# Horizon Handout

The Berenberg Capital Markets Outlook Wealth and Asset Management

August 2025

BERENBERG

# Important Notices



Date 25.07.2025

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# 01 Overview of capital markets outlook and asset allocation

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# Overview of capital markets

| | 4-week & YTD | | 12-month periods over that last 5 years | | | | |
|---|---|---|---|---|---|---|---|
| | 4W (25/06/25 - 23/07/25) | YTD (31/12/24 - 23/07/25) | 23/07/24<br>23/07/25 | 23/07/23<br>23/07/24 | 23/07/22<br>23/07/23 | 23/07/21<br>23/07/22 | 23/07/20<br>23/07/21 |
| Industrial Metals | 8.1 | 2.3 | 10.0 | 5.6 | -7.8 | 8.8 | 39.8 |
| MSCI Frontier Markets | 7.8 | 13.4 | 21.1 | 10.6 | -5.3 | -2.7 | 35.8 |
| Global Convertibles | 3.7 | -3.5 | 7.0 | 6.1 | -1.9 | -11.0 | 33.2 |
| Brent | 3.6 | -12.2 | -9.8 | 14.8 | -12.5 | 89.6 | 65.2 |
| MSCI World | 3.2 | -1.4 | 7.6 | 23.0 | 6.9 | 0.7 | 33.3 |
| MSCI Emerging Markets | 2.9 | 5.3 | 9.9 | 12.6 | -3.1 | -10.8 | 22.4 |
| REITs | 1.8 | -7.1 | -4.3 | 7.7 | -16.5 | 2.9 | 29.1 |
| EUR Coporates | 0.8 | 2.6 | 5.7 | 6.7 | -2.5 | -10.6 | 3.1 |
| Gold | 0.7 | 13.5 | 29.6 | 25.9 | 4.5 | 10.3 | -5.9 |
| EUR Sovereign Debt | 0.4 | 2.0 | 4.5 | 4.0 | -4.5 | -7.2 | 0.6 |
| Euro overnight deposit | 0.1 | 1.3 | 2.9 | 4.0 | 1.9 | -0.6 | -0.6 |
| USDEUR | -1.0 | -12.1 | -7.8 | 2.5 | -8.2 | 15.3 | -1.5 |

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: 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: 23/07/2020 – 23/07/2025

## 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.



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# Overview of capital markets

## Economics

The US and the EU are moving closer to reaching an agreement on their trade dispute.

Inflation in the UK remains too high, allowing the Bank of England to act only carefully.

Tariffs are beginning to be reflected in US consumer prices, preventing the Fed from cutting interest rates further.

## Equities

US stocks hit a new all-time high thanks to share buybacks, purchases by systematic investors, trade deals, and solid economic data.

US reporting season gets off to a largely positive start. Europe is likely to benefit from potential trade deal.

Weaker seasonality, negative tariff surprises, and increased positioning could increase volatility.

## Bonds

While the Fed continues to face inflation risks from tariffs, political pressure on it is mounting.

The risk of valuation adjustments has risen recently in both the high-yield and investment-grade segments.

US President Donald Trump's trade and tariff policy remains the key issue in emerging markets.

## Alternative investments / commodities

OPEC+ continues to turn up the oil tap. Beyond geopolitics, there are few reasons for optimism.

Structural drivers for gold remain intact, but short-term drivers are lacking. Strong price increases are likely to dampen investor demand.

Copper is still benefiting from possible US tariffs. If the tariffs are imposed, prices are likely to fall again both here and in the US.

## Currencies

US dollar with its worst first half-year since 1973.

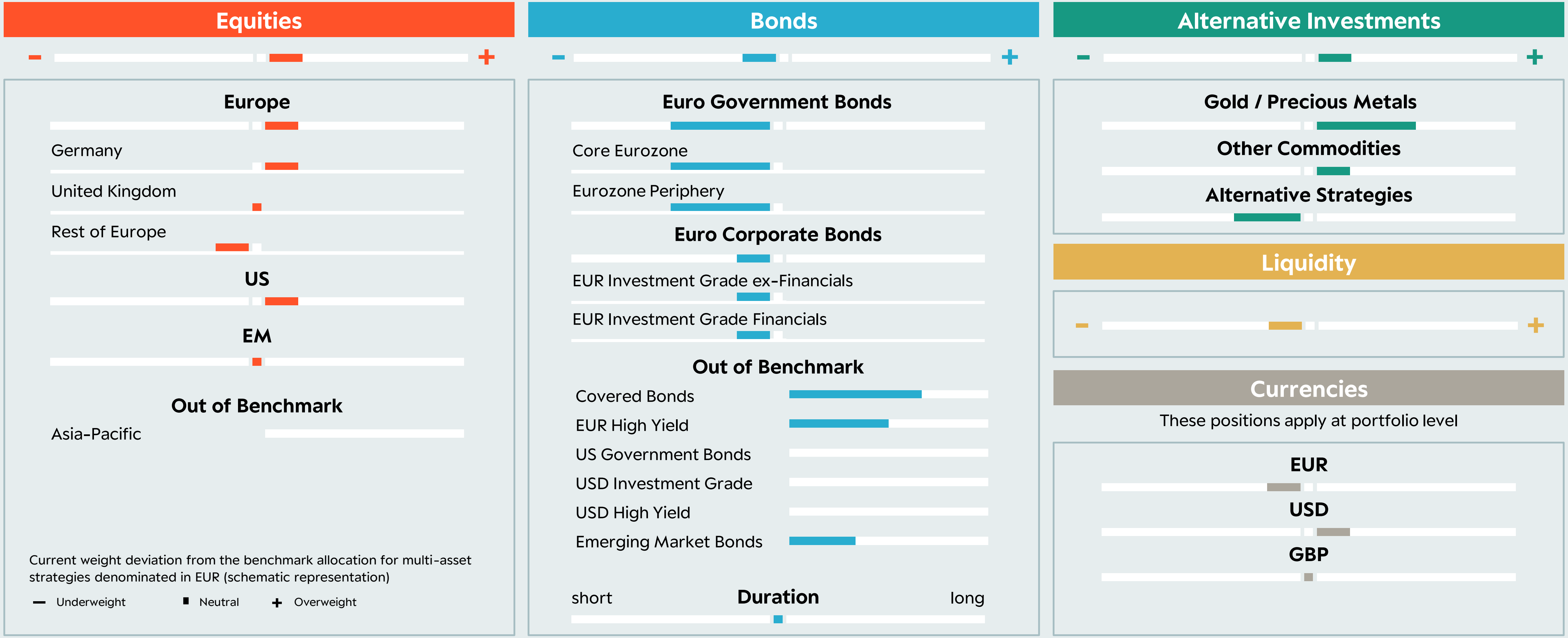
There are numerous reasons for the dollar's weakness, and these remain in place for the time being.

The result of the upper house elections and the trade agreement with the US are moving the Japanese yen.

Current positioning with asset classes

# Overview of Berenberg's asset allocation

## Portfolio positioning of a balanced mandate at a glance



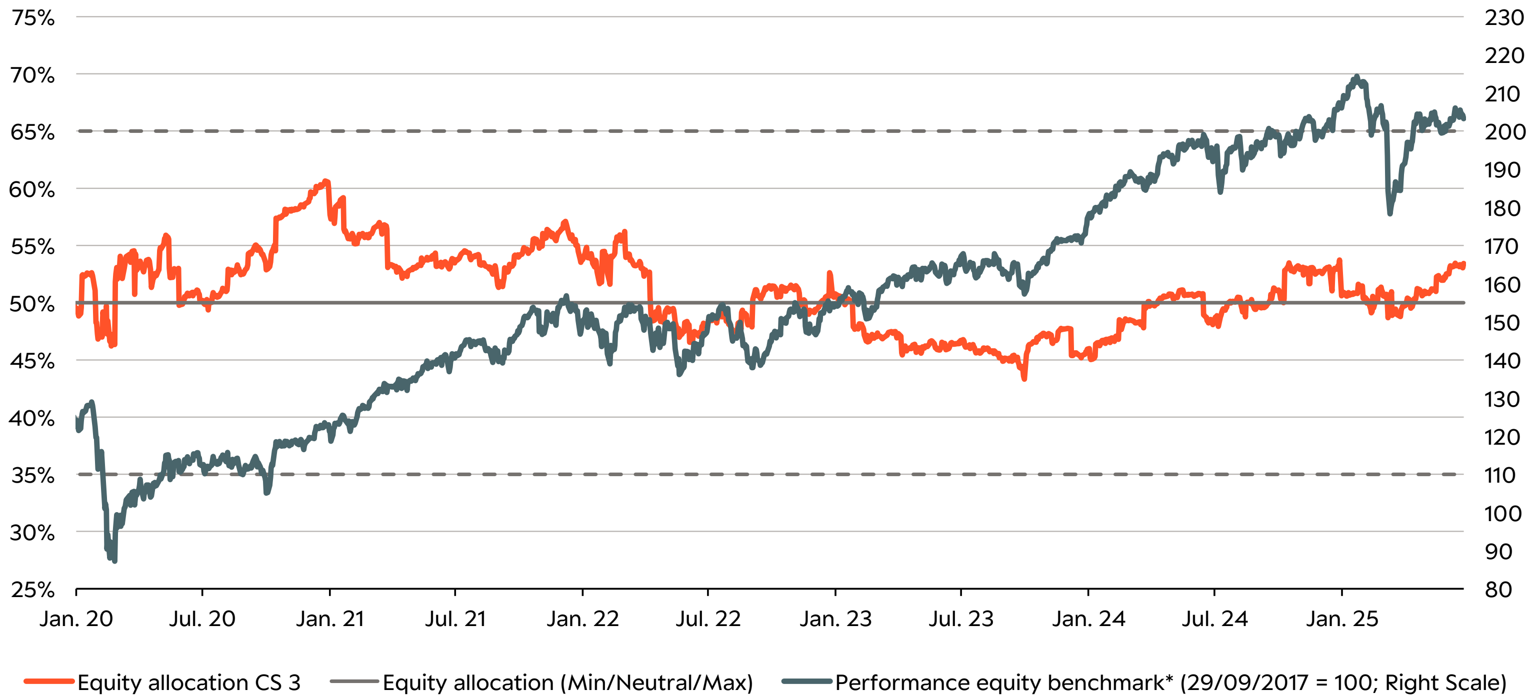


As of: 23/07/2025
Source: Berenberg

# Overview of Berenberg's asset allocation

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

| | 22/07/20 - 22/07/21 | 22/07/21 - 22/07/22 | 22/07/22 - 22/07/23 | 22/07/23 - 22/07/24 | 22/07/24 - 22/07/25 |
|---|---|---|---|---|---|
| Performance equity benchmark | 22.07% | 4.64% | 12.69% | 18.24% | 4.22% |




