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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

October | 2023

Horizon Handout – Capital Market Outlook
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Date 29/09/2023.

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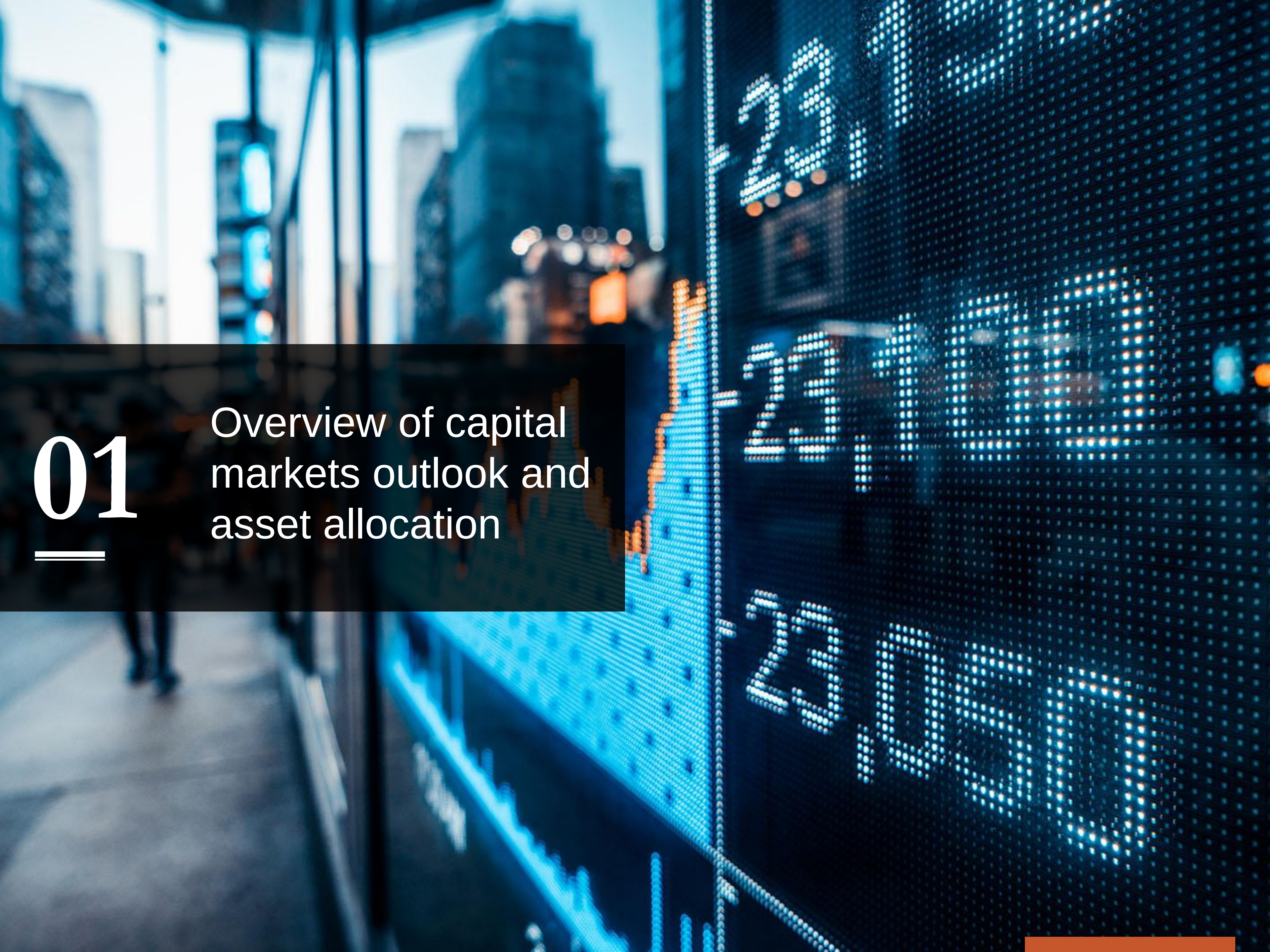
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



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 (28/08/23 - 25/09/23)	YTD (30/12/22 - 25/09/23)	25/09/22 25/09/23	25/09/21 25/09/22	25/09/20 25/09/21	25/09/19 25/09/20	25/09/18 25/09/19
Brent	12.4	15.3	12.0	66.9	87.3	-39.3	-13.5
USDEUR	2.1	1.1	-8.6	21.0	-0.8	-5.9	7.5
Industrial Metals	2.0	-10.7	-7.5	7.2	44.3	-6.3	5.8
Gold	1.9	6.2	6.6	13.6	-6.7	16.5	34.6
Global Convertibles	0.7	6.7	-2.5	-12.3	28.6	21.1	5.2
Euro overnight deposit	0.3	2.2	2.5	-0.5	-0.6	-0.5	-0.4
MSCI World	0.2	13.4	10.1	-3.7	34.2	2.0	9.3
MSCI Emerging Markets	0.1	3.4	-0.5	-11.1	20.9	1.5	6.5
EUR Coporates	-0.2	2.6	2.8	-15.0	1.8	0.3	6.3
EUR Sovereign Debt	-0.7	1.1	-0.5	-11.1	-0.3	0.1	5.8
MSCI Frontier Markets	-1.4	7.9	-6.6	-6.2	29.4	-7.6	12.6
REITs	-3.3	-6.4	-15.3	-3.3	29.0	-19.9	26.0

MSCI World: MSCI World Net Return; MSCI Emerging Markets: MSCI EM Net Return; MSCI Frontier Markets: MSCI Frontier Markets Net Return; REITs: MSCI World REITs Index; EUR Sovereign Debt: IBOXX Eurozone Sovereign 1-10Y TR; EUR Corporates: IBOXX Euro Corporates Overall TR; Global Convertibles: SPDR Convertible Securities ETF; Gold: Gold US Dollar Spot; Brent Crude: Bloomberg Brent Crude Subindex TR; Industrial Metals: Bloomberg Industrial Metals Subindex TR; Euro overnight deposit: ICE BofA Euro Overnight Deposit Rate Index; USDEUR: Price of 1 USD in EUR.

Sources: Bloomberg, Berenberg.
Note: The historical performance presented here is not a reliable indicator of future performance.

Time period: 25/09/2018 – 25/09/2023.

Overview of capital markets

Outlook by asset class

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Economics

- Germany's economy is out of step. The recovery is postponed until the second half of 2024.
- The USA will probably manage a soft landing. Will the US Federal Reserve take one last interest rate step?
- The disinflationary process continues. Central banks are close to or have already reached the terminal rate.

Equities

- Warning leading indicators and higher interest rates, USD and oil are likely to put pressure on optimistic earnings estimates.
- Deepening liquidity withdrawal is likely to cap valuations in the coming months.
- Increased risk of setbacks after sideways market in Q3. However, downside potential limited by investor caution.

Bonds

- High-rated government bonds promise positive returns, in local currencies especially in the Anglo-Saxon region.
- We like European corporate bonds defensively; at the short end, secure covered bonds offer similar returns.
- In emerging markets, we favour the local currency segment and see corporate bonds ahead.

Alternative investments / commodities

- Fundamental starting position for oil is solid thanks to OPEC cuts, but headwinds increase after strong rally.
- Gold defies strong dollar and high real yields. However, falling interest rates are needed for sustained upside potential.
- Industrial metals fluctuate sideways. Rising "green" demand partially offsets economic weakness in China.

Currencies

- Sluggish growth is weighing on the euro exchange rate. For the time being, the upside potential is very limited.
- The US economy is defying the tight monetary policy. The US dollar is benefiting and is trading at a higher level.
- It is the same old song for the Swiss franc: It is and remains strong. EUR/CHF is stable below parity.

