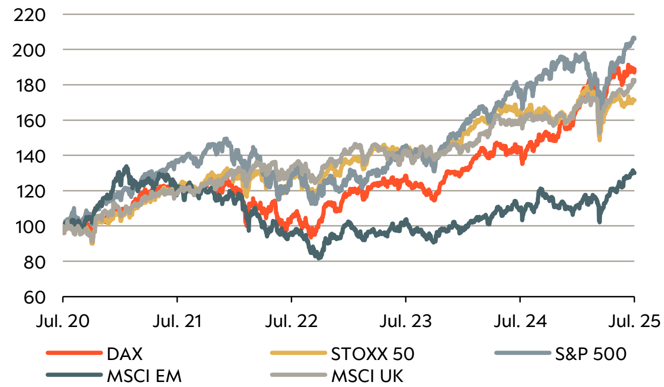
Berenberg Markets

Investment Committee Minutes

31.07.2025

Development of selected equity indices



Source: Bloomberg, 30/07/2020 – 30/07/2025.

Managers of the Committee

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

Prof Dr Bernd Meyer
Chief Investment Strategist
Chairman

Dr Holger Schmieding
Chief Economist
Vice Chairman

Current market commentary

In line with historical seasonal patterns, the second half of the year got off to a positive start in global equity markets. The fact that the deals negotiated by Donald Trump all include significant tariffs did not seem to bother the markets. After all, the results of the reporting season are solid and macroeconomic data show little sign of tariff chaos so far: US inflation continued to surprise to the downside and the US labour market remains robust. However, investors were not happy at all about the alleged letter of dismissal to Powell. Equities, bonds and the US dollar fell sharply, but recovered just as quickly after the rumours were denied. Only gold managed to rise.
Within equity markets, the S&P 500 and Nasdaq 100 climbed to new all-time highs and significantly outperformed European indices. Asian equities, however, made a particularly positive surprise. The combination of hopes for a trade deal and cheap valuations seems to be driving investors back into Chinese equities.

Corporate bonds led the way in fixed income markets. Risk premiums on IG EUR credit even reached their lowest level since 2018. Government bonds, on the other hand, lost ground and recorded rising yields.
The trade war was also the dominant theme in commodity markets. Copper traded on COMEX has already gained more than 40% in USD since the beginning of the year due to concerns about tariffs. PGMs and silver have also risen sharply recently.
The coming weeks are likely to be tougher. Positive triggers such as the passing of the US budget, agreements in the trade war and the reporting season are fading. At the same time, discretionary and systematic investors have increased their positioning in recent weeks. This contrasts with a solid starting position with positive US earnings revisions and robust economic data. We therefore continue to view setbacks as buying opportunities.

Most important assessments at a glance

Economics	▪ Trump's tariff chaos weakens the US and weighs on the global economy. The deal with the EU limits the risks. ▪ US: Economy loses some momentum, but tariffs drive inflation. No room for the Fed to cut interest rates. ▪ Europe: New upswing after trade conflicts subside. ECB and German spending boosts economy.
Equities	▪ The momentum since mid-April will continue to be supported in the short term by a positive US reporting season. ▪ Lower liquidity, weaker seasonality, and increased positioning are likely to increase volatility. ▪ We are slightly overweight in equities overall. We view stronger setbacks as an opportunity for further purchases.
Bonds	▪ In addition to political pressure to cut interest rates, the Fed continues to face inflation risks from US tariffs. ▪ Robust fundamentals and sustained flows continue to favour credit. However, tight spreads call for caution. ▪ Emerging markets look fundamentally sound. Local currency bonds are likely to benefit from currency and curve effects.
Commodities	▪ Structural drivers for gold intact, but short-term drivers are lacking. Strong price increases are likely to dampen demand. ▪ OPEC+ continues to turn up the oil tap. Beyond geopolitics, there are few reasons for upward momentum. ▪ Copper is still benefiting from possible US tariffs. Once the tariffs come into effect, prices are likely to normalise.
Currencies	▪ The US Federal Reserve has little room left to further lower its key interest rate. This could strengthen the dollar. ▪ The US economy, on the other hand, is losing momentum, while Europe is stabilising. This is likely to weigh on the dollar. ▪ We initially expect the euro-dollar exchange rate to move sideways, followed by a weaker dollar in 2026.

