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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

November | 2024

Horizon Handout – Capital Market Outlook
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Date 30/10/2024.

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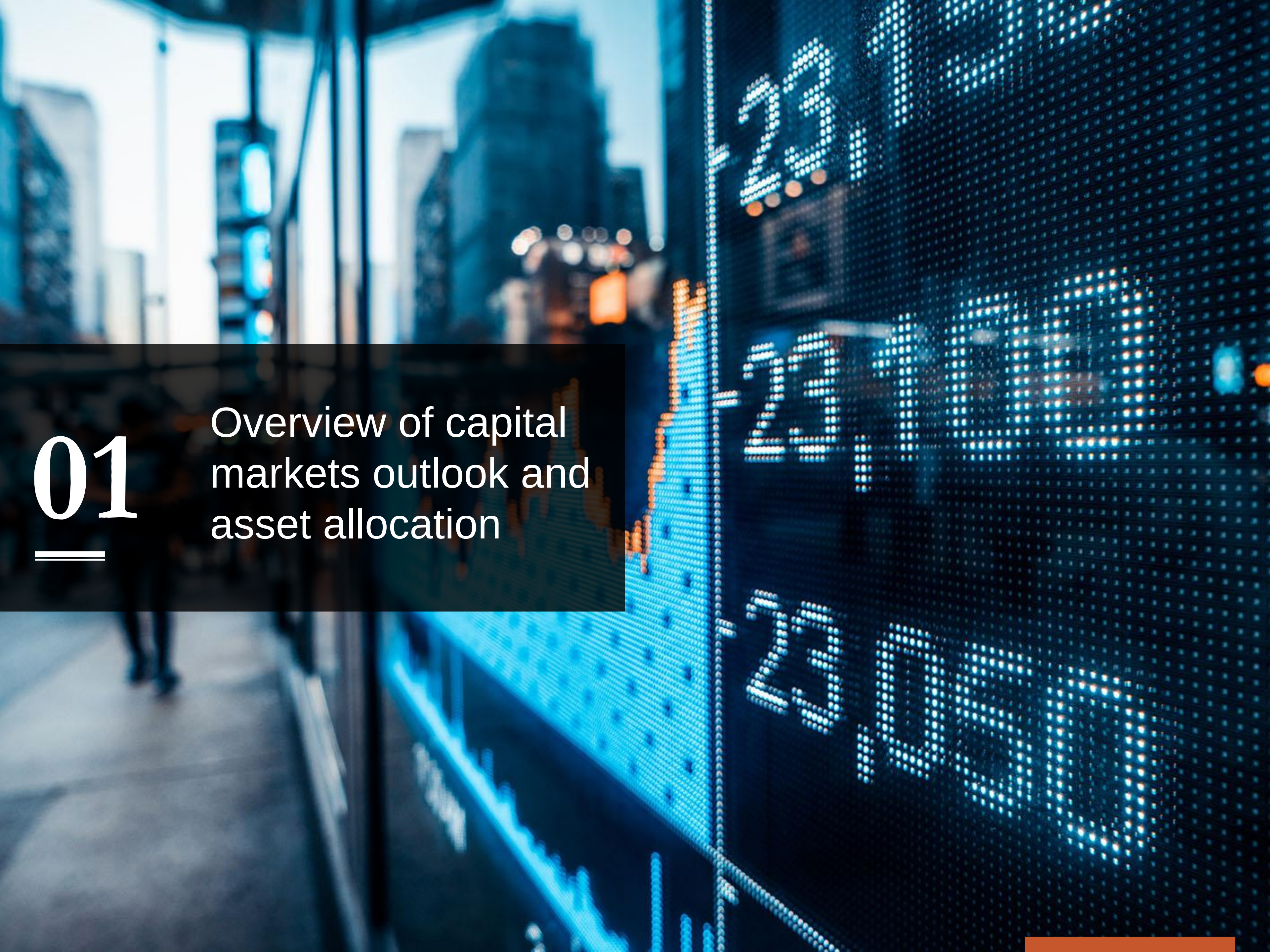
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



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 (30/09/24 - 28/10/24)	YTD (29/12/23 - 28/10/24)	28/10/23 28/10/24	28/10/22 28/10/23	28/10/21 28/10/22	28/10/20 28/10/21	28/10/19 28/10/20
Gold	7.2	35.7	33.6	15.1	7.2	-3.6	18.9
Global Convertibles	4.5	10.1	17.1	-6.7	-12.7	26.9	23.4
USDEUR	3.0	2.1	-2.3	-5.7	17.2	0.5	-5.5
MSCI World	3.0	21.5	35.1	1.8	-3.9	40.7	-0.7
Brent	2.8	5.0	-11.9	1.0	66.9	125.0	-44.4
MSCI Frontier Markets	2.3	12.4	17.1	-0.6	-19.0	37.5	-8.0
REITs	0.7	10.8	30.7	-17.1	-11.8	40.0	-22.0
Industrial Metals	0.7	12.1	11.8	-5.7	2.4	40.8	-3.3
EUR Coporates	0.3	4.0	9.7	3.5	-15.2	0.3	1.5
Euro overnight deposit	0.3	3.2	3.9	2.8	-0.4	-0.6	-0.5
MSCI Emerging Markets	0.1	16.1	24.0	4.9	-19.9	16.9	3.8
EUR Sovereign Debt	-0.2	2.2	6.7	-0.7	-10.1	-1.4	1.2

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

Sources: Bloomberg, Berenberg. Time period: 28/10/2019 – 28/10/2024.
Note: The historical performance presented here is not a reliable indicator of future performance.

Overview of capital markets
Outlook by asset class

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Economics

- Eurozone economy unlikely to get going until 2025.
- UK economy with hesitant upturn.
- US economy lands ultra-soft.

Equities

- Strong US quarterly numbers are supporting markets, while the US election is causing short-term volatility.
- The Q3 reporting season is in full swing, with financials and healthcare standing out in Europe.
- Current market sentiment close to neutral

Bonds

- Strong US economy and labour market support US yields. Ongoing political and fiscal uncertainties in France.
- Corporate bonds continue to be supported by strong balance sheets and cash flows.
- Due to increased interest rate volatility, we continue to keep duration at the overall bond level at neutral.

Alternative investments / commodities

- The fundamentals for oil are good, but supply is rising. Without demand growth (from China), there is a risk of a glut.
- Despite the slowdown in central bank purchases, gold remains fundamentally supported by positive ETF flows.
- Industrial metals await short-term stimulus from China. Structural supply shortage provides medium-term support.

Currencies

- By 2025, a smaller growth advantage of the US over the eurozone could support the euro.
- A possible victory for Trump in the US presidential election, on the other hand, would speak in favour of the dollar
- The Swiss National Bank is fighting against a too strong franc.

