Current market commentary

The recovery rally in equity markets has continued, fuelled by short covering as well as falling volatility, which, coupled with better momentum, has led to an increase in equity positions through systematic strategies. In addition, some investors seem to increasingly believe in a soft landing, i.e., that the Fed will succeed in containing inflation without the economy sliding into recession. Bond markets are also pricing in a Fed reversal from tight to loose monetary policy with interest rate cuts next year, which supports long-duration assets such as technology companies. How sustainable this is will be seen in the autumn. If inflation is more persistent, the Fed is likely to continue tightening for longer than markets expect. Signs of a sharper economic slowdown would also damage the soft landing narrative. Rising markets are likely to continue to hurt as many investors are underinvested in equities.

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

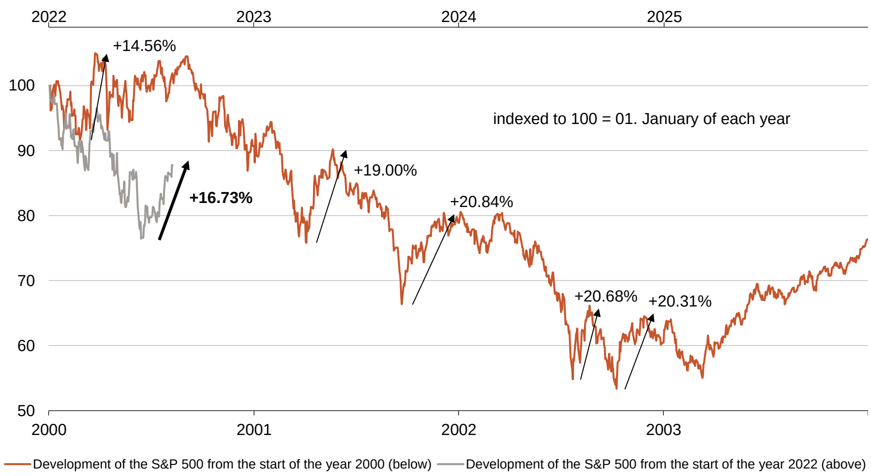
Summer slump: Central banks do not meet again until September.

After the US inflation figures for July came in lower than expected, investors are eagerly awaiting the central bank reactions. However, the next meeting of the US central bank will not take place until 21 September. The ECB (8 September) and the BoE (15 September), on the other hand, meet a little earlier. Markets currently expect a rate hike of around 50 basis points (bps) from the Fed, around 20bps from the ECB and around 50bps from the BoE in September.

Economic data should shed light on the risk of recession.

On Tuesday, German ZEW Economic Sentiment (Aug.), US Existing Home Sales (Jul.) and US Industrial Production data (Jul.) will be released. US retail sales (Jul.), Eurozone preliminary Q2 economic growth and UK inflation figures (Jul.) follow on Wednesday. The Philadelphia Fed Index (Aug.) will be published on Thursday. In the following week, the ifo index (Aug.), the purchasing managers' indices (Aug.) for Europe and the USA as well as German consumer confidence (Sep.) will be announced.

At the start of a bull market or a bull trap?



- The key question for investors at the moment is whether the market has already seen the lows or whether the rally of the last few weeks is a bull trap.
- The former is supported by the extreme pessimism of investors and the fact that a soft landing of the economy is again within the realm of possibility after the latest inflation and labour market data.
- Nevertheless, caution is still advisable as the outlook remains fraught with great risks and the past shows that recoveries of >15% are not atypical in bear markets.

Source: Bloomberg, Time period: 01.01.2000-31.12.2003, 01.01.2022-12.08.2022; see following page for 5-year period

Multi Asset

	4W (15/07/22 - 12/08/22)	YTD (31/12/21 - 12/08/22)	12/08/21 12/08/22	12/08/20 12/08/21	12/08/19 12/08/20	12/08/18 12/08/19	11/08/17 12/08/18
Industrial Metals	12.6	3.7	15.5	40.3	-2.6	-3.4	4.3
MSCI World	8.6	-1.6	5.7	32.8	9.2	2.6	16.6
REITs	8.2	-3.0	9.3	27.1	-13.9	15.4	5.6
Global Convertibles	6.8	-4.6	-3.9	34.2	23.4	5.6	15.7
MSCI Emerging Markets	4.3	-6.4	-7.2	20.8	9.3	-4.3	8.1
Gold	3.6	9.2	17.5	-8.1	20.6	26.9	-2.7
MSCI Frontier Markets	3.4	-7.9	-2.8	36.6	-14.2	7.3	4.3
EUR Coporates	2.1	-8.7	-10.3	2.9	-0.4	5.8	0.5
Brent	0.9	65.5	95.5	57.0	-27.9	-14.2	54.8
EUR Sovereign Debt	0.8	-5.5	-6.9	0.8	0.4	4.8	-0.3
Euro overnight deposit	0.0	-0.3	-0.6	-0.6	-0.5	-0.4	-0.4
USDEUR	-1.7	10.8	14.3	0.5	-4.8	1.8	3.6

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

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

- After weeks of stress, industrial metals have led the way over the last four weeks. Robust economic data and lower US inflation figures also made markets optimistic that a recession can be avoided. Accordingly, developed market equities and interest rate sensitive REITs gained.
- In line with the risk-on environment, the US dollar recently weakened against the euro.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 11/08/2017 – 12/08/2022

Equities

	4W (15/07/22 - 12/08/22)	YTD (31/12/21 - 12/08/22)	12/08/21 12/08/22	12/08/20 12/08/21	12/08/19 12/08/20	12/08/18 12/08/19	11/08/17 12/08/18
MSCI USA Small Caps	12.7	1.7	6.5	46.2	0.5	-4.6	27.1
Stoxx Europe Cyclicals	10.8	-11.9	-10.1	36.7	6.7	-8.7	4.5
MSCI EM Eastern Europe	9.7	-81.0	-80.8	28.6	-8.1	19.8	10.7
S&P 500	9.0	0.6	11.4	34.6	13.6	5.6	22.7
Stoxx Europe Small 200	8.7	-16.7	-17.0	37.5	8.2	-4.8	10.1
Euro Stoxx 50	8.7	-10.2	-8.3	28.0	3.2	-0.2	3.3
DAX	7.2	-13.2	-13.4	22.0	11.8	-6.0	3.4
MSCI Japan	6.4	-4.8	-2.4	21.9	2.7	-2.7	10.4
MSCI UK	5.5	5.7	11.4	26.8	-9.3	-5.4	10.1
Stoxx Europe 50	5.1	-1.8	3.1	23.3	2.2	1.9	5.6
MSCI EM Asia	2.1	-7.8	-8.5	18.0	19.9	-7.6	11.0
Stoxx Europe Defensives	1.6	1.5	6.5	15.9	3.5	3.3	10.0

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.

