Current market commentary

With the continuing good results from the reporting season, the fiscal support and the robust economic data, the probability of a hard landing for the (US) economy has fallen further and that of a very soft landing or no landing has risen. As a result, more and more market observers are asking themselves whether the four interest rate cuts by the Fed in 2024 that have been priced in are still too much. In the minutes of their January meeting, which have now been published, the members of the Federal Open Market Committee expressed concerns about inflation remaining too high. As a result, the first market participants are now even expecting interest rate hikes in the US. We believe this is very unlikely, partly because US elections are due this year and the interest burden in the US budget is already high. However, we assume that the market will ultimately demand a premium for holding government bonds with longer maturities. This should lead to a steeper US yield curve over time.

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

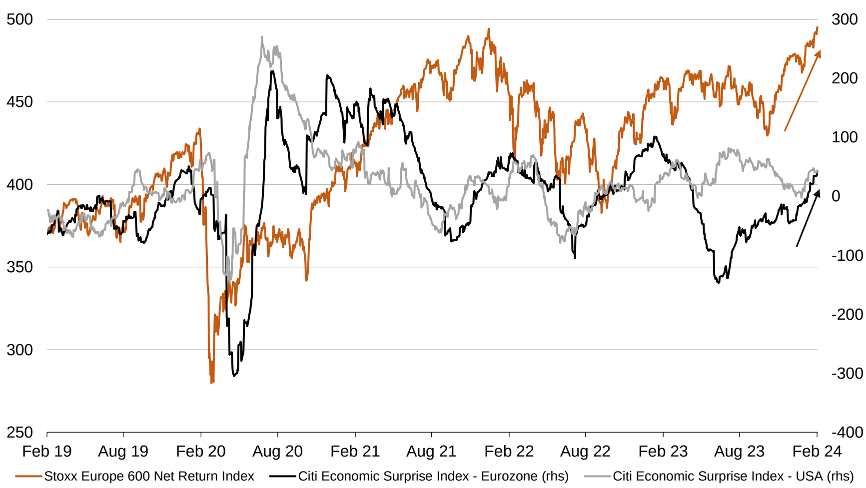
US takes centre stage this week and next.

The next two weeks will be interesting, especially in politics. Super Tuesday, the presidential primary election day, will take place in the US on 5 March. The finance ministers and central banks of the G20 will also meet in Brazil on 28 and 29 February. At the same time, the Ministerial Conference of the World Trade Organisation will meet in Abu Dhabi.

New orders, purchasing managers' indices and inflation data in the eurozone take the spotlight.

On Tuesday, the US consumer confidence index and new orders for durable goods (Jan.) will be announced. US GDP for Q4 (Feb.) will follow on Wednesday. On Thursday, the change in unemployment and the unemployment rate will be published for Germany. For the US, personal spending & income (Feb) and initial jobless claims (24 Feb) are due. The Purchasing Managers' Indices for China and the US (Feb.) and inflation data in the eurozone (Feb.) will follow on Friday.

First positive economic surprises in the eurozone since May 2023



- In February, the economic surprise index in the eurozone turned positive. The February PMI composite index, for example, reached an eight-month high of 48.9, led by the services sector and despite weakness in manufacturing.
- The prospect of an economic recovery on both sides of the Atlantic and the robust reporting season are providing a tailwind for equities and have so far dominated the burdens from the risk of sticky inflation, rising bond yields and the declining expectations of interest rate cuts since the start of the year.

Source: Bloomberg, Time period: 01/01/2023 - 23/02/2024

Multi Asset

	4W (26/01/24 - 23/02/24)	YTD (29/12/23 - 23/02/24)	23/02/23 23/02/24	23/02/22 23/02/23	23/02/21 23/02/22	23/02/20 23/02/21	22/02/19 23/02/20
MSCI Emerging Markets	4.8	2.8	4.5	-10.0	-5.4	17.8	9.7
MSCI World	4.1	7.7	21.0	2.2	13.6	5.4	22.6
MSCI Frontier Markets	1.4	4.7	8.9	-15.9	20.1	-4.4	12.0
Gold	1.2	0.7	9.4	1.9	13.6	-1.9	29.2
REITs	0.6	-1.9	-4.0	-6.4	19.4	-19.9	22.2
Euro overnight deposit	0.3	0.6	3.6	0.4	-0.6	-0.5	-0.4
USDEUR	0.3	2.0	-2.1	6.7	7.5	-10.7	4.5
EUR Coporates	0.0	-0.6	6.0	-9.4	-4.4	0.8	5.8
Global Convertibles	-0.1	0.5	2.5	-1.8	-10.6	32.3	20.0
EUR Sovereign Debt	-0.4	-1.1	4.0	-9.1	-3.1	0.1	3.8
Industrial Metals	-1.0	-0.8	-12.6	-5.3	35.4	25.9	-6.9
Brent	-1.3	8.8	7.5	18.3	74.7	-14.8	2.1

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.

- The capital markets have not shown a uniform trend over the last four weeks. Global equity indices recorded gains across the board thanks to positive economic surprises and a robust earnings season. By contrast, concerns about the Chinese economy have weighed on industrial metals over the last four weeks.
- The prospects of better market supply from crude oil producers and demand concerns weighed on Brent crude oil.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/02/2019 – 23/02/2024

Equities

	4W (26/01/24 - 23/02/24)	YTD (29/12/23 - 23/02/24)	23/02/23 23/02/24	23/02/22 23/02/23	23/02/21 23/02/22	23/02/20 23/02/21	22/02/19 23/02/20
MSCI EM Asia	6.0	3.3	2.4	-9.1	-10.8	28.4	12.0
MSCI Japan	5.9	8.7	22.7	-2.9	-3.4	13.3	11.8
Euro Stoxx 50	5.2	8.0	17.3	9.9	9.8	-1.0	19.4
S&P 500	4.6	9.3	26.0	3.2	18.5	5.8	27.4
Stoxx Europe 50	3.0	5.6	12.7	10.3	18.1	-6.6	19.3
DAX	2.7	4.0	12.6	5.8	5.5	2.1	18.5
Stoxx Europe Cyclicals	2.7	3.4	13.6	3.7	10.4	2.8	17.3
MSCI USA Small Caps	2.6	2.4	6.0	8.5	1.0	17.3	13.4
Stoxx Europe Small 200	1.9	0.4	3.3	-5.9	4.7	5.2	19.7
MSCI UK	1.6	1.8	4.6	5.2	23.1	-11.7	10.5
Stoxx Europe Defensives	0.9	1.7	6.2	7.9	18.1	-11.1	20.0
MSCI EM Latin America	0.0	-2.4	17.2	9.9	15.5	-20.8	0.5

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. Expectations of political support to boost the Chinese economy supported shares in Asian emerging markets. Continued optimism regarding AI and technology stocks, most recently supported by record profits from chip manufacturer NVIDIA, boosted shares in industrialised countries.
- In addition, the positive economic outlook in Europe supported European equities.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/02/2019 – 23/02/2024

Fixed Income

	4W (26/01/24 - 23/02/24)	YTD (29/12/23 - 23/02/24)	23/02/23 23/02/24	23/02/22 23/02/23	23/02/21 23/02/22	23/02/20 23/02/21	22/02/19 23/02/20
EM Hard Currency Bonds	1.7	1.6	7.1	-5.4	1.8	-11.0	17.5
Chinese Sovereign Bonds	1.0	1.7	6.7	3.0	6.1	0.7	5.5
EUR High Yield	0.5	1.4	9.8	-4.8	-2.1	2.9	9.0
USD High Yield	0.3	0.3	11.2	-5.2	-0.2	6.2	9.3
BTPs	0.1	-0.4	6.6	-11.9	-6.2	3.5	15.1
Gilts	0.1	-2.3	2.8	-24.8	-1.0	-5.3	13.9
EUR Financials	0.0	-0.3	6.3	-8.5	-4.1	0.8	5.5
Treasuries	0.0	0.3	-0.3	-2.8	4.0	-8.8	14.4
EM Local Currency Bonds	-0.1	-0.4	6.0	-5.1	0.9	-8.6	12.0
EUR Non-Financials	-0.1	-0.8	5.7	-10.0	-4.6	0.8	6.0
USD Corporates	-0.3	-1.1	5.9	-9.1	-4.1	3.4	14.9
Bunds	-0.4	-2.2	2.6	-14.9	-3.3	-1.2	4.0

