Current market commentary

Global equities recently traded near their highs for the year, much to the dismay of many pessimistic investors. Falling inflation, the averting of a banking crisis, still positive seasonality and a better-than-expected Q1 reporting season so far have buoyed global stocks - equity volatility has fallen sharply, and valuations have risen significantly. Unusual in the rising market is the underperformance of cyclical versus defensive stocks since the banking turmoil. It indicates some scepticism among equity investors. The bond market is also expecting a less rosy outlook, reflecting the inverted yield curve, higher risk premia, high credit default swaps (CDS) on US Treasuries and Fed rate cuts already priced in. Who is right? We remain cautious, as the risk-reward ratio does not look very attractive, especially after the rally. A lot of positives are already priced in, while risks such as the real estate crisis, credit crunch, US debt ceiling and US/China conflict are being neglected.

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

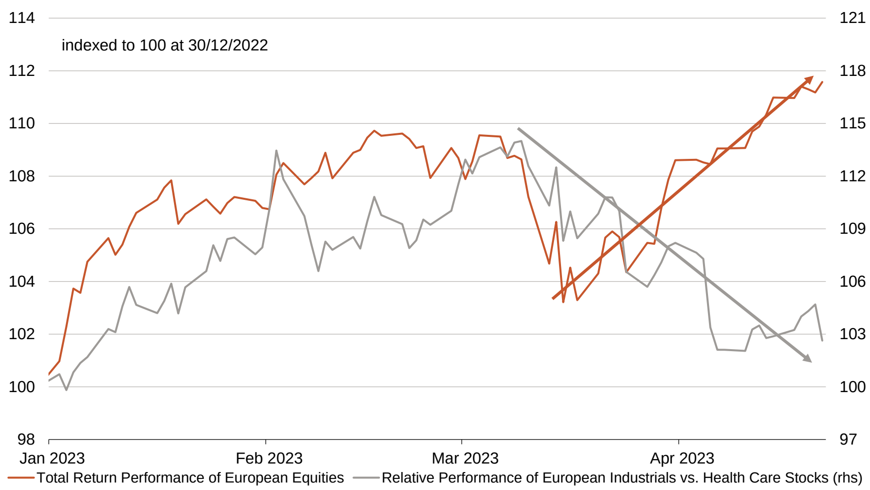
Q1 reporting season and central bank meetings in market focus.

The next few weeks continue to be dominated by the Q1 reporting season. Already 84 companies (17% of the S&P 500) have reported. Of these, 79% have beaten earnings estimates so far, with a median of 6%. On the central bank side, the Bank of Japan will announce its next interest rate decisions on Friday (28 April), the Fed on Wednesday (3 May) and the ECB on Thursday (4 May).

Economic and inflation data in investors' sights.

The economic situation remains intriguing. The ifo business climate survey (Apr.) will be published today. Meanwhile, for the US, new home sales (Mar.) and consumer confidence (Apr.) on Tuesday, new orders for durable goods (Mar.) on Wednesday and initial jobless claims (Apr. 22) on Thursday will provide insights into the health of the US economy. After Thursday's GDP data (Q1) for the US, these will follow on Friday for the Eurozone, Germany, France, and Italy. In the US, household purchases and expenditures (Mar.) and the Chicago Purchasing Managers' Index (Apr.) will also be released on Friday.

Equities at this year's high, recently driven by defensive stocks



- European equities hit a new high for the year last week, just a month after the turmoil in banks.
- However, there has been a clear change of favourites since then. Defensive healthcare stocks have significantly outperformed cyclical industrial stocks, unlike in the period before. Investors are therefore less complacent than the recovery at the index level would suggest.
- Nevertheless, the overall market performance is surprising given the multitude of risks. However, all good things come to an end.

5 year time periods on page 2 and 8.
Source: Bloomberg, Time period: 01/01/2023 - 21/04/2023.

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (24/03/23 - 21/04/23)	YTD (30/12/22 - 21/04/23)	21/04/22 21/04/23	21/04/21 21/04/22	21/04/20 21/04/21	21/04/19 21/04/20	20/04/18 21/04/19
Brent	7.6	-5.2	-9.9	116.7	131.6	-64.1	10.5
MSCI World	3.0	6.4	-4.2	13.5	38.9	-5.5	14.7
REITs	2.4	-1.9	-25.9	27.5	17.9	-11.0	23.8
Euro overnight deposit	0.2	0.7	0.9	-0.6	-0.5	-0.4	-0.4
Global Convertibles	0.0	1.5	-8.7	-1.9	54.4	2.8	18.2
EUR Coporates	-0.4	1.7	-5.9	-7.7	6.6	-1.6	2.8
MSCI Frontier Markets	-0.5	0.1	-18.3	12.1	31.9	-15.6	-3.5
MSCI Emerging Markets	-0.9	0.5	-8.3	-7.8	40.1	-14.4	4.8
EUR Sovereign Debt	-1.6	1.1	-6.2	-5.7	2.4	0.5	1.5
Gold	-1.8	5.9	0.3	20.7	-4.0	36.9	4.3
USDEUR	-2.1	-2.5	-1.4	11.1	-9.8	3.6	9.3
Industrial Metals	-2.1	-6.0	-24.9	59.0	43.7	-17.7	-5.0

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.

- The current market risks (eg credit crunch, US debt ceiling, recession, real estate crisis) are being absorbed very differently by each asset classes. While the bond side is already reflecting the risks to some extent, the equity markets seem to be ignoring the economic risks.
- Crude oil has been in the lead over the last few weeks. After the news of the OPEC cut at the beginning of April provided a tailwind, comments by the US Energy Information Administration that US strategic reserves could be replenished as early as Q3 have recently provided support.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 20/04/2018 – 21/04/2023

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (24/03/23 - 21/04/23)	YTD (30/12/22 - 21/04/23)	21/04/22 21/04/23	21/04/21 21/04/22	21/04/20 21/04/21	21/04/19 21/04/20	20/04/18 21/04/19
MSCI EM Eastern Europe	13.8	11.0	-1.4	-74.2	27.6	-21.8	19.7
Stoxx Europe Defensives	8.9	9.8	4.3	20.6	15.2	-3.3	8.5
Stoxx Europe 50	7.5	12.7	10.6	14.5	26.4	-10.4	7.7
Euro Stoxx 50	6.9	16.8	15.1	0.7	45.5	-18.2	2.9
MSCI UK	6.6	7.7	1.4	22.4	28.0	-23.9	6.8
DAX	6.2	14.1	9.5	-4.6	48.3	-16.1	-2.5
Stoxx Europe Cyclicals	5.9	9.7	1.5	4.4	57.9	-25.2	0.8
Stoxx Europe Small 200	5.1	7.0	-10.3	0.9	50.0	-15.6	2.3
S&P 500	2.1	5.6	-5.5	18.4	39.8	-0.5	21.5
MSCI USA Small Caps	1.8	0.7	-8.3	4.7	73.5	-21.0	14.5
MSCI Japan	0.3	3.9	0.7	-1.8	23.1	-2.9	0.7
MSCI EM Asia	-2.3	0.4	-7.3	-12.0	40.5	-7.9	5.1

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.

