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HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

May | 2025

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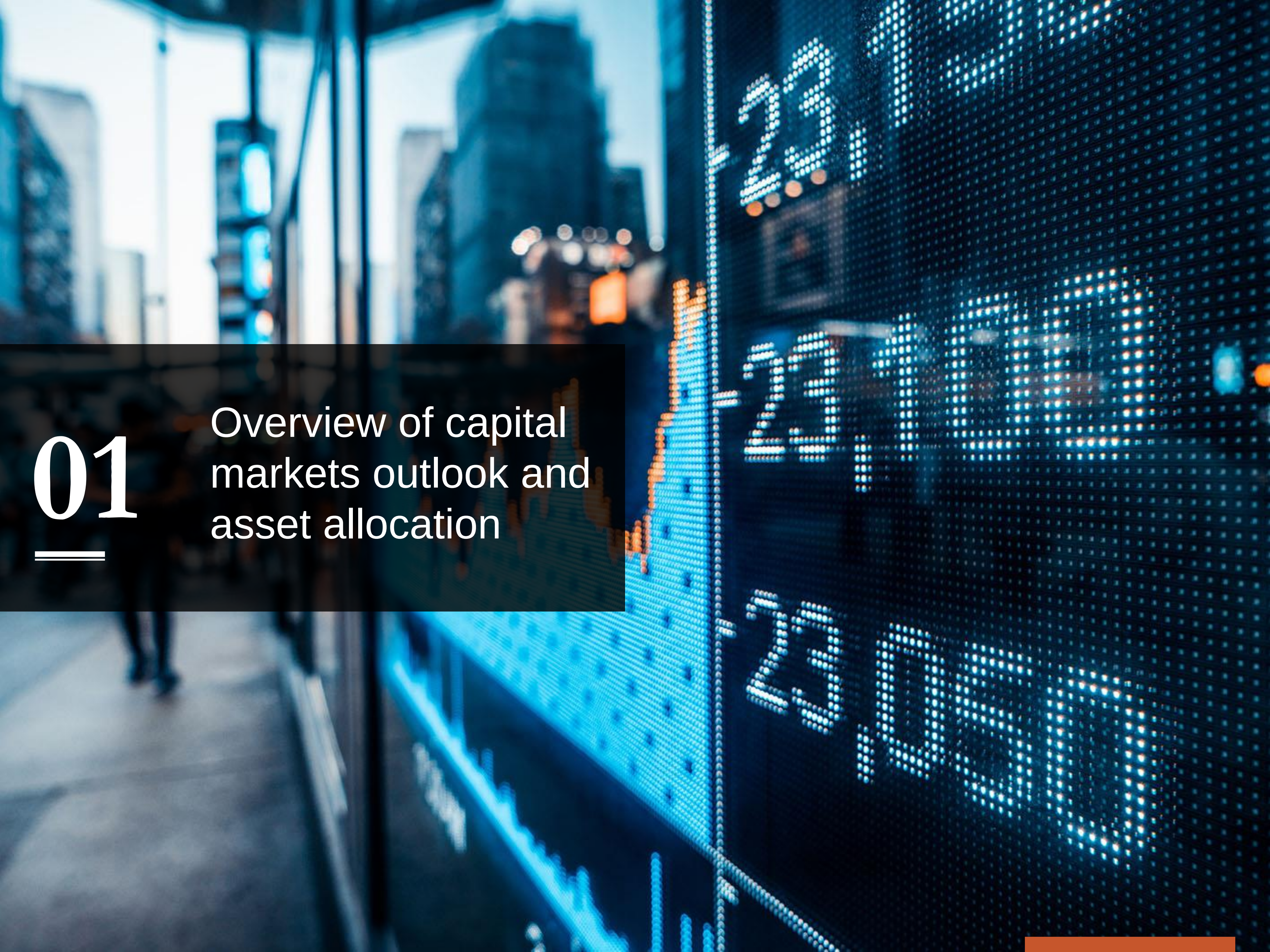
An online glossary with definitions of technical terms is available at www.berenberg.de/en/glossary



01 Overview of capital markets outlook and asset allocation

Overview of capital markets
Performance review

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 (25/03/25 - 22/04/25)	YTD (31/12/24 - 22/04/25)	22/04/24 22/04/25	22/04/23 22/04/24	22/04/22 22/04/23	22/04/21 22/04/22	22/04/20 22/04/21
Gold	5.8	16.8	35.5	21.1	0.8	20.6	-6.2
EUR Sovereign Debt	1.7	1.5	5.0	3.7	-5.9	-5.9	2.6
EUR Coporates	1.1	1.0	5.8	6.2	-5.6	-8.0	6.7
Euro overnight deposit	-2.8	-2.2	0.3	3.8	0.9	-0.6	-0.5
USDEUR	-5.5	-9.4	-6.7	3.1	-1.7	11.2	-9.9
REITs	-7.4	-9.9	2.3	-1.2	-25.0	25.9	15.8
MSCI Frontier Markets	-7.6	-4.3	7.0	13.0	-18.6	13.9	29.8
MSCI Emerging Markets	-9.9	-9.0	1.3	9.2	-7.9	-8.6	38.8
Global Convertibles	-10.0	-12.8	-0.1	8.3	-9.9	-4.9	47.9
MSCI World	-11.8	-14.5	0.4	21.8	-2.2	11.4	35.8
Brent	-12.2	-15.4	-17.8	21.9	-8.9	113.8	122.5
Industrial Metals	-12.5	-6.2	-11.7	10.1	-23.9	57.0	42.3

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: 22/04/2020 – 22/04/2025.

Note: The historical performance presented here is not a reliable indicator of future performance.

Overview of capital markets
Outlook by asset class

Economics

- The US tariffs pose a significant threat to the economic recovery in the Eurozone.
- The USA is the main victim of Trump's tariffs chaos.
- ECB and BoE cut key interest rates further, while the Fed's hands are tied.

Equities

- (US) equities are suffering from uncertainty over tariff policy and its impact on the economy and companies.
- US earnings expectations and valuations remain stretched despite the recent correction, while Europe is cheaply valued.
- A possible slowdown in the US economy in the second quarter and trade disputes could lead to further volatility.

Bonds

- Trump's tariff policy jeopardises investor confidence in the USA. ECB remains on cautious course of interest rate cuts.
- European corporate bonds recently under pressure from Trump tariffs. Investor uncertainty reflected in outflows.
- The emerging bond markets are characterised by Donald Trump's global economic uncertainty.

Alternative investments / commodities

- Sideways movement likely. Prices below USD 60/barrel only realistic temporarily or in the event of a (US) recession.
- Gold continues to be sought after as a safe haven and reaches a new all-time high. However, risk of a correction is increasing.
- Trump's considerable tariff surprises are weighing on industrial metals. However, structural drivers remain intact.

Currencies

- Trump tariffs cause US dollar to plummet.
- The euro wakes up from its deep sleep.
- Beijing uses renminbi to avert damage from trade war.

