Current market commentary

Equities and bonds have never fallen simultaneously for three consecutive quarters. That has changed this year. The third quarter was the most challenging from a multi-asset perspective because commodity prices also fell. So in contrast to Q1 and Q2, there was no hiding. This was driven by the extremely restrictive central banks and the resulting growing likelihood of a recession. Above all, the Fed's particularly hawkish monetary policy is increasingly leaving its mark on the financial markets in the form of a strong USD. Against this backdrop, there has recently been an accumulation of calls for central banks to pay more attention to financial market stability. However, the Fed is likely to take some time with this – not least in view of the continued solid labour market figures last Friday. We therefore remain neutral on equities, with an underweight in US equities, which remain expensive, are not pricing in a recession and tend to suffer from the strong USD.

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

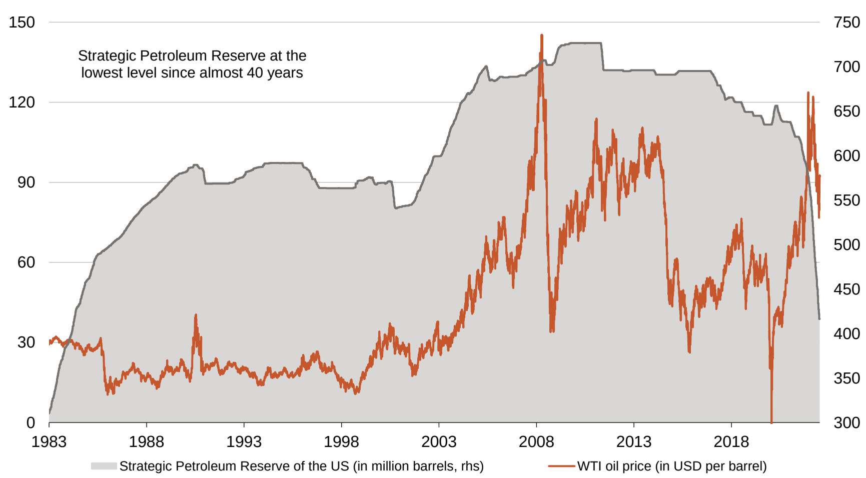
Q3 reporting season and party congress in China should keep markets busy.

With the first earning numbers from the major US banks this week, the Q3 reporting season is gaining significant momentum. More than 65% of companies in the S&P 500 and 30% of companies in the Stoxx 600 by market capitalisation report by the end of October. Markets are eagerly watching for the impact of consumer weakness and inflationary pressures. From 16 to 24 October, the Party Congress will be held in China. Possible news on the handling of Covid-19 is likely to keep markets busy.

Investors focus on US inflation figures.

This Wednesday, industrial production data (Aug.) for the Eurozone and US producer prices (Sep.) will be released. This will be followed on Thursday by the crucial US inflation data (Sep.). US retail sales (Sep.) and consumer confidence (Oct.) as well as China inflation data (Sep.) will be released on Friday. The German ZEW index (Oct.) as well as the US housing market data will be announced the following week.

Supply shortage should support oil price



- The oil price fell significantly in Q3, driven not only by recession concerns but also by the release of strategic oil reserves by the US – at 180 million barrels since the beginning of the year, the largest sale ever. However, as this is now coming to an end and OPEC+ recently decided to reduce its production quotas by 2 million barrels per day, supply is likely to tighten noticeably.
- Consequently, we believe the downside potential for oil in a mild recession is limited. In fact, the oil price is likely to rise over the next few years.

Source: Bloomberg, DOE
Time period: 30/03/1983 - 07/10/2022

Multi Asset

	4-week & YTD: 4W (09/09/22 - 07/10/22)	4-week & YTD: YTD (31/12/21 - 07/10/22)	12-month periods over that last 5 years: 07/10/21 07/10/22	07/10/20 07/10/21	07/10/19 07/10/20	07/10/18 07/10/19	06/10/17 07/10/18
Brent	9.4	77.3	76.7	106.6	-37.6	-22.4	64.6
USDEUR	3.0	16.7	18.6	1.8	-6.7	5.0	1.8
Gold	1.7	8.1	14.4	-5.3	17.9	30.4	-4.0
Euro overnight deposit	0.0	-0.3	-0.4	-0.6	-0.5	-0.4	-0.4
Industrial Metals	-0.1	0.5	7.7	43.7	-5.7	2.6	-2.3
EUR Sovereign Debt	-2.3	-10.9	-11.4	-0.5	0.2	6.5	-1.1
Global Convertibles	-2.6	-7.7	-8.8	26.6	30.1	11.0	7.2
EUR Coporates	-3.2	-15.2	-15.7	1.2	0.5	6.5	-0.4
MSCI Emerging Markets	-4.5	-12.9	-12.8	17.6	6.3	6.8	-5.4
MSCI World	-7.0	-11.6	-4.6	30.7	6.2	7.0	10.8
MSCI Frontier Markets	-7.4	-14.8	-13.4	32.0	-6.6	12.1	-8.8
REITs	-16.2	-22.0	-10.5	24.1	-17.4	27.0	-1.0

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.

- Commodities performed best over the last month, led by crude oil thanks to OPEC+ production cuts.
- The remaining asset classes recorded losses. Equities, bonds and real estate all suffered from the increasingly restrictive tones of central banks and the subsequent rise in interest rates.

Total return for selected asset classes, in euros and in per-cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 07/10/2017 – 07/10/2022

Equities

	4-week & YTD: 4W (09/09/22 - 07/10/22)	4-week & YTD: YTD (31/12/21 - 07/10/22)	12-month periods over that last 5 years: 07/10/21 07/10/22	07/10/20 07/10/21	07/10/19 07/10/20	07/10/18 07/10/19	06/10/17 07/10/18
MSCI Japan	-2.0	-11.2	-9.1	17.5	0.8	1.2	10.0
Stoxx Europe 50	-4.5	-9.3	-2.2	25.1	-5.6	8.2	-1.8
Stoxx Europe Defensives	-4.9	-5.6	0.0	20.4	-5.4	9.1	3.8
Euro Stoxx 50	-5.4	-19.6	-15.5	29.1	-4.8	6.7	-4.7
MSCI UK	-5.8	-4.3	1.8	33.3	-18.2	1.0	3.2
MSCI EM Asia	-6.1	-15.5	-14.8	12.6	17.4	5.9	-5.0
DAX	-6.2	-22.7	-19.5	18.0	6.9	-0.1	-6.5
MSCI USA Small Caps	-6.8	-8.4	-5.9	45.0	0.5	1.1	12.5
Stoxx Europe Cyclicals	-7.7	-23.2	-19.0	36.1	-1.0	-2.0	-3.2
S&P 500	-7.7	-9.8	-0.5	33.1	10.6	9.0	17.5
MSCI EM Eastern Europe	-8.9	-84.7	-86.2	66.0	-22.8	17.2	6.5
Stoxx Europe Small 200	-11.3	-32.0	-29.1	32.2	4.4	2.0	0.8

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.

