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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

July | 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: 30 June 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 (31/05/22 - 28/06/22)	YTD (31/12/21 - 28/06/22)	28/06/21 28/06/22	28/06/20 28/06/21	28/06/19 28/06/20	28/06/18 28/06/19	28/06/17 28/06/18
Brent	3.2	77.7	108.3	67.4	-37.1	-10.6	67.4
USDEUR	2.0	8.1	13.3	-5.9	1.4	1.7	-1.7
Gold	1.1	7.5	16.0	-5.5	27.3	14.8	-1.7
Euro overnight deposit	0.0	-0.3	-0.6	-0.5	-0.4	-0.4	-0.4
MSCI Emerging Markets	-2.2	-8.4	-13.4	32.8	-2.0	5.5	3.9
EUR Sovereign Debt	-2.2	-8.2	-8.7	0.1	0.9	3.7	0.0
MSCI Frontier Markets	-2.8	-13.5	-5.3	29.2	-9.7	6.3	0.4
Global Convertibles	-3.2	-14.9	-15.1	38.8	13.1	1.6	4.0
EUR Coporates	-4.2	-13.0	-13.4	3.3	-0.4	4.9	0.7
REITs	-4.7	-13.1	2.2	23.7	-11.5	13.1	-2.0
MSCI World	-5.5	-12.7	-1.8	34.0	1.9	8.9	7.8
Industrial Metals	-12.0	0.4	17.5	41.2	-6.5	-9.6	15.0

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: 28/06/2017 – 28/06/2022.
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 worried.
- Uncertainty is spreading to the corporate sector. Despite good fundamentals, recession now looms.
- Fighting inflation: central banks must tighten monetary policy even if the economy is slowing down.

Equities

- Optimistic earnings expectations are likely to be reduced in line with worsening economic data.
- Valuation ratios have fallen across the board. Beneath the surface, there are already favourable equity market segments.
- Volatility is likely to increase further in Q3. We are betting on a barbell strategy of quality growth and commodity-heavy equities.

Bonds

- Yields on safe government bonds were recently under pressure from increasing recession fears. Flattening of the yield curve.
- Risk premiums for corporate bonds continue their upward trend. EM high-yield bonds increasingly attractive.
- We are underweight bonds and remain cautiously positioned on credit risk. Short duration.

Alternative investments / commodities

- Oil swings between recession worries, China lockdowns and the EU oil embargo. Supply remains tight and prices high.
- Gold dominated by restrictive central banks. Potential is limited despite high inflation and risk of recession.
- Base metals are temporarily weaker due to China’s lockdowns. Long-term upward trend is fully intact.

Currencies

- Hesitant ECB: Despite the announced interest rate turnaround, the euro remains weak. Other central banks are simply faster.
- The exchange rate had again fallen to below 1.04 US dollars per euro. A more substantial recovery is difficult.
- The biggest surprise was the SNB's interest rate hike. The Swiss franc thus strengthened once again.

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

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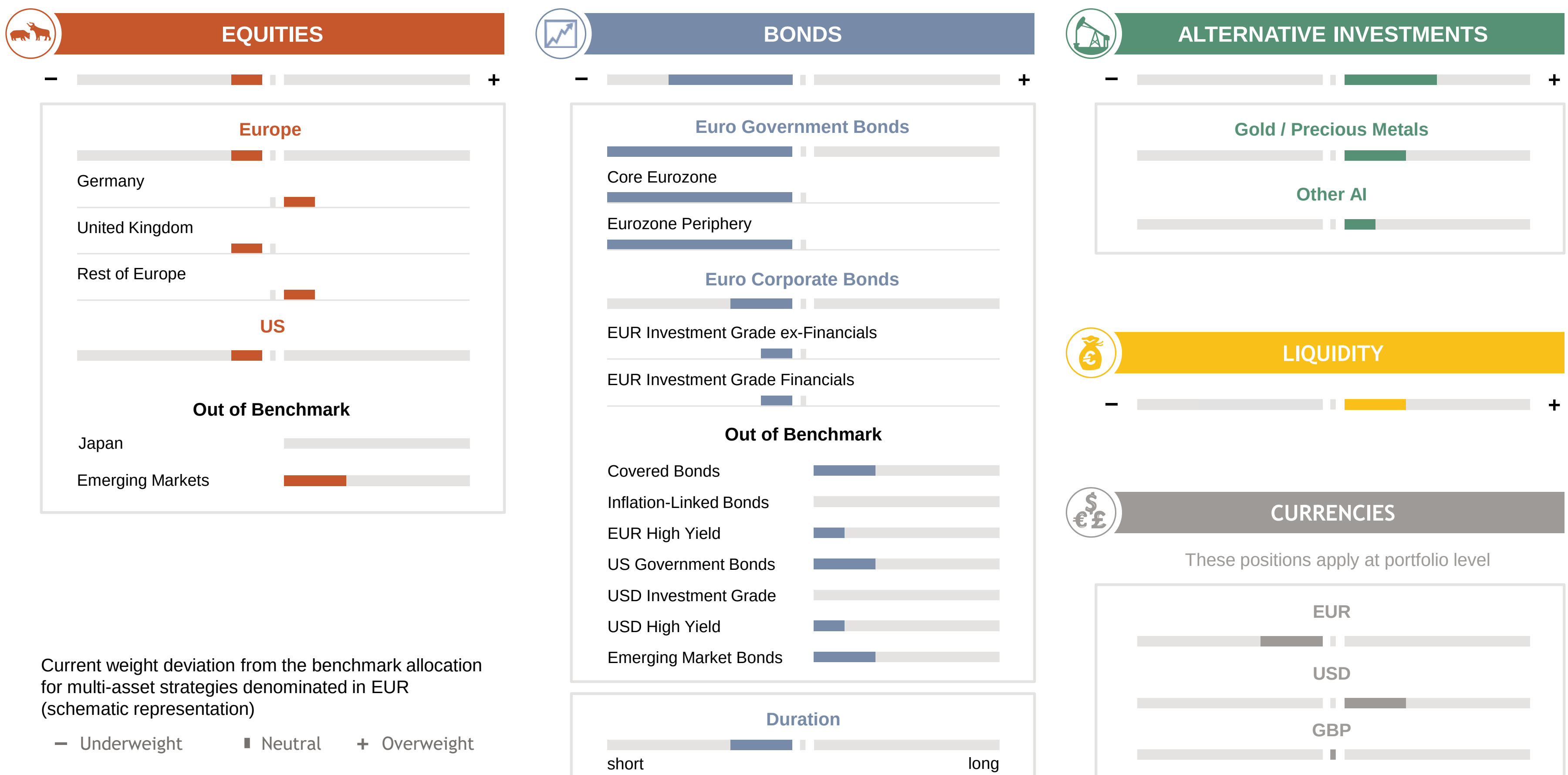
Portfolio positioning of a balanced mandate at a glance



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

− Underweight   ▮ Neutral   + Overweight

Source: Berenberg

As of 28/06/2022.