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

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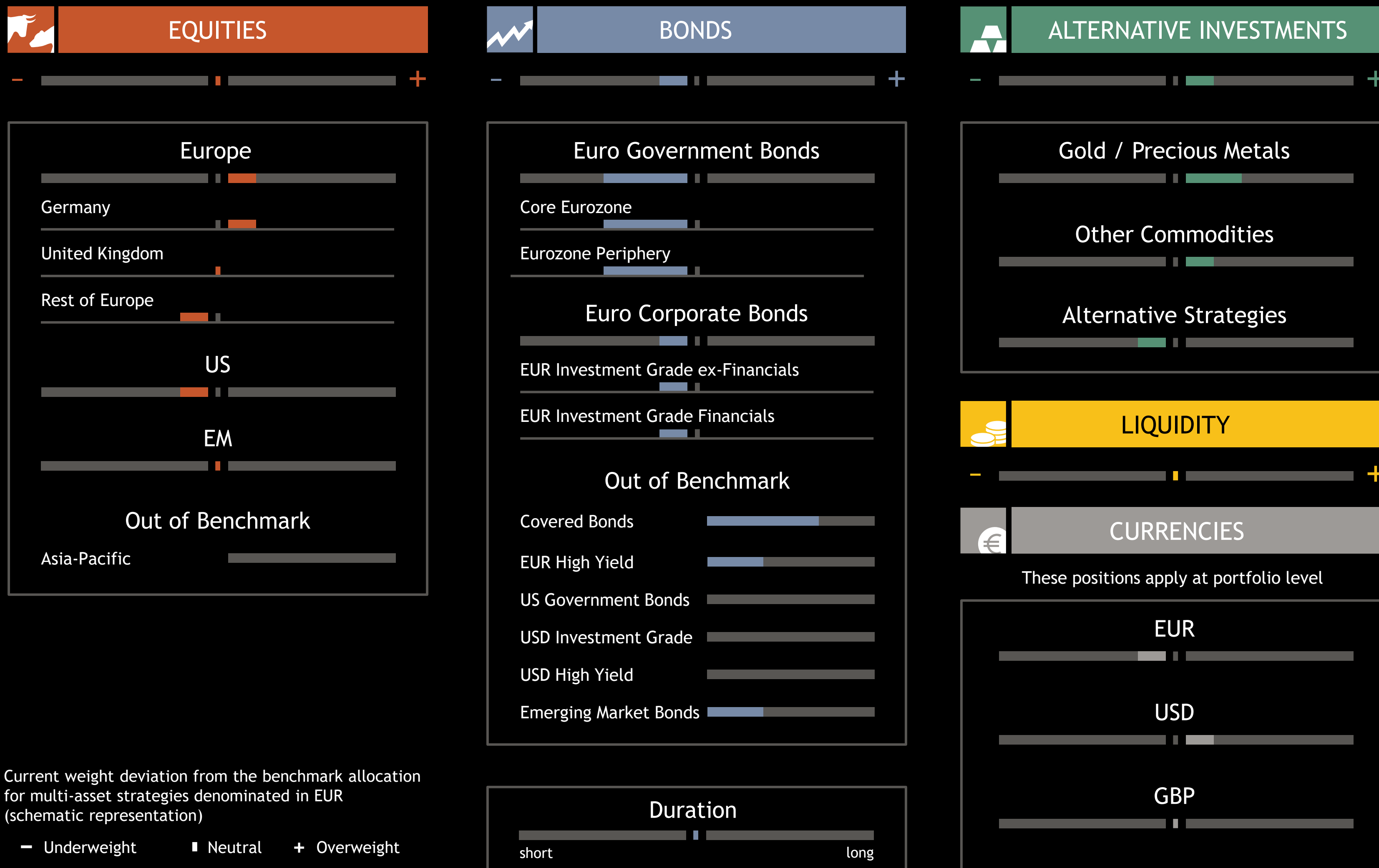
Portfolio positioning of a balanced mandate at a glance



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

– Underweight ▮ Neutral + Overweight

Source: Berenberg

As of 22/04/2025.

Overview of Berenberg's asset allocation

Review of Core Strategy 3

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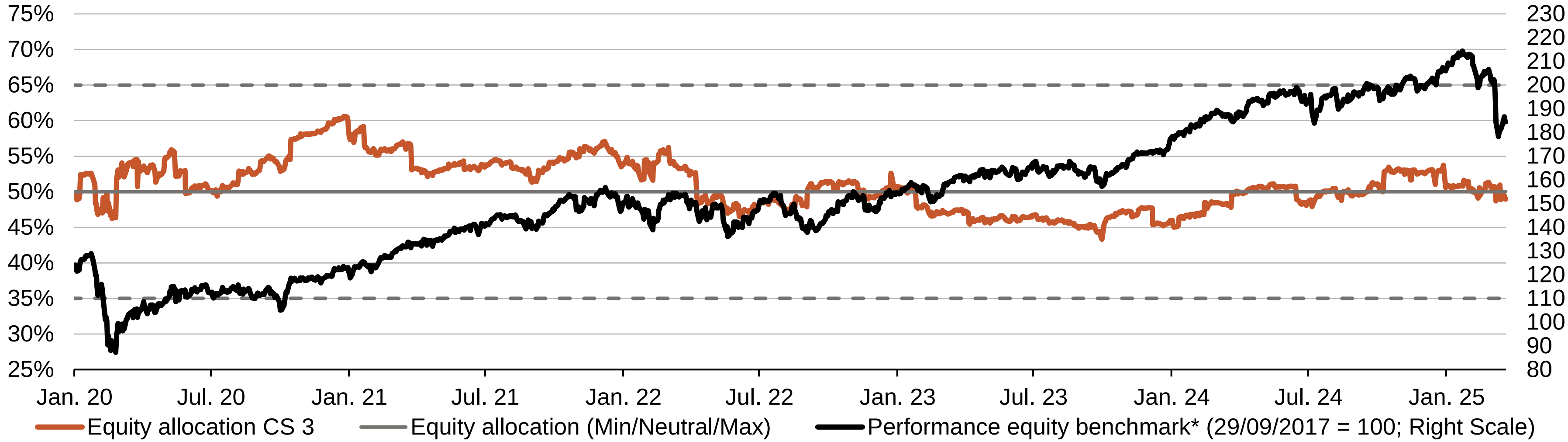
Management of the equity allocation of a balanced multi-asset mandate since inception

	17/04/20 - 17/04/21	17/04/21 - 17/04/22	17/04/22 - 17/04/23	17/04/23 - 17/04/24	17/04/24 - 17/04/25
Performance equity benchmark	**27.05%**	**14.85%**	**5.05%**	**14.45%**	**0.21%**



Time period: 17/04/2020 – 17/04/2025.

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 have used the high volatility on the financial markets since Trump's tariff hammer on "Liberation Day" at the beginning of April to actively play the portfolio. For example, we used the stock market panic on April 7 to tactically increase our equity weighting in Europe and the USA. After the stock markets then recovered significantly in the wake of the proposed tariff pause, we took profits and reduced the weighting back to neutral.
- We have also slightly rebalanced our large gold overweight, which has grown even further due to the strong performance this year, after gold broke through the USD 3,500 per ounce mark for the first time. We also expect increased volatility in the coming weeks, with corresponding opportunities for active managers.

02 Economics

Eurozone
GDP and Inflation

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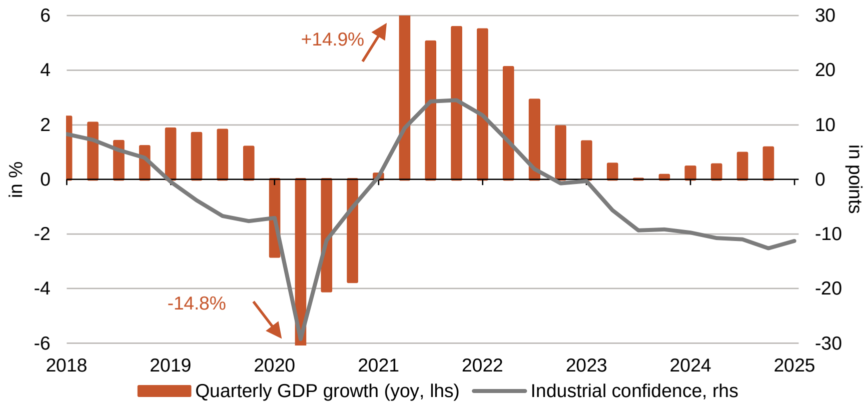
Trump threatens the economic recovery

- Rising real wages, interest rate cuts and a planned increase in government spending (particularly on defense) are providing an economic tailwind in the Eurozone.
- US tariffs, on the other hand, pose an immediate threat to economic recovery. Our current forecasts are based on the assumption that the US tariffs will be at least partially negotiated away. If this is not successful, we would revise down our forecasts for GDP growth in the Eurozone in 2025 and 2026 by a total of around 0.2 to 0.3 ppt.