- Equity markets did not let the looming risks over the last four weeks deter them from heading upwards. Easing pessimism, cooler inflation data, a solid Q1 reporting season and positive seasonality have provided support. Eastern European equities in particular shone as analysts adjusted earnings expectations upwards.
- Under the surface, however, defensive and quality companies outperformed cyclicals – a sign that equity investors are also becoming more cautious.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 20/04/2018 – 21/04/2023

Fixed Income

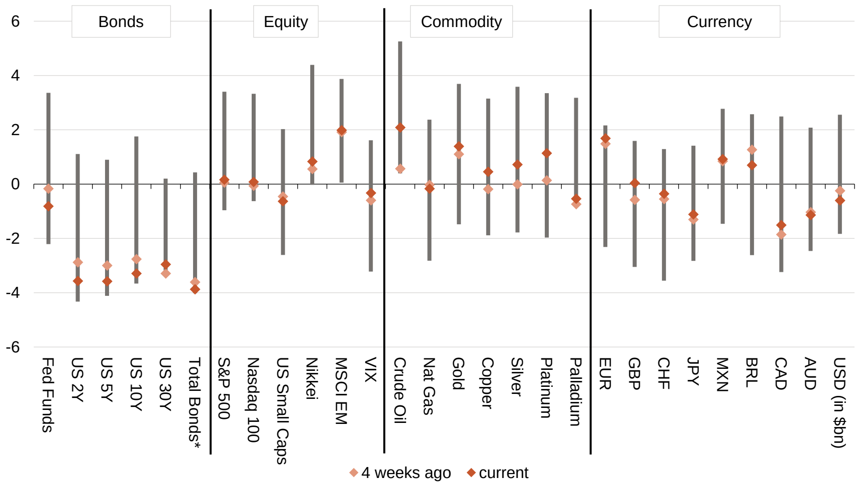
	4-week & YTD		12-month periods over that last 5 years				
	4W (24/03/23 - 21/04/23)	YTD (30/12/22 - 21/04/23)	21/04/22 21/04/23	21/04/21 21/04/22	21/04/20 21/04/21	21/04/19 21/04/20	20/04/18 21/04/19
USD High Yield	2.3	4.2	-0.9	-3.2	19.9	-5.2	6.0
EUR High Yield	1.1	3.1	-2.9	-4.8	17.3	-6.8	2.8
Chinese Gov Bond	0.4	1.1	3.4	5.3	-0.3	9.0	5.0
USD Corporates	0.2	3.4	-0.9	-9.7	5.4	9.5	6.0
EUR Financials	0.0	1.3	-6.1	-6.9	6.7	-2.0	2.6
EM Local Currency Bonds	-0.1	2.6	1.4	-3.9	3.0	-3.1	3.5
EUR Non-Financials	-0.7	2.1	-5.7	-8.3	6.5	-1.4	2.9
EM Hard Currency Bonds	-1.9	-1.3	-4.8	-3.4	6.3	-3.0	14.7
BTPs	-2.1	2.4	-8.2	-8.9	11.0	3.8	-2.0
Bunds	-2.6	0.7	-10.2	-7.8	-2.1	4.1	4.3
Treasuries	-2.8	-0.2	-3.0	2.6	-13.8	19.3	14.2
Gilts	-4.0	0.4	-20.7	-6.5	-4.5	13.0	5.2

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

- Safe government bond yields have resumed their upward trajectory over the past four weeks.
- In particular, the yield on UK government bonds climbed after the latest inflation data exceeded expectations. Accordingly, UK government bonds have brought up the rear over the last four weeks.
- The market is eagerly awaiting the coming inflation and growth data, which will provide information on the further course of interest rates by central banks.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 20/04/2018 – 21/04/2023

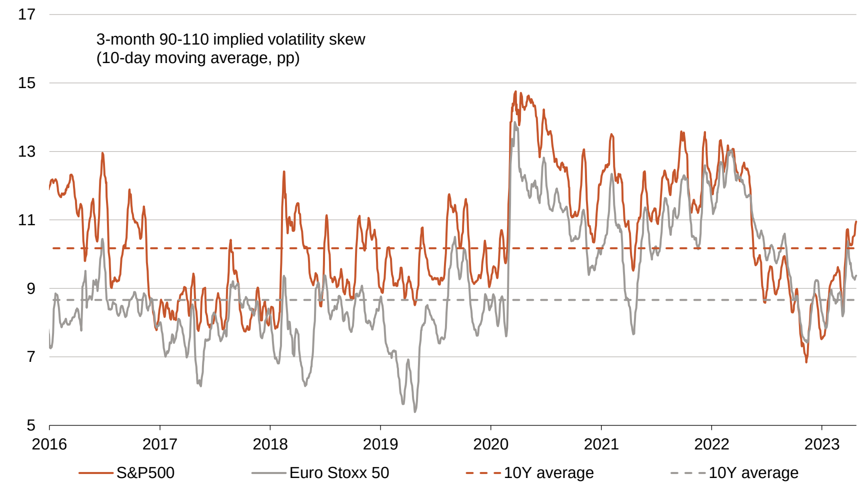
Non-Commercial Positioning



- Hedge funds remain cautiously positioned in equities.
- Within commodities, they have recently added not only precious metals but also cyclical commodities such as oil and copper, although economic uncertainty remains high.

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: 18/04/2013 - 18/04/2023

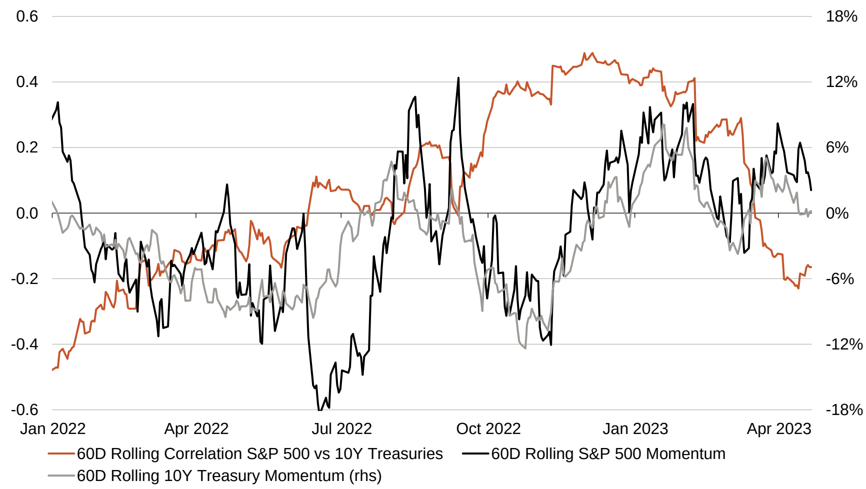
Put-Call-Skew



- The put-call-skew recently developed surprisingly differently in the USA and Europe. While it fell for the Euro Stoxx 50, it rose slightly for the S&P 500.
- However, if the skew is normalised by the level of implied volatility, which has fallen significantly recently, it has risen in both regions. Investors have therefore become somewhat more cautious overall in recent times.

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: 21/04/2013 - 21/04/2023

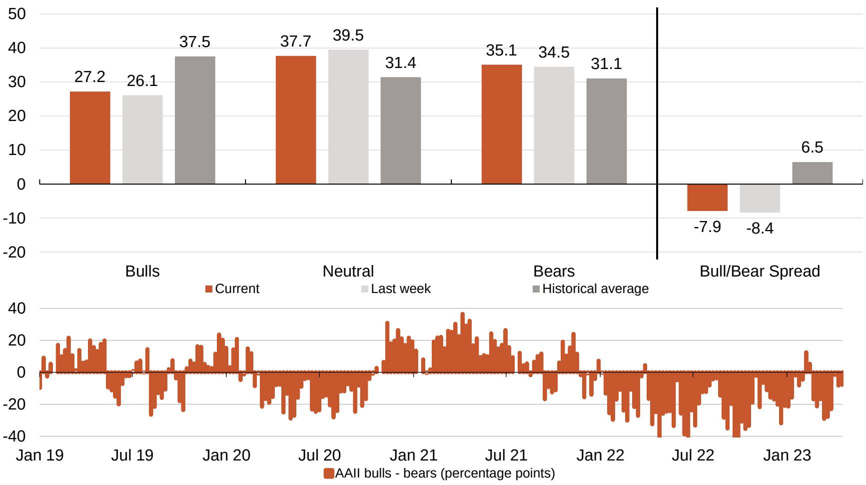
60-Day Momentum and Correlation



- Momentum in US equities has been consistently positive over the past few weeks, so trend-following strategies have continued to buy equities.
- The correlation between equities and bonds remains negative. Together with the decline in volatility, this is likely to have led to rising equity allocations of risk-based strategies.

