Current market commentary

There are increasing signs that we are late rather than early in the economic cycle. Yield curves are sharply inverted, commodity prices are rising, and at the same time more and more retailers are warning that consumer spending is slowing. US unemployment is slowly rising, also because more and more companies are filing for bankruptcy. The consequences of tighter monetary policy ("long and variable lags") are now becoming increasingly visible. At the same time, many investors are no longer as cautiously positioned as they were at the beginning of the year. Systematic strategies in particular have an above-average equity exposure. And the options market also indicates that investors are complacent. For example, the VIX recently reached its lowest level on a weekly basis since 2019. Against this backdrop, we remain cautious and underweighted in equities so that we can also take advantage of the opportunities that arise in the event of a sell-off.

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

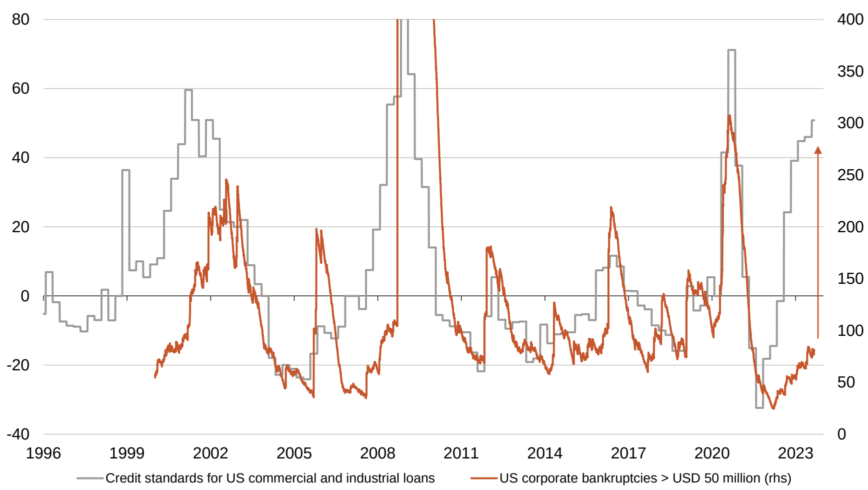
The next two weeks will be dominated by the central banks. The ECB meets on 14 September. The US Fed and Bank of England will follow on 20 and 21 September. The market currently expects the Fed to pause on interest rates. Another rate hike seems more likely for the BoE, for the ECB not until October.

In terms of the economy, the ZEW economic expectations (Sep.) for Germany on Tuesday and the inflation figures (Aug.) for the US on Wednesday are likely to be decisive. The market currently expects US inflation to rise by 0.5% month-on-month. Wednesday will see the release of industrial production data in Europe and monthly GDP (Jul.) for the UK. Thursday, in the US, retail sales (Aug.), initial jobless claims (Sep. 9) and the producer price index (Aug.) provide insights into the robustness of the US consumer, labour market and price changes from a seller's perspective. This will be followed on Friday by industrial production data (Aug.) for the US and China.

September meetings of the central banks should provide deeper insights into further interest rate developments.

Inflation data and economic expectations in the focus of investors.

The effects of tight monetary policy become visible – insolvencies rise



- The effects of monetary policy often only make themselves felt in the economy with long and variable lags.
- The number of bankruptcy filings is now increasing, but is still low despite the significant increase in credit standards of US banks. Historically, however, this gap has always closed within 6-9 months.
- Although only comparable to a limited extent, the high-yield bond market seems too carefree to us, with extremely low volatility and low spreads. Investors should therefore only take on credit risks selectively.

Source: Bloomberg, Board of Governors of the Federal Reserve System (US), Time period: 01/01/1995 – 31/08/2023

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (11/08/23 - 08/09/23)	YTD (30/12/22 - 08/09/23)	08/09/22 08/09/23	08/09/21 08/09/22	08/09/20 08/09/21	08/09/19 08/09/20	07/09/18 08/09/19
Brent	8.1	12.2	7.7	82.4	84.3	-41.8	-11.2
Industrial Metals	2.8	-11.8	-7.9	9.4	38.9	-5.8	9.2
Gold	2.6	5.3	4.9	12.9	-7.7	20.1	31.9
USDEUR	2.3	0.1	-6.6	18.2	-0.4	-6.3	4.7
MSCI World	1.6	14.8	5.9	0.9	35.3	2.8	8.9
Global Convertibles	1.1	7.4	-5.4	-8.1	32.8	16.6	4.2
Euro overnight deposit	0.3	2.0	2.4	-0.5	-0.6	-0.5	-0.4
EUR Sovereign Debt	0.2	1.8	-1.8	-9.5	0.2	-0.4	5.8
EUR Coporates	0.1	2.9	1.1	-13.6	1.9	0.0	6.6
MSCI Frontier Markets	0.0	11.0	-5.9	-3.2	33.3	-11.5	13.1
MSCI Emerging Markets	0.0	4.0	-2.7	-11.1	22.9	3.3	5.9
REITs	-0.1	-2.7	-19.7	1.7	32.5	-18.6	21.4

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.

- Crude oil continued its upward trend in the last two weeks, with Brent at its highest level since November 2022 thanks to Saudi Arabia's announcement of a longer-than-expected production cut until December 2023. Base metals and gold also performed positively despite the strength of the US dollar.
- EUR government and corporate bonds treaded water amid uncertainty about the ECB's next moves.

Total return for selected asset classes, in euros and in per-cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 07/09/2018 – 08/09/2023

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (11/08/22 - 08/09/23)	YTD (30/12/22 - 08/09/23)	08/09/22 08/09/23	08/09/21 08/09/22	08/09/20 08/09/21	08/09/19 08/09/20	07/09/18 08/09/19
MSCI Japan	2.6	12.8	11.2	-12.7	26.6	1.9	3.5
S&P 500	2.3	17.5	5.4	6.8	37.3	6.7	10.9
Stoxx Europe Defensives	1.6	9.7	11.7	3.6	20.3	-4.4	10.7
MSCI EM Asia	0.4	3.5	-3.2	-12.5	20.1	13.1	2.6
MSCI UK	0.3	6.5	7.5	8.4	30.6	-18.1	4.2
Stoxx Europe 50	-0.3	11.0	16.5	0.0	24.9	-5.2	11.0
DAX	-0.6	13.0	22.0	-17.3	20.4	6.4	1.9
MSCI USA Small Caps	-0.8	7.4	-3.1	2.3	52.5	-7.0	-2.0
Stoxx Europe Cyclicals	-1.9	9.8	15.2	-15.7	39.7	-2.0	-0.9
Euro Stoxx 50	-1.9	14.2	23.7	-13.7	30.1	-4.5	9.1
Stoxx Europe Small 200	-2.1	4.7	5.8	-24.6	39.7	1.6	1.7
MSCI EM Eastern Europe	-8.1	17.7	35.6	-84.0	48.4	-20.7	26.8

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.

