

### Current market commentary

The announcement of snap elections in France has recently led to increased volatility in Europe. The euro lost value against the US dollar, the yield differential between French and German bonds widened significantly and French equities, particularly banks, came under heavy pressure. In contrast, the S&P 500 climbed from all-time high to all-time high, boosted by good corporate results from the technology sector and easing US inflation. A somewhat more hawkish Fed, which in its projections expects only one interest rate cut this year, was unable to do anything to dampen the positive mood in the US. The Q2 reporting season, which is due to begin shortly, is likely to be correspondingly relevant. Investors and analysts appear to be optimistic about the quarterly results. This is positive in itself, but makes positive surprises more difficult. We see only limited upside potential in the short term and an increased probability of consolidation in the medium term.

### Short-term outlook

The next two weeks will be exciting in terms of (monetary) policy. On June 20, the Bank of England will decide on interest rates. The G7 meeting of finance ministers will take place in Italy on June 23-25 and the EU summit in Brussels on June 27-28. Industrial production and retail sales (May) from China and the US Empire State Index (June) will be published today. This will be followed tomorrow by inflation data (May) from the eurozone, ZEW economic expectations (Jun) from Germany and US data on retail sales and industrial production (May). The Philadelphia Fed Index (Jun) and US building permits (May) are due on Wednesday. On Friday, the preliminary Eurozone PMIs (Jun) will be published. Next week, US consumer confidence (Jun), German consumer confidence (Jul) and IFO business climate index (Jun), US durable goods orders and the final US GDP growth rate (Q1) are due.

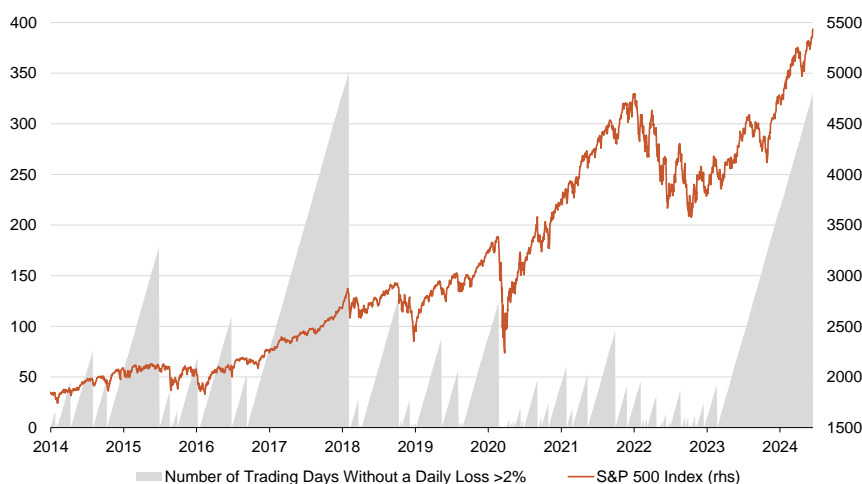
The bi-weekly **Monitor** gives you a structured overview of the current capital market environment and highlights important developments:

- Performance
- Positioning
- Sentiment
- Surprise Indicators
- Economics
- Foreign Exchange
- Equities
- Sovereign Bonds & Central Banks
- Corporate Bonds
- Commodities

*The focus is on the interest rate decision, ministerial meetings and summit meetings.*

*Retail sales, industrial production and consumer confidence in investors' eyes.*

### Is the S&P 500 Index unstoppable?



- The S&P 500 is unimpressed by all risks – whether inflation, the Fed, the economy, geopolitics or the new elections in France. Driven by a few large stocks, the benchmark index has not suffered a daily loss of more than 2% for more than 300 trading days.
- Seasonally, the historically best two weeks of the year are still to come at the beginning of July, but the high earnings expectations for the upcoming reporting season, coupled with a high level of investor positioning, harbour the risk of at least a temporary correction.

Source: Bloomberg, Time period: 01/01/2014 - 14/06/2024



## Multi Asset

	4-week & YTD		12-month periods over that last 5 years					
	4W (17/05/24 - 14/06/24)	YTD (29/12/23 - 14/06/24)	14/06/23	14/06/22	14/06/21	14/06/20	14/06/19	14/06/20
MSCI World	2.3	14.8	22.5	13.6	-1.2	31.2	3.1	
MSCI Frontier Markets	1.8	9.6	13.3	-6.5	-2.4	27.9	-10.6	
USDEUR	1.6	3.1	1.2	-3.8	16.3	-7.1	-0.4	
Brent	0.7	16.7	28.2	-29.1	126.9	68.7	-37.2	
EUR Corporates	0.5	0.7	6.5	0.9	-13.6	3.7	0.4	
REITs	-1.3	0.3	3.5	-8.6	-2.9	18.9	-10.2	
Euro overnight deposit	0.3	1.8	3.9	1.4	-0.6	-0.5	-0.4	
Global Convertibles	0.3	2.5	5.1	3.5	-12.8	35.9	12.0	
EUR Sovereign Debt	-0.7	0.2	3.4	-0.8	-10.2	0.9	1.0	
MSCI Emerging Markets	-0.2	10.0	10.6	-1.5	-12.4	32.6	-0.6	
Gold	-2.1	16.6	21.5	3.3	12.8	0.0	28.6	
Industrial Metals	-8.4	12.2	9.3	-14.2	25.9	46.0	-6.3	

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.

- Lower than expected data on consumer and producer price inflation in the US fuelled fears among investors that the US Federal Reserve would cut interest rates this year, which in turn boosted US equities.
- Following the strong performance of the right-wing parties in the European elections and the early elections to the French parliament, the euro depreciated against the dollar.
- Industrial metals have suffered from increasing growth concerns over the past four weeks.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.  
 Source: Bloomberg, Time period: 14/06/2019 - 14/06/2024

## Equities

	4-week & YTD		12-month periods over that last 5 years					
	4W (17/05/24 - 14/06/24)	YTD (29/12/23 - 14/06/24)	14/06/23	14/06/22	14/06/21	14/06/20	14/06/19	14/06/20
S&P 500	4.2	18.5	28.0	14.2	3.6	31.7	7.2	
MSCI EM Asia	1.4	14.0	13.3	-3.4	-13.0	33.4	7.2	
MSCI Japan	0.4	9.4	10.0	16.3	-6.9	16.2	5.6	
Stoxx Europe 50	-0.9	11.5	14.9	20.7	-1.4	24.3	-3.9	
Stoxx Europe Defensives	-1.1	8.7	12.1	8.7	6.3	14.8	0.7	
MSCI UK	-1.7	10.3	13.1	10.6	6.8	25.6	-15.6	
MSCI USA Small Caps	-2.4	3.6	11.3	8.7	-8.9	53.5	-6.6	
Stoxx Europe Cyclical	-3.1	9.9	18.4	20.4	-13.5	43.2	-7.6	
Stoxx Europe Small 200	-3.6	4.3	8.3	7.2	-19.8	43.4	-2.6	
DAX	-3.8	7.5	10.4	22.6	-15.1	31.2	-1.2	
Euro Stoxx 50	-4.1	9.2	13.3	29.2	-13.7	34.0	-5.1	
MSCI EM Latin America	-11.5	-13.6	-6.2	20.6	0.5	30.0	-27.0	

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 Cyclical: Stoxx Europe Cyclical TR;  
 Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kingdom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR;  
 MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- The ongoing AI and technology trend as well as surprisingly low inflation data in the US have supported the S&P 500 over the past four weeks.
- The European equity markets have recorded losses across the board in the last four weeks. French equities in particular came under pressure due to the early parliamentary elections in France.
- The share index of Latin American emerging markets suffered above all from the surprising outcome of the presidential elections in Mexico.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.  
 Source: Bloomberg, Time period: 14/06/2019 - 14/06/2024

