

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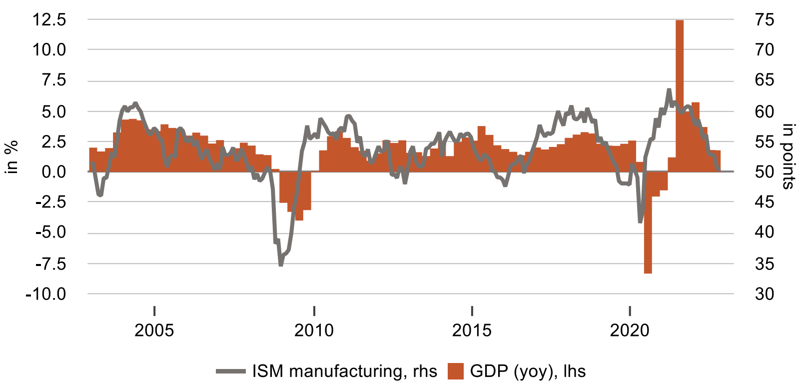
Mixed data

- Industrial production is on somewhat shakier ground. In October, it fell by 0.1 % compared to the previous month and the September value was revised down from +0.4 % to only +0.1 %. In contrast, retail sales paint a positive picture. They rose by 1.3 % in October compared to the previous month. The depressed consumer sentiment and higher interest rates do not seem to be having an impact yet. There are signs of relatively strong Christmas sales.
- Further easing on the price front: the producer price index (PPI) for final demand rose by 0.2 % in October month-on-month, reducing the year-on-year increase to 8 %.

House of Representatives: Republican majority

- After the Democrats hold the majority in the Senate, it is now clear that the Republicans have won the majority in the House of Representatives. The Republicans were thus able to celebrate at least a partial success. Measured against the forecasts, however, the result remains disappointing.
- Meanwhile, as expected, former President Donald Trump has announced his intention to run for president again in 2024. After the midterm elections, in which loyal Trump supporters in particular posted disappointing results, it remains to be seen how much support Donald Trump still has among Republicans.

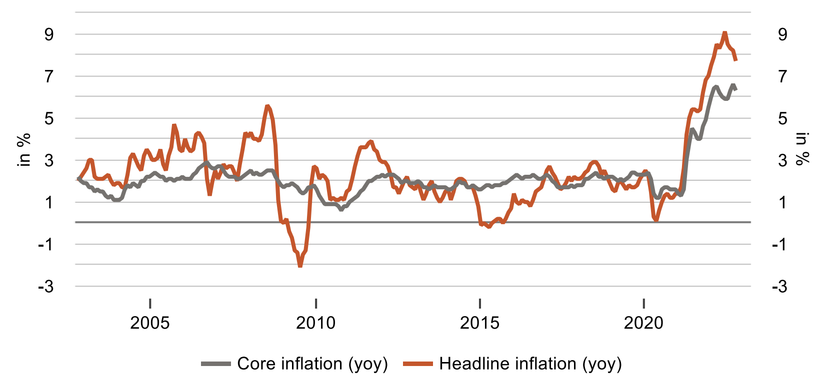
US GDP growth and Purchasing Managers Index



Source: Macrobond

Period: 10/2001 - 10/2022

USA Inflation



Source: Macrobond

Period: 10/2002 - 10/2022

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	1.9	1.8	-0.2	0.4	1.2	1.4	8.1	8.1	4.2	4.3	2.6	2.5
Eurozone	3.1	3.2	-0.8	-0.1	2.3	1.5	8.6	8.5	6.8	5.9	2.1	2.1
Germany	1.6	1.6	-1.1	-0.7	2.5	1.3	8.8	8.6	7.1	6.5	2.1	2.5
France	2.4	2.5	-0.3	0.3	2.3	1.3	5.9	5.9	5.2	4.9	1.9	2.2
Italy	3.6	3.7	-0.9	-0.1	1.5	1.0	8.7	8.2	7.3	6.0	2.0	1.9
Spain	4.5	4.5	-0.2	0.9	2.4	1.9	8.5	8.8	3.2	4.7	2.0	2.1
United Kingdom	4.2	4.2	-1.3	-0.8	2.0	1.0	9.0	9.0	5.4	6.8	1.6	2.5
Japan	1.5	1.5	0.6	1.3	1.2	1.1	2.5	2.3	2.2	1.6	0.9	1.0
China	3.3	3.3	4.4	4.8	3.9	4.9	2.2	2.2	2.5	2.3	2.3	2.1
World*	2.9	-	1.2	-	2.6	-	-	7.5	-	5.1	-	3.4

Source: Bloomberg. Berenberg as of 23/11/2022.
* 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

