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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

April | 2025

Horizon Handout – Capital Market Outlook

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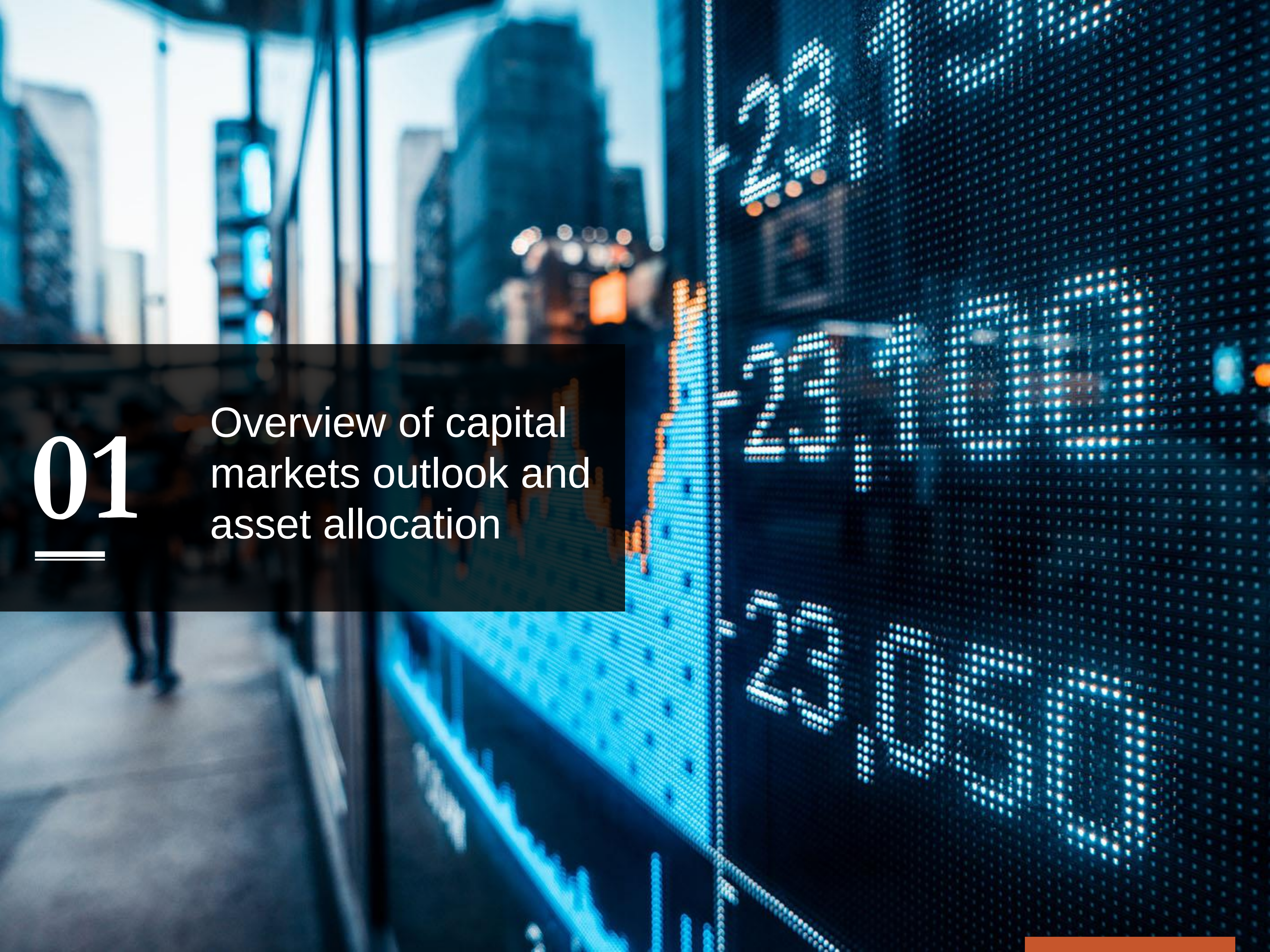
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



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 (25/02/25 - 25/03/25)	YTD (31/12/24 - 25/03/25)	25/03/24 25/03/25	25/03/23 25/03/24	25/03/22 25/03/23	25/03/21 25/03/22	25/03/20 25/03/21
Industrial Metals	4.3	7.2	16.6	-6.8	-23.5	63.1	43.2
Gold	1.0	10.4	39.7	9.0	3.1	21.5	-1.2
Euro overnight deposit	0.2	0.6	3.5	3.7	0.6	-0.6	-0.5
MSCI Frontier Markets	-0.5	3.7	13.7	14.5	-16.8	16.8	26.3
EUR Sovereign Debt	-0.7	-0.2	3.0	2.4	-6.4	-4.4	2.6
EUR Coporates	-1.0	-0.1	4.5	5.9	-7.1	-6.2	10.2
MSCI Emerging Markets	-2.0	1.0	11.9	8.7	-9.2	-4.4	45.1
Brent	-2.1	-3.7	-3.6	27.2	-19.2	131.9	59.7
USDEUR	-2.6	-4.1	0.4	-0.7	2.1	7.1	-7.5
Global Convertibles	-2.7	-3.1	8.6	10.5	-12.7	0.3	65.8
MSCI World	-4.4	-3.0	11.3	28.2	-8.3	19.4	45.5
REITs	-6.0	-2.7	5.9	5.5	-22.5	25.1	23.5

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: 25/03/2020 – 25/03/2025.

Overview of capital markets
Outlook by asset class

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Economics

- President Trump's customs policy is jeopardising the upturn in the eurozone and, in the medium term, the domestic economy.
- Domestic demand in the UK is strong, but exports are weak.
- Central banks are almost at the end of the line with interest rate cuts but are keeping all options open in uncertain times.

Equities

- No regional preference in the short term following the fundamentally and valuation-driven outperformance of Europe.
- Europe relatively favourably valued, but USA supported by weaker USD and rebalancing flows at the end of the quarter.
- A possible US economic slowdown in Q2 and trade disputes could noticeably increase volatility.

Bonds

- The scope for monetary policy remains small for the Fed. Germany and the UK, however, appear attractive again.
- Corporate bonds remain interesting thanks to their attractive real yields. Low risk premiums jeopardise the short term.
- Emerging market bonds should receive a tailwind due to brightening economic data from China.

Alternative investments / commodities

- There is plenty of supply on the oil market, but not at every price. Sideways movement likely for the time being.
- Gold tops USD 3,000 per ounce. Global uncertainty and rising government debt provide support.
- Defence and infrastructure spending should further boost demand for industrial metals in the long term.

