BERENBERG
Markets

MONITOR

20 November 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 combination of cooling macro data and inflation figures has led to falling interest rates and fuelled Goldilocks hopes – i.e. that the Fed will actually manage a soft US landing. As a result, shares have risen sharply, also favoured by a falling US dollar and oil price, which has further loosened financial conditions. The decline in equity and interest rate volatility has led to the more underexposed quant strategies being pushed back into equities and bonds. The scenario of a "technical" year-end rally that we have outlined in recent weeks therefore appears to be materialising, especially as the major share buyback programmes are only just getting underway and systematic strategies are not yet fully invested – risk parity strategies in particular could now increasingly demand equities if the positive correlation between equities and bonds eases somewhat. Fundamentally, however, the risk remains that economic disappointments could also weigh on equities at some point.

Short-term outlook

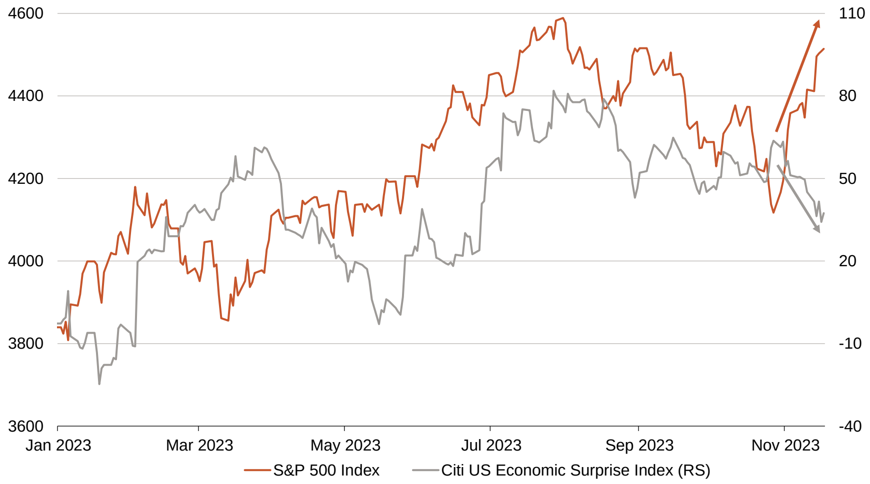
Fed minutes and OPEC meeting in the focus of the markets.

In regards to the central banks, the market is likely to be looking forward to the publication of the minutes of the Fed's last meeting on 21 November. On the political front, the parliamentary elections in the Netherlands on 22 November and the OPEC+ meeting on 26 November will be intriguing. The US stock markets will be partially closed on 23 November due to Thanksgiving.

Economic data provide insights into economic activity and inflation trends.

As the Q3 reporting season draws to a close, investors are likely to turn their attention back to economic data. On Wednesday, US consumer confidence from the University of Michigan (Nov) and initial jobless claims (18 Nov) will be published. Thursday will see the preliminary PMI data (Nov) for some eurozone countries and the minutes of the last ECB meeting. The German Q3 GDP figures and the ifo business climate (Nov.) will follow on Friday. The following week will see Q3 GDP and ISM data (Nov.) for the US and inflation data for the eurozone countries.

Equity markets cannot celebrate economic disappointments forever



- After months of robust US economic data, the positive economic surprises have recently waned. Investors are therefore hoping for a change of direction in Fed policy soon and are now pricing in four interest rate cuts for 2024.
- Not only the bond markets but also the equity markets are celebrating the prospect of falling interest rates. However, if the economic disappointments gather pace, this could quickly turn from a tailwind for valuations into a drag on earnings.

Source: Bloomberg, Time period: 01/01/2023 - 17/11/2023

PERFORMANCE

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (20/10/23 - 17/11/23)	YTD (30/12/22 - 17/11/23)	17/11/22 17/11/23	17/11/21 17/11/22	17/11/20 17/11/21	17/11/19 17/11/20	16/11/18 17/11/19
REITs	6.4	-5.7	-9.6	-15.4	29.9	-12.6	18.8
MSCI World	4.1	14.5	9.2	-8.8	33.8	6.1	18.3
MSCI Emerging Markets	2.7	2.8	1.1	-17.6	14.6	9.1	12.6
EUR Coporates	2.3	4.4	3.6	-13.8	-0.4	2.3	6.3
EUR Sovereign Debt	1.8	2.8	0.5	-10.3	-1.0	1.7	4.8
Euro overnight deposit	0.3	2.8	3.0	-0.3	-0.6	-0.5	-0.4
Global Convertibles	-0.4	2.9	-2.7	-18.5	25.0	27.7	9.3
Industrial Metals	-0.5	-13.6	-11.6	8.0	33.8	4.3	3.4
MSCI Frontier Markets	-0.8	5.1	3.6	-22.2	36.2	-7.4	13.6
Gold	-2.9	6.5	6.9	3.0	4.1	19.3	24.1
USDEUR	-2.9	-1.9	-5.1	9.2	4.8	-6.8	3.3
Brent	-13.1	1.0	-4.2	56.6	105.3	-41.7	4.9

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.

- Weaker-than-expected labour market data and a negative inflation surprise in the US gave market participants new hope that interest rates had already peaked. Interest rate-sensitive REITs and shares in industrialized nations performed particularly well. In contrast, the US dollar depreciated against the euro to its lowest level since August of this year.
- The precious metal gold and Brent crude oil suffered from the easing of concerns over the Middle East conflict.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 17/11/2018 – 17/11/2023

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (20/10/23 - 17/11/23)	YTD (30/12/22 - 17/11/23)	17/11/22 17/11/23	17/11/21 17/11/22	17/11/20 17/11/21	17/11/19 17/11/20	16/11/18 17/11/19
Stoxx Europe Cyclicals	9.1	13.8	11.8	-13.8	33.9	-2.1	15.8
MSCI EM Eastern Europe	8.9	34.2	38.3	-83.3	50.5	-23.0	29.2
Stoxx Europe Small 200	8.7	4.8	4.7	-25.4	32.0	3.5	17.1
Euro Stoxx 50	7.9	17.2	14.8	-9.7	29.3	-4.6	20.0
DAX	7.6	14.3	11.6	-12.2	23.7	-0.8	16.8
S&P 500	4.1	17.3	10.5	-6.5	38.1	9.8	20.1
MSCI Japan	3.8	12.7	11.1	-12.7	15.8	2.5	14.9
MSCI USA Small Caps	3.8	3.1	-3.5	-10.5	42.3	4.6	12.3
Stoxx Europe 50	3.3	10.8	10.5	-1.1	27.2	-5.6	18.3
MSCI EM Asia	1.7	1.3	0.4	-19.5	11.6	18.8	13.5
MSCI UK	1.0	5.6	6.2	2.7	27.1	-15.4	12.0
Stoxx Europe Defensives	0.6	7.5	8.2	0.4	21.1	-4.9	15.7

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 "bad news is good news" narrative was reflected in the performance of the global equity markets over the last four weeks. In particular, interest rate-sensitive small caps and cyclicals in particular enjoyed a positive performance. Eastern European equities again received a tailwind from Poland, where GDP data in the last quarter showed growth in the Polish economy.
- Falling commodity prices weighed on the share index in the UK. Defensive European equities brought up the rear.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 17/11/2018 – 17/11/2023

