BERENBERG Markets

MONITOR

19 June 2023

Current market commentary

Bad economic data, good economic data, rising interest rates, falling interest rates, a Fed that has recently become more hawkish again - none of this seems to affect US tech stocks in particular. Since the beginning of the year, the Nasdaq is now up almost 40%, driven by a P/E valuation expansion of 30% - and with interest rates almost unchanged since the beginning of the year. Hopes for a soft landing in the US as well as AI euphoria have definitely supported this. In the short term, however, the probability of a countermovement is now increasing. In addition to declining liquidity, there should be more rebalancing flows towards the end of the quarter. Equities have significantly outperformed bonds since the beginning of the quarter and this month. Strategies that work with target ratios need to reduce the outperforming equities at the expense of bonds. Moreover, large option expirations in the past have often marked turning points in markets due to hedging adjustments (e.g. unwinding delta hedges). Last Friday was such a day.

The bi-weekly ***Monitor*** gives you a structured overview of the current capital market environment and highlights important developments:

- Performance
- Positioning
- Sentiment
- Surprise Indicators
- Economics
- Foreign Exchange
- Equities
- Sovereign Bonds & Central Banks
- Corporate Bonds
- Commodities

Short-term outlook

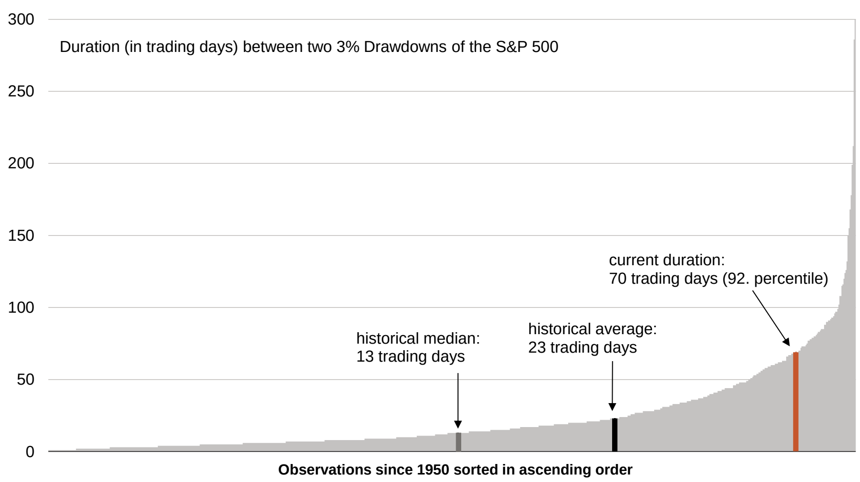
After the Fed and ECB last week, it is the Bank of England's turn to decide on interest rates this week (22 June). The market expects a rate hike of 25bp. Fed Chair Powell will also address the House of Representatives and the Senate on 21/22 June. From 26 to 28 June, the ECB will host the Forum on Central Banking in Sintra. On 29/30 June, EU leaders meet in Brussels.

Focus on monetary policy also this week.

US housing data (May) will be released on Tuesday, UK inflation data (May) on Wednesday and French business sentiment (Insee, Jun.) on Thursday. Japanese inflation (May) and preliminary purchasing managers' indices (Jun.) for Europe and the US will follow on Friday. In the following week, preliminary inflation figures (Jun.), consumer confidence (Jun.), the ifo index (Jun.), retail sales (Jun.) and labour market data (Jun.) are due for Germany. In the US, consumer confidence (Jun.), Chicago PMI (Jun.) and private household data (May) will be released.

Inflation data and purchasing managers' indices are due.

Equity markets are due for a reset



- The stock markets are moving upwards without major fluctuations. For 70 trading days (9 March), the S&P 500 has not seen a setback greater than 3%.
- Historically on average, however, such a correction occurs about once a month - on median almost every fortnight. So, statistically speaking, it is time for the next setback.
- But there are also good fundamental reasons, such as increased valuations with higher interest rates, falling liquidity, and rebalancing flows.

Source: Bloomberg, Time period: 01/01/1950 - 16/06/2023

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (19/05/23 - 16/06/23)	YTD (30/12/22 - 16/06/23)	16/06/22 16/06/23	16/06/21 16/06/22	16/06/20 16/06/21	16/06/19 16/06/20	15/06/18 16/06/19
MSCI Emerging Markets	4.6	6.6	1.6	-13.5	31.3	-0.6	-3.2
Global Convertibles	3.5	6.5	8.7	-12.8	35.2	18.2	3.6
MSCI World	3.3	12.5	16.8	-3.6	27.9	5.4	5.4
REITs	1.8	-1.5	-7.4	-2.6	14.2	-8.2	19.0
Industrial Metals	1.7	-9.7	-12.0	25.6	42.7	-6.2	-15.2
Brent	1.2	-9.2	-24.8	118.4	63.2	-33.9	-9.2
MSCI Frontier Markets	0.5	2.2	-7.2	-3.7	28.0	-10.8	2.9
Euro overnight deposit	0.2	1.2	1.5	-0.6	-0.5	-0.4	-0.4
EUR Coporates	0.2	2.1	1.0	-13.9	3.3	0.7	3.7
EUR Sovereign Debt	0.1	1.7	-1.4	-9.7	0.7	1.1	3.1
USDEUR	-1.2	-2.1	-3.5	13.7	-6.1	-0.5	3.6
Gold	-2.2	5.1	1.7	16.5	-1.4	28.0	8.6

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.

- Equity markets were largely unaffected by mixed economic data and heterogeneous global central banks over the past four weeks. US tech stocks in particular rose, supported by hopes of a soft landing and the ongoing AI hype.
- Gold had a hard time in the run-up to the central bank meetings over the last four weeks. However, as a result of the hawkish ECB meeting, the US dollar fell, limiting gold's losses.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 06/06/2018 – 16/06/2023

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (19/05/23 - 16/06/23)	YTD (30/12/22 - 16/06/23)	16/06/22 16/06/23	16/06/21 16/06/22	16/06/20 16/06/21	16/06/19 16/06/20	15/06/18 16/06/19
MSCI EM Eastern Europe	7.9	24.3	29.9	-81.1	25.4	-11.8	25.6
MSCI USA Small Caps	4.7	5.7	13.6	-12.6	46.9	-2.9	-1.3
MSCI EM Asia	4.5	6.2	0.3	-14.4	31.6	7.6	-8.4
S&P 500	4.3	13.4	18.2	1.1	27.7	9.8	9.7
MSCI Japan	3.6	13.5	13.9	-7.6	15.7	7.0	-5.3
Stoxx Europe Cyclicals	1.7	13.2	21.5	-14.6	39.1	-4.8	-6.5
DAX	0.5	17.5	25.5	-17.0	27.6	1.8	-7.0
Euro Stoxx 50	0.3	18.2	31.5	-15.3	30.9	-2.4	-1.0
MSCI UK	0.2	8.3	12.1	5.6	23.1	-13.5	-1.2
Stoxx Europe Small 200	-0.1	7.9	8.8	-20.9	39.2	0.0	-4.7
Stoxx Europe 50	-0.8	12.6	22.9	-3.1	22.1	-1.4	4.7
Stoxx Europe Defensives	-1.7	7.6	12.1	3.4	13.0	3.0	6.2

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

- The stock markets remained surprisingly positive over the last four weeks and seem to know only one direction. Eastern European, Japanese and US equities in particular continued to rise. Positive earnings revisions and falling volatilities boosted.
- Cyclical stocks in Europe performed significantly better than defensive stocks. European equities were the weakest performer.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 16/06/2018 – 16/06/2023

