BERENBERG
Markets

MONITOR

11 April 2022

Current market commentary

After stock markets had recovered strongly in March, they went downhill in April to date. One reason for this, besides Putin's ongoing war, is that the Fed has increasingly prepared investors for quantitative tightening. A balance sheet reduction has a direct impact on financial markets, as the money from maturing bonds is partly no longer reinvested and liquidity is thus withdrawn from the market. In contrast, key interest rate hikes often have a longer time lag – moreover, the effects tend to affect the economy and only indirectly financial markets. As markets are also less supported by share buyback programmes in the context of the upcoming reporting season, we have reduced our equity exposure after the strong rally at the end of March. However, we remain slightly overweight. This is supported by the positive seasonality and the still pessimistic investor sentiment and positioning. Without an external shock, the downside potential should be limited in the short term.

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

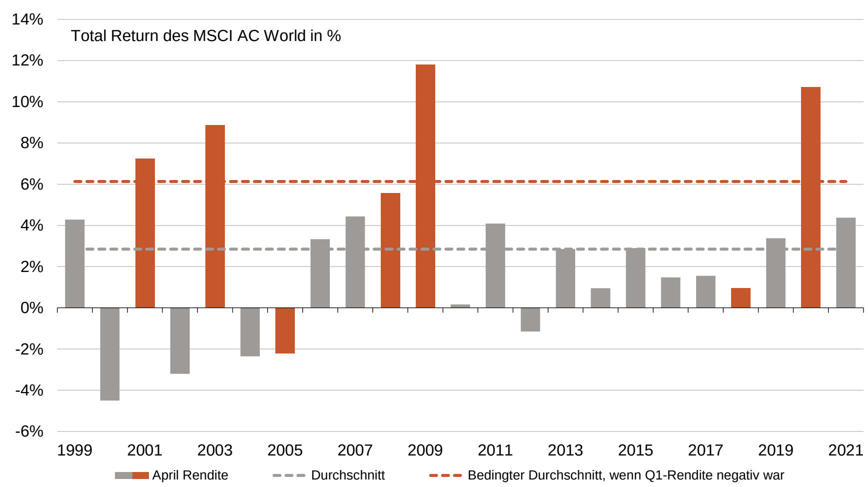
Fundamentals are likely to move markets.

With the upcoming Q1 reporting season, investor focus is likely to return to corporate fundamentals and thus the impact of the significant increase in input costs on earnings. Over the next two weeks, more than 25% of the Stoxx 600 and 50% of the S&P 500 report by market cap. Politically, the French presidential election (second round held on 24 April) and, in terms of monetary policy, the ECB meeting on 14 April are likely to keep markets busy.

After Easter, preliminary purchasing managers' indices are expected to show the sentiment among companies.

This Tuesday, the ZEW economic expectations (Apr.) for Germany and inflation data (Mar.) for the US are due. This will be followed on Wednesday by inflation data (Mar.) for the UK, producer prices (Mar.) for the US and industrial production data (Feb.) for the eurozone. Retail sales (Mar.) and consumer confidence (Apr.) for the US will be published on Thursday and industrial production (Mar.) on Friday. Preliminary Purchasing Managers' Indices (Apr.) for Europe and the US will be published the following week.

April historically tends to be the best month for global equities



- April was historically the best month for global equities. Since 1999, they have averaged almost 3% in April (vs. 0.4% in all other months) and the last negative April was 10 years ago.
- Historically, performance has been even better when the previous quarter had a negative return – just like this year. Then global equities returned 6% on average.
- One reason for this could be the dividend payments.

Source: Bloomberg, Time period: 31/12/1998 - 30/04/2021

Multi Asset

	4W (11/03/22 - 08/04/22)	YTD (31/12/21 - 08/04/22)	08/04/21 08/04/22	08/04/20 08/04/21	08/04/19 08/04/20	08/04/18 08/04/19	07/04/17 08/04/18
REITs	7.9	0.1	29.3	11.2	-9.8	23.9	-15.8
MSCI World	6.7	-2.0	15.7	38.1	-4.7	16.5	-2.2
MSCI Emerging Markets	4.5	-3.7	-5.9	43.0	-14.5	4.6	6.7
MSCI Frontier Markets	4.2	-2.4	18.0	28.5	-16.2	-5.5	8.1
Global Convertibles	4.1	-4.5	-1.7	63.7	-1.2	20.8	-5.0
USDEUR	0.3	4.6	9.6	-8.9	3.8	9.1	-13.8
Euro overnight deposit	0.0	-0.2	-0.6	-0.5	-0.4	-0.4	-0.4
EUR Coporates	-1.0	-6.1	-6.8	8.8	-3.2	2.3	1.3
Gold	-1.7	11.3	21.5	-2.8	31.6	6.1	-8.4
EUR Sovereign Debt	-2.2	-4.5	-5.4	2.3	0.9	1.2	1.1
Brent	-3.3	49.6	109.1	49.4	-44.7	19.6	5.7
Industrial Metals	-7.1	29.1	59.5	44.2	-19.8	4.4	-1.6

4-week & YTD; 12-month periods over that last 5 years

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.

- The winners since the beginning of the year – gold, oil and industrial metals – are now the laggers together with European government bonds.
- Equity markets bounced back over the past month and were up across all regions.
- REITs were among the winners over the last four weeks despite their interest rate sensitivity and thanks to their defensive characteristics.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 08/04/2017 – 08/04/2022

Equities

	4W (11/03/22 - 08/04/22)	YTD (31/12/21 - 08/04/22)	08/04/21 08/04/22	08/04/20 08/04/21	08/04/19 08/04/20	08/04/18 08/04/19	07/04/17 08/04/18
Stoxx Europe Defensives	10.4	6.7	23.3	14.9	-6.0	12.9	-1.5
Stoxx Europe 50	8.8	0.1	15.2	25.1	-10.0	9.0	-1.8
MSCI UK	8.5	7.8	22.3	26.1	-22.6	9.1	-0.5
S&P 500	7.3	-1.0	21.8	38.1	0.5	23.6	-2.7
Stoxx Europe Small 200	5.6	-10.4	-0.2	50.0	-14.6	3.5	6.3
MSCI EM Eastern Europe	5.3	-78.4	-73.8	17.9	-14.3	11.9	4.8
Euro Stoxx 50	4.8	-9.9	-1.1	42.4	-14.9	3.7	-0.1
DAX	4.8	-10.1	-6.0	47.1	-13.6	-2.3	0.1
Stoxx Europe Cyclicals	4.5	-8.9	2.2	53.9	-20.6	1.4	3.1
MSCI EM Asia	3.7	-5.7	-10.2	46.0	-9.2	5.1	8.3
MSCI USA Small Caps	2.4	-4.5	3.9	72.1	-20.5	18.0	-3.3
MSCI Japan	1.6	-7.2	-4.0	27.5	-3.2	2.3	3.7

4-week & YTD; 12-month periods over that last 5 years

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.

