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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

September | 2023

Horizon Handout – Capital Market Outlook
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Date 24/08/2023.

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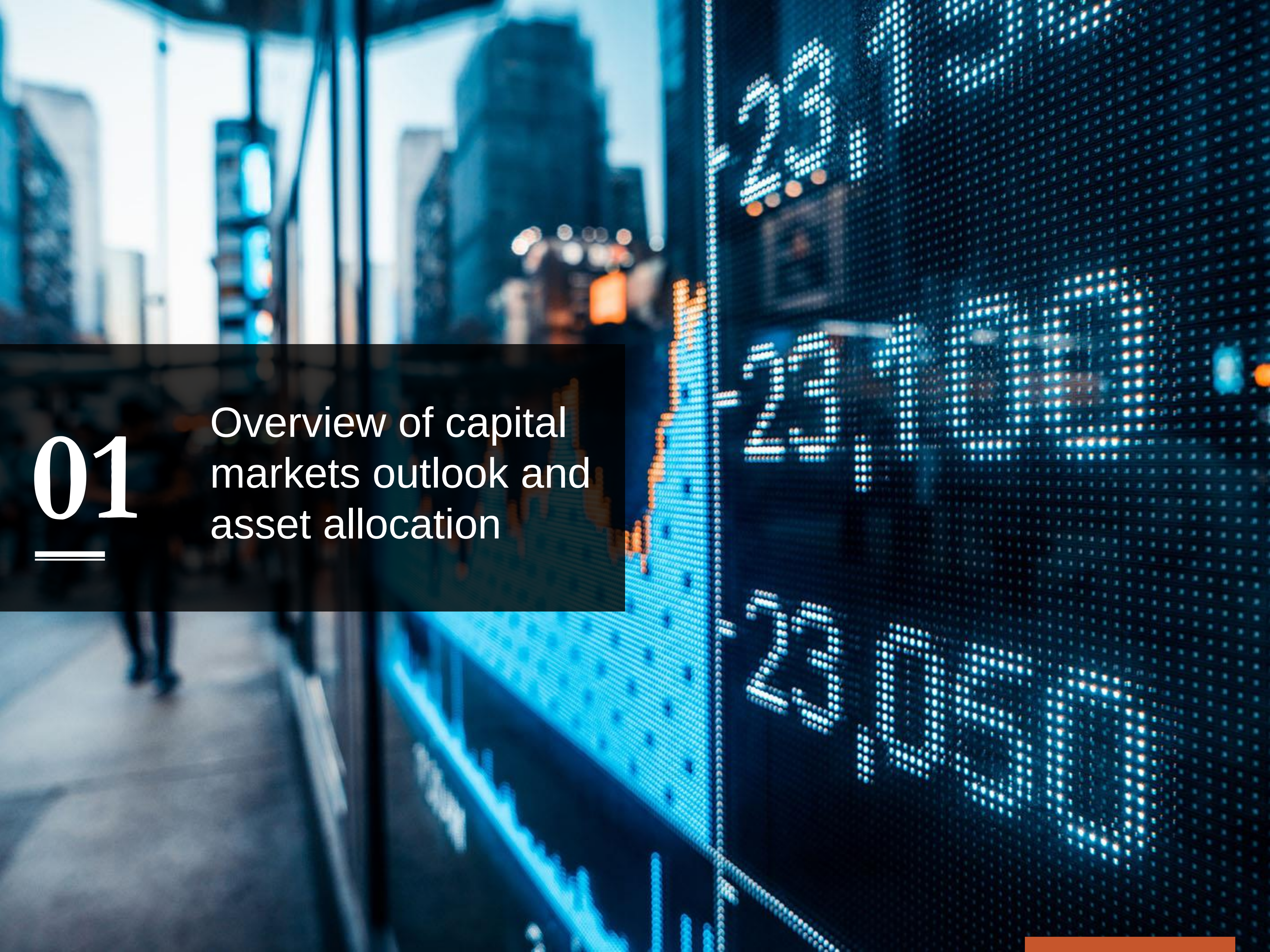
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



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 (25/07/23 - 22/08/23)	YTD (30/12/22 - 22/08/23)	22/08/22 22/08/23	22/08/21 22/08/22	22/08/20 22/08/21	22/08/19 22/08/20	22/08/18 22/08/19
Brent	3.3	1.9	-9.2	118.2	46.7	-31.6	-12.3
USDEUR	1.9	-1.3	-8.3	17.7	0.8	-6.1	4.7
MSCI Frontier Markets	1.1	8.8	-9.4	-0.8	35.3	-14.3	11.1
Euro overnight deposit	0.2	1.8	2.1	-0.6	-0.6	-0.5	-0.4
EUR Sovereign Debt	-0.5	1.5	-3.8	-8.5	0.8	0.0	5.3
EUR Coporates	-0.6	2.5	-1.5	-12.3	2.7	-0.3	6.2
Gold	-1.6	2.7	0.2	14.7	-7.4	21.7	31.1
Global Convertibles	-2.5	4.7	-9.0	-4.3	24.7	21.9	3.0
MSCI World	-2.7	11.6	-1.0	6.3	31.4	7.4	5.5
Industrial Metals	-2.8	-13.2	-14.3	21.3	34.2	-2.1	1.0
MSCI Emerging Markets	-4.5	1.8	-8.4	-1.4	14.7	7.8	-0.4
REITs	-5.3	-5.3	-24.4	7.1	29.4	-16.6	18.7

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: 22/08/2018 – 22/08/2023.

Overview of capital markets
Outlook by asset class

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Economics

- Germany is sliding from winter recession into stagnation. Recovery expected in spring 2024.
- The US seems to have achieved a soft landing. The Fed is therefore unlikely to lower interest rates as much in 2024.
- Inflationary pressure continues to decline (disinflation). Central banks are near or have already reached the interest rate peak.

Equities

- Correction on the equity markets over August. Analysts have further revised earnings estimates downwards.
- Valuations only slightly lower after correction. High interest rates are likely to weigh on high valuation levels.
- We maintain our equity underweight. Increasing potential for disappointment poses risk for a major setback.

Bonds

- Interest rates on safe government bonds rose recently. US government bonds under pressure due to flood of new issuance.
- We are neutral in duration in view of the continuing uncertain interest rate policy and interest rate volatility.
- Corporate bonds with slight spread widening. Local currency bonds in the emerging market segment continue to be favoured.

Alternative investments / commodities

- Production cuts by the Saudis are still supporting the oil price, but supply and demand headwinds are increasing.
- Gold suffers from real interest rate rise and strong US dollar. Low investor positioning is potentially a positive signal.
- Wave of poor economic data weighs on industrial metals. Downturn is priced, but stocks remain tight.

Currencies

- The weak economy in the eurozone is weighing on the euro rate. There is only moderate upward potential in the short term.
- The US dollar, on the other hand, is benefiting from the surprisingly robust economy and is gaining ground against the euro.
- No news on the Swiss franc: it is and remains bearish. EUR/CHF is falling towards 0.95 again.