## Fixed Income

	4-week & YTD		12-month periods over that last 5 years					
	4W (17/05/24 - 14/06/24)	YTD (29/12/23 - 14/06/24)	14/06/23	14/06/22	14/06/21	14/06/20	14/06/19	14/06/20
Treasuries	3.3	3.2	3.9	-3.6	3.6	-10.2	10.5	
Gilts	2.3	0.7	7.9	-13.4	-16.3	-2.7	10.7	
EM Hard Currency Bonds	2.2	6.2	12.4	1.1	-7.6	1.1	0.9	
USD Corporates	1.4	1.0	6.7	3.0	-15.0	3.7	10.1	
Bunds	-1.4	1.3	3.1	-4.2	-13.3	-1.6	1.2	
EUR Non-Financials	0.6	0.2	5.7	1.0	-14.2	3.6	0.5	
Chinese Sovereign Bonds	0.6	3.5	5.9	4.3	5.5	1.8	6.1	
USD High Yield	0.5	2.3	10.4	7.2	-11.1	14.1	0.8	
EUR Financials	0.4	1.2	7.6	0.7	-12.8	3.9	0.2	
EUR High Yield	0.4	2.9	9.7	5.9	-12.0	11.8	-0.6	
BTPs	-0.4	0.2	4.9	2.6	-17.2	6.3	7.0	
EM Local Currency Bonds	-1.5	-1.0	1.7	7.2	-8.0	-0.4	0.9	

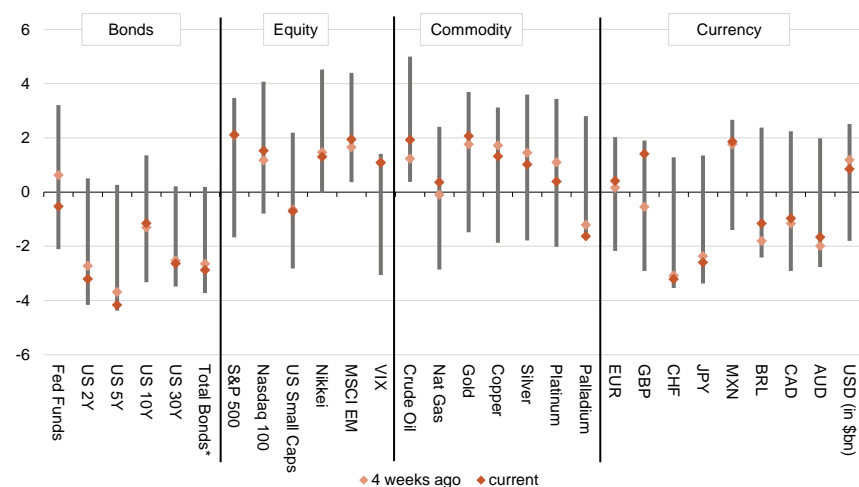
Bunds: IBOXX Euro Germany Sov TR; BTPs: IBOXX Euro Italy Sov TR; Treasuries: ICE BofA US Treasury TR;  
 Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials: IBOXX Euro Fin. Overall TR;  
 EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE 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

- Investors' renewed hopes of interest rate cuts by the US Federal Reserve this year and the weakening of the euro against the dollar supported the performance of US government bonds in euro terms.
- Local currency bonds in emerging markets have suffered in the last four weeks due to political uncertainty following the elections in Mexico and India as well as the strong US dollar.

Total return (including reinvested coupons) for selected bond indices, in euros and in percent, sorted by 4-week performance.  
 Source: Bloomberg, Time period: 14/06/2019 - 14/06/2024



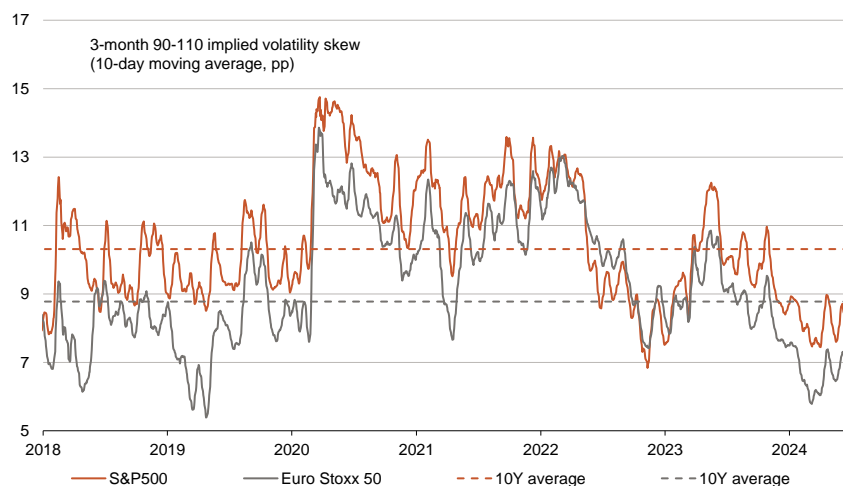
## Non-Commercial Positioning



- The biggest change in the positioning of speculative investors over the last month was in the British pound.
- With the economic data being significantly better than expected, the future positioning here has turned from net short to a clear net long.

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: 11/06/2014 - 11/06/2024

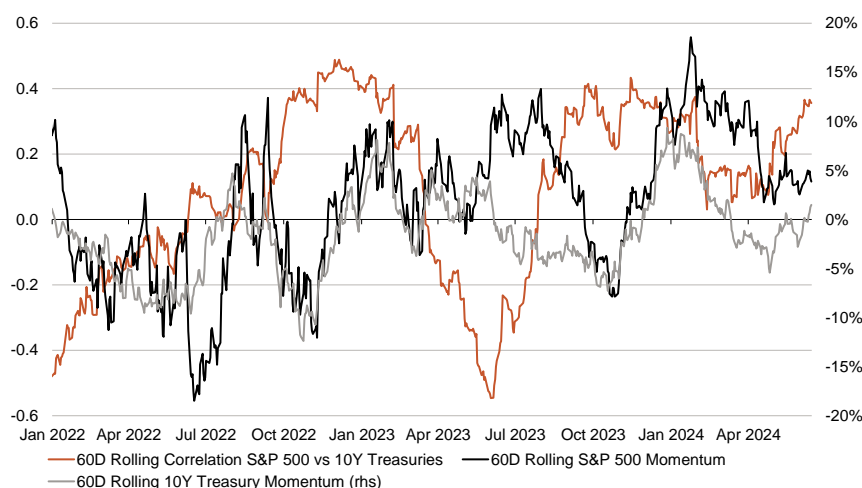
## Put-Call-Skew



- The put-call skew remains at a very low level. Investors therefore see little need to hedge their profits despite equity markets at all-time highs.
- One reason for the flat skew is probably the surprising composition of realised volatility. In absolute terms, positive returns over the last month were on average higher than negative returns.

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: 14/06/2014 - 14/06/2024

## 60-Day Momentum and Correlation

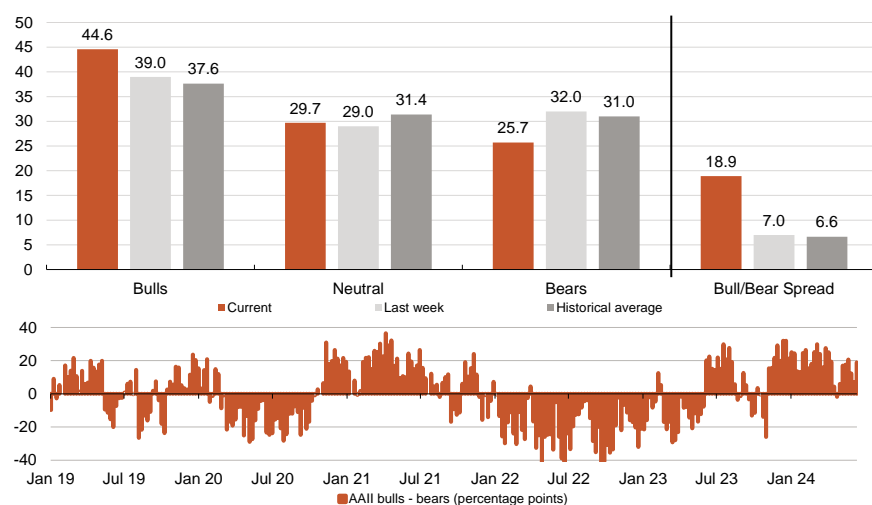


- The correlation between equities and bonds is now close to the highs of the last 2.5 years.
- Both asset classes are currently being driven by macro data. Both celebrated the recent lower than expected inflation data with a view to more interest rate cuts. Meanwhile, for economic data, "bad" continues to be "good".

