BERENBERG Markets

MONITOR

01 July 2024

Current market commentary

The stock markets have been treading water recently. European equities have been much more volatile than US equities due to the upcoming elections in France. The Q2 reporting season should also provide fresh impetus. There have been positive earnings revisions in the run-up, particularly for US equities, meaning that it is likely to be more difficult to exceed analysts' estimates to the same extent as in recent quarters. Bond yields have also recently moved sideways. The upcoming US labour market data and the inflation figures for June are likely to be particularly relevant for the future direction. If the trend towards disinflation and weaker US economic data of recent weeks continues, it is likely to be difficult for interest rates to rise. However, if inflation once again proves to be more stubborn than expected, many bond bulls are likely to be caught on the wrong foot. For the S&P 500, the first two weeks of July are traditionally the seasonally strongest.

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

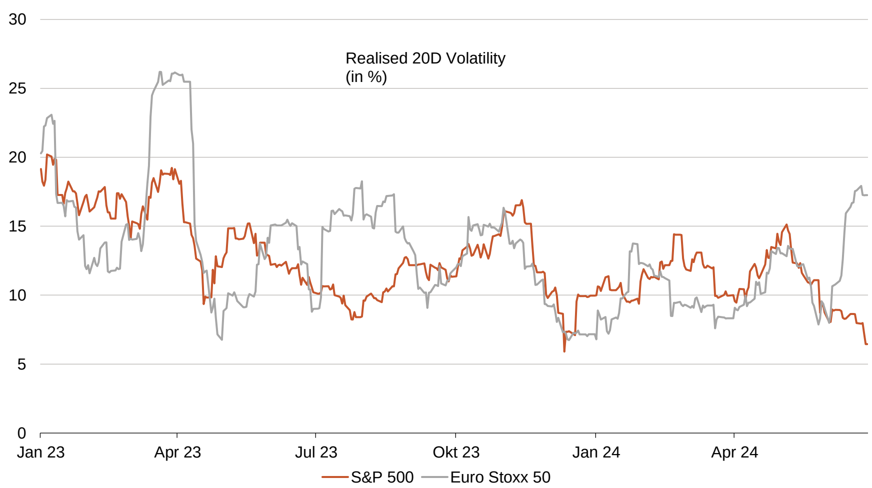
Market focus on central banks as well as British and French elections.

The next two weeks will be dominated by central banks and elections. The ECB's central bank forum will take place on 1-3 July and the UK general election will be held on 4 July. US stock markets will also be closed for Independence Day. The French election will be held on 7 July. On 9 and 10 July, Federal Reserve Chairman Jerome Powell will deliver his semi-annual address to the US Congress.

PMIs and inflation data provide fresh impetus for the markets.

Today will see the release of the US, Chinese and Eurozone manufacturing PMIs for June and on Wednesday the services PMIs for June. Consumer Prices (Jun.) and Unemployment Rate (May) for the Eurozone are also due tomorrow. On Wednesday, the market will focus on the US trade balance (May), the ADP employment change (Jun.) and the minutes of the last Fed meeting. On Friday, the US unemployment rate (Jun.), non-farm payrolls (Jun.) and hourly earnings (Jun.) will be released. The following week, the market will look ahead to US inflation (Jun.) and sentiment data (Jul.).

Volatility – YTD highs in Europe and YTD lows in the US



- The announcement of new elections in France led to a doubling of the realised 20T volatility for the Euro Stoxx 50. After elections, uncertainty tends to decrease and volatility falls – often regardless of the outcome – see Brexit and Trump's election victory.
- In the US, volatility is historically low, which is due to the low correlation between the individual index members. Recently, many megacaps have often moved in exactly the opposite direction to the market as a whole.

Source: Bloomberg, Time period: 01/01/2023 - 28/06/2024

Multi Asset

	4W (31/05/24 - 28/06/24)	YTD (29/12/23 - 28/06/24)	28/06/23 28/06/24	28/06/22 28/06/23	28/06/21 28/06/22	28/06/20 28/06/21	28/06/19 28/06/20
	4-week & YTD		12-month periods over that last 5 years				
Brent	6.8	20.9	31.2	-25.0	108.3	67.4	-37.1
MSCI Emerging Markets	5.2	11.0	14.4	-4.4	-13.4	32.8	-2.0
MSCI World	3.3	15.4	24.2	11.0	-1.8	34.0	1.9
REITs	2.1	-1.3	5.2	-14.2	2.2	23.7	-11.5
Global Convertibles	1.8	3.1	5.6	2.7	-15.1	38.8	13.1
USDEUR	1.3	3.0	1.9	-3.6	13.3	-5.9	1.4
MSCI Frontier Markets	1.2	9.4	14.3	-6.4	-5.3	29.2	-9.7
Gold	1.1	16.2	24.4	0.9	16.0	-5.5	27.3
EUR Coporates	0.7	0.4	6.1	1.0	-13.4	3.3	-0.4
Euro overnight deposit	0.3	2.0	4.0	1.6	-0.6	-0.5	-0.4
EUR Sovereign Debt	0.3	-1.1	2.8	-2.0	-8.7	0.1	0.9
Industrial Metals	-4.2	12.5	15.7	-11.6	17.5	41.2	-6.5

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.

- Brent crude oil has been supported over the past four weeks by improved demand prospects and supply-side risks, particularly the ongoing attacks on Russian refineries by Ukrainian forces.
- Renewed investor hopes of interest rate cuts by the US Federal Reserve this year, following weaker than expected inflation data in the US, supported developed market equities and interest rate-sensitive REITs last month.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 28/06/2019 – 28/06/2024

Equities

	4W (31/05/24 - 28/06/24)	YTD (29/12/23 - 28/06/24)	28/06/23 28/06/24	28/06/22 28/06/23	28/06/21 28/06/22	28/06/20 28/06/21	28/06/19 28/06/20
	4-week & YTD		12-month periods over that last 5 years				
MSCI EM Asia	6.2	14.6	16.7	-6.7	-14.0	32.8	6.5
S&P 500	4.9	19.0	29.0	12.4	2.4	36.4	5.5
MSCI Japan	0.6	9.5	14.8	12.3	-8.8	16.9	6.5
Stoxx Europe 50	0.2	11.9	16.6	16.0	2.0	21.6	-3.7
Stoxx Europe Defensives	0.1	9.4	14.0	5.7	8.5	13.0	1.0
MSCI USA Small Caps	-0.1	5.1	13.9	6.8	-9.3	58.0	-9.2
MSCI UK	-0.5	10.2	15.8	5.2	10.5	25.2	-16.8
DAX	-1.4	8.9	14.3	20.5	-14.9	28.7	-2.5
Euro Stoxx 50	-1.7	10.4	15.4	25.5	-11.0	30.3	-6.0
Stoxx Europe Cyclicals	-2.2	10.5	22.7	15.5	-11.6	40.1	-8.7
Stoxx Europe Small 200	-3.7	3.9	12.2	1.4	-17.2	40.4	-4.4
MSCI EM Latin America	-4.9	-12.9	-2.8	20.6	-3.8	39.4	-32.1

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 stock markets have shown a mixed performance over the past four weeks. Thanks to the ongoing AI and technology euphoria, the US S&P 500 Index reached a new all-time high in mid-June.
- Political uncertainty in Europe in view of the announcement of new elections to the French parliament weighed on European share indices.
- Latin American equities suffered from the uncertainty surrounding the upcoming economic reforms 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: 28/06/2019 – 28/06/2024