- Worse-than-expected economic data in Europe weighed on European equities. German industrial order intake and production figures were particularly disappointing, followed by weak GDP growth figures in the eurozone for the second quarter.
- US equities, on the other hand, rose slightly, driven mainly by the appreciation of the USD.
- The underperformance of small caps has continued recently.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 07/09/2018 – 08/09/2023

Fixed Income

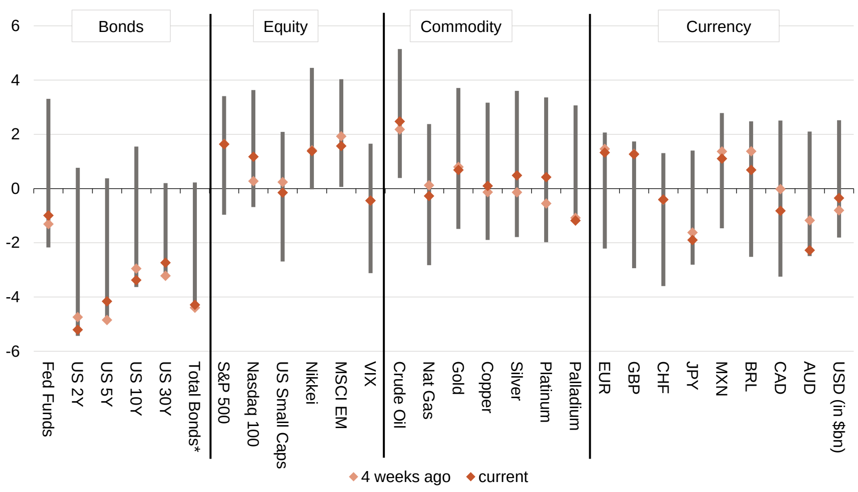
	4-week & YTD		12-month periods over that last 5 years				
	4W (11/08/23 - 08/09/23)	YTD (30/12/22 - 08/09/23)	08/09/22 08/09/23	08/09/21 08/09/22	08/09/20 08/09/21	08/09/19 08/09/20	07/09/18 08/09/19
Treasuries	2.2	-0.4	-8.9	5.2	-2.6	0.6	16.0
Gilts	1.5	-1.1	-6.2	-24.4	1.3	4.0	11.8
EM Hard Currency Bonds	1.3	3.5	-1.9	-6.4	3.8	-3.9	#N/A
EUR High Yield	0.5	6.1	6.9	-12.7	8.5	0.1	6.0
EUR Financials	0.3	3.3	1.5	-12.7	2.0	0.0	6.1
USD High Yield	0.3	6.9	6.2	-10.2	11.0	3.0	7.0
Bunds	0.2	0.7	-5.2	-13.4	-1.4	-1.2	8.0
USD Corporates	0.0	2.1	1.2	-15.3	2.3	7.9	13.5
Chinese Gov Bond	0.0	3.4	2.9	5.4	5.7	2.4	7.3
EUR Non-Financials	-0.1	2.7	0.8	-14.2	1.8	0.0	6.9
EM Local Currency Bonds	-0.3	5.5	2.1	-4.2	3.8	-6.9	#N/A
BTPs	-0.3	3.9	0.0	-15.7	3.4	0.7	16.5

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

- In addition to US and emerging market government bonds (in the hard currency segment), UK government bonds also gained in euro terms over the past four weeks.
- The strong US dollar continued to weigh on emerging market government bonds in local currency, while Italian government bonds brought up the rear due to higher budget deficit forecasts for this year. The BTP-Bund spread widened to its highest level since July this year.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 07/09/2018 – 08/09/2023

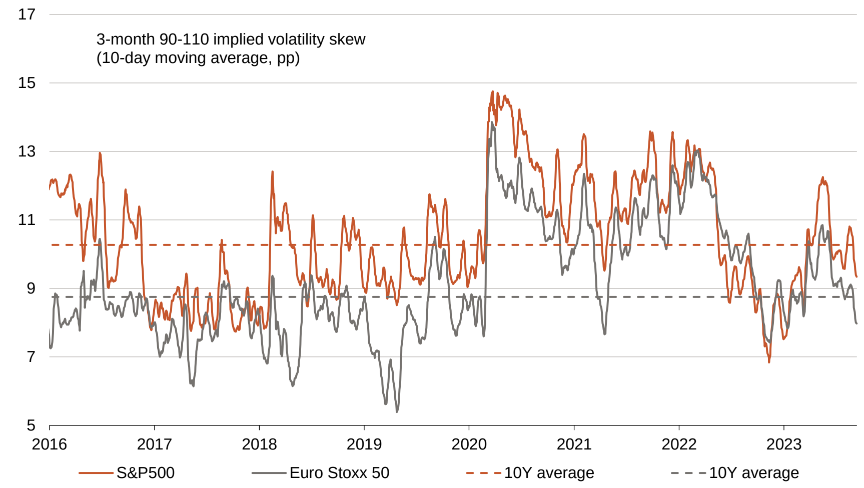
Non-Commercial Positioning



- Asset managers and leveraged funds have built up long positions in US technology stocks over the past month despite the strong rally since the beginning of the year.
- In contrast, they have reduced exposure in more cyclical segments such as US small caps or emerging market equities.

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: 05/09/2013 - 05/09/2023

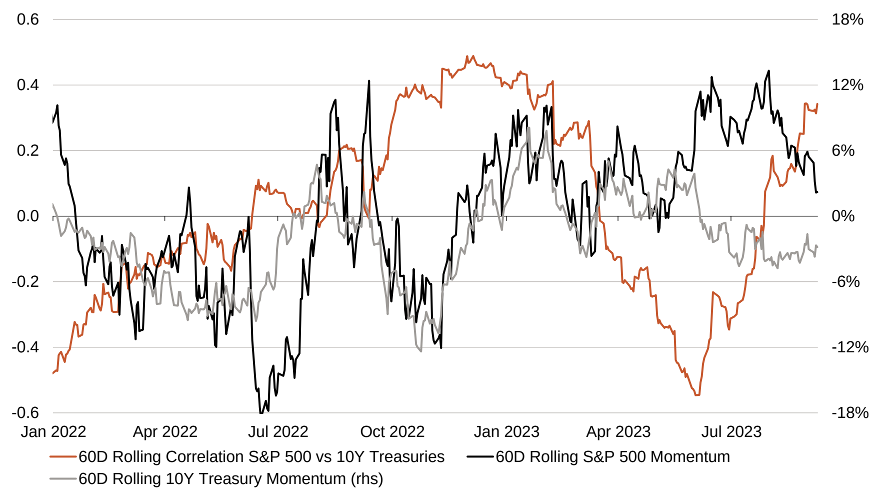
Put-Call-Skew



- The skew has recently flattened in both the US and Europe, also because implied volatility has fallen slightly.
- Investors therefore do not feel a particularly strong need for hedging at the moment, despite poor macro data and persistently high interest rates.

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: 08/09/2013 - 08/09/2023

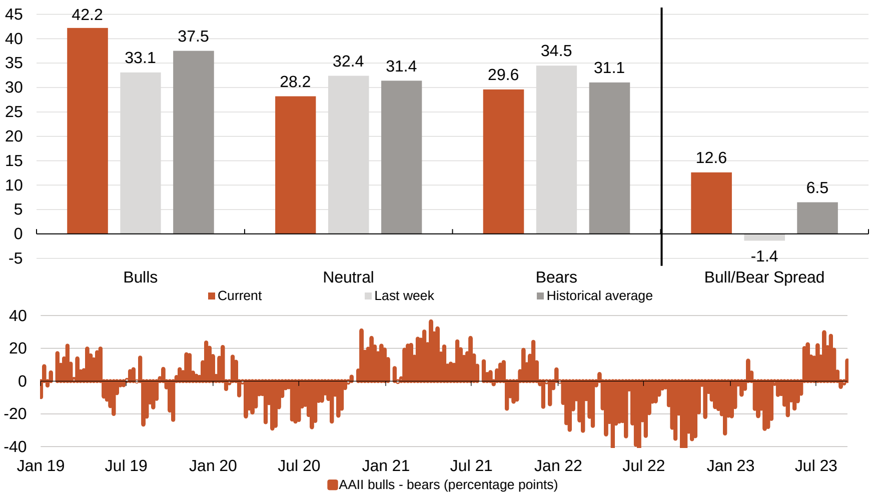
60-Day Momentum and Correlation



- The correlation between equities and bonds is close to this year's highs. Risk-parity strategies may therefore have reduced their equity allocations despite low realised volatility.
- With the weakening of momentum in equities, CTAs may also have reduced their equity allocations.