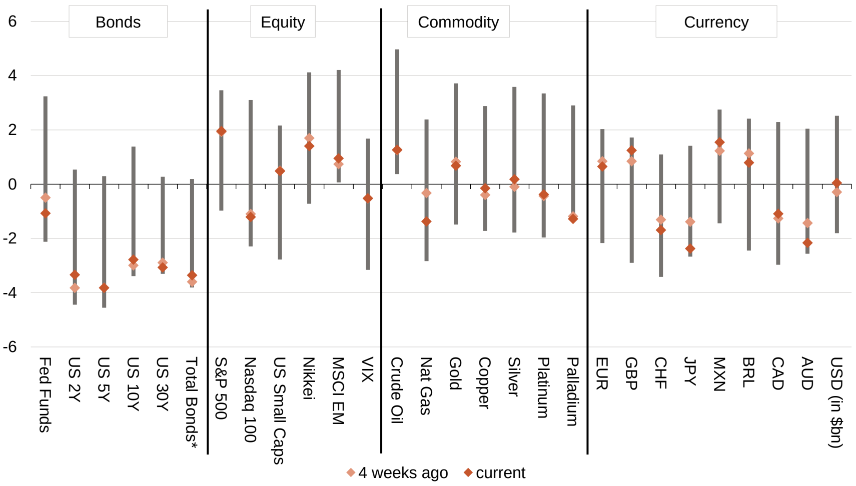
4-week & YTD; 12-month periods over that last 5 years

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

- On the bond markets, segments with more credit risk have tended to lead the way over the past month. Emerging market bonds performed best, followed by high-yield bonds.
- Investors' continued optimism and appetite for risk weighed on German government bonds, which are considered safe and have brought up the rear in the last four weeks.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 22/02/2019 – 23/02/2024

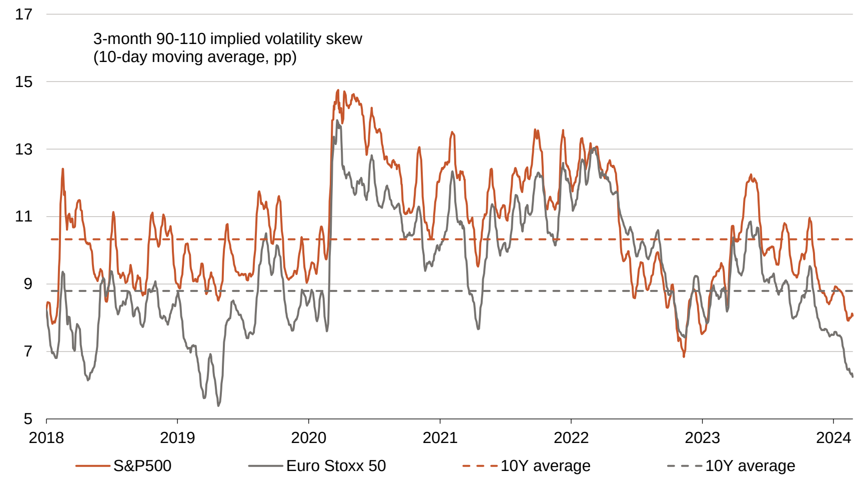
Non-Commercial Positioning



- Speculative investors remain optimistic about US equity markets, especially technology stocks.
- With a view to higher US interest rates for longer, they have significantly increased short positions in the Japanese yen.

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: 23/02/2014 - 23/02/2024

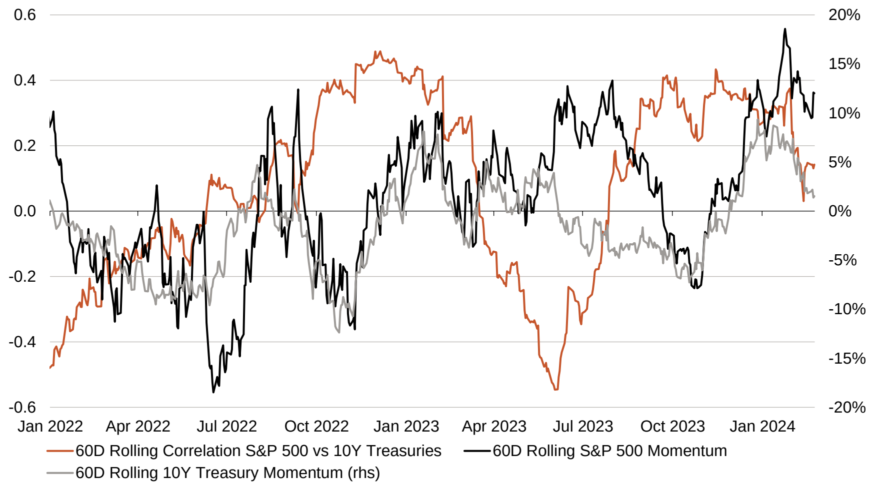
Put-Call-Skew



- Demand for hedging has continued to decline on both sides of the Atlantic in the last two weeks.
- The good reporting season and the positive economic surprises seem to have put investors in an optimistic mood.

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: 23/02/2014 - 23/02/2024

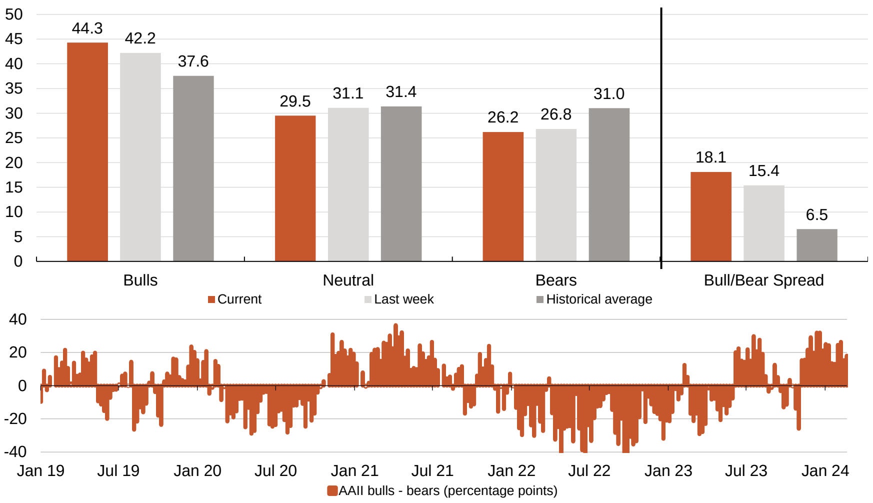
60-Day Momentum and Correlation



- The momentum of the S&P 500 has weakened in the last four weeks, but remains bullish. Many trend-following strategies are therefore likely to hold very high equity allocations.
- US treasuries, however, have been suffering from rising interest rates this year, meaning that the correlation between equities and bonds has decreased.

