Current market commentary

The tightening of Russia sanctions has led to further moderate losses in European equities, driven by strong outflows from European funds. Investors sold European equity funds worth more than 20 billion US dollars over the last two weeks - a record. In the capital markets, however, there are usually not only losers, but also relative winners: and these currently clearly include direct and indirect commodity investments. Our multi-asset portfolios benefited from the fact that we had already increased our commodity exposure. In the current environment, this clearly reduces portfolio volatility, as do US investments. The US dollar has appreciated significantly in the wake of the Putin war. We continue to expect increased volatility in markets in both directions in the short term due to headline risk, thin liquidity and current option positioning. However, we consider the risk-reward ratio to be good for the coming months.

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

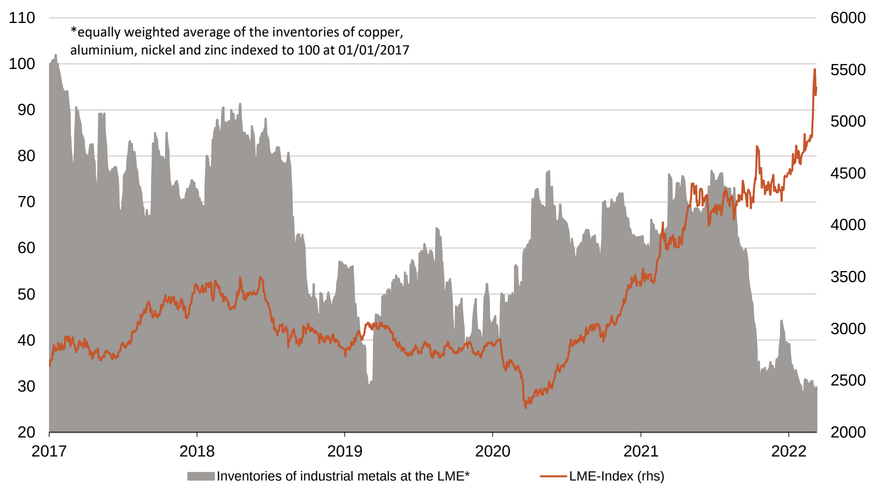
Central banks in the focus of the markets as inflation rises.

After the ECB's unexpectedly tightening stance last week, the market is focusing this week on the Fed meeting on 16 March and the BoE meeting on 17 March. The market expects a rate hike of 25 basis points from the Fed. On 24/25 March, the EU/Euro summit will take place in Brussels, where the Russia-Ukraine war and the Covid 19 situation will be key topics.

Purchasing managers' indices show the sentiment of companies in the current geopolitically and economically uncertain situation.

Preliminary US Consumer Confidence (Mar.) will be released today and Eurozone and Chinese Industrial Production data (Jan., Feb.), German ZEW Economic Sentiment (Mar.) and US Empire State Index (Mar.) will be released on Tuesday. US retail sales (Feb.) will follow on Wednesday and US industrial production (Feb.) on Thursday. Next week, the ifo Business Climate Index (Mar.) for Germany and the preliminary Markit Purchasing Managers' Indices (Mar.) for Europe and the US are due.

Metals fundamentally supported, but more vulnerable after price rally



- The prices for industrial metals shot up with Putin's war. On the one hand, high energy prices have increased processing costs, and on the other hand, Russia is an important exporter of nickel and aluminium, for example. Supply is therefore scarce.
- At the same time, inventories were already low in many cases before the outbreak of the war. This combination finally led to a "short squeeze" in nickel. A certain normalisation seems inevitable, but metal prices are likely to remain elevated.

Source: Bloomberg, Time period: 01/01/2017 - 11/03/2022

Multi Asset

	4W (11/02/22 - 11/03/22)	YTD (31/12/21 - 11/03/22)	11/03/21 11/03/22	11/03/20 11/03/21	11/03/19 11/03/20	11/03/18 11/03/19	10/03/17 11/03/18
	4-week & YTD		12-month periods over that last 5 years				
Industrial Metals	30.9	39.0	75.2	33.4	-13.2	-0.4	3.9
Brent	28.0	54.8	99.7	53.5	-38.0	15.8	10.7
Gold	11.3	13.3	26.8	-0.9	26.1	6.9	-4.7
REITs	4.5	-7.3	26.7	-1.5	-1.5	21.3	-11.7
USDEUR	4.0	4.2	9.8	-6.0	-0.2	9.4	-13.3
EUR Sovereign Debt	0.2	-2.3	-3.3	0.3	3.2	1.7	1.4
Euro overnight deposit	0.0	-0.1	-0.6	-0.5	-0.4	-0.4	-0.4
Global Convertibles	-1.0	-8.3	-5.7	67.5	-1.2	13.0	1.7
EUR Coporates	-1.7	-5.1	-5.5	2.8	3.3	1.2	2.5
MSCI World	-2.3	-8.1	12.6	36.2	-3.5	7.9	2.8
MSCI Frontier Markets	-4.3	-6.3	17.3	18.0	-9.7	-7.3	11.6
MSCI Emerging Markets	-8.5	-7.9	-10.4	38.1	-7.1	-3.2	15.4

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; EUR Sovereign Debt: IBOXX Eurozone Sovereign 1-10Y TR; EUR Corporates: IBOXX Euro Corporates Overall TR;
Global Convertibles: SPDR Convertible Securities ETF; Gold: Gold US Dollar Spot; Brent Crude: Bloomberg Brent Crude Subindex TR;
Industrial Metals: Bloomberg Industrial Metals Subindex TR; Euro overnight deposit: ICE BofA Euro Overnight Deposit Rate Index; USDEUR: Price of 1 USD in EUR.

- Uncertainty in the wake of the Russia-Ukraine war has driven investors globally into safe havens. It is thus not surprising that gold and the US dollar gained. Safe government bonds and REITs also experienced upward pressure due to the increased demand for hedging. However, commodities were the main beneficiaries of the invasion, boosted by supply concerns exacerbated by the war, and were able to hold on to the top spot.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/03/2017 – 11/03/2022

Equities

	4W (11/02/22 - 11/03/22)	YTD (31/12/21 - 11/03/22)	11/03/21 11/03/22	11/03/20 11/03/21	11/03/19 11/03/20	11/03/18 11/03/19	10/03/17 11/03/18
	4-week & YTD		12-month periods over that last 5 years				
MSCI USA Small Caps	1.0	-6.7	0.5	70.1	-16.6	9.9	2.1
S&P 500	-0.5	-7.7	18.7	37.8	0.1	11.6	3.7
Stoxx Europe Defensives	-2.8	-3.4	14.0	14.7	-5.4	12.0	-0.8
MSCI UK	-5.1	-0.6	15.3	18.8	-16.4	6.8	0.6
MSCI Japan	-6.1	-8.7	-3.5	28.9	-3.5	0.4	2.1
Stoxx Europe 50	-6.8	-8.0	9.4	21.7	-6.5	4.6	0.4
MSCI EM Asia	-8.1	-9.1	-14.2	42.5	-1.6	-2.6	17.3
Stoxx Europe Small 200	-8.7	-15.2	-3.1	43.0	-8.8	-2.6	11.9
Stoxx Europe Cyclicals	-10.1	-12.8	1.0	41.0	-11.9	-6.1	8.6
Euro Stoxx 50	-11.2	-14.0	-2.3	35.1	-9.7	-0.7	2.6
DAX	-11.6	-14.2	-6.5	39.6	-9.6	-6.5	3.2
MSCI EM Eastern Europe	-78.5	-79.5	-75.9	26.1	-13.2	3.6	14.3

S&P 500: S&P 500 TR (US-Equity); Stoxx Europe 50: Stoxx Europe 50 TR; Euro Stoxx 50: Euro Stoxx 50 TR; MSCI Japan: MSCI Japan TR;
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.

