Horizon Handout

The Berenberg Capital Markets Outlook Wealth and Asset Management

July 2025

BERENBERG

Important Notices

Date 27.06.2025

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01 Overview of capital markets outlook and asset allocation

Overview of capital markets

Performance of selected asset classes

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

	4-week & YTD		12-month periods over that last 5 years				
	4W (28/05/25 - 25/06/25)	YTD (31/12/24 - 25/06/25)	25/06/24 25/06/25	25/06/23 25/06/24	25/06/22 25/06/23	25/06/21 25/06/22	25/06/20 25/06/21
MSCI Emerging Markets	2.1	2.3	6.0	14.2	-2.2	-15.0	31.8
Brent	1.6	-15.2	-17.2	30.3	-21.7	96.1	69.2
MSCI Frontier Markets	1.3	5.2	11.7	15.8	-5.9	-5.8	28.1
Industrial Metals	0.5	-5.4	-6.1	12.3	-8.4	15.6	42.3
EUR Coporates	0.4	1.8	5.8	6.4	0.0	-12.3	3.2
EUR Sovereign Debt	0.1	1.7	4.7	3.3	-2.8	-7.8	0.0
Euro overnight deposit	0.1	1.1	2.9	4.0	1.5	-0.6	-0.5
MSCI World	-0.2	-4.5	4.7	25.3	9.2	-0.5	31.6
Global Convertibles	-0.9	-6.9	4.6	6.0	0.9	-14.1	37.1
Gold	-1.8	12.8	32.0	22.8	1.9	16.0	-5.1
REITs	-2.9	-8.7	-1.0	7.5	-17.3	3.0	22.0
USDEUR	-3.2	-11.2	-8.1	1.7	-3.1	13.1	-6.0

MSCI World: MSCI World Net Return; MSCI Emerging Markets: MSCI EM Net Return; MSCI Frontier Markets: MSCI Frontier Markets Net Return; REITs: MSCI World REITs Index; EUR Sovereign Debt: ICE BofA 1-10 Year Euro Government Index; EUR Corporates: ICE BofA Euro Corporate Index; 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.

Period: 25/06/2020 – 25/06/2025

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

Overview of capital markets

Economics

Trump's tariff policy is weakening the USA and postponing the recovery in the eurozone. Trade deals until July 2025?

New German government: tailwind from reforms and additional spending on the military and infrastructure.

The Fed and now the ECB have reached the end of the interest rate cycle.

Equities

US equites stagnate in euros, DAX benefits from the new government's policy change.

Earnings expectations for US companies have fallen, uncertainties due to politics and the trade dispute are a burden. However, we no longer expect any major negative earnings revisions.

New highs also possible in the US in the medium term, mainly thanks to the tech sector and demand from underinvested investors.

Bonds

Safe government bonds burdened by interest rate volatility, upside potential only to be expected in the event of economic weakness.

The financial sector remains the favourite for European corporate bonds, while the real estate sector is coming into focus.

In emerging markets, we consider local currency bonds to be particularly promising.

Alternative investments / commodities

Geopolitics on the oil market will be short-lived. Ultimately, abundant supply will prevail.

Despite reaching an all-time high, gold remains attractive in the long term as government debt continues to rise.

In addition to investments in green technologies, industrial metals will also benefit from increased infrastructure and defense spending in the medium term.

Currencies

The weak dollar is here to stay.

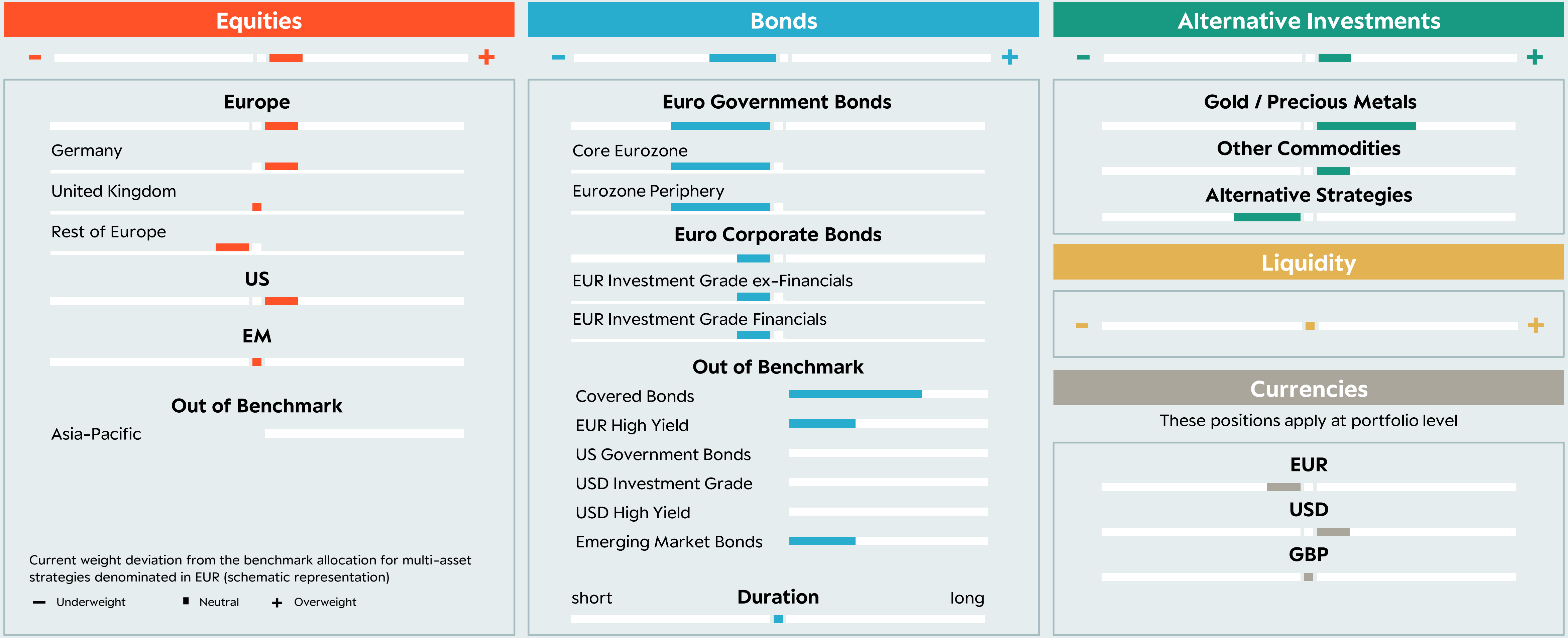
BoJ caught between rising inflation and economic concerns.

Japanese yen should benefit from further interest rate hikes.

Current positioning with asset classes

Overview of Berenberg's asset allocation

Portfolio positioning of a balanced mandate at a glance

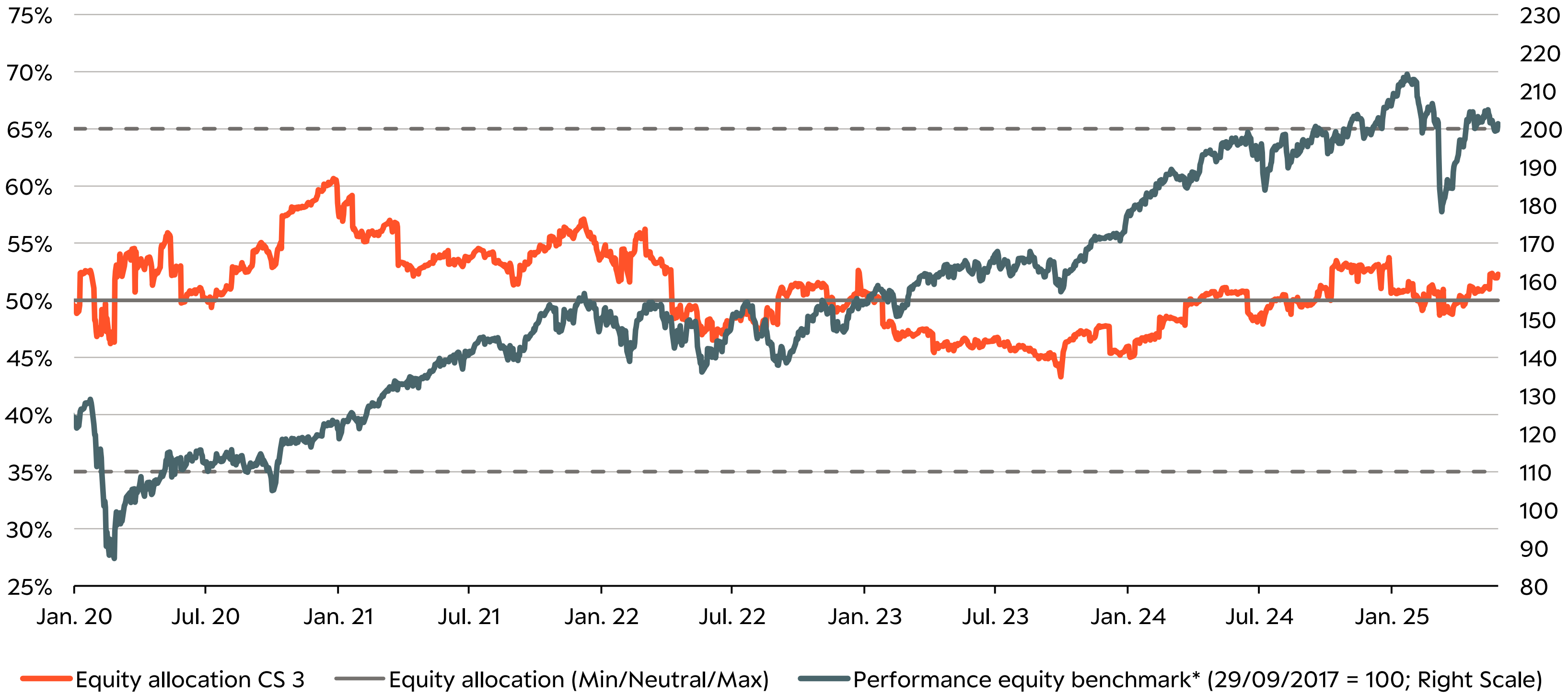


As of: 25/06/2025
Source: Berenberg

Overview of Berenberg's asset allocation

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

	24/06/20 - 24/06/21	24/06/21 - 24/06/22	24/06/22 - 24/06/23	24/06/23 - 24/06/24	24/06/24 - 24/06/25
Performance equity benchmark	25.71%	2.29%	14.17%	21.30%	2.65%



