BERENBERG
Markets

MONITOR

14 August 2023

Current market commentary

August began with a mini shocker. In addition to S&P, the rating agency Fitch downgraded the long-term credit rating of the US to AA+. The reason for this was the rising budget deficit, the growing national debt and the constant stalemate in the political leadership on fiscal and debt issues. Capital markets reacted to the news with increased volatility, falling equities and rising bond yields. Only energy commodities continued their rally undisturbed thanks to fundamental scarcity.
Meanwhile, US inflation data for July came in as expected and failed to provide any new impetus. Investors therefore expect a pause in interest rates for the Fed's September meeting. The first rate cut is being priced in for Q1 next year. With negative base effects coming to an end and commodity prices rising again, inflation is likely to find it increasingly difficult to fall further, which increases the likelihood of high central bank interest rates for longer.

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

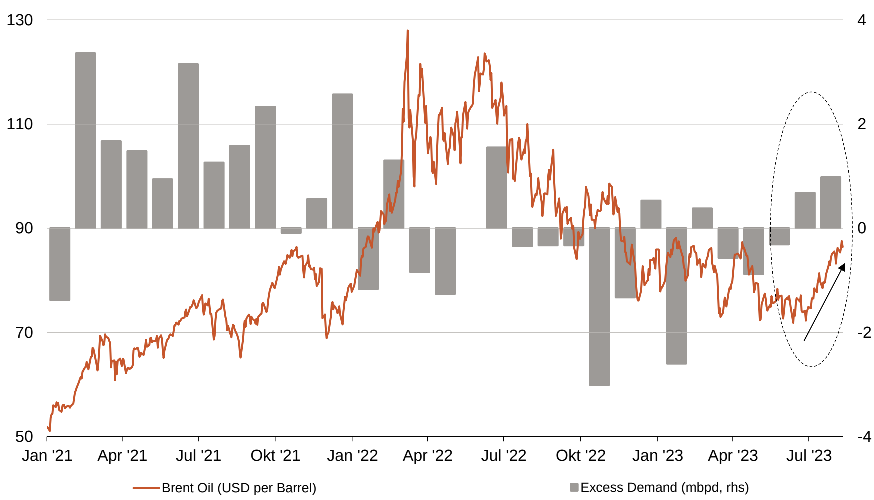
Q2 reporting season in its final stages

The Q2 reporting season is drawing to a close – almost 90% of companies in the US and Europe have already reported. After the two major central bank meetings, the next few weeks will be a little quieter in terms of monetary policy.

Industrial production, retail sales and purchasing managers' indices in the focus

On Tuesday, ZEW expectations for German economic growth (Aug.), retail sales (Jul.) for the US and China, Chinese industrial production (Jul.) and the Empire State Index (Aug.) will be released. Wednesday will see Eurozone GDP (Q2) and unemployment (Q2) data, as well as US (Jul.) and Eurozone (Jun.) industrial production. On Thursday, the Philadelphia Fed Index (Aug.) and Friday consumer prices (Jul.) of the Eurozone will be published. In the following week, the producer price index (Jul.) and the IFO business climate index (Aug.) for Germany will be published, as well as the preliminary purchasing managers' indices (Aug.) for Germany, France, the UK and the US.

More demand than supply – scarcity boosts crude oil price



- Crude oil put an end to the bumpy start to the year with increased signs of excess demand. The supply-demand structure is doubly tight: on the production side, OPEC is continuing its voluntary cuts; on the demand side, the driving and air-conditioning seasons in the West and higher imports in China are providing support.
- With a performance of more than 15% since the beginning of the third quarter, brent oil was a good counterbalance to equities and government bonds, which were once again under pressure.

Source: Bloomberg, Time period: 01/01/2021 - 11/08/2023

Multi Asset

	4-week & YTD: 4W (14/07/23 - 11/08/23)	4-week & YTD: YTD (30/12/22 - 11/08/23)	12-month periods over that last 5 years: 11/08/22 11/08/23	11/08/21 11/08/22	11/08/20 11/08/21	11/08/19 11/08/20	10/08/18 11/08/19
Brent	12.1	3.8	-6.1	96.7	60.2	-29.1	-14.4
MSCI Frontier Markets	6.2	11.0	-5.0	-3.4	37.4	-14.7	7.2
USDEUR	2.5	-2.2	-5.7	13.7	0.0	-4.6	1.9
MSCI World	1.2	13.0	1.8	4.1	34.0	7.1	3.5
Global Convertibles	1.1	6.2	-6.0	-7.4	32.8	17.1	0.7
Gold	0.4	2.6	0.8	16.2	-8.4	21.9	25.9
Euro overnight deposit	0.3	1.8	2.1	-0.6	-0.6	-0.5	-0.4
EUR Coporates	0.2	2.8	-3.4	-10.2	2.9	-0.3	5.7
EUR Sovereign Debt	0.1	1.7	-5.4	-6.7	0.7	0.6	4.6
MSCI Emerging Markets	-0.2	4.0	-4.5	-8.6	21.4	8.5	-3.7
REITs	-1.2	-2.6	-21.4	7.5	27.8	-14.9	15.6
Industrial Metals	-1.6	-14.2	-15.5	17.3	40.2	-2.0	-3.8

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.

- Risk assets such as equities and defensive assets such as government bonds fell in tandem with the downgrade of the US credit rating.
- Crude oil, on the other hand, continued its rally uninterrupted over the last four weeks since the end of June due to tight fundamentals. The energy commodity therefore performed contrary to equities and bonds, thus providing its diversification advantages.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/08/2018 – 11/08/2023

Equities

	4-week & YTD: 4W (14/07/23 - 11/08/23)	4-week & YTD: YTD (30/12/22 - 11/08/23)	12-month periods over that last 5 years: 11/08/22 11/08/23	11/08/21 11/08/22	11/08/20 11/08/21	11/08/19 11/08/20	10/08/18 11/08/19
Stoxx Europe Defensives	3.1	8.0	6.4	7.0	17.2	2.0	3.3
MSCI EM Eastern Europe	2.2	28.1	27.2	-80.7	28.9	-8.8	19.8
MSCI USA Small Caps	1.9	8.3	-4.3	3.9	46.6	-1.1	-3.3
S&P 500	1.8	14.9	1.8	9.2	35.7	10.9	6.9
MSCI UK	1.3	6.1	2.2	10.7	28.9	-11.1	-4.9
Stoxx Europe 50	0.5	11.3	11.8	2.9	24.5	0.8	2.0
MSCI Japan	0.4	9.9	5.0	-4.5	22.2	2.5	-2.9
Stoxx Europe Small 200	-0.4	7.0	-2.4	-16.9	38.0	7.0	-4.1
MSCI EM Asia	-0.6	3.0	-5.3	-9.9	18.6	19.8	-7.5
Stoxx Europe Cyclicals	-0.8	11.9	9.1	-10.2	37.7	5.0	-8.0
Euro Stoxx 50	-1.7	16.5	18.0	-8.3	28.5	2.0	0.0
DAX	-1.7	13.7	15.6	-13.5	22.2	10.7	-5.9

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 equity markets performed well amid continuing economic optimism. The development was mainly driven by an increase in valuations. The S&P 500, for example, was last valued as high at the beginning of 2022, despite the current significantly higher interest rates. After the strong outperformance of cyclical equities, defensive stocks gained the upper hand again over the last few days.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/08/2018 – 11/08/2023

