

Current market commentary

Hawkish Fed comments, stronger than expected inflation figures in Europe and a recovery in commodity prices have led to a rise in bond yields. US 10-year government bond yields have risen by 50 basis points since the beginning of August. Equity markets came down as well. An exception was energy stocks, which benefited from falling oil inventories and statements about a possible OPEC+ production cut. Now that the reporting season is over, stock markets are likely to be more macro-driven again and volatility is likely to increase – not least because of a stronger quantitative tightening by the Fed from September onwards. The market's focus is clearly on central banks and the upcoming inflation figures. Downside surprises should lead to a recovery rally, upside surprises should lead to a sell-off.

Short-term outlook

After Fed President Powell's hawkish speech on Friday, market participants are eagerly awaiting the central bank meetings in September. The ECB already meets on 8 September, the BoE on 15 September and the Fed on 21 September. In addition, the US stock market is closed on 5 September (Labour Day).

This week all eyes are on the August inflation data, US labour market data and the purchasing managers' indices (PMIs). On Tuesday, preliminary inflation data for Germany (Aug.) will be released, as well as Eurozone economic confidence (Aug.) and US consumer confidence (Aug.). French and EUR inflation data (Aug.) will follow along with China PMIs (Aug.) on Wednesday. On Thursday, German retail sales (Jul.) will be followed by Eurozone and US PMIs (Aug.). US labour market data (Aug.) and German exports (Jul.) will be published on Friday.

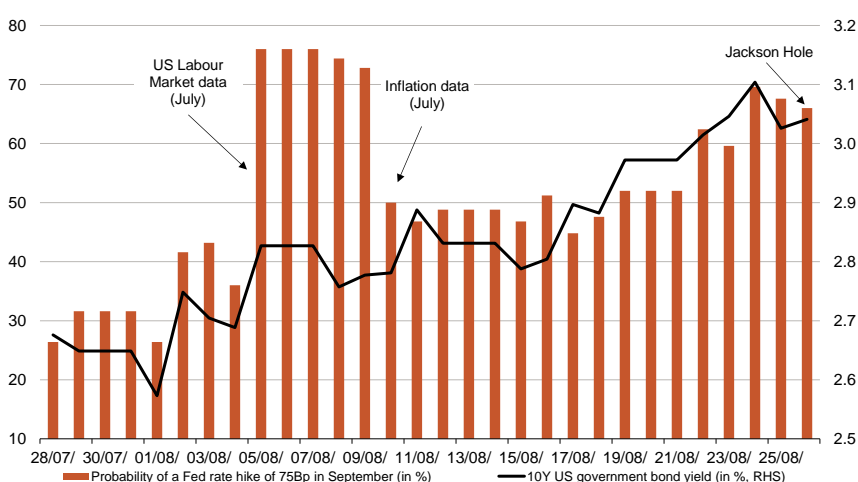
The bi-weekly *Monitor* gives you a structured overview of the current capital market environment and highlights important developments:

- Performance
- Positioning
- Sentiment
- Surprise Indicators
- Economics
- Foreign Exchange
- Equities
- Sovereign Bonds & Central Banks
- Corporate Bonds
- Commodities

Markets focus on monetary policy

Inflation data, US labour market data and purchasing managers' indices ahead

Back and forth in the bond market amid uncertain monetary policy



- Market reacts increasingly data-driven regarding US monetary policy. At the end of July, the priced probability of a 75bp hike by the Fed was still below 30%. The rise to almost 80% with the July labour market data lasted only briefly. Most recently, the probability has risen significantly again thanks to hawkish Fed comments.
- US yields reacted significantly. At the beginning of August they were still below 2.6%, but then jumped to over 3%. Bond volatility is likely to remain elevated in the future.

Source: Bloomberg, Time period: 28/07/2022 - 26/08/2022



Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (29/07/22 - 26/08/22)	YTD (31/12/21 - 26/08/22)	26/08/21	26/08/20	26/08/19	26/08/18	25/08/17
MSCI Frontier Markets	-5.9	4.8	-0.8	34.1	-12.4	11.1	-2.2
MSCI Emerging Markets	-4.7	3.9	-3.6	16.1	11.9	-1.8	1.3
Global Convertibles	-4.5	3.6	-4.1	28.0	28.8	7.5	13.6
Industrial Metals		3.3	19.5	36.0	-0.8	-0.1	-2.4
USDEUR		6.0	17.9	0.7	-6.2	4.7	2.6
Gold		2.6	14.3	-7.7	20.1	32.6	-4.2
MSCI World		14.1	3.6	29.9	11.0	3.9	15.8
Euro overnight deposit	0.0	0.4	-0.5	-0.6	-0.5	-0.4	-0.4
Brent	-0.3		108.0	54.9	-28.2	-15.5	58.9
REITs	-0.1	74.0	6.2	28.4	-16.7	18.5	3.5
EUR Sovereign Debt	-1.5		-8.6	0.7	-0.4	5.5	-0.4
EUR Coporates	-5.9		-12.4	2.7	-0.7	6.4	0.2
	-2.7						
	-7.4						
	-3.0						
	-11.1						

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

- Markets held on to the rally of the last four weeks until Powell's speech at Jackson Hole. With Fed Chair Powell's direct, restrictive words came a sharp sell-off and US equities gave back a significant part of the gains of the last weeks.
- On a 4-week view, emerging market equities, convertible bonds and industrial metals were among the biggest winners.
- Interest rate sensitive REITs and European bonds, on the other hand, suffered losses.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance. Source: Bloomberg, Time period: 25/08/2017 - 26/08/2022

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (29/07/22 - 26/08/22)	YTD (31/12/21 - 26/08/22)	26/08/21	26/08/20	26/08/19	26/08/18	25/08/17
MSCI EM Asia	-6.0	3.0	-4.7	12.5	22.3	-4.1	4.2
MSCI USA Small Caps	-0.9	2.4	4.9	46.5	-0.8	-5.0	28.0
MSCI Japan	-5.0	1.1	-1.7	18.5	6.0	-1.6	10.0
S&P 500	-1.9	0.5	8.5	31.3	15.7	6.9	22.7
Stoxx Europe Defensives	0.0	2.1	6.6	18.4	0.9	5.0	8.5
MSCI UK	-0.7	4.7	12.4	27.7	-12.3	-2.8	8.0
Stoxx Europe 50	-1.1		2.7	22.8	0.9	3.4	4.2
Euro Stoxx 50	-3.2		-11.3	26.5	2.3	0.4	2.3
Stoxx Europe Cyclical	-14.3		-14.2	35.7	6.7	-8.1	2.9
DAX	-3.4		-17.9	19.7	13.1	-5.9	1.9
MSCI EM Eastern Europe	-18.3		-82.2	32.0	-10.7	19.3	5.8
Stoxx Europe Small 200	-5.5		-22.6	37.1	7.8	-3.9	8.9
	-82.6						
	-6.3						
	-22.4						

S&P 500: S&P 500 TR (US-Equity); Stoxx Europe 50: Stoxx Europe 50 TR; Euro Stoxx 50: Euro Stoxx 50 TR; MSCI Japan: MSCI Japan TR; Stoxx Europe Small 200: Stoxx Europe Small 200 TR; MSCI USA Small Caps: MSCI USA Small Caps TR; Stoxx Europe Cyclical: Stoxx Europe Cyclical TR; Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kingdom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR; MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- There has been a lot of movement within equity market segments recently. Defensive stocks tended to hold up better than cyclical stocks.
- German and Eastern European shares as well as European small caps fell the most. In the US, however, small caps outperformed large caps.
- Regionally, Asian equities performed best.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance. Source: Bloomberg, Time period: 25/08/2017 - 26/08/2022

