

### Current market commentary

July is a month for the history books. Since Reagan (1981), Trump is the first (former) president to be shot. Biden, on the other hand, is the first sitting president since Johnson (1968) to drop out of the race early. The markets were no less excited. The S&P 500 hit a new all-time high almost every day in early July, led by Big Tech. However, the weaker than expected CPI print led to a rotation. The Russell 2000 posted its biggest ever five-day outperformance versus the S&P. More recently, the S&P lost more than 2% for the first time in more than 356 trading days as the AI euphoria was followed by disillusionment in the reporting season. Given the high level of investor positioning, the typical increase in volatility as the US election campaign progresses and weaker global economic data, a slightly below neutral equity allocation with broad diversification and defensive elements in the selection seems advisable.

### Short-term outlook

The Q2 reporting season is in full swing. 199 companies in the S&P 500 (40%) have already reported their quarterly results. Of these, 69% have so far beaten market expectations by a median of 6%. Apart from yesterday's presidential elections in Venezuela and possible renewed unrest around the US elections, the rest of July is likely to be politically quieter. On the monetary policy front, the market will focus on the Federal Reserve meeting on 31 July.

German Q2 GDP and preliminary inflation data (July) are on the agenda today, followed tomorrow by US ADP Employment Change (July) and German Unemployment Claims (July). On Wednesday, the US Non-Farm Payrolls (July) and the final Manufacturing PMI (July) for the US, China and Germany will be released. Thursday will see the release of the US unemployment rate (July) and industrial orders (June). The following week will bring Producer Prices (July) for the Eurozone and China.

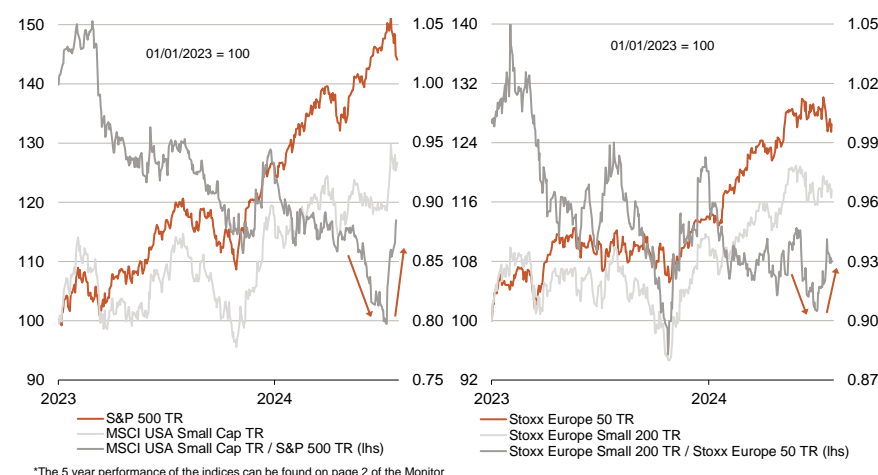
The bi-weekly **Monitor** gives you a structured overview of the current capital market environment and highlights important developments:

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

*Q2 reporting season and US central bank meeting in the focus of the markets.*

*Inflation and PMIs in the eyes of investors.*

### Small cap rotation - is the tide finally turning?



- Market breadth has widened significantly over the past two weeks, especially in the US, triggered by the drop in US inflation data for June.
- The recent small-cap rally was driven by falling interest rates, declining optimism towards mega-caps, private investors and short covering.
- However, technical factors are unlikely to play a major role going forward. The Q2 reporting season and, in the longer term, an economic recovery are likely to be key drivers of market breadth.

Source: Bloomberg, Time period: 01/01/2023 - 26/07/2024



## Multi Asset

	4-week & YTD		12-month periods over that last 5 years					
	4W (28/06/24 - 26/07/24)	YTD (29/12/23 - 26/07/24)	26/07/23	26/07/22	26/07/21	26/07/20	26/07/19	
REITs	3.5	2.2	5.3	-16.5	4.7	29.3	-14.6	
Gold	1.3	17.7	23.6	4.8	11.5	-6.7	28.0	
EUR Sovereign Debt	1.3	0.2	4.3	-5.0	-6.8	0.8	0.5	
EUR Corporates	1.3	1.7	7.0	-3.1	-10.3	3.3	-0.5	
Euro overnight deposit	0.3	2.3	4.0	1.9	-0.6	-0.6	-0.4	
MSCI Frontier Markets	-0.1	9.3	10.0	-5.6	-2.4	37.3	-18.6	
Global Convertibles	-0.1	3.0	4.4	-1.1	-10.7	33.7	11.9	
MSCI World	-1.0	14.2	19.8	7.9	0.9	34.3	0.6	
USDEUR	-1.3	1.7	2.1	-8.7	16.7	-1.2	-4.5	
MSCI Emerging Markets	-2.2	8.5	8.6	-1.9	-7.3	21.1	-1.0	
Brent	-5.5	14.2	12.2	-12.3	94.2	64.5	-35.4	
Industrial Metals	-9.2	2.1	2.1	-5.9	7.4	43.9	-6.1	

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 last four weeks have been characterised by a turnaround on the capital markets. Equities in developed markets, which have risen sharply since the beginning of the year, and Brent crude oil have recently suffered setbacks, while interest rate-sensitive REITs and government and corporate bonds have benefited from falling real yields.
- The precious metal gold, which has been the best performing asset class since the beginning of the year, has continued to rise in the last four weeks due to increased hopes of interest rate cuts.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.  
 Source: Bloomberg, Time period: 26/07/2019 - 26/07/2024

## Equities

	4-week & YTD		12-month periods over that last 5 years					
	4W (28/06/24 - 26/07/24)	YTD (29/12/23 - 26/07/24)	26/07/23	26/07/22	26/07/21	26/07/20	26/07/19	
MSCI USA Small Caps	5.9	11.3	15.3	3.7	-0.1	50.0	-10.1	
MSCI UK	2.0	12.3	14.2	6.3	13.0	26.1	-18.3	
Stoxx Europe Defensives	1.8	11.4	13.7	5.8	10.5	12.7	0.4	
Stoxx Europe Small 200	1.8	5.8	8.1	5.7	-18.7	39.8	-3.1	
DAX	1.0	9.9	14.2	23.2	-16.1	21.7	3.4	
Stoxx Europe Cyclical	0.7	11.3	19.3	18.6	-12.9	36.4	-4.8	
MSCI EM Latin America	-0.4	-13.3	-7.9	26.5	-0.8	26.2	-29.1	
Euro Stoxx 50	-0.5	9.8	14.7	24.7	-10.6	26.2	-4.1	
Stoxx Europe 50	-0.9	10.9	15.0	13.4	4.2	20.8	-3.6	
MSCI Japan	-1.1	8.3	12.7	7.2	-3.0	18.5	1.3	
S&P 500	-1.3	17.5	23.7	8.4	4.9	37.6	3.6	
MSCI EM Asia	-2.9	11.4	10.7	-4.5	-7.2	19.7	7.6	

S&P 500: S&P 500 TR (US-Equity); Stoxx Europe 50: Stoxx Europe 50 TR; Euro Stoxx 50: Euro Stoxx 50 TR; MSCI Japan: MSCI Japan TR;  
 Stoxx Europe Small 200: Stoxx Europe Small 200 TR; MSCI USA Small Caps: MSCI USA Small Caps TR; Stoxx Europe 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.

