BERENBERG
Markets

MONITOR

26 April 2021

Current market commentary

In line with typical April seasonality, risk assets gained over the last few weeks while the US dollar depreciated. Continued encouraging economic data and a positive start to the Q1 reporting season helped. However, there are now increasing warning signs that suggest limited upside potential for equities in the coming weeks: tax debates, optimistic investor sentiment, insider selling, ambitious valuations, deteriorating seasonality and a muted equity reaction to positive surprises. We expect more volatile markets into the summer and are reducing our equity exposure accordingly from a moderate to a slight equity overweight. The low equity exposure of systematic strategies, higher cash holdings of fund managers and private investors as well as the (still) ongoing central bank support should limit the downside potential. Corrections are likely to be seen as buying opportunities by many investors.

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

Short-term outlook

The Canadian central bank has already adopted a somewhat more restrictive tone at its last meeting. The market is now eagerly awaiting the outcome of the Fed meeting on 28 April. On the same day, US President Biden will address the US Congress for the first time. Among other things, the market-relevant tax plans are likely to be discussed here. On 6 May, the Bank of England will hold its monthly meeting.

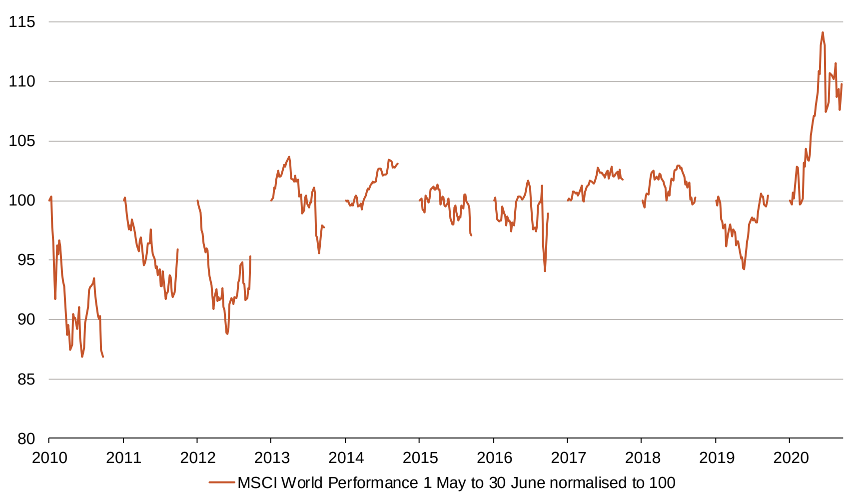
Central banks are already adopting a more restrictive tone. Fed meeting eagerly awaited.

US tax plans very relevant for the market.

This Tuesday, US consumer confidence (Apr.) and on Thursday unemployment (Apr.) and preliminary inflation data (Apr.) from Germany, Eurozone economic confidence (Apr.) and US Q1 GDP will be released. This will be followed on Friday by Japanese industrial production data (Mar.), Chinese purchasing managers' indices (Apr.), German retail sales (Mar.), preliminary inflation figures for the Eurozone (Apr.) and Q1 GDP figures for several European countries. The following week, the US ISM index (Apr.) and US labour market data (Apr.) will be published, among others.

A large number of economic data are due.

Stock market does not usually run away in May and June



- May and June are not usually calendar months in which stock markets trend strongly. An exception was last year, when after the Covid-related slump in March, markets recovered strongly in the following months.
- Especially after a strong start to the year like this year, investors have a strong incentive to reduce some risk over the summer, especially since the strong sell-off last year is still fresh in their memory ("recency bias").

Source: Bloomberg, Time period 01/05/2010-30/06/2020

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (26/03/21 - 23/04/21)	YTD (31/12/20 - 23/04/21)	23/04/20 23/04/21	23/04/19 23/04/20	23/04/18 23/04/19	23/04/17 23/04/18	22/04/16 23/04/17
MSCI Frontier Markets	4.5	8.8	29.8	-15.3	-3.6	8.1	16.9
REITs	2.9	13.7	16.6	-10.3	23.3	-17.0	6.0
MSCI World	2.3	11.4	35.6	-4.1	15.2	1.5	17.0
Global Convertibles	2.0	6.5	41.3	1.8	12.6	-0.8	17.1
MSCI Emerging Markets	1.2	6.5	38.6	-12.9	5.0	7.8	22.2
Industrial Metals	0.8	14.8	42.9	-16.2	-3.4	9.4	19.9
Gold	0.0	-5.5	-8.5	41.7	4.4	-9.4	9.0
Eonia	0.0	-0.2	-0.5	-0.4	-0.4	-0.4	-0.3
Brent	-0.1	31.0	117.0	-62.7	12.7	26.0	7.5
Global Coporates	-0.7	-1.1	-2.0	8.5	11.3	-8.6	6.7
Global Treasuries	-1.0	-2.3	-6.7	10.4	7.8	-8.2	3.4
USDEUR	-2.5	1.0	-10.9	4.2	8.7	-12.2	4.7

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 Capitalizaiton Index; USDEUR: Price of 1 USD in EUR.

- April lived up to its usually positive seasonality. Risk asset classes in particular posted strong gains. Relative winners were REITs and FM shares.
- The USD, on the other hand, weakened, also not entirely untypical for its seasonality in April. This also had a positive effect on gold, which was able to recover in USD terms at least partially.

Total return of selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 23/04/2016 – 23/04/2021

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (26/03/21 - 23/04/21)	YTD (31/12/20 - 23/04/21)	23/04/20 23/04/21	23/04/19 23/04/20	23/04/18 23/04/19	23/04/17 23/04/18	22/04/16 23/04/17
Stoxx Europe Small 200	4.1	11.5	46.7	-13.1	2.1	8.5	15.5
Euro Stoxx 50	4.0	13.5	43.7	-16.5	2.5	4.7	12.8
DAX	3.6	11.4	45.3	-14.1	-2.7	4.3	16.1
Stoxx Europe 50	3.3	10.5	23.5	-8.6	7.8	1.2	10.0
Stoxx Europe Cyclicals	3.1	13.5	54.1	-22.4	0.1	7.9	17.8
S&P 500	2.8	13.2	36.0	0.9	22.1	1.5	20.4
Stoxx Europe Defensives	1.4	5.8	11.3	-1.2	8.6	2.7	3.2
MSCI EM Eastern Europe	1.3	6.3	21.1	-16.9	20.6	3.2	20.7
MSCI UK	1.3	11.9	22.1	-21.0	7.2	2.8	9.3
MSCI USA Small Caps	1.1	18.5	70.3	-19.8	15.3	-0.1	25.0
MSCI EM Asia	0.6	6.2	39.6	-6.4	5.3	9.9	23.6
Topix	-3.5	4.2	22.2	-2.7	0.5	5.4	16.2

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 Cyclicals: Stoxx Europe Cyclicals TR;
Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kindom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR;
MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- All equity regions except Japan gained over the last four weeks. European equities in particular rose, spurred by positive corporate news and improving vaccination progress.
- Since the beginning of the year, European and US equities are now on a par, while Asian equities are lagging.