Fixed Income

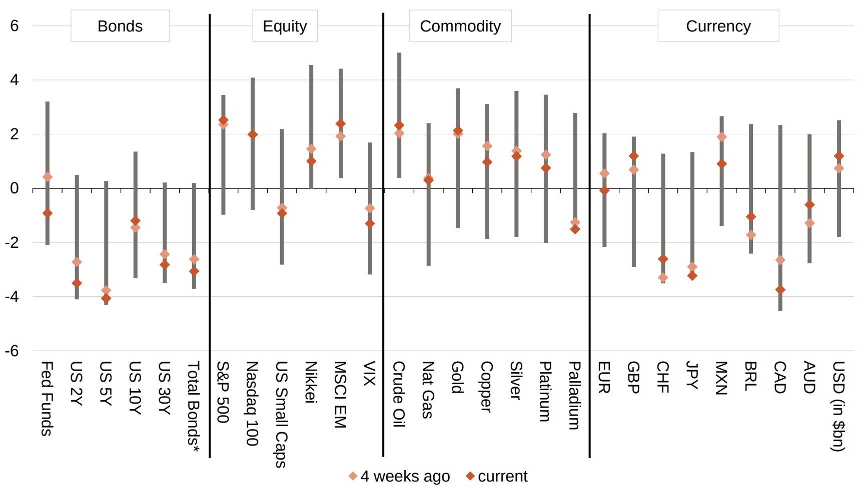
	4W (31/05/24 - 28/06/24)	YTD (29/12/23 - 28/06/24)	28/06/23 28/06/24	28/06/22 28/06/23	28/06/21 28/06/22	28/06/20 28/06/21	28/06/19 28/06/20
	4-week & YTD		12-month periods over that last 5 years				
Treasuries	2.3	2.2	2.7	-4.1	2.5	-9.4	12.4
EM Hard Currency Bonds	1.9	5.5	11.1	3.2	-10.2	1.0	2.1
Gilts	1.8	-0.8	6.0	-13.7	-16.0	-1.1	10.3
Bunds	1.3	-2.2	1.3	-3.8	-12.6	-2.4	1.2
USD High Yield	0.9	2.6	10.7	7.1	-11.2	15.0	-0.7
Chinese Sovereign Bonds	0.9	4.1	6.7	4.4	5.2	2.3	5.4
EUR Non-Financials	0.7	-0.1	5.1	1.3	-14.1	3.3	-0.4
USD Corporates	0.6	0.0	4.8	2.7	-14.5	3.3	9.3
EUR Financials	0.6	1.2	7.4	0.7	-12.5	3.4	-0.3
EUR High Yield	0.5	3.1	10.7	7.1	-13.5	11.4	-1.8
EM Local Currency Bonds	0.2	-0.8	2.6	6.8	-8.5	0.5	-1.1
BTPs	-0.5	-0.6	3.3	-0.1	-13.7	4.2	6.4

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 rallied across the board in recent weeks.
- Renewed hopes of interest rate cuts and a stronger US dollar supported the performance of US bonds and especially Treasuries in EUR terms.
- The yield on 10-year Chinese government bonds fell to its lowest level in 22 years last week.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 28/06/2019 – 28/06/2024

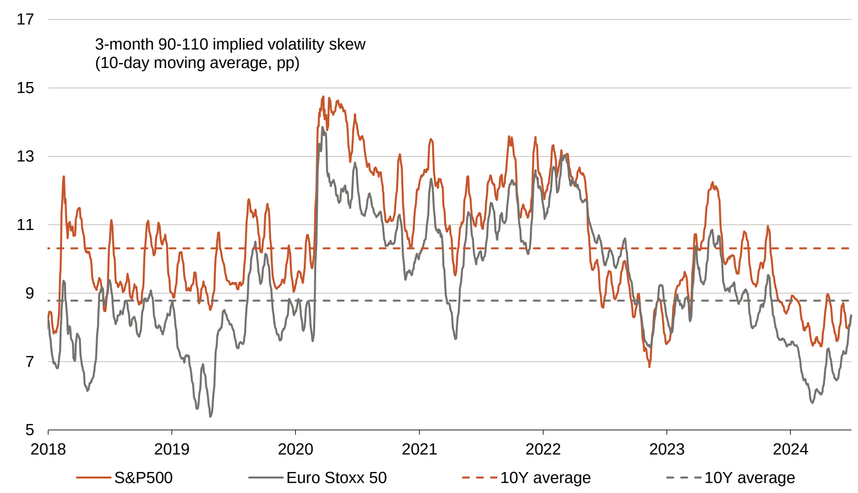
Non-Commercial Positioning



- One of the biggest changes in the futures positioning of speculative investors last month was in US technology stocks. After the strong outperformance of technology stocks in the first half of the year, there was profit-taking.
- In addition, investors have recently become much more optimistic about the British pound.

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: 27/06/2014 - 27/06/2024

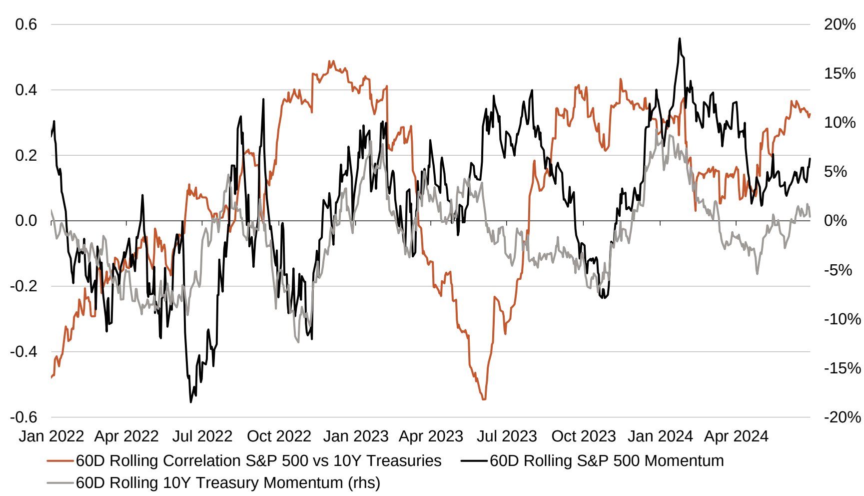
Put-Call-Skew



- The put-call skew on the US equity market remains at a very low level. Despite new record highs for the S&P 500, investors see little need to hedge their profits.
- The fact that convexity remains very favourable is also shown by the VVIX, which measures the expected volatility of the VIX. At just under 80 points, it is around 10 points below the historical average.

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: 28/06/2014 - 28/06/2024

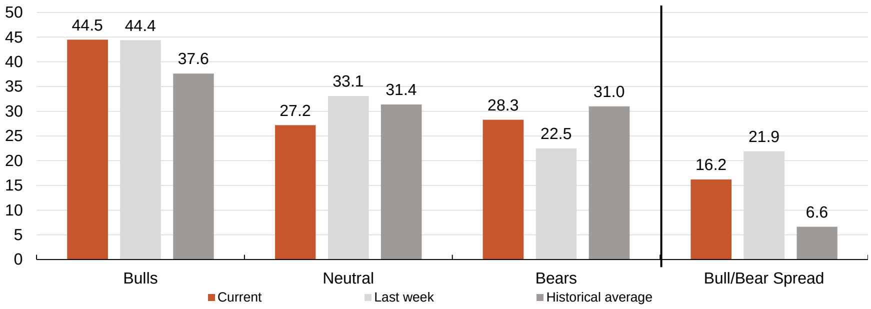
60-Day Momentum and Correlation

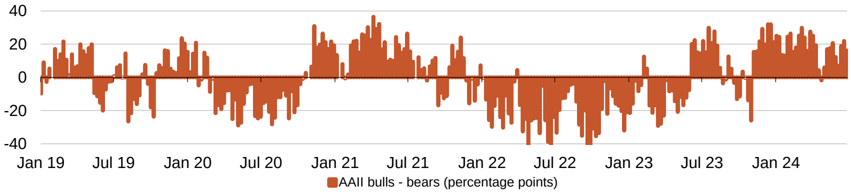


- The correlation between equities and bonds remains close to the highs of the last 2.5 years.
- The 3M momentum for US equities has now been consistently positive for the eighth month in a row. The 3M momentum of US Treasuries has also recently remained in positive territory.