Currencies

- Geopolitics and trade policy move the currency markets.
- Europe and the euro emerge from their state of shock.
- The Swiss National Bank tries to counter low inflation and the 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

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 25/03/2025.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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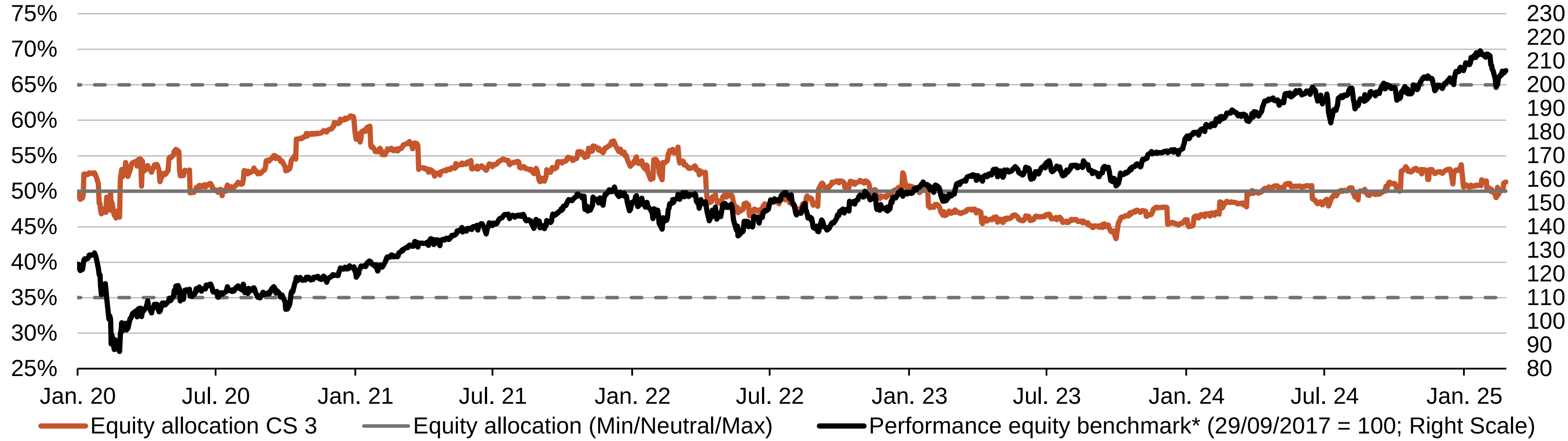
Management of the equity allocation of a balanced multi-asset mandate since inception

Performance equity benchmark	24/03/20 - 24/03/21	24/03/21 - 24/03/22	24/03/22 - 24/03/23	24/03/23 - 24/03/24	24/03/24 - 24/03/25
	34.66%	18.76%	1.25%	22.90%	9.77%



Time period: 24/03/2020 – 24/03/2025.

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.

- We started the new year with an overweight in equities and commodities compared to bonds and cash. After the strong start to the year in equities and commodities, we took some profits from the end of January. We reduced equities to neutral and closed the overweight position in the USA and the underweight position in emerging markets.
- After US equities corrected by more than 10% at the peak, we added to US stocks in particular and tactically overweighted equities again slightly in anticipation of rebalancing flows and purchases by systematic investors.
- Following the strong outperformance of Europe, we have no regional preferences for the time being, as the financial environment in the USA is improving again. Yields on US government bonds have fallen significantly and are not very attractive in view of the inflation risks. In Europe, bond yields have risen significantly thanks to rising government debt and positive economic stimuli.

02 Economics

Eurozone
GDP and Inflation

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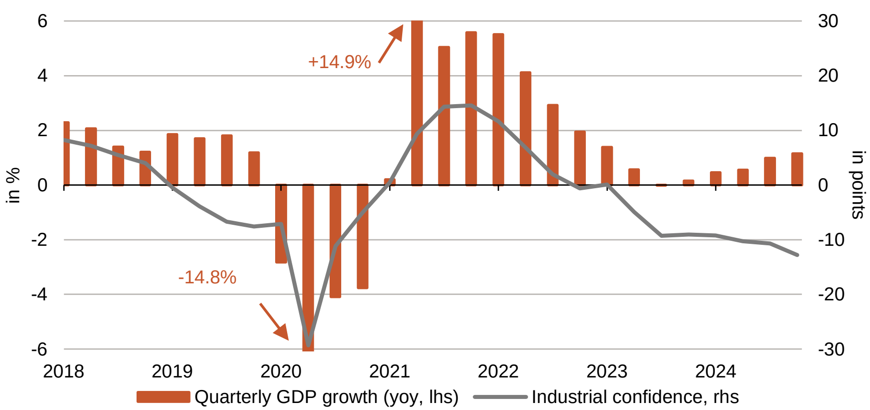
Expansion course - if Trump doesn't intervene

- The traffic lights in the eurozone have actually switched to green recently. France has passed a budget and Germany should soon have a functioning government again. The cuts in key interest rates by the European Central Bank (ECB) and the fact that wages in the eurozone have been rising faster than prices for some time are also providing an economic tailwind.
- The greatest risk to the cautiously positive outlook is that the trade conflict with the US escalates further. In addition to the 25% tariffs already imposed on steel and aluminium, Trump is threatening to impose further import duties.

ECB keeps all options open in uncertain times

- As expected, the ECB lowered its key interest rate by 25 basis points to 2.5% on 6 March. Although the Frankfurt monetary authorities kept all options open beyond this, the fact that the ECB now describes its monetary policy as 'noticeably less restrictive' reinforces our view that there will be a pause in interest rates at the next meeting on 17 April. The ECB is then likely to cut the deposit rate for the last time on 5 June to 2.25%.
- However, if the economic outlook for the eurozone deteriorates significantly by then due to the trade disputes with the USA, the ECB could be forced to cut interest rates further.

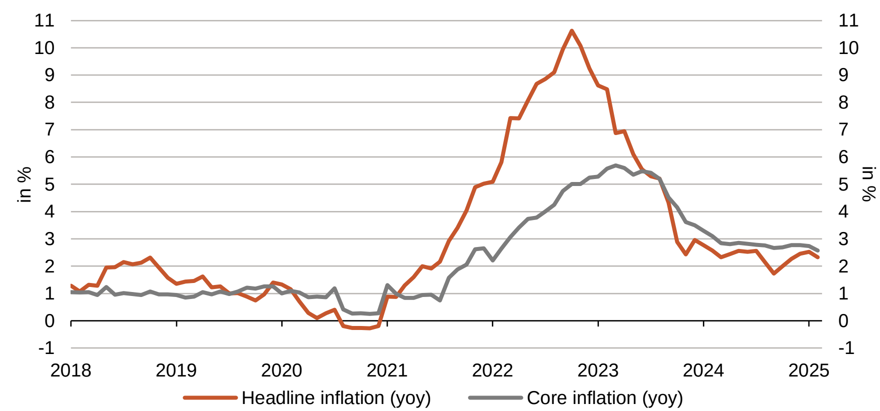
Waiting for the upturn from summer



Source: Haver

Period: 01/2018 – 12/2024

Inflation rate will approach the target of 2%



Source: Haver

Period: 01/2018 - 02/2025

United Kingdom
GDP and Inflation

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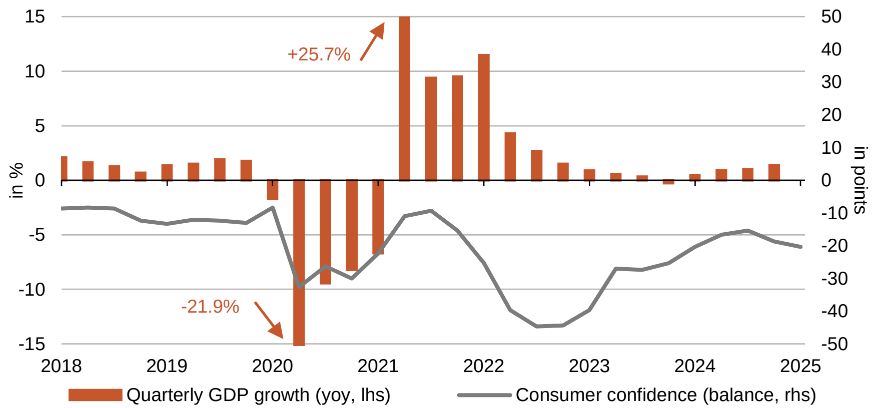
Domestic demand strong, exports weak

