BERENBERG Markets

MONITOR

23 September 2024

Current market commentary

Last week, the Fed had to surprise, as the market had priced in a 25 or 50bp cut with around a 50% probability in the run-up to the meeting. It did so in the form of the larger cut. In the press conference, however, Powell tried to avoid an overly dovish interpretation. He said that the larger cut was more a consequence of the Fed's prolonged wait and should not be interpreted as a "new pace". The S&P 500 was little bothered by this and the next day rallied directly to a new all-time high, albeit with a simultaneous fall in the US dollar. Euro investors have not made money on the S&P 500 so far in the third quarter – unlike gold, which recently also hit a new high in euro terms. Investors are now focusing on the upcoming Q3 reporting season and the hot phase of the US election campaign. October is likely to be volatile in line with typical seasonality.

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

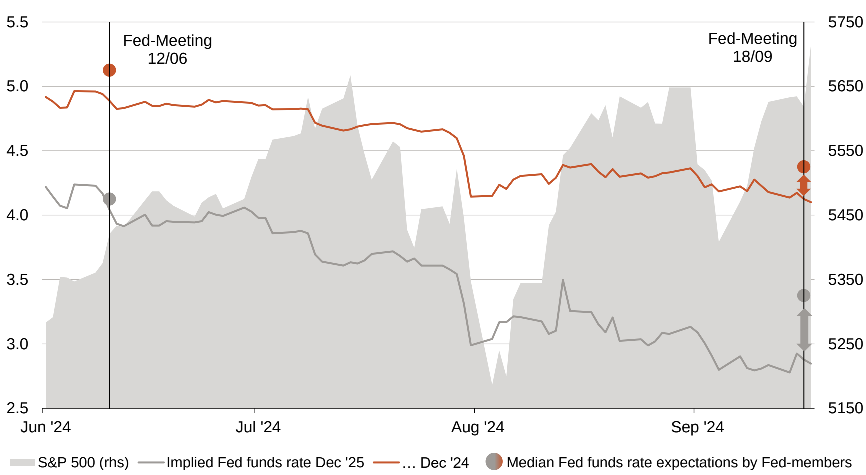
Investors focus on Fed speech and start of Q3 reporting season.

After the major central bank meetings in September, the next two weeks will be relatively quiet on the monetary policy front, apart from a speech by Fed Chairman Jerome Powell on 26 September. On the political front, the United Nations will meet from 22 to 26 September. At the corporate level, 1 October also marks the unofficial start of the Q3 reporting season.

PMI, employment and inflation data under the spotlight.

On the economic front, Monday's focus will be on the preliminary purchasing managers' indices (Sep.) for Germany, the eurozone and the US. This is followed on Tuesday by the German ifo Business Climate (Sep.). On Thursday, the US initial jobless claims (Sep.) and the US GDP (Q2, 2nd revision) are expected. On Friday, the Core PCE Deflator (Aug.) and Personal Income and Spending (Aug.) from the U.S. will be followed by German Unemployment Claims (Sep.). The following week, markets will focus on the US employment data (Sep.) and inflation data (Sep.) for Germany and the eurozone.

Stocks celebrate big interest rate cut, but ignore the Fed's outlook



- The Fed has delivered and cut the key interest rate by 50 bp. The market had given a 50% probability to such a big cut. Equity markets celebrated the 'dovish' surprise with new all-time highs.
- What the markets seem to be overlooking, however, is the divergence in expectations for further interest rate cuts. The markets are pricing three (eight) further 25bp cuts by the end of 2024 (2025). However, the median Fed member expects only two (six). This could lead to 'hawkish' disappointments.

Source: Bloomberg, Time period: 01/01/2021 - 20/09/2024
5-year periods on the following page