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

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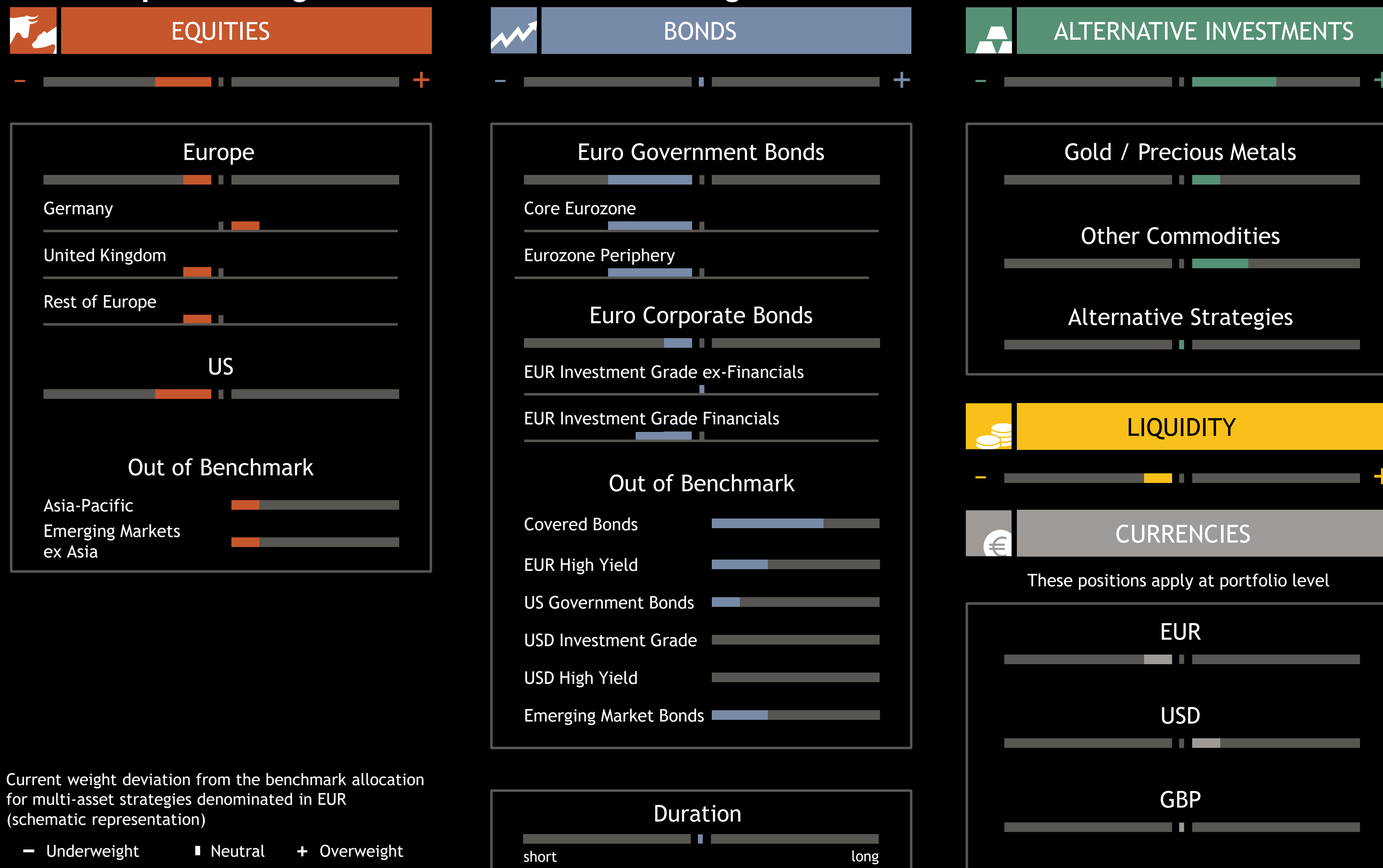
Portfolio positioning of a balanced mandate at a glance



Source: Berenberg

As of 29/09/2023.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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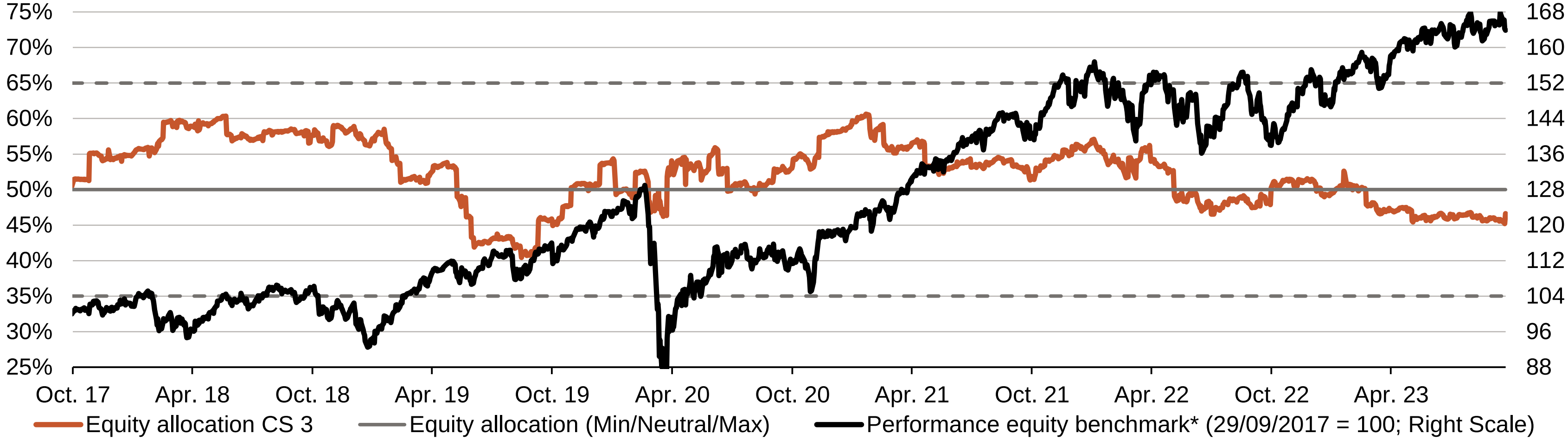
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	22/09/18 - 22/09/19	22/09/19 - 22/09/20	22/09/20 - 22/09/21	22/09/21 - 22/09/22	22/09/22 - 22/09/23
	9.60%	-3.97%	27.97%	0.06%	15.55%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 22/09/2018 – 22/09/2023.
Note: The historical performance presented here is not a reliable indicator of future performance.

- We have recently taken a more defensive stance and taken some profits in cyclical commodities after the recent rally. We have also reduced gold slightly. On the other hand, we added to US treasury bonds due to the attractive carry. We have thus taken advantage of the recent rise in interest rates to weight bonds slightly higher than neutral at the portfolio level.
- Within equities, we have reduced Latin American equities, which we have held since the beginning of 2022. Latin America outperformed almost all equity regions not only last year, but also this year. Currency gains have also helped, as we expected. This tailwind is likely to be less in the future. Instead, we have added to the FTSE 100, which has underperformed this year. The defensive index is a good diversifying addition to our quality growth exposure.
- We remain balanced and cautiously positioned. For equities to continue to run, corporate earnings would have to rise. We think another sharp valuation expansion, as seen so far this year, is unlikely due to the rise in real interest rates.

02 Economics

Eurozone
GDP and inflation

ECB raises interest rates despite weak economy

- Overall, the outlook has clouded over. For the rest of 2023, we expect no more growth in the Eurozone. In 2023 as a whole, growth is likely to be 0.4%. In the coming year, growth could rise to a still meager 0.8%.
- Despite the difficult economic environment, the European Central Bank raised key interest rates by 25 basis points recently. The deposit rate is now 4.0%. It was the tenth interest rate hike in a row. The decision was not unanimous. The ECB signalled that it expects to keep interest rates constant for a longer period from now on.

