HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

May | 2024

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PARTNERSHIP SINCE 1590

Horizon Handout – Capital Market Outlook

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Date 26/04/2024.

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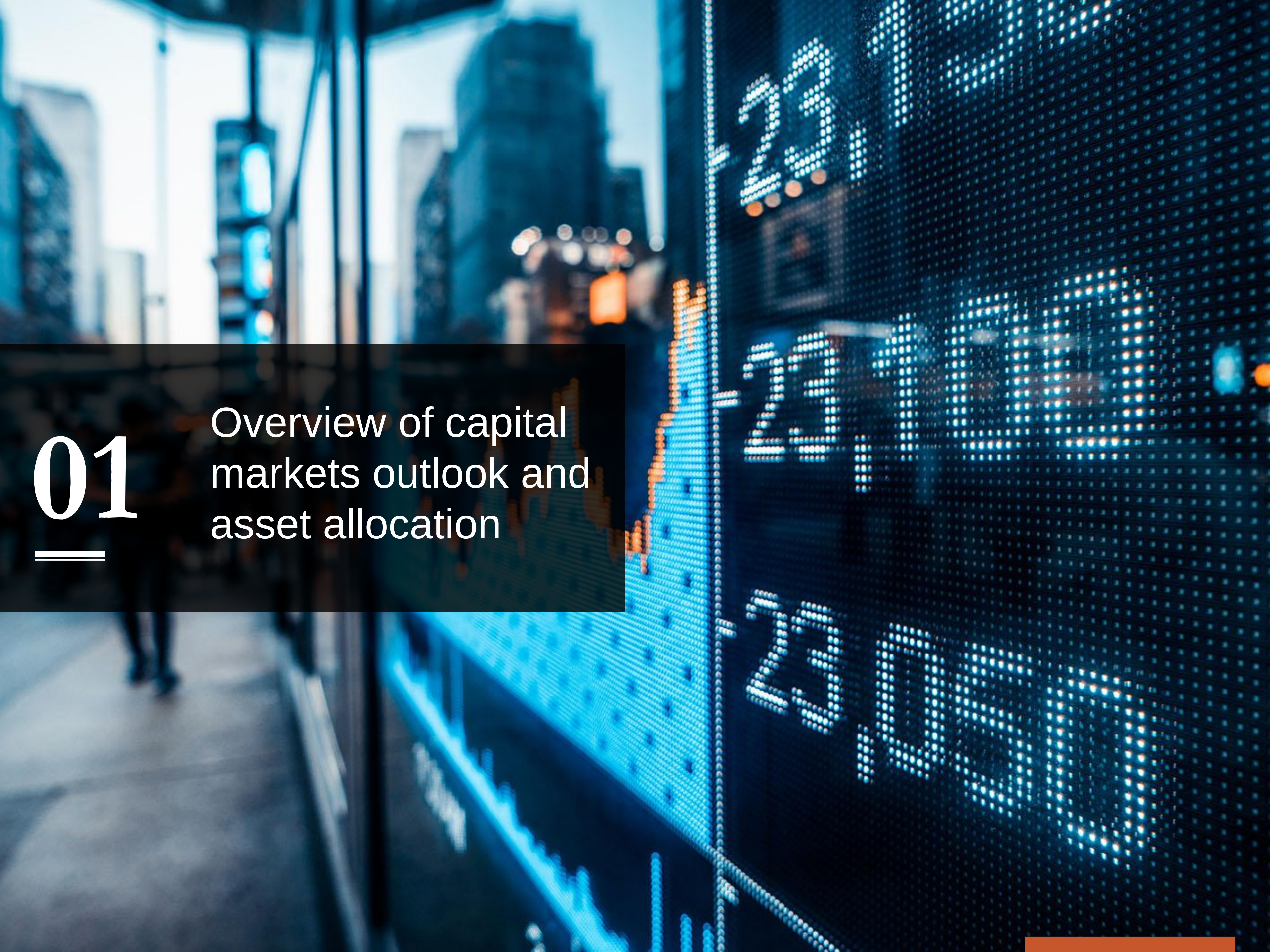
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



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 (27/03/24 - 24/04/24)	YTD (29/12/23 - 24/04/24)	24/04/23 24/04/24	24/04/22 24/04/23	24/04/21 24/04/22	24/04/20 24/04/21	24/04/19 24/04/20
Industrial Metals	14.6	15.3	9.1	-24.8	56.3	41.7	-16.1
Gold	6.8	15.8	20.2	0.6	21.9	-7.9	39.6
Brent	4.4	21.4	21.8	-8.1	112.8	116.3	-62.8
USDEUR	1.2	3.2	3.2	-2.2	12.0	-10.5	3.1
MSCI Emerging Markets	1.2	5.2	12.2	-8.7	-8.9	40.3	-13.9
Euro overnight deposit	0.3	1.3	3.8	0.9	-0.6	-0.5	-0.4
EUR Coporates	-0.7	-0.4	5.9	-5.6	-8.0	6.0	-1.4
EUR Sovereign Debt	-0.9	-1.4	3.3	-5.9	-5.9	2.0	0.8
MSCI World	-2.0	9.0	23.3	-2.6	11.2	34.4	-3.4
Global Convertibles	-2.3	1.3	9.2	-10.1	-5.7	47.7	1.5
MSCI Frontier Markets	-2.4	4.9	13.3	-18.6	13.8	29.4	-14.7
REITs	-5.2	-5.8	0.2	-25.5	26.2	16.2	-11.2

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: 24/04/2019 – 24/04/2024.

Overview of capital markets
Outlook by asset class

Economics

- The Eurozone economy is regaining momentum only slowly after the near-stagnation of 2023.
- Lower inflation and expected interest rate cuts are setting the stage for the British economy to make up for lost ground.
- The US economy is thriving despite a restrictive monetary policy.

Equities

- Equity markets have recently corrected slightly. US equities have fallen more sharply than their European counterparts.
- We have used the recent weakness to neutralise our equity exposure and reduce our US underweight.
- Until the US elections, we expect a volatile sideways movement with limited upside potential.

Bonds

- Interest rate cut expectations for the Fed further reduced in view of stubborn inflation data in the USA.
- Idiosyncratic stress in the high-yield corporate bond segment. IG fundamentally and technically well supported.
- Positive economic data in the emerging markets continue to make the local currency bond segment attractive.

Alternative investments / commodities

- Gold defies higher real interest rates, a firm dollar and ETF outflows. Hot in the short term, but still an important hedge.
- Crude oil in a sideways trend without geopolitical escalation. Supply and demand currently appear to be in balance.
- Industrial metals benefit from recovery in the manufacturing sector and ban on Russian metal. Overheated in the short term.

Currencies

- Several factors are currently giving the US dollar a tailwind.
- The markets have already priced in that the Fed will start cutting interest rates much later than the ECB.
- In the coming months, some of the factors currently supporting the US dollar could weaken.