Multi Asset

	4-week & YTD: 4W (23/08/24 - 20/09/24)	4-week & YTD: YTD (29/12/23 - 20/09/24)	12-month periods over that last 5 years: 20/09/23 20/09/24	20/09/22 20/09/23	20/09/21 20/09/22	20/09/20 20/09/21	20/09/19 20/09/20
Gold	4.7	25.7	29.7	8.5	11.0	-8.7	19.7
REITs	3.3	9.2	17.3	-13.9	-2.9	29.9	-19.3
Global Convertibles	1.6	3.4	5.6	-4.0	-9.6	27.7	19.5
MSCI World	0.8	16.2	22.1	8.7	0.0	32.1	1.6
MSCI Emerging Markets	0.7	9.3	12.3	-2.0	-9.1	17.2	3.0
EUR Coporates	0.6	3.2	8.6	2.2	-14.6	1.8	0.7
EUR Sovereign Debt	0.4	1.8	6.4	-0.9	-10.8	0.1	0.2
Euro overnight deposit	0.3	2.9	4.0	2.5	-0.5	-0.6	-0.5
USDEUR	0.3	-1.1	-4.5	-6.5	17.6	1.0	-6.9
Industrial Metals	-0.3	5.3	3.3	-8.9	12.5	36.6	-4.1
MSCI Frontier Markets	-1.2	8.1	6.1	-4.6	-5.8	32.6	-8.3
Brent	-4.9	4.2	-12.7	8.8	80.3	75.7	-40.1

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.

- Expectations of the first interest rate cut by the Fed since March 2020 have supported interest-sensitive asset classes in the past four weeks. The precious metal gold further expanded its positive year-to-date performance and continues to lead the performance ranking since the beginning of the year.
- Weaker than expected economic data and downwardly revised forecasts for economic growth in China in the coming year weighed on Brent crude oil over the last four weeks.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 20/09/2019 – 20/09/2024

Equities

	4-week & YTD: 4W (23/08/24 - 20/09/24)	4-week & YTD: YTD (29/12/23 - 20/09/24)	12-month periods over that last 5 years: 20/09/23 20/09/24	20/09/22 20/09/23	20/09/21 20/09/22	20/09/20 20/09/21	20/09/19 20/09/20
S&P 500	1.3	19.6	26.3	8.0	5.5	34.9	4.9
Stoxx Europe Cyclicals	1.2	13.0	24.0	20.1	-14.6	33.3	-4.2
MSCI EM Asia	1.1	12.4	14.5	-2.8	-10.6	14.1	12.6
MSCI USA Small Caps	0.8	9.0	18.2	-1.6	0.6	47.9	-8.4
DAX	0.5	11.8	18.6	24.6	-16.3	15.4	5.2
Stoxx Europe Small 200	-0.1	6.7	13.7	11.8	-26.2	34.2	1.1
MSCI UK	-0.3	13.0	13.8	12.6	9.0	27.2	-20.2
Euro Stoxx 50	-0.8	10.1	16.7	26.5	-12.0	25.4	-6.1
MSCI Japan	-1.3	9.4	10.3	14.8	-15.6	27.1	-0.3
Stoxx Europe Defensives	-1.8	12.1	10.4	16.7	3.0	15.2	-4.1
Stoxx Europe 50	-2.3	9.7	12.4	20.0	1.5	19.6	-5.5
MSCI EM Latin America	-2.8	-13.9	-6.3	8.9	25.3	20.5	-30.2

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.

- Global equity markets have delivered a mixed performance over the past four weeks. The US S&P 500 index performed best, while Latin America performed worst.
- After defensive equity market segments had a slight edge over cyclicals over the past few months due to growth concerns, there has now been a countermovement. Goldilocks hopes due to preemptive interest rate cuts by central banks supported cyclical segments.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 20/09/2019 – 20/09/2024