- The war led to a massive sell-off on the stock markets. European and Eastern European shares were particularly affected by the conflict. Eastern European shares lost almost 80% over the last four weeks and brought up the rear.
- Cyclical equities were also hit hard by geopolitical uncertainty and growing concerns about stagflation.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/03/2017 – 11/03/2022

Fixed Income

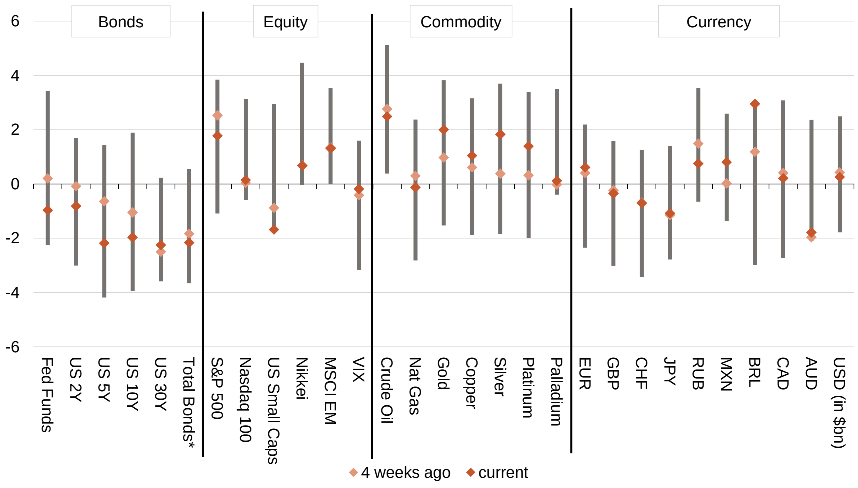
	4W (11/02/22 - 11/03/22)	YTD (31/12/21 - 11/03/22)	11/03/21 11/03/22	11/03/20 11/03/21	11/03/19 11/03/20	11/03/18 11/03/19	10/03/17 11/03/18
	4-week & YTD		12-month periods over that last 5 years				
Treasuries	3.2	-0.2	6.2	-8.2	13.2	13.9	-13.0
BTPs	0.7	-3.6	-6.1	6.1	10.9	-1.4	5.3
Bunds	0.1	-3.0	-3.5	-4.3	7.4	4.4	-0.5
Chinese Gov Bond	-0.2	0.5	6.0	-0.5	7.2	8.1	0.5
Gilts	-0.4	-6.2	-3.4	-3.7	11.3	8.6	-1.7
EUR Financials	-1.4	-4.7	-5.0	3.0	2.9	1.0	3.0
USD High Yield	-1.5	-5.4	-1.0	14.2	1.0	4.1	5.2
EUR Non-Financials	-1.9	-5.4	-5.9	2.7	3.6	1.4	2.1
EUR High Yield	-2.8	-6.0	-4.2	11.2	0.2	0.4	5.1
USD Corporates	-3.3	-7.8	-4.9	4.1	12.3	3.5	3.4
EM Hard Currency Bonds	-4.1	-8.2	-1.3	-0.1	3.9	12.9	-8.8
EM Local Currency Bonds	-6.1	-5.1	-4.6	-0.6	2.0	2.3	0.0

Bunds: IBOXX Euro Germany Sov TR ; BTPs: IBOXX Euro Italy Sov TR ; Treasuries: ICE BofA US Treasury TR;
Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: IBOXX Euro Fin. Overall TR;
EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE BofA EUR Liquid HY TR; USD Corporates: ICE BofA USD Corp TR;
USD High Yield: ICE BofA USD Liquid HY TR; EM Hard Currency: JPM EMBI Glo Div Unh. EUR TR; EM Local Currency: JPM GBI-EM Glo Div Comp Unh. EUR TR

- In the bond market, safe government bonds benefitted the most in the current geopolitical tensions. In order to satisfy the increased need for security, investors fled into safe bonds and both German Bunds and US government bonds gained.
- Emerging market bonds, on the other hand, were heavily burdened by the Russia-Ukraine war and brought up the rear.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/03/2017 – 11/03/2022

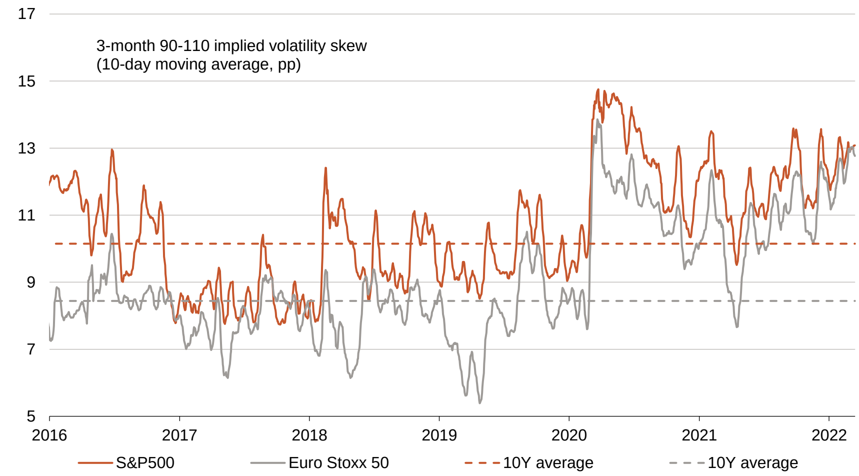
Non-Commercial Positioning



- Hedge funds have used the fall in bond yields to increase their short positions in US Treasuries.
- Long positions in commodities were increased. Only in the case of energy commodities there seems to be some profit taking after prices exploded.

The Commodity Futures Trading Commission (CFTC) publishes the Commitments of Traders report every Friday. The chart shows the historical, normalised distribution in standard deviations and focuses on the net futures position (long positions minus short positions) of "non-commercial traders" (bonds, currencies), "asset managers/institutional" & "leveraged funds" (equities) and "managed money" (commodities) and shows how speculative investors are positioned. *Weighted with the respective duration
Source: Bloomberg, CFTC, Time period: 08/03/2012 - 08/03/2022

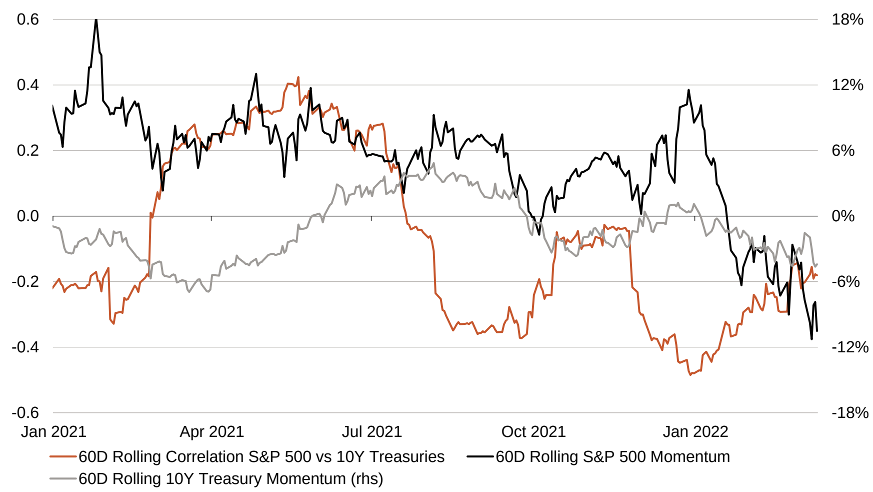
Put-Call-Skew



- The put-call skew is almost unchanged compared to a fortnight ago.
- Historically, the skew in Europe is on average lower than in the US. Currently, the skew is strikingly similar on both sides of the Atlantic. This is probably due to Europe's geographical proximity to and higher dependence on Russia for commodities.

The put-call skew (90-110) indicates the difference in implied volatility of puts versus calls whose strike is 10% away from the current underlying in each case. It is a measure of how much more investors are willing to pay for hedging (puts) versus upside participation (calls). The higher (lower) the skew, the more cautious (optimistic) market participants are. Moreover, the skew typically increases with the level of implied volatility.
Source: Bloomberg, period: 11/03/2012 - 11/03/2022

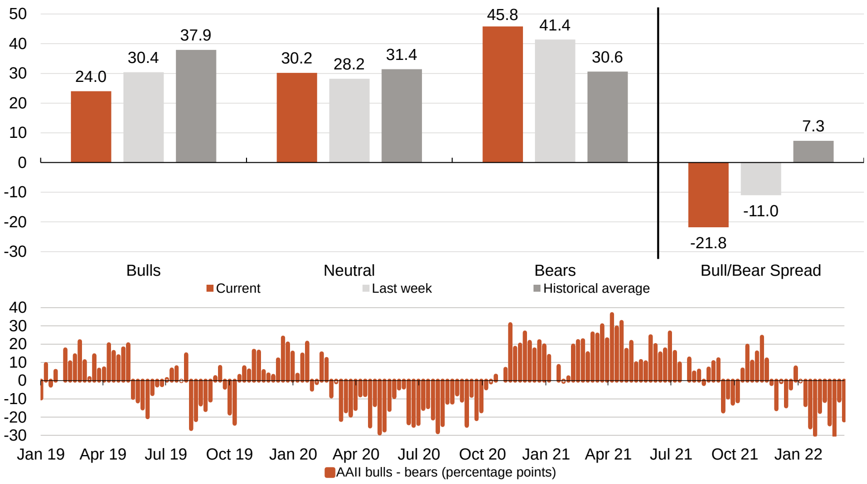
60-Day Momentum and Correlation



- The momentum on the equity market remains negative. As we approach the end of the quarter, large institutional investors in particular are likely to demand more equities again in their rebalancing in the coming weeks, thus supporting the market.