Total return of selected equity indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 23/04/2016 – 23/04/2021

Fixed Income

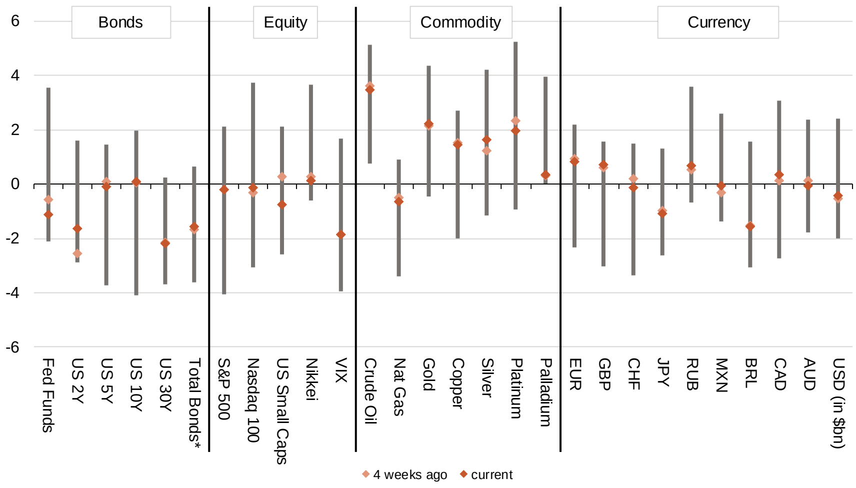
	4-week & YTD		12-month periods over that last 5 years				
	4W (26/03/21 - 23/04/21)	YTD (31/12/20 - 23/04/21)	23/04/20 23/04/21	23/04/19 23/04/20	23/04/18 23/04/19	23/04/17 23/04/18	22/04/16 23/04/17
EM Hard Currency Bonds	1.6	-3.3	12.9	-7.5	1.4	-0.4	5.6
EUR High Yield	0.5	1.8	15.4	-7.5	2.6	3.3	6.0
EUR Non-Financials	0.1	-0.8	6.3	-1.3	3.1	0.8	2.1
EUR Financials	0.0	-0.3	6.4	-1.7	2.7	1.6	2.7
EM Local Currency Bonds	-0.3	-0.3	-0.6	3.6	6.5	-5.6	9.3
Bunds	-0.7	-2.7	-1.8	3.8	4.4	-2.1	0.8
EUR Inflation Linkers	-0.7	0.8	10.7	-1.4	-0.9	4.7	0.6
USD Corporates	-1.1	-1.7	-5.6	13.6	15.6	-12.1	8.4
USD High Yield	-1.3	2.8	4.8	-0.7	16.8	-9.4	17.1
BTPs	-1.3	-1.8	10.1	5.0	-2.5	5.3	-2.1
Treasuries	-1.4	-1.8	-14.0	19.0	14.1	-13.9	5.2
Gilts	-1.8	-3.6	-6.7	15.1	5.2	-7.1	2.0

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: Markit 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.

- After being among the biggest losers in Q1, EM bonds in hard currency partially recovered in April after Treasury bonds were able to stabilise.
- Most other bond segments were flat, excluding currency effects.

Total return of selected fixed income indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 23/04/2016 – 23/04/2021

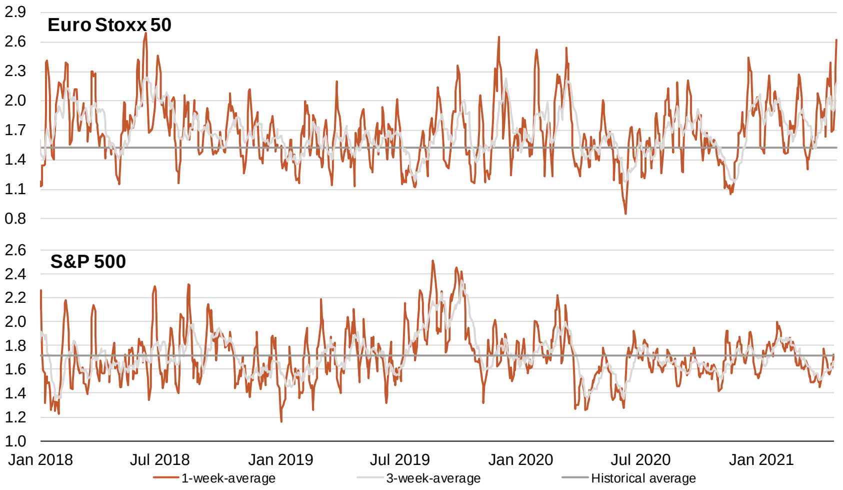
Non-Commercial Positioning



- Speculative investors remain cautiously positioned. Relative to four weeks ago, equity positions have even been further reduced.
- There are no significant long or short positions in currencies either.

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: 20/04/2011 - 20/04/2021

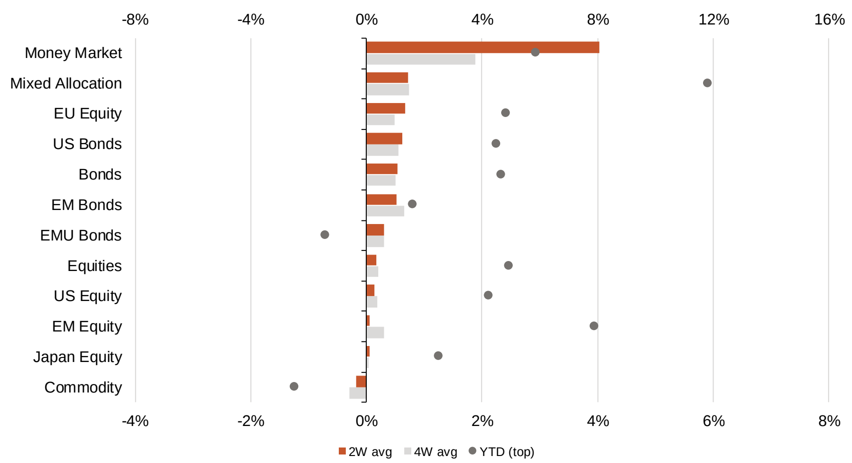
Put-Call Ratio



- The put-call ratios for Eurozone and US equities are currently close to their historical averages. Investors in the options market therefore seem to be neither particularly optimistic nor pessimistic at present.

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 - 23/04/2021

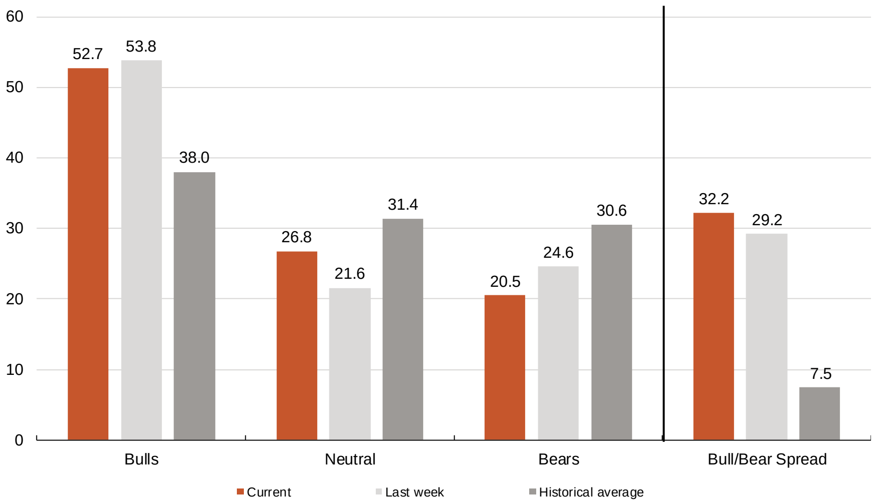
ETF Flows



- The trend of the last few weeks has continued in ETF flows. Currently, money market and multi-asset vehicles are in particular demand.
- Commodity ETFs (especially gold) continue to have the worst flow momentum.

