BERENBERG
Markets

MONITOR

07 June 2022

Current market commentary

US equities in particular recovered recently, driven by rebalancing flows (pension funds sell bonds and buy equities to return to target weights in their asset allocation) and share buyback programmes. In addition, more corporate insiders have been buying shares recently. Lower volatility and better price momentum should also increasingly drive systematic investment strategies back into equities. In the short term, the markets could stabilise further. In the medium term, however, the decisive factor remains to be the persistence of inflation and how robust consumers really are. The Fed's future monetary policy will then depend on this. Over the next few months, however, economic data and thus also earnings estimates are likely to come down, if the lockdowns in China and continued high inflation rates leave their mark. Accordingly, we would not chase the current rally through increasing our equity exposure. We retain a balanced exposure and remain a neutral equity quota.

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

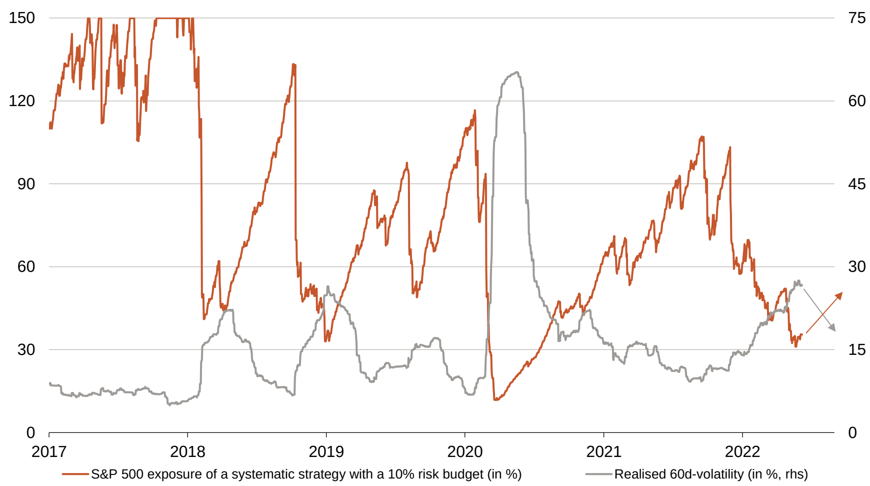
All eyes on central banks.

In the coming days, with inflation remaining high, all eyes will be on the central banks. The ECB will hold its monthly meeting on 9 June, the Bank of England on 15 June and the Fed on 16 June. The market expects a rate hike of 25 basis points at the Bank of England and 50 basis points at the Fed. On 16-17 June, the Eurozone finance ministers will meet.

US inflation data of crucial importance.

On Tuesday, new orders (Apr.) for Germany and the US trade balance (Apr.) will be released. German industrial production data (Apr.) will be released on Wednesday. On Friday, inflation data (May) for China and the US will follow, as well as industrial production data (Apr.) for Italy and US consumer confidence (Jun.). In the following week, the ZEW index (Jun.) for Germany as well as retail sales (May), various sentiment indicators (May, Jun.) and industrial production data (May) for the USA will be published.

Systematic investment strategies supportive in the short term



- Risk-based systematic investment strategies currently have a historically low equity allocation due to the high volatility of the last weeks & months.
- While this limits the drop in equity markets on bad news from this side, these strategies are likely to increase demand for equities again and support prices when volatility falls.
- However, as these are non-fundamental investors and risks remain high, we do not chase rising prices.

Source: Bloomberg, Time period: 01/01/2017 – 03/06/2022

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (06/05/22 - 03/06/22)	YTD (31/12/21 - 03/06/22)	03/06/21 03/06/22	03/06/20 03/06/21	03/06/19 03/06/20	03/06/18 03/06/19	02/06/17 03/06/18
Brent	5.7	79.0	123.1	61.3	-35.0	-13.7	53.5
MSCI Emerging Markets	1.6	-7.8	-11.3	32.5	0.3	-4.9	10.0
Euro overnight deposit	0.0	-0.2	-0.6	-0.5	-0.4	-0.4	-0.4
EUR Sovereign Debt	-0.6	-7.0	-7.4	1.0	1.0	3.0	-0.3
EUR Coporates	-0.7	-9.8	-10.0	4.2	0.1	3.2	0.4
MSCI World	-0.7	-8.0	7.2	25.9	10.4	2.8	7.3
Global Convertibles	-1.4	-11.5	-5.1	35.3	19.8	3.2	9.4
USDEUR	-1.6	6.1	13.1	-7.4	0.1	3.7	-3.2
Industrial Metals	-2.0	14.5	35.3	44.4	-8.1	-15.0	22.6
REITs	-2.8	-9.5	9.1	13.0	-5.7	16.6	-5.7
Gold	-3.3	7.4	12.0	1.9	28.4	6.3	-2.2
MSCI Frontier Markets	-6.5	-11.1	0.3	26.7	-9.9	2.9	1.3

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.

- Brent remained the strongest, and with emerging market equities the only positive, asset class over the last four weeks. Most recently, the oil price experienced a slight headwind after OPEC announced that it was considering excluding Russia. Industrial metals, the second strongest asset class since the beginning of the year, suffered from China demand concerns and were among the losers in recent weeks.
- REITs, global convertibles and emerging market equities brought up the rear.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/06/2017 – 03/06/2022

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (06/05/22 - 03/06/22)	YTD (31/12/21 - 03/06/22)	03/06/21 03/06/22	03/06/20 03/06/21	03/06/19 03/06/20	03/06/18 03/06/19	02/06/17 03/06/18
DAX	5.7	-9.0	-7.5	25.2	5.9	-7.3	-0.8
Euro Stoxx 50	4.9	-10.2	-4.8	27.6	0.8	-1.8	-1.3
MSCI EM Eastern Europe	4.4	-80.4	-79.2	18.4	-5.7	19.1	9.9
Stoxx Europe Cyclicals	4.2	-11.3	-4.3	35.9	-1.0	-8.3	4.4
Stoxx Europe Small 200	3.8	-15.2	-9.9	34.0	5.1	-6.1	6.4
MSCI UK	2.5	4.2	14.4	18.0	-9.6	-3.7	5.6
Stoxx Europe 50	2.4	-2.7	8.0	17.5	1.7	2.7	-1.4
MSCI EM Asia	2.0	-9.1	-13.4	34.2	7.4	-8.7	13.3
Stoxx Europe Defensives	1.8	3.6	16.7	7.0	6.8	4.1	-0.3
MSCI USA Small Caps	0.5	-7.8	-0.3	44.7	1.1	-2.3	13.5
MSCI Japan	-0.5	-8.7	-3.6	15.4	9.0	-6.1	6.7
S&P 500	-1.7	-7.9	12.3	26.5	15.9	6.5	10.5

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.