ECB prepares for impact of tariffs

- At its April meeting, the ECB lowered its key interest rate again by 25 basis points to 2.25%. Furthermore, the ECB is trying to keep all options open but is emphasizing the dangers of US tariffs for growth in the Eurozone.
- We assume that the tariff dispute with the US will dampen rather than increase inflationary pressure in the Eurozone. The oil price has fallen, the strong euro is making imports cheaper and Chinese goods, which are being redirected to Europe due to the high US tariffs, are putting pressure on prices in the Eurozone. We therefore expect the deposit rate to be cut further to 2.00% on June 5.

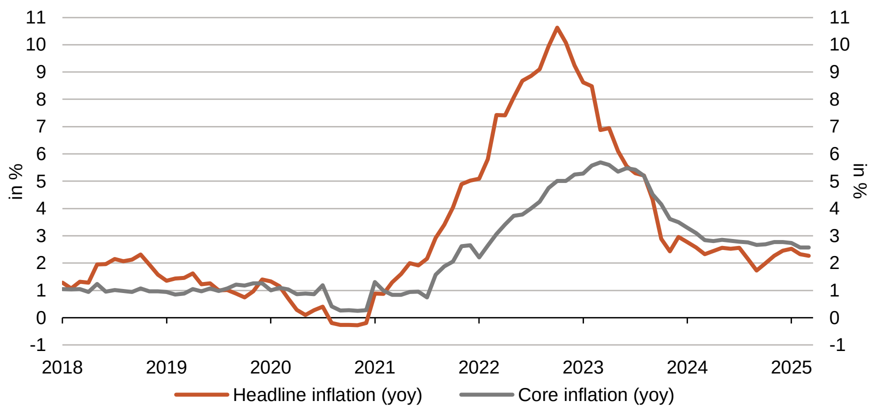
Economic recovery expected for the summer



Source: Haver

Period: 01/2018 – 03/2025

Step by step towards 2 %



Source: Haver

Period: 01/2018 - 03/2025

United Kingdom
GDP and Inflation

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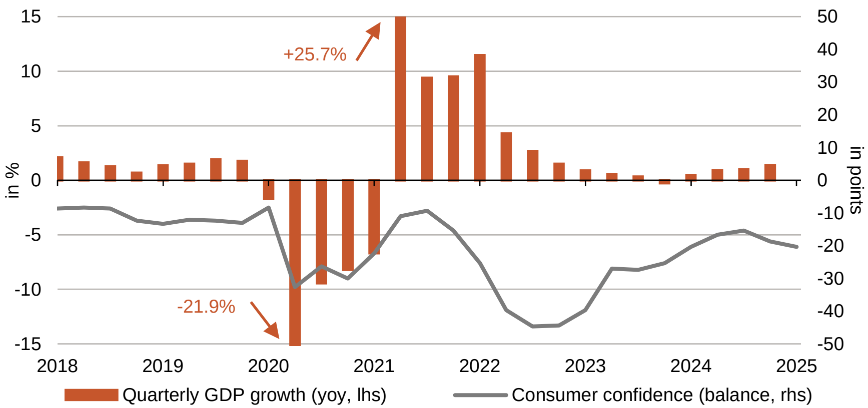
Tariff shock will not jeopardize upswing

- The British economy grew by a surprising 0.5% in February compared to the previous month. The services sector in particular had a good month, indicating that consumers are starting to spend their real wage gains of recent months.
- We expect GDP to expand at solid rates on average in 2025. While US tariffs have been low at 10% and the US does not play a decisive role as a sales market for the UK, higher government spending, real wage growth for consumers and falling key interest rates are supporting the economy.

Lower March inflation gives the BoE more leeway

- Consumer prices rose by just 2.6% year-on-year in March, compared to 2.8% in February. In the services sector, the inflation rate fell from 5.0% to 4.7%. Inflation was therefore lower than generally expected. The BoE is expected to cut the key interest rate to 4.25% on May 8.
- The increases in the minimum wage and taxes are likely to keep wage and price pressure high in the service sector. We therefore expect the BoE to wait until 2026 before making a final interest rate hike to 4.0%. However, the unexpectedly low inflation in March increases the likelihood of a further rate hike as early as this year.

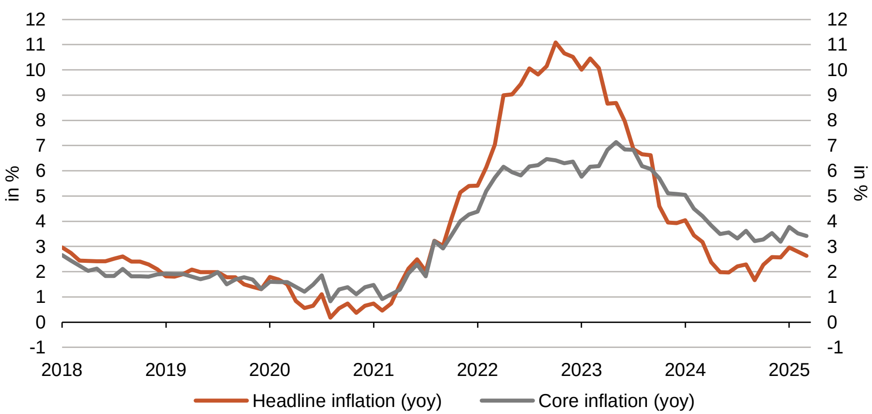
Waiting for the upturn



Source: Haver

Period: 01/2018 - 03/2025

Inflation falls, but remains too high



Source: Haver

Period: 01/2018 - 03/2025

USA
GDP and Inflation

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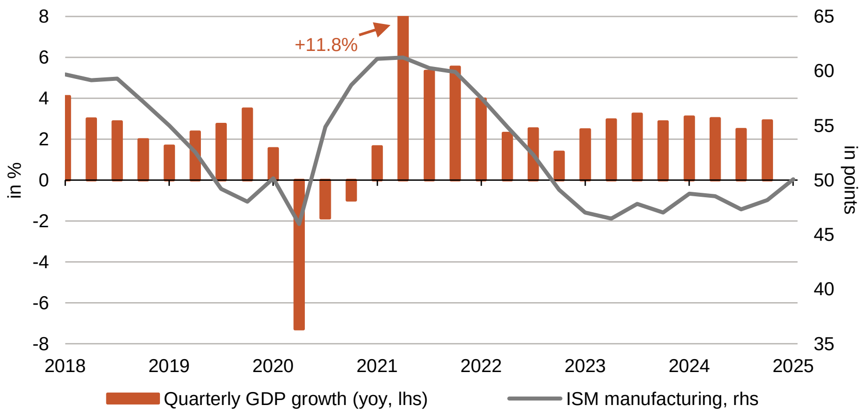
Trump wields the global tariff cudgel

- US tariffs act like a tax on consumers by increasing prices and reducing consumer purchasing power. However, this dampening effect on the economy is likely to be at least partially offset by President Trump's plan to return tariff revenues to consumers in the form of tax cuts. We therefore expect the price effect to be stronger than the economic effect in the US in the short term.
- Trump's protectionist trade policy combined with a restrictive immigration policy will lead to lower trend growth in the US.

