BERENBERG
Markets

MONITOR

25 April 2022

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

Current market commentary

Major stock markets have recently been moving sideways in a volatile manner. The exception was Chinese equities, which suffered from renewed Covid-19 outbreaks and the associated lockdowns. Bond yields largely hit new highs for the year, driven by hawkish comments from central bankers. The combination of high inflation, slowing economic momentum and quantitative easing limit the upside potential for equities – we are especially unlikely to see any valuation expansion. Meanwhile, recession fears are on the rise. However, an economic slowdown should not be a big surprise for the market. Economic institutes/brokers have already reduced their estimates, in some cases significantly, and positioning and investor sentiment are already very negative. In addition, the share of non-fundamental investors (keyword: passive investing) continues to increase. This has a supportive effect. A strong sell-off therefore seems equally unlikely without an external trigger.

Short-term outlook

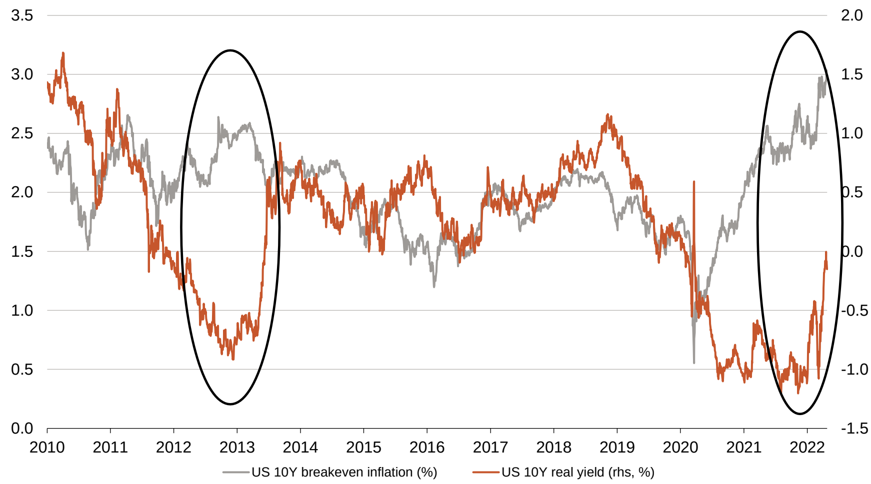
Central banks under inflationary pressure

Globally high inflation rates continue to put pressure on central banks. The market is therefore eagerly awaiting the monthly meeting of the Fed on 4 May and the BoE on 5 May. The market is pricing in a rate hike of 50 basis points by the Fed and 25 basis points by the BoE. In Japan, markets are closed from 26 April to 5 May (except 2 May) for the Golden Week holiday.

Focus on Q1 economic growth

US Durable Goods Orders (Mar.) and Consumer Confidence (Apr.) will be released tomorrow. This will be followed on Wednesday by German retail sales (Mar.) and on Thursday by consumer confidence (Apr.) from the eurozone, preliminary inflation figures (Apr.) from Germany and Q1 GDP growth from the US. The Eurozone's preliminary Q1 GDP figures as well as the US household data (Mar.) and Chicago Purchasing Managers' Index (Apr.) will be released on Friday. The German industrial data (Mar.) as well as the ISM index (Apr.) and the US labour market data will follow next week.

Bonds not yet significantly more attractive despite higher real yields



- Both nominal and real yields, i.e. the former minus expected inflation, of 10-year US government bonds have recently risen sharply. The real yield reached 0% for the first time since the beginning of 2020.
- Higher real yields increase the attractiveness of bonds in absolute terms and relative to equities. However, the level reached is probably not yet attractive enough for most investors to reallocate more strongly to bonds, especially since yields are likely to continue rising for the time being, which weighs on bond prices.

Source: Bloomberg, Time period: 30/09/2020 - 22/04/2022

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (25/03/22 - 22/04/22)	YTD (31/12/21 - 22/04/22)	22/04/21 22/04/22	22/04/20 22/04/21	22/04/19 22/04/20	22/04/18 22/04/19	21/04/17 22/04/18
REITs	5.8	0.3	25.9	15.8	-8.5	22.7	-17.5
MSCI Frontier Markets	1.7	-3.7	13.9	29.8	-15.0	-3.8	7.9
USDEUR	1.7	5.3	11.2	-9.9	4.0	9.2	-12.7
Gold	0.4	11.3	20.6	-6.2	39.8	4.2	-9.2
Euro overnight deposit	0.0	-0.2	-0.6	-0.5	-0.4	-0.4	-0.4
Industrial Metals	-1.5	28.2	57.0	42.3	-16.4	-5.5	12.0
EUR Coporates	-2.0	-7.5	-8.0	6.7	-1.8	2.8	1.2
EUR Sovereign Debt	-2.1	-5.3	-5.9	2.6	0.3	1.5	1.2
MSCI Emerging Markets	-2.3	-7.3	-8.6	38.8	-12.8	4.3	8.0
Global Convertibles	-3.2	-7.3	-3.0	51.7	5.1	18.0	-2.4
MSCI World	-3.4	-5.3	11.4	35.8	-3.4	14.7	1.0
Brent	-4.7	56.8	113.8	122.5	-63.4	13.3	24.1

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 markets led investors to seek safety in defensive assets. As a result, defensive REITs gained despite their significant interest rate sensitivity, leading the way over the past four weeks.
- Emerging market equities also gained, and gold and the US dollar were among the winners.
- Crude oil – the top performer since the beginning of the year – had to give up some of its gains.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/04/2017 - 22/04/2022

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (25/03/22 - 22/04/22)	YTD (31/12/21 - 22/04/22)	22/04/21 22/04/22	22/04/20 22/04/21	22/04/19 22/04/20	22/04/18 22/04/19	21/04/17 22/04/18
Stoxx Europe Defensives	2.6	3.6	17.9	13.6	-1.3	8.5	2.0
Stoxx Europe 50	1.0	-1.6	11.9	24.6	-8.6	7.7	0.7
MSCI UK	0.2	5.4	19.7	24.4	-21.4	6.5	2.4
Stoxx Europe Small 200	0.2	-11.2	-2.1	49.1	-14.3	2.3	8.1
Euro Stoxx 50	-0.5	-10.2	-2.5	44.6	-16.9	2.9	4.1
DAX	-1.1	-11.0	-7.7	47.1	-14.8	-2.5	4.1
Stoxx Europe Cyclicals	-1.7	-9.4	1.4	55.8	-23.7	0.8	7.4
MSCI EM Asia	-2.5	-9.3	-12.6	39.4	-6.2	4.5	10.1
MSCI EM Eastern Europe	-2.7	-79.1	-75.2	24.7	-18.8	20.3	2.7
MSCI USA Small Caps	-3.6	-5.7	2.8	70.3	-19.2	13.8	-0.7
S&P 500	-4.0	-4.9	16.7	35.3	2.2	21.4	0.8
MSCI Japan	-6.0	-8.9	-4.4	26.3	-3.3	0.7	4.4

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.

