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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

January | 2023

Horizon Handout – Capital Market Outlook
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Date 21/12/2022.

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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 (21/11/22 - 19/12/22)	YTD (31/12/21 - 19/12/22)	19/12/21 19/12/22	19/12/20 19/12/21	19/12/19 19/12/20	19/12/18 19/12/19	19/12/17 19/12/18
MSCI Frontier Markets	0.9	-19.6	-19.1	30.0	-7.6	19.0	-12.5
Industrial Metals	0.9	1.7	4.7	30.8	9.1	7.3	-8.7
EUR Coporates	0.2	-13.1	-13.7	-0.4	2.6	6.5	-1.6
Euro overnight deposit	0.1	-0.1	-0.1	-0.6	-0.5	-0.4	-0.4
Gold	-0.7	4.8	5.4	4.2	15.4	21.7	2.5
MSCI Emerging Markets	-0.7	-14.4	-14.1	6.4	6.5	20.6	-9.4
EUR Sovereign Debt	-1.2	-10.7	-11.4	-0.8	2.0	3.3	0.0
USDEUR	-3.4	7.2	5.9	9.1	-9.3	2.3	4.1
Global Convertibles	-5.4	-16.6	-15.8	7.3	34.1	22.5	-4.7
MSCI World	-5.6	-12.9	-11.2	29.7	5.2	29.5	-4.7
REITs	-6.4	-23.0	-20.9	41.8	-16.1	20.6	-1.3
Brent	-10.6	41.5	48.2	68.5	-36.8	29.6	-0.8

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: 19/12/2017 – 19/12/2022.

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. Europe ends up in recession.
- The European Central Bank and the US Fed continue to tighten monetary policy, but with somewhat smaller steps.
- Corporate sentiment seems to have bottomed out. Meanwhile, the focus is increasingly on the brighter spring.

Equities

- Earnings expectations are likely to be further reduced in line with worsening economic data.
- There should be no significant valuation expansion in 2023. Europe and Asia are relatively more attractive.
- Drawdowns are also likely in 2023. However, the outlook towards 2024 holds limited upside potential.

Bonds

- Yield jumps on safe government bonds. US government bonds at higher current yields with a clear advantage.
- Corporate bonds again with attractive yields. Local currency bonds preferred in the emerging market segment.
- We are underweight bonds due to government bonds but are increasingly overweight in credit risk.

Alternative investments / commodities

- China's move away from 0-covid policy stabilises oil. US reserves turn from supply support to demand driver.
- Gold benefits from weak dollar. Diversification effect limited. Relative attractiveness vis-à-vis bonds reduced.
- Industrial metals robust despite recession worries. Inventories low, liquidity thin. Supercycle remains intact.

Currencies

- The euro is benefiting from improved market sentiment and a somewhat friendlier economic outlook.
- The higher risk appetite has weakened the US dollar, allowing the euro to move up from parity.
- The upward trend for the euro should continue if the winter is weathered without major setbacks.

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

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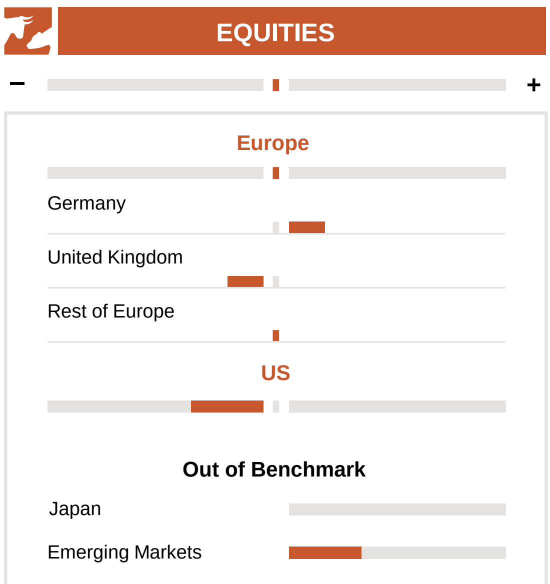
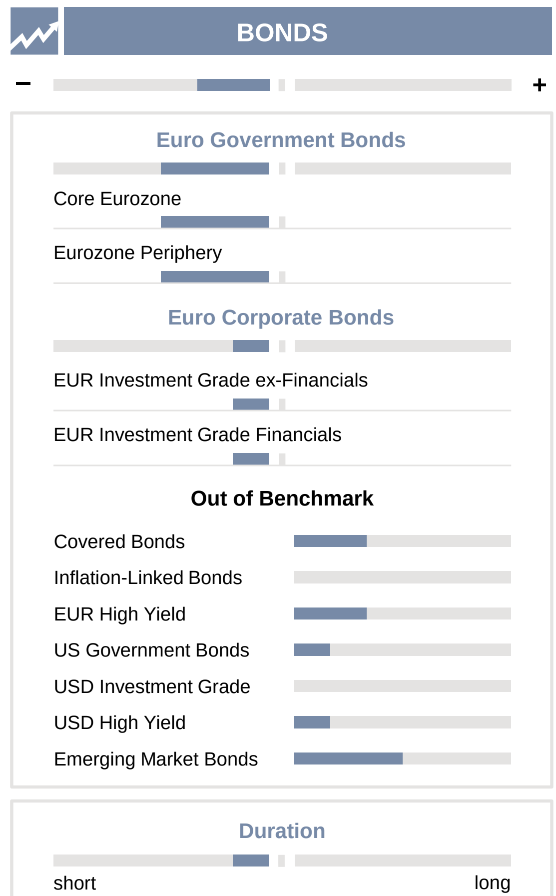
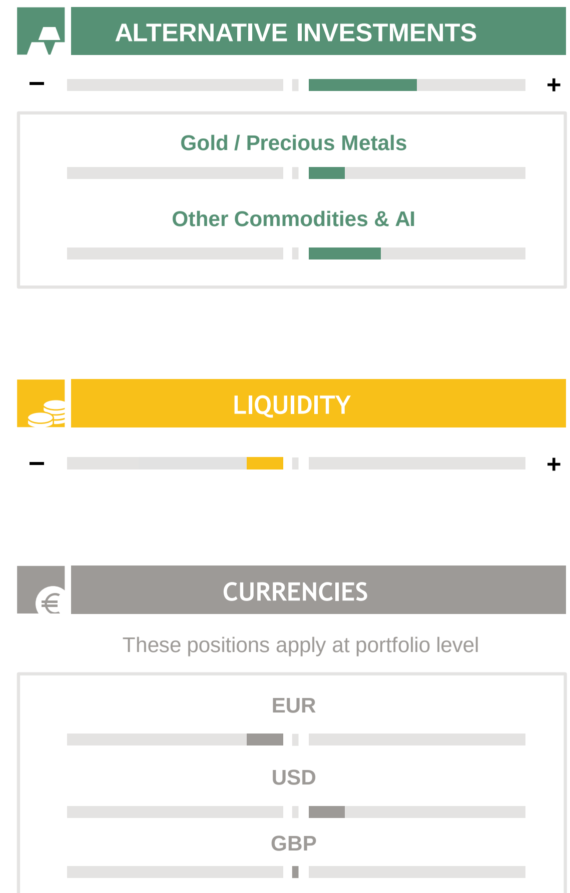
Portfolio positioning of a balanced mandate at a glance







