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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

November | 2023

Horizon Handout – Capital Market Outlook
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Date 26/10/2023.

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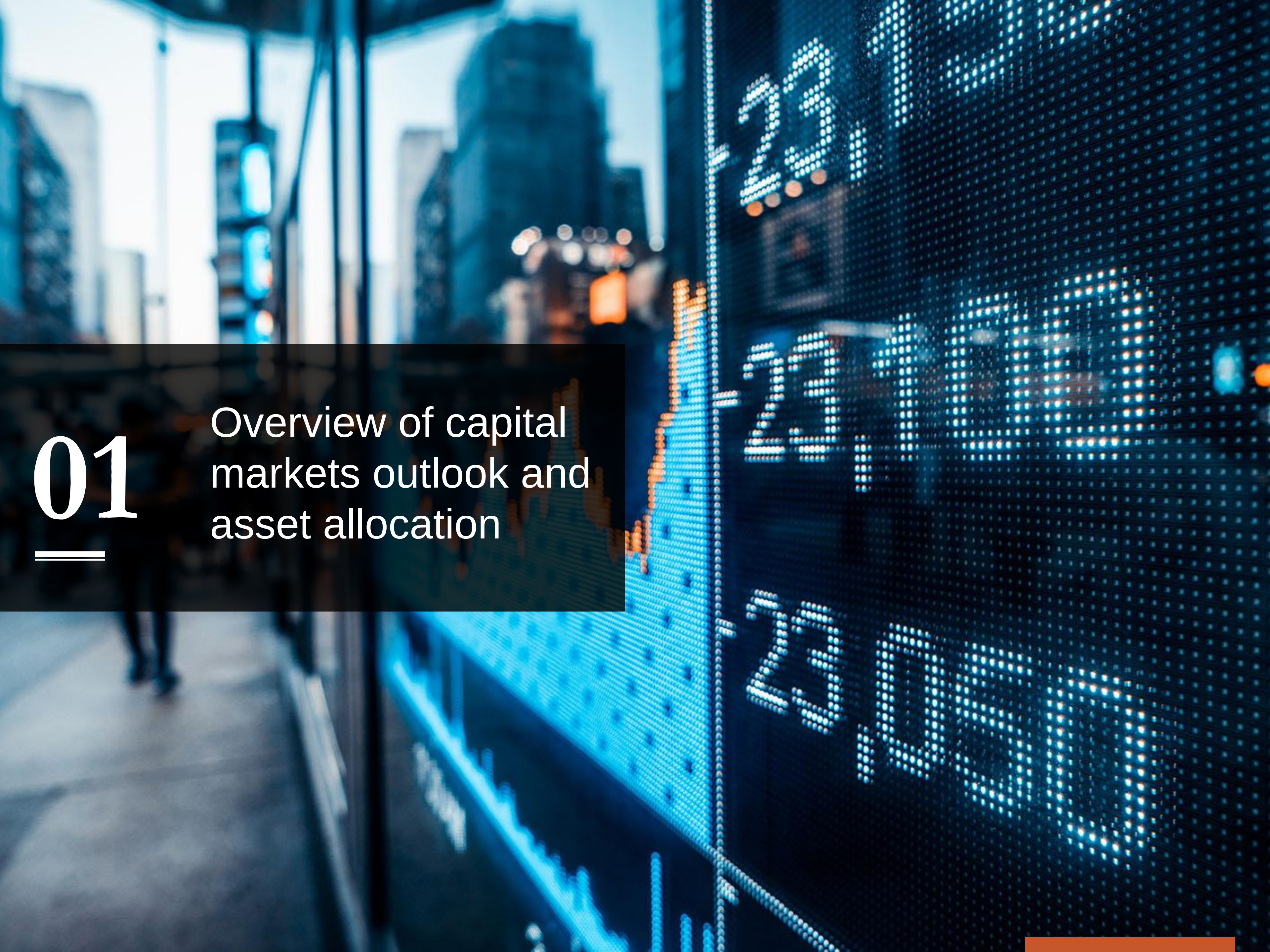
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



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 (27/09/23 - 25/10/23)	YTD (30/12/22 - 25/10/23)	25/10/22 25/10/23	25/10/21 25/10/22	25/10/20 25/10/21	25/10/19 25/10/20	25/10/18 25/10/19
Gold	4,9	10,0	12,9	6,5	-2,9	18,1	25,4
Euro overnight deposit	0,2	2,5	2,8	-0,4	-0,6	-0,5	-0,4
EUR Sovereign Debt	0,1	1,0	-0,5	-10,7	-1,1	1,0	5,4
EUR Coporates	-0,1	2,3	3,9	-15,6	0,2	1,4	5,9
USDEUR	-0,6	1,3	-5,7	16,5	2,2	-6,6	2,7
Industrial Metals	-1,8	-12,3	-6,5	-1,1	45,1	-2,6	4,9
MSCI Frontier Markets	-2,9	5,7	2,3	-18,6	33,0	-6,7	14,1
MSCI World	-3,0	9,4	4,5	-4,9	34,5	3,9	16,1
MSCI Emerging Markets	-3,5	-0,3	5,4	-21,9	18,9	4,9	15,0
Brent	-3,8	14,3	3,4	59,1	118,9	-42,0	-11,5
Global Convertibles	-4,2	2,8	-5,1	-14,1	25,3	26,0	9,2
REITs	-5,0	-12,6	-15,1	-13,7	34,0	-19,7	24,0

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: 25/10/2018 – 25/10/2023.

Overview of capital markets
Outlook by asset class

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Economics

- Germany is at the bottom of the table in terms of growth in 2023. Economic recovery postponed to second half of 2024.
- The USA is likely to achieve a soft landing. The US Fed is refraining from further interest rate hikes for the time being.
- The disinflationary process continues. Central banks are close to or have already reached the terminal rate.

Equities

- Global equity markets fell across the board recently. Defensive stocks ahead of cyclicals. Large caps ahead of small caps.
- Valuations have fallen recently, but earnings estimates for 2024 remain very ambitious. Fundamental potential limited.
- Low equity ratios of discretionary and systematic investors offer at least chance for small year-end rally.

Bonds

- Yields on 10-year US government bonds are currently at their highest level since 2007 at just under 5%.
- Risk premiums in the IG area continue to be attractive. The widening of HY spreads has begun.
- Continued interest rate volatility in US Treasuries and geopolitical uncertainty weigh on emerging market bonds.

Alternative investments / commodities

- Oil defies weaker demand thanks to escalation in the Middle East. Short-term potential limited, medium-term supply tight.
- Gold also benefits from the Israel-Hamas conflict, although yields have risen further. Further potential only with Fed turnaround.
- Only industrial metals suffered from lower risk appetite. Demand in the West weakens, but stable 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. In addition, the US dollar is in demand due to geopolitical risks.
- The Swiss franc is currently benefiting even more from the political tensions than the US dollar.

