MONITOR

09 May 2022

Current market commentary

Nothing can be trusted in capital markets these days. The typical recovery rally after a big Fed meeting did not even last a day. Further rises in bond yields have spooked investors and weighed on interest rate sensitive assets such as tech stocks. Moreover, concerns about a recession continue to grow, especially as a (quick) resolution to Putin's war is not in sight and Chinese economic data has also weakened significantly. Investors have to deal with a multitude of worries and problems at the same time. Investor sentiment and positioning is correspondingly negative. Another sharp sell-off therefore seems unlikely without an external trigger. Nevertheless, as long as the problems persist, we do not expect a big recovery and have used the relief rally to move our equity exposure to neutral. If worse comes to worse, gold, a small US government bond position and a hedge against extreme risks should help.

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

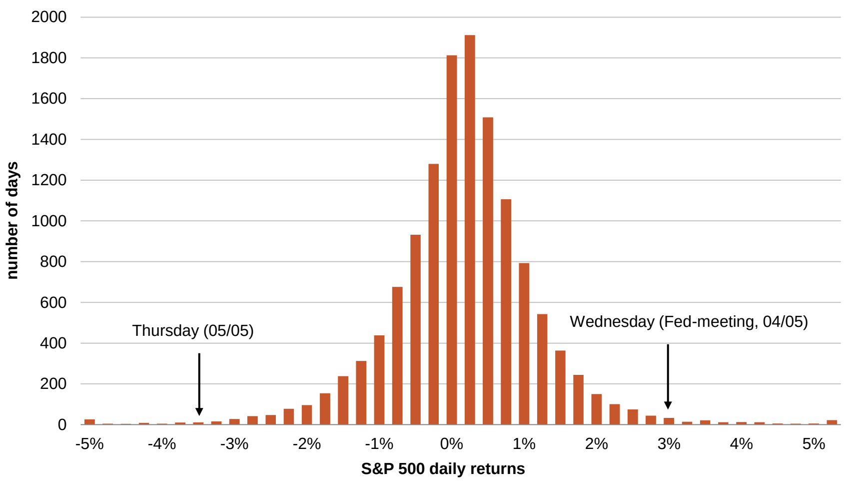
Q1 reporting season nears end.

The Q1 reporting season is coming to an end. More than 400 companies in the S&P 500 have already reported and on average surprised to the upside in both sales and earnings growth. Looking ahead, however, earnings growth is likely to become more challenging due to rising costs, as reflected in the recent negative earnings revisions. The market is likely to remain focused on recession, inflation and geopolitical risks.

Inflation data is likely to remain the focus of investors.

Industrial production data (Mar.) for Italy and German ZEW economic expectations (May) are due on Tuesday. On Wednesday, inflation data (Apr.) for the US and China will be released. Preliminary Q1 UK economic growth and US producer prices (Apr.) follow on Thursday. Eurozone industrial production data (Mar.) and US consumer confidence (May) will be released on Friday. The following week, US retail sales (Apr.) and economic indicators will be released.

Equity markets likely to remain erratic for the time being



- Stock markets are currently extremely erratic. The daily moves we have seen around the Fed meeting are in themselves very rare by historical standards. But even more extraordinary is the combination of extreme upward and downward movements (>±3%) on consecutive days. This has only happened 31 times in over 13000 trading days since 1970.
- Volatility is likely to remain high for the time being given the many risks (Putin's war, restrictive central banks, high inflation and China lockdowns).

Source: Bloomberg, Time period: 01/01/1970 - 06/05/2022

Multi Asset

	4W (08/04/22 - 06/05/22)	YTD (31/12/21 - 06/05/22)	06/05/21 06/05/22	06/05/20 06/05/21	06/05/19 06/05/20	06/05/18 06/05/19	05/05/17 06/05/18
Brent	13.2	69.4	120.4	88.6	-53.7	5.3	42.9
USDEUR	3.1	7.8	14.4	-10.5	3.8	6.8	-8.1
Euro overnight deposit	0.0	-0.2	-0.6	-0.5	-0.4	-0.4	-0.4
Gold	-0.3	11.0	18.7	-3.7	36.5	4.0	-1.6
EUR Sovereign Debt	-2.0	-6.4	-6.9	1.6	0.9	1.5	1.1
MSCI Frontier Markets	-2.6	-4.9	10.8	25.2	-11.1	-1.9	7.9
EUR Coporates	-3.2	-9.2	-9.6	5.5	-1.1	3.1	1.4
MSCI World	-5.5	-7.4	8.2	33.9	-2.2	12.9	3.1
MSCI Emerging Markets	-5.7	-9.3	-10.3	36.6	-10.0	2.3	9.1
Global Convertibles	-6.0	-10.2	-2.7	41.4	7.1	15.9	2.4
REITs	-7.0	-6.9	17.4	16.8	-12.1	19.5	-9.2
Industrial Metals	-9.5	16.8	34.4	49.6	-13.6	-6.5	15.2

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.

- Over the last four weeks, markets have been caught between new sanctions and restrictive interest rate policies. The oil price jumped after the European Union announced that it plans to ban Russian crude oil imports. The US dollar also gained. The price gains were largely due to the higher yield differential to other currencies.

Total return for selected asset classes, in euros and in per-cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 06/05/2017 – 06/05/2022

Equities

	4W (08/04/22 - 06/05/22)	YTD (31/12/21 - 06/05/22)	06/05/21 06/05/22	06/05/20 06/05/21	06/05/19 06/05/20	06/05/18 06/05/19	05/05/17 06/05/18
MSCI Japan	-1.1	-8.3	-2.8	20.9	-1.4	-0.6	9.5
MSCI USA Small Caps	-4.0	-8.3	-0.7	61.7	-17.1	14.3	3.9
DAX	-4.3	-13.9	-10.0	43.3	-13.7	-4.2	0.8
Stoxx Europe Defensives	-4.6	1.8	16.5	11.4	0.1	5.8	1.1
Euro Stoxx 50	-5.0	-14.4	-7.0	43.8	-15.9	0.3	-0.6
Stoxx Europe 50	-5.0	-5.0	7.4	24.7	-8.4	5.9	-1.5
S&P 500	-5.4	-6.4	13.5	34.5	2.7	19.9	4.0
MSCI EM Asia	-5.5	-10.8	-13.4	36.6	-3.2	1.6	11.9
MSCI UK	-5.7	1.7	12.9	24.6	-20.1	5.0	3.2
Stoxx Europe Cyclicals	-6.7	-14.9	-6.0	54.1	-20.4	-1.7	2.6
Stoxx Europe Small 200	-8.8	-18.4	-10.3	45.1	-10.7	0.2	4.9
MSCI EM Eastern Europe	-13.0	-81.2	-78.4	24.7	-14.2	16.7	3.9

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.

