Current market commentary

The combination of positive inflation surprises and restrictive central banks continues to cause high volatility in financial markets. The S&P 500 has recently moved towards previous June lows, but unlike the Stoxx 600 it has not fallen below them. At the same time, bond yields have risen significantly, especially at the short end, so yield curves have flattened further – a sign that market participants increasingly expect a recession. Fed fund futures are now pricing in a key interest rate of 4.6% for March 2023 – two interest rate hikes more than a fortnight ago. Accordingly, it is becoming increasingly difficult for the Fed to surprise hawkishly. At the same time, investor sentiment and positioning is extremely low. In our view, opportunities are increasingly present. Investors with a defensive positioning should consider whether it is time for a more balanced positioning – both in equities and bonds. We have taken a step in this direction.

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

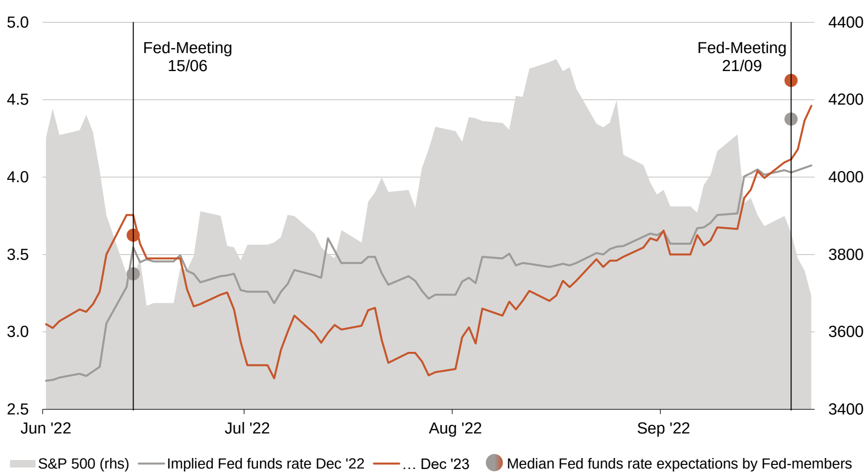
Short-term outlook

After the last two weeks were dominated by global interest rate policies, the next two weeks will be more calm on the central bank front. Politically, things are likely to get interesting next week after yesterday's Italian parliamentary elections and in the following week during the Chinese bank holidays week (Golden Week). In times of energy shortages, OPEC+ will decide on 5 October on further production levels. On Monday, the economic focus will be on the ifo Business Climate (Sep.) for Germany and ECB President Lagarde's hearing before the EU Parliament. On Tuesday, the US will release preliminary durable goods orders (Aug.), consumer confidence (Sep.) and new home sales (Aug.). On Thursday, market will eagerly await initial jobless claims and final quarterly US GDP. On Friday, the focus will be on eurozone labour market data (Aug.) and PMI data (Sep.) for China.

Italian parliamentary elections, Golden Week and OPEC+ in focus.

Economic and labour market data should shed light on recession risk.

US central bank surprises hawkishly and puts markets under pressure



- Economic data is more robust than expected and inflation remains stubborn. Accordingly, the market has sharply raised its interest rate expectations in recent weeks and now even expects key interest rates to rise for the full year '23.
- Fed members raised their forecasts by 1% compared to the June meeting. This time, they exceeded expectations and put further pressure on markets. Further negative surprises have thus become more difficult. This is positive for markets.

Source: Bloomberg, Time period: 01/06/2022 - 23/09/2022

Multi Asset

	4-week & YTD: 4W (26/08/22 - 23/09/22)	4-week & YTD: YTD (31/12/21 - 23/09/22)	12-month periods over that last 5 years: 23/09/21 23/09/22	23/09/20 23/09/21	23/09/19 23/09/20	23/09/18 23/09/19	22/09/17 23/09/18
USDEUR	2.9	17.4	21.2	-0.7	-5.7	6.9	1.7
Euro overnight deposit	0.0	-0.3	-0.5	-0.6	-0.5	-0.4	-0.4
Gold	-2.7	5.4	14.2	-7.1	15.4	35.6	-6.0
EUR Sovereign Debt	-3.2	-10.4	-11.2	-0.2	0.1	5.5	-0.2
EUR Coporates	-3.7	-14.3	-15.1	1.8	0.3	5.9	0.2
MSCI Frontier Markets	-3.9	-9.5	-6.1	29.2	-7.2	11.8	-4.9
Global Convertibles	-4.8	-9.8	-12.2	31.2	18.0	5.4	7.2
Industrial Metals	-5.5	0.1	7.7	43.1	-6.5	4.9	0.6
MSCI World	-6.8	-10.4	-3.5	35.9	0.5	8.7	14.3
MSCI Emerging Markets	-7.3	-11.7	-11.4	19.9	2.1	5.9	-0.7
REITs	-9.8	-15.2	-4.4	33.7	-21.6	23.4	3.4
Brent	-10.8	55.2	69.0	86.8	-41.7	-7.6	50.7

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.

- USD strength has recently resumed, driven by a stubbornly high US inflation rate and restrictive US monetary policy.
- Gold managed to limit its losses following Russia's announcement of a partial mobilisation.
- REITs were among the relative losers. High interest rate sensitivity and recession concerns added pressure.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/09/2017 – 23/09/2022

Equities

	4-week & YTD: 4W (26/08/22 - 23/09/22)	4-week & YTD: YTD (31/12/21 - 23/09/22)	12-month periods over that last 5 years: 23/09/21 23/09/22	23/09/20 23/09/21	23/09/19 23/09/20	23/09/18 23/09/19	22/09/17 23/09/18
MSCI Japan	-4.7	-9.4	-11.3	22.0	-0.2	4.1	12.1
DAX	-5.3	-22.7	-21.5	23.7	2.4	-0.7	-1.3
S&P 500	-6.3	-8.0	2.0	38.8	3.7	11.4	21.4
Euro Stoxx 50	-7.0	-20.3	-18.1	34.3	-8.2	6.0	-0.6
Stoxx Europe 50	-7.5	-10.5	-4.2	25.8	-7.0	8.6	1.4
MSCI EM Asia	-7.8	-13.4	-12.9	15.6	12.2	3.4	1.7
Stoxx Europe Cyclicals	-8.1	-23.4	-20.8	43.6	-6.5	-3.2	1.9
MSCI USA Small Caps	-8.5	-9.3	-5.5	56.5	-11.0	2.2	21.1
MSCI EM Eastern Europe	-8.5	-84.0	-84.7	52.3	-23.3	23.4	6.0
Stoxx Europe Defensives	-9.1	-7.2	-2.2	20.2	-6.0	10.7	4.6
MSCI UK	-9.6	-5.3	1.9	33.0	-21.1	3.6	4.8
Stoxx Europe Small 200	-11.0	-31.0	-31.1	43.1	-1.3	0.5	5.9

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.