Fixed Income

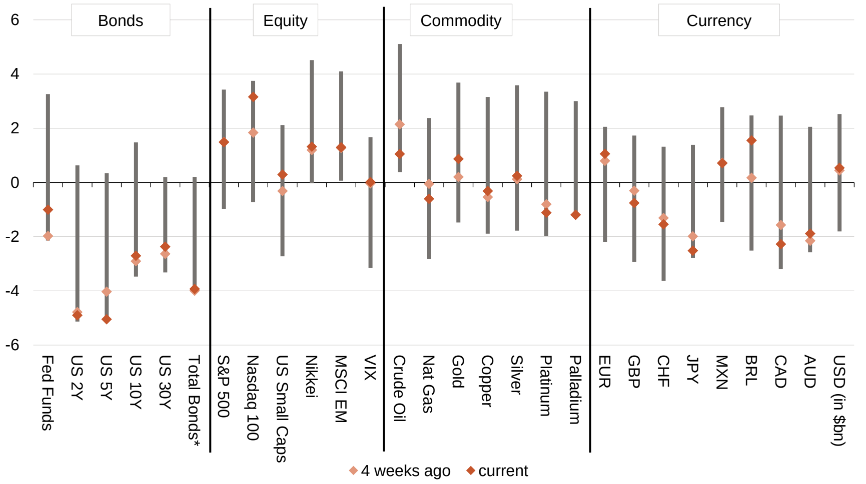
	4-week & YTD		12-month periods over that last 5 years				
	4W (20/10/23 - 17/11/23)	YTD (30/12/22 - 17/11/23)	17/11/22 17/11/23	17/11/21 17/11/22	17/11/20 17/11/21	17/11/19 17/11/20	16/11/18 17/11/19
Gilts	4.7	-0.1	-6.2	-24.2	3.3	0.9	14.4
USD Corporates	4.4	2.6	3.8	-16.0	0.1	9.3	14.5
USD High Yield	3.7	7.8	8.2	-10.9	7.5	5.6	9.5
BTPs	3.7	4.9	1.0	-15.0	-1.2	6.9	16.8
EM Local Currency Bonds	3.0	6.6	7.8	-8.0	0.0	-5.0	15.1
EUR High Yield	2.6	7.6	8.2	-12.0	5.4	2.6	8.1
EUR Non-Financials	2.4	4.1	2.9	-14.1	-0.7	2.5	6.6
EUR Financials	2.2	4.8	4.6	-13.3	0.0	1.9	6.0
Bunds	2.2	1.1	-2.3	-15.6	-1.9	1.7	5.3
EM Hard Currency Bonds	1.9	1.9	1.1	-12.2	5.5	-2.5	17.7
Chinese Gov Bond	0.5	3.9	4.2	4.2	6.1	2.8	4.9
Treasuries	0.0	-2.1	-4.9	-4.1	2.2	0.4	13.0

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

- Falling real interest rates have helped bond indices in all regions around the world into positive territory over the last four weeks. UK government bonds performed best thanks to the appreciation of the British pound.
- By contrast, the weak US dollar weighed on US government bonds, which brought up the rear in the performance ranking in EUR over the last month.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 17/11/2018 – 17/11/2023

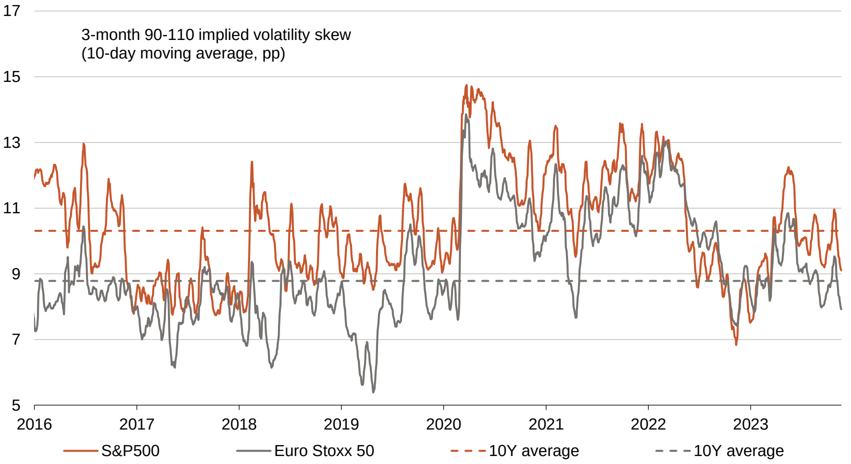
Non-Commercial Positioning



- Speculative investors have recently played the lower US key interest rate expectations on various fronts. Within equities, for example, they have mainly added to the interest rate-sensitive Nasdaq, increased longs in gold within commodities and bought the Brazilian real within currencies.

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: 14/11/2013 - 14/11/2023

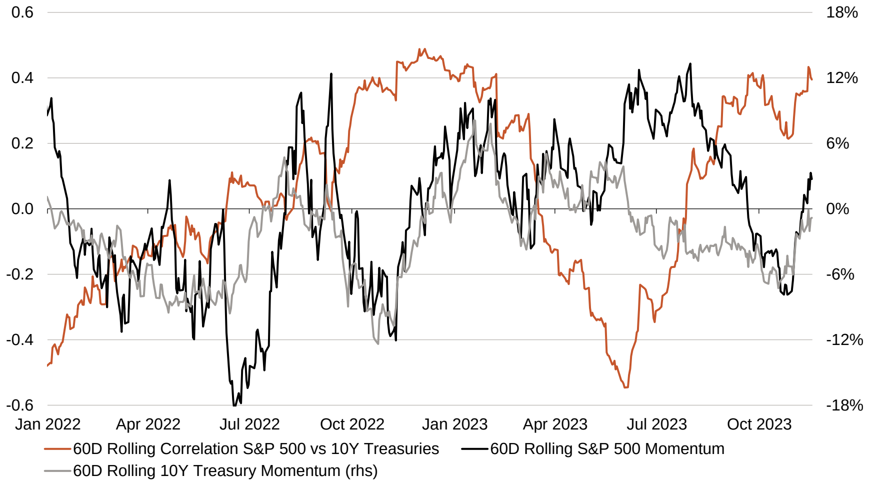
Put-Call-Skew



- The put-call skew has flattened further in recent weeks. It is now at the same level as at the end of September. Unlike today, however, the markets were falling then and not rising.
- A falling skew with rising markets typically indicates an increase in investors' appetite for risk. This is also confirmed by the recent sharp fall in implied volatility.

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: 17/11/2013 - 17/11/2023

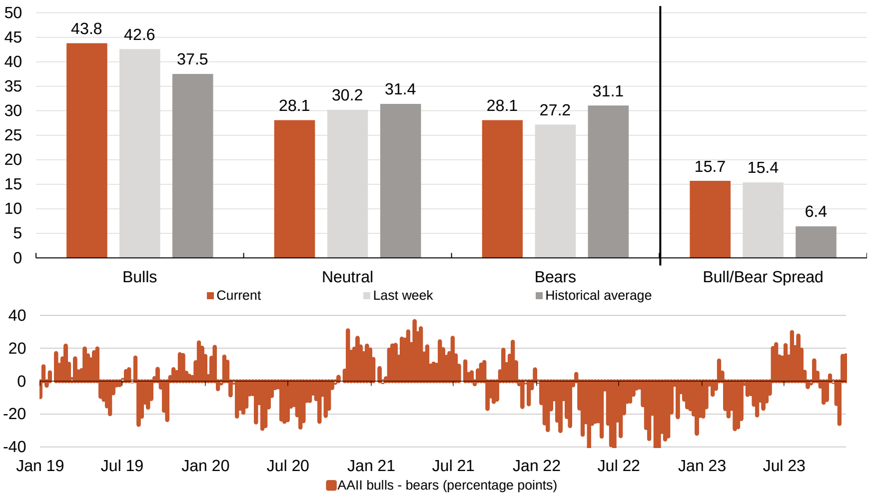
60-Day Momentum and Correlation



- 3M momentum in the S&P 500 has recently turned positive. US Treasury momentum is about to change direction after almost 6 months of negative momentum.
- Many CTAs are likely to have covered their shorts in equities by now. However, there are probably still larger short positions in US Treasuries.