- Equity markets continued to rally over the last four weeks.
- Small caps performed better than large caps and cyclical stocks were clearly ahead of defensive stocks.
- Eastern European equities – the losers since the beginning of the year – also caught up over the last four weeks.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 11/08/2017 – 12/08/2022

Fixed Income

	4W (15/07/22 - 12/08/22)	YTD (31/12/21 - 12/08/22)	12/08/21 12/08/22	12/08/20 12/08/21	12/08/19 12/08/20	12/08/18 12/08/19	11/08/17 12/08/18
EM Hard Currency Bonds	6.3	-6.8	-5.1	3.2	-0.6	14.7	1.3
USD High Yield	5.6	-7.5	-6.0	9.8	4.4	5.8	3.6
EUR High Yield	5.3	-9.3	-9.6	9.0	0.6	4.3	1.5
EM Local Currency Bonds	5.0	-1.9	-3.1	3.7	-5.0	12.6	-3.2
EUR Financials	2.1	-8.0	-9.4	2.8	-0.2	5.4	0.3
EUR Non-Financials	2.0	-9.2	-10.9	3.0	-0.5	6.1	0.7
USD Corporates	1.7	-11.9	-12.0	1.0	9.5	12.0	-0.4
BTPs	1.6	-9.6	-12.5	4.2	6.7	11.1	-3.8
Gilts	1.1	-14.5	-15.6	4.1	8.7	5.1	1.9
Bunds	0.8	-8.5	-10.2	0.0	-1.4	7.3	1.2
Chinese Gov Bond	0.7	2.7	4.5	4.8	3.3	6.3	4.8
Treasuries	-1.3	1.5	4.3	-2.2	2.7	11.7	1.8

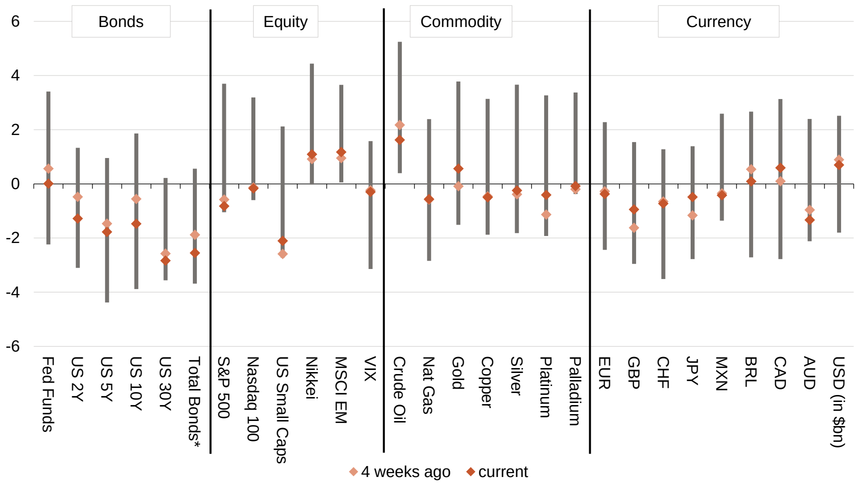
4-week & YTD; 12-month periods over that last 5 years

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

- In the global bond market, growth concerns increasingly gained the upper hand over inflation concerns over the last four weeks. The markets are already hoping for a more dovish monetary policy from the central banks next year. As a result, the yield levels of safe government bonds have also come down significantly. Only US government bonds lost ground against the trend, due to a weaker US 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: 11/08/2017 – 12/08/2022

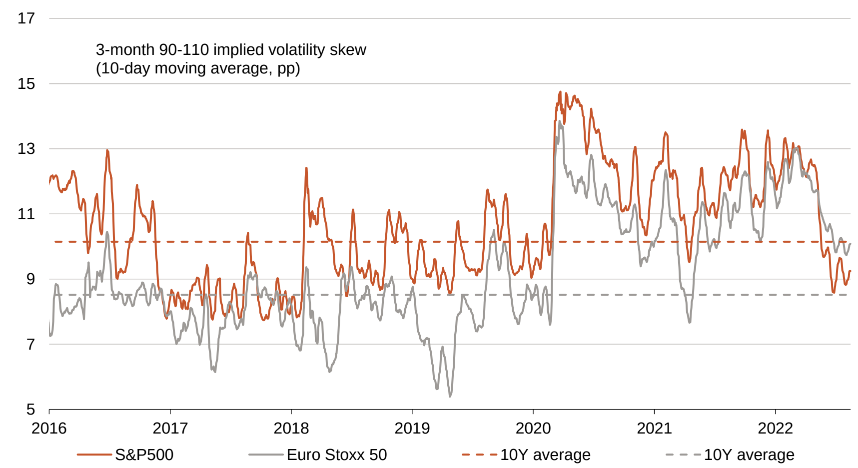
Non-Commercial Positioning



- After interest rates have fallen considerably in recent weeks, hedge funds have started to short bonds again.
- Within equities and commodities, the positioning remains pessimistic.

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: 09/08/2012 - 09/08/2022

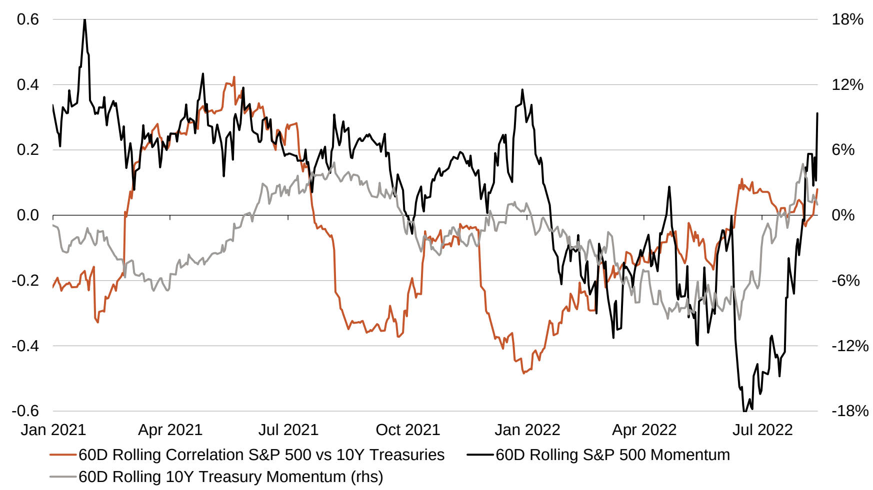
Put-Call-Skew



- The put-call skew has changed little since a fortnight ago. In the US it is still slightly below the long-term average, however, in Europe it is slightly above.
- However, since the overall volatility level has fallen significantly, the skew has steepened somewhat in relative terms.

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: 12/08/2012 - 12/08/2022

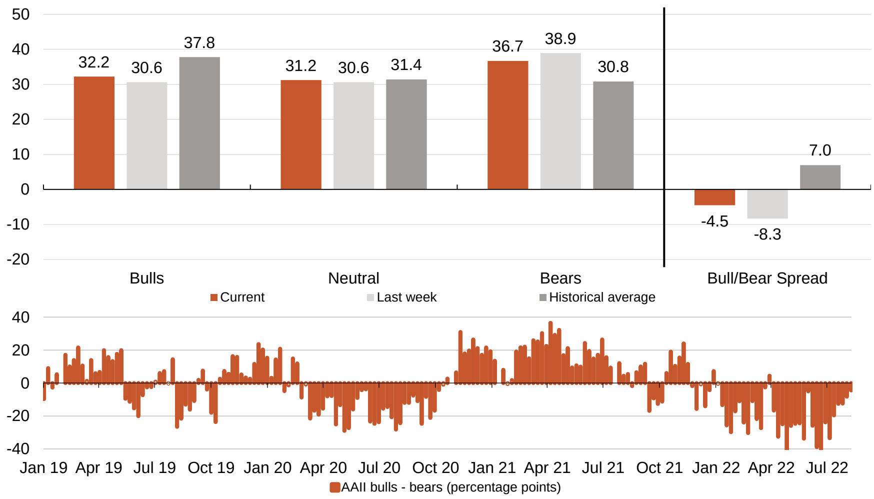
60-Day Momentum and Correlation



- The momentum in equity markets has suddenly jumped into positive territory with the strong rally.
- Trend-following strategies are therefore likely to have increased their demand for equities again and thus additionally fuelled the rally.

