BERENBERG
Markets

MONITOR

12 February 2024

Current market commentary

In view of the continued strong US economic data and following hawkish tones from key Fed members, interest rates have recently risen further. A reduction in the US key interest rate for March has been almost completely priced out. Unlike in the last two years, however, higher interest rates do not appear to be weighing on equities - on the contrary, valuations have risen further and the DAX and S&P 500 have reached new all-time highs. And shares in China have at least been able to recover recently after the government announced massive stimulus packages to support the domestic stock markets. A relative loser of the still young year is gold, which is suffering from the stronger US dollar and higher interest rates. However, we are confident that, as in previous cycles, precious metals should also be among the relative winners should the first interest rate cuts materialise. The same should also apply to second-line stocks, which are still lagging behind this year.

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

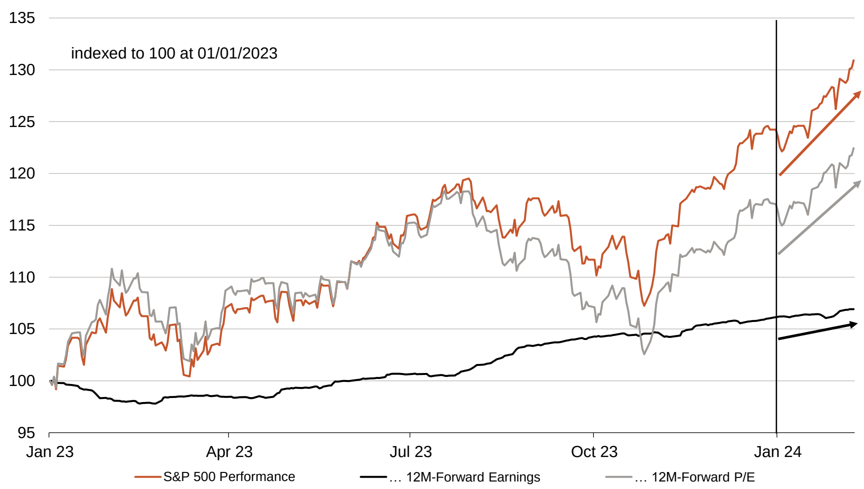
Q4 reporting season and start of the 2024 super election year in the investor's eye.

The Q4 reporting season is in full swing - of the S&P 500 companies reporting so far (approx. 55%), almost 80% have beaten earnings expectations. On a political level, the 2024 super election year is picking up speed in February with elections in El Salvador, Azerbaijan, Pakistan, Indonesia, Belarus and Cambodia. Since February, the focus has also been on the primaries in the USA, where elections have taken place in almost 40% of all US states by Super Tuesday (5 March).

Inflation and economic data provide information on the global economic climate.

On Tuesday, the CPI figures (Jan.) for the US and the ZEW survey (Feb.) for Germany are due. GDP figures for the eurozone follow on Wednesday and industrial production (Jan.), labour market (Feb.) and preliminary retail trade data (Jan.) for the US on Thursday. Friday sees the publication of US producer price inflation (Jan.) and the preliminary sentiment indicator (Feb.) from the University of Michigan. In the following week, the preliminary purchasing managers' indices (Jan.) for the US and the eurozone as well as the US Fed minutes are published.

The earnings of US mega caps are rising, but so are their valuations



- Despite the recent rise in interest rates, the S&P 500, which is usually sensitive to interest rates, has climbed to new all-time highs, as the "Magnificent 7" in particular once again on average demonstrated their strong earnings growth during the reporting season.
- However, the rise in earnings estimates has contributed just under a fifth to the year-to-date performance. The increase is mainly driven by a valuation expansion. Despite rising earnings, with rising valuations the expectations for future earnings growth are also rising.

Source: Bloomberg, Time period: 01/01/2023 - 09/02/2024

Multi Asset

	4-week & YTD: 4W (12/01/24 - 09/02/24)	4-week & YTD: YTD (29/12/23 - 09/02/24)	12-month periods over that last 5 years: 09/02/23 09/02/24	09/02/22 09/02/23	09/02/21 09/02/22	09/02/20 09/02/21	08/02/19 09/02/20
Brent	7.0	10.0	7.8	25.8	75.4	-14.2	3.8
MSCI World	5.2	6.3	19.1	-3.4	19.8	6.9	25.6
Global Convertibles	2.8	2.6	5.0	-7.2	-8.8	41.2	18.6
USDEUR	1.5	2.4	-0.4	6.4	6.1	-9.7	3.4
MSCI Emerging Markets	1.5	-0.2	-0.6	-9.5	-4.9	19.3	11.9
MSCI Frontier Markets	1.3	3.4	7.2	-16.9	22.5	-5.8	14.8
Gold	0.3	0.4	8.3	8.1	5.8	5.7	23.6
Euro overnight deposit	0.3	0.5	3.5	0.3	-0.6	-0.5	-0.4
EUR Coporates	-0.4	-1.0	4.4	-9.1	-4.0	1.6	5.6
EUR Sovereign Debt	-0.8	-1.3	2.9	-8.4	-3.5	0.9	3.8
Industrial Metals	-0.9	-4.4	-18.1	-1.3	43.5	18.3	-5.0
REITs	-1.9	-2.1	-5.9	-9.6	26.1	-16.4	17.5

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.

- The ongoing unrest in the Middle East and the Red Sea provided a tailwind for Brent crude oil, which recorded its best performance in the ranking since the beginning of the year. Strong earnings reports, particularly in the US technology sector, boosted shares in industrialised countries.
- Persistent concerns in the property sector on both sides of the Atlantic weighed on REITs, which brought up the rear in the performance rankings over the last four weeks.

Total return for selected asset classes, in euros and in per-cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 08/02/2019 – 09/02/2024

Equities

	4-week & YTD: 4W (12/01/24 - 09/02/24)	4-week & YTD: YTD (29/12/23 - 09/02/24)	12-month periods over that last 5 years: 09/02/23 09/02/24	09/02/22 09/02/23	09/02/21 09/02/22	09/02/20 09/02/21	09/02/19 09/02/20
S&P 500	6.8	8.2	24.8	-3.7	25.9	8.2	29.8
Euro Stoxx 50	5.4	4.5	13.9	3.7	17.0	-1.7	24.4
MSCI USA Small Caps	4.0	1.9	6.4	1.4	5.4	21.9	16.1
Stoxx Europe 50	3.0	3.1	10.7	6.1	22.3	-6.4	23.4
Stoxx Europe Cyclicals	2.1	0.6	9.6	-1.7	19.2	1.9	21.7
MSCI EM Asia	1.9	-0.3	-3.9	-7.9	-10.3	30.1	14.5
MSCI Japan	1.4	5.4	16.3	-3.3	-0.6	9.2	20.1
DAX	1.3	1.0	9.0	0.3	10.5	3.7	23.9
Stoxx Europe Small 200	-0.1	-1.6	0.3	-10.6	10.7	8.2	21.6
MSCI UK	-0.2	-0.5	3.1	3.9	28.3	-14.3	13.0
MSCI EM Latin America	-1.0	-2.3	21.8	9.4	8.7	-19.3	3.4
Stoxx Europe Defensives	-2.4	-0.4	4.7	4.8	18.9	-8.3	21.1

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 have risen across the board in the last four weeks. Large-cap indices in industrialised countries continued to post their best performance since the beginning of the year, although market breadth was low on both sides of the Atlantic.
- Expectations of stabilisation measures by the Chinese government supported the shares of Asian emerging markets. Dovish comments from BoJ Council members boosted 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: 08/02/2019 – 09/02/2024