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 - 17/11/2023

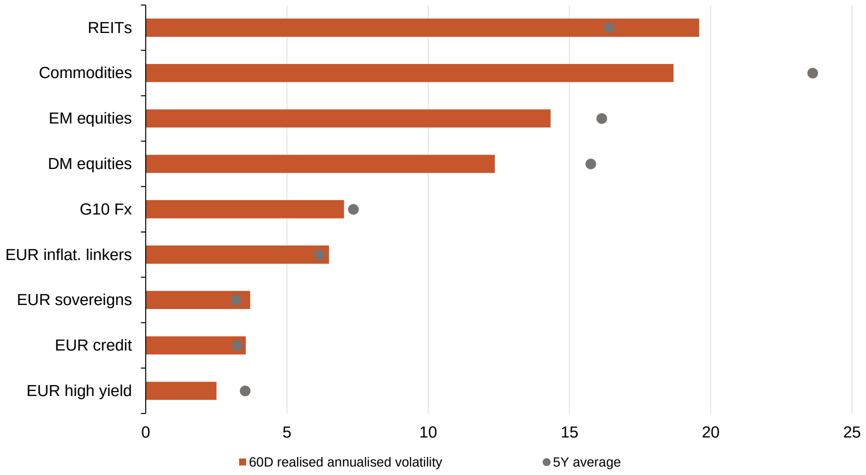
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment of US private investors is now clearly positive for the second week in a row, even though labour market data has recently come in weaker, while consumer inflation expectations have risen again according to the University of Michigan.
- Private investors appear to be hopeful about lower interest rates.

The Sentiment Survey, conducted by the American Association of Individual Investors, determines the percentage of individual investors who are optimistic, pessimistic or neutral about the US stock market over a six-month period. It has been conducted since 1987. The survey is conducted from Thursday to Wednesday and the results are published every Thursday. For the stock market, it tends to be supportive when there is a high proportion of bears and a low proportion of bulls. On the other hand, it tends to be negative when there are significantly more optimists than pessimists.
Source: Bloomberg, AAII, Time period: 23/07/87 – 16/11/2023

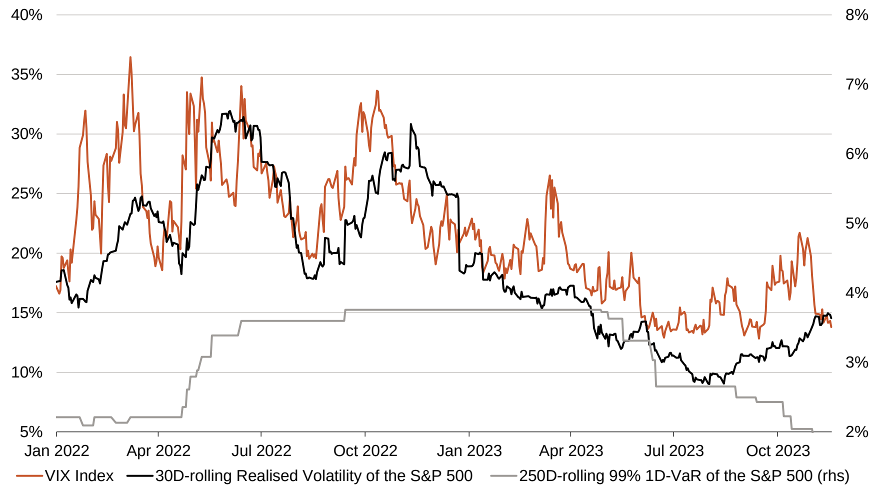
Realised Volatilities



- The realised volatility of REITs has recently been well above the 5-year average. However, the reason for this is not negative returns, but rather the strong upward trend in the wake of falling interest rates, from which the highly leveraged property sector is benefiting particularly strongly.
- Volatility has also risen in commodities. Here, however, it was mainly demand concerns for oil that led to falling prices.

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: 17/11/2018 - 17/11/2023

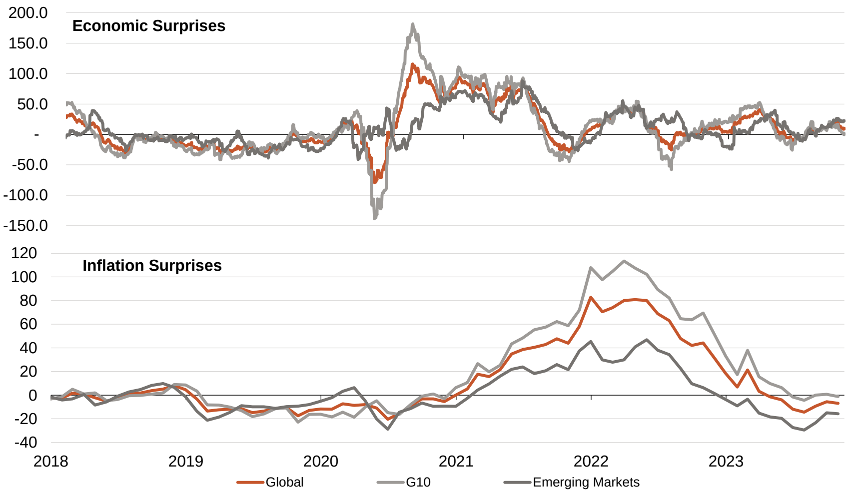
Volatility and Value-at-Risk of the S&P 500



- Since the end of October, the VIX has fallen from over 20 to recently below 14 and is now even slightly below the realised 30d volatility.
- The sharp decline in implied volatility was one of the drivers of the rally in equity markets.

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 - 17/11/2023

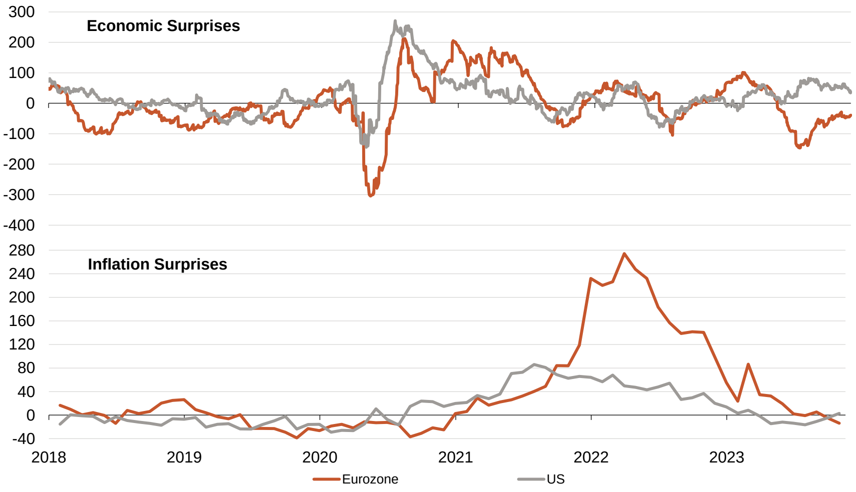
Global



- In the last two weeks, the positive economic surprises in the industrialized nations have diminished, with the emerging markets index receiving a stronger tailwind from China. Industrial production and retail sales surprised positively there, while inflation and house price data for October came in below expectations.
- Global inflation data came as an increasingly negative surprise last month, reflecting the results of the tightening of monetary policy by the central banks.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 17/11/2023

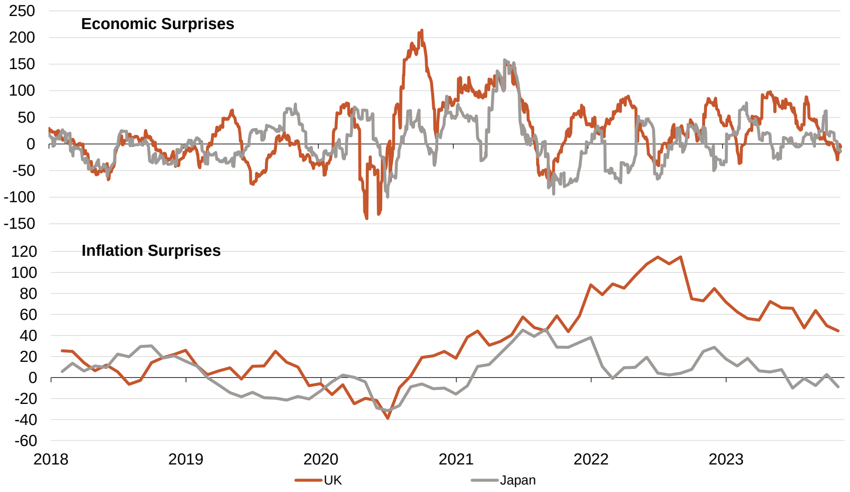
Eurozone and US



- The signs of a slowdown in the US economy were a positive surprise in initial jobless claims and a negative surprise in industrial production. However, retail sales and the Empire State manufacturing index surprised to the upside. In Germany and the eurozone as a whole, industrial production in September was below expectations.
- In the USA, inflation data came as a negative surprise. In Germany, France and Spain, the data came in as expected.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 17/11/2023