Time period: 24/06/2020 – 24/06/2025

- We used the market setback caused by the escalation in the Middle East conflict to increase our equity weighting to a slight, tactical overweight. Historically, the first two weeks of July are among the best in a calendar year. In addition, systematic strategies are likely to continue adding to equities until the middle/end of July. In addition, many discretionary investors are still underinvested.
- Among other things, we have bought an ETF on the Nasdaq 100, as earnings revisions have improved significantly and many tech companies are likely to benefit from the weaker US dollar due to their large foreign sales.
- However, we have also added slightly to European equities, meaning that we currently have no clear regional equity preference.

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

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Eurozone

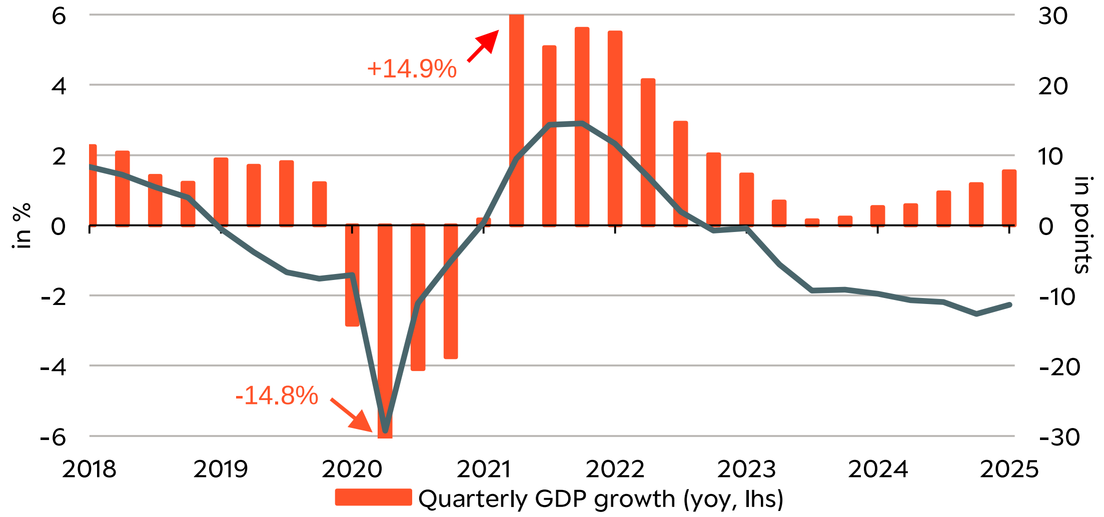
US tariff policy delays Eurozone recovery

- At 0.6%, real gross domestic product in the eurozone expanded more strongly than expected in the first quarter compared to the previous quarter. In addition to a sharp rise in investments, higher exports, in particular, contributed to the good result. The strong exports are probably due, in particular, to pull-forward effects as companies sought to preempt the threat of US tariffs.
- The unpredictable US tariff policy is currently the main factor slowing down the European economy. Negotiations between the US and the European Union (EU) have made only slow progress in recent months. As an escalating tariff dispute would hit both sides hard, we expect that at least a framework agreement will be reached in the near future. An end to planning uncertainty would revive the local economy.

No further interest rate cuts by ECB in sight

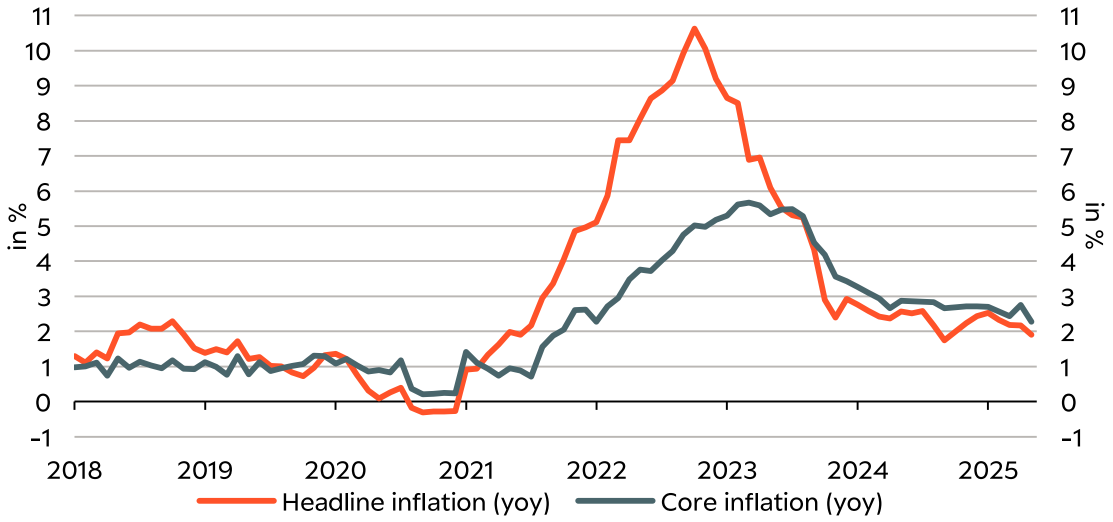
- Inflation in the eurozone fell to 1.9% year-on-year in May. The strong euro is making imports cheaper, and Chinese goods being diverted to Europe due to high US tariffs are increasing price competition in the eurozone.
- The decline in inflation enabled the European Central Bank (ECB) to lower its deposit rate to 2.0% on June 5 for the eighth time since mid-2024. This monetary easing will have an increasingly positive impact on the real economy. However, it could have been the last interest rate move. Meanwhile, the labor market remains stable, and rising fiscal spending, particularly in Germany, will provide additional tailwinds from the turn of the year onwards.

GDP growth stronger than expected in Q1



Period: 01/2018 – 03/2025

Inflation rate falls below the two percent mark



Period: 01/2018 – 05/2025

 Source: Haver

United Kingdom

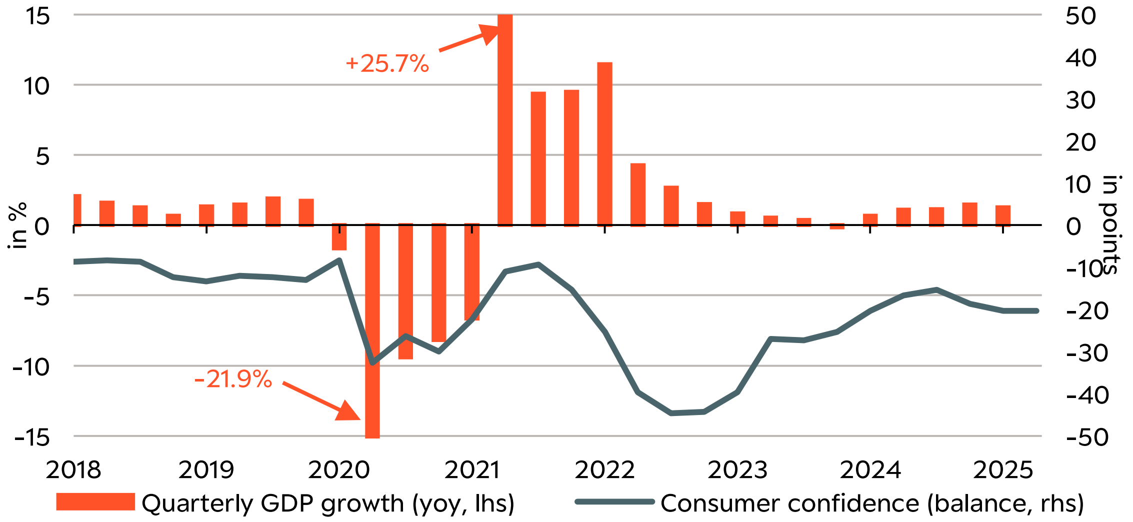
Waiting for more growth in the second half of the year

- UK GDP fell by a surprising 0.3% in April compared to the previous month. This was primarily due to tax-related declines in real estate and car sales. Overall, however, the British economy appears robust, although the tarrifs dispute with the US is likely to dampen growth somewhat in the second quarter.
- Although the US and the UK have now reached a trade agreement, tariffs on most British exports to the US remain higher than at the beginning of Donald Trump's second term. In the second half of the year, however, higher government spending, real wage growth for consumers and falling interest rates will have a positive impact. We therefore expect GDP growth of 1.2% for 2025 as a whole.