The 60-day momentum indicates the rolling return of the last 60 days. The more the momentum rises (falls), the more systematic momentum strategies build up (reduce) their positions in the corresponding asset class. Changes in the sign of the return mark important turning points. The 60-day correlation indicates how equitably stocks and bonds move. The higher (lower) the correlation, the fewer (more) equities demand risk-based investment strategies.
Source: Bloomberg, Time period: 31/12/2020 - 11/03/2022

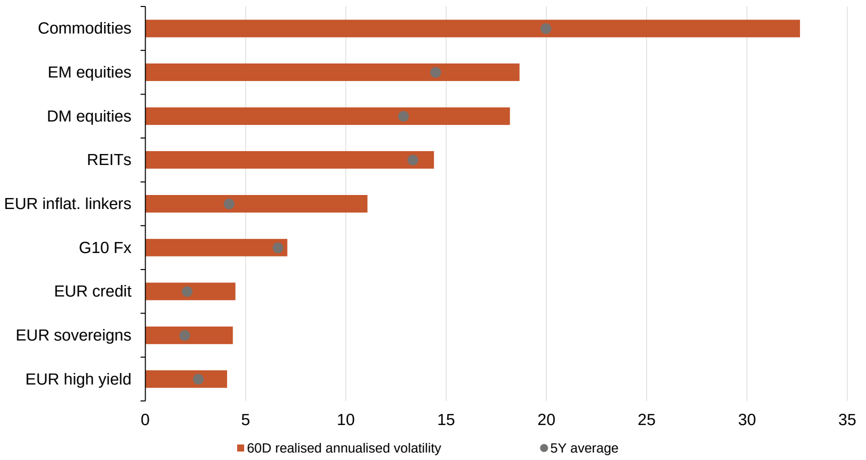
AAII Sentiment Survey (Bulls vs Bears)



- US private investor sentiment remains poor. For 9 weeks now, the bears have outweighed the bulls by more than 10 ppts. The last time sentiment was this long this bad was in the summer of 2020. Typically, equity markets perform well in the months that follow.

The Sentiment Survey, conducted by the American Association of Individual Investors, determines the percentage of individual investors who are optimistic, pessimistic or neutral about the US stock market over a six-month period. It has been conducted 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. On the other hand, it tends to be negative when there are significantly more optimists than pessimists.
Source: Bloomberg, AAII, Time period: 23/07/87 – 11/03/2022

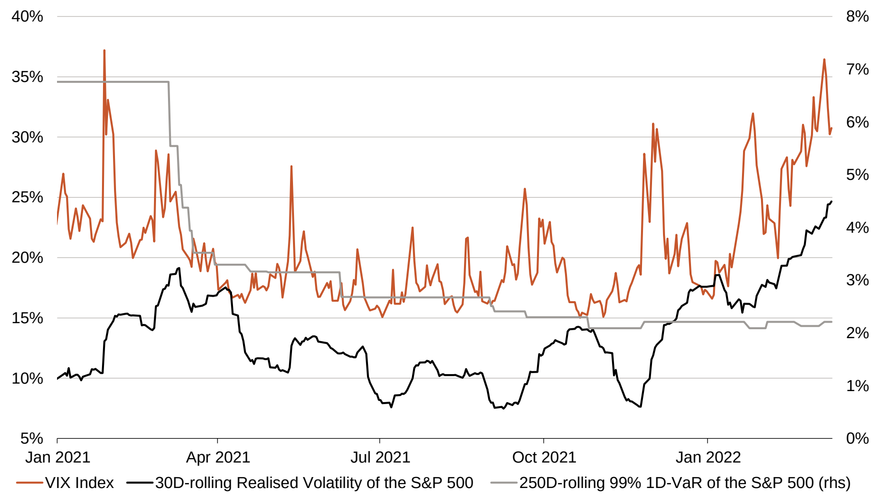
Realised Volatilities



- An unusual picture is currently appearing: All asset classes show above-average volatility.
- By far the highest volatility is in commodities. In all three sub-segments – energy commodities, industrial metals and precious metals – there have been sharp fluctuations in recent weeks.

The realised volatility (in per cent) measures the fluctuation range of a time series and is defined here as the standard deviation of the daily return over the last 60 trading days. Volatility is often used as a measure of risk.
Source: Bloomberg, period: 11/03/2017 - 11/03/2022

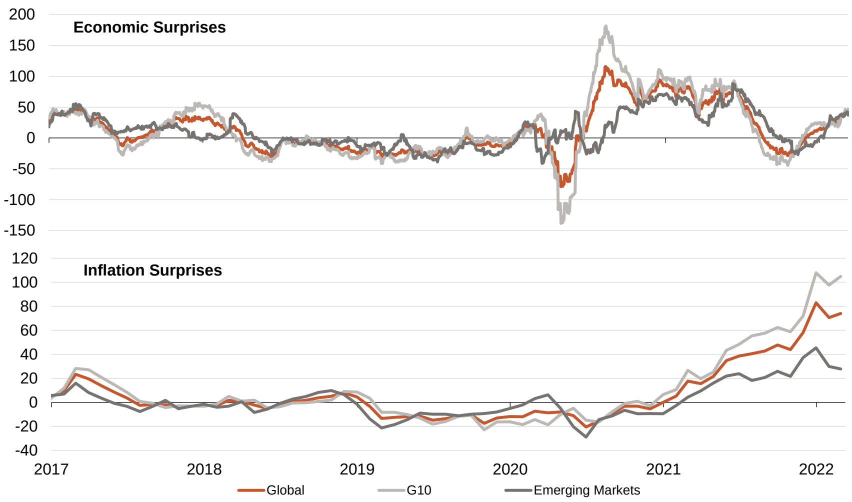
Volatility and Value-at-Risk of the S&P 500



- Not only realised volatility, but also implied volatility has risen sharply. At a VIX level of close to 32, the market is pricing in average daily moves of about 2% over the next month.

The VIX index is a measure of the implied volatility of the S&P 500 priced in options over approximately the next 30 days. Realised volatility indicates the range of variation in daily returns. The historical 99% value-at-risk indicates the minimum loss of the days that belong to the worst 1% of the observation period. The higher (lower) the VIX, realised volatility and value-at-risk, the fewer (more) stocks demand risk-based investment strategies.
Source: Bloomberg, period: 31/12/2020 - 11/03/2022

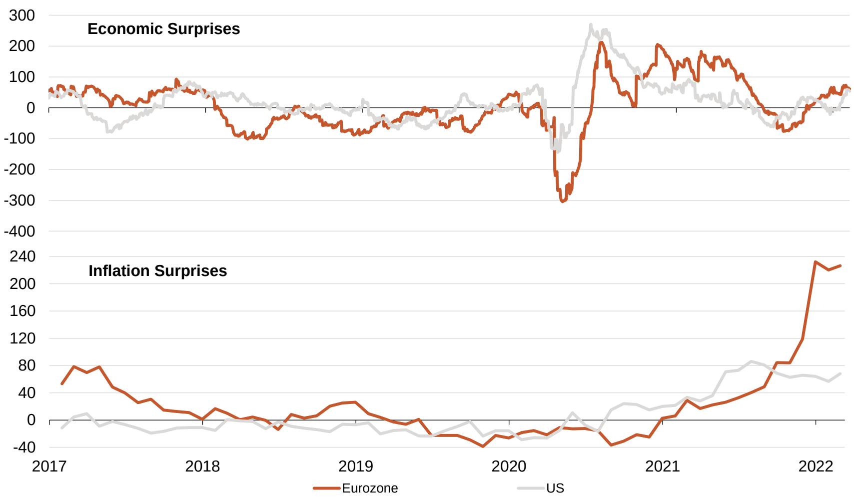
Global



- The economic data continued to surprise positively on a global scale. Both the global economic surprise index, the economic surprise index for the industrialised nations (G10) and the data from the bell countries continued to push upwards. In China, the Markit Purchasing Managers Index exceeded expectations.
- After global inflation was initially overestimated and surprised to the downside, the inflation surprise recently increased noticeably again.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 11/03/2022