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 - 23/02/2024

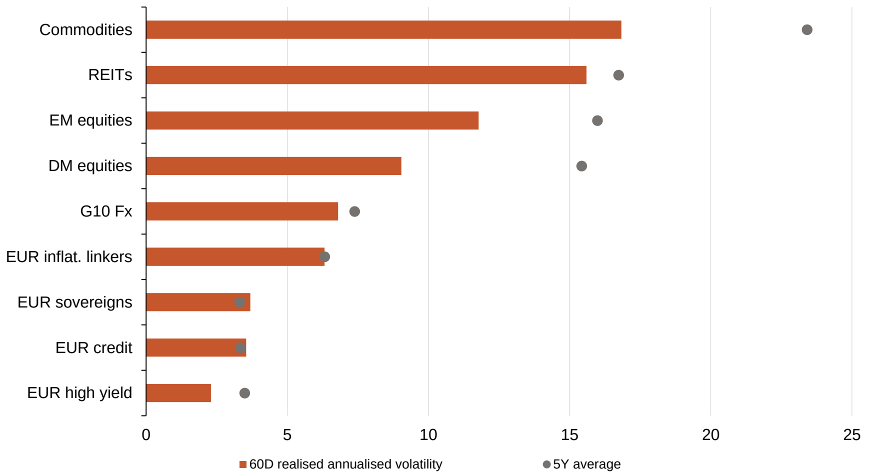
AAII Sentiment Survey (Bulls vs Bears)



- The euphoria of US private investors is unbroken. At currently 44.3%, the proportion of bulls is above the historical average of 37.6% for the sixteenth week in a row.
- In the survey, 35% of respondents stated that the development of the economy and/or inflation played the most important role in their outlook.

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

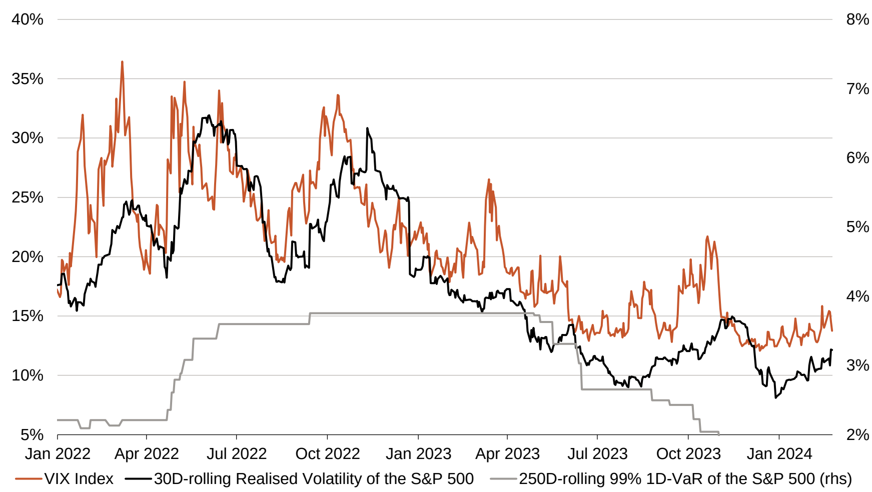
Realised Volatilities



- Realised volatility remains below the 5-year average in all asset classes with the exception of government and corporate bonds.
- Volatility in commodities has fallen in the last two weeks. By contrast, volatility in REITs has increased due to ongoing concerns in the real estate sector, particularly with regard to US commercial real estate.

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: 23/02/2019 - 23/02/2024

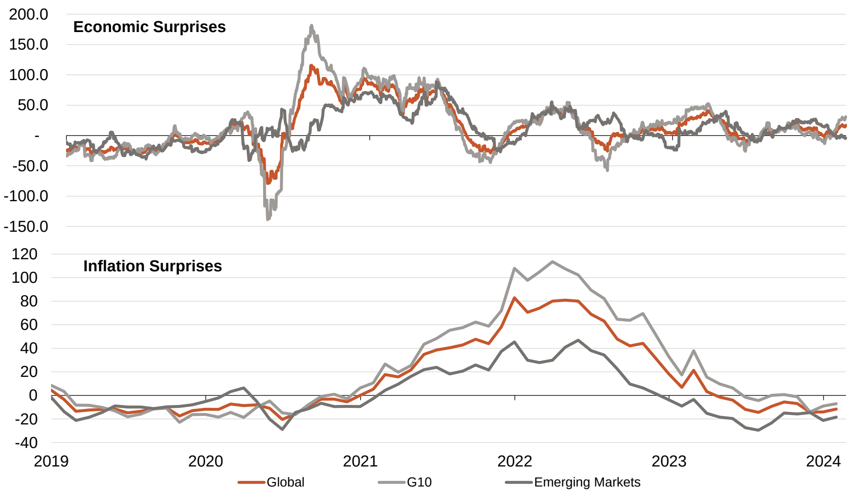
Volatility and Value-at-Risk of the S&P 500



- In February, the VIX index exceeded the 15% mark for the first time since November 2023 and 30d volatility also rose.
- A return of the "higher for longer" narrative, triggered by the robust US economy and more hawkish comments from various Fed members, drove this increase.

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 - 23/02/2024

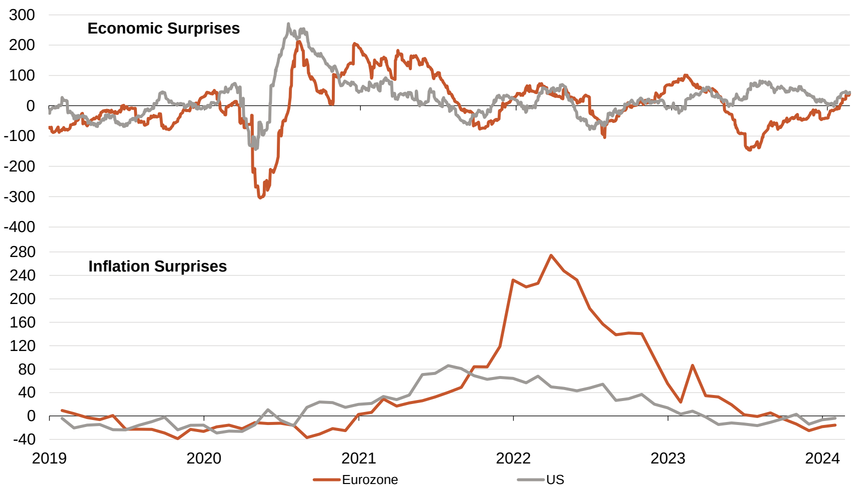
Global



- Global economic surprises have been increasingly positive in the last two weeks, while they have weakened in the emerging markets. In the US, initial jobless claims surprised to the downside, while retail sales in Mexico disappointed in December. In India, industrial production surprised to the upside in December, while wholesale sales in Canada were below expectations in December.
- Inflation data increasingly surprised on the upside worldwide in January. In the UK, however, they came in below expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 23/02/2024

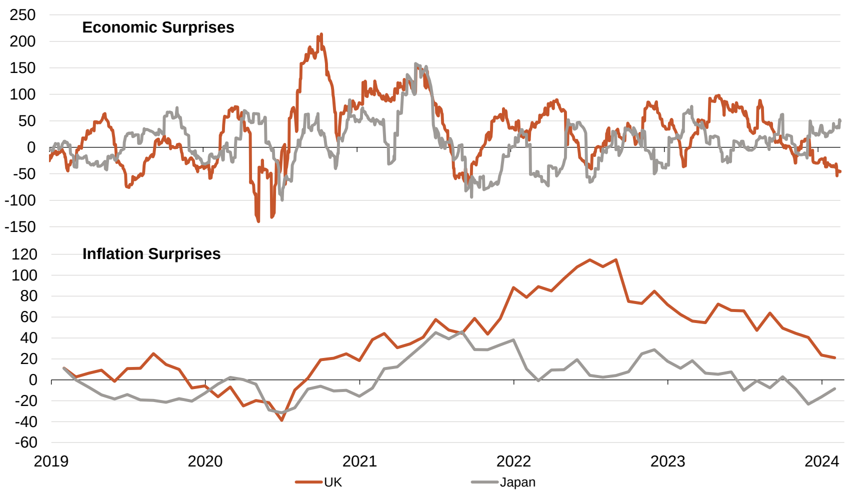
Eurozone and US



- In the US, industrial production and retail sales were disappointing in January, while the Empire State manufacturing index surprised to the upside in February. In the eurozone, industrial production exceeded expectations in December. In Germany, the manufacturing PMI index disappointed in February, while the services PMI surprised to the upside.
- In the USA, the rate of inflation in January exceeded expectations, with the core inflation rate reaching its highest level since May last year.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 23/02/2024