Fixed Income

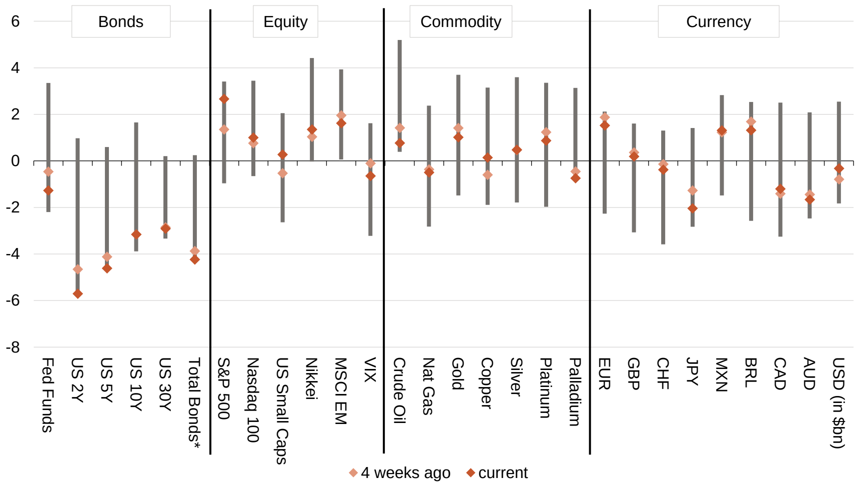
	4-week & YTD		12-month periods over that last 5 years				
	4W (19/05/23 - 16/06/23)	YTD (30/12/22 - 16/06/23)	16/06/22 16/06/23	16/06/21 16/06/22	16/06/20 16/06/21	16/06/19 16/06/20	15/06/18 16/06/19
BTPs	1.9	4.8	0.9	-15.4	5.9	7.3	4.9
USD High Yield	1.6	5.4	7.7	-11.2	12.7	2.1	5.8
EM Local Currency Bonds	1.5	5.6	7.4	-8.2	-0.5	0.7	9.6
EUR High Yield	1.2	5.0	6.5	-12.6	10.8	0.3	2.9
Chinese Gov Bond	0.8	2.8	4.4	5.6	1.8	6.1	5.8
USD Corporates	0.8	3.0	2.5	-14.1	3.1	10.6	8.7
EM Hard Currency Bonds	0.7	1.1	1.4	-8.0	0.1	1.6	14.4
EUR Non-Financials	0.3	2.3	1.2	-14.5	3.2	0.8	3.8
EUR Financials	0.1	1.8	0.7	-13.0	3.4	0.6	3.4
Bunds	-0.1	1.0	-4.3	-13.1	-1.6	1.1	5.4
Gilts	-0.4	-0.6	-14.6	-14.6	-3.2	11.2	4.0
Treasuries	-1.5	-0.6	-4.5	4.4	-10.1	10.2	10.9

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

- Yields on safe government bonds have risen in the last four weeks for German, UK and US government bonds. The US central bank paused the interest rate cycle in June for the first time since March 2022, but communicated the possibility of another hike at the July meeting. The inversion of the US yield curve continued to rise after the meeting.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 16/06/2018 – 16/06/2023

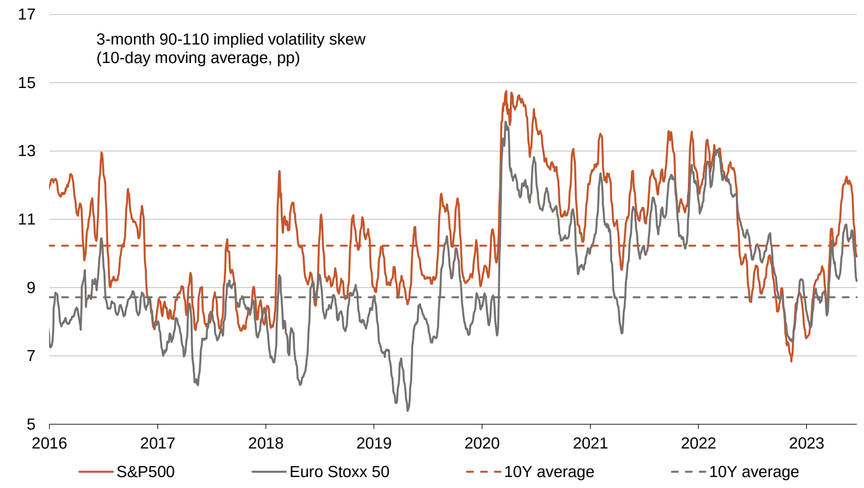
Non-Commercial Positioning



- Non-commercial investors have recently become more optimistic, at least about US equity markets. They have increased their longs on the Nasdaq 100 and covered their shorts on small caps.
- In energy commodities, they have become more pessimistic again. Oil positioning is close to the 10Y low.

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: 13/06/2013 - 13/06/2023

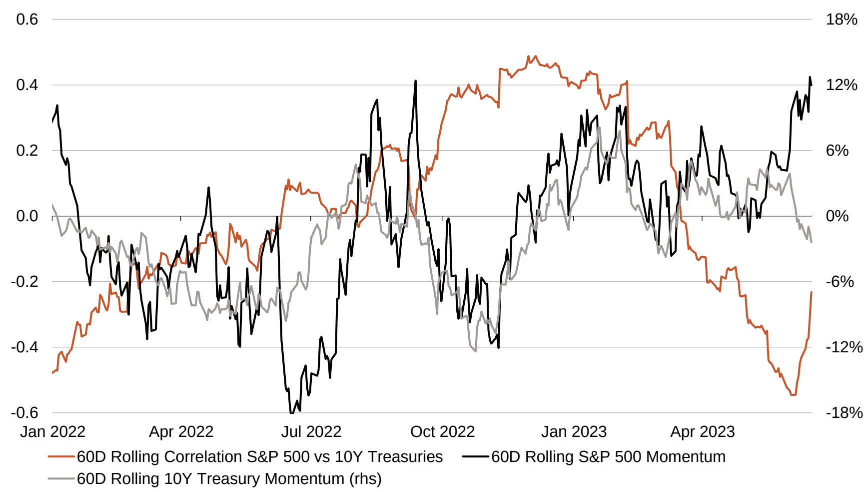
Put-Call-Skew



- The skew has recently flattened considerably after having risen almost continuously since the beginning of the year.
- It is noteworthy that the flattening was mainly driven by the call skew (100-110). Investors have thus increasingly demanded upside participation. If one normalises the skew with the level of volatility (which has fallen sharply recently), however, it has even risen slightly.

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: 16/06/2013 - 16/06/2023

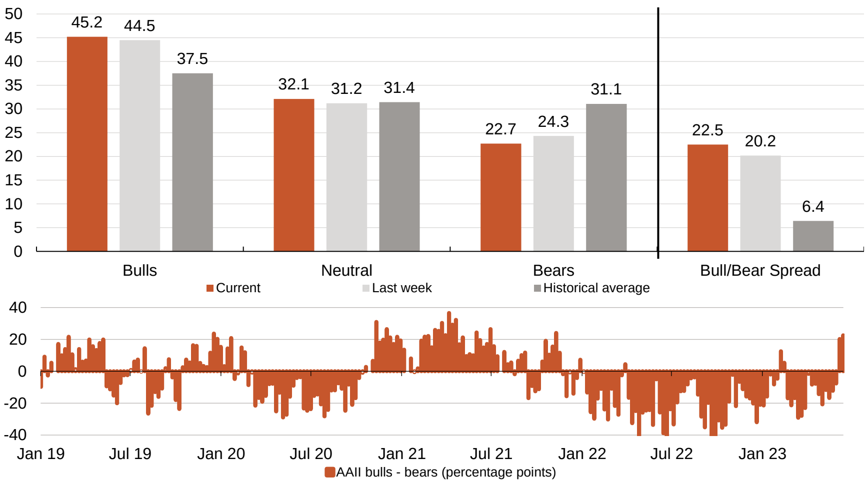
60-Day Momentum and Correlation



- Momentum in the US equity markets is now positive over both short-term and longer-term time frames. Trend-following strategies are likely to have increased their equity allocations accordingly.
- The correlation between equities and bonds has risen significantly recently.