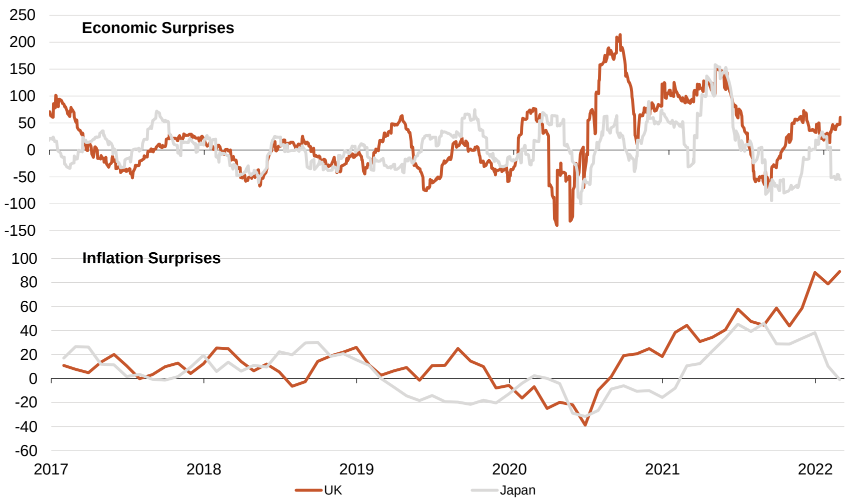
Eurozone and US



- While the number of positive economic surprises in the US continues to rise, the curve in the Eurozone has recently flattened slightly. In the eurozone, the Markit Purchasing Managers' Index disappointed, while unemployment data surprised on the upside. In the US, factory orders exceeded expectations.
- In the Eurozone, inflation surprises recently increased again, while inflation surprises in the US continue to move sideways in positive territory.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 11/03/2022

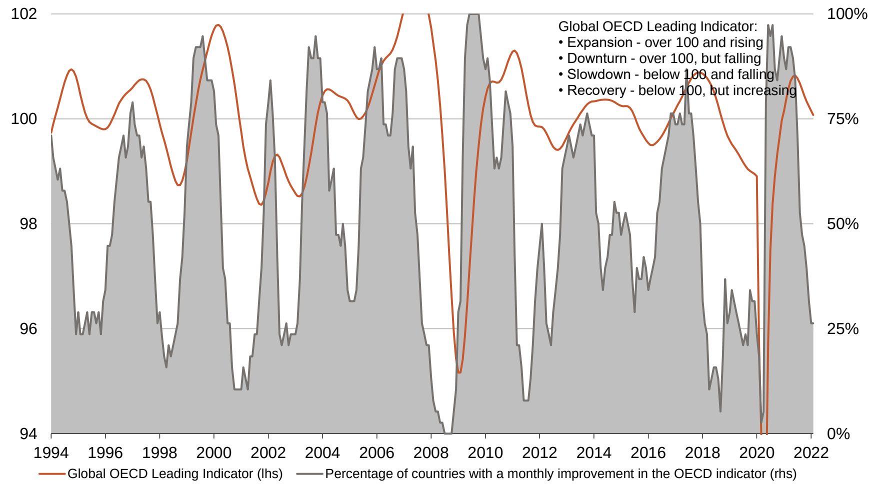
UK and Japan



- In the UK and Japan, the economic data recently showed a contrasting picture. While the number of positive surprises in the UK outweighed and increased, they continued to surprise to the downside in Japan.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. 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, period: 01/01/2017 - 11/03/2022

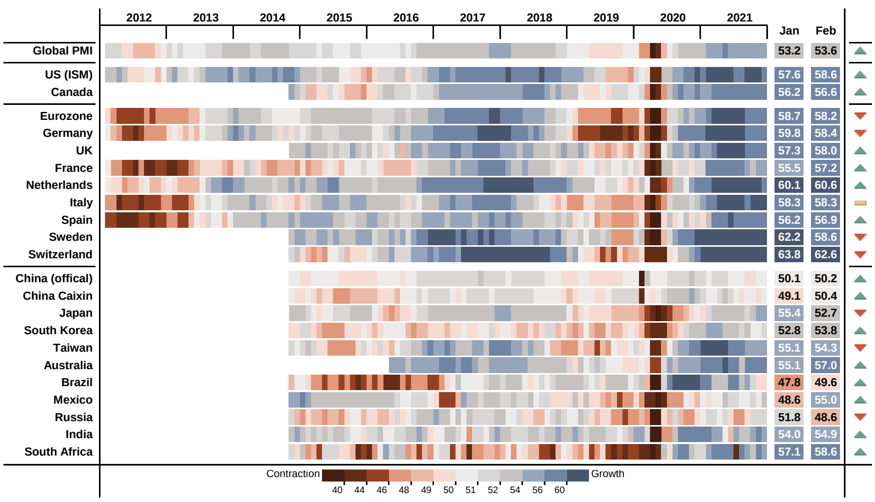
OECD Leading Indicator



- The OECD leading indicator continues to approach the 100 mark and was last quoted at 100.07. The downward movement towards the important core mark points to an economic downturn.
- The indication of an economic downturn is also evident at the country level. Only 26% of the countries were able to improve on the previous month.

The OECD Leading Indicator is composed of a set of selected economic indicators whose composition provides a robust signal of future turning points. A turning point usually signals a turning point in the business cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly identified.
Source: Bloomberg, Time period: 31/01/1994 – 28/02/2022

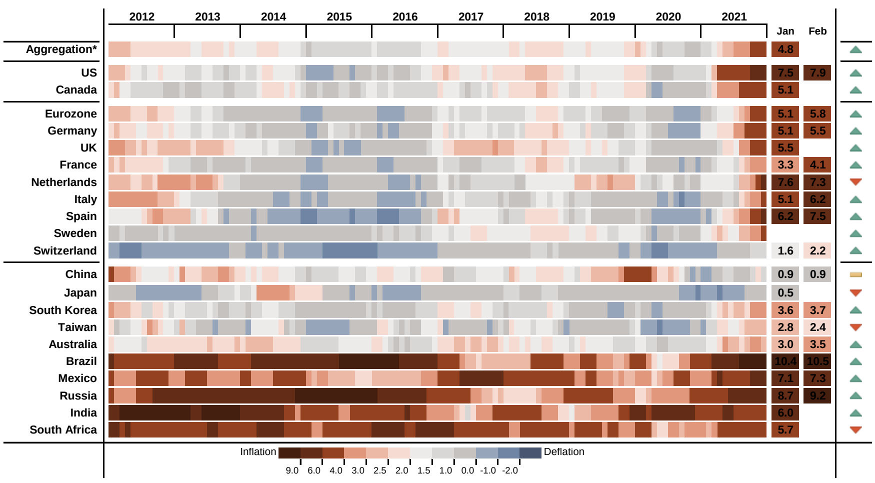
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The February Purchasing Managers' Index data show a mixed picture. While the PMI gained globally, in the US, the UK and China, it deteriorated in the Eurozone, Germany, Japan and Russia.

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 respective change from the previous month. A value of 50 is regarded as neutral, a value of over 50 points as an indicator of rising and a value of under 50 points as an indicator of declining activity in industry compared to the previous month. On average, the index has a 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 on the development of key indicators such as new orders.
Source: Bloomberg, Time period: 01/01/2012 – 11/03/2022

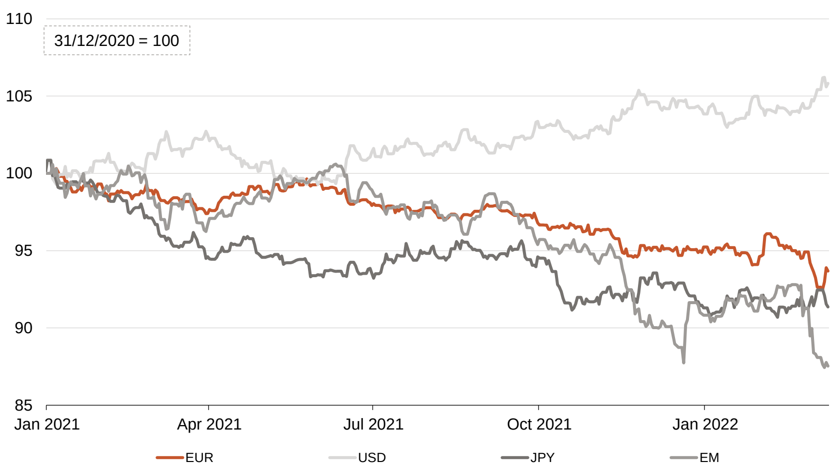
Headline Inflation



- The inflation rate in the US rose to 7.9%, the highest level in 40 years. The inflation rate also rose globally and in the Eurozone. Only the Netherlands recorded slightly lower inflation. China was able to maintain the inflation level of the previous month, while the inflation rate increased in South Korea, Australia and Russia.

