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PARTNERSHIP SINCE 1590

HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

August | 2024

Horizon Handout – Capital Market Outlook

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Date 31/07/2024.

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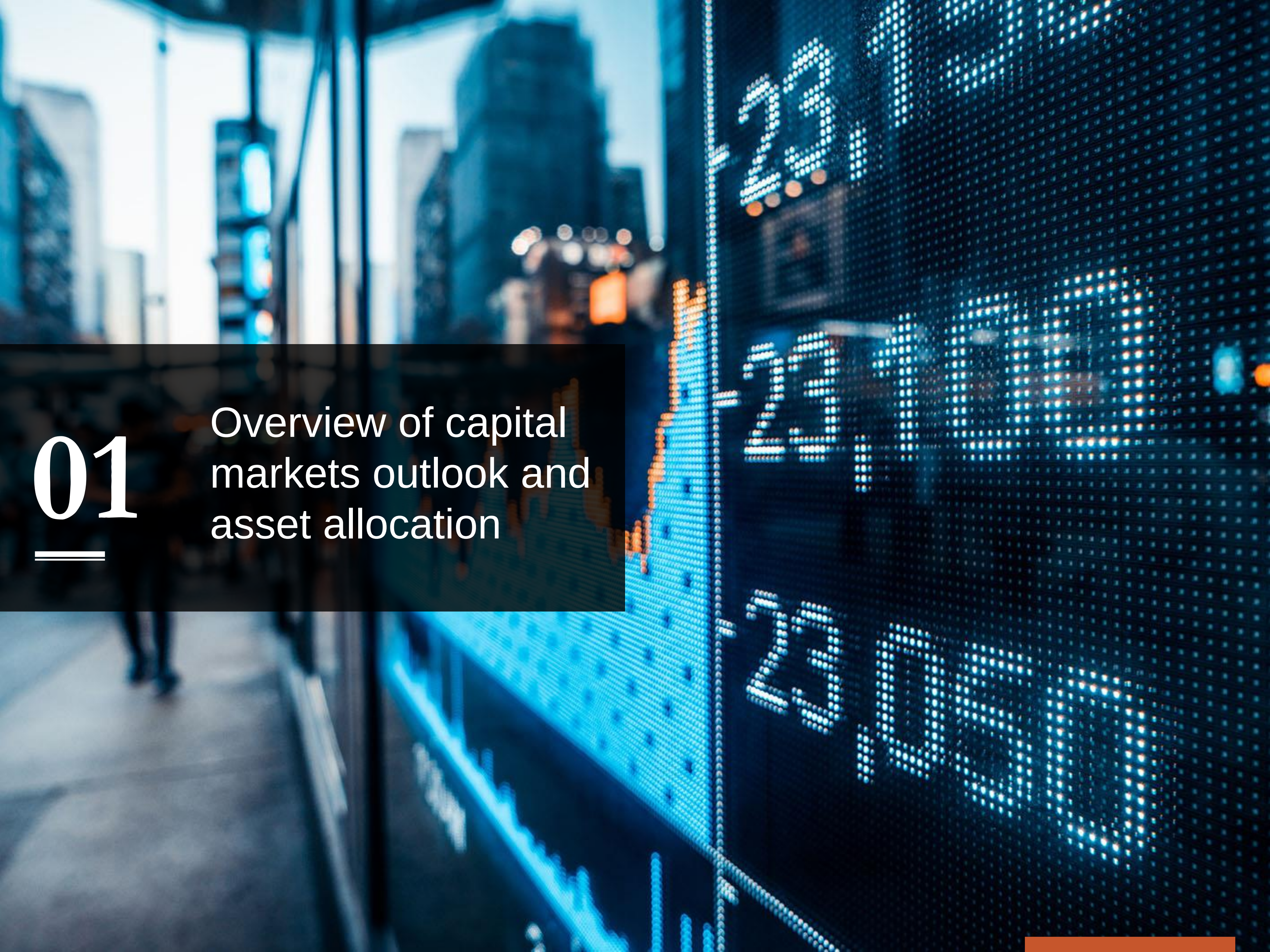
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary

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 (01/07/24 - 29/07/24)	YTD (29/12/23 - 29/07/24)	29/07/23 29/07/24	29/07/22 29/07/23	29/07/21 29/07/22	29/07/20 29/07/21	29/07/19 29/07/20
REITs	5.6	3.3	8.3	-20.6	8.9	24.5	-11.9
EUR Coporates	1.6	1.9	6.9	-3.5	-9.8	3.2	-0.4
EUR Sovereign Debt	1.6	0.4	4.4	-5.5	-6.2	0.7	0.6
Gold	1.5	17.9	23.9	2.9	12.4	-8.0	30.6
Global Convertibles	0.7	3.5	3.8	-2.5	-8.0	31.6	13.6
MSCI Frontier Markets	0.6	10.1	9.5	-5.2	-2.0	37.9	-18.9
Euro overnight deposit	0.3	2.3	4.0	1.9	-0.6	-0.6	-0.4
MSCI World	-0.6	14.8	19.3	4.7	5.2	33.9	0.9
USDEUR	-0.8	2.0	1.8	-7.2	16.3	-0.8	-5.5
MSCI Emerging Markets	-1.4	9.4	7.9	-0.2	-8.1	20.3	0.7
Brent	-8.1	13.1	8.3	-13.3	98.6	67.7	-35.9
Industrial Metals	-9.7	1.5	0.0	-9.7	13.7	43.2	-6.7

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: 29/07/2019 – 29/07/2024.

Overview of capital markets
Outlook by asset class

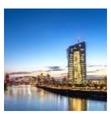
Economics

- Positive economic surprises in Europe in Q2, continued robust growth in the US.
- Upswing in the UK continues.
- US economy grows faster than expected in the second quarter.

Equities

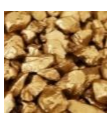
- Stock markets with strong rotation in July away from megacaps, tech, growth and momentum towards value and small caps.
- Q2 reporting season in full swing. Declining price momentum of mega caps weighs on valuations.
- High investor positioning, weaker economic data and US elections argue against offensive positioning.

Bonds



- After the ECB's interest rate pause in July, the markets are expecting interest rate cuts by the ECB and the Fed in September.
- IG corporate bonds offer historically more attractive valuations on a spread basis compared to the high-yield segment.
- Local currency securities in emerging markets remain attractive both technically and fundamentally.

Alternative investments / commodities



- The oil price stands and falls with the production policy of OPEC+ and is therefore in a sideways trend for the time being.
- Gold has upside potential despite a new all-time high thanks to rising ETF inflows.
- Industrial metals burdened by weak activity in China but offer interesting entry prices after a setback.

Currencies

- Euro rallies slightly on diminishing French risk and the prospect of an earlier turnaround in US interest rates.
- Short-term fluctuations in the euro-dollar exchange rate may occur around the US presidential election.
- Swiss National Bank keeps an eye on the franc.