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 - 28/06/2024

AAII Sentiment Survey (Bulls vs Bears)

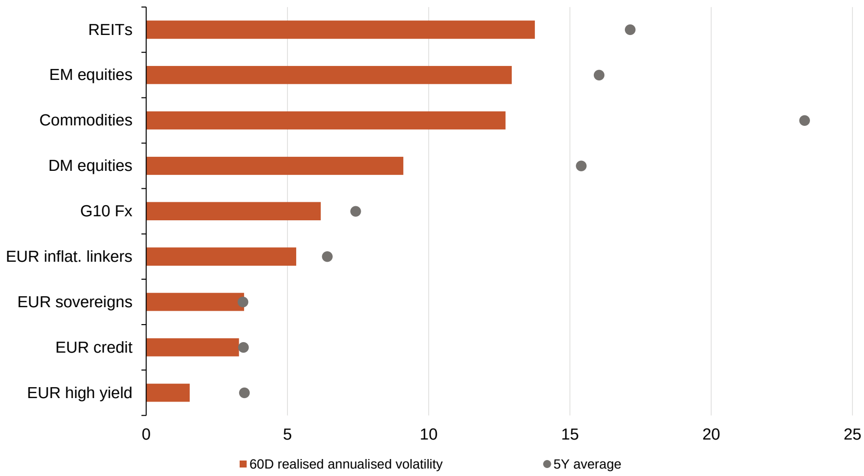




- The euphoria among US individual investors continues: Apart from a brief dip in April, the bulls have now outnumbered the bears in the American Association of Individual Investors' sentiment survey for 34 weeks in a row.
- At 28.3 points, the bears are still below the historical average since 1987.

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 – 27/06/2024

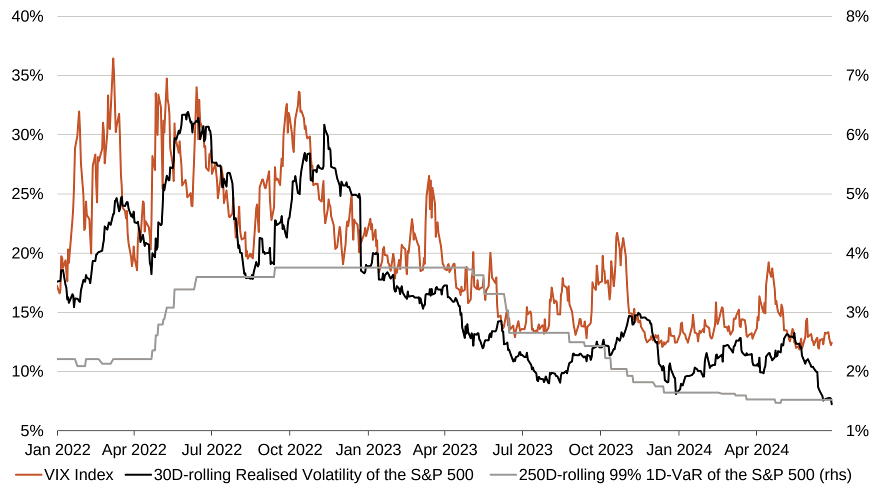
Realised Volatilities



- Realised volatilities for the asset classes shown here are little changed over the past four weeks. Developed market equity volatility is still well below the 5-year average.
- However, comparing the volatilities for US and European equities over the last two weeks, European equities have traded much more volatile due to the upcoming elections in France.

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: 28/06/2019 - 28/06/2024

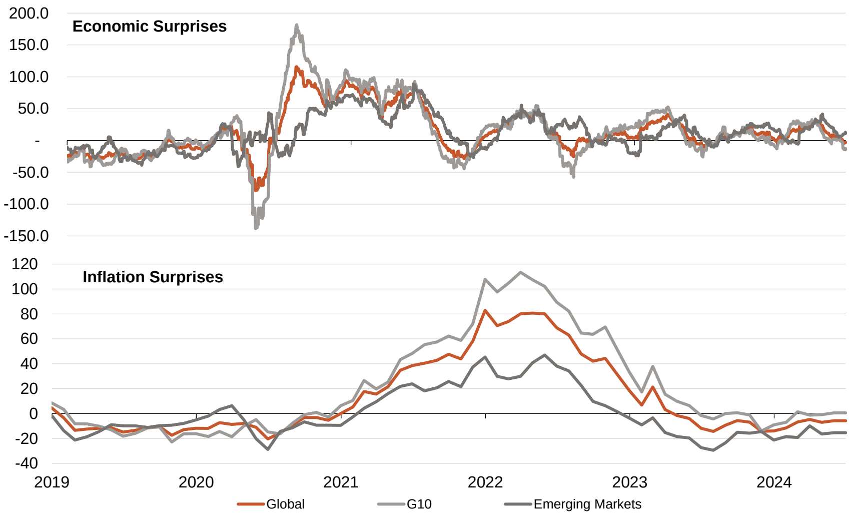
Volatility and Value-at-Risk of the S&P 500



- The realised volatility of the S&P 500 is currently at its lowest level since 2021, and the VIX has also remained below the 15% mark in recent weeks. Value-at-risk has also been at historically low levels since the beginning of the year. Taken together, risk-based investment strategies should therefore currently be increasingly invested in equities.

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 - 28/06/2024

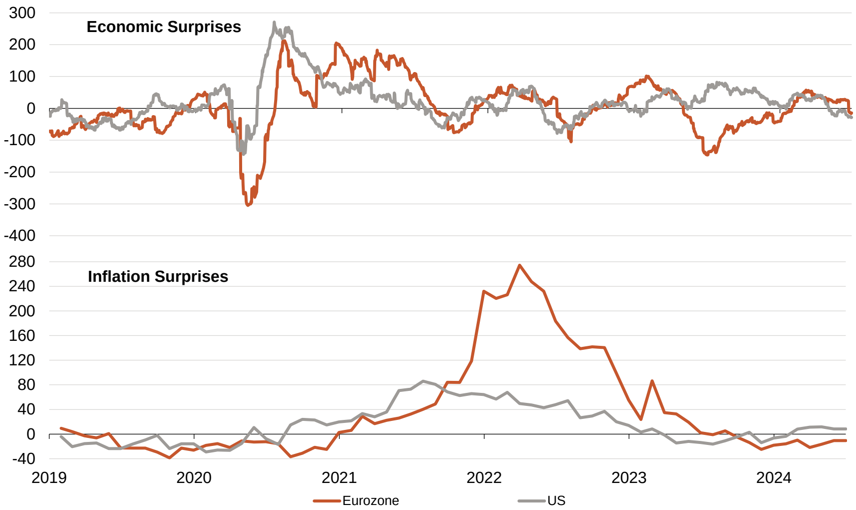
Global



- Positive economic surprises have increased in the emerging markets in the last two weeks, while they have declined in the industrialised countries.
- In India, the current account balance surprised to the upside in the first quarter. In China, retail sales surprised to the upside in May, while industrial production was slightly disappointing.
- In Canada, home sales surprised to the upside in May, while retail sales in April were in line with expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 – 28/06/2024

