BERENBERG Markets

MONITOR

25 September 2023

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

Current market commentary

The major stock indices have been in a sideways market for months. The upward potential seems to be limited at the moment, not least because of the rise in real interest rates. While the two major asset classes, equities and bonds, have recently been treading water, commodities have been able to recover significantly. The oil price, for example, has risen by about 30% from its low in June. The rise harbours new inflation risks and does not make the central banks' job any easier. Last week, for example, the Fed stressed that it expects higher interest rates for a longer period. A further increase in valuations thus hardly seems possible, especially for US equities. In the short term, the probability of a setback is increased. Stocks often underperform into October - not least because analysts then often revise overly optimistic earnings estimates with a view to the Q3 reporting season. In addition, the support of the stock return programmes is less during the now upcoming reporting season.

Short-term outlook

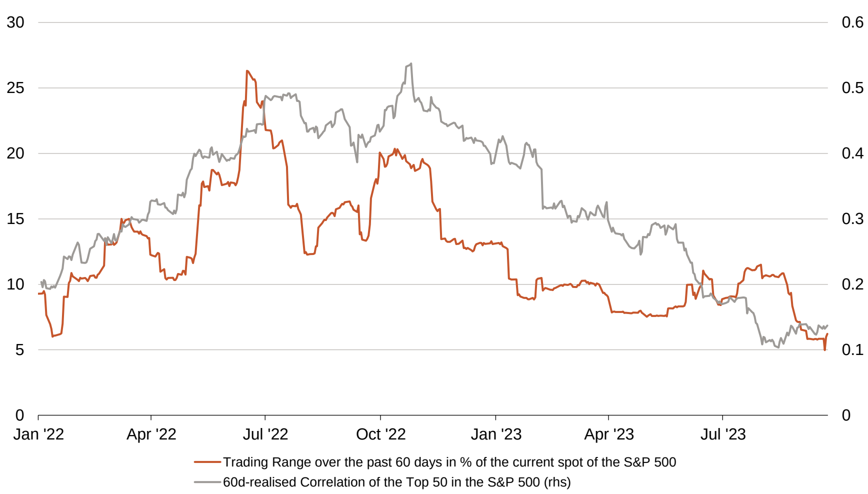
OPEC+ and Golden Week in market focus after central bank meetings.

After the last two weeks were dominated by global interest rate policy, the next two weeks will see more calm on the central bank front. Politically, things are likely to get interesting next week during the Chinese bank holidays week (Golden Week). In times of energy shortages, OPEC+ will also decide on 4 October on further production levels.

Economic and labour market data provide insights into global economic development.

On the economic front, US new home sales (Aug.) and US Conference Board consumer confidence (Sep.) will be the focus of markets on Tuesday. Wednesday's durable goods orders (Aug.) and Thursday's GDP figures (Q2) for the US will provide insights into the robustness of the US economy. Thursday will also see the release of economic confidence for the Eurozone (Sep.) and consumer prices (Sep.) for Germany. The release of PMI data for China (Sep.) will follow on Friday. The following Friday, the US labour market data for September, eagerly awaited by the market, will also be published.

Narrow trading range in US equities driven by special issues



- The S&P 500 has been trading in a narrow range for months due to a lack of market breadth. Driven by specific topics such as the AI hype or the recently resurgent oil price, the stocks within the index have developed very heterogeneously. This is also reflected in their low correlation.
- Should investor focus shift to a possible economic slowdown, the correlation is likely to rise again; however, bonds in multi-asset portfolios will then likely diversify better again.

Source: Bloomberg, own calculations
Time period: 31/12/2021 - 22/09/2023

Multi Asset

	4W (25/08/23 - 22/09/23)	YTD (30/12/22 - 22/09/23)	22/09/22 22/09/23	22/09/21 22/09/22	22/09/20 22/09/21	22/09/19 22/09/20	21/09/18 22/09/19
Brent	11.6	14.7	7.1	78.1	84.9	-41.3	-8.5
Industrial Metals	2.3	-10.5	-9.5	10.8	40.1	-4.6	4.6
Gold	1.9	6.1	6.4	12.3	-6.8	17.9	34.8
USDEUR	1.3	0.5	-7.7	18.8	0.2	-5.9	6.6
MSCI Emerging Markets	0.8	3.5	-0.9	-10.3	18.6	2.0	6.3
MSCI World	0.3	12.6	8.6	-1.9	32.7	2.0	8.7
Euro overnight deposit	0.3	2.2	2.5	-0.5	-0.6	-0.5	-0.4
Global Convertibles	0.2	5.9	-3.4	-11.4	27.4	20.9	5.2
MSCI Frontier Markets	0.2	9.1	-5.4	-6.1	29.9	-6.2	9.9
EUR Coporates	-0.2	2.7	2.6	-15.0	2.0	0.5	5.7
EUR Sovereign Debt	-0.7	1.2	-0.7	-11.1	0.0	0.4	5.2
REITs	-3.1	-6.7	-15.8	-4.5	31.3	-19.6	23.0

MSCI World: MSCI World Net Return; MSCI Emerging Markets: MSCI EM Net Return; MSCI Frontier Markets: MSCI Frontier Markets Net Return;
REITs: MSCI World REITs Index; EUR Sovereign Debt: IBOXX Eurozone Sovereign 1-10Y TR; EUR Corporates: IBOXX Euro Corporates Overall TR;
Global Convertibles: SPDR Convertible Securities ETF; Gold: Gold US Dollar Spot; Brent Crude: Bloomberg Brent Crude Subindex TR;
Industrial Metals: Bloomberg Industrial Metals Subindex TR; Euro overnight deposit: ICE BofA Euro Overnight Deposit Rate Index; USDEUR: Price of 1 USD in EUR.

- Commodities continued their upward trend of recent weeks, supported by positive economic data from China.
- Rising US real interest rates weighed on interest-rate-sensitive REITs and bonds. The US dollar, on the other hand, benefited from this and has now turned positive against the euro since the beginning of the year.

Total return for selected asset classes, in euros and in per-cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 21/09/2018 – 22/09/2023

Equities

	4W (25/08/22 - 22/09/23)	YTD (30/12/22 - 22/09/23)	22/09/22 22/09/23	22/09/21 22/09/22	22/09/20 22/09/21	22/09/19 22/09/20	21/09/18 22/09/19
MSCI Japan	5.1	14.0	12.1	-12.1	22.7	0.4	3.5
MSCI UK	3.9	8.3	11.3	6.7	34.7	-23.0	4.3
Stoxx Europe Defensives	2.5	10.0	16.0	0.7	19.8	-6.5	10.9
MSCI EM Asia	1.3	2.8	-0.9	-11.9	14.6	11.8	3.9
Stoxx Europe 50	0.7	10.7	19.0	-1.3	25.5	-8.0	9.1
Stoxx Europe Cyclicals	0.7	9.7	19.6	-17.7	42.1	-7.9	-1.8
Stoxx Europe Small 200	-0.4	3.5	11.0	-28.4	41.7	-2.6	1.7
DAX	-0.5	11.7	24.1	-19.2	23.1	1.0	0.3
S&P 500	-0.5	14.5	8.0	3.5	34.2	6.2	11.2
Euro Stoxx 50	-0.6	13.5	25.9	-15.2	33.6	-9.5	7.0
MSCI USA Small Caps	-2.2	3.8	-0.7	-3.1	50.5	-8.7	2.0
MSCI EM Eastern Europe	-5.2	16.7	34.3	-84.1	51.6	-23.6	23.9

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.

