Horizon Handout

The Berenberg Capital Markets Outlook Wealth and Asset Management

June 2025

BERENBERG

Important Notices

Date 28.05.2025

Table of contents

01 **Capital market and asset allocation**
Gold overweight reestablished 4

02 **Economics**
All eyes remain on the White House in the trade dispute 9

03 **Equities**
(US) equity markets with some potential until summer 14

04 **Bonds**
Trump's tax plans and Moody's downgrade weigh on long-term government bonds 20

05 **Commodities**
Oil with little upside potential, gold continues to shine, copper benefits from tight supply 25

06 **Currencies**
The weak dollar is here to stay 28

01 Overview of capital markets outlook and asset allocation

Performance review

Overview of capital markets

	4-week & YTD		12-month periods over that last 5 years				
	4W (28/04/25 - 26/05/25)	YTD (31/12/24 - 26/05/25)	26/05/24 26/05/25	26/05/23 26/05/24	26/05/22 26/05/23	26/05/21 26/05/22	26/05/20 26/05/21
MSCI Emerging Markets	6.7	-0.1	5.5	13.0	-2.3	-11.7	33.9
MSCI Frontier Markets	5.9	2.8	11.5	14.3	-9.7	1.2	26.1
MSCI World	5.6	-5.8	6.5	22.9	4.7	6.9	28.3
Global Convertibles	3.3	-6.9	5.3	7.1	-2.1	-7.6	34.0
Industrial Metals	1.0	-4.6	-12.0	20.2	-19.2	34.1	44.2
REITs	0.8	-8.0	2.9	2.5	-18.3	12.5	14.6
Gold	0.3	15.9	36.5	18.6	5.2	10.9	-0.1
USDEUR	0.3	-9.1	-4.7	-1.1	0.1	13.6	-9.9
Brent	0.3	-17.1	-14.8	17.9	-18.4	122.6	62.2
EUR Coporates	0.1	1.2	5.9	6.5	-4.5	-9.1	5.2
EUR Sovereign Debt	0.1	1.5	5.3	3.5	-5.6	-5.9	1.1
Euro overnight deposit	-3.0	-2.2	0.0	3.9	1.2	-0.6	-0.5

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

Period: 26/05/2020 – 26/05/2025

Performance of selected asset classes

Total return of asset classes in the last 4 weeks, year-to-date and over 5 years (%, EUR)

Sources: Bloomberg, Berenberg.
Note: The historical performance presented here is not a reliable indicator of future performance.

BERENBERG

Overview of capital markets

Economics

Trump is increasing pressure on the European Union in the trade dispute. However, a trade agreement in the summer seems likely.

The economy in the UK is stable. Inflationary pressure is preventing further interest rate cuts by the Bank of England.

The US economy remains robust for now. However, growth is expected to lose significant momentum in the coming months.

Equities

Global equities with significant recovery in May.

US reporting season surprised positively, but earnings expectations were reduced further. Narrowing of the valuation gap between US and European equities.

Share buybacks and purchases by underinvested investors should support (US) equities until the summer. From summer onwards, volatility is likely to increase due to lower liquidity and probably weaker macro data.

Bonds

Trump's tax plans are likely to increase the US deficit and weigh on long-term government bond yields.

A weak auction of long-term US bonds and a downgrade by Moody's are additional burdens.

Emerging market bonds may recover after April's setback, with spreads narrowing further as a result.

Alternative investments / commodities

OPEC+ significantly expands supply. US shale oil producers are likely to suffer. Price potential limited with subdued demand growth.

Gold remains in high demand in an environment of trade tensions and fiscal excesses.

Industrial metals driven not only by macroeconomic factors, but also by strong idiosyncratic factors.

Currencies

The Fed has no more room to cut key interest rates. This could strengthen the dollar.

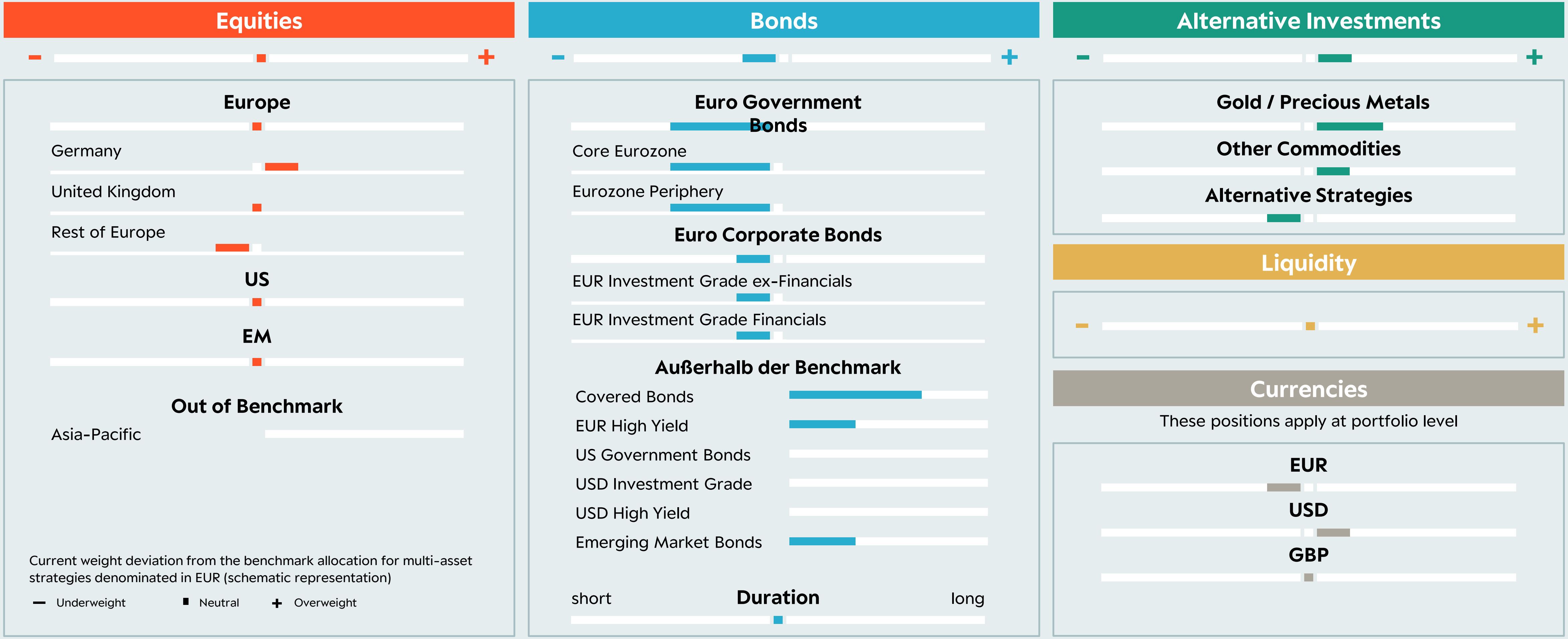
However, this is offset by the fact that the US economy is likely to lose momentum in the coming months.

Overall, we therefore expect the euro-dollar exchange rate to move sideways for the time being.

