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PARTNERSHIP SINCE 1590

HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

June | 2024

Horizon Handout – Capital Market Outlook

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Date 29/05/2024.



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The background of the slide is a blurred city street at night. In the foreground, a large digital display, likely a stock market ticker, is visible. The display is composed of many small, glowing blue and white dots that form numbers and text. The numbers are large and bold, and the text is smaller and less legible. The overall color scheme is dominated by blue and white, with some orange and yellow lights from the city street visible in the background.

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 (29/04/24 - 27/05/24)	■ YTD (29/12/23 - 27/05/24)	27/05/23	27/05/22	27/05/21	27/05/20	27/05/19
MSCI Emerging Markets	2.7	9.5	13.6	-4.1	-10.3	34.2	-1.9
MSCI Frontier Markets	2.6	8.0	14.4	-10.0	2.4	23.4	-8.7
MSCI World	2.6	12.3	22.9	2.5	9.0	27.1	5.8
Industrial Metals	2.0	20.0	20.2	-20.6	32.3	51.0	-12.0
Global Convertibles	0.7	2.1	7.1	-3.7	-6.8	35.1	12.3
REITs	0.6	-5.0	2.5	-20.2	15.5	12.6	-9.5
Euro overnight deposit	0.3	1.6	3.9	1.2	-0.6	-0.5	-0.4
EUR Coporates	0.2	0.1	6.7	-4.7	-8.8	4.7	-0.4
EUR Sovereign Debt	0.0	-1.1	3.6	-5.7	-5.8	0.8	1.3
Gold	-0.7	15.9	19.3	5.1	11.0	0.1	34.9
USDEUR	-1.3	1.7	-1.3	0.1	13.6	-9.7	1.7
Brent	-6.2	13.8	17.9	-19.2	123.0	69.2	-45.6

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

Sources: Bloomberg, Berenberg.

Note: The historical performance presented here is not a reliable indicator of future performance.

Time period: 27/05/2019 – 27/05/2024.

Overview of capital markets

Outlook by asset class



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Economics



- The mood in the eurozone is gradually brightening and points to an economic recovery.
- Inflation is falling in the UK and the economy is slowly gaining momentum.
- The US economy remains robust, but is cooling slightly.

Equities



- Equity markets have reached new highs following the correction in April. "Goldilocks" hopes are supporting share prices.
- We feel comfortable with a neutral positioning. Positioning and seasonality speak against too much optimism.
- Until the US elections, we expect a volatile sideways movement with limited upside potential.

Bonds



- Inflationary pressure in the USA remains high. The ECB is preparing to cut interest rates in June.
- A good reporting season and robust risk demand are supporting the narrowing of spreads in the IG and HY segments.
- The declining volatility of US government bond yields is supporting emerging market bonds.

Alternative investments / commodities



- Gold reached a new all-time high in May but has recently seen a slight consolidation. Further potential with positive ETF flows.
- Crude oil sideways with low volatility. Geopolitical risks and recovery in demand offer upside opportunities.
- Industrial metals recently (strongly) driven by speculation. Short-term consolidation likely, medium-term potential unaffected.

Currencies



- Earlier interest rate turnaround by the ECB compared to the Fed already largely priced in.
- Currency effects of falling interest rates will be offset by economic recovery.
- Monetary policy turnaround in Switzerland has weighed on the franc, but the ECB will soon follow suit.



Overview of Berenberg's asset allocation

Current positioning within asset classes

Portfolio positioning of a balanced mandate at a glance



EQUITIES



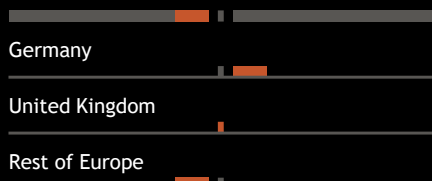
BONDS



ALTERNATIVE INVESTMENTS



Europe



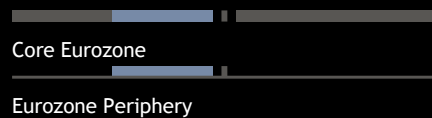
US



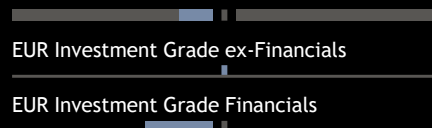
Out of Benchmark



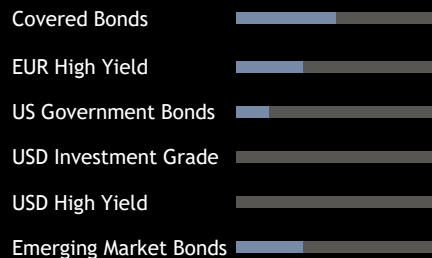
Euro Government Bonds



Euro Corporate Bonds



Out of Benchmark



Duration



Gold / Precious Metals



Other Commodities



Alternative Strategies



LIQUIDITY



CURRENCIES

These positions apply at portfolio level

EUR



USD



GBP



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

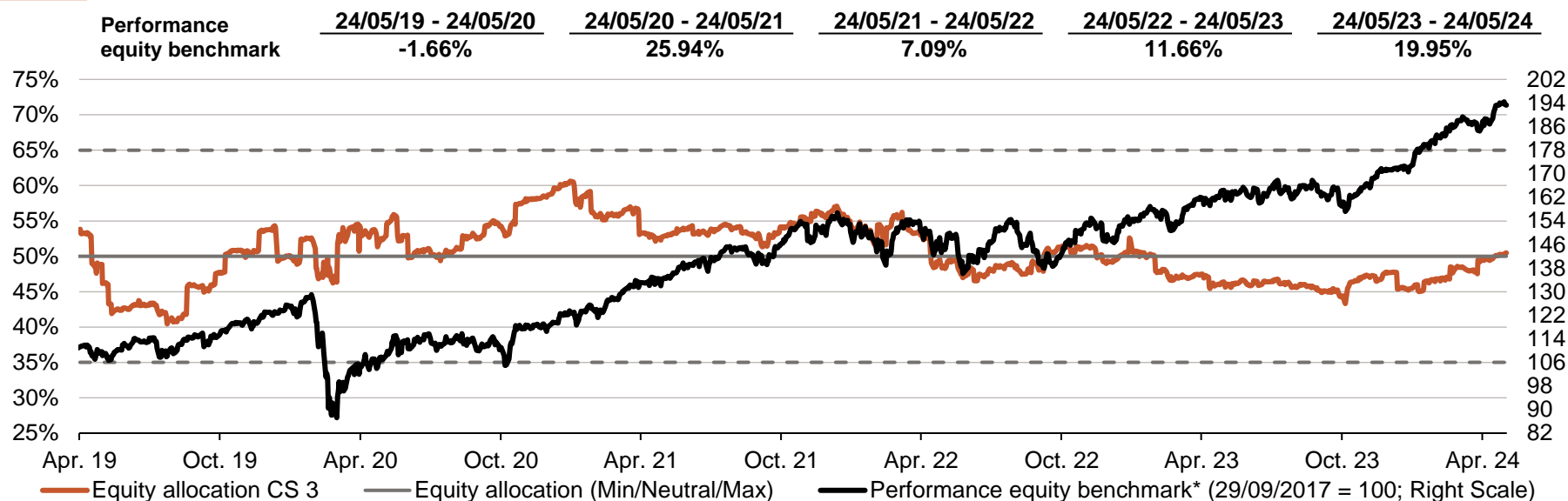
— Underweight ■ Neutral + Overweight

Overview of Berenberg's asset allocation

Review of Core Strategy 3



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



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 24/05/2019 – 24/05/2024.
 Note: The historical performance presented here is not a reliable indicator of future performance.