- Equity segments remained heterogeneous over the last four weeks. The continuation of an ultra-loose interest rate policy by the Japanese central bank supported Japanese equities, while the BoE's interest rate pause and the commodity rally gave a tailwind to equities in the UK.
- Eastern European equities recently saw profit-taking after the strong YTD performance.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 21/09/2018 – 22/09/2023

Fixed Income

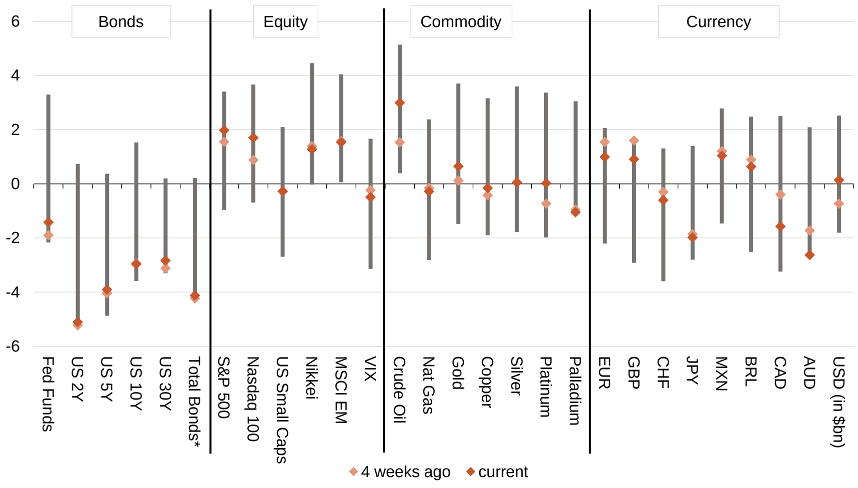
	4W (25/08/23 - 22/09/23)	YTD (30/12/22 - 22/09/23)	22/09/22 22/09/23	22/09/21 22/09/22	22/09/20 22/09/21	22/09/19 22/09/20	21/09/18 22/09/19
EUR High Yield	0.9	6.4	8.6	-13.9	9.3	-0.6	5.3
EM Hard Currency Bonds	0.4	3.1	-1.7	-7.2	5.3	-4.7	20.6
Treasuries	0.3	-0.8	-8.7	3.4	-2.3	2.3	17.5
USD High Yield	0.3	6.4	8.1	-12.3	11.9	1.9	6.9
EUR Financials	0.1	3.2	3.1	-14.2	2.2	0.5	5.4
Gilts	-0.3	-1.5	-3.2	-26.4	2.5	1.0	14.5
EUR Non-Financials	-0.4	2.4	2.2	-15.6	1.9	0.6	6.0
USD Corporates	-0.5	1.5	2.9	-17.7	2.7	9.0	12.6
Chinese Gov Bond	-0.7	3.4	3.0	5.2	5.4	2.9	7.1
EM Local Currency Bonds	-0.7	5.9	2.7	-4.1	2.9	-6.7	19.4
Bunds	-1.2	-0.3	-4.2	-15.1	-1.5	-0.3	7.6
BTPs	-1.7	2.6	0.3	-17.5	2.4	2.5	14.7

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

- High-yield bonds in both USD and EUR delivered the best performance in the last four weeks thanks to low new issuance and thus weak supply. Chinese government bonds received a tailwind after positive economic surprises and stabilisation measures by the Chinese central bank.
- Government bonds from the industrial nations came under pressure after the Fed stressed that it expects higher interest rates for an extended period.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 21/09/2018 – 22/09/2023

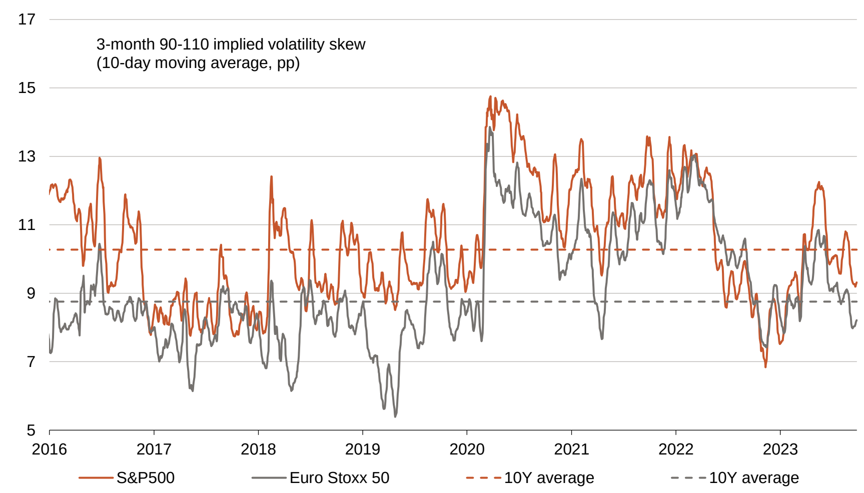
Non-Commercial Positioning



- Speculative investors have recently become more optimistic about commodities and have built up longs or covered shorts.
- In US government bonds, short positioning has not changed much as a result of the Fed's hawkish pause. However, it still seems vulnerable at the currently extreme level.

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: 19/09/2013 - 19/09/2023

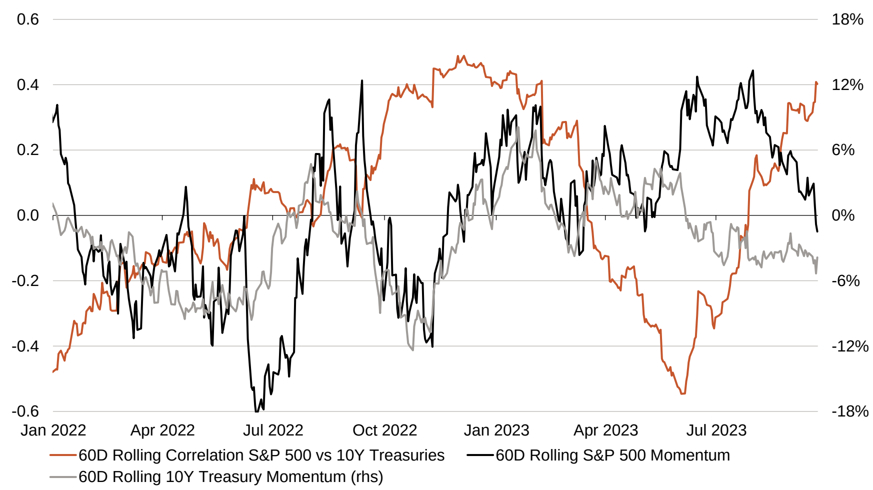
Put-Call-Skew



- The skew has changed little in the last two weeks and thus remains below average in both the US and Europe.
- Measured against the current relatively low level of implied volatility, however, the skew does not yet call for caution. All in all, there does not seem to be particularly great demand for hedging, although there is no euphoria either.

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: 22/09/2013 - 22/09/2023

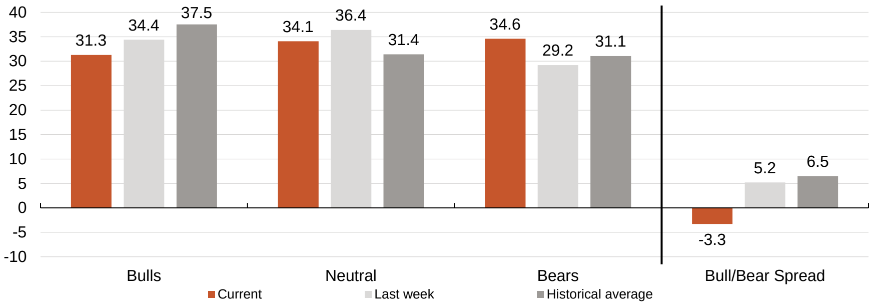
60-Day Momentum and Correlation

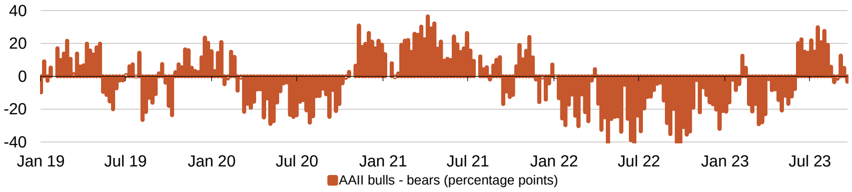


- The correlation between equities and bonds remains high. Investors continue to focus on the inflation and interest rate outlook rather than the economic outlook.
- The momentum of US equities is about to turn negative. Technical support from CTAs therefore should not be expected.