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

− Underweight ▮ Neutral + Overweight

Source: Berenberg

As of 19/12/2022.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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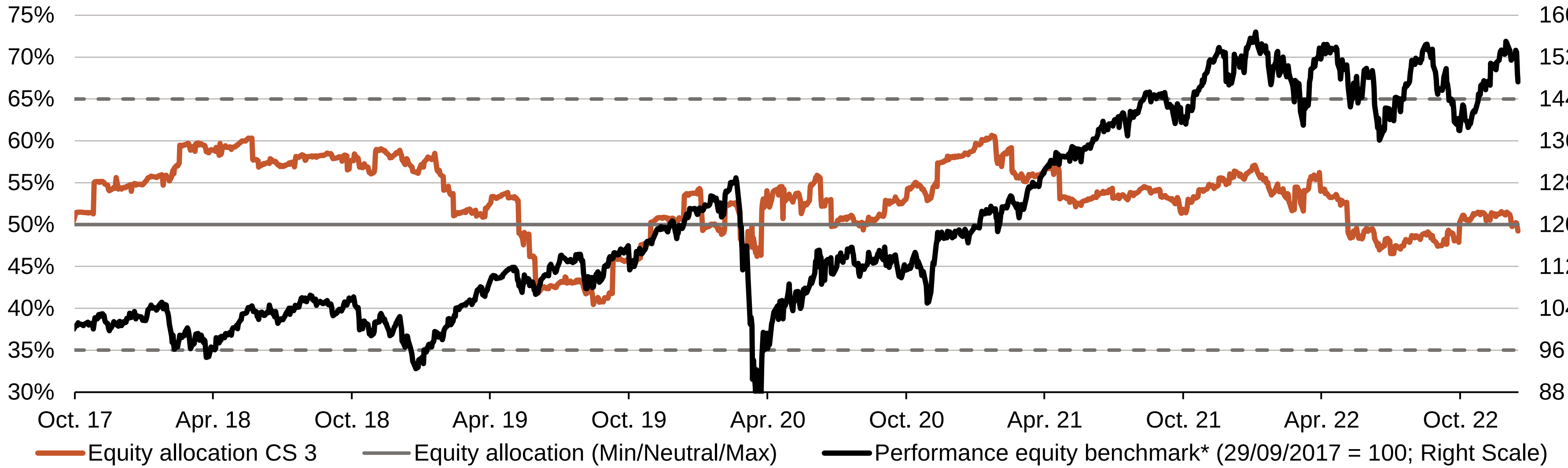
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	16/12/17 - 16/12/18	16/12/18 - 16/12/19	16/12/19 - 16/12/20	16/12/20 - 16/12/21	16/12/21 - 16/12/22
	-4.59%	24.69%	-2.49%	27.98%	-3.23%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 16/12/2017 – 16/12/2022.
Note: The historical performance presented here is not a reliable indicator of future performance.

- We had reduced our equity exposure to an underweight in several steps in the first half of 2022. In addition, we had reduced our bonds underweight after the massive rise in interest rates by means of US Treasuries and long-duration Euro government bonds with a view to the smouldering energy crisis and impending recession. At the end of September, we countercyclically increased our equity quota to neutral again.
- We used October and November to increase our bonds allocation (corporate bonds) after the significant rise in interest rates. We also slightly reduced gold and further increased industrial metals. Within US equities, we have now partially currency hedged our exposure and also rotated large caps into mid caps, which are more attractively valued.
- After the strong rally in equities in the run-up to the central bank meetings in December, we have reduced our equity weighting again to neutral on a countercyclical basis, including reducing our weighting in Chinese equities after the strong rally.

02 Economics

Eurozone
GDP and inflation

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Main scenario: recovery after the winter

- Europe was able to fill its gas storage tanks almost to the brim with the beginning of the heating season. Consumer confidence, which has been badly hit, has also recovered slightly recently. In Europe are increasing signs of a new upswing after the winter recession.
- Despite the improved mood, there are still many dangers that are difficult to classify. In particular, a gas shortage or a prolonged interruption of power supply could quickly change the mood again. But this is not our main scenario.

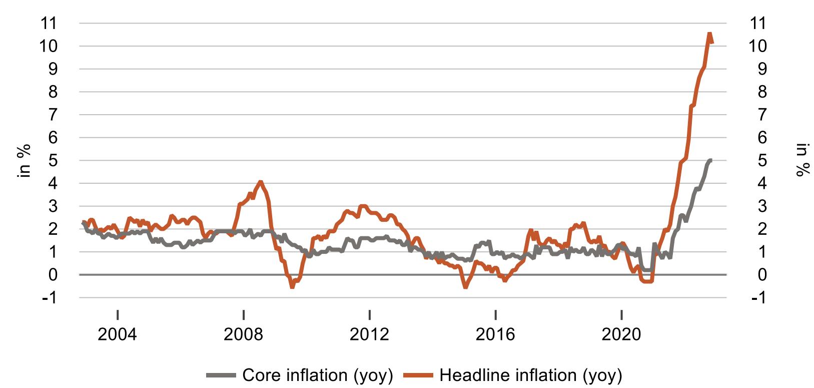
Inflation slightly lower - ECB tightens further

- The inflation rate declined from 10.6 % to 10.0 % (year-on-year) in November. Inflation was thus below the Reuters consensus expectation of 10.4 %. The range of inflation rates in the individual Eurozone member states continues to be enormous. In November, they ranged from 6.6% in Spain to 21.7% in Latvia. France (+7.1 %) benefits from being less dependent on natural gas imports and from the government regulating energy prices for households.
- For the ECB, the inflation dynamic is still clearly high. It is therefore reacting with a further tightening of monetary policy.

Eurozone GDP growth and industrial confidence

Source: Macrobond Period: 11/2002 - 11/2022

Eurozone Inflation



Source: Macrobond Period: 11/2002 - 11/2022

United Kingdom
GDP and inflation

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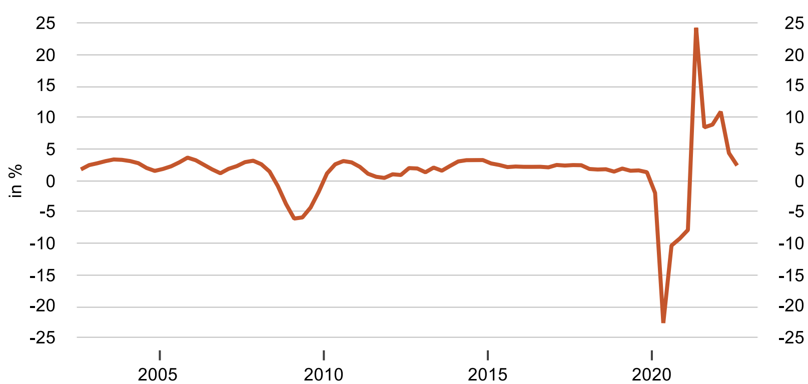
Markets have calmed down again after policy change

- The Purchasing Managers' Index is moving almost sideways (from 48.2 points in October to 48.3 points in November). However, production and new orders continued to contract in November, with the latter falling at the fastest pace in almost two years. This suggests that the decline could intensify in the coming months.
- Now that the new finance minister has ended "trussonomics" and switched to sounder fiscal policy, the financial markets have also regained their composure. Government bond yields have settled at significantly lower levels and the exchange rate is heading back towards 0.85 pounds per euro.