- The looming recession and higher interest rates unsettled the equity markets, which fell across the board.
- The DAX and Japanese equities still held up best in comparison. In contrast, UK equities and European small caps suffered particularly.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/09/2017 – 23/09/2022

Fixed Income

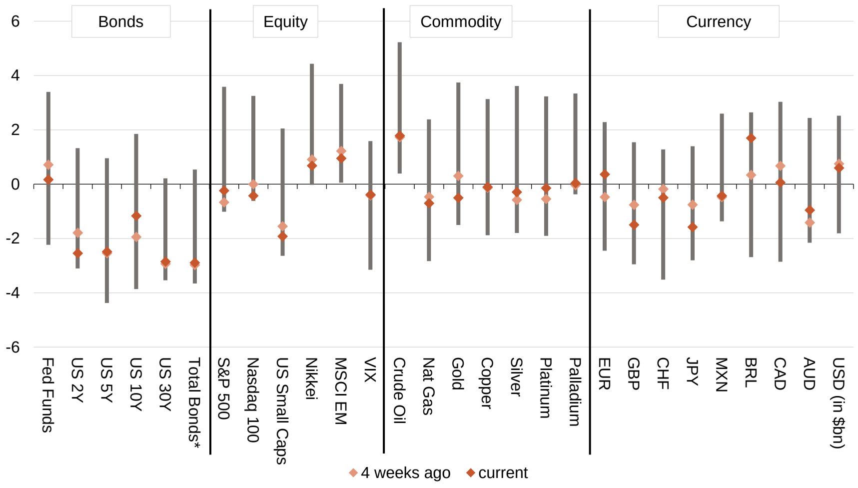
	4-week & YTD: 4W (26/08/22 - 23/09/22)	4-week & YTD: YTD (31/12/21 - 23/09/22)	12-month periods over that last 5 years: 23/09/21 23/09/22	23/09/20 23/09/21	23/09/19 23/09/20	23/09/18 23/09/19	22/09/17 23/09/18
Chinese Gov Bond	0.3	3.7	5.1	5.4	2.9	7.1	4.3
Treasuries	-0.3	2.6	5.5	-3.3	2.1	18.0	-0.3
EM Local Currency Bonds	-0.9	-3.0	-4.0	3.6	-7.6	19.6	-8.1
EM Hard Currency Bonds	-1.8	-8.0	-6.8	5.2	-5.1	20.9	-1.0
EUR High Yield	-3.1	-13.6	-14.2	9.1	-0.4	5.2	1.1
EUR Financials	-3.6	-13.5	-14.3	2.0	0.3	5.5	0.0
BTPs	-3.7	-15.8	-17.8	2.0	2.1	15.4	-1.6
EUR Non-Financials	-3.7	-14.9	-15.6	1.6	0.3	6.2	0.2
Bunds	-4.2	-14.7	-14.8	-1.9	-0.9	8.2	0.8
USD High Yield	-4.3	-13.5	-13.2	12.1	1.7	6.9	3.1
USD Corporates	-4.4	-16.8	-17.5	2.4	8.5	13.0	-1.3
Gilts	-15.2	-30.9	-29.5	1.8	0.1	15.6	-0.7

Bunds: IBOXX Euro Germany Sov TR ; BTPs: IBOXX Euro Italy Sov TR ; Treasuries: ICE BofA US Treasury TR;
Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: IBOXX Euro Fin. Overall TR;
EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE BofA EUR Liquid HY TR; USD Corporates: ICE BofA USD Corp TR;
USD High Yield: ICE BofA USD Liquid HY TR; EM Hard Currency: JPM EMBI Glo Div Unh. EUR TR; EM Local Currency: JPM GBI-EM Glo Div Comp Unh. EUR TR

- The expectation and then confirmation of the Fed's continued hawkish interest rate policy at the September meeting weighed on global bond markets. Only Chinese government bonds gained. As expected by markets, the Fed raised its key interest rate by another 75 basis points (bps). The BoE then also followed suit with a hike of 50 bps.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/09/2017 – 23/09/2022

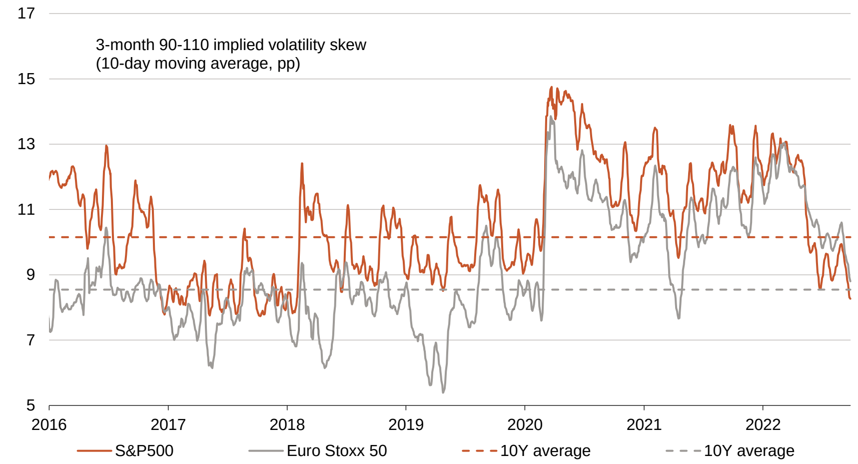
Non-Commercial Positioning



- Hedge funds have significantly increased their short positions in 2-year US Treasuries over the past month in anticipation of further Fed tightening.
- In equities, they remain cautiously positioned across the board.

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: 20/09/2012 - 20/09/2022

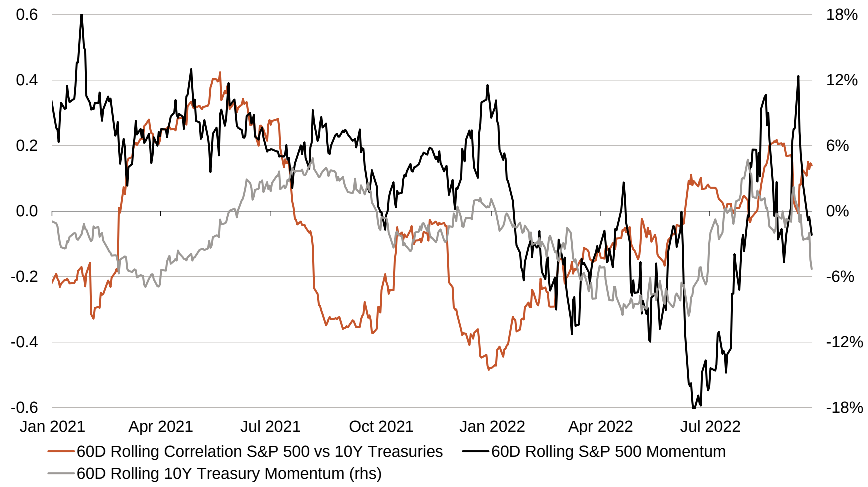
Put-Call-Skew



- The skew has continued to fall in recent weeks in both Europe and the US.
- Normally, a flat skew would indicate careless investors, but the unusual combination of falling markets, increased volatility and a flat skew suggests limited downside potential.

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: 23/09/2012 - 23/09/2022

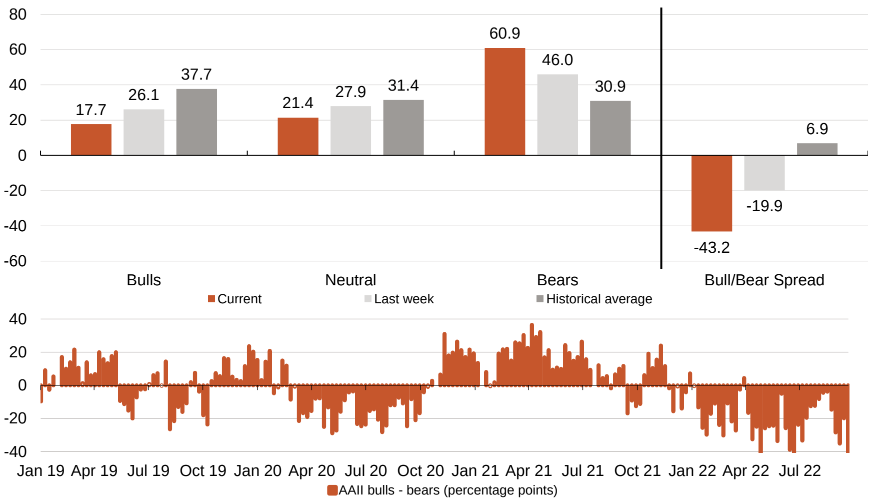
60-Day Momentum and Correlation



- US government bonds and US equities have fallen in unison in recent weeks. This means that the momentum of both asset classes is now negative again, while the correlation is positive.