- After using the market setback caused by the escalation of the Middle East conflict to increase our equity weighting slightly, partly through the Nasdaq 100 ETF, we have not made any significant changes to our asset allocation recently.
- We have only allocated a new catastrophe bond fund, at the expense of cash, after previously completely reducing our exposure in this area due to a change in management.
- Our largest overweight remains in gold, which should benefit from the weaker US dollar, ongoing central bank demand and as a hedge against rising government debt.

Time period: 22/07/2020 – 22/07/2025

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

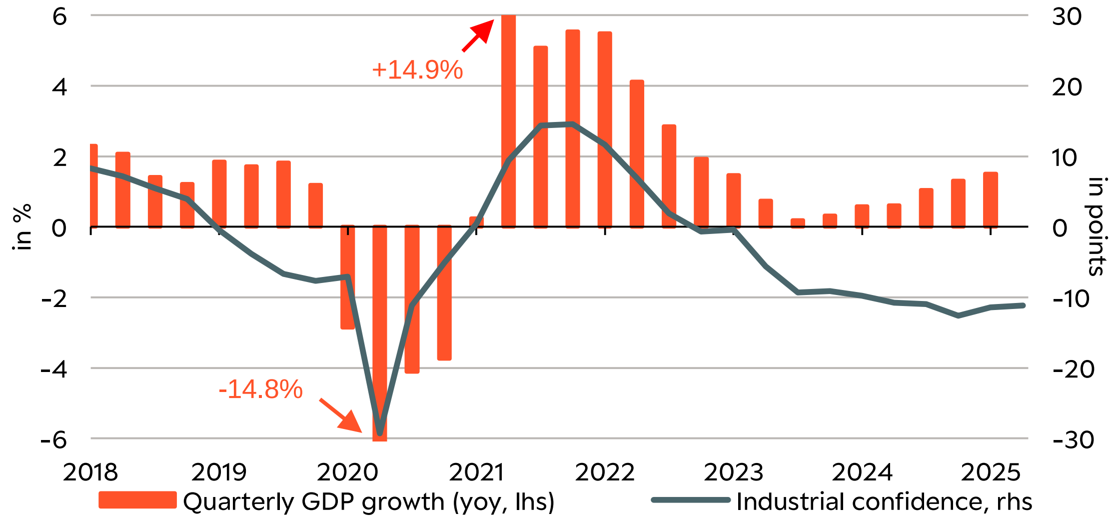
## The US and the EU are close to a trade deal

- According to media reports, the US and the EU are close to finalising their tariff negotiations. The draft agreement proposes a 15% tariff on EU imports to the US. Tariffs of 50% would apply to steel and aluminium imports exceeding a certain quota. However, Trump still has to approve the agreement, so there is a risk of a last-minute surprise.
- Reaching an agreement would stimulate the economy by putting an end to uncertainty. The ECB's monetary easing and the continued stability of the labor market are also having a supportive effect. Rising fiscal spending, particularly in Germany, will provide an additional tailwind. Following the current weaker economic phase, this will help the eurozone to regain momentum in Q4.

## The ECB waits until the tariff fog has cleared

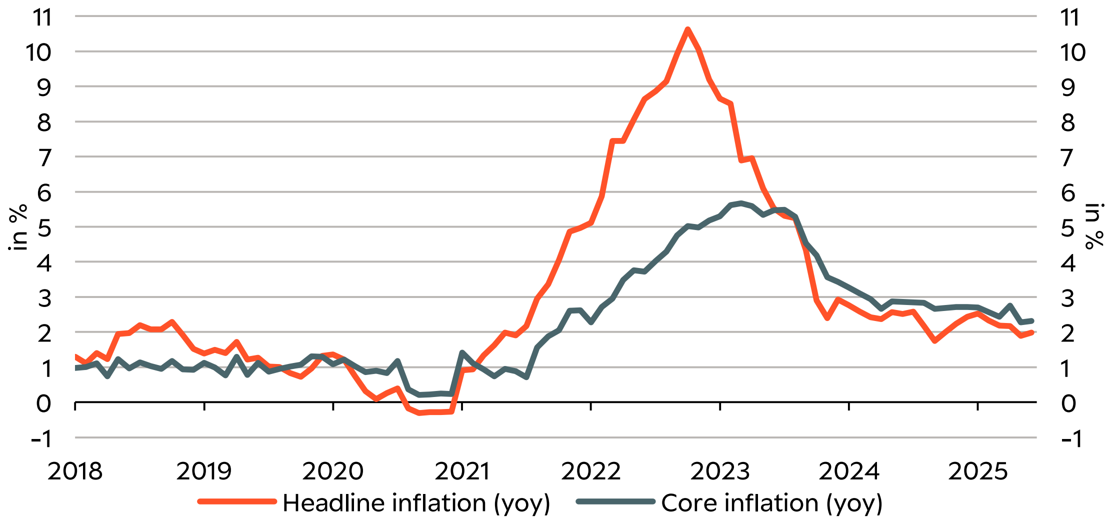
- At its meeting on July 24, the ECB left the deposit rate unchanged at 2.0% and at the same time it kept all options open for further action. The anticipated trade agreement between the USA and the EU could act as a catalyst for an upturn in the coming months. The ECB is therefore unlikely to lower the key interest rate any further.
- However, should there be a further escalation in the trade dispute, the ECB could be forced to cut its key interest rate further. The monetary authorities in Frankfurt will also be keeping a close eye on the euro. It has appreciated by more than 10% against the US dollar since the beginning of the year. A strong euro makes imports cheaper, which has a disinflationary effect and increases the likelihood of a further interest rate cut.

## The tariff dispute still stands in the way of an upswing




Period: 01/2018 – 06/2025

## Inflation rate moves towards the 2 percent target




Period: 01/2018 – 06/2025

 Source: Haver

# United Kingdom

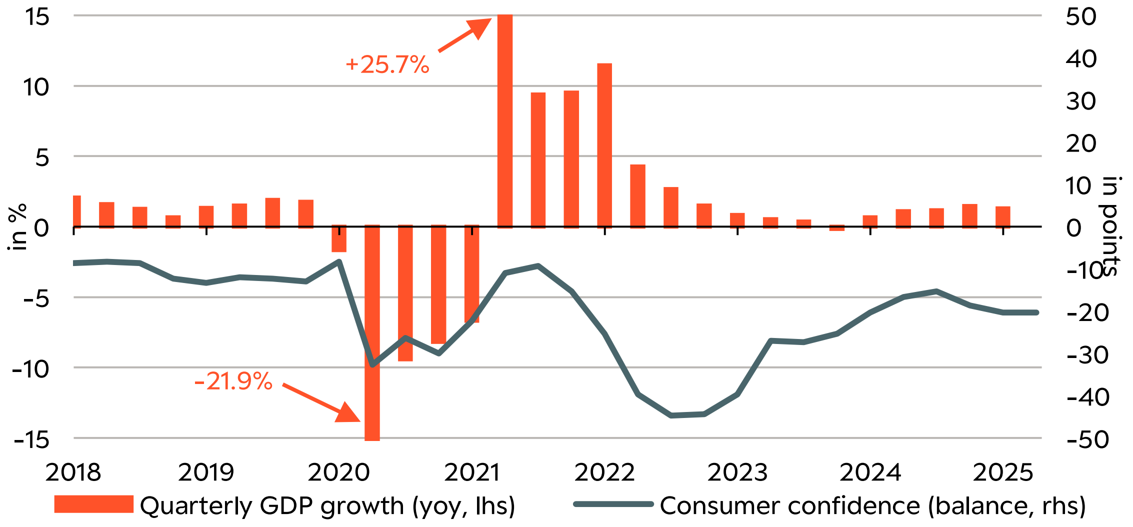
## Temporary weakness

- In May, the annual GDP growth rate in the United Kingdom fell to 1.0%, reaching its lowest level in 13 months. This is partly due to a large amount being exported to the United States at the beginning of the year to avoid tariffs. However, once these tariffs came into effect, the opposite happened. Increased labour costs due to higher minimum wages and taxes are also contributing to the slowdown.
- However, the latest economic indicators suggest that the weak phase may already be over. In the second half of the year, higher government spending, real wage growth among consumers and falling key interest rates will also have a positive impact. We therefore expect GDP growth of 1.2% for 2025 as a whole.