Current positioning with asset classes

Overview of Berenberg's asset allocation

Portfolio positioning of a balanced mandate at a glance

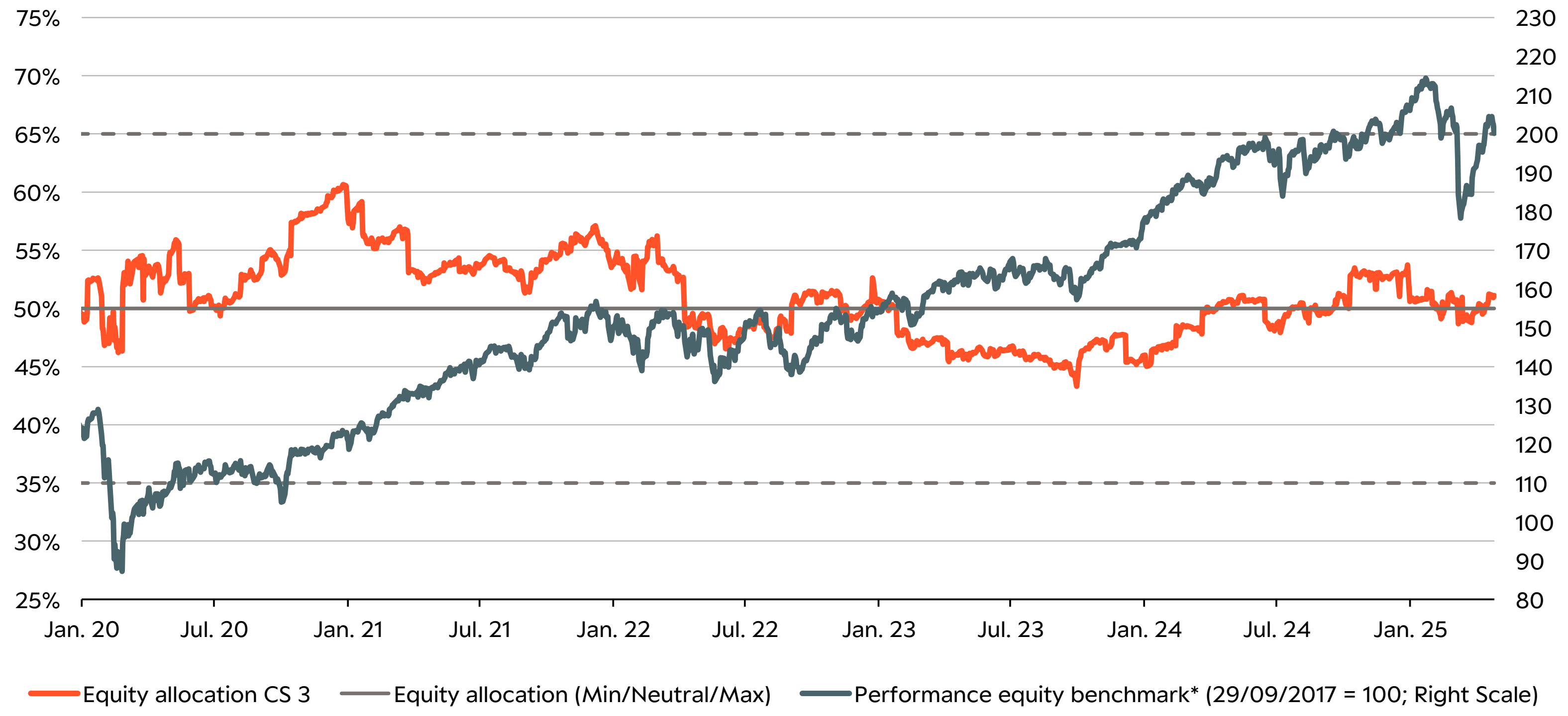


As of: 27/05/2025
Source: Berenberg

Overview of Berenberg's asset allocation

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

	23/05/20 - 23/05/21	23/05/21 - 23/05/22	23/05/22 - 23/05/23	23/05/23 - 23/05/24	23/05/24 - 23/05/25
Performance equity benchmark	25.55%	8.59%	11.87%	18.56%	4.10%



- Trump has once again shown his volatile side: instead of reducing the budget deficit, there is now likely to be even higher US debt if Trump's tax plans are implemented.
- This has led to a sharp rise in long-term interest rates worldwide and a steepening of the yield curves. In combination with Moody's downgrade of the US credit rating, this has prompted us to further increase our overweight in gold in our multi-asset strategies after reducing it at a higher price. After all, real assets should benefit from rising money supply and higher inflation in the medium term.
- In the short term, we believe there is a good chance that stock markets will remain supported by share buyback programs and purchases by underinvested investors. However, uncertainty due to the customs dispute remains high. We expect to see more volatility again from the summer when the tariff breaks expire, macro data deteriorates and liquidity decreases.

Time period: 23/05/2020 – 23/05/2025

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.

02 Economics

Eurozone

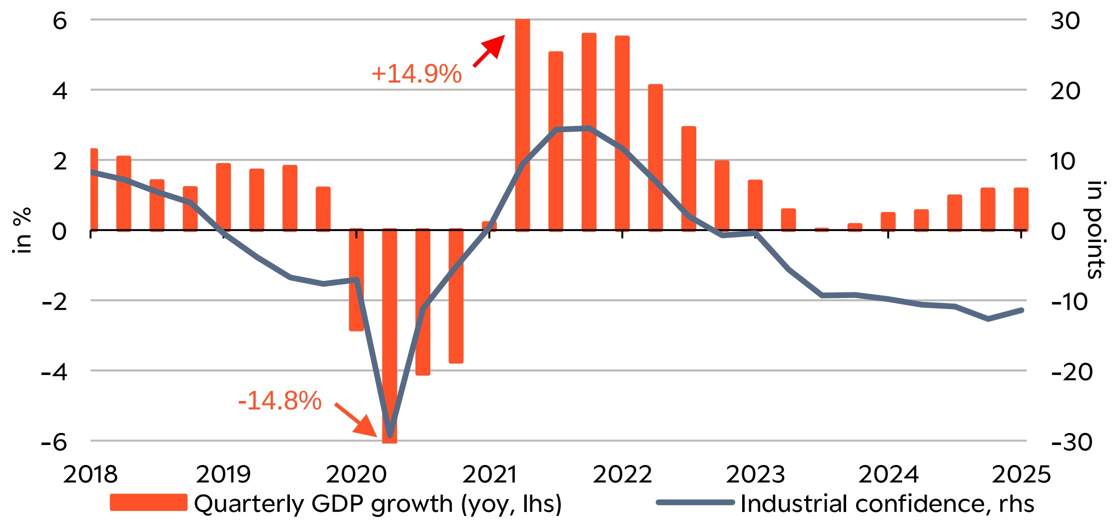
US tariff policy delays Eurozone recovery

- The eurozone's GDP grew by 0.4% in Q1 2025 compared with the previous quarter, which was a positive surprise. However, growth is likely to slow significantly in Q2 due to the impact of the erratic US tariff policy.
- Most recently, Trump threatened to impose additional tariffs of 50% on the EU. However, we expect negotiations to be successful by the summer and US tariffs to be largely withdrawn. If this is the case, the eurozone economy could regain some momentum. Additional economic tailwinds will come from the ECB's falling key interest rate, rising real incomes, and fiscal spending, which will pick up significantly, especially in Germany, from the end of 2025.

ECB can act as a buffer

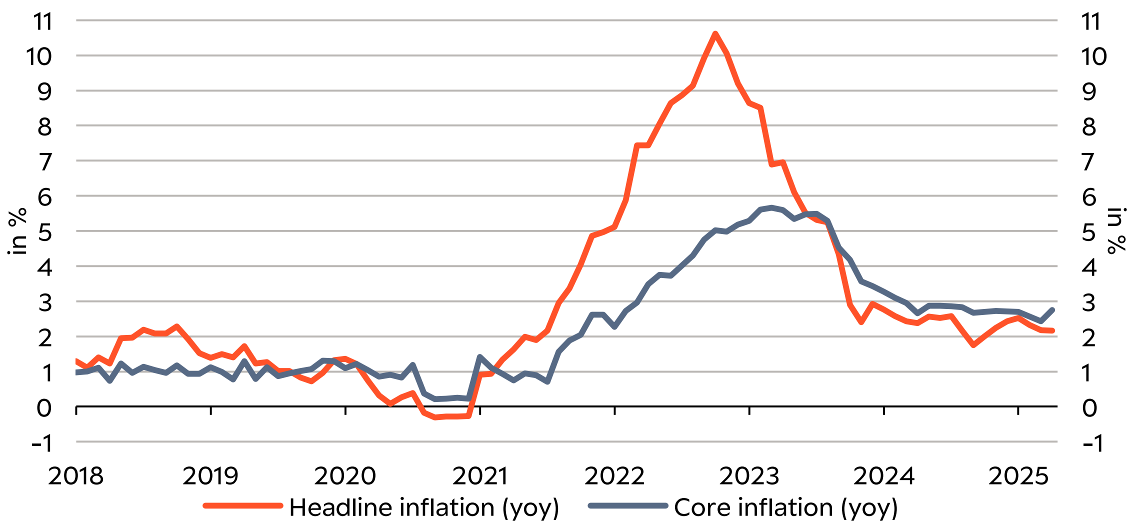
- The inflation rate in the eurozone remained stable in April: as in March, prices rose by 2.2% year-on-year. Core inflation rose from 2.4% to 2.7%. We expect the trade dispute with the US to dampen rather than increase inflationary pressure in the eurozone in the coming months. The oil price has fallen, the strong euro is making imports cheaper, and Chinese goods that are being diverted to Europe due to high US tariffs are putting price pressure on the eurozone.
- This will enable the ECB to lower the deposit rate one last time on June 5, to 2.00%. However, if the trade dispute with the US drags on longer than currently expected and thereby has a more severe impact on the eurozone economy, the ECB would have the option of lowering its key interest rate even further.

Second half of the year promises improvement



Period: 01/2018 – 03/2025

ECB close to its goal



Period: 01/2018 – 04/2025

 Source: Haver

United Kingdom

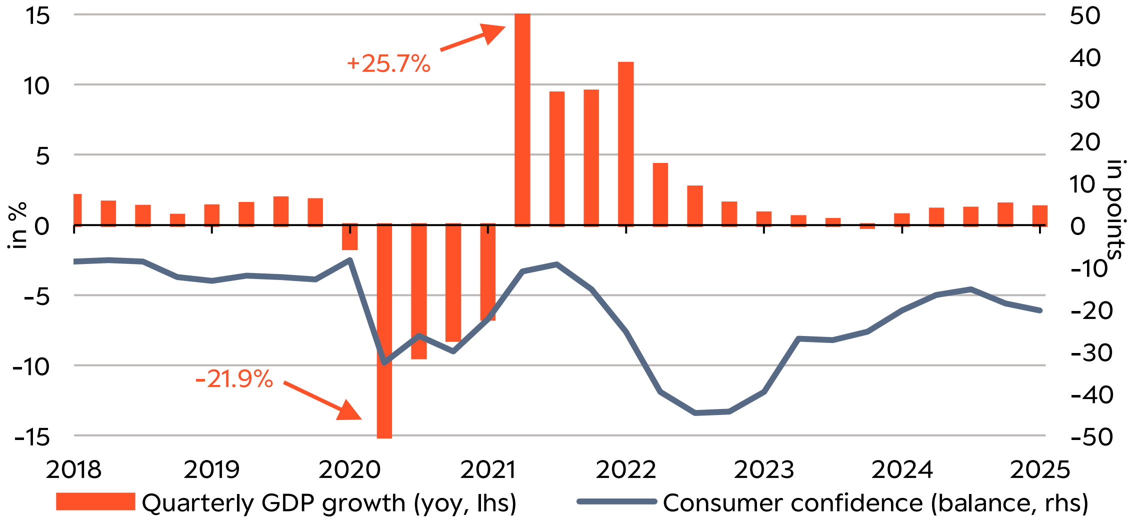
Solid growth ahead of US tariff shock

- The British economy grew surprisingly strongly in the first quarter, rising by 0.7% compared to the previous quarter. The increase in corporate investment and a recovery in exports had a positive impact.
- Although the US and the UK have now concluded a trade agreement, tariffs on most British exports to the US are still higher than they were before Donald Trump began his second term in office. This will dampen growth somewhat in the second quarter. However, higher government spending, real wage growth for consumers and falling key interest rates are expected to have a positive impact later in the year.