Inflation: Peak exceeded?

- Inflation fell from 11.1 % to 10.7 % in November, somewhat more than expected. This is a small glimmer of hope, but inflation remains clearly too high. It is still too early to speak of a turnaround.
- The Bank of England (BoE) has raised the key interest rate by 50 basis points to 3.50 %. We assume that the BoE will make another rate hike of 25 basis points and that the peak in the key rate cycle will thus be reached at 3.25 %. In the second half of the year, when the recession puts the brakes on inflation, the BoE could cut the key rate by another 50 basis points.

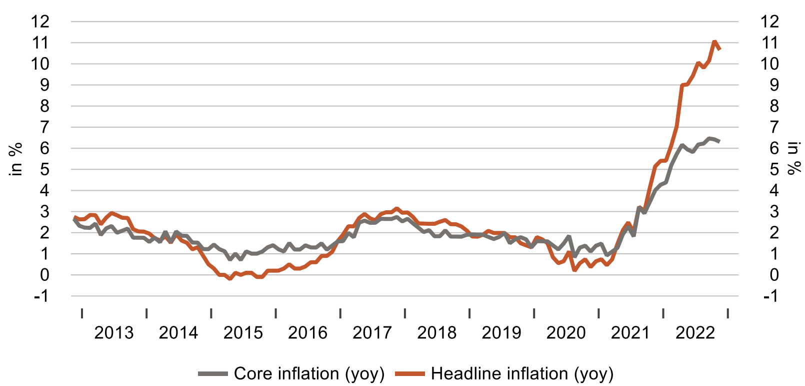
United Kingdom GDP growth (yoy)



Source: Macrobond

Period: 09/2002 - 09/2022

United Kingdom Inflation



Source: Macrobond

Period: 11/2012 - 11/2022

USA
GDP and inflation

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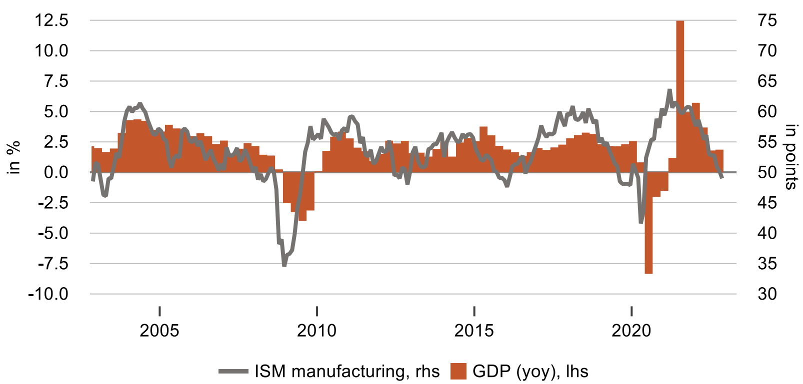
Robust labour market

- Job growth in November was above expectations with an increase of 260,000. It was also well above Fed President Powell's estimate of 100,000, which would be needed to keep pace with population growth.
- Also problematic for the central bank is that nominal wage growth accelerated from 0.5 % to 0.6 % month-on-month, or 4.9 % in October and 5.1 % year-on-year. The tentative trend of more moderate wage growth that had been indicated in the September and October employment reports was thus corrected.

US Fed reduces the pace of tightening

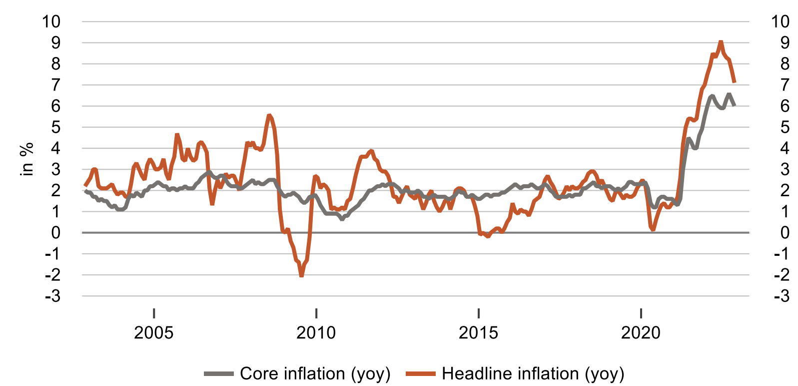
- Inflation in the USA fell in November from 7.1 % (yoy). It was the fifth decline in a row. Thus, there are increasing signs that the inflation peak has been passed.
- The decline at a still very high level allows the US central bank to reduce the pace of monetary tightening. The Fed therefore opted for an interest rate step of "only" 50 basis points in December and raised the key interest rate to 4.25-4.50 %. The Fed is likely to raise rates even further in the coming months, probably by a total of 75 basis points.

US GDP growth and Purchasing Managers Index



Source: Macrobond Period: 11/2001 - 11/2022

USA Inflation



Source: Macrobond Period: 11/2002 - 11/2022

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	-0.1	0.4	1.2	1.4	8.0	8.1	4.1	4.3	2.6	2.5
Eurozone	3.3	3.2	-0.3	-0.1	1.8	1.4	8.4	8.5	6.7	6.0	2.0	2.2
Germany	1.7	1.7	-0.7	-0.6	1.8	1.3	8.8	8.7	7.3	6.5	2.1	2.6
France	2.5	2.5	0.0	0.2	1.8	1.1	5.9	6.0	5.2	5.1	1.9	2.3
Italy	3.7	3.7	-0.6	0.0	1.3	1.0	8.7	8.6	7.7	6.5	2.0	2.0
Spain	4.5	4.5	0.1	1.0	2.0	1.9	8.4	8.6	2.8	4.5	2.0	2.3
United Kingdom	4.3	4.3	-1.1	-1.0	1.8	0.9	9.1	9.1	5.6	7.1	1.6	2.5
Japan	1.2	1.5	1.5	1.3	1.2	1.0	2.5	2.4	2.4	1.8	1.2	1.0
China	2.9	3.0	4.1	4.9	4.1	5.0	2.0	2.1	2.5	2.3	2.3	2.2
World*	2.9	-	1.3	-	2.4	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 19/12/2022.
* 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
Major setbacks also likely in 2023