## Continued high inflation allows the BoE to take only cautious steps

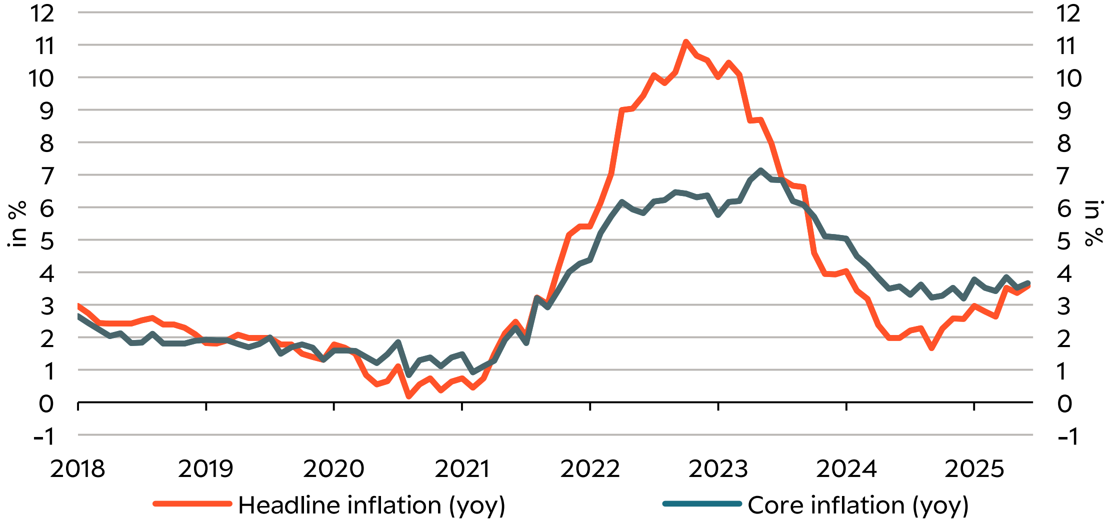
- The higher social security contributions and the increased minimum wage are partly passed on to consumers by companies in the form of higher prices. The inflation rate rose from 3.4% to 3.6% in June. Core inflation also increased again and now stands at 3.7%. Price pressure remains high, particularly in the services sector.
- Although inflation is still too high for the BoE's taste, the weakening labor market is increasing the pressure to loosen monetary policy further. We therefore expect a rate cut of 25 basis points on August 7 and two further rate cuts of the same amount in the first half of 2026, bringing the key interest rate down to 3.5%.

## More momentum expected for the second half of the year




Period: 01/2018 – 06/2025

## Inflation rate moving in the wrong direction




Period: 01/2018 – 06/2025

 Source: Haver

# USA

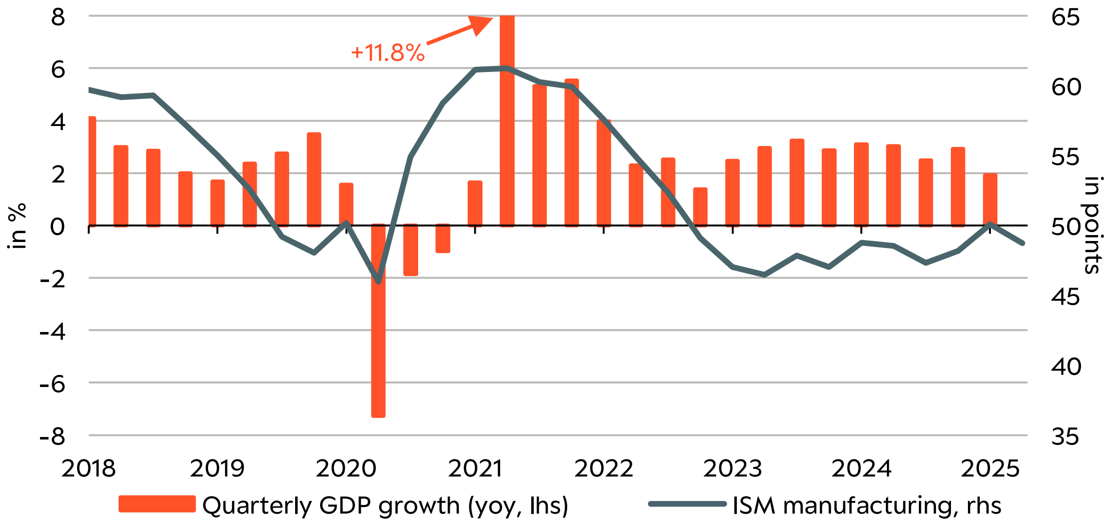
## Trump extends tariff deadline and threatens at the same time

- On the one hand, the US has now concluded several trade agreements and extended the deadline for a negotiation to August 1. On the other hand, Trump is raising tariffs on copper by 50%, threatening various countries with further tariff increases and bringing import duties of 200% on pharmaceutical products into play. Further trade agreements will follow, but overall the tariffs will remain at a significantly higher level than before Trump's second term. This will drive up inflation and put a strain on US consumers.
- Overall, the US economy still appears to be quite robust. However, Trump's protectionist trade policy and his restrictive immigration policy are likely to significantly slow down US growth in the coming months.

## First signs of tariff-related price increases

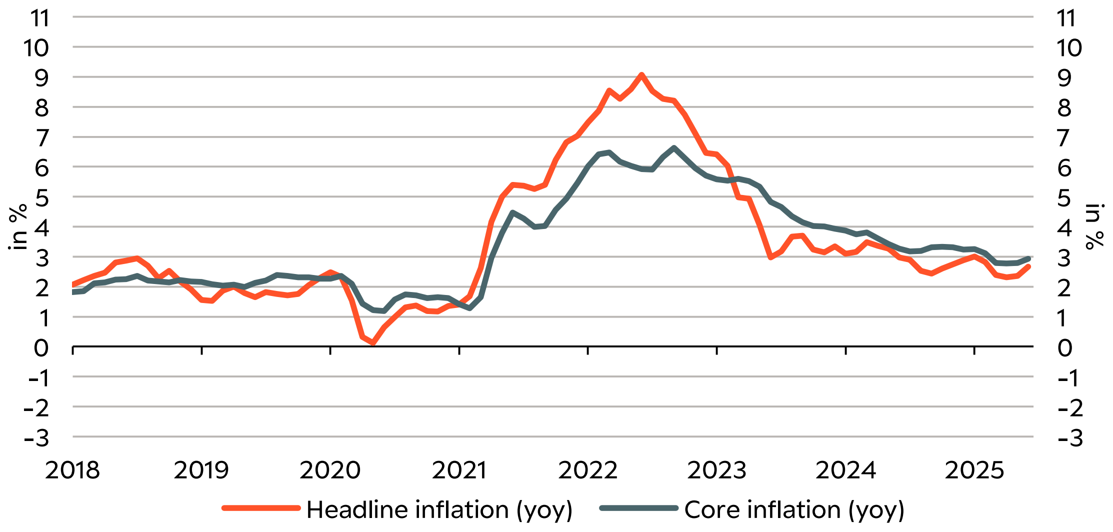
- The US inflation rate, as measured by the consumer price index, rose from 2.4% to 2.7% in June. Core inflation also increased from 2.8% to 2.9%. The US tariffs are starting to gradually be reflected in consumer prices. Prices for core goods excluding used cars rose by 0.3% compared to May, the highest increase since March 2023. In the coming months, the effects of the tariffs are expected to become even more pronounced and push inflation up to around 3%.
- The US Federal Reserve will anticipate this and the continued robust labor market will allow the Fed to continue to focus on fighting inflation. We therefore expect the Fed to leave the key interest rate range at the current level of 4.25 % to 4.5 % and not make any further rate cuts.

