BERENBERG Markets

MONITOR

08 April 2024

Current market commentary

After a strong first quarter, the stock markets fell slightly in April. In addition to the tax season in the US, the increased geopolitical risks in the Middle East are also likely to be responsible for this. In April, US liquidity is also threatening to decline somewhat (higher Treasury supply with high duration, more tax payments at the same time). Below the surface, the rotation continued. Tech and other growth stocks tended to be sold, while banks and commodity sectors were in demand. The oil price has risen by around 20% since the beginning of the year, copper by almost 10%. The increased risk of inflation while economic data remains robust is making it more difficult for the US Federal Reserve to cut interest rates as planned. Accordingly, some Fed members attempted last week to dampen market expectations for interest rate cuts this year. A rate cut in June is currently being priced in with a probability of 55%.

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

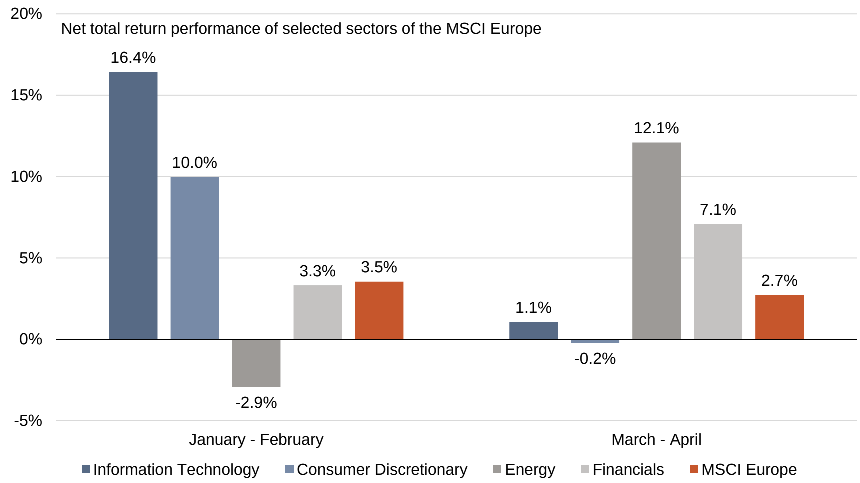
ECB meeting and interest rate decision in the market focus.

This week will be particularly exciting in terms of (monetary) policy in Europe. The ECB will meet for the third time this year on 11 April, and the market is not expecting a change in interest rates. The Eurogroup and the ECOFIN Council will meet on 11 and 12 April. The spring meetings of the IMF and the World Bank Group will also take place from 17 to 19 April.

Economic and labour market data for investors.

Data on industrial production (Feb.) and exports (Feb.) will be published for Germany today. On Wednesday, the consumer price index (Mar.) for the USA and the minutes of the last Fed meeting will be published. On Thursday, the consumer price index (Mar.) for China as well as producer prices (Mar.) and initial jobless claims (Apr. 6) for the US will be published. On Friday, the final consumer price indices (Mar.) for Germany and France, monthly GDP (Feb.) for the UK and preliminary consumer confidence from the University of Michigan (Apr.) are on the agenda.

Low index volatility, strong rotations below the surface



- Since the beginning of the year, the stock markets moved upwards almost in a straight line. The risk/return ratio of the MSCI Europe is almost 1:1.
- Beneath the surface, however, there have been major rotations. While the technology and consumer goods sectors performed well at the beginning of the year, the energy and financial sectors have done so recently. The resulting low volatility at index level therefore belies the changing outlook for the market in terms of growth, inflation and monetary and geopolitical policy.

Source: Bloomberg, Time period: 29/12/2023 - 05/04/2024
5-year periods on pages 2 and 8

Multi Asset

	4-week & YTD: 4W (08/03/24 - 05/04/24)	4-week & YTD: YTD (29/12/23 - 05/04/24)	12-month periods over that last 5 years: 05/04/23 05/04/24	05/04/22 05/04/23	05/04/21 05/04/22	05/04/20 05/04/21	05/04/19 05/04/20
Brent	12.8	23.7	19.8	-2.8	115.5	46.1	-43.4
Gold	7.9	14.9	15.9	5.0	20.6	-2.2	29.9
Industrial Metals	7.3	7.4	1.6	-25.7	61.4	44.7	-20.6
MSCI Frontier Markets	3.8	7.7	14.4	-18.1	17.4	30.4	-17.1
MSCI Emerging Markets	2.1	4.8	9.3	-11.9	-4.4	50.0	-18.2
MSCI World	1.8	10.0	24.8	-7.0	16.5	49.8	-12.4
USDEUR	0.9	1.9	0.6	0.0	8.3	-8.6	3.9
Global Convertibles	0.7	1.9	9.4	-13.5	-1.9	70.9	-11.2
Euro overnight deposit	0.3	1.1	3.8	0.7	-0.6	-0.5	-0.4
EUR Coporates	0.3	0.3	5.8	-6.7	-6.2	9.1	-3.5
EUR Sovereign Debt	-0.4	-0.8	2.5	-5.8	-5.0	2.0	1.3
REITs	-3.4	-3.0	2.4	-24.0	27.1	27.7	-21.6

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 geopolitical tensions between Israel and Iran and the renewed drone attacks by the Ukrainian armed forces on refineries in Russia gave Brent crude oil another boost. The precious metal gold reached new all-time highs, supported primarily by technical factors.
- The data on the record-high office vacancy rates in the USA in the first quarter once again unsettled investors in the property sector and weighed on REITs alongside the rise in interest rates.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 05/04/2019 – 05/04/2024

Equities

	4-week & YTD: 4W (08/03/24 - 05/04/24)	4-week & YTD: YTD (29/12/23 - 05/04/24)	12-month periods over that last 5 years: 05/04/23 05/04/24	05/04/22 05/04/23	05/04/21 05/04/22	05/04/20 05/04/21	05/04/19 05/04/20
MSCI EM Latin America	3.0	-2.1	24.7	-12.1	32.1	47.6	-43.9
Stoxx Europe Cyclicals	2.8	8.9	25.0	-1.2	4.8	65.8	-27.2
MSCI UK	2.7	4.7	9.6	-0.3	22.7	31.3	-26.4
S&P 500	2.6	11.8	30.0	-7.9	21.8	52.1	-8.8
DAX	2.0	8.5	17.1	7.6	-4.5	58.6	-20.7
MSCI EM Asia	1.8	5.6	7.4	-11.2	-8.3	51.9	-12.4
Stoxx Europe Small 200	1.4	3.1	11.1	-12.6	2.1	60.5	-21.3
Euro Stoxx 50	1.2	11.3	19.6	12.7	1.2	51.2	-20.7
MSCI USA Small Caps	1.0	5.0	20.6	-10.3	4.2	97.3	-30.2
Stoxx Europe 50	0.4	7.6	13.2	7.7	16.3	28.1	-13.2
Stoxx Europe Defensives	0.3	3.7	6.2	2.2	21.9	16.2	-7.7
MSCI Japan	-2.0	10.4	22.6	-2.7	-2.7	38.2	-9.6

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 rallied across the board in the last four weeks. Positive economic surprises in Europe supported European cyclicals, while the commodities rally gave a tailwind to shares in the UK.
- Better-than-expected economic data in China boosted Asian emerging market equities.
- Japanese equities recently saw profit-taking following their strong YTD performance.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 05/04/2019 – 05/04/2024

