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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

February | 2024

Horizon Handout – Capital Market Outlook
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Date 26/01/2024.

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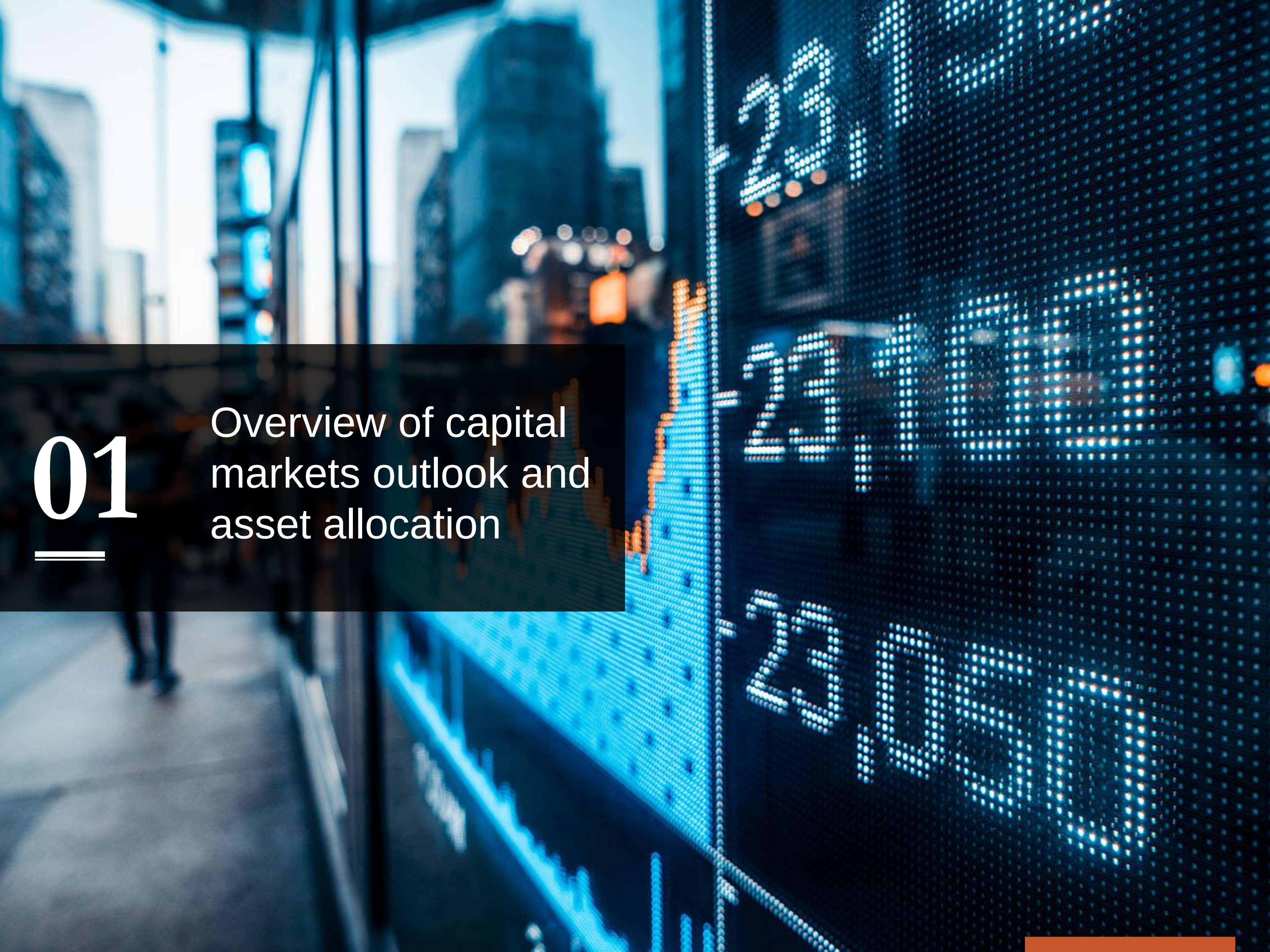
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



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 (27/12/23 - 24/01/24)	YTD (29/12/23 - 24/01/24)	24/01/23 24/01/24	24/01/22 24/01/23	24/01/21 24/01/22	24/01/20 24/01/21	24/01/19 24/01/20
MSCI Frontier Markets	4.2	3.4	8.1	-15.5	19.2	-7.4	18.5
MSCI World	2.8	2.6	17.9	-3.0	18.8	5.9	26.2
Brent	2.7	5.6	2.5	34.2	84.0	-27.7	12.3
USDEUR	2.0	1.4	0.0	4.0	7.5	-9.4	2.5
Euro overnight deposit	0.2	0.2	3.3	0.1	-0.6	-0.5	-0.4
Global Convertibles	0.1	0.2	4.9	-7.1	-6.8	37.7	19.8
MSCI Emerging Markets	-0.9	-2.6	-3.2	-8.9	-3.7	15.1	15.4
Industrial Metals	-0.9	-0.5	-17.3	5.3	41.5	11.3	2.5
Gold	-1.1	-1.1	3.9	9.4	6.7	7.0	25.7
EUR Coporates	-1.2	-0.9	4.6	-11.6	-1.6	1.9	6.5
EUR Sovereign Debt	-1.5	-1.1	2.6	-9.7	-1.5	1.2	3.1
REITs	-3.6	-3.5	-5.3	-11.6	30.5	-18.9	22.9

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: 24/01/2019 – 24/01/2024.

Overview of capital markets
Outlook by asset class

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Economics

- Germany's economy shrank by 0.3% in 2023. The economy is also suffering from economic policy.
- The US economy is cooling down. However, the landing should be quite soft in the year of the presidential election.
- Inflation has fallen significantly. There is less pressure on central banks to act – but when will key interest rates fall?

Equities

- Trend reversal at the start of the year after last year's strong rally only short-lived. S&P 500 reaches new all-time high.
- Valuation expansion despite rise in yields. Limited potential for strong valuation expansion without a sharp interest rate cut.
- Opportunities in small cap stocks and quality growth stocks, which offer relative catch-up potential if rates no longer rise.

Bonds

- The robust US economy and stubborn inflation on both sides of the Atlantic are dampening expectations of interest rate cuts.
- Spreads in the IG and HY segments have recently fallen again due to high demand and a lack of new issues.
- EM spreads remain stable despite negative inflows, supported by technical factors.

Alternative investments / commodities

- OPEC tries to counter restrained demand in the short term. US production likely to grow slowly this year.
- After all time high, gold burdened by dumped hopes of interest rate cuts. ETF positioning continues to decline.
- Industrial metals continue to move sideways. Structural "green" tailwind temporarily overshadowed by weak industrial activity.

Currencies

- The euro benefits when there is less demand for the US dollar. But there is no real euro strength in sight.
- The US dollar is benefiting from its status as a "safe haven" and remains structurally strong.
- The strong Swiss currency seems to be getting scary for the central bank – the franc is weakening slightly.