- After the sell-off until mid-March, stock markets have recently recovered. Defensive stocks led the way and Eastern European stocks posted positive performance for the first time since the Russian invasion began.
- Large caps held up better than small caps over the past four weeks.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 08/04/2017 – 08/04/2022

Fixed Income

	4W (11/03/22 - 08/04/22)	YTD (31/12/21 - 08/04/22)	08/04/21 08/04/22	08/04/20 08/04/21	08/04/19 08/04/20	08/04/18 08/04/19	07/04/17 08/04/18
EM Local Currency Bonds	1.4	-3.8	-3.3	5.1	-4.2	2.4	-2.5
EUR High Yield	0.8	-5.2	-4.0	20.4	-8.6	2.5	4.4
EM Hard Currency Bonds	0.5	-7.7	-1.7	6.9	-3.5	13.2	-9.7
Chinese Gov Bond	0.5	1.0	6.0	-1.0	8.2	7.0	0.9
USD High Yield	-0.7	-6.1	-2.7	24.8	-8.4	6.3	3.7
EUR Financials	-0.8	-5.5	-6.0	8.2	-2.9	2.1	1.7
EUR Non-Financials	-1.2	-6.6	-7.3	9.2	-3.4	2.4	1.0
Gilts	-2.0	-8.1	-4.0	-4.5	10.9	4.7	-2.4
USD Corporates	-2.2	-9.9	-7.5	9.3	5.7	4.7	2.5
Treasuries	-2.9	-3.1	2.8	-12.1	17.9	13.0	-13.3
BTPs	-3.0	-6.4	-8.4	8.7	7.0	-2.2	4.8
Bunds	-3.3	-6.2	-6.7	-0.5	2.6	3.8	-1.1

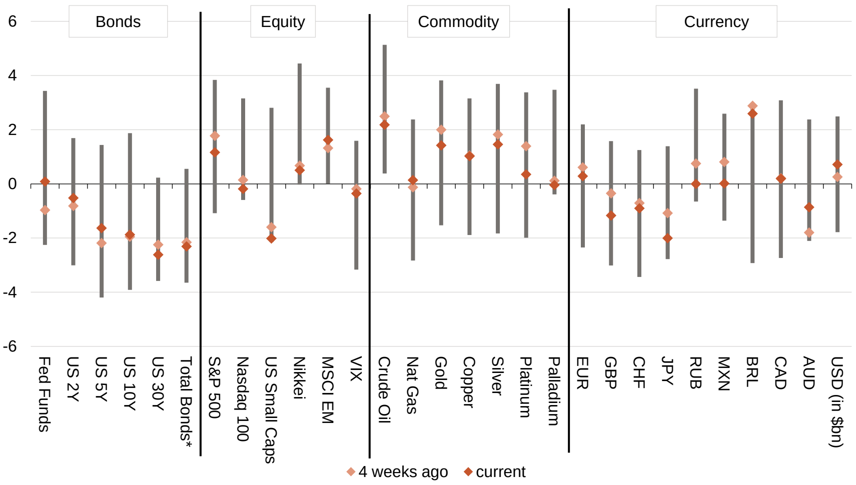
4-week & YTD; 12-month periods over that last 5 years

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

- Bond markets showed a mixed picture over the last month. Emerging market local and hard currency bonds led the way over the last four weeks. European high-yield bonds and Chinese government bonds also made gains.
- Yields on safe government bonds continued to climb and thus US and German government bonds were among the losers.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 08/04/2017 – 08/04/2022

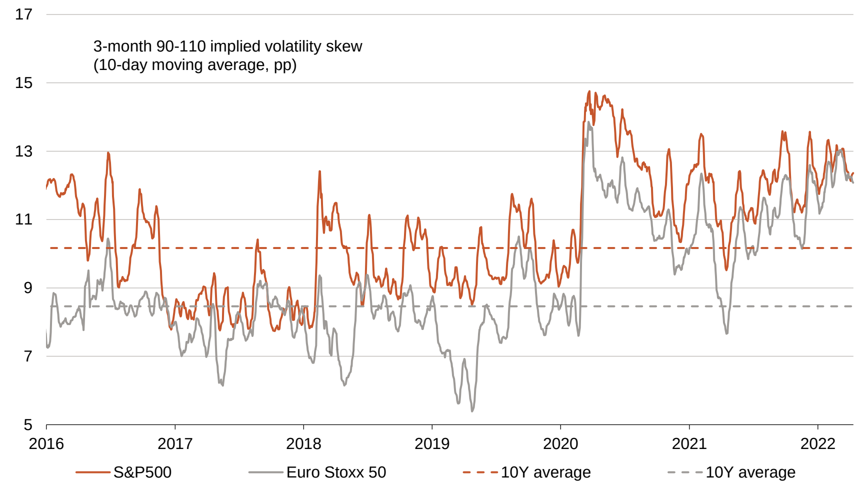
Non-Commercial Positioning



- The preferences of hedge funds have had little change in recent weeks. They remain short bonds and long commodities.
- Within equities, they have increased their net short positions in US small caps to a 10-year high. And they are now also short technology stocks.

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: 05/04/2012 - 05/04/2022

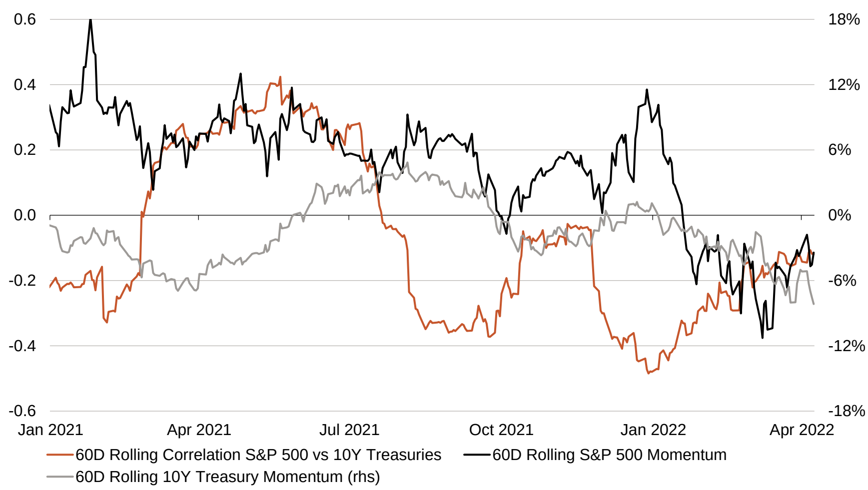
Put-Call-Skew



- The put-call skew has not changed significantly in the last two weeks. This is surprising given the sharp drop in implied volatility over the last few weeks.
- The fear of falling prices relative to the hope of rising prices remains above-average in a historical context.

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: 08/04/2012 - 08/04/2022

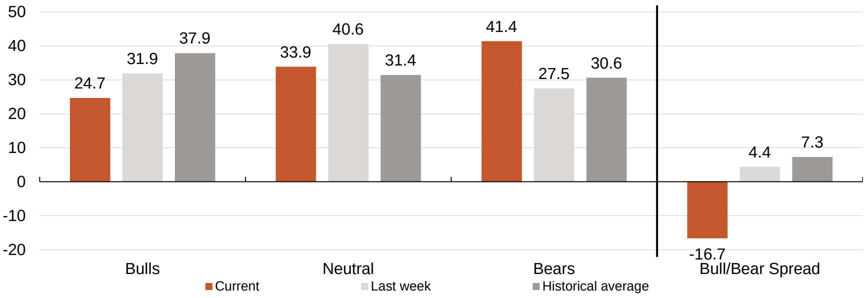
60-Day Momentum and Correlation

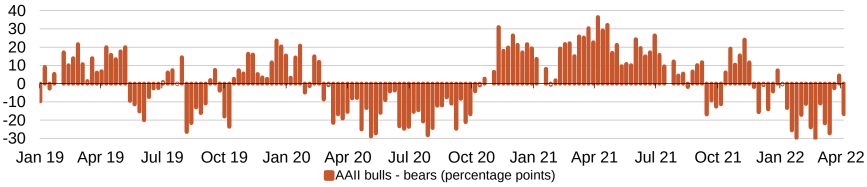


- After the S&P 500 rallied impressively fast at the end of March (boosted by short-term momentum strategies, among other things), it has run out of steam since the beginning of April. Accordingly, momentum has remained slightly negative over the last 60 days.