Fixed Income

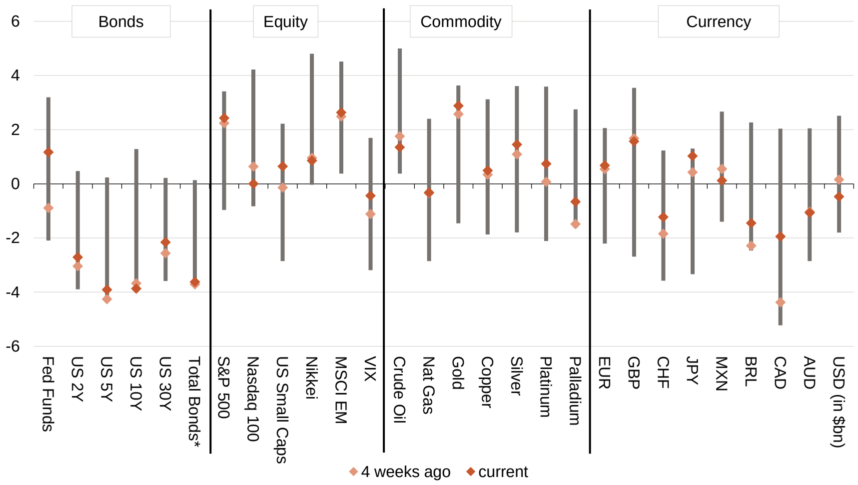
	4-week & YTD: 4W (23/08/24 - 20/09/24)	4-week & YTD: YTD (29/12/23 - 20/09/24)	12-month periods over that last 5 years: 20/09/23 20/09/24	20/09/22 20/09/23	20/09/21 20/09/22	20/09/20 20/09/21	20/09/19 20/09/20
EM Local Currency Bonds	2.3	3.4	6.3	3.8	-4.8	2.2	-6.3
EM Hard Currency Bonds	2.0	7.5	11.7	-0.1	-8.5	5.4	-4.7
USD High Yield	1.6	6.6	9.9	0.0	4.2	10.3	-5.3
USD Corporates	1.4	4.6	9.3	-5.1	-5.4	3.8	2.4
Chinese Sovereign Bonds	1.3	6.7	8.3	3.1	5.3	5.5	2.7
Treasuries	1.3	3.2	4.8	-8.0	2.2	-0.8	0.8
Gilts	1.2	3.6	10.4	-4.0	-25.3	2.0	1.5
EUR High Yield	1.1	6.4	11.7	8.2	-13.4	8.4	0.2
EUR Financials	0.7	4.1	9.2	2.7	-13.8	2.0	0.6
BTPs	0.7	3.9	10.0	0.9	-17.2	2.7	1.8
EUR Non-Financials	0.5	2.5	8.1	1.8	-15.2	1.8	0.7
Bunds	0.1	0.3	6.1	-4.3	-14.8	-1.5	-0.4

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 interest rate cuts by central banks on both sides of the Atlantic have boosted bonds over the past four weeks. The start of the global interest rate cut cycle had a particularly positive impact on emerging market bonds and high-yield bonds.
- Disappointing economic data in China continued to weigh on Chinese government bond yields.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 20/09/2019 – 20/09/2024

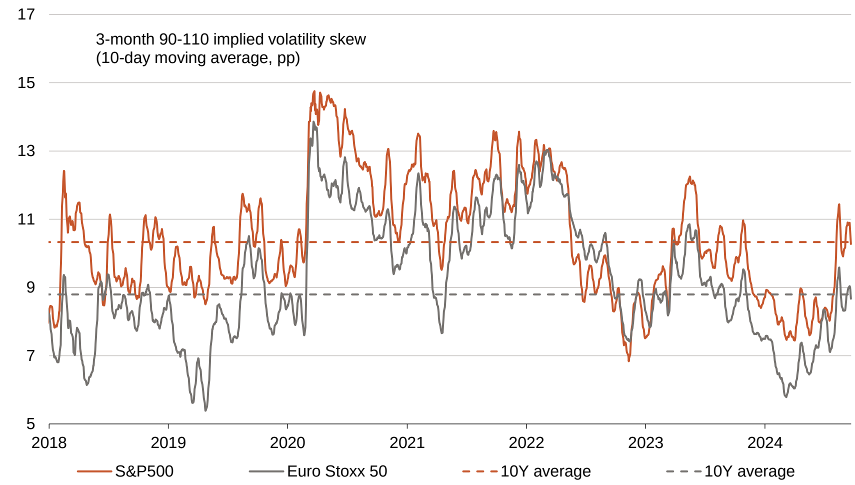
Non-Commercial Positioning



- Speculative investors have further reduced their long positions in crude oil. For the Brent future on the ICE, positioning is even negative for the first time in history. The extremely pessimistic sentiment indicates the possibility of short-covering rallies.