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

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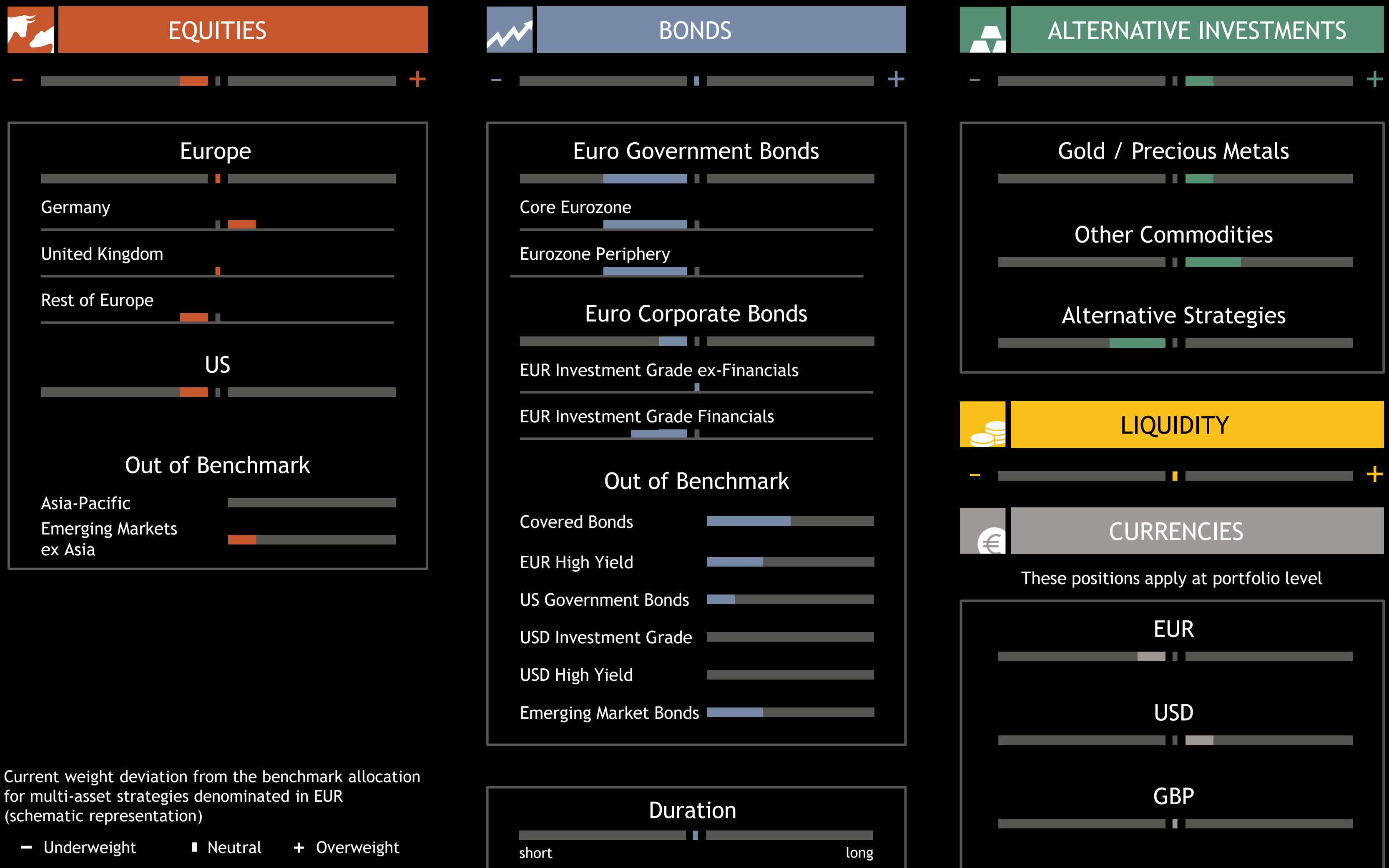
Portfolio positioning of a balanced mandate at a glance



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

– Underweight ▮ Neutral + Overweight

Source: Berenberg

As of 30/07/2024.

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

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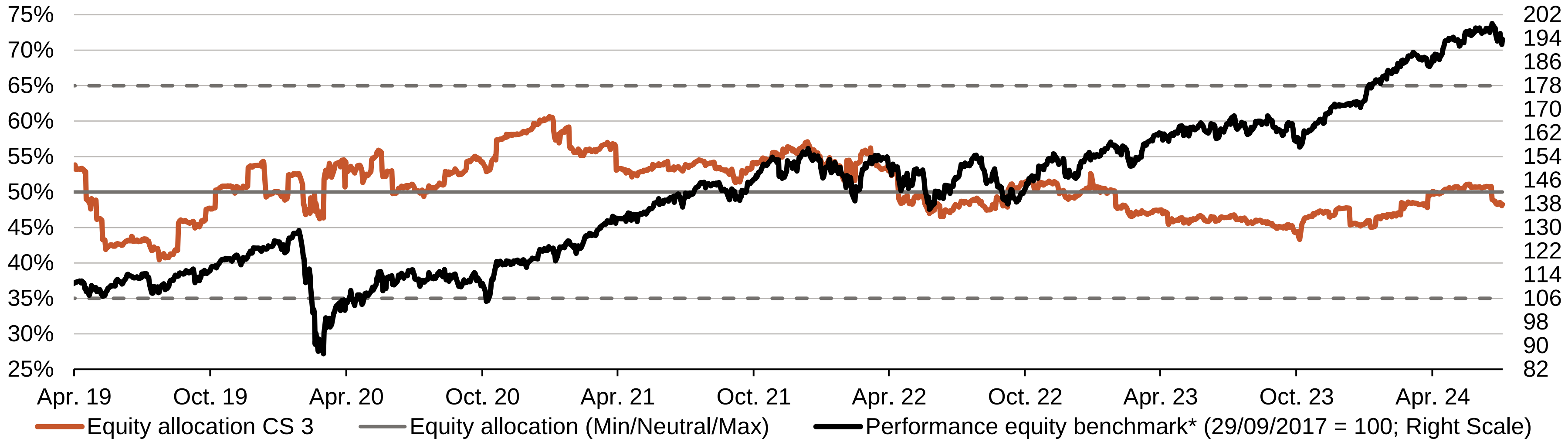
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	26/07/19 - 26/07/20	26/07/20 - 26/07/21	26/07/21 - 26/07/22	26/07/22 - 26/07/23	26/07/23 - 26/07/24
	-1.56%	25.56%	4.34%	11.91%	17.44%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 26/07/2019 – 26/07/2024.
Note: The historical performance presented here is not a reliable indicator of future performance.

- Following the strong first half of July in equities and given the ambitious valuations and increased risk appetite of market participants, we have taken anti-cyclical profits and reduced our equity allocation by a net 2 percentage points to below 50%. In particular, we reduced our cyclical exposure. For example, we have completely closed our remaining position in Latin American equities, which served us very well in 2022 and 2023. Instead, we have increased defensive stocks and cash.
- After the strong performance so far this year, given the political risks in the run-up to the US elections, many investors may be reluctant to take on too much risk, especially as liquidity is low over the summer. We are therefore waiting patiently for good opportunities. We continue to believe that the upside potential for equities is limited until the autumn.

02 Economics

Eurozone
GDP and Inflation

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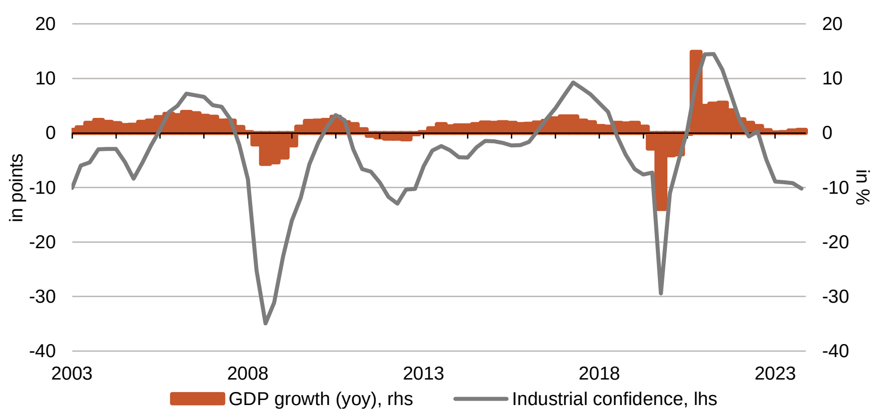
GDP growth in Q2 surprises positively

- The eurozone economy grew by 0.6% year on year in the second quarter, providing a positive surprise. The Spanish economy was particularly strong, growing by 0.8% compared with the previous quarter. In contrast, the German economy again fell short of expectations. GDP fell by 0.1% in the second quarter compared with the first quarter.
- In the second half of the year, the end of the inventory correction as well as rising real wages and falling interest rates should give the economy an additional boost. In view of the good GDP growth figures for Q2, we have raised our forecast for 2024 as a whole from 0.8% to 0.9%.