Economics

Trump is hurting the US even more than other countries. As expected, he is therefore concluding new trade agreements.

Trump's tariff policy is weakening the US and shifting the upturn to Europe. But as expected, Trump is shying away from major conflicts. Following agreements with the UK, Japan and the EU, he will probably soon reach an agreement with China as well. This limits the downside risks for the US economy and enables Europe to enjoy a new upturn.

- Trump's tariff policy is shaking up the global economy. Given the high level of uncertainty, companies in the US and key trading partners are holding back on investments. However, Trump is not proving to be a stubborn ideologue who wants to impose ever higher tariffs regardless of the consequences. Instead, as expected, he is backing down when financial markets or companies signal to him that his policies are significantly damaging the US.
- Trump's tariff policy is hitting the US harder than other countries because he is picking fights with almost the entire world at the same time, while other countries only have tariff problems with one of their key markets. Following agreements with the United Kingdom, Japan and the EU, among others, he will probably soon reach an agreement with China as well. This limits the short-term risks for the US and global economies.
- The US remains on course for growth. Household disposable income is rising and companies are in good financial shape. Provided that the tariff conflicts continue to ease as expected, the US economy will be able to grow at a rate of around 1.5% from the second half of the year onwards, despite Trump. However, Trump's tariffs and his rigid approach to immigration are slowing US trend growth from 2% to around 1.5%.
- Tariff conflicts are delaying the upturn in Europe. However, provided tensions do not escalate again, growth forces are likely to prevail in late autumn. The ECB's low key interest rate and Germany's expansionary fiscal policy are contributing to this.
- For 2026, we expect growth of 1.3% in the eurozone and 1.2% in the United Kingdom. Supported by a number of reforms and increased government spending, Germany could also achieve growth of 1.2% in 2026. As Europe is unlikely to impose counter-tariffs, trade conflicts will not fuel inflation in Europe as they have in the United States.
- Despite a series of small stimulus packages, China's economy is not picking up. Companies are unable to find enough buyers for their excess capacity. High youth unemployment is also weighing on domestic sentiment. Even after the end of the trade war with the US, growth is likely to remain subdued.
- US companies have begun to pass on tariff costs to consumers. This means that the Fed has no leeway to cut interest rates. So far, we see no signs that it will bow to pressure from Trump and ease its monetary policy against its better judgement.

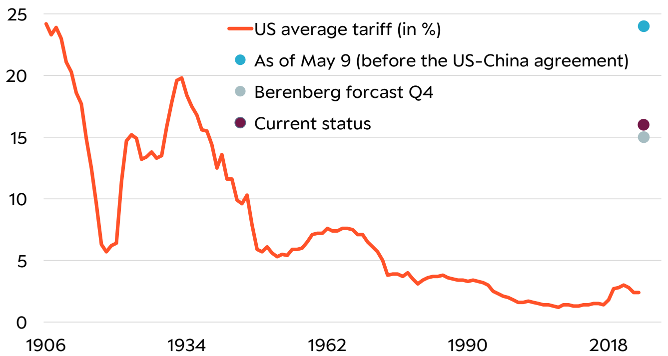
The ECB is currently staying the course. If the eurozone economy recovers after the trade disputes subside in late autumn, it will not need to lower its key interest rate any further. From mid-2027 onwards, rising wage pressure and increasing labour shortages could then force it to gradually raise its deposit rate to 3%.

