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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

July | 2023

Horizon Handout – Capital Market Outlook

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Date 22/06/2023.

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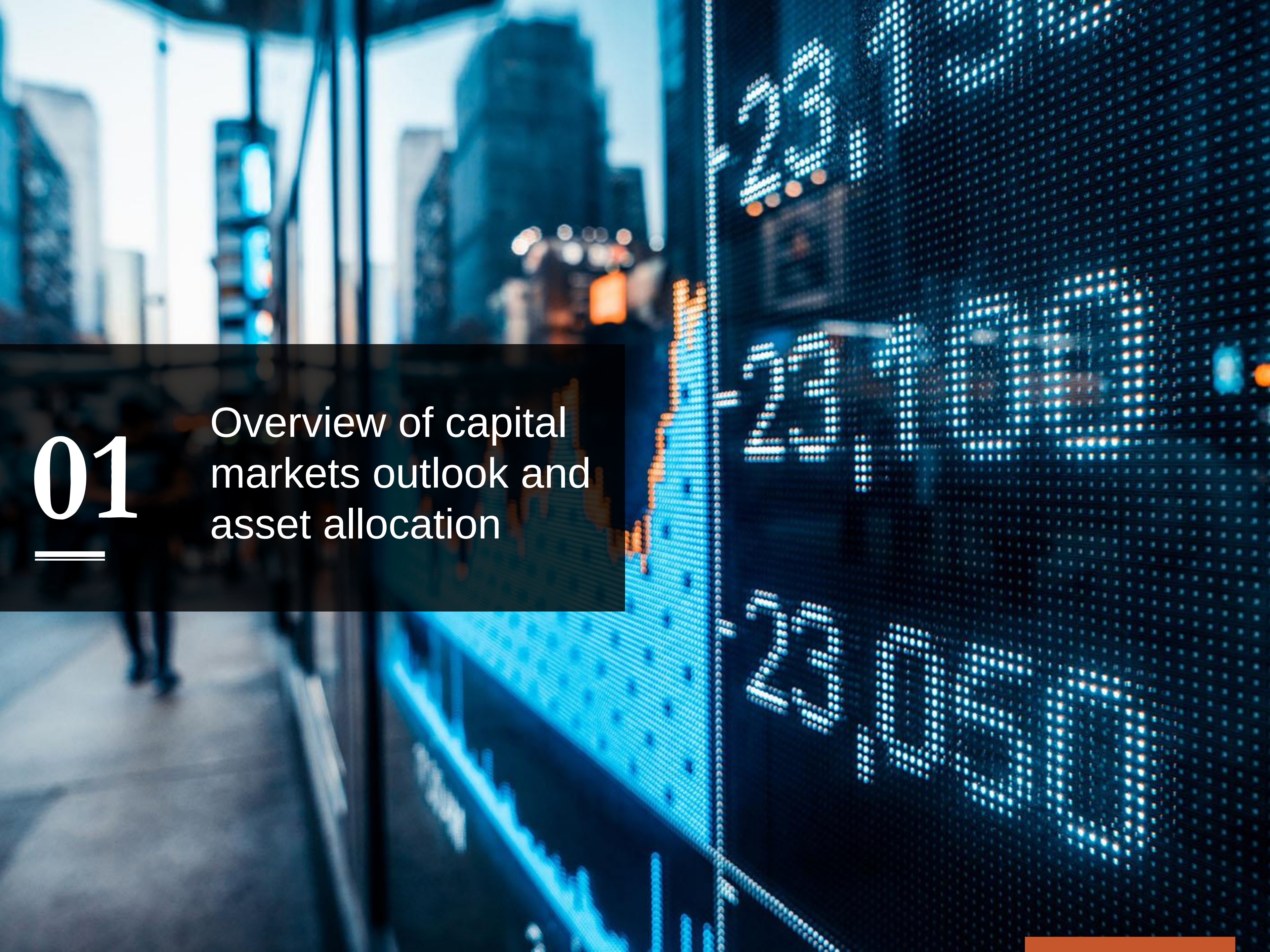
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



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 (23/05/23 - 20/06/23)	YTD (30/12/22 - 20/06/23)	20/06/22 20/06/23	20/06/21 20/06/22	20/06/20 20/06/21	20/06/19 20/06/20	20/06/18 20/06/19
MSCI World	3.1	11.9	15.5	-3.3	27.9	3.8	7.9
Global Convertibles	3.0	5.8	5.2	-15.4	33.1	14.6	-1.2
MSCI Emerging Markets	2.5	5.1	0.6	-15.1	30.7	-1.7	1.5
Industrial Metals	1.9	-11.3	-13.6	29.1	36.5	-6.1	-11.8
REITs	0.8	-2.4	-9.1	-2.2	17.9	-11.4	19.3
EUR Coporates	0.5	2.3	1.3	-13.8	3.4	-0.2	4.4
MSCI Frontier Markets	0.3	2.2	-6.4	-5.7	28.8	-10.2	4.6
EUR Sovereign Debt	0.3	1.8	-1.6	-9.3	0.4	0.7	3.3
Euro overnight deposit	0.2	1.2	1.5	-0.6	-0.5	-0.4	-0.4
USDEUR	-1.4	-1.9	-3.7	12.9	-5.8	1.0	2.5
Brent	-1.7	-9.8	-21.5	106.1	59.6	-34.3	-7.5
Gold	-3.4	4.0	1.3	17.6	-4.6	26.8	12.3

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: 20/06/2018 – 20/06/2023.
Note: The historical performance presented here is not a reliable indicator of future performance.

Overview of capital markets
Outlook by asset class

Economics

- Germany and the Eurozone now with technical winter recession after downward revisions of GDP data.
- Inflation falls more than expected in the eurozone and the US. In the UK, inflation remains very stubborn.
- ECB, BoE and Fed will tighten further. The wording of the ECB and Fed has been surprisingly hawkish lately.

Equities

- Profit growth expectations close to zero are probably realistic for 2023. 2024 should be better.
- The threat of liquidity withdrawal should cap valuations in the coming months.
- We see an increased risk of a setback in Q3. However, the downside potential is likely to be limited due to positioning.

Bonds

- Safe government bonds offer greater earnings opportunities in the US and the UK than in Germany.
- For European corporate bonds, we prefer short-dated securities from the investment grade segment.
- For emerging markets, local currency bonds remain our clear favourites. Our bond weighting is close to neutral.

Alternative investments / commodities

- Oil price development decoupled from fundamental data. Recovery still pending despite positive developments.
- Gold has moved sideways in the last month. Fed turnaround needed for sustained upward trend.
- Industrial metals continue to fall after brief recovery. Inventories low, demand rising due to energy transition.

Currencies

- After a temporary setback, the euro can gain again after the central bank meetings.
- The interest rate decisions by the Fed and the ECB were as expected. However, the outlook was surprisingly hawkish.
- The Swiss franc remains highly valued. Meanwhile, the inflation rate has almost fallen back to 2%.

