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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

February | 2025

Horizon Handout – Capital Market Outlook
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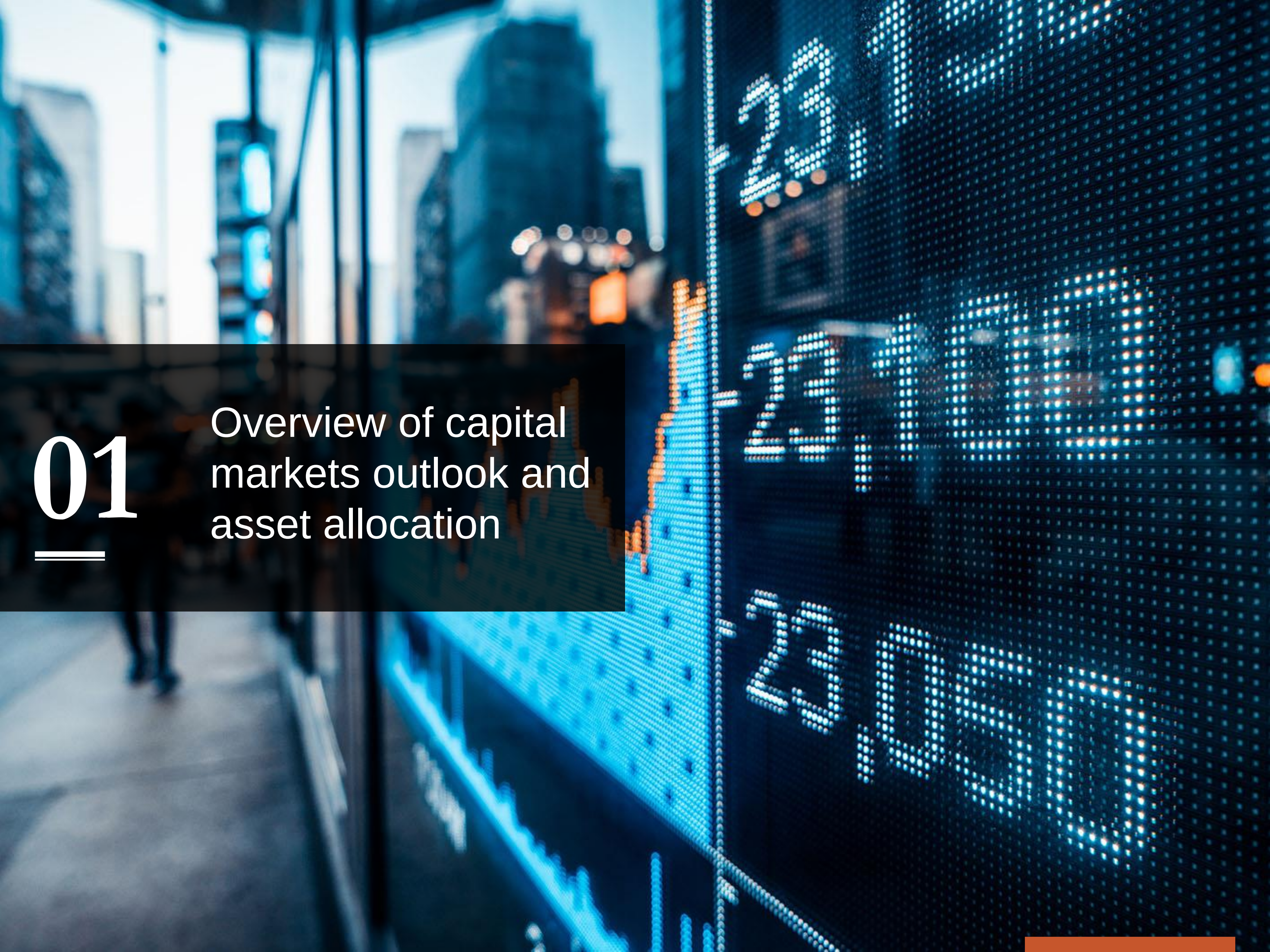
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



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 (02/01/25 - 30/01/25)	YTD (31/12/24 - 30/01/25)	30/01/24 30/01/25	30/01/23 30/01/24	30/01/22 30/01/23	30/01/21 30/01/22	30/01/20 30/01/21
Gold	3.9	6.1	43.2	5.9	10.3	5.5	6.7
MSCI World	2.6	3.3	25.6	19.4	-4.2	24.6	3.7
Global Convertibles	1.9	2.9	17.2	5.7	-6.9	-3.8	33.2
Industrial Metals	1.8	1.8	12.0	-16.1	3.6	46.7	14.3
MSCI Frontier Markets	1.1	2.6	15.9	8.7	-17.7	24.4	-7.6
REITs	0.9	1.0	9.9	-5.3	-11.5	31.7	-18.1
MSCI Emerging Markets	0.9	1.3	19.1	-3.5	-7.3	-0.5	15.2
Euro overnight deposit	0.2	0.2	3.7	3.5	0.2	-0.6	-0.5
EUR Coporates	0.0	0.1	5.0	5.6	-11.5	-2.0	1.5
Brent	-0.1	2.5	9.0	8.9	25.5	93.0	-25.0
EUR Sovereign Debt	-0.2	-0.2	2.9	3.8	-10.1	-1.9	0.8
USDEUR	-1.2	-0.4	4.4	0.0	2.7	8.9	-9.1

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: 30/01/2020 – 30/01/2025.
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

- Initially weak growth in the eurozone, German reforms could contribute to more momentum from spring onwards.
- The US economy remains robust. Trump's programme gives the economy a short-term boost with long-term risks.
- The UK is hoping to emerge from stagnation in spring.

Equities

- Strong start to the year for equity markets. Continued outperformance in Europe requires structural improvements.
- Global liquidity, rate cuts and growth support equities. Market breadth should increase.
- US policy remains a source of uncertainty. Counter-cyclical measures and balanced positioning required.

Bonds

- As expected, the Fed is taking a break, while the ECB continues to cut its key interest rate.
- The risk of valuation corrections has recently increased in both the high-yield and IG segments.
- The trade and customs policy of the new US President Donald Trump continues to cause tensions in the emerging markets.

Alternative investments / commodities

- Uncertainty about the crude oil price remains due to a forecast supply overhang.
- Gold seems to be immune to bad news. However, high futures positioning is vulnerable to setbacks.
- Ambiguous data from China cause industrial metals to fluctuate. However, physical supply remains tight and demand high.

Currencies

- The US dollar briefly flirted with parity against the euro.
- The tailwind for the greenback has recently eased, the euro could gain further over the course of the year.
- Rising interest rates in Japan support the yen.

