BERENBERG
PARTNERSHIP SINCE 1590

HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

October | 2024

Horizon Handout – Capital Market Outlook
Disclaimer

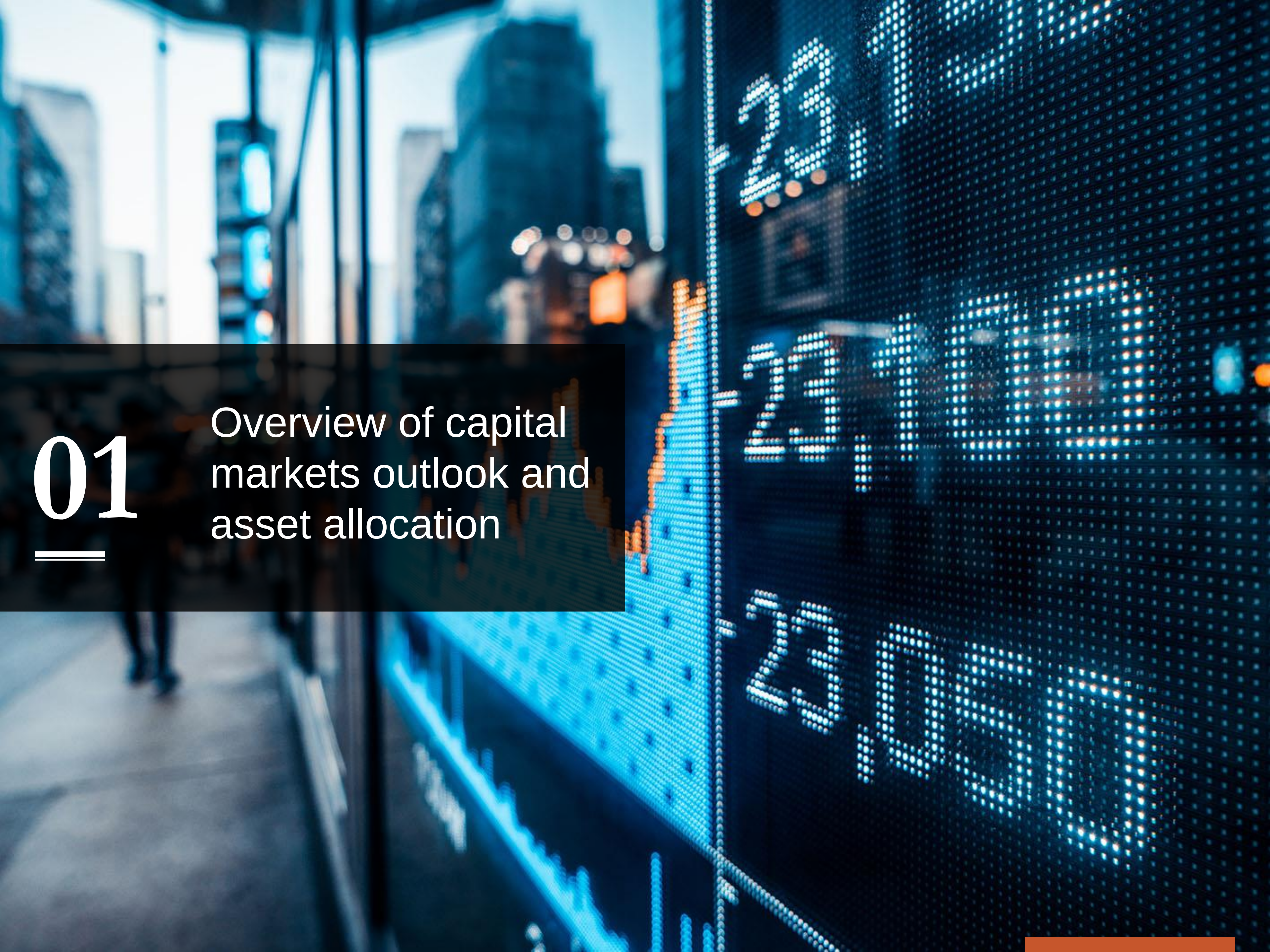
This information is a marketing communication. This information and references to issuers, financial instruments or financial products do not constitute an investment strategy recommendation pursuant to Article 3 (1) No. 34 Regulation (EU) No 596/2014 on market abuse (market abuse regulation) nor an investment recommendations pursuant to Article 3 (1) No. 35 Regulation (EU) No 596/2014, both provisions in connection with section 85 (1) of the German Securities Trading Act (WpHG). As a marketing communication this document does not meet all legal requirements to warrant the objectivity of investment recommendations and investment strategy recommendations and is not subject to the ban on trading prior to the publication of investment recommendations and investment strategy recommendations. This document is intended to give you an opportunity to form your own view of an investment. However, it does not replace a legal, tax or individual financial advice. Your investment objectives and your personal and financial circumstances were not taken into account. We therefore expressly point out that this information does not constitute individual investment advice. Any products or securities described may not be available for purchase in all countries or only in certain investor categories. This information may only be distributed within the framework of applicable law and in particular not to citizens of the USA or persons resident in the USA. The statements made herein have not been audited by any external party, particularly not by an independent auditing firm. Any future returns on fund investments may be subject to taxation, which depends on the personal situation of the investor and may change in the future. Returns on investments in foreign currencies may increase or decrease due to currency fluctuations. In the case of investment funds, you should always make an investment decision on the basis of the sales documents (key investor document, sales prospectus, current annual, if applicable, semi- annual report), which contain detailed information on the opportunities and risks of the relevant fund. In the case of securities for which a securities prospectus is available, investment decisions should always be made on the basis of the securities prospectus, which contains detailed information on the opportunities and risks of this financial instrument, otherwise at least on the basis of the product information document. An investment decision should be based on all characteristics of the fund and not just on the sustainability-related aspects . All the aforementioned documents can be obtained from Joh. Berenberg, Gossler & Co. KG (Berenberg), Neuer Jungfernstieg 20, 20354 Hamburg, Germany, free of charge. The fund sales documents and the product information sheets for other securities are available via a download portal using the password »berenberg« at the Internet address https://docman.vwd.com/portal/berenberg/index.html. The sales documents of the funds can also be requested from the respective investment management company. We will be pleased to provide you with the specific address details upon request. A fund investment involves the purchase of shares in an investment fund, but not a specific underlying asset (e.g. shares in a company) held by that fund. The statements contained in this document are based either on own company sources or on publicly accessible third-party sources, and reflect the status of information as of the date of preparation of the presentation stated below. Subsequent changes cannot be taken into account in this document. The information given can become incorrect due to the passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document. Past performance, simulations and forecasts are not a reliable indicator of future performance and custody fees may occur which can reduce overall performance. Please refer to the online glossary at www.berenberg.de/glossar for definitions of the technical terms used in this document. For important disclosures and information on index- and market data, see https://www.berenberg.de/en/legal-notice/license-notice/.

Date 26/09/2024.

Table of contents

BERENBERG
PARTNERSHIP SINCE 1590

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

BERENBERG
PARTNERSHIP SINCE 1590

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 (26/08/24 - 23/09/24)	YTD (29/12/23 - 23/09/24)	23/09/23 23/09/24	23/09/22 23/09/23	23/09/21 23/09/22	23/09/20 23/09/21	23/09/19 23/09/20
Gold	4.8	26.6	30.9	6.6	14.2	-7.1	15.4
REITs	4.7	10.8	22.9	-15.6	-4.4	33.7	-21.6
Global Convertibles	2.5	4.2	6.8	-3.2	-12.2	31.2	18.0
MSCI World	1.8	17.0	24.5	9.4	-3.5	35.9	0.5
MSCI Emerging Markets	1.2	10.2	13.2	-0.4	-11.4	19.9	2.1
EUR Coporates	0.9	3.5	9.0	2.9	-15.1	1.8	0.3
EUR Sovereign Debt	0.8	2.1	6.8	-0.4	-11.2	-0.2	0.1
USDEUR	0.4	-0.7	-4.1	-9.1	21.2	-0.7	-5.7
Euro overnight deposit	0.3	2.9	4.0	2.5	-0.5	-0.6	-0.5
Industrial Metals	0.0	6.0	4.2	-7.3	7.7	43.1	-6.5
MSCI Frontier Markets	-0.9	8.5	7.5	-5.6	-6.1	29.2	-7.2
Brent	-7.6	4.1	-12.9	11.3	69.0	86.8	-41.7

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: 23/09/2019 – 23/09/2024.