- Stock markets remained burdened by geopolitical uncertainty, restrictive interest rate policy and increasing recession concerns. Defensive stocks remained in demand over the last four weeks. UK equities benefited slightly from continued high energy prices and rising interest rates due to their significant exposure to commodity and bank stocks.
- US and Japanese equities lagged over the last month.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/04/2017 - 22/04/2022

Fixed Income

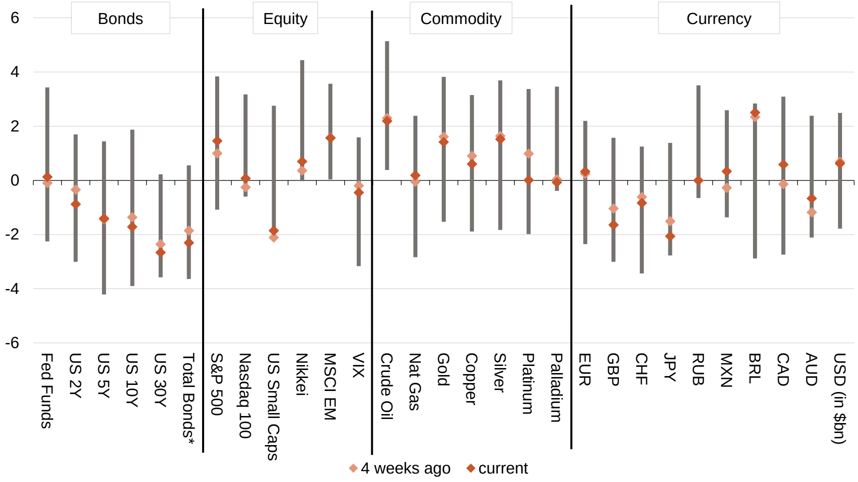
	4-week & YTD		12-month periods over that last 5 years				
	4W (25/03/22 - 22/04/22)	YTD (31/12/21 - 22/04/22)	22/04/21 22/04/22	22/04/20 22/04/21	22/04/19 22/04/20	22/04/18 22/04/19	21/04/17 22/04/18
Chinese Gov Bond	0.5	1.0	5.2	-0.5	9.3	4.9	2.7
Treasuries	-0.4	-3.4	3.1	-13.7	19.6	13.9	-14.3
EUR High Yield	-1.0	-6.2	-5.0	17.3	-6.9	2.8	4.7
EM Local Currency Bonds	-1.0	-5.3	-4.5	2.8	-2.4	3.2	-3.7
EM Hard Currency Bonds	-1.3	-9.1	-3.5	6.5	-2.8	14.5	-10.8
USD High Yield	-1.8	-7.2	-3.8	20.0	-5.1	6.0	4.3
EUR Financials	-1.8	-6.8	-7.2	6.8	-2.1	2.6	1.7
EUR Non-Financials	-2.1	-8.0	-8.6	6.6	-1.5	2.9	0.9
Gilts	-3.1	-10.2	-6.7	-5.1	13.5	5.2	-6.7
Bunds	-3.2	-8.1	-8.1	-1.7	3.6	4.3	-1.9
USD Corporates	-3.3	-12.1	-10.1	5.9	9.5	5.7	0.7
BTPs	-3.7	-8.0	-9.4	11.2	3.7	-2.0	5.3

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

- Hawkish interest rate policy of central banks and rising yields continue to put government bonds under pressure.
- For the Fed, markets are already predicting more than 9 interest rate hikes of 25 basis points each by the end of the year. For the ECB, markets are expecting more than 8 rate hikes of 10 basis points each, which would mean that the ECB would raise the key interest rate above zero for the first time since 2012.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/04/2017 - 22/04/2022

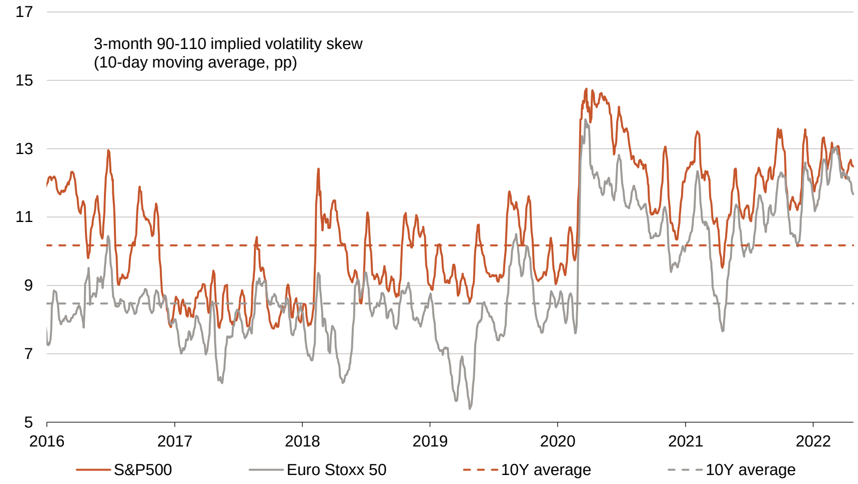
Non-Commercial Positioning



- Hedge funds have been particularly active in currencies in recent weeks. They have increased their shorts in the JPY further due to the seemingly irrevocable expansionary course of the BoJ, while maintaining their longs in the BRL thanks to its high carry.

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: 19/04/2012 - 19/04/2022

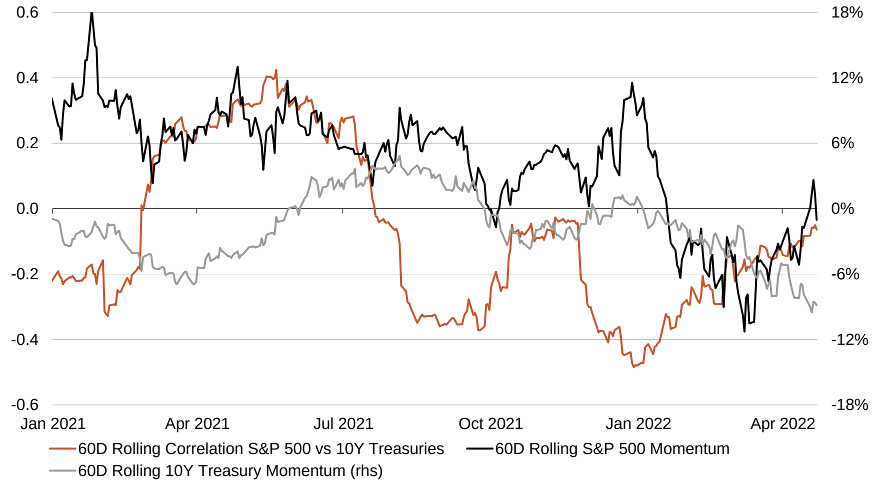
Put-Call-Skew



- The put-call skew has come back slightly in Europe in recent weeks. This has not yet been observed in the US. There, investors seem to be a little more nervous in view of the upcoming FOMC meeting next week.
- Overall, however, demand for hedging remains above average in both regions.

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: 22/04/2012 - 22/04/2022

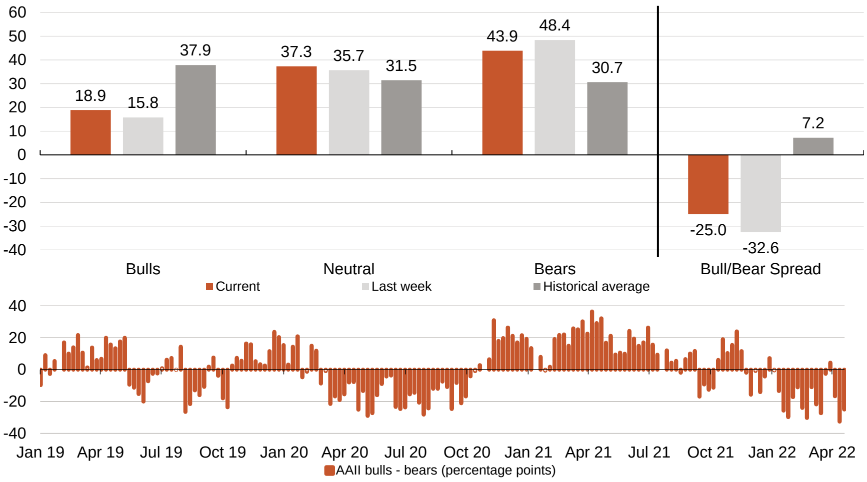
60-Day Momentum and Correlation



- The 60d momentum of the S&P 500 has recently turned positive. For US Treasuries, on the other hand, it has fallen further. Nevertheless, since the beginning of the year, the negative correlation between equities and bonds has gradually decreased and is currently close to 0%.

