HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

March | 2024

Horizon Handout – Capital Market Outlook
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Date 29/02/2024.

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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

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 (30/01/24 - 27/02/24)	YTD (29/12/23 - 27/02/24)	27/02/23 27/02/24	27/02/22 27/02/23	27/02/21 27/02/22	27/02/20 27/02/21	27/02/19 27/02/20
MSCI Emerging Markets	4.8	2.5	6.5	-9.9	-4.0	20.7	3.1
MSCI World	2.9	7.4	21.5	-1.6	19.1	15.6	9.9
MSCI Frontier Markets	1.1	4.7	9.9	-14.6	19.3	-2.6	8.4
Brent	0.9	11.1	9.7	17.4	75.2	-3.1	-8.8
Euro overnight deposit	0.3	0.6	3.6	0.4	-0.6	-0.5	-0.4
USDEUR	0.0	1.8	-2.2	6.3	7.1	-8.9	3.4
Global Convertibles	-0.2	1.1	4.0	-6.4	-5.9	42.7	9.3
Gold	-0.3	0.2	9.3	2.1	16.8	-4.0	28.8
EUR Coporates	-0.5	-0.8	6.3	-9.5	-4.3	0.7	5.5
EUR Sovereign Debt	-0.7	-1.4	4.2	-9.7	-2.7	-0.1	3.7
REITs	-0.8	-3.2	-3.6	-11.6	27.0	-12.8	11.3
Industrial Metals	-2.0	-1.3	-12.2	-7.5	39.2	28.4	-10.2

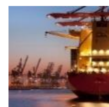
MSCI World: MSCI World Net Return; MSCI Emerging Markets: MSCI EM Net Return; MSCI Frontier Markets: MSCI Frontier Markets Net Return;
REITs: MSCI World REITs Index; EUR Sovereign Debt: IBOXX Eurozone Sovereign 1-10Y TR; EUR Corporates: IBOXX Euro Corporates Overall TR;
Global Convertibles: SPDR Convertible 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: 27/02/2019 – 27/02/2024.

Overview of capital markets
Outlook by asset class

Economics



- US economy approaches ultra-soft landing – growth declines only a little below long-term average.
- Chinese growth stabilizes at around 4% – a weak rate by Chinese standards.
- Eurozone can turn up again from Q2 onwards after inventory correction comes to an end.

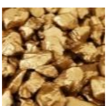
Equities

- Stock markets continue strong rally. Solid reporting season, robust economic data and fiscal policy support share prices.
- US equities remain expensively valued. Limited potential for further valuation expansion without a sharp interest rate cut.
- Opportunities in second-line stocks, quality growth stocks and emerging markets, especially Latin America.

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 global outflows, supported by high local demand.

Alternative investments / commodities



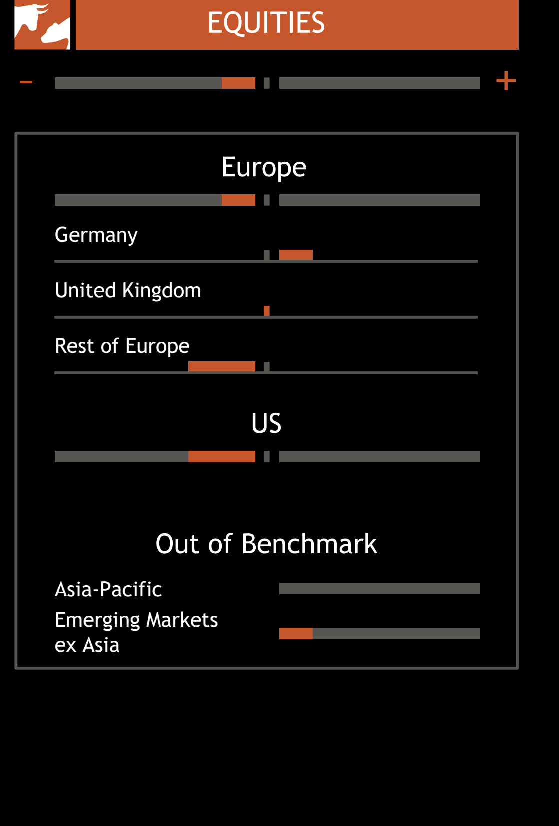
- Geopolitical risk premium for oil remains, but no clear fundamental imbalance recognisable.
- Gold defies higher real interest rates and ETF outflows thanks to strong physical demand.
- Industrial metals are trending sideways and are waiting for clearer impulses from the manufacturing sector.

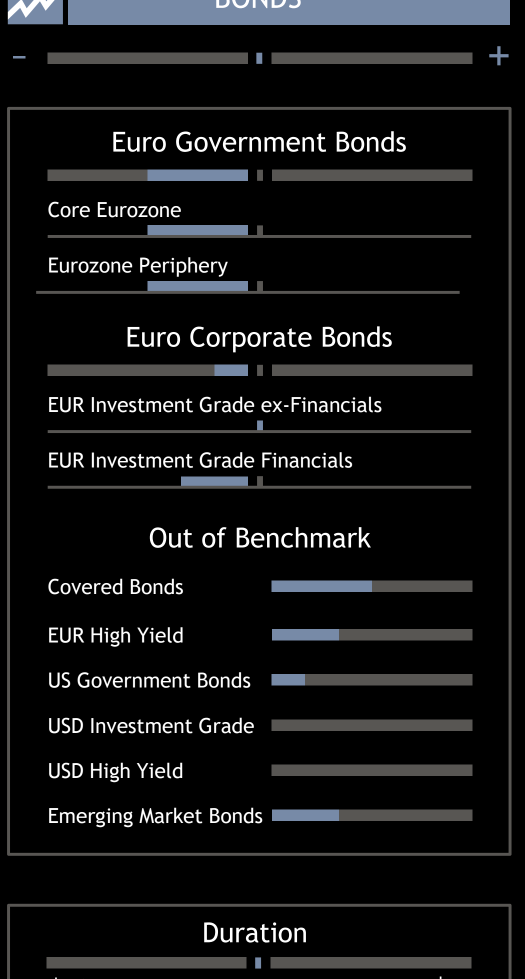
Currencies

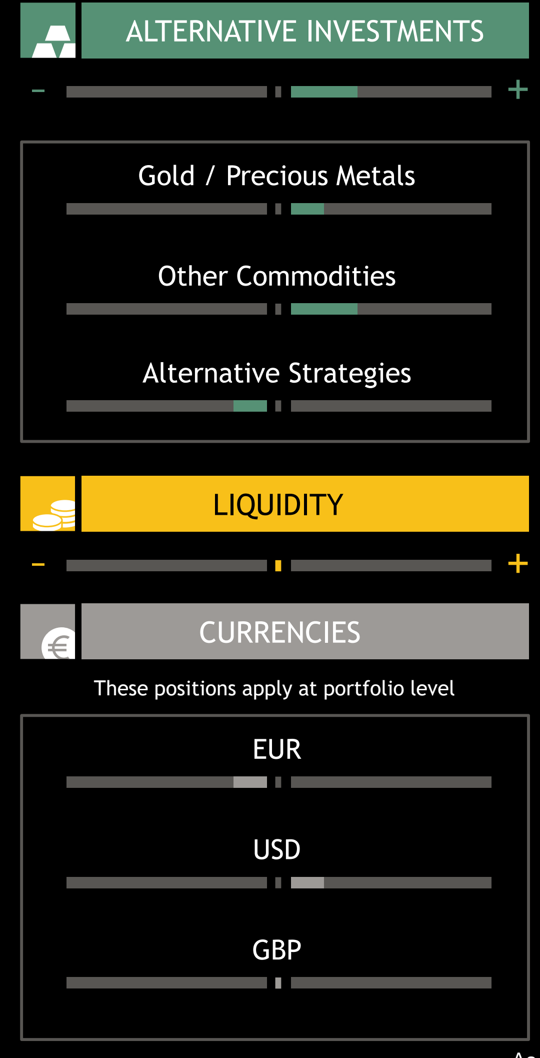
- The euro benefits when there is less demand for the US dollar. But there is no real euro strength in sight.
- The US dollar is benefiting from its status as a "safe haven" and remains structurally strong.
- Influence of rate expectations – markets increasingly expect first ECB cut to come a bit later.