Overview of capital markets
Outlook by asset class

BERENBERG
PARTNERSHIP SINCE 1590

Economics

- USA: economy is cooling down slowly.
- Europe: growth will only pick up pace in 2025.
- Inflation: still heading towards the two per cent target for the time being.
- Monetary policy: interest rates are falling in Europe and the USA.

Equities

- Equity indices should still have moderate upside potential between now and the end of the year. Which regions and sectors benefit should depend heavily on who emerges as the winner from the elections and whether both US chambers are won by the same party.
- Second-line stocks seasonally offer the greatest potential and should be supported by falling interest rates.

Bonds

- Safe government bonds with a positive third quarter, but price potential exhausted.
- Market technology supports European corporate bonds, we favour the more defensive investment-grade segment.
- Local currency bonds from emerging markets with untapped potential, attractive entry opportunities.

Alternative investments / commodities

- Oil continues sideways despite mixed outlook.
- Gold at all-time high, but there is still room for further growth.
- Industrial metals are waiting for increasing activity in the manufacturing sector.

Currencies

- Major central banks step away from the interest rate peak.
- The dollar has recently lost some of its strength.
- Swiss franc recently in demand as a safe haven.

Overview of Berenberg's asset allocation

Current positioning within asset classes

BERENBERG
PARTNERSHIP SINCE 1590

Portfolio positioning of a balanced mandate at a glance

EQUITIES

– +

Europe
- Germany
- United Kingdom
- Rest of Europe

US

Out of Benchmark
- Asia-Pacific
- Emerging Markets ex Asia

BONDS

– +

Euro Government Bonds
- Core Eurozone
- Eurozone Periphery

Euro Corporate Bonds
- EUR Investment Grade ex-Financials
- EUR Investment Grade Financials

Out of Benchmark
- Covered Bonds
- EUR High Yield
- US Government Bonds
- USD Investment Grade
- USD High Yield
- Emerging Market Bonds

Duration
short long

ALTERNATIVE INVESTMENTS

– +

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

Source: Berenberg

As of 24/09/2024.

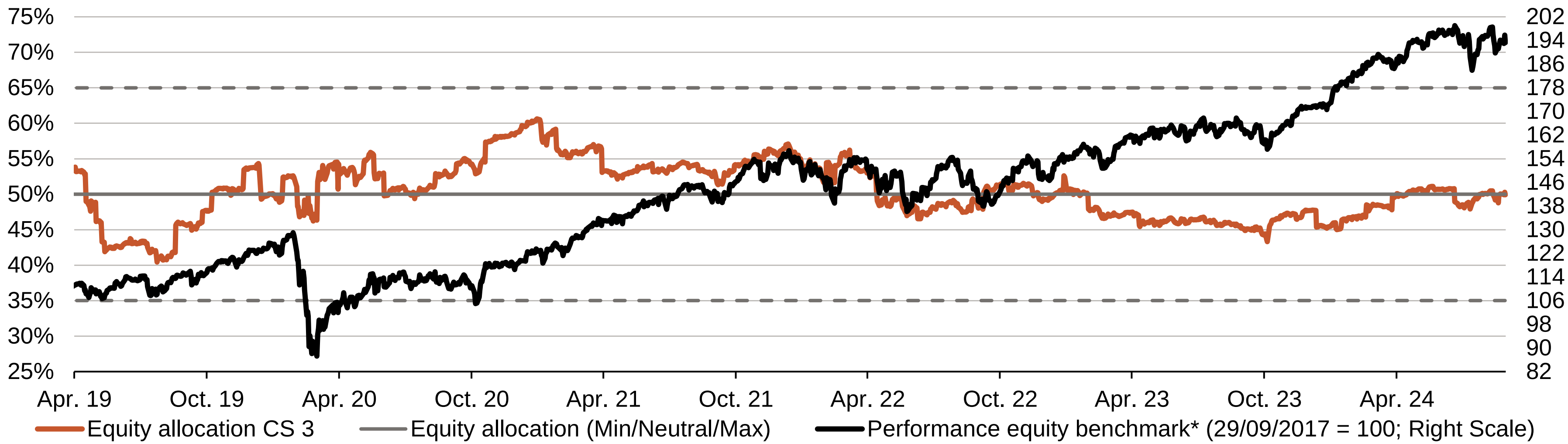
Overview of Berenberg's asset allocation

Review of Core Strategy 3

BERENBERG
PARTNERSHIP SINCE 1590

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

Performance equity benchmark	20/09/19 - 20/09/20	20/09/20 - 20/09/21	20/09/21 - 20/09/22	20/09/22 - 20/09/23	20/09/23 - 20/09/24
	-2.50%	23.91%	2.61%	16.24%	16.32%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 20/09/2019 – 20/09/2024.
Note: The historical performance presented here is not a reliable indicator of future performance.

- Three months ago, we expected little potential for equities and more volatility over the summer – an environment for countercyclical action, as we argued. After markets initially rose further in July, we reduced the equity allocation accordingly. We then used the sharp and significant setback at the beginning of August to increase the equity allocation again towards neutral.
- We currently feel well positioned with a balanced positioning. Bonds appear less attractive after the interest rate rally of recent months, and an overweighting is just as inappropriate as a long duration. Gold, which recently reached a new all-time high, remains clearly overweighted. Other commodities, especially industrial metals, remain a sensible addition in the portfolio context.

02 Economics

Eurozone
GDP and Inflation

BERENBERG
PARTNERSHIP SINCE 1590

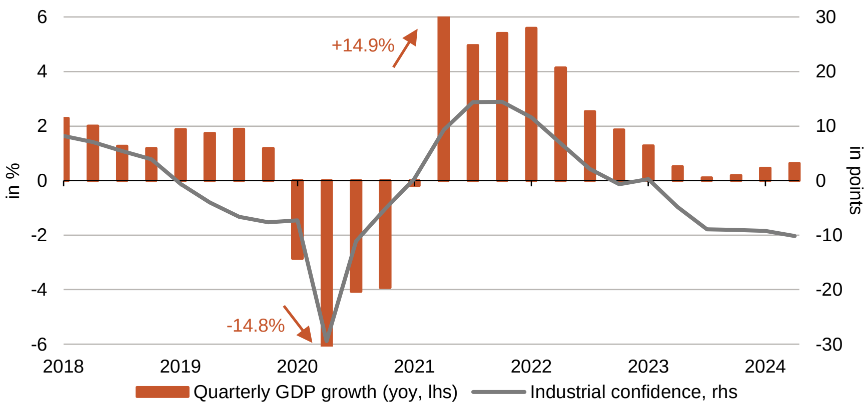
Positive economic surprises in the first half of the year

- The eurozone economy has weathered the first half of the year significantly better than we had expected at the beginning of the year. In the first quarter of 2024, economic output in the eurozone rose by a solid 0.3% quarter-on-quarter, followed by 0.2% in the second quarter. This was mainly due to the southern member states, where a mix of reforms, a slightly expansionary fiscal policy and booming tourism supported the economy.
- By contrast, Germany is not doing well in the European growth comparison. The largest economy in the eurozone has been treading water for more than two years.

The ECB's descent from interest rate peak

- The decline in inflation rates has allowed the ECB to start coming down from the interest-rate peak. However, structural factors such as demographic change and the necessary investments in climate protection are likely to cause inflation rates in both the eurozone and the US to settle at a higher level than before the pandemic in the medium term. For the central banks, this means loosening their monetary policy less aggressively than was previously the case. We expect the ECB to cut its deposit rate to 2.5 per cent by the summer of 2025.