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 - 22/04/2022

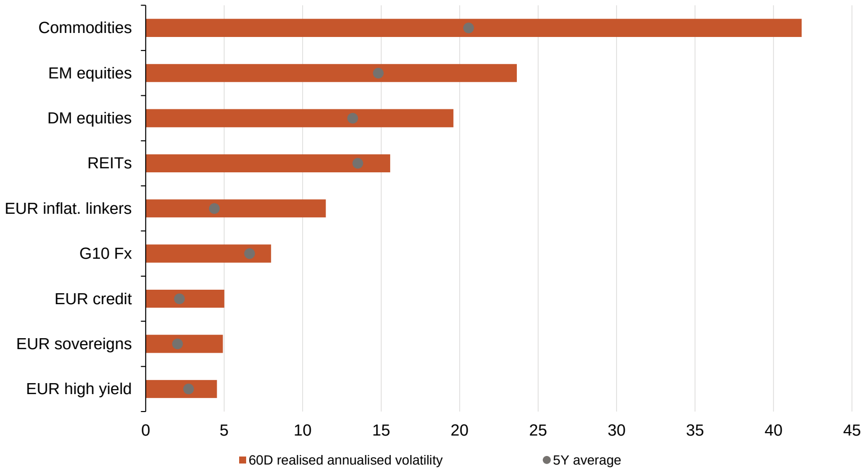
AAII Sentiment Survey (Bulls vs Bears)



- US private investor sentiment remains extremely negative. The number of bulls in particular is extremely low. The previous week's 15.8% represented the lowest level since 1992.
- With such negative sentiment, markets should be less susceptible to bad newsflow in the coming weeks.

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 – 21/04/2022

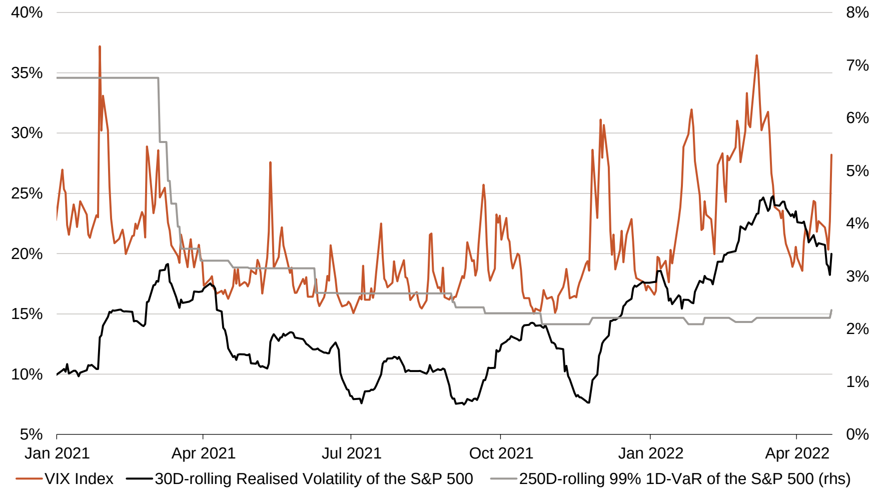
Realised Volatilities



- Realised volatilities and their order are practically unchanged compared to a fortnight ago.
- The extremely high volatility in commodities paired with strong increases in nominal yields are likely to cause the extremely high volatility in EUR inflation linkers by historical standards.

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: 22/04/2017- 22/04/2022

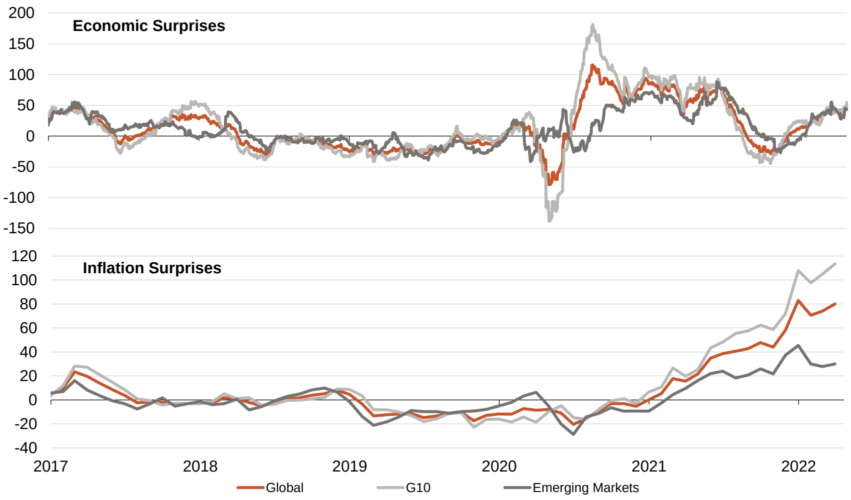
Volatility and Value-at-Risk of the S&P 500



- The VIX has recently jumped back above the 25 mark. However, it is not only the war and the central banks that are unsettling investors, but also the recent rise in the number of infections in China. They fear an aggravation of the disruptions in global supply chains.

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 – 22/04/2022

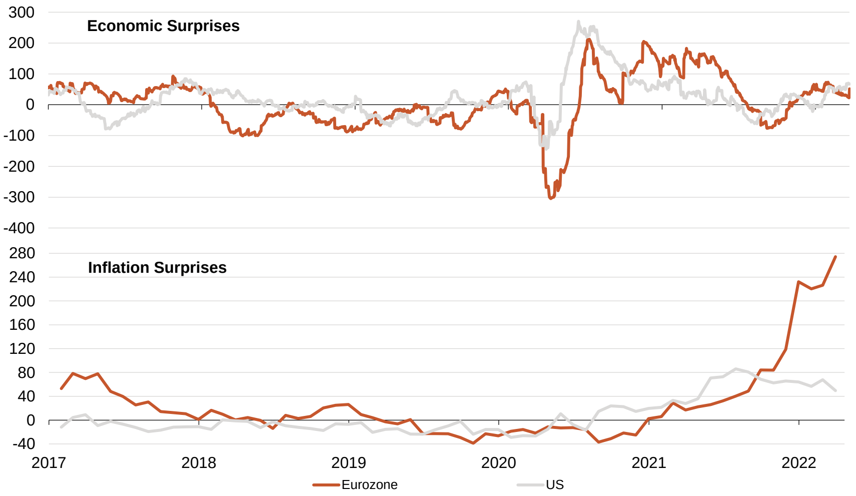
Global



- Economic surprise data has recently developed positively despite general fears of recession.
- The Global Economic Surprise Index, as well as the Developed Country (G10) and Emerging Market Economic Surprise Index, have all risen over the past two weeks. In China, for example, the trade balance, industrial production and retail sales exceeded expectations.
- Inflation data continue to surprise to the upside globally.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 22/04/2022