Weak economic outlook

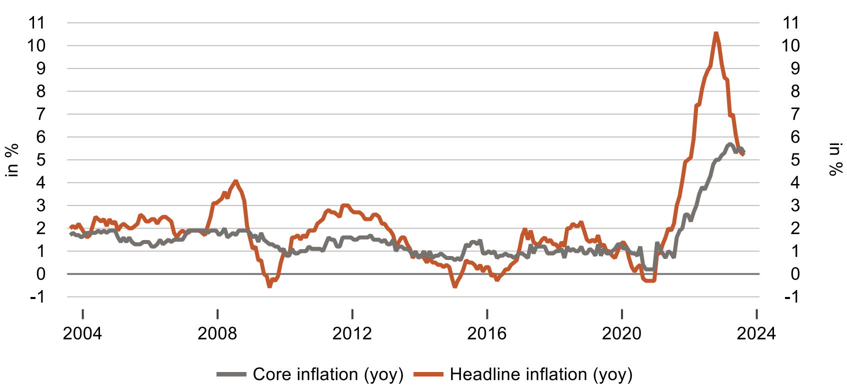
- For the economy, the additional rate hike poses some downside risk. Likewise, it is a risk to our assessment that the economic recovery will start early next year and accelerate next spring.
- While the ECB raised its inflation forecast for 2023 and 2024 by 0.2 percentage points, mainly because of the oil price increase, it lowered its forecasts for 2025, ie for the medium-term period relevant for monetary policy, from 2.2% to 2.1%. The forecast is thus only minimally above the 2% target.

Eurozone GDP growth and industrial confidence

Source: Macrobond

Period: 08/2003 - 08/2023

Eurozone Inflation



Source: Macrobond

Period: 08/2003 - 08/2023

United Kingdom
GDP and inflation

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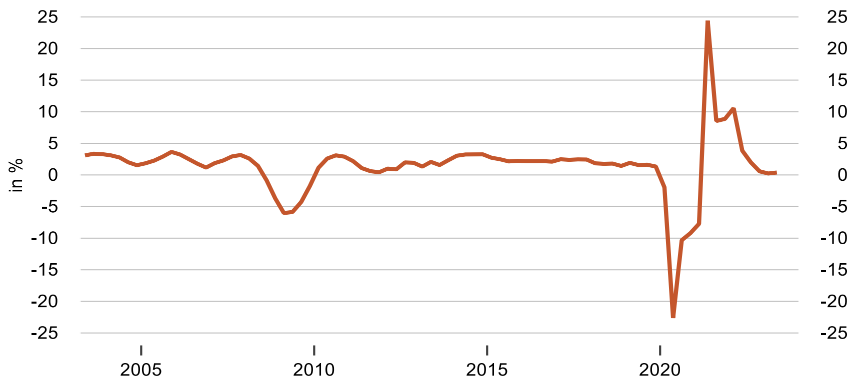
Surprising fall in inflation

- A little surprise: Instead of rising to 7.0% yoy (as we and the consensus had predicted), inflation slowed to 6.7 % in August (from 6.8% in July).
- Core inflation, which excludes volatile energy and food prices and thus better captures domestic inflationary pressures, surprised even more than headline inflation. Core inflation fell to 6.2% in August from 6.9% in July and from the 6.8% expected by consensus. The inflation data provided an opportunity for the Bank of England not to raise the key interest rate.

Bank of England leaves key interest rate unchanged

- In a very close decision, the Bank of England's (BoE) nine-member Monetary Policy Committee voted 5-4 at its September meeting to leave the policy rate at 5.25%.
- Although we had expected a final hike by the BoE, the pause now reduces the risk that the monetary watchdogs will raise rates too much and plunge the UK into an avoidable recession over the winter. In our view, this was the right decision by the Bank of England.

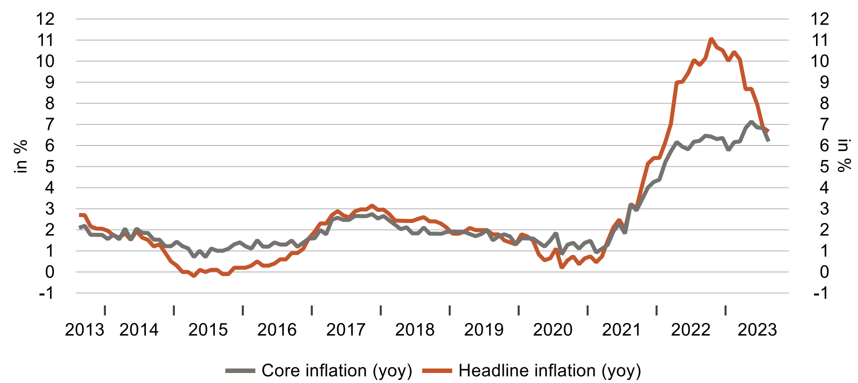
United Kingdom GDP growth (yoy)



Source: Macrobond

Period: 06/2003 - 06/2023

United Kingdom Inflation (yoy)



Source: Macrobond

Period: 08/2013 - 08/2023

USA
GDP and inflation

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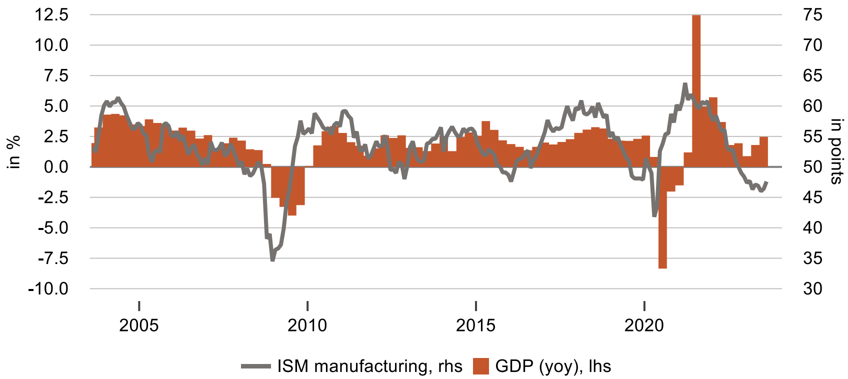
The Fed keeps interest rates constant

- The members of the Federal Open Market Committee (FOMC) voted unanimously to leave interest rates at 5.25-5.50%. But the real significance lay in the Fed's updated projections: GDP growth is expected to be much stronger, the unemployment rate much lower and the policy rate much higher at year-end 2024 and 2025 than expected so far.
- The changes are a significant departure from the Fed's June projections. And although Fed Chairman Powell denied it in his press conference, the new projections suggest that most Fed members now expect a "soft" or "no" landing for the economy.

Inflation: Mixed picture

- With the new Fed projections, the likelihood of another rate hike has increased. Nevertheless, we continue to think that the Fed is more likely to have reached the terminal rate already.
- The August inflation data provide a mixed picture. Headline inflation rose 0.6% month-on-month and 3.7% year-on-year. Thus, the upward trend in prices accelerated again. In July, prices were only 3.2% above the previous year's level. The acceleration in inflation is mainly due to higher energy prices. The core inflation rate fell from 4.7% to 4.3% year-on-year.