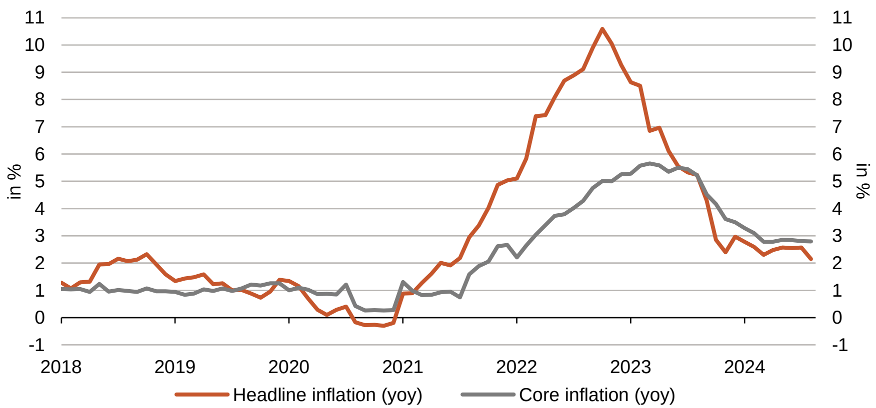
Growth in the Eurozone picks up slowly



Source: Haver

Period: 01/2018 – 06/2024

Inflation is moving towards the two percent target



Source: Haver

Period: 01/2018 - 08/2024

United Kingdom
GDP and Inflation

BERENBERG
PARTNERSHIP SINCE 1590

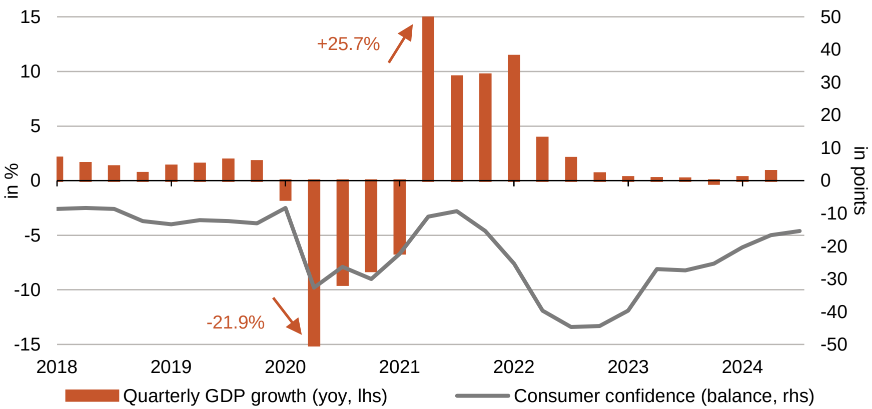
Economy on the upswing

- After two years of stagnation, the British economy made an impressive comeback in the first half of the year. In Q1 and Q2, GDP rose by 0.7% and 0.6% respectively compared to the previous quarter.
- The economy is not expected to be able to maintain this high rate of expansion in the second half of the year. However, we expect the United Kingdom to enjoy a solid upturn for some time to come. Robust domestic demand and falling interest rates will also contribute to this. We forecast a 1.1% increase in GDP for 2024 as a whole, followed by 1.6% in 2025.

The BoE also begins the interest rate turnaround

- In the UK, ongoing wage pressure, especially in the service sector, is currently preventing a further decline in core inflation. At 3.6%, core inflation is still too high for the BoE. The British central bank is therefore implementing the interest rate turnaround slowly and, after the first key rate cut in August, took a direct break in September.
- On 7 November, monetary policy easing could continue with a further 25bp cut. We expect three more steps of the same magnitude in 2025, bringing the key rate down to 4.0% by the autumn of 2025.

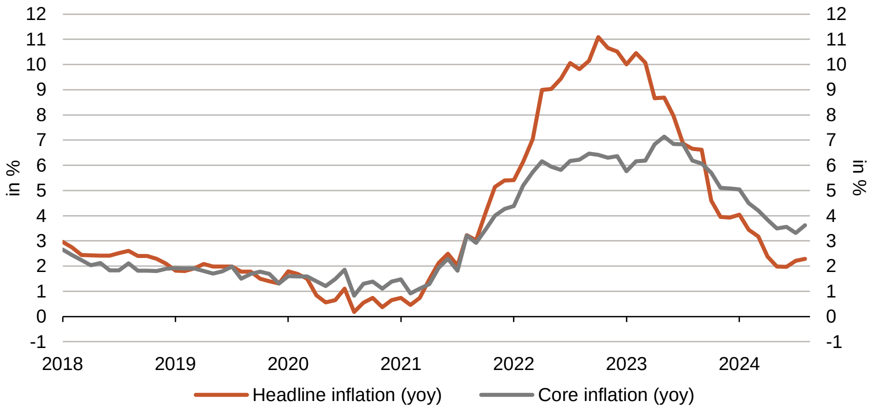
Consumer sentiment slowly brightens



Source: Haver

Period: 01/2018 - 09/2024

Core inflation continues to fall



Source: Haver

Period: 01/2018 - 08/2024

USA
GDP and Inflation

BERENBERG
PARTNERSHIP SINCE 1590

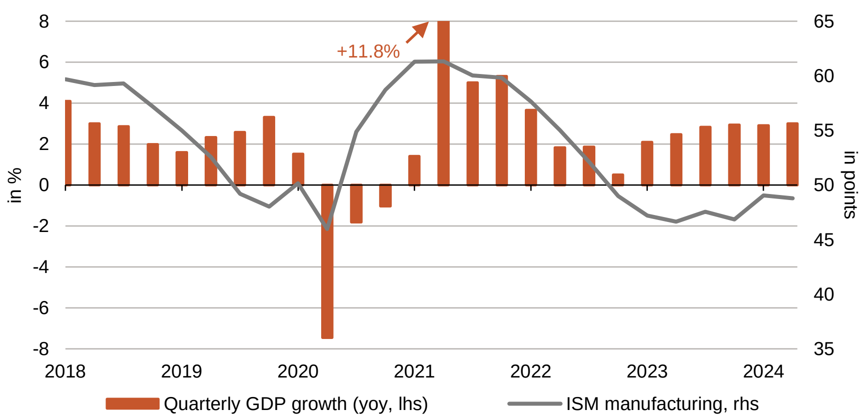
USA: soft landing in sight

- US economic growth in the first half of 2024 has once again been a positive surprise thanks to an expansive fiscal policy and robust private consumption. However, the restrictive monetary policy is not leaving the US unscathed either, with the result that the economy is now losing some momentum. In particular, the previously severely overheated labour market, as well as residential construction and industry, have cooled recently. So far, everything points to the previously overheated US economy merely cooling down; there are no signs of a slump.
- For 2024 as a whole, we expect solid GDP growth of 2.5%, followed by 1.5% in 2025.

Interest rate turnaround just around the corner

- After initially underestimating price increases in 2021 and 2022 and then starting to tighten monetary policy a little too hesitantly, the Fed now wants to ensure that inflation is truly under control.
- We therefore expect further interest rate cuts to be implemented gradually. This view is supported by the fact that the current easing of monetary policy is not being driven by the need to protect the economy from an impending recession. Rather, the nominal interest rate should fall, as otherwise the decline in inflation would lead to an increase in the real interest rate and thus to an even more restrictive monetary policy.