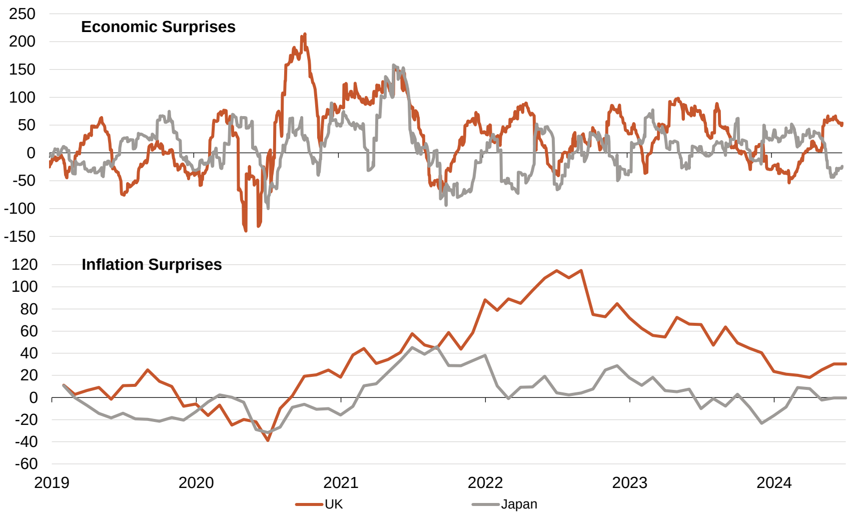
Eurozone and US



- In the US, the latest jobless claims, new home sales and retail sales were below expectations in May. In contrast, new orders for durable goods and industrial production surprised to the upside in May.
- In the eurozone, consumer confidence was below expectations in June. Labour costs, on the other hand, surprised to the upside in the first quarter. In Spain, the GDP growth rate in the first quarter was above expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 – 28/06/2024

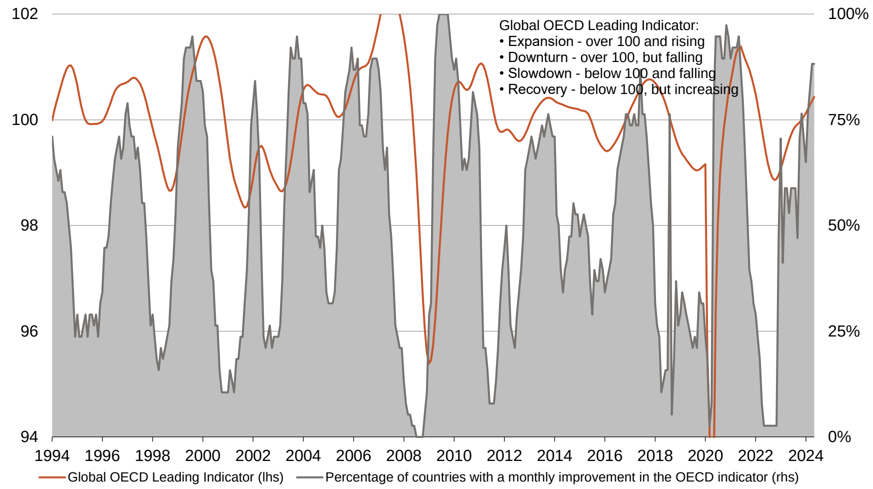
UK and Japan



- In the UK, manufacturing PMI data surprised to the upside in June, while PMI data for the services sector disappointed.
- In Japan, retail sales in May exceeded 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 – 28/06/2024

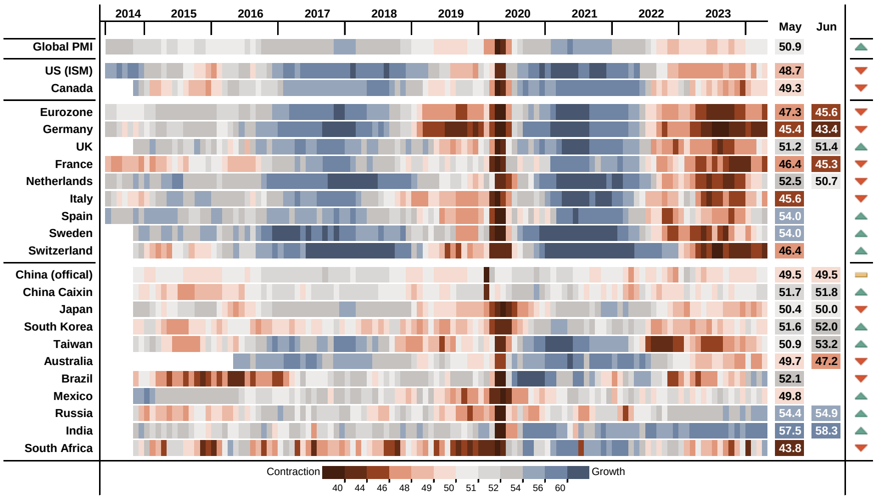
OECD Leading Indicator



- 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 consecutive month.
- 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 – 28/06/2024

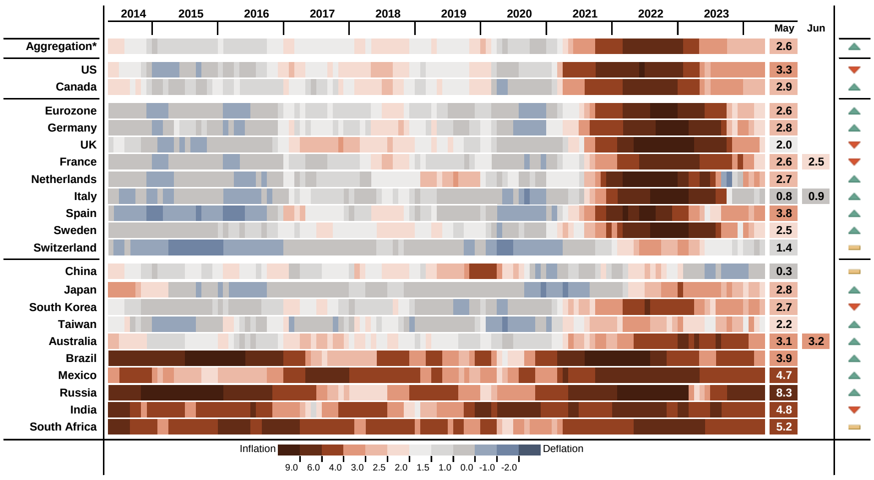
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The first PMI data in June once again show regional differences in global industrial activity. While the PMI indices in the eurozone and Australia fell compared to the previous month, the PMI figures in the UK and Japan pointed to an expansion in industrial activity.

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 – 28/06/2024

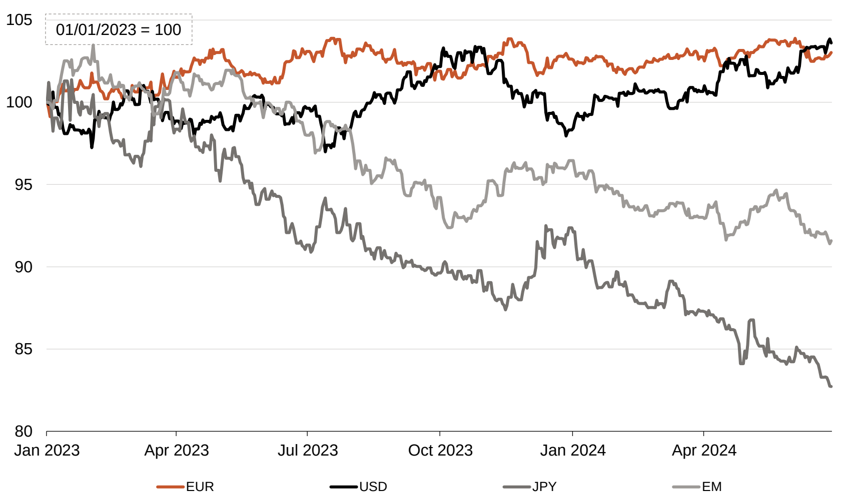
Headline Inflation



- The inflation data for May was mixed. While annual consumer price inflation in the USA and Australia slowed compared to the previous month, it rose in the eurozone, Japan 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 – 28/06/2024