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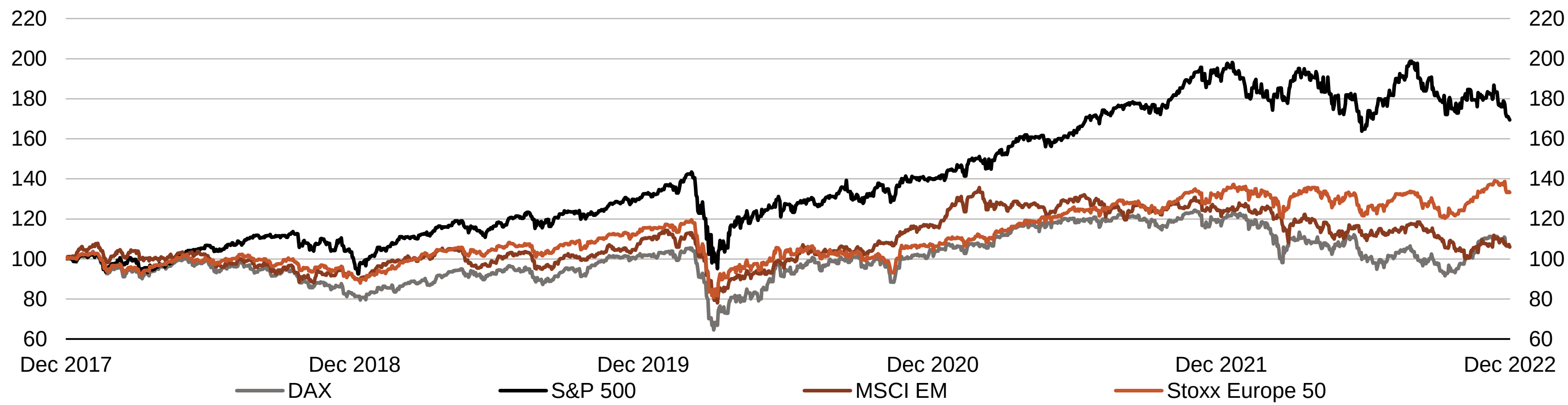
Recession no longer fully priced in

- In Q3 2022, the market had already priced in a mild recession in many equity areas. For Europe, the valuation discount was even higher. After increasing hope for a timely Fed turnaround and a "soft landing", valuations, especially in the US, have temporarily shot up. Equity markets are thus likely to experience stronger setbacks again in the course of 2023, not least due to negative earnings revisions and quantitative easing by central banks. This is especially true if systematic strategies continue to add to equities into 2023 due to the recent drop in volatility and better price momentum. This will then make markets more vulnerable again. However, as the market will already be looking ahead to a probably much better economic 2024 at the end of 2023, equity markets should recover from their setbacks.
- Even if the upside potential is limited next year, European and Asian equities in particular are likely to perform favourably in 2023, as both regions have already priced in significantly more negatives than the US.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100. Time period: 20/12/2017 – 20/12/2022.

Corporate earnings
The pressure continues

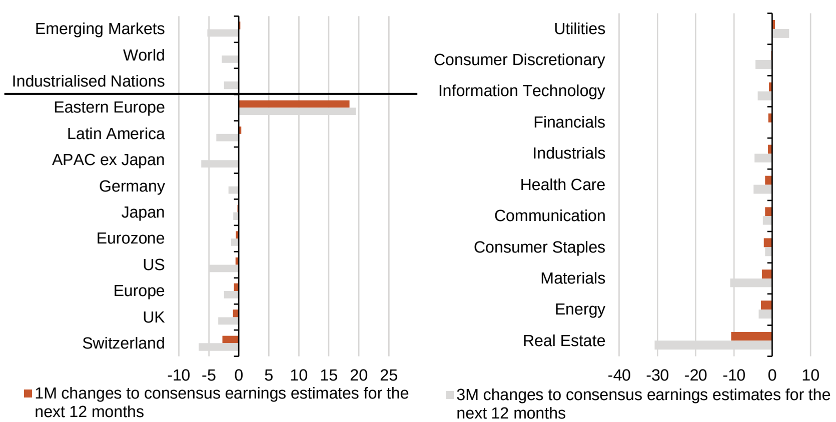
Hardly any positive profit revisions to report

- There have been few positive earnings revisions globally in the last four weeks due to the gloomy economic outlook for 2023.
- Eastern Europe is an exception. Based on a low earnings estimate for 2023, analysts have become slightly more positive on the region again.
- In Europe, the majority of sectors saw negative revisions. This was most pronounced in real estate stocks, which are suffering from rising interest rates and economic concerns.

Profit growth 2023 still too high

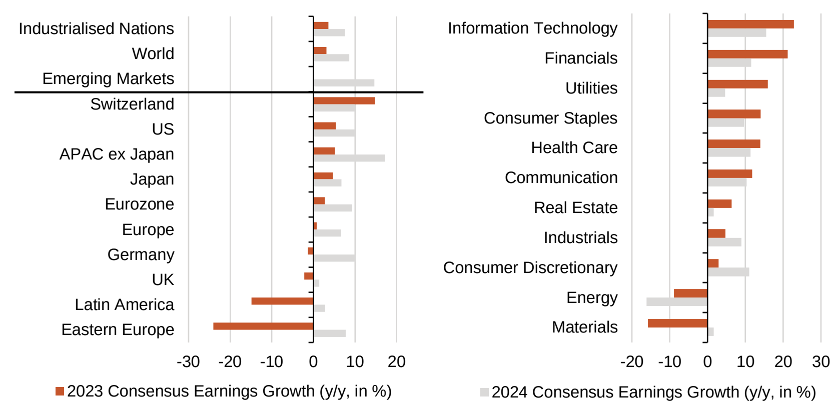
- Earnings growth in 2023 is likely to be around 4% for the developed countries according to the consensus. Given the threat of recessions in many regions in 2023, we still think the consensus estimates are too optimistic. Emerging markets are not expected to see growth, according to analysts.
- The Q4 reporting season, which is about to start, should give an indication of where the journey is heading, even if the lingering effects of the central banks' pronounced tightening policy will probably only be visible in later quarters.

Negative profit revisions continued in isolated cases



Source: Bloomberg, MSCI Europe Sectors As of 20/12/2022.

Consensus still too positive on 2023 earnings



Source: Bloomberg, MSCI European sectors. As of 15/12/2022.

Valuation & Positioning
Starting point for 2023 better than 2022

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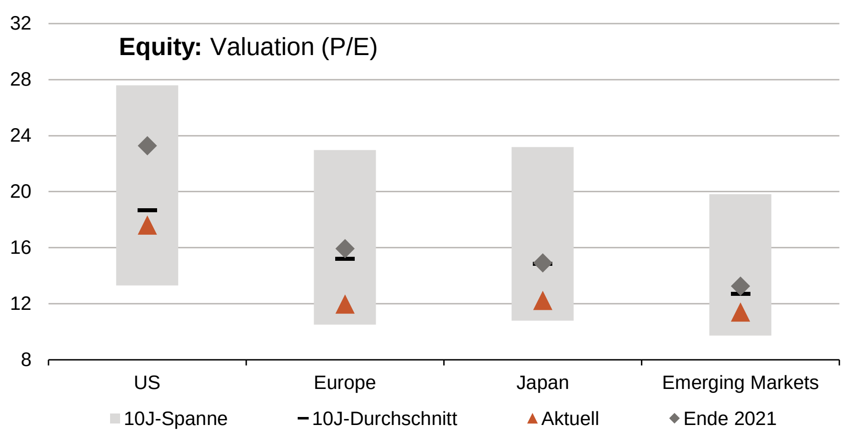
2023 more favourable starting point than in the last year

- 2022 was a year to forget for investors. In addition to bonds, shares also lost significant value due to rising inflation and interest rates.
- The good news, however, is that the starting position, based on valuation metrics, offers opportunities for global investors.
- The valuation of European, Japanese and emerging market equities is very attractive in a 10-year comparison. We therefore expect 2023 to be a better year than 2022 despite the recession, even if the upside potential is likely to be limited.