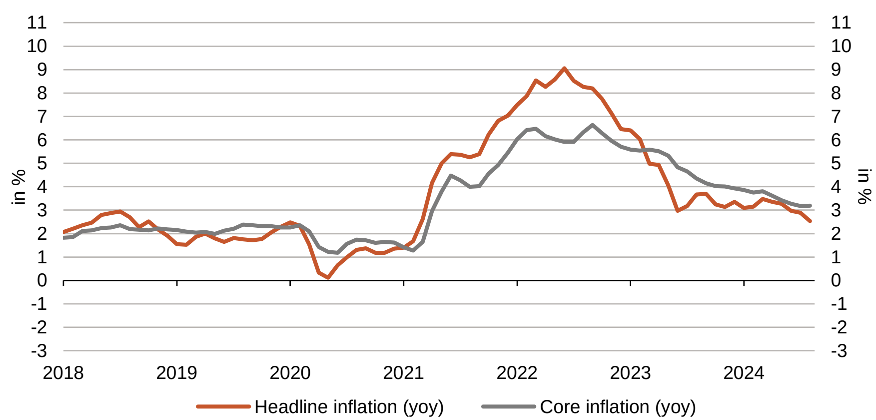
US growth remains robust



Source: Haver

Period: 01/2018 - 06/2024

Inflation rate continues to move towards 2% target



Source: Haver

Period: 01/2018 - 08/2024

Economic forecasts

Key estimates at a glance

BERENBERG
PARTNERSHIP SINCE 1590

	GDP growth (in %)						Inflation (in %)					
	2024		2025		2026		2024		2025		2026	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	2.5	2.5	1.5	1.7	2.0	2.0	2.9	2.9	2.3	2.3	2.4	2.3
Eurozone	0.7	0.7	1.3	1.3	1.5	1.5	2.4	2.4	2.1	2.1	2.3	2.0
Germany	-0.1	0.1	0.6	1.0	1.3	1.3	2.5	2.4	2.2	2.1	2.3	2.0
France	1.1	1.1	1.3	1.1	1.4	1.4	2.6	2.5	2.1	1.9	2.3	1.9
Italy	0.8	0.8	1.2	1.0	1.2	1.0	1.1	1.2	2.0	1.8	2.3	1.8
Spain	2.8	2.7	2.2	2.0	2.1	1.7	3.0	3.0	2.6	2.2	2.6	2.1
United Kingdom	1.1	1.1	1.6	1.4	1.7	1.5	2.6	2.6	2.4	2.4	2.5	2.0
Japan	-0.2	0.0	1.2	1.2	1.1	0.9	2.5	2.5	1.9	2.0	1.7	1.6
China	4.7	4.8	4.2	4.5	4.2	4.2	0.5	0.5	1.8	1.5	2.0	1.8
World*	2.5	-	2.4	-	2.6	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 23/09/2024.
* 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.

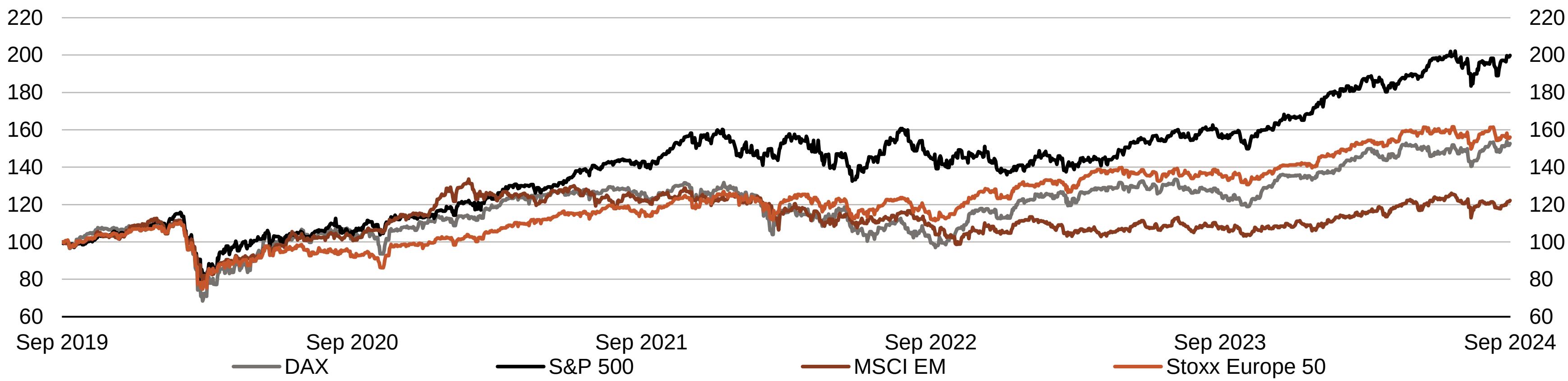
03 Equities

Market developments
Chances of a year-end rally after the US election

Equity indices should still have moderate upside potential between now and the end of the year

- While the major stock indices barely moved in the third quarter, there was a rotation going on beneath the surface. Tech stocks were among the relative losers due to a mixture of AI hype concerns and growth worries. The latter also weighed on commodity stocks. By contrast, defensive equity sectors were among the relative winners. Regionally, this was reflected in an underperformance of Asian and US equities and an outperformance of British equities. Relatively favourably valued second-tier stocks, in which a great deal of negative news has already been priced in, held up surprisingly well.
- Q4 performance is likely to be strongly influenced by the outcome of the US elections. If Harris wins the presidential election, this should also tend to favour non-US equities. Trump, with his focus on the US and deregulation, would be better, at least on the surface, for US equities and especially for US small caps with a lot of domestic exposure. However, a lot of risk premium is already priced into European equities and especially small caps. History shows that volatility is usually high before elections and then drops sharply afterwards, regardless of who wins, as uncertainty disappears. We therefore see a good chance of a year-end rally and consider it likely that small caps will outperform, favoured by lower interest rates and positive seasonality.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 23/09/2019 – 23/09/2024.

Corporate earnings
Cyclical sectors are currently having a hard time

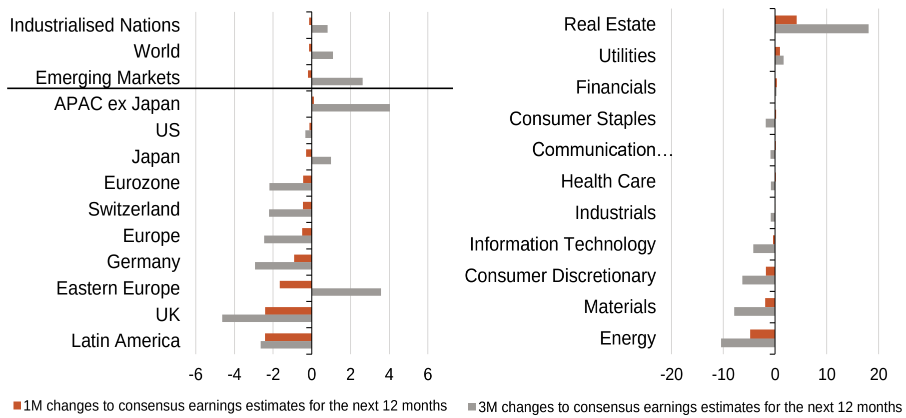
A mixed picture in terms of earnings expectations

- As fears of recession have increased recently, mainly due to disappointing US economic data, analysts have recently lowered their earnings estimates for the next twelve months – especially for Latin American equities and cyclical sectors. The real estate sector saw the most positive earnings revisions. However, earnings expectations, particularly for the US, appear very ambitious. Analysts expect US equities to see earnings growth of 15% in 2025 – despite a weakening US labour market and the threat of an economic slowdown. Accordingly, there is likely to be a tendency towards negative earnings revisions in the near future.

