Current market commentary

The stronger-than-expected US labour market data at the beginning of February led to a reassessment on the financial markets. There was a significant upward countermovement in the US dollar. Bond yields rose, especially at the short end, leading to a stronger inversion of the US yield curve. While the market is now pricing in higher interest rates for an extended period, it still expects the Fed to cut rates by 200 basis points by 2025 and US inflation to come down to 2.5%. While US equities trended volatile sideways, the recovery rally in European equities, which have more room to move upwards in terms of valuation, continued. However, volatility is likely to increase in the medium term – either because the recession feared by many market participants will occur and weigh on corporate profits, or because the economy and inflation turn out to be more robust than expected, which is likely to lead to a longer-lasting restrictive monetary policy by central banks.

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

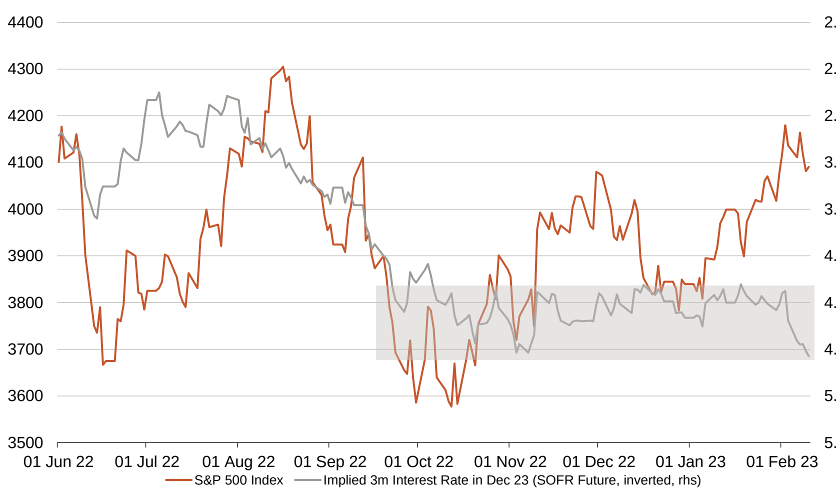
Markets focus on reporting season again after central bank meetings.

After the central bank meetings, the focus of the markets is likely to turn back to the Q4 reporting season, which will be largely completed in the US by the end of February. So far, earnings disappointments have been punished less than in recent quarters – this reporting season, companies with earnings misses only fall by an average of 1%, compared to an average of 2.5% to 3% from Q3 2021 to Q3 2022 in the previous four quarters.

Economic data provide insights into inflation trends and economic activity.

Preliminary Q4 2022 GDP data for Japan and the Eurozone are due on Tuesday. Valentine's Day also brings the new US inflation figures for January – currently estimated by the market at 6.2% year-on-year. This will be followed on Wednesday by industrial production data for the Eurozone (Dec.) and the US (Jan.) and retail sales (Jan.) for the US. US housing starts (Jan.), producer prices (Jan.) and initial jobless claims (11 Feb) will be reported on Thursday.

Fundamentally, the air is getting thinner for US equities



- After the strong US labour market data, bond markets are again expecting a more restrictive monetary policy from the Fed and are now pricing in higher interest rates for longer. SOFR futures for December imply a 3m interest rate of around 4.8%. This is the highest level since early November 2022.
- However, despite lower earnings expectations, the equity markets are now trading a good 9% higher than back then. If the bond markets are right, the air will slowly become thin for equities fundamentally, despite technical tailwinds.

Source: Bloomberg, Time period: 01/06/2022 - 10/02/2023

Multi Asset

	4W (13/01/23 - 10/02/23)	YTD (30/12/22 - 10/02/23)	10/02/22 10/02/23	10/02/21 10/02/22	10/02/20 10/02/21	10/02/19 10/02/20	09/02/18 10/02/19
MSCI World	3.4	7.5	-1.5	18.4	6.0	26.4	8.3
Global Convertibles	3.3	6.5	-6.1	-9.1	39.4	19.7	10.0
REITs	3.0	8.7	-6.7	22.8	-17.1	19.0	20.3
Brent	2.6	0.9	30.2	74.1	-12.2	1.8	11.2
MSCI Frontier Markets	1.9	4.8	-16.2	22.8	-5.6	14.0	-5.0
USDEUR	1.4	0.3	7.0	6.0	-10.0	3.8	8.2
EUR Coporates	0.2	2.3	-9.2	-4.3	1.5	5.7	0.9
Euro overnight deposit	0.1	0.2	0.3	-0.6	-0.5	-0.4	-0.4
MSCI Emerging Markets	-0.1	6.5	-10.4	-5.0	20.3	11.8	0.1
EUR Sovereign Debt	-0.7	1.3	-8.4	-3.8	0.8	3.9	1.2
Gold	-1.5	2.6	9.3	5.1	5.6	24.1	8.1
Industrial Metals	-3.1	0.8	-3.7	42.9	19.7	-5.0	-1.9

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

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

- The recovery rally since the start of the year continued into February. Better than feared corporate earnings, positive economic surprises in Europe and hopes for a demand recovery in China gave the markets a tailwind.
- Under the surface, however, it remained volatile. This is because markets remain under the spell of central banks and the uncertain global economic outlook. The market is increasingly hoping for a soft landing. This holds negative surprise potential.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 09/02/2018 – 10/02/2023

Equities

	4W (13/01/23 - 10/02/23)	YTD (30/12/22 - 10/02/23)	10/02/22 10/02/23	10/02/21 10/02/22	10/02/20 10/02/21	10/02/19 10/02/20	09/02/18 10/02/19
MSCI USA Small Caps	3.9	10.2	4.0	4.2	20.1	17.2	13.4
S&P 500	3.9	7.1	-0.8	23.7	6.7	31.1	13.7
MSCI Japan	3.0	6.1	-2.5	-0.9	9.6	19.7	-2.2
Stoxx Europe Cyclicals	2.2	10.8	-3.0	19.1	1.8	21.8	-8.0
DAX	1.5	9.9	-1.2	11.2	3.3	23.7	-9.9
Stoxx Europe Small 200	1.3	8.5	-11.7	10.5	7.9	21.7	-2.7
Euro Stoxx 50	1.3	10.9	2.7	17.2	-1.9	24.3	-3.1
MSCI UK	0.9	6.2	3.1	29.0	-14.3	13.0	5.2
Stoxx Europe Defensives	0.9	4.6	5.0	19.1	-8.4	21.0	12.5
MSCI EM Asia	0.6	7.8	-8.9	-10.5	31.2	14.5	-0.6
Stoxx Europe 50	0.5	6.8	5.8	22.3	-6.5	23.4	1.4
MSCI EM Eastern Europe	-1.4	5.7	-79.8	21.7	-15.0	21.8	9.6

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

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

- At sector and style level, cyclical market segments such as technology stocks and cyclical consumer goods excelled in particular. The gains behind tech stocks were driven by megacaps.
- Together with the outperformance of small caps over large caps, this is an indication of the current soft-landing optimism in the markets. However, the risks are not over yet. Over the last few days, the stronger US dollar and higher interest rates have weighed on US equities in particular.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 09/02/2018 – 10/02/2023