Estimated ETF flows in percent of assets under management, sorted by 2-week average.
Source: Bloomberg, Time period: 31/12/2020 - 23/04/2021

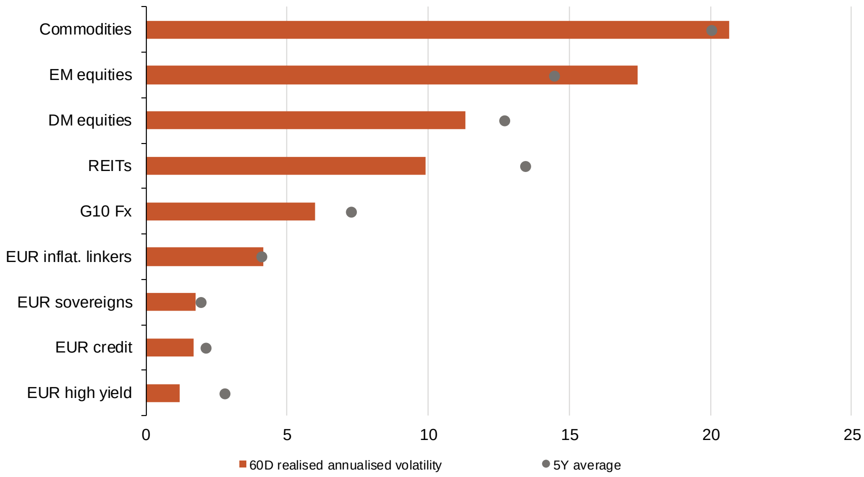
AAII Sentiment Survey (Bulls vs. Bears)



- US private investors continue to be extremely optimistic. At just under 53%, the bulls are in the absolute majority. The bull/bear spread has been above the 30pp mark three times in the last five weeks. Even if the good sentiment limits the upside potential, bull markets typically do not die in euphoria.

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, AAII, Time period: 23/07/87 – 22/04/21

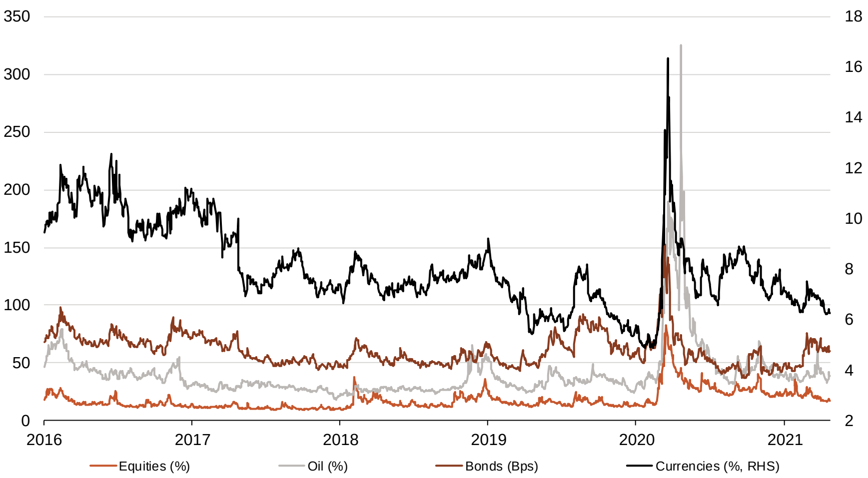
Realised Volatilities



- In the last two weeks, the realised volatility of stock markets has come down. In emerging markets it is still well above the 5-year average, while in industrialised countries it is now slightly below.
- The realised volatility of high-yield bonds remains unusually low - especially compared to government and corporate bonds with better credit ratings.

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: 29/07/2016 – 23/04/2021

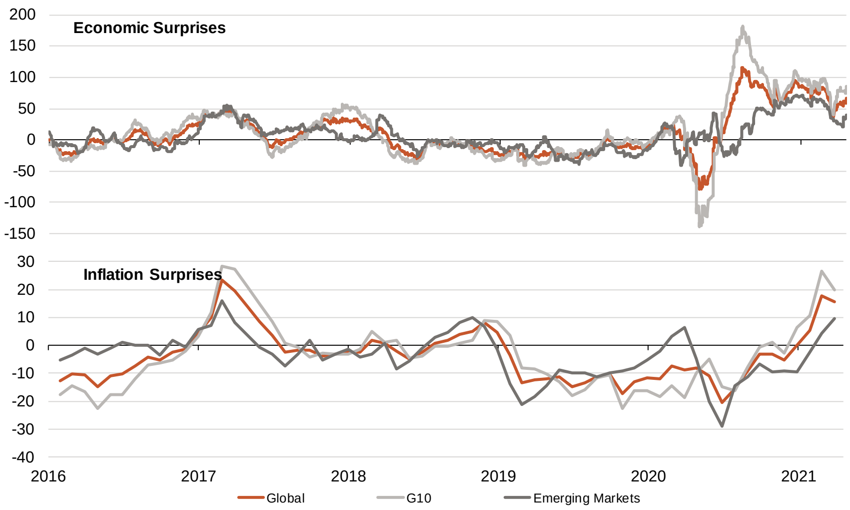
Implied Volatilities



- The implied volatilities in currency markets and in oil have risen slightly in the last two weeks.
- The VIX briefly jumped almost above the 20 mark, but was able to calm down again and is currently at 17 points.

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 – 23/04/2021

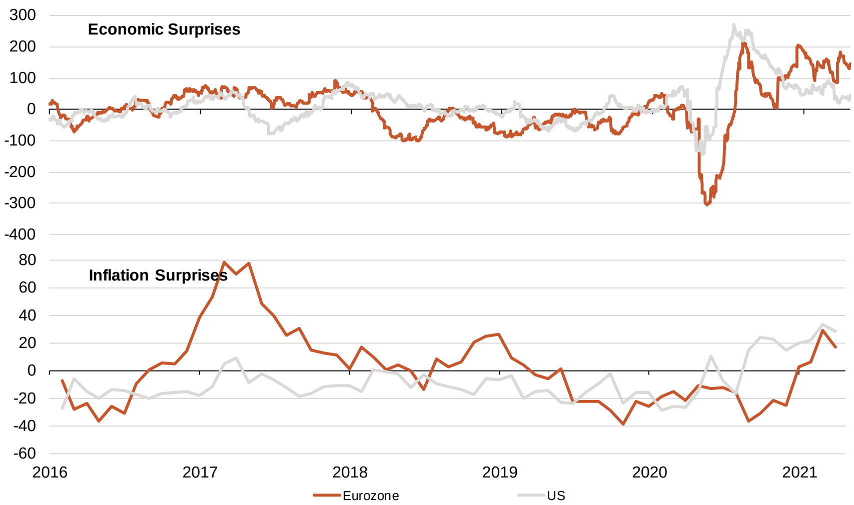
Global



- Economic surprises continue to be in positive territory. Economic data from emerging markets also recently beat expectations. Retail sales in China and South Africa and industrial production data in Russia were positive surprises. However, Q1 economic growth and industrial production (March) in China did not exceed the high expectations, even though the figures were very strong in absolute terms.