- Equities have had a difficult time over the last four weeks and were only able to record isolated and only slight gains. The winner over the last four weeks was the Dax, with a performance of just under 6%, followed by European shares.
- American shares and small caps remained heavily weighed down by the Fed's restrictive tones on interest rate policy and thus brought up the rear.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/06/2017 – 03/06/2022

Fixed Income

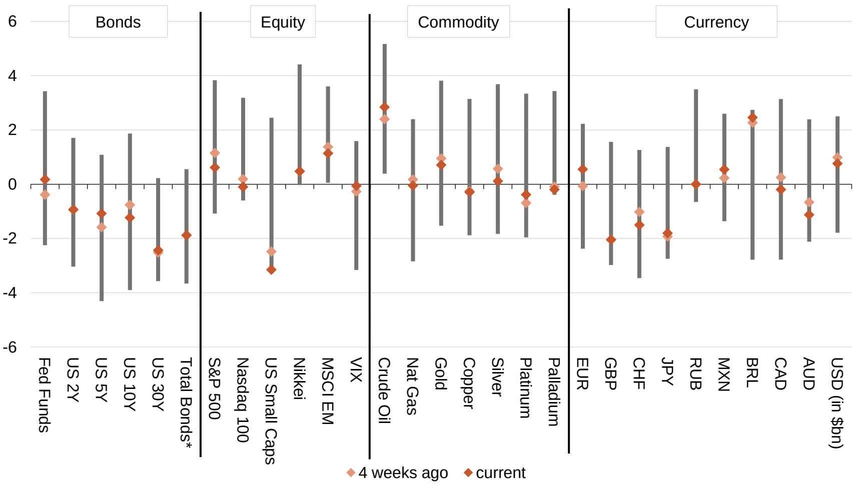
	4-week & YTD		12-month periods over that last 5 years				
	4W (06/05/22 - 03/06/22)	YTD (31/12/21 - 03/06/22)	03/06/21 03/06/22	03/06/20 03/06/21	03/06/19 03/06/20	03/06/18 03/06/19	02/06/17 03/06/18
EM Local Currency Bonds	1.9	-4.9	-5.6	-2.7	4.9	4.8	-3.2
USD Corporates	1.5	-12.3	-10.6	3.7	9.4	8.3	-0.6
USD High Yield	1.1	-8.1	-5.6	13.0	2.5	5.2	2.2
Chinese Gov Bond	0.5	1.6	5.1	1.7	6.8	5.5	4.3
EUR High Yield	0.5	-8.8	-8.2	11.6	0.2	2.2	1.9
EM Hard Currency Bonds	-0.1	-10.2	-4.7	0.3	2.0	12.4	-4.5
Treasuries	-0.3	-3.2	4.6	-10.6	9.9	11.5	-4.7
EUR Financials	-0.4	-8.9	-9.2	4.2	0.2	3.0	0.4
EUR Non-Financials	-0.8	-10.4	-10.6	4.3	0.1	3.3	0.4
Bunds	-1.4	-10.6	-10.0	-1.5	1.0	4.4	0.3
BTPs	-1.6	-12.0	-12.8	6.4	7.6	4.3	-1.1
Gilts	-1.7	-14.3	-10.7	-3.2	9.9	3.9	0.2

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

- Emerging market bonds were the top performer over the last four weeks, closely followed by USD corporate bonds and USD high-yield bonds. Chinese government bonds also made gains.
- Safe government bonds also suffered price losses due to the pressure of the more restrictive interest rate policy and show continuously rising yields.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/06/2017 – 03/06/2022

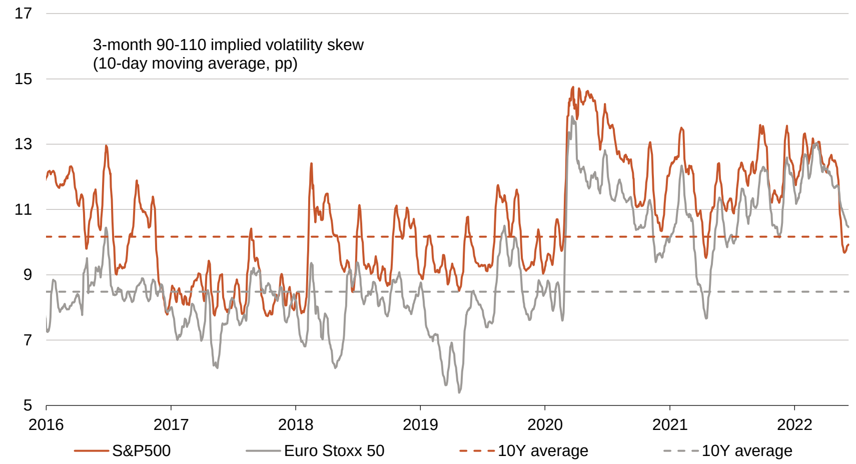
Non-Commercial Positioning



- Speculative investors have recently reduced risks in line with the increased recession concerns. They have significantly reduced their longs in the S&P 500 and within commodities they are only optimistically positioned in oil and gold.

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: 31/05/2012 -

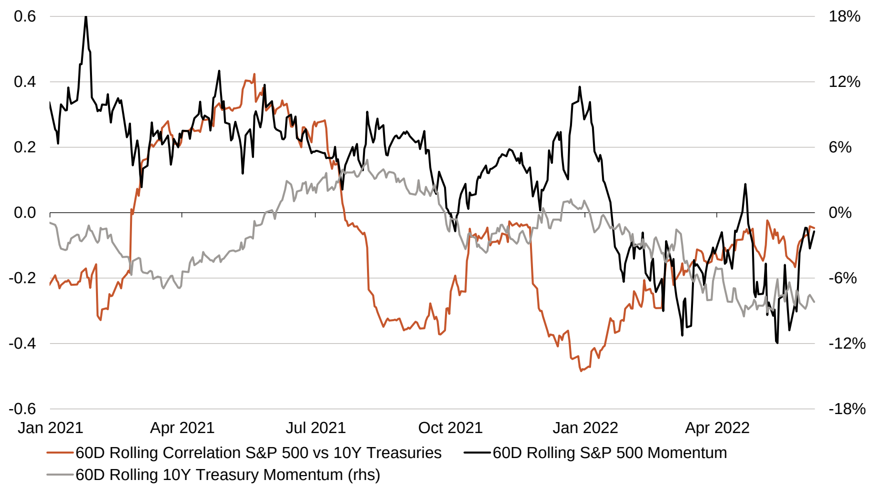
Put-Call-Skew



- The put-call skew has fallen rapidly over the last month, especially in the US. Investors have thus asked less for hedging and for more upside participation.
- However, investors are far from euphoric or careless. In the US, the skew is close to the historical average, while in Europe even significantly above it.

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: 03/06/2012 - 03/06/2022

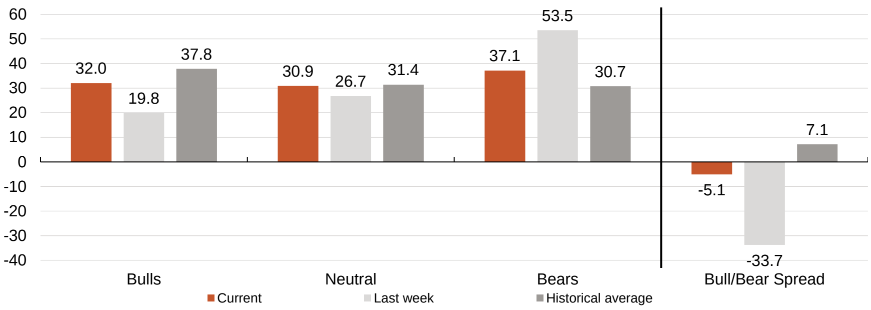
60-Day Momentum and Correlation

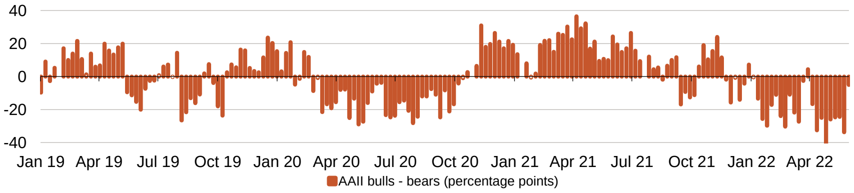


- Momentum over the last 60 days is still negative, but has recently improved significantly. Momentum strategies should therefore have partially covered their short positions.
- Momentum in US government bonds, on the other hand, remains poor.

