BERENBERG
PARTNERSHIP SINCE 1590

HORIZON *handout*

The Berenberg Capital Markets Outlook • Wealth and Asset Management

September | 2021

Horizon Handout – Capital Market Outlook
Disclaimer

This document is a marketing communication. This information and references to issuers, financial instruments or financial products do not constitute an investment strategy recommendation pursuant to Article 3 (1) No. 34 Regulation (EU) No 596/2014 on market abuse (market abuse regulation) nor an investment recommendations pursuant to Article 3 (1) No. 35 Regulation (EU) No 596/2014, both provisions in connection with section 85 (1) of the German Securities Trading Act (WpHG). As a marketing communication this document does not meet all legal requirements to warrant the objectivity of investment recommendations and investment strategy recommendations and is not subject to the ban on trading prior to the publication of investment recommendations and investment strategy recommendations.

This document is intended to give you an opportunity to form your own view of an investment. However, it does not replace a legal, tax or individual financial advice. Your investment objectives and your personal and financial circumstances were not taken into account. We therefore expressly point out that this information does not constitute individual investment advice. Any products or securities described may not be available for purchase in all countries or only in certain investor categories. This information may only be distributed within the framework of applicable law and in particular not to citizens of the USA or persons resident in the USA. The statements made herein have not been audited by any external party, particularly not by an independent auditing firm.

The statements contained in this document are based either on the company's own sources or on publicly accessible third-party sources, and reflect the status of information as of the date of preparation of the presentation stated below. Subsequent changes cannot be taken into account in this document. The information given can become incorrect due to the passage of time and/or as a result of legal, political, economic or other changes. We do not assume responsibility to indicate such changes and/or to publish an updated document.
Past performance, simulations and forecasts are not a reliable indicator of future performance and custody fees may occur which can reduce overall performance.

Please refer to the online glossary at www.berenberg.de/glossar for definitions of the technical terms used in this document.

Date: 27 August 2021.

Table of contents

BERENBERG
PARTNERSHIP SINCE 1590

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

01 Overview of capital markets outlook and asset allocation

Concise overview of capital markets
Performance review

BERENBERG
PARTNERSHIP SINCE 1590

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 the last 5 years				
	4W (28/07/21 - 25/08/21)	YTD (31/12/20 - 25/08/21)	25/08/20 25/08/21	25/08/19 25/08/20	25/08/18 25/08/19	25/08/17 25/08/18	25/08/16 25/08/17
S&P 500	2.8	25.6	33.1	16.3	5.5	22.7	8.9
Euro Stoxx 50	1.9	19.5	27.9	2.0	0.0	2.3	18.1
DAX	1.9	15.6	21.4	12.5	-6.3	1.9	15.6
Topix	1.3	6.3	18.2	3.6	-0.9	9.8	9.3
MSCI Emerging Markets	1.2	4.2	17.2	10.5	-0.7	1.3	17.2
USDEUR	0.6	3.8	0.5	-5.8	4.3	2.6	-5.3
EM Hard Currency Bonds	0.5	0.4	3.7	5.9	10.3	-1.0	5.0
Eonia	0.0	-0.3	-0.5	-0.5	-0.4	-0.4	-0.4
EUR Sovereign Bonds	-0.1	-0.4	0.8	-0.4	5.5	-0.4	-0.9
EUR IG Bonds	-0.2	0.4	2.7	-0.7	6.4	0.2	0.6
Gold	-0.3	-2.1	-6.6	18.9	32.1	-4.2	-7.6
Brent	-2.1	51.0	56.5	-28.5	-14.7	58.9	-11.1

S&P 500: S&P 500 TR (US equities); Euro Stoxx 50: Euro Stoxx 50 TR; DAX: DAX TR (German equities); Topix: Topix TR (Japanese equities);
MSCI Emerging Markets: MSCI EM NR (EM equities); EUR Sovereign Bonds: IBOXX Euro Eurozone Sovereign 1-10 TR; EUR IG Bonds: IBOXX Euro Corporates Overall TR;
EM Hard Currency Bonds: Barclays EM Hard Currency Agg Govt Related TR; Gold: Gold US Dollar Spot; Brent: Bloomberg Brent Crude Subindex TR;
Eonia: Eonia Capitalization Index; USDEUR: USDEUR: Price of 1 USD in EUR. All return data are calculalated in EUR.

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

Time period: 25/08/2016 – 25/08/2021.

Concise overview of capital markets
Outlook by asset class

BERENBERG
PARTNERSHIP SINCE 1590

Economics
- The Eurozone economy is growing as expected. At a solid 2%, the temporarily higher inflation rate remains moderate.
- In contrast, inflation in the US is remarkable. At more than 5%, the central bank cannot remain inactive for much longer.
- The Fed will implement its exit from emergency policy cautiously so as not to stall the economy.

Equities
- Western stock indices reach new all-time highs mainly driven by fundamentals. Chinese regulation weighs on emerging markets.
- Positive earnings revisions in cyclical market segments as a result of the reporting season no longer trigger outperformance.
- Declining economic growth is increasingly shifting the focus to more defensive and structurally growing market segments.

Bonds
- The summer low in yields on safe haven government bonds seems to have been overcome. Duration should be kept short.
- Spreads on IG bonds offer little potential. High-yield bonds have stable spreads despite existing risks.
- In emerging markets, we favour high yielding government bonds and the local currency segment.

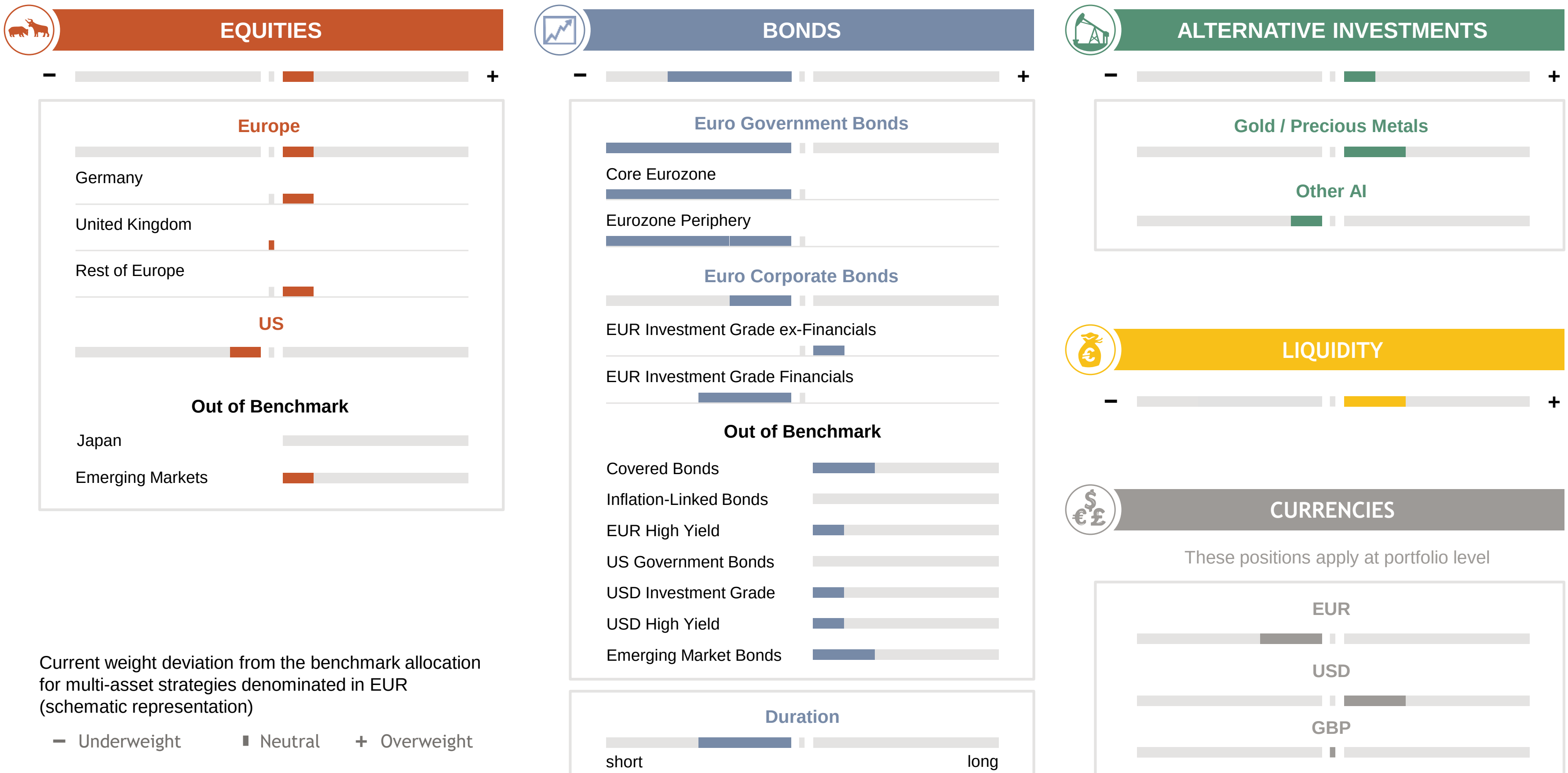
Alternative investments / commodities
- Spread of delta variant pushes oil price down. Existing supply shortage speaks for prices rising again.
- Gold anticipates tighter monetary policy. With real interest rates rising, potential remains limited. Valuation: fair.
- Industrial metals suffer from concerns about an economic slowdown. Structural, positive trends remain intact.