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 - 21/04/2023

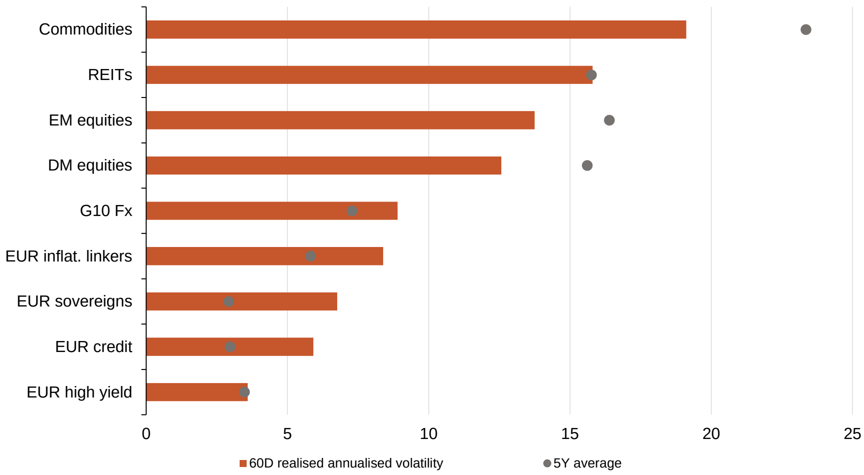
AAII Sentiment Survey (Bulls vs Bears)



- With a bull/bear spread of -8 pp, sentiment among US private investors has continued to be poor over the last few weeks.
- However, at the moment there is a majority of respondents (almost 38%) who are undecided about the next 6 months.

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 – 20/04/2023

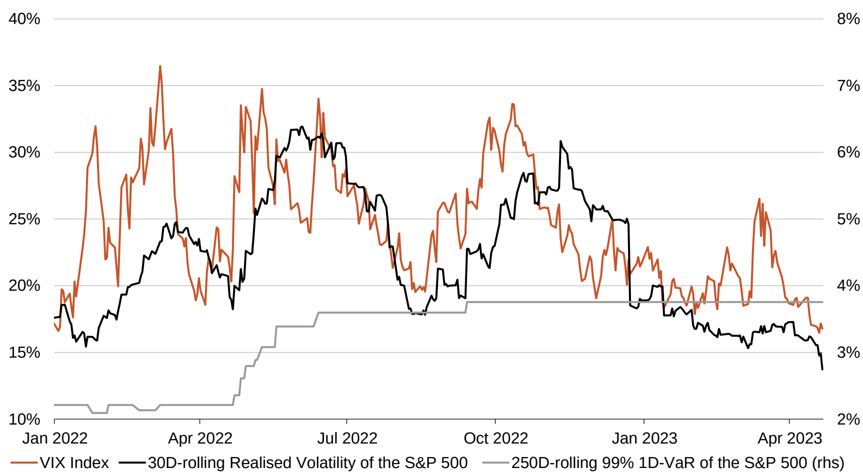
Realised Volatilities



- Realised volatilities are little changed from a fortnight ago.
- Equities, both developed and emerging, have fluctuated noticeably less over the last three months than the average of the last 5 years.
- The picture for bonds is completely reversed. Only high-yield bonds exhibit average 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: 21/04/2018 - 21/04/2023

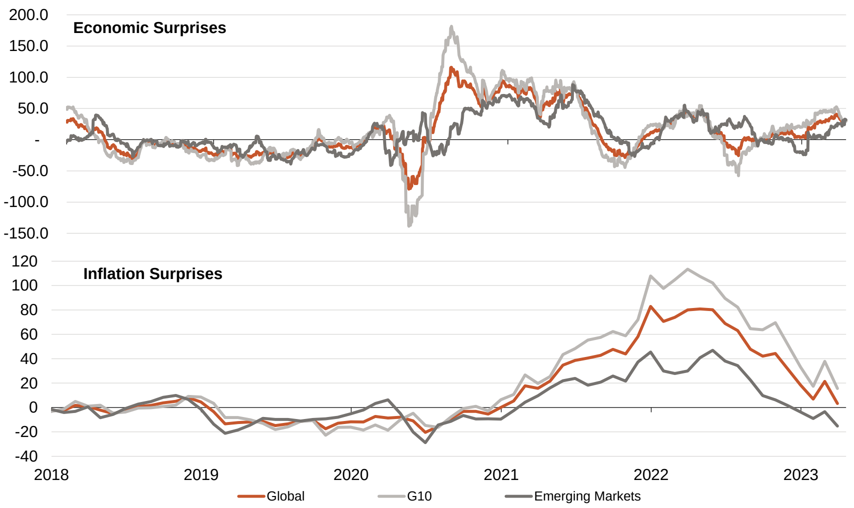
Volatility and Value-at-Risk of the S&P 500



- Both realised and implied volatility have collapsed recently. Both reached their lowest level in over a year.
- The reason for this, in addition to lower inflation data and positive reports from US banks, is likely to be the increased demand from systematic strategies.

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 – 21/04/2023

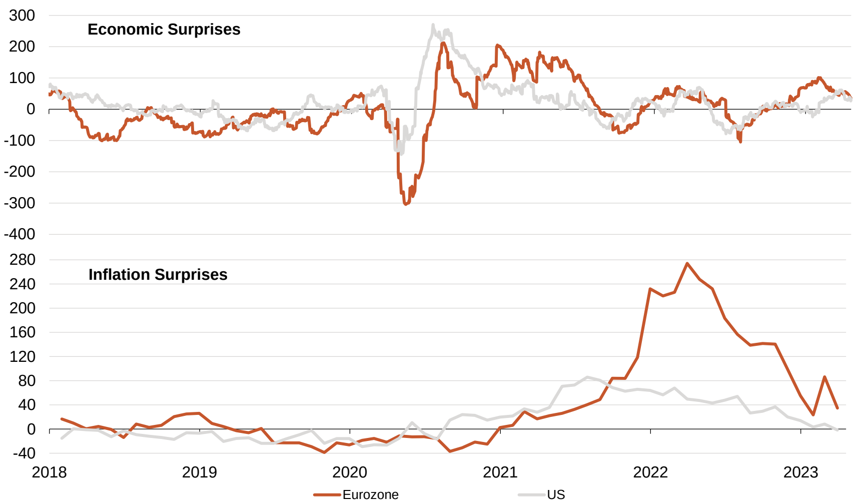
Global



- The economic surprise indices remain in positive territory. Nevertheless, the first signs of weakness are already emerging beneath the surface.
- The positive economic surprises in the industrialised nations (G10) and also at the global level have declined significantly over the last two weeks. Emerging markets, on the other hand, are holding their own, also thanks to the tailwind from the China reopening.
- Here, the annual GDP figures, trade balance and retail sales exceeded expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 21/04/2023