Hope for a turnaround in central bank policy

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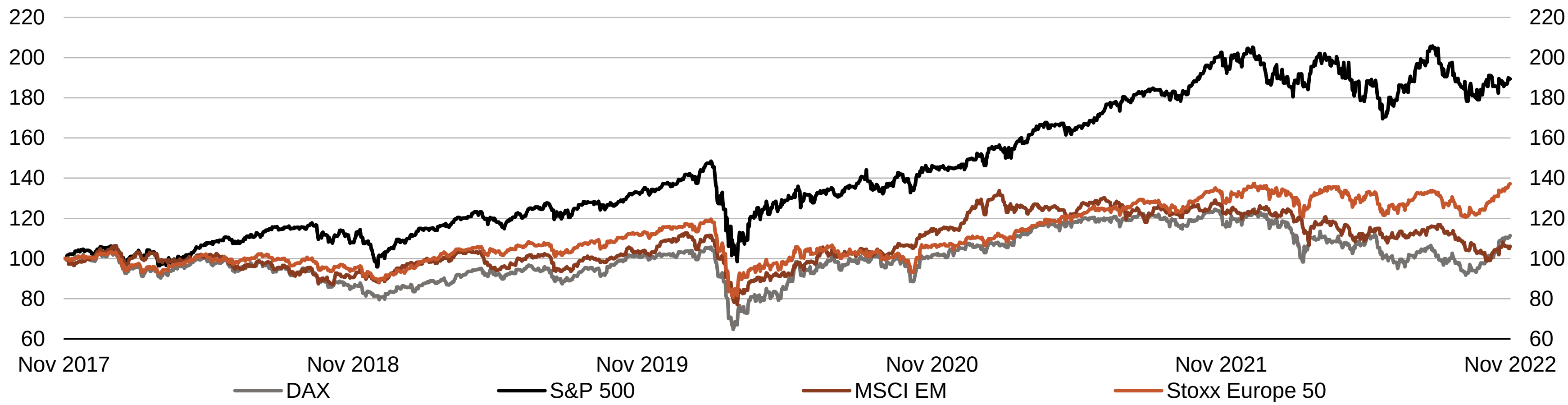
Markets driven by hope

- Lower-than-expected US inflation triggered an equity rally. The rally was driven by falling interest rates, a weaker US dollar and the low equity positioning of many investors. Tech stocks in particular benefited from short covering, with some gaining more than 20%. China hopes and the build-up of stocks by trend-following strategies as a result of better momentum and falling volatility reinforced the price rise.
- Whether the year-end rally continues depends mainly on the next inflation number and the Fed's reaction in mid-December. If volatility continues to fall until then, more systematic strategies are likely to be pushed into the market. On the other hand, the strong outperformance of equities versus bonds since the beginning of the quarter is creating rebalancing pressure towards the end of the year. Consequently, further upside potential is likely to be limited in the short term. However, the development of corporate profits is likely to be decisive for the medium-term direction of the markets.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 24/11/2017 – 24/11/2022.

Corporate earnings
The pressure continues

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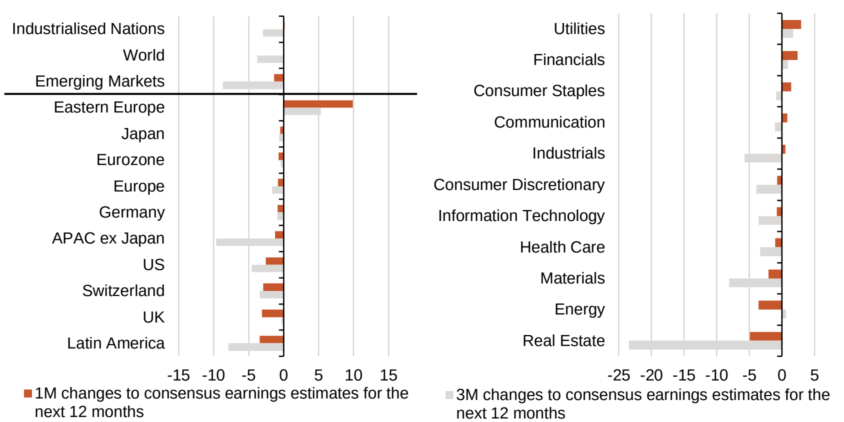
Bleak economic outlook seeps through

- Earnings revisions remain negative. Analysts are increasingly factoring the gloomy economic outlook into their corporate earnings forecasts. The most negative revisions in the last four weeks were seen in stocks from Switzerland, the USA and Latin America. Analysts are more positive on companies from Eastern Europe, thanks to falling currencies and increasing hopes for a timely end to the war.
- Among European sectors, analysts have become slightly more positive on financials and utilities.

Profit growth in 2023 not expected in all regions

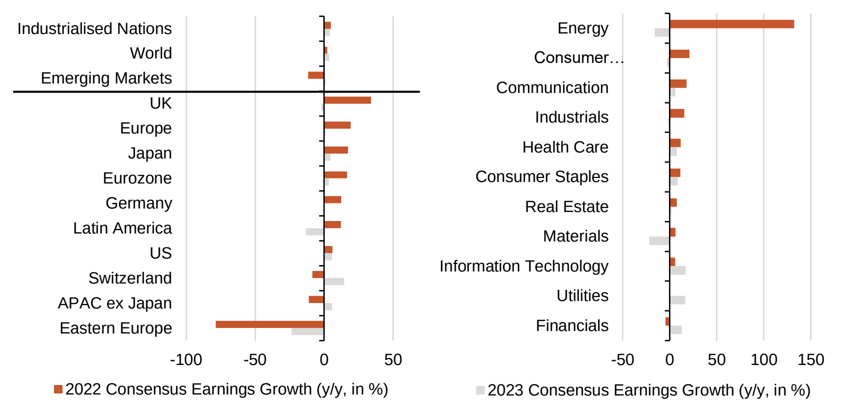
- Earnings growth for global equities is expected to be slightly positive in 2022. For 2023, the consensus also expects rising earnings, most notably for US and Swiss equities. Significantly positive earnings growth is also expected for Asia.
- Sectorally, corporate earnings in Europe are likely to rise in 2023, especially in IT, financials and utilities.

