BERENBERG
Markets

MONITOR

12 August 2024

Current market commentary

As we had expected, the typical negative summer seasonality for equities struck again. A combination of fears of a recession in the US, a stronger yen and the associated unwinding of carry trades led to a sharp increase in volatility and a broad sell-off of risky assets. This culminated in panic selling of equities last Monday. The VIX reached a level of almost 66 intraday and the Nikkei 225 recorded its biggest daily loss since 1987, at -12.4%. After we had reduced our allocation to equities to underweight in mid-July, we used the sell-off to counter-cyclically re-weight equities to neutral. The downside risks remain, not least due to geopolitical risks. However, better economic data and a decrease in volatility could also lead to rising markets again. In addition, the central banks could also calm the markets again. After the correction, we therefore consider a balanced positioning to be appropriate.

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

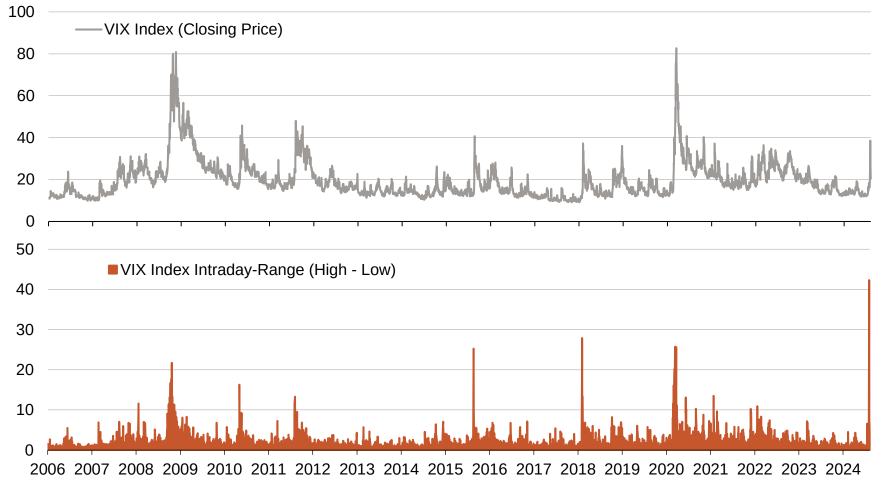
Q2 reporting season, Jackson Hole and Fed minutes, and US politics are in focus.

The Q2 reporting season is drawing to a close. Over the past few weeks, 79% of S&P 500 companies have reported positive EPS surprises and 58% have reported positive top line surprises. On the political front, the US Democratic National Convention is scheduled for 19-22 August. On the monetary policy front, the focus will be on the release of the Fed's July meeting minutes on 21 August and the Jackson Hole meeting on 22-24 August.

Inflation, PMI and GDP data in the investor's eye.

Tomorrow sees the release of US producer prices for July and the German ZEW survey for August. Wednesday will see the release of US CPI data (July) and GDP data (Q2) for the Eurozone and Japan. On Thursday, the focus will be on US Retail Sales (July). This is followed on Friday by the preliminary Michigan Consumer Sentiment Index (August) and the UK Retail Sales (July). Next week will bring the preliminary Purchasing Managers' Indices (August) for the US, the Eurozone and Germany (August).

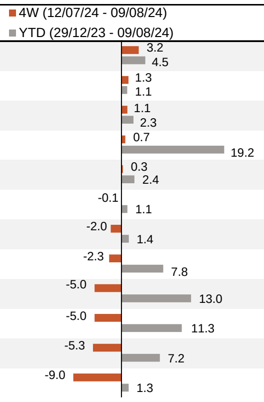
Panic spreads on markets: VIX intraday change at all-time high



- Last week, the VIX reached 39, its highest level in almost four years. Intraday, it even saw the strongest move on record. The fear barometer jumped by more than 40 points from 23 at its low to almost 66 at its high.
- Even during the global financial crisis, the "Volmageddon" of 2018 or the covid-19 crisis, there was no such volatility shock.
- Often, days of such great panic mark at least temporary lows in the stock markets, thus offering buying opportunities for anti-cyclical investors.

Source: Bloomberg, Time period: 01/01/2006 - 09/08/2024

Multi Asset



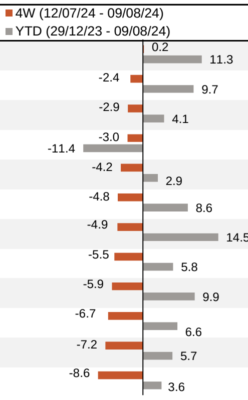
	4-week & YTD		12-month periods over that last 5 years				
	■ 4W (12/07/24 - 09/08/24)	■ YTD (29/12/23 - 09/08/24)	09/08/23 09/08/24	09/08/22 09/08/23	09/08/21 09/08/22	09/08/20 09/08/21	09/08/19 09/08/20
REITs	3.2	4.5	11.0	-21.4	6.8	26.8	-13.7
EUR Sovereign Debt	1.3	1.1	4.9	-5.0	-6.7	0.7	0.6
EUR Coporates	1.1	2.3	7.1	-3.0	-10.2	3.0	-0.4
Gold	0.7	19.2	27.7	-0.7	19.2	-14.6	29.1
Euro overnight deposit	0.3	2.4	4.0	2.1	-0.6	-0.6	-0.4
USDEUR	-0.1	1.1	0.5	-6.9	14.9	0.4	-5.0
Global Convertibles	-2.0	1.4	3.8	-5.7	-8.1	31.5	18.6
MSCI Frontier Markets	-2.3	7.8	5.5	-5.8	-2.8	38.9	-15.8
Brent	-5.0	13.0	3.8	-3.2	98.6	55.5	-29.4
MSCI World	-5.0	11.3	18.2	2.7	3.4	33.6	6.9
MSCI Emerging Markets	-5.3	7.2	8.7	-3.6	-8.6	21.3	8.3
Industrial Metals	-9.0	1.3	2.5	-11.7	16.3	39.0	-3.3

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.

- Disappointing economic data in the US, Europe and China have recently weighed on cyclical industrial metals, emerging market equities and Brent crude oil in particular.
- Hopes of possible emergency interest rate cuts by the Fed, on the other hand, boosted safe government bonds and interest rate-sensitive REITs, while the precious metal gold has been treading water over the past four weeks.

Total return for selected asset classes, in euros and in per-cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 09/08/2019 – 09/08/2024

Equities



	4-week & YTD		12-month periods over that last 5 years				
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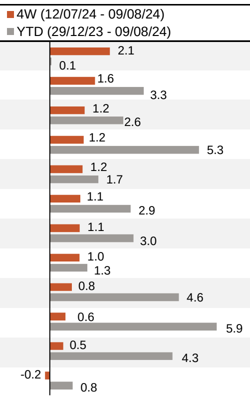
Stoxx Europe Defensives	0.2	11.3	13.5	5.6	8.0	17.9	0.9
MSCI UK	-2.4	9.7	13.5	2.4	12.3	30.6	-13.4
MSCI USA Small Caps	-2.9	4.1	9.8	-2.5	2.6	45.5	-1.2
MSCI EM Latin America	-3.0	-11.4	-1.7	11.7	10.6	27.3	-28.9
Stoxx Europe Small 200	-4.2	2.9	7.3	0.9	-18.3	40.0	4.4
Stoxx Europe 50	-4.8	8.6	12.3	12.1	3.5	26.0	-1.1
S&P 500	-4.9	14.5	22.1	2.6	8.5	34.6	11.5
DAX	-5.5	5.8	11.8	17.1	-14.0	24.2	8.4
MSCI EM Asia	-5.9	9.9	10.1	-4.4	-9.8	18.6	19.8
Stoxx Europe Cyclicals	-6.7	6.6	16.2	11.8	-11.3	39.9	2.4
Euro Stoxx 50	-7.2	5.7	11.0	19.2	-8.7	30.8	-0.4
MSCI Japan	-8.6	3.6	9.8	5.1	-3.8	23.4	0.4

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.

