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Markets

INVESTMENT COMMITTEE MINUTES

30 April 2025

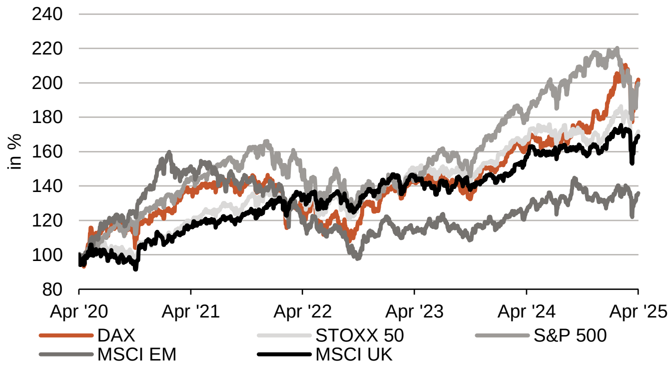
Managers of the Committee

Prof Dr Bernd Meyer
Chief Investment Strategist,
Chairman

Dr Holger Schmieding
Chief Economist,
Vice Chairman

The **Committee Members** are listed in the notes.

Development of selected equity indices



Source: Bloomberg, 29/04/2020 – 29/04/2025.

Most important assessments at a glance

Economics	• Trump's tariff policy is weakening the US and postponing the recovery in the eurozone. We expect deals by July 2025. • US tariffs: more inflation in the USA, less in Europe. ECB can cut interest rates further, Fed has no reason to do so. • New German government: Additional spending on military and infrastructure and reforms can strengthen growth.
Equities	• US equities are suffering from negative economic surprises and the uncertainty caused by Trump's tariff policy. • Earnings revisions for Europe have recently turned clearly negative. • In the short term, the low positioning and negative sentiment could provide support. Anti-cyclical trading preferred.
Bonds	• Unpredictable customs and economic policies in the US are unsettling companies and investors alike. • Trump's policy agenda (tariffs, immigration, debt) increases the risk of inflation. We are keeping duration close to neutral. • Credit with continued good fundamentals, however, upward trend and inflows appear to be slowing.
Commodities	• After a good performance, gold is likely to be susceptible to a setback in the short term. The structural drivers remain intact. • OPEC+ production increases are being curbed by the compensation plan. Supply nevertheless remains ample. • Industrial metals are being driven by US tariff policy. However, the supply of copper remains tight and demand high.
Currencies	• Trump's tariffs have put the US dollar under strong pressure, while the euro has made significant gains. • The status of the dollar is suffering, but it will remain the global currency for the foreseeable future due to a lack of alternatives. • The Swiss franc is in demand as a safe haven and puts the Swiss National Bank in a dilemma.

Current market commentary

April was characterised by historically high volatility due to Donald Trump's erratic tariff policy. At times, the VIX reached levels last seen during the coronavirus pandemic. The trigger for the sharp sell-off, particularly in US equity markets, was Trump's announcement of the tariffs on 2 April, the so-called " liberation day ". Since the middle of the month there has been a volatile recovery in equity markets after Trump announced a 90-day pause on tariffs for selected countries. Looking ahead, Trump's tariff policy remains the biggest source of uncertainty. The probability of a (mild) recession in the US has increased further in recent weeks. Earnings expectations and valuations remain stretched, which means that disappointing economic data or company outlooks could lead to another sell-off. At the same time, positioning and sentiment could lead to a technical rally. Given the range of possible market scenarios and low visibility, we favour neutral positioning and anti-cyclical trading.

Trump's foreign policy has also left its mark on bond markets. Investors seem to be increasingly questioning the safe-haven nature of the US dollar and US government bonds. In terms of safe havens, we continue to favour covered bonds over government bonds. In Europe, we are concentrating on good quality in the IG segment and selectively exploiting opportunities in high-yield bonds. In emerging markets, we favour the local currency segment and, in hard currency, government bonds over corporate bonds due to higher spreads and attractive carry.

In commodities, after the small profit taking in gold, we are comfortable with our continued overweight position given the intact structural demand drivers.

ECONOMICS

Trump harms the USA more than other countries - He should soon have an interest in deals

Trump's tariff policy is weakening the US and postponing the recovery in the eurozone. Deals until July 2025?
US tariffs: more inflation in the USA, less in Europe. ECB can cut interest rates further, Fed has no reason to do so.
New German government: additional spending on military and infrastructure and reforms can strengthen growth.