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 - 14/06/2024



### AAll Sentiment Survey (Bulls vs Bears)

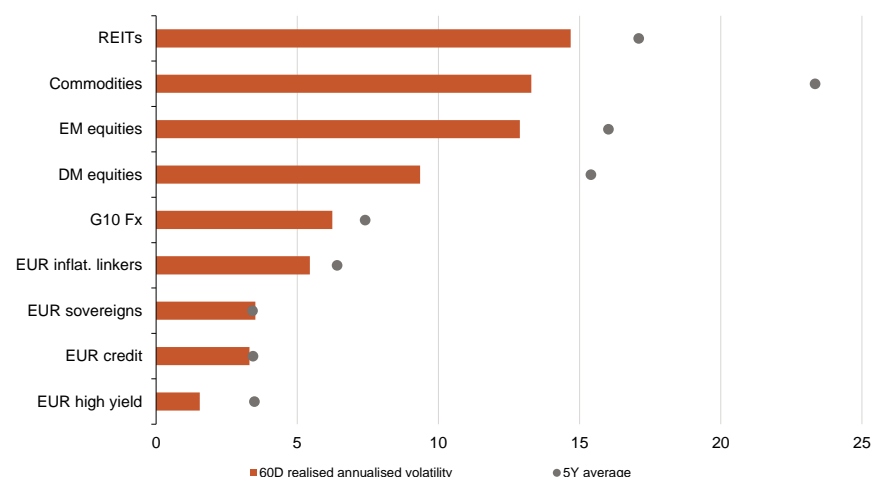


- The sentiment among US private investors has fluctuated between slight and significant optimism in recent weeks.
- The bull/bear spread is currently just under 19 ppts, which is roughly in line with the average since the beginning of the year, but well above the historical average of around 7 ppts.

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, AAll, Time period: 23/07/87 - 13/06/2024

### Realised Volatilities

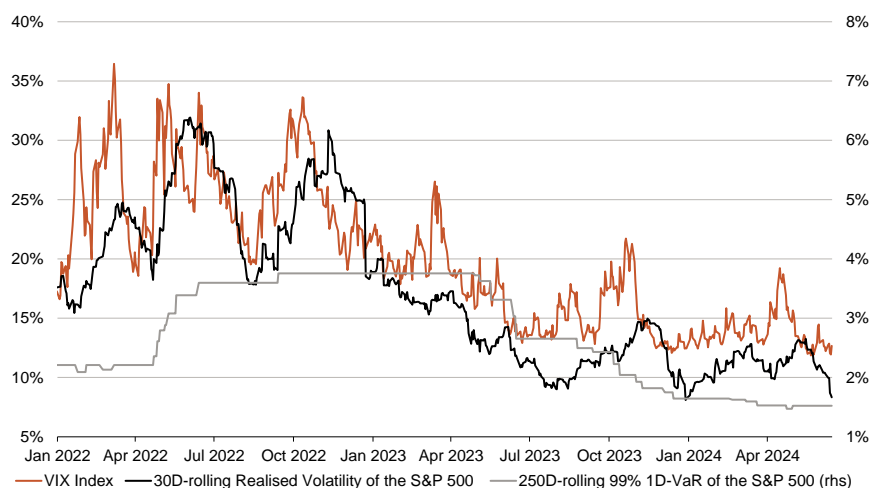


- The realised volatilities have changed little in recent weeks.
- Despite the low visibility and the correspondingly often wrong consensus estimates of economic data, realised volatility is surprisingly low.
- The asset classes with the highest interest rate sensitivity, such as REITs and government bonds, are showing the highest volatility relative to their historical average.

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: 14/06/2019 - 14/06/2024

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



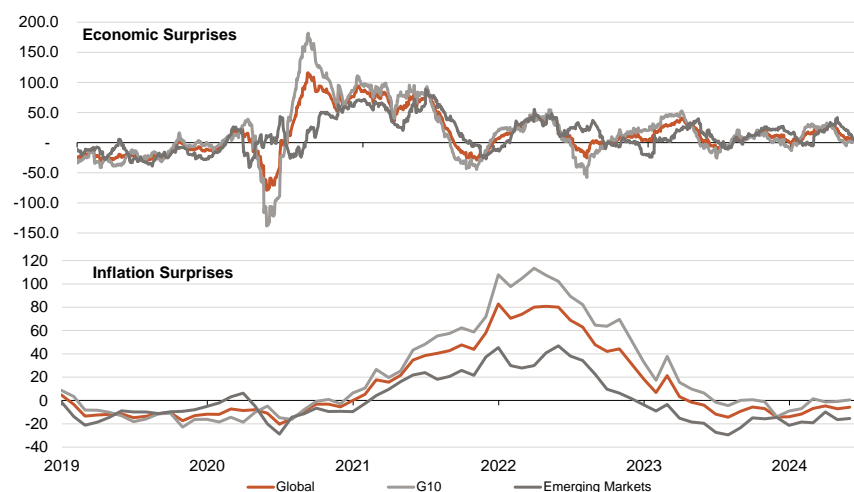
- The realised 30-day volatility is currently well below the 10% mark.
- However, for it to fall further (as it did in 2017), the volatility of individual stocks would have to come down, as the correlation is already close to historical lows.

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 - 14/06/2024



## Global

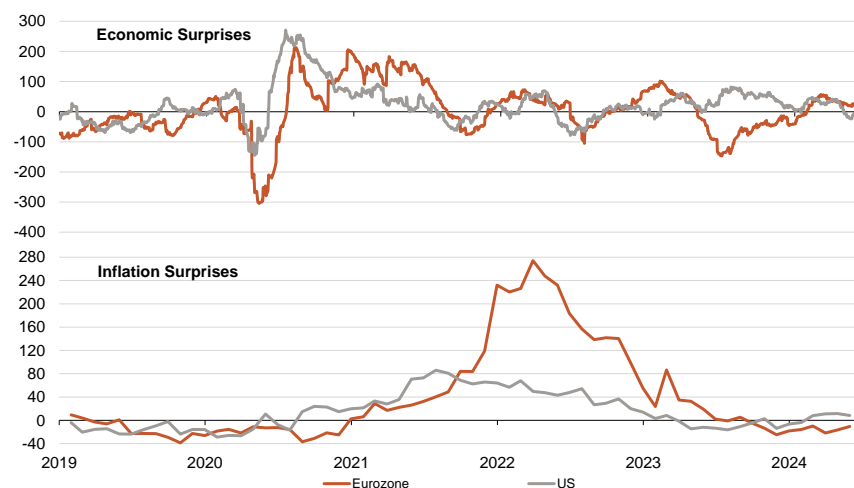


- Economic surprises in the industrialised countries have been only slightly positive in the last two weeks, while the positive surprises in the emerging markets have declined sharply.
- In South Africa and Australia, the GDP growth rate in the first quarter was below expectations, while in Brazil it surprised slightly on the upside. In Mexico, industrial production surprised to the downside in April.
- In Brazil, inflation surprised to the upside in May, while in India it was below expectations.

See explanations below.