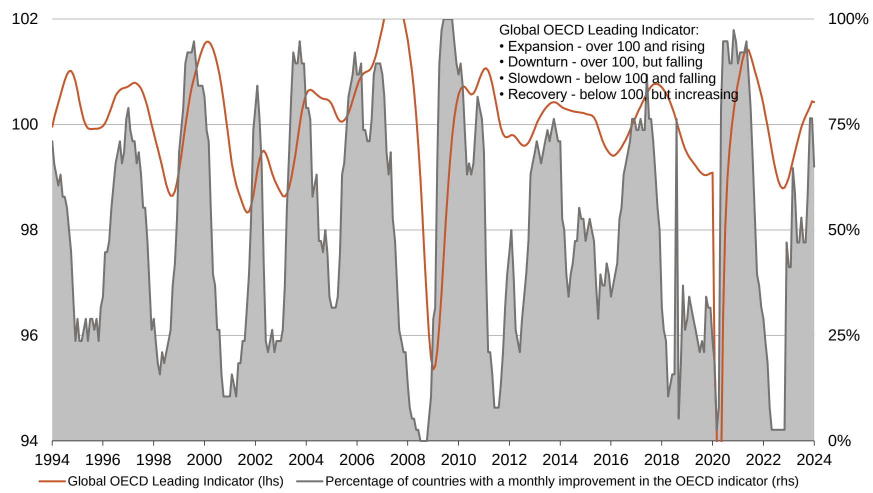
UK and Japan



- In the UK, the unemployment rate and GDP growth rate surprised to the downside in the fourth quarter, with industrial production in December exceeding expectations.
- In Japan enttäuschte die BIP-Wachstumsrate im vierten Quartal.

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 - 23/02/2024

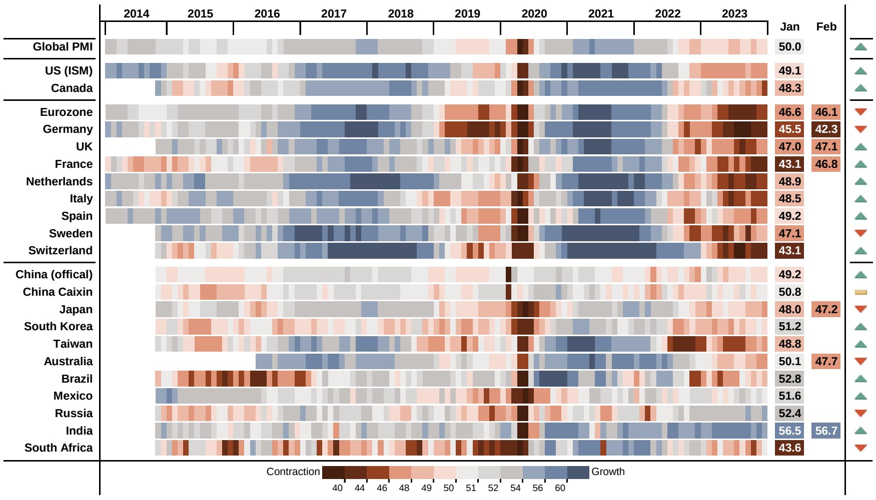
OECD Leading Indicator



- Global economic expansion is continuing - in January, the OECD leading indicator remained above the 100 mark for the sixth month in a row with a value of 100.4.
- According to the leading indicator, 65% of the countries surveyed saw an improvement in the economic situation in January compared to the previous month, with Brazil showing the strongest increase and China 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 - 23/02/2024

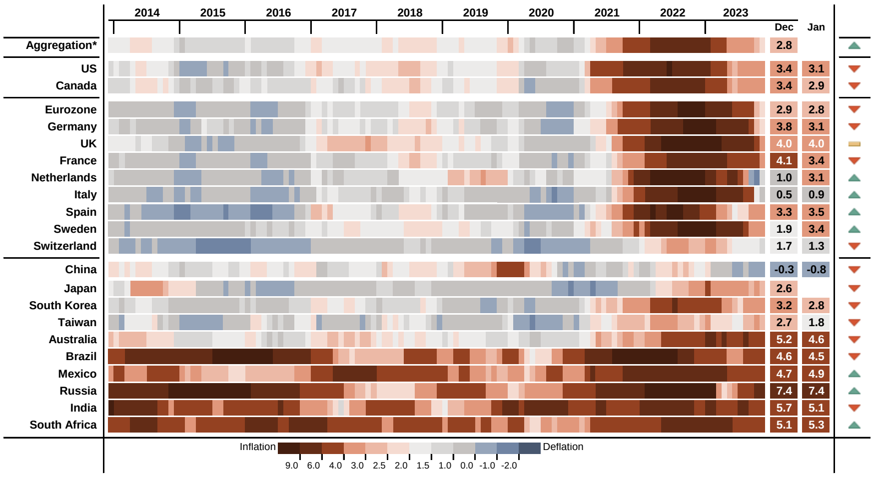
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The first PMI figures for February show clear regional divergences. While the purchasing managers' index rose in the UK and France, the PMIs in Germany and Australia fell compared to the previous month. Japan also recorded a decline in industrial activity in February.

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: 23/02/2014 - 23/02/2024

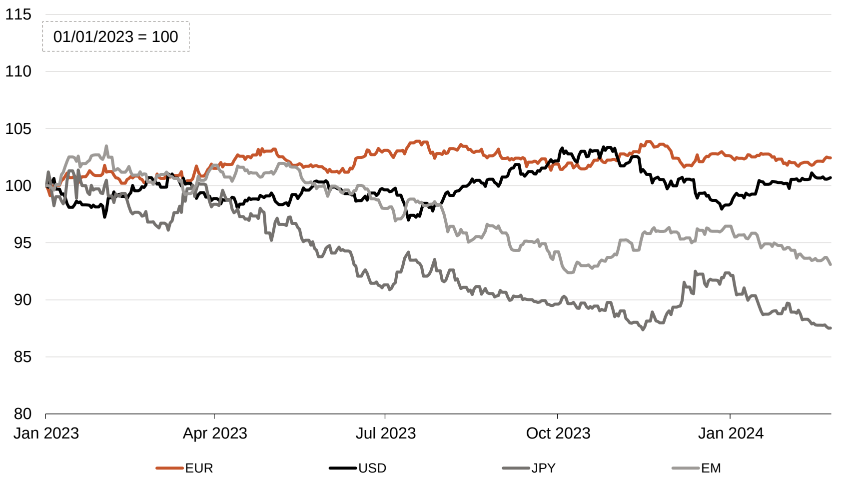
Headline Inflation



- The inflation data shows clear divergences in January. While the inflation rate in the USA, Canada, Germany and France fell compared to the previous month, it rose in Mexico, South Africa, Sweden, Spain and Italy. In the US, the inflation rate for core services - excluding residential construction - rose to its highest level since April 2022.