Overview of Berenberg's asset allocation
Review of Core Strategy 3

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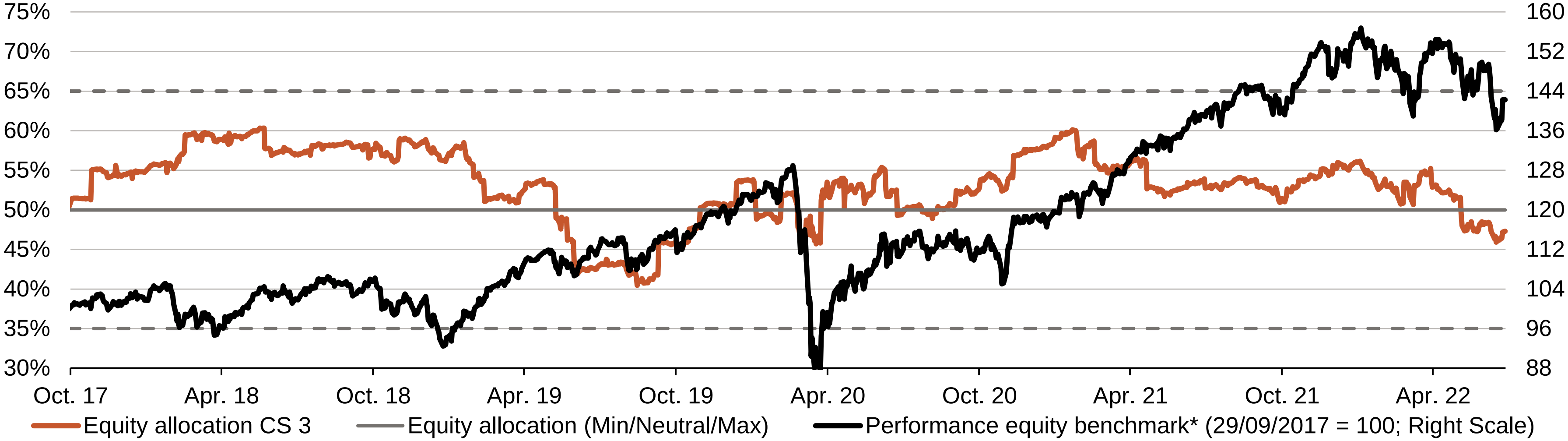
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	27/06/17 - 27/06/18	27/06/18 - 27/06/19	27/06/19 - 27/06/20	27/06/20 - 27/06/21	27/06/21 - 27/06/22
	1.87%	8.99%	-0.42%	25.98%	2.13%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 27/06/2017 – 27/06/2022.
Note: The historical performance presented here is not a reliable indicator of future performance.

- We took advantage of the significant sell-off in equity markets following Russia's invasion and the associated negative investor sentiment to successively increase our equity allocation to a moderate overweight. Within our multi-asset portfolios, we have invested in commodity-rich equity regions such as the UK and Latin America. This balances our "quality growth" style of European equities well, resulting in lower portfolio volatility. We then used the strong rally in March to take profits, including the reduction of Latin America after the strong YTD performance.
- We used the short rally after the Fed meeting in May to reduce 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 after the massive rise in interest rates in the US. As our economists now expect a recession for Europe and the US and we expect negative earnings revisions over the summer, we remain underweight equities.

02 Economics

Eurozone
GDP and inflation

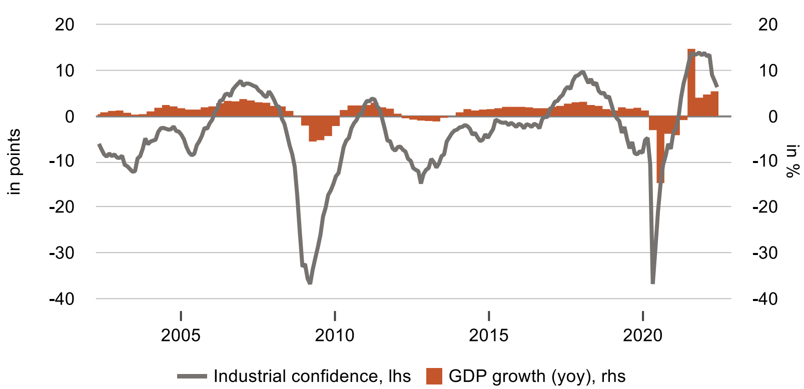
Europe before the recession

- The stress factors are becoming too great. Due to persistently high energy prices, ongoing supply bottlenecks and the now tighter monetary policy – starting from the US – the situation is changing: in our view, a recession is now no longer just a risk, but our base scenario. The summer holiday season should initially still protect against a recession thanks to the catch-up effects from the pandemic. From the fourth quarter onwards, however, the Eurozone's economic output is likely to contract. With a bit of luck, the recession may end in mid-2023. For 2023, we expect GDP to contract by 0.8 %.

Weaker purchasing managers' indices (PMIs)

- The Eurozone composite output PMI declined strongly in June, falling to a 16-month low of 51.9 from 54.8 in May. The reasons for the gloomy outlook are cost and price pressures, tighter financial conditions and continuing supply concerns .
- Sub-indicators for business expectations and new order inflows were especially soft, suggesting that a further deterioration in coming months is likely. In the short-term, economies are battered by ongoing supply shortages. Germany and other continental European countries are particularly exposed to the recent reduction of gas deliveries from Russia.

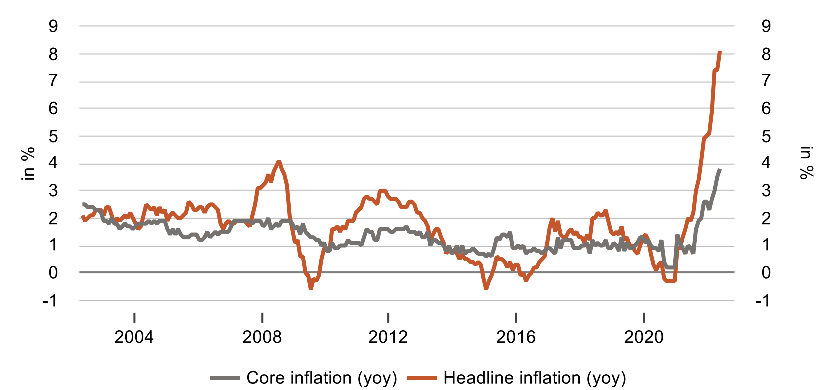
Eurozone GDP growth and industrial confidence



Source: Macrobond

Period: 05/2002 - 05/2022

Eurozone Inflation



Source: Macrobond

Period: 05/2002 - 05/2022

United Kingdom
GDP and inflation

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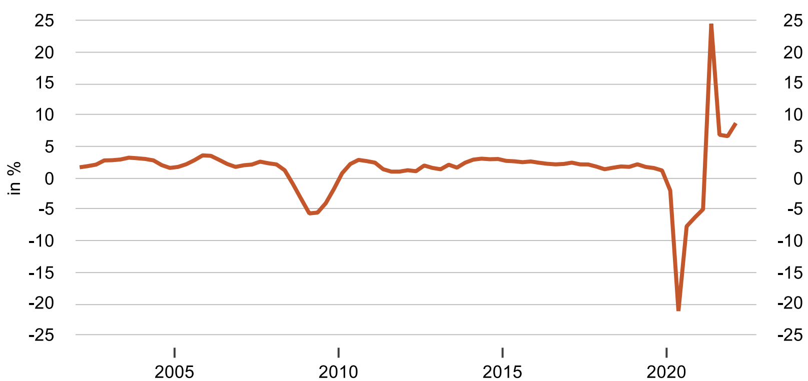
The UK economy is also threatened by recession

- The supply shocks, high inflation and the now tighter monetary policy are overshadowing the positive fundamentals. Thus, the UK economy is threatened with four quarters of negative growth rates (Q2/2022-Q1/2023). While in 2022, thanks to a good first quarter and statistical overhangs, there should still be a plus of 2.8 % for the entire year, the economy may contract by 1.0 % in 2023.
- The inflation rate is likely to be 8.0 % this year and 4.1 % next year, so the Bank of England remains challenged.

