HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

November | 2022

Horizon Handout – Capital Market Outlook

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Date 26/10/2022.

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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

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 (26/09/22 - 24/10/22)	YTD (31/12/21 - 24/10/22)	24/10/21 24/10/22	24/10/20 24/10/21	24/10/19 24/10/20	24/10/18 24/10/19	24/10/17 24/10/18
Brent	9.6	67.0	60.9	117.0	-41.5	-11.3	44.5
MSCI World	1.0	-9.8	-5.3	33.9	4.6	16.6	3.0
Euro overnight deposit	0.0	-0.3	-0.4	-0.6	-0.5	-0.4	-0.4
Industrial Metals	-0.2	-1.7	1.0	43.6	-2.1	4.2	-6.6
EUR Sovereign Debt	-0.3	-11.0	-11.1	-1.3	0.9	5.7	-1.0
Gold	-1.0	3.8	8.5	-4.0	18.4	25.1	-0.2
EUR Coporates	-1.5	-16.0	-16.0	0.1	1.3	5.8	-0.3
Global Convertibles	-1.7	-10.9	-14.0	24.8	27.1	9.5	-0.4
USDEUR	-2.7	15.2	17.9	1.9	-6.4	2.6	3.2
MSCI Emerging Markets	-7.5	-19.1	-21.0	18.2	5.0	14.6	-9.5
REITs	-7.9	-23.3	-15.9	33.4	-20.2	26.2	0.7
MSCI Frontier Markets	-10.0	-19.1	-18.7	33.1	-6.3	14.6	-11.1

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: 24/10/2017 – 24/10/2022.

Overview of capital markets
Outlook by asset class

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Economics

- Inflationary pressures remain high and Europe is mired in the energy crisis. Consumers are unsettled ahead of winter.
- The risks and stress factors are leading into recession, even if labour markets are still robust.
- Central banks must continue to tighten monetary policy, even if the economy is slowing down.

Equities

- Negative earnings revisions continued during the Q3 reporting season, in line with the economic slowdown.
- Higher risks in Europe are accompanied by lower valuation metrics. Europe offers catch-up potential.
- Low investor positioning should limit downside potential. Further bear market rally seems possible in the short term.

Bonds

- Safe government bond yields rise to new highs for the year. US yield curve remains inverted.
- Rise in risk premiums for corporate bonds continues. Emerging market bonds with spread widening.
- We are underweight bonds and remain cautiously positioned on credit risk. Duration: less short than before.

Alternative investments / commodities

- OPEC+ cuts production, US releases more reserves. Supply remains tight in the medium term and oil price thus well supported.
- Gold burdened by high real rates. Fed pivot necessary for upward trend. Diversification effect currently limited.
- Industrial metals burdened by demand risks in the short term, but supply also weakens. Supercycle remains intact.

Currencies

- Euro remains under pressure. Uncertainty about the economic consequences of the energy crisis is weighing on it.
- ECB is now on a tightening course. In addition to rate hikes, balance sheet reduction is gradually coming into focus.
- Despite the ECB's tightening course, the euro remains below parity against the US dollar and the Swiss franc.

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

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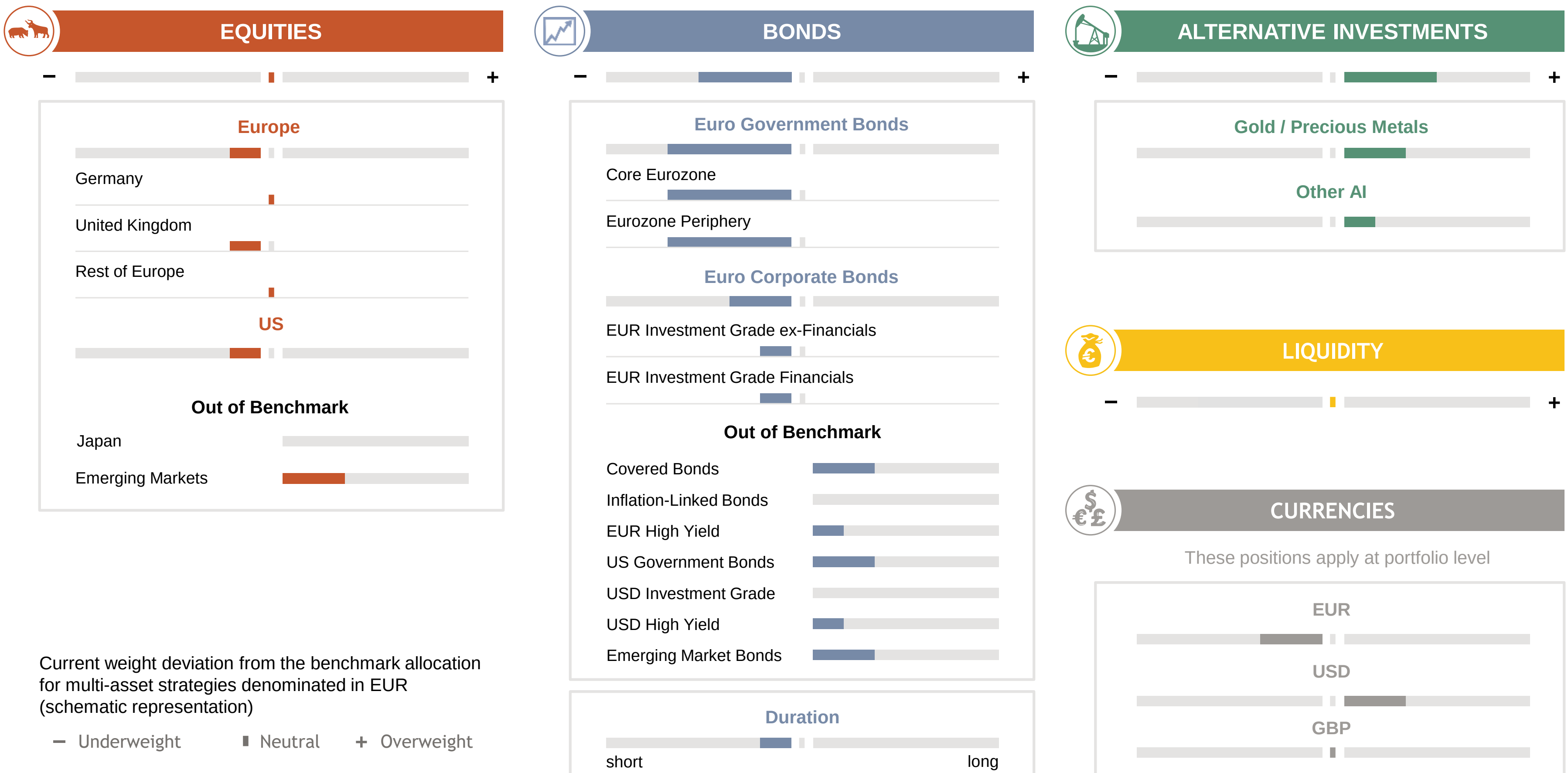
Portfolio positioning of a balanced mandate at a glance