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 - 08/04/2022

AAII Sentiment Survey (Bulls vs Bears)

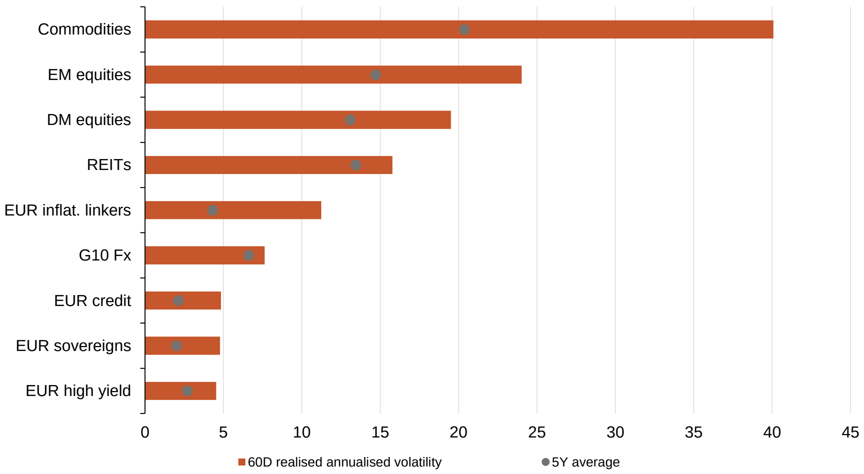




- The previous week's positive sentiment among US private investors for the first time this year was short-lived. Currently, the bears outweigh the bulls again by just under 17 ppts.

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 – 07/04/2022

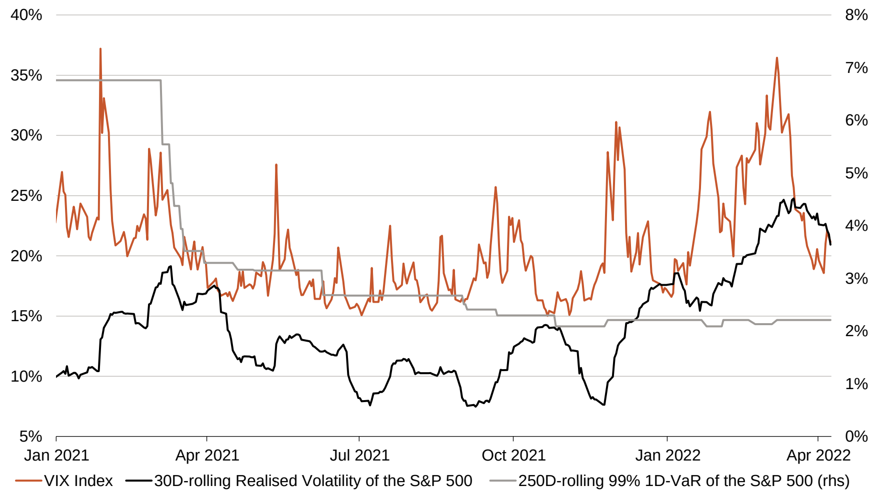
Realised Volatilities



- All of the asset classes presented here are currently showing above-average realised volatility.
- In the case of commodities, the volatility of 40% is even almost twice as high as the average over the past 5 years.

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: 31/12/2017 - 08/04/2022

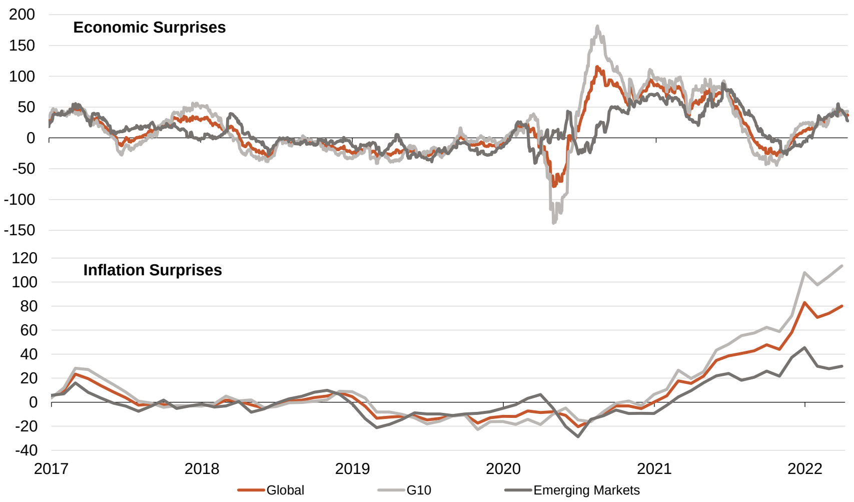
Volatility and Value-at-Risk of the S&P 500



- With implied volatility falling sharply over the past few weeks, risk-based investment strategies most likely have ramped up their previously low equity allocations, giving markets a tailwind. However, recent hawkish comments from the Fed have brought uncertainty once again.

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 - 08/04/2022

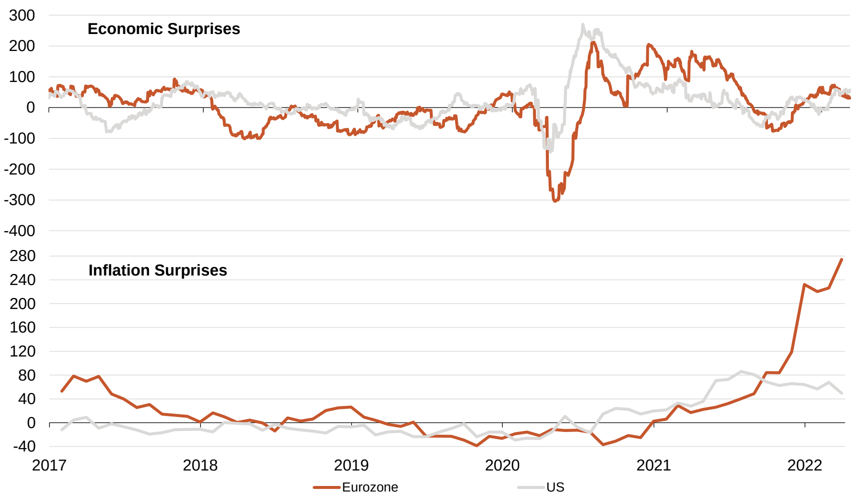
Global



- Global economic data continued to surprise positively, even if the positive economic surprises have recently diminished. The Purchasing Managers' Index data was particularly disappointing, including in the US, the Eurozone and China.
- Global inflation data was underestimated and surprised further to the upside.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 08/04/2022

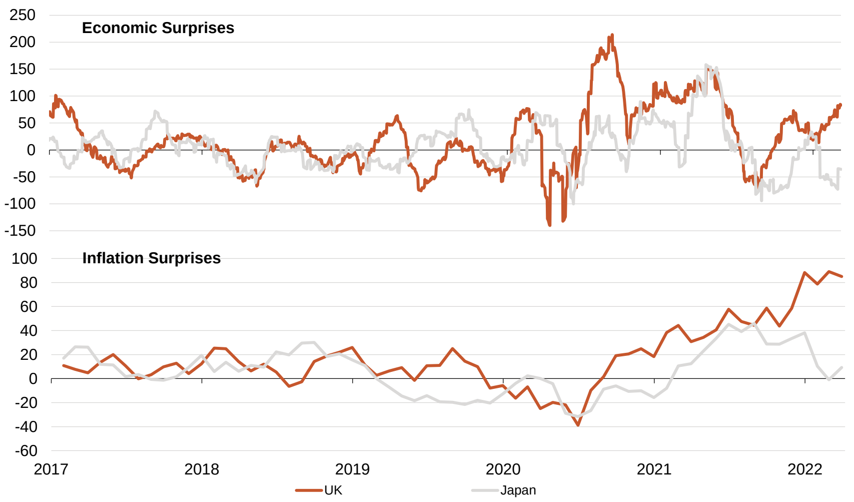
Eurozone and US



- In both the US and the Eurozone, positive economic surprises have dominated in recent weeks. In the Eurozone, the positive economic surprises decreased slightly, in the US they continued to move sideways.
- In the US, quarterly gross domestic product (GDP) data and consumer discretionary data disappointed.
- In the Eurozone, the unemployment rate, Sentix investor confidence and monthly retail sales were below expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 08/04/2022