The labor market and wage pressure determine the BoE's actions

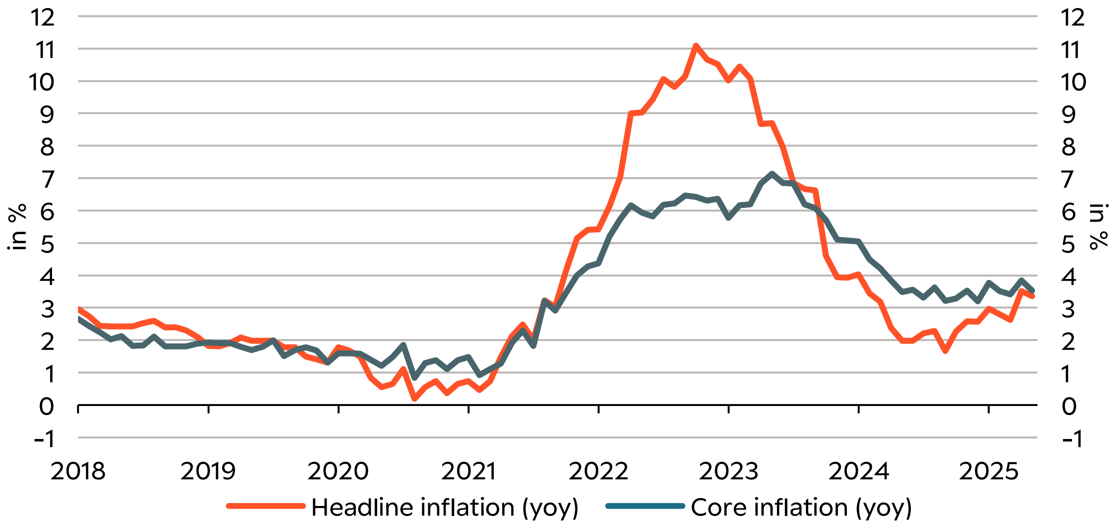
- Although the inflation rate fell to 3.4% in May, this remains well above the Bank of England's (BoE) target of 2%. Pressure on wages in the service sector in particular remains high, meaning inflation is likely to stay above 3% in the coming months.
- At its last meeting on 19 June, the Bank of England (BoE) was unable to cut the key interest rate further due to continued high inflation. Due to ongoing price pressures, we currently expect the BoE to maintain the prime rate at 4.25% until next year. However, if British companies pass on rising wage costs to consumers to a lesser extent than expected, the next interest rate hike could still take place this year.

After the trade agreement with the USA, the outlook is brightening



Period: 01/2018 – 06/2025

Inflationary pressure remains high



Period: 01/2018 – 05/2025

 Source: Haver

USA

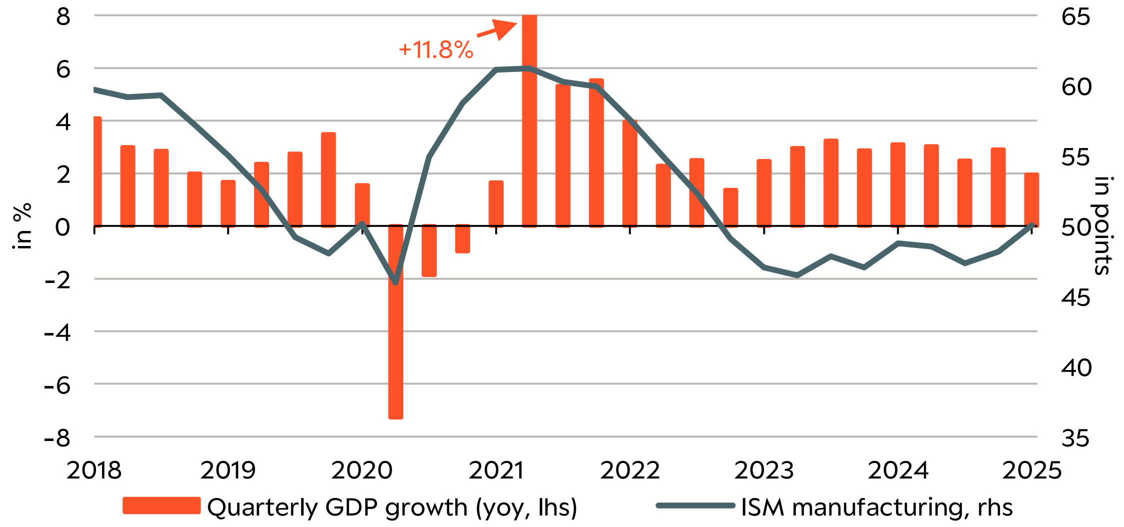
Trump is hurting the US more than other countries

- Overall, the US economy still appears to be quite robust. However, Trump's restrictive immigration policy and protectionist trade policy are likely to slow growth in the US significantly. Given the high level of uncertainty, companies are holding back on investment, and consumer sentiment has also deteriorated recently.
- The US has agreed on an initial trade deal with the UK and signed a framework agreement with China. Since the damage to the US could otherwise be significant, we expect Trump to conclude trade agreements with the EU and other regions by mid-July in his own interest.

No further interest rate cuts despite Trump's pressure

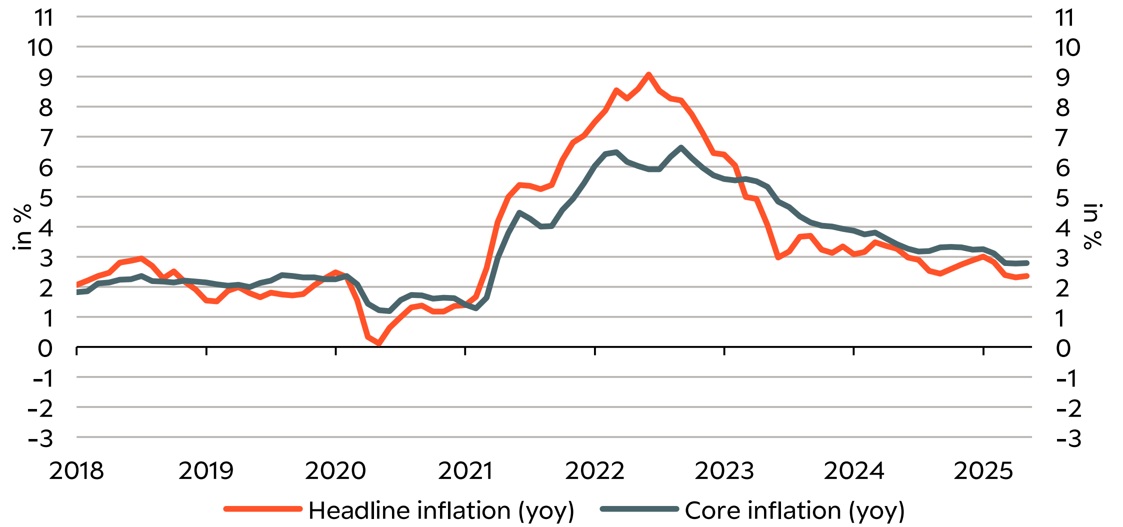
- The more restrictive US immigration policy and higher import tariffs will increase price pressure in the US and cause the inflation rate to rise again in the coming months. Short-term inflation expectations among consumers and businesses in the US have already risen significantly recently. At the same time, the labor market remains robust, allowing the Fed to continue to focus on combating inflation and refrain from further lowering its key interest rate.
- The market currently expects the Fed to cut the key interest rate twice more by 25 basis points by the end of the year. However, we see no scope for further monetary easing by the US Federal Reserve due to ongoing inflationary pressure.