Overview of Berenberg's asset allocation

Current positioning within asset classes

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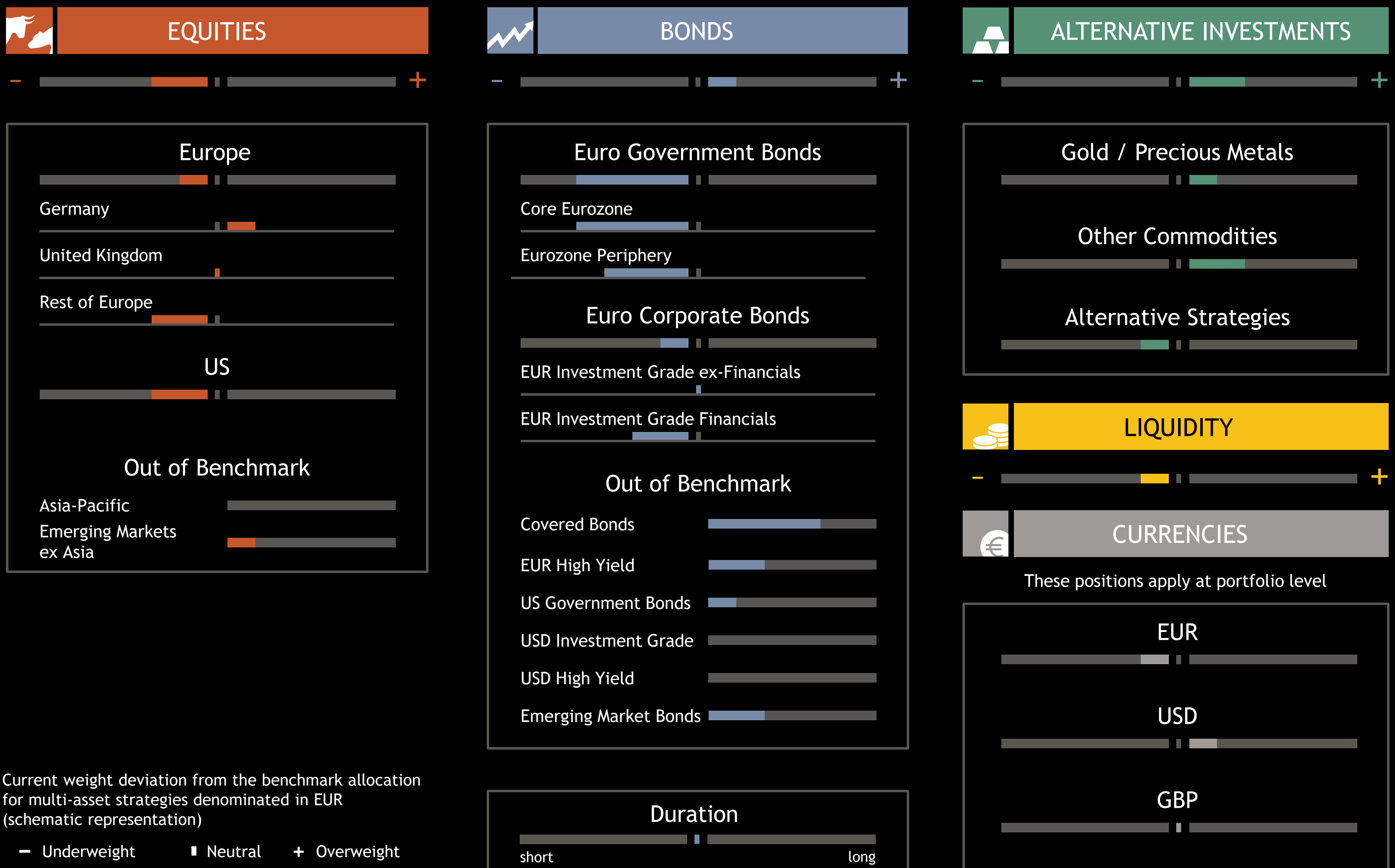
Portfolio positioning of a balanced mandate at a glance



Source: Berenberg

As of 25/01/2024.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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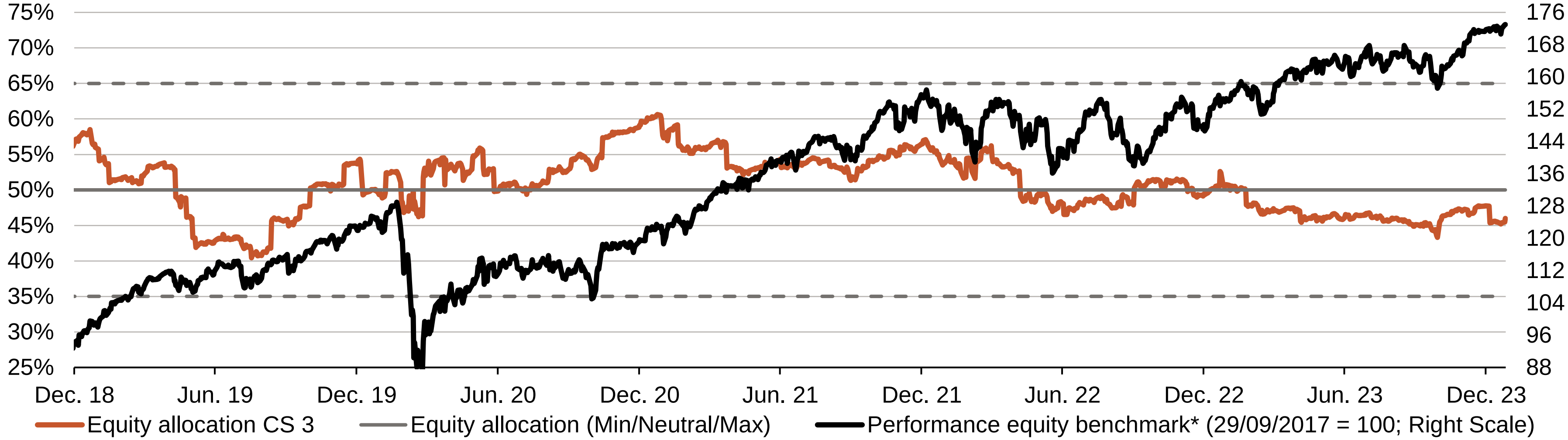
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	23/01/19 - 23/01/20	23/01/20 - 23/01/21	23/01/21 - 23/01/22	23/01/22 - 23/01/23	23/01/23 - 23/01/24
	26.51%	**-1.43%**	**22.47%**	**2.79%**	**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: 23/01/2019 – 23/01/2024.
Note: The historical performance presented here is not a reliable indicator of future performance.

- At the beginning of November last year, we increased our equity allocation in anticipation of a possible year-end rally by increasing US equities to only a slight underweight. As the markets have recovered significantly, expectations of the central banks regarding interest rate cuts in the near future now appear ambitious and investor positioning has become much more optimistic, we cancelled this increase in the equity allocation in January.
- Overall, we remain broadly positioned 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 focussing on short maturities, as risk premiums are likely to widen again in the event of an economic slowdown. For safer bonds, we favour longer maturities. Emerging market bonds in local currency also remain attractive. Our focus on quality and growth stocks should benefit in the event of a weaker economy and without further interest rate hikes.

02 Economics

Eurozone
GDP and Inflation

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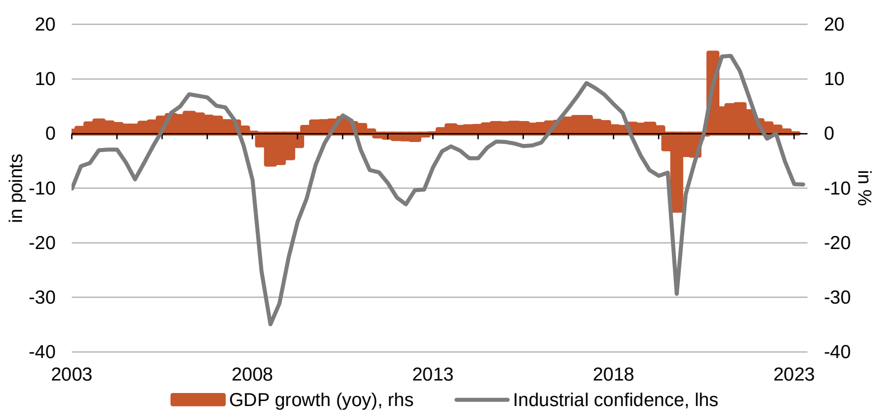
Focus on the ECB and Christine Lagarde

- The ECB left its key interest rates unchanged in January. The inflation rate in December was still far too high, meaning that the Central Bank Council has not yet discussed possible interest rate cuts, as ECB President Lagarde emphasized several times during the press conference. The current interest rate level contributes to price stability if it is maintained for long enough.
- The ECB pointed out that it will continue to pursue a data-dependent approach. The data on wage growth plays an important role in this.
- We assume that the ECB will not cut key interest rates until the second half of the year.

