Current market commentary

Western stock markets closed the month of April in the red. The S&P 500 Index lost more than 4% and recorded its first negative month after five positive months. US inflation recently proved more stubborn, expected Fed interest rate cuts were postponed, bond yields rose and the 10-year US real yield climbed to over 2.2%. This is weighing on the equity markets despite a good reporting season, which brought stabilization and the first upward revisions to earnings forecasts for 2024 and 2025. The economic environment appears fundamentally positive for risk assets. However, the markets had already priced in very favorable economic and earnings prospects at the end of March. The consolidation has not yet led to an adjustment of the high positions in rule-based strategies, geopolitical risks are high, the summer is often weaker and the US presidential election campaign is heating up. We expect a volatile sideways movement until the US elections. Tactically, anti-cyclical trading is the obvious choice.

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

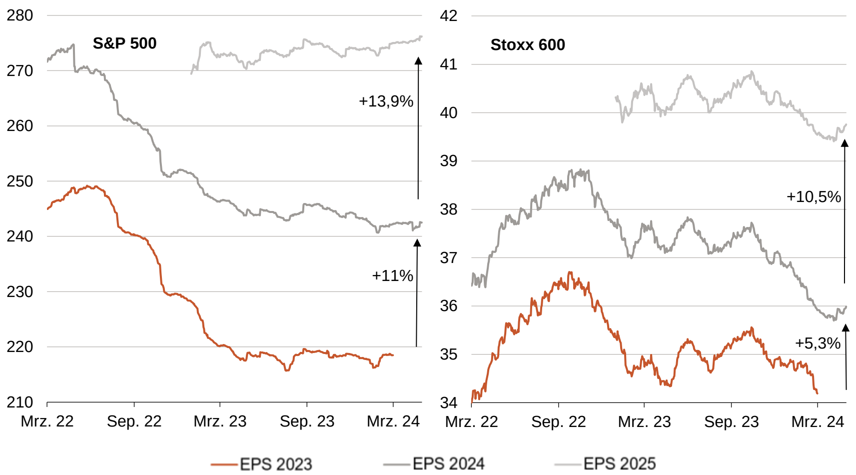
Investor perspective on reporting season and BoE meeting.

The Q1 reporting season is in full swing: of the S&P500 companies that have reported so far (approx. 80%), almost 77% have beaten earnings expectations. The BoE's interest rate decision is due on May 9, followed by the early Spanish primary elections in Catalonia on May 12. In addition, the Eurogroup and the ECOFIN Council will meet on 13 and 14 May.

Purchasing Managers' Index, economic expectations and consumer price indices in the market spotlight

Today, the Purchasing Managers' Index for the service sector (Apr.) will be published in Germany. Initial jobless claims (Apr.) in the USA will follow on Thursday. In the following week, the consumer price index and the ZEW economic expectations (Apr.) in Germany are on the agenda on Tuesday. This will be followed on Wednesday by retail sales (Apr.) and the consumer price index (Apr.) in the USA. Finally, the GDP (Q1) in Japan will be published on Thursday and the consumer price index (Apr.) in Europe on Friday.

Reporting season stabilises earnings expectations in both US and Europe



- The reporting season for the first quarter is going well on both sides of the Atlantic. On average, expectations are being exceeded and the outlook is good.
- As a result, consensus earnings expectations for 2024 and 2025 have not only stabilized, but are beginning to rise. The economic recovery in Europe and the robust growth in the USA are increasingly reflected in profit expectations. This is positive.
- The gap between expected EPS growth in the USA and Europe has narrowed recently.

Source: Bloomberg, Time period: 01/03/2022 - 30/04/2024

Multi Asset

	4W (05/04/24 - 03/05/24)	YTD (29/12/23 - 03/05/24)	03/05/23 - 03/05/24	03/05/22 - 03/05/23	03/05/21 - 03/05/22	03/05/20 - 03/05/21	03/05/19 - 03/05/20
Industrial Metals	7.5	15.5	11.5	-21.4	41.2	51.4	-16.2
MSCI Emerging Markets	2.4	7.4	15.4	-11.1	-6.4	35.9	-11.4
USDEUR	0.7	2.6	2.8	-4.9	14.7	-9.0	2.0
Euro overnight deposit	0.3	1.4	3.8	1.0	-0.6	-0.5	-0.4
EUR Sovereign Debt	-0.2	-1.0	2.6	-4.7	-5.9	1.1	1.4
EUR Coporates	-0.3	0.0	5.4	-4.1	-8.4	4.8	-0.6
MSCI World	-0.4	9.6	25.3	-3.7	10.8	36.1	-4.5
Gold	-0.4	14.4	16.0	3.8	19.5	-4.0	35.6
Global Convertibles	-0.5	1.4	11.5	-12.4	-3.9	49.3	-2.0
MSCI Frontier Markets	-1.9	5.6	13.9	-19.0	13.6	27.6	-13.4
REITs	-2.1	-5.1	2.4	-23.3	19.5	18.7	-12.8
Brent	-6.9	15.1	31.7	-20.6	108.5	113.9	-59.3

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 consistent trend over the last four weeks. Industrial metals recorded another positive performance thanks to expectations of a global economic recovery, while the price of copper even reached its highest level since April 2022.
- A sharp rise in crude oil inventories in the USA and renewed hopes of a ceasefire in the Middle East conflict weighed on Brent crude oil, which brought up the rear in the performance rankings over the last four weeks.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 03/05/2019 – 03/05/2024

Equities

	4W (05/04/24 - 03/05/24)	YTD (29/12/23 - 03/05/24)	03/05/23 - 03/05/24	03/05/22 - 03/05/23	03/05/21 - 03/05/22	03/05/20 - 03/05/21	03/05/19 - 03/05/20
MSCI UK	4.1	9.0	12.8	2.1	19.3	25.2	-22.0
MSCI EM Asia	3.1	8.9	15.2	-11.3	-9.6	36.7	-5.0
Stoxx Europe Defensives	2.4	6.2	7.6	4.5	18.7	12.1	-1.2
Stoxx Europe 50	0.8	8.5	12.1	11.6	11.5	23.5	-8.7
Stoxx Europe Small 200	0.6	3.7	9.2	-5.6	-6.2	44.8	-10.9
MSCI Japan	0.5	10.9	23.2	1.5	-1.4	22.3	-3.8
MSCI EM Latin America	0.1	-2.0	23.7	-0.3	16.1	37.1	-37.1
Stoxx Europe Cyclicals	-0.2	8.7	23.0	4.6	-1.6	50.4	-19.6
S&P 500	-0.7	11.0	30.7	-5.1	15.8	37.3	-0.1
MSCI USA Small Caps	-0.9	4.1	21.9	-10.0	1.8	66.8	-18.9
DAX	-1.0	7.5	13.8	12.6	-7.9	40.3	-12.5
Euro Stoxx 50	-1.0	10.1	17.2	17.5	-3.8	39.6	-14.5

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.