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

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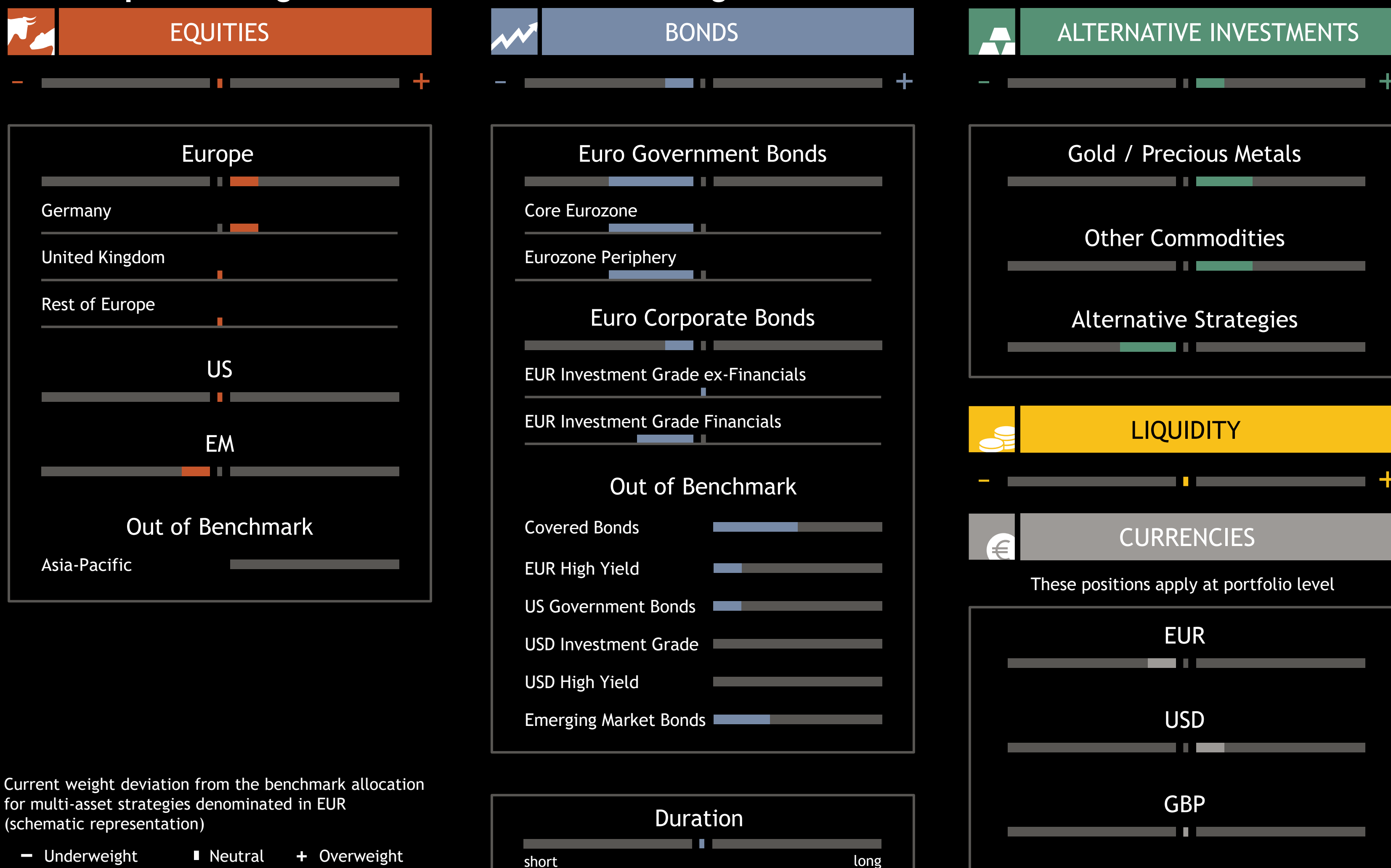
Portfolio positioning of a balanced mandate at a glance



Source: Berenberg

As of 30/10/2024.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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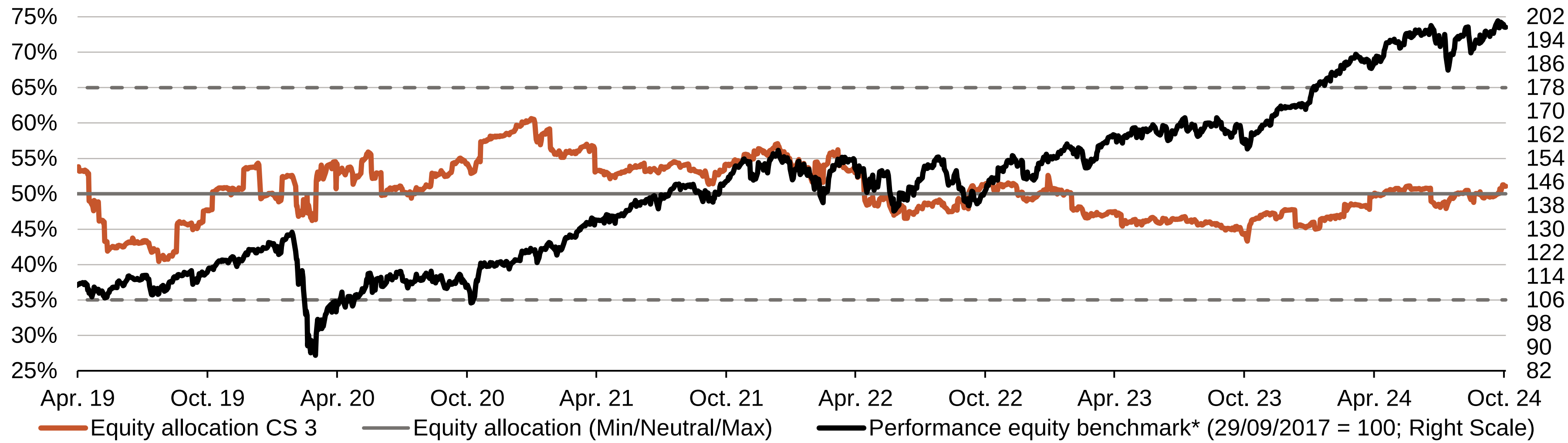
Management of the equity allocation of a balanced multi-asset mandate since inception

	25/10/19 - 25/10/20	25/10/20 - 25/10/21	25/10/21 - 25/10/22	25/10/22 - 25/10/23	25/10/23 - 25/10/24
Performance equity benchmark	**-4.93%**	**32.01%**	**-1.12%**	**10.61%**	**23.82%**



Time period: 25/10/2019 – 25/10/2024.

Sources: SimCorp, Bloomberg, Berenberg *'Equity benchmark' comprised 70% STOXX Europe NR Index and 30% S&P 500 NR Index until 30 September 2024. From 1 October 2024, the equity benchmark consists of 60% STOXX Europe NR Index, 34% S&P 500 NR Index and 6% MSCI EM NR Index.
Note: The historical performance presented here is not a reliable indicator of future performance.

- In view of the robust US economy and the US elections, and the increasing likelihood of Donald Trump's election victory according to betting markets, we have recently increased our US equity allocation. Trump's plans to pursue an 'America First' policy, deregulate and cut corporate taxes should have a positive impact on US equities, at least in the short term.
- For example, we have built up a position in US mid-caps, which are significantly cheaper than US large caps. As long as the US economy does not slip into a recession, such low valuations have historically been an indicator of potentially positive mid-cap returns, especially after the Fed cuts interest rates. Since 1984, the S&P 400 has typically outperformed the S&P 500 in the three and 12 months following a rate cut. The typically positive seasonality in the winter months also speaks in favour of mid caps. In addition, US mid caps are more domestically oriented, which should be directly encouraged by Trump's 'America First' policy.

02 Economics

Eurozone
GDP and Inflation

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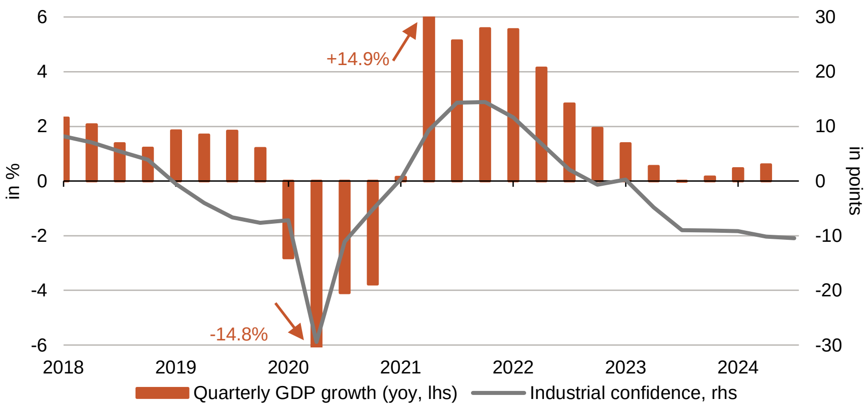
New momentum from spring 2025

- The eurozone economy surprised on the upside in the first half of the year. This was mainly due to the southern member states, where a mix of reforms, EU funds, a slightly expansive fiscal policy and strong tourism boosted the economy.
- However, the leading economic indicators currently point to a slowdown in growth momentum. In 2025, however, the ECB's interest rate cuts, the end of the slump in residential construction and the Chinese stimulus are likely to provide a new impuls. The fact that falling inflation and rising real wages will encourage consumers to spend more in the medium term will also have a positive effect.