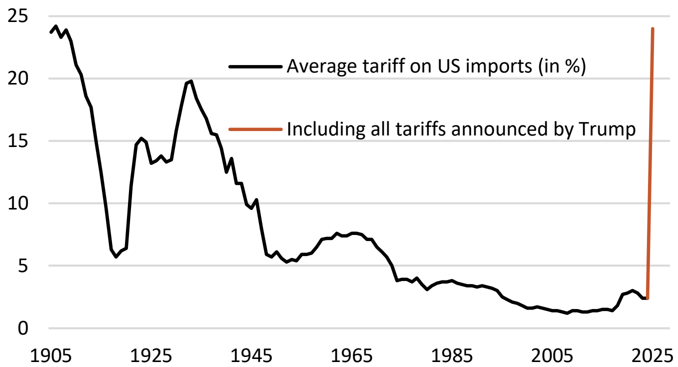
- **Trump wields the tariff bludgeon:** US President Donald Trump's erratic tariff policy is shaking up the global economy. The additional tariffs he announced on April 2 and the subsequent escalation of the trade war with China could push the USA into recession and significantly impair global economic growth. In view of the high level of uncertainty, companies in the USA and key trading partners are holding back on investments. Consumer sentiment is also deteriorating.
- **USA on the short end of the stick**. Trump is taking on almost the entire world at the same time, while other countries only have problems with foreign trade with one of their important markets. As Trump's tariffs are driving inflation, the Fed has no reason to lower its key interest rate. In countries that are not reacting with massive counter-tariffs for the time being, central banks such as the European Central Bank (ECB) can cushion the economic damage of the tariff conflicts with lower interest rates.
- **Trade agreements instead of recession:** Precisely because the damage for the US could otherwise be so considerable, we expect Trump to conclude trade agreements with the EU and other regions by mid-July in his own interests and de-escalate the dispute with China. Following the markets' negative reaction to the tariff shock on April 2, he has suspended most of the additional tariffs for 90 days. He apparently does react when markets and companies show him the red card.
- **New growth in the second half of the year:** If Trump backs down in the trade dispute as expected and at least partially removes the paralyzing uncertainty over future tariffs by July, the global economy may then regain momentum. While economic output in the US and Europe is likely to increase only slightly at most in the second quarter, we expect largely normal growth in Europe from Q3 and in the US from Q4.
- **Economic policy supports euro economy**: In the eurozone, the lower key interest rates of the European Central Bank (ECB) are providing an economic tailwind. Over time, additional German spending on defense and infrastructure as well as supply-side reforms will also strengthen growth. The end of Germany's prolonged stagnation may radiate to neighboring countries.
- **Interest rates:** The US Fed has no scope for a loose monetary policy in view of the tariff-driven inflationary pressure. The ECB, on the other hand, will most likely cut its interest rates again by 25bp on June 5. In the risk scenario that Trump escalates his trade wars further in the summer, the ECB and many other central banks outside the US would even have to provide additional support for the economy afterwards. Unlikely, but not impossible.

GDP and inflation forecasts (%)

		GDP growth			Inflation		
	Share	2025	2026	2027	2025	2026	2027
World	100.0	2.3	2.3	2.4			
USA	26.1	1.7	1.6	1.6	3.2	2.7	2.6
China	16.9	4.2	3.7	3.9	0.6	1.4	1.9
Japan	4.0	1.1	1.0	1.0	2.9	1.9	1.7
India	3.4	6.5	6.5	6.0			
Latin America	6.3	2.5	2.5	2.3			
Europe	24.3	1.2	1.6	1.5			
Eurozone	14.8	0.9	1.5	1.5	2.0	2.3	2.5
Germany	4.3	0.1	1.3	1.4	2.2	2.4	2.5
France	2.9	0.4	0.9	1.2	0.8	1.9	2.2
Italy	2.2	0.7	1.2	0.9	2.1	2.2	2.5
Spain	1.5	2.4	2.3	2.4	2.5	2.2	2.4
Other Western Europe							
United Kingdom	3.2	1.1	1.2	1.5	3.4	2.8	2.4
Switzerland	0.8	1.3	1.5	1.5	0.5	0.9	1.3
Sweden	0.6	1.6	1.8	2.0	1.1	1.5	1.9
Eastern Europe							
Russia	1.9	1.4	1.4	1.3	9.0	7.5	7.0
Turkey	1.1	2.9	2.7	2.5	28.0	25.0	20.0

Source: Berenberg

Average tariff on US imports



Sources: Tax Foundation, Berenberg.