Fixed Income

	4W (13/01/23 - 10/02/23)	YTD (30/12/22 - 10/02/23)	10/02/22 10/02/23	10/02/21 10/02/22	10/02/20 10/02/21	10/02/19 10/02/20	09/02/18 10/02/19
EUR High Yield	1.6	4.2	-5.0	-1.0	3.4	9.5	-0.9
EUR Financials	0.7	2.5	-8.3	-3.9	1.4	5.6	0.5
EM Hard Currency Bonds	0.6	1.8	-6.7	0.9	-7.5	16.1	10.9
Treasuries	0.2	1.0	-1.3	0.7	-6.2	12.7	11.8
Chinese Gov Bond	0.1	0.2	2.5	6.8	0.4	6.0	8.7
EM Local Currency Bonds	-0.3	2.6	-4.5	-1.2	-6.5	11.0	3.8
EUR Non-Financials	-0.3	2.2	-9.8	-4.6	1.6	5.8	1.2
Gilts	-0.5	2.0	-22.6	-3.8	-2.3	12.8	6.5
BTPs	-0.6	3.3	-10.9	-7.1	5.1	15.6	-3.1
USD High Yield	-0.7	3.1	-5.2	0.4	6.9	9.8	3.8
USD Corporates	-0.9	2.3	-9.0	-4.8	5.8	14.3	2.4
Bunds	-1.3	1.5	-14.0	-4.5	0.1	3.5	5.1

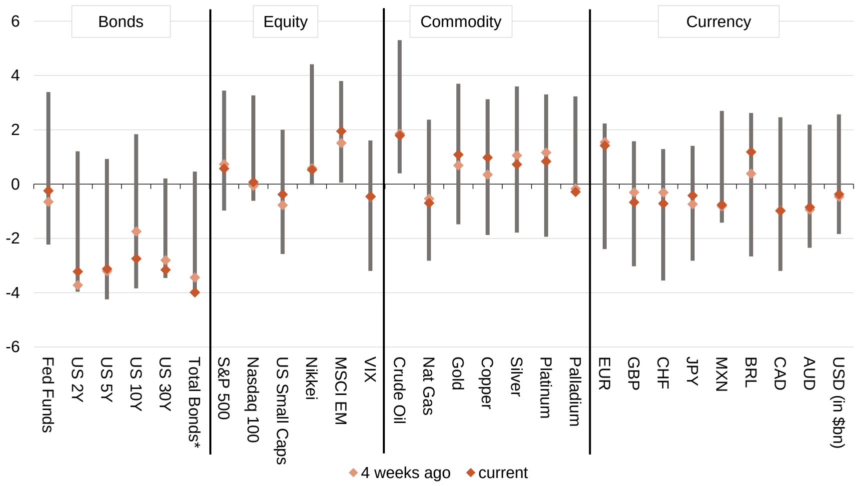
4-week & YTD; 12-month periods over that last 5 years

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

- Global bond markets rallied in line with equities. After the robust US labour market data, however, hopes of an early end to the aggressive cycle of interest rate hikes cooled. Accordingly, bond yields rose rapidly again.
- The market seems to underestimate the scenario of higher interest rates for longer. This week's US inflation data should provide more insight into the further interest rate cycle.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 09/02/2018 – 10/02/2023

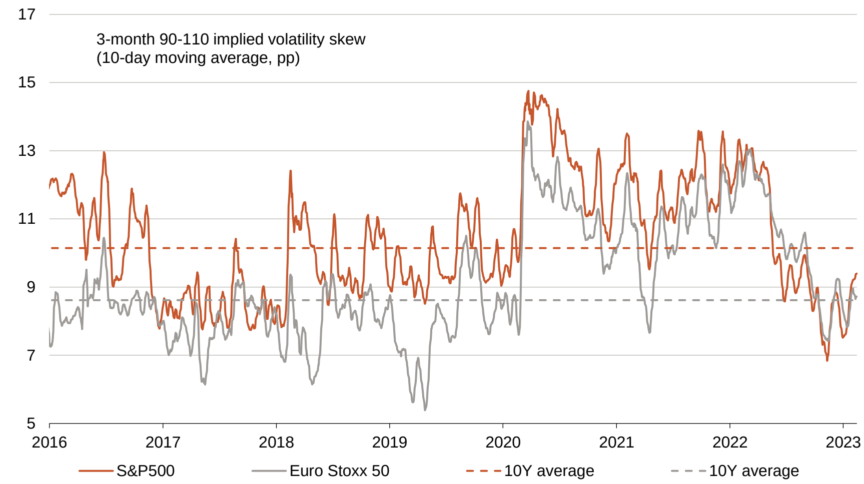
Non-Commercial Positioning



- The data shown here is out of date. Due to technical problems, the CFTC has not published any new data since 24 January.

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: 24/01/2013 - 24/01/2023

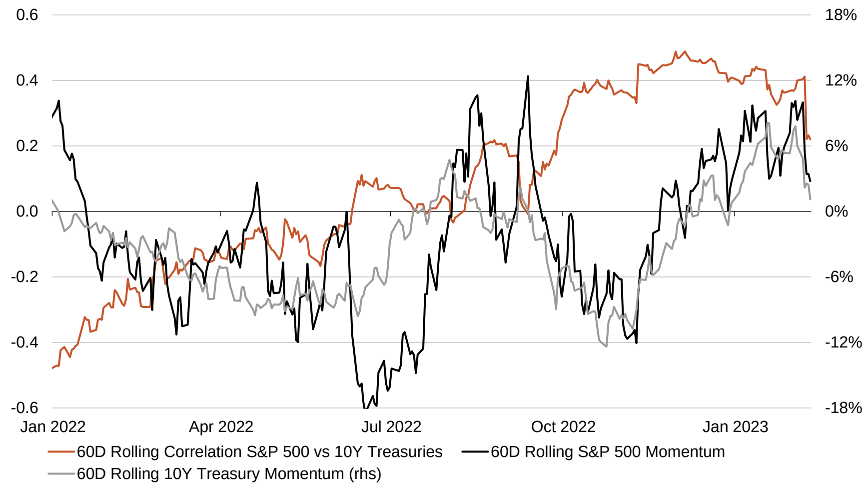
Put-Call-Skew



- The skew has changed only slightly in the last two weeks, at least in percentage points.
- However, if we normalise it by the current level of implied volatility, it has risen significantly over the last few weeks due to the decline in volatility. Consequently, there is again greater interest in hedging by investors.

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: 10/02/2013 - 10/02/2023

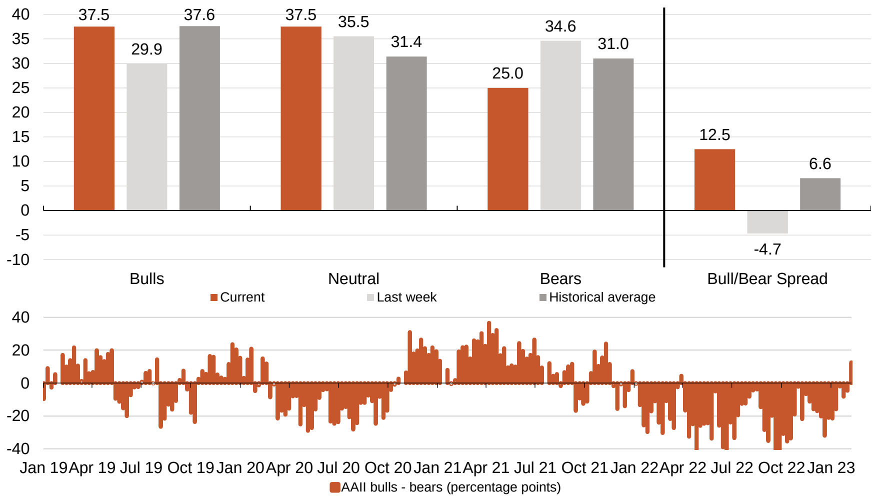
60-Day Momentum and Correlation



- The positive momentum of bonds and equities recently came down significantly. At the same time, the correlation between equities and bonds has fallen. This is mainly due to the fact that 10 November (publication of October inflation data, S&P 500: +5.5%, 10Y US Yields: -28bp) fell out of the 60d calculation window.