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 - 12/08/2022

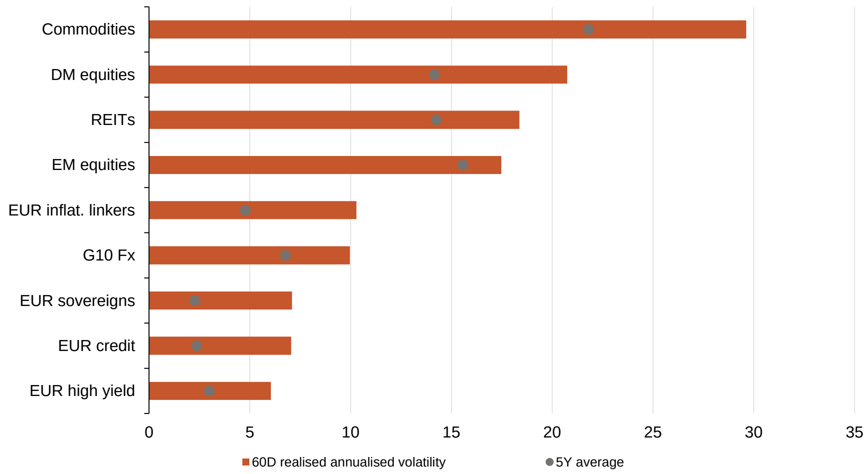
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment of US private investors has been brightening week by week since the beginning of June. While the bull/bear spread was still -30 ppts back then, it is now only -5 ppts.
- It seems like some private investors have taken advantage of the cheaper stock prices to add to their holdings.

The Sentiment Survey, conducted by the American Association of Individual Investors, determines the percentage of individual investors who are optimistic, pessimistic or neutral about the US stock market over a six-month period. It has been conducted since 1987. The survey is conducted from Thursday to Wednesday and the results are published every Thursday. For the stock market, it tends to be supportive when there is a high proportion of bears and a low proportion of bulls. On the other hand, it tends to be negative when there are significantly more optimists than pessimists.
Source: Bloomberg, AAII, Time period: 23/07/87 – 11/08/2022

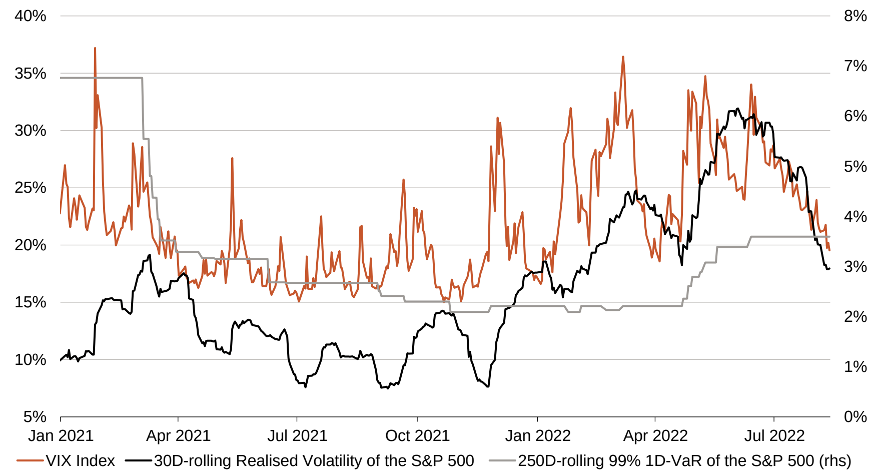
Realised Volatilities



- Realised volatility has declined significantly in recent weeks, especially in risky assets.
- For emerging market equities, it is now close to the volatility of the last five years, while for developed market equities it is still significantly higher.

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: 12/08/2017 – 12/08/2022

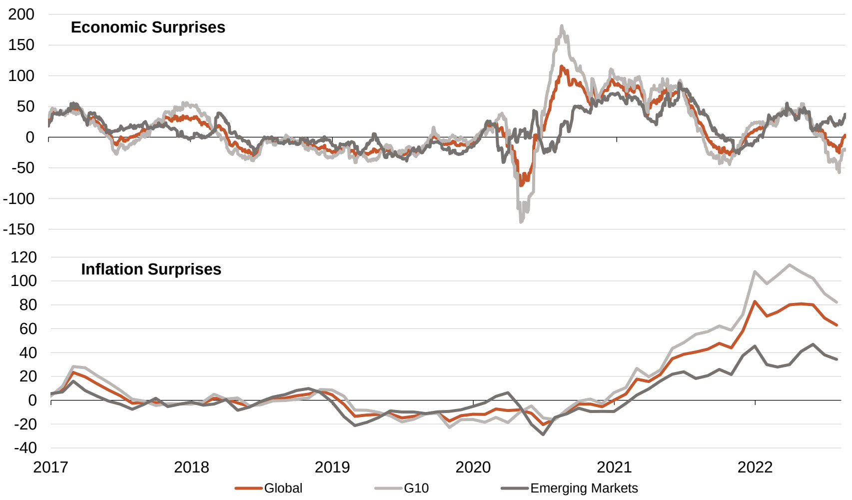
Volatility and Value-at-Risk of the S&P 500



- Both realised and implied volatility have recently fallen below the 20% mark for the first time since April.
- Risk-based investment strategies are thus likely to have increased their equity exposure again in recent weeks.

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 – 12/08/2022

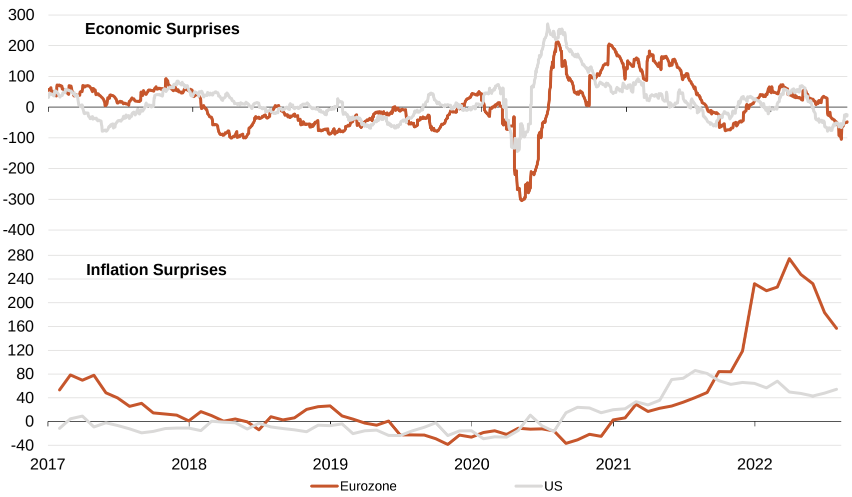
Global



- Global economic surprise data recovered over the past four weeks and positive economic surprises prevailed again for the first time since mid-June this year.
- Developed-nation economic surprises also recovered from the lowest levels since autumn 2020 and surprised back to the upside. In the emerging markets, negative economic surprises continue to predominate.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 – 12/08/2022