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

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 28/02/2024.

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	26/02/19 - 26/02/20	26/02/20 - 26/02/21	26/02/21 - 26/02/22	26/02/22 - 26/02/23	26/02/23 - 26/02/24
	14.19%	1.38%	21.66%	5.46%	17.18%

75%
70%
65%
60%
55%
50%
45%
40%
35%
30%
25%

186
178
170
162
154
146
138
130
122
114
106
98
90
82

Dec. 18 Jun. 19 Dec. 19 Jun. 20 Dec. 20 Jun. 21 Dec. 21 Jun. 22 Dec. 22 Jun. 23 Dec. 23

Equity allocation CS 3 — Equity allocation (Min/Neutral/Max) — Performance equity benchmark* (29/09/2017 = 100; Right Scale)

Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 26/02/2019 – 26/02/2024.
Note: The historical performance presented here is not a reliable indicator of future performance.

- Overall, we remain broadly diversified with an overweight in alternative investments such as gold and industrial metals as well as 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.
- Economic data and, in some cases, inflation data have recently surprised to the upside, meaning that (real) interest rates have tended to rise. As valuations have even risen at the same time and positioning and sentiment appear to be somewhat exhausted, we expect a technical setback in the short term and therefore remain slightly underweight in equities. In the medium term, however, we are positive about equities due to the solid macro data and expect market breadth to increase.

02 Economics

Eurozone
GDP and Inflation

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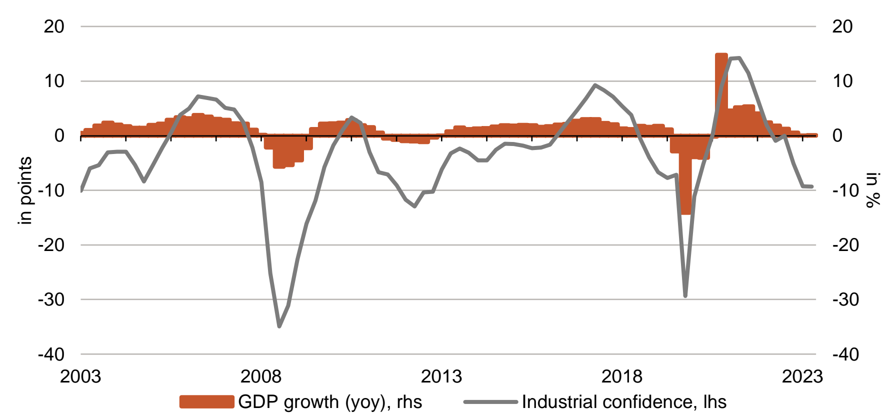
When will the ECB act?

- Over the course of the year, policy rates likely will gradually descend from their plateau. But it is still uncertain when the ECB will make its first cut.
- President Lagarde and other ECB council members have sent mixed signals recently, when the bank would have enough data to be confident that inflation has been defeated.
- We think a first rate cut will most likely happen in June – and markets are increasingly moving away from expecting an earlier cut.

Economy can start to expand again in Q2

- The phase of quick disinflation since October 2022 is most likely over now. In the future, price pressures will probably remain higher than in the low-inflation period before the pandemic.
- Economic growth will most likely remain weak at the start of the year, before turning up from Q2 onwards supported by an end of the global inventory correction and rising confidence of consumers and companies.

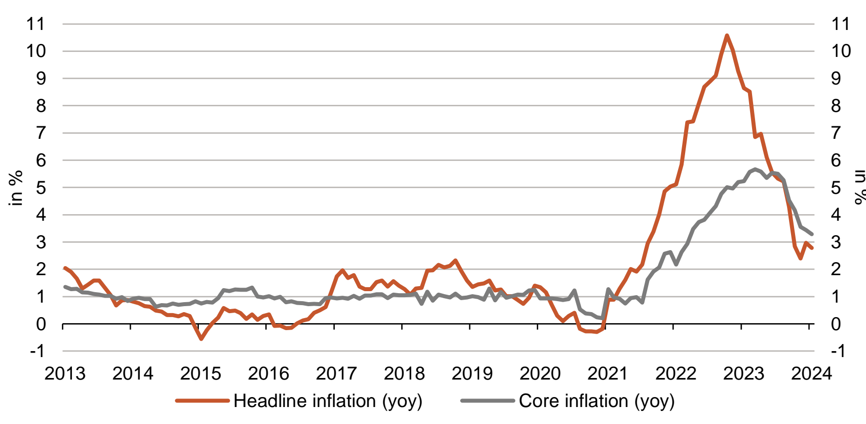
Eurozone GDP growth and industrial confidence



Source: Haver

Period: 09/2003 - 12/2023

Eurozone Inflation



Source: Haver

Period: 01/2003 - 01/2024

United Kingdom
GDP and Inflation

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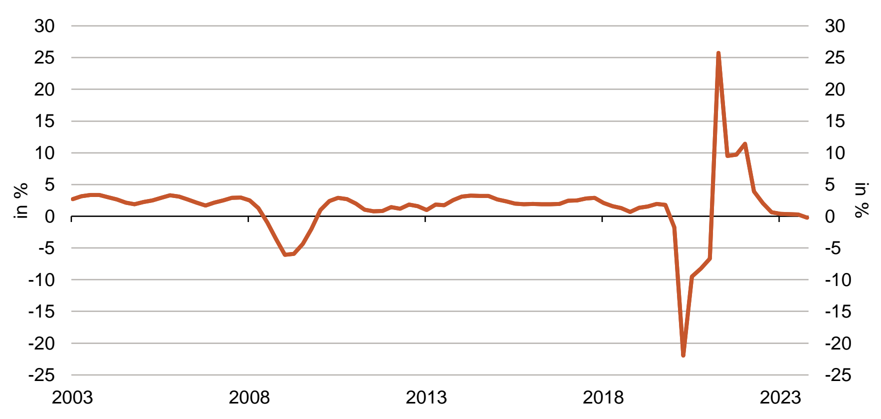
Better prospects

- For 2024, we do not expect growth in the UK to exceed that in the Eurozone, even though some early indicators such as business sentiment even look a little better in Britain.
- 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.

Inflationary pressure eases

- The Bank of England (BoE) left the bank rate unchanged at its last meeting on 1 February. The Bank Rate thus remains at 5.25%. But the distribution of votes has shifted a bit since December – from 3:6:0 for rate rise/no change/rate cut to 2:6:1.
- Inflation is declining in the UK as well, although with a bit of a delay compared to the US and Eurozone. At 4% yoy, prices increased somewhat less than expected in January. In the second quarter, inflation may return to 2%.