Fixed Income

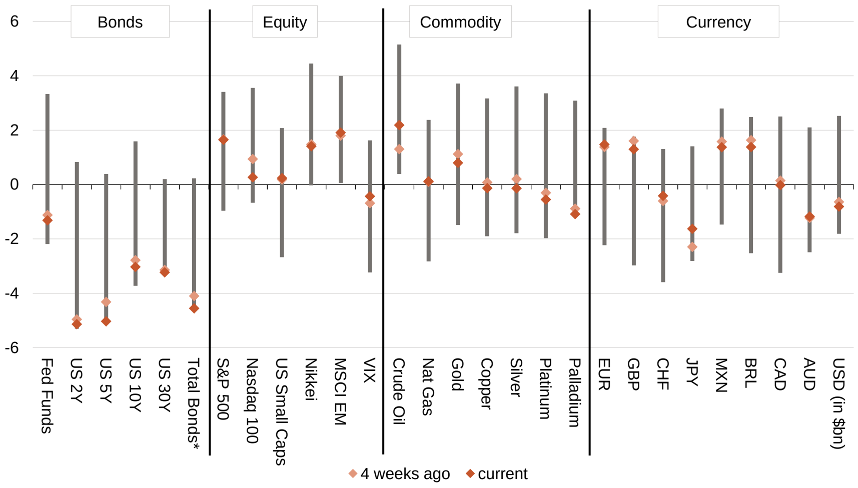
	4-week & YTD: 4W (14/07/23 - 11/08/23)	4-week & YTD: YTD (30/12/22 - 11/08/23)	12-month periods over that last 5 years: 11/08/22 11/08/23	11/08/21 11/08/22	11/08/20 11/08/21	11/08/19 11/08/20	10/08/18 11/08/19
EM Hard Currency Bonds	2.1	2.1	-3.2	-5.8	2.5	-1.2	16.0
EM Local Currency Bonds	0.9	5.8	2.4	-3.8	3.0	-5.4	13.5
Treasuries	0.8	-2.6	-9.3	3.0	-2.6	3.6	11.2
EUR High Yield	0.6	5.6	3.2	-9.8	9.2	0.4	4.4
Chinese Gov Bond	0.4	3.5	4.1	4.5	4.6	3.5	6.2
EUR Financials	0.4	3.0	-3.0	-9.3	2.8	-0.2	5.4
EUR Non-Financials	0.1	2.8	-3.7	-10.8	2.9	-0.4	6.0
USD High Yield	0.0	6.6	2.3	-5.9	9.5	4.6	5.9
BTPs	0.0	4.3	-4.8	-12.1	4.0	7.3	10.6
Bunds	-0.6	0.5	-9.9	-10.0	-0.2	-0.9	7.1
Gilts	-1.3	-2.5	-19.3	-15.6	3.7	9.9	5.1
USD Corporates	-1.4	2.1	-1.6	-12.4	1.0	10.3	11.4

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 increased slightly over the past four weeks. 10-year US government bonds now yield 4.08%.
- With regard to the outlook for US interest rate policy, the recently more hawkish statements by some Fed members left the markets unimpressed. These continue to price the first rate cut in H2 2024.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/08/2018 – 11/08/2023

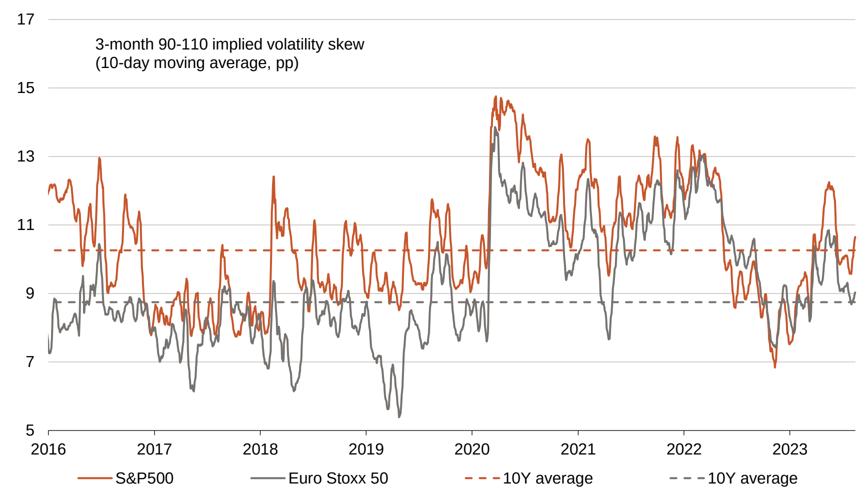
Non-Commercial Positioning



- After the Bank of Japan eased its steepening of the yield curve, some investors have covered their short positions in the yen.
- The strong rally in crude oil since the beginning of July has led to a significant increase in net long positioning. Here, too, a large part is likely due to short covering by momentum strategies.

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: 08/08/2013 - 08/08/2023

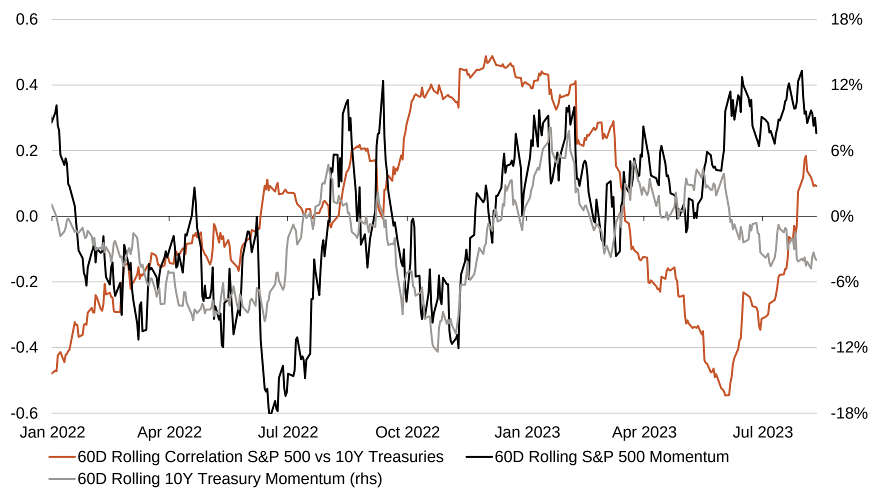
Put-Call-Skew



- The put-call skew has recently risen again slightly in the US. In Europe it has stagnated over the last two weeks. On both sides of the Atlantic, it is roughly in line with the average of the last 10 years.
- This applies not only to the skew over three months, but also to shorter and longer time periods. Accordingly, no extreme investor positioning can currently be derived from this.

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: 11/08/2013 - 11/08/2023

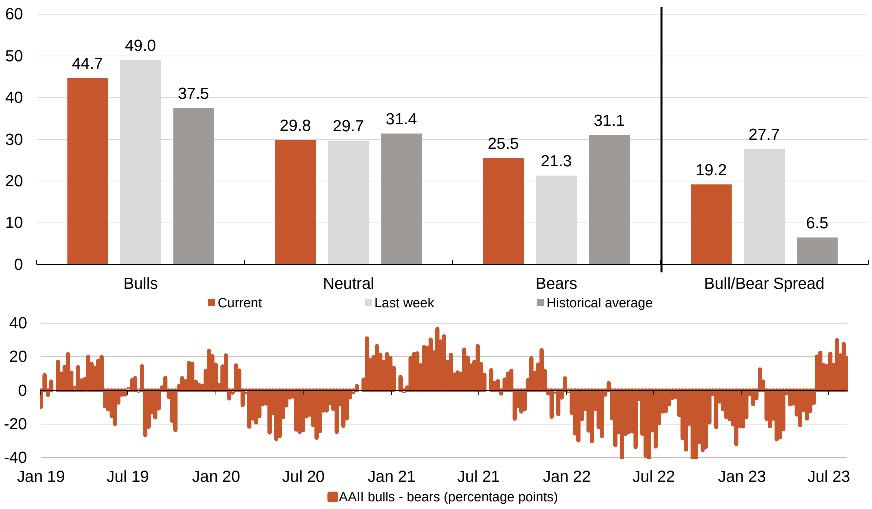
60-Day Momentum and Correlation



- The correlation between equities and bonds remains positive, so risk parity strategies are likely to have continued to reduce equities.
- CTAs, on the other hand, are still likely to be heavily allocated to equities, as the 60-day momentum of US equities is clearly positive. Over shorter time periods, however, it is slowly starting to turn.