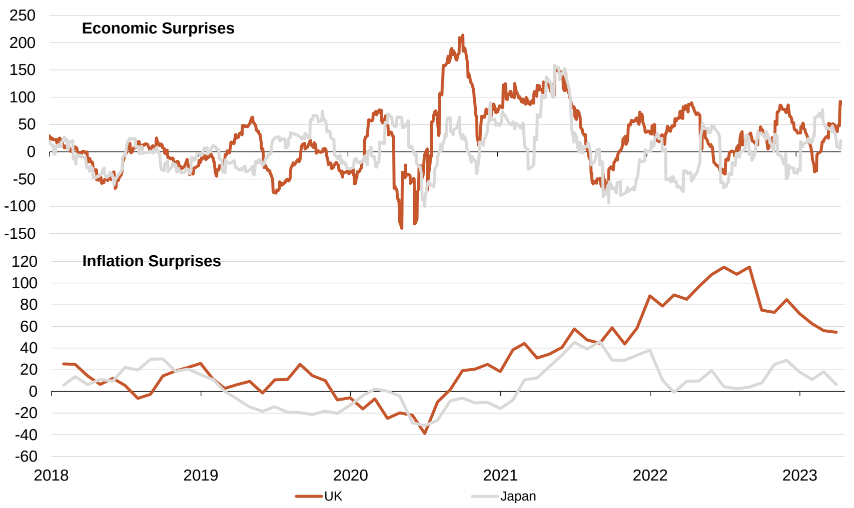
Eurozone and US



- In both the US and the Eurozone, the positive surprise streak seems to be weakening.
- In the US, initial jobless claims, the University of Michigan Sentiment Indicator and industrial production exceeded expectations.
- In the eurozone, industrial production was higher and the PMI Purchasing Managers' Index lower than expected.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 21/04/2023

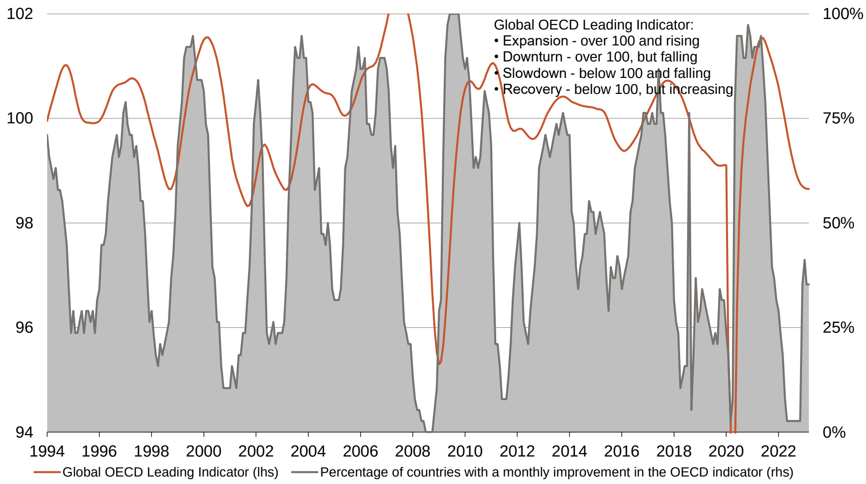
UK and Japan



- In the UK, year-on-year inflation was higher than expected, while industrial production and retail sales surprised negatively.
- In Japan, core machine orders and the trade balance came in less negative than expected.

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 - 21/04/2023

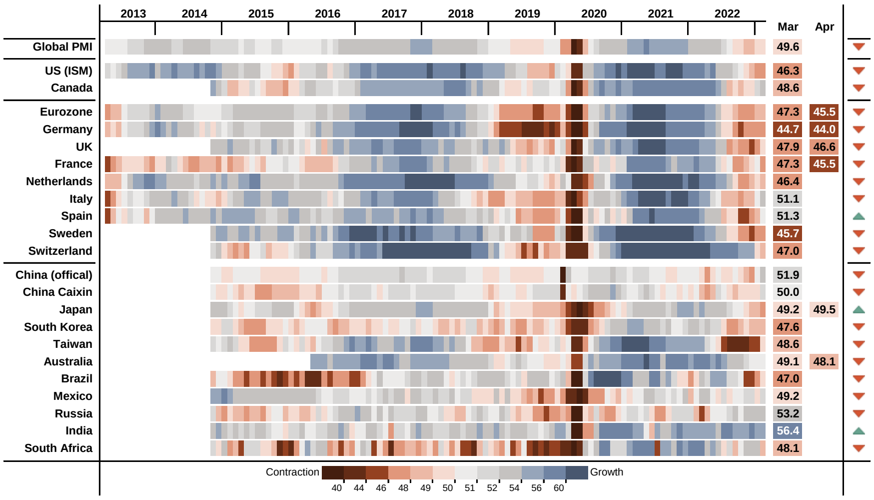
OECD Leading Indicator



- The OECD Composite Leading Indicator, a robust signal of economic turning points, continues to point to a slowdown in the global economy at 98.65 – ie, it is below 100 and falling.
- At the country level, 35% of countries achieved a better reading from the indicator 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 - 21/04/2023

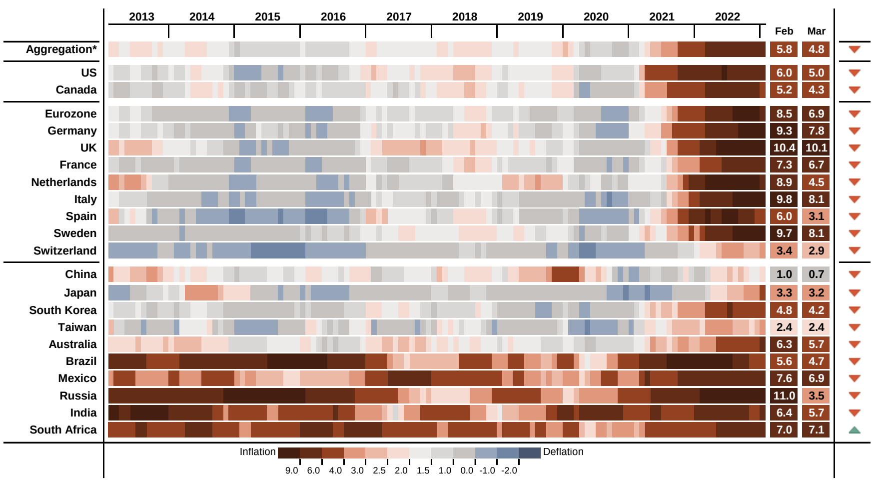
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The PMI data for April so far provided a clear signal for Europe: the data point to a decline in industrial activity for the Eurozone, Germany, France and the UK compared to the previous month.
- In Germany, the values are as low as last seen in the summer of 2020.

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: 21/04/2013 - 21/04/2023

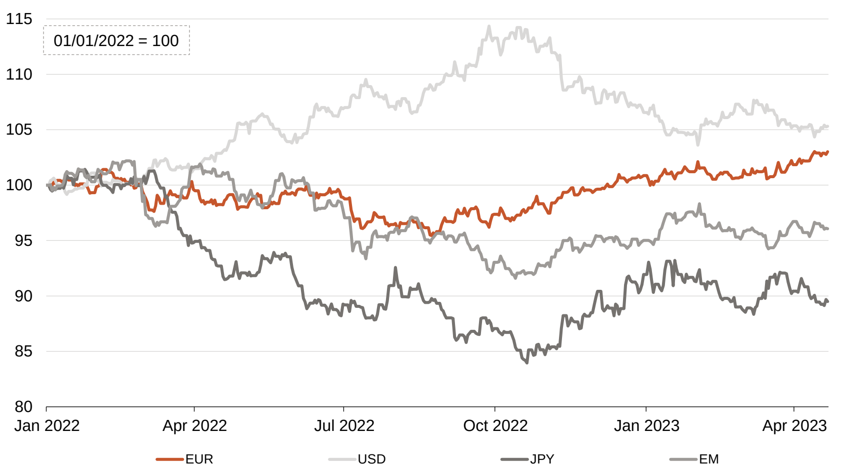
Headline Inflation



- Inflation in Germany fell to 7.8% in March and to 6.9% in the Eurozone compared to the previous year.
- A significant contribution to this was made by the marked decline in energy costs. While these had been rising less and less compared to the previous year for months, they fell for the first time in March compared to the previous year.