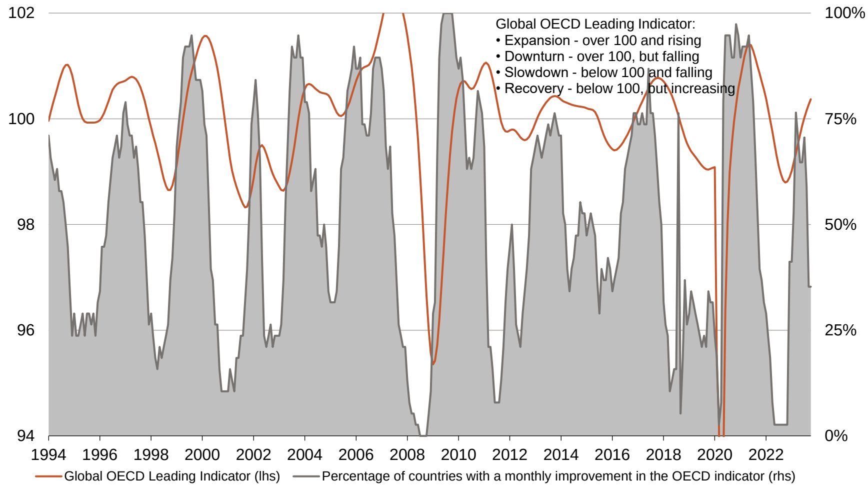
UK and Japan



- In the UK, GDP and industrial production rose more strongly than expected in September. In Japan, however, GDP data was disappointing.
- In the UK, consumer prices rose less than expected in October, while producer prices in Japan came as a negative surprise.

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 - 17/11/2023

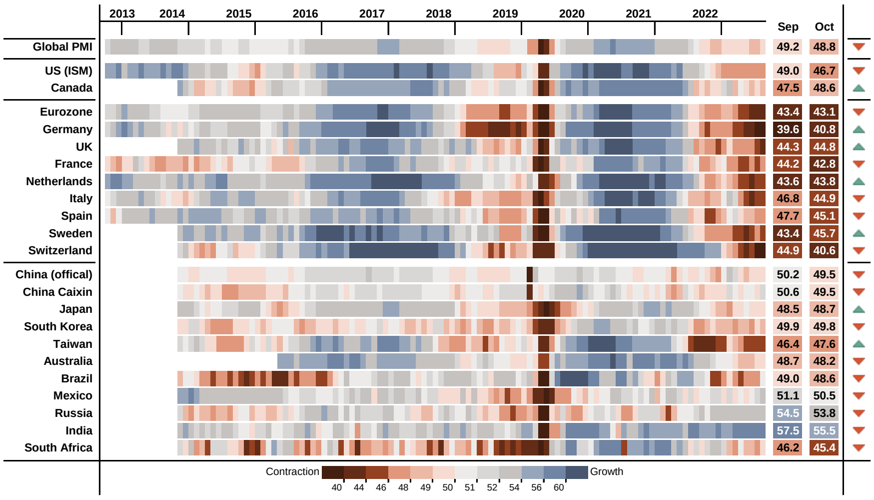
OECD Leading Indicator



- Global economic expansion is continuing - in October, the OECD leading indicator remained above the 100 mark for the fourth month in a row with a value of 100.4.
- In contrast to recent months, only 35% of countries saw an improvement in the economic situation in October compared to the previous month. China and the UK recorded the strongest increase and Turkey the strongest decline.

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 - 17/11/2023

Manufacturing Purchasing Managers Index (Manufacturing PMI)

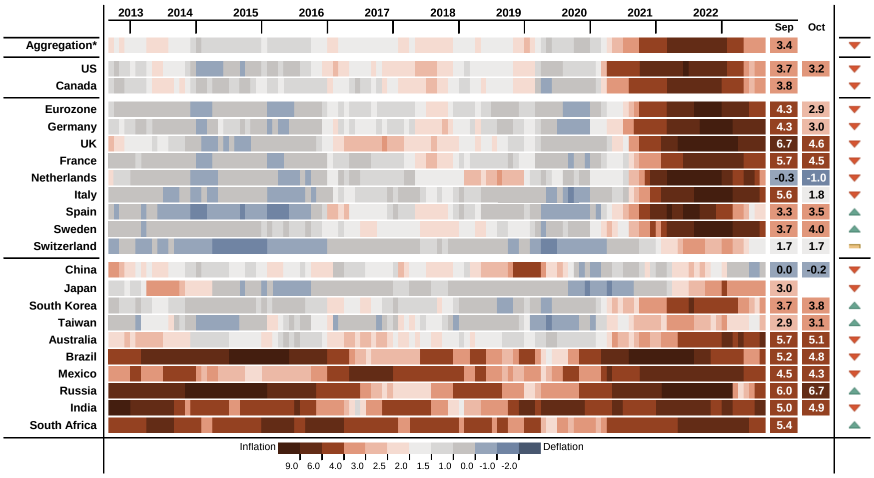


	Sep	Oct	
Global PMI	49.2	48.8	▼
US (ISM)	49.0	46.7	▼
Canada	47.5	48.6	▲
Eurozone	43.4	43.1	▼
Germany	39.6	40.8	▲
UK	44.3	44.8	▲
France	44.2	42.8	▼
Netherlands	43.6	43.8	▲
Italy	46.8	44.9	▼
Spain	47.7	45.1	▼
Sweden	43.4	45.7	▲
Switzerland	44.9	40.6	▼
China (offical)	50.2	49.5	▼
China Caixin	50.6	49.5	▼
Japan	48.5	48.7	▲
South Korea	49.9	49.8	▼
Taiwan	46.4	47.6	▲
Australia	48.7	48.2	▼
Brazil	49.0	48.6	▼
Mexico	51.1	50.5	▼
Russia	54.5	53.8	▼
India	57.5	55.5	▼
South Africa	46.2	45.4	▼

- Last October, there was a decline in industrial activity at a global level compared to the previous month. Of the countries, only Canada, Germany, Sweden, the Netherlands, the UK, Japan and Taiwan were able to counteract this global trend.

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: 17/11/2013 - 17/11/2023

Headline Inflation

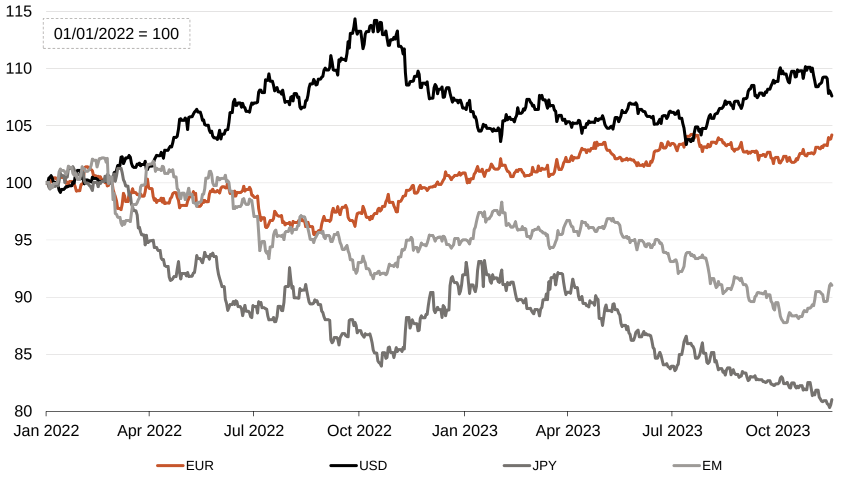


	Sep	Oct	
Aggregation*	3.4		▼
US	3.7	3.2	▼
Canada	3.8		▼
Eurozone	4.3	2.9	▼
Germany	4.3	3.0	▼
UK	6.7	4.6	▼
France	5.7	4.5	▼
Netherlands	-0.3	-1.0	▼
Italy	5.6	1.8	▼
Spain	3.3	3.5	▲
Sweden	3.7	4.0	▲
Switzerland	1.7	1.7	▬
China	0.0	-0.2	▼
Japan	3.0		▼
South Korea	3.7	3.8	▲
Taiwan	2.9	3.1	▲
Australia	5.7	5.1	▼
Brazil	5.2	4.8	▼
Mexico	4.5	4.3	▼
Russia	6.0	6.7	▲
India	5.0	4.9	▼
South Africa	5.4		▲

