BERENBERG
Markets

MONITOR

05 December 2022

Current market commentary

The recovery rally continued, supported by short-covering and equity buying by systematics, helped by falling volatility and better momentum. Statements by US Federal Reserve Chairman Jerome Powell were also a reason for the friendly mood. He had hinted that the Fed could pursue a more moderate interest rate policy in the future. Coupled with hopes that we may have seen the peak of US inflation and USD strength, the big underperformers in particular have rallied recently this year. Technology stocks beat oil stocks by more than 16% over the last four weeks. The Japanese yen has appreciated about 12% against the US dollar from its October low. Bonds gained across the board. The capital markets have now priced in a soft landing scenario more strongly again. However, if this does not occur, the drop for equities should now be somewhat higher again. However, positioning and sentiment are far from optimistic.

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

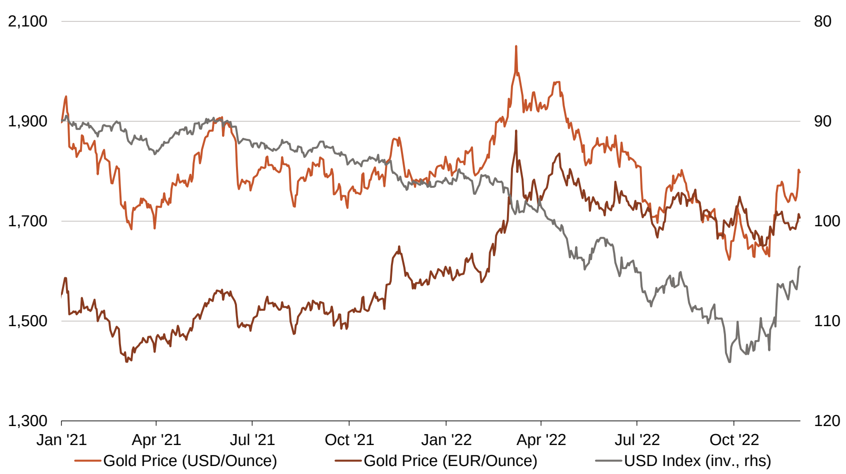
Central banks and EU policy in focus.

On 14 December the Fed and on 15 December the ECB as well as the BoE will have their monthly meeting. As inflation in both the US and the eurozone fell more than expected recently, many market participants are likely to be eagerly awaiting the reactions and the monetary policy guidance of the central banks. The EU leader summit will take place on 15/16 December. Central topics are likely to be the Ukraine war and energy security.

Crucial economic and inflation data are due.

Service Purchasing Managers' Indices (PMIs, Nov.) for Europe and the US are due today. They will be followed by new orders (Oct.) on Tuesday and by industrial production data (Oct.) for Germany on Wednesday. On Friday, Chinese inflation data (Nov.), US producer prices (Nov.) and preliminary US consumer confidence (University of Michigan, Dec.) will be released. In the following week, the ZEW survey results (Dec.) as well as US inflation (Nov.), US retail sales (Nov.) and the US industrial PMI (Dec.) will be announced.

Gold breaks out - in US dollars, but not in euros



- Gold recently broke out after months of weakness. Stagnating real interest rates and a weaker dollar provided fundamental support, while thin investor positioning and the breakout of the 100- and 200-day moving averages provided technical support. For local investors, however, little remained of the rally because of the strength of the euro.
- If the Fed pivot comes, gold should gain further. Bonds, which are now offering decent yields, would also benefit. The relative attractiveness of gold has thus declined somewhat.

Source: Bloomberg, Time period: 01/01/2021 - 02/12/2022

Multi Asset

	4W (04/11/22 - 02/12/22)	YTD (31/12/21 - 02/12/22)	02/12/21 02/12/22	02/12/20 02/12/21	02/12/19 02/12/20	02/12/18 02/12/19	01/12/17 02/12/18
	4-week & YTD		12-month periods over that last 5 years				
MSCI Emerging Markets	3.9	-12.2	-13.0	9.9	10.6	9.6	-3.9
EUR Coporates	3.8	-12.0	-12.4	-0.3	2.6	6.3	-2.0
Industrial Metals	3.7	7.0	13.5	30.5	9.9	0.6	-3.9
MSCI World	2.9	-7.1	-4.1	29.1	6.9	16.2	5.8
MSCI Frontier Markets	2.6	-17.4	-17.5	33.1	-8.1	13.1	-7.0
EUR Sovereign Debt	2.0	-9.1	-9.8	-0.6	1.8	3.9	-1.0
REITs	1.9	-18.5	-12.9	34.8	-15.8	15.6	3.8
Gold	1.0	6.1	9.1	3.5	14.5	22.3	0.3
Euro overnight deposit	0.1	-0.1	-0.2	-0.6	-0.5	-0.4	-0.4
Global Convertibles	-1.4	-11.3	-11.0	15.5	36.1	14.2	8.9
USDEUR	-5.5	7.9	7.3	7.2	-8.6	2.2	5.1
Brent	-15.3	52.2	69.6	69.7	-36.0	14.2	4.4

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.

- New easing of China's zero-covid policy and confirmation by US Federal Reserve Chairman Jerome Powell that the pace of rate hikes will slow buoyed global equity markets. In turn, the US dollar slid to a three-month low.
- China optimism boosted emerging market equities and industrial metals in particular, while interest rate sensitive REITs benefited from Powell's more moderate comments.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 13/01/2017 - 02/12/2022

Equities

	4W (04/11/22 - 02/12/22)	YTD (31/12/21 - 02/12/22)	02/12/21 02/12/22	02/12/20 02/12/21	02/12/19 02/12/20	02/12/18 02/12/19	01/12/17 02/12/18
	4-week & YTD		12-month periods over that last 5 years				
Euro Stoxx 50	8.0	-5.1	-0.7	19.0	-0.9	17.5	-7.7
DAX	7.9	-8.5	-4.8	14.6	2.7	15.2	-12.5
Stoxx Europe Cyclicals	7.9	-10.4	-6.2	23.6	1.7	15.0	-9.3
Stoxx Europe Small 200	7.8	-21.0	-18.2	24.5	4.1	17.5	-5.8
MSCI EM Asia	7.3	-13.5	-14.5	7.5	19.4	10.2	-5.2
Stoxx Europe 50	6.0	2.3	7.8	21.0	-4.0	15.8	-3.4
MSCI UK	5.7	6.2	11.4	22.7	-14.9	12.2	-1.2
MSCI EM Eastern Europe	5.2	-81.5	-82.3	37.1	-17.7	24.6	7.0
MSCI Japan	4.9	-8.4	-7.5	10.6	2.3	13.2	-1.0
Stoxx Europe Defensives	3.3	2.9	8.1	16.5	-3.8	12.7	4.9
S&P 500	2.0	-6.2	-2.9	35.4	9.9	17.6	12.0
MSCI USA Small Caps	0.5	-4.8	-2.9	32.3	5.3	10.8	7.0

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.