Currencies
- The US dollar benefits from the prospect of a reversal in monetary policy. The ECB will be able to take more time.
- The British pound has slightly weakened recently. However, it remains in a narrow range at 0.85/0.86 pounds per euro.
- The Swiss franc is again benefiting from Covid-19 worries and geopolitical uncertainties.

Concise overview of Berenberg's asset allocation
Current positioning within asset classes

BERENBERG
PARTNERSHIP SINCE 1590

Portfolio positioning of a balanced mandate at a glance



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

− Underweight ▮ Neutral + Overweight

Source: Berenberg.

As of 25/08/2021.

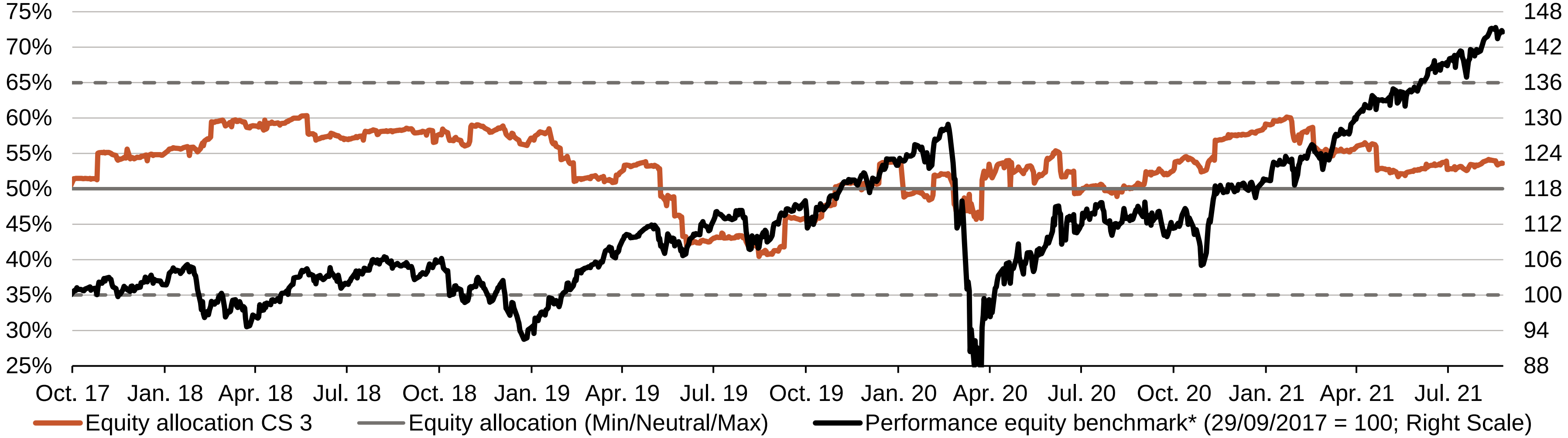
Concise overview of Berenberg's asset allocation

Review of Core Strategy 3

BERENBERG
PARTNERSHIP SINCE 1590

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

Performance equity benchmark	24/08/16 - 24/08/17	24/08/17 - 24/08/18	24/08/18 - 24/08/19	24/08/19 - 24/08/20	24/08/20 - 24/08/21
	9.51%	9.10%	3.89%	5.01%	26.34%



Sources: SimCorp, Bloomberg, Berenberg. *The "equity benchmark" is 70% STOXX Europe Net Return Index and 30% S&P 500 Net Return Index. Time period: 24/08/2016 – 24/08/2021.
Note: The historical performance presented here is not a reliable indicator of future performance.

- We started the third quarter only with a slight overweight in equities. While we remained fundamentally optimistic, high valuations and a loss of momentum in the economic recovery has made us a little more cautious. The market continued to rise with low volatility. Under the surface, however, there were repeated strong rotations. Our barbell strategy of structural growth tactically complemented by cyclical and value-heavy elements paid off in this environment: our core strategies were able to further expand their alpha versus the benchmark.
- Until there is more clarity on central bank behaviour and markets set their sights on the continuation of the economic recovery in 2022, we are comfortable with reduced risk. The liquidity position allows us to seize opportunities should major setbacks occur.

02 Economics

Eurozone
GDP and inflation

BERENBERG
PARTNERSHIP SINCE 1590

Industrial production declines again in June

- Supply bottlenecks for key production components continue to weigh on industrial production.
- Relative to the previous month industrial production in the euro area declined again in June 2021 (-0.3%). Just as in May 2021, where a month-on-month decline of 1.1% was recorded. Year-on-year, industrial production in the euro zone is 9.7% higher. However, the low baseline value from June 2020 must be taken into account, as the pandemic-related impact on the economy was much more pronounced last summer.

Inflation picks up again after setback

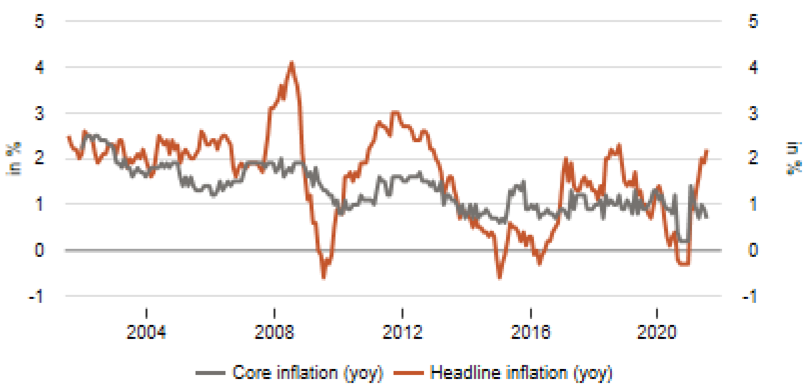
- In June, the year-on-year inflation rate fell slightly to 1.9% (May: 2.0%). Following this setback, it rose to 2.2% in July.
- The base effect from lowered German VAT from the second half of 2020 will likely hold euro inflation above the 2% level in the coming months.
- Despite (temporarily) above-target figures, the European Central Bank sees no reason to take countermeasures.
- For 2021, we expect an inflation rate of 1.9 %.