Inflation (in %, compared to the previous year) is measured using a consumer price index, also called a basket of goods. This basket contains all goods and services that a household purchases on average per year. * = Weighting according to gross domestic product.
Source: Bloomberg, Time period: 23/02/2014 - 23/02/2024

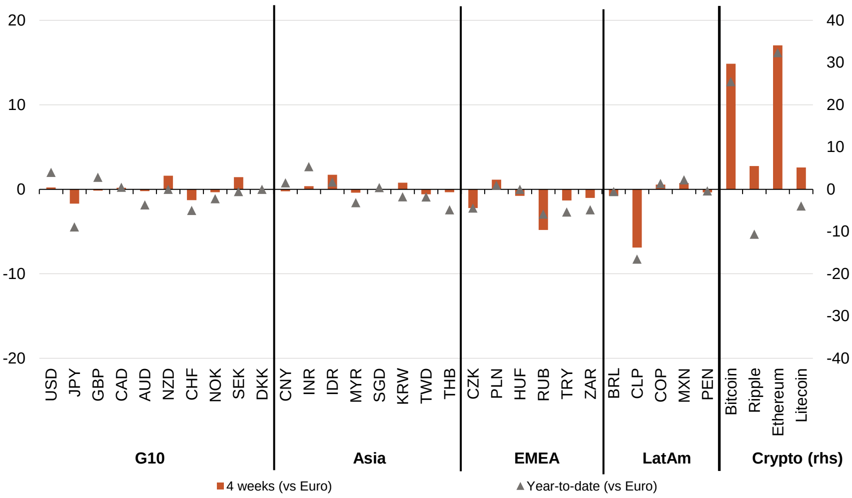
Trade-Weighted Currency Development



- Increasingly positive economic surprises from the eurozone have supported the trade-weighted euro index in the last two weeks. The trade-weighted dollar index has been treading water following mixed US economic data.
- Comments by Japanese central bankers that they would take their time with interest rate hikes weighed on the Japanese yen, which remained at a two-month low.

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 - 23/02/2024

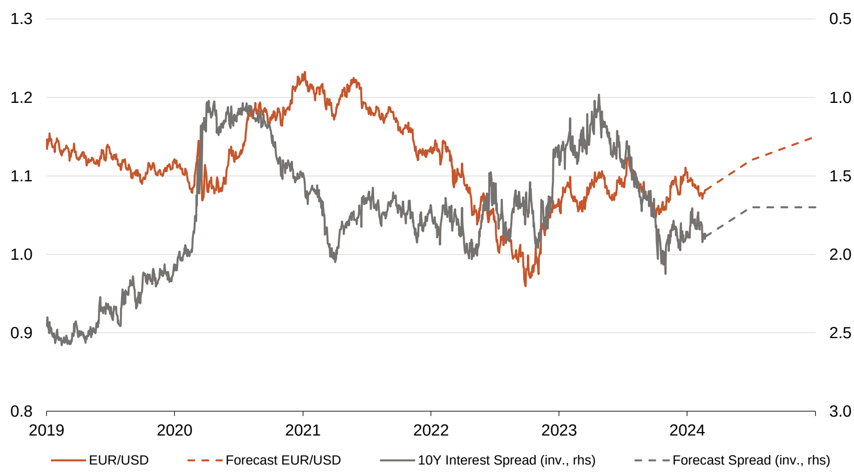
Currency Moves vs Euro



- The Czech central bank's interest rate cut of 50 basis points following its meeting in February and the possibility of further rate cuts in the coming months weighed on the Czech domestic currency last month.
- The revised forecasts, which suggest two further interest rate hikes in New Zealand this year, supported the New Zealand dollar.
- The lower-than-expected inflation data in Switzerland in January weighed on the Swiss franc.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 23/02/2024

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



- Higher than expected US inflation data in January further jeopardised the prospect of interest rate cuts by the Fed in the near future, which supported US government bond yields and led to a widening of the interest rate differential between US and German government bonds. The EUR/USD exchange rate has fluctuated around the 1.08 mark over the past two weeks.

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 - 31/12/2024

European Sector & Style Performance

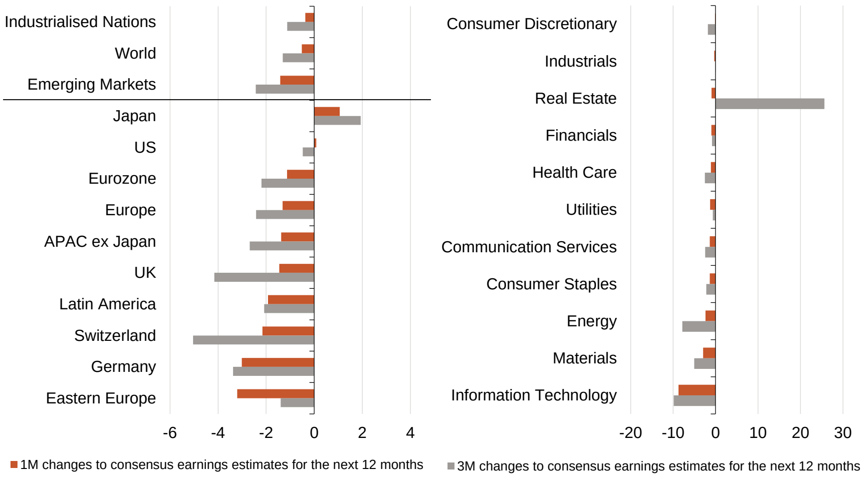
	4-week & YTD		12-month periods over that last 5 years				
	4W (26/01/24 - 23/02/24)	YTD (30/12/23 - 23/02/24)	23/02/23 23/02/24	23/02/22 23/02/23	23/02/21 23/02/22	23/02/20 23/02/21	22/02/19 23/02/20
Consumer Discretionary	8.5	10.4	9.4	7.2	6.6	13.2	16.4
Industrials	5.2	6.0	19.9	6.9	8.6	4.8	22.4
Growth	5.2	7.8	14.5	3.7	9.3	2.3	25.1
Information Technology	5.0	15.5	35.1	1.2	3.8	13.7	29.2
Health Care	3.0	6.1	12.2	5.9	17.1	-9.1	30.0
Finance	2.1	2.8	10.9	8.3	19.4	-10.4	15.9
Energy	0.9	-1.6	1.5	26.2	37.9	-19.0	-9.8
Materials	0.7	-3.0	3.2	-1.8	12.9	20.0	9.1
Value	0.3	0.2	6.3	6.2	17.9	-8.9	10.1
Consumer Staples	0.3	1.0	-1.4	0.2	18.8	-10.1	17.5
Telecommunications	-2.1	2.5	3.1	-0.7	10.5	-12.5	6.1
Utilities	-4.1	-8.2	0.1	1.7	7.4	-9.4	39.7

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.

- Equity markets still seem to know only one direction. Despite the recent rise in real interest rates, the S&P 500 and the DAX have reached new all-time highs, supported by a positive earnings season, particularly for chipmaker NVIDIA.
- Consumer discretionary and industrial stocks have been particularly strong over the past four weeks, while utilities have been the laggards.