Tariffs complicate the Fed's work

- Companies are likely to pass on a large proportion of the higher import tariffs to US consumers. This should mean that the core inflation rate in the US, which has recently been trending sideways at around 3% and is still too high for the Fed, will not fall any further or even rise again in the coming months.
- This will make it much more difficult for the US Federal Reserve to lower the key interest rate further. If Trump does not lower the tariffs again in the long term, it may even be forced to raise its key interest rate again later in the year.

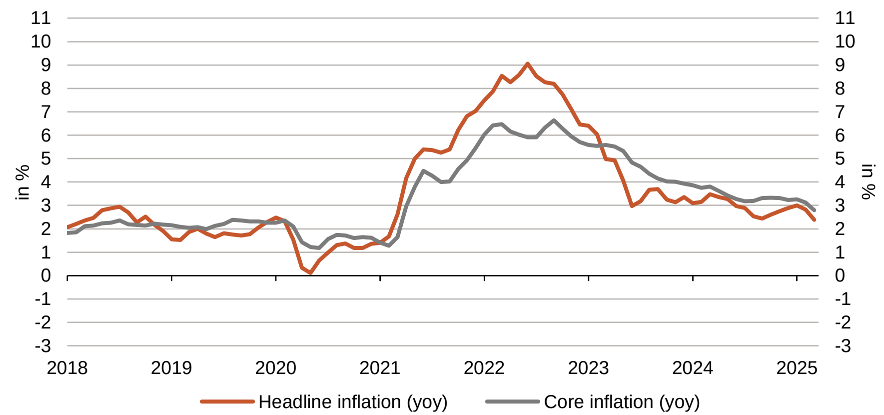
US growth will slow down



Source: Haver

Period: 01/2018 - 03/2025

Hardly any progress in the fight against inflation



Source: Haver

Period: 01/2018 - 03/2025

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	1.7	1.7	1.6	1.9	3.0	2.9	3.2	3.0	2.7	2.7
Eurozone	0.8	0.7	0.9	0.8	1.5	1.2	2.4	2.4	2.0	2.2	2.3	1.9
Germany	-0.2	-0.2	0.1	0.1	1.3	1.3	2.5	2.5	2.2	2.3	2.4	2.1
France	1.1	1.1	0.4	0.5	0.9	0.9	2.3	2.3	0.8	1.1	1.9	1.7
Italy	0.5	0.5	0.7	0.5	1.2	0.8	1.1	1.1	2.2	1.9	2.3	1.7
Spain	3.2	3.2	2.4	2.5	2.3	1.8	2.9	2.9	2.5	2.4	2.2	2.0
United Kingdom	1.1	0.9	1.1	0.9	1.3	1.2	2.5	2.5	3.4	3.1	2.8	2.3
Japan	0.1	0.1	1.1	1.0	1.0	0.8	2.7	2.7	2.6	2.7	1.7	1.9
China	5.0	5.0	4.2	4.5	3.7	4.2	0.2	0.2	0.6	0.5	1.4	1.2
World*	2.6	-	2.3	-	2.3	-	-	-	-	-	-	-

Source: Bloomberg. Berenberg as of 23/04/2025.
* 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
‘America First’ pushes US markets to the back of the queue

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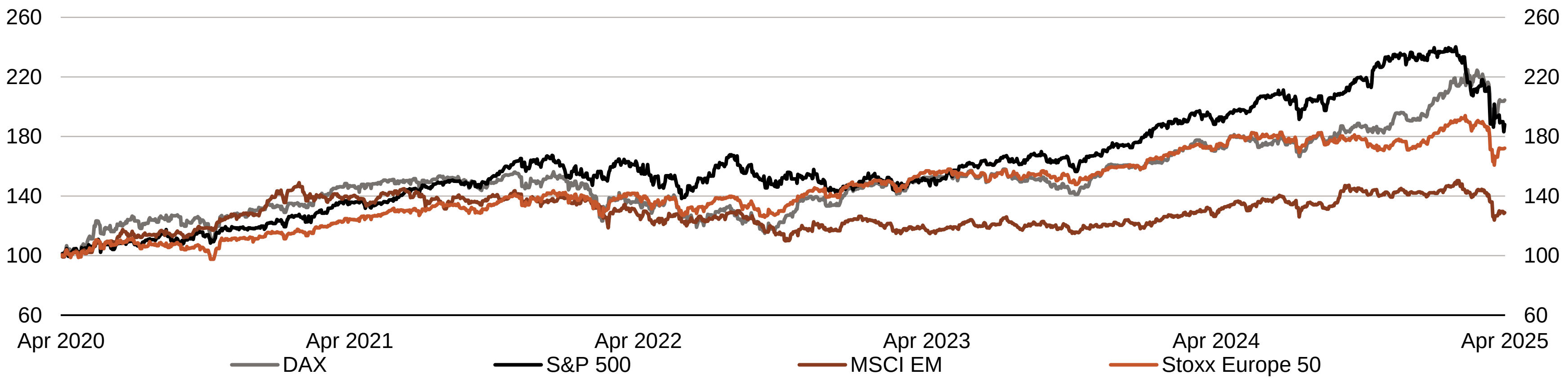
Broad sell-off in April

- April was characterised by historically high volatility due to Donald Trump's erratic tariff policy. US equity markets fell sharply at the beginning of the month, triggered by the sell-off following Trump's announcement of tariffs on 2 April, the so-called " liberation day ". The S&P 500 had its worst two-day performance since the coronavirus pandemic. It was also the worst week for the Nasdaq and Russell 2000 since the pandemic. There was a brief recovery in equity markets in the middle of the month after Trump announced a 90-day pause in tariffs against countries that had not taken countermeasures and sought negotiated solutions. However, the rally was short-lived: escalating tensions with China (announced tariff increases to 245%) and pressure from the White House on the Federal Reserve and Fed Chairman Jerome Powell weighed on equity prices.
- Looking ahead, Trump's tariff policy remains the biggest source of uncertainty. The probability of a (mild) recession in the US has increased further in recent weeks. Earnings expectations and valuations remain stretched, which means that pessimistic economic data or company outlooks could lead to a continuation of the sell-off. Anti-cyclical trading remains advisable.

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Time period: 22/04/2020 – 22/04/2025

Corporate earnings
Tariff implications dominate earnings season

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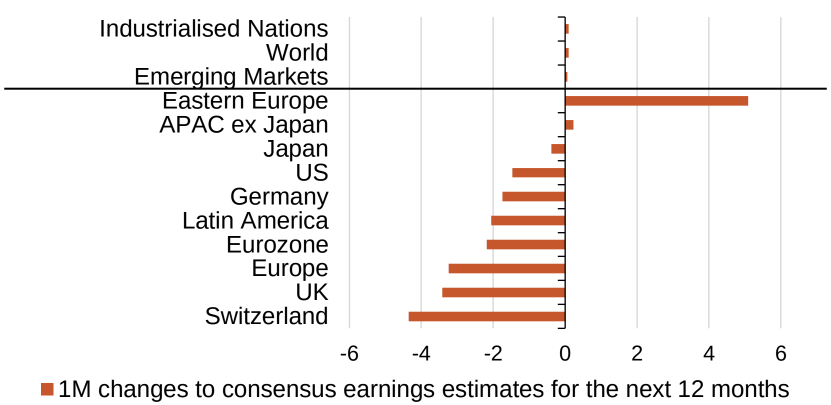
Disappointing start to the earnings season

- The start of the Q1 earnings season has been disappointing for the S&P 500 companies that have reported so far. Only 49% of companies beat earnings expectations and conservative guidance led to downward revisions to earnings estimates. Overall, earnings surprises were below the 1-year and 5-year averages of 77% of early reporters.
- A bright spot was financials (67% beat consensus estimates), which delivered positive earnings surprises mainly due to still-solid balance sheets and increasing share buybacks.