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

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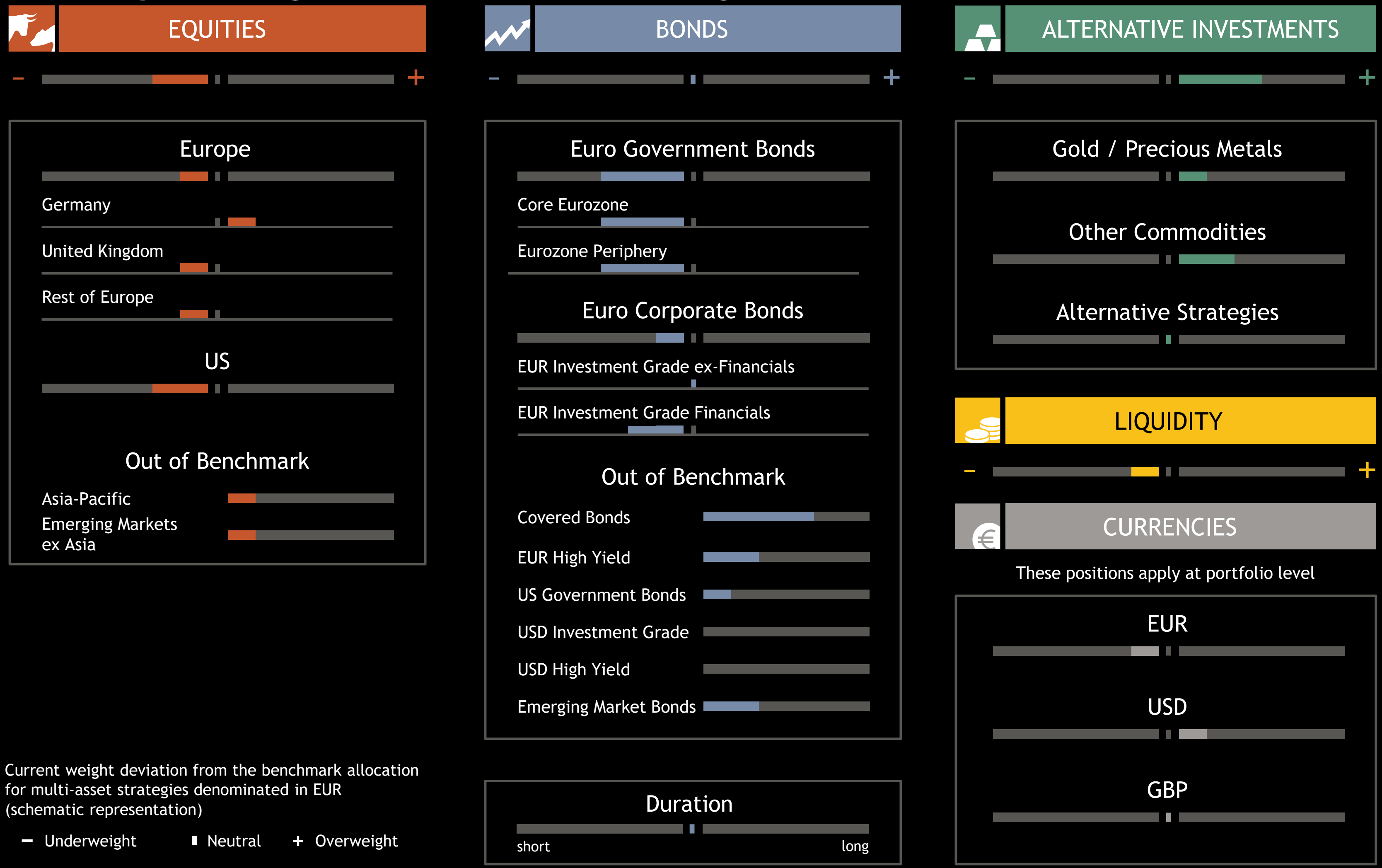
Portfolio positioning of a balanced mandate at a glance



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

− Underweight ▮ Neutral + Overweight

Source: Berenberg

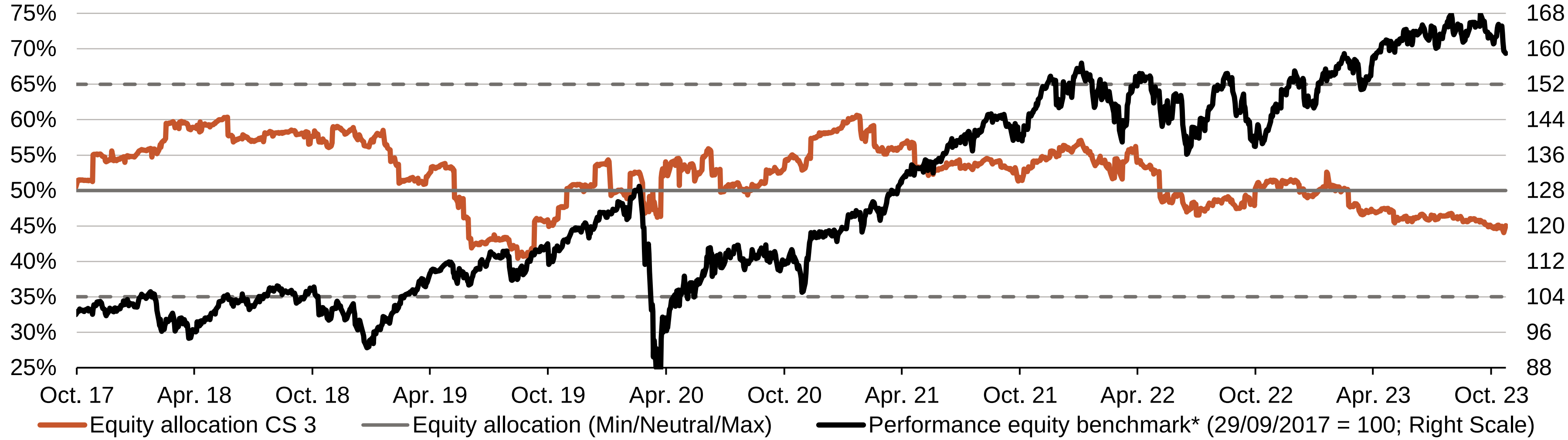
As of 26/10/2023.

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	23/10/18 - 23/10/19	23/10/19 - 23/10/20	23/10/20 - 23/10/21	23/10/21 - 23/10/22	23/10/22 - 23/10/23
	15.83%	-3.96%	31.67%	-2.83%	11.89%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 23/10/2018 – 23/10/2023.
Note: The historical performance presented here is not a reliable indicator of future performance.

- In the previous months, we have positioned our portfolio more defensively in various ways: Within equities, we reduced Latin American equities and added to the FTSE 100. We increased our bond allocation by buying US treasury bonds and, especially, covered bonds. And in alternative investments, we have reduced cyclical commodities.
- Therefore, and thanks to our continued moderate underweight in equities and the tail hedge certificate, we have not made any major adjustments recently despite the escalation between Israel and Hamas. Our portfolio should be well positioned for cyclical downside risks. Due to the high interest rate volatility, we consider it too early to overweight duration on the bond side and remain neutrally positioned. We have only taken some profits on our steepener position after the US yield curve steepened by almost 90bp at its peak.

02 Economics

Eurozone
GDP and inflation

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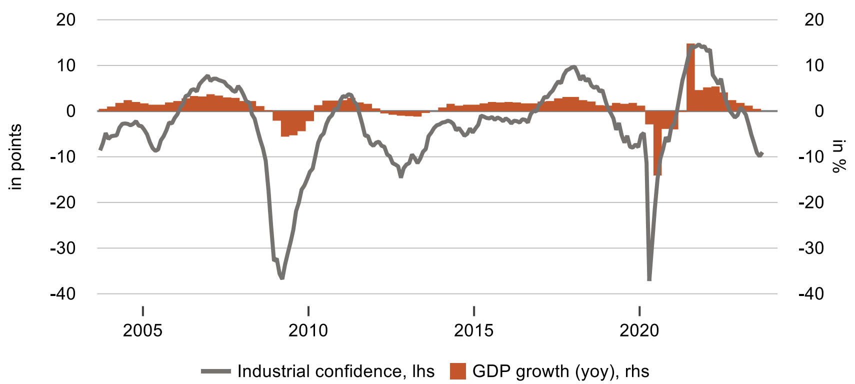
Sluggish growth

- Overall, the economic outlook is cloudy. For Q4 2023, we expect no more growth in the Eurozone. In 2023 as a whole, growth is likely to be 0.5%. In 2024, 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 in September. The deposit rate is now 4.0%. This was the tenth rate hike in a row. Key interest rates are expected to remain constant for a longer period, starting with the ECB meeting on October 26.