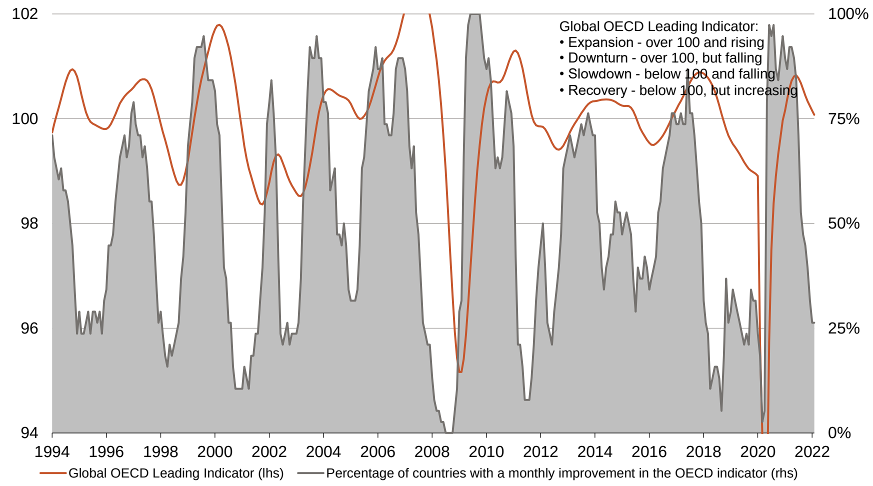
UK and Japan



- In the UK the positive economic surprises continued to rise, in Japan, due to the preponderance of negative surprises, this has recently decreased significantly and the index has taken a clear upward leap.

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 - 08/04/2022

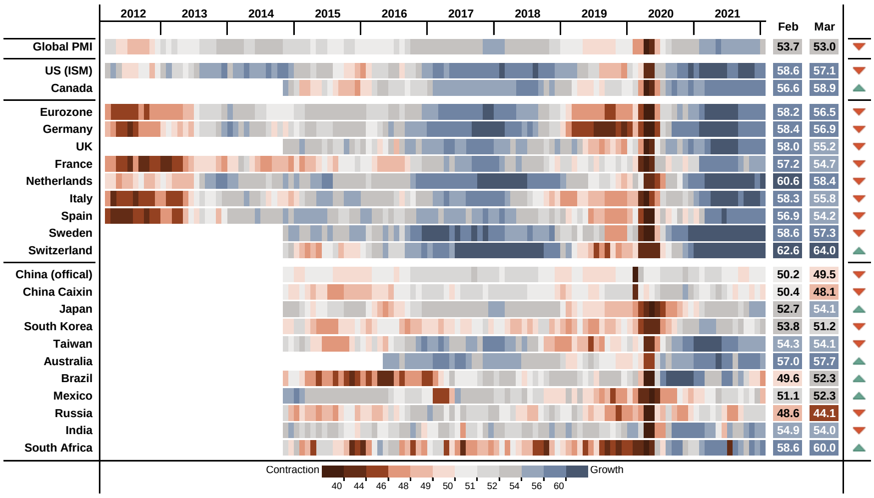
OECD Leading Indicator



- The OECD leading indicator has recently continued its downward trend and is increasingly approaching the 100 mark. The downward movement towards the important core mark points to an economic downturn.
- This picture is also confirmed 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

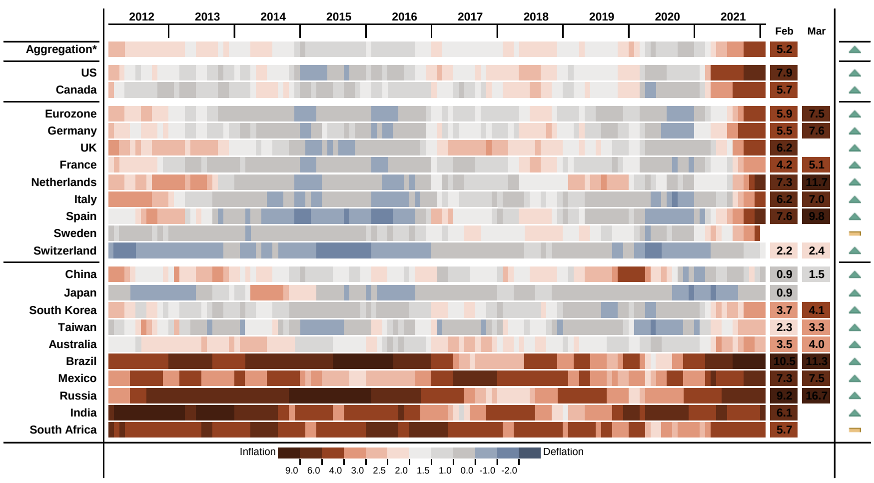
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The preliminary Purchasing Managers' Index data for March showed a noticeable downward trend.
- While the PMI fell globally in the aggregate, the US, the Eurozone, China, Russia and India, it rose in Japan, Switzerland and South Africa.

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 – 08/04/2022

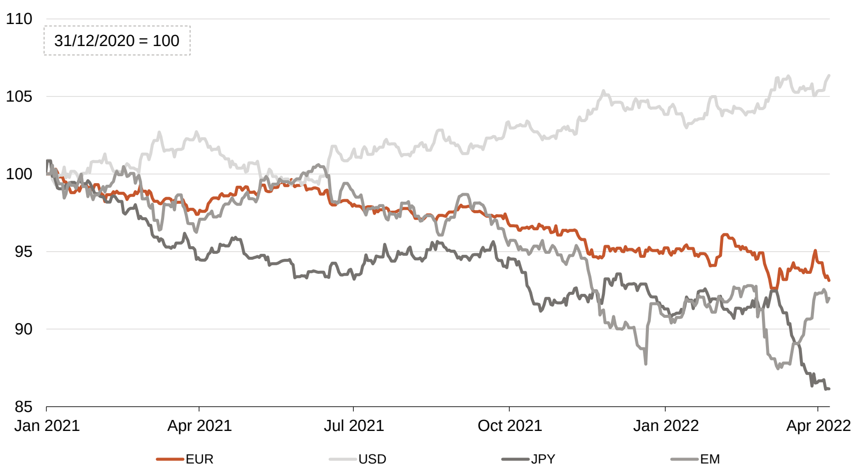
Headline Inflation



- Consumer prices in the Eurozone continued to rise in March. After a significant upward movement, the inflation rate for the Eurozone and Germany was 7.5 and 7.6 respectively. The trend was even more pronounced in Spain and the Netherlands. Here, the year-on-year measure of inflation is 9.8 and 11.7 respectively.
- But prices are rising not only in Europe but also in Asia.