Inflation continues to rise

- Inflation in the UK rose slightly in May to 9.1 % from 9.0 % in April. Compared to the previous month, prices rose by 0.7 %.
- Core inflation (excluding food and energy) fell slightly to 5.9 % from 6.2 %, mainly due to earlier volatility and base effects.
- Unchanged from April, 80% of the prices included in the CPI basket rose by around 3% in May. On a monthly basis, prices rose by 0.7 %.
- The inflation rate (year-on-year) is likely to move sideways in the coming months.

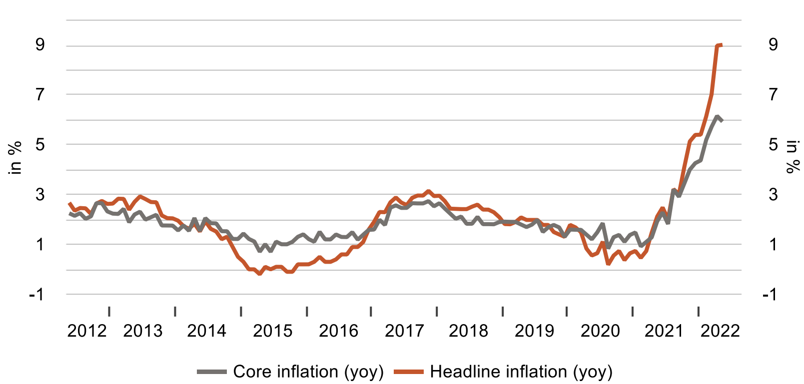
United Kingdom GDP growth (yoy)



Source: Macrobond

Period: 03/2002 - 03/2022

United Kingdom Inflation



Source: Macrobond

Period: 05/2012 - 05/2022

USA
GDP and inflation

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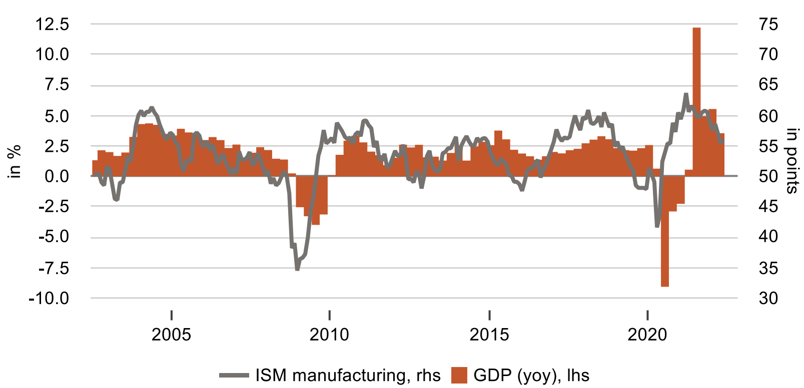
Moderate recession, rise in unemployment

- High inflation and higher interest rates are taking their toll. We now expect the US economy to stagnate at the end of 2022 and to contract in the first three quarters of 2023. Economic output should still grow by 1.9% in 2022, but then contract by 0.4% in 2023.
- As the fundamentals are better compared to previous recessions, the downturn is likely to be moderate. Growth could return at the end of 2023. The unemployment rate is expected to rise to 5 % by then.

Inflationary pressure remains high

- The overall US producer price index (PPI) rose by 0.8 % year-on-year in May to 10.8 %. The core rate (excluding food and energy) rose 0.5 % yoy to 6.8 % in May.
- Price inflation for intermediate goods accelerated by 1.7% in May, the strongest increase since June 2021, while prices for manufacturing materials rose by 2.1%.
- We now expect inflation to reach 7.8 % in 2022. Next year, upward pressures are expected to ease and inflation could fall to 3.4%.

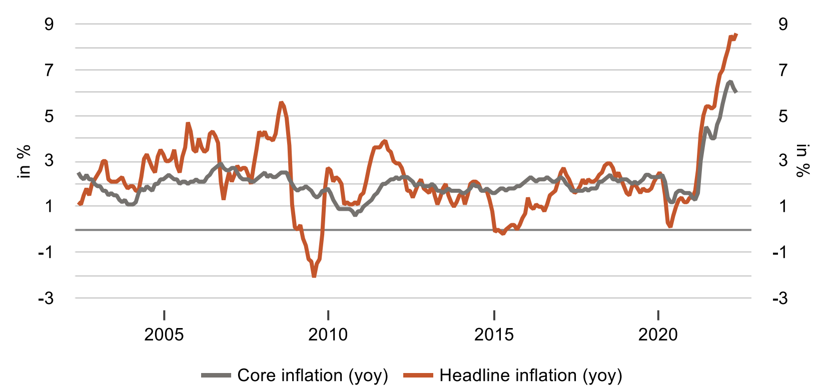
US GDP growth and Purchasing Managers Index



Source: Macrobond

Period: 05/2001 - 05/2022

US Inflation



Source: Macrobond

Period: 05/2002 - 05/2022

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	2.6	-0.4	1.9	1.0	1.9	7.8	7.5	3.4	3.4	2.7	2.3
Eurozone	2.3	2.8	-0.8	2.0	2.1	1.9	7.7	7.2	4.0	3.0	2.1	2.0
Germany	1.1	1.8	-1.0	2.1	2.2	2.0	7.7	7.3	4.1	3.4	2.2	1.9
France	2.0	2.6	-0.4	1.8	2.1	1.7	5.5	5.2	3.6	2.8	2.1	1.9
Italy	2.4	2.8	-0.9	1.8	1.3	1.6	7.1	6.6	4.0	2.7	2.2	1.7
Spain	3.8	4.3	-0.9	2.9	1.9	2.5	7.9	7.6	3.2	2.6	2.2	1.9
United Kingdom	2.8	3.6	-1.0	1.1	1.7	1.7	8.0	8.3	4.1	4.8	1.9	2.0
Japan	1.8	1.7	1.9	1.8	1.4	1.0	1.8	1.9	0.9	1.1	0.7	0.8
China	4.3	4.1	4.9	5.2	4.5	5.0	1.9	2.2	2.3	2.3	2.3	2.3
World*	2.8	-	1.8	-	2.5	-	-	6.7	-	4.0	-	3.3

Source: Bloomberg. Berenberg as of 28/06/2022.
* 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