Fixed Income

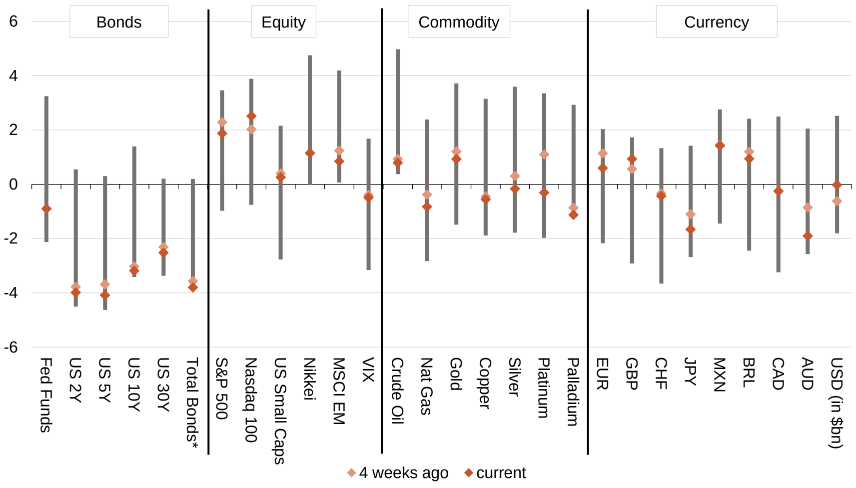
	4-week & YTD: 4W (12/01/24 - 09/02/24)	4-week & YTD: YTD (29/12/23 - 09/02/24)	12-month periods over that last 5 years: 09/02/23 09/02/24	09/02/22 09/02/23	09/02/21 09/02/22	09/02/20 09/02/21	08/02/19 09/02/20
EM Hard Currency Bonds	1.4	1.3	6.6	-7.1	1.3	-7.0	15.8
Chinese Sovereign Bonds	1.0	1.3	6.3	2.5	6.6	0.7	5.9
Treasuries	0.5	0.9	0.9	-2.9	1.8	-5.6	12.1
USD High Yield	0.3	0.2	9.3	-5.0	1.1	6.9	9.8
EUR High Yield	0.2	0.7	7.9	-4.8	-0.8	3.3	9.5
EM Local Currency Bonds	-0.2	0.0	6.3	-4.6	-1.3	-6.3	10.7
EUR Financials	-0.3	-0.7	4.6	-8.2	-3.6	1.4	5.5
EUR Non-Financials	-0.4	-1.1	4.2	-9.8	-4.3	1.7	5.7
USD Corporates	-1.0	-1.1	4.2	-9.2	-3.8	5.8	14.1
BTPs	-1.1	-1.2	4.0	-11.1	-6.4	5.0	15.6
Bunds	-1.3	-2.3	1.2	-14.0	-4.2	0.4	3.3
Gilts	-1.3	-2.8	0.1	-22.5	-3.3	-1.6	12.1

Bunds: IBOXX Euro Germany Sov TR ; BTPs: IBOXX Euro Italy Sov TR ; Treasuries: ICE BofA US Treasury TR;
Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: IBOXX Euro Fin. Overall TR;
EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE BofA EUR Liquid HY TR; USD Corporates: ICE BofA USD Corp TR;
USD High Yield: ICE BofA USD Liquid HY TR; EM Hard Currency: JPM EMBI Glo Div Unh. EUR TR; EM Local Currency: JPM GBI-EM Glo Div Comp Unh. EUR TR

- In anticipation of a further easing of monetary policy, yields on Chinese government bonds fell to their lowest level in more than two decades.
- Most other bond segments fell in local currency terms. Robust economic data, rising inflation risks and a tendency towards hawkish central bankers led to rising bond yields.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 08/02/2019 – 09/02/2024

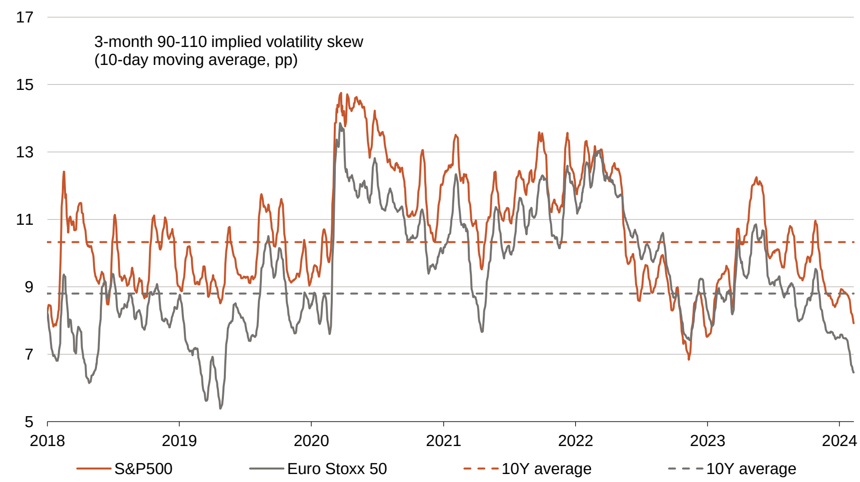
Non-Commercial Positioning



- Speculative investors, like the rest of the market, are very bullish on US tech stocks. The net long positioning in the Nasdaq-100 is in the 93th percentile over the last 10 years.
- In the case of gold, they have recently reduced their longs somewhat after hopes of interest rate cuts in the near future have decreased.

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: 09/02/2014 - 09/02/2024

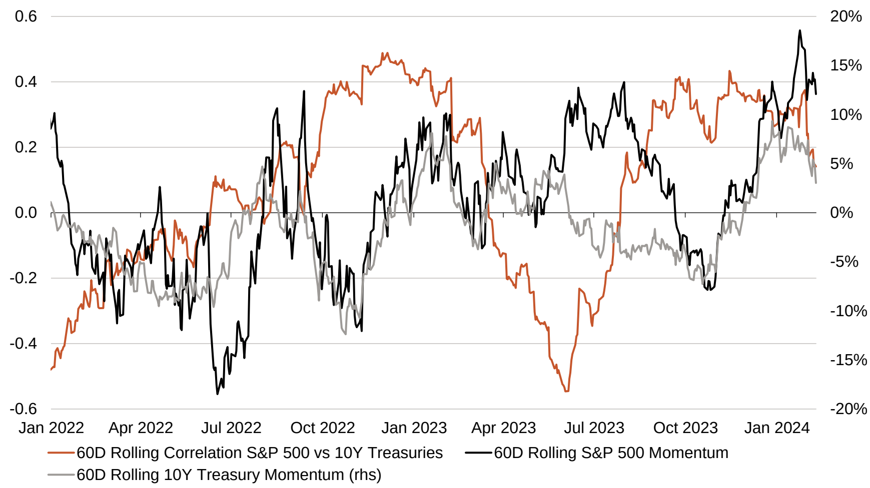
Put-Call-Skew



- The put-call skew in the Euro Stoxx 50 has reached a new low since the outbreak of the pandemic. The flattening was mainly driven by the call skew. In the current environment, this development calls for caution. After all, although the market has risen significantly, investors are chasing even higher returns instead of increasing their demand 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: 09/02/2014 - 09/02/2024

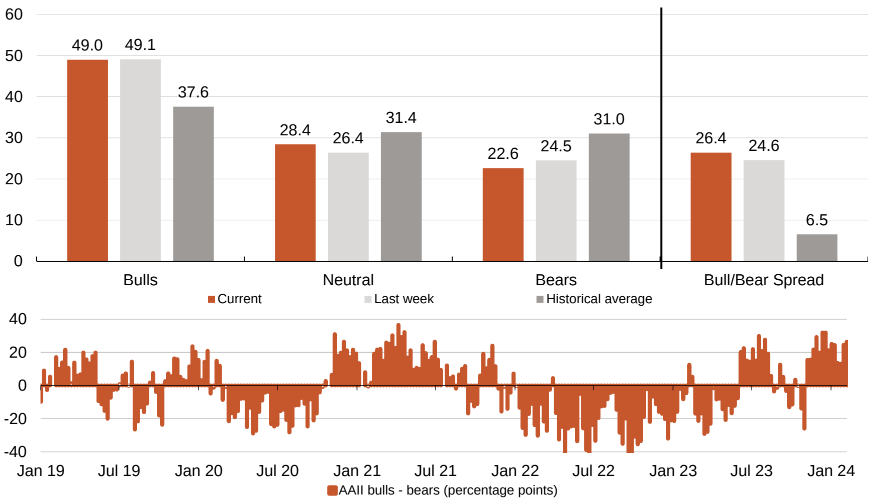
60-Day Momentum and Correlation



- While the stock markets have been rising steadily, bonds have recently fallen somewhat in the wake of rising interest rates. Correspondingly, the correlation between equities and bonds has decreased. If this trend continues, risk-parity strategies, which have so far only had a low equity exposure, will buy more equities.