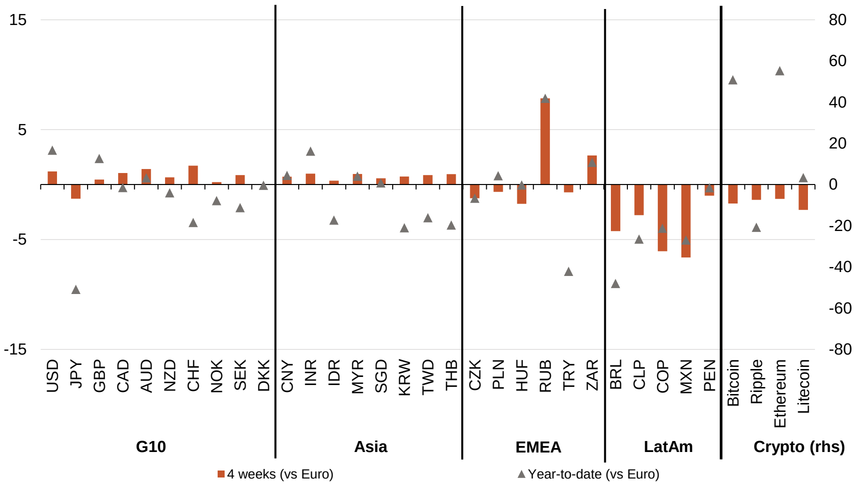
Trade-Weighted Currency Development



- Political uncertainty in Europe and the role of the US dollar as a safe haven, as well as comments from members of the US Federal Reserve, which once again emphasised the upside risks to inflation, have supported the US currency on a trade-weighted basis over the past two weeks.
- The Japanese yen broke through the 160 yen mark against the US dollar and reached its lowest level since 1986, with the BoJ signalling its willingness to intervene in the foreign exchange market.

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 - 28/06/2024

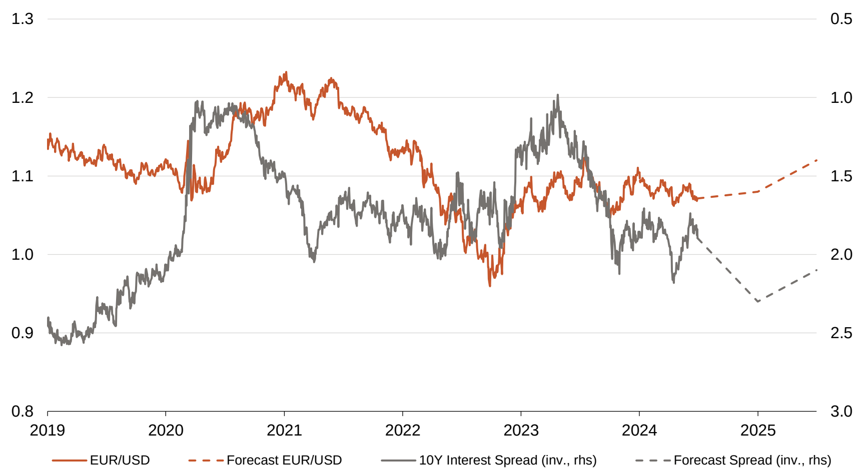
Currency Moves vs Euro



- The ongoing political uncertainty following the elections in Mexico with regard to the upcoming economic reforms has continued to weigh on the Mexican peso over the past four weeks.
- As expected, the Swedish National Bank left its key interest rate unchanged at its regular meeting. However, it revised its forecast for possible interest rate cuts from two to three steps.
- Unexpectedly high inflation in Canada in May supported the Canadian dollar.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 28/06/2024

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



- Political uncertainty following the rise of the right in the European elections and the announcement of new elections in France have weighed on the euro over the past two weeks. The EUR/USD exchange rate traded below the 1.07 mark last week, while the interest rate differential between US and German government bonds remained just above the 180 bp mark.

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

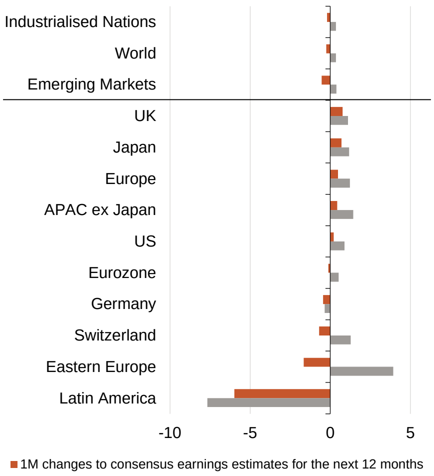
	4-week & YTD: 4W (31/05/24 - 28/06/24)	4-week & YTD: YTD (30/12/23 - 28/06/24)	12-month periods over that last 5 years: 28/06/23 28/06/24	28/06/22 28/06/23	28/06/21 28/06/22	28/06/20 28/06/21	28/06/19 28/06/20
Information Technology	8.4	24.6	33.9	26.4	-20.9	37.5	10.9
Health Care	3.0	15.6	18.1	4.7	7.0	7.6	18.0
Growth	0.2	11.0	14.2	16.0	-11.9	29.3	3.9
Telecommunications	-0.5	7.4	13.6	-6.0	0.0	20.3	-14.7
Energy	-1.8	6.8	20.8	7.0	40.3	23.0	-37.8
Value	-2.2	7.1	16.2	9.9	1.6	28.9	-16.2
Utilities	-2.5	-3.5	-1.4	10.8	-0.1	13.1	11.2
Consumer Discretionary	-2.7	4.4	-0.5	30.6	-21.0	56.5	-10.2
Consumer Staples	-2.7	-1.6	-4.1	3.2	-0.8	14.8	-0.9
Finance	-2.8	13.2	26.7	16.5	-1.4	36.3	-20.2
Materials	-2.9	3.5	15.9	4.1	-7.0	43.9	-5.1
Industrials	-3.4	9.6	20.1	24.8	-15.1	43.2	-5.6

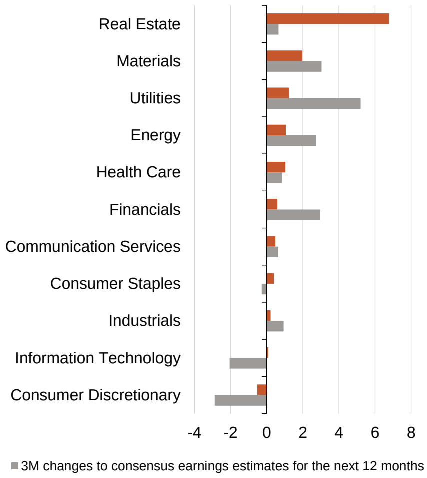
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR;
Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. 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 mostly treaded water recently. At a sector level, the IT sector and the defensive healthcare sector – one of the relative losers over the past year – have made gains in Europe over the past four weeks. Energy and industrials have been the laggards.
- Growth stocks have outperformed value stocks over the past four weeks.