- Over the past four weeks, the US equity market has seen a strong rotation from large caps to small caps, which have benefited from investors' increased hopes of interest rate cuts by the Fed.
- Investors' concerns about the sustainability of the AI and tech euphoria, which had supported the shares of the "Magnificent 7" in particular in recent months, also contributed to this rotation.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.  
 Source: Bloomberg, Time period: 26/07/2019 - 26/07/2024

## Fixed Income

	4-week & YTD		12-month periods over that last 5 years					
	4W (28/06/24 - 26/07/24)	YTD (29/12/23 - 26/07/24)	26/07/23	26/07/22	26/07/21	26/07/20	26/07/19	
BTPs	2.3	1.7	6.0	-2.4	-13.5	4.1	5.4	
USD High Yield	1.7	4.4	11.1	5.7	-9.3	11.7	2.2	
USD Corporates	1.5	1.6	6.0	0.2	-13.1	1.6	12.2	
Gilts	1.5	0.7	6.5	-17.8	-13.8	2.6	8.4	
EUR Non-Financials	1.3	1.2	6.3	-3.5	-10.7	3.3	-0.6	
EUR Financials	1.3	2.5	7.9	-2.5	-9.6	3.3	-0.5	
EUR High Yield	1.0	4.1	11.0	5.0	-11.4	9.5	-0.8	
Bunds	0.9	-1.3	3.0	-9.5	-9.4	-0.5	0.6	
Chinese Sovereign Bonds	0.6	4.8	6.5	4.5	4.2	3.8	4.8	
EM Local Currency Bonds	0.6	-0.2	1.8	6.4	-6.4	0.9	-5.2	
EM Hard Currency Bonds	0.2	5.7	11.4	-1.0	-7.9	3.2	-2.1	
Treasuries	0.0	2.2	4.9	-11.2	6.1	-4.5	7.0	

Bunds: IBOXX Euro Germany Sov TR; BTPs: IBOXX Euro Italy Sov TR; Treasuries: ICE BofA US Treasury TR;  
 Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Gov; 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

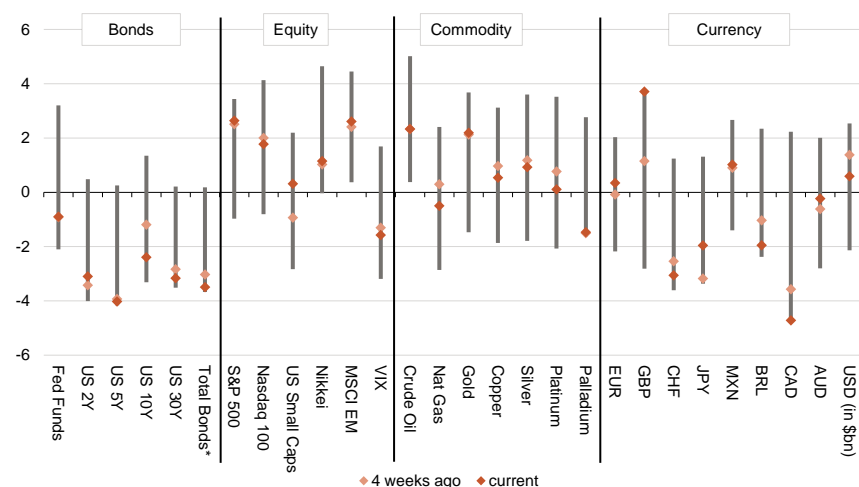
- The bond markets have rallied across the board over the last four weeks.
- Yields on 10-year Chinese bonds recently fell to a new low after the Chinese central bank, the PBOC, unexpectedly lowered the short-term key interest rate for the first time in almost a year.
- The weaker US dollar weighed on the performance of US government bonds denominated in euros, which brought up the rear over the last four weeks.

Total return (including reinvested coupons) for selected bond indices, in euros and in percent, sorted by 4-week performance.

Source: Bloomberg, Time period: 26/07/2019 - 26/07/2024



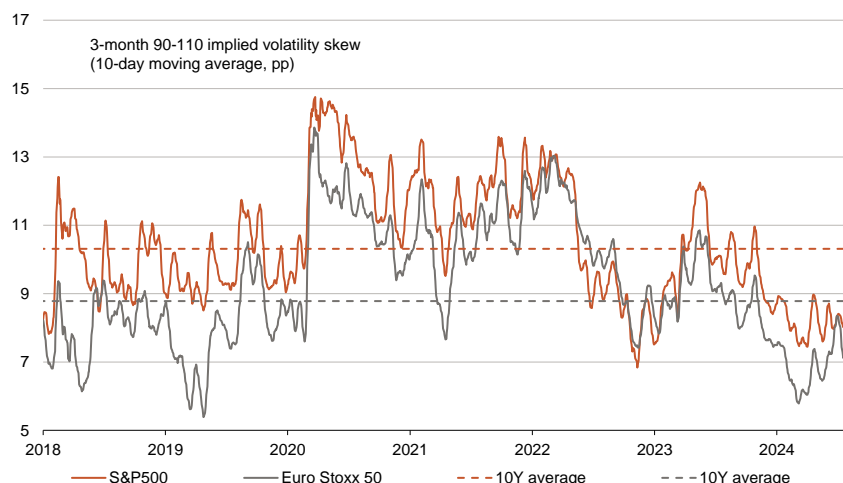
## Non-Commercial Positioning



- Speculative investors currently have the most pronounced long position in Sterling. This is probably due to the relatively better economic development than in Europe or the US.
- In the case of US small caps, positioning went from net short to net long with the sharp rotation in recent weeks.

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: 23/07/2014 - 23/07/2024

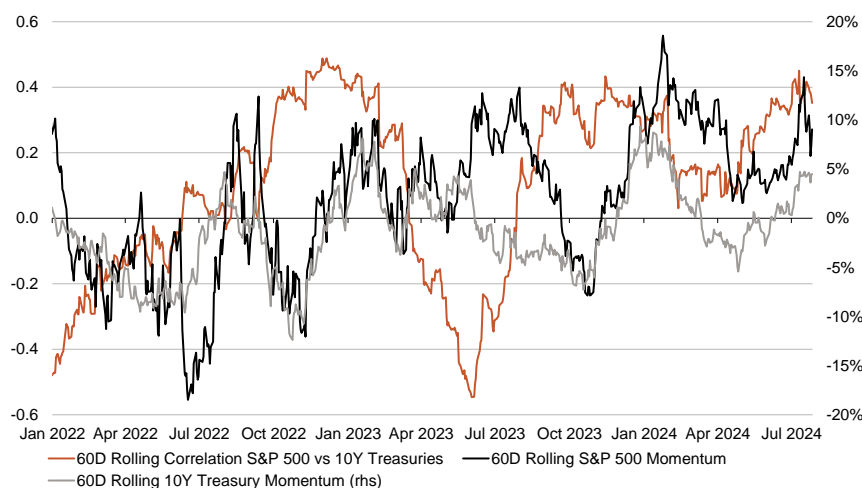
## Put-Call-Skew



- The skew has remained surprisingly flat given the recent setback.
- However, hedging has become significantly more expensive as volatility has risen. For example, a 3-month put on the S&P 500 with a strike at 95% of the spot price currently costs 1.26%. Two weeks ago it was just 0.82% of spot.

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: 26/07/2014 - 26/07/2024

## 60-Day Momentum and Correlation

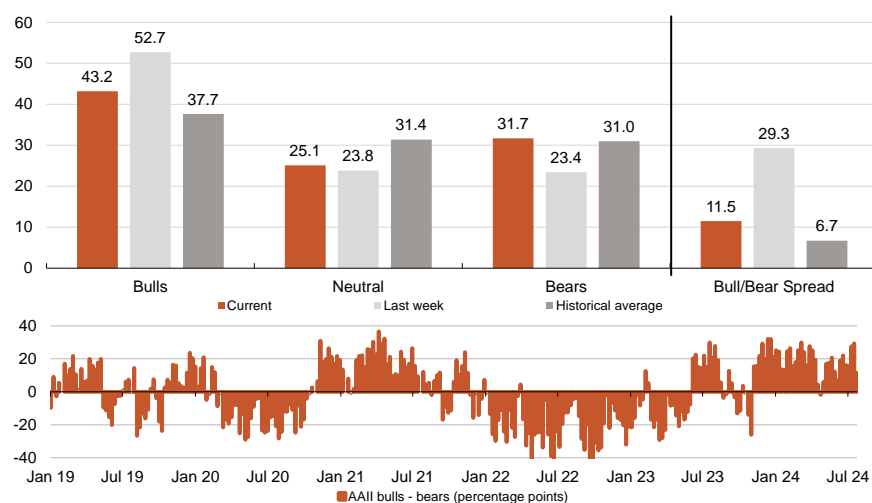


- Stocks and bonds remain highly correlated and dominated by interest-rate-related news.
- Momentum in equities has deteriorated recently. It is still positive over 60 days, but there are some CTAs in the market that have shorter observation periods and are likely to reduce equities more quickly.