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: 21/04/2013 - 21/04/2023

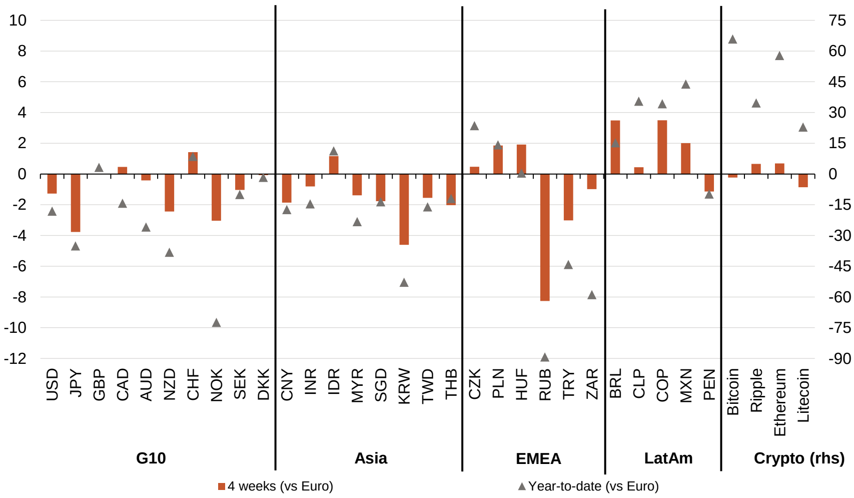
Trade-Weighted Currency Development



- The US dollar has stabilised recently on a trade-weighted basis. Meanwhile, the upward trend of the euro continues.
- The Japanese yen has been the weakest in recent weeks. The new central bank governor, Kazuo Ueda, signalled at his first press conference that there were no plans to abandon the ultra-expansive monetary policy.

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 - 21/04/2023

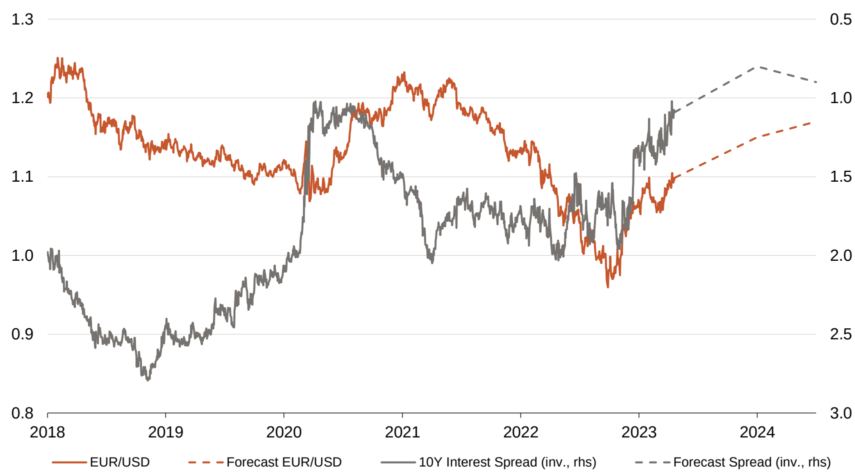
Currency Moves vs Euro



- Most G10 currencies weakened against the euro over the last month.
- In Eastern Europe the Hungarian forint was the strongest performers. Although inflation seems to have peaked, the unofficial monthly inflation rate remains too high for the MNB (Hungary's central bank) to deviate from its restrictive stance.
- Latin American currencies benefited broadly from firmer commodity prices.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2022 - 21/04/2023

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



- The EUR/USD exchange rate reached 1.10 in the week after Easter, its highest level since March last year.
- In recent weeks, the euro benefited mostly from the narrowing interest rate differential between US and German government bonds. This is because investors expect the Fed, unlike the ECB, to lower interest rates already this year.

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 - 30/06/2024

European Sector & Style Performance

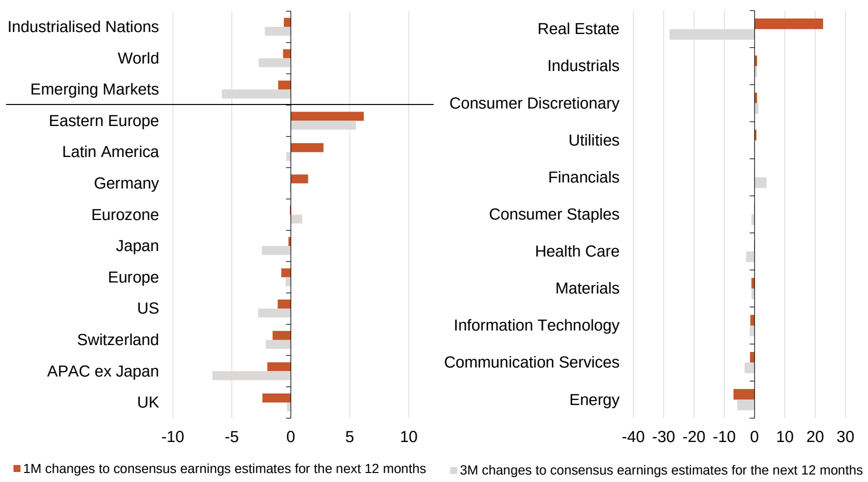
	4-week & YTD		12-month periods over that last 5 years				
	4W (24/03/23 - 21/04/23)	YTD (30/12/22 - 21/04/23)	21/04/22 21/04/23	21/04/21 21/04/22	21/04/20 21/04/21	21/04/19 21/04/20	20/04/18 21/04/19
Health Care	9.8	10.9	2.3	22.9	2.9	24.0	11.4
Communication Services	9.2	2.6	11.8	53.3	22.9	-43.3	7.2
Finance	9.0	8.9	7.2	12.4	50.7	-34.9	-4.2
Utilities	8.2	11.6	4.4	6.0	32.5	0.1	12.2
Value	7.5	8.6	4.2	12.8	40.4	-28.4	1.7
Consumer Discretionary	6.6	21.9	20.9	-10.3	66.4	-20.3	2.2
Growth	6.4	14.7	5.6	4.7	32.6	-1.9	9.1
Consumer Staples	6.1	11.0	5.2	10.7	12.3	-3.1	15.5
Industrials	5.7	13.8	6.1	2.1	61.8	-19.9	6.2
Telecommunications	5.3	18.1	-1.5	8.1	26.9	-25.2	-2.1
Materials	4.9	4.2	-6.8	10.4	63.1	-21.0	6.1
Information Technology	0.8	16.0	0.8	-2.6	52.1	-2.1	13.5

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, health care and financial stocks were besides energy stocks the main gainers. Health care stocks achieved almost the entire YTD performance in this period. Financials benefited from the averting of a banking crisis and good Q1 figures from US banks.
- After a good start to the year, the IT sector was at the tail end of the four-week trend.