No cut before summer break

- The ECB left the deposit rate unchanged at 3.75% at its July meeting. President Lagarde gave no indication as to whether the next rate cut is due in September and again referred to a data-dependent approach. The ECB wants to keep all options open.
- We expect a further interest rate cut of 25 basis points in September, before a slight rise in inflation at the end of the year will initially deter the ECB from making further cuts. We expect two further interest rate cuts in the coming year, so that the deposit rate will then be 3.0% in summer 2025.

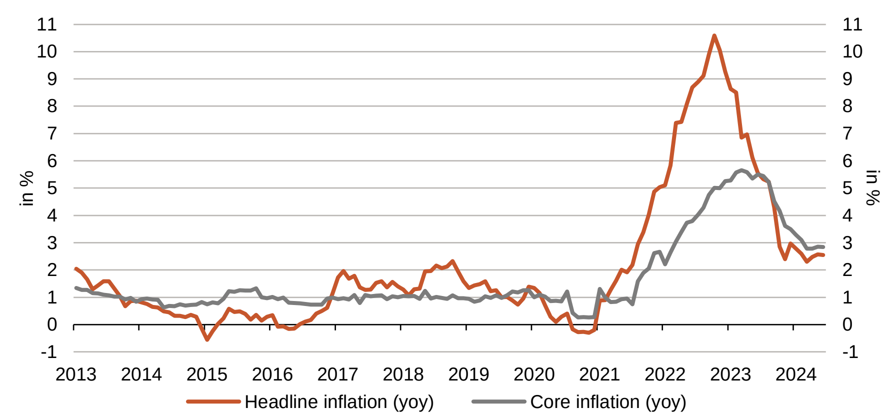
Growth picks up slowly



Source: Haver

Period: 09/2003 - 06/2024

Eurozone inflation rate recently moving sideways



Source: Haver

Period: 01/2013 - 06/2024

United Kingdom
GDP and Inflation

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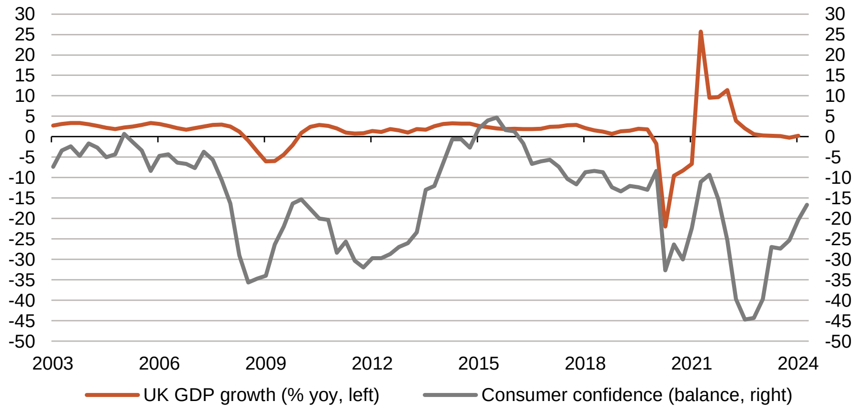
Economy slowly gaining momentum

- After the UK economy failed to grow in April, it expanded by 0.4% in May compared to the previous month. Following the very strong GDP growth of 0.6% compared to the previous quarter in Q1, the UK economy is therefore also expected to grow in Q2.
- We expect some calm to return under the new Labour government after years of self-inflicted Brexit turmoil. Reliable, pragmatic relations with the EU and a reform of planning regulations could provide a modest boost to growth. We forecast GDP growth of 1.0% for 2024 as a whole.

Inflation at target opens the door for rate cut

- The inflation rate stood at 2% in June and was therefore exactly in line with the BoE's target for the second month in a row. The services sector again contributed 2.7 percentage points to overall inflation in June. Like the overall inflation rate, the core inflation rate moved sideways and remained at 3.5%.
- The BoE faces a difficult decision. However, we expect it to initiate the turnaround in interest rates at its next meeting on 1 August with a rate cut of 25 bp. After that, we expect six further interest rate cuts of 25 bp each, so that the key interest rate will be 3.5% by mid-2025.

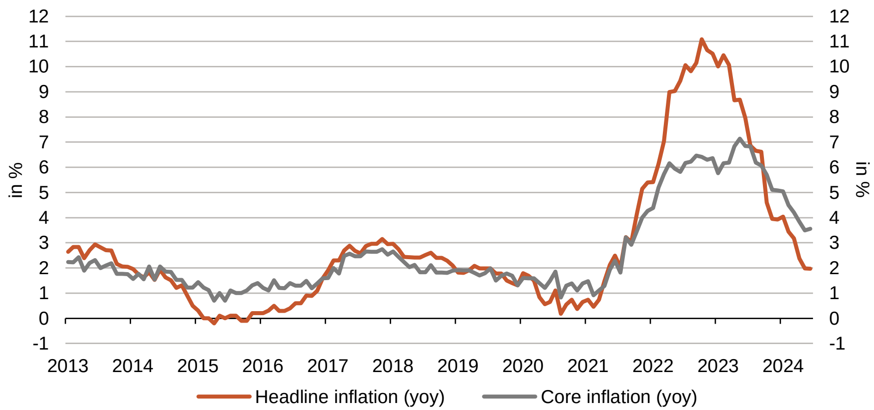
Consumer sentiment slowly brightens



Source: Haver

Period: 03/2003 - 06/2024

Inflation on target for the second month in a row



Source: Haver

Period: 01/2013 - 06/2024

USA
GDP and Inflation

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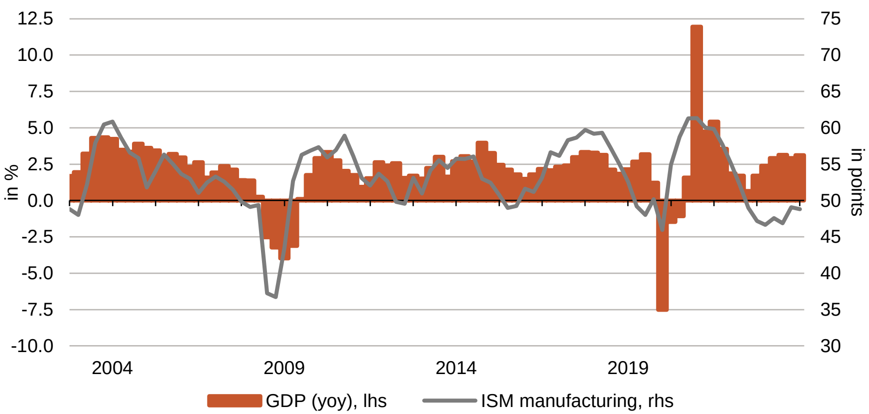
US economy surprises positively in Q2

- US GDP grew by 3.1% year-on-year in Q2 (annualised vs. previous quarter: 2.8%), which was stronger than previously expected. The weaker growth in Q1, which was revised downwards from 1.6% annualised quarter-on-quarter to 1.4%, appears to have been an outlier and Q2 the countermovement.
- Stable private consumption once again had a supporting effect. However, growth was also driven by some volatile components such as investments in equipment, increased inventories and government defence spending. We expect the US economy to cool down further in the coming quarters, but a slump is not to be expected.