Inflation remains too high

- After falling almost continuously since October 2022, inflation in the eurozone rose to 2.9% in December (yoy) after 2.4% in November. However, this did not come as a surprise – we had expected 2.9%, while the Reuters consensus had assumed 3.0%. The increase was mainly due to base effects (e.g. due to the "December emergency aid" in Germany in December of the previous year).
- With the increase in December, the general downward trend now appears to have come to an end. Going forward, inflationary pressure is likely to remain stronger than in the low-inflation phase before the pandemic.

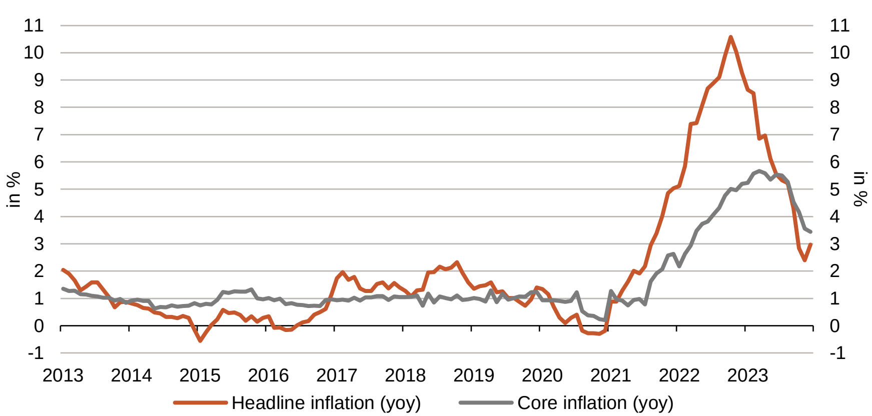
Eurozone GDP growth and industrial confidence



Source: Haver

Period: 09/2003 - 12/2023

Eurozone Inflation



Source: Haver

Period: 01/2003 - 12/2023

United Kingdom
GDP and Inflation

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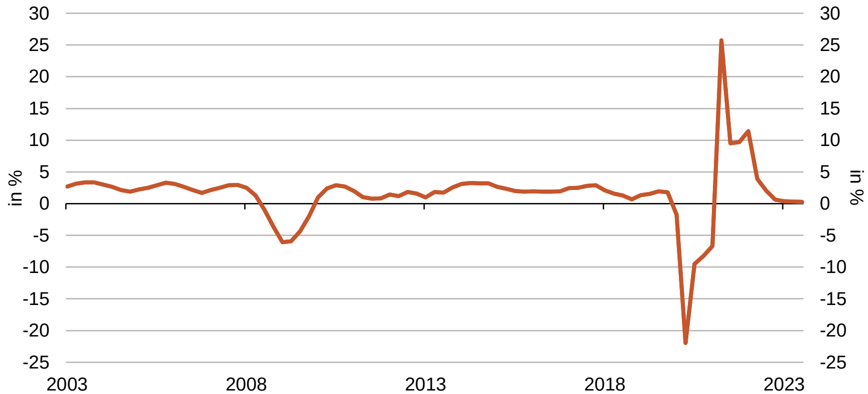
Better prospects

- For 2024, we expect growth in the UK to be similar to that in the eurozone. Some indicators, such as the business climate, suggest that the British economy could even grow slightly more.
- Politically, the UK is returning to a kind of normality thanks to new political decisions. After the turmoil of the years under Prime Ministers Boris Johnson and Liz Truss, Rishi Sunak, who has been in government since October 2022, has put the country back on track. As the British are fed up with populist politicians, the political risk here is lower than in other countries.

Inflation slightly higher again

- The Bank of England (BoE) left the bank rate unchanged at its last meeting in December. The Bank Rate thus remains at 5.25%. The decision was not unanimous at 6:3. Three members of the committee voted in favor of a further interest rate increase of 25 basis points. The BoE's next meeting date is February 1, 2024.
- Inflation rose again slightly in December. Prices in December were 4.0% higher than in December 2022. Analysts had expected a further decline to 3.8% after inflation had fallen significantly to 3.9% in November.

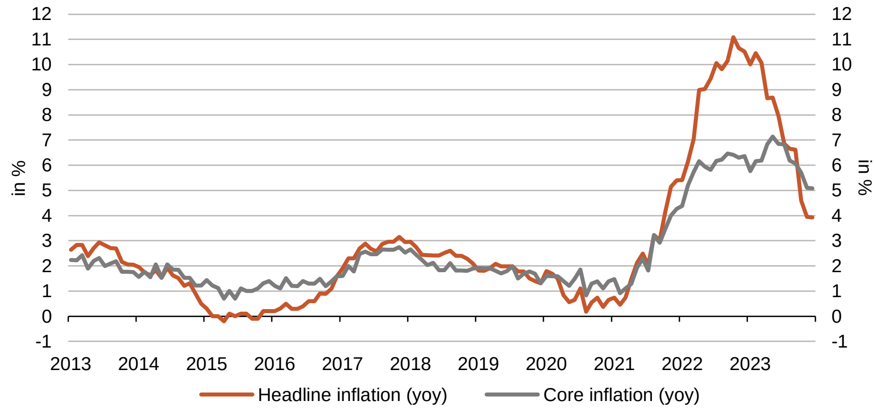
United Kingdom GDP growth (yoy)



Source: Haver

Period: 03/2003 - 09/2023

United Kingdom Inflation



Source: Haver

Period: 01/2013 - 12/2023

USA
GDP and Inflation

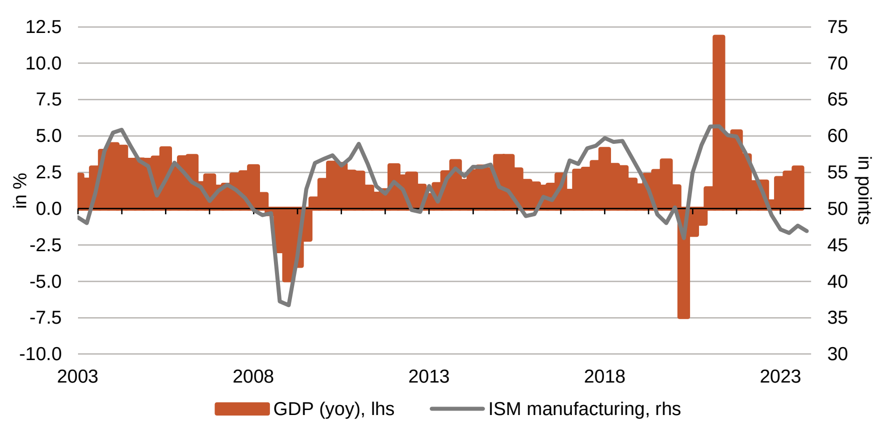
Ron DeSantis steps back from his candidacy

- Surprisingly early, the Governor of Florida, Ron DeSantis, has withdrawn from the race for the Republican presidential candidacy. Donald Trump clearly won the primary elections in New Hampshire on Tuesday, practically destroying candidate Nikki Haley's chances of being nominated by the Republicans.
- The labor market data for December was once again solid. In the last month of 2023, 216,000 new jobs were created. The data for the previous month of November was revised downwards slightly. The unemployment rate remained at 3.7% and thus remains at a historically very low level.

Inflation up slightly, core rate down slightly

- Inflation has fallen significantly after peaking at over nine percent. In November, overall inflation had fallen to 3.1%. In December, it rose again to 3.4%. By contrast, the core rate of inflation fell from 4.0% to 3.9% in December.
- Interest rates at the long end (10-year government bonds) have fallen significantly in recent weeks. In a phase of exaggeration, interest rates peaked at just under 5.0%. In the meantime, it fell to below the 4% mark and is currently at 4.1%. We expect a slight increase to 4.4% by the end of 2024.