Market focus on company outlooks

- Given the uncertainties surrounding tariffs, the focus in the current reporting season continues to be on company outlooks.
- This is also reflected in the diverging share price performance of companies depending on their level of foreign sales. Due to the uncertainty surrounding potential tariff and currency risks, S&P 500 companies with high foreign sales have significantly underperformed in the current reporting season, while companies with high domestic sales have outperformed the broad index.

Negative earnings revisions for US and Europe



Source: FactSet

As of: 23/04/2025

Companies with high foreign sales underperform

Performance of S&P 500-Companies Following 1Q25 Earnings

Foreign Sales as a % of Total Sales	1 Day Absolute Performance	1 Day Relative Performance
> 25 %	-1.56 %	-1.48 %
< 25 %	-0.08 %	0.32 %

Source: Morgan Stanley

As of: 17/04/2025

Performance & Valuation

Can the (US) sell-off continue?

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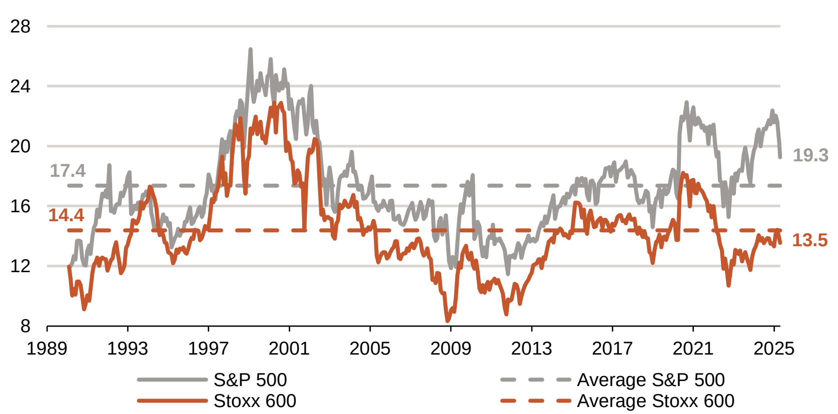
European equities still attractively valued

- With the current doubts about US exceptionalism, the performance of the S&P 500 index has recently been weighed down by a significant tightening in valuations. Previously, the outperformance of US equities in recent months had been driven primarily by an expansion in valuations.
- With the decline in US equity markets, the price/earnings ratio of US equities has recently fallen significantly. However, at 19.3x, valuations are still well above the long-term average of around 17x. European equities have also recently become cheaper. In contrast to the US, the P/E ratio is actually below the historical average.

Preference for anti-cyclical trading

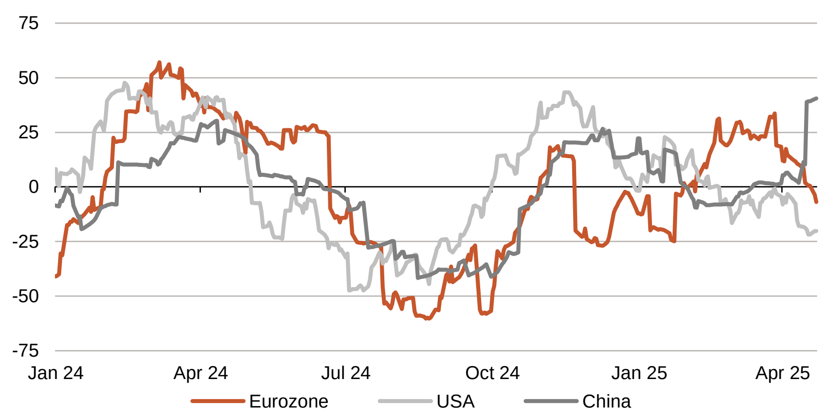
- Whether the sell-off continues, particularly in US equities, is likely to depend on the development of Trump's trade policy, the corporate outlook and Fed policy. Although weak US growth is at least partly priced in, earnings expectations and valuations remain stretched despite recent corrections. If economic data and company outlooks disappoint, the sell-off could continue. In any case, volatility is likely to remain high due to the major macroeconomic shifts and Trump's temperament, offering anti-cyclical opportunities.

Strong valuation difference between USA and Europe



Source: Bloomberg, own calculations. Time period: 01/01/1988 – 22/04/2025

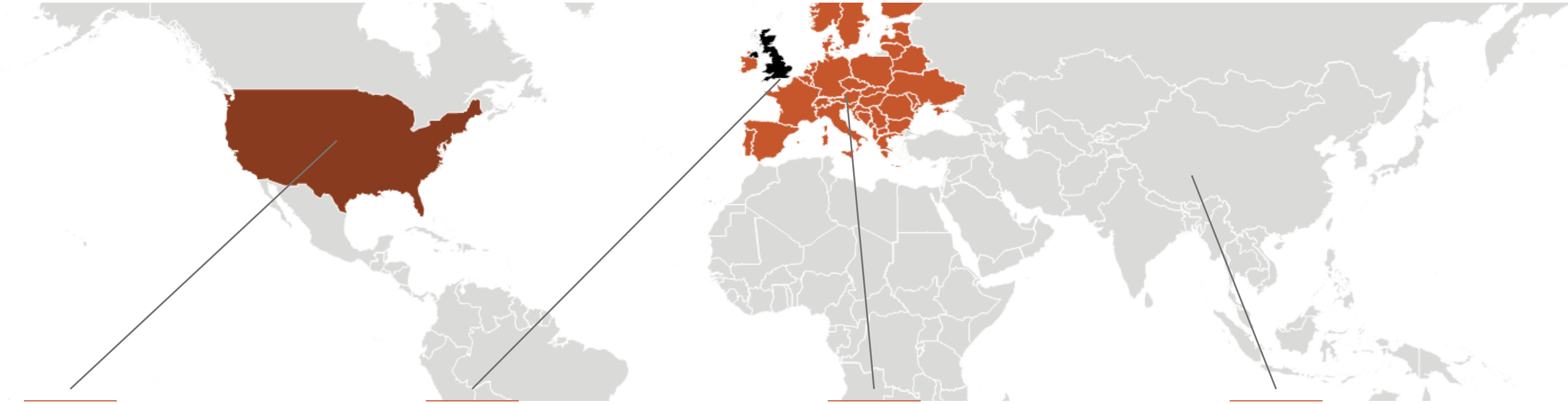
Economic data in the USA continues to disappoint