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: 20/04/2018 – 21/04/2023

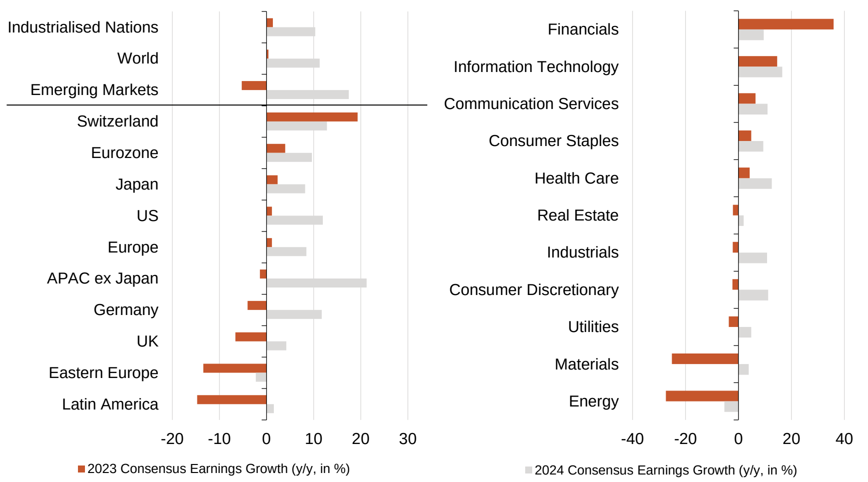
Changes in Consensus Earnings Estimates



- Despite the better-than-expected Q1 reporting season in the US so far, analysts have recently again reduced earnings forecasts globally.
- Regionally, the strongest negative revisions in the last four weeks were in the UK, APAC ex Japan and Switzerland. Positive revisions were seen primarily in Eastern Europe and Latin America.
- The real estate sector has recently experienced clearly positive earnings revisions.

1-month and 3-month changes in consensus earnings estimates for the next 12 months of the regional and Europe sector MSCI indices, in per cent.
Source: FactSet, as of 21/04/2023

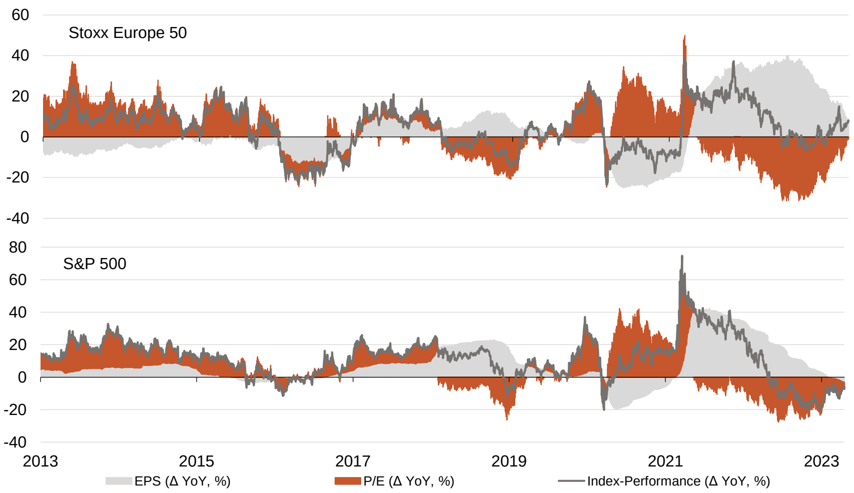
Earnings Growth



- The consensus continues to expect hardly any global earnings growth this year. In contrast, double-digit growth is expected for 2024.
- Despite the banking turbulences, analysts expect 2023 earnings growth of more than 30% for the banking sector. Significantly negative earnings growth is expected for the basic materials and energy sectors.

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 21/04/2023

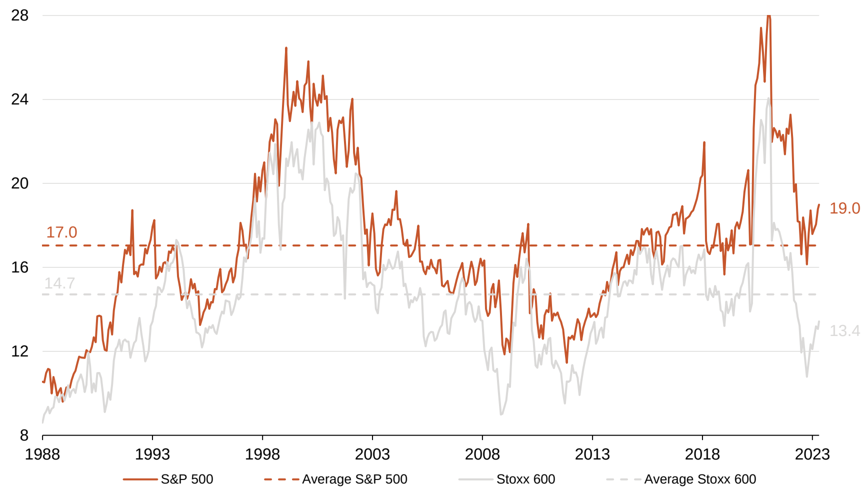
Contribution Analysis



- Thanks to the positive earnings development, the Stoxx Europe 50 was able to perform positively over the year. The headwind from the valuation side has also decreased significantly.
- The S&P 500, on the other hand, continues to show a negative development over the year. Both the earnings trend and the valuation trend have weighed.

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 - 21/04/2023

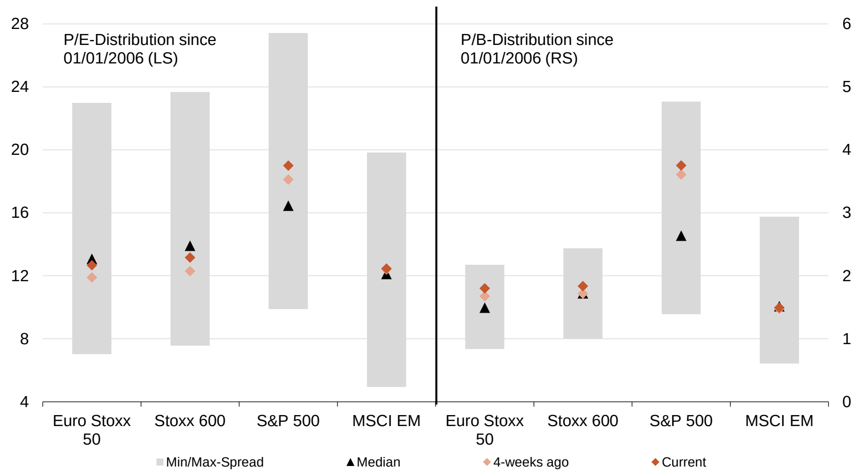
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- With the positive market development in recent weeks, the valuation (P/E ratio) of the S&P 500 and the Stoxx 600 has risen. The S&P 500 is now trading at a forward P/E of 19 again, which is 2 points above the historical average.
- The Stoxx 600, on the other hand, remains historically cheap.

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 - 21/04/2023

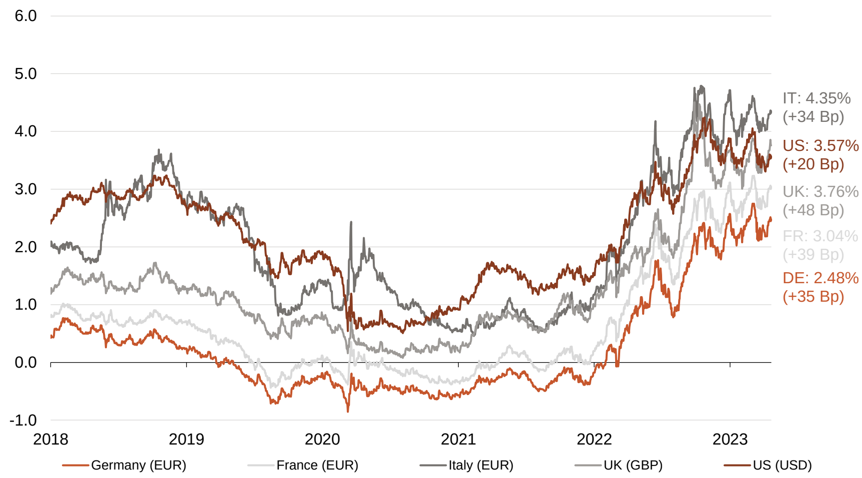
Historical Distribution: Price/Earnings and Price/Book Ratio



- In the last four weeks, the S&P 500 but also European equities experienced a noticeable valuation expansion.
- Emerging market equities, on the other hand, are trading at similar levels to four weeks ago.