US private investors remain sceptical

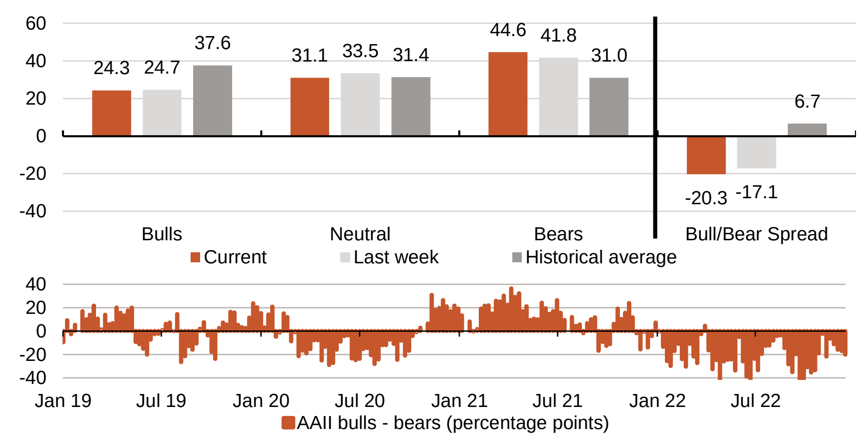
- Sentiment among US private investors has now deteriorated for the fifth week in a row. There can be no talk of euphoria in the direction of 2023.
- This year there was only one week at all in which the bull/bear spread was positive. That is an absolute record. The second worst year was 2008, when the spread was positive for 14 weeks.
- Poor sentiment and low investor positioning, at least among systematic investors, should limit the downside potential in 2023.

Valuation well below end-2021 levels



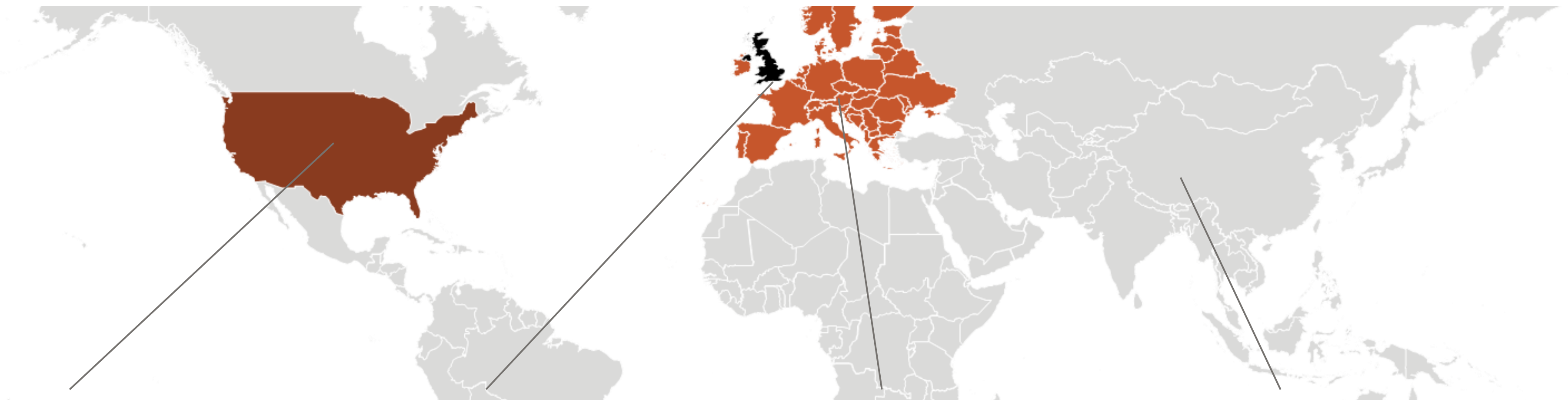
Source: Bloomberg, own calculations. Time period: 20/12/2012 – 20/12/2022

Only one week in 2022 were sentiment was positiv



Source: Bloomberg, own calculations. Time period: 23/07/1987 – 15/12/2022.

Equity allocation
Overweight in EM and Europe ex. UK



US
Underweight

- The earnings expectations of US companies are still clearly too high in the context of of high wage 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 the breakaway from 0-Covid could could boost Chinese markets in 2023. However, risks remain for the time being.

Equity market forecasts

Estimates for selected indices

Index forecasts	Current 19/12/2022	30/06/2023	31/12/2023	Ø* in 12 Monaten
S&P 500	3,818	4,150	4,300	4,517
Dax	13,943	15,000	15,700	17,626
Euro Stoxx 50	3,811	4,100	4,250	4,651
MSCI UK	2,117	2,250	2,350	2,519

Index potential (in %)				
S&P 500	-	8.7	12.6	18.3
Dax	-	7.6	12.6	26.4
Euro Stoxx 50	-	7.6	11.5	22.0
MSCI UK	-	6.3	11.0	19.0

Source: Bloomberg. Berenberg. as of 19/12/2022.
*Average based on bottom-up estimates.

04 Bonds

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

Government bonds
Differentiation can pay off

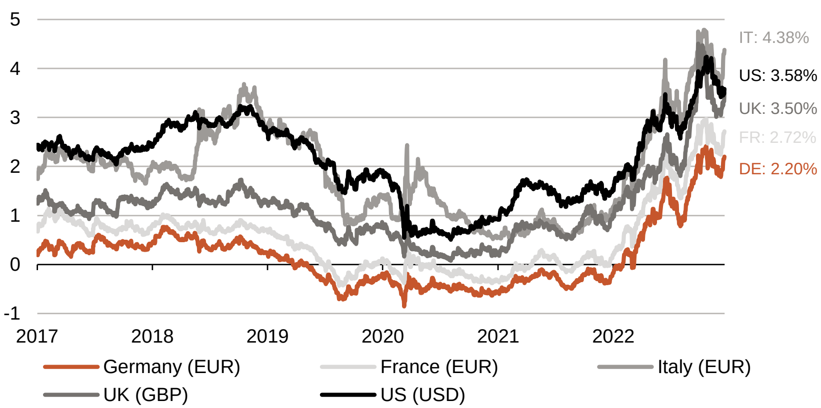
Regional heterogeneity in government bonds ahead

- Safe government bonds recorded double-digit losses in 2022, both on this side and on the other side of the Atlantic. The December meetings of the major central banks, especially the ECB, which were significantly more restrictive than expected by the markets, led to renewed jumps in yields on European government bonds.
- A regionally heterogeneous course is expected for the coming months. One major reason for this is that inflation is likely to have already peaked in the US, while in Europe it is still to come. Consequently, monetary policy dynamics will differ between the currency areas.

