BERENBERG
Markets

MONITOR

03 July 2023

Current market commentary

Over the last two weeks, equities and bonds have tended to have a volatile sideways movement. The reasons for this, apart from the rebalancing flows, were the continued hawkish central banks and the ongoing withdrawal of liquidity. US interest rates in particular rose last week thanks to robust economic data. The US yield curve inverted even more as the market priced out expected rate hikes. In the coming weeks, investors are likely to focus more on fundamentals again as the Q2 reporting season gets underway. For the S&P 500, consensus expects a year-on-year decline in earnings of around 5% – excluding the energy sector, earnings stagnation is expected. Companies should therefore benefit from expectations being already low. The outlook of the companies is likely to be more important – especially against the background that analysts expect a significant growth in corporate profits for Q3 and especially Q4. Risks lurk here.

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

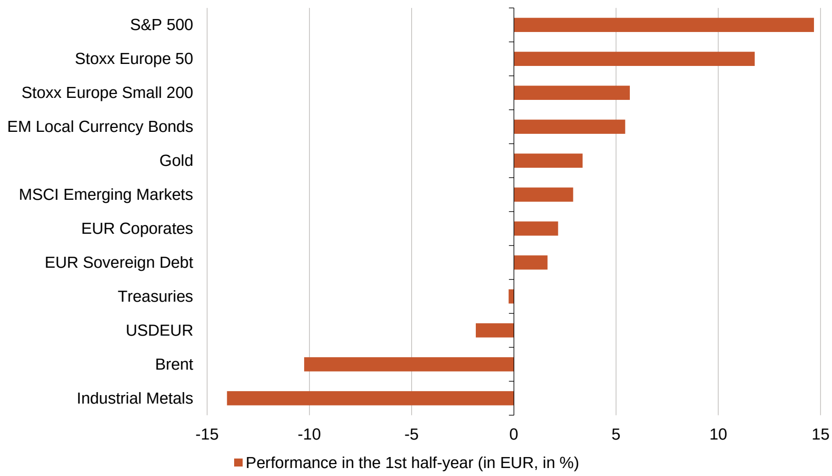
Q2 reporting season gathers pace.

The Fed minutes of the June meeting will be published on 5 July and the ECB minutes on 13 July. These should provide an insight into the central banks' current economic assessments. On 14 July, the US Q2 reporting season picks up pace with the figures of the major US banks.

Purchasing managers' indices and labour market data are of crucial importance.

Today, the manufacturing purchasing managers' indices (June) for China, Europe and the US (incl. ISM) are due. On Tuesday, German exports (May) will be published. On Wednesday, the purchasing managers' indices of the service sector (June) for China, Europe and the USA will be published. French industrial production (May) and US new orders (June) are also due. German new orders (May), the US trade balance (May), and the ISM services PMI (June) will follow on Thursday. On Friday, US labour market data (June) and German industrial production (June) will be published.

Equities the best investment in H1 despite various stumbling blocks



- The first half of the year was full of stumbling blocks such as the problems at US regional banks, the US debt crisis and the looming credit crunch. Yet, developed market equities were by far the best performing assets, ahead of bonds and commodities.
- However, the risks remain numerous. At the same time, valuations have risen sharply and investors are more optimistic. Equity markets seem vulnerable to setbacks. Commodities, on the other hand, are likely to have already priced in economic weakness in H1.

Source: Bloomberg, Time period: 31/12/2022 - 30/06/2023

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (02/06/23 - 30/06/23)	YTD (30/12/22 - 30/06/23)	30/06/22 30/06/23	30/06/21 30/06/22	30/06/20 30/06/21	30/06/19 30/06/20	29/06/18 30/06/19
Global Convertibles	1.5	7.5	6.4	-14.1	39.4	19.3	8.4
MSCI World	1.4	12.9	13.8	-3.2	31.9	3.9	9.3
Euro overnight deposit	0.3	1.3	1.6	-0.6	-0.5	-0.4	-0.4
MSCI Frontier Markets	-0.1	3.3	-6.2	-6.6	31.4	-10.3	7.9
EUR Coporates	-0.3	2.2	0.1	-12.9	3.5	-0.5	4.8
EUR Sovereign Debt	-0.7	1.6	-3.5	-7.7	0.3	0.9	3.5
REITs	-0.8	-1.8	-12.3	1.5	20.6	-9.7	13.7
MSCI Emerging Markets	-0.9	2.9	-2.3	-15.5	33.7	-2.4	4.0
USDEUR	-1.8	-1.9	-3.9	13.1	-5.3	1.2	2.7
Brent	-2.2	-10.3	-20.8	97.8	68.3	-36.6	-11.7
Industrial Metals	-2.6	-14.0	-9.1	13.2	41.7	-5.4	-8.5
Gold	-3.0	3.4	2.2	15.5	-5.8	27.9	15.6

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.

- The capital markets have not shown a uniform development over the last four weeks. Equities in industrialised nations and global convertibles took slight profits, while commodities tended to lose out.
- Gold, the loser over the past four weeks, headed for its third consecutive weekly loss as markets increased their bets on further Fed rate hikes following robust US labour market data and GDP figures.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 29/06/2018 – 30/06/2023

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (02/06/23 - 30/06/23)	YTD (30/12/22 - 30/06/23)	30/06/22 30/06/23	30/06/21 30/06/22	30/06/20 30/06/21	30/06/19 30/06/20	29/06/18 30/06/19
MSCI EM Eastern Europe	2.6	22.2	28.6	-81.3	30.5	-16.2	25.3
MSCI USA Small Caps	2.1	7.0	10.2	-11.0	52.7	-5.7	2.7
S&P 500	2.0	14.7	14.8	1.0	33.6	8.6	13.5
Euro Stoxx 50	1.8	18.4	30.6	-12.8	28.2	-5.1	5.1
DAX	0.6	16.0	26.3	-17.7	26.2	-0.7	0.8
Stoxx Europe Cyclicals	0.2	11.8	21.1	-14.1	37.5	-7.4	-1.1
Stoxx Europe 50	0.2	11.8	19.2	0.9	20.6	-3.4	8.0
MSCI Japan	-0.2	10.5	13.2	-9.2	18.2	4.5	-1.8
MSCI UK	-0.8	6.1	8.5	8.9	24.3	-16.6	0.4
Stoxx Europe Small 200	-1.1	5.7	6.4	-19.5	39.0	-3.9	0.1
Stoxx Europe Defensives	-1.1	6.5	8.2	7.5	12.5	1.1	8.2
MSCI EM Asia	-1.7	2.0	-4.8	-16.2	33.8	6.0	0.4

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 remained regionally heterogeneous over the last four weeks: Asian equities brought up the rear, while Eastern European and US equities tended to lead the way. Recently, however, rebalancing flows, hawkish central bank statements and the ongoing withdrawal of liquidity led to downward pressure.
- Eastern European equities led the way with significant earnings revisions for 2023 and 2024.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 29/06/2018 – 30/06/2023