Overview of Berenberg's asset allocation

Current positioning within asset classes

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Portfolio positioning of a balanced mandate at a glance

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 22/08/2023.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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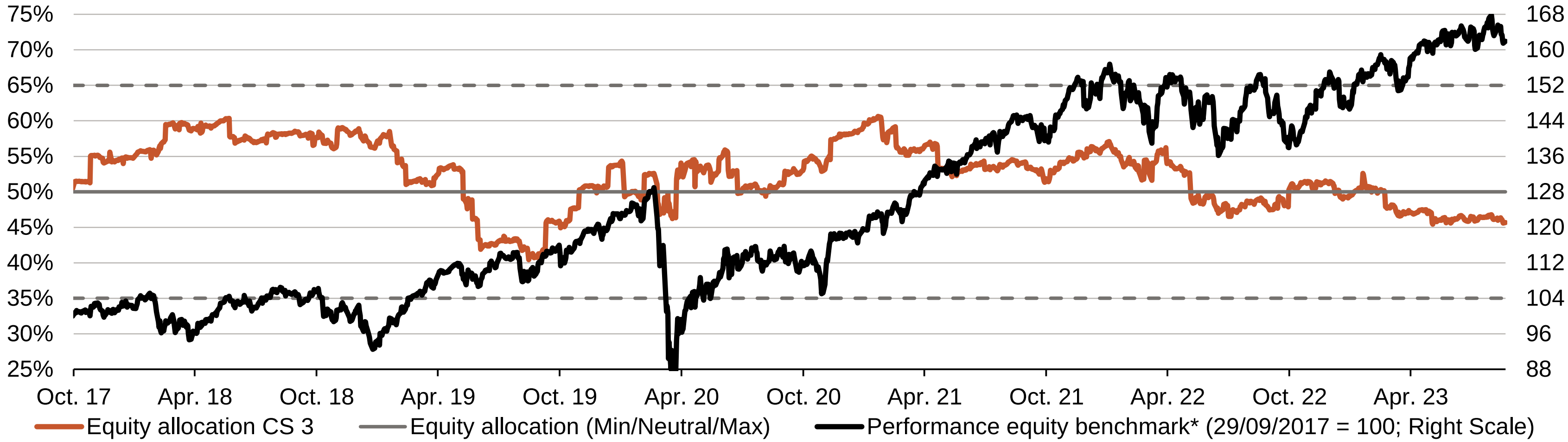
Management of the equity allocation of a balanced multi-asset mandate since inception

	21/08/18 - 21/08/19	21/08/19 - 21/08/20	21/08/20 - 21/08/21	21/08/21 - 21/08/22	21/08/22 - 21/08/23
Performance equity benchmark	**5.43%**	**1.70%**	**27.68%**	**6.72%**	**5.29%**



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 – 21/08/2022.
Note: The historical performance presented here is not a reliable indicator of future performance.

- The slight underweight in equities and bonds has paid off recently. Since the beginning of the year, the asset allocation contribution has only been minimally negative. Our alternatives have also helped, especially the US Steepener ETF and the Tailhedge product. In addition to our China exposure, European small caps, which recently fell disproportionately, have been a particular burden.
- We have recently reduced our China exposure further. After reducing our exposure to Chinese equities in the winter, we have now completely divested ourselves of Asian high-yield bonds, as they have a strong China focus and the real estate crisis seems to be spreading.
- We remain balanced and cautiously positioned. For equities to continue to run, corporate earnings in particular would have to rise. We believe that a further strong valuation expansion, as seen so far this year, is unlikely - not at least because (real) interest rates have recently risen further.

02 Economics

Eurozone
GDP and inflation

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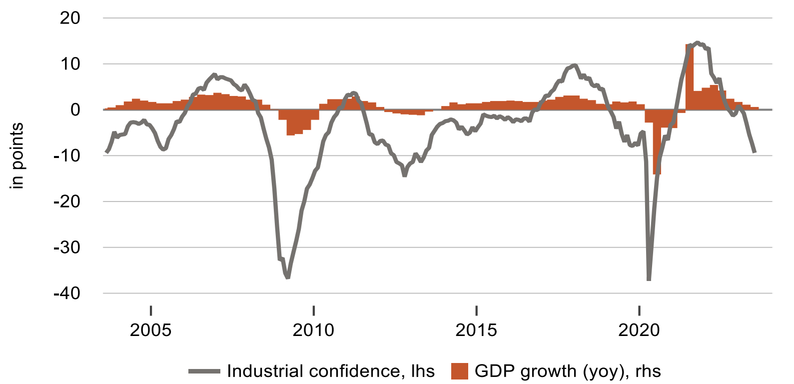
Difficult economic environment

- A series of overlapping shocks is leading to a downturn in Europe's export-oriented manufacturing sector. This is bad news for the eurozone, which generates a larger share of its GDP from exports of goods than most other major established economies.
- Overall, the outlook for the second half of the year has dimmed. We expect very low growth in the Eurozone for the rest of 2023. Once the US downturn ends, the eurozone could return to catch-up growth above its trend rate from spring 2024.

Disinflation on track

- Inflation in the Eurozone fell from 5.5 % in June to 5.3 % in July, in line with our expectations. Inflation figures vary widely between the member states.
- While in France inflation fell from 5.3% in June to 5.0% year-on-year in July, in Spain, on the other hand, inflation rose again from 1.6% in June to 2.1% in July due to a base effect.
- Due to the still high inflation figures in the Eurozone, the ECB raised the key interest rate by 25 basis points at its meeting on 27 July.

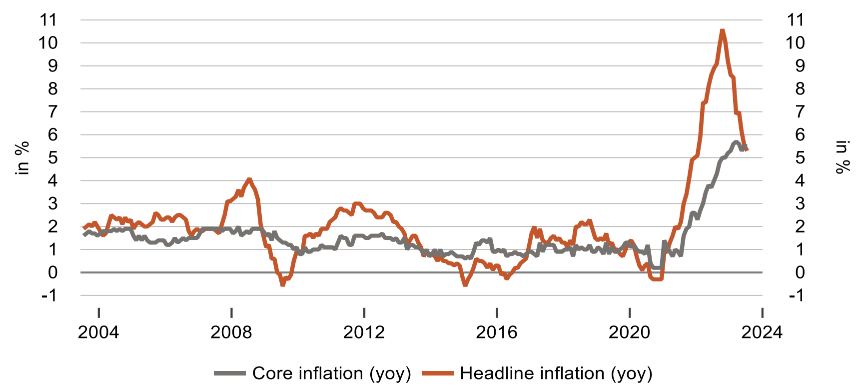
Eurozone GDP growth and industrial confidence



Source: Macrobond

Period: 08/2003 - 08/2023

Eurozone Inflation (yoy)



Source: Macrobond

Period: 07/2003 - 07/2023

United Kingdom
GDP and inflation

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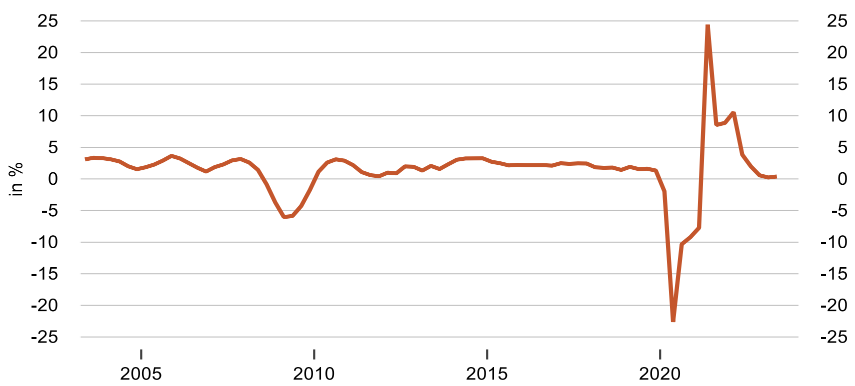
Bank of England in a challenging environment

- As expected, the Bank of England (BoE) raised the key interest rate by 25 basis points to 5.25 % at its last meeting.
- Thanks to sharply lower energy costs, inflation fell further to 6.8% in July (June: 7.9%). The inflation data and the new labour market data (see text on the right) take some pressure off the Bank of England to raise interest rates further than is generally expected so far. We expect another 25 basis point rate hike in September to a high of 5.5%, with the risk of a final 25 basis point hike in November.