- Growth concerns weighed on the global equity indices, which have mostly recorded losses over the last four weeks.
- Defensive stocks performed best in relative terms, while recession-sensitive cyclical stocks were among the worst performers.
- Last Monday, the Japanese stock market experienced its worst day since October 1987, partly due to the rapid and strong appreciation of the yen.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 09/08/2019 – 09/08/2024

Fixed Income



	4-week & YTD		12-month periods over that last 5 years				
	■ 4W (12/07/24 - 09/08/24)	■ YTD (29/12/23 - 09/08/24)	09/08/23 09/08/24	09/08/22 09/08/23	09/08/21 09/08/22	09/08/20 09/08/21	09/08/19 09/08/20
Bunds	2.1	0.1	4.3	-9.6	-9.7	-0.5	-0.7
Treasuries	1.6	3.3	5.9	-10.3	4.8	-3.0	4.1
BTPs	1.2	2.6	6.9	-4.0	-12.4	3.9	7.5
Chinese Sovereign Bonds	1.2	5.3	6.9	4.2	4.4	4.8	3.4
EUR Non-Financials	1.2	1.7	6.4	-3.3	-10.7	3.1	-0.5
USD Corporates	1.1	2.9	8.3	-0.9	-12.5	0.6	11.0
EUR Financials	1.1	3.0	8.0	-2.5	-9.5	3.0	-0.3
EM Local Currency Bonds	1.0	1.3	4.8	2.6	-4.1	2.9	-5.5
USD High Yield	0.8	4.6	11.2	3.3	-7.0	9.8	4.4
EM Hard Currency Bonds	0.6	5.9	11.3	-3.3	-5.9	3.1	-1.6
EUR High Yield	0.5	4.3	10.8	3.5	-10.1	9.6	0.0
Gilts	-0.2	0.8	8.0	-19.1	-14.6	3.1	10.3

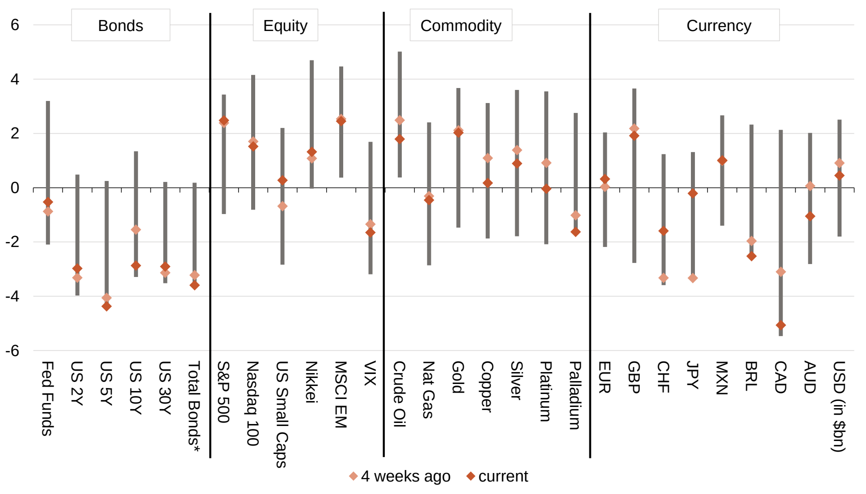
Bunds: IBOXX Euro Germany Sov TR ; BTPs: IBOXX Euro Italy Sov TR ; Treasuries: ICE BofA US Treasury TR;
Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: IBOXX Euro Fin. Overall TR;
EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE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

- Over the past four weeks, the bond market has benefited across the board from increased fears of recession and the associated hopes of faster and greater than previously expected interest rate cuts by the Fed and the ECB.
- The yield on 10-year Chinese government bonds fell to a new record low last week.
- The weak British pound weighed on the performance of British government bonds in EUR terms.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 09/08/2019 – 09/08/2024

POSITIONING

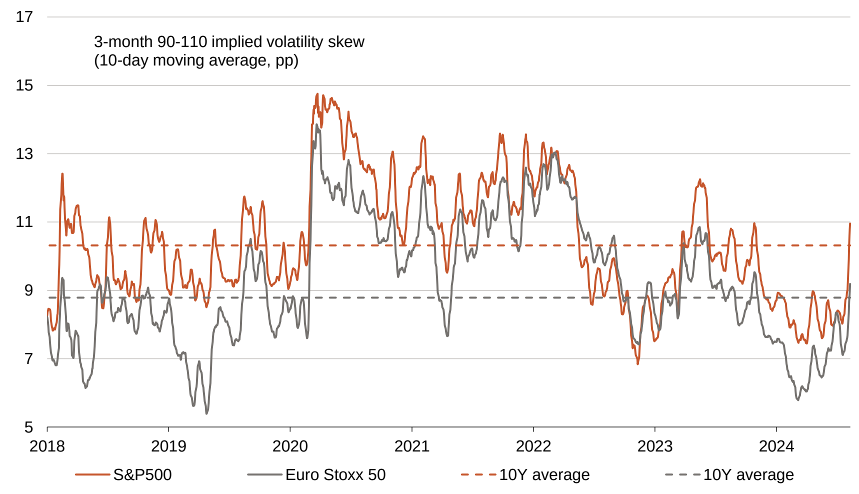
Non-Commercial Positioning



- The CFTC positioning confirms what has already been observed in the currency markets over the past two weeks: the extreme short positioning in the yen was completely covered as carry trades were unwound. The yen positioning is now at its highest level since the beginning of 2021.

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: 06/08/2014 - 06/08/2024

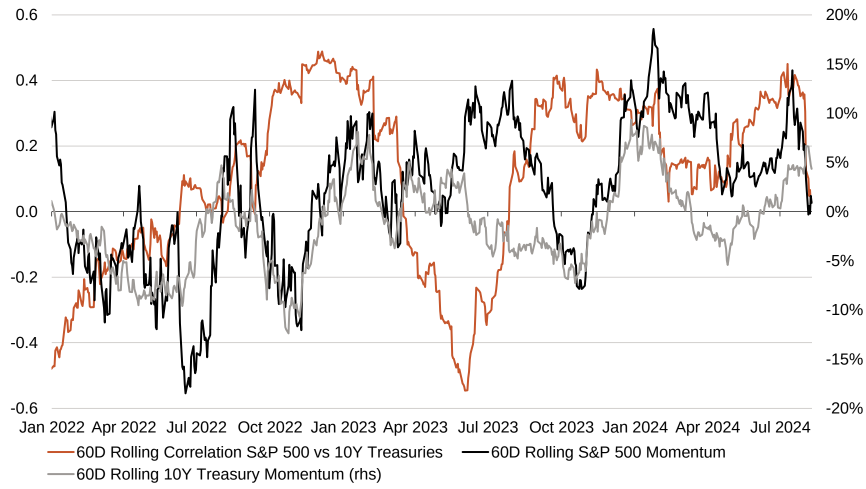
Put-Call-Skew



- The put-call skew has steepened significantly in the last two weeks and is now above the 10-year average for the first time this year, both in the US and in Europe.
- Surprisingly, the put-call ratio, i.e. the volume of traded puts compared to calls, has only risen slightly and is currently at just 0.7.