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: 28/06/2019 – 28/06/2024

Changes in Consensus Earnings Estimates

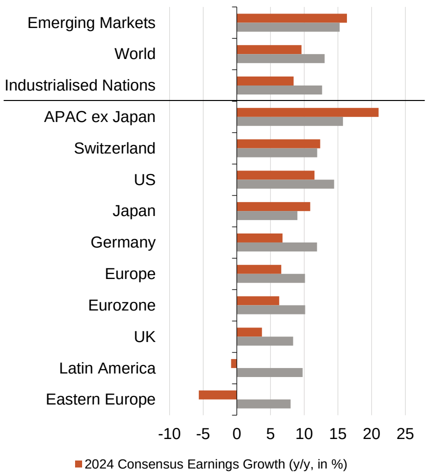


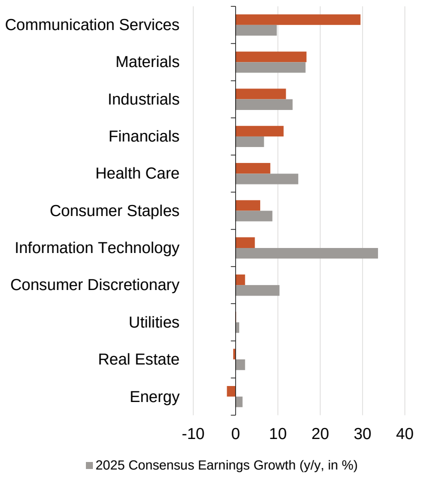


- In the run-up to the Q2 reporting season, there were only marginal regional adjustments to consensus earnings estimates overall.
- Only Latin America saw more significant negative earnings revisions last month. Analysts are more pessimistic for the region due to political risks associated with government reforms in Mexico and Brazil.

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 28/06/2024

Earnings Growth

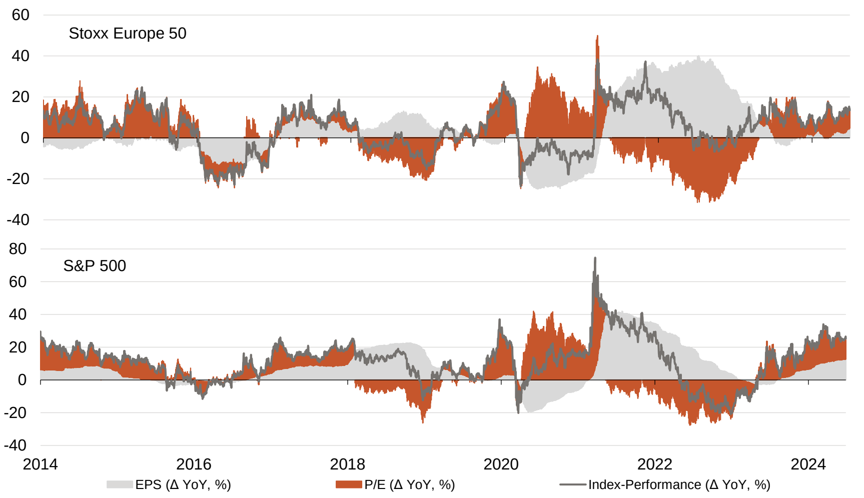




- In Europe, analysts remain positive for this year, especially for the telecommunications sector.
- The consensus expectations for earnings growth in the sector compared to the previous year are currently just under 30%.

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 28/06/2024

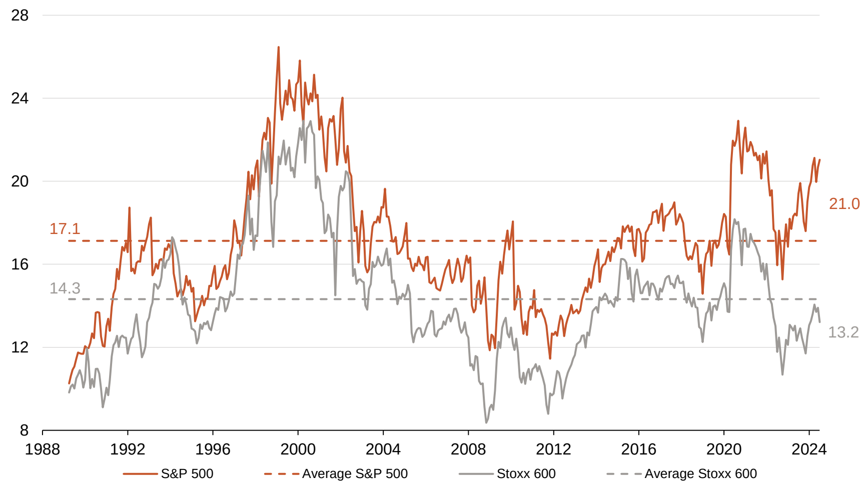
Contribution Analysis



- In Europe, equity market performance over the past 12 months is still largely driven by valuation expansion, accounting for just under 70%.
- In the US, in addition to valuation expansion, there has been a significant improvement in expected earnings growth over the next 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 - 28/06/2024

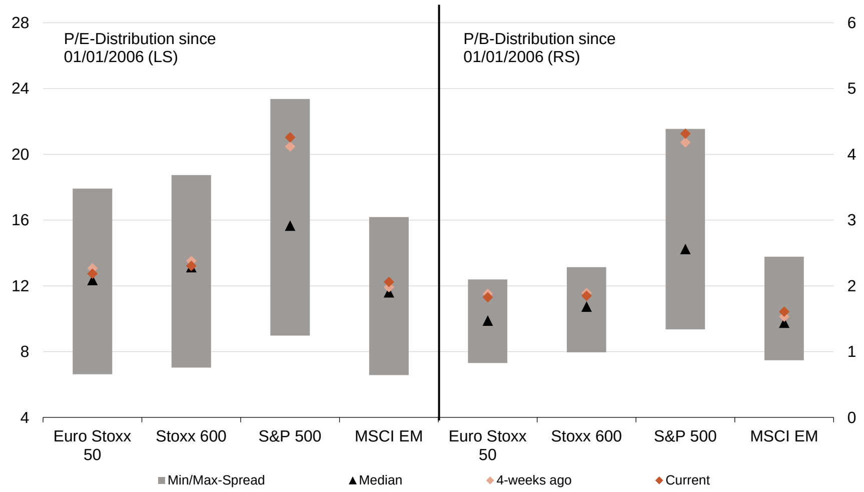
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Valuation levels for US and European equities have diverged over the past two weeks. While US equities are now as expensive as they were in March of this year, analysts are more pessimistic about European equities.
- An increased risk premium for Europe is currently being priced in due to the French elections.

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 - 28/06/2024

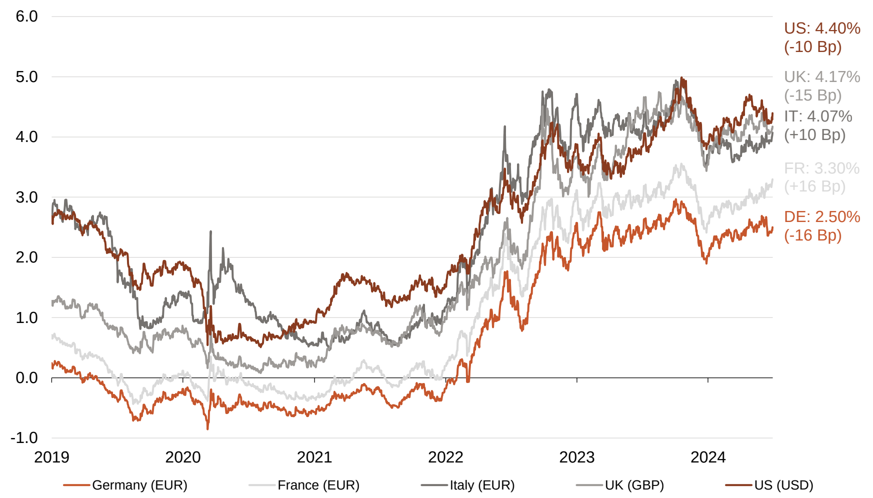
Historical Distribution: Price/Earnings and Price/Book Ratio



