

Current Market Commentary

The traditionally positive April seasonality seems to be showing itself again. Equity markets rose across the board, with US equities in particular making significant gains. In addition to the pause in the rise in bond yields, positive earnings revisions and economic surprises continued to be responsible for this. Latin American earnings estimates for the next 12 months have risen sharply, by more than 8 per cent in the last month alone. However, valuation levels have risen elsewhere, especially in the US, so it remains important that companies at least meet earnings expectations. Accordingly, the upcoming Q1 reporting season will be exciting. Investor sentiment remains optimistic. However, we think a major correction is unlikely in the short term because there is still more than USD 4 trillion of dry powder in US money market funds. Additionally, systematic equity strategies are low on equity exposure, which should limit the depth of any sell-off.

Short-term Outlook

The Q1 reporting season is likely to dominate events in the markets. This week and next, more than 90 of the S&P 500 and several of the Stoxx 600 companies report. Monetary policy will come to the forefront on 22 April, when the ECB meets for its monthly meeting.

On Tuesday, industrial production data for the UK and Italy will be released. In addition, the ZEW economic expectations (Apr.) will be announced. On Thursday, US retail sales (Mar.), the Empire State (Apr.) and Philadelphia Fed Index as well as US industrial production (Mar.) will follow. US consumer confidence and Q1 GDP, industrial production (Mar.) and retail sales (Mar.) from China will come at the end of the week. There will also be some inflation data released throughout the week, which the market will be watching closely. The preliminary Markit Purchasing Managers' Indices (Apr.) for the US and the Eurozone will also be published at the end of the following week.

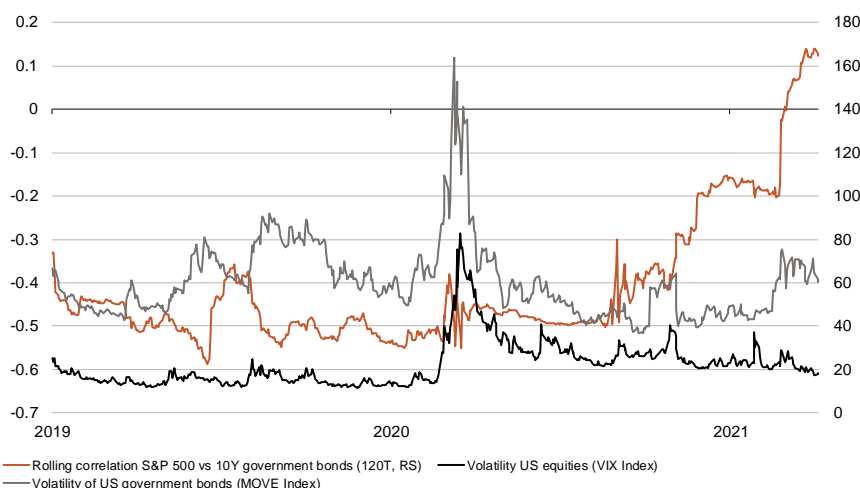
The bi-weekly *Monitor* gives you a structured overview of the current capital market environment and highlights important developments:

- Performance
- Positioning
- Sentiment
- Surprise Indicators
- Economics
- Foreign Exchange
- Equities
- Sovereign Bonds & Central Banks
- Corporate Bonds
- Commodities

The start of the corporate reporting season is likely to put investors in the spotlight.

Consumer price inflation data and the purchasing managers' indices are due.

Systematic strategies have further potential to build up risk assets



- According to our assessment, systematic strategies, especially risk parity and vol targeting, are still under-invested in equities. This is due to the increased bond volatility and the rise in the correlation between equities and bonds.
- However, the falling equity volatility suggests that systematic and, in part, discretionary strategies are likely to demand more equities again in the future. This should further support the markets.

Source: Bloomberg, 01/01/2019 - 09/04/2021



Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (12/03/21 - 09/04/21)	YTD (31/12/20 - 09/04/21)	09/04/20	09/04/19	09/04/18	09/04/17	08/04/16
REITs	4.4	10.9	6.7	-5.6	23.8	-16.0	6.0
MSCI World	4.3	11.6	37.8	-3.4	15.9	-2.1	24.1
MSCI Frontier Markets	3.7	6.7	30.6	-16.4	-6.1	7.7	23.8
Gold	-5.7	1.4	-4.9	33.1	6.8	-8.4	8.9
Industrial Metals	1.3	12.2	43.5	-20.0	2.8	-0.3	38.6
Global Coporates	0.9	2.7	0.9	6.5	10.4	-8.1	7.9
USDEUR	-0.6	0.4	-8.2	3.1	9.4	-14.1	7.6
Global Convertibles	0.3	6.8	46.2	-0.4	13.6	-3.0	20.7
Global Treasuries	-2.1	0.1	-5.4	8.9	7.3	-7.1	2.8
Eonia	0.0	-0.1	-0.5	-0.4	-0.4	-0.4	-0.3
MSCI Emerging Markets	-0.8	6.2	40.6	-14.1	5.3	6.4	29.7
Brent	-7.6	27.1	54.4	-46.2	16.5	7.7	25.2

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; Global Treasuries: Bloomberg Barclays Global Agg Treasuries TR; Global Corporates: Bloomberg Barclays Global Aggregate Credit TR; Global Convertibles: Bloomberg Barclays Global Convertibles Composite TR; Gold: Gold US Dollar Spot; Brent Crude: Bloomberg Brent Crude Subindex TR; Industrial Metals: Bloomberg Industrial Metals Subindex TR; Eonia: Eonia Capitalization Index; USDEUR: Price of 1 USD in EUR.

- After being among the biggest losers last year, REITs are now celebrating a comeback and are among the strongest asset classes this year.
- Within commodities, gold has stabilised recently, while Brent oil has lost some of its positive momentum. The opening of the economy in Europe is still dragging on.
- Emerging market equities, led by China, continued to underperform in recent weeks.

Total return of selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 08/04/2016 - 09/04/2021

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (12/03/21 - 09/04/21)	YTD (31/12/20 - 09/04/21)	09/04/20	09/04/19	09/04/18	09/04/17	08/04/16
S&P 500	5.2	13.4	38.3	1.9	22.8	-2.7	26.5
DAX	5.0	11.0	44.2	-10.9	-3.4	0.3	27.0
Euro Stoxx 50	4.0	12.5	40.4	-13.1	2.8	0.1	23.6
Stoxx Europe 50	3.8	9.5	24.0	-8.9	8.5	-1.7	19.0
Stoxx Europe Cyclical	3.6	13.1	51.1	-18.6	0.7	3.3	28.3
Stoxx Europe Small 200	3.1	10.4	46.9	-12.1	3.0	6.2	17.9
Stoxx Europe Defensives	2.7	5.5	14.1	-5.0	12.5	-1.4	9.5
MSCI UK	1.9	12.1	22.4	-20.1	8.6	-0.5	16.6
Topix	1.1	6.5	28.2	-5.0	1.0	5.8	24.0
MSCI EM Asia	-1.2	6.2	44.1	-9.1	5.0	8.9	30.4
MSCI USA Small Caps	-1.6	18.0	67.1	-16.9	17.0	-3.6	32.1
MSCI EM Eastern Europe	-5.4	2.8	12.4	-11.8	23.1	-4.1	31.4

S&P 500: S&P 500 TR (US-Equity); Stoxx Europe 50: Stoxx Europe 50 TR; Euro Stoxx 50: Euro Stoxx 50 TR; Topix: Topix TR (Japanese Equity); Stoxx Europe Small 200: Stoxx Europe Small 200 TR; MSCI USA Small Caps: MSCI USA Small Caps TR; Stoxx Europe Cyclical: Stoxx Europe Cyclical TR; Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kingdom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR; MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- The S&P 500 has recently rallied strongly and is now ahead of UK and Eurozone equities in euro terms, also in part to the appreciation of the USD. US small caps, on the other hand, remained relatively weak, as did Eastern European equities, which suffered from the falling oil price.
- The cyclical DAX continues to show relative strength and is trading near its all-time high.

