Current market commentary

The momentum on the stock markets appears to have been broken for the time being. The S&P 500 lost for the third week in a row and is up "only" 4% since the beginning of the year. European shares, on the other hand, have held up much better. The Euro Stoxx 50, for example, is still up about 9% since the beginning of the year. We have used the recent weakness to neutralize our underweight in equities. As a result, we have reduced our underweight in US equities. Within commodities, the best performing asset class so far in 2024, we have taken slight profits in gold, but remain overweight in both commodities and gold. In addition to fundamental reasons, the fact that most investors are still heavily underinvested in commodities is an argument in favor of this. Commodities are also well suited as an inflation and geopolitical hedge. Bonds appear more attractive to us following the sharp rise in interest rates this year. Accordingly, we remain very balanced in our multi-asset strategies.

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

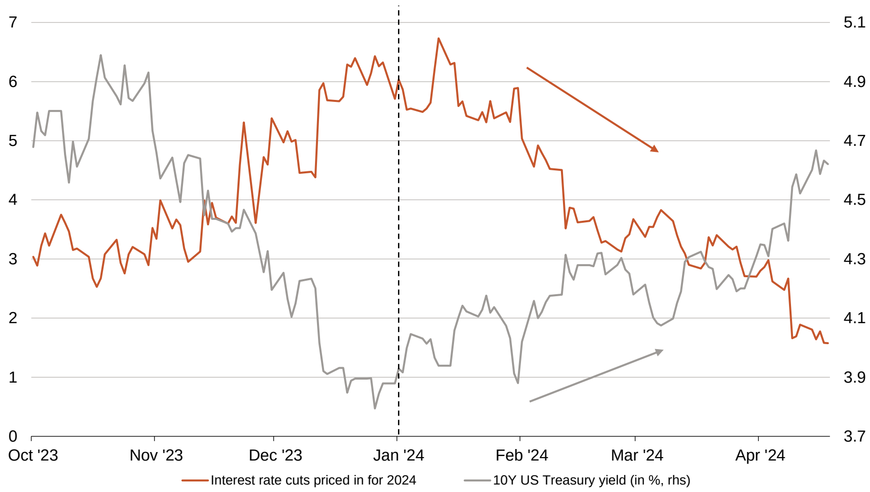
Earnings season and FED meeting in investor´s view.

The US reporting season for the first quarter of 2024 is picking up speed: Over the next two weeks, 65% of the market capitalization of the S&P 500 will release earnings reports. On 1 May, the Fed will also make its rate decision. The market is currently not expecting any change in rates. The G7 ministerial meeting on climate and geopolitics (focus on conflict in the Middle East) takes place from 17 to 19 April.

GDP, purchasing managers' indices and consumer price index in the market focus.

The preliminary purchasing managers' indices (Apr.) for the USA and the eurozone will be published on Tuesday. On Wednesday, the ifo business climate data (Apr.) in Germany and the preliminary new orders for durable goods (Mar.) in the USA are due. This will be followed on Thursday by US GDP figures (Q1) and initial jobless claims (Apr. 20), and on Friday by household income and spending (Mar.), core PCE deflator (Mar.) and University of Michigan consumer confidence (Apr.). Next week, the consumer price index (Apr.) in Europe as well as the GDP data (Q1) in Germany will be released.

US inflation causes rate cut expectations to fall, bond yields to rise



- Stubborn inflation and hawkish Fed comments have lowered US rate cut expectations to less than two steps in 2024, from more than six at the start of the year.
- US 10-year yields have risen significantly, which, in addition to geopolitical tensions, boosted the US dollar - it gained 3% versus the euro.
- Thanks to the robust US economic data and the increased risk of inflation, our chief economist has postponed his forecast for the Fed's first rate cut from June to December.

Source: Bloomberg, Time period: 01/10/2023 - 19/04/2024

Multi Asset

	4W (22/03/24 - 19/04/24)	YTD (29/12/23 - 19/04/24)	19/04/23 19/04/24	19/04/22 19/04/23	19/04/21 19/04/22	19/04/20 19/04/21	19/04/19 19/04/20
Industrial Metals	15.2	17.5	7.3	-23.2	60.7	39.9	-16.1
Gold	12.0	20.0	23.2	0.7	22.8	-4.9	36.4
Brent	4.7	21.0	20.3	-7.6	109.4	74.4	-51.0
USDEUR	1.4	3.6	2.8	-1.5	11.6	-9.6	3.4
Euro overnight deposit	0.3	1.2	3.8	0.9	-0.6	-0.5	-0.4
EUR Coporates	-0.5	-0.4	6.0	-6.2	-7.4	6.3	-1.5
EUR Sovereign Debt	-0.7	-1.3	3.6	-6.4	-5.5	1.8	1.0
MSCI Emerging Markets	-1.8	2.4	7.2	-8.5	-7.3	37.9	-12.4
Global Convertibles	-2.6	0.2	7.2	-12.7	-1.0	48.0	1.3
MSCI Frontier Markets	-2.6	4.4	12.2	-18.8	14.0	29.2	-14.4
MSCI World	-3.5	7.2	20.1	-5.0	14.6	33.7	-1.5
REITs	-5.4	-7.2	-2.8	-24.5	27.7	10.6	-6.1

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.

- Positive economic data from China and newly introduced sanctions by the US and the UK against Russian metals boosted industrial metals, while the precious metal gold continued to benefit from geopolitical tensions and strong demand from central banks.
- Brent crude oil also benefited from the conflict between Israel and Iran last month, while the highest US crude oil inventories in nine months weighed on the Brent price last week.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 19/04/2019 – 19/04/2024

Equities

	4W (22/03/24 - 19/04/24)	YTD (29/12/23 - 19/04/24)	19/04/23 19/04/24	19/04/22 19/04/23	19/04/21 19/04/22	19/04/20 19/04/21	19/04/19 19/04/20
Stoxx Europe Defensives	0.0	4.2	4.9	3.3	20.7	13.8	-1.9
MSCI UK	-0.2	4.6	6.8	1.9	19.8	25.2	-20.7
Stoxx Europe 50	-1.1	6.9	10.1	10.8	12.6	24.1	-8.2
Stoxx Europe Small 200	-1.9	1.2	5.7	-8.3	-2.4	49.3	-13.8
MSCI EM Asia	-2.0	3.2	5.9	-7.3	-11.6	38.6	-5.9
Euro Stoxx 50	-2.1	9.3	14.8	17.6	-2.8	42.1	-15.3
Stoxx Europe Cyclicals	-2.3	6.4	18.1	4.1	0.5	54.5	-22.2
DAX	-2.6	5.9	11.6	12.3	-7.9	44.6	-13.1
MSCI EM Latin America	-2.8	-5.4	17.2	-7.8	27.2	35.8	-36.1
S&P 500	-3.7	8.6	25.0	-6.7	21.2	32.9	4.3
MSCI USA Small Caps	-4.1	1.3	14.1	-9.7	7.4	66.3	-17.8
MSCI Japan	-7.2	6.3	18.5	2.7	-6.9	25.3	-0.9

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 have mostly recorded losses in the last four weeks. A strong performance by the commodities and banking sectors supported the MSCI UK Index, while a negative outlook from the world's largest chip manufacturer TSMC weighed on technology stocks in the S&P 500 Index.
- Japanese equities suffered from the rise in yields on safe Japanese government bonds and, together with interest rate-sensitive US small caps, brought up the rear in the performance rankings over the last four weeks.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 19/04/2019 – 19/04/2024