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 - 08/09/2023

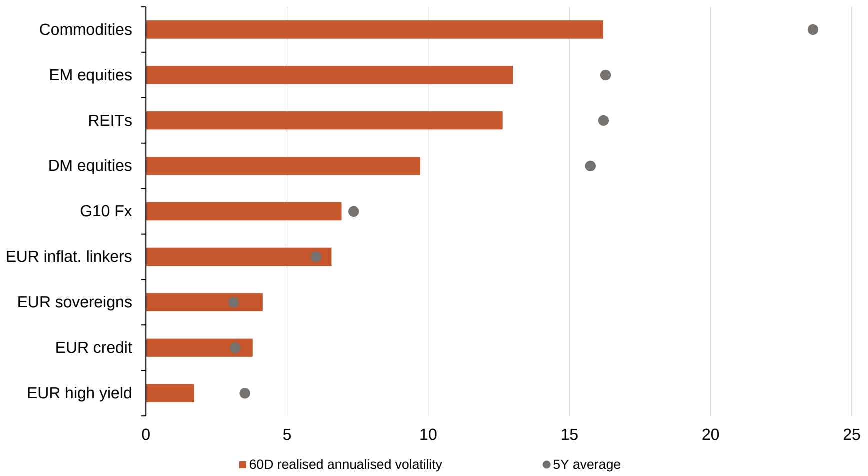
AAII Sentiment Survey (Bulls vs Bears)



- The poor sentiment of US private investors has lasted just two weeks. Meanwhile, the bulls outweigh the bears again by almost 13 ppt.
- The recent optimism is surprising given the disappointing consumer surveys from the Conference Board or the University of Michigan.

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: 23/07/1987 - 07/09/2023

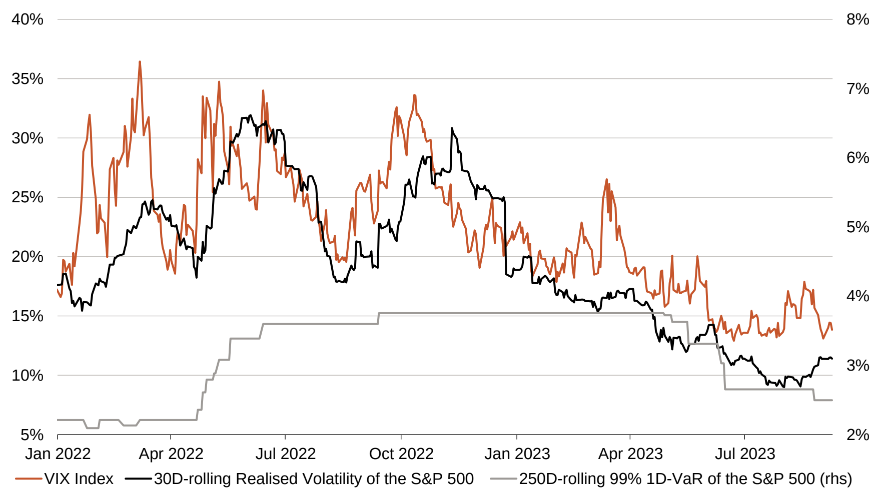
Realised Volatilities



- Realised volatilities have changed little over the past month.
- High-yield bonds remain the asset class with by far the lowest volatility. There are apparently no concerns about upcoming refinancing at significantly higher interest rates.

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: 08/09/2018 - 08/09/2023

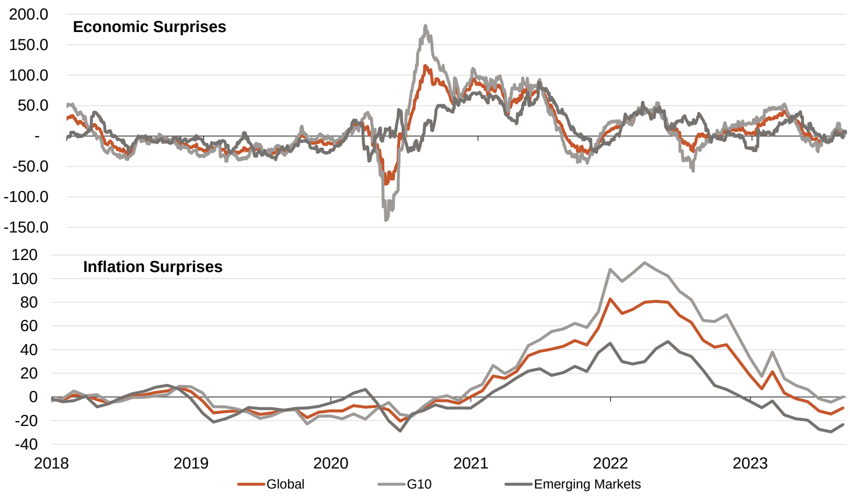
Volatility and Value-at-Risk of the S&P 500



- Realised and implied volatility have converged again from both sides over the last two weeks. Realised volatility has risen, implied volatility has fallen.
- The absolute level of both, however, remains relatively low.

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 - 08/09/2023

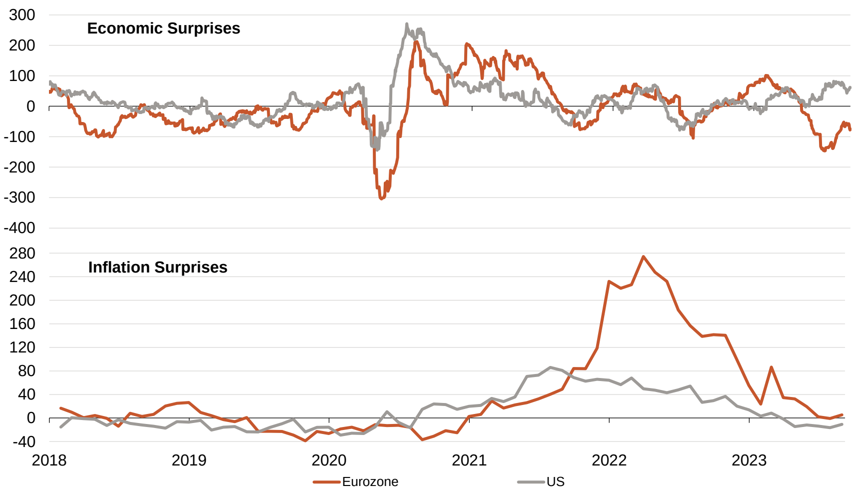
Global



- At the global level, slightly positive economic surprises continued to predominate. Positive economic data in the US and the UK supported the industrialized nations index, whereas GDP data in the euro zone disappointed. In China, PMI data for the manufacturing sector came as a positive surprise.
- Inflation data continue to surprise negatively in the aggregate, but here the trend has become more common in the last 2 weeks. In France, inflation in August was on the rise due to higher energy prices.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 08/09/2023

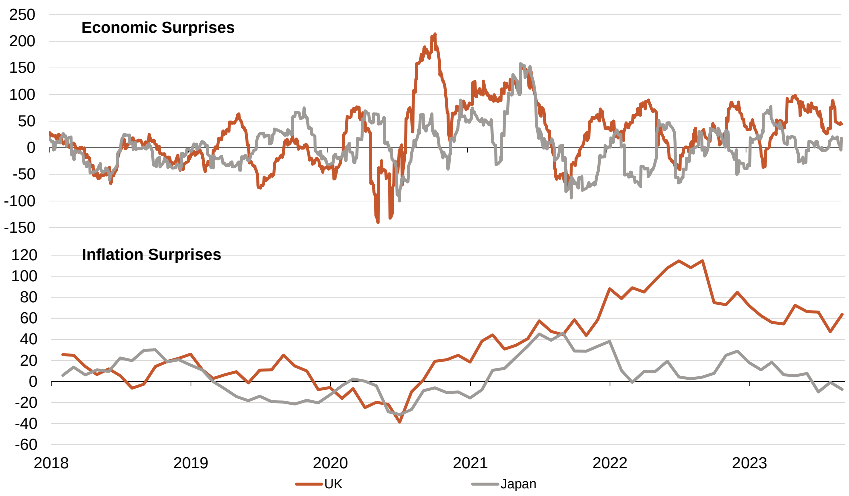
Eurozone and US



- The signs of the resilience of the US economy continued. In particular, the ISM services index and the ISM manufacturing index exceeded expectations. The figures for initial claims for unemployment assistance came as a negative surprise. In the euro zone, industrial production figures and new orders in Germany disappointed.
- The August inflation figures in the euro zone were again slightly higher than expected.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 08/09/2023