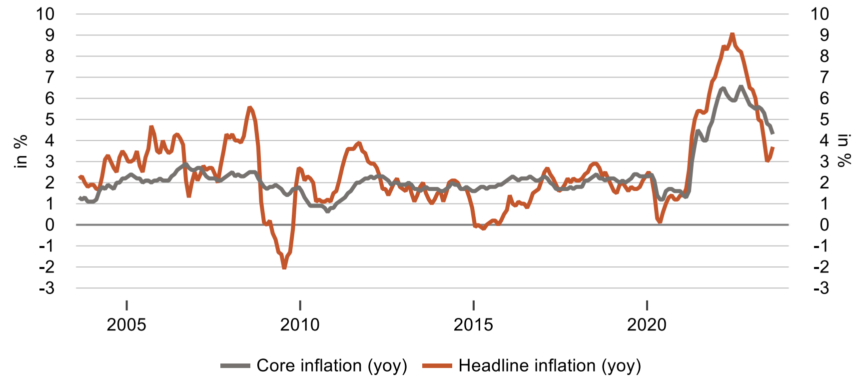
US GDP growth and Purchasing Managers Index



Source: Macrobond

Period: 08/2003 - 08/2023

USA Inflation



Source: Macrobond

Period: 08/2003 - 08/2023

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	2.1	1.2	0.9	1.7	1.9	4.1	4.1	2.7	2.7	2.3	2.3
Eurozone	0.4	0.5	0.8	0.8	1.7	1.5	5.6	5.6	3.0	2.7	2.3	2.1
Germany	-0.5	-0.3	0.6	0.6	1.6	1.5	6.2	6.1	2.8	2.9	2.2	2.1
France	0.7	0.8	1.1	0.9	1.7	1.4	6.0	5.7	3.7	2.7	2.5	2.1
Italy	0.7	0.8	0.5	0.6	1.2	1.2	6.2	6.2	2.5	2.4	2.2	1.9
Spain	2.2	2.2	1.4	1.5	2.1	2.0	3.7	3.5	3.3	2.8	2.3	1.9
United Kingdom	0.3	0.4	0.8	0.5	1.7	1.5	7.4	7.5	2.7	3.1	2.0	2.1
Japan	1.8	1.8	1.0	1.0	1.1	1.0	3.1	3.1	2.0	1.9	1.5	1.4
China	4.7	5.0	3.8	4.5	3.6	4.5	0.5	0.6	2.0	1.9	2.2	2.0
World*	2.3	-	2.2	-	2.4	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 26/09/2023.
* 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
Equity rally did not continue in Q3

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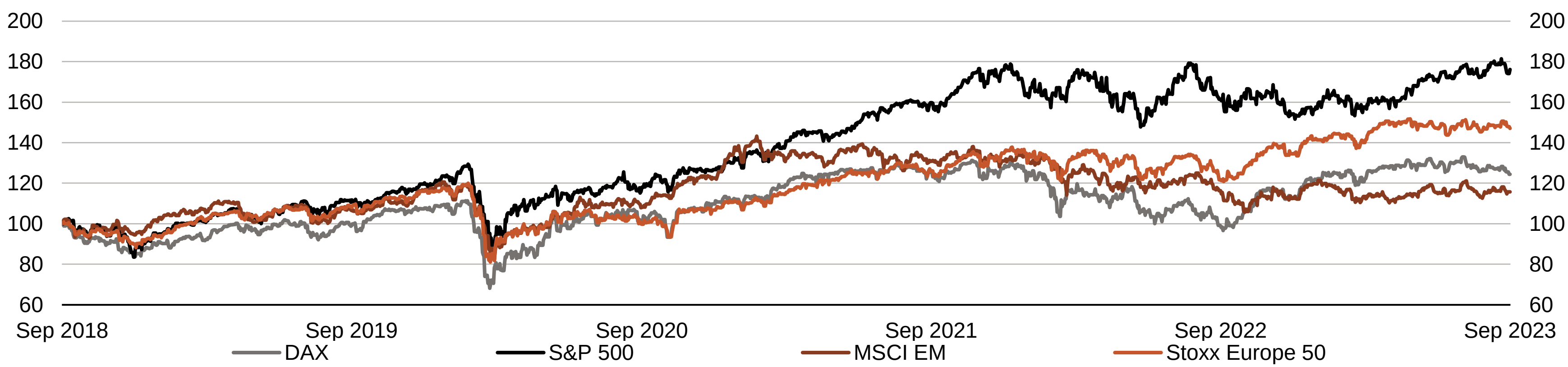
Increased risk of setbacks in the coming months

- The third quarter has shown that the upside potential for equities is currently limited. This is mainly because a lot of positives have already been priced in and many investors have been forced into the market after the strong H1 equity market performance, so there have been fewer and fewer incremental buyers. The negative eco-nomic surprises in China and Europe led to an underperformance of local equity markets. US equities held up marginally better thanks to AI enthusiasm and a robust US economy to date – in euro terms, they also benefited from the USD appreciation in Q3.
- The still-low market breadth does not signal a high level of inves-tor conviction and, along with restrictive central bank policies and negative leading economic indicators, continues to call for caution. Within the equity regions, China and Europe could surprise most positively. Both regions have already priced in a lot of negativity. However, if, contrary to expectations, China was to recover more strongly, this would catch many investors on the wrong foot. The strong outperformance of US equities over European equities since Q2 2023 could at least pause. Recent economic data in Europe has surprised more negatively than in the US, and this could reverse – not least because Europe faces fewer headwinds from the currency and higher interest rates. Overall, we see both upside (fundamental) and downside (many discretionary investors expect a setback) potential for equities as limited. A moderate setback followed by a volatile sideways movement seems most likely to us.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 25/09/2018 – 25/09/2023

Corporate earnings
Unrealistic profit expectations for 2024

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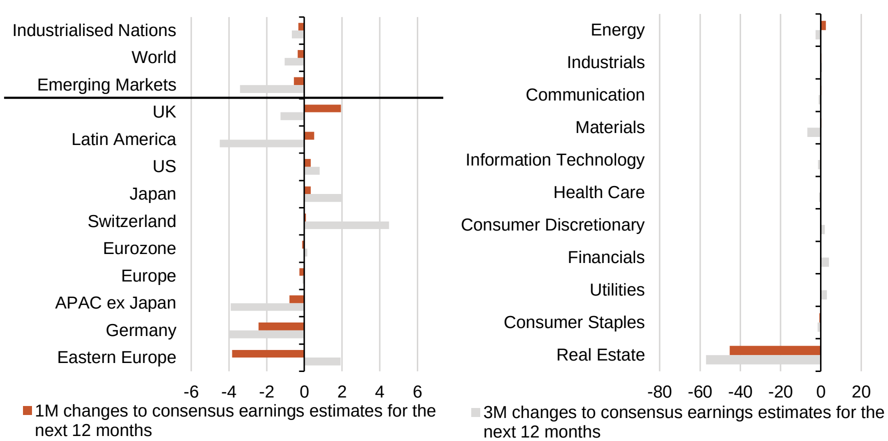
US companies are becoming more pessimistic

- During the Q2 reporting season, many US retailers gave a negative outlook. US consumer sentiment is beginning to dim. The resumption of student loan payments in October, the beginning of a slowdown in the labour market and the erosion of excess pandemic savings pose significant downside risks to consumers later this year and are likely to weigh on private consumption.
- However, this does not yet seem to have reached analysts' earnings estimates. The consensus expects earnings growth of just under 10% for the developed markets in 2024, driven primarily by an expansion of profit margins in the US.

Recovery for emerging markets from 2024

- For the emerging markets, the consensus expects an even stronger recovery in 2024 after a profit recession this year.
- However, still elevated wage inflation and rising corporate funding costs, together with arguably declining pricing power due to disinflation and the absence of a strong China recovery to date, are likely to limit earnings growth – especially for a large share of cyclical companies as well as small caps. It is likely to be difficult for companies to outperform the optimistic forecasts in 2024.