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

− Underweight ▮ Neutral + Overweight

Source: Berenberg

As of 26/09/2022.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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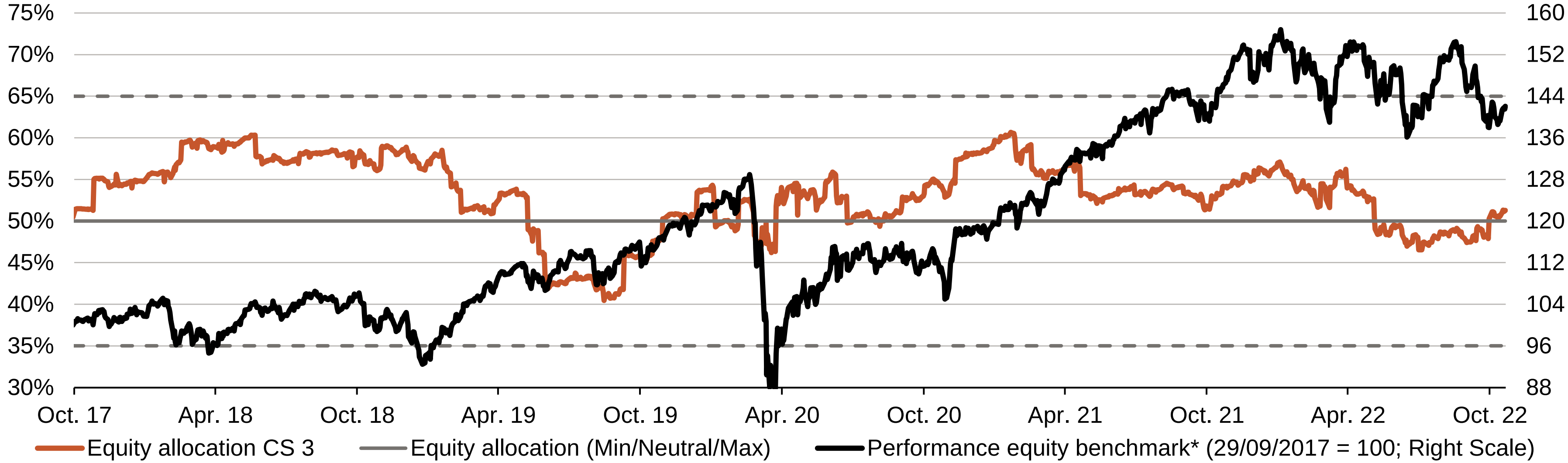
Management of the equity allocation of a balanced multi-asset mandate since inception

	21/10/17 - 21/10/18	21/10/18 - 21/10/19	21/10/19 - 21/10/20	21/10/20 - 21/10/21	21/10/21 - 21/10/22
Performance equity benchmark	0.10%	13.74%	-4.15%	32.07%	-2.46%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 21/10/2017 – 21/10/2022.
Note: The historical performance presented here is not a reliable indicator of future performance.

- We had reduced our equity exposure in several steps from April to June. In addition, we had built up a position in US Treasuries after the large rise in interest rates. In Europe, we have also recently invested in government bonds with a long duration in several steps in order to reduce our bond underweight in view of the looming energy crisis and the threat of recession.
- In September, following higher-than-expected US inflation figures, we increased our equity weighting to neutral again. Record negative investor sentiment and positioning suggest limited downside potential. If, on the other hand, there is positive news, we should see broad short-covering and rising markets. Fundamentally, at the same time, there is much to suggest that it could be another bear market rally. For as long as the economic and inflation data do not weaken significantly, the Fed will continue to raise interest rates. It is therefore still too early for an overweight in equities. Our focus on quality stocks should pay off more again in the persistently uncertain environment.

02 Economics

Eurozone
GDP and inflation

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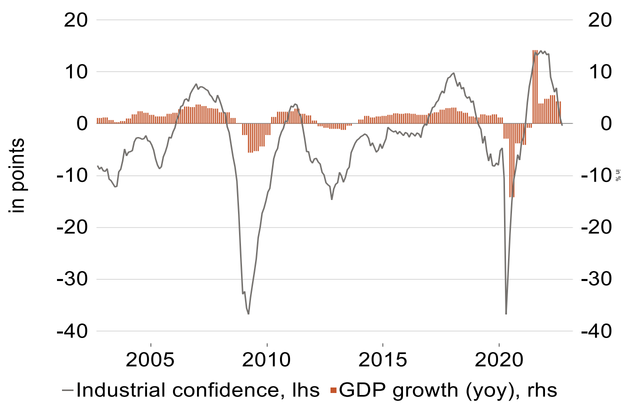
PMIs continue to fall

- With consumer confidence at a record low, more and more businesses are feeling the pinch. With energy prices soaring, consumers have less money to spend on other goods and services.
- The purchasing managers' index (PMI) for the euro zone fell by 1.0 points to 47.1 points in October. The main driver of the decline is industry. The picture is similar for the German economy: The purchasing managers’ index (industry and services) fell by 1.6 points to 44.1. Values below 50 points signal economic contraction.

Inflation remains high

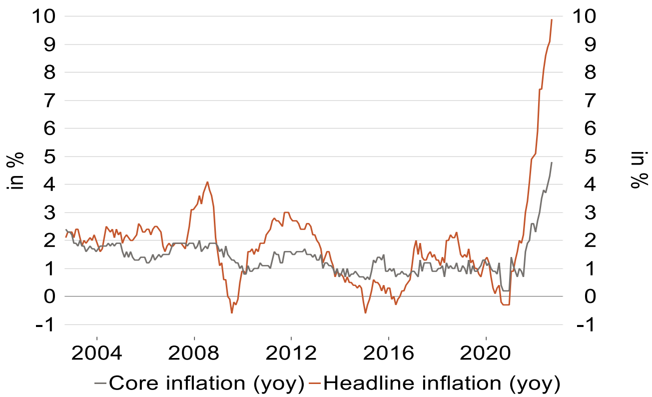
- Following the record rise in prices in the previous month, there was a new record in September: With an increase of 9.9% yoy, the inflation rate scraped into double digits for the first time. In the remaining months of this year, inflation will not fall significantly but remain at a high level. Additional uncertainty for the inflation outlook comes from the political price brakes.
- The range of inflation rates among the euro area countries remains remarkable. In September, they ranged from +6.2% in France to 24.2% in Estonia.

Eurozone GDP growth and industrial confidence



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

Eurozone Inflation



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

United Kingdom
GDP and inflation

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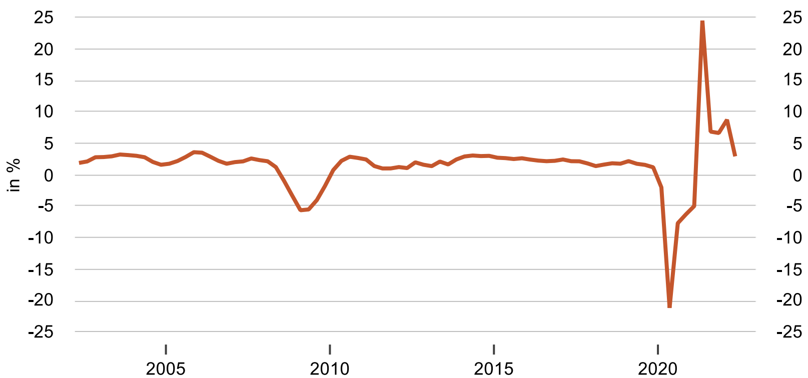
Truss resigns, Sunak arrives

- Last Thursday, British new Prime Minister Liz Truss already announced her resignation. A successor as party leader and prime minister was found unusually quickly: Ex-Chancellor Rishi Sunak. The way for Sunak was cleared after Boris Johnson declared that he did not want to run again.
- Sunak earned a good reputation as chancellor during the pandemic. He had also warned of the “Trussonomics" that had recently caused market turmoil. His warnings at the time now enhance his credibility.