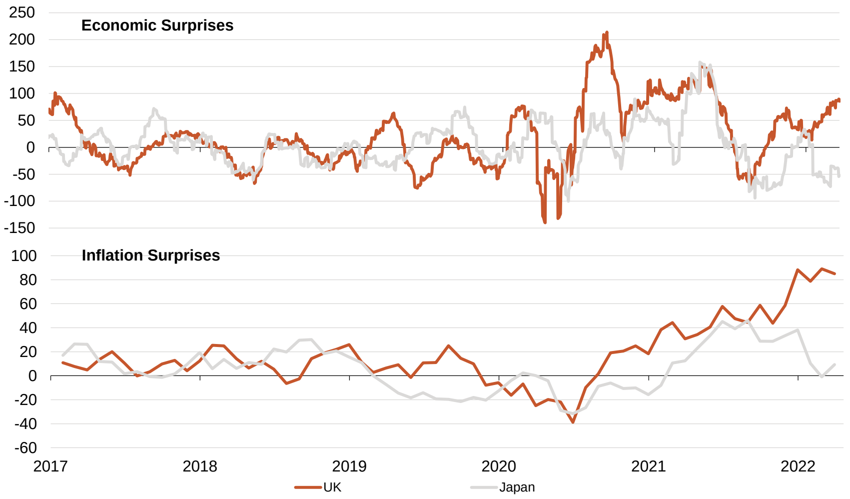
Eurozone and US



- In the US and in the Eurozone, positive economic surprises continued to dominate in recent weeks. In the US, industrial production and real estate market data exceeded expectations. In the Eurozone, industrial production data also exceeded expectations.
- Inflation data in the Eurozone remained underestimated and so inflation prints surprised sharply to the upside. In the US, positive inflation surprises have recently decreased slightly.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 22/04/2022

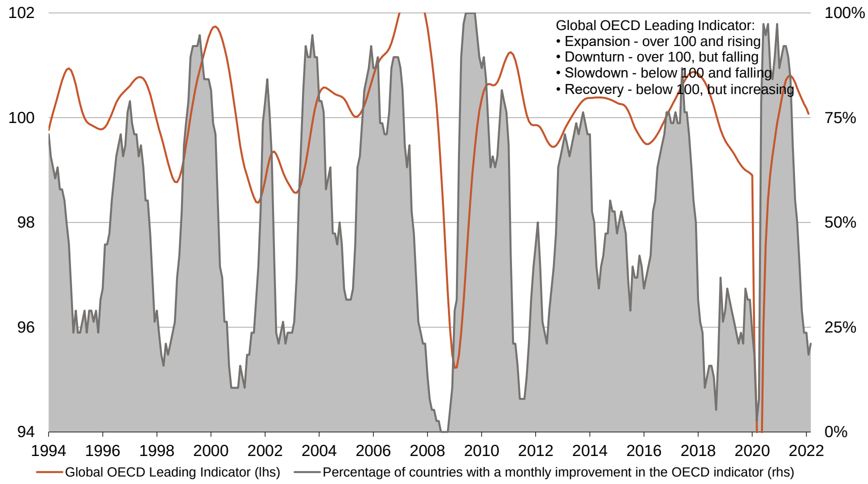
UK and Japan



- In the UK, positive economic surprises continued their upward trend, while in Japan negative economic surprises prevailed and, after a brief recovery trended sideways.

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 - 22/04/2022

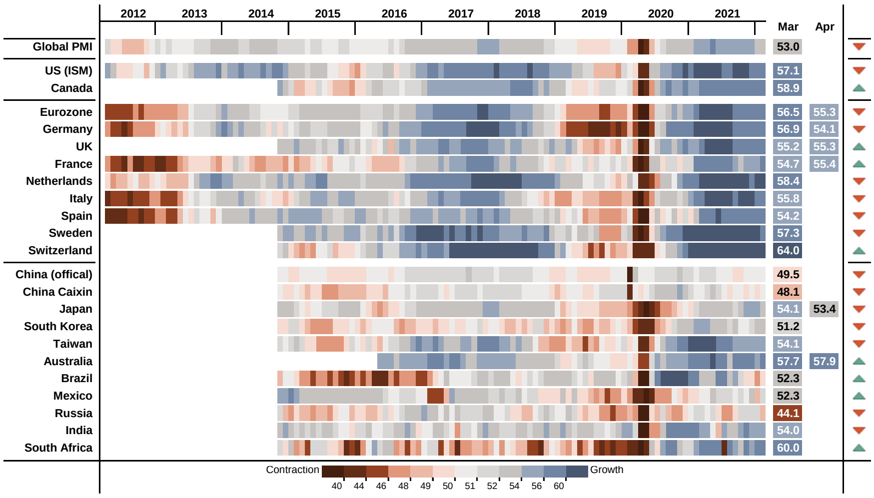
OECD Leading Indicator



- The OECD Leading Indicator is moving steadily towards the important 100 mark. The downward trend towards the core mark indicates an economic downturn.
- At the country level, this thesis is confirmed, even if the picture here has recently recovered slightly. While the share of countries with an improvement on the previous month was still 18% in February, the figure for March was back at 21%.

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 - 31/03/2022

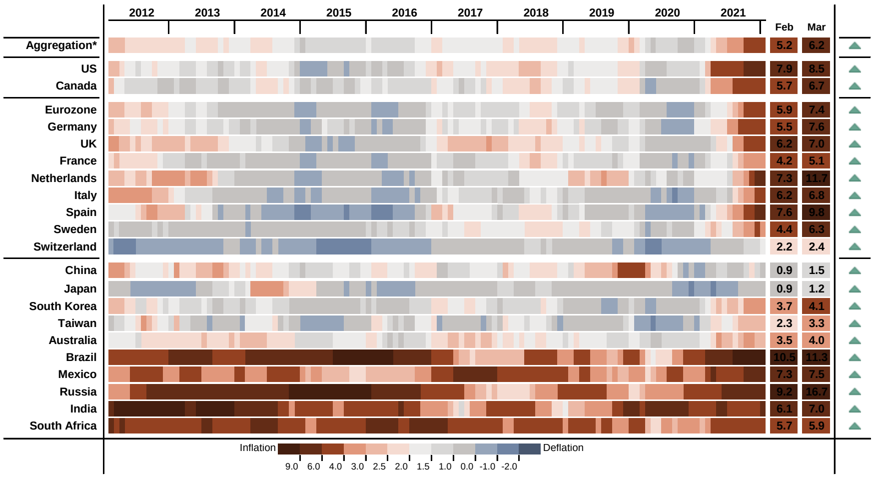
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The preliminary Purchasing Managers' Index data for the month of April does not show a clear picture so far.
- While the preliminary Purchasing Managers' Index data rose in the UK, France and Australia, it fell in the Eurozone, Germany and Japan.

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 - 22/04/2022

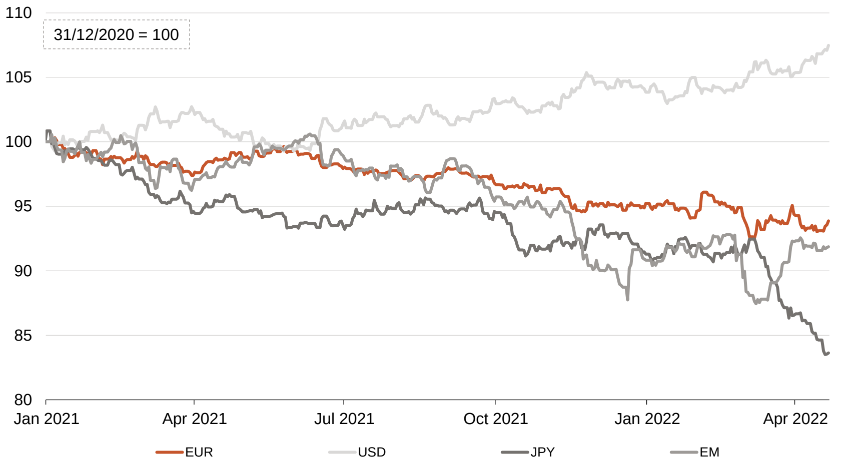
Headline Inflation



- The picture of inflation data for the month of March could not be clearer – the inflation rate compared to the previous year experienced a noticeable increase across all regions. The main reason for the noticeable price increase is the persistently high energy and food prices. The Netherlands, Brazil and Russia were particularly affected, with inflation rising by well over 10%.