Broadening disinflation

- The big spike in energy prices, which pushed headline inflation into the stratosphere, is over. Since peaking at 10.6% yoy in October 2022, Eurozone headline inflation has fallen almost as quickly as it had surged before, reaching 4.5% in September. After another major drop to come in the October print (due on 31 October), additional progress will likely be slower and bumpier.
- Nonetheless, underlying fundamentals suggest that inflation will recede significantly further, before probably stabilising at around 2.5% in H2 2024.

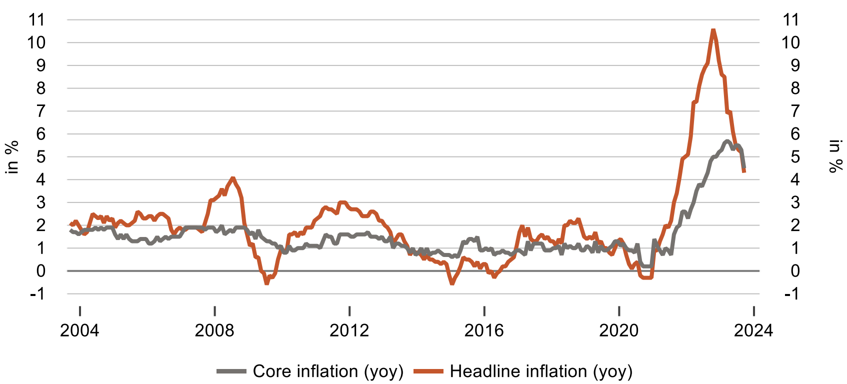
Eurozone GDP growth and industrial confidence



Source: Macrobond

Period: 09/2003 - 09/2023

Eurozone Inflation (yoy)



Source: Macrobond

Period: 09/2003 - 09/2023

United Kingdom
GDP and inflation

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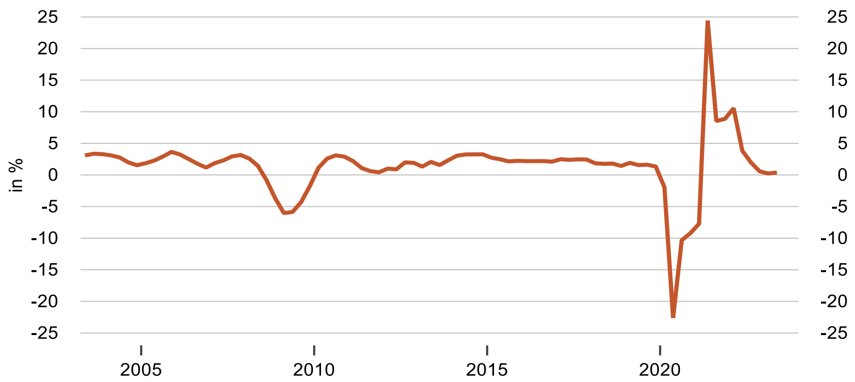
GDP still stalling

- The UK economy continued to struggle for momentum through the middle of the third quarter. It remained trapped in the crosscurrents of two unusual large shocks: 1) the fading supply-side shock to global energy markets caused by the Russian invasion of Ukraine; and 2) the accumulating demand-side drag from the BoE’s tightening of monetary policy.
- The closely-watched RICS housing market survey points to further sharp falls in house prices during September. The headline house price balance declined to -69% in September from -68% in August. As our base case for the unfolding housing market correction, we project a 10% peak-to-trough fall in house prices.

Disinflation makes the Bank of England’s job easier

- The inflation data (surprising drop to 6.7%) were an opportunity for the Bank of England not to raise the key interest rate. 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 key rate at 5.25%.
- Although we had expected a final hike by the BoE, the risk of the monetary guardians raising the rate too much and plunging the UK into an avoidable recession over the winter has now decreased. In our opinion, this was the right decision by the Bank of England.

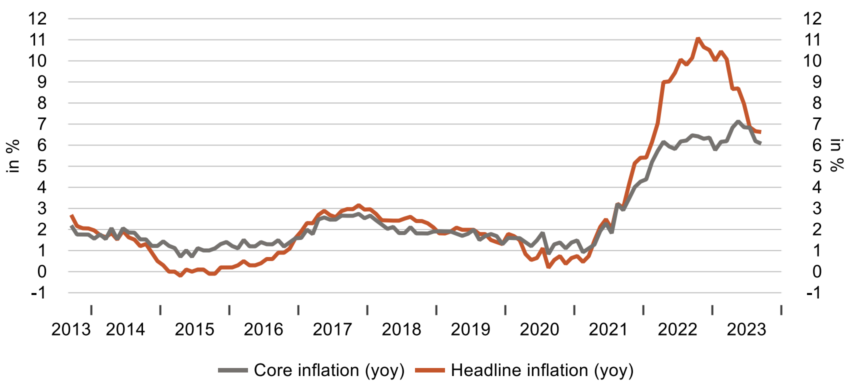
United Kingdom GDP growth (yoy)



Source: Macrobond

Period: 06/2003 - 06/2023

United Kingdom Inflation (yoy)



Source: Macrobond

Period: 09/2013 - 09/2023

USA
GDP and inflation

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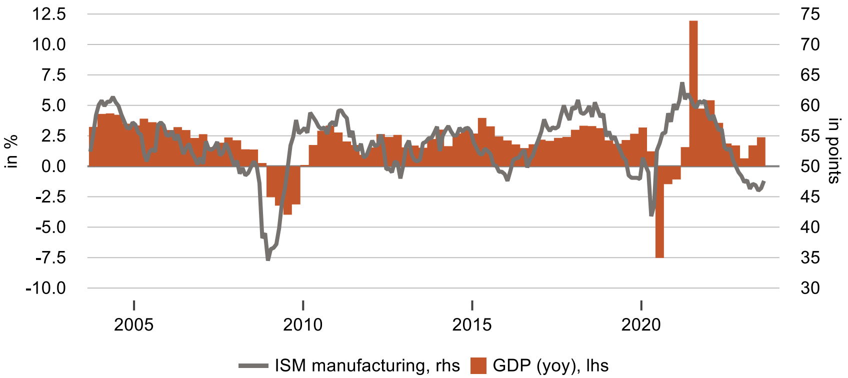
Powell emphasizes need to proceed carefully

- Fed chair Jerome Powell echoed many of the recent public comments made by his colleagues on the FOMC by highlighting the need to "proceed carefully," stressing rates will need to remain elevated, and reaffirming the Fed's commitment to returning inflation to 2 %.
- Interestingly, Powell suggested that given "the fast pace of the tightening, there may still be meaningful tightening in the pipeline." In addition, the Fed Chairman said that the sharp rise in longer-term market interest rates may reduce the need for further rate hikes by the Fed.

Fed will likely hold rates steady at its next meeting

- We continue to expect the Fed will hold rates steady at its October 31st-November 1st meeting, although risks remain skewed toward additional rate hikes later this year or early next. Powell continued to stress the need to balance the risks of under- and over-tightening.
- His prepared remarks also flagged geopolitical tensions as an important risk to global economic activity, and elevated risks of an escalation in tensions in the Middle East represent another factor that would likely push the Fed toward a more cautious approach in November.