- All equity regions and styles rose over the last four weeks. Investor sentiment in Asia received an additional boost following the announcement of new easing measures in China's strict covid policy. Asian equities thus gained more than 7%.
- With the narrative of a "soft landing" coming back to the fore as a result of Powell's statements, cyclical segments such as the DAX and European equities performed the best. The weakness of the dollar limited gains in US equities.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 13/01/2017 - 02/12/2022

Fixed Income

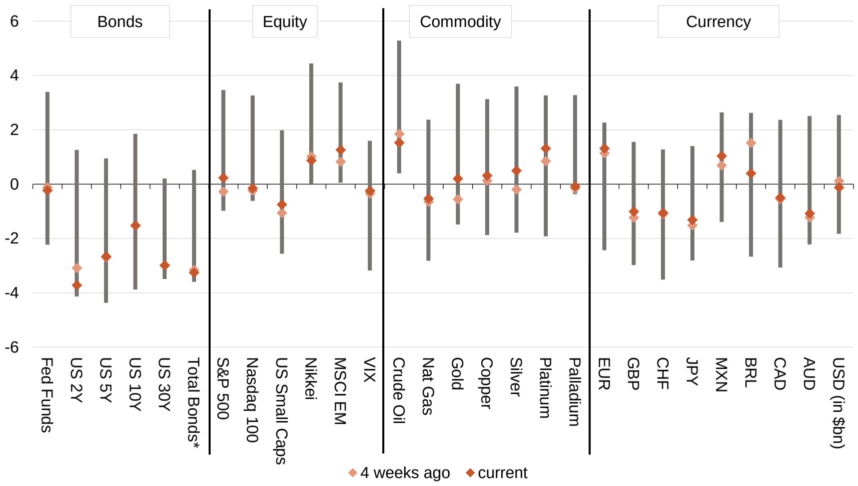
	4W (04/11/22 - 02/12/22)	YTD (31/12/21 - 02/12/22)	02/12/21 02/12/22	02/12/20 02/12/21	02/12/19 02/12/20	02/12/18 02/12/19	01/12/17 02/12/18
	4-week & YTD		12-month periods over that last 5 years				
USD Corporates	7.0	-13.9	-13.9	-0.1	9.6	15.1	-3.3
Gilts	5.3	-23.4	-24.7	6.3	-0.4	14.8	-2.0
BTPs	4.3	-12.8	-14.0	-0.9	7.6	13.6	-6.1
EUR High Yield	4.1	-10.5	-10.0	3.3	3.3	9.7	-3.4
EUR Non-Financials	3.8	-12.3	-12.8	-0.5	2.9	6.4	-1.9
EUR Financials	3.7	-11.7	-11.9	0.0	2.2	6.1	-2.2
USD High Yield	3.7	-9.8	-8.4	5.3	6.8	9.5	0.2
Bunds	3.5	-13.6	-15.1	-0.4	1.8	4.4	0.9
EM Hard Currency Bonds	2.7	-9.7	-9.6	5.9	-2.8	16.4	-0.4
EM Local Currency Bonds	1.2	-5.0	-4.4	-1.3	-4.5	13.0	-0.8
Chinese Gov Bond	-1.0	2.9	3.6	6.2	2.6	5.1	7.1
Treasuries	-1.2	-3.3	-4.3	5.3	-1.6	11.8	3.5

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

- Powell's recent comments led to a noticeable rally in global bond markets.
- A rate hike of "only" 50 basis points at the Fed-December meeting now seems increasingly likely for the market.
- In the euro area, in addition to the price gains, the lower yield difference between German and Italian government bonds should also be highlighted.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 13/01/2017 - 02/12/2022

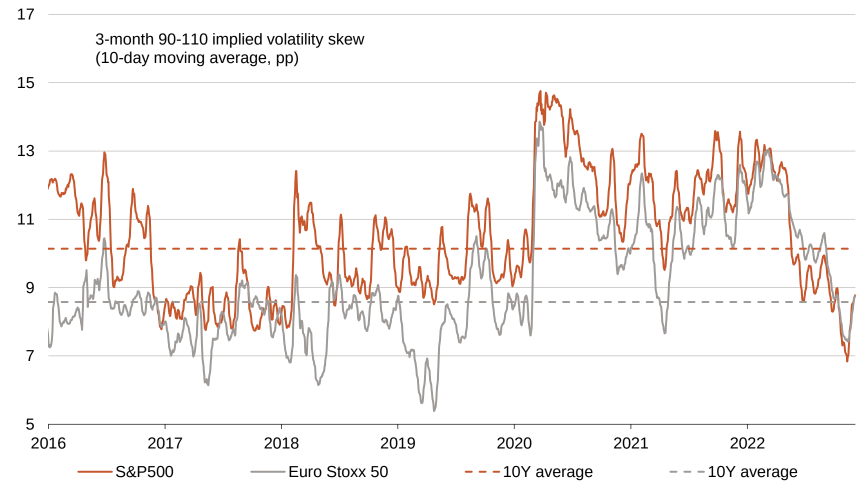
Non-Commercial Positioning



- Hedge funds have now fully covered their shorts in US large caps with the rally of the last few weeks.
- Within commodities, they have increased positions almost everywhere.
- In the dollar, speculative investors are now net short. In return, they have increased their euro and yen positions.

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: 29/11/2012 - 29/11/2022

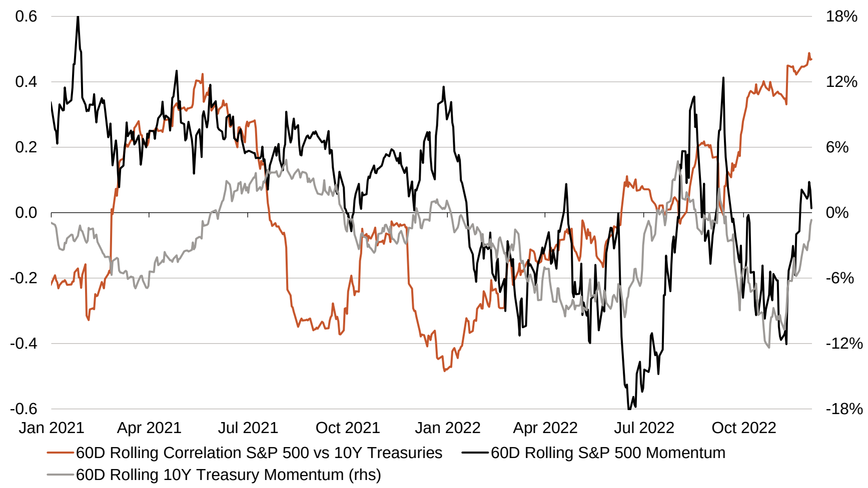
Put-Call-Skew



- The skew has clearly steepened in recent weeks.
- In Europe, it is now back in line with the 10-year average. In the US, it is still about two points below.
- With the steepening, the volume of traded puts has also risen strongly relative to calls. The option market seems to be somewhat sceptical about the recent recovery.

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: 02/12/2012 - 02/12/2022

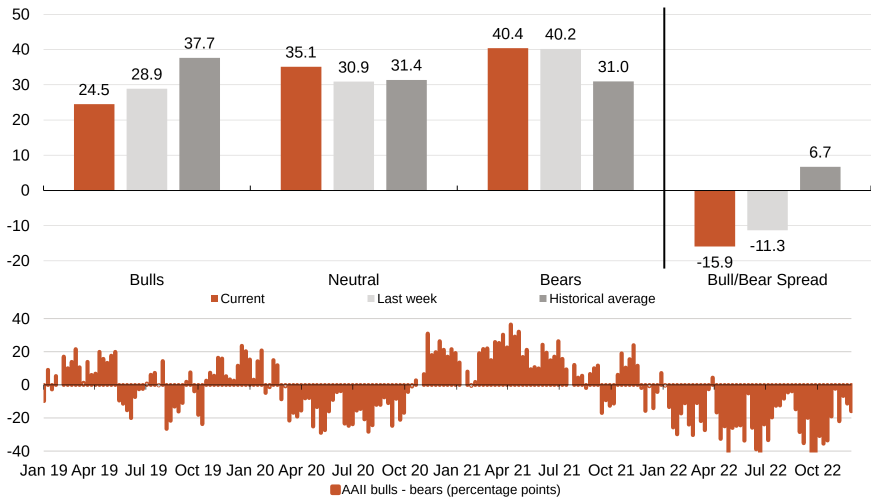
60-Day Momentum and Correlation



- With the neutralisation of short positions, the momentum of US equities also turned positive.
- The momentum of bonds is scratching the zero line, but it has also improved here, so that equities and bonds now have the highest correlation in over 20 years.