- In April, we took advantage of the price weakness to neutralize our underweight in equities. At the same time, we reduced our underweight in US equities. Until the US elections, however, we expect a volatile sideways market with limited upside potential at index level. Accordingly, we see opportunities in anti-cyclical allocation decisions and below the surface. We continue to favour European small caps. Economic data in China and Europe have recently surprised on the upside. At the same time, many international investors are underweight in Europe. Against this backdrop, it is encouraging that European equity funds have recorded inflows for the last four weeks in a row – for the first time in the last twelve months.
- We remain overweight in commodities and gold in particular. In addition to fundamental reasons, the fact that the risk of inflation (e.g. wages, freight rates, commodity prices) has recently increased again speaks in favor of this.

02

Economics



Eurozone

GDP and Inflation

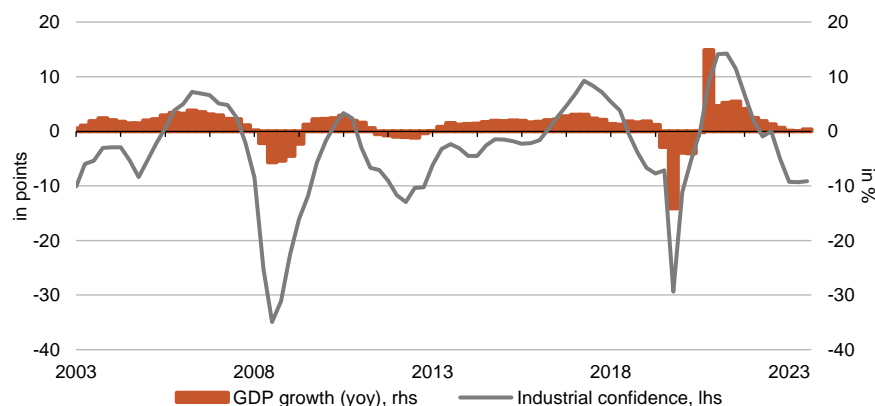


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The mood is slowly brightening

- The eurozone economy grew by 0.3% in the first three months of the year compared to the previous quarter. As the year progresses, rising foreign demand, rising real incomes and falling interest rates should continue to stimulate the economy.
- The Purchasing Managers' Index for May also points to a recovery. This has risen for the fifth time in a row and now stands at 52.3 points. The good result was mainly driven by the service sector. We expect GDP growth of 0.8% for 2024 as a whole, followed by 1.6% next year.

Eurozone GDP growth and industrial confidence



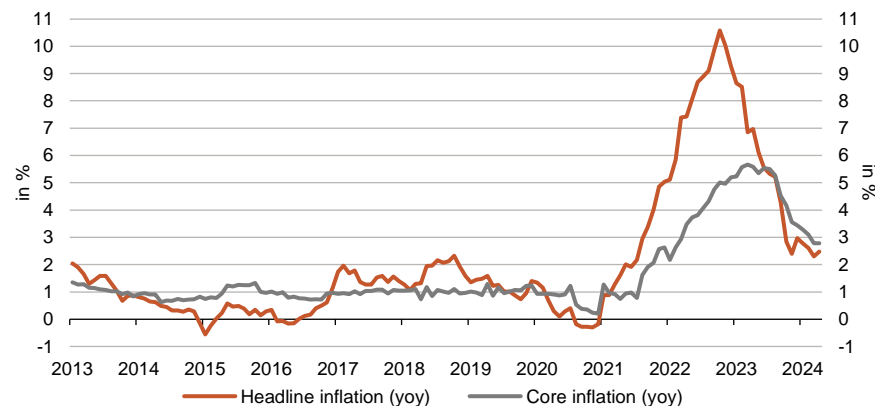
Source: Haver

Period: 09/2003 - 03/2024

ECB points to first rate cut in June

- At its meeting in April, the ECB sent very clear signals that the first interest rate cut would take place in June. ECB Director Schnabel has recently indicated that the second rate cut will probably not take place until September.
- In the following quarters, we expect that a certain decline in core inflation will prompt the ECB to lower the deposit rate to 2.5% by mid-2025. However, the expected rise in inflation to 2.5% and thus above the medium-term target of 2% in 2026 should force the ECB to raise the key interest rate back to 3%.

Eurozone Inflation



Source: Haver

Period: 01/2013 - 04/2024

United Kingdom

GDP and Inflation

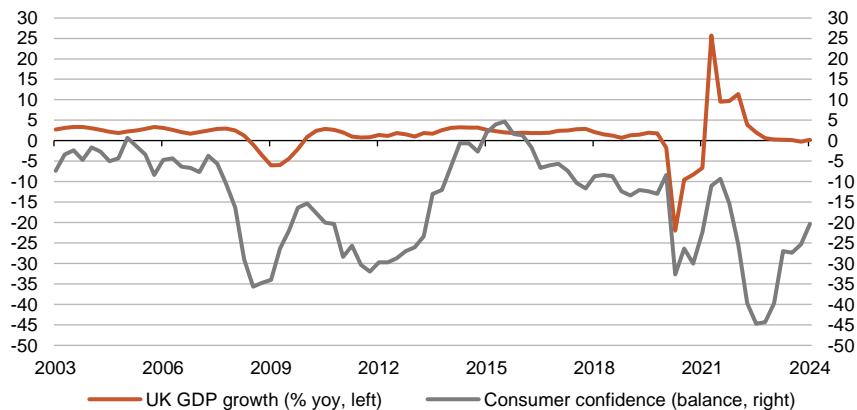

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GDP growth in Q1 surprises positively

- Following a mini recession at the end of the year, the British economy grew more strongly than expected in the first three months of the year, at 0.6% compared to the previous quarter. The volatile quarterly data should not be overinterpreted, but it does fit in with our positive outlook for the year.
- After years of self-inflicted Brexit turbulence, we expect the British economy to grow at least at the same pace as its largest trading partner, the eurozone, in the coming quarters. We expect GDP growth of 0.8% for the year as a whole.