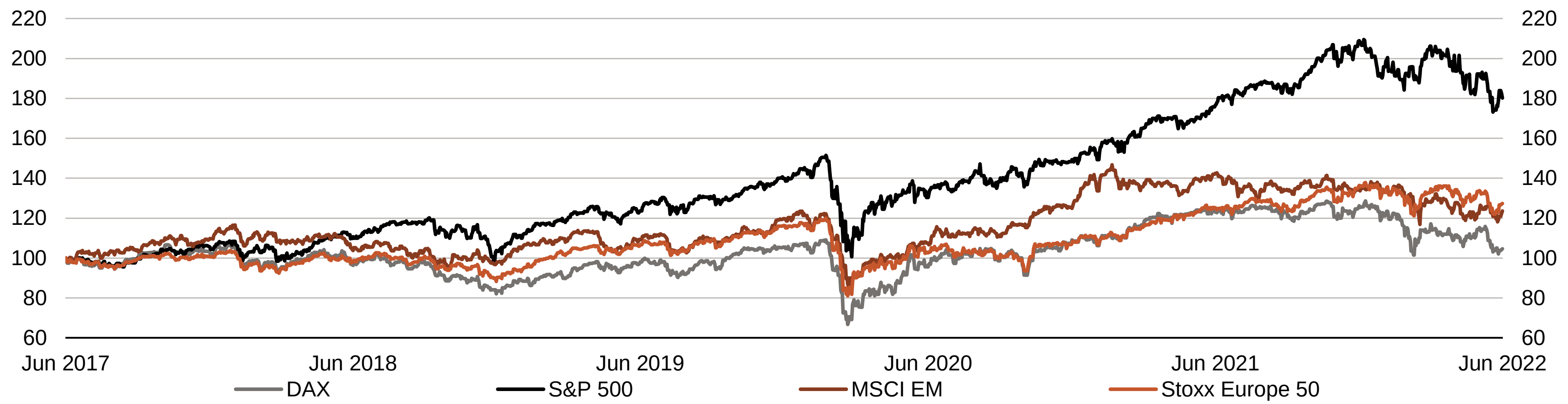
Market developments

Volatility likely to increase rather than decrease in Q3

Uncertainty remains high

- After volatility decreased again somewhat in early June, we expect a renewed increase in Q3 when the Fed continues to withdraw liquidity from the market and will no longer be on autopilot, but will determine monetary policy depending on data. In particular, investors will focus on the Q2 reporting season in terms of profit margins and outlook. In addition, the mid-term elections in the US are still coming up in November.
- However, if contrary to expectations, volatility decreases significantly and equities recover more strongly, more systematic strategies are likely to be pushed into equities again. This is likely to increase the drop and thus also the volatility in the event of adverse news. In light of all the uncertainty, we continue to be very broadly positioned in terms of equity regions. In addition to the US and Europe, we are invested in China and Latin America. For us, China offers catch-up potential, should the economy reopen and the zero-COVID policy comes to an end. Latin America should also benefit from the ongoing commodity boom and favourable valuations.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 28/06/2017 – 28/06/2022.

Corporate earnings
Profit expectations are too optimistic

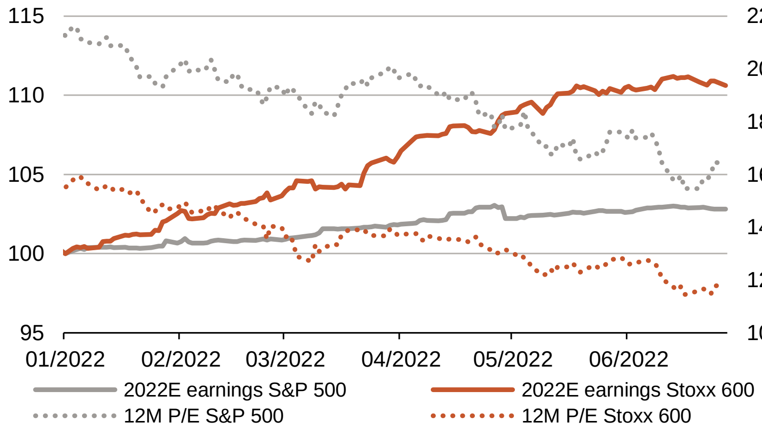
Profit margins are likely to come under pressure

- Since the beginning of the year, the 2022 earnings estimates for Europe and the US have risen. Yet many companies have already cut their earnings forecasts during the Q1 reporting season. Retail chains have pointed to higher inventories and falling profit margins, other companies like Amazon have cut advertised jobs. The perfect environment for profit margins is over. Higher raw material and labour costs are weighing as much as increased planning uncertainty due to supply shortages and geopolitical risks.

Analysts with increasingly negative earnings revisions

- Currently, the market is assuming 2022 earnings growth of just under 13% for Europe and 10% for the US compared to the previous year. Realistic estimates are likely to be at least 5% lower. The Q2 reporting season, which is about to start, should bring more clarity.
- Analysts are also already starting to factor in the worsening economic environment into earnings estimates. In recent weeks, negative earnings revisions have dominated. This trend is likely to continue for the time being.

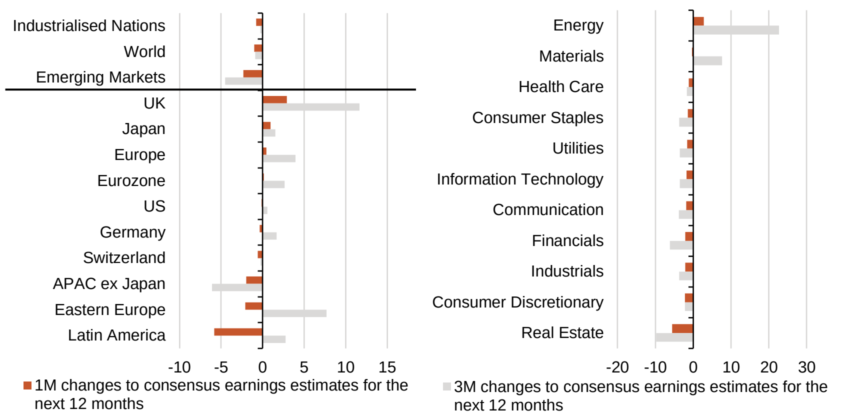
Profit forecasts too optimistic?



Source: Factset; P/E valuation based on earnings estimates; 2022 earnings (01.01.2022 = 100)

Timeframe: 01/01/2022 - 28/06/2022.

Negative profit revisions on the rise



Source: FactSe; MSCI regions and European sectors.

As of 28/06/2022.

Valuation & Volatility

Recession now partly priced in

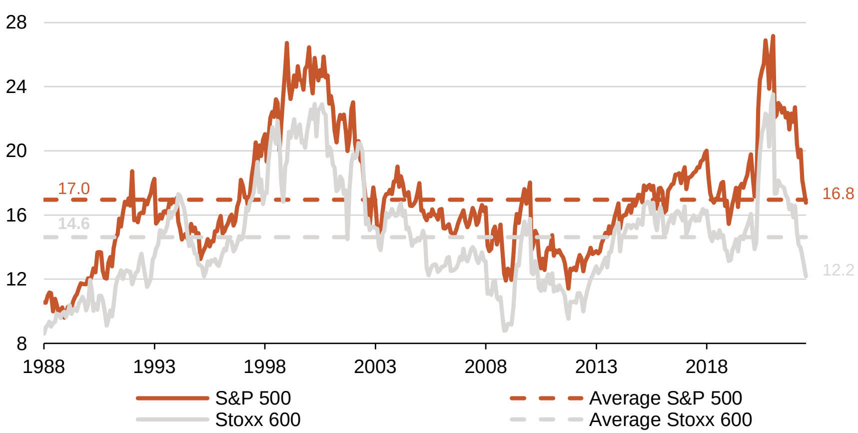
Valuation adjustment already noticeably advanced

- The sharp and rapid rise in real interest rates coupled with quantitative easing by central banks has led to a valuation adjustment, especially for expensive US equities. The P/E ratio for the S&P 500 has fallen from 22.7 to 16.8 since the beginning of the year. This means that US equities are now no longer priced expensively compared to their history. In this context, European equities are favourably priced at the index level. They are already pricing in a significant economic slowdown, but not yet a full-blown recession.

