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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

March | 2025

Horizon Handout – Capital Market Outlook
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Table of contents

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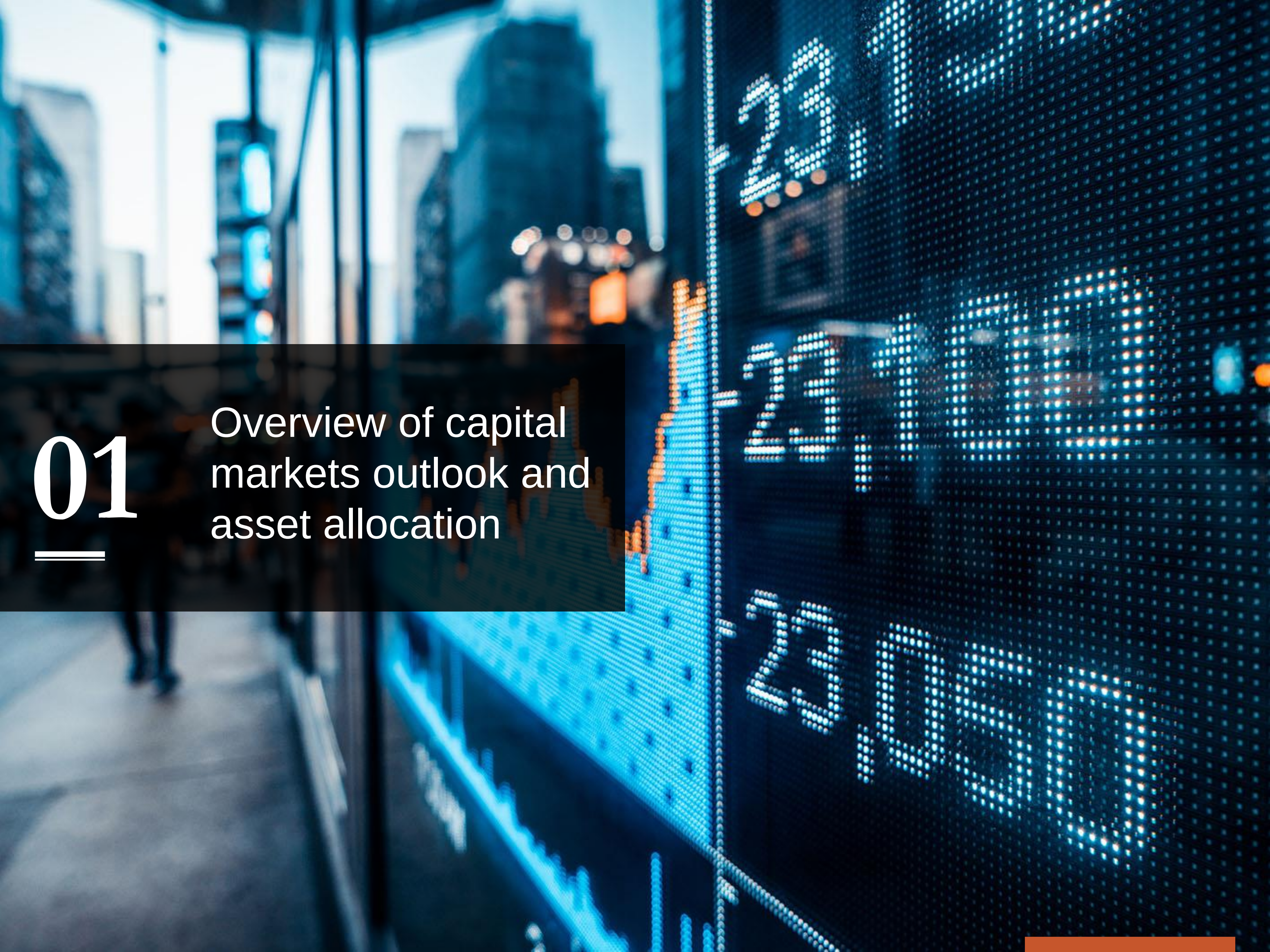
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



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 (28/01/25 - 25/02/25)	YTD (31/12/24 - 25/02/25)	25/02/24 25/02/25	25/02/23 25/02/24	25/02/22 25/02/23	25/02/21 25/02/22	25/02/20 25/02/21
Gold	4.6	9.4	47.3	9.6	2.4	15.3	-3.2
REITs	2.8	3.6	12.2	-2.8	-11.2	25.5	-17.7
MSCI Emerging Markets	2.4	3.1	15.2	5.8	-9.0	-6.0	19.2
Industrial Metals	2.3	2.8	14.7	-10.7	-8.6	35.6	29.9
MSCI Frontier Markets	2.1	4.2	16.4	9.0	-13.9	18.2	-3.1
EUR Coporates	1.1	0.9	6.1	6.3	-9.4	-4.3	0.4
EUR Sovereign Debt	0.8	0.4	4.0	4.4	-9.6	-2.5	-0.4
Euro overnight deposit	0.2	0.4	3.6	3.6	0.4	-0.6	-0.5
USDEUR	-0.8	-1.5	2.9	-2.5	6.9	8.0	-10.6
MSCI World	-1.2	1.5	19.6	22.0	-1.6	19.0	10.1
Global Convertibles	-2.3	-0.4	14.5	2.9	-6.0	-4.0	34.1
Brent	-4.5	-1.6	5.9	5.9	19.1	72.6	-7.0

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: 25/02/2020 – 25/02/2025.

Overview of capital markets
Outlook by asset class

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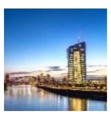
Economics

- More growth for the eurozone this summer - if Trump doesn't intervene.
- Rising inflation in the UK is tying the Bank of England's hands.
- The US economy is booming, but Trump's policies pose risks.

Equities

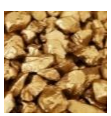
- European equities are once again outperforming US equities. However, a lot of positive factors have already been priced in.
- US reporting season largely surprised to the upside. European equities have also beaten expectations so far.
- A possible US economic slowdown in Q2 and trade disputes could noticeably increase volatility.

Bonds



- Stubborn inflation remains the Fed's focus, while Europe worries about rising defence spending.
- The risk of valuation corrections has increased recently in both high yield and IG.
- New US President Donald Trump's trade and tariff policies continue to cause tensions in emerging markets.

Alternative investments / commodities



- Oil prices decline amid prospects of peace negotiations. Demand weakens, but supply remains price-sensitive.
- Gold consolidates after strong performance and high positioning. However, structural drivers remain unaffected and intact.
- Industrial metals benefit from potential US tariffs. Slowing economic momentum poses a short-term risk.