Differences within the stock market sectors

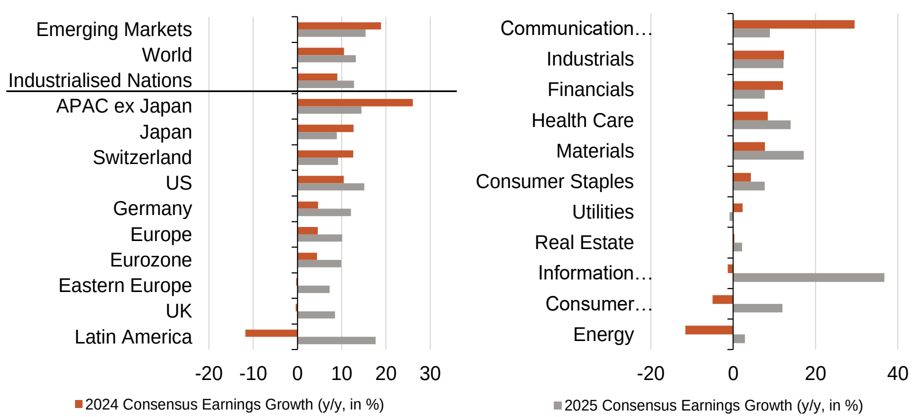
- Demand trends in the automotive industry remain difficult and are characterised by uncertainties surrounding the electric car. In the luxury sector, companies have reported a further sequential deterioration in trends in recent months, particularly in Asia, and the broad downturn continues. The semiconductor industry was able to continue to benefit from the strong, AI-driven trends and sees a further recovery in its core business, but expectations regarding the strength and speed of this recovery have recently been significantly revised downwards. By contrast, trends in the healthcare sector remain solid.

2024 EPS revisions less negative than usual



Source: FactSet As of: 20/09/2024

High profit expectations for next year



Source: FactSet As of: 20/09/2024

Performance & Valuation

Marked valuation discount in Europe compared to the USA

BERENBERG
PARTNERSHIP SINCE 1590

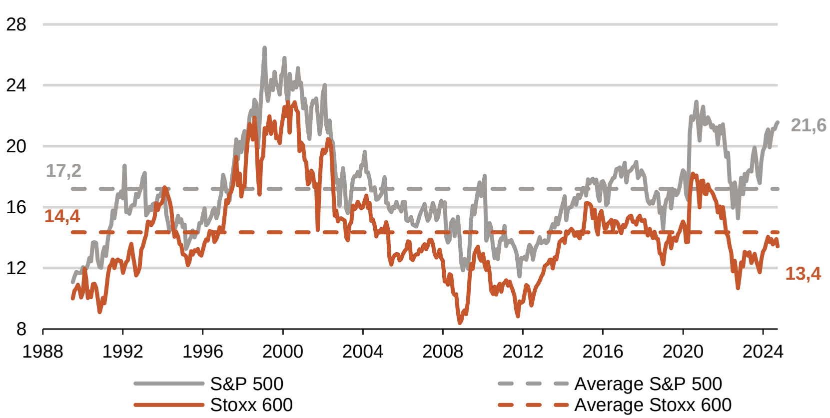
European equities are historically cheap

- The P/E ratio for the S&P 500 rose again after the correction at the beginning of August and, at 21.6, is now as high as it was last in October 2021. By contrast, European equities have become even cheaper in historical terms and are now trading at a historically high discount to US equities of more than 37% at the index level.
- In addition to the different sector structure, the higher potential growth and the deeper and more flexible capital market in the US are also responsible for this. Furthermore, the US is supported to a greater extent by a higher proportion of valuation-insensitive investors (e.g. ETF savings plans).

European equities with high risk premium

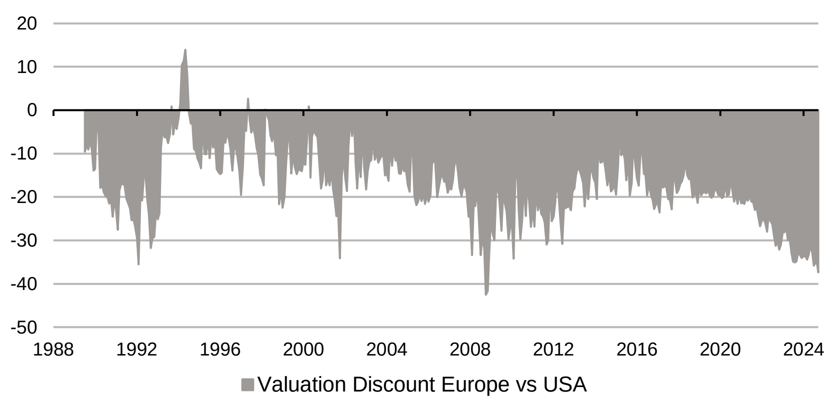
- However, these familiar arguments can only explain part of the valuation gap. Higher EU energy prices and the possibility of a Trump victory in the US presidential elections (and thus higher tariffs) also play a role. On the plus side, European equities are already pricing in a high premium for all these risks and offer opportunities should they not materialize.
- We see opportunities for a year-end rally and believe that small caps in particular are likely to outperform, supported by lower interest rates and positive seasonality.

Valuation narrowing for European equities



Source: Bloomberg, own calculations. Time period: 01/01/1988 – 23/09/2024.

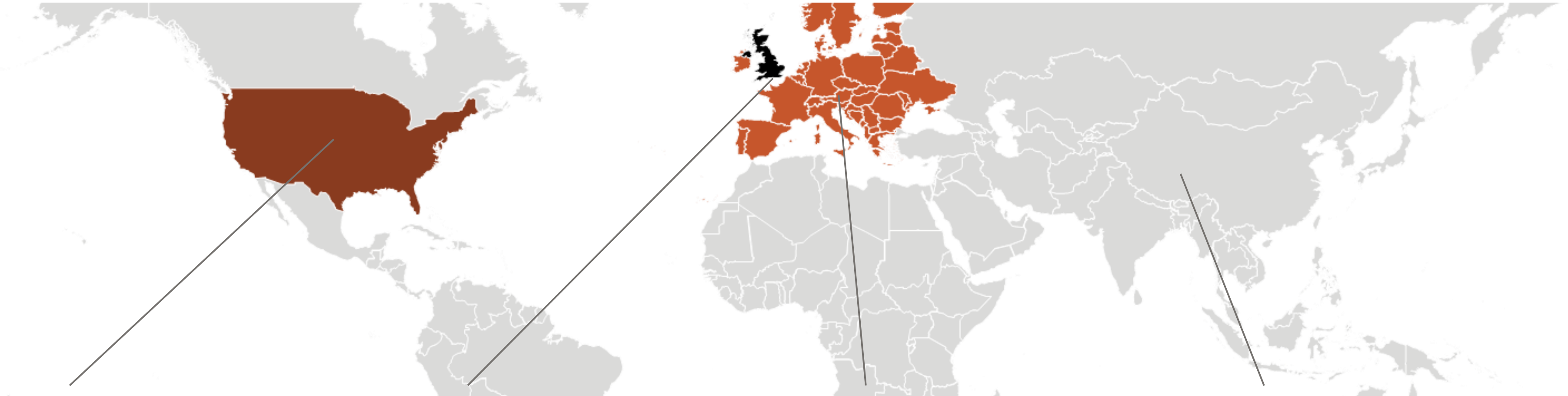
European equities rarely so cheap relative to the USA



Source: Bloomberg, own calculations. Time period: 30/06/1989 – 16/09/2024.

Equity allocation

Preference for US weighting into US elections close to neutral



US

Neutral

- 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.
- Heading into the US elections, we favour a US weighting close to neutral.

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.