Tariff effect on US economy not yet visible



Period: 01/2018 – 03/2025

Inflation rate likely to remain above two percent in the medium term



Period: 01/2018 – 05/2025

 Source: Haver

Key estimates at a glance

Economics forecast

	GDP growth (in %)						Inflation (in %)					
	2025		2026		2027		2025		2026		2027	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	1.6	1.4	1.6	1.6	1.6	1.9	3.0	3.0	2.8	2.8	2.6	2.4
Eurozone	1.0	1.0	1.3	1.1	1.5	1.5	2.0	2.0	1.8	1.9	2.3	2.0
Germany	0.3	0.2	1.2	1.1	1.4	1.7	2.1	2.2	1.6	2.0	2.2	2.0
France	0.3	0.5	0.9	0.8	1.2	1.3	0.8	1.0	1.7	1.6	2.1	1.8
Italy	0.7	0.5	1.1	0.8	0.9	0.9	1.7	1.8	1.7	1.7	2.2	1.8
Spain	2.4	2.4	2.3	1.8	2.4	1.8	2.1	2.3	1.8	1.9	2.2	2.0
United Kingdom	1.2	1.1	1.2	1.2	1.5	1.5	3.4	3.2	2.4	2.3	2.2	2.0
Japan	1.1	0.8	1.0	0.8	1.0	0.8	3.2	2.8	2.0	1.8	1.7	2.0
China	4.4	4.5	4.0	4.2	3.9	4.1	0.2	0.2	1.3	1.0	1.9	1.5
World*	2.4	-	2.4	-	2.4	-	-	-	-	-	-	-

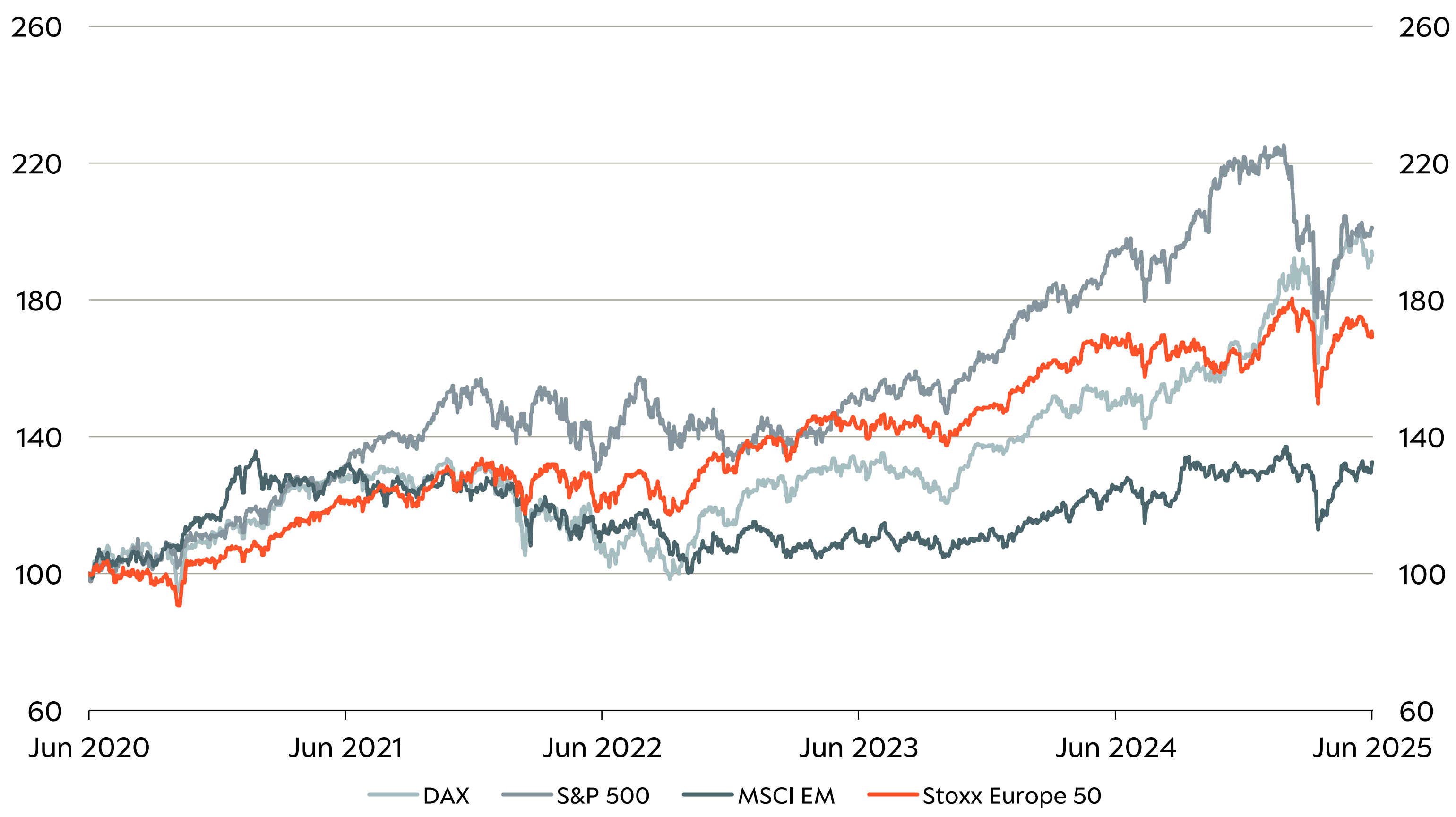
* At actual exchange rates. not purchasing power parity; PPP would give more weight to the fast-growing emerging-market countries.
** Average of estimates of other experts (Bloomberg); consensus.
Source: Bloomberg, Berenberg per 25.05.2025

03 Equities

Market development

US all-time highs only a matter of time

Performance of selected equity indices



Zeitraum: 25/06/2020 – 25/06/2025

New all-time highs also likely in the US

In June, equity markets largely treaded water. In euro terms, US equities performed slightly better than the rest of the world. German and European equities, on the other hand, recorded losses.

Q3 is likely to see another spikes in volatility. This is indicated by weakening US economic data, lower liquidity over the summer months and Trump's erratic behavior. In the past, he has often questioned impending "deals" in order to renegotiate them. If the same happens this time, this could lead again to (short-term) uncertainty in July/August. However, we assume that the setbacks will actually be seen as a buying opportunity. We also do not expect the lows of April to be revisited, as less optimistic investor sentiments and positioning should also result in a smaller correction.

Provided there are no major political surprises, the path of least resistance should be characterised by new highs in the medium term – driven by strong fundamentals in the technology/AI sector, stable demand from systematic strategies as a result of improved volatility and momentum signals as well as buying by active investors in the event of setbacks.

 Source: Bloomberg; performance in EUR scaled to 100

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Focus on Q2 earnings season

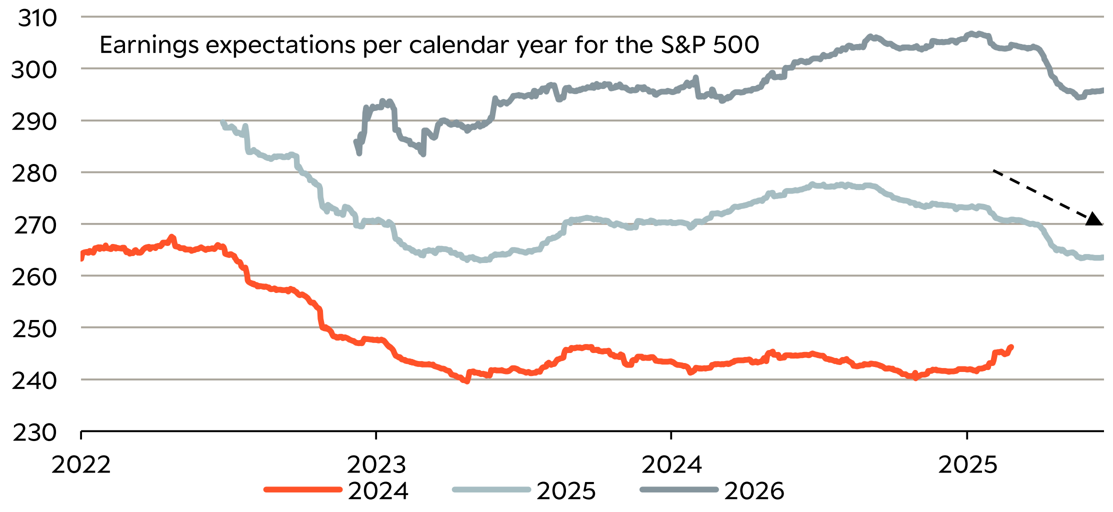
Negative earnings revisions likely to subside

- Earnings expectations for the S&P 500 have been revised downwards from 14% to 8% for 2025 – which is a more realistic assessment in view of a weakening US economy.
- However, Trump's unpredictable behavior, lower immigration and higher tariffs could put additional pressure on corporate profits.
- On the other hand, fiscal stimuli and the weaker US dollar are having a positive effect, which is benefiting particularly export-oriented US tech companies. In addition, deregulation efforts are likely to have a supportive effect as the year progresses.