Mixed labour market data

- The somewhat contradictory labor market data for June could pose a conundrum for the Bank of England (BoE). On the one hand, the positive surprise in wage growth argues for the risk that short-term inflationary pressures remain high. On the other hand, unemployment and employment data are weakening faster than expected.
- If the negative trend in employment continues, the outlook for wages and thus inflation could be weaker than previously assumed. The money markets' bet on a further rise in interest rates (because of the positive wage surprise) is therefore risky.

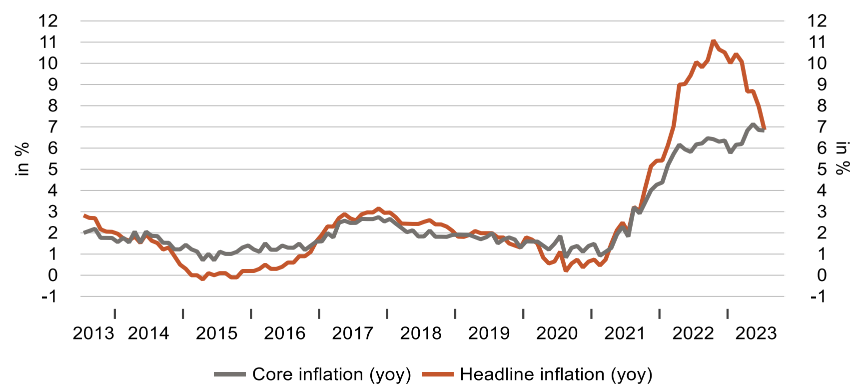
United Kingdom GDP growth (yoy)



Source: Macrobond

Period: 06/2003 - 06/2023

United Kingdom Inflation (yoy)



Source: Macrobond

Period: 07/2013 - 07/2023

USA
GDP and inflation

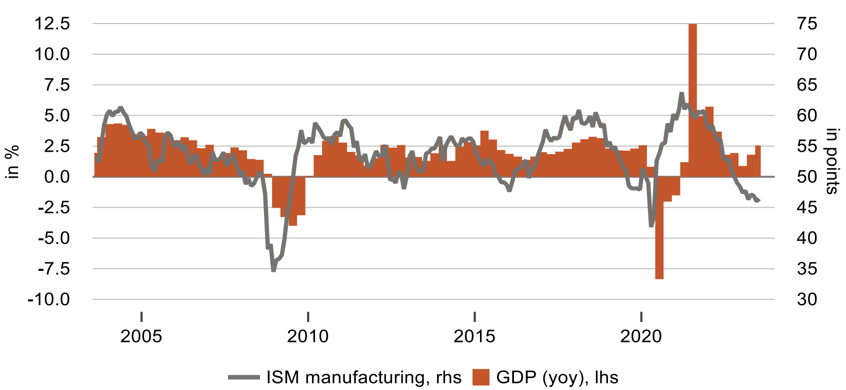
Fed minutes point to interest rate pause in September

- The minutes of the Federal Open Market Committee (FOMC) meeting on 25 and 26 July show that while monetary policymakers remain concerned about upside risks to inflation, signs of easing inflationary pressures and the slight cooling in labour markets have dampened the pressure to act.
- Data released in the weeks following the July meeting will likely prompt the Fed, which itself described its further action as "data-dependent", to pause further at its meeting on 19-20 September.

Easing price pressure

- The new inflation data suggest that the upward pressure on prices will continue to weaken compared to the peak phase of inflation from mid-2021 onwards. The consumer price index rose by only 0.2% in July. The core inflation rate also rose by 0.2 % compared to the previous month. Overall, the consumer price index increased by 3.2% year-on-year (after 3% in June).
- Producer prices also point to a slowdown in the upward momentum of inflation in the medium term. However, due to base effects, some volatility in the inflation rate is to be expected until the end of the year.

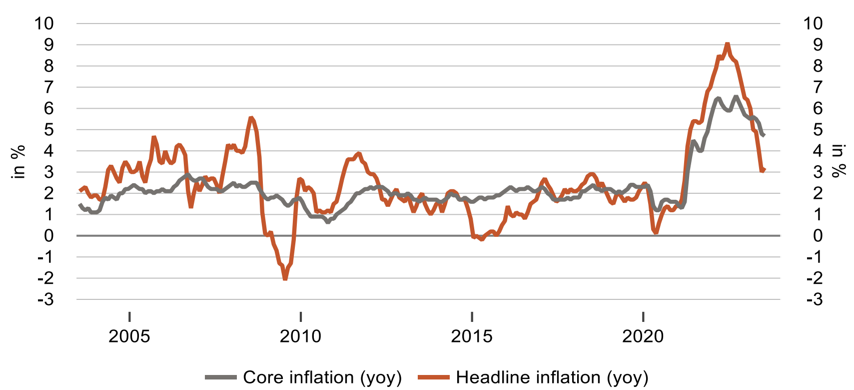
US GDP growth and Purchasing Managers Index



Source: Macrobond

Period: 07/2003 - 07/2023

USA Inflation (yoy)



Source: Macrobond

Period: 07/2003 - 07/2023

Economic forecasts

Key estimates at a glance

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	GDP growth (in %)						Inflation (in %)					
	2023		2024		2025		2023		2024		2025	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	2.1	2.0	1.2	0.8	1.7	1.9	4.0	4.1	2.6	2.5	2.3	2.3
Eurozone	0.6	0.6	1.0	0.9	1.8	1.5	5.4	5.5	2.6	2.5	2.5	2.1
Germany	-0.3	-0.3	0.8	0.9	1.7	1.5	6.0	6.0	2.5	2.8	2.5	2.1
France	0.7	0.7	1.3	1.0	1.7	1.4	5.6	5.6	2.7	2.6	2.5	2.1
Italy	0.8	0.9	0.8	0.7	1.2	1.2	5.9	6.3	2.0	2.4	2.4	1.9
Spain	2.2	2.2	1.6	1.5	2.1	1.9	3.4	3.4	2.9	2.6	2.7	1.9
United Kingdom	0.4	0.2	1.0	0.5	1.7	1.5	7.4	7.4	2.7	3.0	2.0	2.1
Japan	1.9	1.6	0.8	1.0	1.1	1.0	3.1	3.0	2.0	1.9	1.5	1.4
China	4.6	5.2	3.8	4.6	3.6	4.6	0.5	0.8	2.0	2.0	2.2	2.0
World*	2.3	-	2.2	-	2.4	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 22/08/2023.
* 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
The markets are getting tougher