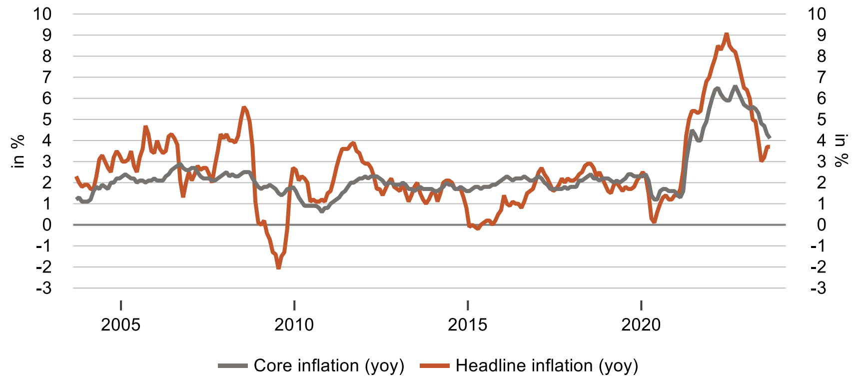
US GDP growth and Purchasing Managers Index



Source: Macrobond

Period: 09/2003 - 09/2023

USA Inflation (yoy)



Source: Macrobond

Period: 09/2003 - 09/2023

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	2.3	2.2	1.5	1.0	1.7	1.8	4.2	4.2	2.9	2.7	2.3	2.3
Eurozone	0.5	0.5	0.8	0.8	1.7	1.5	5.6	5.6	2.9	2.7	2.3	2.1
Germany	-0.5	-0.4	0.6	0.5	1.6	1.5	6.2	6.1	2.8	2.9	2.2	2.2
France	0.8	0.8	1.1	0.7	1.7	1.4	5.7	5.7	3.2	2.7	2.5	2.0
Italy	0.7	0.7	0.5	0.6	1.1	1.2	6.3	6.2	2.6	2.4	2.2	2.1
Spain	2.4	2.3	1.4	1.4	2.1	2.0	3.6	3.6	3.2	3.1	2.3	2.1
United Kingdom	0.5	0.4	0.7	0.4	1.7	1.3	7.4	7.4	2.7	3.1	2.0	2.2
Japan	1.8	1.9	1.0	1.0	1.1	1.0	3.2	3.1	2.1	1.9	1.5	1.4
China	5.0	5.0	4.0	4.5	3.6	4.5	0.4	0.5	1.9	1.8	2.1	2.0
World*	2.4	-	2.3	-	2.5	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 26/10/2023.
* 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
Stock markets treading water

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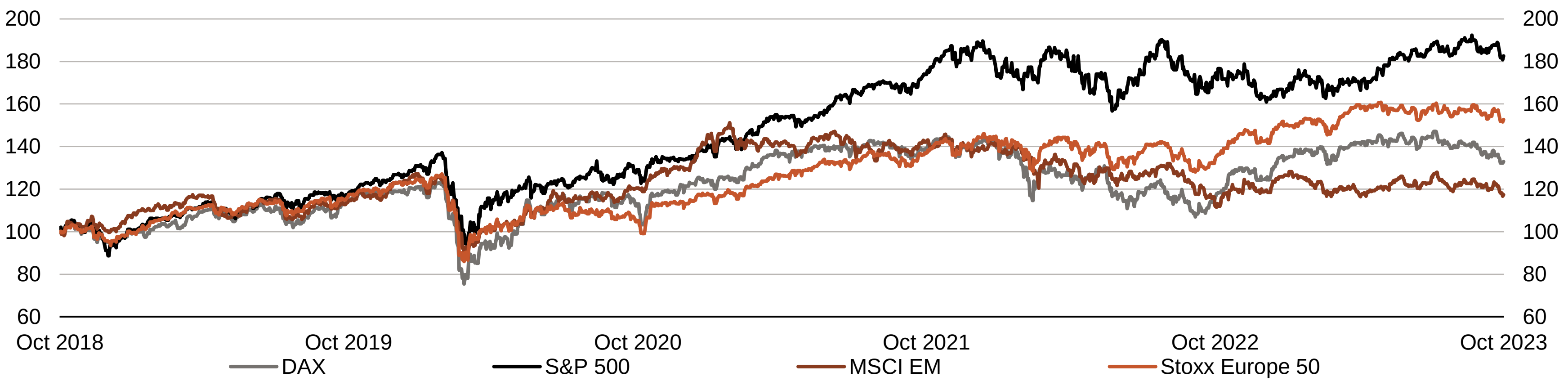
Fundamentally few reasons for euphoria, but year-end rally technically possible

- Equity markets have fallen across the board over the past month, with US stocks outperforming their European counterparts. In Europe, only the IT and energy sectors posted actual gains. Otherwise, cyclicals noticeably underperformed defensive stocks and small caps continued to significantly underperform large caps.
- Higher real yields combined with economic concerns are capping the upside potential for equity markets, especially since expected corporate earnings are also rather being reduced rather than raised despite a more robust than expected US economy. In addition, geopolitical tensions are now weighing on investors' risk appetite and have the potential for major disruptions, although this is not our baseline scenario.
- At the same time, the US economy remains robust and support from non-fundamental ETF savings plans continues - and should last until US unemployment rises and less money flows into retirement savings. Apart from that, positioning among discretionary as well as systematic investors in equities should be around neutral. After the decline in prices and now also lower valuations in the US, the starting position for a potential (small) year-end rally is somewhat better than it was a few weeks ago, despite the rather gloomy fundamental outlook.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 24/10/2018 – 24/10/2023

Corporate earnings
Recovery expected at global level in 2024

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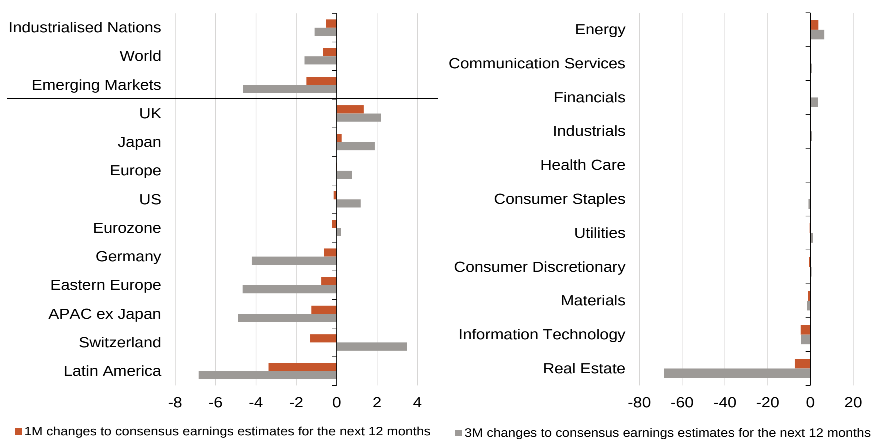
UK ahead as a beneficiary of the commodity price increase

- Uncertainty about geopolitical tensions and continued increases in real interest rates weighed on analysts' earnings estimates. Regionally, apart from Japan, the UK in particular saw significant positive earnings revisions, while Germany, Asia and Latin America saw falling earnings forecasts. Due to its index sector structure, the UK benefits disproportionately from rising interest rates and commodity prices.
- Concerns about Iran's role in the conflict in the Middle East and the associated consequences for crude oil supply drove oil prices up again. Not surprisingly, at the sector level, only energy stocks saw positive earnings estimate adjustments.