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 - 11/08/2023

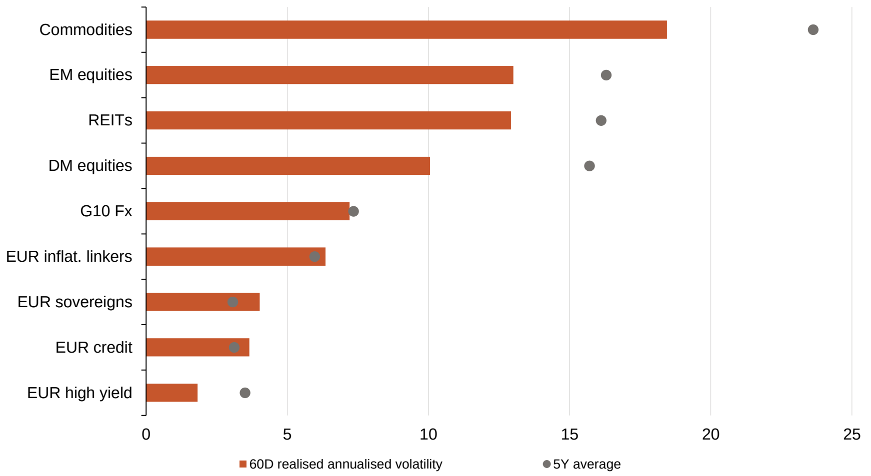
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment of US private investors continues to be positive. This is presumably also due to higher real incomes thanks to declining inflation and higher wages at the same time.
- At 19 pp, the bull/bear spread is in the 76th percentile since 1987, so there is above-average optimism but not yet boundless euphoria.

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 – 11/08/2023

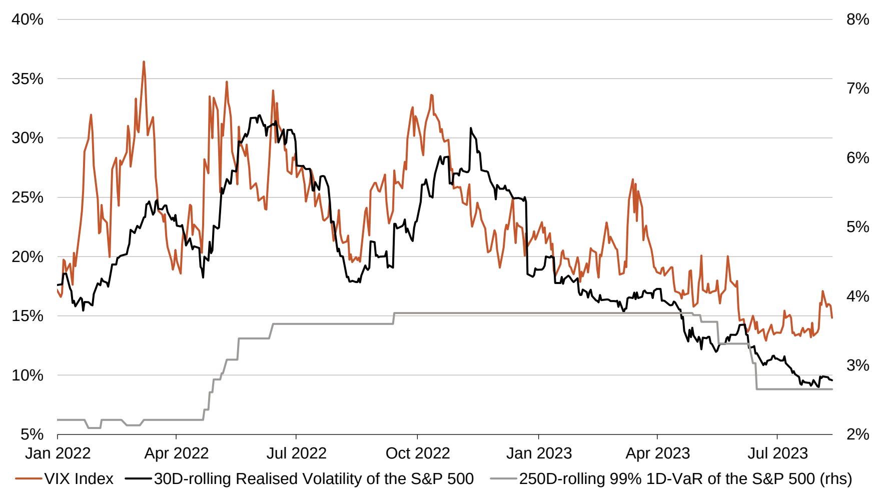
Realised Volatilities



- Realised volatilities remain very low, especially in risk assets, while they are even slightly above average in safe assets such as EUR government bonds.
- Due to the stabilisation measures of OPEC+, a clear decline in volatility was observed recently, especially in commodities.

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: 11/08/2018 - 11/08/2023

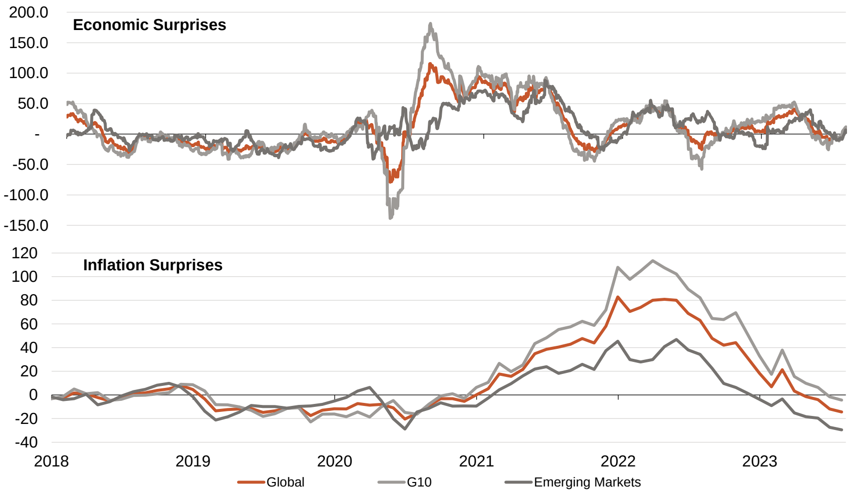
Volatility and Value-at-Risk of the S&P 500



- While the realised volatility of the last 30 days remains close to the 10% mark, the VIX has recently jumped and is once again trading above 15. The main reason for this was the downgrading of the US's credit rating by the rating agency Fitch.

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 – 11/08/2023

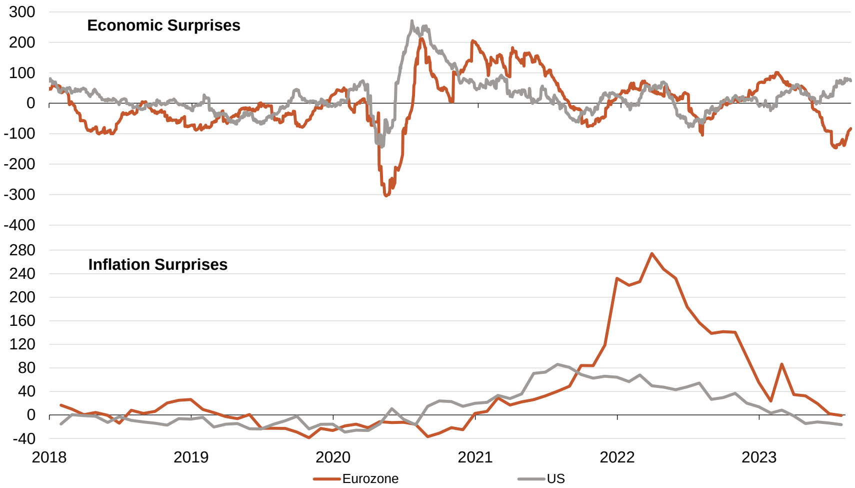
Global



- The global economy remains more robust than expected by the markets. The economic surprise index of the industrialised and emerging countries turned positive again over the last two weeks.
- At the global level, the positive surprises are again predominant. In China, the official purchasing managers' index for the manufacturing sector and the trade balance exceeded expectations. In Mexico, the quarterly GDP figures were a positive surprise.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 11/08/2023