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 - 09/02/2024

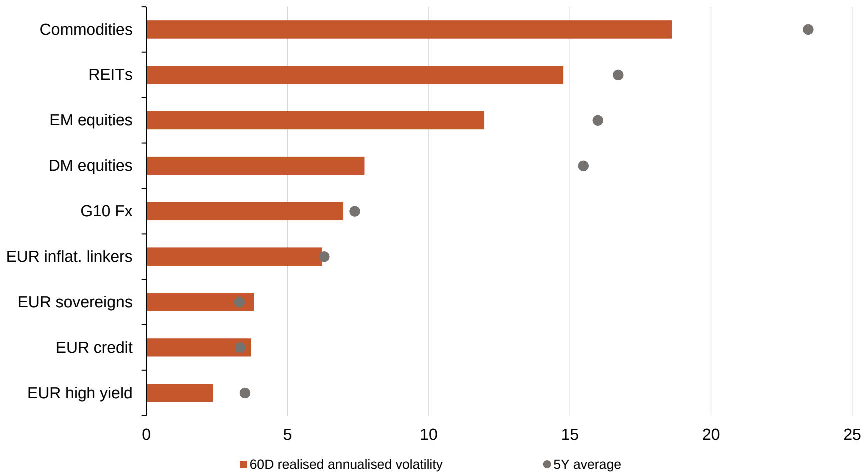
AAII Sentiment Survey (Bulls vs Bears)



- There is euphoria among US private investors. Since the beginning of the year, the bull/bear spread has averaged over 20 ppts.
- This optimism is also confirmed by other surveys such as the consumer confidence survey of the Conference Board or the University of Michigan.

The Sentiment Survey, conducted by the American Association of Individual Investors, determines the percentage of individual investors who are optimistic, pessimistic or neutral about the US stock market over a six-month period. It has been conducted since 1987. The survey is conducted from Thursday to Wednesday and the results are published every Thursday. For the stock market, it tends to be supportive when there is a high proportion of bears and a low proportion of bulls. On the other hand, it tends to be negative when there are significantly more optimists than pessimists.
Source: Bloomberg, AAII, Time period: 23/07/87 – 09/02/2024

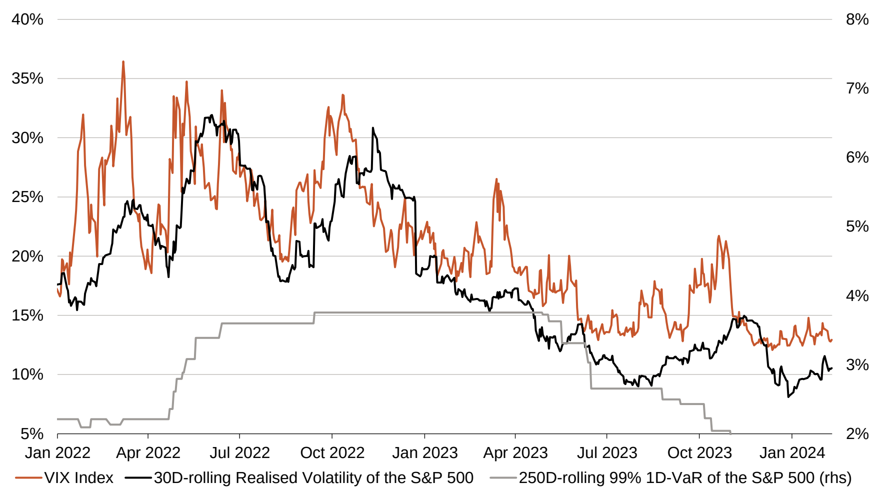
Realised Volatilities



- Realised volatility is below the average of the last 5 years in all asset classes with the exception of particularly interest rate-sensitive assets such as government and corporate bonds.
- The volatility of developed market equities over the last 60 days is just under 8%. Realised volatility has not been this low for more than 4 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: 09/02/2019 - 09/02/2024

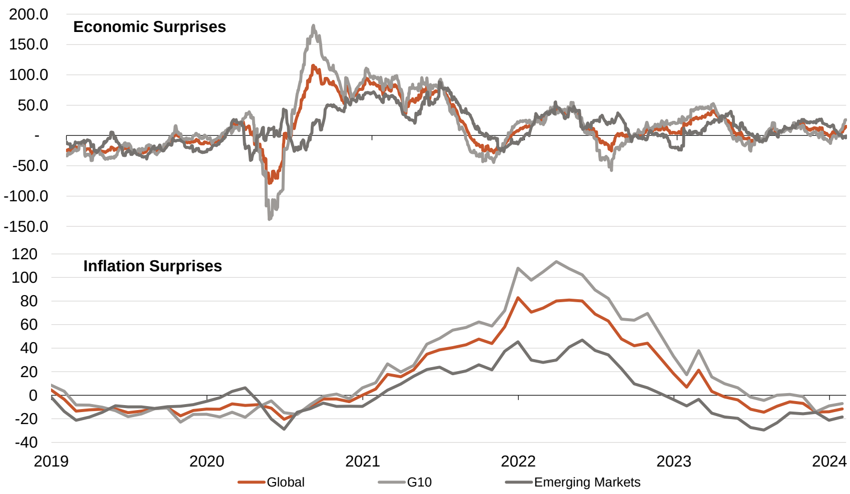
Volatility and Value-at-Risk of the S&P 500



- Implied volatility also remains very low by historical standards. The VIX has been trading well below the 16% mark since mid-November, which corresponds to an average expected move of 1% per day over the next month.

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 - 09/02/2024

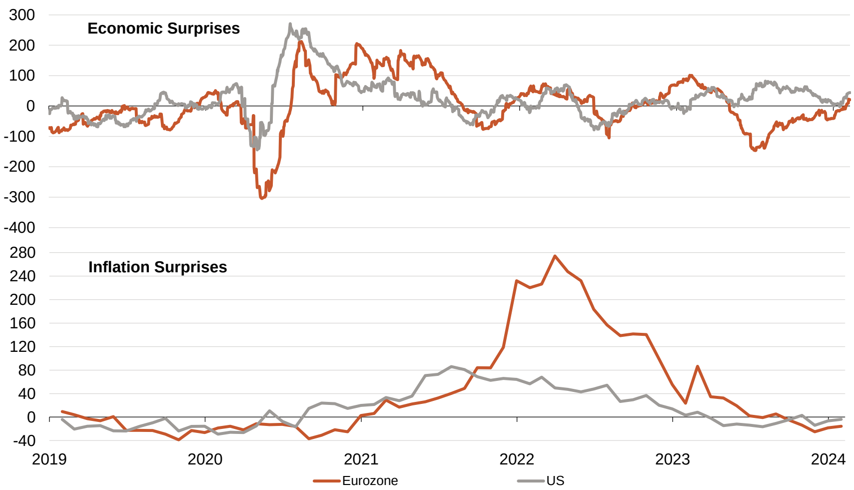
Global



- In the last two weeks, positive economic surprises have increased more strongly in the industrialised countries than in the emerging markets. GDP growth in Mexico was disappointing in the fourth quarter, while it was as expected in the eurozone. In Canada, GDP growth surprised to the upside in November.
- In Australia, the inflation rate in the fourth quarter was below expectations, while inflation rates in Turkey and Brazil surprised on the upside in January.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 09/02/2024