Europe ex. UK

Slightly 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

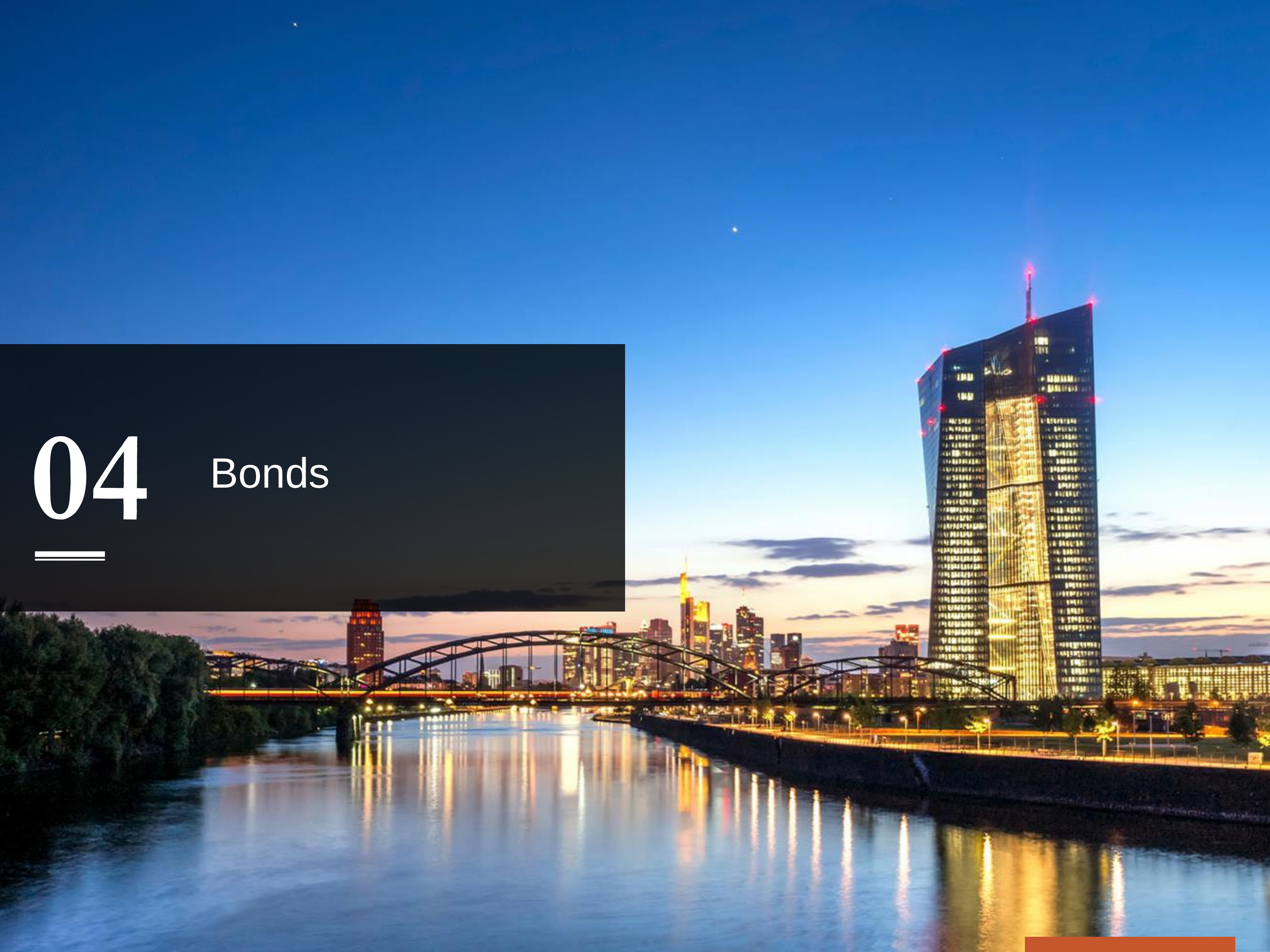
- We have completely closed our remaining position in Latin American equities, which served us very well in 2022 and 2023.
- In view of the uncertainty in the event of a Trump victory in the US elections, we currently have no position in emerging market equities.

Equity market forecasts
Estimates for selected indices

Index forecasts	Current 23/09/2024	30/06/2025	31/12/2025	Ø* in 12 months
S&P 500	5,719	6,000	6,100	6,229
DAX	18,847	19,800	20,500	21,679
Euro Stoxx 50	4,886	5,300	5,400	5,633
MSCI UK	2,357	2,500	2,600	2,697

Index potential (in %)				
S&P 500	-	4.9	6.7	8.9
DAX	-	5.1	8.8	15.0
Euro Stoxx 50	-	8.5	10.5	15.3
MSCI UK	-	6.1	10.3	14.4

Source: Bloomberg, Berenberg as of 23/09/2024.
*Average based on bottom-up estimates.



04 Bonds

Government bonds
Limited upside potential

BERENBERG
PARTNERSHIP SINCE 1590

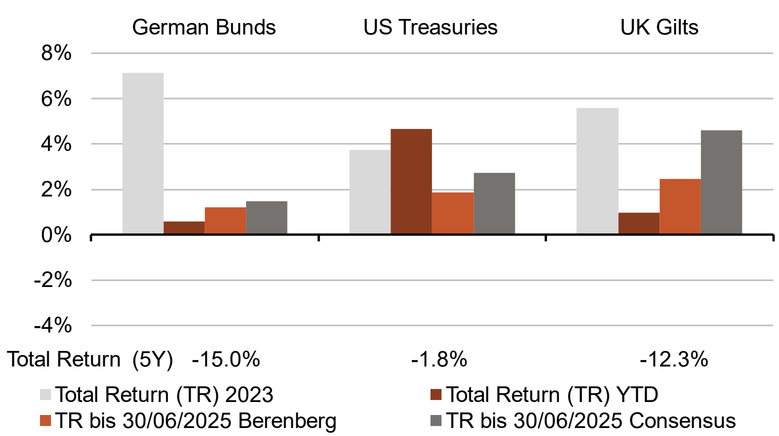
Joint upward movement may not be permanent

- The third quarter brought investors falling yields and thus encouraging gains in many areas of the bond market. However, we do not expect the harmonious upward trend in bond prices to continue in the coming weeks and months, but rather a return to the heterogeneity of the first half of the year. In this respect, differentiation between individual bond sectors is likely to become more important again.
- After two negative quarters, the picture for safe government bonds has recently turned around – they posted gains from July to September. US Treasuries in local currency, in particular, stood out with a positive performance.

Latest tailwind for government bonds is dying down

- In addition to the increased demand for security, the ongoing disinflation process benefited the government bond segment. In August, the German inflation rate fell to 1.9% year-on-year, thus falling below the two-percent mark for the first time since March 2021. Eurozone-wide and in the US, inflation also fell, fueling hopes of further key interest rate cuts.
- Much now seems to be priced in and in our main scenario, we expect yields to rise slightly again in the longer maturity segment. Positive returns from current interest rates could thus be partially eroded by adverse price movements.

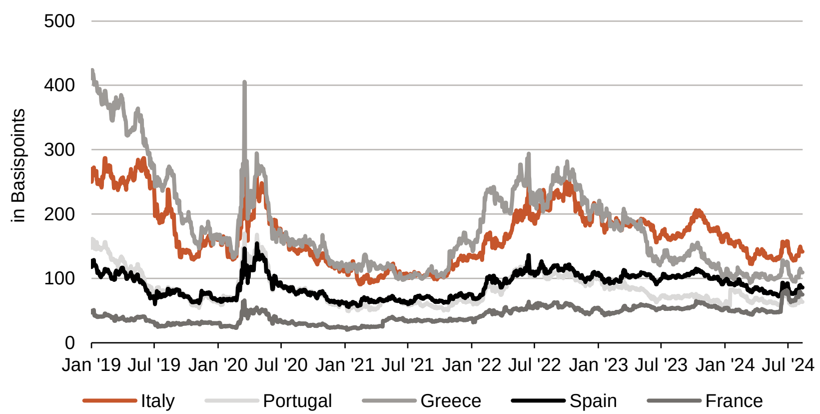
Government bonds: moderate returns until mid-2025