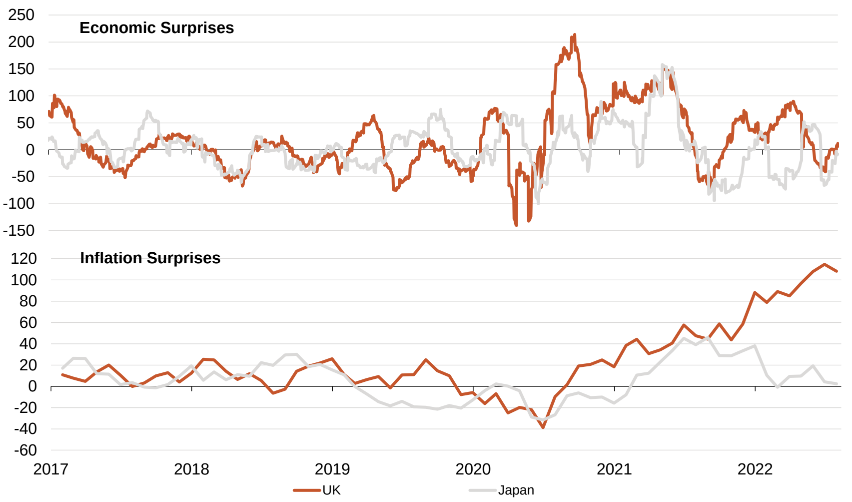
Eurozone and US



- In the Eurozone, the dominance of negative economic surprises decreased significantly over the last four weeks. n the eurozone, final purchasing managers' index data and industrial production were above expectations, while retail sales disappointed.
- In the US, the movement was even stronger, reaching the level of mid-May this year. Here, inflation data, the unemployment rate and industrial new orders were better than expected.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 – 12/08/2022

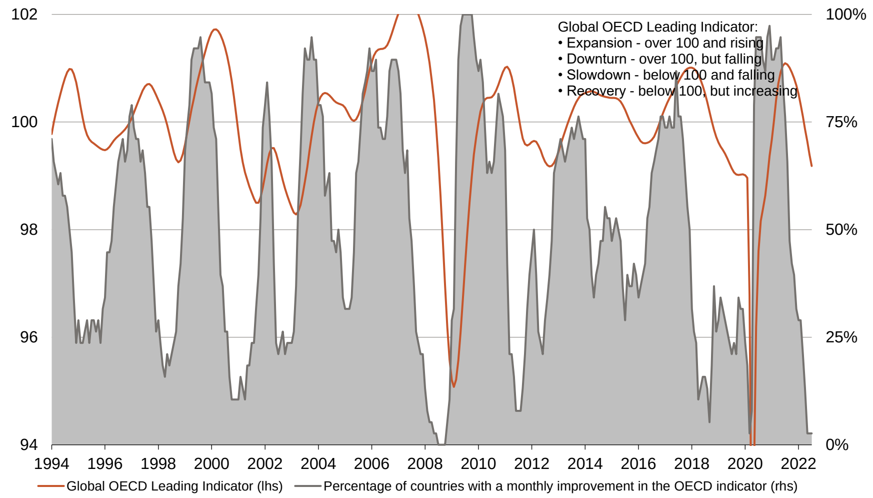
UK and Japan



- In Japan, the negative surprises continued to decrease over the past weeks. The picture in Great Britain also seems to be recovering increasingly. The economic surprises further expanded the movements into positive territory.

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 – 12/08/2022

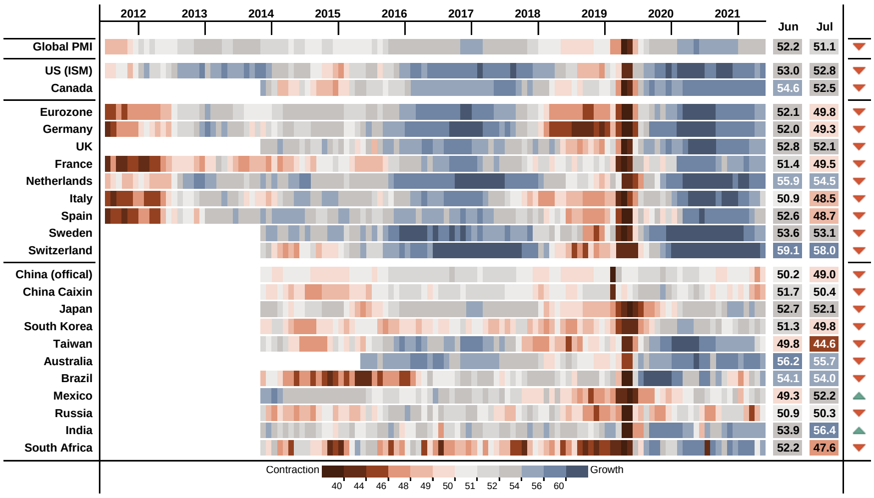
OECD Leading Indicator



- The OECD leading indicator continued to fall below 100 in June and has thus already been below the core mark for 4 months. It is precisely this trend movement – below 100 and falling – that points to an economic slowdown. Only 3% of all countries improved compared to the previous month – the lowest level since March 2020.

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 – 31/07/2022

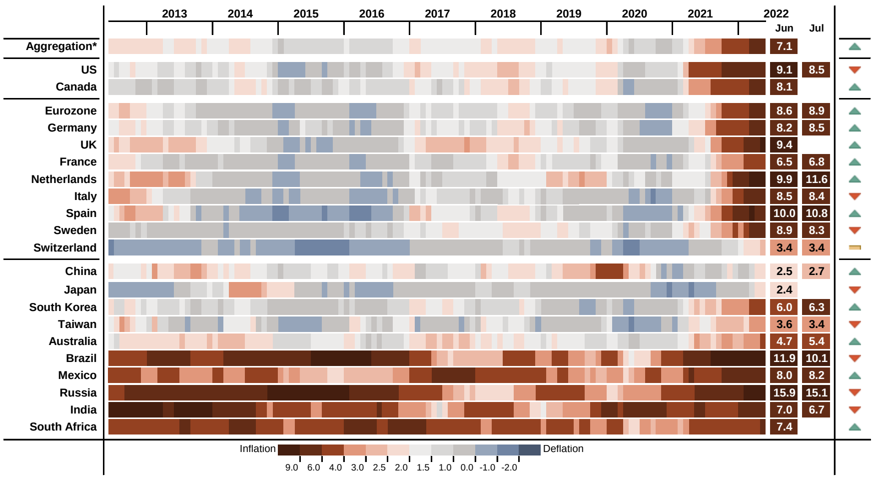
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The final Purchasing Managers' Index (PMI) data for July reflect the economic slowdown in the aggregate. Globally, the PMI declined in the US, the Eurozone, Germany, France, the UK, China and Japan. Only in Mexico and India did it increase.

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: 12/08/2012 – 12/08/2022

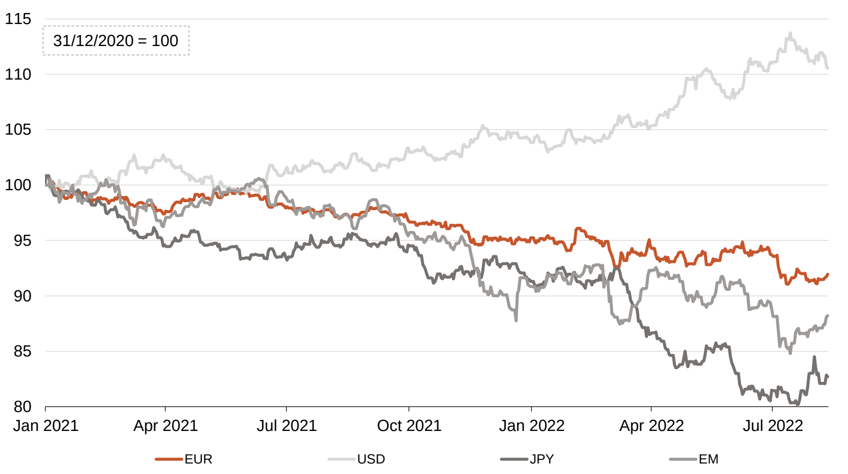
Headline Inflation



- After the year-on-year inflation rate in the USA had been rising from month to month since 2020, it has now cooled off a little for the month of July and was back at 8.5% after the peak of 9.1% since 1981. In the eurozone, however, the picture is contrasting. The inflation rate increased in Germany, France and Spain.