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: 09/08/2014 - 09/08/2024

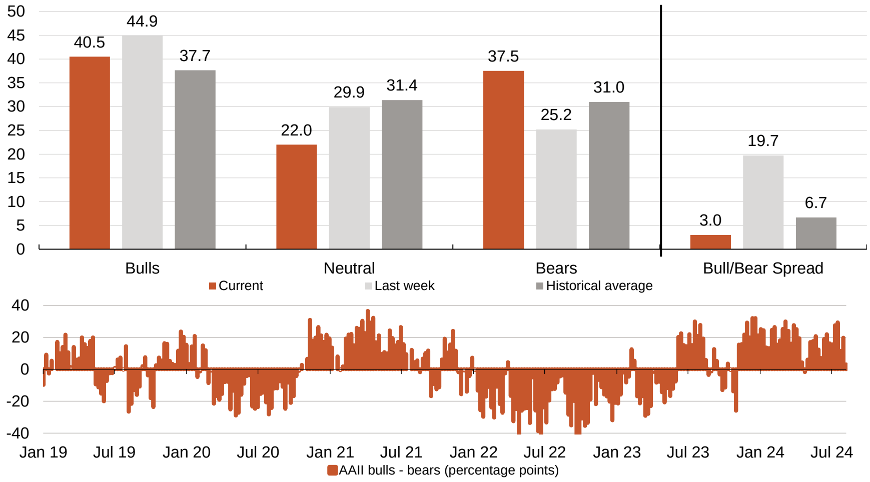
60-Day Momentum and Correlation



- The 60-day momentum in the S&P 500 briefly fell below the 0% mark last week. Systematic strategies in particular sold equities on a large scale in the wake of the volatility shock.
- At the same time, yields on US Treasuries have fallen sharply, which has also significantly reduced the correlation between equities and bonds.

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 - 09/08/2024

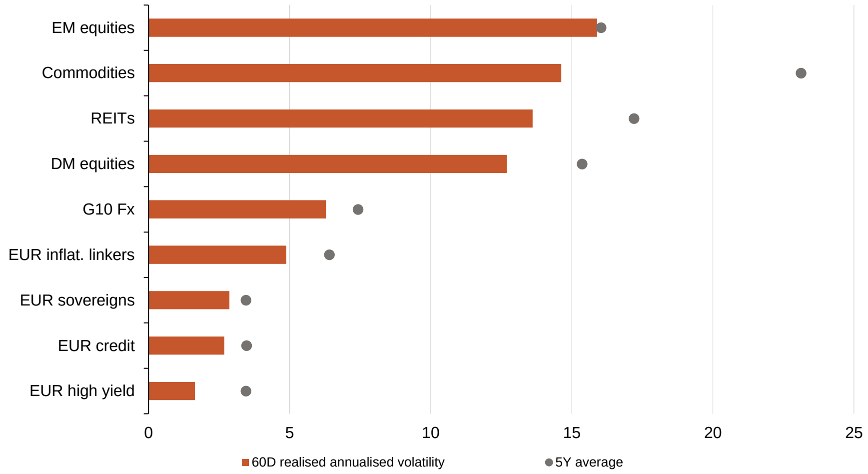
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment among US private investors has deteriorated significantly over the past week. Nevertheless, the bulls are still slightly in the majority.
- At just 3 ppts, the bull/bear spread is at its second-lowest level since the beginning of the year and is currently below the historical average.

The Sentiment Survey, conducted by the American Association of Individual Investors, determines the percentage of individual investors who are optimistic, pessimistic or neutral about the US stock market over a six-month period. It has been conducted since 1987. The survey is conducted from Thursday to Wednesday and the results are published every Thursday. For the stock market, it tends to be supportive when there is a high proportion of bears and a low proportion of bulls. On the other hand, it tends to be negative when there are significantly more optimists than pessimists.
Source: Bloomberg, AAII, Time period: 23/07/87 – 09/08/2024

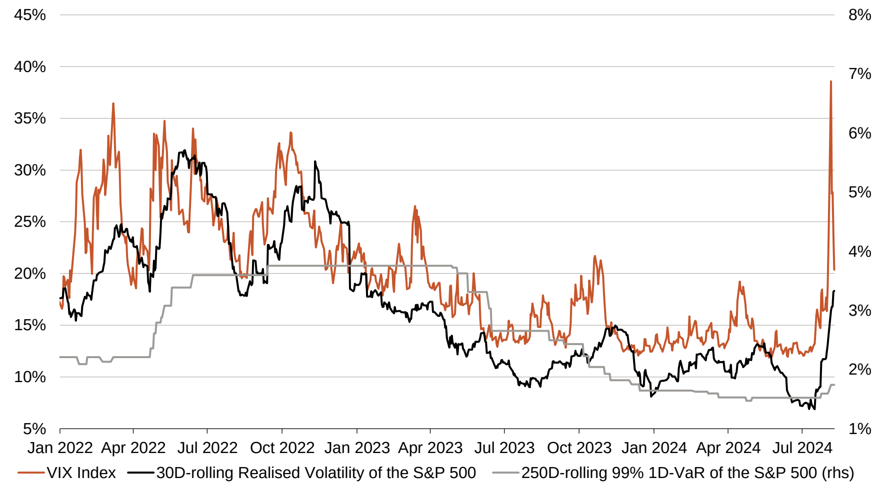
Realised Volatilities



- The realised volatility has increased in the last two weeks, especially in risky assets.
- The highest volatility is currently seen in emerging market equities. In particular, countries with a high exposure to semiconductors or other technology stocks, such as Taiwan or South Korea, have experienced strong price moves, similar to the Nasdaq-100 in the US.

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: 09/08/2019 - 09/08/2024

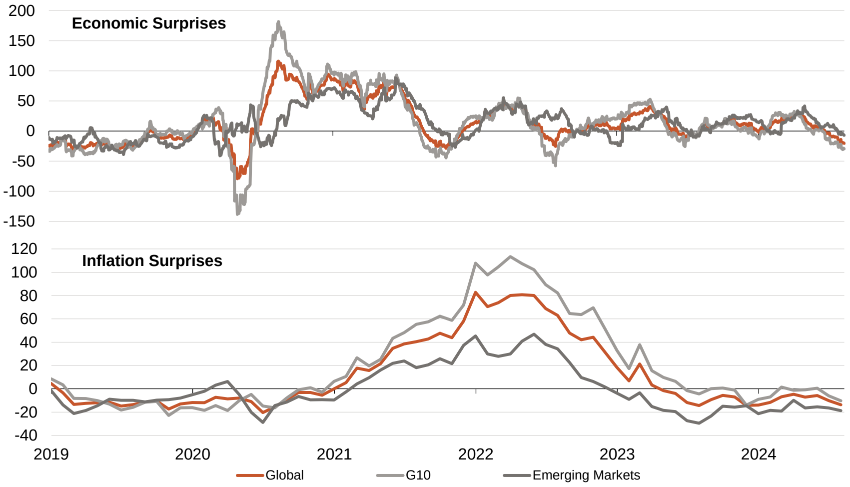
Volatility and Value-at-Risk of the S&P 500



- The VIX reached 39 last week, its highest level in almost 4 years.
- The realised 30-day volatility is at its highest level since the beginning of 2023. As the days of very low volatility from the beginning of July are gradually falling out of the calculation, realised volatility could rise further in the coming days.

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 - 09/08/2024

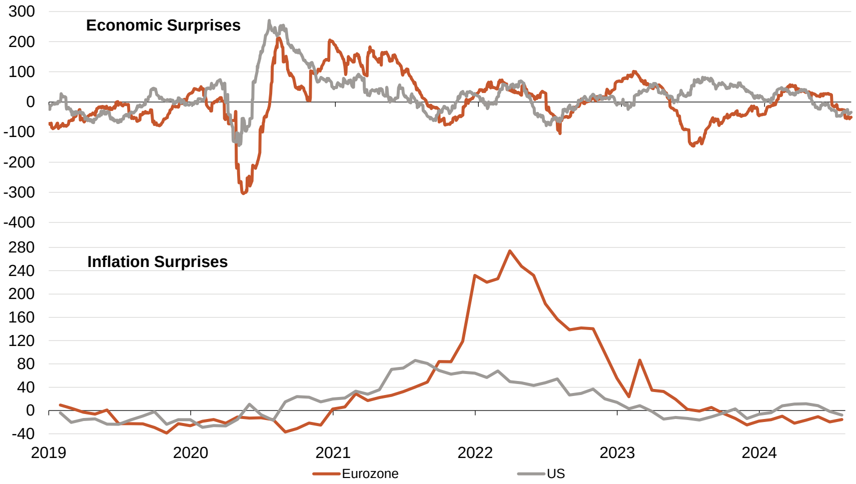
Global



- There have been an increasing number of negative economic surprises in both industrialised and emerging markets in the last two weeks.
- GDP growth rates in Sweden and Mexico surprised to the downside in the second quarter, while GDP growth in Canada exceeded expectations in May.
- In India, Sweden and Switzerland, the purchasing managers' indices for the manufacturing sector surprised to the downside in July. In Switzerland, the KOF leading indicator also disappointed in July.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 09/08/2024