- While domestic demand remains robust, economic growth is being weighed down primarily by weak exports. High labour and energy costs are making British exporters less competitive.
- However, we expect the economy to gain momentum over the course of the year. This is because the British government has announced significant spending increases and consumers continue to benefit from a solid labour market and rising wages. In addition, the interest rate cuts will have an even greater impact on the real economy. We expect GDP growth of 0.9% for 2025.

Inflation will continue to rise over the course of the year

- The continuing tight labour market will keep wage pressure high in the UK, while energy prices are likely to rise again year-on-year in the coming months. We therefore expect the inflation rate to rise again over the course of the year - to over 4% in the second half of the year.
- The Bank of England left the base rate at 4.50% on 20 March due to ongoing inflation concerns. We initially expect only a further 25 basis point cut in May and then a longer pause before the final rate cut to 4.00% in early 2026.

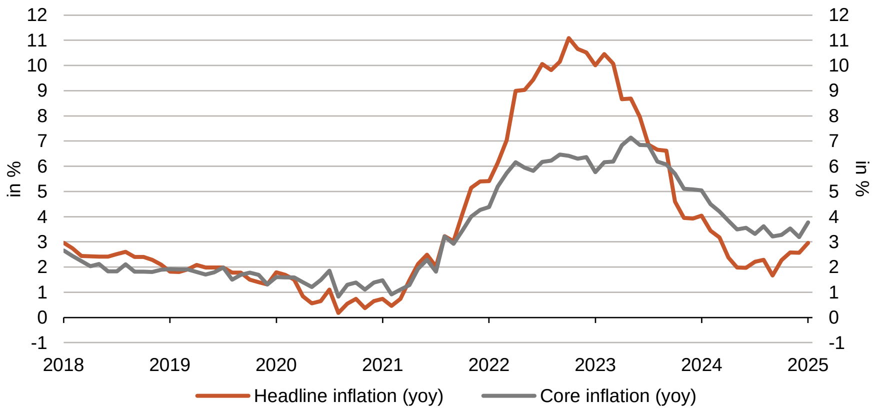
Domestic demand has a supporting effect



Source: Haver

Period: 01/2018 - 03/2025

Inflation is moving in the wrong direction again



Source: Haver

Period: 01/2018 - 01/2025

USA
GDP and Inflation

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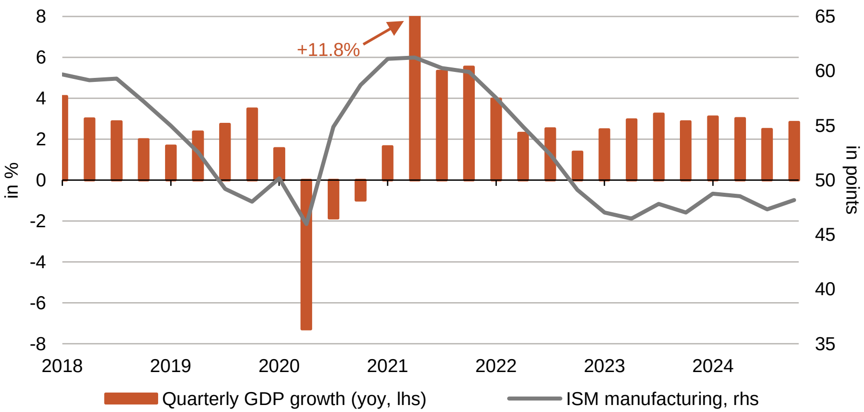
Economy stable, but Trump's policies harbour risks

- Even if individual economic sentiment indicators and company figures have recently been somewhat disappointing, the US economy remains quite robust overall. The new government is reducing regulations and wants to cut taxes. Both can continue to support the economy in the short term.
- However, the aggressive immigration and trade policy is causing unrest and harbours significant risks for the US economy in the medium term. We therefore expect growth to weaken in the coming years.

The Fed currently has no reason to move

- Although core inflation fell from 3.3% to 3.1% in February, it has been moving more or less sideways for the past nine months.
- This alone would be reason enough for the Fed to stop easing monetary policy. In addition, Trump's customs and immigration policy could additionally fuel inflation over the course of the year. At its meeting on 19 March, the Fed therefore left the key interest rate range unchanged at 4.25% to 4.50% and we do not expect any further rate cuts for the rest of the year.

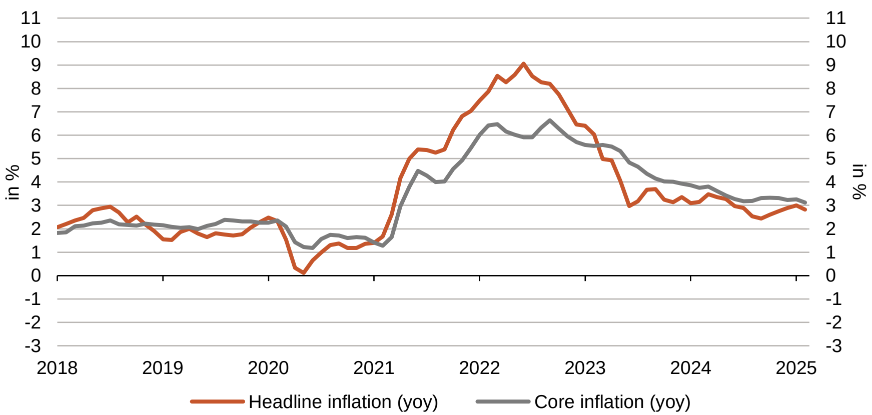
Consumers boost the economy



Source: Haver

Period: 01/2018 - 12/2024

No recent progress in the fight against inflation



Source: Haver

Period: 01/2018 - 02/2025

Economic forecasts

Key estimates at a glance

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

Source: Bloomberg. Berenberg as of 24/03/2025.
* 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