UK GDP growth and consumer sentiment



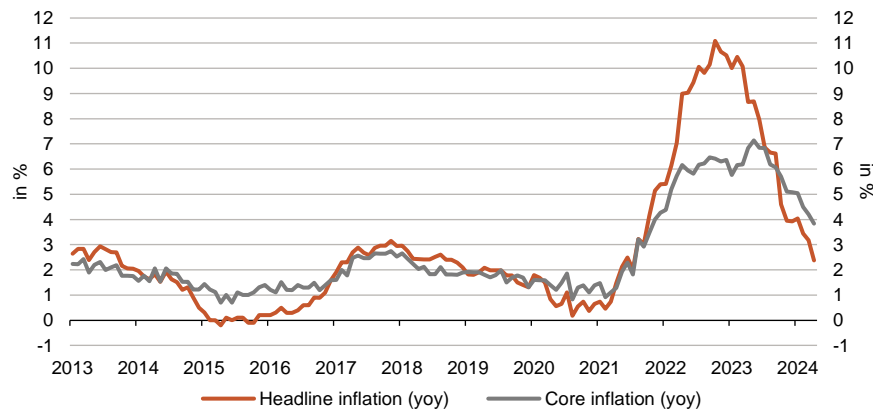
Source: Haver

Period: 03/2003 - 03/2024

BoE stuck between the Fed and the ECB

- Inflation continues to fall and stood at 2.3% in April. However, the core rate of 3.8% is still too high for the BoE, so we do not expect a turnaround in interest rates until after the elections, which have now been scheduled for 4 July. That Labour leader Keir Starmer could take power 3-4 months earlier than expected does not change our mostly positive economic and financial outlook for the UK.
- We expect the first rate cut in August, followed by six further cuts of 25 basis points each, so that the base rate will be 3.5% by mid-2025. This would position the BoE between the Fed and the ECB, which determine monetary policy for the UK's two most important export markets.

United Kingdom Inflation



Source: Haver

Period: 01/2013 - 04/2024

USA

GDP and Inflation



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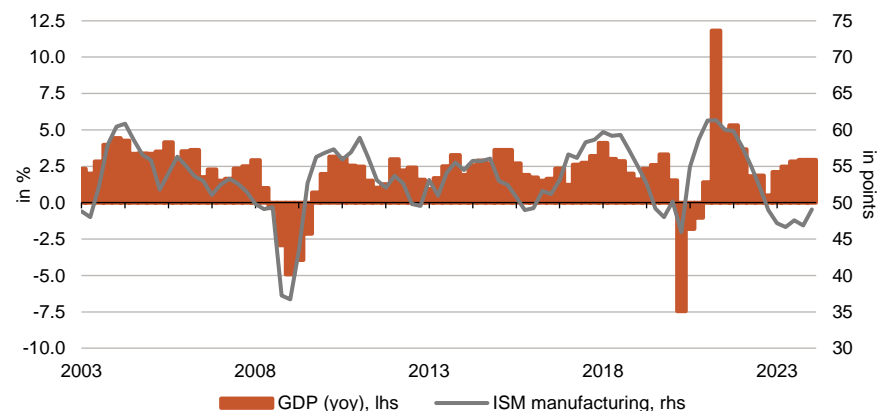
US economy slowly cools down somewhat

- Due to the strong fluctuations in the volatile components of net exports and inventories, US growth slowed significantly in Q1 to 0.4% quarter-on-quarter. However, the solid increase in domestic final demand shows that the underlying momentum of the US economy was still very robust at the beginning of the year.
- Recently, some data such as consumer confidence and retail sales have been somewhat disappointing. This supports our assumption that growth will slow somewhat over the course of the year and stabilise close to the trend rate of 2%.

Inflation moves only very slowly downwards

- Core inflation fell from 3.8% to 3.6% year-on-year in April. After changing by 0.4% month-on-month for three months in a row, it fell to 0.3% in April.
- Although these are small steps in the right direction, the Fed cannot yet be satisfied with this level of inflation. Given the robust economy, there is also no rush to cut interest rates. We are therefore sticking to our assessment that the Fed will not start the rate-cutting cycle until December. We expect a total of four interest rate cuts of 25 basis points each by autumn 2025.

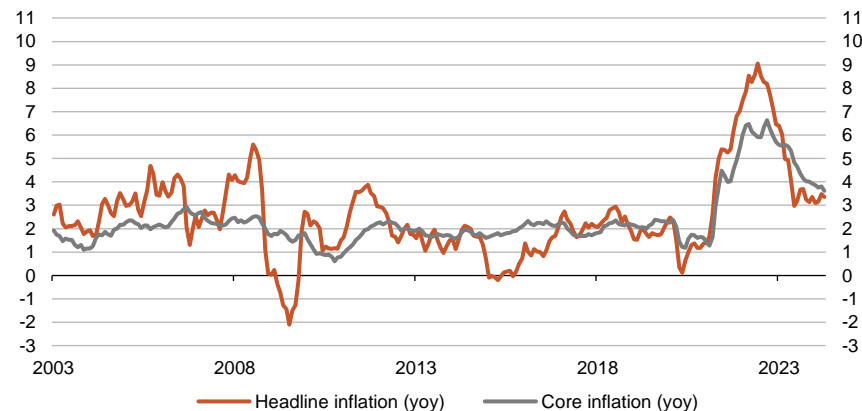
US GDP growth and Purchasing Managers Index



Source: Haver

Period: 03/2003 - 03/2024

USA Inflation (in %)









Source: Haver

Period: 01/2003 - 04/2024

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	3.2	2.8	2.4	2.7	2.3
Eurozone	0.8	0.7	1.6	1.4	1.5	1.4	2.2	2.4	2.1	2.1	2.4	2.0
Germany	0.2	0.2	1.4	1.2	1.3	1.3	2.3	2.4	2.3	2.2	2.4	2.0
France	1.0	0.9	1.6	1.3	1.6	1.5	2.4	2.5	2.3	2.0	2.5	1.9
Italy	1.0	0.8	1.3	1.1	1.2	1.1	1.2	1.3	2.0	1.9	2.3	1.7
Spain	2.2	2.1	2.0	1.9	2.1	1.8	3.0	3.1	2.5	2.3	2.6	2.1
United Kingdom	0.8	0.5	1.7	1.2	1.7	1.4	2.5	2.5	2.4	2.2	2.5	2.0
Japan	0.1	0.5	1.2	1.1	1.1	0.9	2.3	2.4	2.0	1.8	1.7	1.7
China	5.0	4.9	4.3	4.5	4.2	4.2	0.5	0.7	1.8	1.5	2.0	1.9
World*	2.5	-	2.6	-	2.6	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 28/05/2024.