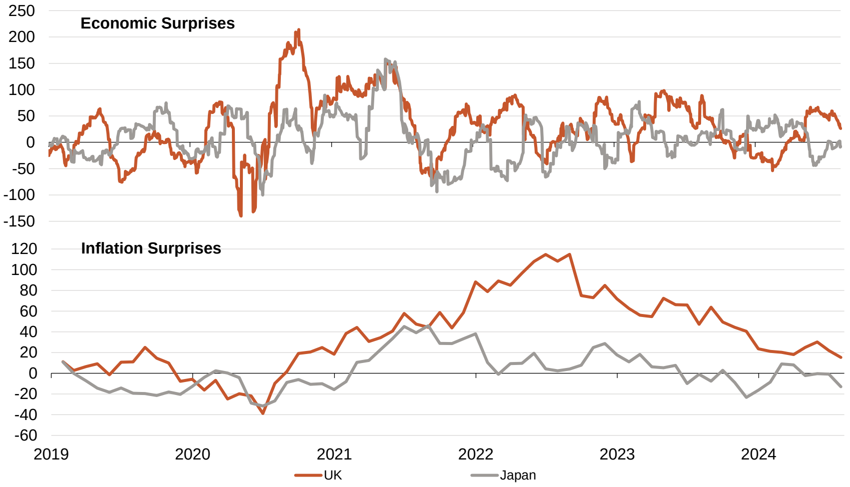
Eurozone and US



- In the US, the number of newly created jobs in July surprised to the downside and the unemployment rate to the upside, while the latest initial jobless claims were slightly below expectations. New industrial orders and wholesale sales surprised to the downside in June.
- In the eurozone, the GDP growth rate in the second quarter was above expectations, while retail sales surprised to the downside in June.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 09/08/2024

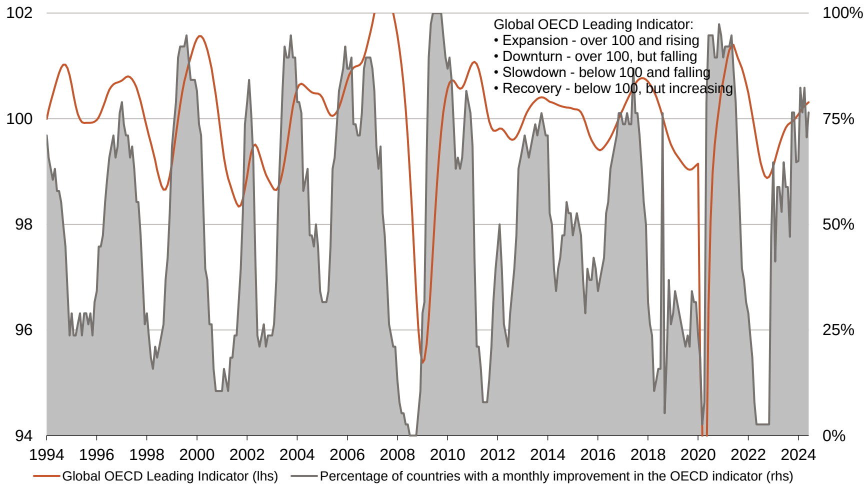
UK and Japan



- In the UK, the purchasing managers' indices for the manufacturing and service sectors surprised to the upside in July.
- In Japan, retail sales and industrial production surprised to the upside in June.

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 - 09/08/2024

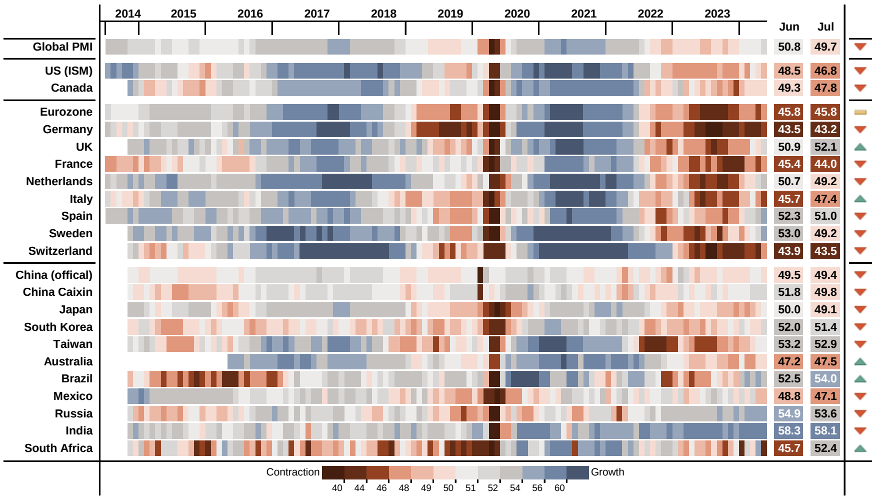
OECD Leading Indicator



- The global economic expansion is continuing. The revised OECD leading indicator was above the 100 mark for the seventh consecutive month in June with a value of 100.3.
- According to the leading indicator, 76% of the countries surveyed saw an improvement in the economic situation in June compared to the previous month, with Canada recording the strongest increase and China and Spain the strongest decline.

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 – 09/08/2024

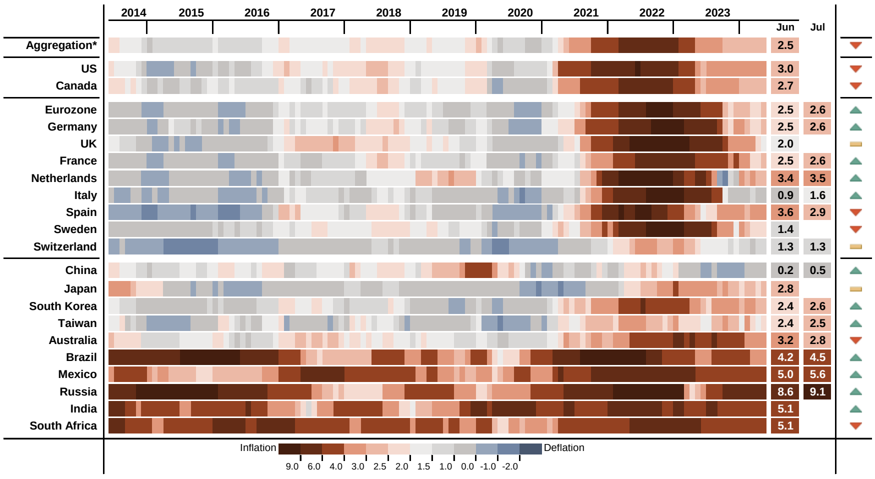
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- Global PMI data in July indicated a slight slowdown in industrial activity compared to the previous month. In the US, the employment component of the index was particularly disappointing. In Germany, the Purchasing Managers' Index signalled a decline in industrial activity for the 25th month in a row.