Recovery for developed and emerging economies 2024

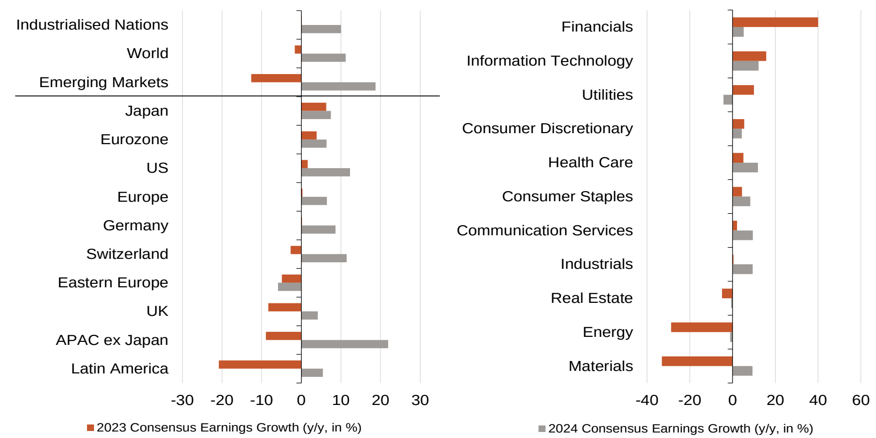
- Higher real interest rates coupled with economic worries are putting a cap on earnings growth in industrialised countries this year. For the emerging markets, the analysts expect a significant decline in profits, mainly driven by Asia and Latin America.
- For next year, however, the analysts remain extremely optimistic - more than 10% expected profit growth at the global level. The recovery is expected to be strongest in the APAC region and in the emerging markets, with almost 20%. The USA rounds out the top three with expected earnings growth of over 10% for 2024. These high expectations offer potential for disappointment.

Negative profit revisions also in industrialised nations



Source: FactSet, MSCI Europe Sectors As of 20/10/2023

Strong recovery expected for emerging markets in 2024



Source: FactSet, MSCI European sectors As of 20/10/2023

Valuation & Positioning

US equities close to historical average

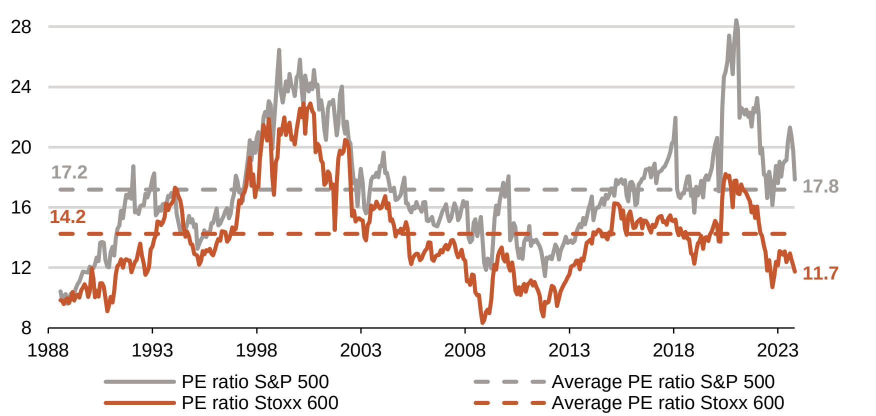
Geopolitical risks and rise in real rates weigh on equities

- The strong rise in real interest rates has now left its mark on equity valuations after all. Concerns about the escalation of the conflict in the Middle East have also weighed on equities on both sides of the Atlantic. As a result, there has been strong deflation in valuations - US equities nevertheless remain valued slightly above their 35-year historical average.
- Weak economic data, the tendency to be more dependent on the economy and the greater proximity to geopolitical conflicts weighed particularly on European equities. As a result, European equities are now as cheaply valued as they were last at the end of last year or the beginning of 2013.

Technical conditions for a (small) year-end rally

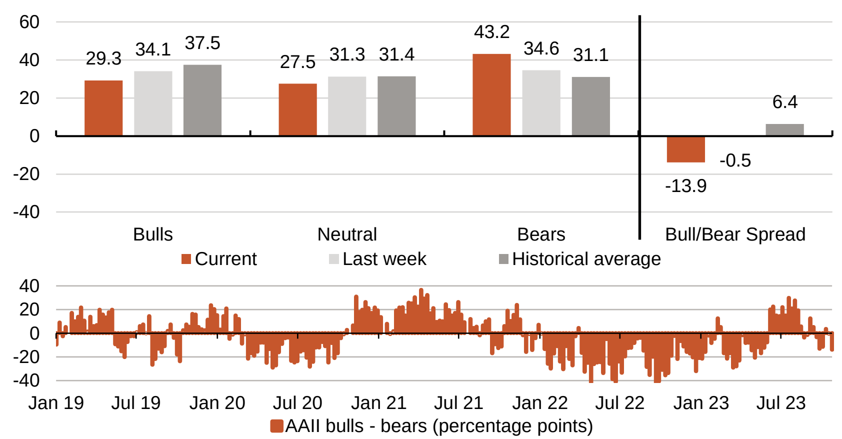
- The short-term momentum in US equities, especially the 3M momentum, is now clearly negative. CTAs have thus probably already reduced their equity quotas considerably. At the same time, realised and implied volatility have risen in recent weeks, so that risk-based investment strategies are also likely to have reduced their equity exposure.
- Discretionary investors are also likely to be cautiously positioned, as the latest AAII survey and other fund manager surveys show. So, from a technical perspective, there is potential for rising equity allocations. Only the recently undershot 200-day moving average calls for caution.

Valuations have fallen sharply recently



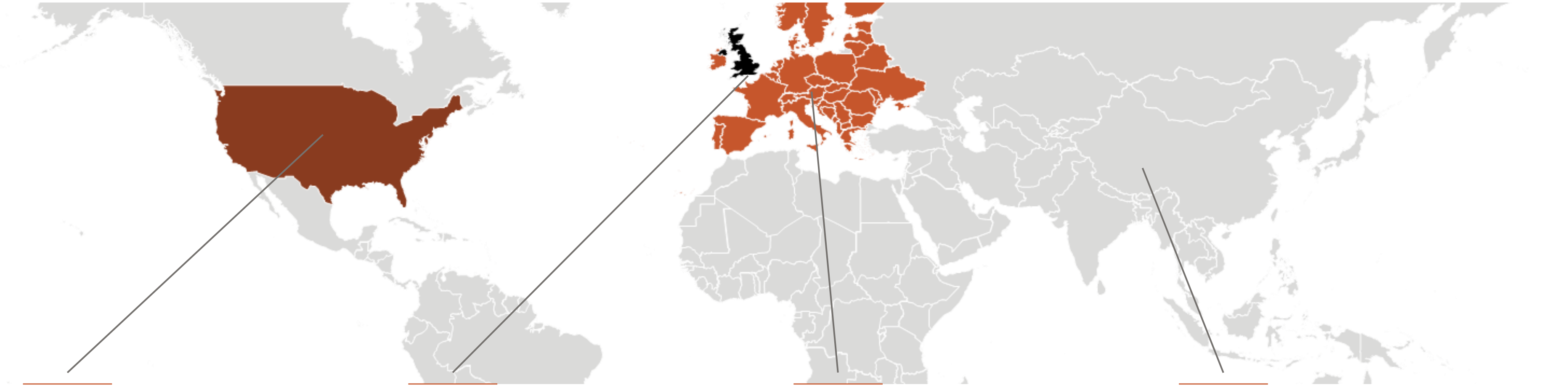
Source: Bloomberg, own calculations. Time period: 31/12/1987 – 24/10/2023

Varying pessimism among US private investors



Source: Bloomberg, own calculations. Time period: 31/08/1987 – 26/10/2023

Equity allocation
Overweight in EM and Europe ex. UK



US
Underweight
- The high positioning in US mega caps and the continued higher relative valuation of US equities make it less attractive compared to more favourably valued 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.