Fixed Income

	4W (22/03/24 - 19/04/24)	YTD (29/12/23 - 19/04/24)	19/04/23 19/04/24	19/04/22 19/04/23	19/04/21 19/04/22	19/04/20 19/04/21	19/04/19 19/04/20
Chinese Sovereign Bonds	0.6	2.9	7.0	3.4	5.5	-0.6	9.0
EUR High Yield	-0.1	1.4	10.0	-2.7	-5.1	16.5	-6.1
EUR Financials	-0.5	0.2	7.2	-6.5	-6.5	6.1	-1.5
Treasuries	-0.5	0.4	1.2	-3.5	3.2	-13.2	18.3
EM Hard Currency Bonds	-0.6	3.5	12.5	-5.3	-3.1	5.3	-1.7
EUR Non-Financials	-0.6	-0.8	5.1	-6.0	-8.0	6.4	-1.5
Bunds	-1.0	-2.7	2.1	-10.3	-7.7	-2.3	4.0
EM Local Currency Bonds	-1.2	-1.3	4.9	0.4	-3.4	3.0	-2.6
BTPs	-1.2	-0.3	6.3	-8.2	-8.6	8.6	6.0
USD High Yield	-1.6	-0.2	8.6	-0.9	-3.4	18.1	-3.5
USD Corporates	-2.2	-2.4	2.4	-1.1	-9.4	5.3	9.5
Gilts	-2.5	-3.4	2.3	-20.9	-6.9	-5.4	14.3

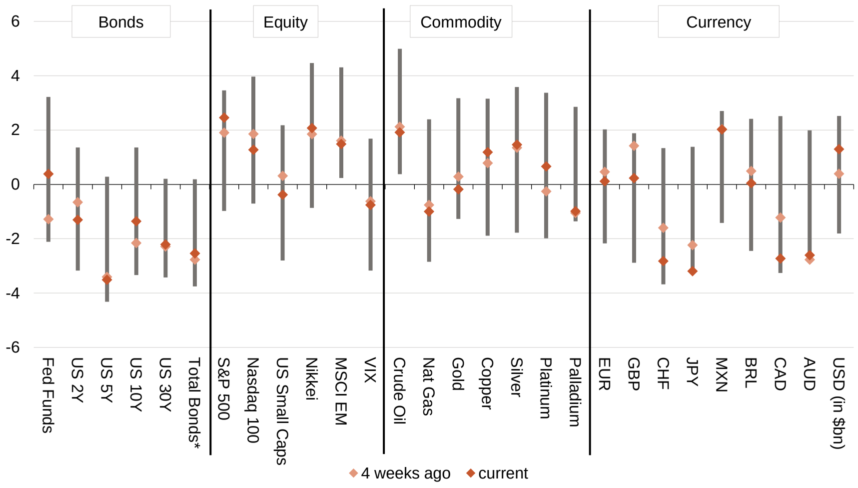
4-week & YTD; 12-month periods over that last 5 years

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

- Chinese government bonds were the best performers over the last four weeks thanks to falling interest rates and the appreciation of the CNY against the euro.
- Higher than expected inflation data in March and strong economic data in the UK unsettled investors in their expectations of interest rate cuts by the BoE and 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: 19/04/2019 – 19/04/2024

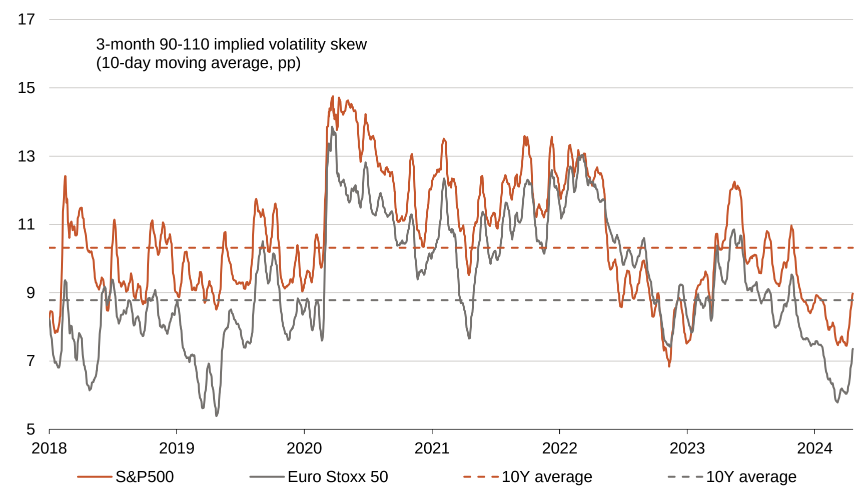
Non-Commercial Positioning



- With the exception of natural gas and palladium, hedge funds are very bullish on the commodity markets.
- Short positioning in the Japanese yen is at a 10-year high. The yen remains a popular short leg in carry trades thanks to its likely continued low interest rates after the BoJ failed to announce a serious rate hike cycle.

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: 16/04/2014 - 16/04/2024

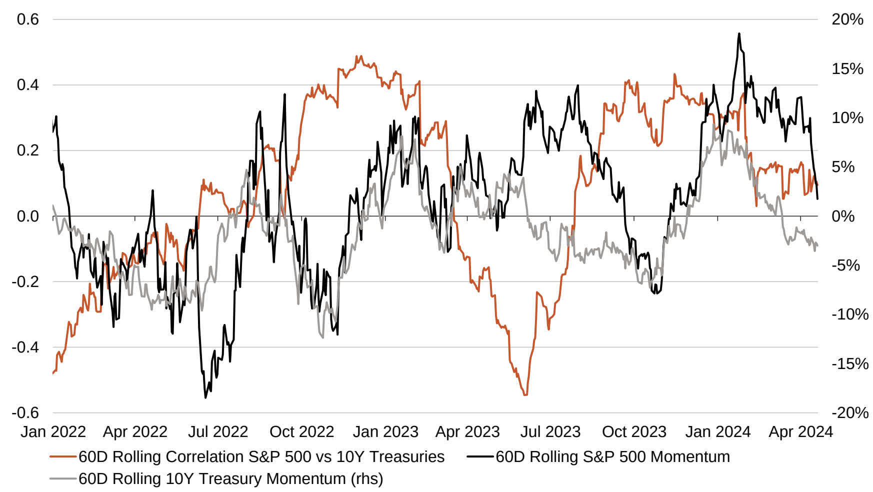
Put-Call-Skew



- The put-call skew has recently steepened considerably on both sides of the Atlantic but remains well below the average of the last 10 years.
- After months of pronounced optimism and very low volatility, investors appear to be becoming more cautious and are accordingly asking for more hedges again.

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: 19/04/2014 – 19/04/2024

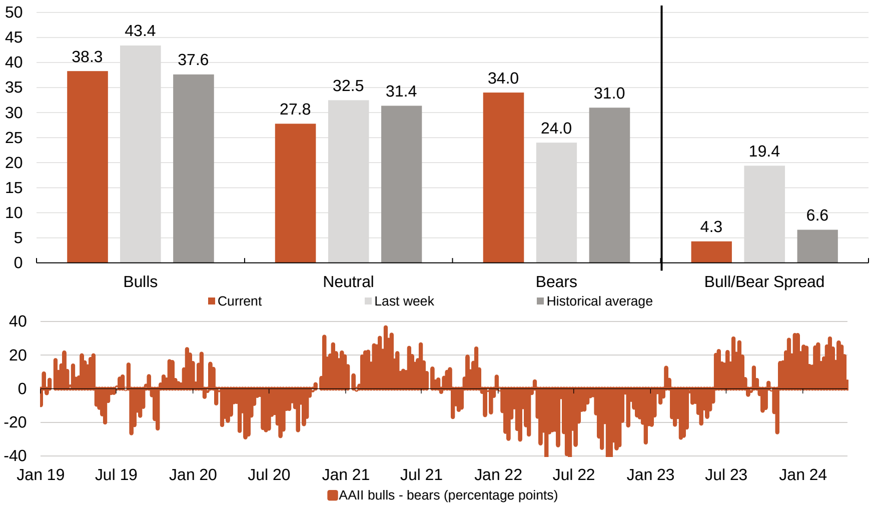
60-Day Momentum and Correlation



- The momentum of the S&P 500 has deteriorated considerably in recent weeks but is still positive.
- Momentum strategies are likely to have started to reduce their long positions, some of which are very high. If the equity markets continue to fall, further selling is likely to follow and exert additional pressure on prices.