See explanations below.
Source: Bloomberg, Time period: 01/01/2016 - 23/04/2021

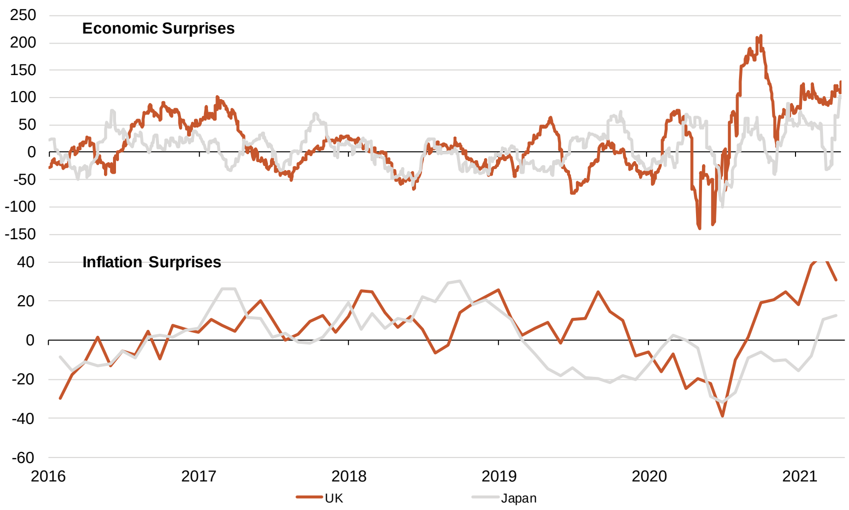
Eurozone and US



- Despite the continued good economic environment in the US, economic data recently only slightly exceeded high expectations on average. Retail sales, the Service-PMI, the Empire State and the Philadelphia Fed Index were the most recent positive surprises, while industrial production and consumer confidence were disappointing.
- In the Eurozone, economic data tended to surprise to the upside, also due to lower expectations. The PMIs in April were mostly above expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2016 - 23/04/2021

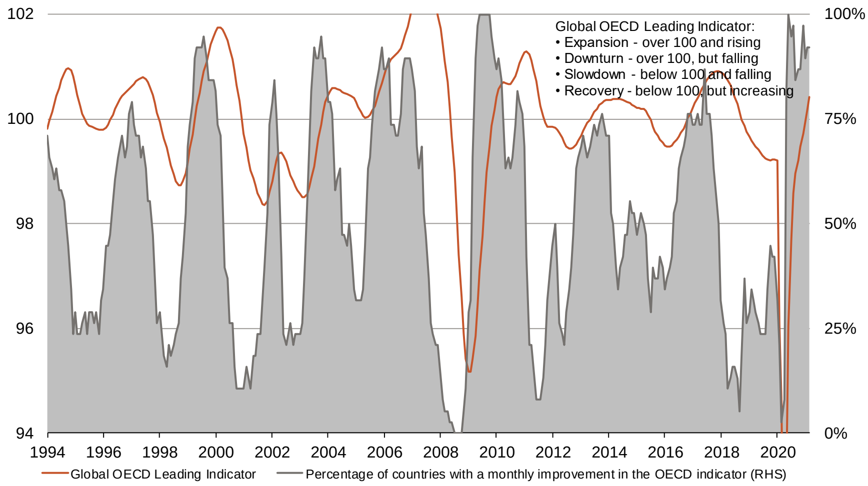
UK and Japan



- In the UK, retail sales and purchasing managers' indices recently surprised to the upside.
- In Japan, machinery orders for March disappointed, while PMIs were positive.

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 - 23/04/2021

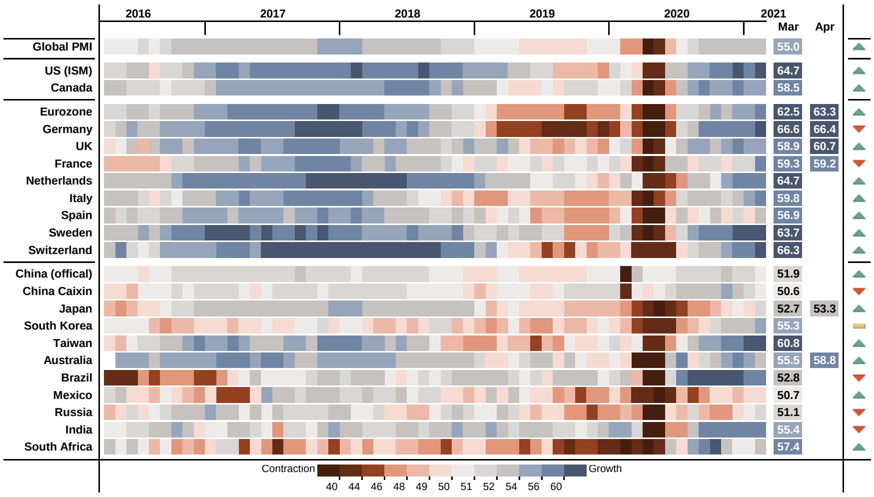
OECD Leading Indicator



- According to the OECD indicator, the global economy is still expanding, with a value of more than 100 and rising.
- At the regional level, more than 90% of the countries recorded a better OECD leading indicator in March than in February. This also points to economic expansion in the future.

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 - 31/03/2021

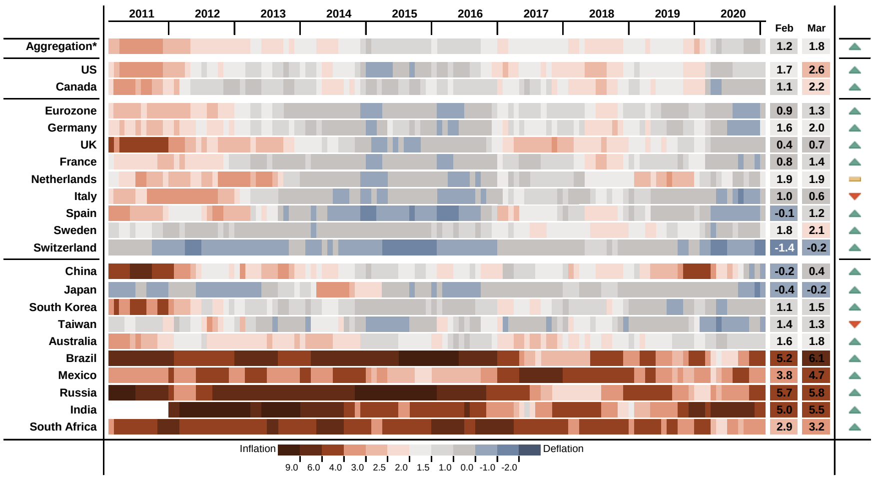
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The PMIs in the eurozone surprised to the upside. Despite existing lockdowns, the economy continued to recover. In both Germany and France, the PMI is well above the 50 expansion threshold.

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: 30/04/2017 - 23/04/2021

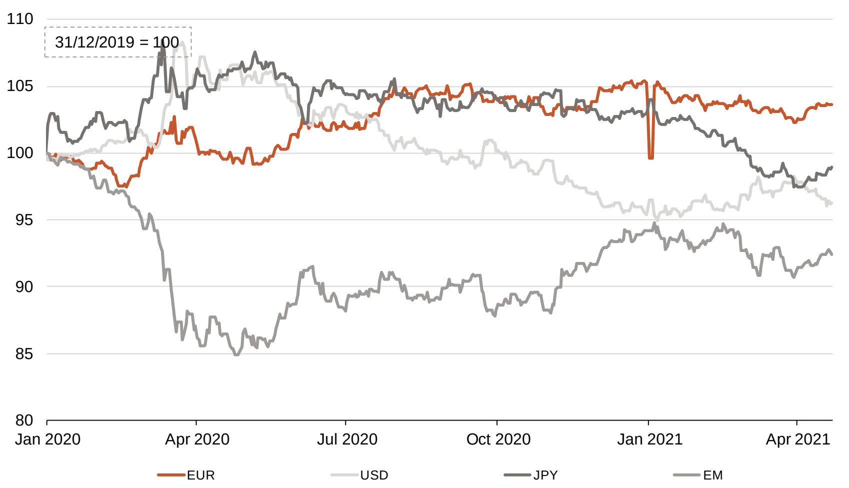
Headline Inflation



- As expected, inflation in the USA rose significantly to 2.6% in March. The base effect from March 2020 had a full impact, especially on energy prices.
- In the eurozone, all the countries shown also recorded rising prices, while Switzerland continues to struggle with deflation.