Interest rate turnaround could begin in September

- The inflation rate fell more sharply than expected in June. US Federal Reserve Chairman Powell has recently expressed confidence that inflation will move back towards 2% in the near future.
- In addition, the economy is cooling, while the labour market is normalising and wage pressure is easing. The turnaround in interest rates therefore does not appear to be far off, so we expect the first rate cut of 25 basis points as early as September. Thereafter, we expect quarterly interest rate cuts of 25 basis points until the key interest rate range reaches 4.25% to 4.50% in summer 2025.

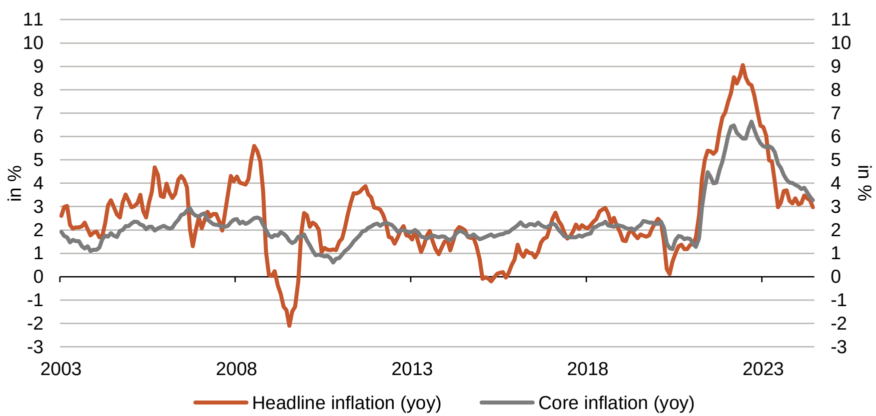
US growth remains above the trend rate of 2%



Source: Haver

Period: 03/2003 - 06/2024

Core rate continues to fall



Source: Haver

Period: 01/2003 - 06/2024

Economic forecasts

Key estimates at a glance

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	GDP growth (in %)						Inflation (in %)					
	2024		2025		2026		2024		2025		2026	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	2.3	2.3	1.7	1.8	2.0	2.0	3.0	3.0	2.5	2.4	2.6	2.3
Eurozone	0.8	0.7	1.5	1.4	1.5	1.3	2.4	2.4	2.2	2.1	2.4	2.0
Germany	0.2	0.2	1.3	1.2	1.3	1.3	2.4	2.4	2.3	2.1	2.4	1.9
France	0.9	0.9	1.4	1.2	1.4	1.4	2.5	2.5	2.2	1.9	2.4	1.9
Italy	1.0	0.9	1.2	1.1	1.2	1.0	1.1	1.1	2.0	1.8	2.3	1.7
Spain	2.3	2.3	2.1	2.0	2.1	1.7	3.3	3.1	2.6	2.3	2.6	2.0
United Kingdom	1.0	0.8	1.7	1.3	1.7	1.5	2.6	2.6	2.4	2.2	2.5	2.0
Japan	-0.2	0.1	1.1	1.2	1.1	0.8	2.4	2.4	2.0	1.9	1.7	1.8
China	4.7	4.9	4.2	4.5	4.2	4.3	0.5	0.6	1.8	1.5	2.0	1.9
World*	2.4	-	2.5	-	2.6	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 30/07/2024.
* 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 show strong market rotation in July

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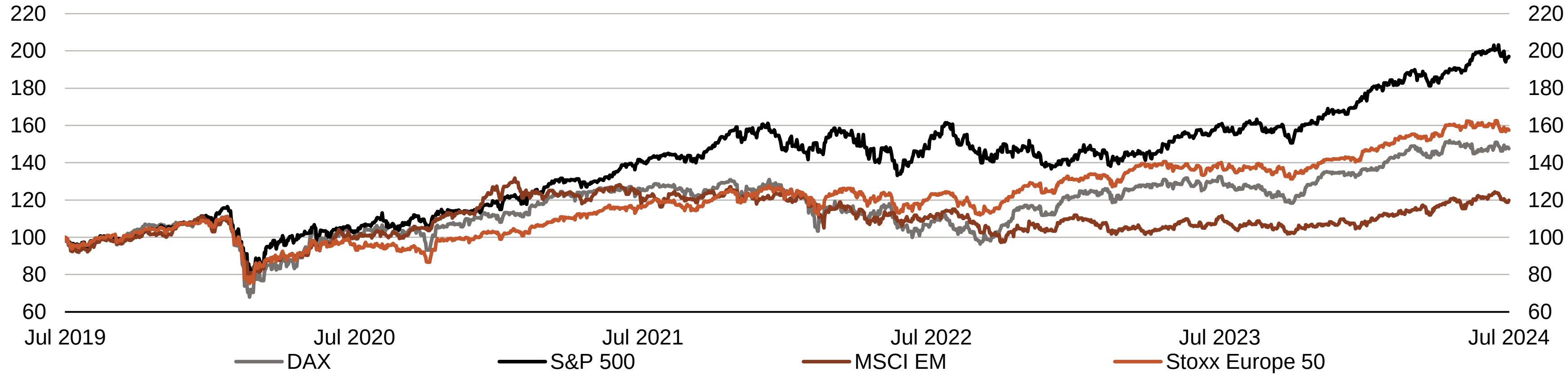
High investor positioning, weaker economic data and US elections argue against aggressive positioning

- Equity markets were characterised by strong rotation in July. Initially, the S&P 500 benefited from positive seasonality in early July, with the Russell 2000 trading at a 23-year low relative to the S&P 500 and the breadth of the US market at a 20-year low. More dovish expectations of interest rate cuts on the back of cooler US inflation data finally triggered a significant market rotation in the second half of July – away from megacaps, technology, growth and momentum towards value and small caps, with US small caps posting their strongest two-week-rally since Black Monday (1987).
- However, an important debate is the sustainability of these rotations, which could largely depend on whether the major technology companies' earnings expectations are met, and market breadth increases during the current reporting season. In particular, the market is likely to focus on the results of the "Magnificent 7". The sensitivity of these shares to less favourable results was demonstrated last week by Alphabet, whose sales and earnings growth met or exceeded expectations - despite this, the share fell by 5%. In addition, the high investor positioning in equities, the weak summer seasonality and the upcoming US elections pose risks. We therefore feel comfortable with a positioning slightly below neutral with broad diversification and defensive elements in the selection.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 29/07/2019 – 29/07/2024.

Corporate earnings
Q2 reporting season in full swing

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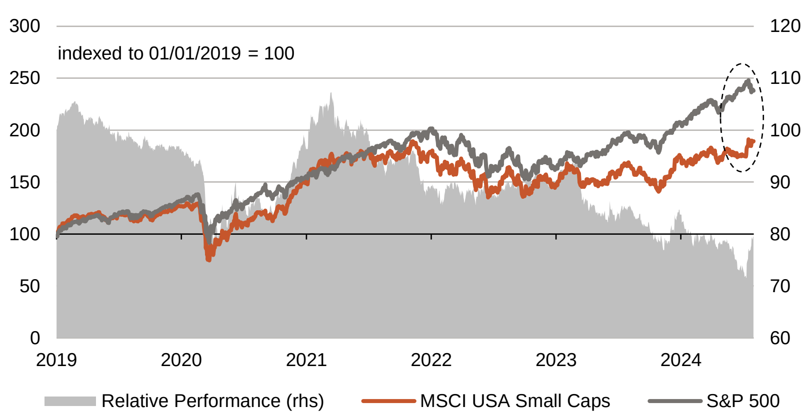
Positioning a clear driver of the US reporting season

- The current Q2 reporting season in the US should shed light on whether the earnings expectations of the major technology companies will be realised and whether the market breadth is likely to increase in the course of the reporting season.
- While earnings remain strong (77% of US companies are currently beating EPS estimates), a clear driver of the price reaction is positioning.
- US stocks with high positioning and momentum stocks – especially those showing signs of weaker growth – tended to post negative price reaction, while previously less popular stocks recovered after strong results (e.g. transport and software).