Inflationary pressure too high for further key interest rate cuts

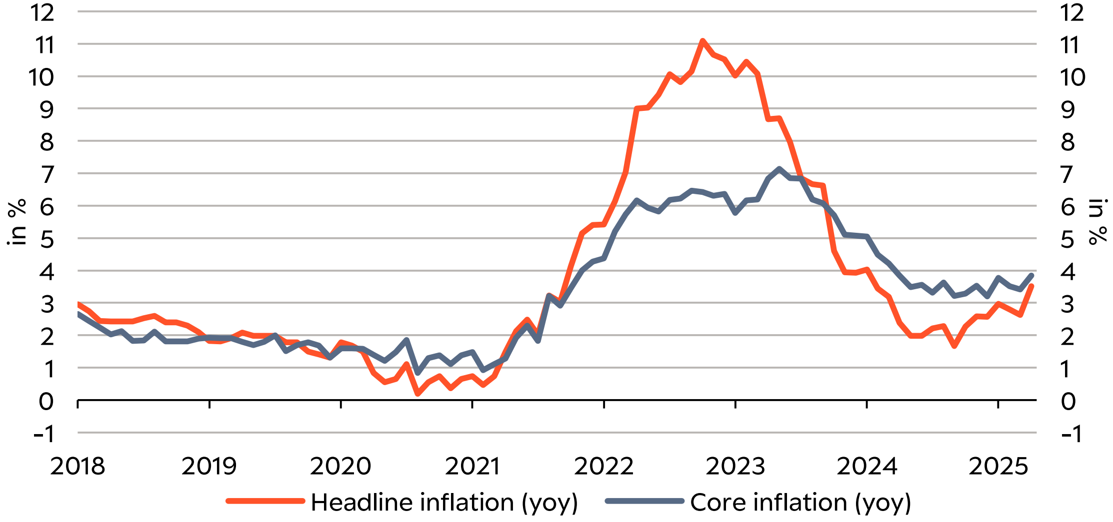
- Consumer prices rose sharply in April. Inflation was 3.5% year-on-year, up from 2.6% in March. In the coming months, wage pressure in the service sector in particular will cause inflation to rise further. We expect rates of between 3.5% and 4.0% for the rest of the year.
- High inflation rates will not allow the Bank of England (BoE) to lower its key interest rate further. The interest rate cut to 4.25% on May 8 was therefore likely to be the last for this year. However, once inflationary pressure eases somewhat in 2026, the BoE is expected to lower its key interest rate to 3.75%.

Early US exports support growth in the first quarter



Period: 01/2018 – 03/2025

Inflation picks up again



Period: 01/2018 – 04/2025

 Source: Haver

USA

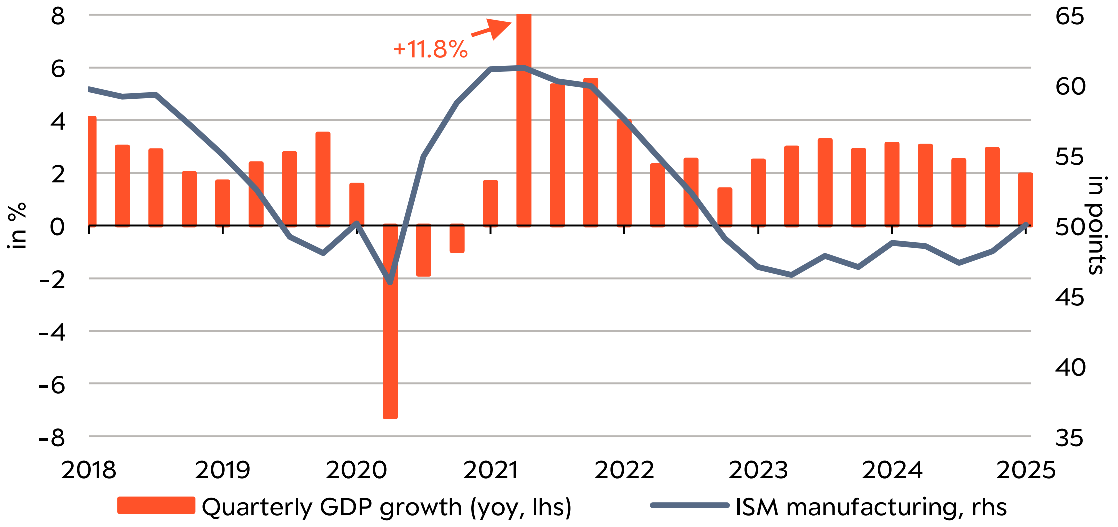
Hoping for further de-escalation in the trade dispute

- While the US is increasing pressure in its trade dispute with the European Union, it has reached an initial trade agreement with the UK and agreed a 90-day tariff truce with China. Further trade agreements are likely to follow soon, but US tariffs will nevertheless remain at a higher level than before Donald Trump began his second term in office. This will fuel inflation and weigh on US consumers.
- Overall, however, the US economy still appears to be quite robust. Trump's protectionist trade policy and restrictive immigration policy are likely to slow growth in the US significantly in the coming months.

Tariff dispute ties Fed's hands

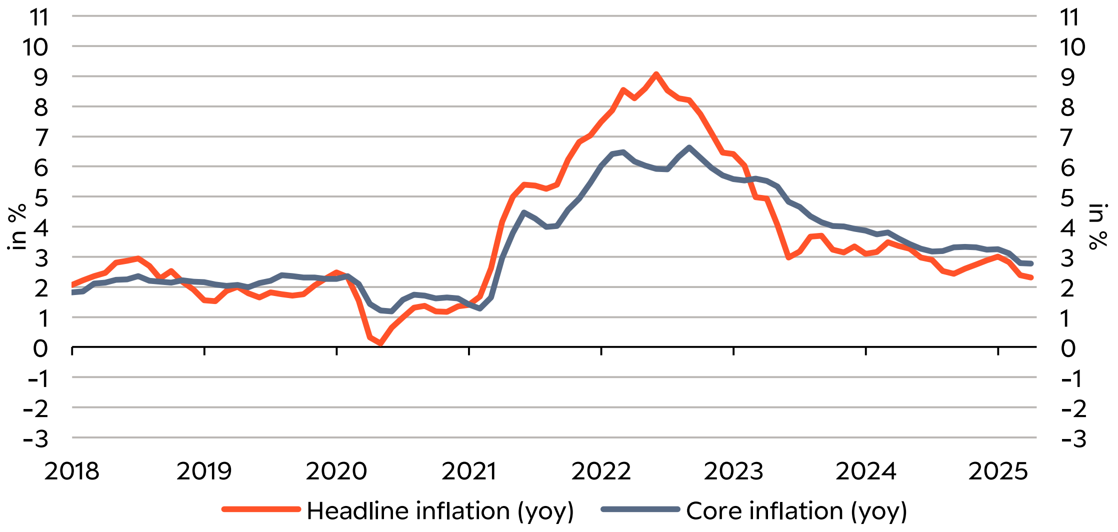
- In April, the year-on-year inflation rate fell from 2.4% to 2.3%, its lowest level since February 2021. Inflation was again slowed by further declines in energy prices. Core inflation, however, remained at 2.8%.
- Although the tariff pause on China has somewhat dampened the rise in US import prices, the remaining tariffs will continue to push up inflation in the coming months. Given the continued strength of the labor market, the Fed will remain focused on fighting inflation and will therefore have no room to ease monetary policy. We therefore expect it to leave its key interest rate unchanged at its current level of 4.25% to 4.50%.