Finance and utilities buck the trend



Source: Bloomberg, MSCI Europe Sectors As of 24/11/2022.

Switzerland, USA and Asia with profit growth in 2023



Source: Bloomberg, MSCI European sectors. As of 24/11/2022.

Valuation & Positioning
Investors remain pessimistic

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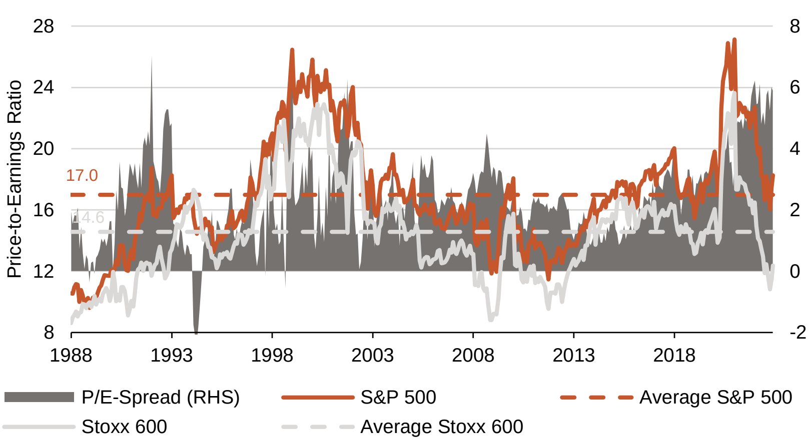
Stocks have become slightly more expensive again

- Valuation ratios have gained in recent weeks thanks to the significantly rising markets. The P/E ratio of the S&P 500 is again above the historical average of 17.
- The Stoxx 600 has also recovered from its low for the year and is trading at a P/E ratio of more than 12. However, the valuation remains well below the historical average of 14.6.
- The valuation difference between US and European equities, on the other hand, has remained stable at around 6 points. US stocks are thus still significantly more expensive than European stocks – also in historical context.

US investors not yet convinced by the rally

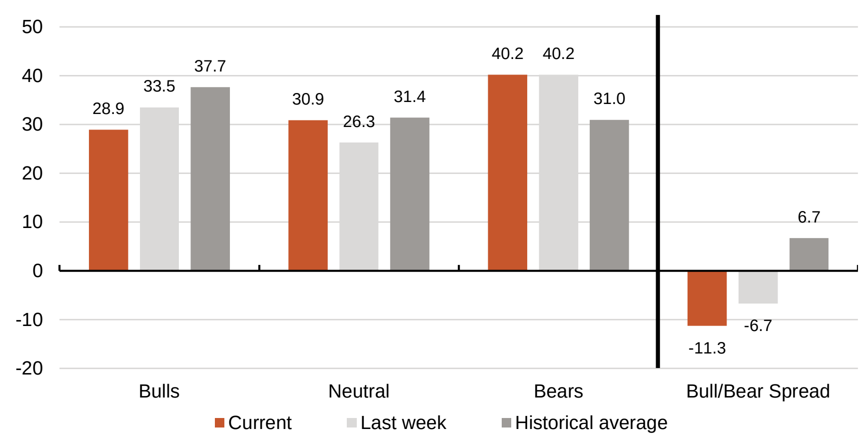
- Among US private investors, the bears continue to dominate despite the recovery rally. Investor sentiment thus remains gloomy. Hence, positioning is also unlikely to be very offensive, which offers further potential for a recovery should central banks reconsider their restrictive course.
- In addition to US private investors, many institutional investors and especially systematic investors with volatility target are still far from an offensive positioning.

Valuation on the rise



Source: Bloomberg, own calculations. Time period: 01/01/1988 – 24/11/2022.

Pessimists dominate among US private investors



Source: Bloomberg, own calculations. Time period: 23/07/1987 – 24/11/2022.

Equity allocation
Overweight in EM and Europe ex. UK

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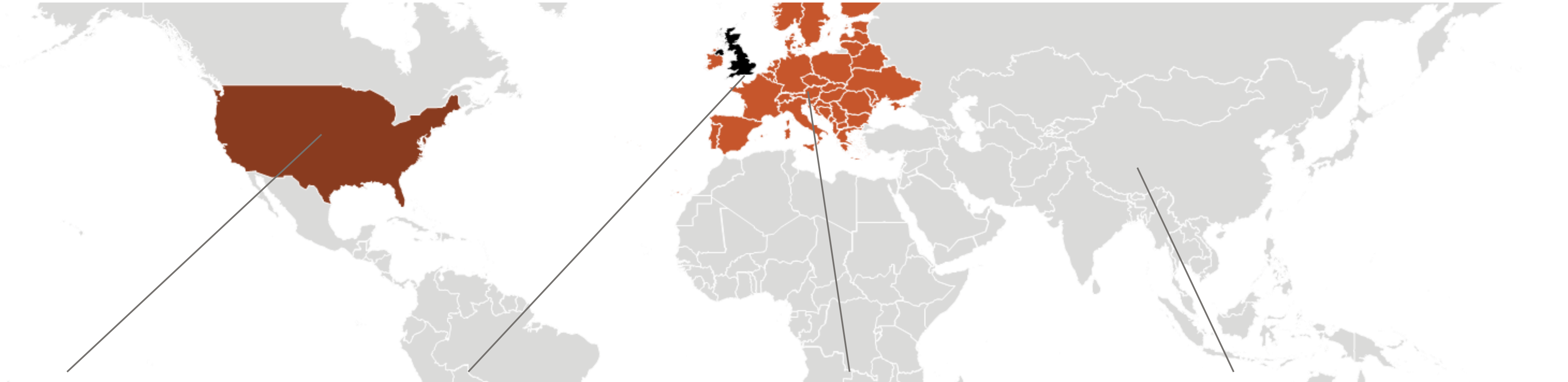