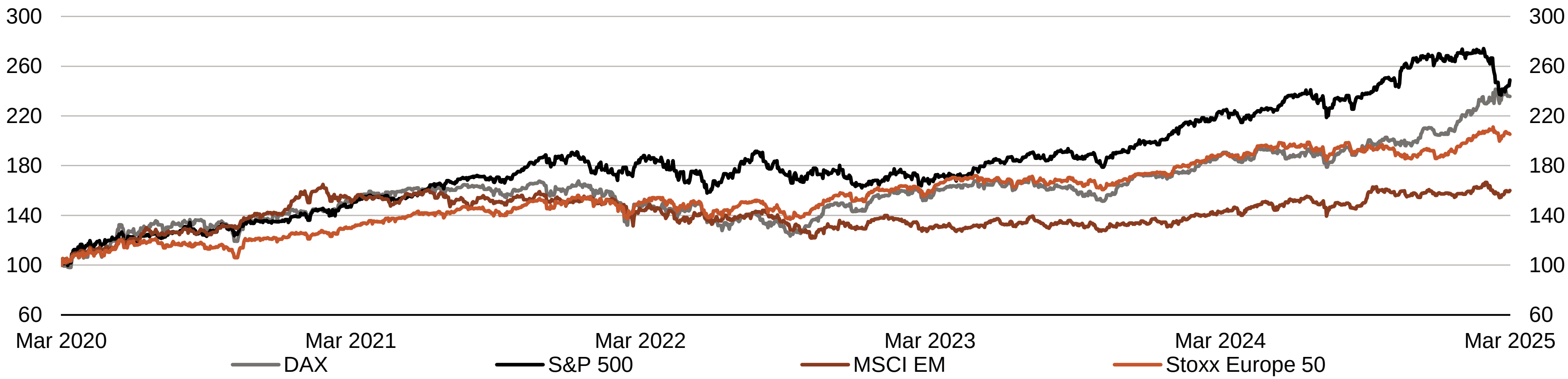
Market developments

European equities dominate over US equities

Europe surprises many

- At the beginning of the year, the “higher for longer” thesis dominated financial markets. Growth was a foregone conclusion. Almost all assets performed well in January. However, when Trump really got going in mid-February, volatility rose with political uncertainty. US equities, the winners of the last two years and overweighted by the market consensus at the beginning of the year, fell sharply, especially the technology sector and the Magnificent Seven. The laggards of recent years, European and emerging market equities (especially China and eastern Europe), surprised with strong gains.
- The strong rally in European equities was initially driven by tactical investors. There is therefore a chance that the current sentiment rally could turn into a structural recovery rally. But it will take more than hope. Peace negotiations in the Russia-Ukraine war will have to lead to a viable outcome for Ukraine too, the European economy will have to recover, European corporate earnings will have to rise more strongly and Europe will have to act as one. The passing of the infrastructure package and the easing of the debt brake on defence spending in Germany give us hope in this regard. However, after the strong relative performance since the beginning of the year, Europe's relative outperformance may initially falter, especially as Trump also threatens to impose tariffs on Europe. However, international investors are likely to take advantage of any major setbacks in Europe.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period:24/03/2020– 24/03/2025

Corporate earnings
Make Europe great again

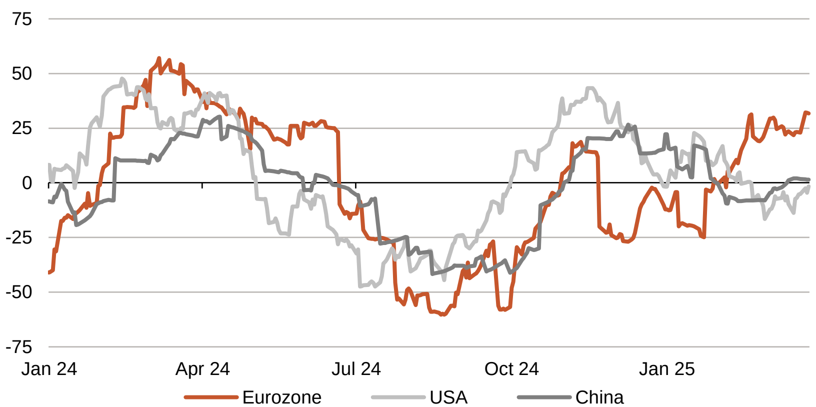
Strong, stronger, Europe

- As we suspected, the positioning and consensus for US stocks after the Trump election were overly positive. In the first quarter, there was a significant countermovement: Europe outperformed the US by more than 17 percentage points in euro terms.
- US companies, on aggregate, experienced negative earnings revisions recently. US economic data has been disappointing of late. Many indicators point to a slowdown in US growth in the spring. The rally was therefore fundamentally justified and was supported by the relatively extreme positioning of investors, which was also reflected in relative valuations.

Small caps continue to wait and see

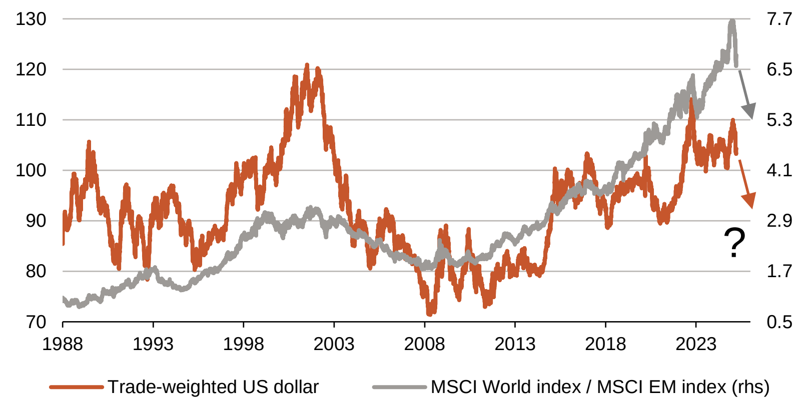
- However, not only the US but also other regions, such as Japan, recently experienced setbacks. Somewhat surprisingly, European small caps have so far barely benefited from the shift in sentiment, which is likely due to the lack of capital inflows into this segment.
- We have recently increased our allocation to emerging market equities, as the announcement of DeepSeek has sparked interest in undervalued Asian tech companies. Additionally, China, like Europe, has implemented significant economic stimulus measures – partly in response to US tariffs.

Macro: Eurozone surprises on the upside, US disappoints



Source: Bloomberg, Citigroup, own calculations Time period: 01/01/2024-26/03/2025

Is the US dominance of the last 20 years coming to an end?



Source: Bloomberg, own calculations Time period: 01/01/1988–24/03/2025

Performance & Valuation

Can Europe continue to outperform?

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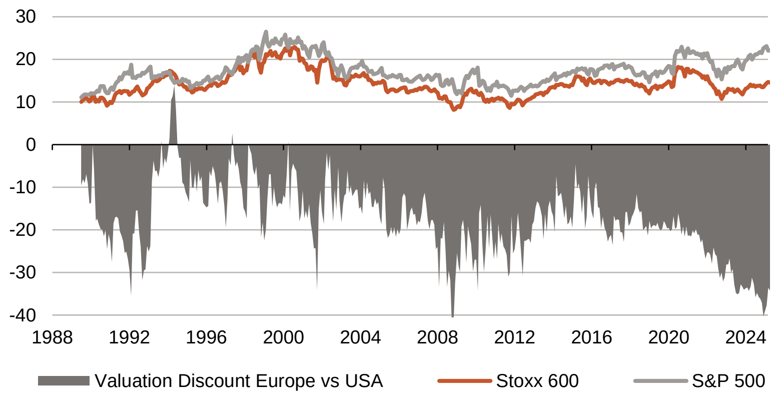
European equities still attractively valued

- The valuation discount between Europe and the US, based on the price-to-earnings ratio, still exceeds 30%.
- A significant part of the US outperformance in recent years has been due to valuation expansion (i.e., psychology), driven by the notion of US exceptionalism. The recent US underperformance is also linked to the fact that Trump – like many new presidents – has started with unpopular, growth-dampening measures: austerity, reduced immigration, and tariffs. Growth-friendly policies, such as deregulation and (an extension of) tax cuts, are likely to follow later.