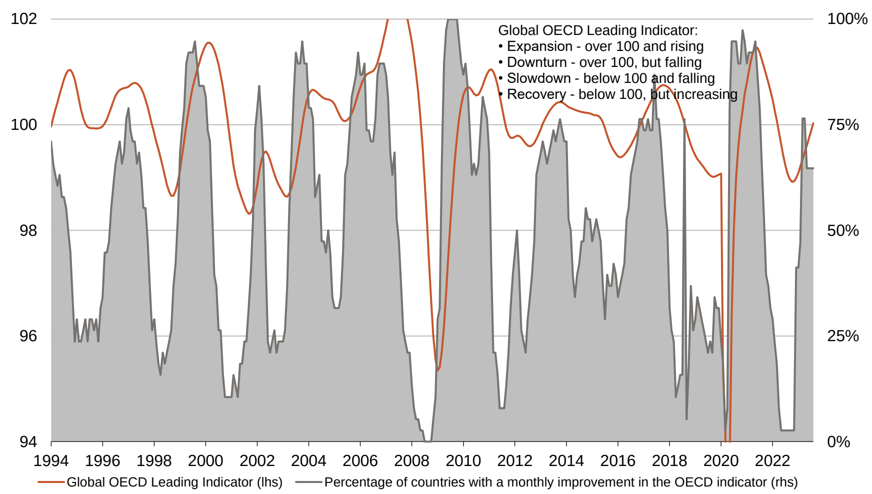
UK and Japan



- In the UK, the construction PMI index fell less than expected, while the nationwide house price index surprised negatively.
- In Japan, industrial production data and GDP figures were below expectations, while the unemployment rate surprised on the upside.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.
Source: Bloomberg, Time period: 01/01/2018 - 08/09/2023

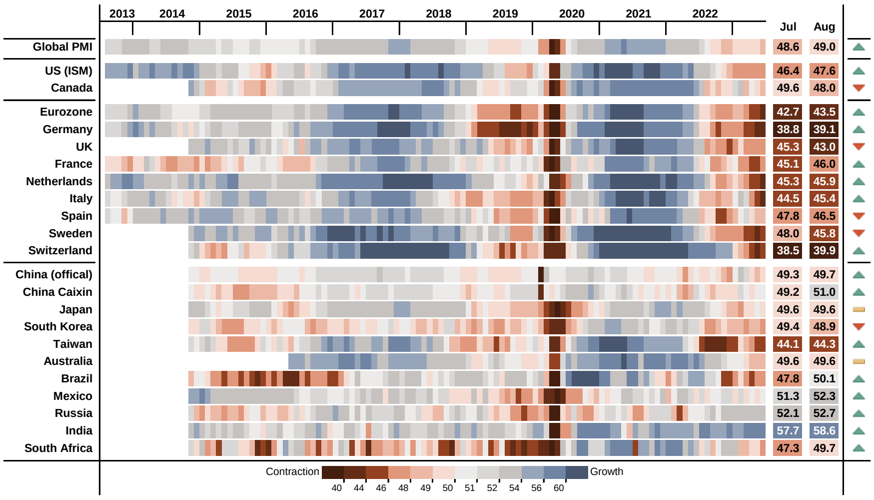
OECD Leading Indicator



- The OECD leading indicator for August continues to maintain the upward trend since the beginning of the year. At 100.03 points, it is at its highest level since March 2022.
- Looking at the individual countries, 65% of the countries achieved a better value for the leading indicator in August than in 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 - 31/08/2023

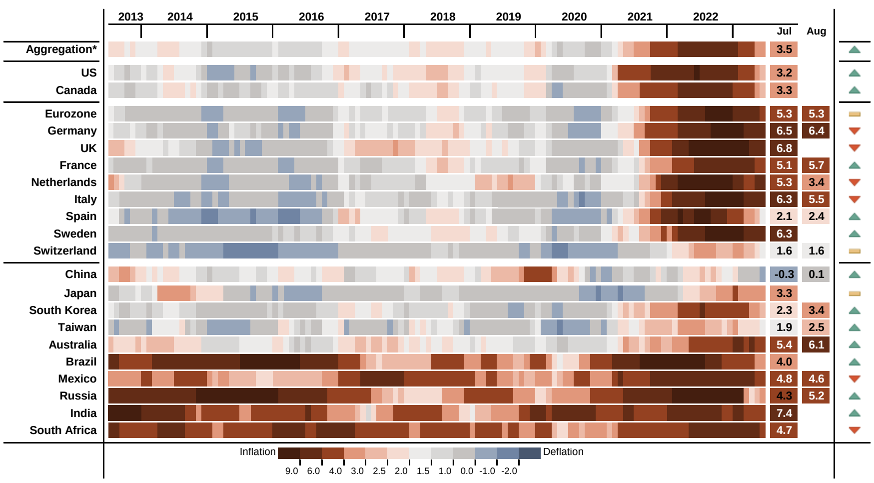
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The PMI figures for August showed a slight improvement in Europe, with the exception of the UK, Spain and Sweden. The data in the US, China, Brazil and India showed an improvement on the previous month. The PMI values in South Korea and Canada point to a decline in activity compared with the previous month.

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: 08/09/2013 - 08/09/2023

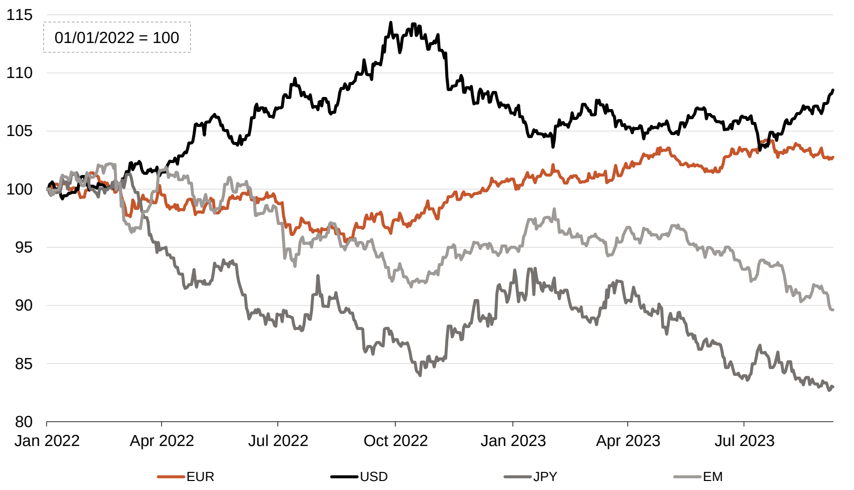
Headline Inflation



- The preliminary inflation figures for August show a mixed picture. While the year-on-year increase in inflation was less pronounced in Germany, Italy and the Netherlands, energy prices in France and Spain drove up inflation. In South Korea, higher food prices ensured the highest year-on-year inflation rate since April this year.