Overview of Berenberg's asset allocation

Current positioning within asset classes

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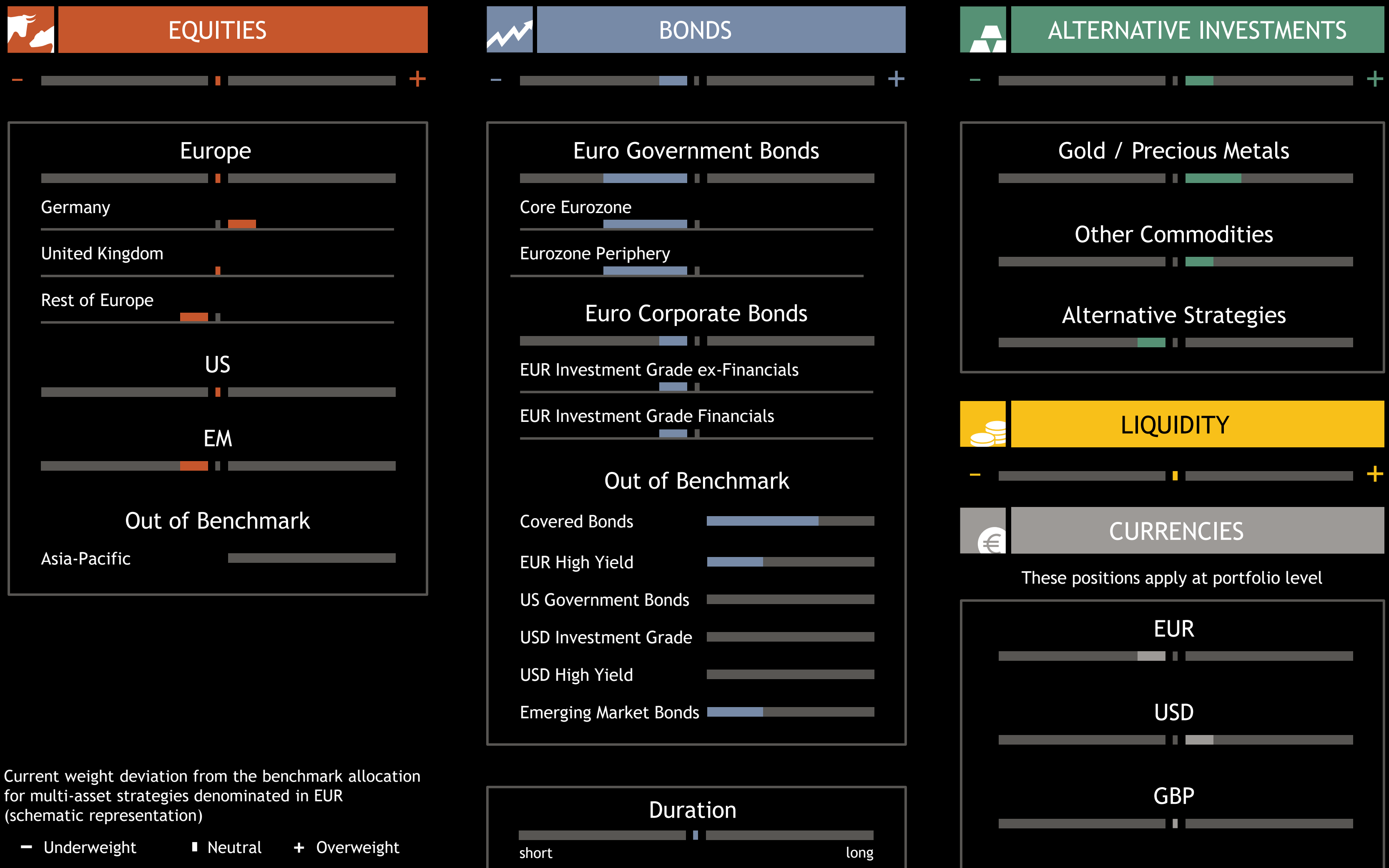
Portfolio positioning of a balanced mandate at a glance



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

– Underweight ▮ Neutral + Overweight

Source: Berenberg

As of 30/01/2025.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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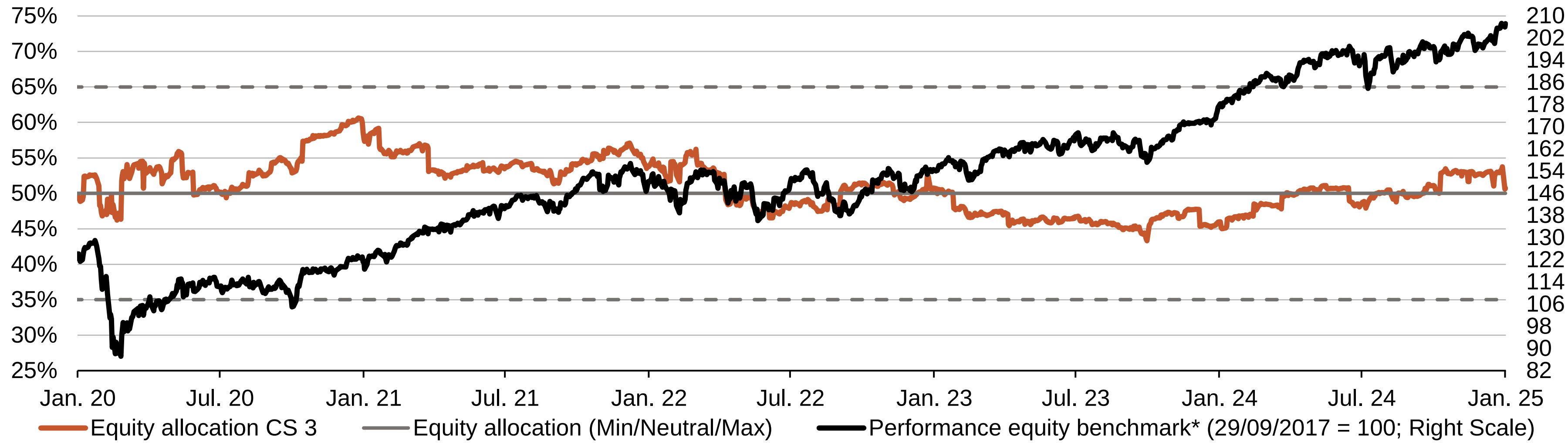
Management of the equity allocation of a balanced multi-asset mandate since inception

	28/01/20 - 28/01/21	28/01/21 - 28/01/22	28/01/22 - 28/01/23	28/01/23 - 28/01/24	28/01/24 - 28/01/25
Performance equity benchmark	**-1.87%**	**23.61%**	**3.03%**	**14.52%**	**16.22%**



Time period: 28/01/2020 – 28/01/2025.

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.

- With the increasing likelihood of a Trump victory, we added to equities in Q4 last year before the US presidential election, particularly US mid caps, partly at the expense of Europe. We took a further step immediately after Trump's victory. Into the new year, we initially maintained our overweight in (US) equities and commodities/gold over bonds and cash due to the positive economic outlook.
- However, due to the news about the Chinese AI DeepSeek, which is significantly cheaper than its American competitors, and the very high valuation and investor positioning of US technology stocks, we recently neutralised our overweight in US equities and thus also the overweight in the equity allocation.
- With the inauguration of Donald Trump and the start of his tariff threats, the current reporting season and the upcoming Quarterly Refunding Announcement from the US Treasury Department, we expect increased volatility for the time being. This also favours a more balanced positioning for the time being.

02 Economics

Eurozone
GDP and Inflation

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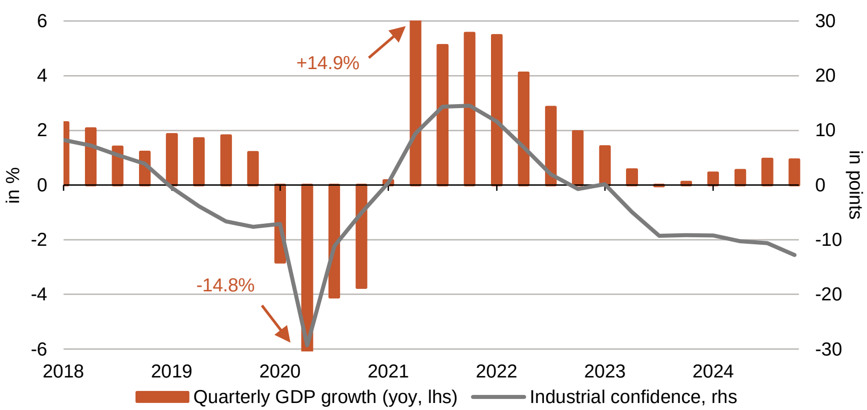
New momentum from spring 2025

- GDP in the eurozone in Q4 remained at the level of the previous quarter. Political uncertainties in France and Germany, the continuing weakness of global trade and China's attempt to gain market share through subsidies have recently created headwinds for the eurozone economy.
- In 2025, however, the ECB's rate cuts, the end of the housing downturn and China's stimulus measures should provide a boost to the eurozone economy. Rising real wages could also encourage consumers to spend more. There is also a risk that Trump could raise tariffs on European products.

ECB will keep cutting rates

- The year-on-year decline in energy prices will contribute to inflation rates approaching the ECB's target of 2% in the coming months. At the same time, the economy remains weak, meaning that the ECB will continue to loosen its monetary policy.
- On 30 January, the ECB lowered the key interest rate again by 25 basis points. Two further cuts of the same amount are expected by June before the economy in the eurozone picks up again. The ECB is likely to bring its monetary easing to an end with a deposit rate of 2.25%.

