Current market commentary

November is considered one of the seasonally stronger months for equities and has proven this to an impressive extent this year. Several global share indices rose sharply – with the exception of Chinese shares. The combination of falling interest rates and falling volatility coupled with hope of a "Goldilocks" scenario was responsible for the price fireworks. Beneath the surface, there were strong rotations. Small caps and cyclicals outperformed, while interest rate-sensitive stocks with unhealthy balance sheets were among the relative winners. From here, we would expect a consolidation or at most a creeping up of the markets. This is supported by the fact that many shares are overbought, private investor sentiment is euphoric and the positioning of systematic and fundamental strategies has increased significantly. In addition, there is likely to be more rebalancing towards the end of the year – and following the strong outperformance of equities, these are likely to tend to be reduced at the expense of bonds.

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

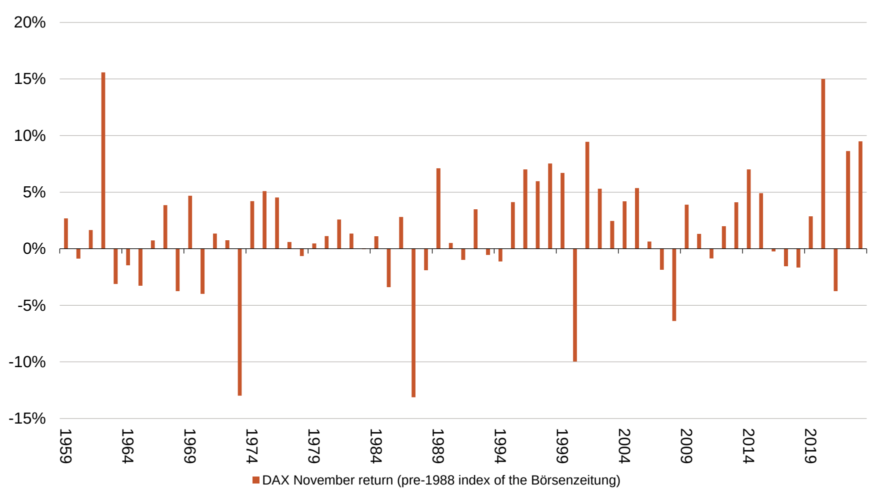
Central banks in the focus of the markets.

The next two weeks will be dominated by the global central banks. The Fed will hold its monthly meetings on 13 December and the ECB and BoE on 14 December. The market is currently pricing in a further interest rate hike by one of the central banks as highly unlikely with a strong consensus. The Australian central bank will also announce its interest rate decision on 5 December and the Canadian central bank on 6 December. On the political stage, the Euro Group will meet on 7/8 December to decide on the EU budget. The EU Leaders Summit will also take place on 14/15 December.

Purchasing managers' indices and US economic data at a glance.

The Service Purchasing Managers' Indices (Nov.) for Europe, China and the US are due on Tuesday. On Wednesday, the ADP employment figures (Nov.) and the trade balance (Oct.), and on Friday the US unemployment rate (Nov.), hourly wages (Nov.) and non-farm payrolls (Nov.) for the US should provide more insight into the robustness of the US economy.

Historic: DAX with third-highest November return since 1959



- German equities gained almost 10% in November, recording their best November return since 1962, excluding the extraordinary coronavirus year 2020.
- This was supported by the extremely negative investor sentiment towards Europe and Germany in particular at the end of October. This, coupled with falling interest rates, fewer negative economic surprises, rebalancing and the attractive valuation, helped.
- The euro also benefited from this and gained against the USD.

Source: Bloomberg, Time period: 30/10/1959 – 30/11/2023

Multi Asset

	4W (03/11/23 - 01/12/23)	YTD (30/12/22 - 01/12/23)	01/12/22 01/12/23	01/12/21 01/12/22	01/12/20 01/12/21	01/12/19 01/12/20	30/11/18 01/12/19
REITs	6.0	-0.7	-7.2	-10.3	30.0	-16.1	17.9
MSCI World	4.2	16.8	8.9	-2.8	27.7	5.8	17.6
MSCI Frontier Markets	3.0	6.8	2.9	-18.8	33.4	-7.9	12.8
Gold	2.5	11.7	11.1	8.9	4.7	14.0	22.3
Global Convertibles	2.5	5.6	-0.5	-12.0	11.3	31.1	9.2
MSCI Emerging Markets	2.3	3.5	-0.5	-11.5	8.8	10.0	10.2
EUR Coporates	2.1	5.8	3.1	-12.1	-0.6	2.3	6.5
EUR Sovereign Debt	1.7	4.0	0.7	-9.5	-0.8	1.5	4.2
Euro overnight deposit	0.3	3.0	3.1	-0.2	-0.6	-0.5	-0.4
Industrial Metals	-0.8	-12.7	-13.8	10.9	29.9	10.2	1.2
USDEUR	-1.4	-1.6	-3.3	7.6	6.6	-8.7	2.7
Brent	-7.5	-0.7	-3.3	74.5	69.7	-36.7	14.1

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

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.

- Negative inflation surprises in Europe and cooler labour market data in the US reinforced investors' expectations of interest rate cuts in the first half of 2024 on both sides of the Atlantic. Accordingly, interest rate-sensitive REITs and equities in industrialised nations performed best last month.
- Crude oil, on the other hand, was the clear loser over the last four weeks thanks to rising US inventories.

Total return for selected asset classes, in euros and in per-cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/12/2018 – 01/12/2023

Equities

	4W (03/11/23 - 01/12/23)	YTD (30/12/22 - 01/12/23)	01/12/22 01/12/23	01/12/21 01/12/22	01/12/20 01/12/21	01/12/19 01/12/20	01/12/18 01/12/19
Stoxx Europe Cyclicals	8.2	17.4	12.3	-7.4	25.1	0.2	16.7
DAX	8.0	17.8	13.2	-6.3	15.6	1.1	17.6
MSCI EM Eastern Europe	6.0	38.2	38.3	-81.8	38.8	-19.5	25.6
Euro Stoxx 50	5.9	19.4	13.7	-2.2	20.9	-2.8	20.0
Stoxx Europe Small 200	5.0	6.6	2.8	-19.4	25.5	3.4	18.9
MSCI USA Small Caps	5.0	7.3	-1.0	-0.3	28.2	3.9	12.6
S&P 500	4.2	19.6	10.7	-1.1	33.0	8.6	19.3
Stoxx Europe 50	4.0	13.0	8.1	6.9	22.6	-5.8	17.8
MSCI UK	3.2	8.4	3.2	11.5	23.9	-16.6	13.7
MSCI Japan	3.0	14.0	9.3	-6.8	10.8	3.4	12.3
MSCI EM Asia	2.1	1.9	-1.9	-13.1	6.3	19.0	10.7
Stoxx Europe Defensives	2.0	8.8	5.0	7.8	17.9	-5.8	14.8

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

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.