Fixed Income

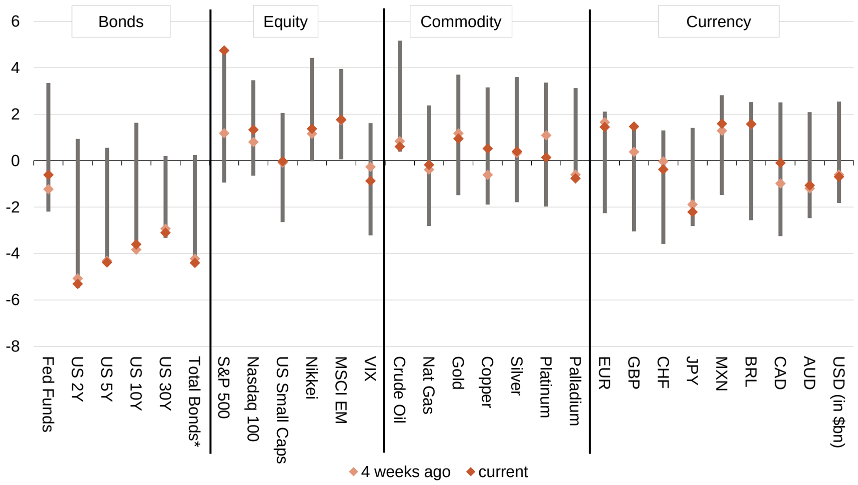
	4-week & YTD		12-month periods over that last 5 years				
	4W (02/06/23 - 30/06/23)	YTD (30/12/22 - 30/06/23)	30/06/22 30/06/23	30/06/21 30/06/22	30/06/20 30/06/21	30/06/19 30/06/20	29/06/18 30/06/19
USD High Yield	0.8	5.4	8.9	-12.7	15.6	-1.1	7.6
EM Hard Currency Bonds	0.5	1.8	2.9	-10.6	1.8	1.9	15.3
USD Corporates	0.4	3.2	1.4	-13.8	3.6	9.3	10.6
Chinese Gov Bond	0.4	2.7	4.4	5.2	2.2	5.6	5.8
EM Local Currency Bonds	0.3	5.4	6.7	-8.4	0.9	-1.5	11.7
EUR High Yield	0.3	4.4	8.8	-14.8	11.5	-1.9	5.6
EUR Financials	-0.2	1.9	0.0	-12.2	3.5	-0.3	4.7
BTPs	-0.2	4.5	-2.2	-12.7	4.4	6.7	7.0
EUR Non-Financials	-0.4	2.3	0.2	-13.5	3.5	-0.5	4.9
Bunds	-0.4	1.6	-6.0	-11.1	-2.1	1.1	5.0
Gilts	-0.5	-0.8	-15.2	-14.5	-1.1	10.3	4.1
Treasuries	-2.1	-0.6	-6.2	3.3	-8.3	12.0	9.9

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

- Robust economic data and increasingly restrictive central banks steered yields on safe government bonds upwards again. At above 3.8%, the yield on 10-year US government bonds is as high as it was at the beginning of March this year.
- The US and German yield curves have also inverted further following the latest labour market data, which point to further room for the Fed to raise interest rates.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 29/06/2018 – 30/06/2023

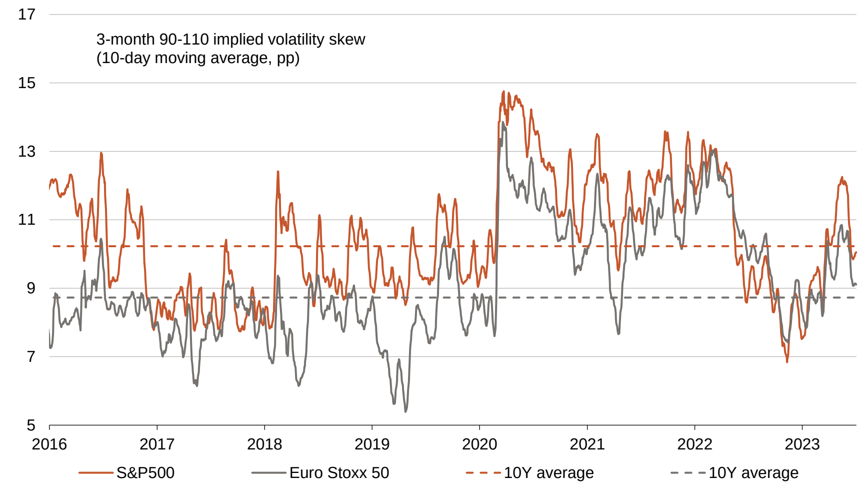
Non-Commercial Positioning



- Speculative investors have significantly increased their long positions in equities over the last month. On the S&P 500, the positioning of asset managers and leveraged funds is at its highest level in the last 10 years.
- From a positioning perspective, the vulnerability of the markets has increased noticeably recently.

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: 27/06/2013 - 27/06/2023

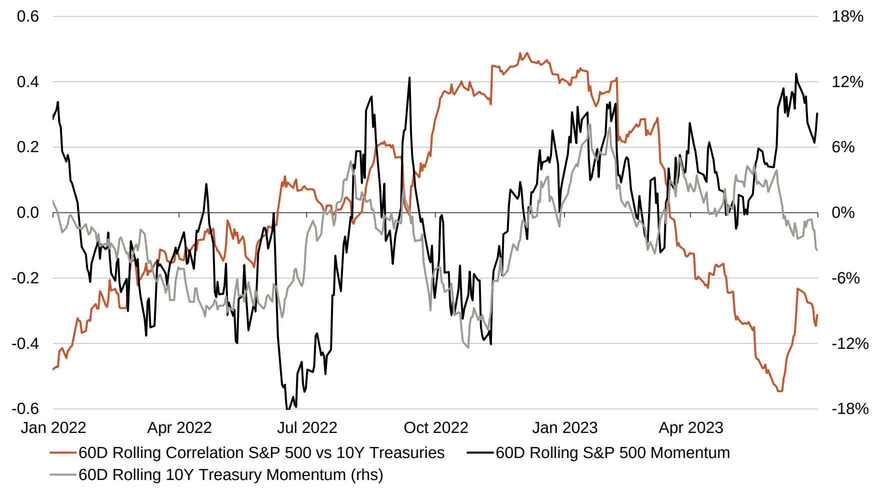
Put-Call-Skew



- The put-call skew measured in percentage points is now close to its historical averages in both the US and Europe.
- Relative to the current low level of implied volatility, however, it is still relatively steep. Because of the former, however, hedging remains cheap in a historical context.

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: 30/06/2013 - 30/06/2023

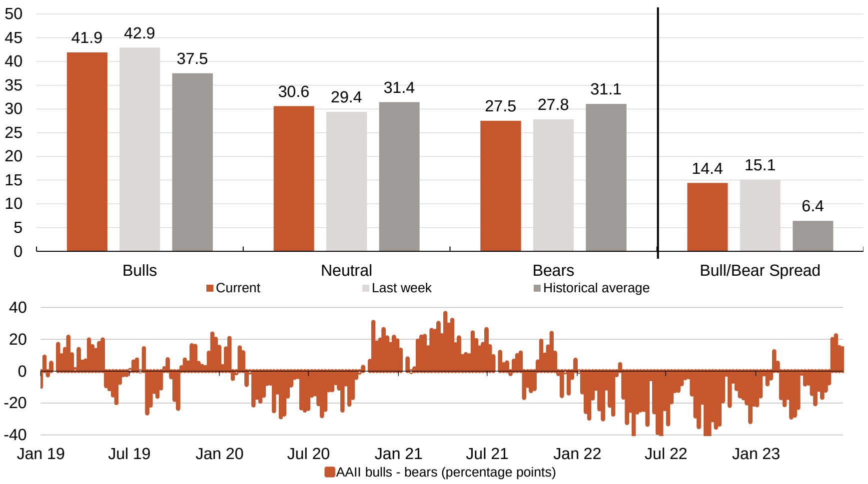
60-Day Momentum and Correlation



- The positive momentum on the stock market over short and long time frames continues. Trend-following strategies are likely to be heavily invested in equities by now.
- The equity-bond correlation has recently declined again. This is likely to have boosted demand for equities from 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 - 30/06/2023