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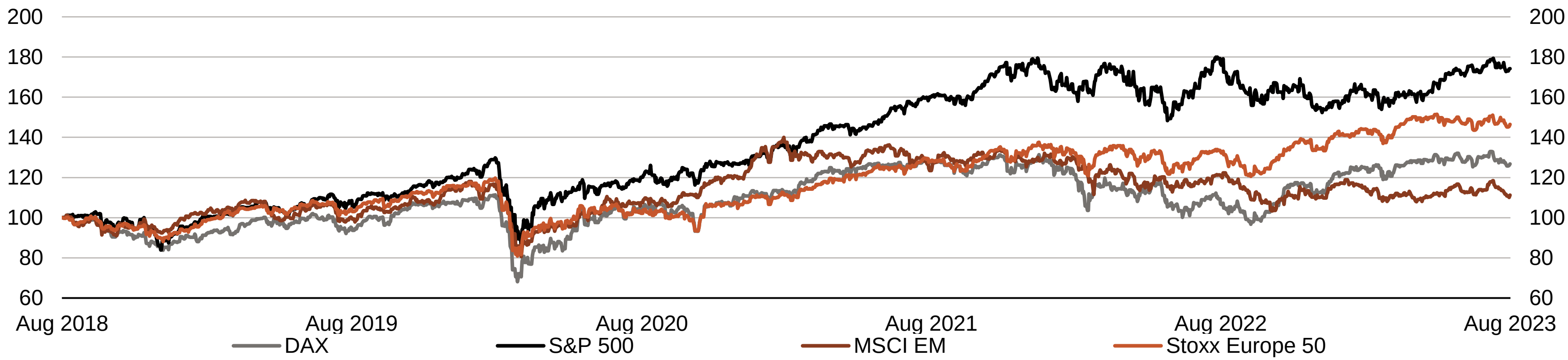
Correction on the equity markets in August

- After the peak for the year in July, there was a correction on the equity markets in August. For the first time since March, the S&P 500 suffered a setback of over 5 %. However, this alone does not necessarily mark the beginning of a sustained downward trend. Since 1950, the S&P 500 has suffered separate corrections of more than 5% on average three times a year. And indeed, there are signs that the positive stock market trend could continue in the short term. The US economy is performing better than expected and with ~95% of the earnings season completed, S&P 500 earnings are at a sales surprise of 1.8% and an EPS surprise of 7.8%.
- In the medium term, however, the picture looks different. Beneath the surface, negative indicators are multiplying, making markets more vulnerable. On the one hand, higher interest rates are a headwind for valuations, which remain high - the yield on 10-year US government bonds has risen to 4.3 %, its highest level since 2007; real yields of just under 2 % are trading as high as they last did in 2009. On the other hand, the high equity positioning of rule-based investment strategies (systematics) makes the markets more susceptible to a stronger sell-off.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 22/08/2018 – 22/08/2023

Corporate earnings
Challenges still ahead

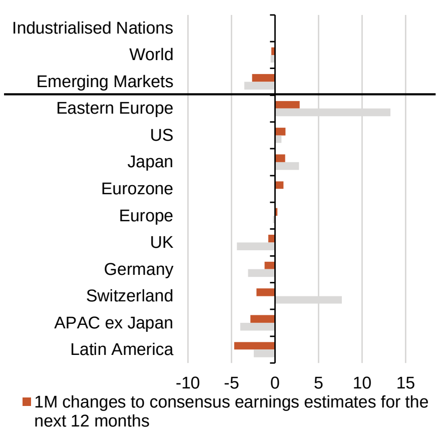
Minor negative earnings revisions for industrial nations

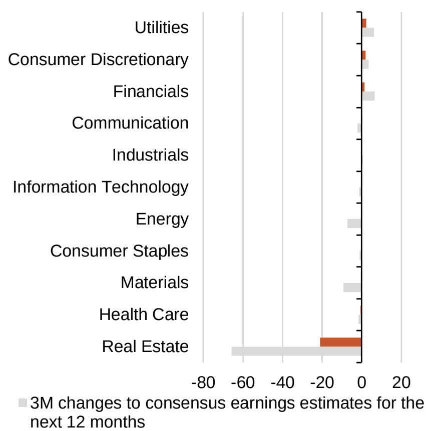
- With the Q2 reporting season underway, fundamentals have come into stronger focus for the markets. The S&P 500 companies already reported exceeded both sales and earnings estimates across the board. However, it should be remembered that estimates were revised downwards by 17 % before they surprised "positively".
- Over the past four weeks, analysts have on average revised earnings expectations for industrials slightly downwards. Emerging markets saw significant negative earnings revisions in the face of continued economic disappointments from China.

Noticeable profit growth only from 2024

- According to the consensus, profit growth 2023 should be just under 1 % in the industrialised countries. Only for 2024 does the analyst consensus expect significant profit growth of just under 10 % YoY.
- At the sector level, analysts expect the most significant decline in profits for energy and basic materials stocks. These sectors also suffered particularly in the Q2 earnings season. In turn, falling commodity prices have helped consumers as well as energy-intensive companies, which is also shown by the profit revisions of the corresponding sectors. However, with oil prices rising again and the economy weakening, it is questionable how long this tailwind will last.

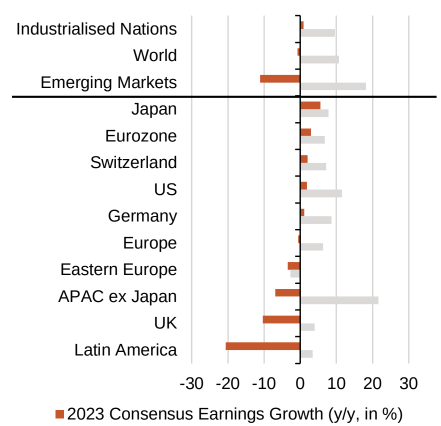
Negative earnings revisions especially in EM

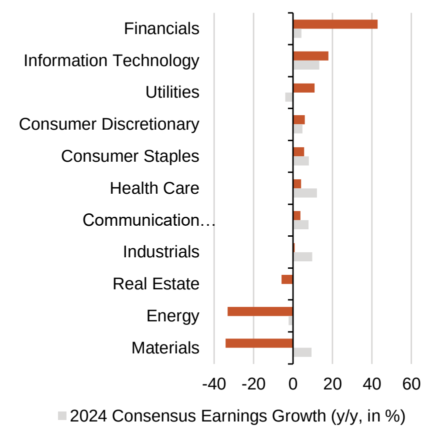




Source: Bloomberg, MSCI Europe Sectors As of 22/08/2023

Muted earnings growth for 2023





Source: Bloomberg, MSCI European sectors As of 22/08/2023

Valuation & Positioning

Higher interest rates represent a headwind for high valuations

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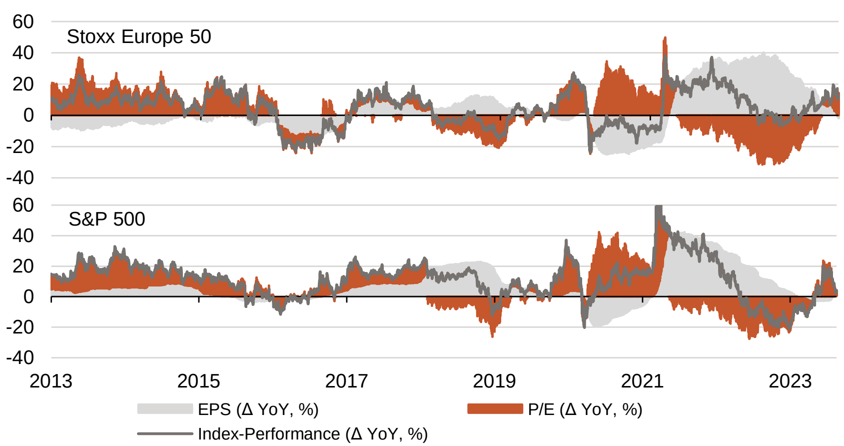
Valuations still at high levels

- Most of the rise in the equity markets up to the end of July was the result of higher valuations. With the correction over the last few weeks, valuations have come down a little, but they are still trading at historically very high levels. The S&P continues to trade at a high forward P/E of 18.9x.
- Given an interest rate scenario of "high for longer", the headwinds for valuations are not likely to abate quickly. The risk of a downward valuation adjustment is increasing.