### Economy remains robust despite tariff chaos




Period: 01/2018 – 06/2025

### Inflation rate moving back towards 3%




Period: 01/2018 – 06/2025

 Source: Haver

Key estimates at a glance

# Economics forecast

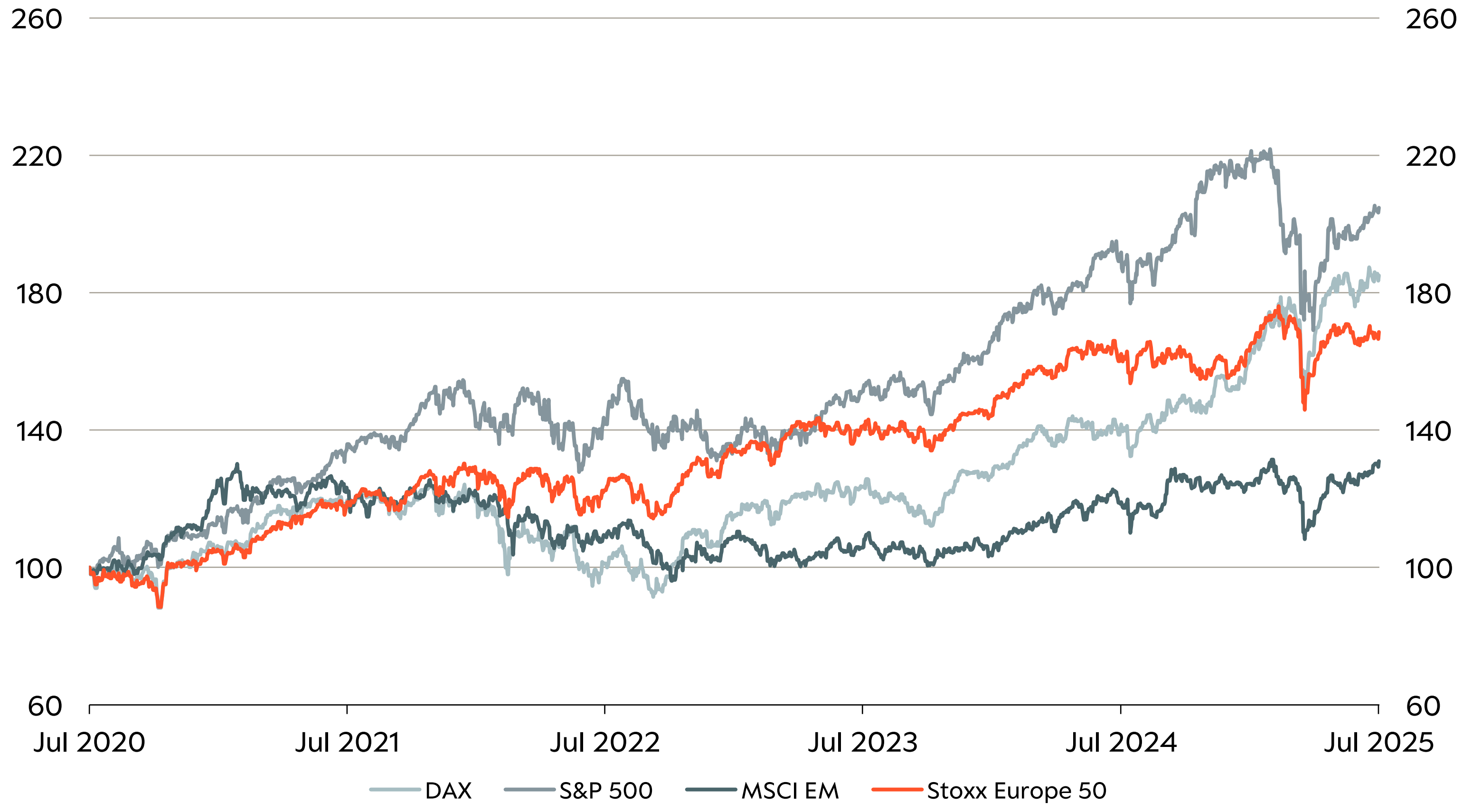
| | GDP growth (in %) | | | | | | Inflation (in %) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2025 | | 2026 | | 2027 | | 2025 | | 2026 | | 2027 | |
| | | Ø** | | Ø** | | Ø** | | Ø** | | Ø** | | Ø** |
| **USA** | 1.5 | 1.5 | 1.6 | 1.6 | 1.6 | 2.0 | 2.9 | 2.9 | 2.8 | 2.9 | 2.6 | 2.4 |
| **Eurozone** | 1.0 | 1.0 | 1.3 | 1.1 | 1.5 | 1.5 | 2.1 | 2.0 | 1.8 | 1.9 | 2.3 | 2.0 |
| Germany | 0.3 | 0.2 | 1.2 | 1.1 | 1.4 | 1.6 | 2.1 | 2.2 | 1.6 | 2.0 | 2.2 | 2.1 |
| France | 0.3 | 0.5 | 0.9 | 0.9 | 1.2 | 1.3 | 1.0 | 1.0 | 1.8 | 1.5 | 2.1 | 1.8 |
| Italy | 0.7 | 0.6 | 1.1 | 0.8 | 0.9 | 0.9 | 1.8 | 1.8 | 1.8 | 1.6 | 2.2 | 1.8 |
| Spain | 2.3 | 2.4 | 2.3 | 1.8 | 2.4 | 1.8 | 2.4 | 2.3 | 2.3 | 1.9 | 2.7 | 2.0 |
| **United Kingdom** | 1.2 | 1.1 | 1.2 | 1.2 | 1.5 | 1.5 | 3.3 | 3.2 | 2.4 | 2.4 | 2.2 | 2.0 |
| **Japan** | 1.1 | 0.8 | 1.0 | 0.7 | 1.0 | 0.8 | 3.1 | 2.9 | 1.9 | 1.8 | 1.7 | 2.0 |
| **China** | 4.6 | 4.7 | 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 23.07.2025

# 03 Equities

# US stocks hit new all-time highs

## Performance of selected equity indices




Zeitraum: 23/07/2020 – 23/07/2025

## US stocks reach new all-time highs in July on a dollar basis

After global equities largely stagnated last month, the markets once again performed well in the seasonally strong month of July in uniform currency terms. The S&P 500 even reached a new all-time high in dollar terms.

The first results of the reporting season paint a solid picture, partly due to low expectations. However, companies remain cautious in their outlook against the backdrop of the US trade war. Meanwhile, the US economy continues to show resilience, suggesting that the Federal Reserve will continue to proceed cautiously. Rumors that Donald Trump, who is pushing for interest rate cuts, would dismiss Fed Chairman Powell led to brief market turmoil, which was quickly offset by a denial. However, the approaching tariff deadline on August 1 is likely to increase uncertainty in the short term. The EU may be able to agree on a 15% tariff rate with the US. A better-than-expected agreement between the US and Japan at least offers hope for further deals.

Lower liquidity over the summer months, weakening seasonality in the coming weeks, and increasingly low purchases of systematic investment strategies are likely to limit further upside potential, at least in the short term. However, we consider potential setbacks to be buying opportunities.

 Source: Bloomberg; performance in EUR scaled to 100

# US reporting season has been surprisingly positive so far

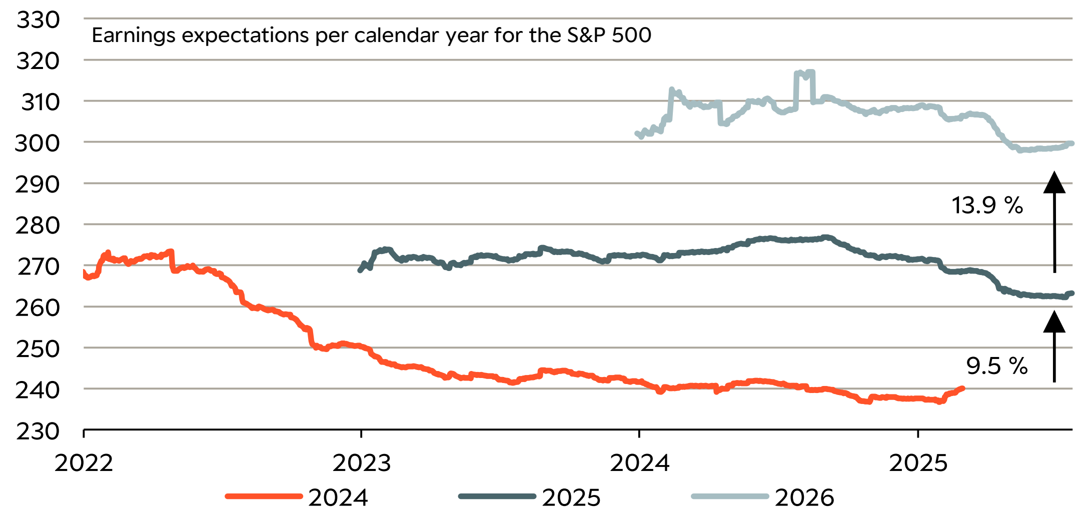
## US companies exceed the mostly low expectations

- The US reporting season is reaching its peak at the end of the month. Over the next three weeks, around 70% to 80% of companies in Europe and the US will disclose their results for the past second quarter. The results so far paint a solid picture, with companies largely exceeding low expectations. The expected profit growth seems to be stabilizing recently, although some companies still have to publish their annual reports.
- Due to the strong start to the reporting season so far, the sharply reduced earnings expectations for 2025 as a whole, which had been in place since the beginning of the year, have been raised slightly to 9.5%.

## European companies report cautiously positive results so far

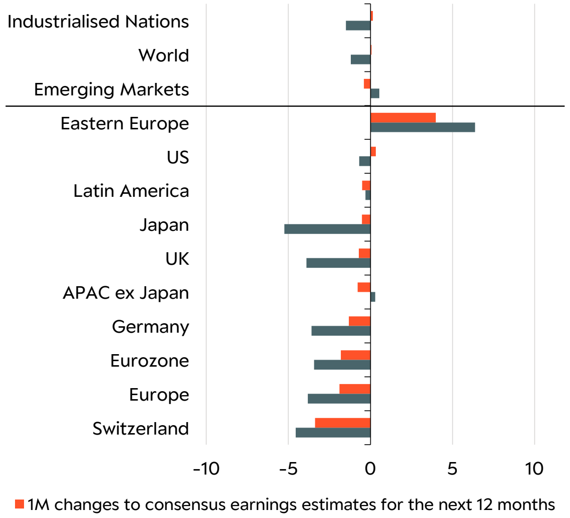
- The reporting season in Europe is also continuing, with around 25% of companies having reported their results so far. Overall, earnings and revenue expectations in Germany have been slightly exceeded to date.
- However, a stronger euro and uncertainty about the outcome of US trade policy are likely to lead to cautious corporate outlooks. Export-oriented companies in particular could be more severely affected by this.
- With around 75% of companies still to report, there is at least still potential for surprises in one direction or another.