Total return of selected equity indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 08/04/2016 - 09/04/2021

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (12/03/21 - 09/04/21)	YTD (31/12/20 - 09/04/21)	09/04/20	09/04/19	09/04/18	09/04/17	08/04/16
USD High Yield	1.6	4.1	7.4	-0.9	17.1	-11.3	22.7
USD Corporates	-0.8	1.5	-2.2	11.3	14.7	-11.9	10.6
EUR Inflation Linkers	0.7	1.3	10.2	-0.5	-0.9	4.4	0.3
Treasuries	0.7	0.7	-11.8	17.3	13.5	-13.6	5.6
EUR High Yield	0.6	1.9	17.2	-8.2	2.3	3.1	7.4
EM Hard Currency Bonds	-4.3	0.5	10.9	-7.2	0.6	1.4	6.2
EM Local Currency Bonds	-0.2	0.4	0.3	2.7	6.1	-5.3	12.3
EUR Non-Financials	-0.7	0.2	8.2	-2.7	2.5	0.9	2.2
EUR Financials	-0.2	0.2	6.9	-1.8	2.1	1.7	3.1
Bunds	-2.4	0.0	-0.9	2.8	4.0	-1.3	-0.3
Gilts	-3.5	-0.3	-5.4	12.1	4.6	-2.5	0.9
BTPs	-1.4	-0.8	7.8	7.0	-1.9	4.8	-2.6

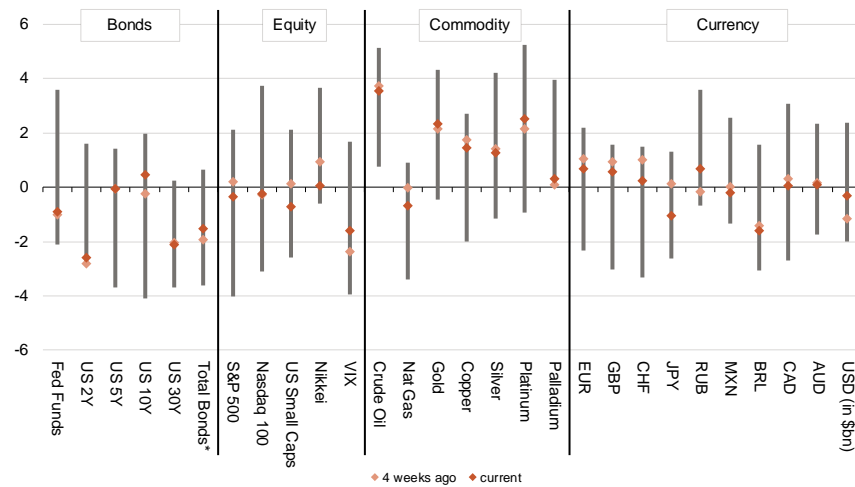
Bunds: Barclays Germany Govt All Bonds TR; BTPs: Barclays Italy Govt All Bonds TR; Treasuries: Barclays US Treasury TR; Gilts: Barcl. UK Govt All Bonds TR; EUR Inflation Linkers: Barcl. Euro Govt Inflation-Linked Bond All Maturities TR; EUR Financials: iBOXX Euro Fin. Overall TR; EUR Non-Financials: iBOXX Euro Non-Fin. Overall TR; EUR High Yield: Market iBoxx EUR Liquid HY TR; USD Corporates: iBoxx USD Corporates TR; USD High Yield: iBOXX USD Liquid HY TR; EM Hard Currency: Barcl. EM Hard Currency Agg Govt Related TR; EM Local Currency: Barcl. EM Local Currency Govt TR.

- The environment for bonds remains mixed. Although the rise in yields has paused, many bond segments have remained in negative territory since the beginning of the year.
- Emerging market hard currency bonds have been particularly hard hit by rising US government bond yields.

Total return of selected fixed income indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 08/04/2016 - 09/04/2021



Non-Commercial Positioning

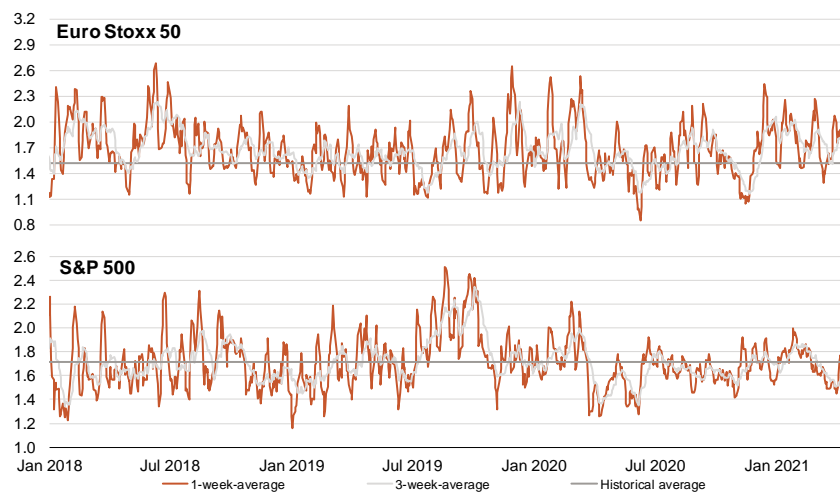


- Hedge funds remain only moderately positioned in equity futures. They have also reduced their positions in bonds and commodities in the aggregate. Only for oil do they still seem to have a strong conviction.
- Within currencies, they are increasingly betting on a falling JPY.

The Commodity Futures Trading Commission (CFTC) publishes the Commitments of Traders Reports every Friday. A distinction is made between "non-commercial" and "commercial traders" positions. Non-commercial traders enter into purely speculative positions. Commercial traders hedge underlying transactions with futures or options. The chart shows the historical, normalized distribution in standard deviations and focuses on the net future position (long positions minus short positions) of non-commercial traders, thus indicating how speculative investors have positioned themselves.

*Duration weighted average bond position.
Source: Bloomberg, CFTC, Time period: 06/04/2011 - 06/04/2021

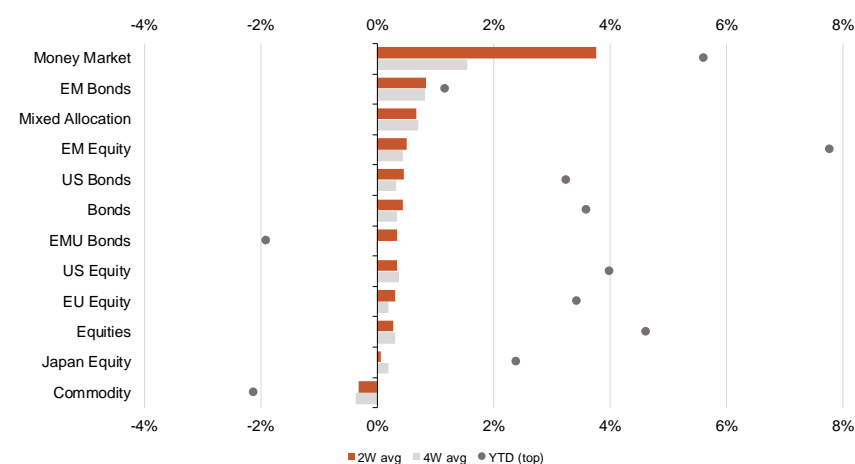
Put-Call Ratio



- At the moment we see a strong divergence between the put-call ratio for the Euro Stoxx 50 (rising, above average level) and the S&P 500 (falling, below average level). What could be the reason for this? The implied volatility for the Euro Stoxx 50 is currently trading well below that of the S&P 500, which makes hedging in Europe more favourable. In addition, vaccination progress in Europe, unlike in the US, is lagging.

The put-call ratio is the ratio of traded put options (speculation on falling prices) to call options (speculation on rising prices) across all maturities. The higher (lower) the ratio, the more cautious (optimistic) are the market participants. The data have been available for the S&P 500 since 20 December 1993 and for the Euro Stoxx 50 since 24 February 2006.
Source: Bloomberg, Time period: 20/12/1993 - 09/04/2021

ETF Flows

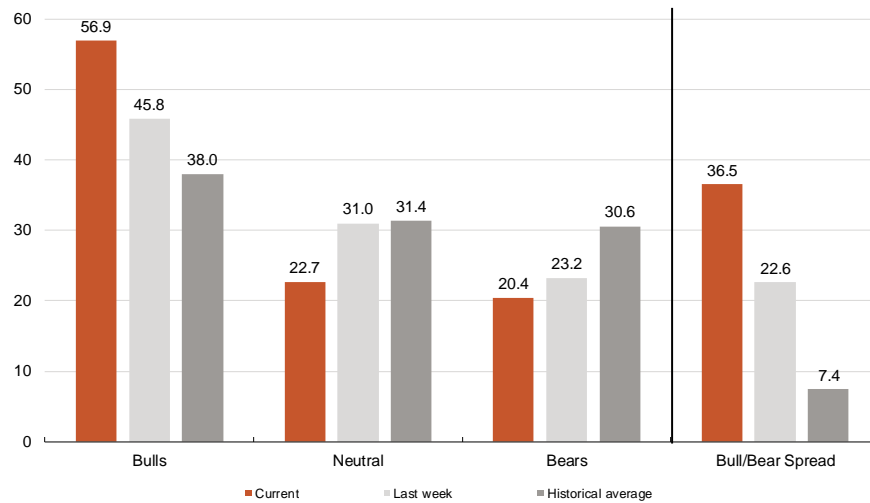


- The trend of the last few weeks continues. ETF investors are increasingly investing more conservatively in money market and multi-asset vehicles, while equity ETFs are seeing significantly fewer inflows.
- Commodity products, especially precious metals, continue to be sold.