Fixed Income

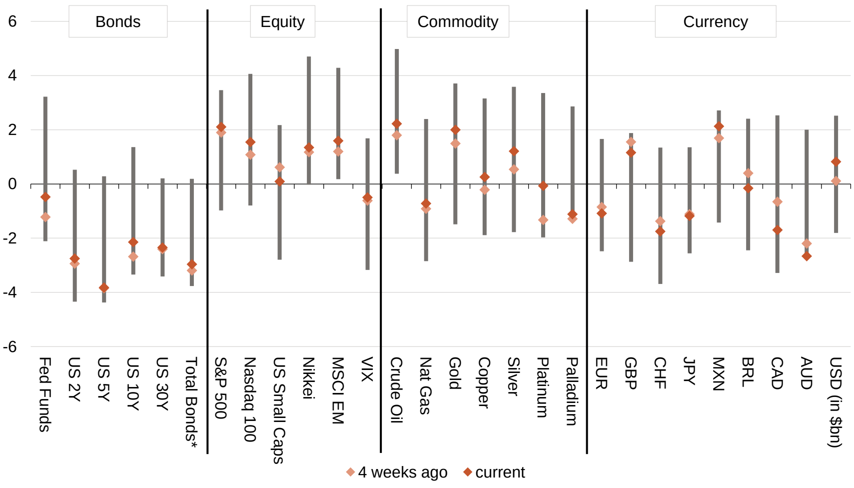
	4-week & YTD: 4W (08/03/24 - 05/04/24)	4-week & YTD: YTD (29/12/23 - 05/04/24)	12-month periods over that last 5 years: 05/04/23 05/04/24	05/04/22 05/04/23	05/04/21 05/04/22	05/04/20 05/04/21	05/04/19 05/04/20
EM Hard Currency Bonds	1.7	3.8	11.1	-5.7	-1.0	7.2	-4.0
EUR Financials	0.3	0.8	7.2	-7.0	-5.5	9.1	-3.8
EM Local Currency Bonds	0.3	0.2	6.0	-0.1	-2.2	6.6	-6.4
EUR Non-Financials	0.2	0.0	4.7	-6.4	-6.7	9.0	-3.4
EUR High Yield	0.0	1.7	10.8	-4.6	-3.2	22.5	-10.3
USD High Yield	-0.1	1.0	10.5	-3.3	-0.9	26.9	-10.2
Treasuries	-0.1	0.1	-1.3	-2.0	2.5	-13.0	19.1
Chinese Sovereign Bonds	-0.2	2.3	6.6	3.4	5.7	-0.2	7.3
Bunds	-0.8	-2.1	0.4	-10.4	-6.1	-1.5	3.6
BTPs	-0.9	0.2	5.0	-8.5	-7.9	8.1	7.9
USD Corporates	-1.1	-1.1	2.5	-3.3	-5.7	9.6	4.9
Gilts	-1.6	-2.0	-1.0	-19.8	-4.3	-2.2	10.0

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

- On the bond markets, segments with higher credit risks have tended to lead the way over the past month. Government bonds, on the other hand, performed negatively across the board.
- Stubborn inflation in the services sector and strong wage momentum in the UK made BoE Council members sceptical about interest rate cuts in the near future, which weighed on UK government bonds.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 05/04/2019 – 05/04/2024

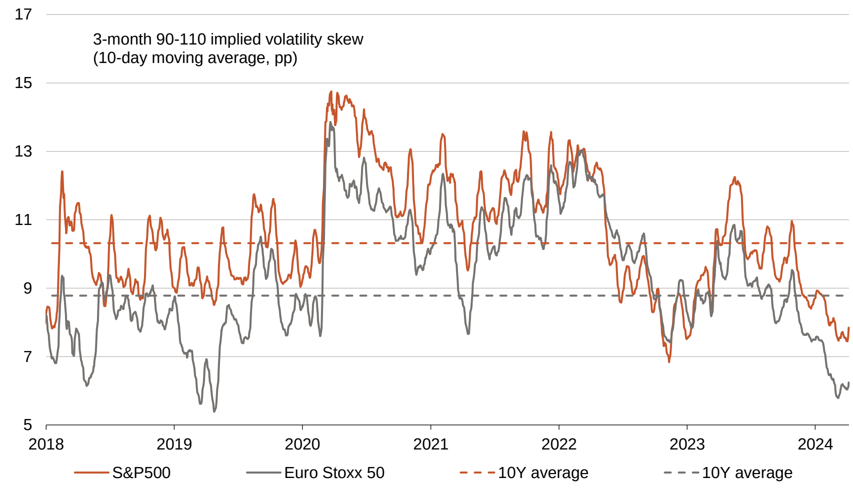
Non-Commercial Positioning



- Hedge funds are in gold fever. With prices at all-time highs and positive momentum, speculative investors have increased their long positions again. Recently, they have also become active in silver.

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: 02/04/2014 - 02/04/2024

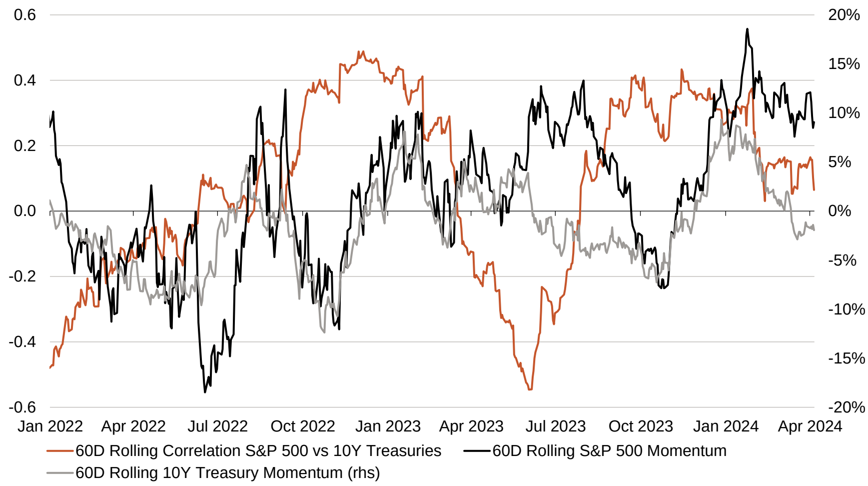
Put-Call-Skew



- The put-call skew has recently fallen further in both the US and Europe and is now extremely low.
- In combination with the sharp rise in prices, the high positioning of systematic strategies and the low volatility, this indicates increased fragility of equity markets.

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: 05/04/2014 - 05/04/2024

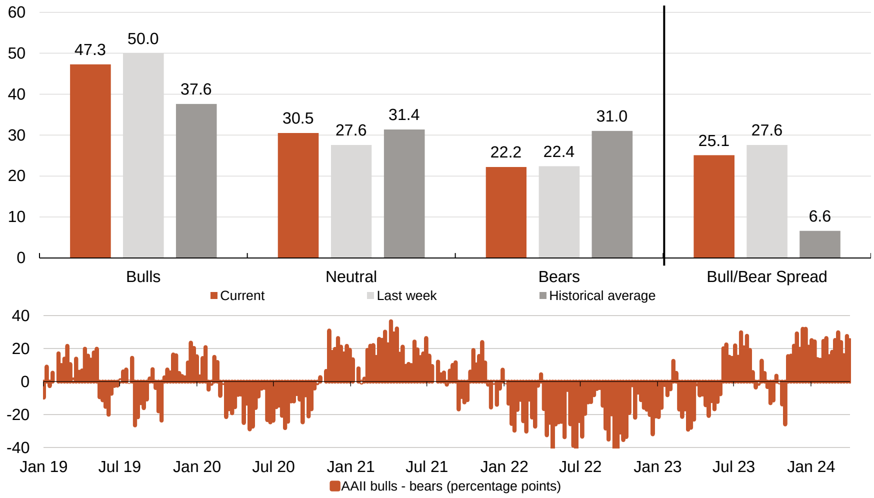
60-Day Momentum and Correlation



- The momentum of the S&P 500 has remained at an astonishingly high level since the end of last year. Compared to the last 20 years, it is currently in the 93rd percentile. Momentum strategies should therefore currently have considerable equity exposure.