Markets vulnerable due to high systematic positioning

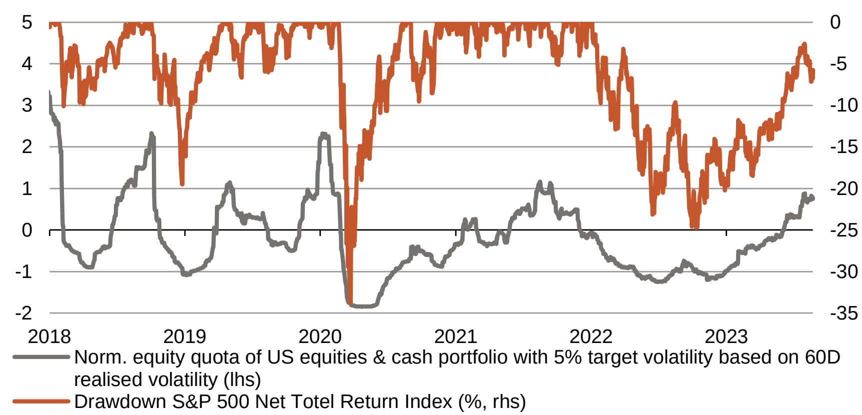
- Looking ahead, the high equity positioning of the systematists also makes the markets more vulnerable to a major setback. The positioning has hardly declined despite the stronger correction over August, as realised volatility has hardly risen. If volatility rises and trend signals weaken further, they are likely to start reducing their equity exposure.
- Given the risks, we remain cautiously positioned and maintain our slight underweight in equities. We are not chasing the upward dynamic until the end of July and are waiting for further setbacks after the recent correction for more attractive entry opportunities.

Valuation-driven increase until end of July



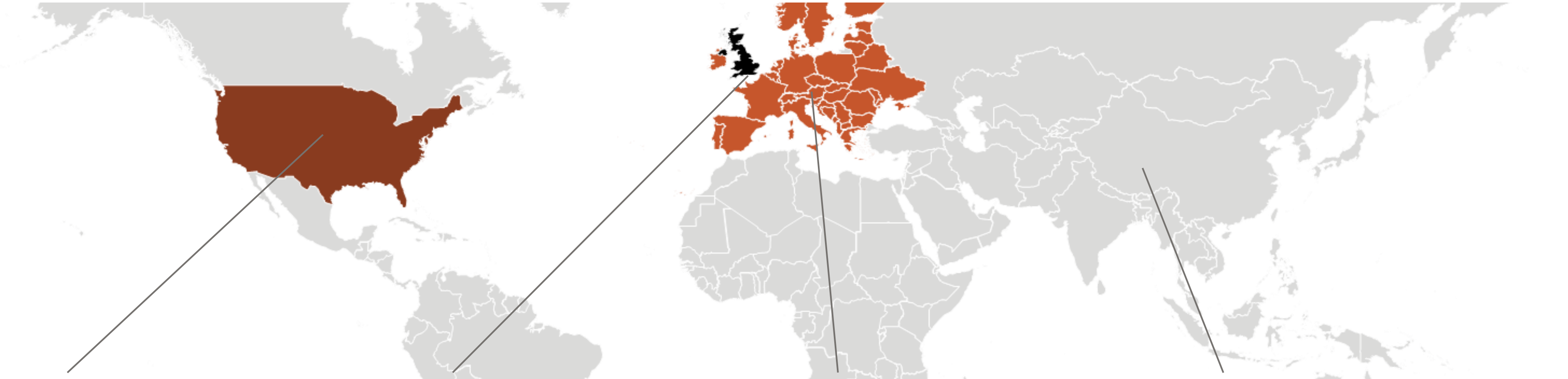
Source: Bloomberg, own calculations. Time period: 22/08/2013 – 22/08/2023

Systematics stick to high equity positioning



Source: Bloomberg, own calculations. Time period: 01/01/2018 – 22/08/2023

Equity allocation
Overweight in EM and Europe ex. UK



US
Underweight
- The high positioning and continued 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 in UK equities as we see greater opportunities in other regions.

Europe ex. UK
Overweight
- Despite their good performance since the beginning of the year, European companies do not have a high valuation. The difficult economic outlook thus appears at least partly reflected in prices. If the economy performs better than expected, there is potential for recovery.
- We are slightly overweight on 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