European small caps with potential

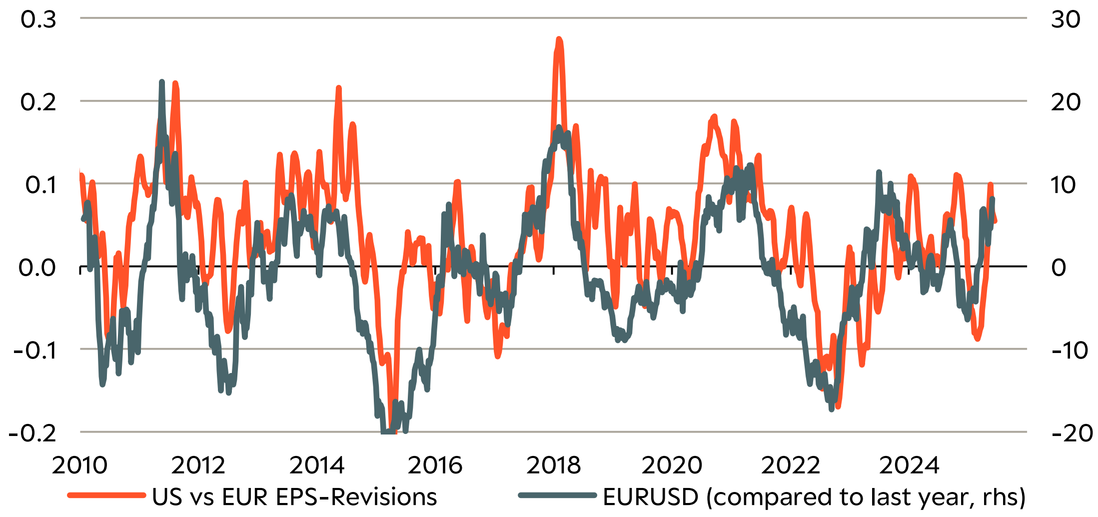
- Investors will focus on the Q2 reporting season with regard to profit margins and the outlook. The weak dollar should lead to positive surprises for US companies with a high proportion of international sales. The "higher for longer" US interest rates, on the other hand, are likely to weigh on US companies with high debt levels and high refinancing costs. This is likely to include some US small caps.
- European small caps, on the other hand, benefit from lower valuations, lower interest rates and better growth momentum in Europe than in the US.

Reduced earnings growth expectations for 2025 now more realistic



Time period: 01/01/2022–25/06/2025

US companies likely to benefit from a weak US dollar



Time period: 01/01/2010–13/06/2025

 Source: Factset, Berenberg

Source: Factset, Berenberg

Recession now priced out again

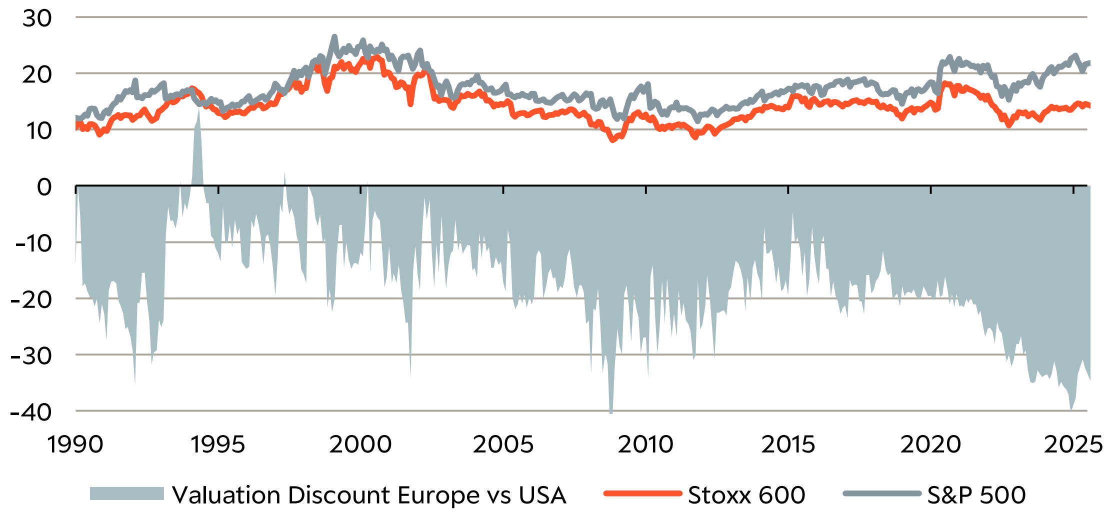
US equities remain expensive in historic terms

- After consensus still saw a recession probability of around 50% for the US in April, this figure has recently fallen significantly, in line with Trump's retreat in the tariff dispute.
- Although US earnings estimates have been reduced in recent months, the S&P 500 has recovered more than 20% from its lows – and valuations have risen with the price. While European stocks are trading close to their historical averages, the P/E ratio for the S&P 500 is almost 22 – 25% higher than the historical average since 1987.

'Pain trade' likely to continue upwards

- Provided there are no major political surprises, the path of least resistance should be characterised by new highs in the medium term – driven by strong fundamentals in the technology/AI sector, stable demand from systematic strategies as a result of improved volatility and momentum signals as well as buying by active investors in the event of setbacks.
- Emerging market equities are receiving a tailwind from the weak US dollar and relatively attractive ratings. They re-main a worthwhile addition to the portfolio. In view of the increased uncertainty under Trump, we have no strong regional preference for the coming months.

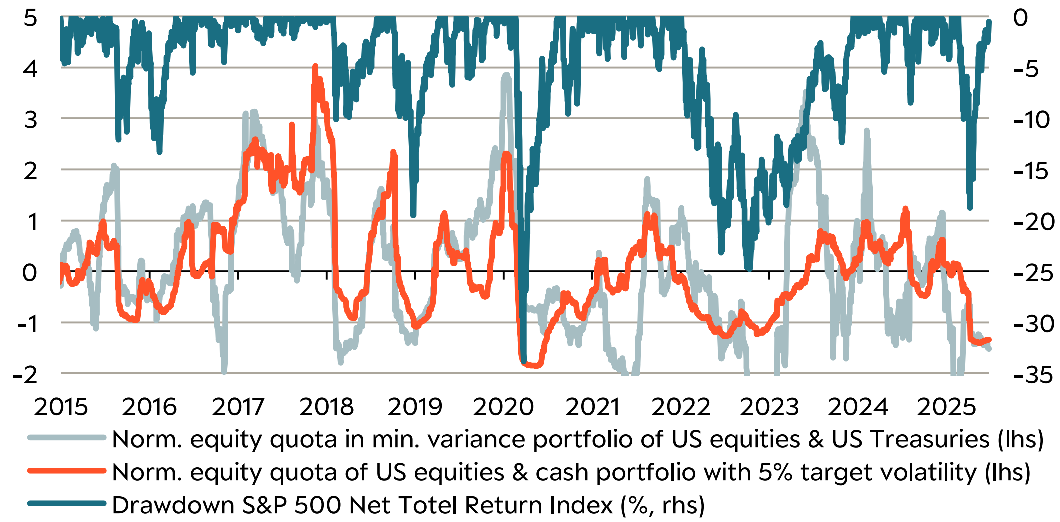
European equities still inexpensive relative to the US



Time period: 01/01/1990 – 25/06/2025

Source: Bloomberg, own calculation

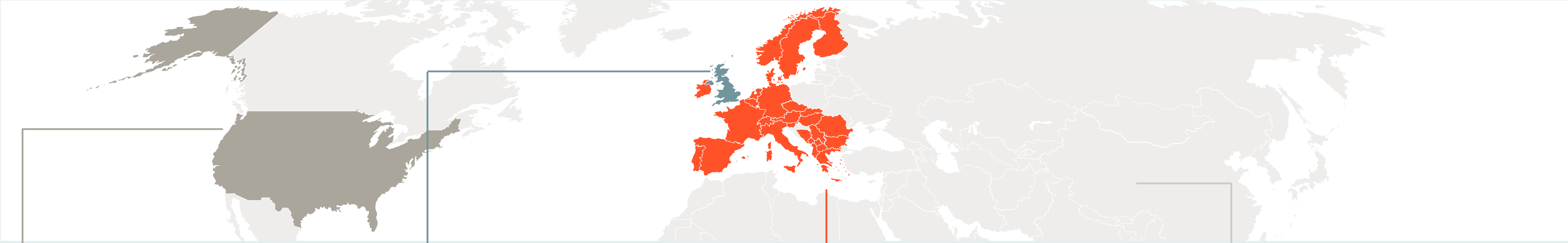
Systematic investment strategies not yet highly positioned again



Time period: 01/01/2015 – 25/06/2025

Source: Bloomberg, own calculation

Preference for regionally neutral positioning



US

neutral

The strong weighting of US mega caps and the continued high valuation of US equities make the region less attractive compared to more inexpensive regions such as Europe or the emerging markets. In addition, the latest economic data has recently come as a slightly negative surprise. On the other hand, fiscal stimuli, support for systematic investment strategies and the weaker US dollar, which should benefit export-oriented US tech companies in particular, are having a positive effect.

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.

Equity market forecasts

Index forecasts	25/06/2025	30/06/2025	31/12/2025	In 12 months
	Current			Ø*
S&P 500	6,092	6,400	6,600	6,626
DAX	23,498	24,000	25,500	26,772
Euro Stoxx 50	5,252	5,700	6,000	5,912
MSCI UK	2,477	2,600	2,750	2,824

Index potential (in %)

S&P 500	-	5.1	8.3	8.8
DAX	-	2.1	8.5	13.9
Euro Stoxx 50	-	8.5	14.2	12.6
MSCI UK	-	5.0	11.0	14.0

Source: Bloomberg, Berenberg per 25/06/2025
*Average based on bottom-up estimates.