- Over the last four weeks, all the equity regions and segments shown here posted losses.
- Japanese equities (typically strong exporters), which are benefiting from the weak yen, performed best.
- European small caps, which have also been among the worst performers since the beginning of the year, were the biggest losers.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 07/10/2017 – 07/10/2022

Fixed Income

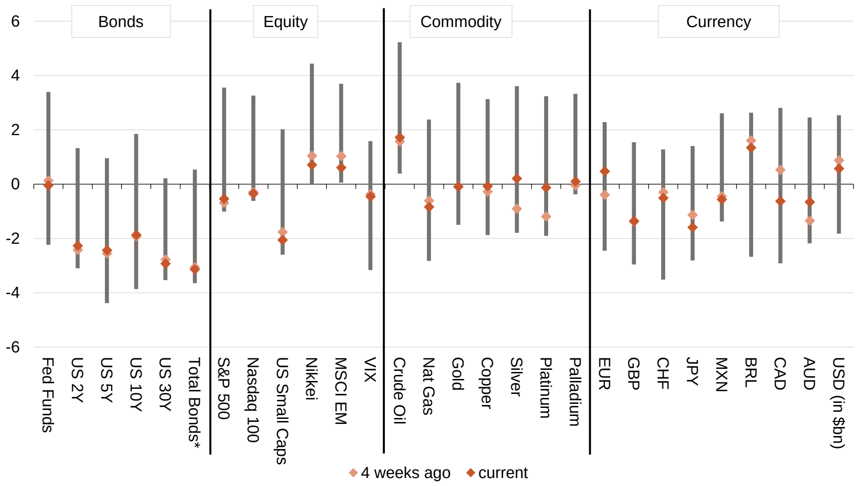
	4-week & YTD: 4W (09/09/22 - 07/10/22)	4-week & YTD: YTD (31/12/21 - 07/10/22)	12-month periods over that last 5 years: 07/10/21 07/10/22	07/10/20 07/10/21	07/10/19 07/10/20	07/10/18 07/10/19	06/10/17 07/10/18
Chinese Gov Bond	-0.4	3.4	4.7	5.7	2.7	6.8	4.4
Treasuries	-0.5	0.6	2.7	-1.2	-0.5	17.6	-0.4
EM Local Currency Bonds	-2.0	-4.8	-5.5	3.6	-8.4	18.6	-6.2
EUR Non-Financials	-3.1	-15.7	-16.2	1.0	0.6	6.8	-0.3
Bunds	-3.2	-15.7	-15.4	-2.5	-0.8	8.7	0.3
EUR Financials	-3.2	-14.5	-15.0	1.5	0.5	6.0	-0.4
BTPs	-3.4	-17.3	-18.6	0.6	2.8	19.5	-5.0
EUR High Yield	-3.4	-14.9	-14.8	7.9	0.8	4.6	0.6
EM Hard Currency Bonds	-3.5	-11.1	-9.7	5.1	-5.2	18.9	-1.3
USD High Yield	-3.8	-13.4	-12.6	10.1	3.7	6.4	2.3
USD Corporates	-4.1	-18.2	-17.8	1.7	7.0	14.8	-2.2
Gilts	-10.4	-32.4	-29.7	0.5	-0.3	14.7	1.6

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

- Losses were also recorded across the board within fixed income segments.
- British government bonds were by far the worst performers. The reason for the sell-off was Prime Minister Truss' expansive fiscal plans presented a fortnight ago. The Bank of England was even forced to intervene in the bond market to stabilise interest rates.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 07/10/2017 – 07/10/2022

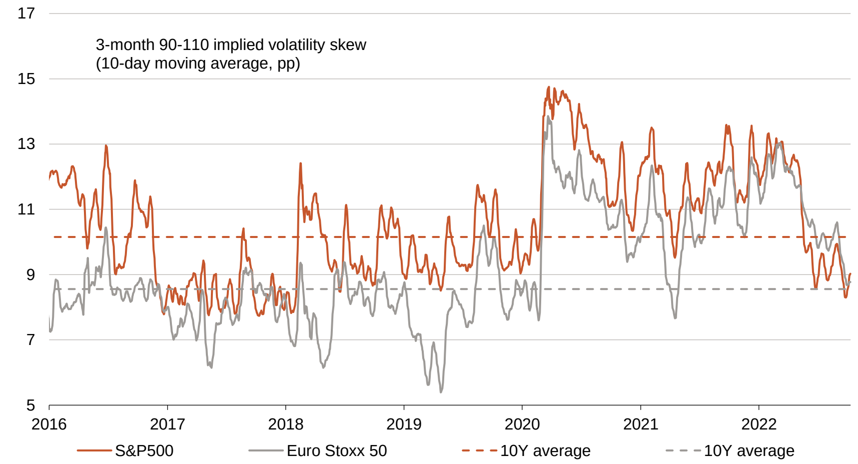
Non-Commercial Positioning



- Silver seems to have experienced a short squeeze at the beginning of October, so that speculative investors are now even slightly long.
- Although there is still no sign of a trend reversal in the euro, hedge funds have started betting on a rising exchange rate.

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: 04/10/2012 - 04/10/2022

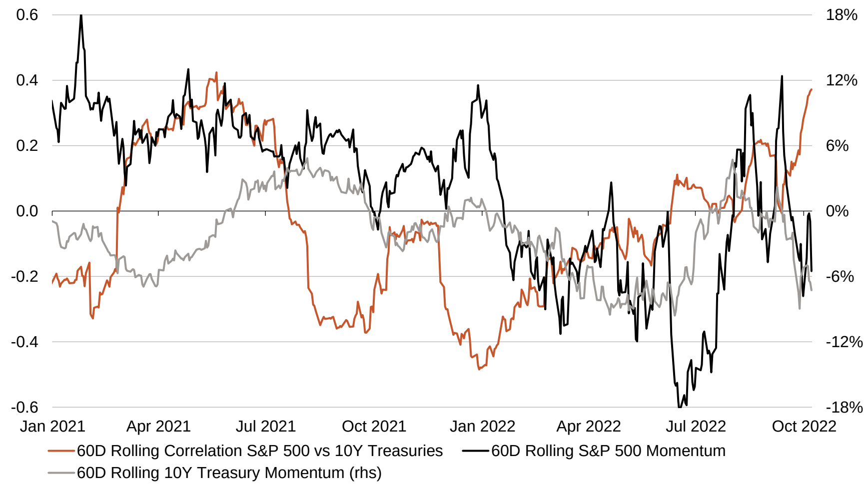
Put-Call-Skew



- The skew has recently risen again, especially in the US. The increase was driven by the rise in the price of out-of-the-money put options relative to at-the-money options. Compared to the historical average, however, the skew remains flat.
- In Europe, the skew is close to its average of the last 10 years.

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: 07/10/2012 - 07/10/2022

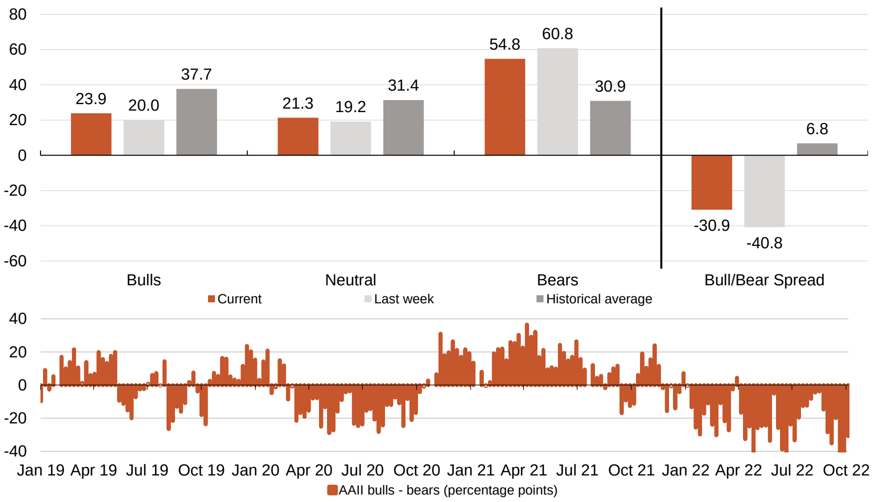
60-Day Momentum and Correlation



- The correlation between equities and bonds has increased significantly in recent weeks, as both asset classes have suffered equally from increasingly restrictive central bank policies.
- Accordingly, risk-based investment strategies are likely to exhibit very low exposure to equities.