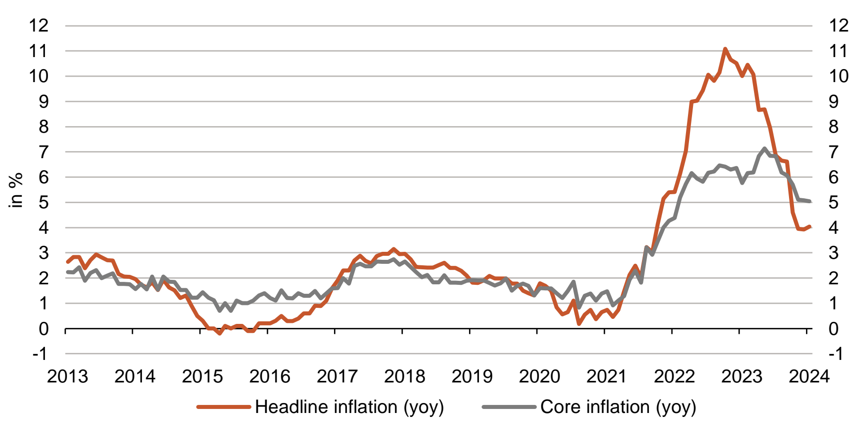
United Kingdom GDP growth (yoy)



Source: Haver

Period: 03/2003 - 12/2023

United Kingdom Inflation



Source: Haver

Period: 01/2013 - 01/2024

USA
GDP and Inflation

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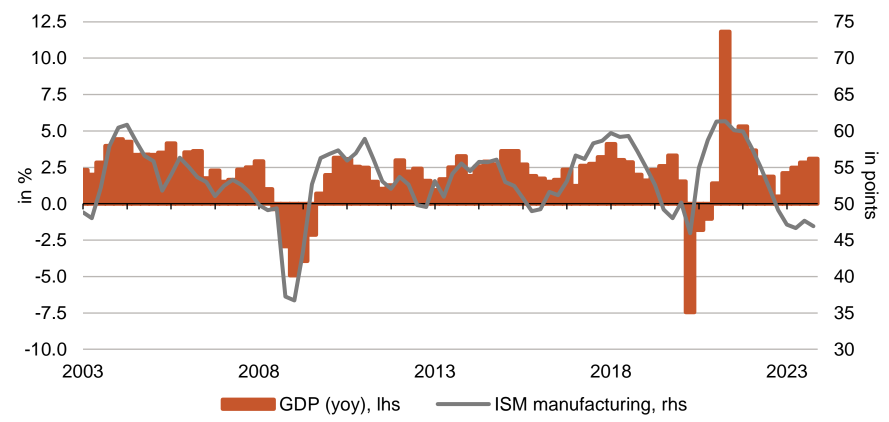
Approaching ultra-soft landing

- It looks like the presidential election will be once again a duel between Donald Trump and Joseph Biden.
- Regardless of the meagre political outlook, the US economy is expanding strongly. In Q4, GDP rose by a (non-annualized) 0.8% and thus much more than expected. Early indicators (labour market, PMI, consumer confidence) point to a strong start into 2024 as well. We expect an ultra-soft landing – despite high policy rates, GDP growth should only decline a little below its long-term average.

Inflation in the target area

- Inflation has fallen significantly after peaking at over nine percent. While core PCE inflation – the Fed's preferred measure – still came in at a higher-than-normal 2.9% yoy in December, this masks the fact that prices have risen very moderately in recent months. Judging by annualized three- or six-month inflation rates, the Fed has reached its target.
- But due to persistent uncertainty (CPI inflation was higher than expected in January), the Fed will likely wait with its first rate cut until Q2.

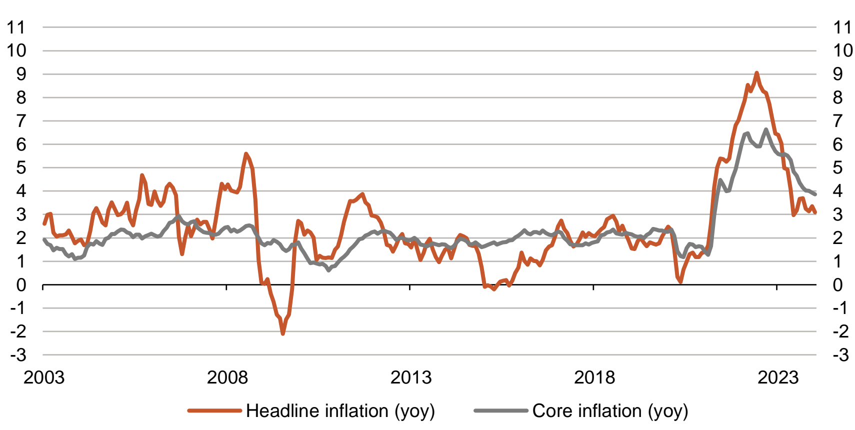
US GDP growth and Purchasing Managers Index



Source: Haver

Period: 03/2003 - 12/2023

USA Inflation (in %)



Source: Haver

Period: 01/2003 - 01/2024

Economic forecasts

Key estimates at a glance

	GDP growth (in %)						Inflation (in %)					
	2024		2025		2026		2024		2025		2026	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	2.2	2.0	1.7	1.7	2.0	2.0	2.7	2.7	2.4	2.4	2.4	2.2
Eurozone	0.7	0.5	1.7	1.4	1.5	1.4	2.4	2.3	2.3	2.1	2.5	2.0
Germany	0.4	0.2	1.6	1.2	1.4	1.3	2.3	2.6	2.2	2.2	2.4	2.0
France	0.7	0.7	1.7	1.3	1.6	1.6	2.6	2.6	2.3	2.0	2.5	1.9
Italy	0.7	0.5	1.2	1.1	1.1	1.1	1.6	1.7	2.1	2.0	2.3	2.0
Spain	1.8	1.5	2.0	1.9	2.0	1.7	2.7	2.8	2.4	2.2	2.5	2.1
United Kingdom	0.4	0.4	1.6	1.2	1.7	1.6	2.4	2.5	2.0	2.1	2.3	2.1
Japan	0.5	0.7	1.1	1.1	1.1	0.9	2.1	2.2	1.9	1.7	1.7	1.7
China	4.3	4.6	3.8	4.4	3.9	4.2	1.7	1.0	2.0	1.7	2.0	1.9
World*	2.3	-	2.5	-	2.6	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 28/02/2024.
* 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.