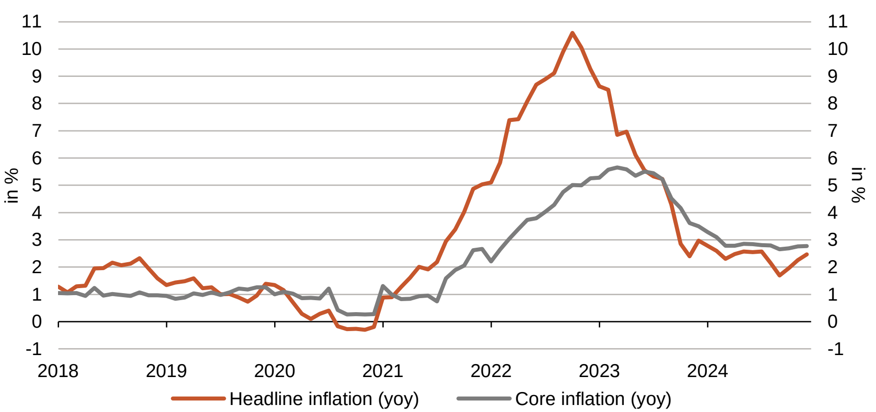
Weak end to the year in the eurozone



Source: Haver

Period: 01/2018 – 12/2024

Core inflation has recently moved sideways



Source: Haver

Period: 01/2018 - 12/2024

United Kingdom
GDP and Inflation

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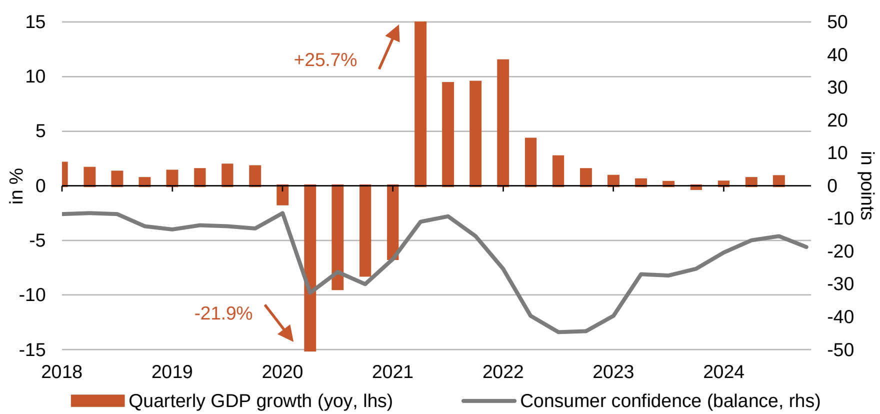
Waiting for the upturn

- The British economy got off to a good start in 2024, but then lost some momentum in the second half of the year due to the uncertainties surrounding the elections and concerns about a new budget.
- The British economy should recover somewhat in 2025. This is because the political uncertainties are over and the new government has announced significant spending increases. In addition, last year's interest rate cuts and rising real wages will have a positive impact. We expect GDP growth of 1.0% for 2025.

BoE's hands tied due to inflation

- The tight labour market is keeping wages high, particularly in the service sector. Stable demand is enabling companies to pass on rising costs to customers in the form of price increases. Core inflation stood at 3.2% in December, well above the central bank's target of 2%.
- It is therefore likely to be difficult for the Bank of England to cut interest rates significantly. We expect the BoE to cut the base rate by 25 basis points on 6 February, but then only make one further rate cut of the same amount by the summer. Monetary easing is therefore likely to end at a base rate of 4.25%.

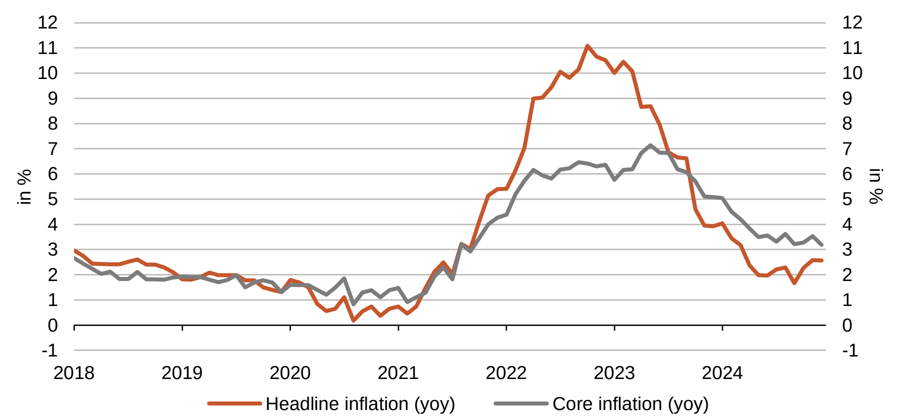
Momentum has slowed somewhat recently



Source: Haver

Period: 01/2018 - 12/2024

Inflation has picked up



Source: Haver

Period: 01/2018 - 12/2024

USA
GDP and Inflation

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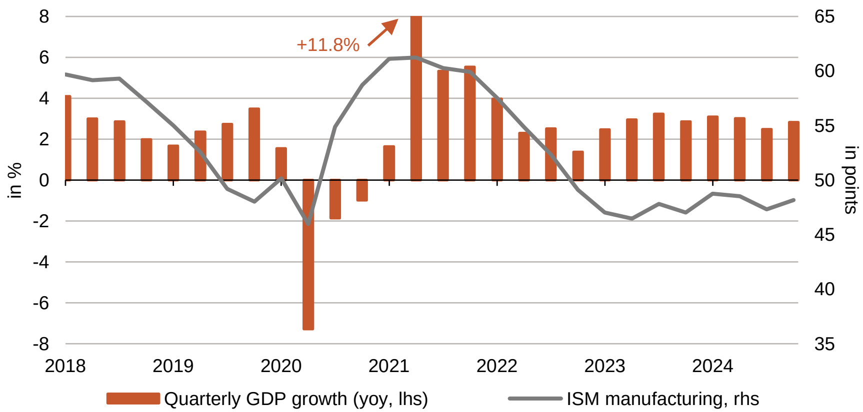
Trump: short-term stimulus, but long-term risks

- The US economy is barely losing momentum and grew at an annualised rate of 2.3% in the fourth quarter (after 3.1% in Q3). The labour market is also very stable. The unemployment rate fell from 4.2% to 4.1% in December.
- Trump is reducing regulations and wants to cut taxes. Both are initially good for the US economy. But higher tariffs and the deportation of immigrants will increase inflationary pressure and weaken trend growth in the long term. However, as a sharp rise in prices would be unpopular, we expect Trump to only implement some of his threats and instead use them as an opening for negotiations.

This could be it for the Fed

- Donald Trump's return to the White House complicates the situation for the Fed. This is because his plans to loosen fiscal policy, impose high tariffs and severely restrict immigration would have an inflationary effect if implemented.
- In light of a robust economy, a stable labour market and core inflation that is still too high, the Fed left the key interest rate unchanged at its meeting on 29 January. We assume that the Fed will not lower the key interest rate any further and will leave the key interest rate range unchanged at 4.25% to 4.5%.

