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# HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

January | 2024

# Horizon Handout – Capital Market Outlook
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Date 20/12/2023.

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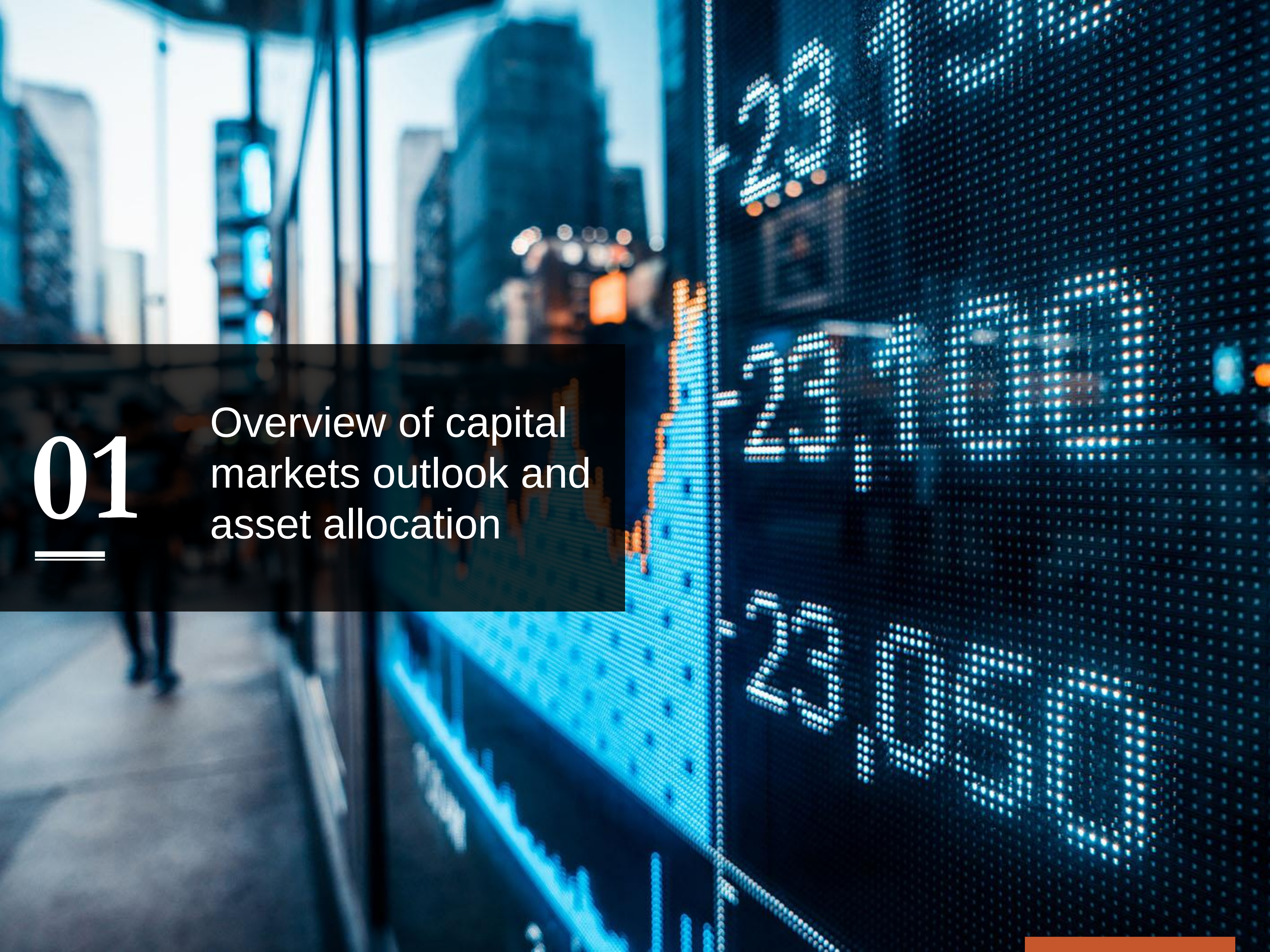
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



# 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 (21/11/23 - 19/12/23) | YTD (30/12/22 - 19/12/23) | 19/12/22 19/12/23 | 19/12/21 19/12/22 | 19/12/20 19/12/21 | 19/12/19 19/12/20 | 19/12/18 19/12/19 |
| REITs | 9.9 | 3.6 | 3.2 | -20.9 | 41.8 | -16.1 | 20.6 |
| Global Convertibles | 6.0 | 9.0 | 7.7 | -15.8 | 7.3 | 34.1 | 22.5 |
| MSCI World | 4.7 | 20.2 | 20.0 | -11.2 | 29.7 | 5.2 | 29.5 |
| EUR Coporates | 3.3 | 7.8 | 6.5 | -13.7 | -0.4 | 2.6 | 6.5 |
| EUR Sovereign Debt | 2.8 | 5.7 | 4.4 | -11.4 | -0.8 | 2.0 | 3.3 |
| Gold | 1.6 | 9.1 | 10.2 | 5.4 | 4.2 | 15.4 | 21.7 |
| MSCI Frontier Markets | 1.4 | 7.2 | 4.5 | -19.1 | 30.0 | -7.6 | 19.0 |
| MSCI Emerging Markets | 0.7 | 4.4 | 3.6 | -14.1 | 6.4 | 6.5 | 20.6 |
| Euro overnight deposit | 0.3 | 3.1 | 3.2 | -0.1 | -0.6 | -0.5 | -0.4 |
| Industrial Metals | -0.5 | -13.1 | -11.3 | 4.7 | 30.8 | 9.1 | 7.3 |
| USDEUR | -0.6 | -2.5 | -3.4 | 5.9 | 9.1 | -9.3 | 2.3 |
| Brent | -3.7 | -0.5 | 5.9 | 48.2 | 68.5 | -36.8 | 29.6 |

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

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

Time period: 19/12/2018 – 19/12/2023.

# Overview of capital markets
## Outlook by asset class

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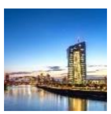
### Economics

- The global economy is losing considerable momentum. Inflationary pressure continues to fall - but not to 2%.
- USA: soft landing ahead, new momentum in autumn 2024. Europe: stagnation until spring 2024.
- Monetary policy: interest rate peak reached, first rate cuts in 2024.

### Equities

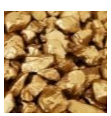
- Limited earnings growth in 2024 is likely to limit upside potential for equities.
- Europe and especially small caps have more potential for PE expansion, as a lot of the negative has already been priced in.
- Our focus is on quality growth stocks, which should no longer be burdened by rising interest rates.

### Bonds



- US Treasuries and UK Gilts lead for government bonds with high credit ratings in local currency - Bunds not the first choice.
- In European corporate bonds, we favour the investment grade segment and avoid cyclicals.
- In the emerging markets, we see potential in the local currency segment in particular.

### Alternative investments / commodities



- Oil under pressure despite OPEC cuts. Contango points to high supply. Negative outlook priced in, however.
- Gold near all-time high thanks to geopolitics and dovish central banks. Beware of another "higher for longer".
- Base metals move sideways. Demand in China is already rising. More potential with Western manufacturing picking up.

### Currencies

- Geopolitics and monetary policy are the main drivers on the currency market. Euro/US dollar: Focus on inflation dynamics.
- Key interest and market rates gave the US dollar a boost in 2023. However, the advantage could diminish somewhat in 2024.
- EUR/CHF remains well below parity. The franc will remain strong as long as geopolitical tensions persist.