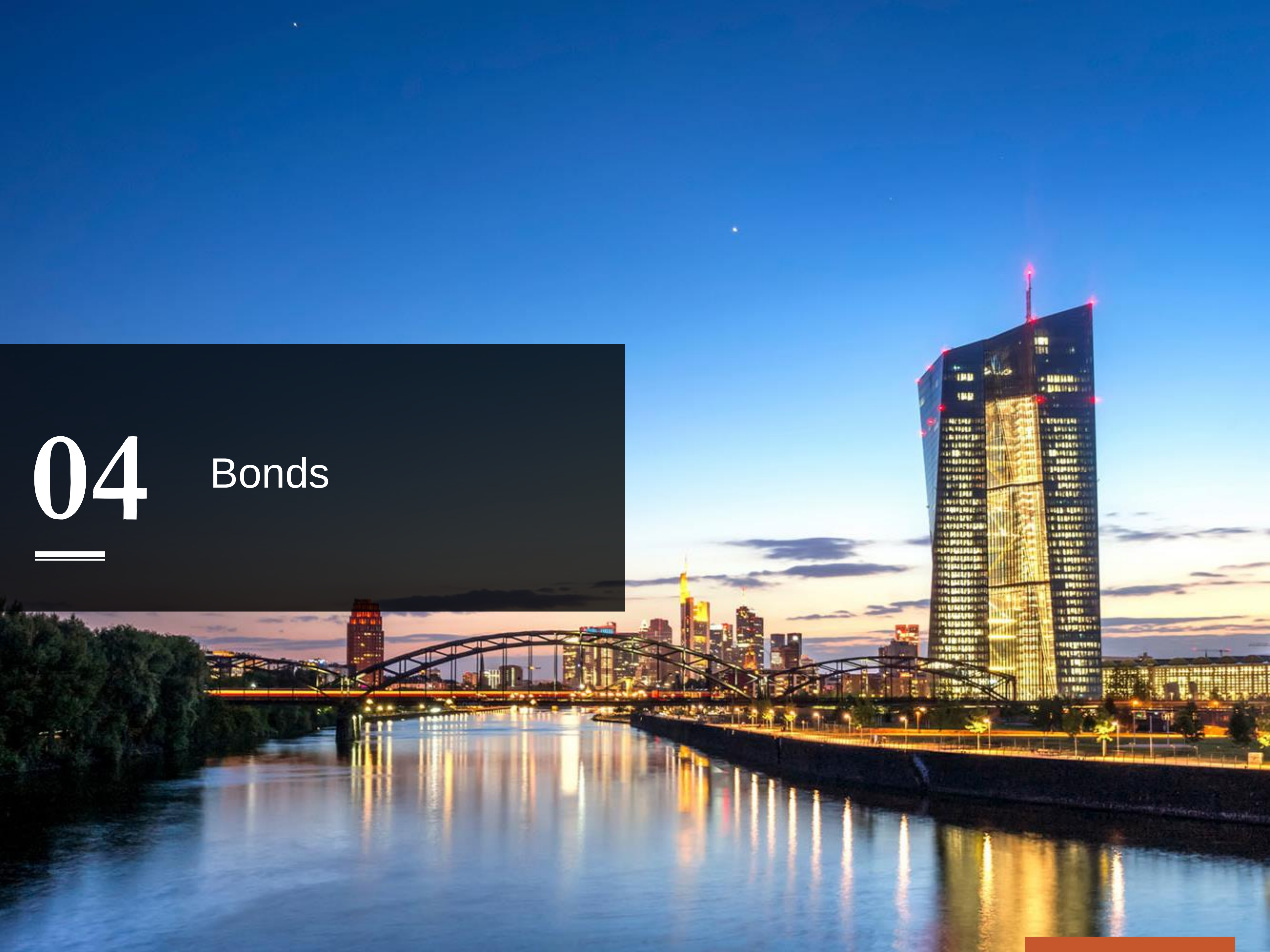
Emerging markets
Overweight
- Latin American equities should benefit from the positive commodity price outlook and offer a value-heavy portfolio addition. After the strong YTD-performance, we have taken some profits tactically.
- Chinese equities suffered from overly high expectations after the reopening. Positive surprise potential with pessimistic investor positioning.

Equity market forecasts
Estimates for selected indices

Index forecasts	Current 24/10/2023	30/06/2024	31/12/2024	Ø* in 12 months
S&P 500	4,248	4,600	4,750	5,082
DAX	14,880	17,300	18,000	19,508
Euro Stoxx 50	4,065	4,700	4,800	5,026
MSCI UK	2,121	2,350	2,400	2,585

Index potential (in %)				
S&P 500	-	8.3	11.8	19.6
DAX	-	16.3	21.0	31.1
Euro Stoxx 50	-	15.6	18.1	23.6
MSCI UK	-	10.8	13.1	21.9

Source: Bloomberg. Berenberg. as of 25/10/2023.
*Average based on bottom-up estimates.



04 Bonds

Government bonds
Real interest rates at multi-year highs

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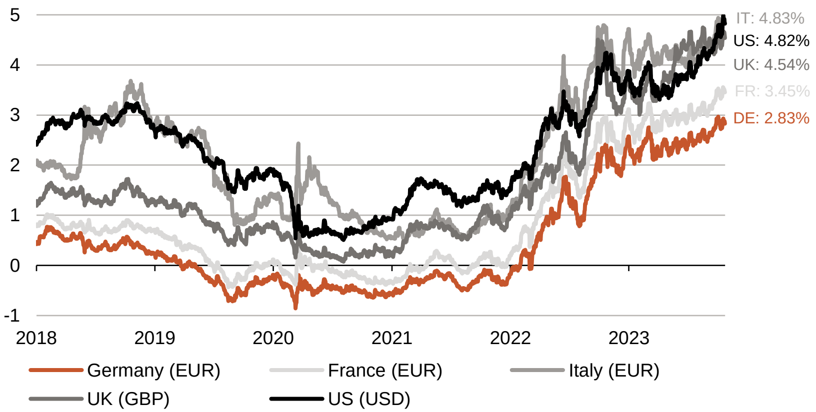
Multi-year highs in safe bond yields

- After safe government bonds temporarily recovered due to the increased demand for security during the Israel conflict, yields have continued to rise recently. At just under 5%, yields on 10-year US government bonds are currently at their highest level since 2007.
- The steepening of yield curves continued due to the significantly stronger increase in interest rates at the medium and long end than at the short end, with US Treasuries additionally suffering from continuously high new issue volumes..

Fed remains wait-and-see, further steps on the table

- In his speech in New York, Federal Reserve Chairman Jerome Powell expressed the clear intention to continue to prioritise the inflation target of 2 per cent. Despite this, it seems unlikely for the time being that there will be a rate hike in November. Nevertheless, the option of further rate hikes remains on the table, as the US economy continues to develop extremely robustly despite the restrictive monetary policy.
- Powell also stressed that the recent rise in long-end yields and its impact on financial conditions must be taken into account when setting monetary policy.