- The consequences of the central banks' restrictive monetary policy are now increasingly reflected in the inflation data. Lower energy prices and a slower rise in rental prices led to a negative inflation surprise in the USA in October.
- Falling food prices led to deflation in China in October compared to the previous 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: 17/11/2013 - 17/11/2023

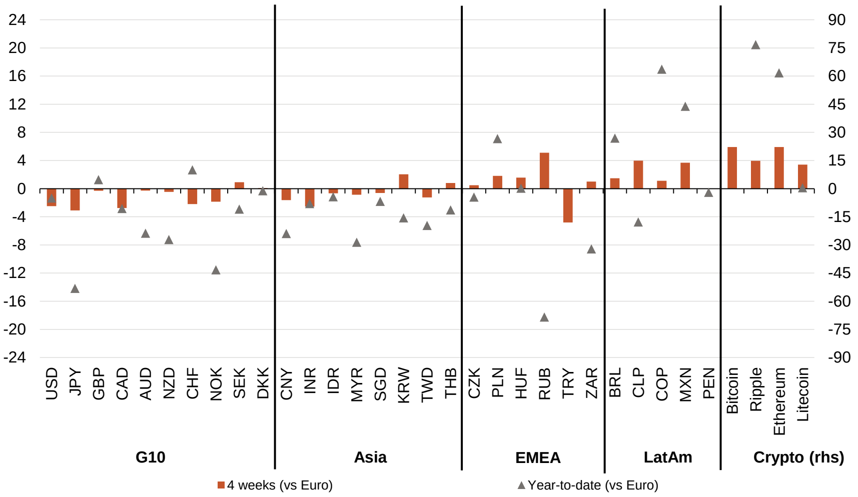
Trade-Weighted Currency Development



- A negative inflation surprise and, therefore, a lower probability of further interest rate hikes in the US weighed on the US dollar. The trade-weighted dollar index fell to its lowest level since September of this year.
- The signs of an interest rate summit in the US gave the emerging market currencies a tailwind. In Japan, weaker-than-expected GDP figures put further 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 - 17/11/2023

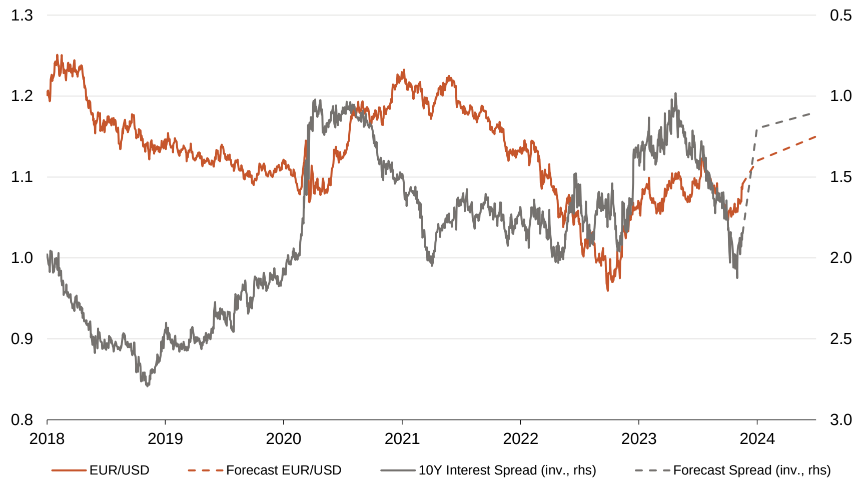
Currency Moves vs Euro



- Over the past month, the euro has appreciated against most of the currencies shown here. Deflation and growth concerns in China weighed on the renminbi.
- The Polish złoty, on the other hand, received a tailwind following a surprising decision by the Polish central bank not to lower the key interest rate.
- Despite the improved balance of payments in Turkey, the Turkish lira depreciated further due to skepticism regarding the political leadership's tolerance of high interest rates.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2022 - 17/11/2023

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



- The expectation of a peak in interest rates in the USA and the increased probability of interest rate cuts by the Fed next year weighed on the US dollar. Weaker labour market data and a negative inflation surprise in the US led to a narrowing of the interest rate differential between US and German government bonds to the level seen at the beginning of October this year.

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

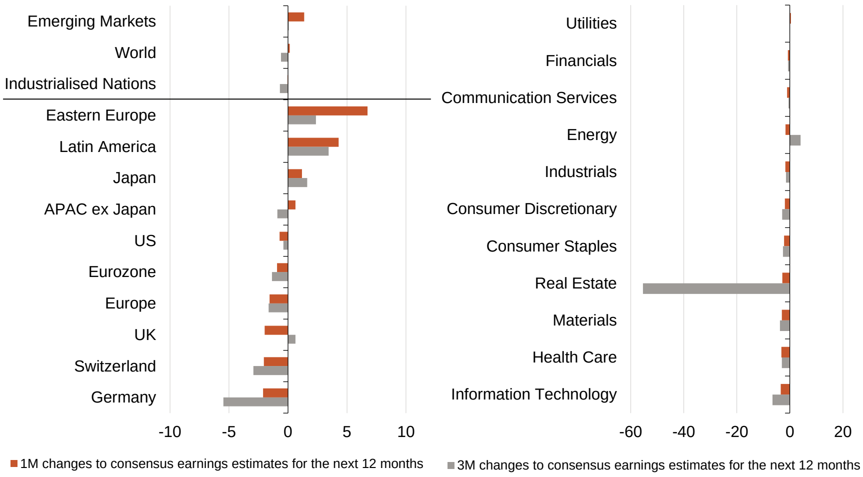
	4-week & YTD		12-month periods over that last 5 years				
	■ 4W (20/10/23 - 17/11/23)	■ YTD (30/12/22 - 17/11/23)	17/11/22 17/11/23	17/11/21 17/11/22	17/11/20 17/11/21	17/11/19 17/11/20	16/11/18 17/11/19
Information Technology	14.0	25.2	13.1	-24.5	54.5	8.4	26.8
Industrials	9.5	15.9	14.5	-15.0	29.7	3.4	26.3
Materials	9.1	4.8	3.7	-5.3	30.5	4.3	13.8
Utilities	7.8	8.4	8.7	-5.1	7.9	13.8	23.8
Consumer Discretionary	6.8	11.5	10.8	-19.5	35.0	3.3	21.8
Growth	6.6	10.2	7.7	-16.4	32.5	5.6	22.3
Finance	5.4	14.8	16.4	-6.0	34.2	-14.7	9.6
Telecommunications	3.9	11.3	8.4	-10.4	14.6	-14.7	4.9
Value	3.3	10.3	11.1	-1.6	24.5	-13.0	10.1
Consumer Staples	0.7	-0.8	-1.5	-5.6	16.3	-0.3	16.4
Health Care	-0.4	5.0	7.3	-5.0	22.3	3.4	20.9
Energy	-4.3	9.7	9.0	34.6	44.3	-38.0	3.5

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

- In the last four weeks, almost all segments have shone at sector and style level. Only energy (weighed down by the fall in the oil price) and healthcare stocks recorded losses.
- Healthcare stocks were massively penalised in the current reporting season due to the sharp decline in pandemic-related spending.