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

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Portfolio positioning of a balanced mandate at a glance

EQUITIES

– +

Europe

Germany

United Kingdom

Rest of Europe

US

Out of Benchmark

Asia-Pacific

Emerging Markets ex Asia

BONDS

– +

Euro Government Bonds

Core Eurozone

Eurozone Periphery

Euro Corporate Bonds

EUR Investment Grade ex-Financials

EUR Investment Grade Financials

Out of Benchmark

Covered Bonds

EUR High Yield

US Government Bonds

USD Investment Grade

USD High Yield

Emerging Market Bonds

Duration

short long

ALTERNATIVE INVESTMENTS

– +

Gold / Precious Metals

Other Commodities

Alternative Strategies

LIQUIDITY

– +

CURRENCIES

These positions apply at portfolio level

EUR

USD

GBP

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

– Underweight ▮ Neutral + Overweight

Source: Berenberg

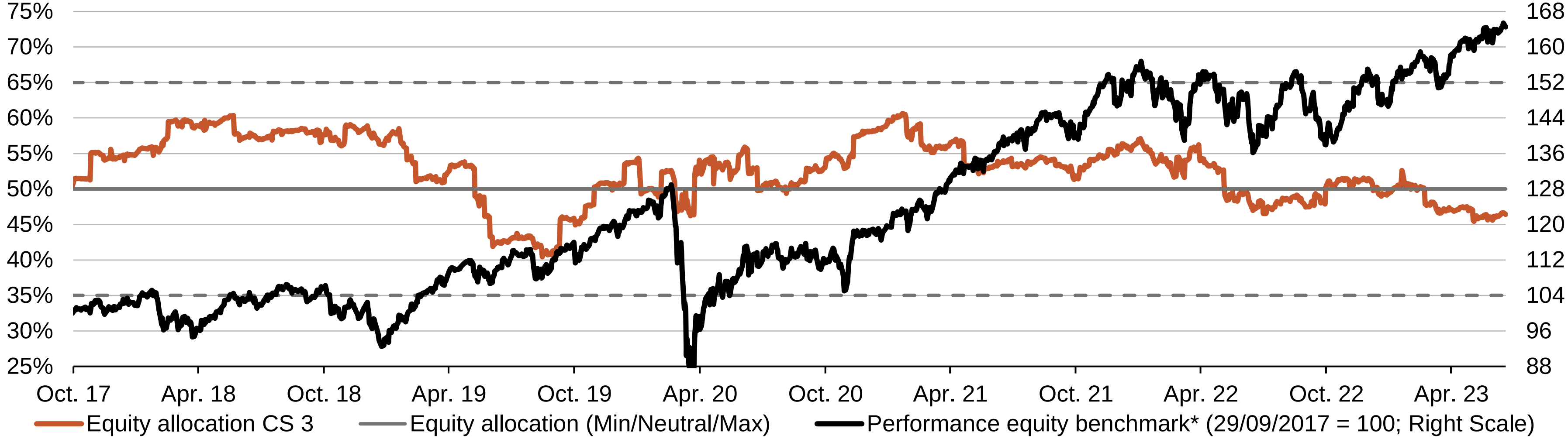
As of 20/06/2023.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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

Performance equity benchmark	19/06/18 - 19/06/19	19/06/19 - 19/06/20	19/06/20 - 19/06/21	19/06/21 - 19/06/22	19/06/22 - 19/06/23
	8.89%	1.16%	21.52%	-1.01%	20.64%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 29/09/2017 – 19/06/2023.
Note: The historical performance presented here is not a reliable indicator of future performance.

- After the brilliant start of the year, we reduced the equity quota in several steps from February onwards from a slight overweight to a slight underweight. In the second quarter, we used phases of strength for further reductions to a now moderate underweight.
- In return, we further expanded the bond side. In view of the economic risks and the foreseeable end of interest rate hikes, we raised the interest rate duration to near neutral. We also consider the risk premiums of good quality corporate bonds to be attractive, but are sticking to shorter maturities here, as risk premiums above the historical median could also widen further in the event of economic weakness. Overall, we have reduced credit risk in favour of interest rate risk, for example by exiting USD high-yield bonds. Emerging market bonds, especially in local currency, remain attractive given higher real interest rates and the chance of earlier rate cuts.

02 Economics

Eurozone
GDP and inflation

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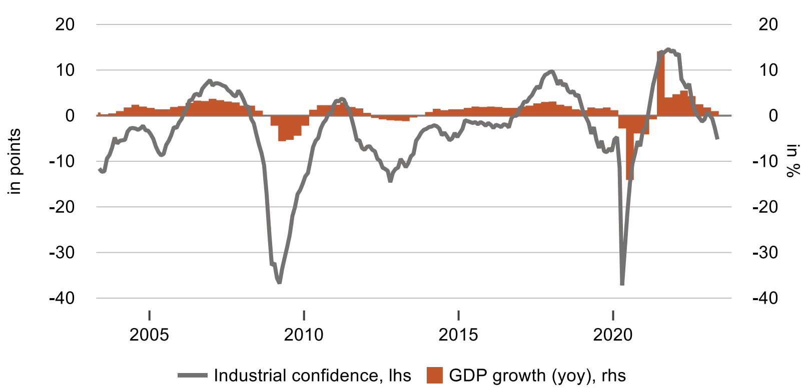
Technical recession

- The Eurozone economy contracted by 0.1% qoq in both Q1 2023 and Q4 2022. After Eurostat revised down its earlier estimates for Q4/2022 (stagnation) and +0.1% qoq for Q1/2023, the eurozone thus meets the definition of a "technical" recession with two consecutive quarterly GDP declines.
- The dispute over the reform of the Stability Pact continues. The front line runs between the more moderately indebted countries, which want clear and binding rules for debt reduction, and the highly indebted countries, which prefer as soft and country-specific reduction targets as possible.

Inflation falls more than expected, but remains high

- Eurozone inflation fell from 7.0% to 6.1% in May, below the Reuters consensus expectation of 6.3%. The inflation figures vary greatly between the member states. While Luxembourg has an inflation rate of only 2.0%, Latvia's inflation rate is still very high with 12.3%. However, apart from Malta and the Netherlands, inflation figures declined in all member states in May.
- Consequently, the ECB does not consider its fight against inflation to be over yet. It raised key interest rates by 25 basis points last week and is likely to take at least one more step. The deposit rate is now 3.50%.

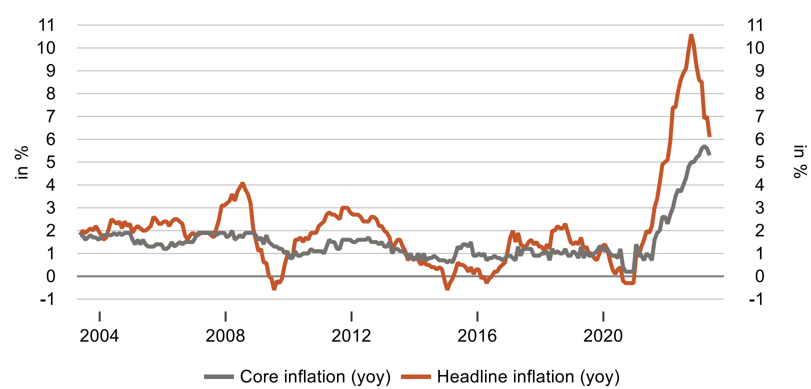
Eurozone GDP growth and industrial confidence



Source: Macrobond

Period: 05/2003 – 05/2023

Eurozone Inflation



Source: Macrobond

Period: 05/2003 – 05/2023

United Kingdom
GDP and inflation

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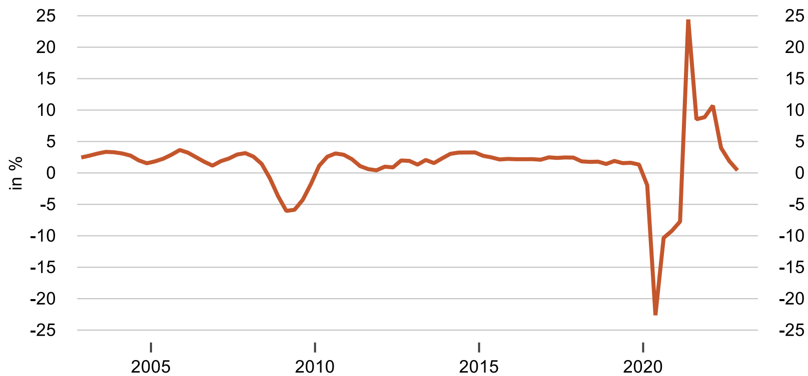
Stagnation instead of recession

- Real gross domestic product (GDP) rose by 0.1 % in Q1/2023 (slightly above our expectation of 0%). Real household consumption increased by 0.1% compared to the previous quarter. Business investment increased by 0.7% but remains 1.4% below pre-Corona levels. We forecast a GDP growth of 0.4% in 2023 and 1.2% in 2024.
- Consumers are spending money to have fun after the pandemic is over. This supports GDP, but at the same time drives service inflation.