- Stock markets have had a hard time over the last four weeks.
- Eastern European equities - burdened by the Russia-Ukraine war and the losers since the beginning of the year - also ranked last over the past weeks. European and British shares also suffered losses, along with Asian stocks.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 06/05/2017 – 06/05/2022

Fixed Income

	4W (08/04/22 - 06/05/22)	YTD (31/12/21 - 06/05/22)	06/05/21 06/05/22	06/05/20 06/05/21	06/05/19 06/05/20	06/05/18 06/05/19	05/05/17 06/05/18
Treasuries	0.3	-2.8	4.0	-13.5	17.6	11.8	-8.6
Chinese Gov Bond	0.1	1.1	5.3	-0.8	9.5	5.2	3.2
EM Hard Currency Bonds	-2.5	-10.1	-4.4	3.3	-0.8	14.6	-7.7
EM Local Currency Bonds	-3.0	-6.7	-6.2	1.7	0.0	2.8	-2.0
EUR Non-Financials	-3.2	-9.6	-10.1	5.4	-1.0	3.3	1.3
EUR Financials	-3.2	-8.5	-8.9	5.7	-1.3	2.9	1.5
Bunds	-3.2	-9.3	-9.1	-2.5	4.0	4.1	-0.1
USD High Yield	-3.3	-9.2	-6.3	20.0	-4.9	6.6	3.3
EUR High Yield	-4.2	-9.2	-8.2	16.8	-6.0	2.6	3.5
USD Corporates	-4.2	-13.6	-12.0	6.6	8.3	6.8	0.7
BTPs	-4.4	-10.6	-11.2	9.0	4.7	-1.7	4.5
Gilts	-5.2	-12.9	-8.9	-7.1	13.6	6.5	-3.8

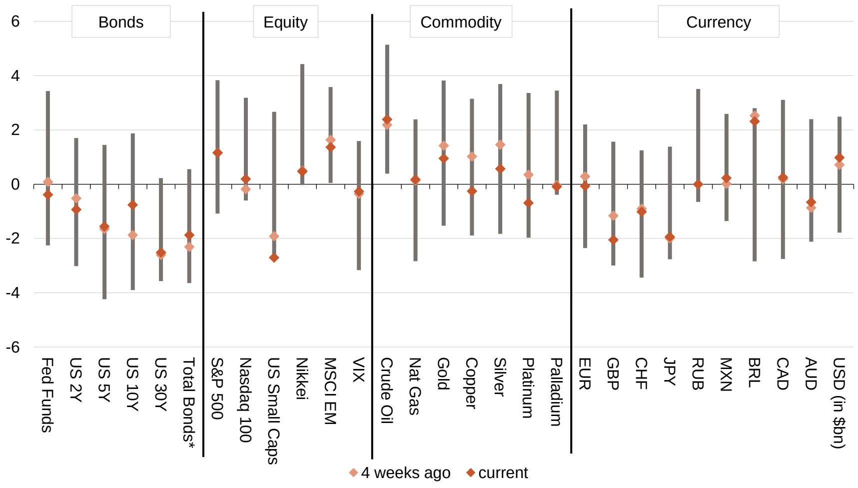
4-week & YTD; 12-month periods over that last 5 years

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

- The sell-off in bond markets continued over the last four weeks. British government bonds and US corporate bonds recorded the biggest losses.
- Only US and Chinese government bonds posted gains. However, the former have benefited primarily from the stronger dollar.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 06/05/2017 – 06/05/2022

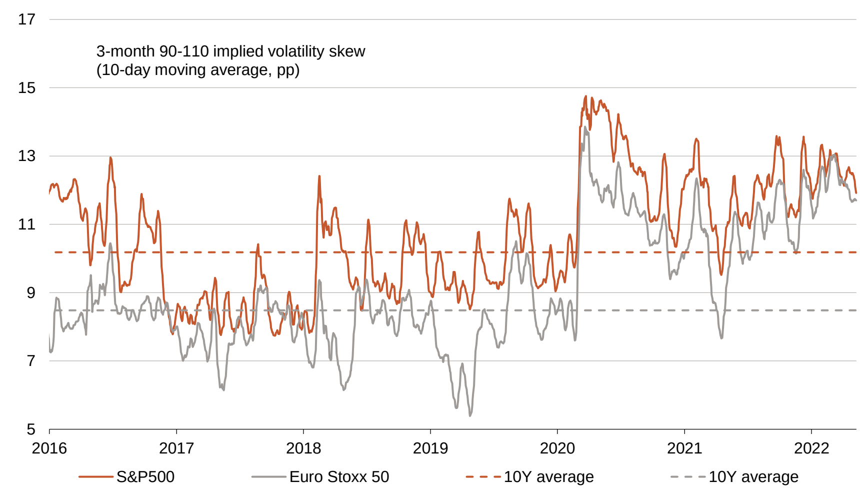
Non-Commercial Positioning



- In the case of 10Y Treasuries, speculative investors have recently taken larger profits on short positions.
- Within commodities, longs were reduced, especially in cyclical metals such as copper, silver and platinum, due to lockdowns in China and increasing recession concerns.

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: 03/05/2012 - 03/05/2022

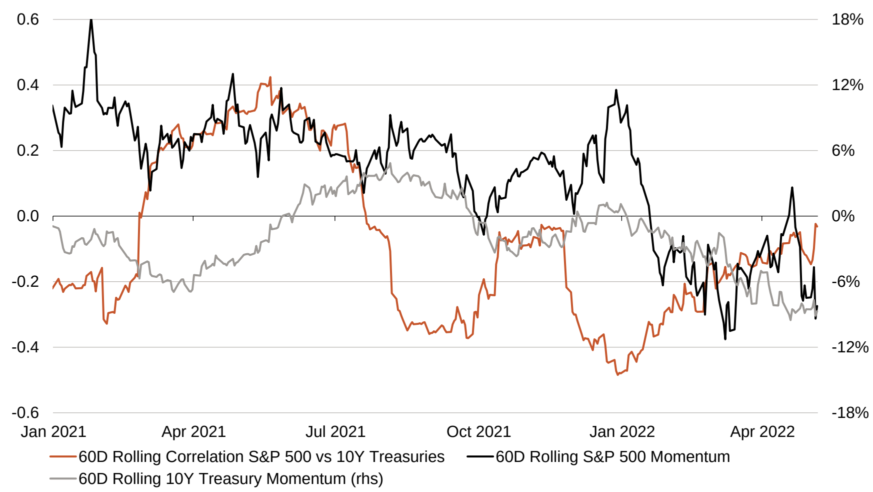
Put-Call-Skew



- The put-call skew (90-110) is little changed compared to the last weeks. The put skew (90-100), on the other hand, has fallen significantly over the last month. Investors are therefore expecting slightly falling markets rather than sharp sell-offs, although hedging remains very expensive overall.

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: 06/05/2012 - 06/05/2022

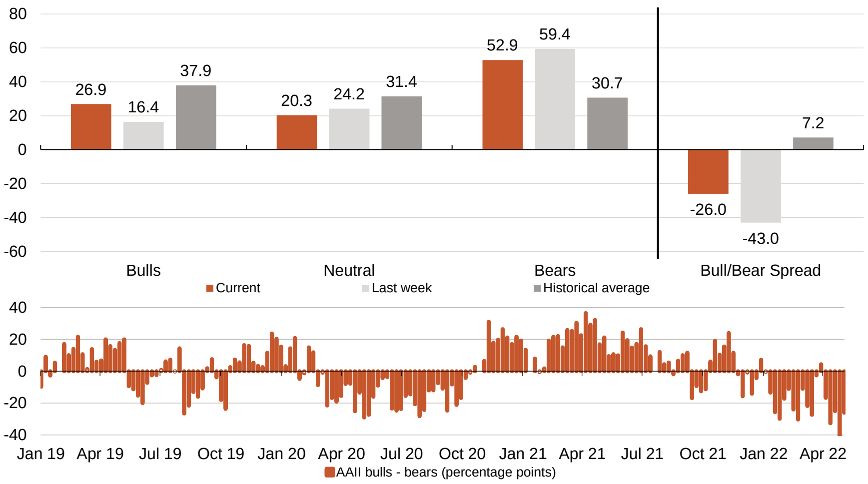
60-Day Momentum and Correlation



- Momentum for both US equities and US government bonds remains negative. So from a technical perspective, there is currently little support for markets. At the same time, the vulnerability to quick, sharp sell-offs by CTAs should be relatively low.