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 - 16/06/2023

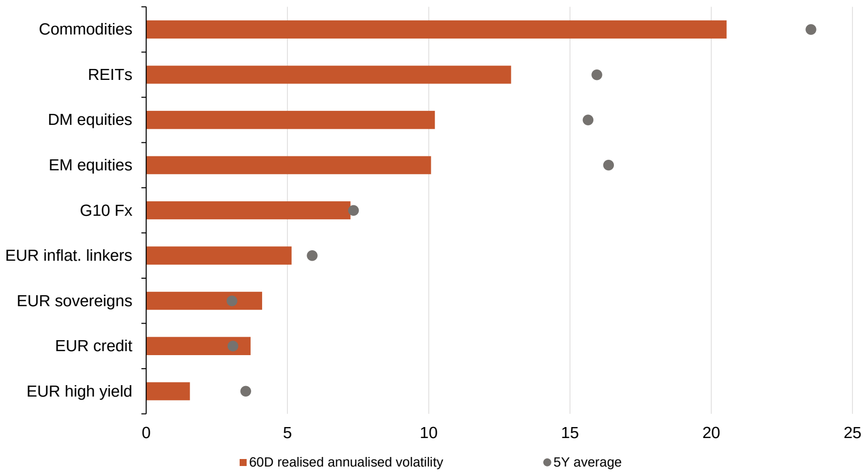
AAII Sentiment Survey (Bulls vs Bears)



- The initial AI hype is about to turn into general euphoria.
- US retail investor sentiment has recently gotten even better. A bull/bear spread of over 20ppt for two consecutive weeks was last seen in April 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 – 16/06/2023

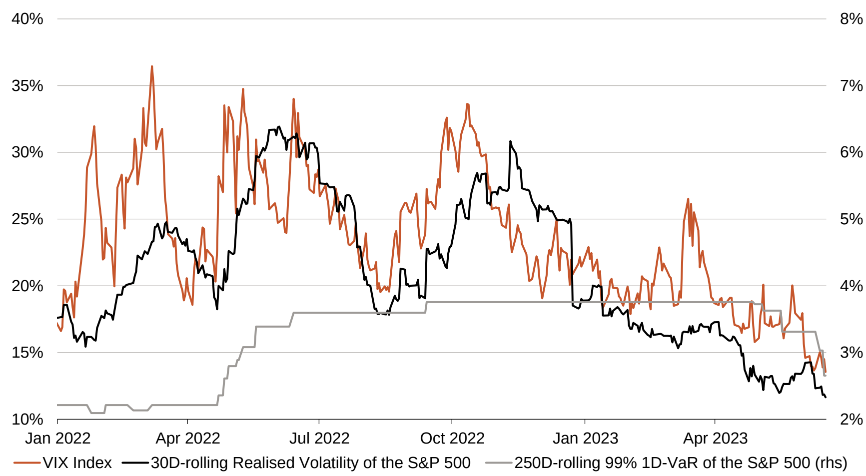
Realised Volatilities



- Realised volatility has fallen (sometimes sharply) across all asset classes in recent weeks.
- Only government and corporate bonds are still slightly above the average of the last five years. For high-yield bonds, on the other hand, it has really collapsed. Here, despite concerns about a credit crunch, it is just 1.5%.

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: 16/06/2018 - 16/06/2023

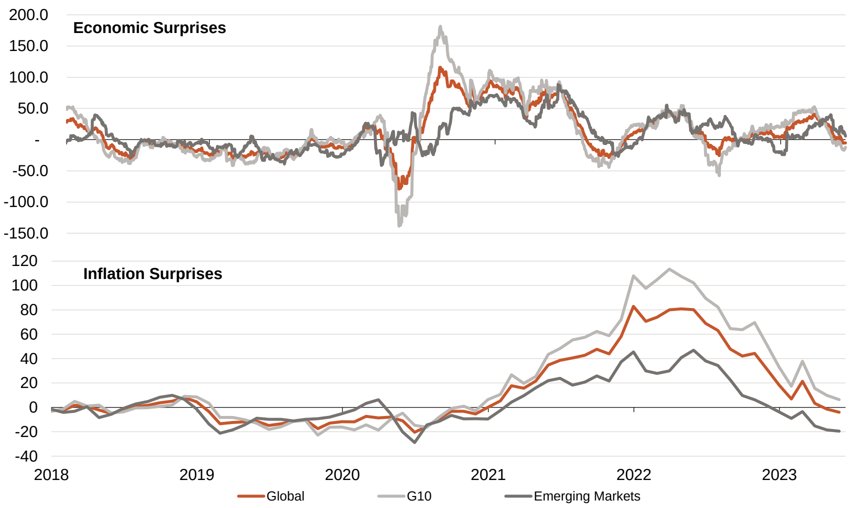
Volatility and Value-at-Risk of the S&P 500



- Not only realised volatility but also implied volatility is at post-COVID-19 lows in the equity markets. The VIX has been below the 15 mark for a fortnight now, and the 250T-VaR has recently fallen further.
- Risk-based strategies are likely to be very offensively positioned by now. Vulnerability from this side is increasing!

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 - 16/06/2023

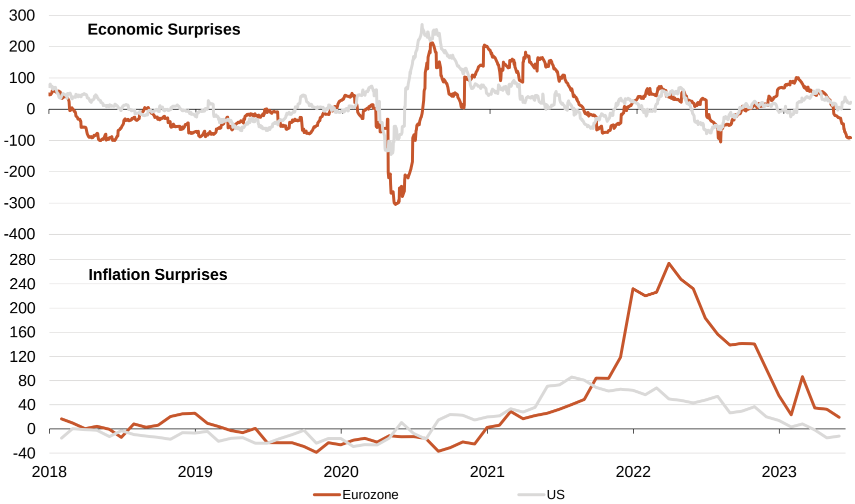
Global



- The positive economic surprises at the global level continue to weaken: over the past four weeks, negative economic surprises have again outweighed positive ones.
- The G10 countries in particular saw less economic data that beat expectations. Emerging markets continued to be robust, albeit less so. In China, however, retail sales and the trade balance were below expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 – 16/06/2023