- With the exception of European equities, both US and emerging market equities have seen their valuations widen on a price-to-earnings and price-to-sales basis over the past four weeks.
- However, European equities are still trading above their median 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 - 28/06/2024

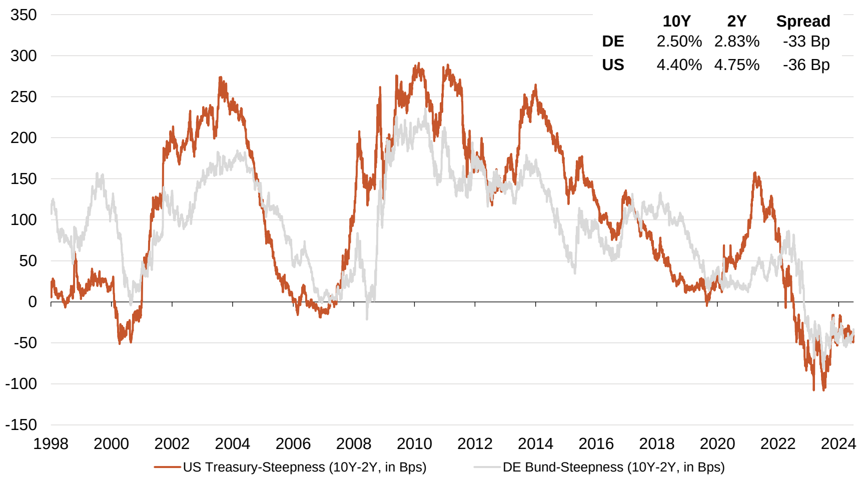
10-Year Government Bond Yields



- Following the sharp drop in yields at the beginning of June, bond yields have recently recovered. The yield on 10-year US Treasuries currently stands at 4.4%.
- The 10-year OAT-Bund spread reached a new high of 82 basis points last week. The French elections, June inflation figures and the ECB meeting in Sintra, Portugal, are likely to provide fresh impetus this week.

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 – 28/06/2024

Yield Curve Steepness (10Y - 2Y)

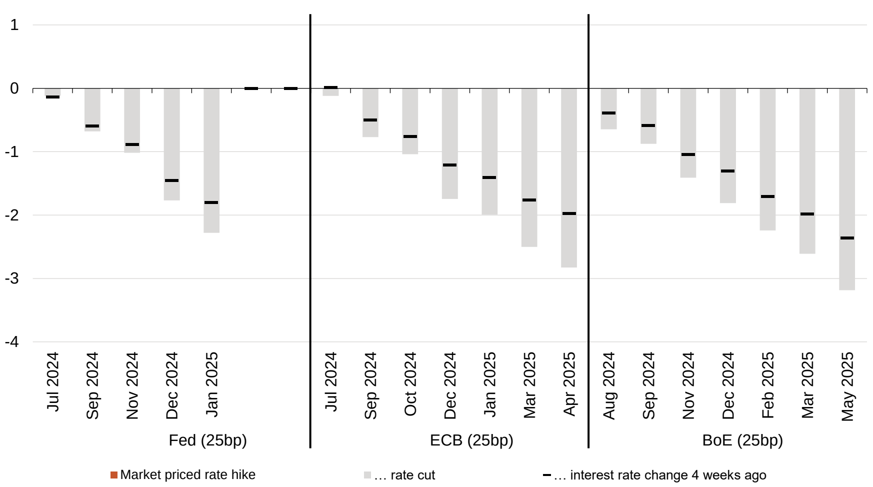


	10Y	2Y	Spread
DE	2.50%	2.83%	-33 Bp
US	4.40%	4.75%	-36 Bp

- Over the past two weeks, yields in Germany have risen more at the long end than at the short end. A similar picture has emerged in the US.
- Although the German yield curve has been inverted since November 2022, it has steepened slightly 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 – 28/06/2024

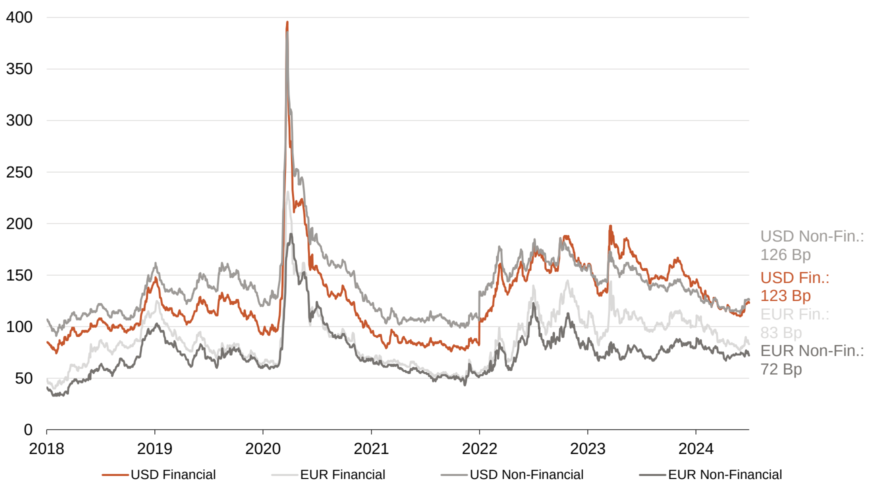
Implicit Changes in Key Interest Rates



- This week's ECB meeting in Sintra and Fed Chairman Jerome Powell's speech to the US Congress are likely to provide fresh impetus on both sides of the Atlantic for the assessment of future interest rate policy in the eurozone and the US.
- The market is currently pricing in a first rate cut by the Fed in November and a second by the ECB in October.

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: 28/05/2024 – 28/06/2024

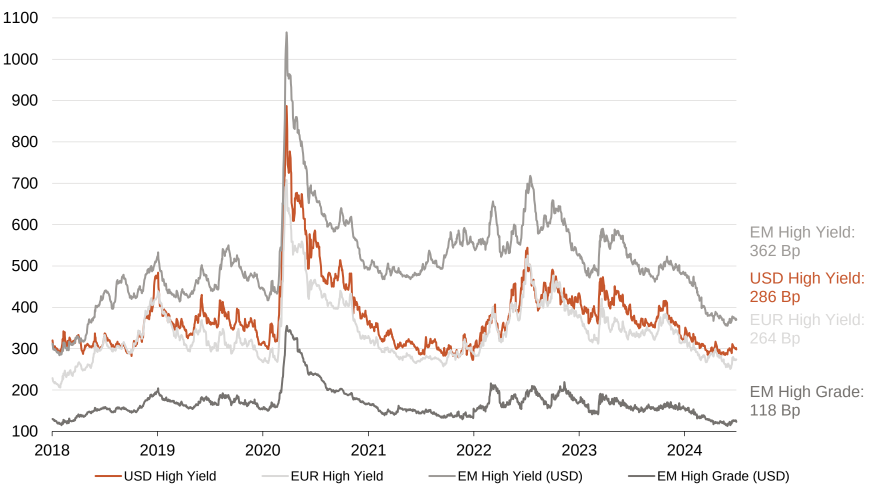
Credit Spreads Financial and Non-Financial Bonds



- Spreads on EUR and USD investment grade corporate bonds widened over the last two weeks. EUR financial and EUR non-financial spreads widened by 2 basis points each.
- The movement in USD corporate bonds was much more pronounced. Spreads on USD financial and USD non-financial bonds widened by 9 and 8 basis points respectively.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2019 – 28/06/2024

Credit Spreads High Yield and Emerging Markets Bonds



- The strongest movement over the last two weeks has been in the EUR high yield market.
- EUR high yield spreads widened by 14 bps amid renewed political risks related to the French pre-elections.