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 - 26/07/2024



### AAll Sentiment Survey (Bulls vs Bears)

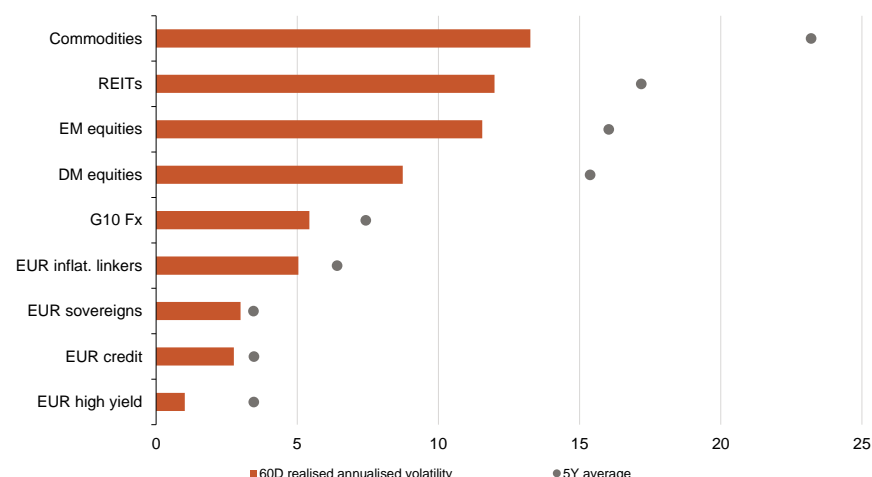


- US retail investor sentiment has deteriorated significantly over the past week. The bull/bear spread has fallen by almost 18 points to 11.5.
- Even though the move was large, it is not necessarily a contrarian buy signal as sentiment is still too positive for that.

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 - 25/07/2024

### Realised Volatilities

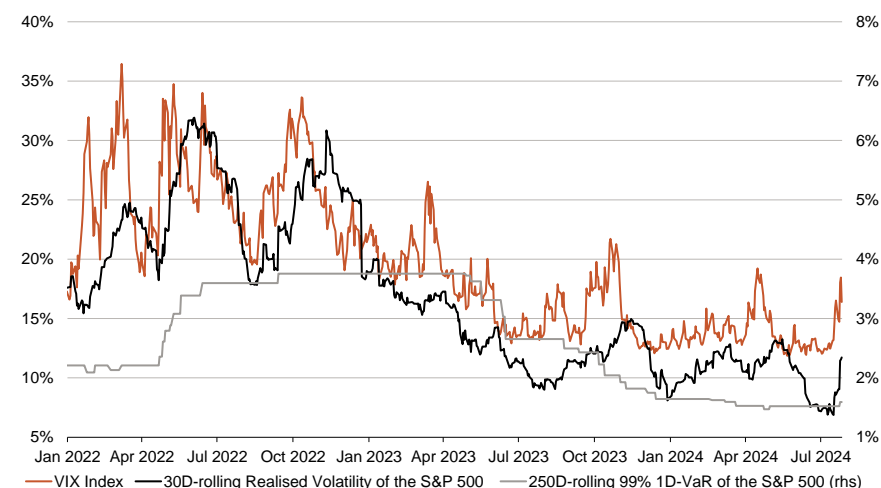


- Realised volatility across most of the asset classes shown here was broadly unchanged over the past two weeks.
- It has risen slightly for developed market equities and fallen slightly for EUR government bonds. However, government bonds remain more volatile than corporate and high-yield bonds due to their longer duration. In addition, spread movements, which are often negatively correlated with interest rates, dampen the volatility of bonds with credit risk.

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: 26/07/2019 - 26/07/2024

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



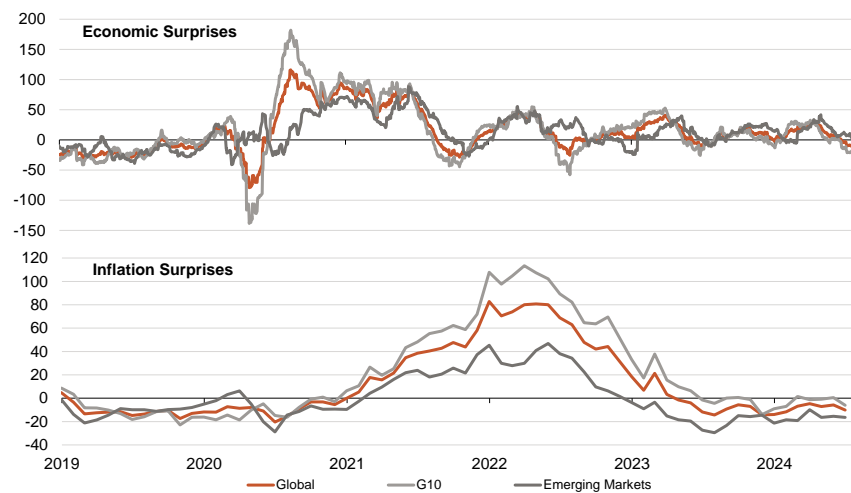
- The VIX recently jumped to its highest level since April. However, it has yet to break 20 this year.
- Realised volatility has also risen sharply, but is still low by historical standards. Nevertheless, strategies that scale their asset allocation with volatility have probably started to reduce equities.

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 - 26/07/2024



## Global

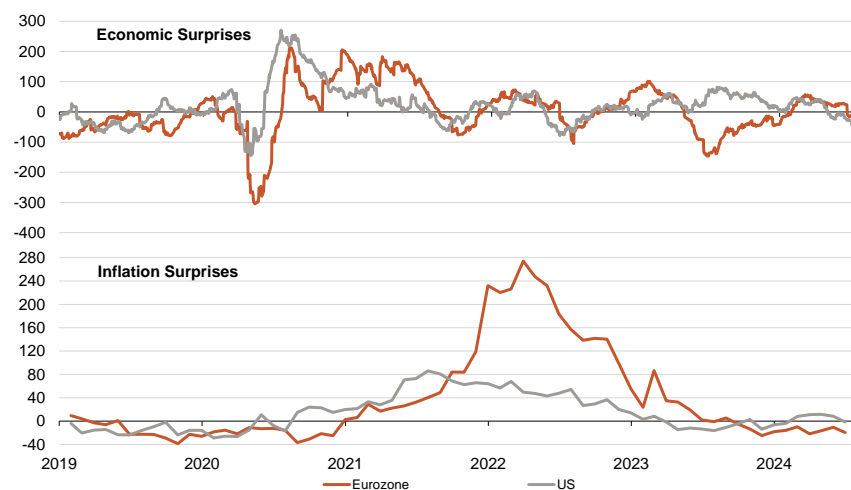


- Economic surprises have been increasingly negative over the past two weeks in both industrialised and emerging markets.
- In Canada, retail sales in May were below expectations, while consumer price inflation for June was as expected.
- In China, GDP growth in the second quarter and retail sales in June surprised to the downside, while industrial production in June surprised slightly to the upside.

See explanations below.