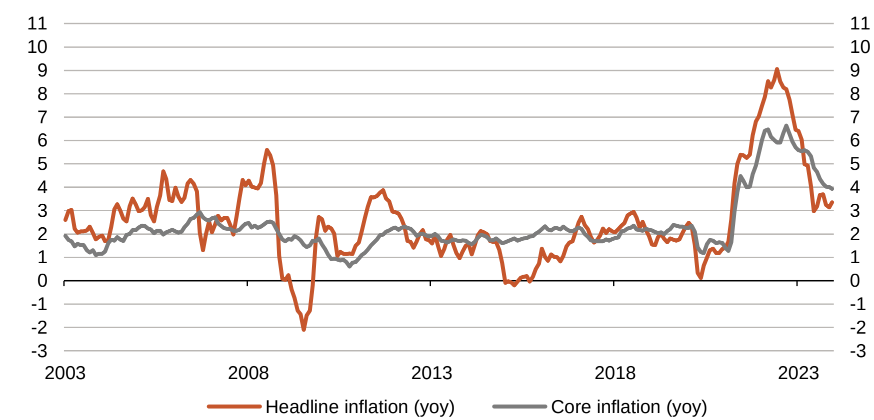
US GDP growth and Purchasing Managers Index



Source: Haver

Period: 03/2003 - 12/2023

USA Inflation



Source: Haver

Period: 01/2003 - 12/2023

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	2.5	2.4	1.5	1.3	1.7	1.7	4.1	4.1	2.8	2.6	2.3	2.3
Eurozone	0.5	0.5	0.7	0.5	1.7	1.4	5.4	5.4	2.3	2.3	2.3	2.1
Germany	-0.1	-0.2	0.6	0.3	1.6	1.2	6.0	6.0	2.5	2.6	2.3	2.2
France	0.8	0.8	0.9	0.7	1.7	1.3	5.7	5.7	2.9	2.6	2.5	2.0
Italy	0.7	0.7	0.6	0.5	1.2	1.1	5.9	5.9	1.4	2.0	2.2	2.0
Spain	2.3	2.4	1.4	1.4	2.1	1.8	3.4	3.4	2.3	2.8	2.3	2.1
United Kingdom	0.3	0.4	0.6	0.4	1.7	1.2	7.3	7.4	2.5	2.8	2.1	2.1
Japan	1.9	2.0	0.7	0.8	1.1	1.0	3.3	3.2	2.3	2.3	1.9	1.7
China	5.1	5.2	4.3	4.6	3.8	4.4	0.2	0.3	1.7	1.1	2.0	1.8
World*	2.9	-	2.1	-	2.5	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 24/01/2024.
* 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 markets at all-time highs after a bumpy start to the year

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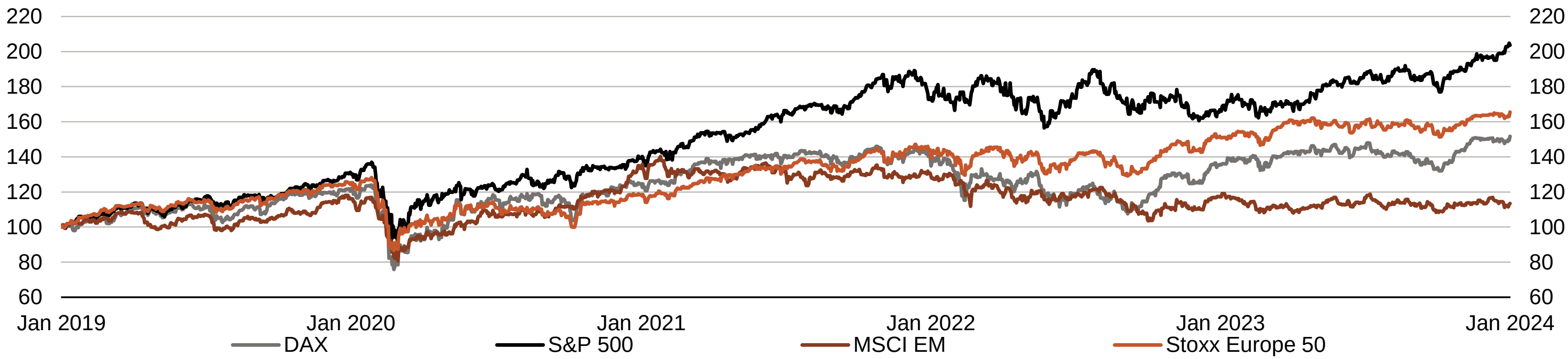
Trend reversal after strong 2023 only short-lived

- The equity markets had a bumpy start to the new year. The "Magnificent 7", which had contributed significantly to the strong annual performance in the previous year, were all down after the first week. Overbought markets and positioning and excessive hopes of interest rate cuts made the markets appear vulnerable to a setback. Additional drivers from the macro side, such as the less dovish Fed minutes from the December meeting, which highlighted the gap between Fed statements and the market's aggressive rate cut expectations, as well as some cautious earnings outlooks, weighed on prices and led to a phase of normalisation after the long market rally.
- However, the trend reversal was short-lived. Over the rest of January, US equities largely rose again. The S&P 500 even reached a new all-time high. Increasing discussion about US QT tapering, disinflationary tendencies, a strong labour market, robust consumer sentiment, AI optimism, a lower bar for fourth-quarter earnings and expectations of share buybacks after the end of the reporting season boosted the markets.
- However, risks such as higher interest rates in the longer term and thus a possible tightening of financing conditions, low market breadth, (overly) high investor optimism, vulnerable positioning and weaker growth prospects in China remain negative factors.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 24/01/2019 – 24/01/2024

Corporate earnings
Solid start to the Q4 reporting season

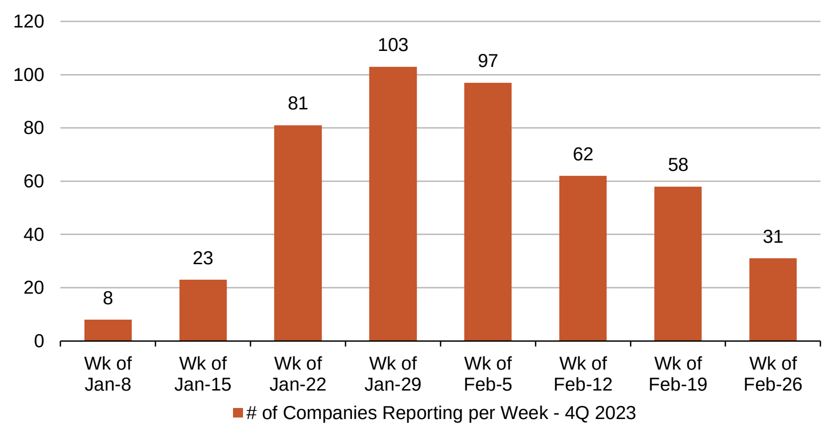
Q4 reporting season in the focus of the markets

- The Q4 reporting season is in full swing: in the US, 20% of the S&P 500 have already reported. So far, just over 80% of companies there have exceeded market expectations in terms of EPS.
- Under the surface, however, there are also signs of weakness: as with the Q3 results, sales results were disappointing: so far, only 50% of companies have exceeded sales expectations, which corresponds to the worst result since Q3 2019.
- The consensus remains optimistic and expects global earnings growth of around 10% in 2024. However, we believe that this is too ambitious due to persistently high wage inflation and refinancing costs as well as stronger disinflation.