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 - 22/04/2022

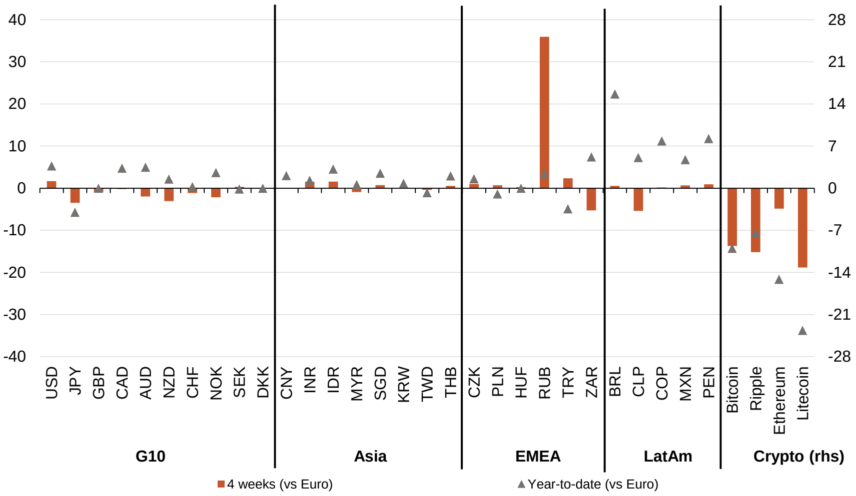
Trade-Weighted Currency Development



- The depreciation of the Japanese yen has continued. Since the beginning of March, the yen has lost almost 9% on a trade-weighted basis. Reasons for the weakness include the Bank of Japan's ultra-expansionary monetary policy, relatively weak economic growth, Japan's vulnerability to commodity-driven inflation and the technical breakout against the US dollar.
- The latter appreciated further, while the euro and emerging market currencies fluctuated.

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 - 22/04/2022

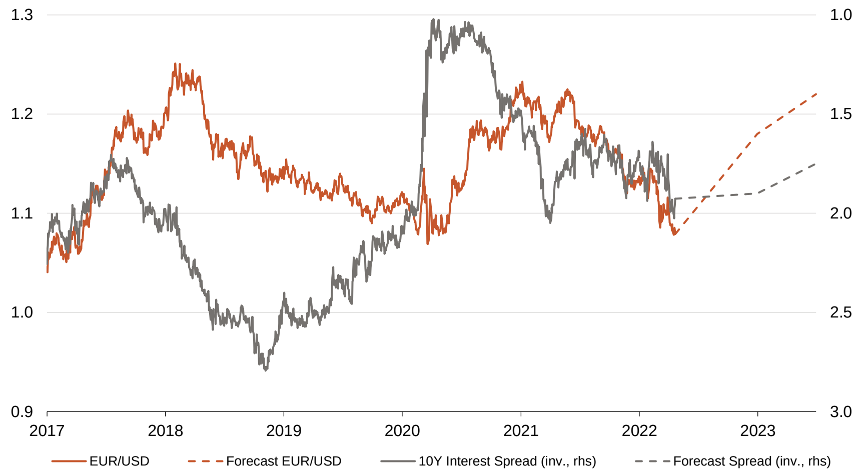
Currency Moves vs Euro



- Among the G10 currencies, only the US dollar posted notable gains against the euro.
- The rouble continued to strengthen strongly on the back of persistently high exports of Russian oil and gas to Europe compared to low imports. It is now even trading higher against the euro than it did at the beginning of the year.
- Crypto currencies recorded significant losses over the last month.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2021 - 22/04/2022

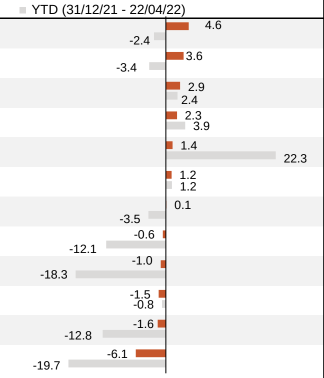
EUR/USD Exchange Rate and Interest Rate Differential of 10Y Bonds



- The EUR/USD exchange rate has fallen below the 1.08 mark in the last two weeks, marking its lowest level since the outbreak of the pandemic.
- In addition to higher geopolitical uncertainty in the EU, due to the proximity of the Russia-Ukraine war, the exchange rate was also driven by the increased interest rate differential between German Bunds and US Treasuries. Recently, it reached the 2% mark for the first time in over a year.

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



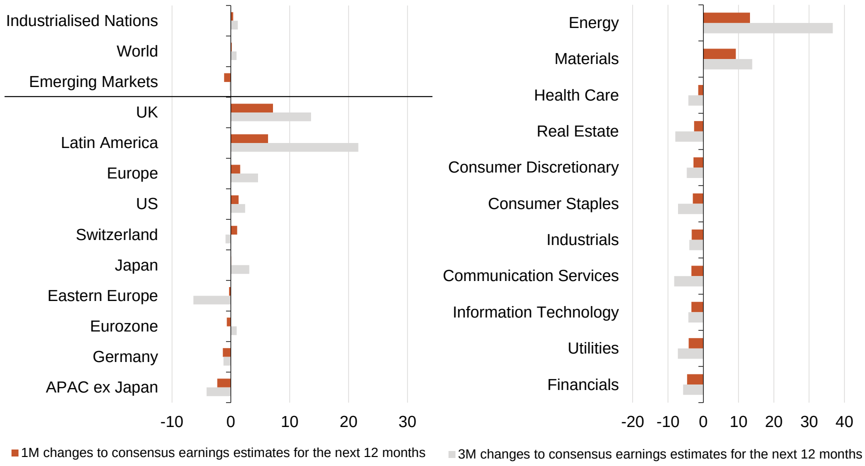
	4-week & YTD		12-month periods over that last 5 years				
	4W (25/03/22 - 22/04/22)	YTD (31/12/21 - 22/04/22)	22/04/21 22/04/22	22/04/20 22/04/21	22/04/19 22/04/20	22/04/18 22/04/19	21/04/17 22/04/18
Utilities	4.6	-2.4	2.9	32.6	2.4	12.1	4.8
Communication Services	3.6	-3.4	9.4	12.0	-1.6	15.2	-7.3
Health Care	2.9	2.4	21.3	1.5	26.0	11.2	-7.0
Telecommunications	2.3	3.9	6.4	25.1	-23.7	-2.2	-2.4
Energy	1.4	22.3	49.6	16.1	-40.1	7.0	19.8
Value	1.2	1.2	10.6	37.7	-26.7	1.6	5.3
Finance	0.1	-3.5	10.2	47.7	-33.5	-4.4	7.2
Growth	-0.6	-12.1	1.8	31.8	-0.1	9.0	2.2
Consumer Discretionary	-1.0	-18.3	-13.3	66.9	-19.8	2.1	6.7
Materials	-1.5	-0.8	7.9	59.0	-18.8	5.9	13.2
Industrials	-1.6	-12.8	-1.1	60.7	-18.3	6.1	4.4
Information Technology	-6.1	-19.7	-6.6	50.7	1.1	13.3	9.0

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.