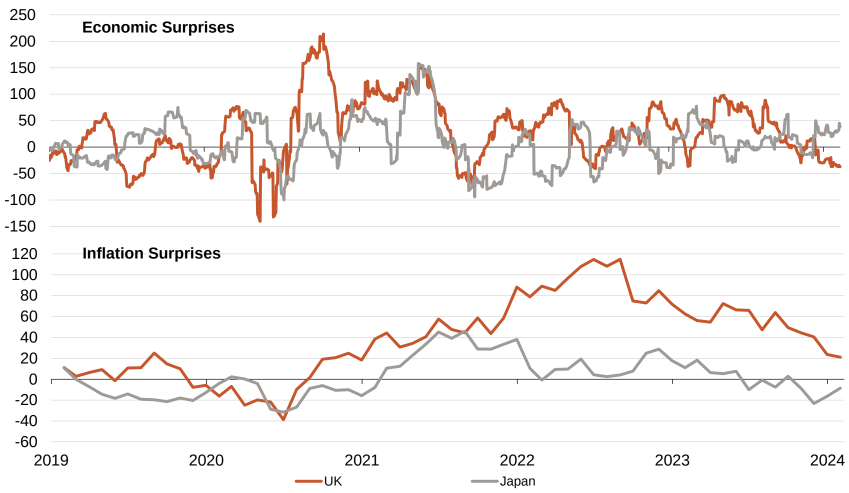
Eurozone and US



- In the US, the unemployment rate surprised to the downside in January, while the number of newly created jobs rose. New orders for durable goods came in as expected in December, while consumer confidence surprised to the upside in January. In Germany, new orders exceeded expectations in December, while industrial production and retail sales disappointed in December.
- In Spain, the inflation rate surprised to the upside in January, whereas in France it fell.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 09/02/2024

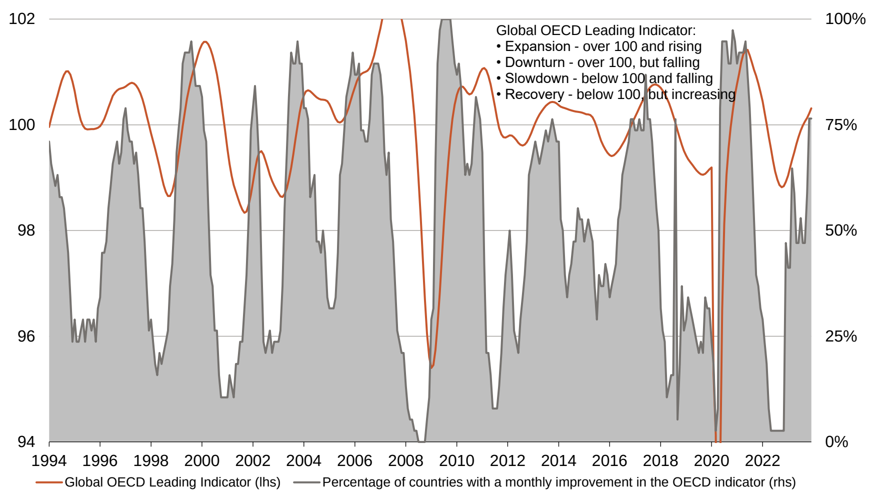
UK and Japan



- In the UK, the January Purchasing Managers' Index surprised to the upside for the construction industry and to the downside for the manufacturing industry.
- In Japan, the unemployment rate and retail sales were below expectations in December.

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: 01/01/2019 - 09/02/2024

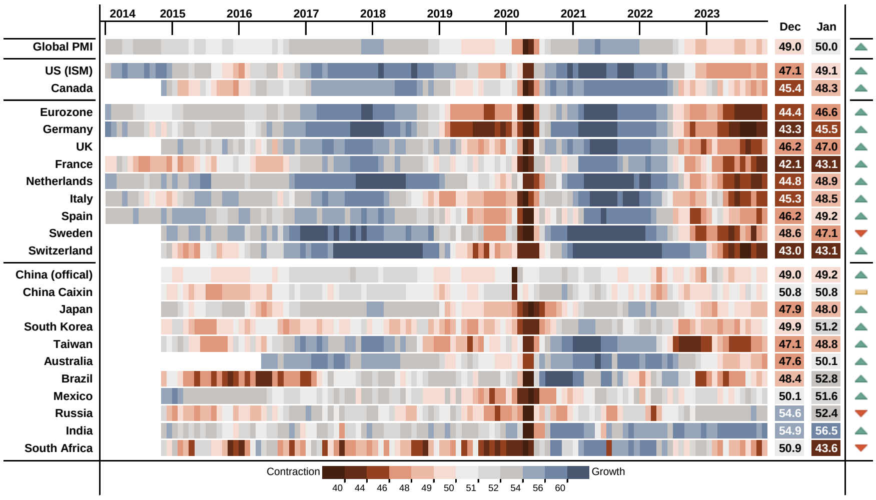
OECD Leading Indicator



- The global economic expansion continued in December - the OECD leading indicator remained above the 100 mark with a value of 100.4.
- According to the leading indicator, 71% of the countries surveyed saw an improvement in the economic situation in December 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 - 09/02/2024

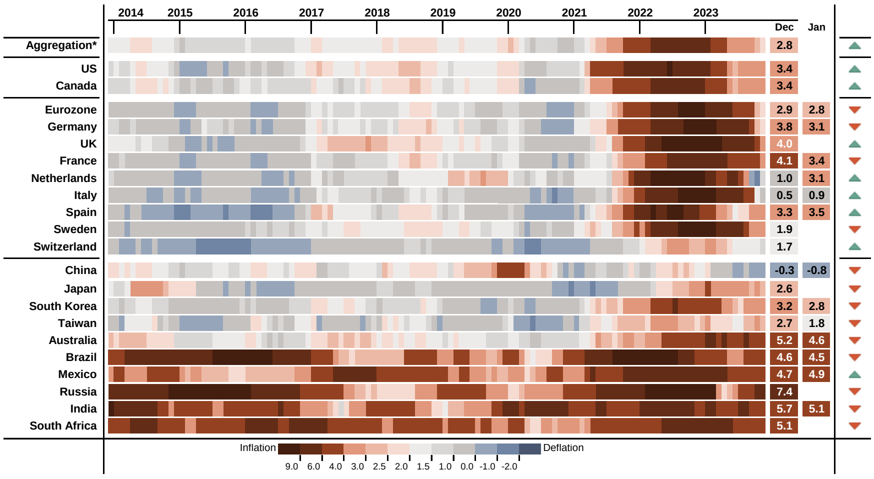
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- PMI data showed an increase in industrial activity across the board in January. The global PMI rose for the first time since August 2022 to a value of 50.0. With the exception of Sweden, Russia and South Africa, the PMI rose in all countries shown here compared to the previous month.

The PMI is an overall index that provides a general overview of the economic situation in industry. The PMI is derived from a total of eleven sub-indices, which reflect the respective change from the previous month. A value of 50 is regarded as neutral, a value of over 50 points as an indicator of rising and a value of under 50 points as an indicator of declining activity in industry compared to the previous month. On average, the index has a lead time before actual industrial production of three to six months. The PMI is based on a survey of a relevant selection of purchasing managers on the development of key indicators such as new orders.
Source: Bloomberg, Time period: 09/02/2014 - 09/02/2024

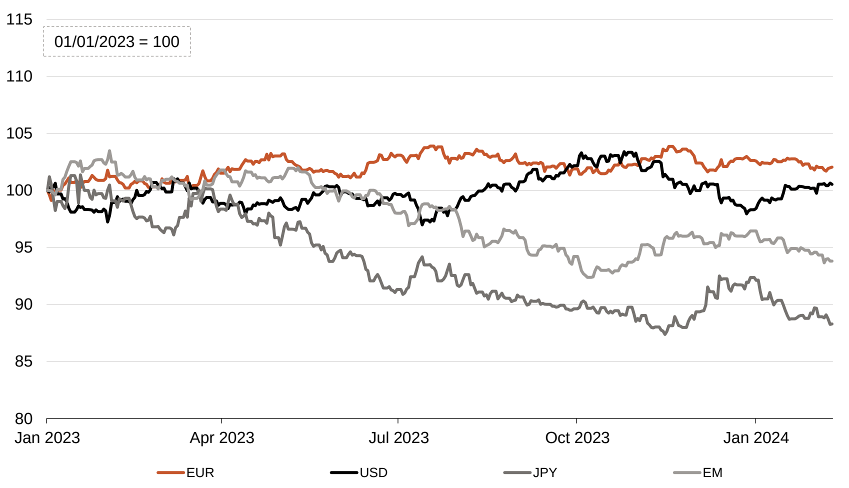
Headline Inflation



- The first inflation data in January showed regional differences. While the inflation rate in the Netherlands, Italy, Spain and Mexico rose compared to the previous month, the inflation rate in China, Australia, France and Germany continued to fall.