Estimated ETF flows in percent of assets under management, sorted by 2-week average.
Source: Bloomberg, Time period: 31/12/2020 - 09/04/2021



AAIL Sentiment Survey (Bulls vs. Bears)

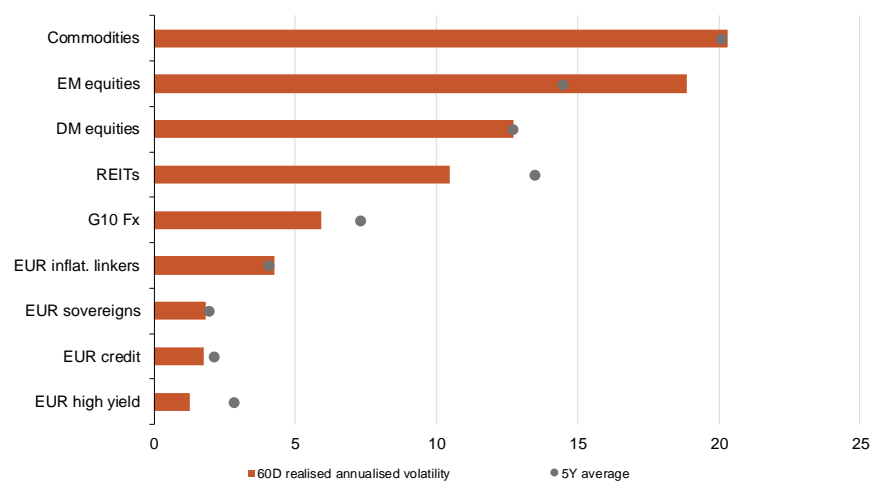


- The number of bulls among US private investors and also the bull/bear spread have reached a new high since the outbreak of the pandemic. Sentiment has not been this good since the beginning of 2018.

The sentiment survey conducted by the American Association of Individual Investors determines the percentage of private investors who are optimistic, pessimistic or neutral regarding the US equity market outlook for the upcoming six months. It has been carried out since 1987. The survey is conducted from Thursday to Wednesday and the results are published every Thursday. For the stock market, it tends to be supportive when there is a high proportion of bears and a low proportion of bulls. However, it is a negative indicator when there are significantly more optimists than pessimists.

Source: Bloomberg, AAIL, Time period: 23/07/87 - 08/04/21

Realised Volatilities

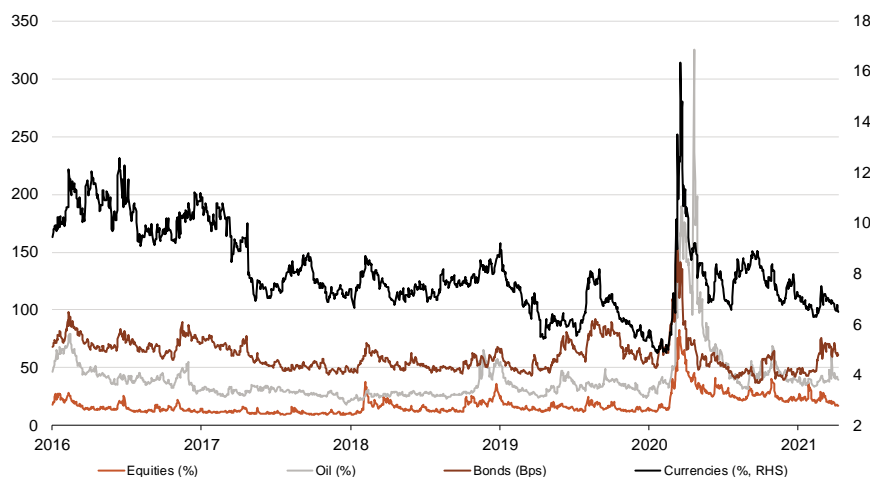


- Realised volatilities are almost unchanged compared to a fortnight ago.
- Developed market equities have seen a slight drop in volatility.
- For emerging market equities, the volatility of the last 60 days is clearly above its 5-year average.
- The volatility of REITs is below average at around 10%.

Realised volatility (in percent) measures the historical range of variation of a time series and is defined here as the standard deviation of the daily returns over the last 60 trading days. Volatility is often used as a measure of risk.

Source: Bloomberg, Time period: 09/04/2016 - 09/04/2021

Implied Volatilities



- The VIX now seems to have broken through the 20 mark on a sustained basis. Since the beginning of April, the fear barometer has been able to close below it every day.
- Implied volatility remains at elevated levels for government bonds, while it continued to decline for oil.

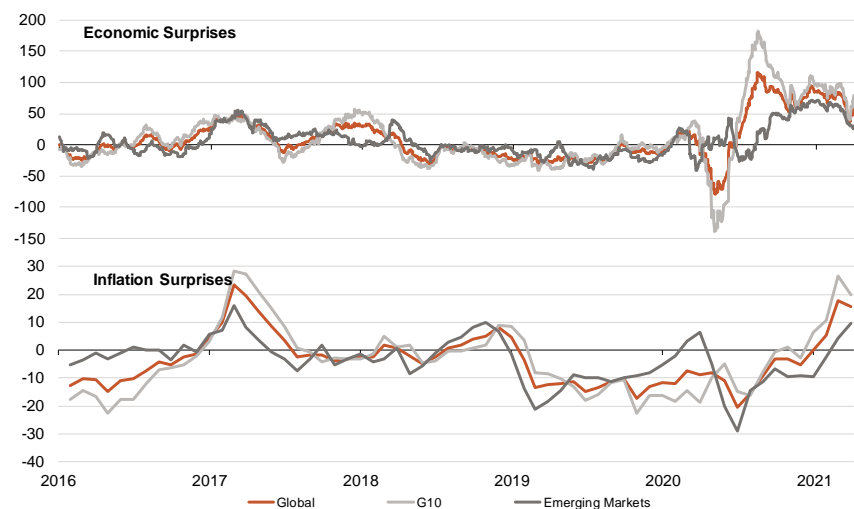
The price of options depends on the volatility of the underlying instrument. Implied volatility can therefore be interpreted as a measure of the currently expected fluctuation range of the underlying compared to the market over the remaining term of the option. It is a measure of prevailing uncertainty in the financial markets.

Stocks = VIX Index, Oil = OVX Index, Government Bonds = MOVE Index, Currencies = CVIX Index

Source: Bloomberg, Time period: 01/01/2016 - 09/04/2021



Global

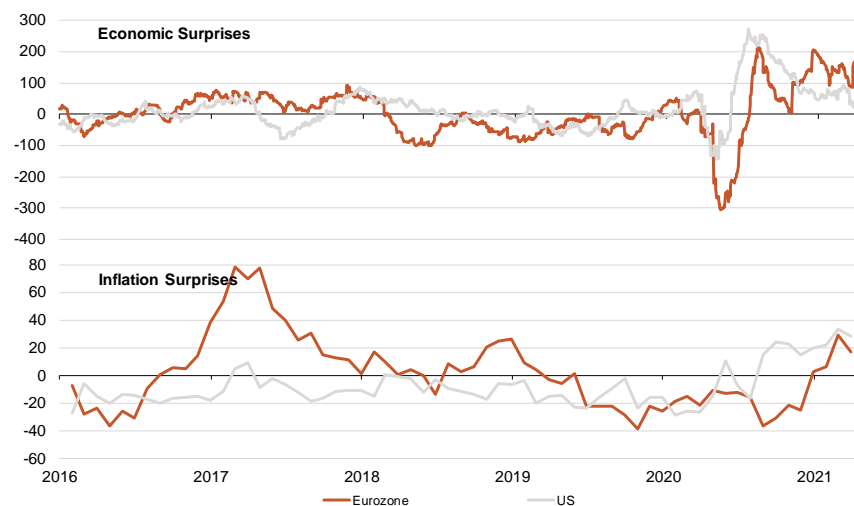


- Global economic data and especially data from industrialised countries have recently surprised to the upside again. Emerging markets, on the other hand, have recently suffered from very high manufacturing figures and the recent weakening of commodity prices. China, however, is the exception. There, the service purchasing managers' indices (PMIs) in particular surprised to the upside in March.
- Global inflation figures, on the other hand, did not surprise as much to the upside.

See explanations below.