- The performance of global equity markets has been mixed over the past four weeks. A strong performance from the commodities and banking sectors supported the MSCI UK Index, while a strong Chinese Manufacturing Purchasing Managers' Index for the second consecutive month supported emerging Asian equities.
- The strong US dollar supported the falling S&P500 and USA Small Caps indices, which were ahead of the DAX and Euro Stoxx 50 in the performance rankings in EUR.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 03/05/2019 – 03/05/2024

Fixed Income

	4W (05/04/24 - 03/05/24)	YTD (29/12/23 - 03/05/24)	03/05/23 - 03/05/24	03/05/22 - 03/05/23	03/05/21 - 03/05/22	03/05/20 - 03/05/21	03/05/19 - 03/05/20
USD High Yield	0.5	1.5	10.2	1.1	-5.4	20.5	-5.5
Chinese Sovereign Bonds	0.3	2.6	6.3	3.7	5.3	-0.9	9.7
Treasuries	0.2	0.3	0.3	-4.7	5.7	-12.6	16.2
BTPs	0.2	0.4	5.7	-5.6	-9.7	7.8	6.0
EUR High Yield	0.1	1.8	10.4	-0.8	-6.9	16.1	-5.5
USD Corporates	-0.1	-1.2	2.5	1.3	-10.8	5.5	9.2
EUR Financials	-0.2	0.6	6.9	-4.4	-7.8	5.2	-0.9
EM Hard Currency Bonds	-0.2	3.6	12.4	-4.8	-2.7	5.5	-3.5
EUR Non-Financials	-0.5	-0.5	4.3	-3.9	-8.9	4.6	-0.4
EM Local Currency Bonds	-0.5	-0.3	5.7	2.3	-4.2	2.6	-2.0
Bunds	-0.5	-2.6	0.3	-8.5	-7.6	-3.3	4.8
Gilts	-1.0	-3.0	1.5	-19.4	-6.3	-6.5	12.6

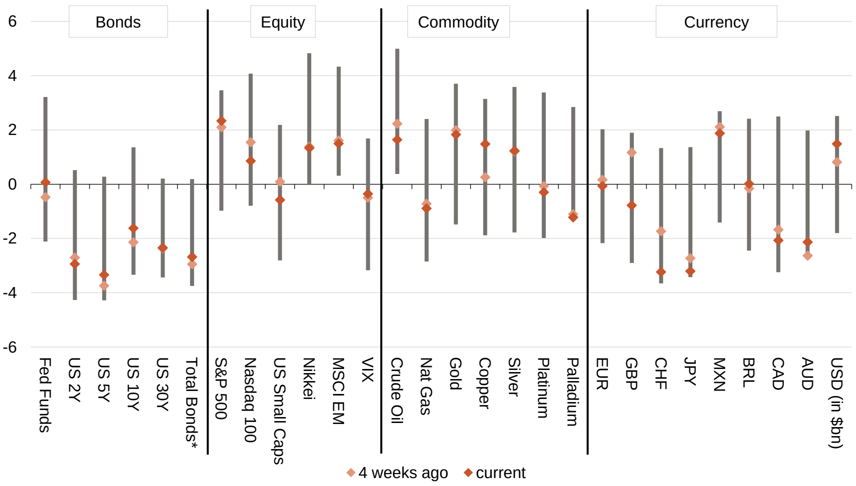
4-week & YTD; 12-month periods over that last 5 years

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

- The bond markets have also not shown a uniform trend in the last four weeks. The strong US dollar supported the performance of US government bonds and high-yield bonds in EUR terms.
- By contrast, the higher-than-expected inflation in the UK in April, which jeopardised an imminent interest rate cut by the BoE, 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: 03/05/2019 – 03/05/2024

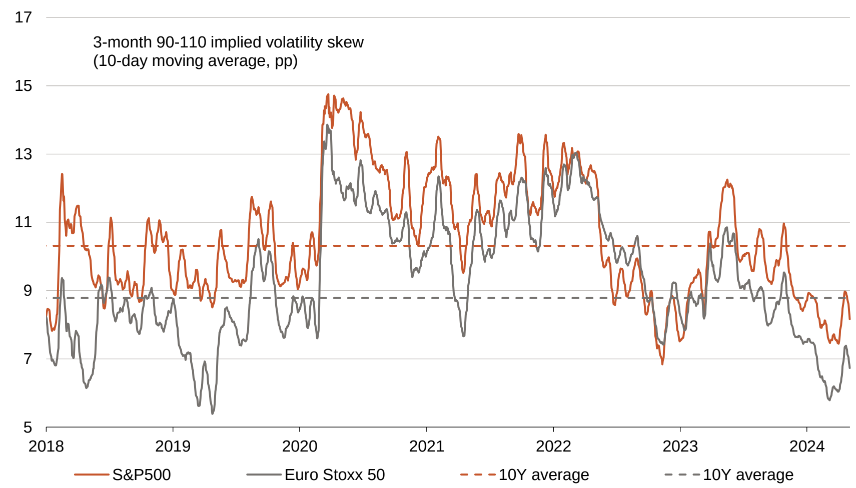
Non-Commercial Positioning



- Hedge funds have recently rotated significantly, particularly in the currency sector. For example, the long position in the pound turned into a short position. In the safe havens with low interest rates, the Swiss franc and the Japanese yen, speculative investors (significantly) increased their shorts once again.

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: 30/04/2014 - 30/04/2024

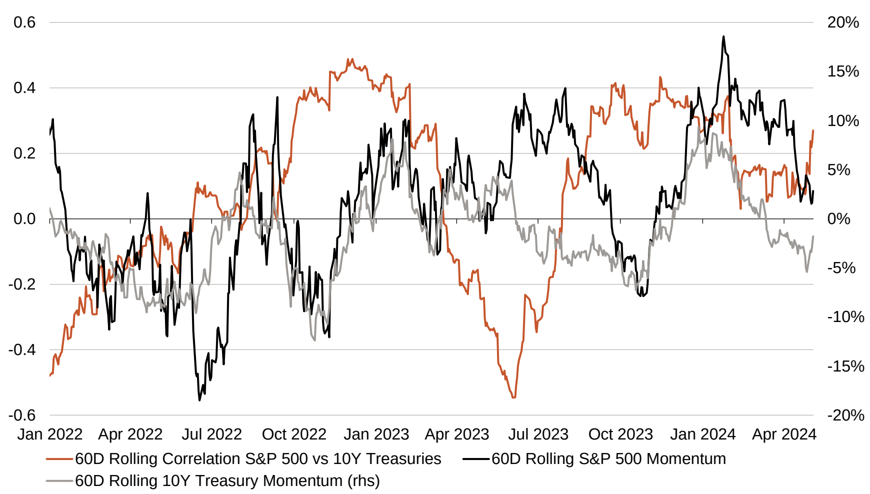
Put-Call-Skew



- The put-call skew has flattened somewhat in recent weeks with the recovery of the equity markets and thus remains at a historically low level.
- The skew does not indicate a particularly high demand for hedging. However, there are also indications to the contrary. For example, the volume of traded calls on the VIX reached a new all-time high just recently in mid-April.

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: 03/05/2014 - 03/05/2024

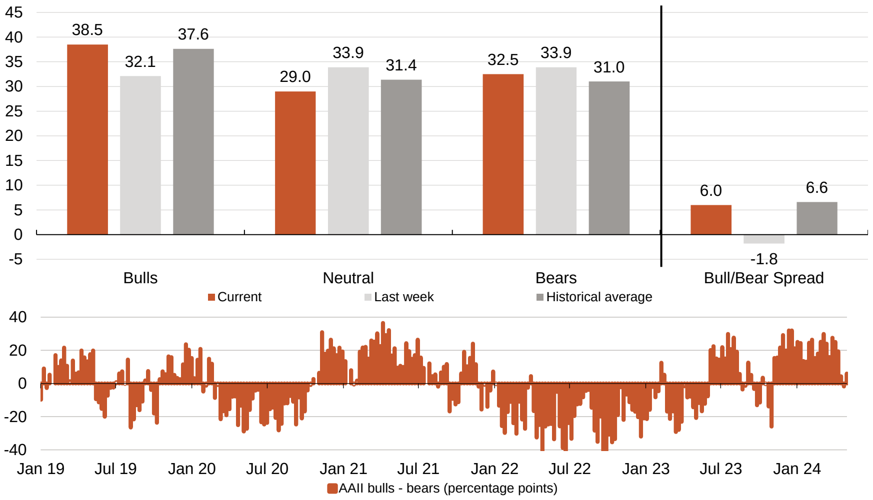
60-Day Momentum and Correlation



- The correlation between the S&P 500 and US-Treasuries has recently risen again with the focus on important macro events such as the FOMC meeting or the QRA announcement.
- Momentum in equities is only slightly positive. Should it deteriorate further, increased de-risking of CTAs is likely to weigh on markets.