- Equities rose across the board last month. Fewer negative economic surprises in Europe gave interest rate-sensitive cyclicals an additional tailwind - they were the best performers. In November, the German DAX recorded the best monthly performance of the year and European large caps the second best.
- Defensive stocks, on the other hand, brought up the rear, followed by the MSCI EM Asia and Japanese equities.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/12/2018 – 01/12/2023

Fixed Income

	4W (03/11/23 - 01/12/23)	YTD (30/12/22 - 01/12/23)	01/12/22 01/12/23	01/12/21 01/12/22	01/12/20 01/12/21	01/12/19 01/12/20	30/11/18 01/12/19
USD Corporates	4.1	5.0	3.5	-14.3	0.1	9.1	15.6
BTPs	2.7	6.6	1.0	-13.5	-1.0	6.6	14.4
Gilts	2.5	1.3	-6.6	-23.7	4.9	-0.6	16.0
USD High Yield	2.5	9.8	8.1	-8.4	5.5	6.6	9.6
EM Hard Currency Bonds	2.3	4.9	2.2	-9.5	5.0	-3.3	17.4
EUR High Yield	2.3	9.1	7.9	-9.9	3.4	3.1	9.7
Bunds	2.2	2.7	-2.6	-14.7	-0.8	1.3	5.0
EUR Non-Financials	2.1	5.5	2.4	-12.4	-0.8	2.6	6.7
EUR Financials	2.1	6.2	4.1	-11.7	-0.2	2.0	6.3
EM Local Currency Bonds	1.6	8.0	7.5	-4.8	-1.6	-4.6	13.4
Treasuries	1.4	-0.1	-3.3	-4.6	4.8	-1.9	12.7
Chinese Gov Bond	0.3	3.9	4.3	3.7	6.3	2.4	5.2

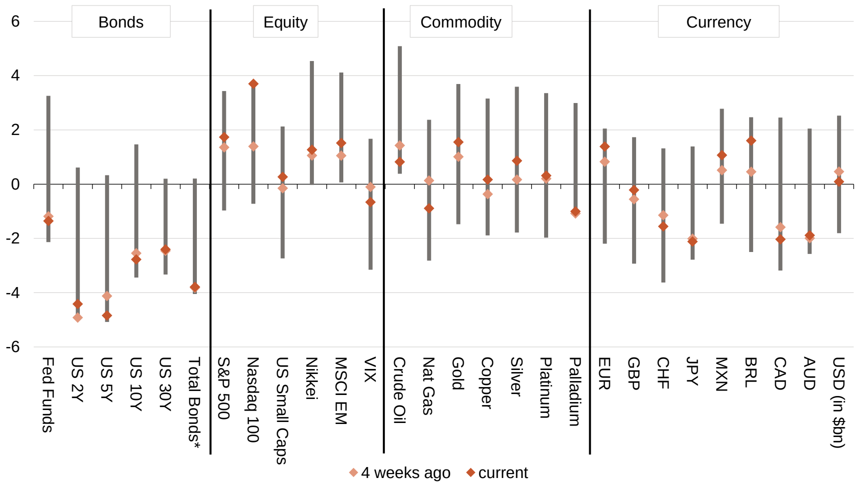
4-week & YTD; 12-month periods over that last 5 years

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

- Expectations of stronger interest rate cuts were also reflected in the broadly positive performance of the bond market. Corporate bonds in USD performed best over the last four weeks. The stronger pound helped the performance of UK government bonds denominated in euros, while Italian government bonds received additional support from a positive rating revision by Moody's.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/12/2018 – 01/12/2023

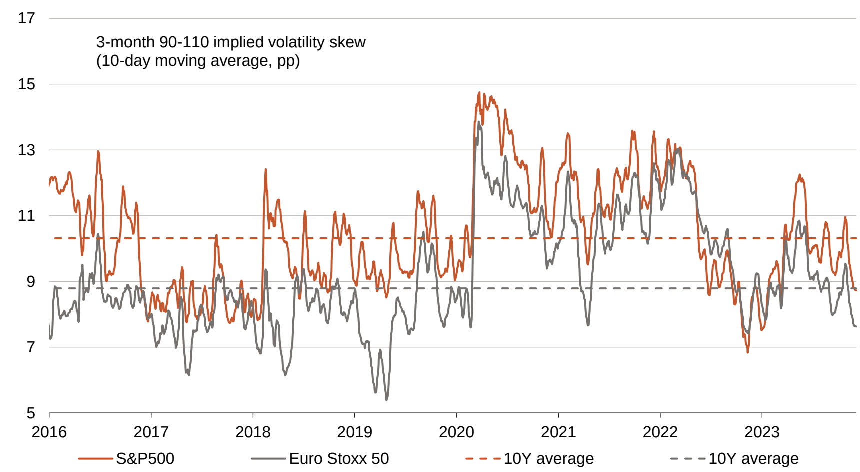
Non-Commercial Positioning



- Speculative investors have continued to build up their positions in the S&P 500 and the interest rate-sensitive Nasdaq 100 with further signs of a slowdown in the US economy and thus higher expectations of interest rate cuts by the Fed.
- Investors have reduced their longs in crude oil, which has fallen sharply since the beginning of October, over the past month.

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: 28/11/2013 - 28/11/2023

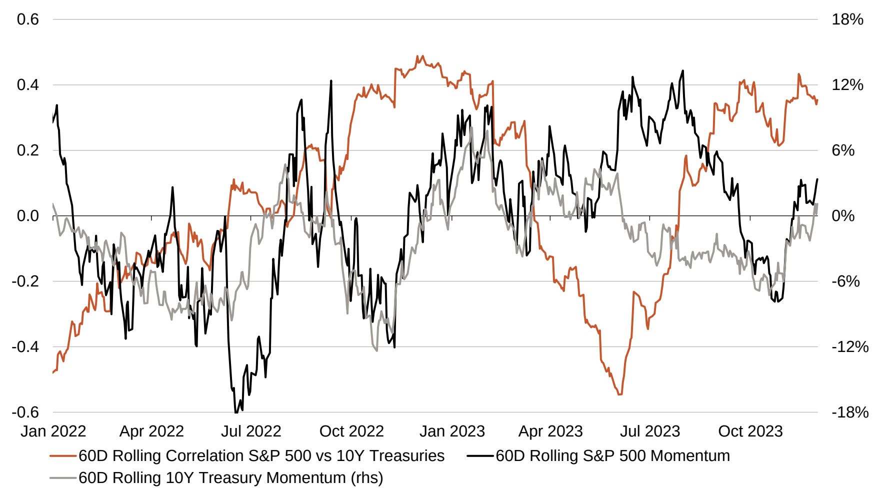
Put-Call-Skew



- The put-call skew has recently flattened considerably in both the USA and Europe, partly because implied volatility has fallen further.
- Negative inflation surprises in Europe and weaker economic data in the US are fuelling optimism among investors and reducing the need for hedging.

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: 01/12/2013 - 01/12/2023

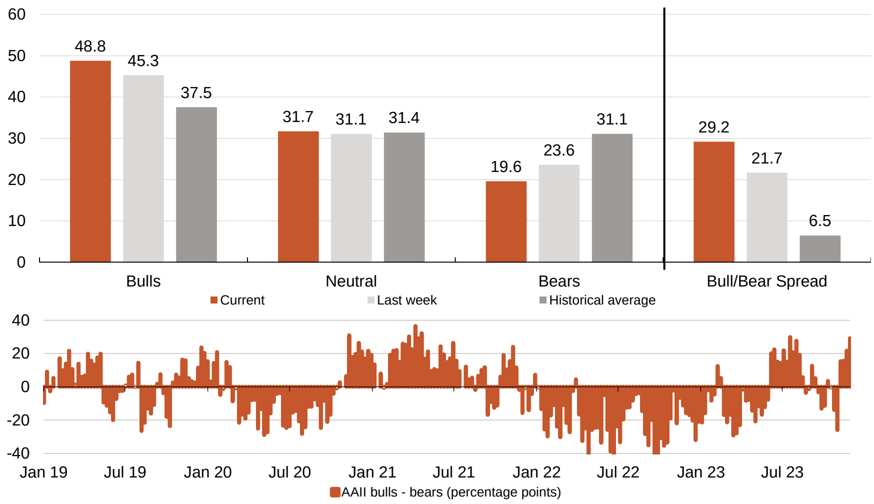
60-Day Momentum and Correlation



- The short-term momentum for equities and bonds has improved significantly and turned positive. This has led to buying by trend-following strategies and further strengthened the rally.
- The correlation between equities and bonds is still clearly positive, meaning that risk parity strategies are still under-invested.