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

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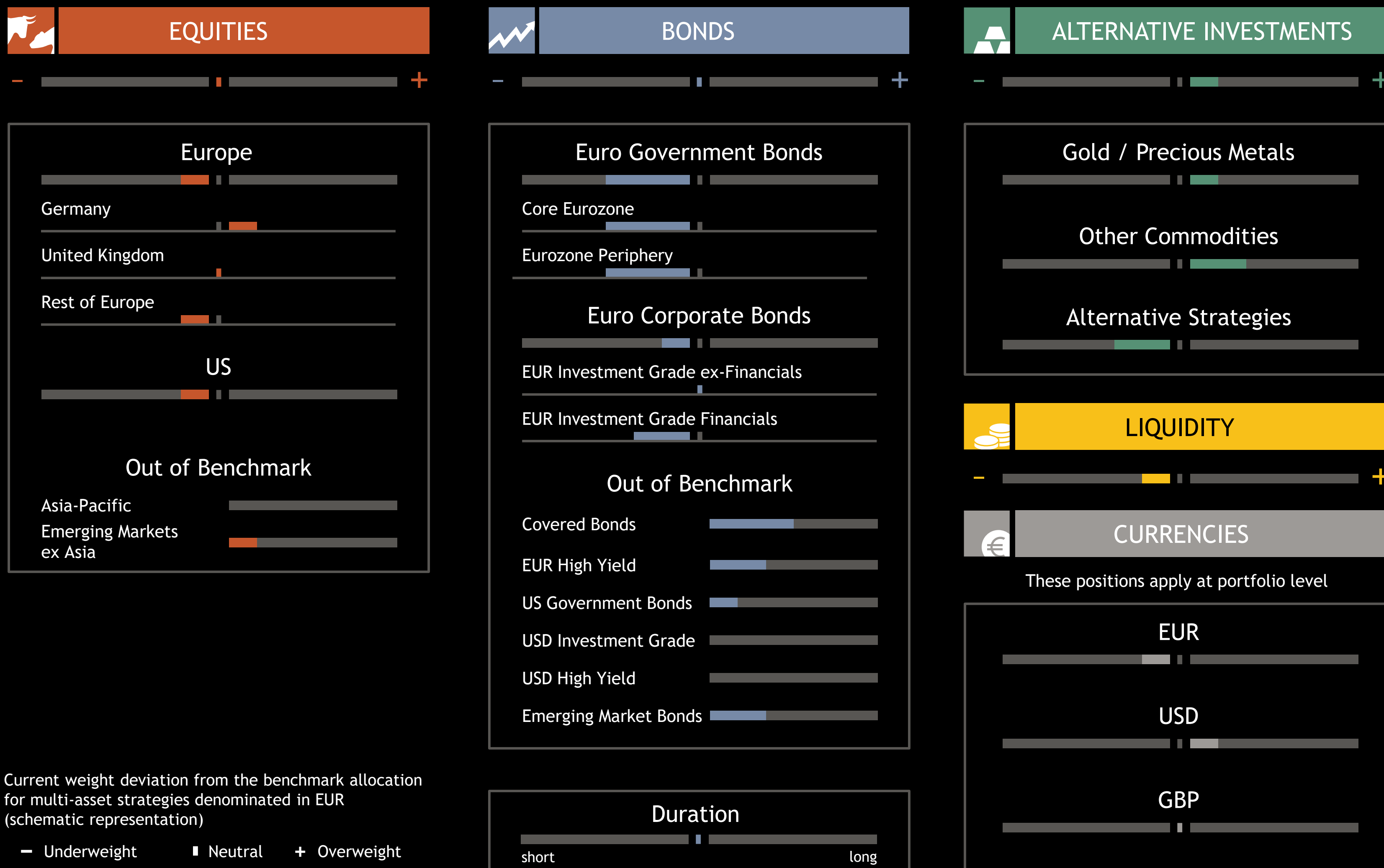
Portfolio positioning of a balanced mandate at a glance



Source: Berenberg

As of 25/04/2024.

Overview of Berenberg's asset allocation
Review of Core Strategy 3

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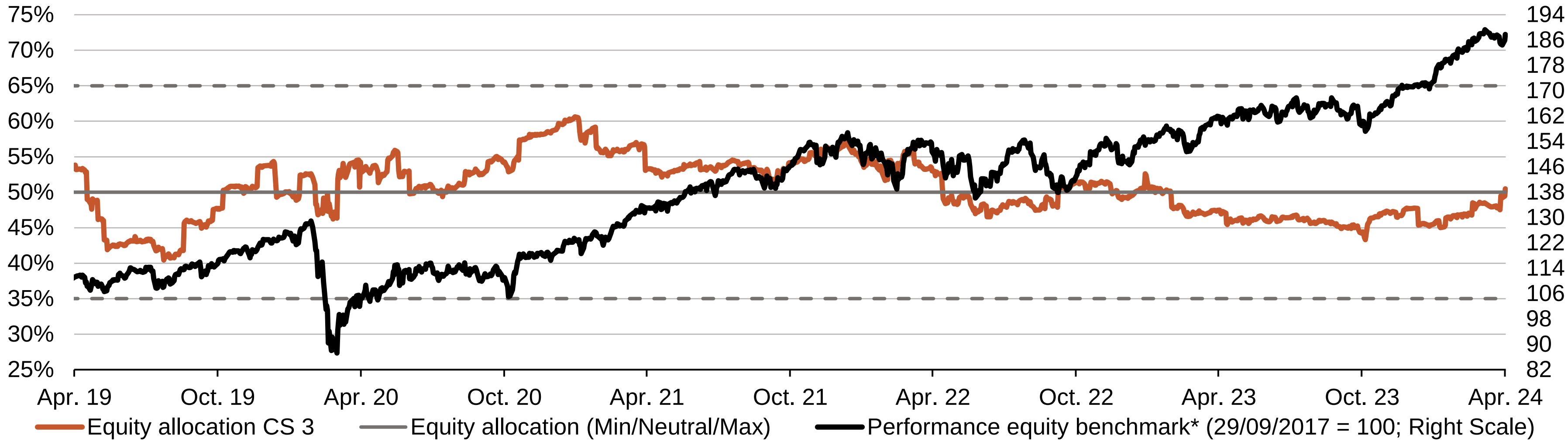
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	23/04/19 - 23/04/20	23/04/20 - 23/04/21	23/04/21 - 23/04/22	23/04/22 - 23/04/23	23/04/23 - 23/04/24
	-5.92%	27.11%	13.35%	7.46%	15.94%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 23/04/2019 – 23/04/2024.
Note: The historical performance presented here is not a reliable indicator of future performance.

- We have used the recent weakness to neutralize our underweight in equities. As a result, we have reduced our underweight in US equities. Within commodities, the best performing asset class so far in 2024, we have taken slight profits in gold, but remain overweight in commodities and also in gold. In addition to fundamental reasons, this is because most investors are still heavily underinvested in commodities. Commodities are also well suited as an inflation and geopolitical hedge. Bonds also appear more attractive to us following the sharp rise in interest rates this year. Accordingly, we remain very balanced in our multi-asset strategies.
- Until the US elections, we expect a volatile sideways market with only limited upside potential at index level. We see opportunities more below the surface.

02 Economics

Eurozone
GDP and Inflation

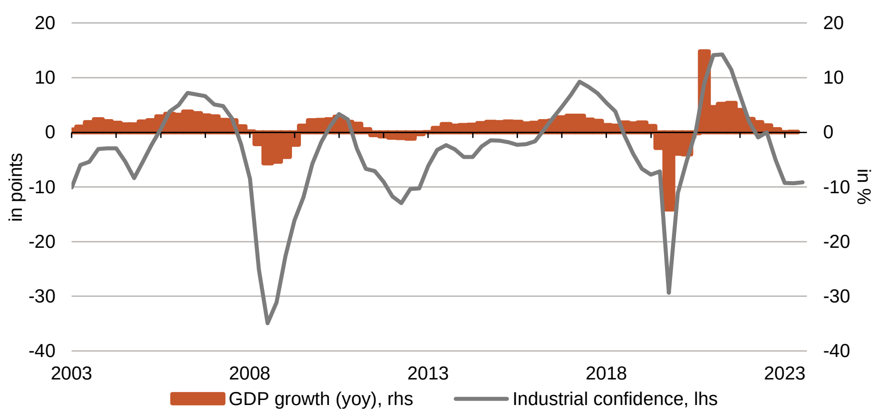
Waiting for the rebound

- The Eurozone economy is regaining momentum only slowly after the near-stagnation of 2023. The inventory correction in global manufacturing has largely run its course. An improving news flow can encourage consumers to raise spending. Thanks to a sharp drop in headline inflation, real disposable incomes started to rise again in spring 2023 already.
- Businesses will eventually have to step up investment to restructure supply chains and raise their energy efficiency. As a result, economic growth can gradually pick up to a pace modestly above trend in late 2024 and 2025.