Markets caught between macro scenarios

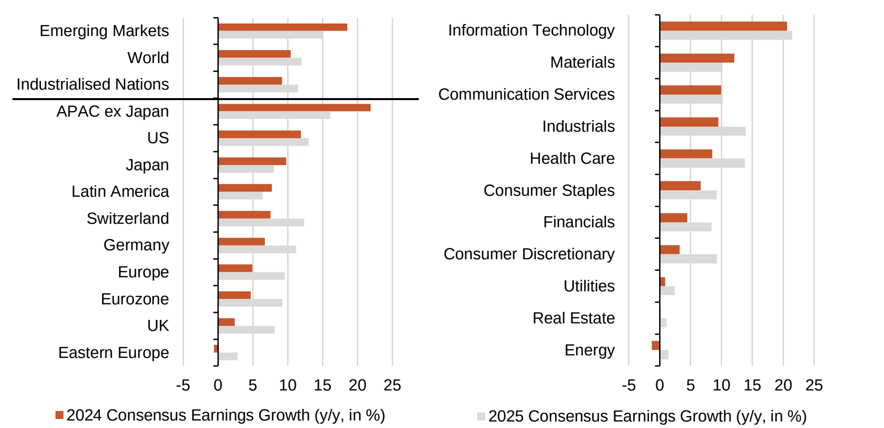
- The markets currently appear to be caught between three possible macro scenarios for the year 2024 with very different effects on the capital markets.
- If the "higher interest rates for longer maturities" scenario materialises, the core strategies are likely to have a harder time due to the high interest rate sensitivity of the equity style (quality growth). In a hard landing scenario, the core strategies should achieve a solid performance thanks to the underweight in equities and the high interest rate sensitivity.
- However, if the soft landing scenario hoped for by the market materialises, core strategies are likely to benefit relatively if interest rates fall and there is no sharp economic downturn.

Q4 reporting season in full swing



Source: Own presentation

Optimistic consensus harbours risks



Source: Factset, MSCI Europe sectors, own calculations As of: 24/01/2024

Performance & Valuation
Valuation increase despite rise in yields

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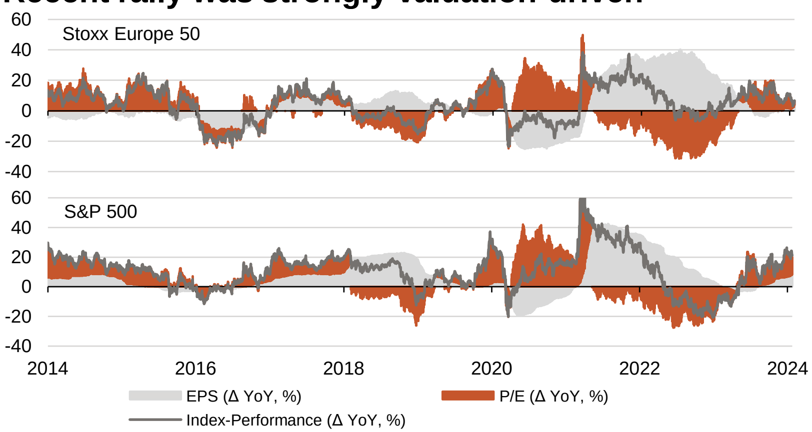
Recent valuation increase more due to technical factors

- Despite the rise in yields last week, valuations have also risen. Following the countermovement at the start of the year, the latest rally was therefore largely driven by valuations.
- The current divergence between higher yields and the associated pressure on equity valuations is therefore more attributable to technical factors (only low volatility on the equity markets) and does not initially signify a fundamentally sustainable expansion in valuations.

Opportunities in small caps and quality growth

- The forward P/E ratio of the S&P 500 is now back at 20.1, above the historical average of 17, while European equities are trading at historically favourable levels.
- Without a very sharp fall in interest rates, the scope for a strong increase in valuations is limited. However, individual segments, such as small caps, are favourably valued compared to their own history. With rising relative earnings revisions, our quality growth equity style also points to possible catch-up potential in terms of relative performance. In addition, high-growth quality stocks have historically posted double-digit relative returns compared to lower-quality cyclical stocks in times of falling key interest rates.

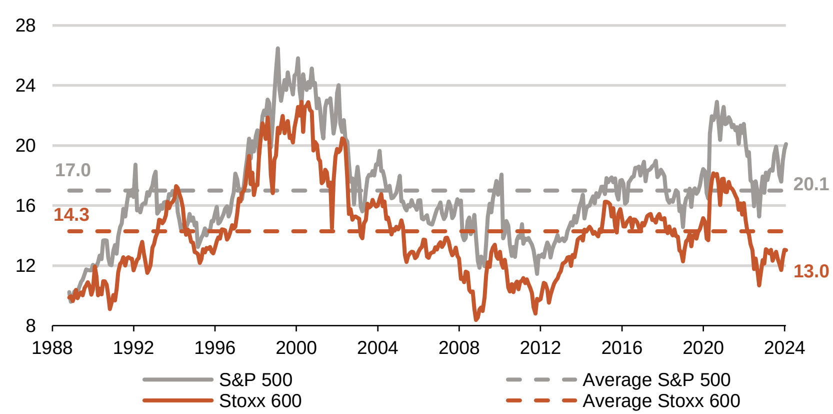
Recent rally was strongly valuation-driven



Source: Factset, own calculations

Time period: 31/12/1987 – 24/01/2024

US equities remain historically expensive



Source: Bloomberg, own calculations

Time period: 31/12/1987 – 24/01/2024

Equity allocation
Overweight in EM and Europe ex. UK

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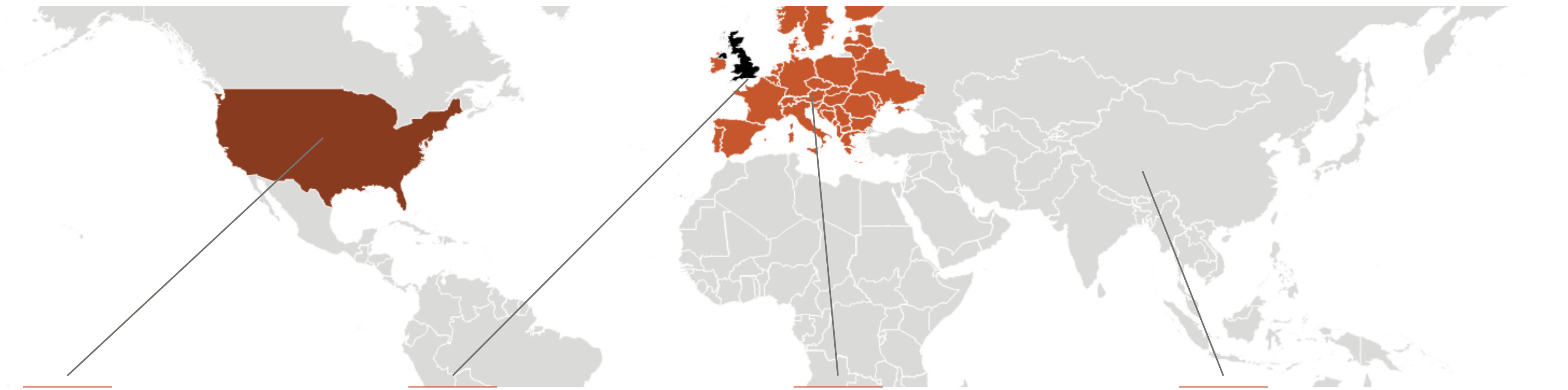


US
Underweight
- The high positioning in US mega caps and the continued higher relative valuation of US equities make it less attractive compared to more favourably valued regions such as Europe or emerging markets.
- Within equity regions, we are underweight in US equities.