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 – 09/08/2024

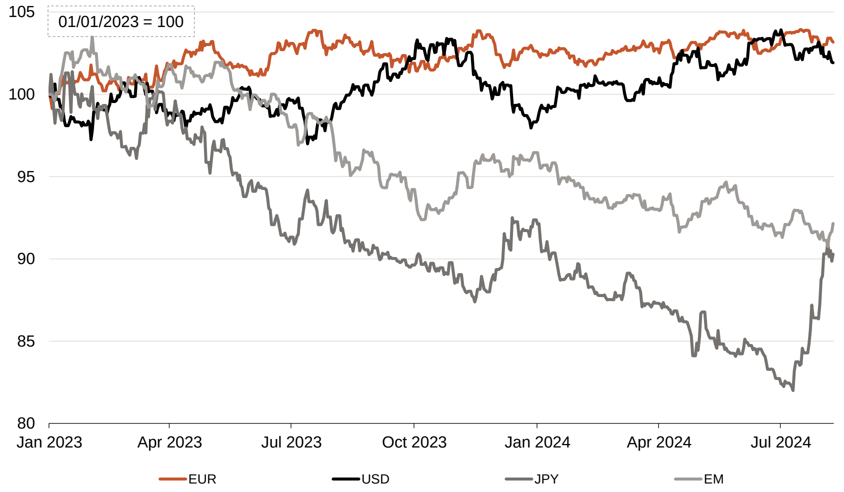
Headline Inflation



- The first inflation data for July were mixed. In Germany, consumer price inflation surprised to the upside in July, with the services sector being the main driver of inflation, while energy prices fell year-on-year. In China, higher food prices led to surprisingly high 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 – 09/08/2024

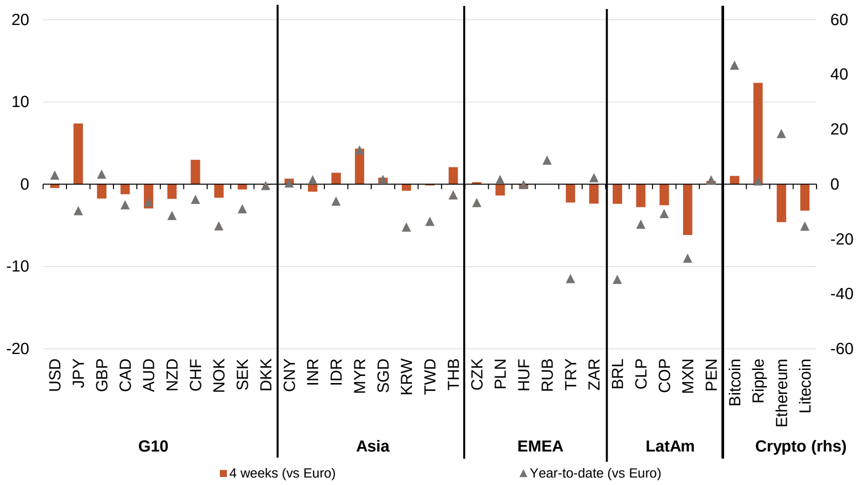
Trade-Weighted Currency Development



- A surprisingly low number of newly created jobs on the US labour market and a higher-than-expected unemployment rate in July fuelled investor concerns about a possible US recession and expectations of further interest rate cuts by the Fed, which weighed on the US dollar.
- The unwinding of the global carry trade in the Japanese yen and the narrowing interest rate differential against other currencies recently boosted the Japanese yen.

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 - 09/08/2024

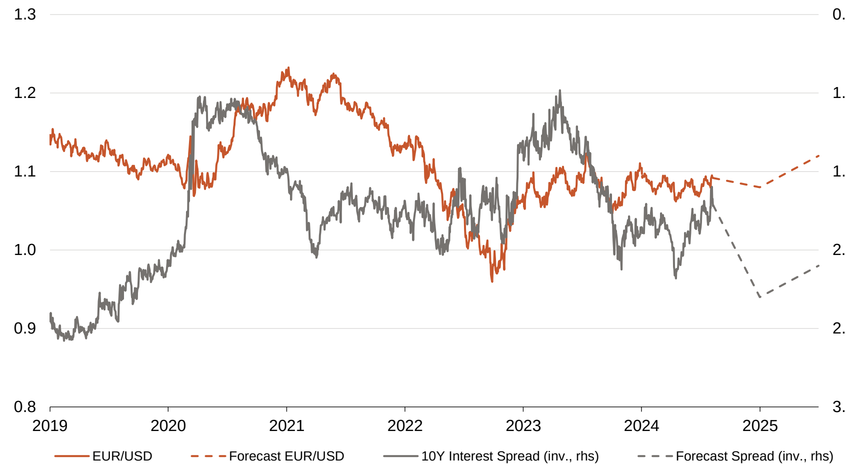
Currency Moves vs Euro



- Fears of recession in the USA, geopolitical turbulence and the associated increase in risk aversion among investors supported the Swiss franc despite the expected interest rate cuts by the Swiss National Bank.
- The Mexican peso has suffered in the last four weeks due to increased growth concerns in Mexico and an interest rate cut by the Mexican central bank.
- The Czech koruna recently appreciated following an expected interest rate cut by the Czech central bank, but an unexpectedly hawkish outlook.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 09/08/2024

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



- Fears of recession following the weaker-than-expected US labour market data for July and possible emergency interest rate cuts by the Fed led to a narrowing of the interest rate differential between US and German government bonds to just above 1.70pc. The EUR/USD exchange rate traded above the 1.09 mark last week.

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

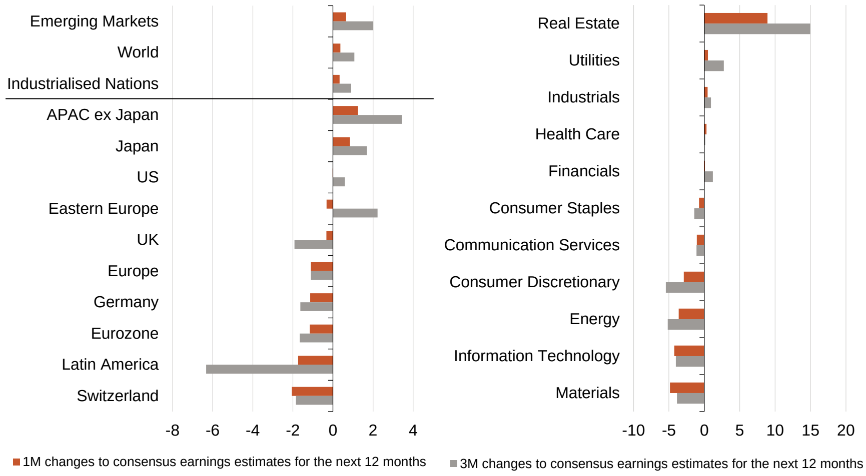
	4-week & YTD		12-month periods over that last 5 years				
	■ 4W (12/07/24 - 09/08/24)	■ YTD (30/12/23 - 09/08/24)	09/08/23 09/08/24	09/08/22 09/08/23	09/08/21 09/08/22	09/08/20 09/08/21	09/08/19 09/08/20
Health Care	1.1	17.8	16.0	6.8	4.3	16.5	11.7
Consumer Staples	-0.8	0.0	-2.3	-2.6	5.1	16.1	-3.9
Utilities	-1.1	0.4	7.2	-0.4	3.0	11.3	16.5
Telecommunications	-1.9	8.0	16.3	-6.6	-2.4	24.3	-14.6
Value	-3.2	6.5	12.8	10.2	1.6	31.9	-11.3
Energy	-3.2	2.7	7.7	12.7	44.8	30.4	-35.2
Finance	-5.1	10.4	19.4	17.0	-2.1	40.8	-13.9
Industrials	-5.8	6.8	16.8	14.9	-11.5	40.5	4.6
Growth	-6.1	6.4	9.7	7.2	-9.2	32.2	7.9
Materials	-6.5	-1.3	8.0	4.3	-9.9	43.0	11.2
Consumer Discretionary	-9.0	-2.6	-4.8	16.6	-14.8	55.4	-5.2
Information Technology	-14.3	9.5	23.1	10.4	-20.6	42.0	21.1

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.

- Sectors have behaved in a textbook manner over the past four weeks. Increased growth concerns have led to underperformance in the cyclical equity sectors. Basic Materials, Consumer Discretionary and Technology have all lost at least 6%.
- By contrast, the less cyclical and more defensive sectors such as healthcare, consumer staples and utilities have held up much better.