US

Underweight

- The earnings expectations of US companies are still clearly too high in the context of of high inflation, the restrictive policy of the Fed and the resulting threat of recession. These risks are not adequately reflected in the higher valuations of US stocks.
- With regards to equities, we are underweight US equities and close to neutral on European equities.

United Kingdom

Underweight

- UK equities are cheap compared to many other regions. At an 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 throughout the year.

Europe ex. UK

Overweight

- Russia's war in Ukraine and the associated rise in inflation weight on European companies in particular.
- However, European equities are now favourably valued compared to their historic data and the US, and offer catch-up potential since sentiment is very pessimistic. We have a slight underweight on 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.
- Sentiment, positioning and valuation in Chinese equities is very depressed. The expansionary measures and a possible opening after 0-Covid could boost Chinese markets in 2023. However, risks remain for the time being.

Equity market forecasts

Estimates for selected indices

Index forecasts	Current 23/11/2022	30/06/2023	31/12/2023	Ø* in 12 Monaten
S&P 500	4,027	4,250	4,500	4,502
Dax	14,428	15,000	15,800	17,490
Euro Stoxx 50	3,946	4,000	4,200	4,602
MSCI UK	2,147	2,350	2,400	2,531

Index potential (in %)				
S&P 500	-	5.5	11.7	11.8
Dax	-	4.0	9.5	21.2
Euro Stoxx 50	-	1.4	6.4	16.6
MSCI UK	-	9.5	11.8	17.9

Source: Bloomberg. Berenberg. as of 23/11/2022.
*Average based on bottom-up estimates.


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

04 Bonds

Government bonds
Yields on safe government bonds recently fell again

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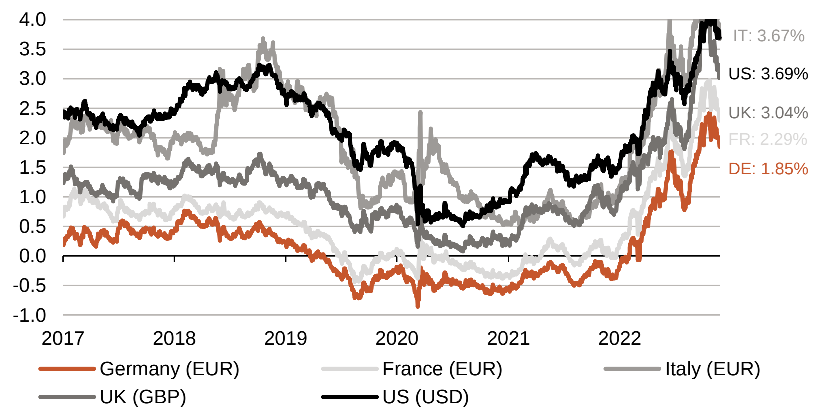
Decline in yields on safe government bonds

- Safe government bond yields came back noticeably after lower-than-expected US inflation for October. The market is hoping for an imminent turnaround in the restrictive interest rate policy of the global central banks. It is currently pricing in a rate hike of around 50 basis points for the Fed, ECB and BOE in December. The minutes of the Fed's November meeting also brought hope for a turnaround. Here, a "substantial majority" of members spoke out in favour of a slowdown in hikes as "appropriate soon". In the short term, however, there should also be support from momentum strategies and rebalancing pressure towards the end of the year.

German yield curve with strongest inversion since 1992

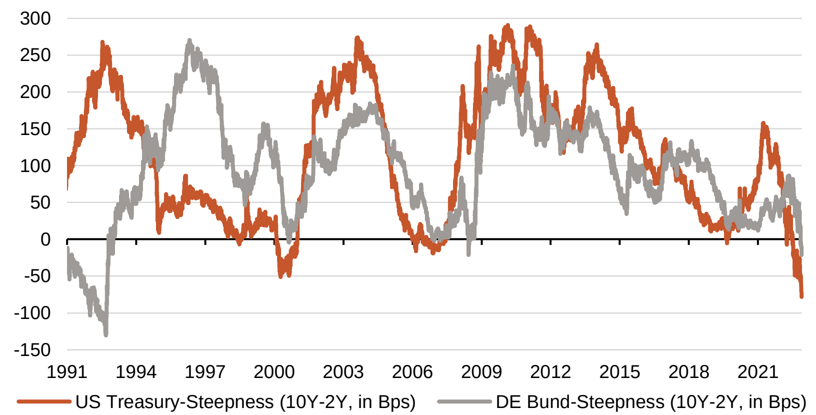
- While the US yield curve has already been inverted since spring this year, the German yield curve is now following suit. After sliding into negative territory this November for the first time since the 2008 financial crisis, the German yield curve is now inverted more than it has been in 30 years.
- In an inverted curve, short-term interest rates exceed long-term rates. The market is thus pricing in interest rate cuts in the medium term due to a stronger economic slowdown and believes that inflation will be brought under control in the mid-term.