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 – 19/04/2024

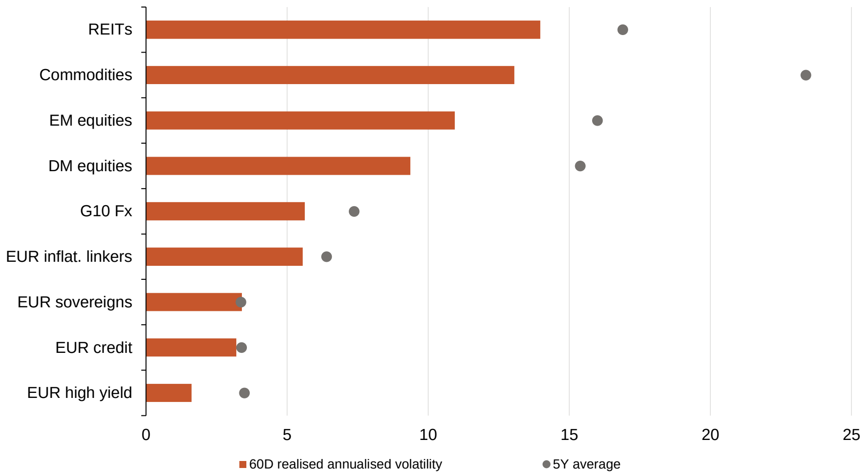
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment among US private investors is changing. While the bulls outweighed the bears by almost 20 ppts in the previous week, the two are now almost evenly balanced. Although the labor market remains strong, the recent surprisingly high inflation print and the escalation in the Middle East are likely to have weighed on sentiment.

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 – 18/04/2024

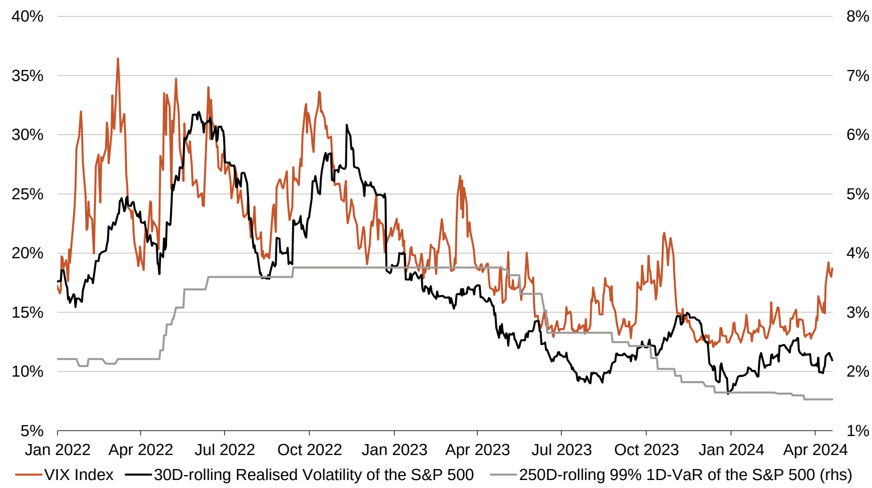
Realised Volatilities



- Realized volatility has recently picked up again somewhat in most risk assets. REITs in particular, which are typically highly indebted, recorded stronger moves due to the steep rise in interest rates.
- High-yield bonds remain the asset class with by far the lowest volatility, but fluctuations have also increased here due to widening spreads.

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: 19/04/2019 - 19/04/2024

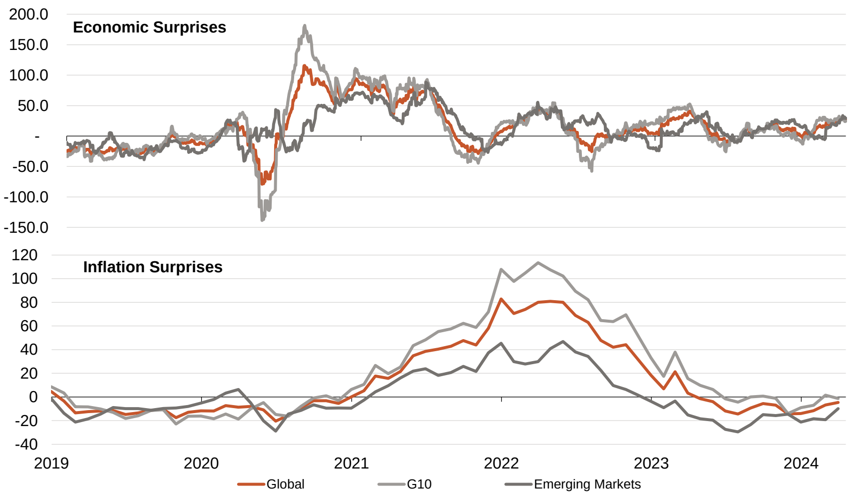
Volatility and Value-at-Risk of the S&P 500



- The VIX has recently risen sharply to 19, reaching its highest level since October last year.
- In turn, realized 30-day volatility has risen only slightly. If there are no major movements, hedges are likely to be unwound, implied volatility will fall, and markets will rise ceteris paribus.

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 – 19/04/2024

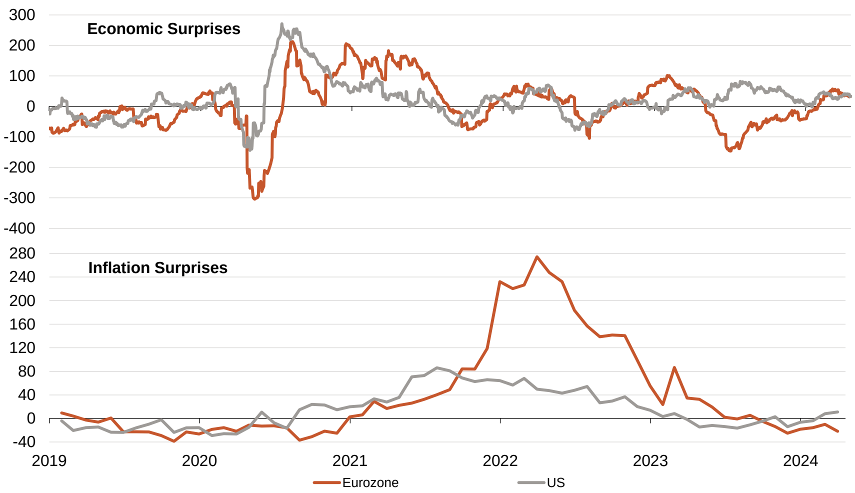
Global



- The positive economic surprises in the last two weeks have been stronger in the emerging markets than in the industrialised countries.
- In Canada, sales in the manufacturing sector in February were in line with expectations. In Germany, the ZEW Economic Sentiment Index surprised to the upside in April. In China, the GDP growth rate in the first quarter was higher than expected, while industrial production in March was disappointing.
- In India, Mexico and Argentina, the consumer price index was lower than expected in March.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 – 19/04/2024