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 - 02/12/2022

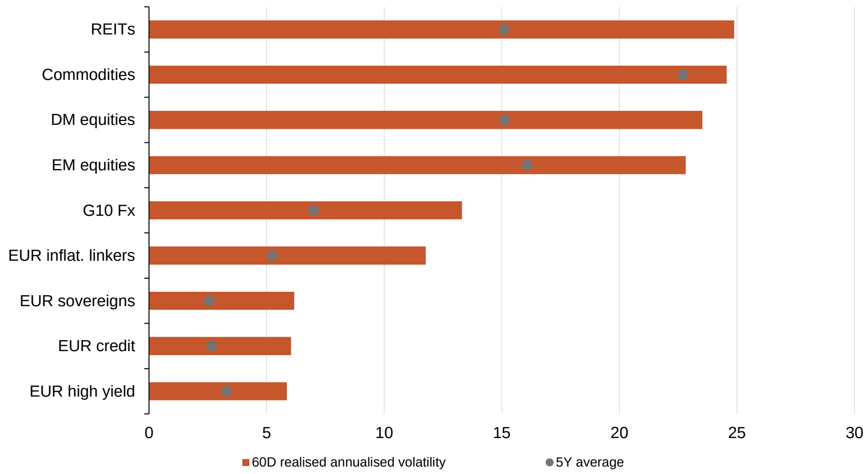
AAII Sentiment Survey (Bulls vs Bears)



- Despite rising equity markets, sentiment among US private investors has deteriorated again in recent weeks.
- By historical standards, sentiment remains depressed. Compared to the average this year (-20 ppt), however, the current bull/bear spread is far less unusual.

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 – 01/12/2022

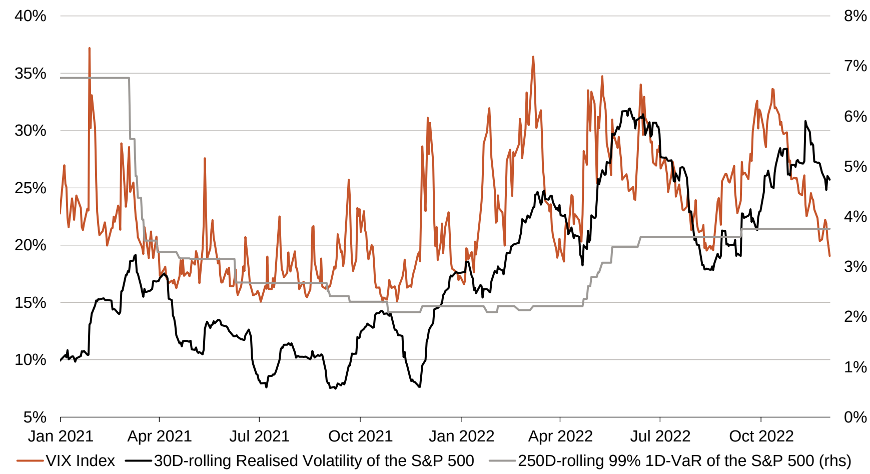
Realised Volatilities



- REITs currently have the highest realised volatility over the last 60 days. At 25%, this is well above the historical average. In view of the strong interest rate sensitivity and the high bond volatility, this is hardly surprising.
- While high-yield bonds were the most volatile segment within bonds a fortnight ago, they now show the lowest volatility in part thanks to shorter duration.

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: 02/12/2017 - 02/12/2022

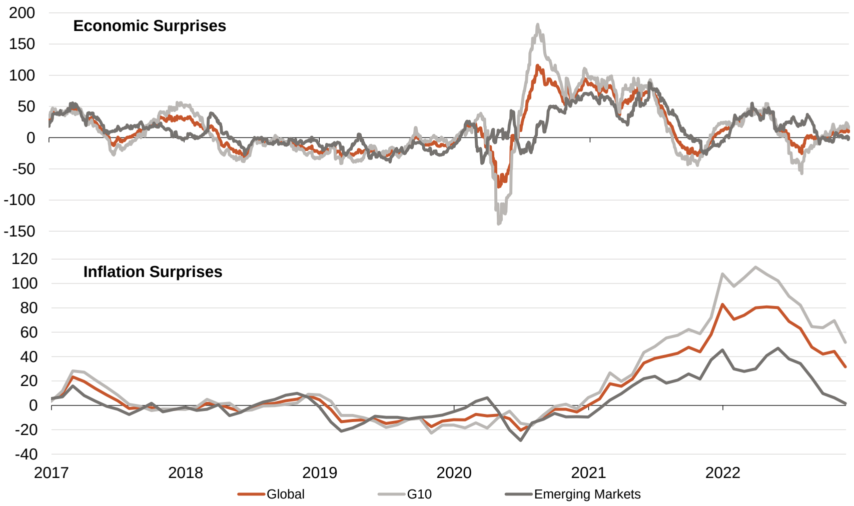
Volatility and Value-at-Risk of the S&P 500



- The VIX recently broke through the 20 mark and is trading near the lows of this year. The VVIX is also trading at annual lows of around 80. Volatility is therefore cheap. Although demand for directional hedging is high, investors do not seem to expect a volatility shock.

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 – 02/12/2022

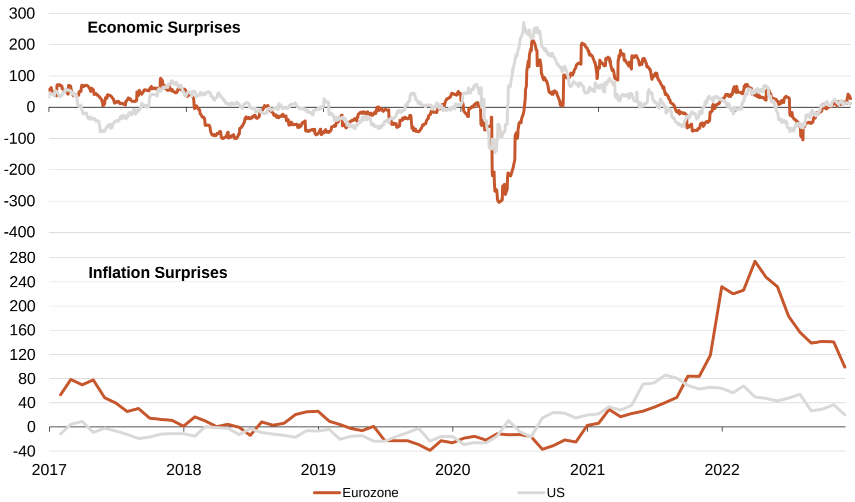
Global



- Emerging markets continue to struggle to beat economic expectations. Since the end of September, economic surprises have fluctuated volatilely around the zero threshold. China, where purchasing managers' data for the industrial sector fell short of expectations, was a particular burden.
- In the industrialised nations (G10) as well as at the global level, the picture seems more pleasing with clearly positive economic surprises. Japan and the Eurozone in particular surprised on the