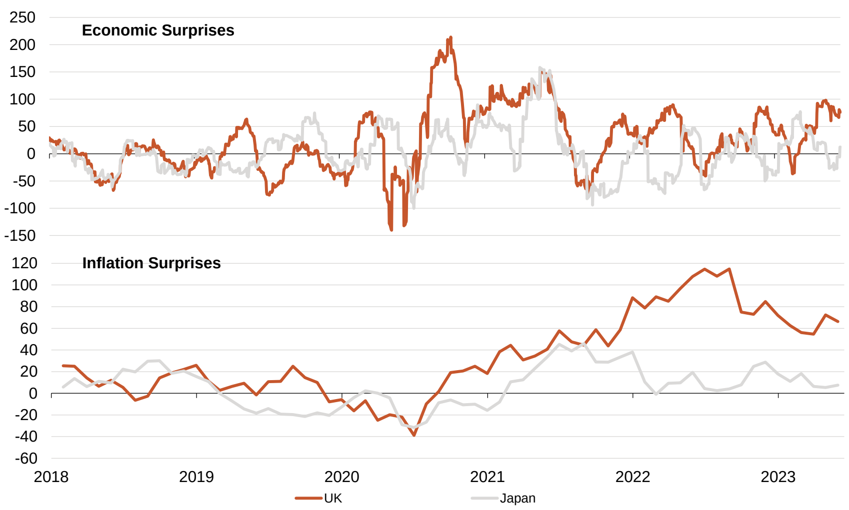
Eurozone and US



- In the eurozone, negative economic surprises continued to increase over the last four weeks. The data thus paint a similarly opaque picture as last seen in July 2022. Here, the ZEW Current Situation Survey, quarterly GDP, and industrial production disappointed.
- In the US, the economy remains more robust. Nevertheless, the positive economic surprises decreased here as well. Here, the labour market data and the sentiment indicator of the University of Michigan surprised positively.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 – 16/06/2023

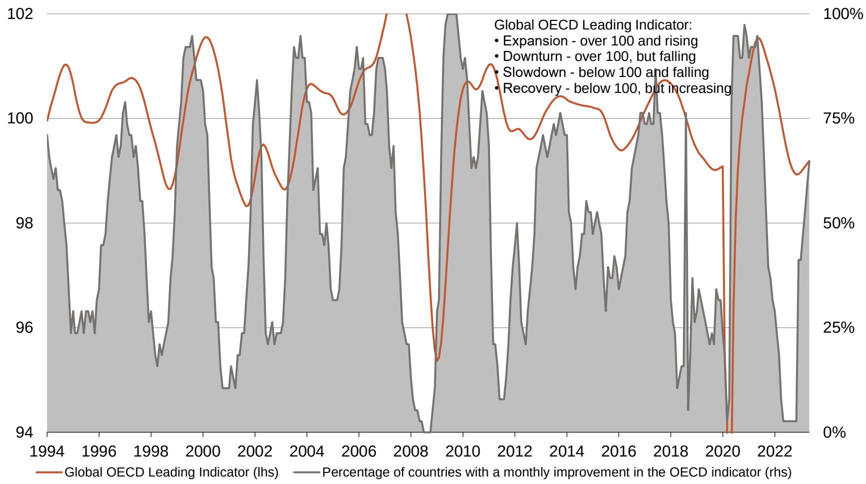
UK and Japan



- In Japan, the economic surprises abruptly turned positive. GDP figures and core machinery orders exceeded expectations.
- In the UK, industrial production disappointed, but the trade balance exceeded expectations.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.
Source: Bloomberg, Time period: 01/01/2018 – 16/06/2023

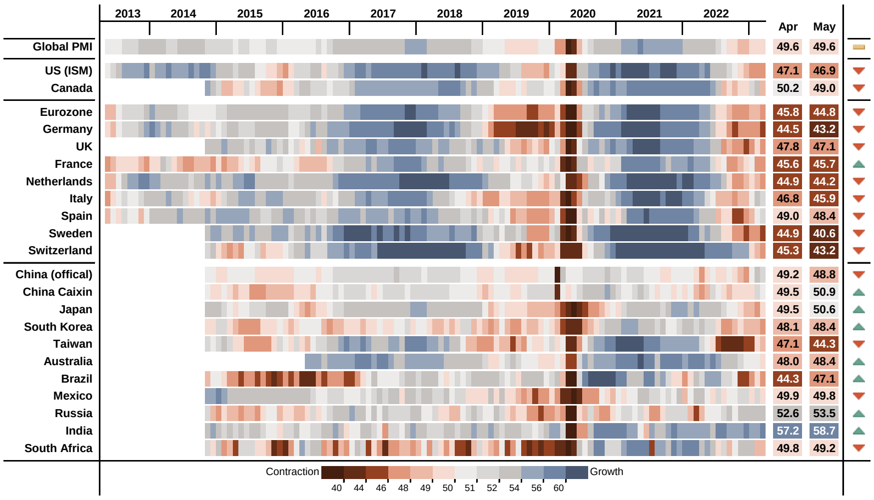
OECD Leading Indicator



- In view of the existing recession risks, the OECD leading indicator is already showing the first signs of an economic recovery. The indicator is below 100 with an upward trend.
- Even below the surface, the share of countries covered, with an improvement from the previous month of 65%, shows that the recovery is increasingly broad-based.

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 - 31/05/2023

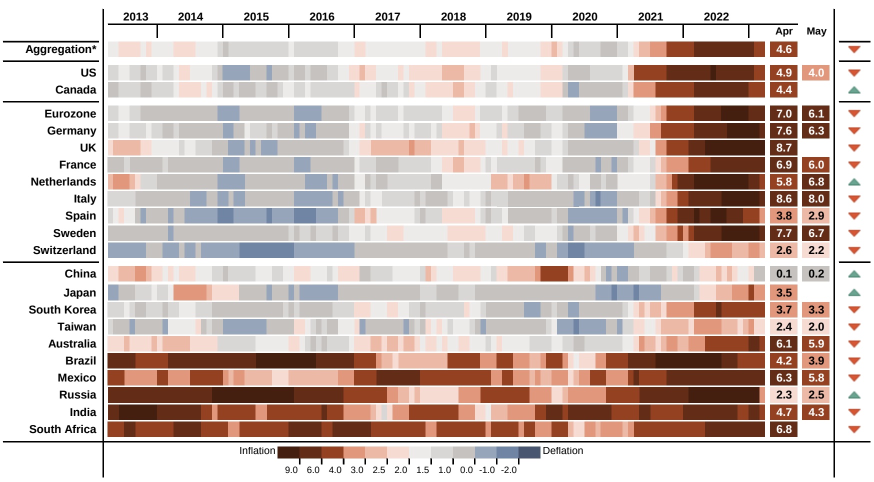
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The purchasing managers' data for May show a deterioration compared to the previous month for the US and Canada as well as the majority of the eurozone countries. Only France improved. For Switzerland, the value is as negative as it was during the COVID-19 pandemic in 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: 16/06/2013 - 16/06/2023

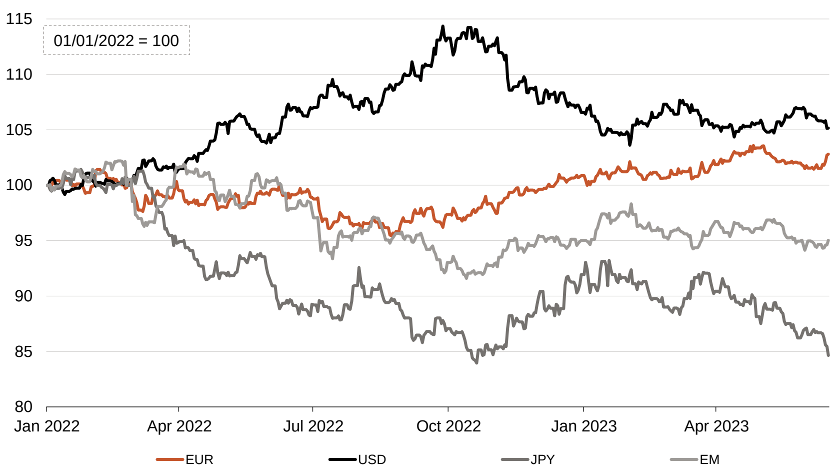
Headline Inflation



- Inflation data for May fell year-on-year in the eurozone. The main drivers of the decline were lower energy prices and slower increases in food and service prices.
- In the US, the inflation rate of 4% is as low as it was in 2021. Here, too, lower energy costs were the dominant driver.