Further interest rate hike by the BoE

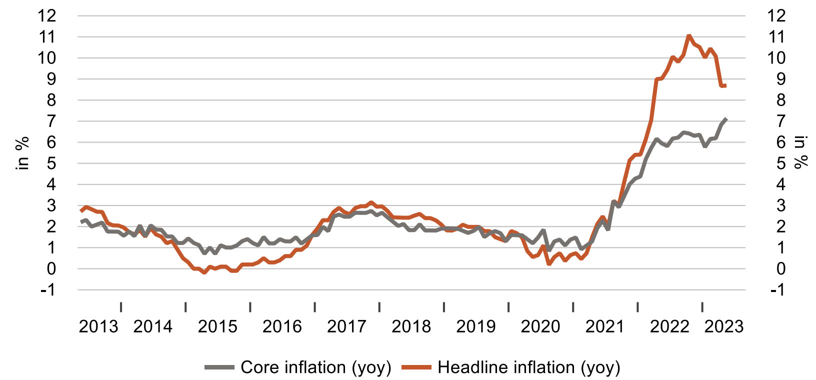
- UK inflation surprised to the upside for the fourth month in a row. The headline rate for the harmonised index of consumer prices remained unchanged at 8.7% yoy in May, the same as in April. This is higher than expectations from Reuters consensus at 8.4%, the Bank of England (BoE) at 8.3%, and us at 8.3%. Core inflation surprisingly accelerated to 7.1%. This is the highest rate since March 1992.
- As a result, we now expect the Bank of England to act more aggressively than expected.

United Kingdom GDP growth (yoy)



Source: Macrobond Period: 12/2002 - 12/2022

United Kingdom Inflation



Source: Macrobond Period: 05/2013 – 05/2023

USA
GDP and inflation

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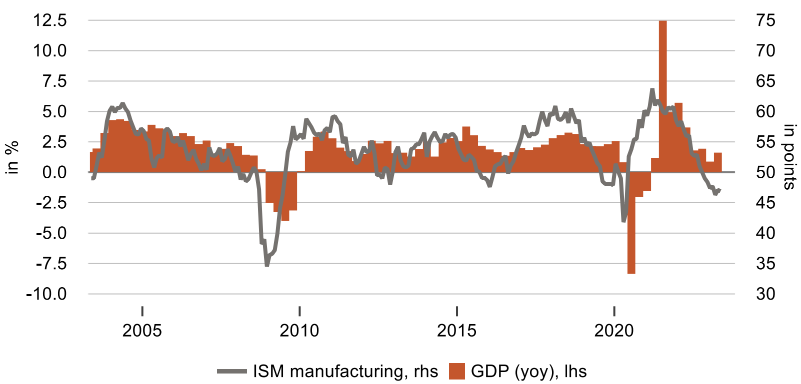
Mixed labour market data

- Employment increased by 339,000 in May. Hourly wages increased only slightly by 0.3% compared to the previous month.
- Despite the increasing slowdown in average hourly wage growth, wages continue to rise much faster than would be consistent with 2% inflation in the long run. The unemployment rate increased to 3.7% from 3.4% the previous month. This is the highest value since October, but still an extremely low value by historical standards.

Solid retail trade, weaker industrial production

- The strong labour market and wage growth have led to strong increases in labour income. Together with high but fading surplus savings, they have supported consumer spending. Retail sales rose 0.3% month-on-month. Looking at the details, the picture is one of solid but cooling demand.
- Industrial production fell slightly by 0.2% in May. Slowing demand for manufactured goods, rising customer inventories and a more uncertain outlook are causing manufacturers to be cautious and cut back on production.

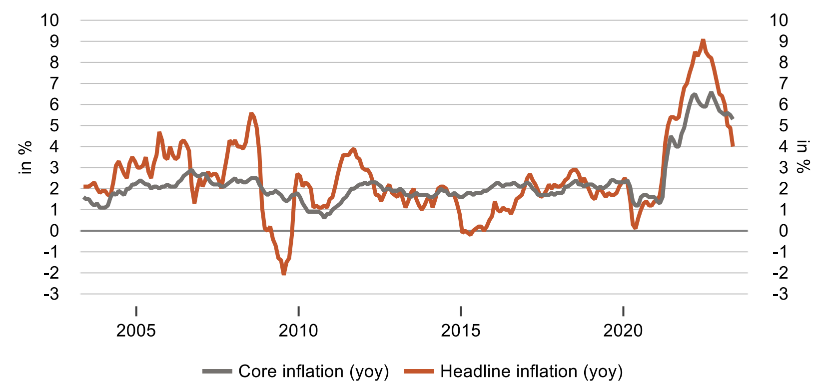
US GDP growth and Purchasing Managers Index



Source: Macrobond

Period: 05/2002 – 05/2023

US Inflation



Source: Macrobond

Period: 05/2003 – 05/2023

Economic forecasts

Key estimates at a glance

	GDP growth (in %)						Inflation (in %)					
	2023		2024		2025		2023		2024		2025	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	1.1	1.2	0.5	0.7	2.0	2.0	4.1	4.1	2.6	2.6	2.4	2.4
Eurozone	0.3	0.6	1.2	1.0	1.8	1.6	5.2	5.5	2.4	2.5	2.5	2.0
Germany	-0.4	-0.2	1.3	1.1	1.7	1.5	5.8	6.0	2.3	2.6	2.5	2.0
France	0.6	0.6	1.5	1.0	1.7	1.5	5.3	5.5	2.2	2.6	2.5	1.9
Italy	1.1	1.1	1.0	0.9	1.2	1.2	6.1	6.3	2.1	2.4	2.4	2.0
Spain	1.9	1.9	1.6	1.5	2.1	1.9	3.2	3.9	2.7	2.6	2.7	1.9
United Kingdom	0.4	0.2	1.2	0.9	1.7	1.5	7.3	7.1	2.4	2.8	2.2	2.0
Japan	1.2	1.2	1.1	1.1	1.3	1.0	3.0	2.8	1.8	1.5	1.3	1.3
China	5.3	5.5	3.9	4.9	3.9	4.7	1.1	1.5	2.5	2.3	2.2	2.2
World*	2.1	-	2.1	-	2.6	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 20/06/2023.
* 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
Caution advised