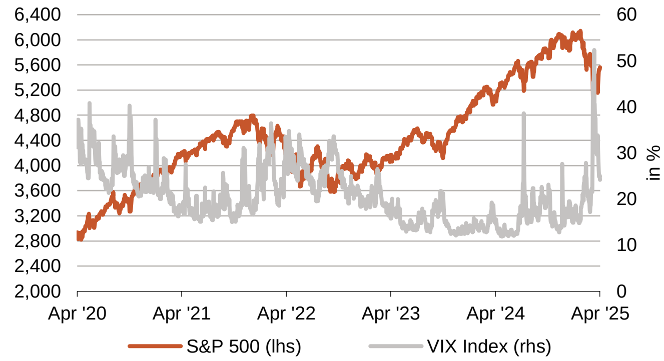
EQUITIES

Preference for anti-cyclical trading and neutral positioning

US equities are suffering from negative economic surprises and the uncertainty caused by Trump's tariff policy. Earnings revisions for Europe have recently turned clearly negative. The preference remains on value. In the short term, the one-sided positioning and sentiment could lead to a technical countermovement.

- Developments on the stock markets in April were characterized by Donald Trump's erratic tariff and trade policy and the associated increase in volatility. As a result of the higher than expected tariff announcements and an increased probability of a US recession, prices on the global equity markets fell sharply. The main market narratives recently focused on trade conflicts, particularly between the US and China, Trump's erratic approach to customs policy and growth concerns as a result of economic policy uncertainty. This uncertainty has also recently weighed on earnings revisions for European equities, which have so far performed significantly better than the US equity market. Despite the trade risks, however, earnings expectations for Asia are currently still showing a certain resilience. Meanwhile, the current reporting season suggests a (slight) economic slowdown, while the still ambitious growth expectations and current valuation levels harbor further potential for setbacks.
- Looking ahead, Trump's tariff policy remains the biggest uncertainty factor. The probability of a (mild) recession in the US has risen in recent weeks. Earnings expectations and valuations remain ambitious, meaning that pessimistic economic data or company outlooks could lead to a continuation of the sell-off. At the same time, positioning and sentiment could lead to a technical recovery. Given the range of possible market scenarios and low visibility, we favor neutral positioning and anti-cyclical trading.

Performance and volatility of the S&P 500 Index



Source: Bloomberg, 29/04/2020 - 29/04/2025.

Overview of equity markets (short/medium term)

Regions	Old	New
US	↗	↗
Europe	↗	↗
Emerging markets	↗	↗

		Total return in local currency				
	As of 29/04/2025	ytd	1-year	3-year	P/E	Dividend yield
DAX	22,426	+12.6%	+23.8%	+59.1%	15.7	2.7%
SMI	3,917	+5.2%	+7.8%	+2.3%	18.0	3.1%
MSCI UK	2,418	+5.2%	+7.5%	+25.1%	12.7	3.8%
EURO STOXX 50	5,162	+6.6%	+6.8%	+50.4%	14.9	3.3%
STOXX EUROPE 50	11,691	+3.1%	+2.1%	+27.7%	14.8	3.5%
S&P 500	10,590	-5.2%	+9.7%	+39.0%	21.1	1.5%
MSCI Em. Markets	1,106	+3.7%	+8.2%	+12.6%	12.4	2.9%

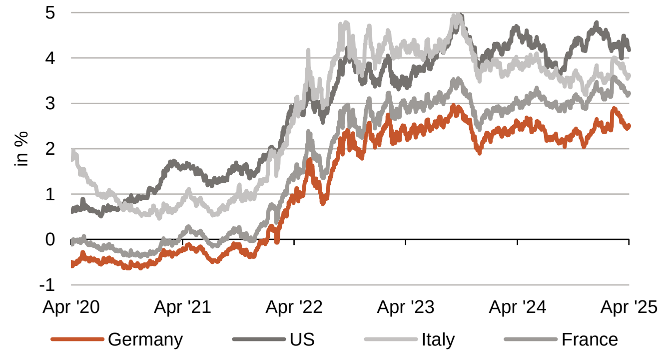
FIXED INCOME

Trump's tariff policy jeopardises investor confidence in the USA.