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 - 05/04/2024

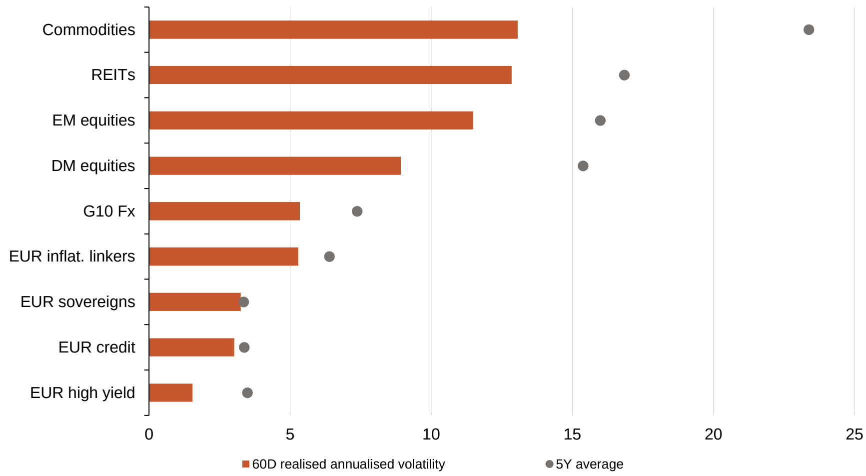
AAII Sentiment Survey (Bulls vs Bears)



- US private investors remain very optimistic. The bulls have dominated the bears for 23 weeks now, with an average of 20 ppts.
- At the end of 2021 after the pandemic, the longest period of optimism was 28 weeks, but the average was "only" 17 ppts.

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 – 04/04/2024

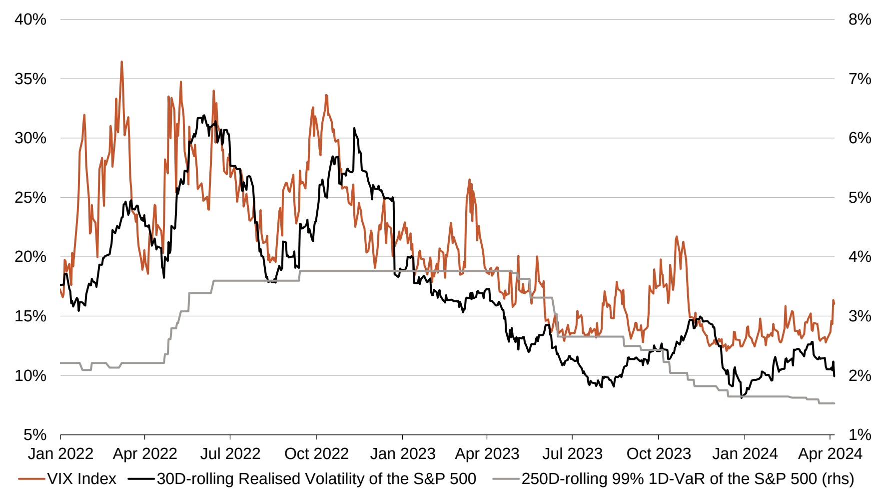
Realised Volatilities



- Low volatility is not just a phenomenon of the major benchmark indices in the West, but can currently be observed across almost all asset classes.
- However, the current order of risk investments corresponds to the historical pattern.
- Only within the bond segments is the order reversed due to the higher average duration and therefore higher interest rate sensitivity of the segments with better credit quality.

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: 05/04/2019 - 05/04/2024

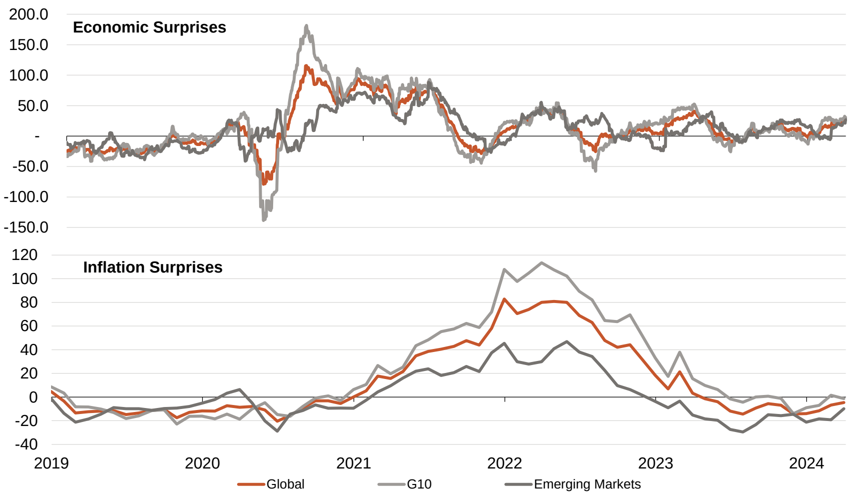
Volatility and Value-at-Risk of the S&P 500



- The VIX recently surpassed the 15 mark.
- Realised volatility over the last 30 days, on the other hand, has fallen further and is now close to 10%. The volatility premium therefore remains elevated despite the overall low volatility level.

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 – 05/04/2024

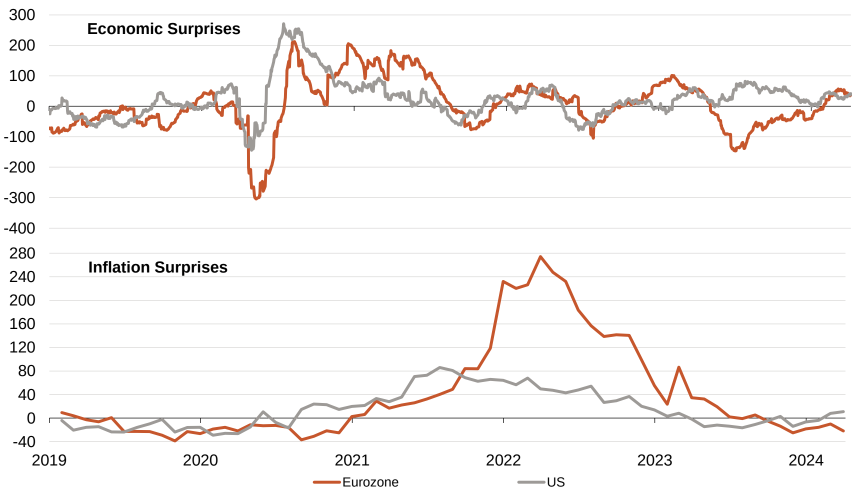
Global



- Economic surprises have been increasingly positive over the past two weeks in both industrialised and emerging markets.
- In Canada, GDP growth in January was better than expected, while GDP growth in Vietnam was disappointing in the first quarter. In Switzerland, the purchasing managers' index surprised to the upside in March and consumer price inflation to the downside. In Turkey, the inflation rate in March was slightly below expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 05/04/2024