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 - 07/10/2022

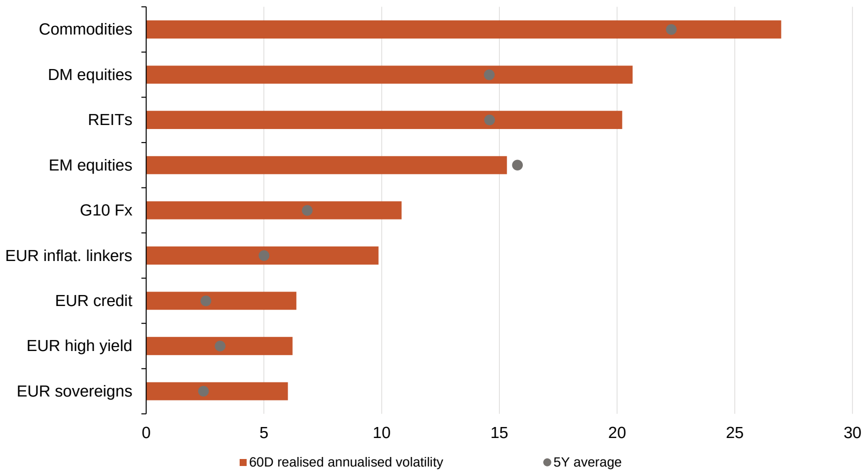
AAII Sentiment Survey (Bulls vs Bears)



- Sentiment among US private investors has gradually brightened in recent weeks, but remains very negative with a bull/bear spread of -31 pp. Less than a quarter of respondents expect equity markets to rise in the next 6 months.
- The bears remain in the absolute majority with just under 55%.

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 – 07/10/2022

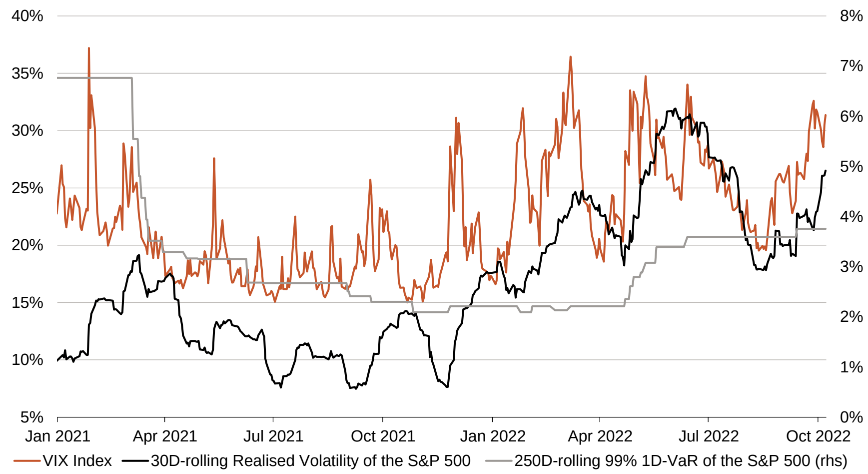
Realised Volatilities



- Realised volatilities remain above average for the most part.
- Volatility is particularly high for corporate and government bonds when measured against their own history. Here it is 2.5 times the 5-year average. Low liquidity, quantitative tightening and rising key interest rates increase volatility.

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: 07/10/2017 - 07/10/2022

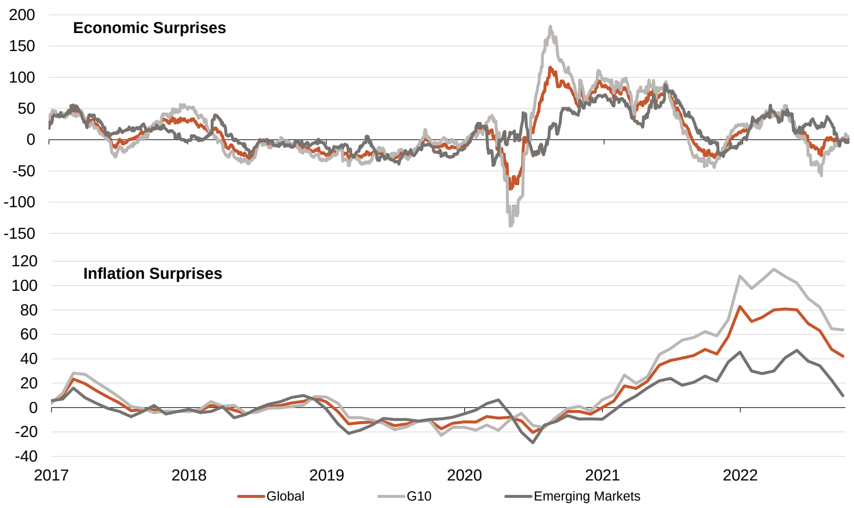
Volatility and Value-at-Risk of the S&P 500



- The implied volatility of the S&P 500 has recently been hovering around the 30 mark.
- Overall, risk-based investment strategies are likely to have low equity allocations, as realised volatility has continued to rise while correlation to bonds has increased significantly.

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 – 07/10/2022

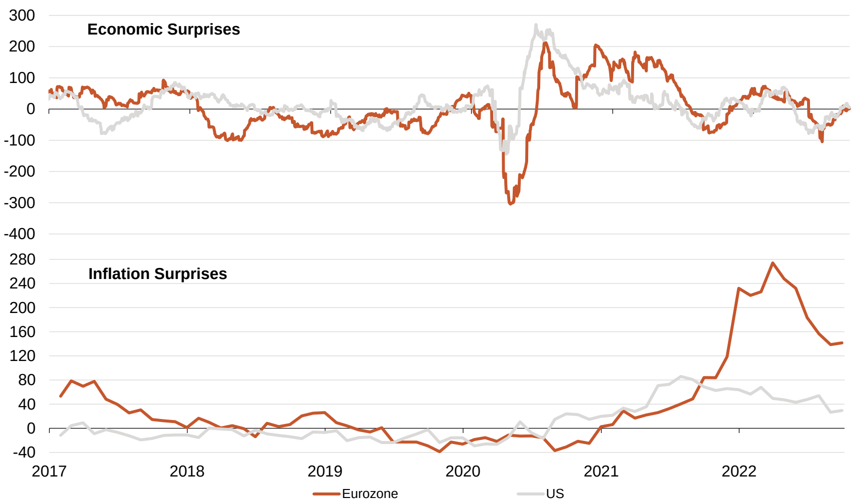
Global



- Despite globally restrictive central banks, the positive and negative economic surprises were balanced out at the global level.
- This also applies to emerging markets. For example, the industrial purchasing managers' index (PMI) in China recently surprised on the positive side, while the service PMI surprised on the negative side. In Russia, the PMIs surprised to the upside, while retail sales disappointed.
- Positive inflation surprises have recently declined further, but remain high.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 07/10/2022