Inflation (in %, compared to the previous year) is measured using a consumer price index, also called a basket of goods. This basket contains all goods and services that a household purchases on average per year. * = Weighting according to gross domestic product.
Source: Bloomberg, Time period: 31/12/2011 – 11/03/2022

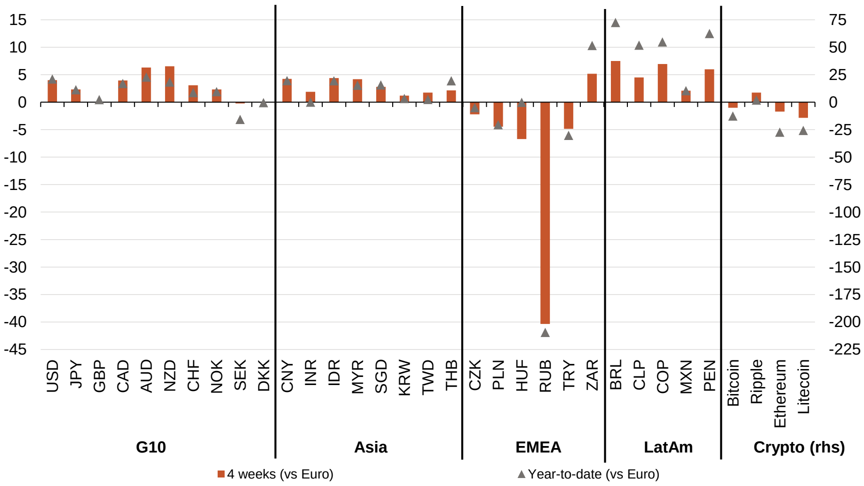
Trade-Weighted Currency Development



- Safe havens were the clear winners in recent weeks. The US dollar in particular, but also at times the Japanese yen, gained.
- The euro and emerging market currencies, on the other hand, fell significantly. However, the divergence in emerging markets is large. While Eastern Europe suffered from Putin's war, Latin America benefitted from higher 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: 01/01/2021 - 11/03/2022

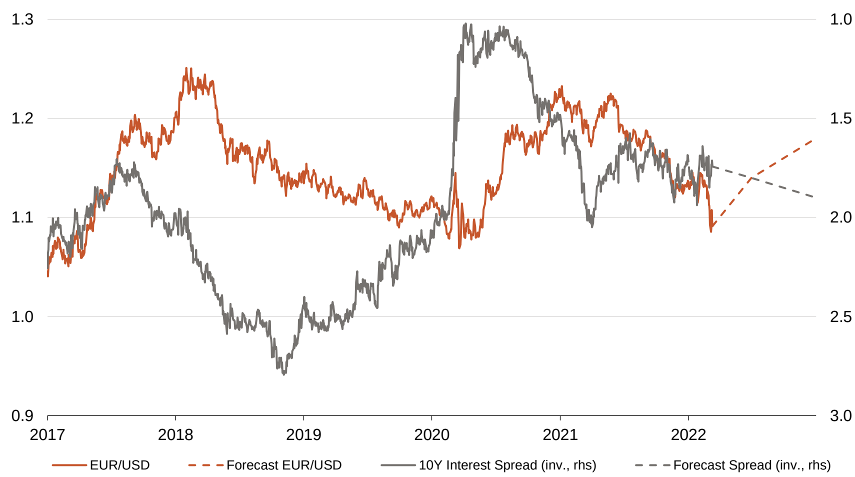
Currency Moves vs Euro



- In the last four weeks, most currencies appreciated against the euro. Only in Eastern Europe, whose countries are more threatened by the Russia-Ukraine war, we saw noticeable losses.
- The Russian rouble suffered an extreme slide and almost halved its value against the euro in the last four weeks.
- Commodity-related currencies of industrialised and emerging countries were among the winners over the last month.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2021 - 11/03/2022

EUR/USD Exchange Rate and Interest Rate Differential of 10Y Bonds



- In the last two weeks, the euro marked its lowest level since the outbreak of the pandemic. Currently, the currency pair is still trading below the 1.10 USD/EUR mark.
- The reason for the weakness, apart from the higher geopolitical and economic uncertainty in Europe, is probably the less restrictive monetary policy of the ECB than that of the Fed.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US government bonds and 10-year Bunds. The forecasts were prepared by Berenberg Economics.
Source: Bloomberg, Time period: 01/01/2017 - 31/12/2022

European Sector & Style Performance

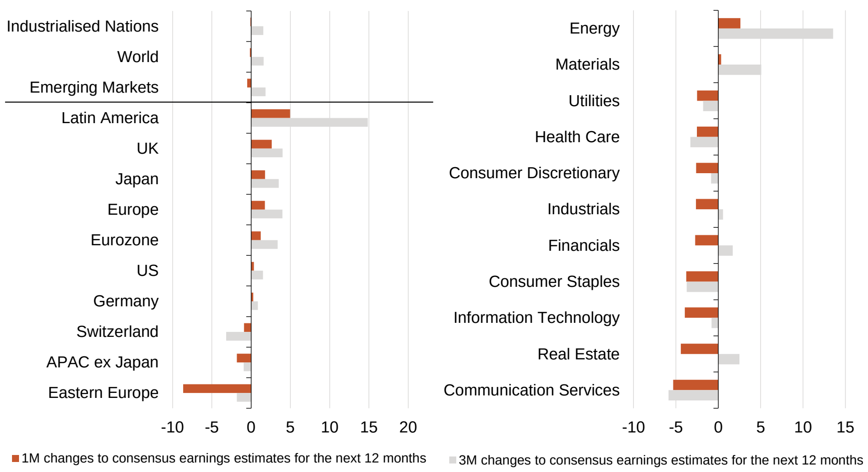
	4-week & YTD		12-month periods over that last 5 years				
	4W (11/02/22 - 11/03/22)	YTD (31/12/21 - 11/03/22)	11/03/21 11/03/22	11/03/20 11/03/21	11/03/19 11/03/20	11/03/18 11/03/19	10/03/17 11/03/18
Health Care	2.2	-5.5	18.9	8.0	7.8	15.1	-7.1
Communication Services	-2.9	-7.2	3.2	15.9	10.5	19.0	3.0
Materials	-3.7	-4.4	7.1	59.3	-15.2	0.4	12.4
Growth	-6.1	-16.3	3.3	29.4	0.2	4.2	4.5
Industrials	-6.1	-14.1	2.0	43.7	-5.6	-1.0	8.0
Energy	-6.6	12.2	23.1	31.2	-38.9	14.7	6.8
Consumer Staples	-7.3	-11.2	8.6	9.5	-3.7	10.0	-3.3
Telecommunications	-7.6	-3.4	1.3	18.2	-18.3	-4.0	-4.8
Information Technology	-8.5	-22.4	-0.5	44.4	1.7	2.3	15.8
Value	-9.4	-4.6	5.8	26.6	-17.8	-0.2	2.9
Finance	-15.9	-9.7	2.6	27.1	-16.0	-11.2	6.6
Consumer Discretionary	-16.0	-20.7	-11.8	57.2	-11.5	-2.1	5.0

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; Communication Services: MSCI Europe Communication Services NR; Utilities: MSCI Europe Utilities NR; Value: MSCI Europe Value NR; Growth: MSCI Europe Growth NR.

- Cyclical sectors such as the financial or consumer goods sector recorded the largest loss in the last four weeks, as these are likely to be hit hardest by a war-related economic downturn.
- Since the beginning of the year, only the energy sector has been able to stay in positive territory thanks to rising energy prices. The biggest losses were recorded by information technology companies.