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 - 22/09/2023

AAII Sentiment Survey (Bulls vs Bears)

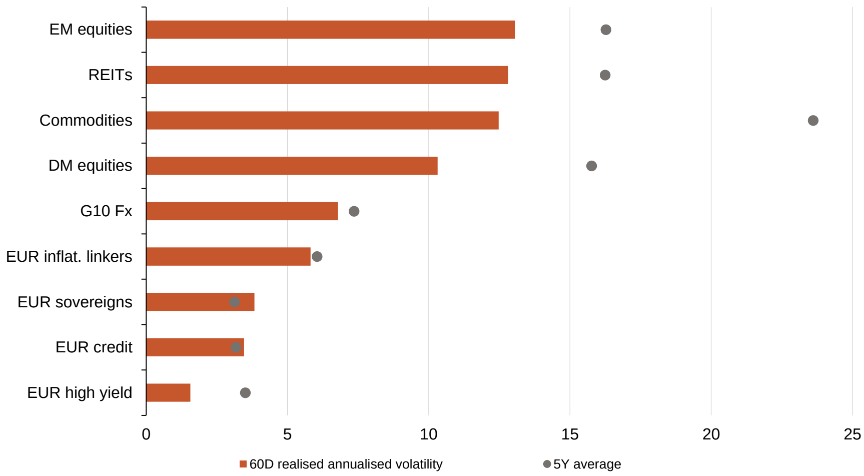




- The mood of US private investors has already turned again. After two positive weeks, the pessimists now dominate again.
- The strong fluctuations in sentiment since the beginning of the second half of the year are testament to the great uncertainty regarding the economic outlook.

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 – 21/09/2023

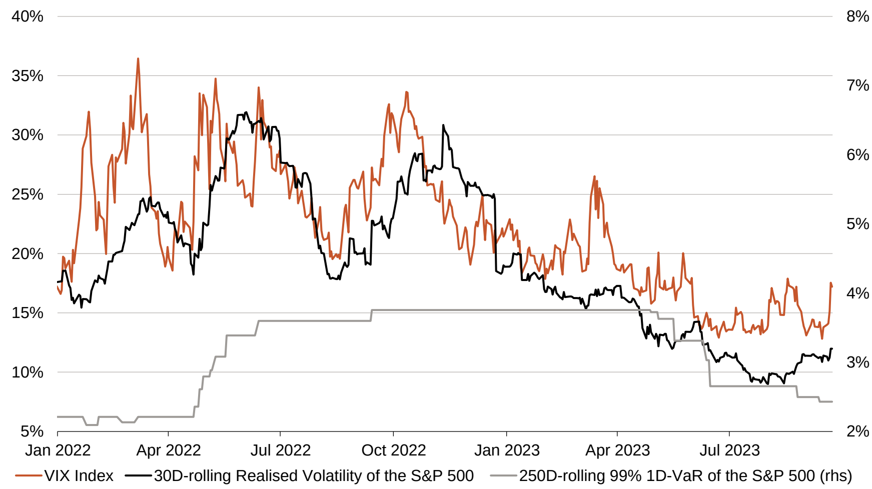
Realised Volatilities



- With the rally in the oil market, realised volatility in commodities has virtually collapsed. At less than 13% over the last 60 days, annualised volatility is the lowest it has been since May 2019.
- Currently, only the bond segments, with the exception of high-yield, exhibit volatilities comparable to those of the last 5 years.

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: 22/09/2018 - 22/09/2023

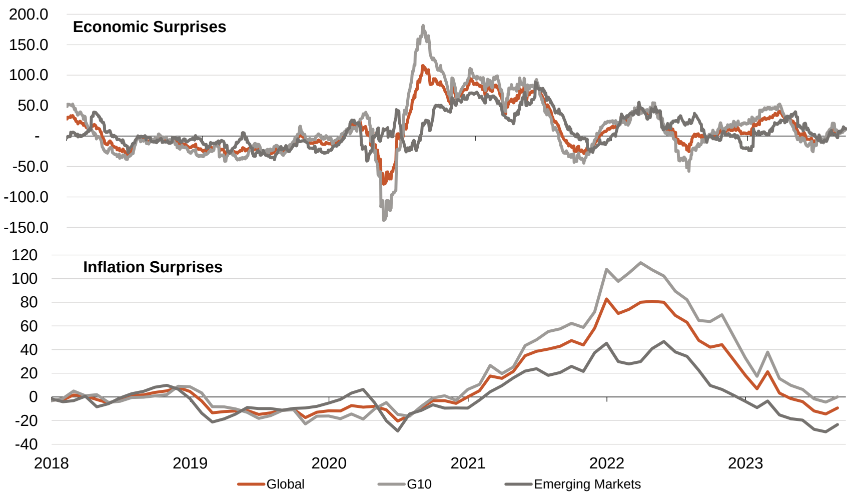
Volatility and Value-at-Risk of the S&P 500



- The VIX recently broke through the 16 mark for the first time since mid-August, which corresponds to an expected daily movement of 1% on average over the next month.
- Realised volatility, on the other hand, is still low at 12%. Investors therefore expect somewhat more volatility in the coming weeks.

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 - 22/09/2023

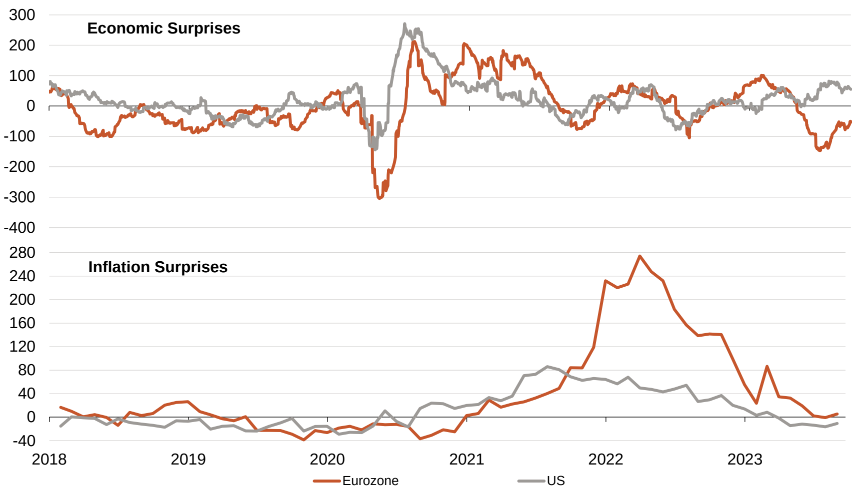
Global



- The global economic surprises continue to be slightly positive. Most recently, the industrialised nations' index was boosted by the USA, while the data from Europe and Great Britain disappointed. In the emerging markets, China and India surprised with positive industrial production data, and Chinese retail sales were also well above expectations.
- Global inflation data showed a mixed picture, with positive surprises in the US, Japan and Canada and negative surprises in Norway, the UK and India.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 22/09/2023