Currencies

- Donald Trump's tariff threats in particular have been moving currency markets recently.
- Given the low expectations for the eurozone, it does not take much to give the euro a boost.
- The Japanese economic recovery is supporting 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

EQUITIES

– +

Europe
- Germany
- United Kingdom
- Rest of Europe

US

EM

Out of Benchmark
- Asia-Pacific

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 26/02/2025.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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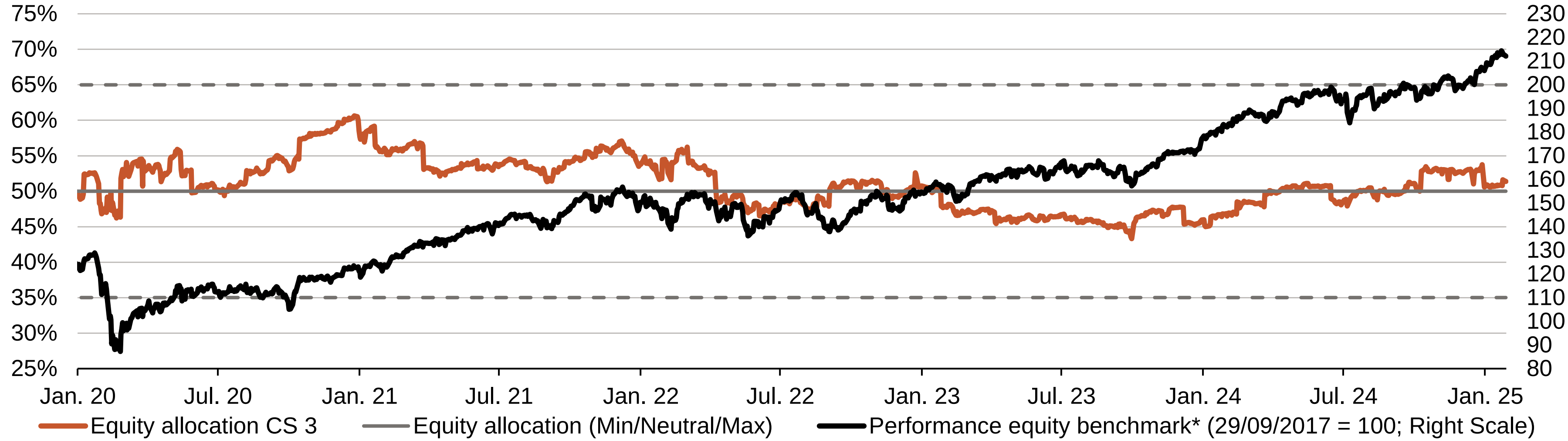
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	24/02/20 - 24/02/21	24/02/21 - 24/02/22	24/02/22 - 24/02/23	24/02/23 - 24/02/24	24/02/24 - 24/02/25
	1.25%	15.75%	8.45%	17.72%	15.59%



Time period: 24/02/2020 – 24/02/2025.

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.

- Due to the new competition from DeepSeek, as well as the very high valuation and investor positioning in US technology stocks, we reduced our overweight in US equities to neutral at the end of January.
- We continue to expect increased volatility due to the risk-seeking positioning of many market participants, the unpredictability of Trump, and the heightened likelihood of a slowdown in US growth in the second quarter. This also supports a more balanced positioning for now.
- Following the strong performance of gold, we took profits but remain significantly overweight. With the freed-up capital, we closed our underweight in EM equities. Momentum for EM equities has recently turned positive, supported by DeepSeek, the (so far) absent escalation in the trade war, and continued hopes for a stimulus package from China.

02 Economics

Eurozone
GDP and Inflation

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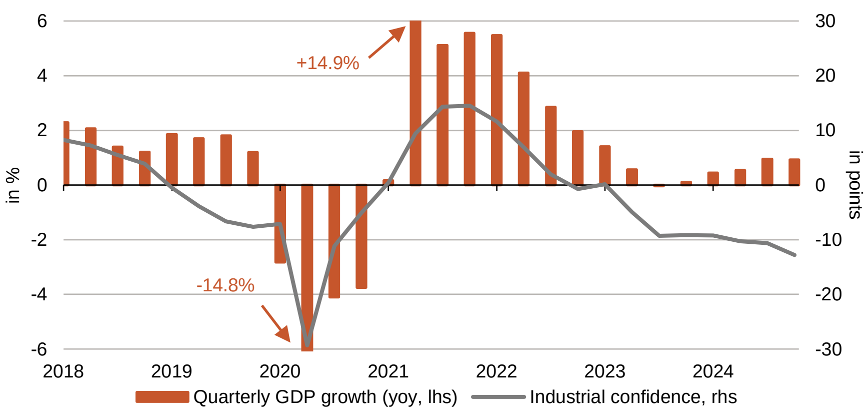
More growth - if Trump doesn't intervene

- We expect the economy in the eurozone to gain momentum from the summer. The ECB's monetary easing, the increasing purchasing power of consumers due to rising real wages, a robust US economy and the stabilization of the Chinese economy will all contribute to this.
- The greatest risk to this cautiously positive outlook is that Trump will instigate a trade war. Another risk is that the US and Russia agree on a dictated peace over the heads of the Ukrainians and the EU, which would destabilize the continent.

ECB with 2 more interest rate moves by the end of Q2

- 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%.

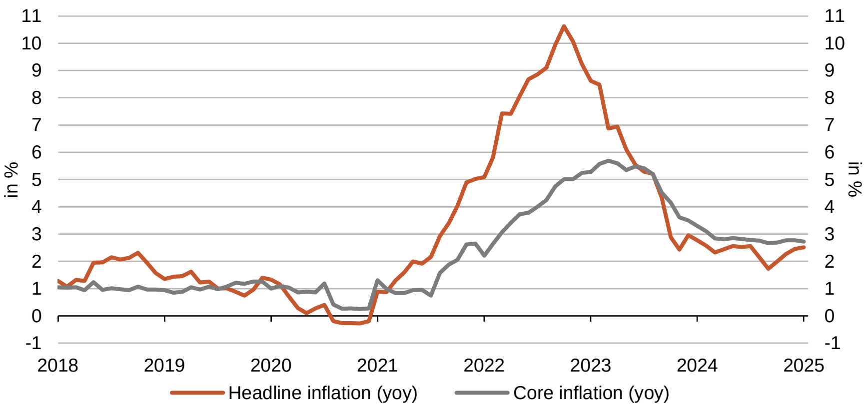
Waiting for the upturn from summer



Source: Haver

Period: 01/2018 – 12/2024

Inflation rate will approach the target of 2%



Source: Haver

Period: 01/2018 - 01/2025

United Kingdom
GDP and Inflation

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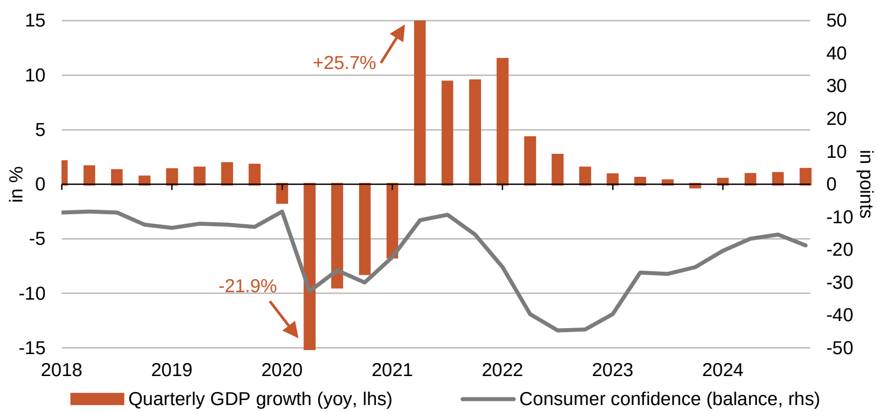
Mini-growth at the end of 2024, more momentum in 2025

- The British economy grew by 0.1% in the final quarter of 2024 compared to the previous quarter. Increased government spending in particular had a positive impact.
- We expect the UK economy to gain further momentum in 2025. The UK government has announced significant spending increases and consumers continue to benefit from a solid labor market and rising wages. In addition, last year's interest rate cuts will have an even greater impact on the real economy. We expect GDP growth of 1.0% for 2025.