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: 09/02/2014 - 09/02/2024

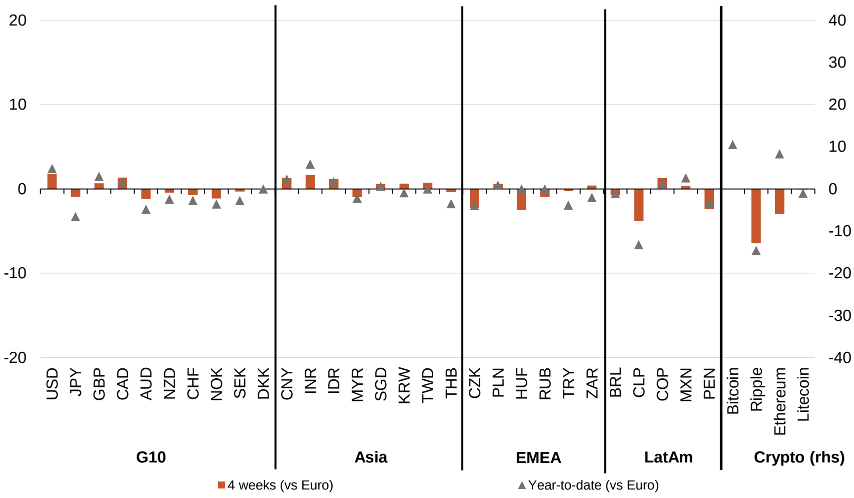
Trade-Weighted Currency Development



- As expected, the US Federal Reserve left the key interest rate unchanged after its meeting on 31 January. In his press conference, Fed Chairman Powell made it clear that a rate cut in March was unlikely, which gave the US dollar a tailwind.
- Weak wage data and cautious comments from BoJ members cast doubt on a rapid rate hike in Japan in the near future, which weighed on the 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: 01/01/2023 - 09/02/2024

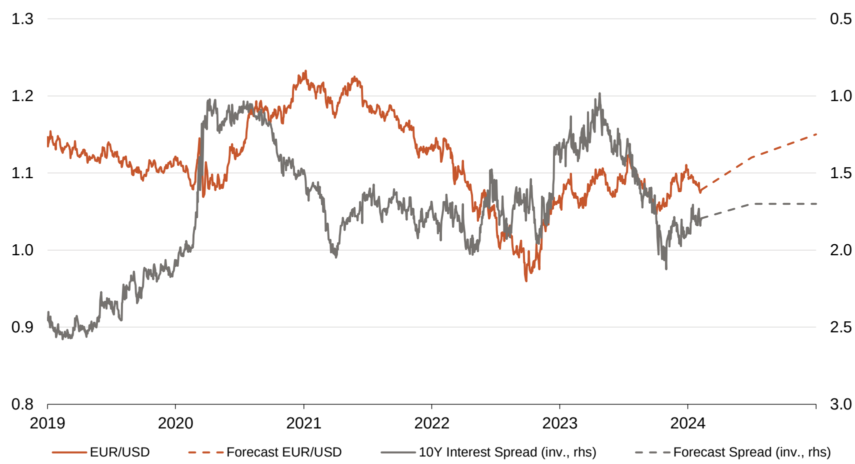
Currency Moves vs Euro



- As expected, the Australian central bank left the key interest rate unchanged after its meeting last week and, unlike most other central banks, did not rule out a further tightening of monetary policy in its statement.
- Although the interest rate cut by the Hungarian central bank was lower than expected, the Hungarian forint came under pressure after inflation data in January surprisingly fell and the government revised its deficit forecast for the year as a whole upwards.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 09/02/2024

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



- The members of the ECB Governing Council were cautious about an imminent adjustment of the ECB's restrictive policy and pointed to stubborn inflation in the services sector.
- The interest rate differential between US and German government bonds fluctuated around the 1.8 ppts mark. The EUR/USD exchange rate was quoted below the 1.08 mark last week.

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: 01/01/2019 - 30/06/2024

European Sector & Style Performance

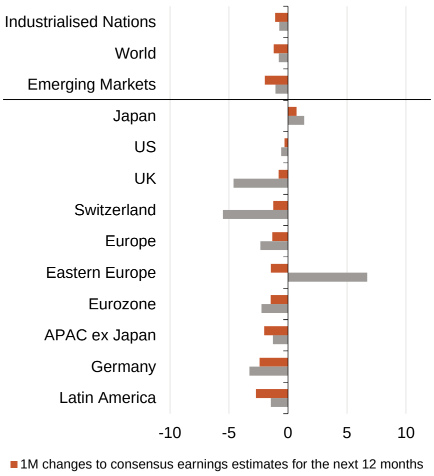
	4-week & YTD		12-month periods over that last 5 years				
	4W (12/01/24 - 09/02/24)	YTD (30/12/23 - 09/02/24)	09/02/23 09/02/24	09/02/22 09/02/23	09/02/21 09/02/22	09/02/20 09/02/21	08/02/19 09/02/20
Information Technology	18.7	16.0	31.3	-2.8	10.2	16.0	35.7
Consumer Discretionary	10.2	6.1	4.6	1.0	13.8	13.7	21.8
Growth	5.7	4.9	11.7	-1.0	12.8	4.8	29.3
Industrials	2.1	2.0	16.9	-0.2	15.2	4.5	29.8
Energy	0.1	-2.1	1.9	20.9	55.3	-26.9	-6.2
Finance	-0.2	-1.0	6.5	1.3	33.7	-14.1	19.3
Consumer Staples	-0.6	0.0	0.1	-2.2	16.7	-8.1	20.8
Health Care	-0.7	3.1	9.1	4.8	13.7	-4.1	31.3
Telecommunications	-1.1	0.7	5.1	-7.4	15.6	-11.5	7.8
Value	-2.3	-2.3	4.0	2.3	24.6	-10.3	13.0
Materials	-2.8	-6.6	-2.5	-1.7	18.3	17.6	14.6
Utilities	-9.5	-8.7	0.7	-1.7	6.3	-1.2	34.2

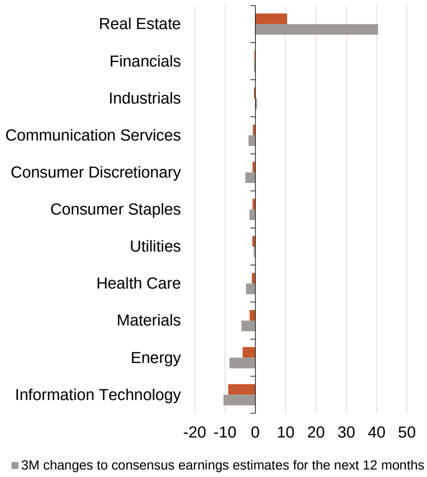
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. 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.

- At first glance, the stock markets continue to move in only one direction. Unimpressed by the latest interest rate movements, the S&P 500 and the DAX have reached new all-time highs in the last four weeks.
- Beneath the surface, however, developments in Europe were more mixed. Tech stocks led the way, while utilities and basic materials stocks brought up the rear. Growth stocks outperformed value stocks.