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 - 03/05/2024

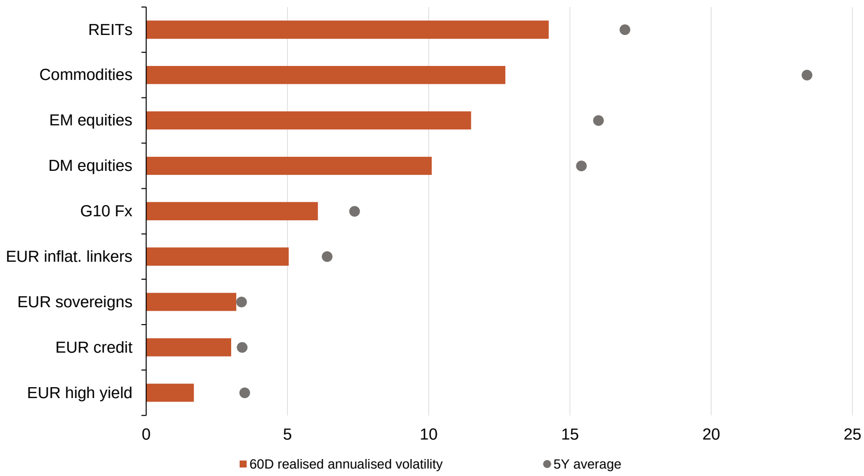
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment among US private investors is currently neither particularly optimistic nor particularly pessimistic.
- While the bears were still slightly in the majority last week, the bulls are now back, albeit to a much lesser extent than in recent months. Currently, the bull/bear spread is roughly in line with the historical average.

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 – 02/05/2024

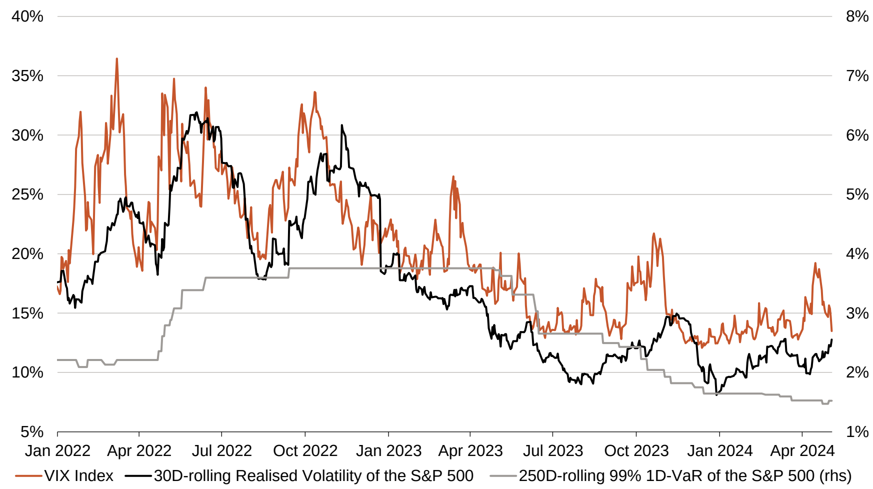
Realised Volatilities



- Realized volatility over the last 60 trading days is currently not only below the average of the last 5 years in all asset classes shown here, but also below the 15% mark in absolute terms. This means that fluctuations have averaged less than 1% per day everywhere over the last three months.
- The low volatility in the commodities sector is currently particularly striking, despite the various geopolitical conflicts.

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: 03/05/2019 - 03/05/2024

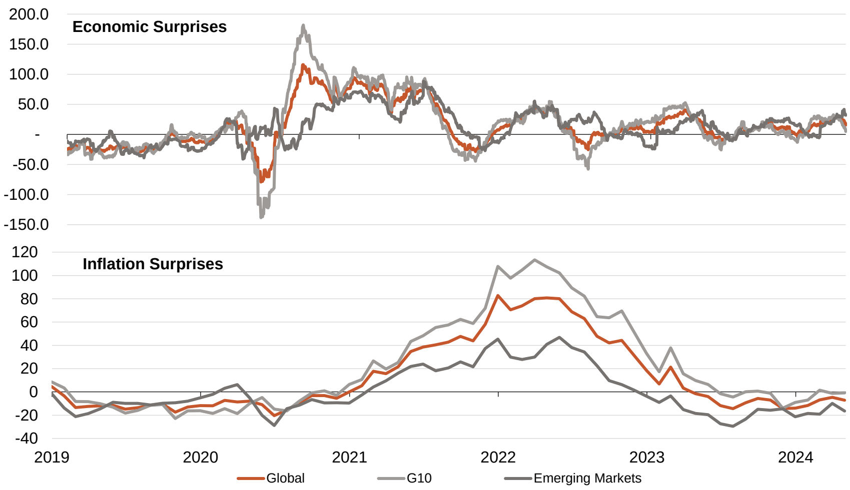
Volatility and Value-at-Risk of the S&P 500



- The high volatility premium of recent weeks seems to be narrowing from both sides of the equation. The VIX has fallen back below 15, while realized volatility has risen slightly.
- This high spread was one reason why the market has not seemed particularly prone to major setbacks in the absence of external shocks.

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 - 03/05/2024

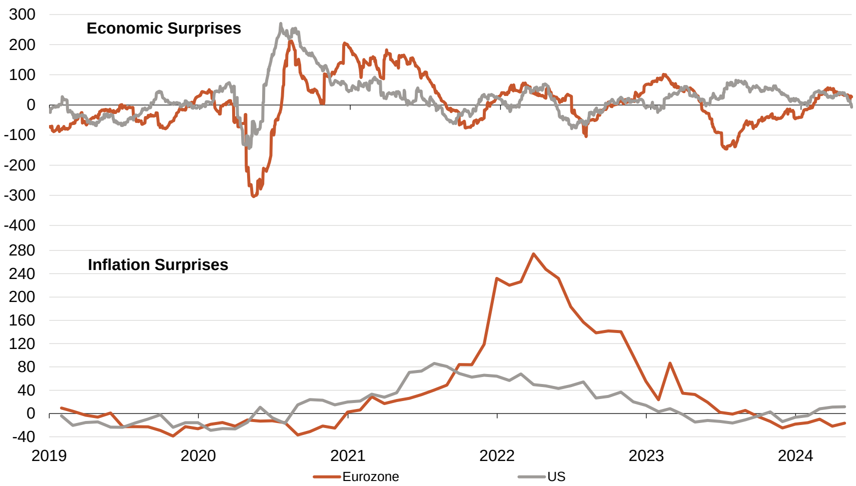
Global



- In the last two weeks, the positive economic surprises have decreased sharply in the industrialised countries and increased slightly in the emerging markets.
- In Switzerland, the purchasing managers' index for the manufacturing sector was lower than expected in April, while inflation surprised to the upside. In Canada, the GDP growth rate surprised to the downside in February.
- In China, the PMI data for the manufacturing sector surprised to the upside in April, while the unemployment rate in Mexico surprised to the downside in March.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 03/05/2024