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: 01/01/2012 – 08/04/2022

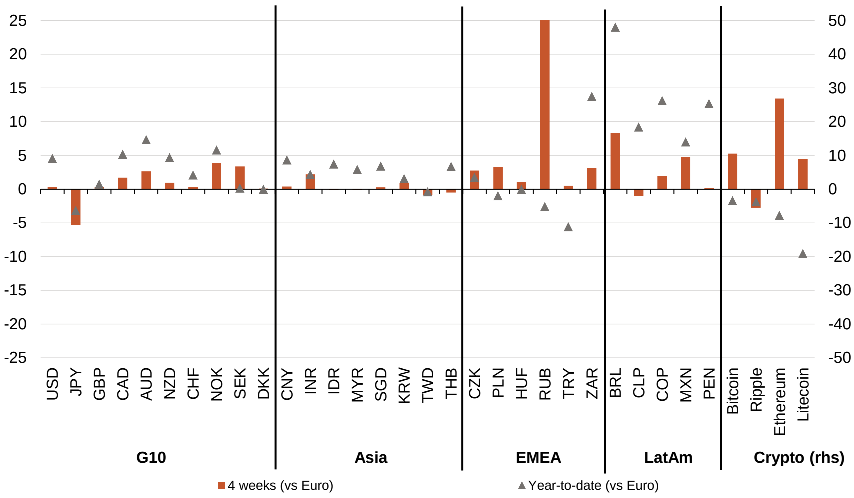
Trade-Weighted Currency Development



- The Japanese yen continued its downward trend in recent weeks as the Bank of Japan's expansionary stance seems unshakeable.
- Emerging market currencies in the aggregate have recently recovered their significant losses since the beginning of Putin's war. In addition to the rally of the rouble, Latin American currencies in particular also made strong gains.

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 - 08/04/2022

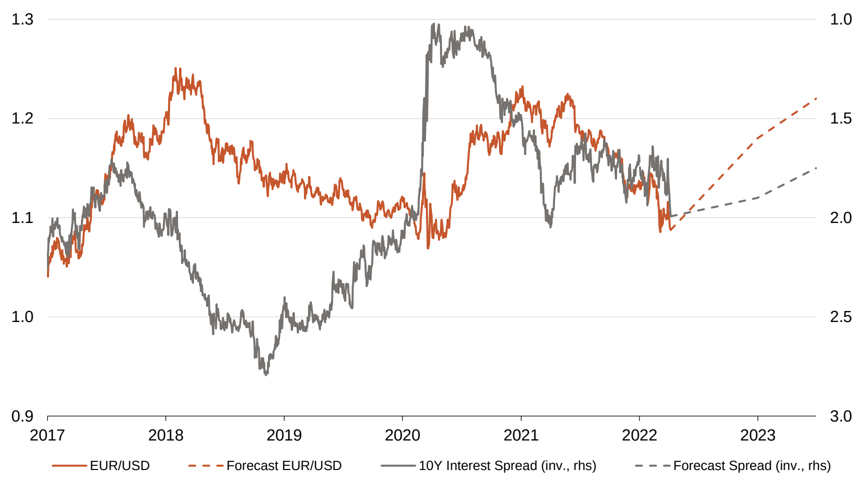
Currency Moves vs Euro



- The all-time winner over the last four weeks has been the Russian rouble. The rouble initially lost almost 40% after the outbreak of war, as international investors withdrew their money, but since the low it has gained over 75%. All in all, the rouble is now trading higher against the euro than it did before the outbreak of the war.
- The reason for the recovery is Russia's balance of payments. While exports in the form of oil and gas continue to flow to the West, imports from the West have fallen dramatically.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2021 - 08/04/2022

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



- The EUR/USD exchange rate remains below the 1.10 mark.
- The Fed's recent surprisingly restrictive comments on quantitative tightening would have suggested a further appreciation of the dollar. However, the exchange rate has hardly reacted. It seems as if the euro has found its base for the time being.

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 - 30/06/2023

European Sector & Style Performance

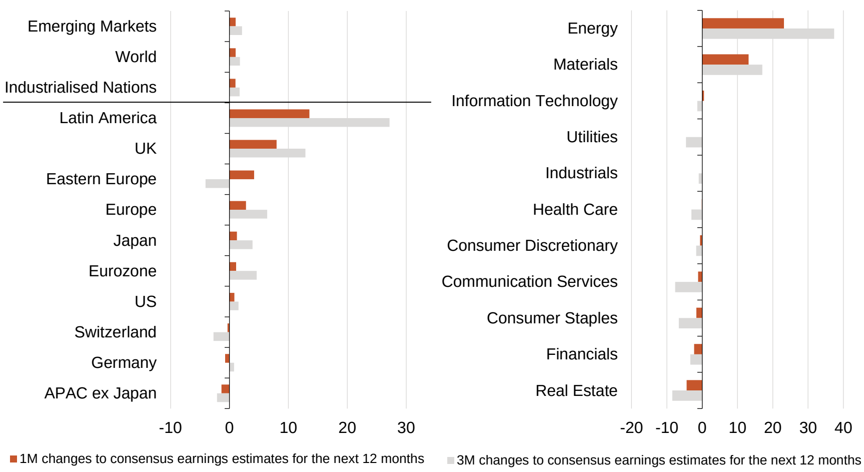
	4-week & YTD: 4W (11/03/22 - 08/04/22)	4-week & YTD: YTD (31/12/21 - 08/04/22)	12-month periods over that last 5 years: 08/04/21 08/04/22	08/04/20 08/04/21	08/04/19 08/04/20	08/04/18 08/04/19	07/04/17 08/04/18
Health Care	14.5	8.2	32.1	7.0	9.7	17.5	-7.8
Communication Services	9.4	-2.8	11.6	13.1	-4.2	12.1	-4.7
Energy	8.8	22.1	46.6	9.8	-36.4	14.5	8.3
Utilities	8.2	0.4	6.2	33.0	0.0	15.7	0.7
Telecommunications	8.1	4.4	6.5	23.5	-21.3	-1.1	-5.5
Growth	7.6	-9.9	7.0	33.1	-3.1	9.7	0.6
Finance	7.4	-3.0	7.8	46.0	-27.9	-5.3	3.5
Materials	7.2	2.5	13.0	58.5	-18.7	9.7	5.0
Value	6.9	2.0	10.4	36.0	-24.4	3.5	0.9
Information Technology	4.8	-18.6	-2.9	50.8	-0.6	14.1	5.8
Consumer Discretionary	3.9	-17.6	-10.8	64.5	-17.1	0.8	4.8
Industrials	0.7	-13.5	-1.1	58.7	-15.8	6.8	1.1

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.

- The search for security has boosted the defensive healthcare sector. Over the past four weeks, healthcare stocks have gained more than 10%. Since the beginning of the year, only energy stocks have developed better.
- Cyclical sectors such as industrials and consumer staples, on the other hand, suffered from market participants' fears of recession.

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: 08/04/2017 – 08/04/2022

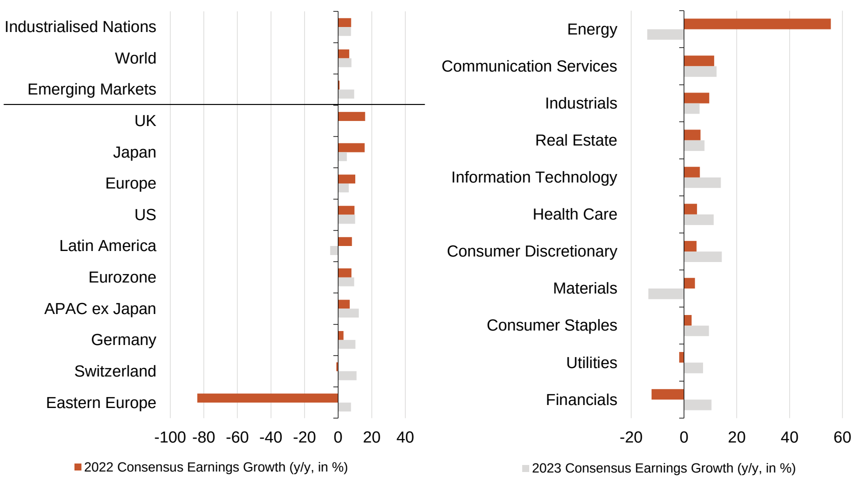
Changes in Consensus Earnings Estimates



- Latin America and the UK saw the most positive earnings changes on both a 1- and 3-month basis. Analysts are also becoming more confident again for Eastern Europe.
- Sectorally, the energy and basic materials sectors continue to be on the top. Possible longer-term increases in raw material prices are boosting business, which analysts are increasingly factoring into their estimates.