Door to rate cuts wide open

- ECB sent very clear signals at the April meeting that the first interest rate cut would take place in June. The key debate at the ECB now seems to be whether it should follow up with a back-to-back cut in July or wait for a second cut until September.
- In subsequent quarters, we expect some moderation in core inflation to encourage the ECB to cut its deposit rate to 2.5% by mid-2025. However, in 2026, the expected rebound in inflation to 2.5%, above the medium-term target of 2%, will likely force the ECB to return to a rate of 3%.

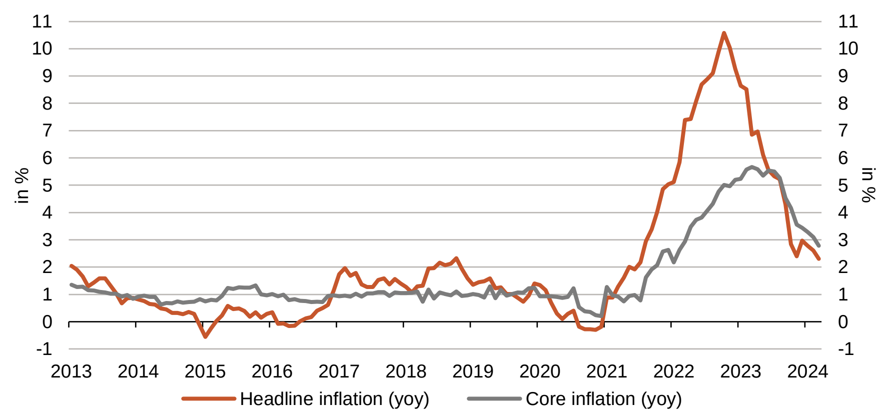
Eurozone GDP growth and industrial confidence



Source: Haver

Period: 09/2003 - 03/2024

Eurozone Inflation



Source: Haver

Period: 01/2003 - 03/2024

United Kingdom
GDP and Inflation

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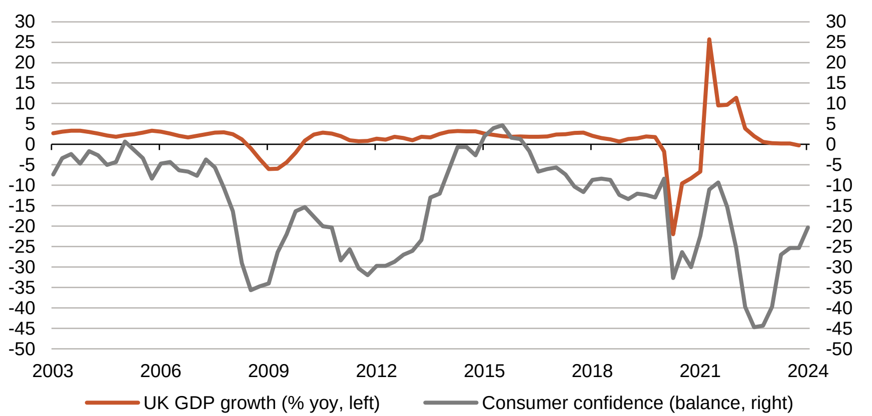
Tailwinds ahead

- The mini-recession of H2 2023 has given way to new growth. The gains in monthly GDP of 0.3% in January and 0.1% in February suggest that real GDP probably expanded by at least 0.3% qoq in Q1. Sentiment surveys point to a similar expansion in Q2 supported also by the April cut in national insurance contributions.
- The global backdrop of resilient growth in the US and a gradual recovery in the Eurozone as well as the ongoing gains in UK real disposable incomes (up by 2.5% yoy in Q4 2023) suggest that the UK economy will pick up some further momentum in H2 2024.

BoE stuck between the Fed and the ECB

- A 12% cut in the energy price cap for the average household in April will shave c0.5ppt off the inflation rate in April. In addition, some unusual spikes in communications prices, council housing rents, the tobacco tax and some other items in April and May last year will drop out of the yoy comparison. As a result, headline inflation could ease to c2% yoy in May.
- The BoE will most likely start cutting rates in August. Three cuts in 2024 and four further moves in early 2025 will bring down the bank rate to 3.5% in the end. If so, the BoE would maintain a position somewhere between the US Fed and the ECB, the two central banks which are setting policy for the UK's two major export markets.

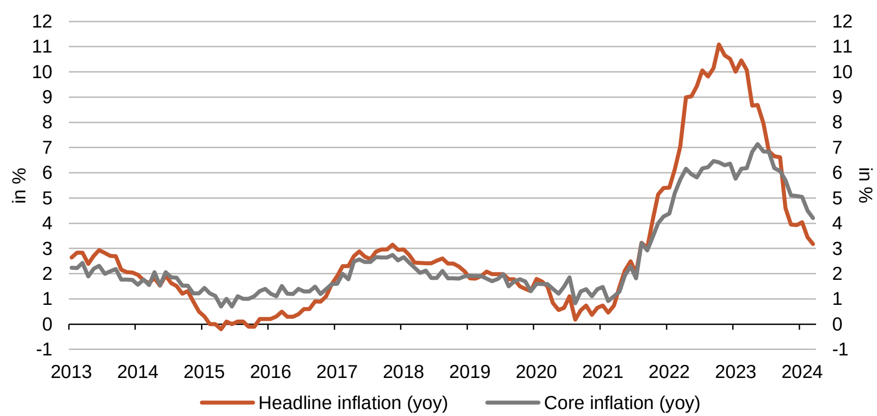
UK GDP growth and consumer sentiment



Source: Haver

Period: 03/2003 - 03/2024

United Kingdom Inflation



Source: Haver

Period: 01/2013 - 03/2024

USA
GDP and Inflation

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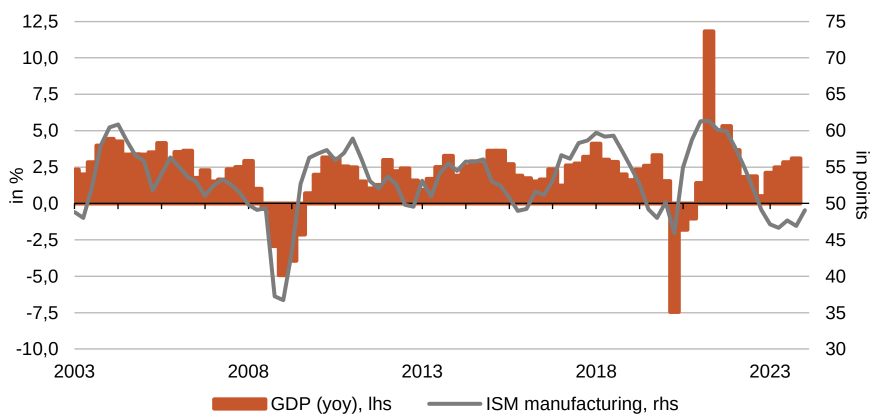
Resilient growth instead of landing

- In the USA, a loose fiscal policy including a major surge in public investment is neutralising the monetary restriction. After an artificial consumer-led boom driven by an overly generous fiscal policy, US growth will probably slow down modestly towards its trend rate of 2% over the course of this year.
- No need for the Fed to cut rates now. But if and when the fiscal stimulus fades, probably in 2025, the Fed should ease to keep the economy close to trend growth. The tail risk: if wage inflation reaccelerates, the Fed would have to engineer a hard landing eventually.