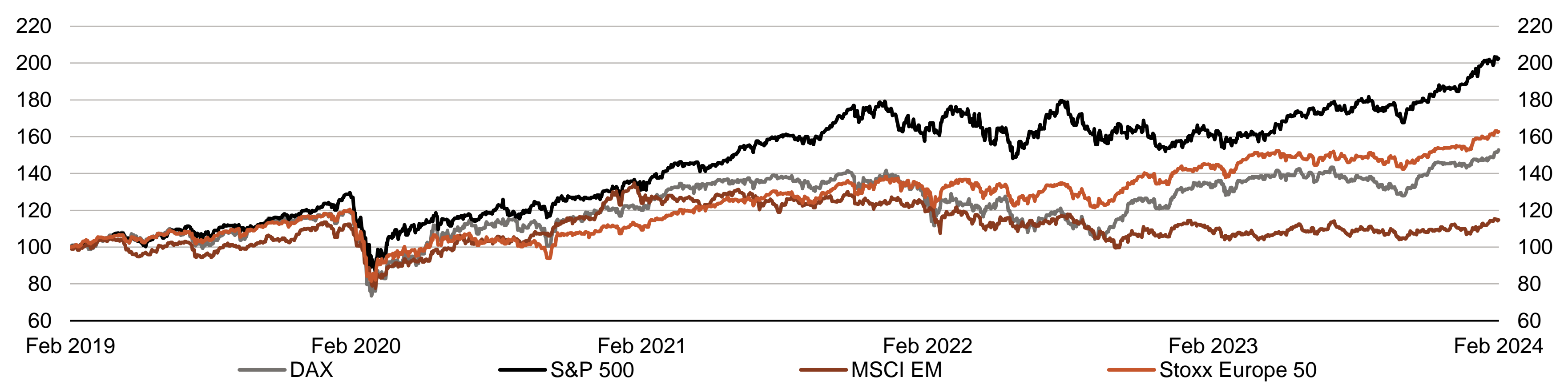
03
Equities

Market developments
Stock markets reach all-time high after all-time high

Stock market strengths overshadows risks

- The stock markets only knew one direction in February: they continued their upward trend since October without hesitation. The combination of a solid reporting season, fiscal policy support and robust economic data was decisive for the sustained bull market. In addition, the record profits of chip manufacturer NVIDIA gave new momentum to the euphoria surrounding artificial intelligence and strengthened market expectations that the technology trend is likely to last longer after all. The increased profits have also deflated a potential tech bubble: The "Magnificent 7" are now trading at a P/E ratio of 27x, compared to a P/E ratio of 40x to 50x in previous market bubbles. Accordingly, the euphoria of US retail investors is unabated: bulls (AAII survey) dominate for the 17th consecutive week and the 3M S&P skew dropped to its lowest level since 2006 due to low demand for downside protection.
- The strength of equity markets still overshadows potential risks from more resilient inflation, rising (real) interest rates (the yield on 10Y US Treasuries is at 4.3%, the highest since November 2023) and the significant reversal of rate cut expectations. In addition, portfolio reallocations at the end of the month (e.g. rebalancing of pension funds) hold downside potential: Morgan Stanley is forecasting outflows from US equities of USD 40 billion at the end of the month in recognition of the significant outperformance of equities over bonds this month.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 27/02/2019 – 27/02/2024

Corporate earnings
Solid start to the Q4 reporting season

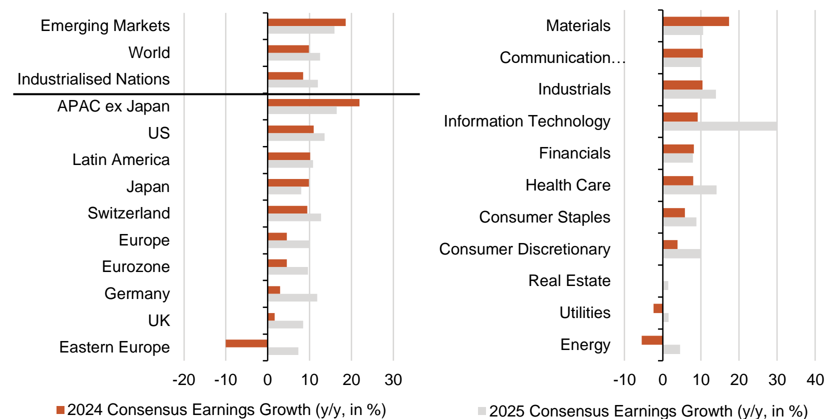
Strong market sentiment with sectoral differences

- The Q4 reporting season is coming to an end: 90% of S&P 500 companies have already reported. 78% of reporting companies have exceeded earnings expectations by a median of 7%. The positive reporting season has clearly boosted current market sentiment. Chip manufacturer NVIDIA in particular reinforced expectations that the AI trend is unlikely to run out of steam any time soon with its positive business figures and outlook.
- Beneath the surface, it is evident that large companies in particular are exceeding their profit expectations more strongly. IT continues to lead the way and energy and basic materials are also performing well. The weakest sectors include consumer staples and healthcare.

Delayed interest rate effect likely to burden profit margins

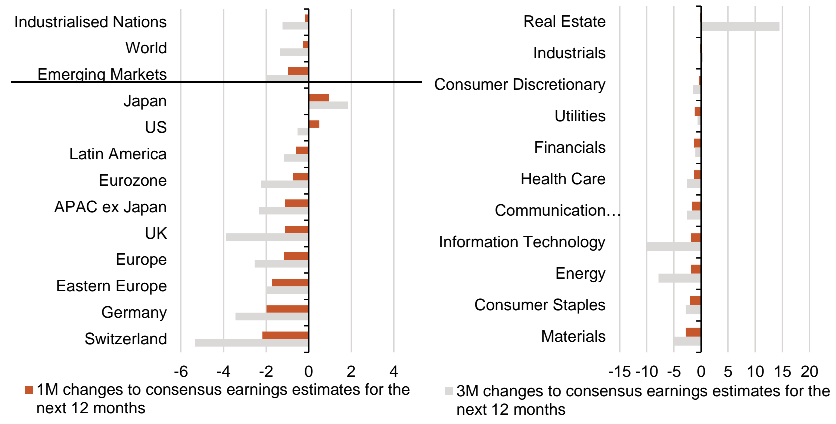
- Despite the positive Q4 reporting season, analysts remain skeptical. Looking ahead to the next 12 months, reductions in earnings estimates dominate. Falling energy prices, concerns about China and uncertainty about supply and geopolitics are particularly dampening the earnings outlook in the energy sector.
- Despite a positive start to the year with many indices reaching new record highs, the higher interest rate level is unlikely to leave the markets unscathed. Two years after the tightening of monetary policy, many companies need to refinance themselves. In addition, wage pressure remains high. Current record margins are likely to come under pressure.

Emerging markets impress with positive outlook



Source: Factset, MSCI Europe sectors, own calculations As of: 28/02/2024

Pessimism clouds short-term growth prospects



Source: Factset, MSCI Europe sectors, own calculations As of: 28/02/2024

Performance & Valuation
Cyclical outperformance continues

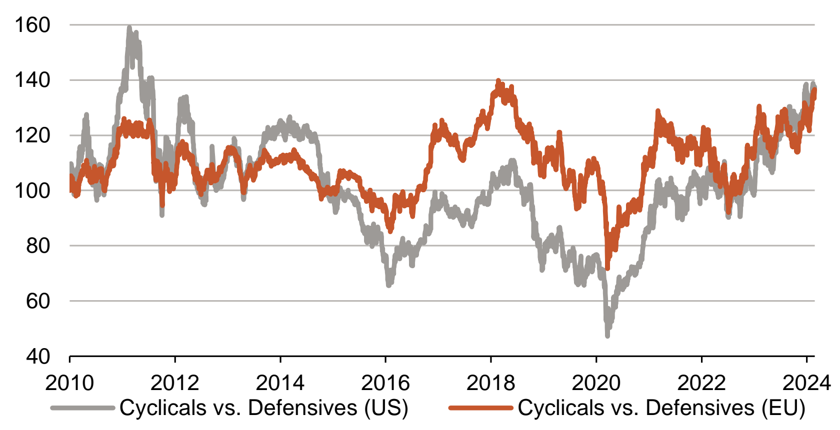
Tech shares off with best start to the year in 20 years

- The relative outperformance of cyclical versus defensive stocks in Europe reached its highest level in six years this week.
- However, there were clear divergences within the cyclicals: Energy stocks were the weakest performers relative to the Stoxx Europe 600 over the past four weeks, while Technology, Travel, Industrials and Construction led the market recovery. In fact, energy stocks had their worst start to the year since 2000, while the technology sector had its best start in 20 years.