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 08/04/2022

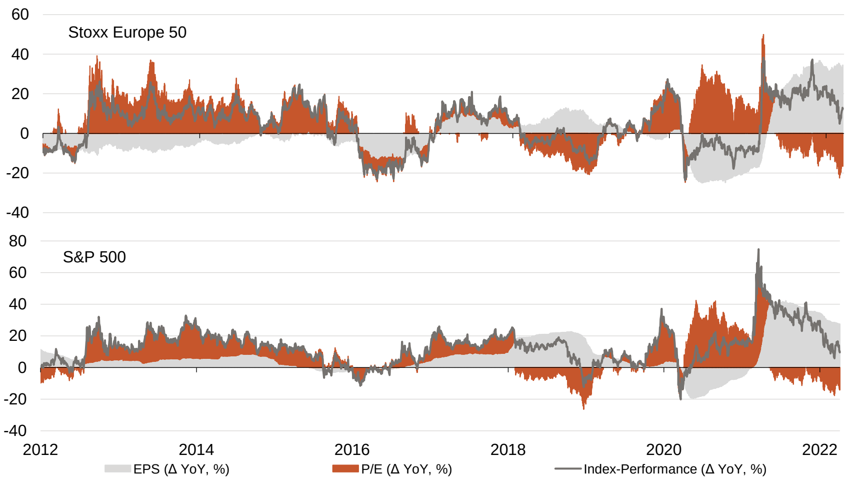
Earnings Growth



- According to consensus, Japan, closely followed by the UK, should continue to see the largest earnings growth in 2022. Profits in Switzerland, on the other hand, are expected to fall slightly.
- The analysts now see 2022 earnings growth for the energy sector at more than 50%. Profits should then normalise somewhat again in 2023.

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 08/04/2022

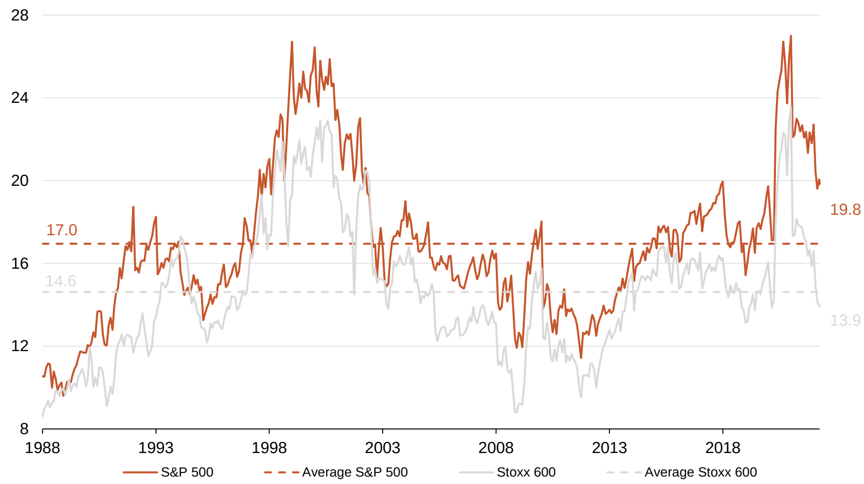
Contribution Analysis



- In a year-on-year comparison, both the S&P 500 and the Stoxx Europe 50 continue to show a positive development. While the earnings trend has been supportive over this period, the valuation squeeze has been a burdening factor, but this has recently less strong. The upcoming reporting season will show whether earnings continue to be supportive.

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 - 08/04/2022

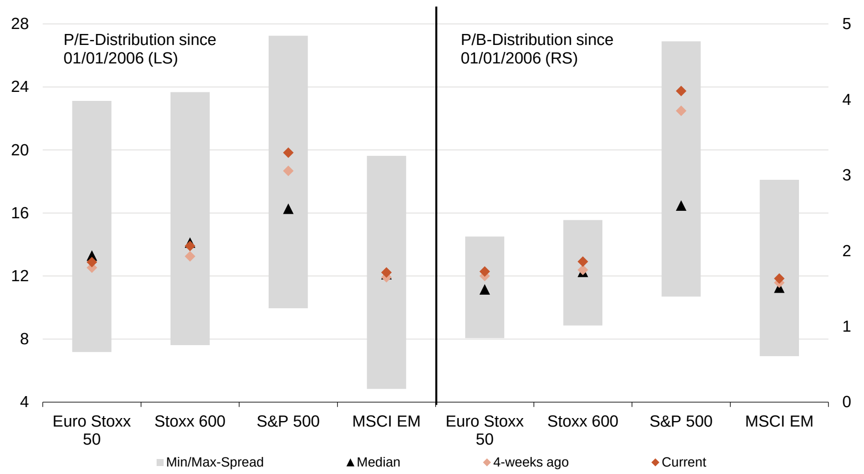
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The P/E ratios of the S&P 500 and the Stoxx 600 have changed little in the last two weeks. The S&P 500 continues to trade at a P/E ratio of close to 20, while the Stoxx 600, with a P/E ratio of under 14, is still slightly cheap historically - especially in relative terms.

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, Factset, Time period: 31/12/1987 - 08/04/2022

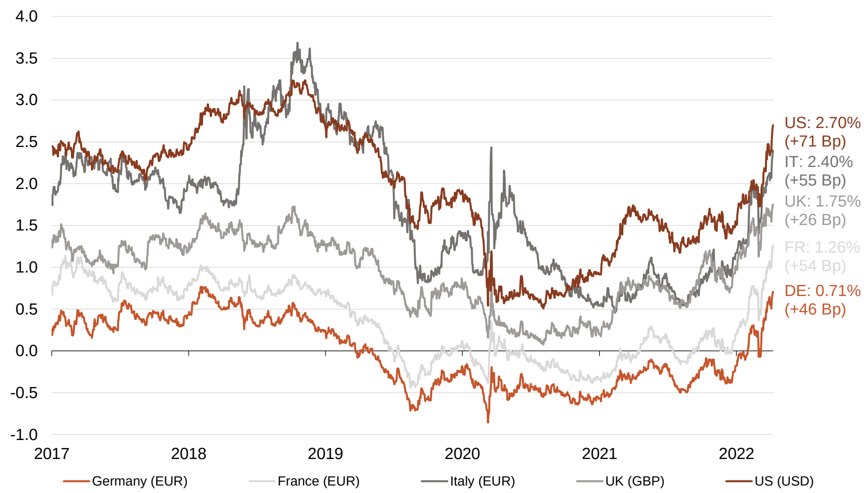
Historical Distribution: Price/Earnings and Price/Book Ratio



- Over the last four weeks, the P/E ratios of the Euro Stoxx 50 and the MSCI EM have remained almost unchanged. The Stoxx 600 and S&P 500 saw valuations rise, also due to a noticeable market recovery.
- Europe is also significantly cheaper than the US at book value level. In the US, an investor pays on average four times the book value of a company.