Inflation rate will continue to rise

- The inflation rate rose from 2.5% to 3.0% in January. Inflation in the services sector was around 5% for the fifth month in a row. The continuing tight labor market will keep wage pressure high, and energy prices are likely to rise again year-on-year in the coming months. We therefore expect the inflation rate to rise further over the course of the year.
- We assume that the Bank of England will cut the prime rate again by 25 basis points to 4.25% in May and then take a longer break before the final rate cut to 4.00% at the beginning of 2026.

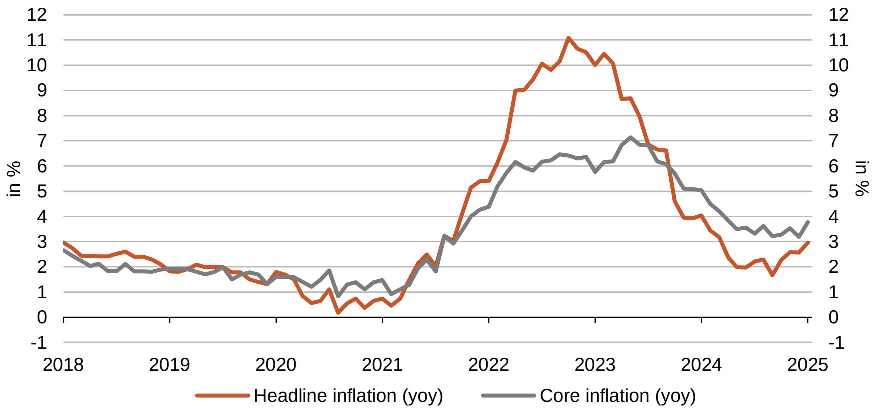
Domestic demand has a supporting effect



Source: Haver

Period: 01/2018 - 12/2024

Inflation is moving in the wrong direction again



Source: Haver

Period: 01/2018 - 01/2025

USA
GDP and Inflation

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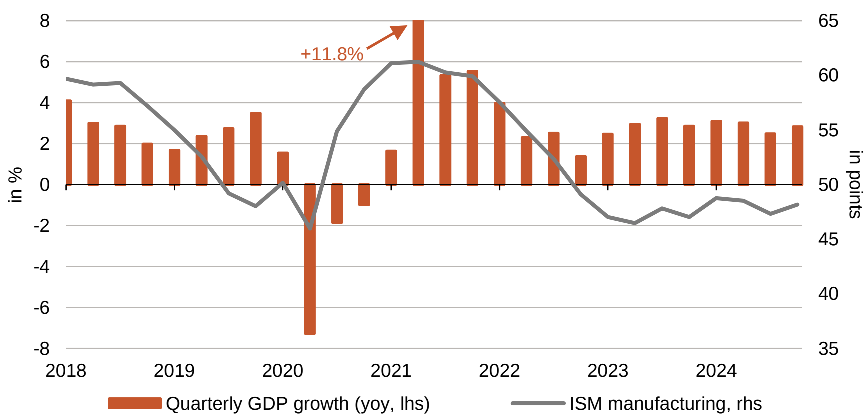
US economy booming, but Trump's policies carry risks

- The US economy is barely losing momentum. GDP in the fourth quarter grew by 2.3% on an annualized basis compared to the previous quarter. While the economy continues to boom, mainly thanks to stable consumption, the labor market remains stable. The unemployment rate fell from 4.1% to 4.0% in January.
- Trump is reducing regulations and wants to cut taxes. Both are initially good for the US economy. However, higher tariffs, the expulsion of immigrants and the hollowing out of institutions under Trump will increase inflationary pressure and weaken trend growth in the long term.

Tariffs bury further interest rate cut fantasies

- The economy is booming and the core inflation rate is moving sideways at over 3%, well above the Fed's inflation target of 2%. While these circumstances in themselves would call into question any further easing of monetary policy, additionally President Trump is now swinging the tariff club in a big way.
- Should the extensive tariff threats actually be implemented, this would be the final nail in the coffin for further interest rate cut fantasies. We therefore assume that the Fed will not cut the key interest rate any further this year and will leave the key interest rate range unchanged at 4.25% to 4.5%.

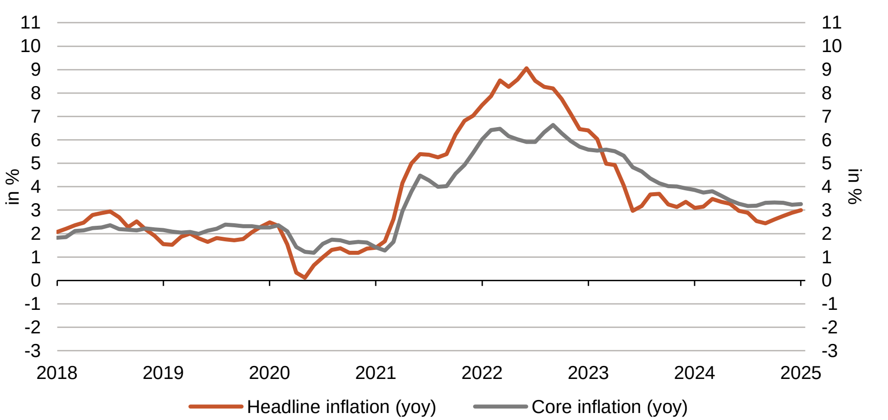
Consumers boost the economy



Source: Haver

Period: 01/2018 - 12/2024

No recent progress in the fight against inflation



Source: Haver

Period: 01/2018 - 01/2025

Economic forecasts

Key estimates at a glance

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	GDP growth (in %)						Inflation (in %)					
	2024		2025		2026		2024		2025		2026	
	Berenberg	Ø**	Berenberg	Ø**	Berenberg	Ø**	Berenberg	Ø**	Berenberg	Ø**	Berenberg	Ø**
USA	2.8	2.8	2.6	2.3	2.2	2.0	3.0	3.0	2.9	2.8	2.6	2.6
Eurozone	0.7	0.7	1.0	0.9	1.5	1.2	2.4	2.4	2.3	2.1	2.2	1.9
Germany	-0.2	-0.2	0.1	0.3	1.2	1.0	2.5	2.5	2.2	2.3	2.1	2.0
France	1.1	1.1	0.5	0.7	1.0	1.1	2.3	2.3	1.9	1.6	2.1	1.9
Italy	0.5	0.5	0.7	0.6	1.2	0.9	1.1	1.1	2.1	1.8	2.1	1.7
Spain	3.2	3.1	2.5	2.5	2.3	1.9	2.9	2.8	2.9	2.3	2.3	2.0
United Kingdom	0.9	0.8	0.9	1.0	1.4	1.4	2.5	2.5	3.7	2.8	3.0	2.3
Japan	0.1	0.1	1.2	1.2	1.0	0.9	2.7	2.7	2.7	2.4	1.7	1.9
China	5.0	5.0	5.0	4.5	4.3	4.2	0.2	0.2	0.7	0.7	1.4	1.3
World*	2.6	-	2.8	-	2.7	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 26/02/2025.
* 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 dominate over US equities