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: 16/06/2013 - 16/06/2023

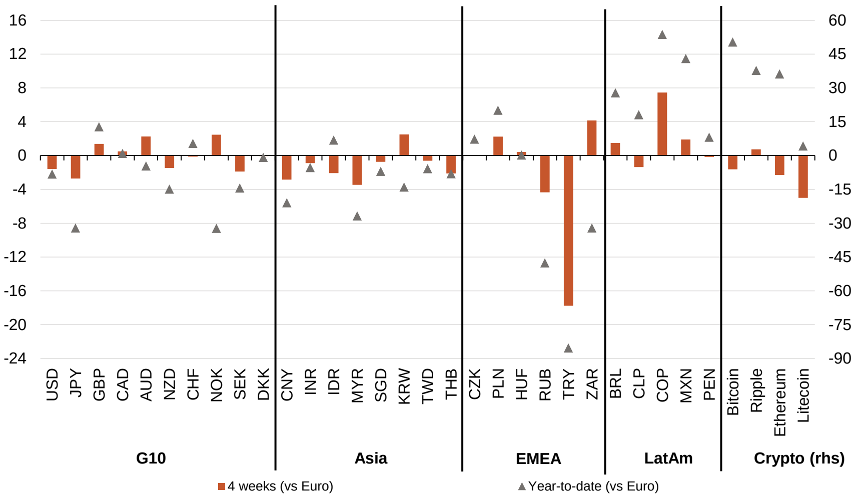
Trade-Weighted Currency Development



- The initial hopes that, along with Kuroda, the former head of the Bank of Japan, the ultra-expansive monetary policy would also go, have been largely dispelled by the new head Ueda. Accordingly, the yen has been weak in recent weeks and months.
- The US dollar and emerging market currencies recently trended weaker, while the euro regained some ground.

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 - 16/06/2023

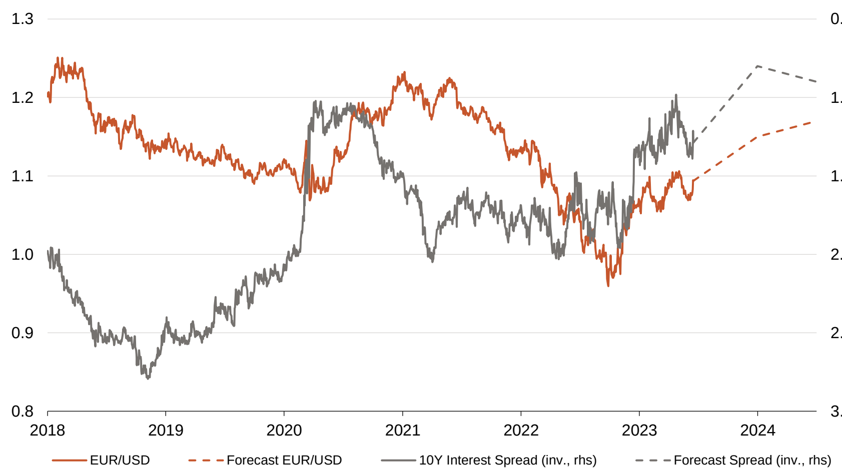
Currency Moves vs Euro



- The big winners since the beginning of the year and over the last four weeks continue to be found in Latin America. International investors seem to increasingly like the combination of handsome real interest rates and solid economic growth.
- The Turkish lira crashed after Erdogan's re-election, even though Simsek, the finance minister he recently appointed, is considered market-friendly. One explanation is that the central bank's support purchases in the run-up to the presidential election are now missing.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2022 - 16/06/2023

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



- Since the beginning of June, the downward trend of the EUR/USD from May has turned. The currency pair is now trading near the 1.10 mark again.
- One of the reasons for this increase is the ECB's key interest rate hike of 25bp to 4%. Even more decisive, however, is the restrictive stance of ECB chief Christine Lagarde. She has already held out the prospect of further interest rate hikes in July.

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

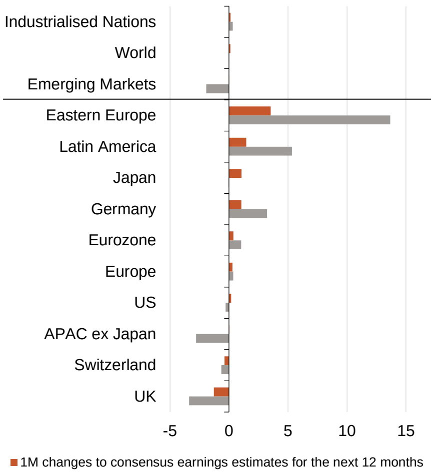
	4-week & YTD		12-month periods over that last 5 years				
	4W (19/05/23 - 16/06/23)	YTD (30/12/22 - 16/06/23)	16/06/22 16/06/23	16/06/21 16/06/22	16/06/20 16/06/21	16/06/19 16/06/20	15/06/18 16/06/19
Information Technology	3.3	27.0	35.5	-24.8	37.2	16.0	-3.8
Communication Services	1.2	4.8	6.8	-5.7	42.3	-1.0	-5.6
Industrials	1.1	18.7	30.3	-17.4	42.9	-2.3	-0.3
Utilities	0.9	12.0	14.4	-5.1	16.9	9.7	15.2
Consumer Discretionary	0.8	24.3	40.5	-26.1	57.3	-5.4	-6.5
Finance	0.6	10.5	21.9	-6.2	35.1	-15.8	-7.0
Value	0.0	8.9	14.2	-2.1	28.5	-12.8	-3.3
Growth	-0.5	15.5	24.5	-16.2	29.3	6.0	4.0
Energy	-1.4	-0.9	8.9	37.2	20.6	-33.1	-2.5
Health Care	-2.3	9.3	13.9	1.5	7.4	19.9	12.0
Consumer Staples	-3.6	5.5	9.7	-5.7	14.7	-1.2	13.2
Telecommunications	-5.0	9.2	-1.4	-5.8	19.2	-13.2	-0.5

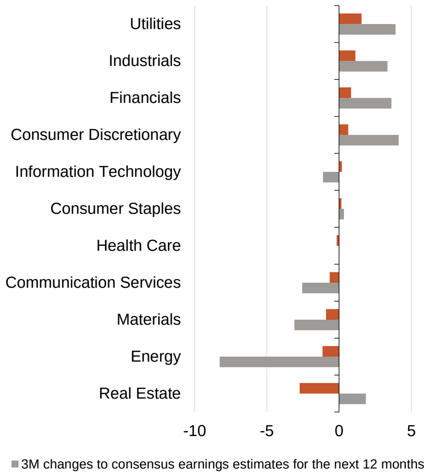
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR;
Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. 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, but also since the beginning of the year, information technology stocks have performed best. The AI euphoria clearly boosted the shares that were punished in 2022.
- In contrast, consumer staples and telecommunication stocks in particular have performed noticeably negatively in the last four weeks.