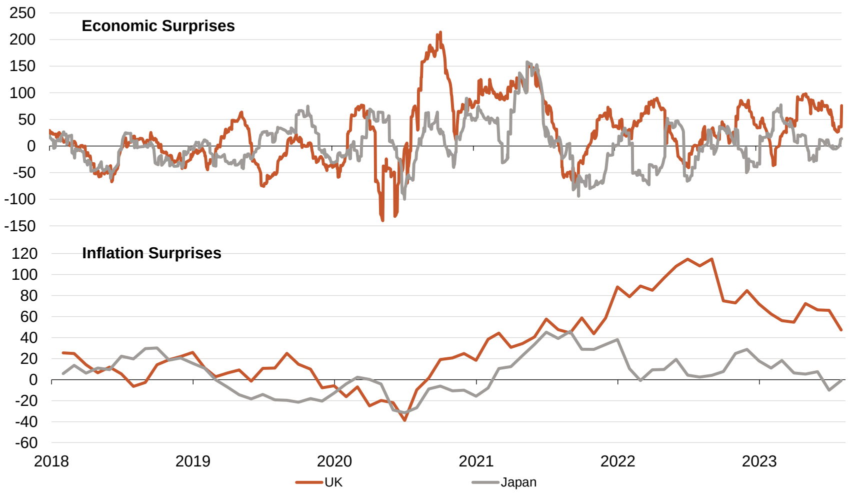
Eurozone and US



- The economic picture in the Eurozone seems to be brightening. The dominance of negative economic surprises has decreased noticeably in recent weeks. In Germany, inflation data were as expected, but industrial production was weaker.
- In the USA, the economy continues to hold its own. Here, the inflation data for July met expectations to the letter, but consumer prices rose slightly.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 11/08/2023

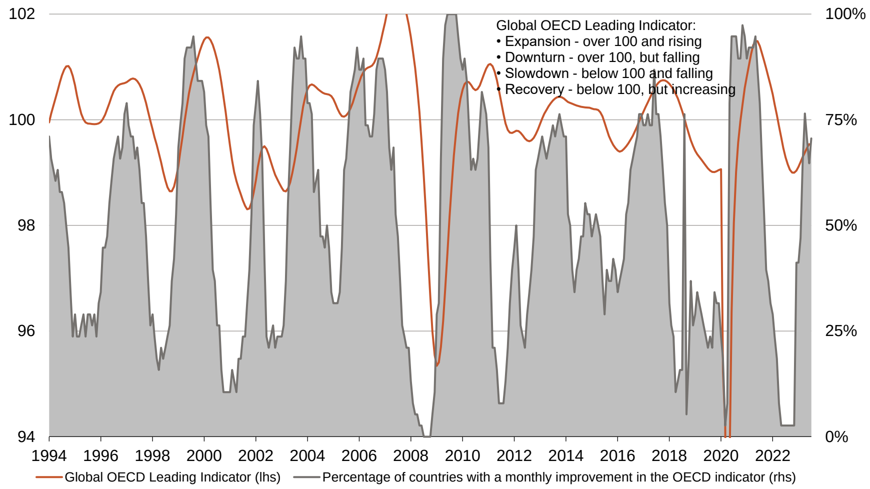
UK and Japan



- In the UK, industrial production and quarterly GDP figures were stronger than expected. In addition, quarterly business investment surprised much more positively.
- In Japan, consumer prices and 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, ie the weight of a data surprise decreases over time.
Source: Bloomberg, Time period: 01/01/2018 - 11/08/2023

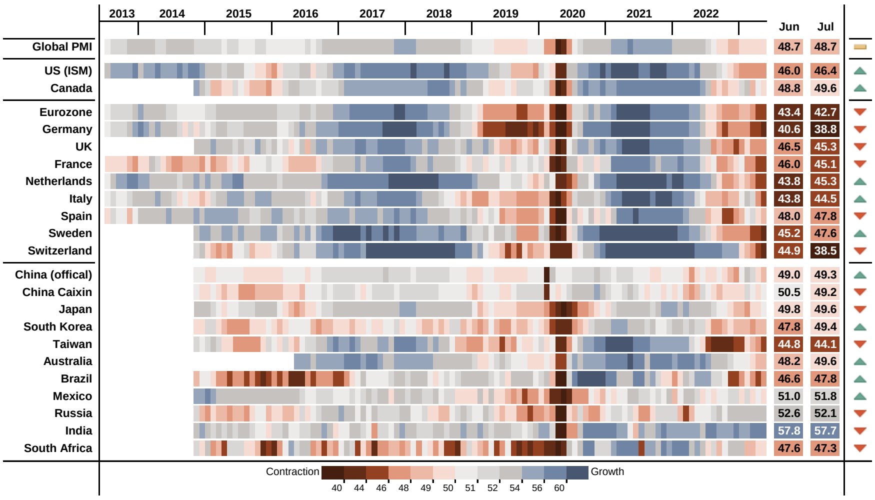
OECD Leading Indicator



- In June, the OECD leading indicator rose to over 99.5. The global economic recovery is thus continuing.
- More than 75% of the countries surveyed saw an improvement in the OECD leading 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 - 31/07/2023

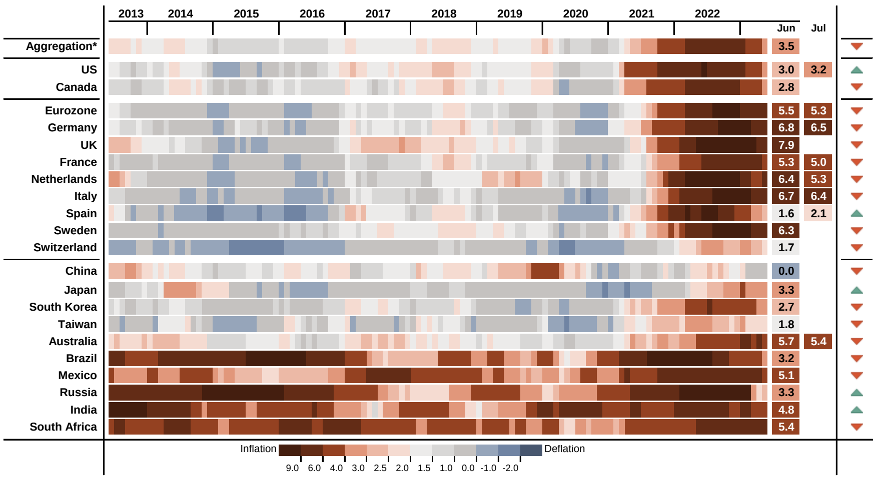
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The global PMI remained unchanged from the previous month at 48.7. At the country level, the US, the Netherlands, Italy and China (officially) improved. However, it was mainly the large economies in the Eurozone that saw a deterioration. Germany's activity is as low as it was at the time of the 2020 pandemic.

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: 11/08/2013 - 11/08/2023

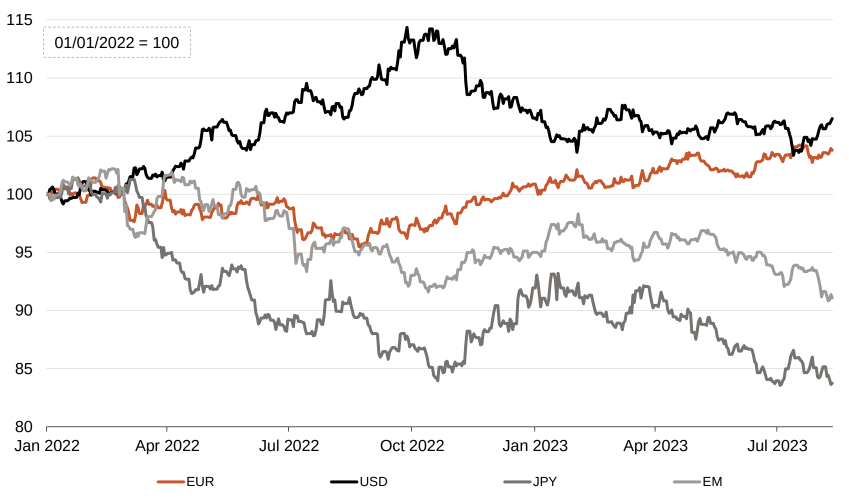
Headline Inflation



- US inflation rose again in July. In Germany, the inflation rate stood at 6.5% year-on-year in July.
- Here, the price development of food continues to drive inflation. In addition, energy prices rose again more strongly than in previous months. However, this is due to a base effect resulting from the abolition of the EEG surcharge in July 2022.