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: 09/08/2019 – 09/08/2024

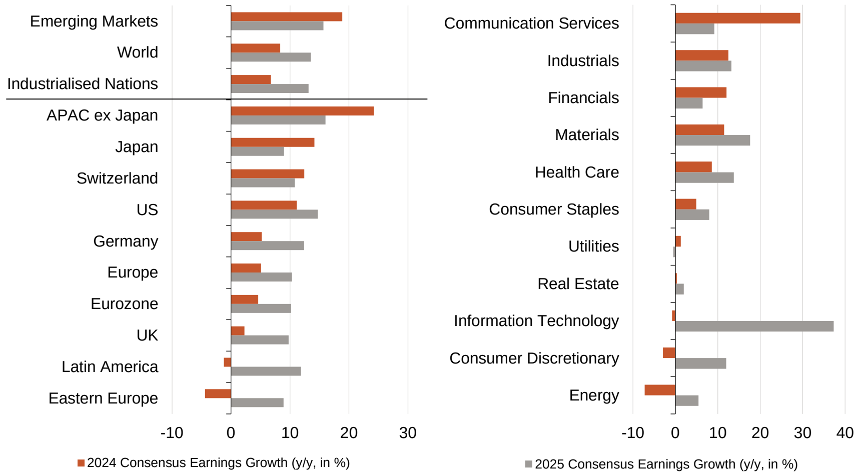
Changes in Consensus Earnings Estimates



- The majority of companies in the S&P 500 and STOXX 600 have now reported their Q2 results and, on average, they have exceeded expectations.
- However, the business outlook has often been downgraded. Over the past month, analysts have lowered their 12-month earnings forecasts for European and US equities, among others.
- In contrast, Asia and Japan in particular have seen positive earnings revisions, as has the European real estate sector.

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 08/08/2024

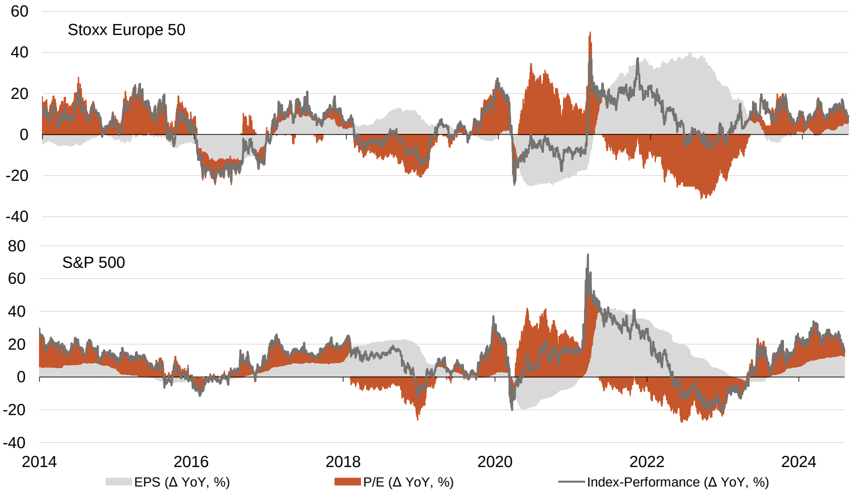
Earnings Growth



- Global earnings growth expectations for 2024 remain robust, despite economic concerns and recent negative earnings revisions. The consensus expectation is for 8.4% growth in 2024 and over 13% growth in 2025.
- Within the European sectors, analysts see the greatest earnings growth potential in 2024 for telecoms, industrials and financials.

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 08/08/2024

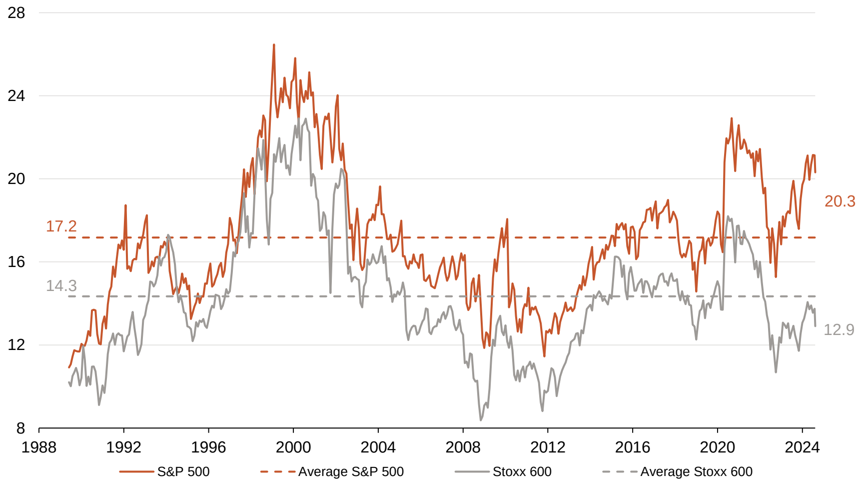
Contribution Analysis



- The performance of both the S&P 500 and the Stoxx Europe 50 over the past 12 months has been driven by earnings growth rather than valuations.
- 85% of the 12-month performance of the S&P 500 and over 60% of the 12-month performance of the Stoxx 600 was driven 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 - 08/08/2024

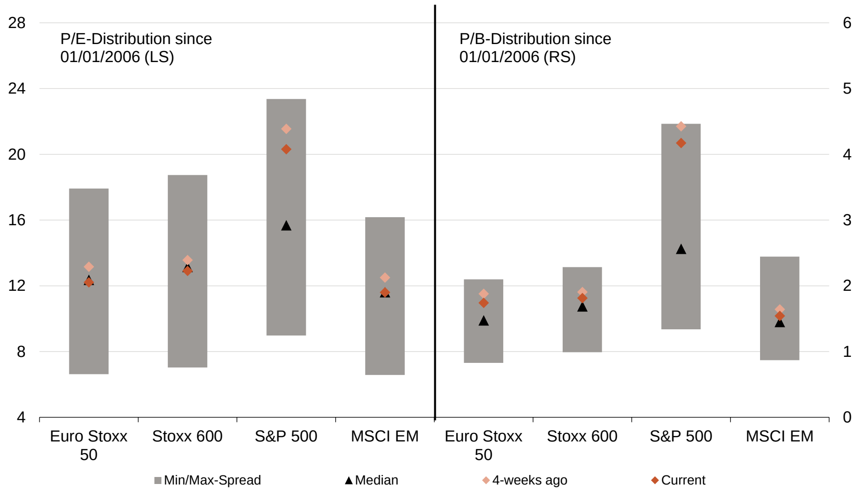
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- While European equity indices tend to trade below their historical average P/E levels, pricing in growth scepticism, the S&P 500 is far from it.
- On the contrary, the US index is trading at a P/E ratio of over 20, well above its historical average. It is therefore pricing in some growth optimism.

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 - 09/08/2024

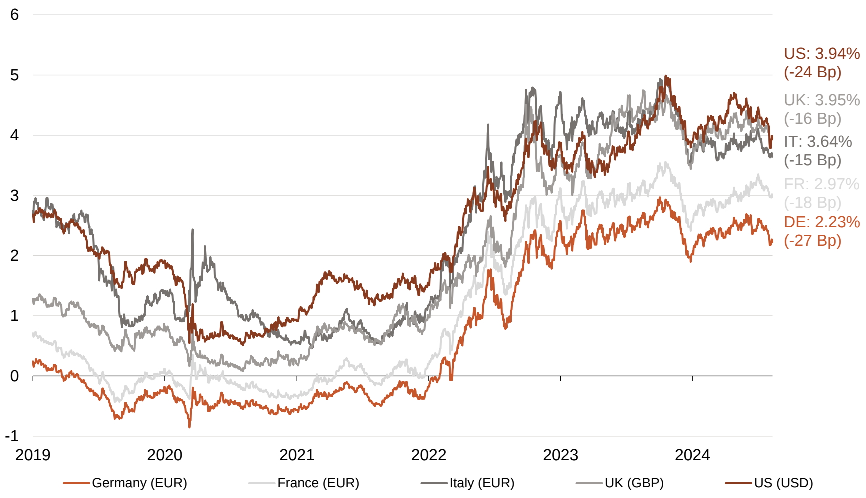
Historical Distribution: Price/Earnings and Price/Book Ratio



- The divergence between US valuations and the rest of the world can be seen in both the P/E and P/B ratios. The S&P 500 is trading close to its historical highs.
- In contrast, valuations in Europe and emerging markets are close to their historical medians.