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

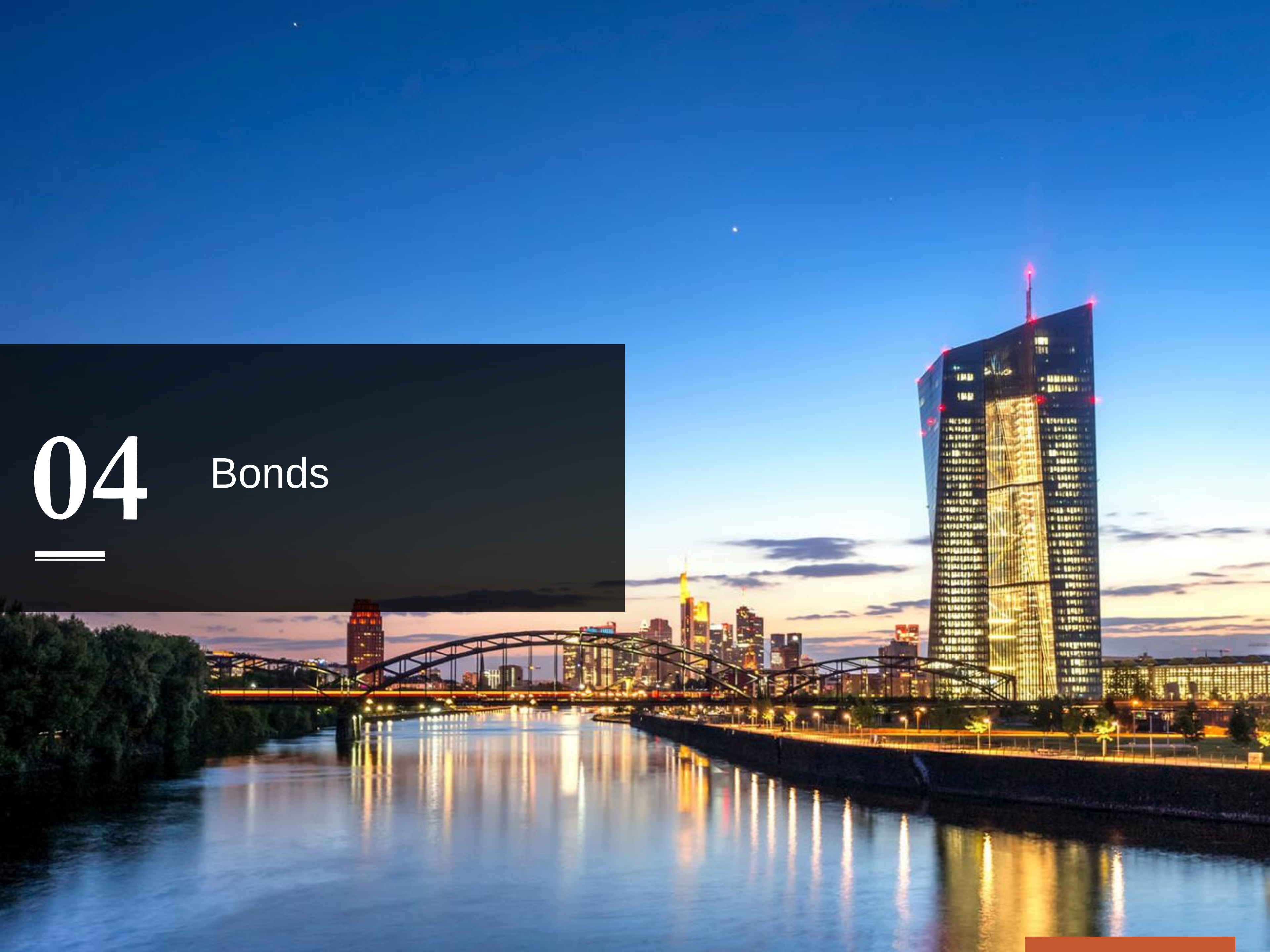
Estimates for selected indices

Index forecasts	Current 24/01/2024	30/06/2024	31/12/2024	Ø* in 12 months
S&P 500	4,869	4,700	4,850	5,240
DAX	16,890	17,300	18,000	19,618
Euro Stoxx 50	4,564	4,700	4,800	5,082
MSCI UK	2,156	2,350	2,400	2,555

Index potential (in %)				
S&P 500	-	-3.5	-0.4	7.6
DAX	-	2.4	6.6	16.2
Euro Stoxx 50	-	3.0	5.2	11.4
MSCI UK	-	9.0	11.3	18.5

Source: Bloomberg. Berenberg. as of 24/01/2024.
*Average based on bottom-up estimates.

04 Bonds



Government bonds
Central banks back in the spotlight

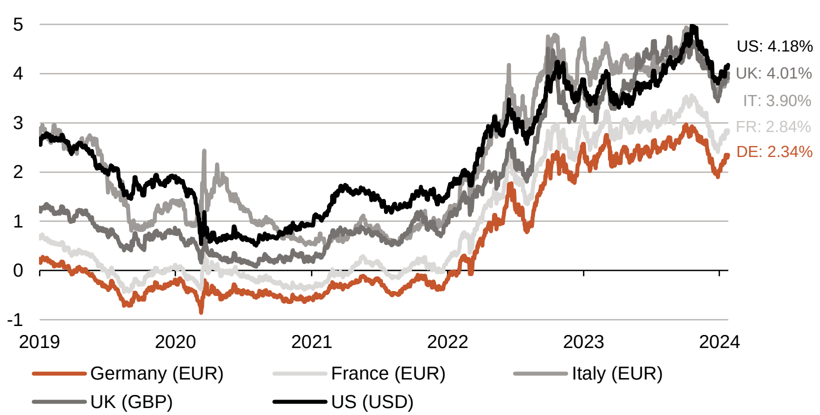
Interest rate cut expectations recently dampened

- Little remained of the year-end rally mood - the new year began with rising real interest rates across the board. Robust economic data in the US and stubborn inflation figures on both sides of the Atlantic dampened participants' expectations of interest rate cuts in the near future. The low demand for new issues also recently put US Treasuries under further pressure.
- The geopolitical tensions in the Red Sea, which are affecting global shipping traffic and thus leading to problems in the logistics chain and rising freight costs, are likely to support inflation expectations and exert additional pressure on central banks to stick to their "higher for longer" scenario.

Periphery supported by falling debt ratios

- The downward trend in the risk premiums of the peripheral countries, which began with the positive rating surprises for Italy and Portugal in November last year, has recently continued. Higher GDP growth and fewer planned new issues compared to the core countries of France and Germany are easing the situation for investors. The BTP-Bund spread, which is an important indicator of the risks in the eurozone, has narrowed to its lowest level for almost two years.
- This trend was also supported by historically high demand for bonds in Europe - more than EUR 290 billion has already been raised in bonds since the beginning of the year.

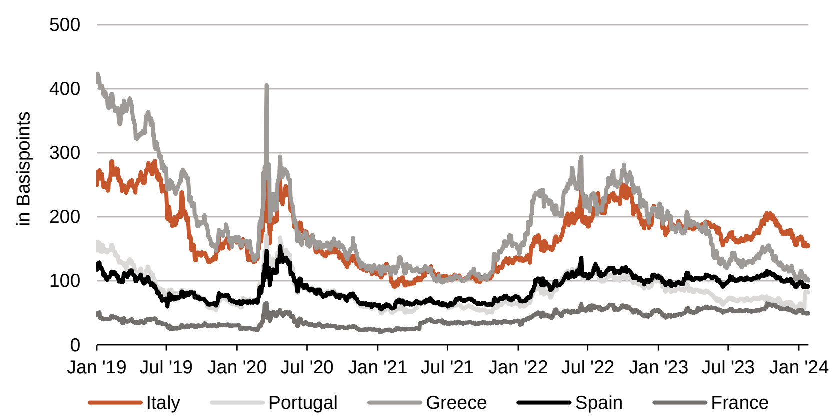
Rising yields across the board in 2024 so far



Source: Bloomberg

Time period: 01/01/2019 – 24/01/2024

Risk premiums of peripheral countries continue to fall



Source: Bloomberg, own calculations,
(Spread 10-year government bonds vs. Bunds)