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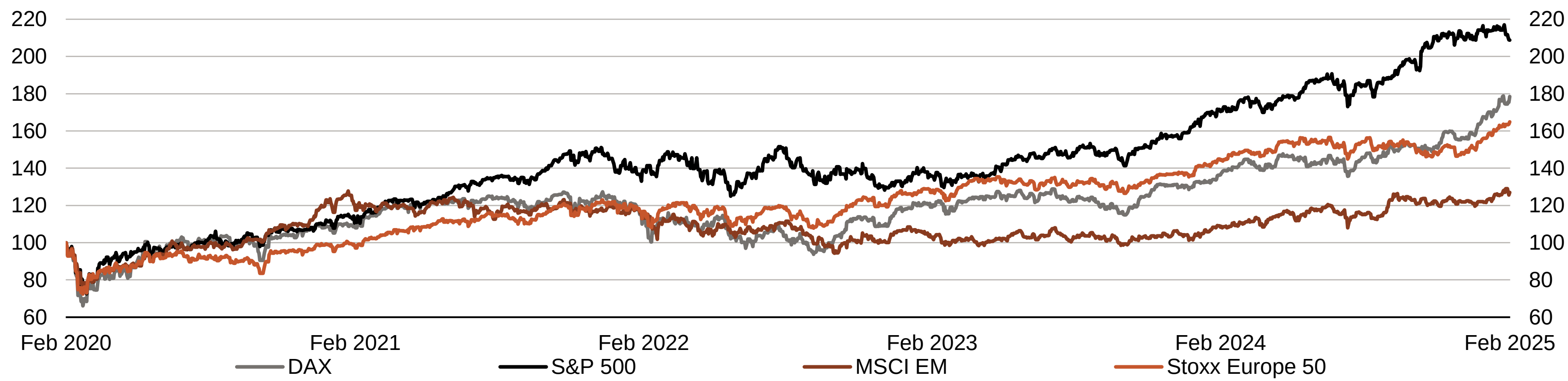
US equities move sideways, while European equities outperform again

- After a positive start to the year, the equity markets in the US remained unchanged at the end of the month and gave up the monthly gains they had made in the seasonally weak second half of February. In particular, the 'Magnificent 7', which were still performing in line with the broad market before the introduction of the R1 AI model from Chinese start-up DeepSeek, underperformed significantly in February, as did mid and small-capitalisation companies. European equities, on the other hand, once again significantly outperformed US equities in February. This was supported by hopes of a new German government, a possible end to the war in Ukraine, the significant valuation discount of European equities compared to their US counterparts and a weaker euro since the second half of 2024. The positive momentum of earnings revisions relative to the US, a trend towards faster falling interest rates and the associated revival of (cyclical) economic sectors also had a supportive effect.
- Looking ahead, however, the equity markets are still at risk of at least a temporary setback. The unpredictability of US President Donald Trump with regard to trade tariffs and the peace negotiations between Russia and Ukraine, the first signs of a slightly weakening US economy and the generally high investor positioning are just some of the risk factors, although the current share buyback programs also offer support.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period:26/02/2020– 26/02/2025

Corporate earnings

Profit expectations are largely beaten

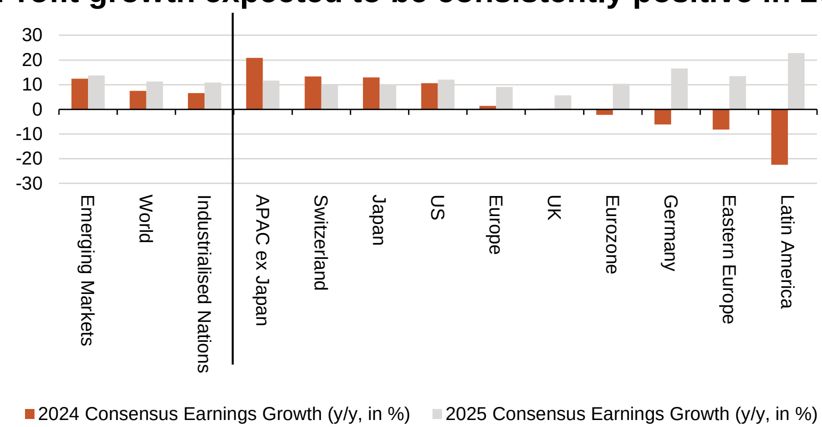
US reporting season largely surprises on the upside

- At the end of the month, over 90% of the companies in the S&P 500 published their results for the fourth quarter of last year. Earnings growth at the end of the index was 15.7%, a surprise of around 6.5% compared to estimates. Cyclical consumer goods, financials and communications service providers were the most surprising, with the highest EPS growth rates.
- Despite the good reporting season in the past quarter, which has further boosted expectations for earnings growth in 2024, the estimates for 2025, which were still very high at the beginning of the year, were lowered slightly to a still strong 13%.

European companies exceed expectations

- The reporting season in Europe is also in full swing and around 66% of companies have reported results so far. In Germany, too, some companies have already exceeded both profit expectations and sales estimates.
- Shares from the construction, property, semiconductor and software sectors as well as banks and pharmaceutical stocks have so far beaten earnings estimates by the largest margin.
- However, with around 25% of market capitalization still to report, there is still potential for disappointment.

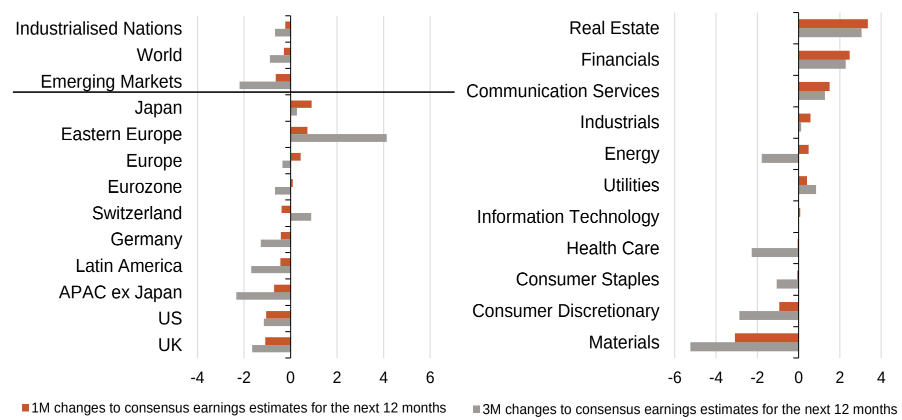
Profit growth expected to be consistently positive in 2025



Source: Factset, own calculations

As of: 26/02/2025

However, profit revisions are largely negative



Source: Factset, own calculations

As of: 26/02/2025

Performance & Valuation

European equities still on the upswing

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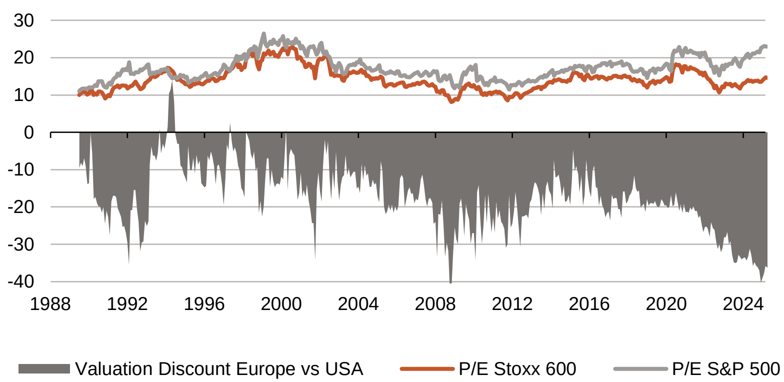
European equities still attractively valued

- The strong price movement of European equities since the beginning of the year can also be partly explained by an increase in valuations. With a P/E ratio of 14.4x, European equities are back at their historical average for the first time since April 2022. Meanwhile, US equities continue to consolidate at a high valuation level, which leaves little room for disappointment.
- Despite the widening valuation of European equities in the wake of the significant price movement, the valuation gap remains close to its lows and offers further potential for narrowing. However, positive factors have already been priced into share prices.