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: 12/08/2012 – 12/08/2022

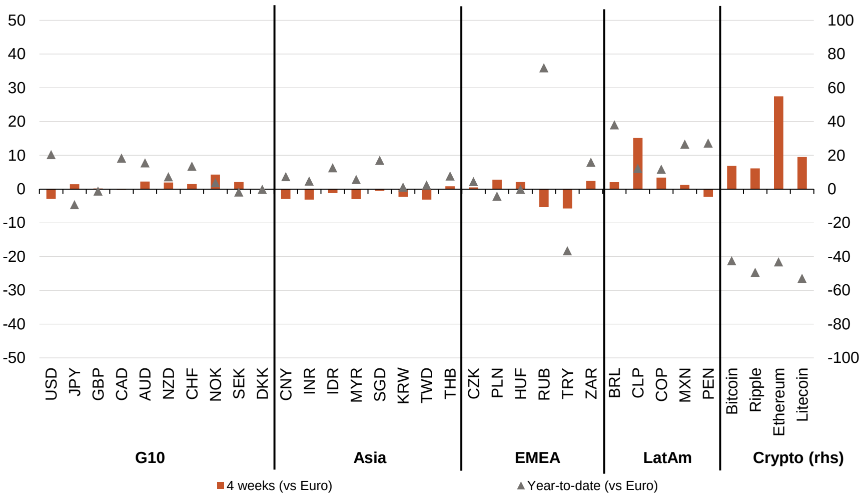
Trade-Weighted Currency Development



- Some stability has returned to the currency market in the last two weeks.
- The US dollar seems to have ended its upward trend, at least for the time being. The latest inflation data and the resulting possibly less restrictive monetary policy of the Fed reduce the attractiveness of the dollar.

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 – 12/08/2022

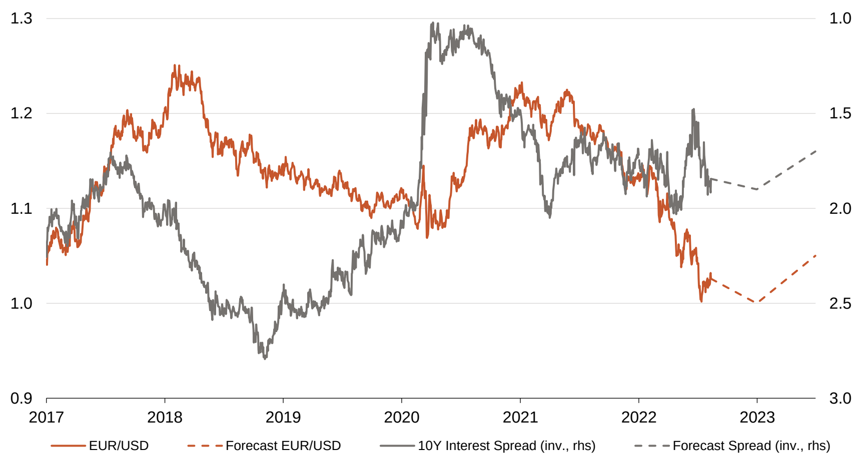
Currency Moves vs Euro



- Currency developments against the euro have been mixed over the past four weeks.
- Asian currencies weakened across the board due to tensions between Taiwan and China.
- Latin American currencies benefited from the risk-on sentiment.

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

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



- The EUR/USD exchange rate bottomed out at parity in mid-July and is now trading close to the 1.03 mark again, although the yield differential has widened further in the meantime. This is because the exchange rate was mainly driven by hopes for a less restrictive monetary policy by the Fed.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US government bonds and 10-year Bunds. The forecasts were prepared by Berenberg Economics.
Source: Bloomberg, Time period: 01/01/2017 – 30/06/2023

European Sector & Style Performance

	4-week & YTD: 4W (15/07/22 - 12/08/22)	4-week & YTD: YTD (31/12/21 - 12/08/22)	12/08/21 12/08/22	12/08/20 12/08/21	12/08/19 12/08/20	12/08/18 12/08/19	11/08/17 12/08/18
Information Technology	14.6	-20.4	-17.9	40.4	22.6	2.1	18.1
Communication Services	12.1	29.1	45.7	24.1	-30.6	-10.9	28.8
Consumer Discretionary	11.6	-13.1	-13.4	50.3	-0.2	-1.6	7.5
Finance	11.0	-5.0	-1.4	35.6	-8.5	-11.5	-3.8
Materials	10.4	-8.3	-9.1	40.5	15.4	-7.0	13.5
Industrials	8.4	-14.4	-11.3	37.6	8.8	-1.0	8.9
Utilities	7.2	-2.4	2.4	8.8	19.3	15.5	1.9
Growth	6.6	-12.2	-8.5	30.2	10.4	5.1	8.7
Value	6.3	-1.4	1.1	27.9	-7.0	-7.4	4.0
Consumer Staples	2.1	-2.4	4.4	14.1	-2.1	10.0	3.7
Telecommunications	-0.8	0.3	-4.2	22.2	-11.4	-2.3	-8.8
Health Care	-4.2	-3.2	1.6	15.2	13.7	9.7	8.0

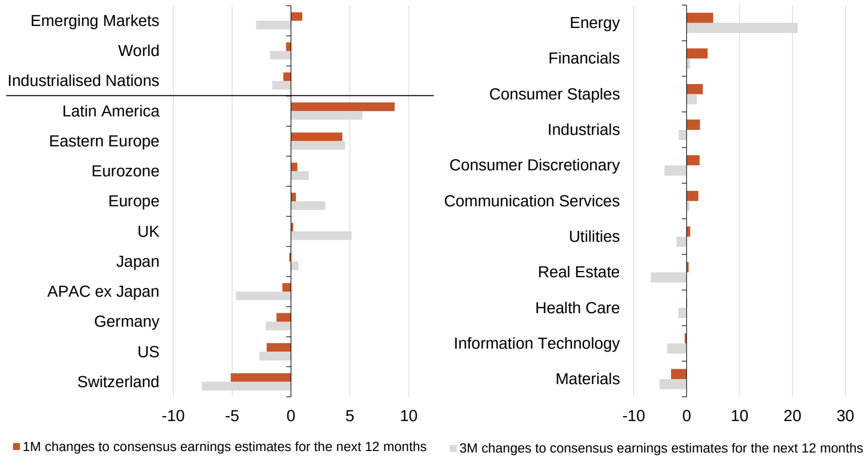
(12-month periods over that last 5 years)

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 H1 performance loser Information Technology made a comeback in the last four weeks with more than 10% positive performance.
- Other sectors such as cyclical consumer goods and financials, which were punished in H1, have also made significant gains recently.
- Growth also slightly outperformed Value due to the strength of the IT sector.

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: 12/08/2017 – 12/08/2022

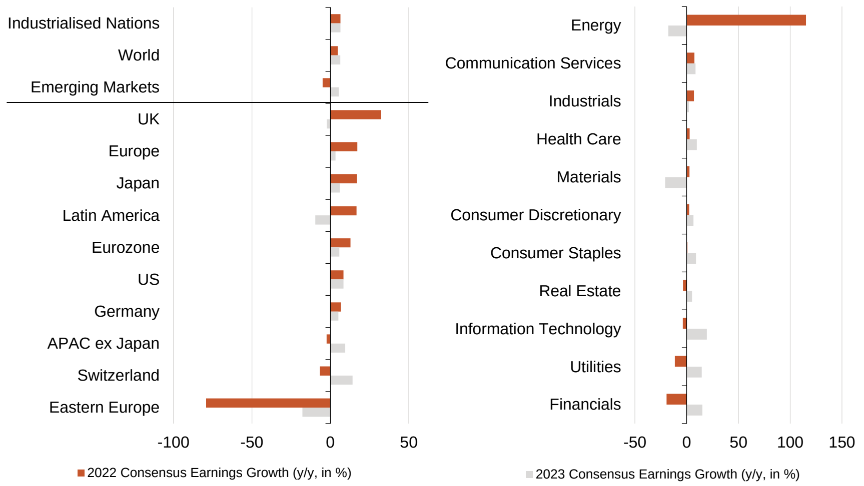
Changes in Consensus Earnings Estimates



- The majority of companies in the S&P 500 and STOXX 600 have now presented their Q2 figures and, on average, exceeded expectations. The business outlook, on the other hand, was often downgraded.
- As a result, analysts have reduced their earnings forecasts for the next 12 months for US equities, among others.
- In contrast, positive earnings revisions were seen in Latin America, Eastern Europe in particular, but also in the European energy and financial sectors.