Interest rate turnaround progresses without pause

- On 17 October, the ECB lowered the deposit rate for the third time by 25 bp to 3.25%. The move came as no surprise. In the run-up to the interest rate decision, ECB President Lagarde had given clear indications of a further easing of monetary policy and the macroeconomic situation also paints a very clear picture.
- While inflation is falling, almost all leading indicators point to a weak end to 2024. The ECB is therefore expected to cut the key interest rate again by 25 bp on 12 December. We then expect two further interest rate cuts in Q1 2025, meaning that the deposit rate will then stand at 2.5 %.

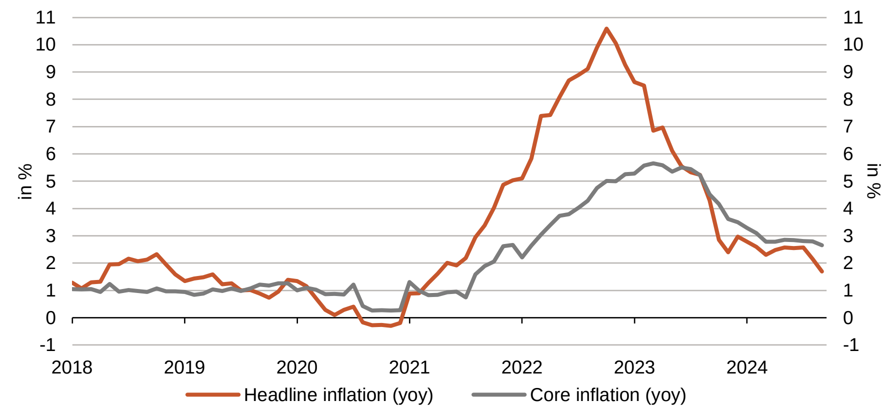
Sentiment in the industrial sector remains weak



Source: Haver

Period: 01/2018 – 09/2024

Inflation falls below 2%



Source: Haver

Period: 01/2018 - 09/2024

United Kingdom
GDP and Inflation

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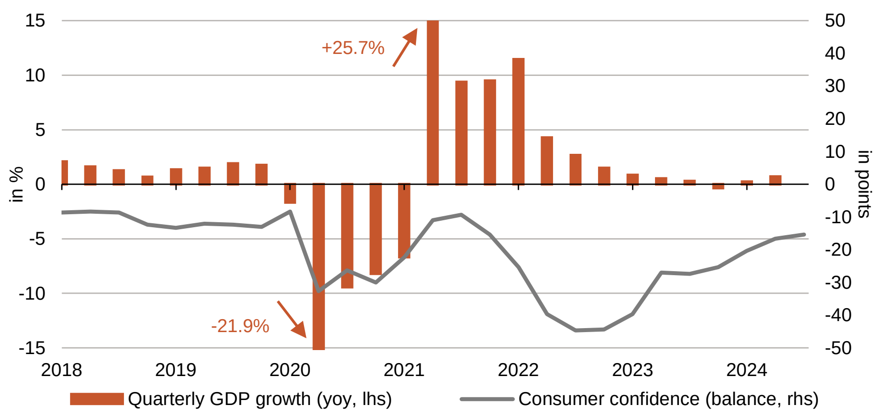
UK economy slowly gaining momentum

- The UK economy expanded in August after stagnating in June and July, but the 0.2% month-on-month growth was unimpressive. However, the most interest-rate-sensitive sectors of the economy already appear to be reacting slightly to the key rate cuts.
- We assume that the government will increase taxes, but also spend more. Overall, we expect the economy to enter a phase of sustainable growth over the next two years. For 2024 as a whole, we expect GDP growth of 0.9%, followed by 1.5% in 2025.

Inflation falls below 2%

- Inflation in the UK fell surprisingly sharply year-on-year in September from 2.2% to 1.7%. In addition to lower energy prices, lower inflation in the service sector also contributed to this. However, at 4.9%, it is still too high to reach the inflation target.
- We therefore continue to anticipate a cautious easing of monetary policy by the BoE. Although we expect a further interest rate cut of 25 basis points on 7 November, this could be followed by a pause in December. For 2025, we expect three further interest rate cuts of 25 bp each, meaning that the key interest rate should fall to 4.0% by autumn 2025.

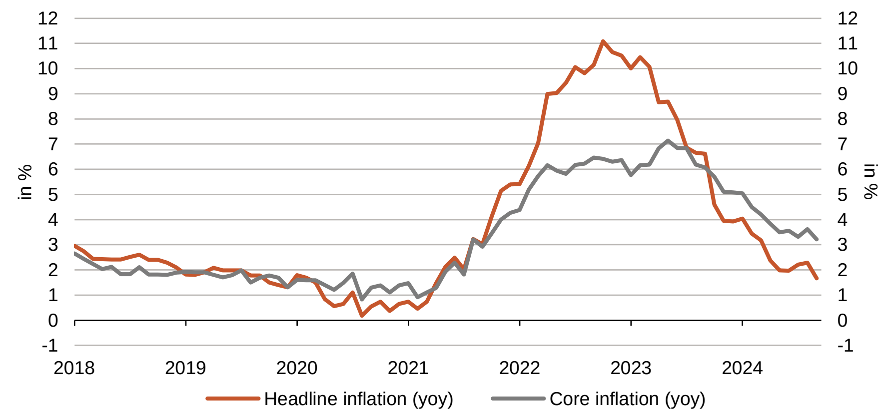
Consumer sentiment slowly brightens



Source: Haver

Period: 01/2018 - 09/2024

Core inflation at its lowest level in 3 years



Source: Haver

Period: 01/2018 - 09/2024

USA
GDP and Inflation

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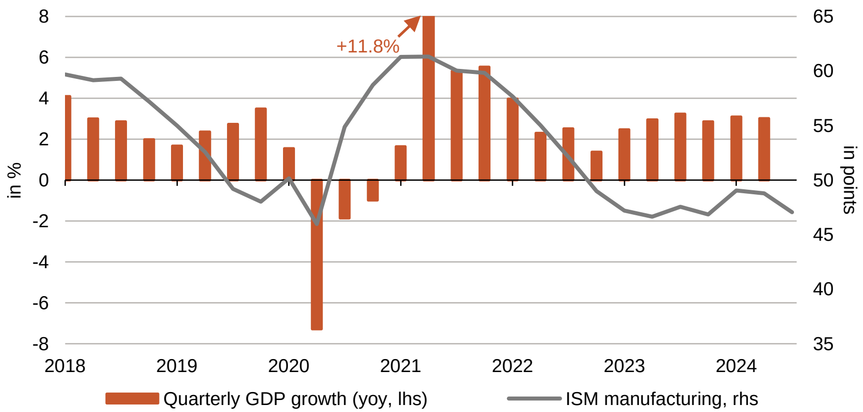
Ultra-soft landing in the USA

- US economic growth has once again surprised on the upside this year. An expansive fiscal policy and continued robust private consumption are contributing to this. However, the previously overheated labour market and residential construction have recently cooled down.
- This suggests that the US economy could lose some momentum at the end of 2024 and beginning of 2025. Many homeowners are currently still having to extend their mortgages at higher interest rates. However, the US Federal Reserve is already taking its foot off the interest rate brake again. This could provide noticeable support for the US economy from spring 2025.

Fed focuses on the landing rate

- The Fed started the turnaround in interest rates somewhat later than the ECB, but immediately made a small exclamation mark with an initial cut of 50 bp at its September meeting. The decline in inflation allows the US central bank to concentrate fully on the soft landing of the economy.
- We expect the Fed to cut the key interest rate by a further 25 bp at each of the two remaining meetings this year. The pace of monetary easing could then slow somewhat next year, meaning that we expect the key interest rate range to be lowered to between 3.75% and 4.00% by the summer of 2025.