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: 22/02/2019 – 23/02/2024

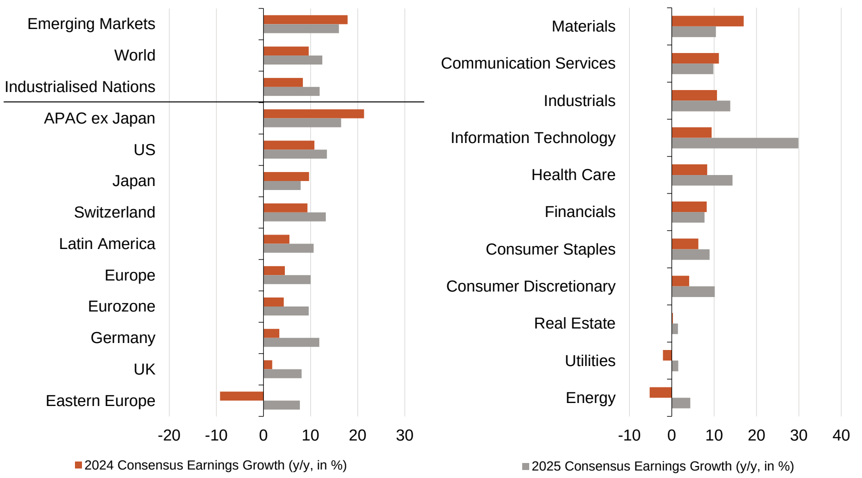
Changes in Consensus Earnings Estimates



- Analysts seem to have become more pessimistic. In particular, analysts have revised down their earnings estimates for emerging markets over the next 12 months.
- At the regional level, analysts have become more pessimistic, especially for Germany and Eastern Europe. At the sector level, analysts have lowered their expectations for the energy and information technology sectors.

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 23/02/2024

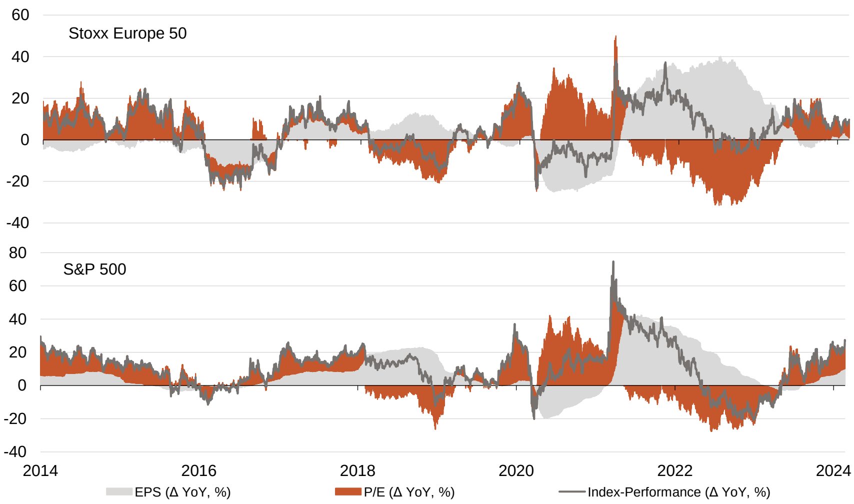
Earnings Growth



- Consensus earnings growth expectations for emerging markets in 2024 and 2025 remain high.
- In contrast, analysts are more negative on earnings growth for Germany and Europe in 2024 than at the start of the 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 23/02/2024

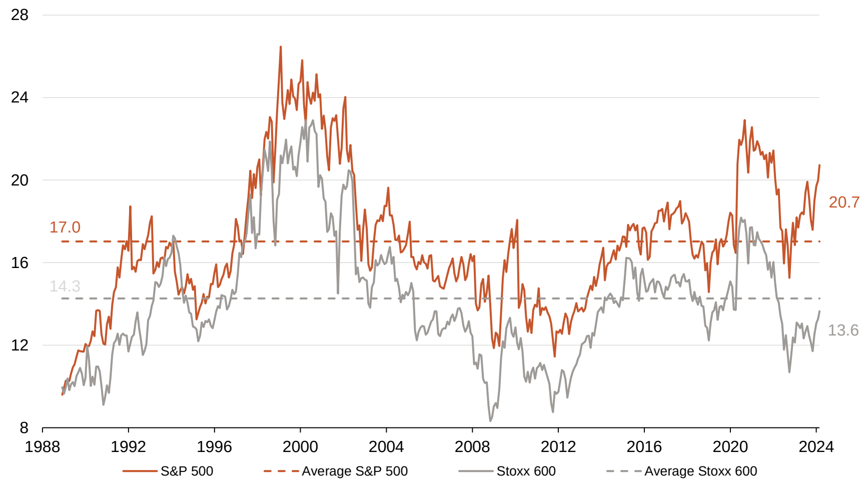
Contribution Analysis



- Earnings growth over the last 12 months has continued to rise for the S&P 500. At the same time, valuations have defied the recent rise in real yields and continued to expand.
- Thus, from a 12-month perspective, the positive performance of the S&P 500 is increasingly evenly split between valuation expansion and earnings growth.

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 - 23/02/2024

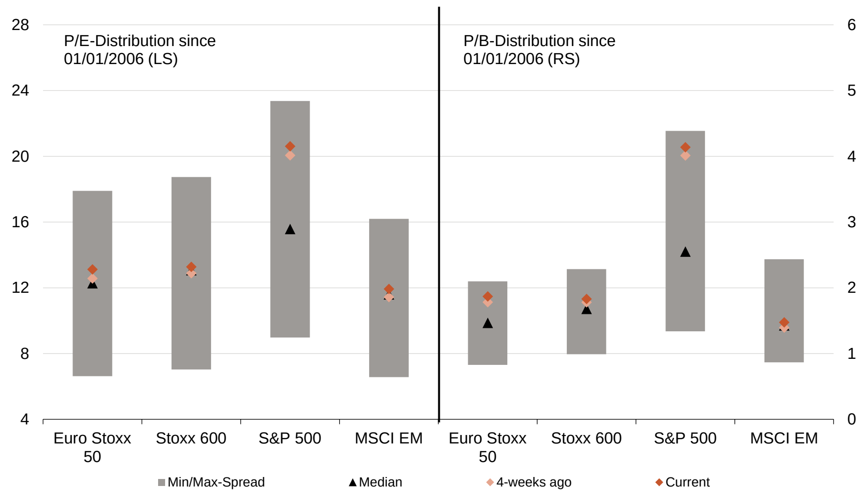
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Valuations of both European and US equities have risen significantly over the past two weeks.
- US equities therefore remain expensive by historical standards, meaning that a scenario of rising interest rates poses a risk to further upside potential. European equities remain cheap by historical comparison, but have given up much of the valuation discount over the past two weeks.

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 - 23/02/2024

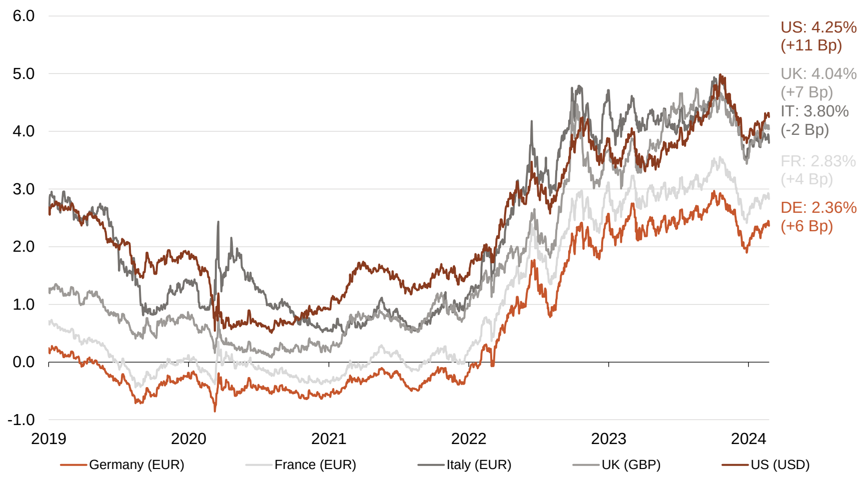
Historical Distribution: Price/Earnings and Price/Book Ratio



- Over the past four weeks, all equity regions shown here have experienced valuation expansion on both a P/E and P/B basis.
- In fact, the S&P 500 is approaching its all-time high in terms of the latest valuation expansion on a P/B basis.