Opportunities in small caps and quality growth

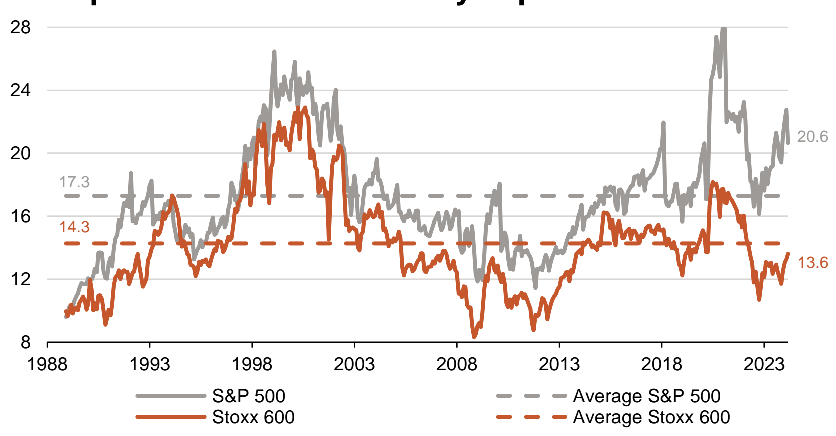
- Unlike our expectations, the market has hardly broadened since the beginning of the year – a few large stocks continue to account for the bulk of market performance. US equities remain historically expensive, while European equities are increasingly approaching their historical average level.
- At present, equity markets still seem to be largely ignoring the rise in interest rates, which limits the scope for further valuation expansion and increases downside risks. We prefer favorably valued stocks with relative catch-up potential. In addition to small caps, our quality-growth style should also benefit relatively, especially in the event of interest rate cuts.

Cyclical outperformance at highest level since 2018



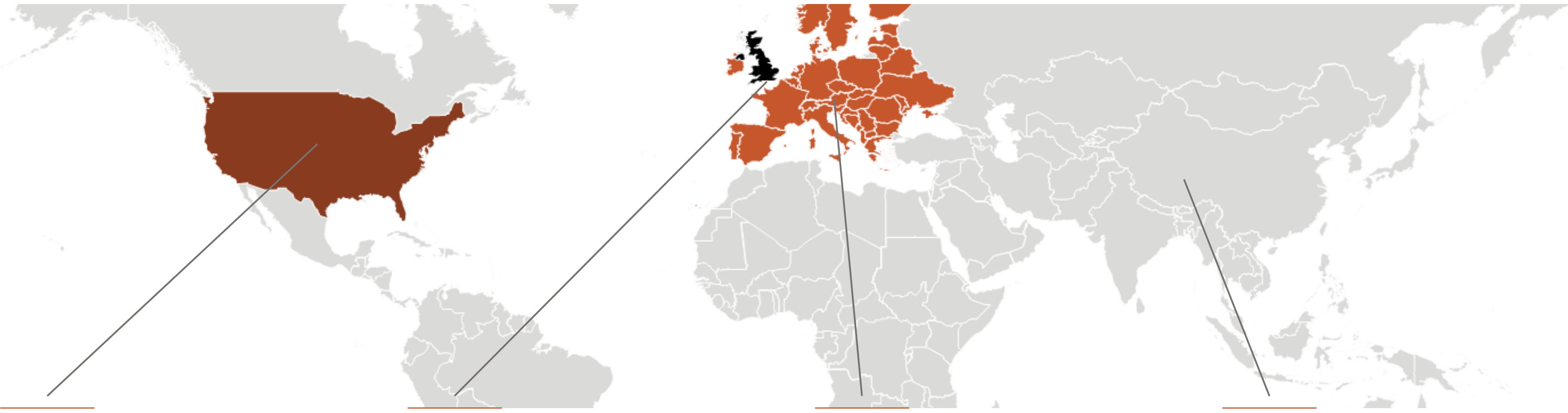
Source: Factset, own calculations Time period: 01/01/2010– 27/02/2024

US equities remain historically expensive



Source: Bloomberg, own calculations Time period: 31/12/1987 – 27/02/2024

Equity allocation
Overweight in EM and Europe ex. UK



US

Slightly underweight

- The high weighting of US mega caps and the continued higher valuation of US equities make the region less attractive than more favourable regions such as Europe or emerging markets. On the other hand, the US economy remains surprisingly robust and the AI euphoria currently favours US equities in particular.
- Within the equity regions, we are slightly underweight US equities.

United Kingdom

Neutral

- UK equities are cheap compared to many other regions. At index level, UK equities have a rather defensive and commodity-rich profile, which should pay off in an environment of high inflation and geopolitical risks.

Europe ex. UK

Overweight

- Despite the positive development since the beginning of the year, European companies do not have a high valuation. The current difficult economic situation therefore appears to be largely reflected in prices. If the economy recovers, there is significant potential for recovery.
- We are slightly overweight on Europe ex UK.

Emerging markets

Overweight

- Latin American equities offer a value-orientated addition to the portfolio. In addition to the favourable valuations, the region's high commodity exposure also argues for relative outperformance in the event of an economic recovery, especially as the region is already further advanced in the interest rate cycle and an easing of monetary policy should support both earnings growth and valuations.