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (29/07/22 - 26/08/22)	YTD (31/12/21 - 26/08/22)	26/08/21	26/08/20	26/08/19	26/08/18	25/08/17
EM Hard Currency Bonds	-6.4	2.4	-5.1	4.5	-2.8	17.8	-0.3
EM Local Currency Bonds	-2.2	2.3	-3.2	4.2	-5.8	15.5	-6.5
Chinese Gov Bond		1.0	5.1	5.0	3.0	7.0	4.5
EUR High Yield	-10.9	-0.1	-11.2	8.8	0.1	5.0	1.3
Treasuries		-0.1	5.6	-1.9	1.0	15.0	0.9
USD High Yield	-9.5	-0.7	-8.5	10.0	4.0	6.2	3.6
USD Corporates	-13.0	-1.8	-13.4	2.3	7.9	12.6	-0.5
EUR Financials	-10.3	-2.7	-11.5	2.7	-0.5	6.0	0.0
BTPs	-12.6	-2.9	-14.8	3.7	3.8	14.9	-4.3
EUR Non-Financials	-11.6	-3.3	-13.0	2.7	-0.9	6.7	0.3
Bunds	-11.0	-4.1	-12.3	0.0	-2.1	8.0	1.0
Gilts	-18.5	-7.4	-18.5	3.0	5.2	10.0	1.8

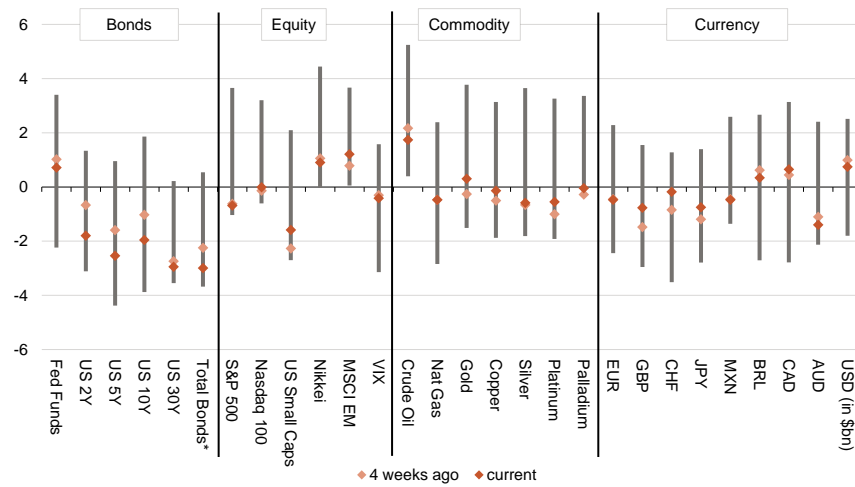
Bunds: IBOXX Euro Germany Sov TR; BTPs: IBOXX Euro Italy Sov TR; Treasuries: ICE BofA US Treasury TR; Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Gov; EUR Financials: IBOXX Euro Fin. Overall TR; EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE BofA 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 hawkish comments of many Fed speakers in recent weeks led to a rise in interest rates and a sell-off in bonds. Powell reaffirmed last Friday that fighting inflation is the Fed's top priority at the moment, even if it leads to an economic slowdown.
- The market now expects a 75bp rate hike at the next Fed meeting in September.

Total return (including reinvested coupons) for selected bond indices, in euros and in percent, sorted by 4-week performance. Source: Bloomberg, Time period: 25/08/2017 - 26/08/2022



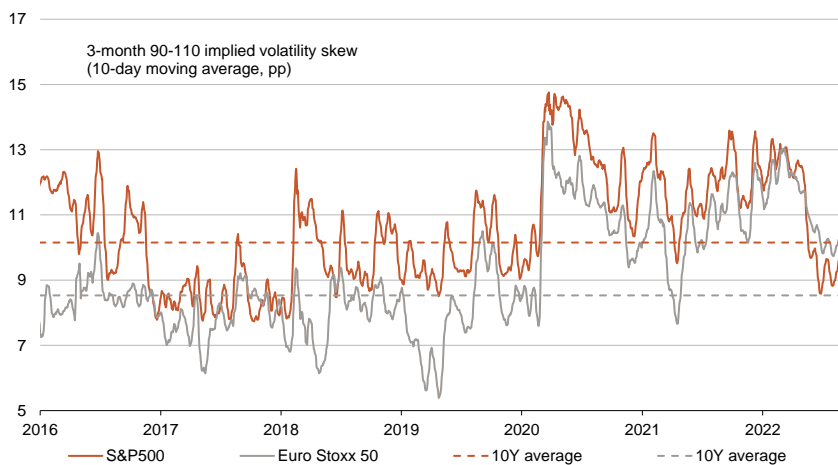
Non-Commercial Positioning



- With the jump in yields, speculative investors have recently expanded their short positions in US government bonds.
- The positioning in the US equity indices also tends to be short. Only the Nasdaq 100 is neutral.

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: 28/08/2012 - 25/08/2022

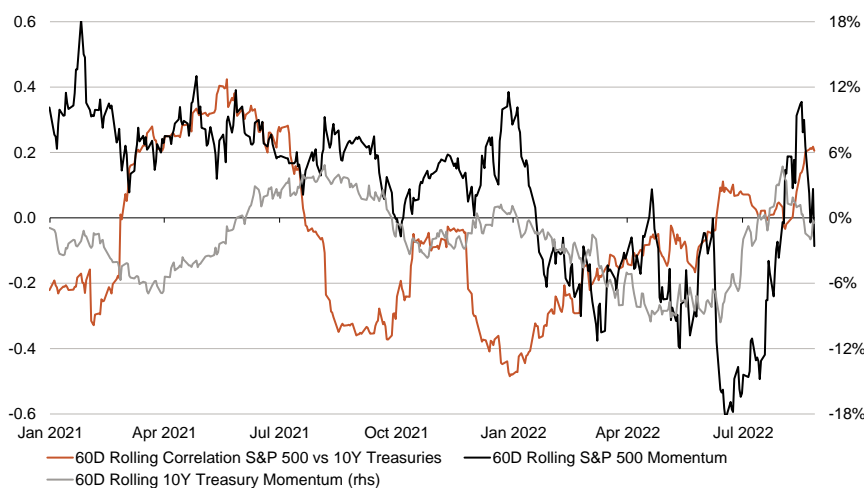
Put-Call-Skew



- After a significant decline in the skew in recent months, it has recently risen again noticeably. For US equities, however, it remains below the historical average, suggesting that demand for hedging has eased somewhat.

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: 01/01/2017 - 26/08/2022

60-Day Momentum and Correlation

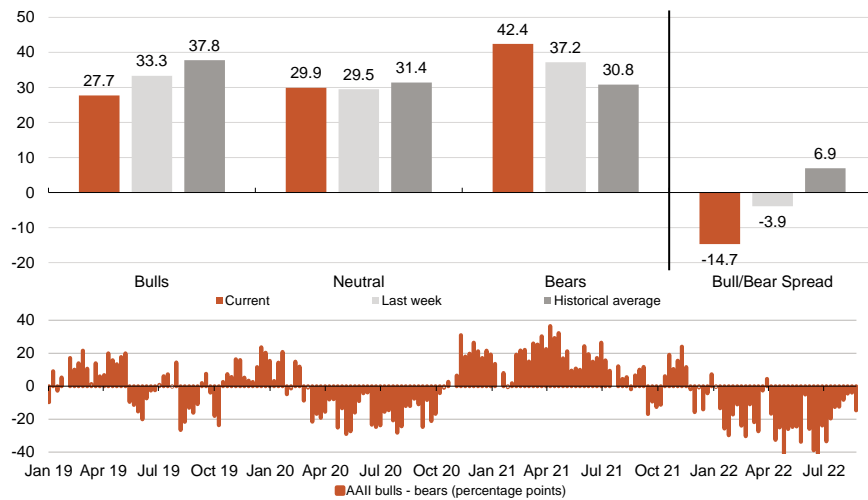


- The 60d momentum of the S&P 500 has fallen significantly in the last two weeks and is now below zero.
- Treasury momentum has also already turned negative.
- The positive correlation between equities and government bonds has increased further. US government bonds thus did not offer any diversification recently.