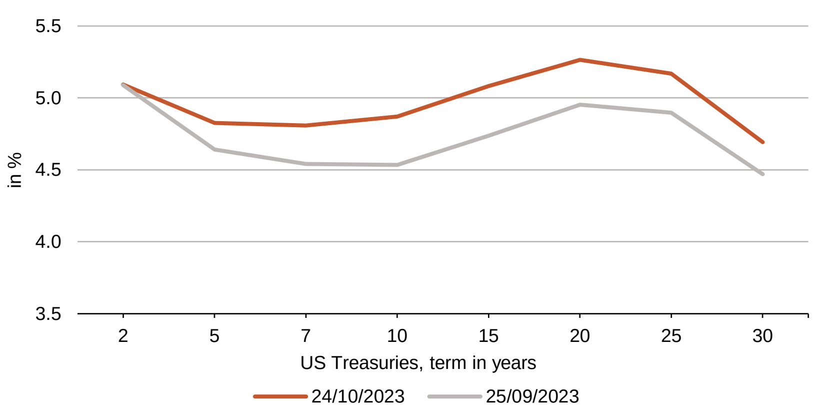
Higher real rates continue to weigh on government bonds



Source: Bloomberg

Time period: 01/01/2018 – 24/10/2023

Yield increase especially at the middle and long end



Source: Bloomberg

Time period: 25/09/2023 – 24/10/2023

Corporate & EM bonds

Interest rate volatility and Israel war as main drivers

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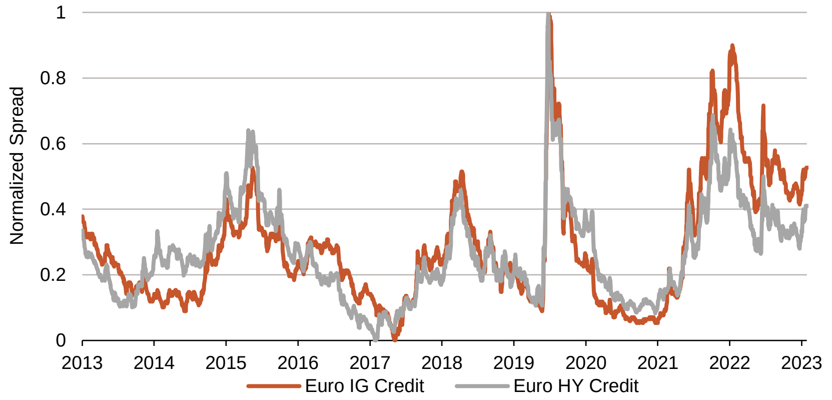
Corporate bonds: High-yield spreads on the rise

- High-yield bond yields rose to their highest level since October 2022 amid rapidly rising risk-free interest rates, an escalation of geopolitical tensions in the Middle East and higher commodity prices.
- Currently, spreads in the IG segment are still attractive relative to the HY segment compared to its own history. Investor uncertainty together with technical factors such as recent profit-taking in the HY segment could mark the beginning of the widening of spreads we expect by the end of the year.

Emerging markets: US yields as a driving factor

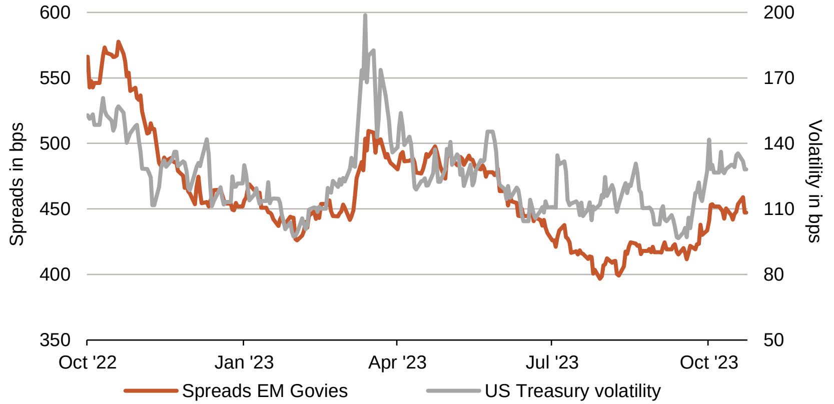
- The ongoing volatility in US government bonds continues to put pressure on EM government bonds. In addition to the steepening of the US yield curve over the past month, uncertainty about geopolitical tensions in the Middle East also contributed to widening spreads in EM corporate and government bonds. A possible widening of the conflict with associated consequences for crude oil supply would further increase the volatility of EM spreads.
- Should US yield volatility and geopolitical uncertainty subside, technical factors will also provide more tailwind for a potential year-end rally in emerging market bonds.

HY risk premiums historically quoted tighter



Source: Bloomberg, own calculations Time period: 30/09/2013 – 24/10/2023

EM spreads strongly correlated with US rates volatility



Source: Bloomberg, own calculations Time period: 01/10/2022 – 25/10/2023

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

- We remain cautious in the face of a possible economic slowdown but see selective opportunities in the high yield segment.
- We continue to consider special themes such as financial subordinated debt from creditworthy banks and insurers as well as catastrophe bonds attractive.

Forecasts

Estimates for selected bond markets

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	24/10/2023	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	5.25	4,25-4,50	4.45
10Y US yield	4.83	4.30	4.09	4.30	3.77
Eurozone					
Base interest rate	4.50	4.25	4.30	4.00	3.80
10Y Bund yield	2.83	2.80	2.40	2.90	2.28
United Kingdom					
Base interest rate	5.25	5.00	5.15	4.00	4.55
10Y Gilt yield	4.54	4.30	3.81	4.20	3.60

Source: Bloomberg. Berenberg. as of 25/10/2023.
*Average of estimates by other experts (Bloomberg) consensus.

05 Commodities

Crude oil

Between geopolitics and weaker demand

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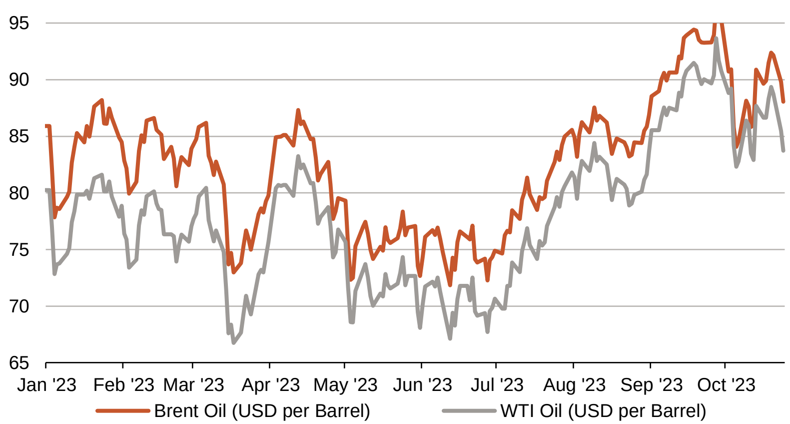
Without spillover of the conflict in the Middle East, upside potential remains limited in the short term

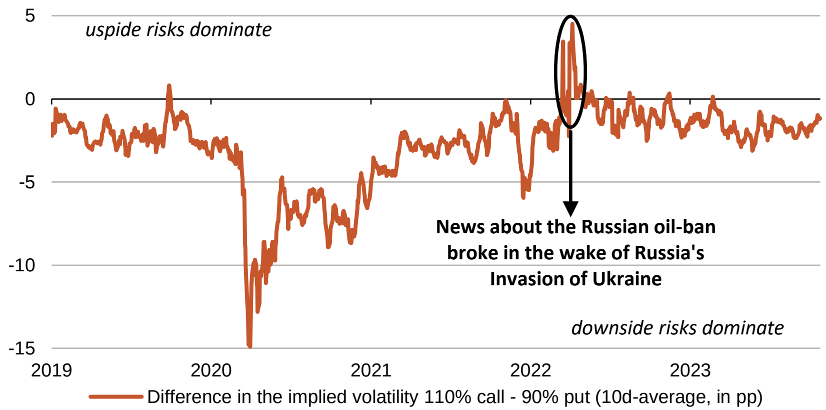
- Crude oil fluctuated sideways in October with high volatility. After the strong performance in September, demand concerns initially arose. Rising inventories for the first time in weeks in Cushing, the most important US storage facility, and the seasonally weakest US gasoline demand in 25 years caused Brent crude to fall from almost USD 100 to USD 84 per barrel. With Hamas' attack on Israel, however, the trend reversed. Not only because of the geographical, but especially because of the political proximity of important OPEC members such as Iran or Saudi Arabia to the conflict, investors fear consequences for the already tight global supply. Recently, however, part of this risk premium has been priced out again.
- In the short term, the still local conflict in the Middle East is countered by the uncertain economic outlook and the typically weaker autumn seasonality, so that upside potential is limited in the absence of an escalation. However, the market is currently not pricing in any consequences for global supply as a result of the conflict, as was the case, for example, with Russia's invasion of Ukraine, so there is definitely positive surprise potential.
- In the medium term, the upside risks predominate. Global inventories measured in days of consumption are very low, drilling activity by shale oil producers is declining and compliance within OPEC is high - and investment is also very restrained here.