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: 16/06/2018 – 16/06/2023

Changes in Consensus Earnings Estimates

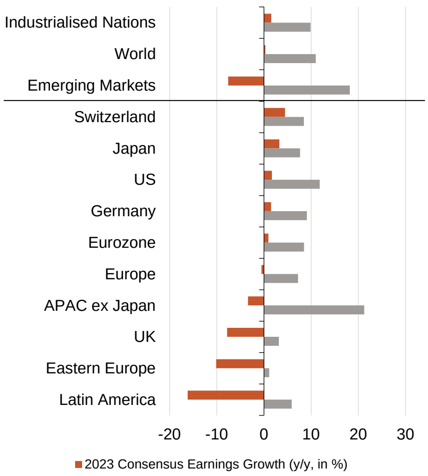


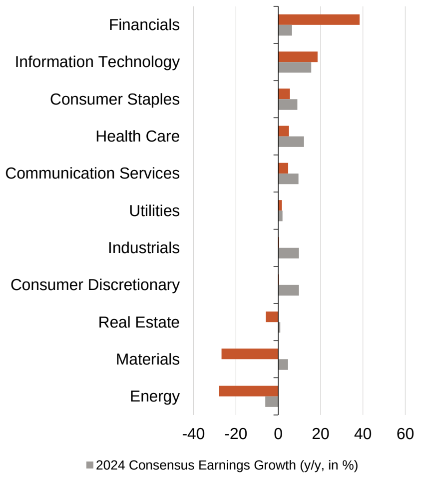


- Analysts raised earnings expectations for Eastern Europe, Latin America, Japan and Germany in the last four weeks.
- Negative profit revisions, on the other hand, were seen above all for the UK.
- Among the European sectors, earnings revisions were positive for utility and industrial goods companies in particular. On the other hand, real estate companies experienced significantly negative 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 16/06/2023

Earnings Growth

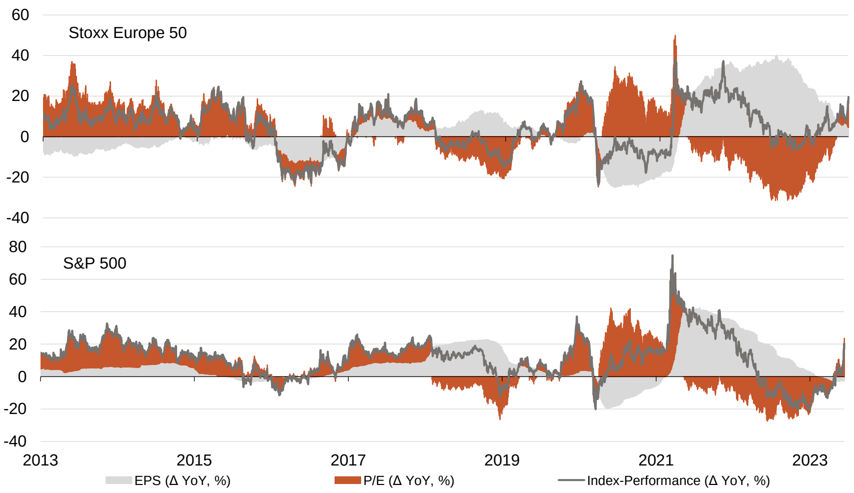




- In 2023, analysts continue to expect negative earnings growth for emerging markets and low positive earnings growth for developed markets.
- In 2024, however, analysts expect significant profit growth across the board. For APAC ex Japan, expectations even average more than 20% earnings growth.

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 16/06/2023

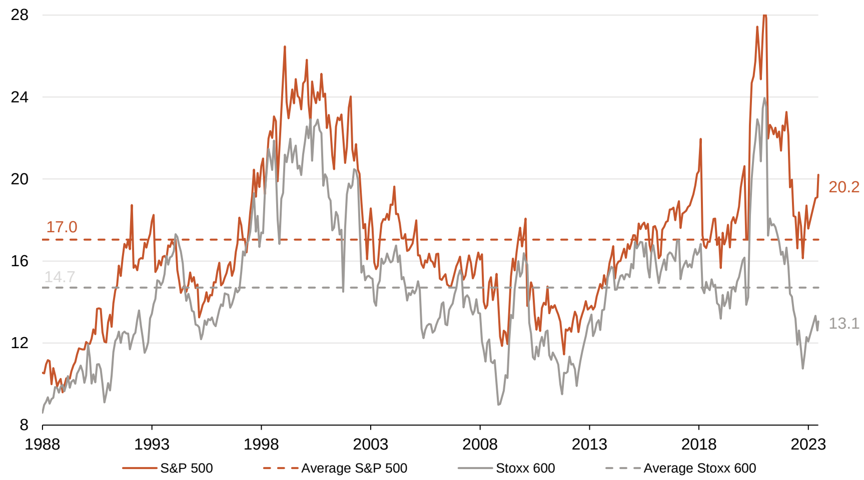
Contribution Analysis



- The rolling 1Y development is now clearly positive for the Stoxx Europe 50 and for the S&P 500. For both indices, valuation expansion was the main reason for the positive development. Earnings development, on the other hand, was only supportive for the Stoxx Europe 50.

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 – 16/06/2023

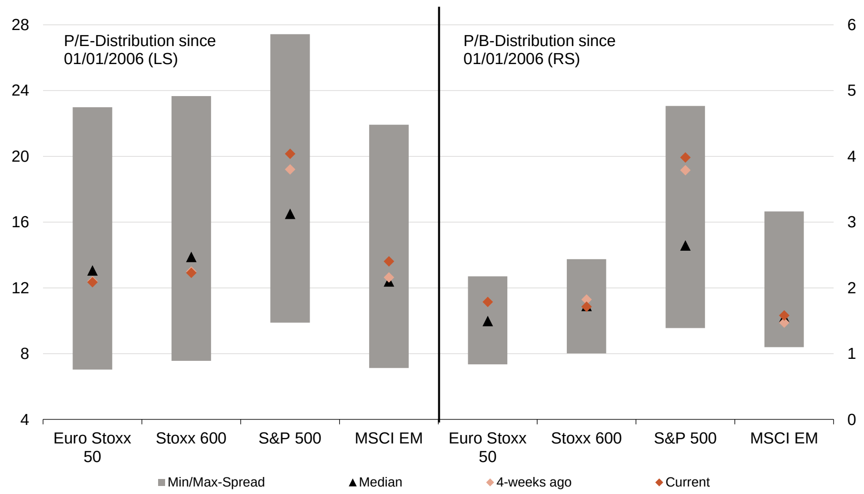
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The P/E ratio of the S&P 500 has recently risen to around 20x. In a historical context, the S&P 500 has thus become more expensive again.
- The P/E ratio of the Stoxx 600, on the other hand, remains around 13x. Thus, in contrast to the S&P 500, the Stoxx 600 has not become more expensive in recent weeks.

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 – 16/06/2023

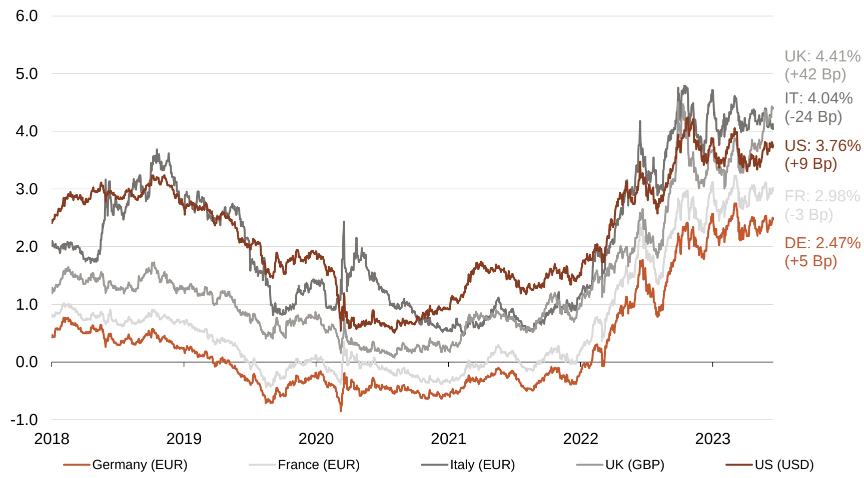
Historical Distribution: Price/Earnings and Price/Book Ratio



- Based on the P/E ratio, both the S&P 500 and the MSCI Emerging Markets Index have become more expensive in the last four weeks. The P/E ratios of the Euro Stoxx 50 and the Stoxx 600, on the other hand, have hardly moved.
- The situation is similar for the P/B ratio. However, this does not apply to the Stoxx 600, which has become slightly cheaper based on the P/B ratio.