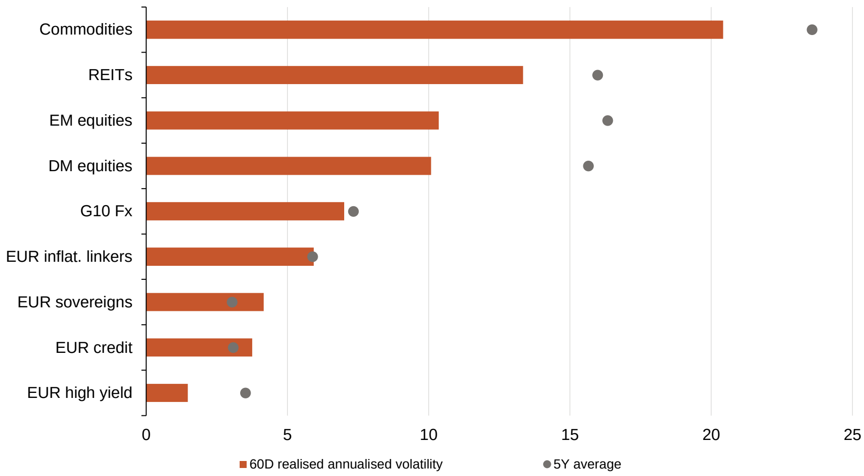
AAII Sentiment Survey (Bulls vs Bears)



- Among US private investors, the bulls now outweigh the bears for the fourth week in a row.
- The pessimism of the last year and a half seems to be a thing of the past, although the consequences of the restrictive monetary policy remain uncertain.

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 – 29/06/2023

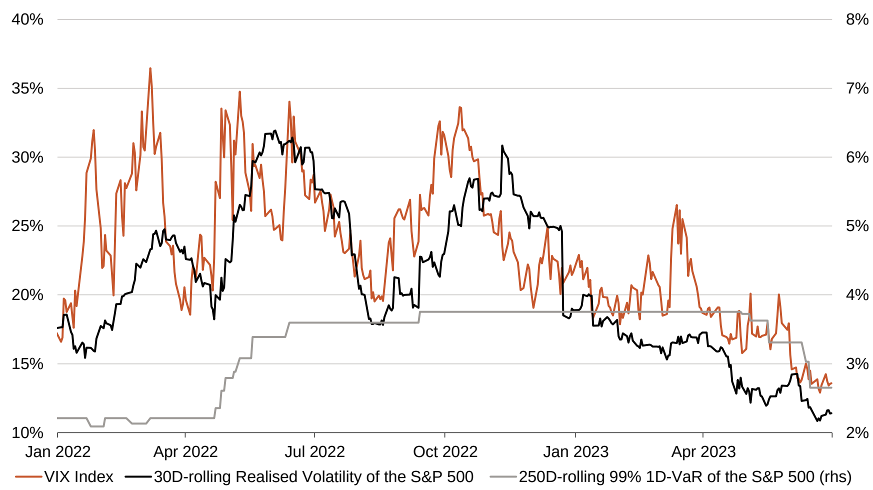
Realised Volatilities



- Realised volatilities remain well below the average of the last five years, especially for risky assets.
- Only government and corporate bonds are still slightly more volatile than average.
- The low volatility of equities at the index level can be explained, among other things, by the low realised correlation within equities.

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: 30/06/2018 - 30/06/2023

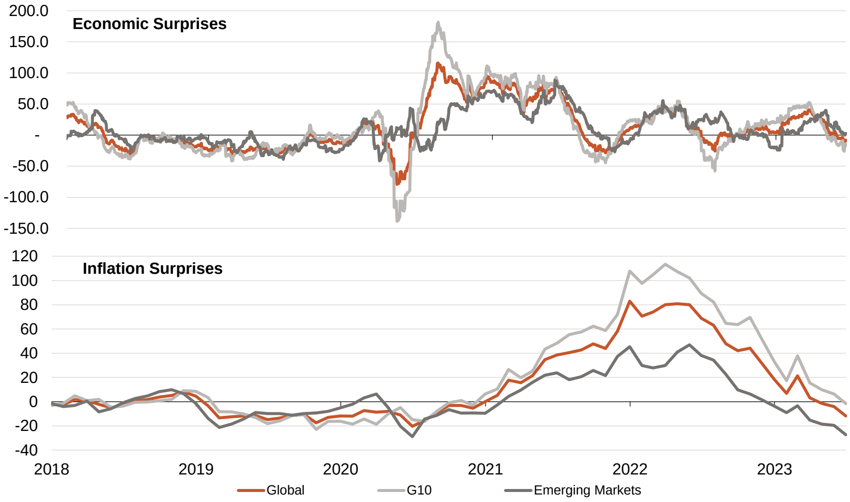
Volatility and Value-at-Risk of the S&P 500



- In addition to realised volatility, implied volatility also remains conspicuously low. The VIX recently fluctuated around the 14 mark.
- From here, volatility should find it increasingly difficult to fall further, so that the tailwind for equities from risk-based strategies should weaken.

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 – 30/06/2023

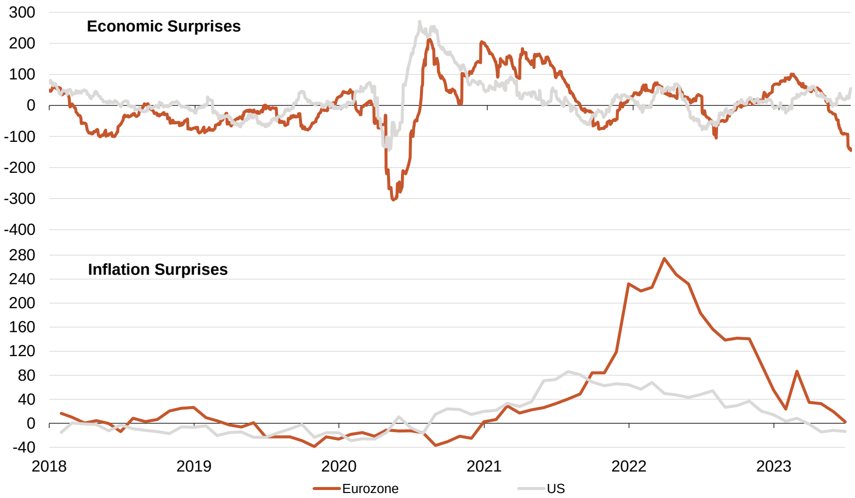
Global



- Economic data increasingly paint a pessimistic economic picture.
- The trend of increased negative economic surprises is also regionally uniform: while data at the global level and for industrialised nations extended the movement in negative territory over the past four weeks, emerging markets are now also close to the threshold. In China, the June PMI data on services disappointed.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 30/06/2023

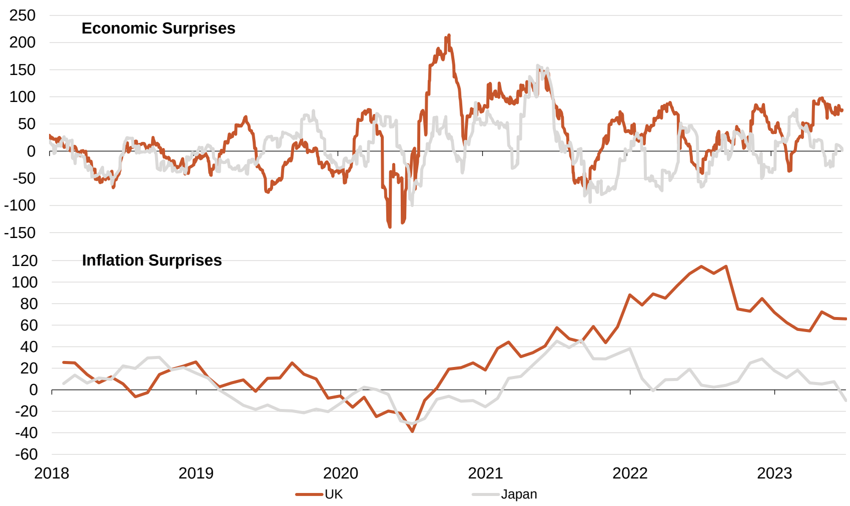
Eurozone and US



- The eurozone in particular saw a downward trend. The PMI data for the eurozone and Germany disappointed. In Germany, unemployment also increased more than expected.
- The US, on the other hand, is holding up robustly. The latest data on initial jobless claims, GDP figures for the first quarter of 2023, the University of Michigan's sentiment indicator, durable goods inventories and housing sales data exceeded expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 30/06/2023