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 - 26/08/2022



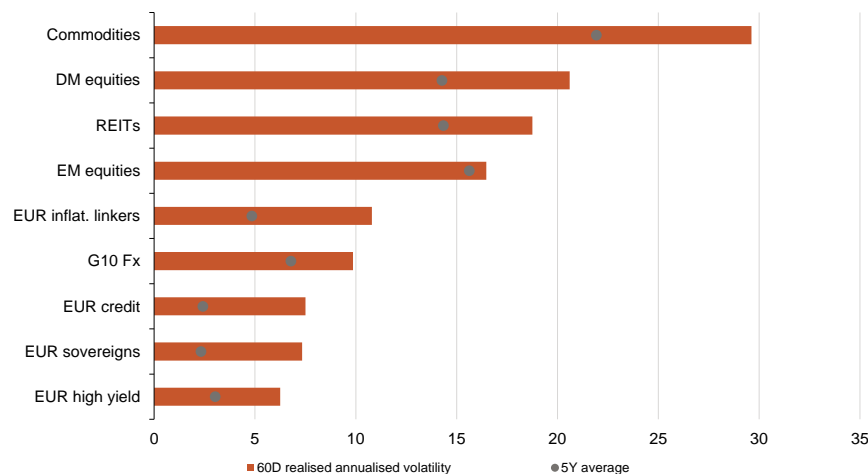
AAII Sentiment Survey (Bulls vs Bears)



- The bears are back again. Compared to the previous week, there were clearly fewer bulls and more bears. Thus, the bull/bear spread has jumped to -14.7, which is well below the historical average of 6.9.

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 - 26/08/2022

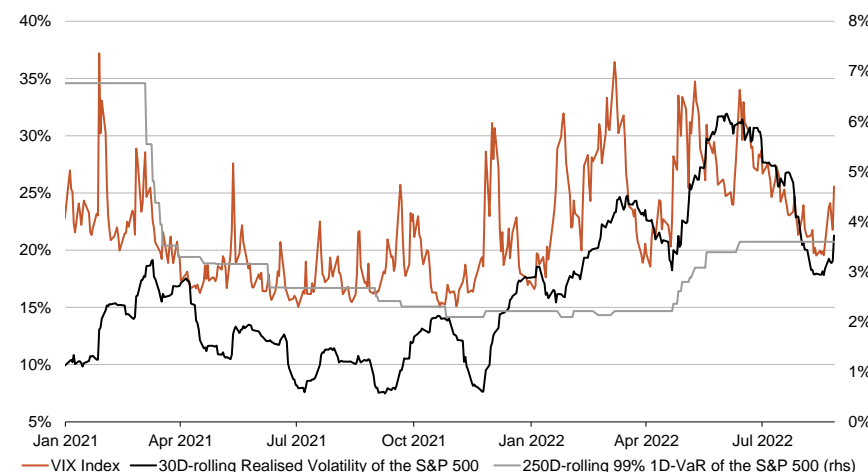
Realised Volatilities



- Realised volatility remains historically high. This is especially true for commodities, which have recently suffered massively from recession concerns.
- However, equities from the industrialised nations or REITs also suffered from the back and forth of investor sentiment. After the rally since mid-June, interest rate concerns again weighed on both segments.
- Only the volatility of emerging market equities is close to the historical 5Y average.

The realised volatility (in per cent) measures the fluctuation range of a time series and is defined here as the standard deviation of the daily return over the last 60 trading days. Volatility is often used as a measure of risk.
Source: Bloomberg, period: 31/12/2017 - 26/08/2022

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

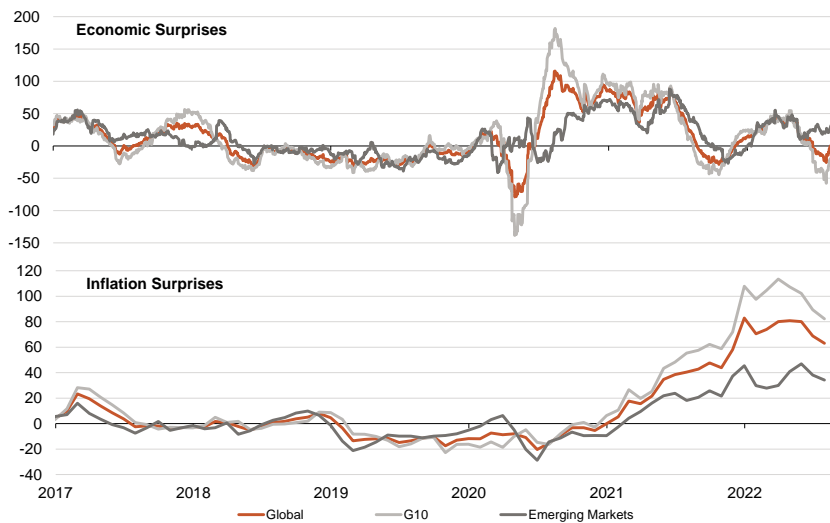


- Before the Jackson Hole meeting, implied volatility had initially increased significantly, but recently came down slightly. As a result of the restrictive tones at the meeting, it then rose again and is now back at 26%.

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 - 26/08/2022



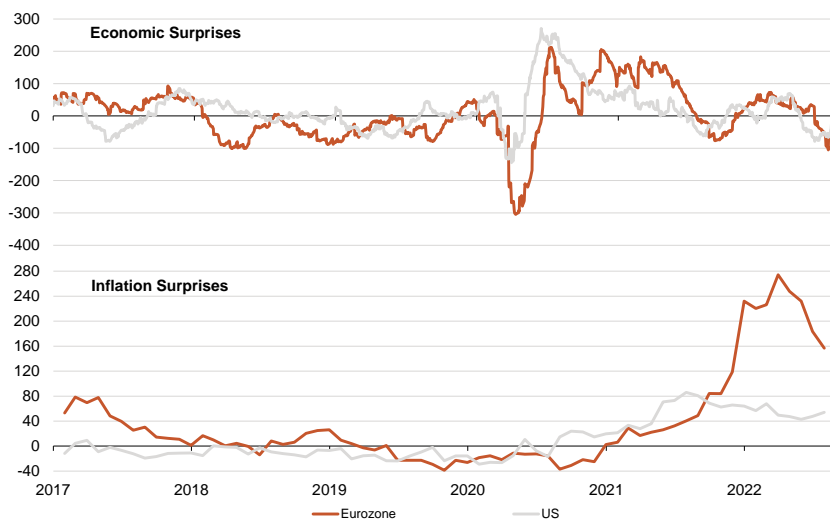
Global



- Global surprise indicators dipped back below zero after a brief respite into positive territory. Negative surprises in the industrialised nations also became less prevalent over the last four weeks. Initially, they moved back into positive territory, but then the negative surprises increased again. In the emerging markets, the positive economic surprises – even though they still predominate – decreased again.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 26/08/2022