No need for the Fed to cut rates now

- As the US economy apparently continues to expand at a pace above its 2% trend rate and US disinflation has stalled, Fed chair Jerome Powell has indicated that the Fed is in no hurry to adjust its policy stance.
- The continued dynamic economic situation, the tight labor market and the ongoing price pressure will prompt the Fed to leave the key interest rate at the current level until shortly before the end of 2024. The Fed will exercise caution when it comes to cutting interest rates. Four interest rate cuts of 25 basis points each are expected by the end of 2025.

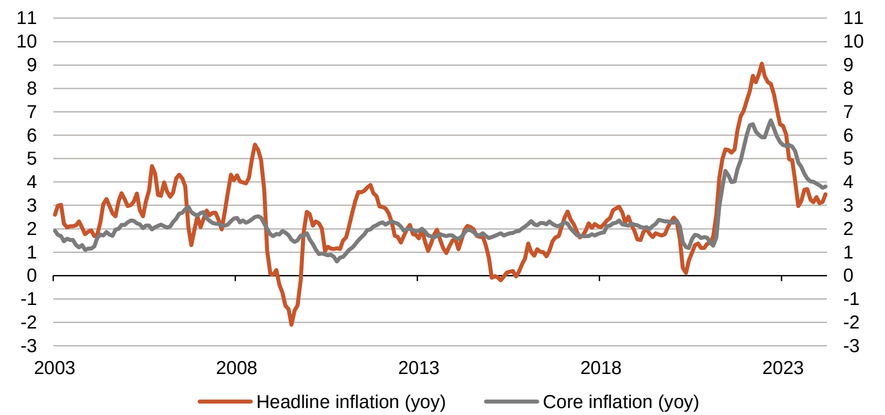
US GDP growth and Purchasing Managers Index



Source: Haver

Period: 03/2003 - 03/2024

USA Inflation (in %)



Source: Haver

Period: 01/2003 - 03/2024

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	2.5	2.4	1.8	1.8	2.0	2.0	3.2	3.1	2.8	2.4	2.7	2.3
Eurozone	0.7	0.5	1.6	1.4	1.5	1.4	2.2	2.3	2.1	2.1	2.5	2.0
Germany	0.1	0.1	1.4	1.1	1.3	1.3	2.2	2.4	2.2	2.1	2.4	2.0
France	0.8	0.7	1.7	1.3	1.6	1.4	2.1	2.5	2.1	2.0	2.4	1.9
Italy	0.8	0.6	1.3	1.1	1.2	1.1	1.3	1.5	2.1	1.9	2.3	1.7
Spain	1.9	1.8	2.1	1.9	2.1	1.7	2.9	3.1	2.4	2.3	2.6	2.1
United Kingdom	0.6	0.3	1.7	1.2	1.7	1.5	2.3	2.5	2.3	2.2	2.5	2.0
Japan	0.6	0.7	1.1	1.1	1.1	1.0	1.9	2.3	1.9	1.8	1.7	1.7
China	4.3	4.8	3.8	4.5	3.9	4.2	0.5	0.7	1.8	1.6	2.0	1.9
World*	2.4	-	2.5	-	2.6	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 25/04/2024.
* 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 lose momentum

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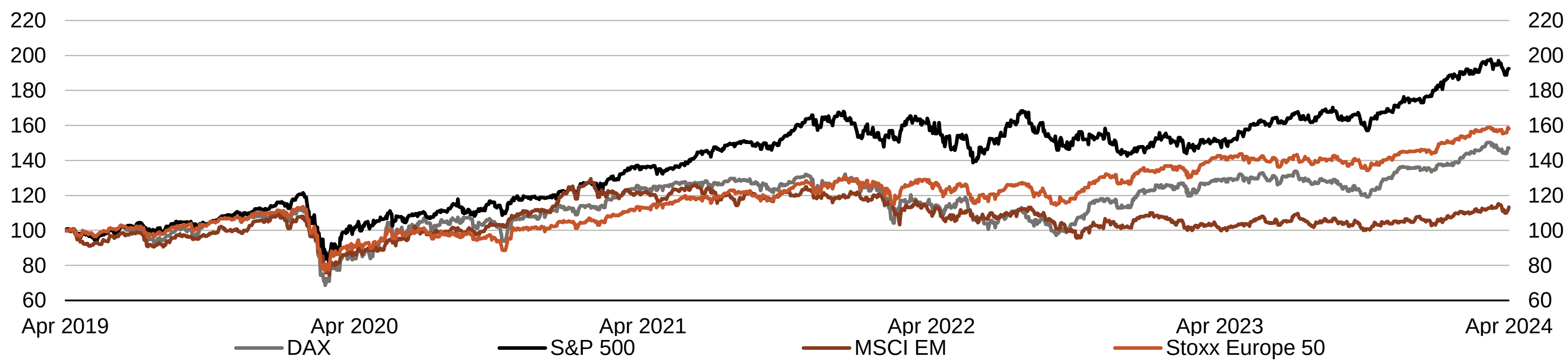
Volatile sideways movement for equity markets until the US elections

- After a strong performance since the beginning of the year, equity markets have recently lost momentum. Higher than expected US inflation data unsettled investors and weighed on share prices. In addition, the escalation in the Middle East weighed on markets and the negative outlook for the chip sector as Q1 reporting season got underway weighed on the technology sector, which had performed strongly in recent months. As a result, the mood of US retail investors has shifted from being bullish since the beginning of the year to evenly split between bulls and bears. Persistently high positioning and the apparent break in momentum in the S&P 500 are creating additional market fragility, which could lead to further reductions if markets continue to fall. However, the high demand for VIX options and the increased put skew suggest that investors are already becoming more cautious and looking for more hedging.
- We have taken advantage of the recent correction to neutralise our slight underweight in equities and reduce our underweight in US equities, as the brightening global economic picture and stable to slightly rising earnings expectations following the Q1 reporting season should provide support over the medium term. However, given the potential inflationary and geopolitical risks and our still high positioning, we remain balanced. Until the US elections, we expect a volatile sideways movement in equities with limited upside potential.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 24/04/2019 – 24/04/2024.

Corporate earnings
Discrepancies in earnings revisions

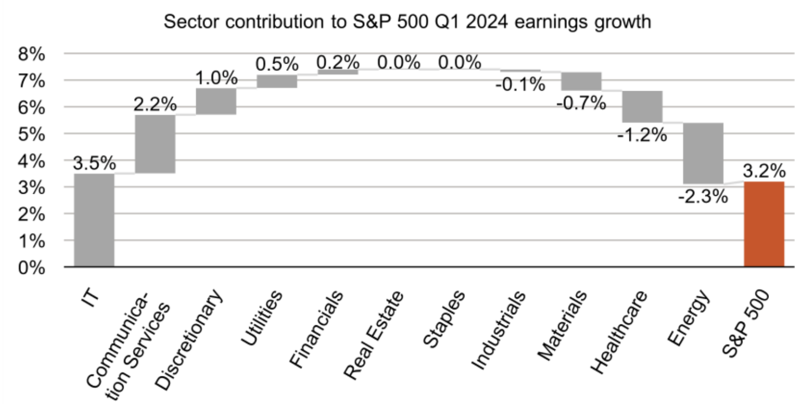
Market focus on Q1 reporting season

- The Q1 reporting season is in full swing. Almost 30% of the market capitalisation of the S&P 500 will report in the next two weeks. The focus of the current reporting season is primarily on the major technology stocks.
- In addition to the IT sector (sector contribution of 3.5% to S&P 500 earnings growth in Q1-2024), communication services and consumer discretionary will also have to deliver in the current reporting season to meet market expectations, while materials sectors (sector contribution of -2.3% to S&P 500 earnings growth in Q1-2024) offer the potential for surprises.