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 - 23/02/2024

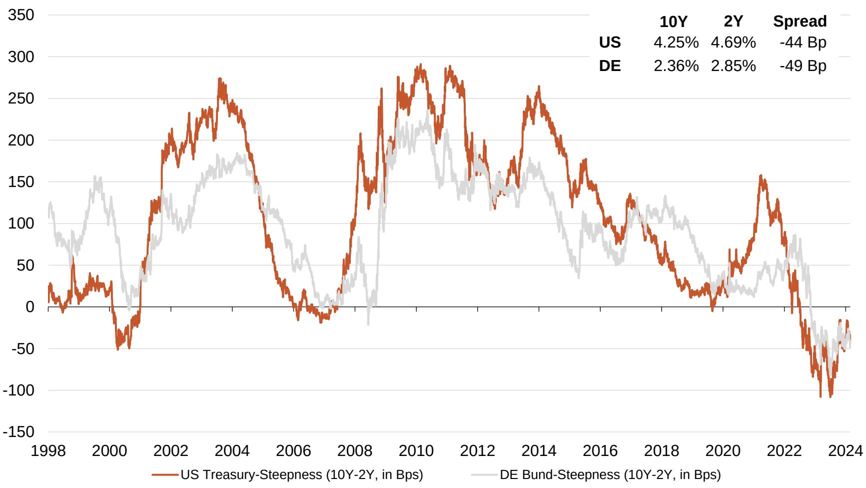
10-Year Government Bond Yields



- The robust US economic data combined with the good results of the reporting season reinforce the expectation of higher interest rates for longer. The FOMC minutes published last week also reminded market participants that an imminent rate cut was still premature given the inflation data.
- US government bond yields continued their rise of recent weeks. For example, 10-year US Treasuries are once again trading at 4.25%.

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 - 23/02/2024

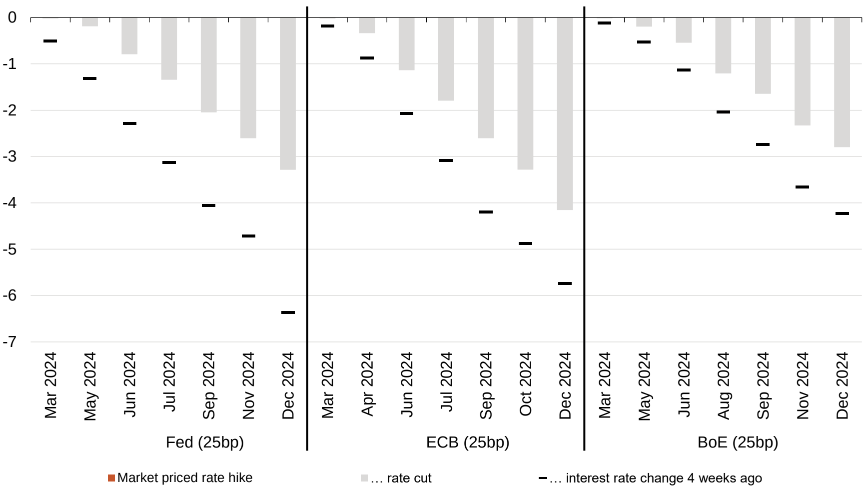
Yield Curve Steepness (10Y - 2Y)



- Over the last four weeks, the yield on US government bonds has risen more sharply at the short end (2 years) than at the long end (10 years).
- The interest rate differential between 2-year and 10-year US government bonds has fallen from -30 basis points to -44 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 - 23/02/2024

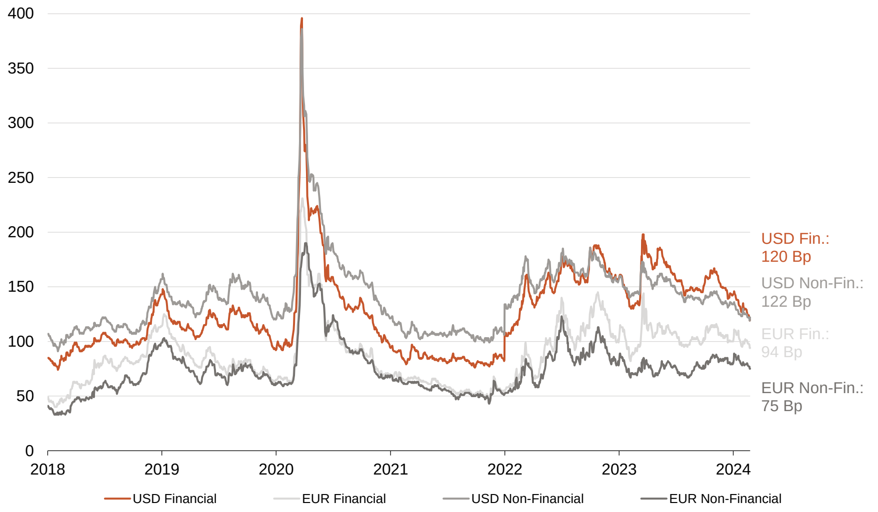
Implicit Changes in Key Interest Rates



- The euphoria over rate cuts at the turn of the year seems to have faded in recent weeks.
- Given the solid US economy, the market is now pricing in more rate cuts: four weeks ago, the market was expecting around six rate cuts (25 bp) by the end of the year; now it is expecting just under half that number.

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: 23/01/2024 - 23/02/2024

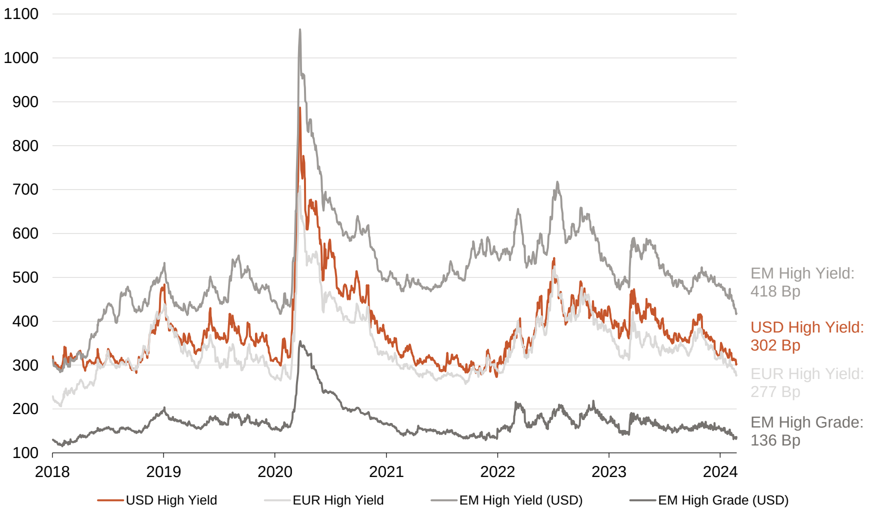
Credit Spreads Financial and Non-Financial Bonds



- Spreads on investment-grade bonds narrowed further over the last four weeks. The risk premiums on USD financial and non-financial bonds fell by 10 and 2 basis points respectively.
- Compared to their USD counterparts, EUR financial and non-financial bonds saw a smaller spread tightening of 5 basis points each.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2019 – 23/02/2024

Credit Spreads High Yield and Emerging Markets Bonds



- In contrast to IG bonds, high-yield bonds have seen stronger movements since the start of the year. The spreads of EUR high-yield bonds fell by 18 basis points, while the spreads of USD high-yield bonds narrowed by 19 basis points.
- The movement was even more pronounced in the emerging markets. The spreads of EM high-yield bonds narrowed by 39 basis points.