04 Bonds

Bleak prospects for safe government bonds

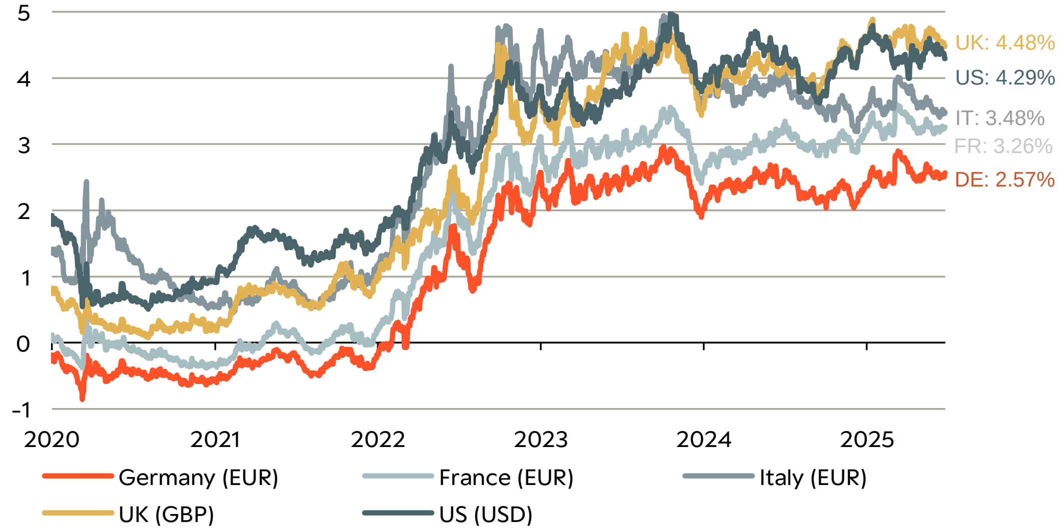
Safe government bonds burdened by interest rate volatility

- As we expected, the upswing in US Treasuries in the first three months of the year did not continue. Instead, safe government bonds from Europe led the way in the second quarter - German Bunds and British Gilts rose. In an environment of increasing fears of rising government debt, Moody's, the last of the three major rating agencies, downgraded the USA's credit rating to only the second-highest level.
- German government bonds, on the other hand, were sought after as a safety anchor in the wake of the market turbulence caused by customs policy. They also benefited from a fall in the inflation rate to just 2.1% year-on-year in May and two interest rate cuts by the European Central Bank (ECB) of 25 basis points each in April and June.

Government bonds with only marginally attractive yield prospects

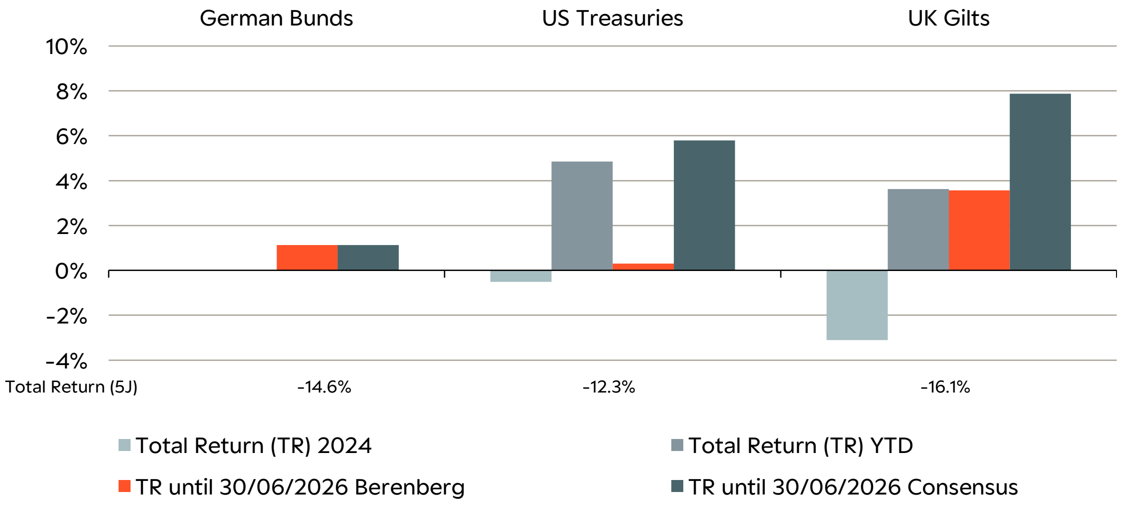
- However, this means that the potential has probably been exhausted – as with the US Fed, we do not expect any (further) interest rate cuts from the ECB until next year. In view of the higher volatility of macro data due to economic and trade policy factors, the volatility of safe government bonds should also remain high without yields on longer maturities falling permanently.
- Against this backdrop, government bonds with high and top credit ratings will lack sustainable attractive earnings prospects in both nominal and real terms for the foreseeable future.

10-year yields (%) remain volatil



Period: 01/01/2020–25/06/2025

Safe government bonds: potential low to exhausted



Period: 19/06/2020–19/06/2025

 Source: Bloomberg, own calculations, ICE BofA government bond indices (7-10 years, TR)

Euro financial sector remains favourite; EM local currency bonds promising

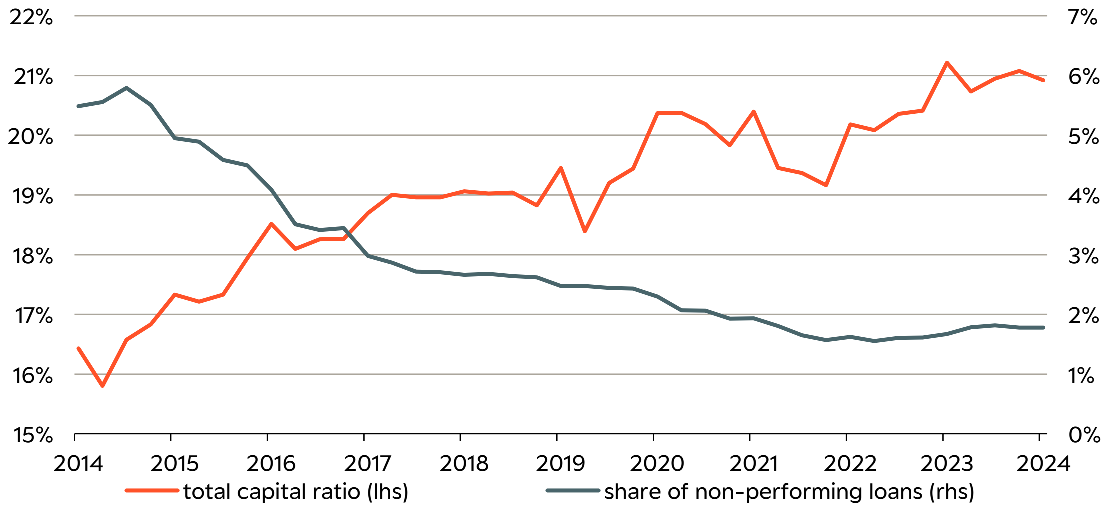
Corporate bonds: focus on carry

- The further development of European corporate bonds will largely depend on whether the USA and Europe run into economic difficulties and whether this leads to a reassessment of credit risks. There are currently no signs of economic concerns in the risk premiums. Valuations in the IG segment can still be described as fair at best, whereas the high-yield segment appears rather expensive. However, since the end of the negative interest rate phase, many investors are increasingly focussing on the yield level rather than the risk premium.
- For the most part, there are still no signs of any deterioration in companies' key financial figures, and we are taking advantage of the opportunity to realise a higher current yield ('carry') on corporate securities compared to more defensive segments.

Emerging market bonds: local currencies favoured

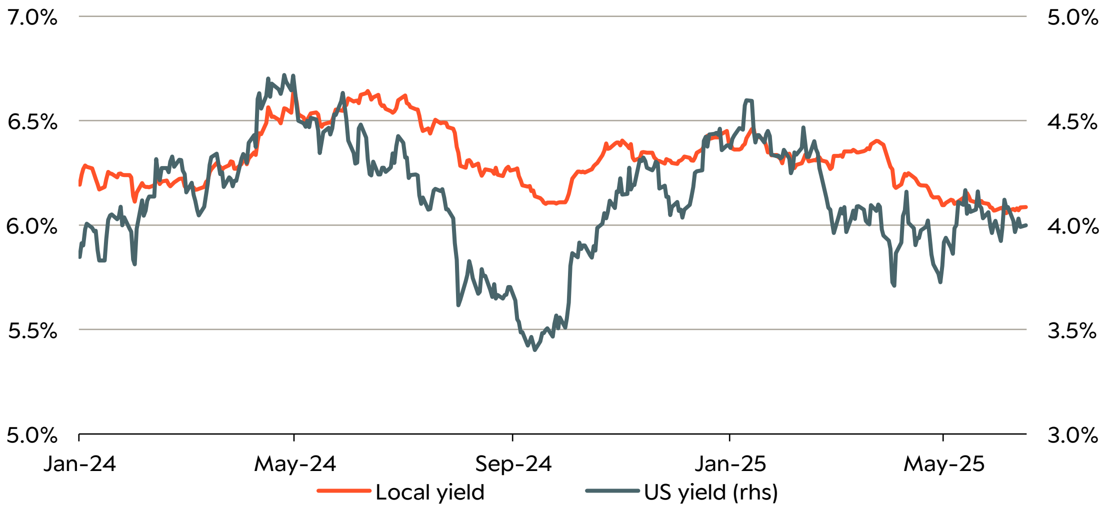
- After the market turbulence following the tariff announcements on 'Liberation Day' at the beginning of April, US President Trump was forced to backtrack and grant a 90-day pause in negotiations. This has since led to a recovery in risk assets, which has also benefited emerging market bonds.
- The recent combination of currency appreciation and yield declines, on the other hand, not only shows increased investor confidence in emerging markets, but also gives local central banks the necessary flexibility to lower their key interest rates independently and in line with their economic development. Against this backdrop, we favour the local currency segment not only because of its attractive interest rates, but also because we expect yields to fall further as inflation has already been overcome and the economy is beginning to cool as a result of tariffs.