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: 31/12/2021 - 10/02/2023

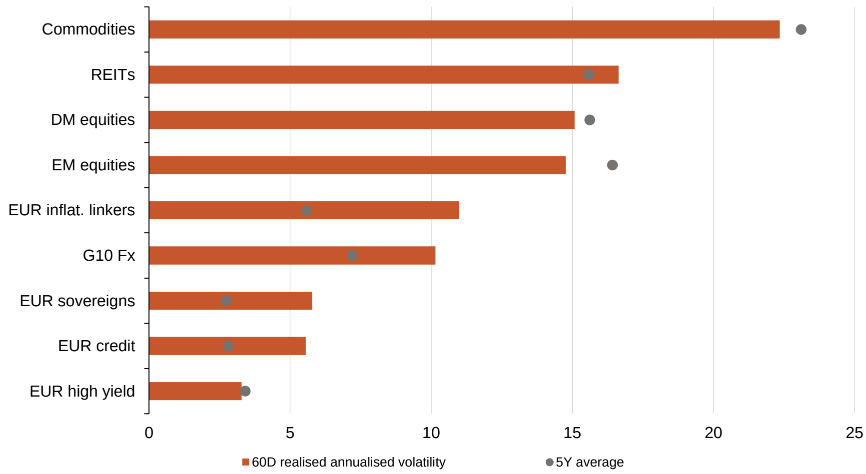
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment of US private investors has recently brightened considerably. Only a quarter of those surveyed are still pessimistic about the future.
- The bull/bear spread recently turned positive for the first time since March 2022. At 12.5 pp, it is even as high as November 2021.

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 - 09/02/2023

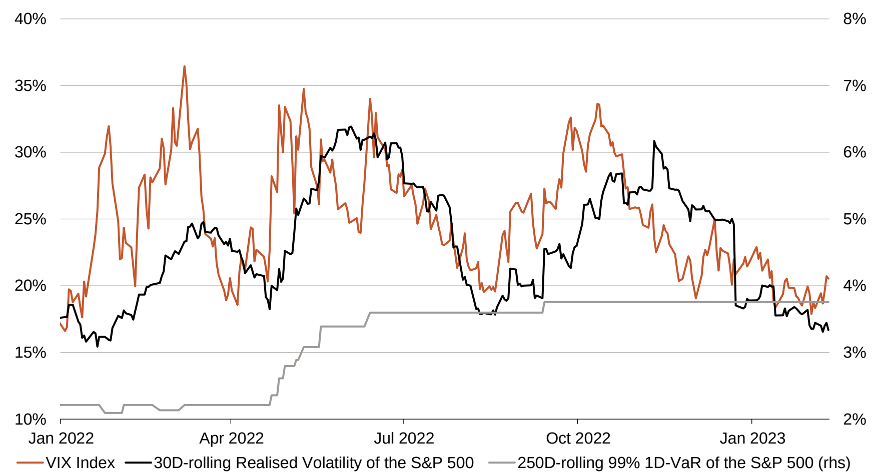
Realised Volatilities



- Volatility has recently fallen noticeably across all asset classes.
- Equities from both developed and emerging markets now even show below-average volatility at 15%.
- Particularly striking is the significantly higher volatility in government bonds compared to normally much riskier high-yield bonds. Government bonds moved almost twice as much over the last 60 days.

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: 10/02/2018 - 10/02/2023

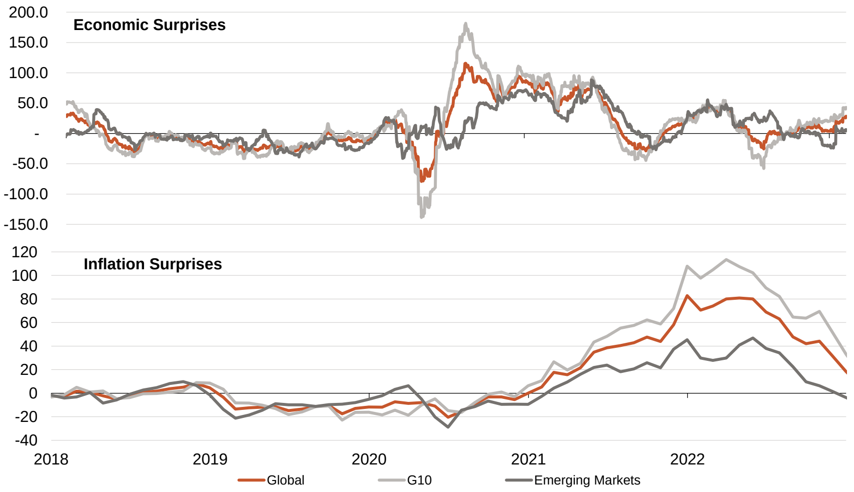
Volatility and Value-at-Risk of the S&P 500



- While realised volatility in equity markets has continued to fall, implied volatility has stabilised at around 20.
- The 250d-VaR is expected to fall soon as the volatile days at the beginning of last year fall out of the calculation. This should increase risk budgets in some mutual funds.

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: 31/12/2021 - 10/02/2023

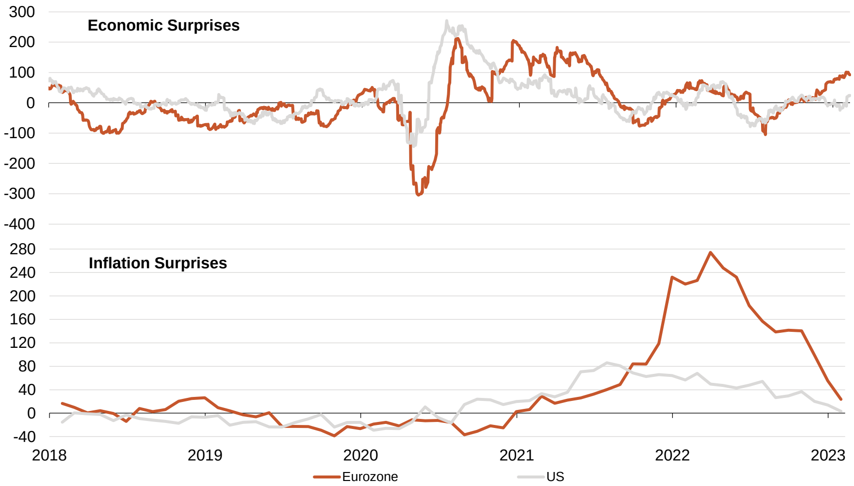
Global



- Uncertainty about global central bank policy and recession could not stop the world economy from surprising to the upside recently.
- Even emerging markets turned positive again from mid-January.
- China in particular provided support. The PMI Purchasing Managers' Index for the manufacturing sector confirmed market expectations, the PMI data for services were well above expectations and the PPI figures for January came in much earlier than expected.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 – 10/02/2023

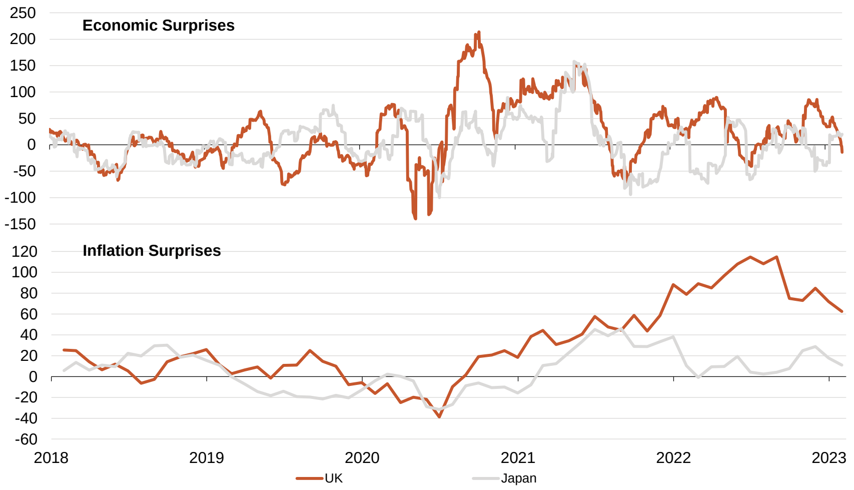
Eurozone and US



- In the euro area, the economic surprises in the aggregate also surprised on the upside. Here, the year-on-year GDP surprised positively.
- The US also made it back into positive territory. Here, the significantly higher-than-expected monthly change in the employment figure excluding white-collar workers in agriculture pointed to a continued robust labour market.
- It is also worth noting that in both regions, inflation data continuously surprised on the downside.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 – 10/02/2023