USA in a fragile environment

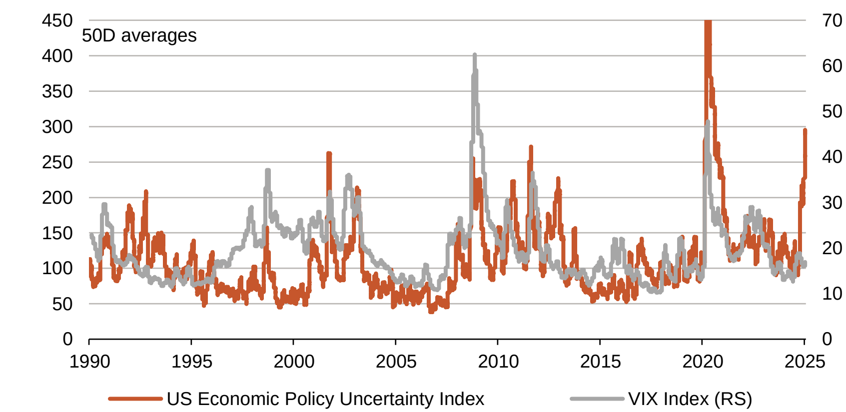
- The subdued performance of US equities is not only due to the ongoing uncertainty surrounding Trump's (foreign) policy. Economic data from the USA has also recently surprised to the downside in aggregate, increasing the risk of an economic slowdown in the second quarter. Together with high valuations, optimistic earnings expectations and high positioning, this creates a fragile environment for US equities.
- Following the neutralization of our regional equity allocation, we feel comfortable with our current positioning in view of various risk events (valuation, Trump, economic slowdown).

Strong valuation difference between USA and Europe



Source: Bloomberg, own calculations. Time period: 01/01/1988 – 26/02/2025

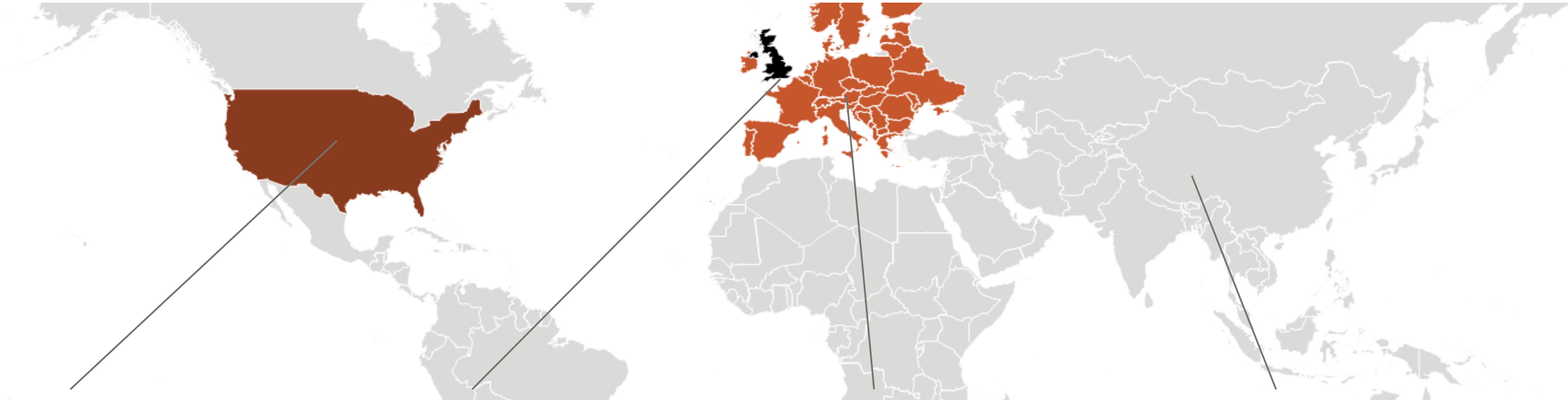
Volatility could increase due to growing uncertainty



Source: Bloomberg, own calculations. Time period: 01/01/1990 – 26/02/2025

Equity allocation

Preference for anti-cyclical trading



US

Neutral

- The strong weighting of US mega caps and the continued high valuation of US equities make the region less attractive compared to cheaper regions such as Europe or the emerging markets. In addition, the latest economic data has recently come as a slightly negative surprise.

United Kingdom

Neutral

- At index level, UK equities offer a mix of more defensive and commodity-rich stocks, which should pay off in an environment of high inflation and geopolitical risks.

Europe ex. UK

Neutral

- Despite the good performance since the beginning of the year, European companies do not have a high valuation. If the economy recovers noticeably, there is further catch-up potential. However, the Trump policy remains a risk.

Emerging markets

Neutral

- In view of the positive momentum generated by DeepSeek and the lack of escalation in the trade war to date, coupled with a weaker US dollar and falling US yields, we believe emerging market equities are supported. Accordingly, we have neutralized our underweight position.

Equity market forecasts
Estimates for selected indices

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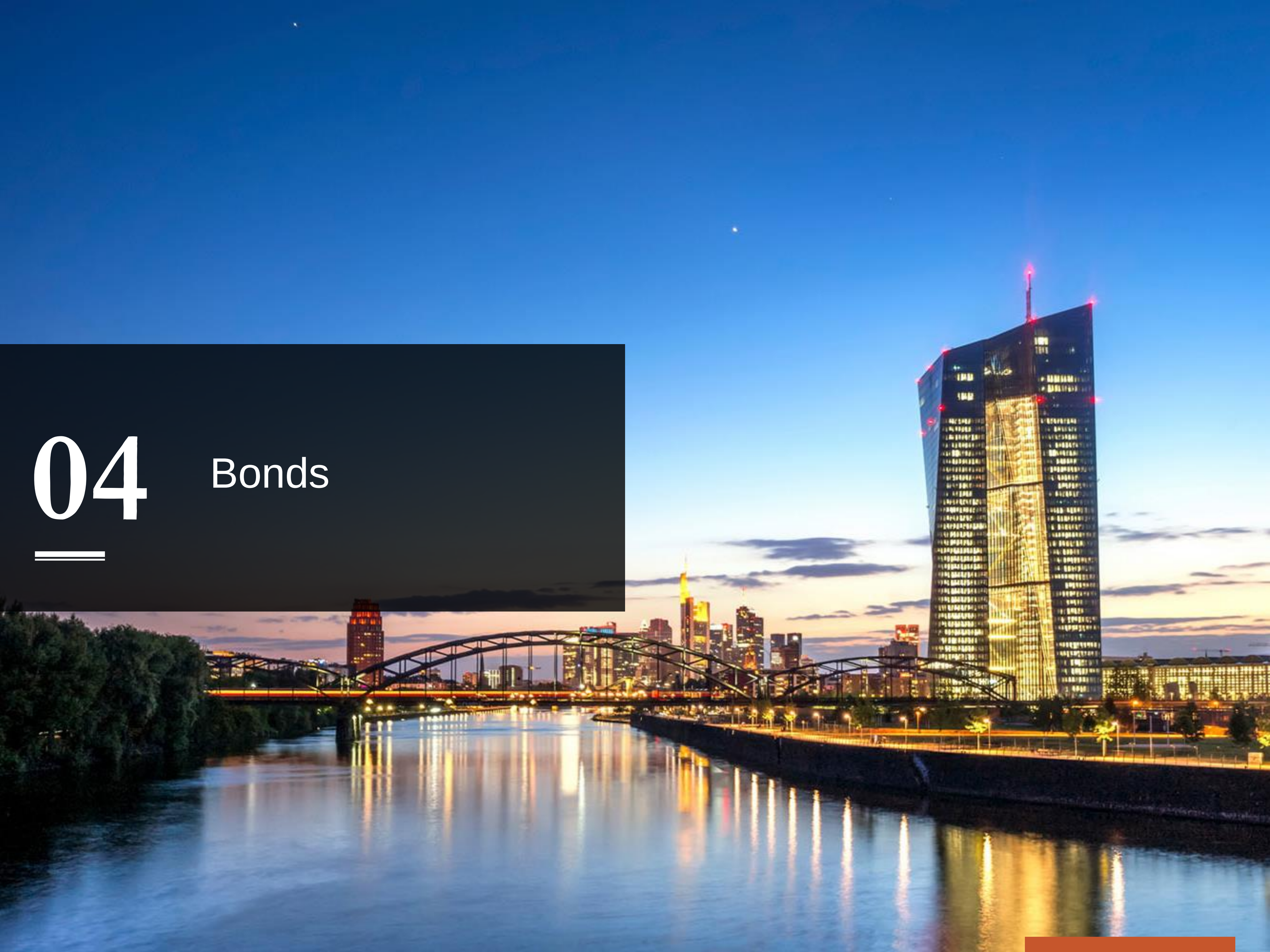
	Current			Ø*
Index forecasts	**25/02/2025**	**30/06/2025**	**31/12/2025**	**in 12 months**
S&P 500	5,955	6,200	6,500	6,870
DAX	22,410	21,000	22,000	24,668
Euro Stoxx 50	5,448	5,100	5,300	5,934
MSCI UK	2,475	2,450	2,600	2,817