Defensive sectors vulnerable to valuation correction

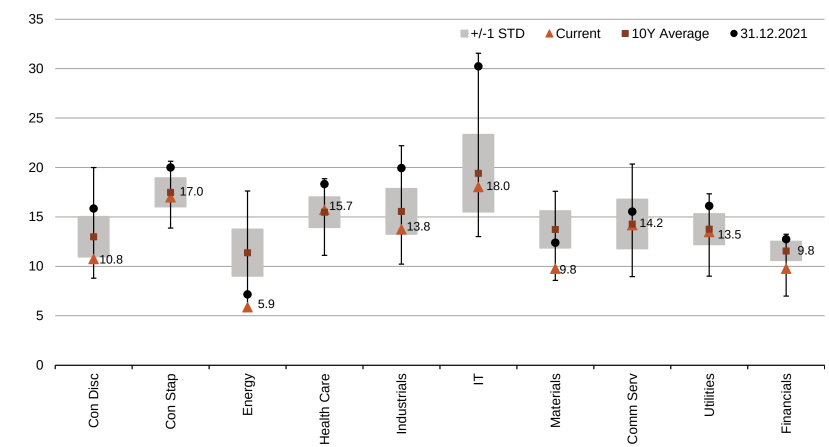
- In Europe, cyclical equity market segments in particular are relatively cheaply valued, while defensive sectors such as utilities are more ambitiously valued and thus vulnerable to further valuation corrections. Many investors have been hiding in "safe" business models this year.
- However, the cheap valuation in some cyclical sectors could be deceptive, as a pronounced recession is likely to put pressure on earnings and thus increase, assuming the valuation level ceteris paribus.

Stocks now fairly rather than expensively valued



Source: Factset, own calculations. Time period: 01/01/1988 – 28/06/2022.

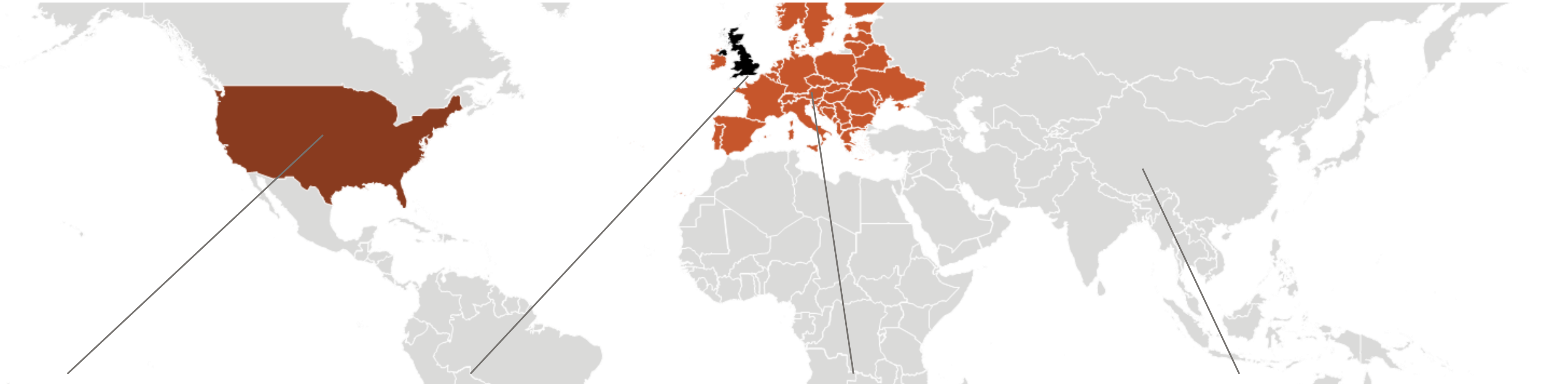
Defensive sectors vulnerable to valuation correction



Source: Bloomberg, own calculations. As of 28/06/2022.

Equity allocation

China offers recovery potential



US

Underweight

- The restrictive monetary policy by the Fed and with it rising bond yields are likely to weigh on highly valued US equities.
- Within equity regions, we are underweight US equities.

United Kingdom

Underweight

- UK equities are cheap compared to many other regions. At an index level, UK equities have a rather defensive, as well as commodity-intensive profile, which should pay off in an environment of rising interest rates and geopolitical risks.
- We reduced the underweight in Q1 by buying a FTSE 100 ETF.

Europe ex. UK

Neutral

- The weaker euro, the agreed fiscal packages and the comparatively cheap valuation should support European equities.
- However, Russia's war in Ukraine and the associated rise in inflation is likely to weigh on European companies in particular. We have a neutral weighting on Europe ex UK.

Emerging markets

Overweight

- Emerging market equities outside of Eastern Europe should be one of the main beneficiaries of a global economic recovery and should also be less affected by the fallout from the Russia-Ukraine war.
- The chance of a market recovery in China has increased due to increasing stimulus programmes and the recently relaxed COVID-19 policy.

Equity market forecasts

Estimates for selected indices

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	Current			Ø*
Index forecasts	**28/06/2022**	**31/12/2022**	**30/06/2023**	**in 12 months**
S&P 500	3,822	3,900	4,100	4,941
Dax	13,232	14,500	15,800	18,806
Euro Stoxx 50	3,549	3,800	4,000	4,809
MSCI UK	2,115	2,200	2,350	2,466

Index potential (in %)				
S&P 500	-	2.1	7.3	29.3
Dax	-	9.6	19.4	42.1
Euro Stoxx 50	-	7.1	12.7	35.5
MSCI UK	-	4.0	11.1	16.6

Source: Bloomberg. Berenberg. as of 28/06/2022.
*Average based on bottom-up estimates.


15y
20y
Current
Price Yield
0 / .01
0.13 / .13
0.26 / .26
11-16+ / .72
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
11/20

04 Bonds

Government bonds
Recession worries fuel headwinds for yields

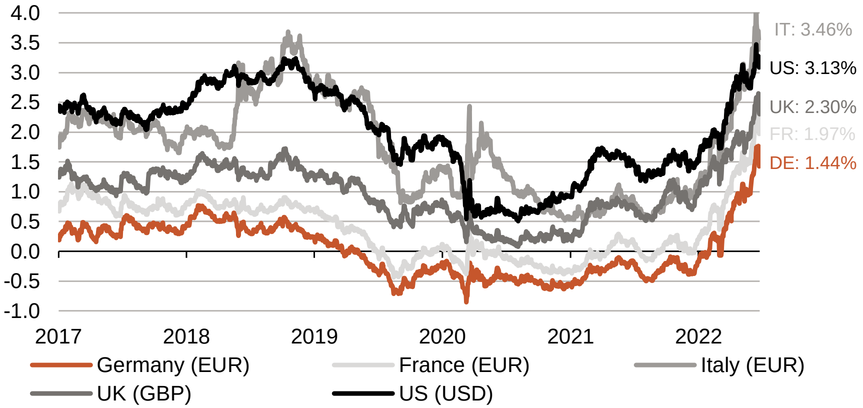
Rise in yields in Q2 without sustainable counter-drivers

- In the second quarter, safe government bonds extended their losses from the first months of the year. The need for security resulting from the Ukraine war could not sustainably break the trend of rising yields. Instead, high inflation expectations and anticipated interest rate hikes by central banks dominated markets.
- As a result, yields on 10-year German government bonds reached 1.77%, the highest level since 2014, while yields on 10-year US government bonds reached 3.47%, the highest level since 2011. Most recently, yields have fallen due to increasing recession concerns.