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 - 08/04/2022

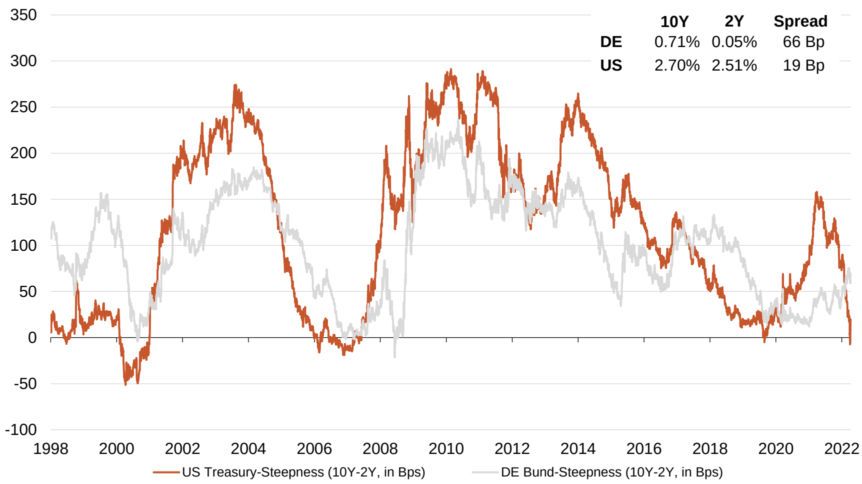
10-Year Government Bond Yields



- The global bond market remains under pressure. Government bond yields have also risen significantly in recent weeks. At 0.71%, yields on 10-year German government bonds were at their highest level since 2018, and yields on 10-year US government bonds reached a level of 2.70% in the meantime.

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 - 08/04/2022

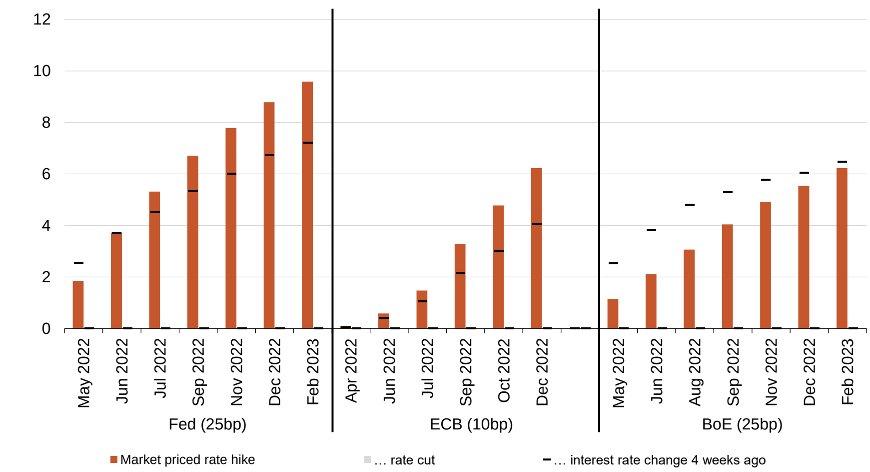
Yield Curve Steepness (10Y - 2Y)



- The US yield curve has inverted in recent weeks for the first time since 2019. Many investors therefore believe that a recession is very likely in the near future.
- The German yield curve, on the other hand, remains in positive territory.

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 - 08/04/2022

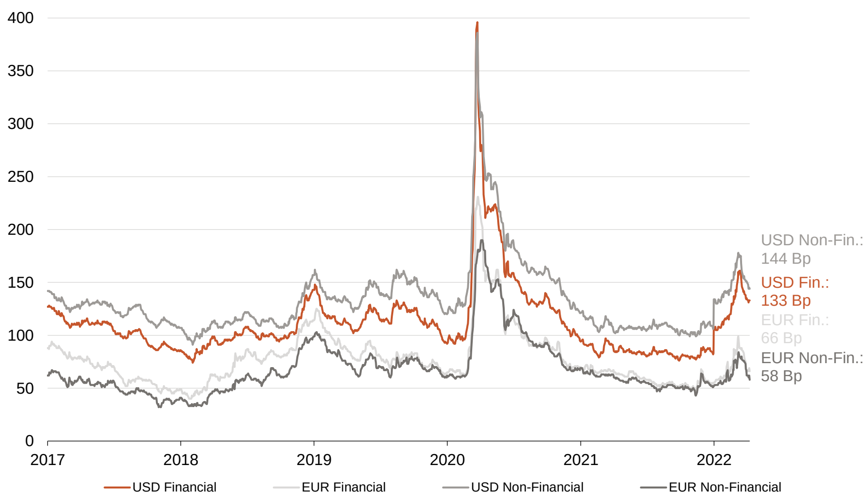
Implicit Changes in Key Interest Rates



- The market expects almost nine more rate hikes by the Fed this year, which would correspond to a key interest rate of more than 2.5%. Moreover, according to the March minutes, the Fed's balance sheet reduction will be carried out faster than the market expects.
- In Europe, on the other hand, the market sees a key interest rate of 0,1% by the end of the year with six interest rate steps.

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: 11/03/2021 - 08/04/2022

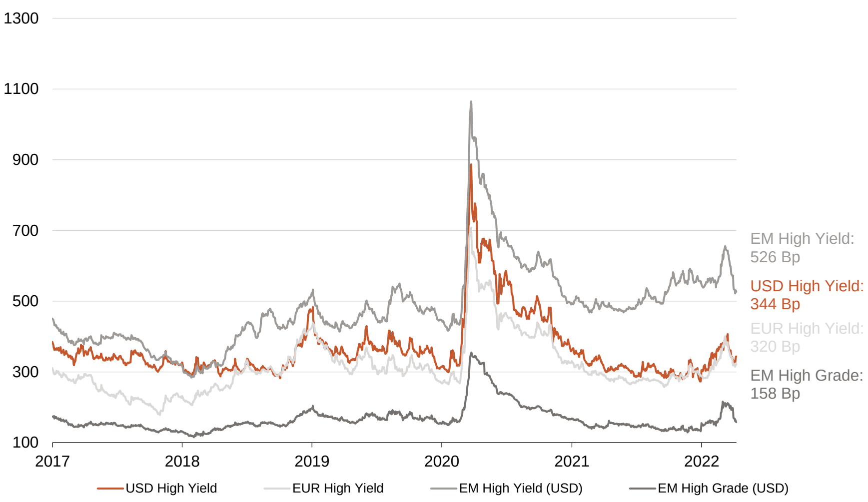
Credit Spreads Financial and Non-Financial Bonds



- Spreads on IG corporate bonds have recently fallen again after a sharp rise at the beginning of March. Even if a progressive easing of tensions in the Russia-Ukraine war could lead to tighter spreads, we do not expect a sustained and pronounced rally. Geopolitical risks, high commodity prices and the ECB in retreat may cause further volatility in corporate bonds.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2017 – 08/04/2022

Credit Spreads High Yield and Emerging Markets Bonds



- Spreads on EM high-yield bonds have fallen significantly in recent weeks, also thanks to a stabilisation of the Chinese real estate bond market. The recent risk-on environment has also helped.
- EUR and USD high-yield bonds have also benefited from a Russia-Ukraine war that has not escalated further.