Source: Bloomberg, Time period: 01/01/2019 - 26/07/2024

## Eurozone and US

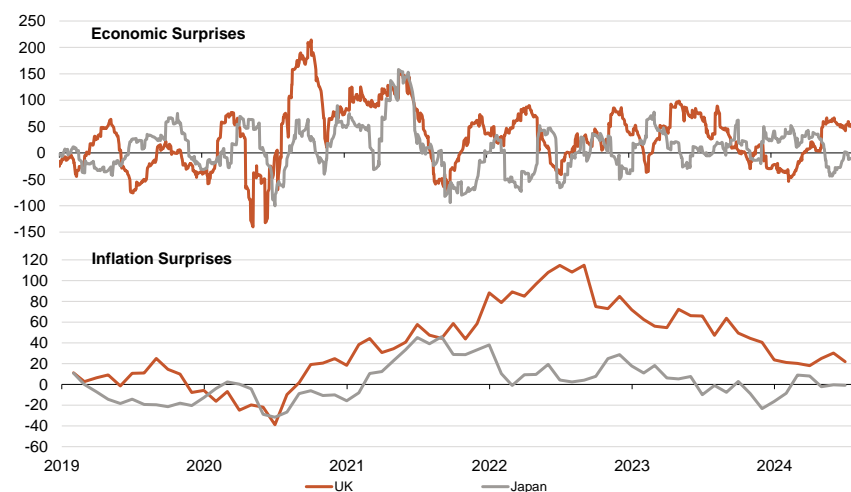


- In the US, the latest initial jobless claims surprised to the downside in June, while GDP growth for the second quarter, retail sales and industrial production surprised to the upside in June. The number of housing starts in June exceeded expectations, while the number of new home sales was disappointing.
- There have been significantly more disappointments in the eurozone than in the US recently, with the PMI figures for July being the most disappointing. In Germany, the Ifo business climate index came in below expectations in July.

See explanations below.

Source: Bloomberg, Time period: 01/01/2019 - 26/07/2024

## UK and Japan



- Economic surprises in the UK have recently been much more positive than in the eurozone.
- In Japan, the trade balance surprised to the upside in June and consumer price inflation to the downside.

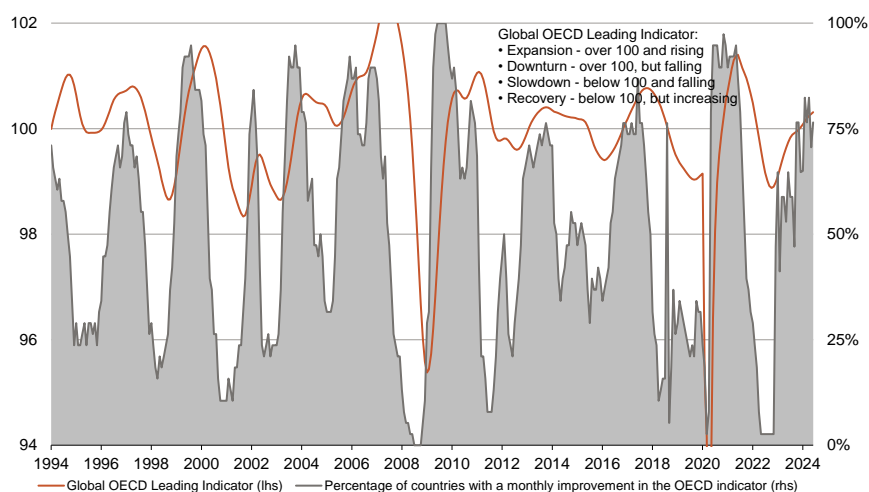
The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated 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 - 26/07/2024





## OECD Leading Indicator

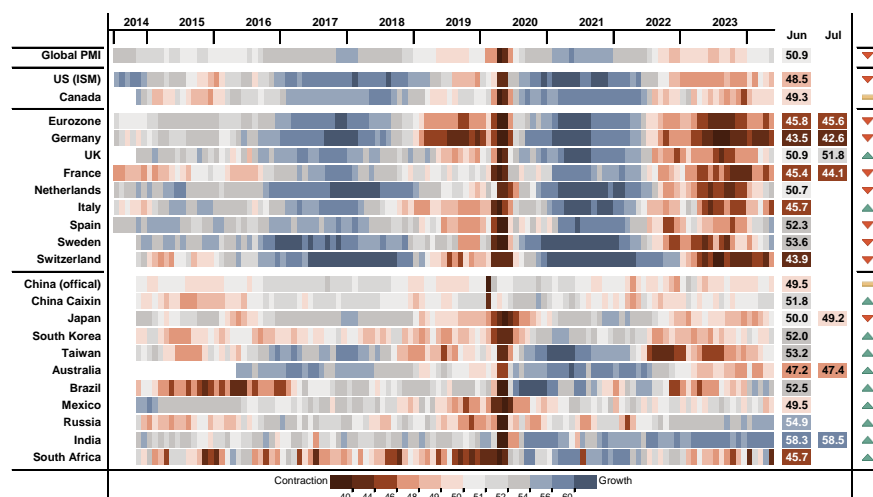


- Global economic expansion continued in June - with a value of 100.3, the revised OECD leading indicator was above the 100 mark for the seventh consecutive month.
- According to the leading indicator, 76% of the countries surveyed reported an improvement in economic conditions in June compared with the previous month, with Canada, Germany, the UK and Turkey showing the strongest increases.

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 - 26/07/2024

## Manufacturing Purchasing Managers Index (Manufacturing PMI)

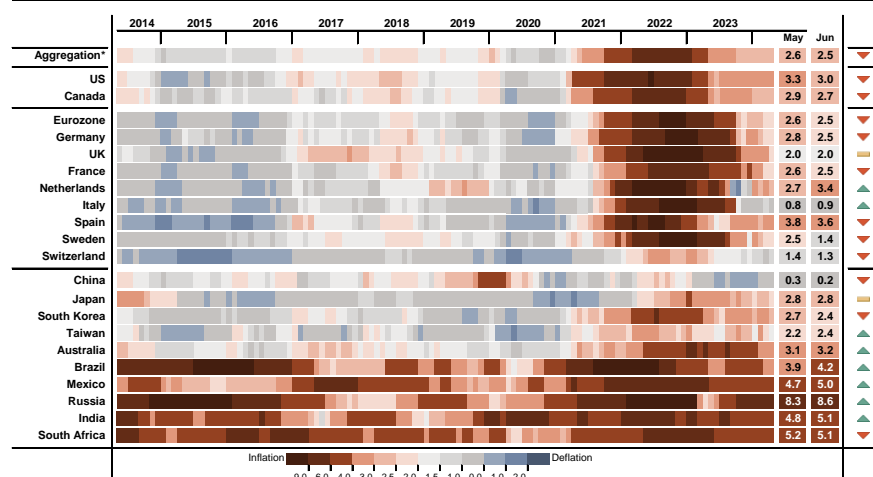


- The first PMI figures for July were mostly below expectations. In the eurozone, both the manufacturing and services PMIs were disappointing. In Germany, the purchasing managers' index signalled a decline in industrial activity for the 25th consecutive month.

The PMI is an overall index that provides a general overview of the economic situation in industry. The PMI is derived from a total of eleven sub-indices, which reflect the respective change from the previous month. A value of 50 is regarded as neutral, a value of over 50 points as an indicator of rising and a value of under 50 points as an indicator of declining activity in industry compared to the previous month. On average, the index has a lead time before actual industrial production of three to six months. The PMI is based on a survey of a relevant selection of purchasing managers on the development of key indicators such as new orders.

Source: Bloomberg, Time period: 01/01/2014 - 26/07/2024

## Headline Inflation



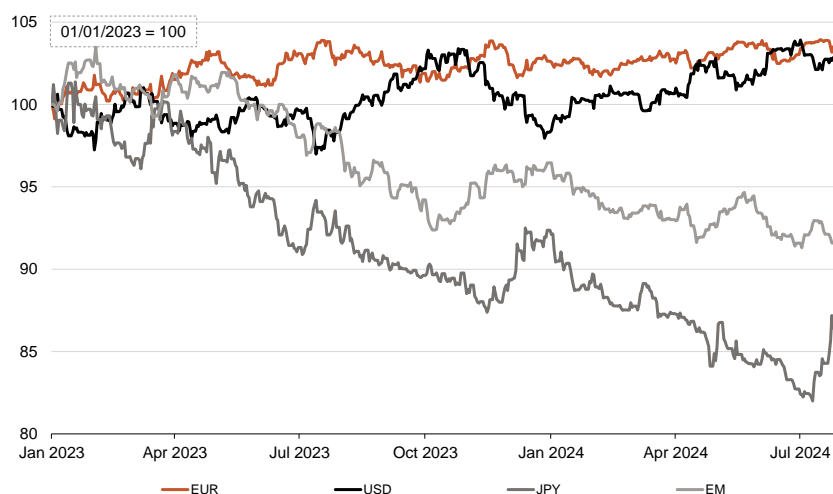
- Global inflation data for June were mixed. While annual consumer price inflation slowed in most developed countries compared with the previous month, it rose in emerging markets such as Brazil, Mexico and India. In the US, the fall in energy prices was a major contributor to the surprisingly low inflation rate.