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 02/12/2022

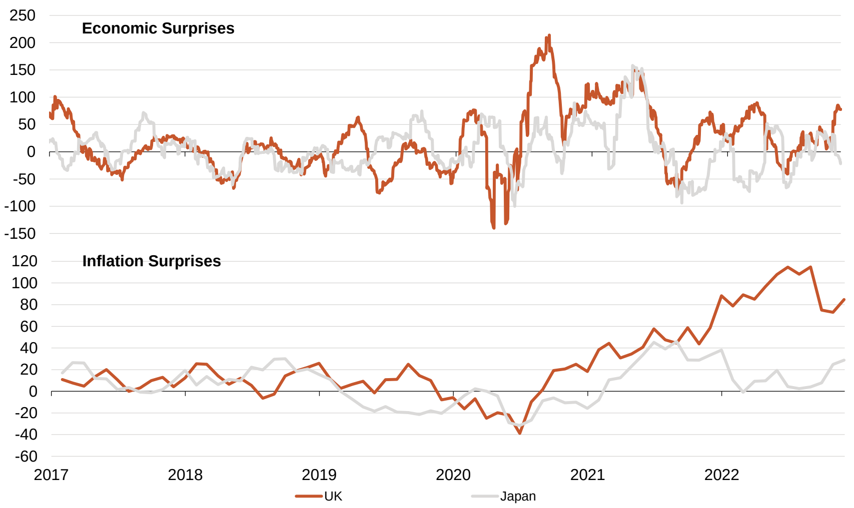
Eurozone and US



- The US economy has surprised on the upside in recent weeks and continues to be robust, contrary to fears of recession. Here, the ISM purchasing managers' data was below expectations, while the housing data, labour market data and the quarterly GDP exceeded them.
- In the eurozone in particular, however, positive economic surprises increased. Here, the ISM purchasing managers' data disappointed.
- It should also be emphasised that the inflation surprises in the euro area continue to decrease significantly.

See explanations below.
Source: Bloomberg, Time period: 01/01/2017 - 02/12/2022

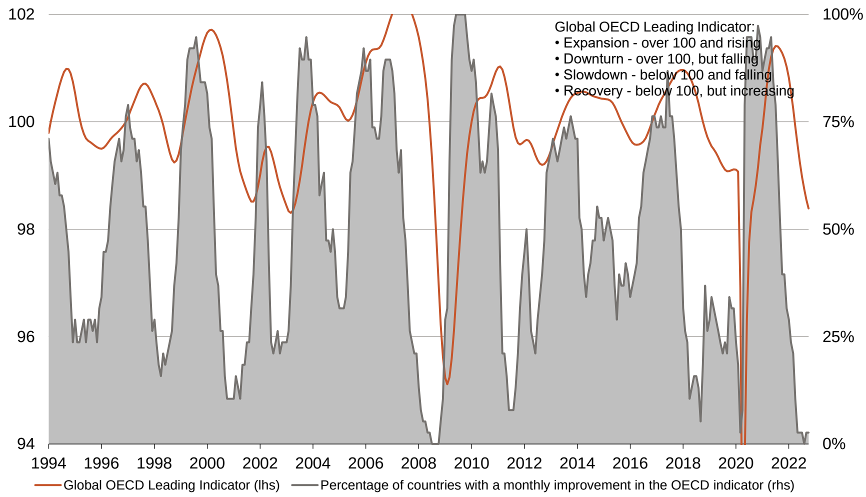
UK and Japan



- In the UK, purchasing managers' data for services and industry exceeded expectations, while inflation data again surprised on the upside.
- In Japan, on the other hand, both purchasing managers' and labour market data surprised negatively.

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 - 02/12/2022

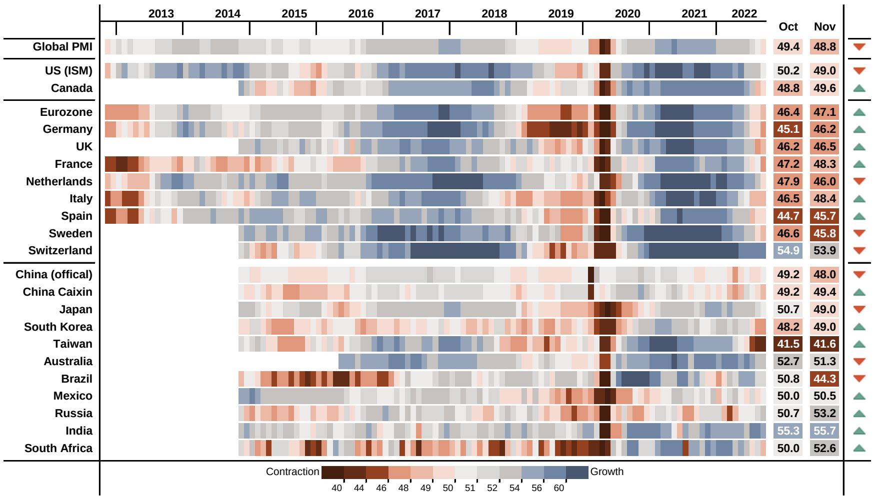
OECD Leading Indicator



- The OECD Leading Indicator, a robust signal of future economic turning points, continued its downward trend in October. The indicator (below 100 and falling) thus points to an economic slowdown.
- The picture was mirrored at the country level. 97% of countries deteriorated compared to the previous month, with Australia as the only exception.

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 - 31/10/2022

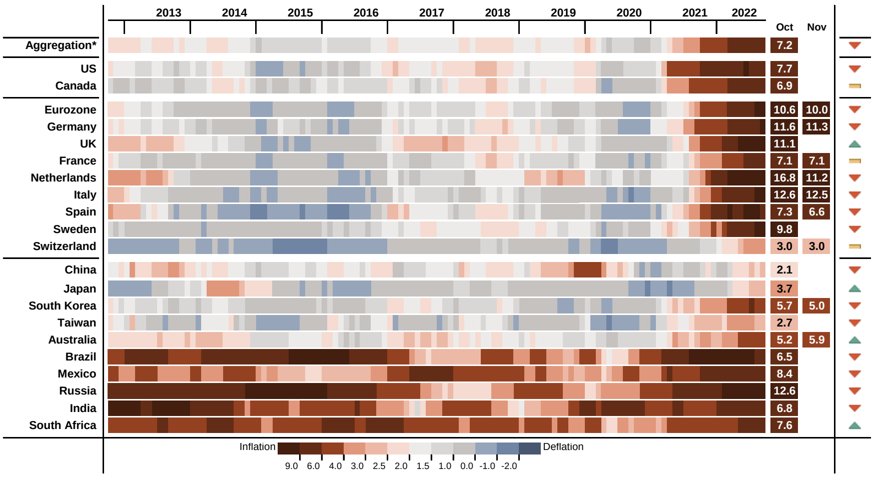
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The preliminary PMIs for November show a mixed picture. Germany, France and South Korea increased, while the Netherlands, Spain and China (officially) declined. It is worth noting, however, that the major eurozone economies are below the important 50 mark, pointing to declining industrial activity.

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: 14/01/2012 - 02/12/2022

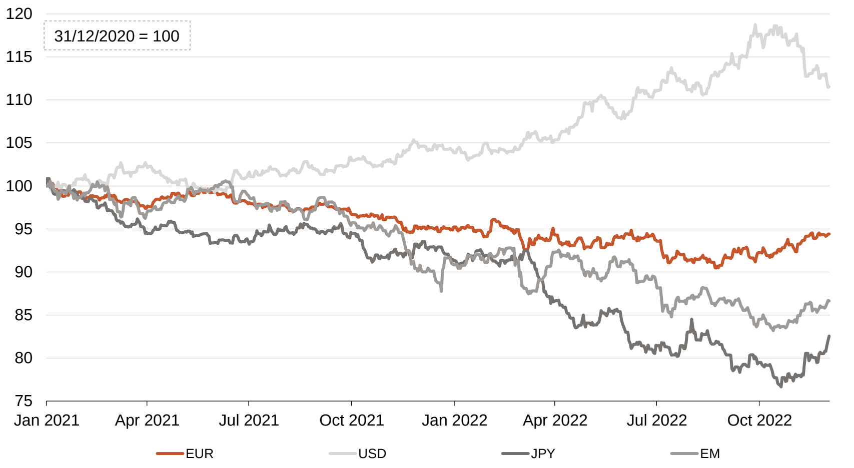
Headline Inflation



- Eurozone inflation data for November so far uniformly show lower headline inflation compared to the previous month. Lower energy, food and second-hand car costs eased price pressures by 0.6%.
- Inflation remains elevated in absolute terms, however, and more expensive energy costs into winter may exacerbate this.