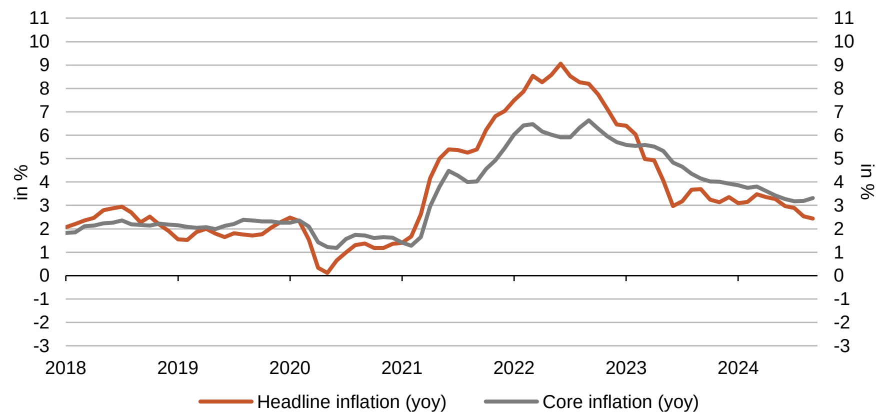
US growth shows no signs of weakness



Source: Haver

Period: 01/2018 - 09/2024

Inflation rate continues to move towards 2% target



Source: Haver

Period: 01/2018 - 09/2024

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	2.7	2.6	1.8	1.9	2.0	2.0	2.8	2.9	2.3	2.2	2.4	2.3
Eurozone	0.7	0.7	1.2	1.2	1.5	1.4	2.3	2.3	2.0	2.0	2.3	2.0
Germany	-0.2	0.0	0.5	0.8	1.3	1.3	2.4	2.4	2.2	2.1	2.3	2.0
France	1.1	1.1	1.1	1.0	1.3	1.3	2.3	2.4	1.9	1.7	2.3	1.9
Italy	0.6	0.8	1.2	1.0	1.2	1.1	1.1	1.1	1.9	1.7	2.3	1.7
Spain	2.9	2.8	2.2	2.1	2.1	1.7	2.9	2.9	2.5	2.0	2.6	2.0
United Kingdom	0.9	1.0	1.5	1.3	1.7	1.5	2.5	2.6	2.5	2.3	2.4	2.0
Japan	-0.2	0.0	1.2	1.2	1.1	0.9	2.6	2.5	2.0	2.0	1.7	1.6
China	4.7	4.8	4.6	4.5	4.4	4.2	0.3	0.5	0.8	1.3	1.4	1.6
World*	2.5	-	2.6	-	2.6	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 29/10/2024.
* 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

Markets focus on upcoming US elections

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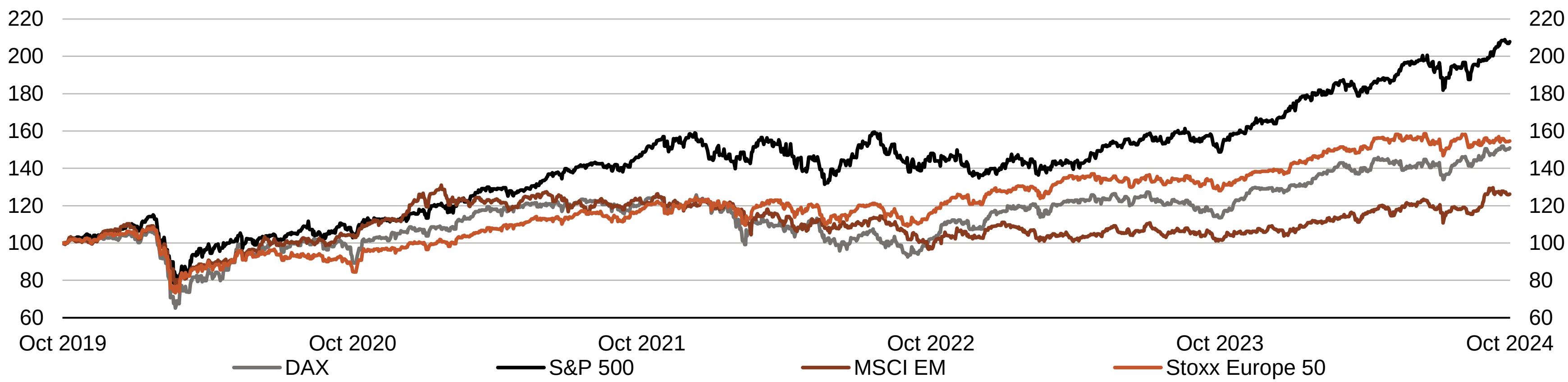
Mixed picture in October and US election tensions ahead

- Markets have been mixed of late. On the one hand, optimism prevailed on the back of solid earnings reports from the technology sector and the US, where large companies such as Alphabet in particular surprised on the upside and were able to expand their market position. On the other hand, weak quarterly results from European companies such as LVMH dampened sentiment and pushed the EURO STOXX 50 slightly into negative territory. The DAX remained stable, recovering slightly during the month after minor setbacks.
- The upcoming US elections on 5 November are creating additional uncertainty in the markets. If the Democrats win, we can expect more regulation in areas such as technology and finance, which could weigh on equity prices in the short term. A Republican Congress, on the other hand, is likely to pursue a pro-market agenda, which could lead to a rally in US mid-caps in particular. Pre-election uncertainty traditionally leads to short-term volatility and under-the-radar moves as investors price in potential changes in tax and fiscal policy.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 28/10/2019 – 28/10/2024.

Corporate earnings

Q3 reporting season surprises on the upside

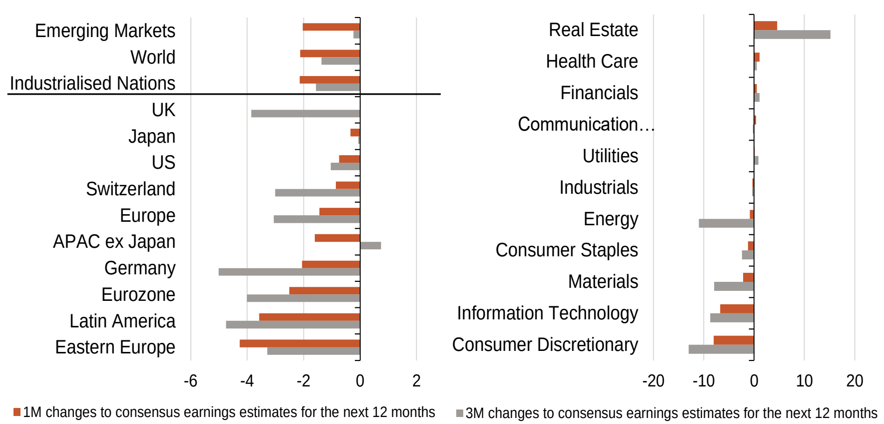
Positive surprises from US and Europe

- The Q3 reporting season is in full swing. So far, 179 companies in the S&P 500 Index have reported their results. Of these companies, 79% beat analysts' expectations, while the median surprise was 6%. 21% of companies have missed analysts' estimates.
- Given the previous downward revisions, some companies are surprising to the upside in the current reporting season. Earnings growth in the European market, as measured by the Stoxx 600 index, is currently -1% year-on-year. This is a significant improvement over consensus estimates of around -9%.

Differences within equity sectors in Europe

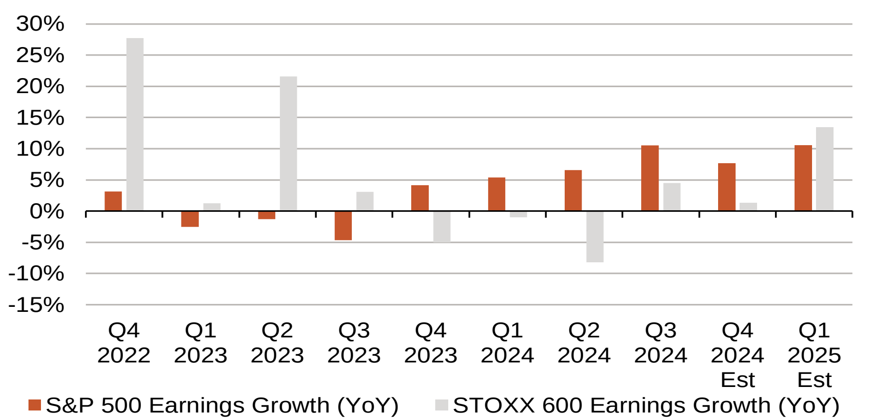
- The financial sector is showing strong earnings power. In the third quarter, 92% of banks beat earnings expectations. The healthcare sector also surprised on the upside, with 67% of companies beating expectations, supported by stable demand for medical products and services. In contrast, only around 20% of telecom companies and 29% of banks beat expectations.
- Some 48% of companies beat earnings estimates, while 42% beat revenue estimates – a much weaker performance than in Q2.