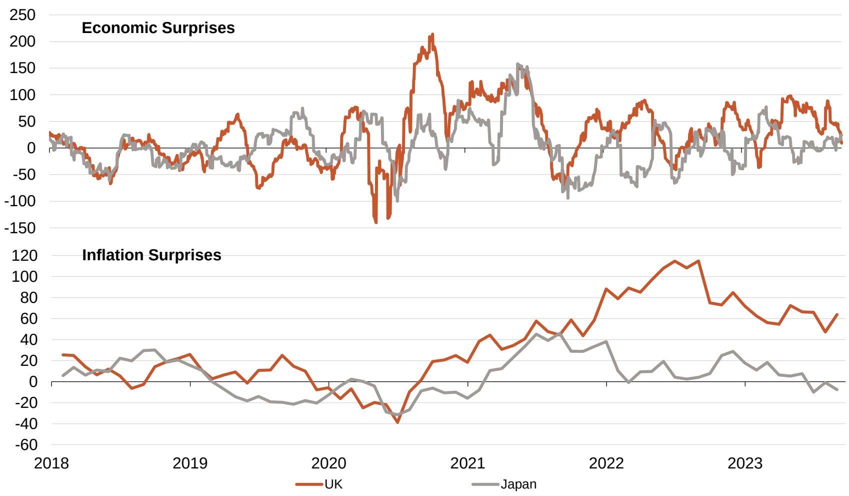
Eurozone and US



- The series of positive surprises in US economic data continues. Retail sales, initial jobless claims and industrial production data surprised positively in the US. Weak housing data was balanced by a positive surprise in building permits.
- On the contrary, data in Europe showed a more pessimistic picture. Eurozone industrial production data for July came in well below expectations. In Germany, the ZEW Economic Situation Index also disappointed.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 22/09/2023

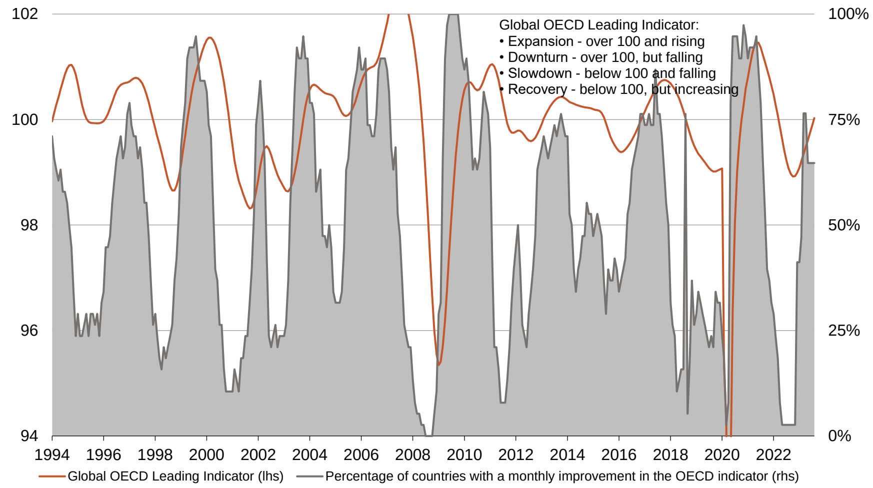
UK and Japan



- In the UK, GDP figures for July were well below expectations, with manufacturing output surprising on the upside. Consumer prices in August remained cooler than expected.
- In Japan, producer prices and CPI data surprised to the upside in August.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases versus 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 - 22/09/2023

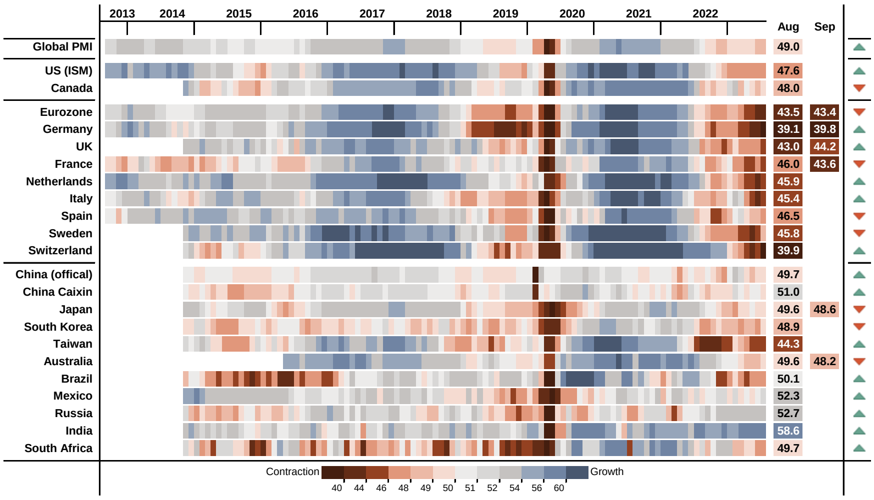
OECD Leading Indicator



- At the end of August, the OECD Global Leading Indicator showed an improvement over the previous month for the 10th month in a row. With a reading above 100, the indicator points to a recovery.
- More than 65% of the countries surveyed saw an improvement in the OECD Leading Indicator compared to the previous month. Besides China, this was also the case in the USA, India, Spain, Mexico and South Korea.

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

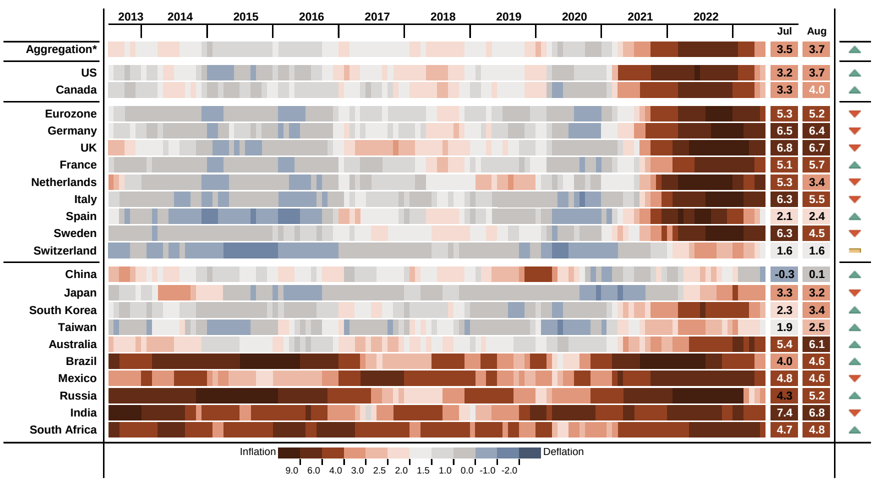
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The global PMI showed a slight increase in August compared to the previous month. Among developed countries, the US, Germany, France, the Netherlands and Italy improved. In emerging markets, China, Brazil, Mexico, India and South Africa saw an improvement from 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 11 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: 23/09/2013 - 22/09/2023

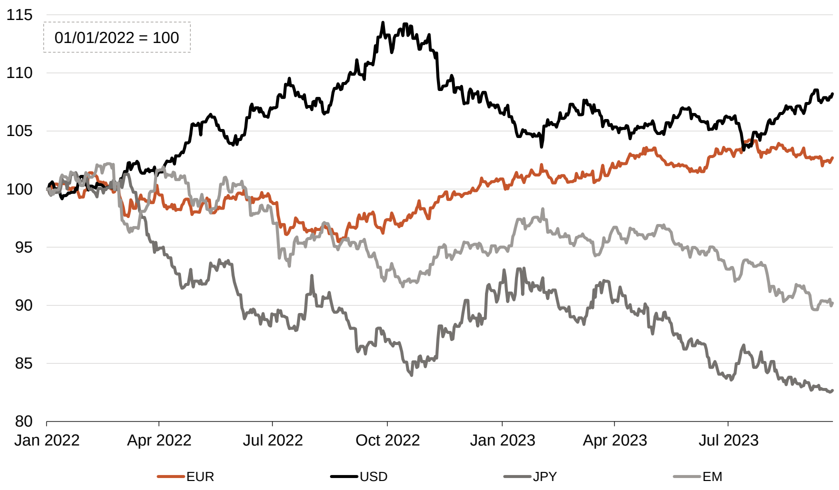
Headline Inflation



- In August, inflation figures continued to show a generally mixed picture at the global level. While August inflation rates rose month-on-month in the US, Canada and Brazil, consumer prices in the UK and Sweden were cooler than in the previous month. In Canada, higher energy prices provided a positive inflation surprise, while in Japan they surprised to the downside.