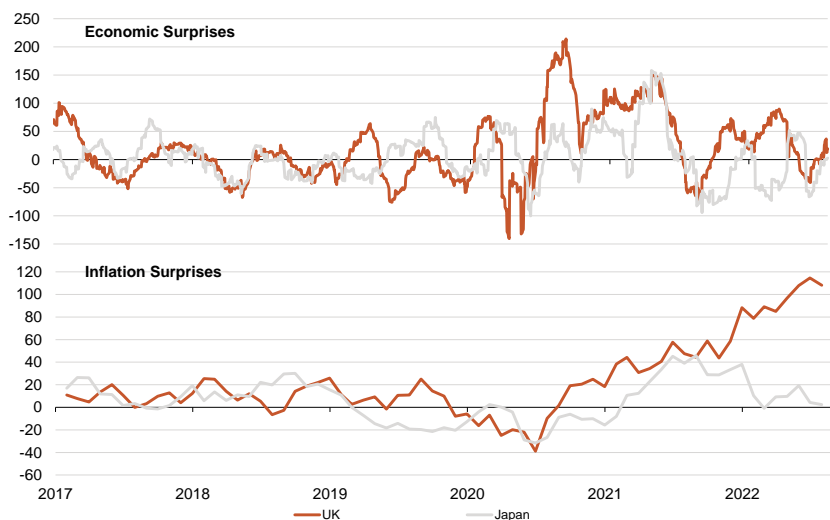
Eurozone and US



- After the economic surprises in the US had temporarily reached the highest level since mid-May, recently the negative surprises increased noticeably again and pushed the surprise index down. In the US housing sales, personal income and spending and the PMI disappointed.
- In the Eurozone, economic surprises have also been in negative territory, reaching levels just below -30 over the last few weeks. Most recently, quarterly GDP and the trade balance disappointed.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 26/08/2022

UK and Japan

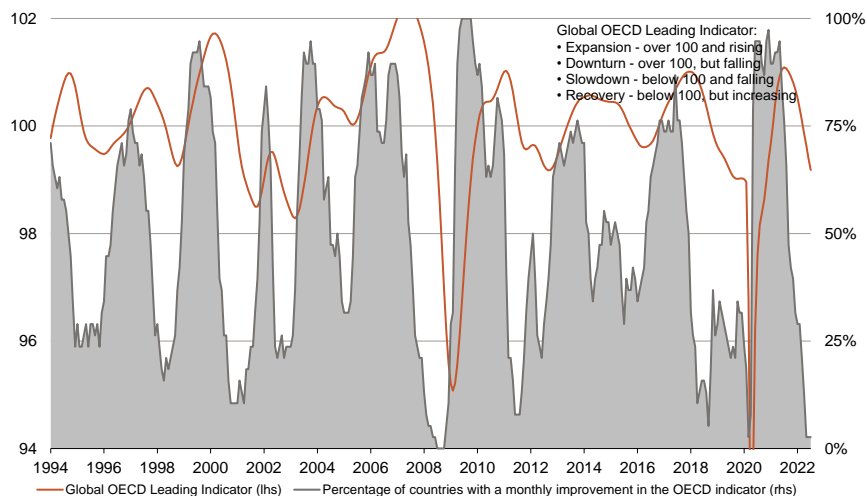


- In the UK, economic surprises fell strongly. In Japan, on the other hand, the picture seems to be turning. Here, for the first time since June, positive economic surprises prevailed.

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 - 26/08/2022



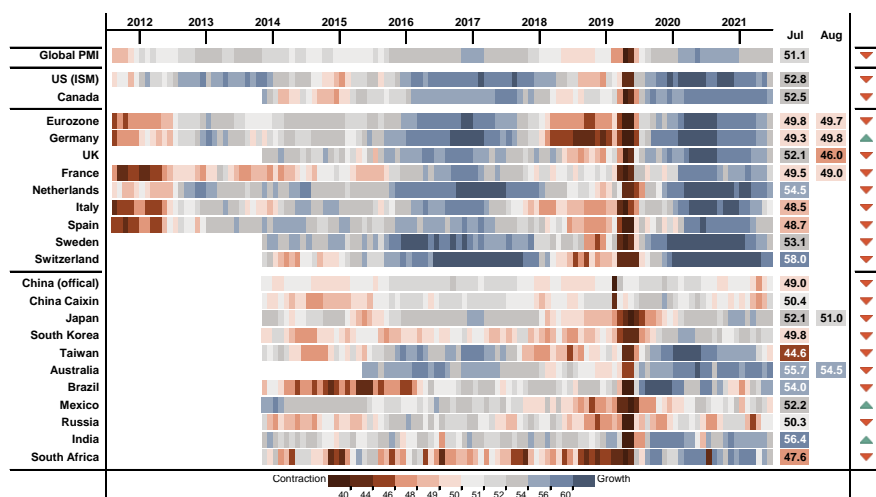
OECD Leading Indicator



- The OECD indicator has been well below 100 for a few weeks now and continues to fall – an indicator of the economic slowdown.
- The gloomier picture is also reflected at the country level – only 3% of countries improved 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 - 31/07/2022

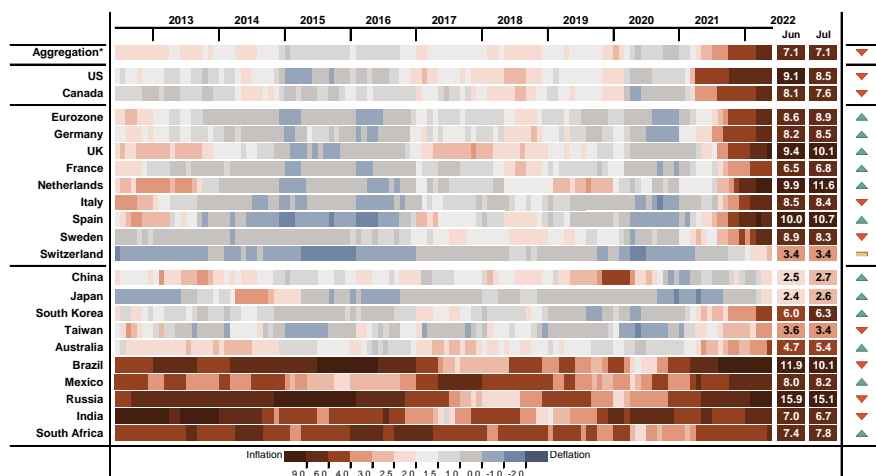
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- Preliminary purchasing managers' data for August also reflect the darkening picture. The data for the Eurozone, UK, France, Japan and Australia have deteriorated. Only Germany improved, but remains below the important 50 mark that indicates a declining industry.

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: 26/08/2012 - 26/08/2022

Headline Inflation

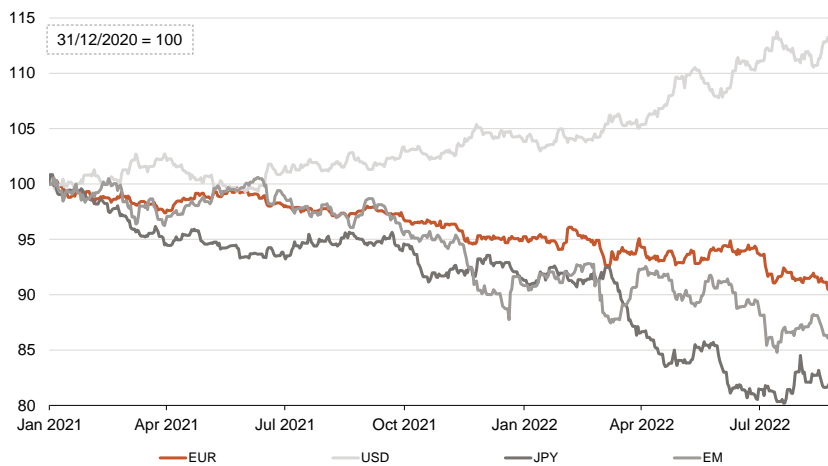


- Inflation rates for July show a mixed picture. While they rose in the Eurozone, Germany, France, Spain, China, Australia, Mexico, South Korea and the Netherlands, they fell at the global level, in Italy, Sweden, Taiwan, Brazil, Russia and India compared to the previous month.