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 - 06/05/2022

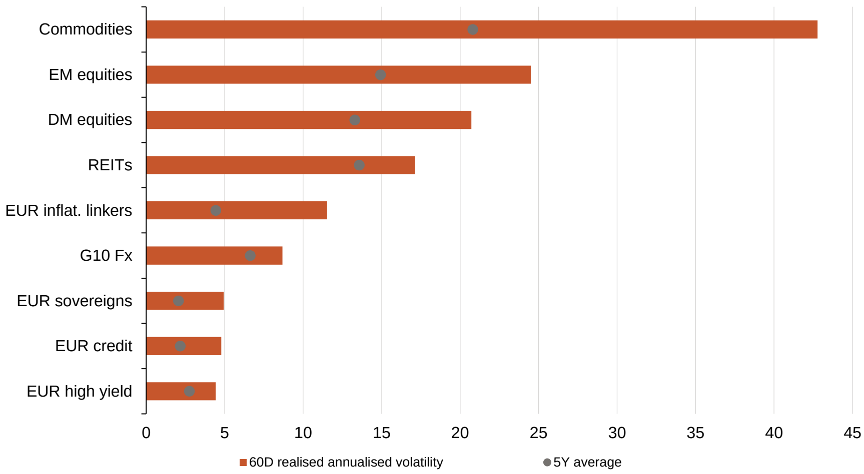
AAII Sentiment Survey (Bulls vs Bears)



- Last week, the number of bears reached 59%, the highest level since the global financial crisis of 2008. The bull/bear spread has been worse than -43 pp only in 3 weeks since inception in 1987.
- Currently, sentiment is slightly better but still very pessimistic.

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 – 05/05/2022

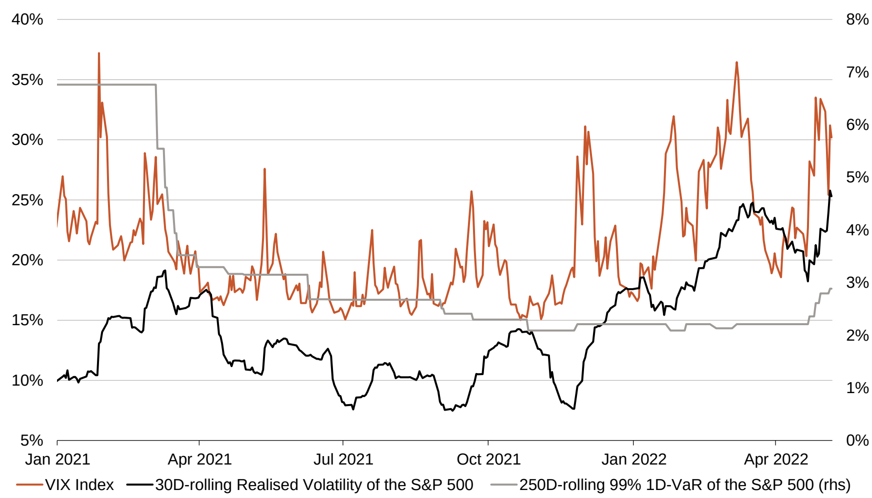
Realised Volatilities



- Realised volatilities remain above-average due to the multitude of risks (Putin's war, restrictive central banks, high inflation, and China lockdowns).
- A return to the "low-vol" environment before the outbreak of the pandemic seems far away for the time being.

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: 06/05/2017 - 06/05/2022

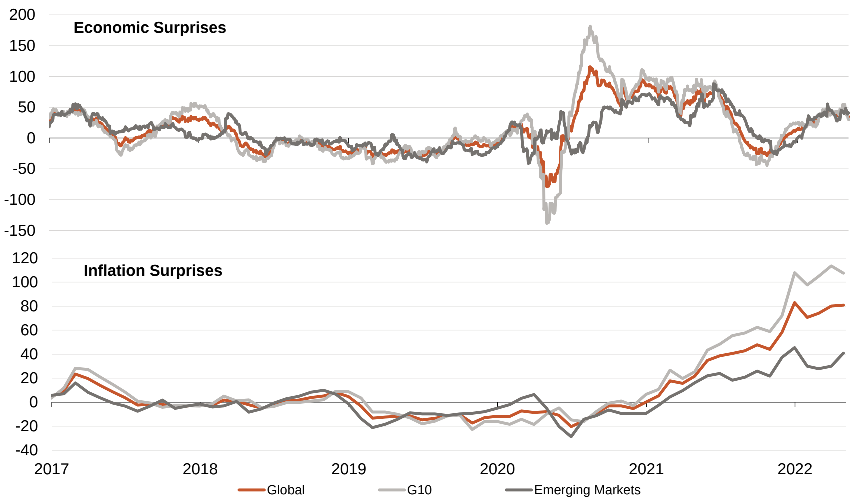
Volatility and Value-at-Risk of the S&P 500



- The VIX briefly fell sharply with the Fed meeting last Wednesday, only to rise sharply again the next day. Investors remain unsettled.
- The VaR has recently started to rise with an increasing number of volatile days. The risk budget and thus the equity exposure of some investors have probably fallen as a result.

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 - 06/05/2022

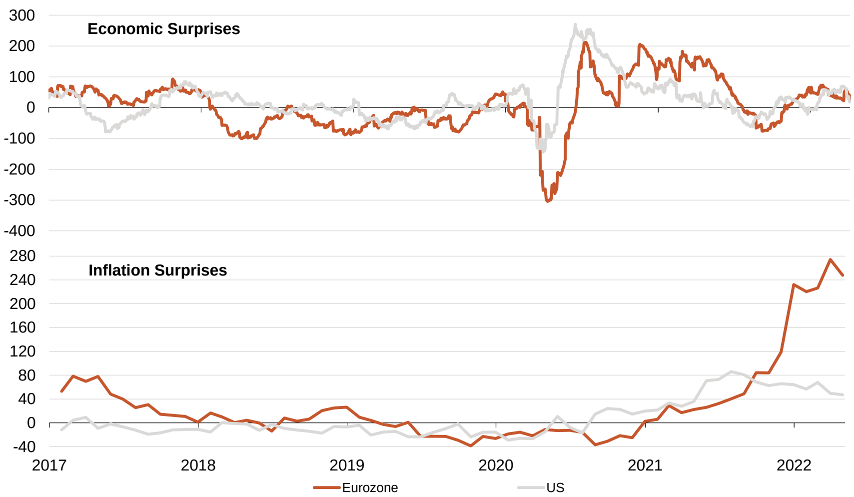
Global



- The economic surprise indices continued their volatile movement in positive territory over the last four weeks, defying the increasing fears of recession in markets.
- However, after an increase in positive economic surprises at the end of April, the positive surprises of the Developed World (G10), Emerging Markets and Global Economic Surprise Indices recently decreased slightly.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 06/05/2022