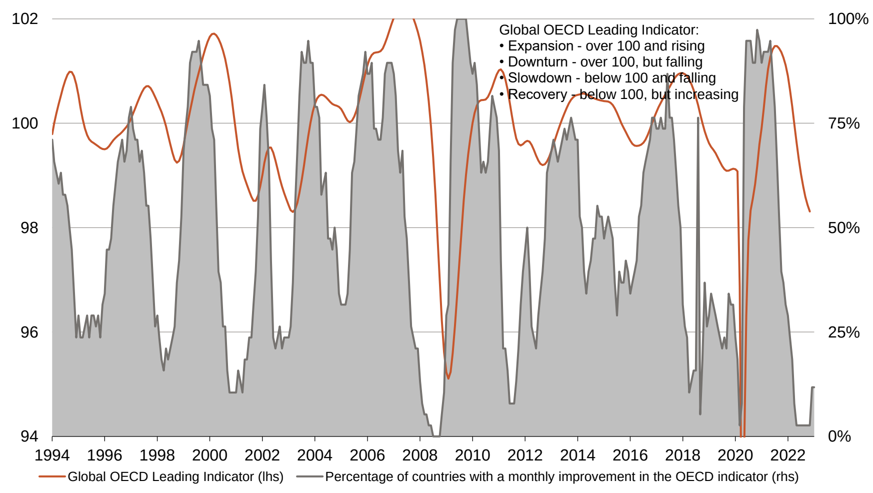
UK and Japan



- UK economic data fell into negative territory for the first time since August 2022. Here, mortgage approvals came in well below expectations.
- In Japan, however, the picture turned positive. Industrial production surprised on the upside.

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, Time period: 01/01/2018 – 10/02/2023

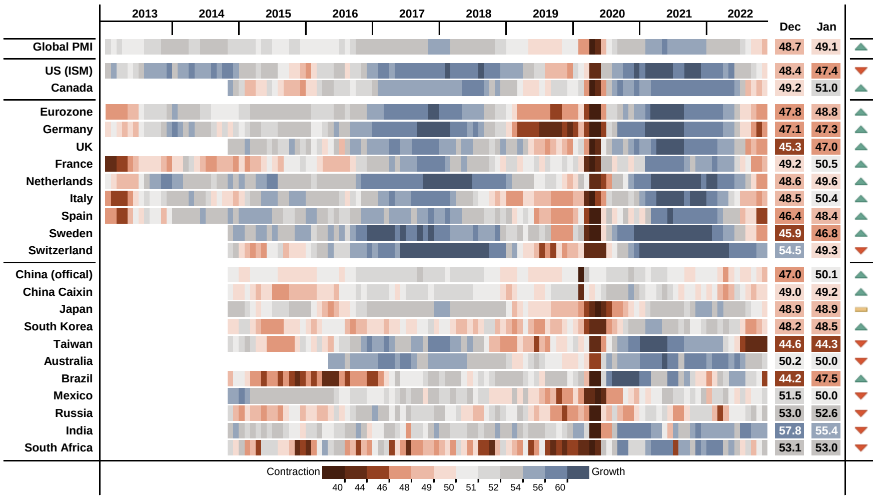
OECD Leading Indicator



- The OECD Leading Indicator has remained on a downward trend since July 2021 and continues to point to a slowdown in the global economy.
- Under the surface, however, the picture seems to be temporarily brightening. After seven consecutive months in which the share of countries with an improvement was below 5%, 12% of countries now managed to improve on the previous month.

The OECD Leading Indicator is composed of a set of selected economic indicators whose composition provides a robust signal of future turning points. A turning point usually signals a turning point in the business cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly identified.
Source: Bloomberg, Time period: 31/01/1994 - 31/01/2023

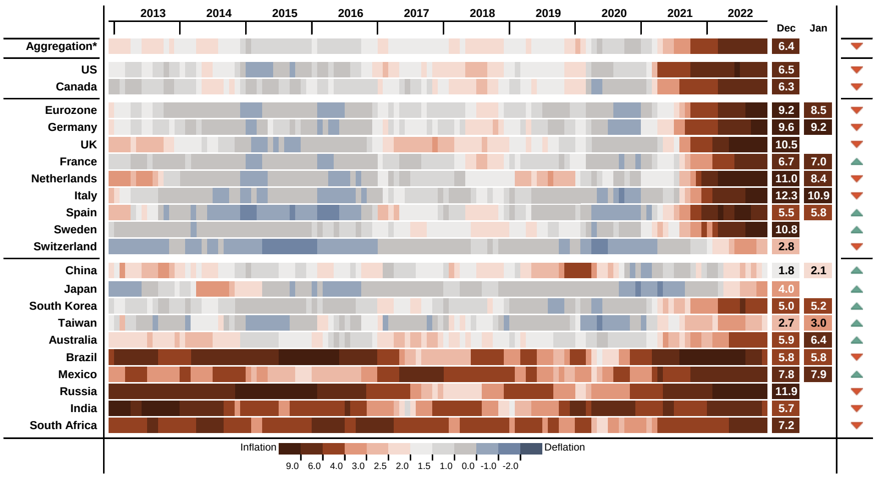
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The industrial purchasing managers' PMIs for January show clear regional divergences. While the purchasing managers' indices in the US, Switzerland, Taiwan, Australia and India fell month-on-month, they rose at the global level, in the Eurozone, Germany, France and China.

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: 10/02/2013 - 10/02/2023

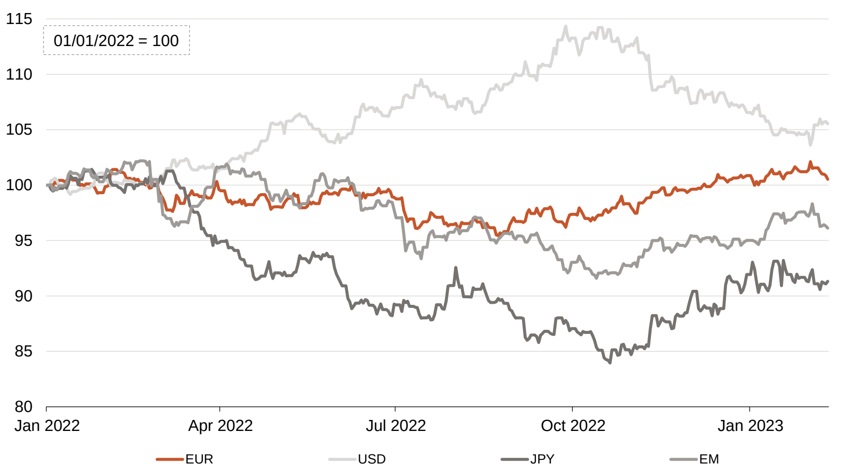
Headline Inflation



- Inflation in the eurozone has fallen back to its lowest level since May 2022 at a value of 8.5%. Within the eurozone, however, the inflation rate developed unevenly. In Germany, the Netherlands and Italy, the inflation rate cooled, while in France and Spain, inflation rates rose.