Most recent earnings revisions almost exclusively negative



Source: FactSet As of: 28/10/2024

Profit growth under pressure



Source: Bloomberg As of: 28/10/2024

Performance & Valuation

European assessment moves towards average

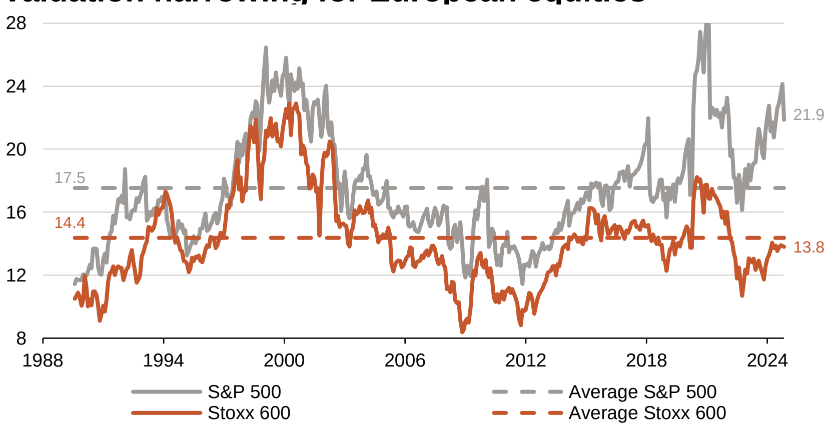
Geopolitical risks and US elections weigh on equities

- The 12-month forward price/earnings (P/E) ratio for European equities has recently returned to its long-term average, while US equities remain far from average. The S&P 500 is currently trading at 21.8x, higher than in October. The Euro Stoxx 50, on the other hand, is still slightly below its historical average, with a price-to-earnings ratio of 13.9x.
- Europe's stock market performance over the past 12 months has been driven mainly by a widening of valuations. With the reporting season now underway, the focus is likely to shift back to earnings.

Sentiment close to neutral

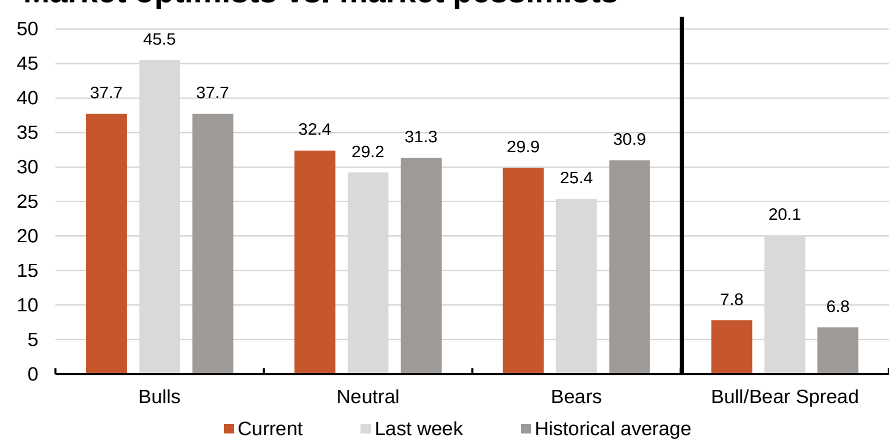
- Current market sentiment is moderately bullish with a bullish share of 37%, in line with the historical average. This is also reflected in a balanced bull/bear spread of around 8 percentage points.
- Market movements reflect an optimistic mood, supported by a positive earnings season so far.

Valuation narrowing for European equities



Source: Bloomberg, own calculations. Time period: 01/01/1988 – 29/10/2024.

Market optimists vs. market pessimists



Source: Bloomberg, own calculations. As of: 24/10/2024

Equity allocation
Preference for US near neutral as US election approaches

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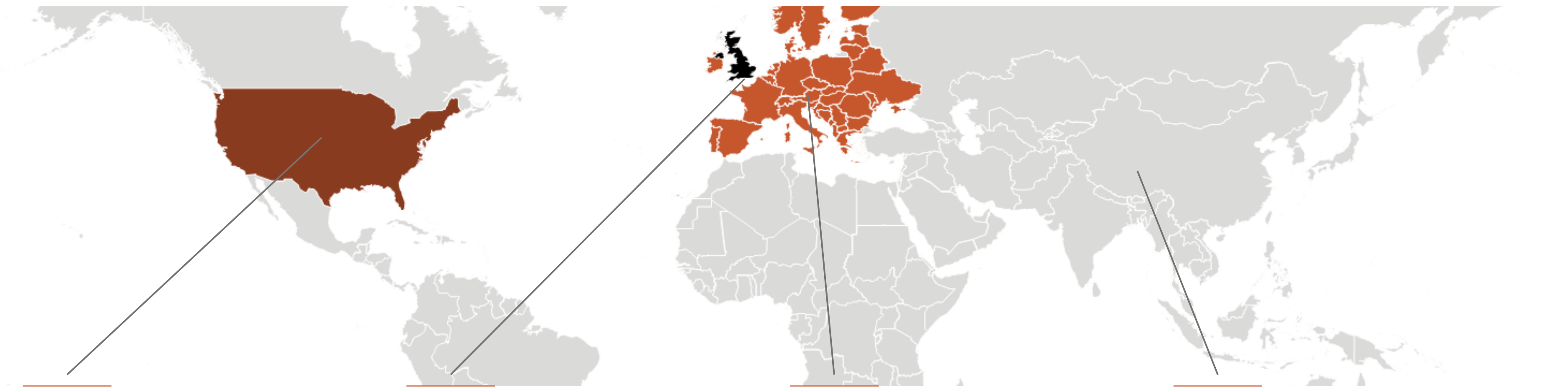

US
Neutral
- The high weighting of US mega-caps and the still high valuation of US equities make the region less attractive compared to more cheap regions such as Europe or emerging markets. On the other hand, the US economy remains surprisingly robust.
- As the US elections approach, we prefer to keep the US weighting close to neutral.

United Kingdom
Slight underweight
- The FTSE 100 ETF has long served as a balancing position in the portfolio. At the index level, UK equities have a more defensive and commodity-rich profile, which should pay off in an environment of high inflation and geopolitical risk.

Europe ex. UK
Slightly overweight
- Despite the good performance since the beginning of the year, European companies are not highly valued. The current difficult economic situation therefore appears to be largely reflected in prices. Should the economy recover, there is considerable catch-up potential.
- We are slightly overweight in Europe ex UK. We see opportunities particularly in European small and mid caps.

Emerging markets
Underweight
- Given the uncertainty of a Trump victory in the US elections, we are underweight emerging market equities.