Source: Bloomberg, Time period: 01/01/2019 - 14/06/2024

## Eurozone and US

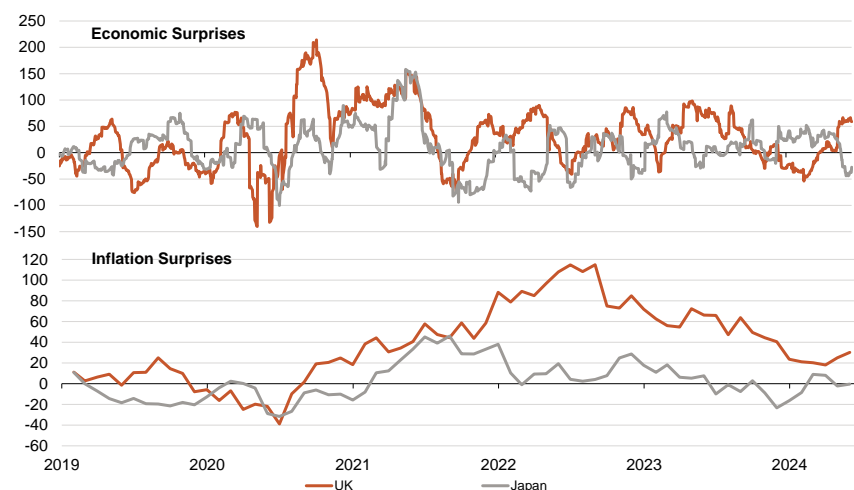


- In the US, both consumer and producer price inflation surprised to the downside in May, while the latest initial jobless claims were above expectations. The number of job vacancies and new orders for durable goods in April, on the other hand, surprised to the downside.
- In the eurozone, retail sales and industrial production were below expectations in April. Producer price inflation also surprised to the downside in April.

See explanations below.

Source: Bloomberg, Time period: 01/01/2019 - 14/06/2024

## UK and Japan



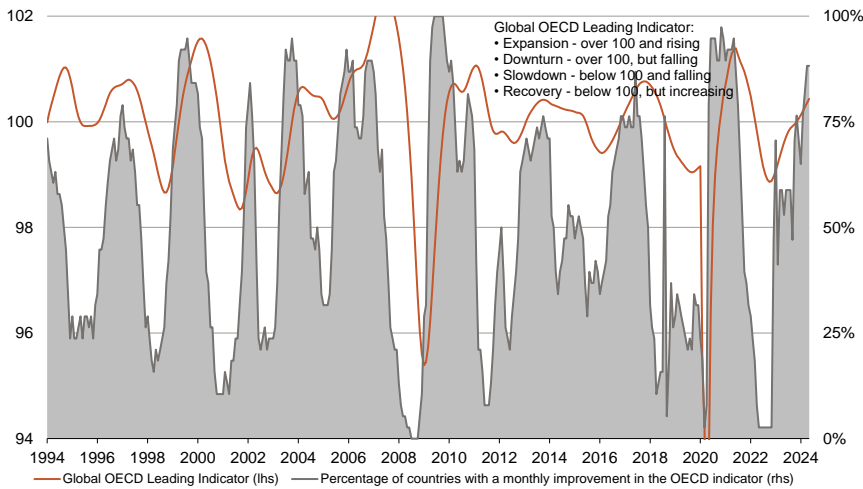
- In the UK, the PMI index surprised to the upside in May, while industrial production in April was below expectations.
- In Japan, producer price inflation in May and the current account balance in April were above expectations.

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 - 14/06/2024



## OECD Leading Indicator

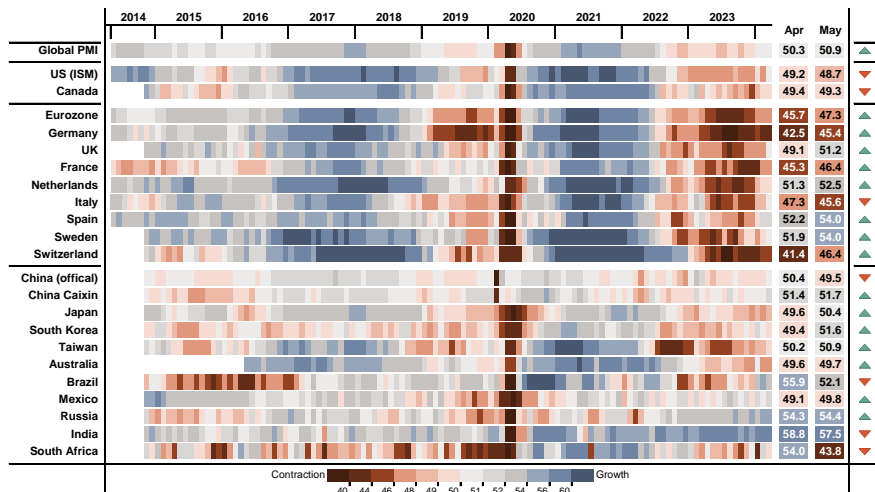


- The global economic expansion continued in May - with a value of 100.4, the revised OECD leading indicator was above the 100 mark for the sixth month in a row.
- According to the leading indicator, 88% of the countries surveyed saw an improvement in the economic situation in May compared to the previous month, with Germany and Canada 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 - 14/06/2024

## Manufacturing Purchasing Managers Index (Manufacturing PMI)

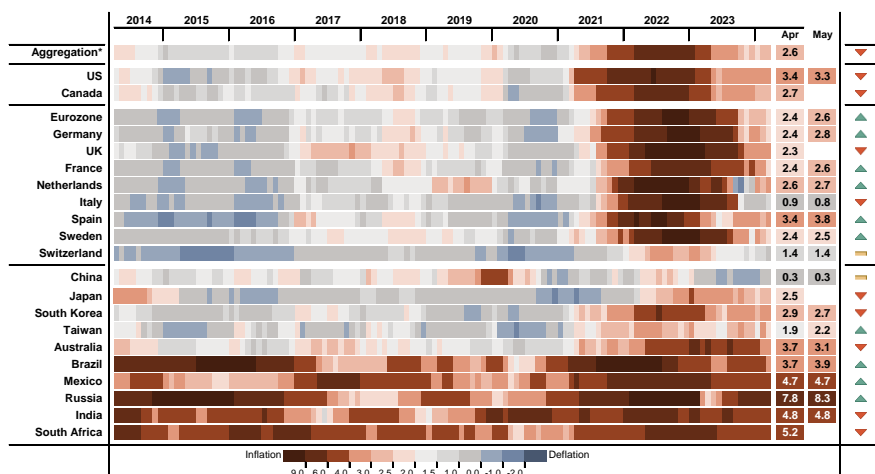


- While the global PMI data in May showed a slight increase in industrial activity compared to the previous month, the PMI indices in the eurozone and the USA remained below the 50 mark. The Chinese Caixin index, on the other hand, pointed to an expansion of industrial activity in China.

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 - 14/06/2024

## Headline Inflation



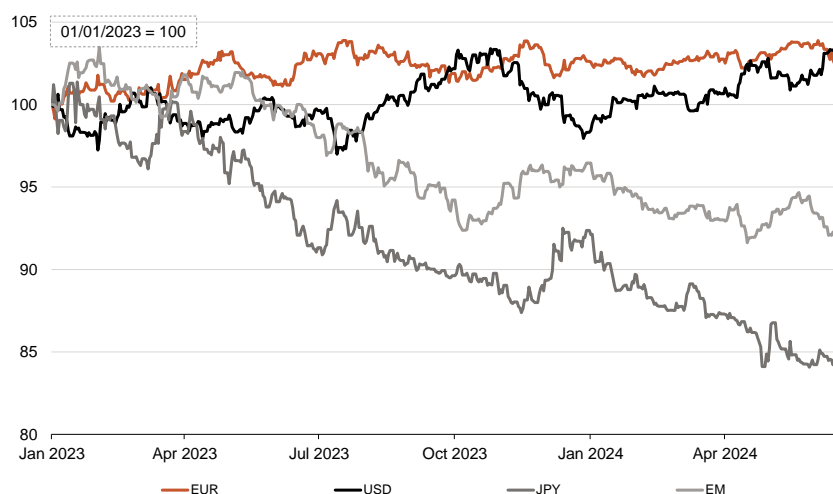
- The first inflation data for May showed regional differences. While annual consumer price inflation in the USA slowed compared to the previous month, it rose in the eurozone and Brazil. In Germany, the continued rise in prices for services contributed significantly to inflation.