* 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

New all-time highs after correction in April

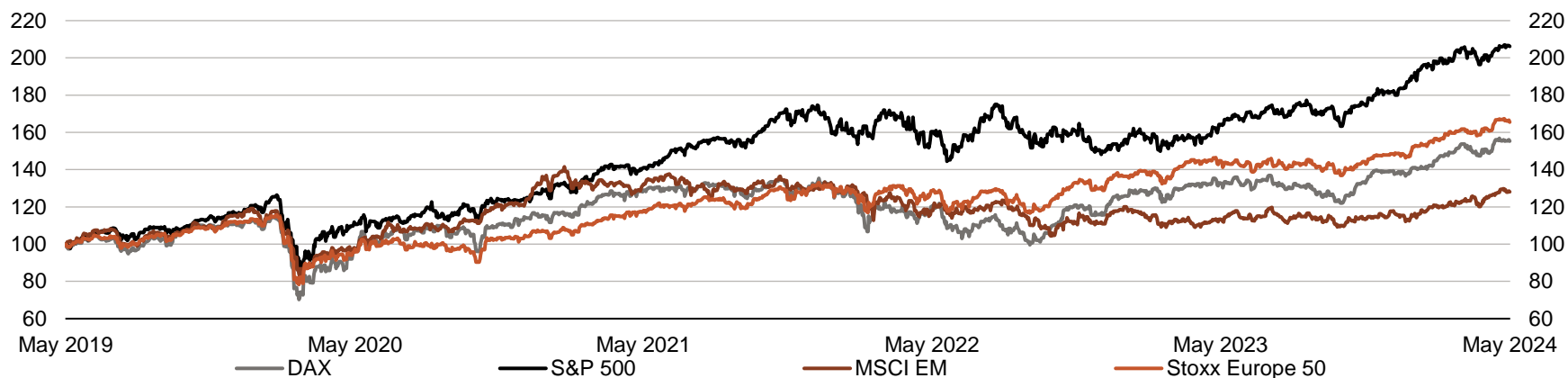


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Equity markets once again betting on "Goldilocks" scenario

- After the brief correction in April, the equity markets picked up speed again – the S&P 500, Nasdaq and Dow even surpassed their old highs in mid-May. A series of weaker US economic data and cooler inflation figures (particularly the cooling of the more stubborn rental inflation) raised hopes of an earlier easing of US interest rate policy: the Citi Economic Surprise Index reached its most negative level since January 2023, while retail sales and real estate data also fell short of expectations. The "bad news is good news" momentum helped to reinforce expectations of a soft landing and thus the "Goldilocks" scenario of solid nominal growth, declining inflation and moderate interest rate cuts. Accordingly, the pessimism among US private investors was also short-lived: after only three weeks of subdued sentiment, the bulls are now clearly dominating again.
- We used the correction in April to neutralize our underweight in equities. At the same time, we reduced our underweight in US equities. We feel comfortable with the neutral weighting. With our focus on commodities, corporate bonds and second-line stocks, we are well positioned should the risk appetite on the markets increase further. The high positioning, weak seasonality and the US elections in the fall argue against a significant overweight.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 28/05/2019 – 28/05/2024.

Corporate earnings

End of the reporting season puts macro data into focus



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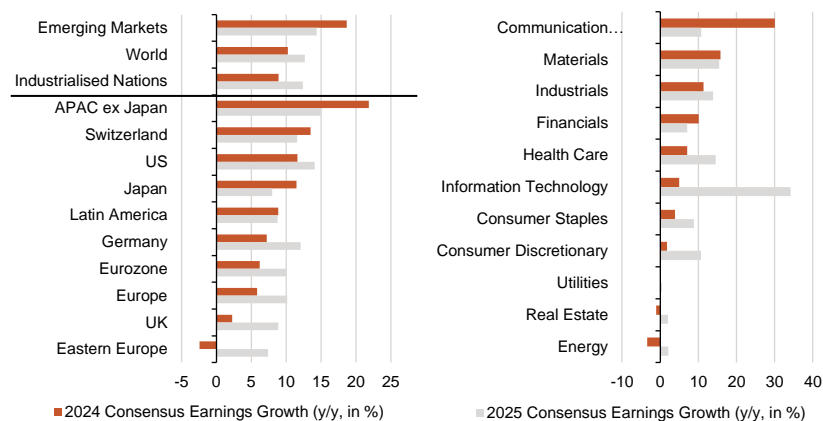
Market focus on Q1 reporting season

- The Q1 reporting season is drawing to a close. Over 90% of companies in Europe have already reported.
- European EPS growth in the first quarter was -5% year-on-year, significantly better than the double-digit decline that the consensus had expected at the start of the season. The main reason for the positive surprise was the better than expected growth in the energy sector (-21% vs. -40%) and in industry (-25% vs. -34%). The consensus for growth in the second quarter has turned positive over the course of the season and now stands at +3% compared to the previous year.

Pronounced optimism and Goldilocks hopes

- With the strong price gains, the strong optimism also returned to the markets.
- In addition to the well-known AAll Bull/Bear indicator, the Euphorimeter (an indicator consisting of the forward P/E ratio, the smoothed, inverted VIX and the bullish survey expectations), which has risen to a new all-time high, the net assets of leveraged bull and bear ETFs and the net amount of speculative futures positioning in relation to the market capitalisation of the S&P 500 all point to pronounced optimism.

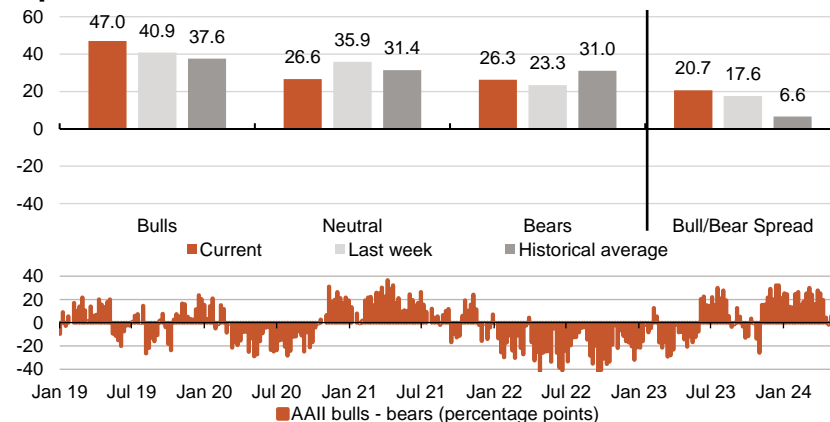
Analysts recently more constructive again



Source: FactSet, own calculations.

As of: 28/05/2024.

Optimism is back



Source: Bloomberg, own calculations.

As of: 23/05/2024.

Performance & Valuation

Renewed valuation expansion after recent correction

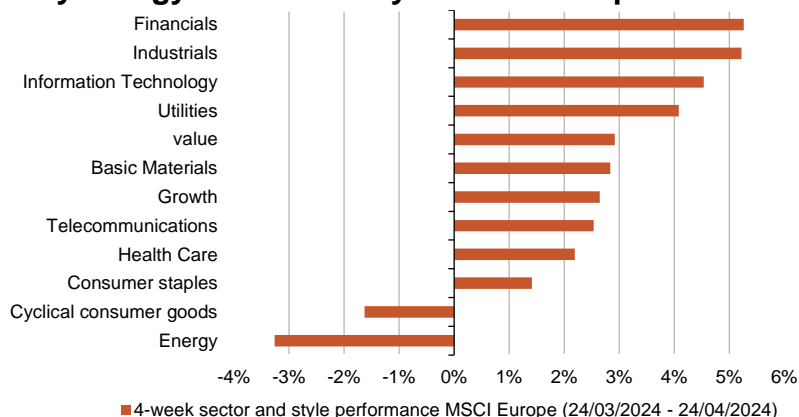


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Equity markets up across the board

- With the end of the reporting season, investors once again turned their attention to macro data. A wave of negative economic surprises and cooler inflation data gave rise to new hopes of interest rate cuts in the US in the near future.
- In Europe, financial and industrial stocks were the main gainers in the last four weeks. By contrast, energy stocks, which had shown the strongest performance in the previous month, lost ground. In Europe, value stocks outperformed growth stocks and small caps outperformed large caps.