Time period: 01/01/2019 – 24/01/2024

Corporate & EM bonds
High demand in Europe, outflows in EM

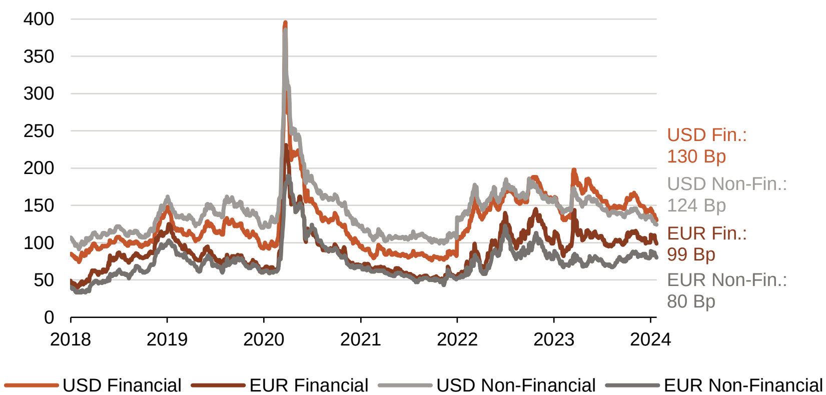
IG and HY: Spreads stable despite economic weakness

- Despite the disillusionment over the rapid interest rate cuts, weak economic data and increasing problems in global supply chains, risk premiums in the HY segment have continued to fall since the beginning of the year, mainly due to the historically high demand for bonds in Europe and the lack of supply on the corporate side.
- The prospect of persistently high key interest rates in the eurozone and the impact of rising transport costs and supply chain disruptions continue to support the preference for IG over HY and the avoidance of cyclicals. Financial bonds should be further supported by the sharp decline in net supply.

EM: Resilience despite further outflows

- Despite continued negative inflows into EM government and corporate bonds since the beginning of the year, risk premiums have remained resilient, supported by robust demand for new issues and tight supply, which was well below the previous year's level. A further tightening of supply should give emerging market bonds an additional technical tailwind.
- A possible "higher for longer" scenario in the industrialised countries, which are more affected by the ongoing inflationary risks resulting from the disruption of the Suez Canal, should further support the relative attractiveness of the local currency segment.

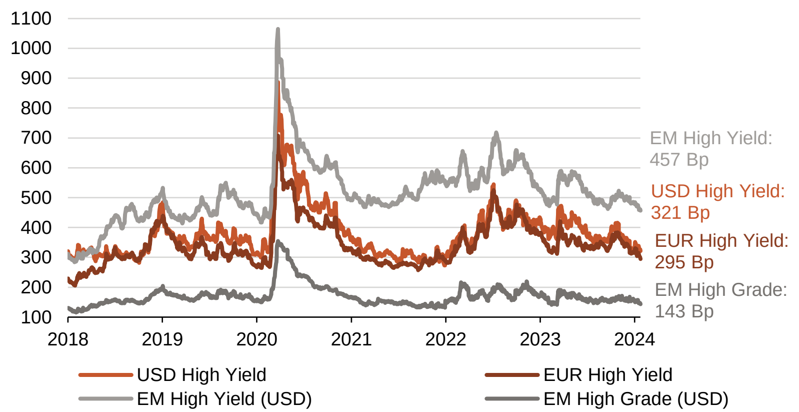
Spreads in the IG and HY segments tightening further



Source: Factset, own calculations

Time period: 01/01/2019 – 24/01/2024

EM spreads stable despite negative net inflows



Source: Factset, own calculations

Time period: 01/01/2019 – 24/01/2024

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 %)	24/01/2024	30/06/2024		31/12/2024	
	Current		Ø*		Ø*
US					
Base interest rate	5.25-5.50	5.00-5.25	5.15	4.25-4.50	4.30
10Y US yield	4.18	4.30	3.94	4.40	3.79
Eurozone					
Base interest rate	4.50	4.50	4.20	4.00	3.60
10Y Bund yield	2.34	2.60	2.20	2.70	2.21
United Kingdom					
Base interest rate	5.25	5.00	5.05	4.00	4.30
10Y Gilt yield	4.01	4.00	3.81	4.00	3.62

Source: Bloomberg. Berenberg. as of 24/01/2024.
*Average of estimates by other experts (Bloomberg) consensus.

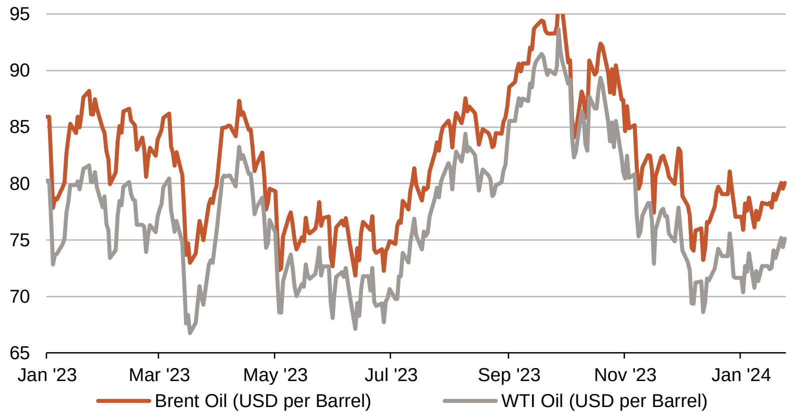
05 Commodities

Crude oil
Stabilization at the beginning of the year

Geopolitics brings stability, but fundamentally little new

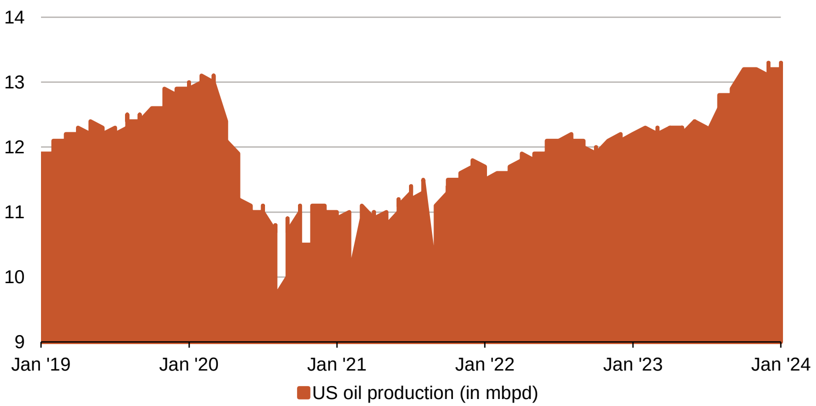
- Crude oil finally seems to be stabilizing at the turn of the year after months of weakness. Brent crude fluctuated between USD 75 and USD 82 per barrel in January. In addition to the cold weather, the main reason for the newfound stability is likely to be the attacks by the Houthi rebels on ships in the Red Sea. The retaliatory strikes by the USA and the UK are further fueling the situation. Although the market is not yet pricing in a substantial risk premium, more and more shipping companies are diverting oil tankers via the much longer route around the coast of South Africa. This not only increases transportation costs, but also ties up more supply on the world's oceans – both of which are incrementally positive for the oil price. If, in the current unlikely event, the conflict spreads to the Persian Gulf and thus to the Strait of Hormuz, this would have major consequences for the global oil market as almost 20% of global production passes through this strait.
- Apart from the geopolitical risk, there is little fundamentally new. Demand growth is likely to stay moderate if the US economy comes in for a landing as expected and the major stimulus in China fails to materialize. OPEC+ is attempting to counteract this with voluntary production cuts. These counteracts could prove to be more effective than last year, as production growth is expected to be significantly slower, especially in the US.

At the turn of the year, oil escapes downward trend



Source: Bloomberg. Time period: 01/01/2023 – 24/01/2024.