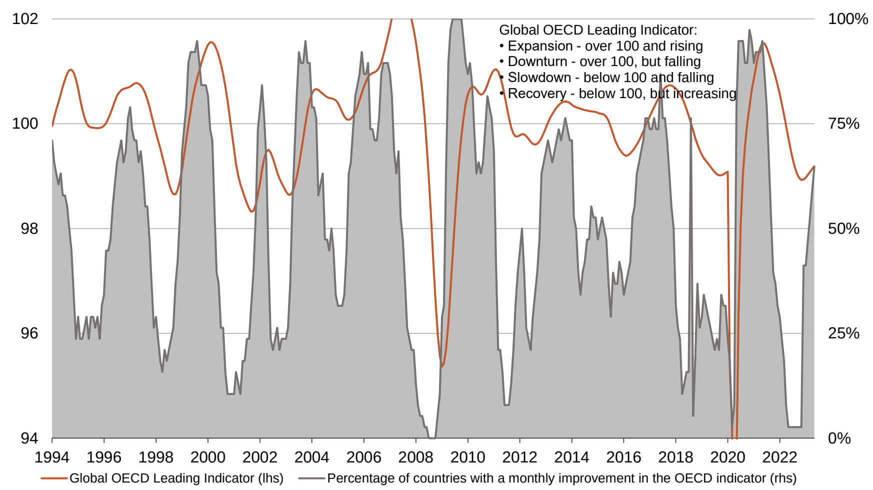
UK and Japan



- In Japan, preliminary industrial production data came in below expectations, but retail sales beat expectations.
- In the UK, inflation data surprised to the upside again. The PMI data disappointed.

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 - 30/06/2023

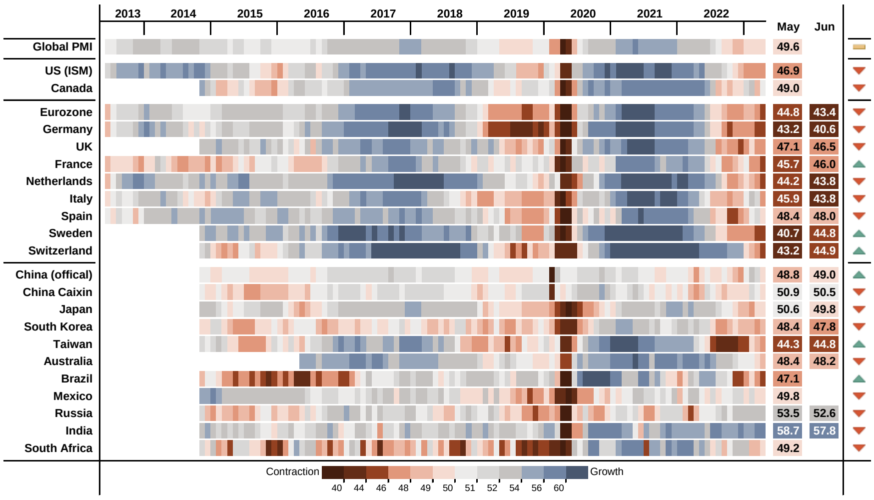
OECD Leading Indicator



- At the end of May, the OECD Global Leading Indicator showed an improvement over the previous month for the sixth month in a row. With a reading below 100 but rising, the indicator points to a recovery.
- In May, OECD leading indicators improved in 65% of countries. Besides Germany, this was also the case in Japan and the US.

The OECD Leading Indicator is composed of a set of selected economic indicators whose composition provides a robust signal of future turning points. A turning point usually signals a turning point in the business cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly identified.
Source: Bloomberg, Time period: 31/01/1994 - 30/06/2023

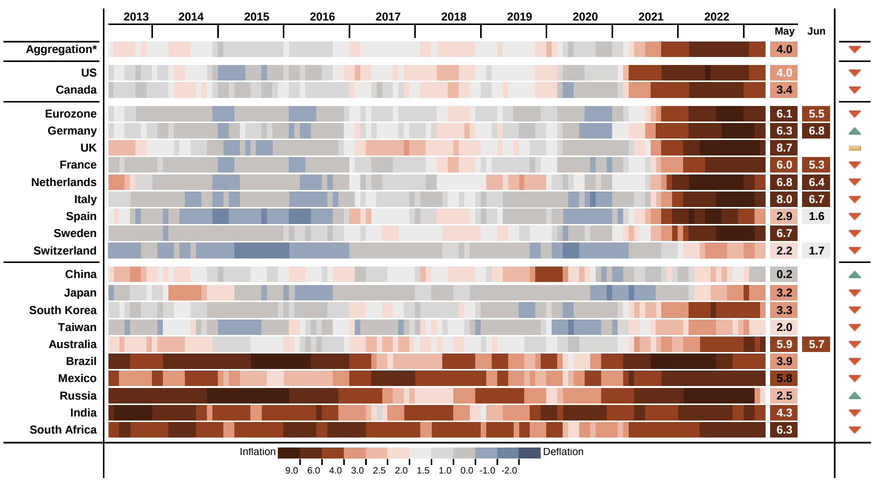
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The signs of a slowdown in the Eurozone are increasing. The Eurozone PMI fell again in June to 43.6, the lowest level since the COVID-19 crisis in 2020. Japan has also slipped below the 50 threshold, showing a decline in industrial activity.

The PMI is an overall index that provides a general overview of the economic situation in industry. The PMI is derived from a total of eleven sub-indices, which reflect the respective change from the previous month. A value of 50 is regarded as neutral, a value of over 50 points as an indicator of rising and a value of under 50 points as an indicator of declining activity in industry compared to the previous month. On average, the index has a lead time before actual industrial production of three to six months. The PMI is based on a survey of a relevant selection of purchasing managers on the development of key indicators such as new orders.
Source: Bloomberg, Time period: 30/06/2013 - 30/06/2023

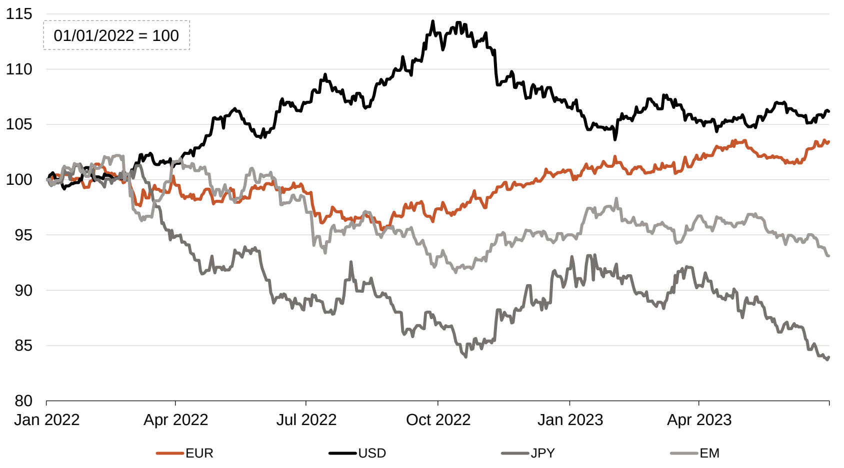
Headline Inflation



- Inflation in the aggregate continues to retreat. In the Eurozone, it fell to 6.1% in May compared to the previous month. In Germany, too, the inflation rate fell by more than one percentage point month-on-month.
- The drivers behind the fall in inflation were falling energy costs and slower increases in food and service prices.