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 - 03/06/2022

AAII Sentiment Survey (Bulls vs Bears)

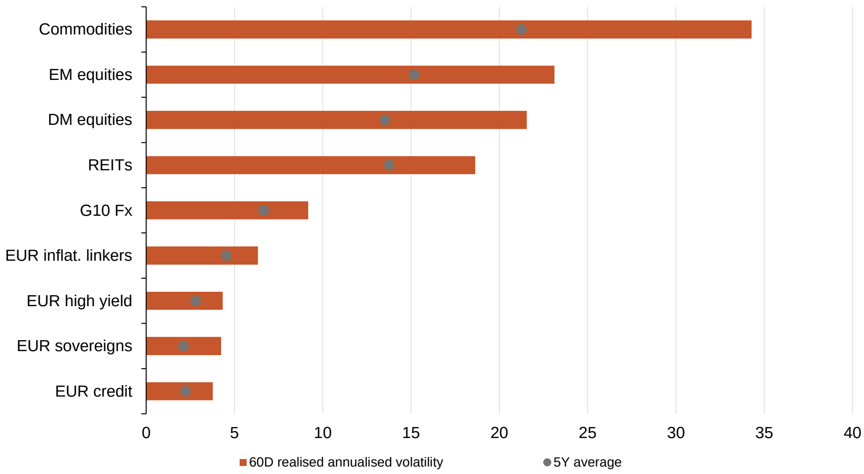




- Sentiment among US private investors has brightened considerably, but we are still far from broad optimism. The bears still outweigh the bulls by about 5 ppts.

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 – 03/06/2022

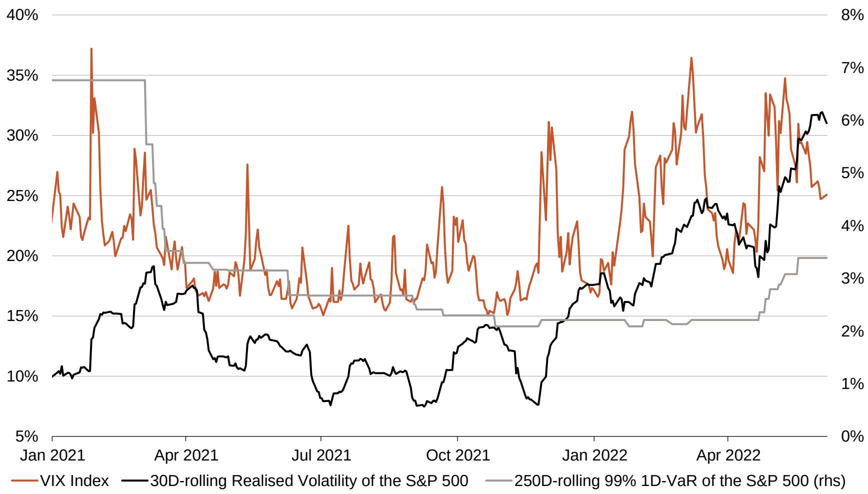
Realised Volatilities



- Realised volatilities in various asset classes have declined somewhat over the last two weeks. However, they remain significantly higher compared to historical averages.
- After high-yield bonds showed the lowest volatility for a long time, this place has now been taken by corporate bonds with better credit ratings. The former experienced stronger spread widening due to recession concerns.

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: 03/06/2017 - 03/06/2022

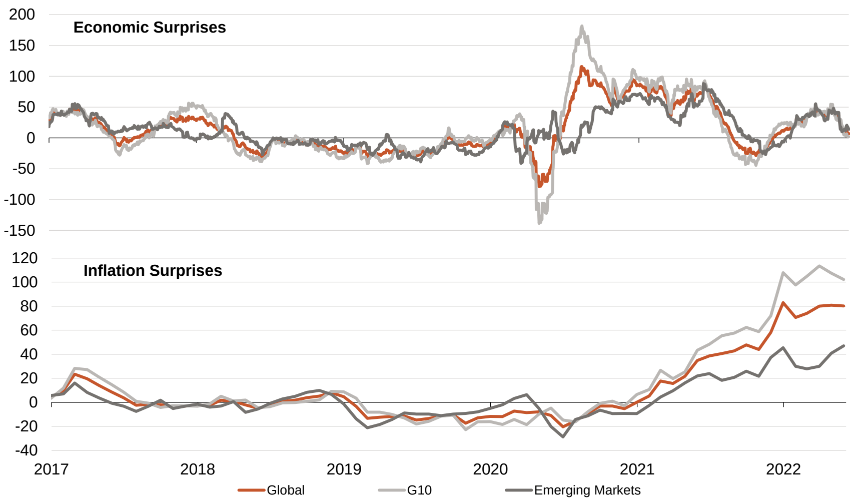
Volatility and Value-at-Risk of the S&P 500



- Realised and implied volatility show an unusual picture at the moment. The VIX is close to 25, while realised volatility is above 30%. Investors therefore expect lower volatility over the next 30 days than over the last month.

The VIX index is a measure of the implied volatility of the S&P 500 priced in options over approximately the next 30 days. Realised volatility indicates the range of variation in daily returns. The historical 99% value-at-risk indicates the minimum loss of the days that belong to the worst 1% of the observation period. The higher (lower) the VIX, realised volatility and value-at-risk, the fewer (more) stocks demand risk-based investment strategies.
Source: Bloomberg, period: 31/12/2020 – 03/06/2022

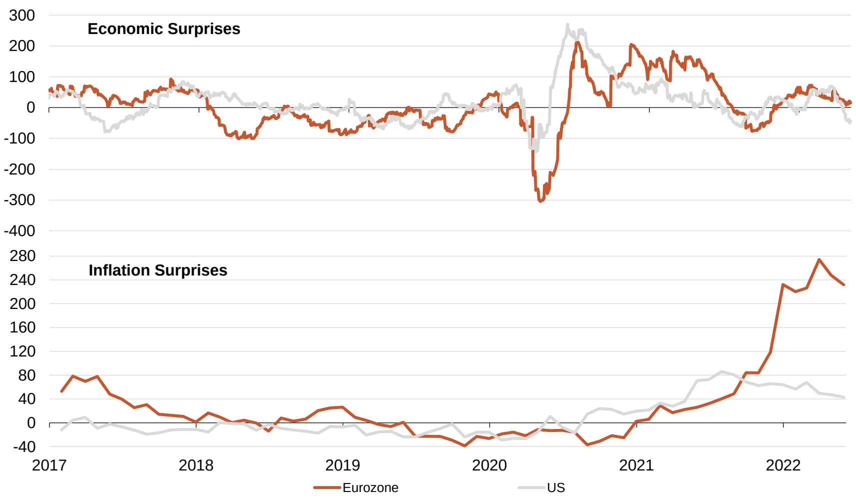
Global



- After the significant decline in positive economic surprises at the end of May, these have recently recovered slightly. While global and G10 economic surprises only increased slightly, the economic surprise data for emerging markets returned to the level of mid-May.
- Globally and in the developed world, inflation data were overestimated and surprised to the downside. In emerging markets, on the other hand, the inflation data were above expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 03/06/2022