Source: Bloomberg, Time period: 01/01/2016 - 04/01/2021

Eurozone and US

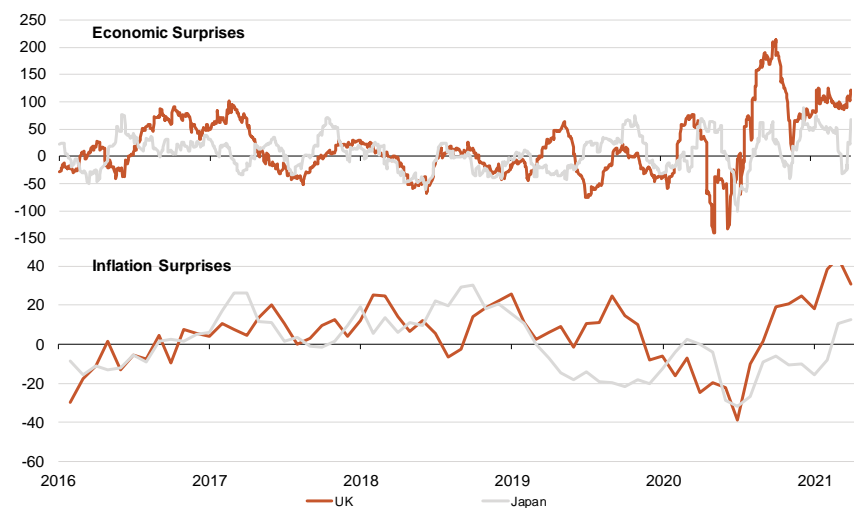


- Despite the sluggish economic recovery due to the existing lock-downs, the latest economic data from the Eurozone beat expectations. In Germany, for example, industrial orders, labour market data and PMIs surprised to the upside. In contrast, retail sales and industrial production (Feb.) disappointed.
- In the US, labour market data, the ISM index and consumer confidence, among others, surprised to the upside.

See explanations below.

Source: Bloomberg, Time period: 01/01/2016 - 09/04/2021

UK and Japan



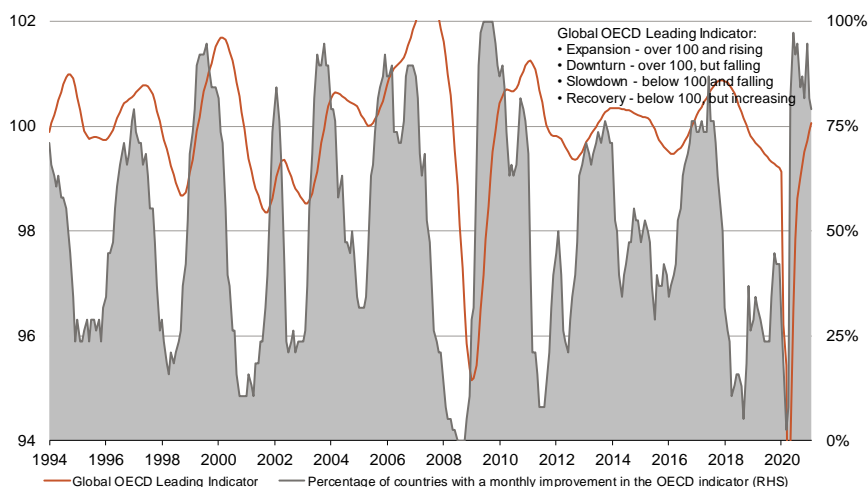
- The positive vaccination situation in the UK is supporting the economy. Recently, the PMIs in particular have surprised to the upside.
- In Japan, the Tankan economic index and retail sales surprised positively, while industrial production disappointed.

Citigroup Economic Surprise Indices are defined as weighted historical, normalized data surprises (actual releases vs. Bloomberg survey median) over the last three months. A positive value of the index indicates that the economic data have exceeded the consensus on balance. The indices are calculated daily based on a rolling three-month period. The indices use a time decay function to replicate the markets limited memory, i.e. the weight of a data surprise decreases over time.

Source: Bloomberg, Time period: 01/01/2016 - 09/04/2021



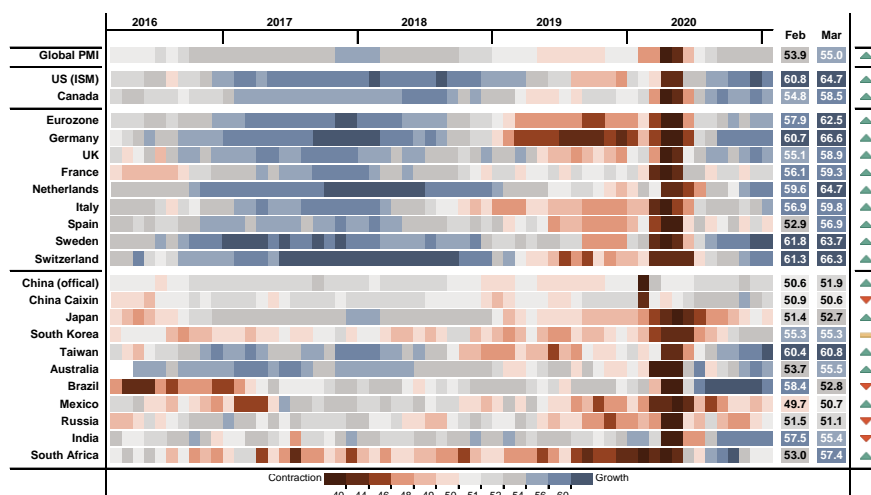
OECD Leading Indicator



- The OECD leading indicator passed the 100 mark in February. Thus, the indicator has turned from the economic recovery phase to the expansion phase.
- However, not all countries saw an improvement in the leading indicator. In addition, some countries from Europe continue to record a value below 100.

The OECD Leading Indicator is composed of a series of selected economic indicators whose composition provides a robust signal for future turning points. A turning point in the indicator usually signals a turning point in the economic cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly detected.
 Source: Bloomberg, Time period: 31/01/1994 - 28/02/2021

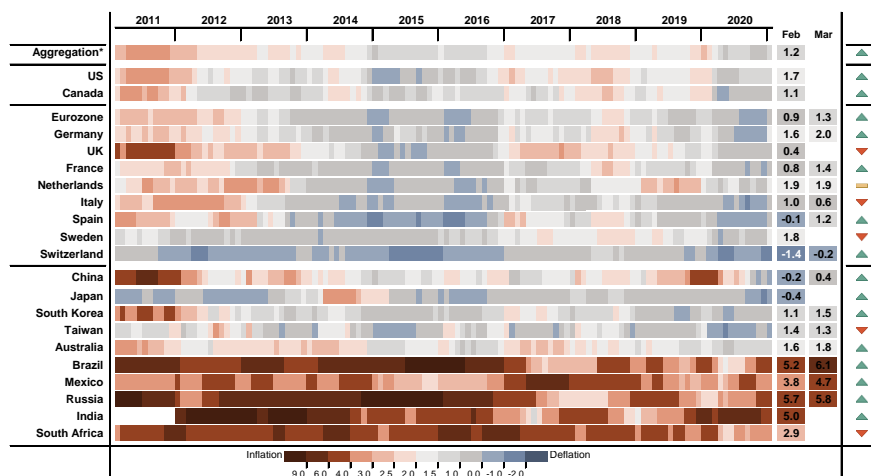
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The global PMI rose to 55 in March, the highest reading since 2018. Even more impressive was the US ISM index (64.7), which was the highest ever recorded. But PMIs in Europe also improved across the board.

The PMI is an overall index that provides a general overview of the economic situation in industry. The PMI is derived from a total of eleven sub-indices, which reflect the change from the previous month. A value of 50 is regarded as neutral, a value of over 50 points as an indicator of rising activity in industry and a value of less than 50 points for falling activity in industry compared with the previous month. The index has an average lead time before actual industrial production of three to six months. The PMI is based on a survey of a relevant selection of purchasing managers regarding the development of parameters such as incoming orders.
 Source: Bloomberg, Time period: 31/03/2016 - 31/03/2021

Headline Inflation

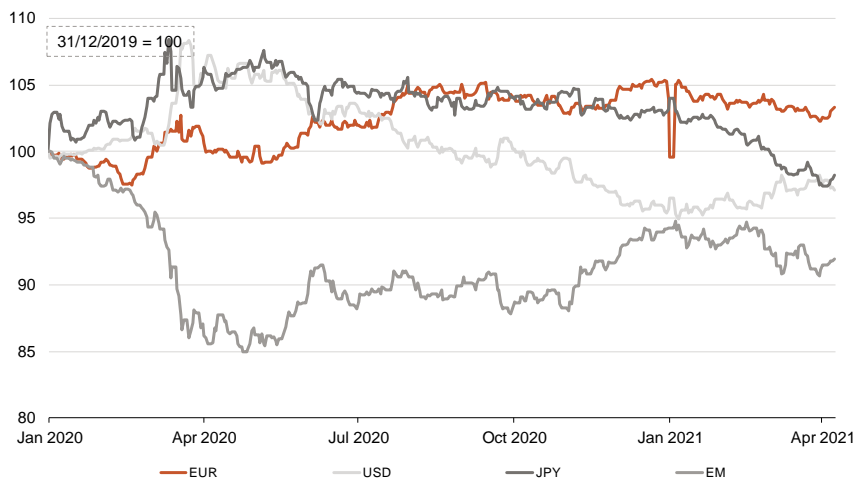


- In March, inflation in the euro area rose to 1.3%. This is 0.4 pp above the February value. The upward trend in prices is thus continuing. In Germany, inflation has even risen to the important 2% mark.
- Besides Europe and the US, inflation in Asia now also seems to be picking up. China recorded positive inflation in March, while deflation was still observed in February.