Index potential (in %)				
S&P 500	-	4.1	9.1	15.4
DAX	-	-6.3	-1.8	10.1
Euro Stoxx 50	-	-6.4	-2.7	8.9
MSCI UK	-	-1.0	5.1	13.8

Source: Bloomberg, Berenberg as of 25/02/2025.
*Average based on bottom-up estimates.



04 Bonds

Government bonds
The Fed stays on the pulse of inflation

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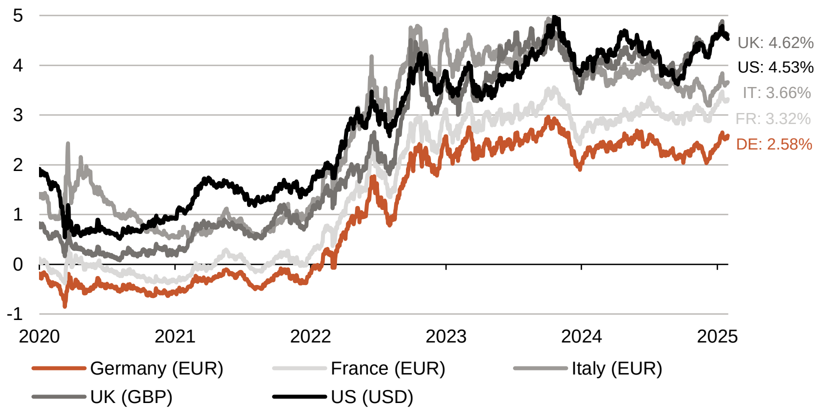
Stubborn inflation remains the Fed's focus

- The continued stability of the US labour market and the unexpectedly high consumer and producer price inflation in the US in January prompted Fed Chair Jerome Powell to state during his congressional hearing in February that the Fed's fight against inflation was not yet over.
- While US President Donald Trump has repeatedly criticised the Fed for the high interest rate levels, his economic and trade policy realignment carries increased inflation risks for the US, which are already reflected in rising inflation expectations. In fact, long-term inflation expectations reached their highest level since 1995 in February.

Europe worries over defence spending

- As the polls had predicted, the CDU/CSU led by Friedrich Merz won the federal election on 23 February.
- However, the centrist parties failed to secure a two-thirds majority in the Bundestag, making a possible reform of the debt brake and thus much-needed investment in ailing transport and infrastructure, as well as a significantly higher defence budget, much more difficult. Meanwhile, French President Macron has hinted that a possible trade war with the US could put pressure on EU defence spending.

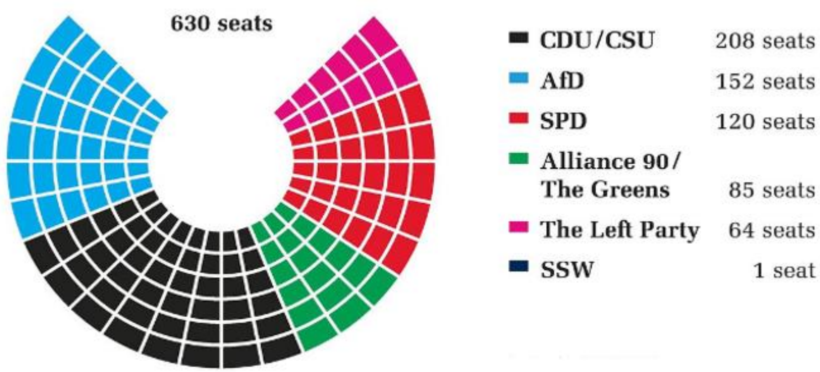
10-year yields (%) recently volatile



Source: Bloomberg

Time period: 01/01/2020 – 24/02/2025

Centrist two-thirds majority missed in new Bundestag



Source: German Bundestag

Time period: 24.02.2025

Corporate & EM bonds

Trump keeps Europe and emerging markets on edge

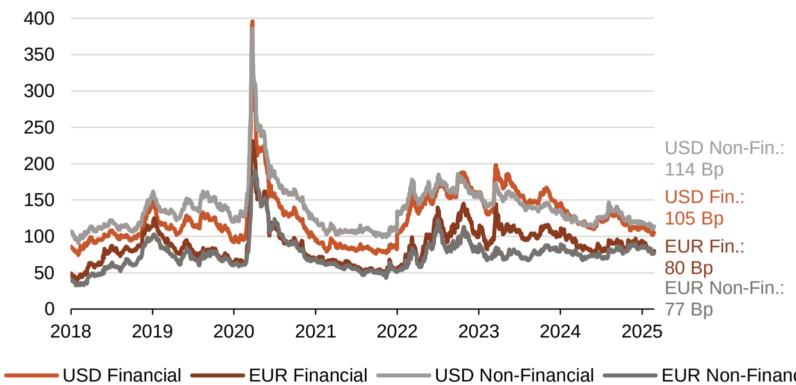
Corporate bonds: Trump and Ukraine in focus

- Spreads on investment grade (IG) and high yield corporate bonds remained stable in February. In contrast to the new US President's threats to impose tariffs on European goods, raising the risk of a potential trade war, possible peace talks between Russia and Ukraine present a positive scenario for the European economy and companies.
- Both the high yield and IG segments continue to be supported by strong balance sheets and capital inflows, while new issues are well received by the market. Yields on corporate bonds remain attractive. However, historically low spreads have recently increased the risk of valuation corrections.