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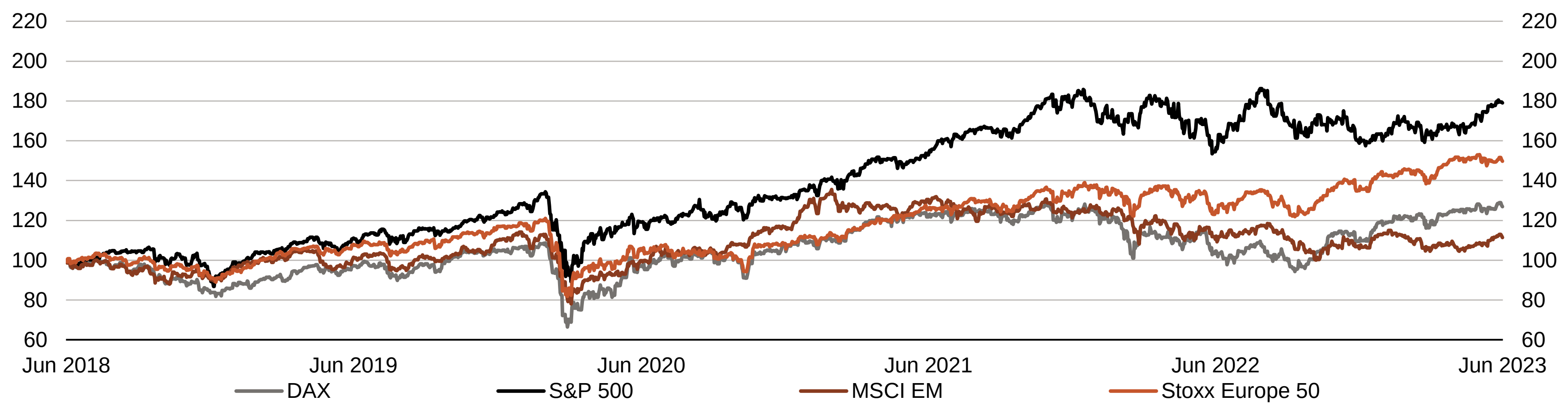
Increased risk of setbacks over the summer

- The markets have recently been supported by only a few stocks, especially in the US. The low market breadth does not signal high investor conviction and, along with restrictive central bank policies and negative leading economic indicators, continues to call for caution. Within equity regions, emerging markets may surprise most positively. Investor sentiment and earnings expectations tend to be negative here.
- The strong outperformance of European versus US equities since October could at least pause. On the one hand, many investors are already more strongly positioned in Europe, partly because they have used Europe as a proxy trade for China. On the other hand, the Fed is probably already further along in the tightening cycle than the ECB and will therefore start to ease monetary policy again more quickly. US equities are also benefiting much more than European equities from the AI boom. However, the relative valuation still speaks in favour of Europe. Overall, we consider both the upside (fundamental) and downside (positioning) potential for equities to be limited. After a setback over the next few months, there could be a recovery towards the end of the year when the market looks towards 2024.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 20/06/2018 – 20/06/2023

Corporate earnings
Optimistic profit expectations for 2024

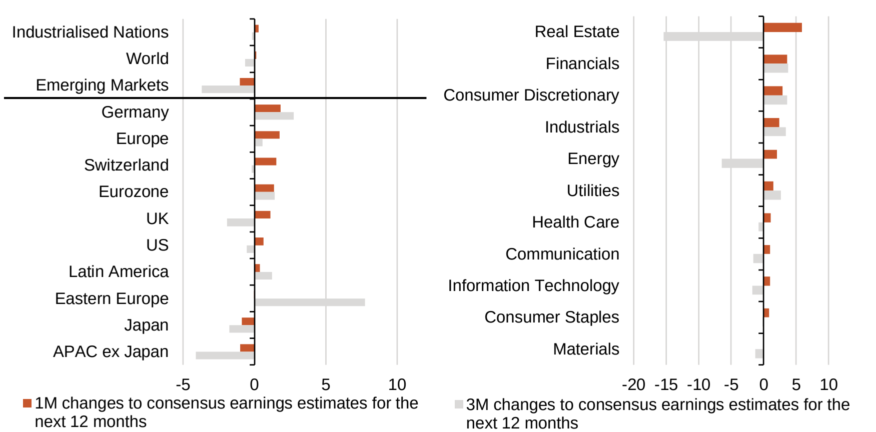
Globally hardly any profit revisions

- In the last four weeks, analysts have hardly changed earnings expectations on a global level. Under the surface, however, there have been significant changes. Eastern Europe, Latin America and Japan experienced significant positive and the UK significant negative earnings revisions.
- Rising corporate wages and refinancing costs, along with arguably declining pricing power due to disinflation and the lack of a strong China recovery to date, however, are likely to limit earnings growth – especially for a large proportion of cyclical companies.

Better prospects towards 2024

- The Q1 reporting season was a positive surprise. Profit growth is expected to be positive overall in the industrialised nations in 2023 and 2024 despite ongoing recession concerns. Analysts expect earnings growth of just under 10 % in 2024. For emerging markets, the consensus assumes an even stronger recovery in 2024 after a profit recession this year.
- While we are also more positive for 2024 than for 2023, it will probably not be easy for companies to exceed the optimistic forecasts for 2024.

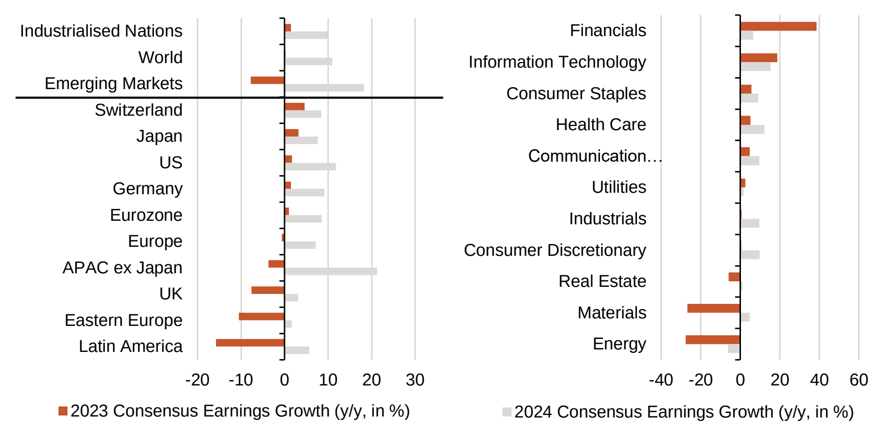
Hardly any profit revisions at global level



Source: Bloomberg, MSCI Europe Sectors

As of 20/06/2023

Analysts optimistic for 2024



Source: Bloomberg, MSCI European sectors

As of 20/06/2023

Valuation & Positioning

Only slight room for improvement in terms of valuation

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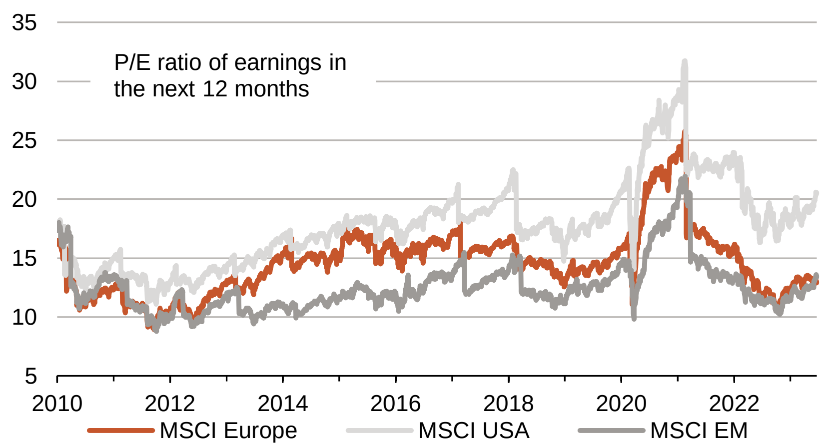
Valuation expansion continued

- Despite increasing quantitative tightening by central banks, there has recently been a valuation expansion. The forward P/E ratio for the S&P 500 has risen from 17 to 20 since the beginning of the year, with volatile but almost unchanged 10Y Treasury yields. This means US equities are now again highly priced relative to their own history and relative to bonds. European equities are still cheap compared to their own history despite the YTD rally.
- Valuation-wise, there should be little room for improvement, especially as some valuation-insensitive strategies such as CTAs are now already more clearly invested in equities.