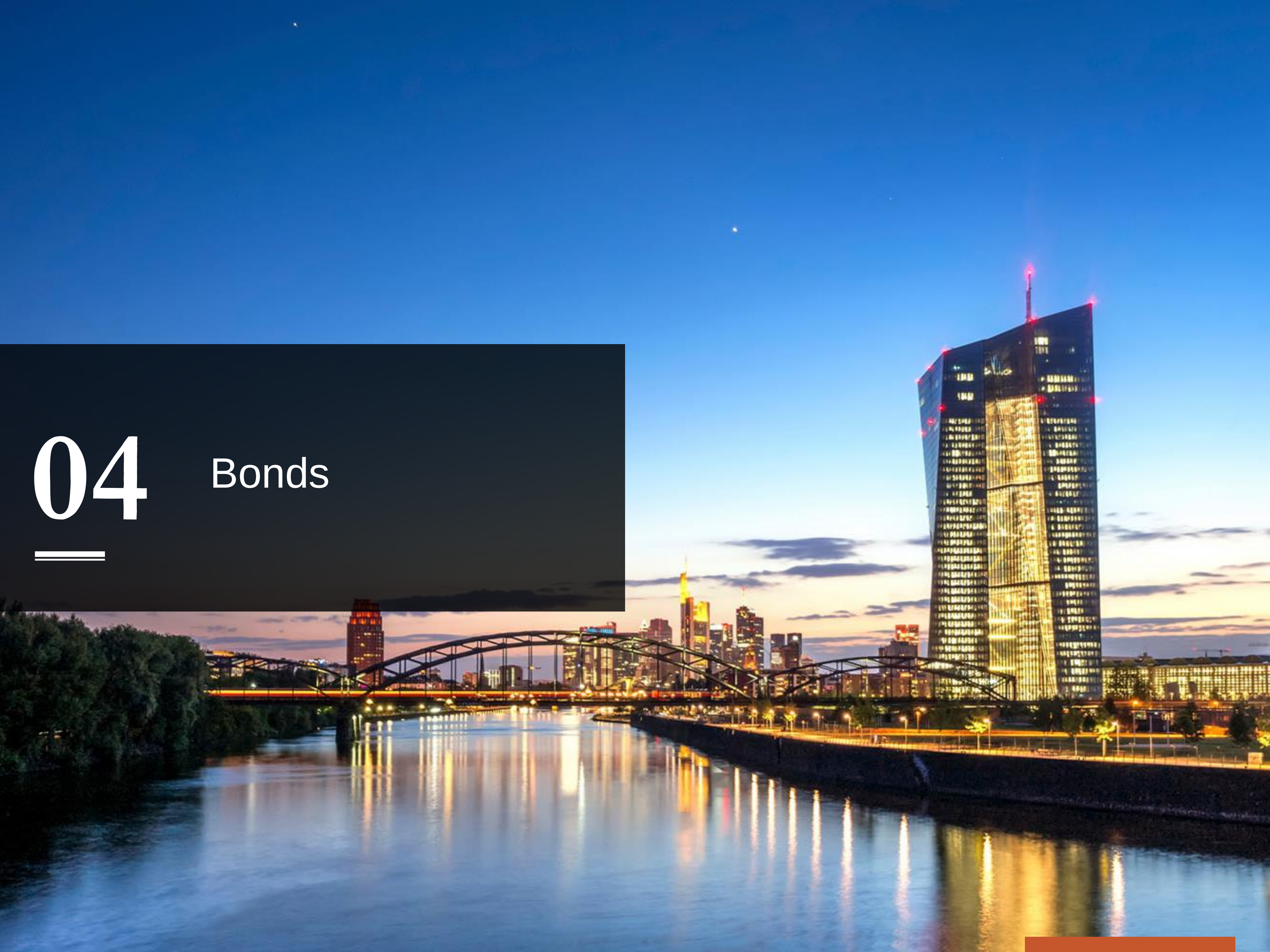
Estimates for selected indices

Index forecasts	Current 22/08/2023	31/12/2023	30/06/2024	Ø* in 12 months
S&P 500	4,388	4,300	4,600	5,075
DAX	15,706	16,200	17,300	19,588
Euro Stoxx 50	4,260	4,350	4,700	5,082
MSCI UK	2,075	2,200	2,350	2,569

Index potential (in %)				
S&P 500	-	-2.0	4.8	15.7
DAX	-	3.1	10.2	24.7
Euro Stoxx 50	-	2.1	10.3	19.3
MSCI UK	-	6.0	13.3	23.8

Source: Bloomberg. Berenberg. as of 22/08/2023.
*Average based on bottom-up estimates.

04 Bonds



Government bonds

Further rise in interest rates driven by inflation expectations

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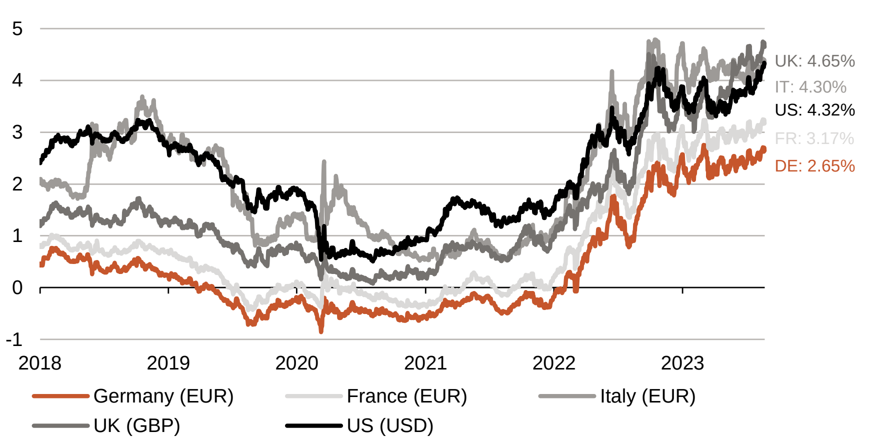
Government bonds with further rise in interest rates

- Safe government bonds recorded further yield increases in the past month. A steepening of the yield curves was manifested by the significantly stronger rise in interest rates at the long end rather than at the short end of the yield curve.
- The rise in yields by almost 35 bp of 10-year and longer-dated Treasury bonds is noteworthy. This is on the one hand a reaction to the strong flood of new issues at the long end of the yield curve and on the other hand a reflection of the increased long-term inflation expectations.

Manageable visibility of further central bank policy

- On both sides of the Atlantic, the picture of future interest rate policy is unclear. Despite declining core inflation, the US Fed could continue to hold on to higher interest rates due to the strong labour market. Contrary to hawkish statements by some Fed members, the market is still not pricing in additional rate hikes.
- Despite stable core inflation in the Eurozone, the market is again pricing in rate cuts by the ECB next year after a final rate move in view of a potential economic slowdown. The picture is clearer for the BoE, where no rate cuts are priced in by the market next year due to persistently high inflation.

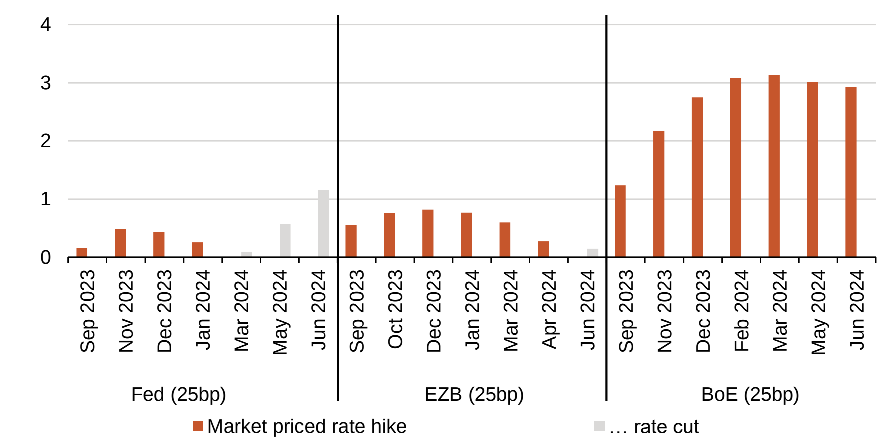
Rise in yields on safe government bonds



Source: Bloomberg

Time period: 01/01/2018 – 22/08/2023

Implicit change in key interest rates unclear



Source: Bloomberg, own calculations

Time period: 22/07/2023 – 22/08/2023

Corporate & EM bonds
Risk premiums again wider

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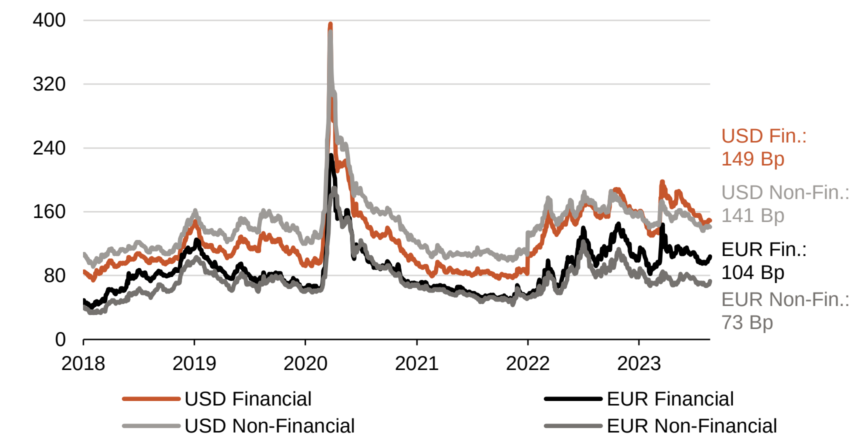
Corporate bonds recently with wider spreads

- Despite strong performance over the year, IG corporate bonds recently experienced a setback. In addition to rising risk-free interest rates, the risk premiums of EUR financial bonds widened by 9 bp, which led to falling prices. Non-financial bonds in EUR saw hardly any spread widening. USD financial and non-financial bonds, which had been running so strongly, saw a similarly strong increase in risk premiums.
- Risk premiums of IG bonds in EUR are still elevated compared to their own 10-year history and thus attractive. Risk premiums of IG bonds in USD are again below the long-term median.