Government bonds: US treasuries with clear advantage

- While the Fed is likely to raise its key interest rate to 5.25% in the first half of the year, but then lower it again in the second half, our economists expect the ECB to take two steps of 50 basis points each by mid-year without subsequently lowering its main refinancing rate again.
- This would mean falling yields in the US again by the end of 2023, but the opposite for German Bunds. Together with the higher current interest rate, this results in a clear attractiveness advantage for US government securities. Euro investors should, however, take into account the possible change in exchange rates or hedging costs.

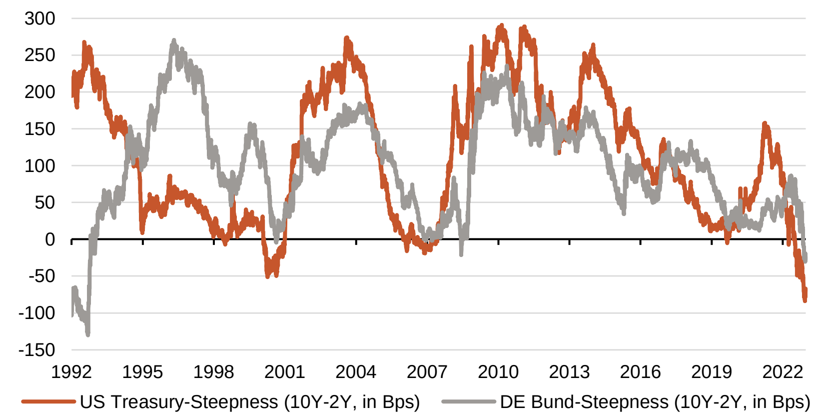
Yield jumps on safe government bonds



Source: Bloomberg

Time period: 01/01/2017 – 19/12/2022

US and German yield curves continue to invert



Source: Bloomberg

Time period: 01/01/1991 – 19/12/2022

Corporate & EM bonds
The return of the interest rate creates opportunities

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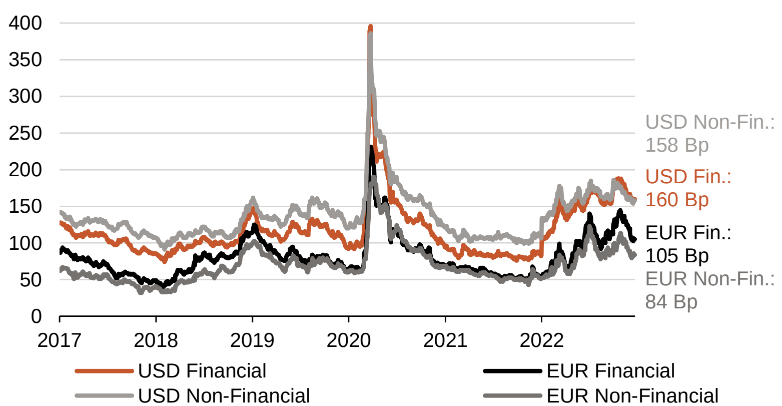
European corporate bonds 2023 with potential

- European IG corporate bonds are finally offering an adequate yield again, as we last saw at this level in 2012. Even in the case of moderate short-term yield increases, it should be possible to achieve an absolutely positive development over the year 2023.
- Despite two and a half years of the Corona pandemic, high energy prices and inflation-related cost pressures, corporate balance sheets are tidy and robust. In addition, new issuance activity and a stabilisation of fund flows in corporate bonds make us more positive. We have recently increased our overweight and continue to favour financial bonds.

Emerging markets: local currencies still preferred

- Despite the hard currency driven recovery of emerging market bonds in Q4, it was not enough for an absolute positive performance in 2022.
- For the beginning of the new year, we expect that when interest rate hike cycles come to an end in many emerging markets and inflation peaks, current yield will become more important in the medium term. We are therefore sticking to a gradual increase in the duration of local currency bonds. In addition, an entry into countries in the high-yield segment appears worthwhile with low investor positioning, little sensitivity to US yields and manageable issuing activity.

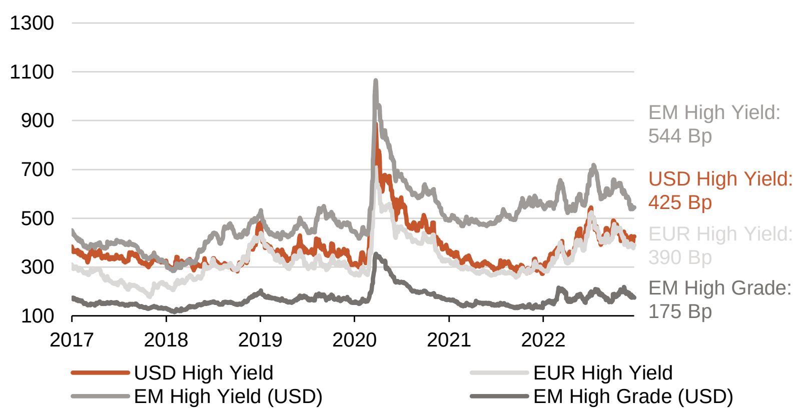
EUR and US risk premia noticeably lowered



Source: Factset

Time period: 01/01/2017 – 19/12/2022

Decrease in risk premiums for emerging market bonds



Source: Factset

Time period: 01/01/2017 – 19/12/2022

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. We take a regionally differentiated view and see clear advantages for US over German government bonds in local currency. With the rise in yields and in view of the threat of 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. We continue to favour the local currency segment and find entry into selected high-yield countries interesting.
- 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

- At now elevated yield levels, corporate bonds in the high-yield segment have become attractive again. In particular, we like the financial sector and subordinated issues from first-class borrowers.

Forecasts

Estimates for selected bond markets

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Base interest rates and government bond yields (in %)	19/12/2022	30/06/2023		31/12/2023	
	Current		Ø*		Ø*
US					
Base interest rate	4.25-4.50	5.00-5.25	5.05	4.75-5.00	4.70
10Y US yield	3.59	3.50	3.88	3.60	3.50
Eurozone					
Base interest rate	2.50	3.50	3.10	3.50	3.05
10Y Bund yield	2.20	2.40	2.19	2.70	1.90
United Kingdom					
Base interest rate	3.50	3.75	4.10	3.25	4.00
10Y Gilt yield	3.50	3.40	3.39	3.40	3.18

Source: Bloomberg. Berenberg as of 19/12/2022.
*Average of estimates by other experts (Bloomberg) consensus.