Corporate bonds: Banks increasingly better positioned



Period: 31/12/2014–31/12/2024, quarterly data.

Emerging markets: Cash flows into local currency bonds continue



Period: 01/01/2024–17/06/2025

Source: European Banking Authority, Bloomberg, own calculation.

Capital market strategy

Core segments

Government bonds

underweight

- As the range of fluctuation in macro data remains elevated, interest rate volatility for safe government bonds is also likely to remain high. Although the yield curve is no longer inverted, it is still flatter than the historical average. Even if central banks cut interest rates further, yields on longer maturities are unlikely to fall much.
- Collateralised 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 in both the high-yield and IG segments has risen again recently. In our base scenario, however, spreads should hardly widen, meaning that high-quality corporate bonds remain more attractive than government bonds. In terms of sector selection, we are focussing on defensive industries and avoiding cyclical ones. We currently still see selective opportunities in the area of high-yield bonds.

Other segments

Emerging markets

overweight

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

High yield bonds

overweight

- The high-yield bond segment remains attractive for many investors due to the positive economic outlook resulting from the ECB'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 catastrophe bonds and 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 %)	25/06/2025	30/06/2025		31/12/2025	
	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	4.29	4.80	4.25	4.90	4.17
Eurozone					
Base interest rate**	2.15	2.00	1.90	2.00	1.90
10Y Bund yield	2.56	2.70	2.64	2.80	2.76
United Kingdom					
Base interest rate	4.25	4.25	3.75	4.00	3.45
10Y Gilt yield	4.48	4.70	4.38	4.70	4.25

Source: Bloomberg. Berenberg. as of 25/06/2025
*Average of estimates by other experts (Bloomberg) consensus.
**Deposit rate

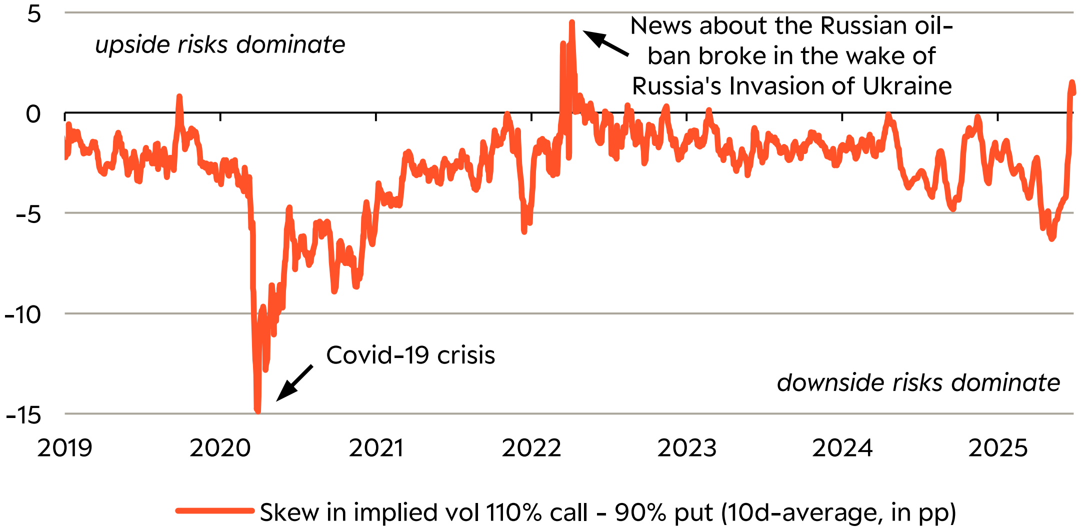
05 Commodities

Crude oil to move sideways without escalation of the Middle East conflict

Turbulent times, but ultimately the abundant supply prevails

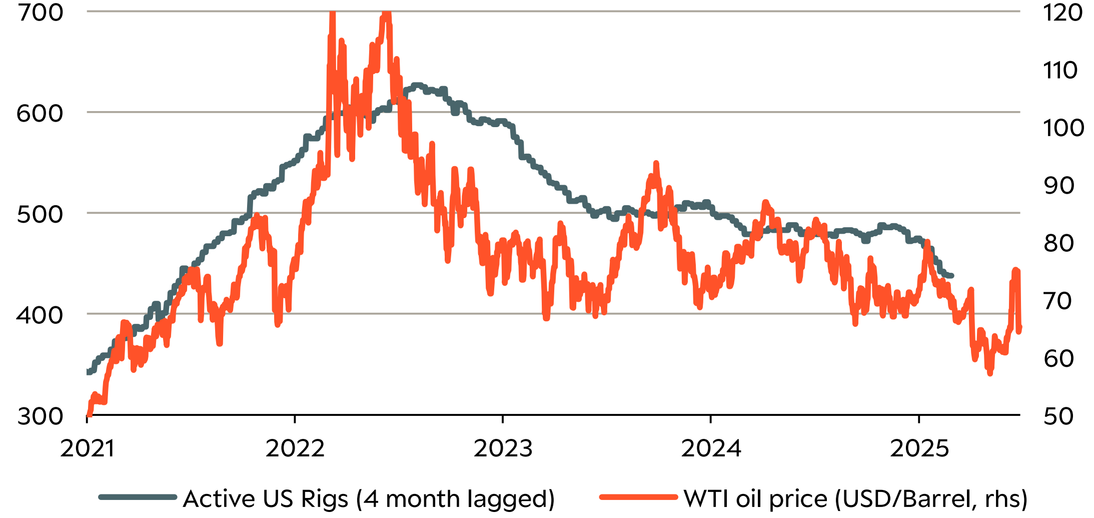
- The oil price has had a turbulent second quarter. At the beginning of April, Brent crude lost more than 15% within a few days. Liberation Day fueled concerns about the global economy on the oil market. However, the 180-degree turnaround in OPEC+ policy was much more serious. Led by Saudi Arabia, the cartel decided to increase production by 411 kbpd for each of the months of May, June, and July.
- The turnaround in the oil market came with the escalation in the Middle East. From its low at the beginning of May to the peak of the conflict in mid-June, the oil price rose by more than 30%. After Iran's retaliatory strikes for the US air strikes turned out to be very moderate and the US was subsequently able to negotiate a ceasefire between Israel and Iran, the oil price fell just as quickly as it had risen.
- The conflict between Israel and Iran appears to be on hold, but it is not over. This means that there is still a risk that a regime that feels cornered could decide to block the Strait of Hormuz, which would affect 20% of the world's oil supply and 30% of its LNG supply. The price of oil would then likely rise above US$100 per barrel. However, the probability of this risk remains extremely low, as Iran would also make its neighboring countries its enemies.
- Beyond geopolitics, oil supplies are abundant but price-sensitive, especially in the US. The number of active wells operated by US shale oil producers fell by almost 10% in early April. A continuation of the sideways movement between US$60 and US$80 therefore seems likely.

Changes in sentiment on the oil market are often short-lived



Period: 01/01/2019 – 25/06/2025.

US producers reduce drilling activity due to low prices



Period: 01/01/2021 – 25/06/2025.

 Source: Bloomberg, own calculations.

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Gold remains highly valued

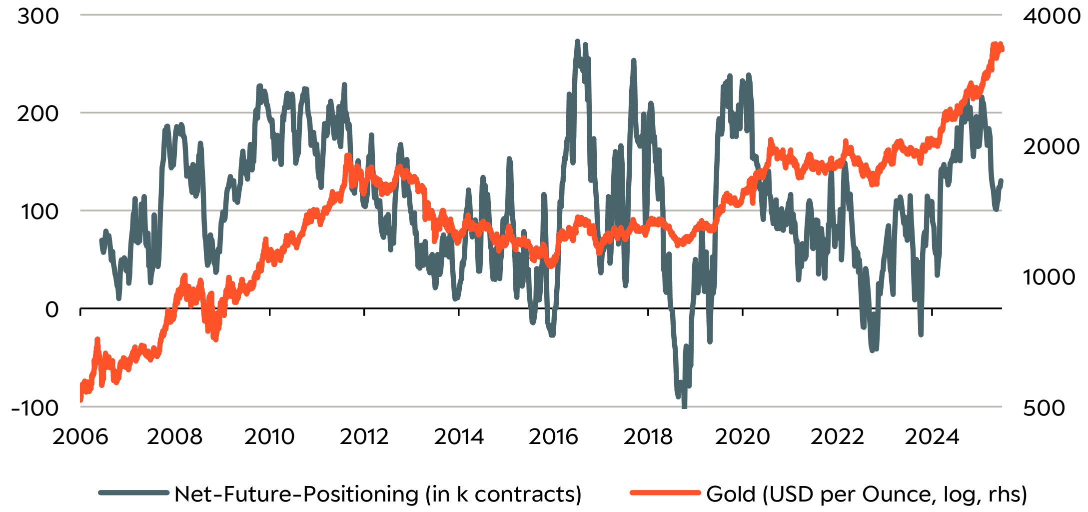
Rising government debt and central bank purchases support gold

- Gold was unable to completely escape the widespread sell-off on the financial markets following the introduction of reciprocal tariffs at the beginning of April. However, temporary growth concerns, a weaker dollar, and fears of a sharp rise in US government debt counteracted this and supported the gold price in the second quarter.
- Continued strong demand from central banks, ongoing geopolitical tensions, and the rising US budget deficit, which is increasingly calling into question the sustainability of US debt, are likely to continue to support the gold price in the medium term, alongside a further weakening of the dollar and a neutral positioning to date.