Total return of European equity sectors and European style indies, 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 usually have less growth potential and are valued lower.
Source: Factset, Time period: 10/03/2017 – 11/03/2022

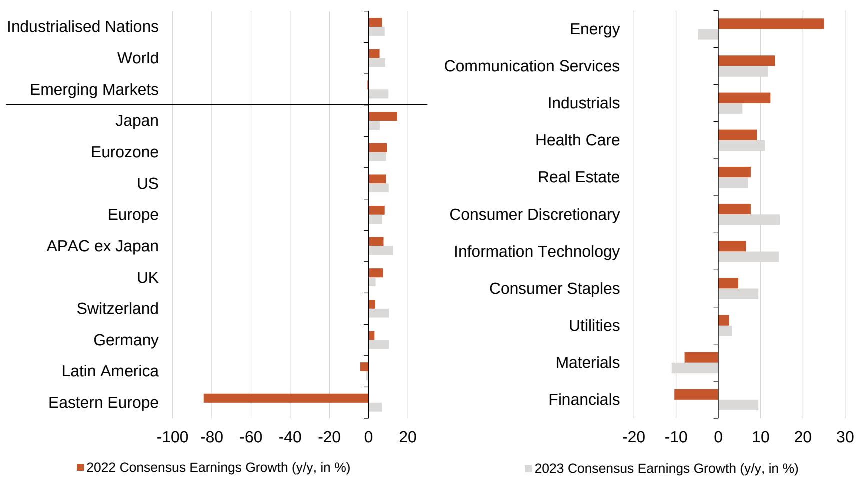
Changes in Consensus Earnings Estimates



- Commodity-heavy regions like Latin America are benefitting from massively rising commodity prices. This is also the view of analysts, who have significantly raised earnings estimates there in the last four weeks.
- The situation is similar at the sector level, where analysts have become more optimistic for energy and basic materials.
- Eastern Europe saw the largest negative profit revisions in recent weeks due to the proximity to the war.

1-month and 3-month changes in consensus earnings estimates for the next 12 months of the regional and Europe sector MSCI indices, in per cent.
Source: FactSet, as of 11/03/2022

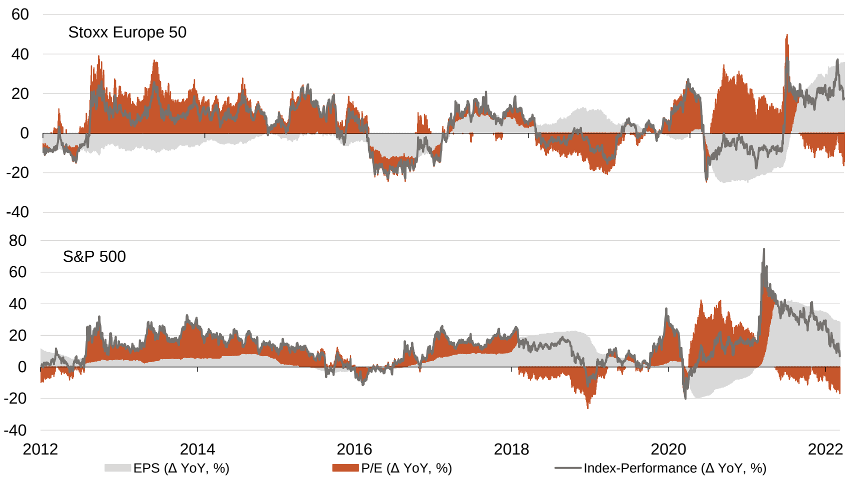
Earnings Growth



- For Eastern Europe, the consensus now assumes a profit decline of over 80% in 2022. In addition, hardly any profit growth is expected in 2023.
- Japan and the Eurozone see the highest earnings growth this year.
- At the sector level, the energy sector sees the greatest earnings growth as a commodity winner, while earnings in the financial sector are expected to fall.

Consensus expected calendar year earnings growth for selected equity regions, year-on-year and in percent. The earnings estimates of the individual companies are aggregated upwards using the index weights ("bottom-up"). Regional and Europe Sector MSCI Indices. APAC ex Japan = Asia Pacific excluding Japan
Source: FactSet, as of 11/03/2022

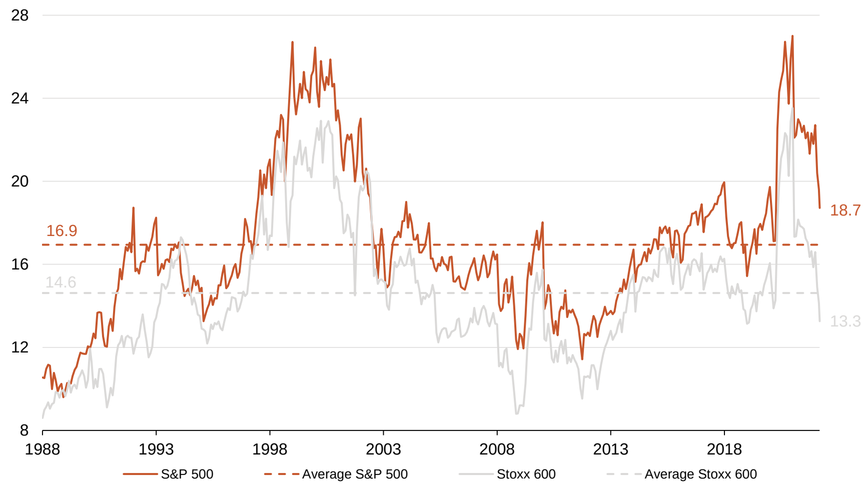
Contribution Analysis



- The year-on-year performance of both the S&P 500 and the Stoxx Europe 50 has continued to fall. The driver in both cases was a falling valuation and thus a widening of the risk premium amid high economic and geopolitical uncertainty.

Analysis of the drivers of stock market development over the last 12 months. The change in earnings estimates and the change in valuation (price-earnings ratio) are taken into account. EPS = earnings per share
Source: Bloomberg, Time period: 01/01/2012 - 11/03/2022

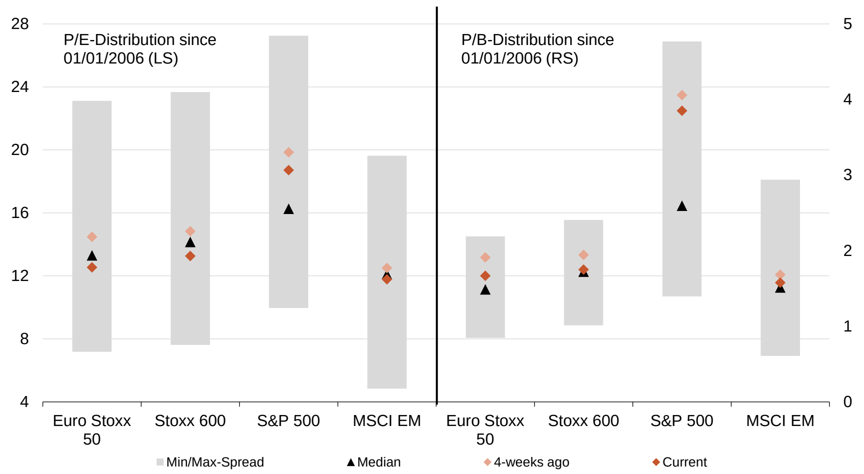
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Still solid earnings developments at index level and simultaneously falling prices caused the P/E ratio to fall significantly in the last two weeks for both the S&P 500 and the Stoxx 600.
- With a P/E ratio of 13.3, the Stoxx 600 is now historically cheap again, while the P/E ratio of the S&P 500 is still above the historical average.

P/E valuation based on earnings estimates for the next twelve months of European and US equities as well as the respective P/E average since 1988. *For the Stoxx 600, the history before 2000 was taken from MSCI Europe.
Source: Bloomberg, IBES Time period: 31/12/1987 - 11/03/2022

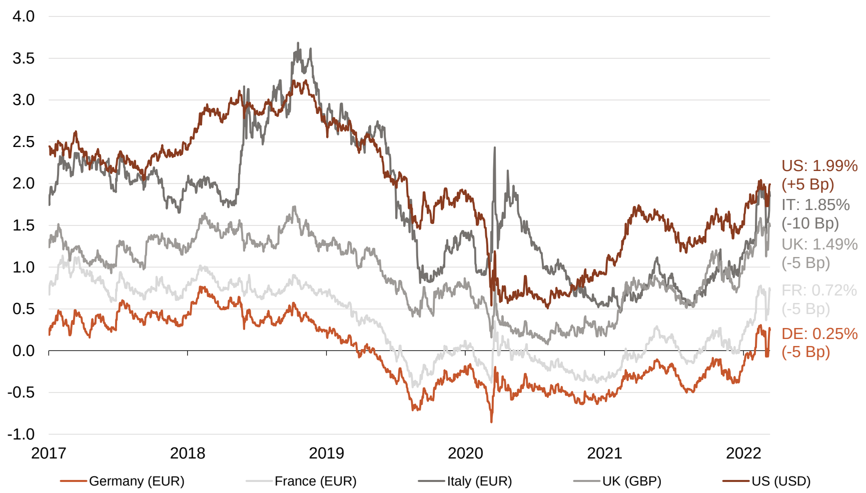
Historical Distribution: Price/Earnings and Price/Book Ratio



- A few weeks ago, emerging market equities such as Chinese stocks were able to hold up much better than developed market equities. In the last two weeks, however, this has changed, leading to a significant fall in valuations. Emerging market equities are now historically fairly valued again.