European equities on course for positive EPS growth

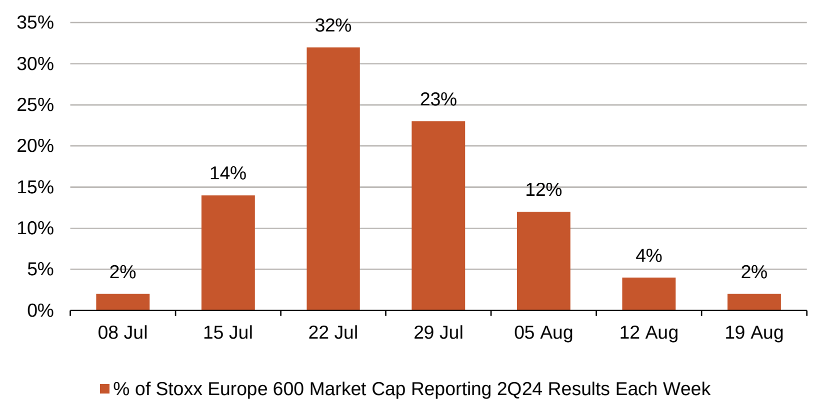
- The Q2 earnings season in Europe is on track to deliver the first positive EPS growth in six quarters. Around 50% of companies have already reported their Q2 results, with earnings growth of 4% slightly above the consensus of 3%.
- European equities also benefited from hedge funds in the last two weeks, which liquidated their short and long positions more quickly than at any time in the last ten years. Overall, this led to significant net buying as funds liquidated their short positions twice as fast as their long positions in the face of better-than-expected corporate earnings.

Significant rotation towards small caps in July



Source: Bloomberg, own calculations As of: 01/01/2019-29/07/2024

Q2 reporting season in Europe in full swing



Source: Morgan Stanley Time period: 08/07/2024-23/08/2024

Performance & Valuation

Moderate valuation narrowing for US equities

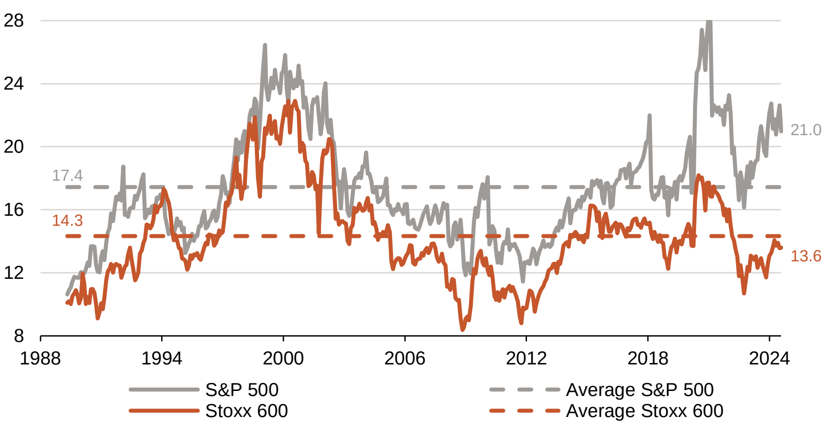
Slowdown in mega-cap momentum weighs on valuations

- In the course of the reporting season, the European and US equity markets have once again been driven more strongly by earnings growth over the past 12 months. In Europe, however, valuation expansion remained the dominant factor.
- US equity valuations have declined moderately in recent weeks and are now trading at mid-June levels. Concerns about an ongoing rotation and mean reversion away from large-cap tech and momentum stocks have again been the biggest burdening factor, with the "Mag 7" and semiconductor stocks suffering particularly badly over the past week.

Small caps ahead, technology stocks behind

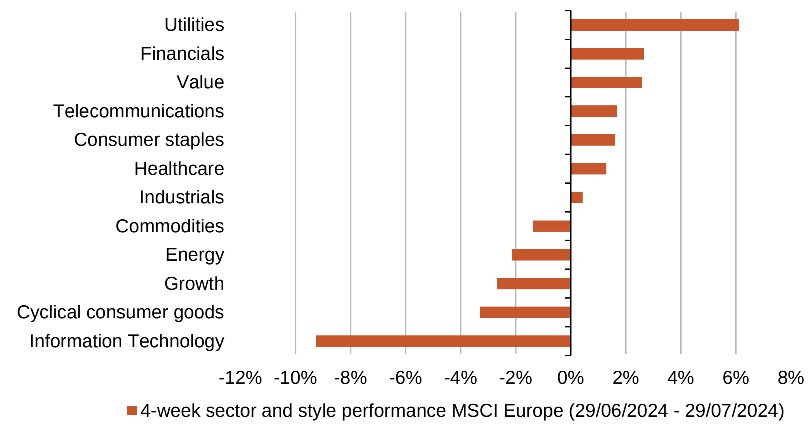
- Over the last four weeks, Utilities and Financials were the strongest performers in Europe, while Technology, AI and Momentum stocks were the worst performers. Value stocks have outperformed growth stocks.
- Most of the sell-off in US-technology stocks last week was triggered by more cautious sentiment around Tesla and Alphabet, with the current reporting season drawing the market's attention to the sustainability of AI investment spending and profitability. The ‘Mag 7’ have fallen by more than 10% overall since their high on 10 July.

Valuation narrowing for European and US equities



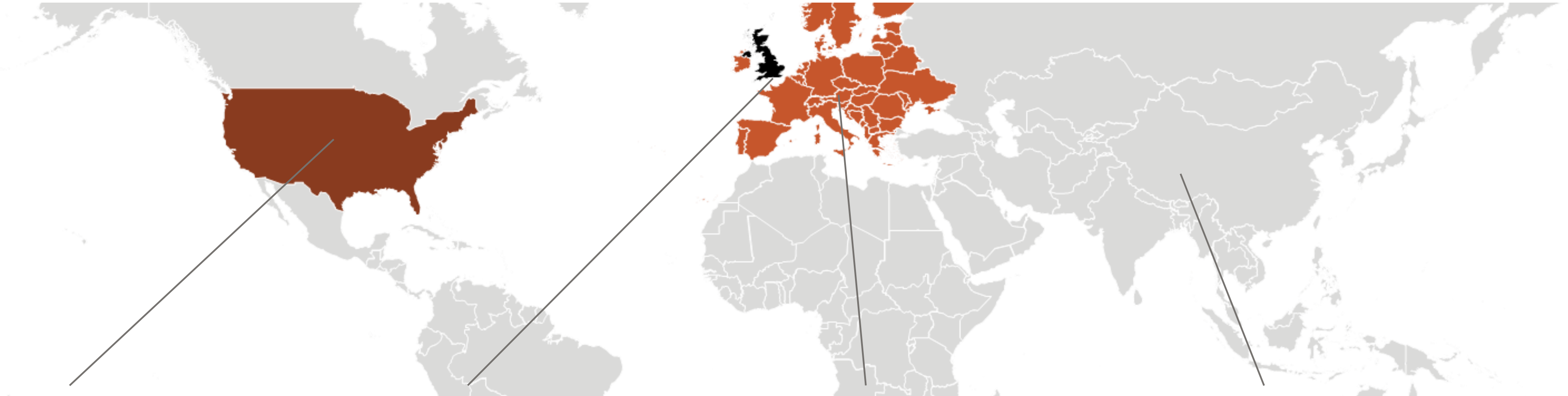
Source: Bloomberg, own calculations. Time period: 01/01/1988 – 29/07/2024.

Technology sector recently lagged



Source: Bloomberg, own calculations. Time period: 01/01/2006 - 29/07/2024.