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 – 16/06/2023

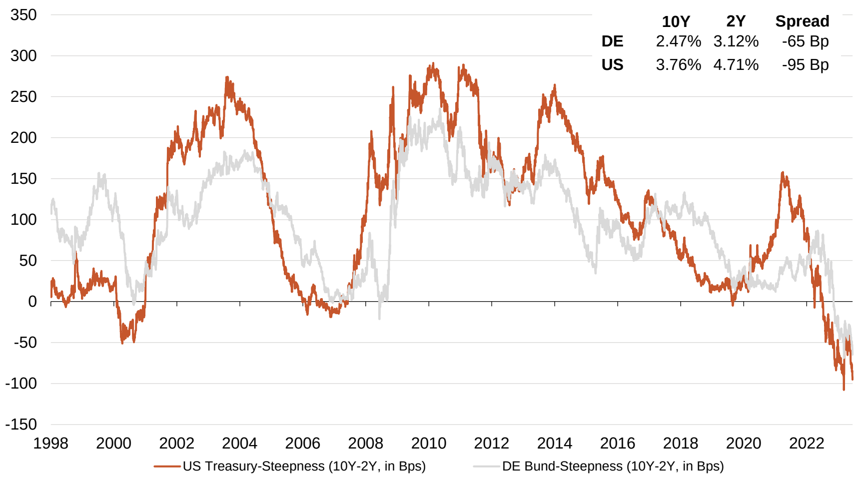
10-Year Government Bond Yields



- Yields on safe government bonds have risen in the last four weeks, especially in the UK and the US. But Germany also recorded rising yields.
- The exceptions are Italy, where government bond yields are falling significantly, and France, where they are falling slightly. The difference between German and Italian yields has thus narrowed, which speaks increasing economic optimism.

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 – 16/06/2023

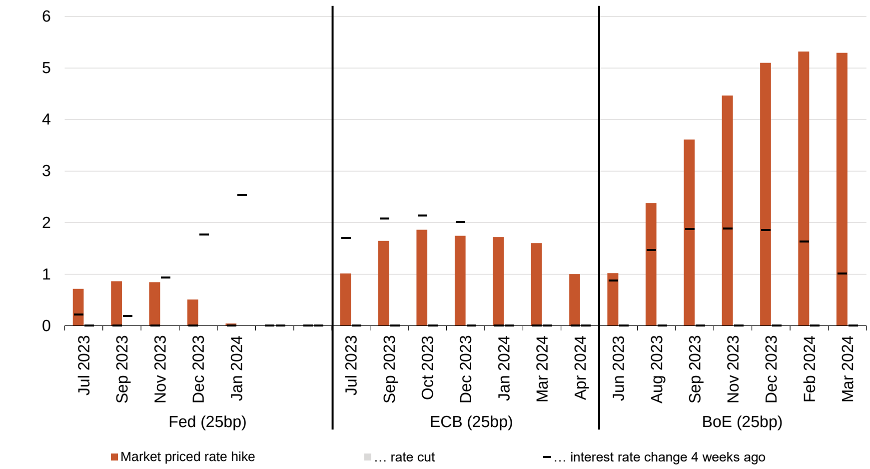
Yield Curve Steepness (10Y - 2Y)



- The steepness of the US yield curve has continued to fall after the hawkish tones of the US central bank in the June meeting and is approaching -100bp.
- The German yield curve has also flattened further with the ECB's renewed interest rate hikes.

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 – 16/06/2023

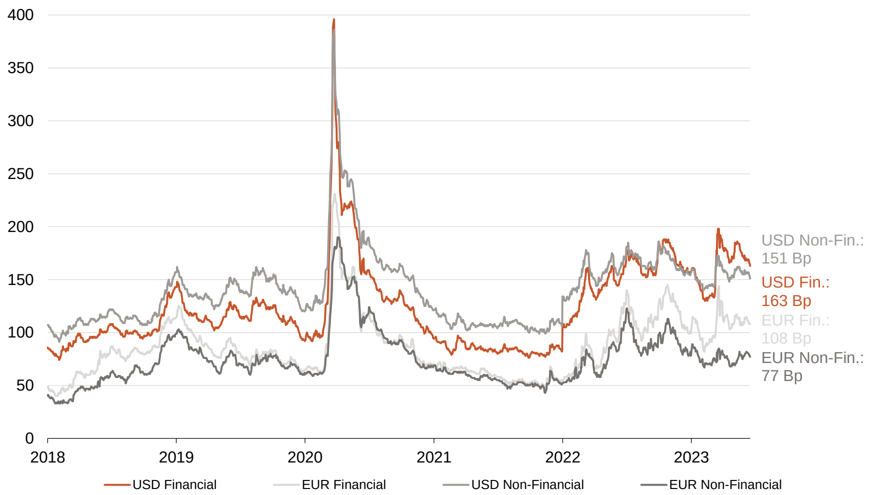
Implicit Changes in Key Interest Rates



- At its June meeting, the Fed did not raise central bank rates for the first time since March 2022. The market considers that there is an 80% probability of another rate hike in 2023.
- The ECB, on the other hand, raised central bank interest rates further in June. The market expects at least one more move by the end of the year.
- The market expects even more rate hikes from the BoE.

Derivatives on money market interest rates - such as the fed funds futures - can be used to determine the change (number of steps) in the key interest rate priced by the market.
Source: Bloomberg, Time period: 19/05/2023 – 16/06/2023

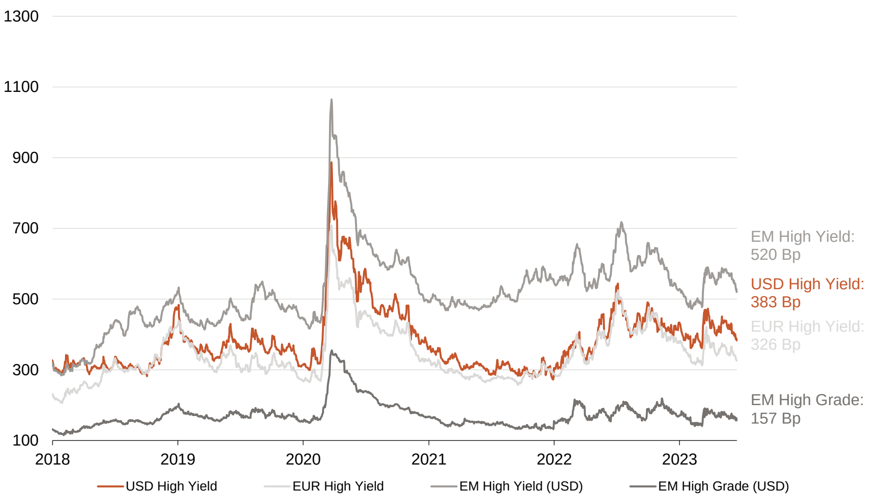
Credit Spreads Financial and Non-Financial Bonds



- Risk premiums on investment-grade corporate bonds have barely moved in the last two weeks.
- Spreads on USD financial bonds were 5bps down and on USD non-financial bonds 4bps.
- The spreads on EUR-IG corporate bonds also declined slightly.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 16/06/2023

Credit Spreads High Yield and Emerging Markets Bonds



- Compared to IG bonds, there was a more significant movement in high-yield bonds in the risk-on environment. Risk premiums fell across the board.
- Emerging-market high-yield bonds recorded the largest spread decline in the last two weeks with around 36bp, followed by EUR high-yield bonds with 30bp and USD high-yield bonds with 20bp.