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: 26/08/2012 - 26/08/2022



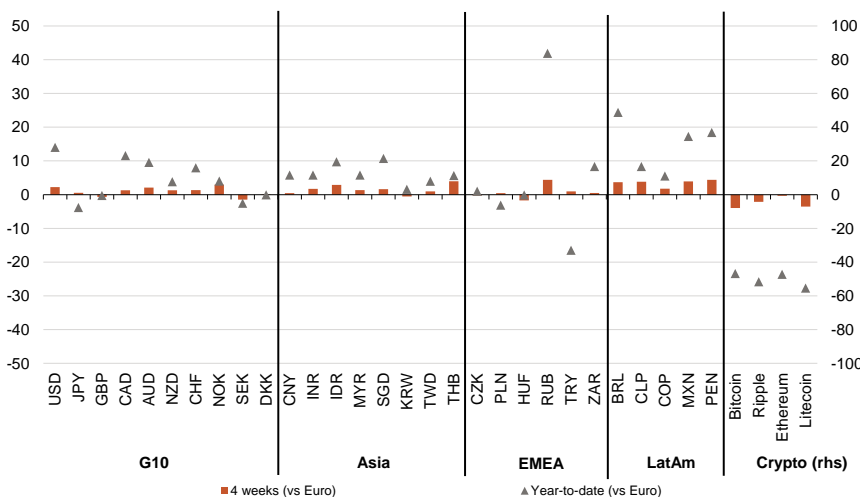
Trade-Weighted Currency Development



- The US dollar initially declined slightly after the rally and only reacted to Jackson-Hole with a slight upward trend.
- The euro continued to lose ground, while the Japanese yen and emerging market currencies rose.

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 - 26/08/2022

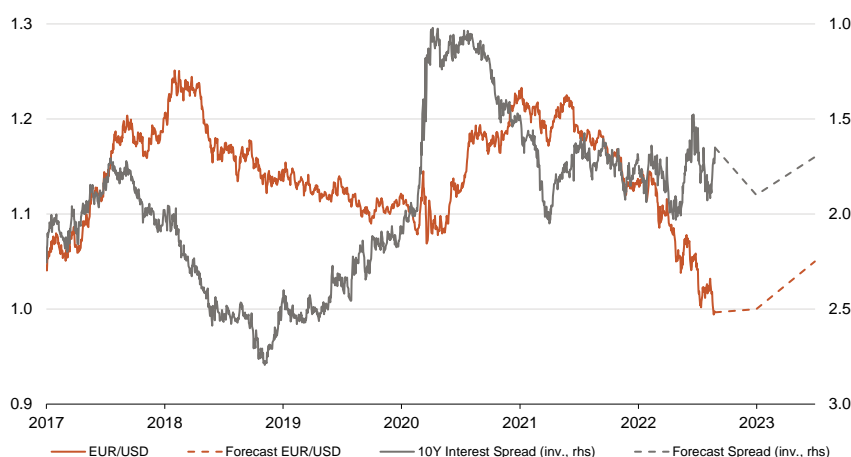
Currency Moves vs Euro



- The currency development against the euro shows an upward trend in the aggregate over the last four weeks.
- Of the currencies of the industrialised nations, only the Swedish krona weakened. Of the Asian currencies, only the South Korean won lost against the euro.
- Latin American currencies gained broadly against the euro.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2021 - 26/08/2022

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



- After briefly bottoming out over the last four weeks, the euro/USD exchange rate has fallen below parity and is now trading at 0.99.
- The driving force behind the recent strength of the US dollar was above all the view of the Fed's more restrictive interest rate policy, which was then confirmed by Jackson Hole.

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 - 31/12/2022



European Sector & Style Performance

	4-week & YTD		12-month periods over that last 5 years					
	4W (29/07/22 - 26/08/22)	YTD (31/12/21 - 26/08/22)	26/08/21	26/08/20	26/08/19	26/08/18	25/08/17	
			26/08/22	26/08/21	26/08/20	26/08/19	26/08/18	
Energy	8.6	36.3	58.3	28.5	-34.5	-11.9	30.7	
Communication Services	-3.9	0.3	-0.5	14.0	13.3	18.1	-1.1	
Value	-1.2	-4.0	-0.2	28.3	-8.9	-5.8	2.2	
Consumer Staples	-1.2	-2.8	4.8	12.8	-3.2	12.6	2.4	
Materials	-1.3	-11.0	-9.4	37.2	15.9	-7.2	9.1	
Finance	-1.5	-10.3	-5.3	36.1	-10.4	-10.0	-5.1	
Consumer Discretionary	-3.4	-18.5	-14.1	40.2	1.4	-0.6	6.1	
Telecommunications	-3.5	-3.1	-7.6	24.3	-13.5	0.6	-9.4	
Growth	-3.5	-15.1	-10.9	28.3	10.9	5.3	8.1	
Health Care	-4.0	-3.1	0.5	17.1	12.0	11.5	6.2	
Information Technology	-5.1	-25.5	-24.6	39.4	27.2	-1.6	20.6	
Industrials	-5.2	-18.9	-15.5	36.4	9.0	-0.8	8.1	

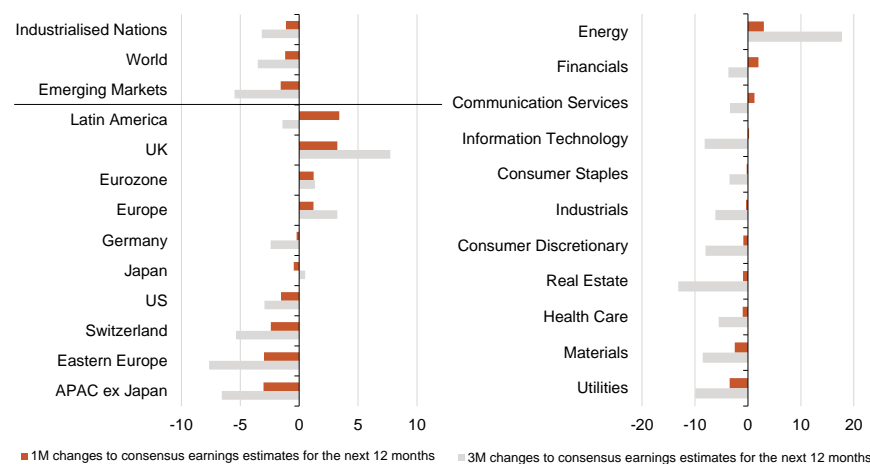
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Staples: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. 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 rebounding crude oil price and continued positive earnings revisions helped the energy sector to the top of the 4-week performance table. However, the utilities sector also made some gains.
- The losers, on the other hand, were sectors such as IT and industrials.