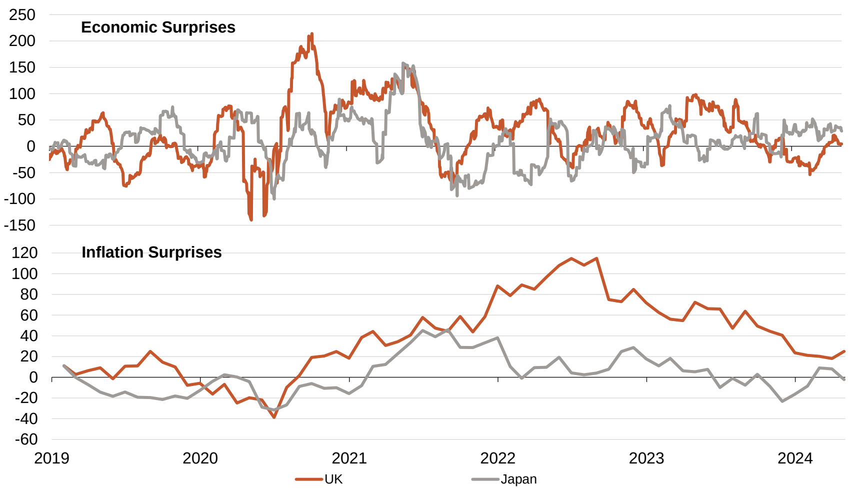
Eurozone and US



- In the US, the number of new jobs created in April surprised to the downside and the unemployment rate to the upside. The GDP growth rate for the first quarter, the Purchasing Managers' Index for the manufacturing sector in April and the latest initial claims for unemployment benefits were below expectations.
- In the eurozone, the April services PMI was above expectations and the manufacturing PMI was below expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 03/05/2024

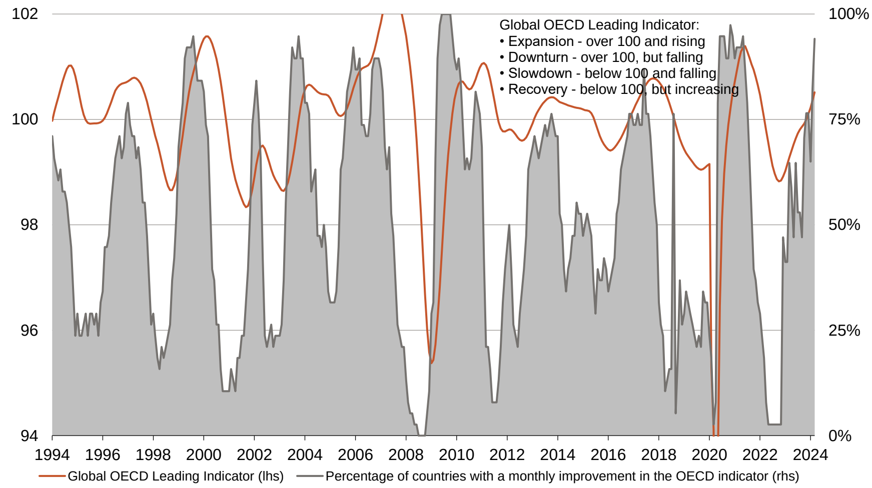
UK and Japan



- In the UK, consumer confidence and PMI data were better than expected in April.
- In Japan, retail sales were below expectations and industrial production was above expectations in March.

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 - 03/05/2024

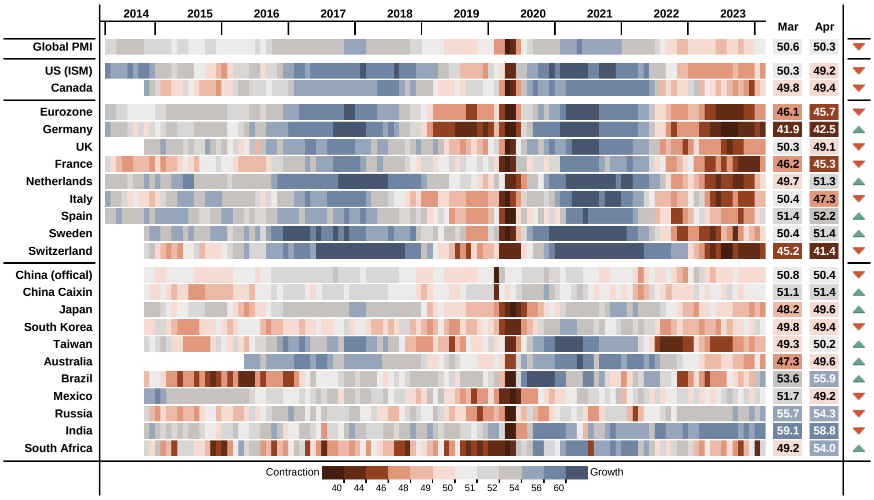
OECD Leading Indicator



- The global economic expansion continued in March - with a value of 100.5, the revised OECD leading indicator was 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 United Kingdom 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 - 03/05/2024

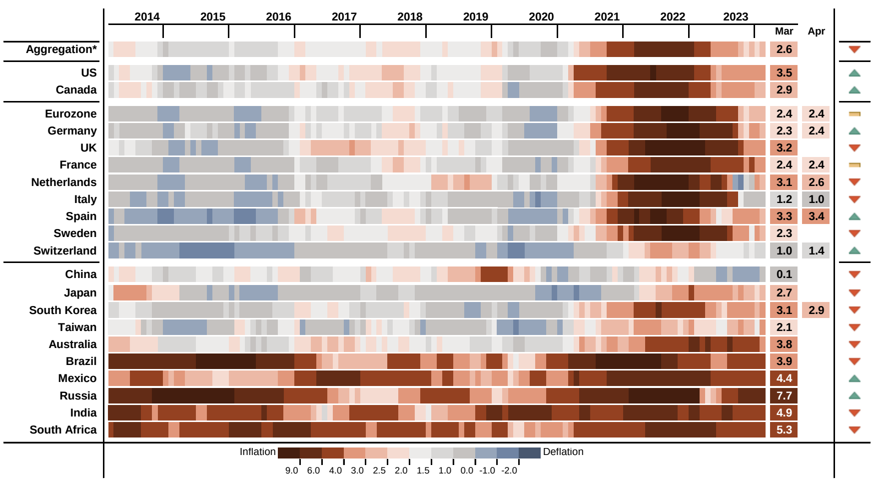
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The PMI data for April again showed a further decline in industrial activity in the eurozone in April compared to the previous month. In Germany, the PMI index recovered slightly compared to the previous month, but remained below 42 points.

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 points 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 - 03/05/2024

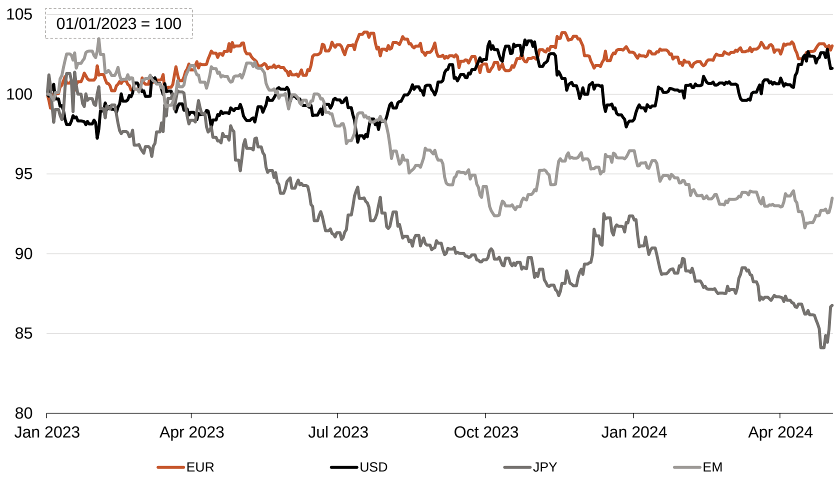
Headline Inflation



- The first inflation data for April show differences within the eurozone. While the annual inflation rate in the Netherlands and Italy fell compared to the previous month, it rose in Germany and Spain.