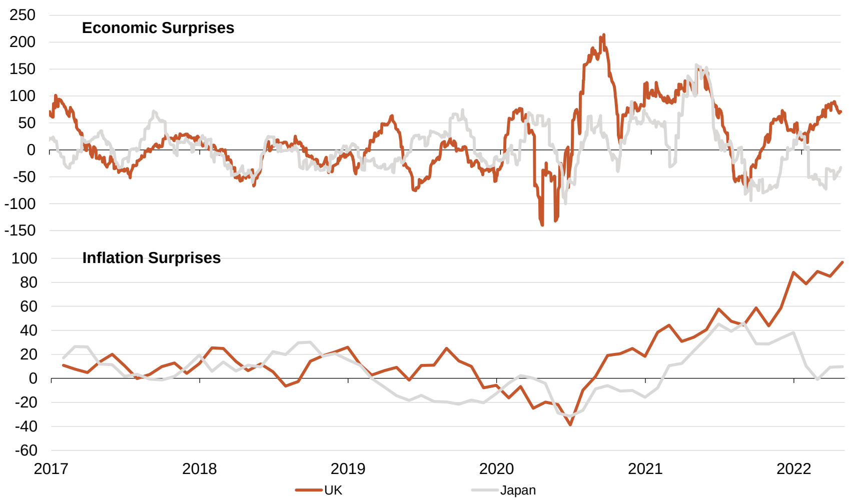
Eurozone and US



- Positive economic surprises continued to dominate in both the USA and the Eurozone, even if these have recently declined in both regions.
- In the US, monthly home sales and Q1 GDP growth disappointed, while durable goods orders were above expectations. In the eurozone, retail sales fell short of expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 06/05/2022

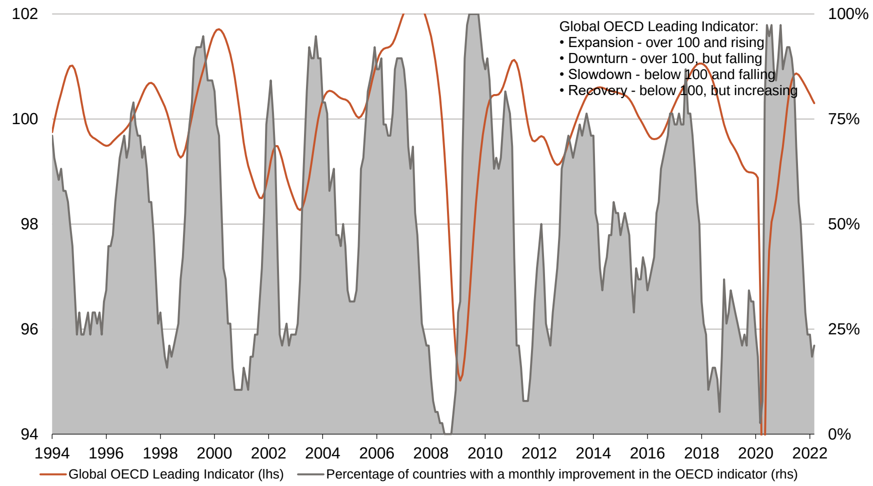
UK and Japan



- In Japan, industrial production data disappointed, while retail sales exceeded expectations.
- In the UK, preliminary purchasing managers' data came in above expectations.

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: 31/12/2020 - 06/05/2022

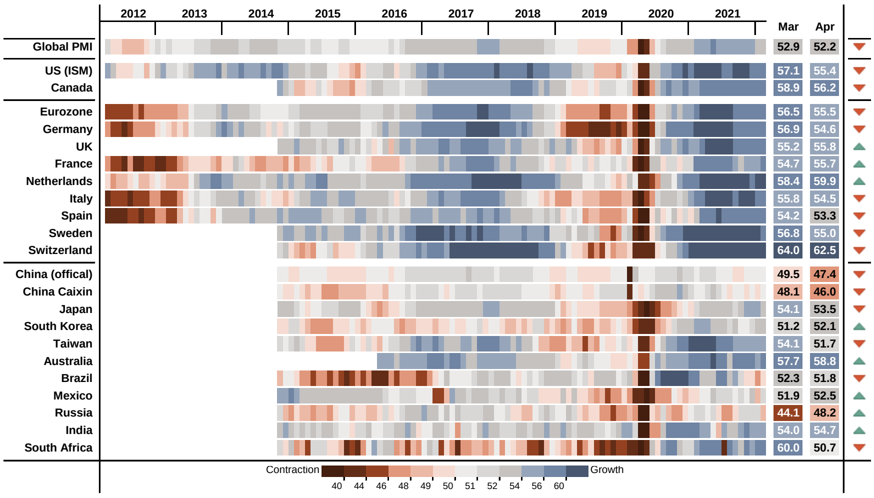
OECD Leading Indicator



- The global OECD leading indicator continues its downward trend towards the 100 mark. The movement of the economic indicator towards the important core mark - above 100, but falling - points to an economic downturn.
- At the country level, the share of countries with improvement over the previous month recovered from 18% in February to 21% in March.

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

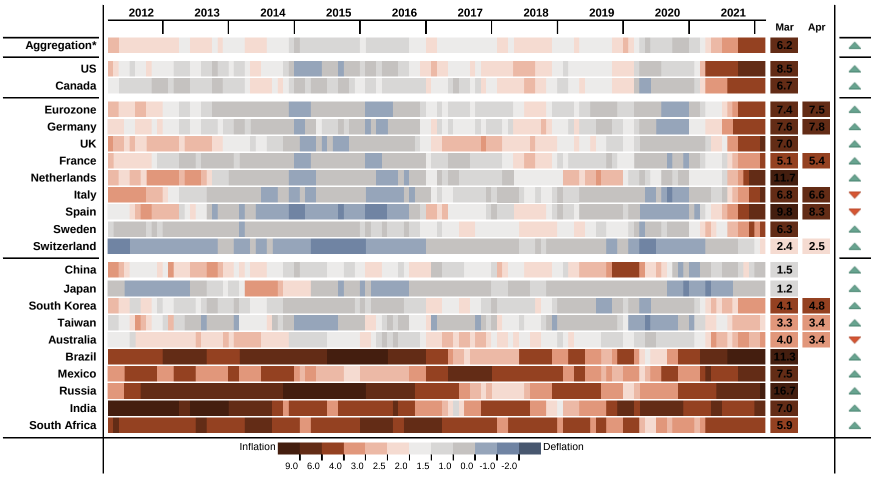
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- Preliminary purchasing managers' data for April fell globally, in the US and the Eurozone.
- PMIs also declined in China, Germany and Japan. In contrast, they rose in the UK, France, South Korea, Russia, Mexico and Australia.

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 – 06/05/2022

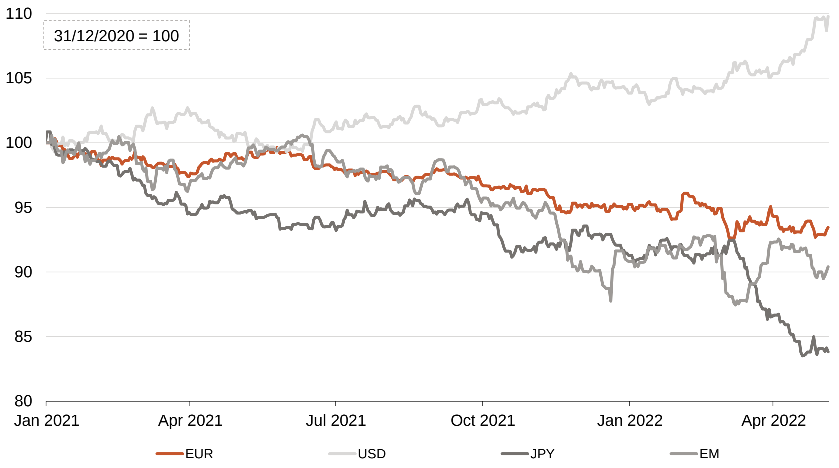
Headline Inflation



- The inflation data for the month of March show a clear picture - the year-on-year inflation rate increased noticeably across all regions.
- While global inflation was 5.2% in February, it is 6.2% for March. The inflation rates for the USA and the Eurozone for March are 8.5% and 7.4% respectively.