Positive earnings revisions for banks and energy stocks

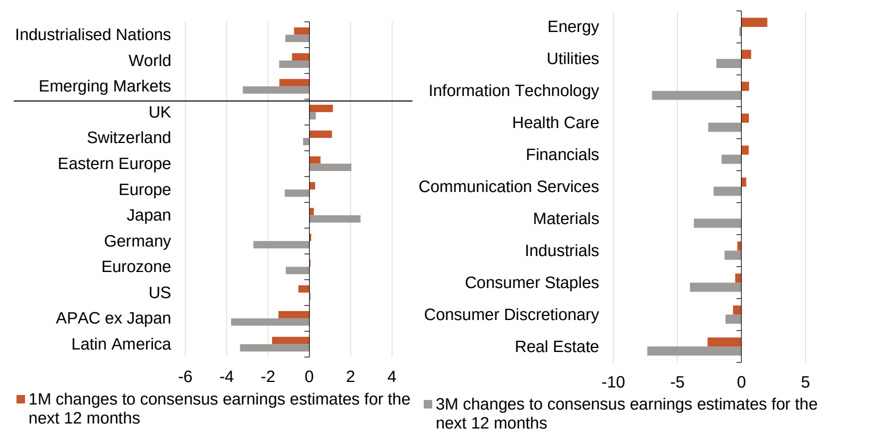
- Analysts have continued to revise their earnings estimates downwards over the past month. For the developed world, expected earnings growth for 2024 has recently fallen from the very optimistic 10%. Nevertheless, US earnings are still expected to grow by around 10%.
- However, as the Q1 reporting season progresses, US earnings expectations seem to be stabilising. In Europe, earnings expectations have also trended higher.
- At the sector level, value sectors such as banks and materials have been the main beneficiaries of recent positive earnings revisions. Real estate stocks, on the other hand, have suffered from rising interest rates.

Commodity sectors with potential for upside surprises



Source: J.P. Morgan Flows and Liquidity Team. As of: 15/04/2024.

Negative earnings revisions especially in EM



Source: FactSet, own calculations. As of: 25/04/2024.

Performance & Valuation

Valuation normalisation after recent correction

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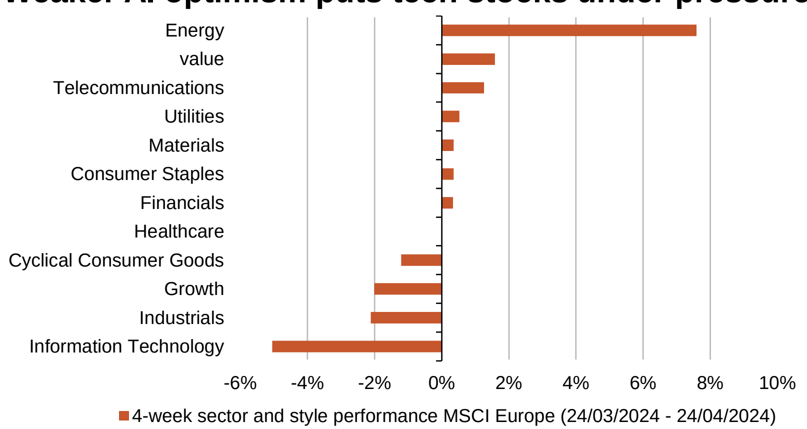
Only energy and basic materials stocks up recently

- Over the past four weeks, equity markets as a whole have struggled. Only the energy sector performed strongly in Europe. Solid economic data and, above all, the escalation of the Middle East conflict have led to a further increase in risk premiums for energy commodities and to (fears of) supply shortages. Regionally, the strong performance of the materials and banking sectors supported UK equities.
- In contrast, technology stocks have suffered over the past four weeks from a decline in AI optimism following cautious outlooks from some semiconductor companies.

Valuation normalisation for European and US equities

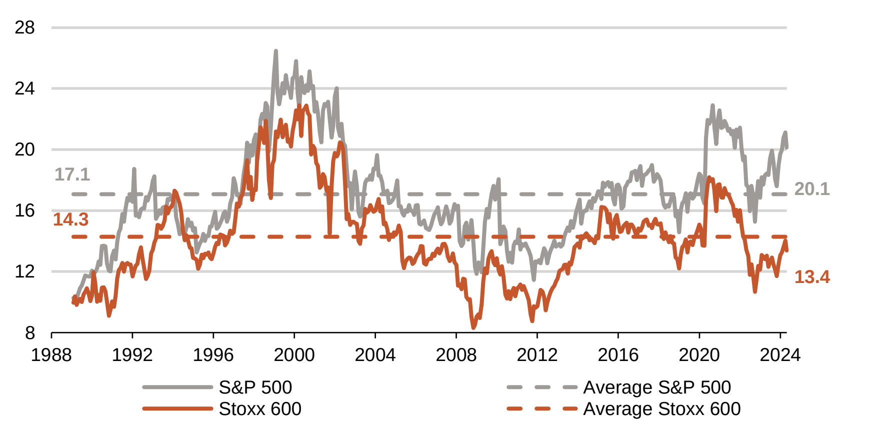
- The sharp rise in bond yields since the beginning of the year (the 10-year US Treasury yield is currently back above 4.7%, at the November 2023 level) now seems to be having an impact on valuations.
- Although the price-to-earnings ratio for the S&P 500 is still high by historical standards (20.1x versus the historical average since 1987 of 17.1x), it has at least eased somewhat recently and is now also at the November 2023 level.

Weaker AI optimism puts tech stocks under pressure



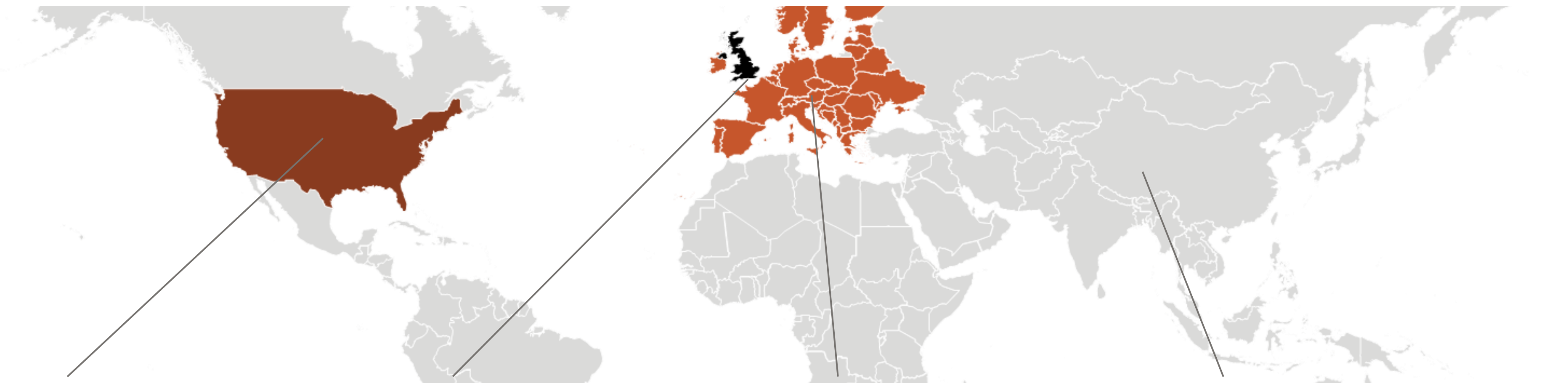
Source: Bloomberg, own calculations. Time period: 24/03/2024 - 24/04/2024.