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 - 01/12/2023

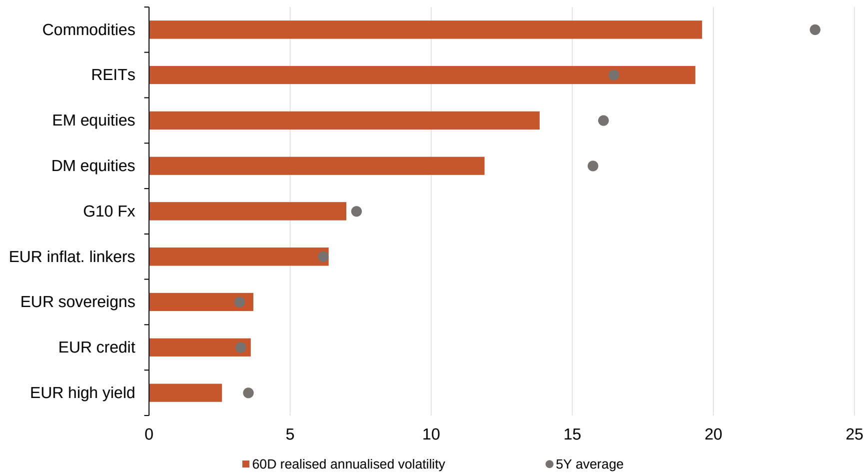
AAII Sentiment Survey (Bulls vs Bears)



- Among US retail investors, the bulls have now outweighed the bears for the fourth week in a row. The bulls now outnumber the bears by almost 30 ppts.
- The recent optimism reflects the better than expected consumer confidence data last month.

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 – 30/11/2023

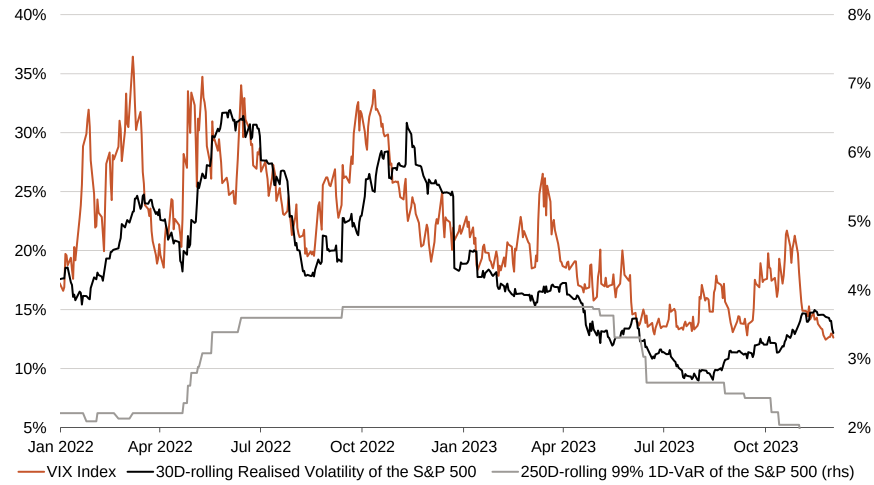
Realised Volatilities



- The realised volatility of commodities has risen again recently, but is still below the 5-year average. The increased volatility was triggered primarily by expectations of the OPEC+ meeting with the announcement of further production cuts.
- Falling interest rates and, therefore, the strong upward trend are keeping the realised volatility of REITS above the 5-year average.

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: 01/12/2018 - 01/12/2023

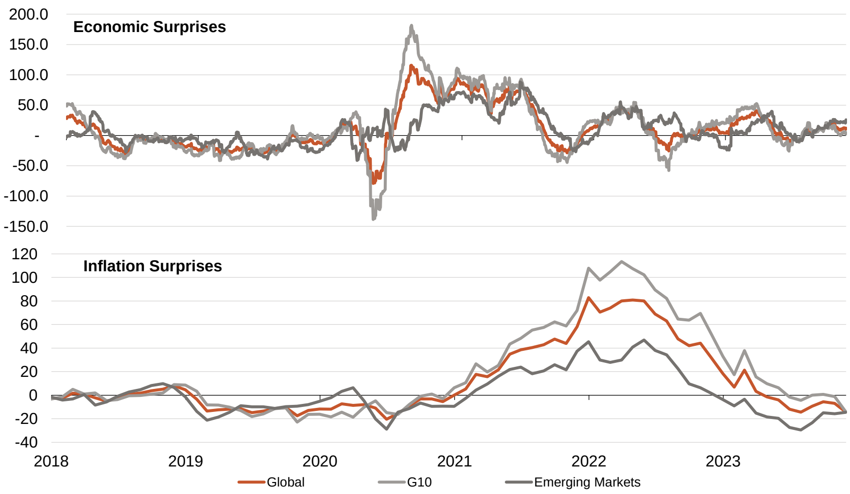
Volatility and Value-at-Risk of the S&P 500



- In addition to realised volatility, implied volatility has also fallen noticeably over the past month. The VIX recently fluctuated around the 13 mark, its lowest level since January 2020.
- Overall, risk-based investment strategies are therefore likely to have seen more demand for equities.

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 – 01/12/2023

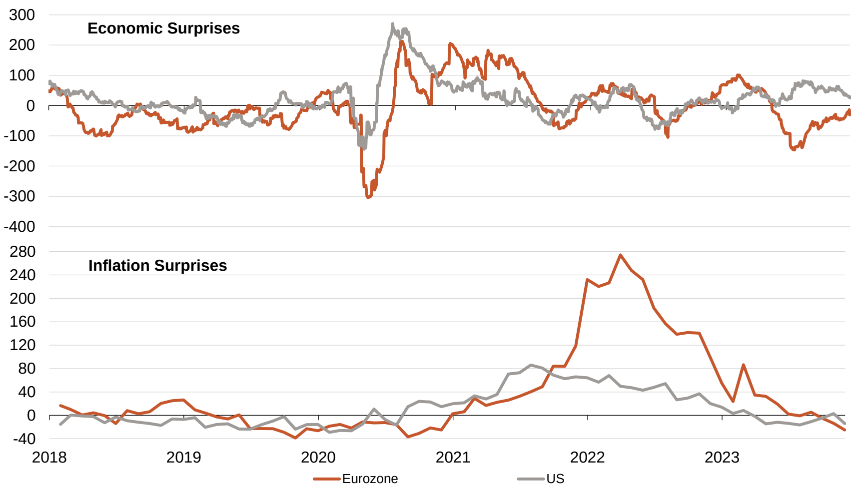
Global



- The global economic surprises continue to be slightly positive. Recently, the UK and the eurozone have provided a stronger tailwind for the industrialised nations index, while data from the US has been slightly disappointing.
- Negative inflation surprises have recently increased in both emerging markets and industrialised nations. In Canada, on the other hand, the inflation figures for October were as expected, while the inflation rate in South Africa came as a positive surprise.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 01/12/2023