- Over the past four weeks, the more defensive utilities, consumer staples and healthcare sectors have catapulted to the top of the performance league amid increasing recession fears.
- The energy sector also made gains on positive earnings revisions and continued high oil prices.
- Growth stocks and the IT sector, on the other hand, faced relatively little de-

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: 22/04/2017 – 22/04/2022

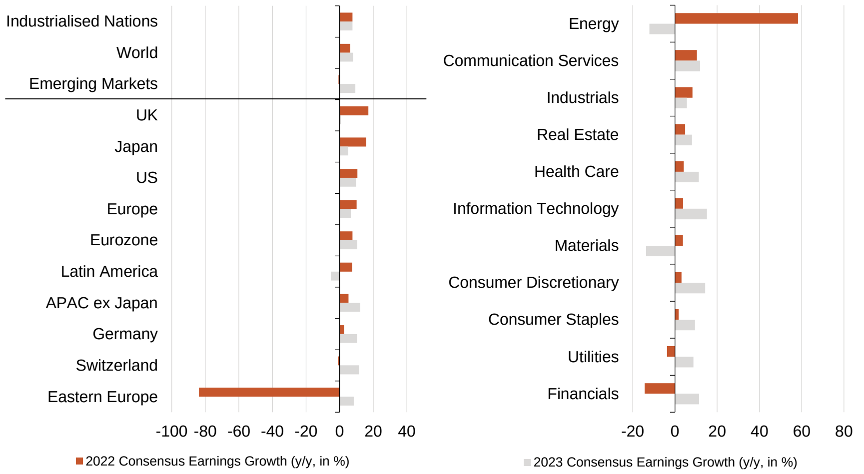
Changes in Consensus Earnings Estimates



- At a global level, analysts have only marginally raised earnings estimates in the last four weeks.
- Regionally, however, there are clear winners. In the last four weeks, consensus has raised earnings estimates for Latin America and the UK.
- The energy and basic materials sectors lead the table of positive earnings revisions.

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 22/04/2022

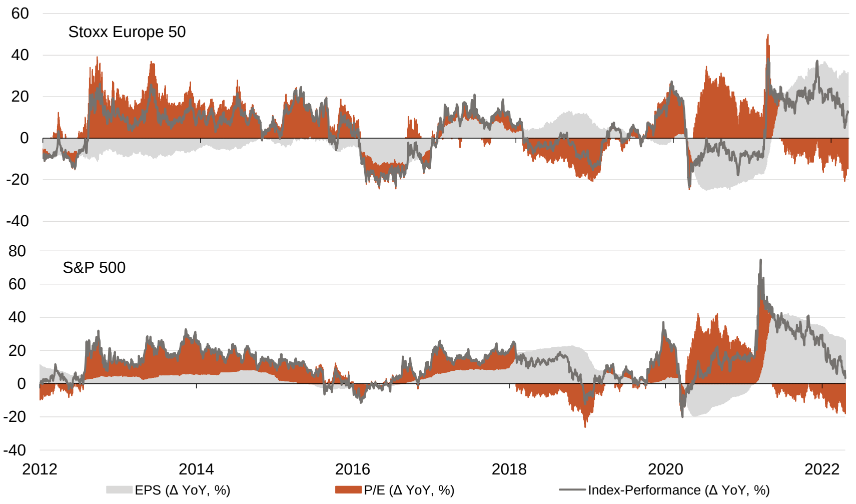
Earnings Growth



- Burdened by Eastern Europe and China, analysts see now a negative earnings growth in emerging markets in 2022.
- The industrialised nations, with the UK in the lead, on the other hand, are likely to achieve better growth rates.
- The energy and telecoms sectors should see earnings growth of more than 10% in 2022.

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 22/04/2022

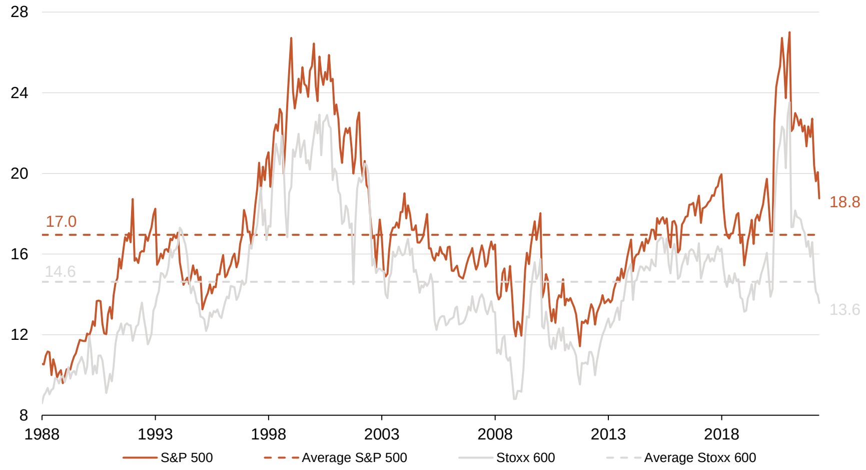
Contribution Analysis



- The year-on-year index performance of the Stoxx Europe 50 has recently improved significantly to above 10%. Drivers were a less burdensome valuation drag, as well as rising earnings year-on-year.
- The S&P 500, on the other hand, kept slightly in positive territory year-on-year. Less strongly rising profits and the valuation adjustment put pressure on the index.

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 - 22/04/2022

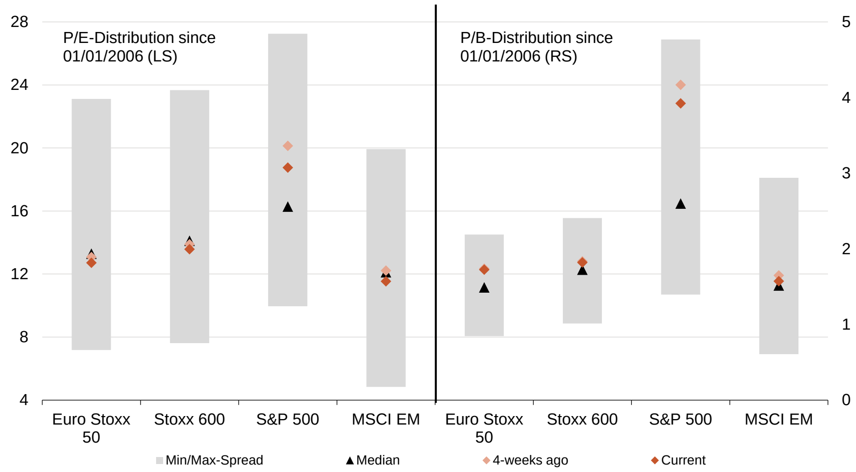
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- With the start of the so far positively surprising Q1 reporting season and falling stock markets again, valuation levels have declined noticeably.
- The S&P 500 is now trading at a P/E ratio of 18.8 and the Stoxx 600 at a P/E ratio of 13.6. The Stoxx 600 thus remains attractively priced in historical 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 - 22/04/2022

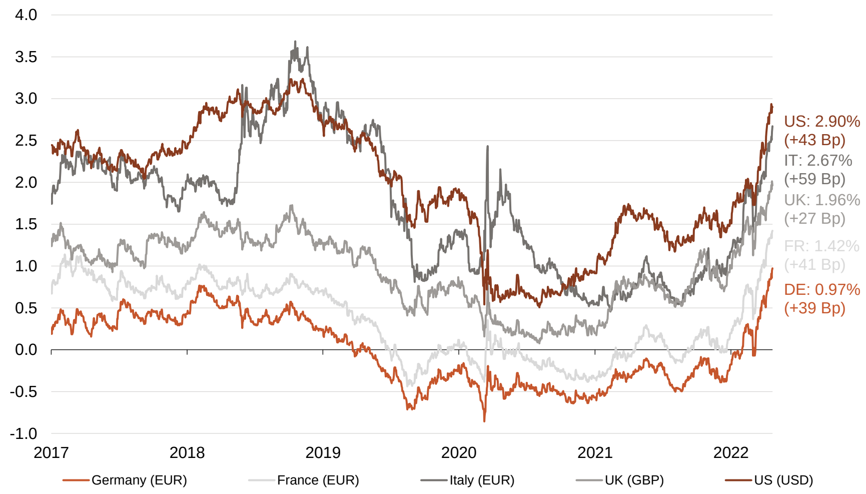
Historical Distribution: Price/Earnings and Price/Book Ratio



- In the last four weeks, the S&P 500 in particular has become noticeably cheaper from both a P/E and a P/B perspective.
- Emerging market equities have fallen more sharply and are now trading at a P/E ratio below the 10-year median.