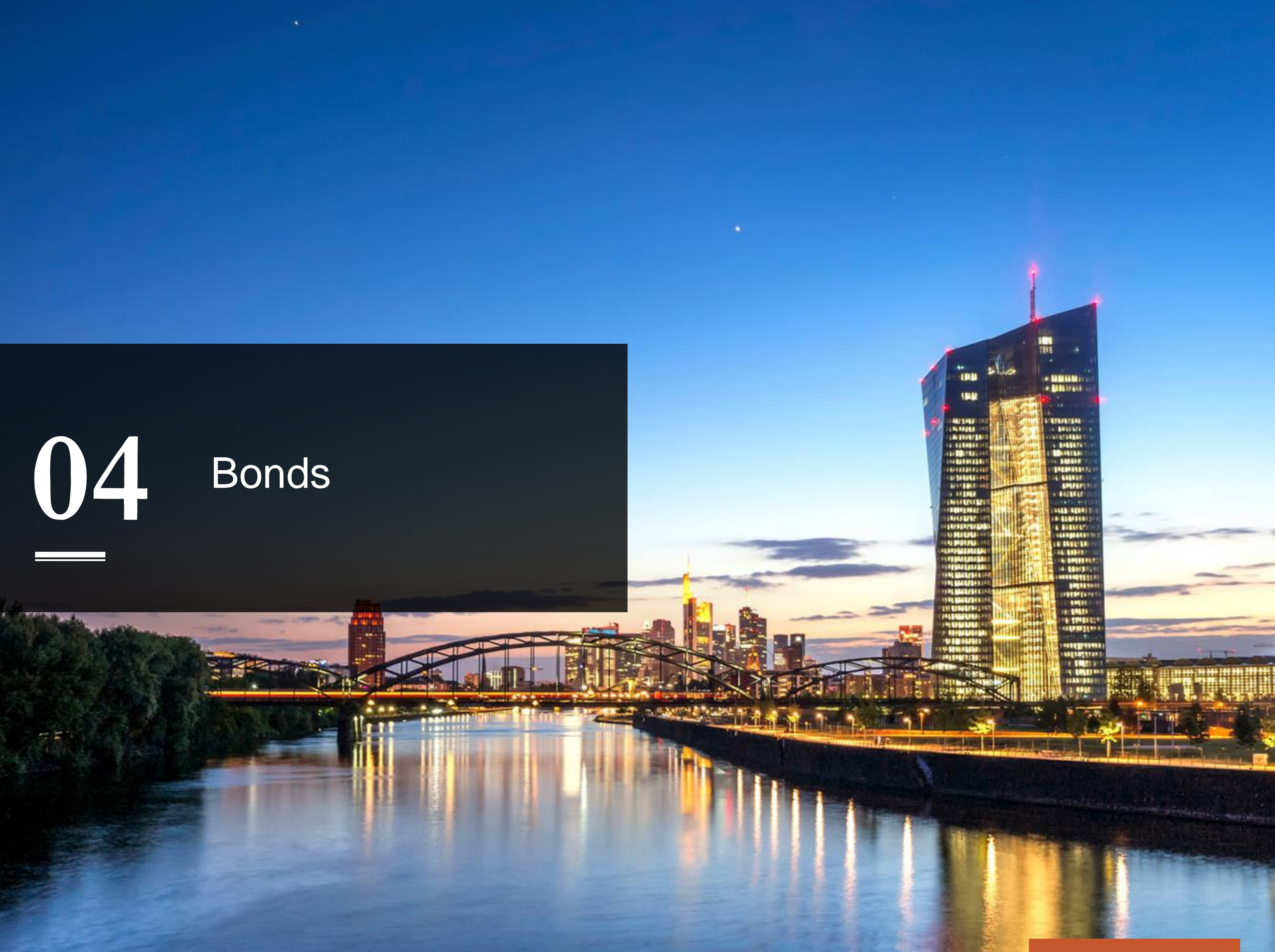
Equity market forecasts

Estimates for selected indices

Index forecasts	Current 27/02/2024	30/06/2024	31/12/2024	Ø* in 12 months
S&P 500	5,078	4,700	4,850	5,536
DAX	17,556	17,300	18,000	20,148
Euro Stoxx 50	4,886	4,700	4,800	5,299
MSCI UK	2,205	2,350	2,400	2,569

Index potential (in %)				
S&P 500	-	-7.4	-4.5	9.0
DAX	-	-1.5	2.5	14.8
Euro Stoxx 50	-	-3.8	-1.8	8.5
MSCI UK	-	6.6	8.9	16.5

Source: Bloomberg. Berenberg. as of 27/02/2024.
*Average based on bottom-up estimates.


04
Bonds

Government bonds
Stubborn inflation meets hawkish central bankers

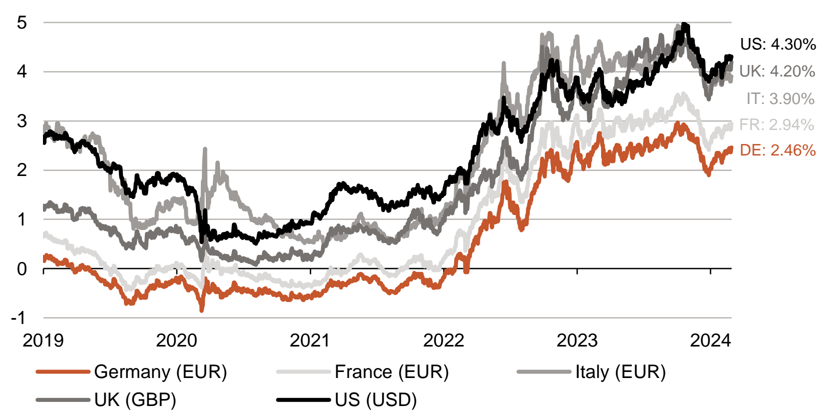
Hawkish central bankers weigh on government bonds

- An upward surprise in inflation in the core services sector in the US and continued inflation and wage pressure in Europe led to central bankers on both sides of the Atlantic tending to make more hawkish statements last month. ECB President Lagarde explicitly confirmed that the inflation target remains unchanged.
- Expectations for interest rate cuts by the Fed and the ECB in 2024 thus fell further to a new 3-month low, almost halving since the start of the year. The yield curves flattened due to the significantly stronger rise in interest rates at the short end than at the middle and long end.

Higher yields in Japan, periphery remains supported

- The downward trend in risk premiums for peripheral countries continued recently thanks to investors' continued optimism and appetite for risk. Higher GDP growth forecasts, better-than-expected economic data and strong demand for new issues supported Italian government bonds. The BTP spread, which is an important indicator of the risks in the eurozone, narrowed to its lowest level in more than two years.
- The higher than expected overall and core inflation in Japan in January fuelled investor expectations of a quicker end to the BoJ's negative interest rate policy and supported government bond yields.

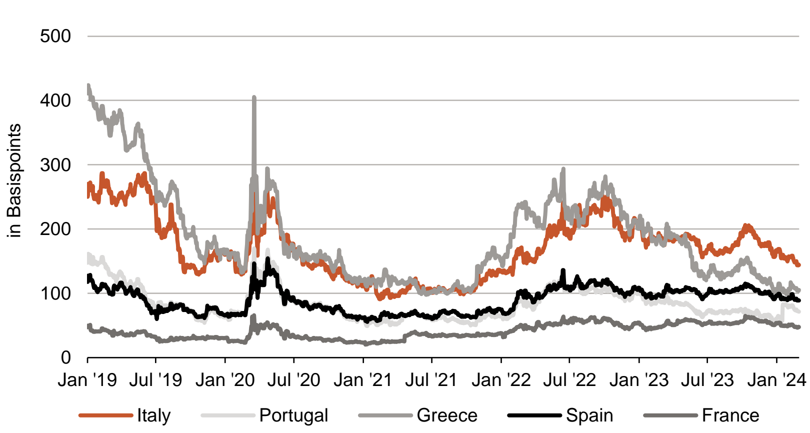
Rising yields across the board in 2024 so far



Source: Bloomberg

Time period: 01/01/2019 – 27/02/2024

Risk premiums of peripheral countries continue to fall



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

Time period: 01/01/2019 – 27/02/2024

Corporate & EM bonds

Continued high demand in Europe, outflows in EM

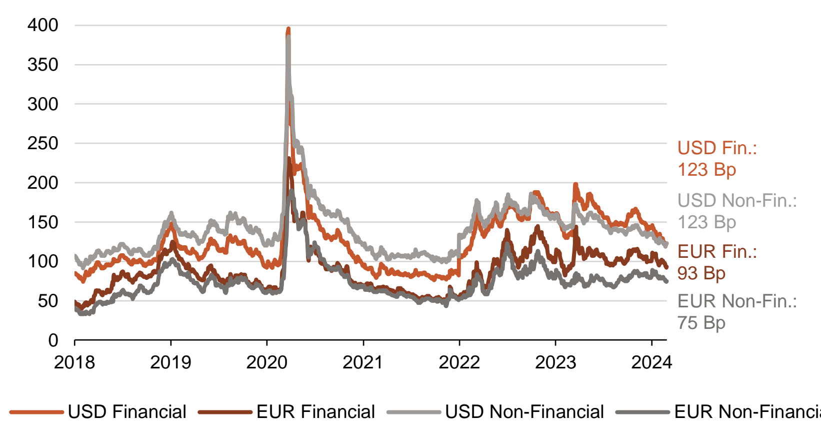
IG IG and HY: Technical factors remain supportive

- The euro credit markets once again benefited from a further narrowing of risk premiums in February. Positive economic surprises in Europe, historically high demand for corporate bonds and a lack of supply on the corporate side led to spreads in the IG and HY segments falling to their lowest level in two years.
- The historically high inflows into IG, which have already exceeded half of the previous year's level since the beginning of the year, as well as the geopolitical risks support preference for IG over HY and the avoidance of cyclicals. Financial bonds are likely to be additionally supported by the sharp decline in net supply.