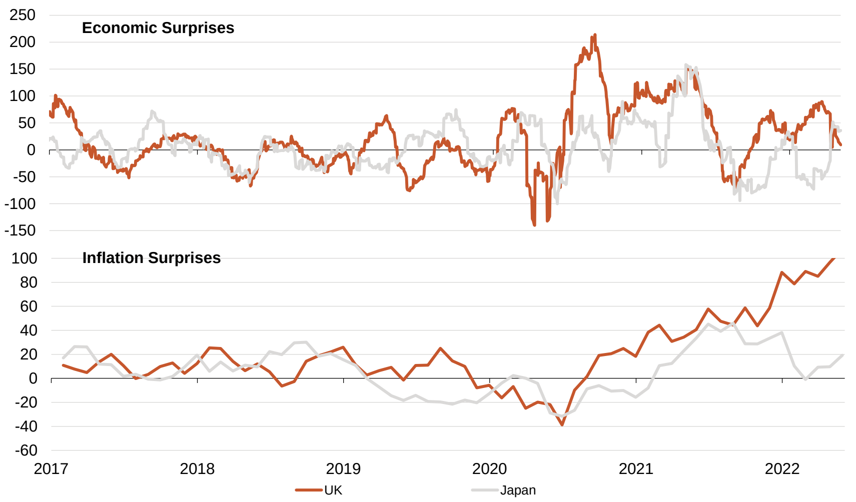
Eurozone and US



- Surprise economic data for the US tipped into negative territory for the first time since February this year. Here, preliminary purchasing managers' data, housing sales and continuous jobless claims disappointed.
- In the Eurozone, economic surprises also headed for the zero bound at the end of May, but then recovered. Here, service purchasing managers' data and industrial confidence were below expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 03/06/2022

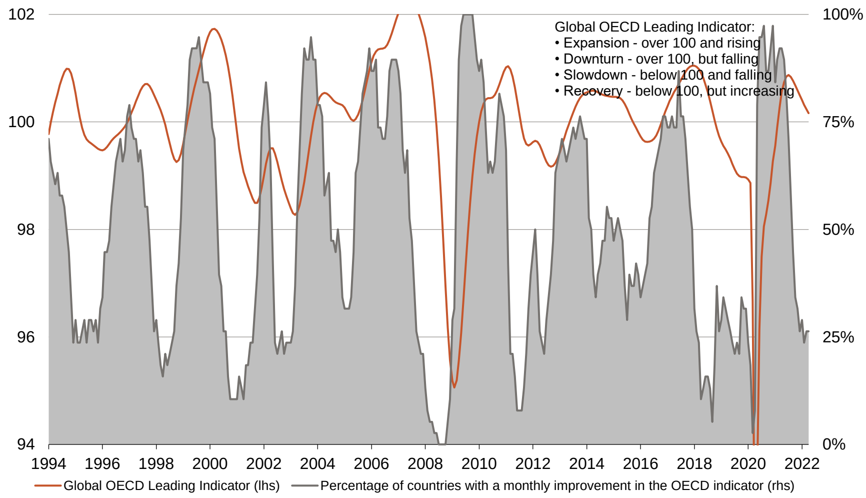
UK and Japan



- In the UK, positive economic surprises continued to decrease. Here, the service purchasing managers' data were clearly disappointing.
- In Japan, on the other hand, positive economic surprises prevailed for the first time since mid-May.

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 - 03/06/2022

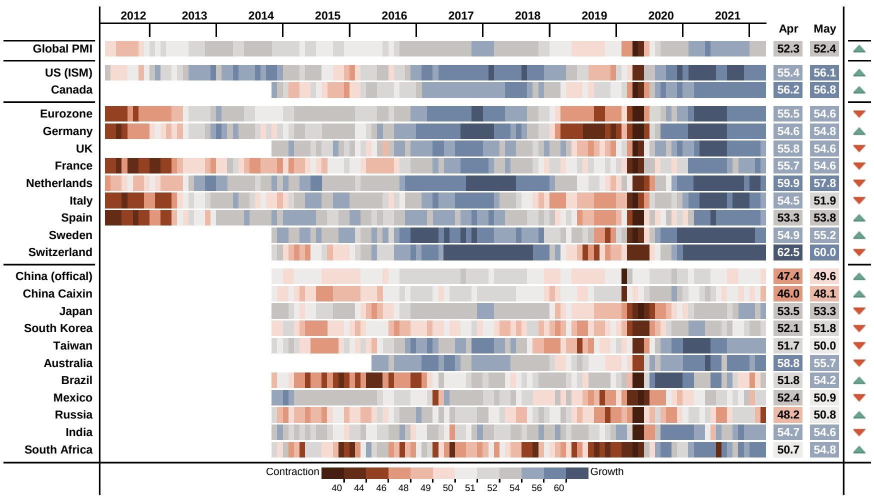
OECD Leading Indicator



- The OECD Leading Indicator continued to move towards the important 100 mark and was last quoted at 100.16 for April. The mark is important because a value below 100 with a falling trend indicates an economic slowdown.
- Most recently, 26% of countries saw an improvement compared to 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 - 31/05/2022

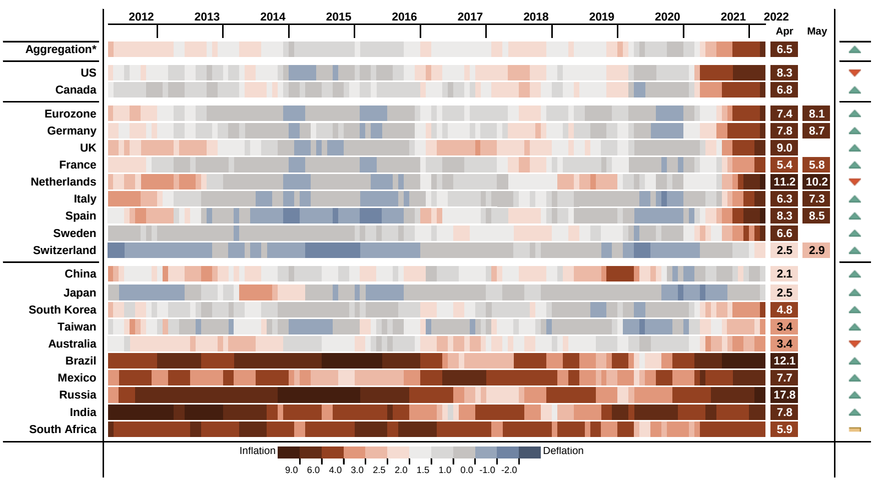
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- Preliminary PMIs for May rose globally and in the US, while they fell in the Eurozone on the whole.
- PMI data also rose in Germany, Spain, Sweden, China, Brazil, Russia and South Africa.
- Taiwan, meanwhile, has reached the critical 50 mark.

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 - 03/06/2022

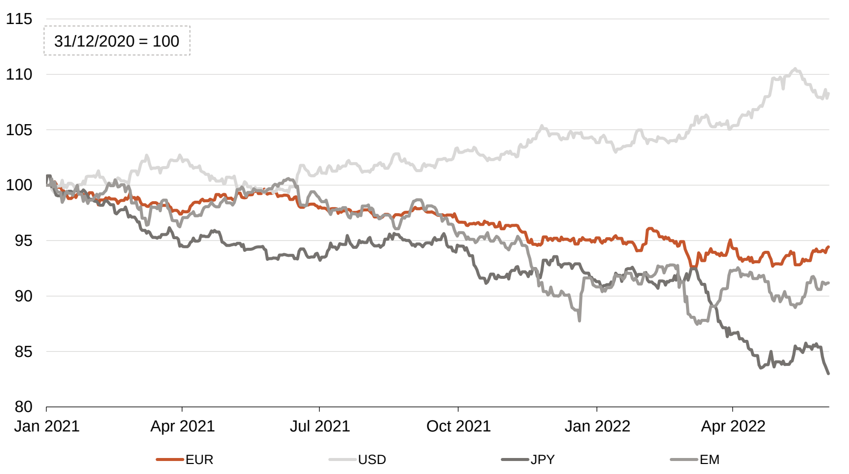
Headline Inflation



- Inflation in the Eurozone stood at 8.1% for the month of May. In Germany, France, Italy, Spain and Switzerland, the inflation rate also increased compared to the previous month.
- In the Netherlands, inflation data cooled a little, albeit still at a high level - from 11.2% in April to 10.2% in May.