Resignation of Truss takes pressure off BoE

- The Bank of England (BoE) has so far relied on smaller interest rate steps in its fight against inflation. While the Swedish central bank has raised its key interest rate by 100 basis points and the Fed as well as the ECB are fighting inflation with rate hikes of 75 bp, the BoE has so far relied on rate hikes of 25 and 50 bp.
- Now that “Trussonomics” is not going to happen after all, the unrest on the markets has diminished. This makes it easier for the Bank of England. We now expect the key interest rate to peak at only 3.75% and no longer at 4.00%. However, this is still a strong tightening of monetary policy.

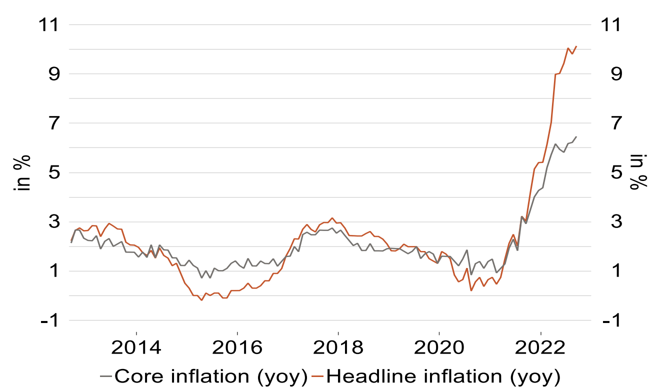
United Kingdom GDP growth (yoy)



Source: Macrobond

Period: 06/2002 - 06/2022

United Kingdom Inflation



Source: Macrobond

Period: 08/2012 - 08/2022

USA
GDP and inflation

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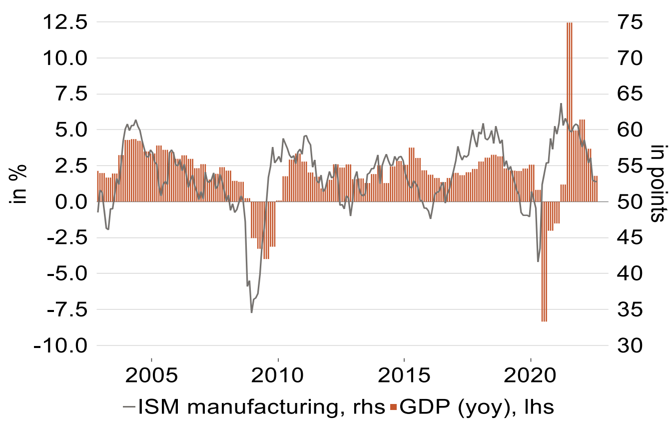
Housing market: demand softens, supply remains tight

- A broad range of housing market data point to a deepening slump in sales volumes, home prices, sentiment, and construction activity through September. Home prices ticked down 0.2% mom in July according to the Case-Shiller Home Price Index, and further declines are likely over the medium term as rising rates and moderating home price appreciation expectations bite into demand and restrict supply.
- Slowing demand has spilled over into the construction sector, in which activity has slowed sharply ytd. Housing starts ticked down to 1.44 million in September (-11.3% qoq).

Beige Book: slowing demand

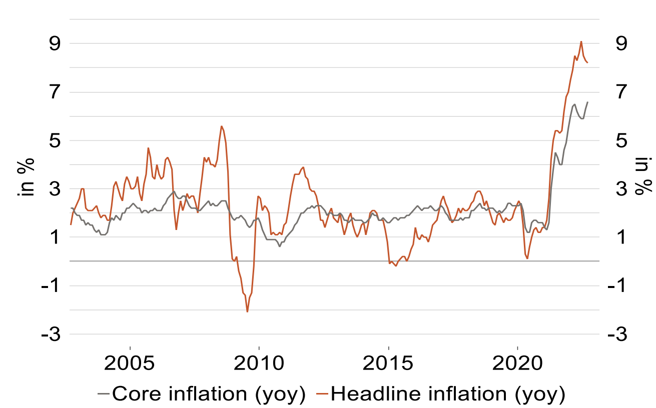
- The Fed's October Beige Book points to further cooling in labor demand, elevated but easing price pressures, and increasingly pessimistic business sentiment relative to the Beige Book prepared for the September FOMC meeting. This is consistent with our view that the disinflationary process remains at an early stage.
- While a few regional Federal Reserve Banks indicated that businesses were finding it harder to pass on cost increases to consumers, by and large, businesses reported that price pressures remained elevated and cooling consumer demand had yet to translate into waning pricing power.

US GDP growth and Purchasing Managers Index



Source: Macrobond
Period: 08/2001 - 08/2022

USA Inflation



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

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	1.7	-0.4	0.4	1.0	1.4	8.1	8.0	4.0	4.0	2.5	2.5
Eurozone	3.0	3.0	-0.9	0.0	2.3	1.5	8.4	8.2	6.2	5.5	2.1	2.1
Germany	1.3	1.5	-1.5	-0.5	2.6	1.6	8.7	8.4	6.7	6.2	2.0	2.5
France	2.2	2.5	-0.7	0.5	2.3	1.7	5.7	5.8	4.5	4.5	1.9	2.1
Italy	3.4	3.3	-1.2	0.1	1.5	1.3	8.0	7.9	6.1	5.3	1.8	1.9
Spain	4.4	4.5	-0.5	1.0	2.4	2.0	8.8	8.9	4.1	4.5	2.0	2.2
United Kingdom	4.1	4.2	-1.3	-0.4	1.9	1.2	8.8	9.0	4.9	6.2	1.6	2.6
Japan	1.7	1.6	0.5	1.4	1.4	1.1	2.2	2.2	1.4	1.5	0.7	0.8
China	2.9	3.3	3.9	5.0	3.9	5.0	2.1	2.2	2.4	2.3	2.3	2.2
World*	2.8	-	1.1	-	2.5	-	-	7.4	-	4.8	-	3.3

Source: Bloomberg. Berenberg as of 24/10/2022.
* 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
No sustainable recovery without Fed pause