Yield loss on safe government bonds



Source: Bloomberg Time period: 01/01/2017 – 24/11/2022

US and German yield curves continue to invert



Source: Bloomberg Time period: 01/01/1991 – 24/11/2022

Corporate & EM bonds
Corporate bonds attractive in the medium term

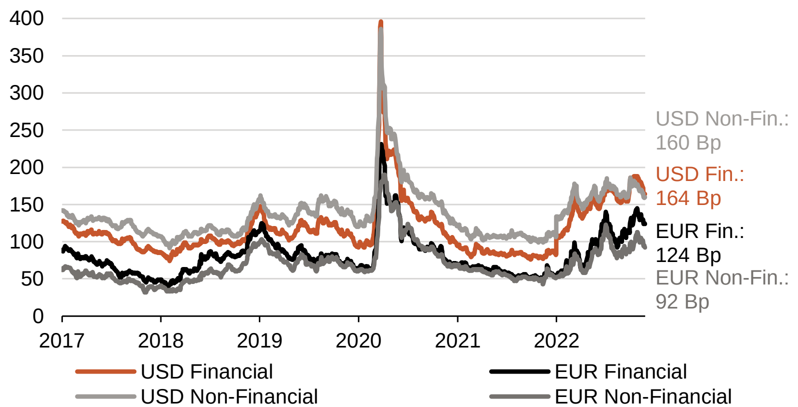
Yield declines for corporate bonds

- Corporate bonds have seen a noticeable narrowing of risk premia over the last four weeks. Many investors are increasingly focusing on the segment, also as an alternative to equities. USD financial bonds, for example, recorded a spread narrowing of 24 basis points. The risk premia of European IG corporate bonds also fell back to the levels of mid-October this year.
- With solid balance sheets and liquidity reserves, we remain constructive on corporate and emerging market bonds in the medium term.

High yield bonds with clear spread tightening

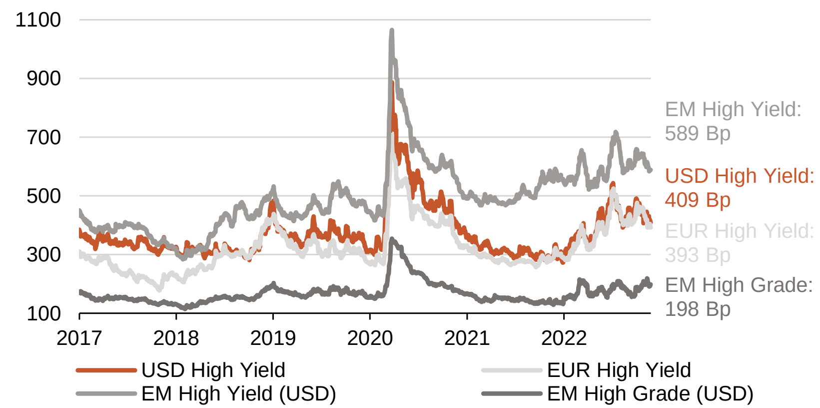
- The high-yield bond market also experienced a significant narrowing of risk premiums over the last four weeks. The risk premia of EUR high-yield bonds experienced the most significant decline, falling by almost 70 basis points. However, concerns about a recession, especially in Europe, limit the possibility of a further, stronger narrowing of spreads.
- Emerging market bonds did not show a clear picture. EM high-grade spreads barely moved, while emerging market high-yield risk premiums fell by around 56 basis points to end-August levels.

EUR and US risk premia increased noticeably



Source: Factset Time period: 01/01/2017 – 24/11/2022

Rise in risk premiums for EM high-yield bonds



Source: Factset Time period: 01/01/2017 – 24/11/2022

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 during risk-off phases. With the rise in yields and in light of the threat of a recession, the segment is somewhat more attractive again, despite continued high inflation.
- In the case of rising interest rates, we do not rule out further purchases of long-dated bonds such as European government bonds to increase duration.

Corporate bonds
Overweight

- Corporate bonds have gained in relative attractiveness compared to government bonds as well as equities due to this year's widening of spreads.
- Within the corporate bond segment, we prefer securities with short maturities. Increasing the duration and EUR credit exposure is also becoming increasingly interesting.

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 attractive to us here as well as in Latin America.

High yield bonds
Overweight

- We leveraged the high interest rate and increased spread level and opportunistically built up a position in financial subordinated bonds.