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: 14/01/2012 - 02/12/2022

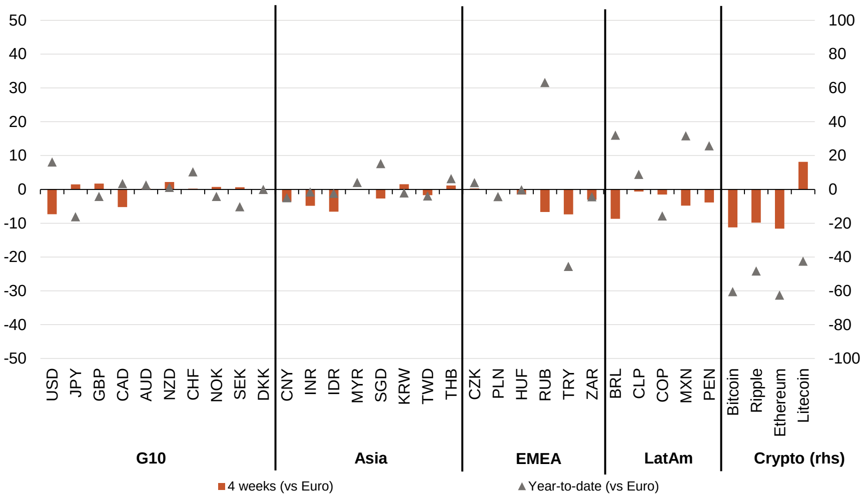
Trade-Weighted Currency Development



- The dollar continued its downward trend, not least because Fed Chairman Powell signalled in his speech last week that he would slow down the pace of interest rate hikes as early as December.
- Emerging market currencies were the main beneficiaries this time.
- The euro and the Japanese yen, on the other hand, stagnated.

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 - 02/12/2022

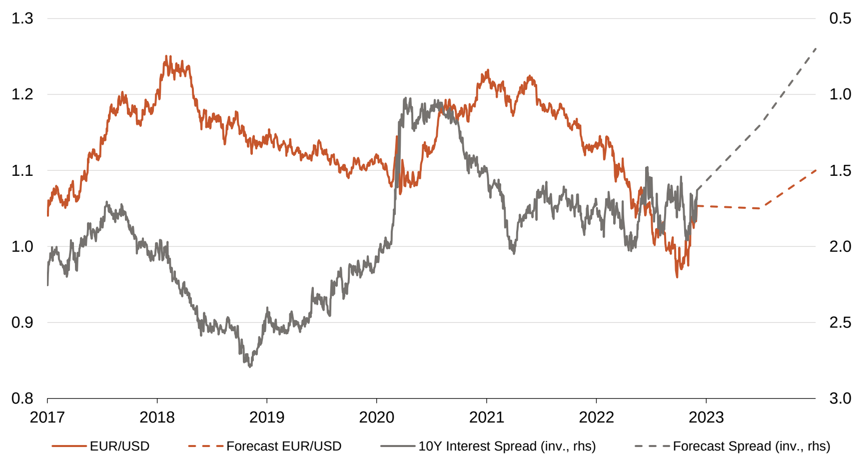
Currency Moves vs Euro



- Currency developments against the euro were mixed over the past month. Among the G10, the US dollar was the weakest performer and the Japanese yen the best performer. So, winners and losers since the beginning of the year are swapping roles at the moment.
- Cryptocurrencies have not yet recovered from the spectacular downfall of the crypto exchange FTX.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2021 - 02/12/2022

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



- The euro has now gained almost 10% against the US dollar since its low in September. At USD 1.05 per EUR, the exchange rate is the highest it has been since the end of June.
- Should the Fed actually put the brakes on its interest rate hikes, the US dollar is likely to depreciate further. However, investors are now considerably long the euro. From this perspective, the upside potential seems limited, at least in the short term.

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 - 31/12/2023

European Sector & Style Performance

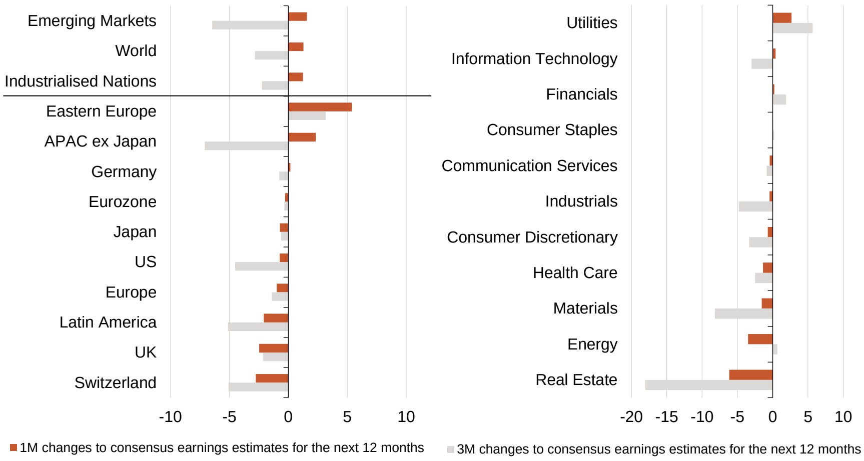
	4-week & YTD		12-month periods over that last 5 years				
	4W (04/11/22 - 02/12/22)	YTD (31/12/21 - 02/12/22)	02/12/21 02/12/22	02/12/20 02/12/21	02/12/19 02/12/20	02/12/18 02/12/19	01/12/17 02/12/18
Information Technology	15.3	-19.8	-16.5	38.1	13.3	25.3	-1.4
Communication Services	9.5	-12.8	-10.2	23.8	6.8	21.1	-7.7
Utilities	8.1	-5.1	1.0	4.5	16.2	21.6	-0.2
Growth	7.7	-12.9	-8.7	26.0	6.1	21.3	-2.8
Industrials	7.4	-12.9	-7.6	24.0	4.6	23.2	-6.5
Materials	7.3	-4.6	0.6	23.0	9.6	17.7	-6.9
Finance	5.8	-1.8	2.2	21.9	-10.1	8.2	-11.6
Consumer Staples	5.8	-3.6	2.1	16.8	-3.8	15.6	-2.3
Value	5.0	1.8	6.8	16.5	-9.7	8.4	-5.0
Health Care	3.9	-1.7	4.4	18.3	1.7	18.9	6.6
Telecommunications	2.4	-7.3	-4.3	9.5	-13.0	-1.7	-3.5
Energy	-1.0	41.7	44.9	29.9	-31.2	1.0	6.7

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.

- In the last four weeks, there has been a strong rally in information technology and cyclical consumer goods stocks. Energy stocks, on the other hand, have lost value. Thus, growth stocks outperformed value stocks.
- Basic materials stocks have also recovered noticeably thanks to hopes of an opening up of China.