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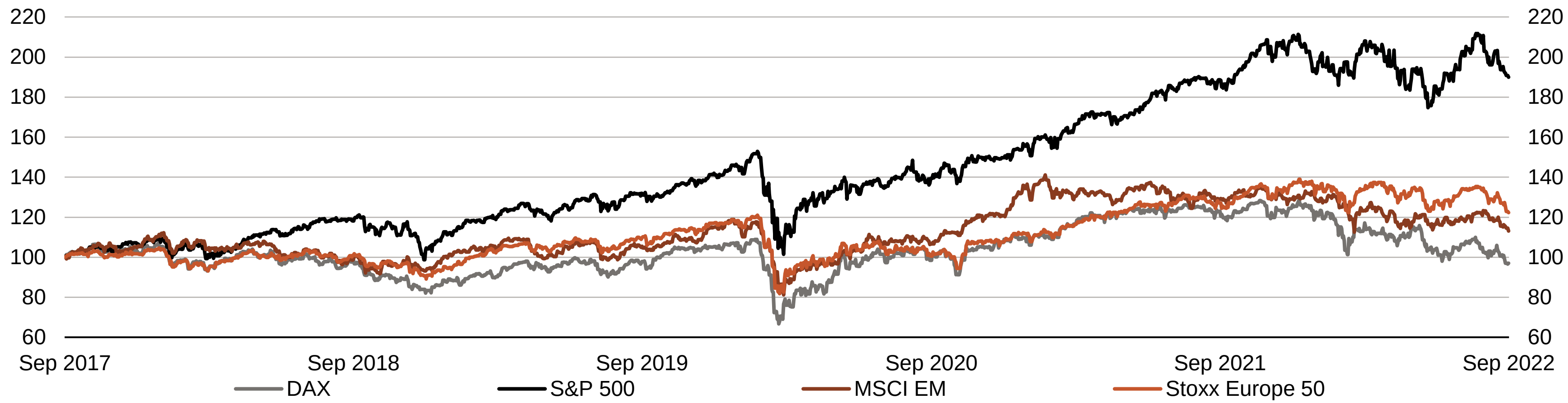
Q3 reporting season supports equity markets

- Despite rising interest rates and a gloomy economic outlook, equity markets recently recovered from their lows for the year. Support has come mainly from the Q3 reporting season, which was better than expected by many bears. Of the nearly 100 companies that have reported so far (20% of the S&P 500), almost 75% have exceeded expectations. Secondly, there are few incremental sellers due to extremely negative investor sentiment and the resulting low risk positioning. On top of that, companies will soon start their share buyback programmes again. Thus, a further downward movement without a renewed negative trigger (e.g. inflation data, Fed) should be limited for the time being. From a fundamental point of view, however, we are likely to see another bear market rally for the time being, which will eventually be sold off again. For as long as the economic and inflation data do not weaken significantly and the stress in the markets – especially the bond markets – does not get out of hand, the Fed will continue to hike interest rates and keep the expected real interest rates high. Only when the Fed signals a pause in interest rates can a more sustained recovery in equities be expected.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 24/10/2017 – 24/10/2022.

Corporate earnings
Earnings pressure expands

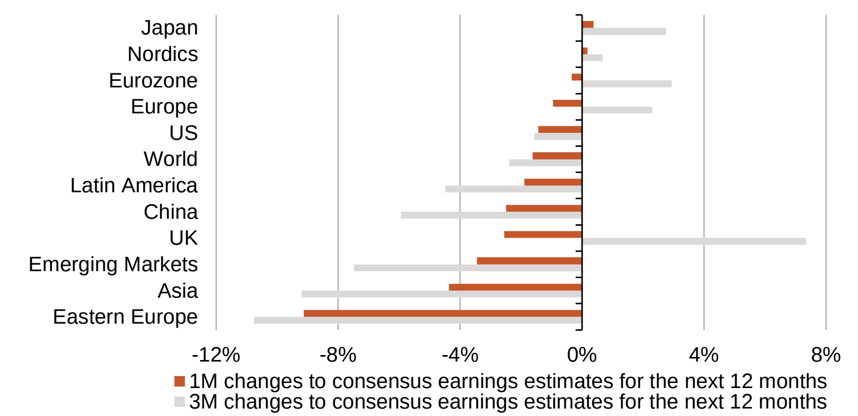
Pessimism on earnings estimates

- Analysts assess the near future as increasingly challenging for companies. Rising energy costs, especially in Europe, high inventories and the first signs of weak demand are creating headwinds. In the last four weeks, analysts have accordingly further downgraded earnings estimates worldwide.
- Regionally, there were downward adjustments especially in Asia, UK and Eastern Europe, but these are also increasing in the US. The analysts made noticeable positive revisions for the Nordics and Japan.

Negative profit revisions in energy and commodities

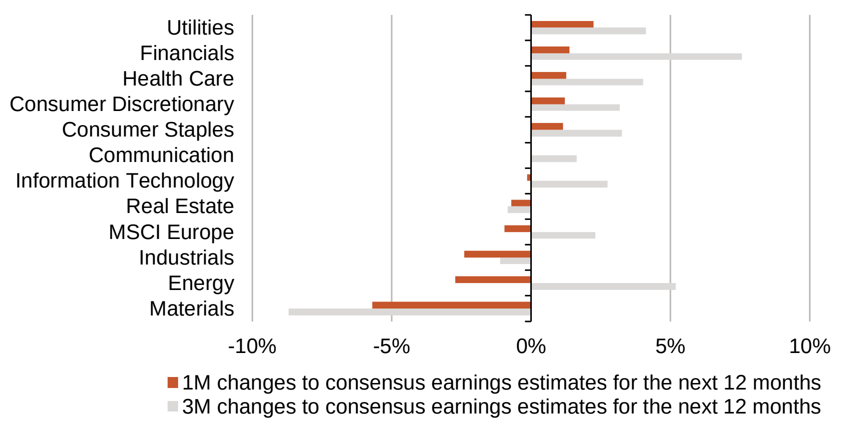
- Risks from all sides (pressures from inflation and energy shortages, supply chain problems, weak demand and staff shortages) are clearly reflected in corporate balance sheet estimates. For Europe, at the sector level, earnings expectations for basic materials, energy and industrial goods in particular have been downgraded over the past month.
- With the Q3 reporting season, however, earnings expectations for utilities, financials, healthcare stocks and consumer goods in Europe have been revised upwards by analysts. Overall, however, we expect the negative revisions to continue.

Negative earnings revisions continue



Source: Bloomberg, MSCI Regions As of 24/10/2022.

Utilities and Finance with positive earnings revisions



Source: Bloomberg, European sectors. As of 24/10/2022.

Valuation & Positioning
Valuations normalised, investors still defensively positioned

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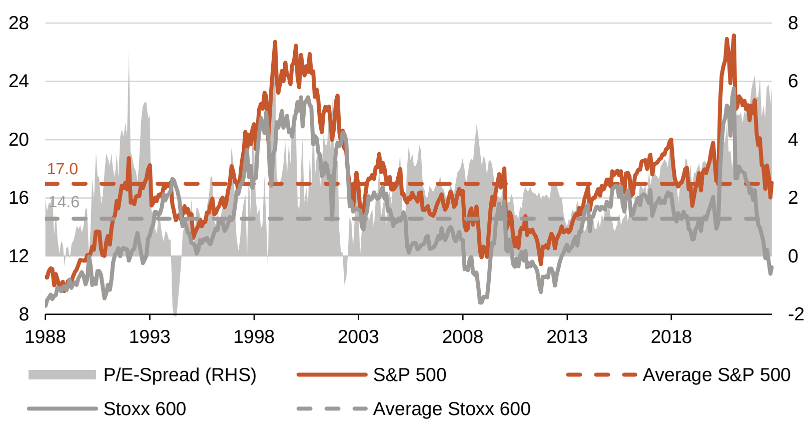
Valuation premium of US equities historically high

- With a P/E ratio of 17, the valuation of US equities currently corresponds to the historical average. This means that they are no longer expensive per se, but in view of the impending recession and compared to past recessions, the valuation seems vulnerable to further corrections.
- Moreover, US equities are currently trading at a very high premium of 6 P/E points to their European counterparts. Although US equities are structurally more expensive, the extent of the valuation difference should normalise somewhat in the coming months.