Forecasts

Estimates for selected bond markets

Base interest rates and government bond yields (in %)	23/11/2022	30/06/2023		31/12/2023	
	Current		Ø*		Ø*
US					
Base interest rate	3.75-4.00	4.75-5.00	5.00	4.25-4.50	4.65
10Y US yield	3.70	3.70	3.89	3.40	3.52
Eurozone					
Base interest rate	2.00	2.75	2.95	2.75	2.90
10Y Bund yield	1.93	2.50	2.23	2.70	1.96
United Kingdom					
Base interest rate	3.00	3.50	4.15	3.00	4.00
10Y Gilt yield	3.01	3.50	3.52	3.40	3.28

Source: Bloomberg. Berenberg as of 23/11/2022.
*Average of estimates by other experts (Bloomberg) consensus.

05 Commodities

Crude oil
Oil market tight despite all worries

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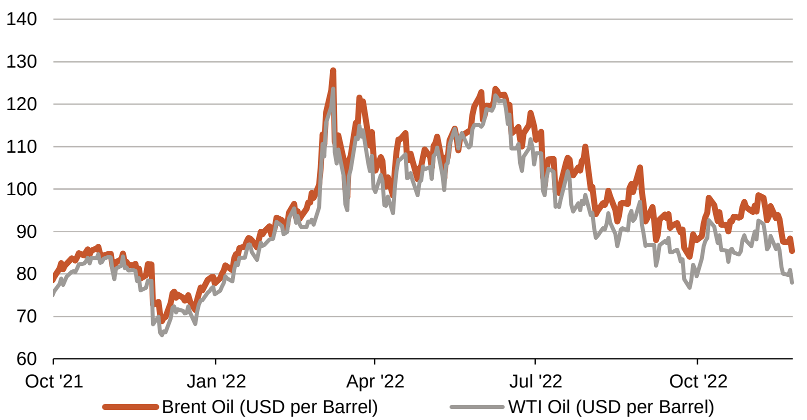
Short-term demand concerns do not change structural supply shortage

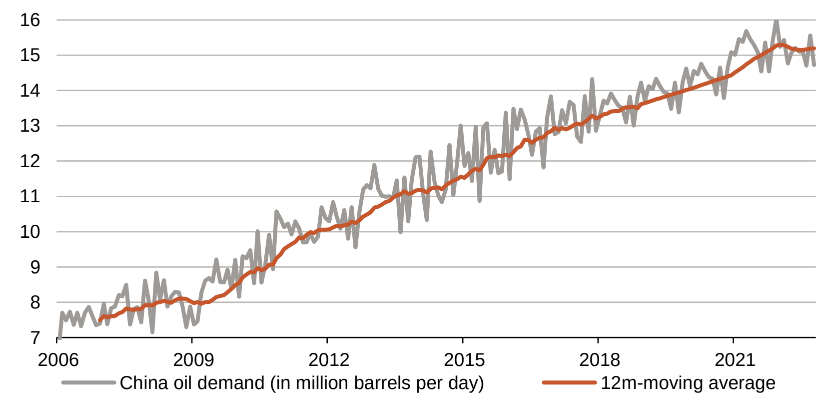
- Crude oil (Brent) came under considerable pressure in November, falling from a peak of almost 100 to less than 85 US dollars per barrel. Headwinds came from several sides. On the one hand, China recorded a significant increase in infection figures, so that hopes of a re-opening quickly evaporated. On the other hand, demand worries spread due to the smouldering recession in the West. And finally, there were increasing signs that the G7 oil price cap coming into effect in December would be much higher than expected with 65-70 USD per barrel. This would keep a large part of Russian exports on global markets.
- Despite all these strains, oil is likely to remain scarce in the coming months. This is because even though the rise in new cases in China is currently making openings difficult, there are signs of a backing away from the Zero-covid policy. Meanwhile, demand in the West is still robust and is only likely to drop noticeably in the event of a severe recession. Finally, the effect of the oil price cap was questionable from the start, as the main importing nations China and India are not participating. With the EU's oil embargo, on the other hand, part of Russia's supply is likely to be lost, as the free barrels are unlikely to be fully redistributed. In addition, the US strategic reserve will not provide any additional support to supply from January onwards. We expect the market to remain tight and prices to rise again.

Oil price recently under pressure due to demand concerns



Source: Bloomberg. Time period: 01/11/2021 – 23/11/2022.

Stagnating demand in China remains an exception



Source: Bloomberg, DOE. Time period: 01/01/2006 – 31/10/2022.

Precious and industrial metals
Gold less attractive, industrial metals remain robust

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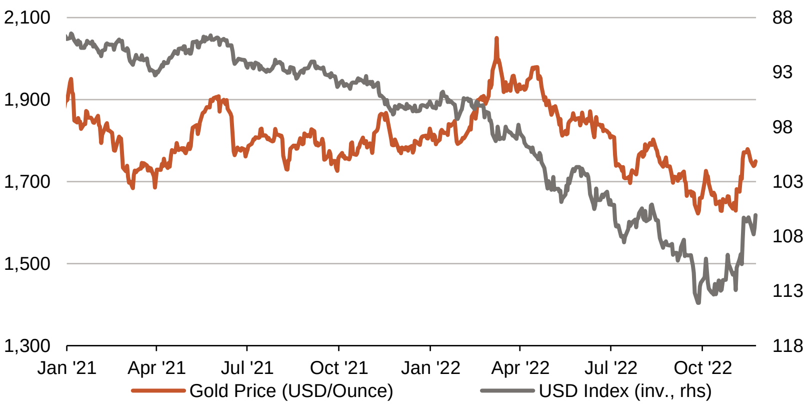
Relative attractiveness of gold has declined

- Gold recorded its best month since May 2021 in November, rising by over 7%. The main driver of the performance was the strong depreciation of the dollar. The movement was given additional momentum by short-covering on the part of speculative investors. The slight decline in real yields also provided a tailwind, so that gold still appreciated by 2% in euro terms.
- For a sustained upward movement, however, gold needs the Fed to pivot. Thus, it is likely to remain positively correlated to equities and bonds for the time being. However, since gold does not generate any current income, its relative attractiveness has declined, especially compared to bonds.