Equity allocation
Overweight in Europe ex. UK



US
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.
- A reduction in the US underweight in the wake of the recent rotation appears increasingly attractive.

United Kingdom
Slight underweight
- The FTSE 100 ETF has long served as a balancing position in the portfolio. At index level, UK equities have a more defensive and commodity-heavy profile, which should pay off in an environment of high inflation and geopolitical risk. We now want to achieve this balance more through individual stocks and have therefore reduced the position.

Europe ex. UK
Lightly 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 catch-up potential.
- We are slightly overweight Europe ex UK. We see opportunities in European small caps in particular.

Emerging markets
Neutral
- We have completely closed our remaining position in Latin American equities, which served us very well in 2022 and 2023. With the US elections and signs of a weaker global economy, we see a rather difficult environment for the region. The position is also very far from the benchmark.

Equity market forecasts

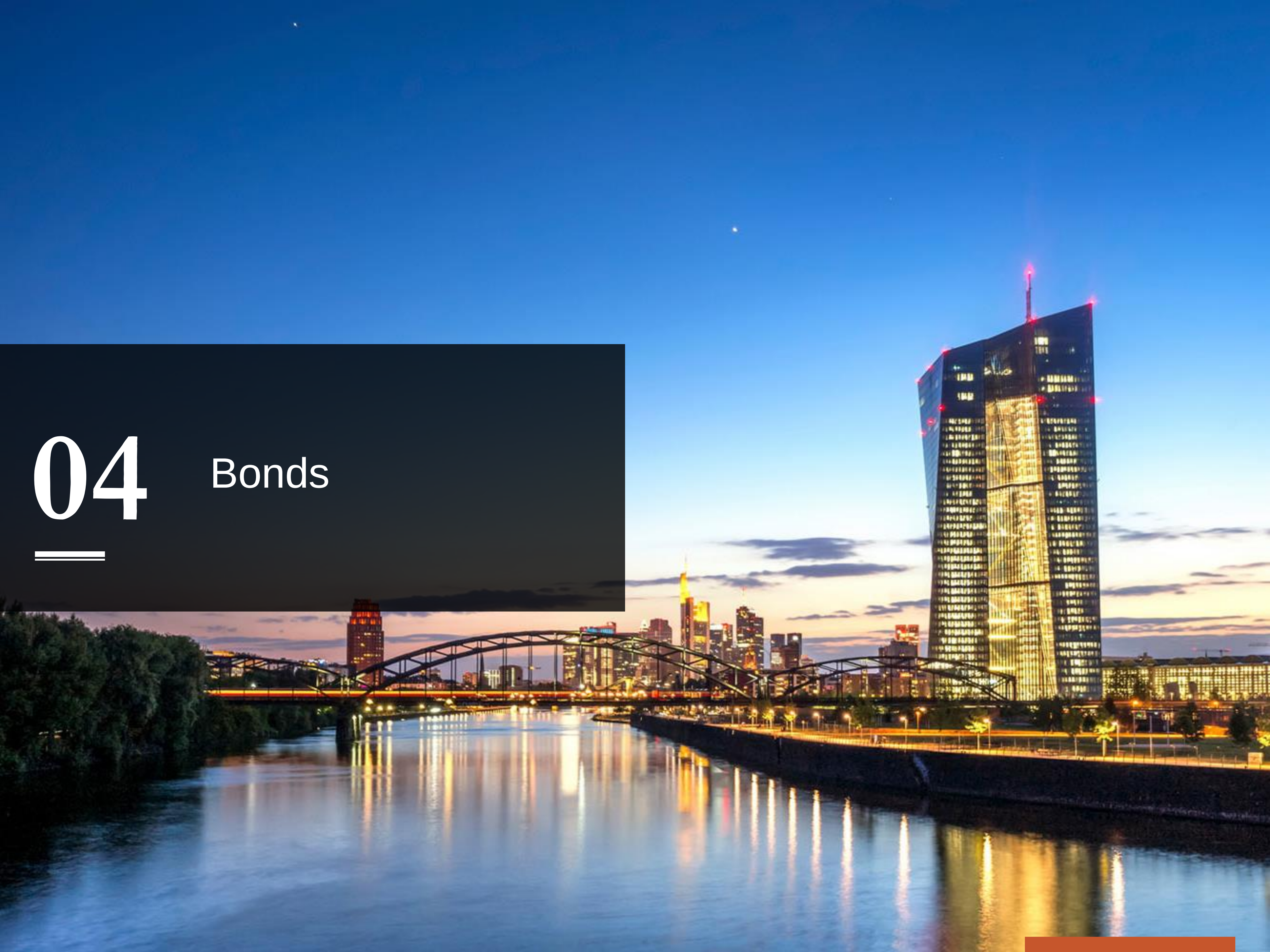
Estimates for selected indices

Index forecasts	Current 29/07/2024	31/12/2024	30/06/2025	Ø* in 12 months
S&P 500	5,464	5,500	5,700	6,113
DAX	18,321	19,500	20,500	21,749
Euro Stoxx 50	4,815	5,200	5,400	5,665
MSCI UK	2,371	2,450	2,580	2,705

Index potential (in %)				
S&P 500	-	0.7	4.3	11.9
DAX	-	6.4	11.9	18.7
Euro Stoxx 50	-	8.0	12.1	17.7
MSCI UK	-	3.4	8.8	14.1

Source: Bloomberg, Berenberg as of 29/07/2024.
*Average based on bottom-up estimates.

04 Bonds



Government bonds
September interest rate cuts in investors' sights

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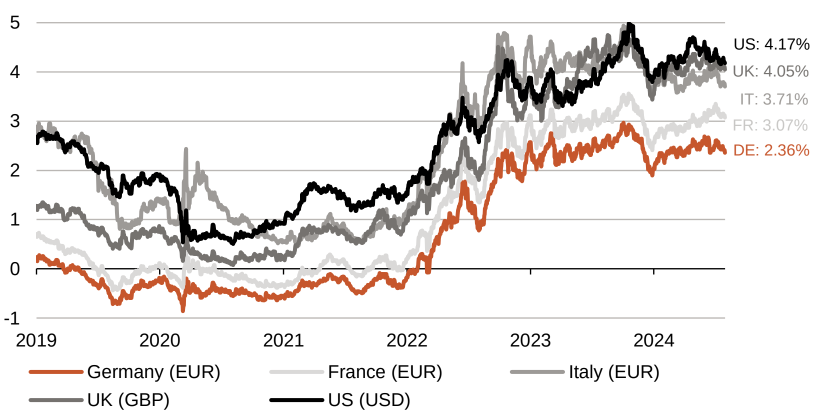
September: Fed and ECB on course to cut rates?

- A weaker labour market and lower than expected inflation data in the US raised market participants' hopes for the Fed's first interest rate cut of the year in September. On the other side of the Atlantic, the ECB left the key interest rate unchanged as expected after its meeting in July but opened the door for the second rate cut in September.
- However, inflation remains a risk factor for the interest rate reduction path in both the US and Europe, particularly in view of possible tariffs and tax cuts if Donald Trump returns to the White House.

Increased political risks in Europe

- Following the surprising announcement of new elections in France, the 10-year OAT-Bund spread widened sharply in June. Although the yield spread has narrowed slightly since then, it appears to have stabilised at a higher level.
- The difficulties in forming a government following the chaotic French parliamentary elections are undermining investor confidence. A possible reversal of the pension reform pushed through by Macron and thus a reduction in the statutory retirement age from 64 to 62 would place an additional burden on the French budget and provide a further reason for the widening of risk premiums on French bonds.