Equity market forecasts

Estimates for selected indices

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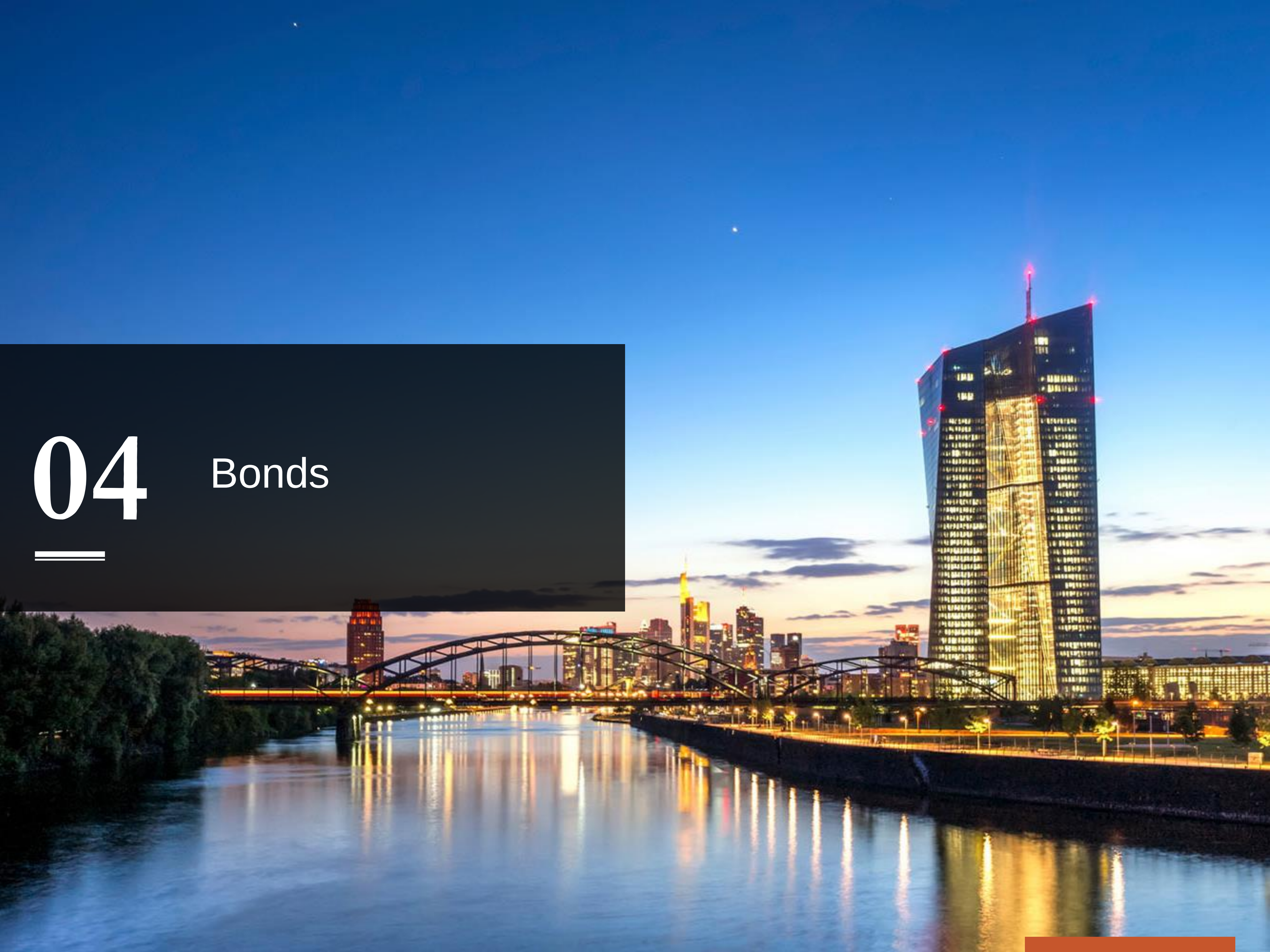
Index forecasts	Current 28/10/2024	30/06/2025	31/12/2025	Ø* in 12 months
S&P 500	5,824	6,000	6,100	6,357
DAX	19,532	19,800	20,500	22,212
Euro Stoxx 50	4,970	5,300	5,400	5,578
MSCI UK	2,367	2,500	2,600	2,694

Index potential (in %)				
S&P 500	-	3.0	4.7	9.2
DAX	-	1.4	5.0	13.7
Euro Stoxx 50	-	6.6	8.7	12.2
MSCI UK	-	5.6	9.9	13.8

Source: Bloomberg, Berenberg as of 28/10/2024.
*Average based on bottom-up estimates.

04 Bonds



Government bonds
No Landing?

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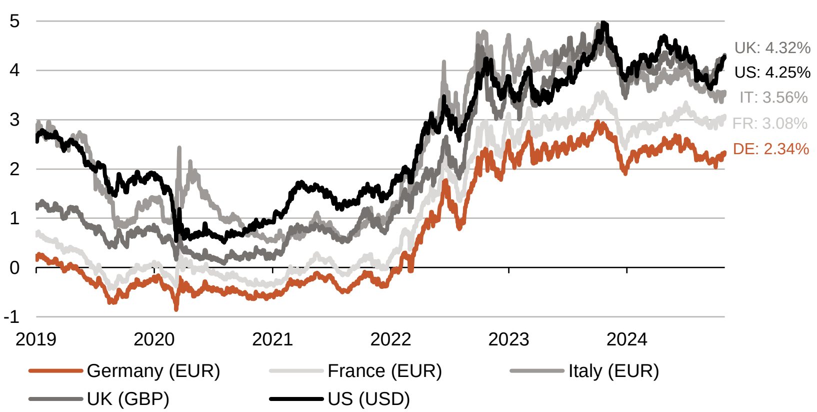
Strong US economy and labour market support yields

- The robust US labour market, positive economic surprises and stubborn core inflation have further dampened investors' expectations of rapid interest rate cuts by the Fed this year. The increased likelihood in recent weeks of Donald Trump being re-elected as US president also raises long-term inflation and debt risks in the US.
- The ECB cut its key interest rate by 25 basis points at its October meeting. Although inflation remains on a disinflationary path, ECB President Lagarde pointed out that inflation is expected to rise in the coming months and emphasised that ‘interest rates will remain as restrictive as necessary for as long as necessary’.

Political and fiscal uncertainties in France

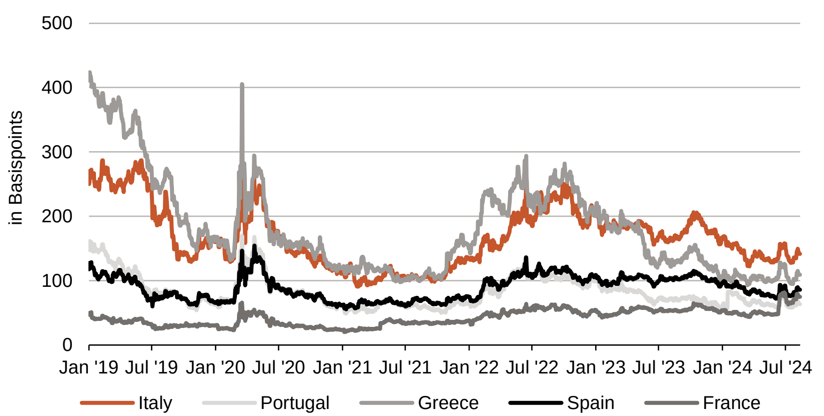
- Even after the early parliamentary elections in the summer, political and fiscal uncertainties remain in France. This is also reflected in the downgrading of France's outlook by the rating agencies Fitch and Moody's in October, which points to scepticism regarding the measures to combat persistent budget deficits and a deterioration in debt sustainability.
- In contrast, Fitch raised its outlook for Italy from stable to positive in October, citing recent improvements in the eurozone's third-largest economy's fiscal position and its compliance with EU fiscal rules.