Industrial metals remain robust

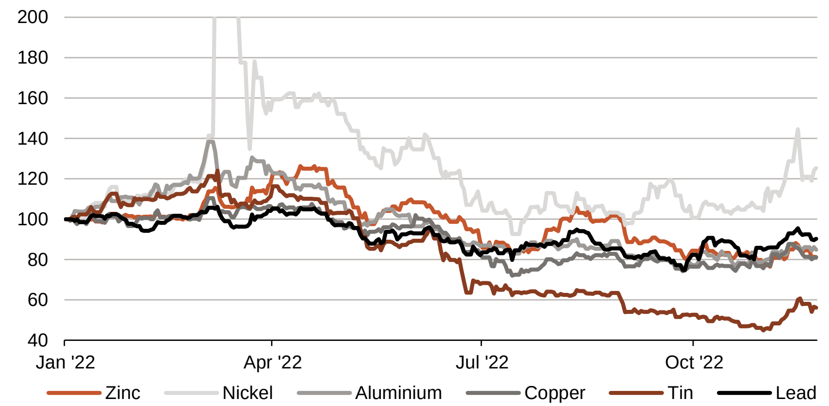
- Industrial metals also rose strongly in November. They benefited especially from the Chinese government's 16-point plan to support its real estate sector.
- Nickel temporarily saw another squeeze after rumours of a mine explosion in Indonesia spread. Liquidity in metal markets remains extremely thin.
- Even though the gloomy economic outlook is weighing on demand in the short term, metals remain scarce, as indicated by the continued very low inventory levels. The long-term upward trend remains intact thanks to the indispensability of industrial metals in renewable energies.

Weak dollar boosts gold



Source: Bloomberg. Time period: 01/01/2021 – 23/11/2022.

ndustrial metals benefit from news from China



Source: Bloomberg, own calculations. Time period: 01/01/2022 – 23/11/2022.

06 Currencies

Market Development
Interest rates and currencies

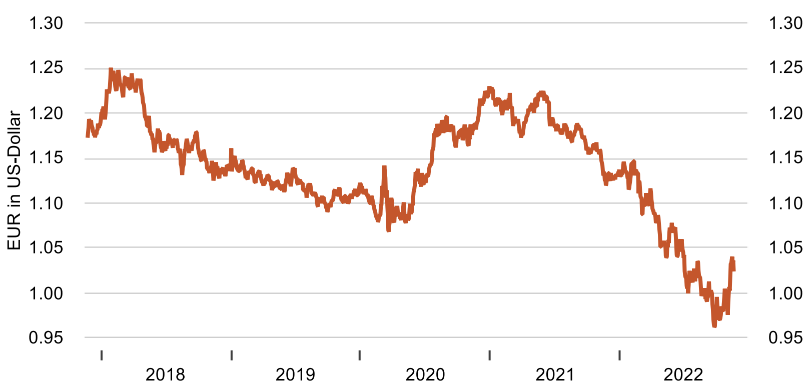
Euro holds above parity

- The euro stabilizes above parity for the time being. However, it has fallen back from its temporary high of just under 1.05 US dollars per euro to 1.04. Overall, the euro is benefiting from the somewhat better news situation and the improved market sentiment, which is weakening the US dollar.
- After the brief “Trussonomics" interlude and the foreseeable return to more fiscal discipline, the British pound is looking for orientation and is fluctuating around 0.87 pounds per euro. We see the exchange rate at 0.85 pounds per euro in the next few months.

US dollar depreciates across the board

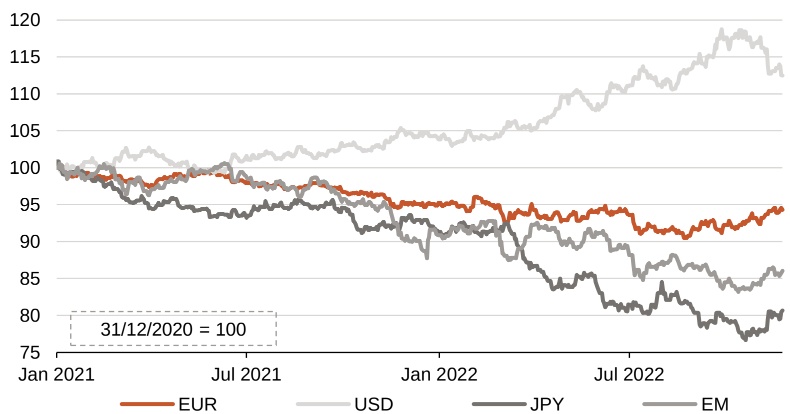
- The dollar has posted its third-strongest weekly decline in 40 years on a trade-weighted basis as a result of lower-than-expected US inflation.
- Investors now expect fewer interest rate hikes in the coming months, which has reduced the relative attractiveness of the US dollar.
- Accordingly, not only has the euro gained against the dollar, but the Japanese yen and emerging market currencies have also performed well.