Eurozone GDP growth and industrial confidence

Source: Macrobond

Time period: 08/2001 – 08/2021

Eurozone inflation



Source: Macrobond

Time period: 07/2001 – 07/2021

United Kingdom
GDP and inflation

BERENBERG
PARTNERSHIP SINCE 1590

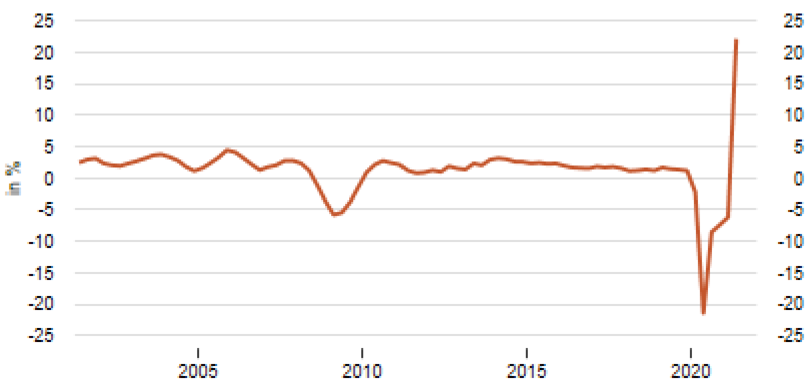
Labour demand at record high

- The number of reported job openings rose to 953,000 in July, a new record high (June: 862,000). This puts the current peak well above the previous record set in September 2018 (864,000).
- Overall, the recovery in the labour market continues to be very robust. Wages are up 8.8% year-on-year (including bonuses) in June and are already comfortably above pre-crisis levels. Wage growth is likely to keep upward pressure on prices.
- The unemployment rate was 4.7% in June.

Inflation surprisingly goes down a bit

- Prices increased by 2.0% in July 2021 (yoy). In June, the inflation rate came in at 2.5%. This decline should be interpreted as a one-off effect rather than as a sustained reduction in price pressure to come. In our view, producers' higher costs should cause prices to rise by at least 0.5 % in August compared with the previous month. The year-on-year inflation rate would then be back at around 3%.
- For 2021, we forecast consumer price inflation of 2.3 %.

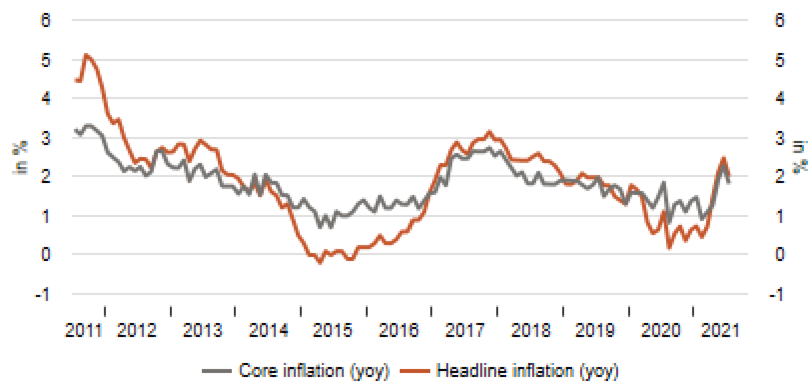
United Kingdom GDP growth



Source: Macrobond

Time period: 03/2001 – 06/2021

United Kingdom inflation



Source: Macrobond

Time period: 06/2011 – 07/2021

USA
GDP and inflation

BERENBERG
PARTNERSHIP SINCE 1590

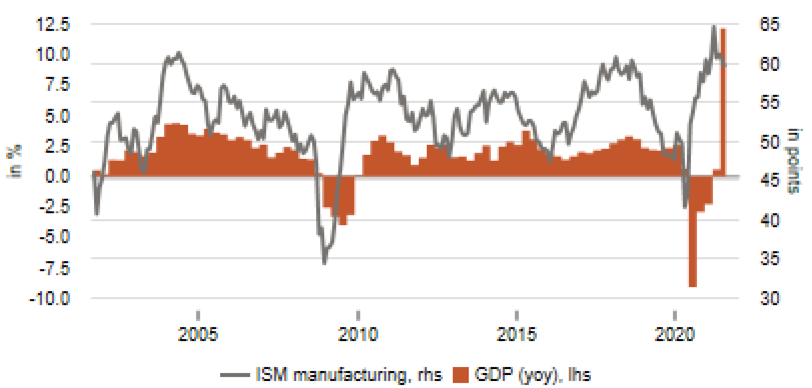
Industrial production picks up in July

- Industrial production increased by 0.9% in July. This puts it back at its pre-crisis level. Investment remains attractive in view of the overall strong demand and low interest rates.
- By contrast, retail sales fell by 1.1% in July. However, a cooling of momentum had already been expected in view of the previous strong increases. Increased spending on services, rising prices and the uncertainty associated with the delta variant are also weighing on retail sales.

Inflation remains elevated

- Consumer prices in the USA increased by 0.5% in July relative to the previous month. Year-on-year the inflation rate is at 5.4%. Core inflation, adjusted for particularly volatile components, increased by 0.4% in July (yoy: 4.2%).
- The inflation figures are well above the previous forecasts of the Federal Reserve. The last time inflation was at such high levels was in the 1990s. Strong overall demand is giving companies some flexibility to pass on rising production costs – and thus the general pressure on consumer prices remains high.

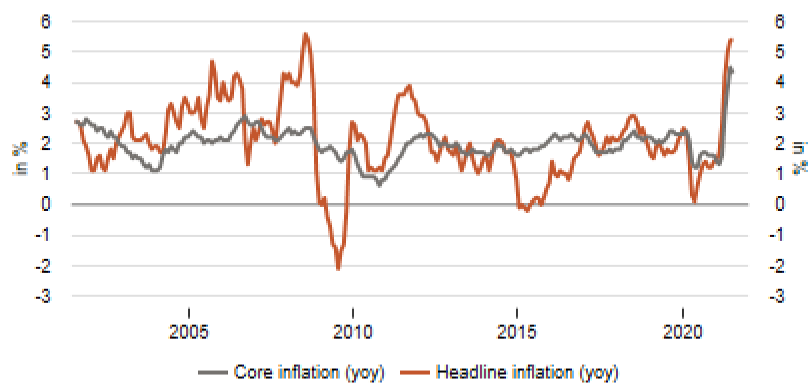
US GDP growth and Purchasing Managers Index



Source: Macrobond

Time period: 06/2001 – 07/2021

US inflation



Source: Macrobond

Time period: 06/2001 – 07/2021

Economic forecasts
Most important estimates at a glance

	GDP growth (in %)						Inflation (in %)					
	2020		2021		2022		2020		2021		2022	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	-3.4	-3.5	6.5	6.2	4.3	4.3	1.2	1.3	4.1	4.2	3.2	2.9
Eurozone	-6.5	-6.8	4.9	4.7	4.9	4.4	0.3	0.3	1.9	2.0	1.7	1.5
Germany	-4.9	-5.3	3.1	3.2	5.0	4.5	0.4	0.5	2.7	2.7	1.6	1.7
France	-8.0	-8.3	6.2	6.0	4.7	4.0	0.5	0.5	1.4	1.7	1.4	1.4
Italy	-8.9	-8.9	5.9	5.7	4.8	4.2	-0.1	-0.1	1.0	1.3	1.3	1.2
Spain	-10.8	-11.4	5.8	6.1	6.9	5.7	-0.3	-0.3	2.1	2.1	1.7	1.4
United Kingdom	-9.8	-9.9	6.9	6.9	5.5	5.4	0.9	0.9	2.3	2.1	2.7	2.4
Japan	-4.7	-4.8	2.5	2.5	2.3	2.5	0.0	0.0	-0.3	0.1	0.6	0.6
China	2.0	2.3	8.8	8.5	5.3	5.6	2.5	2.5	0.9	1.5	2.0	2.3
World*	-3.1	-	5.1	-	3.8	-	-	2.2	-	3.5	-	3.2

Source: Bloomberg. Berenberg as of 25/08/2021.
* At actual exchange rates. not purchasing power parity; PPP would give more weight to the fast-growing emerging-market countries.
** Average of estimates of other experts (Bloomberg); consensus.