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 - 26/07/2024



### Trade-Weighted Currency Development

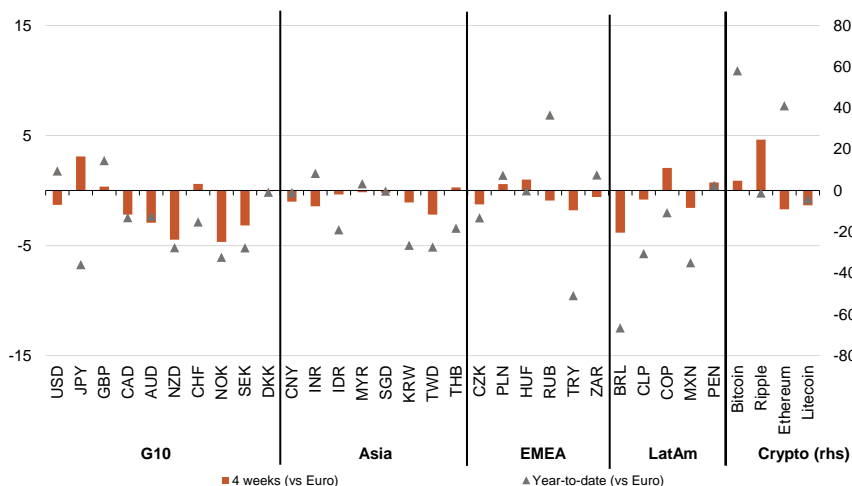


- The Japanese yen hit a 12-week high on a trade-weighted basis after the Bank of Japan intervened several times in July and traders unwound carry trades ahead of the BoJ meeting on the 30th.
- The trade-weighted euro has recently depreciated following disappointing euro-zone purchasing managers' indices.

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 - 26/07/2024

### Currency Moves vs Euro

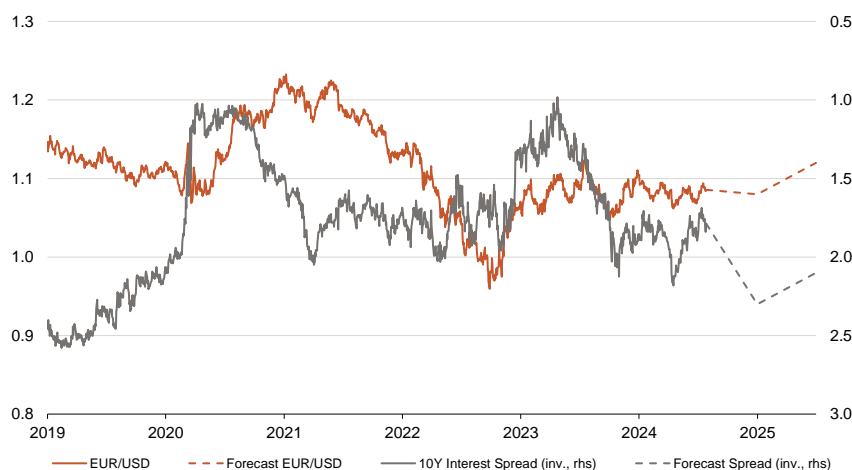


- The Bank of Canada cut its key interest rate by a further 25 basis points as inflation figures remained within the target range and the Canadian real economy continued to weaken.
- The Norwegian krone has fallen to its lowest level in more than a year. Selling of the Norwegian krone has accelerated in the past four weeks after the country's inflation rate surprisingly fell, reinforcing expectations of an interest rate cut in December.

Performance of selected currencies against the euro, in percent.

Source: Bloomberg, Time period: 31/12/2023 - 26/07/2024

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



- The EUR/USD exchange rate has moved sideways over the past four weeks. Positive factors for the euro, such as the lack of a clear majority in the new French parliament and the associated unlikelihood of major spending increases as well as the interest rate cut in the US, were offset by disappointing purchasing market indices for the euro-zone.

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 (28/06/24 - 26/07/24)	YTD (30/12/23 - 26/07/24)	26/07/23	26/07/22	26/07/21	26/07/20	26/07/19	26/07/20
Utilities	1.9	5.7	3.4	10.6	-1.4	9.4	14.9	
Value	2.8	10.1	14.8	15.1	0.5	27.0	-15.4	
Finance	2.7	16.3	23.3	25.9	-4.1	32.0	-17.7	
Consumer Staples	0.8	2.5	-3.5	-0.6	5.8	12.4	-2.7	
Telecommunications	1.6	9.2	13.7	-3.1	-1.6	19.4	-15.3	
Industrials	0.6	10.3	19.3	19.9	-13.2	41.2	-2.9	
Health Care	0.5	16.1	17.6	-0.1	11.9	10.7	13.6	
Materials	-0.7	2.8	9.6	11.5	-12.1	39.7	3.0	
Energy	-2.1	4.5	12.4	14.7	43.2	21.4	-38.3	
Consumer Discretionary	-2.4	1.9	-2.2	24.5	-17.7	51.9	-10.3	
Growth	-2.4	8.3	11.3	9.4	-8.6	28.2	4.9	
Information Technology	-8.8	14.2	27.8	15.9	-20.8	37.6	12.5	

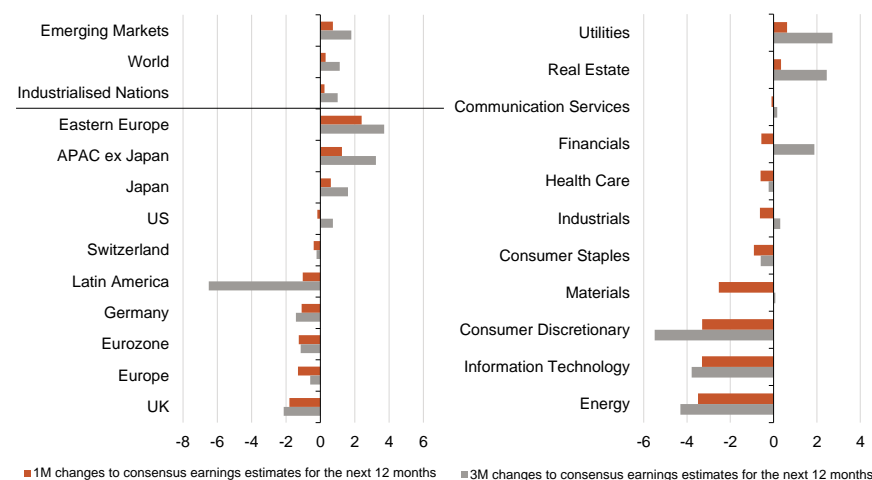
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Staples: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. 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 been mixed over the past four weeks.
- At a sector level, utilities were the main gainers. In contrast, the Information Technology sector fell sharply, triggered by disappointing Q2 results and Biden's announcement to restrict sales of high-value semiconductors to China.