Tariff chaos increasingly weighing on growth prospects



Period: 01/2018 – 03/2025

Tariff effect on inflation rate not yet visible



Period: 01/2018 – 04/2025

 Source: Haver

Key estimates at a glance

Economics forecast

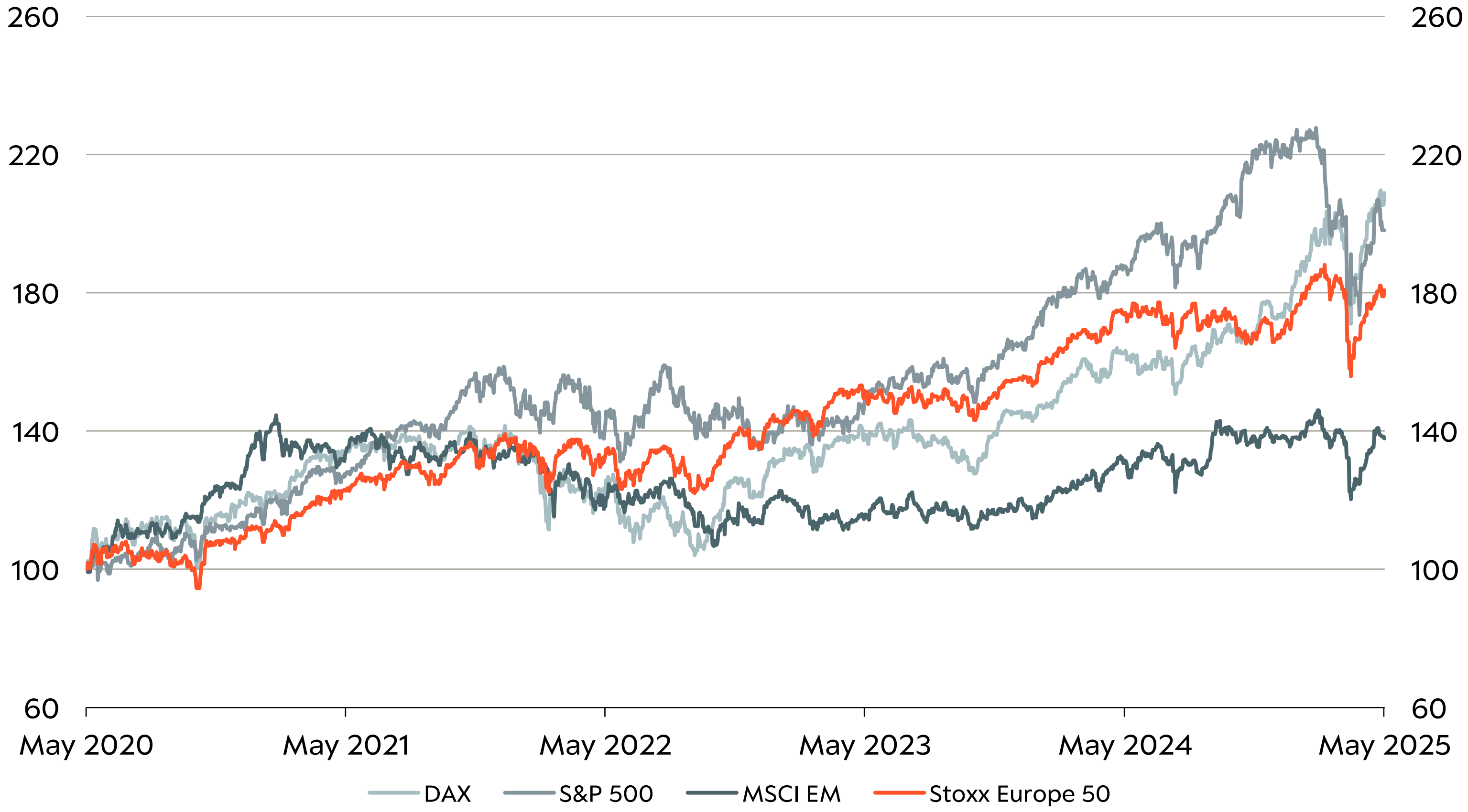
	GDP growth (in %)						Inflation (in %)					
	2024		2025		2026		2024		2025		2026	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	2.8	2.8	1.6	1.4	1.6	1.5	3.0	2.9	3.1	3.0	2.7	2.8
Eurozone	0.8	0.7	0.9	0.8	1.3	1.1	2.4	2.4	2.2	2.1	2.2	1.9
Germany	-0.2	-0.2	0.3	0.0	1.2	1.1	2.5	2.5	2.2	2.2	2.0	2.0
France	1.1	1.1	0.4	0.5	0.9	0.8	2.3	2.3	1.1	1.1	2.2	1.6
Italy	0.5	0.5	0.7	0.5	1.1	0.8	1.1	1.1	2.0	1.8	2.2	1.7
Spain	3.1	3.2	2.4	2.4	2.3	1.8	2.9	2.9	2.4	2.4	2.1	1.9
United Kingdom	1.1	0.9	1.2	1.0	1.2	1.1	2.5	2.5	3.4	3.0	2.7	2.3
Japan	0.2	0.1	1.0	0.8	1.0	0.8	2.7	2.7	3.1	2.8	2.0	1.8
China	5.0	5.0	4.4	4.5	4.0	4.1	0.2	0.2	0.5	0.3	1.4	1.0
World*	2.7	-	2.4	-	2.4	-	-	-	-	-	-	-

* 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.
Source: Bloomberg, Berenberg per 27.05.2025

03 Equities

US) Stock markets with some potential until summer

Performance of selected equity indices



Zeitraum: 26/05/2020 – 26/05/2025

Significant recovery on the stock markets

After declining at the beginning of April, global equities have recovered significantly. In fact, the S&P 500 has returned to positive returns in local currency terms since the start of the year. This market recovery was fuelled by substantial share purchases from private investors, Trump's U-turn on customs policy, and a reversal in fiscal policy. At the end of May, the US House of Representatives passed a new fiscal package. The bill, worth several trillion US dollars, aims to extend tax cuts introduced during Trump's first term in office, while also providing billions for defence and immigration control. The result is likely to be even greater US debt.

Economists estimate that the bill will cost the US between 3.8 and 5 trillion dollars over ten years. Although Trump argues that economic growth through tax cuts and deregulation, as well as revenue from tariffs, will offset the bill's costs, economists remain critical. At the end of May, Moody's downgraded the USA's credit rating, assuming that high budget deficits would continue to increase debt and interest burdens. Therefore, it is not surprising that the bond market is demanding higher yields in view of the risks surrounding US budget consolidation.

Looking ahead, (US) equity markets are likely to be supported by share buybacks and purchases by underinvested investors. However, the market is expected to experience increased volatility during the summer months due to lower liquidity and weaker economic data.

 Source: Bloomberg; performance in EUR scaled to 100

Increased negative earnings revisions

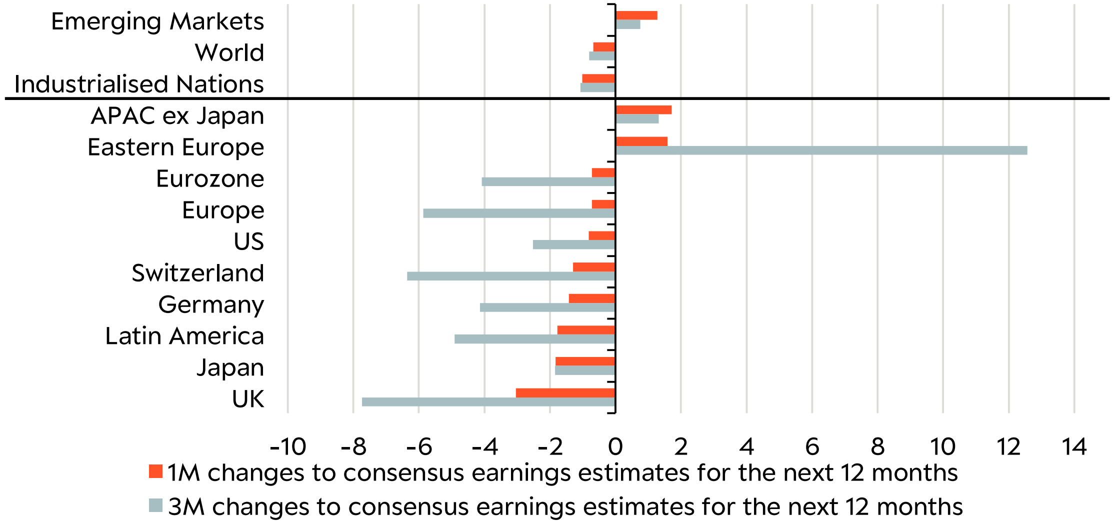
Q1 reporting season draws to a close

- By the end of the month, more than 96% of companies listed on the S&P 500 had published their results for the first quarter of this year. Earnings growth totalled 11.6%, which is around 8% higher than expected. The biggest surprises were communications service providers, healthcare and technology stocks.
- While the market is currently showing renewed optimism, analysts covering industrialised nations have become more pessimistic over the past four weeks. Over this period, analysts have increased their earnings forecasts for emerging markets in particular.

Negative earnings revisions, particularly in the energy sector

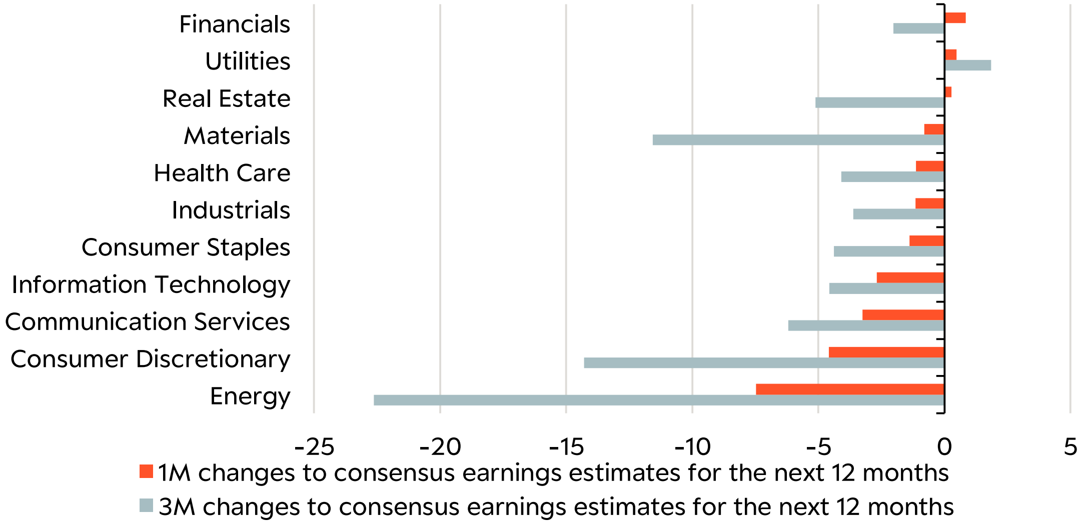
- Over the past four weeks, analysts have become increasingly optimistic about the financial sector, utilities and the property sector.
- However, they have been particularly critical of the energy sector. Over the last three months, they have revised the earnings outlook for the next 12 months downwards by more than 20%. Therefore, it is not surprising that analysts expect the sharpest decline in energy sector earnings in 2025. Nevertheless, they anticipate a recovery in the sector from 2026 onwards, with earnings expected to grow by over 10% next year following a 20% decline in 2025.