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 - 22/04/2022

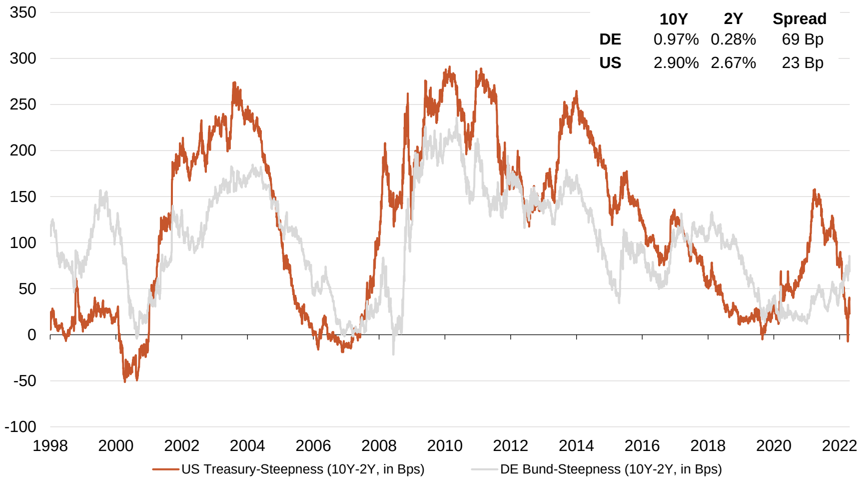
10-Year Government Bond Yields



- The rise in yields has continued over the last two weeks. Recently, more hawkish (restrictive) tones have also been indicated by some ECB members.
- Over the past four weeks, yields on Italian government bonds have risen by nearly 60 basis points and on German government bonds by almost 40 basis points.
- German government bonds saw the biggest price drop in history.

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 - 22/04/2022

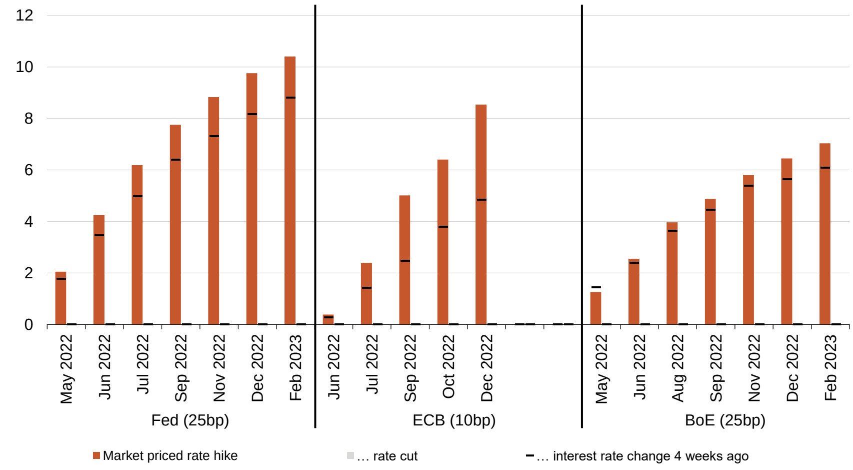
Yield Curve Steepness (10Y - 2Y)



- The steepness of the US yield curve, now back in positive territory after the recent inversion, saw a sharp increase following the increasingly positive US economic surprises.
- The German yield curve has also steepened notably, despite recession concerns.

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 - 22/04/2022

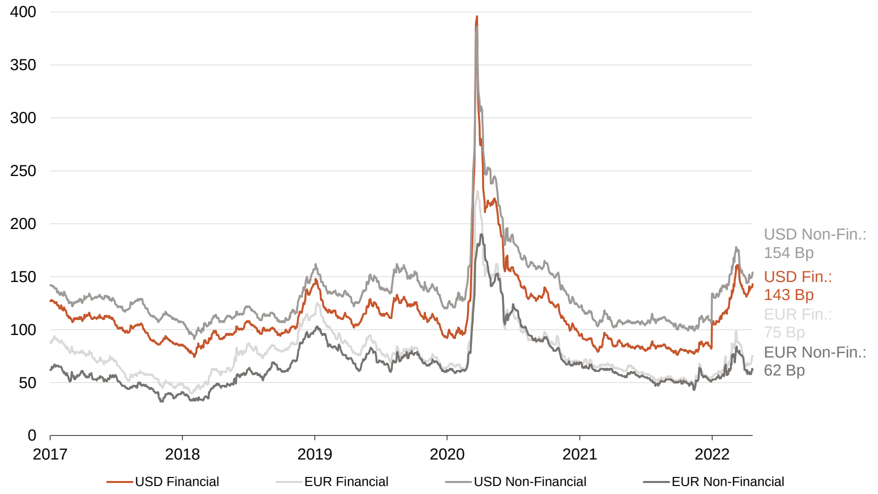
Implicit Changes in Key Interest Rates



- The market expects the Fed to raise interest rates by 50 basis points (bps) in May. Seven further hikes of 25bps each are expected until December.
- With regards to the ECB, the market considers a first rate hike in July after increasingly restrictive tones were heard in the Eurozone.
- The Bank of England is expected to raise interest rates by 25bps in both May and June, according to market participants.

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: 25/03/2022 - 22/04/2022

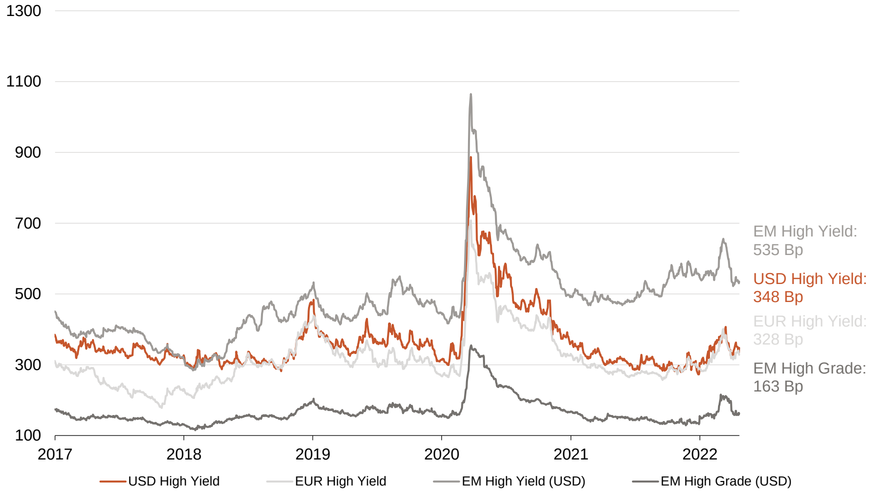
Credit Spreads Financial and Non-Financial Bonds



- After the significant decline in risk premiums at the beginning of April, there has recently been a small countermovement. The risk premiums on USD investment grade (IG) bonds, for example, have risen by almost 10bps in the last two weeks.
- For EUR-IG bonds, EUR-financial bonds saw a spread widening of 6bps, compared to only 3bps for EUR-non-financial bonds.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2017 – 22/04/2022

Credit Spreads High Yield and Emerging Markets Bonds



- In high-yield bonds, both EUR and USD high-yield bonds, which are noticeably affected by rising input costs due to the Putin war and rising refinancing costs, saw a noticeable widening of spreads.
- Spreads on EM high-yield bonds also widened slightly.