Unpredictable customs and economic policies in the US are unsettling companies and investors alike.
Trump's policy agenda (tariffs, immigration, debt) increases the risk of inflation. We are keeping duration close to neutral.
Credit with continued good fundamentals, however, upward trend and inflows appear to be slowing.

- Donald Trump's erratic tariff policy since Liberation Day on 2 April is increasingly eroding investor confidence in the US dollar and US government bonds as a safe haven. In addition to the market turbulence of recent weeks, which led to basis trade liquidations and thus to a rise in US yields, among other things, the tariffs continue to increase inflation risks and thus complicate the Fed's interest rate cut manoeuvre. The yield on 10-year **US government bonds** recently stood at 4.2%. In Europe, the ECB lowered the key interest rate by 25 bp after the regular meeting in April. ECB President Christine Lagarde conceded that most inflation indicators point to a return to an inflation rate of 2% and that the growth prospects for the eurozone have deteriorated due to increasing trade tensions. The yield on 10-year **German government bonds** recently stood at 2.5%.
- Following the recent widening of spreads, valuations became more attractive in both the **high yield** and **IG segments**, but the upward trend in fundamentals stalled recently, while the decline in inflows, particularly in the US, is no longer supportive. The increased uncertainty surrounding global trade policy remains a risk. The recent increase in the probability of a recession in the USA and the high correlation of EM spreads with US growth are a reminder to be cautious with issuers of low credit ratings within **EM bonds**.
- When it comes to safe bonds, we continue to favour **covered bonds** over government bonds. In Europe, we are primarily focussing on good qualities from the IG segment and selectively adding high-yield bonds with short maturities and attractive risk premiums. In **emerging markets**, we favour the local currency segment and in hard currency government bonds over corporate bonds due to the higher spreads and attractive carry. Due to the increased interest rate volatility, we continue to leave the duration at the overall bond level at neutral.

Yields on 10-year government bonds



Source: Bloomberg, 29/04/2020 - 29/04/2025.

Overview of bond markets (medium term)

Orientation	Old	New
Duration	Neutral	Neutral
Government bonds	→	→
Corporate bonds	↗	→
High-yield bonds	→	→
Emerging market bonds	↗	↗

Yields (10-year)	Old	New
Germany	→	→
UK	→	→
US	→	→

	As of 29/04/2025	Performance in index currency ytd	1-year	3-year
Government bonds (iBOXX Europe Sovereigns Eurozone)	227.33	+0.5%	+3.9%	-2.0%
Covered bonds (iBOXX Euro Germany Covered)	194.30	+1.4%	+5.6%	+2.6%
Corporate bonds (iBOXX Euro Liquid Corporates 100 Non-Financials)	153.76	+0.9%	+5.3%	+4.0%
Financial bonds (iBOXX Euro Liquid Corporates 100 Financials)	164.54	+0.9%	+5.9%	+8.6%
Emerging market bonds (ICE BofA US Emerging Markets External Sovereign Index)	1,469.94	+2.3%	+8.6%	+15.4%
High-yield bonds (ICE BofA Global High Yield Index)	495.89	+3.2%	+10.2%	+21.5%

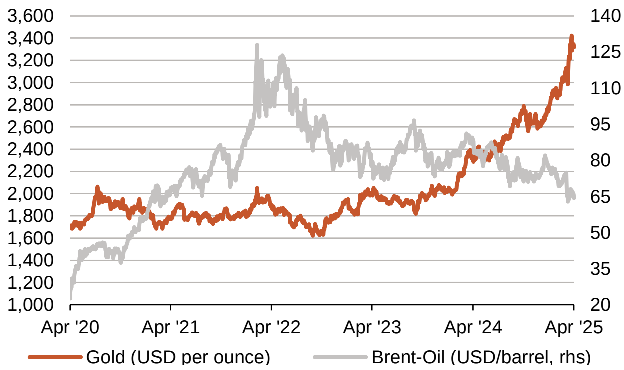
COMMODITIES

Mid-term support for precious and industrial metals

Gold overbought in the short term, structurally supported.
Oil is likely to continue its volatile sideways movement.
Industrial metals are dependent on Trump's tariff policy.