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 - 26/08/2022

Changes in Consensus Earnings Estimates

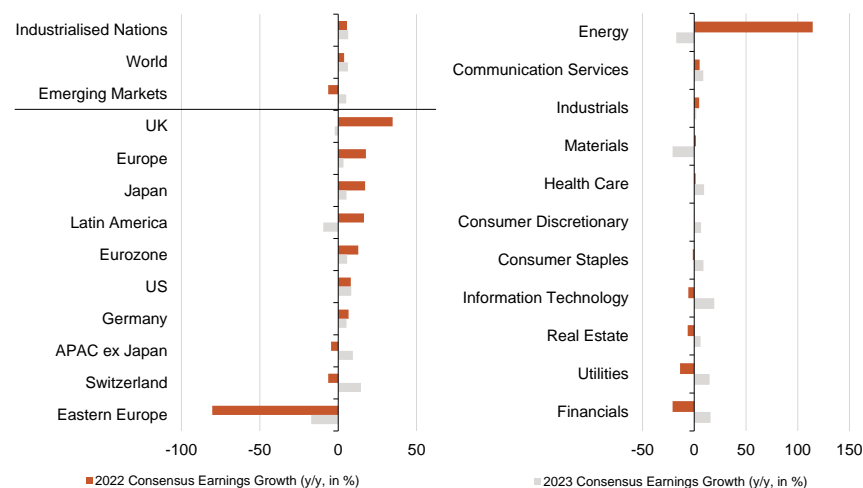


- Analysts see increasing challenges ahead for companies. In the last four weeks, analysts have lowered consensus earnings expectations in the industrialised nations, but also in the emerging markets.
- Regionally, the majority of companies in the UK and Latin America have managed to escape this trend. However, this could change quickly with the increasing economic gloom.

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 26/08/2022

Earnings Growth



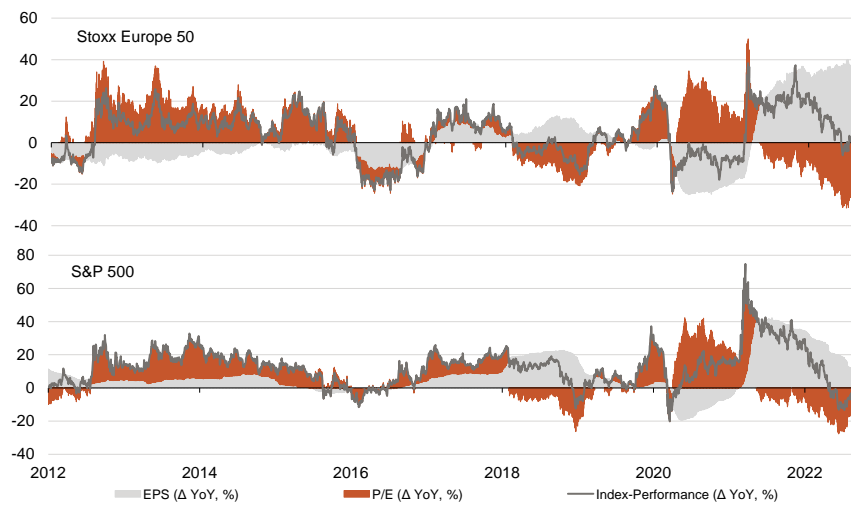
- Geopolitical risks, inflationary pressures, staff shortages and supply bottlenecks have had a significant impact on corporate profits since the beginning of the year. At the beginning of the year, consensus for 2022 saw global earnings growth of more than 7%. With the latest earnings revisions, this growth has now slipped below the 4% mark. A further decline cannot be ruled out.

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 26/08/2022



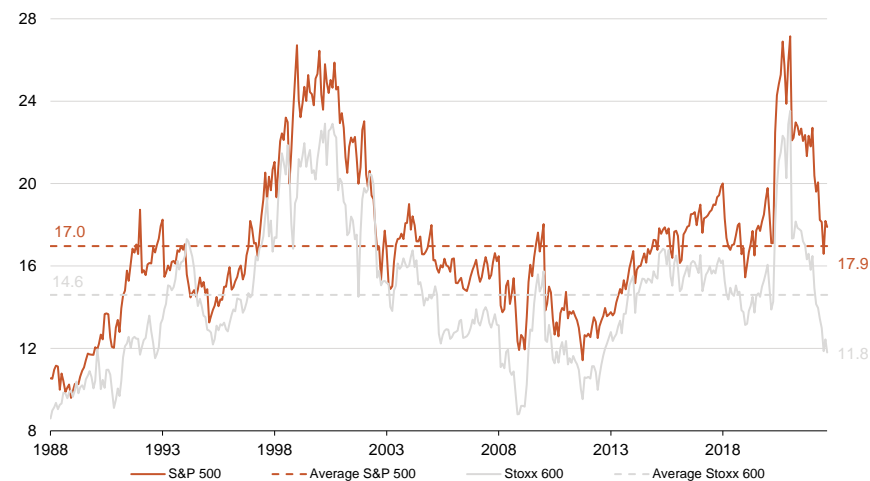
Contribution Analysis



- Despite recession and inflation concerns, both the Stoxx Europe 50 and the S&P 500 have hardly lost any value year-on-year. This was mainly due to the growing profits to date, which largely offset the valuation squeeze.

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 - 26/08/2022

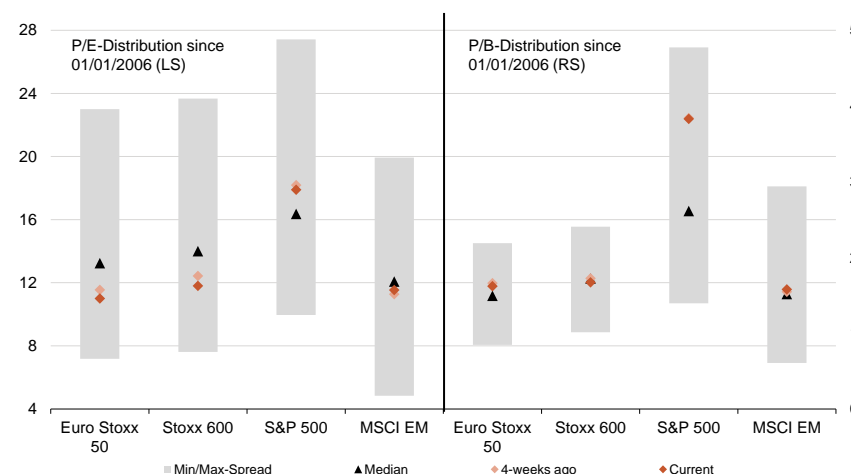
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Markets have clearly moved away from their June lows with the recent recovery rally. However, this rally was not felt equally across all equity markets. US equities were able to recover significantly more than their European counterparts.
- The valuation premium of US equities over European equities has thus widened significantly in recent weeks. US equities are now trading at a historically high P/E premium of around 6 points.

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 - 26/08/2022

Historical Distribution: Price/Earnings and Price/Book Ratio

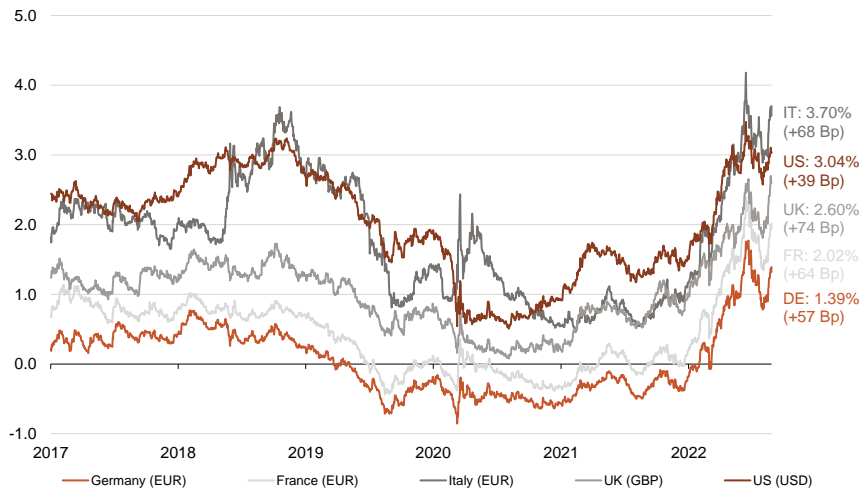


- In the last four weeks, the valuation of the S&P 500 has hardly changed. However, it is trading noticeably above the 10-year median on both a P/E and a P/B basis.
- European and emerging market equities, on the other hand, are not historically expensive and are trading at historically fair valuation levels.