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 - 03/05/2024

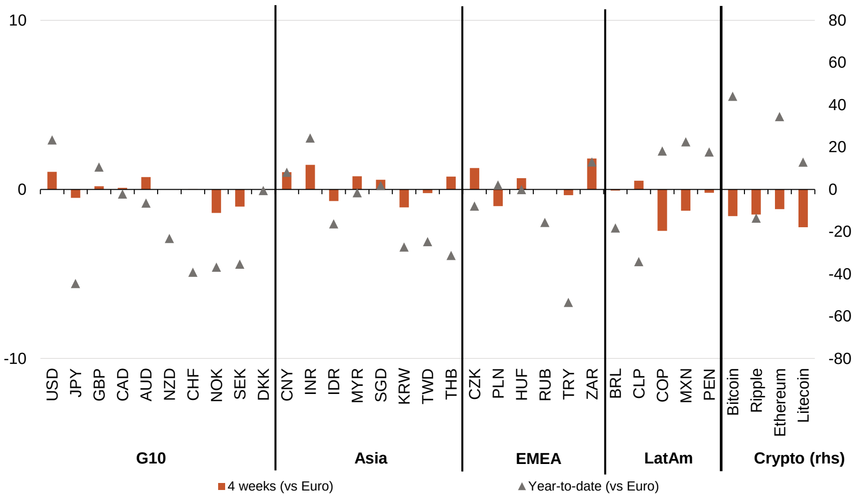
Trade-Weighted Currency Development



- The higher-than-expected core consumer price index for April and the associated tailwind for the US dollar alternated last week with the US dollar being weighed down by the lower-than-expected job creation figures and the Fed's renewed expectations of interest rate cuts this year.
- The Japanese yen received a tailwind last week from a suspected intervention by the Japanese central bank.

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 - 03/05/2024

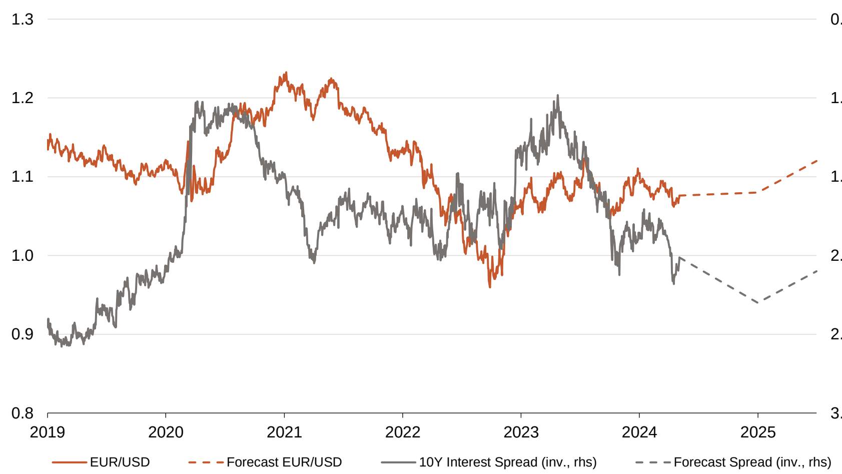
Currency Moves vs Euro



- The Czech koruna recently received a tailwind after the Czech central bank questioned further interest rate cuts and revised its forecast for the key interest rate level upwards.
- The Australian dollar recently benefited from better-than-expected inflation data for the first quarter in Australia.
- As expected, the Norwegian central bank left its key interest rate unchanged after its meeting, while the Colombian central bank lowered its key interest rate.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 03/05/2024

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



- As expected, the US Federal Reserve left the key interest rate unchanged at a 23-year high after its meeting last week. In his press conference, Fed Chairman Jerome Powell referred to the rise in inflation expectations and the slowdown in the process of fighting inflation, but considered a further increase in the key interest rate to be unlikely.

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

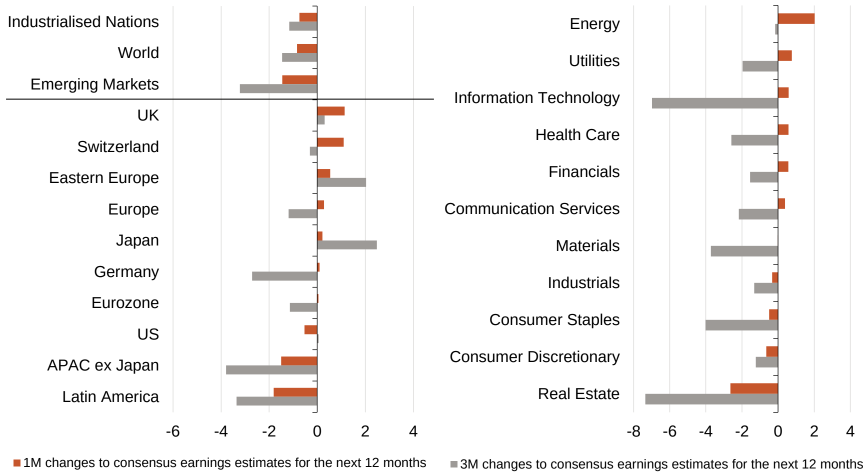
	4-week & YTD		12-month periods over that last 5 years				
	4W (05/04/24 - 03/05/24)	YTD (30/12/23 - 03/05/24)	03/05/23 03/05/24	03/05/22 03/05/23	03/05/21 03/05/22	03/05/20 03/05/21	03/05/19 03/05/20
Utilities	4.3	-3.4	-1.6	4.0	5.5	26.0	5.0
Consumer Staples	3.4	-1.1	-9.5	4.6	10.7	11.0	-3.1
Telecommunications	2.3	4.6	2.9	-0.9	4.9	23.7	-21.4
Health Care	2.2	7.7	6.0	3.8	21.3	1.9	19.3
Value	1.5	5.9	14.3	5.1	9.2	34.1	-23.7
Materials	1.3	5.2	15.9	-6.3	7.4	56.3	-15.0
Industrials	0.3	8.7	21.0	12.4	-3.8	54.0	-15.3
Energy	-0.1	8.7	22.3	5.8	51.6	19.2	-40.2
Finance	-0.2	10.4	25.5	9.9	4.1	43.2	-28.7
Growth	-0.4	7.8	10.0	8.8	0.4	29.8	-0.7
Consumer Discretionary	-1.5	8.1	3.5	25.4	-14.4	59.9	-16.5
Information Technology	-5.2	11.5	29.8	4.9	-7.8	46.6	0.2

Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. NR; Materials: MSCI Europe Materials NR; Communication Services: MSCI Europe Communication Services NR; Utilities: MSCI Europe Utilities NR; Value: MSCI Europe Value NR; Growth: MSCI Europe Growth NR.

- Over the past two weeks, the stock markets have moved sideways at index level.
- Beneath the surface, however, there have been significant rotations relative to the previous months. Defensive sectors in particular, such as healthcare, consumer staples and utilities, have recently performed positively, while value outperformed growth and cyclical consumer goods as well as technology stocks have lost more ground.