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: 17/09/2014 - 17/09/2024

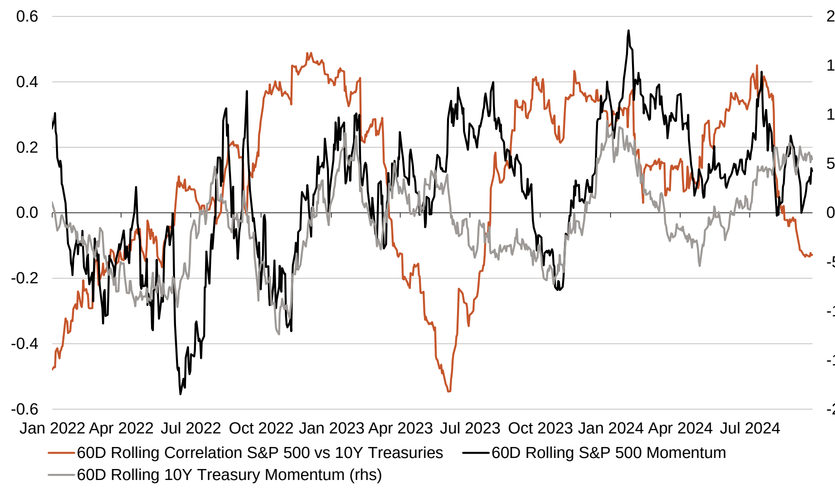
Put-Call-Skew



- The put-call skew has trended sideways in both the US and Europe in recent weeks.
- However, the put side (90-100) has flattened recently. Investors are therefore asking for less protection, but here too the current level is close to the historical average and thus not a cause for concern.

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: 20/09/2014 - 20/09/2024

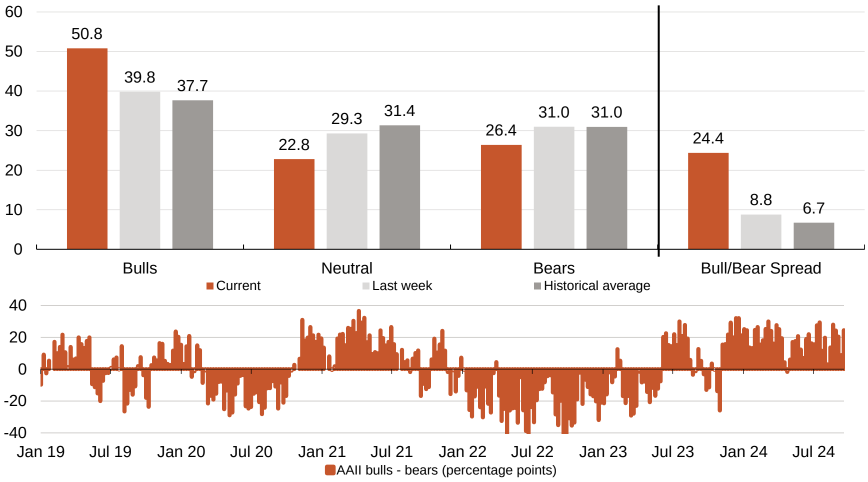
60-Day Momentum and Correlation



- The classic 60/40 portfolio seems to be back! Equities and bonds have been negatively correlated again since August.
- However, the diversification effect is likely to last only as long as growth concerns dominate inflation concerns in the market.

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 - 20/09/2024

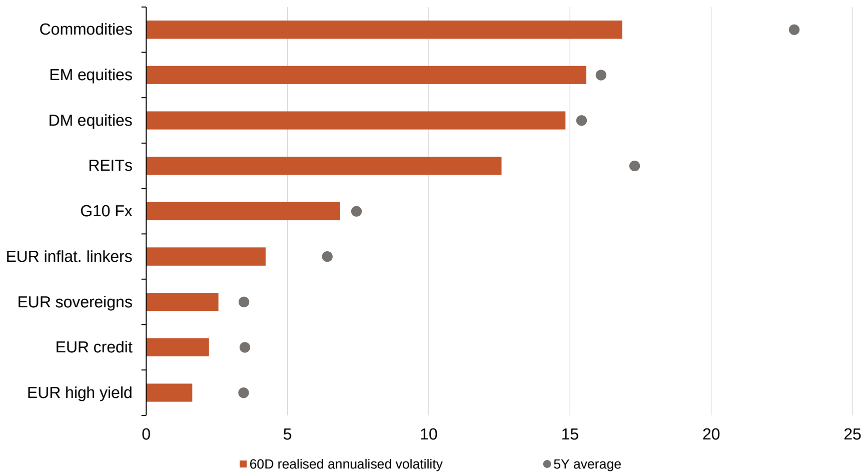
AAII Sentiment Survey (Bulls vs Bears)



- The euphoria among American private investors has returned. The bulls are in the absolute majority with almost 51%, while around a quarter of investors are pessimistic.
- The low proportion of investors who are neutral about the next six months is remarkable. The market currently seems divided.