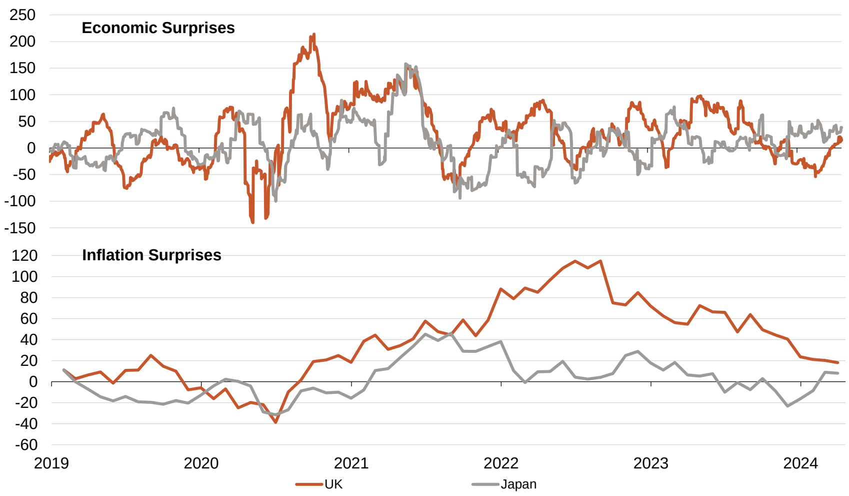
Eurozone and US



- The positive economic surprises in both the US and the eurozone have diminished slightly in the last two weeks. In the US, industrial production came in as expected in March, while the latest initial jobless claims surprised to the downside and retail sales surprised to the upside in March.
- In the eurozone, industrial production and consumer prices in March were in line with expectations compared to the previous month.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 – 19/04/2024

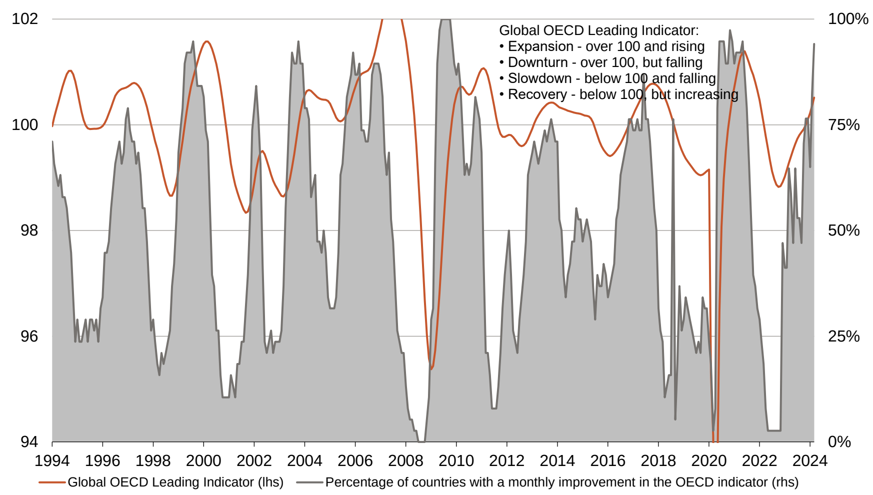
UK and Japan



- In the UK, the consumer price index in March and industrial production in February came in with an upward surprise.
- In Japan, incoming orders in core mechanical engineering exceeded expectations in February.

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 – 19/04/2024

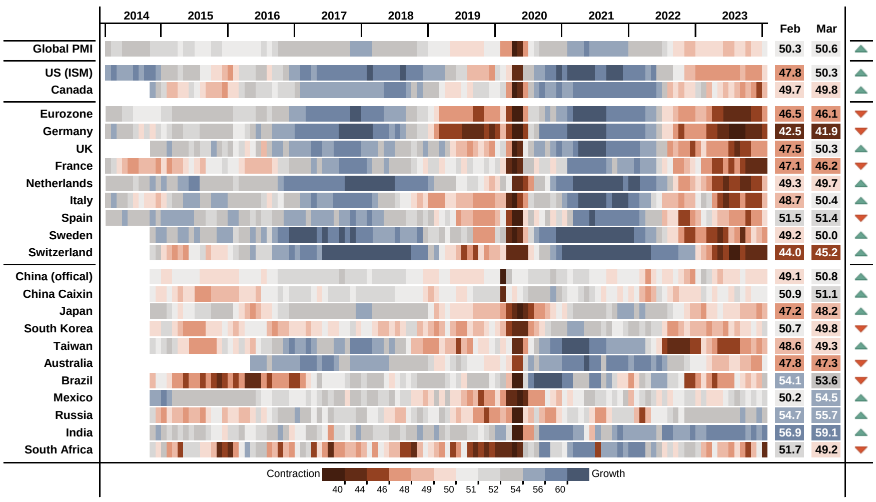
OECD Leading Indicator



- The global economic recovery continued in March. With a value of 100.5, the revised OECD leading indicator is at its highest level since November 2021.
- According to the leading indicator, 94% of the countries surveyed saw an improvement in the economic situation in March compared to the previous month, with Canada 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 – 19/04/2024

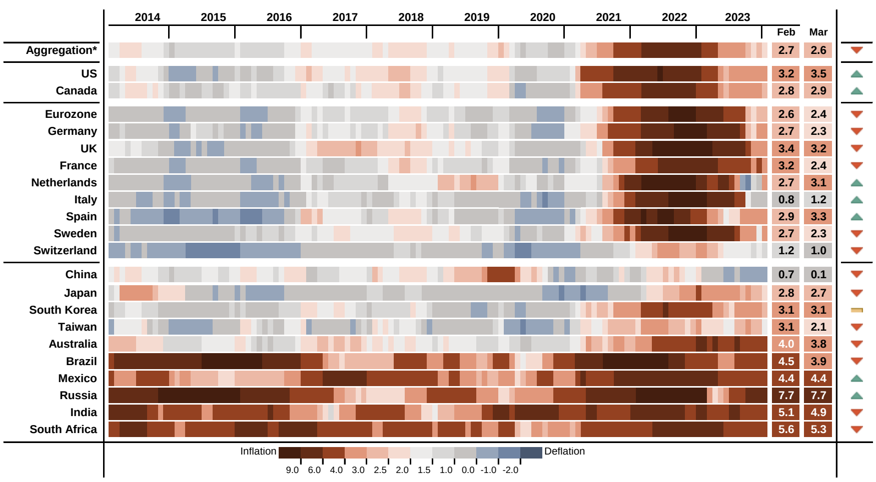
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- While the PMI figures for March once again showed a slight increase in global industrial activity, the figures differed from region to region. While the purchasing managers' indices in the eurozone and Brazil, among others, fell compared to the previous month, they rose in the USA, Canada and China.

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 – 19/04/2024

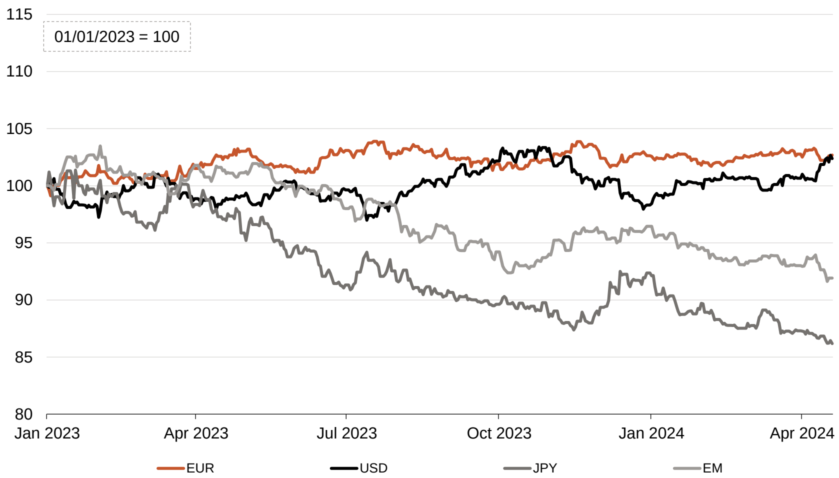
Headline Inflation



- The inflation data for March shows clear differences in the fight against inflation on both sides of the Atlantic. While inflation rates in the USA and Canada rose in March compared to the previous month, they fell in the eurozone and the UK.