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

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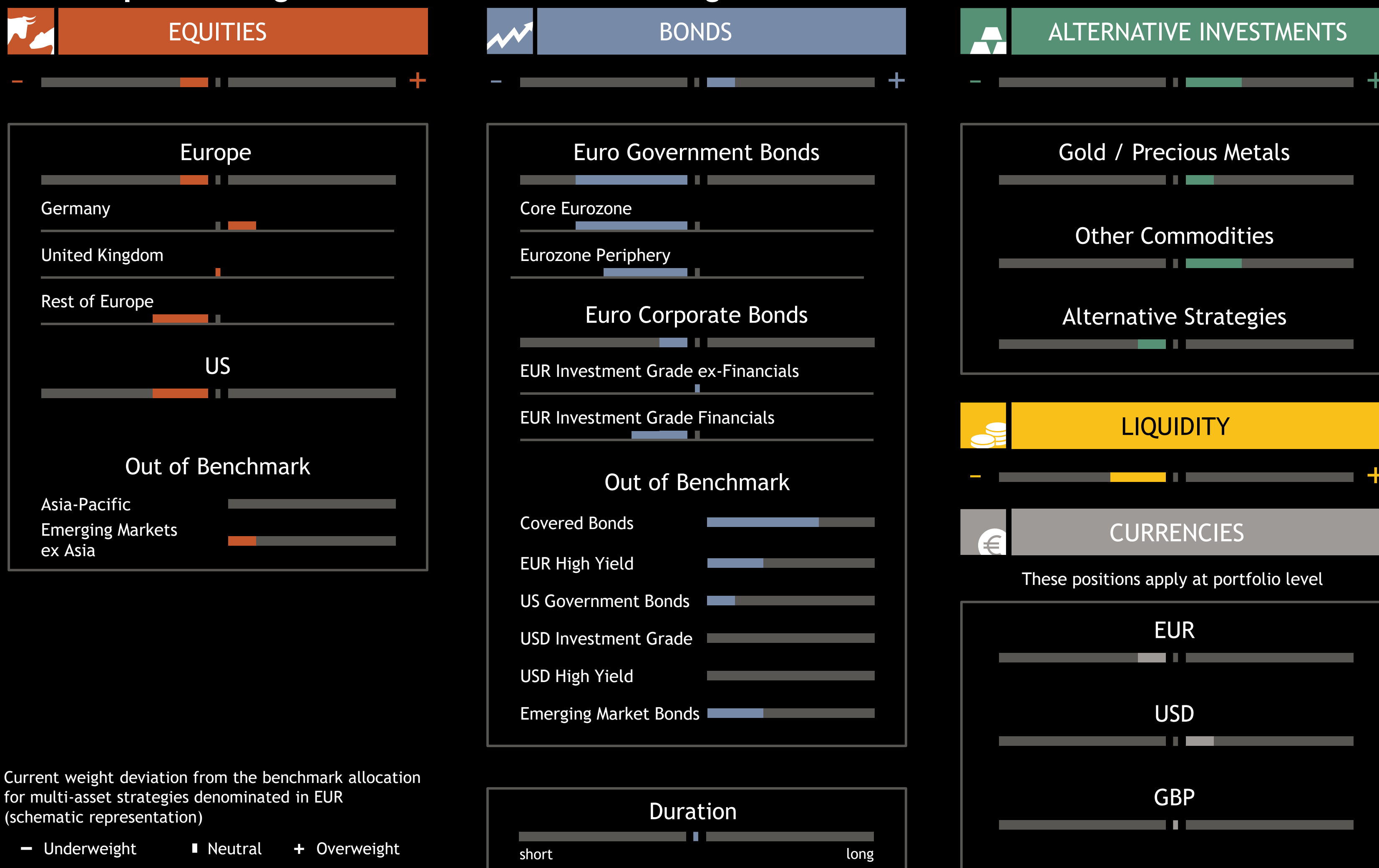
### Portfolio positioning of a balanced mandate at a glance




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

− Underweight ▮ Neutral + Overweight

Source: Berenberg

As of 19/12/2023.

# Overview of Berenberg's asset allocation

## Review of Core Strategy 3

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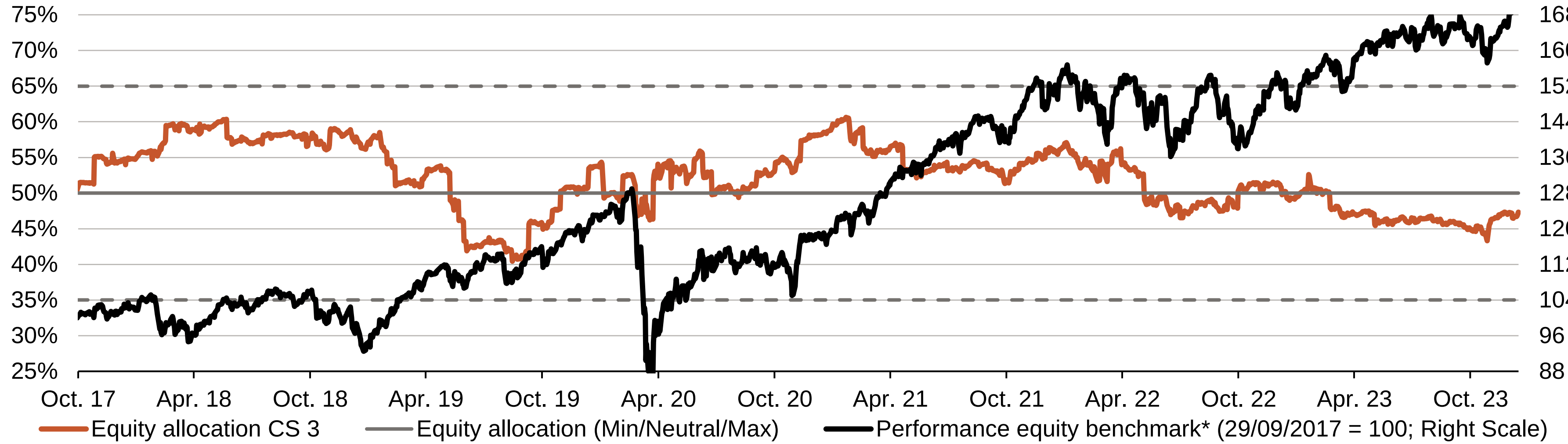
### Management of the equity allocation of a balanced multi-asset mandate since inception

| | 15/12/18 - 15/12/19 | 15/12/19 - 15/12/20 | 15/12/20 - 15/12/21 | 15/12/21 - 15/12/22 | 15/12/22 - 15/12/23 |
|---|---|---|---|---|---|
| **Performance equity benchmark** | **23.30%** | **-2.07%** | **28.04%** | **-1.60%** | **15.02%** |




Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 15/12/2018 – 15/12/2023.
Note: The historical performance presented here is not a reliable indicator of future performance.

- In December, we made another slight adjustment to our equity portfolio. We rotated our investment in China equities into European small caps following the lack of recovery. Both segments are likely to have catch-up potential in 2024 in terms of valuation and positioning, although in our opinion China is subject to significantly more uncertainty (property bubble, Taiwan, Trump, etc.).
- We are sticking to a broad positioning overall, with overweights in bonds and alternative investments such as gold, industrial metals and a position that would benefit from a steeper US yield curve. In corporate bonds, we are focusing on short maturities, as risk premiums are likely to widen again in the event of economic weakness. For safer bonds, we are focusing on longer maturities. Emerging market bonds in local currency also remain attractive. Our focus on quality and growth stocks should benefit in a weaker economy and without a further rise in interest rates.

# 02 Economics

# Eurozone
## GDP and inflation

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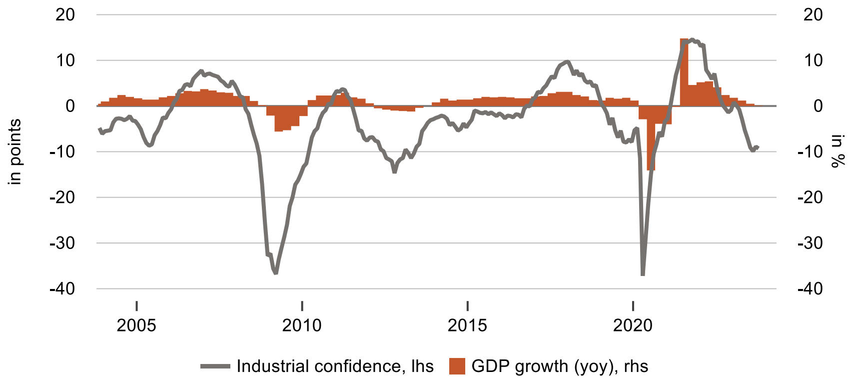
### At the low point of the economy

- The weak global demand for goods and the inventory corrections are particularly affecting countries such as Germany, which specialise in exporting goods. In the face of weakening demand, companies are now reducing their inventories.
- However, it often only takes around three quarters for companies to clear their inventories sufficiently and then start producing more again. The rise in some sentiment indicators, including the German ifo Business Climate, suggests that the manufacturing industry will have reached its low point by the end of 2023.