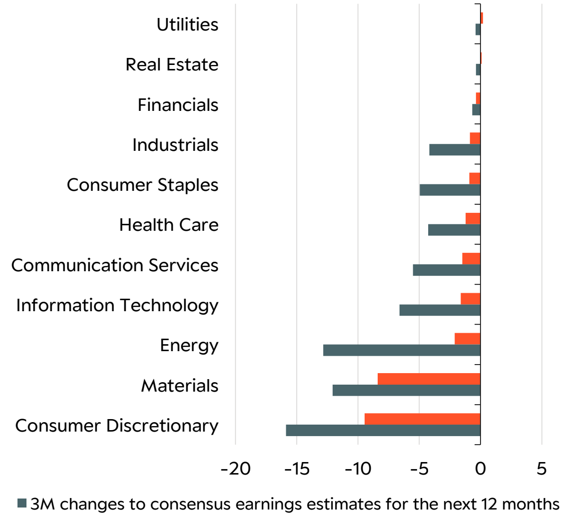
## Earnings growth expectations rise slightly again




As of: 01/01/2025 – 23/07/2025

## Earnings revisions in Europe still clearly negative




As of: 23/07/2025

 Source: Factset, Bloomberg, own calculation

# The path to the top is narrowing for the time being

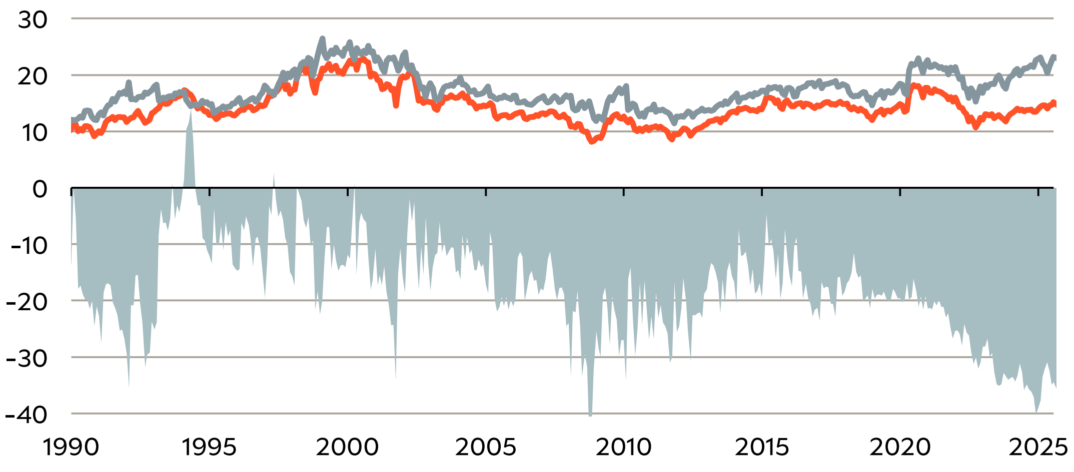
## European equities still not expensive

- While earnings estimates for European equities have fallen over the past 12 months, valuations have risen slightly recently, partly due to looser fiscal policy in Europe.
- Despite the slight expansion in European equity valuations in the wake of the significant price movements since the beginning of the year, the valuation gap between Europe and the US remains close to its lows and offers further potential for narrowing. With a P/E ratio of 15, European equities still appear to be attractively valued. The discount to US equities is once again around 35%.

## The tailwind for US stocks is weakening

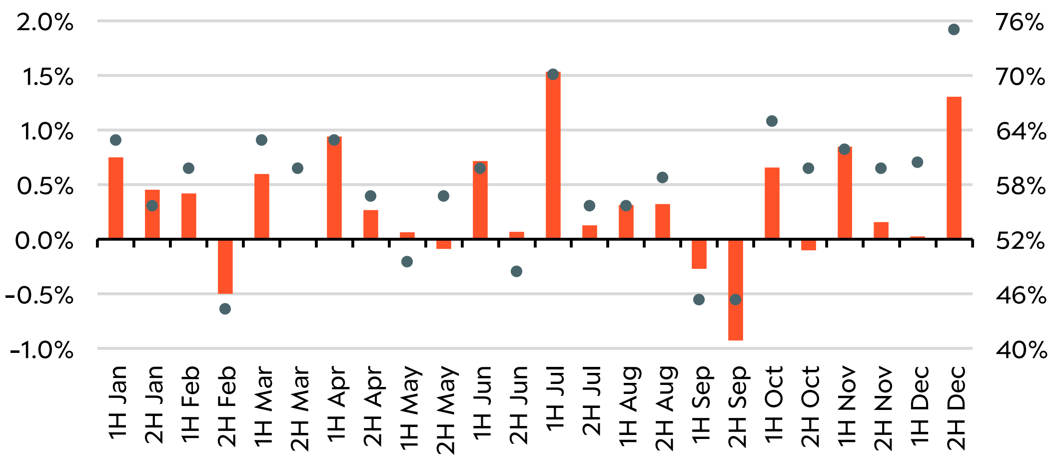
- In July, global stock markets, and US stocks in particular, received support from many quarters. Systematic investment strategies had to further increase their equity allocations as a result of improved volatility and momentum signals, economic data in the US was mostly positive, discretionary investors were not fully positioned, and seasonal trends provided support.
- With increasing uncertainty surrounding the postponed tariff deadline, the start of a seasonally weaker window, and elevated valuations, the downside risk has increased, particularly for US equities. However, we view possible larger sell-offs as a buying opportunity.

### Significant valuation gap between the US and Europe persists




Time period: 01/01/1988 - 23/07/2025

### The next few weeks are likely to be less supportive seasonally




Time period: 01/01/1928 - 13/12/2024

 Source: Bloomberg, own calculation

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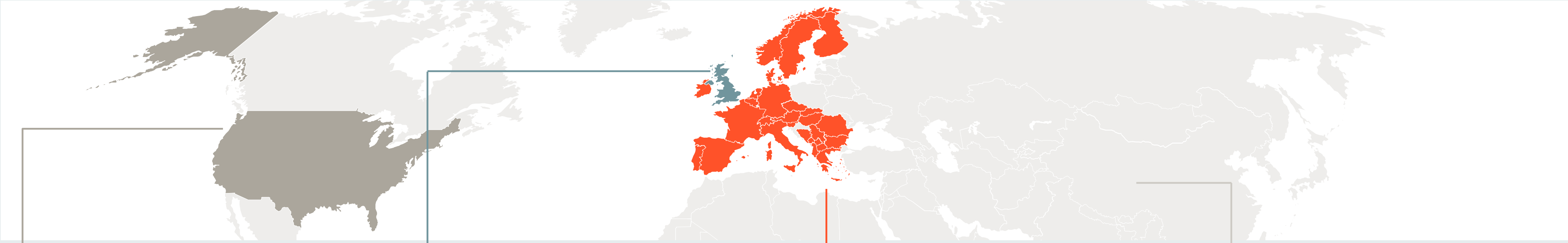
Equity allocation

# Overweight in Europe and the US



### US

**overweight**

The still strong weighting of US mega caps and the continuing high valuation of US equities make the region less attractive compared to cheaper regions such as Europe or emerging markets. On the other hand, robust economic data, potential trade deals, a weaker US dollar, and a solid reporting season so far 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

**overweight**

Despite their strong performance since the beginning of the year, European companies are not highly valued. Should the economy recover noticeably, there is further potential for catch-up. However, Trump's policies remain a risk, even though a trade deal between the EU and the US now seems increasingly likely.

### Emerging Markets

**neutral**

If the trade conflict continues to de-escalate and the US dollar remains weak, emerging markets should continue to be supported. Accordingly, we neutralized our underweight position back in February of this year.

Estimates for selected indices

# Equity market forecasts

| Index forecasts | 23/07/2025 | 31/12/2025 | 30/06/2026 | In 12 months |
| --- | --- | --- | --- | --- |
| | Current | | | Ø* |
| **S&P 500** | 6,359 | 6,400 | 6,600 | 6,820 |
| **DAX** | 24,241 | 24,000 | 25,500 | 26,995 |
| **Euro Stoxx 50** | 5,344 | 5,700 | 6,000 | 5,929 |
| **MSCI UK** | 2,577 | 2,600 | 2,750 | 2,828 |

## Index potential (in %)

| | | | | |
| --- | --- | --- | --- | --- |
| **S&P 500** | - | 0.6 | 3.8 | 7.2 |
| **DAX** | - | -1.0 | 5.2 | 11.4 |
| **Euro Stoxx 50** | - | 6.7 | 12.3 | 10.9 |
| **MSCI UK** | - | 0.9 | 6.7 | 9.7 |

Source: Bloomberg, Berenberg per 23/07/2025
*Average based on bottom-up estimates.