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: 23/09/2013 - 22/09/2023

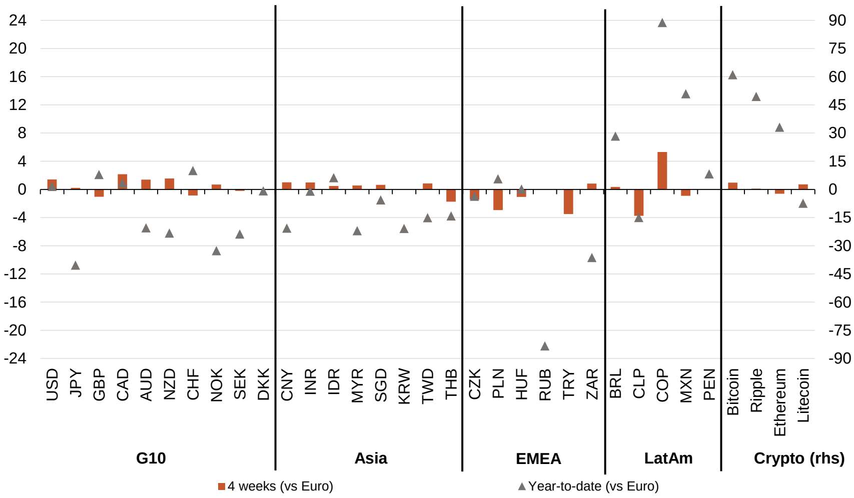
Trade-Weighted Currency Development



- The upward trend of the US dollar got another tailwind after the Fed signalled "higher for longer" on US interest rates. On the other hand, the euro lost some strength after weaker economic forecasts from the ECB raised doubts about further rate hikes in the euro area.
- The Japanese central bank kept key interest rates in negative territory last week, increasing pressure on the Japanese yen.

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 - 22/09/2023

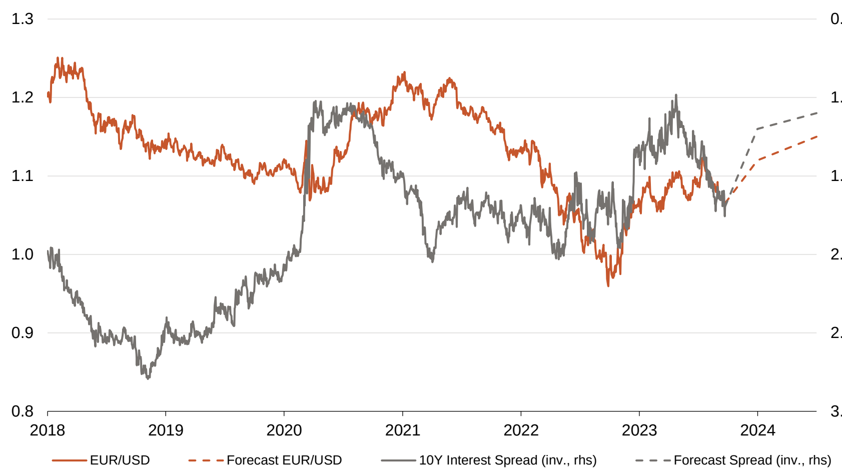
Currency Moves vs Euro



- The common currency saw broad losses over the past month due to weaker economic data in the Eurozone and the prospect of an interest rate pause after the ECB's recent rate hike.
- The British pound came under pressure after the central bank paused interest rates due to weaker-than-expected GDP figures and cooler inflation data in the UK.
- Better-than-expected Chinese economic data and further central bank action supported the Chinese renminbi.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2022 - 22/09/2023

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



- After the central bank decisions on both sides of the Atlantic, the EUR/USD exchange rate fell below the 1.07 mark and reached its lowest level since March of this year.
- Although the Fed, as expected, did not raise the key interest rate, the higher interest rate expectations of the FOMC members for the year 2024 caused a surprise. The ECB, on the other hand, signalled that weaker economies could be an obstacle to further rate hikes.

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

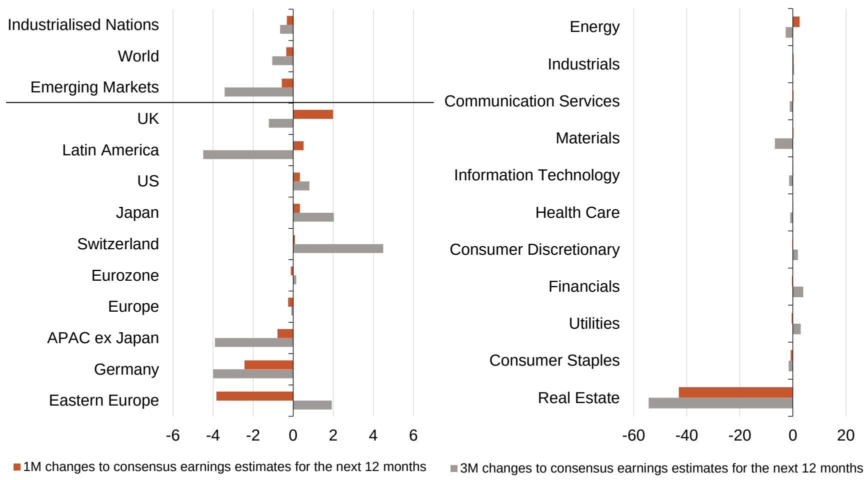
	4-week & YTD: 4W (25/08/23 - 22/09/23)	4-week & YTD: YTD (30/12/22 - 22/09/23)	22/09/22 22/09/23	22/09/21 22/09/22	22/09/20 22/09/21	22/09/19 22/09/20	21/09/18 22/09/19
Energy	8.7	12.1	19.9	39.5	50.9	-45.8	-3.9
Communication Services	6.2	12.5	9.3	-10.2	26.5	-23.4	8.6
Finance	3.2	13.6	21.4	-1.6	47.9	-27.2	-4.1
Value	3.2	11.2	18.5	-1.0	32.9	-21.0	1.0
Materials	1.3	1.1	10.6	-10.5	31.5	4.1	-1.5
Health Care	-0.5	9.0	17.2	-4.5	13.4	9.1	16.2
Utilities	-0.5	6.7	8.3	-1.9	14.4	3.4	23.7
Industrials	-0.8	11.2	25.3	-23.0	42.0	-1.5	4.5
Consumer Staples	-1.2	3.0	2.5	0.2	13.7	-5.7	16.4
Growth	-2.0	8.0	14.8	-18.4	30.6	4.5	9.7
Consumer Discretionary	-2.2	12.4	22.3	-19.3	42.6	-6.2	4.7
Information Technology	-3.2	13.2	21.0	-33.9	50.2	13.5	7.5

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

- Within the European stock selection, the comeback of energy companies benefiting from the stronger oil price continued over the last four weeks. Telecommunications and financial stocks also made significant gains.
- The divergence within the style level also continued. Cyclical sectors continued to occupy the top ranks (energy) and the bottom ranks (cyclical consumer goods, IT).