- **Gold:** The price of gold seems unstoppable and reached a new all-time high of USD 3,423 per troy ounce. The precious metal is therefore once again one of the best performing asset classes since the beginning of the year. In particular, a broad risk-off on the capital markets, a weaker dollar and purchases by Asian investors have recently provided significant support for the gold price. Although there is still structural demand from central banks, the gold price is likely to be overbought in the short term and susceptible to a correction.
- **Crude oil (Brent):** The oil price remains in a range of USD 60-80 per barrel and is likely to continue its volatile sideways movement. Short-term increases in supply appear to be mostly offset by compensation plans. Nevertheless, a supply surplus is expected in 2025, even though inventories will be low.
- **Industrial metals**: Industrial metals are hanging on Do-nald Trump's erratic tariff policy. However, demand for copper in particular remains (structurally) high and supply remains tight.

Price development



Source: Bloomberg, 29/04/2020 - 29/04/2025.

Overview of commodities (short/medium term)	Old	New
Gold	↗	↗
Oil (Brent)	→	→
Industrial metals	↗	↗

		Performance		
	As of 29/04/2025	ytd	1-year	3-year
Gold USD/ounce	3,317	+26.4%	+42.0%	+74.9%
Silver USD/ounce	32.9	+14.0%	+21.3%	+44.6%
Copper USD/pound	482.3	+19.8%	+3.5%	+9.7%
Brent USD/bbl	64.25	-13.9%	-27.3%	-41.2%

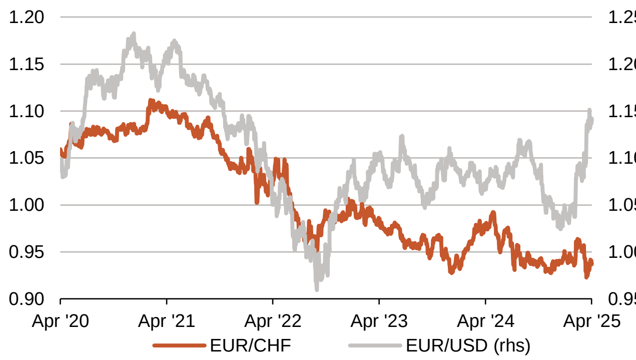
CURRENCIES

US trade policy moves global currency markets

US dollar loses significant ground.
Dollar remains world currency, but its status is suffering.
Swiss National Bank in a dilemma.

- **Trump tariffs cause US dollar to plummet:** The dollar has fallen sharply in value following the announcement of the US tariff package. The greenback remains the global reserve currency, but its status is suffering as investors lose confidence in the rationality of US policy and worry about slower trend growth coupled with a rising budget deficit. If Trump continues to pursue policies that harm the US, the dollar could lose even more ground.
- **Trade dispute causes franc to appreciate**: The Swiss franc is in demand as a safe haven in uncertain times and has recently gained strength. The fall in the price of imports could further depress inflation in Switzerland, which is already very low. The Swiss National Bank has the option of supporting the franc through direct intervention on the foreign exchange market, but then runs the risk of being branded a currency manipulator by the US. Alternatively, the key interest rate could be lowered further. However, it is already at just 0.25 %.

Exchange rates



Source: Bloomberg, 29/04/2020 - 29/04/2025.

Overview of currencies (short/medium term)	Old	New
EUR/USD | Euro/US dollar	→	→
EUR/CHF | Euro/Swiss franc	→	→
EUR/GBP | Euro/Sterling	→	→
EUR/JPY | Euro/Japanese yen	→	↘

		Performance		
	As of 29/04/2025	ytd	1-year	3-year
EUR/USD	1.14	+10.0%	+6.2%	+8.0%
EUR/CHF	0.94	-0.2%	-3.9%	-8.6%
EUR/GBP	0.85	+2.6%	-0.5%	+1.2%
EUR/JPY	162.08	-0.4%	-3.3%	+18.3%

IMPORTANT NOTES

Members of the Investment Committee

Prof Dr Bernd Meyer | Chief Investment Strategist, Chairman
Dr Holger Schmieding | Chief Economist, Vice-Chairman
Matthias Born | Head Portfolio Management Equities
Ulrich Urbahn | Head Multi Asset Strategy & Research
Dejan Djukic | Head Portfolio Management Multi Asset
Oliver Brunner | Head Multi Asset Income & ESG
Jonas Fadel | Equities
Dr Andre Meyer-Wehmann | Fixed Income
Mirko Schmidt | Commodities, Minutes
Dr Konstantin Ignatov | Minutes
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Disclaimer

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