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 - 03/06/2022

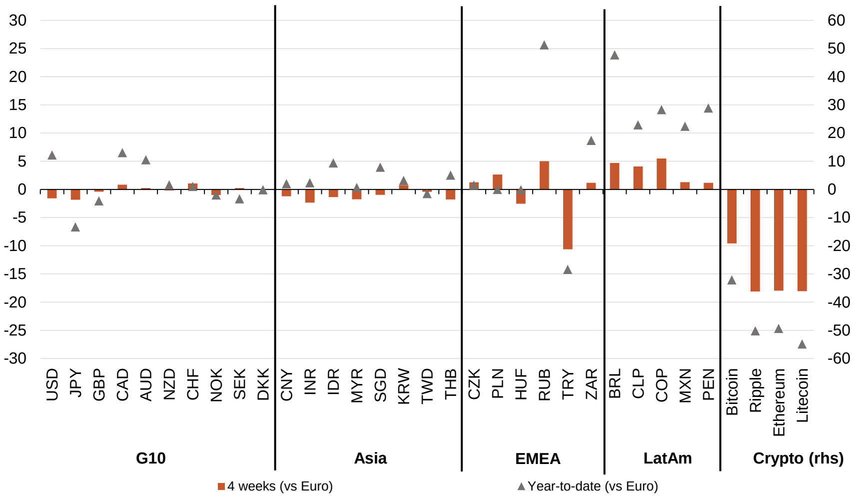
Trade-Weighted Currency Development



- The US dollar has recently weakened slightly on a trade-weighted basis. In turn, emerging market currencies and the euro are benefiting.
- The Japanese yen, the only currency in the developed world for which a monetary policy turnaround is not yet in sight, has suffered losses again after a brief rebound.

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 - 03/06/2022

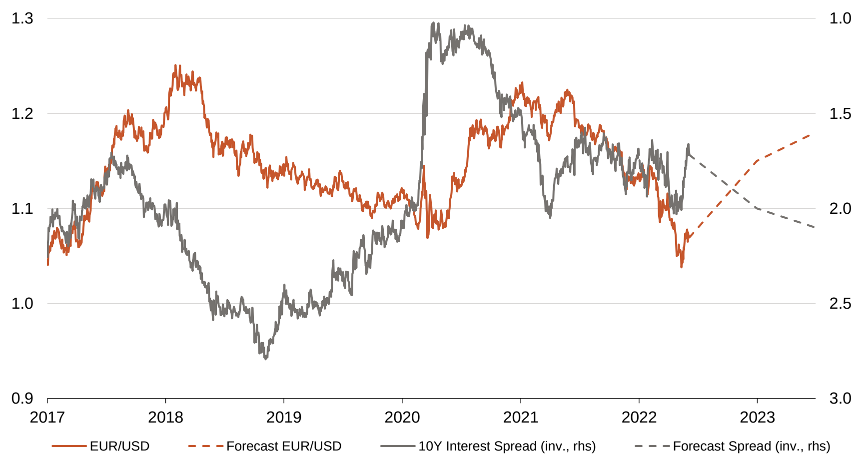
Currency Moves vs Euro



- As more and more members of the ECB have recently spoken out in favour of an early start to interest rate hikes, the euro was able to record gains against many of the currencies shown here.
- By far the worst performing currency over the last four weeks was the Turkish lira. This is because the Turkish central bank continues to refuse to raise key interest rates despite annual inflation rates above 70%.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2021 - 03/06/2022

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



- The euro was able to gain some ground against the dollar in the last two weeks. The currency pair is currently trading at 1.07 EUR/USD.
- This is thanks to the ECB's more hawkish statements. These also led to a narrowing of the yield gap between US government bonds and German Bunds.

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 - 30/06/2022

European Sector & Style Performance

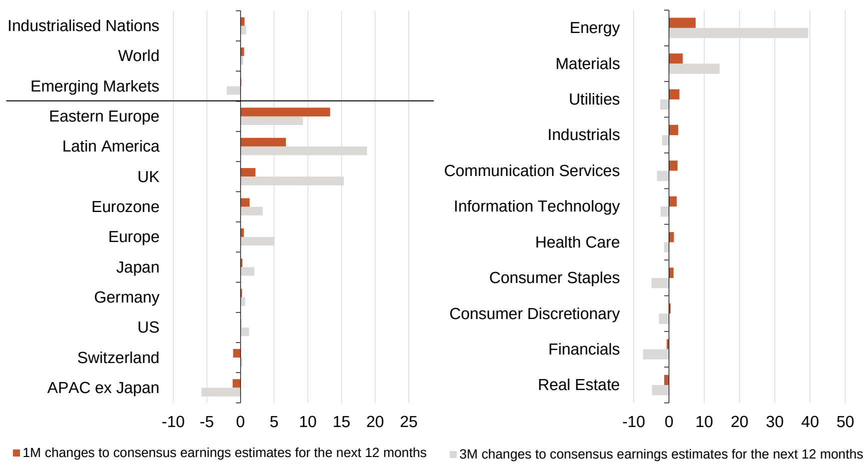
	4-week & YTD		12-month periods over that last 5 years				
	4W (06/05/22 - 03/06/22)	YTD (31/12/21 - 03/06/22)	03/06/21 03/06/22	03/06/20 03/06/21	03/06/19 03/06/20	03/06/18 03/06/19	02/06/17 03/06/18
Consumer Discretionary	7.0	-18.8	-17.9	49.5	1.9	-8.5	5.4
Communication Services	5.4	-5.1	0.5	33.8	-13.3	-8.9	-1.3
Energy	4.8	34.2	51.5	14.7	-30.9	-4.8	26.8
Materials	4.4	-0.3	5.5	41.3	3.8	-8.7	17.9
Value	3.8	2.0	6.9	25.0	-9.5	-5.4	1.2
Industrials	3.3	-15.6	-6.6	37.7	3.3	-2.9	2.7
Telecommunications	3.2	4.1	4.2	14.4	-10.7	-1.5	-13.0
Growth	1.7	-16.2	-4.9	23.8	9.7	3.0	1.3
Utilities	1.5	-2.6	5.8	10.9	17.0	13.4	-1.9
Information Technology	1.0	-23.8	-10.4	30.6	18.1	0.3	11.8
Health Care	-0.1	-1.9	15.7	0.8	23.0	9.5	-9.0
Consumer Staples	-0.7	-7.1	2.0	11.4	0.5	12.6	-8.8

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.

- Consumer cyclicals made a small snap back. They gained 7% in the last four weeks. YTD, however, they remain the second worst performing sector.
- Financials and energy stocks have also performed very well over the past four weeks.
- Value has also outperformed growth recently.