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: 21/09/2018 – 22/09/2023

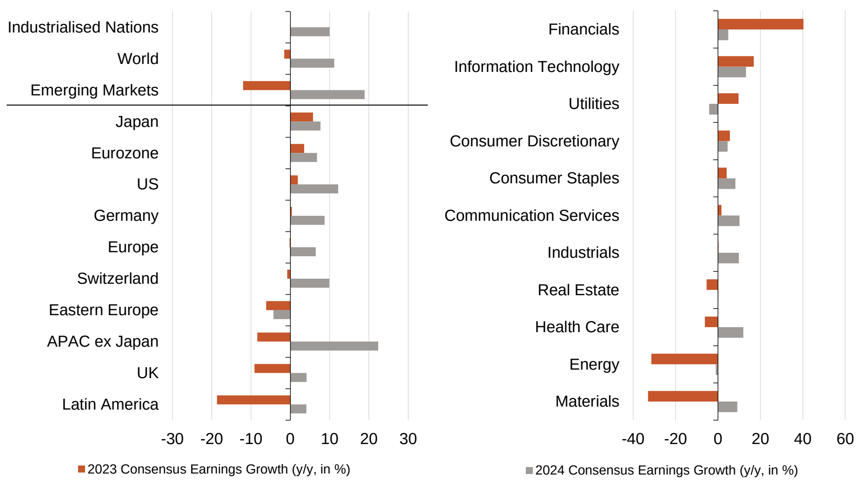
Changes in Consensus Earnings Estimates



- The momentum of negative earnings revisions has eased over the last four weeks for most regions and sectors. For emerging markets in particular, analysts seem to have priced in a lot of negativity – there have been hardly any additional negative revisions over the last four weeks.
- However, analysts see stronger challenges for Germany and Eastern Europe. Earnings estimates were each revised downwards by above 2 %.

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 22/09/2023

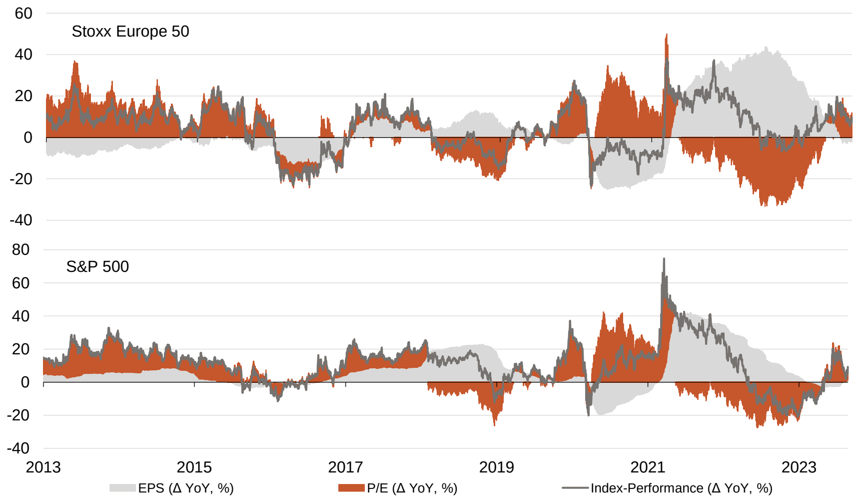
Earnings Growth



- In the industrialised nations, analysts expect hardly any earnings growth this year. For the emerging markets, analysts continue to expect a profit decline of more than 10% in 2023.
- For the UK and Latin America, the analysts have recently become more optimistic despite profit decline expectations.

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 22/09/2023

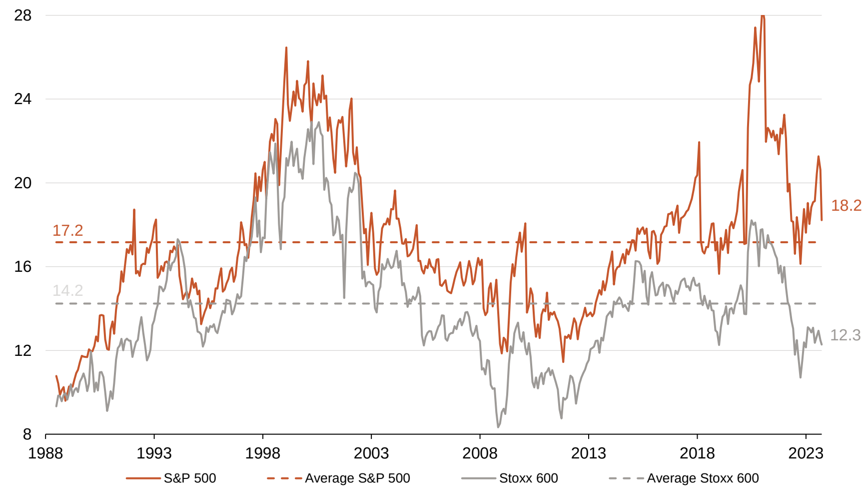
Contribution Analysis



- The S&P 500 gained almost 10% over the last 12 months. The driver of the positive performance was a pure valuation expansion over the last 12 months. However, the rapid rise in US real interest rates over the last two weeks (the US real interest rate currently stands at roughly 2.1%) has put a noticeable damper on the movement.
- The profit trend was at least no longer a burdening factor recently.

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 - 22/09/2023

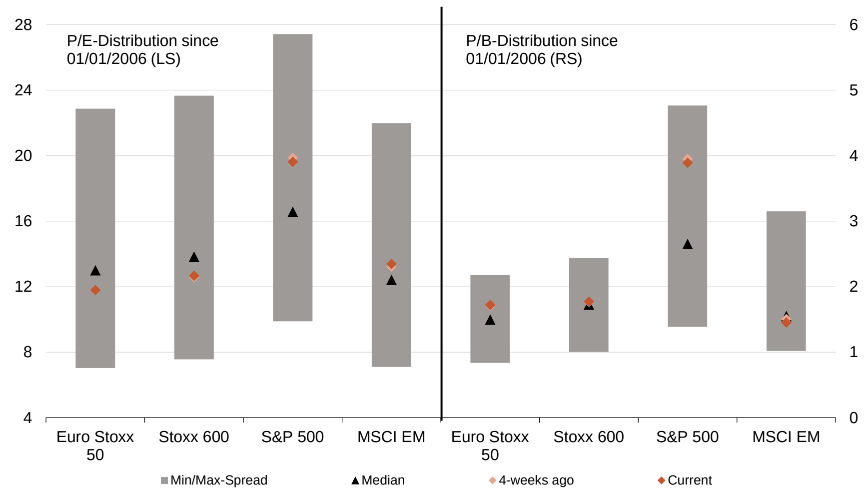
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The high US interest rates - the yield on 10-year US government bonds was recently close to the 4.5% mark and thus reached its highest level since 2009 - brought the valuation expansion to an abrupt halt since the beginning of the year.
- The P/E ratio based on earnings estimates for the next 12 months for the S&P 500 has now slipped back below the 19x mark and is thus approaching 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 - 22/09/2023

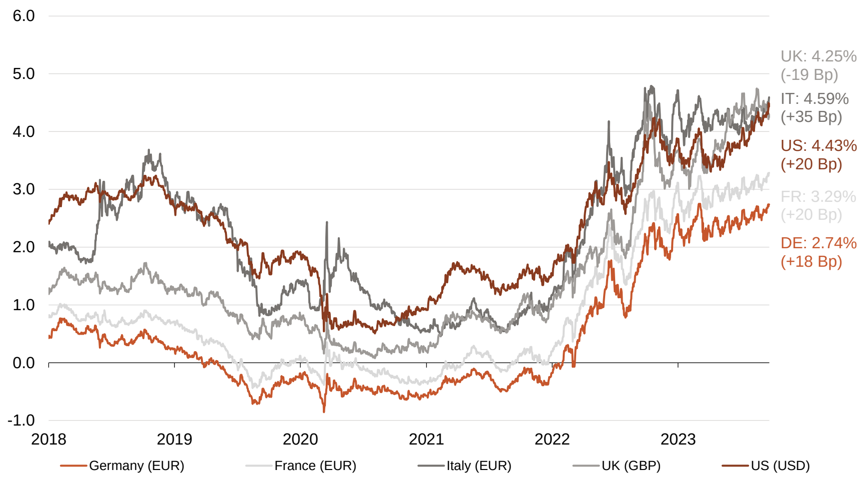
Historical Distribution: Price/Earnings and Price/Book Ratio



- While the four-week comparison of the chart shows hardly any change in the valuation ratios of the selected equity regions, a two-week comparison reveals a different picture: the strong US interest rate hike is leaving its mark. Based on the P/E ratio, equities from Europe, the US and emerging markets have become noticeably cheaper in the last two weeks.