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 – 19/04/2024

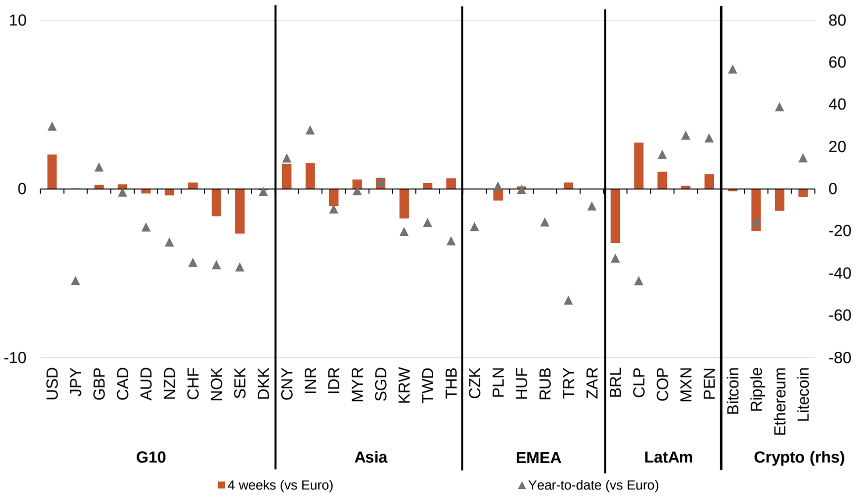
Trade-Weighted Currency Development



- Positive surprises in the US inflation data and retail sales in March jeopardised the Fed's interest rate cuts this year and the markets reduced their rate cut expectations to just one rate cut, which gave the US dollar a strong boost.
- The prospect of higher interest rates in the USA in the longer term weighed on the Japanese yen and emerging market currencies.

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 - 19/04/2024

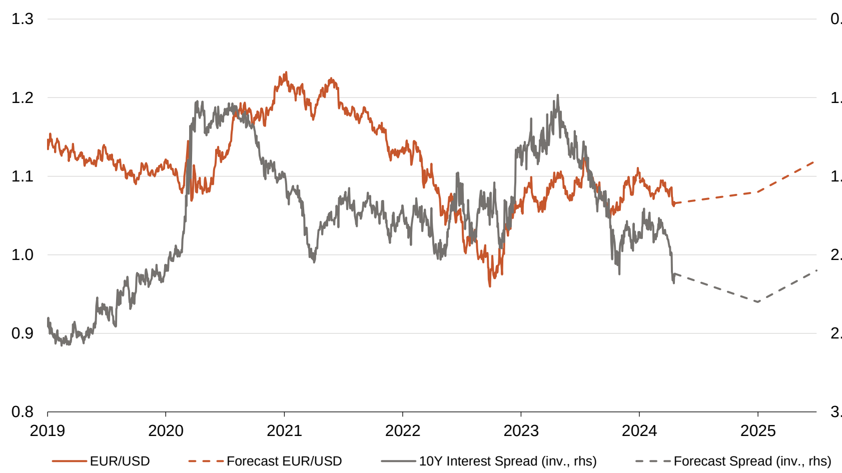
Currency Moves vs Euro



- The Chinese yuan recently received a boost after the People's Bank of China emphasised its determination to prevent the exchange rate from overshooting in a strong dollar environment.
- Stubborn inflation in the USA and the associated widening of the interest rate differential between the two sides of the Atlantic supported the US dollar against the euro.
- A downward surprise in Swedish inflation data in March weighed on the Swedish krona.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 19/04/2024

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



- Differing inflation trends on both sides of the Atlantic in March suggest that the next interest rate decisions by the Fed and the ECB will be different. While the members of the ECB Governing Council left the door open for a rate cut in June, Fed Chairman Powell emphasised that it was appropriate to give the restrictive policy more time to take effect.

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 - 30/06/2025

European Sector & Style Performance

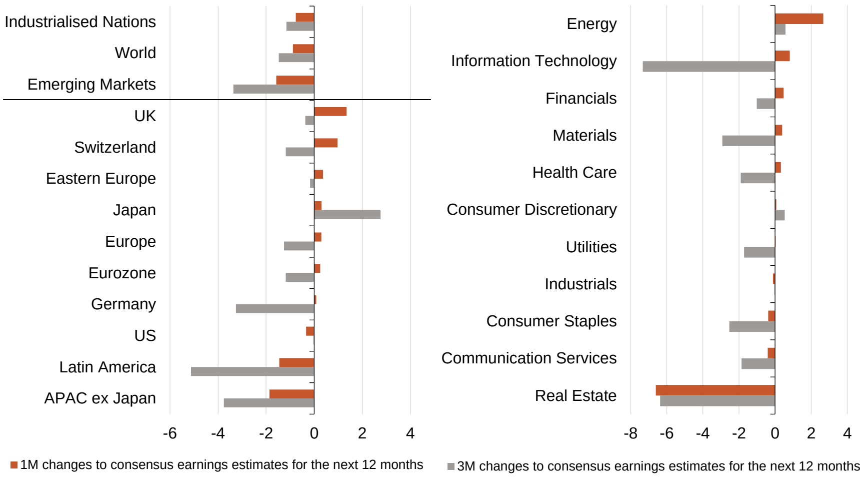
	4-week & YTD		12-month periods over that last 5 years				
	4W (22/03/24 - 19/04/24)	YTD (30/12/23 - 19/04/24)	19/04/23 19/04/24	19/04/22 19/04/23	19/04/21 19/04/22	19/04/20 19/04/21	19/04/19 19/04/20
Energy	6.0	9.7	15.7	12.3	50.0	19.4	-40.2
Materials	0.4	3.5	9.7	-6.2	10.3	58.8	-17.9
Value	0.3	4.0	10.0	5.8	9.5	37.9	-25.6
Utilities	-0.1	-5.9	-3.5	3.7	3.7	30.6	3.5
Consumer Staples	-0.6	-2.8	-10.0	5.4	8.6	10.7	-1.3
Telecommunications	-0.8	1.9	-1.2	-1.1	6.8	23.6	-22.2
Finance	-1.1	8.6	20.4	9.8	6.9	49.3	-32.1
Health Care	-1.9	5.1	4.4	-0.6	25.5	3.0	22.7
Consumer Discretionary	-2.6	8.0	2.6	23.2	-13.2	62.7	-17.4
Industrials	-3.5	6.5	18.9	9.6	-2.8	58.2	-16.6
Growth	-3.6	6.1	8.7	5.8	3.0	30.3	0.1
Information Technology	-8.2	9.0	27.4	3.0	-5.3	44.4	2.9

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 have tended to struggle over the last four weeks.
- Only the energy and basic materials sectors have continued their positive performance. The escalating conflict in the Middle East in particular could lead to a further increase in risk premiums for energy commodities and a shortage of supply along the value chain.