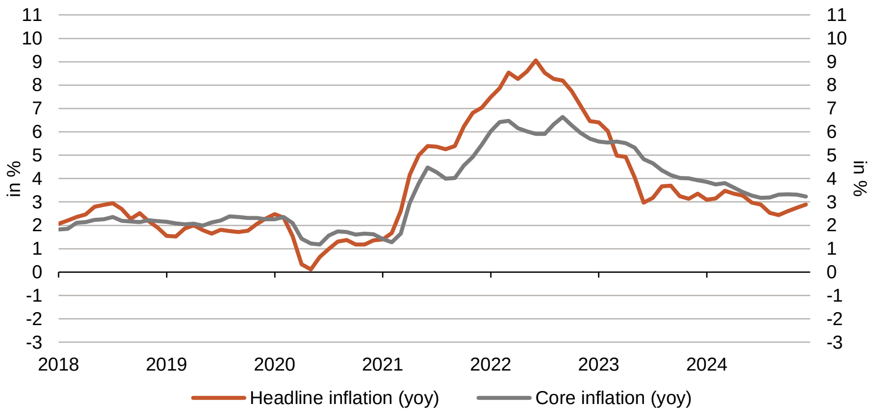
US-economy hardly loses momentum



Source: Haver

Period: 01/2018 - 12/2024

The last few meters towards 2% are the hardest



Source: Haver

Period: 01/2018 - 12/2024

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	2.8	2.8	2.4	2.2	2.2	2.0	3.0	3.0	2.9	2.6	2.6	2.5
Eurozone	0.7	0.7	1.0	1.0	1.5	1.2	2.4	2.4	2.1	2.1	2.1	1.9
Germany	-0.2	-0.2	0.2	0.4	1.2	1.0	2.5	2.5	2.1	2.2	2.1	2.0
France	1.1	1.1	0.5	0.7	1.0	1.1	2.3	2.3	1.8	1.6	2.1	1.8
Italy	0.5	0.5	0.8	0.7	1.2	1.0	1.1	1.1	1.6	1.7	2.1	1.7
Spain	3.0	3.1	2.3	2.3	2.3	1.9	2.9	2.8	2.3	2.1	2.3	2.0
United Kingdom	0.8	0.8	1.0	1.3	1.4	1.4	2.5	2.5	3.0	2.6	2.7	2.2
Japan	-0.2	-0.2	1.1	1.2	1.0	0.9	2.7	2.6	2.6	2.2	1.7	1.8
China	5.0	4.9	5.0	4.5	4.3	4.2	0.2	0.2	0.8	0.8	1.4	1.3
World*	2.6	-	2.7	-	2.7	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 30/01/2025.
* 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

European equities enter the new year with momentum

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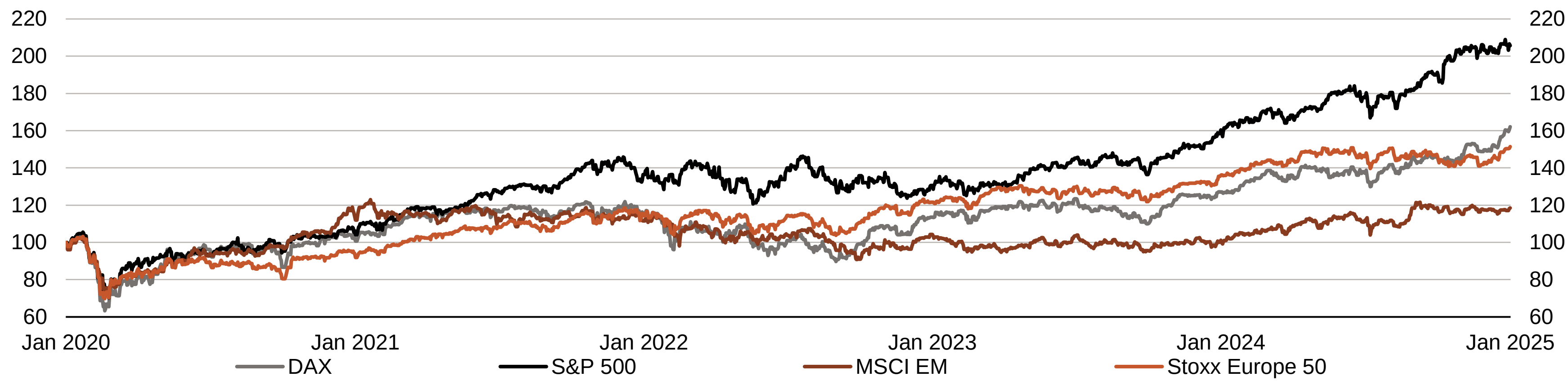
US equities supported by Trump put, solid earnings season and buyback programmes

- Equity markets had a strong start to the year in January, with US equities outperforming European equities. Fears of persistent inflation, sovereign debt and a hawkish Federal Reserve led to a rise in the US dollar and bond yields in early January, putting pressure on highly valued US equities, while European equities benefited from more favourable financing conditions and a weak euro. Subsequently, softer US inflation data eased investors' inflation concerns somewhat. Market breadth also improved. Towards the end of January, news of Chinese start-up DeepSeek and its new R1 AI model sparked renewed excitement in the markets, particularly in the US tech sector. Touted as a more cost-effective alternative to existing US AI models, the model prompted investors to question the huge AI budgets and the extent to which Chinese competitors can compete with leading US developers.
- Looking ahead, however, it is not just Trump (lower taxes, deregulation, strengthening of the domestic economy) that speaks in favour of US equities. The solid earnings season and the start of share buyback programmes at the end of January should also support the markets. However, the market is already pricing in a lot of optimism. The high positioning in US equities and the high index concentration mean that US markets in particular are still vulnerable.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period:29/01/2020– 29/01/2025

Corporate earnings
Tech stocks take centre stage in US earnings season

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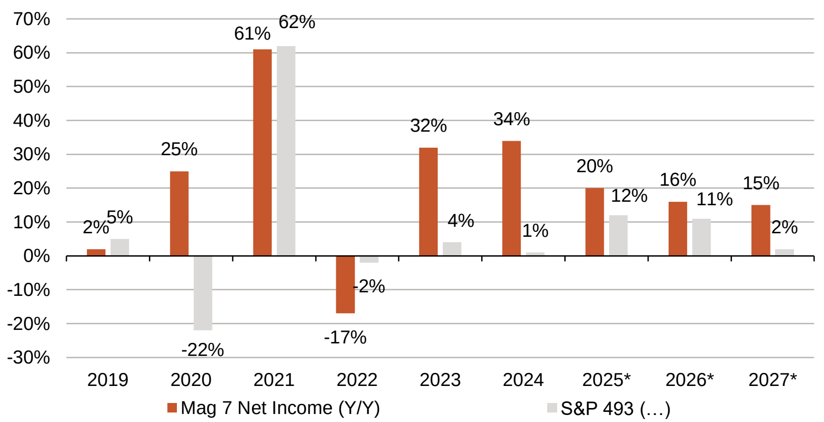
Full speed ahead into the Q4 reporting season

- Following the strong start to the US reporting season by banks, the focus has recently been on the so-called 'Magnificent' or 'Glorious 7'. 104 of the S&P 500 companies have reported so far, including four of the Magnificent 7. The EPS growth forecast for the fourth quarter has been raised to +12.8% (previously +8%). 80% of companies have beaten expectations. 53 STOXX 600 companies have reported so far.
- At the start of the reporting season, analysts slightly lowered their EPS estimates for the S&P 500 for 2024 and 2025, but still expect growth of 9% and 14%, respectively. Most companies will also publish their outlook for 2025.

Focus on AI: China's AI model shakes up US tech elite

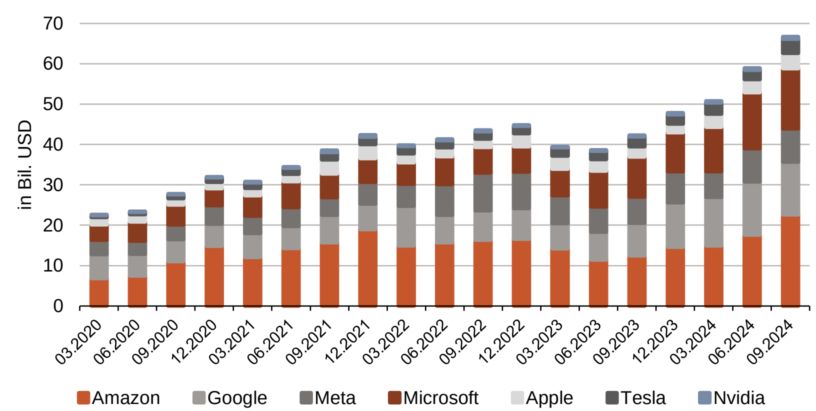
- The new open-source DeepSeek-R1 AI is said to deliver top-level results without the need for expensive high-end chips. Investors are now questioning the US tech giant's billion-dollar chip plans and its technological leadership. On 27 January, NVIDIA suffered the biggest absolute stock market crash of any company in history, losing $600 billion in a single day.
- $500bn AI project under pressure: The low-cost alternative from China is putting pressure on the massive investment in the $500bn Stargate project. There are plans for 20 gigantic AI data centres in the US, each over 46,000 square metres. So far, however, only $100 billion of the $550 billion has been secured.