Investors prepare for rising markets

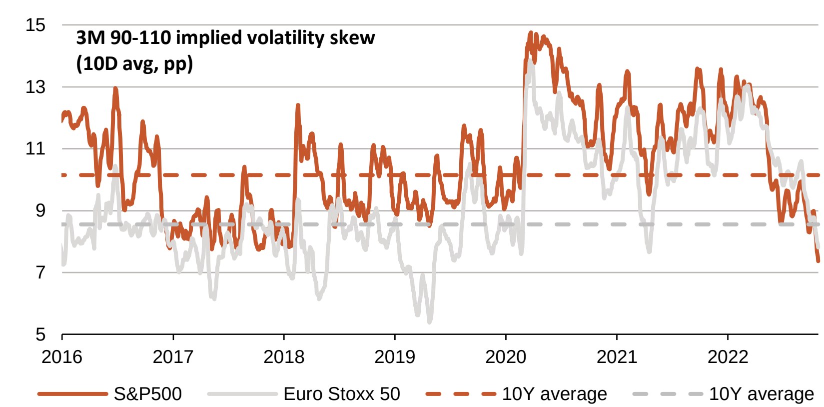
- The put-call skew, which is the difference in implied volatility between puts and calls, is currently extremely flat in both the US and Europe.
- Normally, a flat skew would indicate careless investors, but the unusual combination of falling markets, increased volatility and a flat skew suggests limited downside potential. Many investors are now very defensively positioned. As a result, they are asking for fewer puts to hedge and are instead buying calls so as not to miss out on a possible rally.

European equity valuations at crisis level



Source: Bloomberg, own calculations. Time period: 01/01/1988 – 24/10/2022.

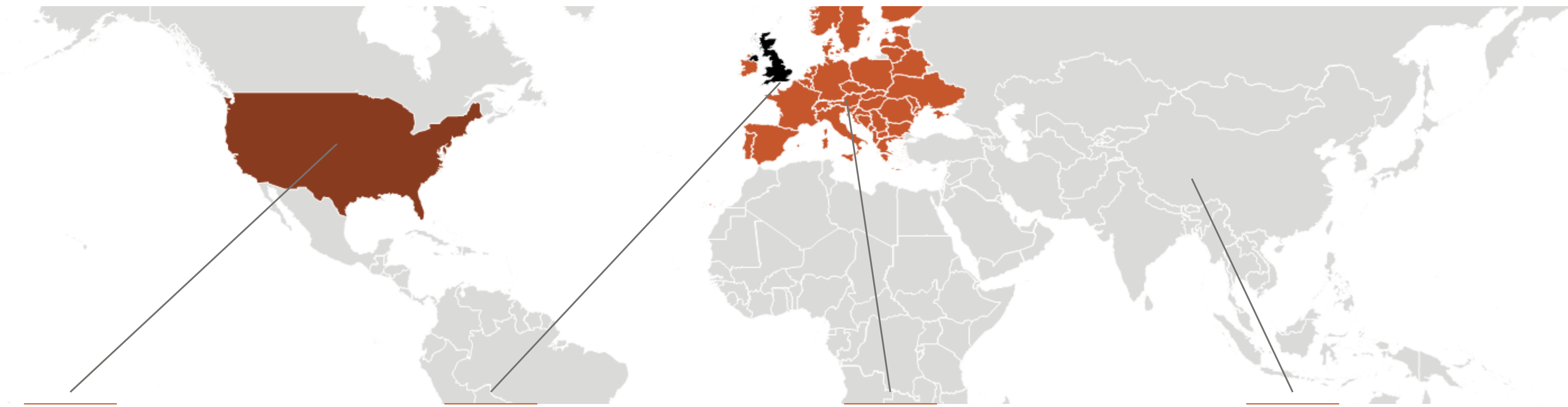
Put call skew historically flat



Source: Bloomberg, own calculations. Time period: 24/10/2012 – 24/10/2022.

Equity allocation

Maintaining the overweight in emerging markets



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.

Europe ex. UK

Neutral

- Russia's war in Ukraine and the associated rise in inflation are likely to weigh on European companies in particular.
- However, European equities are now favourably valued compared to their historic data and the US, and thus offer catch-up potential. We have a neutral weighting on Europe ex UK.

Emerging markets

Overweight

- We have included Latin American equities in Q1 and recently increased the position again as they should benefit from higher commodity prices and represent a value-heavy addition to the portfolio.

Equity market forecasts

Estimates for selected indices

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Index forecasts	Current 24/10/2022	30/06/2023	31/12/2023	Ø* in 12 months
S&P 500	3,797	4,250	4,500	4,594
Dax	12,931	15,000	15,800	17,489
Euro Stoxx 50	3,528	4,000	4,200	4,549
MSCI UK	2,019	2,350	2,400	2,543

Index potential (in %)				
S&P 500	-	11.9	18.5	21.0
Dax	-	16.0	22.2	35.2
Euro Stoxx 50	-	13.4	19.1	29.0
MSCI UK	-	16.4	18.9	26.0

Source: Bloomberg. Berenberg. as of 24/10/2022.
*Average based on bottom-up estimates.

04 Bonds

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

Government bonds

Safe government bond yields at new highs for the year

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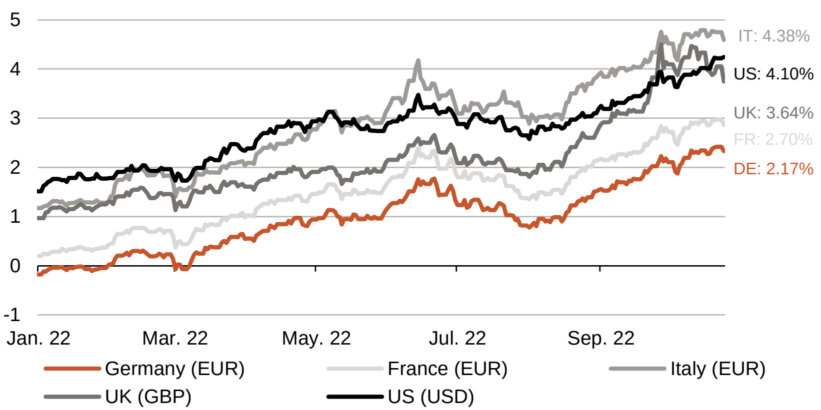
Safe government bond yields consolidated

- After reaching new highs for the year, yields on safe-haven government bonds have stabilised in recent weeks. Partly dovish statements by some Fed speakers and the recently weaker US real estate market countered the persistently high inflation and the robust US labour market implying further room for interest rate hikes for a restrictive Fed policy, and put the brakes on the rapid rise in yields since the beginning of the year. Volatile movements continued to come mainly from the UK. The change of government led to falling yields on British government bonds.