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 – 06/05/2022

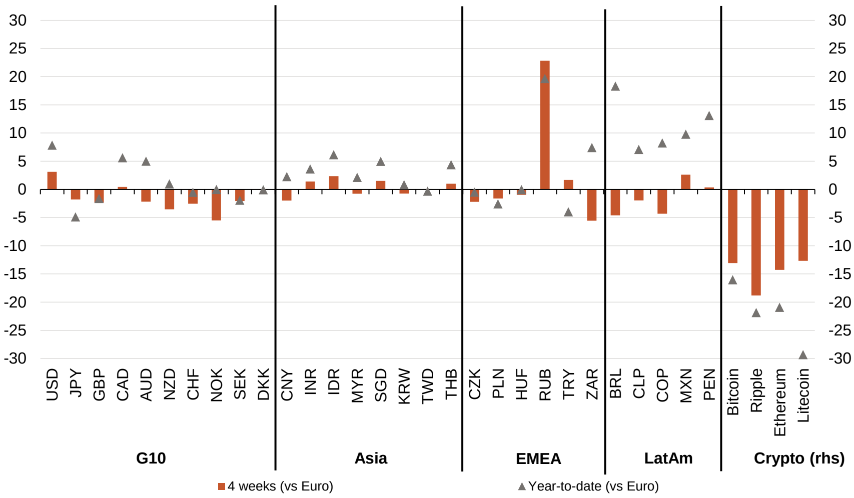
Trade-Weighted Currency Development



- The US dollar continues to rise. In addition to geopolitical and economic uncertainty, higher yields in the US are also driving investors increasingly into USD-denominated investments. The real interest rate on 10Y Treasuries is positive again for the first time since the beginning of 2020.
- All other currencies are losing out - especially the Japanese yen, which is suffering from the BoJ's ultra-expansionary policy.

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 - 06/05/2022

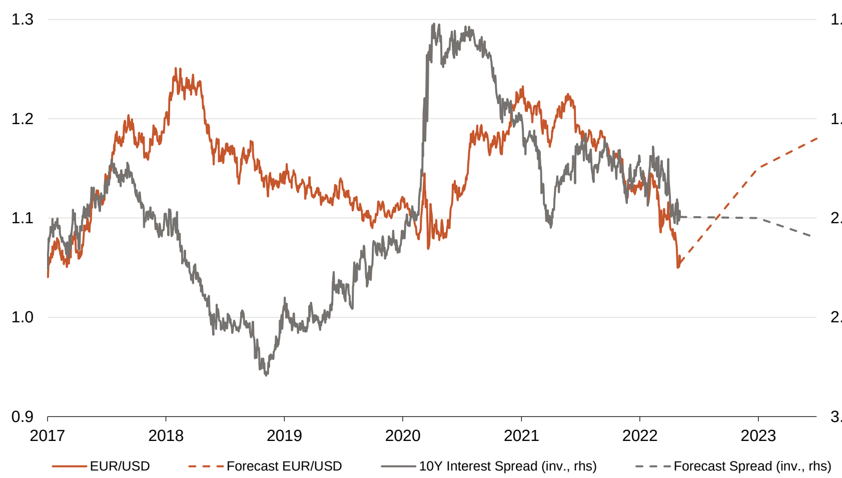
Currency Moves vs Euro



- The pound sterling lost noticeably against the euro last week after the BoE meeting, as central bankers see a recession in the UK for 2022 and 2023.
- The strongest currency since the beginning of the year is the Russian rouble, which has gained more than 20%. As long as Europe still imports oil and gas in large quantities from Russia, this strength is likely to continue.
- The weakness of cryptocurrencies in the current pessimistic environment shows that they are highly correlated to other risk assets.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2021 - 06/05/2022

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



- At the end of April, the EUR/USD exchange rate fell below the 1.05 mark for the first time since 2017. Although the US dollar now appears to be significantly overvalued from a purchasing power parity perspective, the high interest rate differential against the euro still dominates at present.

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

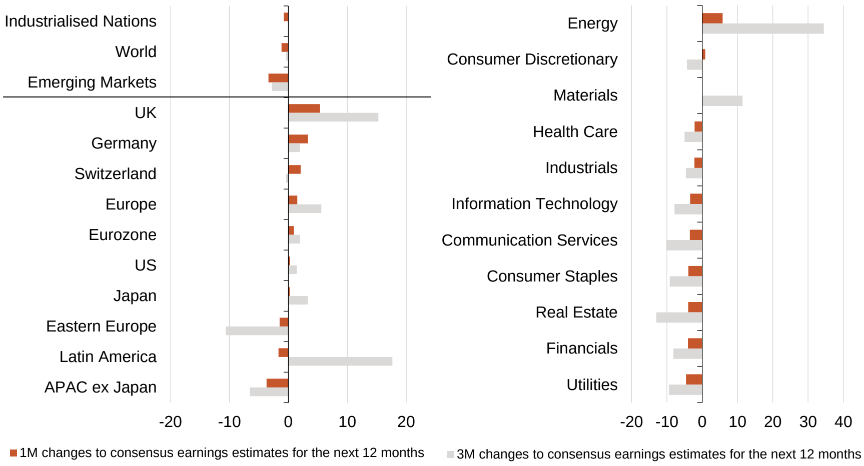
	4-week & YTD: 4W (08/04/22 - 06/05/22)	4-week & YTD: YTD (31/12/21 - 06/05/22)	12-month periods over that last 5 years: 06/05/21 06/05/22	06/05/20 06/05/21	06/05/19 06/05/20	06/05/18 06/05/19	05/05/17 06/05/18
Energy	4.9	28.0	48.9	22.7	-39.0	0.7	21.9
Communication Services	-3.4	0.8	1.0	26.6	-22.1	-4.0	-4.6
Value	-3.6	-1.7	4.9	37.7	-23.9	-1.1	1.5
Consumer Staples	-3.7	-6.5	5.2	13.9	-4.2	14.9	-8.2
Utilities	-4.4	-4.0	3.4	27.1	4.0	8.1	5.4
Industrials	-5.5	-18.3	-7.7	58.2	-15.9	4.1	-0.2
Materials	-6.8	-4.5	0.1	62.9	-14.7	1.3	12.1
Finance	-7.2	-10.0	-1.3	48.3	-30.0	-5.7	-0.2
Information Technology	-7.4	-24.6	-9.3	44.1	0.9	9.6	8.7
Consumer Discretionary	-7.9	-24.1	-18.5	63.1	-17.6	-2.0	4.0
Growth	-8.5	-17.6	-3.4	29.5	-0.3	7.4	0.2
Health Care	-9.2	-1.8	18.6	-2.3	24.0	12.4	-9.2

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

- The sector dispersion has continued over the past four weeks. The energy sector gained more than 4%, while technology stocks lost more than 7%. YTD, a performance gap of more than 50% has opened up.
- Value stocks again outperformed growth stocks and the healthcare sector lost some of its relatively good YTD performance.