GDP and inflation forecasts (%)

		GDP growth			Inflation		
Share		**2025**	**2026**	**2027**	**2025**	**2026**	**2027**
World	**100.0**	**2.4**	**2.4**	**2.4**			
USA	26.4	1.6	1.6	1.6	2.9	2.8	2.6
China	17.0	4.6	4.0	3.9	0.2	1.3	1.9
Japan	3.6	1.1	1.0	1.0	3.1	1.9	1.7
India	3.5	6.5	6.5	6.0			
Latin America	6.1	2.5	2.5	2.3			
Europe	**24.5**	**1.2**	**1.4**	**1.6**			
Eurozone	14.8	1.0	1.3	1.5	2.1	1.8	2.2
Germany	4.2	0.3	1.2	1.4	2.1	1.7	2.2
France	2.9	0.3	0.9	1.2	1.0	1.8	2.1
Italy	2.1	0.7	1.1	0.9	1.8	1.8	2.2
Spain	1.6	2.5	2.3	2.4	2.4	2.3	2.7
Other Western Europe							
United Kindom	3.3	1.2	1.2	1.5	3.4	2.4	2.2
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	2.0	1.4	1.4	1.3	9.0	7.5	6.0
Turkey	1.2	2.9	2.7	2.5	28.0	25.0	20.0

Source: Berenberg

Average tariff on all US imports, in %



Including 15% tariffs duty on almost all imports from the EU. Sources: Tax Foundation, Berenberg

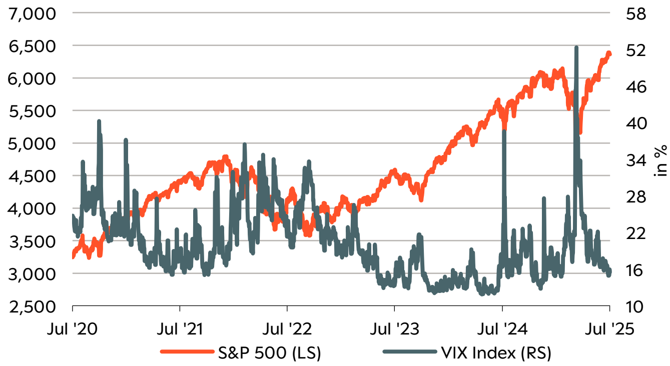
Equities

The supporting factors of recent weeks are gradually fading. However, setbacks are likely to offer buying opportunities.

The momentum in equities since mid-April will continue to be supported in the short term by a positive US reporting season. Lower liquidity, weaker seasonality, and increased positioning are likely to increase volatility.
We are slightly overweight in equities overall. However, we view stronger setbacks as an opportunity for further purchases.

- After global equities largely stagnated in June, the markets performed positively again 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 results of the reporting season paint a solid picture in the US, partly due to low expectations. The interim results of European companies, however, are mixed: although earnings expectations are mostly exceeded, a stronger euro and uncertainty about the impact of US tariff policy are leading to somewhat subdued corporate outlooks in some cases. The continuing strong AI trend was also a factor in the relative outperformance of the US compared to Europe in terms of the single currency. However, an improving mood in European industry due to greater clarity in trade policy with the US should continue to support cyclical and value stocks. In addition to further twists and turns from Donald Trump with regard to tariff policy or the dismissal of Federal Reserve Chairman Jerome Powell, a sharper rise in long-term bond yields is also likely to pose a potential risk scenario for the stock markets.
- Lower liquidity during the summer months, weakening seasonality in the coming weeks, and increasingly lower purchases of systematic investment strategies are likely to limit further upside potential, at least in the short term. However, we view potential setbacks as an opportunity for further purchases.

Performance and volatility of the S&P 500 Index



Source: Bloomberg, 30/07/2020 – 30/07/2025.

Overview of equity markets (short/medium term)

Regions	Old	New
US	↗	↗
Europe	↗	↗
Emerging Markets	↗	↗
Japan	→	→

		Total return in local currency				
	As of 30/07/2025	ytd	1-year	3-year	P/E	Dividend yield
DAX	24,262	+21.9%	+31.8%	+79.9%	17.1	2.5%
SMI	3,929	+5.6%	+0.2%	+11.1%	18.2	3.1%
MSCI UK	2,601	+13.9%	+14.1%	+36.3%	14.1	3.5%
EURO STOXX 50	5,393	+13.1%	+15.0%	+60.7%	16.1	3.1%
STOXX EUROPE 50	12,142	+7.1%	+4.6%	+33.8%	15.6	3.3%
S&P 500	12,146	+8.7%	+18.1%	+59.0%	24.1	1.3%
MSCI Em. Markets	1,252	+18.7%	+20.1%	+37.6%	14.1	2.7%