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 - 23/09/2022

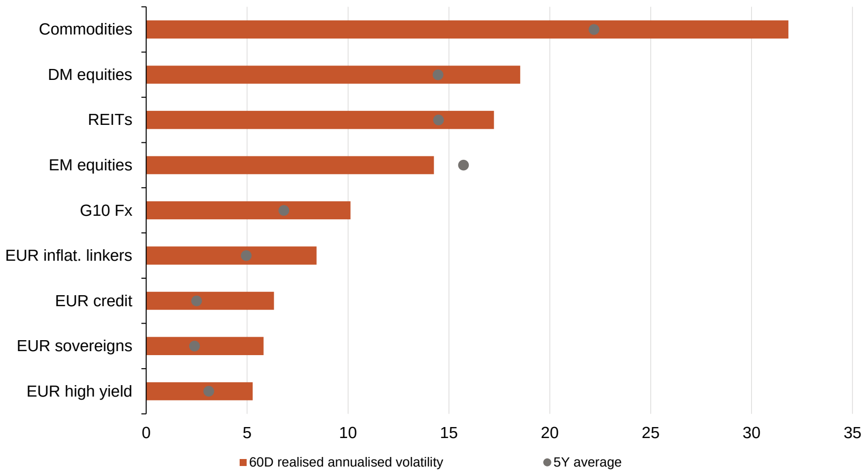
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment of US private investors has reached a new low. Since record-keeping began in 1987, there have only been 3 weeks in which the bull/bear spread was lower than -43 ppts. In the following 12 months, the S&P 500 rose by more than 20% in all three cases.

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 – 22/09/2022

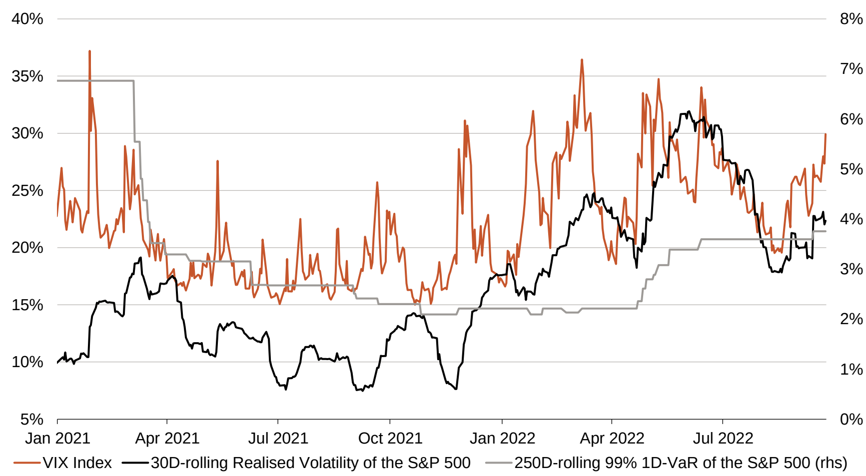
Realised Volatilities



- Realised volatility remains above average for most asset classes.
- Only emerging market equities show surprisingly low volatility. This is probably not least due to the robust performance of Latin American equities.

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: 23/09/2017 - 23/09/2022

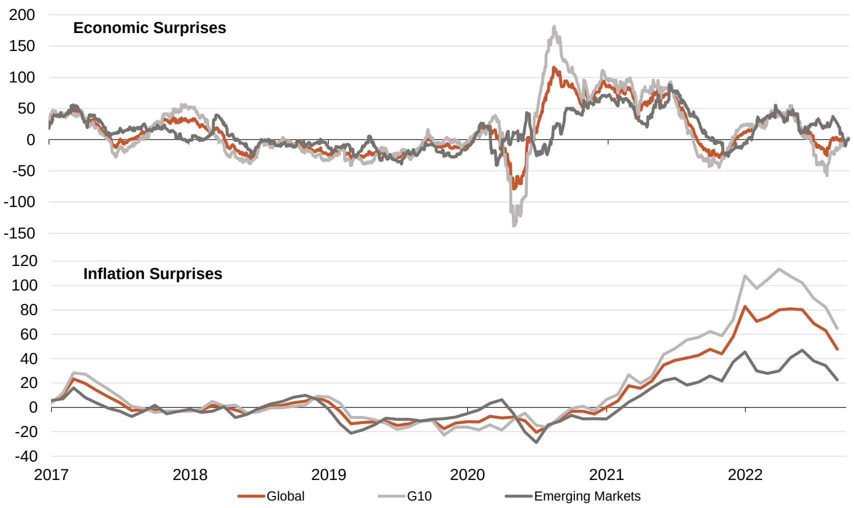
Volatility and Value-at-Risk of the S&P 500



- Realised and implied volatility over the last and next 30 days, respectively, have risen in unison in recent weeks. Given daily returns in the S&P 500 of -4% in some cases, implied volatility has remained unusually low. A vol-shock has so far failed to materialise in this bear market.

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 – 23/09/2022

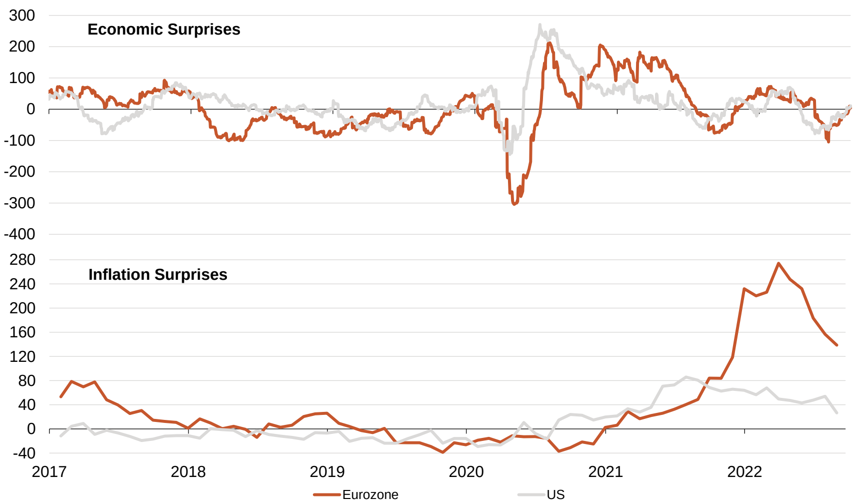
Global



- The trend of negative economic surprises seems to be over, at least temporarily. At a global level, positive economic surprises prevailed again in both industrialised nations and emerging markets. The market punished this because it means further restrictive interest rate policy leeway for the central banks.
- The positive inflation surprises, on the other hand, continued to decline.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 23/09/2022