Source: Bloomberg, own calculations. Time period: 01/01/2024 – 22/04/2025

Equity allocation

Preference for neutral positioning across regions



US

Lightly Underweight

- 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

Lightly Overweight

- 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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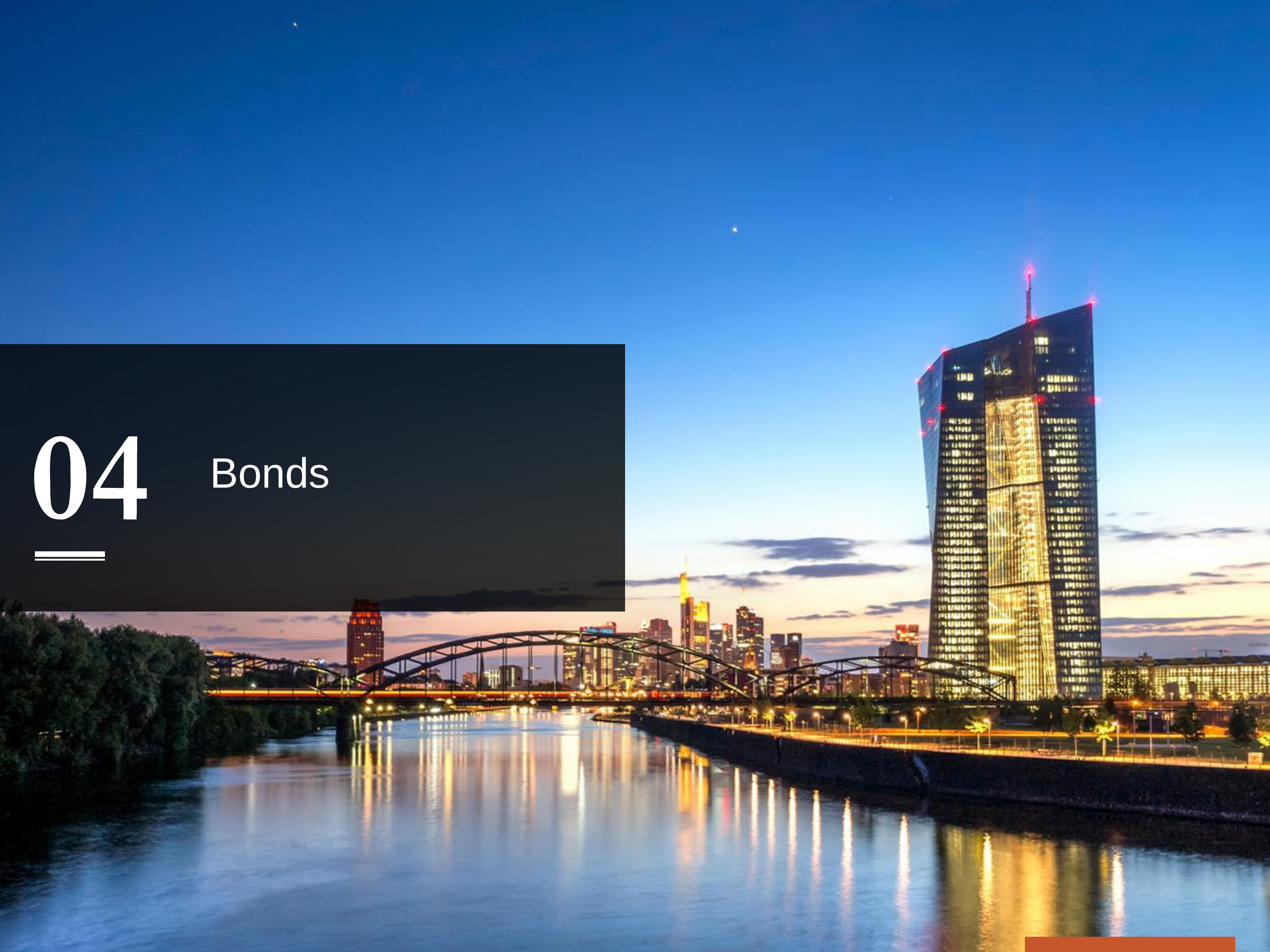
Index forecasts	Current 22/04/2025	31/12/2025	30/06/2026	Ø* in 12 months
S&P 500	5,288	6,000	6,400	6,602
DAX	21,294	24,000	26,000	25,179
Euro Stoxx 50	4,961	5,700	6,000	5,892
MSCI UK	2,381	2,600	2,750	2,827

Index potential (in %)				
S&P 500	-	13.5	21.0	24.9
DAX	-	12.7	22.1	18.2
Euro Stoxx 50	-	14.9	20.9	18.8
MSCI UK	-	9.2	15.5	18.7

Source: Bloomberg, Berenberg as of 22/04/2025.
*Average based on bottom-up estimates.



04 Bonds

Government bonds
Unsafe US harbour?

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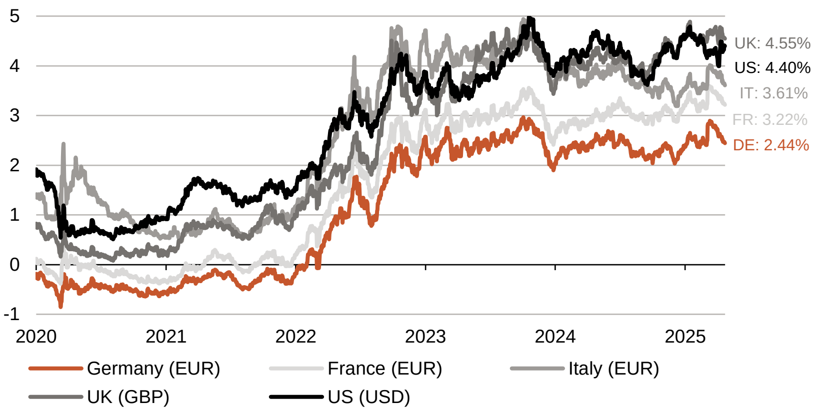
Trump's tariff policy jeopardises investor confidence

- Donald Trump's highly erratic tariff policy since Liberation Day on 2 April is increasingly eroding investor confidence in the US dollar and US government bonds as a safe haven. In addition to the market turbulence of recent weeks, which among other things led to an unwinding of the basis trade and thus to a rise in US yields, the tariffs continue to increase inflation risks and thus complicate the Fed's interest rate cut manoeuvre.
- In addition to the unpredictable tariff policy, Donald Trump continued to exert pressure on Fed Chairman Jerome Powell and brought a possible dismissal into play, which is likely to jeopardise the Fed's independence and further unsettle investors in US bonds.

ECB remains on cautious course of interest rate cuts

- -As expected, the ECB Governing Council lowered the key interest rate by 25 basis points after the regular meeting in April. ECB President Christine Lagarde conceded that most inflation indicators point to a return to an inflation rate of 2% and that the growth prospects for the eurozone have deteriorated due to increasing trade tensions.
- Despite the downside risks to inflation from the appreciation of the euro, lower commodity prices and the potential for trade diversion, the impact of trade tensions on inflation was ‘not entirely clear’ and would only become apparent over time.

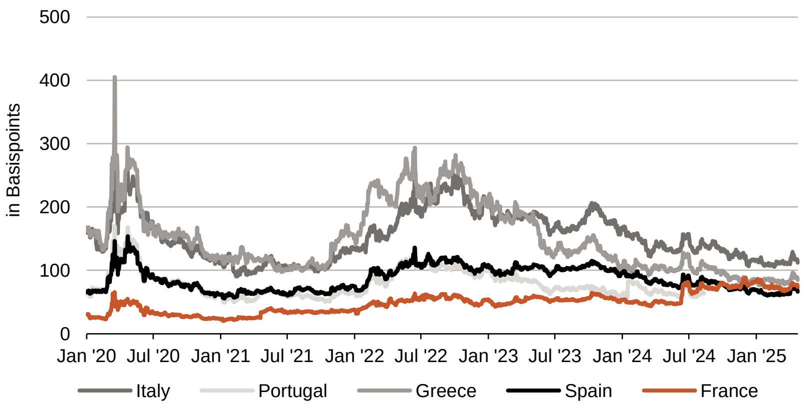
10-year US yield (%) recently rising



Source: Bloomberg

Time period: 01/01/2020 – 22/04/2025

Spreads of peripheral eurozone countries fell recently



Source: Bloomberg, own calculation

Time period: 22.04.2025

Corporate & EM bonds

Trump's tariff policy keeps Europe and EM on tenterhooks

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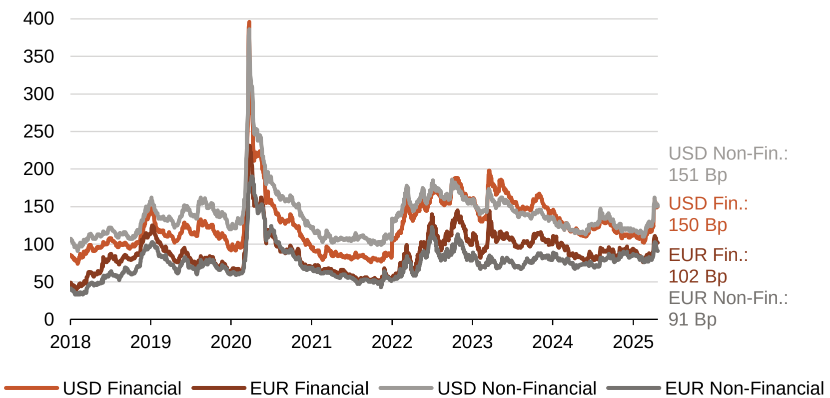
Corporate bonds: Spreads and outflows higher

- European corporate bonds remained under pressure in April. Donald Trump's announcement to impose high tariffs on trading partners on 'Liberation Day' increased investors' concerns about the global recession and thus also about the outlook for European companies. Spreads on IG corporate bonds rose to their highest level since October last year, while spreads on high-yield bonds reached their highest level since August last year.
- Investor uncertainty was reflected in high outflows in both the IG and high-yield bond segments, with cumulative inflows in both segments now negative.