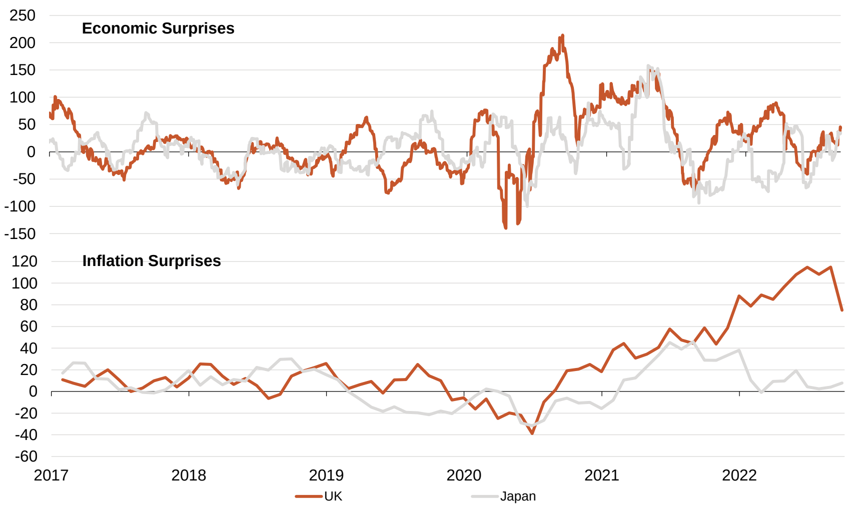
Eurozone and US



- The economic surprises in the Eurozone and the US are also close to zero.
- In the US, new orders, the services PMI and job data recently surprised on the upside. The industrial PMI, on the other hand, disappointed.
- In the eurozone, retail sales and the composite PMI disappointed.
- Inflation still does not seem to be under control, especially in the Eurozone, where the positive surprises are clearly above the US values.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 07/10/2022

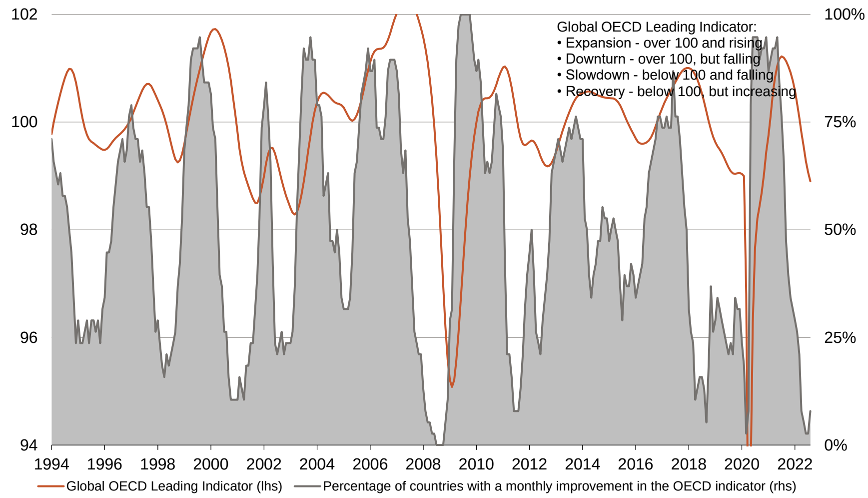
UK and Japan



- In Japan and the UK, economic data have recently surprised to the upside. In the UK, PMIs surprised to the upside and in Japan, retail sales and industrial production surprised to the upside.
- Inflation surprises declined somewhat in the UK, while an upward trend can be observed in Japan.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.
Source: Bloomberg, period: 31/12/2020 - 07/10/2022

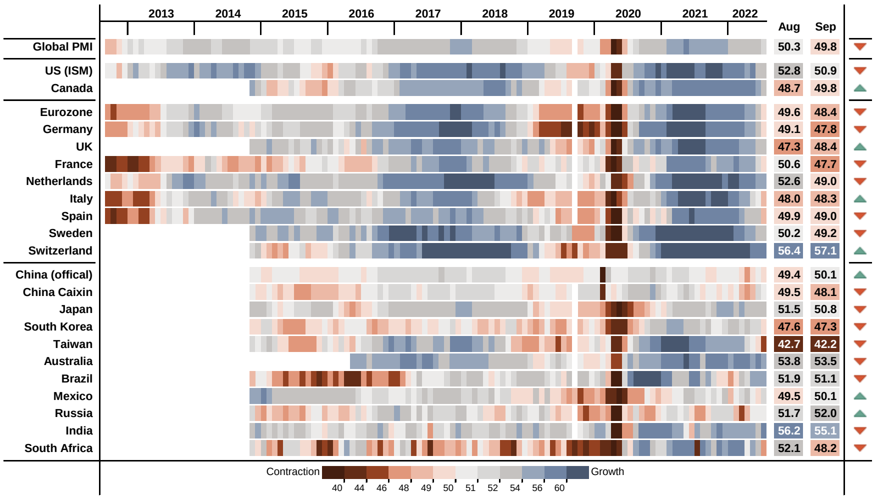
OECD Leading Indicator



- The OECD leading indicator – already below the important core mark of 100 for several weeks and falling further – points to an economic slowdown.
- At the 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 - 30/09/2022

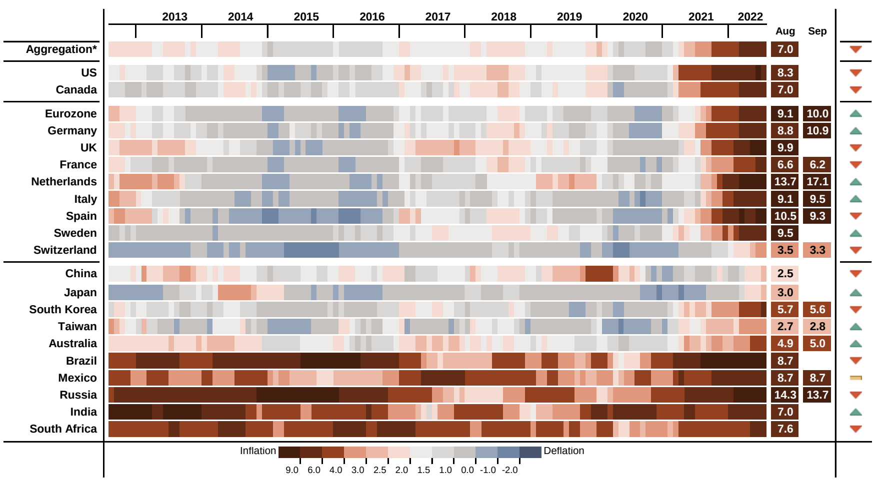
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The bulk of PMIs deteriorated in September, including at the global level. At 49.8, the global PMI indicates a recession.
- In the US, the ISM fell to 50.9, only marginally in the growth zone.

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: 30/09/2012 - 30/09/2022

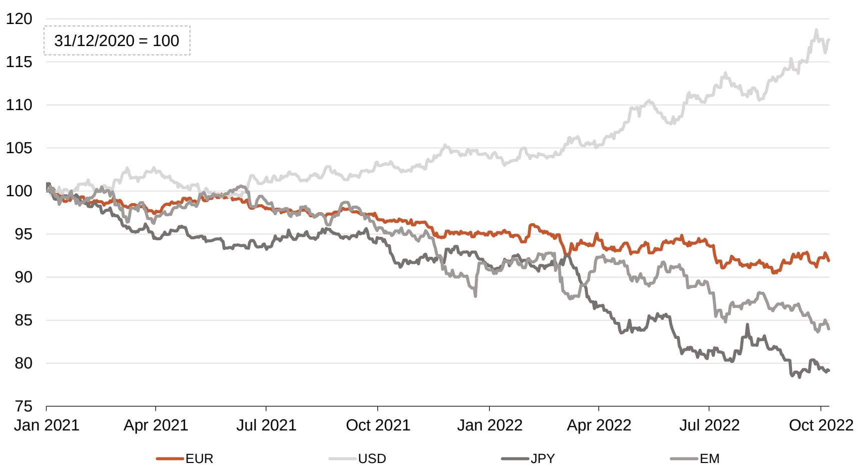
Headline Inflation



- Inflation continues to rise in Europe. Germany recorded inflation of more than 10%. The main drivers were food and energy costs. In the Netherlands, inflation even rose to 17.1%.
- In emerging markets, however, inflation is still within limits. South Korea even saw inflation fall slightly.