Inflation is measured (in percent, year-on-year comparison) using a consumer price index, also known as a shopping basket of goods. This shopping basket contains all goods and services that a household purchases on average per year. * = weighting by gross domestic product.
 Source: Bloomberg, Time period: 31/03/2011 - 31/03/2021



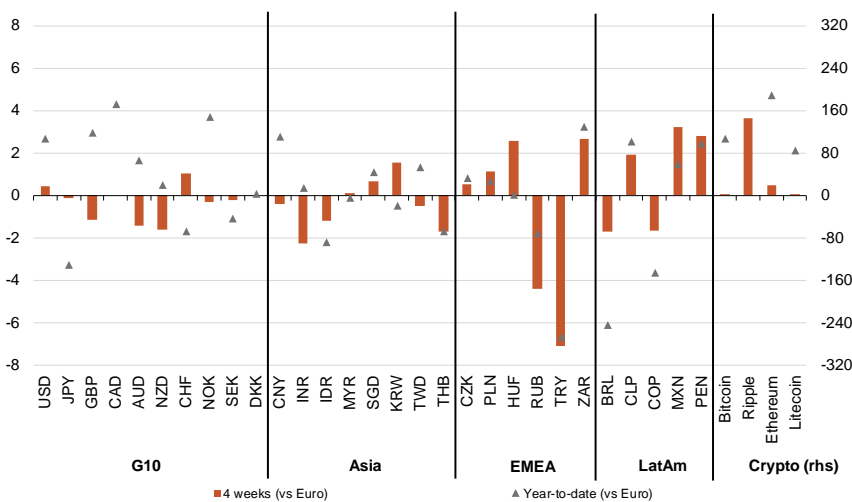
Trade-Weighted Currency Development



- The Japanese yen depreciated noticeably in the past two weeks. The sell-off was driven not least by reductions by speculative investors.
- Emerging market currencies were able to gain ground again, thanks to continued high commodity prices.

A trade-weighted index is used to measure the effective value of an exchange rate against a basket of currencies. The importance of other currencies depends on the share of trade with the country or currency zone.
Source: Bloomberg, Time period: 01/01/2020 - 09/04/2021

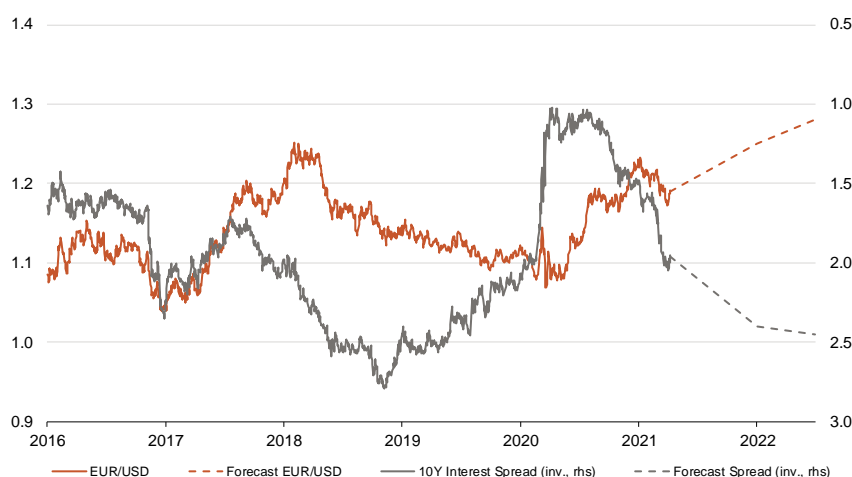
Currency Moves vs. Euro



- The euro's performance against other currencies shown here has been mixed over the last four weeks.
- The Norwegian krone performed among the best since the start of the year thanks to risen commodity prices and because the Norges Bank is already signalling the first interest rate hike for the end of the year.
- The South African rand benefited from rising platinum and palladium prices. The Russian rouble suffered in recent weeks from the geopolitical escalation in Ukraine.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2020 - 09/04/2021

EUR/USD Exchange Rate and Interest Rate Differential



- The EUR/USD exchange rate has moved in favour of the euro in the last two weeks and is currently trading close to the 1.19 mark again. Faster progress in vaccination distribution and a huge fiscal package speak in favour of the dollar, but the Fed keeps emphasising that no interest rate hikes are in sight soon. This has weighed on the dollar recently.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US Treasuries and 10-year Bunds.
Source: Bloomberg, Time period: 01/01/2016 - 09/04/2021



European Sector & Style Performance

	4-week & YTD		12-month periods over that last 5 years				
	4W (12/03/21 - 09/04/21)	YTD (31/12/20 - 09/04/21)	09/04/20	09/04/19	09/04/18	09/04/17	08/04/16
			09/04/21	09/04/20	09/04/19	09/04/18	09/04/17
Information Technology	9.8	15.1	48.8	2.8	11.6	6.6	24.8
Consumer Staples	6.1	4.7	12.1	-3.5	12.3	-4.9	10.0
Utilities	5.4	2.2	28.7	3.2	15.2	1.0	7.6
Growth	5.2	8.3	32.3	-1.4	8.9	0.8	13.9
Health Care	4.8	3.5	7.3	10.1	17.4	-7.7	6.8
Industrials	4.5	13.3	57.0	-13.7	5.3	1.5	24.5
Consumer Discretionary	3.4	13.7	60.8	-14.0	-0.3	4.7	15.9
Materials	2.2	13.4	55.3	-16.4	9.5	4.7	42.2
Telecommunications	2.1	10.2	21.7	-20.7	-1.2	-5.4	-2.7
Value	2.0	12.2	33.2	-22.6	2.9	1.0	24.0
Finance	1.3	15.5	42.7	-26.3	-5.7	3.9	29.0
Energy	-9.9	11.8	8.4	-35.6	13.7	8.2	30.0

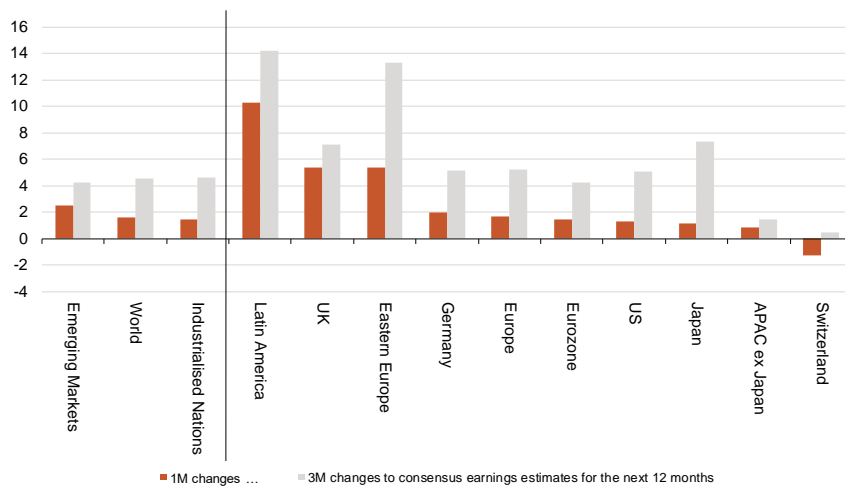
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Staples: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. NR; Materials: MSCI Europe Materials NR; Telecommunications: MSCI Europe Telecommunication Services NR; Utilities: MSCI Europe Utilities NR; Value: MSCI Europe Value NR; Growth: MSCI Europe Growth NR.

- Recently, there has been a counter-movement in the style rotation and growth and defensive sectors have outperformed value sectors, also supported by a pause in the rise in bond yields.
- Accordingly, IT companies and consumer staples were among the biggest winners in the last four weeks.
- The energy sector, on the other hand, heavily lagged.