Next weeks under the spell of the central banks

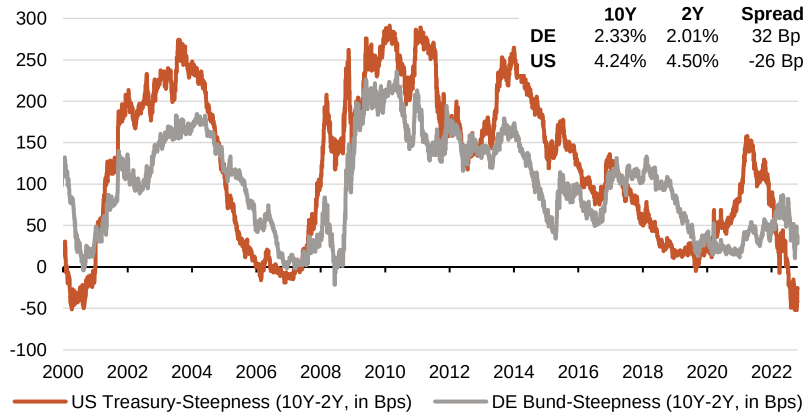
- The next few weeks will be exciting on the central bank front. The market expects a rate hike of around 75bp at the ECB meeting on 27 October. For the Fed meeting on 2 November, a rate hike of around 75bp is also currently expected, which roughly corresponds to the value of four weeks ago. According to the market, the BoE is likely to raise rates by as much as 100bp on 3 November.
- The US yield curve remains inverted. A US recession seems very likely, at least according to this indicator.

Yield loss on British government bonds



Source: Bloomberg — Time period: 01/01/2017 – 24/10/2022

US yield curve remains inverted



	10Y	2Y	Spread
DE	2.33%	2.01%	32 Bp
US	4.24%	4.50%	-26 Bp

Source: Bloomberg — Time period: 01/01/2000 – 24/10/2022

Corporate & EM bonds
Constructive for corporate bonds in the medium term

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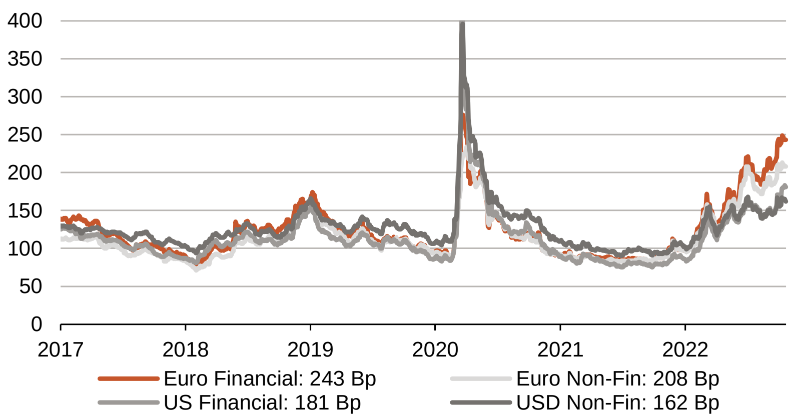
Yield increases on corporate bonds

- Corporate bonds saw noticeable widening of risk premia over the last four weeks. With high energy costs and an uncertain consumer outlook, increasing pessimism came to the fore and caused risk premiums to rise.
- Especially for US investment grade bonds, risk premia increased. Spreads on financial bonds thus reached the level of Covid-crisis again. But European corporate bonds also saw significant spread widening and are becoming increasingly attractive.

Emerging markets with clear spread widening

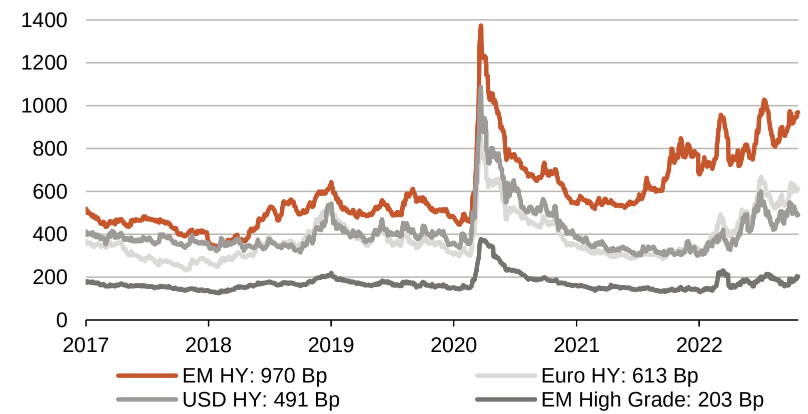
- The high-yield bond market experienced only a partial increase in risk premiums over the last four weeks. The risk premia of EUR high-yield bonds rose 58 basis points. In contrast, however, they fell by 21 basis points for USD high-yield bonds. Emerging market bonds showed a clearer picture. EM high grade bonds rose 39 basis points, while emerging market high yield bonds actually gained over 70 basis points.
- With solid balance sheets and liquidity reserves, we remain constructive for the medium term despite current weakness.

EUR and US risk premia increased noticeably



Source: Factset Time period: 01/01/2017 – 24/10/2022

Rise in risk premiums for EM high-yield bonds



Source: Factset Time period: 01/01/2017 – 24/10/2022

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 already started to gain in relative attractiveness compared to government bonds 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 Asia as having an advantage over others; the local currency component in particular seems opportune to us, 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

Base interest rates and government bond yields (in %)	24/10/2022	30/06/2023		31/12/2023	
	Current		Ø*		Ø*
US					
Base interest rate	3.00-3.25	4.75-5.00	4.65	4.25-4.50	4.30
10Y US yield	4.24	3.70	3.72	3.40	3.44
Eurozone					
Base interest rate	1.25	2.75	2.85	2.75	2.75
10Y Bund yield	2.33	2.50	2.18	2.70	1.92
United Kingdom					
Base interest rate	2.25	3.75	4.25	3.00	4.15
10Y Gilt yield	3.74	3.90	4.03	3.80	3.69

Source: Bloomberg. Berenberg as of 24/10/2022.
*Average of estimates by other experts (Bloomberg) consensus.