Rally of the last few months has recently stalled



Source: Bloomberg. Time period: 01/01/2023 – 24/10/2023.

Market prices no consequences for global oil supply



Source: Bloomberg, own calculations. Time period: 01/01/2019 – 24/10/2023.

Precious and industrial metals

Gold defies fundamental headwinds

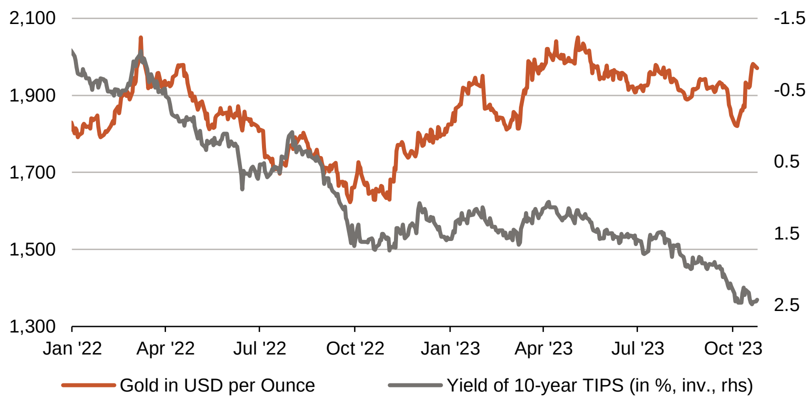
Gold as a hedge against geopolitical risks

- October was the best month for gold since the regional banking crisis in the US. The precious metal gained over 8% from the low at the beginning of the month as a result of the geopolitical escalation in the Middle East.
- At the same time, real interest rates rose to their highest level since 2008 and the US dollar remained firm. Given these strong fundamental headwinds, the rally is particularly remarkable. However, for gold to continue its performance, it needs falling interest rates, otherwise it will become increasingly expensive for investors to hold gold and other non-yielding assets. Recent events show, however, that gold remains an important portfolio component as a hedge.

Base metals: Weakness in the West, strength in China

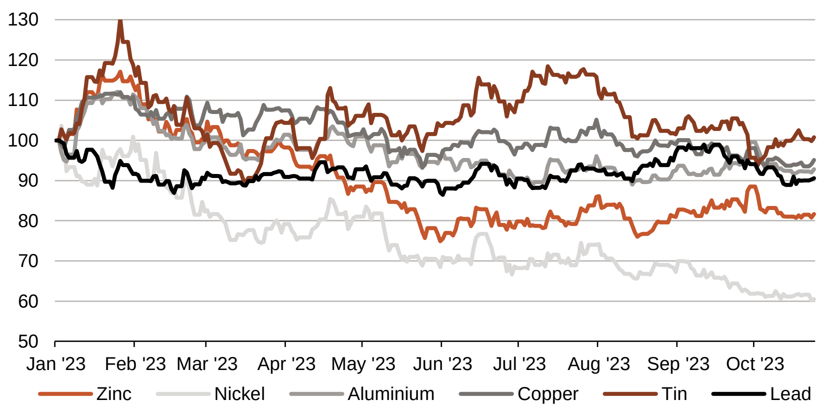
- The LME industrial metals index fell to its lowest level this year in October. Unlike precious metals and energy commodities, industrial metals suffered from the escalation between Israel and Hamas and the potential consequences for the global economy.
- Fundamentally, the picture looks mixed in the short term. Metal producers report stabilising demand in China. At the same time, high interest rates in the West are weighing on activity in the construction sector. Overall, the upside potential for industrial metals remains limited for the time being. On the other hand, downside risks also seem limited in some cases. The aluminium price, for example, is close to its marginal costs due to high energy costs.

Gold seems to be unimpressed by rising real yields



Source: Bloomberg, own calculations. Time period: 01/01/2022 – 24/10/2023

Metals potentially going sideways after their weakness



Source: Bloomberg, own calculations. Time period: 01/01/2023 – 24/10/2023

06 Currencies

Market Development
FX markets

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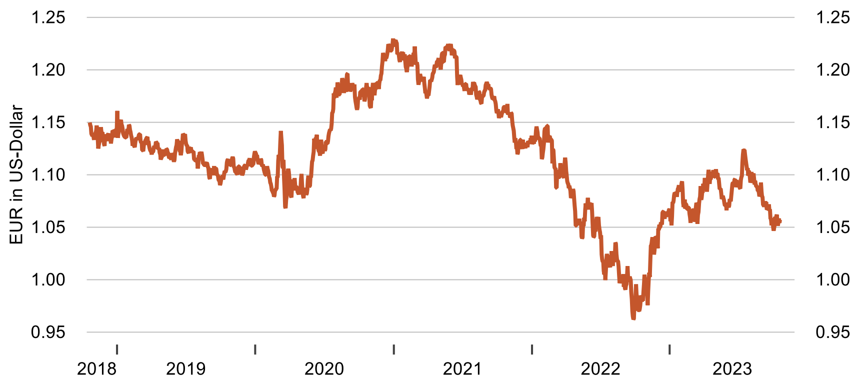
Safe havens in demand

- The geopolitical risks strengthen the safe havens. Most recently, Hamas' attacks against Israel have again driven the "flight to safety".
- The Swiss franc has benefited more than the US dollar. While EUR/USD briefly fell back towards 1.05, but the dollar was unable to gain on balance, EUR/CHF temporarily slipped to almost 0.94 francs per euro and, two weeks later, is still trading significantly lower than before the attacks on Israel. Both the Swiss franc and the US dollar are at very high levels regardless of the short-term fluctuations.

Upside potential of the euro limited in the medium term

- As the economic outlook for the euro zone and the USA stands, it will be difficult for the euro zone to reduce the USA's interest rate lead. We therefore see the euro's upside potential to the end of the year (and beyond) as limited. For the end of 2023, we see EUR/USD rising to 1.08 at best.
- The euro is also likely to struggle against the Swiss franc until the end of the year. In the meantime, the exchange rate has settled well below parity. We see potential for EUR/USD only up to 0.97 by the end of 2023.

Exchange rate: Euro/US-Dollar



Source: Macrobond

Period: 10/2018 - 10/2023

Exchange rate: EUR/CHF

Source: Macrobond

Period: 10/2018 - 10/2023

Forecasts
Estimates of key currencies

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Exchange rate forecasts	24/10/2023 Current	30/06/2024	30/06/2024 Ø*	31/12/2024	31/12/2024 Ø*
EUR/USD	1.06	1.12	1.10	1.15	1.12
EUR/GBP	0.87	0.86	0.88	0.85	0.88
EUR/CHF	0.95	0.98	0.99	0.98	1.00
EUR/JPY	159	159	152	161	151

Change against the Euro (in %)	24/10/2023 Current	30/06/2024	30/06/2024 Ø*	31/12/2024	31/12/2024 Ø*
USD	-	-5.4	-3.7	-7.9	-5.4
GBP	-	1.3	-1.0	2.5	-1.0
CHF	-	-3.5	-4.4	-3.5	-5.4
JPY	-	-0.1	4.5	-1.4	5.1

Source: Bloomberg. Berenberg as of 25/10/2023.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information

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