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 – 19/07/2024

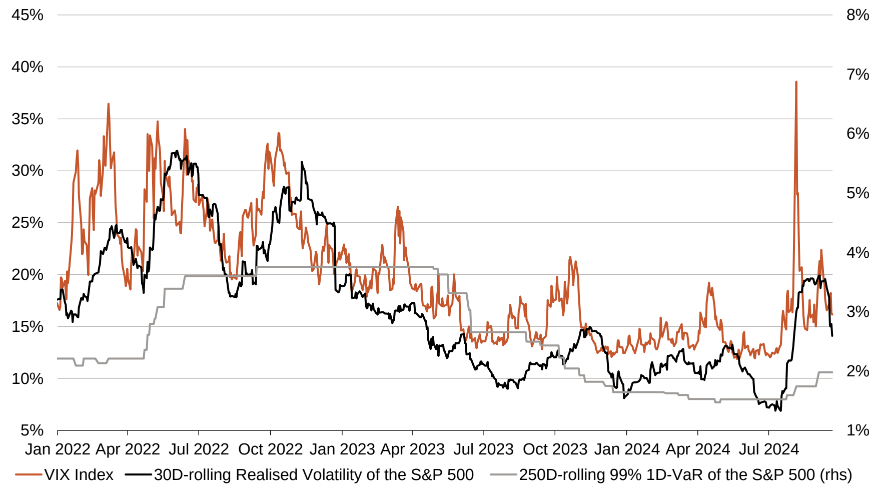
Realised Volatilities



- Realised volatility has only increased significantly for commodities and slightly for developed market equities in the last two weeks.
- However, compared to two months ago, the increase in volatility for developed market equities is substantial. At that time, realised volatility was temporarily below 8%, whereas it is currently just under 16%.

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: 20/09/2019 - 20/09/2024

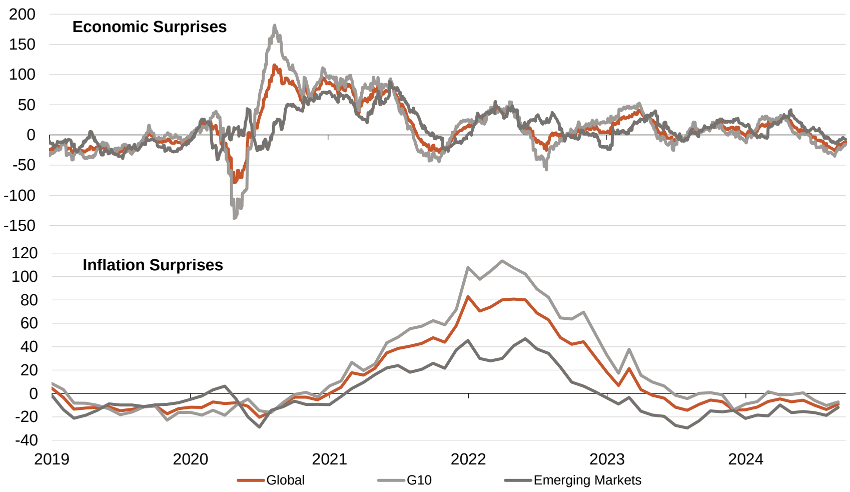
Volatility and Value-at-Risk of the S&P 500



- Realised volatility has recently fallen rapidly. However, this is due to the fact that the mini-volmageddon of early August has now been dropped from the 30-day calculation window.
- As volatility falls, risk-based investment strategies should increase their equity allocations.