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: 11/08/2013 - 11/08/2023

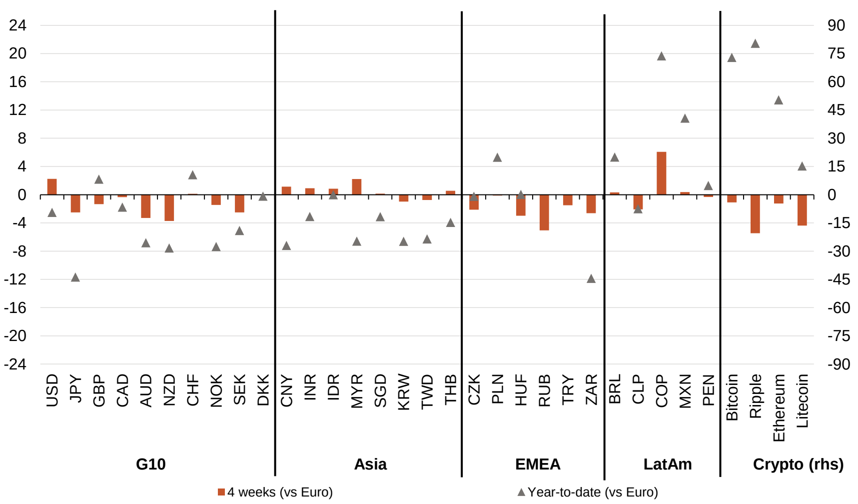
Trade-Weighted Currency Development



- The US dollar has strengthened again and – in trade-weighted terms – has recouped its losses since the beginning of the year.
- The dollar's strength was accompanied by weakness, especially in the currencies of the emerging markets. In addition to the rating downgrade of the US, they also suffered from falling interest rate differentials, as some EM central banks are already starting to cut interest rates.

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 - 11/08/2023

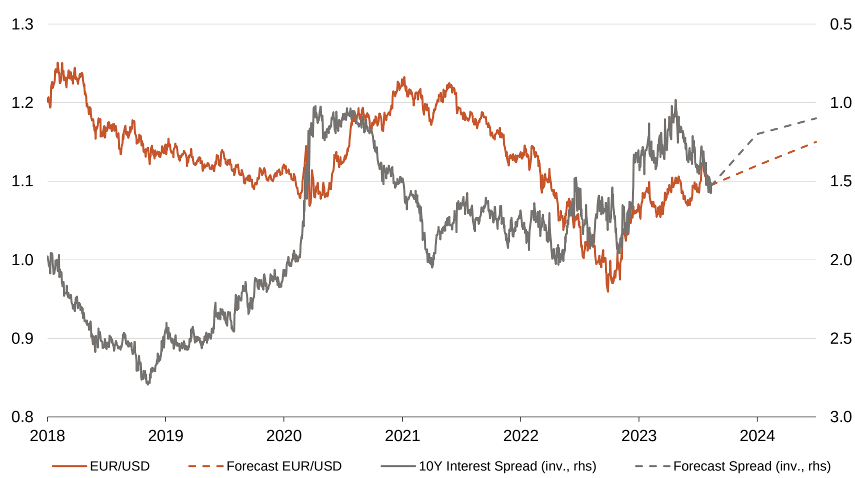
Currency Moves vs Euro



- Most currencies have depreciated against the euro over the last month.
- The Brazilian Central Bank (BCB) started to lower interest rates in August. With the change in monetary policy, the Brazilian real weakened accordingly.
- The Czech koruna recently came under pressure, as the Czech Central Bank (CNB) recently announced that it would no longer intervene in the exchange rate, so support purchases are now unlikely to take place.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2022 - 11/08/2023

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



- The EUR/USD exchange rate has fluctuated around the 1.10 mark in recent weeks.
- There was no major impetus, as the central banks on both sides of the Atlantic delivered their interest rate hikes as expected and the latest inflation figures were also without major surprises.

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

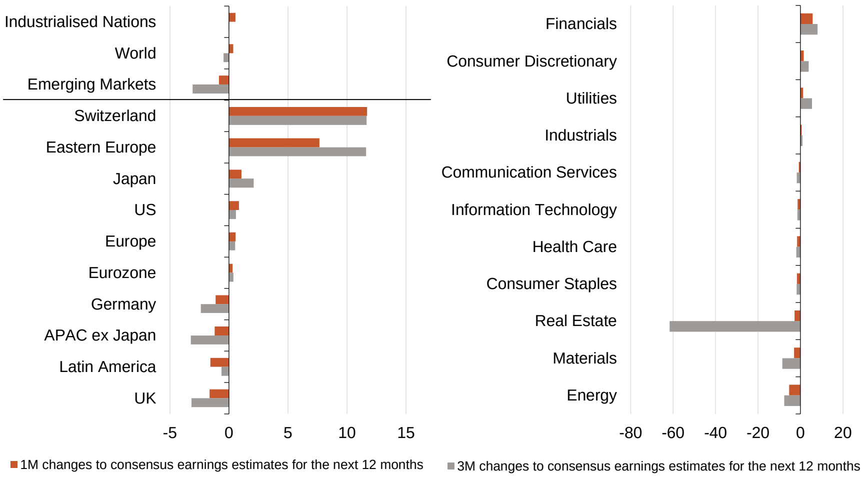
	4-week & YTD		12-month periods over that last 5 years				
	4W (14/07/23 - 11/08/23)	YTD (30/12/22 - 11/08/23)	11/08/22 11/08/23	11/08/21 11/08/22	11/08/20 11/08/21	11/08/19 11/08/20	10/08/18 11/08/19
Energy	7.2	4.0	10.4	45.4	25.7	-31.7	-10.6
Communication Services	5.3	9.8	8.7	2.0	16.2	12.2	9.5
Finance	2.1	13.1	16.0	-1.8	37.0	-10.4	-10.6
Value	1.3	9.0	9.8	0.8	29.1	-8.5	-6.9
Consumer Staples	-0.5	3.9	-2.5	4.5	15.9	-3.2	9.7
Industrials	-1.4	14.8	11.0	-10.6	38.0	7.9	-0.7
Growth	-1.6	12.2	5.1	-8.2	31.6	8.9	5.2
Materials	-2.0	1.9	1.4	-9.7	42.7	13.4	-6.7
Telecommunications	-2.5	6.9	-6.7	-3.2	22.4	-12.5	-2.0
Utilities	-2.9	6.5	0.6	1.6	11.1	17.4	15.4
Consumer Discretionary	-5.0	18.6	13.9	-13.3	51.5	-2.2	-0.8
Information Technology	-7.7	18.7	6.7	-17.8	41.2	21.1	2.4

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.

- Value stocks outperformed growth stocks over the past four weeks. Typical value sectors such as energy and financials gained noticeably.
- The rather defensive health sector also performed clearly positively. Cyclical consumer goods and IT stocks were on the losing side.