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: 19/04/2019 – 19/04/2024

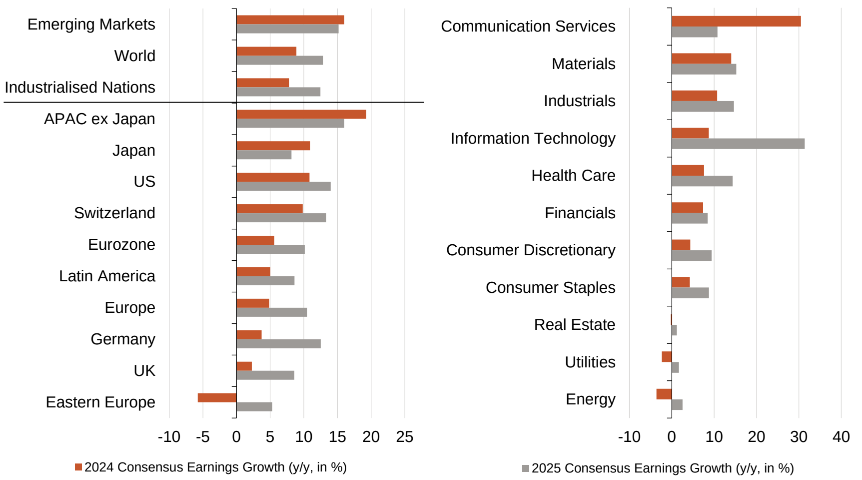
Changes in Consensus Earnings Estimates



- Analysts have continued to revise their earnings estimates downwards in aggregate over the last month.
- At regional level, the picture is varied, with Asian emerging markets and Latin America in particular performing negatively. Europe, on the other hand, has tended to see an increase in profit expectations.
- At sectoral level, value sectors such as banks and commodity stocks in particular have recently seen positive earnings revisions. Property stocks, on the other hand, suffered from the rise in rates.

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 19/04/2024

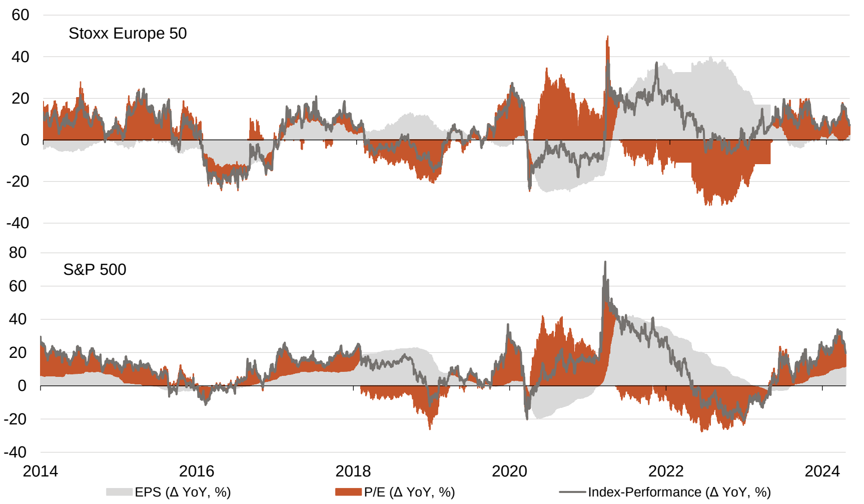
Earnings Growth



- For the industrialised nations, the expected earnings growth for 2024 recently came down and is now no longer at the very optimistic 10%. However, earnings growth of more than 10% is still expected for the US.
- At sectoral level, the highest earnings growth is expected for the telecommunications sector in 2024.

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 19/04/2024

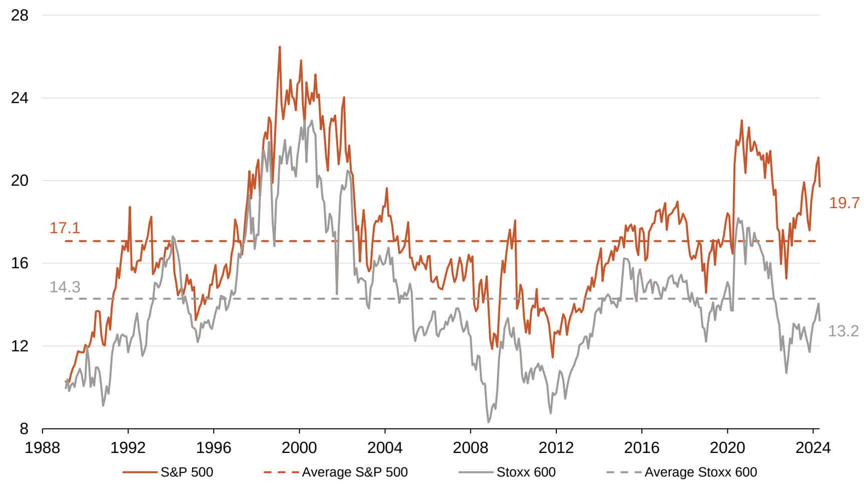
Contribution Analysis



- With the reporting season in full swing, the market focussed strongly on the earnings growth of US equities.
- After the mostly valuation-driven US index performance of recent months, the now higher EPS expectations contributed almost 60 % to the index performance of the S&P 500 over the last 12 months.

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 - 19/04/2024

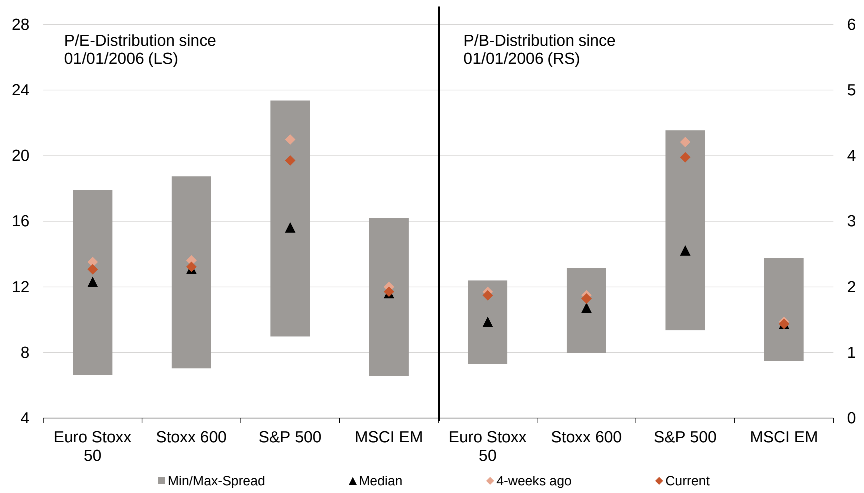
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The S&P 500 ended the third consecutive week in the red. In particular, waning AI optimism in the wake of cautious outlooks from semiconductor companies weighed on index heavyweights.
- The sharp rise in bond yields since the beginning of the year now also appears to be leaving its mark on valuations. Although the P/E ratio for the S&P 500 remains historically high, it has recently come down somewhat and is now at the level of November 2023.

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 - 19/04/2024

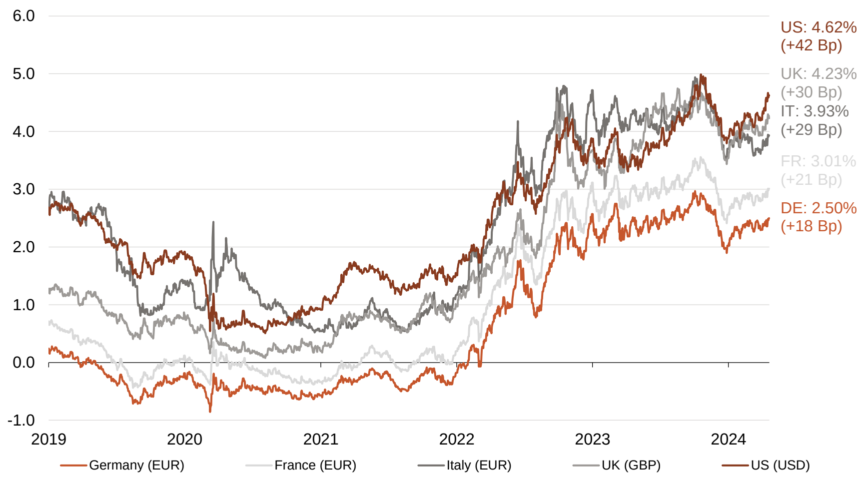
Historical Distribution: Price/Earnings and Price/Book Ratio



- Solid economic data combined with hawkish statements from the Fed fuelled speculation that interest rates will remain higher in the longer term. The 2-year US yield even headed back towards 5 %.
- Valuation levels of US equities came under pressure accordingly: the S&P 500 has become more favourable on both a P/B and P/B ratio basis over the last month.