Optimism is back

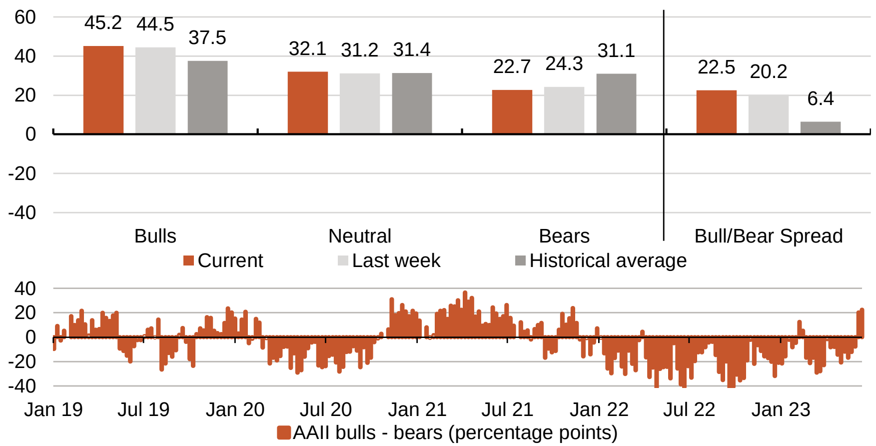
- The initial AI hype is about to turn into general euphoria. Many stock indices have reached new highs for the year in recent weeks, leading to renewed optimism among private investors.
- The transition from pessimism to optimism was not gradual. The last time a bull/bear spread in US retail investor sentiment exceeded 20 ppt for two consecutive weeks was in April 2021.

A lot of positives have already been priced for the US



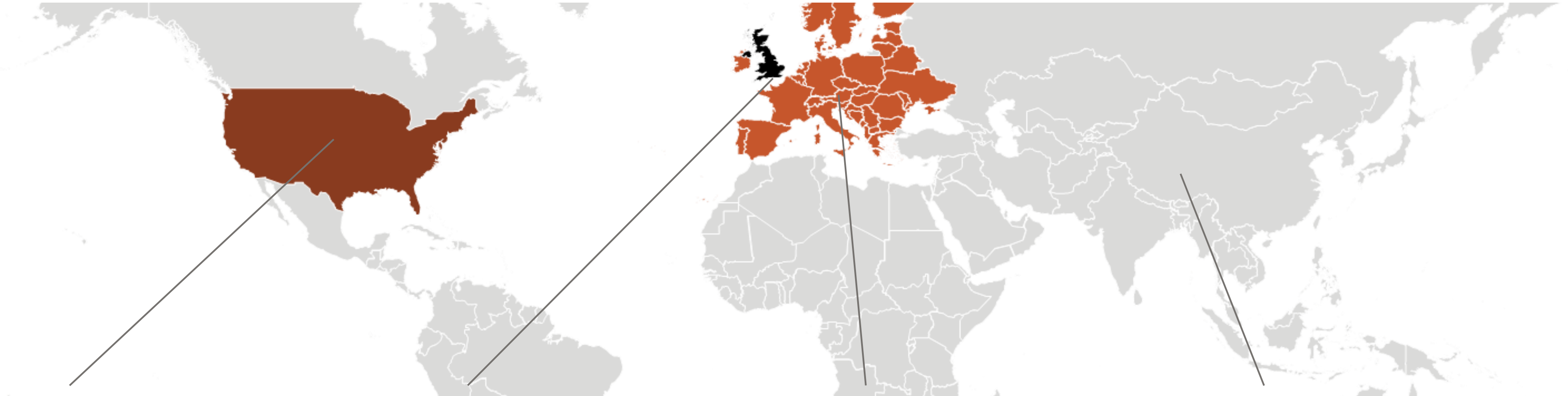
Source: Bloomberg, own calculations. Time period: 01/01/2010 – 20/06/2023

Turnaround in US private investor sentiment



Source: Bloomberg, own calculations. Time period: 23/07/1987 – 16/06/2023

Equity allocation
Emerging markets with surprise potential



US
Underweight
- Declining profitability and the still high valuation of US equities make the region less attractive compared to more favourable regions such as Europe or emerging markets.
- Within equity regions, we are underweight in US equities.

United Kingdom
Underweight
- UK equities are cheap compared to many other regions. At the index level, UK equities have a rather defensive as well as commodity-rich profile, which should pay off in an environment of high inflation and geopolitical risks.
- However, we remain slightly underweight UK equities as we see greater opportunities in other regions.

Europe ex. UK
Overweight
- European companies do not have a high valuation despite the good performance since the beginning of the year. Moreover, they should continue to benefit from China's opening.
- We are slightly overweight in Europe ex UK.

Emerging markets
Overweight
- Latin American equities should benefit from the positive commodity price outlook and offer a value-heavy portfolio addition.
- Chinese equities suffered from overly high expectations after the reopening. Positive surprise potential with pessimistic investor positioning.