Total return of European equity sectors and European style indies, in euros and in percent, sorted by 4-week performance. The difference between Value and Growth lies in the valuation. A growth stock is highly valued because the company is expected to grow strongly. Value stocks usually have less growth potential and are valued lower.
Source: Factset, Time period: 16/11/2018 – 17/11/2023

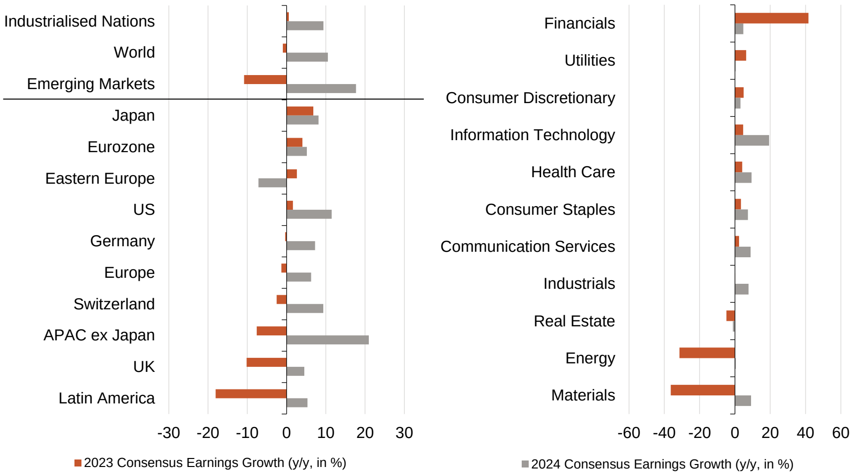
Changes in Consensus Earnings Estimates



- Analysts' earnings estimates for the next 12 months paint a very differentiated regional picture.
- Although there were positive earnings revisions for the emerging markets, particularly Latin America, analysts have become more pessimistic for some industrialised nations. Germany, the UK and Switzerland saw the largest negative earnings revisions over the last month.

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 17/11/2023

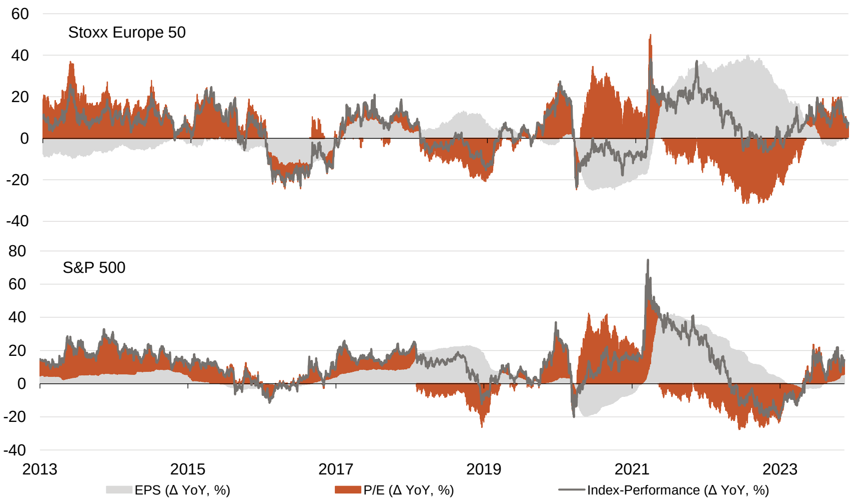
Earnings Growth



- According to the analysts, earnings growth for global equities is likely to be slightly negative in 2023. The decline in profits in the emerging markets of over 10% compared to the previous year is the dominant negative factor here.
- For 2024, the consensus then expects a brilliant recovery of just under 10% at global level.

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 17/11/2023

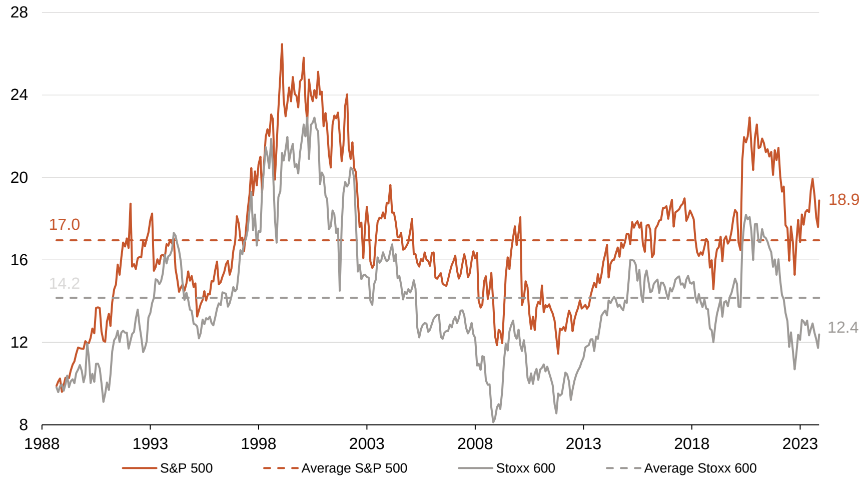
Contribution Analysis



- Earnings estimates for the next 12 months are now higher for the S&P 500 than in the previous year. The ongoing valuation expansion is also continuing. The price/earnings ratio has risen by over 8% compared to the previous year.
- The Stoxx Europe 50 also experienced an increase in valuation. Estimated earnings growth is close to zero compared to the previous year.

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: 01/01/2013 - 17/11/2023

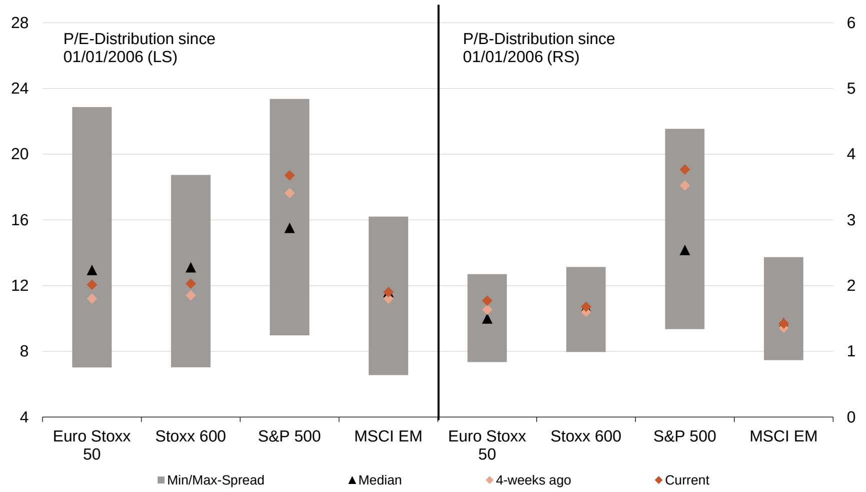
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Valuation ratios rose again slightly in November. The P/E ratio of the S&P 500 is currently 18.9, widening the gap to the historical average of 17.
- The Stoxx 600 is also trading at a P/E ratio above the 12 mark again.

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 - 17/11/2023

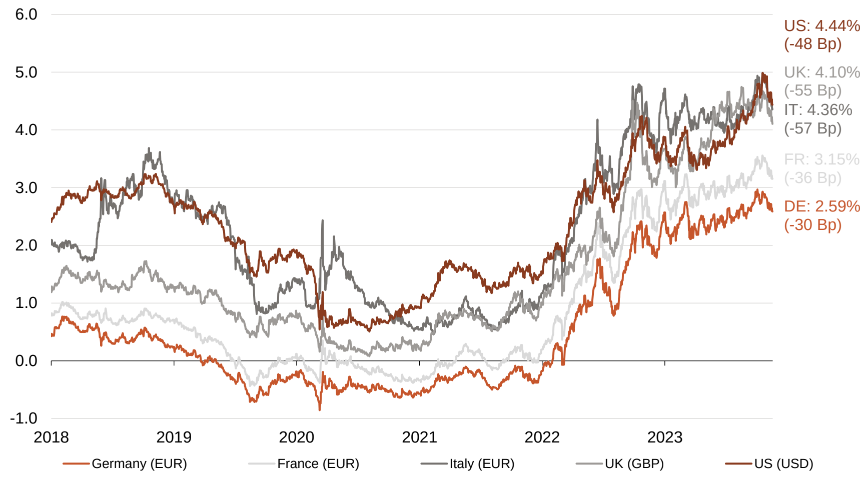
Historical Distribution: Price/Earnings and Price/Book Ratio



- In the last four weeks, both the P/B ratio and the P/B ratio of the equity regions shown have tended to rise.
- The valuation expansion was most pronounced for US equities. They have benefited from hopes of a gold lockdown scenario, fuelled by cooler US inflation and macro data.