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: 30/09/2012 - 30/09/2022

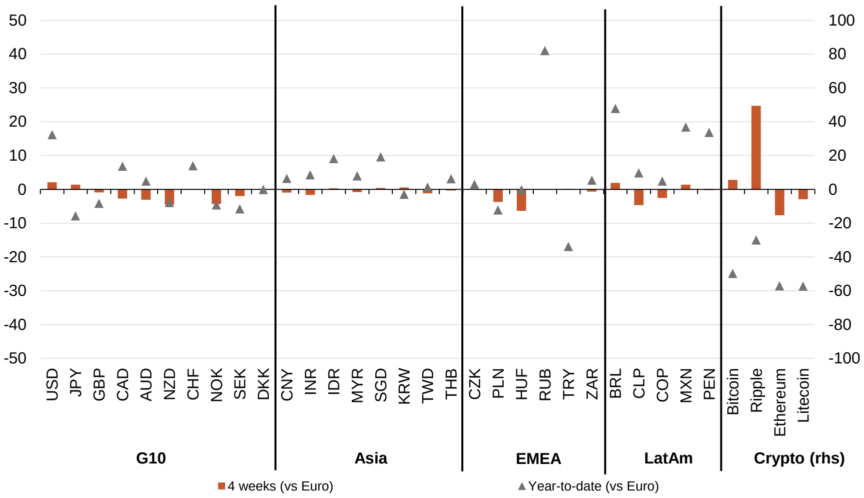
Trade-Weighted Currency Development



- The US dollar has recently consolidated at a historically high level. However, without a change in the Fed's rhetoric, one should not yet speak of a trend reversal.
- The Japanese yen continues to suffer from the Bank of Japan, which is the only major central bank to maintain its expansionary course.

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 - 07/10/2022

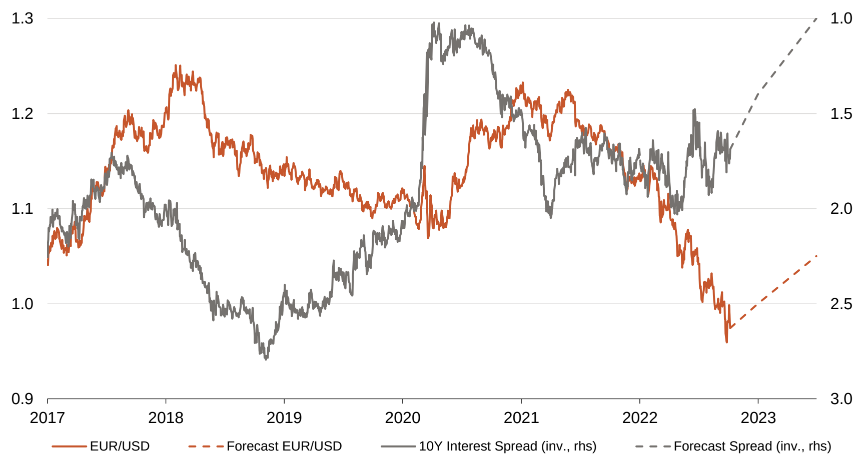
Currency Moves vs Euro



- The euro gained against most of the currencies shown here in the last four weeks. Support came from the ECB's restrictive policy and now well-filled gas storage tanks.
- After the pound recorded considerable losses following the presentation of Prime Minister Truss' fiscal plans, it stabilised again recently. After the strong reaction of markets, the British government backtracked somewhat on its plans.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2021 - 07/10/2022

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



- The euro has recovered from its low at the end of September, but is still trading below parity at 0.97 US dollars per euro.
- Meanwhile, the interest rate differential is largely unchanged at 1.7%. Thus, currency hedging of US investments remains expensive for euro investors.

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

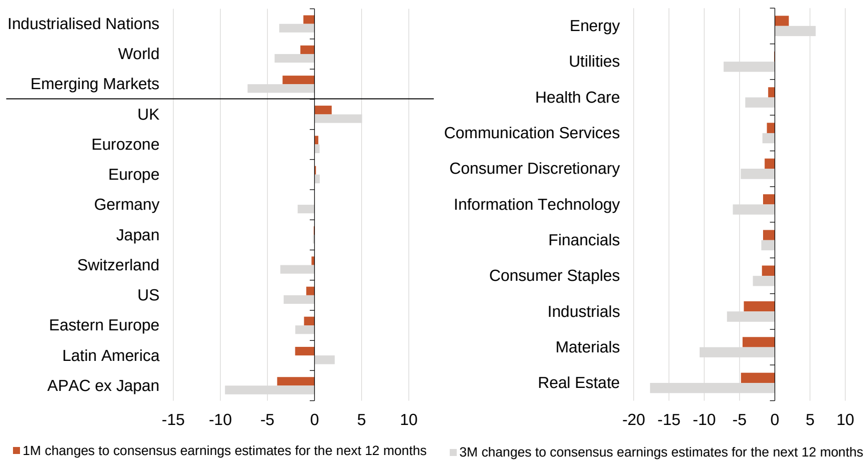
	4-week & YTD: 4W (09/09/22 - 07/10/22)	4-week & YTD: YTD (31/12/21 - 07/10/22)	12-month periods over that last 5 years: 07/10/21 07/10/22	07/10/20 07/10/21	07/10/19 07/10/20	07/10/18 07/10/19	06/10/17 07/10/18
Energy	2.1	31.7	31.7	72.4	-46.3	-10.5	24.7
Communication Services	-4.6	-9.2	-1.9	15.5	7.9	13.9	-0.1
Materials	-5.4	-17.1	-9.9	27.0	11.0	-2.3	3.6
Consumer Staples	-5.8	-10.6	-1.5	11.0	-4.6	18.2	-2.7
Value	-5.9	-10.5	-6.3	31.8	-15.9	-1.3	-2.1
Growth	-7.1	-22.6	-16.0	25.0	7.8	10.7	0.9
Finance	-7.4	-14.9	-12.2	48.8	-20.4	-5.1	-8.6
Industrials	-7.4	-26.0	-19.7	30.9	5.8	5.6	-1.1
Consumer Discretionary	-7.5	-25.8	-21.1	34.0	3.0	3.7	-1.9
Information Technology	-8.0	-32.3	-28.0	38.1	18.3	6.0	9.0
Telecommunications	-10.3	-14.5	-13.1	20.2	-20.0	9.1	-12.6
Utilities	-12.3	-18.1	-10.3	6.4	8.9	26.8	-1.0

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 rebound on markets lasted only briefly. With the US labour market data, there was another sharp downturn. All sectors except energy lost value over the last four weeks. Telecommunications and utility stocks lost most.
- Value stocks again held up better than growth stocks in the recent sell-off.