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 - 26/08/2022



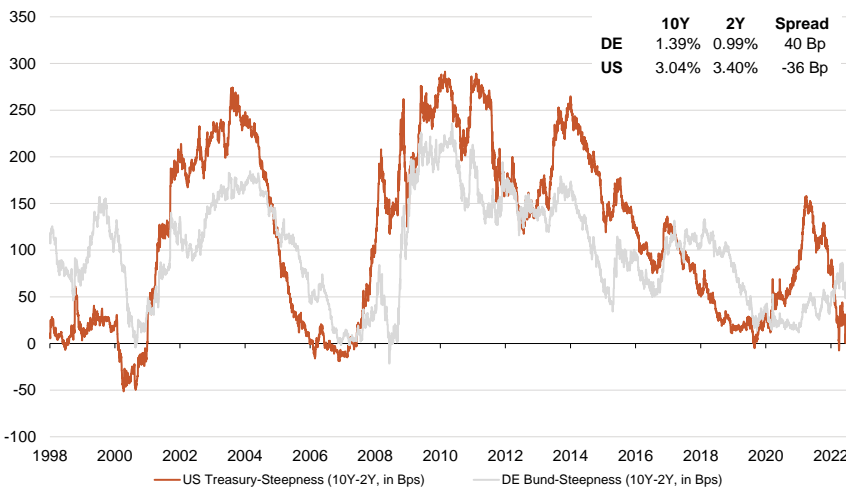
10-Year Government Bond Yields



- After the significant decline in yields since June, yields on safe government bonds rose again from the beginning of August, when global bond markets fell as a result of more restrictive statements by central banks.
- As a result, US government bonds recently returned to yields above the 3% mark.
- British government bonds, however, saw the strongest yield movement in the last four weeks with 74 basis points.

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 - 26/08/2022

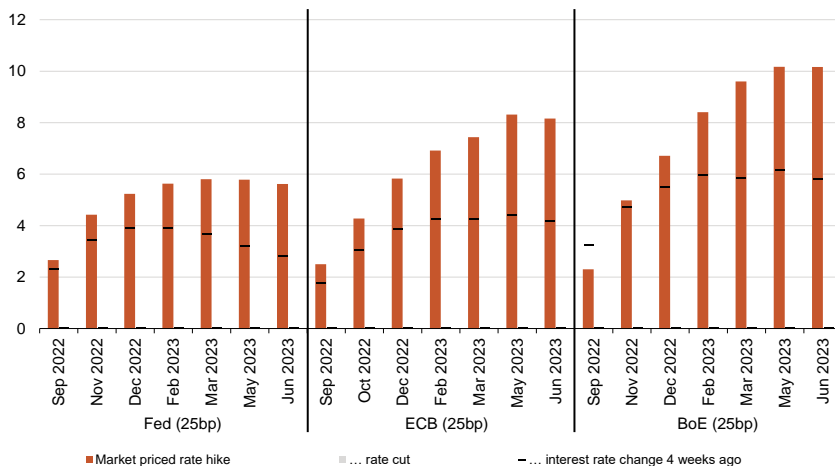
Yield Curve Steepness (10Y - 2Y)



- The low of the US yield curve seems to be behind us. Although the curve is still inverted, at -36 basis points it is well away from the August low.
- The German yield curve, on the other hand, continues to struggle with the downward path. Inversion is still more than 40 bps away.

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 - 26/08/2022

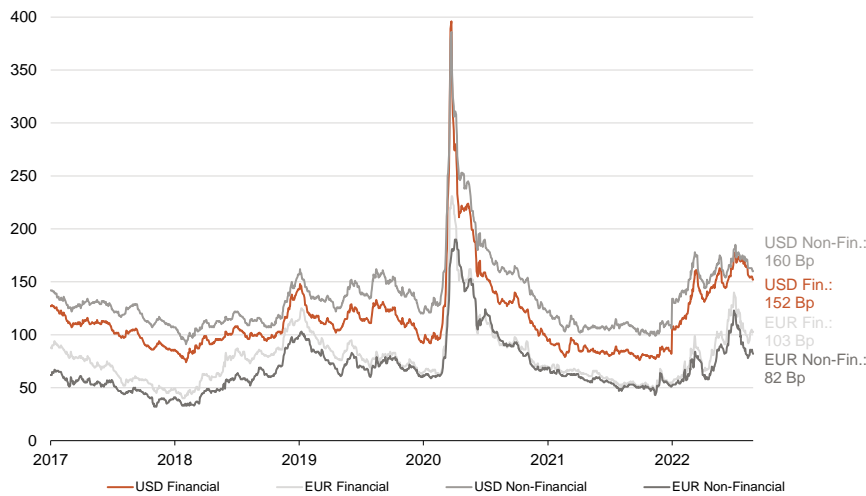
Implicit Changes in Key Interest Rates



- The restrictive tones of Fed President Powell at Jackson Hole led to a significant increase in interest rate hike expectations. Compared to four weeks ago, the market now expects five instead of four rate hikes by the end of the year.
- Market participants' interest rate fantasies regarding the ECB have increased significantly in the last four weeks. For September, interest rate hikes of around 60bps are being priced in. By the end of the year, the market expects almost 150 bps. 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: 29/07/2022 - 26/08/2022



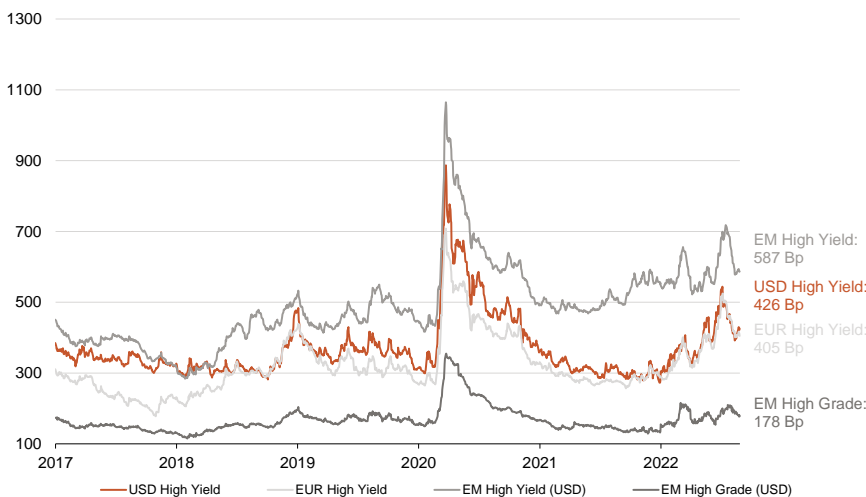
Credit Spreads Financial and Non-Financial Bonds



- Spreads on investment-grade corporate bonds have not fallen any further in the last two weeks. In some segments, such as EUR financial bonds, the spread has even risen by around 10 basis points.
- In all other IG segments such as USD financial or non-financial bonds, however, the trend has been sideways.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2017 - 26/08/2022

Credit Spreads High Yield and Emerging Markets Bonds



- High-yield bonds also saw a slight countermovement following the massive spread decline. The risk-on environment thus seems to be over for the time being.
- USD High Yield saw spreads widen by more than 25 basis points in the last two weeks.
- EUR and EM high yield bond spreads, on the other hand, trended only marginally upwards.