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: 13/01/2017 – 03/06/2022

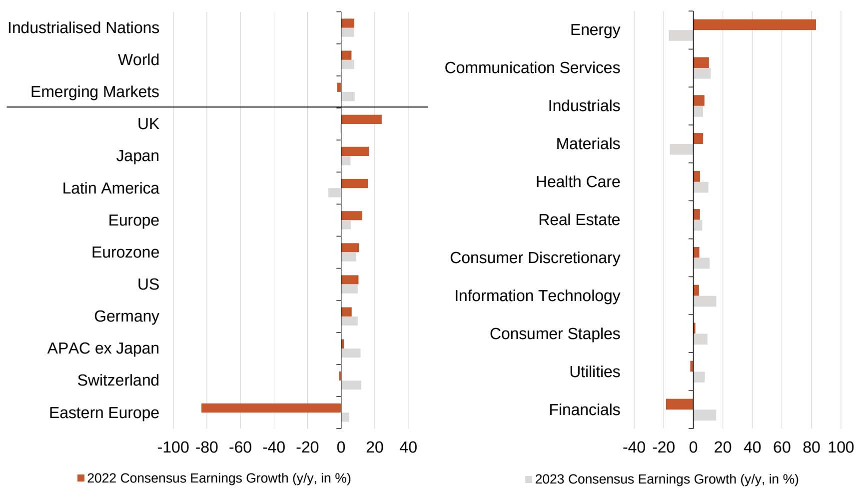
Changes in Consensus Earnings Estimates



- Analysts continue to see no real headwind for corporate earnings. Over the last four weeks, earnings estimates for developed and emerging markets have even been raised slightly.
- At a country level, positive profit revision was strongest for Eastern Europe and Latin America.
- Among sectors, the energy and basic materials sectors saw the most significant 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 03/06/2022

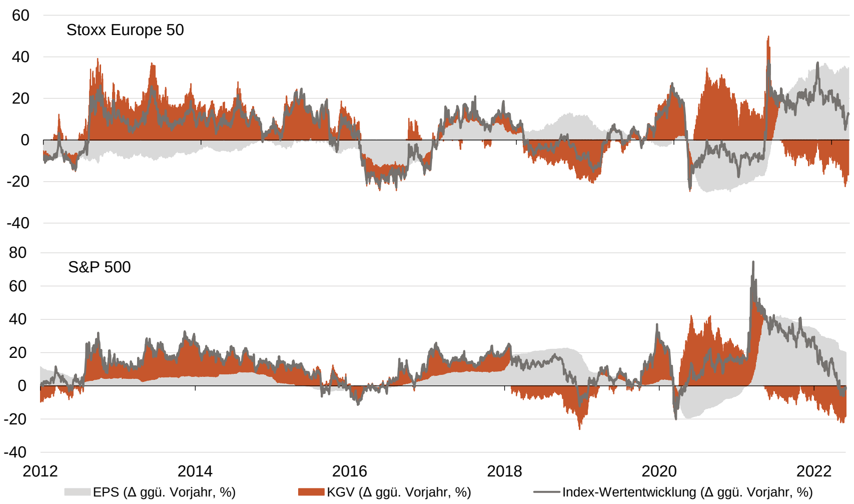
Earnings Growth



- Consensus continues to expect earnings growth at the global level in both 2022 and 2023. So far, analysts do not seem to believe in a noticeable recession.
- In addition to many European countries, companies from Latin America and Japan in particular should see decent profit growth in 2022.
- The energy sector is expected to achieve earnings growth of over 80% 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 03/06/2022

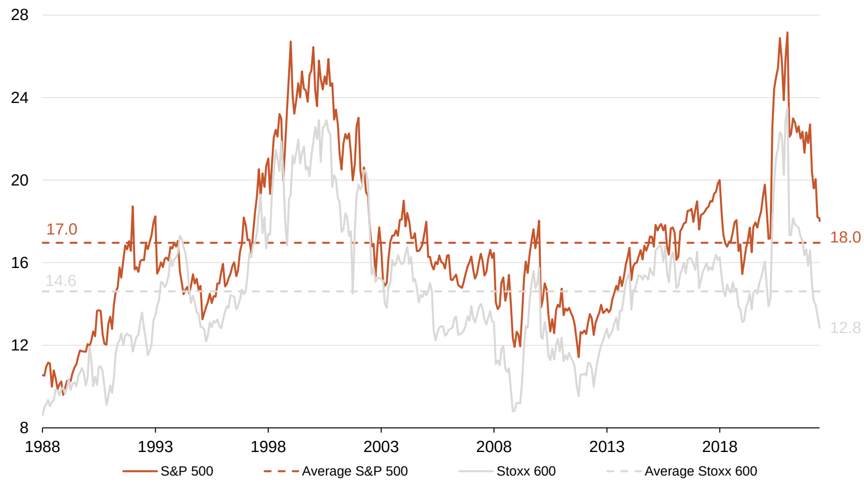
Contribution Analysis



- The recent recovery rally has pushed the year-on-year performance of the S&P 500 back towards zero. The main driver was a slight valuation recovery.
- The Stoxx Europe 50 also recovered thanks to decreasing valuation pressure.

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 - 03/06/2022

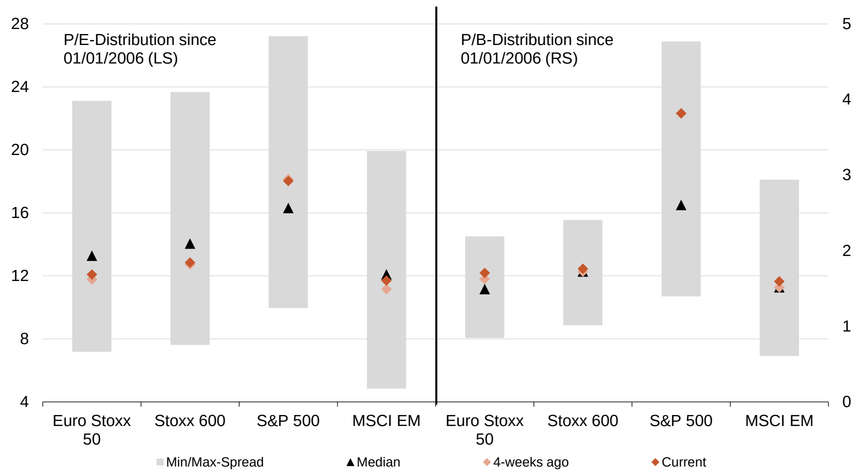
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The recovery rally from mid-May has caused the valuation of the S&P 500 to rise again somewhat. Compared to a fortnight ago, the P/E ratio has risen by almost one point.
- The Stoxx 600, on the other hand, is trading at a P/E ratio of 12.8, only slightly above the level of a fortnight ago.

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 - 03/06/2022

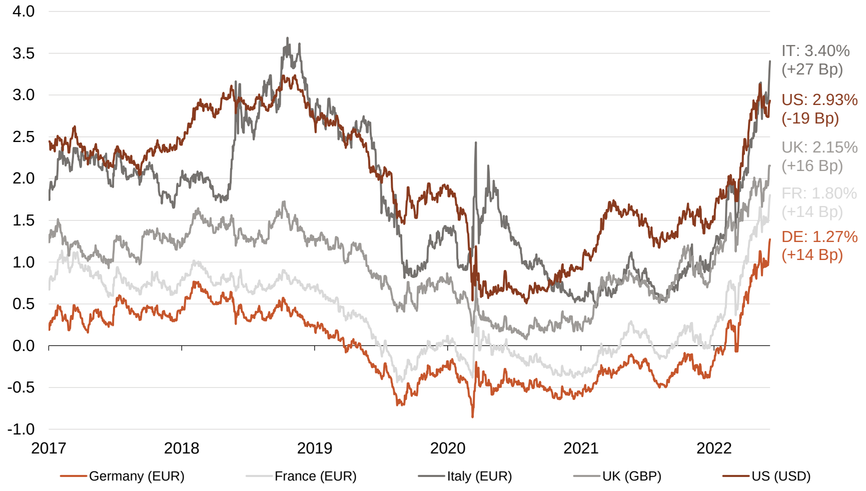
Historical Distribution: Price/Earnings and Price/Book Ratio



- The price-to-book ratio of the technology-heavy S&P 500 remains historically elevated at a level just above that of four weeks ago. The same applies to the price-earnings ratio.
- The Stoxx 600 looks historically fair or even cheaply valued on both a P/B and P/E basis.