05 Commodities

Crude oil
Well supported thanks to scarce supply

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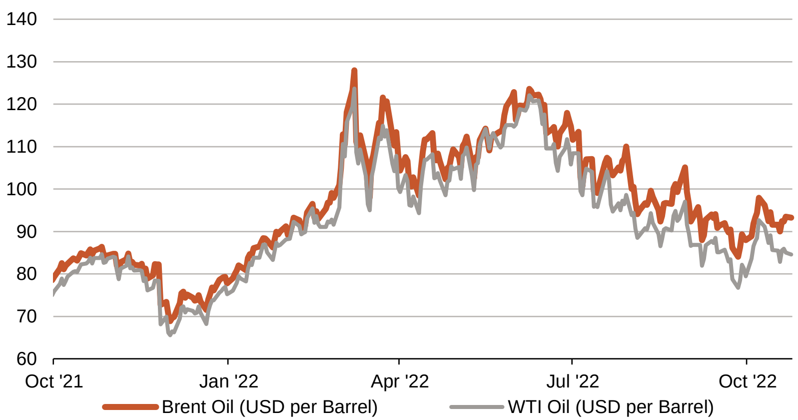
OPEC+ withdraws supply from the oil market, the US can only compensate for that in the short term

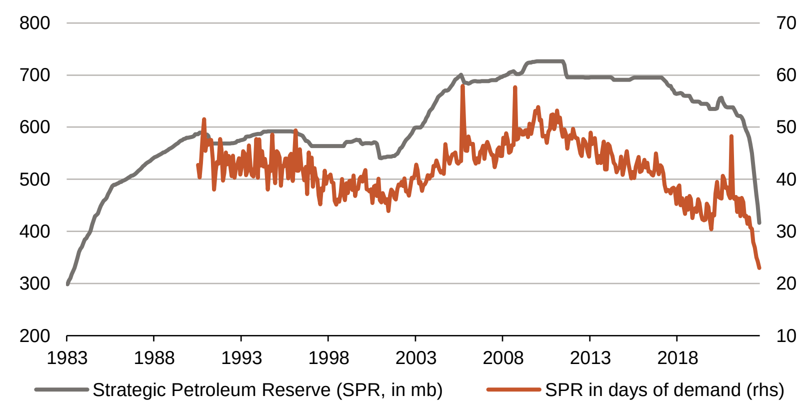
- Oil recorded gains in October for the first time since May this year. WTI is currently hovering around the 85 US dollar per barrel mark. A strong tailwind came from OPEC+. The cartel decided to cut its production quotas by 2 million barrels per day (mbpd) as of November in order to proactively counteract a potential decline in demand. Actual production is likely to fall by "only" about 1 mbpd, as some member states are already missing their quotas. Nevertheless, supply is likely to tighten noticeably and the energy crisis in the West will continue to smoulder. In this respect, the Biden administration's extension of the release of strategic US oil reserves up to and including December seems hardly surprising.
- In the short term, the additional barrels may dampen the oil price, but in the medium to long term the supply should remain tight, and the price thus well supported. In addition to OPEC's restrictive production policy, the redistribution of Russian oil due to the EU import ban is likely to further reduce supply. The capacities of China and India to absorb even more oil are now limited. Meanwhile, the downside potential remains limited. US oil reserves play a role here, too. The US government recently announced that it would start actively buying oil at USD 72 per barrel.

OPEC+ supports oil price with production cuts



Source: Bloomberg, own calculations. Time period: 01/10/2021 – 24/10/2022.

US strategic reserves at 1980s level



Source: Bloomberg, DOE. Time period: 01/01/1983 – 30/09/2022.

Precious and industrial metals

Gold needs Fed pivot, industrial metals remain robust

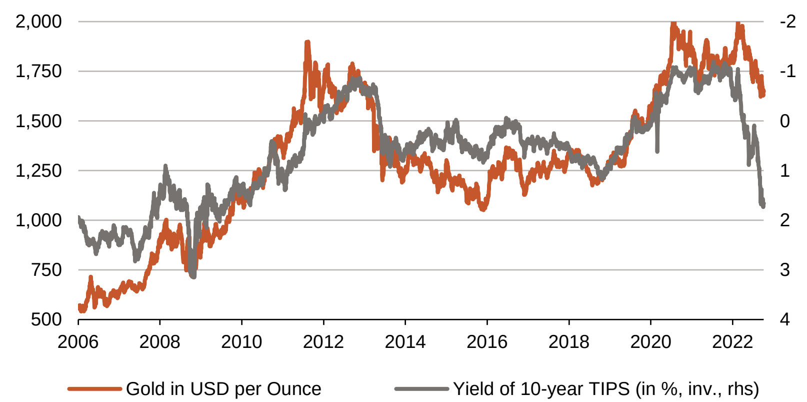
Gold needs monetary policy pivot by the Fed

- Gold experienced a sudden, sharp upward movement at the turn of the month. Although this was accompanied by falling real interest rates and a weaker dollar, short covering is likely to explain the extent of the movement. With the further rise in real interest rates, however, the precious metal finally gave up its gains completely.
- For a real turnaround, gold, like equities and bonds, needs the Fed's pivot. However, this also means that gold is likely to maintain its positive correlation to the other asset classes for the time being, thus limiting the safe haven's diversification effect.

Metals temporarily under pressure, super cycle intact

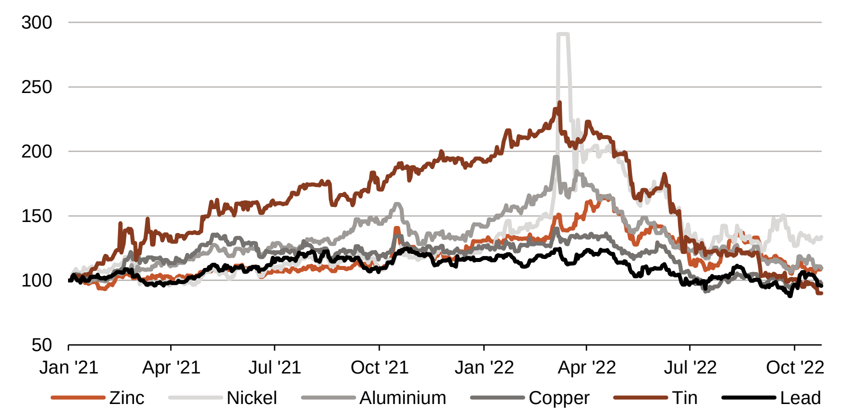
- Industrial metals moved sideways over the last month. Despite the gloomy economic outlook, there has been no selling in recent months. This is because, on the one hand, macro data is still robust and, on the other, supply is also suffering from high energy prices and increased financing costs for capital expenditures.
- With a weakening economy, the potential is likely to remain limited in the short term. On the other hand, the long-term upward trend driven by the decarbonisation of our society and the lack of investment on the supply side is likely to have accelerated even further as a result of the latest developments.

Large increase in real yields weighs on gold price



Source: Bloomberg, own calculations. Time period: 01/01/2006 – 24/10/2022.

Industrial metals are holding up well



Source: Bloomberg, own calculations. Time period: 01/01/2021 – 24/10/2022.