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 – 20/09/2024

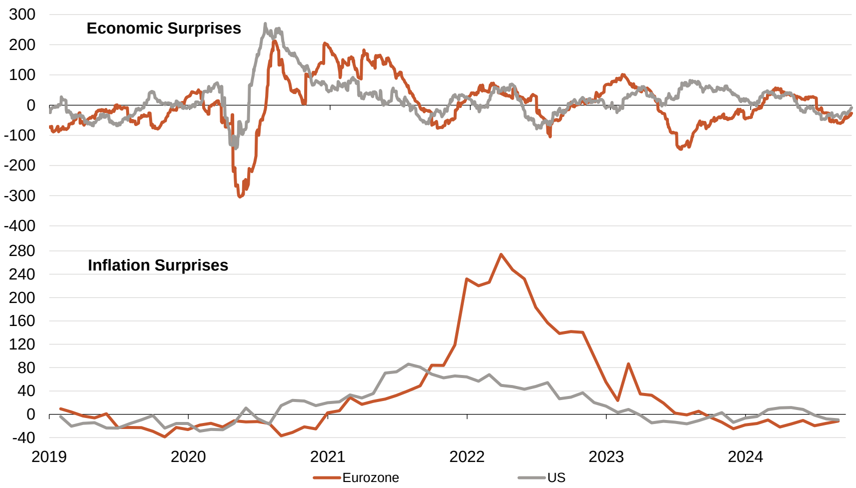
Global



- Negative economic surprises continued to decline in both advanced and emerging markets in the last two weeks.
- In Canada, industrial sales in July surprised on the upside and core consumer price inflation in August surprised on the downside. In Australia, the number of new jobs in August exceeded expectations.
- In India, industrial production in July and consumer price inflation in August exceeded expectations. In Brazil, consumer price inflation surprised on the downside in August.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 – 20/09/2024

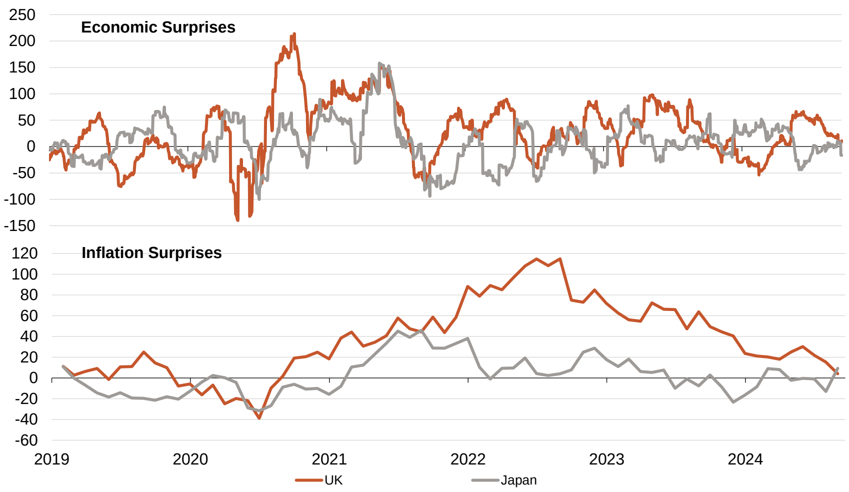
Eurozone and US



- In the US, the latest initial jobless claims were lower than expected and July wholesale sales were higher than expected. August industrial production and retail sales surprised on the upside.
- In the Eurozone, July industrial production and August consumer prices were in line with expectations. In Spain, August consumer price inflation was slightly higher than expected.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 – 20/09/2024

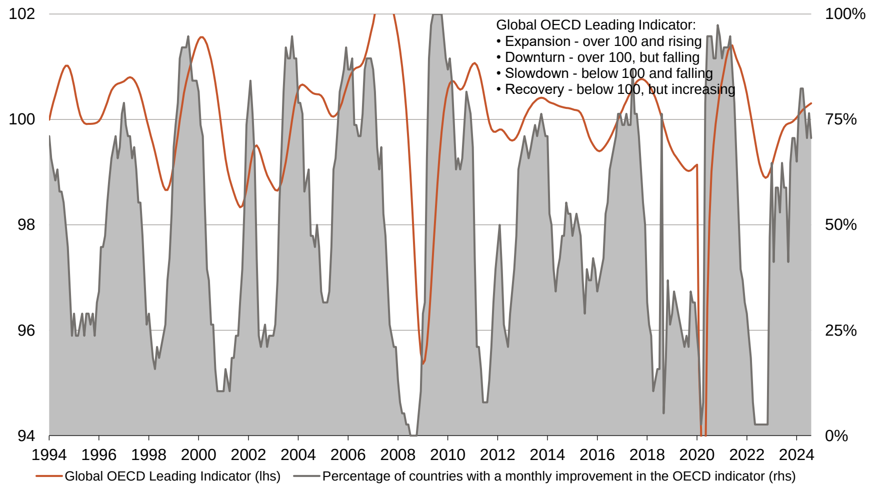
UK and Japan



- In the UK, the GDP growth rate in July was below expectations, while the unemployment rate was in line with expectations.
- In Japan, the GDP growth rate in the second quarter was below expectations and producer price inflation in August was above expectations.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.
Source: Bloomberg, Time period: 01/01/2019 – 20/09/2024