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: 10/02/2013 - 10/02/2023

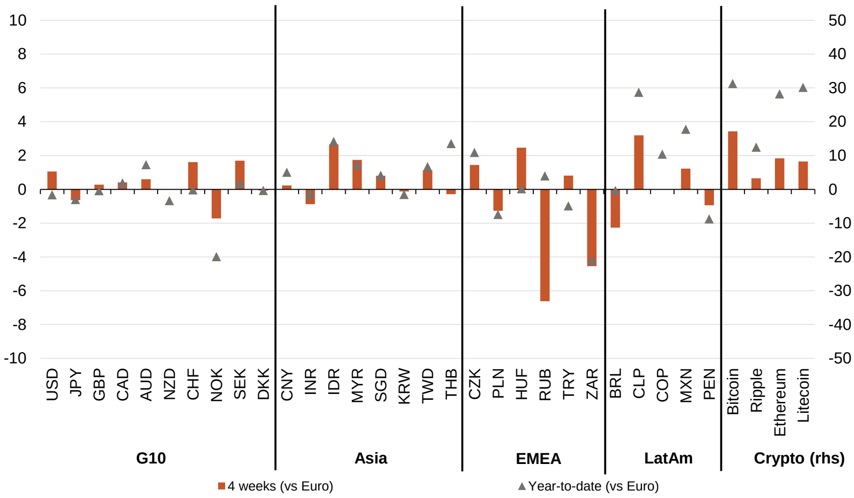
Trade-Weighted Currency Development



- On currency markets, the trends over the past months have recently come to a halt.
- The US dollar appreciated, while the euro and emerging market currencies depreciated.
- Following the release of surprisingly strong US labour market data last week, investors have revised their key interest rate expectations upwards. Ceteris paribus, the US dollar has become more attractive.

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: 01/01/2022 - 10/02/2023

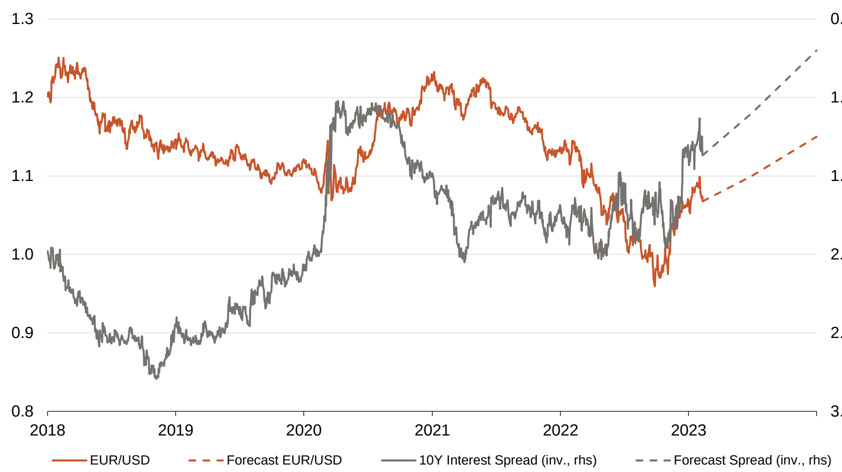
Currency Moves vs Euro



- Currency developments against the euro were very mixed over the last month.
- The worst performing G10-currency both since the beginning of the year and over four weeks is the Norwegian krone. However, there is no fundamental reason for the weak development.
- The strongest currency is the Chilean peso. Chile is the world's largest exporter of copper and thus benefits from the increased metal prices.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2022 - 10/02/2023

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



- After initially rising above 1.10 following the Fed meeting, the EUR/USD exchange rate fell to 1.07 after the US labour market data.
- One reason for this is likely to be the widening of the interest rate differential between 10y Treasuries and 10y Bunds.

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: 01/01/2018 - 31/12/2023

European Sector & Style Performance

	4W (13/01/23 - 10/02/23)	YTD (30/12/22 - 10/02/23)	10/02/22 10/02/23	10/02/21 10/02/22	10/02/20 10/02/21	10/02/19 10/02/20	09/02/18 10/02/19
Energy	4.7	7.6	24.4	55.0	-26.0	-7.3	16.0
Communication Services	3.5	11.7	0.5	32.5	-13.7	19.4	-14.2
Telecommunications	3.0	10.1	-7.6	15.5	-10.9	7.2	-3.2
Information Technology	2.6	16.1	-4.0	9.7	15.3	35.9	4.6
Industrials	2.4	9.7	-1.2	15.9	3.8	29.8	-2.2
Consumer Discretionary	2.0	14.9	0.0	13.8	12.4	21.7	-5.9
Value	1.7	8.0	1.5	24.6	-10.1	12.9	-2.4
Growth	0.7	7.8	-1.6	12.7	4.0	29.5	3.0
Health Care	-0.5	1.8	3.9	14.5	-5.0	32.0	14.3
Utilities	-1.4	2.8	-1.8	6.3	-1.7	34.6	22.0
Materials	-1.7	5.1	-4.6	18.4	18.4	14.6	-2.2
Consumer Staples	-1.9	1.4	-1.9	16.4	-8.4	20.9	6.1

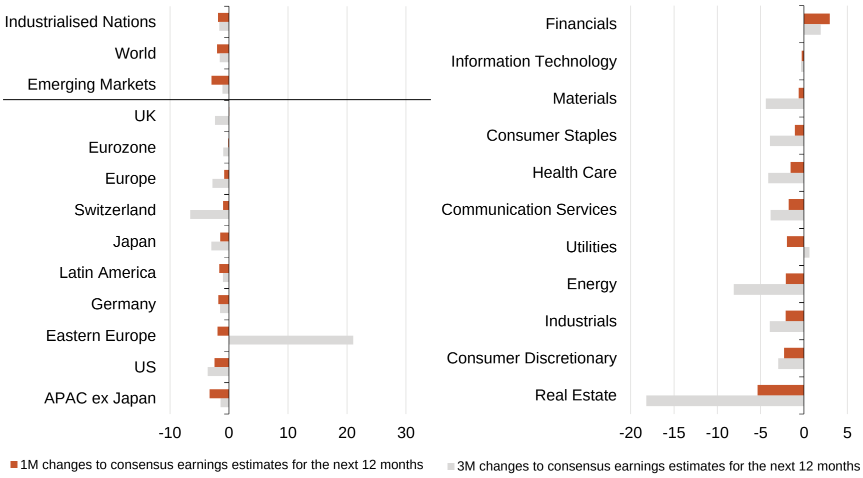
4-week & YTD | 12-month periods over that last 5 years

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.

- In the last four weeks, cyclical stocks in particular shone at sector and style level. Information technology and cyclical consumer goods were clearly ahead of utilities, consumer staples and healthcare stocks.
- The market is thus increasingly focusing on a soft-landing scenario. Small caps outperformed large caps.