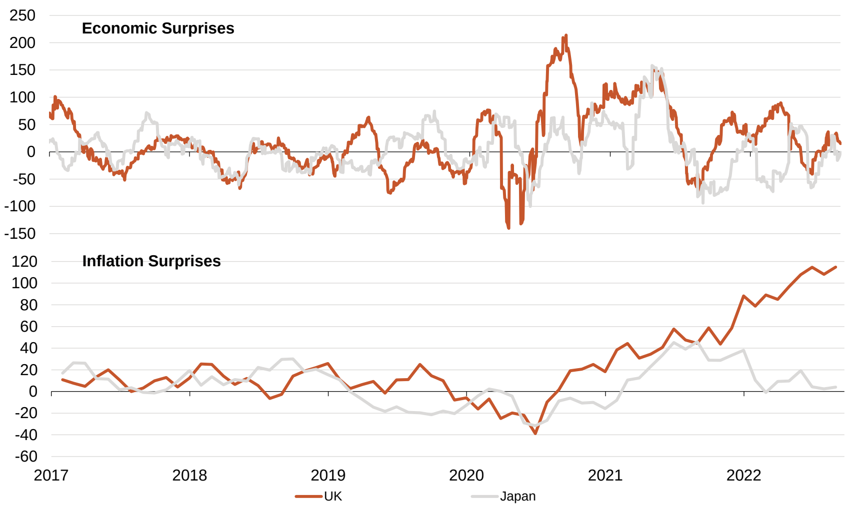
Eurozone and US



- US economic surprises entered positive territory in mid-September for the first time since late May. Labour market data and PMI purchasing managers' data surprised on the upside, while monthly inflation change and industrial production data disappointed.
- The picture was mirrored in the eurozone. Here, the annual inflation change and the monthly overall PMI change met expectations, while industrial production and consumer confidence disappointed.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 23/09/2022

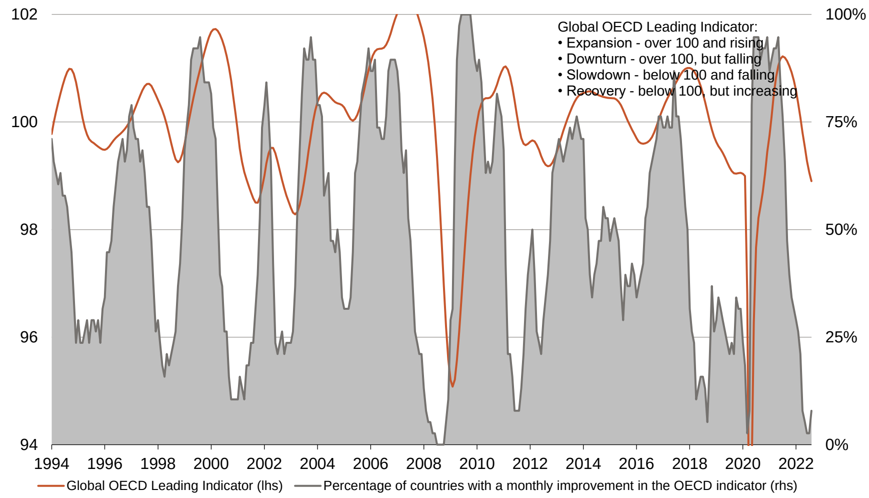
UK and Japan



- There were hardly any surprises in the aggregate economic data for Japan and the UK recently.
- In the UK, inflation data continued to exceed expectations.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.
Source: Bloomberg, period: 01/01/2017 - 23/09/2022

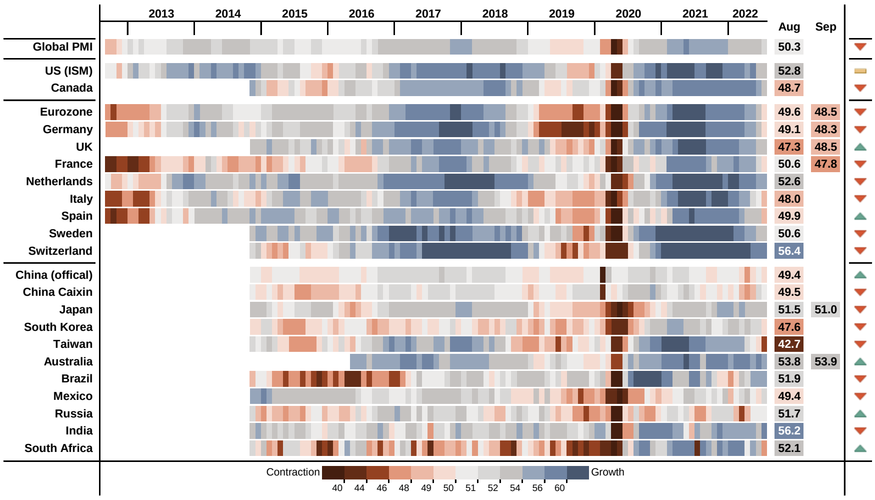
OECD Leading Indicator



- The OECD leading indicator – already below the important core mark of 100 for several weeks and falling further – points to an economic slowdown.
- At a country level, the picture improved slightly. 8% of countries improved in August 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 - 23/09/2022

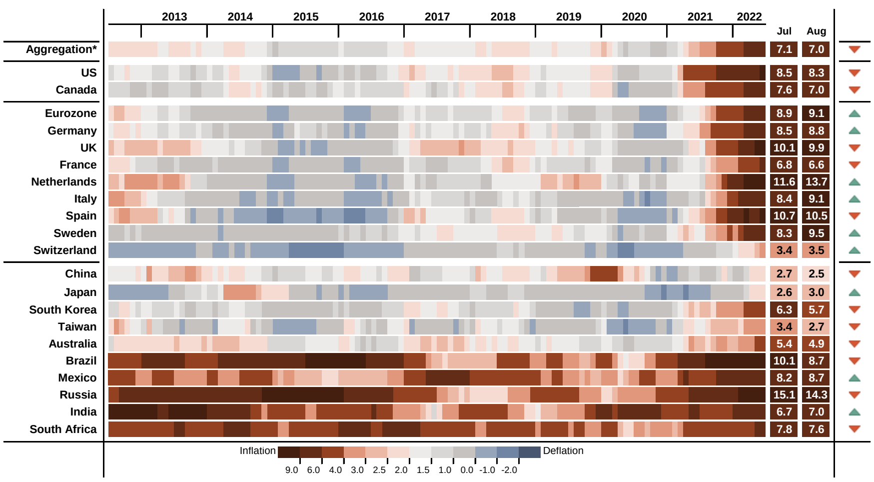
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- Preliminary Purchasing Managers' Index (PMI) data for the Eurozone are increasingly showing declining activity in manufacturing. In the Eurozone, PMI data fell further below the 50 mark and to its lowest level since the outbreak of COVID-19. The industrial index also fell in Germany and France.

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: 23/09/2012 - 23/09/2022

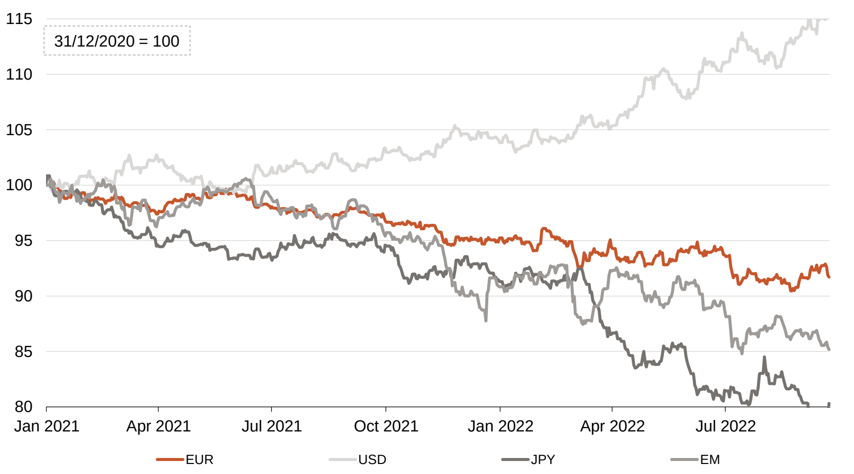
Headline Inflation



- Even though global aggregate inflation fell slightly in August, the inflation picture is mixed from a regional perspective. In the US, UK, France, Spain and China, the inflation rate fell. In contrast, it rose in Germany, the Netherlands, Italy, Japan and India. In the Eurozone, it has even reached the highest value since the introduction of the euro in 1999.