Emerging market bonds: Recession risks weigh on

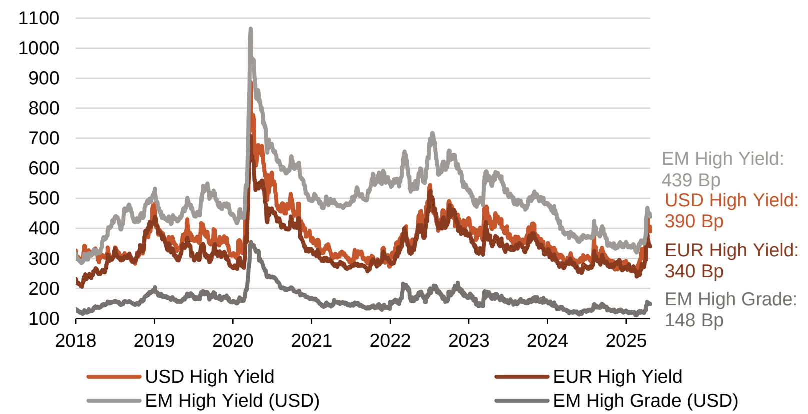
- The markets for emerging market bonds are characterised by uncertainty about the protectionist measures of the new US government and the associated rising risks of a global recession. Risk premiums widened in April for both government and corporate bonds from emerging markets, reaching their highest levels since the middle of last year.
- A stronger economy in China has so far always been a blessing for the global economy - especially for the emerging markets. The further economic development of China and thus a potential tailwind for emerging market asset classes depends heavily on the trade talks with Donald Trump.

Higher spreads due to global US tariff war



Source: FactSet, own calculations Time period: 01/01/2018-22/04/2025

Recession fears drive up EM spreads



Source: FactSet, own calculations Time period: 01/01/2018-22/04/2025

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

- Following the recent widening of risk premiums in both the high-yield and IG segments, the attractiveness of both segments has risen marginally in a historical comparison. In our base scenario, however, spreads are unlikely to widen any further, meaning that high-quality corporate bonds remain more attractive than government bonds.
- In terms of sector selection, we focus on defensive industries and avoid cyclical sectors. We also underweight bonds from export-orientated companies. 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 bond segment remains attractive for many investors due to the positive economic outlook resulting from the ECB's interest rate cuts and the high carry. The recent widening of spreads has also made the segment slightly more attractive in a historical comparison.
- We continue to regard catastrophe bonds and high-yield bond funds with a more defensive profile as attractive.

Forecasts

Estimates for selected bond markets

	22/04/2025	31/12/2025		30/06/2026	
Base interest rates and government bond yields (in %)	**Current**		**Ø***		**Ø***
US					
Base interest rate	4.25-4.50	4.25-4.50	4.05	4.25-4.50	3.70
10Y US yield	4.40	4.80	4.23	4.90	4.16
Eurozone					
Base interest rate**	2.25	2.00	2.05	2.00	2.10
10Y Bund yield	2.44	2.80	2.63	2.90	2.77
United Kingdom					
Base interest rate	4.50	4.25	3.75	4.00	3.45
10Y Gilt yield	4.54	4.70	4.18	4.70	4.06

Source: Bloomberg. Berenberg. as of 22/04/2025.
*Average of estimates by other experts (Bloomberg) consensus.
**Deposit rate

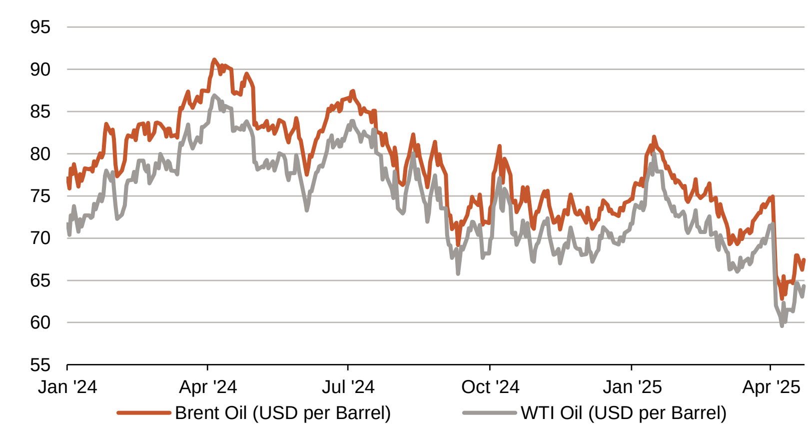
05 Commodities

Crude oil
Further sideways movement without recession

Lots of volatility, but ultimately oil should move sideways

- The oil price experienced a proper crash at the beginning of April. Brent crude lost more than 10% within two days and more than 15% within a week. The energy sector was hit by a double whammy of bad news. On the demand side, Donald Trump's ‘Liberation Day’ caused considerable economic concerns. In addition, OPEC+ unexpectedly announced on the same day that it would triple the planned production increase in May in order to penalise non-compliant member states for excessive production volumes. As a result, a likely weaker demand would meet increasing supply. In recent weeks, however, the oil price has recovered and recouped around half of the losses from the beginning of the month. On the one hand, demand is still robust with low inventories and, on the other hand, the OPEC+ countries in question have already presented a compensation plan.
- Meanwhile, our outlook has not changed much: A sideways movement in a corridor of USD 60 to 80 per barrel (Brent) still seems likely. Although the outlook for demand is uncertain, production below USD 60 per barrel is likely to become increasingly unprofitable for many producers, meaning that significantly lower prices are only realistic temporarily or in the event of a (US) recession.

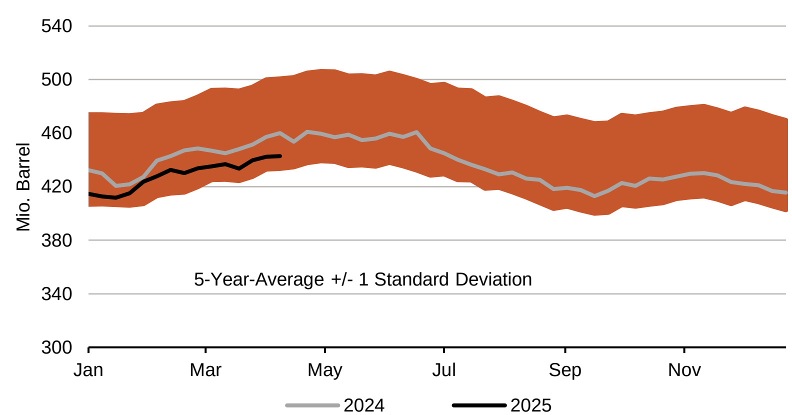
Crude oil continues sideways trend



Source: Bloomberg

Time period: 01/01/2024 – 22/04/2025.