Emerging market bonds suffered proportionately more

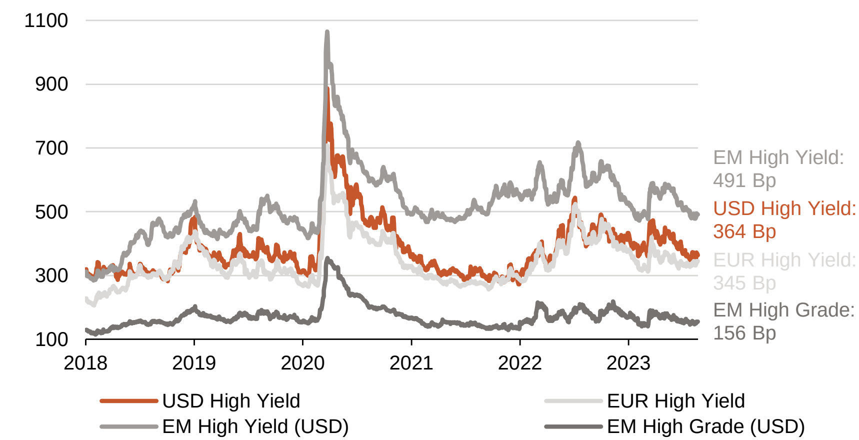
- Emerging market bonds in hard currencies suffered recently, not necessarily due to the only moderate increase in risk premiums, but in particular due to the rise in interest rates on Treasury bonds. The HY segment outperformed the IG segment (both in hard currency) on both a monthly and annual basis. In local currency, on the other hand, we expect a positive performance trend in the future due to the interest rate reduction cycle initiated by the central banks.
- We increasingly prefer corporate bonds to government bonds in hard currency, as the segment should react more defensively to increased interest rate volatility due to technical factors.

Countermovement of EUR and US risk premiums



Source: Factset Time period: 01/01/2018 – 22/08/2023

EM risk premiums with only marginal change



Source: Factset Time period: 01/01/2018 – 22/08/2023

Capital market strategy
Bonds

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Core segments

Government bonds
Underweight

- Safe government bonds could continue to show increased interest rate volatility. As various data points underline partly contradictory trends in the major economies, the visibility of further interest rate developments remains manageable.
- Contrary to the Fed's communication, the market is pricing in interest rate cuts in the coming year. The increased real interest rate on US Treasuries is currently weighing on the relative attractiveness of German Bunds to a certain extent.

Corporate bonds
Overweight

- The maturity curve of risk premiums has steepened recently. We are moving to increase spread duration in the mid-maturity spectrum, especially where risk premiums appear relatively attractive.
- Financial bonds continue to offer a higher yield than non-financial bonds and also have better corporate ratios. We therefore continue to favour them

Other segments

Emerging markets
Overweight

- Emerging market bonds have suffered recently due to increased volatility in developed country interest rates. Nevertheless, local currency bonds remain attractive as there have been more net rate cuts than rate hikes by EM central banks (e.g. Brazil and Chile) recently.
- In hard currency, government bonds currently appear less attractive than corporate bonds. On the one hand, government bonds are increasingly expensive, on the other hand, technical factors will provide a tailwind for the corporate bond segment in the future.

High yield bonds
Overweight

- After a very strong spread-driven performance recently, risk premiums widened slightly. Financial bonds suffered less due to strong fundamental indicators; we continue to see the segment as constructive.
- Our focus in bond selection is on business models that are robust against a possible recession and rising financing costs.

Forecasts

Estimates for selected bond markets

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	22/08/2023	31/12/2023		30/06/2024	
Base interest rates and government bond yields (in %)	Current		Ø*		Ø*
US					
Base interest rate	5.25-5.50	5.25-5.50	5.55	5.00-5.25	4.90
10Y US yield	4.33	4.25	3.86	4.25	3.67
Eurozone					
Base interest rate	4.25	4.50	4.35	4.50	4.15
10Y Bund yield	2.64	2.70	2.31	2.80	2.19
United Kingdom					
Base interest rate	5.25	5.50	5.60	5.00	5.30
10Y Gilt yield	4.64	4.50	4.09	4.30	3.77

Source: Bloomberg. Berenberg. as of 22/08/2022.
*Average of estimates by other experts (Bloomberg) consensus.

05 Commodities

Crude oil
Upside potential limited from here

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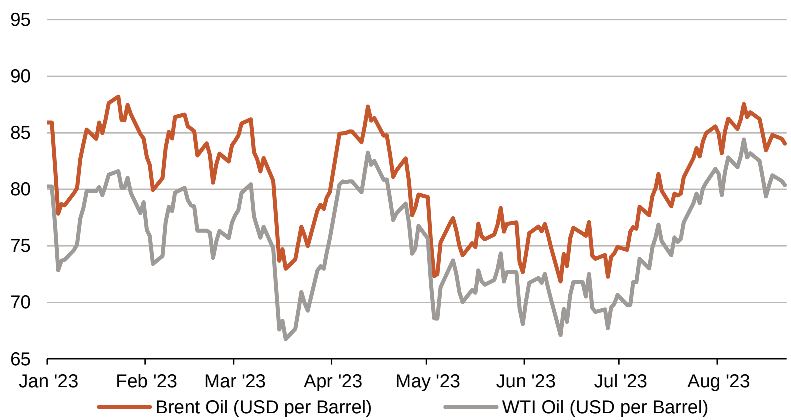
Headwinds for the oil price are increasing

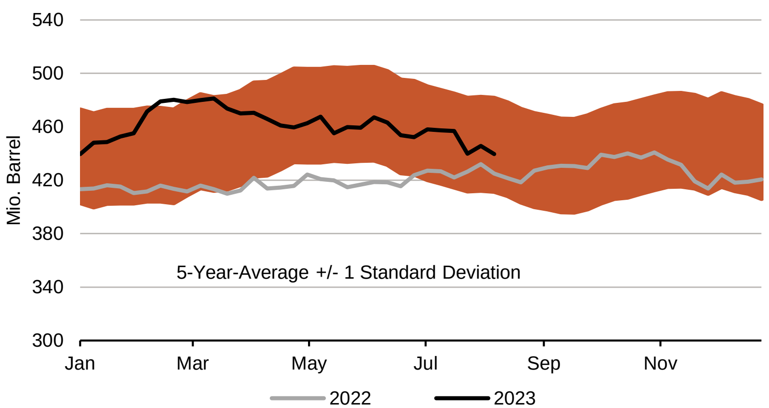
- After the oil price rose by almost 15% in July and reached its highest level in seven months at USD 88 per barrel at the beginning of August, it recently fell back somewhat. Even though Saudi Arabia's additional cuts of 1 mbpd will remain in effect until the end of September and an extension seems likely, the headwinds have increased in recent weeks.
- On the supply side, Iran seems to be exporting more and more oil despite US sanctions, and at the same time both countries seem to be moving closer diplomatically behind closed doors. In addition, neighbouring Iraq and Turkey are still at loggerheads over oil exports from the semi-autonomous Kurdish region, so Iraq closed a pipeline with a capacity of 500 kbpd in March. But here, too, diplomatic conversations have recently resumed.
- The demand outlook is also slightly less positive than at the beginning of H2. The travel season is in its final stages, manufacturing activity continues to decline and China's weakness persists. The CEO of one of China's largest oil companies recently said that fuel consumption has probably seen its peak this year. Overall, the further upside potential seems limited, despite OPEC's restrictive stance. As every September, the hurricane season in the USA offers temporary surprise potential.

Oil price rally has lost momentum recently



Source: Bloomberg. Time period: 01/01/2023 – 22/08/2023.

Seasonality of falling inventories is coming to an end



Source: Bloomberg, DOE, own calculations. Time period: 01/01/2018 – 22/08/2023.