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: 02/12/2017 – 02/12/2022

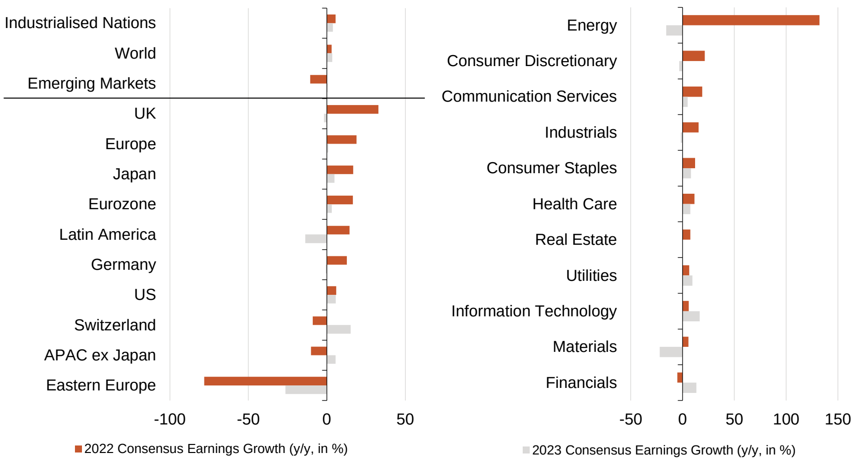
Changes in Consensus Earnings Estimates



- After a prolonged phase of negative earnings revisions, there have recently been positive revisions again, also thanks to diminishing economic and central bank concerns. Earnings revisions were positive especially for the emerging markets, as China is increasingly acting economically pragmatically.
- Among European sectors, utilities, information technology and financials saw the most positive revisions. Real estate stocks, on the other hand, again suffered under negative 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 02/12/2022

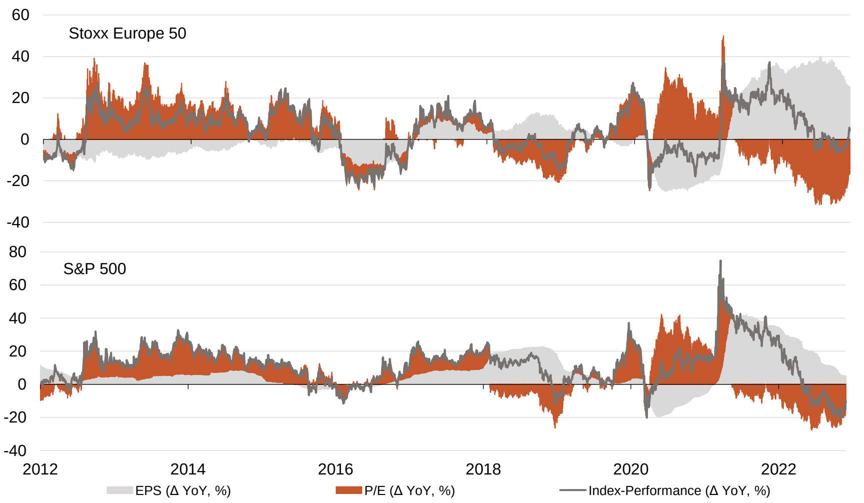
Earnings Growth



- For 2023, the earnings growth outlook for the industrialised nations remains better than for the emerging markets, despite recently improved revisions for the latter. On the negative side, emerging market regions such as Latin America and Eastern Europe are particularly affected.
- Among European sectors, information technology, utilities and financials are likely to see the greatest earnings

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 02/12/2022

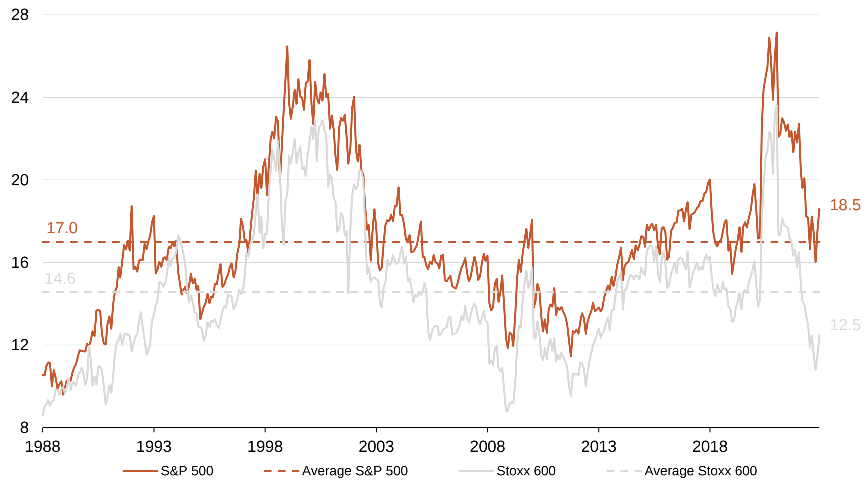
Contribution Analysis



- The Stoxx Europe 50 now has a positive year-on-year performance. The movement was driven by a marked widening of valuations, while earnings rose less strongly.
- The S&P 500 was also able to gain as well but is still negative yoy. As in Europe, the main driver was rising valuations.

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 - 02/12/2022

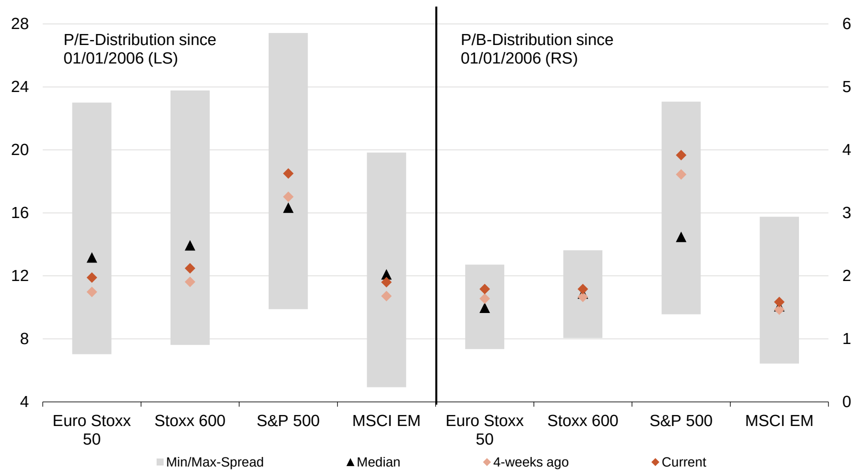
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Rising prices coupled with a rather modest earnings growth outlook has led to a significant valuation expansion in both the S&P 500 and the Stoxx 600 in recent weeks, with the P/E ratio of the S&P 500 rising to over 18 and the Stoxx 600 to over 12.

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 - 02/12/2022

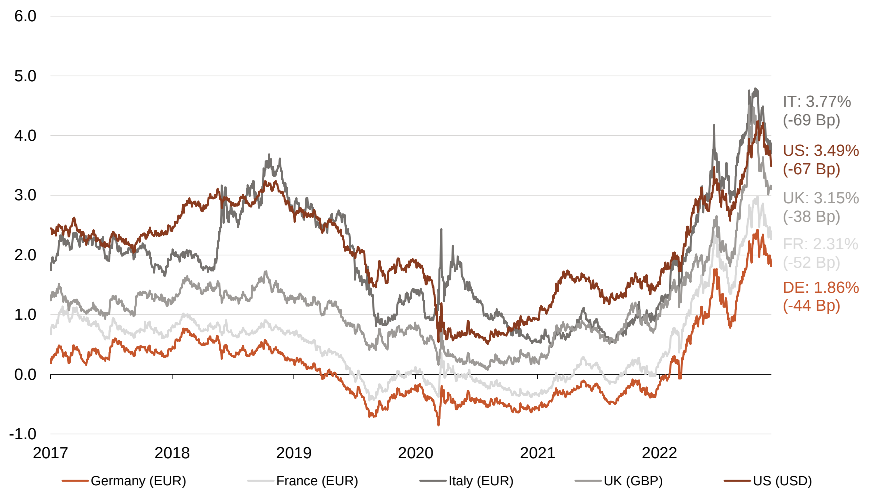
Historical Distribution: Price/Earnings and Price/Book Ratio



- Not only on a P/E basis but also on a P/B basis, US, European and emerging market equities have become more expensive over the past four weeks. The valuation expansion has been most pronounced for the S&P 500 as investors expect less monetary policy headwinds from the Fed.