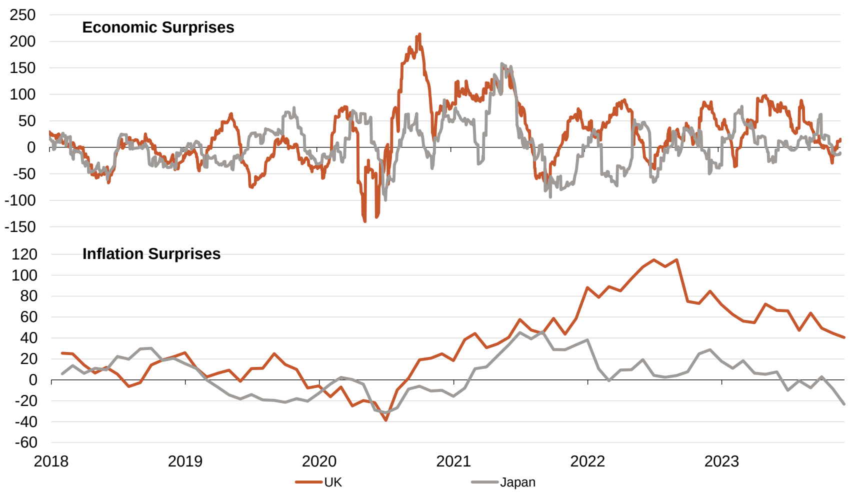
Eurozone and US



- In the US, sales of existing and new homes, new orders for durable goods and retail inventories came as a negative surprise, while GDP growth data for the third quarter and consumer confidence data for November came in above expectations.
- In Europe (Germany, Italy, France and Spain), the inflation rate in November came as a negative surprise, while the PMI data in Germany were above expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 - 01/12/2023

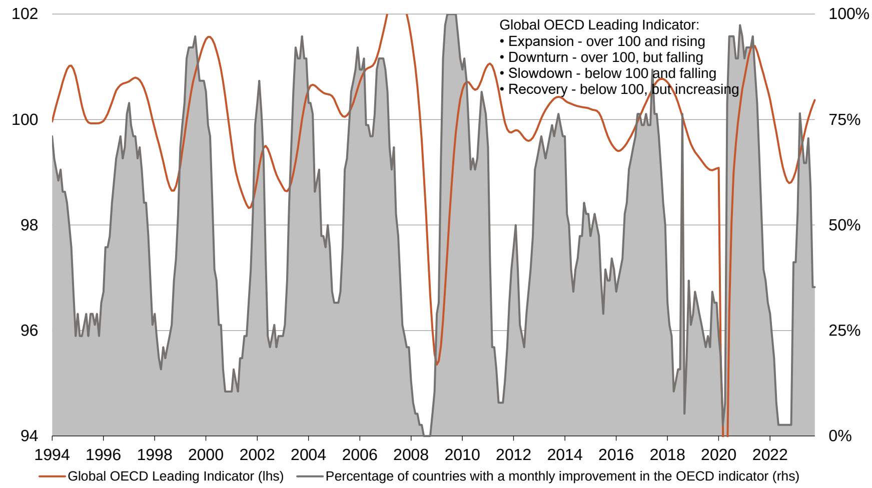
UK and Japan



- In the UK, PMI data and consumer confidence data came in above expectations in November.
- In Japan, retail sales in October came as a negative surprise, although industrial production was more positive than expected.

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 - 01/12/2023

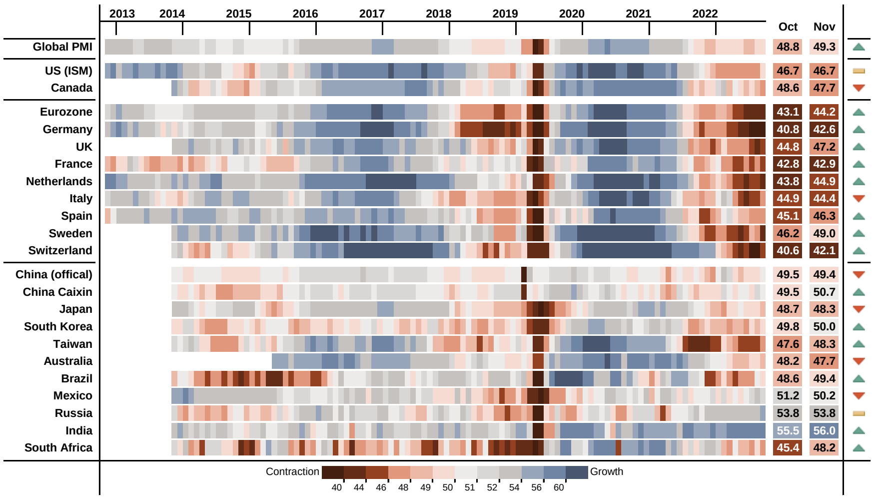
OECD Leading Indicator



- In October, the OECD leading indicator remained above the 100 mark with a value of 100.4. This means that the indicator has been trending upwards for the 13th month in a row.
- However, according to the leading indicator, only 35% of the countries surveyed saw an improvement in the economic situation in October compared to the previous month, with China and the UK showing the strongest increase.

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 - 01/12/2023

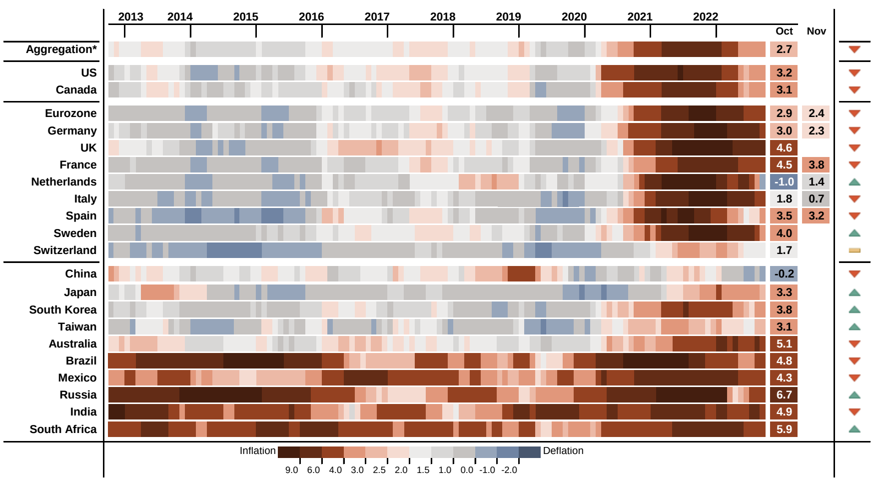
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The industrial purchasing managers' PMIs for November show clear divergences from a regional perspective. While the purchasing managers' index rose in the eurozone, the official PMI in China fell compared to the previous month. Japan also recorded a decline in industrial activity in November.

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: 01/12/2013 - 01/12/2023

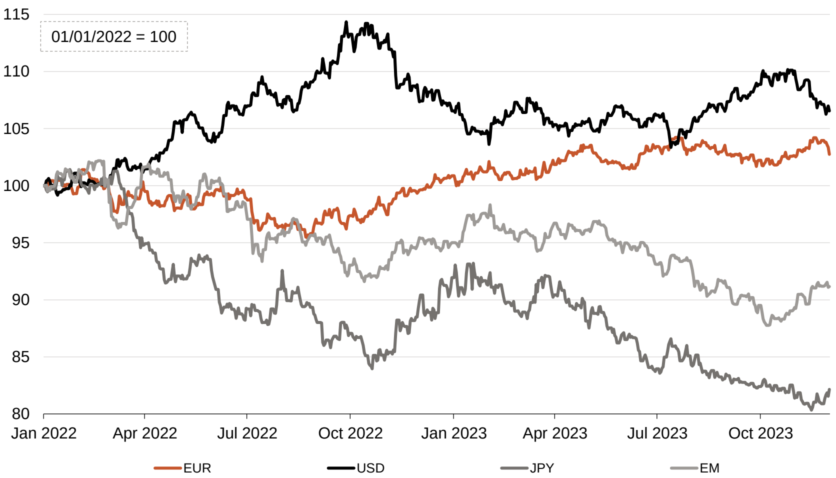
Headline Inflation



- With the exception of the Netherlands, the first inflation data for November show further successes of the ECB's restrictive monetary policy in Europe. The sharp fall in energy prices in November dampened the inflation rate in Germany to its lowest level since June 2021.