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 - 21/04/2023

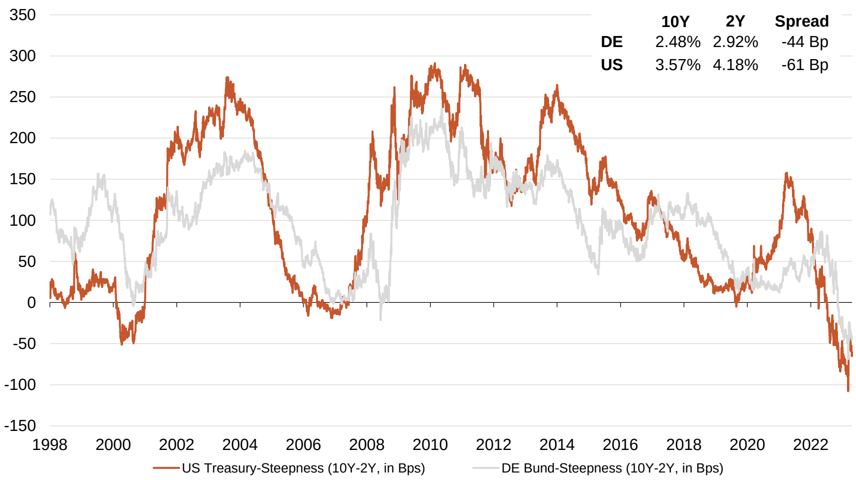
10-Year Government Bond Yields



- Yields on safe haven government bonds have risen again in the last four weeks after the banking problems did not escalate further and high inflation remains an issue.
- Yields rose more than 20 basis points (bp) across the board. UK government bonds experienced the biggest jump in yields after UK inflation and wage growth surprised to the upside recently.

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 – 21/04/2023

Yield Curve Steepness (10Y - 2Y)

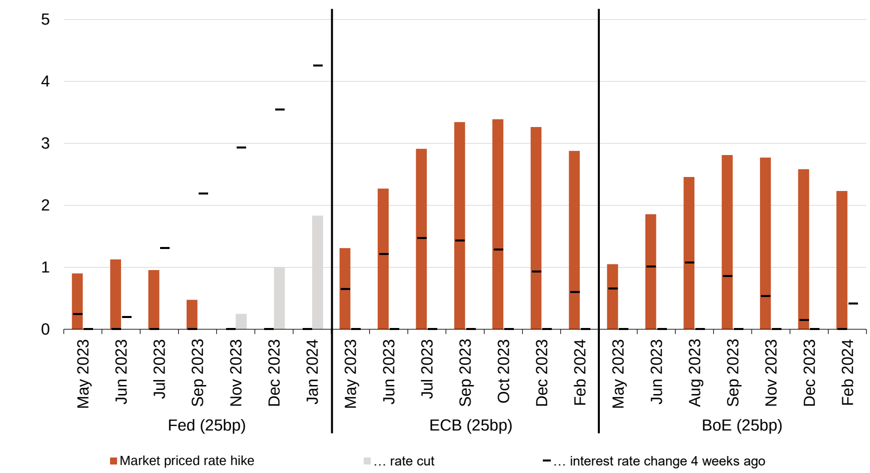


	10Y	2Y	Spread
DE	2.48%	2.92%	-44 Bp
US	3.57%	4.18%	-61 Bp

- The steepness of the German and, above all, the US yield curve has recently decreased again. The averting of a banking crisis and the decreasing probability, at least according to the market, of a quick turnaround in Fed monetary policy led to the increased inversion.

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 – 21/04/2023

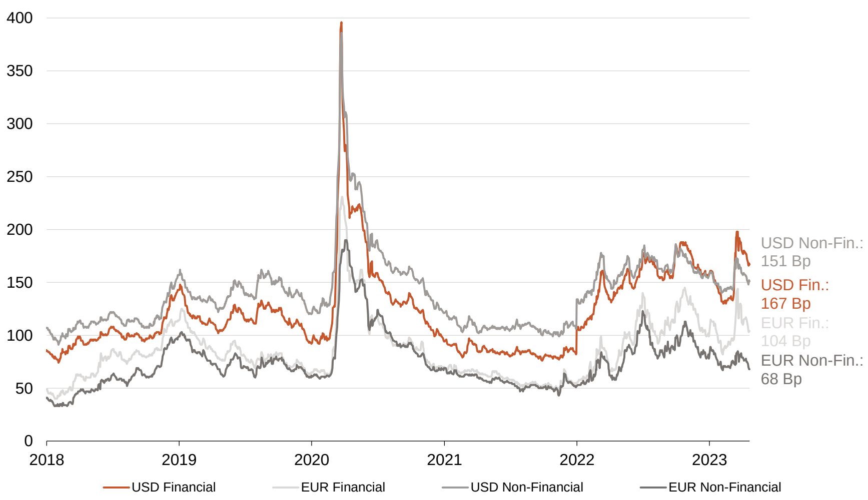
Implicit Changes in Key Interest Rates



- The market expects the Fed to raise interest rates again in May, but this will be the last one for the time being. The first rate cut, on the other hand, is priced for December with a probability of 100%. Four weeks ago, on the other hand, there was a probability of above three rate cuts by the end of 2023.
- Conversely, in Europe, on the other hand, the market expects significantly more interest rate hikes, also because inflation there appears more stubborn than in the US.

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: 23/03/2023 – 21/04/2023

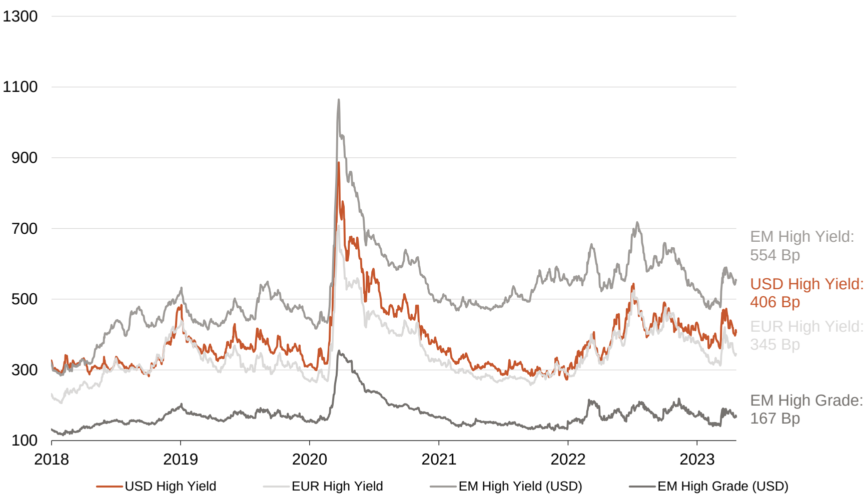
Credit Spreads Financial and Non-Financial Bonds



- After the significant widening of spreads a few weeks ago, the spreads on EUR financial, USD financial and USD non-financial bonds have recently fallen noticeably again.
- Nevertheless, spreads continue to trade at elevated levels, reflecting bond investors' scepticism about economic developments, particularly in the US.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 21/04/2023

Credit Spreads High Yield and Emerging Markets Bonds



- USD and EUR high-yield bonds also recently experienced a noticeable decline in spreads.
- The decline in emerging market high-yield bonds, on the other hand, was less pronounced. The China reopening has so far been less supportive than many market participants expected.