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: 03/05/2019 – 03/05/2024

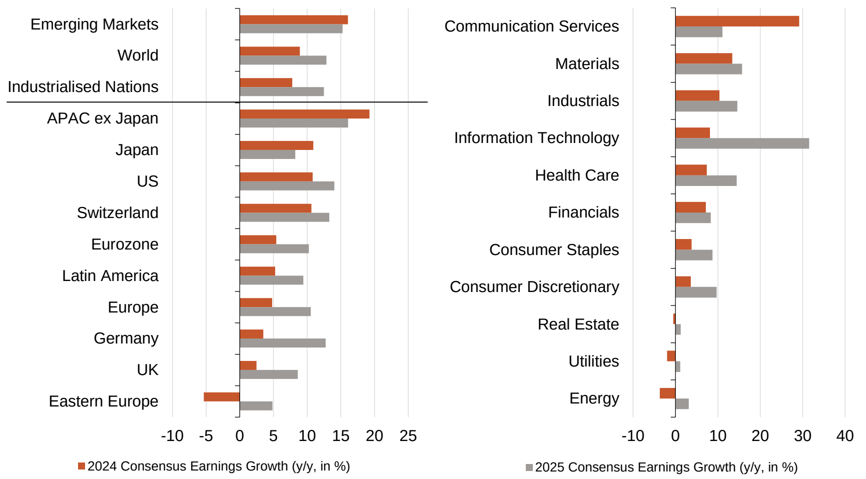
Changes in Consensus Earnings Estimates



- Analysts have continued to revise their earnings estimates downwards over the last month in the aggregate.
- This is mainly due to the reduction in earnings estimates for Asian emerging markets and Latin America. In contrast, earnings expectations for the next twelve months are rising in the western world.
- Earnings estimates are rising, particularly for the energy, utilities, information technology, healthcare and financial 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 06/05/2024

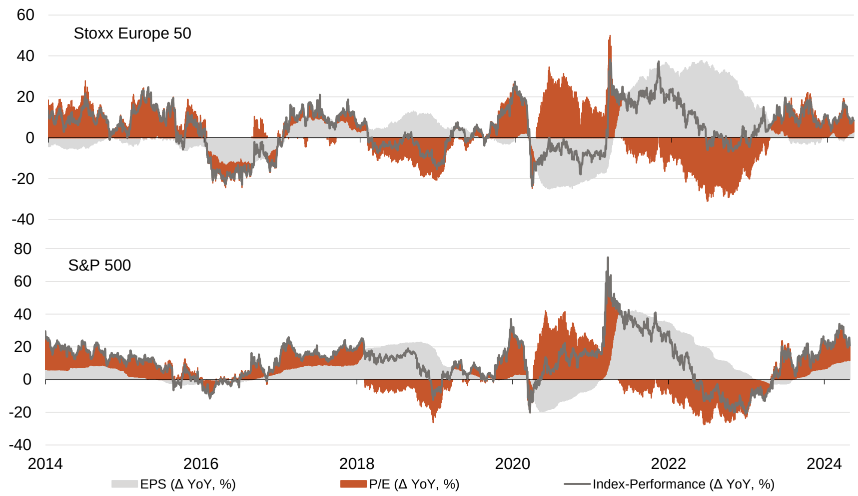
Earnings Growth



- While analysts anticipate earnings growth of over 15% for emerging markets, expectations for industrialized nations are only around 7%.
- At sectoral level, analysts expect the highest earnings growth for the telecommunications sector.
- In the energy sector, the consensus expects a decline in profits despite the recent rise in oil prices.

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 06/05/2024

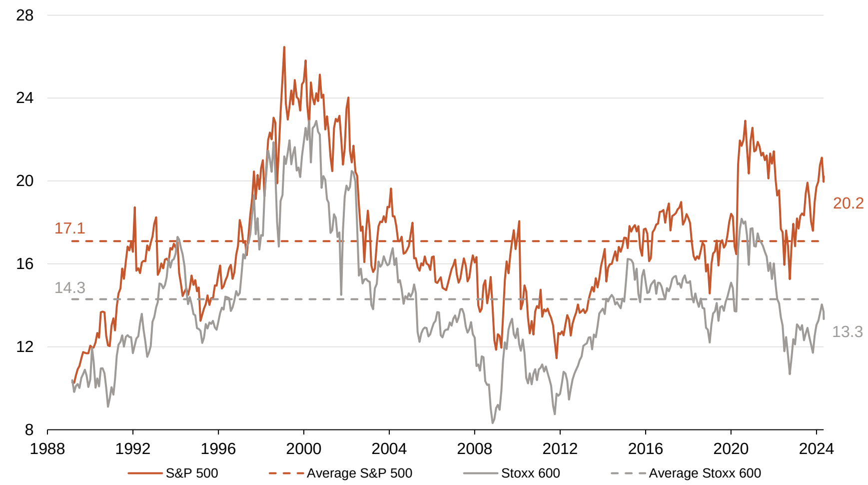
Contribution Analysis



- Despite a good reporting season, the drivers of index performance for both the Stoxx Europe 50 and the S&P 500 have hardly changed, at least year-on-year.
- Accordingly, performance in Europe continues to be driven largely by an increase in valuations, while higher EPS expectations for the more highly valued S&P 500 are making a greater contribution to index performance.

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 - 03/05/2024

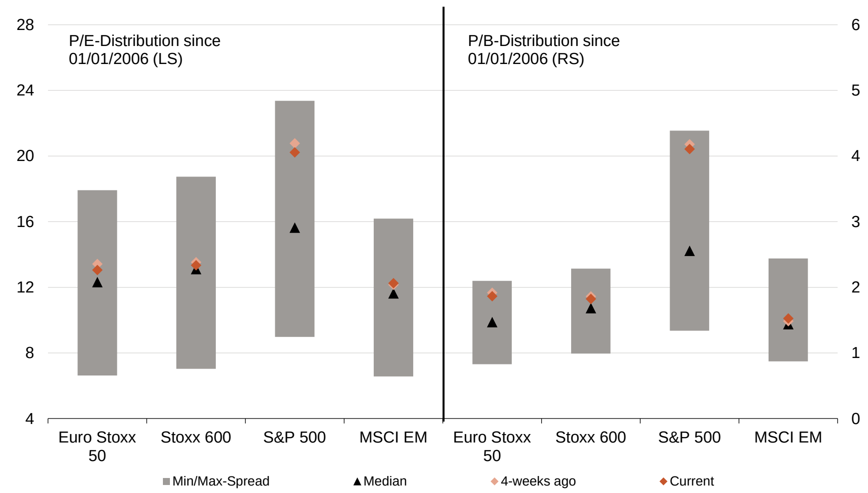
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Due to the only slight change in earnings estimates and a sideways movement in the S&P 500, the P/E ratio has hardly changed recently and is still at a historically high level after a slight setback.
- The valuation in Europe, measured by the P/E ratio of the Stoxx 600, has also stabilized after a slight setback, but remains below the historical average.

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 - 03/05/2024

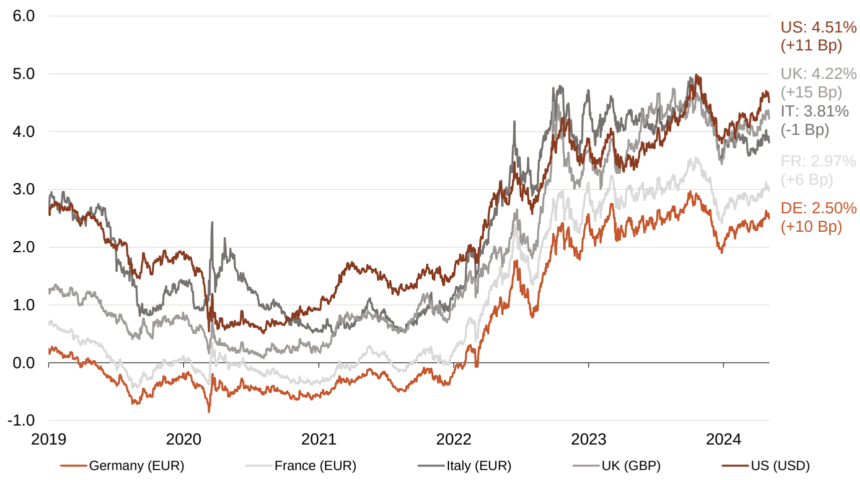
Historical Distribution: Price/Earnings and Price/Book Ratio



- Concerns about a long-term inflation rate above the monetary policy target of 2%, coupled with higher interest rates in the longer term, have recently had a slightly negative impact on valuations.
- Only the valuations of the emerging markets remain unchanged on a monthly basis, both on a P/E and 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 - 03/05/2024