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 – 08/04/2022

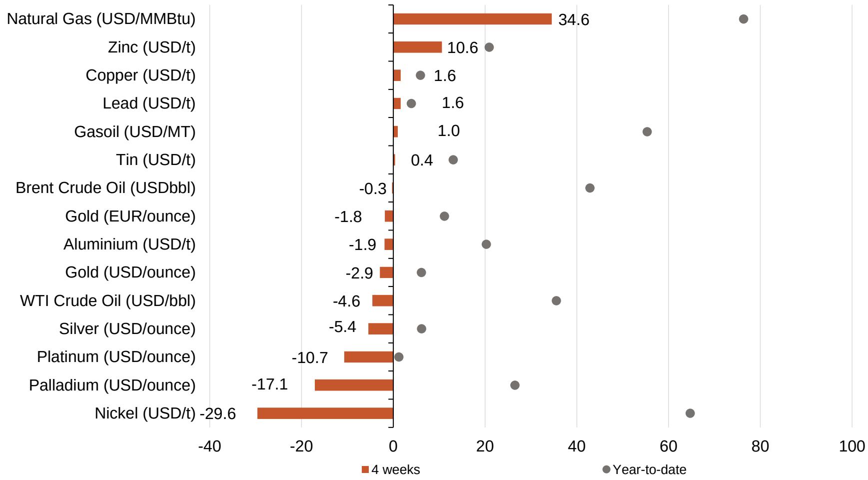
Bond Segments Overview

		Key figures			Asset Swap Spread			Total Return (%, local)						
		Rendite (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	08/04/21 08/04/22	08/04/20 08/04/21	08/04/19 08/04/20	08/04/18 08/04/19	08/04/17 08/04/18
EUR Government	MLEG00	1.04	0.65	8.0	-	-	-	-4.8	-7.0	-8.1	3.5	3.5	2.0	2.4
Germany	MLG0D0	0.45	0.62	8.0	-	-	-	-4.7	-6.3	-6.7	-0.5	2.6	3.9	-1.2
EUR Corporate	MLER00	1.74	0.35	5.1	61	-28	18	-1.9	-6.1	-6.7	8.6	-3.0	2.3	1.4
Financial	MLEB00	1.73	0.33	4.2	66	-33	18	-1.2	-5.0	-5.5	7.4	-2.3	2.0	1.9
Non-Financial	MLEN00	1.75	0.36	5.6	58	-25	23	-2.2	-6.6	-7.4	9.4	-3.4	2.4	1.1
EUR High Yield	MLHE00	4.63	-0.16	3.8	320	-81	41	1.1	-5.2	-4.0	20.4	-8.6	2.5	4.4
US Treasury	MLG0Q0	2.69	0.82	6.8	-	-	-	-4.7	-7.6	-6.1	-4.1	14.2	3.8	0.2
USD Corporate	MLC0A0	3.93	0.52	7.7	140	-33	59	-3.2	-9.9	-7.5	9.3	5.7	4.7	2.5
Financial	MLCF00	3.82	0.61	5.7	133	-27	63	-2.8	-8.3	-6.8	8.5	5.7	4.9	2.0
Non-Financial	MLCF0X	3.98	0.48	8.5	144	-34	62	-3.4	-10.6	-7.8	9.7	5.7	4.6	2.7
USD High Yield	MLH0A0	6.56	0.44	4.8	344	-48	30	-1.3	-6.1	-2.7	24.8	-8.4	6.3	3.7
EM High Grade	MLEMIB	4.09	0.10	5.8	158	-54	28	-3.1	-10.0	-8.5	9.7	1.5	5.0	2.0
EM High Yield	MLEMHB	8.99	-0.99	4.4	526	-130	43	1.8	-10.0	-13.7	26.8	-8.5	4.0	4.3

- Government bonds have cost investors a lot of money in the last four weeks. Government bonds in the euro area, for example, fell by almost 5%. EUR corporate bonds, on the other hand, fared much better thanks to falling spreads and lower duration.
- Unlike USD corporate bonds, spreads on EUR corporate bonds are well below the 10-year median.

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 : 08/04/2017 – 08/04/2022

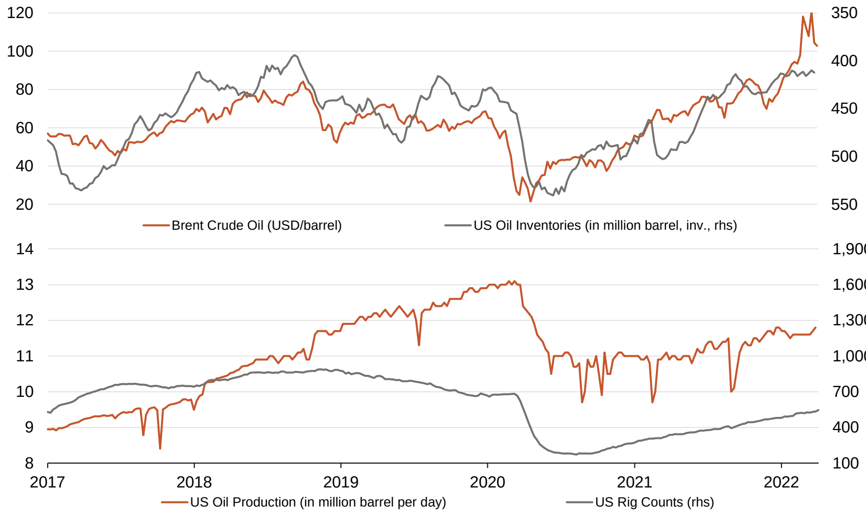
Commodities Performance



- Although all the commodities shown here are still exhibiting a positive performance since the beginning of the year, there have been major divergences recently.
- Natural gas, the winner since the beginning of the year, has remained the best performer over the last four weeks and zinc has also made strong gains.
- Nickel, palladium and platinum recorded significant losses and are at the bottom of the list.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period:31/12/2021 - 08/04/2022

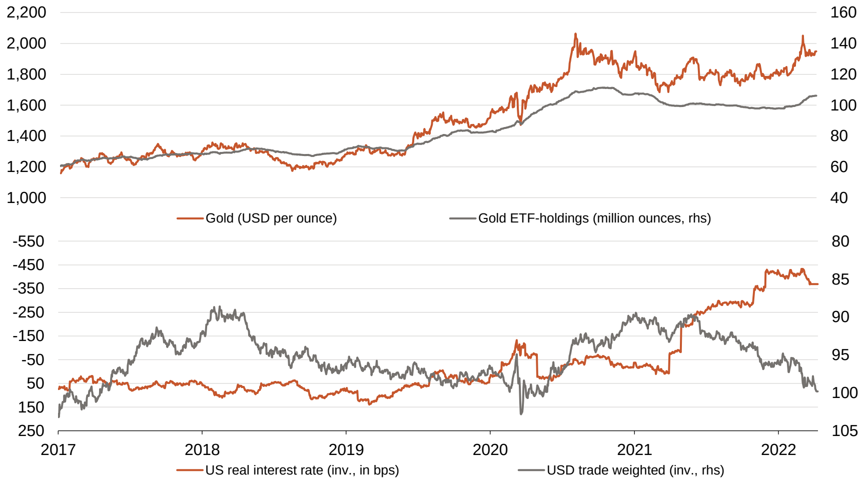
Crude Oil



- Recently, the oil price corrected somewhat and is currently trading around the USD 100 per barrel mark.
- Despite a priced recovery of the supply bottlenecks, inventories remain very low and alternative sources of supply, including the release of strategic reserves, cannot sustainably address this deficit. In the short term, a further fall in the price is therefore only likely in the event of a slump in demand.

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 - 08/04/2022

Gold



- Gold was in demand as a safe haven at the beginning of the Russia-Ukraine war. Despite a significant rise in real interest rates, the price remained robust and consolidated around the 1,920 mark.
- With high inflation, an increasing economic slowdown and a restrictive rate policy, opportunities and risks are currently in balance.

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 - 08/04/2022

PUBLISHING INFORMATION

PUBLISHER

Prof Dr Bernd Meyer, CFA | Chief Strategist Wealth and Asset Management

EDITORS

Ulrich Urbahn, CFA | Head Multi Asset Strategy & Research
focuses on the multi-asset investment process, the development of investment ideas and capital market communications
+49 69 91 30 90-501 | ulrich.urbahn@berenberg.de

Karsten Schneider, CFA | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-502 | karsten.schneider@berenberg.de

Ludwig Kemper | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-224 | ludwig.kemper@berenberg.de

Philina Kuhzarani | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-533 | philina.kuhzarani@berenberg.com

Richard Garland|UK Wealth Management
manages UK multi-asset discretionary strategies and portfolios
+44 20 3753 -3126 | richard.garland@berenberg.com

IMPORTANT NOTICES

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Joh. Berenberg, Gossler & Co. KG
Neuer Jungfernstieg 20
20354 Hamburg (Germany)
Phone +49 40 350 60-0
Fax +49 40 350 60-900
www.berenberg.com
MultiAssetStrategyResearch@berenberg.de