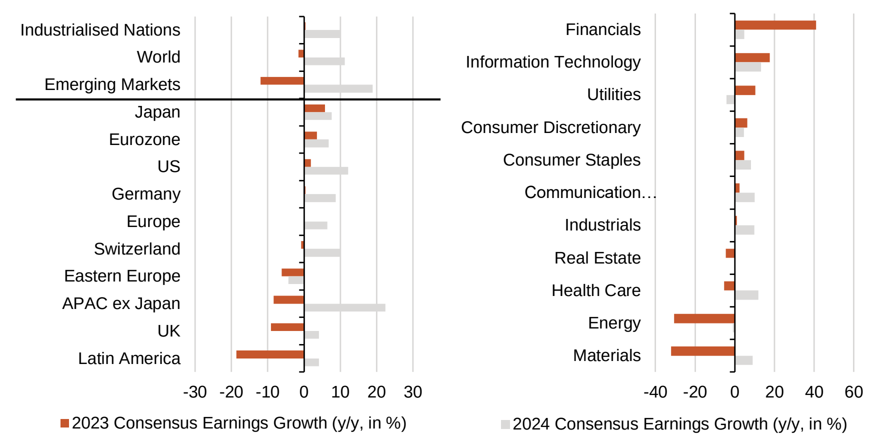
Negative earnings revisions especially in EM



Source: FactSet, MSCI Europe Sectors

As of 25/09/2023

Strongest recovery potential 2024 for Asia



Source: FactSet, MSCI European sectors

As of 25/09/2023

Valuation & Positioning
US equities almost priced for perfection

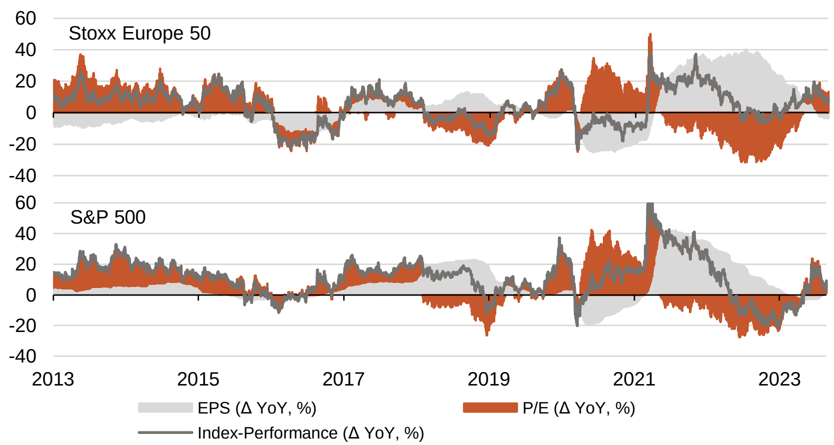
US valuation expansion this year despite high rates

- Despite higher real interest rates and liquidity withdrawal, US equity valuations have widened this year. The forward P/E ratio for the S&P 500 has risen from 17 to over 20 since the beginning of the year, with higher 10Y Treasury yields. As a result, US equities are now again expensively priced relative to their own history.
- Other segments such as European equities and small caps are relatively cheaply priced compared to their own history.

Triple burden (USD, interest rates, oil) poses risks

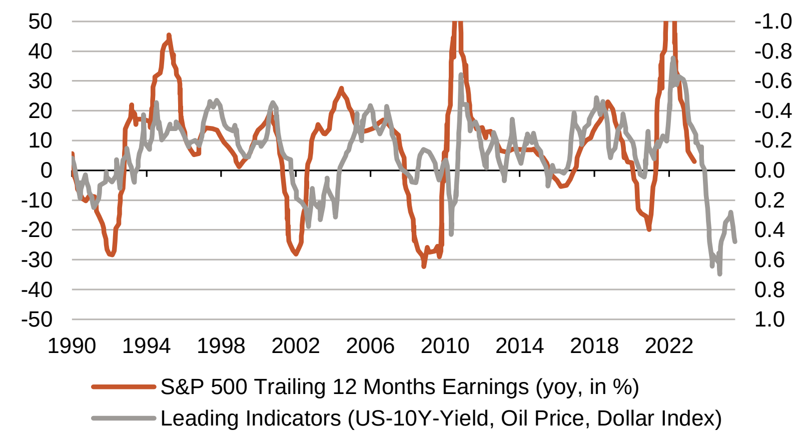
- There are several reasons for the increased valuation discrepancy between the US and the rest of the world. Especially, US companies are likely to be the main beneficiaries of AI. Many valuation-insensitive strategies, such as systematic strategies, 401k plans, option investors and share buyback programmes, are also mainly in US equities, partly because the US has the largest and most liquid market in the world.
- However, the triple burden of the recent dollar appreciation, higher interest rates and oil prices is likely to have an increasing impact on the US, especially since the ongoing withdrawal of liquidity is not conducive to valuations either.

Valuations still at high levels



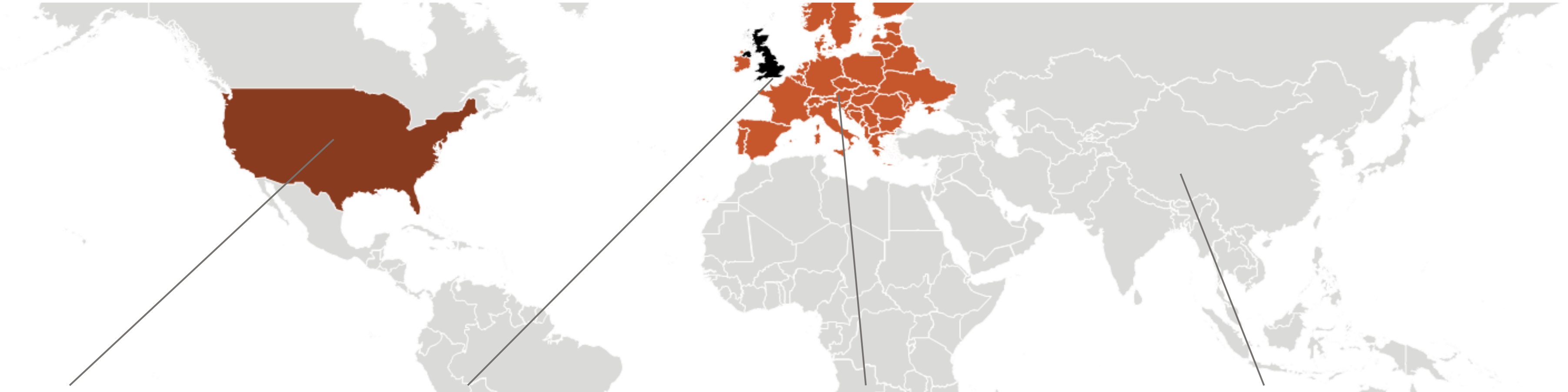
Source: Bloomberg, own calculations. Time period: 25/09/2013 – 25/09/2023

Macro headwinds for (US) corporate earnings



Source: Bloomberg, own calculations. Time period: 01/01/1990 – 31/08/2023

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. After the strong YTD-performance, we have taken some profits tactically.
- Chinese equities suffered from overly high expectations after the reopening. Positive surprise potential with pessimistic investor positioning.