Historical distribution of valuation ratios for selected equity regions since 2006. In addition to the current value, the observation four weeks ago and the historical median, the maximum (upper limit of the grey bar) and minimum (lower limit of the grey bar) are shown.
Source: Bloomberg, Time period: 01/01/2006 - 11/03/2022

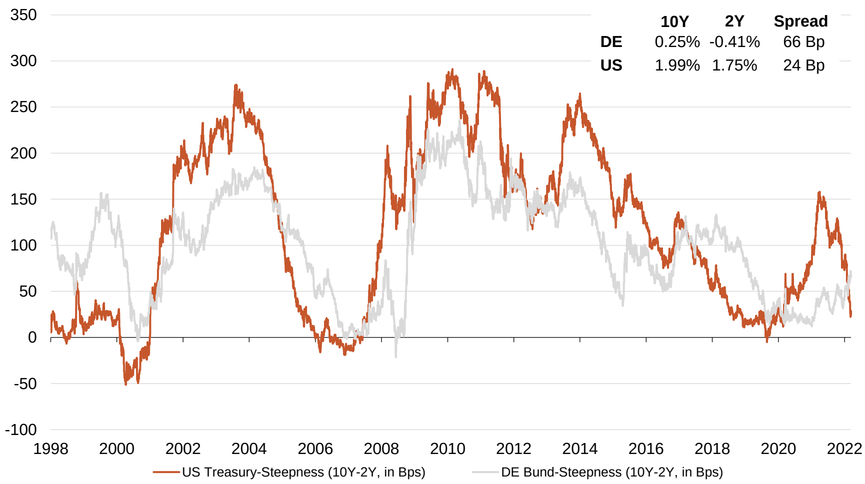
10-Year Government Bond Yields



- The global bond market is currently caught between geopolitics and central bank policy. The increased need for security as a result of the Russia-Ukraine war temporarily led to rising demand for safe havens. Recently, however, inflation concerns and an unexpectedly hawkish (restrictive) ECB took over. Yields have thus remained almost unchanged in the last two weeks.

Effective yield on 10-year government bonds and change over the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2017 – 11/03/2022

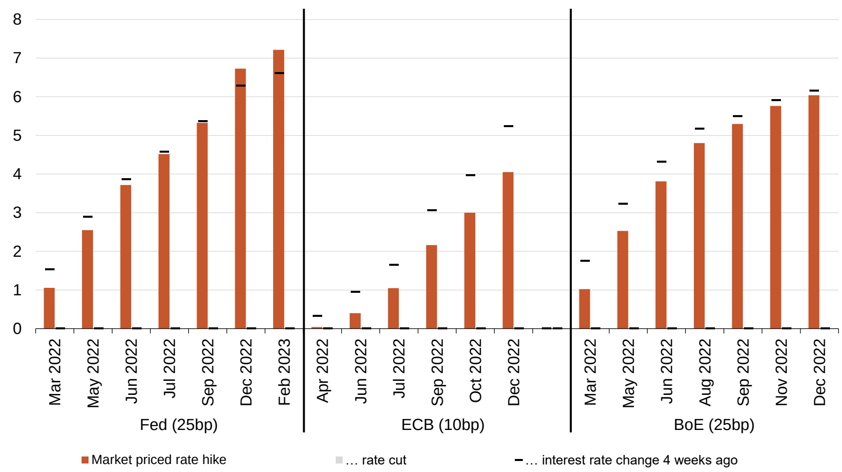
Yield Curve Steepness (10Y - 2Y)



- The US yield curve has continued to fall in the last two weeks and is approaching zero at currently 24bp. The market is thus increasingly pricing in the risk of a recession.
- The German yield curve, on the other hand, has moved only slightly.

The yield curve distinguishes between the so-called short end and the long end. The reason for this is the way in which factors influence yields. Central banks control the short end of the curve through their monetary policy and key interest rates. In contrast, the long end is influenced less by central banks and more by inflation expectations, supply, demand and risk premiums.
Source: Bloomberg, Time period: 01/01/1998 – 11/03/2022

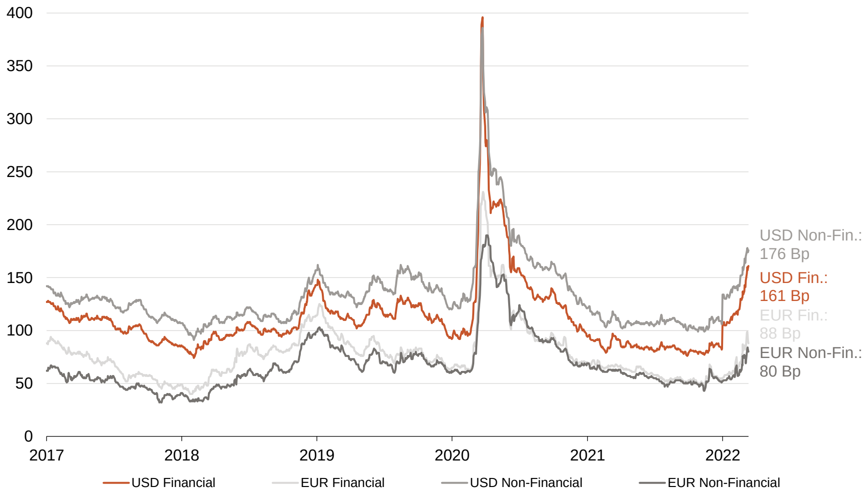
Implicit Changes in Key Interest Rates



- The market is again pricing in seven interest rate steps by the Fed by the end of the year due to a stable US economy and at the same time very high inflation values.
- After the hawkish ECB meeting in March, the market is now again expecting almost four rate hikes of 10bp each until the end of the year.
- The market is now also expecting six rate hikes from the BoE until December.

Derivatives on money market interest rates - such as the fed funds futures - can be used to determine the change (number of steps) in the key interest rate priced by the market.
Source: Bloomberg, Time period: 11/02/2021 – 11/03/2022

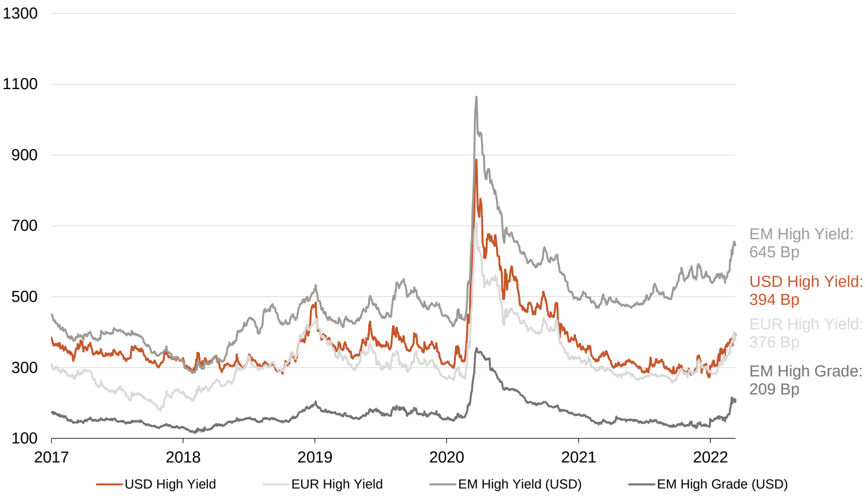
Credit Spreads Financial and Non-Financial Bonds



- The uncertainty is reflected in the corporate bond market. Spreads on investment grade bonds have risen significantly in the last two weeks.
- USD corporate bonds saw spreads widen by more than 20 basis points, compared to below 10 basis points for EUR corporate bonds.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2017 – 11/03/2022

Credit Spreads High Yield and Emerging Markets Bonds



- Spreads on high-yield bonds also increased noticeably. The increase was strongest in emerging market bonds due to Eastern European exposure, which experienced a spread widening of more than 40 basis points.
- USD and EUR high-yield bonds saw spreads rise by more than 20 bp.