Equity market forecasts

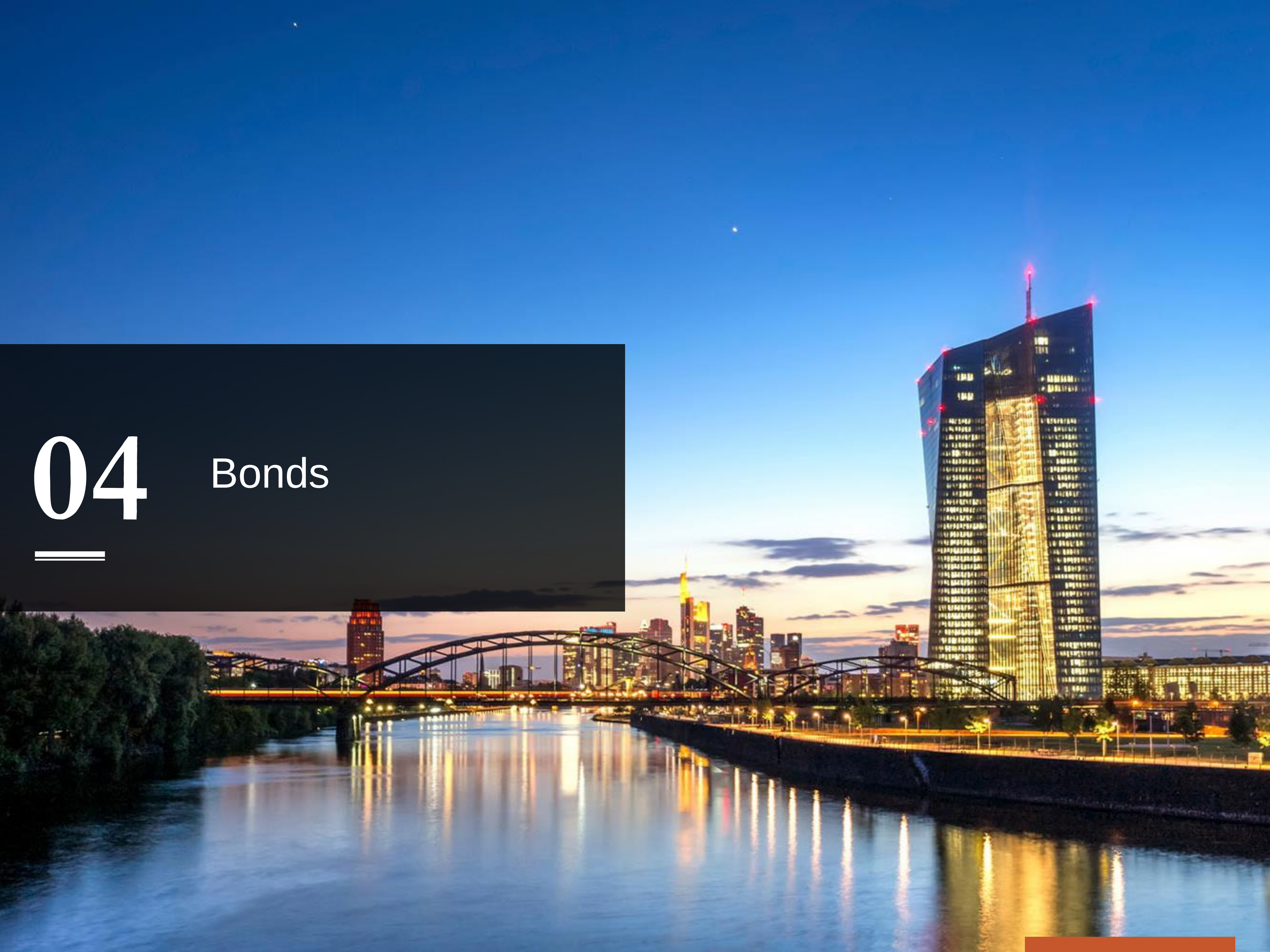
Estimates for selected indices

Index forecasts	Current 20/06/2023	31/12/2023	30/06/2024	Ø* in 12 months
S&P 500	4,389	4,300	4,600	4,799
DAX	16,111	16,200	17,300	19,673
Euro Stoxx 50	4,343	4,350	4,700	5,052
MSCI UK	2,163	2,200	2,350	2,595

Index potential (in %)				
S&P 500	-	-2.0	4.8	9.3
DAX	-	0.6	7.4	22.1
Euro Stoxx 50	-	0.2	8.2	16.3
MSCI UK	-	1.7	8.6	19.9

Source: Bloomberg. Berenberg. as of 20/06/2023.
*Average based on bottom-up estimates.

04 Bonds



Government bonds

Bond markets continue to offer earnings opportunities

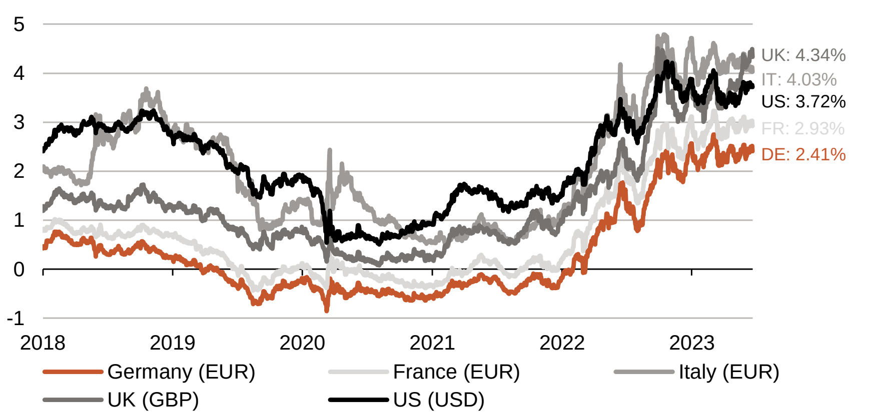
Interest rate duration to neutral weighting

- The yields of sovereigns with strong credit ratings mostly moved upwards in the second quarter, but there were no relevant price gains to be made. UK gilts have even shown a negative development since the beginning of the year.
- The major central banks did not deliver any surprises recently - the European Central Bank raised its key interest rates, the US Fed paused. Against the background of economic risks, issuers with high credit ratings, even with longer maturities, are interesting for hedging in the overall portfolio context. We have therefore increased our interest rate duration to an almost neutral weighting, while we remain cautious with regard to risk premiums ("spread duration") in view of possible expansions.

Non-euro government bonds in local currency attractive

- Continuing recession concerns and inflation rates that are still well above the levels targeted by the central banks are providing partly contradictory signals. In the euro area, further increases in key interest rates on the one hand and recession concerns on the other will have opposite effects, while in the US an interest rate hike is also expected initially, but this could be followed by a first cut as early as December.
- We expect both UK and US government bonds to outperform German Bunds in local currency terms.

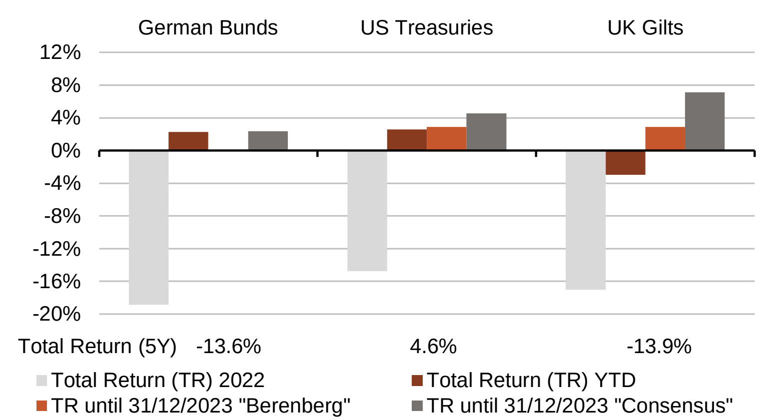
UK gilt yields approach COVID-19 highs



Source: Bloomberg

Time period: 01/01/2018 – 20/06/2023

Outlook for Bunds the weakest



Source: Bloomberg, own calculations, iBoxx government bond indices (7-10 years, TR)

Time period: 20/06/2018 – 20/06/2023

Corporate & EM bonds

The return of the interest rate creates opportunities

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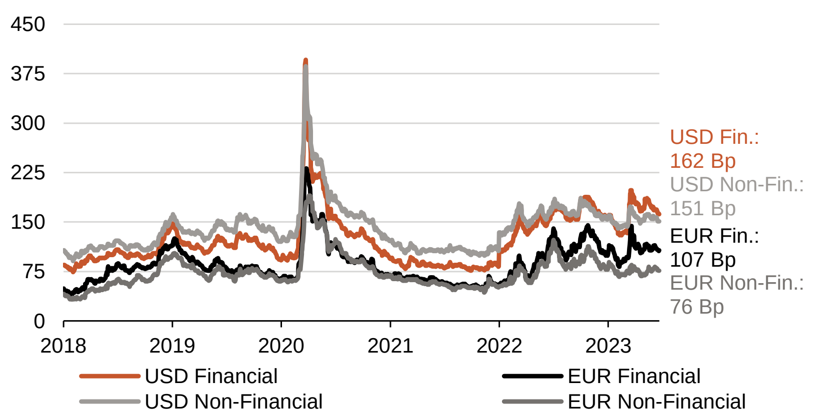
Corporate bonds: boringly good

- IG Corporate bond risk premiums have moved only slightly over the past two weeks. Looking ahead, continued solid credit metrics, active new issuance and moderate inflows into European corporate bond funds should support.
- Given a potential economic downturn, upward pressure on corporate interest costs and already adequate yields in the IG, we prefer to invest in high yield. If yield curves remain inverted, we remain short in maturity. However, as soon as there are signs of a turnaround in the central banks' interest rate policy, we would prefer medium to longer maturities.