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 - 19/04/2024

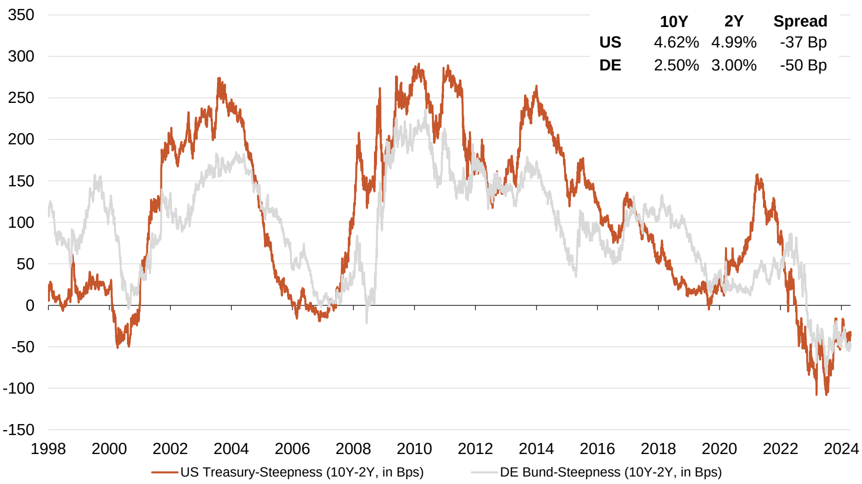
10-Year Government Bond Yields



- Rising inflation data and continued positive economic data from the US have recently reinforced the trend of rising bond yields on safe US government bonds. In addition, hawkish statements by Fed Chair Powell have also put pressure on bonds.
- Despite the expectation of initial interest rate hikes by the ECB, this has also weighed on peripheral bonds from the eurozone. German government bonds outperformed in relative terms.

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 – 19/04/2024

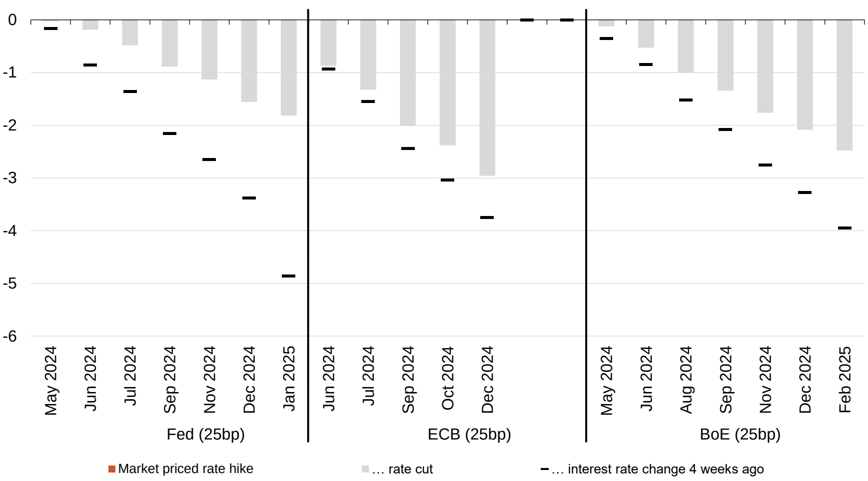
Yield Curve Steepness (10Y - 2Y)



- The yield curve has shifted upwards overall due to the further pricing out of expectations of interest rate cuts and the continued robustness of the US economy.
- However, the interest rate differential between 2-year and 10-year US government bonds remained largely unchanged at around -37 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 – 19/04/2024

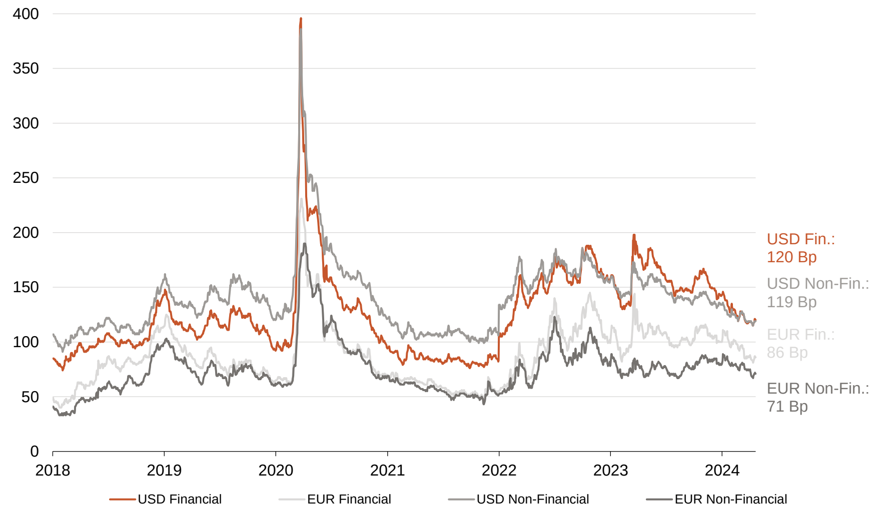
Implicit Changes in Key Interest Rates



- Stronger-than-expected inflation data from the US has further reduced the probability of a first interest rate cut by the Fed. The probability of a first rate cut in June is now only around 14%.
- Hawkish comments from Greene have also led to the BOE only expecting around two interest rate cuts by the end of the year.

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: 19/03/2024 – 19/04/2024

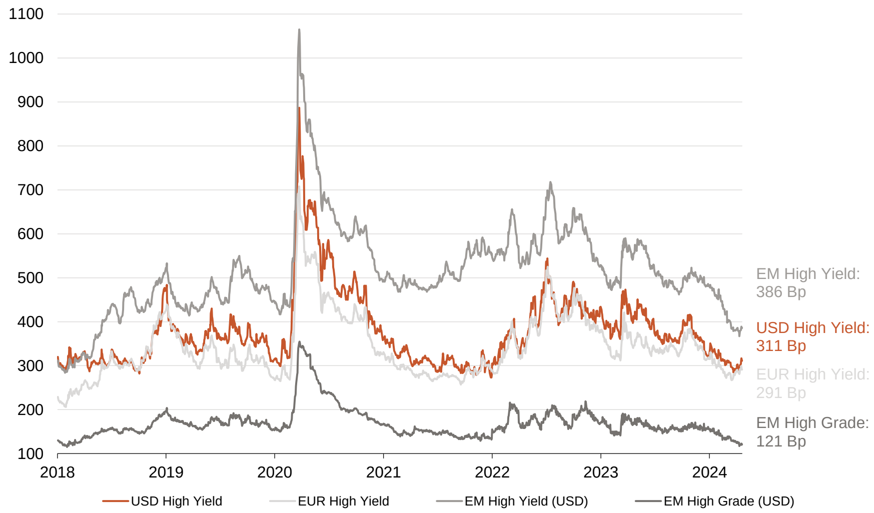
Credit Spreads Financial and Non-Financial Bonds



- Despite geopolitical uncertainties and surprisingly higher inflation rates, credit spreads for both euro and dollar corporate bonds have barely widened and are largely unchanged.
- While the risk premiums on EUR and USD financial bonds have widened by just two basis points, the spreads on USD non-financial bonds are unchanged.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 19/04/2024