### A new upswing in the coming year

- Many companies are currently holding back on investments in view of the major uncertainties. As soon as the economy has regained some momentum after the end of the inventory correction, they will invest more again in order to restructure supply chains and replace scarce labour.
- Consumer spending is also likely to pick up again somewhat. With the US economy returning to normal growth, the European economy is likely to pick up speed again next summer, slightly exceeding the trend growth rate of 1.3%.

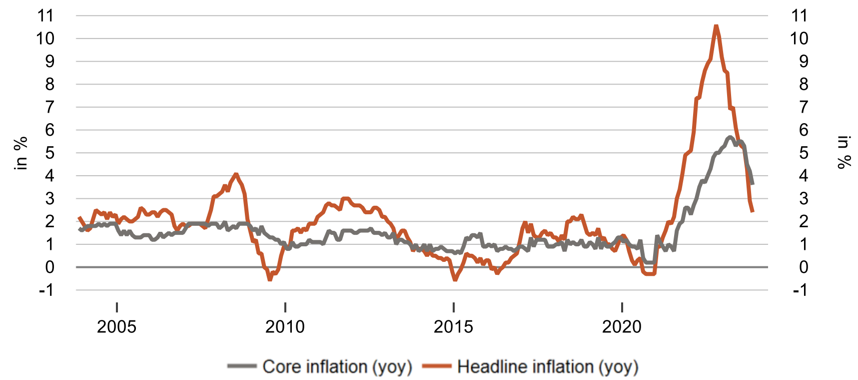
### Eurozone GDP growth and industrial confidence




Source: Macrobond

Period: 11/2003 - 11/2023

### Eurozone Inflation




Source: Macrobond

Period: 11/2003 - 11/2023

# United Kingdom
## GDP and inflation

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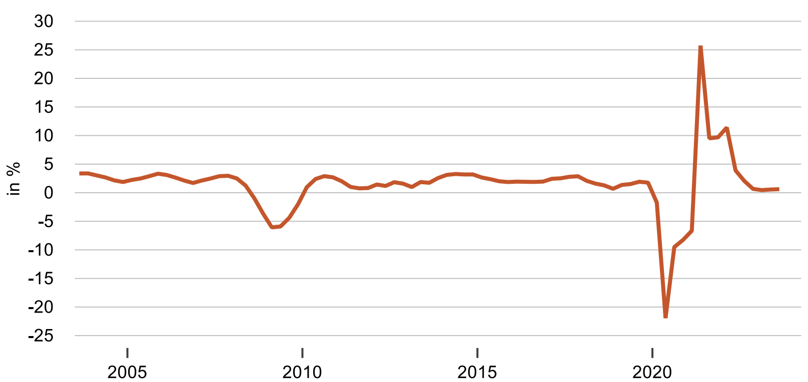
### The mood is improving

- As cost pressures ease, the confidence of British companies is visibly recovering. The Lloyds Bank Business Barometer improved again in November as expectations regarding the economic outlook have improved. With a lead time of around six months, the survey has always been a useful indicator of the general trend in real GDP.
- The survey suggests that the UK economy will recover significantly from summer 2024. This fits with our own economic forecast.

### Bank of England leaves base rate unchanged

- Although the longer-term outlook is favourable and companies are becoming more confident again, the short-term economic outlook remains clouded by domestic and international risks.
- The Bank of England (BoE) left the base rate unchanged in December. The Bank Rate thus remains at 5.25%. The decision was not unanimous, with 6:3 votes in favour. Three members of the committee voted in favour of a further interest rate increase of 25 basis points. Meanwhile, inflation fell more sharply than expected in November from 4.6% to 3.9%. This should take the wind out of the sails of the "hawks" in the central bank council. The BoE's next meeting date is February 1st, 2024.

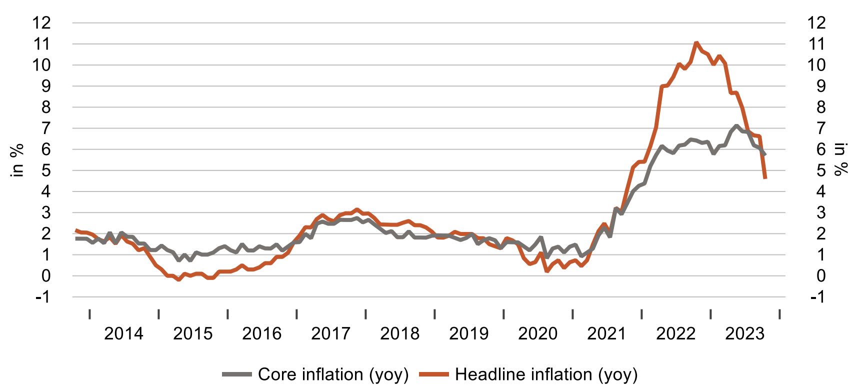
### United Kingdom GDP growth (yoy)




Source: Macrobond

Period: 09/2003 - 09/2023

### United Kingdom Inflation




Source: Macrobond

Period: 10/2013 - 10/2023

# USA
## GDP and inflation

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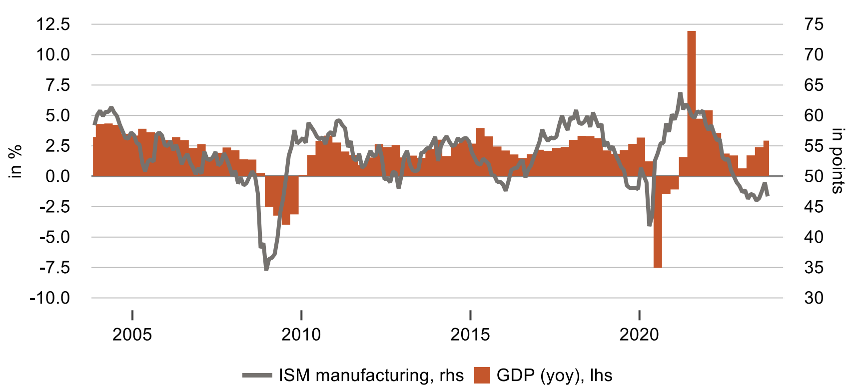
### Soft landing ahead

- Despite the US Fed's energetic turnaround on interest rates, the US economy has so far performed far better than expected. However, monetary policy is having a delayed effect. Many economic data points to a noticeable slowdown in the US economy. There are signs of a soft landing in the first half of the coming year.
- Even if the USA can probably avoid a recession, even a soft landing means that growth will largely come to a standstill for some time. We expect investment, residential construction and private consumption in particular to stagnate over the next two quarters.

### New momentum autumn 2024

- The temporary economic weakness will help to further reduce inflationary pressure in the US. From mid-2024, a less tight interest rate policy should then strengthen the economic upward forces. In view of the structurally high demand for housing, residential construction is also likely to pick up again from summer 2024.
- Fiscal policy is also contributing to the growth in demand. We therefore expect the US economy to be able to achieve an annualised growth rate of 2% again in autumn 2024.