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

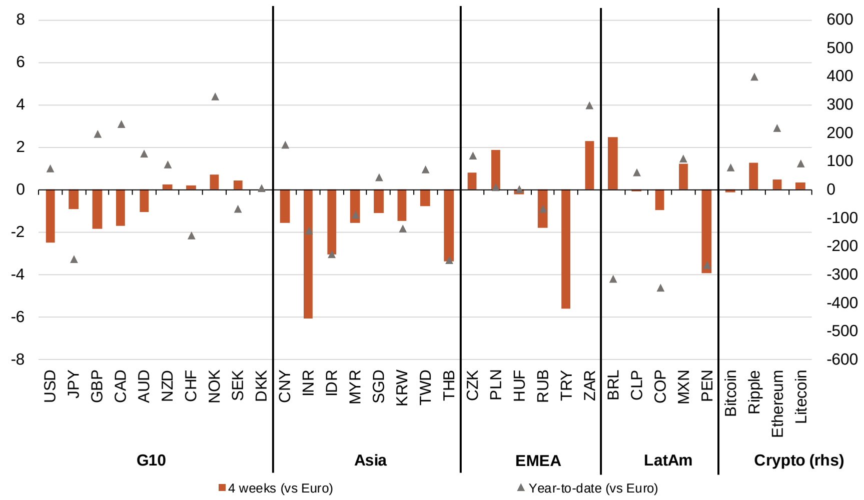
Trade-Weighted Currency Development



- The trends in the currency market that were already apparent a fortnight ago continued.
- Emerging market currencies, the euro and the Japanese yen appreciated.
- The dollar was the only currency shown here to depreciate on a trade-weighted basis.

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 - 23/04/2021

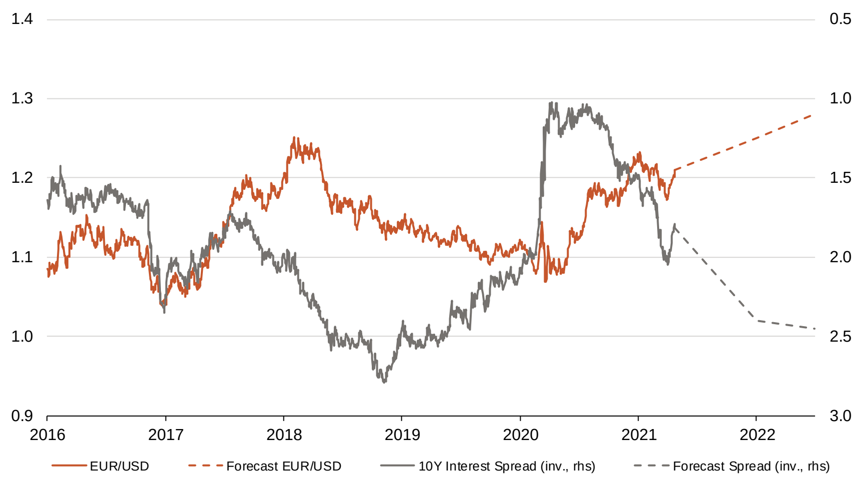
Currency Moves vs. Euro



- The euro held its ground against most of the G10 currencies over the past four weeks. Only the Norwegian krone, which has also been the best performer since the beginning of the year, recorded notable gains.
- Asian currencies were the losers in the past four weeks. The Indian rupee recorded by far the biggest losses due an explosion in Covid-19 cases.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2020 - 23/04/2021

EUR/USD Exchange Rate and Interest Rate Differential



- The euro was able to gain further against the US dollar over the last two weeks. Currently, the currency pair is even trading above the 1.20 mark again.
- The reason for the dollar's weakness may have been, among other things, the narrowing of the interest rate differential between US Treasuries and safe bonds from other currency areas. This meant that the dollar was less in demand among foreign investors.

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 - 31/12/2021

European Sector & Style Performance

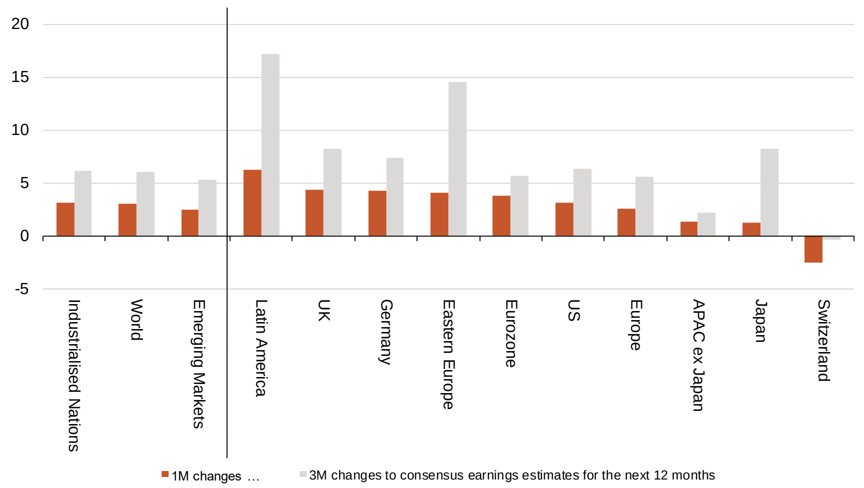
	4-week & YTD		12-month periods over that last 5 years				
	4W (26/03/21 - 23/04/21)	YTD (31/12/20 - 23/04/21)	23/04/20 23/04/21	23/04/19 23/04/20	23/04/18 23/04/19	23/04/17 23/04/18	22/04/16 23/04/17
Information Technology	7.3	18.2	50.5	1.1	13.6	9.4	23.5
Growth	5.7	10.4	31.1	-0.4	9.5	2.4	9.8
Consumer Discretionary	5.4	15.8	65.3	-19.0	1.8	6.9	13.4
Industrials	4.6	14.0	59.0	-17.4	6.0	4.8	18.8
Materials	4.5	15.5	57.9	-17.6	5.8	13.2	24.8
Consumer Staples	4.2	5.6	11.5	-2.8	16.6	-7.6	7.8
Utilities	3.5	2.7	32.3	2.2	12.8	4.4	1.7
Health Care	3.2	4.8	-0.2	24.8	12.5	-6.5	2.1
Value	0.6	11.4	35.4	-25.7	1.3	5.8	13.5
Telecommunications	0.4	10.5	24.3	-23.1	-3.6	-1.2	-6.6
Finance	-1.3	12.7	45.3	-32.0	-5.6	8.0	16.4
Energy	-5.3	10.0	11.7	-39.4	8.5	20.8	13.2

Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: 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.

- April is very reminiscent of last year. The Q1 rotation in equities has reversed, at least temporarily. IT companies and growth stocks as a whole are far ahead in the performance ranking of the European equity sectors.
- Energy and financial stocks have recently been the relative losers.