Negative earnings revisions for the US and Europe



As of: 26/05/2025

Pessimistic earnings outlook for the energy sector



As of: 26/05/2025

Europe with valuation expansion

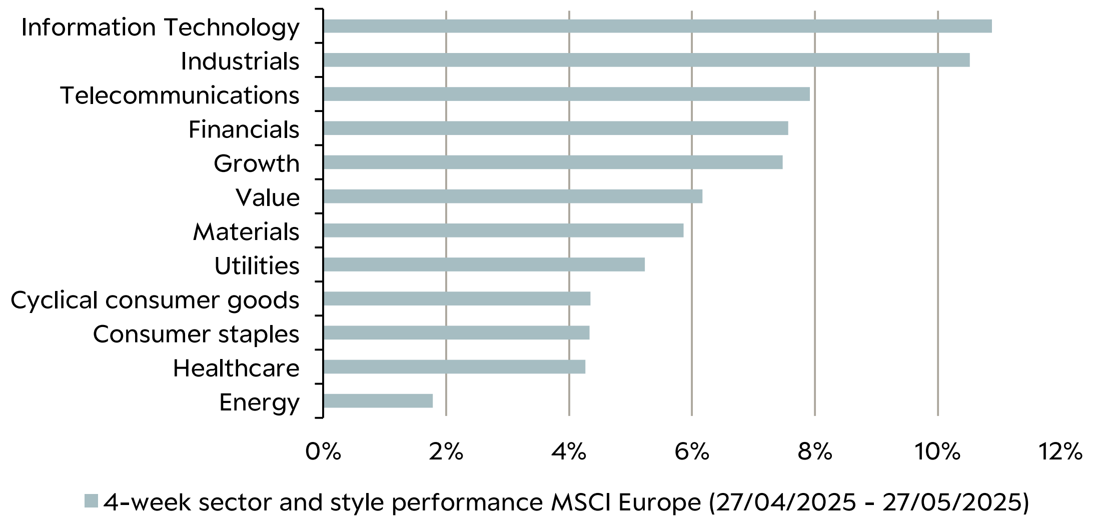
European equities with significant recovery

- In mid-April, Trump's U-turn on customs policy sparked a strong recovery in European equities. They also benefited from a narrowing valuation discount compared to the US. This is because valuation levels based on the price-to-earnings ratio have increased as markets have recovered since the correction at the start of April. European equities are now trading above their 35-year historical P/E average for the first time since January 2022.
- Cyclical stocks performed particularly well, even in an international comparison. Conversely, healthcare, energy and consumer stocks performed less.

(US) stocks supported by share buybacks until summer

- In the short term, there is a good chance that equity markets, particularly in the US, will be supported by share buyback programmes and investment from underinvested investors. Buybacks offer a glimmer of hope, particularly in the US. It is estimated that they will total USD 4–5 billion per day in the near future. This is because around 85 per cent of the S&P 500 market capitalisation is now outside the lock-up period for share buybacks.
- However, we expect volatility to increase again from the summer onwards as tariff breaks expire, macro data deteriorates, and liquidity decreases.

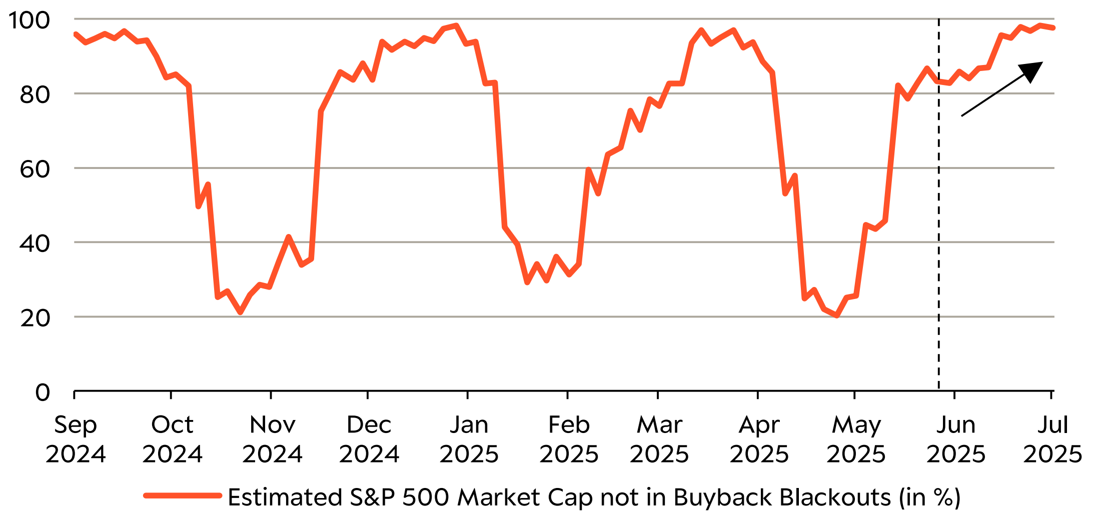
Cyclical stocks in Europe are ahead of the pack



Time period: 27/04/2025 - 27/05/2025

Source: Bloomberg, own calculation

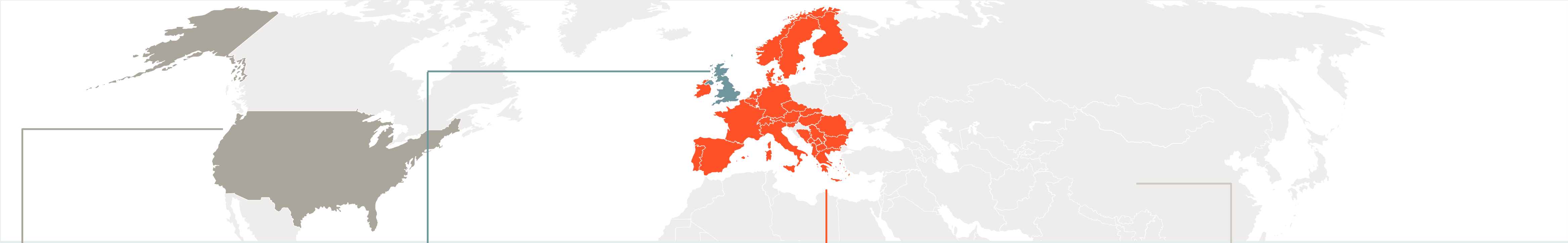
85% of the S&P 500 is outside the buyback blackout periods.



Time period: 01/09/2024 - 01/07/2025

Source: Morgan Stanley, own calculation

Preference for regionally neutral positioning



US

neutral

Despite the recent narrowing of the valuation gap, the strong weighting of US mega caps and the continued high valuation of US equities make the region less attractive than more favourable regions such as Europe or the emerging markets. Nevertheless, the US market remains strongly supported by non-fundamental flows and share buybacks.

United Kingdom

neutral

At an index level, UK equities offer a combination of defensive and commodity-rich stocks, which should prove beneficial in a context of high inflation and geopolitical risks.

Europe ex. UK

neutral

Despite the positive developments seen since the beginning of the year, European companies are not highly valued. However, if the economy recovers noticeably, there is further catch-up potential. However, Trump's policies remain a risk.

Emerging Markets

neutral

Provided there is no further escalation in the trade war and the US dollar remains weak, emerging markets should continue to be supported. Accordingly, we neutralised our underweight position in February of this year.

Estimates for selected indices

Equity market forecasts

Index forecasts	27/05/2025	30/06/2025	31/12/2025	In 12 months
	Aktuell			Ø*
S&P 500	5,922	6,000	6,400	6,530
DAX	24,226	24,000	26,000	26,242
Euro Stoxx 50	5,415	5,700	6,000	5,903
MSCI UK	2,500	2,600	2,750	2,802

Index potential (in %)

S&P 500	-	1.3	8.1	10.3
DAX	-	-0.9	7.3	8.3
Euro Stoxx 50	-	5.3	10.8	9.0
MSCI UK	-	4.0	10.0	12.1

Source: Bloomberg, Berenberg per 27/05/2025
*Average based on bottom-up estimates.

04 Bonds

Long-term government bonds weigh on performance

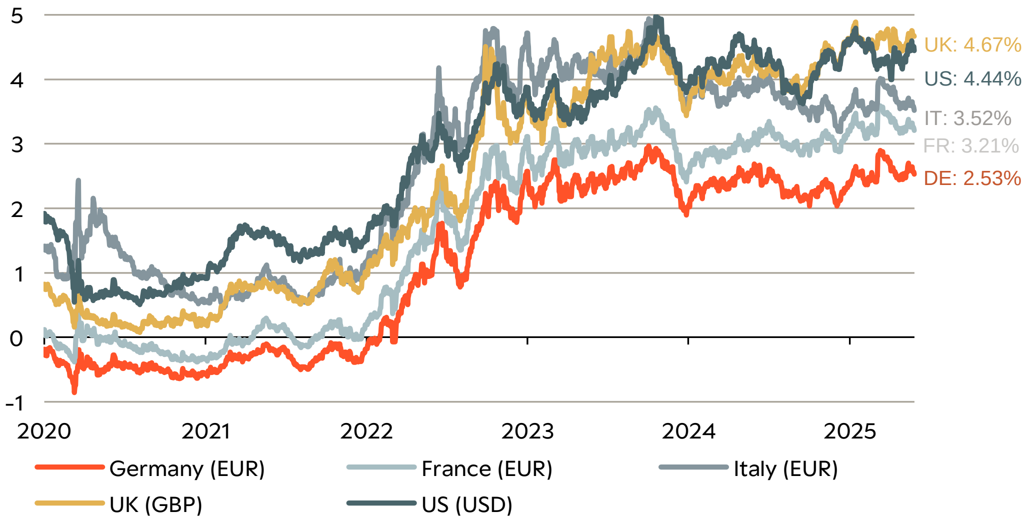
Trump's tax plans weigh on long-term government bonds

- Over the past four weeks, government bond yields have risen more significantly, particularly at the long end of the curve. In addition to the downgrade of US government bonds by the rating agency Moody's, concerns about an expansion of the US deficit due to Trump's tax plans weighed on the market. A subdued auction of 20-year US government bonds and the sharp rise in long-term interest rates in Japan weighed further on bonds.
- The latter was driven primarily by an even higher inflation rate in Japan and continued strong wage negotiations. However, the announcement of lower long-term government bond issuance in the future caused Japanese yields to decline slightly at the end of the month.