Inflation (in %, compared to the previous year) is measured using a consumer price index, also called a basket of goods. This basket contains all goods and services that a household purchases on average per year. * = Weighting according to gross domestic product.
Source: Bloomberg, Time period: 30/06/2013 - 30/06/2023

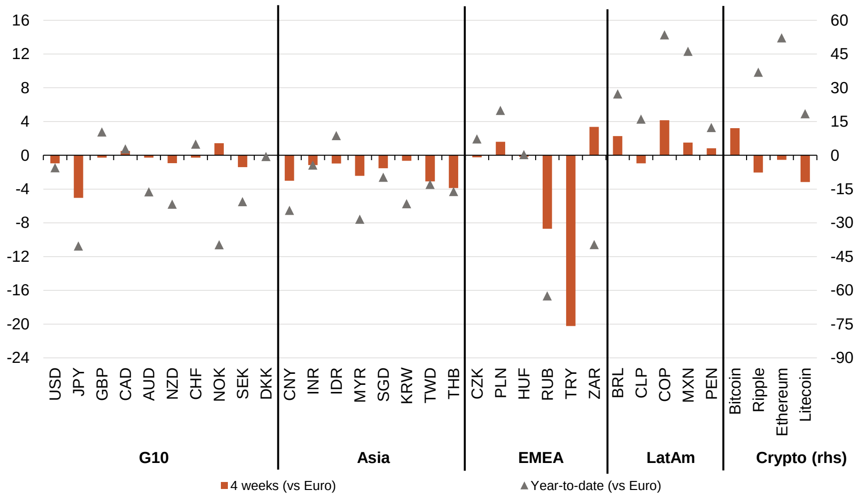
Trade-Weighted Currency Development



- There was an unusual development in currency markets recently. Both the US dollar and the euro gained on a trade-weighted basis.
- In turn, emerging market currencies and the Japanese yen posted losses.

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 - 30/06/2023

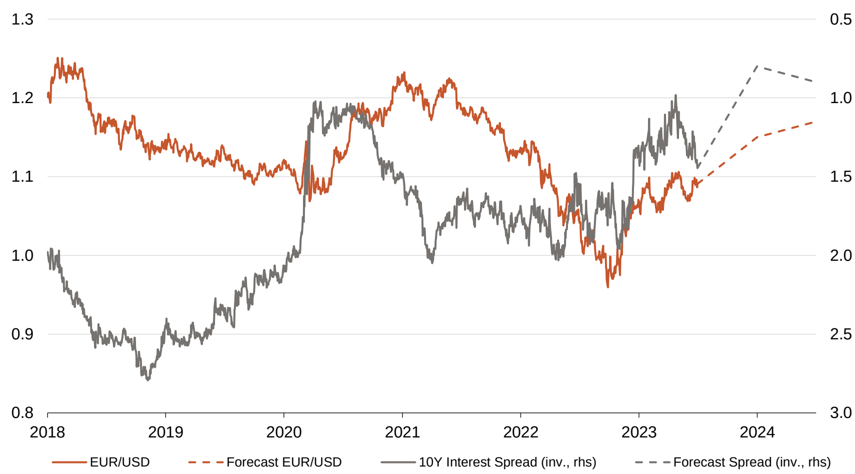
Currency Moves vs Euro



- Asian currencies were the weakest over the last month. The Chinese yen in particular posted losses due to the weaker-than-expected economy and lower interest rates.
- Bitcoin recently made strong gains after the SEC received applications for bitcoin ETFs. To date, there is no crypto ETF in the US.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2022 - 30/06/2023

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



- The upward trend of the previous weeks in the EUR/USD recently came to a standstill. The currency pair fluctuated around the 1.09 mark.
- Investors have raised their interest rate expectations for both the ECB and the Fed in recent weeks. Clear impulses in one direction or the other thus failed to materialise.

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: 4W (02/06/23 - 30/06/23)	YTD (30/12/22 - 30/06/23)	30/06/22 30/06/23	30/06/21 30/06/22	30/06/20 30/06/21	30/06/19 30/06/20	29/06/18 30/06/19
Consumer Discretionary	2.8	23.7	36.1	-22.6	54.6	-9.4	3.5
Communication Services	1.5	11.6	15.3	-2.5	10.5	12.7	15.4
Finance	0.7	10.5	22.0	-3.5	33.3	-18.9	-3.0
Value	0.5	7.9	14.3	-0.6	27.1	-15.4	-0.1
Industrials	0.2	17.1	29.5	-17.1	40.9	-4.4	5.9
Telecommunications	0.1	9.1	-4.4	-1.4	18.4	-13.4	1.7
Information Technology	0.0	26.3	32.7	-23.5	35.2	12.1	7.0
Consumer Staples	-0.1	5.4	5.2	-0.7	14.4	-1.4	12.0
Growth	-0.2	14.4	19.2	-12.8	28.6	4.1	8.9
Energy	-0.5	-2.1	10.6	38.6	23.7	-38.5	-1.9
Materials	-0.9	1.6	9.0	-10.0	41.7	-3.7	1.0
Health Care	-1.7	7.4	6.0	7.1	8.4	16.9	14.3

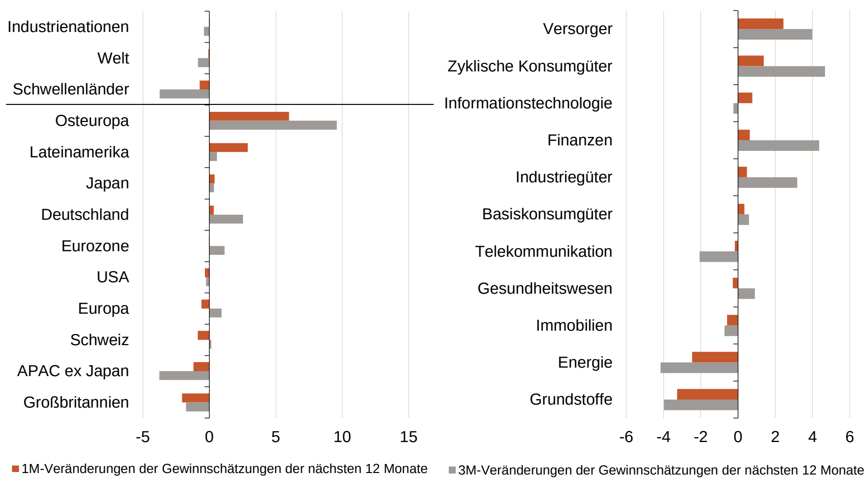
(12-month periods over that last 5 years)

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.

- Cyclical consumer staples again made significant gains. The market seems to have got used to the "higher for longer" narrative. Utilities and financials also made gains in recent weeks.
- The losers were the defensive health stocks
- Value stocks outperformed growth stocks.