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: 08/02/2019 – 09/02/2024

Changes in Consensus Earnings Estimates

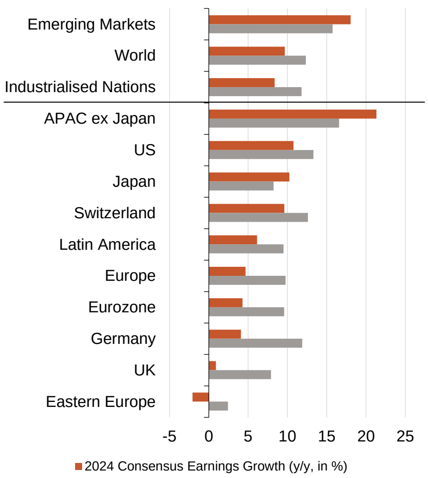


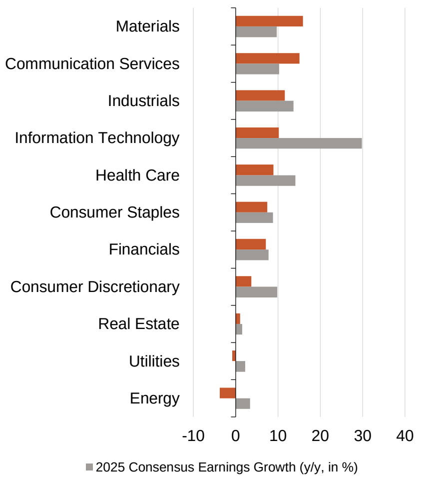


- In the last four weeks, analysts have tended to become more pessimistic with regard to earnings estimates. Analysts have revised their earnings estimates for the next 12 months downwards for both the emerging markets and the industrialised countries.
- At regional level, analysts are only more positive about Japan, which is benefiting from the weakness of China, and at sector level about the interest rate-sensitive property sector.

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 09/02/2024

Earnings Growth

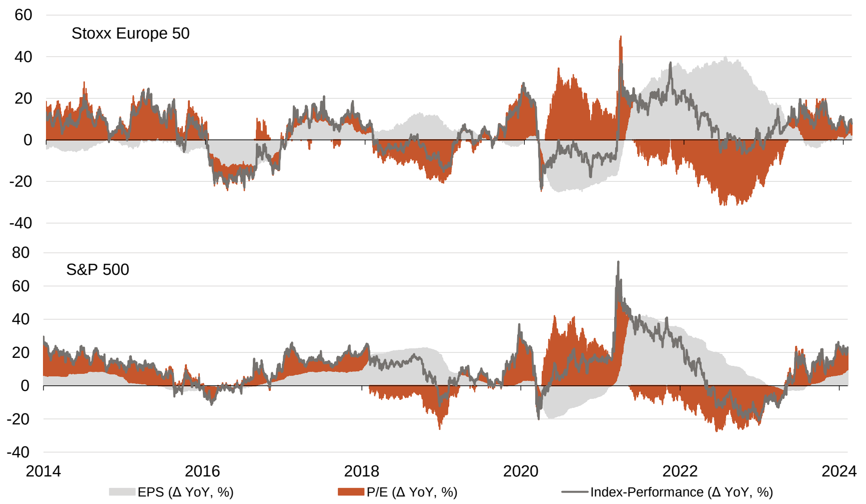




- For 2024, the market is expecting stellar profit growth of over 15%, particularly in the emerging markets. This is mainly due to the expected profit growth in Asia and Latin America.
- After the low market breadth last year, analysts at sector level now expect solid earnings growth across the board for the current 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 09/02/2024

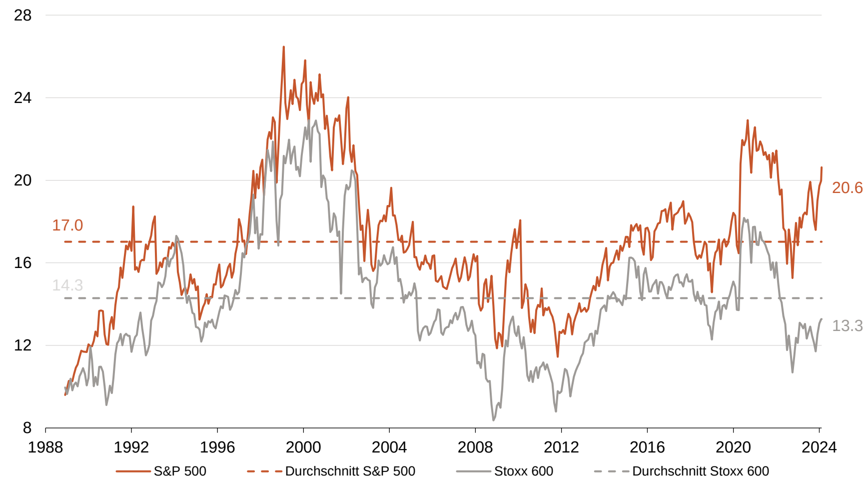
Contribution Analysis



- With the reporting season in full swing, the market focussed strongly on the earnings growth of the mega caps.
- Following the largely valuation-driven performance of US indices in recent months, the now higher EPS expectations have contributed 54% of the S&P 500's performance over the past 12 months, offsetting the recent interest rate pressure.

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: 01/01/2014 - 09/02/2024

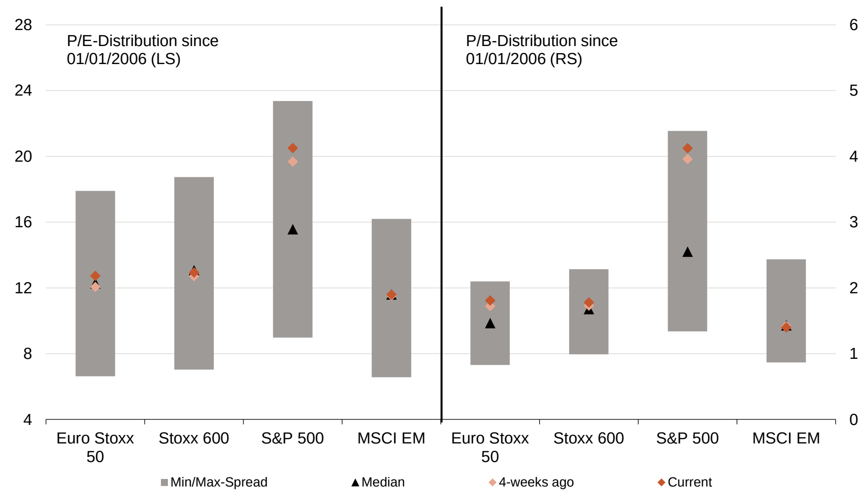
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Despite the recent rise in interest rates, valuations have also risen further. The P/E ratio of the S&P 500 is now back above the 20x mark. This means that the US equity index is as expensive as it was at the end of 2021.
- The valuation of the Stoxx 600 has also increased but is still below the historical average since 1988.

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 - 09/02/2024

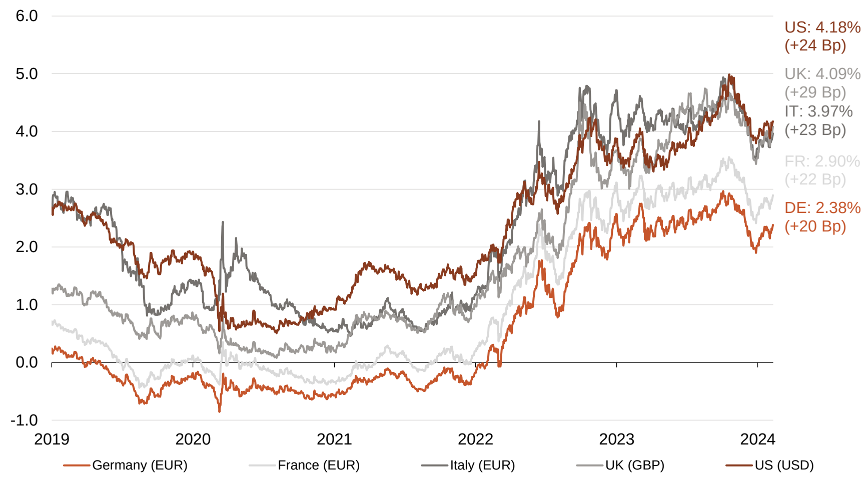
Historical Distribution: Price/Earnings and Price/Book Ratio



- Over the last few years, valuations on a P/E basis have risen for all the equity regions shown here.
- The Euro Stoxx 50 and the S&P 500 in particular recorded valuation increases.