Only energy stocks and cyclicals under pressure



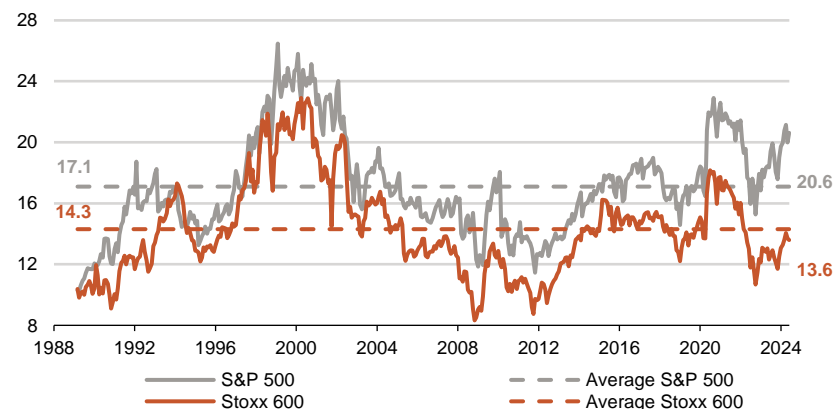
Source: Bloomberg, own calculations.

Time period: 28/04/2024 - 28/05/2024.

Widening valuations for European and US equities

- Following the valuation correction at the end of April, the price/earnings ratios of the S&P 500 have risen again in the course of the recent stock market rally. Weaker economic and inflation data have raised hopes of a more rapid easing of US interest rate policy. As a result, interest rates fell and valuation levels widened.
- Accordingly, the performance of the S&P 500 over the last four weeks was predominantly valuation-driven.

US equities still valued at historically high levels



Source: Bloomberg, own calculations.

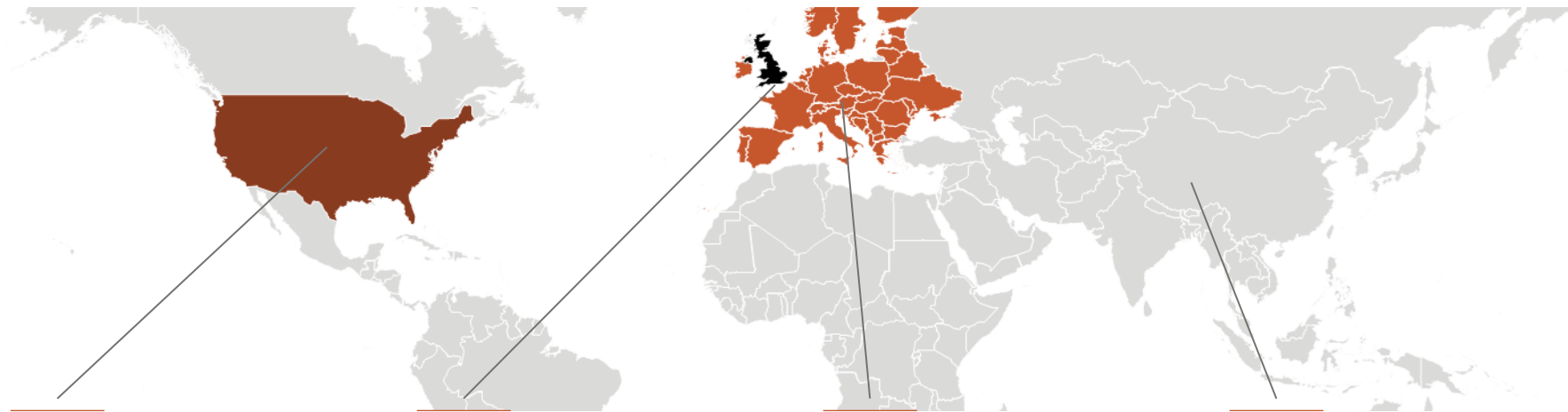
Time period: 01/01/1988 – 28/05/2024.

Equity allocation

Overweight in EM and Europe ex. UK


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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.