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: 23/04/2016 – 23/04/2021

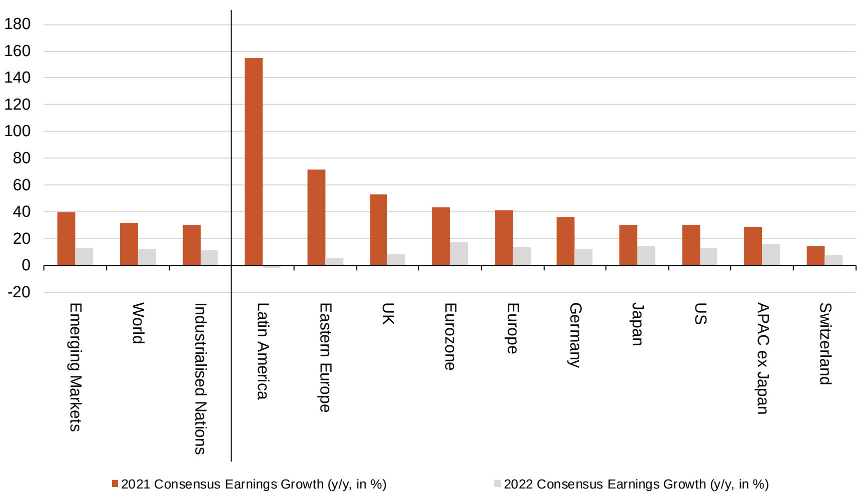
Changes in Consensus Earnings Estimates



- The Q1 reporting season has started and so far companies have surprised to the upside, for example US banks. This is reflected positively in the earnings revisions.
- Except for Switzerland, all regions have seen positive earnings revisions over the last month, especially Latin America and the UK.

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 23/04/2021

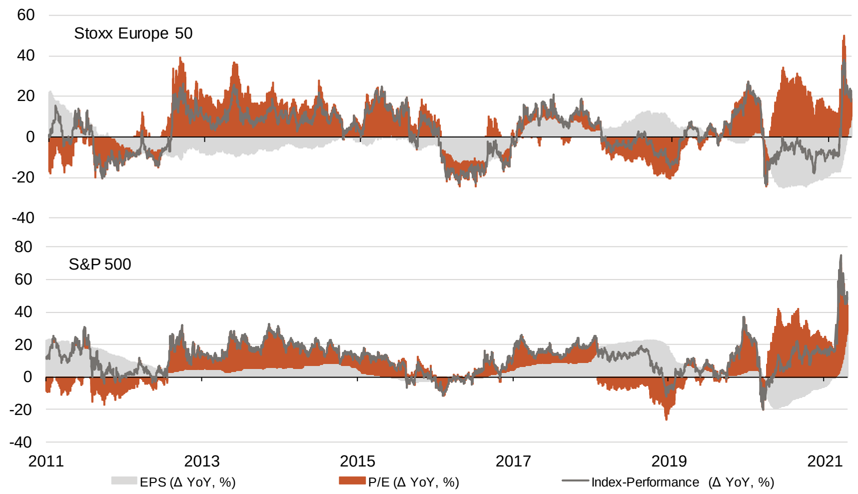
Earnings Growth



- For this year, the highest profit growth is expected in Latin America, followed by Eastern Europe and Great Britain. Asian and Swiss companies, on the other hand, came through the Covid-19 crisis relatively unscathed, so that the "catch-up effect" on the corporate profit side is less pronounced in these regions.

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 23/04/2021

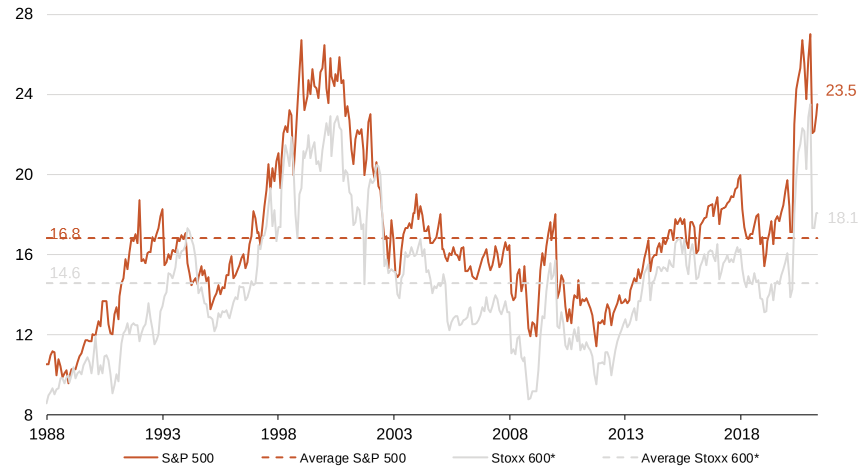
Contribution Analysis



- Corporate profits are now also up year-on-year in Europe, thanks to the low comparative levels in 2020. In Q2, profit growth rates should rise even more as comparisons become even easier.

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 - 23/04/2021

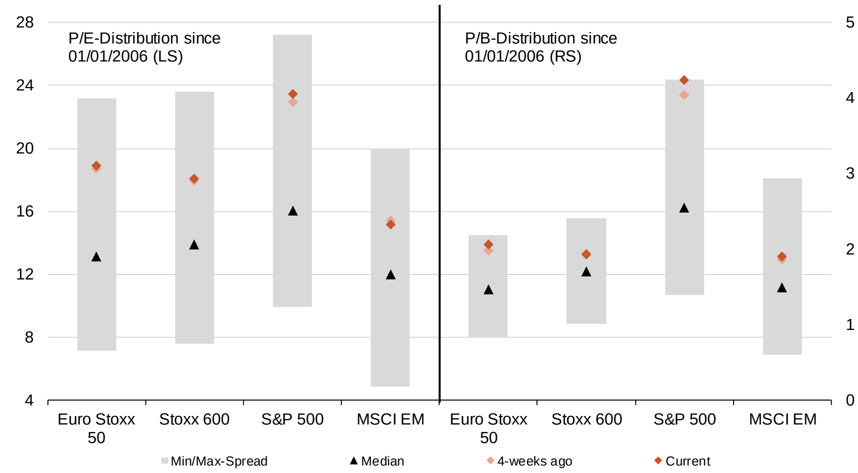
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The normalisation of P/E ratios has stopped for the time being. After equity markets had become significantly cheaper in Q1, valuations for European and US equities rose again in April. This was mainly due to the strong performance of stock indices in April.

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 - 23/04/2021

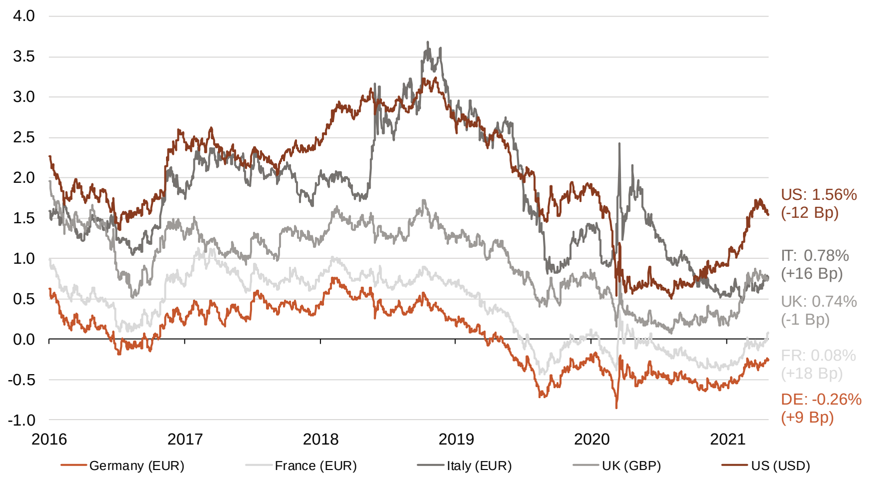
Historical Distribution: Price/Earnings and Price/Book Ratio



- The European and US stock markets have recently risen more strongly than earnings revisions. Valuations have risen accordingly compared to four weeks ago.
- EM equities remain the "cheapest" relative to other equities.