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: 07/10/2017 – 07/10/2022

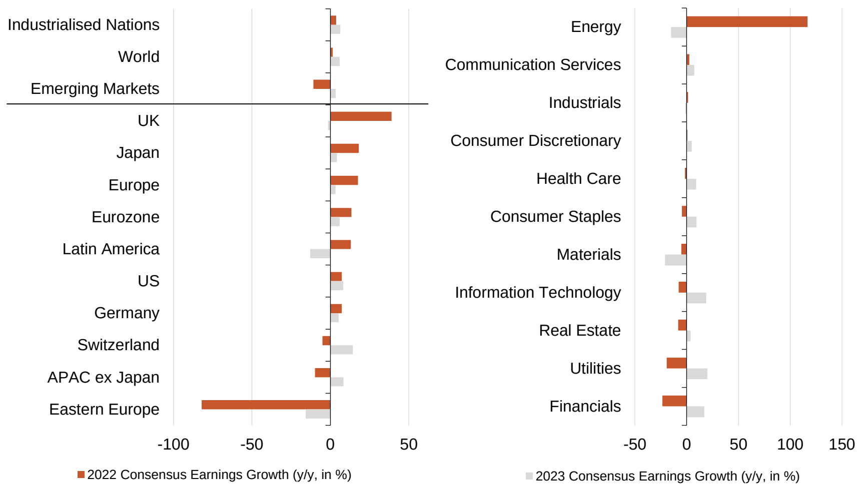
Changes in Consensus Earnings Estimates



- Over the past four weeks, analysts have continued to cut earnings expectations for the next 12 months. The negative earnings revision was most pronounced for emerging markets.
- Within emerging markets, earnings revisions were most negative for Latin America and Asia ex Japan. In contrast, earnings estimates improved slightly for eurozone and UK equities.

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 07/10/2022

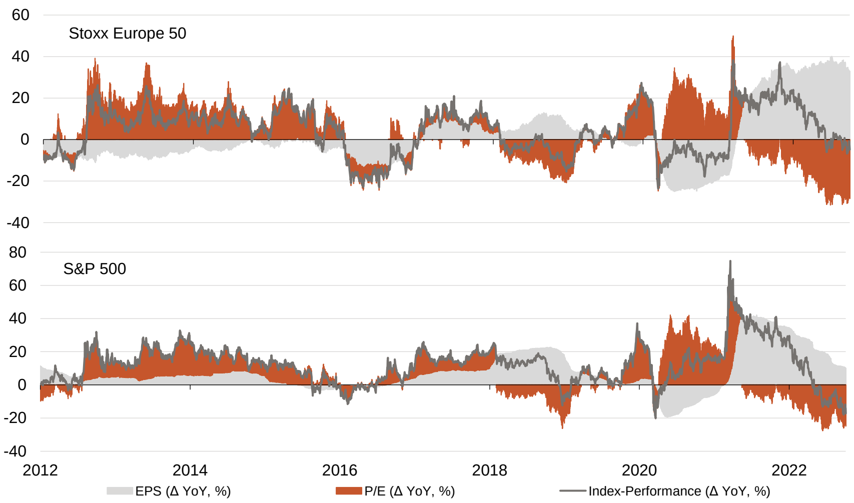
Earnings Growth



- Despite recession concerns, the consensus globally still expects significantly positive earnings growth in 2023. According to analysts, earnings growth should be higher in developed than in emerging markets.
- At the sector level, IT companies and utilities should see the highest earnings growth in 2023.

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 07/10/2022

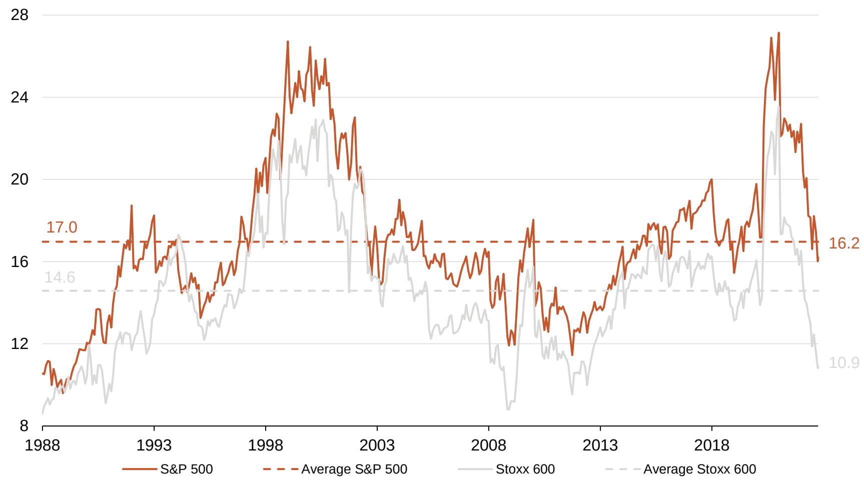
Contribution Analysis



- The tailwind of rising profits has recently diminished for both the Stoxx Europe 50 and the S&P 500. In addition, there was a headwind from the valuation side. In a year-on-year comparison, both indices have thus recently lost further ground.

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 - 07/10/2022

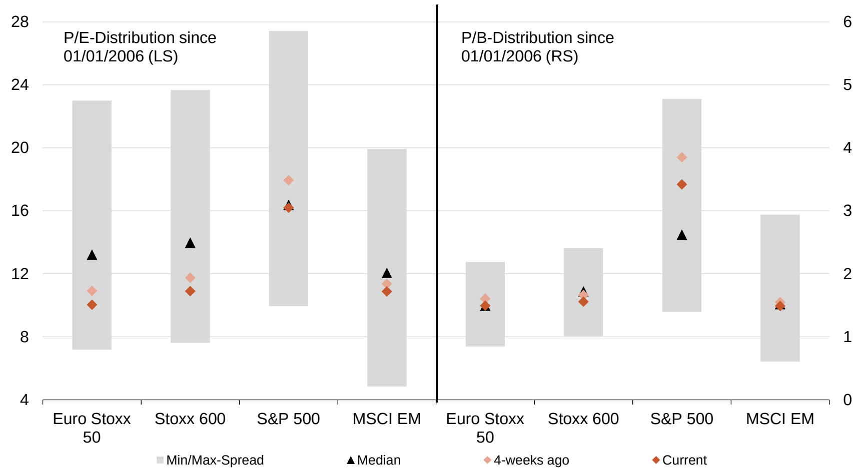
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Following the recent equity market correction, the S&P 500 is trading slightly below its historical average with a P/E ratio of 16.2.
- The valuation of the Stoxx 600, on the other hand, with a P/E ratio of 10.9, is already noticeably approaching the historical low.

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 - 07/10/2022

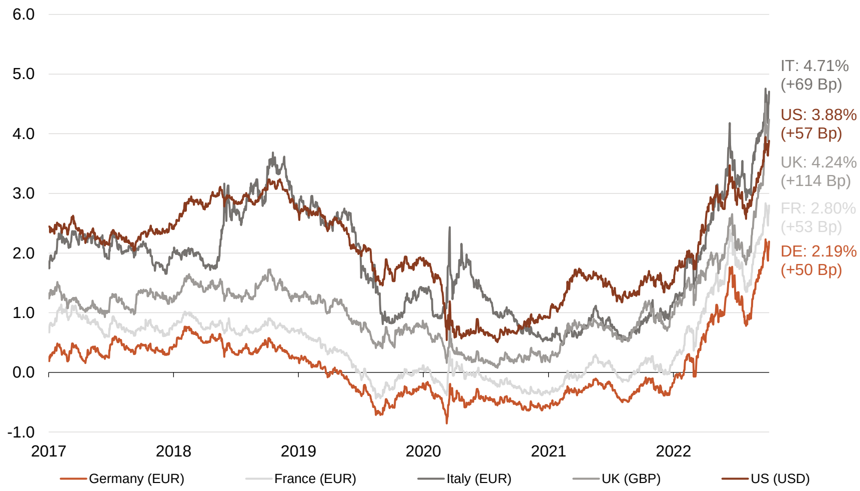
Historical Distribution: Price/Earnings and Price/Book Ratio



- Even if the S&P 500 no longer appears historically expensive on a P/E basis, the picture looks much worse on a P/B basis. The S&P 500 is still trading close to 3.5x book value of the companies. For the Stoxx 600, on the other hand, the value is close to only 1.5x.