06 Currencies

Market Development
Interest rates and currencies

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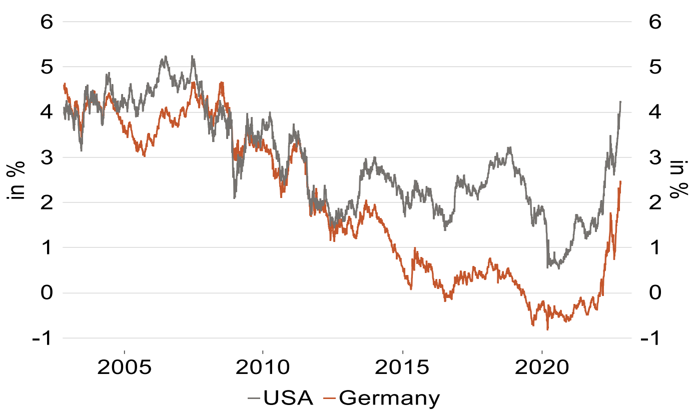
Inflation remains a challenge for central banks

- Inflation remains stubbornly high. Core inflation, which excludes energy and food prices, is also pointing upward. This means that central banks find themselves in a difficult situation, with prices rising extremely sharply and the threat of recession at the same time.
- Central banks will continue to tighten monetary policy. This week, the ECB meets on Thursday and is likely to make another big interest rate move of 75 basis points. The Bank of Japan will follow on Friday but is unlikely to touch the key rate – as always – despite the extraordinarily weak yen exchange rate.

Higher interest rates

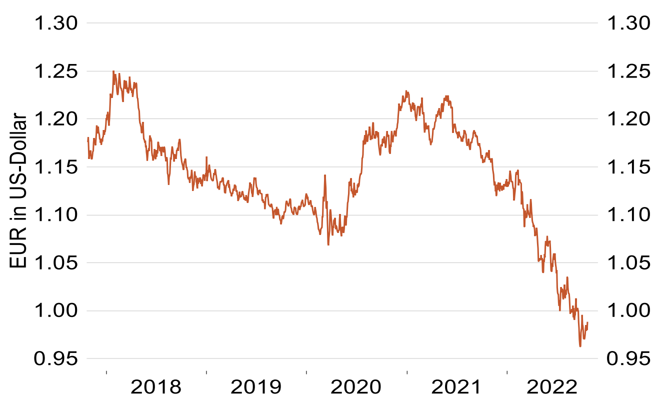
- Interest rates continue to rise. US 10-year treasuries are currently yielding around 4.2%. Their German counterparts are now yielding around 2.3%. With central banks holding back/withdrawing from the bond markets, interest rates are likely to rise further.
- Mortgage rates in Germany have risen to their highest level in ten years. In view of the high price level on the real estate market, this is a notable burden for new buildings. However, follow-up financing for loans taken out ten years ago is not yet a problem.

Yields: 10-year government bonds



Source: Macrobond Period: 10/2002 - 10/2022

Exchange rate: Euro/US-Dollar



Source: Macrobond Period: 10/2017 - 10/2022

Forecasts
Estimates of key currencies

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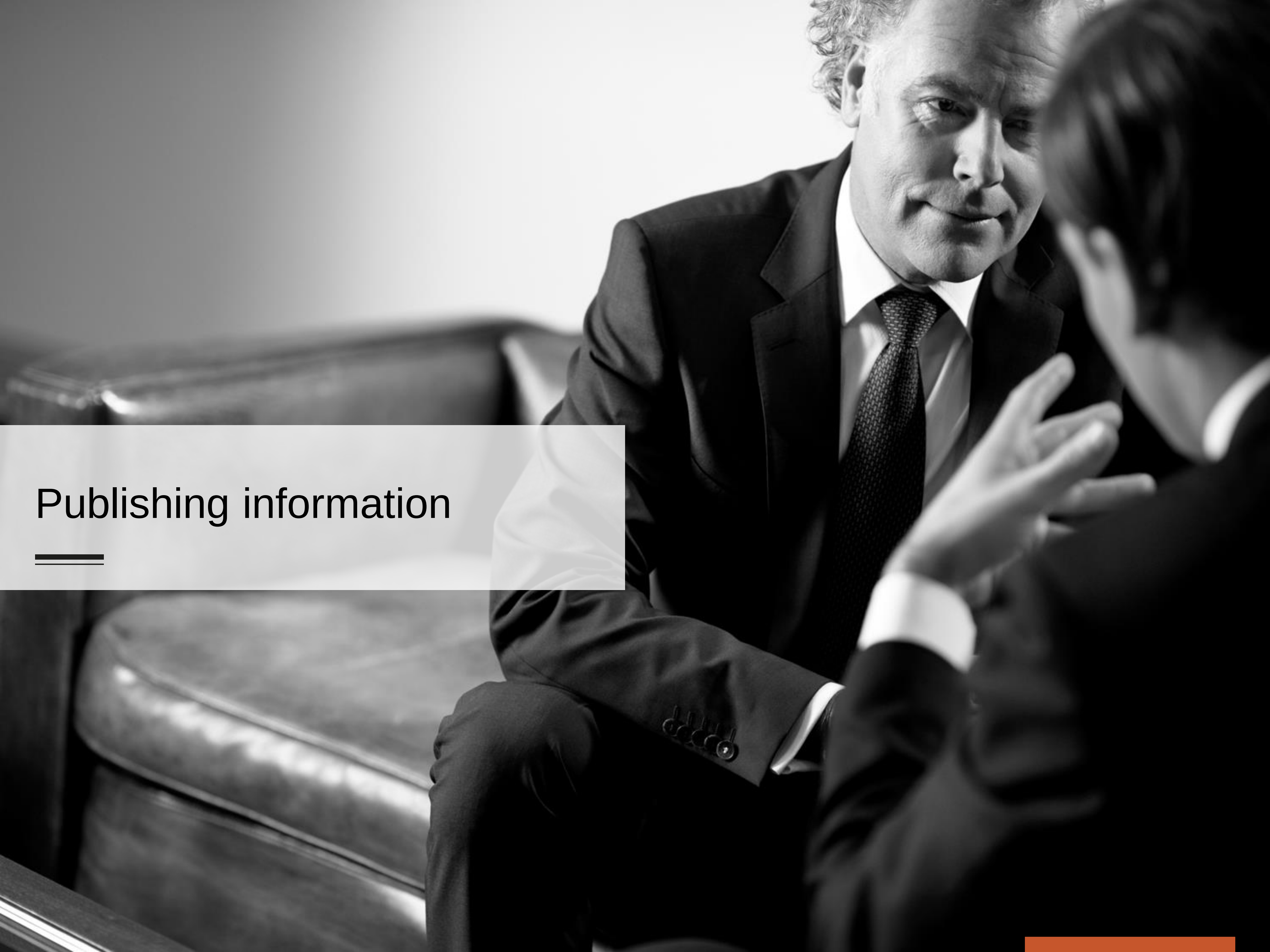
	24/10/2022	30/06/2023		31/12/2023	
Exchange rate forecasts	Current		Ø*		Ø*
EUR/USD	0.99	1.05	1.00	1.10	1.05
EUR/GBP	0.88	0.85	0.88	0.85	0.89
EUR/CHF	0.99	1.00	0.98	1.02	1.00
EUR/JPY	147	147	140	151	141

Change against the Euro (in %)					
USD	-	-6.0	-1.3	-10.2	-6.0
GBP	-	3.0	-0.5	3.0	-1.6
CHF	-	-1.2	0.9	-3.1	-1.2
JPY	-	0.1	5.1	-2.6	4.3

*Source: Bloomberg. Berenberg as of 24/10/2022.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information



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