Equity market forecasts

Estimates for selected indices

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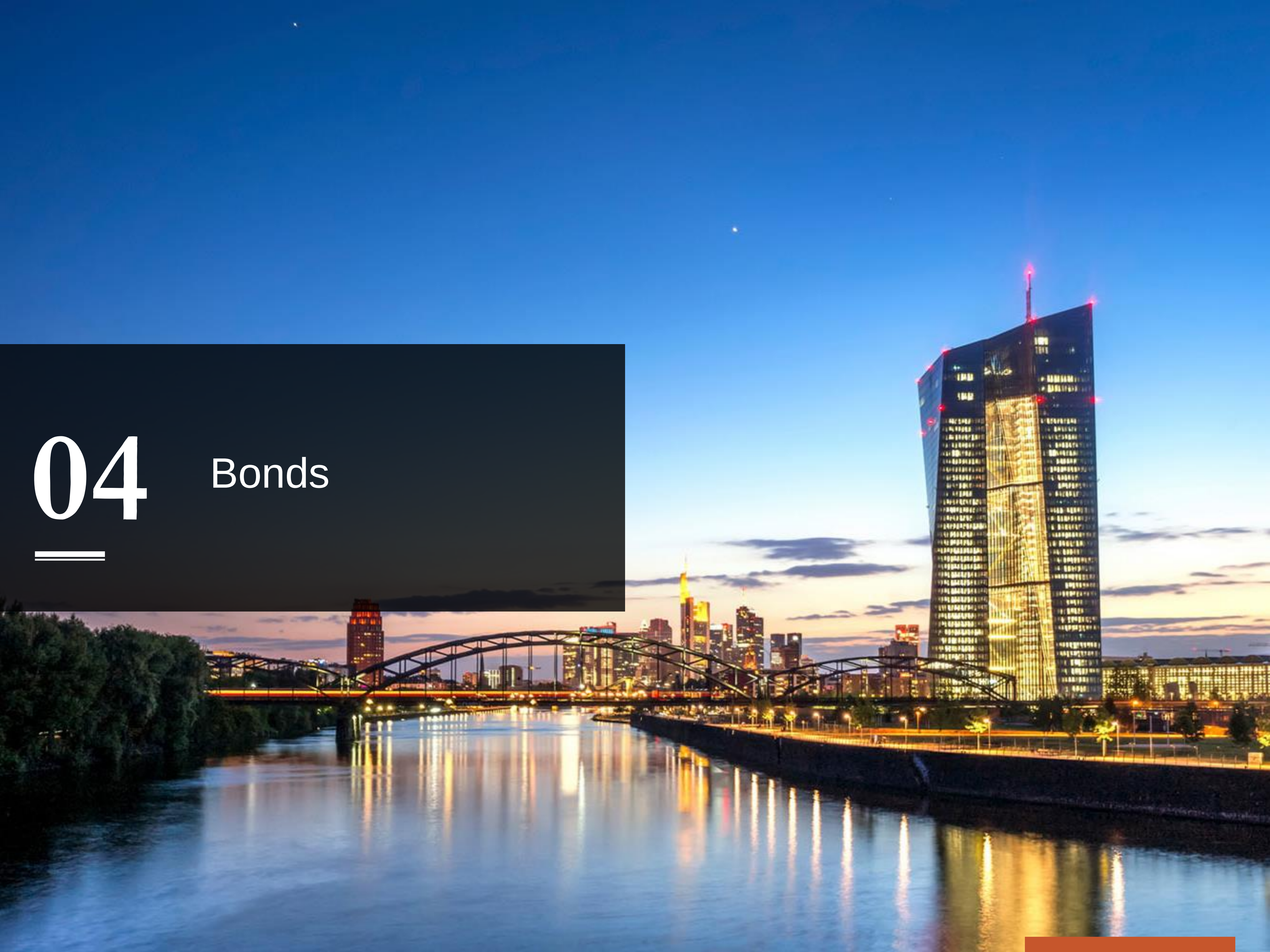
Index forecasts	Current 28/09/2023	30/06/2024	31/12/2024	Ø* in 12 months
S&P 500	4,300	4,600	4,750	5,131
DAX	15,324	17,300	18,000	19,548
Euro Stoxx 50	4,162	4,700	4,800	5,068
MSCI UK	2,179	2,350	2,400	2,581

Index potential (in %)				
S&P 500	-	7.0	10.5	19.3
DAX	-	12.9	17.5	27.6
Euro Stoxx 50	-	12.9	15.3	21.8
MSCI UK	-	7.8	10.1	18.4

Source: Bloomberg. Berenberg. as of 28/09/2023.
*Average based on bottom-up estimates.

04 Bonds



Government bonds

Look ahead — land in sight

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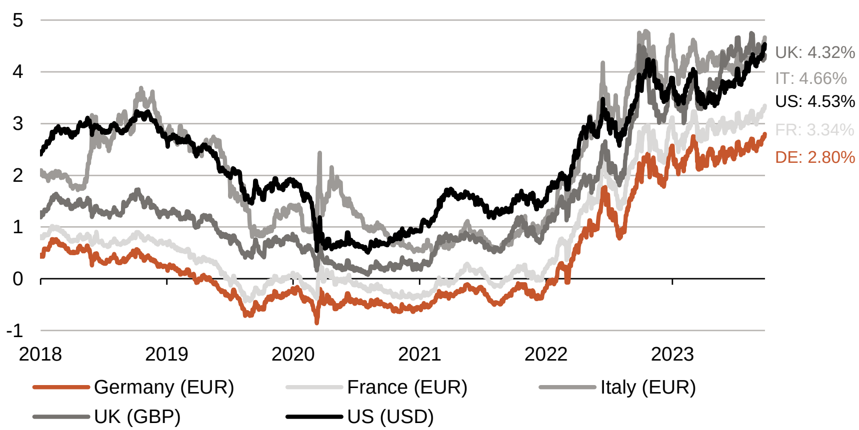
Higher long-term real rates and flood of new issues

- In the third quarter, the yields of countries with strong credit ratings rose for a long time, whereby British gilts in the ten-year segment developed positively in contrast to German and US securities. Since the beginning of the year, however, they have performed the weakest in a comparison of the three currency areas.
- The steepening of yield curves continued due to the significantly stronger rise in interest rates at the long end than at the short end, with US government securities coming under particular pressure due to the flood of new issues.

Central banks remain wait-and-see

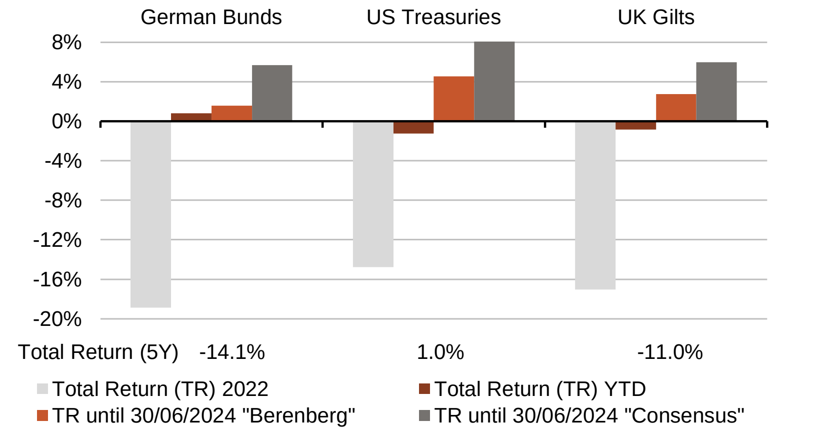
- The European Central Bank raised its key interest rate by a total of 50 basis points in July and September, the US Fed in July and the Bank of England in August by 25 basis points each. In the USA and the euro area, the phase of interest rate hikes should now be behind us.
- The combination of expected yield movements and current interest offers an overall positive return perspective. Despite the higher supply of US Treasuries, US and British government bonds are likely to be ahead of Bunds in local currency until mid-2024.

Higher real interest rates continue to weigh on bonds



Source: Bloomberg Time period: 01/01/2018 – 26/09/2023

Positive earnings prospects across the board



Source: Bloomberg, own calculations Time period: 22/09/2018 – 22/09/2023

Corporate & EM bonds
Good opportunities with a differentiating view

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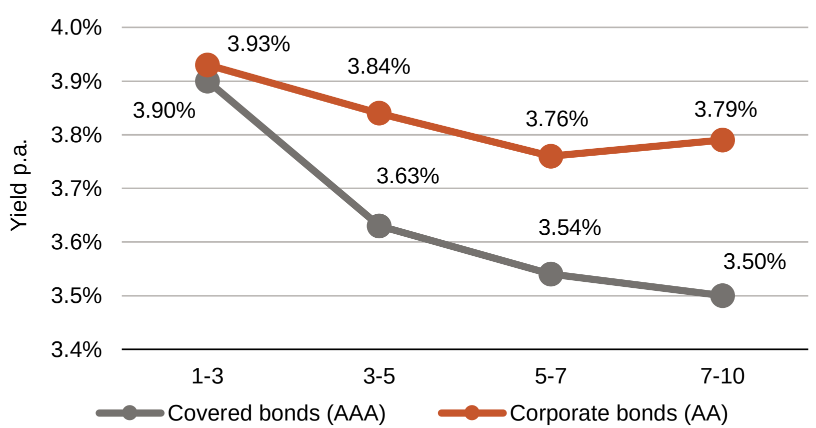
Corporate bonds: IG segment still preferred

- Despite the threat of recession and persistently high inflation, the riskier European high-yield bonds have performed significantly better than investment-grade paper so far this year. However, a look at the valuation shows that the risk premiums in the high-yield segment still appear just fair in a long-term comparison. In the event of a recession, they would even be considered very ambitious.
- In contrast, the risk premiums in the IG segment are more attractive. With average yields of around 4.4%, we prefer this more defensive variant of corporate bonds. Here, the vast majority of issuers convince with solid balance sheets and generous reserves.