Steepness of the US yield curve towards zero

- The US yield curve (10Y-2Y) experienced headwinds amid significant negative economic surprises. As a result, the steepness of the curve has decreased notably due to increasing recession fears in the risk-off environment and a continued move towards the zero limit. The US curve was recently noted at a value of only 6 basis points (bps).
- While markets are pricing in just over 7 interest rate hikes of 25 bps each for the Fed by the end of the year, the ECB is expected to take just under 15 interest rate hikes of 10 bps each. By May 2023, the ECB has even priced in a total of just under 220 bps.

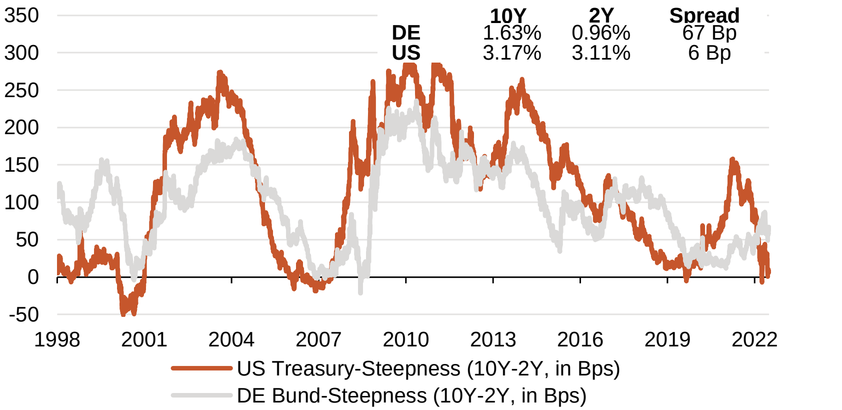
Safe government bond yields under recession pressure



Source: Bloomberg

Time period: 01/01/2017 – 28/06/2022

US yield curve flattens further



Source: Bloomberg

Time period: 01/01/1998 – 28/06/2022

Corporate & EM bonds
Risk premiums maintain upward trend

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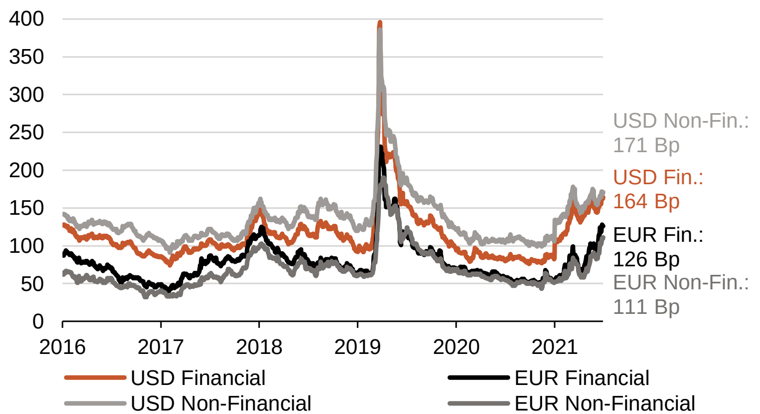
Corporate bonds with further spread widening

- In the European investment grade corporate bond markets, we look back on the worst start to the year at the end of Q2. The combination of rising interest rates and widening spreads pushed the asset class well into negative territory. An effective yield of almost 3.2% p.a. in the meantime has not been able to attract new investor money so far. EUR financial bonds saw a spread widening of 29 bps, while corporate bonds saw a spread widening of 25 bps. For both US Treasury and US Corporate bonds, risk premiums have risen by 15 and 12 bps respectively over the past four weeks.

Emerging markets: high-yield increasingly attractive

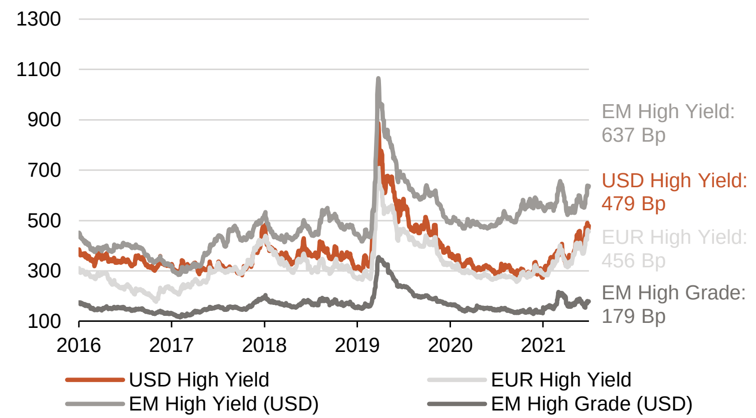
- The second half of the year was marked by notable heterogeneity in emerging market bonds. Stress factors were not evenly distributed, neither regionally nor within investment segments. While sovereign and corporate bonds in hard currencies lost a lot of value due to the higher weighting of Russian and Ukrainian assets as well as their high sensitivity to rising US Treasuries, local currency bonds performed much better. We see the bulk of the capital outflows behind us. High-yield risk premiums in particular have risen to very attractive levels.

Risk premia continuously upwards



Source: Factset Time period: 01/01/2017 – 28/06/2022

Spreads for EM high yield have risen significantly



Source: Factset Time period: 01/01/2017 – 28/06/2022

Capital market strategy
Bonds

Core segments

Government bonds
Underweight

- In the case of high credit ratings, safe government bonds remain fundamentally in demand in risk-off phases.
- We expect yields to continue to rise, although the market has already priced in a lot. Although not yet in absolute terms, the significant rise in yields makes the investment segment increasingly attractive.

Corporate bonds
Overweight

- Corporate bonds have already started to gain in 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 %)	28/06/2022	31/12/2022		30/06/2023	
	Current		Ø*		Ø*
US					
Base interest rate	1.50-1.75	3,25-3,50	3.45	3,50-3,75	3.75
10Y US yield	3.17	3.20	3.17	3.40	3.26
Eurozone					
Base interest rate	0.00	1.00	1.15	1.00	1.55
10Y Bund yield	1.62	1.50	1.21	1.70	1.30
United Kingdom					
Base interest rate	1.25	2.00	1.90	2.50	2.00
10Y Gilt yield	2.46	2.40	2.03	2.60	2.01

Source: Bloomberg. Berenberg as of 28/06/2022.
*Average of estimates by other experts (Bloomberg) consensus.