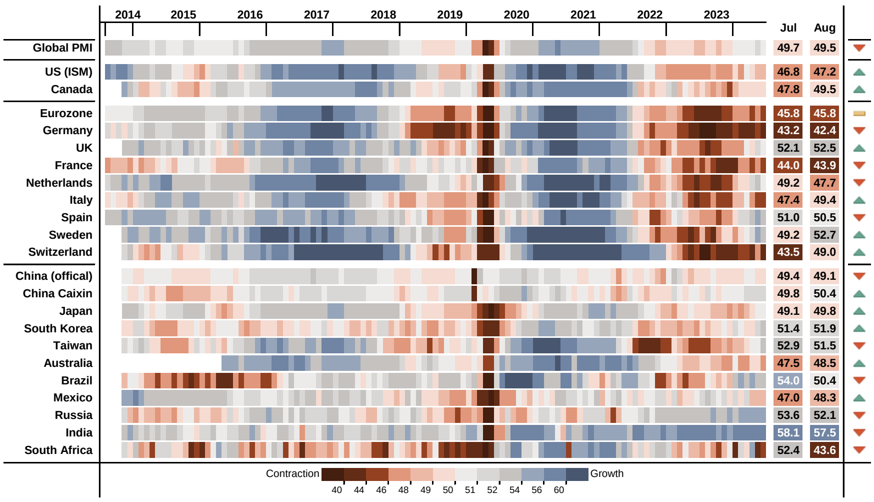
OECD Leading Indicator



- The global economy continues to expand. In August, the OECD's revised leading indicator was above the 100 mark for the eighth month in a row, at 100.3.
- The leading indicator shows that in June, the economic situation improved in 71% of the countries included compared with the previous month, with Canada recording the strongest increase and Mexico and Spain the strongest decrease.

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 – 20/09/2024

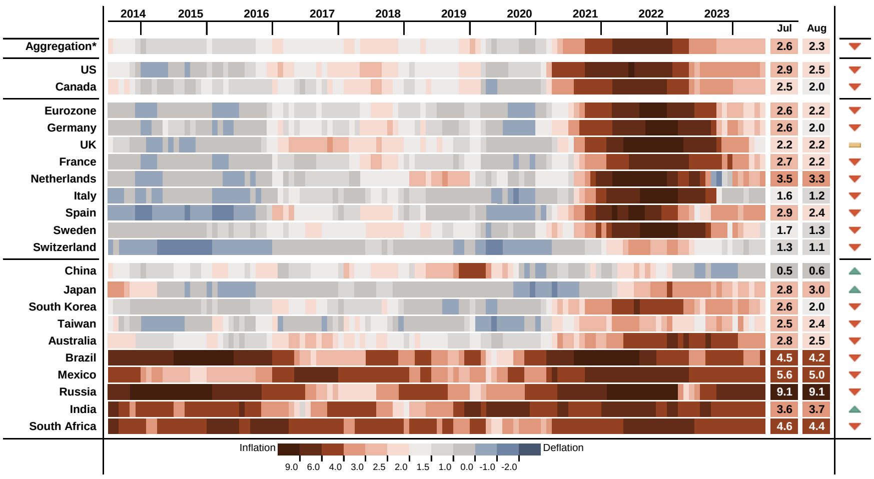
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- Global PMI data for August indicated a slight weakening of industrial activity in August compared to the previous month for the second month in a row. In Germany, the Purchasing Managers' Index signalled a decline in industrial activity for the 26th 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 – 20/09/2024

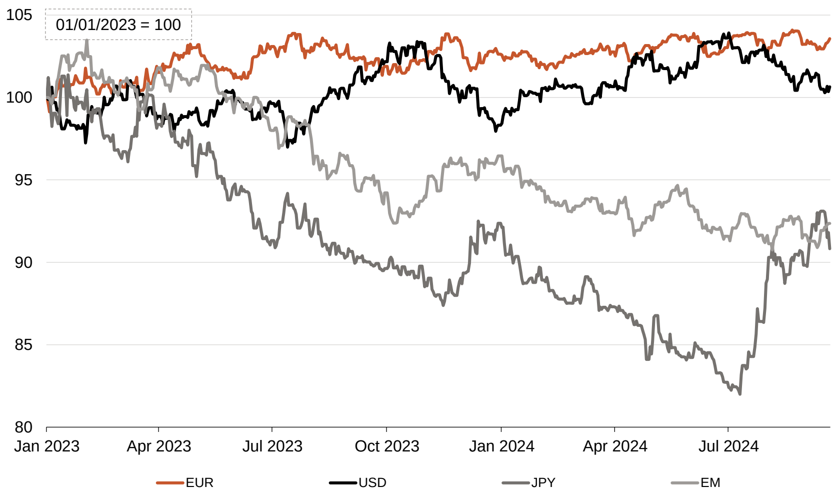
Headline Inflation



- Inflation data for August continued to point to a global trend towards disinflation. In the eurozone, lower energy prices in particular led to a decline in consumer price inflation.
- In Japan, by contrast, annual consumer price inflation remained unchanged for the third month in a row, and thus at its highest level since February of this year.