Source: Bloomberg

Time period: 18/09/2019 – 18/09/2024

Periphery risk premiums recently at a higher level



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

Time period: 01/01/2019 – 24/09/2024

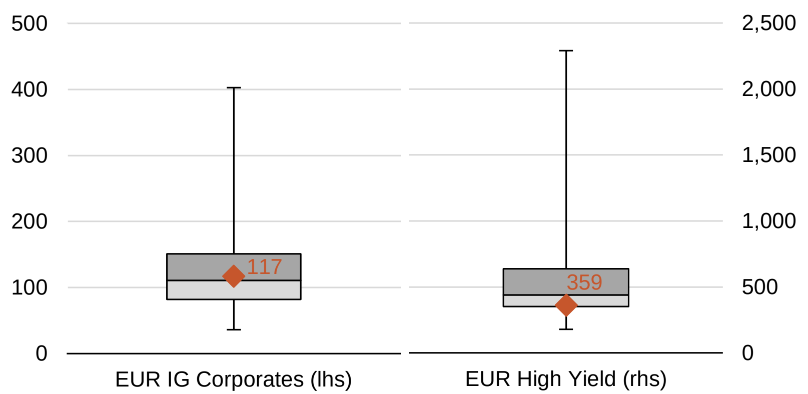
Corporate & EM bonds
Opportunities in corporate and emerging market bonds

BERENBERG
PARTNERSHIP SINCE 1590

Corporate bonds: Technical analysis trumps valuation

- Euro-denominated corporate bonds have continued to outperform in 2024: the IG segment gained 3.2%, while high yield bonds rose by as much as 5.9%. And the segment should remain supported by technical factors in the further course of the year.
- Risk premiums in many segments can only be described as fair in a historical comparison. Assuming a 'business as usual' approach to the market, this should not pose a problem; rather, technical support is likely to dominate. However, a heated US election campaign, along with potentially weak macroeconomic data, could disrupt this picture and herald a correction.

IG corporate bonds: HY risk premiums unattractive

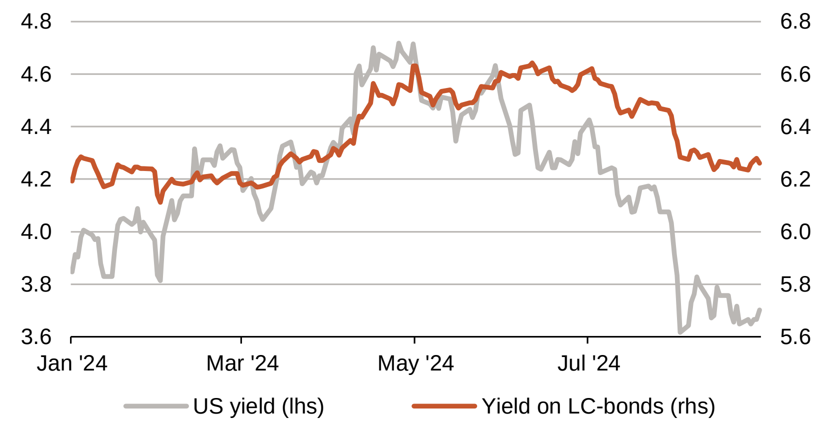


Risk premiums compared to German government bonds. Source: ICE, own calculations. Time period: 01/01/2000 – 16/09/2024

EM: Local currency bonds remain our favourites

- It is striking that local currency bonds have not yet been able to exploit their full potential despite favourable conditions. We see three reasons for this: firstly, EM central banks have initially held back from aggressive easing in view of the uncertainty surrounding US interest rate policy. Secondly, a possible election victory for Donald Trump could change the environment for EM. Thirdly, surprising statements by Brazil and Colombia have led to concerns about rising budget deficits and to sell-offs in local currency bonds.
- In the long term, valuations should return to a fundamentally justified level, so that there are currently interesting opportunities to enter the market.

EM local bonds have catch-up potential



Source: Bloomberg, own calculations. Time period: 01/01/2024 – 31/08/2024

Capital market strategy
Bonds

BERENBERG
PARTNERSHIP SINCE 1590

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 area of corporate bonds but are focusing more on shorter to medium-term maturities. The vast majority of issuers continue to impress with solid balance sheets and generous liquidity reserves. When selecting sectors, we focus on defensive industries and avoid cyclical ones.

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.
- 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 and the high carry, even though risk premiums are historically unattractive.
- 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

BERENBERG
PARTNERSHIP SINCE 1590

Base interest rates and government bond yields (in %)	23/09/2024	30/06/2025		31/12/2025	
	Current		Ø*		Ø*
US					
Base interest rate	4.75-5.00	3.75-4.00	3.90	3.75-4.00	3.60
10Y US yield	3.75	3.90	3.79	4.10	3.71
Eurozone					
Base interest rate	3.65	2.65	2.80	2.65	2.50
10Y Bund yield	2.16	2.30	2.20	2.50	2.19
United Kingdom					
Base interest rate	5.00	4.25	4.10	4.00	3.60
10Y Gilt yield	3.92	4.00	3.72	4.10	3.65

Source: Bloomberg. Berenberg. as of 23/09/2024.
*Average of estimates by other experts (Bloomberg) consensus.

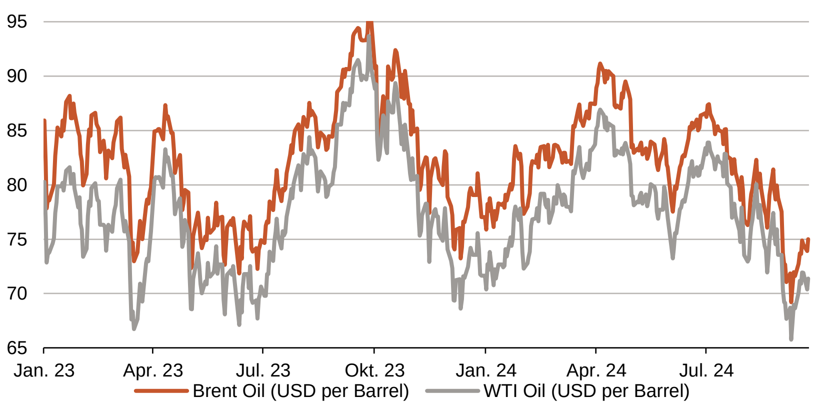
05 Commodities

Crude oil
Sideways for the time being

Geopolitics dominate the oil price in the short term, but determines OPEC+ the fundamental equilibrium

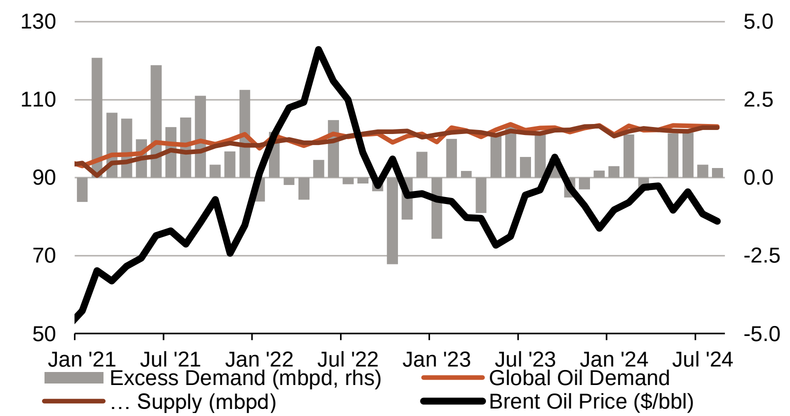
- Although crude oil has remained in a sideways trend since the beginning of the year, Q3 was characterised by falling prices. There are no clear fundamental reasons for this weakness: according to the EIA, the oil market has been in a supply deficit since April, US inventories have fallen almost monotonically in recent months and, most recently, domestic unrest in Libya has led to major production losses.
- But the outlook for the coming months is challenging. Demand in the West is likely to weaken seasonally, while the Chinese economy continues to disappoint. At the same time, OPEC+ has postponed its planned production increases, but has not cancelled them. However, despite a solid starting position, much seems to be already priced in, given investors' already pessimistic positioning. Nevertheless, upside potential remains limited due to high spare capacity and rising non-OPEC production. Thus, the sideways trend since the beginning of the year is likely to continue.

Crude oil continues sideways trend



Source: Bloomberg. Time period: 01/01/2023 – 23/09/2024.

Oil fundamentals good, but outlook mixed



Source: Bloomberg, Berenberg calculations. Time period: 01/01/2000 – 31/08/2024.