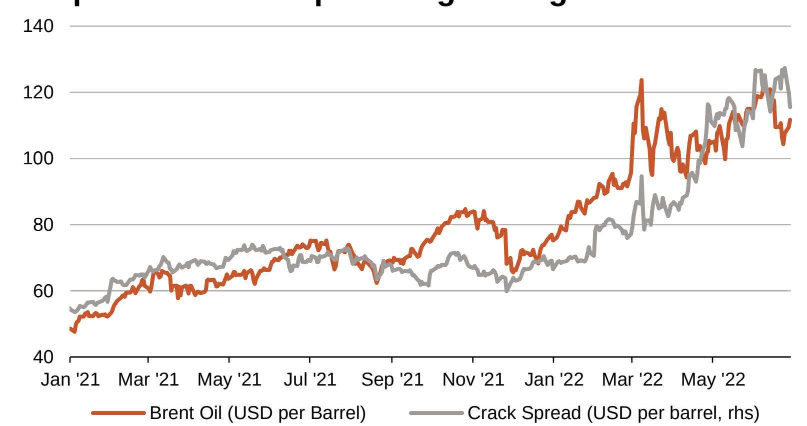
05 Commodities

Crude oil
Oil price remains high and volatile

Supply remains tight, demand is still robust

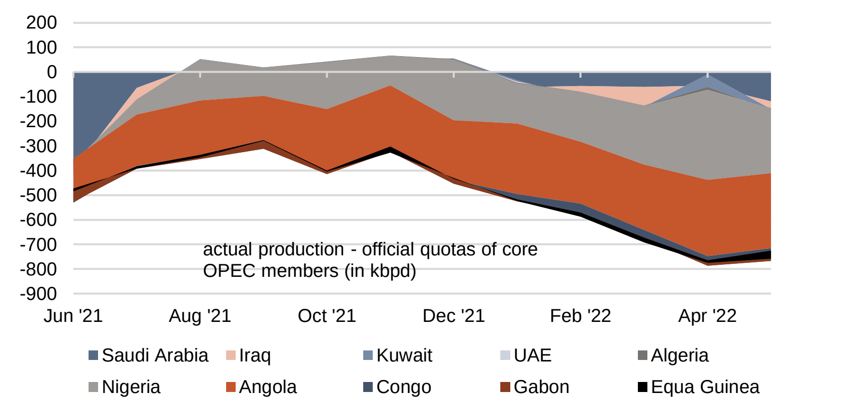
- Crude oil continued its rollercoaster ride in the second quarter. The market fluctuated between recession fears in the West, the COVID-lockdowns in China and the negotiations on an EU oil embargo.
- The latter will require a large-scale redistribution of Russian oil towards Asia in the coming months. Along with OPEC+'s difficulties in meeting official production quotas, the continued reluctance of the US shale oil industry to invest and low inventories, there is much to suggest that supply will remain tight.
- Demand, in turn, typically increases in the summer months due to the "driving season" in the US and the "aircon season" in the Middle East. While a recession would certainly have a negative impact on demand and price, it is important to consider whether this is a local phenomenon or a global recession. The latter is relatively unlikely due to the asynchronous development of China (the world's second largest oil consumer).
- Moreover, no cooling of demand can be observed yet. Although fears of recession regularly put temporary pressure on crude oil prices, if one looks at the crack spread, it does not yet signal any weakness in the end consumer. All in all, the oil price is likely to remain high for the time being as well as volatility high due to great economic uncertainty.

Sharp rise in crack spread signals tightness



Source: Bloomberg. Time period: 01/01/2021 – 28/06/2022.

OPEC production continues to fall short of targets



Source: Bloomberg, own calculations. Time period: 30/06/2021 – 31/05/2022.

Precious and industrial metals

Industrial metals with a short-term dampener

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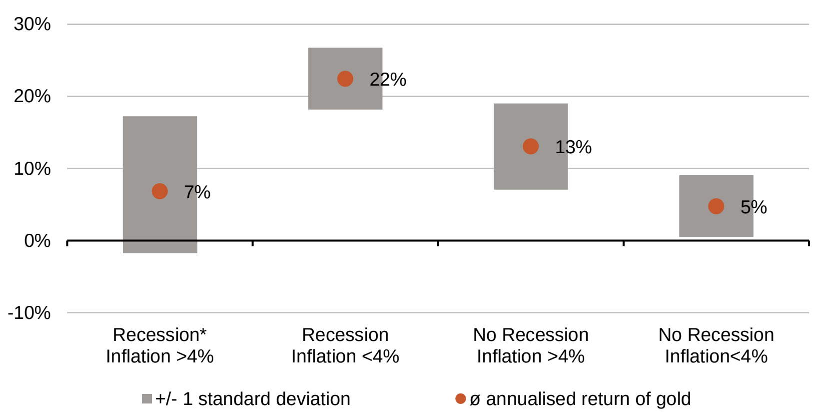
Between higher real yields, recession and inflation

- In the second quarter, gold gave up all of the gains it had made in the wake of the outbreak of war. Headwinds came mainly from the direction of the strong US dollar.
- The burgeoning fears of recession, however, have offered gold little support so far. Although investors are increasingly worried about the economy, they still expect further restrictive central bank measures. In our base case scenario of an inflation-induced recession, volatility remains high and the potential for gold is limited for the time being.
- However, due to great uncertainty, it remains an important component of our portfolios as a hedge.

Long-term upward trend fully intact

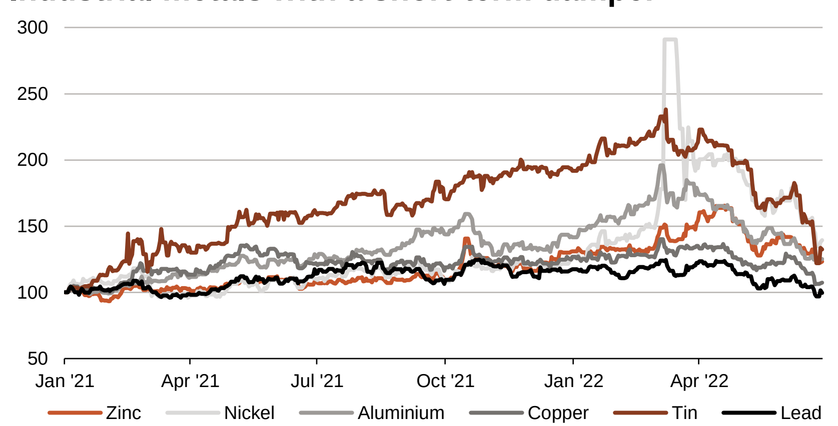
- Industrial metals were hit twice in Q2. On the one hand, recession concerns weighed on the demand outlook. On the other hand, the lockdowns in China depressed actual demand. For example, residential construction activity fell by 42% year-on-year in May.
- In the short term, China's likely recovery is offset by the likely recession in the West, so overall potential is limited. The long-term upward trend remains unaffected by all of this. Commodity-intensive investments in green technology, defense and supply chains will meet an inadequately prepared supply.

Potential limited during recession with high inflation



Source: Bloomberg, own calculations. Time period: 01/01/1970 – 31/05/2022.
* OECD-Leading Indicator below 100 and falling, US CPI

Industrial metals with a short-term damper



Source: Bloomberg, own calculations. Time period: 01/01/2021 – 28/06/2022.