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: 09/02/2018 – 10/02/2023

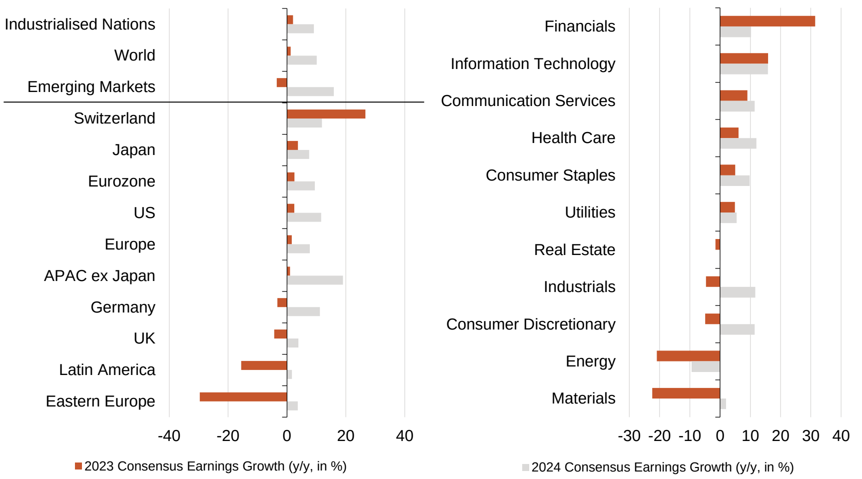
Changes in Consensus Earnings Estimates



- Over the last few months, analysts have lowered their earnings estimates for the next 12 months for almost all industrialised countries. The picture is mirrored at sector level.
- Positive earnings revisions over the last 3 months were seen regionally – exclusively for Eastern Europe, and sectorally – exclusively for financials and utilities. An easing of the Russia-Ukraine conflict should support the region, while financials should benefit from higher interest rates for longer.

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 10/02/2023

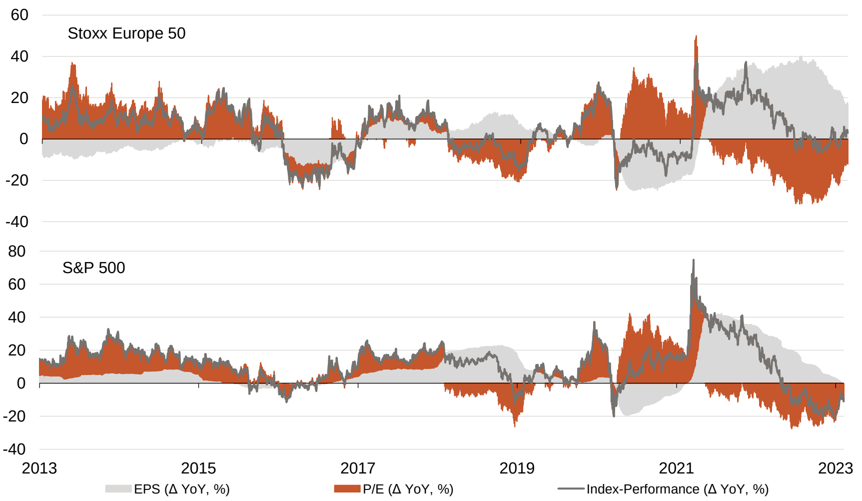
Earnings Growth



- Despite negative earnings revisions, analysts expect earnings growth for most regions and sectors in 2023 and 2024. The year-on-year basis of comparison also provides insight into when analysts expect the economy to recover.
- At the country level, analysts expect a significant increase from 2022 to 2023, after moderate earnings growth from 2023 to 2024.

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 10/02/2023

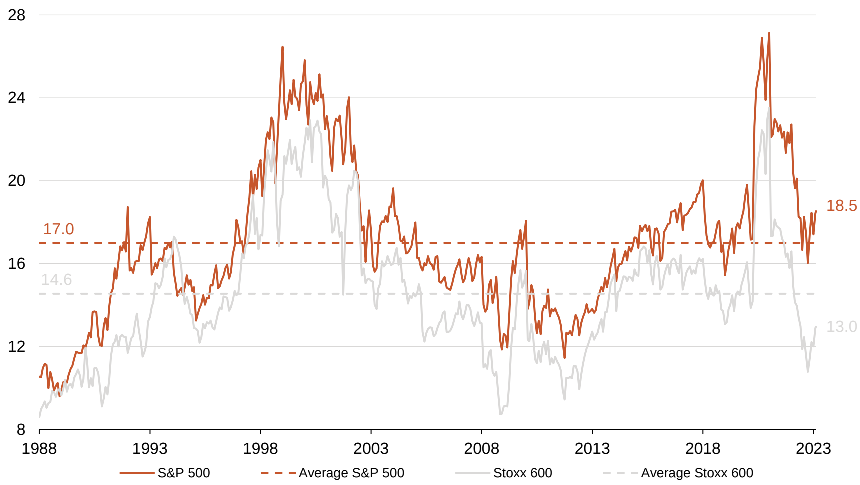
Contribution Analysis



- After losses over the last year, equities were able to make significant gains since the beginning of the year.
- In the process, equity markets realised a significant increase in valuation. In Europe, this was sufficient to lift the index performance into positive territory compared to the previous year.
- In the US, the S&P 500 failed to do so. The performance continued to consolidate in negative territory after the recent significant gain.

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: 01/01/2013 - 10/02/2023

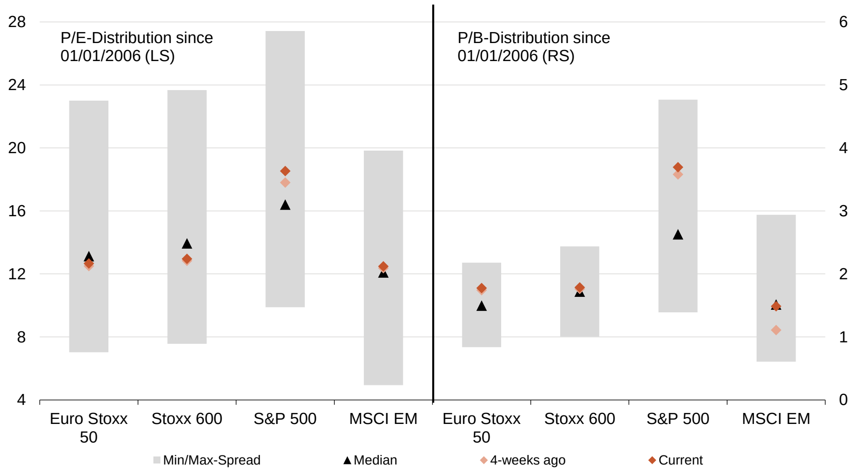
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The rally since the start of the year has pushed up the valuation of US and European equities. The main drivers have been market hopes for a milder recession, cooler inflation, and thus less restrictive central banks.
- The optimism of a soft landing even brought the valuation level of the S&P 500 back above its historical average.

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 - 10/02/2023

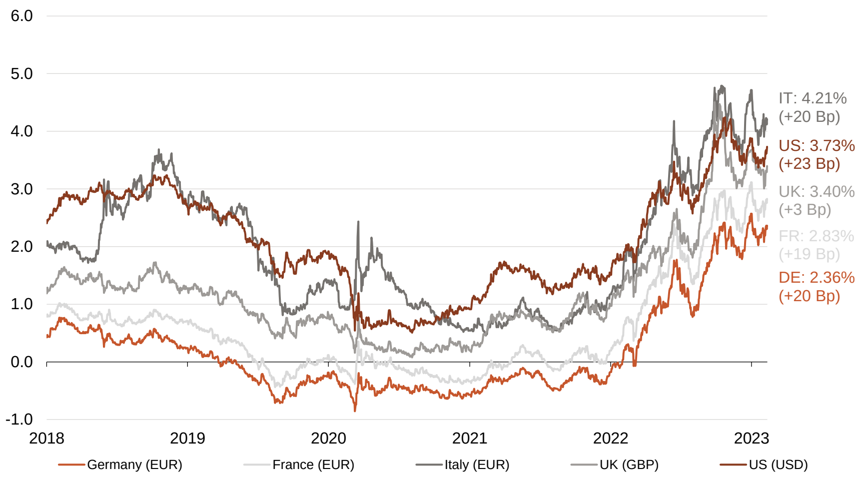
Historical Distribution: Price/Earnings and Price/Book Ratio



- Following the positive development on the global stock markets, the valuations of all the stock markets shown here have increased.
- The P/E ratio of the Euro Stoxx 50 is now at the historical median and the P/E ratio of the Stoxx 600 - which includes Swiss and British companies - is also approaching the median. The P/E ratio of the S&P 500 is clearly above it.