Declining profit growth for the Magnificent 7 (Mag 7)



Source: Morgan Stanley Research Time period: 01/01/2019–30/01/2027
*Consensus forecasts

Magnificent 7's capital spending put to the test



Source: Bloomberg, own calculations Time period: 01/01/2020– 30/09/2024

Performance & Valuation

Europe with potential for surprises

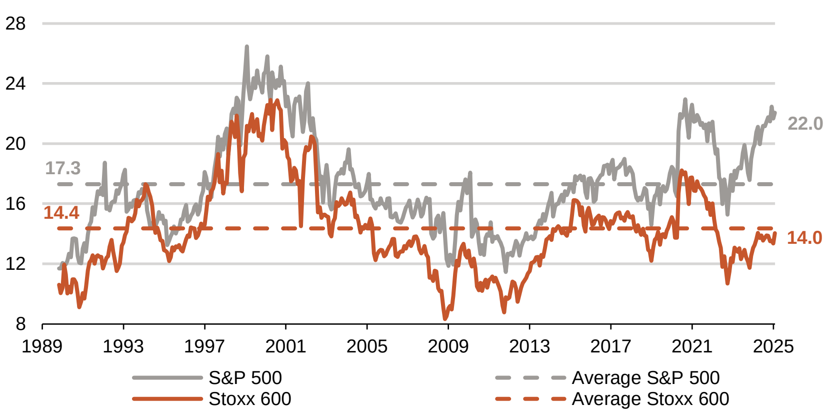
US equities remain historically expensive

- The valuation gap between European and US equities remains historically wide, even after the recent valuation consolidation in US equities. With the strong performance since the start of the year, European equities have also become more expensive. With a P/E ratio of 14.0x, they are currently trading just below the average of 14.4x since 1989.
- Despite the recent rise in valuations, the outperformance of European equities could continue in the short term. With reforms, positive earnings revisions, better economic data, Chinese stimulus, a weaker euro and a possible de-escalation in Ukraine, there are a number of positive surprise factors.

USA with little room for disappointment

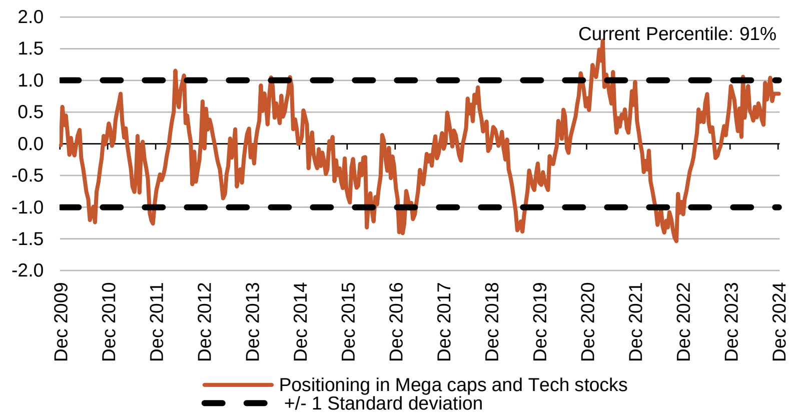
- In the medium term, however, Europe needs to address its weak growth and structural problems. By contrast, the US economy is proving robust at the start of the year. This should support US corporate earnings and increase market breadth. However, high valuations, optimistic earnings expectations and high positioning, particularly in the technology sector, leave little room for disappointment.
- After neutralising our regional equity allocation, we feel comfortable with our current positioning in the face of various risk events (tech earnings, Trump, Fed decision).

Large valuation gap between US and Europe



Source: Bloomberg, own calculations. Time period: 01/01/1988 – 29/01/2025

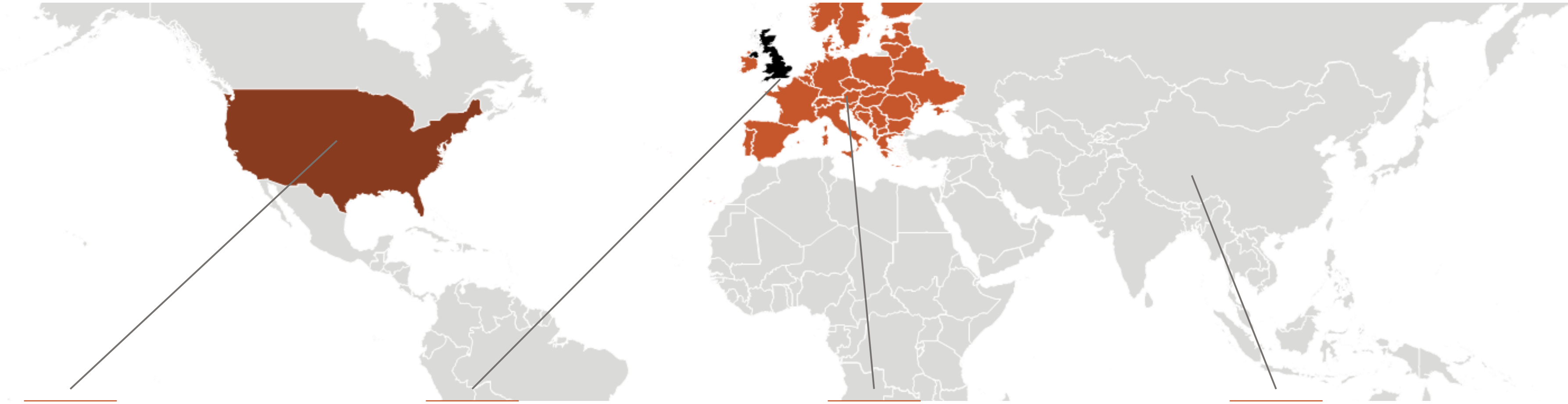
High exposure to tech makes markets vulnerable



Source: Bloomberg, own calculations. Time period: 30/12/2009 – 30/12/2024

Equity allocation

Preference for anti-cyclical trading



US

Neutral

- The high weighting of US mega-caps and the persistently high 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 robust.
- We took advantage of the market correction following the DeepSeek news at the end of January to neutralise the equity allocation regionally and reduce our overweight in the US.

United Kingdom

Neutral

- 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

Neutral

- Despite the positive performance since the beginning of the year, European companies are not highly valued. Weaker growth prospects therefore appear to be largely reflected in prices. If the economy recovers, there is considerable catch-up potential. The Trump policy remains a risk.

Emerging markets

Underweight

- Given the uncertainty surrounding the consequences of Trump's policies and the associated potential trade wars, we are comfortable with an underweight position in emerging market equities.