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 – 28/06/2024

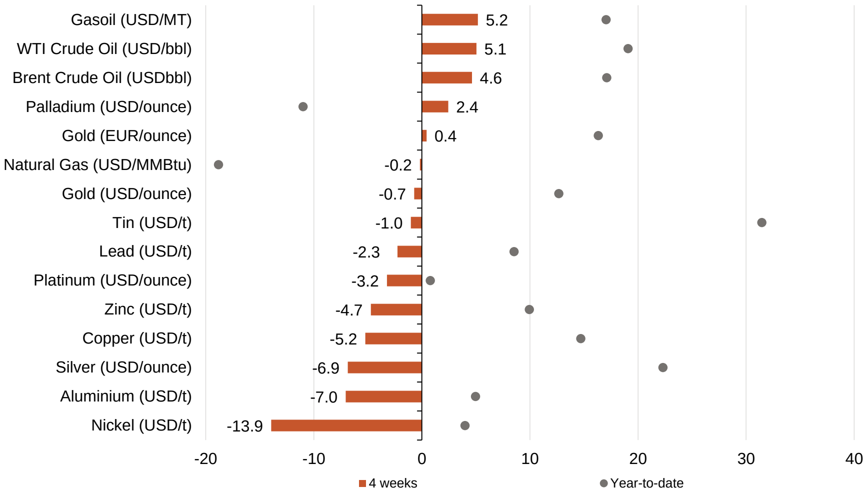
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Per-centile	1M	YTD	28/06/23 28/06/24	28/06/22 28/06/23	28/06/21 28/06/22	28/06/20 28/06/21	28/06/19 28/06/20
EUR Government	3.20	0.01	7.0	-	-	-	-0.1	-2.0	2.0	-2.6	-13.9	-0.4	2.8
Germany	2.59	-0.15	7.1	-	-	-	0.9	-2.1	1.3	-3.8	-12.6	-2.4	1.2
EUR Corporate	3.87	-0.08	4.5	76	2	50	0.5	0.5	6.2	0.9	-13.2	3.3	-0.4
Financial	4.06	-0.05	3.7	83	6	44	0.4	1.1	6.9	0.7	-11.1	3.0	-0.1
Non-Financial	3.75	-0.10	4.9	72	-1	54	0.6	0.2	5.7	1.1	-14.4	3.5	-0.5
EUR High Yield	6.64	0.08	3.1	274	17	14	0.4	3.1	10.7	7.1	-13.5	11.4	-1.8
US Treasury	4.58	-0.18	6.1	-	-	-	1.4	-0.8	0.8	-0.5	-10.0	-3.7	10.9
USD Corporate	5.55	-0.10	6.6	125	13	36	1.0	0.0	4.8	2.7	-14.5	3.3	9.3
Financial	5.66	-0.10	4.9	123	13	50	0.9	1.3	6.3	2.3	-12.1	3.2	8.6
Non-Financial	5.49	-0.10	7.4	126	12	32	1.1	-0.6	4.0	2.9	-15.6	3.4	9.6
USD High Yield	8.02	-0.10	3.8	298	12	6	0.9	2.6	10.7	7.1	-11.2	15.0	-0.7
EM High Grade	5.50	-0.14	5.2	123	10	2	1.0	1.6	5.4	2.7	-13.4	4.1	5.0
EM High Yield	8.62	-0.08	3.9	370	15	7	0.9	6.3	13.1	7.2	-23.1	12.9	1.8

- Over the last four weeks, only European government bonds fell slightly at index level. US government bonds have been the best performers.
- Spreads on USD high yield bonds are currently in the 6th percentile of the last 10 years, i.e. the risk premium over government bonds for this segment is historically low.

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: 28/06/2014 – 28/06/2024

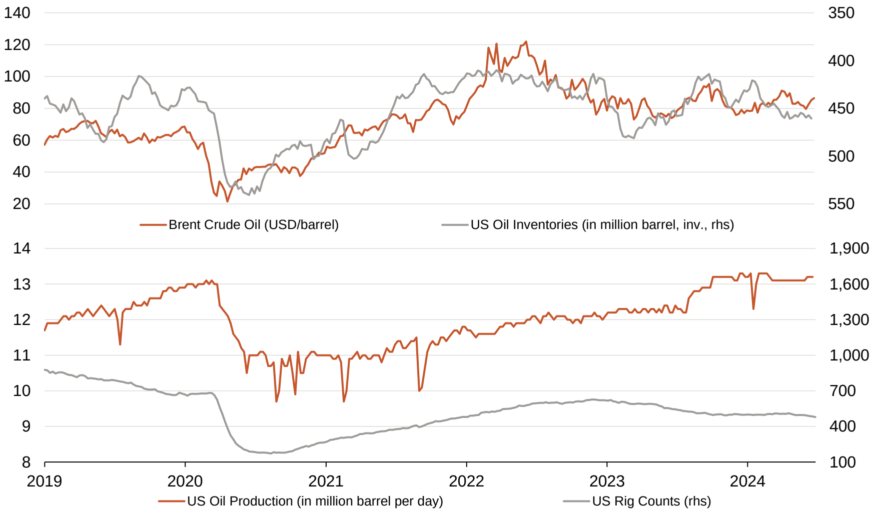
Commodities Performance



- Energy commodities in particular have risen over the past four weeks. Markets are hoping that the summer holiday season in the US ("driving season") will lead to typically higher fuel demand from US citizens.
- Beneath the surface, however, there is scepticism about the rise in US summer demand. This is because US inventories rose to their highest level in three years last week, undermining optimism about a rise in summer demand.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 28/06/2024

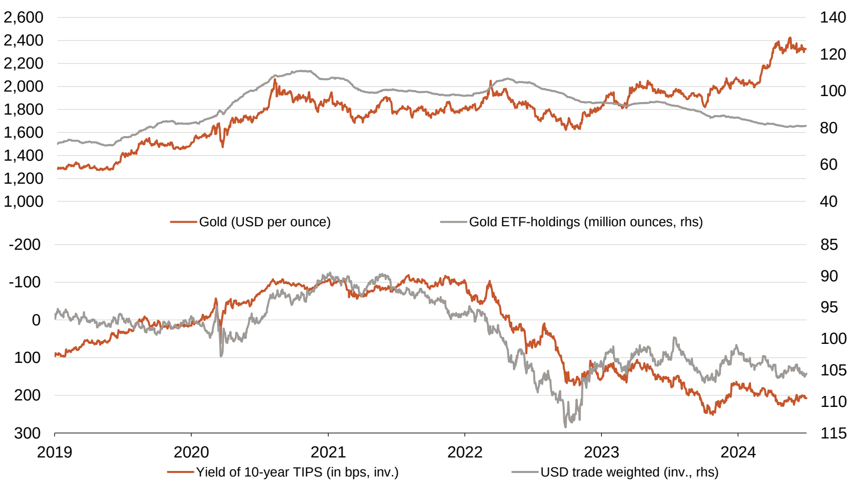
Crude Oil



- Investors are increasingly focusing on OPEC's June production estimates this week. Most countries have been quite disciplined in recent weeks, producing in line with agreed targets.
- However, there have been major deviations in the UAE and Iraq. According to current estimates, the latter produced almost 250,000 barrels per day above its quota.

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 - 28/06/2024

Gold



- The stronger demand for gold from China's central bank and private households appears to have weakened, at least temporarily, in view of the higher gold prices. Net gold imports to China fell by 23% compared to the previous month. The Chinese central bank also paused its gold purchases in May for the first time in 16 months.

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 - 28/06/2024

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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

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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