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: 05/05/2017 – 06/05/2022

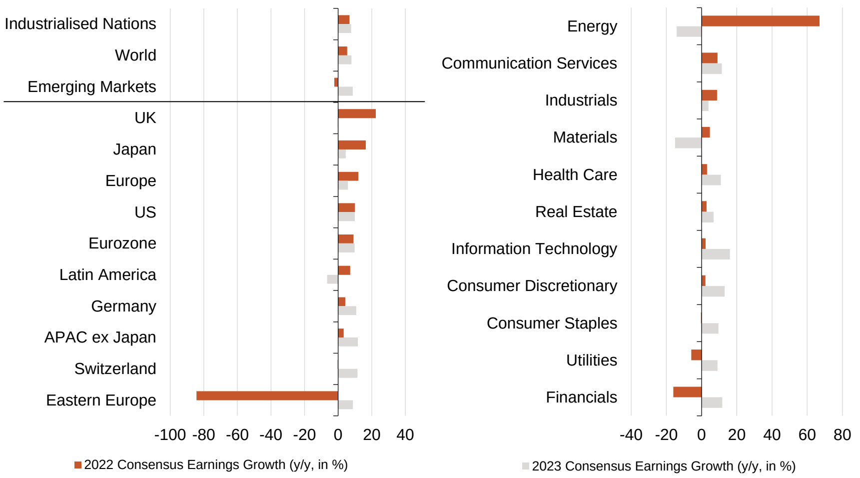
Changes in Consensus Earnings Estimates



- Analysts have now also become more pessimistic about companies from the industrialised nations. The 1M earnings revisions are negative for both developed and emerging markets.
- At a country level, the UK and Germany recorded positive earnings revisions, while earnings revisions for Latin America turned negative.
- In terms of sectors, only energy has seen positive earnings revisions in the last four weeks.

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 06/05/2022

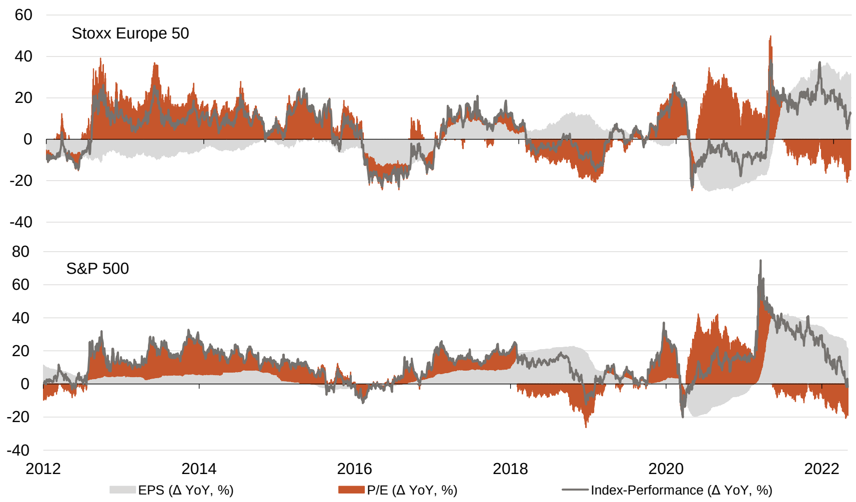
Earnings Growth



- The analysts expect positive earnings growth in the developed world, both in 2022 and 2023, despite possible economic headwinds. Emerging markets are likely to be negative in 2022, while 2023 could see more growth than developed nations.
- In terms of sectors, energy is likely to be the winner and financials, the laggard, 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 06/05/2022

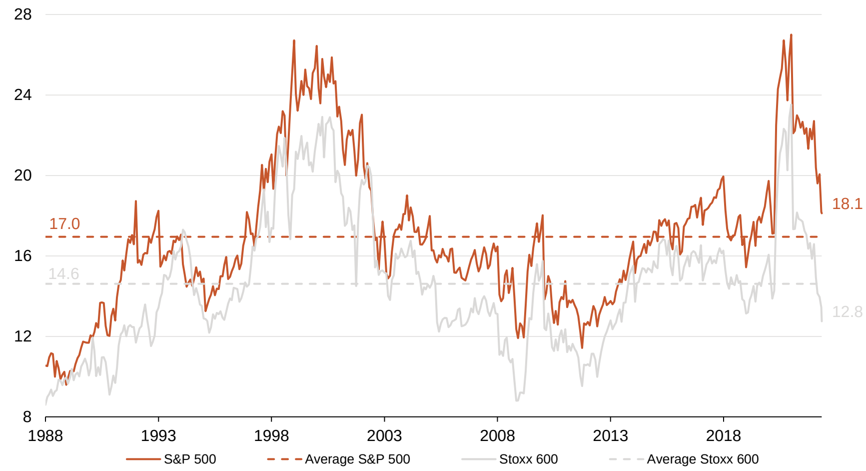
Contribution Analysis



- The year-on-year performance of the S&P 500 has recently reached negative territory. Year-on-year lower earnings growth and falling valuation levels have weighed on the index.
- The Stoxx Europe 50, on the other hand, gained YoY thanks to a less stretched valuation with stable earnings growth.

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 - 06/05/2022

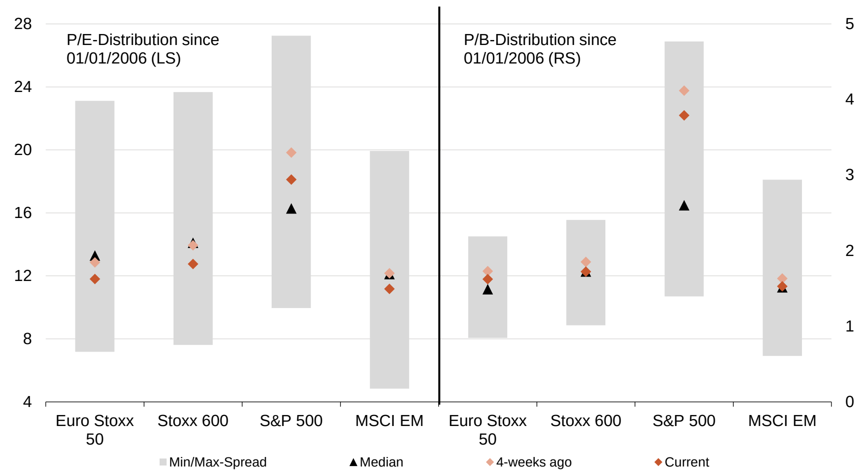
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The P/E ratios of the S&P 500 and the Stoxx 600 have changed little in the last two weeks. While the S&P 500 is still slightly expensive compared to the historical average, the Stoxx 600 is historically favourably valued with a P/E ratio of well below 14.6.

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 - 06/05/2022

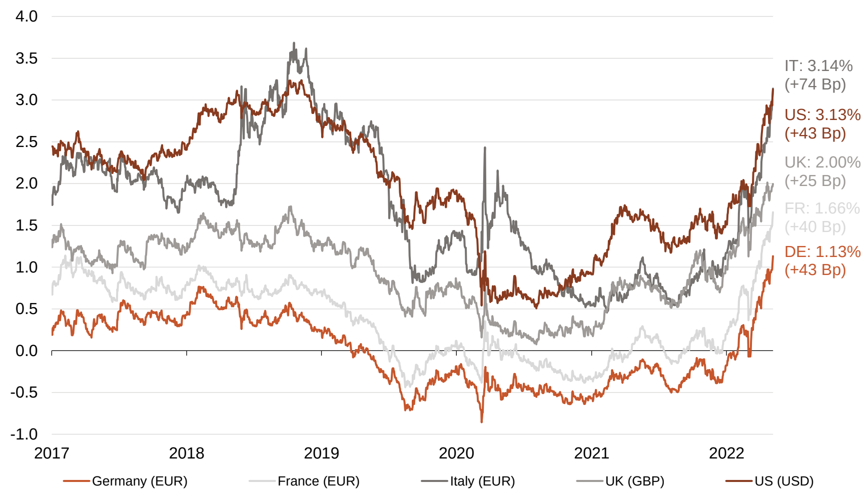
Historical Distribution: Price/Earnings and Price/Book Ratio



- Equities have become cheaper again. In the last four weeks, the Euro Stoxx 50, the Stoxx 600, the S&P 500 as well as the MSCI EM have become cheaper from a P/E and P/B perspective.
- However, all indices are still notably away from the valuation lows.