# 04 Bonds

Government Bonds

# Donald Trump urges the Fed to adopt a loose monetary policy

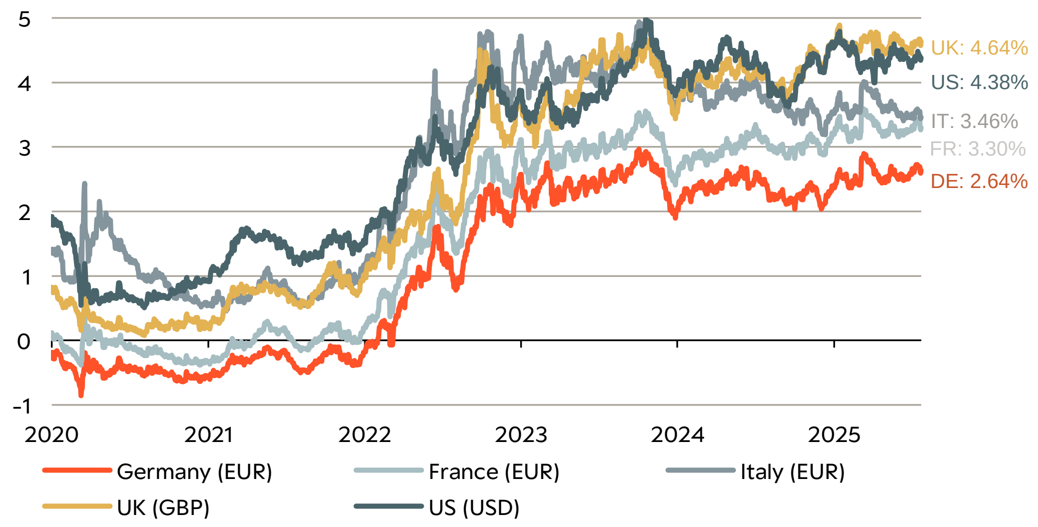
## Concerns about the Fed's independence are growing

- Political pressure on the Fed is mounting: Donald Trump's threats to fire Fed Chairman Jerome Powell have intensified over the past month, culminating in reports by several US media outlets that Trump has drafted a letter dismissing Powell. Although Trump is currently only considering firing Powell for misconduct in the Fed's renovation work, Powell's fate and thus the independence of the Fed remain uncertain. Overall, the likelihood that Powell's successor will pursue a more expansionary monetary policy has increased in recent weeks.
- In addition to political pressure from Donald Trump to cut interest rates, the Fed continues to face inflation risks from the tariffs he has introduced. This is likely to significantly limit the Fed's scope for interest rate cuts this year.

## France: Debt ratio and political uncertainty on the rise

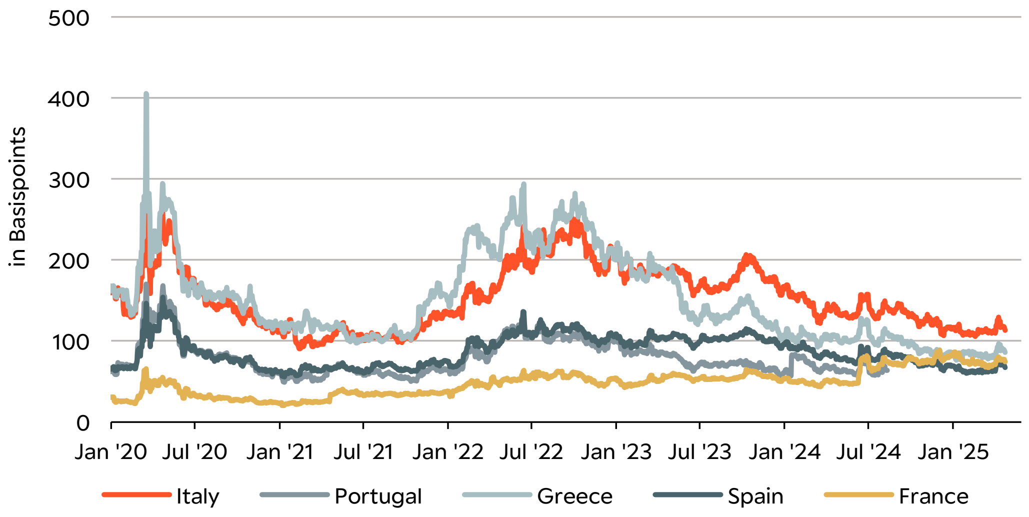
- France plans to reduce its budget deficit by €44 billion to 4.6 per cent by 2026. To achieve this, pensions and civil servants' salaries are to be frozen, civil service staff cut and two public holidays abolished. However, these tough austerity measures are meeting with strong political resistance, greatly increasing the risk of a vote of no confidence in Prime Minister Bayrou.
- Even if successfully implemented, rising interest payments will continue to weigh on government debt and thus also on the debt ratio. Bayrou's plan is to reduce the deficit to three per cent by 2029 – an ambitious goal given the political uncertainties and economic pressures.

## 10-year yields (%) remain volatil




Period: 01/01/2020–23/07/2025

## French risk premium has fallen since the start of the year




Period: 01/01/2020 - 23/07/2025

# Trade negotiations with the US keep Europe and EM countries on tenterhooks

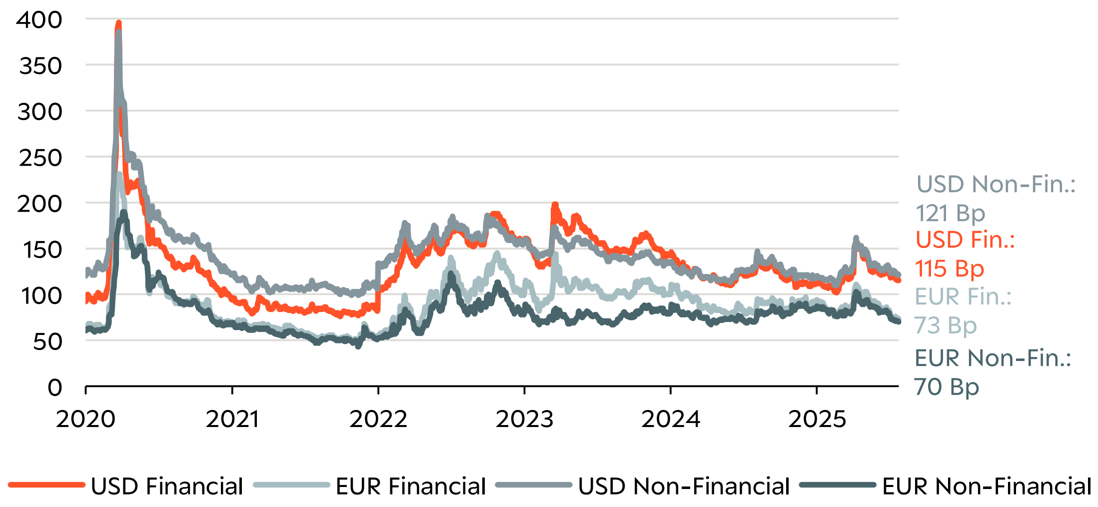
## Corporate bonds: Trump's August deadline draws nearer

- The risk premiums on IG and high-yield corporate bonds remained stable in July. Despite the latest threat by US President Trump to impose a 30% tariff on imports from the EU, the trade deal between the US and Japan shows that a positive outcome to the negotiations for Europe before Trump's deadline of 1 August is not unlikely.
- Both the high-yield and investment-grade segments are supported by solid balance sheets and cash inflows, while new issues are being well received by the market. Yield levels for corporate bonds remain attractive. However, the risk of valuation adjustments has increased recently due to historically low spreads.

## Emerging market bonds: Negotiations with Trump remain in focus

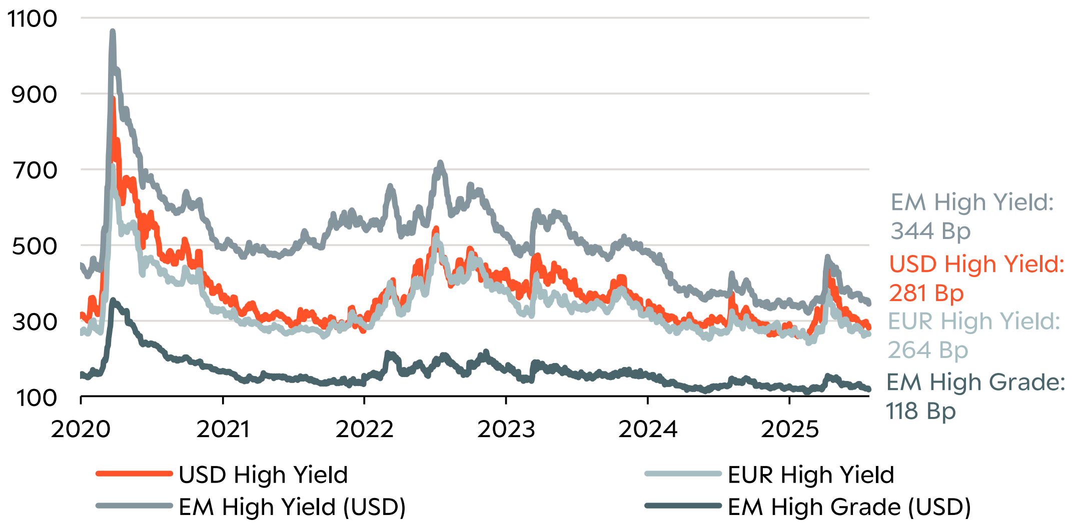
- US President Donald Trump's trade and tariff policy continues to cause tension in emerging markets. Although Trump has already announced several trade agreements, most negotiations are still ongoing. At the same time, he is putting pressure on trading partners by sending them tariff letters in July. The final terms of the agreements and Trump's willingness to abide by them remain a risk for emerging markets.
- However, the continued strength of the US economy and monetary and fiscal policy measures in China are 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 stable recently




Period: 01/01/2020–23/07/2025

### Emerging markets: Risk premiums stabilise




Period: 01/01/2020–23/07/2025

 Source: FactSet, own calculations.

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# Capital market strategy

## Core segments

### Government bonds

underweight

- As macroeconomic data continues to fluctuate widely, interest rate volatility is also likely to remain high for safe government bonds. Although the yield curve is no longer inverted, it is still flatter compared to the historical average. Even if central banks cut interest rates further, yields on longer maturities are unlikely to fall significantly.
- Secured covered bonds have a similar credit risk profile but offer higher yields. We consider this risk/return profile to be more attractive than that of government bonds, although the relative attractiveness has declined due to narrower swap spreads.

### Corporate bonds

neutral

- Due to low risk premiums, the risk of valuation adjustments has risen again recently in both the high-yield and investment-grade segments. However, in our baseline scenario, spreads should hardly widen, meaning that high-quality corporate bonds remain more attractive than government bonds. In terms of sector selection, we are focusing on defensive industries and avoiding cyclical ones. We currently see selective opportunities in the high-yield bond segment.