Inflation (in %, compared to the previous year) is measured using a consumer price index, also called a basket of goods. This basket contains all goods and services that a household purchases on average per year. * = Weighting according to gross domestic product.
Source: Bloomberg, Time period: 08/09/2013 - 08/09/2023

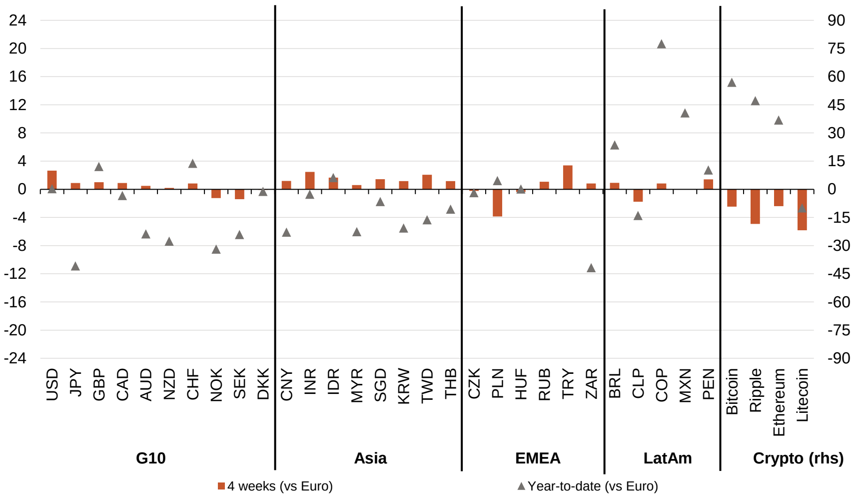
Trade-Weighted Currency Development



- Better-than-expected economic data in the US and thus the prospect of higher-for-longer US interest rates supported the upward trend of the US dollar. The rise in crude oil prices also contributed to the strength of the US dollar.
- In turn, emerging market currencies and the Japanese yen depreciated further, while authorities in Japan and China felt compelled to defend their battered exchange rates more vigorously.

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 - 08/09/2023

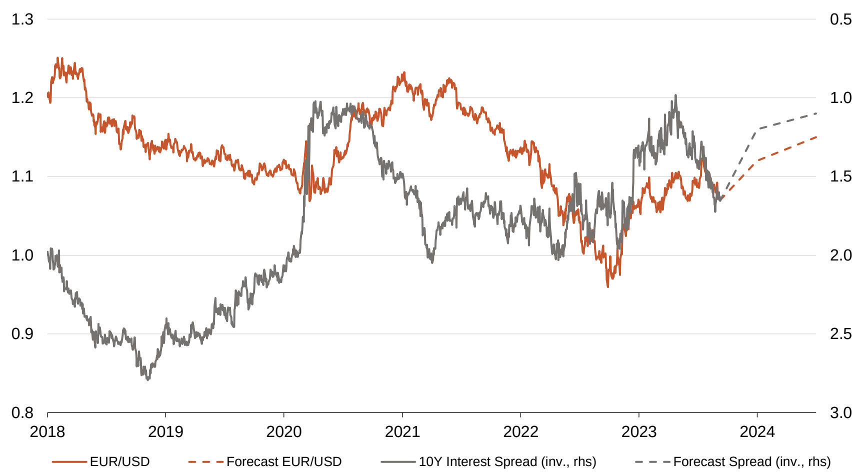
Currency Moves vs Euro



- Concerns about economic growth in the eurozone and thus scepticism that the ECB will continue with its restrictive interest rate plans contributed to the negative performance of the euro relative to most currencies.
- The central banks in Canada and Australia continued their interest rate pause last week as expected, while in Europe the ECB meeting this week is expected to be a close call.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2022 - 08/09/2023

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



- The euro fell further against the US dollar in recent weeks and is now hovering around the 1.07 mark, its lowest level since June of this year.
- While weak economic data in Europe cast doubt on further interest rate hikes by the ECB, the significantly better-than-expected figures for the non-manufacturing sector prompted investors to consider a further tightening of US monetary policy.

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

	4W (11/08/23 - 08/09/23)	YTD (30/12/22 - 08/09/23)	08/09/22 08/09/23	08/09/21 08/09/22	08/09/20 08/09/21	08/09/19 08/09/20	07/09/18 08/09/19
Energy	5.2	9.4	17.9	46.2	36.3	-39.7	-5.2
Communication Services	2.2	9.3	2.2	-9.7	27.3	-19.1	8.4
Health Care	1.0	10.9	12.5	-0.3	17.6	6.9	16.7
Utilities	0.3	6.9	5.6	-3.3	16.5	7.2	23.0
Value	0.0	9.0	15.0	-1.5	29.7	-14.5	0.8
Information Technology	-0.1	18.6	17.9	-28.5	51.1	12.8	8.6
Consumer Staples	-0.6	3.3	0.9	1.8	14.2	-8.5	20.1
Materials	-1.0	0.9	6.7	-11.6	36.6	7.6	2.5
Industrials	-1.0	13.6	20.0	-17.6	38.2	1.3	6.7
Growth	-1.4	10.7	11.0	-14.0	32.0	3.1	12.7
Finance	-2.5	10.2	18.3	-3.5	39.4	-17.2	-4.6
Consumer Discretionary	-4.6	13.2	19.3	-17.9	41.8	-4.5	8.7

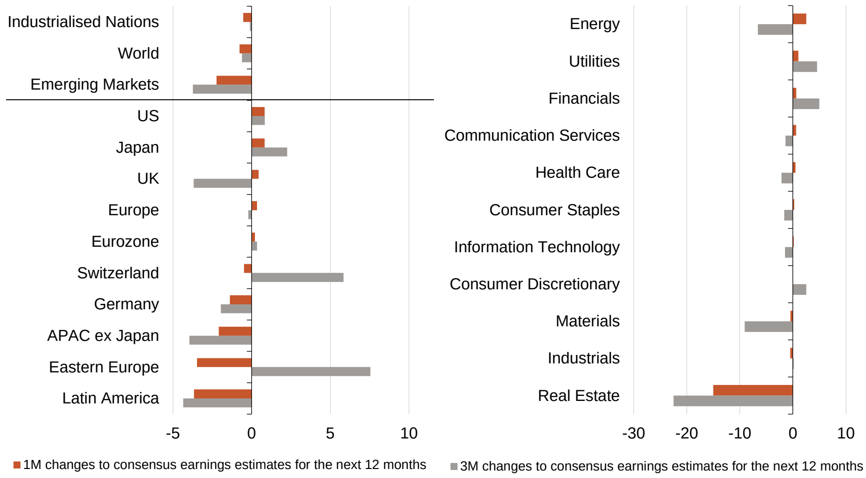
Columns: 4-week & YTD; 12-month periods over that last 5 years.

Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. NR; Materials: MSCI Europe Materials NR; Communication Services: MSCI Europe Communication Services NR; Utilities: MSCI Europe Utilities NR; Value: MSCI Europe Value NR; Growth: MSCI Europe Growth NR.

- The stock markets have only shone sporadically over the last four weeks. The style and sector picture is ambiguous. Cyclical sectors occupied both the first (energy) and the last places (industry, cyclical consumer goods). The stronger crude oil price and positive earnings revisions helped the energy sector to the top of the 4-week performance.