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 12/08/2022

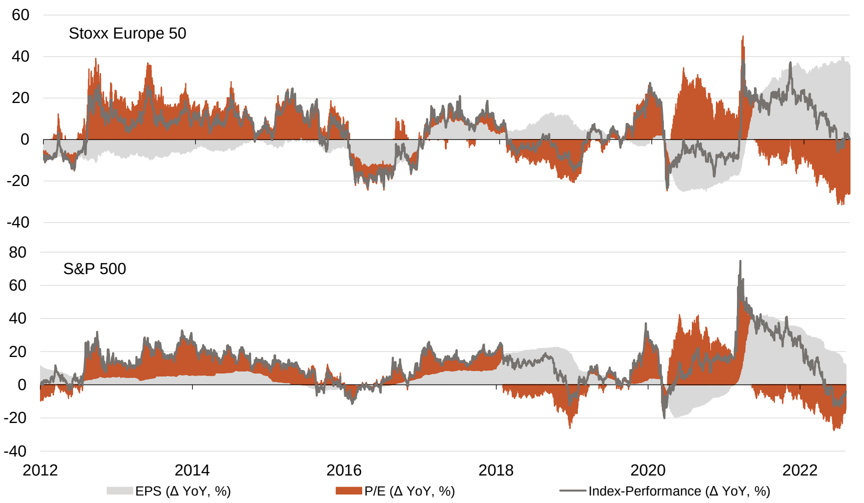
Earnings Growth



- Global earnings growth expectations for 2023 remain in positive territory despite recession concerns which led to slight earnings revisions. Consens sees growth of 6,5% for 2022 and 6,4% for 2023.
- Among the sectors, the analysts see the greatest earnings growth potential for 2023 for the growth losers in 2022 (IT, utilities, financials).
-

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 12/08/2022

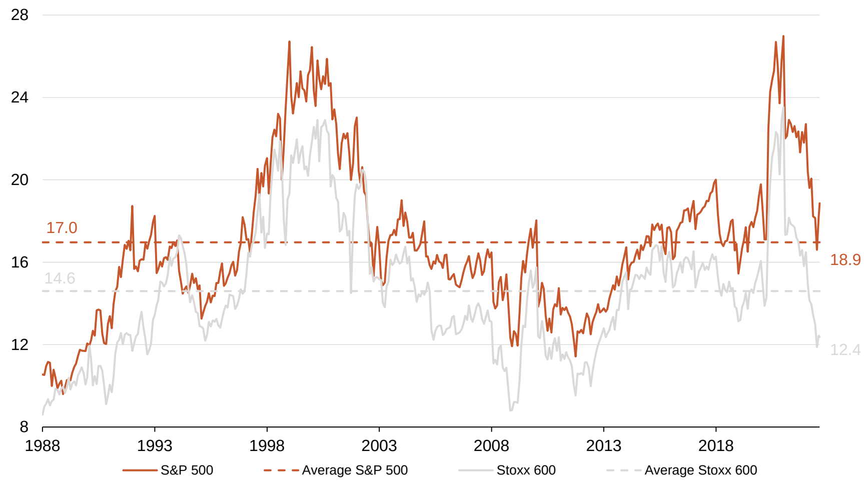
Contribution Analysis



- The change in focus from valuation to fundamental data that we had expected could be clearly observed on the markets in recent weeks. Valuation recovery has contributed to the positive development of both the S&P 500 and the Stoxx Europe 50.
- By contrast, the less strong year-on-year earnings growth was a drag, at least on the S&P 500.

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 – 12/08/2022

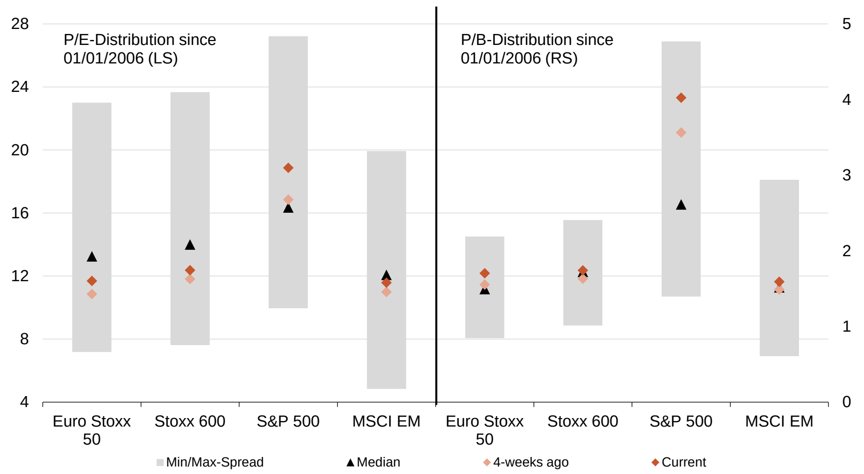
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The S&P 500 has seen a significant valuation recovery in recent weeks. At 18.9, the P/E ratio has moved noticeably away from the historical average again.
- The P/E ratio of the Stoxx 600 has also risen slightly. However, with a P/E ratio of 12.4, the Stoxx 600 is still historically very favourably valued.

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 – 12/08/2022

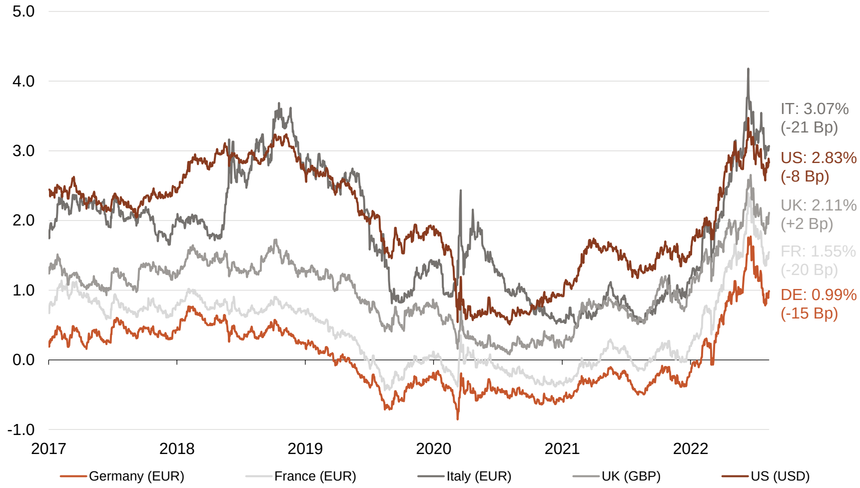
Historical Distribution: Price/Earnings and Price/Book Ratio



- In all the equity regions shown, the P/E ratio has risen in the last four weeks. However, the majority of the regions remain historically cheap, at least on a P/E basis. The major exception here is the S&P 500, which is trading well above the 10-year median on both a P/E and a KBV 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 – 12/08/2022