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: 23/09/2011 - 23/09/2022

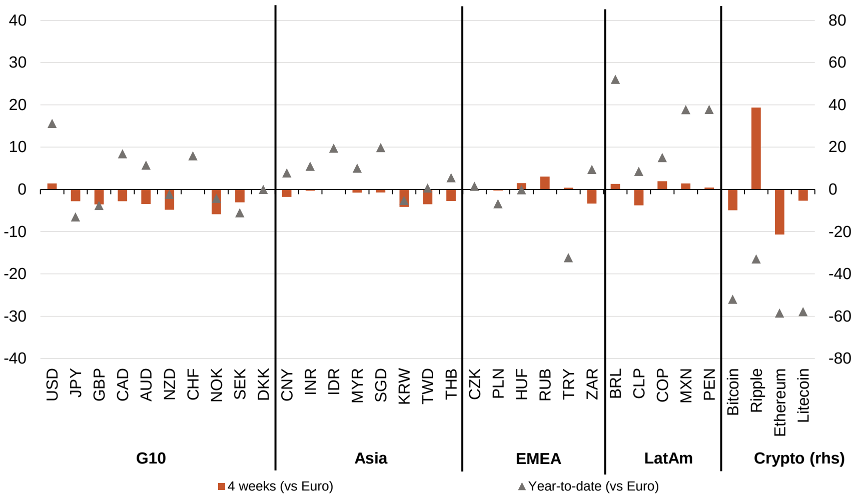
Trade-Weighted Currency Development



- The strength of the dollar has continued relentlessly in recent weeks.
- The Japanese yen and emerging market currencies in particular have recently suffered.
- The euro, on the other hand, even gained slightly in trade-weighted terms thanks to a restrictive ECB.

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 - 23/09/2022

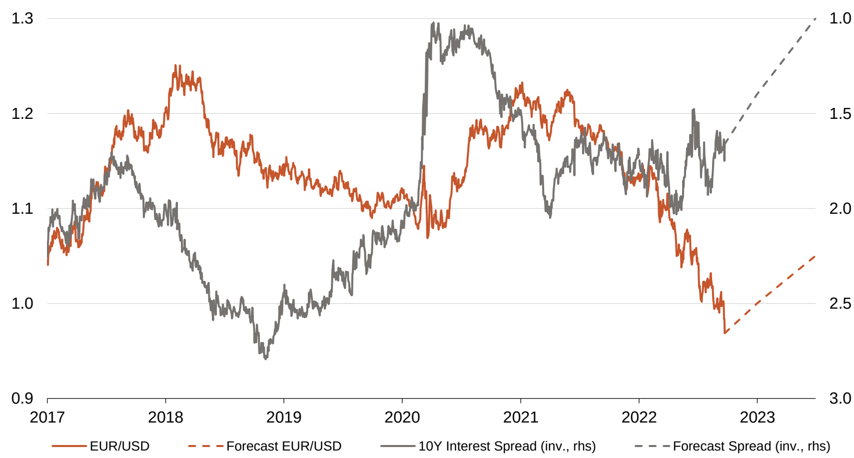
Currency Moves vs Euro



- Over the past month, currency markets have presented an unusual picture. The euro gained against many of the currencies shown here. Support came from Christine Lagarde and Isabel Schnabel, both of whom confirmed the ECB's hawkish stance.
- The pound suffered heavy losses with the announcement of Prime Minister Truss' expansive fiscal plans.
- The long-awaited "merge" of Ethereum could not provide any tailwind for the cryptocurrency.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2021 - 23/09/2022

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



- The US dollar remains very strong and continues to trade significantly below parity against the euro.
- Although the ECB is currently in "front-loading" mode, it has not yet been able to overtake the Fed as the most restrictive central bank.

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 (26/08/22 - 23/09/22)	4-week & YTD: YTD (31/12/21 - 23/09/22)	23/09/21 23/09/22	23/09/20 23/09/21	23/09/19 23/09/20	23/09/18 23/09/19	22/09/17 23/09/18
Finance	-2.0	-12.1	-6.0	50.0	-26.1	-5.5	-3.8
Communication Services	-6.5	-9.1	-1.4	13.1	-5.3	16.5	1.3
Value	-6.5	-10.3	-5.0	33.4	-19.9	0.0	0.6
Utilities	-8.1	-11.6	-5.0	13.8	4.6	23.9	-1.1
Health Care	-8.7	-11.5	-5.6	13.3	10.0	15.9	1.6
Telecommunications	-8.7	-11.4	-12.2	26.8	-23.0	8.1	-10.7
Consumer Discretionary	-9.2	-26.0	-22.9	41.9	-3.5	3.7	2.6
Materials	-9.5	-19.5	-14.0	32.1	5.8	-2.6	9.1
Growth	-9.9	-23.5	-20.2	31.0	5.7	9.2	5.4
Industrials	-10.5	-27.5	-24.9	42.2	0.1	3.4	4.7
Information Technology	-11.9	-34.4	-36.1	52.2	15.6	6.0	12.7
Energy	-12.0	19.9	29.2	53.4	-45.9	-4.4	22.9

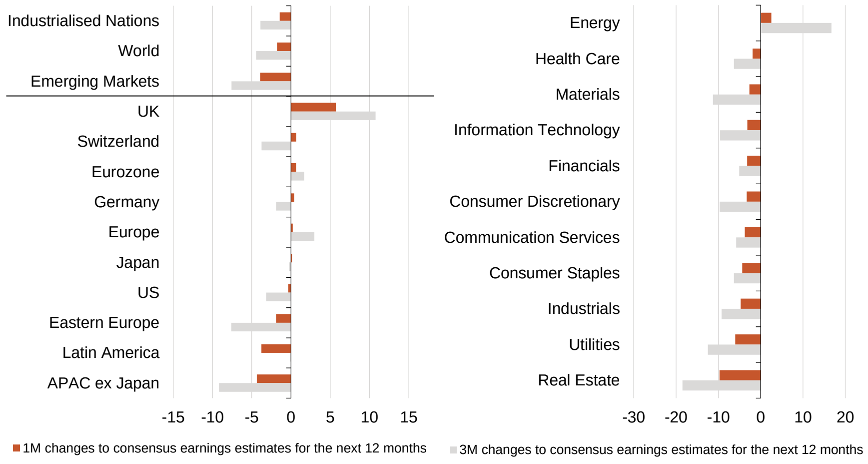
(12-month periods over that last 5 years)

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.

- Over the last four weeks, all European sectors lost value. However, the financial sector held up relatively well with a loss of 2%.
- Energy and tech companies fell by around 12% in the aggregate.
- Overall, the value style continued to outperform growth stocks – by more than 13 pp since the beginning of the year.