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 - 02/12/2022

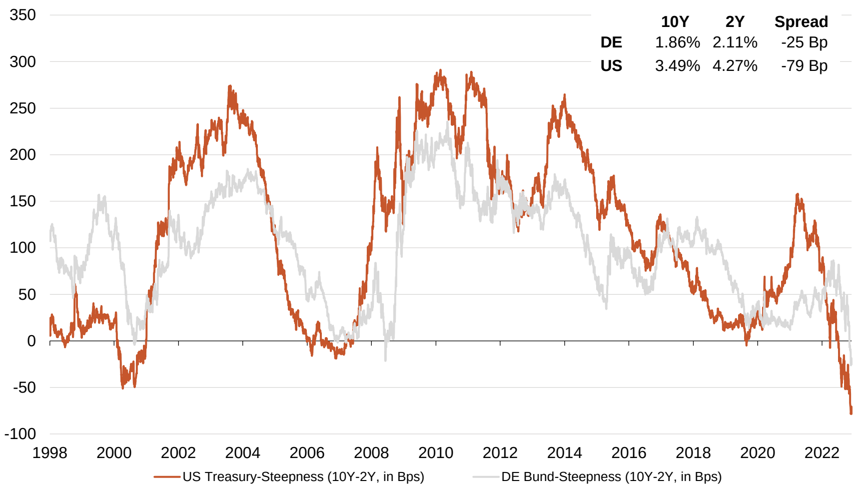
10-Year Government Bond Yields



- A recent decline in inflation, both in the US and in the eurozone, led to significant declines in government bond yields. In the last four weeks, yields on US government bonds have fallen by around 70 basis points (bp) and on German government bonds by around 40bp.

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 - 02/12/2022

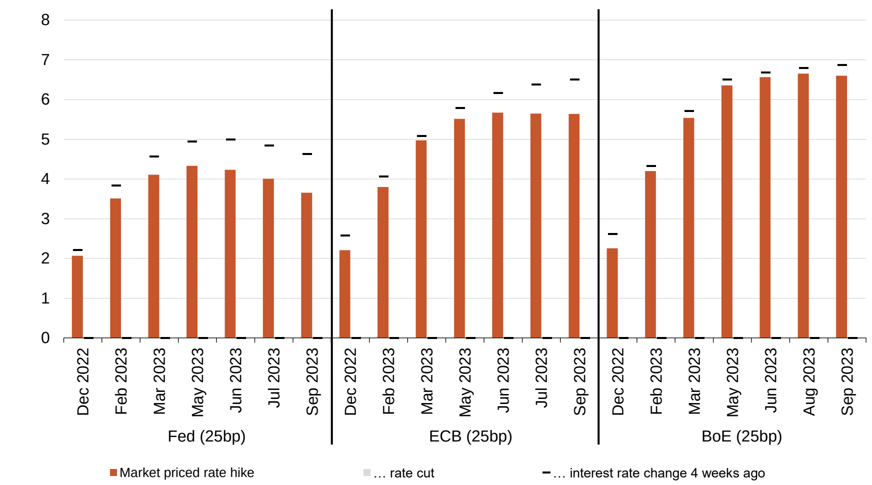
Yield Curve Steepness (10Y - 2Y)



- The steepness of the German yield curve has flattened further and is now clearly inverted at -25bp. A recession is thus now also priced in by the bond market in Europe.
- The steepness of the US yield curve is clearly inverted at -79 bp. The inversion is even more pronounced than during the dotcom bubble or the financial market crisis.

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 - 02/12/2022

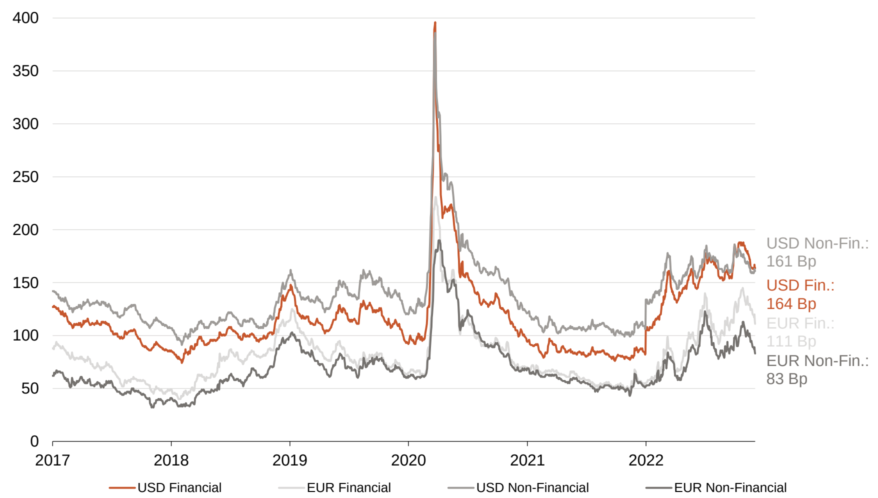
Implicit Changes in Key Interest Rates



- Even though inflation in the eurozone and the US has risen less recently, the market expects both the ECB and the Fed to raise interest rates by 50bp in December.
- The BoE is also expected to raise 50bp, according to the market.
- For February 2023, on the other hand, the market expects the Fed to raise rates by only around 25bp. At the ECB and the BoE, the consensus is for a rate hike of 50bp.

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: 04/11/2022 - 02/12/2022

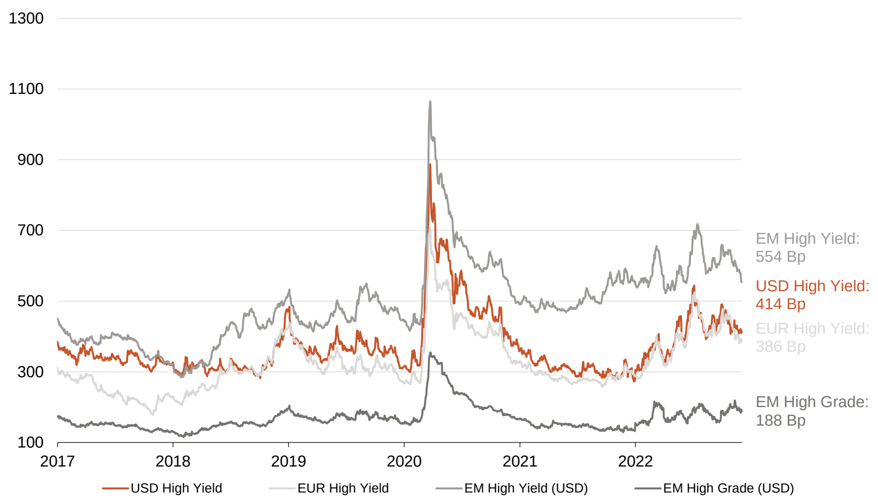
Credit Spreads Financial and Non-Financial Bonds



- Despite further rises on the stock markets, spreads on investment-grade corporate bonds have not fallen significantly in the last two weeks. Only EUR-IG saw its spread decline by more than 5bp.
- The bond market is thus less euphoric than the stock market.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2017 - 02/12/2022

Credit Spreads High Yield and Emerging Markets Bonds



- In contrast to EUR and USD high-yield bonds, emerging market high-yield bonds saw a noticeable narrowing of spreads in the last two weeks. Spreads have fallen by about 30bp for emerging market high yield bonds. Spreads on EUR and USD high-yield bonds, on the other hand, only went down by a few basis points.