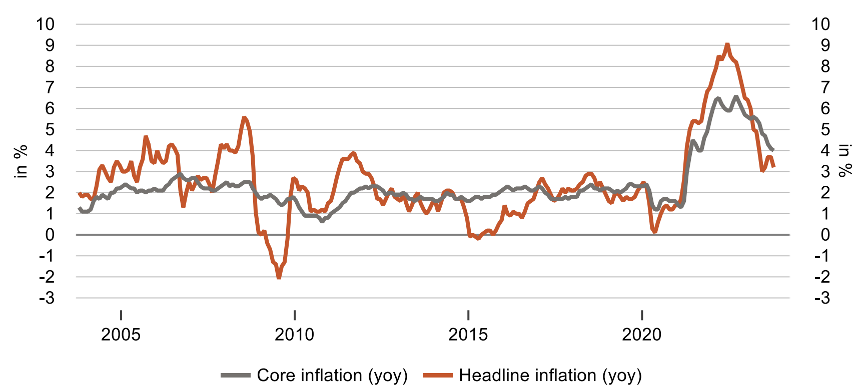
### US GDP growth and Purchasing Managers Index




Source: Macrobond

Period: 11/2003 - 11/2023

### USA Inflation




Source: Macrobond

Period: 10/2003 - 10/2023

# 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 | 2.4 | 2.4 | 1.4 | 1.2 | 1.7 | 1.7 | 4.2 | 4.1 | 2.8 | 2.7 | 2.3 | 2.3 |
| Eurozone | 0.5 | 0.5 | 0.7 | 0.6 | 1.7 | 1.4 | 5.4 | 5.5 | 2.5 | 2.5 | 2.3 | 2.1 |
| Germany | -0.2 | -0.2 | 0.6 | 0.3 | 1.6 | 1.2 | 6.1 | 6.1 | 2.7 | 2.7 | 2.3 | 2.1 |
| France | 0.8 | 0.8 | 0.9 | 0.8 | 1.7 | 1.3 | 5.7 | 5.7 | 3.0 | 2.6 | 2.5 | 2.1 |
| Italy | 0.7 | 0.7 | 0.6 | 0.4 | 1.2 | 1.1 | 5.9 | 6.1 | 1.6 | 2.2 | 2.2 | 1.9 |
| Spain | 2.3 | 2.4 | 1.5 | 1.3 | 2.1 | 1.8 | 3.4 | 3.5 | 2.4 | 2.9 | 2.3 | 2.1 |
| United Kingdom | 0.5 | 0.5 | 0.7 | 0.4 | 1.7 | 1.2 | 7.3 | 7.4 | 2.6 | 3.1 | 2.1 | 2.0 |
| Japan | 1.9 | 1.9 | 0.7 | 0.8 | 1.1 | 1.0 | 3.3 | 3.2 | 2.3 | 2.3 | 1.8 | 1.7 |
| China | 5.0 | 5.2 | 4.0 | 4.5 | 3.6 | 4.3 | 0.4 | 0.4 | 1.7 | 1.4 | 2.0 | 1.8 |
| World* | 2.5 | - | 2.2 | - | 2.4 | - | - | - | - | - | - | - |

Source: Bloomberg. Berenberg as of 18/12/2023.
* 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 indices likely to rise moderately in 2024

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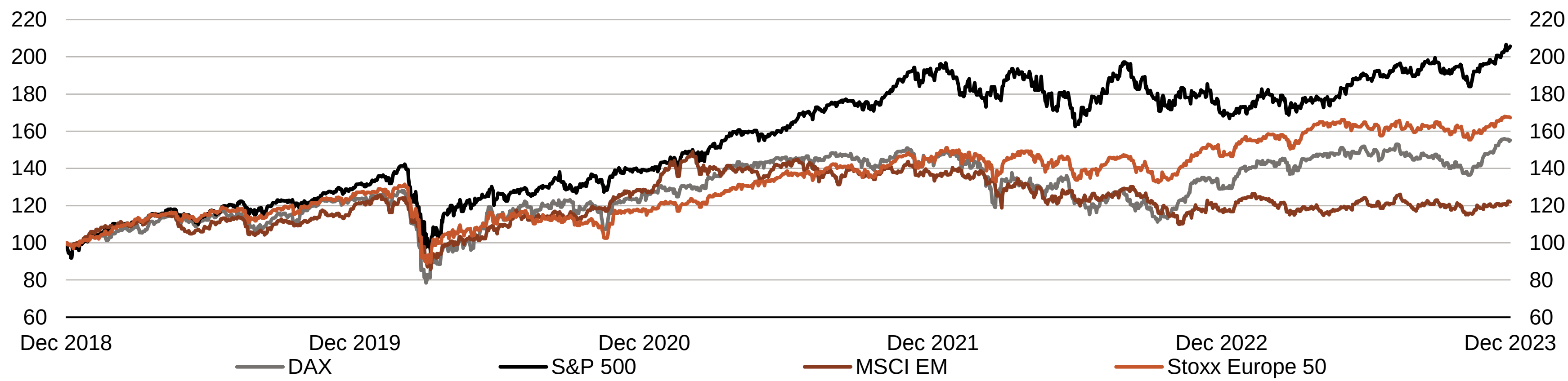
### Latecomers are likely to perform better in 2024

- The setback we predicted for the autumn actually occurred. The major stock markets fell by more than 10% from their peak before a strong recovery rally began at the beginning of November – driven primarily by falling interest rates and lower volatility. Latin America continued its outperformance and remains one of the best performing regions worldwide. European equities caught up with US equities. By contrast, small caps and Asian emerging markets remain the relative losers in 2023.
- In our opinion, market breadth is likely to increase again next year, giving the 2023 laggards the potential to catch up. This is supported by the fact that the "Magnificient 7" is a strong consensus trade that has seen many inflows in 2023 and the valuations partly anticipate the high earnings growth that can certainly be expected. In addition to small caps with healthy balance sheets, we particularly like companies from the healthcare sector and China-related stocks, such as luxury goods manufacturers. Our focus is clearly on European quality growth stocks, which are no longer facing headwinds from rising interest rates and should benefit from their above-average earnings growth rates. We continue to favour "value" regions such as Latin America and the UK for reasons of diversification.

### Performance of selected equity indices




Source: Bloomberg; performance in EUR scaled to 100.

Time period: 18/12/2018 – 18/12/2023.

# Corporate earnings
## Moderate, negative profit revisions likely for 2024

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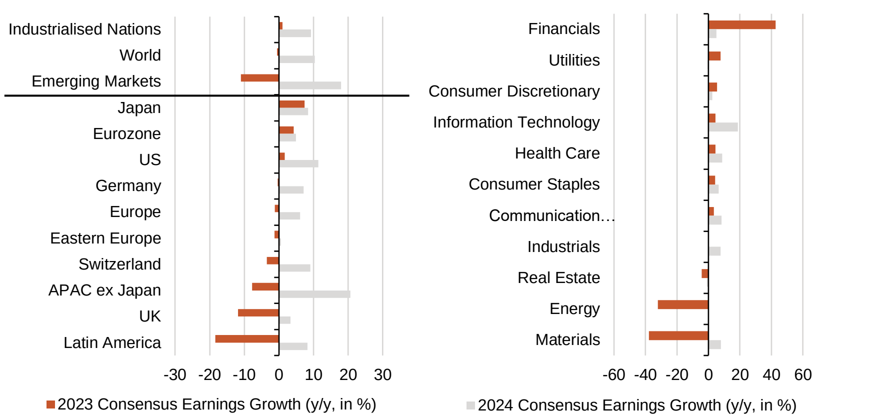
### Profit growth expected by consensus too ambitious

- The consensus is optimistic and expects global profits to grow by around 9% in 2024, including margin expansion, after stagnating this year. We believe this is too ambitious for several reasons: According to our economists, economic growth is likely to weaken in the first half of the year. Continued high wage inflation and rising corporate refinancing costs together with the now more pronounced onset of disinflation are also likely to limit profit growth.
- Against this backdrop, profit margins are likely to remain stable at best, meaning that profit growth should match sales growth. Accordingly, we expect global profit growth of 4–6% in 2024.