US equities approaching historic valuation levels



Source: Bloomberg, own calculations. Time period: 01/01/1988 – 24/04/2024.

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 only slightly underweight US equities following the most recent increase in April.

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
Slightly underweight
- 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. We see opportunities in European small caps and broad US equities.

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

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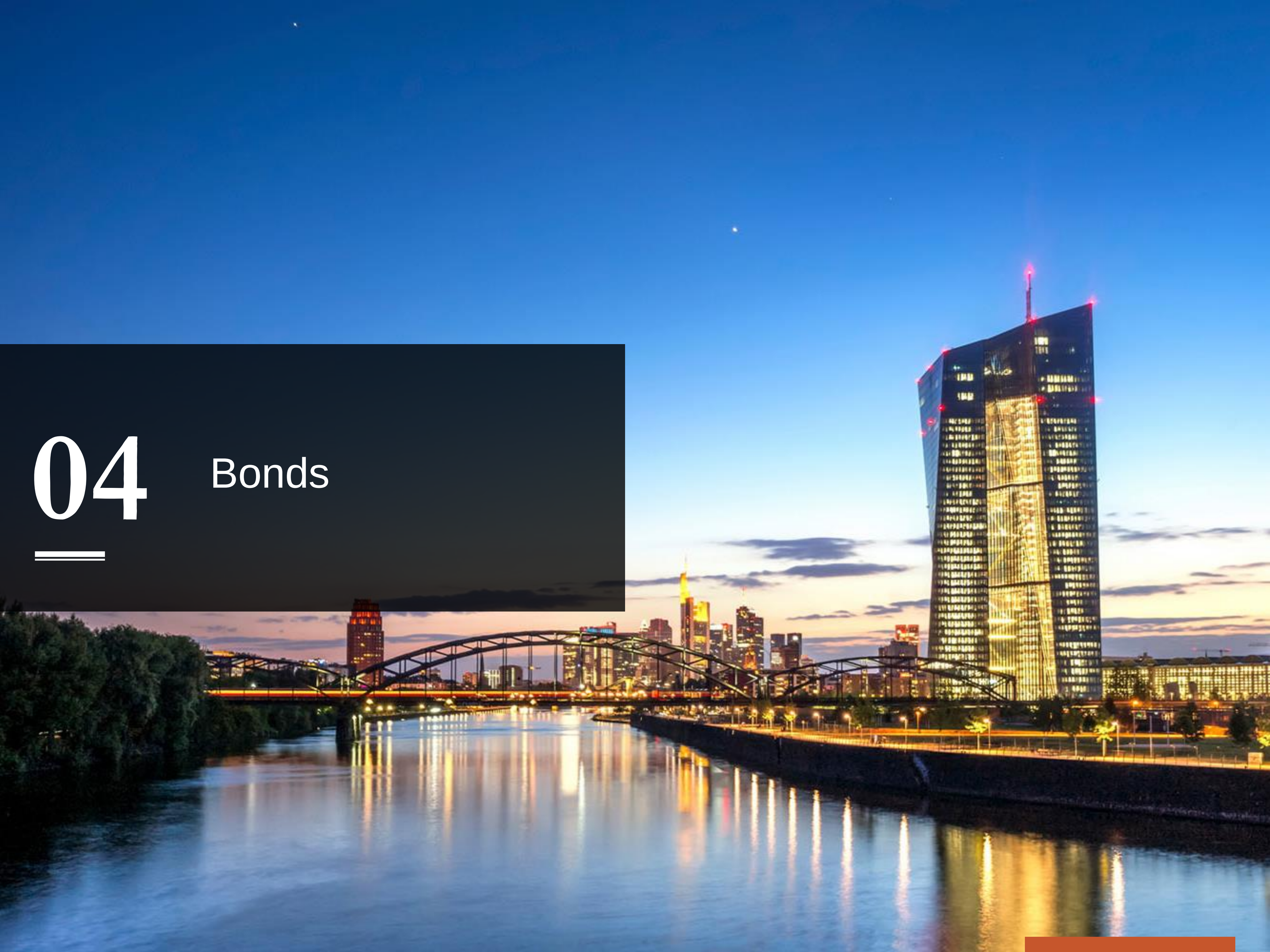
Index forecasts	Current 24/04/2024	31/12/2024	30/06/2025	Ø* in 12 months
S&P 500	5,072	5,300	5,500	5,717
DAX	18,089	18,500	20,000	20,822
Euro Stoxx 50	4,990	5,100	5,400	5,528
MSCI UK	2,305	2,300	2,400	2,611

Index potential (in %)				
S&P 500	-	4.5	8.4	12.7
DAX	-	2.3	10.6	15.1
Euro Stoxx 50	-	2.2	8.2	10.8
MSCI UK	-	-0.2	4.1	13.3

Source: Bloomberg, Berenberg as of 25/04/2024.
*Average based on bottom-up estimates.

04 Bonds



Government bonds
The central banks go their separate ways

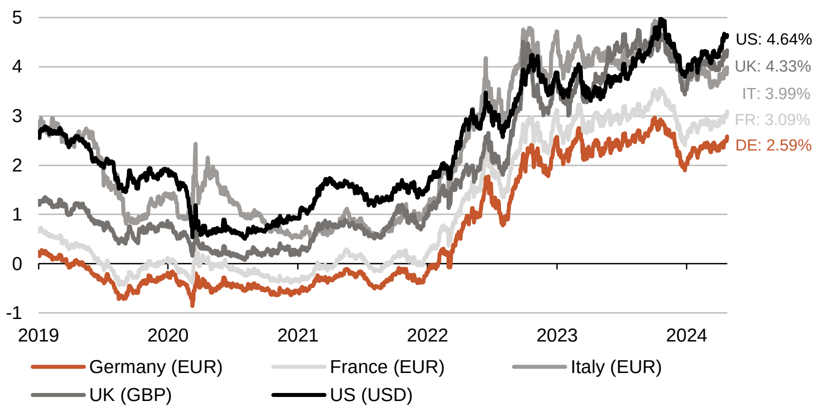
Fed's rate cut outlook in jeopardy

- An upside surprise in US inflation data in March – the third in a row this year – called into question the Fed's rate cut outlook for this year, further reducing priced-in rate cut expectations and pushing the 10-year US Treasury yield to its highest level since November 2023.
- The upcoming announcement of the quarterly refinancing by the US Treasury should bring more clarity on the supply of short-term Treasuries to the market, while the unexpectedly high tax revenues should help the Treasury to reduce the issuance of short-term Treasuries in the coming months.

ECB prepares for first interest rate cut

- In contrast to the US inflation trend, the March data for the eurozone once again showed a positive picture in the fight against inflation, which raised expectations of a first interest rate cut by the ECB in the summer. However, European government bonds have also recently come under pressure in the wake of the rise in US yields.
- Differing inflation trends on this and the other side of the Atlantic, and therefore most likely different paths of interest rate cuts by the Fed and the ECB, have recently led to a further widening of the interest rate differential between 10-year German and US government bonds.