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: 26/07/2019 - 26/07/2024

## Changes in Consensus Earnings Estimates

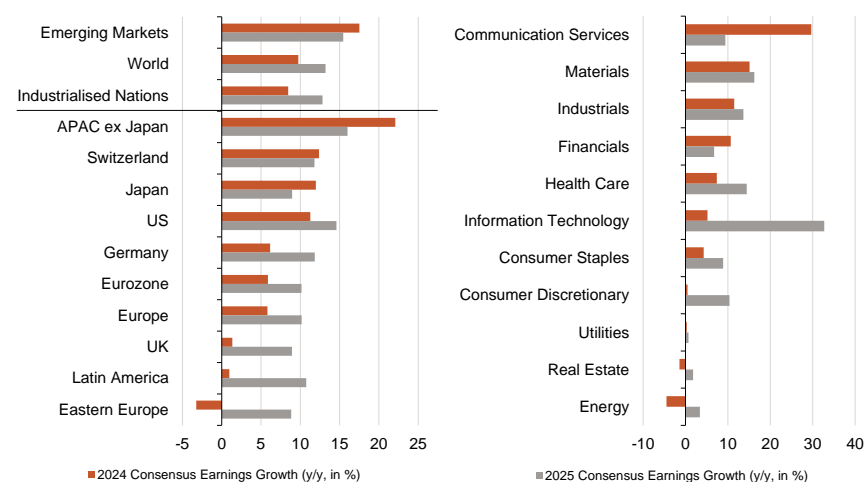


- The European reporting season (MSCI Europe) is on track for the first positive EPS growth in four quarters. However, it also showed clear signs of consumer weakness, which is why analysts have mainly made earnings revisions for cyclical consumer goods.
- At a regional level, there have been negative earnings revisions over the past four weeks, notably in the UK.

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 26/07/2024

## Earnings Growth



- For developed markets, the consensus continues to call for positive earnings growth in both 2024 and 2025.
- For the full year, analysts remain positive, particularly for the European telecoms sector, with the consensus expectation for earnings growth currently at just under 30%.

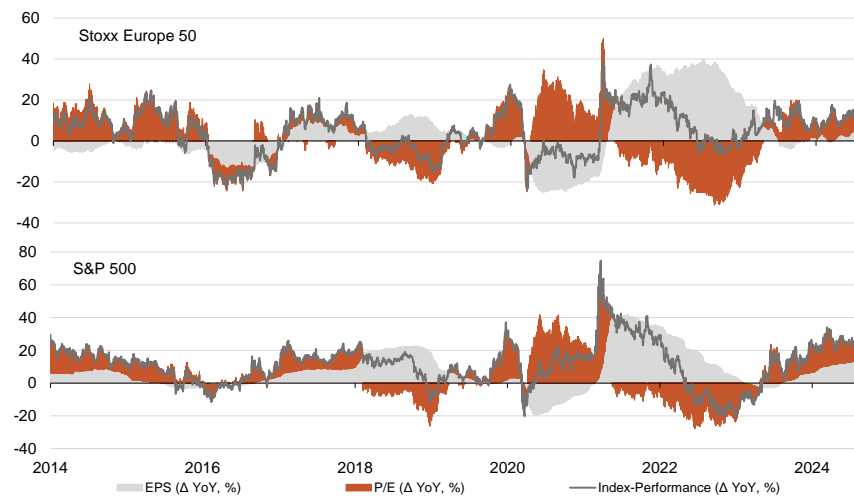
Consensus expected calendar year earnings growth for selected equity regions, year-on-year and in percent. The earnings estimates of the individual companies are aggregated upwards using the index weights ("bottom-up"). Regional and Europe Sector MSCI Indices. APAC ex Japan = Asia Pacific excluding Japan

Source: FactSet, as of 12/07/2024





### Contribution Analysis

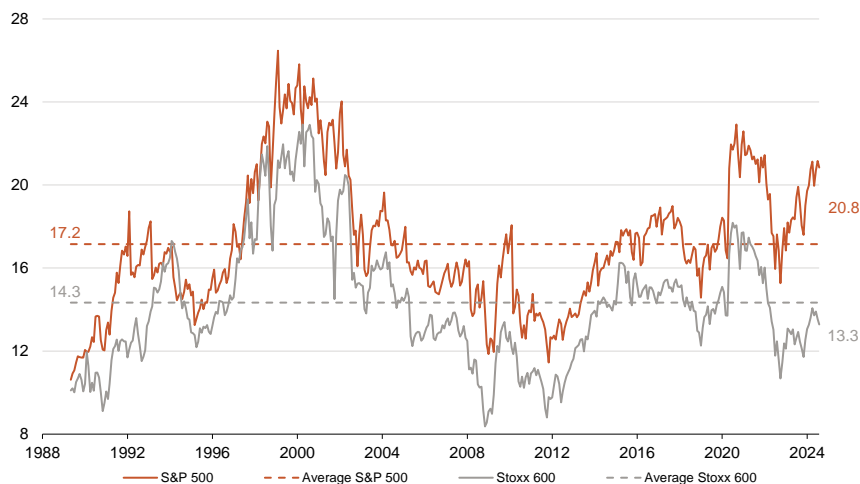


- In Europe, stock market performance over the past 12 months has become more earnings-driven, with valuation expansion remaining the dominant factor.
- In the US, equity market performance has recently been driven more by earnings growth.

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 - 26/07/2024

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

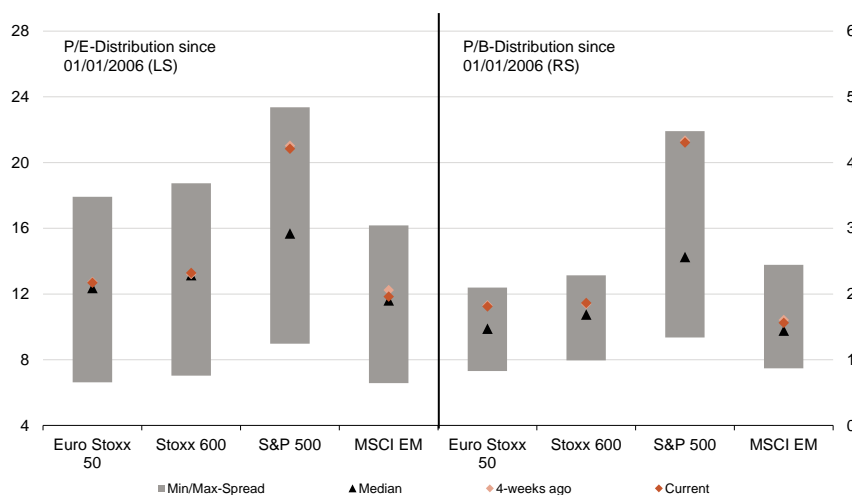


- US equity valuations have rebounded in recent weeks, driven by the sell-off in large technology companies on fears that momentum in AI stocks is waning.
- Valuation levels for European equities have moved sideways over the past four weeks.

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 - 26/07/2024

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



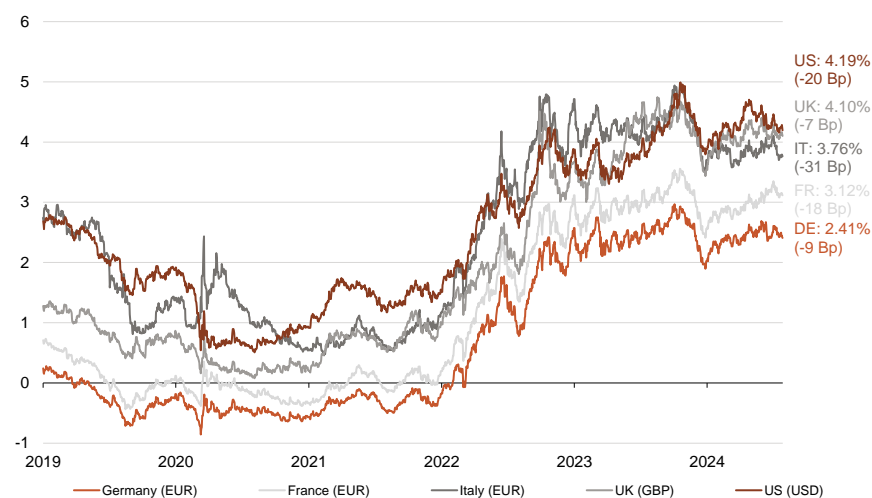
- Over the last four weeks, the MSCI EM and the S&P 500 have experienced a valuation contraction on a P/E and P/B basis.
- In contrast, the Euro Stoxx 50 and the Stoxx 600 are trading close to their P/E and P/B ratios of four weeks ago.