Emerging markets: Tailwind for corporate bonds

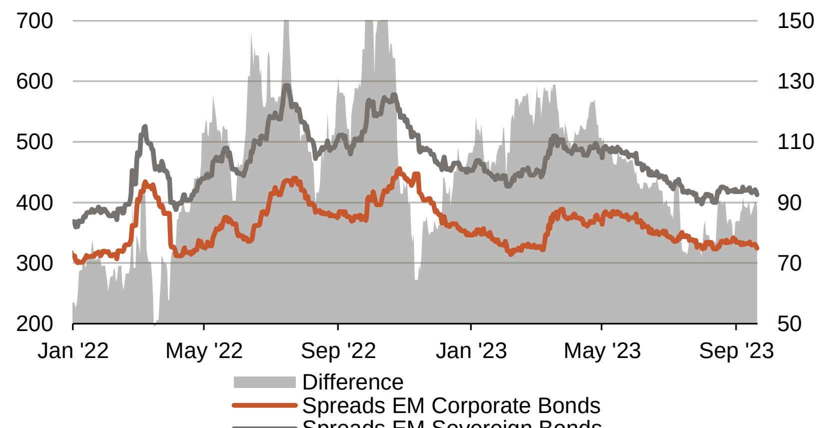
- Although risk premiums on emerging market government and corporate bonds in hard currencies have widened somewhat recently, they are still near their lows for the year. Currently, the total return on hard currency bonds is more influenced by the volatility of US yields than by changes in risk premiums. We expect activity in the primary markets for government securities to increase.
- On the corporate side, we continue to see limited new supply, with 2023 recording the lowest level of monthly issuance compared to the last decade. This should give corporate bonds a tailwind over government bonds.

Covered and corporate bonds almost equally yielding



Source: Bloomberg, own calculations
Time of observation: 20/09/2023

Narrowed spread difference since spring



Source: Bloomberg, own calculations
Time period: 01/01/2022 – 20/09/2023

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.
- Secured covered bonds have a similar credit risk profile but offer a higher yield. This risk-return profile seems more attractive to us compared to government bonds.

Corporate bonds
Overweight

- We continue to prefer the IG segment of corporate bonds. Here, the vast majority of issuers continue to impress with solid balance sheets and generous liquidity reserves. In terms of sector selection, we focus on defensive industries and avoid cyclical ones.
- 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 very strong spread-driven performance, we are increasingly cautious and only very selectively invested in high-yield bonds.
- Only special themes such as financial subordinated bonds and catastrophe bonds remain attractive.

Forecasts

Estimates for selected bond markets

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	28/09/2023	30/06/2024		31/12/2024	
Base interest rates and government bond yields (in %)	Current		Ø*		Ø*
US					
Base interest rate	5.25-5.50	5.00-5.25	5.10	4.25-4.50	4.25
10Y US yield	4.58	4.30	3.73	4.30	3.59
Eurozone					
Base interest rate	4.50	4.25	4.15	4.00	3.60
10Y Bund yield	2.93	2.80	2.35	2.90	2.31
United Kingdom					
Base interest rate	5.25	5.00	5.25	4.00	4.60
10Y Gilt yield	4.48	4.30	3.82	4.20	3.63

Source: Bloomberg. Berenberg. as of 28/09/2022.
*Average of estimates by other experts (Bloomberg) consensus.

05 Commodities

Crude oil
It gets more difficult from here

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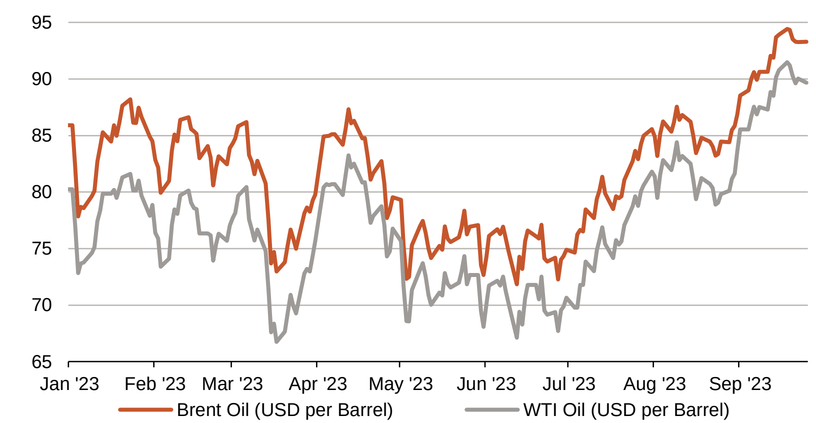
Solid starting position, but increasing headwinds

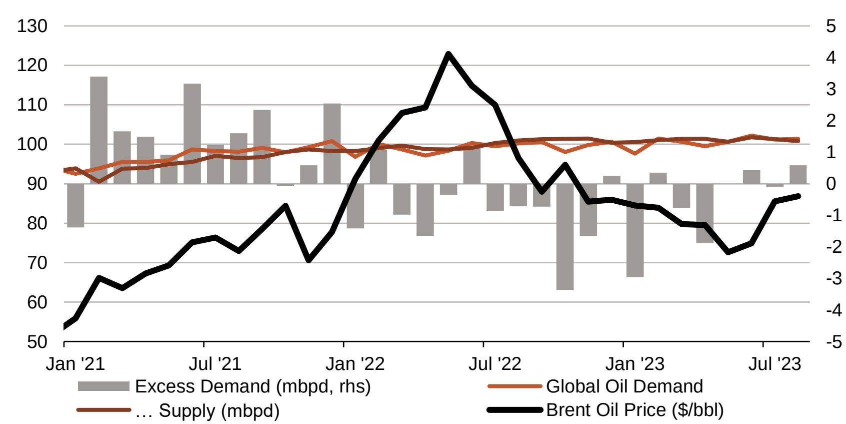
- Crude oil continued its rally at an unabated pace since the beginning of the second half of the year until mid-September. Since then, the upward trend has lost some momentum. In particular, the OPEC meeting at the beginning of September provided another strong tailwind, as Saudi Arabia and Russia decided to extend their extraordinary cuts of 1mbpd and 300kbpd respectively until the end of the year. With an existing supply deficit and already low inventories, the fundamental starting position for the coming months is therefore very good.
- However, it is difficult to find further incrementally positive drivers. On the demand side, the weak autumn seasonality is starting in the West and much of the catch-up effects have materialised in China. On the supply side, OPEC+ has extended its special cuts, but further tightening seems unlikely. At the same time, exports from Iran are rising despite US sanctions, and if Iraq settles its dispute with Turkey over Kurdish oil exports, these should also rise. Moreover, speculative investors have built up significant long positions in the wake of the rally and the drop in realised volatility, which tends to make the oil price more vulnerable. Overall, the upside potential from this seems more limited, although the current supply deficit and low inventories clearly limit downside risks.

Spectacular recovery since the beginning of H2



Source: Bloomberg. Time period: 01/01/2023 – 25/09/2023.