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 - 14/06/2024



### Trade-Weighted Currency Development

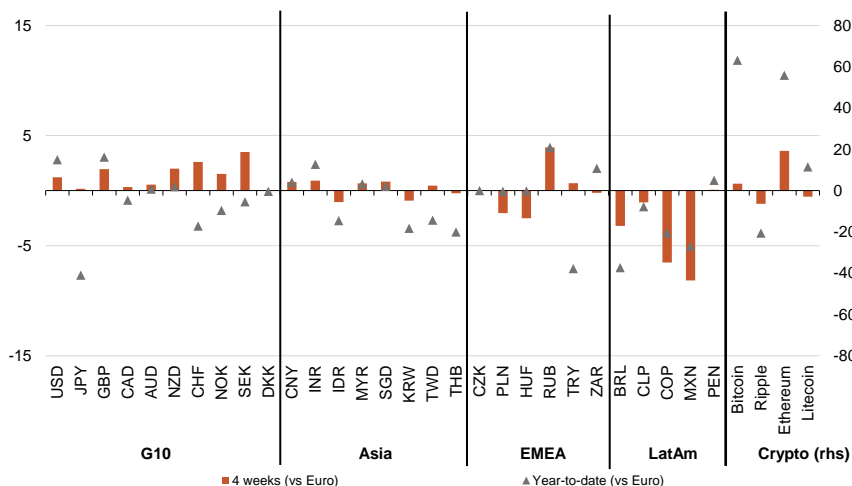


- As expected, the US Federal Reserve left the key interest rate unchanged at its regular meeting last week. In their forecasts for possible interest rate cuts this year, the members of the Fed Council only hinted at one rate hike and raised their inflation forecasts for this year, which supported the dollar index on a trade-weighted basis.
- The rise of right-wing parties in the European elections unsettled investors and weighed on the euro.

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 - 14/06/2024

### Currency Moves vs Euro

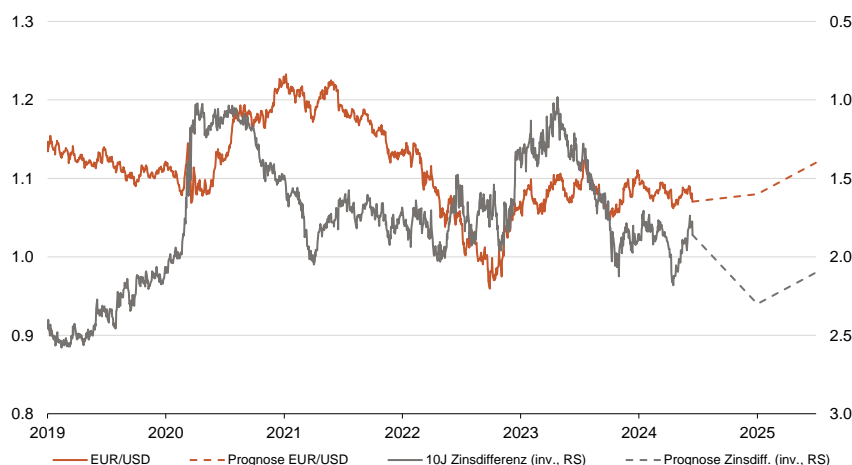


- The unexpected results of the presidential elections in Mexico and the associated upcoming economic reforms weighed on the Mexican peso.
- The Swedish central bank's forecast of only two interest rate cuts over the course of the year supported the Swedish krona against the euro.
- A growing budget deficit and the raising of the debt ceiling in Colombia weighed on the Colombian peso.

Performance of selected currencies against the euro, in percent.

Source: Bloomberg, Time period: 31/12/2023 - 14/06/2024

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



- As expected by investors, the ECB delivered the first rate cut of 25 basis points for the first time since 2019, lowering its key interest rate to 3.75 %. With regard to the increase in inflation forecasts for this year, ECB President Christine Lagarde pointed out that a data-based and meeting-specific approach would continue to be pursued.

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 - 31/06/2025



## European Sector & Style Performance

	4-week & YTD		12-month periods over that last 5 years					
	4W (17/05/24 - 14/06/24)	YTD (30/12/23 - 14/06/24)	14/06/23	14/06/22	14/06/21	14/06/20	14/06/19	14/06/20
Information Technology	4.8	21.7	27.0	34.8	-23.4	41.3	12.7	
Health Care	3.5	15.9	16.6	11.6	3.0	9.5	16.5	
Growth	0.1	11.7	12.9	22.9	-14.9	31.6	3.4	
Consumer Staples	-0.9	2.0	-0.7	8.6	-4.9	16.3	-3.5	
Telecommunications	-1.2	6.7	13.5	-2.6	-5.2	22.2	-15.7	
Industrials	-2.0	10.1	17.7	28.6	-15.4	46.3	-5.6	
Value	-3.6	6.2	13.2	12.3	-0.8	31.8	-15.1	
Finance	-4.1	11.7	22.6	21.8	-5.9	38.8	-18.1	
Energy	-4.7	3.2	14.1	3.0	44.2	22.8	-34.2	
Consumer Discretionary	-5.1	4.8	-1.4	38.1	-25.6	59.5	-6.6	
Materials	-5.3	2.9	10.6	5.0	-4.6	46.1	-3.2	
Utilities	-5.6	-3.0	-0.6	12.3	-3.5	18.5	7.2	

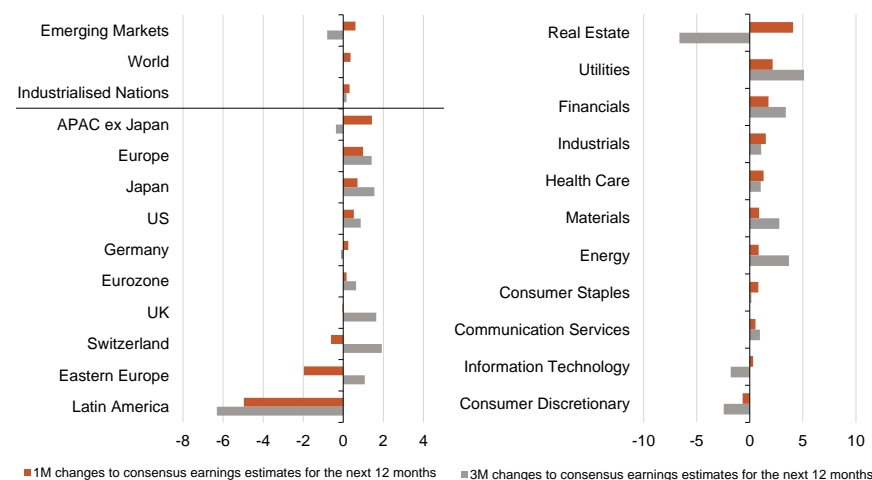
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Staples: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech.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

- European equity markets have lost momentum recently. In particular, the general election called by French President Macron has weighed on share prices. Investors are concerned that Marine Le Pen's party could introduce a looser fiscal policy if it wins the election.
- In Europe, only technology and healthcare stocks have performed better over the last four weeks, with a performance of around 4-5%.