### Limited earnings growth in 2024

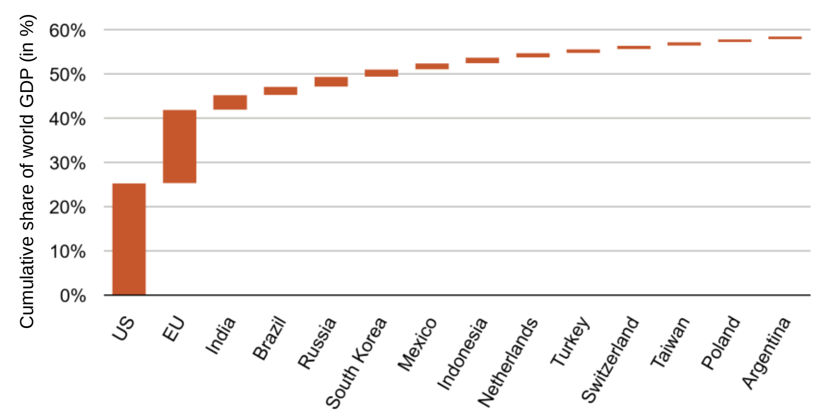
- The upside potential, however, is limited by a low-risk premium for equities, only moderate 2024 earnings growth and signs that the market is already pricing in a soft landing. Overall, we therefore consider both the upside potential (earnings, valuations, optimistic investor sentiment) and the downside potential (positioning not extreme, central banks probably more supportive) for equities to be limited.
- A moderate setback in H1 after the strong rally since October 2023 in view of cooling economic data does not seem unlikely to us. Especially as, in addition to the US presidential election, elections are due in almost 40 countries in 2024. This is naturally likely to cause some volatility on the markets.

### Strong consensus harbours potential for negative surprises




Source: FactSet, MSCI Europe sectors, own calculations. As of 18/12/2023.

### Election year '24: Voting countries with ca. 60% of world GDP




Source: Bloomberg, own calculations. GDP figures for 2022, as of 31/12/2022.

# Performance & Valuation
## Valuation expansion probably only possible in Europe

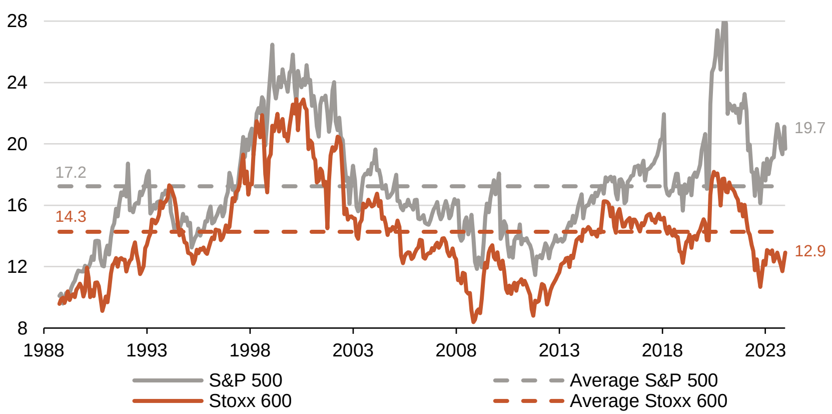
### Potential for valuation expansion limited

- The recent rally was strongly driven by valuations. The forward P/E ratio for the S&P 500 is now back at 19, above the historical average of 17. One driver has been the strong inflows this year into US funds and especially tech – the only equity sector with significant inflows this year, thanks to AI euphoria.
- This means that there is unlikely to be any major increase in valuations without a very sharp fall in interest rates. By contrast, other segments, such as European equities and small caps, are favourably valued compared to their own history. They are already pricing in an economic downturn and are underrepresented in international portfolios.

### Small caps with relative catch-up potential

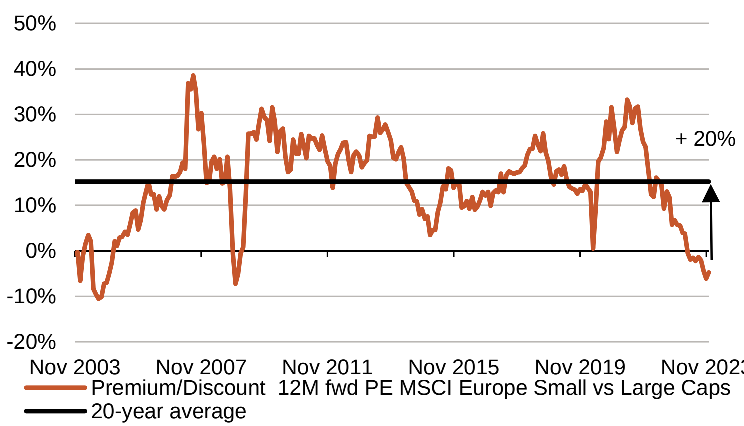
- If our economists are right and European growth accelerates again from the second quarter of 2024, not only profits but also the valuations of European companies are likely to rise.
- Small caps, which tend to be sensitive to interest rates, in particular have relative catch-up potential. On a P/E basis, European small caps are trading at a discount of 5% compared to large caps. If we were to return to the average of the last 20 years, small caps would have a relative catch-up potential of more than 20 %. We see this as a major opportunity for 2024.

### Recent rally was strongly driven by valuations



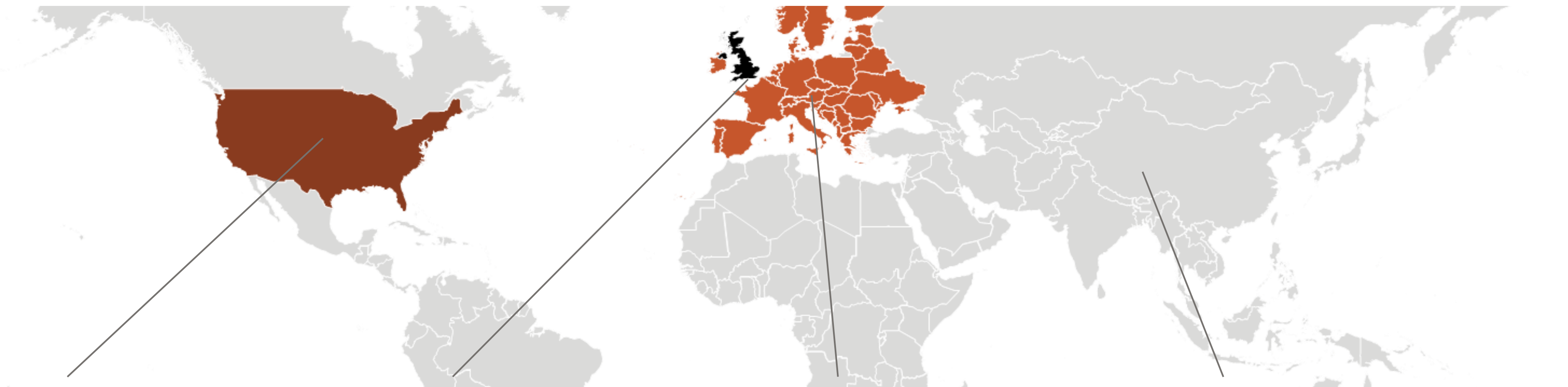

Source: Bloomberg, own calculations. Time period: 31/12/1987 – 18/12/2023.

### European small caps are historically attractive




Source: Factset, own calculations. Time period: 30/11/2003 – 30/11/2023

# 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
**Neutral**
- 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.