Total return of European equity sectors and European style indies, in euros and in percent, sorted by 4-week performance. The difference between Value and Growth lies in the valuation. A growth stock is highly valued because the company is expected to grow strongly. Value stocks usually have less growth potential and are valued lower.
Source: Factset, Time period: 22/09/2017 – 23/09/2022

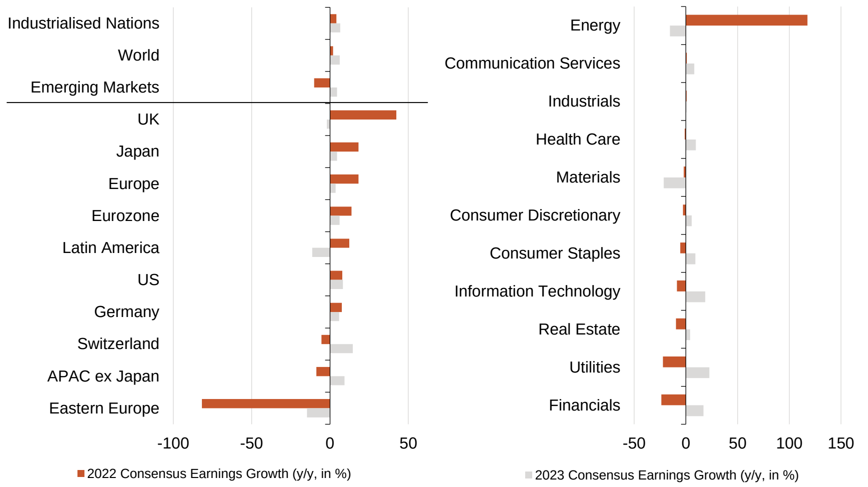
Changes in Consensus Earnings Estimates



- Negative earnings revisions continued over the last four weeks. Especially in emerging markets, earnings estimates were revised downwards. Asian countries in particular were negatively revised. Only the UK, Switzerland, Germany and the Eurozone saw positive earnings revisions.
- At the sector level, only energy stocks saw 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 23/09/2022

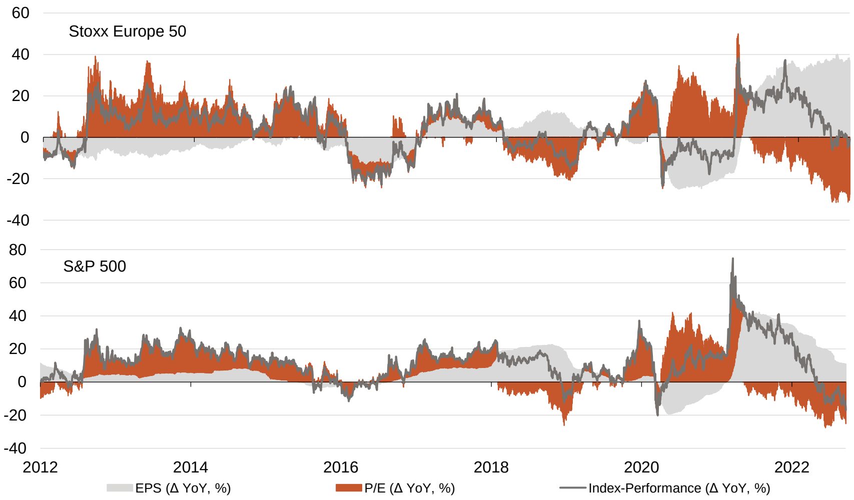
Earnings Growth



- Both in the industrialised nations and at the global level, earnings growth expectations for this year are below 5%. In the emerging markets, analysts expect clearly negative earnings growth. Asia and Eastern Europe are the main negative factors.
- For 2023, the analysts expect significantly lower profit growth for Europe and the US and even negative profit growth for Latin America.

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 23/09/2022

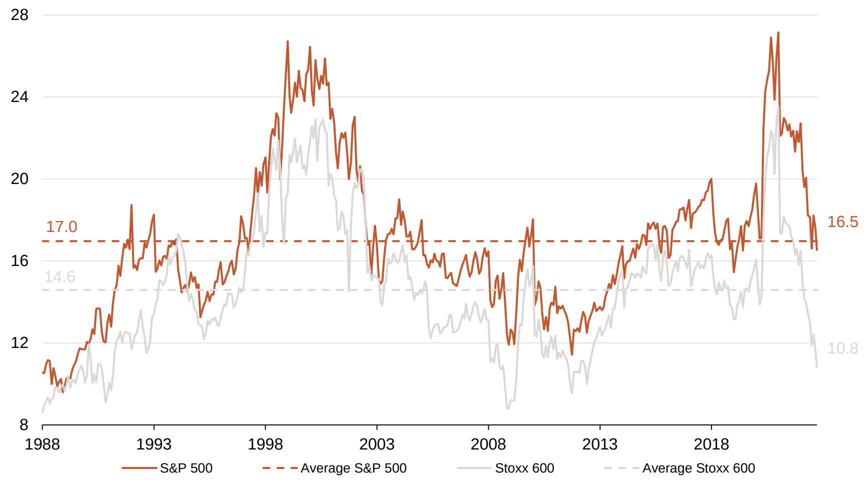
Contribution Analysis



- The S&P 500 has not been able to count on a profit tailwind over the last few weeks. Moreover, the pressure on valuations continues. The price-earnings ratio has fallen by 20% compared to the previous year.
- The Stoxx Europe 50 also experienced a valuation correction. However, earnings growth remained stable.

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 - 23/09/2022

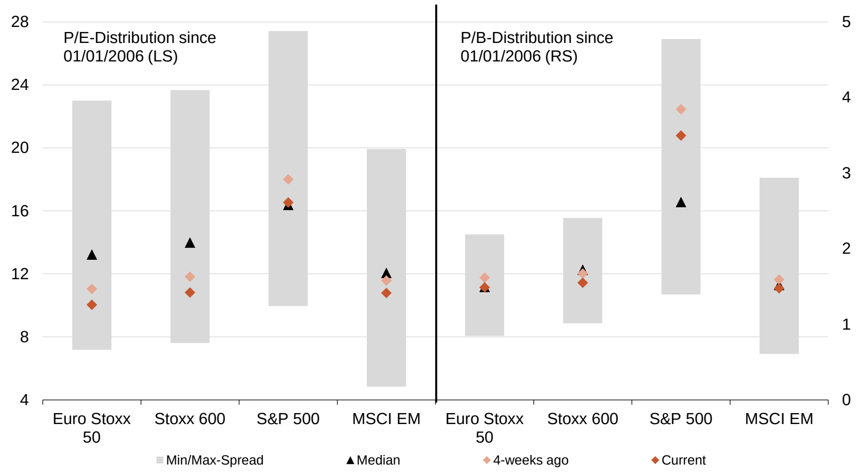
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Valuation pressure continues in Europe and the US. Rising interest rates have caused valuation ratios to fall significantly.
- The P/E ratio of the S&P 500 at 16.5 is now below its historical average of 17.
- The P/E ratio of the Stoxx 600 has been below its historical average for several weeks. With a value of 11.4, it is thus historically very inexpensively 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 - 23/09/2022

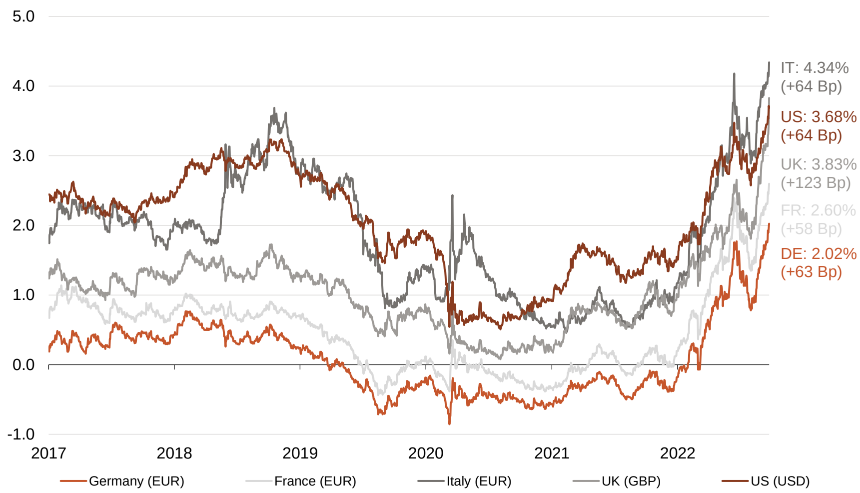
Historical Distribution: Price/Earnings and Price/Book Ratio



- Valuation levels fell across all segments compared to four weeks ago. The largest adjustment was in the S&P 500, which continued to move towards its historical median. It is thus significantly less expensive in historical terms. European equities also saw a downward valuation adjustment. The P/B ratio is now close to its median since 2006.