03 Equities

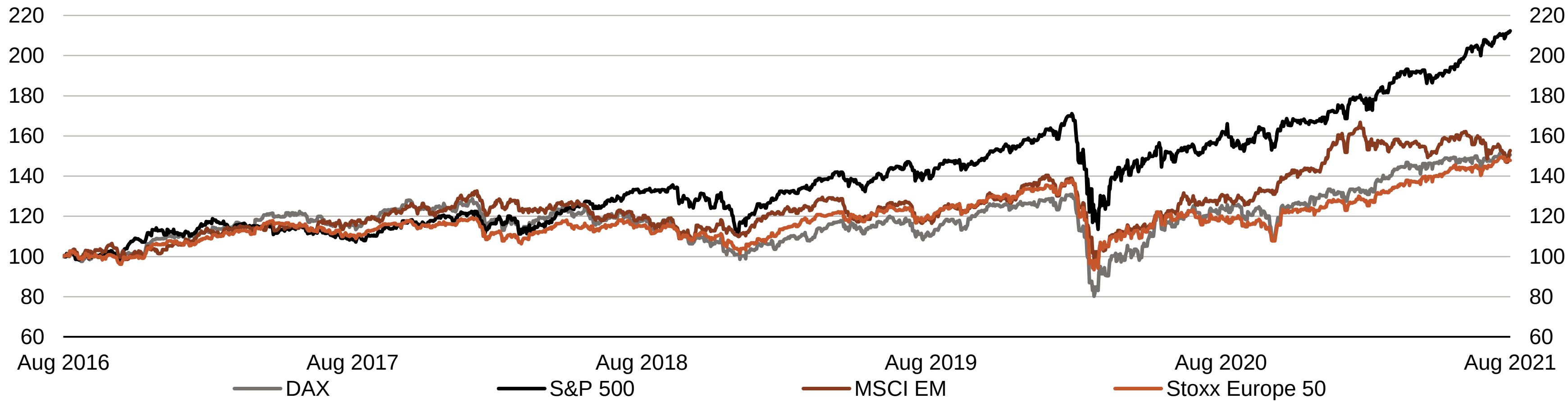
Market developments
Western stock markets still in mood for new records

BERENBERG
PARTNERSHIP SINCE 1590

Stock indices in the USA and Europe hit new all-time highs in August, emerging markets remain under pressure

- Stock markets were divided in August. Indices in developed markets recorded new all-time highs, while emerging markets remained under pressure. Within developed markets, the US performed strongest. The S&P500 benefited from its high technology exposure, as structurally growing technology stocks were again sought after due to growth concerns emerging globally. European equities, however, continued to benefit from a strong Q2 reporting season as economic tailwinds provided positive earnings surprises, particularly in cyclical sectors. Meanwhile, emerging markets indices remain weighed down by Chinese equities, which continue to suffer from the regulatory unpredictability of the Chinese government as investors are hesitant to return to the buy side.
- The strong performance in developed markets is well supported by fundamentals. On the one hand, earnings grew faster than prices, leading to a normalisation of valuations. On the other hand, even moderate corrections are being bought quickly, reflecting robust demand for equities from investors (fund inflows) and companies (buybacks).

Performance of selected equity indices



Source: Bloomberg; performance in EUR scaled to 100.

Zeitraum: 25.08.2016 – 26.08.2021

Corporate earnings
Companies deliver, especially in cyclical segments

BERENBERG
PARTNERSHIP SINCE 1590

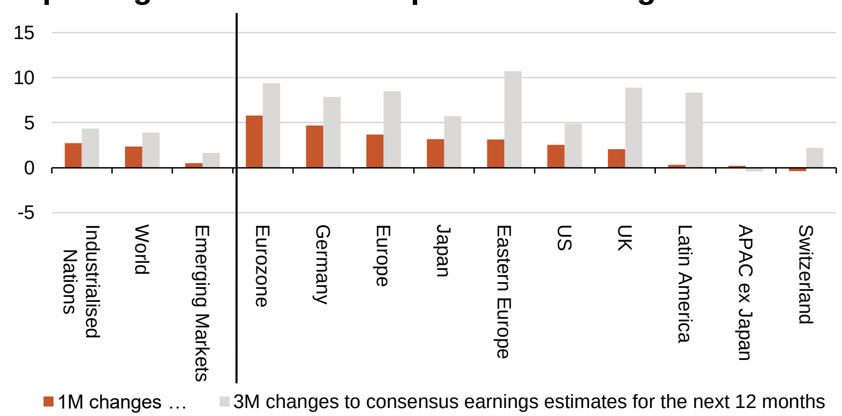
Cyclical regions in particular surprise to the upside

- The Q2 reporting season once again confirmed the strong equity performance of recent months. The ongoing economic tailwind was particularly evident in cyclical regions within developed markets. Strong earnings developments in the Eurozone and Germany forced analysts to adjust their estimates upwards for these regions the most.
- It was unusual, however, that the positively surprising earnings of the more cyclical market segments was hardly rewarded by outperformance. It seems that the dark figure of market expectations was already higher and the publications have a rather confirming effect.

Global economic upswing drives '21 earnings growth

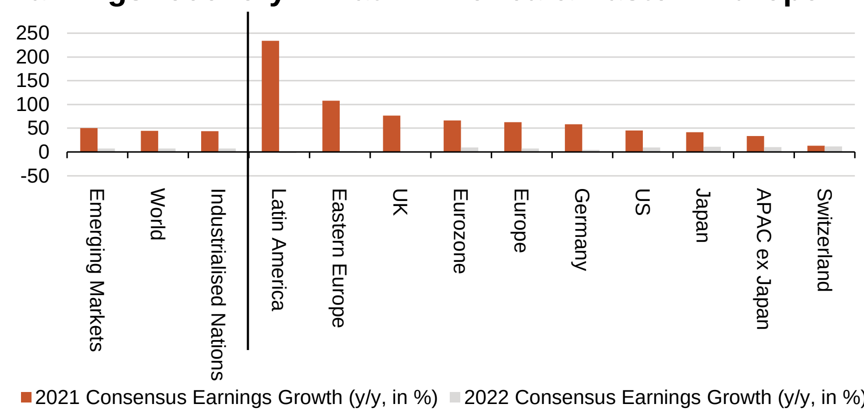
- Earnings growth for this year continues to be strongest in those regions most sensitive to the global economy, which translates into corporate profits mainly through rising commodity prices. Latin America and Eastern Europe, which also have the highest catch-up effects, thus lead the way, while Switzerland and the USA continue to lag behind despite healthy growth.
- Next year, growth is expected to be highest in the less cyclically sensitive regions, as the economic tailwind is likely to abate and the focus will therefore shift back to structural growth.

Reporting season leads to positive earnings revisions



Source: FactSet. As of 25/08/2021.

Earnings recovery in Latin America & Eastern Europe



Source: FactSet. As of 25/08/2021.