Total return of European equity sectors and European style indices, 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: 14/06/2019 - 14/06/2024

## Changes in Consensus Earnings Estimates

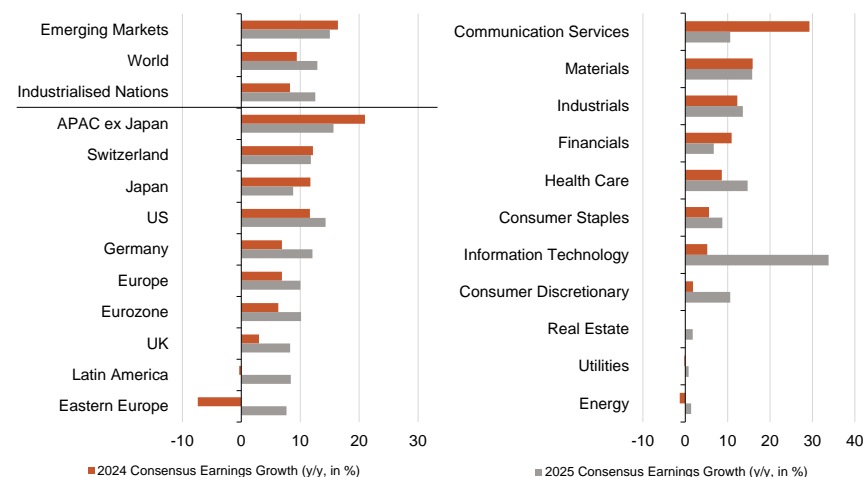


- The last three months have seen negative earnings revisions, particularly in Latin America. Analysts have cut their forecasts in the last three months for the next 12 months by around 6%.
- In Mexico, there are concerns that the election victory of the ruling party AMLO could lead to anti-investor judicial reforms, while in Brazil there is no sign of government spending cuts to address the growing budget deficit.

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 14/06/2024

## Earnings Growth



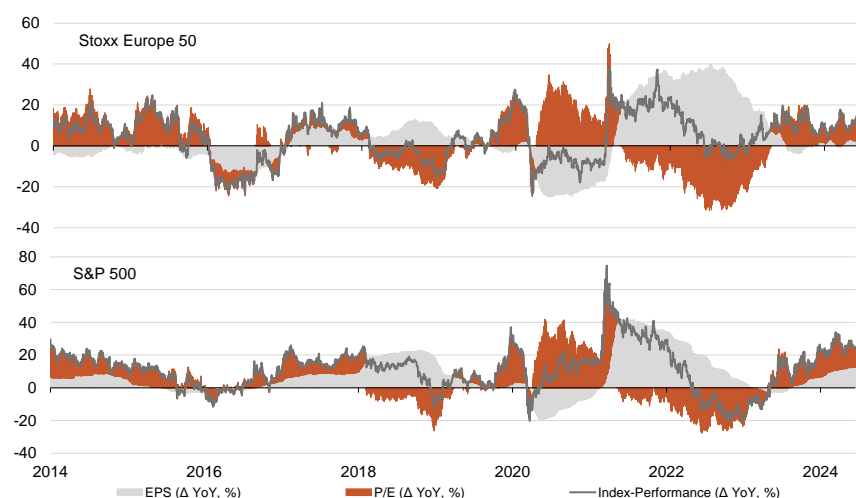
- As the year progresses, analysts expect significant earnings growth, particularly in emerging markets in Asia. The consensus is currently forecasting earnings growth of more than 20% year-on-year in 2024.
- Recently, however, concerns about weak travel spending and worries about European tariffs on Chinese electric car makers have weighed on share 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 14/06/2024



## Contribution Analysis

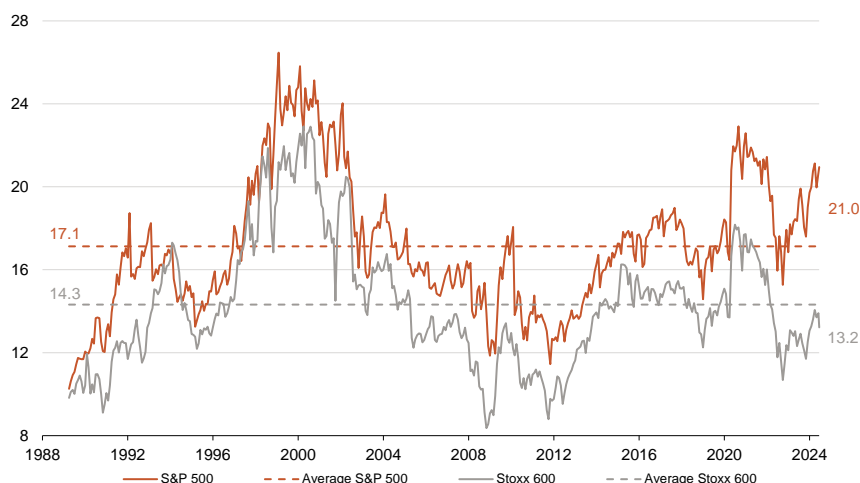


- In Europe, valuation expansion has been the dominant driver of equity market performance over the past 12 months.
- In the US, the drivers of positive index performance have been more balanced, with earnings growth and year-on-year valuation expansion contributing almost equally to performance over the past 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 - 14/06/2024

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

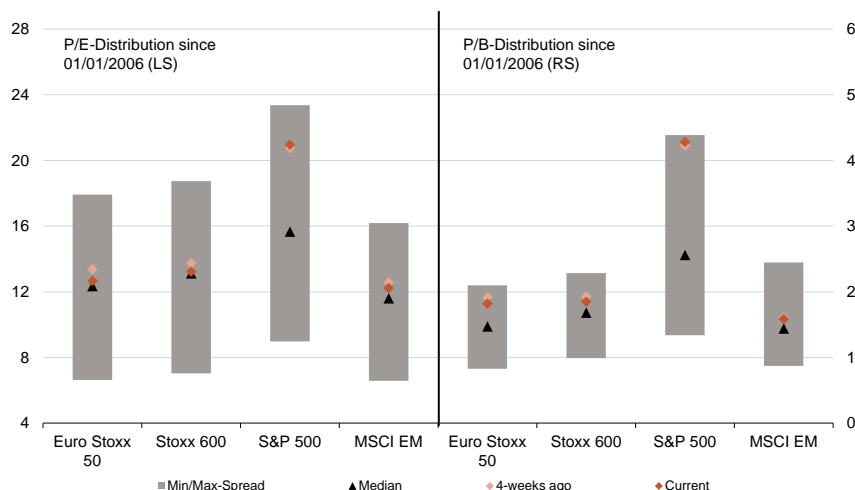


- Valuation levels for European and US equities have diverged over the past four weeks.
- While US equities have experienced a valuation expansion (the S&P 500 reached a new record high, led by a rally in technology stocks), European equities have seen a valuation contraction. After President Macron announced a snap election following his defeat in the European elections, the Stoxx 600 had its worst week since October 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 - 14/06/2024

## Historical Distribution: Price/Earnings and Price/Book Ratio



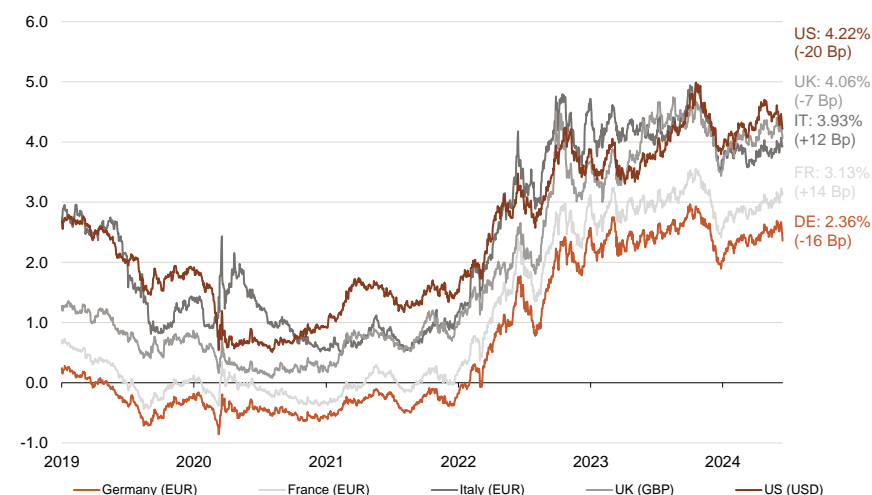
- With the exception of the S&P 500, all of the equity indices shown here have experienced a valuation contraction, both on a price-to-earnings basis and on a price-to-sales basis.
- On a price-to-earnings basis, the S&P 500 is trading close to its historical highs since 2006.