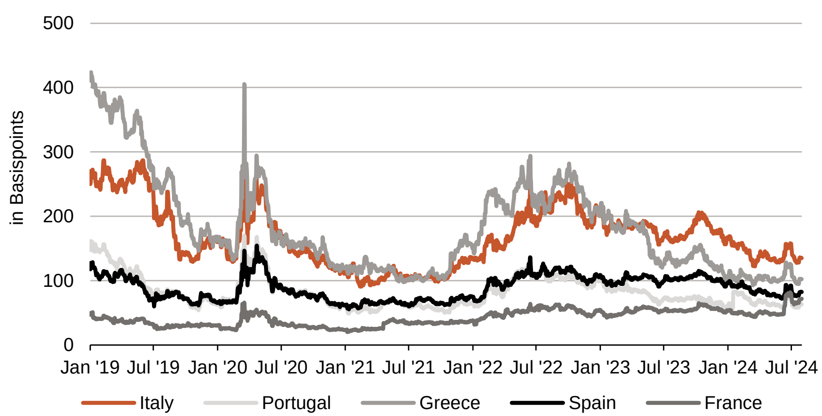
10-year yields (%) up since start of year



Source: Bloomberg

Time period: 01/01/2019 – 29/07/2024

Periphery risk premiums recently at a higher level



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

Time period: 01/01/2019 – 29/07/2024

Corporate & EM bonds

Euro IG and EM local currency segment remain attractive

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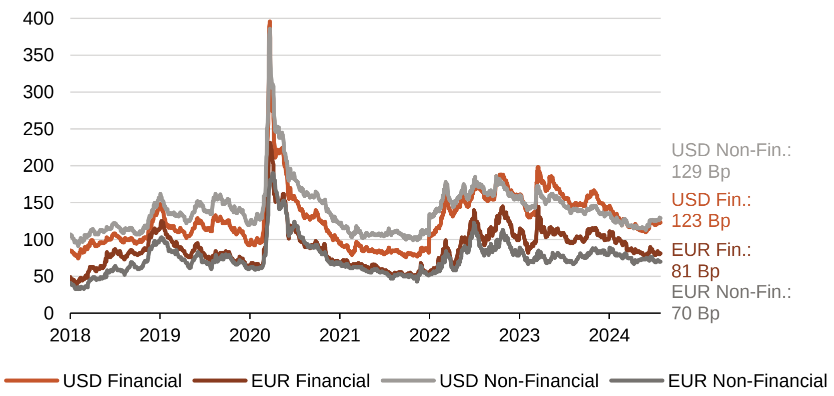
Corporate bonds: Still well supported

- European corporate bonds remain fundamentally and technically well supported. The ECB's interest rate cut prospects in the autumn should provide additional tailwind for the IG and high-yield bond segments.
- However, IG corporate bonds continue to offer historically more attractive valuations on a spread basis compared to the high-yield segment. Like July, the month of August continues to represent a seasonal opportunity for corporate bonds due to the low volume of new issues. Both the high-yield and IG segments continue to be supported by positive inflows of funds.

Trump risks cause volatility in emerging markets

- EM government and corporate bonds in hard currency recorded a slight widening of risk premiums last month. The prospect of another term in office for Donald Trump and the associated risks of the introduction of tariffs, trade restrictions and a general review of relations with emerging markets created headwinds.
- However, continued solid fundamentals in emerging markets, strong inflows into government bonds in particular and favourable seasonality in August should provide a tailwind for bonds.

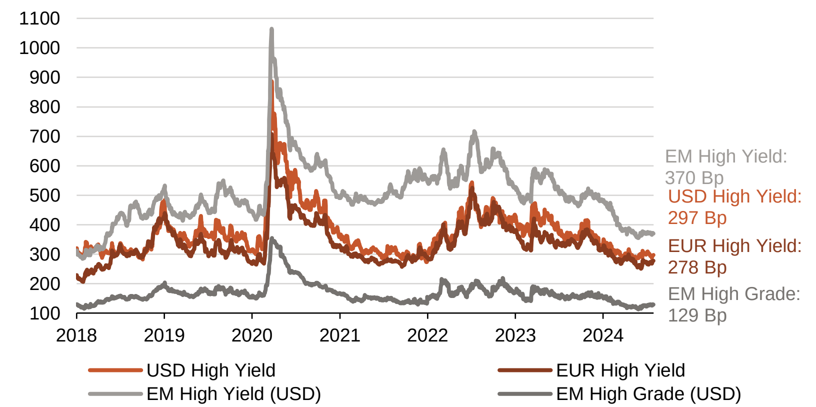
IG corporate bonds: Spreads stable recently



Source: Factset, own calculations

Time period: 01/01/2019 – 29/07/2024

EM risk premiums widened slightly recently



Source: Factset, own calculations

Time period: 01/01/2019 – 29/07/2024

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, solid fundamentals 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 to many investors due to the positive economic outlook and 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

Base interest rates and government bond yields (in %)	29/07/2024 Current	31/12/2024	31/12/2024 Ø*	30/06/2025	30/06/2025 Ø*
US					
Base interest rate	5.25-5.50	4.75-5.00	5.00	4.25-4.50	4.40
10Y US yield	4.18	4.70	4.14	4.70	4.01
Eurozone					
Base interest rate	4.25	3.65	3.40	3.15	2.90
10Y Bund yield	2.36	2.60	2.21	2.70	2.25
United Kingdom					
Base interest rate	5.25	4.50	4.65	3.50	4.00
10Y Gilt yield	4.05	4.30	3.81	4.30	3.66

Source: Bloomberg. Berenberg. as of 29/07/2024.
*Average of estimates by other experts (Bloomberg) consensus.

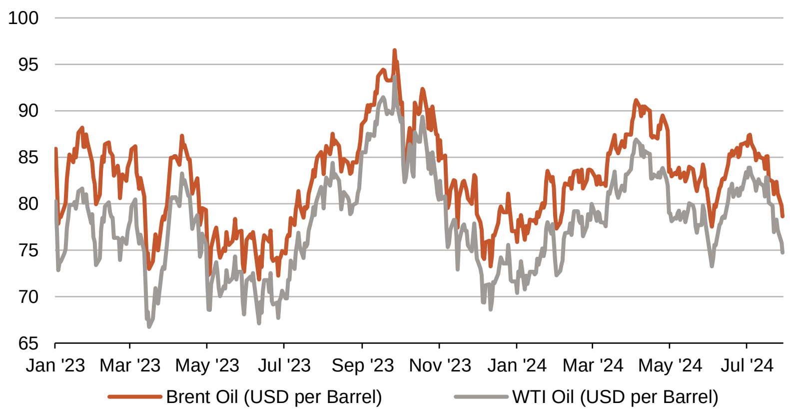
05 Commodities

Crude oil
Sideways for the time being

OPEC+ production policy makes or breaks oil price

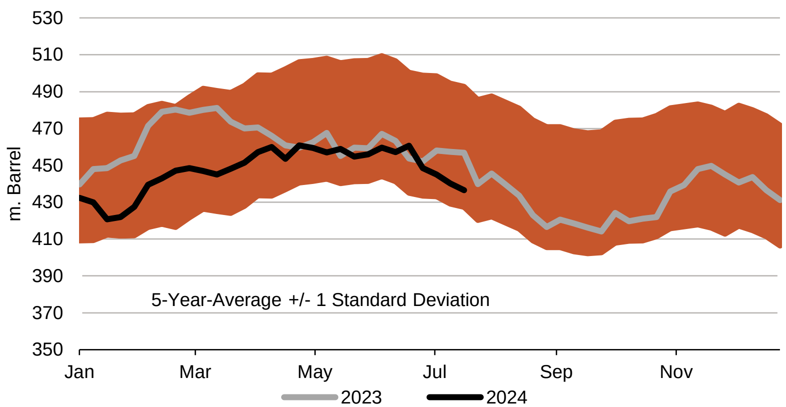
- After a strong rally in June, driven by fundamental tightness and speculative demand, a correction took place in July. Brent continues to move sideways between USD 75 and USD 90 per barrel. Western demand appears to be solid. The positive summer seasonality is evident in the US with falling inventories. In addition, the IEA, EIA and OPEC are forecasting supply deficits in the coming months, while demand is expected to grow significantly. However, disappointing news from China has recently weighed on energy markets. In the first half of the year, imports from the Middle Kingdom, which is the main driver of global oil demand, actually fell, and various research houses expect imports to remain flat for the rest of the year.
- Ultimately, OPEC+ production policy will make or break the oil price. Recently, compliance with production quotas has been near perfect. In recent weeks, Russia has reiterated that a balanced market is the primary goal of OPEC+. The meeting on 1 August should shed light on whether the planned production increases from October will actually take place.
- With a reactive OPEC+, a mixed demand outlook and undecided speculative investors, a continuation of the sideways movement seems likely for the time being.