Exchange rate: Euro/US-Dollar



Source: Macrobond. Period: 11/2017 - 11/2022

Development of trade-weighted indices



Source: Bloomberg, own calculations. Period: 01/2021 - 11/2022

Forecasts
Estimates of key currencies

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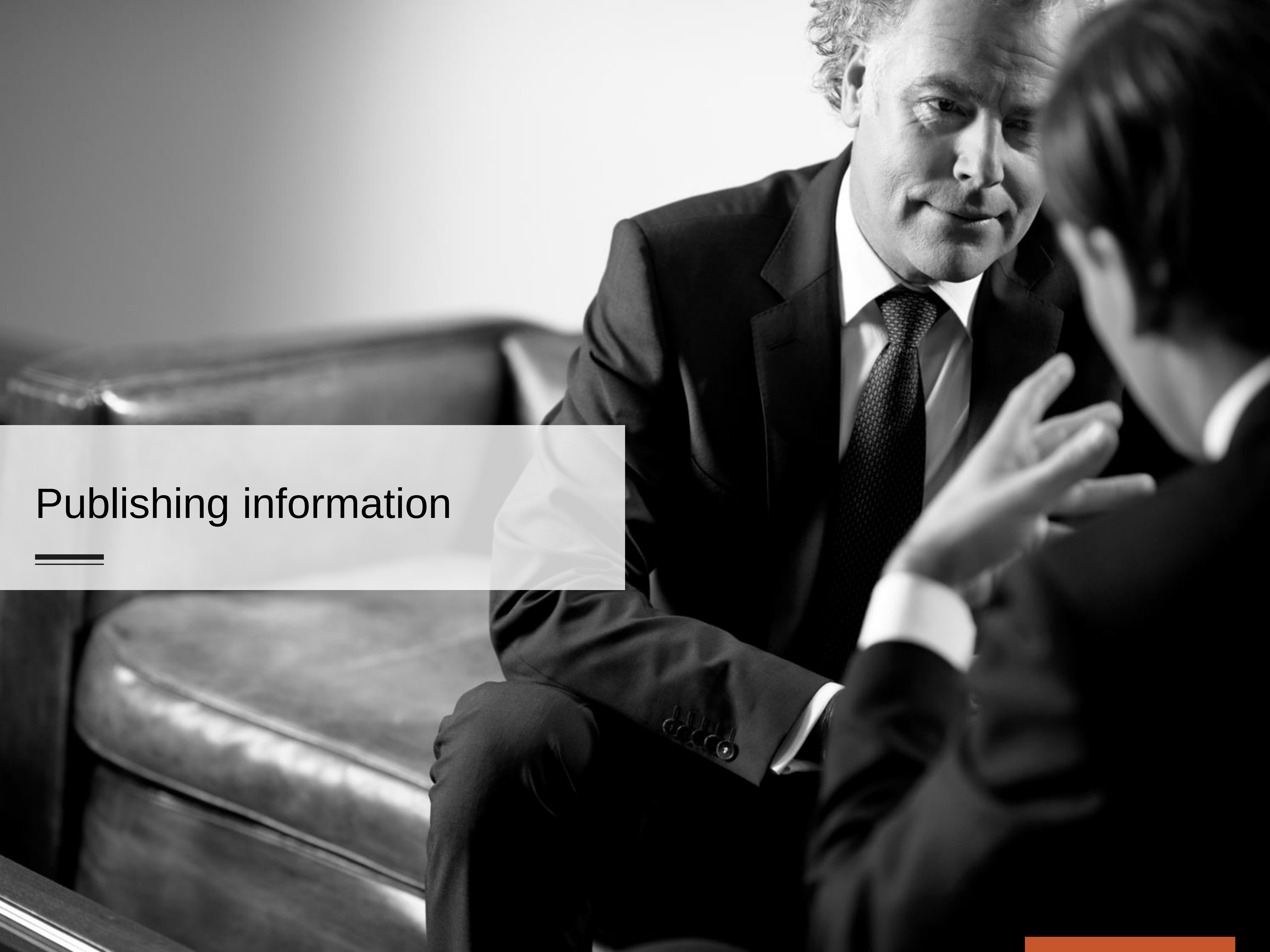
Exchange rate forecasts	23/11/2022 Current	30/06/2023		31/12/2023	
			Ø*		Ø*
EUR/USD	1.04	1.05	1.01	1.10	1.05
EUR/GBP	0.86	0.85	0.88	0.85	0.89
EUR/CHF	0.98	1.00	0.98	1.02	1.01
EUR/JPY	145	147	142	151	142

Change against the Euro (in %)					
USD	-	-1.0	2.9	-5.5	-1.0
GBP	-	1.5	-2.0	1.5	-3.1
CHF	-	-2.0	0.0	-3.9	-3.0
JPY	-	-1.3	2.2	-3.9	2.2

*Source: Bloomberg. Berenberg as of 23/11/2022.
*Average of estimates of other experts (Bloomberg); consensus.



Publishing information

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