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 – 22/04/2022

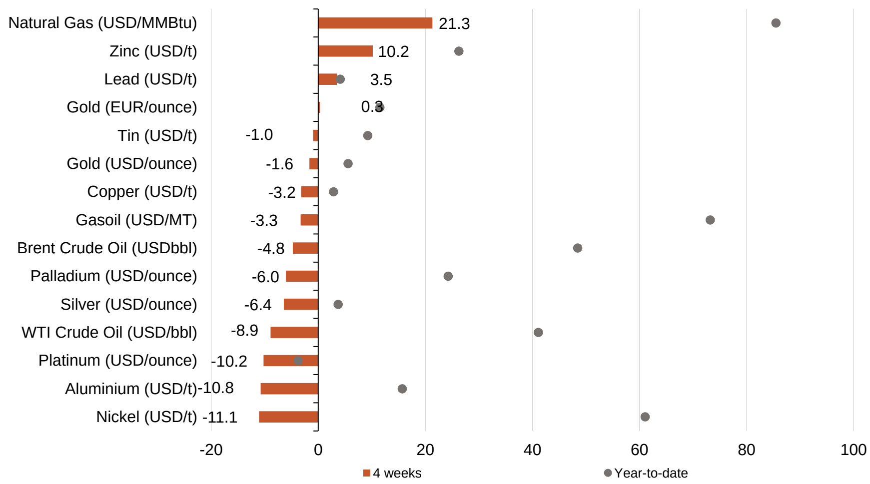
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Rendite (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Per-centile	1M	YTD	22/04/21 22/04/22	22/04/20 22/04/21	22/04/19 22/04/20	22/04/18 22/04/19	22/04/17 22/04/18
EUR Government	1.24	0.50	7.9	-	-	-	-3.6	-8.6	-9.3	3.7	2.9	2.4	2.2
Germany	0.67	0.48	7.8	-	-	-	-3.5	-8.1	-8.1	-1.7	3.6	4.3	-1.8
EUR Corporate	2.02	0.40	5.0	67	-12	29	-2.2	-7.5	-7.9	6.7	-1.7	2.8	1.3
Financial	2.01	0.44	4.1	75	-9	29	-1.8	-6.3	-6.6	6.0	-1.6	2.6	1.8
Non-Financial	2.02	0.37	5.4	62	-14	31	-2.5	-8.1	-8.6	7.0	-1.8	3.0	1.0
EUR High Yield	4.91	0.36	3.7	328	-17	44	-1.1	-6.2	-5.0	17.3	-6.9	2.8	4.7
US Treasury	2.87	0.51	6.6	-	-	-	-2.9	-8.7	-7.7	-4.5	15.6	4.4	-1.5
USD Corporate	4.24	0.51	7.4	150	0	71	-3.9	-12.1	-10.1	5.9	9.5	5.7	0.7
Financial	4.12	0.55	5.6	143	2	71	-3.0	-9.9	-8.7	6.0	8.3	5.9	0.6
Non-Financial	4.29	0.50	8.3	154	0	72	-4.3	-13.0	-10.8	5.8	10.0	5.7	0.7
USD High Yield	6.80	0.49	4.7	348	-11	33	-1.9	-7.2	-3.8	20.0	-5.1	6.0	4.3
EM High Grade	4.36	-0.03	5.7	163	-38	31	-3.1	-11.4	-10.1	8.1	3.0	5.6	1.0
EM High Yield	9.35	-0.49	4.3	535	-64	45	-0.7	-11.8	-15.7	22.5	-5.1	4.7	3.3

- Even though yield levels are now much more attractive than a year ago, the rise in yields has also hurt over the past four weeks. No bond segment was able to achieve a positive performance during this period.
- The risk premiums on USD-IG corporate bonds are around the 70th percentile and are thus historically elevated.

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 : 22/04/2017 – 22/04/2022

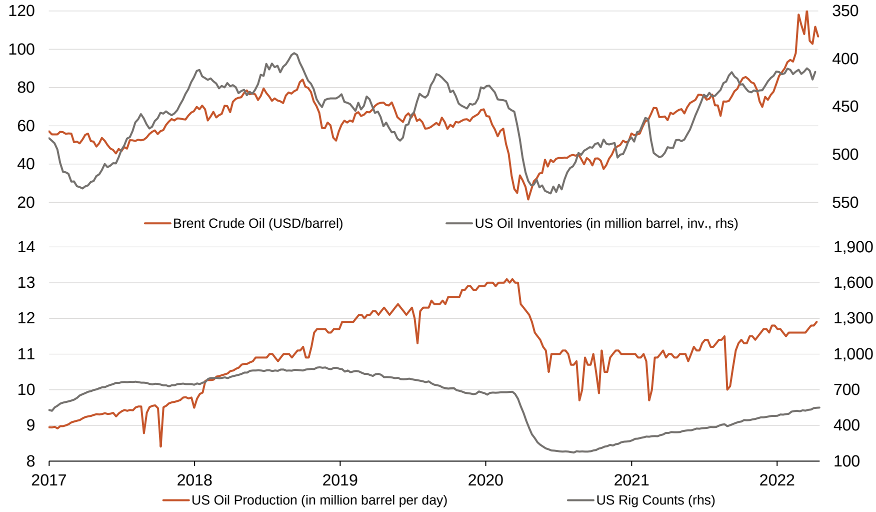
Commodities Performance



- The commodity markets are beginning to show a slight divergence in performance.
- Natural gas – a clear winner since the beginning of the year – was able to maintain its positive return trend, while WTI and Brent crude oil and gas oil suffered slight losses.
- Industrial metals also showed different developments. Zinc and lead gained, while copper, tin, nickel and aluminium fell. The precious metals palladium and plain also suffered losses.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period:31/12/2021 – 22/04/2022

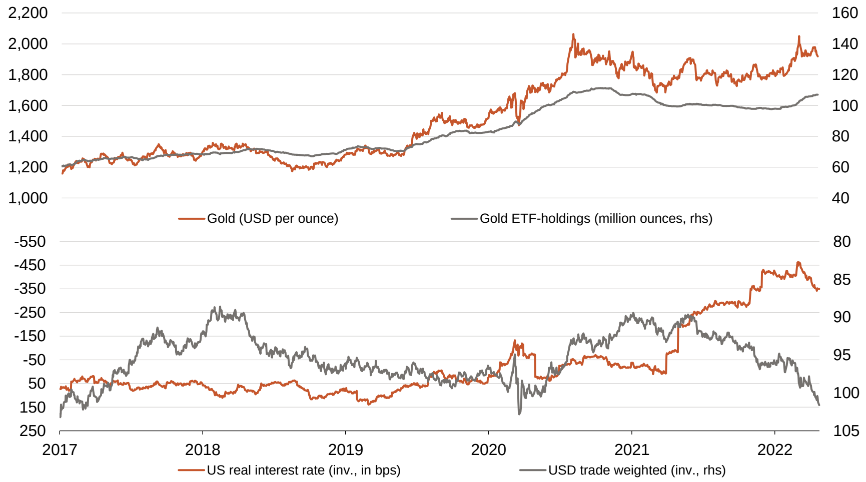
Crude Oil



- Crude oil has been marked by unprecedented volatility in recent weeks. The tug-of-war between fears of supply shortages on the one hand and China's concerns about the new wave of infections reducing demand on the other caused prices to fluctuate. The EU has recently started working on a proposal for an embargo against Russian oil imports. German Foreign Minister Annalena Baerbock said the country wanted to stop oil imports by the end of the year.

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 – 22/04/2022

Gold



- Gold remained stable despite a significant increase in real interest rates and continued to move sideways over the last few weeks. The demand for security due to the ongoing Russia-Ukraine war remained at the forefront for the resistant demand. Persistently high inflation data and fears of an increasing slowdown in growth are also likely to provide tailwinds.

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 – 22/04/2022

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