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: 01/12/2013 - 01/12/2023

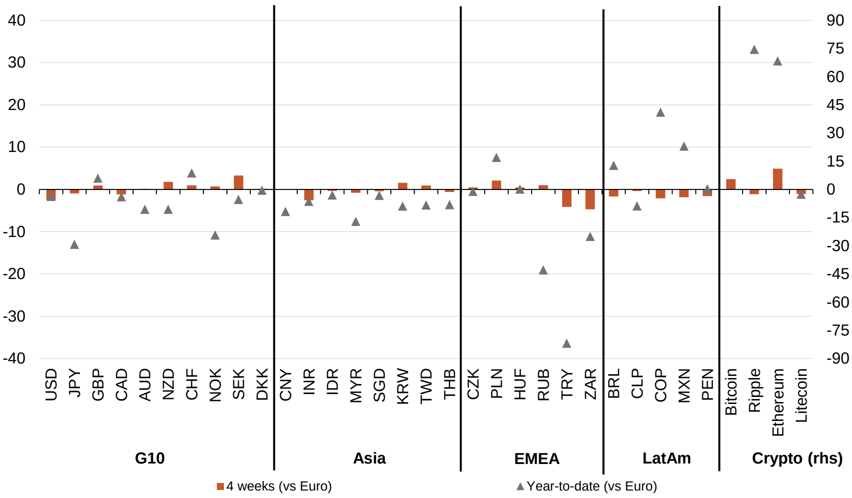
Trade-Weighted Currency Development



- Increased Fed rate cut expectations for next year have recently weighed on the US dollar.
- The negative inflation surprises in the eurozone, with the annual inflation rate at its lowest level since July 2021, led to a consolidation of the euro on a trade-weighted basis.
- The Japanese yen, on the other hand, has recovered in the last two weeks thanks to a narrowing interest rate differential against other regions.

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 - 01/12/2023

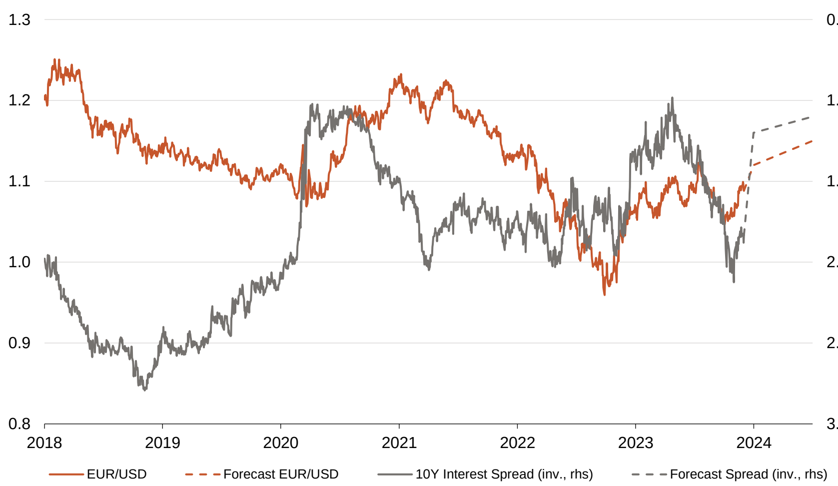
Currency Moves vs Euro



- The Turkish lira has weakened significantly against the euro over the last four weeks. Nevertheless, the sixth interest rate hike in a row by the Turkish central bank has ensured that the currency has remained relatively stable, at least over the last two weeks. The fact that S&P has raised its outlook for Turkey to positive has also helped.
- The Swedish krona showed the strongest performance against the euro over the last month thanks to the central bank's interventions on the money market.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2022 - 01/12/2023

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



- The EUR/USD exchange rate has risen sharply in the last two weeks. For the first time since August of this year, it briefly broke through the 1.10 mark. Cooler US labour market and inflation data led investors to increasingly hope for the first interest rate cuts by the Fed in the first half of 2024. The interest rate differential against Germany temporarily fell below 190 bp.

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

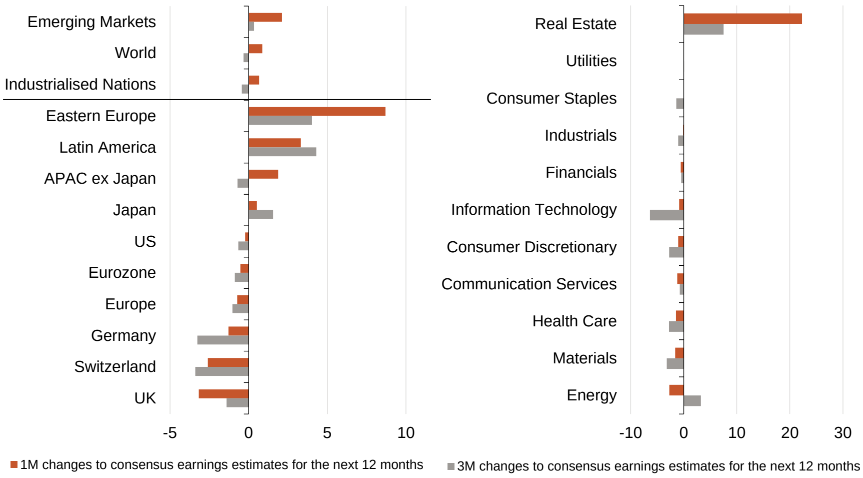
	4W (03/11/23 - 01/12/23)	YTD (30/12/22 - 01/12/23)	01/12/22 01/12/23	01/12/21 01/12/22	01/12/20 01/12/21	01/12/19 01/12/20	30/11/18 01/12/19
	4-week & YTD		12-month periods over that last 5 years				
Information Technology	10.6	30.1	15.1	-19.3	43.1	10.9	28.6
Industrials	9.5	20.1	15.1	-8.7	24.4	3.6	25.1
Finance	6.5	17.8	16.1	1.7	23.5	-12.1	9.8
Utilities	6.0	11.7	7.5	-0.4	6.6	13.0	25.1
Materials	5.9	7.7	2.8	-0.1	24.1	8.2	18.8
Growth	5.5	12.7	6.3	-10.0	27.8	4.5	23.4
Value	4.4	12.9	9.6	6.4	17.5	-11.2	9.9
Telecommunications	4.4	15.3	8.6	-5.6	11.6	-15.1	0.5
Consumer Discretionary	3.7	12.6	7.1	-11.5	25.4	5.3	23.5
Health Care	2.0	6.1	3.1	3.4	19.8	-0.1	20.8
Consumer Staples	0.9	1.1	-3.9	2.1	16.2	-4.4	17.0
Energy	-0.2	11.0	6.0	47.7	31.5	-32.9	1.6

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 seasonally strong November proved to be true again this year. Almost all European equity sector and style segments shown here rose in a four-week comparison.
- Information technology stocks led the way, closely followed by industrial and financial stocks. Meanwhile, growth stocks performed better than value

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: 30/11/2018 – 01/12/2023

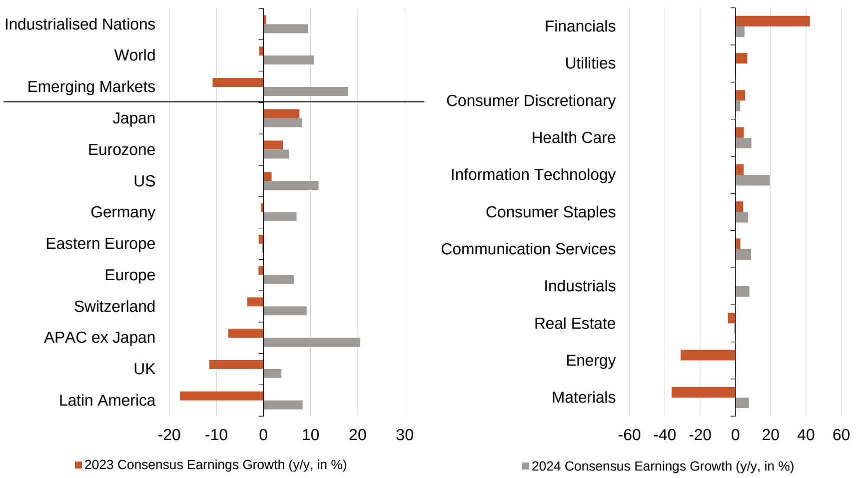
Changes in Consensus Earnings Estimates



- Analysts appear to have become more optimistic about earnings estimates over the past month. Analysts have revised their earnings estimates upwards for both the emerging markets and the industrialised nations over the past month.
- Regionally, Eastern Europe, Latin America and Asia saw the biggest positive earnings revisions. At a sector level, analysts are now more positive about the property sector in particular, with the prospect of interest rate cuts in the near future.