Precious and industrial metals

Gold at all-time high, industrial metals start to recover

BERENBERG
PARTNERSHIP SINCE 1590

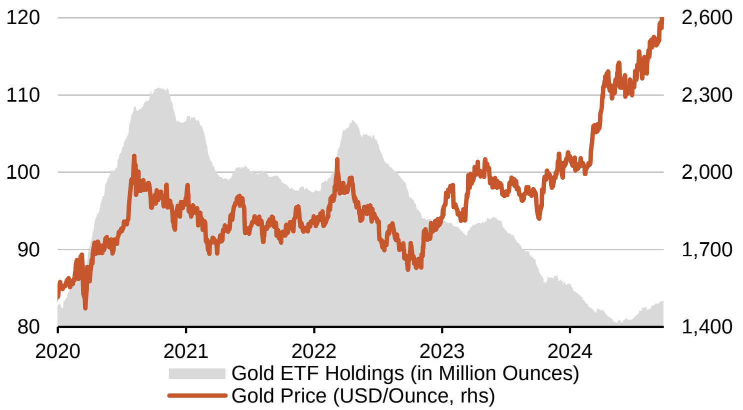
The rally in gold continues

- As in Q1 and Q2, gold reached new all-time highs in the third quarter. However, the drivers of the rally have reversed compared to the first half of the year – from physical to financial demand. Previously, EM central banks had pushed ahead with the de-dollarisation of their currency reserves and Chinese private investors had increasingly invested in gold instead of real estate. At the same time, gold ETFs recorded outflows of 4.5 million ounces in H1.
- In an environment of falling interest rates, rising government debt, a weaker US dollar, high levels of uncertainty in the run-up to the US elections and geopolitical escalations in the Middle East, there are many good reasons to invest in gold.

Industrial metals at the beginning of their recovery

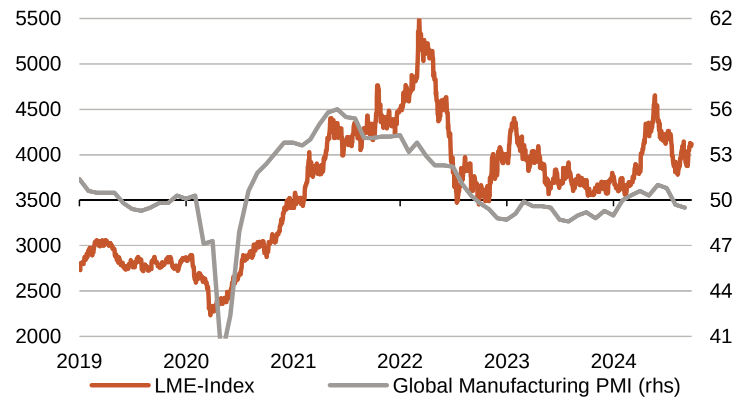
- In recent months, industrial metals have not been spared from the continued weakness in manufacturing, particularly in China. Despite tight supply, industrial metals are likely to continue to struggle without stimulus from industry to appreciate sustainably. However, there are signs, especially from the Far East, that demand is recovering: local premiums are rising again and exports and high inventories are falling. Although industrial metals are already pricing in a lot of negative news, the timing of the recovery remains uncertain.

Further ETF inflows should give gold a tailwind



Source: Bloomberg, own calculations. Time period: 01/01/2020-23/09/2024.

A potential recovery in industry could support metals



Source: Bloomberg, own calculations. Time period: 01/01/2019-23/09/2024.

06 Currencies

Market Development
FX markets

BERENBERG
PARTNERSHIP SINCE 1590

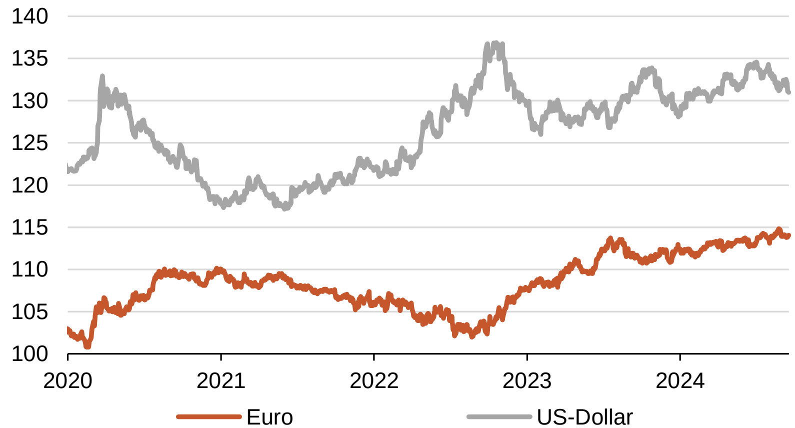
Major central banks back down from interest rate peak

- In the US, the decline in inflation and the cooling labour market in recent months have led to the currency market pricing in an earlier and more aggressive interest rate turnaround by the Fed.
- The US Federal Reserve started its interest rate turnaround a little later than the ECB, but it could now cut its key interest rate faster than is likely to be the case in the eurozone.
- In the medium term, the euro can therefore be expected to remain relatively strong. However, the US dollar could receive a temporary tailwind in the run-up to the US presidential elections on 5 November.

Swiss franc as a safe haven and BoE rate reversal

- Demand for the Swiss franc is also particularly high in turbulent times. This was evident once again at the beginning of August, when the franc appreciated significantly as a result of the sharp falls in share prices on stock markets around the world.
- The BoE has initiated its interest rate turnaround from a slightly higher level than the ECB and is therefore likely to lower its key interest rate somewhat more than its European counterpart in the eurozone. Although the smaller interest rate differential argues against the pound, at the same time the economy in the UK currently has a little more momentum than in the eurozone. Overall, we expect the euro-pound exchange rate to move sideways.

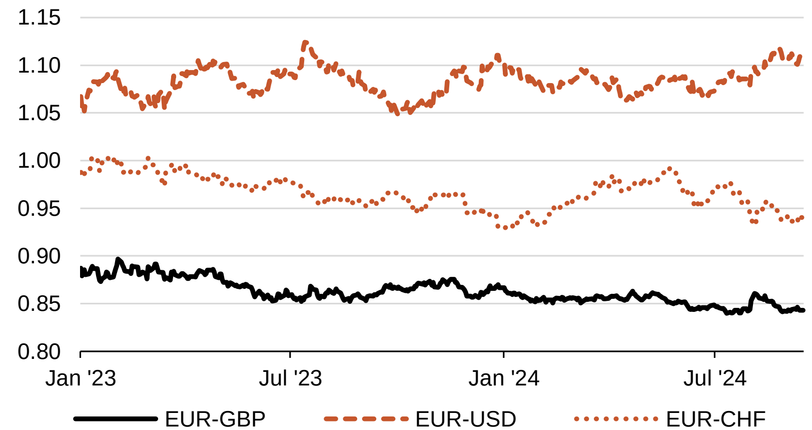
US dollar has weakened somewhat recently



Trade-Weighted Exchange Rate
Source: JPM

Period: 01/01/2020–16/09/2024

Swiss franc recently in demand as a safe haven



Source: FT

Period: 01/01/2023–16/09/2024

Forecasts
Estimates of key currencies

	23/09/2024	30/06/2025		31/12/2025	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.11	1.13	1.12	1.15	1.13
EUR/GBP	0.83	0.84	0.85	0.84	0.84
EUR/CHF	0.94	0.96	0.97	0.97	0.98
EUR/JPY	160	154	157	152	156

Change against the Euro (in %)					
USD	-	-1.7	-0.8	-3.4	-1.7
GBP	-	-0.9	-2.1	-0.9	-0.9
CHF	-	-1.9	-2.9	-2.9	-3.9
JPY	-	3.6	1.6	5.0	2.6

Source: Bloomberg. Berenberg as of 23/09/2024.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information

Publishing information

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
Senior Economist

Contact details

www.berenberg.de/en
MultiAssetStrategyResearch@berenberg.de