Industrial metals caught between conflicting customs policies

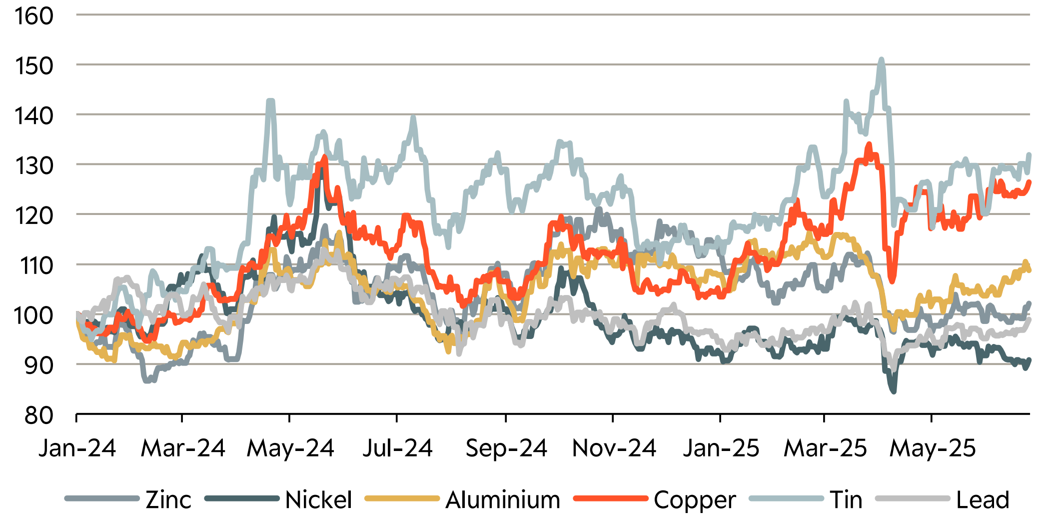
- The announcement of reciprocal tariffs and the associated fears for growth led to sharp price losses on the industrial metal markets – copper lost up to 15% of its value at times. Despite the new tariffs on steel and aluminum imports, some industrial metals recovered quickly. This was due to advance demand triggered by concerns about the tariffs being extended to other metals and low inventory levels.
- Although US trade policy remains a driving factor and a noticeable economic upturn is necessary for a sustained positive price trend, structural demand remains unbroken due to the green transformation and increased infrastructure and defense spending and is likely to continue to support industrial metal prices in the medium to long term.

Gold at an all-time high without extreme future positioning



Period: 01/01/2006 – 25/06/2025.

Industrial metals slowly recovering from tariff shock



Period: 01/01/2024 – 25/06/2025.

 Source: Bloomberg, own calculations.

06 Currencies

Market development

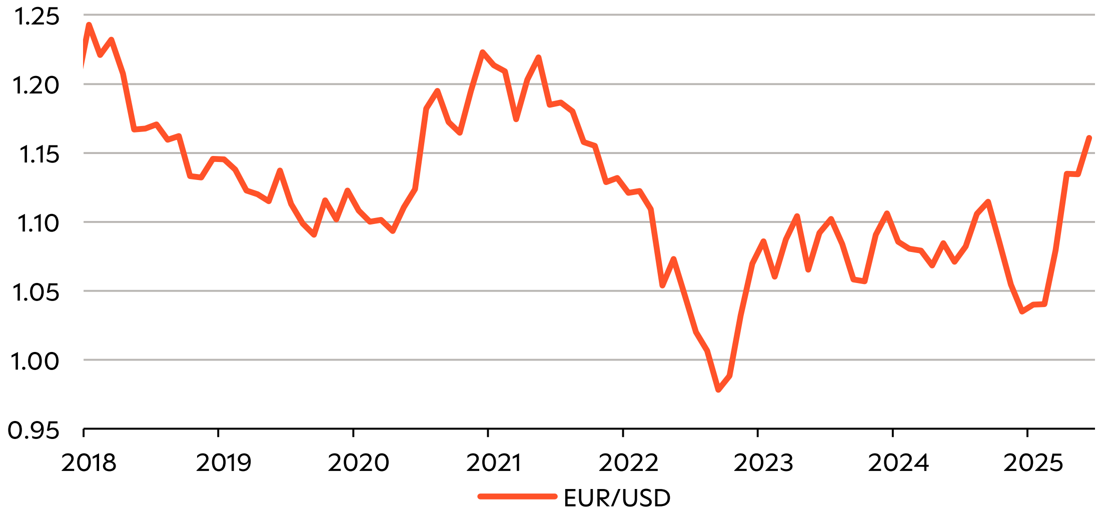
The weak dollar is here to stay

- The euro appreciated by more than 10% against the US dollar in the first five months of the year. This is due to concerns about spiraling US government debt, Donald Trump's erratic economic policy, the robust economy in the eurozone, and the prospect of increased fiscal spending on the old continent, especially in Germany. In the coming months, US fiscal policy, economic data, and central banks are likely to be the most important factors influencing the euro-dollar exchange rate, alongside trade policy.
- If the prospect of persistently higher interest rates in the US prevails in the market, the dollar could benefit. However, this is countered by the fact that the US economy is likely to lose further momentum in the coming months, while the eurozone could gain some traction.

BoJ caught between rising inflation and economic concerns

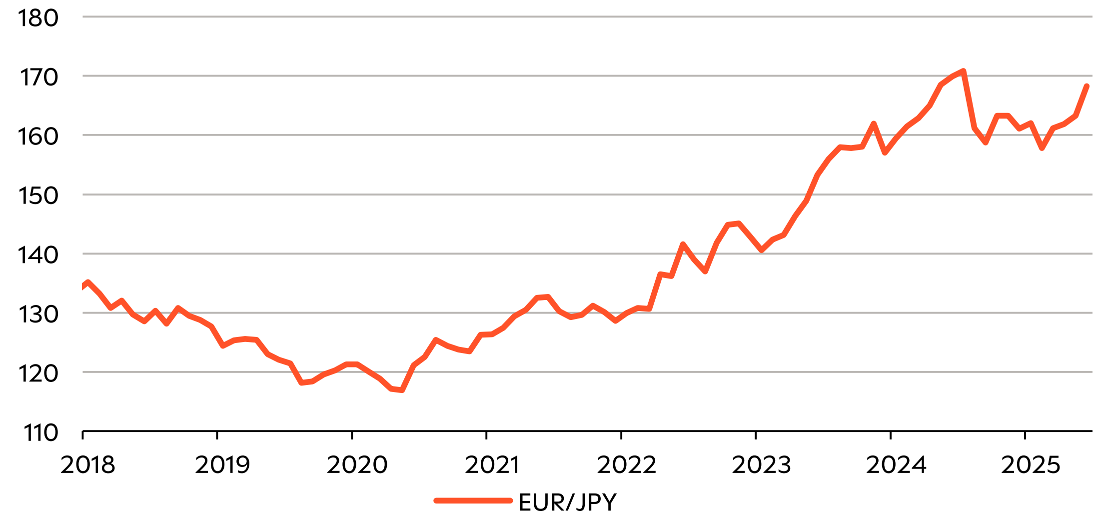
- Japan's core inflation rate stood at 3.5% in April, well above the target of 2%. This would normally suggest further key interest rate hikes. At the same time, however, US tariffs are having a negative impact on the economy. Japan is particularly hard hit by tariffs on cars.
- The Bank of Japan (BoJ) will therefore raise key interest rates 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 are currently leaving interest rates at their current levels or even lowering them further. In addition, the yen continues to benefit from its status as a safe haven in uncertain times.

Euro-dollar rate likely to trend sideways until the end of the year



Period: 01/2018 – 06/2025

Further increase in key interest rate likely to support the yen



Period: 01/2018 – 06/2025

 Source: Bloomberg

Forecasts

Exchange rate forecasts	25/06/2025	31/12/2025		30/06/2026	
	Current		Ø*		Ø*
EUR/USD	1.17	1.14	1.15	1.16	1.17
EUR/GBP	0.85	0.86	0.86	0.86	0.86
EUR/CHF	0.94	0.95	0.94	0.95	0.96
EUR/JPY	169	160	161	159	160

Change against the Euro (in %)

USD	-	2.3	0.5	0.5	-1.2
GBP	-	-0.8	-0.8	-0.8	-0.8
CHF	-	-1.2	-1.2	-1.2	-2.3
JPY	-	5.8	3.9	5.8	4.5

*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 25/06/2025

07 Publishing information

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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

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