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 - 23/09/2022

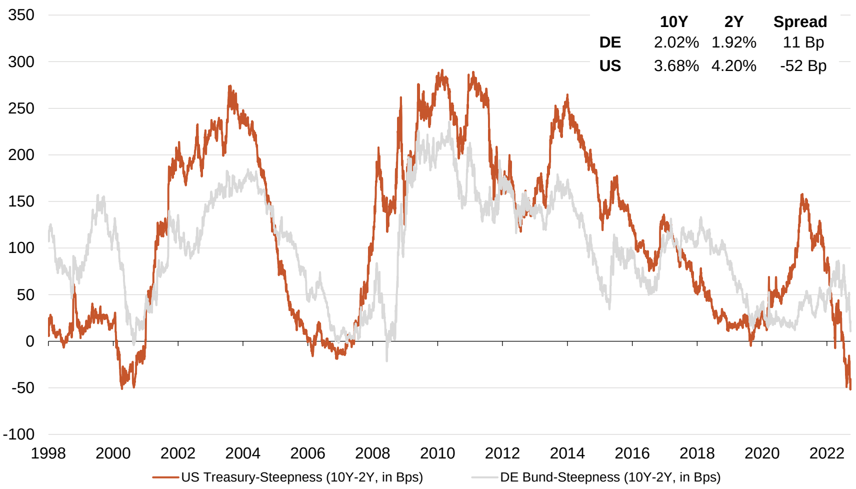
10-Year Government Bond Yields



- The rise in interest rates since the beginning of August has continued unabated in recent weeks.
- US government bonds are now trading at 3.7%, their highest level since 2010. The rise in interest rates was primarily driven by real interest rates, which also weighed heavily on growth stocks.
- Bunds have just broken through the 2% mark.

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 - 23/09/2022

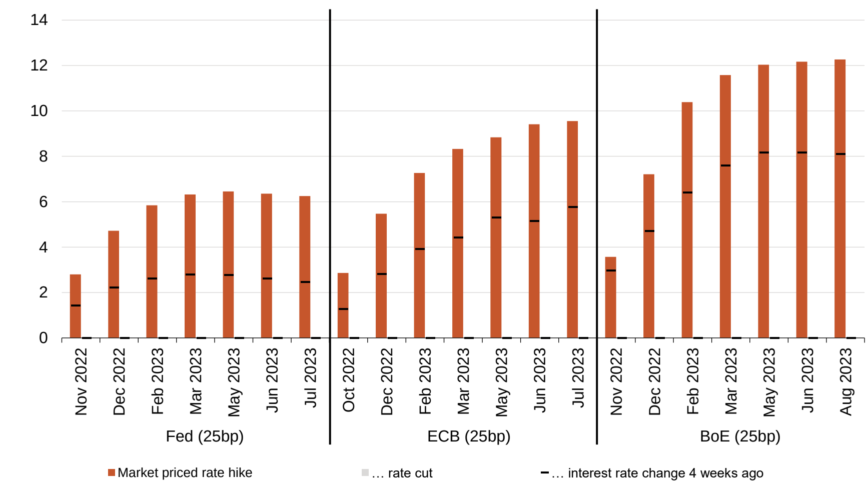
Yield Curve Steepness (10Y - 2Y)



- The interest rate differential between 2Y and 10Y German government bonds has fallen sharply in recent weeks, following the example of the US curve. However, the latter has already inverted and is currently trading at -52bp.
- In Germany, the 30Y-5Y curve recently inverted for the first time since the global financial crisis. Bond markets are therefore certain: recession is coming!

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 - 23/09/2022

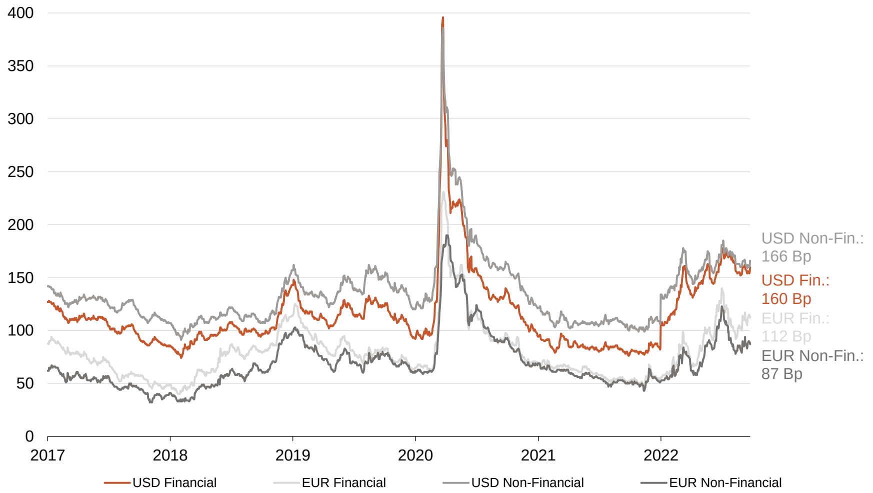
Implicit Changes in Key Interest Rates



- After the ECB meeting, the number of expected interest rate hikes has risen sharply. For the remaining two meetings this year, market participants expect further hikes of 75 bp each to be the most likely outcome.
- While the Fed's pivot is already being priced for the beginning of Q2 next year, market expectations are that it will follow later for the ECB and the BoE.

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: 26/08/2022 - 23/09/2022

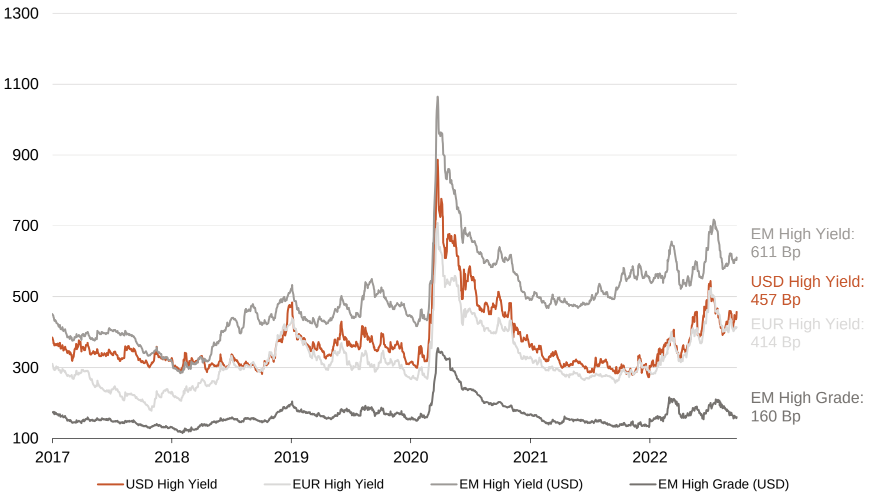
Credit Spreads Financial and Non-Financial Bonds



- Risk premiums on corporate bonds are almost unchanged compared to a fortnight ago.
- Although high inflation and the likely resulting fall in consumption later are weighing on companies, balance sheets appear healthy and cash holdings are high enough that major defaults are not yet expected.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2017 - 23/09/2022

Credit Spreads High Yield and Emerging Markets Bonds



- Risk premiums for high-yield bonds have only increased noticeably in the US.
- For emerging market bonds with investment grade ratings, risk premiums have even fallen slightly.