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: 07/09/2018 – 08/09/2023

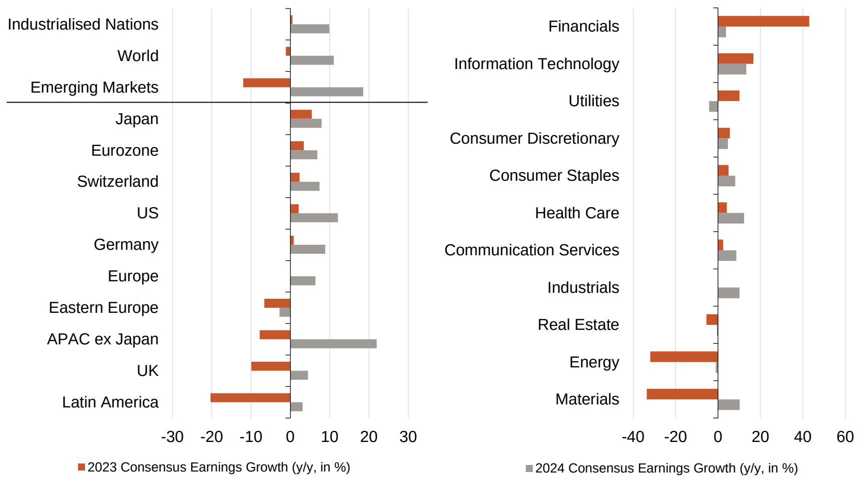
Changes in Consensus Earnings Estimates



- Analysts see increasing challenges ahead for companies. In the last four weeks, analysts have further lowered consensus earnings estimates for the industrialised nations, but also in the emerging markets.
- Regionally, the bulk of companies from the US and Japan escaped this trend. However, this could change quickly with a more likely economic slowdown.

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 07/09/2023

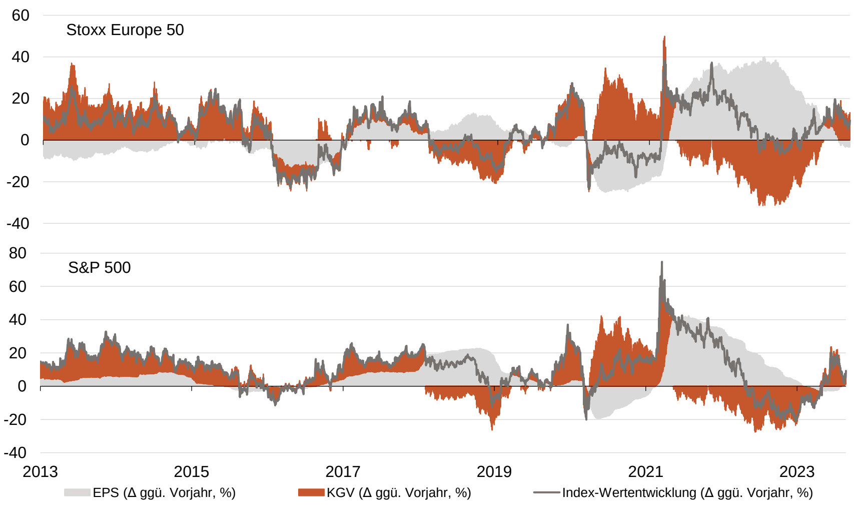
Earnings Growth



- Emerging markets earnings growth for 2023 has been revised down again from a fortnight ago. Driven by the disappointing economic recovery in China, analysts now expect earnings to decline by more than 10%.
- At the sector level, analysts expect positive earnings growth in 2023 especially for financials and IT stocks.

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 07/09/2023

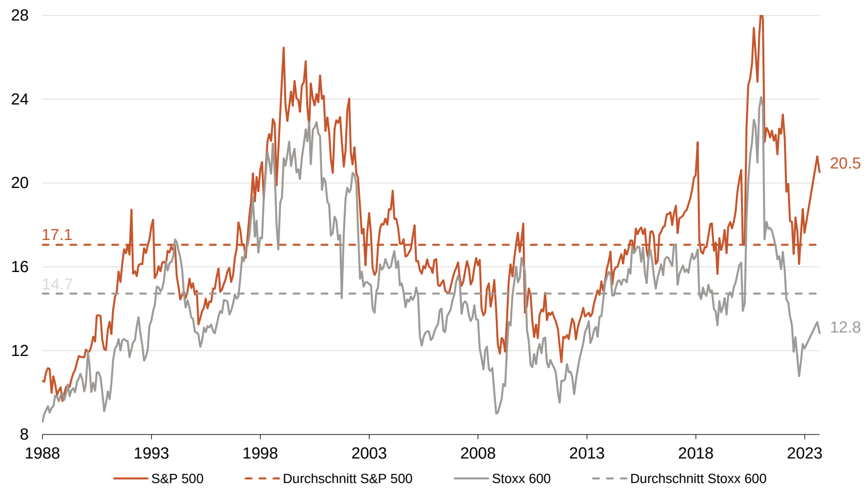
Contribution Analysis



- The S&P 500 posted double-digit gains over the past 12 months. The driver of the positive performance was another slight increase in valuations, after the strong (real) interest rate increase in recent weeks had previously led to a reduction in valuations.
- Earnings development, on the other hand, weighed 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 - 07/09/2023

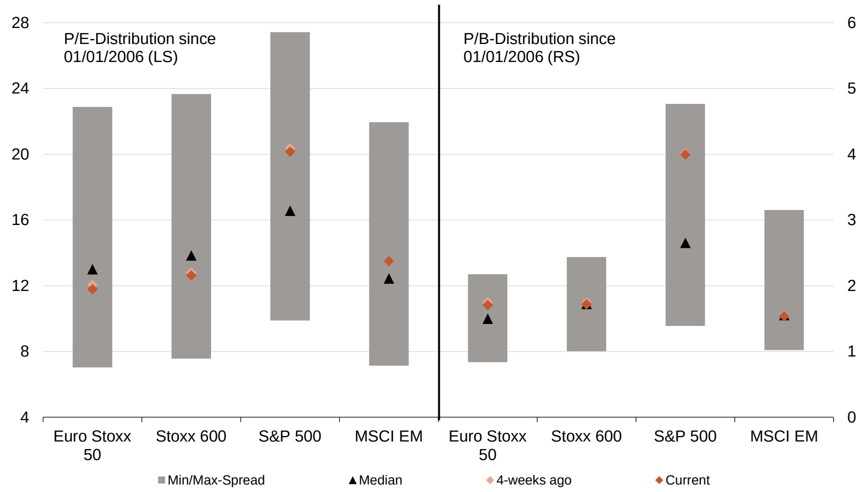
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Over the last two weeks, the valuation of the S&P 500 has risen slightly from 20.2x to 20.5x. While this means that the S&P 500 is still below this year's valuation high of over 21x, it is still historically expensive
- The valuations of the S&P 500 and the Stoxx 600 remain far apart. The P/E ratio of the Stoxx 600 is only 12.8x, which is below the historical average, unlike the S&P 500.

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 - 08/09/2023

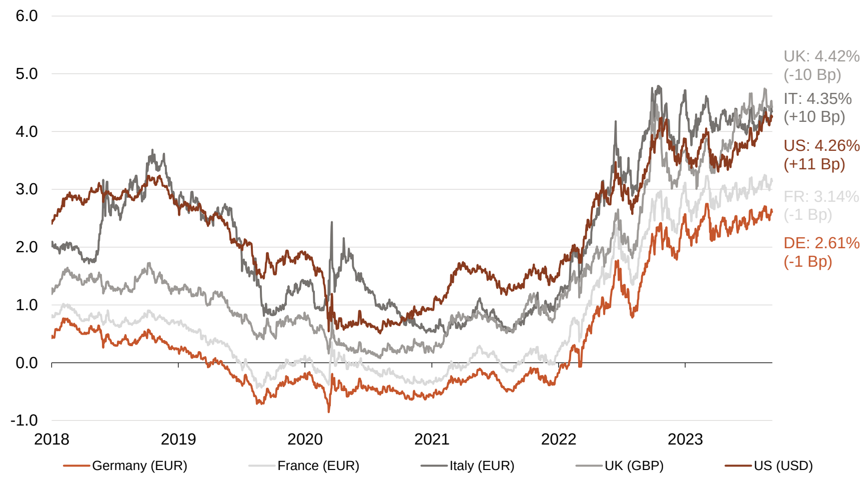
Historical Distribution: Price/Earnings and Price/Book Ratio