10-year yields (%) have recently risen again



Source: Bloomberg Time period: 01/01/2019 – 29/10/2024

Peripheral risk premiums recently at a higher level



Source: Bloomberg, own calculations, (Spread 10-year government bonds vs. Bunds) Time period: 01/01/2019 – 29/10/2024

Corporate & EM bonds

Opportunities in corporate and emerging market bonds

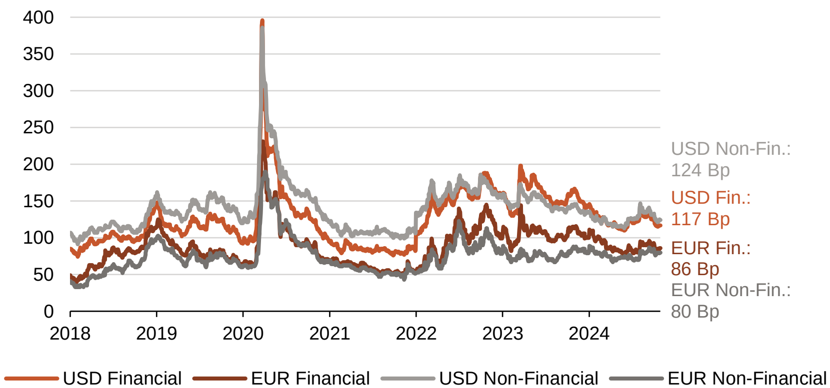
Corporate bonds: new issuance at record high

- In October risk premiums on IG and high yield corporate bonds continued their downward trend. Both segments remain supported by strong balance sheets and cash flows, while record new issuance continues to be well received by the market.
- Valuations in the corporate bond segments currently appear to ignore geopolitical risks such as the US elections and the possibility of tariffs, as well as conflicts in the Middle East and the associated inflationary risks from higher energy prices. However, with the exception of valuation, all factors continue to favour the credit sector, which is why we remain positive.

Emerging market bonds: rising 'Trump risk'

- The robust US labour market and recent positive economic surprises continue to point to a very soft landing for the US economy. This, together with the announced monetary and fiscal measures in China, creates a positive macroeconomic environment for EM bonds. Robust fundamentals and manageable debt levels have also supported the downward trend in EM risk premiums in recent months.
- However, the prospect of a second term for Donald Trump and the associated risks of the introduction of tariffs, trade restrictions and a general review of relations with emerging markets remain a major risk for EMs.

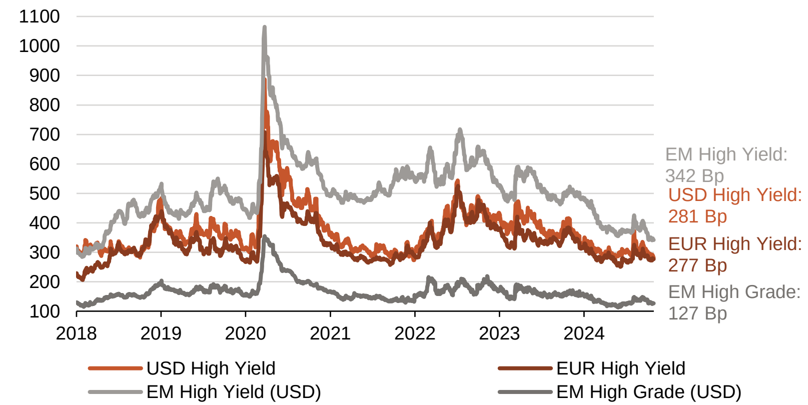
Corporate bond spreads have tightened further



Source: Factset, own calculations

Time period: 01/01/2018 – 28/10/2024

Recent decline in EM risk premia



Source: Factset, own calculations

Time period: 01/01/2018 – 28/10/2024

Capital market strategy
Bonds

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Core segments

Government bonds
Underweight

- Since the degree of fluctuation in macro data remains elevated, interest rate volatility for safe government bonds is also likely to remain elevated.
- Secured covered bonds have a similar credit risk profile but offer a higher yield. We consider this risk-return profile to be more attractive than that of government bonds, even though it has become less attractive due to tighter swap spreads.

Corporate bonds
Overweight

- We continue to favour the IG corporate bond segment 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 an ongoing disinflation trend in emerging markets and offer a very good risk-return ratio.
- In the case of hard-currency bonds from emerging markets, we prefer government bonds to IG corporate bonds due to higher yields, longer duration and higher cash inflows.

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 the risk premiums are historically unattractive.
- We continue to consider catastrophe bonds and high-yield bond funds with a more defensive profile to be attractive.

Forecasts
Estimates for selected bond markets

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Base interest rates and government bond yields (in %)	28/10/2024 Current	30/06/2025	30/06/2025 Ø*	31/12/2025	31/12/2025 Ø*
US					
Base interest rate	4.75-5.00	3.75-4.00	3.70	3.75-4.00	3.30
10Y US yield	4.28	4.20	3.76	4.30	3.73
Eurozone					
Base interest rate	3.40	2.50	2.50	2.50	2.30
10Y Bund yield	2.29	2.40	2.14	2.50	2.16
United Kingdom					
Base interest rate	5.00	4.25	4.00	4.00	3.55
10Y Gilt yield	4.25	4.20	3.76	4.30	3.69

Source: Bloomberg. Berenberg. as of 28/10/2024.
*Average of estimates by other experts (Bloomberg) consensus.

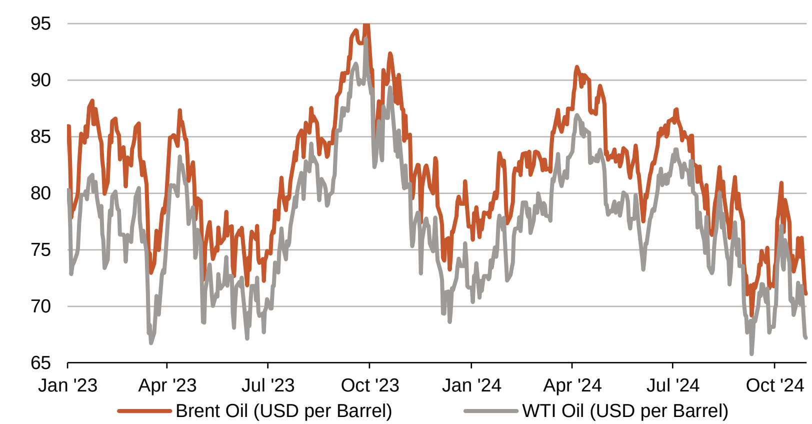
05 Commodities

Crude oil
Impending supply surplus

The starting situation is good, but supply is increasing

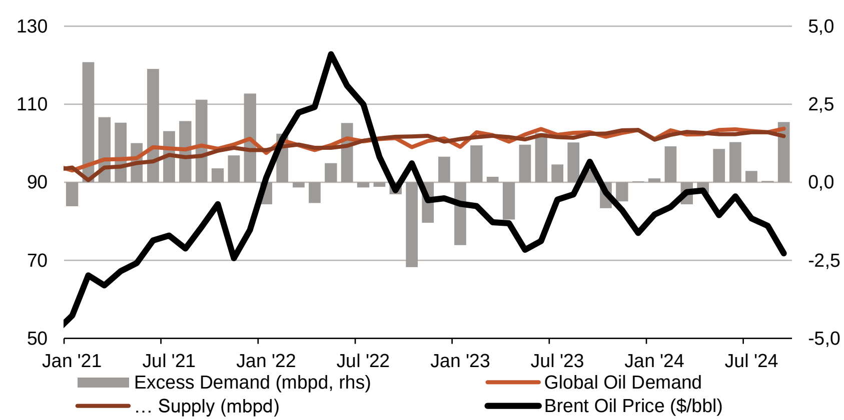
- Crude oil experienced a volatile October, but ultimately ended the month where it had begun – at just over USD 70 per barrel for Brent crude. The oil market was dominated by developments in the conflict between Israel and Iran. After Iranian rocket attacks in retaliation for Israeli assassinations of several Hamas and Hezbollah leaders, market players feared that Israel might respond by attacking Iran's oil infrastructure. Iran also reacted and initially cut its oil exports significantly. The oil price rose temporarily to over USD 80 per barrel. When the Israeli counterstrike was ultimately limited to military targets, this risk premium was quickly priced out again, Iran ramped up its exports again and the oil price fell again.
- The fundamental starting situation is good. Inventory levels are low after strong summer demand and the market has been in deficit for five months already, according to the EIA. However, the outlook is difficult. OPEC+ plans a monthly production increase of 180 kbpd from December. According to a Bloomberg survey, the probability of this happening is currently around 50%. Non-OPEC countries such as Canada, Brazil and Guyana are also likely to increase their production further. This additional supply will only be absorbed by a strong recovery in China, where demand has been declining for four months. Otherwise, there is a risk of a supply surplus.

Crude oil under pressure due to difficult outlook...