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: 29/08/2018 – 30/06/2023

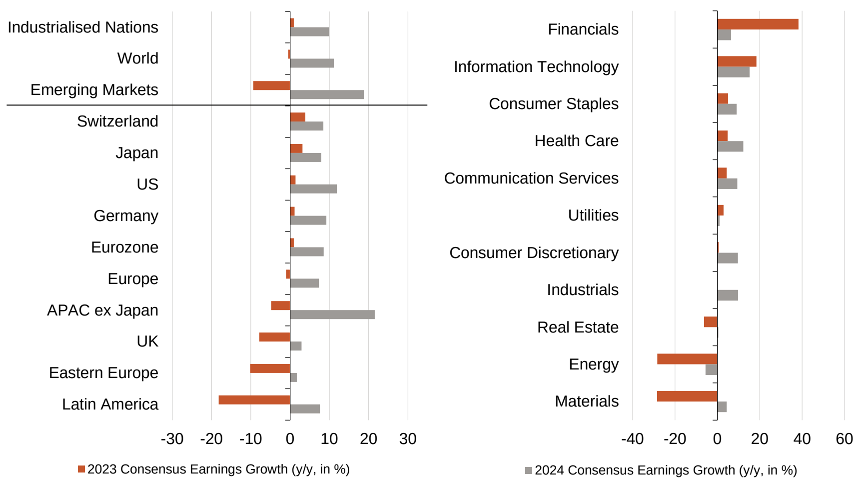
Changes in Consensus Earnings Estimates



- Eastern European and Latin American equities experienced significant positive earnings revisions over the past four weeks. Negative earnings revisions, on the other hand, were seen mainly in APAC ex Japan and the UK.
- Among the European sectors, analysts raised earnings expectations, especially for Utilities and Consumer Staples. Energy and material stocks, on the other hand, experienced 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 30/06/2023

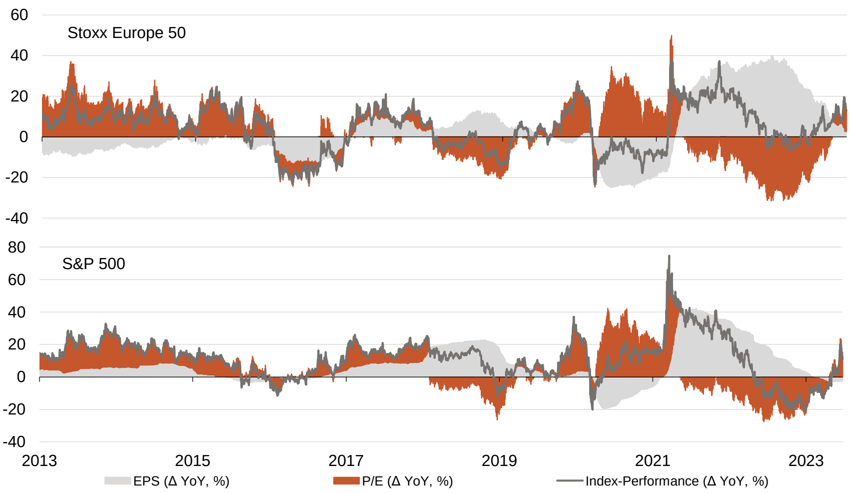
Earnings Growth



- Despite recent positive earnings revisions, the consensus still expects significantly negative earnings growth in eastern Europe and Latin America in 2023. 2024 is likely to be better.
- Positive earnings growth in 2023 is likely to be achieved in Switzerland, Japan and the US in particular.
- Among the European sectors, analysts expect financials to post the highest earnings growth in 2023.

Consensus expected calendar year earnings growth for selected equity regions, year-on-year and in percent. The earnings estimates of the individual companies are aggregated upwards using the index weights ("bottom-up"). Regional and Europe Sector MSCI Indices. APAC ex Japan = Asia Pacific excluding Japan
Source: FactSet, as of 30/06/2023

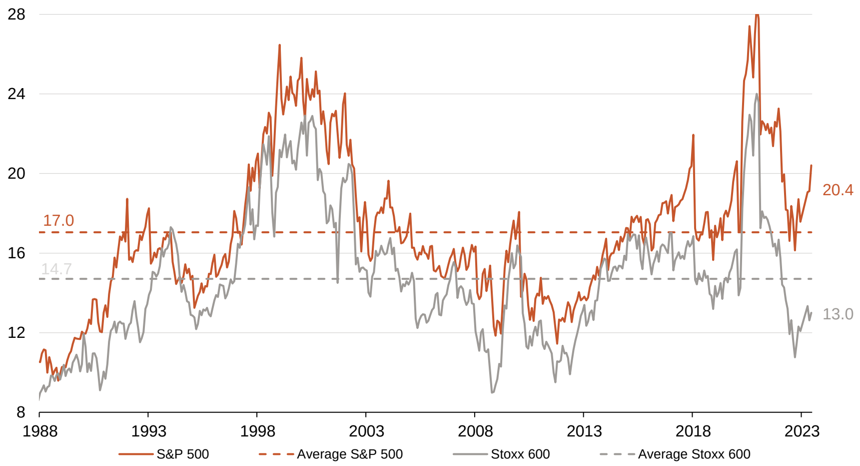
Contribution Analysis



- The Stoxx Europe 50 and the S&P 500 posted double-digit gains over the past 12 months.
- The positive development was driven by an increase in valuations for both indices.
- The earnings trend, on the other hand, weighs slightly on the S&P 500.

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 - 30/06/2023

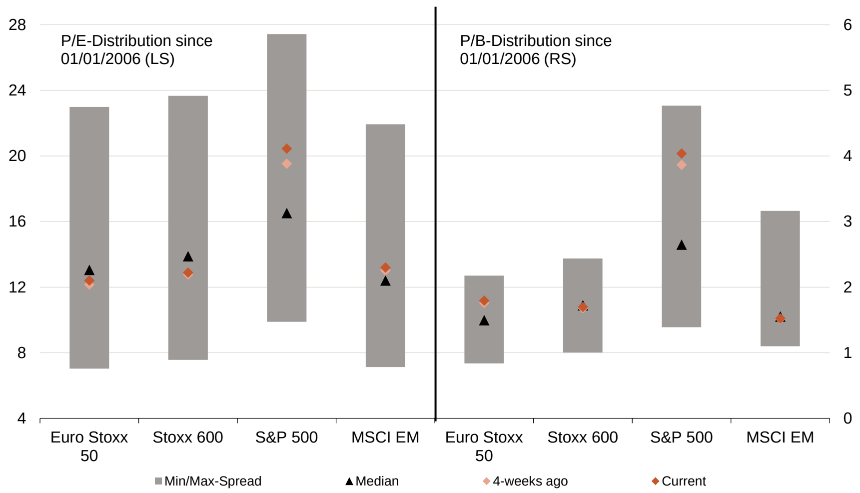
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The valuation of the S&P 500 and the Stoxx 600 have recently moved further apart. The S&P 500 experienced a valuation expansion to 20,4x, while the P/E ratio of the Stoxx 600 fell to 13x.

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 - 30/06/2023

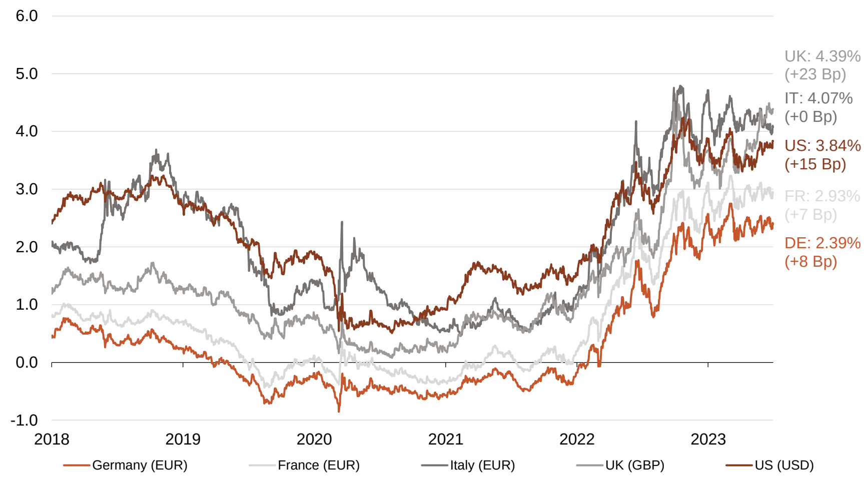
Historical Distribution: Price/Earnings and Price/Book Ratio



- In the last four weeks, all indices shown have become more expensive on the valuation side. The valuation expansion can be seen most clearly in the P/E ratio of the S&P 500.
- On a P/B basis, also the S&P 500 in particular has become more expensive.