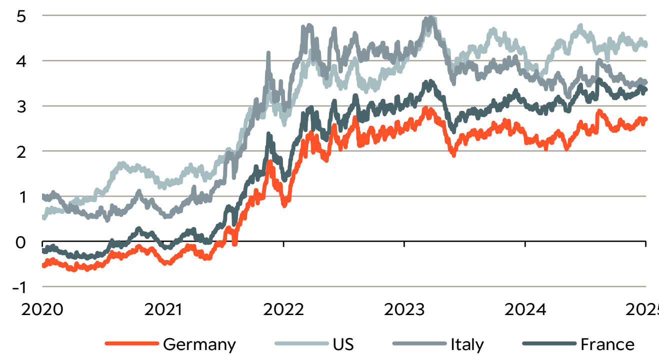
Fixed Income

Donald Trump continues to push the Fed towards a loose monetary policy, raising concerns about its independence.

In addition to political pressure to cut interest rates, the Fed continues to face inflation risks from US tariffs. Robust fundamentals and sustained flows continue to favour credit. However, tight spreads call for caution. Emerging markets look fundamentally sound. Local currency bonds are likely to benefit from currency and curve effects.

- Political pressure on the Fed is mounting: Donald Trump's threats to dismiss Fed Chairman Jerome Powell intensified further in July. Although Trump is currently only considering dismissing Powell in the event of misconduct in the Fed's renovation work, Powell's fate and thus the Fed's independence remain uncertain. 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. The yield on 10-year **US government bonds** was last quoted at 4.3%. At its meeting on 24 July, the ECB left the deposit rate unchanged at 2.0% while keeping all options open for further action. The yield on 10-year **German government bonds** was last quoted at 2.7%.
- Both the **high-yield** and **IG segments** are supported by solid fundamentals and inflows, while new issues continue to be very well received by the market. However, due to historically low spreads, the risk of valuation corrections has increased recently.
- When it comes to secure bonds, we continue to prefer **covered bonds** over government bonds. In Europe, we focus primarily on high-quality bonds from the IG segment and selectively mix in short-term high-yield bonds with attractive risk premiums. In **emerging markets**, we prefer the local currency segment and, in hard currency, government bonds over corporate bonds due to higher spreads and attractive carry. Due to increased interest rate volatility, we are keeping the duration at the overall bond level neutral.

10-year government bond yields



Source: Bloomberg, 30/07/2020 – 30/07/2025.

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 30/07/2025	Performance in index currency ytd	1-year	3-year
Government bonds (ICE BofA Euro Government Index)	713.58	+0.3%	+2.1%	-2.5%
Covered bonds (ICE BofA German Government Index)	529.97	-1.0%	+0.2%	-7.1%
Corporate bonds (ICE BofA Euro Non-Financial Subordinated Index)	440.61	+3.8%	+8.3%	+21.1%
Financial bonds (ICE BofA Euro Subordinated Financial Index)	401.15	+3.3%	+6.5%	+15.1%
Emerging market bonds (ICE BofA US Emerging Markets External Sovereign Index)	1,525.13	+6.1%	+8.7%	+23.3%
High-yield bonds (ICE BofA Global High Yield Index)	514.60	+7.1%	+10.1%	+30.2%

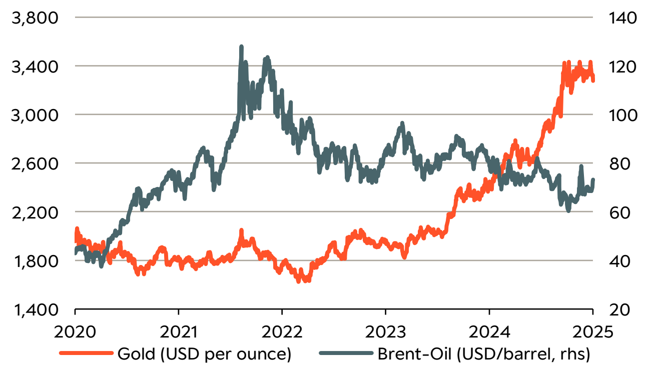
Commodities

Gold potentially oversold.