Precious and industrial metals
Gold suffers from sharp rise in real interest rates

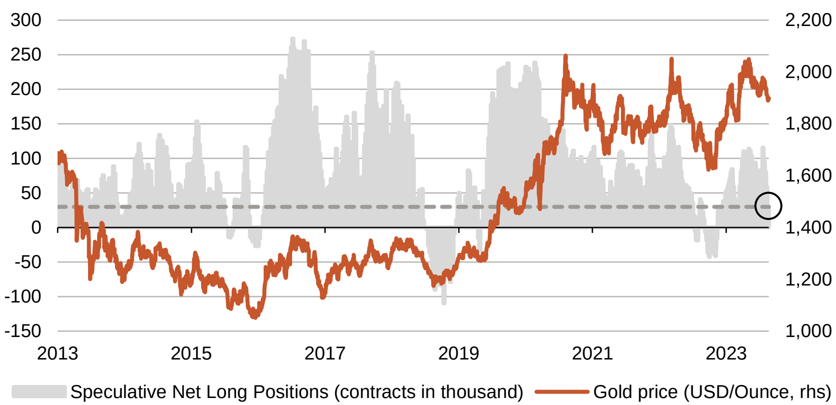
Gold suffers from sharp rise in real interest rates

- Gold fell below USD 1,900 per ounce in August for the first time since March this year. Headwinds came from all directions. On the one hand, real interest rates on 10Y TIPS rose to 2% for the first time since 2009. The high opportunity costs are weighing on gold. And secondly, the US dollar strengthened along with the higher interest rates.
- Outflows from gold ETFs continue and speculative investors have also significantly reduced their futures positioning. They are not yet net-short, but in the past this was often a good buy signal. If the real yields consolidate, this would offer attractive entry prices for gold.

Wave of negative news for industrial metals

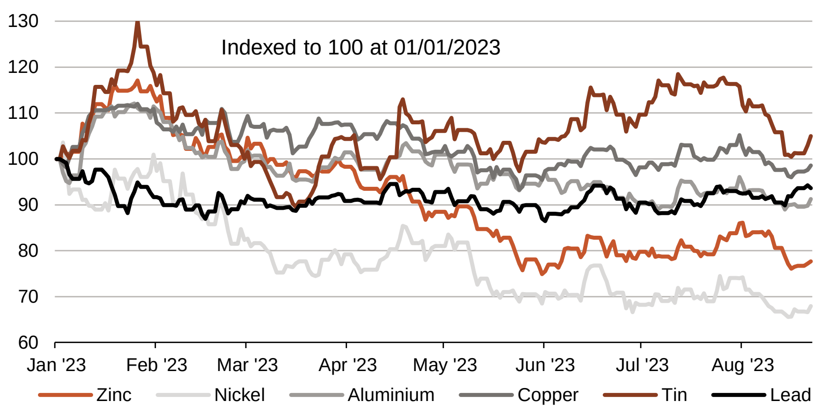
- Industrial metals fell by about 5% in August. On a three-month perspective, however, they are still fluctuating sideways.
- China's surprise interest rate cut was interpreted by investors as a sign of continued weakness in the real estate sector. European manufacturing PMIs have surprised on the upside, but remain well below the 50 mark across the board.
- In the face of the wave of negative news, industrial metals are still doing comparatively well, as they are already pricing in an economic downturn and at the same time inventories remain historically very low.

Speculative investors not far from net-short



Source: Bloomberg, own calculations. Time period: 01/01/2013 – 22/08/2023

Industrial metals have stagnated over the past months



Source: Bloomberg, own calculations. Time period: 01/01/2023 – 22/08/2023

06 Currencies

Market Development
FX markets

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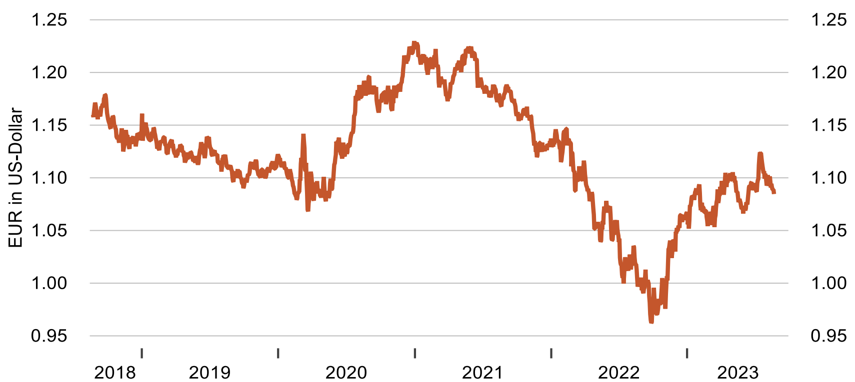
EUR/USD: Slight advantages for the dollar again

- The EUR/USD exchange rate has fallen back to the 1.08 level. The US economy is now looking like a soft landing. This reduces the need for the US Federal Reserve to stimulate the economy in the coming year through significant interest rate cuts. This will make it more difficult for the Eurozone to catch up on interest rates.
- It remains the case, however, that both the Fed and the ECB want to make their further policies data-dependent and that new economic data will be more important. So rates can always fluctuate in the short term.

Economy weakens the euro outlook

- The weak eurozone economy is weighing on the short-term euro outlook. By the end of the year we see the EUR/USD exchange rate at around 1.12, somewhat higher than at present. The weak economic data reduce the probability of an interest rate move by the ECB in September.
- Only next year, when the Eurozone's economy catches up again, should the euro appreciate noticeably. We see the possibility of the exchange rate rising to 1.18 by the end of 2024.

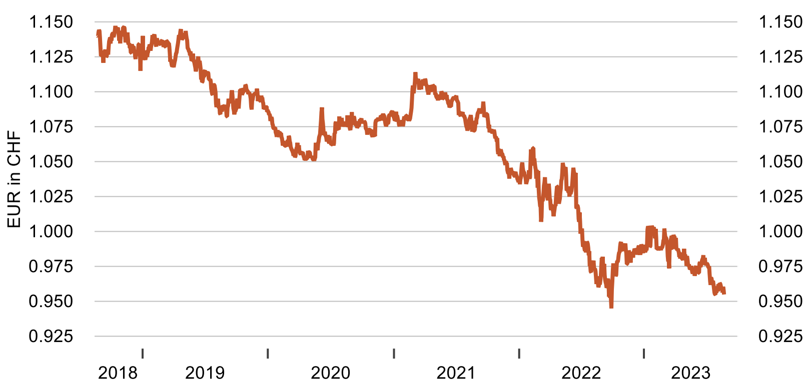
Exchange rate: Euro/US-Dollar



Source: Macrobond

Period: 08/2013 - 08/2023

Exchange rate: EUR/CHF



Source: Macrobond

Period: 08/2018 - 08/2023

Forecasts

Estimates of key currencies

	22/08/2023	31/12/2023		30/06/2024	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.08	1.12	1.12	1.15	1.13
EUR/GBP	0.85	0.85	0.87	0.85	0.88
EUR/CHF	0.95	1.00	0.99	1.00	1.01
EUR/JPY	158	162	151	163	148

Change against the Euro (in %)					
USD	-	-3.2	-3.2	-5.7	-4.0
GBP	-	0.2	-2.1	0.2	-3.2
CHF	-	-4.5	-3.5	-4.5	-5.5
JPY	-	-2.3	4.8	-2.9	7.3

Source: Bloomberg. Berenberg as of 22/08/2023.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information

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