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 - 03/06/2022

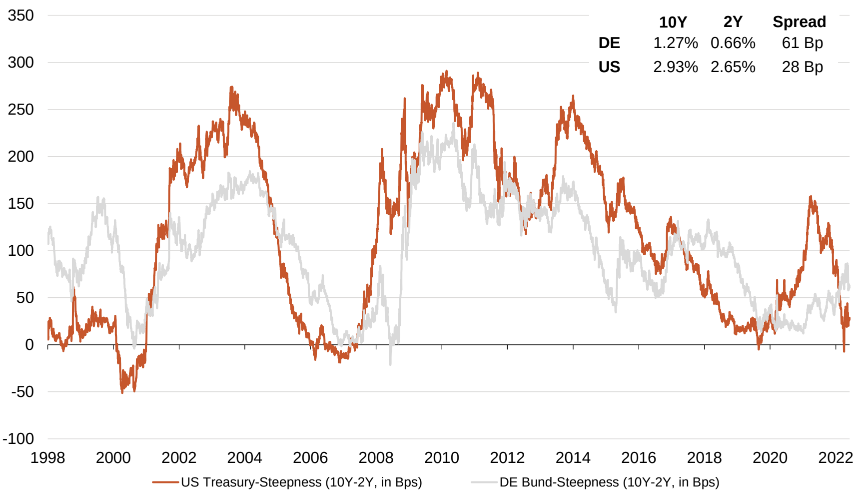
10-Year Government Bond Yields



- After May inflation data in Europe surprised noticeably to the upside, further increasing the pressure on the ECB, yields on safe government bonds in Europe have also risen significantly. Italy, France and Germany saw yields jump by more than 10 basis points in the last four weeks.
- In the USA, on the other hand, a sideways movement can be observed. There, inflation and interest rates seem to have peaked for the time being.

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 - 03/06/2022

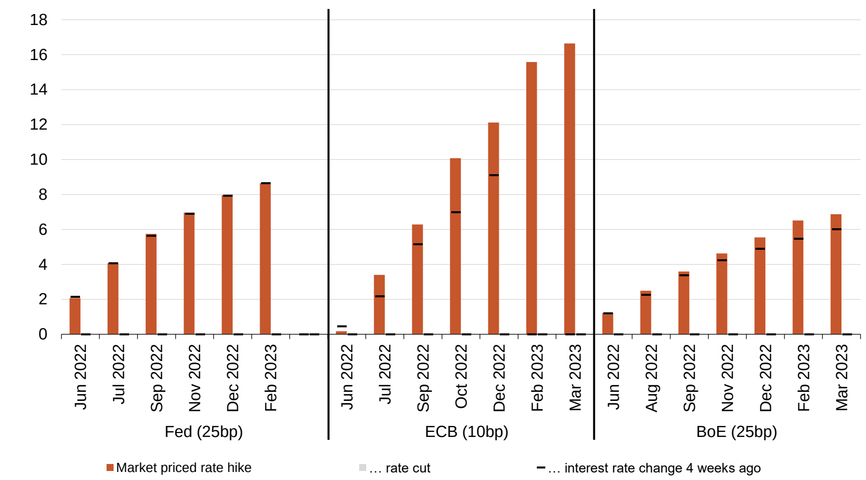
Yield Curve Steepness (10Y - 2Y)



- The yield curve in Germany and the USA has not flattened further in the last two weeks. Concerns about recession seem to have abated somewhat after the recent improvement in economic data and the slow opening of China.

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 - 03/06/2022

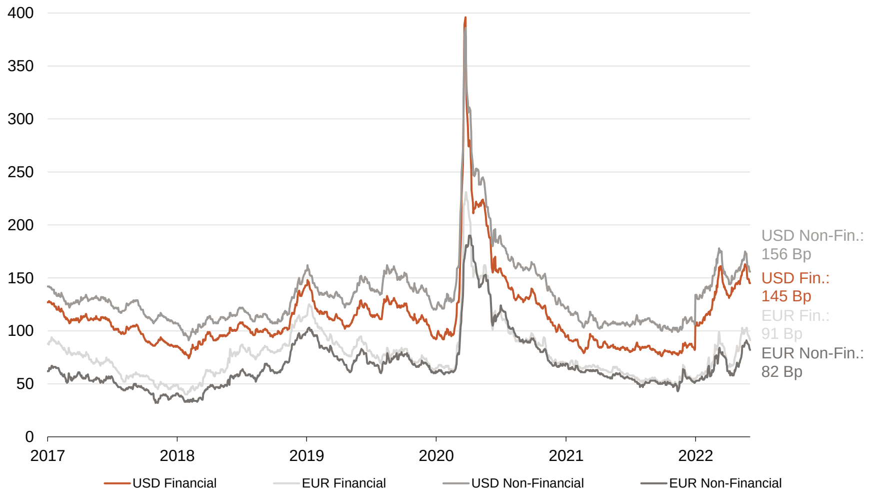
Implicit Changes in Key Interest Rates



- The market has not changed its view on Fed rate hikes until the end of the year. Just as four weeks ago, a rate hike in June and July of 50 basis points each is expected.
- After the recent upwardly surprising inflation data in the Eurozone, the market now expects a more aggressive approach by the ECB. A rate hike of 120 basis points is being priced in by the end of the year.

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: 05/05/2021 - 03/06/2022

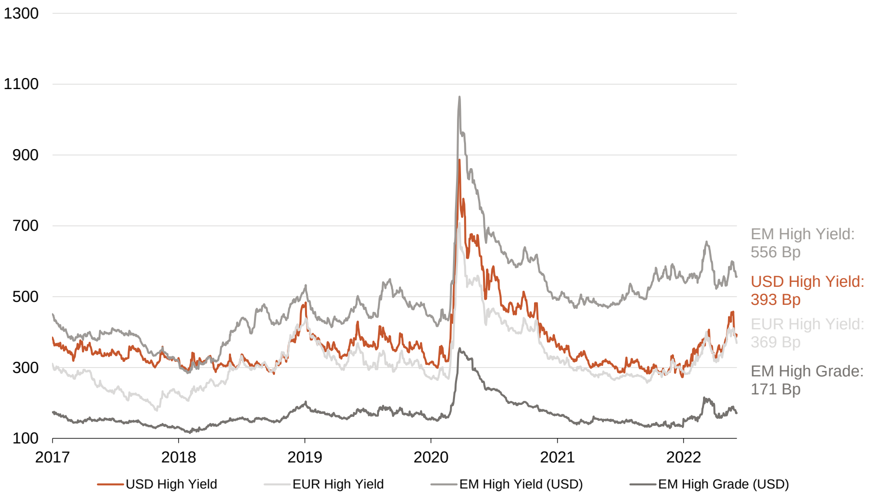
Credit Spreads Financial and Non-Financial Bonds



- The back and forth in spreads continues. After the brief upward excursion a fortnight ago, spreads on investment-grade corporate bonds have recently fallen again significantly.
- Spreads on USD non-financial bonds, for example, have fallen by more than 15 basis points (bp) and on USD financial bonds by more than 10bp.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2017 – 03/06/2022

Credit Spreads High Yield and Emerging Markets Bonds



- USD high-yield bonds also saw noticeably falling spreads after recession concerns eased somewhat. In the last two weeks, they fell more than 50bp.
- Emerging market bonds also saw significantly falling spreads of more than 50bp. Reasons included the slow opening of China's economy.