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 - 06/05/2022

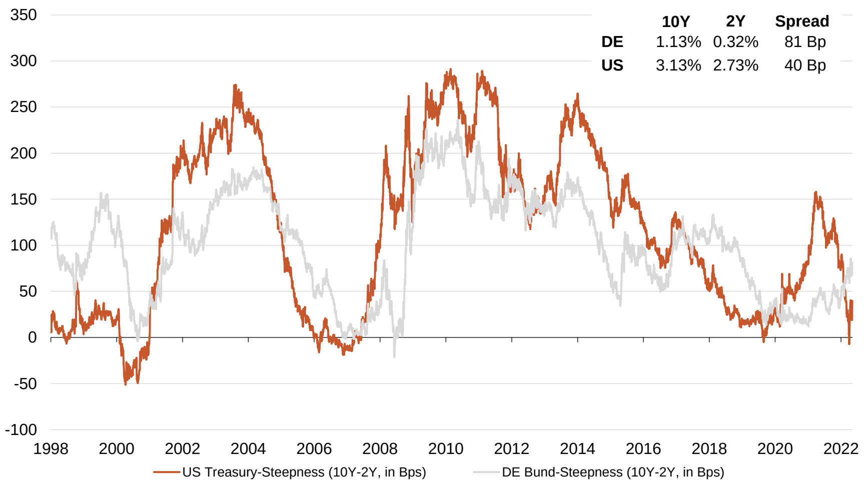
10-Year Government Bond Yields



- Yields on US Treasuries have only risen slightly in the last two weeks after the Fed "only" raised the key interest rate by 50 basis points (bps) in May, as expected. A negative interest rate surprise was thus avoided.
- In Europe, yields also tended to rise only slightly. Only Italy saw significantly rising yields and now offers yields above 3%, similar to the US.

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 - 06/05/2022

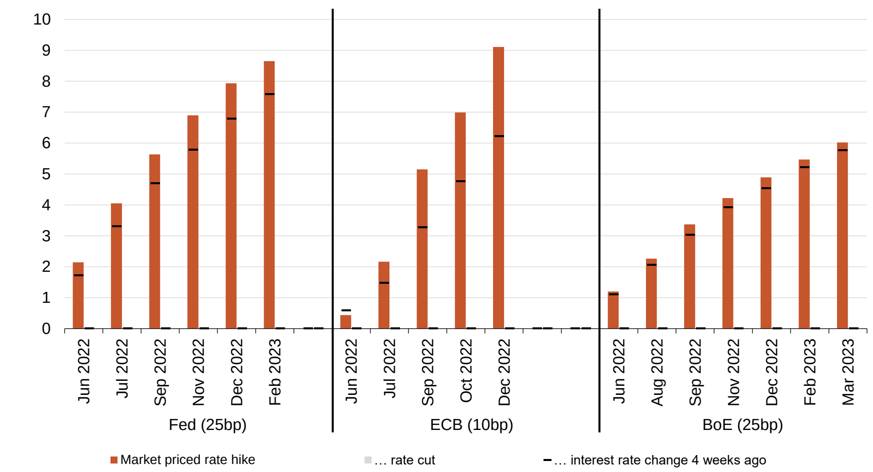
Yield Curve Steepness (10Y - 2Y)



- The steepness of the US and German yield curves has increased slightly in the last two weeks. In the US, however, the steepness remains at a level close to zero. The market thus continues to see the danger of a recession.

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 - 06/05/2022

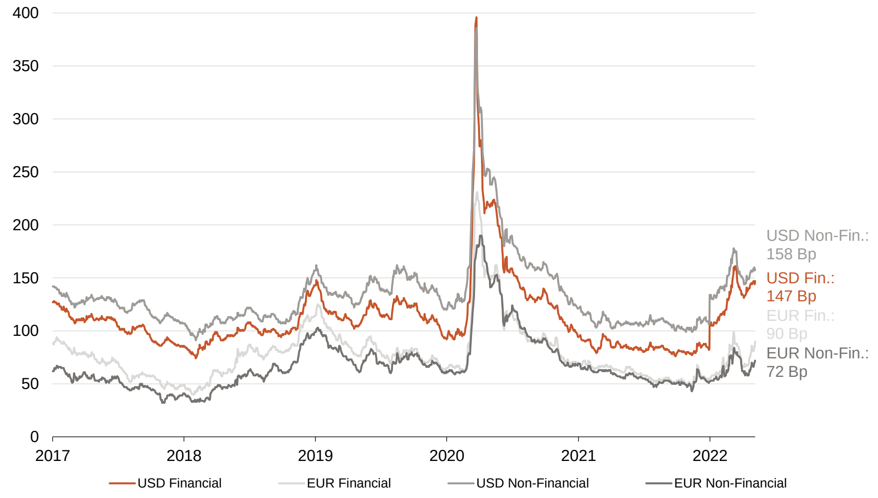
Implicit Changes in Key Interest Rates



- The Fed raised rates by 50bps in May and officially announced its balance sheet reduction programme, which will start in June. For the June meeting, the market is pricing in another 50bps hike.
- The Bank of England raised key interest rates by 25bps to 1% - the highest level since the financial crisis. It is also likely to go up further in June.
- The ECB, on the other hand, is not expected to raise interest rates until July, according to the market.

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: 08/04/2022 - 06/05/2022

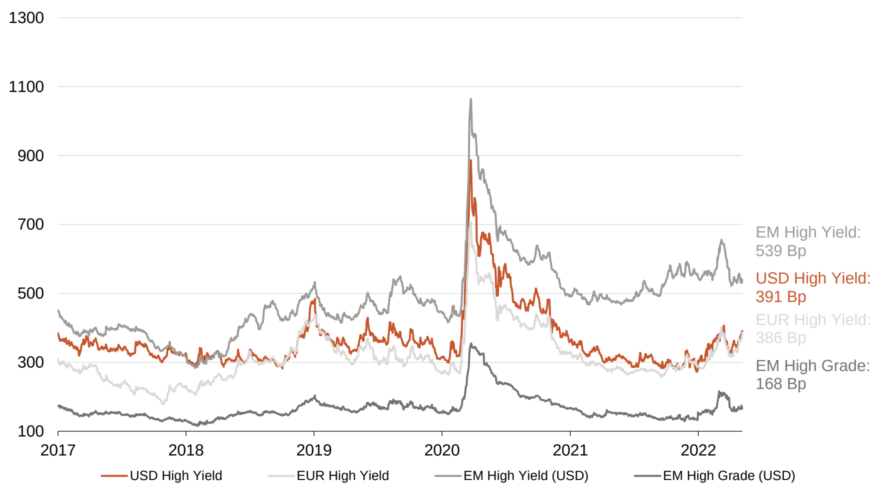
Credit Spreads Financial and Non-Financial Bonds



- Recession concerns and the associated risk-off environment weighed on the broad corporate bond market. Investment grade bonds saw spreads widen in both euro and US dollar terms.
- USD non-financial bonds saw spread widening of about 5bps in the last two weeks, while EUR financial bonds saw spread widening of more than 10bps.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2017 – 06/05/2022

Credit Spreads High Yield and Emerging Markets Bonds



- USD and EUR high-yield bonds also experienced significantly rising spreads. In the last two weeks, spreads on USD high-yield bonds have risen by more than 50 basis points. For EUR high yield, it was more than 50 bps.
- EM high-yield bonds, on the other hand, hardly saw rising spreads, also thanks to China's economic stimulus measures.