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: 10/08/2018 – 11/08/2023

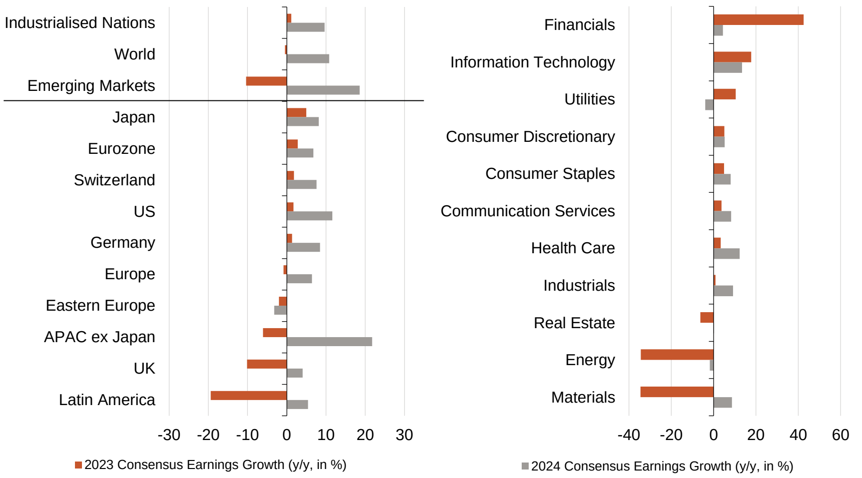
Changes in Consensus Earnings Estimates



- The positive market sentiment is also reflected in earnings revisions. In the last four weeks, analysts on average have slightly raised earnings expectations for industrial company shares.
- Emerging market equities experienced negative earnings revisions in the wake of continued economic disappointments from China.
- The European financial sector experienced the most positive earnings revisions at the sector level.

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 11/08/2023

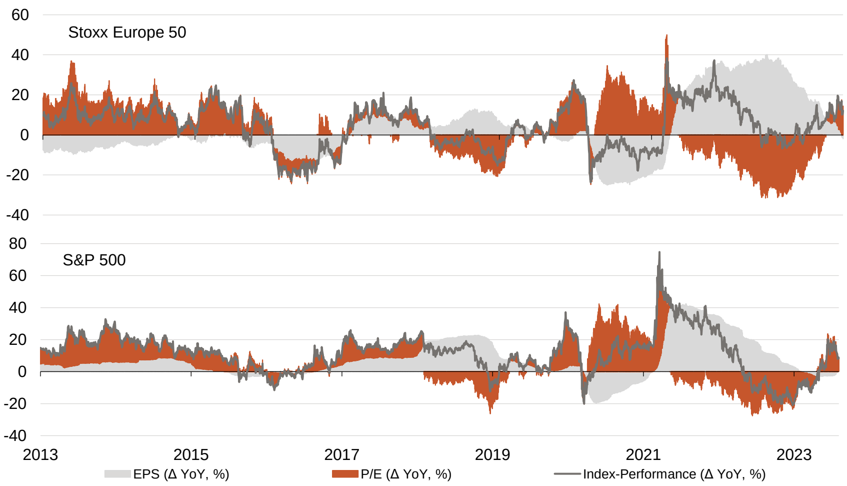
Earnings Growth



- While earnings growth in 2023 is expected to be meagre, the analyst consensus for 2024 expects positive earnings growth for the various regions almost across the board.
- Eastern Europe is an exception. Here, slightly negative profit growth is expected.

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 11/08/2023

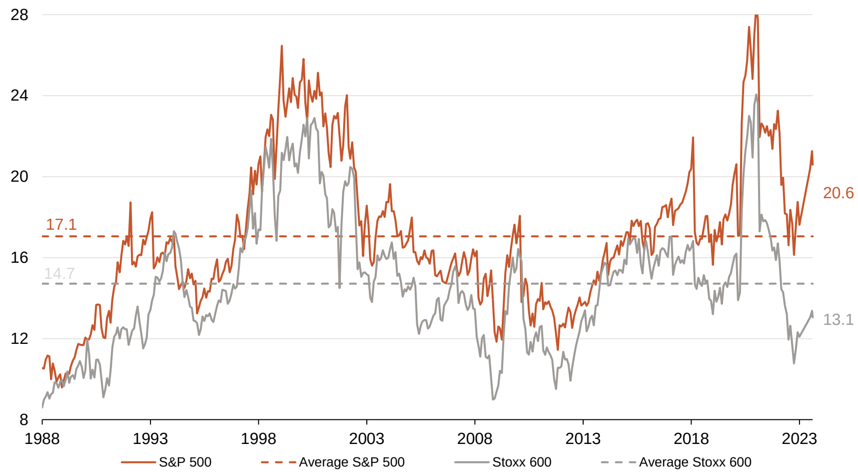
Contribution Analysis



- The STOXX Europe 50 and the S&P 500 both show a clearly positive development over the last 12 months. The driver of the positive development was a valuation expansion. Earnings have hardly changed in the same time period.

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 – 10/08/2023

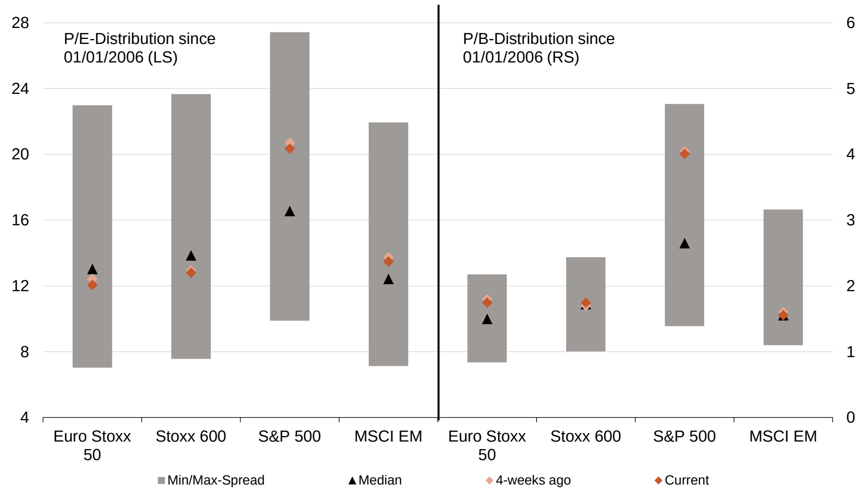
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The P/E ratio of the S&P 500 reached a new annual high of more than 21x in July. However, with the recent market setback, the P/E ratio has fallen back below the 21x mark. The S&P 500, nevertheless, remains historically expensive.
- The STOXX 600 has a P/E ratio of around 13x, which is slightly below the historical average.

P/E valuation based on earnings estimates for the next twelve months of European and US equities as well as the respective P/E average since 1988. *For the Stoxx 600, the history before 2000 was taken from MSCI Europe.
Source: Bloomberg, FactSet, Time period: 31/12/1987 – 11/08/2023

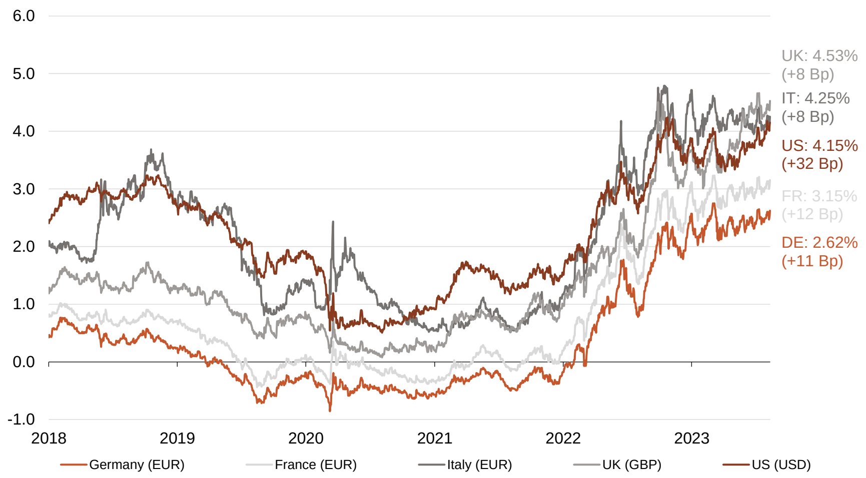
Historical Distribution: Price/Earnings and Price/Book Ratio