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 - 09/02/2024

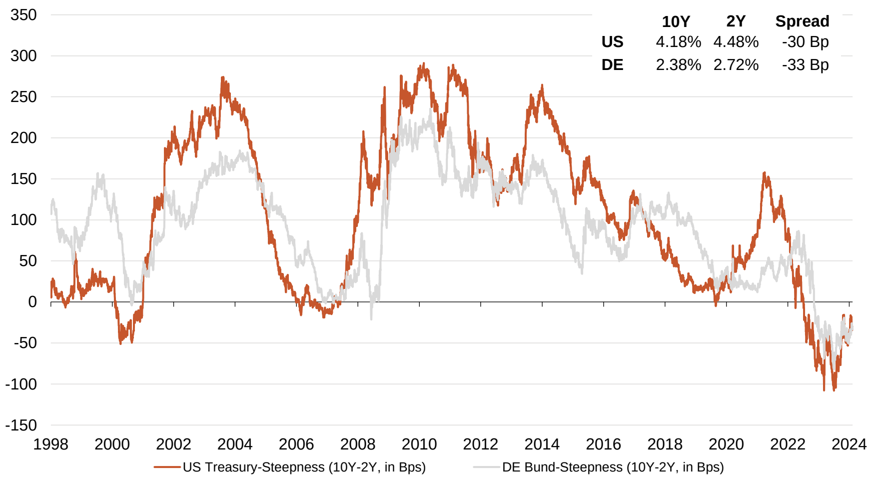
10-Year Government Bond Yields



- In view of the persistently strong US economic data (particularly the US non-farm employment figures) and the hawkish tone of key Fed members, interest rates have recently risen further.
- Over the last four weeks, the yield on US government bonds has risen by over 20 basis points over the last four weeks and now stands at 4.18%.

Effective yield on 10-year government bonds and change over the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2019 - 09/02/2024

Yield Curve Steepness (10Y - 2Y)

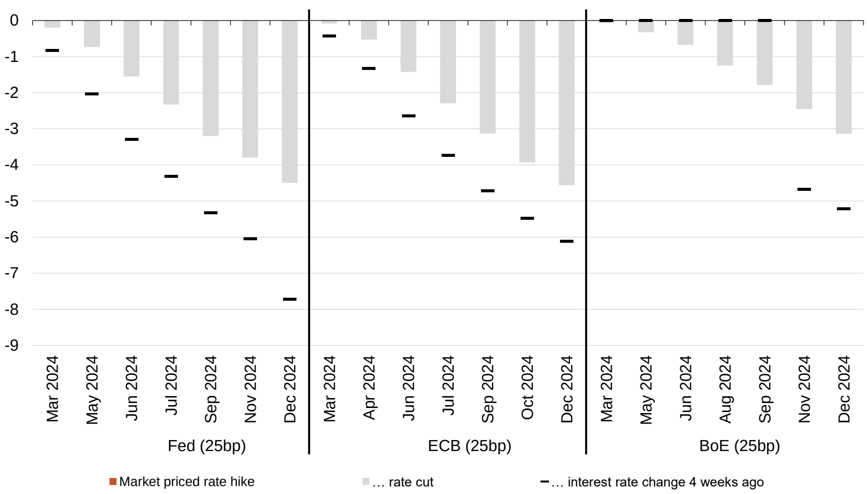


	10Y	2Y	Spread
US	4.18%	4.48%	-30 Bp
DE	2.38%	2.72%	-33 Bp

- Over the last four weeks, the yield on US government bonds at the short end (2 years) has risen more strongly than at the long end (10 years).
- The interest rate differential between 2-year and 10-year US government bonds has fallen from -21 basis points to -30 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 - 09/02/2024

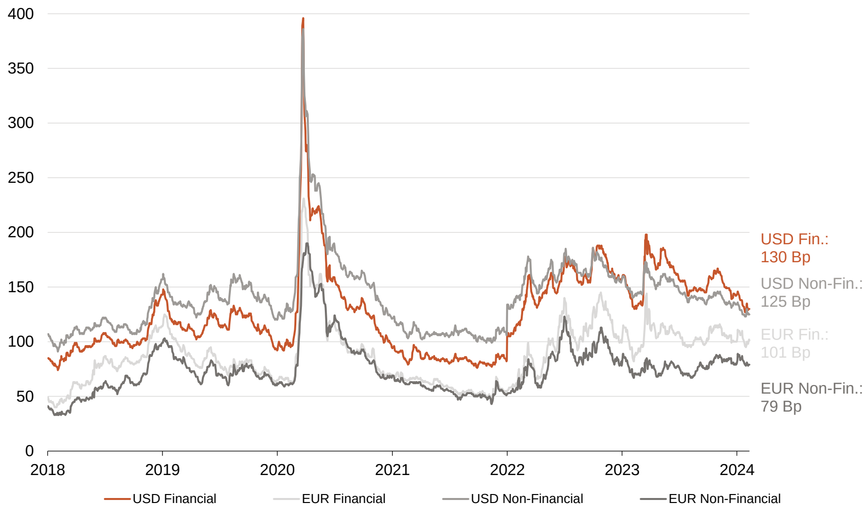
Implicit Changes in Key Interest Rates



- Expectations of a first US interest rate cut in March were almost completly priced out due to the robust US economic data and the hawkish signals from key Fed speakers.
- The market is now only expecting a rate cut of just under 25 basis points for the May meeting, whereas four weeks ago almost two rate cuts were expected.

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: 09/01/2024 - 09/02/2024

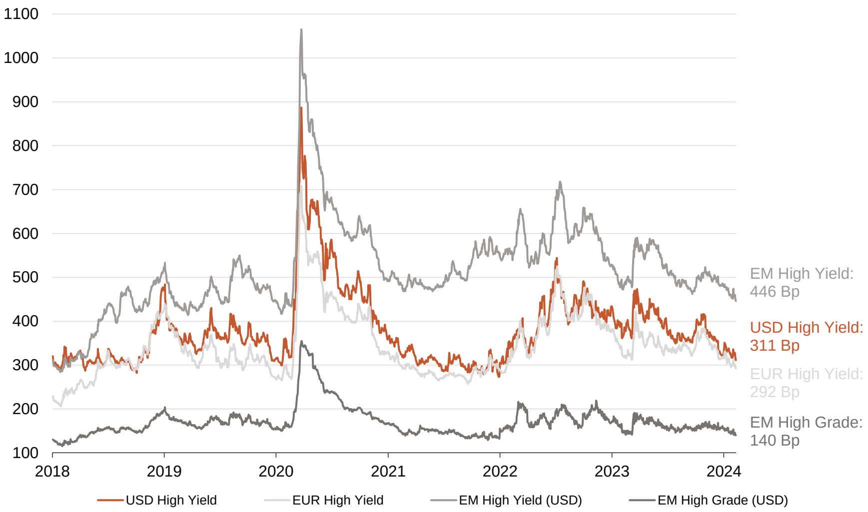
Credit Spreads Financial and Non-Financial Bonds



- In the last four weeks, both USD and EUR corporate bonds have seen a narrowing of risk premiums.
- The spreads of USD financial bonds narrowed the most at 9 basis points, while the spreads of EUR financial and non-financial bonds fell by 7 and 6 basis points respectively.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2019 – 09/02/2024

Credit Spreads High Yield and Emerging Markets Bonds



- The movement in high-yield bonds was significantly stronger. The risk premiums on USD and EUR high-yield bonds fell by 18 and 17 basis points respectively.
- The risk premiums on high-yield bonds also saw a narrowing. Spreads are now as low as they were last seen in February 2020.