US oil production grew surprisingly strong last year



Source: Bloomberg, DOE. Time period: 01/01/2019 – 19/01/2024.

Precious and industrial metals
Gold at all-time high, other metals burdened by the economy

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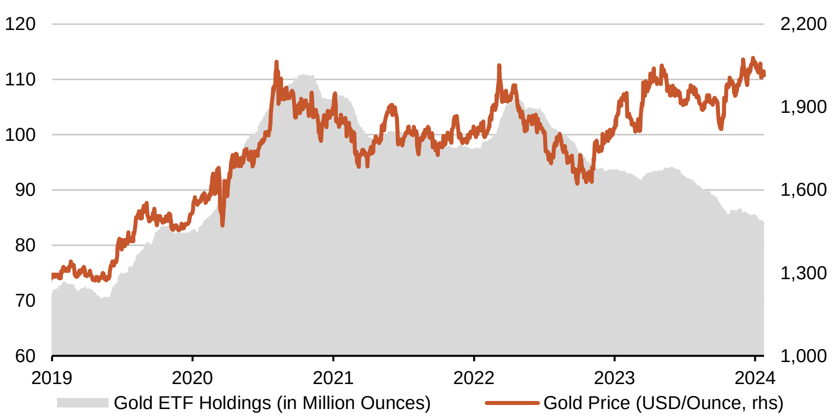
Gold remains strong despite headwinds

- After reaching a new all-time high at the end of last year, gold consolidated in January, but is still trading well above the USD 2,000 per ounce mark.
- Investors scaled back their ambitious expectations of central banks with regard to interest rate cuts in the near future. As a result, not only nominal but also real interest rates increased, while the dollar strengthened. Both meant headwinds for gold. However, gold remained surprisingly robust. This is probably due to the fact that investors have now significantly reduced their positioning, making gold less vulnerable.

Industrial metals need economic momentum

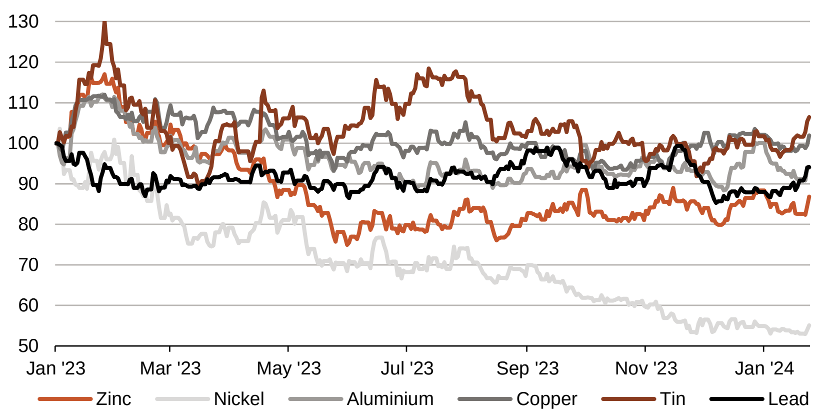
- The LME industrial metal index has been moving sideways since the end of May last year. In view of the recession in the manufacturing sector in the West and continued weak economic data from China, this sobering development is unfortunately not surprising.
- Accordingly, it is clear what is needed for the sector to recover. After all, producers have not built-up overcapacity despite the boom caused by the coronavirus pandemic. On the opposite, this lack of investment should ultimately meet the high structural "green" demand and provide a strong tailwind, even if this is currently overshadowed by the high economic sensitivity of industrial metals.

ETF holdings at their lowest level since Feb 2020



Source: Bloomberg, own calculations. Time period: 01/01/2019 – 24/01/2024.

Industrial metals in a sideways trend



Source: Bloomberg, own calculations. Time period: 01/01/2023 – 24/01/2024.

06 Currencies

Market Development
FX markets

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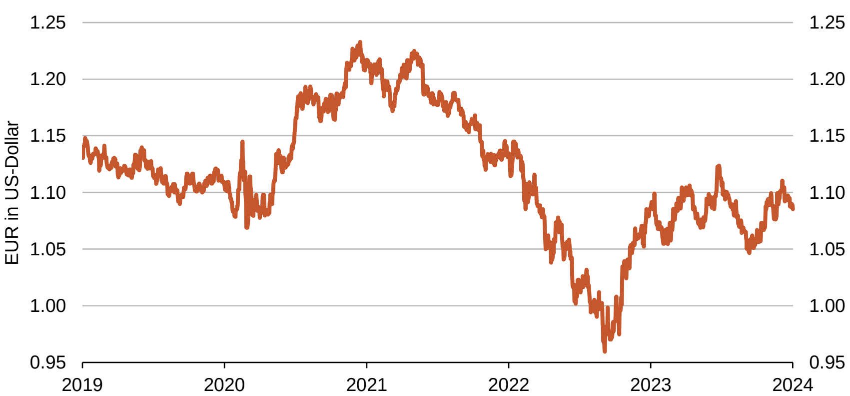
ECB leaves timing of first interest rate cut open

- ECB President Lagarde initially stepped on the euphoria brakes a little at the WEF in Davos and took some of the wind out of the sails of market players who expect the ECB to cut interest rates soon. At the press conference following the interest rate decision, Lagarde left the timing of the first rate cut largely open.
- Overall, inflation data and the resulting expectations for further action by central banks remain the main drivers on the currency market. EUR/USD is trading below USD 1.09 per euro again.

Upside potential for the euro remains limited

- There is still no sign of any original euro strength. The euro always benefits when the US dollar is no longer trading quite so hotly. For the current year, we expect moderate gains for the euro up to around USD 1.15 per euro. However, this would not yet be a real upswing for the single currency.
- The euro is struggling against the franc. Recently, the exchange rate was back at 0.94 francs per euro. In December, the Swiss National Bank (SNB) bought around CHF 10 billion worth of foreign currency – apparently it would like to see a less strong franc.

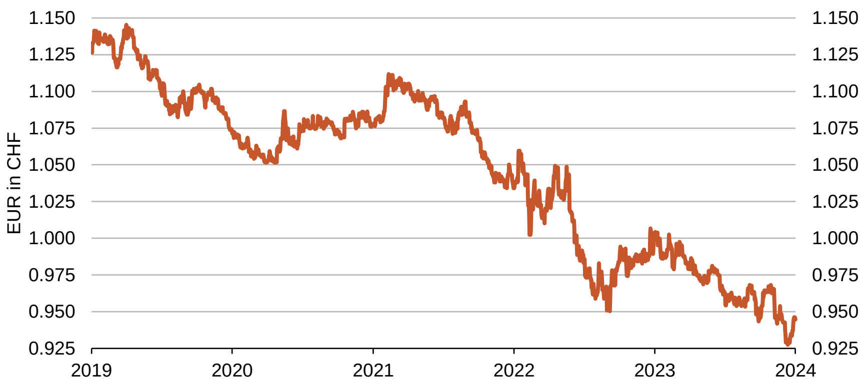
Exchange rate: Euro/US-Dollar



Source: Haver

Period: 01/2019 – 01/2024

Exchange rate: EUR/CHF



Source: Haver

Period : 01/2019 – 01/2024

Forecasts
Estimates of key currencies

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Exchange rate forecasts	24/01/2024	30/06/2024		31/12/2024	
	Current		Ø*		Ø*
EUR/USD	1.09	1.12	1.11	1.15	1.12
EUR/GBP	0.86	0.86	0.88	0.85	0.88
EUR/CHF	0.94	0.95	0.97	0.96	0.98
EUR/JPY	161	159	155	161	151

Change against the Euro (in %)					
USD	-	-2.8	-1.9	-5.3	-2.8
GBP	-	-0.5	-2.8	0.6	-2.8
CHF	-	-1.1	-3.2	-2.2	-4.2
JPY	-	1.0	3.6	-0.3	6.3

Source: Bloomberg. Berenberg as of 24/01/2024.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information

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