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 - 30/06/2023

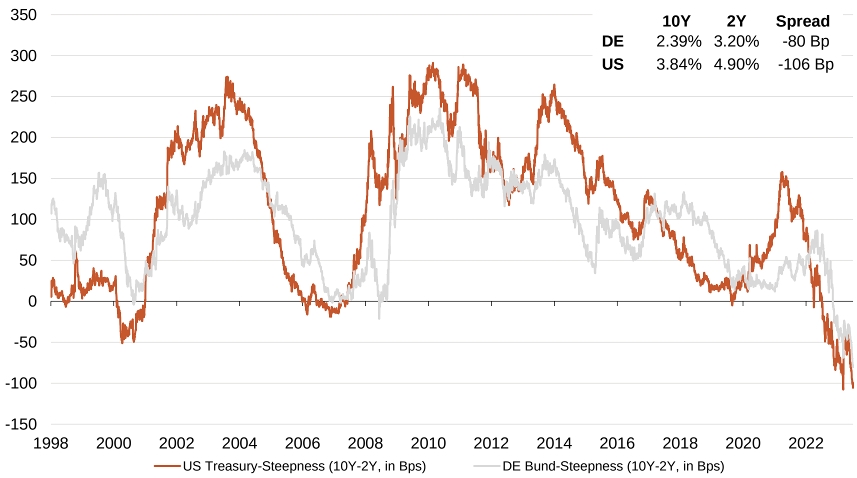
10-Year Government Bond Yields



- The recent upward surprise in inflation, stable economic data and central banks that continue to sound restrictive caused yields on safe government bonds to rise again in the last four weeks.
- British and US government bonds experienced the most significant increase in yields, by more than 15 basis points (bp).

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 – 30/06/2023

Yield Curve Steepness (10Y - 2Y)

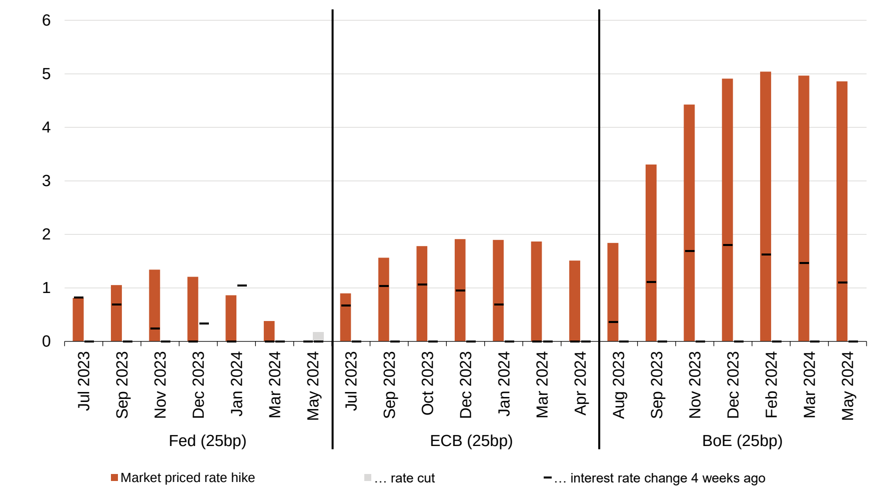


	10Y	2Y	Spread
DE	2.39%	3.20%	-80 Bp
US	3.84%	4.90%	-106 Bp

- Recently improved labour market data and persistent inflation figures caused the US and German yield curves to invert further. The US yield curve recently broke the -100 bp mark and has thus reached the level of before the SVB crisis.

The yield curve distinguishes between the so-called short end and the long end. The reason for this is the way in which factors influence yields. Central banks control the short end of the curve through their monetary policy and key interest rates. In contrast, the long end is influenced less by central banks and more by inflation expectations, supply, demand and risk premiums.
Source: Bloomberg, Time period: 01/01/1998 – 30/06/2023

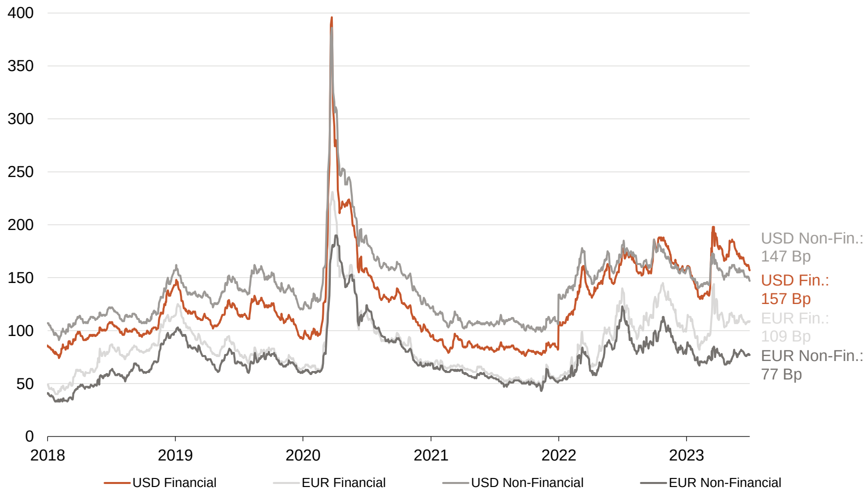
Implicit Changes in Key Interest Rates



- Following recent strong US economic data, the market expects another rate hike by the Fed by September 2023 at the latest. Afterwards the rate hikes should be over, at least according to the market.
- In Europe, on the other hand, interest rate increases are likely to be more pronounced after recent stubborn inflation figures. The ECB is expected to raise rates by around 50bps and the BoE by around 125bps 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: 02/06/2023 – 30/06/2023

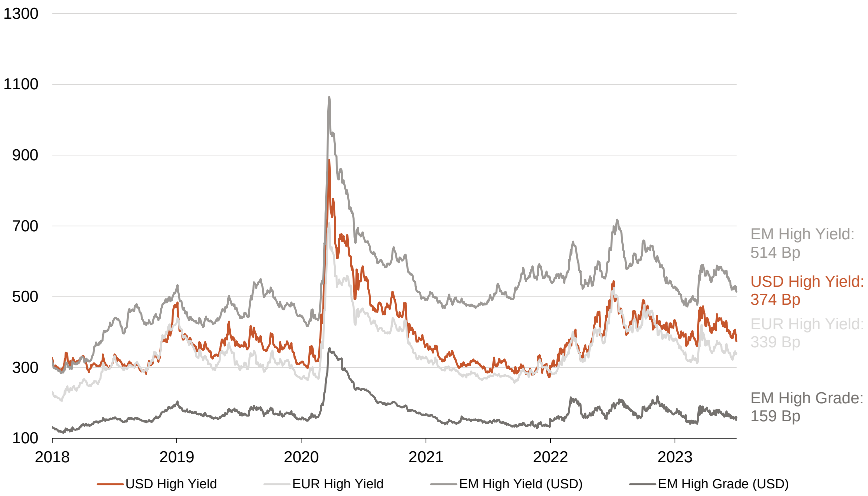
Credit Spreads Financial and Non-Financial Bonds



- Risk premiums on USD-IG corporate bonds fell slightly in the last two weeks. USD financial bonds experienced a spread decline of 6bp and USD non-financial bonds of 4bp.
- EUR-IG corporate bonds, on the other hand, experienced hardly any change in risk premiums.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 - 30/06/2023

Credit Spreads High Yield and Emerging Markets Bonds



- In the case of high-yield bonds, spreads have moved slightly down in the last two weeks.
- On average, spreads in the risk-on environment have fallen by around 10 bp.