Emerging market bonds: Trade wars on the pulse

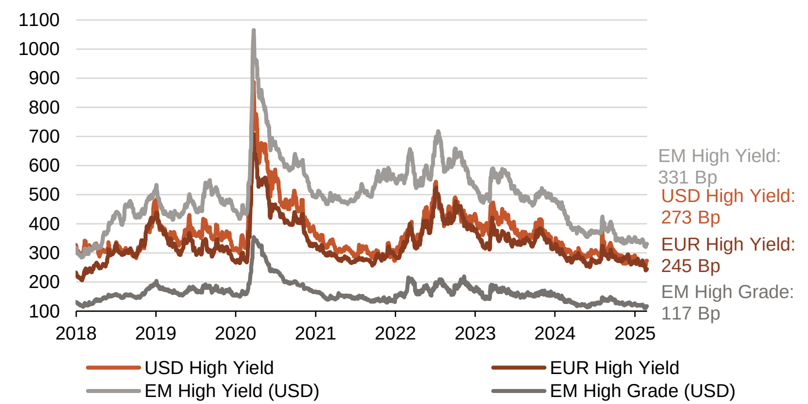
- The trade and tariff policies of new US President Donald Trump continue to cause tension in emerging markets. Although the US and Mexico have agreed to delay the introduction of tariffs, Trump has stated that they are still "on schedule" for March. The potential outbreak of trade wars therefore remains a significant risk for emerging markets.
- However, the continued stability of the US economy and the announced monetary and fiscal measures in China create a positive macroeconomic environment for EM bonds. Strong fundamentals and manageable debt levels should prevent EM risk premiums from rising.

Corporate bonds: spreads stable recently



Source: FactSet, own calculations Time period: 01/01/2018-24/02/2025

Emerging markets: risk premiums recently volatile



Source: Factset, own calculations Time period: 01/01/2018-24/02/2025

Capital market strategy
Bonds

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Core segments

Government bonds
Underweight

- As macroeconomic data volatility remains elevated, interest rate volatility in safe-haven government bonds is likely to remain high. Although the yield curve is no longer inverted, it remains relatively flat. Even with further interest rate cuts by central banks, long-term yields are unlikely to fall significantly.
- Covered bonds have a similar credit risk profile but offer a higher yield. This risk-return profile looks more attractive to us than government bonds, although their relative appeal has diminished as swap spreads have tightened.

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 focusing 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 the ongoing disinflationary trend in emerging markets and the weakness of the dollar and offer good risk/reward.
- Within hard-currency emerging market debt, we favour government bonds over IG corporates due to higher yields, longer duration and higher cash inflows.

High yield bonds
Overweight

- The high yield segment remains attractive to many investors due to the positive economic outlook following the ECB rate cuts and high carry. Although risk premiums are historically low, the average quality of companies in the segment is also better than before.
- We continue to find catastrophe bonds and high-yield bond funds with a more defensive profile attractive.

Forecasts
Estimates for selected bond markets

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Base interest rates and government bond yields (in %)	25/02/2025 Current	30/06/2025	30/06/2025 Ø*	31/12/2025	31/12/2025 Ø*
US					
Base interest rate	4.25-4.50	4.25-4.50	4.35	4.25-4.50	4.10
10Y US yield	4.30	4.70	4.44	4.90	4.38
Eurozone					
Base interest rate**	2.75	2.25	2.25	2.25	2.05
10Y Bund yield	2.46	2.30	2.34	2.50	2.35
United Kingdom					
Base interest rate	4.50	4.25	4.20	4.25	3.80
10Y Gilt yield	4.51	4.60	4.36	4.70	4.18

Source: Bloomberg. Berenberg. as of 25/02/2025.
*Average of estimates by other experts (Bloomberg) consensus.
**Deposit rate

05 Commodities

Crude oil
Oil sideways until further notice

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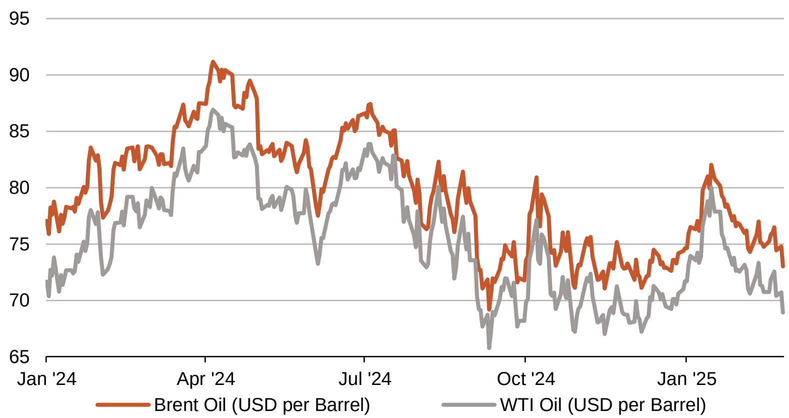
Abundant but price-sensitive supply meets slowing demand

- The price of oil continued to fall in February, much to the delight of Donald Trump. US WTI crude fell below USD 70 per barrel for the first time this year. The peace talks between Ukraine and Russia and thus the hope of more cheap energy from the east may have contributed to this. But there are also some fundamental reasons for a weaker oil price. The US economy appears to be losing momentum and demand from China continues to disappoint. Chinese oil imports fell by almost 25% year-on-year in January. At the same time, there still seems to be no consensus within OPEC+ on whether the existing production cuts should be extended beyond April.
- Against this backdrop, the upside potential for oil is likely to remain clearly limited. At the same time, the downside risks are now also limited. On the one hand, it is not the sanctions but the OPEC+ production quotas that are already restricting Russian oil production. On the other hand, falling prices should increase the likelihood that the cartel's cuts will be extended. In addition, US Treasury Secretary Bessent has advocated cutting Iranian exports by more than 90% through sanctions. A continuation of last year's sideways movement therefore seems likely, although the corridor (previously USD 70-90/barrel) is now likely to be somewhat lower.

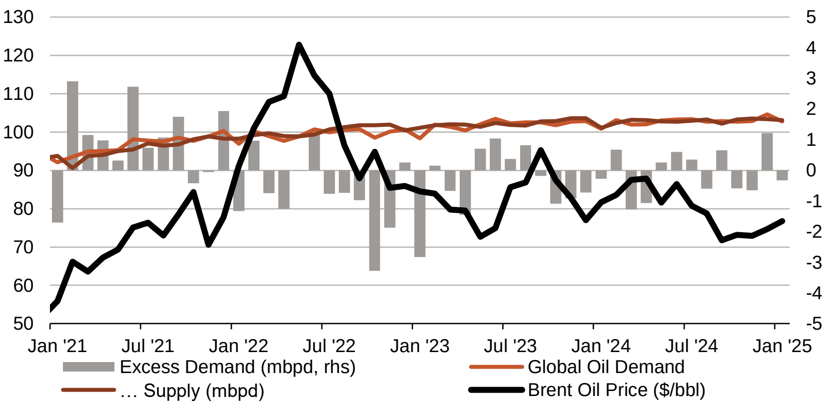
Crude oil continues sideways trend



Source: Bloomberg

Time period: 01/01/2024 – 25/02/2025.

Supply and demand currently in balance



Source: Bloomberg, own calculations.

Time period: 01/01/2021 – 31/01/2025.