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 - 10/02/2023

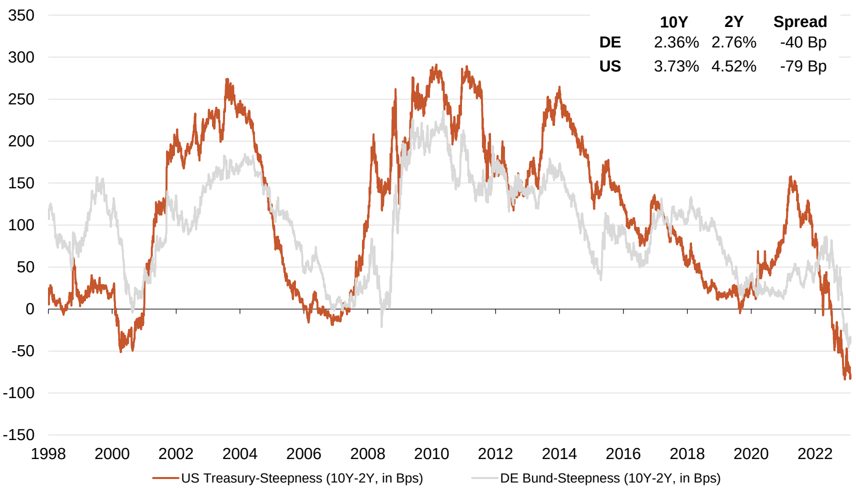
10-Year Government Bond Yields



- Yields on 10y government bonds have risen broadly over the past month.
- Only 10y GILT rates have increased just slightly. The BoE raised its key rate by 50 basis points and thus rather hit the upper end of market expectations. However, its forward guidance was somewhat more dovish than in December.

Effective yield on 10-year government bonds and change over the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2018 - 10/02/2023

Yield Curve Steepness (10Y - 2Y)

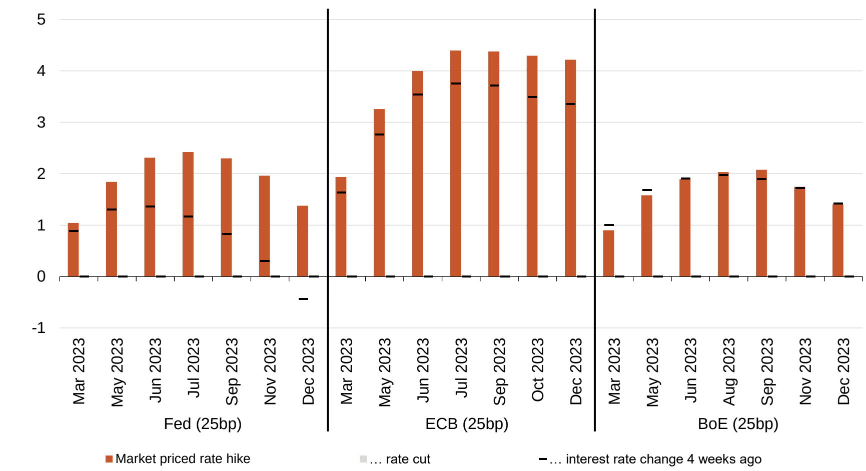


	10Y	2Y	Spread
DE	2.36%	2.76%	-40 Bp
US	3.73%	4.52%	-79 Bp

- The US yield curve recently flattened further and is currently at the level of December last year. Hence, the curve is more inverted than it has been since 1981.
- The market therefore expects that the Fed will not be able to maintain the current high interest rate level in the long term.

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 - 10/02/2023

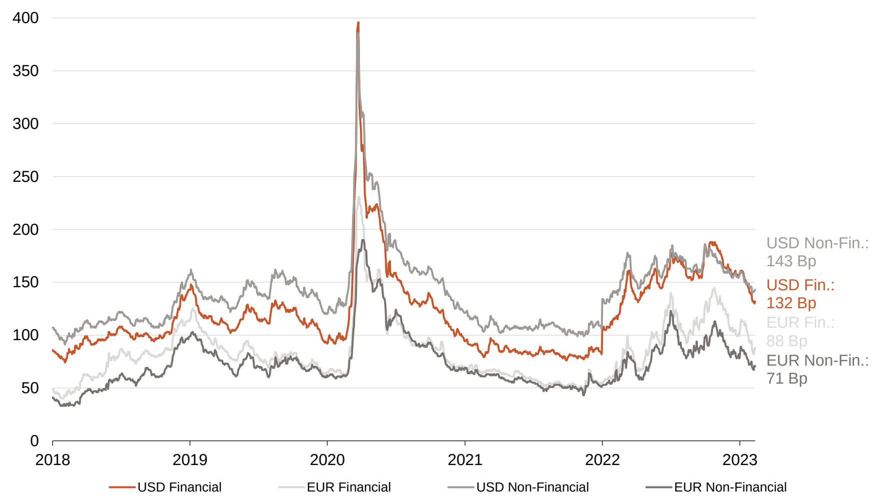
Implicit Changes in Key Interest Rates



- Although the major central bank meetings were initially perceived as somewhat more dovishl than expected, key interest rate expectations for the Fed and ECB have actually risen.
- Above all, the strong US labour market data dampened hopes for a quick turnaround in monetary policy. The market now sees the Fed's terminal rate about one rate step higher and expects only one rate cut by the end of the year.

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: 10/01/2023 - 10/02/2023

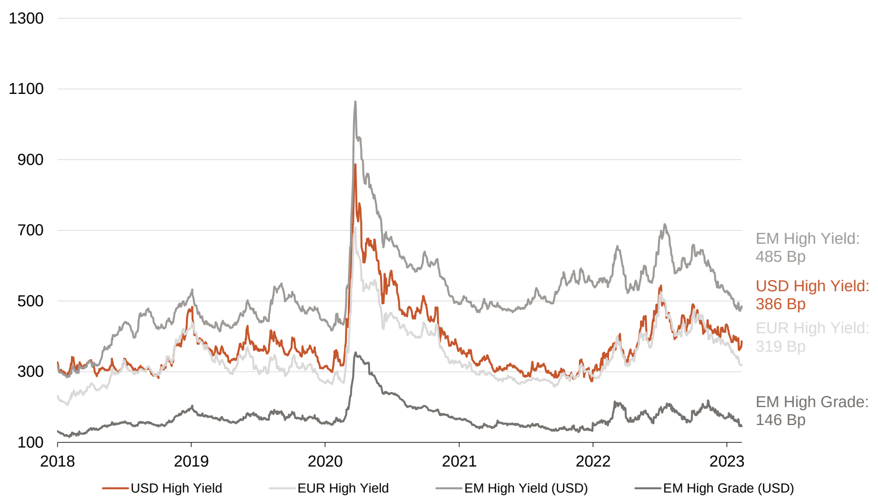
Credit Spreads Financial and Non-Financial Bonds



- Unlike interest rates, the risk premiums of companies with strong credit ratings continue to trend downwards.
- Nevertheless, European corporate bonds, for example, still offer a current yield of just under 4%. Accordingly, inflows into IG-Credit continue, albeit at a reduced pace compared to the large flows at the start of the year.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 10/02/2023

Credit Spreads High Yield and Emerging Markets Bonds



- The risk premiums on high-yield bonds have also fallen further in recent weeks.
- Compared to their own history, however, some segments have now become less attractive. For example, credit risks on European Coco bonds (contingent convertible bonds issued by banks) or USD High Yield are currently remunerated below average relative to the last 10 years.