Equity market forecasts

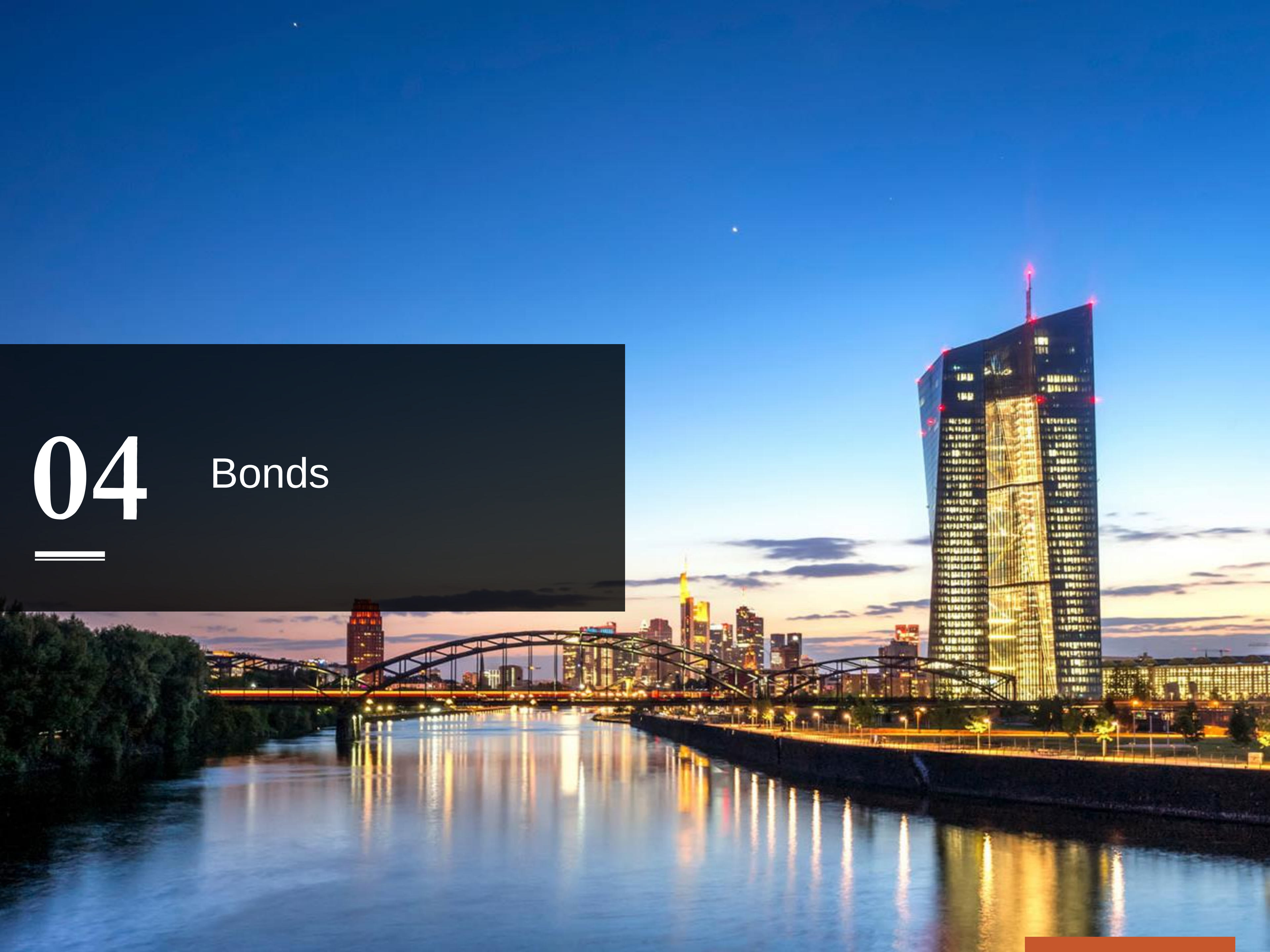
Estimates for selected indices

Index forecasts	Current 30/01/2025	30/06/2025	31/12/2025	Ø* in 12 months
S&P 500	6,071	6,200	6,500	6,750
DAX	21,727	21,000	22,000	23,894
Euro Stoxx 50	5,282	5,100	5,300	5,767
MSCI UK	2,464	2,450	2,600	2,758

Index potential (in %)				
S&P 500	-	2.1	7.1	11.2
DAX	-	-3.3	1.3	10.0
Euro Stoxx 50	-	-3.4	0.3	9.2
MSCI UK	-	-0.6	5.5	11.9

Source: Bloomberg, Berenberg as of 30/01/2025.
*Average based on bottom-up estimates.

04 Bonds



Government bonds
The central banks go their separate ways

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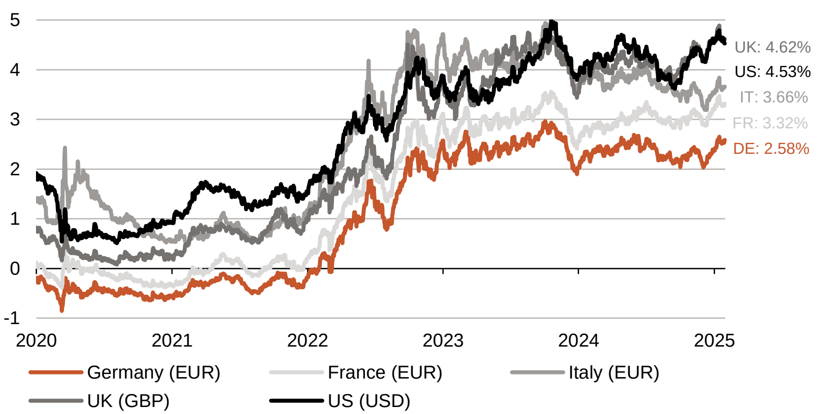
As expected, the Fed is taking a break ...

- After the scheduled meeting on 29 January, the Fed left the key interest rate unchanged – as expected by investors – and thus put the cycle of interest rate cuts on hold for the time being. In his press conference, Jerome Powell emphasised that the Fed is 'in no hurry to change its monetary policy stance' but stressed that the central bank considers monetary policy to be sufficiently restrictive and that inflation is likely to continue to fall.
- While US President Donald Trump has criticised the Fed for its decision and the high level of interest rates, his reorientation of economic and trade policy harbours increased inflation risks for the US, which have prompted the Fed to pause.

... while the ECB cuts the key interest rate further

- As expected, the ECB lowered its key interest rate by 25 basis points after its meeting on 30 January, continuing its cycle of interest rate cuts. The weak economy in the eurozone continues to give the ECB room for manoeuvre for further interest rate cuts this year.
- In addition to the decline in GDP in Germany, the French economy also contracted more than expected in the fourth quarter, mainly due to the slowdown in consumer spending growth and the stagnation in corporate investment. The ongoing budget crisis and government instability continue to weigh on consumer and business confidence in France.

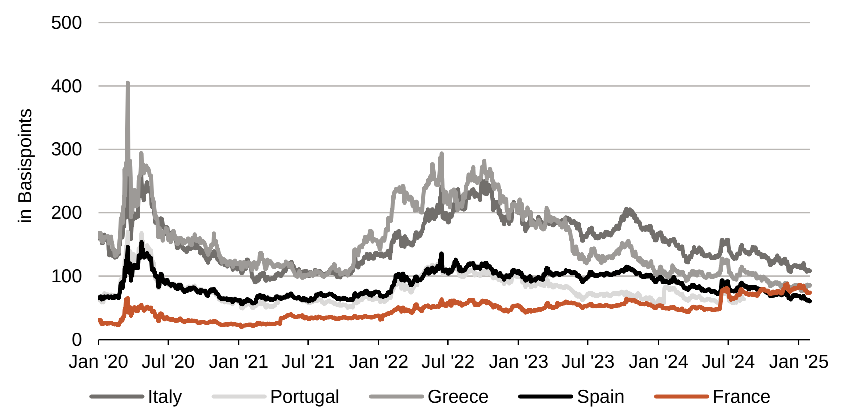
10-year yields (%) recently volatile



Source: Bloomberg

Time period: 01/01/2020 – 29/01/2025

France's risk premium remains high



Source: Bloomberg, own calculations

Time period: 01/01/2020 – 29/01/2025

Corporate & EM bonds

Trump keeps Europe and emerging markets on tenterhooks

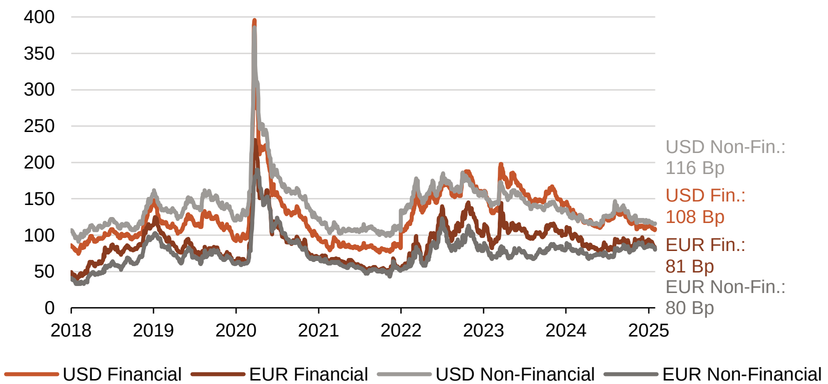
Corporate bonds: focus on the economy and Trump

- The risk premiums on IG and high-yield corporate bonds remained stable in January. In addition to the weaker economy in the eurozone, the new US president's threats of tariffs on European goods and thus a potential trade war between the two sides of the Atlantic continue to pose a risk.
- Both the high-yield and IG segments are supported by solid balance sheets and cash inflows, while new issues continue to be well received by the market. The yield level of corporate bonds remains interesting. However, due to the historically low spreads, the risk of valuation corrections has recently increased.