Source: Bloomberg. Time period: 01/01/2023 – 28/10/2024.

... despite a fundamentally good starting position



Source: Bloomberg, EIA own calculations. Time period: 01/01/2021 – 31/09/2024.

Precious and industrial metals

Gold at all-time high, industrial metals structurally supported

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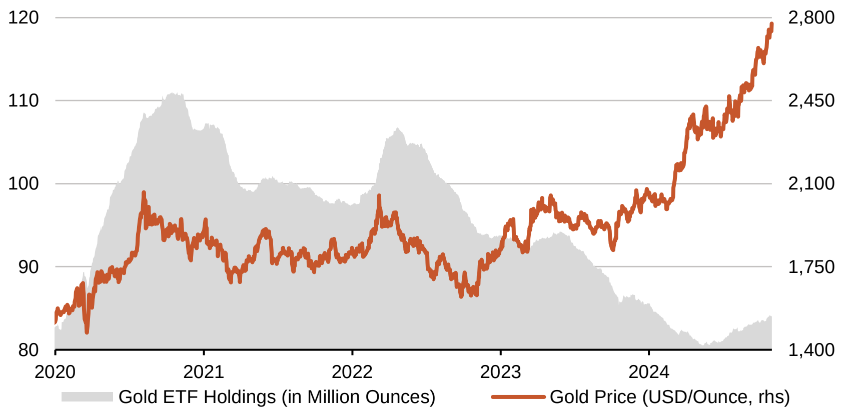
Gold fundamentally still supported

- In October, the gold price reached a new all-time high of 2,781 USD per ounce. While higher real interest rates and a stronger US dollar tend to weigh on the precious metal, strong demand from Western investors in particular has provided support. These investors have recently been the main buyers, as there has been a lack of significant central bank purchases. Corresponding ETF flows have been positive for the fourth month in a row.
- In view of falling interest rates, rising government debt, high levels of uncertainty in the run-up to the US elections and geopolitical risks, the price of gold should remain well supported.

Industrial metals attractive thanks to structural drivers

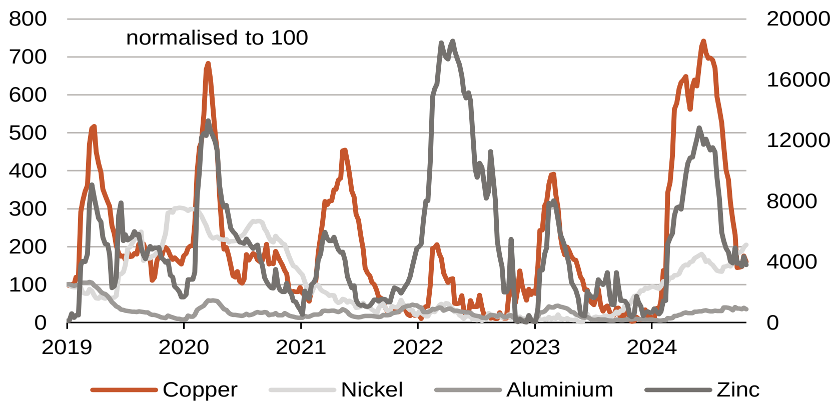
- The euphoria of a large-scale China stimulus from the previous month came to a halt recently and industrial metals recorded slight losses. This is mainly due to the fact that details of the Chinese stimulus have not yet been released. While earlier measures were mainly geared towards infrastructure projects and directly benefited industrial metals, the latest stimulus is primarily aimed at consumption and stabilizing the real estate sector.
- Nevertheless, industrial metals remain supported in the medium term, mainly due to structural drivers, tight supply and increasingly better economic data.

Classic drivers currently appear to be overridden



Source: Bloomberg, own calculations. Time period: 01/01/2020-28/10/2024.

Low stock levels indicate tight supply



Source: Bloomberg, own calculations. Time period: 01/01/2019-28/10/2024.

06 Currencies

Market Development
FX markets

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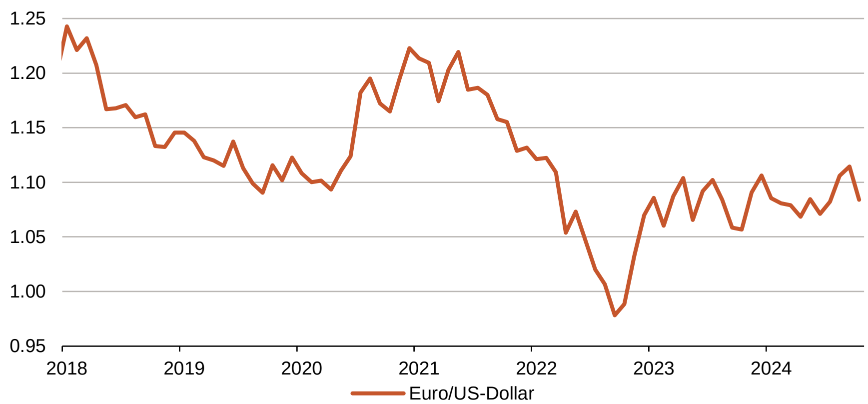
Trump's election victory would strengthen the US dollar

- A smaller growth advantage of the US over the eurozone could support the euro in 2025.
- However, Trump's election victory could initially put a stop to the euro's strength against the US dollar and give the greenback a further tailwind, at least in the short term. On the one hand, higher economic activity due to a certain degree of deregulation and possible tax cuts. On the other hand, higher tariffs and a stricter immigration policy would probably lead to higher inflation and a higher key interest rate.

SNB braces itself against a too strong franc

- The Swiss National Bank (SNB) lowered its key interest rate again in September by 25 bp to 1.0%. Inflation in Switzerland stood at 0.8% in September, within the SNB's target range of 0-2%, but well below the SNB's expectations. This is due to the fact that the strong franc is making imports cheaper.
- The SNB will keep a close eye on the exchange rate and counter any further appreciation of the franc with further interest rate cuts if necessary. The next step could be taken as early as the next meeting on 12 December. We expect a slightly weaker franc in 2025.

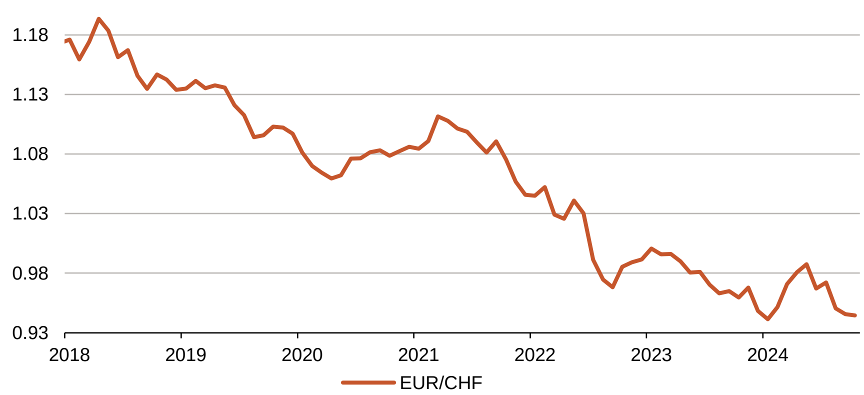
EUR/USD exchange rate influenced by US elections



Source: Bloomberg

Period: 01/2018 – 10/2024

SNB prevents the franc from becoming too strong



Source: Bloomberg

Period: 01/2018 – 10/2024

Forecasts
Estimates of key currencies

	28/10/2024	30/06/2025		31/12/2025	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.08	1.12	1.12	1.15	1.13
EUR/GBP	0.83	0.84	0.84	0.84	0.85
EUR/CHF	0.94	0.96	0.97	0.97	0.99
EUR/JPY	166	152	156	152	153

Change against the Euro (in %)					
USD	-	-3.5	-3.5	-6.0	-4.3
GBP	-	-0.8	-0.8	-0.8	-1.9
CHF	-	-2.5	-3.5	-3.5	-5.5
JPY	-	9.0	6.2	9.0	8.3

Source: Bloomberg. Berenberg as of 28/10/2024.
*Average of estimates of other experts (Bloomberg); consensus.

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