- In a 4-week comparison, all indices shown have become slightly more favourable on the valuation side. A fortnight ago, however, the movement looked even stronger. Valuation compression seems to be losing momentum.
- On a P/E basis, the S&P 500 and emerging market stocks are still more expensive than the media

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 - 08/09/2023

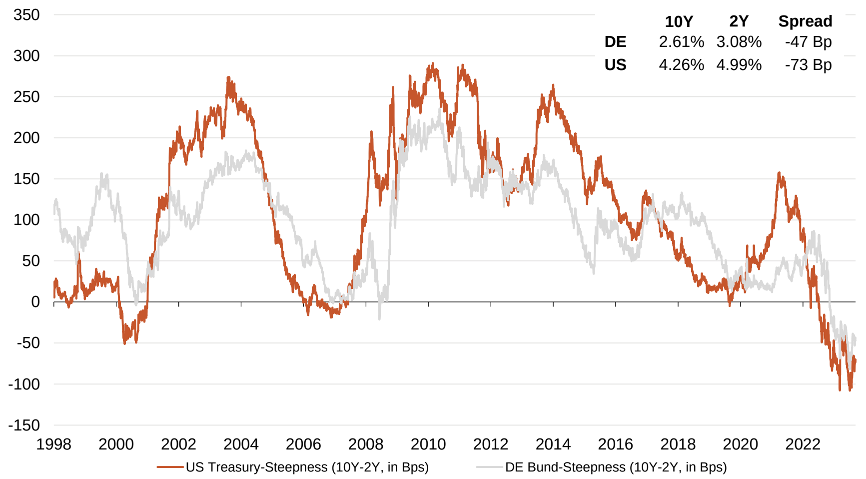
10-Year Government Bond Yields



- The recently very strong economic data, especially in the US, and the continuing restrictive tones of the central banks caused yields on safe government bonds to rise again over the last two weeks.
- Nevertheless, US government bond yields are still below the high of over 4.3% at the end of August

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 - 08/09/2023

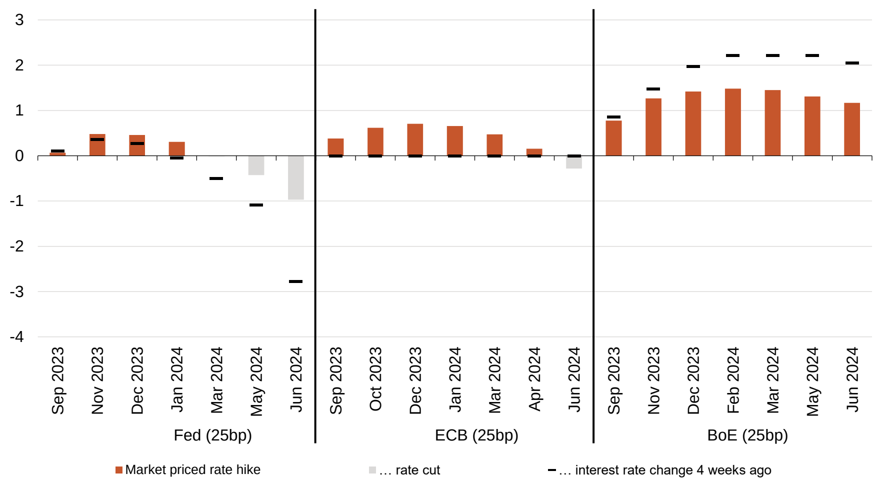
Yield Curve Steepness (10Y - 2Y)



- Over the past two weeks, the inversion of the US yield curve declined from 84 to 73 basis points. Yields fell at the short end, while they rose marginally at the long end.
- In Germany, on the other hand, the yield curve has not changed significantly over the past two weeks. The inversion is still at 47 basis points.

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 - 08/09/2023

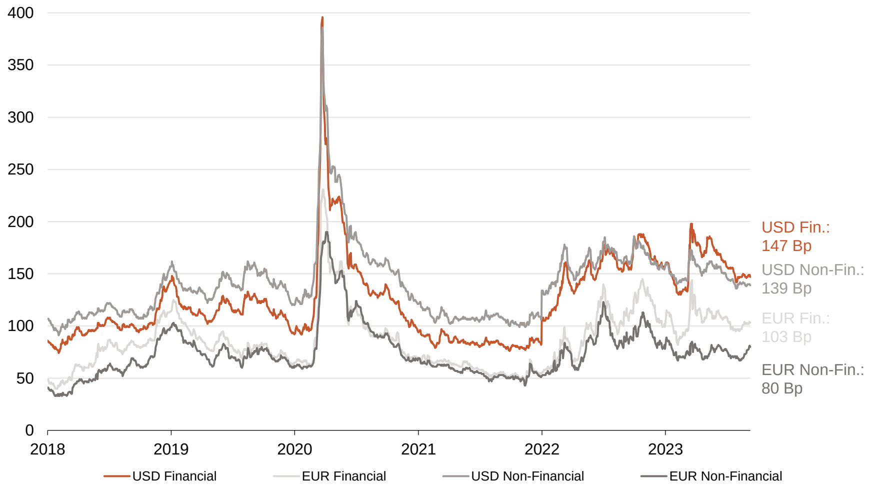
Implicit Changes in Key Interest Rates



- With regard to the future US interest rate policy, the market expects a pause for the upcoming Fed meeting on 22 September. For the November, December and January meetings, on the other hand, the market is now increasingly expecting a rate hike.
- This is in stark contrast to four weeks ago. At that time, the market expected the first interest rate cuts directly at the start 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: 08/08/2023 - 08/09/2023

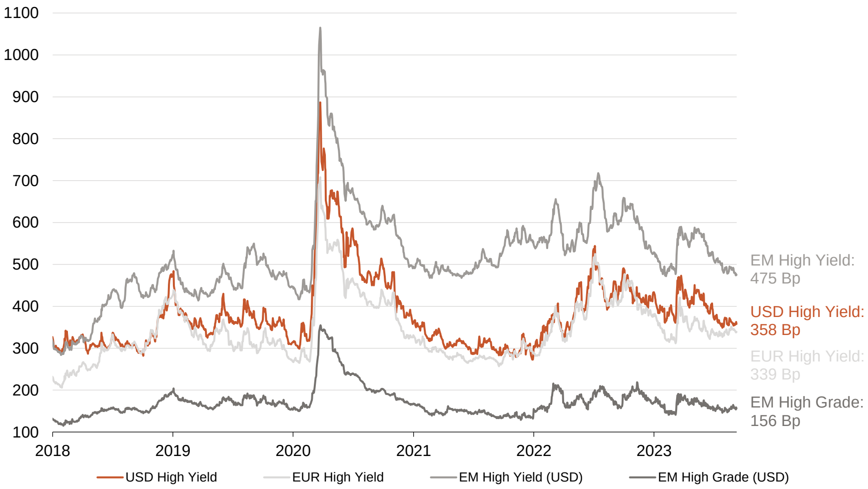
Credit Spreads Financial and Non-Financial Bonds



- Investment grade (IG) corporate bond spreads have increased over the last four weeks. EUR non-financial bonds in particular saw a spread widening of 13 basis points, but EUR financial bonds also experienced a spread widening of 7 basis points.
- USD IG corporate bonds, on the other hand, saw little change. USD financial bonds saw no spread change over the last four weeks, USD non-financial bonds a slight spread tightening.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 - 08/09/2023

Credit Spreads High Yield and Emerging Markets Bonds



- High-yield bonds seem to continue to assume a soft landing and ignore concerns about increasing loan defaults.
- US high-yield bonds are clearly up since the beginning of the year and risk premiums have fallen slightly over the last four weeks.