Credit Spreads High Yield and Emerging Markets Bonds



- There were also no major movements in high-yield bonds. USD high yield spreads widened only slightly by eight basis points and EUR high yield spreads by four basis points.
- In contrast, the spreads for emerging market high yield bonds remained unchanged, while investment grade spreads tightened by six 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 – 19/04/2024

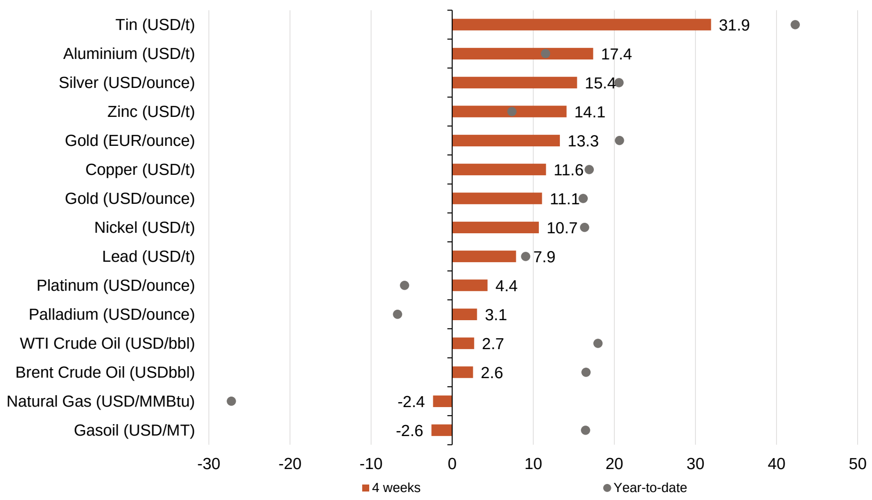
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	19/04/23 19/04/24	19/04/22 19/04/23	19/04/21 19/04/22	19/04/20 19/04/21	19/04/19 19/04/20
EUR Government	3.14	0.11	7.1	-	-	-	-0.5	-1.9	3.9	-10.2	-8.8	2.1	4.2
Germany	2.66	0.06	7.2	-	-	-	-0.2	-2.7	2.1	-10.3	-7.6	-2.3	4.0
EUR Corporate	3.95	0.08	4.4	77	-2	51	-0.1	-0.4	6.0	-6.2	-7.2	6.2	-1.4
Financial	4.18	0.10	3.7	86	0	48	-0.1	0.0	6.6	-5.5	-5.9	5.3	-1.0
Non-Financial	3.80	0.06	4.9	71	-4	52	-0.1	-0.6	5.7	-6.6	-8.0	6.7	-1.7
EUR High Yield	6.88	0.35	3.0	291	20	24	-0.5	1.4	10.0	-2.7	-5.1	16.5	-6.1
US Treasury	4.82	0.29	6.1	-	-	-	-1.4	-3.0	-1.7	-2.2	-7.4	-4.5	15.1
USD Corporate	5.77	0.31	6.5	119	1	30	-1.6	-2.4	2.4	-1.1	-9.4	5.3	9.5
Financial	5.92	0.31	4.9	120	2	47	-1.2	-1.1	4.2	-0.8	-8.1	5.5	8.3
Non-Financial	5.70	0.31	7.3	119	0	26	-1.8	-3.0	1.6	-1.2	-10.1	5.2	9.9
USD High Yield	8.39	0.47	3.8	311	19	12	-1.3	-0.2	8.6	-0.9	-3.4	18.1	-3.5
EM High Grade	5.76	0.20	5.1	121	-9	0	-0.8	-0.8	3.6	-1.2	-9.6	8.0	3.1
EM High Yield	9.13	0.28	3.9	386	1	9	-0.2	2.7	10.2	-2.3	-15.2	21.5	-4.3

- Over the last four weeks, the bond markets have tended to fall. US government and corporate bonds in particular have lagged behind.
- The spreads on USD high-yield bonds are now close to the 10th percentile over the last 10 years.

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: 19/04/2014 – 19/04/2024

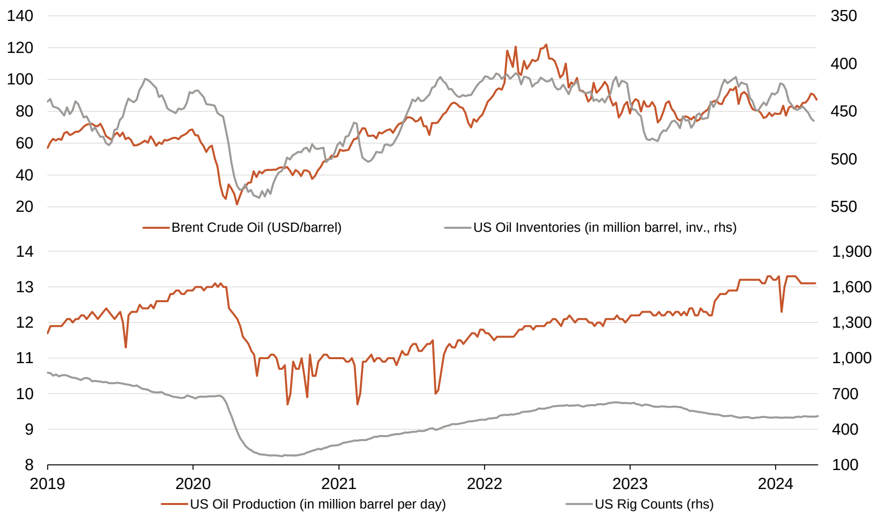
Commodities Performance



- The boom on the commodity markets continues.
- Tin in particular, which has risen by more than 30% in the last four weeks, benefited from the upturn in the economy, rising demand from the technology sector, the trend towards strong miniaturisation in chips and the structural supply shortage, which was exacerbated in particular by a mine failure in the important mining country of Indonesia.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 – 19/04/2024

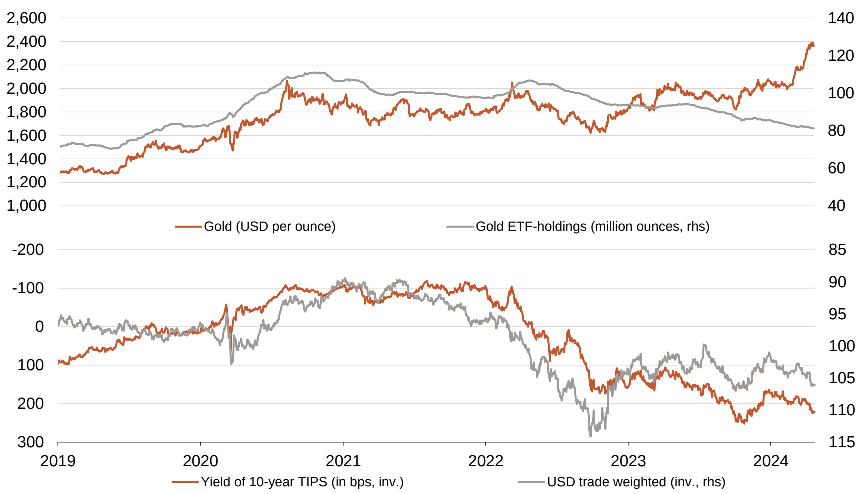
Crude Oil



- The escalating conflict in the Middle East has given the oil markets a further tailwind.
- Overall, however, the markets reacted quite moderately. The current risk premium was priced out again after just a few days, as the attack was initially successfully repelled. Even the Israeli counterattack at the end of last week did not lead to a sustained recovery in the risk premium.

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 – 19/04/2024

Gold



- Gold has continued to benefit as a safe haven in recent weeks. Fuelled by geopolitical conflicts and demand from Chinese private investors and central banks, gold reached a new all-time high last Friday.
- In view of the strong dollar and rising rates, the rally seems overly hot, especially as flows into gold ETFs are still negative.

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 – 19/04/2024

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