EM: Resilience despite further outflows

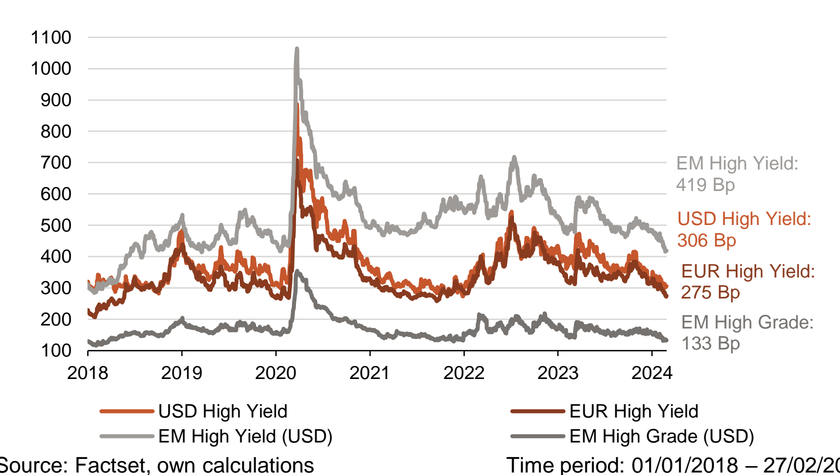
- Government and corporate bonds from EM countries continued to see outflows in February, although strong inflows from local banks and insurance companies provided technical support and further narrowed risk premiums. A further tightening of the supply of new issues and robust local demand are likely to give emerging market bonds an additional technical tailwind.
- The increasing possibility of a "higher for longer" scenario in the industrial countries, which are affected by persistent inflation risks in the services and wage sectors, 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: 01/01/2018 – 27/02/2024

EM spreads stable despite global outflows



Source: Factset, own calculations — Time period: 01/01/2018 – 27/02/2024

Capital market strategy
Bonds

Core segments

Government bonds
Underweight

- Safe government bonds could continue to show increased interest rate volatility. As various data points emphasise the sometimes contradictory trends in the major economies, the visibility of further interest rate developments remains low.
- 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 favour the IG segment of corporate bonds, but continue to focus on shorter maturities. 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 financial 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 the case of hard currency bonds from emerging markets, we favour government bonds over IG corporate bonds due to higher yields and longer duration.

High yield bonds
Overweight

- In view of the weak economy, we remain cautious across the board in the high-yield bond segment, but see interesting opportunities on a selective basis.
- 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

Base interest rates and government bond yields (in %)	27/02/2024 Current	30/06/2024 Berenberg	30/06/2024 Ø*	31/12/2024 Berenberg	31/12/2024 Ø*
US					
Base interest rate	5.25-5.50	5.00-5.25	5.25	4.25-4.50	4.50
10Y US yield	4.30	4.30	3.98	4.40	3.83
Eurozone					
Base interest rate	4.50	4.25	4.25	3.75	3.50
10Y Bund yield	2.46	2.50	2.17	2.70	2.14
United Kingdom					
Base interest rate	5.25	5.00	5.05	4.00	4.30
10Y Gilt yield	4.19	4.00	3.77	4.00	3.59

Source: Bloomberg. Berenberg. as of 27/02/2024.
*Average of estimates by other experts (Bloomberg) consensus.

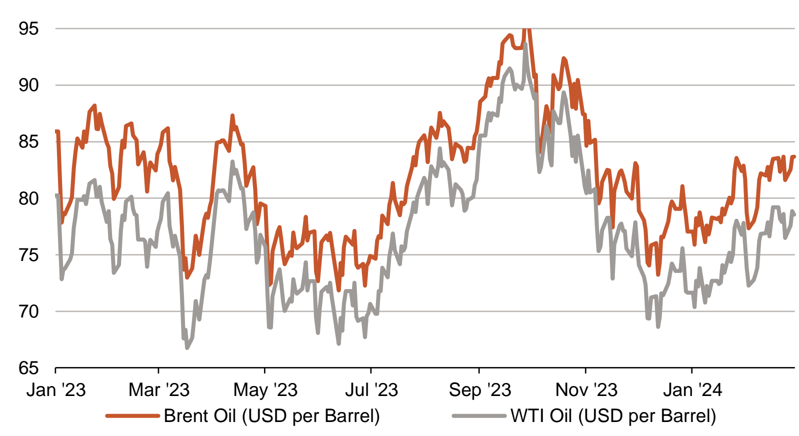
05
Commodities

Crude oil
Sideways for the time being

Geopolitical risk premium remains, but no clear fundamental imbalance recognisable

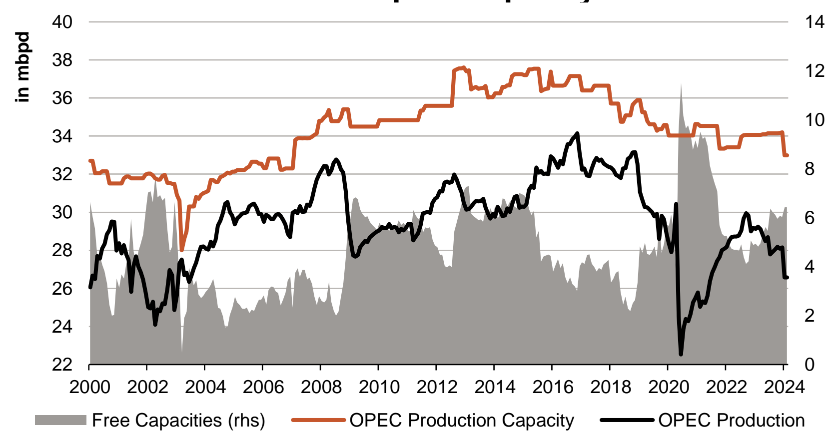
- With progress in the negotiations for a ceasefire between Israel and Hamas, the oil price fell by more than 5% at the beginning of February. However, after the peace negotiations failed for the time being and the Houthi rebels continued their attacks on oil tankers in the Red Sea, the oil price recovered almost as quickly. As more and more oil is being diverted via the Cape of Good Hope, transport costs will remain high for the time being. The tense geopolitical situation in the Middle East is therefore likely to continue to support the oil price in the near future.
- The surprisingly robust US economy and the recent positive economic surprises in Europe suggest that demand could be higher than initially expected. OPEC is even forecasting growth of over 2 mbpd, while the IEA is much more cautious with its estimate of 1.2 mbpd. At the same time, however, supply remains plentiful. Voluntary cuts by OPEC+ of 2.2 mbpd will officially expire at the end of March. However, a (partial) extension seems likely, as otherwise there is a risk of oversupply. All in all, the fundamental data does not indicate a clear trend, meaning that the oil price is likely to remain between USD 70 and USD 90 per barrel in the coming months. However, geopolitical escalations, positive signs from China or an increase in very low investor positioning offer positive potential for surprises.

Brent stabilises above USD 80 per barrel



Source: Bloomberg. Time period: 01/01/2023 – 27/02/2024.

OPEC with considerable spare capacity



Source: Bloomberg, DOE. Time period: 01/01/2000 – 31/01/2024.