Neutral regional positioning towards Q2

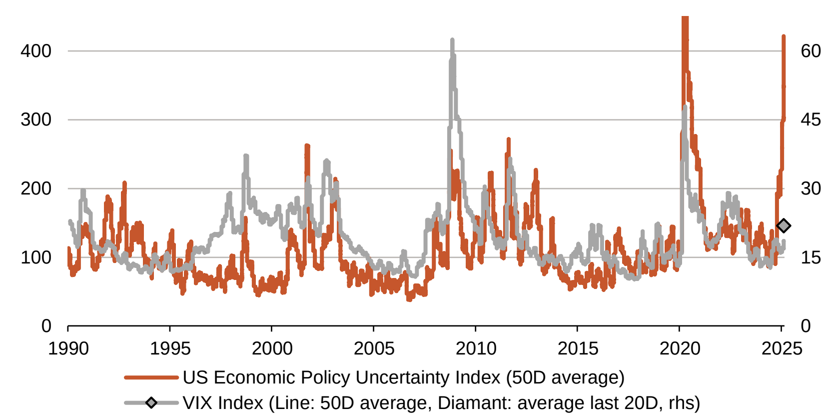
- Whether Europe can continue to outperform will likely depend on politics and how it is perceived abroad. Additionally, other regions, such as the US are expected to improve at least in absolute terms. The weakness in US growth is already partially priced in, and the outlook should improve towards the second half of the year. Moreover, the relative tailwind for European companies from lower rates and a weak euro has recently diminished significantly.
- Against this backdrop, we currently feel comfortable with a neutral geographic positioning. Volatility is likely to remain high due to major macroeconomic shifts and Donald Trump's unpredictability, presenting both risks and opportunities.

Strong valuation difference between USA and Europe



Source: Bloomberg, own calculations. Time period: 01/01/1988 – 24/03/2025

Volatility could increase due to growing uncertainty



Source: Bloomberg, own calculations. Time period: 01/01/1990 – 25/03/2025

Equity allocation

Preference for neutral positioning across regions

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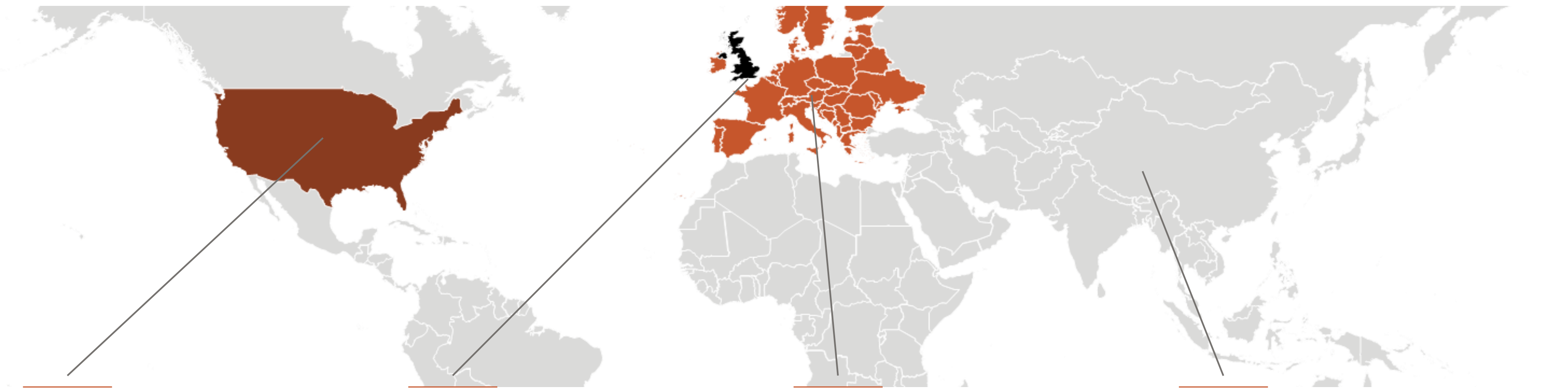

US

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. However, the US market continues to be the most strongly supported by non-fundamental flows.

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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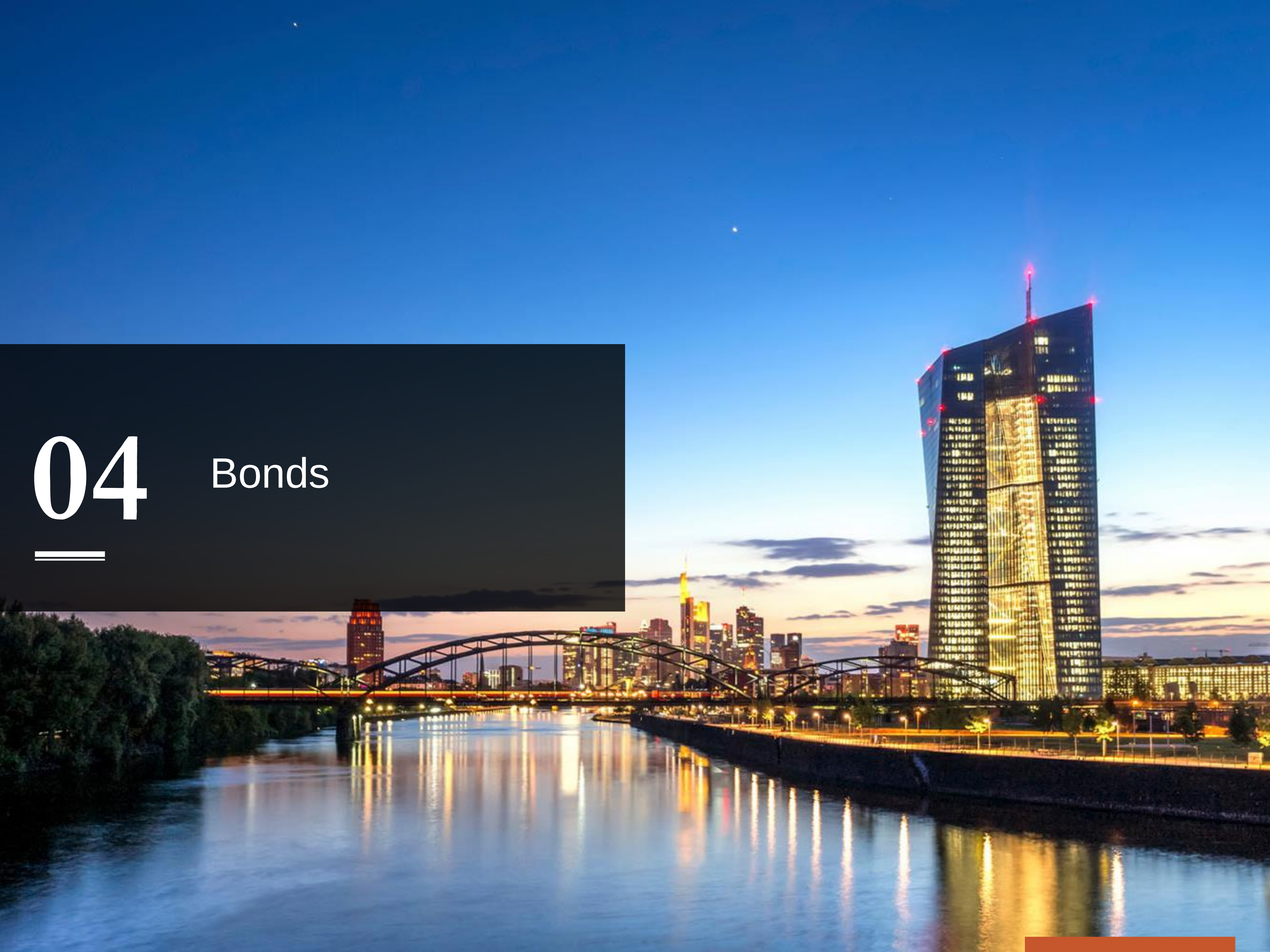
Index forecasts	Current 24/03/2025	31/12/2025	30/06/2026	Ø* in 12 months
S&P 500	5,768	6,000	6,400	6,839
DAX	22,853	24,000	26,000	25,490
Euro Stoxx 50	5,416	5,700	6,000	6,019
MSCI UK	2,469	2,600	2,750	2,847