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

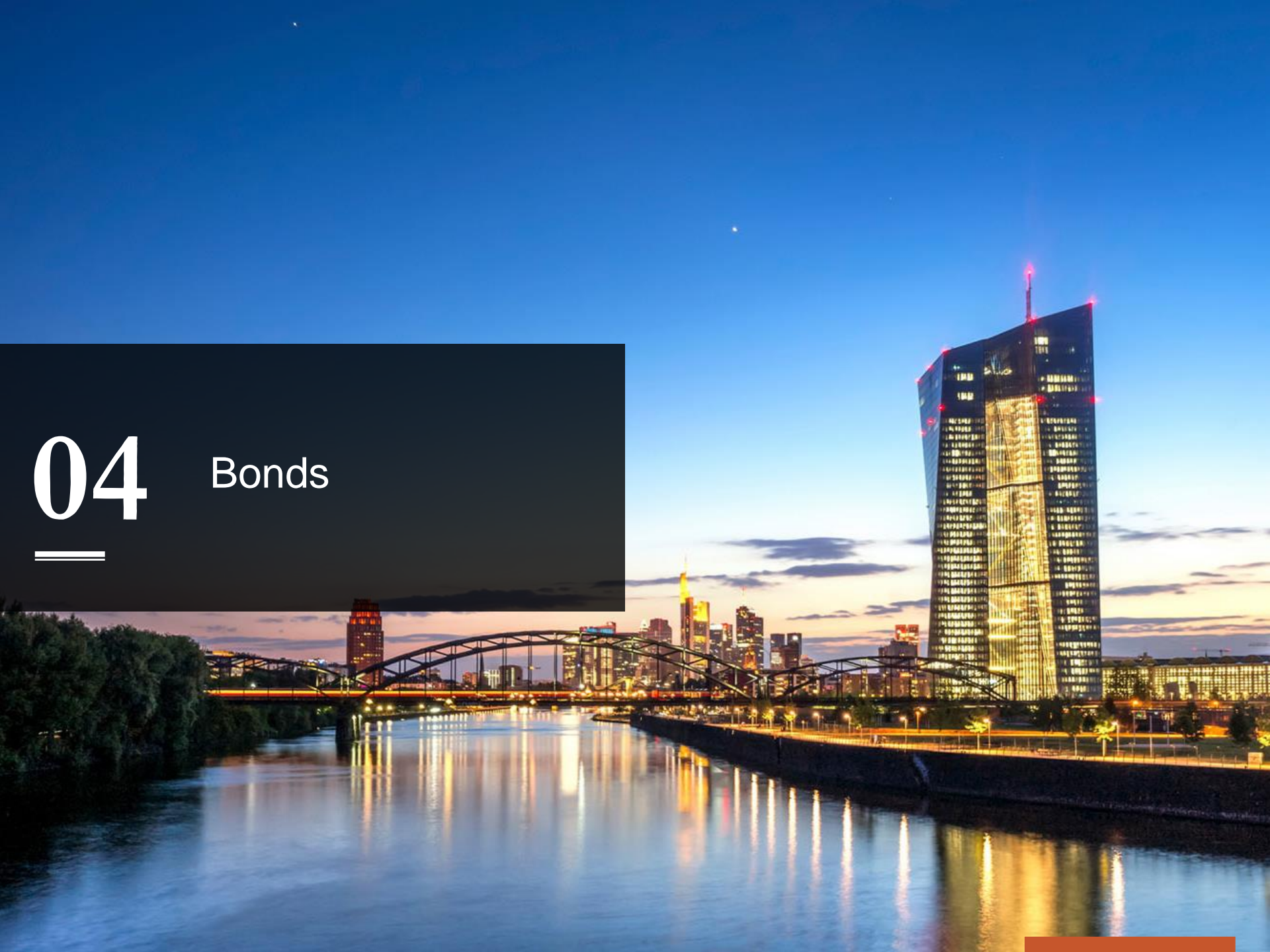
Estimates for selected indices

	Current			Ø*
Index forecasts	28/05/2024	31/12/2024	30/06/2025	in 12 months
S&P 500	5,306	5,300	5,500	5,860
DAX	18,678	18,500	20,000	21,639
Euro Stoxx 50	5,030	5,100	5,400	5,617
MSCI UK	2,359	2,300	2,400	2,680
Index potential (in %)				
S&P 500	-	-0.1	3.7	10.4
DAX	-	-1.0	7.1	15.9
Euro Stoxx 50	-	1.4	7.3	11.7
MSCI UK	-	-2.5	1.7	13.6

Source: Bloomberg, Berenberg as of 28/05/2024.

*Average based on bottom-up estimates.

04 Bonds



Government bonds

Is the ECB going ahead?

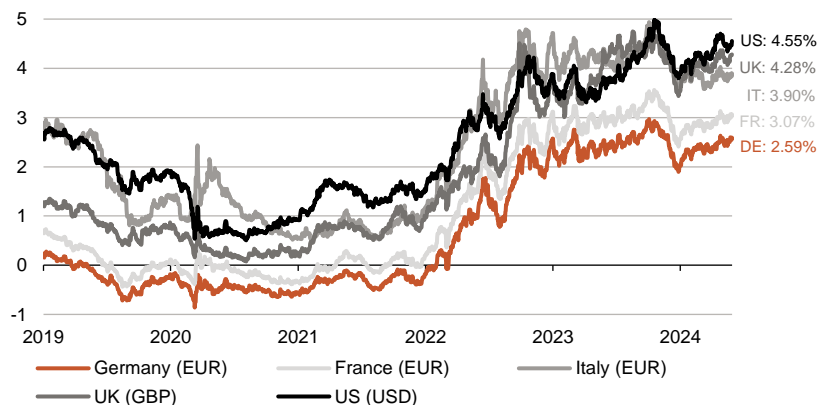


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Inflationary pressure in the USA remains high

- In contrast to the inflation data of recent months, some of the US inflation figures in April surprised to the downside, causing yields on 10-year US government bonds to fall slightly in May. However, the latest PMI price components for May indicate that inflationary pressure in the US remains high and has recently been coming mainly from the manufacturing sector.
- The ongoing inflationary pressure was also the central theme of the published minutes of the last FOMC meeting, in which the individual FED council members held out the prospect of possible interest rate hikes if necessary. The markets reacted by postponing the Fed's expected first rate cut until December.

Rising 10-year yields since the beginning of the year



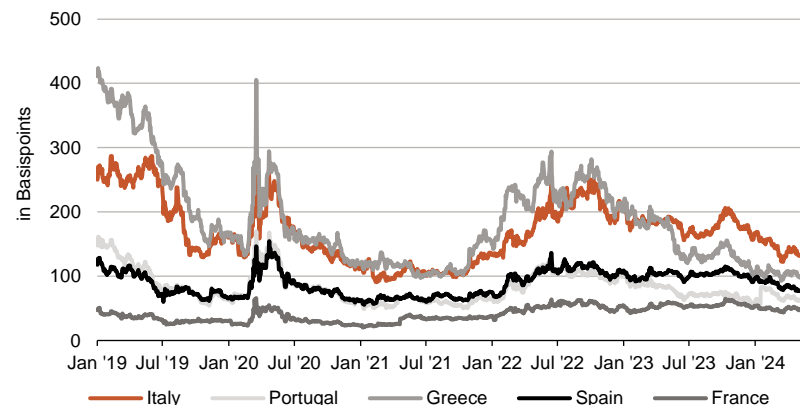
Source: Bloomberg

Time period: 01/01/2019 – 28/05/2024

ECB interest rate hike in sight in June

- In contrast to the inflation picture in the US, the disinflation process in the eurozone has remained intact in recent months, with the latest data on wage dynamics providing a surprise on the upside.
- While the first interest rate cut in June is very likely according to ECB President Lagarde, the ECB's further interest rate cut path remains questionable against the backdrop of strong economic data and isolated inflationary surprises in wage dynamics in individual countries, which has weighed on eurozone government bonds over the past month.

Risk premiums of peripheral countries continue to fall



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

Time period: 01/01/2019 – 27/05/2024

Corporate & EM bonds

Euro IG and EM local currency segment remain attractive

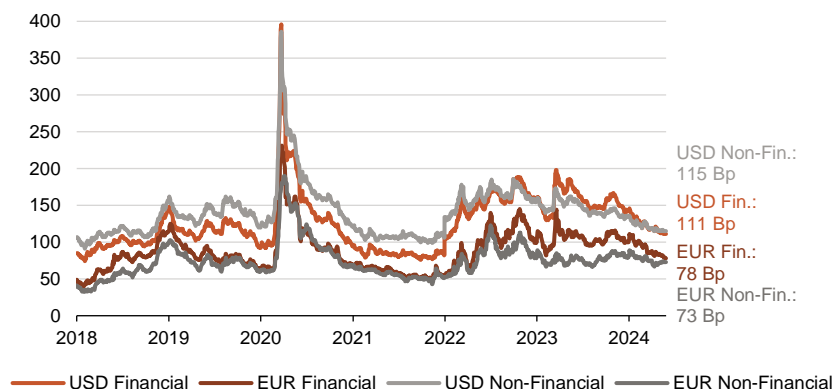


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IG spreads remain stable

- Despite a high volume of new issues, particularly in the non-financials segment, risk premiums in the IG segment continued to fall last month, which is attributable to large maturities and robust risk demand supported by the economic recovery in the eurozone. A good reporting season in the banking sector also supported the narrowing of spreads in the financials segment.
- There was a significant narrowing of spreads in the high-yield segment last month, mainly thanks to high demand. However, the volatile interest rate environment and possible stagflation remain risks to the further relative outperformance of the HY sector.