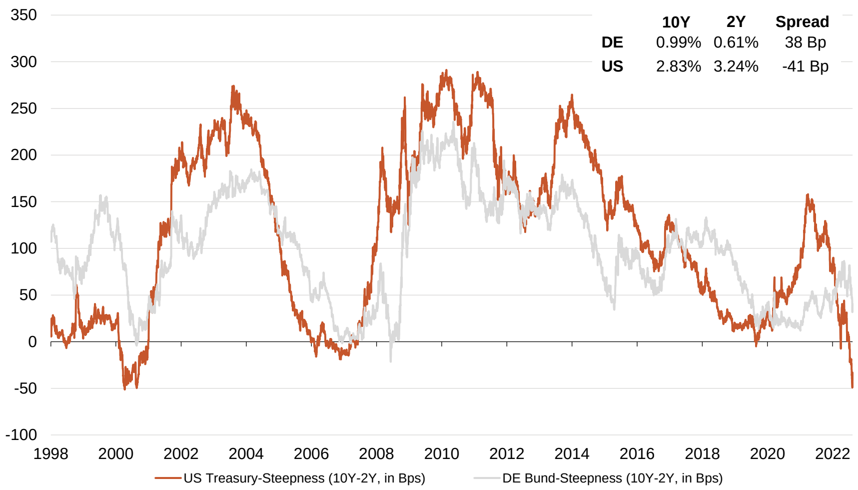
10-Year Government Bond Yields



- Falling US inflation figures and a less hawkish Fed caused yields on safe haven government bonds to fall noticeably over the last four weeks.
- While yields in the USA and Germany fell by around 10 basis points, yields on Italian and French government bonds fell by around 20 basis points.
- Only UK government bond yields did not fall further.

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 – 12/08/2022

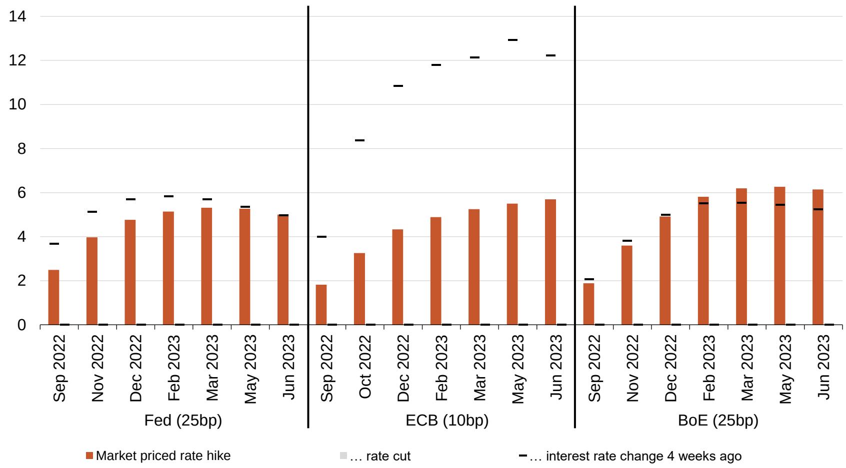
Yield Curve Steepness (10Y – 2Y)



- With the decline in inflation expectations and continued heightened recession concerns, the steepness of the US yield curve has fallen to a negative level, which was not reached even during the financial market crisis.
- But the German yield curve is also noticeably approaching inversion.

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 – 12/08/2022

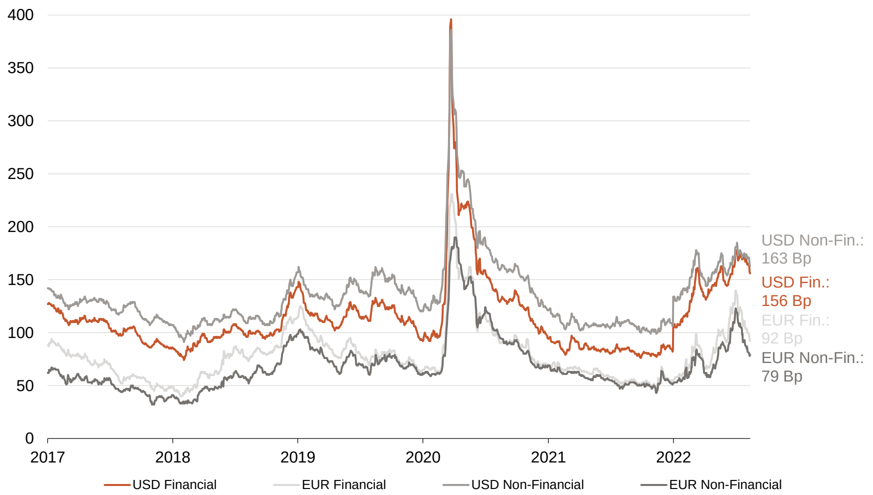
Implicit Changes in Key Interest Rates



- Concerns about recession and falling US inflation figures have put significant pressure on market participants' interest rate expectations.
- The market expects the ECB to raise interest rates by only 40 basis points by the end of the year. Four weeks ago, on the other hand, it was around 100 basis points.
- The market also expects a less restrictive monetary policy from the Fed compared to four weeks ago.

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: 15/07/2021 – 12/08/2022

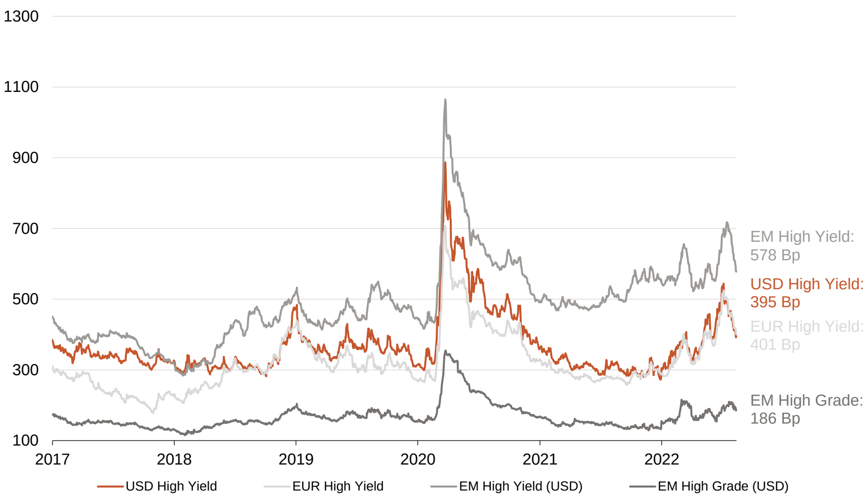
Credit Spreads Financial and Non-Financial Bonds



- Spreads on investment-grade corporate bonds have fallen again in the last two weeks. The bond market is therefore not currently pricing in a long and severe recession.
- Spreads on USD and EUR-IG corporate bonds have fallen by around 10 basis points in the last two weeks.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2017 – 12/08/2022

Credit Spreads High Yield and Emerging Markets Bonds



- The risk-on environment is also being felt in the bond markets. Spreads on high-yield bonds have fallen significantly in the last two weeks.
- The strongest decline was seen in EM high-yield bonds with around 80 basis points. USD and EUR high-yield bonds, on the other hand, saw a decline of more than 40 basis points.