Index potential (in %)				
S&P 500	-	4.0	11.0	18.6
DAX	-	5.0	13.8	11.5
Euro Stoxx 50	-	5.2	10.8	11.1
MSCI UK	-	5.3	11.4	15.3

Source: Bloomberg, Berenberg as of 24/03/2025.
*Average based on bottom-up estimates.

04 Bonds



Government bonds
Safety can pay off again

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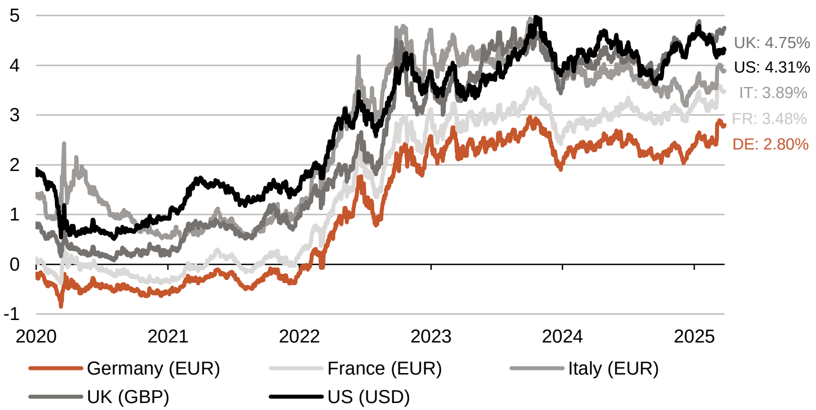
Monetary policy room remains small for the Fed

- In 2024, there was nothing to be gained from government bonds with high credit ratings, but the picture brightened in the first quarter of 2025, at least for US Treasuries. They rose against the backdrop of declining US economic optimism. It is doubtful that this trend will continue, as higher tariffs, wage pressure due to the expulsion of migrants and rising government debt point to rising US yields again in the medium term.
- In view of inflation, which should remain well above the Fed's target for the reasons mentioned above, the US central bank has little room for manoeuvre in terms of monetary policy. Our economists expect key US interest rates to remain unchanged for the rest of the year.

Germany and the UK more attractive again

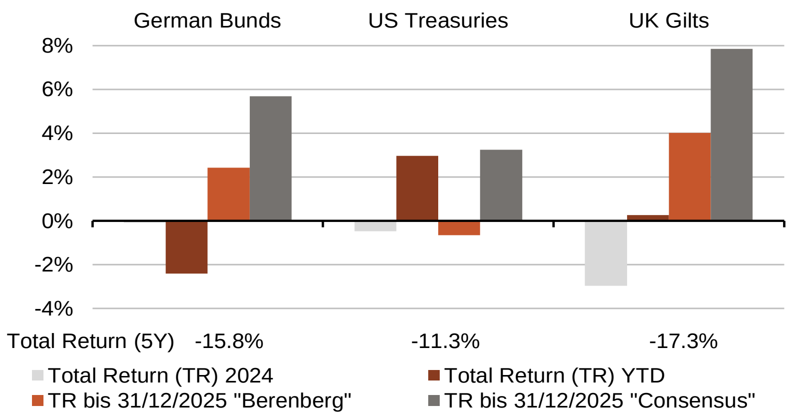
- In the eurozone, on the other hand, falling energy prices, among other factors, should allow the ECB to cut interest rates by a further 25 basis points in June. In addition, the prospect of additional debt-financed defence and infrastructure spending has recently caused yields on German Bunds to rise significantly. In contrast to US Treasuries, we see positive earnings potential here as well as for British Gilts until the end of the year. The outlook for investments in Europe has therefore also brightened on the market for safe government bonds.

10-year yields (%) remained volatile recently



Source: Bloomberg Time period: 01/01/2020 – 25/03/2025

Bunds can be worthwhile



Source: Bloomberg, own calculation Time period: 25.03.2025

Corporate & EM bonds

Credit supported, emerging markets offer opportunities

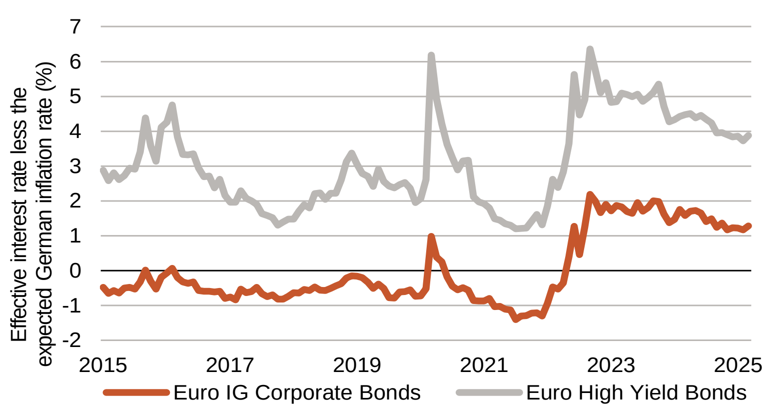
Corporate bonds: Solid as a rock

- Corporate bonds remain the rock in the surf. Neither the previous sharp fall in risk premiums nor the ongoing US tariff debate have so far led to a sustained increase in risk premiums in this segment. With Bund yields averaging 2.6%, corporate bonds in the investment grade and high yield segment remain attractive for yield buyers. Especially as their current interest rate is in some cases significantly higher than the German inflation rate of 2.3% recently, meaning that they continue to offer real added value. In view of the low risk premiums, however, a market correction has become more likely.