Spreads in the IG and HY segments tightening further



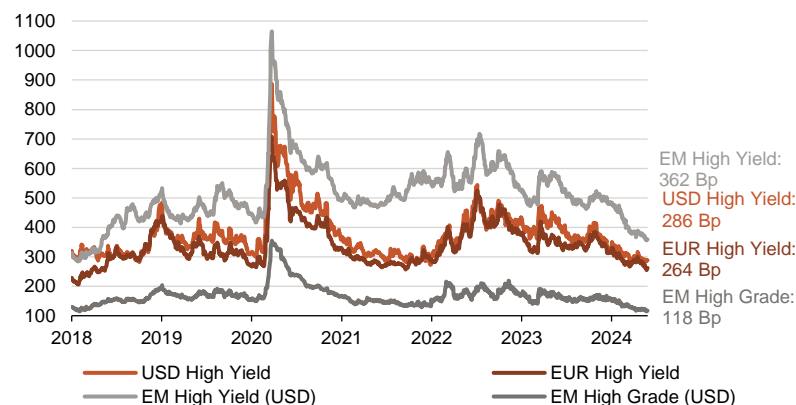
Source: Factset, own calculations.

Time period: 01/01/2019 – 27/05/2024

EM: Elections well received so far

- EM hard currency government and corporate bonds saw a further narrowing of risk premiums last month as global outflows stabilized and inflows from local banks and insurance companies continued. The election results, which have so far been well received by investors, and the declining volatility of US government bond yields provided additional support for EM bonds.
- Robust economic data combined with a continuing disinflation trend in the emerging markets and higher US interest rates in the longer term should further support the attractiveness of the local currency segment.

EM spreads stable despite global outflows



Source: Factset, own calculations

Time period: 01/01/2019 – 27/05/2024

Capital market strategy

Bonds



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

- The high-yield bond segment remains attractive for many investors due to the positive economic outlook of the high carry, even though risk premiums are historically low.
- 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

	28/05/2024	31/12/2024		30/06/2025	
Base interest rates and government bond yields (in %)	Current		Ø*		Ø*
US					
Base interest rate	5.25-5.50	5.00-5.25	5.00	4.50-4.75	4.40
10Y US yield	4.55	4.70	4.19	4.70	4.02
Eurozone					
Base interest rate	4.50	3.40	3.30	2.90	2.80
10Y Bund yield	2.59	2.60	2.20	2.70	2.21
United Kingdom					
Base interest rate	5.25	4.50	4.50	3.50	3.80
10Y Gilt yield	4.28	4.30	3.67	4.30	3.55

Source: Bloomberg. Berenberg. as of 28/05/2024.

*Average of estimates by other experts (Bloomberg) consensus.



05

Commodities

Crude oil

Upward opportunities from here

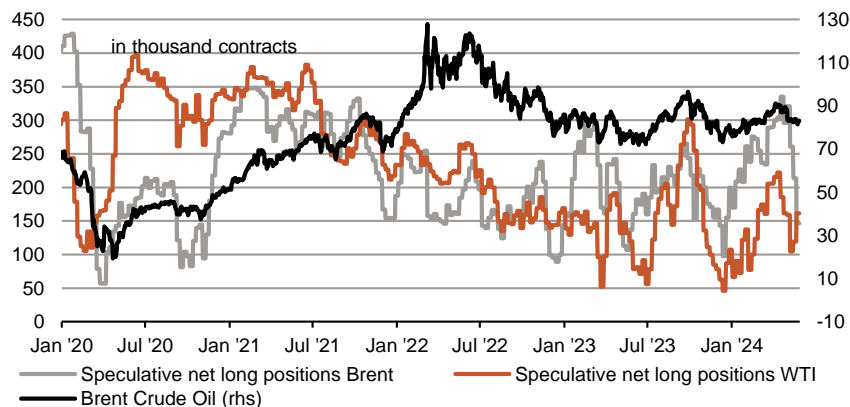


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Positive economic momentum, summer seasonality and geopolitical risks provide a tailwind

- At the beginning of May, the oil price came under strong pressure in the wake of significantly higher-than-expected increases in inventories and ceasefire negotiations between Israel and Hamas. For the rest of the month, Brent crude fluctuated between USD 81 and USD 84 per barrel with very little volatility, as there were no major developments on either the supply or demand side in recent weeks. Reporting on the conflict in the Middle East has also recently become somewhat quieter.
- The OPEC+ meeting at the beginning of June is likely to give the oil market fresh impetus. Various anonymous sources within the organization have already indicated that the voluntary special cuts of around 2.2 mbpd, which expire in June, are likely to be extended until the end of the year. Together with the mandatory cuts of around 3.7 mbpd, OPEC+ would reduce supply by almost 6% of global demand by December.
- From this perspective, the upside opportunities for oil appear to outweigh the downside. The positive economic momentum, especially in Europe and China, coupled with the upcoming positive summer seasonality, fundamentally favor more demand. At the same time, speculative positioning has fallen considerably, first in WTI and most recently in Brent. This makes oil an attractive geopolitical hedge again.

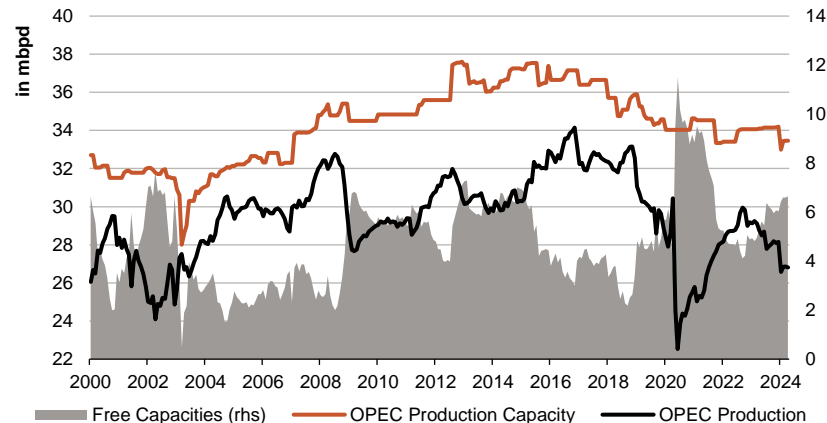
Speculative positioning fell significantly



Source: Bloomberg.

Time period: 01/01/2020 – 27/05/2024.

Extension of OPEC cuts seems likely



Source: Bloomberg, Berenberg calculations.

Time period: 01/01/2000 – 30/04/2024.