### 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.

# Equity market forecasts

## Estimates for selected indices

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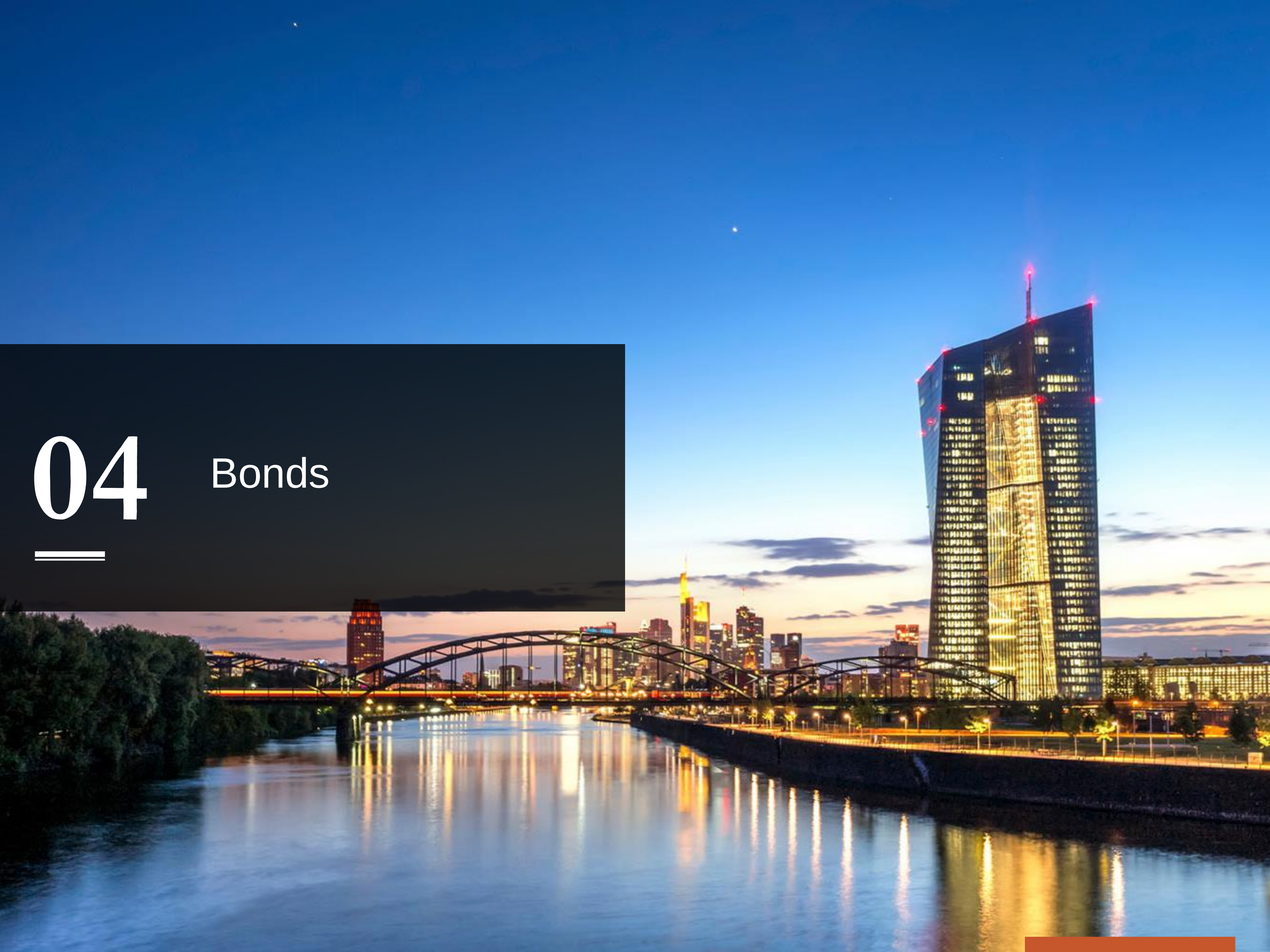
| Index forecasts | Current 18/12/2023 | 30/06/2024 | 31/12/2024 | Ø* in 12 months |
|---|---|---|---|---|
| S&P 500 | 4,741 | 4,700 | 4,850 | 5,096 |
| DAX | 16,651 | 17,300 | 18,000 | 19,250 |
| Euro Stoxx 50 | 4,521 | 4,700 | 4,800 | 5,007 |
| MSCI UK | 2,181 | 2,350 | 2,400 | 2,554 |

| Index potential (in %) | | | | |
|---|---|---|---|---|
| S&P 500 | - | -0.9 | 2.3 | 7.5 |
| DAX | - | 3.9 | 8.1 | 15.6 |
| Euro Stoxx 50 | - | 4.0 | 6.2 | 10.7 |
| MSCI UK | - | 7.8 | 10.1 | 17.1 |

Source: Bloomberg. Berenberg. as of 18/12/2023.
*Average based on bottom-up estimates.



# 04 Bonds

# Government bonds
## The outlook continues to offer opportunities

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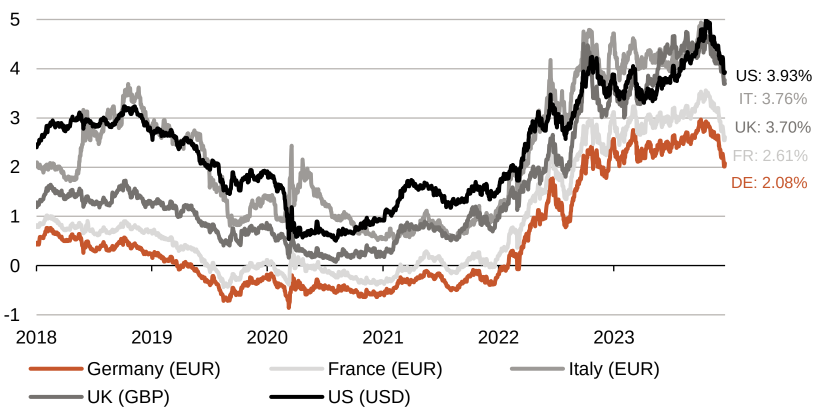
### The good times are not over

- The disinflationary trend over the past year or so and the recent decision by the major central banks not to continue tightening their interest rate policies have recently given the bond markets a good boost. This does not mean that weaker times must now follow. On the contrary: we also see several opportunities to generate positive returns with fixed-interest bonds in 2024.
- The fact that government bonds with high credit ratings will end the year 2023 with a positive final quarter is likely to be groundbreaking for the next twelve months, at least for the Anglo-Saxon region in the respective local currency.

### Bunds not first choice

- Although we are more cautious than the consensus estimate with regard to the further development of yields in the ten-year maturity segment for both US Treasuries and UK Gilts, even if yields rise slightly, the current interest rate will be sufficient to generate positive returns overall. German Bunds, on the other hand, face stronger headwinds due to their lower base rate.
- However, across all three currency areas, our expectation that the central banks will utilise their monetary policy leeway and lower their key interest rates over the course of the year as inflation continues to fall is supported. The US Fed and BoE are likely to take a more dynamic approach than the ECB.

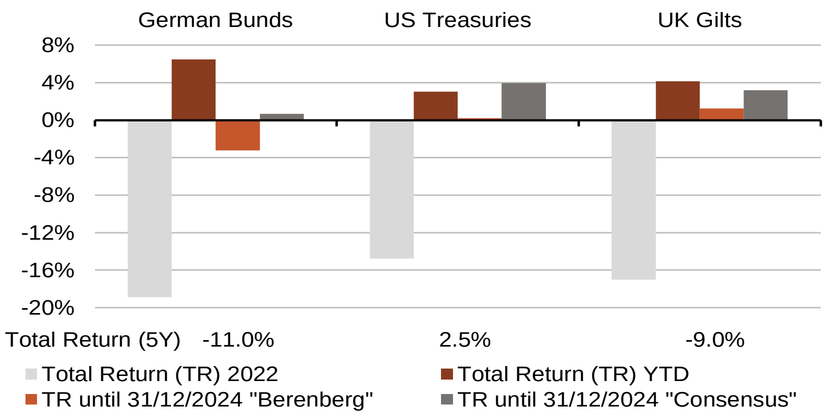
### Falling yields boost bonds across the board




Source: Bloomberg

Time period: 01/01/2018 – 18/12/2023

### Government bonds selective with positive 2024 outlook




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

Time period: 13/12/2018 – 13/12/2023

# Corporate & EM bonds
## Good earnings opportunities in selective segments

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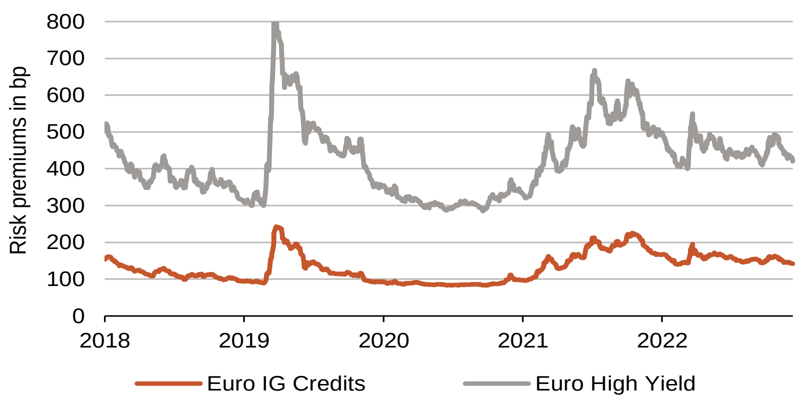
### IG and HY: Economic risks not priced in

- Corporate bonds completely ignored economic risks in the past year. Both HY and IG segments benefited from significantly falling risk premiums. However, cracks are increasingly appearing in the economy and corporate results, and issuers with weak quarterly results are now being penalised by the market.
- We therefore favour IG over HY. In view of convincing quarterly results and attractive valuations, we are also maintaining our overweight in financial bonds while avoiding cyclical sectors. The addition of mortgage bonds increases the stability and credit quality of the portfolio.