Sectors & Valuation

Cyclical sectors not sought after despite attractive valuation

BERENBERG
PRIVATBANKIERS SEIT 1590

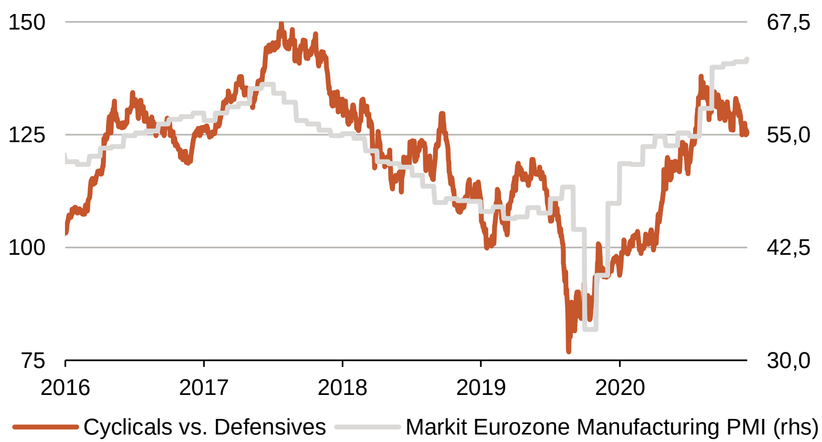
Frequent countermovements in the downward trend

- Although the economy remains in a healthy upswing and cyclical sectors were able to surprise positively during the reporting season, the relative weakness of cyclicals continued in August.
- However, regular reflationary countermovements have also been prominent, but the "risk-off" sentiment under the surface seems to dominate. This is probably due to diminishing and in part negative economic surprises, coupled with renewed growth concerns which has shifted investors' focus back to less cyclically sensitive market segments.

Defensives valued at the upper end compared to history

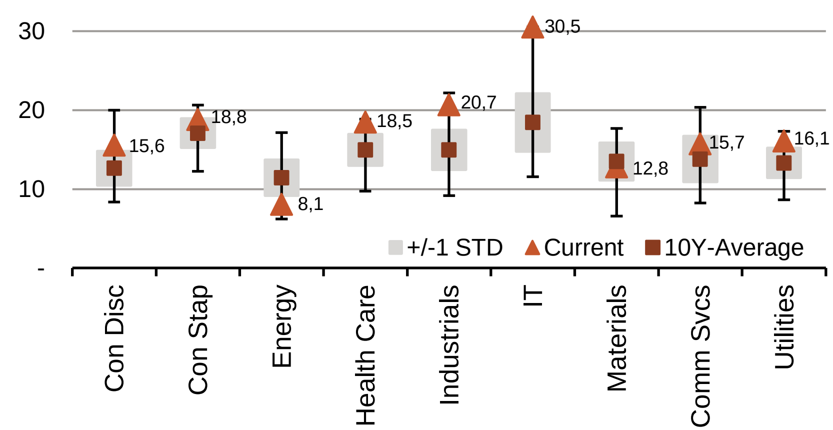
- The outperformance of defensive sectors is reflected in historically high valuations. While the healthcare and IT sectors are currently trading close to their valuation peaks of the last ten years, highly cyclical sectors such as energy and basic materials are cheap by historical standards.
- The favorable valuation is based on the solid earnings performance of cyclicals and their relative under-performance. However, this could be a warning signal, because historically it has been a good idea to buy cyclicals when they were expensive and vice versa.

European cyclicals versus defensives



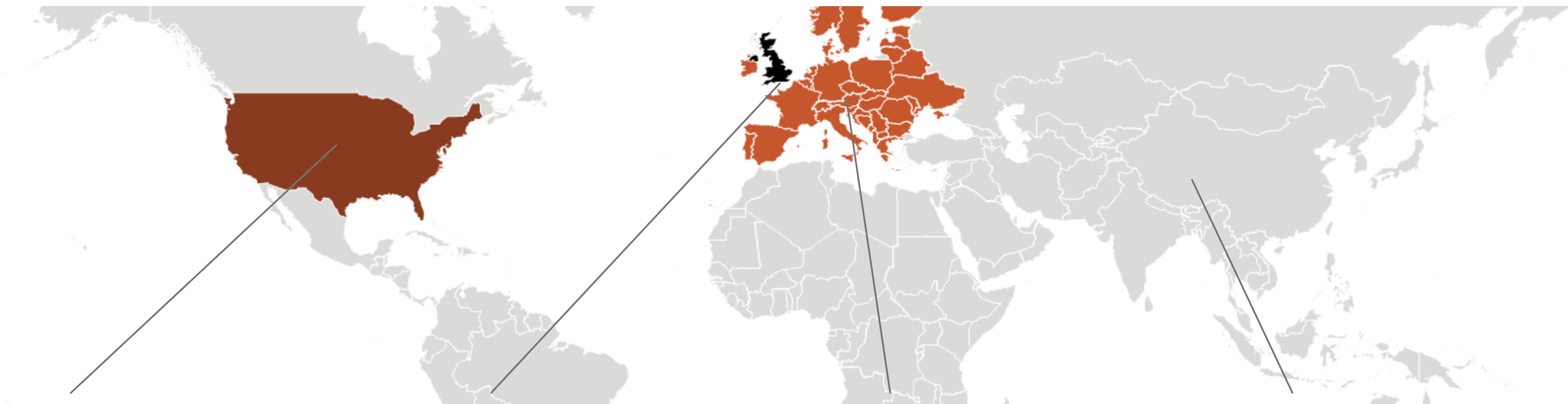
Source: Bloomberg, own calculations. Time period: 01/01/2016– 25/08/2021.

12M forward P/E ratio of European sectors



Source: Bloomberg, own calculations. Time period: 25/08/2011– 25/08/2021.

Equity allocation
Emerging markets and Europe ex. UK overweight



US

Underweight

- Rising bond yields, as we expect by the end of the year, are likely to weigh on highly valued US equities, while structural growth strength provides security against emerging growth concerns.
- Within our equity regions, we are underweight US. However, thanks to our equity overweight, US equities remain neutrally weighted at the portfolio level.
- The US remains the region most supported by share buybacks.

United Kingdom

Underweight

- We had partially realised gains in UK equities - especially in the small cap sector after the strong performance in spring.
- We remain slightly underweight UK equities.

Europe ex. UK

Overweight

- A global economic recovery after last year's COVID-19 induced recession should benefit export-dependent European companies in particular.
- Fiscal packages and the ECB's monetary policy should also be supportive.

Emerging markets

Overweight

- Emerging market equities are likely to be one of the main beneficiaries of a global economic upswing, although uncertainty around Chinese regulation is weighing.
- Tactically, we find Latin American equities interesting. Positive earnings revisions, negative investor sentiment and attractive valuation levels offer catch-up potential after the significant underperformance since the start of the COVID-19 crisis.

Equity market forecasts

Estimates for selected indices

BERENBERG
PARTNERSHIP SINCE 1590

Index forecasts	Current 25/08/2021	31/12/2021	30/06/2022	Ø* in 12 months
S&P 500	4,496	4,250	4,400	4,930
Dax	15,861	15,800	16,300	18,629
Euro Stoxx 50	4,181	4,150	4,300	4,721
MSCI UK	2,005	2,050	2,200	2,275

Index potential (in %)				
S&P 500	-	-5.5	-2.1	9.7
Dax	-	-0.4	2.8	17.5
Euro Stoxx 50	-	-0.7	2.8	12.9
MSCI UK	-	2.3	9.7	13.5

Source: Bloomberg, Berenberg, as of 25/08/2021.
*Average based on bottom-up estimates.