ECB likely to cut key interest rate by another 25 basis points in June

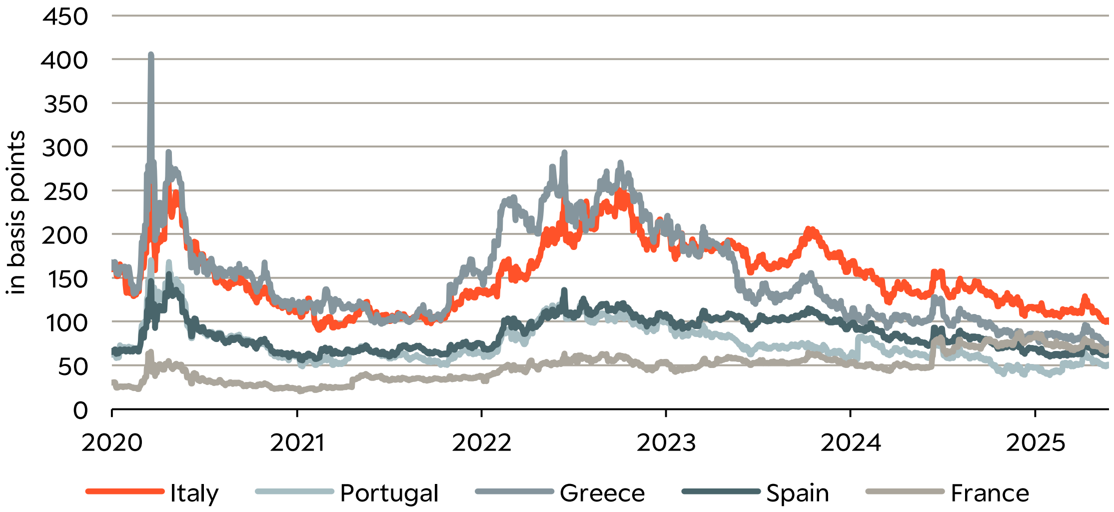
- Peripheral bonds from Europe, especially Italy, have further reduced their risk premium compared to German government bonds. At around 100 basis points, the spread is at its lowest level since 2021.
- This development is supported by the European Central Bank's ongoing interest rate cuts. While the Federal Reserve is likely to leave interest rates unchanged in the US since December, the ECB is expected to cut its key rate again by 25 basis points to 2.00% in June.

10-year yields (%) remain volatil



Period: 01/01/2020–27/05/2025

Peripheral spreads in Europe continue to decline



As of: 26/05/2025

 Source: Bloomberg

Risk premiums narrow again

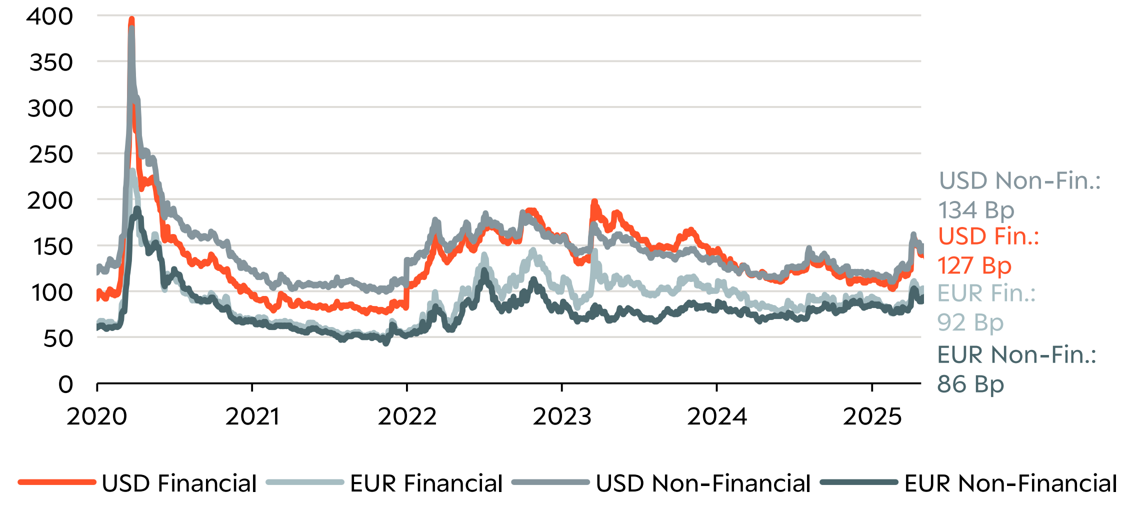
Corporate bonds: Tariff breaks support spreads

- Risk premiums on IG and high-yield corporate bonds declined again in May. USD financial bonds recorded the sharpest decline in spreads. This development was supported in particular by the mutual (temporary) reduction of tariffs between the US and China and the associated renewed risk appetite on global capital markets.
- The market for high-yield bonds also appears to be repricing at least some of the economic risks seen to date. Asset swap spreads on USD high-yield bonds have narrowed by more than 60 basis points in the last four weeks, although Trump's renewed tariff announcements against Europe (50%) and tech manufacturer Apple (25%) have recently led to a counter-movement in spreads.

Emerging market bonds: risk premiums narrow again

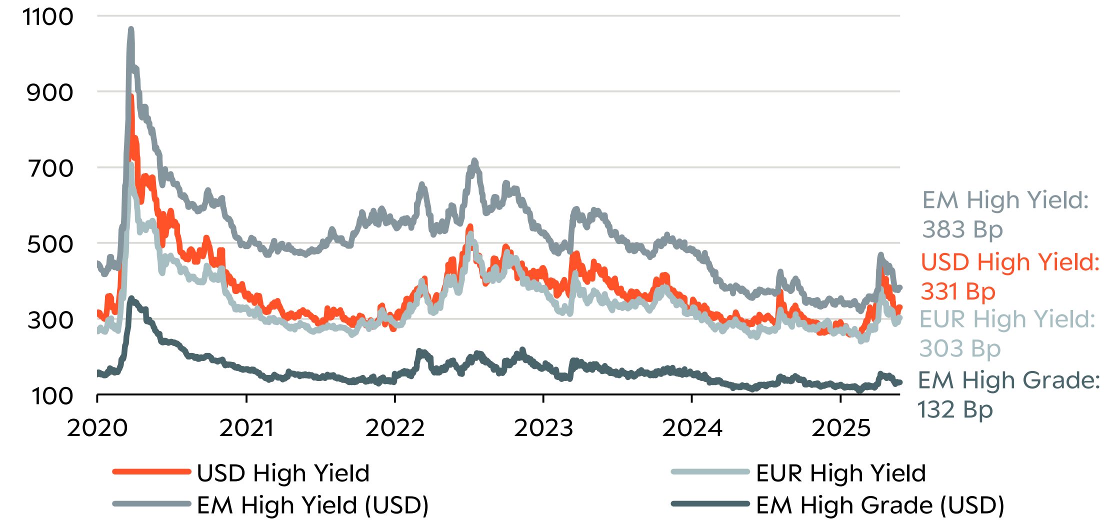
- The temporary reduction in some of the tariffs previously imposed by Trump also led to a recovery in emerging markets. Swap spreads on investment-grade and high-yield bonds from emerging markets narrowed by around 15 and 60 basis points respectively over the last four weeks. High-yield bonds denominated in local currencies thus remain the strongest bond segment.
- In addition, the continued stability of the US economy is creating a positive macroeconomic environment for EM bonds. Robust fundamentals and manageable debt ratios should counteract an upward trend in EM risk premiums.

Corporate bonds: Spreads narrow again recently



Period: 01/01/2020–26/05/2025

Emerging markets: Risk premiums recently lower again



Period: 01/01/2020–26/05/2025

 Source: FactSet, own calculations.

Capital market strategy

Core segments

Government bonds

underweight

- As the range of fluctuation in macro data remains high, interest rate volatility for safe government bonds is also likely to remain elevated, and although the yield curve is no longer inverted, it is still flatter than the historical average. Even if central banks cut interest rates further, yields on longer maturities are unlikely to fall.
- Collateralized covered bonds have a similar credit risk profile, but offer a higher yield. This risk/return profile appears more attractive to us compared to government bonds, although the relative attractiveness has decreased due to narrower swap spreads.

Corporate bonds

neutral

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

Other segments

Emerging markets

overweight

- Local currency bonds remain attractive and offer a good risk/return ratio due to high real yields, solid fundamentals combined with a persistent disinflation trend in emerging markets and the weak dollar.
- In emerging market hard currency bonds, we prefer government bonds to IG corporate bonds due to higher yields, longer duration and higher cash inflows.