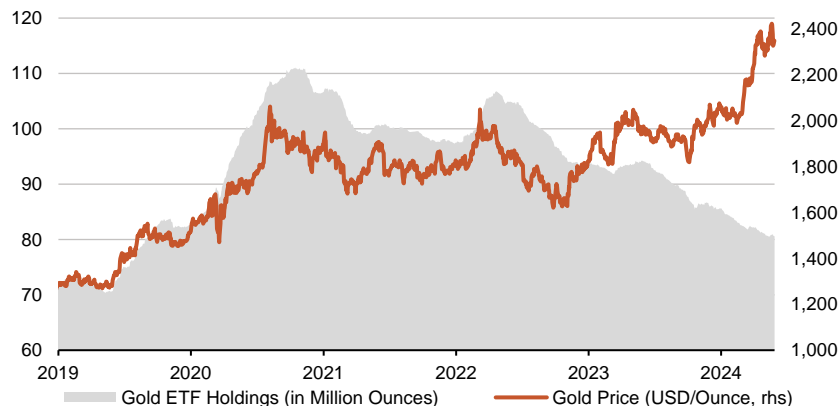
Precious and industrial metals

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

Gold: currently expensive, but important real safe haven

- Gold broke through the USD 2,400 per ounce mark for the first time in history in May. This time, tailwinds also came from falling real interest rates and a weaker US dollar. This was followed by a recent consolidation.
- Although gold is certainly not cheap, there still seems to be further upside potential. The rally in recent months has been driven primarily by central banks, private investors in Asia and technicians. Many investors in the West, on the other hand, have further reduced their holdings since the beginning of the year. However, there are enough reasons for positive flows, such as the US elections, rising government debt and geopolitical conflicts.

ETFs still waiting for inflows



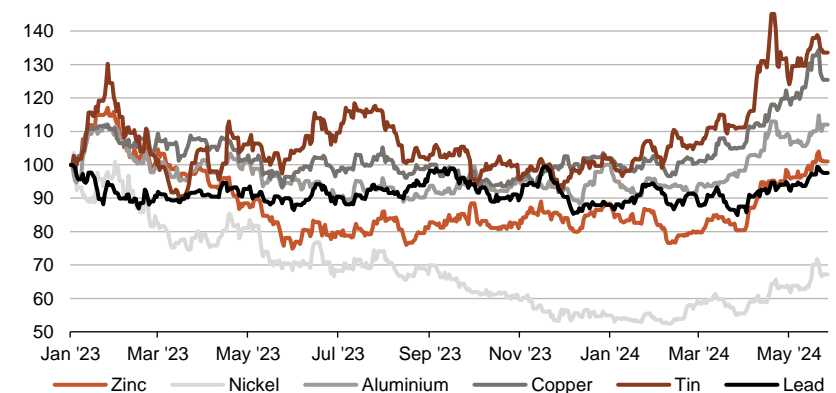
Source: Bloomberg, own calculations.

Time period: 01/01/2019 – 27/05/2024.

Metals: heated in short, attractive in medium term

- After a robust April, industrial metals continued to rise strongly in May. Copper even reached a new all-time high. Although the demand outlook continued to brighten both in the West and in China, the rally was driven not least by a short squeeze on the Comex. The futures positioning of speculative investors has now increased significantly and the price potential is therefore limited in the short term.
- In the medium to long term, however, industrial metals remain very attractive. Structural demand from green technologies is gaining momentum, while supply continues to grow slowly. (Excessively) low inventories are already the result.

Strong rally on the metal markets



Source: Bloomberg, own calculations.

Time period: 01/01/2023 – 27/05/2024.



06

Currencies

Market Development

FX markets



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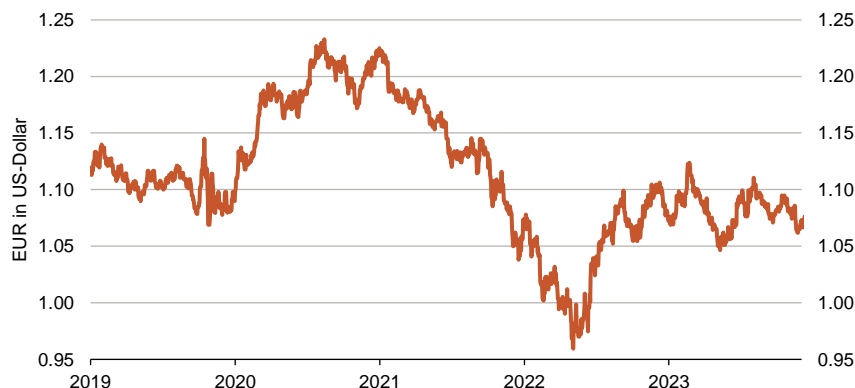
Opposing forces for the euro-dollar exchange rate

- The fact that the ECB is expected to start the rate-cutting cycle six months before the Fed is weighing on the single currency. However, this has already been largely priced into the market and partly explains the current strength of the dollar.
- However, the fact that the economy in the eurozone is likely to recover somewhat over the course of the year could have a supportive effect on the euro, while a slight economic slowdown is expected in the USA. All in all, we therefore expect the exchange rate to move sideways.

The ECB will soon follow the SNB

- The Swiss National Bank reversed its monetary policy back in March and lowered the key interest rate from 1.75% to 1.5%. This has weakened the Swiss franc somewhat, with the exchange rate recently moving back towards 1 franc per euro.
- However, the ECB is likely to follow suit as early as June, and as both interest rates and the economy in the eurozone and Switzerland are moving almost in lockstep, we expect the exchange rate to move sideways at a level of CHF 0.98 per euro.

Exchange rate: Euro/US-Dollar



Source: Bloomberg

Period: 05/2019 – 05/2024

Exchange rate: EUR/CHF





Source: Bloomberg

Period: 05/2019 – 05/2024


Forecasts

Estimates of key currencies

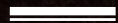
	28/05/2024	31/12/2024		30/06/2025	
Exchange rate forecasts	Current		Ø*		Ø*
EUR/USD	1.09	1.08	1.08	1.10	1.08
EUR/GBP	0.85	0.85	0.86	0.85	0.86
EUR/CHF	0.99	0.97	0.99	0.97	0.99
EUR/JPY	171	162	161	163	158
Change against the Euro (in %)					
USD	-	0.5	0.5	-1.3	0.5
GBP	-	0.1	-1.1	0.1	-1.1
CHF	-	2.1	0.1	2.1	0.1
JPY	-	5.3	6.3	4.7	8.3

Source: Bloomberg. Berenberg as of 28/05/2024.

*Average of estimates of other experts (Bloomberg); consensus.



Publishing information





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Berenberg

Joh. Berenberg, Gossler & Co. KG
Neuer Jungfernstieg 20
20354 Hamburg
Germany

Phone +49 40 350 60-0

Fax +49 40 350 60-900

Publisher

Prof Dr Bernd Meyer, CFA

Chief Strategist Wealth and Asset Management

Authors

Ulrich Urbahn, CFA

Head Multi Asset Strategy & Research

Ludwig Kemper, CFA

Analyst Multi Asset Strategy & Research

Philina Kuhzarani

Analyst Multi Asset Strategy & Research

Dr Konstantin Ignatov

Analyst Multi Asset Strategy & Research

Dr Felix Schmidt

Economist

Contact details

www.berenberg.de/en

MultiAssetStrategyResearch@berenberg.de