### EM: Local currency bonds more attractive than ever

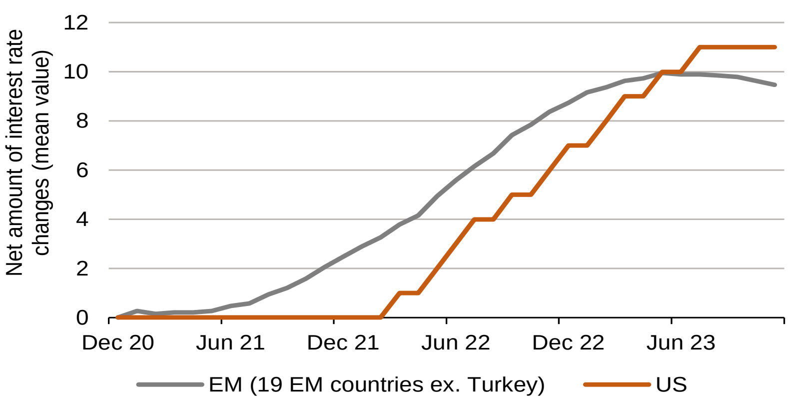
- The local currency segment is benefiting from high current interest rates and the fact that some central banks in the emerging markets have already initiated the first interest rate cuts. In fact, the central banks in many developing countries have acted more decisively in this cycle than their counterparts in the industrialised nations.
- In the local markets, we are focussing on countries that are in an early phase of the interest rate cycle, such as Brazil and Mexico. In addition, we expect a supply shortage in the future, which should further support the positive outlook.

### IG and HY: 2023 will not be repeated




Source: ICE, own calculations
Time period: 31/12/2018 – 11/12/2023

### Central banks support local currency securities




Source: Bloomberg, own calculations
Time period: 31/12/2020 – 30/11/2023

# 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**

- Local currency bonds remain attractive, as there have recently been more net interest rate cuts than interest rate hikes by EM central banks (e.g. Brazil and Chile).
- In hard currency, we favour government bonds over IG corporate bonds due to higher yields and longer duration.

### 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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| Base interest rates and government bond yields (in %) | 18/12/2023 | 30/06/2024 | | 31/12/2024 | |
|---|---|---|---|---|---|
| | Current | | Ø* | | Ø* |
| **US** | | | | | |
| Base interest rate | 5.25-5.50 | 5.00-5.25 | 5.20 | 4.25-4.50 | 4.45 |
| 10Y US yield | 4.02 | 4.30 | 4.19 | 4.40 | 3.91 |
| **Eurozone** | | | | | |
| Base interest rate | 4.50 | 4.50 | 4.30 | 4.00 | 3.70 |
| 10Y Bund yield | 2.17 | 2.60 | 2.41 | 2.70 | 2.24 |
| **United Kingdom** | | | | | |
| Base interest rate | 5.25 | 5.00 | 5.15 | 4.00 | 4.50 |
| 10Y Gilt yield | 3.83 | 4.00 | 4.02 | 4.00 | 3.75 |

Source: Bloomberg. Berenberg. as of 18/12/2023.
*Average of estimates by other experts (Bloomberg) consensus.

# 05 Commodities

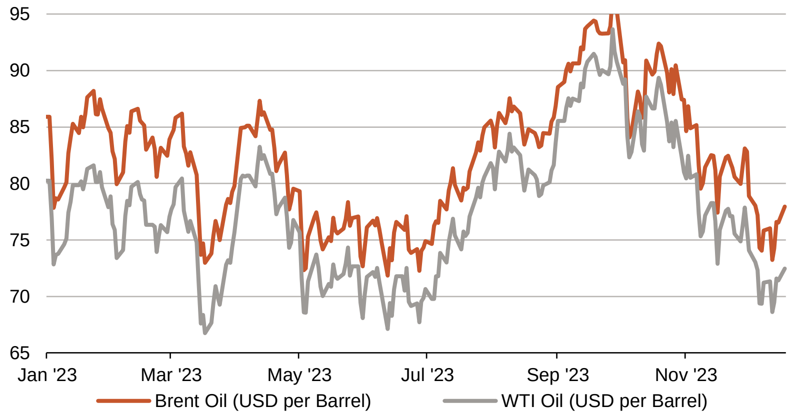
# Crude oil

## Supply concerns currently off the table

### Strong non-OPEC production meets weakening economy

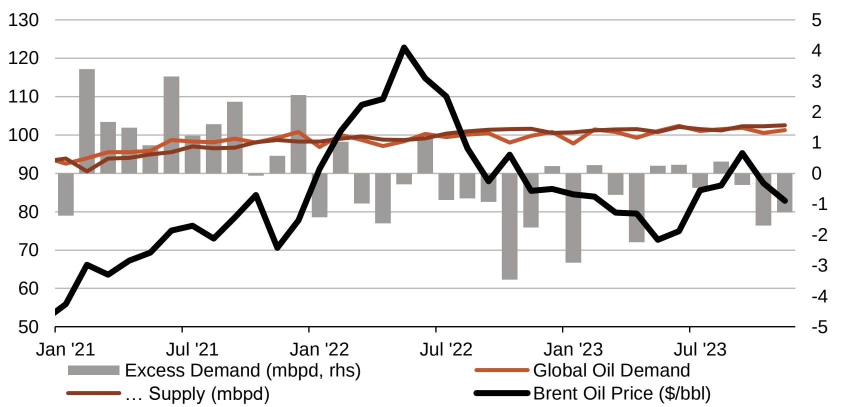
- At the beginning of December, Brent fell below the USD 74 per barrel mark for the first time since June, despite OPEC+ promising additional, but only voluntary, cuts. Investors now seem convinced that the oil market is not as tight as many initially expected. This is currently also signalled by the futures curves, which are back in contango (shorter contracts are cheaper than longer contracts). Consumers are therefore no longer paying a convenience yield.
- The fact that there are no concerns about a short-term supply shortage despite the sharp cuts by OPEC+ and the smouldering conflict in the Middle East is primarily due to the expansion in production by non-OPEC countries. In the US alone, production has risen by more than 1mbpd this year. At the same time, economic indicators in the West are deteriorating and point to a soft landing next year, meaning that demand growth is likely to remain limited in the short term.
- In the short term, the upside potential therefore seems fundamentally limited; a cold winter or stronger economic data could provide a positive surprise. However, the downside risks now also appear limited, not least due to the very pessimistic positioning of investors. In the medium term, the upside risks dominate due to low inventories, insufficient investment on the supply side and rising demand from emerging markets.

### Oil price (deeply) negative YTD




Source: Bloomberg. Time period: 01/01/2023 – 18/12/2023.

### Oil market in oversupply for the third month in a row




Source: Bloomberg, own calculations. Time period: 01/10/2021 – 30/11/2023.