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 - 22/09/2023

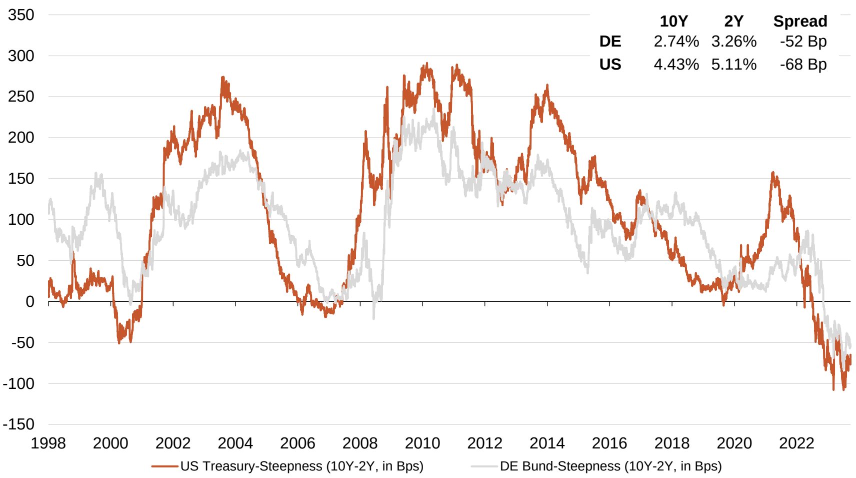
10-Year Government Bond Yields



- Safe government bonds, with the exception of British government bonds, experienced further yield increases over the last four weeks. US government bonds even reached the 4.5% mark in the short term, their highest level in 14 years.
- The much cooler than expected inflation data in the UK and hopes for a decision on the interest rate pause at the BoE's September meeting led to falling yields on UK government bonds.

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 – 22/09/2023

Yield Curve Steepness (10Y - 2Y)

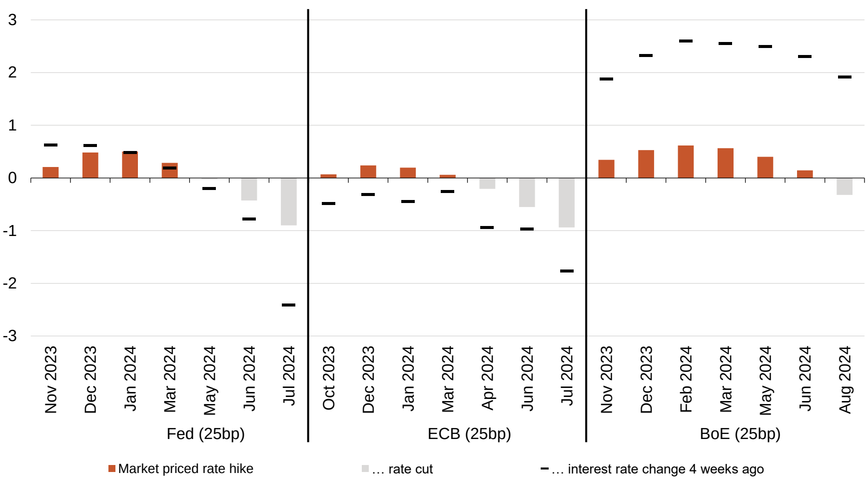


	10Y	2Y	Spread
DE	2.74%	3.26%	-52 Bp
US	4.43%	5.11%	-68 Bp

- The US yield curve steepened slightly over the last two weeks due to a stronger rise in interest rates at the long end. The interest rate differential between 2-year and 10-year US government bonds fell from 73 to 68 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 – 22/09/2023

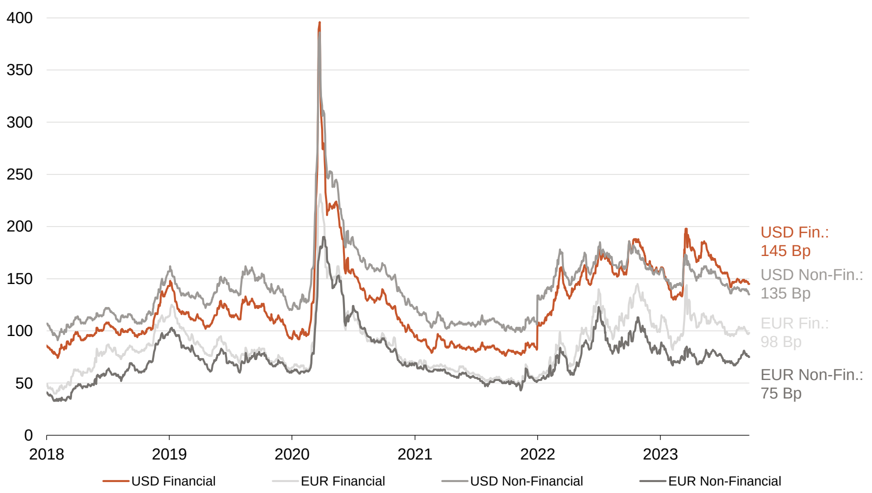
Implicit Changes in Key Interest Rates



- The last two weeks were dominated by the central banks. After the ECB decided in mid-September to raise interest rates for the tenth time in a row, the Fed and the Bank of England followed suit last week with a pause in interest rates. Fed Chairman Powell's comments were in line with the "higher-for-longer" scenario. At the same time, he emphasised (several times) that the US central bank would continue to proceed cautiously.

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: 22/08/2023 – 22/09/2023

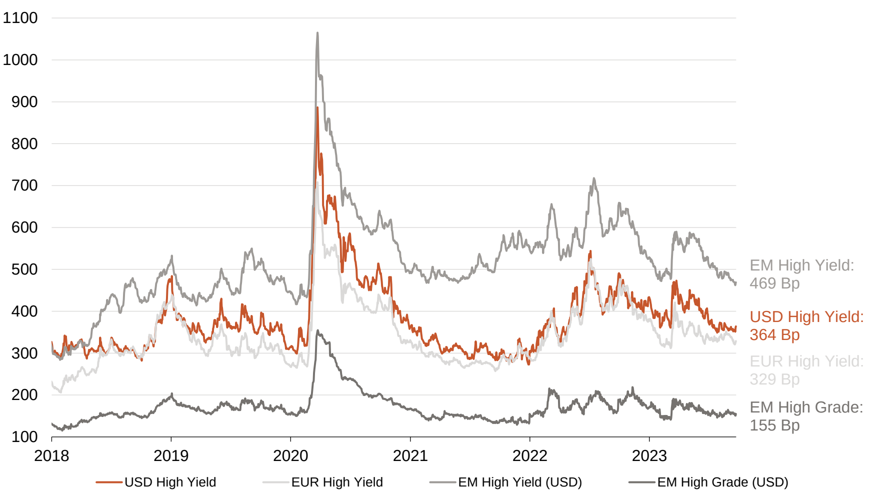
Credit Spreads Financial and Non-Financial Bonds



- The risk premiums of EUR financial bonds came back marginally over the last four weeks and slightly supported prices. Non-financial bonds, on the other hand, saw a slight widening of spreads. Investment grade (IG) corporate bond spreads overall remain slightly elevated historically.
- USD financial and non-financial bonds also saw a marginal narrowing of spreads over the last four weeks.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 22/09/2023

Credit Spreads High Yield and Emerging Markets Bonds



- Compared to IG bonds, high yield bonds saw more significant movements. Emerging market high-yield bonds saw the largest spread narrowing of around 22 basis points, closely followed by EUR high-yield bonds.
- USD high-yield bonds saw no change in spreads 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 – 22/09/2023