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 - 09/08/2024

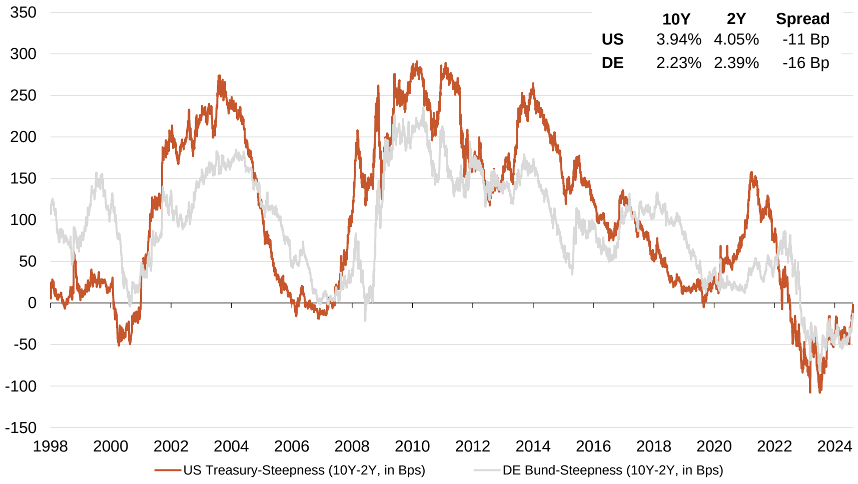
10-Year Government Bond Yields



- Recent disappointing economic data across the board and the US employment report in particular have led to fears of a recession. This has left its mark on the bond market.
- Yields on 10-year US government bonds have fallen by 24bp over the last four weeks. At their peak, they fell as much as 39bp to their lowest level since July 2023.

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 - 09/08/2024

Yield Curve Steepness (10Y - 2Y)

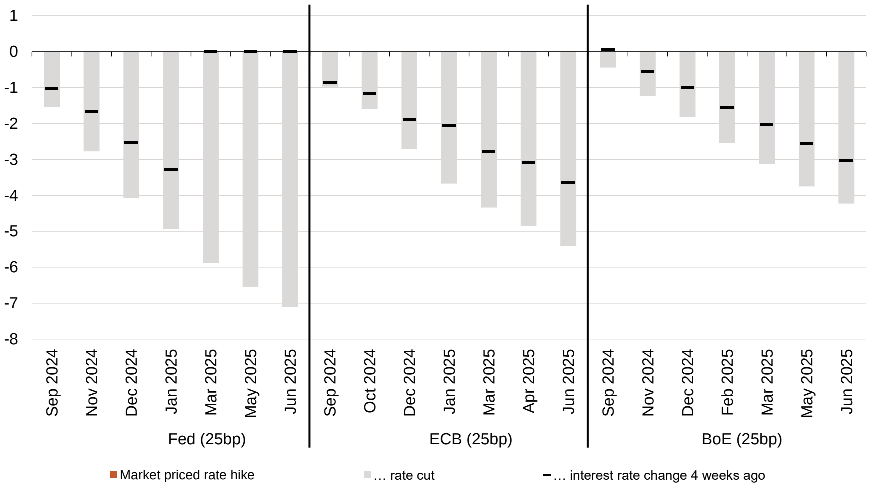


	10Y	2Y	Spread
US	3.94%	4.05%	-11 Bp
DE	2.23%	2.39%	-16 Bp

- Recently, the Fed has priced in significantly more rate cuts. There will now be more than four implicit cuts by the end of the year. As a result, interest rates have fallen more at the short end than at the long end – a so-called "bull steepening".

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 - 09/08/2024

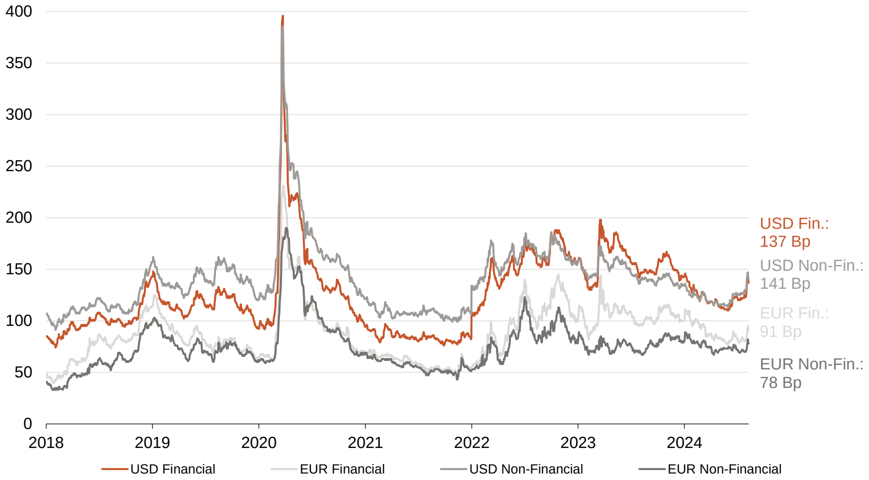
Implicit Changes in Key Interest Rates



- Following the disappointing US manufacturing data and the rise in US unemployment, the market has priced in a much more hawkish Fed. The consensus is now pricing in a 50% chance of a 50bp cut in September.

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: 09/07/2024 - 09/08/2024

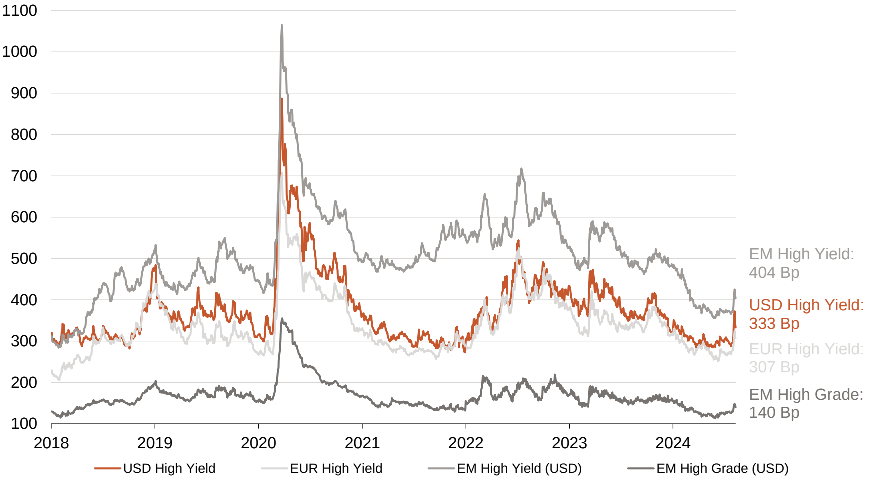
Credit Spreads Financial and Non-Financial Bonds



- Risk premiums on investment-grade corporate bonds have risen sharply over the past two weeks. The bond market is therefore currently pricing in significant growth concerns.
- Spreads on USD and EUR IG corporate bonds have widened by around 17 and 11 basis points respectively over the past two weeks. USD financial bond spreads have widened by 18 basis points.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2019 – 08/08/2024

Credit Spreads High Yield and Emerging Markets Bonds



- The risk-off environment has also been felt in the high yield market. USD and EUR high yield spreads have widened significantly over the last two weeks.
- USD high yield spreads have widened by 60 basis points over the last two weeks, while EUR and EM high yield spreads have widened by 53 and 48 basis points respectively.