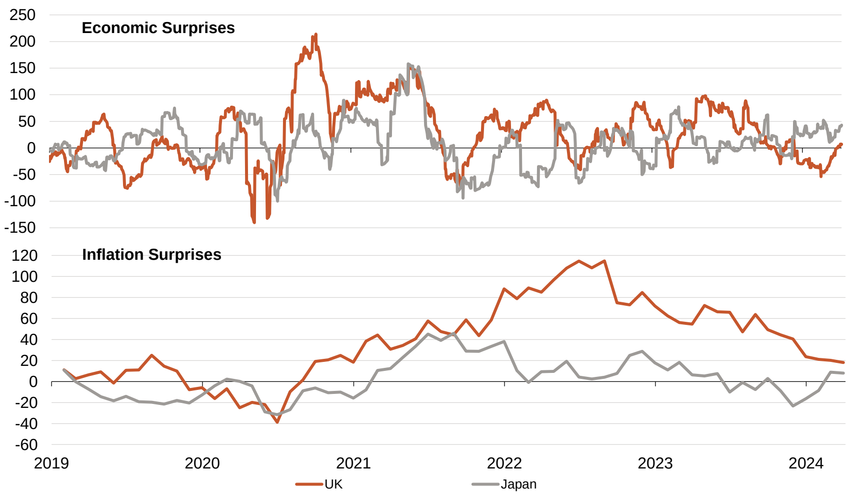
Eurozone and US



- In the USA, the increase in the number of people employed outside agriculture in March was significantly higher than expected at 303 thousand (214 thousand). The ISM manufacturing index surprised to the upside at 50.3 in March, showing the first expansion of industrial activity in the US since September 2022.
- In the eurozone, consumer prices rose less strongly than expected in March, while the PMI surprised slightly on the upside.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 05/04/2024

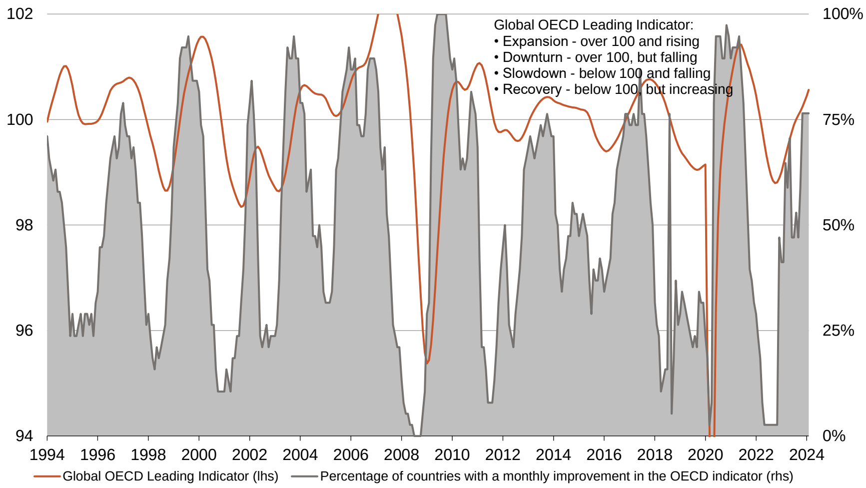
UK and Japan



- In the UK, the manufacturing PMI index surprised to the upside in March.
- In Japan, industrial production in February was worse than expected, while retail sales surprised to the upside.

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 - 05/04/2024

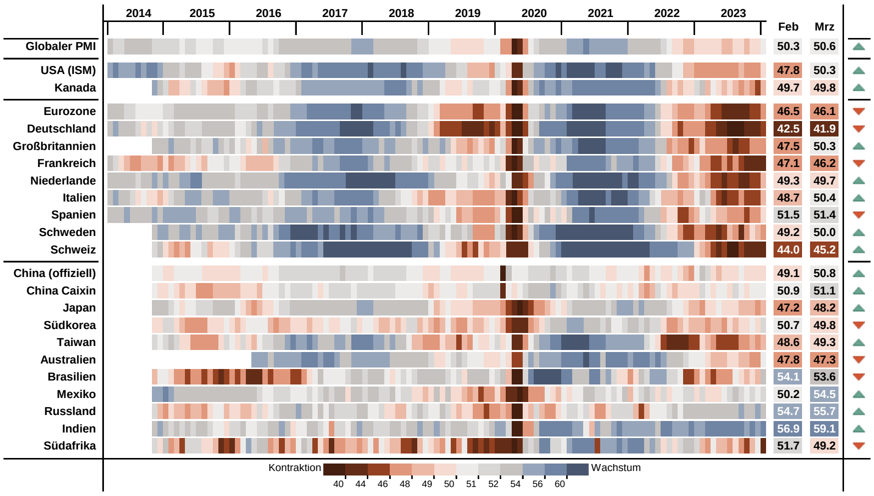
OECD Leading Indicator



- The global economic expansion continued in February – the OECD leading indicator remained above the 100 mark for the seventh month in a row with a value of 100.6.
- According to the leading indicator, 76% of the countries surveyed saw an improvement in the economic situation in February compared to the previous month, with Japan and Turkey showing a slight decline in the economic situation.

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 – 05/04/2024

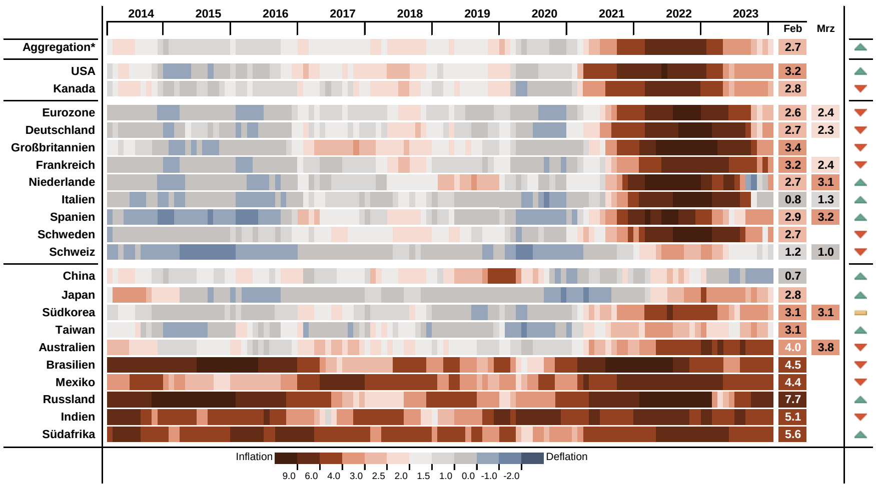
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The PMI figures for March again showed a slight increase in global industrial activity. However, the purchasing managers' indices for the eurozone, Australia, Brazil, South Africa and South Korea recorded a decline in the PMI 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: 01/01/2014 – 05/04/2024

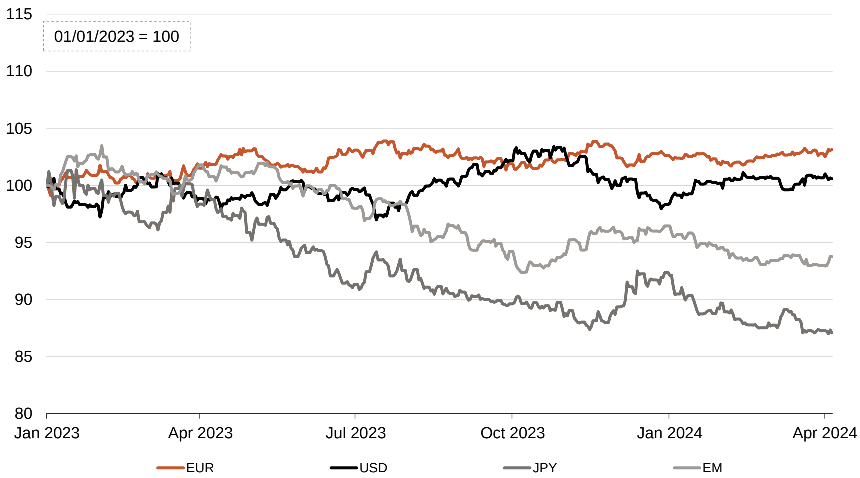
Headline Inflation



- The first inflation data for March show clear differences within the eurozone. While the annual inflation rate in Germany and France fell compared to the previous month, it rose in the Netherlands, Italy and Spain, although the inflation rate in Italy was below expectations.