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 – 21/04/2023

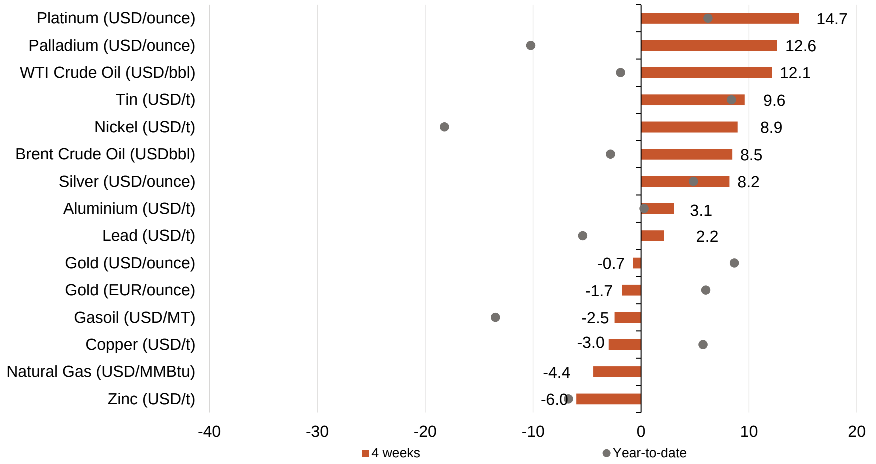
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	21/04/22 21/04/23	21/04/21 21/04/22	21/04/20 21/04/21	21/04/19 21/04/20	21/04/18 21/04/19
EUR Government	3.22	0.26	7.1	-	-	-	-1.5	0.8	-10.1	-9.0	3.3	3.3	2.4
Germany	2.62	0.26	7.1	-	-	-	-1.5	0.3	-10.2	-7.8	-2.1	4.1	4.3
EUR Corporate	4.26	0.07	4.5	82	-18	59	0.3	1.6	-5.9	-7.6	6.5	-1.6	2.8
Financial	4.56	0.08	3.8	104	-21	74	0.4	1.2	-5.1	-6.3	5.9	-1.4	2.5
Non-Financial	4.08	0.07	5.0	68	-16	43	0.2	1.8	-6.3	-8.3	6.8	-1.7	2.9
EUR High Yield	7.44	-0.22	3.1	345	-46	54	1.2	3.1	-2.9	-4.8	17.3	-6.8	2.8
US Treasury	3.93	-0.04	6.4	-	-	-	0.5	2.7	-1.9	-7.6	-4.9	15.8	4.6
USD Corporate	5.29	-0.17	6.9	156	-14	76	1.3	3.4	-0.9	-9.7	5.4	9.5	6.0
Financial	5.57	-0.20	5.1	167	-17	91	1.3	2.7	-0.5	-8.4	5.7	8.3	6.0
Non-Financial	5.15	-0.16	7.8	151	-13	66	1.3	3.8	-1.0	-10.3	5.3	10.0	5.9
USD High Yield	8.51	-0.39	4.1	406	-33	61	2.2	4.2	-0.9	-3.2	19.9	-5.2	6.0
EM High Grade	5.51	-0.07	5.2	167	-5	36	1.0	2.7	-0.8	-9.8	8.0	3.1	5.6
EM High Yield	10.59	-0.13	3.8	554	-15	52	1.2	1.6	-2.2	-15.4	21.9	-4.7	4.7

- Over the past four weeks, corporate bonds have tended to outperform government bonds. While sovereign yields have risen, corporate bonds have benefited from a trend of falling spreads.
- Against the backdrop of the banking turmoil, risk premiums on financial bonds are trading at attractive levels on a 10-year comparison.

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 : 21/04/2017 – 21/04/2023

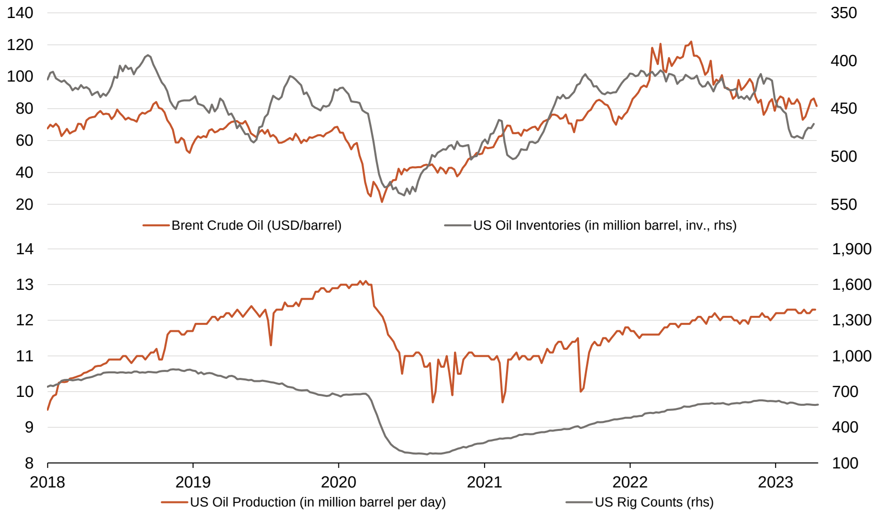
Commodities Performance



- Commodities show clear divergences in performance over the last four weeks.
- Platinum, palladium, crude oil and tin in particular gained. The tin price rose the most in nine months after a major mining region in Myanmar, the world's third-largest tin supplier, restricted mining of the metal used in electronics and cans. Myanmar's largest armed organisation (United Wa State Army) had ordered a general halt to mining.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 21/04/2023

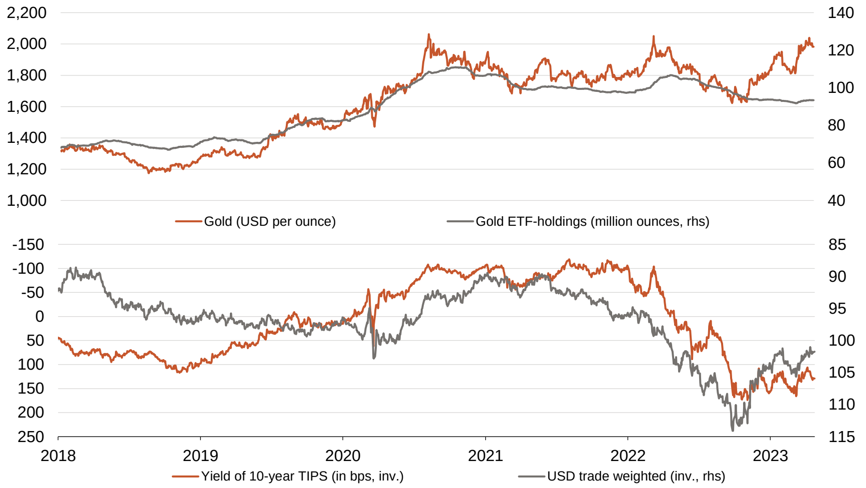
Crude Oil



- The production cut announced by OPEC+ at the beginning of April triggered a veritable oil rush. Crude oil gained almost 7% in the days following the announcement. Since then, however, the oil price has stabilised again, giving back almost all of its gains in reaction to the news of the production cut.
- On the demand side, the market is waiting for concrete signs of a demand recovery in China. China's latest crude oil processing data being at record levels are giving the first positive signals.

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 - 21/04/2023

Gold



- Gold almost reached the highs of 2020 (pandemic) and 2022 (Russia-Ukraine war) in mid-April. This time, the banking turmoil allowed gold to benefit as a safe haven. Gold has recently been fluctuating around the $2,000 mark. The market is weighing the restrictive Fed comments with the weaker US labour market data. Jobless claims are at their highest level since 2021.

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 - 21/04/2023

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IMPORTANT NOTICES

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