6y 7y 8y 9y 10y 15y 20y
Maturity Date
Coupon
Current Price Yield
U.S. Treasuries
3-Month
6-Month
12-Month
2-Year
3-Year
5-Year
7-Year
10-Year
0.000
0.000
0.000
1.000
1.375
2.375
3.125
3.375
4.375
11/18/2010
10/31/2011
11/15/2012
10/31/2014
10/31/2016
11/15/2019
11/15/2039
0 / .01
0.13 / .13
0.26 / .26
11-16+ / .72
11/20

04 Bonds

Government bonds
Summer yield low is likely to have been overcome

BERENBERG
PARTNERSHIP SINCE 1590

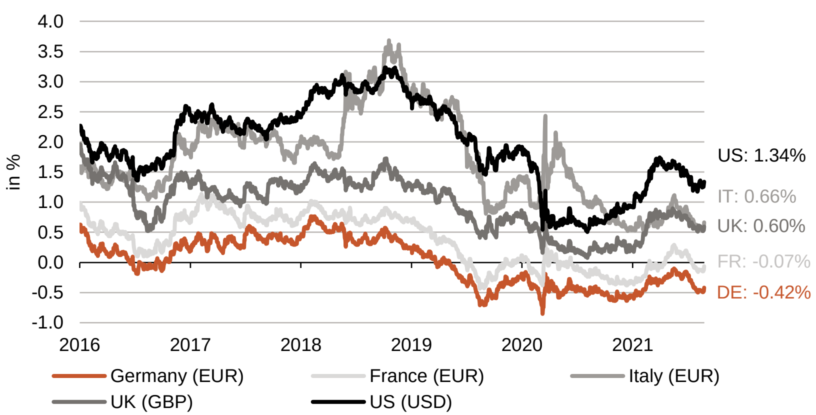
Yield rise picks up speed

- Yields on safe-haven government bonds are moving higher again after months of troughs, which was due to growth concerns due to the spread of the delta variant. US government bond yields, for example, are trading 17 basis points (bps) above their July lows.
- The prospect of declining monetary support, as reiterated by the rather hawkish Fed minutes, lowered demand for safe-haven government bonds.

Yield increase mainly at the short end

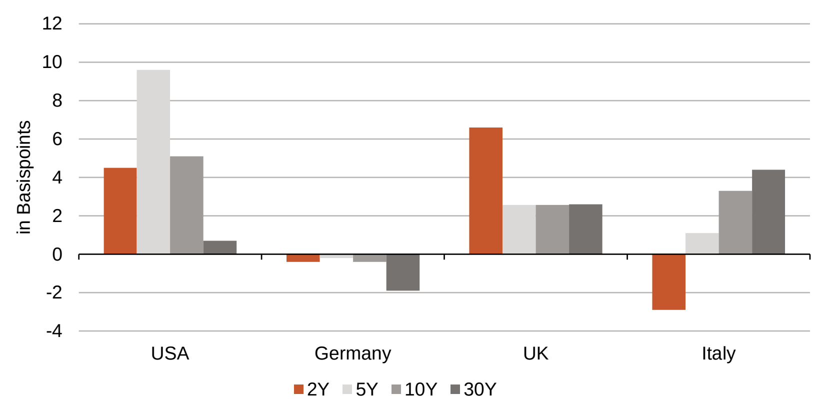
- Despite rising yields, the US yield curve has tended to flatten. This is mainly due to significantly stronger rising yields at the short end. In the last four weeks, for example, the yield on 2Y US Treasuries has risen by 4bps and on 5Y US Treasuries by 9bps, while 30Y US Treasuries saw an increase of only 1bp. The market thus sees a temporary rise in inflation. However, if the high inflation is not temporary, the steepness of the yield curve is likely to increase significantly again.

Summer yield low lies behind us



Source: Bloomberg, own calculations, iBoxx. Government Bond Indices (7–10 years, TR) Time period: 01/01/2016–25/08/2021.

US yield rise mainly at the short end



Source: Bloomberg; monthly change in yields of 2, 5,10, 30-year government bond yields. Time period: 04/08/2021–25/08/2021.

Corporate & EM bonds
Spreads without upward pressure

BERENBERG
PARTNERSHIP SINCE 1590

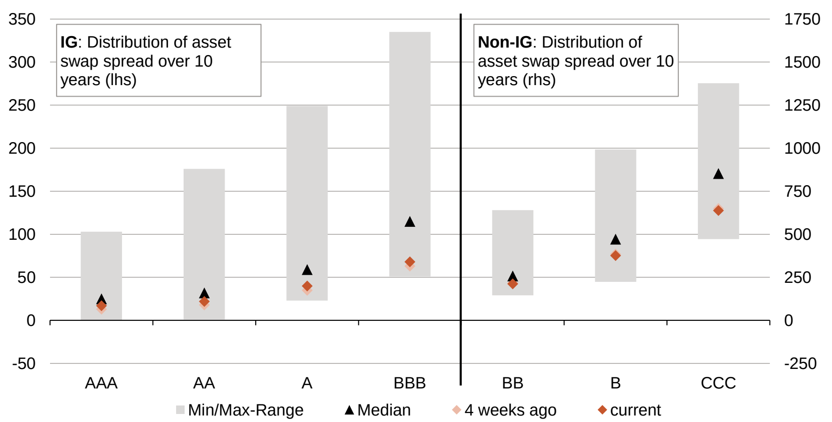
Spreads without upward pressure

- Spreads on investment-grade corporate bonds have continued to move sideways over the past four weeks. Even though quality is likely to remain in demand, we see only very limited narrowing potential in the coming months at current spread levels.
- Spreads on high-yield bonds have risen only temporarily, despite the spread of the delta variant and growth concerns, only to fall then below the level of four weeks ago.

High-yield emerging market bonds attractive

- While spreads on USD corporate bonds are already lingering at the lower end of the 10-year range, there is much more downside room for EM high-yield bonds, especially after the recent spread widening.
- Besides the historical aspect, we like emerging market bonds mainly because of their cyclical nature and high carry.

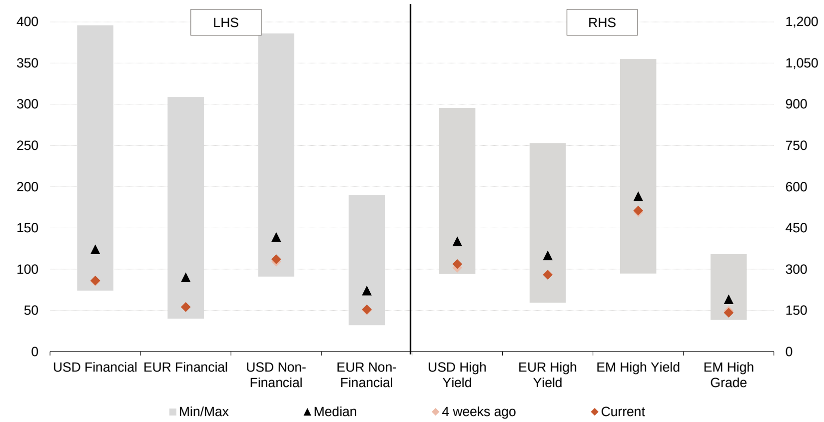
Spreads with little room for downside



Source: Factset, 10Y distribution of spreads of EUR corporate bonds by rating

Time period: 25/08/2011–25/08/2021

EM high yield spreads with significant potential



Source: Factset, 10Y distribution of spreads

Time period: 25/08/2011–25/08/2021

Capital market strategy
Bonds

BERENBERG
PARTNERSHIP SINCE 1590

Core segments

Government bonds
Underweight

- Euro bonds have recently interrupted the downward trend that started at the beginning of the year and yields have become less attractive again. In the case of high credit ratings, safe government bonds remain fundamentally in demand in risk-off phases.
- We expect yields to rise again, although the central banks' low interest rate policy will continue. Duration should be kept short, interest rate risks are not sufficiently remunerated.

Corporate bonds
Overweight

- The loose monetary policy and the low yields on government bonds make us prefer corporate bonds to government bonds, despite the now limited spread margins.
- Within the corporate bond segment, we prefer securities with more credit risk and shorter maturities.

Other segments

Emerging market bonds
Overweight

- Emerging market bonds remain strategically interesting due to higher yield and economic catch-up potential.
- We are explicitly optimistic about emerging market local currency bonds and prefer high-yield bonds to investment grade.

High yield bonds
Overweight

- Despite the narrowing of spreads, the relatively attractive risk premiums still argue in favour of a tactical allocation. In the case of US exposures, the currency risk should be hedged.
- For European high-yield bonds, we are positioning ourselves away from the usual securities.