Emerging market bonds: Chinese recovery supports

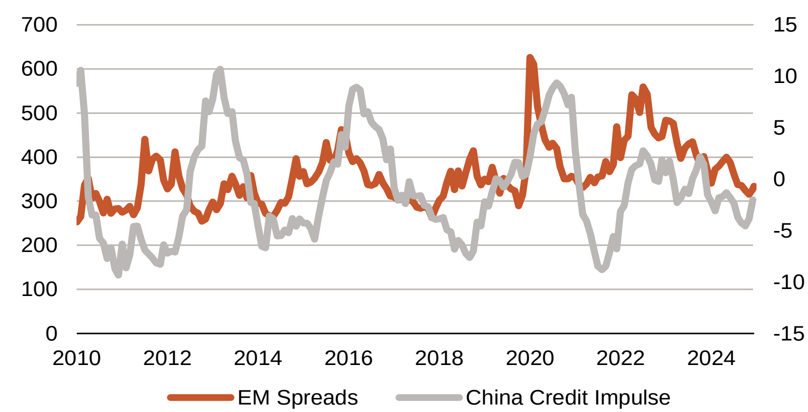
- The markets for emerging market bonds are focussing on the uncertainty surrounding the protectionist measures of the new US government and the increasing efforts to find a peace solution for Ukraine. While the tariff threats are keeping the markets on tenterhooks and leading to greater price volatility, a potential peace settlement could be a positive catalyst for the emerging markets.
- A stronger economy in China has always been a boon for the global economy - especially for emerging markets. Economic data such as lending has recently given hope for a certain bottoming out. The resulting tailwind should have a supportive effect on all emerging market asset classes in the medium term.

Corporate bonds offer stable positive real interest rates



Source: ICE, Bloomberg, own calculations Time period: 30/01/2015-26/03/2025

Lending supports risk premiums for EM bonds



Source: Bloomberg, own calculations Time period: 31/12/2010-28/02/2025

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

Base interest rates and government bond yields (in %)	24/03/2025 Current	31/12/2025 Berenberg	31/12/2025 Ø*	30/06/2026 Berenberg	30/06/2026 Ø*
US					
Base interest rate	4.25-4.50	4.25-4.50	4.05	4.25-4.50	3.80
10Y US yield	4.34	4.80	4.36	4.90	4.27
Eurozone					
Base interest rate**	2.50	2.25	2.15	2.25	2.10
10Y Bund yield	2.77	2.80	2.71	2.90	2.77
United Kingdom					
Base interest rate	4.50	4.25	3.75	4.00	3.50
10Y Gilt yield	4.71	4.70	4.17	4.70	4.05

Source: Bloomberg. Berenberg. as of 24/03/2025.
*Average of estimates by other experts (Bloomberg) consensus.
**Deposit rate

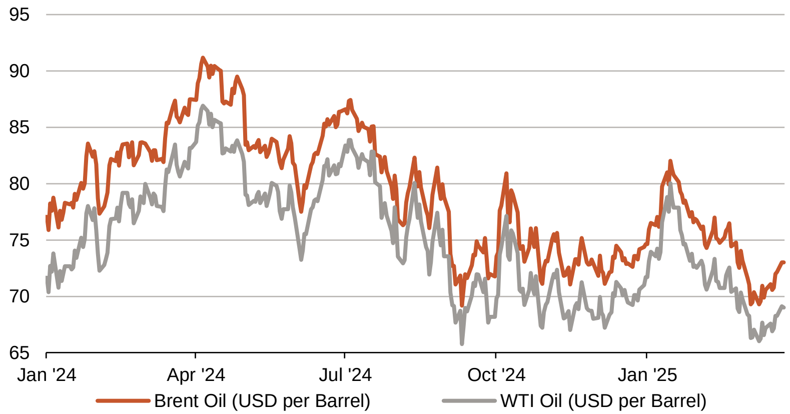

05
Commodities

Crude oil
Oil sideways until further notice

Plenty of supply on the oil market, but only at the right price

- After a brief rally in the wake of new US sanctions against Russian tankers, the oil price fell to its lowest level since 2021 in Q1. Headwinds came primarily from the supply side. On the one hand, the peace negotiations in the Ukraine war led to hopes of more cheap energy from Russia. On the other hand, OPEC+ surprised with the reduction of existing production cuts despite the price weakness. In addition, negative news also prevailed on the demand side (particularly in China). After a loss of more than 15%, the oil price has recently recovered. In addition to the weaker US dollar, the new threats by Donald Trump to impose stronger sanctions on Venezuelan and Iranian oil in particular supported the oil price.
- The upside potential remains limited in an environment of rising production, both from OPEC+ and non-OPEC countries, especially as global demand growth is likely to remain moderate. At the same time, the further downside risk is also limited. Even though there is plenty of supply, US shale oil production in particular is becoming increasingly unprofitable as prices fall. And many members of OPEC+ would also have problems financing their national budgets. A continuation of last year's sideways movement therefore seems likely, even if the corridor (previously USD 70-90/barrel) is now likely to be somewhat lower.

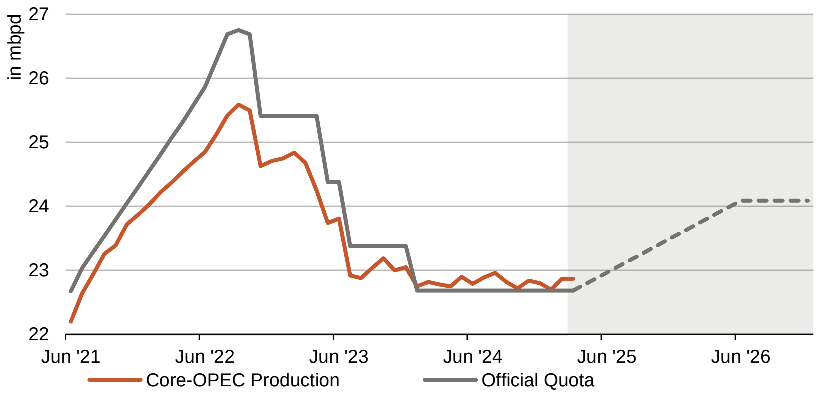
Crude oil continues sideways trend



Source: Bloomberg

Time period: 01/01/2024 – 25/03/2025.

OPEC+ plans gradual production increases



Source: Bloomberg, own calculations.

Time period: 30/06/2021 – 31/12/2026.