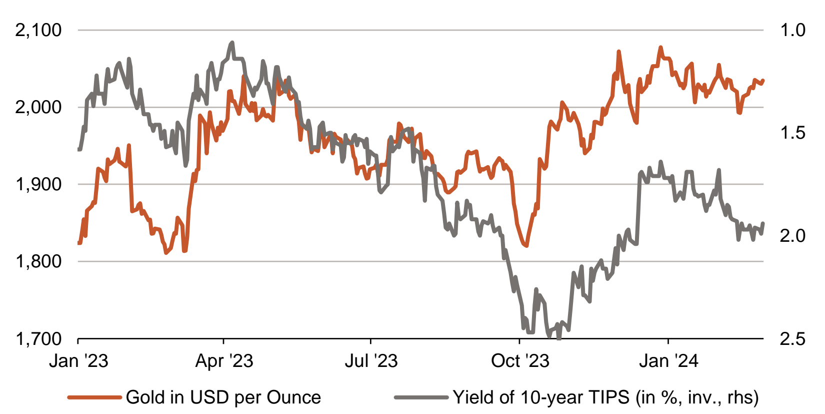
Precious and industrial metals

Gold price remains robust, industrial metals await impetus

Gold further supported by physical demand

- Due to strong labour market data and surprisingly high inflation data, investors have scaled back their expectations of interest rate cuts in the near future. The subsequent rise in real interest rates weighed on gold.
- Despite this and the fact that more than 3 million ounces have already flowed out of ETFs since the beginning of the year, the price of gold has held steady at around USD 2,000 per ounce. One reason for this is likely to be physical demand from central banks as well as seasonally strong demand from China during the New Year celebrations, as suggested by the sharp rise in exports from Switzerland to Hong Kong. However, with key interest rates remaining high, the upside potential seems limited for the time being.

Gold price defies rising real yields

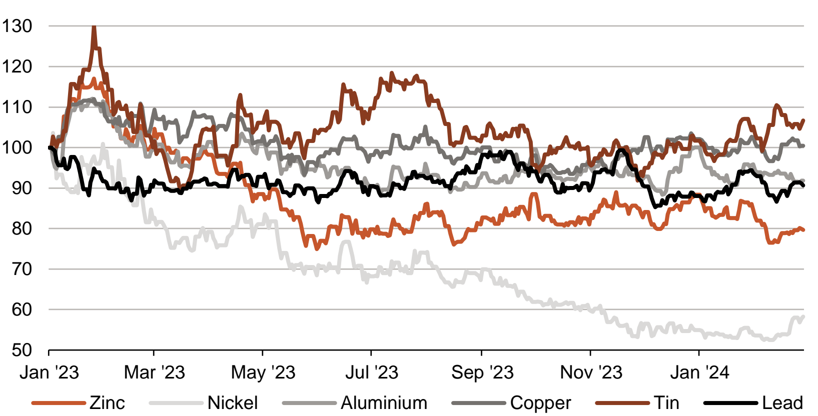


Source: Bloomberg, own calculations. Time period: 01/01/2023 – 27/02/2024.

Industrial metals continue to move sideways

- The economy in the West appears to be improving, but the recovery in the manufacturing sector is still sluggish. In China, the central bank is specifically supporting the property sector, but a broad stimulus has yet to materialise. Industrial metals have therefore continued to fluctuate sideways and are waiting for impetus.
- Following a prolonged supply surplus for nickel and falling prices, some producers recently announced their withdrawal from the market. With the outlook for lower supply growth, the nickel price has recently recovered. In contrast, the aluminium price has weakened since the beginning of the year due to a sharp fall in energy prices, despite disruptions in both refining and bauxite mining.

Industrial metals in a sideways trend



Source: Bloomberg, own calculations. Time period: 01/01/2023 – 27/02/2024.

06 Currencies

Market Development
FX markets

BERENBERG
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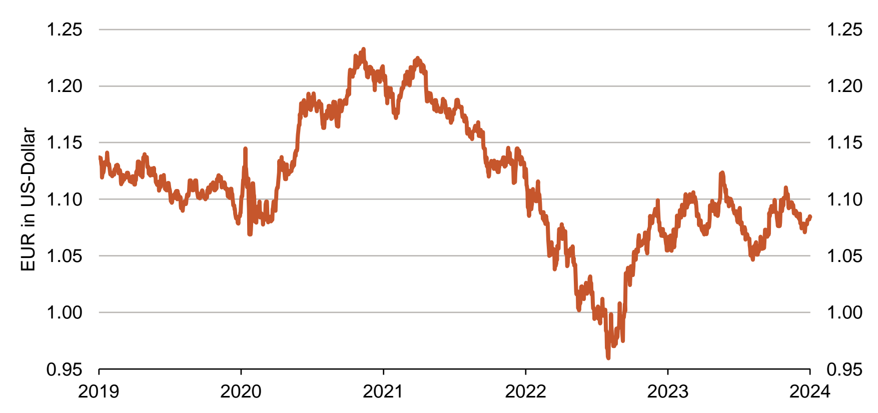
Strong dollar

- After the euro rose above $1.10 at the end of last year, it now stands at $1.08. This reflects more the strength of the dollar rather than a weakness of the euro – compared to broad currency baskets the euro was relatively stable whereas the dollar appreciated. For future developments it will likely be very important if the Eurozone economy can recover as expected and when and by how much interest rates come down. The ECB has recently sent very mixed signals regarding a first rate cut.

Upside potential for the euro remains limited

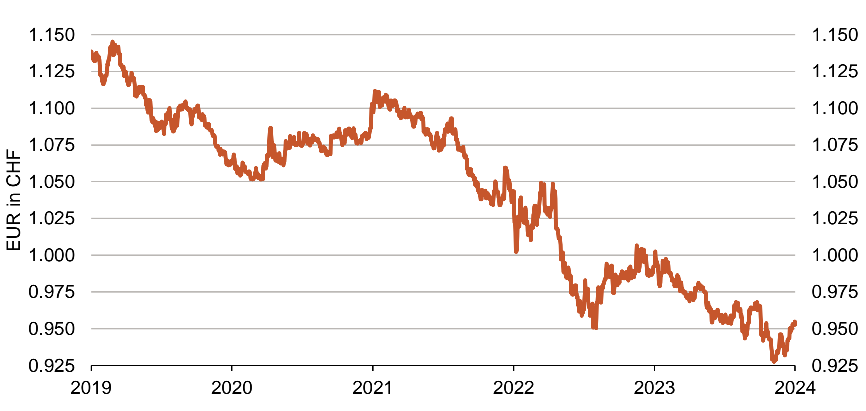
- There is still no sign of any original euro strength. The euro always benefits when the US dollar is no longer trading quite so hotly. For the current year, we expect moderate gains for the euro up to around USD 1.12 per euro. However, this would not yet be a real upswing for the single currency.
- The euro is struggling against the franc, even though the Swiss National Bank would likely prefer a weaker franc. In December, the SNB bough foreign currency to the tune of about CHF 10 billion.

Exchange rate: Euro/US-Dollar



Source: Haver
Period: 02/2019 – 02/2024

Exchange rate: EUR/CHF



Source: Haver
Period : 02/2019 – 02/2024

Forecasts

Estimates of key currencies

	27/02/2024	30/06/2024		31/12/2024	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.08	1.10	1.10	1.12	1.12
EUR/GBP	0.85	0.86	0.86	0.85	0.87
EUR/CHF	0.95	0.95	0.96	0.96	0.98
EUR/JPY	163	156	157	157	154

Change against the Euro (in %)					
USD	-	-1.4	-1.4	-3.2	-3.2
GBP	-	-0.6	-0.6	0.6	-1.7
CHF	-	0.3	-0.8	-0.8	-2.8
JPY	-	4.6	4.3	4.0	6.3

Source: Bloomberg. Berenberg as of 27/02/2024.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information

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