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 - 26/07/2024



### 10-Year Government Bond Yields

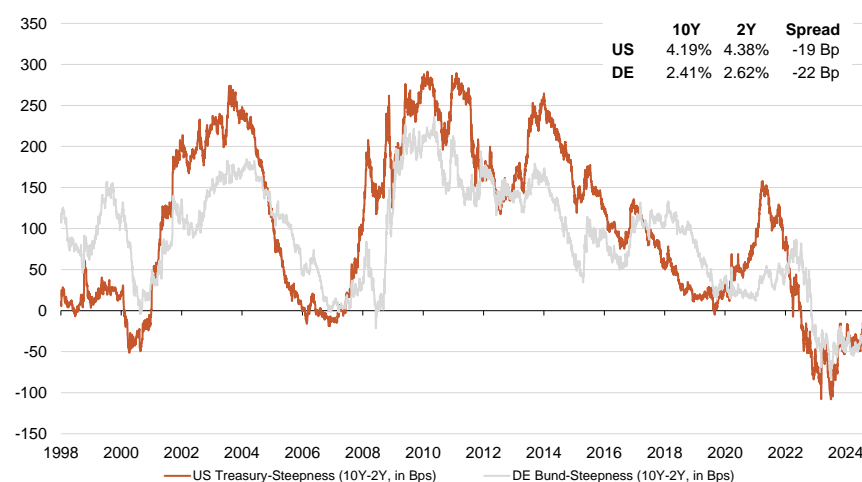


- Cooler US inflation data and the initial post-election calm in France caused yields on safe government bonds to fall on both sides of the Atlantic. By mid-July, the yield on 10-year US government bonds was at its lowest level since March of this year.
- The 10-year OAT-Bund spread, which had temporarily peaked in the wake of the French elections, has remained broadly unchanged at 70 basis points over the past two weeks.

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 - 26/07/2024

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

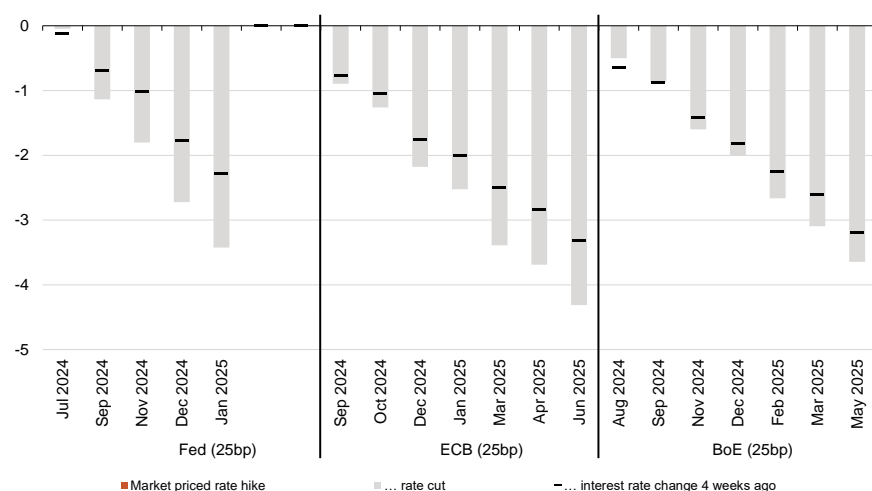


- The US yield curve has steepened significantly over the past two weeks.
- This has led to a marked normalisation of the yield curve. At -15 basis points last week, the inversion of the US yield curve was at a level last seen two years ago in July 2022.

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 - 26/07/2024

### Implicit Changes in Key Interest Rates



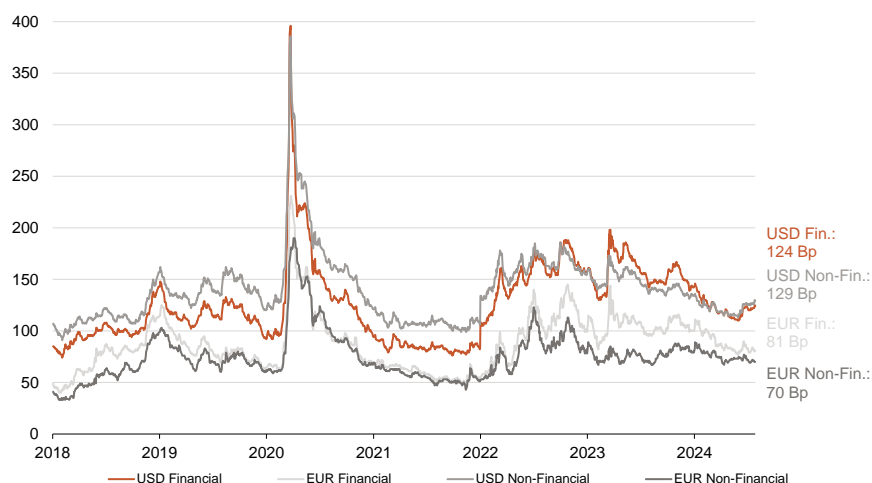
- The decline in US inflation and a core PCE deflator in line with expectations in July have led the markets to price in further rate cuts by the end of the year.
- Compared with four weeks ago, the market is now pricing in almost three 25bp cuts by the end of the year. The consensus view is that the first cut will come at the Fed's September meeting.

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: 26/06/2024 - 26/07/2024



### Credit Spreads Financial and Non-Financial Bonds

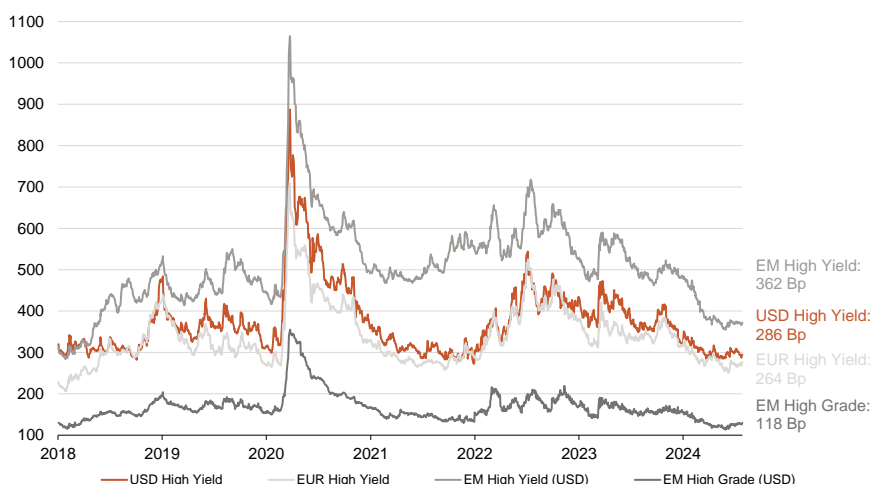


- The credit market has seen a trend towards slightly higher risk premiums over the past two weeks.
- For USD financial and non-financial bonds, asset swap spreads widened by 2 basis points. Asset swap spreads widened by 2 basis points each. For EUR corporate bonds, the trend was more moderate. Spreads on EUR financial bonds widened by only 1 basis point, while those on EUR non-financial bonds remained unchanged.

Explanations: see middle and lower figure.

Source: FactSet, Time period: 01/01/2019 - 26/07/2024

### Credit Spreads High Yield and Emerging Markets Bonds



- The high yield bond market has been very heterogeneous over the past two weeks. While USD high yield spreads tightened by 7 basis points, EUR high yield spreads widened by 6 basis points.
- For emerging market bonds in the high grade segment, there has been no noticeable change in the asset swap spreads over the last two weeks.