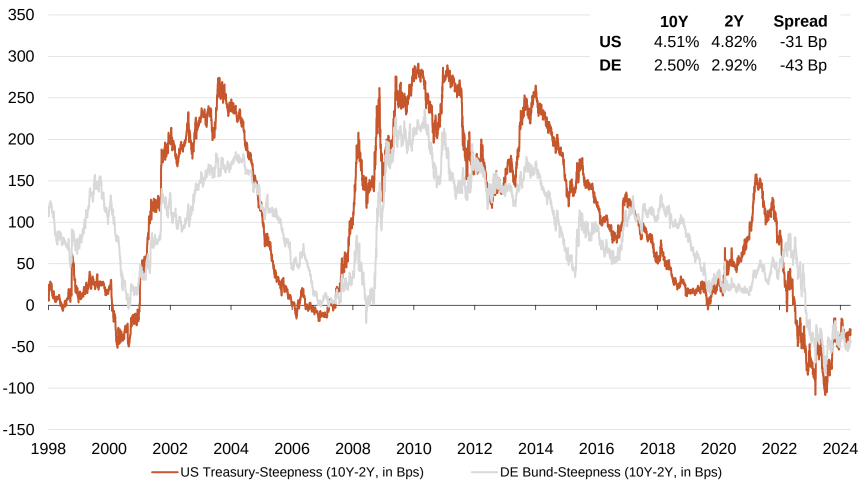
10-Year Government Bond Yields



- In recent days, weak US economic data, particularly labor market data, has led to a decline in yields. At the last Fed meeting, Fed Chair Powell allayed concerns about the possibility of further interest rate hikes.
- In addition, the Fed decided at its meeting to reduce its balance sheet of US Treasuries by only 25 billion per month in future instead of the previous 60 billion, which was below expectations of 30 billion and should increase liquidity on the markets accordingly.

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 - 03/05/2024

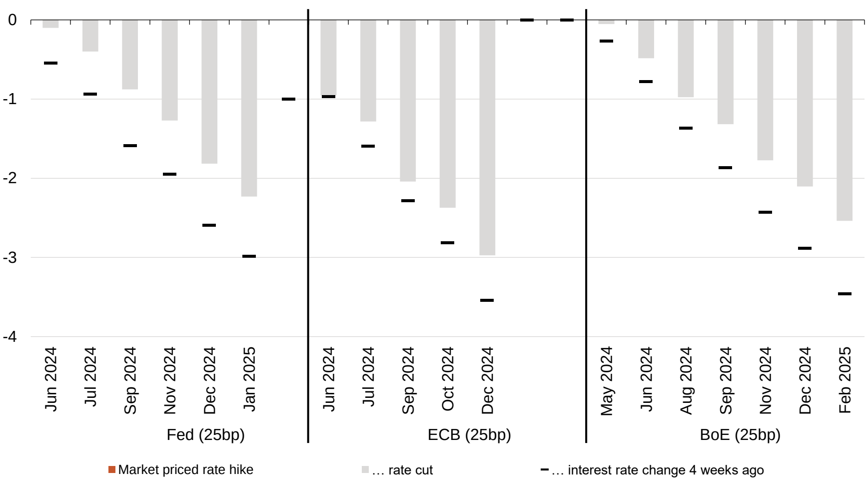
Yield Curve Steepness (10Y - 2Y)



- Weaker economic data coupled with dovish statements from Fed Chair Powell have led to a slight steepening of the US yield curve.
- The interest rate differential between 2-year and 10-year US government bonds has narrowed from -37 to -33 basis points in the last two weeks.

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 - 03/05/2024

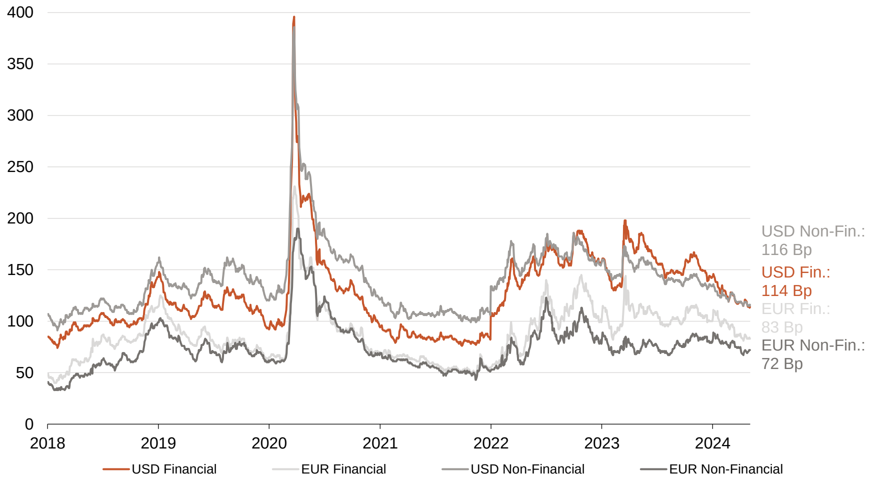
Implicit Changes in Key Interest Rates



- The probability of a first interest rate cut by the Fed in June has fallen further in the last two weeks to below 12%. The market is now pricing in almost two interest rate cuts by the end of the year.
- Expectations of interest rate cuts for both the ECB and the BOE have been reduced slightly due to improving economic data.

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

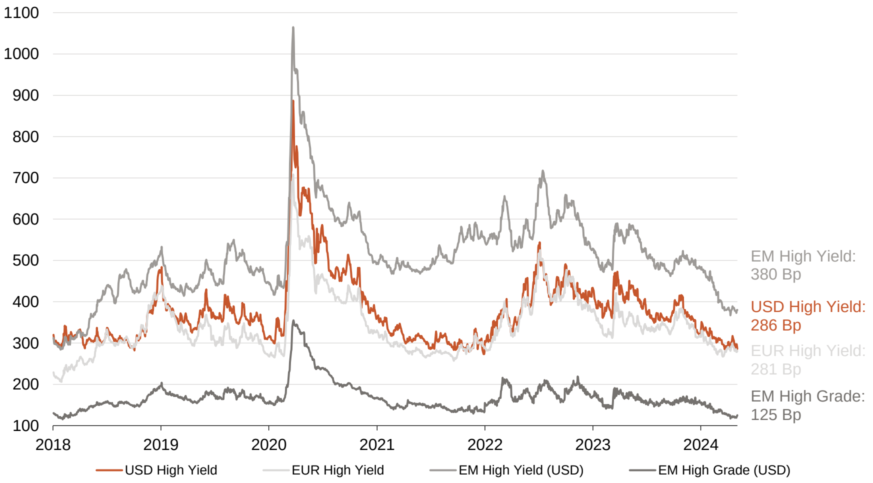
Credit Spreads Financial and Non-Financial Bonds



- In the past two weeks, risk premiums on both financial and non-financial bonds from the US and the eurozone have continued to fall slightly.
- The spreads of USD financial and non-financial bonds narrowed by 6 and 3 basis points respectively, while the risk premiums for EUR financial bonds narrowed by 3 basis points and non-financial bonds widened by 2 basis points.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 03/05/2024

Credit Spreads High Yield and Emerging Markets Bonds



- Both USD and EUR high-yield bonds saw major spread narrowing, although the spreads had previously also risen more significantly. Risk premiums have fallen by 25 and 10 basis points respectively in the last two weeks.
- Spreads on high-yield bonds from emerging markets have narrowed by 6 basis points, while investment-grade bonds have widened by 4 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 – 03/05/2024