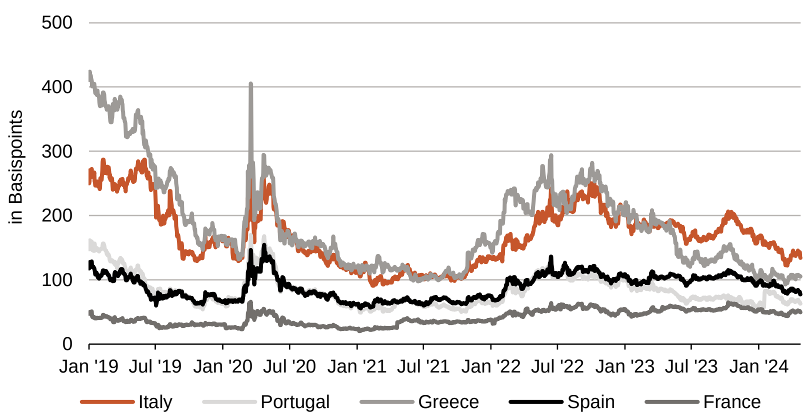
Rising yields across the board in 2024 so far



Source: Bloomberg

Time period: 01/01/2019 – 24/04/2024

Risk premiums of peripheral countries continue to fall



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

Time period: 01/01/2019 – 24/04/2024

Corporate & EM bonds
Euro IG, EM local currency segment remain attractive

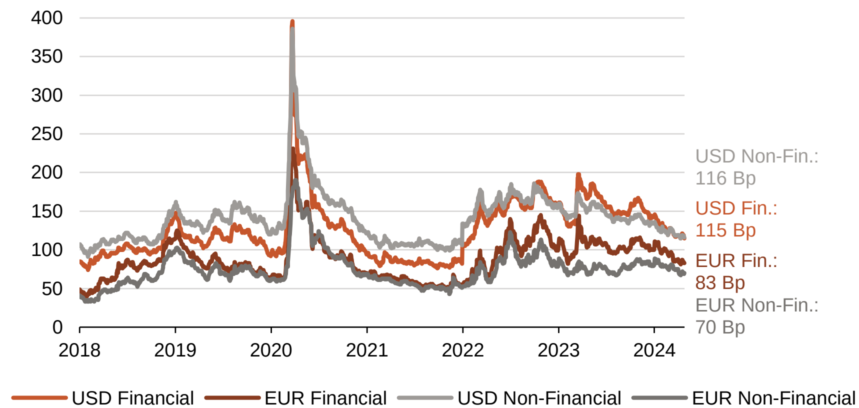
Corporate bonds: Idiosyncratic stress in HY

- The high-yield corporate bond segment has recently come under slight pressure due to a series of technical and actual defaults, but continues to be supported by technical factors, in particular high inflows into collateralised loan obligations (CLOs). Despite brisk primary market activity, some weak issuers are unable to refinance themselves on the capital market.
- The relative valuation of the investment grade segment in conjunction with solid balance sheets and generous liquidity reserves of most issuers as well as historically high cash inflows remain more attractive than the high-yield segment in a long-term comparison.

EM: Local currency segment attractive

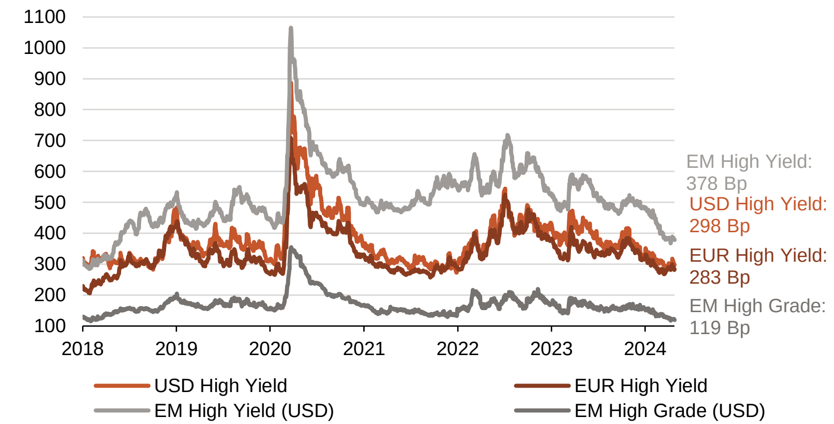
- EM government and corporate bonds recorded further outflows last month, although strong inflows from local banks and insurance companies provided technical support and further narrowed risk premiums. Recently, however, higher yields on US government bonds and the associated higher local real yields have weighed on emerging market bonds.
- Positive economic surprises combined with a sustained disinflation trend in the emerging markets and higher US interest rates in the longer term should continue to support the attractiveness of the local currency segment.

Spreads in the IG and HY segments tightening further



Source: Factset, own calculations. Time period: 01/01/2019 – 25/04/2024

EM spreads stable despite global outflows



Source: Factset, own calculations. Time period: 01/01/2019 – 25/04/2024

Capital market strategy
Bonds

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Core segments

Government bonds
Underweight

- As the range of fluctuation in macro data remains elevated, interest rate volatility for safe government bonds is also likely to remain high.
- 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 due to high real yields, positive economic surprises combined with a continuing disinflation trend in the emerging markets and higher US interest rates in the longer term.
- 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 weakening fundamentals and historically low risk premiums in the high-yield bond segment, we are cautious overall, 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 %)	24/04/2024 Current	31/12/2024		30/06/2025	
			Ø*		Ø*
US					
Base interest rate	5.25-5.50	5.00-5.25	4.90	4.50-4.75	4.30
10Y US yield	4.64	4.70	4.04	4.70	3.92
Eurozone					
Base interest rate	4.50	3.40	3.20	2.90	2.70
10Y Bund yield	2.59	2.40	2.17	2.60	2.16
United Kingdom					
Base interest rate	5.25	4.50	4.30	4.00	3.60
10Y Gilt yield	4.33	4.30	3.54	4.30	3.46

Source: Bloomberg. Berenberg. as of 25/04/2024.
*Average of estimates by other experts (Bloomberg) consensus.

05 Commodities

Crude oil
Fundamental balance, geopolitical hedge

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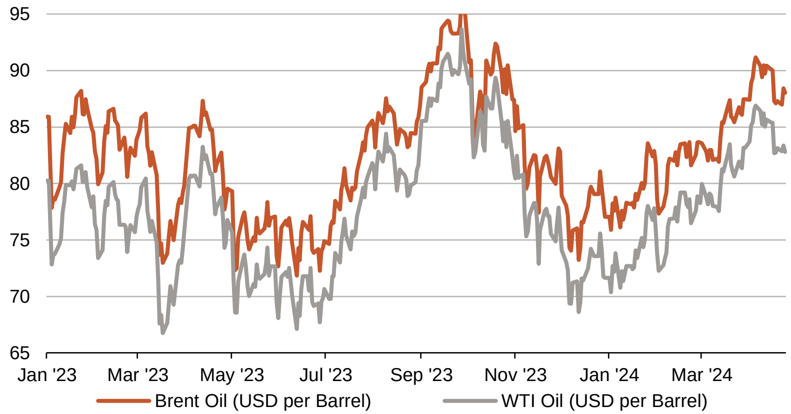
Oil driven by geopolitics in the short term, while fundamental supply and demand balance each other out