## Other segments

### Emerging markets

overweight

- Local currency bonds remain attractive due to high real yields, solid fundamentals combined with a sustained disinflationary trend in emerging markets and the weakness of the US dollar and offer a good risk/return profile.
- Among hard currency bonds from emerging markets, we prefer government bonds over investment grade corporate bonds due to higher yields, longer durations and higher inflows.

### High yield bonds

overweight

- The high-yield bond segment remains attractive to many investors due to the positive economic outlook resulting from the ECB's interest rate cuts and high carries. Although risk premiums are historically low, the average quality of companies in the segment is also better than in the past.
- We continue to view 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 %) | 23/07/2025 | 31/12/2025 | | 30/06/2026 | |
|---|---|---|---|---|---|
| | Current | Berenberg | Ø* | Berenberg | Ø* |
| **US** | | | | | |
| Base interest rate | 4.25-4.50 | 4.25-4.50 | 4.05 | 4.25-4.50 | 3.65 |
| 10Y US yield | 4.38 | 4.80 | 4.29 | 4.90 | 4.20 |
| **Eurozone** | | | | | |
| Base interest rate** | 2.00 | 2.00 | 1.90 | 2.00 | 1.95 |
| 10Y Bund yield | 2.64 | 2.70 | 2.64 | 2.80 | 2.74 |
| **United Kingdom** | | | | | |
| Base interest rate | 4.25 | 4.25 | 3.75 | 4.00 | 3.45 |
| 10Y Gilt yield | 4.63 | 4.70 | 4.35 | 4.70 | 4.21 |

Source: Bloomberg. Berenberg. as of 23/07/2025
*Average of estimates by other experts (Bloomberg) consensus.
**Deposit rate

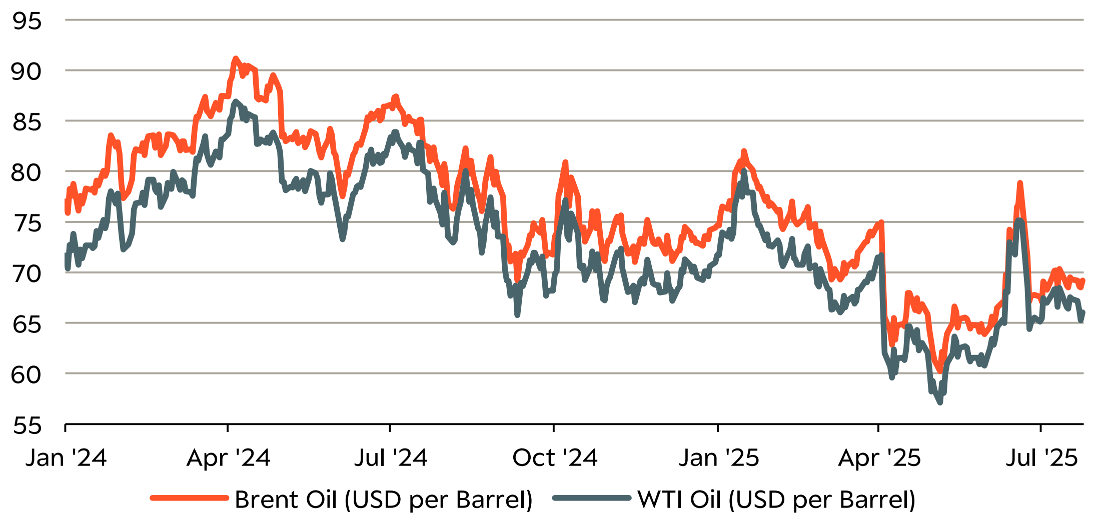
# 05 Commodities

# Beyond geopolitics, little room for upward fantasies

## Supply surplus due to expansive OPEC policy

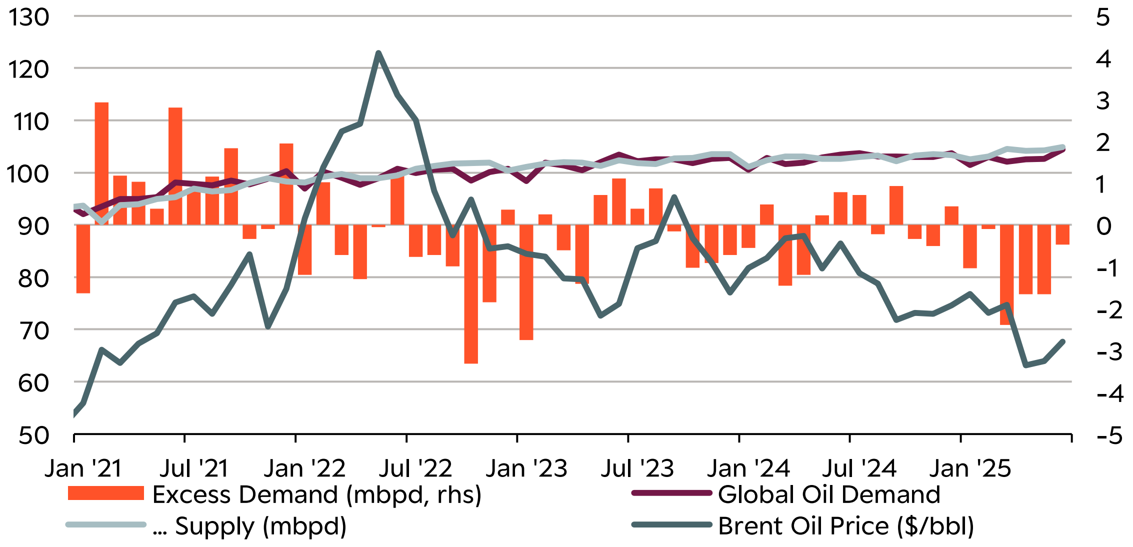
- After extreme fluctuations in June, the oil market was much calmer in July. Brent crude fluctuated between 68 and 70 USD per barrel for most of the month.
- OPEC+ seems to be focusing less on price stability and more on regaining market share. After 140 kbpd in April and 411 kbpd in May, June and July, the cartel wants to pick up the pace again in August and plans to increase production by 548 kbpd. Insiders report that production is to be increased again by the same amount in September. This means that OPEC+ will have increased production by almost 2.5 mbpd in just six months.
- In the short term, the oil market appears to be digesting the additional barrels well thanks to increased summer demand from the driving and air conditioning season and rising but still low inventories.
- In the medium term, it is questionable where demand for this additional supply will come from. The IEA expects supply to grow by 1.8 mbpd this year. This contrasts with a demand forecast of just 720 kbpd – demand growth remains disappointing, particularly in China. The market is therefore likely to be (significantly) oversupplied in the coming months.
- On the other hand, a renewed flare-up of the Middle East conflict or secondary sanctions by the US against Russian and Iranian oil exports could provide positive surprises. In mid-July, Donald Trump announced that he would impose additional tariffs on countries that continue to import Russian oil.

## Crude oil consolidates in July




Period: 01/01/2024 – 23/07/2025.

## Oil market has been in surplus for months




Period: 01/01/2021 – 30/06/2025.

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

# Gold now expensive, copper arbitrage soon to end

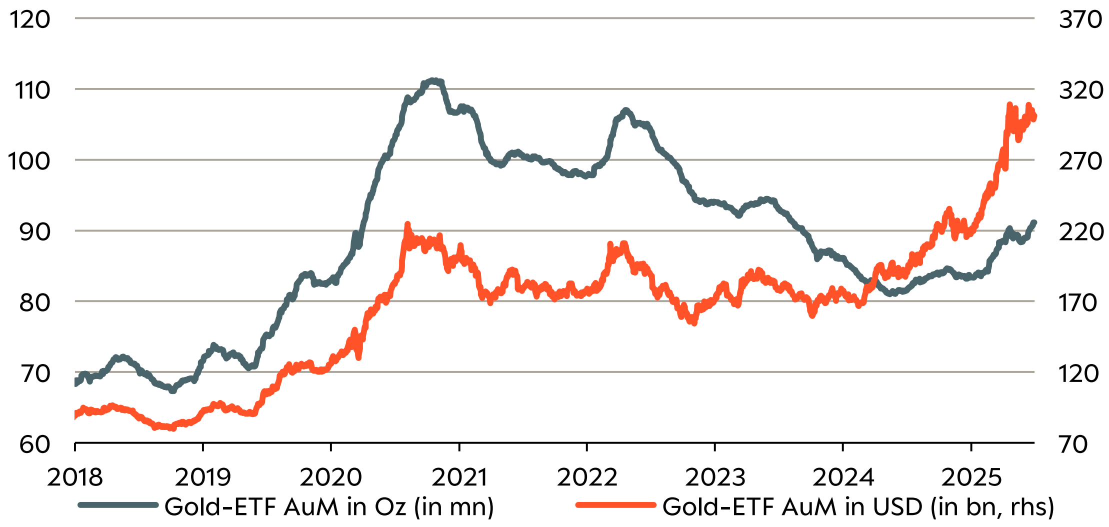
## Gold is without alternative, but expensive

- Gold has been fluctuating sideways below the USD 3,400 per ounce mark for a good three months now. In the short term, there appear to be no drivers, although structural trends such as rising government debt, inflation (volatility) and geopolitical uncertainty remain intact. One such short-term driver could be the dismissal of Fed Chairman Powell. When rumours of his dismissal circulated in mid-July, gold was one of the few assets to perform positively.
- However, the sharp rise in prices is likely to be felt in investor demand by now. Although gold ETF holdings in ounces have risen only moderately this year, in US dollars, the AuM increase is already at record levels. In addition, more risk appetite in the short term due to agreements in the tariff dispute and more fiscal stimulus globally could dampen demand for the safe haven.