Total return of European equity sectors and European style indices, in euros and in percent, sorted by 4-week performance. The difference between Value and Growth lies in the valuation. A growth stock is highly valued because the company is expected to grow strongly. Value stocks generally have less growth potential and are valued lower.

Source: Factset, Time period: 08/04/2016 - 09/04/2021

Changes in Consensus Earnings Estimates



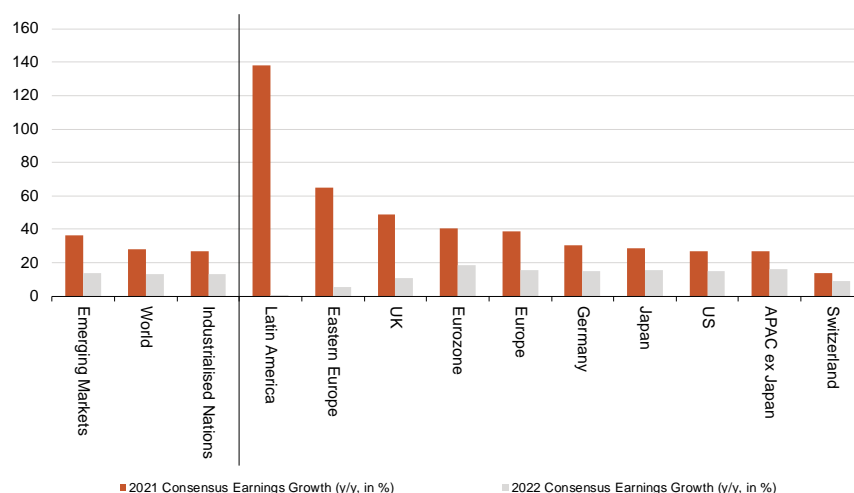
- The positive earnings momentum for Latin America continues. Analysts have raised earnings estimates for the next 12 months by more than 8% over the last month alone. Eastern Europe and the UK also say strong positive earnings revisions.
- Switzerland and Asia Pacific ex Japan, on the other hand, have the least support from positive earnings revisions.

1-month and 3-month changes in consensus earnings estimates for the next 12 months, in percent.

APAC ex Japan = Asia Pacific ex Japan

Source: FactSet, as of 09/04/2021

Earnings Growth



- Latin America has massively underperformed this year. Brazil, for example, is almost unchanged from the start of the year. This is despite the fact that corporate profits are expected to rise by almost 140 percent this year, according to consensus figures. If profits rise by that much and the stock market continues to tread water, the P/E level would more than halve.

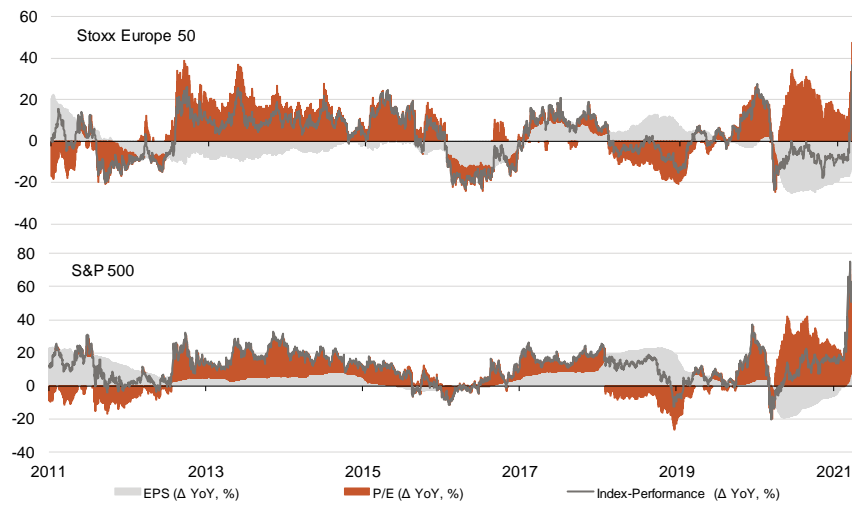
Calendar year earnings growth consensus expectations for selected equity regions, compared to the previous year and in percent. The earnings estimates of the individual companies are aggregated using the index weights (bottom-up).

APAC ex Japan = Asia Pacific ex Japan

Source: FactSet, as of 09/04/2021



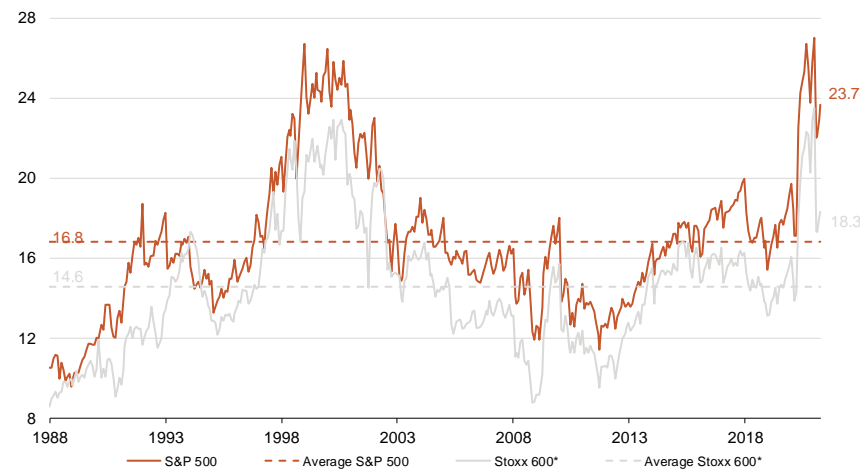
Contribution Analysis



- Thanks to the base effect, corporate profits in the US are now up against the previous year. Even in Europe, profits have stopped falling.
- However, since share prices have risen much faster than profits, valuation levels have become more expensive.

Analysis of the stock market drivers over the last 12 months. This takes into account the change in earnings estimates and the change in valuation (price/earnings ratio). EPS = earnings per share
Source: Bloomberg, Time period: 01/01/2011 - 09/04/2021

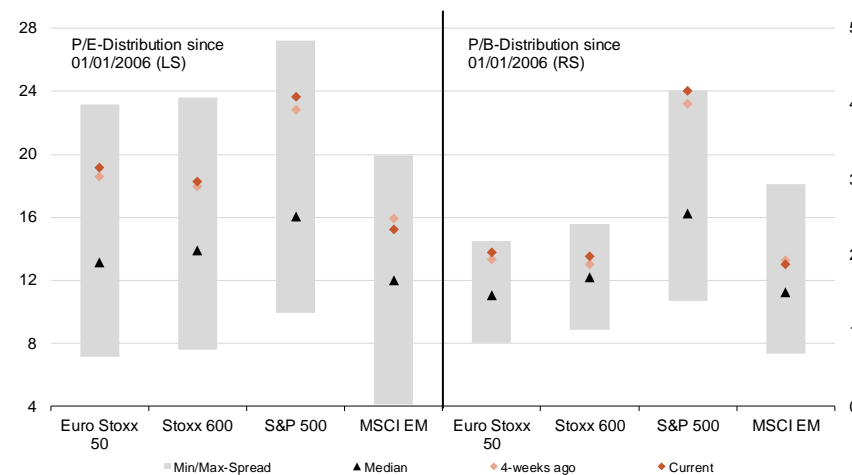
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- P/E valuations are still at historically high levels, especially in the US. The market is already pricing in a fundamental recovery and companies have little room for disappointment in the reporting season.

P/E valuation based on earnings estimates for the next twelve months for European and US equities and the respective P/E average since 1988 * For the Stoxx 600, the history prior to 2000 is of MSCI Europe.
Source: Bloomberg, IBES Time period: 31/12/1987 - 09/04/2021

Historical Distribution: Price/Earnings and Price/Book Ratio

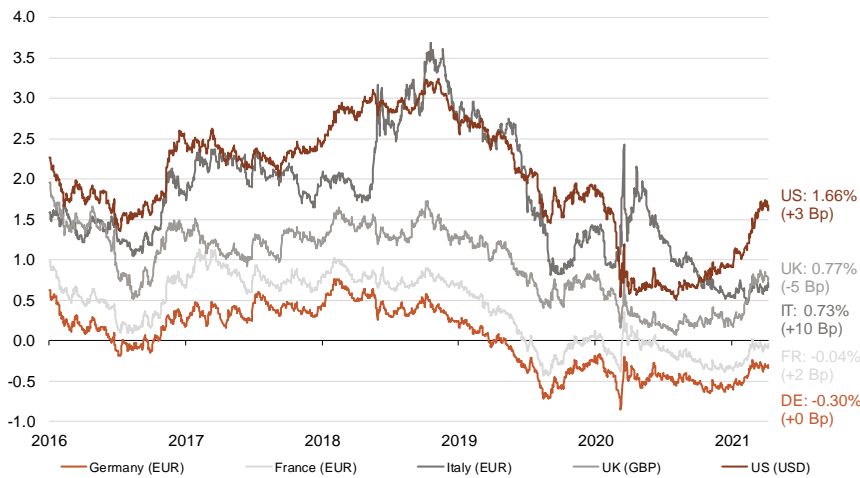


- Recently, equity valuations have risen again globally, despite positive earnings revisions. The upside potential for equities should therefore be limited over the summer in our opinion. We expect more volatility over the next few months.