- In the last four weeks, the valuation ratios have changed only slightly. All indices shown have become slightly cheaper based on the P/E ratio.
- The P/E ratio of the STOXX 600 shows a slightly different picture. According to this, the index has become slightly 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 – 11/08/2023

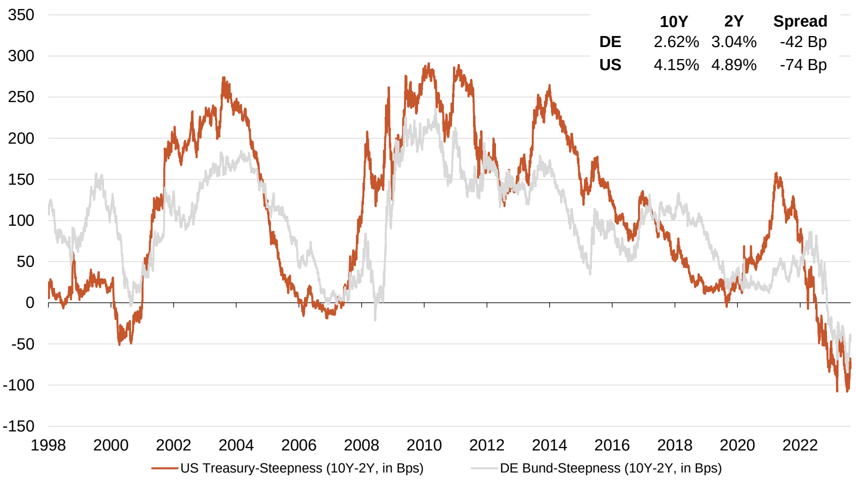
10-Year Government Bond Yields



- In the past four weeks, yields on safe government bonds rose slightly. UK gilts and Italian BTPs, however, were unchanged.
- In particular, US government bonds with maturities of more than 5 years saw a significant parallel shift in the yield curve. One of the reasons was the new issue of a 30-year bond with a nominal value of USD 23bn, which was auctioned at the highest yield since 2011.

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 – 11/08/2023

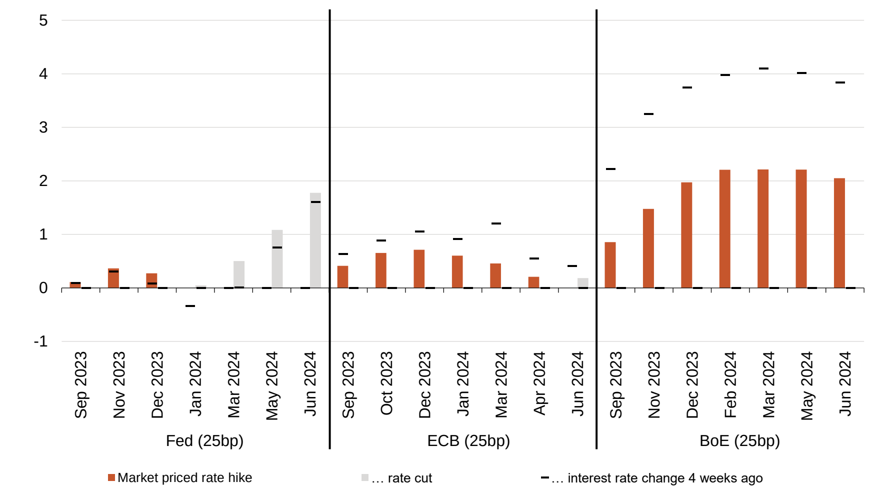
Yield Curve Steepness (10Y - 2Y)



- The US yield curve steepened despite a slight rise in 2-year Treasury yields. The inversion is now at around 70bp.
- Driven by falling interest rates at the short end of the yield curve, the inversion of Bunds fell to approximately 40bp.

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 – 11/08/2023

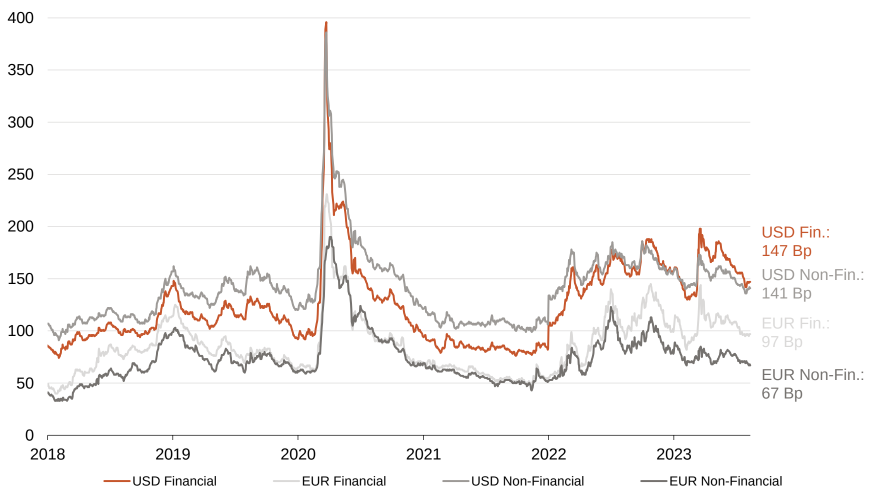
Implicit Changes in Key Interest Rates



- The market is still pricing in a maximum of one further rate hike by the ECB before the first rate cuts could follow from the second quarter of 2024.
- Despite new hawkish statements by various members of the US Fed, the market is pricing in up to 3 rate cuts next year. The BoE raised the key interest rate by 25bp. Two more hikes are expected before interest rates could be cut due to declining inflation figures.

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: 11/07/2021 – 11/08/2023

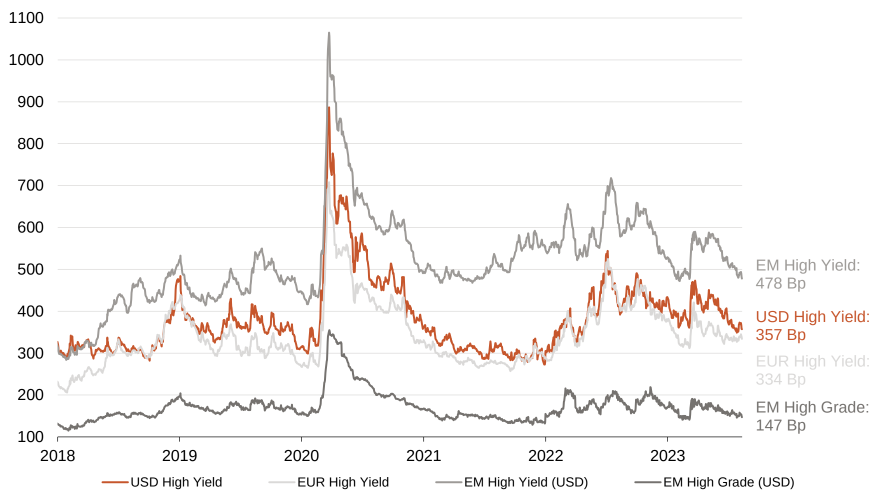
Credit Spreads Financial and Non-Financial Bonds



- After a recent strong performance, IG financial bonds in EUR were unable to record a further decline of credit spreads in the past four weeks, while they narrowed by almost 8bp in the USD segment.
- IG non-financial bonds narrowed by around 3bp in both EUR and USD.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 - 11/08/2023

Credit Spreads High Yield and Emerging Markets Bonds



- High-yield bonds traded inconsistently in the past four weeks. Credit spreads in EUR widened by 6bp, while the continuing risk appetite of investors in USD led to a narrowing of 4bp.
- Emerging market bonds in IG and HY saw a tightening of credit spreads by 7bp and 27bp respectively.