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 – 08/08/2024

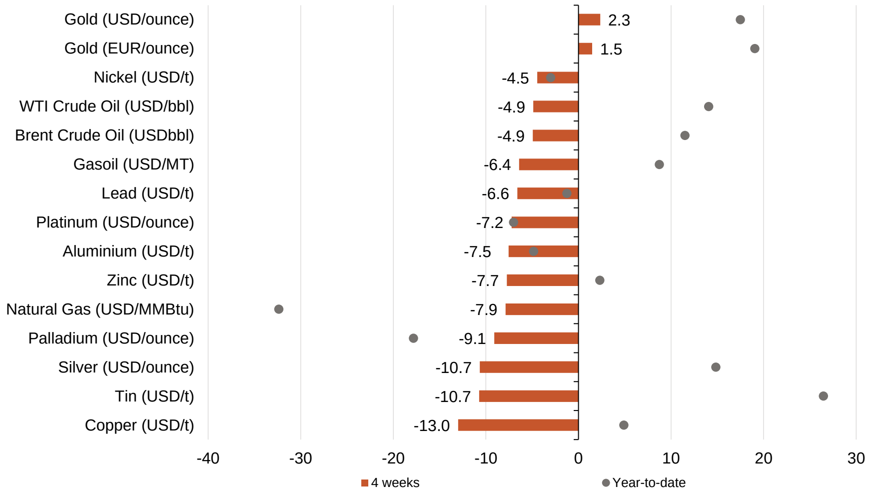
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Per-centile	1M	YTD	08/08/23 08/08/24	08/08/22 08/08/23	08/08/21 08/08/22	08/08/20 08/08/21	08/08/19 08/08/20
EUR Government	2.80	-0.32	7.3	-	-	-	2.1	0.8	4.9	-8.3	-11.1	0.5	1.5
Germany	2.23	-0.40	7.3	-	-	-	2.8	0.5	3.8	-9.7	-9.4	-0.5	-0.5
EUR Corporate	3.49	-0.32	4.6	79	6	63	1.6	2.6	6.9	-3.0	-9.9	3.0	-0.3
Financial	3.68	-0.32	3.8	86	7	58	1.5	3.0	7.3	-2.3	-8.2	2.6	0.0
Non-Financial	3.37	-0.33	5.0	74	5	66	1.7	2.4	6.6	-3.4	-10.9	3.3	-0.5
EUR High Yield	6.56	-0.03	3.2	305	39	35	0.6	4.2	10.8	3.5	-10.2	9.6	0.0
US Treasury	3.88	-0.60	6.3	-	-	-	3.4	3.2	5.1	-4.2	-9.0	-3.4	9.8
USD Corporate	5.02	-0.40	6.8	139	16	56	2.6	3.7	8.0	-1.3	-12.4	0.9	10.9
Financial	5.10	-0.43	5.1	136	16	64	2.3	4.5	8.5	0.1	-10.6	1.3	9.7
Non-Financial	4.98	-0.39	7.6	141	16	53	2.7	3.2	7.7	-1.9	-13.2	0.7	11.3
USD High Yield	7.89	-0.13	3.9	354	51	28	1.1	4.2	11.3	2.8	-6.7	9.9	4.4
EM High Grade	5.03	-0.40	5.5	146	20	13	2.1	4.2	7.6	1.2	-12.9	2.0	6.3
EM High Yield	8.29	-0.21	4.0	409	37	17	1.4	8.3	14.2	6.3	-20.9	7.5	5.1

- Over the past four weeks, yields have fallen in all the bond segments shown here.
- In particular, the yield on ten-year US government bonds has fallen. Accordingly, this was the strongest bond segment over the four-week period.

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: 09/08/2014 – 08/08/2024

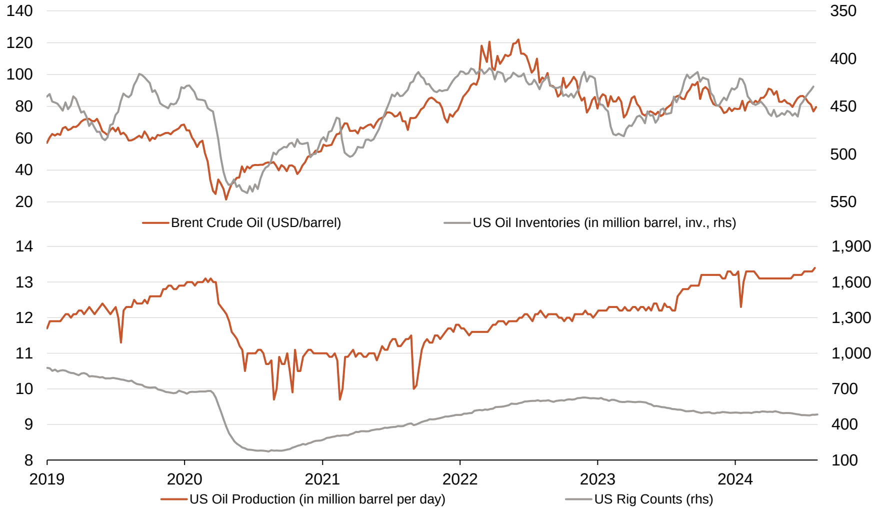
Commodities Performance



- The fear of a sharp downturn in the global economy is also omnipresent in commodity markets. In the last four weeks, only gold has recorded a positive return. Silver, of which 50% of demand comes from manufacturing, has suffered double-digit losses.
- Copper is bringing up the rear with a loss of 13% over the last month, having given up almost all of its gains since the beginning of the year.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 09/08/2024

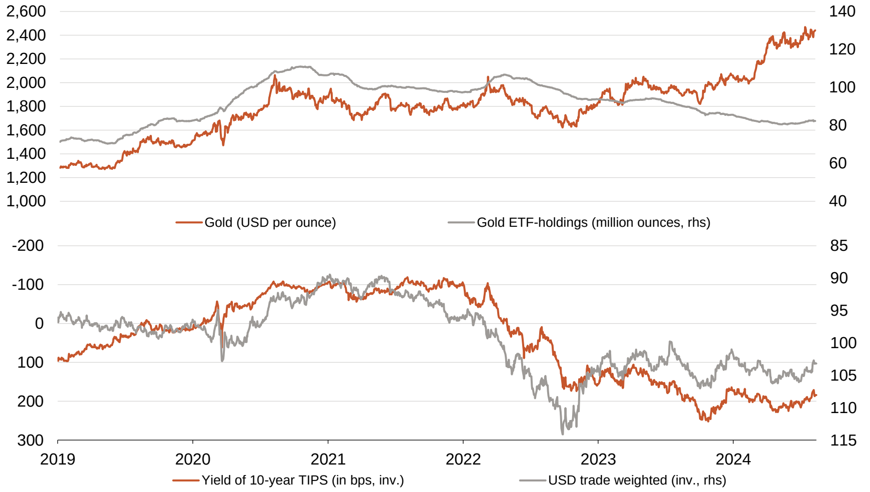
Crude Oil



- The oil price (Brent) has recently stabilised slightly below the USD 80 per barrel mark.
- The reasons for this are manifold. US inventories have now fallen for the sixth week in a row, indicating robust consumer demand. In addition, there have been production outages at Libya's largest oil field. And last but not least, geopolitical risks in the Middle East are once again on the rise with the possibility of Iran retaliating against Israel.

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 - 09/08/2024

Gold



- Despite a fundamental tailwind from lower real interest rates, a weaker US dollar and increased geopolitical risks, gold has only moved sideways around the USD 2,400 per ounce mark over the past few weeks.
- Meanwhile, ETF holdings have stabilised and recorded inflows of 1.4 million ounces in July.

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 - 09/08/2024

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

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