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 - 26/07/2024

### 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	26/07/23	26/07/24	26/07/22	26/07/21	26/07/20	26/07/19
<b>EUR Government</b>	2.99	-0.17	7.1	-	-	-	1.2	-0.5	4.2	-7.6	-11.6	0.8	2.2	
Germany	2.45	-0.12	7.2	-	-	-	0.7	-1.2	3.0	-9.6	-9.4	-0.4	0.6	
<b>EUR Corporate</b>	3.65	-0.22	4.5	74	-4	45	1.3	1.8	7.1	-3.1	-10.1	3.3	-0.5	
Financial	3.84	-0.21	3.8	81	-3	40	1.2	2.3	7.5	-2.3	-8.4	2.8	-0.1	
Non-Financial	3.53	-0.22	5.0	70	-4	49	1.3	1.5	6.8	-3.6	-11.1	3.5	-0.7	
<b>EUR High Yield</b>	6.48	-0.14	3.1	277	5	17	0.9	4.1	11.0	5.0	-11.4	9.5	-0.8	
<b>US Treasury</b>	4.34	-0.22	6.2	-	-	-	1.1	0.5	2.7	-3.4	-9.1	-3.1	12.2	
<b>USD Corporate</b>	5.33	-0.20	6.7	127	1	40	1.3	1.6	6.0	0.2	-13.1	1.6	12.2	
Financial	5.41	-0.25	5.0	124	0	52	1.4	2.8	7.3	0.9	-11.2	2.1	10.5	
Non-Financial	5.29	-0.18	7.4	129	2	36	1.2	1.0	5.4	-0.1	-14.0	1.5	12.8	
<b>USD High Yield</b>	7.77	-0.27	3.8	295	-4	4	1.8	4.4	11.1	5.7	-9.3	11.7	2.2	
<b>EM High Grade</b>	5.29	-0.21	5.3	130	5	5	1.0	2.7	6.4	2.1	-13.4	3.3	6.2	
<b>EM High Yield</b>	8.26	-0.34	3.9	372	3	8	1.3	7.8	14.5	9.1	-23.8	9.7	3.3	

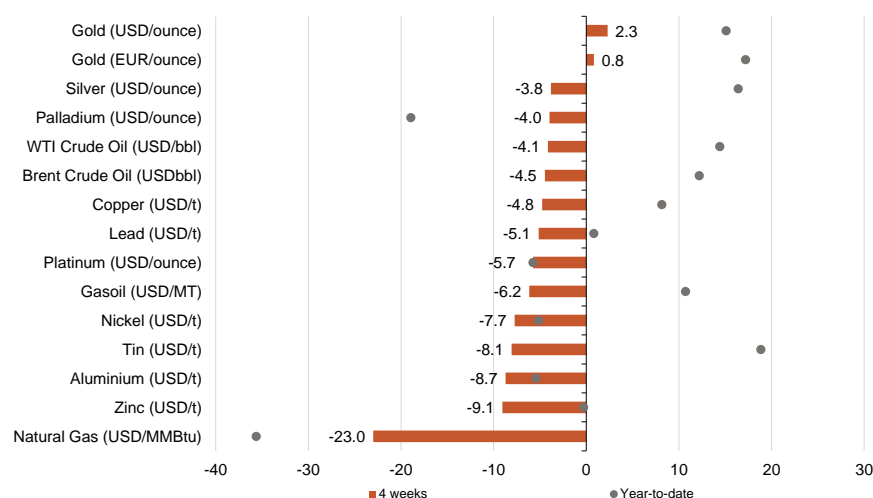
- Over the last four weeks, all of the bond segments shown here have gained. USD high-yield bonds led the way, while German government bonds brought up the rear.
- The spreads of USD high-yield bonds are now only in the 4th percentile and thus close to their historic lows over the last 10 years.

ICE BofA indices in the following sequence: Euro Government; German Government; Euro Corporate; Euro Financial; Euro Non-Financial; Euro High Yield; US Treasury; US Corporate; US Financial; US Non-Financial; US High Yield; High Grade Emerging Markets Corporate Plus; High Yield Emerging Markets Corporate Plus. EM indices are hard currency bonds.

Source: FactSet, Time period: 26/07/2014 - 26/07/2024



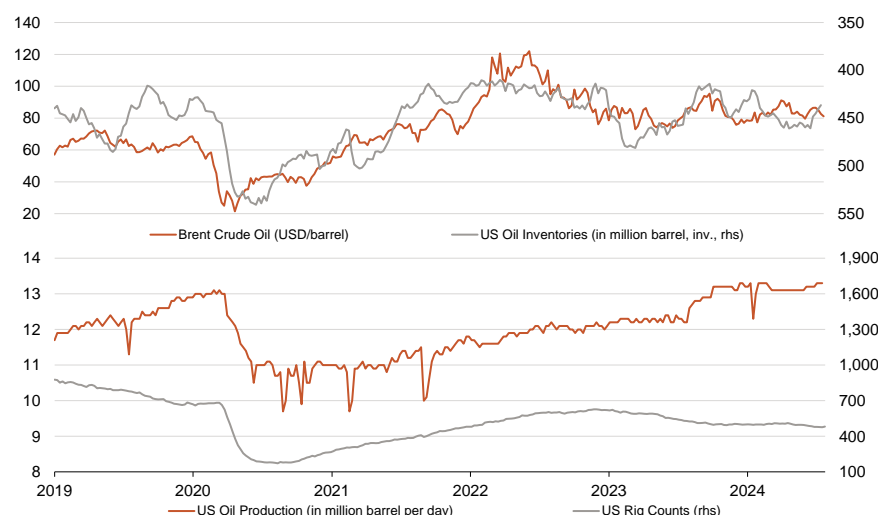
## Commodities Performance



- The picture for commodities has been uniformly negative over the past four weeks, with only gold showing a slight positive trend.
- Industrial metals have been hit hard in recent weeks by poor economic news from China and fading hopes of short-term stimulus from the Third Plenum of the Communist Party.

Total return of selected commodity indices, in percent, sorted by 4-week performance.  
Source: Bloomberg, Time period: 31/12/2022 - 26/07/2024

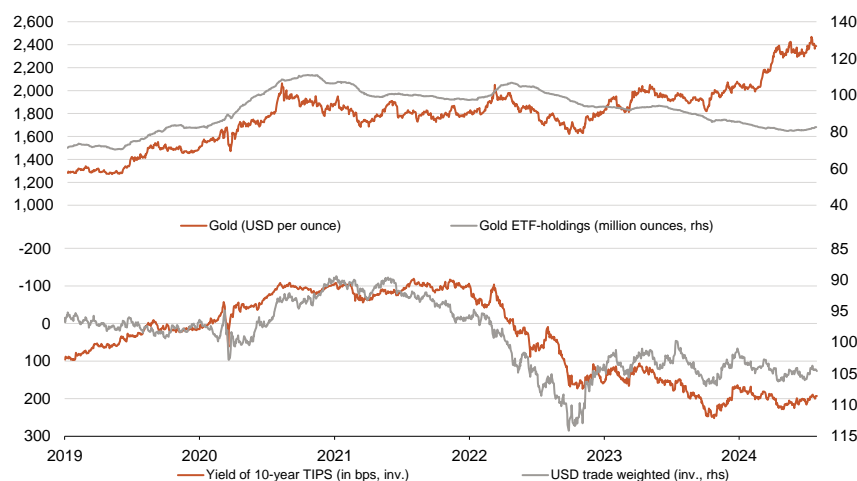
## Crude Oil



- Last week, Brent fell to its lowest level since early June. Signs of a weaker global economy, both in the West and in China, weighed on oil prices.
- Fundamentally, however, the oil market continues to look balanced. US oil inventories have fallen for the fourth week in a row and are now below normal levels for this time of year.
- In addition, approximately 350,000 barrels of Canada's daily oil production are currently threatened by wildfires in Alberta.

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 - 26/07/2024

## Gold



- Gold reached a new all-time high of USD 2,469 per ounce in mid-July. The rally has been driven by ETF flows rather than recent central bank buying. The PBoC recently paused its gold purchases for the first time since 2022.
- Recently, however, gold has been consolidating and is now trading below \$2,400 an ounce.

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 - 26/07/2024

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