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 - 17/11/2023

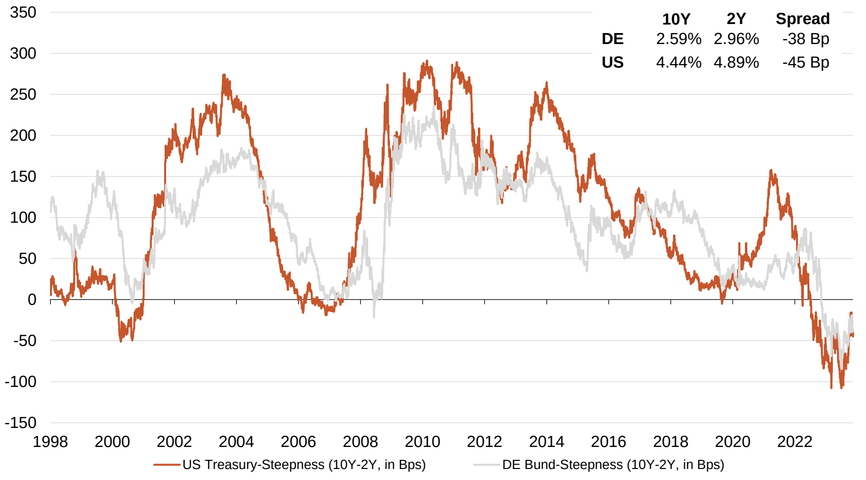
10-Year Government Bond Yields



- Safe government bonds saw yields fall significantly thanks to lower than expected US inflation for October (only 3.2% instead of the expected 3.3%). The yield on 10-year US government bonds has fallen by just under 50 basis points over the last four weeks.
- Italian government bonds saw the sharpest decline in yields over the four-week period. The rating agency Moody's confirmed Italy's credit rating (Italy has a current debt-to-GDP ratio of 140%) of Baa3 last week, thus removing the risk of a downgrade to junk status for the time being.

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 - 17/11/2023

Yield Curve Steepness (10Y - 2Y)

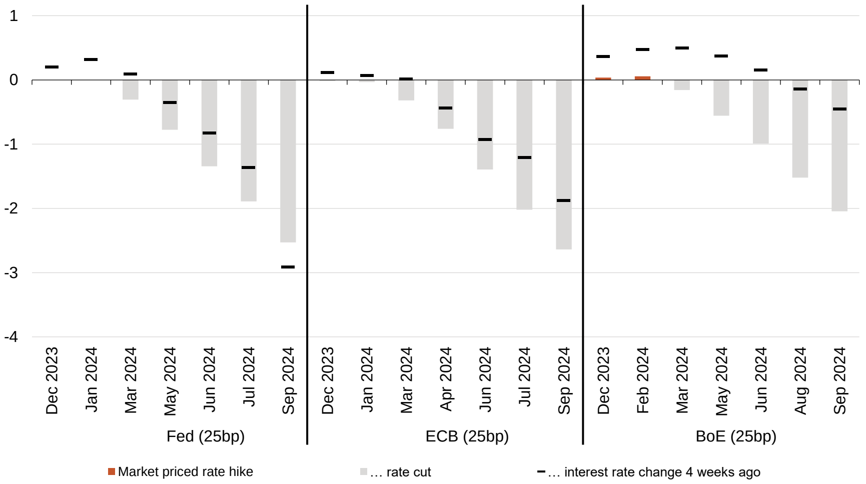


	10Y	2Y	Spread
DE	2.59%	2.96%	-38 Bp
US	4.44%	4.89%	-45 Bp

- Over the last two weeks, yields at the long end have fallen more sharply than at the short end.
- The interest rate differential between 2-year and 10-year US government bonds widened from -27 to -45 basis points over the same time period.

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 - 17/11/2023

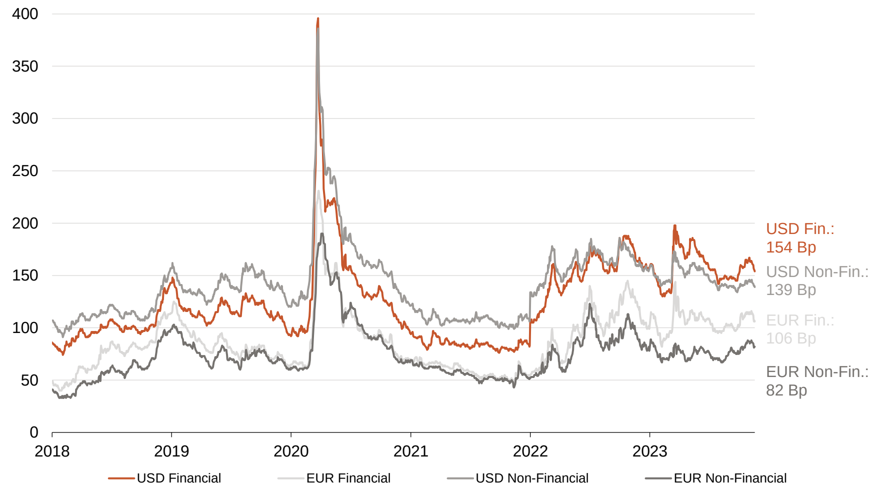
Implicit Changes in Key Interest Rates



- The "higher for longer" interest rate narrative seems to have been forgotten. The market does not expect a single further significant rate hike for the Fed, ECB and BoE.
- Instead, the market expects just under two rate cuts of 25 basis points each by July 2024 for both the Fed and the ECB. Such a strong consensus harbours the potential for negative surprises.
- The upcoming Fed and ECB minutes are likely to provide more signals.

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: 17/10/2023 - 17/11/2023

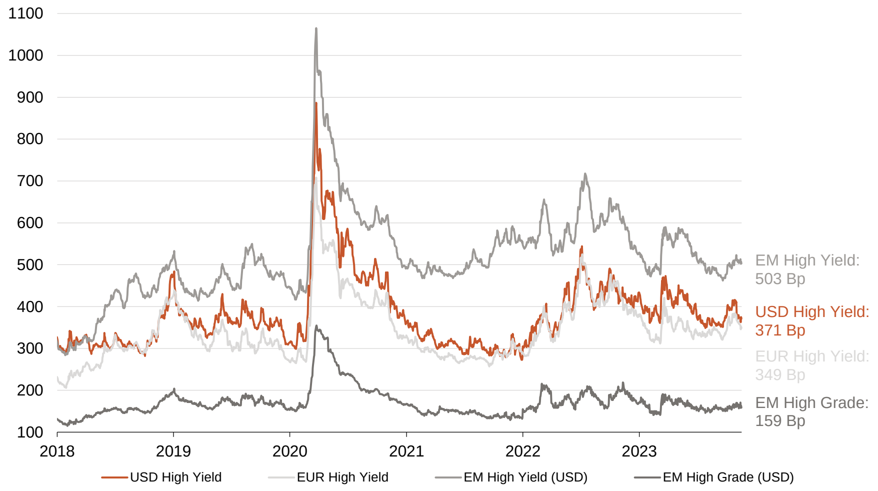
Credit Spreads Financial and Non-Financial Bonds



- There has been little movement in risk premiums for investment-grade corporate bonds over the last two weeks. USD financial and non-financial bonds saw only a marginal spread tightening of 10 and 6 basis points respectively.
- The movement was identical for EUR-IG bonds. Here too, the risk premiums on EUR financial and non-financial bonds fell by only 10 and 6 basis points respectively.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 - 17/11/2023

Credit Spreads High Yield and Emerging Markets Bonds



- As investors' appetite for risk has increased, risk premiums on risk-sensitive high-yield bonds have fallen slightly. Spreads on EUR high-yield bonds fell more sharply than those on USD high-yield bonds.
- The risk premiums on emerging market high-yield bonds also saw a slight narrowing of spreads.