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 01/12/2023

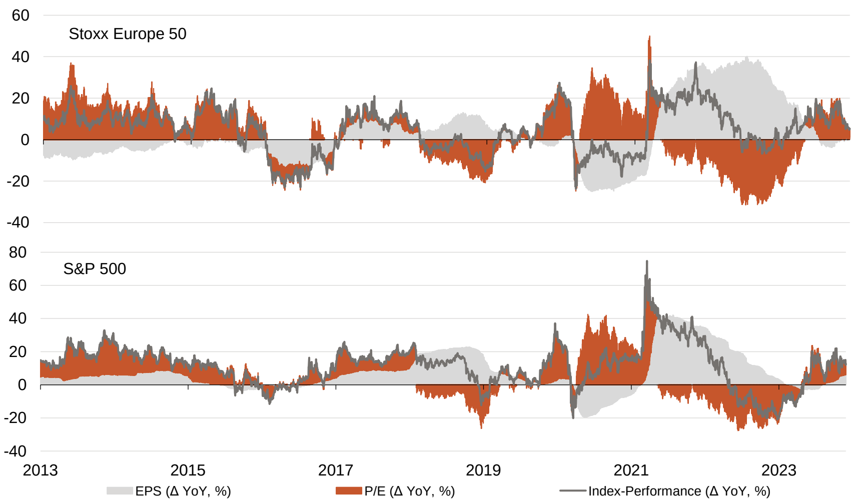
Earnings Growth



- According to the analysts, the majority of the equity regions and sectors shown here are likely to experience positive earnings growth in 2024. The recovery in the emerging markets (driven primarily by Asia) is likely to be particularly strong.
- The regional exception is equities from Eastern Europe. Here, the analysts expect a slight decline in profits next year.

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 01/12/2023

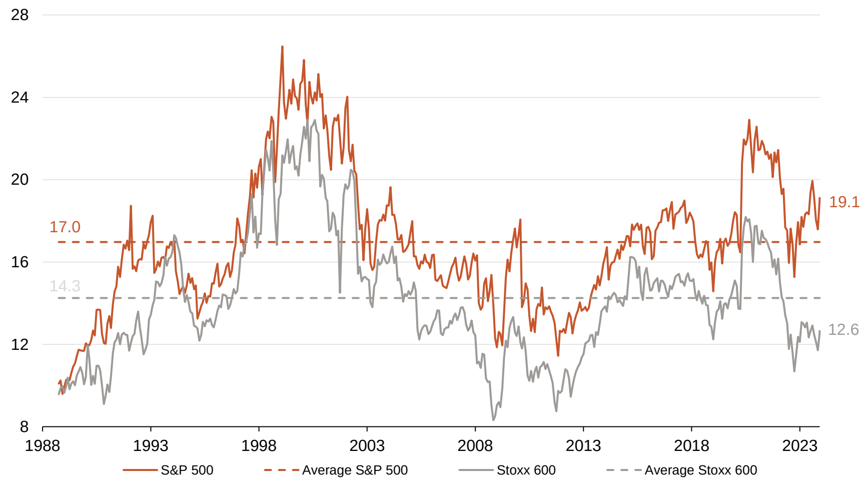
Contribution Analysis



- Compared to the previous year, both the Stoxx Europe 50 and the S&P 500 recorded a positive index performance. The dominant driver of equity market performance for the S&P 500 was an increase in valuation compared to the previous year, but the positive year-on-year earnings trend from the second half of the year also contributed to this.
- In contrast, the performance of the Stoxx Europe 50 was driven purely by an increase in valuations.

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 - 01/12/2023

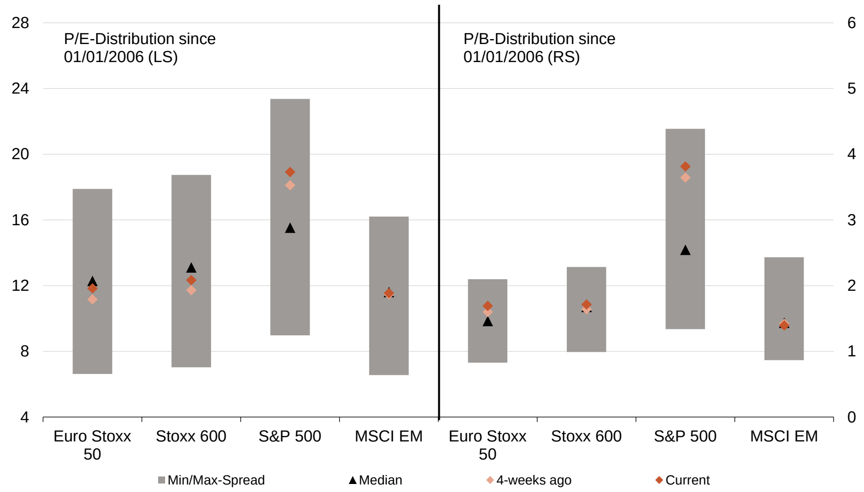
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- With the positive stock market performance in recent weeks, the valuation (P/E ratio) of the S&P 500 and the Stoxx 600 has also risen. The S&P 500 is now trading at a P/E ratio of 19.1x again, more than 2 points above the historical average.
- The Stoxx 600, on the other hand, remains historically favourable.

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 - 01/12/2023

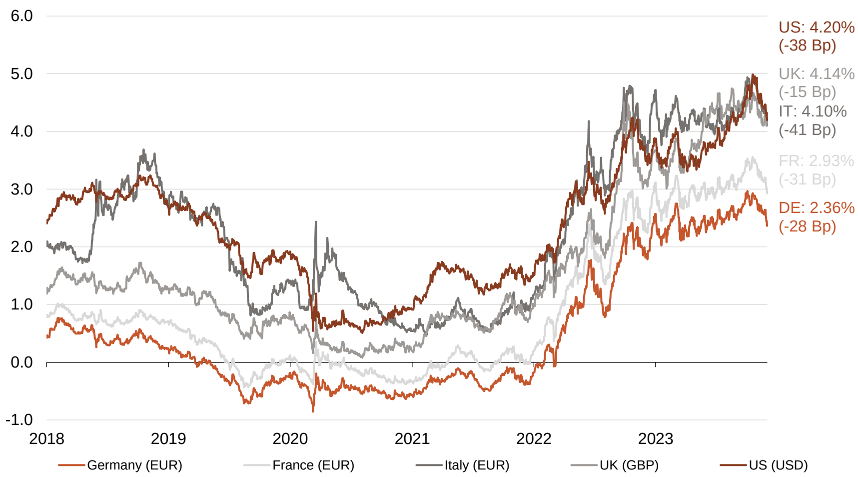
Historical Distribution: Price/Earnings and Price/Book Ratio



- In the last four weeks, all of the equity regions shown here have seen their valuations increase. On a P/B ratio basis, all regions shown here are now trading close to or above the historical average since 2006.
- On a P/E basis, only the S&P 500 is trading at historically high prices.