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 – 23/02/2024

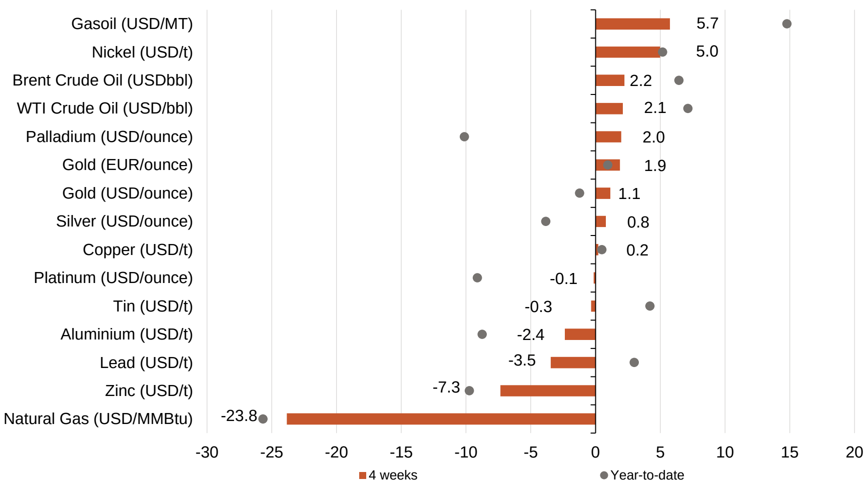
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	23/02/23 23/02/24	23/02/22 23/02/23	23/02/21 23/02/22	23/02/20 23/02/21	23/02/19 23/02/20
EUR Government	3.03	0.07	7.1	-	-	-	0.2	-1.5	4.3	-14.4	-5.0	0.0	8.8
Germany	2.56	0.13	7.1	-	-	-	-0.2	-2.2	2.5	-14.9	-3.3	-1.2	4.0
EUR Corporate	3.88	0.02	4.4	82	-6	60	0.4	-0.6	6.0	-9.3	-4.3	0.8	5.8
Financial	4.13	0.03	3.7	94	-6	62	0.4	-0.4	6.1	-7.7	-3.6	0.8	5.1
Non-Financial	3.73	0.01	4.8	75	-6	60	0.4	-0.7	5.9	-10.3	-4.6	0.7	6.1
EUR High Yield	6.46	-0.11	3.0	277	-22	15	0.9	1.3	9.8	-4.8	-2.1	2.9	9.0
US Treasury	4.48	0.18	6.2	-	-	-	-0.4	-1.7	1.7	-9.4	-2.9	2.0	9.7
USD Corporate	5.46	0.11	6.6	121	-6	33	-0.1	-1.1	5.9	-9.1	-4.1	3.4	14.9
Financial	5.60	0.09	5.0	120	-12	48	0.2	-0.3	6.2	-6.9	-4.0	4.6	12.5
Non-Financial	5.39	0.12	7.4	122	-3	28	-0.2	-1.5	5.8	-10.0	-4.1	2.9	15.9
USD High Yield	7.96	-0.05	3.8	302	-25	6	0.7	0.3	11.2	-5.2	-0.2	6.2	9.3
EM High Grade	5.59	0.08	5.2	136	-11	5	0.3	-0.6	5.5	-9.6	-3.6	2.3	12.1
EM High Yield	9.03	-0.31	3.8	418	-43	14	2.0	2.3	9.9	-9.1	-9.0	6.5	11.1

- Most of the bond segments shown here have performed positively over the last four weeks. Only German and US government bonds and US corporate bonds have posted a negative performance.
- The spreads of USD high-yield bonds are now only in the sixth percentile 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 : 23/02/2004 – 23/02/2024

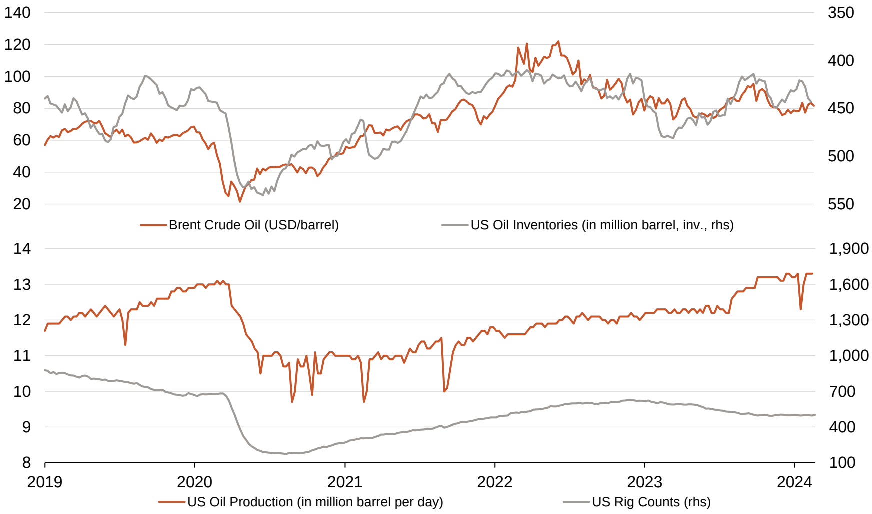
Commodities Performance



- Despite a short-term recovery, the further development of palladium remains uncertain. Palladium's long-term price weakness is primarily due to demand concerns in the wake of structural changes in the automotive sector. For the first time in 6 years, the price of palladium even fell below that of platinum.
- The subdued sentiment for industrial metals is being exacerbated by continued low demand from China. The economic data there has been weaker than expected.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2023 – 23/02/2024

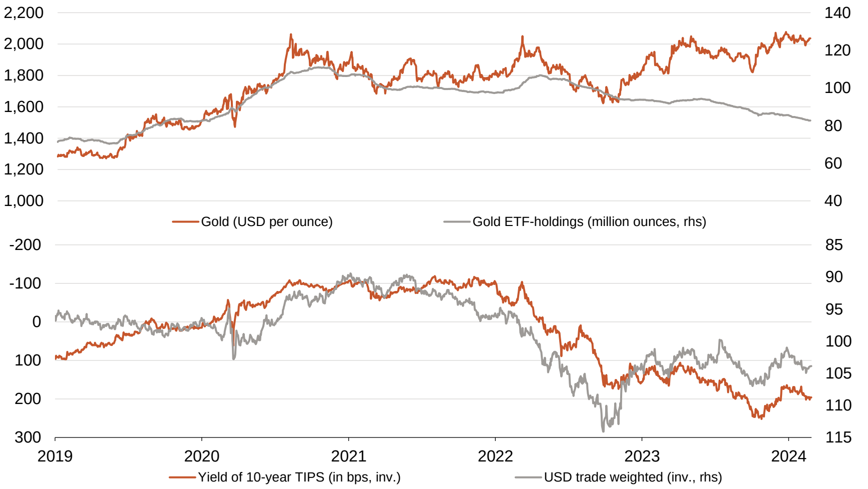
Crude Oil



- After a brief recovery, the oil price has run out of steam and is moving sideways again at just over USD 80 per barrel.
- The market outlooks of the IEA and OPEC cannot provide clear support due to their disagreement. While OPEC remains largely optimistic, the IEA has revised its demand forecast for 2024 slightly downwards.

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 – 23/02/2024

Gold



- Following the strong US labour market data, unexpectedly high US inflation data and the resulting rise in interest rates weighed on the gold price temporarily.
- However, despite continued outflows from ETFs, optimistic investors and hawkish comments from the Fed, the gold price recovered again, indicating stable physical demand.

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 – 23/02/2024

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IMPORTANT NOTICES

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