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: 01/01/2014 – 05/04/2024

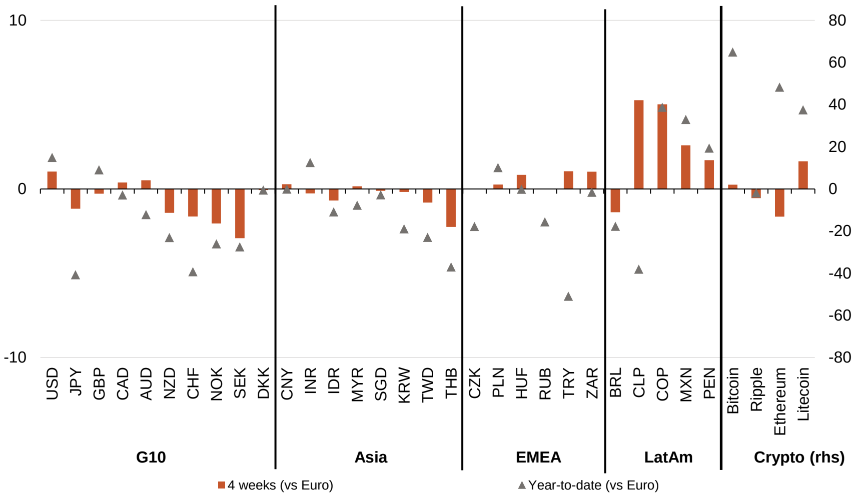
Trade-Weighted Currency Development



- Despite the persistently strong economy and robust labour market data in the US, Fed Chairman Jerome Powell did not change his assessment of the development of the US economy and thus the prospect of the first interest rate cuts in the course of the year, meaning that the US dollar has not appreciated any further recently.
- The Japanese yen reached a 34-year low against the US dollar last week. The Japanese finance minister promised to protect the currency from speculators.

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 - 05/04/2024

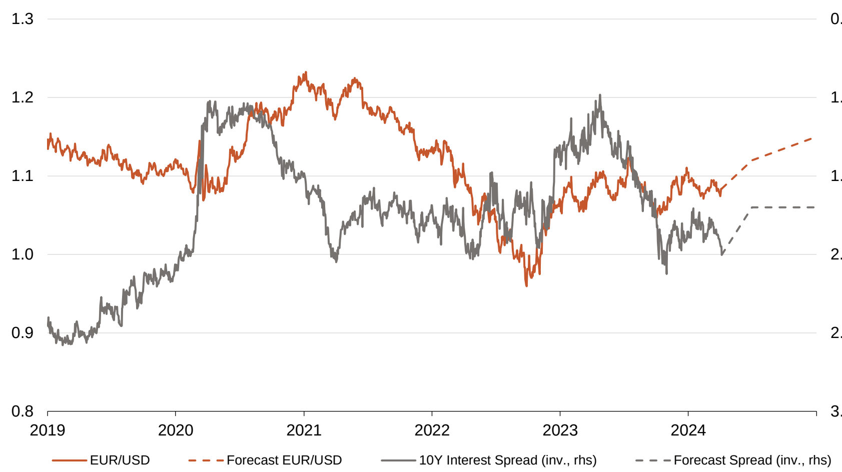
Currency Moves vs Euro



- The Chilean peso appreciated against the euro last week after the central bank left its options open regarding the extent of future interest rate cuts, signalling caution in the face of inflation risks.
- The Swedish central bank left its key interest rate unchanged after its meeting last week and signalled that the first rate cuts could come in May or June, which weighed on the Swedish krona.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 05/04/2024

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



- The lower-than-expected inflation rate in the eurozone in March and more dovish comments from ECB Governing Council members led to a widening of the interest rate differential between US and German government bonds to just under 1.95pc. The EUR/USD exchange rate traded below the 1.09 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 - 31/12/2024

European Sector & Style Performance

	4-week & YTD: 4W (08/03/24 - 05/04/24)	4-week & YTD: YTD (30/12/23 - 05/04/24)	05/04/23 05/04/24	05/04/22 05/04/23	05/04/21 05/04/22	05/04/20 05/04/21	05/04/19 05/04/20
Energy	10.1	8.8	16.2	16.1	42.2	13.0	-36.6
Finance	4.5	10.6	28.3	4.3	9.0	57.4	-33.8
Materials	4.2	3.8	15.6	-10.7	14.6	65.6	-23.3
Value	3.0	4.4	14.0	3.4	10.4	43.4	-28.8
Industrials	0.9	8.4	25.3	4.0	1.3	71.4	-22.9
Telecommunications	0.1	2.2	1.1	-1.2	5.6	29.2	-25.3
Consumer Discretionary	-0.1	9.7	7.8	14.8	-6.8	81.5	-25.7
Growth	-1.1	8.2	13.2	0.3	9.8	37.7	-7.7
Utilities	-1.4	-7.4	-4.3	1.6	7.3	33.8	-3.1
Information Technology	-2.3	17.7	34.1	-0.9	2.6	65.3	-10.6
Health Care	-2.4	5.4	7.6	-2.9	28.8	6.6	9.3
Consumer Staples	-2.9	-4.4	-10.2	2.6	14.0	12.5	-6.2

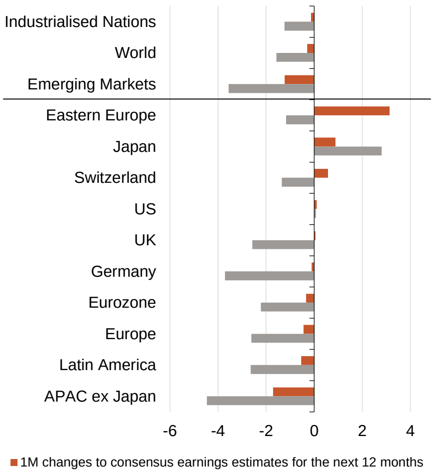
12-month periods over that last 5 years

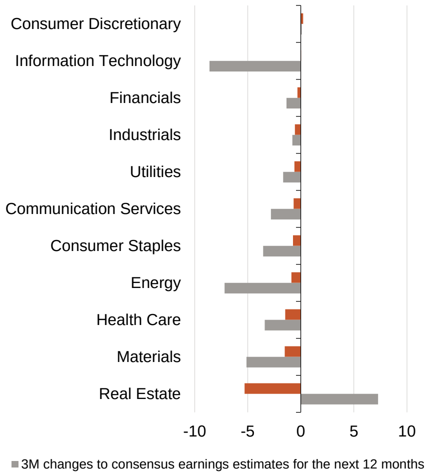
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR;
Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. 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 energy sector led the performance rankings over the last four weeks, supported by rising prices for energy commodities in the face of ongoing geopolitical tensions.
- The information technology sector, which had performed best since the beginning of the year, suffered from tax-related profit-taking in the last four weeks and brought up the rear.