05 Commodities

Crude oil
Prices back to the beginning

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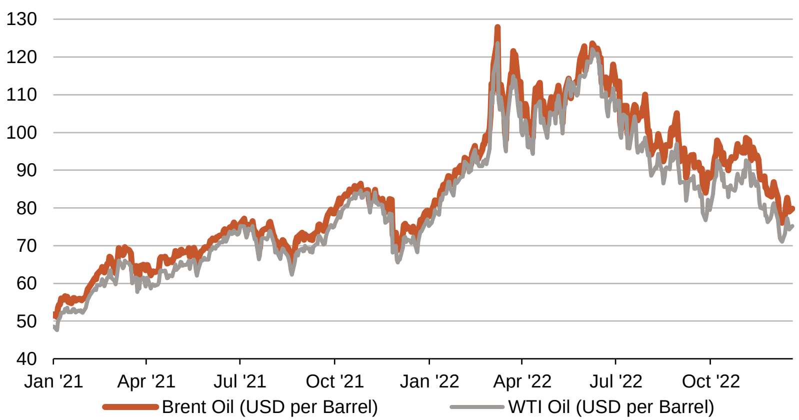
Oil demand weak in the short term, supply ultimately even weaker

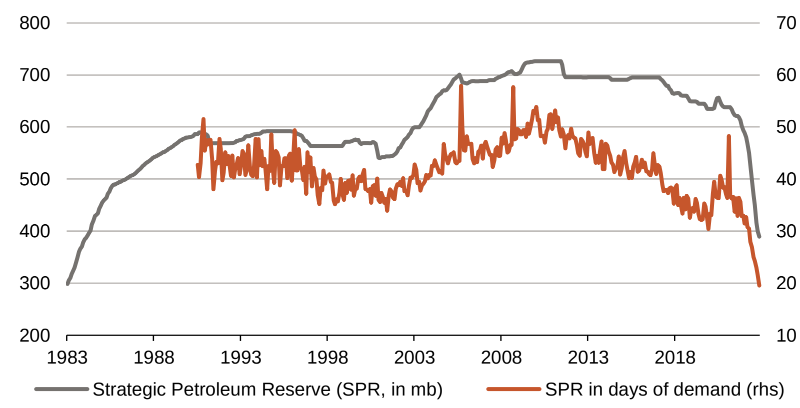
- Crude oil experienced a difficult fourth quarter, falling from a peak of almost USD 100 per barrel to below USD 75 in mid-December. With recession worries in the West and rising COVID-19 cases in China, fears of weak demand dominated. Most recently, the abandonment of the zero-covid policy in China gave hope for only a mild global decline in demand despite the impending recessions in the West. And so, at currently USD 80 per barrel, oil is roughly back where it was at the beginning of the year.
- The gloomy economic outlook temporarily limits the upside potential. The problems on the supply side, on the other hand, appear to be structural. Oil producers in both the USA and the Middle East continue to be reluctant to undertake capex, and with the EU oil embargo, part of Russia's supply is likely to be lost in the long term, unless China and India can take the additional barrels in full.
- In addition, the release of strategic US oil reserves expires at the end of the year. The US government recently announced that it would buy 3 million barrels again for the first time in February. This means that supply support this year will turn into additional demand next year. We expect a tight oil market and rising prices.

Oil price back to the beginning of this year



Source: Bloomberg. Time period: 01/01/2021 – 19/12/2022.

250m barrels drained from the US-SPR since 2020



Source: Bloomberg, DOE, own calculations. Time period: 01/01/1983 – 30/11/2022.

Precious and industrial metals
Super cycle in industrial metals reinforced

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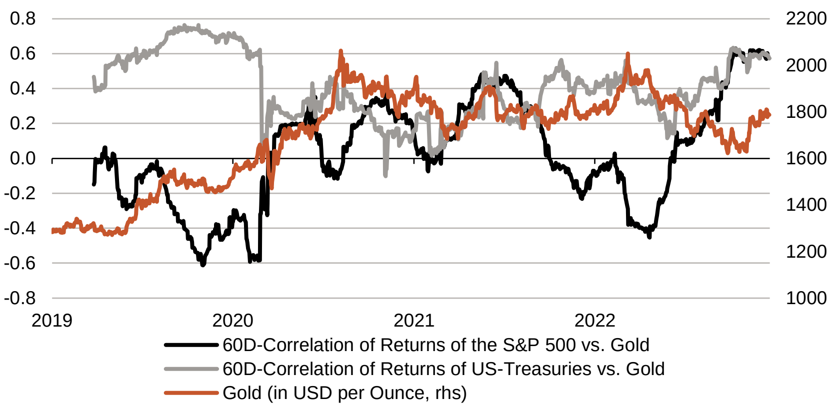
Positive outlook for Gold, but declining attractiveness

- Gold managed to break the downward trend of the summer in Q4. The decisive factor for the new strength was the weakness of the US dollar. Meanwhile, stagnating real interest rates finally offered less headwind.
- The downward potential should remain limited in the coming months. This is because investors have sold more than half of their holdings built up during the COVID-19 crisis, whereas the trend towards the de-dollarisation of central bank reserves has accelerated significantly since Putin's war. Nevertheless, the attractiveness of gold has declined. Firstly, it remains a plaything of the Fed and thus positively correlated to equities. Secondly, other safe havens such as US-Treasuries are now offering attractive current yields.

Long-term upward trend in metals accelerates

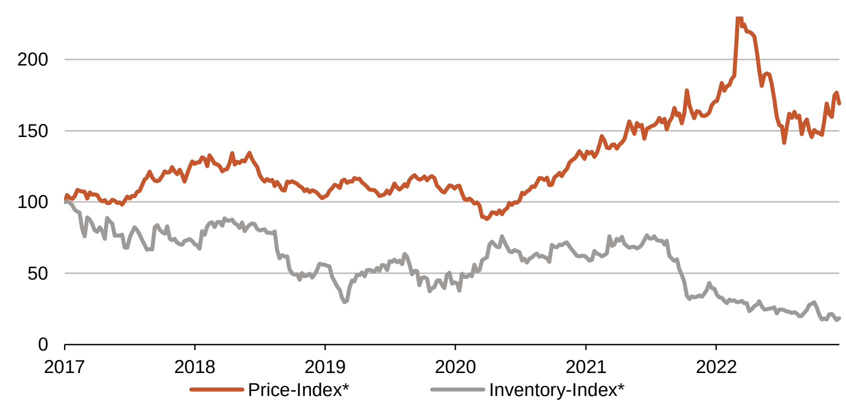
- Industrial metals performed well in Q4 despite the gloomy economic outlook in the West. Support came from China due to measures to support the real estate sector as well as demand from the grid expansion and e-mobility sectors. The very low inventory levels signal that the metals markets are already tightly supplied.
- In addition, continued high energy prices, a large part of production costs, should limit the downside potential. Once the recession is behind us, industrial metals should make strong gains. Not least because demand is likely to have accelerated due to the energy transition in the wake of the Russia-Ukraine war.

Diversification effect of gold currently limited



Source: Bloomberg, own calculations. Time period: 01/01/2019 – 19/12/2022.

Tight industrial metal supply limits downside risks



Source: Bloomberg, own calculations. Time period: 01/01/2017 – 19/12/2022.
* comprising copper, aluminium, nickel & zinc

06 Currencies

Currencies
Market developments

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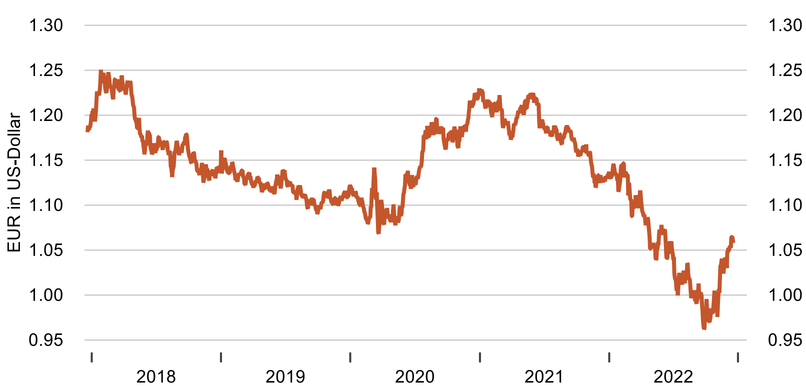
Halfway conciliatory end to the year for the euro

- In uncertain times, investors seek safe havens like the US dollar. If no new catastrophes drive investors into the US dollar in 2023, the prospect of a narrowing interest rate differential between the US Fed and the ECB could ensure that the euro recovers to around 1.15 to the US dollar by the end of 2023.
- In any case, the last two months of the year were somewhat conciliatory for the euro. After the common currency had temporarily fallen well below parity with the US dollar during the year, the exchange rate climbed bit by bit in November and December to the current level of 1.06 US dollars per euro.