How high the risk associated with the corporate bond 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 – 12/08/2022

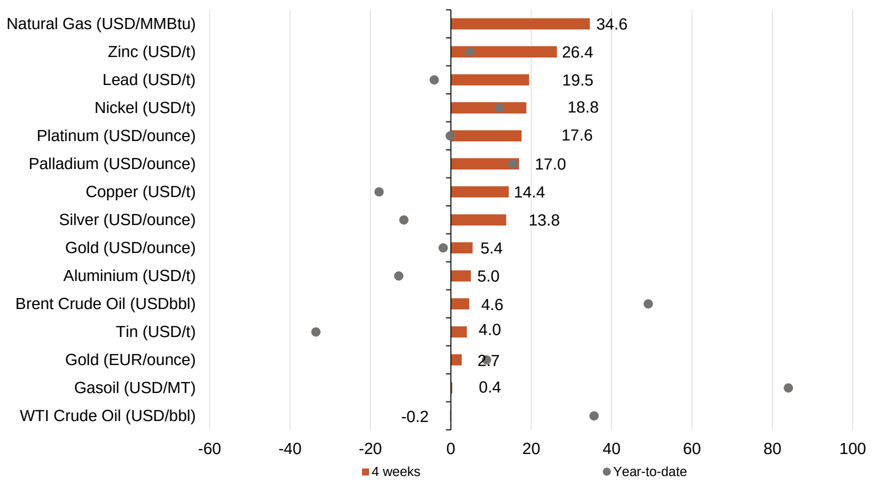
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Per-centile	1M	YTD	12/08/21 12/08/22	12/08/20 12/08/21	12/08/19 12/08/20	12/08/18 12/08/19	12/08/17 12/08/18
EUR Government	1.47	-0.04	7.8	-	-	-	1.1	-9.6	-11.9	1.0	1.4	9.3	0.3
Germany	0.78	-0.02	7.8	-	-	-	0.9	-8.5	-10.2	0.1	-1.4	7.3	1.2
EUR Corporate	2.49	-0.21	4.9	84	-27	61	1.7	-8.6	-10.1	2.9	-0.4	5.7	0.6
Financial	2.52	-0.14	4.1	92	-27	59	1.4	-7.0	-8.2	2.4	0.0	5.2	0.4
Non-Financial	2.47	-0.25	5.3	79	-27	63	1.9	-9.4	-11.2	3.2	-0.6	6.0	0.7
EUR High Yield	6.03	-1.15	3.5	401	-104	74	5.1	-9.3	-9.6	9.0	0.6	4.3	1.5
US Treasury	3.14	0.03	6.6	-	-	-	0.3	-8.9	-9.1	-3.1	8.3	9.9	-1.3
USD Corporate	4.53	-0.16	7.3	160	-15	81	1.9	-11.9	-12.0	1.0	9.5	12.0	-0.4
Financial	4.54	-0.11	5.5	156	-16	84	1.5	-9.9	-10.2	1.4	8.8	10.9	-0.5
Non-Financial	4.52	-0.19	8.2	163	-14	81	2.1	-12.8	-12.8	0.9	9.7	12.5	-0.4
USD High Yield	7.52	-1.06	4.6	395	-102	55	5.6	-7.5	-6.0	9.8	4.4	5.8	3.6
EM High Grade	4.91	-0.02	5.5	186	-9	54	1.4	-12.5	-12.7	2.0	5.9	10.2	-0.3
EM High Yield	10.11	-1.55	4.2	578	-121	59	5.2	-16.6	-20.7	7.3	6.6	10.0	-0.8

- Bonds have again made up some of the YTD losses.
- Due to the significantly falling spreads, riskier segments such as high-yield bonds performed particularly well. USD but also EUR high-yield bonds gained more than 5% over the month.

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 : 12/08/2017 – 12/08/2022

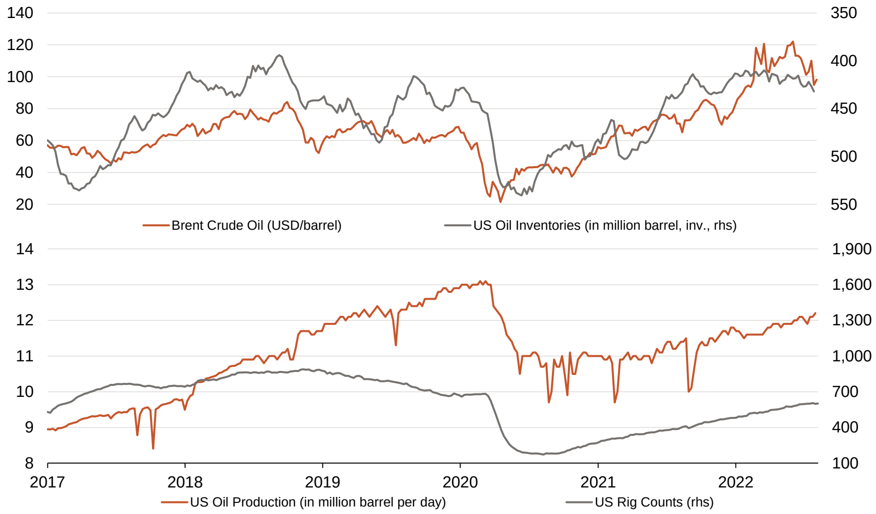
Commodities Performance



- Natural gas – a winner since the beginning of the year with a performance of 142% – rose again after a brief weakness. Natural gas thus remained the strongest investment segment in the commodity universe over the last four weeks.
- The industrial metals also made up ground after the weakness, with Zinc, lead, nickel, copper and aluminium all gaining. Among the precious metals, silver, platinum and palladium led the way.
- Only the energy commodity WTI crude oil suffered losses.

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

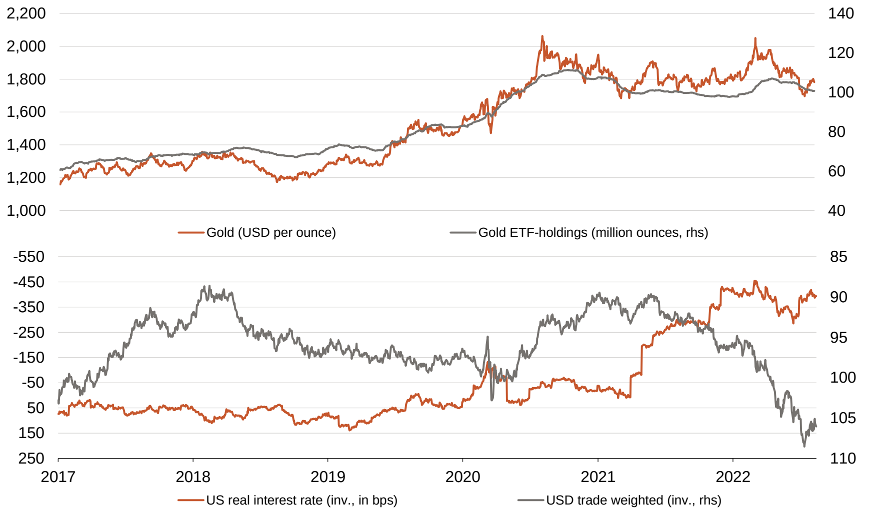
Crude Oil



- Although the supply situation remains tight, recession concerns have clearly dominated the oil market in recent weeks. Concerns about a collapse in demand are also already evident in a decline in oil consumption and mobility data, which are also well below the seasonal pattern. On the demand side, however, industrial companies are likely to have an increasingly supportive effect, as they have to switch to the use of oil due to high gas prices.

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 - 12/08/2022

Gold



- After the burden of the strong dollar and rising real interest rates, gold has risen impulsively again since mid-July. The weakness of the dollar, lower inflation figures for July and China-Taiwan concerns boosted the gold price. The markets are also already pricing in the Fed's turnaround on interest rates, which would support gold with a falling dollar and real interest rate.

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 - 12/08/2022

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PUBLISHING INFORMATION

PUBLISHER

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

EDITORS

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

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

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

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

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

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