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 - 30/06/2023

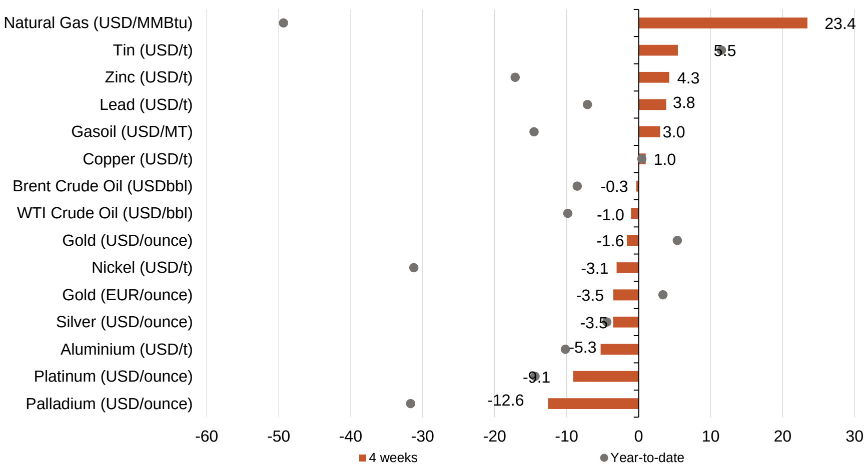
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Per-centile	1M	YTD	30/06/22 30/06/23	30/06/21 30/06/22	30/06/20 30/06/21	30/06/19 30/06/20	30/06/18 30/06/19
EUR Government	3.22	0.12	7.3	-	-	-	0.2	2.1	-4.9	-12.6	-0.1	2.7	6.5
Germany	2.64	0.15	7.4	-	-	-	-0.2	1.2	-6.0	-11.1	-2.0	1.1	5.1
EUR Corporate	4.42	0.16	4.6	89	-1	69	-0.1	2.0	0.0	-12.7	3.5	-0.4	4.7
Financial	4.71	0.18	3.9	109	0	81	0.0	1.7	-0.1	-10.6	3.1	0.0	4.5
Non-Financial	4.23	0.14	5.0	77	-1	62	-0.1	2.2	0.1	-13.9	3.8	-0.6	4.9
EUR High Yield	7.53	0.10	3.2	339	-10	51	0.6	4.4	8.8	-14.8	11.5	-1.9	5.6
US Treasury	4.36	0.23	6.5	-	-	-	-0.4	1.6	-2.5	-8.9	-3.4	10.8	7.3
USD Corporate	5.59	0.10	6.9	150	-10	68	0.5	3.2	1.4	-13.8	3.6	9.3	10.5
Financial	5.90	0.13	5.1	157	-13	83	0.3	2.7	1.3	-11.5	3.3	8.7	9.9
Non-Financial	5.45	0.09	7.8	147	-8	61	0.7	3.5	1.5	-14.8	3.8	9.6	10.8
USD High Yield	8.60	-0.20	4.1	374	-45	47	1.5	5.4	8.9	-12.7	15.6	-1.1	7.6
EM High Grade	5.81	0.13	5.3	159	-11	30	0.3	2.9	2.0	-13.2	4.2	5.0	9.0
EM High Yield	10.46	-0.49	3.9	514	-57	42	2.1	2.5	8.0	-23.7	12.9	1.8	10.8

- High-yield bonds were once again the best-performing bond segment. In the last four weeks, USD high-yield bonds performed better with 1.5% than EUR high-yield bonds with 0.6%.
- EM high-yield bonds performed even better with 2.1%.

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 : 30/06/2018 - 30/06/2023

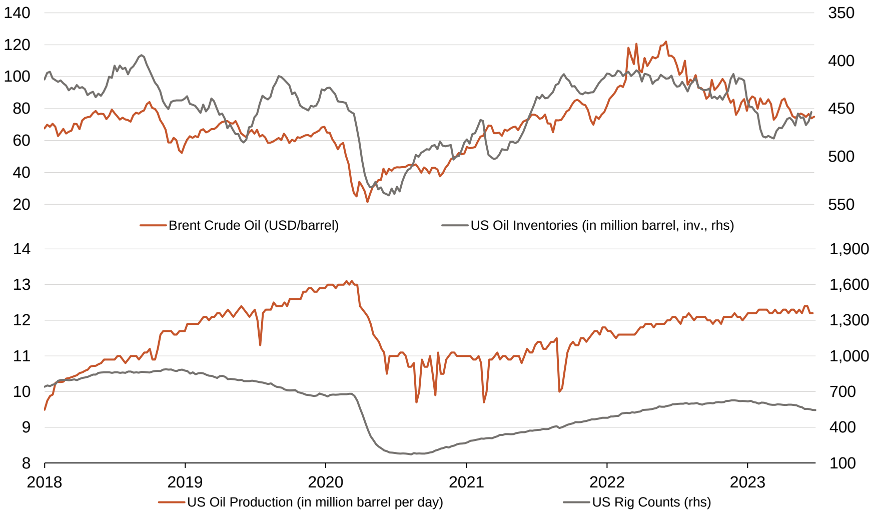
Commodities Performance



- Commodity performance over the last four weeks continued to be quite heterogeneous. While precious metals tended to be the laggards, industrial metals such as tin and copper were among the winners.
- The supply situation for copper remains tense, as a recovery of copper production in Chile, the largest producer with about 30% of global production, is still not visible. Most recently, the El Niño rains brought an important mine to a standstill.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 30/06/2023

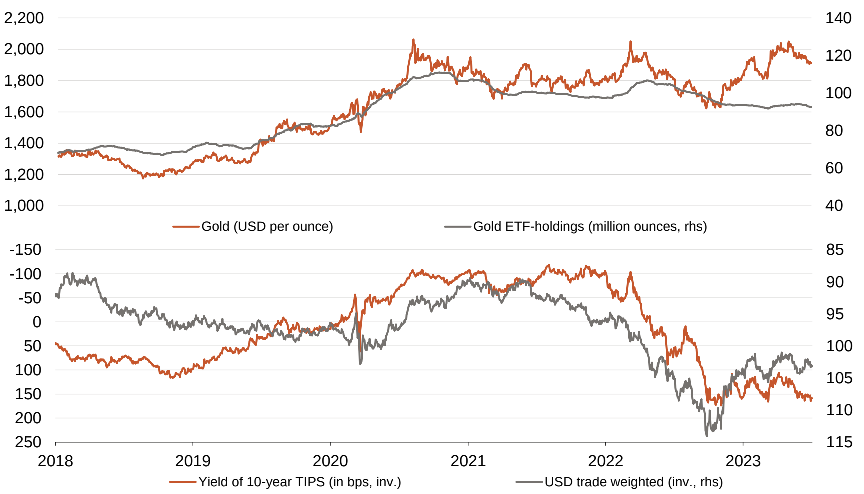
Crude Oil



- Crude oil's volatile "grinding lower" movement has continued over the last four weeks. The ongoing price weakness remains decoupled from fundamentals: in Asia, rising gasoline imports point to less weak oil demand than initially suggested, while at the same time US inventories also declined. Oil, however, remained unimpressed by this - recession concerns in the West and the stuttering recovery in China remain too strong a headwind at present.

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 - 30/06/2023

Gold



- Gold benefited only briefly from the initially tense Wagner-Putin conflict in Russia and then corrected quickly. The more robust than expected US labour market data and expectations of further interest rate hikes put additional pressure on the precious metal and pushed it to a three-month low.

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 - 30/06/2023

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