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 – 06/05/2022

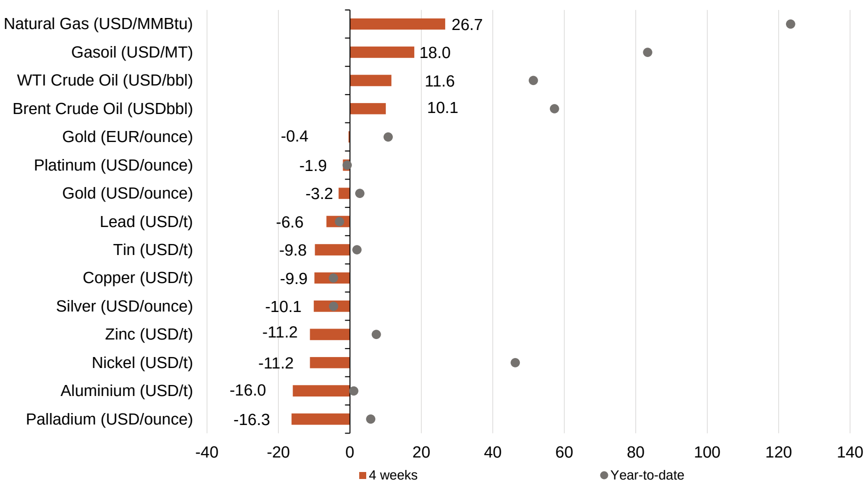
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Rendite (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	06/05/21 06/05/22	06/05/20 06/05/21	06/05/19 06/05/20	06/05/18 06/05/19	06/05/17 06/05/18
EUR Government	1.49	0.50	7.7	-	-	-	-3.9	-10.4	-10.6	1.9	3.8	2.5	2.3
Germany	0.83	0.44	7.7	-	-	-	-3.6	-9.3	-9.0	-2.4	4.0	4.1	-0.1
EUR Corporate	2.34	0.67	4.9	79	16	54	-3.5	-9.1	-9.5	5.5	-1.0	3.1	1.5
Financial	2.35	0.69	4.1	90	22	55	-3.2	-7.8	-8.1	5.0	-0.8	2.7	1.6
Non-Financial	2.34	0.66	5.4	72	12	52	-3.7	-9.8	-10.3	5.7	-1.2	3.3	1.4
EUR High Yield	5.75	1.19	3.7	386	64	69	-4.4	-9.2	-8.2	16.8	-6.0	2.6	3.5
US Treasury	2.99	0.36	6.5	-	-	-	-3.1	-9.9	-8.9	-3.6	13.9	4.9	-0.7
USD Corporate	4.46	0.62	7.3	154	13	76	-5.1	-13.6	-12.0	6.6	8.3	6.8	0.7
Financial	4.30	0.55	5.5	147	14	75	-3.5	-10.9	-10.0	6.4	7.6	6.6	0.5
Non-Financial	4.54	0.65	8.1	158	13	76	-5.8	-14.8	-12.9	6.7	8.5	6.8	0.8
USD High Yield	7.36	0.92	4.7	391	53	52	-3.9	-9.2	-6.3	20.0	-4.9	6.6	3.3
EM High Grade	4.58	0.53	5.6	168	5	35	-3.2	-12.6	-11.3	7.4	3.3	6.8	0.5
EM High Yield	9.43	0.50	4.3	539	10	46	-3.9	-13.3	-17.5	21.9	-4.4	6.5	1.4

- The development of USD corporate bonds (IG) since the beginning of the year is worse than the development of the S&P 500 at -13.6%. Rising spreads and interest rates have weighed. High-yield bonds, on the other hand, held up better with -9.2%.
- Spreads have clearly risen in the last four weeks in all segments with the exception of EM High Grade.

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 : 06/05/2017 – 06/05/2022

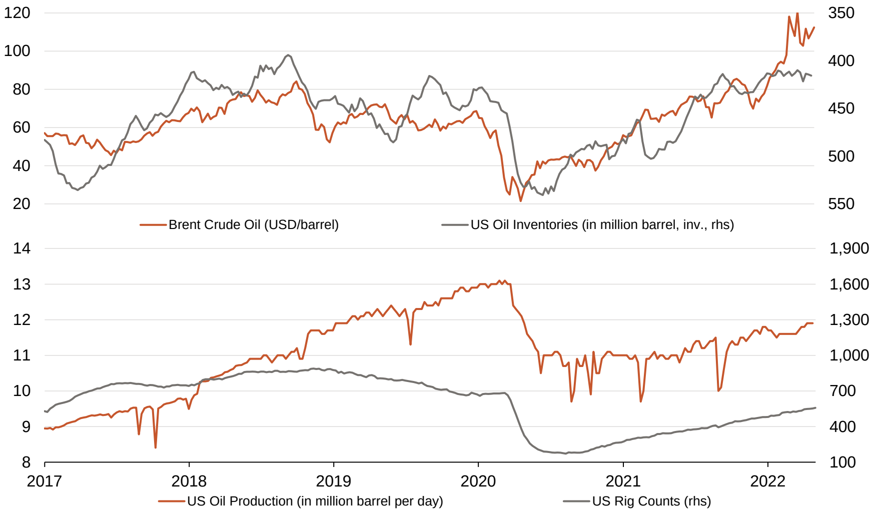
Commodities Performance



- While energy commodities gained over the last four weeks, extending their gains since the beginning of the year, industrial metals posted losses across the board.
- Natural gas and crude oil were boosted by heightened supply concerns following the announcement of an oil embargo by the EU and halted gas exports to Poland and Bulgaria by Russia. Industrial metals remained burdened by demand concerns from China.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period:31/12/2021 – 06/05/2022

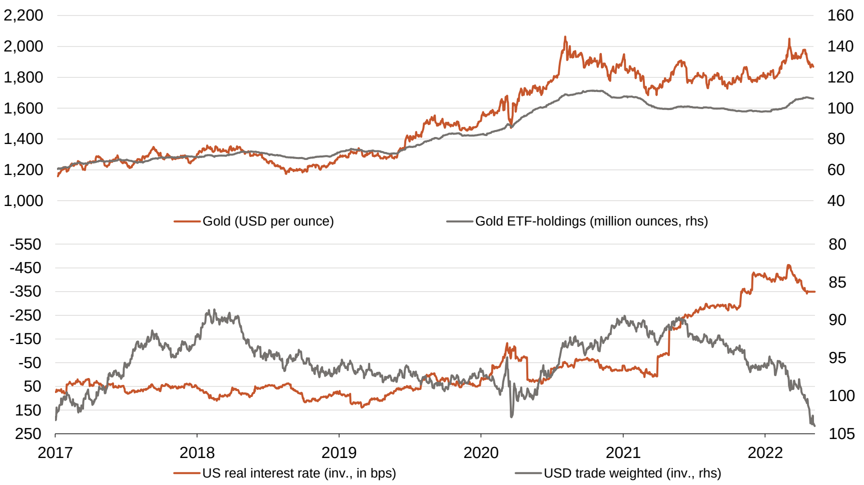
Crude Oil



- The high volatility on energy markets continued in recent weeks. Most recently, the EU's announcement to plan to ban Russian crude oil imports caused upward pressure on the oil price. Demand concerns from China in turn provided a headwind for the price of crude oil.

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 – 06/05/2022

Gold



- While at the beginning of last month gold was still benefitting from inflation and economic slowdown concerns, as well as geopolitical uncertainty, and was thus able to defy the massive rise in real interest rates, the strengthened dollar recently posed a significant headwind and the precious metal let go some of its gains.

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 – 06/05/2022

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