US inventories (still) very low



Source: Bloomberg, own calculations.

Time period: 01/01/2020 – 23/04/2025.

Precious and industrial metals

Tariff policy as price driver: Gold shines, metals weaken

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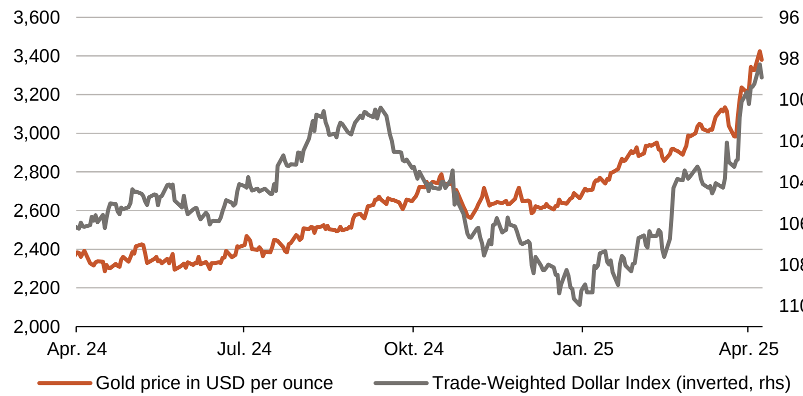
Gold – from all-time high to all-time high

- Gold seems unstoppable and recently reached a new all-time high of USD 3,423 per troy ounce. With a performance of around 30%, the precious metal is once again one of the best performing asset classes since the beginning of the year.
- In addition to global economic policy uncertainty and an increasing likelihood of recession in the US, the simultaneous sell-off of US equities, US government bonds and the dollar also contributed to the flight to safe havens. Structural central bank purchases, particularly from Asia, and continuously rising ETF holdings are also supporting the price increase. Fundamentally, however, the precious metal appears increasingly expensive and is likely to be more susceptible to a correction, at least for the time being.

Tariff policy leads to significant setback

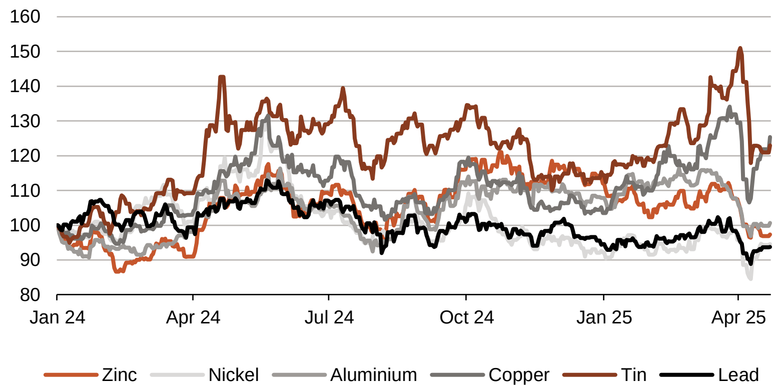
- Trump's considerable tariff surprises caused industrial metals to plummet at the beginning of the month. Copper even fell by more than 15% at times. However, the broader industrial metals index has also lost more than 10% since the end of March.
- Industrial metal prices have only recovered selectively in the recent past, as the uncertainty surrounding US tariff policy under Donald Trump persists. In addition to possible sectoral tariffs, measures in the area of critical minerals are also being examined. However, despite rising fears of recession, the structural drivers for industrial metals remain intact.

Weak dollar supports gold since the start of the year



Source: Bloomberg, own calculations. Time period: 15/04/2024-22/04/2025.

Industrial metals hit by tariff surprises



Source: Bloomberg, own calculations Time period: 01/01/2024-22/04/2025

06 Currencies

Market Development
FX markets

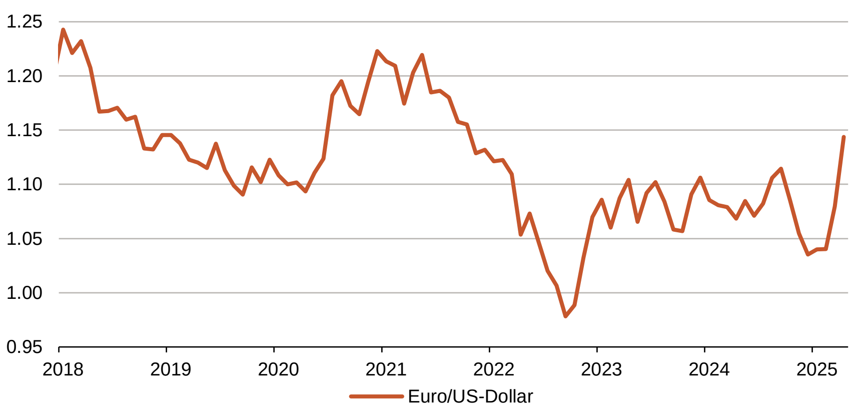
Trump tariffs cause US dollar to plummet

- Following the announcement of the US tariff package, the dollar has fallen sharply in value. The currency market seems to be 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.
- The dollar remains the global reserve currency, but its status will suffer if investors lose confidence in the rationality of US policy and worry about slower trend growth coupled with rising budget deficits. If Trump continues to pursue policies that hurt the US, the dollar could lose even more ground.

Beijing allows the renminbi to slightly depreciate

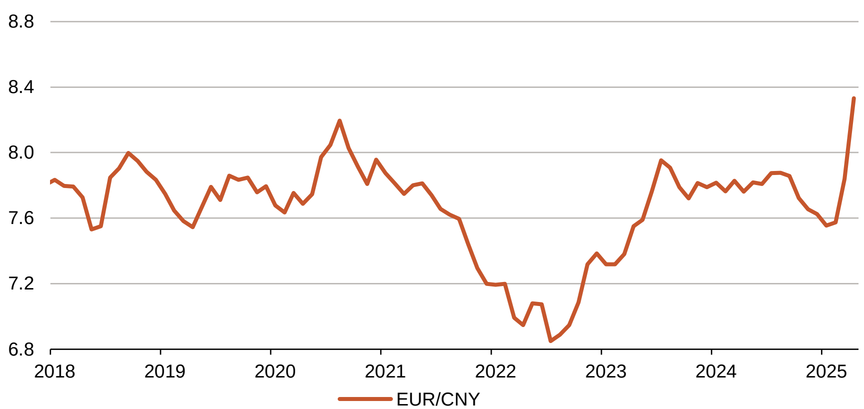
- The trade war between the US and China is escalating and is gradually pushing up tariffs on both sides to dizzying heights. A weaker renminbi would help Chinese exporters, but so far Beijing has kept the exchange rate stable to avoid angering Washington.
- Recently, however, a certain devaluation of the renminbi seems to have been permitted. If the trade conflict between the US and China does not ease, the renminbi could depreciate further against the US dollar and the euro.

The euro wakes up from its deep sleep



Source: Bloomberg
Period: 01/2018 – 04/2025

Trade conflict causes renminbi to weaken



Source: Bloomberg
Period: 01/2018 – 04/2025

Forecasts
Estimates of key currencies

	22/04/2025	31/12/2025		30/06/2026	
Exchange rate forecasts	**Current**		**Ø***		**Ø***
EUR/USD	1.14	1.14	1.11	1.16	-
EUR/GBP	0.86	0.85	0.84	0.86	-
EUR/CHF	0.94	0.95	0.96	0.95	-
EUR/JPY	162	160	159	159	-

Change against the Euro (in %)					
USD	-	0.2	2.9	-1.5	-
GBP	-	0.8	2.0	-0.4	-
CHF	-	-1.5	-2.6	-1.5	-
JPY	-	1.1	2.0	1.7	-

Source: Bloomberg. Berenberg as of 22/04/2025.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information

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