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 - 01/12/2023

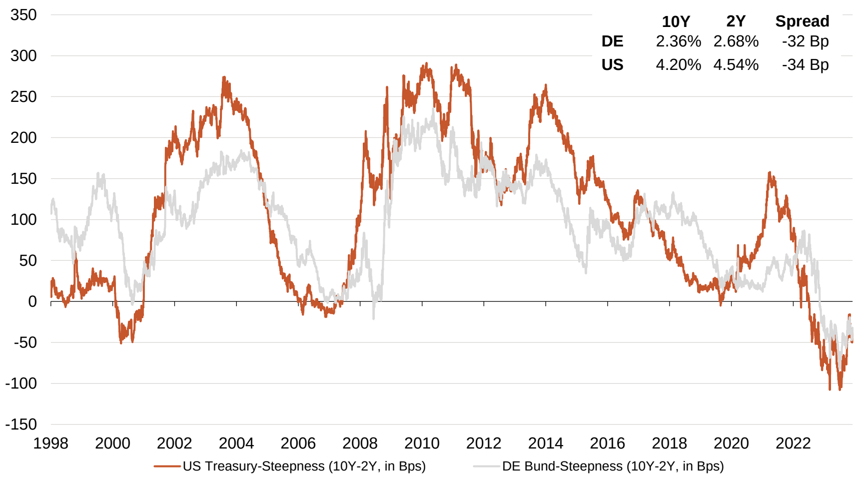
10-Year Government Bond Yields



- Weaker US economic data and cooler inflation data reinforced the expectation that the US interest rate peak has already been reached and that interest rates may soon be cut. Yields on safe government bonds fell accordingly. The yield on 10-year US Treasuries has fallen by 38 basis points over the last four weeks.
- European peripheral bonds received an additional tailwind from favourable rating decisions by the rating agency Moody's.

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 – 01/12/2023

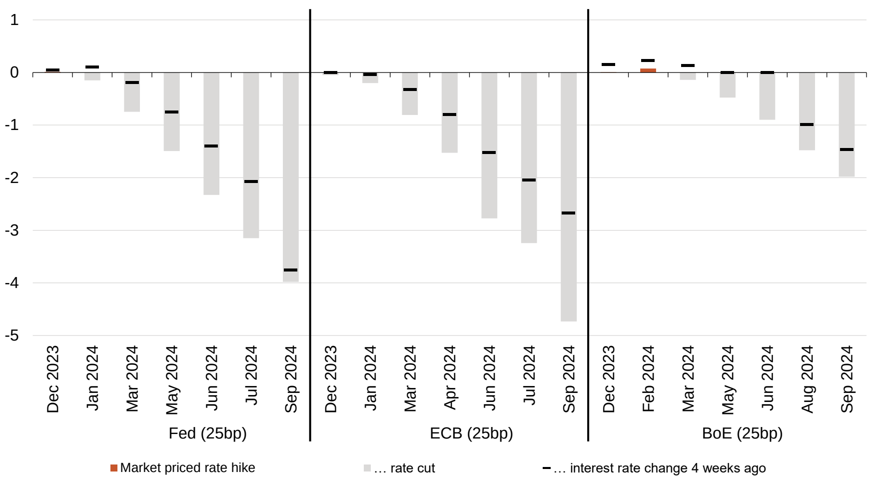
Yield Curve Steepness (10Y - 2Y)



- Over the last two weeks, yields on US government bonds have fallen more sharply at the short end than at the long end.
- The interest rate differential between 2-year and 10-year US government bonds narrowed from -45 to -34 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 – 01/12/2023

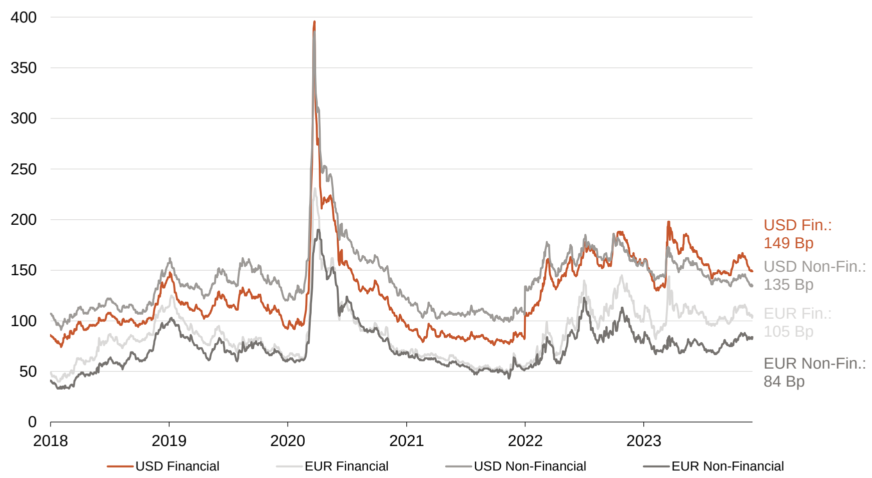
Implicit Changes in Key Interest Rates



- One week before the central bank meetings in December, the "higher for longer" interest rate narrative seems to have been forgotten. The markets consider a rate hike by the Fed, ECB or BoE to be unlikely and are thus going against the cautious statements made by central bank spokespeople to date.
- This makes the comments made by central bankers at the upcoming meetings all the more important.

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: 01/11/2023 – 01/12/2023

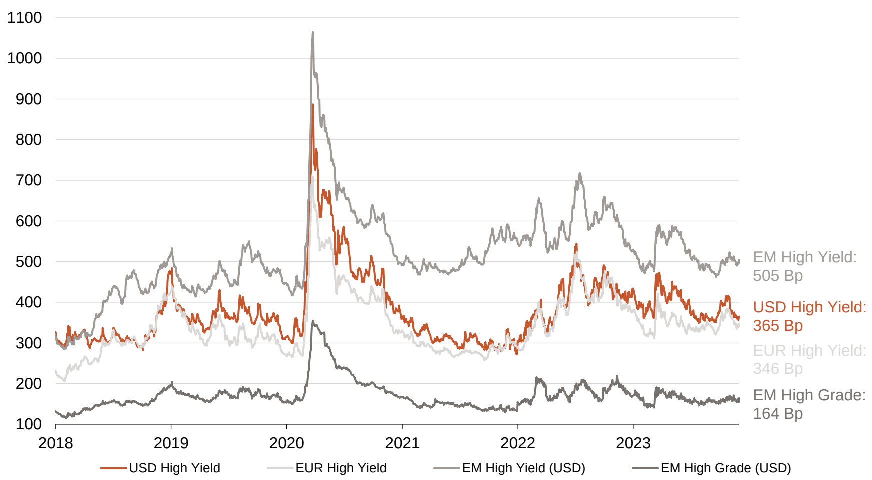
Credit Spreads Financial and Non-Financial Bonds



- Over the last four weeks, there have been noticeable movements in risk premiums for IG corporate bonds. USD financial and non-financial bonds saw spreads narrow by 18 and 11 basis points respectively.
- The movement in EUR financial and non-financial bonds was smaller, but the decline in risk premiums has recently lost momentum here: on a two-week horizon, the risk premiums on EUR non-financial bonds even widened slightly.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 01/12/2023

Credit Spreads High Yield and Emerging Markets Bonds



- With the renewed risk-on sentiment within markets, risk premiums on risk-sensitive high-yield bonds have fallen sharply over the last four weeks. USD and EUR high-yield bonds saw spreads narrow by 46 and 33 basis points respectively.
- In the emerging markets, however, the risk premiums on high-yield and high-grade bonds have fallen only slightly.