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 - 23/04/2021

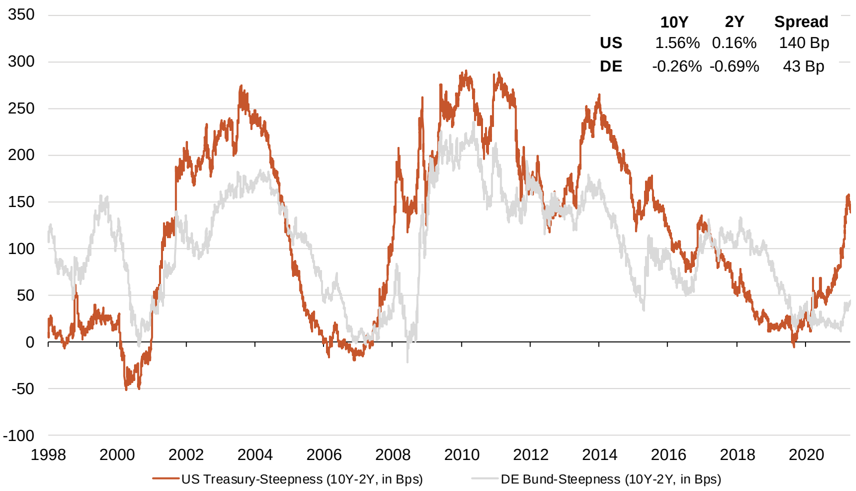
10-Year Government Bond Yields



- Yields have risen in recent weeks, especially in the Eurozone, while they have slightly moved downwards in the US. The increasing success of vaccinations and thus better economic prospects in the Eurozone are also increasingly being priced on the bond market. Safe haven government bonds therefore remain in low demand as inflation expectations rise.

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 – 23/04/2021

Yield Curve Steepness (10Y - 2Y)

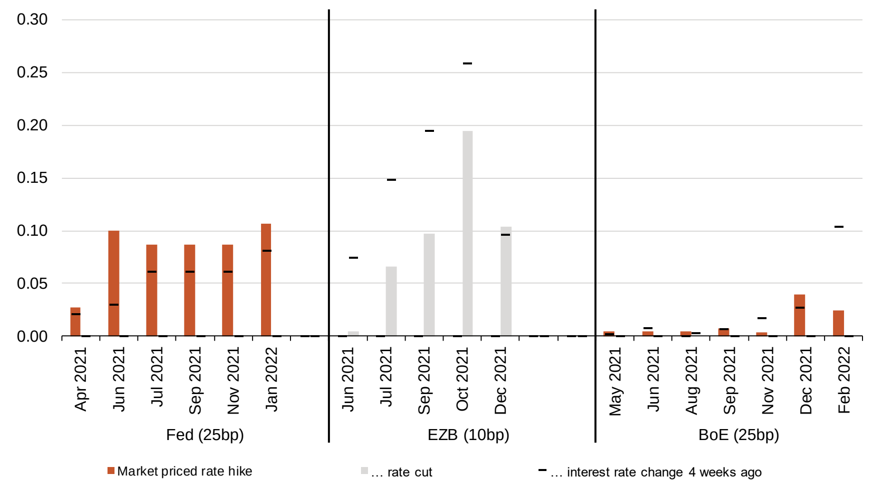


	10Y	2Y	Spread
US	1.56%	0.16%	140 Bp
DE	-0.26%	-0.69%	43 Bp

- The steepness of the US yield curve has not risen any further in the last two weeks. One reason for the pause for breath was that inflation in March was only slightly above expectations.
- The German yield curve, on the other hand, rose slightly.

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 – 23/04/2021

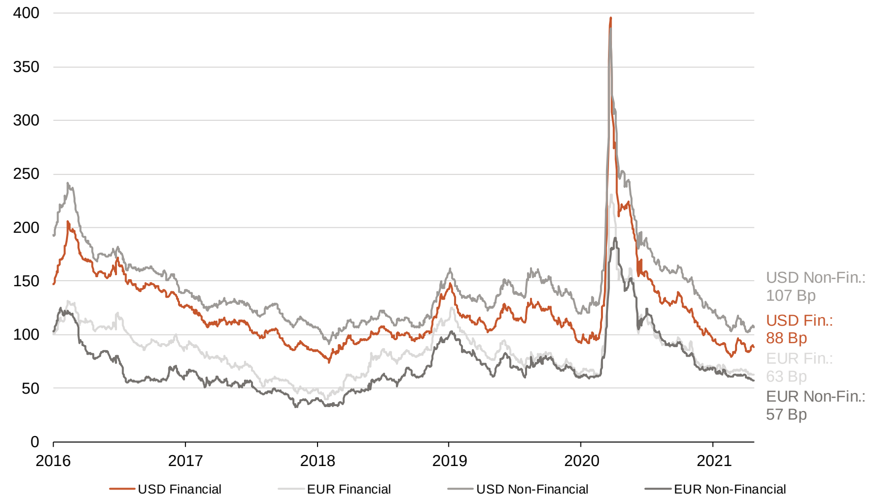
Implicit Changes in Key Interest Rates



- The ECB reaffirmed at its April meeting that it will stick to its loose monetary policy for the time being. The market therefore does not expect an interest rate hike this year. An interest rate cut, on the other hand, is expected at around 20%.
- For the USA, on the other hand, the market expects an interest rate hike with a probability of around 10%, following the somewhat more hawkish Canadian central bank.
- For the UK, neither a rate cut nor a rate hike is expected.

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: 26/03/2021 – 23/04/2021

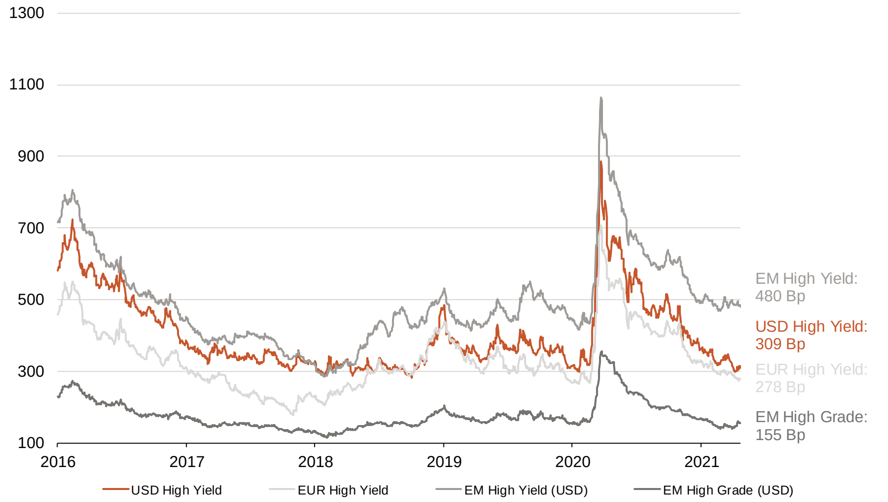
Credit Spreads Financial and Non-Financial Bonds



- Spreads on USD-IG corporate bonds have recently risen slightly. EUR-IG corporate bonds, on the other hand, saw falling spreads, partly because the ECB is likely to maintain its bond purchases longer than the Fed.
- In USD corporate bonds, the media and healthcare sectors saw the largest spread widening.
- The real estate and automotive sectors saw the largest spread narrowing in EUR corporate bonds.