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 – 03/06/2022

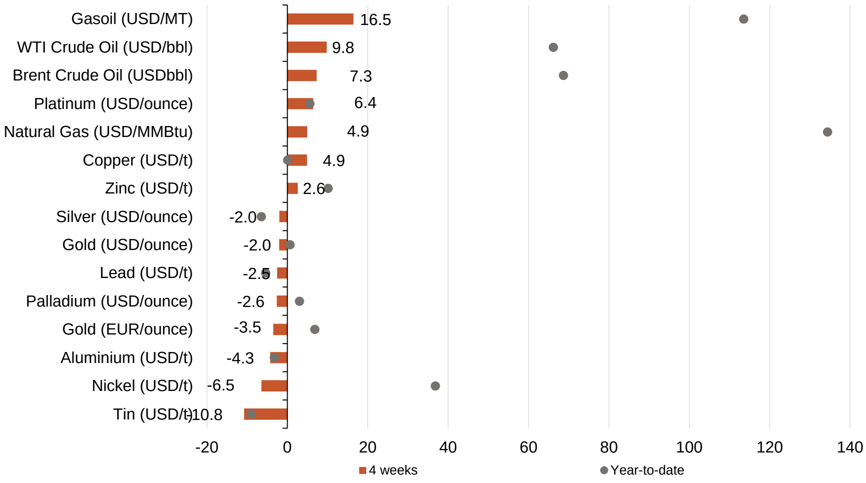
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	03/06/21 03/06/22	03/06/20 03/06/21	03/06/19 03/06/20	03/06/18 03/06/19	03/06/17 03/06/18
EUR Government	1.70	0.40	7.6	-	-	-	-3.1	-11.8	-11.9	1.1	3.2	5.0	0.6
Germany	1.01	0.34	7.6	-	-	-	-2.8	-10.6	-10.0	-1.4	1.0	4.5	0.3
EUR Corporate	2.52	0.38	4.9	85	12	61	-1.8	-9.6	-9.9	4.3	0.1	3.2	0.5
Financial	2.48	0.34	4.1	91	8	57	-1.2	-7.9	-8.1	3.7	0.6	2.9	0.5
Non-Financial	2.55	0.40	5.4	82	14	66	-2.1	-10.6	-10.9	4.6	-0.1	3.3	0.5
EUR High Yield	5.70	0.29	3.6	369	2	63	-1.0	-8.8	-8.2	11.6	0.2	2.2	1.9
US Treasury	2.91	-0.02	6.6	-	-	-	-0.1	-9.1	-7.8	-3.5	10.3	7.2	-1.4
USD Corporate	4.36	-0.02	7.4	153	-2	74	0.5	-12.3	-10.6	3.7	9.4	8.3	-0.6
Financial	4.23	-0.01	5.5	145	-2	73	0.4	-10.0	-9.2	4.1	8.4	8.1	-0.6
Non-Financial	4.41	-0.02	8.3	156	-3	73	0.5	-13.3	-11.3	3.5	9.8	8.3	-0.6
USD High Yield	7.30	0.09	4.7	393	19	54	0.2	-8.1	-5.6	13.0	2.5	5.2	2.2
EM High Grade	4.56	0.06	5.6	171	3	38	0.0	-12.0	-10.9	4.7	4.9	7.7	-0.2
EM High Yield	9.58	0.33	4.2	556	25	51	-1.3	-13.8	-18.5	14.3	2.8	7.3	0.1

- After a very negative start to the year, USD bonds were able to make up some ground in the last four weeks. USD corporate bonds, for example, gained almost 0,5% - thanks to falling interest rates.
- EUR bonds, on the other hand, have lost further ground. EUR government bonds fell by more than 3%.

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 : 03/06/2017 – 03/06/2022

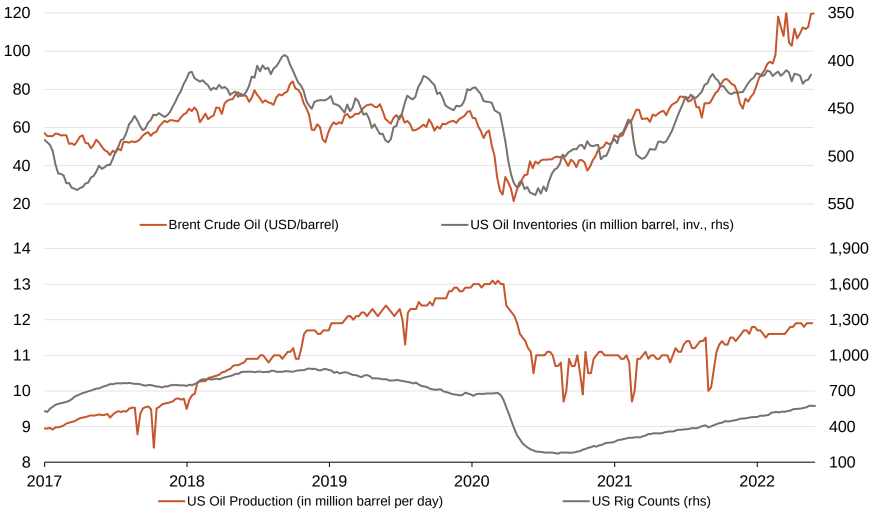
Commodities Performance



- Commodities continue to show increasing divergences in performance over the last month.
- Gas and oil continue to be the winners, fuelled by the ongoing tight supply situation.
- Industrial metals have been particularly weighed down over the last few weeks. The ongoing lockdowns in China are weighing on both the demand and production side.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period:31/12/2021 - 03/06/2022

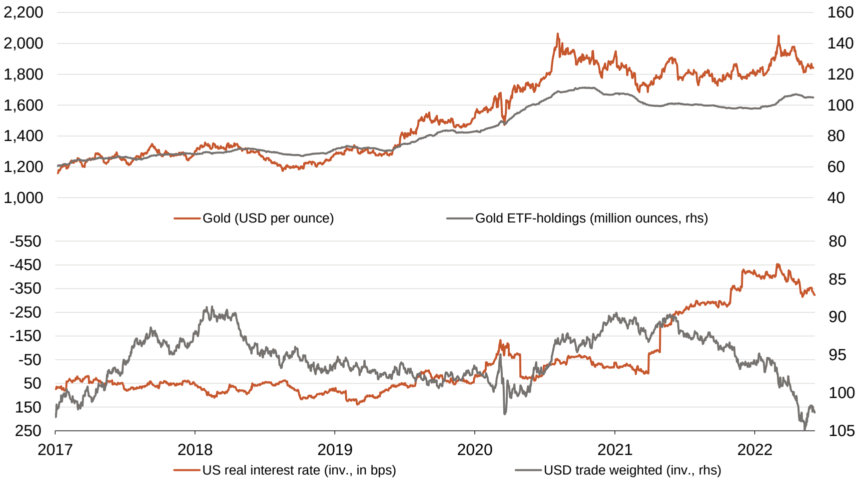
Crude Oil



- Crude oil recently gained noticeably. This was triggered by the EU's decision to ban Russian oil in the form of a partial embargo. The ban refers to the prohibition of the purchase of crude oil and oil products from Russia that are delivered to the member states by sea. Oil deliveries via the Druzhba pipeline are to be spared for the time being. The ban provides for the transportation of crude oil by sea to be banned six months after adoption.

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 - 03/06/2022

Gold



- Gold is in a tug-of-war between the burden of the US dollar and real interest rates on the one hand, and inflation, geopolitical concerns and strong central bank demand on the other.
- Thus, gold was able to briefly mitigate losses when the US dollar weakened, but then suffered from the more restrictive US central bank.

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 - 03/06/2022

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IMPORTANT NOTICES

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