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 - 07/10/2022

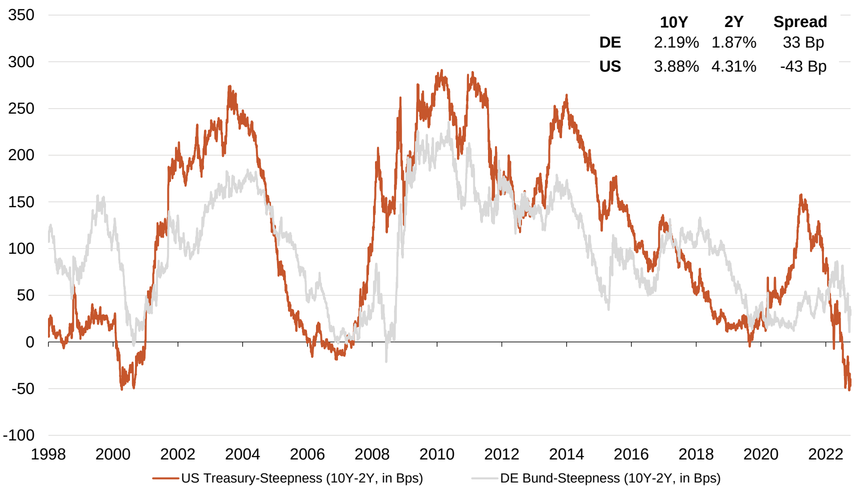
10-Year Government Bond Yields



- In the last four weeks, yields on government bonds have risen massively. According to the market, inflation concerns and restrictive central banks continue to set the pace.
- US government bonds temporarily saw yields above the 4% mark.
- Italian government bonds are already yielding over 4.5%, as they are burdened by both rising central bank interest rates and the risk-off environment.

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 - 07/10/2022

Yield Curve Steepness (10Y - 2Y)

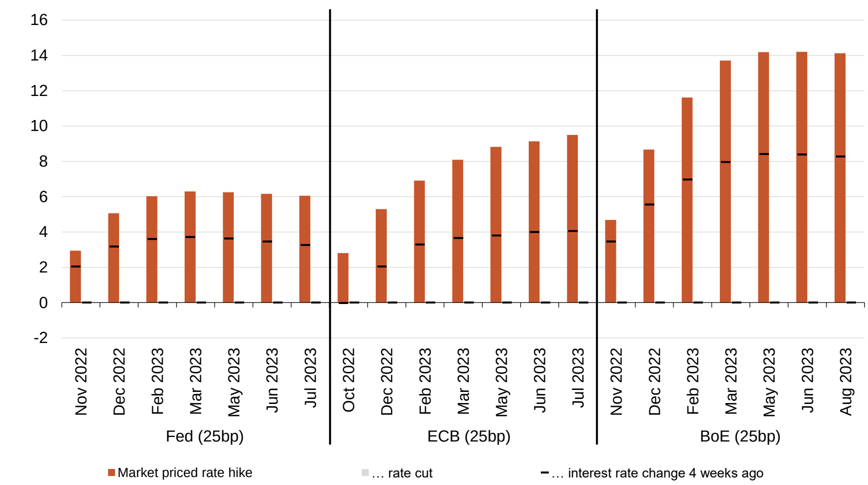


	10Y	2Y	Spread
DE	2.19%	1.87%	33 Bp
US	3.88%	4.31%	-43 Bp

- The steepness of both the US and German yield curves has increased slightly in the last two weeks. In the US, however, the curve is still clearly inverted, while the German curve has again stopped before inverting. Should a clear recession set in, however, an inversion is likely.

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 - 07/10/2022

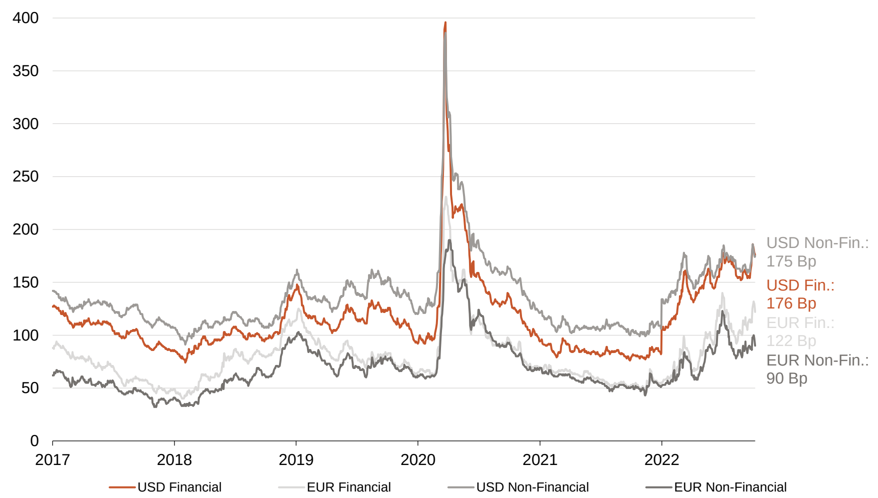
Implicit Changes in Key Interest Rates



- With high inflation in the US, the Eurozone and the UK more resilient than many expected, market participants are looking ahead to significantly more rate hikes than four weeks ago.
- This is most evident in the UK, where the announcement of looser fiscal policy stoked new inflation fears.

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: 09/09/2022 - 07/10/2022

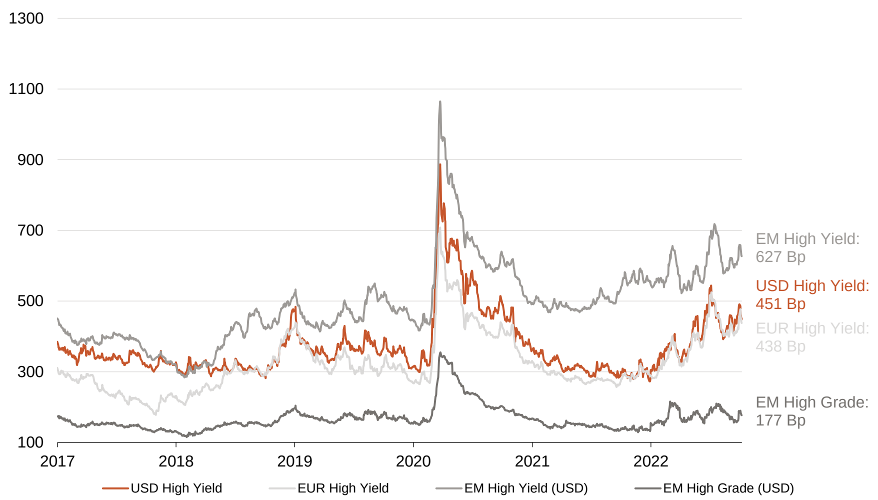
Credit Spreads Financial and Non-Financial Bonds



- The credit market was not unaffected by the recent risk-off in markets. Investment grade corporate bonds saw spreads widen by more than 10 basis points in the last two weeks.
- USD-IG corporate bonds saw the largest spread widening. The spreads temporarily reached a new high for the year.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2017 - 07/10/2022

Credit Spreads High Yield and Emerging Markets Bonds



- EUR high-yield bonds also saw significantly rising risk premia in the last two weeks. However, the risk premia are still some distance from the highs of the year. Noticeably higher default rates are therefore not currently being priced in.
- The risk premia for USD high-yield bonds, on the other hand, are at a similar level as a fortnight ago.