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 - 08/09/2023

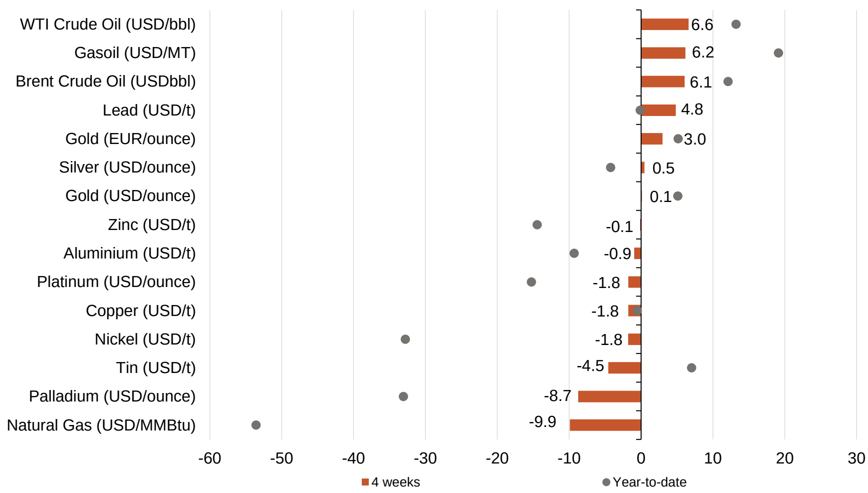
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	08/09/22 08/09/23	08/09/21 08/09/22	08/09/20 08/09/21	08/09/19 08/09/20	08/09/18 08/09/19
EUR Government	3.32	0.14	7.1	-	-	-	-0.8	1.3	-3.6	-15.2	-0.2	-0.1	11.2
Germany	2.73	0.13	7.2	-	-	-	-0.8	0.3	-5.2	-13.4	-1.4	-1.2	8.0
EUR Corporate	4.38	0.16	4.4	88	10	69	-0.5	2.8	1.1	-13.5	1.9	0.0	6.5
Financial	4.60	0.11	3.7	103	7	74	-0.1	3.0	1.8	-11.6	1.7	0.1	5.8
Non-Financial	4.23	0.19	4.9	80	13	70	-0.7	2.7	0.7	-14.5	2.0	-0.1	6.9
EUR High Yield	7.42	-0.08	3.1	339	-6	52	0.6	6.1	6.9	-12.7	8.5	0.1	6.0
US Treasury	4.64	0.22	6.3	-	-	-	-1.0	-0.1	-2.3	-11.6	-2.6	7.5	11.0
USD Corporate	5.84	0.22	6.7	142	-1	60	-0.7	2.1	1.2	-15.3	2.3	7.9	13.5
Financial	6.07	0.24	4.9	147	0	74	-0.7	2.5	1.8	-12.7	2.2	7.8	11.9
Non-Financial	5.72	0.21	7.5	139	-2	50	-0.8	2.0	1.0	-16.5	2.4	7.9	14.2
USD High Yield	8.64	0.10	4.0	358	-14	39	0.4	6.9	6.2	-10.2	11.0	3.0	7.0
EM High Grade	6.05	0.26	5.2	156	2	28	-0.9	2.2	1.6	-14.6	2.8	4.8	11.4
EM High Yield	10.09	-0.07	3.8	475	-19	27	0.3	3.6	7.3	-21.9	6.9	8.0	10.2

- USD and EUR high yield bonds held their own as the best performing bond segment over the last month with a performance of 0.4% and 0.6%, respectively.
- With a performance of 6.9%, USD high-yield bonds are also the best performing bond segment since the beginning of the year. EUR high-yield bonds are close on their heels with a performance of 6.1% since the start of the year.

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 : 08/09/2018 - 08/09/2023

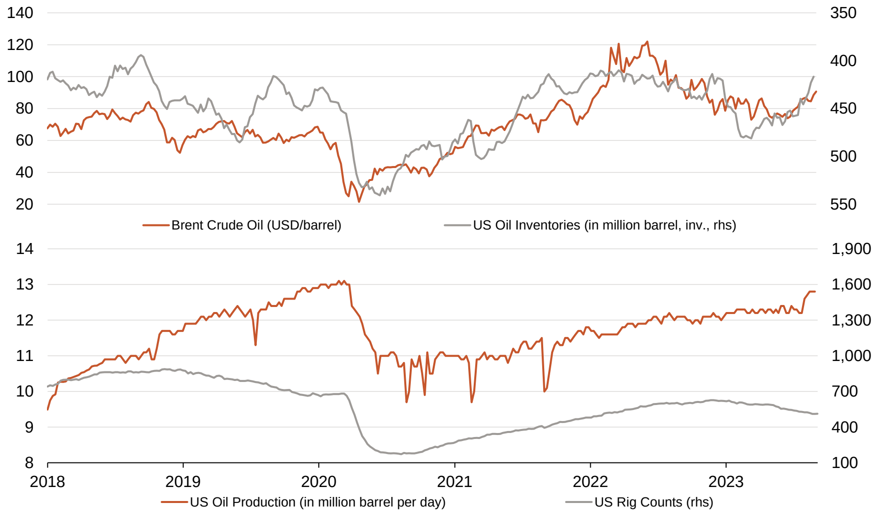
Commodities Performance



- Energy commodities have shown by far the best performance over the last month. The only exception is natural gas.
- Industrial metals, on the other hand, recorded mostly losses and many are still negative the beginning of the year.
- Precious metals show a mixed picture. Like industrial metals, the cyclical precious metals platinum and palladium are lagging behind the safe haven gold.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 – 08/09/2023

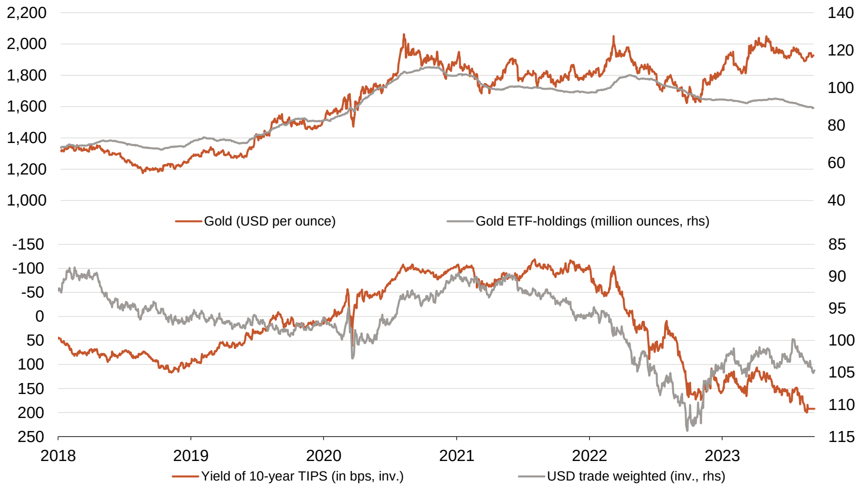
Crude Oil



- Last week, Brent broke through the USD90 per barrel mark for the first time since November last year and thus shows a positive return since the beginning of the year.
- One of the tailwinds came from OPEC, as both Saudi Arabia and Russia announced extensions of their extraordinary cuts until the end of the year.

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 – 08/09/2023

Gold



- Gold initially rose towards USD1,950 per ounce in the last two weeks, only to eventually give up its gains again. The precious metal is currently trading at USD1,920 per ounce.
- Most recently, headwinds came again from real interest rates, which recently broke through the 2% mark for the second time this year.

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 – 08/09/2023

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