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: 01/01/2019 – 09/02/2024

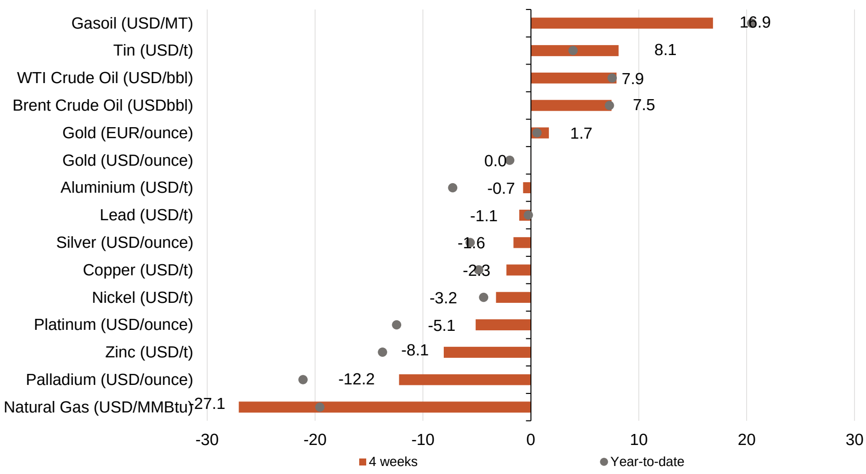
Bond Segments Overview

	Kennzahlen			Asset Swap Spread			Total Return (%, lokal)						
	Rendite (in %)	Δ-1M	Modified Duration	Spread (in Bp)	Δ-1M	10J-Perzentil	1M	YTD	09.02.23 09.02.24	09.02.22 09.02.23	09.02.21 09.02.22	09.02.20 09.02.21	09.02.19 09.02.20
EUR Government	3.04	0.17	7.1	-	-	-	-0.9	-2.0	2.3	-13.7	-5.7	2.0	8.4
Germany	2.51	0.20	7.1	-	-	-	-1.1	-2.2	1.2	-14.0	-4.2	0.4	3.3
EUR Corporate	3.91	0.07	4.4	87	-8	68	0.0	-1.0	4.4	-9.1	-3.9	1.6	5.6
Financial	4.16	0.07	3.7	101	-8	71	0.1	-0.8	4.5	-7.4	-3.2	1.4	5.2
Non-Financial	3.75	0.07	4.8	79	-7	68	0.0	-1.1	4.3	-10.1	-4.3	1.6	5.9
EUR High Yield	6.58	-0.11	3.0	292	-30	25	1.0	0.7	7.9	-4.8	-0.8	3.3	9.5
US Treasury	4.37	0.15	6.2	-	-	-	-0.7	-1.4	1.0	-9.0	-3.7	4.2	8.7
USD Corporate	5.40	0.09	6.7	127	-6	40	-0.3	-1.1	4.2	-9.2	-3.8	5.8	14.1
Financial	5.56	0.03	5.0	130	-10	58	0.2	-0.4	4.7	-7.0	-3.5	6.2	12.0
Non-Financial	5.33	0.11	7.5	125	-5	31	-0.6	-1.4	4.0	-10.2	-4.0	5.6	15.0
USD High Yield	7.93	-0.11	3.9	311	-26	11	0.8	0.2	9.3	-5.0	1.1	6.9	9.8
EM High Grade	5.51	0.00	5.2	140	-13	8	0.3	-0.5	4.2	-9.5	-2.9	3.8	11.4
EM High Yield	9.17	-0.35	3.9	446	-32	22	1.9	1.5	7.1	-9.3	-7.1	7.1	11.1

- Over the last four weeks, only European and US government bonds and US corporate bonds have performed negatively.
- The risk premiums for EUR and USD high-yield bonds are now below the 30th and 20th percentiles 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: 09/02/2004 – 09/02/2024

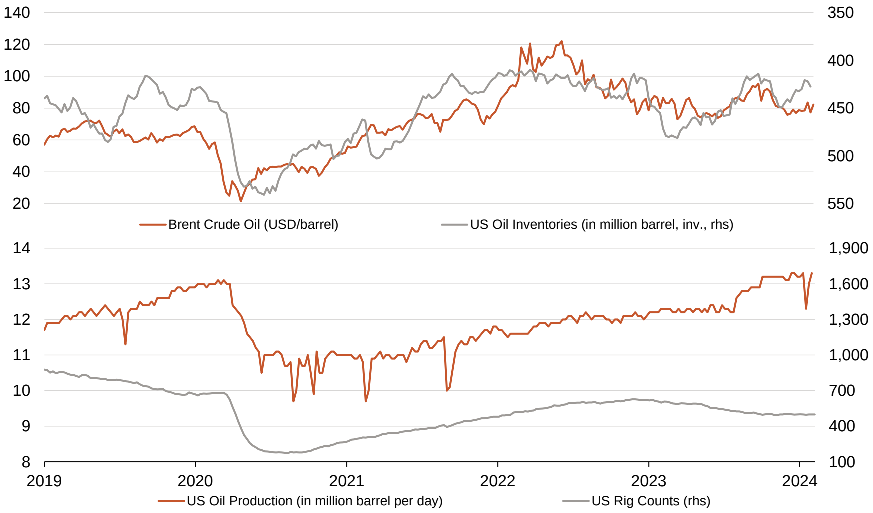
Commodities Performance



- Unlike the other energy commodities, US natural gas remains the big loser over the past month and is trading at its lowest level since September 2020. The reasons for this are manifold. Firstly, the weather in February has been very mild so far. Moreover, production is exceptionally high, while an important liquefaction plant is down due to technical faults, meaning that less natural gas can be exported.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2023 - 09/02/2024

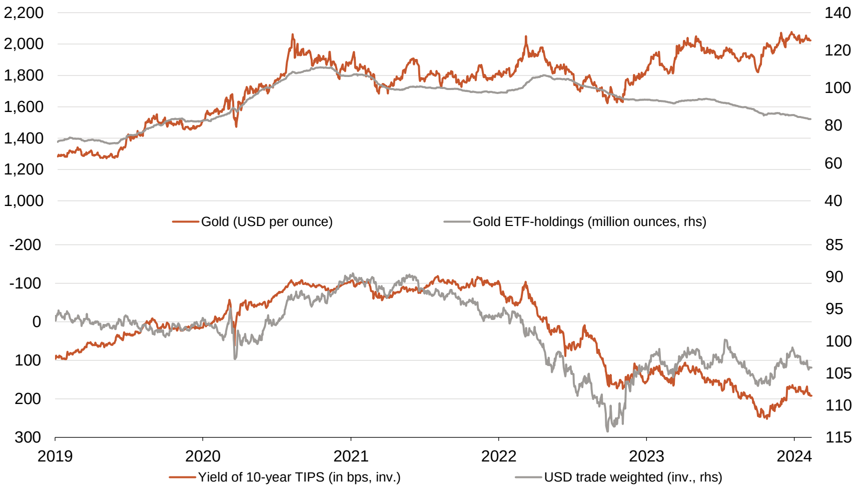
Crude Oil



- The oil price has been fluctuating sideways around the USD 80 per barrel mark since the beginning of December.
- After coming under temporary pressure due to the ceasefire negotiations between Israel and Hamas, the negotiations are now at risk of breaking down and oil has recovered again. In the short term, however, the capacity restrictions at a large US refinery, which will last until mid-February, and the resulting increase in inventories are weighing on the oil price.

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: 01/01/2019 - 09/02/2024

Gold



- Strong US labour market data weighed on the gold price, as the expected interest rate cuts by the FED were postponed further.
- However, stronger physical demand from China in the run-up to the Chinese New Year is likely to have supported the price.

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: 01/01/2019 - 09/02/2024

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IMPORTANT NOTICES

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