Forecasts

Estimates for selected bond markets

BERENBERG
PARTNERSHIP SINCE 1590

Base interest rates and government bond yields (in %)	25/08/2021	31/12/2021		30/06/2022	
	Current		Ø*		Ø*
USA					
Base interest rate	0.00-0.25	0.00-0.25	0.25	0.00-0.25	0.25
10Y US yield	1.34	2.00	1.64	2.30	1.83
Eurozone					
Base interest rate	0.00	0.00	0.00	0.00	0.00
10Y Bund yield	-0.42	0.00	-0.18	0.35	-0.02
United Kingdom					
Base interest rate	0.10	0.10	0.10	0.30	0.15
10Y Gilt yield	0.60	1.20	0.88	1.50	1.01

Source: Bloomberg. Berenberg as of 25/08/2021.
*Average of estimates by other experts (Bloomberg) consensus.

05 Commodities

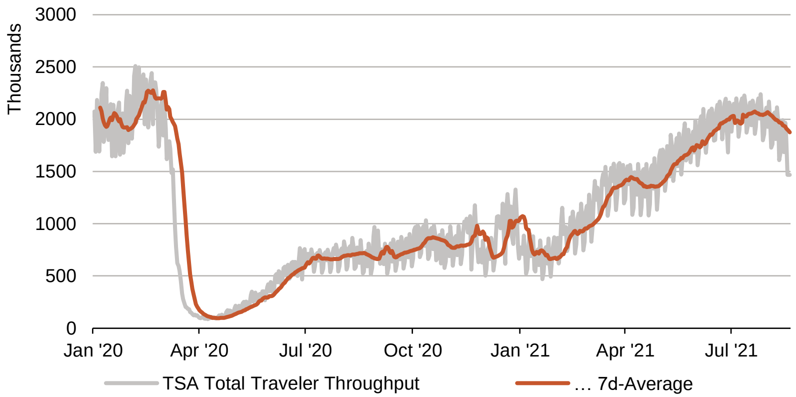
Crude oil
It is going up again

BERENBERG
PARTNERSHIP SINCE 1590

Supply tightness likely to trump Covid-19 worries again

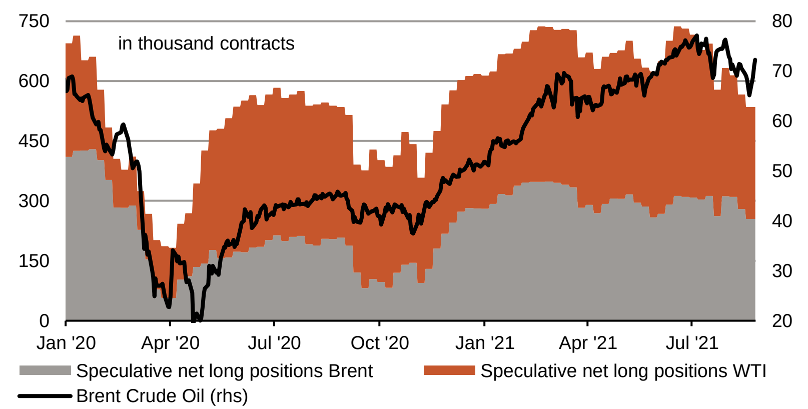
- August was the most turbulent month for crude oil so far this year. From an initial level of just under USD 75 per barrel, Brent fell to just USD 65 per barrel within three weeks. Once again, Covid-19 was to blame for this sell-off. As the delta variant spreads even in countries with already high vaccination rates, the global recovery in demand could cool down more significantly if new restrictions are imposed. At the same time, OPEC+ is successively increasing its production volume until the end of the year. Financial investors in particular saw the equilibrium in the oil market in danger and reduced their net long positioning to the lowest level since the end of last year.
- In reality, however, the oil market is probably still in a supply deficit, so there is no cause for concern from a fundamental point of view so far. Moreover, since the spread of the delta variant is not globally synchronous, declines in demand can be compensated elsewhere. In India, for example, crude oil imports rose by 22% year-on-year in July - the highest since February 2016. With OPEC+ remaining disciplined and economic pressures easing thanks to rising vaccination quotas, we expect oil prices to rise.

US air traffic down again with rising case numbers



Source: Bloomberg, TSA, own calculations. Time period: 01/01/2020 – 25/08/2021.

Speculative investors with position reduction



Source: Bloomberg, own calculations. Time period: 01/01/2020 – 25/08/2021.

Precious and industrial metals
Gold is currently fairly valued

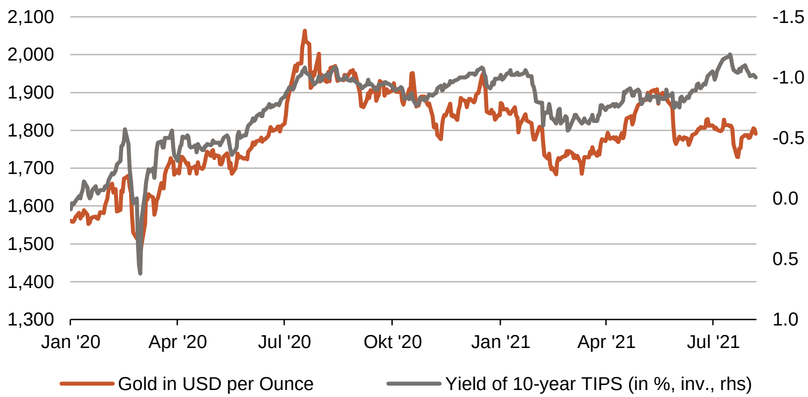
Gold is currently fairly valued

- At the beginning of the month, positive labour market data, higher interest rates and a stronger dollar caused a "flash crash" and gold fell below USD 1,700 per ounce. Investors used this as a buying opportunity and gold was able to quickly regain ground.
- Although the gold price is already partly anticipating a more restrictive monetary policy, the upside potential is likely to remain limited if real interest rates rise. We currently consider gold to be fairly valued.

Economic worries weigh on industrial metals

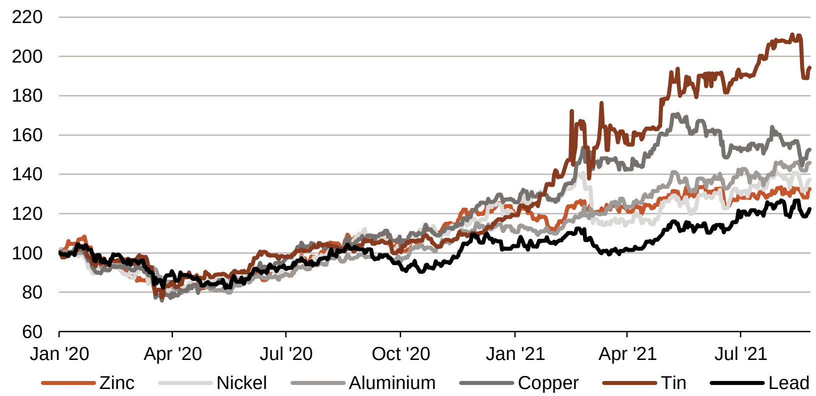
- As with crude oil, the demand worries caused by Covid-19 were also felt by the metals market in August. Tin was hit particularly hard, although at +58% it is still by far the best performer since the beginning of the year.
- Despite short-term weakness, industrial metals remain structurally well supported. Demand is likely to rise strongly in the future thanks to their application in green technologies and infrastructure programmes, many of which have only just been decided and have not even started yet.

Gold price and real interest rates converge again



Source: Bloomberg, own calculations. Time period: 01/01/2020 – 25/08/2021.

Industrial metals with economic headwinds



Source: Bloomberg, own calculations. Time period: 01/01/2020 – 25/08/2021.