Solid fundamental starting position



Source: Bloomberg, EIA, own calculations. Time period: 01/01/2021 – 31/08/2023.

Precious and industrial metals

Gold is surprisingly robust

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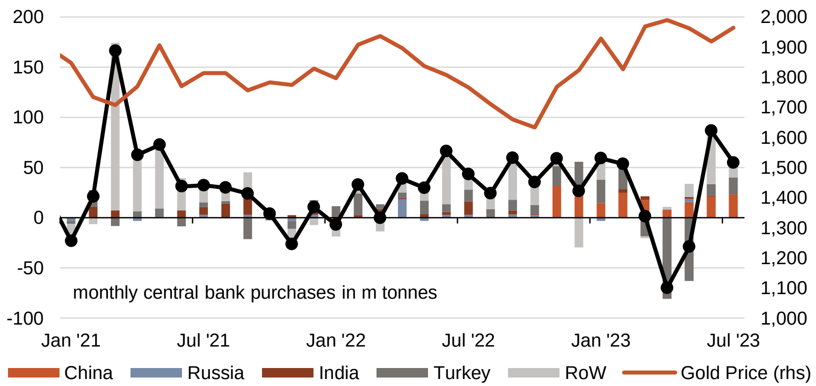
Gold's lustre dependent on central banks

- Gold traded sideways above the USD 1,900 per ounce mark in September. In view of the strengthening dollar and real interest rates above 2%, the precious metal has remained surprisingly robust.
- Looking ahead, a sustainable upward trend depends largely on the decisions of the central banks. In the event of an interest rate pause, the fundamental upside potential is likely to remain limited for the time being. However, in view of the already reduced positioning of ETF and futures investors and the massive gold purchases by central banks of various emerging markets in the course of the dedollarisation, gold does not seem susceptible to major setbacks.

Upside potential for metals intact in the long term

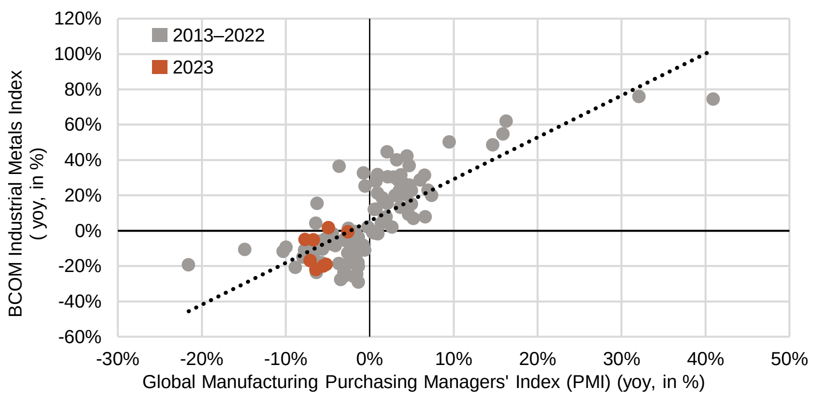
- Industrial metals continued their sideways movement in September and are thus almost unchanged since the beginning of the second half of the year.
- The question of economic robustness in the West, but above all the uncertainty about the Chinese economic recovery, caused the metal markets to fluctuate between hope and disappointment. ‘All Quiet on the Eastern Front’ still applies: major Chinese economic stimuli are still missing. In the short term, China's weak-ness remains a thorn in the flesh, but in the long term the decarbonisation trend with low inventories offers fundamental upside potential.

Central banks buy gold countercyclically



Source: World Gold Council, own calculations. Time period: 01/01/2021 – 31/07/2023

Weakening manufacturing puts metals under pressure



Source: Bloomberg, own calculations. Time period: 01/01/2017 – 31/08/2023

06 Currencies

Market Development
FX markets

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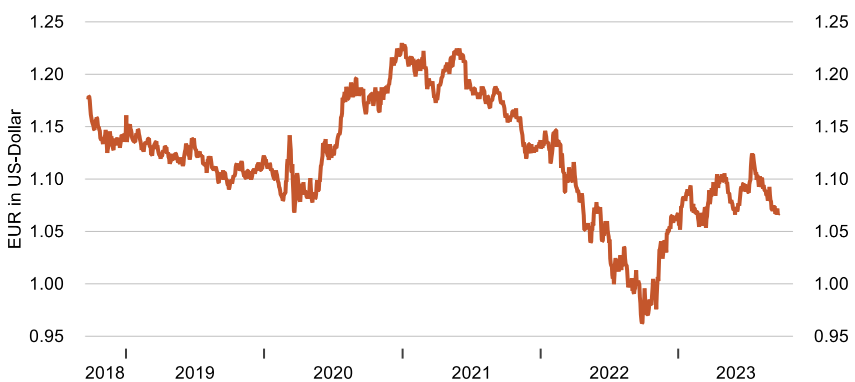
EUR/USD: Central banks strengthen the US dollar

- The euro weakness that began with the last ECB meeting continued last week. The US Federal Reserve meeting has strengthened the picture in favour of the dollar. EUR/USD is settling between 1.06 and 1.07 for the time being.
- In recent weeks, US economic data has tended to surprise on the upside, while the situation in the Eurozone has proved difficult. If there is a soft landing in the US (or possibly no landing at all), the economy would have shown itself to be very resilient to the significant tightening of monetary policy.

Upside potential of the euro limited in the medium term

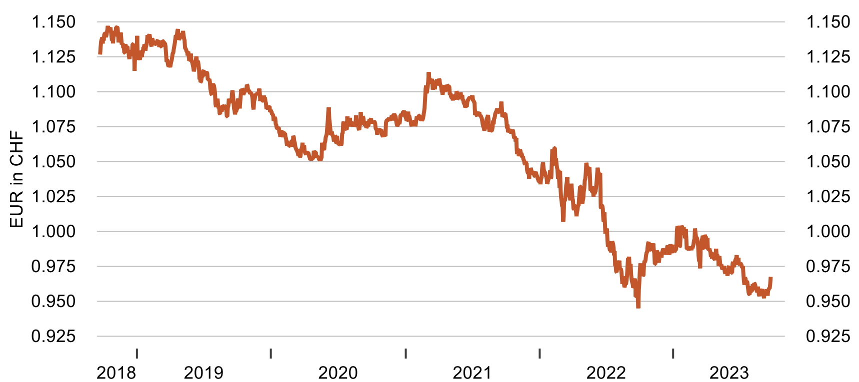
- The economic outlook for the euro area and the US is such that it will be more difficult for the euro area to reduce the US interest rate advantage. We therefore see the euro's upside potential as limited until the end of the year (and beyond). For the end of 2023, we lower our EUR/USD forecast to 1.08.
- The euro is also likely to struggle against the franc until the end of the year. In the meantime, the exchange rate has settled well below parity - between 0.95 and 0.97 francs per euro. We have lowered our forecast from 1.00 to 0.97.

Exchange rate: Euro/US-Dollar



Source: Macrobond Period: 09/2013 - 09/2023

Exchange rate: EUR/CHF



Source: Macrobond Period: 09/2018 - 09/2023

Forecasts
Estimates of key currencies

Exchange rate forecasts	28/09/2023 Current	30/06/2024	30/06/2024 Ø*	31/12/2024	31/12/2024 Ø*
EUR/USD	1.06	1.12	1.12	1.15	1.14
EUR/GBP	0.87	0.86	0.87	0.85	0.87
EUR/CHF	0.97	0.98	0.98	0.98	1.00
EUR/JPY	158	159	151	161	148

Change against the Euro (in %)					
USD	-	-5.7	-5.7	-8.1	-7.3
GBP	-	0.7	-0.5	1.9	-0.5
CHF	-	-1.4	-1.4	-1.4	-3.3
JPY	-	-0.8	4.5	-2.0	6.6

Source: Bloomberg. Berenberg as of 28/09/2023.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information

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