Crude oil continues sideways trend



Source: Bloomberg. Time period: 01/01/2023 – 29/07/2024.

US inventories seasonally depressed



Source: Bloomberg, Berenberg calculations. Time period: 01/01/2019 – 19/07/2024.

Precious and industrial metals

Industrial metals with attractive entry prices

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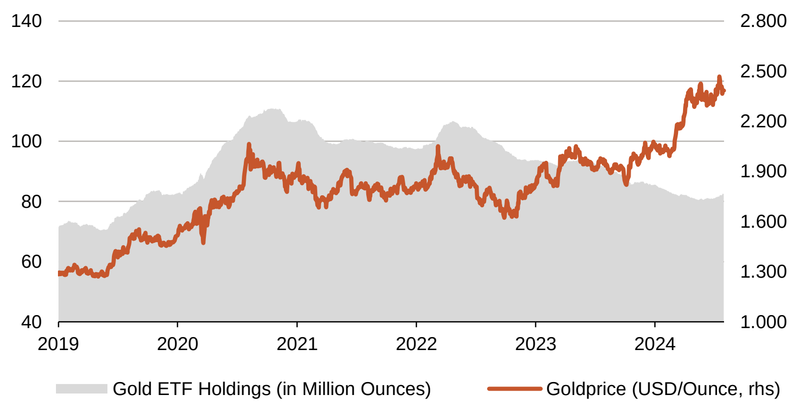
Gold has room to rise despite all-time high

- Gold reached a new all-time high of $2,469 per troy ounce in mid-July. In contrast to earlier in the year, the rally was fuelled by inflows into ETFs (particularly in Europe). The previously strong buying interest from central banks, particularly China, seems to have waned somewhat recently due to high prices. The PBoC has paused its gold purchases for the first time since late 2022.
- After reaching a new all-time high, the market has recently consolidated. However, there are many reasons for this positive trend to continue, including interest rate cuts, falling real interest rates, high debt levels, rising uncertainty following the US elections and numerous geopolitical risks. Gold ETF holdings therefore have more upside potential

Industrial metals under pressure in the short term

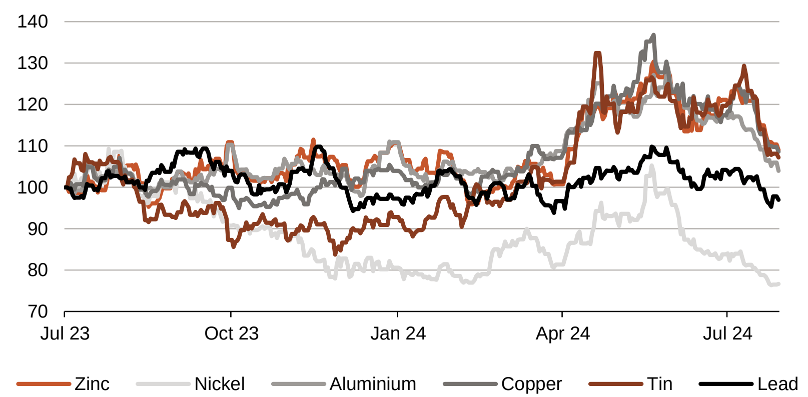
- Industrial metals fell to their lowest level since March due to weak economic data, primarily from China. The property sector in China in particular remains sluggish. The third plenum of the Communist Party was also unable to provide any positive impetus for the economy.
- Although demand is easing somewhat, supply remains tight, as evidenced by local copper premiums in Europe and the US, as well as smelting and refining charges for copper. At current levels, industrial metals should offer attractive entry points given the structural increase in demand from green technologies.

ETF gold holdings with upside potential



Source: Bloomberg, own calculations Time period: 01/01/2019-29/07/2024

Industrial metals prices slump



Source: Bloomberg, own calculations Time period: 29/07/2023-29/07/2024

06 Currencies

Market Development
FX markets

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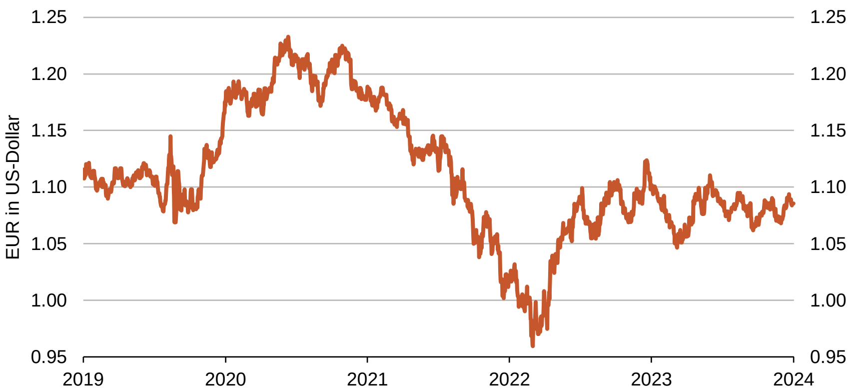
Joint descent from the interest rate peak priced in

- The lack of clear majorities in the new French parliament, which makes major spending increases less likely, has recently given the euro a boost against the US dollar.
- The fact that the Fed is now expected to begin its rate hike in September has weakened the dollar somewhat recently, but this is now fully priced into the markets and will have little impact on the exchange rate going forward. In the run-up to the US presidential election we may see some volatility, but overall we expect the dollar to trade sideways until the end of the year.

Swiss National Bank continues interest rate turnaround

- Weaker growth figures in China, concerns about the Middle East conflict and deteriorating sentiment in equity markets have recently led to inflows into the safe-haven Swiss franc.
- However, the tailwind will not carry the franc too far. This is because the Swiss National Bank has recently made it clear on several occasions that it regards an appreciation of the Swiss franc as a threat to the stabilisation of inflation and is prepared to act accordingly. This could take the form of a further cut in the key interest rate, which is now looking increasingly likely at the next meeting in September.

Sideways movement in the EUR/USD exchange rate



Source: Bloomberg

Period: 07/2019 – 07/2024

Swiss franc in demand as a safe haven

Source: Bloomberg

Period: 07/2019 – 07/2024

Forecasts

Estimates of key currencies

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	29/07/2024	31/12/2024		30/06/2025	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.08	1.08	1.09	1.10	1.10
EUR/GBP	0.84	0.85	0.85	0.85	0.85
EUR/CHF	0.96	0.97	0.98	0.98	1.00
EUR/JPY	167	167	166	165	162

Change against the Euro (in %)					
USD	-	0.2	-0.7	-1.6	-1.6
GBP	-	-1.0	-1.0	-1.0	-1.0
CHF	-	-1.1	-2.2	-2.2	-4.1
JPY	-	-0.2	0.4	1.0	2.9

Source: Bloomberg. Berenberg as of 29/07/2024.
*Average of estimates of other experts (Bloomberg); consensus.

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