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 - 07/10/2022

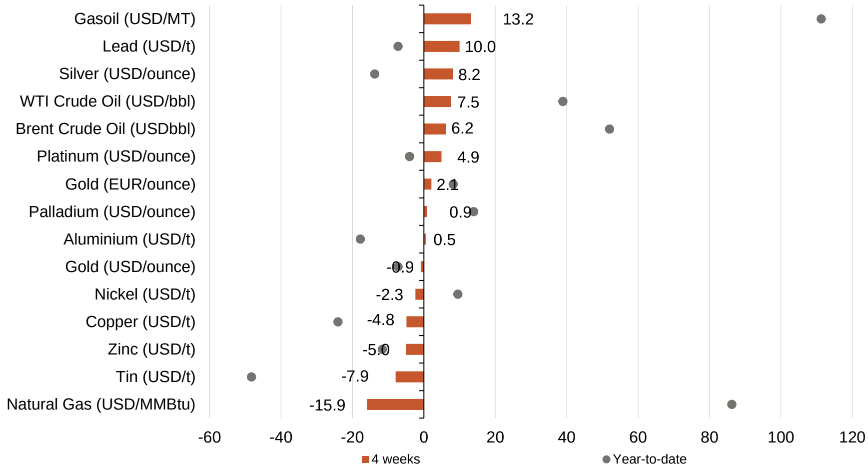
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	07/10/21 07/10/22	07/10/20 07/10/21	07/10/19 07/10/20	07/10/18 07/10/19	07/10/17 07/10/18
EUR Government	2.79	0.72	7.2	-	-	-	-4.4	-17.3	-17.6	-1.8	0.9	12.4	-0.6
Germany	2.02	0.70	7.3	-	-	-	-4.3	-15.8	-15.5	-2.4	-0.7	8.7	0.2
EUR Corporate	4.18	0.87	4.6	102	5	82	-3.4	-15.1	-15.6	1.2	0.5	6.4	-0.3
Financial	4.31	0.90	3.9	122	10	88	-3.1	-13.2	-13.7	1.3	0.6	5.8	-0.3
Non-Financial	4.10	0.84	5.0	90	2	78	-3.6	-16.1	-16.6	1.2	0.5	6.8	-0.3
EUR High Yield	8.13	0.99	3.3	438	6	88	-2.8	-14.9	-14.8	7.9	0.8	4.6	0.6
US Treasury	4.22	0.74	6.3	-	-	-	-3.5	-13.9	-13.4	-3.1	6.5	12.7	-2.3
USD Corporate	5.76	0.78	6.9	175	10	90	-4.2	-18.2	-17.8	1.7	7.0	14.8	-2.2
Financial	5.87	0.88	5.1	176	14	94	-3.7	-15.1	-15.1	1.5	7.2	13.0	-1.8
Non-Financial	5.70	0.73	7.7	175	8	87	-4.4	-19.6	-19.0	1.7	7.0	15.5	-2.3
USD High Yield	9.29	0.79	4.4	451	-1	73	-2.6	-13.4	-12.6	10.1	3.7	6.4	2.3
EM High Grade	5.90	0.78	5.2	177	5	45	-3.4	-16.6	-16.5	1.9	4.2	12.1	-1.2
EM High Yield	12.25	1.03	3.9	627	6	79	-3.8	-21.1	-22.7	4.5	5.8	9.6	-2.1

- In a 10-year comparison, the majority of the bond segments are very attractive. The risk premia of many segments are already above the 90th percentile.
- But many segments also offer very attractive returns in absolute terms. EUR-HY more than 8% and USD-HY even more than 9%.

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 : 07/10/2017 - 07/10/2022

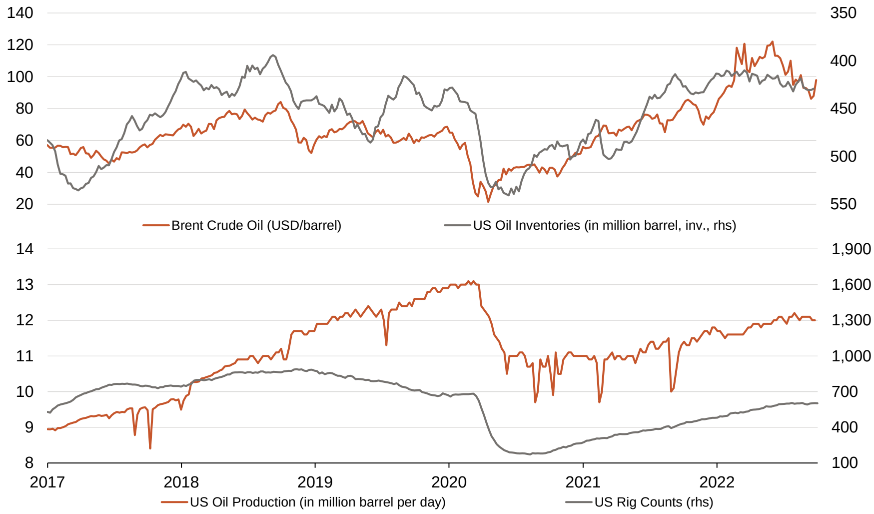
Commodities Performance



- An unusual picture emerged in commodity markets: precious metals are recording gains across the board.
- Silver performed particularly well. Last Monday, silver experienced its strongest daily rise in 14 years. Tailwinds came from slightly lower interest rates and a weaker dollar, but the extent of the movement can probably also be explained in part by short covering.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period:31/12/2021 – 07/10/2022

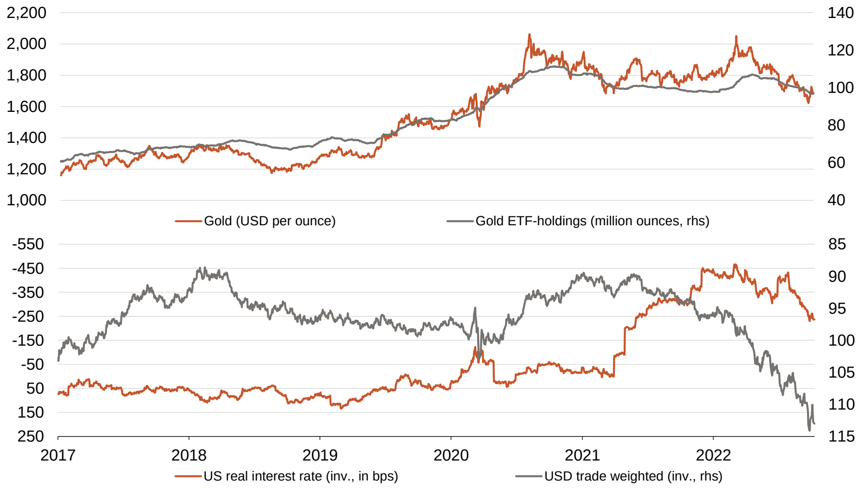
Crude Oil



- After oil had been dominated by recession worries in recent months, OPEC+ recently provided a boost. Last week, the cartel decided to cut production by 2 million barrels per day, the highest level since the outbreak of the pandemic.
- However, since some producing countries are already not meeting their quotas, the actual drop in production is likely to be smaller.

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 – 07/10/2022

Gold



- Gold has suffered in recent months from the sharp rise in real yields.
- However, gold, like silver, experienced a brief, strong increase in value around the turn of the month. With the highest net short positioning since 2019, the movement here is also likely to have been technical in nature.

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 – 07/10/2022

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IMPORTANT NOTICES

Date: 10 October 2022

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