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: 01/01/2018 – 10/02/2023

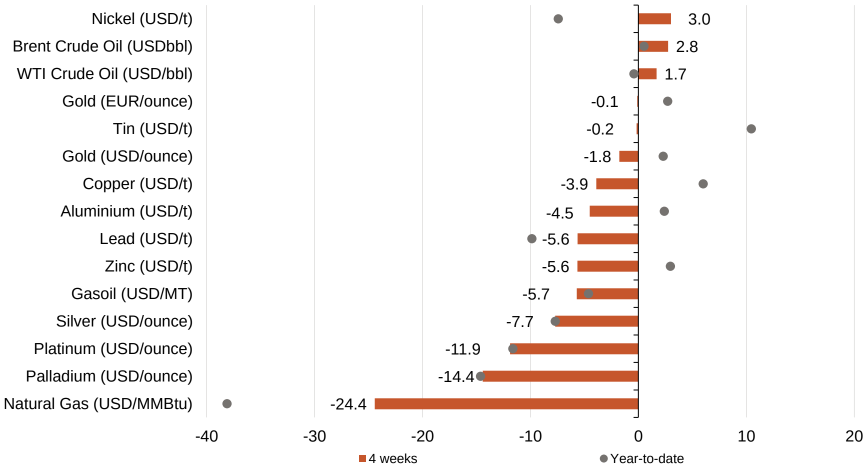
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	10/02/22 10/02/23	10/02/21 10/02/22	10/02/20 10/02/21	10/02/19 10/02/20	10/02/18 10/02/19
EUR Government	3.01	0.05	7.2	-	-	-	0.0	1.7	-13.6	-6.2	1.7	8.6	2.1
Germany	2.46	0.09	7.2	-	-	-	-0.3	1.1	-14.0	-4.5	0.1	3.5	5.1
EUR Corporate	3.96	-0.14	4.6	78	-18	53	1.2	2.1	-9.2	-4.2	1.5	5.7	1.0
Financial	4.13	-0.18	3.9	88	-25	51	1.3	1.9	-7.4	-3.5	1.3	5.3	0.6
Non-Financial	3.86	-0.12	5.0	71	-15	50	1.0	2.2	-10.1	-4.5	1.5	6.0	1.2
EUR High Yield	6.85	-0.49	3.2	319	-46	40	2.7	4.2	-5.0	-1.0	3.4	9.5	-0.9
US Treasury	4.15	0.18	6.4	-	-	-	-0.4	1.1	-8.6	-4.6	4.1	8.9	3.5
USD Corporate	5.32	0.04	6.9	139	-18	58	0.4	2.3	-9.0	-4.8	5.8	14.3	2.4
Financial	5.43	-0.05	5.1	132	-27	62	1.0	2.4	-6.8	-4.3	6.2	12.2	2.8
Non-Financial	5.27	0.08	7.8	143	-13	60	0.0	2.2	-10.0	-5.0	5.6	15.2	2.3
USD High Yield	8.45	0.08	4.2	386	-11	52	0.2	3.1	-5.2	0.4	6.9	9.8	3.8
EM High Grade	5.52	-0.07	5.3	146	-27	12	0.9	1.9	-9.6	-3.2	3.7	11.6	2.7
EM High Yield	9.86	-0.14	3.9	485	-30	31	0.9	3.0	-9.8	-7.1	7.1	11.1	2.5

- Almost all of the bond segments shown here had a positive total return over the last month. Only German government bonds recorded losses.
- As credit risk increased, so did the return. Although riskier segments have a lower duration, they benefited from significantly stronger declines in asset swap spreads.

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: 10/02/2018 – 10/02/2023

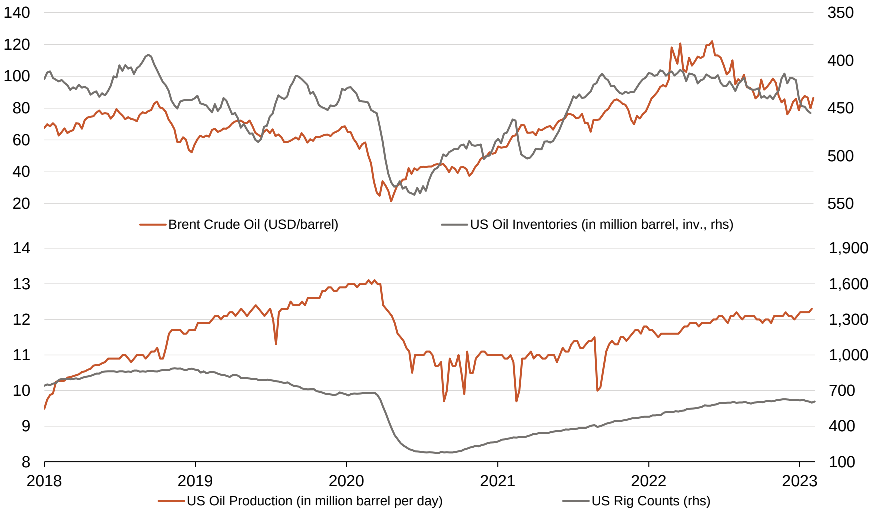
Commodities Performance



- While the last four weeks were clearly dominated by equities, the last four weeks showed no consistent development for commodities.
- Among industrial metals only Nickel made positive gains.
- Among energy commodities, only crude oil managed positive performance.
- There was no winner among the precious metals over the last four weeks. Robust-than-expected economic data dampened hopes of an end to interest rate hikes in the near future.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 10/02/2023

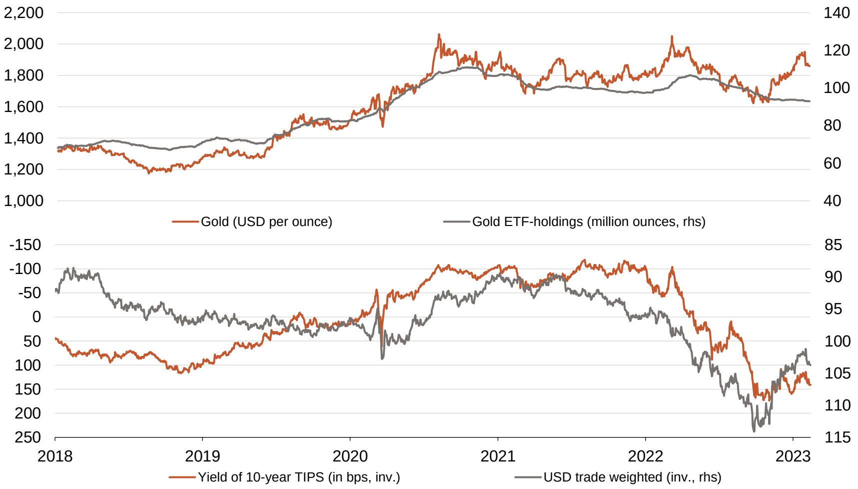
Crude Oil



- Crude oil was almost unchanged over the last four weeks. China hopes were initially priced out by milder weather, higher inventories and a lack of stronger China data.
- Over the last few days, a lot of movement came into the oil market and temporarily lifted the WTI oil price back above the 80 US dollar mark. The reason for the movement was news from Russia, according to which production cuts of 500,000 barrels per day are to be implemented in March.

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: 01/01/2018 - 10/02/2023

Gold



- Gold's upward trend over the last three months came to an abrupt end after reaching a 9-month high. More robust labour market data than expected by the market sent the precious metal back below the 1,900 mark.
- Looking ahead, the Valentine's Day inflation figures should shed more light on the Fed's continued fight against inflation.

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: 01/01/2018 - 10/02/2023

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IMPORTANT NOTICES

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