Emerging markets: local currencies still favourite

- While the local currency segment performed positively, the hard currency segment suffered. Falling inflation figures coupled with positive real interest rates, especially in Latin America, were the drivers for the outperformance of the local currency segment, which offers an attractive current interest rate at a lower duration compared to hard currency bonds.
- If the interest rate increase cycles in the emerging markets run out faster than in the US and Europe, price performance should also become more important in addition to current yield. A gradual increase in duration for local currency bonds therefore seems opportune to us in the course of the second half of the year.

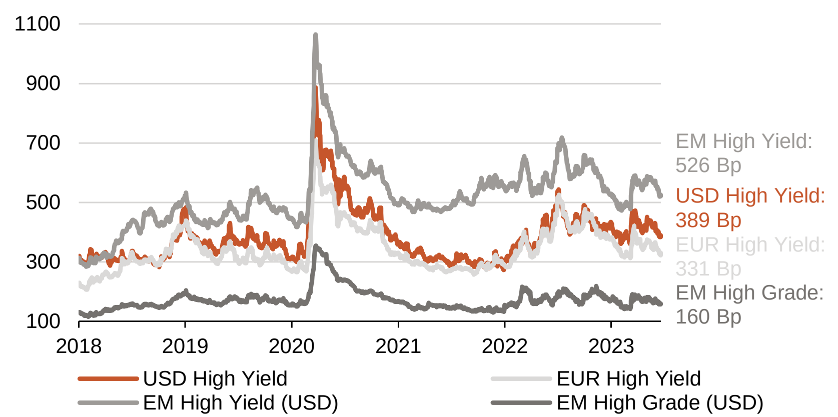
EUR and US risk premiums have fallen recently



Source: Factset

Time period: 01/01/2018 – 20/06/2023

Decline in risk premiums for EM



Source: Factset

Time period: 01/01/2018 – 20/06/2023

Capital market strategy
Bonds

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Core segments

Government bonds
Underweight

- With the rise in yields and in the face of a looming recession, the safe government bond segment is more attractive again. In the case of safe bonds, we prefer quasi-government bonds and covered bonds to pure government bonds, as they offer an attractive additional yield.
- In local currency, we prefer US over German government bonds despite the debt crisis due to the higher yields, the hardly expected increase in yields and the fact that the Fed is likely to cut interest rates first in a direct comparison.

Corporate bonds
Overweight

- Corporate bonds remain attractive compared to government bonds and equities. We prefer IG bonds to high yield investments in view of a possible recession, upward pressure on corporate interest costs and already adequate yields.
- As spread duration is not sufficiently compensated by higher risk premiums, we remain short in maturity on corporate bonds for the time being. If risk premiums widen further and central banks signal a turnaround, we would prefer medium to longer maturities.
- In financials, especially banks, we remain cautious in view of the problems in the US banking sector and concentrate on the systemically important major European banks.

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.

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 debtors.
- Overall, however, we have reduced credit risk in favour of interest rate risk, for example by exiting USD high-yield bonds.

Forecasts

Estimates for selected bond markets

Base interest rates and government bond yields (in %)	20/06/2023 Current	31/12/2023	31/12/2023 Ø*	30/06/2024	30/06/2024 Ø*
US					
Base interest rate	5.00-5.25	5.00-5.25	5.15	4.00-4.25	4.40
10Y US yield	3.72	3.60	3.39	3.80	3.29
Eurozone					
Base interest rate	4.00	4.25	4.20	4.25	3.90
10Y Bund yield	2.40	2.60	2.31	2.80	2.20
United Kingdom					
Base interest rate	4.50	5.00	4.95	4.00	4.50
10Y Gilt yield	4.33	4.30	3.73	4.20	3.54

Source: Bloomberg. Berenberg. as of 20/06/2023.
*Average of estimates by other experts (Bloomberg) consensus.

05 Commodities

Crude oil
Oil price development decoupled from fundamental data

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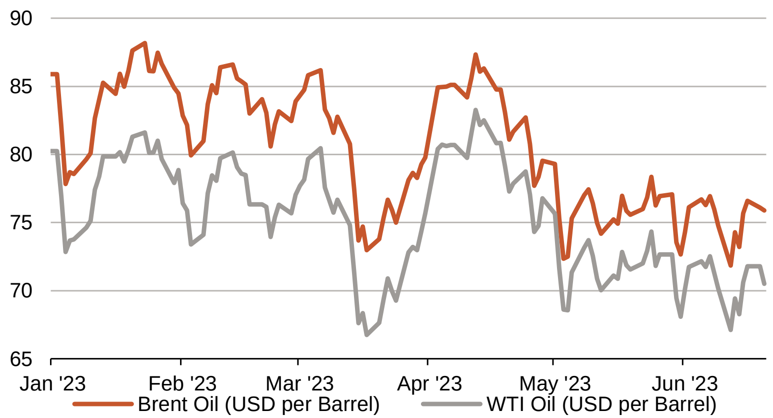
Oil price recovery still pending despite positive developments

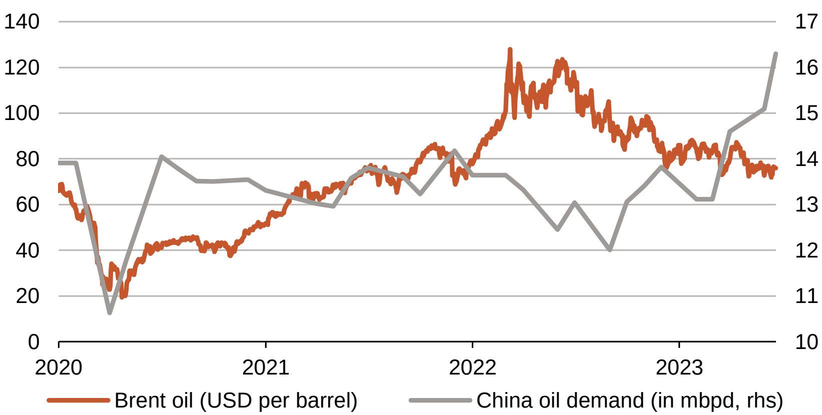
- Brent oil fluctuated between 72 and 88 US dollars per barrel in the second quarter. The downward movements were mainly driven by economic concerns and systematic investors, less by poor oil fundamentals.
- On the contrary, many things point to a tight oil market. China, for example, is seeing strong oil demand growth in the wake of the Covid-19 opening, with refineries in China processing close to record levels of crude oil at nearly 15 million barrels per day. At the same time, oil demand rose to a record 16.3 million barrels per day in the second quarter. In addition, the positive summer seasonality (Driving-/AirCon-Season) is just around the corner. On the supply side, OPEC, as a swing producer, continues to proactively counter demand weaknesses. The latest cuts at the beginning of June restrict production by a further 1.4 million barrels per day. Meanwhile, the US shale oil industry is seeing a year-on-year decline in drilling activity. The active frac fleet is currently extending production activity, but in the long term the deterioration of production per well remains a problem. Only Russia's production is more robust than expected. Moreover, contrary to expectations, the strategic oil reserve in the US has been further reduced.
- All in all, the outlook remains positive, even though the potential now seems smaller than a few months ago, now that demand in China has already partially recovered and OPEC has already cut its quotas.

Great leaps beneath the surface



Source: Bloomberg. Time period: 01/01/2023 – 20/06/2023.

Demand recovers in China, but oil price stagnates



Source: Bloomberg, DOE, own calculations. Time period: 01/01/2020 – 20/06/2023.