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 - 26/08/2022

Bond Segments Overview

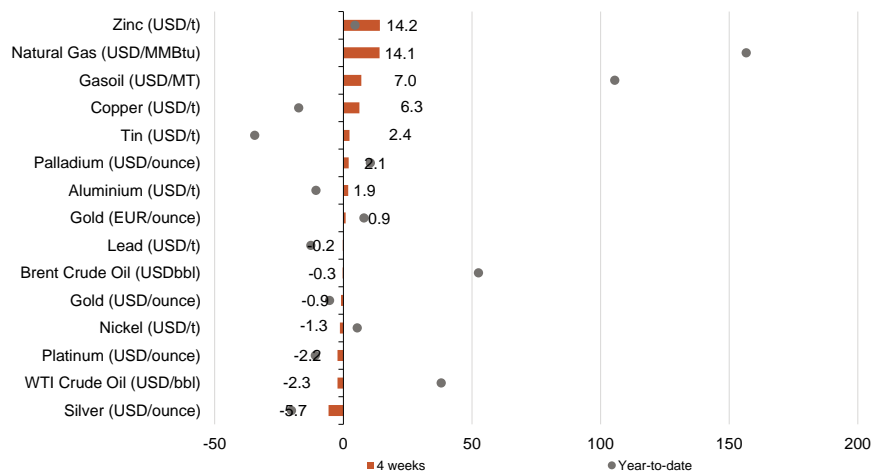
	Key figures			Asset Swap Spread			Total Return (% local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	26/08/21 26/08/22	26/08/20 26/08/21	26/08/19 26/08/20	26/08/18 26/08/19	26/08/17 26/08/18
EUR Government	1.91	0.45	7.5	-	-	-	-3.0	-12.5	-14.2	0.8	-0.1	10.7	0.3
Germany	1.16	0.47	7.6	-	-	-	-3.2	-11.0	-12.3	0.0	-2.2	8.0	1.0
EUR Corporate	3.02	0.55	4.8	90	-8	67	-2.4	-10.9	-12.2	2.7	-0.7	6.3	0.3
Financial	3.10	0.59	4.0	103	-7	71	-2.1	-9.4	-10.4	2.3	-0.3	5.8	0.1
Non-Financial	2.97	0.52	5.2	82	-10	67	-2.5	-11.8	-13.2	2.9	-0.9	6.6	0.4
EUR High Yield	6.58	0.05	3.4	405	-55	76	0.6	-10.9	-11.2	8.8	0.1	5.0	1.3
US Treasury	3.30	0.29	6.5	-	-	-	-1.5	-9.7	-10.3	-2.6	7.6	10.2	-1.2
USD Corporate	4.71	0.16	7.2	158	-16	79	-0.6	-13.0	-13.4	2.3	7.9	12.6	-0.5
Financial	4.72	0.17	5.4	152	-20	81	-0.3	-10.6	-11.3	2.1	7.8	11.2	-0.6
Non-Financial	4.70	0.15	8.1	160	-15	78	-0.7	-14.0	-14.4	2.3	7.9	13.1	-0.5
USD High Yield	8.05	-0.07	4.5	426	-41	66	1.0	-9.5	-8.5	10.0	4.0	6.2	3.6
EM High Grade	5.05	0.11	5.5	178	-25	46	0.3	-12.8	-13.4	2.7	4.9	10.8	-0.5
EM High Yield	10.46	-0.89	4.1	587	-99	63	3.9	-16.6	-20.8	7.6	7.3	9.9	-2.1

- While spreads are lower than four weeks ago, yields on safe government bonds have risen significantly. Inflation concerns thus seem to dominate recession concerns once again.
- The bulk of the bond segments, and government bonds in particular, have thus lost performance.

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 : 26/08/2017 - 26/08/2022



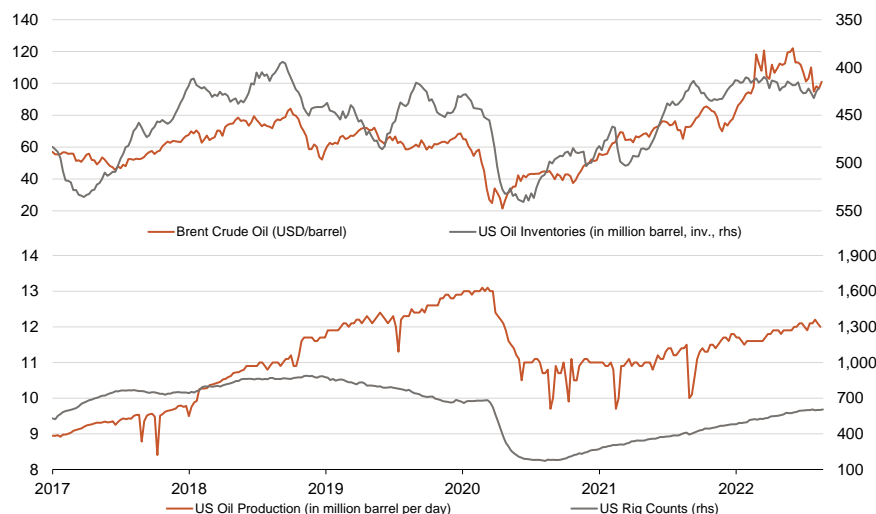
Commodities Performance



- Commodities showed a mixed performance over the last four weeks.
- Winners were zinc, natural gas, gas oil, copper, tin, palladium, aluminium and gold against the euro.
- Lead, crude oil, gold against the US dollar, platinum, silver and nickel suffered losses.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2021 - 26/08/2022

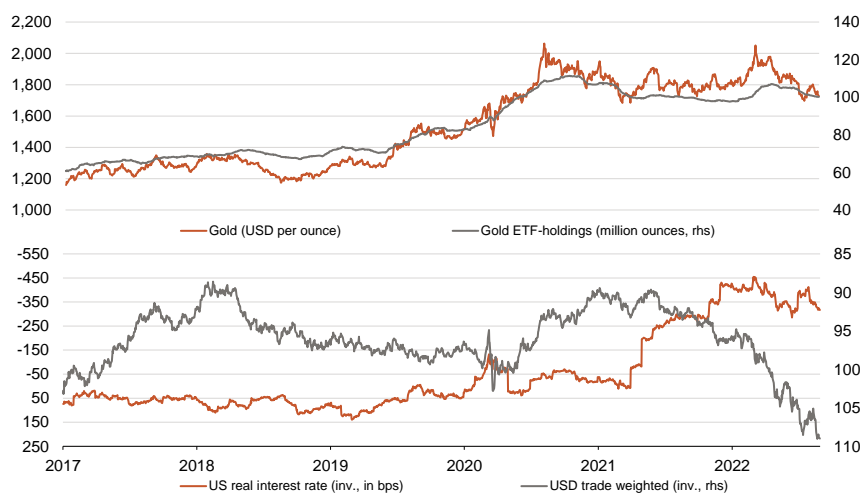
Crude Oil



- Crude oil has been able to gain ground over the last four weeks. While the oil price initially suffered from fears of recession despite the continuing tight supply situation, it was recently fuelled by the statements of OPEC member Saudi Arabia. The latter mentioned possible artificial production cuts, which is likely to further exacerbate the supply situation.

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 - 26/08/2022

Gold



- Gold moved sideways over the last four weeks.
- The rising real interest rate and the stronger dollar were offset by increased geopolitical risks.

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 - 26/08/2022

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