Historical distribution of valuation indicators for selected stock regions since 2006, showing the current value, the observation four weeks ago and the historical median, the maximum (upper limit of the grey bar) and the minimum (lower limit of the grey bar).
Source: Bloomberg, Time period: 01/01/2006 - 09/04/2021



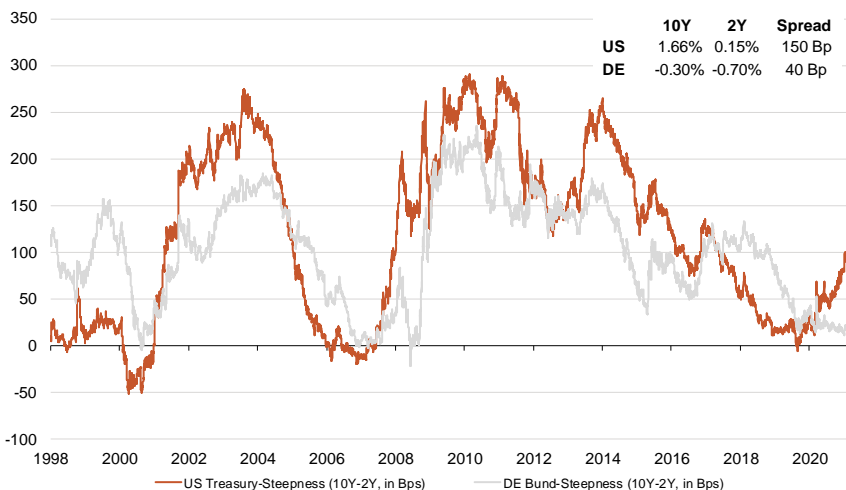
10-Year Government Bond Yields



- The rise in interest rates on safe government bonds has taken a breather in Europe in the last four weeks. The reasons for this, apart from the reconfirmed loose central bank policy, was the sluggish economic recovery due to high infection figures.
- The only significant rise in interest rates on European government bonds in the last four weeks was in Italy, while a sideways movement was observed in most other countries.

Effective yield of 10-year government bonds and change in the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2016 - 09/04/2021

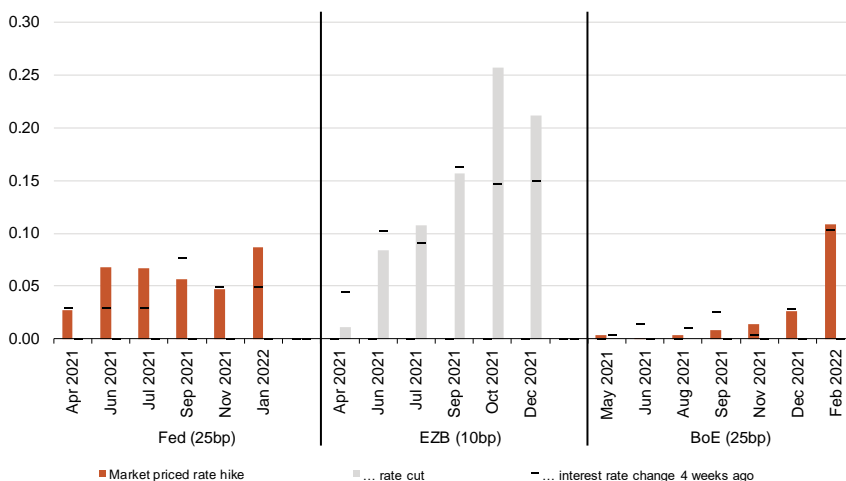
Yield Curve Steepness (10Y - 2Y)



- The yield on 10-year US government bonds, on the other hand, has risen further in the last four weeks and so has the steepness of the US yield curve. This has risen above the 150 bps mark.
- The steepness of the German yield curve, on the other hand, has recently declined somewhat.

The yield curve distinguishes between the so-called short and the long end. The reason for this lies in the way in which factors influence returns. Central banks control the short end of the curve through their monetary policy and key rates. By contrast, the long end is influenced less by central banks than by inflation expectations, supply, demand and risk premia.
Source: Bloomberg, Time period: 01/01/1998 - 09/04/2021

Implicit Changes in Key Interest Rates

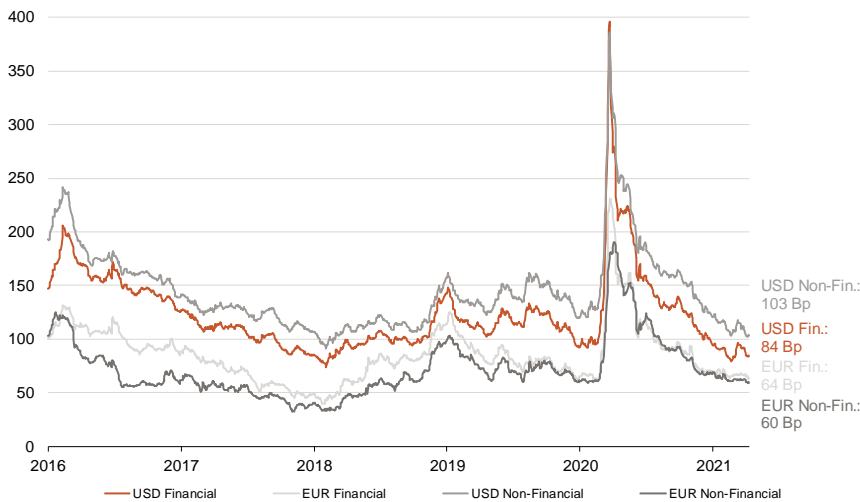


- The still expansive central banks, which recently reaffirmed their dovish course, are pushing down the probabilities of interest rate increases priced by the market. The market expects the Fed to raise interest rates by the end of the year with a probability of only 5%.
- In the eurozone, the market even sees a rate cut as more likely than a rate hike in 2021.

Derivatives on money market rates - such as the Fed funds futures - can be used to determine changes (number of steps) in the key interest rate priced by the market
Source: Bloomberg, Time period: 12/03/2021 - 09/04/2021



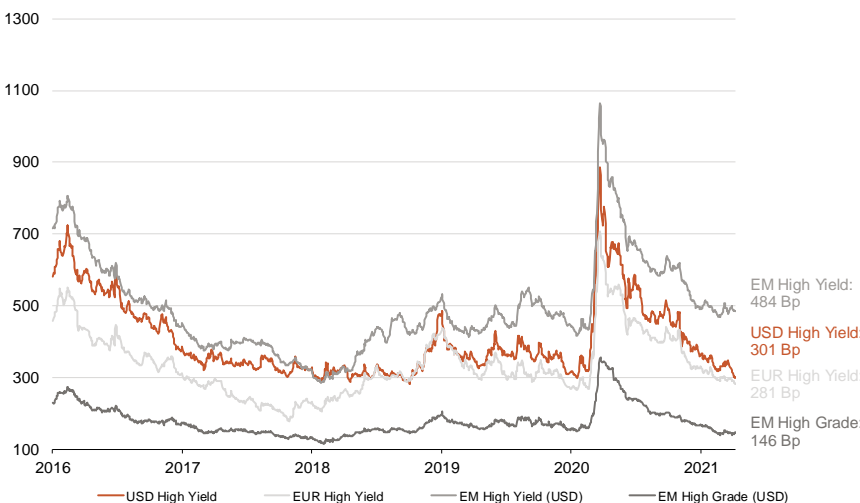
Credit Spreads Financial and Non-Financial Bonds



- On the bond market, there is currently no way around corporate bonds. In an environment of rising yields, spreads help to somewhat offset the rise in interest rates in a positive economic environment. Investors have also been able to profit from this recently. In the case of USD IG corporate bonds, spreads have fallen by 10 basis points in the last two weeks. For EUR corporate bonds, there was a somewhat smaller narrowing of spreads.