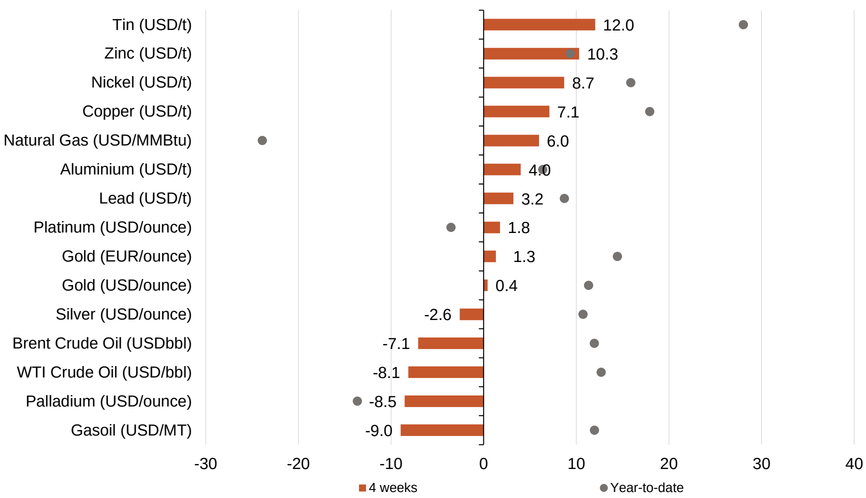
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	03/05/23 03/05/24	03/05/22 03/05/23	03/05/21 03/05/22	03/05/20 03/05/21	03/05/19 03/05/20
EUR Government	3.14	0.14	7.1	-	-	-	-0.8	-1.9	2.5	-9.7	-8.6	2.5	4.0
Germany	2.66	0.11	7.2	-	-	-	-0.7	-2.7	0.4	-10.0	-7.3	-2.2	3.8
EUR Corporate	3.95	0.12	4.4	77	-2	48	-0.4	-0.4	5.3	-5.4	-7.6	5.9	-1.3
Financial	4.18	0.14	3.7	86	-1	43	-0.3	0.0	6.0	-4.7	-6.4	5.4	-1.1
Non-Financial	3.80	0.11	4.9	71	-4	49	-0.4	-0.6	4.8	-5.9	-8.3	6.2	-1.4
EUR High Yield	6.88	0.29	3.0	291	13	20	-0.2	1.4	10.4	-2.5	-5.3	16.8	-6.3
US Treasury	4.82	0.36	6.1	-	-	-	-1.8	-3.0	-3.6	-1.2	-7.2	-4.7	15.4
USD Corporate	5.77	0.37	6.5	119	2	26	-2.0	-2.4	0.9	0.2	-9.7	5.4	9.5
Financial	5.92	0.37	4.9	120	3	41	-1.5	-1.1	3.0	0.2	-8.3	5.7	8.2
Non-Financial	5.70	0.36	7.3	119	1	23	-2.2	-3.0	-0.1	0.1	-10.4	5.3	9.9
USD High Yield	8.39	0.52	3.8	311	21	5	-1.6	-0.2	8.8	0.0	-4.1	20.8	-5.9
EM High Grade	5.76	0.27	5.1	121	-6	0	-1.2	-0.8	2.6	-0.2	-9.9	8.1	2.8
EM High Yield	9.13	0.41	3.9	386	6	7	-0.9	2.7	10.7	-1.5	-16.1	22.9	-5.2

- Over the last four weeks, the bond markets have tended to fall across the board. US government bonds and US corporate bonds performed the worst in relative terms.
- The risk premiums on USD high-yield bonds are now below the 10th percentile. The higher risk for investors is compensated for very little accordingly.

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: 03/05/2014 – 03/05/2024

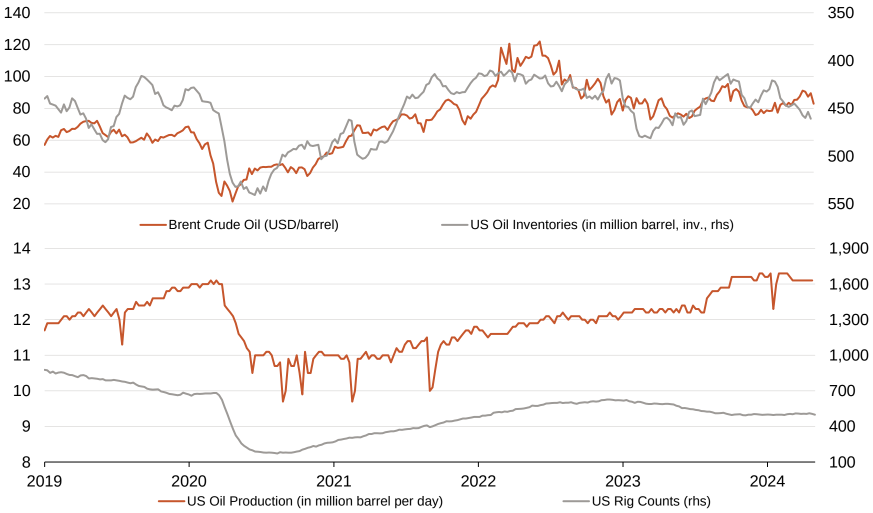
Commodities Performance



- Over the last month, energy commodities in particular recorded losses as there was no further escalation between Israel and Iran.
- Industrial metals, on the other hand, continued to rise thanks to growing hopes of a synchronized global upswing in the manufacturing sector.
- Except for palladium, precious metals are in the midfield over the last month after a strong performance in previous weeks.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2023 - 03/05/2024

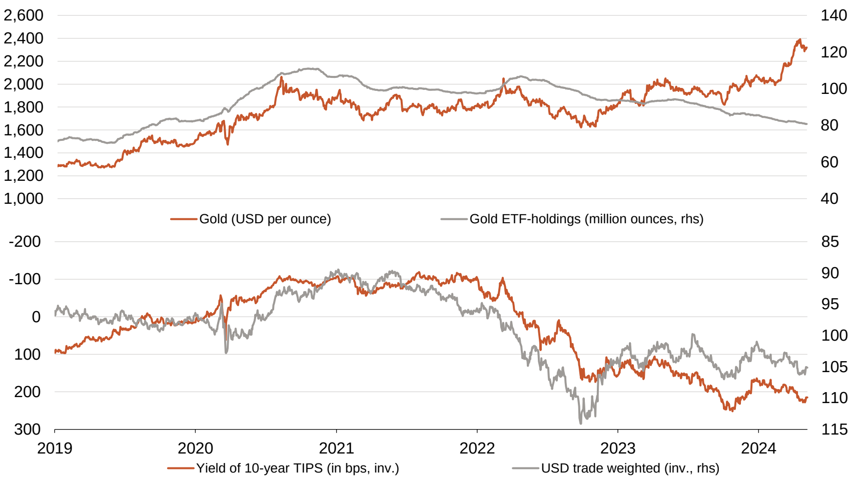
Crude Oil



- The price of oil has fluctuated between USD 85 and USD 90 per barrel in recent weeks, driven primarily by geopolitical developments between Israel and Hamas. Most recently, hopes for new ceasefire negotiations weighed on the price. Prior to this, stocks had fallen much more sharply than expected, providing a tailwind.
- In the absence of a clear imbalance between supply and demand, no clear trend is currently discernible.

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 - 03/05/2024

Gold



- Gold has consolidated above the USD 2,300 per ounce mark in recent weeks.
- In addition to high real interest rates and the strong dollar, Israel's moderate response to the Iranian missile attacks is also likely to have weighed on the safe haven. Meanwhile, outflows from ETFs are continuing.

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 - 03/05/2024

BERENBERG
PARTNERSHIP SINCE 1590

PUBLISHING INFORMATION

PUBLISHER

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

EDITORS

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

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

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

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

The Berenberg Markets series includes the following publications:

- ► Monitor
- Focus
- Investment Committee Minutes

www.berenberg.de/en/publications

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

IMPORTANT NOTICES