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: 05/04/2019 – 05/04/2024

Changes in Consensus Earnings Estimates

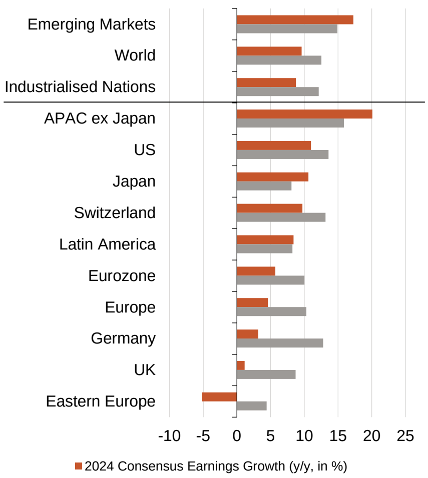


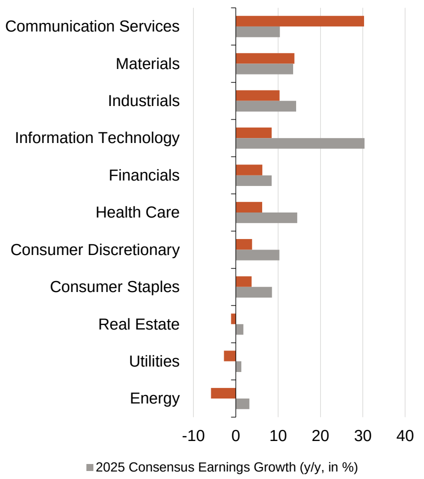


- Analysts have continued to revise their earnings estimates downwards both over the last month and over the last three months.
- At a regional level, they have recently reduced their estimates, particularly in the emerging markets, especially APAC ex Japan.
- At a sectoral level, the negative earnings revisions for energy stocks are particularly surprising, as the oil price, typically the most important earnings driver, has risen by more than 20 % since the beginning of the year.

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 05/04/2024

Earnings Growth

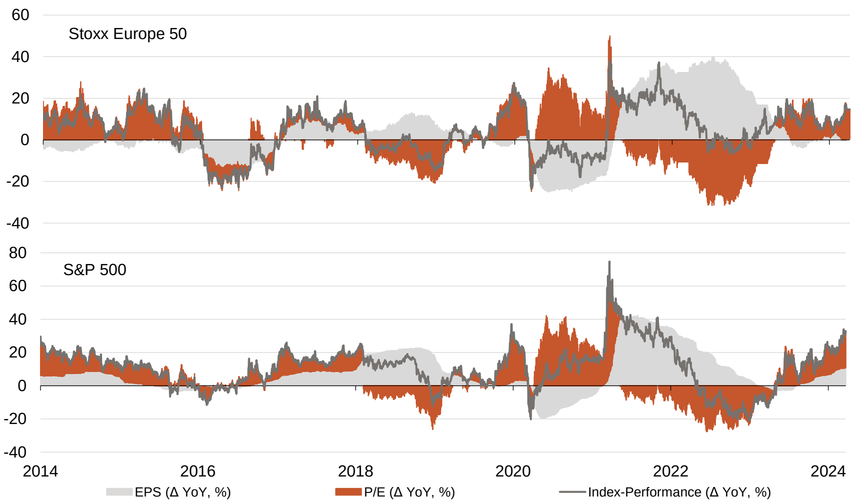




- Analysts expect global earnings growth of just under 10%. A recovery in earnings is expected in Asia in particular.
- The consensus is also very optimistic for the US. However, this profit optimism is also necessary to justify the increased valuation.

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 05/04/2024

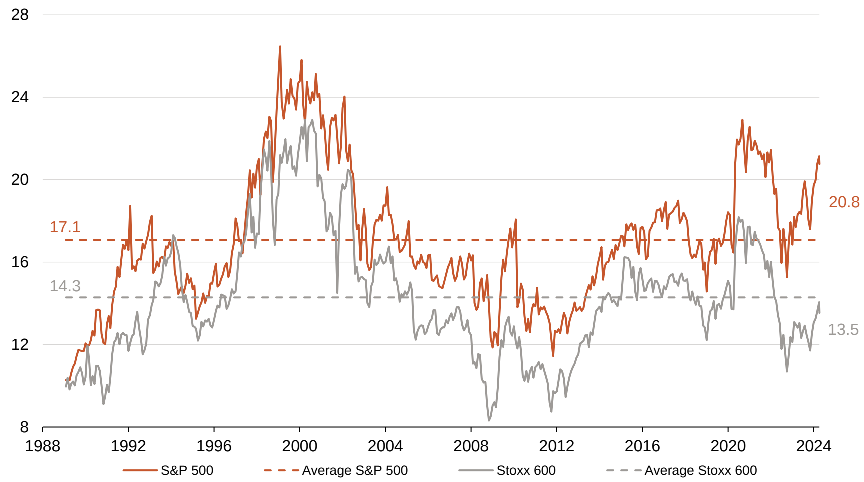
Contribution Analysis



- The index performance of the Stoxx Europe 50 over the last 12 months is exclusively attributable to an expansion in valuations.
- The situation is different for the S&P 500, where one third of the index performance over the last 12 months was driven by a positive change in earnings estimates and two thirds by an expansion 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: 01/01/2014 - 05/04/2024

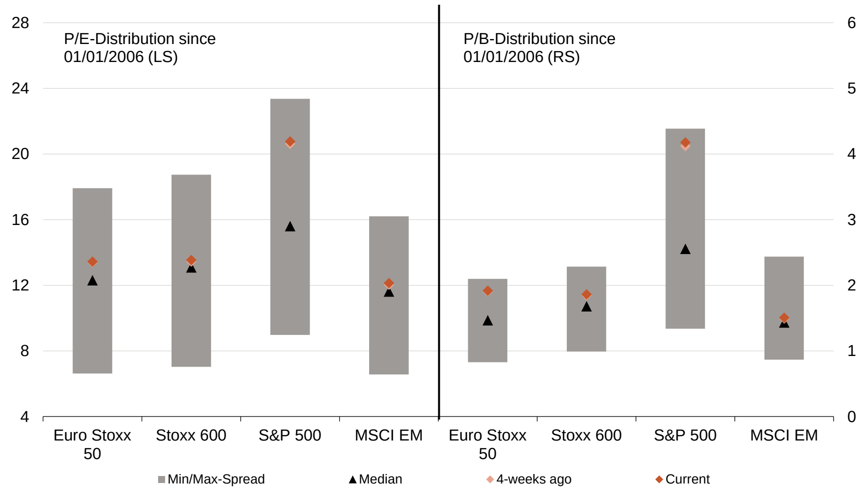
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The valuation difference between the S&P 500 and the Stoxx 600 is historically extremely high at almost 7 P/E points. While the S&P is more expensive than average, the Stoxx is even slightly cheaper than the historical average.
- It is therefore all the more astonishing that the performance of European equities has been in no way inferior to that of US equities over the last two years.

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 - 05/04/2024

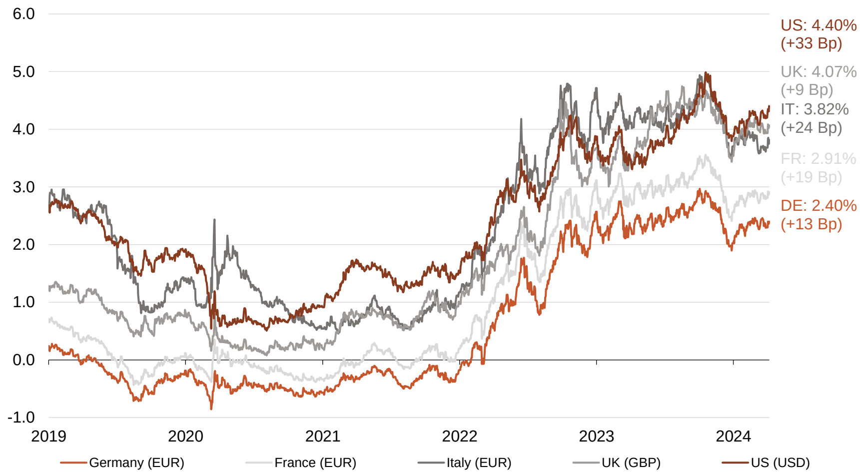
Historical Distribution: Price/Earnings and Price/Book Ratio



- Valuations based on earnings have risen slightly over the last four weeks in all regions with the exception of the US. However, the S&P 500 also has by far the highest P/E ratio, meaning that the potential for further increases in future earnings expectations is more limited than in Europe or the emerging markets.