Explanations see middle and bottom illustration.
Source: FactSet, Time period: 01/01/2016 - 09/04/2021

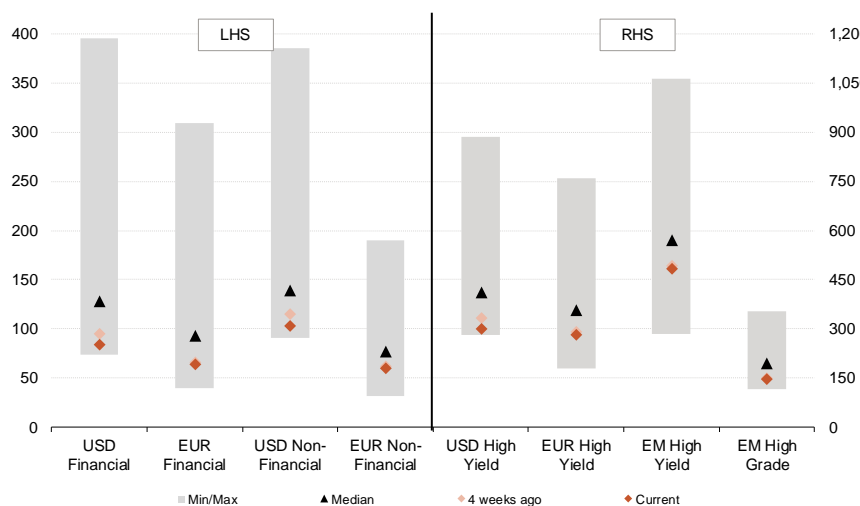
Credit Spreads High Yield and Emerging Markets Bonds



- In high-yield bonds, the USD market, in particular, saw significant spread tightening. The economic recovery there, is making investors increasingly optimistic, while the eurozone is still struggling with rising infection figures. USD high-yield bonds then saw spreads narrow by more than 25 bps, while EUR high-yield bonds narrowed by only 10 bps.

The extent of the risk associated with a corporate bond is shown by its asset swap spread (in basis points). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term to offset its credit risk. See further explanations below.
Source: FactSet, Time period: 01/01/2016 - 09/04/2021

Historical Distribution of Credit Spreads (in bp)

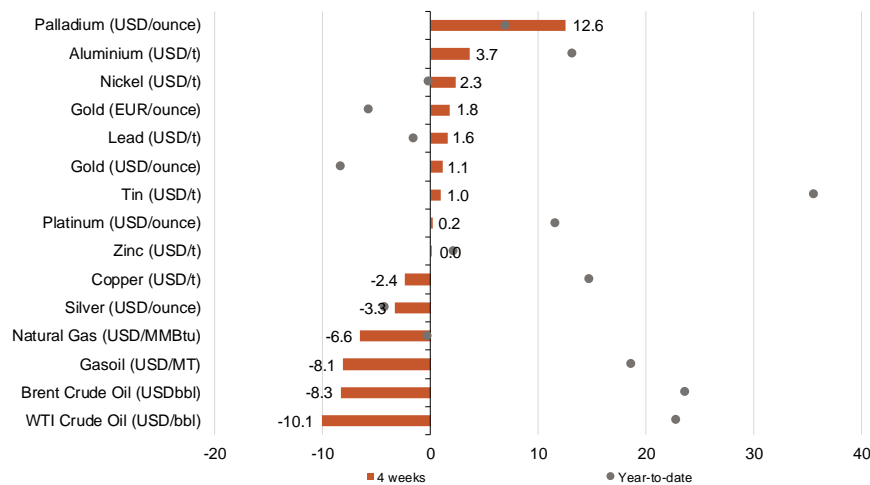


- In the last four weeks, spreads have fallen further, after previously moving sideways. The success of the US stimulus has given investors hope. USD high-yield bonds now have a risk premium close to the 10-year low. USD high-yield bonds are therefore no longer favourable.

USD Financial = ICE BofAML US Financial; EUR Financial = ICE BofAML Euro Financial; USD Non-Financial = ICE BofAML US Non-Financial; EUR Non-Financial = ICE BofAML Euro Non-Financial; USD High Yield = ICE BofAML US High Yield; EM High Yield = ICE BofAML High Yield Emerging Markets Corporate Plus; EM High Grade = ICE BofAML High Grade Emerging Markets Corporate Plus. The EM indices shown here are hard currency bonds.
Source: FactSet, Time period: 09/04/2011 - 09/04/2021



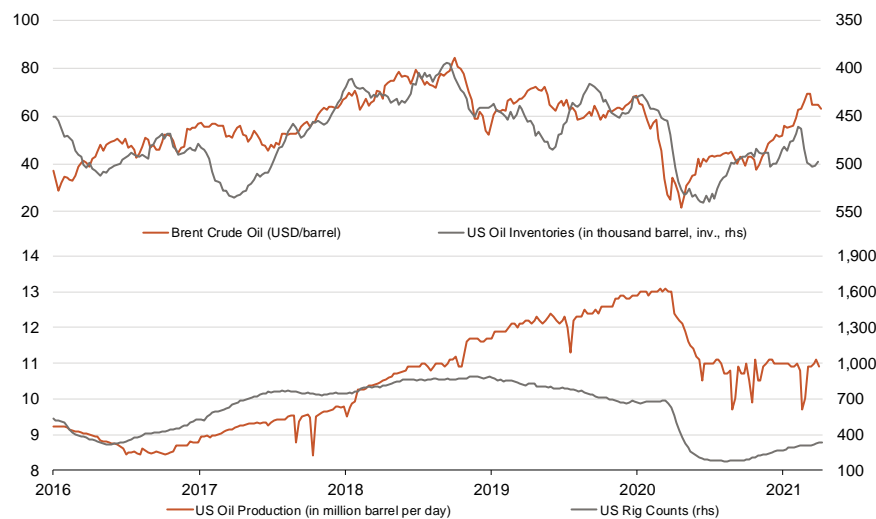
Commodities Performance



- The biggest winner in commodity markets over the last four weeks was palladium. The precious metal benefited from production shortfalls in Russia, but according to the responsible mine operator this should be completely resolved by the beginning of May, so much so that palladium consolidated recently.
- Apart from copper, industrial metals were able to record slight gains across the board.
- Energy commodities, on the other hand, are at the bottom of the table.

Total return of selected commodity prices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/01/2021 - 09/04/2021

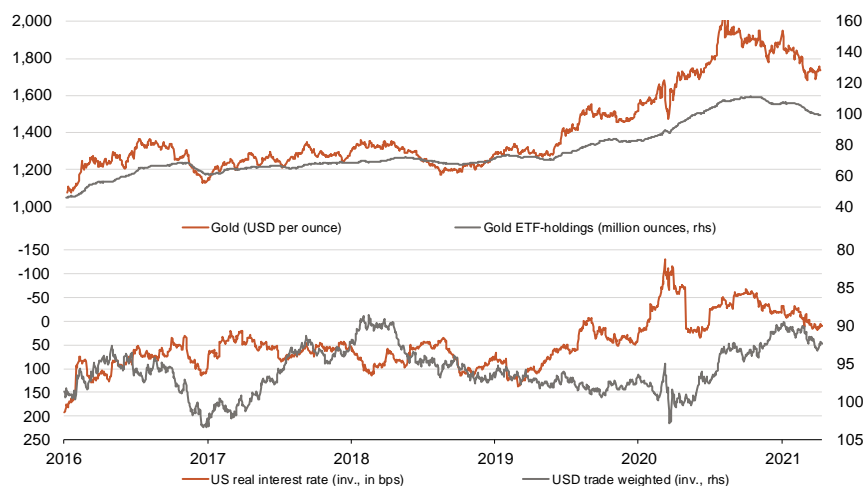
Crude Oil



- The OPEC+ meeting on 1 April was unable to give the oil price any new impetus. The cartel agreed to gradually increase production again starting in May. However, since the market is still under-supplied, this news was not received negatively.
- While in Europe the increase in demand has been postponed once again with new lockdowns, it is already beginning in the US with rising travel activity.

Higher oil production and higher inventories tend to depress oil prices and vice versa. An increase in active oil rigs indicates a future increase in oil production.
Source: Bloomberg, Time period: 01/01/2016 - 09/04/2021

Gold



- After months of a downward trend, gold now seems to have found its bottom. Investors continued to reduce their ETF holdings, but at a slower pace. Meanwhile, jewellery demand is rising strongly, compensating for the decline investment demand. Stabilising real interest rates are taking additional pressure off the precious metal.

The US dollar and the real interest rate, i.e. adjusted for inflation, are among the fundamental price factors of the gold price. Rising real interest rates tend to depress the price of gold, while falling real interest rates have a supportive effect. The same applies to the US dollar. The development of gold ETF holdings reflects the demand for gold from financial investors.
Source: Bloomberg, Time period: 01/01/2016 - 09/04/2021

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