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 - 14/06/2024



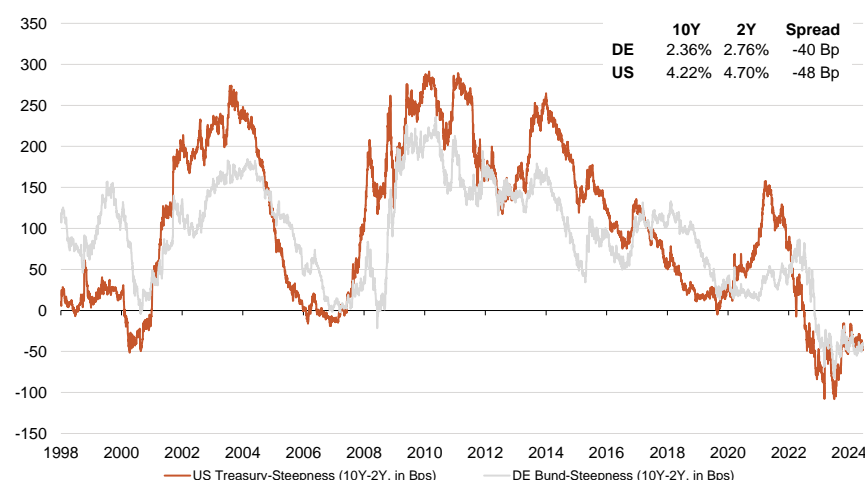
### 10-Year Government Bond Yields



- French government bonds saw the biggest rise in yields over the last four weeks, up 14 basis points.
- The spread between French OATs and German Bunds widened to its highest level since 2012 following the announcement of new elections.

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 - 14/06/2024

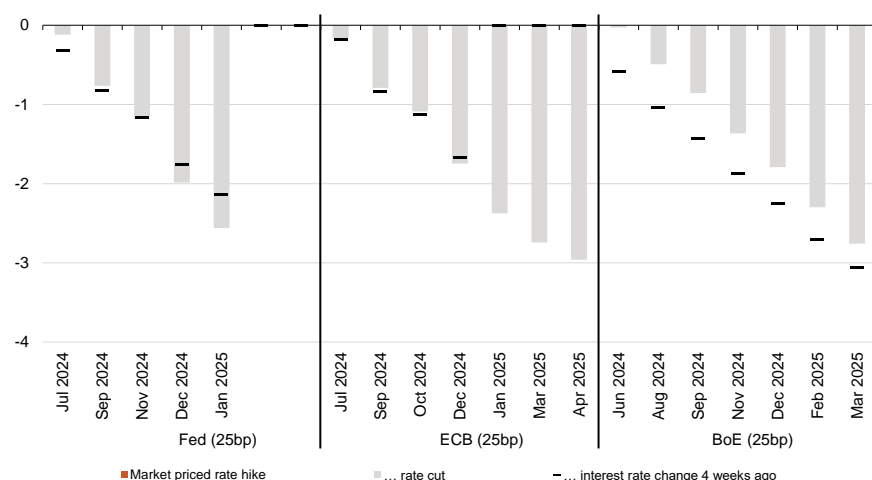
### Yield Curve Steepness (10Y - 2Y)



- Over the past four weeks, the inversion of the US yield curve has widened from -37 basis points to -48 basis points.
- The US yield curve has now been inverted for more than 23 consecutive months.

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 - 14/06/2024

### Implicit Changes in Key Interest Rates

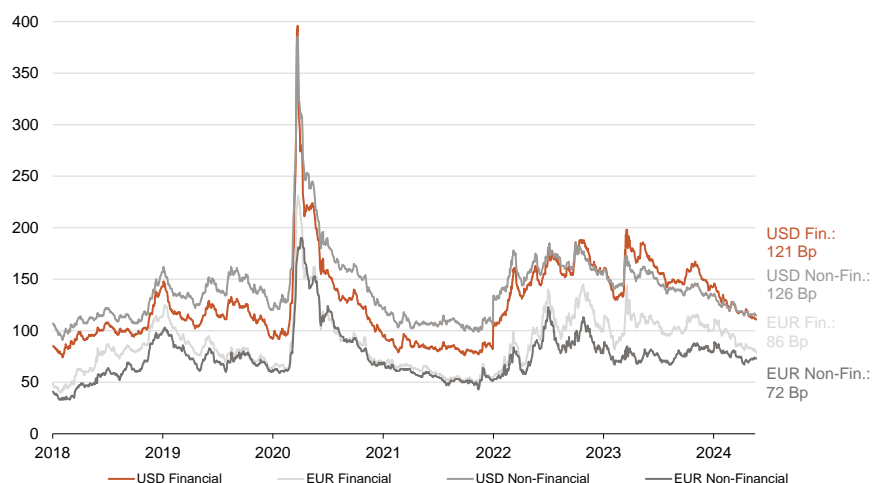


- The publication of the FOMC dot plot shows that the median expectation of the Fed is for only one rate cut this year.
- However, the market remains more dovish: money market interest rates suggest that the market is pricing in a 70% probability of a first cut in September and a second in December.

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: 14/05/2024 - 14/06/2024



### Credit Spreads Financial and Non-Financial Bonds

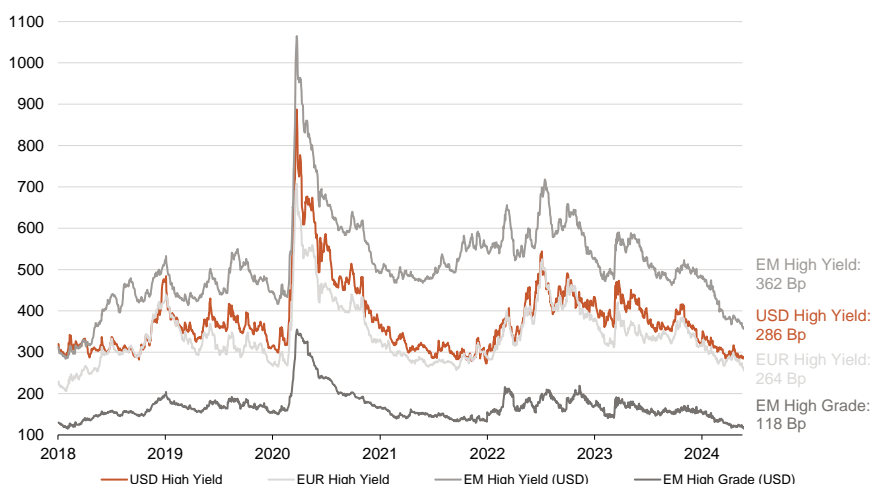


- USD investment grade corporate spreads widened considerably over the past two weeks. USD financial and non-financial spreads widened by 11 and 12 basis points.
- Spreads on European corporate bonds also widened moderately in the EUR financial segment, while spreads on EUR non-financial bonds tightened slightly.

Explanations: see middle and lower figure.

Source: FactSet, Time period: 01/01/2019 - 14/06/2024

### Credit Spreads High Yield and Emerging Markets Bonds



- The high-yield bond market, on the other hand, has shown a uniform trend over the last four weeks. USD high yield spreads widened by 15 basis points, while EUR high yield spreads widened by 19 basis points.
- Emerging market bonds saw a significant widening of spreads in both the high yield and high grade segments.

How high the risk associated with the corporate bond is shown by its asset swap spread (in bp). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term as compensation for its credit risk. See further explanation below.