Precious and industrial metals

(Precious) metal markets with a structural tailwind

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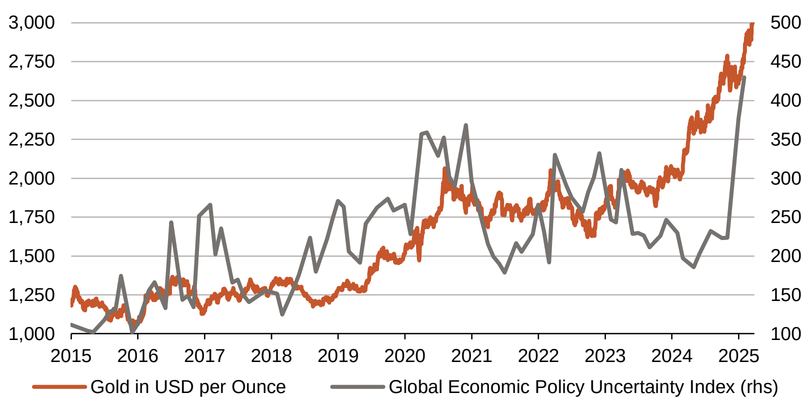
Government debt + uncertainty = gold a 'must'

- Gold seems to have sustainably broken through the USD 3,000/ounce mark in Q1. Fundamentally, the weaker US dollar and lower real interest rates provided a tailwind. However, the most important driver in Q1 was the sharp rise in global economic uncertainty.
- While central banks have significantly increased their holdings in recent years, many international investors are likely to have missed the rally and have a lot of catching up to do: ETF holdings are still around 23% below their highs. With rising sovereign debt (now also in Europe), high uncertainty and an uncertain inflation outlook, gold remains an essential asset in our portfolios despite its high valuation relative to real interest rates.

Even more secular support for industrial metals

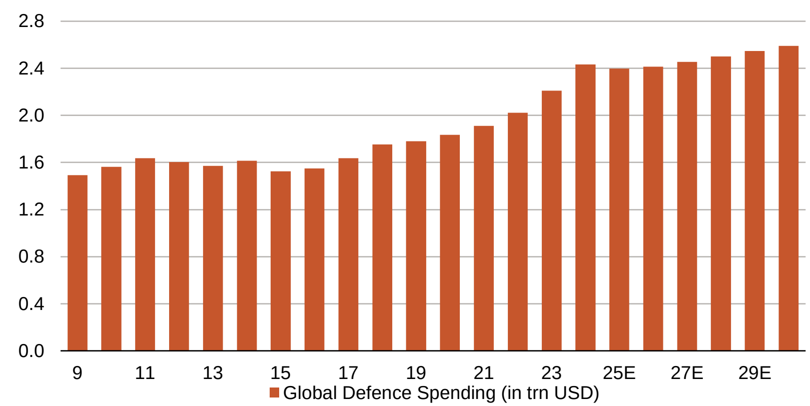
- Although industrial metals also benefited from higher activity in the manufacturing sector in Q1, impending US tariffs in particular boosted certain metals, as US manufacturers are trying to import as much metal as possible before they come into force.
- In the short term, however, the trade war could also weigh on activity. In the long term, the outlook for industrial metals has recently improved once again. In addition to the green transformation, higher defence and infrastructure spending in Europe and the possible reconstruction of Ukraine are now likely to further increase demand and meet tight supply.

Global uncertainty drives investors into gold



Source: Bloomberg, own calculations. Time period: 01/01/2015 – 25/03/2025.

Defence spending likely to boost demand for metals



Source: IISI, BofA Global Research. Time period: 2009-2030, yearly data.

06 Currencies

Market Development
FX markets

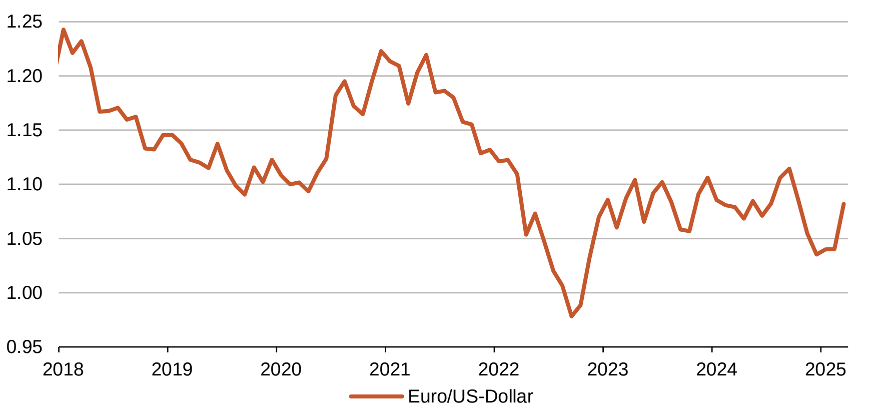
Euro gains significant ground against the dollar

- One reason for this is that the currency market is increasingly asking itself how many allies and trading partners President Trump can take on at the same time without damaging the US economy in the medium term.
- On the other hand, the planned extensive fiscal packages in the eurozone have given the euro a tailwind. The ongoing economic recovery in the eurozone and the optimistic mood in Germany should continue to support the single currency in the coming months. However, much will also depend on the further development of the trade conflicts on the currency market.

Switzerland continues to move towards zero rates

- In the fight against low inflation and the strong franc, the Swiss National Bank lowered the key interest rate again by 25 basis points to 0.25% on 20 March. However, the room for manoeuvre for a further easing of monetary policy is now limited.
- Direct intervention on the foreign exchange market would be an alternative, but again harbours the risk of being labelled a currency manipulator by the US. However, as the ECB is only likely to cut its key interest rate slightly this year, we expect the euro-franc exchange rate to move sideways at around the current level in the medium term.

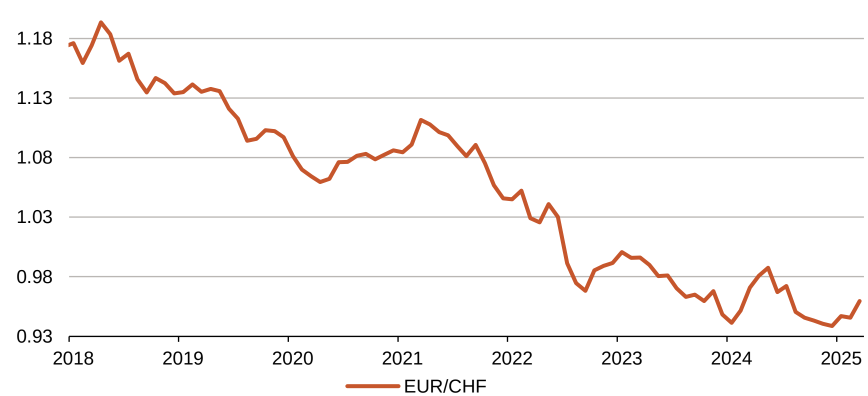
Euro awakens from deep slumber



Source: Bloomberg

Period: 01/2018 – 03/2025

Swiss franc strength continues



Source: Bloomberg

Period: 01/2018 – 03/2025

Forecasts
Estimates of key currencies

	24/03/2025	31/12/2025		30/06/2026	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.08	1.10	1.08	1.13	-
EUR/GBP	0.84	0.85	0.84	0.86	-
EUR/CHF	0.95	0.95	0.96	0.95	-
EUR/JPY	163	154	157	154	-
Change against the Euro (in %)					
USD	-	-1.8	0.0	-4.4	-
GBP	-	-1.7	-0.5	-2.8	-
CHF	-	0.4	-0.7	0.4	-
JPY	-	5.7	3.7	5.7	-

Source: Bloomberg. Berenberg as of 24/03/2025.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information

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