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 - 02/12/2022

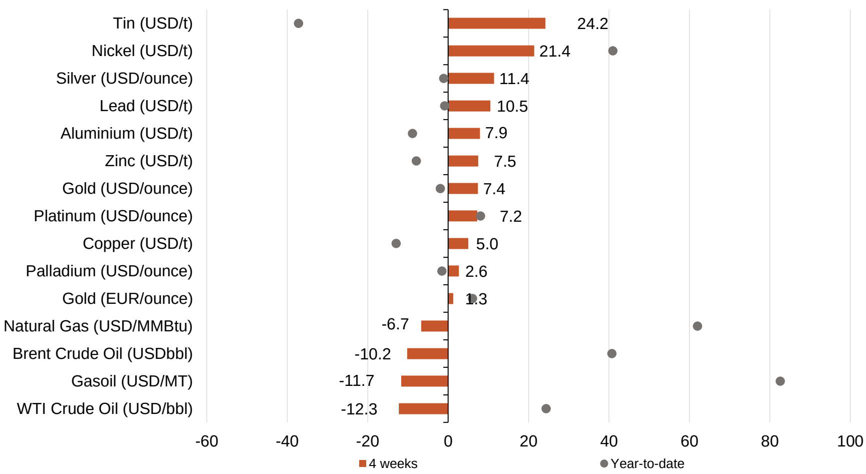
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	02/12/21 02/12/22	02/12/20 02/12/21	02/12/19 02/12/20	02/12/18 02/12/19	02/12/17 02/12/18
EUR Government	2.47	-0.25	7.5	-	-	-	2.9	-14.1	-15.5	-1.3	4.2	8.1	-1.2
Germany	1.87	-0.17	7.5	-	-	-	2.4	-13.6	-15.1	-0.4	1.8	4.4	0.9
EUR Corporate	3.70	-0.50	4.7	94	-20	73	3.2	-12.0	-12.4	-0.2	2.5	6.2	-1.8
Financial	3.90	-0.43	4.0	111	-21	80	2.7	-10.4	-10.7	0.0	2.1	5.7	-1.8
Non-Financial	3.58	-0.53	5.2	83	-20	69	3.5	-12.8	-13.3	-0.3	2.7	6.5	-1.8
EUR High Yield	7.15	-0.79	3.3	386	-44	70	3.9	-10.5	-10.0	3.3	3.3	9.7	-3.4
US Treasury	3.90	-0.53	6.5	-	-	-	4.1	-11.3	-11.7	-1.5	7.5	9.6	-1.4
USD Corporate	5.24	-0.76	7.1	162	-11	82	6.3	-13.9	-13.9	-0.1	9.6	15.1	-3.3
Financial	5.45	-0.74	5.2	164	-17	90	5.0	-11.7	-11.6	-0.3	9.0	13.1	-2.3
Non-Financial	5.15	-0.76	8.0	161	-8	78	6.9	-14.9	-14.9	0.1	9.9	15.9	-3.7
USD High Yield	8.49	-0.62	4.4	414	1	62	2.8	-9.8	-8.4	5.3	6.8	9.5	0.2
EM High Grade	5.66	-0.73	5.4	188	-9	57	5.3	-14.0	-14.0	0.6	5.7	12.6	-2.2
EM High Yield	10.52	-1.65	4.0	554	-54	50	8.5	-15.9	-15.5	-2.5	8.3	12.4	-2.7

- In the last four weeks, all bond segments gained. The positive development was most pronounced in emerging market high-yield bonds, which benefitted not only from falling yields but also from significantly falling spreads. But EUR and USD corporate bonds also developed noticeably positively.

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 : 02/12/2017 - 02/12/2022

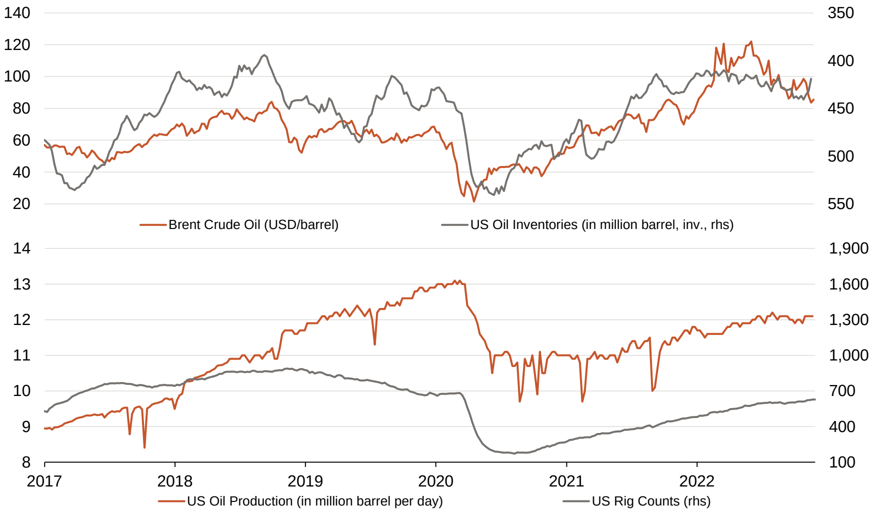
Commodities Performance



- The commodity markets recorded gains in the aggregate over the last month. Industrial metals in particular benefited from the recent optimism in China. Tin, nickel, zinc, copper and aluminium led the way. Silver and platinum, precious metals with high industrial use and low liquidity, also gained.
- Only the energy commodities crude oil and gas oil lost ground 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 - 02/12/2022

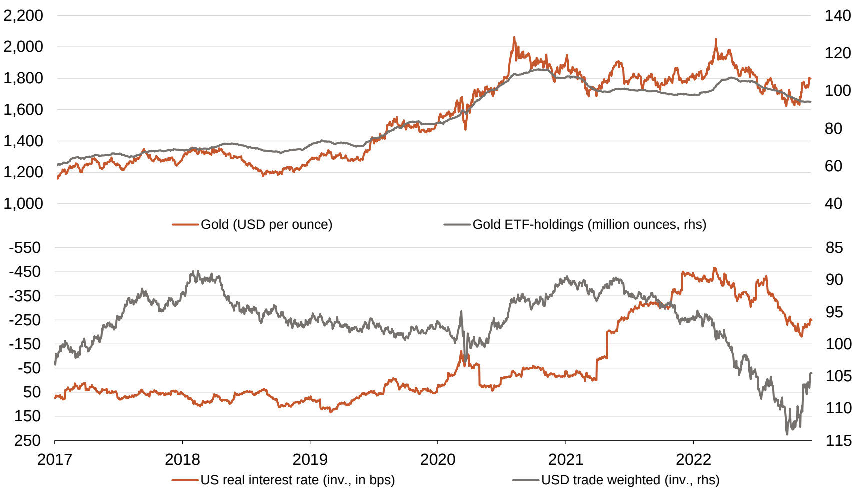
Crude Oil



- November was a volatile month for crude oil. Initially, discussions about the European price cap put pressure on the oil price, but then it started to rise again with new China vaccinations, low US inventories and rumours of further production cuts by OPEC+.
- The volatile intra-day movements were further exacerbated by thin liquidity in the time period around the US Thanksgiving Day holiday.

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 - 02/12/2022

Gold



- As a beneficiary of the recent dollar weakness, gold has held robustly around the USD 1,750 mark over the last few weeks. The decline in real interest rates also eased the headwinds.
- Silver – with a performance of almost 29% since the September low – performed even better thanks to thin liquidity and industrial affinity.

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 - 02/12/2022

PUBLISHING INFORMATION

PUBLISHER

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

EDITORS

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

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

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

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

IMPORTANT NOTICES

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