Source: FactSet, Time period: 01/01/2019 - 14/06/2024

### Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (% local)							
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Per-centile	1M	YTD	14/06/23 14/06/24	14/06/22 14/06/23	14/06/21 14/06/22	14/06/20 14/06/21	14/06/19 14/06/20	
EUR Government	3.10	-0.05	7.2	-	-	-	0.6	-1.2	3.7	-2.0	-15.7	0.9	2.8	
Germany	2.49	-0.20	7.2	-	-	-	1.6	-1.3	3.2	-4.3	-13.2	-1.6	1.2	
EUR Corporate	3.82	-0.11	4.5	78	2	55	0.8	0.8	6.6	0.9	-13.5	3.7	0.4	
Financial	4.04	-0.07	3.8	86	4	49	0.6	1.1	7.0	1.1	-11.7	3.5	0.4	
Non-Financial	3.68	-0.13	5.0	72	-1	55	0.9	0.5	6.4	0.7	-14.5	3.8	0.4	
EUR High Yield	6.65	0.00	3.1	278	8	17	0.7	2.9	9.7	5.9	-12.0	11.8	-0.6	
US Treasury	4.46	-0.19	6.3	-	-	-	1.8	0.0	2.2	0.4	-11.2	-3.4	11.0	
USD Corporate	5.41	-0.17	6.7	124	9	35	1.7	1.0	6.7	3.0	-15.0	3.7	10.1	
Financial	5.55	-0.15	5.0	121	8	48	1.4	1.8	7.7	2.6	-12.7	3.8	9.0	
Non-Financial	5.35	-0.17	7.6	126	10	32	1.9	0.5	6.2	3.1	-16.0	3.7	10.6	
USD High Yield	8.03	-0.04	3.9	311	19	14	0.8	2.3	10.4	7.2	-11.1	14.1	0.8	
EM High Grade	5.43	-0.19	5.3	126	4	3	1.6	1.9	6.1	2.5	-13.4	4.5	5.3	
EM High Yield	8.62	-0.11	3.9	378	8	8	1.0	6.1	13.3	4.4	-21.5	13.6	2.6	

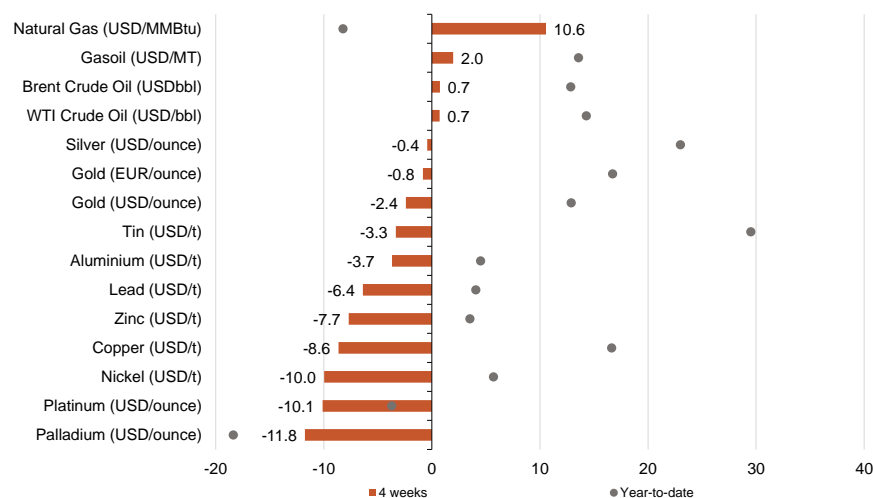
- The last four weeks have been generally positive for fixed income.
- Year-to-date EM high yield is clearly leading the pack, having returned just under 6%. EUR high yield is in second place with a performance of just under 3%.

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: 14/06/2014 - 14/06/2024



## Commodities Performance

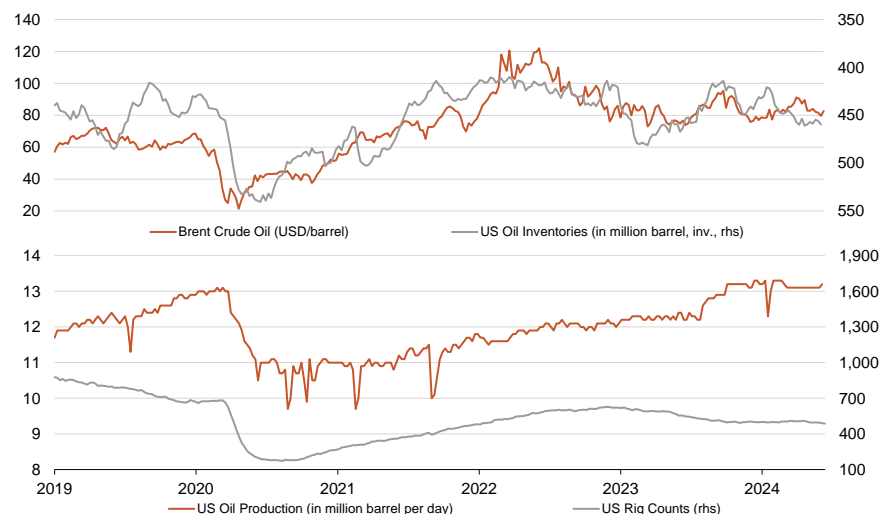


- Since the beginning of the year, there has been significant dispersion in commodities. Tin, for example, has risen by 30% since the beginning of the year, while palladium has fallen by almost 20%.
- The losses in industrial metals and simultaneous gains in energy commodities show that idiosyncratic topics are currently having a greater influence on the commodity markets.

Total return of selected commodity indices, in percent, sorted by 4-week performance.

Source: Bloomberg, Time period: 31/12/2023 - 14/06/2024

## Crude Oil

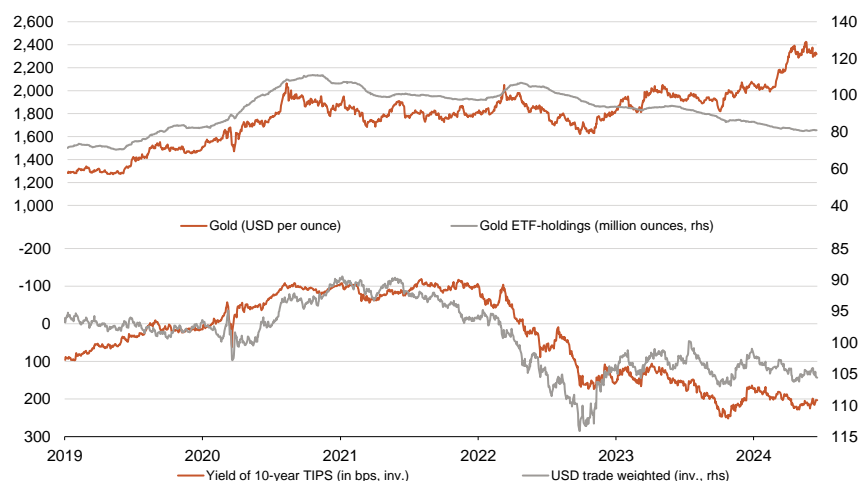


- The oil price recovered after the brief sell-off following the OPEC+ meeting and is currently trading above the USD 80 per barrel mark again.
- With the driving, air conditioning and hurricane season now upon us, the positive summer seasonality is just around the corner. Meanwhile, inventories in the US are within the historical norm. At the same time, OPEC+ has significant spare capacity. Unless there is a geopolitical escalation, there is currently a lack of triggers for an end to the sideways movement of recent months.

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 - 14/06/2024

## Gold



- Gold has consolidated in recent weeks and is currently trading at around USD 2,300 per ounce, although ETF holdings recently recorded the lowest outflows in a year.
- The Chinese central bank's recent suspension of its gold purchases made for negative headlines.

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 - 14/06/2024

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