High yield bonds

overweight

- The high-yield bond segment remains attractive for many investors due to the positive economic outlook resulting from the ECB's interest rate cuts and the high carry. Although risk premiums are historically low, the average quality of companies in the segment is also better than before.
- We continue to regard high-yield bond funds with a more defensive profile as attractive.

Estimates for selected bond markets

Forecasts

Base interest rates and government bond yields (in %)	27/05/2025	30/06/2025		31/12/2025	
	Current		Ø*		Ø*
US					
Base interest rate	4.25-4.50	4.25-4.50	4.00	4.25-4.50	3.68
10Y US yield	4.45	4.80	4.25	4.90	4.16
Eurozone					
Base interest rate**	2.40	2.00	1.90	2.00	1.95
10Y Bund yield	2.53	2.80	2.63	2.90	2.78
United Kingdom					
Base interest rate	4.25	4.25	3.70	4.00	3.40
10Y Gilt yield	4.66	4.70	4.23	4.70	4.12

Source: Bloomberg. Berenberg. as of 27/05/2025
*Average of estimates by other experts (Bloomberg) consensus.
**Deposit rate

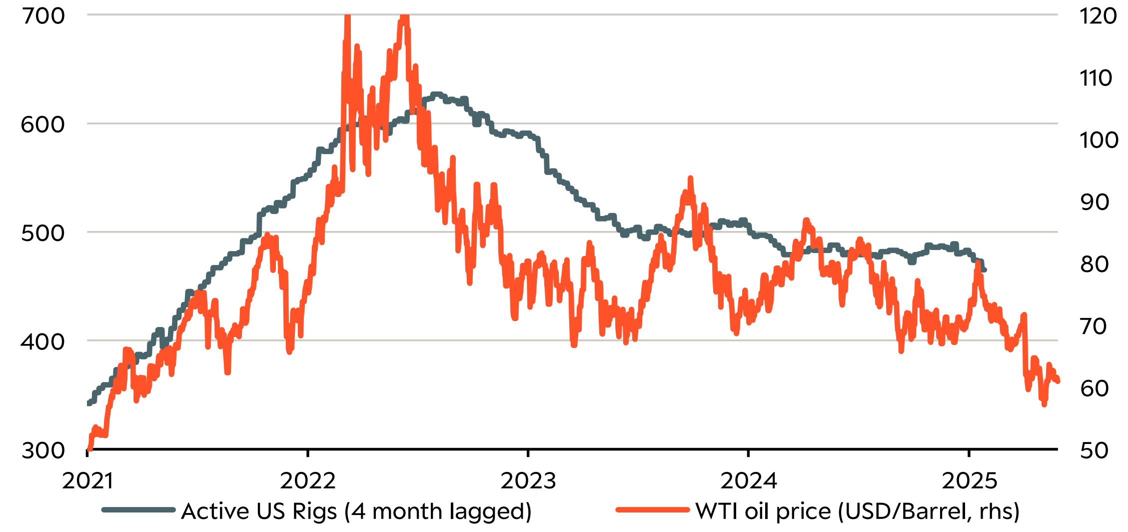
05 Commodities

Ample supply meets subdued demand

Paradigm shift in OPEC policy weighs on oil price

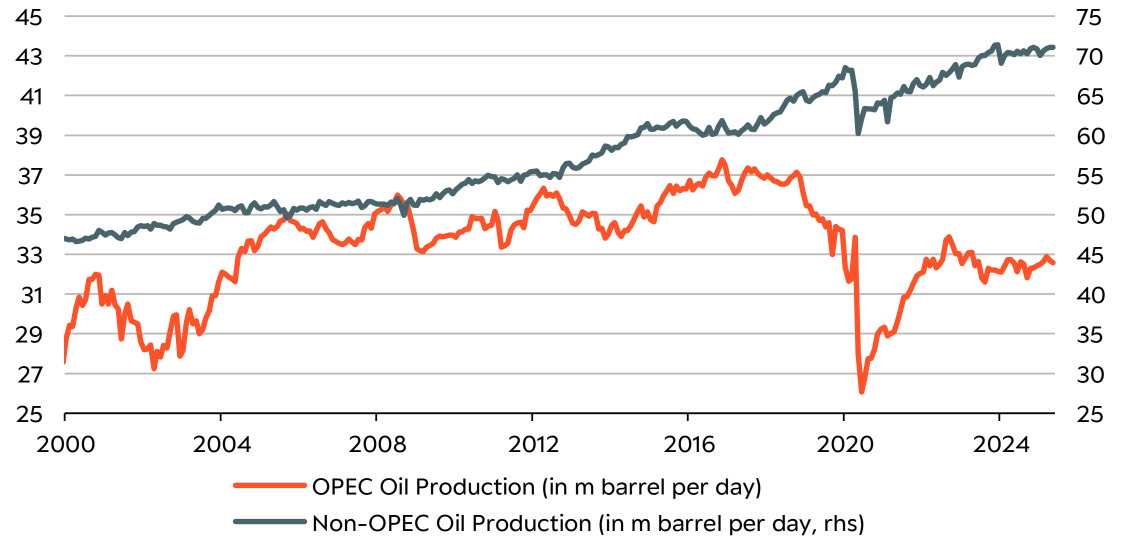
- Following the crash in April, the oil market continued to be volatile in May. The market fluctuated between demand hopes and concerns about rising supply.
- OPEC+ delivered two surprises in May. At the beginning of the month, the cartel announced that it would increase production by 411 thousand barrels per day for the coming month, as it had done in April - more than three times as much as originally planned. And just three weeks later, there were internal talks about wanting to continue this course in July. The official line is that they want to meet demand. In reality, however, the cartel probably has other motives. On the one hand, it is fulfilling Donald Trump's demand for cheap oil. On the other hand, the cartel is regaining market share lost in recent years.
- The US shale oil sector in particular is likely to pay the price for this expansionary policy. The major US oil companies have already announced spending cuts in the Q1 reporting season and the rig count has fallen by almost 5% since the end of March. S&P expects US production to fall for the first time since 2020.
- Even if a lot of negativity is priced in at around USD 65 per barrel and an inverted futures curve, the upside potential is likely to remain limited due to the paradigm shift in OPEC policy and subdued demand growth as a result of erratic US foreign policy. A deal between Iran and the US, on the other hand, represents a further downside risk for the oil price.

US shale oil industry suffers from new OPEC strategy



Period: 01/01/2021 – 26/05/2025.

OPEC+ has lost market share in recent years



Period: 01/01/2020 – 30/04/2025.

 Source: Bloomberg, EIA, Baker Hughes, own calculations.

Gold remains in high demand, industrial metals with strong divergence

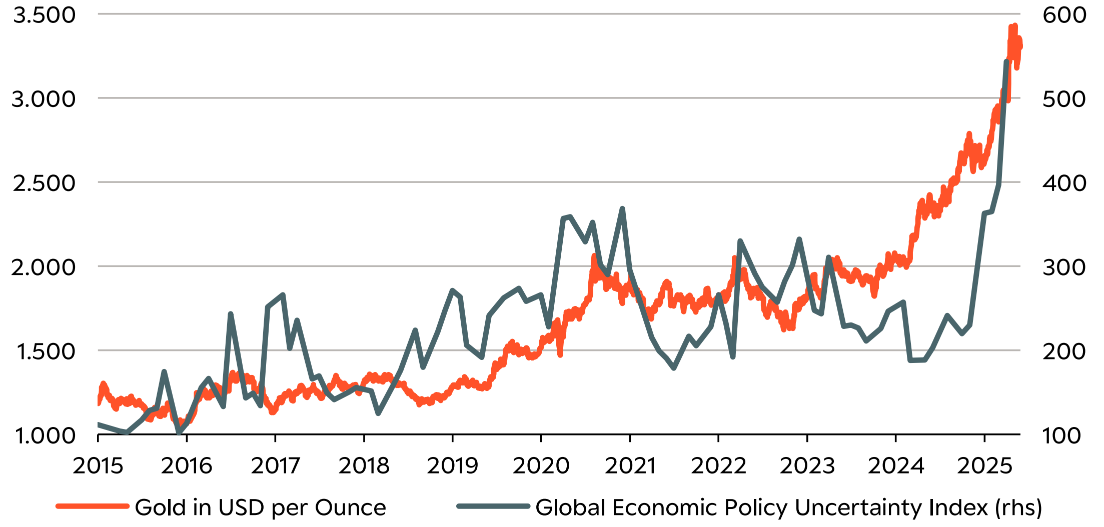
Gold continues to shine

- Over the past month, gold has fluctuated sideways around the USD 3,300 per ounce mark. Increased risk appetite, higher real interest rates and the stabilisation of the US dollar as a result of the announced tariff pause between the USA and China weighed on the safe haven and gold ETF holdings fell by more than 1 million ounces.
- However, there were also positive drivers. On the one hand, foreign central banks seem to continue buying gold in large quantities. Secondly, the US government's austerity programme appears to be history once and for all. Instead, the budget deficit is likely to increase further under Trump. In an environment of fiscal excesses, geopolitical tensions and persistent inflationary risks, we continue to see gold as an essential portfolio component and, after profit-taking in April, increased our gold position to a significant overweight in May at a price around 5% lower.