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 - 05/04/2024

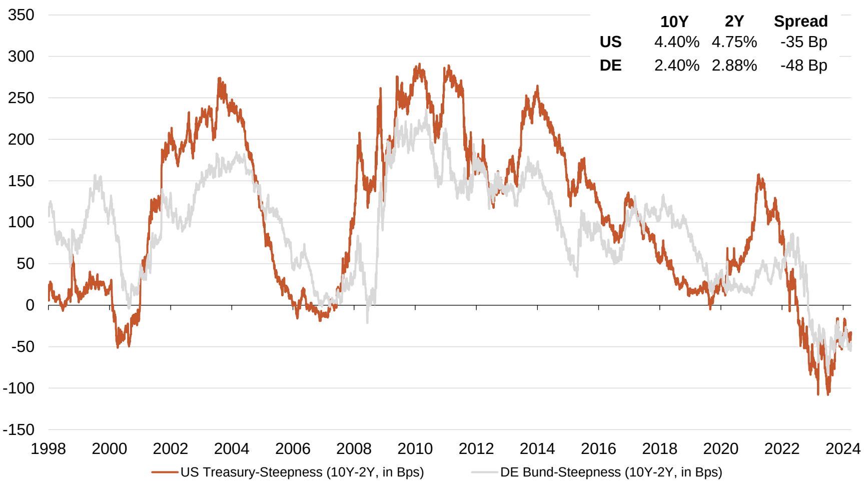
10-Year Government Bond Yields



- The comments by Fed member Neel Kashkari, who questioned the need to cut interest rates this year in the face of persistent inflation, as well as renewed strong labour market data in the US surprised investors and weighed on safe-haven US government bonds.
- The lowering of growth forecasts for this year by the Italian government and the high budget deficit in March weighed on Italian government bonds.

Effective yield on 10-year government bonds and change over the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2019 - 05/04/2024

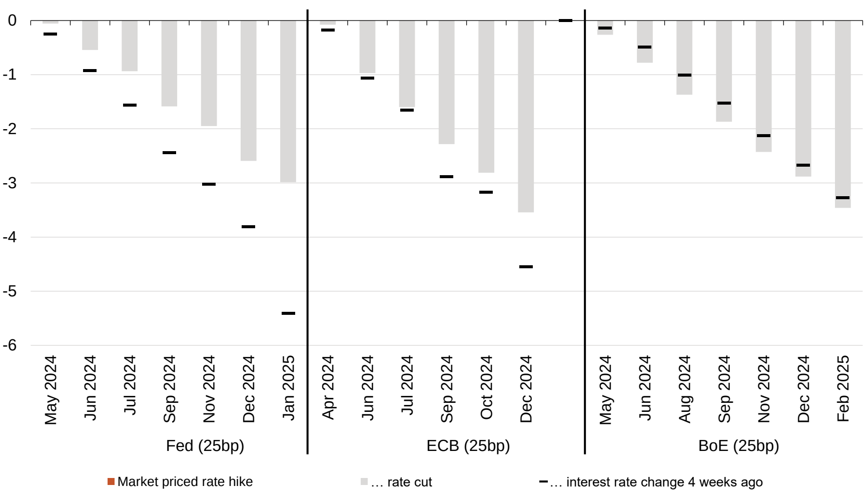
Yield Curve Steepness (10Y - 2Y)



- Over the last two weeks, yields in the US have risen more sharply at the long end than at the short end.
- The interest rate differential between 2-year and 10-year US government bonds has narrowed accordingly over the same period, changing from -39 to -35 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 - 05/04/2024

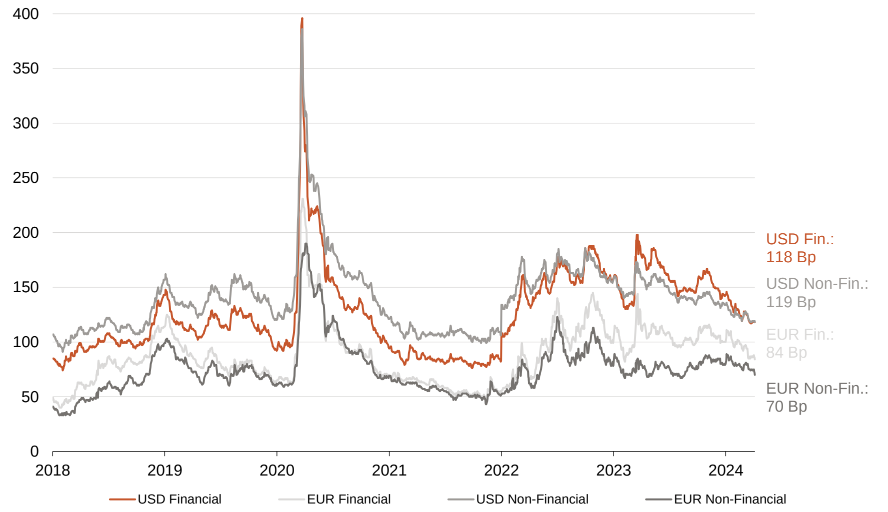
Implicit Changes in Key Interest Rates



- After Fed Council members Kashkari and Logan questioned the prospects of interest rate cuts this year, investors now only expect a rate cut in June with a probability of 55%.
- The ECB will announce its interest rate decision on Thursday, with investors still expecting the first rate cut in June.

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: 05/03/2024 - 05/04/2024

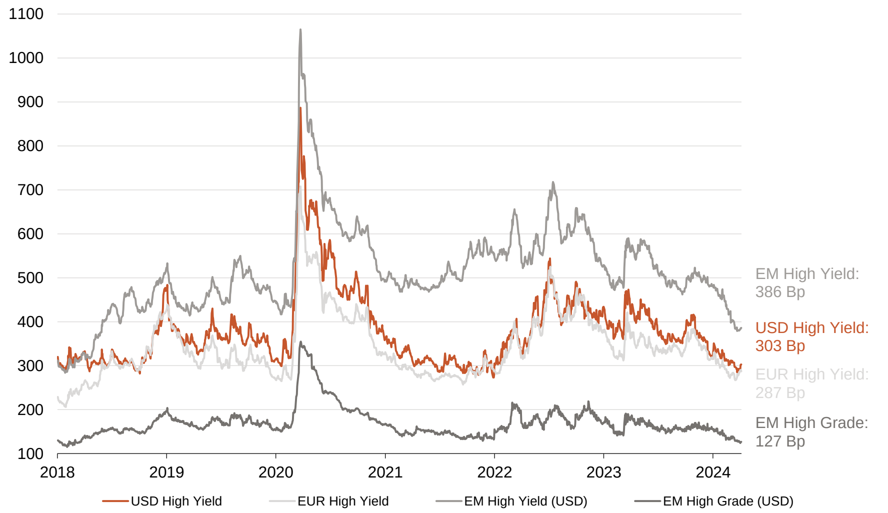
Credit Spreads Financial and Non-Financial Bonds



- In the last two weeks, risk premiums on EUR investment-grade corporate bonds have narrowed, while spreads on USD corporate bonds have widened slightly.
- Spreads on EUR financial and non-financial bonds narrowed by 2 and 4 basis points respectively. USD financial and non-financial bonds widened by 1 basis point each.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 05/04/2024

Credit Spreads High Yield and Emerging Markets Bonds



- A more pronounced movement was observed in USD high-yield bonds over the last two weeks. Risk premiums rose by 15 basis points here.
- Emerging market high yield bonds saw a slight spread widening of 5 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: 01/01/2018 – 05/04/2024