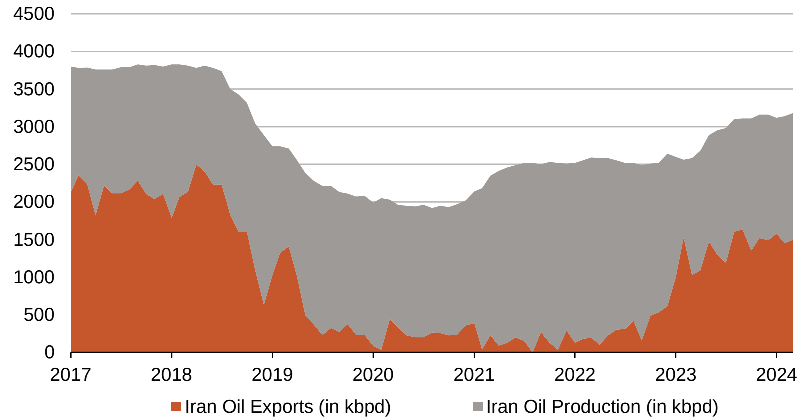
- The oil price was primarily driven by geopolitical tensions in the Middle East throughout April, but ultimately fluctuated sideways. Following Iran's attack on Israel, Brent crude initially rose above the USD 90 per barrel mark for the first time since October last year. However, as there were no major retaliatory measures from Israel, the market priced out some of the geopolitical risk premium again.
- Beyond the trouble spots, the market currently appears to be more or less balanced in fundamental terms. Demand should continue to rise as the economy continues to recover. Supply from non-OPEC countries, above all US production, is likely to grow at a slower pace than last year. At the same time, however, compliance with the self-imposed cuts within OPEC has recently waned. In addition, the members have considerable spare capacity and could meet surprisingly strong demand.
- If there is no escalation in the Middle East and the oil infrastructure there remains intact, the oil price is likely to continue to fluctuate sideways in a volatile manner. If, on the other hand, Israel targets Iranian oil production and/or the USA imposes tough sanctions that are still being discussed in Congress, the global supply situation is likely to worsen. A restriction of the Strait of Hormuz, through which 17% of global demand is transported, remains a tail risk.

Oil price fluctuates with geopolitical developments



Source: Bloomberg. Time period: 01/01/2023 – 24/04/2024.

Iran is the third largest producer within OPEC



Source: Bloomberg, Berenberg calculations. Time period: 01/01/2017 – 31/03/2024.

Precious and industrial metals

Ambitious prices in the short, still attractive in the medium term

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Gold: currently expensive, but important real safe haven

- After reaching numerous all-time highs, gold recently bounced off the USD 2,400 mark. The rally is likely to have been driven primarily by EM private investors and central banks as well as systematic momentum strategies.
- According to a survey by Bank of America, the majority of professional investors in the West consider gold to be overvalued, which is reflected not least in steadily falling ETF holdings. In the short term, gold also appears to be running hot in view of higher rates and the stronger dollar. We have therefore reduced our overweight slightly. In the medium to long term, gold remains an important portfolio component as a real safe haven in the face of persistent inflation and geopolitical escalations.

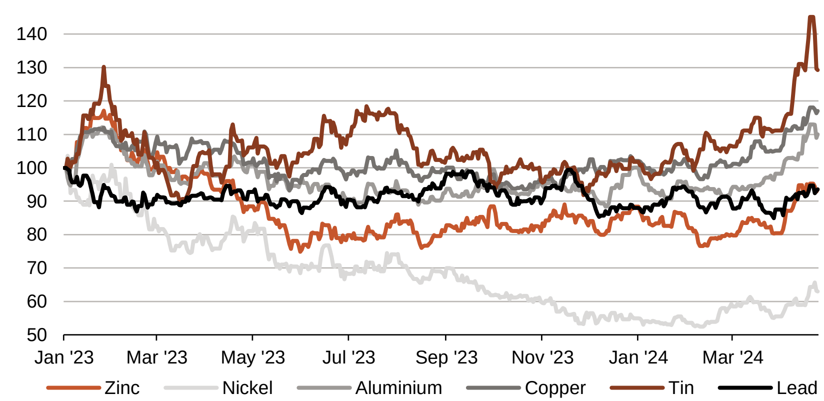
Metals: consolidation in short, attractive in medium term

- Industrial metals made strong gains across the board over the past month. Copper, aluminum, nickel and zinc all recorded gains of more than 10%. This means that industrial metals are now among the best performing investments since the beginning of the year. They have recently benefited above all from rising activity in the manufacturing sector and the new restrictions imposed by the USA and the UK on Russian metal exports.
- After the sharp rally, a consolidation seems likely in the short term. However, if the recovery in industry leads to an actual upturn, industrial metals should have further upside potential, as supply remains structurally tight.

12M gold sales in China at all-time high

Source: Bloomberg, own calculations. Time period: 01/01/2002 – 31/03/2024.

Strong rally on the metal markets



Source: Bloomberg, own calculations. Time period: 01/01/2023 – 24/04/2024.

06 Currencies

Market Development
FX markets

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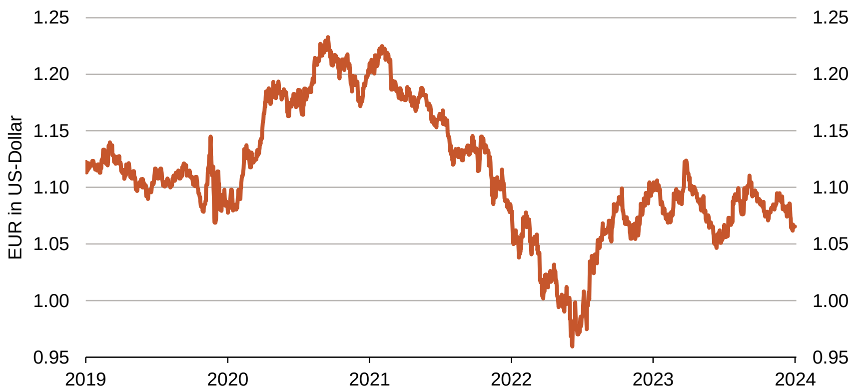
Broad support for the dollar

- Several factors are currently giving the US dollar a tailwind. The strong US economy and a Fed that is unlikely to cut interest rates in the near future are supporting the Greenback. Additionally, resurgent geopolitical risks are generating additional demand for the greenback in its role as a safe haven. Moreover, the economy in the Eurozone continues to weaken and therefore the exchange rate recently fell to just about 1.06 US dollars per Euro.
- However, in the coming months, some of the factors currently supporting the US dollar could weaken.

Slight recovery of the Euro possible

- The US economy is expected to lose some momentum over the course of the year, whereas the economy in the Eurozone could pick up again, also supported by interest rate cuts. We therefore expect moderate gains for the euro up to around 1.08 US dollars per euro by the end of the year.
- The geopolitical risks have also recently caused the franc to strengthen. However, the SNB will not allow a currency that is too strong. We expect a sideways movement at 0.97 francs per euro by the end of the year.

Exchange rate: Euro/US-Dollar



Source: Bloomberg
Period: 04/2019 – 04/2024

Exchange rate: EUR/CHF

Source: Bloomberg
Period: 04/2019 – 04/2024

Forecasts
Estimates of key currencies

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	24/04/2024	31/12/2024		30/06/2025	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.07	1.08	1.09	1.12	-
EUR/GBP	0.86	0.85	0.85	0.85	-
EUR/CHF	0.98	0.96	0.99	0.97	-
EUR/JPY	166	148	157	140	-
Change against the Euro (in %)					
USD	-	-0.9	-1.8	-4.5	-
GBP	-	1.0	1.0	1.0	-
CHF	-	2.0	-1.1	0.9	-
JPY	-	12.3	5.9	18.7	-

Source: Bloomberg. Berenberg as of 25/04/2024.
*Average of estimates of other experts (Bloomberg); consensus.


Publishing information

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