Emerging market bonds: Trade wars loom

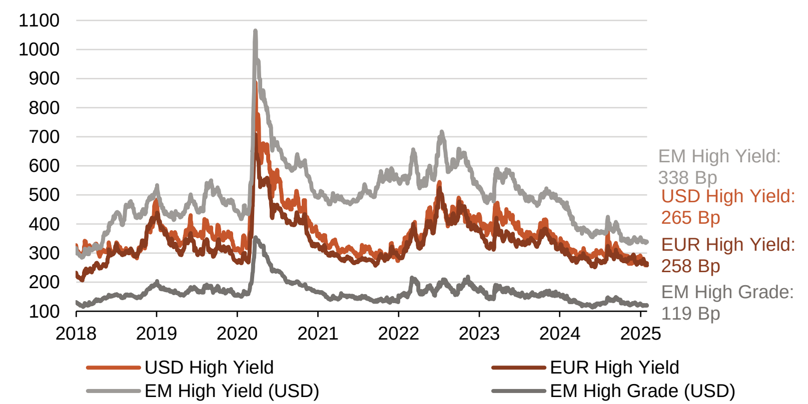
- The trade and tariff policy of the new US President Donald Trump continues to cause tensions in the emerging markets. While 'Day 1' tariffs were considered quite realistic before he took office, the tariff threats so far appear to be largely a negotiating tactic by the new president with neighbouring and trading countries. Nevertheless, potential trade wars remain a significant risk for emerging markets.
- However, the robustness of US economy and the moneta-ry and fiscal policy measures announced in China create a favourable macroeconomic environment for EM bonds. The robust fundamentals and manageable debt ratios should counteract an upward trend in EM risk premiums.

Corporate bonds: spreads stable recently



Source: FactSet, own calculations Time period: 01/01/2018-29/01/2025

Emerging markets: risk premiums recently volatile



Source: Factset, own calculations Time period: 01/01/2018-29/01/2025

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. Although the yield curve is no longer inverted, it is still quite flat. Even if the central banks cut interest rates further, yields on longer maturities are unlikely to fall.
- Collateralised mortgage bonds have a similar credit risk profile but offer a higher yield. This risk/return profile appears more attractive to us compared to government bonds, although the relative attractiveness has decreased due to narrower swap spreads.

Corporate bonds
Neutral

- Due to the low risk premiums, the risk of valuation corrections has recently increased in both the high-yield and IG segments. In our base scenario, however, spreads should hardly widen, meaning that high-quality corporate bonds remain more attractive than government bonds. In terms of sector selection, we are focussing on defensive industries and avoiding cyclical ones. We currently still see selective opportunities in the area of high-yield bonds.

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 good risk/reward ratio.
- For emerging market hard currency bonds, we favour government bonds over 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 resulting from the ECB interest rate cuts and the high carry. Although risk premiums are historically low, the average quality of companies in the segment is also better than before.
- We continue to regard catastrophe bonds and high-yield bond funds with a more defensive profile as attractive.

Forecasts
Estimates for selected bond markets

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Base interest rates and government bond yields (in %)	30/01/2025 Current	30/06/2025 Berenberg	30/06/2025 Ø*	31/12/2025 Berenberg	31/12/2025 Ø*
US					
Base interest rate	4.25-4.50	4.25-4.50	4.20	4.25-4.50	3.95
10Y US yield	4.52	4.70	4.42	4.90	4.34
Eurozone					
Base interest rate	2.90	2.25	2.25	2.25	2.10
10Y Bund yield	2.52	2.30	2.27	2.50	2.32
United Kingdom					
Base interest rate	4.75	4.25	4.15	4.25	3.70
10Y Gilt yield	4.56	4.60	4.29	4.70	4.10

Source: Bloomberg. Berenberg. as of 30/01/2025.
*Average of estimates by other experts (Bloomberg) consensus.

05 Commodities

Crude oil
Oil sideways until further notice

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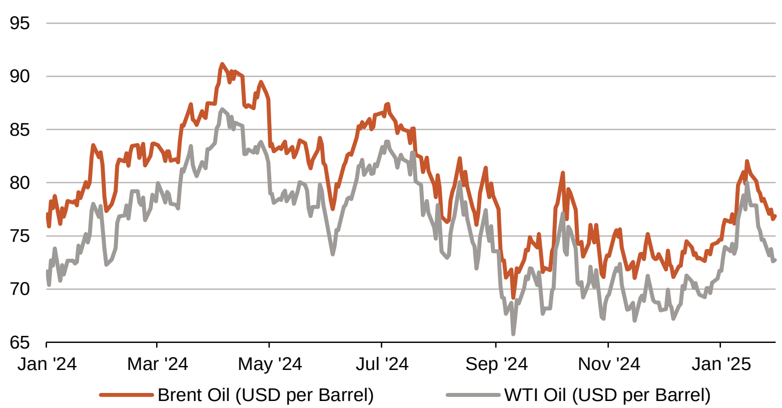
Crude oil caught between supply glut and possible US sanctions

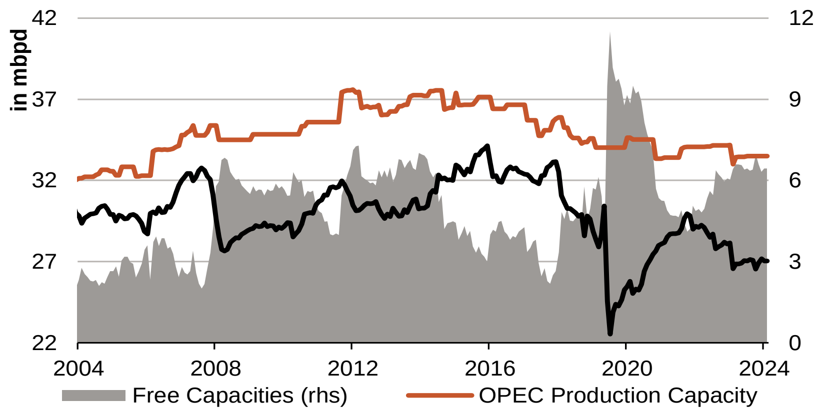
- At the beginning of the new year, crude oil prices rose significantly at times to over USD 80 per barrel despite the expected supply overhang. The main driver was the sanctioning of the Russian shadow fleet, which was still initiated under the Biden administration. Concerns about further sanctions under Donald Trump against Russia and Iran caused additional upward pressure on prices. Trump also announced tariffs on Canadian and Mexican imports, which could reduce US oil supply, although US refineries are likely to struggle to source their supplies domestically due to logistical problems and the particular types of oil from Canada and Mexico. With the inauguration of Trump, the initially modest import tariffs and the rapid shift of Russian oil exports to non-sanctioned tankers, the price of crude oil initially reversed course and fell from mid-January. The lack of significant sanctions so far is also in line with the Trump administration's policy of promoting lower oil prices. Rather, they appear to be being used as leverage, for example in negotiations with Russia to end the war in Ukraine.
- Uncertainty about the future path of crude prices remains due to a forecast supply overhang, so a sideways movement seems likely for the time being. There is simply not enough demand for prices above USD 85 per barrel, while OPEC is likely to cut supply at prices below USD 70 per barrel.

Oil sees significant movement at the start of the year



Source: Bloomberg. Time period: 01/12/2024 – 30/01/2025.

Free capacities cover possible supply shortages



Source: Bloomberg, own calculations. Time period: 31/01/2004 – 31/12/2024.