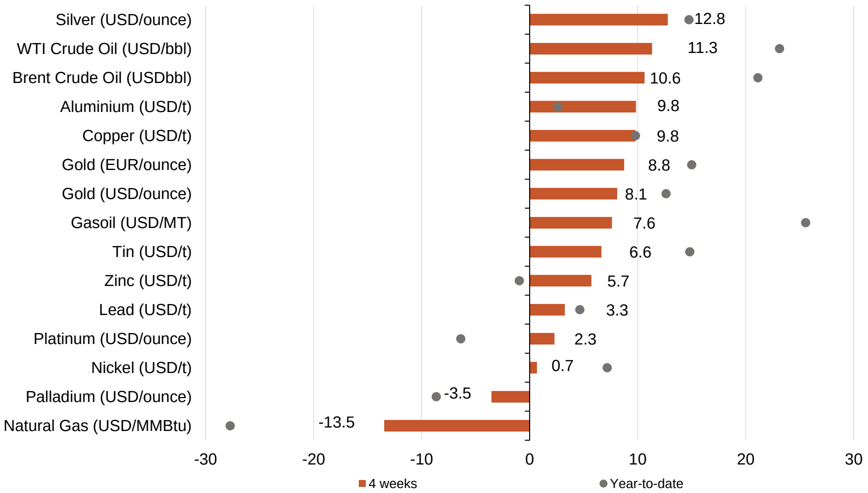
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	05/04/23 05/04/24	05/04/22 05/04/23	05/04/21 05/04/22	05/04/20 05/04/21	05/04/19 05/04/20
EUR Government	2.96	-0.10	7.2	-	-	-	0.9	-0.7	3.4	-11.5	-6.8	2.8	4.5
Germany	2.48	-0.10	7.3	-	-	-	0.9	-1.4	1.4	-11.6	-5.4	-1.5	3.5
EUR Corporate	3.75	-0.18	4.4	78	-8	47	1.1	0.4	6.3	-7.4	-5.7	8.9	-3.4
Financial	3.98	-0.20	3.7	86	-11	45	1.1	0.7	6.8	-6.5	-4.6	8.4	-3.3
Non-Financial	3.61	-0.17	4.8	74	-6	49	1.1	0.2	6.0	-7.9	-6.3	9.1	-3.4
EUR High Yield	6.60	0.01	3.0	283	4	23	0.3	1.6	10.7	-4.4	-3.2	22.4	-10.2
US Treasury	4.45	0.01	6.2	-	-	-	0.4	-1.0	-1.5	-3.6	-4.2	-5.3	15.3
USD Corporate	5.39	-0.08	6.7	119	-7	29	0.9	-0.1	3.3	-4.2	-5.1	9.7	5.0
Financial	5.54	-0.08	5.0	118	-9	45	0.8	0.6	5.0	-3.1	-4.9	9.0	4.9
Non-Financial	5.31	-0.08	7.5	119	-7	26	1.0	-0.4	2.6	-4.7	-5.2	10.0	5.1
USD High Yield	7.83	-0.13	3.8	290	-17	7	0.9	1.5	10.3	-3.3	-0.5	26.6	-10.0
EM High Grade	5.48	-0.06	5.2	128	-6	1	0.7	0.6	4.4	-2.9	-7.6	9.4	1.7
EM High Yield	8.71	-0.22	3.9	380	-20	9	1.4	3.9	11.2	-3.7	-13.0	27.4	-9.3

- In the last four weeks, the segments with higher credit risks have tended to perform positively. High-yield bonds from emerging markets in particular have risen.
- The risk premiums on USD high-yield bonds remain below the 10th percentile and are therefore not historically attractive.

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: 04/04/2014 – 04/04/2024

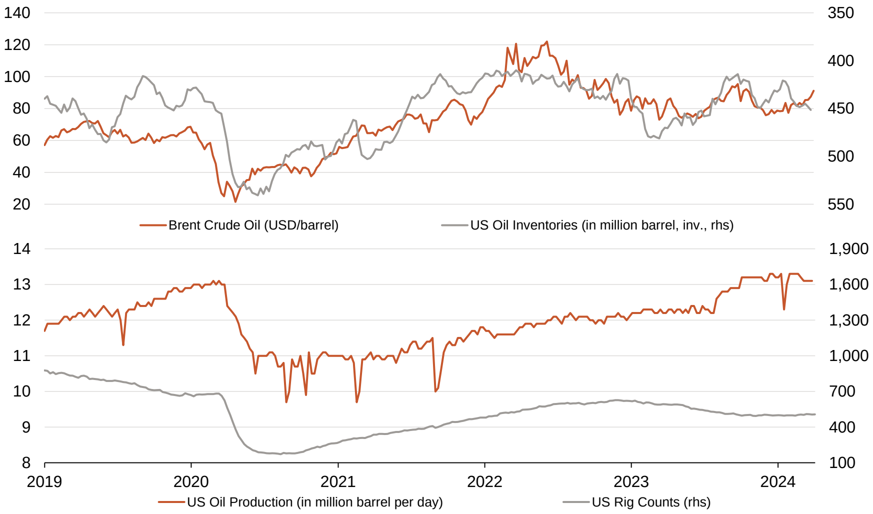
Commodities Performance



- The commodity markets are booming. All three segments – precious metals, industrial metals and energy commodities – have risen sharply over the last four weeks.
- Silver has performed by far the best. Gold's little brother benefited on the one hand from the gold boom and on the other from the more positive economic outlook.
- Only natural gas is still waiting for its recovery and is trading close to the lows of the last 10 years.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 05/04/2024

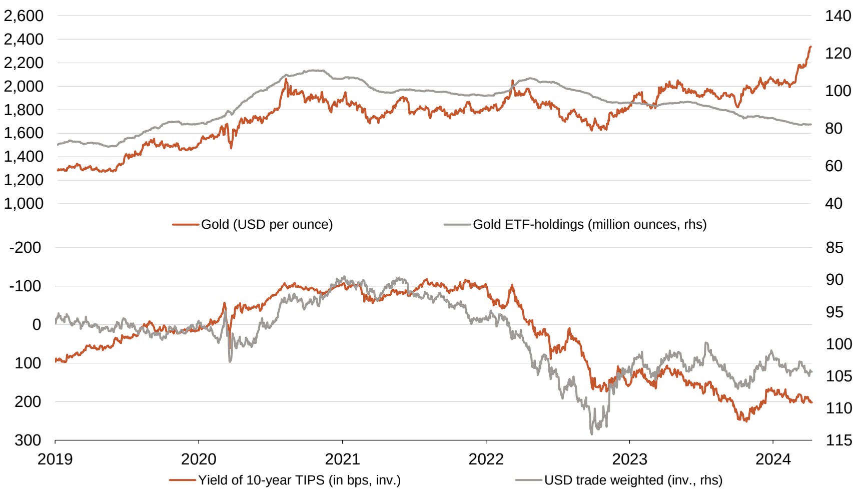
Crude Oil



- Oil has performed strongly in recent weeks and, at almost 20% since the beginning of the year, is now yielding significantly more than most other asset classes. OPEC+ recently confirmed its intention to continue the voluntary cuts until the end of June. Coupled with better economic data and various geopolitical centres of conflict, there were plenty of tailwinds for oil.
- The higher prices are an indication that disinflation is likely to slow noticeably.

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 - 05/04/2024

Gold



- Gold currently seems unstoppable. The precious metal has already reached a new all-time high 14 times since March.
- However, there is no good fundamental reason for this. Investor sentiment is optimistic, economic data is improving and real interest rates and the US dollar remain firm.
- The rally is therefore likely to be driven primarily by technical factors.

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 - 05/04/2024

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IMPORTANT NOTICES