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 - 11/08/2023

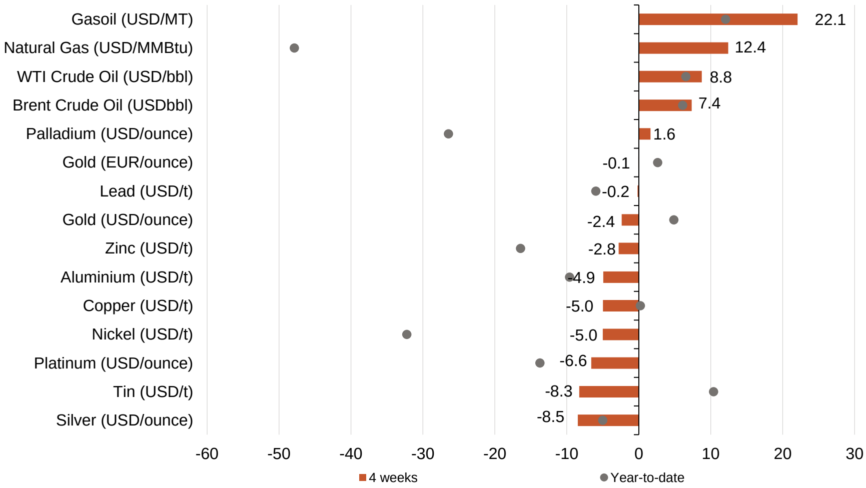
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	11/08/22 11/08/23	11/08/21 11/08/22	11/08/20 11/08/21	11/08/19 11/08/20	11/08/18 11/08/19
EUR Government	3.31	-0.13	7.1	-	-	-	0.8	1.2	-8.6	-11.6	0.8	1.8	9.0
Germany	2.74	-0.09	7.1	-	-	-	0.5	0.1	-10.0	-10.0	-0.2	-1.0	7.1
EUR Corporate	4.34	-0.19	4.5	79	-4	55	1.1	2.7	-3.4	-10.1	2.9	-0.3	5.7
Financial	4.60	-0.19	3.8	97	-5	66	1.1	2.6	-2.7	-8.2	2.4	0.1	5.2
Non-Financial	4.17	-0.18	4.9	67	-5	40	1.1	2.7	-3.8	-11.1	3.2	-0.5	5.9
EUR High Yield	7.45	-0.19	3.1	334	0	49	1.3	5.5	3.2	-9.8	9.2	0.4	4.4
US Treasury	4.57	0.10	6.2	-	-	-	-0.8	0.0	-4.1	-9.4	-3.1	9.1	9.2
USD Corporate	5.76	0.07	6.7	143	-4	61	-0.4	2.1	-1.6	-12.4	1.0	10.3	11.4
Financial	5.97	-0.01	5.0	147	-8	74	0.3	2.6	-0.3	-10.5	1.4	9.4	10.4
Non-Financial	5.65	0.11	7.5	141	-3	54	-0.7	1.9	-2.2	-13.2	0.8	10.6	11.8
USD High Yield	8.53	-0.15	4.0	357	-16	38	1.2	6.6	2.3	-5.9	9.5	4.6	5.9
EM High Grade	5.86	-0.02	5.2	147	-8	14	0.3	2.8	0.7	-12.6	1.8	6.2	10.1
EM High Yield	10.14	-0.39	3.9	478	-32	29	1.1	3.2	5.4	-20.6	7.3	5.6	11.1

- In the past month, all fixed income segments were able to show positive performance. The weakest segment was US Treasuries, which suffered proportionately due to rising interest rates.
- Risky bond segments such as high-yield bonds in USD or from emerging markets performed better.

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 : 11/08/2018 - 11/08/2023

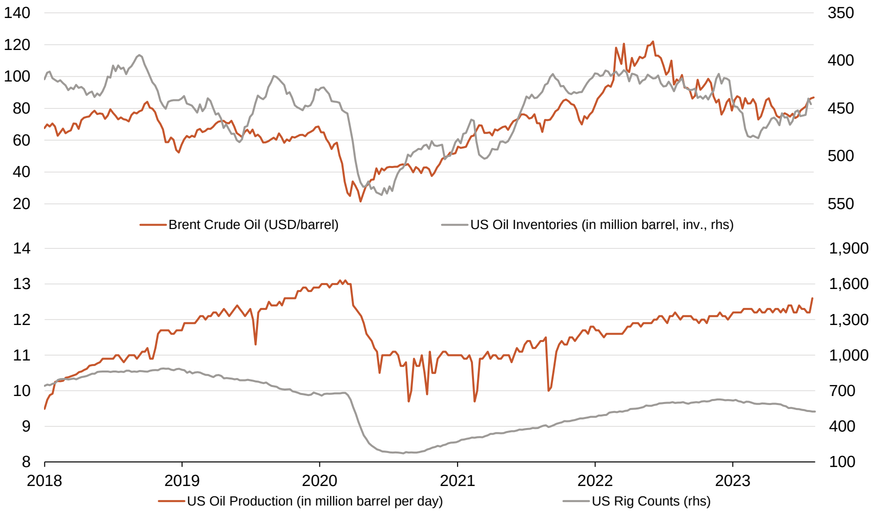
Commodities Performance



- After the bumpy start to the year, the last four weeks were again dominated by energy commodities. Gas oil, natural gas and crude oil in particular rose.
- After stabilising in July, industrial metals fell again on weaker economic data from China.
- The drivers behind the renewed weakness were economic concerns following the publication of weaker trade data and a significant decline in private household lending.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 11/08/2023

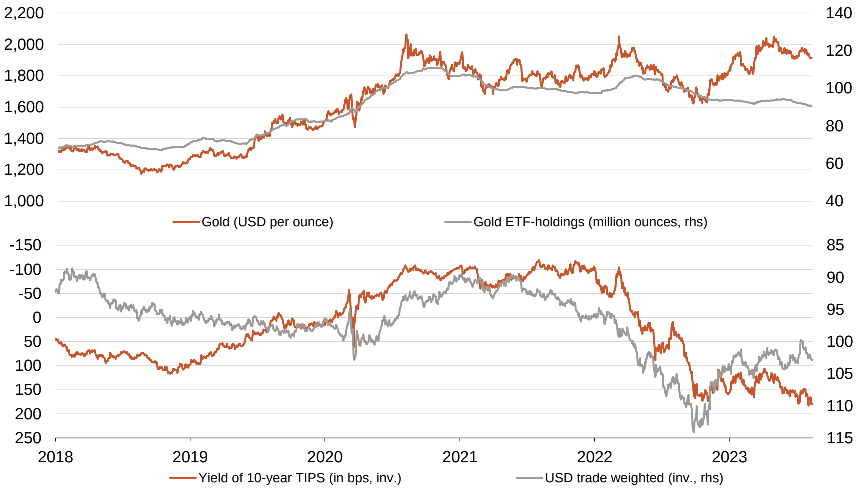
Crude Oil



- Crude oil continued its rally since the end of June with increased signs of undersupply in the oil market (see chart on front page).
- More support also came from speculative investors. These are positioned as high as they were last in April of this year. However, the significant increase in net long positioning is likely to be mainly due to short covering by momentum strategies. There is therefore still room for improvement.

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 - 11/08/2023

Gold



- In addition to the stronger US dollar, gold experienced headwinds in July, especially from higher real interest rates.
- On the demand side, the increase in gold reserves of BRIC central banks is increasingly becoming a structural driver due to the de-dollarisation. Gold now represents almost 45% of the total reserves of BRIC central banks.

The US dollar and the real, ie 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 - 11/08/2023

PUBLISHING INFORMATION

PUBLISHER

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

EDITORS

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

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

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

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

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IMPORTANT NOTICES

Date: 14 August 2023

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