High investment demand for gold is (still) providing support. Oil prices weighed down by oversupply in the long term. Industrial metals remain heavily dependent on US tariff policy.

- Gold: Household spending and positioning in gold have reached their highest levels in 50 years. However, as economic uncertainty eases, investment demand is likely to decline again in the coming months, weighing on the gold price. In the short term, tariff uncertainty and possible US sanctions against Russia are providing support.
- Crude oil (Brent): Positive seasonal demand in the summer, low inventories and the risk of falling Russian oil exports due to US sanctions are contributing to the current stability of oil prices. However, the long-term outlook is more negative: weak demand growth and strong production increases by OPEC are leading to significant oversupply.
- Industrial metals: In anticipation of US import tariffs on copper, the market reacted with a sharp rise in the price of copper on COMEX. The price difference between LME and COMEX is currently around 30%.

Price development



Source: Bloomberg, 30/07/2020 – 30/07/2025.

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

	As of 30/07/2025	Performance ytd	1-year	3-year
Gold $/ounce	3,275	+24.8%	+35.9%	+85.5%
Silver $/ounce	37.1	+28.5%	+30.8%	+82.4%
Copper $/pound	558.6	+38.7%	+36.8%	+56.3%
Brent $/bbl	73.24	-1.9%	-6.9%	-33.4%

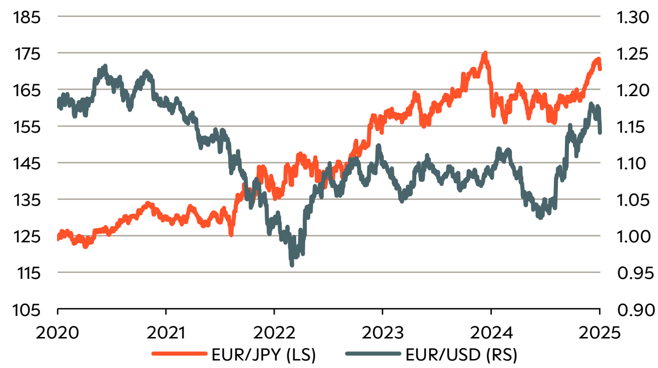
Currencies

The dollar remains weak in the long term.

Stable Fed interest rates may support the dollar short term. High government deficits will weigh on the dollar long term. EUR/USD initially sideways, then weaker in 2026.

- We do not expect further key interest rate cuts by the US Federal Reserve. If this view prevails in the market, it could initially support the dollar. However, the US economy is likely to continue losing momentum, while the eurozone could gain some traction. This, in turn, would favour the euro. These opposing effects may cancel each other out for the time being. In the long term, however, high government deficits will weigh on the dollar. After a sideways movement in the second half of 2025, the dollar may therefore lose further ground in 2026.
- The return of inflation in Japan will allow the Bank of Japan to cautiously raise its key interest rate further in the course of the year. This could give the Japanese yen a little tailwind, as all other major central banks are currently leaving interest rates at their current levels or even lowering them further. However, given the political uncertainties, the upside potential for the yen is very limited for the time being.

Exchange rates



Source: Bloomberg, 30/07/2020 – 30/07/2025.

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

	As of 30/07/2025	Performance ytd	1-year	3-year
EUR/USD	1.14	+10.2%	+5.5%	+11.6%
EUR/CHF	0.93	-1.1%	-2.6%	-4.5%
EUR/GBP	0.86	+4.1%	+2.3%	+2.7%
EUR/JPY	170.51	+4.7%	+3.2%	+25.2%

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
Jens Breuer | Equities
Sebastian Burbank | Fixed Income
Ludwig Kemper | Commodities, Minutes
Dr Konstantin Ignatov | Minutes
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