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 - 17/11/2023

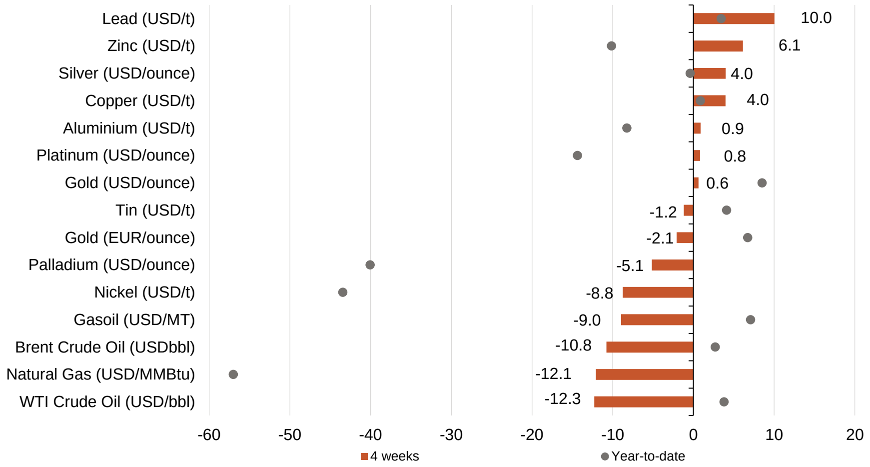
Bond Segments Overview

	Kennzahlen			Asset Swap Spread			Total Return (%, lokal)						
	Rendite (in %)	Δ-1M	Modified Duration	Spread (in Bp)	Δ-1M	10J-Perzentil	1M	YTD	17/11/22 17/11/23	17/11/21 17/11/22	17/11/20 17/11/21	17/11/19 17/11/20	17/11/18 17/11/19
EUR Government	3.27	-0.36	7.0	-	-	-	2.8	2.0	-1.4	-16.2	-2.4	4.0	9.6
Germany	2.69	-0.28	7.1	-	-	-	2.2	0.7	-2.3	-15.7	-1.9	1.7	5.3
EUR Corporate	4.26	-0.37	4.4	91	-2	75	2.2	4.2	3.6	-13.7	-0.4	2.2	6.3
Financial	4.50	-0.39	3.7	106	-6	79	2.1	4.4	4.3	-11.9	0.0	1.9	5.6
Non-Financial	4.11	-0.35	4.8	82	0	73	2.2	4.1	3.1	-14.6	-0.5	2.4	6.6
EUR High Yield	7.40	-0.47	3.0	349	-12	60	1.9	7.6	8.2	-12.0	5.4	2.6	8.1
US Treasury	4.69	-0.39	6.1	-	-	-	2.7	-0.4	0.0	-12.7	-2.9	8.1	9.8
USD Corporate	5.90	-0.44	6.6	144	-2	61	3.5	2.6	3.8	-16.0	0.1	9.3	14.5
Financial	6.13	-0.45	4.9	154	-4	79	3.0	3.3	4.6	-13.4	-0.1	8.8	12.5
Non-Financial	5.79	-0.44	7.4	139	-2	49	3.8	2.2	3.4	-17.2	0.1	9.5	15.3
USD High Yield	8.78	-0.56	3.9	371	-21	48	2.9	7.8	8.2	-10.9	7.5	5.6	9.5
EM High Grade	6.08	-0.36	5.1	159	5	33	2.3	2.5	4.8	-15.8	0.6	5.5	12.4
EM High Yield	10.34	-0.31	3.7	503	12	41	1.9	3.9	9.3	-19.7	0.7	6.7	11.4

- All of the bond segments shown here have performed positively over the past month.
- However, risk premiums are now close to the 50th percentile for EUR high-yield and USD corporate bonds and even below the 50th percentile for USD high-yield and emerging market bonds and are therefore no longer attractive in historical terms.

ICE BofA indices in the following sequence: Euro Government; German Government; Euro Corporate; Euro Financial; Euro Non-Financial; Euro High Yield; US Treasury; US Corporate; US Financial; US Non-Financial; US High Yield; High Grade Emerging Markets Corporate Plus; High Yield Emerging Markets Corporate Plus. EM indices are hard currency bonds.
Source: FactSet, Time period : 16/11/2018 - 17/11/2023

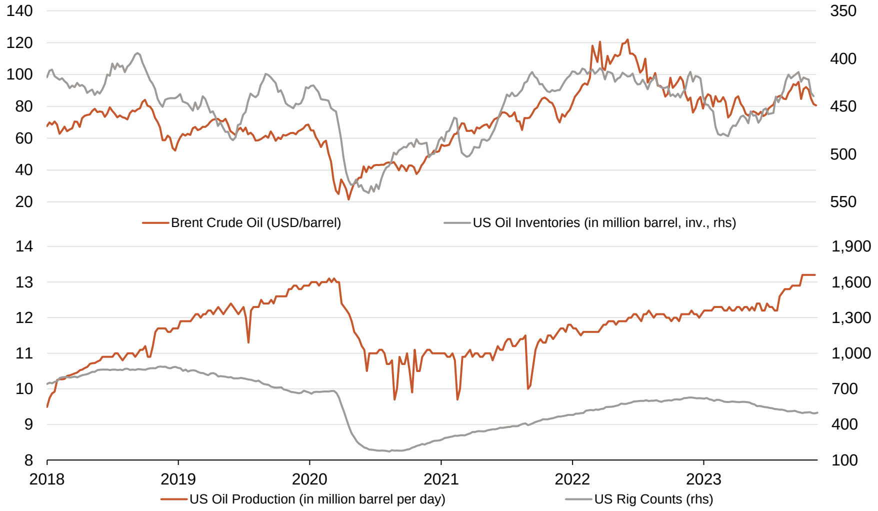
Commodities Performance



- Energy commodities were the big losers over the last month.
- Industrial metals, on the other hand, were among the best performers. In view of the development of oil and the latest economic data, metals have been surprisingly robust over the last few weeks. In China in particular, demand appears to be high, driven by the investments in renewable energies.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 17/11/2023

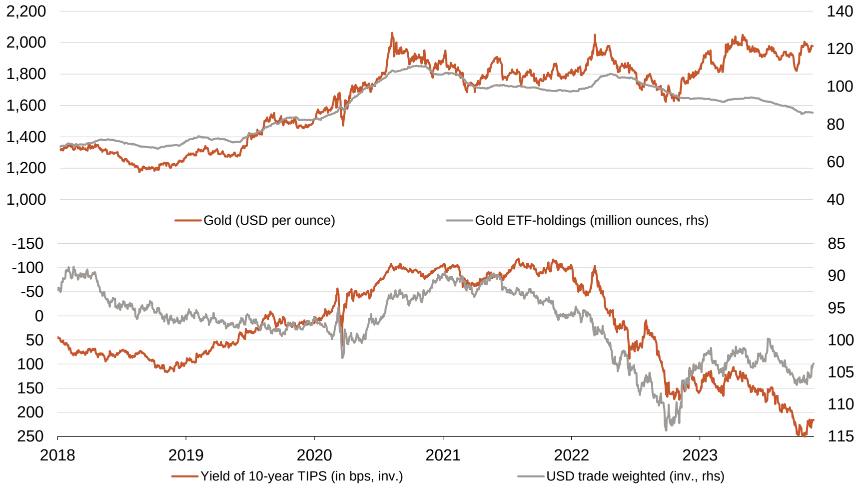
Crude Oil



- Crude oil has fallen considerably in recent weeks. Brent is now trading below USD 80 per barrel again, the lowest it has been since mid-July.
- Supply concerns due to a possible expansion of the conflict in the Middle East have quickly evaporated and demand concerns are now dominating due to the recent weaker economic data. In addition, according to the IEA, production growth outside of OPEC+ (USA, Brazil) has recently been surprisingly strong.

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 - 17/11/2023

Gold



- After initially weakening since the beginning of November despite falling interest rates, gold regained its former strength with lower-than-expected US inflation data and a weaker dollar.
- However, positive ETF flows remain very limited.

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 - 17/11/2023

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