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 – 01/12/2023

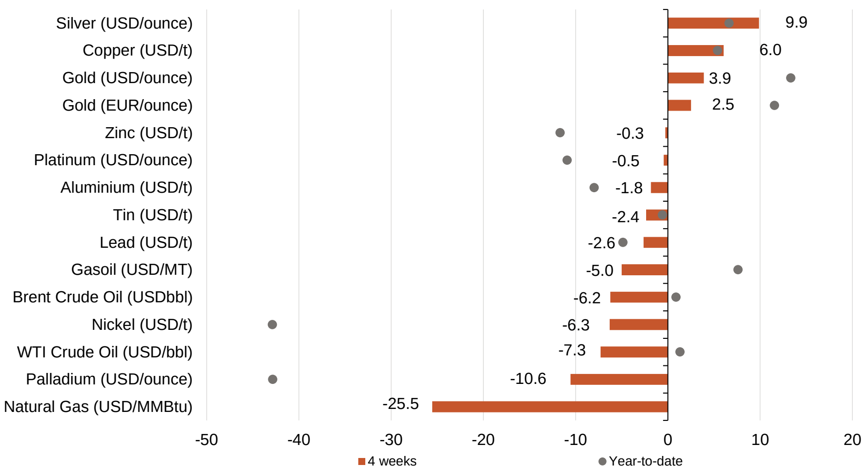
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	01/12/22 01/12/23	01/12/21 01/12/22	01/12/20 01/12/21	01/12/19 01/12/20	01/12/18 01/12/19
EUR Government	3.04	-0.41	7.1	-	-	-	3.4	3.6	-1.6	-15.0	-1.5	3.4	8.8
Germany	2.46	-0.34	7.2	-	-	-	2.9	2.3	-2.5	-14.8	-0.8	1.2	5.0
EUR Corporate	4.00	-0.45	4.4	92	-6	77	2.6	5.6	3.1	-12.0	-0.5	2.3	6.5
Financial	4.22	-0.46	3.7	105	-10	78	2.4	5.8	4.0	-10.4	-0.2	1.9	5.9
Non-Financial	3.86	-0.44	4.9	84	-3	77	2.7	5.6	2.6	-12.9	-0.6	2.4	6.8
EUR High Yield	7.14	-0.69	3.1	346	-33	58	2.9	9.1	7.9	-9.9	3.4	3.2	9.7
US Treasury	4.43	-0.48	6.3	-	-	-	3.6	1.2	-0.3	-12.0	-1.5	7.2	10.0
USD Corporate	5.58	-0.69	6.7	140	-13	56	5.6	5.0	3.5	-14.3	0.1	9.1	15.6
Financial	5.81	-0.69	5.0	149	-18	75	4.5	5.3	4.5	-12.0	0.0	8.6	13.4
Non-Financial	5.48	-0.69	7.5	135	-11	44	6.1	4.9	3.1	-15.4	0.2	9.3	16.5
USD High Yield	8.48	-0.94	3.9	365	-46	45	4.6	9.8	8.1	-8.4	5.5	6.6	9.6
EM High Grade	5.83	-0.60	5.2	164	-6	38	3.8	4.0	4.1	-14.2	0.4	5.6	12.8
EM High Yield	10.11	-0.68	3.8	505	-18	42	3.9	5.9	7.7	-15.7	-2.5	8.3	12.3

- Global bonds had their best month since 2008, with a Bloomberg aggregate index of global government and corporate bonds rising by just under 5% in November, the largest monthly increase since the 6.2% rise in December 2008 when the recession peaked.
- USD high-yield bonds have remained the strongest bond segment 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 : 01/12/2018 – 01/12/2023

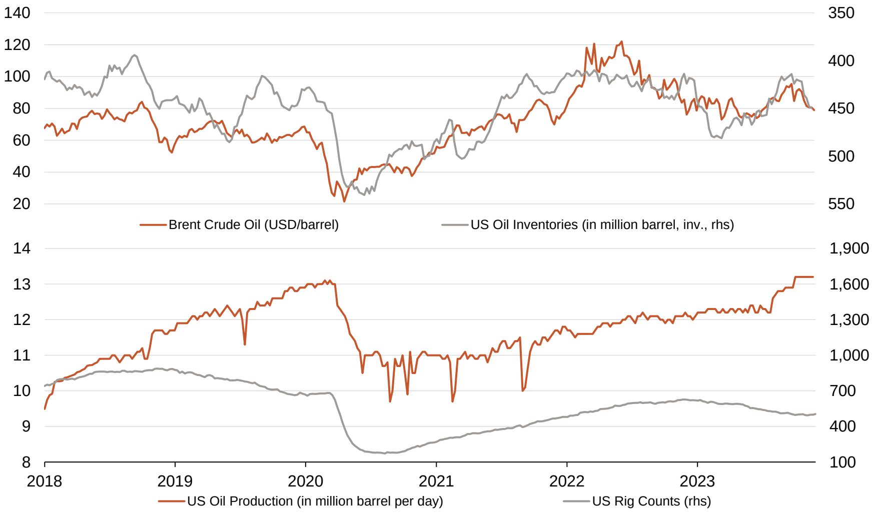
Commodities Performance



- Over the past four weeks, the commodity markets have been characterised by a high degree of divergence. Precious metals – above all silver – shone in the aggregate, while energy commodities and many metals suffered.
- Palladium also had a harder time. The price of palladium fell below $1,000 an ounce for the first time in five years as demand wanes in the face of slowing car sales, the rise of electric vehicles and the switch to cheaper platinum.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 01/12/2023

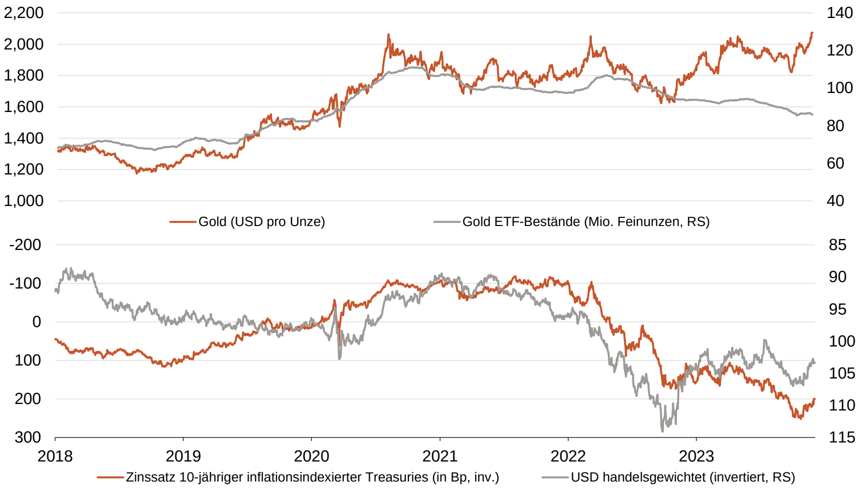
Crude Oil



- The most recent OPEC meeting was intended to create more transparency around the alliance's cuts. However, this was not achieved.
- Instead of new formal targets, the countries announced their own reduction targets. However, the markets remain sceptical about the extent to which the countries will adhere to the cuts, which are based on a "voluntary basis".

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 - 01/12/2023

Gold



- Gold reached a new all-time high in USD last Friday.
- The yellow precious metal received tailwinds from all sides: no bullish positioning, falling real interest rates, a weak US dollar, interest rate cut fantasies and continued heightened geopolitical tensions.

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 - 01/12/2023

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PUBLISHING INFORMATION

PUBLISHER

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

EDITORS

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

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

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

Dr Konstantin Ignatov | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-502 | konstantin.ignatov@berenberg.de

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IMPORTANT NOTICES

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