Precious and industrial metals

Industrial metals again in a downward trend

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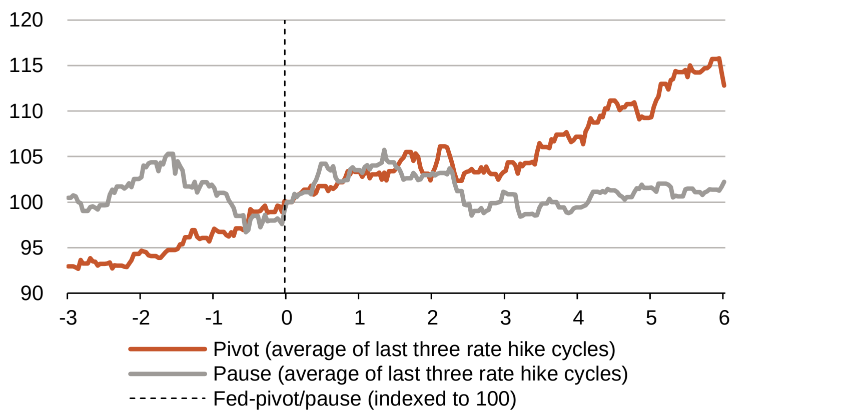
Sustained upward trend only through Fed pivot

- After the gold price rose towards an all-time high at the beginning of Q2, the precious metal moved sideways around the USD 1,960 per ounce mark last month under the influence of central banks and the US dollar.
- In our view, a Fed pivot and thus lower real interest rates are still needed for a sustainable upward trend. Although the Fed did not decide on any new rate hikes in mid-June, at least two more hikes of 25 bp were envisaged by the end of the year. This should keep the fundamental upside potential limited for the time being. However, due to the existing economic uncertainty, gold remains an important hedge of risk scenarios.

Inventories low, demand rising

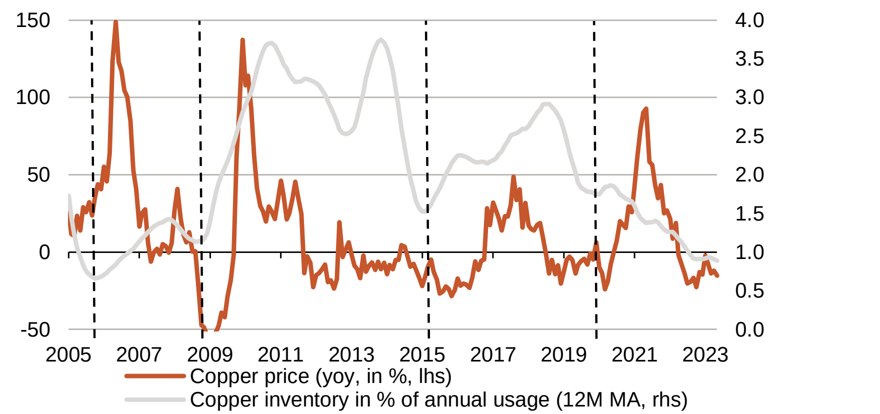
- The downward trend in industrial metals since the start of the year recently continued after the slight recovery until mid-June. Metal prices remain weighed down by China's stuttering post-pandemic recovery, the effects of global monetary tightening and looming recession risks in the West. Doubts and caution about China's ability to stimulate growth persist. The latter had recently eased monetary policy and promised broad stimulus packages.
- The very low inventories, as shown by the example of copper, which recently fell back below 1% of annual demand, are tightening the long-term supply balance. On the demand side, the energy transition is strengthening in the long term.

Sustainable upside potential only with Fed pivot



Source: Bloomberg, own calculations. Time period: 05/10/2000 – 31/01/2020

Supply shortage historically means upside potential



Source: WBMS, Bloomberg, own calculations. Time period: 01/01/2005 – 31/05/2023

*Source change 2018: World Bureau of Metal Statistics (WBMS) to Bloomberg Intelligence

06 Currencies

Market Development
FX markets

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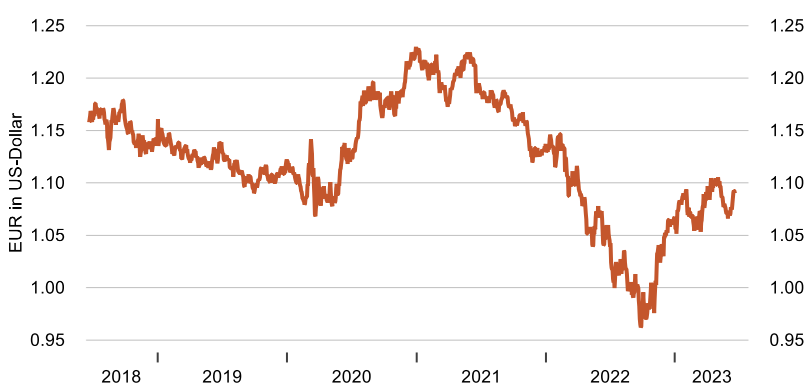
Euro stronger after ECB decision

- After the ECB's monetary policy decision, the euro gained a little more than a cent and is now trading at a good USD 1.09 per euro. From a chart perspective, the EUR/USD correction is over, so the euro has recovered from the sell-off.
- In the longer term, we remain moderately optimistic for the euro. However, the economic weakness in the Eurozone is hampering the recovery. We have therefore adjusted our currency forecast slightly downwards and only expect a EUR/USD exchange rate of 1.12 (previously 1.15) by the end of the year.

Strong Swiss franc

- In Switzerland, the inflation rate fell to 2.16% in May (from 2.56% in April). Inflation is thus getting closer to the 2% mark with a big step. The Swiss National Bank (SNB) is deliberately relying on a strong currency in its fight against inflation. The franc remains very strong in this environment at a good 0.97 francs per euro.
- We have also adjusted our EUR/CHF forecast slightly downwards and now only expect the euro to rise to parity by the end of the year.

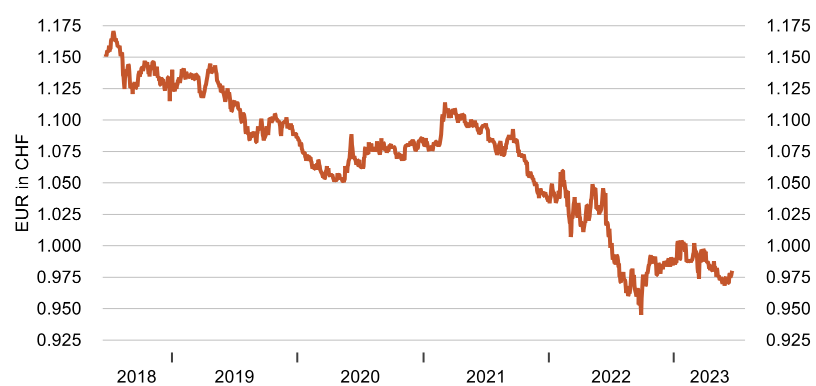
Exchange rate: Euro/US-Dollar



Source: Macrobond

Period: 06/2018 – 06/2023

Exchange rate: EUR/GBP



Source: Macrobond

Period: 06/2018 – 06/2023

Forecasts
Estimates of key currencies

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	20/06/2023	31/12/2023		31/12/2024	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.09	1.12	1.12	1.15	1.15
EUR/GBP	0.86	0.85	0.88	0.85	0.89
EUR/CHF	0.98	1.00	1.00	1.00	1.01
EUR/JPY	154	146	145	147	144

Change against the Euro (in %)					
USD	-	-2.5	-2.5	-5.1	-5.1
GBP	-	0.6	-2.8	0.6	-3.9
CHF	-	-2.0	-2.0	-2.0	-2.9
JPY	-	5.8	6.5	5.1	7.3

Source: Bloomberg. Berenberg as of 20/06/2023.
*Average of estimates of other experts (Bloomberg); consensus.


Publishing information

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