Precious and industrial metals

Gold seems to be immune to bad news

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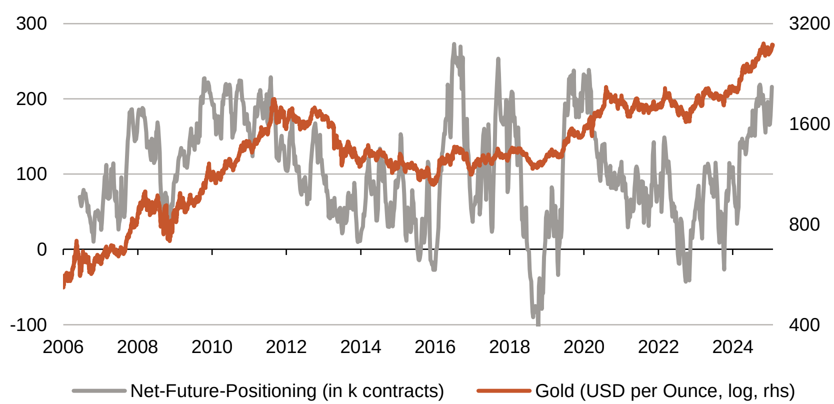
Gold back at all-time high (in euros)

- After consolidating at the end of last year, gold has taken off again in the new year. In US dollars, the precious metal has already gained more than 5% and is trading close to an all-time high. In euro terms, it is even trading at a new all-time high of over EUR 2650 per ounce.
- Gold currently seems to be benefiting from almost every type of news flow. If the risk of US punitive tariffs recedes, the risk of inflation and interest rates also fall, and with them the opportunity costs for gold. If the risk of tariffs or geopolitical tensions rises, gold benefits as a safe haven. However, futures positioning is now in the 95th percentile for managed money accounts (since 2006) and therefore appears vulnerable to external shocks.

Base metals still in short supply, but in danger of tariffs

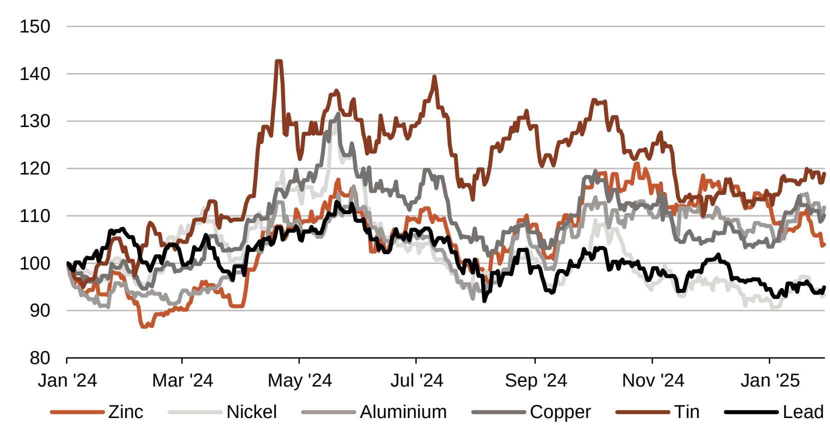
- At the beginning of the month, industrial metals were still benefiting from increased inflation concerns due to strong US labour market data and positive data from China, such as the rise in copper imports.
- Recently, however, the picture has clouded again and the metal complex has lost most of its gains since the beginning of the year. The US inflation data refuted the concerns of many investors, Donald Trump brought tariffs on metals into play and there was an increase in weaker data from China, such as the official purchasing managers' index. Nevertheless, physical stocks remain tight and structural demand high, meaning that prices are likely to rise again.

Future investors already very optimistically positioned



Source: Bloomberg, own calculations. Time period: 01/01/2006 – 29/01/2025.

Ambiguous data from China cause metals to fluctuate



Source: Bloomberg, own calculations. Time period: 01/01/2024 – 29/01/2025.

06 Currencies

Market Development
FX markets

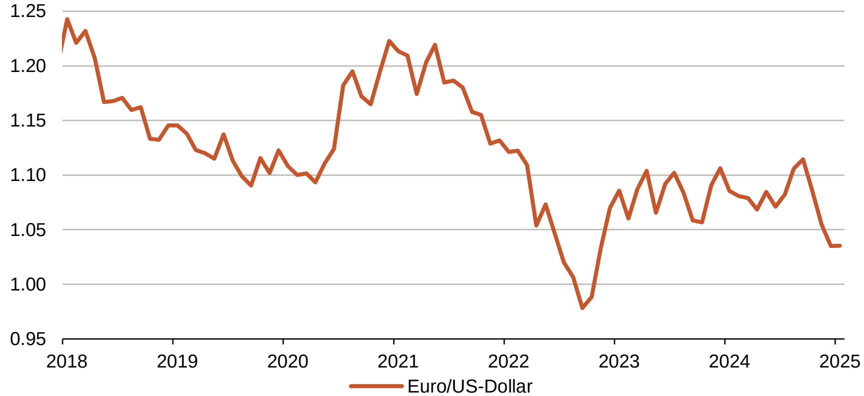
Euro recovers slightly against the US dollar

- Strong US economic data, political uncertainty in the eurozone and Donald Trump's election victory drove the dollar close to parity with the euro in mid-January. However, this appeared to be a slight market exaggeration, and the fact that Trump has threatened to impose tariffs but has not yet imposed any has recently taken some of the wind out of the greenback's sails.
- Should economic momentum in the US slow or the eurozone gain some momentum, the dollar is likely to lose some of its current strength over the course of the year. We expect an exchange rate of 1.06 for the middle and 1.08 for the end of 2025.

BoJ raises key interest rate to highest level in 17 years

- Core inflation in Japan rose by 3.0% year-on-year in December, the highest rate in 16 months. Inflation and stable economic growth are enabling the Bank of Japan (BoJ) to tighten monetary policy further.
- At its meeting in January, the BoJ raised the key interest rate again by 25 basis points to 0.5%. This gave the Japanese yen an additional tailwind. For the rest of the year, we expect further cautious interest rate hikes and a continuation of the yen's moderate appreciation. We expect an exchange rate of 151 yen per euro by the end of 2025.

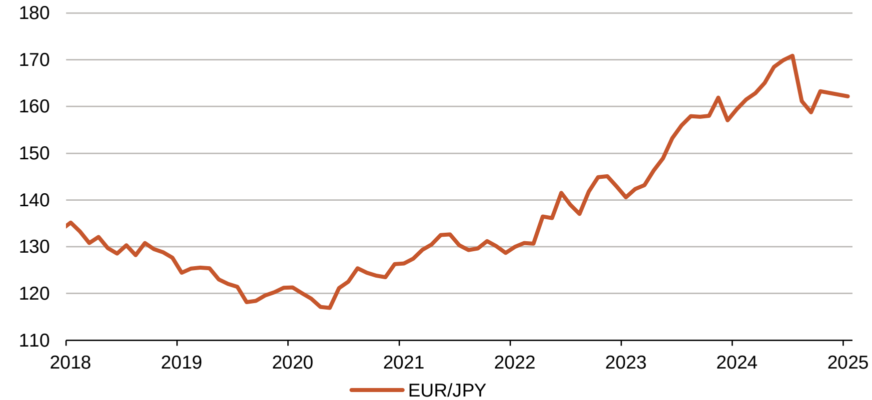
US dollar briefly flirted with parity



Source: Bloomberg

Period: 01/2018 – 01/2025

BoJ interest rate hikes strengthen the yen



Source: Bloomberg

Period: 01/2018 – 01/2025

Forecasts
Estimates of key currencies

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	30/01/2025	30/06/2025		31/12/2025	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.04	1.06	1.04	1.08	1.05
EUR/GBP	0.84	0.84	0.83	0.84	0.83
EUR/CHF	0.95	0.94	0.94	0.95	0.94
EUR/JPY	160	154	157	151	157

Change against the Euro (in %)					
USD	-	-2.0	-0.1	-3.8	-1.0
GBP	-	-0.4	0.8	-0.4	0.8
CHF	-	0.6	0.6	-0.5	0.6
JPY	-	4.1	2.4	6.2	2.1

Source: Bloomberg. Berenberg as of 30/01/2025.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information

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