Explanations see middle and bottom illustration.
Source: FactSet, Time period: 01/01/2016 - 23/04/2021

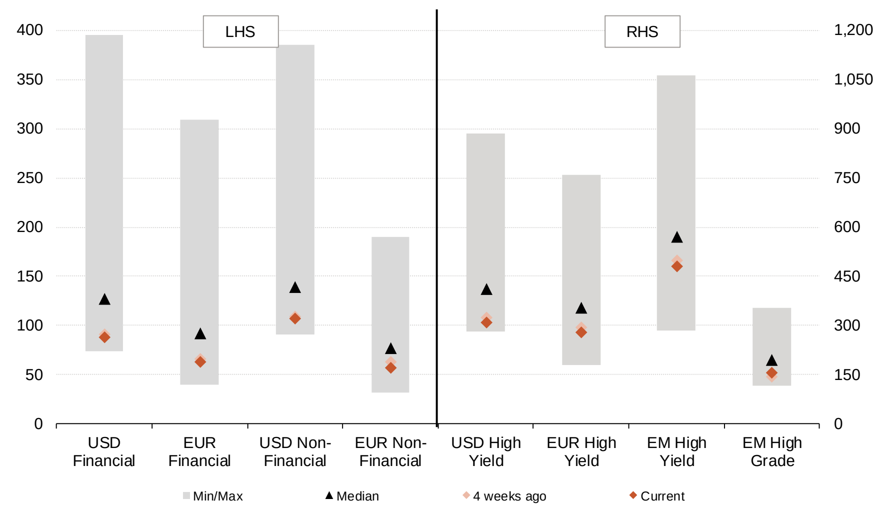
Credit Spreads High Yield and Emerging Markets Bonds



- The picture is similar for high-yield bonds. USD high-yield bonds saw a spread widening of 8 basis points in the last two weeks, while EUR high-yield bonds experienced a spread narrowing of 3 basis point.
- Emerging market high-yield bonds, on the other hand, hardly experienced any change in spreads in the last two weeks. The tense Covid-19 situation put the brakes on a narrowing of spreads.

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 - 23/04/2021

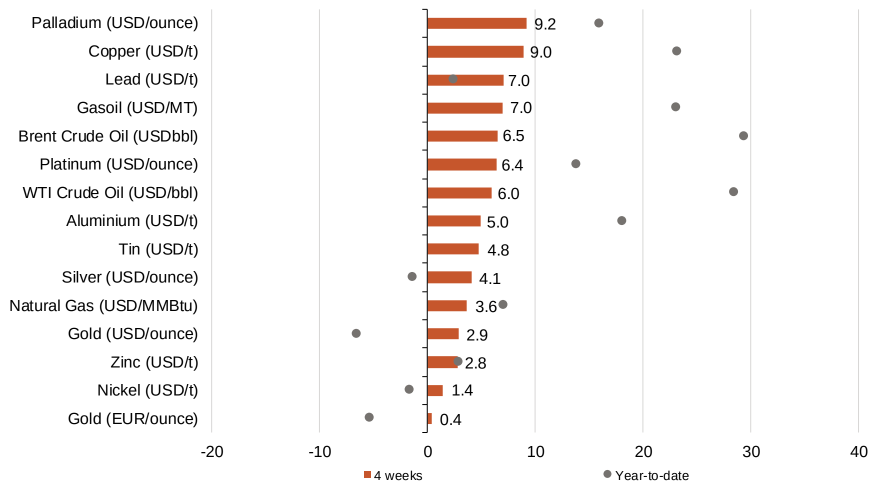
Historical Distribution of Credit Spreads (in bp)



- Over the past four weeks, spreads have fallen in most segments. Only EM-IG corporate bonds saw a slight widening of spreads. However, they remain historically expensive.
- Historically, USD high-yield bonds have been the most expensive, with a spread close to the 10-year low.

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: 23/04/2011 - 23/04/2021

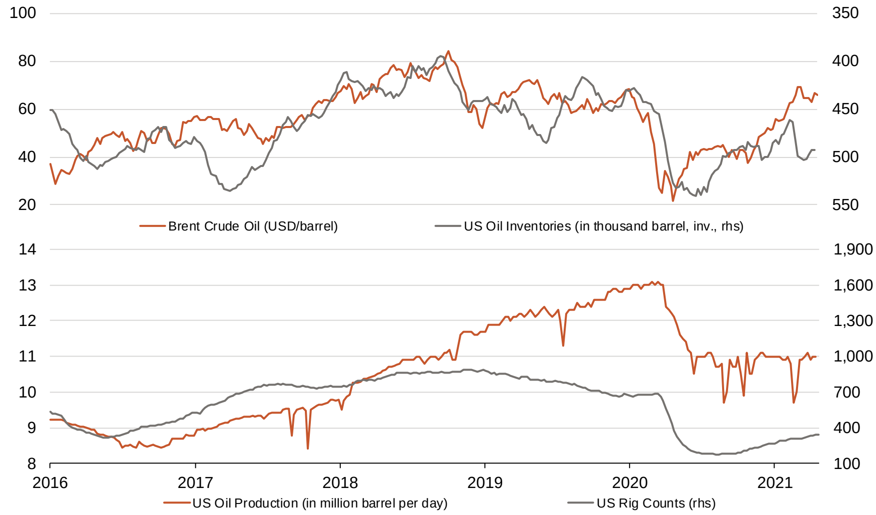
Commodities Performance



- Palladium was the best performer in the commodity space over the last four weeks. The precious metal with industrial metal character even reached a new all-time high last week. Thanks to strong demand from the automotive sector, the palladium market could be in deficit for the tenth year in a row in 2021.
- All other commodities also performed well over the last four weeks.

Total return of selected commodity prices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/01/2021 – 23/04/2021

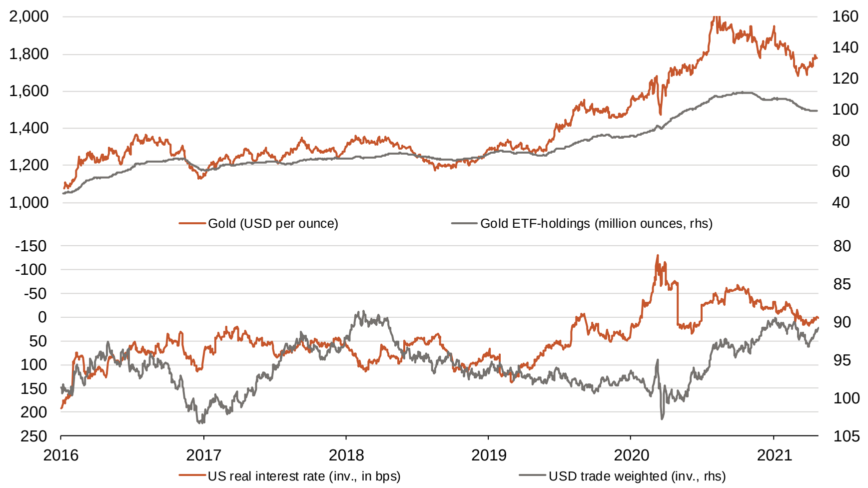
Crude Oil



- Oil has gained slightly in the past two weeks. Brent crude is currently trading at around USD 65 per barrel. Initially, the oil price was boosted by a much stronger than expected fall in US inventories. Later, however, concerns about demand in other regions of the world spread again, so that oil had to give back some of its gains.

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 – 23/04/2021

Gold



- Gold seems to have found its bottom after months of weakness. Support came from several sides. On the one hand, real interest rates fell slightly again while on the other hand, the weakness of the dollar also helped.
- Gold ETFs nevertheless continued to see outflows, albeit to a much smaller extent than in the previous weeks.

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 – 23/04/2021

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IMPORTANT NOTICES

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