## US tariffs initially boost copper prices, then cause headwinds

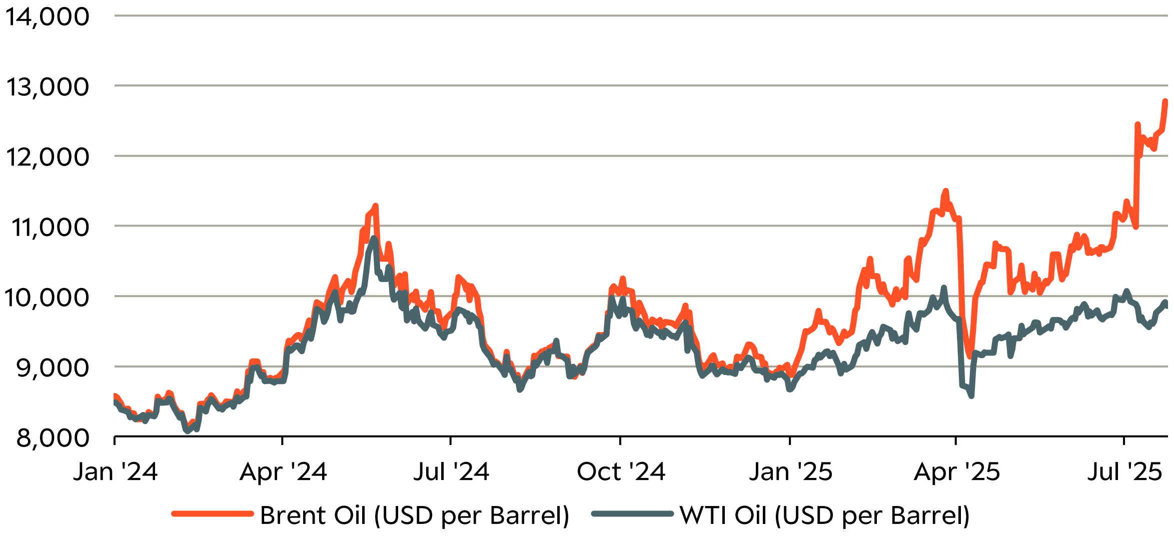
- Industrial metals were also affected by the tariff drama. Donald Trump is now considering imposing tariffs of 50% on copper under Section 232, in addition to aluminium and steel. The copper market reacted promptly, with copper traded in the US rising by more than 10% in a single day. Copper traded on COMEX is currently priced around 30% higher than copper on the LME. The market-priced probability that the tariffs will actually come into force is therefore 60%.
- If the tariffs are put in place, the price difference between LME and COMEX is likely to be the final tariff rate, which would also put an end to arbitrage. In addition, strong (front-loaded) demand from the US is likely to ease, causing prices to fall both here and in the United States.

### Gold ETF holdings in US dollars at all-time high




Period: 01/01/2018 – 23/07/2025.

### Historical arbitrage between COMEX and LME copper




Period: 01/01/2024 – 23/07/2025.

 Source: Bloomberg, own calculations.

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# 06 Currencies

# Market development

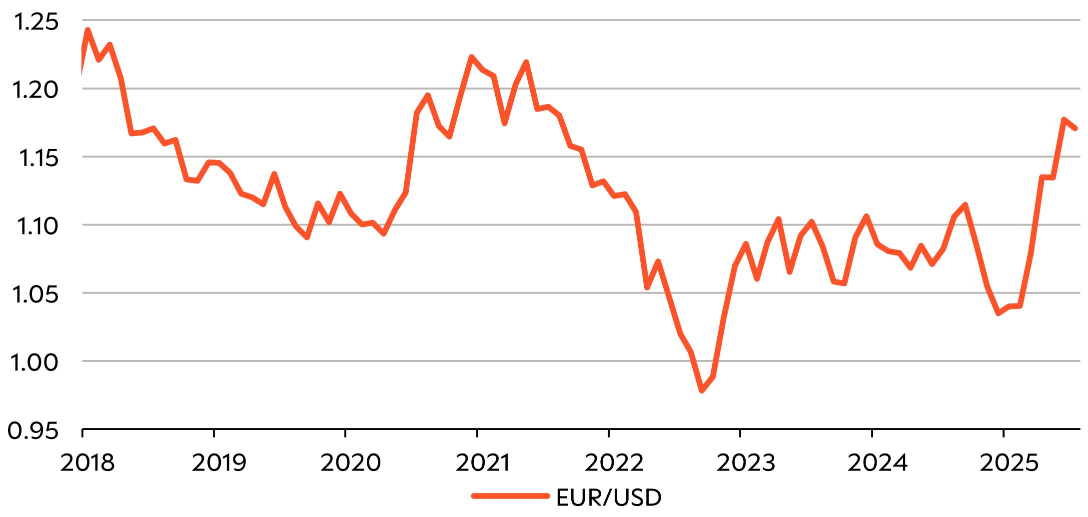
## Worst first half-year for the dollar since 1973

- Against a basket of different currencies, the dollar lost 11% of its value in the first half of the year, and as much as 14% against the euro. The reasons for this are manifold and range from the chaos surrounding US tariffs to attacks on the Fed's independence and escalating government debt. As these factors will persist, there is no dollar recovery in sight.
- The strength of the euro is now also being closely monitored by the ECB, as a strong currency makes imports cheaper and therefore increases the risk of inflation falling below the target level of 2%. ECB Vice President de Guindos recently cited the threshold of 1.20 dollars per euro as critical, which, if exceeded, could make a further interest rate cut more likely. However, we expect the exchange rate to move sideways in the coming months.

## Elections and trade agreements move the yen

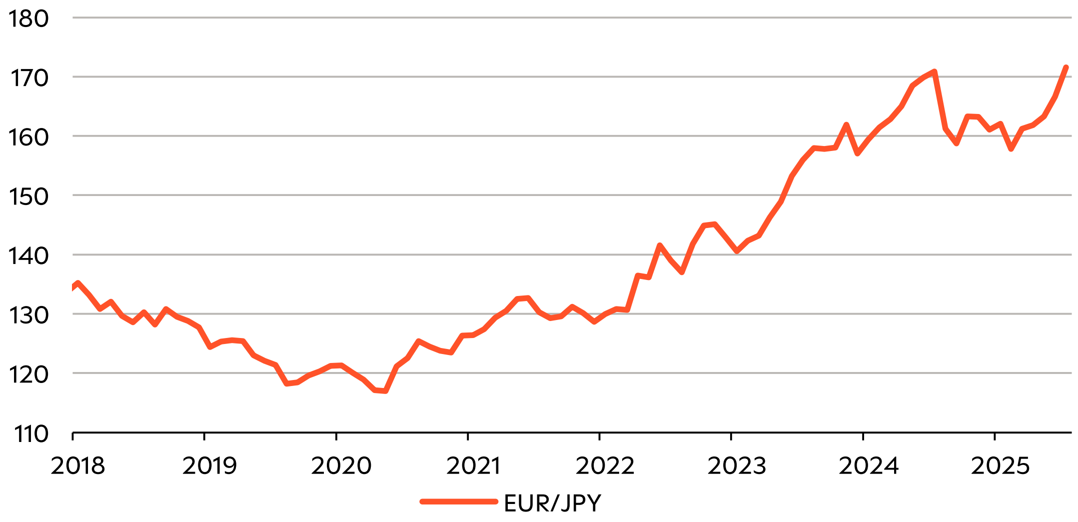
- After losing the upper house elections, the ruling coalition in Japan no longer has a majority in either chamber of the National Assembly. In the upcoming budget negotiations in the fall, the weakened government will probably have to make concessions in order to obtain a majority. This could result in higher government spending.
- This has resulted in rising yields on Japanese government bonds and a weaker yen. However, the fact that a trade agreement has been reached with the US is positive for the Japanese economy. Once the uncertainty has subsided somewhat, the BoJ could raise its key interest rate further. Nevertheless, this will happen slowly and carefully, which is why we expect the exchange rate against the euro to remain stable.

## No sustainable recovery in sight for the US dollar




Period: 01/2018 – 07/2025

## Weak phase of the yen is probably only temporary




Period: 01/2018 – 07/2025

 Source: Bloomberg

Estimates of key currencies

# Forecasts

| Exchange rate forecasts | 23/07/2025 | 31/12/2025 | | 30/06/2026 | |
|---|---|---|---|---|---|
| | Current | | Ø* | | Ø* |
| **EUR/USD** | 1.18 | 1.16 | 1.18 | 1.18 | 1.20 |
| **EUR/GBP** | 0.87 | 0.86 | 0.86 | 0.86 | 0.86 |
| **EUR/CHF** | 0.93 | 0.95 | 0.94 | 0.95 | 0.95 |
| **EUR/JPY** | 172 | 169 | 166 | 169 | 165 |
| **Change against the Euro (in %)** | | | | | |
| **USD** | - | 1.5 | -0.2 | -0.2 | -1.5 |
| **GBP** | - | 0.8 | 0.8 | 0.8 | 0.8 |
| **CHF** | - | -1.8 | -0.7 | -1.8 | -1.8 |
| **JPY** | - | 2.1 | 3.9 | 2.1 | 4.8 |

*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 23/07/2025

# 07 Publishing information

# Publishing information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