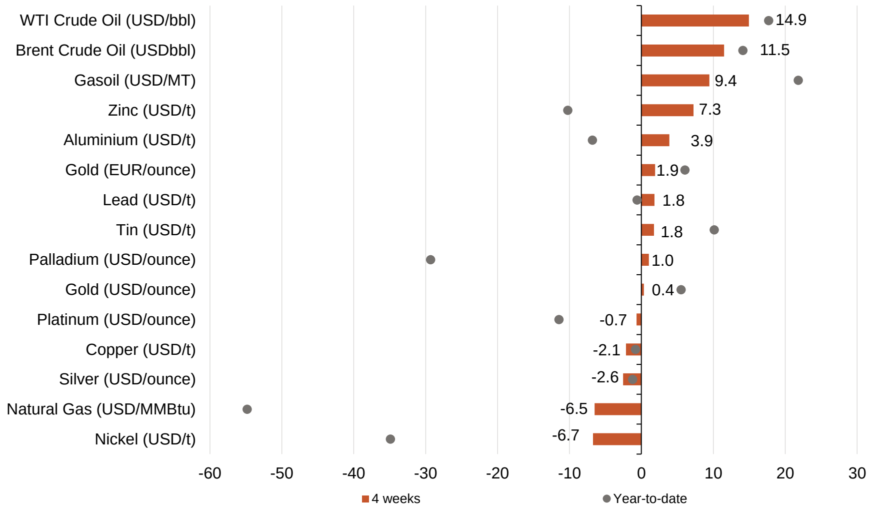
Bond Segments Overview

	Kennzahlen			Asset Swap Spread			Total Return (%, lokal)						
	Rendite (in %)	Δ-1M	Modified Duration	Spread (in Bp)	Δ-1M	10J-Perzentil	1M	YTD	22/09/22 22/09/23	22/09/21 22/09/22	22/09/20 22/09/21	22/09/19 22/09/20	22/09/18 22/09/19
EUR Government	3.49	0.13	6.9	-	-	-	-0.7	0.2	-2.9	-16.9	-0.6	1.3	10.4
Germany	2.89	0.11	7.1	-	-	-	-0.6	-0.8	-4.3	-15.1	-1.5	-0.3	7.6
EUR Corporate	4.47	0.04	4.4	84	-1	63	0.2	2.6	2.5	-14.9	2.0	0.5	5.7
Financial	4.70	0.00	3.7	98	-6	67	0.5	2.8	3.2	-13.0	1.9	0.6	5.1
Non-Financial	4.32	0.07	4.8	75	2	60	0.0	2.4	2.1	-15.9	2.1	0.5	6.0
EUR High Yield	7.43	-0.18	3.0	329	-16	46	1.1	6.4	8.6	-13.9	9.3	-0.6	5.3
US Treasury	4.79	0.09	6.1	-	-	-	-0.2	-1.0	-1.1	-13.7	-2.4	9.0	10.2
USD Corporate	5.95	0.02	6.6	138	-5	55	0.4	1.5	2.9	-17.7	2.7	9.0	12.6
Financial	6.19	0.04	4.9	145	-4	72	0.3	2.0	3.3	-14.7	2.5	8.6	11.1
Non-Financial	5.84	0.02	7.4	135	-6	43	0.4	1.2	2.7	-19.0	2.9	9.2	13.3
USD High Yield	8.80	0.06	3.9	364	0	44	0.6	6.4	8.1	-12.3	11.9	1.9	6.9
EM High Grade	6.19	0.07	5.1	155	-1	26	0.1	1.6	2.7	-15.9	2.9	4.9	11.2
EM High Yield	10.17	-0.27	3.8	469	-22	26	1.3	3.4	8.7	-22.4	6.8	6.2	9.5

- Over the past month, only European, German and US government bonds showed a negative performance. The rise in interest rates weighed on prices.
- The majority of the other segments were flat. USD high-yield bonds remain the strongest bond segment since the beginning 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 : 24/09/2018 – 22/09/2023

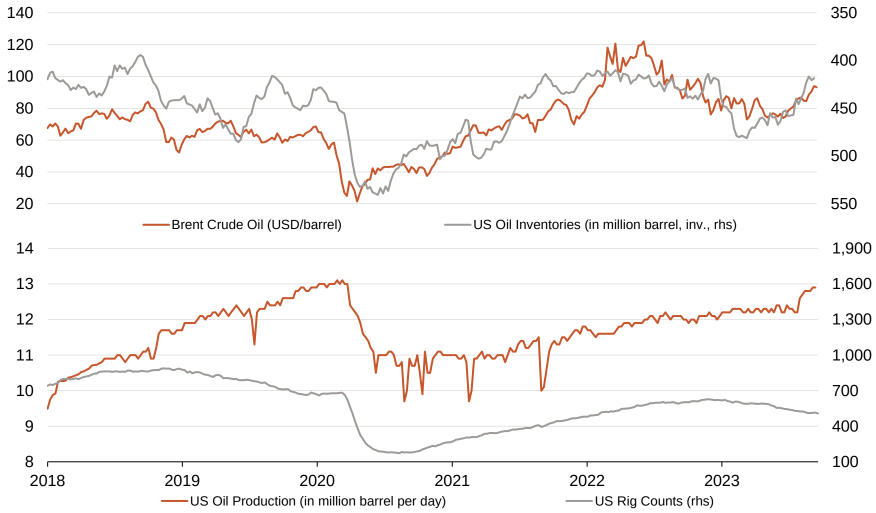
Commodities Performance



- Almost all commodities shown here developed positively over the last month. Nickel and natural gas, on the other hand, remained true to their YTD trend and also declined over the last month.
- Other than natural gas, the other energy commodities performed by far the best.
- The commodity markets seem to increasingly share the optimism of the stock markets.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 22/09/2023

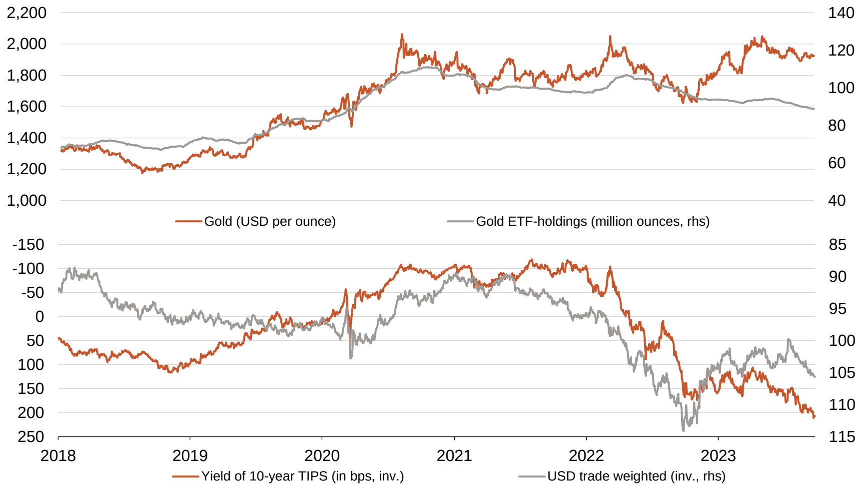
Crude Oil



- Brent has now gained over 25% since the beginning of the second half of the year and is within reach of the USD95 per barrel mark. Momentum strategies in particular have recently increased their long positions in oil.
- Now the seasonally weaker autumn begins for energy commodities. After the summer, people travel less and the heating season does not start until winter.

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 - 22/09/2023

Gold



- Gold has moved sideways in US dollar terms over the last few weeks. In view of the strengthening dollar, real yields above 2% and continuous ETF outflows, this development is surprisingly robust.
- In euro terms, the precious metal has even gained 4% since mid-August.

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 - 22/09/2023

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IMPORTANT NOTICES

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