How high the risk associated with the corporate bond is is shown by its asset swap spread (in bp). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term as compensation for its credit risk. See further explanation below.
Source: FactSet, Time period: 01/01/2017 – 11/03/2022

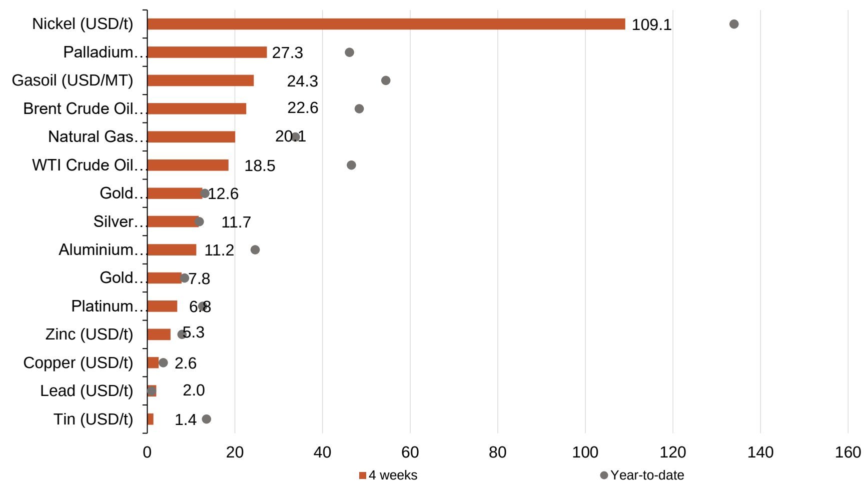
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Rendite (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	11/03/21 11/03/22	11/03/20 11/03/21	11/03/19 11/03/20	11/03/18 11/03/19	11/03/17 11/03/18
EUR Government	0.59	-0.03	8.2	-	-	-	0.1	-3.8	-5.3	-0.5	8.8	2.6	3.0
Germany	0.01	-0.02	8.2	-	-	-	0.2	-3.0	-3.5	-4.3	7.3	4.4	-0.5
EUR Corporate	1.53	0.31	5.1	83	24	59	-1.6	-4.9	-5.3	2.7	3.3	1.3	2.5
Financial	1.49	0.25	4.2	88	23	50	-1.2	-4.2	-4.5	3.0	2.6	1.1	3.0
Non-Financial	1.55	0.34	5.6	80	23	63	-1.8	-5.3	-5.8	2.6	3.8	1.4	2.2
EUR High Yield	4.74	0.68	3.8	376	55	65	-2.8	-6.0	-4.2	11.2	0.2	0.4	5.1
US Treasury	1.99	0.14	7.0	-	-	-	-0.7	-3.9	-2.6	-3.3	14.5	3.8	0.7
USD Corporate	3.55	0.49	7.7	171	36	84	-3.3	-7.8	-4.9	4.1	12.3	3.5	3.4
Financial	3.37	0.53	5.8	161	42	85	-2.8	-6.5	-4.6	4.9	10.4	4.0	2.9
Non-Financial	3.63	0.48	8.6	176	33	87	-3.5	-8.4	-5.0	3.7	13.1	3.3	3.7
USD High Yield	6.27	0.46	4.9	394	37	53	-1.5	-5.4	-1.0	14.2	1.0	4.1	5.2
EM High Grade	4.11	0.87	5.9	209	49	71	-4.8	-8.1	-6.6	3.1	9.6	3.5	3.3
EM High Yield	9.95	1.83	4.3	645	95	78	-9.4	-12.2	-15.4	12.5	4.0	2.9	5.4

- In the last four weeks, yields on safe government bonds have fallen and those on corporate bonds have risen. The driver of the movement in yields on corporate bonds was thus the increase in spreads.
- EM high-yield bonds saw the biggest rise in yields and thus a loss. German government bonds, on the other hand, recorded a small gain.

ICE BofA indices in the following sequence: Euro Government; German Government; Euro Corporate; Euro Financial; Euro Non-Financial; Euro High Yield; US Treasury; US Corporate; US Financial; US Non-Financial; US High Yield; High Grade Emerging Markets Corporate Plus; High Yield Emerging Markets Corporate Plus. EM indices are hard currency bonds.
Source: FactSet, Time Period : 11/03/2017 – 11/03/2022

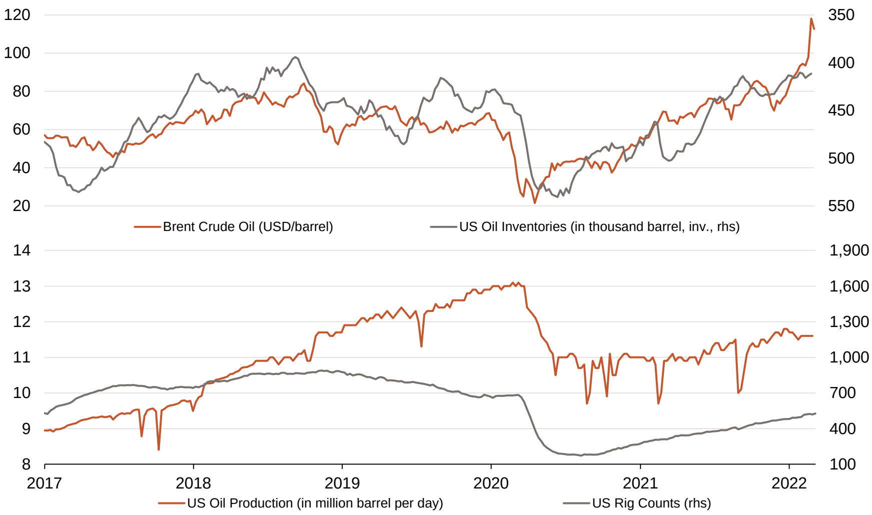
Commodities Performance*



- Over the last few weeks, commodities gained across the board. Nickel, which at times was quoted at over USD 100,000 per tonne, was the main gainer. Nickel inventories were already tight in many cases before the outbreak of war. Low inventories and a significant increase in supply concerns finally led to a "short squeeze" in nickel.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
* Nickel trading paused since 8 March 2022
Source: Bloomberg, Time period:31/12/2021 – 11/03/2022

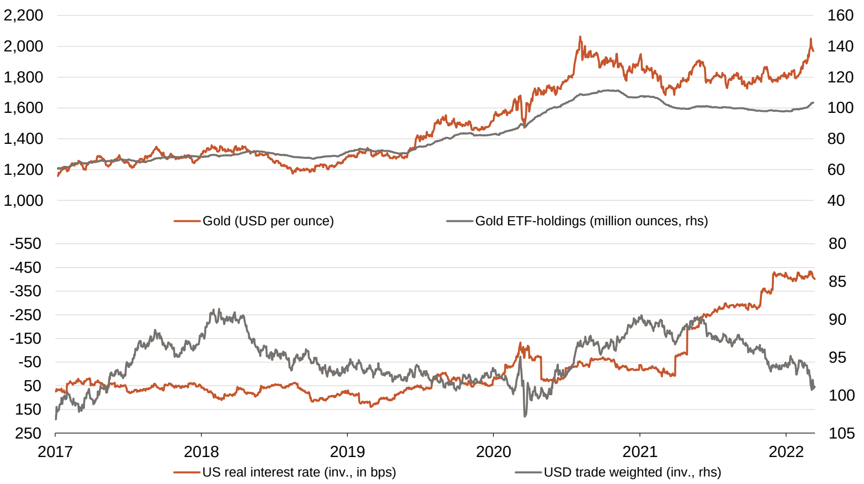
Crude Oil



- Supply concerns driven up by the Russia-Ukraine war boosted crude oil. The situation could be exacerbated by a complete supply shutdown, but alternative sources of supply from OPEC+, Iran, strategic reserves or redistribution towards China could mitigate the shortages.

Higher oil production and higher inventories tend to weigh on oil prices and vice versa. An increase in active oil wells indicates higher oil production in the future.
Source: Bloomberg, Time period: 01/01/2017 – 11/03/2022

Gold



- In the wake of increased uncertainty, investors fled to safe havens like gold. The precious metal therefore gained noticeably over the last few weeks and traded above the 2.000 mark. Gold is likely to lose some of its tailwind if the uncertainty decreases due to a recovery of the war.

The US dollar and the real, i.e. inflation-adjusted, interest rate are among the fundamental price factors of the gold price. Rising real interest rates tend to weigh on the gold price, while falling real interest rates have a supportive effect. The same applies to the US dollar. The development of gold ETF holdings reflects financial investors' demand for gold.
Source: Bloomberg, Time period: 01/01/2017 – 11/03/2022

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IMPORTANT NOTICES

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