How high the risk associated with the corporate bond 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 – 16/06/2023

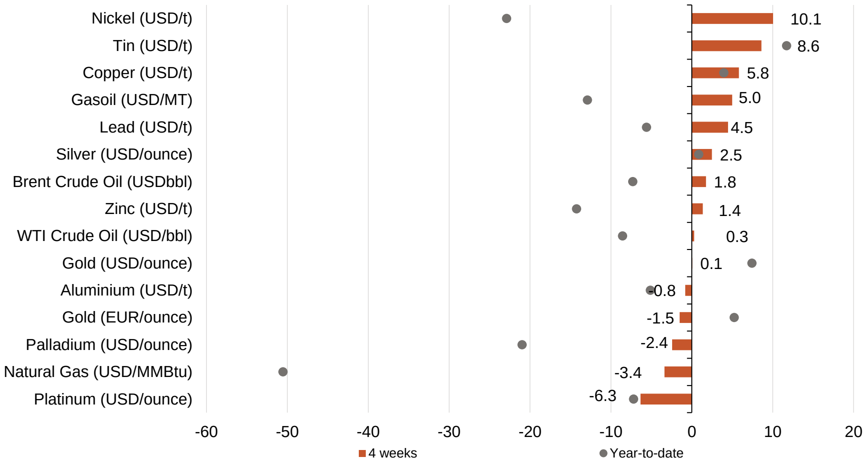
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	16/06/22 16/06/23	16/06/21 16/06/22	16/06/20 16/06/21	16/06/19 16/06/20	16/06/18 16/06/19
EUR Government	3.19	0.12	7.2	-	-	-	0.1	1.9	-2.7	-14.9	0.7	3.0	5.8
Germany	2.67	0.24	7.2	-	-	-	-0.8	0.6	-4.3	-13.1	-1.5	1.0	5.4
EUR Corporate	4.38	0.18	4.5	89	-4	68	-0.1	1.9	0.9	-13.6	3.3	0.7	3.7
Financial	4.65	0.18	3.8	108	-6	79	-0.1	1.7	1.0	-11.7	3.0	0.8	3.3
Non-Financial	4.21	0.18	5.0	77	-3	62	-0.2	2.1	0.8	-14.7	3.5	0.7	3.8
EUR High Yield	7.34	-0.09	3.1	326	-36	44	1.4	4.9	6.5	-12.6	10.8	0.3	2.9
US Treasury	4.26	0.41	6.4	-	-	-	-1.2	1.8	-0.3	-10.1	-3.3	10.6	7.2
USD Corporate	5.55	0.20	6.9	154	-15	72	0.0	3.0	2.5	-14.1	3.1	10.6	8.7
Financial	5.85	0.20	5.1	163	-21	88	0.0	2.5	2.2	-11.8	3.0	9.5	8.5
Non-Financial	5.41	0.20	7.7	151	-11	65	0.0	3.2	2.7	-15.1	3.1	11.0	8.8
USD High Yield	8.54	-0.17	4.1	383	-56	51	1.4	5.4	7.7	-11.2	12.7	2.1	5.8
EM High Grade	5.69	0.26	5.3	157	-15	28	-0.3	3.0	2.8	-13.4	4.4	5.4	8.4
EM High Yield	10.47	-0.37	3.8	520	-64	44	2.1	2.7	5.2	-21.6	12.9	3.2	9.1

- Thanks to the significant decline in spreads, high-yield bonds once again performed best in the last four weeks. On the other hand, the tendency for yields to rise weighed on government bonds and corporate bonds with a higher duration.
- The risk premiums for USD and EUR financial bonds are still at the upper end of the range in the 10Y 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: 16/06/2018 – 16/06/2023

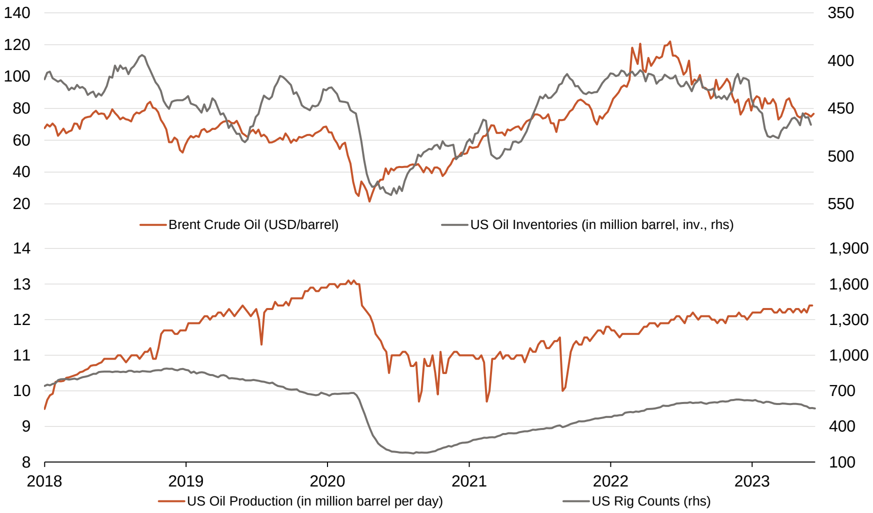
Commodities Performance



- The commodity performance over the last four weeks is very heterogeneous. While precious metals tended to be the laggards, industrial metals such as tin and copper were among the winners.
- The pessimistic view on the copper price improved as Chinese imports in copper increased significantly and inventories declined abruptly. Industrial metals were also buoyed by the new easing of Chinese central bank policy.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 16/06/2023

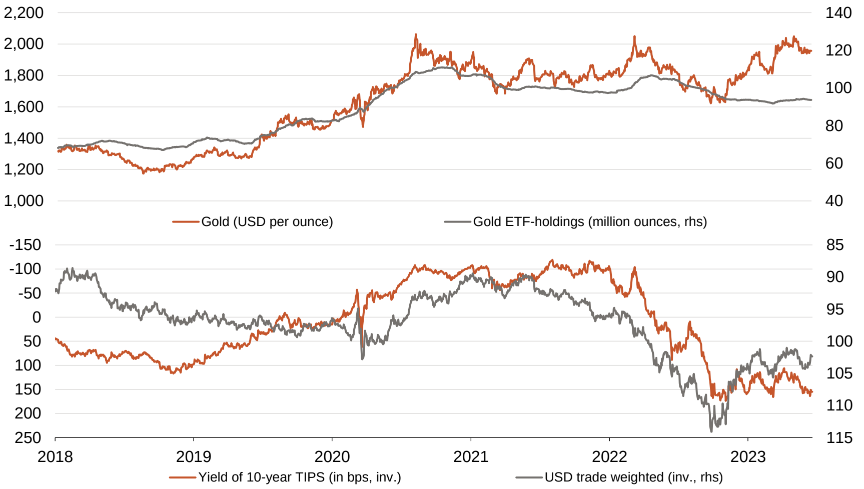
Crude Oil



- Oil stabilised recently, supported by stronger demand from Chinese refineries and further stimulus measures from the Chinese central bank. Throughput at Chinese oil refineries rose 15.4% in May from a year earlier - the second highest rate since records began. The central bank also cut its one-year lending rate by 10bp – the first cut since August and a sign Beijing is determined to support the country's stuttering recovery.

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 - 16/06/2023

Gold



- The gold price had fallen following the Fed meeting as it paused its rate hike cycle but communicated further rate hikes later in the year. Higher interest rates lower the relative attractiveness of the interest-free precious metal. As a result of the hawkish ECB meeting, the US-dollar fell, boosting the gold price.

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 - 16/06/2023

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IMPORTANT NOTICES

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