Exchange rate: Euro/US-Dollar



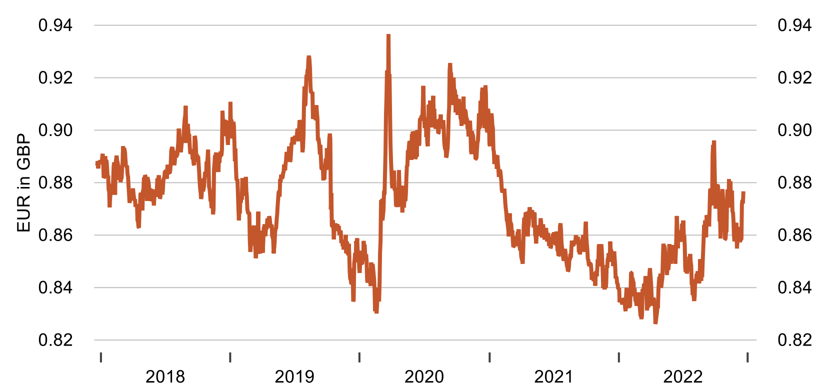
Source: Macrobond

Period: 12/2017 - 12/2022

Between calm and storm

- The Swiss franc had a quiet year. It was strong due to the crisis and has the backing of the Swiss National Bank. We expect the Swiss franc to remain strong in 2023.
- Pound sterling, on the other hand, had to weather the turbulence surrounding the government chaos. In the meantime, however, markets have calmed down.
- The yen initially dived deep in 2022. But in recent weeks the exchange rate has recovered significantly. The yen outlook has improved. In December, the Bank of Japan eased the yield curve control and thus tightened monetary policy somewhat.

Exchange rate: EUR/GBP



Source: Macrobond

Period: 12/2017 - 12/2022

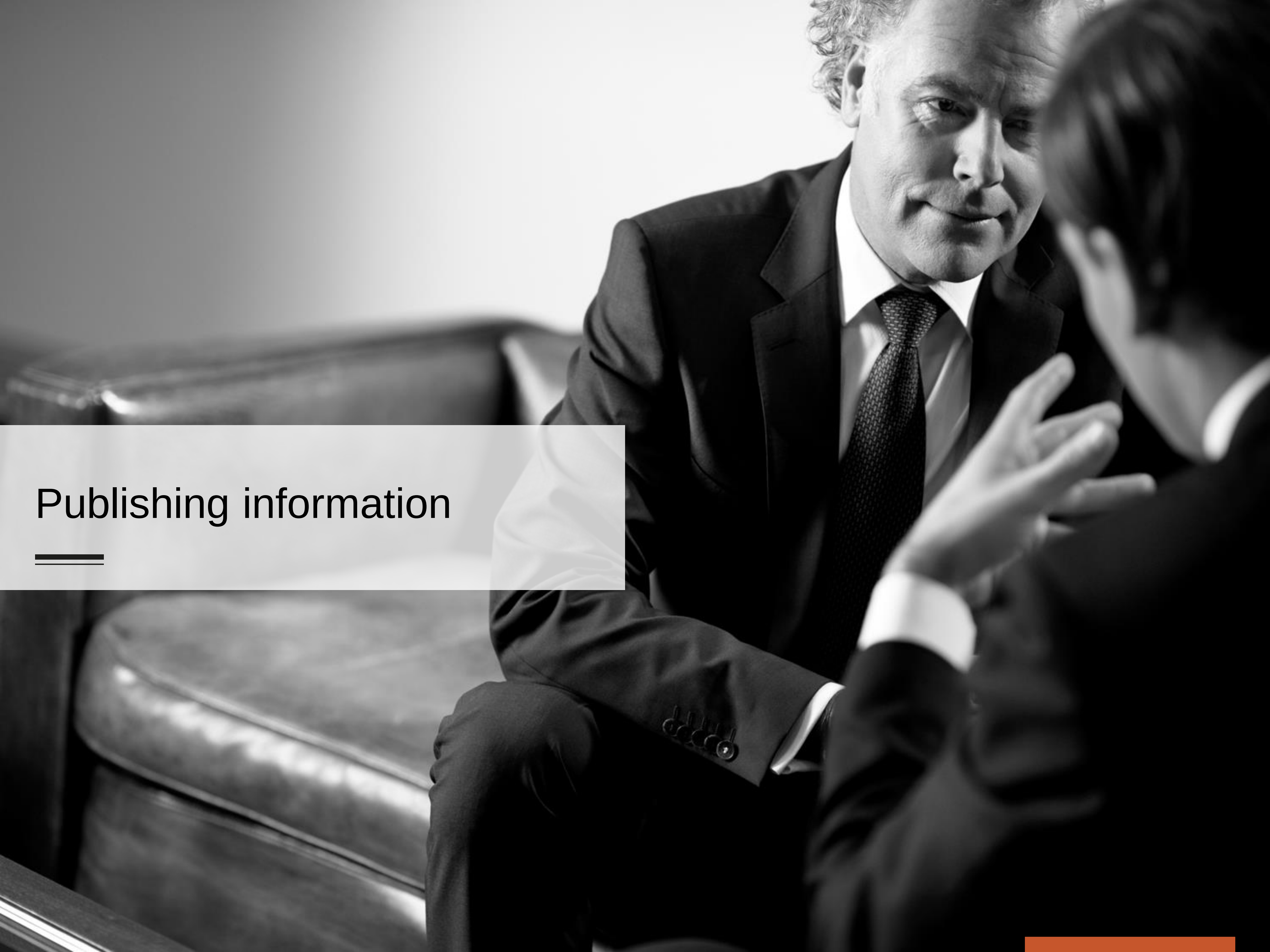
Forecasts

Estimates of key currencies

	19/12/2022	30/06/2023		31/12/2023	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.06	1.10	1.04	1.15	1.07
EUR/GBP	0.87	0.85	0.88	0.85	0.89
EUR/CHF	0.98	1.00	0.99	1.02	1.01
EUR/JPY	145	143	141	144	141
Change against the Euro (in %)					
USD	-	-3.6	2.0	-7.8	-0.9
GBP	-	2.7	-0.8	2.7	-1.9
CHF	-	-1.5	-0.5	-3.4	-2.5
JPY	-	1.5	3.0	0.8	3.0

*Source: Bloomberg. Berenberg as of 19/12/2022.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information



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