How high the risk associated with the corporate bond is is shown by its asset swap spread (in bp). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term as compensation for its credit risk. See further explanation below.
Source: FactSet, Time period: 01/01/2017 - 23/09/2022

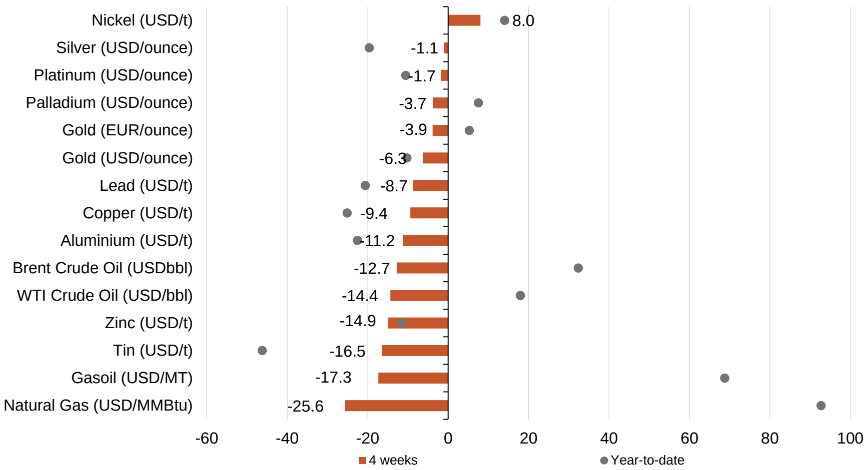
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	23/09/21 23/09/22	23/09/20 23/09/21	23/09/19 23/09/20	23/09/18 23/09/19	23/09/17 23/09/18
EUR Government	2.63	0.80	7.3	-	-	-	-4.5	-15.9	-16.8	-1.1	0.6	11.1	0.6
Germany	1.90	0.83	7.4	-	-	-	-4.7	-14.7	-14.8	-2.0	-0.9	8.1	0.7
EUR Corporate	3.93	0.98	4.6	96	3	76	-3.9	-14.2	-14.9	1.8	0.3	5.9	0.2
Financial	4.05	1.05	3.9	112	8	82	-3.8	-12.5	-13.1	1.7	0.4	5.3	0.2
Non-Financial	3.85	0.93	5.0	87	1	75	-3.9	-15.1	-15.9	1.8	0.2	6.3	0.3
EUR High Yield	7.64	1.03	3.3	414	-3	80	-2.8	-13.6	-14.2	9.1	-0.4	5.2	1.1
US Treasury	4.03	0.75	6.4	-	-	-	-3.3	-12.8	-13.3	-2.8	8.6	10.6	-2.0
USD Corporate	5.46	0.74	6.9	164	4	84	-4.1	-16.8	-17.5	2.4	8.5	13.0	-1.3
Financial	5.52	0.80	5.2	160	5	88	-3.4	-13.9	-14.6	2.2	8.2	11.4	-1.1
Non-Financial	5.43	0.71	7.8	166	4	83	-4.4	-18.0	-18.7	2.5	8.6	13.7	-1.4
USD High Yield	9.21	1.16	4.4	457	27	75	-4.3	-13.5	-13.2	12.1	1.7	6.9	3.1
EM High Grade	5.59	0.52	5.3	160	-22	30	-2.7	-15.4	-16.1	2.9	4.6	11.4	-1.1
EM High Yield	11.83	1.32	3.9	611	17	73	-2.8	-19.5	-22.9	7.2	5.8	9.6	-2.1

- The performance of all bond segments has been clearly negative over the last month. This means that all segments have now posted double-digit losses since the beginning of the year.
- Thanks to the sharp rise in interest rates, however, many segments are once again offering decent return opportunities looking into the future.

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 : 23/09/2017 - 23/09/2022

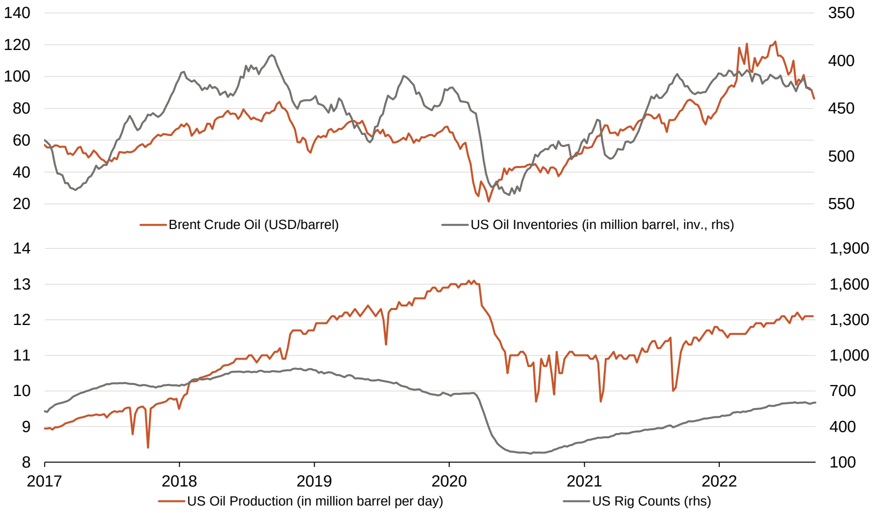
Commodities Performance



- The commodities sector has hardly been able to perform well over the last four weeks. Only nickel was able to make gains.
- Gold suffered slight losses. The precious metals silver, platinum and palladium also suffered.
- Zinc, tin, gasoil and especially natural gas brought up the rear over the last four weeks.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period:31/12/2021 – 23/09/2022

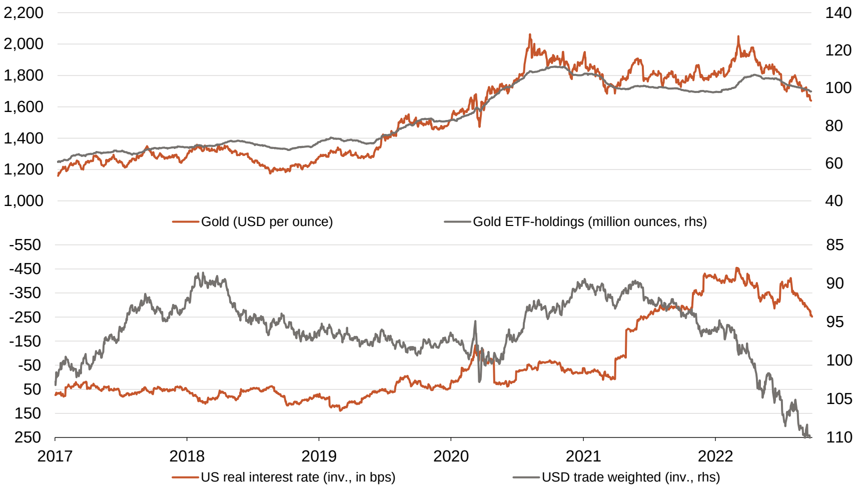
Crude Oil



- The oil market has now fallen for the fourth week in a row after a series of interest rate hikes around the world darkened the outlook for energy demand. Signs of a slowdown are mounting. US gasoline and diesel demand has slumped to the lowest seasonal levels in more than a decade. According to the EIA, US gasoline demand has even fallen to the lowest level for this time of year since 1997.

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 – 23/09/2022

Gold



- Gold has weakened over the last four weeks and is trading near two-year lows in US dollars. Central banks such as Switzerland, Norway and the UK followed the Fed's lead and announced interest rate hikes to curb inflation. The non-interest bearing metal, usually shows a negative correlation with the US dollar and interest rates and suffered accordingly.

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 – 23/09/2022

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IMPORTANT NOTICES

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