06 Currencies

Market developments

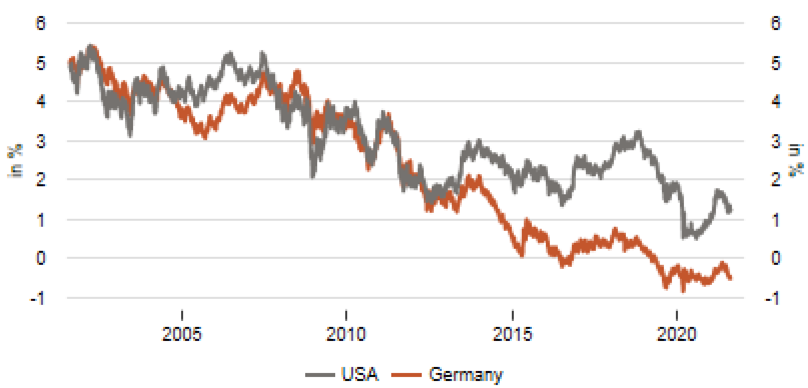
Interest rates and currencies

BERENBERG
PARTNERSHIP SINCE 1590

Federal Reserve: Minutes published

- The Federal Reserve (Fed) recently released the minutes from its July 27-28 monetary policy meeting.
- By now, a majority of the members of the Monetary Policy Committee believe that the inflation figures are high enough to warrant a more restrictive monetary policy.
- However, the situation in the labor market at the time of the Fed meeting was still judged to be inadequate when measured against the Fed's defined targets.
- As a result, a majority of the committee's members believe that a first step toward tighter monetary policy ("tapering") is not to be expected immediately, but by the end of this year.
- In the aftermath of the meeting strong labour market data has been released. As a result, some committee members have already said publicly that the recovery in the labor market may already be in line with the mandate.
- Timing and scope of the tapering are important for the markets. But it has virtually no impact on the economy, as monetary policy will remain very loose thereafter.

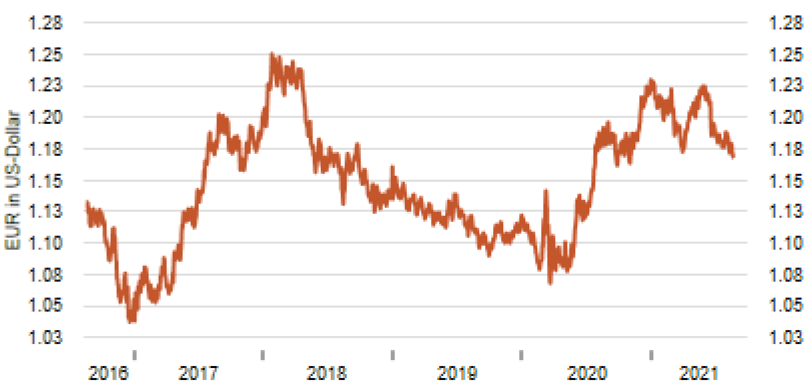
10-year government bonds



Source: Macrobond

Time period: 08/2001 – 08/2021

Exchange rate: Euro/US-Dollar



Source: Macrobond

Time period: 08/2016 – 08/2021

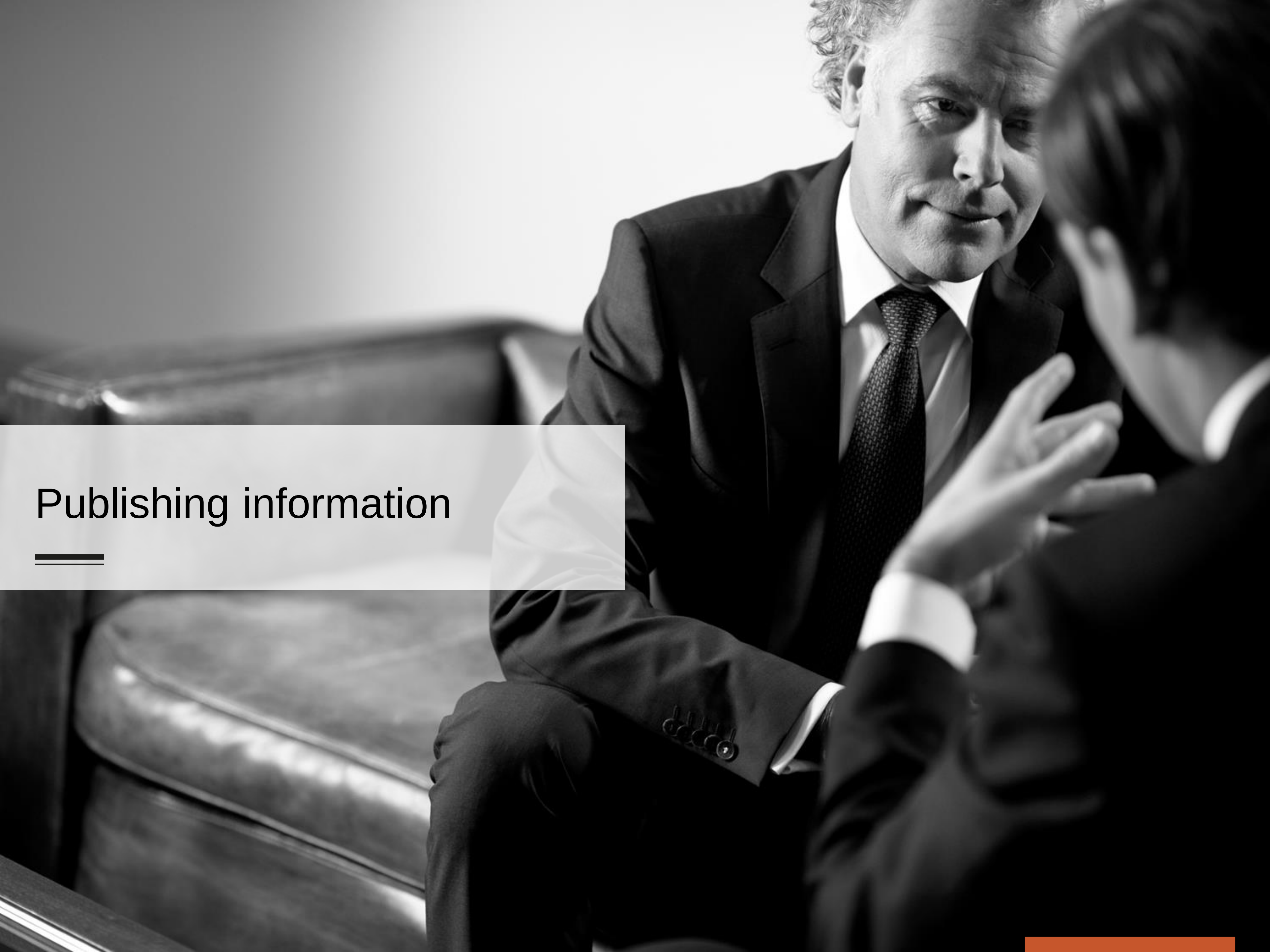
Forecasts
Estimates of key currencies

Exchange rate forecasts	25/08/2021 Current	31/12/2021		30/06/2022	
			Ø*		Ø*
EUR/USD	1.18	1.20	1.19	1.23	1.20
EUR/GBP	0.86	0.85	0.85	0.85	0.85
EUR/CHF	1.08	1.09	1.10	1.10	1.12
EUR/JPY	130	130	131	132	132

Change against the Euro (in %)					
USD	-	-1.9	-1.1	-4.3	-1.9
GBP	-	0.6	0.6	0.6	0.6
CHF	-	-1.3	-2.2	-2.2	-4.0
JPY	-	-0.4	-1.1	-1.9	-1.9

*Source: Bloomberg. Berenberg as of 25/08/2021.
*Average of estimates of other experts (Bloomberg); consensus.

Publishing information



Publishing information

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

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

Publisher

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

Authors

Ulrich Urbahn, CFA
Head Multi Asset Strategy & Research

Karsten Schneider
Analyst Multi Asset Strategy & Research

Ludwig Kemper
Analyst Multi Asset Strategy & Research

Dr Jörn Quitzau
Senior Economist

Contact details

www.berenberg.de
MultiAssetStrategyResearch@berenberg.de