06 Currencies

Market Development
Interest rates and currencies

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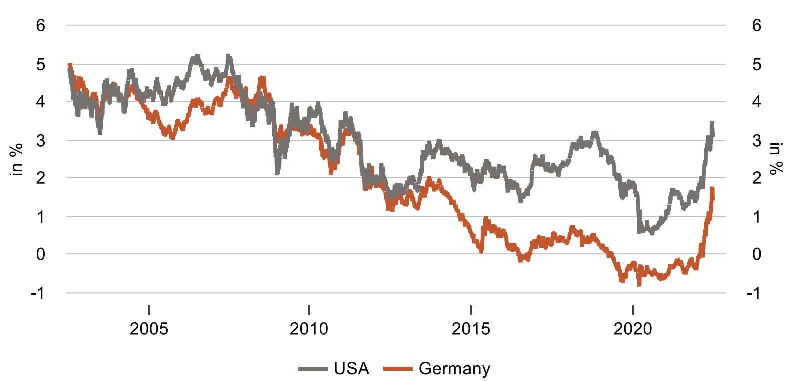
Central banks continue to put pressure on the euro

- The ECB's announcement that it would initiate a turnaround on interest rates in July did not help the euro. It temporarily fell below the mark of 1.04 EUR/USD, but has since recovered to a good 1.05. As long as the ECB acts less decisively than the Fed and other central banks, the euro will have a hard time.
- The surprising interest rate hike by the Swiss National Bank (SNB) gave the franc a further boost. As a consequence, the Swiss franc reached parity against the euro. The SNB reserves the right to intervene in the foreign exchange market – if necessary even to strengthen the franc and thus dampen inflation.

Currency forecasts: Euro remains weak

- In light of the economic slowdown and the likely imminent recession, the ECB will hardly raise the key interest rate above 1.0%. The monetary policy turnaround would thus be comparatively moderate. This limits the euro's potential on the currency market.
- We do not see a significant recovery of the euro against the US dollar, Swiss franc and British pound by the end of the year. Only in 2023 is the euro likely to gain slightly again against the US dollar and the Swiss franc.

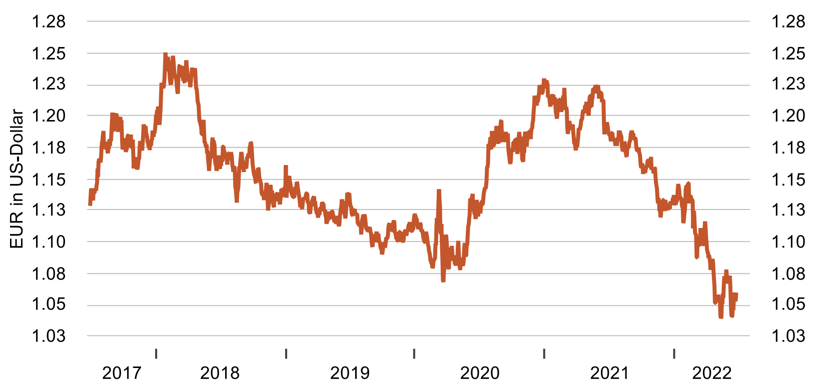
Yields: 10-year government bonds



Source: Macrobond

Period: 06/2002 - 06/2022

Exchange rate: Euro/US-Dollar



Source: Macrobond

Period: 06/2017 - 06/2022

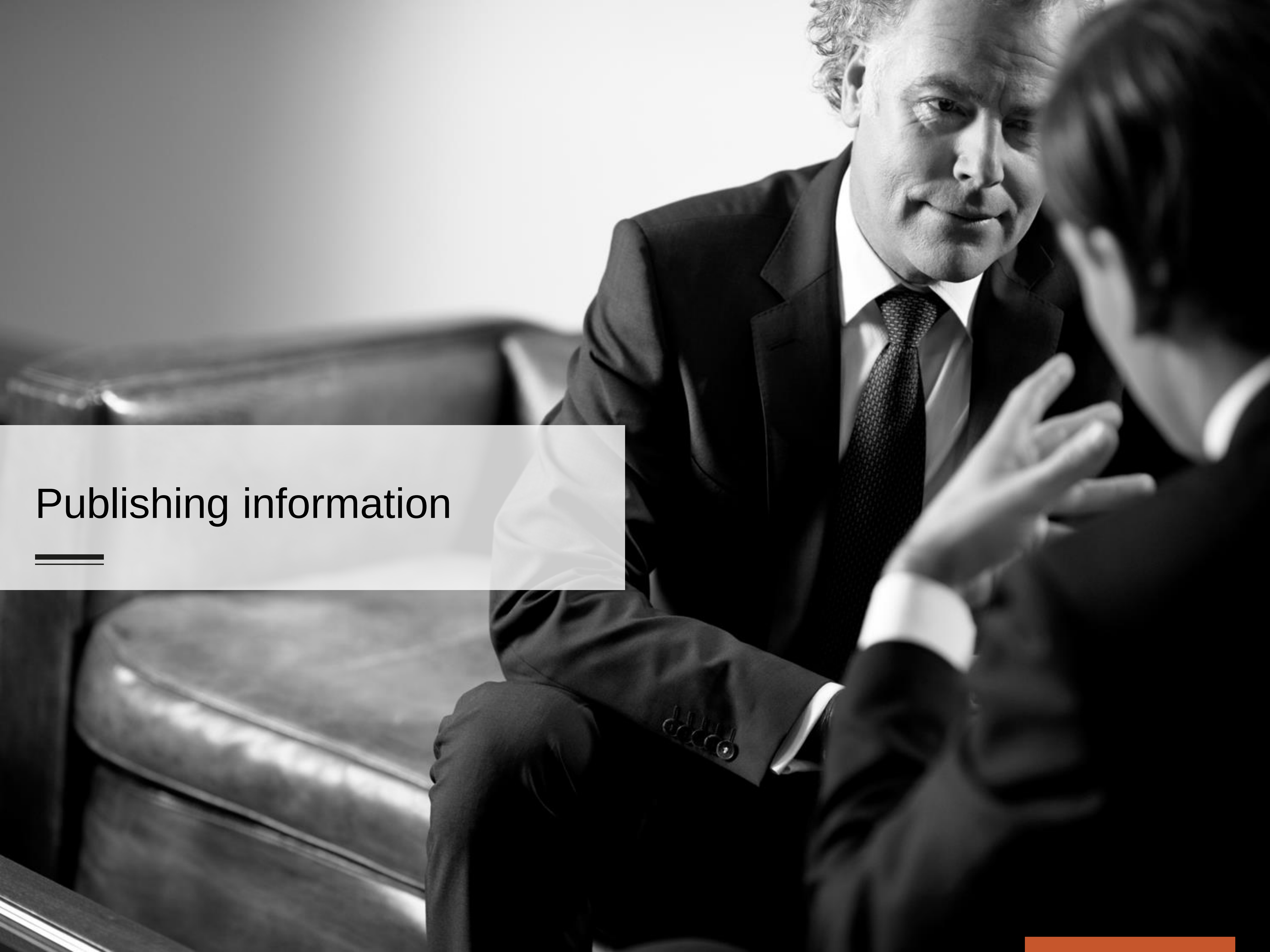
Forecasts
Estimates of key currencies

	28/06/2022	31/12/2022		30/06/2023	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.05	1.05	1.09	1.08	1.10
EUR/GBP	0.86	0.85	0.86	0.85	0.87
EUR/CHF	1.01	1.01	1.04	1.04	1.04
EUR/JPY	143	142	140	146	140

Change against the Euro (in %)					
USD	-	0.2	-3.5	-2.6	-4.4
GBP	-	1.6	0.4	1.6	-0.8
CHF	-	-0.3	-3.2	-3.2	-3.2
JPY	-	0.8	2.3	-1.9	2.3

*Source: Bloomberg. Berenberg as of 28/06/2022.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information



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