Industrial metals driven by macro and idiosyncratic factors

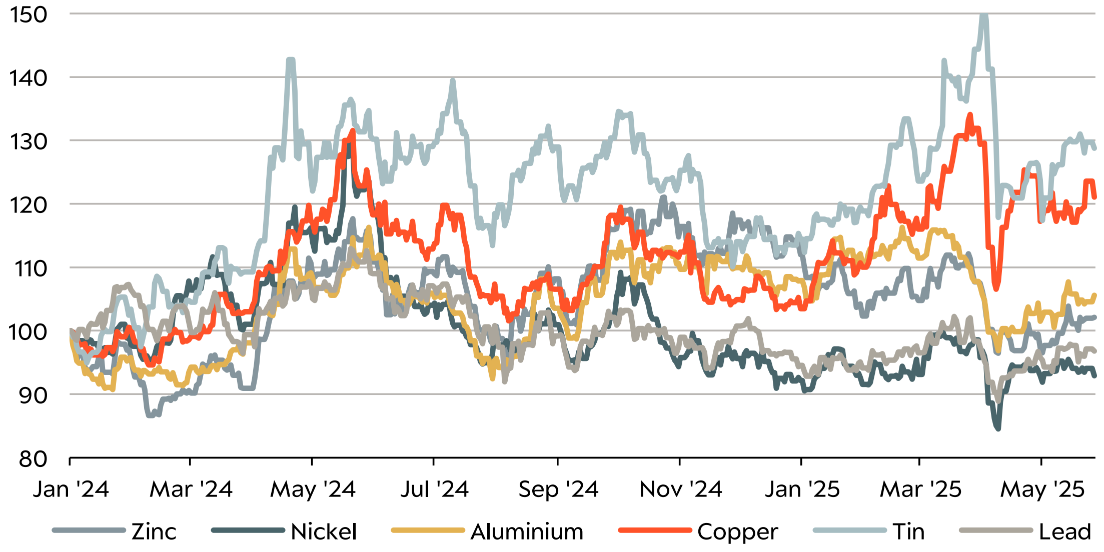
- Industrial metals stabilised in May after the strong fluctuations in the previous month. However, there have been strong divergences within the sector since the beginning of the year. For example, zinc is in last place with -9%, while copper is at the top with +17%. The reasons for this large difference are not macroeconomic, but primarily idiosyncratic. While copper remains in short supply, zinc supply has recently recovered.
- Although an easing of tensions in the trade war should generally provide a tailwind for all metals, idiosyncratic issues are likely to continue to dominate. For example, recently priced-out US tariffs on copper would even be positive for metal traded on the CME. At the same time, global supply is likely to remain tight, especially if disruptions such as the recent one at the Kakula mine in the DRC become more frequent.

Gold benefits from economic uncertainty



Period: 01/01/2015 – 27/05/2025.

Strong divergence within industrial metals



Period: 01/01/2024 – 27/05/2025.

 Source: Bloomberg, own calculations.

06 Currencies

BERENBERG

Market development

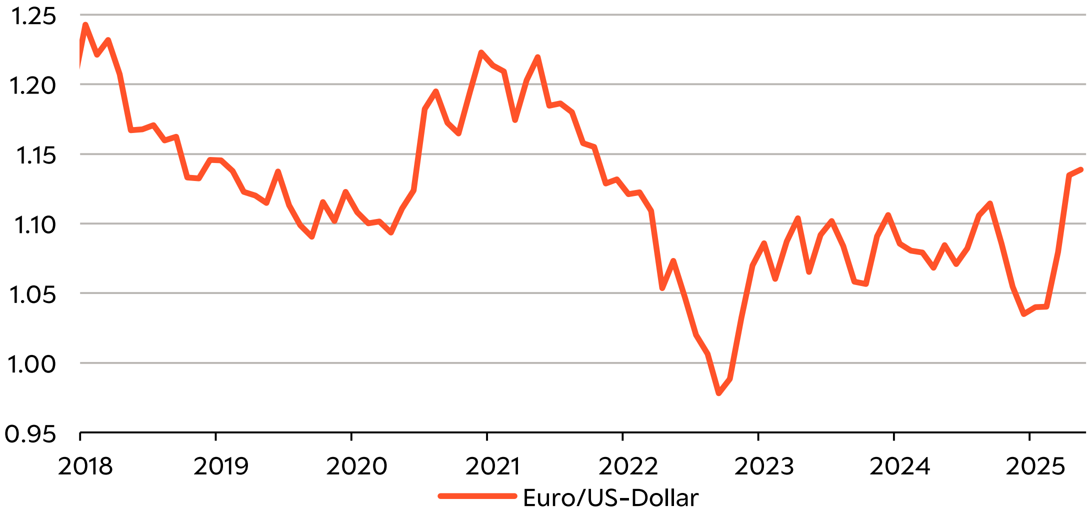
The weak dollar is here to stay

- The market currently expects the Fed to cut interest rates by another 25 basis points twice before the end of the year. However, we see no scope for further monetary easing by the Fed. If this view prevails in the market, the dollar could benefit.
- On the other hand, the US economy is likely to lose further momentum in the coming months, while the eurozone could gain some traction. This would in turn favor the euro. However, the opposing effects are likely to cancel each other out. Overall, we therefore expect the dollar to be unable to return to its strength at the beginning of the year and the euro-dollar exchange rate to trend sideways until the end of the year. In the long term, the dollar will come under even greater pressure due to the loss of confidence in the US caused by Trump.

BoJ caught between rising inflation and economic concerns

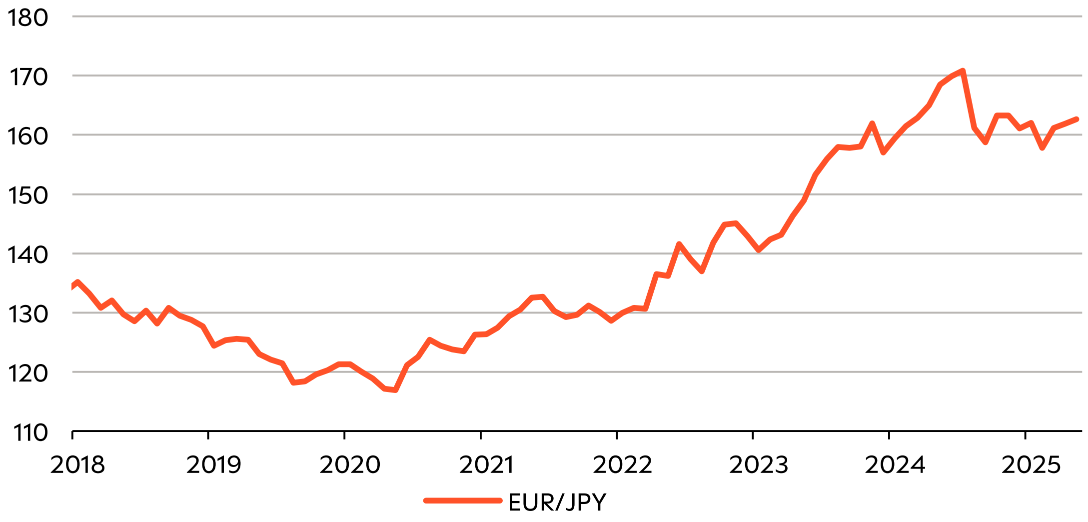
- The Bank of Japan (BoJ) is currently in a difficult situation. Core inflation stood at 3.5% in April, reaching its highest level in over two years. This would normally argue in favor of a key interest rate hike by the BOJ, but at the same time, US tariffs, in particular the increased import costs for cars, are having a negative impact on the Japanese economy.
- In the first quarter, economic output fell by 0.2% compared with the previous quarter, and there is no sign of improvement yet. The BOJ will therefore raise its key interest rate only very slowly. This could give the Japanese yen some tailwind for the rest of the year, as all other major central banks in industrialized nations will leave interest rates at their current levels or even cut them further.

US dollar loses significant appeal under Trump



Period: 01/2018 – 05/2025 (May data until 26/05/2025)

Japanese yen slowly gaining strength



Period: 01/2018 – 05/2025 (May data until 26/05/2025)

 Source: Bloomberg

Forecasts

Exchange rate forecasts	27/05/2025	31/12/2025		30/06/2026	
	Current		Ø*		Ø*
EUR/USD	1.13	1.14	1.15	1.16	1.17
EUR/GBP	0.84	0.86	0.86	0.86	0.86
EUR/CHF	0.94	0.95	0.94	0.95	0.96
EUR/JPY	164	160	161	159	160
Change against the Euro (in %)					
USD	-	-0.6	-1.5	-2.3	-2.8
GBP	-	-2.5	-2.5	-2.5	-2.5
CHF	-	-1.3	-0.3	-1.3	-1.8
JPY	-	2.2	1.6	2.9	2.2

*Average of estimates of other experts (Bloomberg); consensus
**Average of estimates of other experts (Bloomberg) for Q4 2025 and Q4 2026
Source: Bloomberg, Berenberg as of 27/05/2025

07 Publishing information

Publishing information

Berenberg

Joh. Berenberg, Gossler & Co. KG
Neuer Jungfernstieg 20
20354 Hamburg

Phone +49 40 350 60-0
Fax +49 40 350 60-900

Publisher

Prof Dr Bernd Meyer, CFA
Chief Strategist Wealth and Asset Management

Kontakt

www.berenberg.de
MultiAssetStrategyResearch@berenberg.de

Authors

Ulrich Urbahn, CFA
Head of Multi Asset Strategy & Research

Ludwig Kemper, CFA
Analyst Multi Asset Strategy & Research

Philina Kuhzarani
Analyst Multi Asset Strategy & Research

Dr Konstantin Ignatov
Analyst Multi Asset Strategy & Research

Mirko Schmidt
Analyst Multi Asset Strategy & Research

Dr Felix Schmidt
Senior Economist

BERENBERG