# Precious and industrial metals
## Gold with tailwinds from all sides

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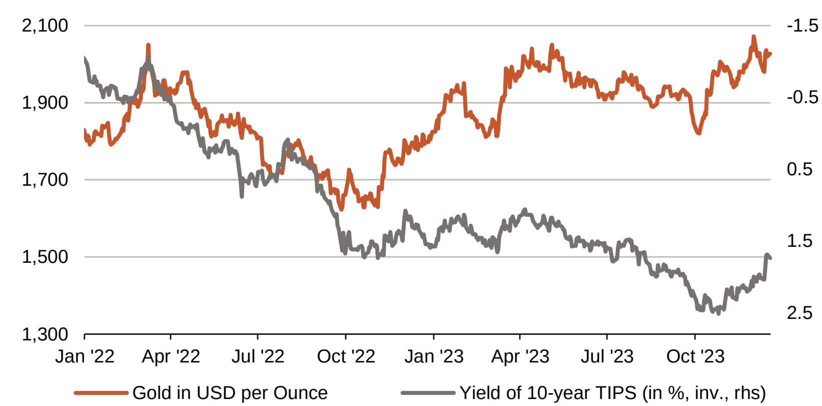
### Gold price near all-time high

- Gold performed strongly in the fourth quarter. Tailwinds came from all sides: First boosted by the increased demand for safe havens in the wake of the geopolitical escalation in the Middle East and later supported by lower real interest rates and a weaker US dollar, gold cracked the USD 2,000 per ounce mark.
- Close to its all-time high, further upside potential is now limited. Following a normalisation of inflation, the next strong fundamental driver is likely to be an actual interest rate cut by the Fed. On the other hand, a renewed flare-up of concerns about a "higher for longer" would weigh on the precious metal.

### Industrial metals need economic momentum

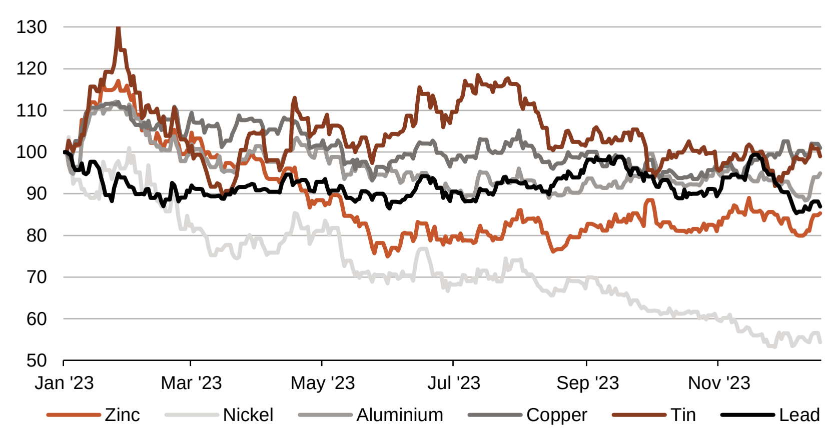
- The LME industrial metals index fell to its lowest level of the year at the beginning of the fourth quarter. In contrast to its precious metal and energy commodity counterparts, the metal sector suffered from the possible consequences of the war in Israel for the global economy.
- However, there are now signs of stabilisation. While demand is rising noticeably, particularly in China, the supply of copper, for example, is struggling with production problems.
- However, a positive economic development in the West is certainly also required for significant upward potential. In the long term, many metals are likely to become increasingly scarce and therefore more expensive.

### Gold boosted by falling real yields




Source: Bloomberg, own calculations. Time period: 01/01/2022 – 18/12/2023.

### Industrial metals in a sideways trend




Source: Bloomberg, own calculations. Time period: 01/01/2022 – 18/12/2023.


# 06 Currencies

# Market Development
FX markets

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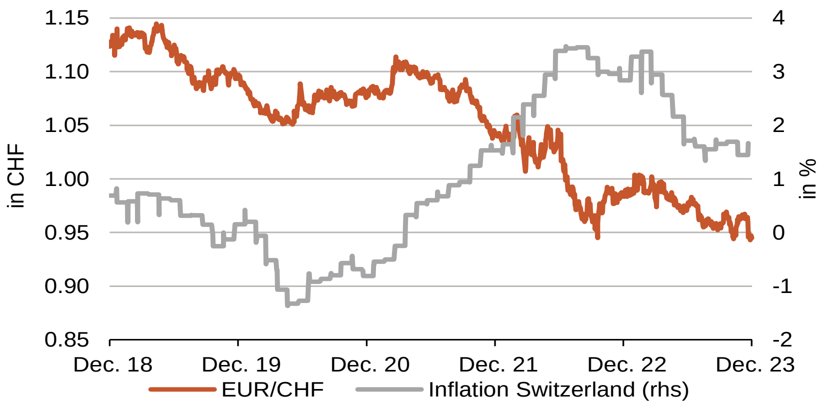
## Geopolitics and monetary policy are the main drivers

- Even at the current level, the US dollar remains overvalued based on fundamental criteria. This is due in particular to the geopolitical situation, which continues to drive money into the safe haven of the US dollar. This is unlikely to change much in the coming year.
- If the global situation remains anywhere near as unstable as it has been this year, there will always be reasons to build up US dollar positions. The greenback is therefore likely to remain structurally strong, similar to the Swiss franc, which is also in demand in times of crisis.

## The US interest rate advantage could dwindle in 2024

- The latest inflation data suggests that the central banks will be able to take their foot off the brake pedal somewhat in the coming year in order to support the economy. The US Federal Reserve could start lowering its key interest rate a little earlier. It is also likely to lower it more than the ECB over the course of the year.
- Overall, this argues in favour of a slightly weaker US dollar and therefore a stronger euro. However, the sharp fall in euro inflation in November and the subsequent reaction of the currency market with a weaker euro again show how much the currency market depends on inflation data and assumptions about future monetary policy.

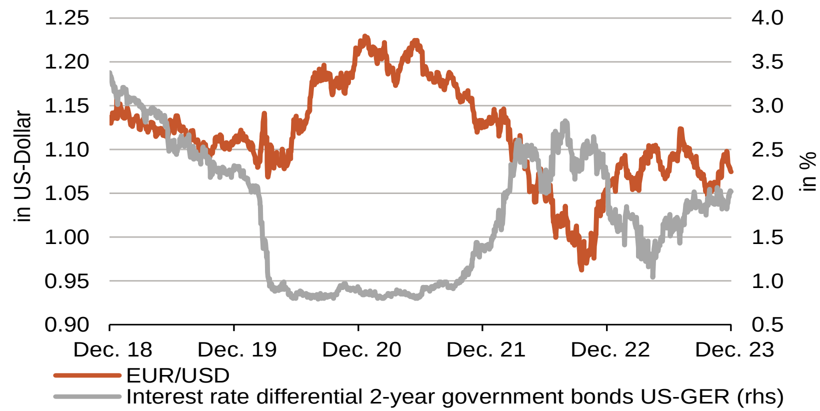
### Swiss franc still in demand as a safe haven




Source: Macrobond

Period: 11/12/2018 – 11/12/2023

### Will the USA's interest rate advantage last?




Source: Macrobond

Period : 11/12/2018 – 11/12/2023

# Forecasts
## Estimates of key currencies

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| | 18/12/2023 | 30/06/2024 | | 31/12/2024 | |
|---|---|---|---|---|---|
| **Exchange rate forecasts** | **Current** | Berenberg | **Ø*** | Berenberg | **Ø*** |
| **EUR/USD** | 1.09 | 1.12 | 1.10 | 1.15 | 1.12 |
| **EUR/GBP** | 0.86 | 0.86 | 0.88 | 0.85 | 0.88 |
| **EUR/CHF** | 0.95 | 0.96 | 0.98 | 0.97 | 1.00 |
| **EUR/JPY** | 156 | 162 | 155 | 161 | 155 |

| **Change against the Euro (in %)** | | | | | |
|---|---|---|---|---|---|
| **USD** | - | -2.5 | -0.7 | -5.0 | -2.5 |
| **GBP** | - | 0.4 | -1.9 | 1.6 | -1.9 |
| **CHF** | - | -1.3 | -3.3 | -2.4 | -5.3 |
| **JPY** | - | -3.7 | 0.6 | -3.1 | 0.6 |

Source: Bloomberg. Berenberg as of 18/12/2023.
*Average of estimates of other experts (Bloomberg); consensus.

# Publishing information

# Publishing information


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