Precious and industrial metals
Gold with a break, industrial metals benefit from tariffs

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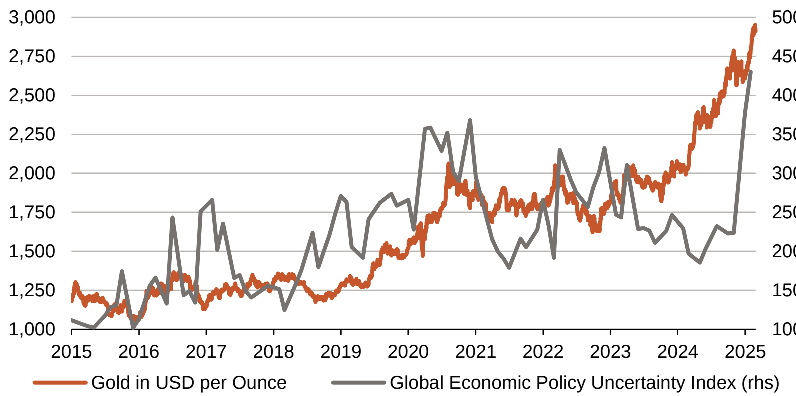
Gold takes a breather, but drivers fully intact

- Gold continued to rally strongly in February, hitting one all-time high after another. In addition to the weaker US dollar and the decline in real interest rates, increased global economic uncertainty following the inauguration of Donald Trump also boosted the gold price.
- However, the recent consolidation, despite further declines in interest rates and lower consumer confidence, has shown that the sky is not the limit for gold. We had previously trimmed our gold allocation slightly on the back of high speculative positioning and strong performance but remain significantly overweight as the long-term drivers (rising sovereign debt, (geo)political uncertainty, central bank purchases, inflation (volatility)) remain intact.

Industrial metals short-term beneficiary of tariffs

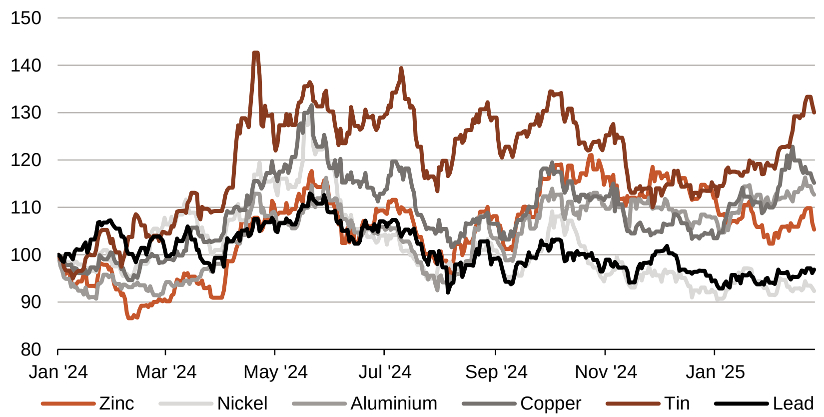
- Industrial metals defied the slowdown in the US economy and Donald Trump's harsh rhetoric in February. Metals such as copper and aluminium even benefited from the news of potential tariffs, as US consumers seek to import as much metal into the US as possible before the tariffs come into effect. LME copper peaked at over 6% in February and COMEX copper was up almost 12%.
- In the short term, the tariffs could weigh on manufacturing activity, creating a headwind for metal prices. However, supply remains tight and structural demand drivers are still intact.

Economic uncertainty drives gold price



Source: Bloomberg, own calculations. Time period: 01/01/2015 – 25/02/2025.

Industrial metals benefit from tariffs



Source: Bloomberg, own calculations. Time period: 01/01/2024 – 25/02/2025.

06 Currencies

Market Development
FX markets

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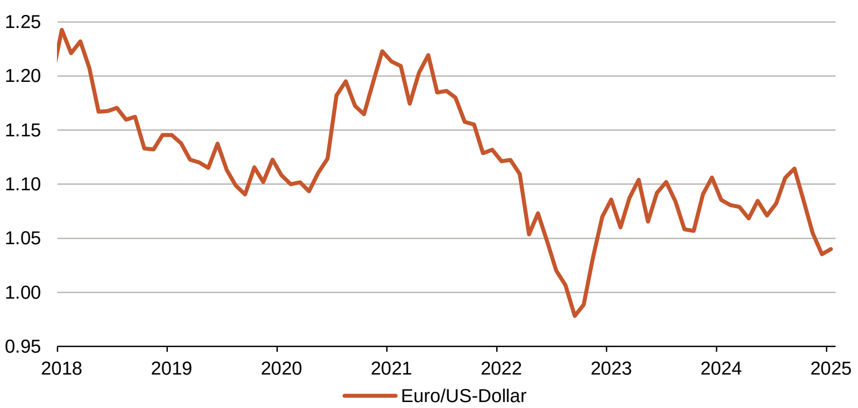
Falling US interest rates weigh on the USD

- Negative US economic surprises and statements by Donald Trump that he believes interest rates are too high have recently led to falling US interest rates and a weaker US dollar.
- In view of the low expectations for the eurozone, it would not take much to surprise positively and give the euro a tailwind. There are already small seeds of confidence. In France, a budget was passed after a tough struggle and the elections in Germany are raising hopes of reform. In addition, the economy in the eurozone is likely to gain some momentum by the summer, which could give the euro an even greater boost.

Japanese economic upswing supports the yen

- The Japanese economy grew by 0.7% in the final quarter of 2024 compared to the previous quarter, exceeding expectations. Meanwhile, the core inflation rate rose to 3.2% in January, its highest level in 19 months.
- The solid economic development and the continued rise in inflation will allow the Bank of Japan (BOJ) to cautiously continue its cycle of interest rate hikes. The narrowing interest rate differential with the ECB and the Fed should give the yen a further tailwind until 2025. We expect a euro/yen exchange rate of 151 at the end of 2025.

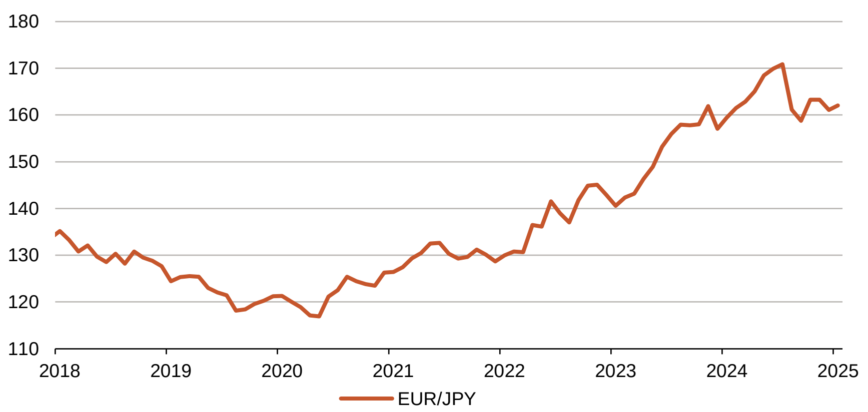
It doesn't take much to further revitalise the euro



Source: Bloomberg

Period: 01/2018 – 01/2025

Declining interest rate differential will support the yen



Source: Bloomberg

Period: 01/2018 – 01/2025

Forecasts
Estimates of key currencies

	25/02/2025	30/06/2025		31/12/2025	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.05	1.06	1.03	1.08	1.05
EUR/GBP	0.83	0.85	0.83	0.86	0.82
EUR/CHF	0.94	0.94	0.94	0.95	0.94
EUR/JPY	157	154	156	151	156

Change against the Euro (in %)					
USD	-	-0.8	2.1	-2.6	0.1
GBP	-	-2.3	0.0	-3.5	1.2
CHF	-	-0.1	-0.1	-1.2	-0.1
JPY	-	1.7	0.4	3.8	0.4

Source: Bloomberg. Berenberg as of 25/02/2025.
*Average of estimates of other experts (Bloomberg); consensus.


Publishing information

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