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 – 20/09/2024

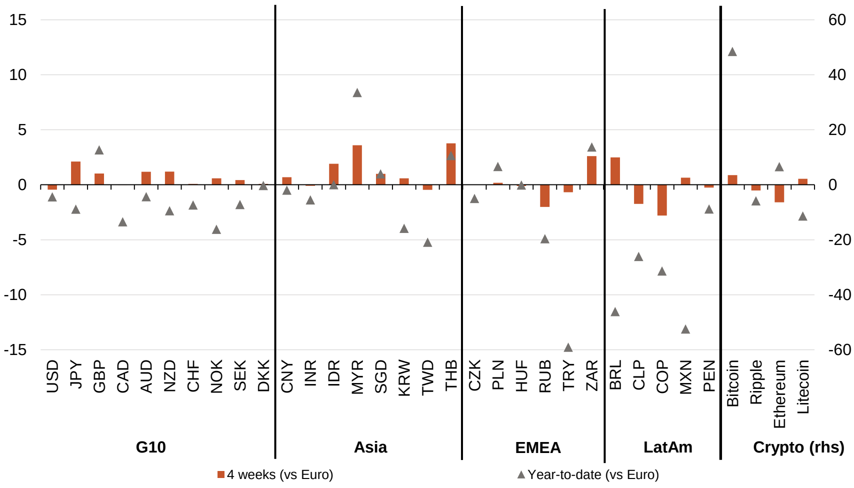
Trade-Weighted Currency Development



- The Federal Reserve's September meeting, eagerly awaited by investors, saw a 50 basis point interest rate cut, the first such cut since March 2020. In addition to a larger interest rate cut than many market participants had expected, the Fed delivered a more hawkish forecast for further rate cuts.
- The Fed's interest rate cut recently gave emerging market currencies a boost and weighed on the US dollar.

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 - 20/09/2024

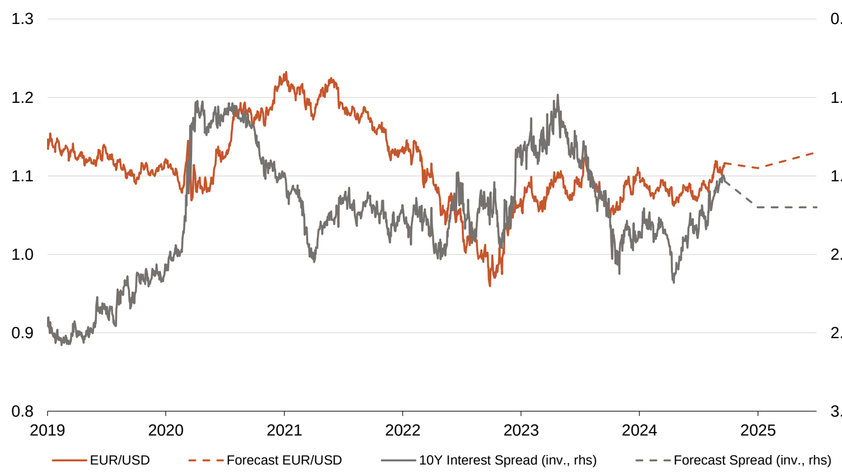
Currency Moves vs Euro



- Hawkish comments by BoJ member Naoki Tamura and his concerns about upside risks to the price outlook recently gave the Japanese yen a further boost.
- The Bank of England's decision to leave interest rates unchanged at its last meeting, as well as the prospect of 'gradual' and thus no rapid interest rate cuts over time, recently supported the British pound.
- The Brazilian central bank's interest rate hike due to core inflation being above target recently supported the Brazilian real.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 20/09/2024

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



- The increased risk of a decline in employment and the diminished inflation risk prompted the Fed to make its first interest rate cut at the upper end of the expected range. The interest rate differential between 10-year US Treasuries and German Bunds narrowed recently to just around 150 basis points, while the EUR/USD exchange rate remained above the 1.11 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

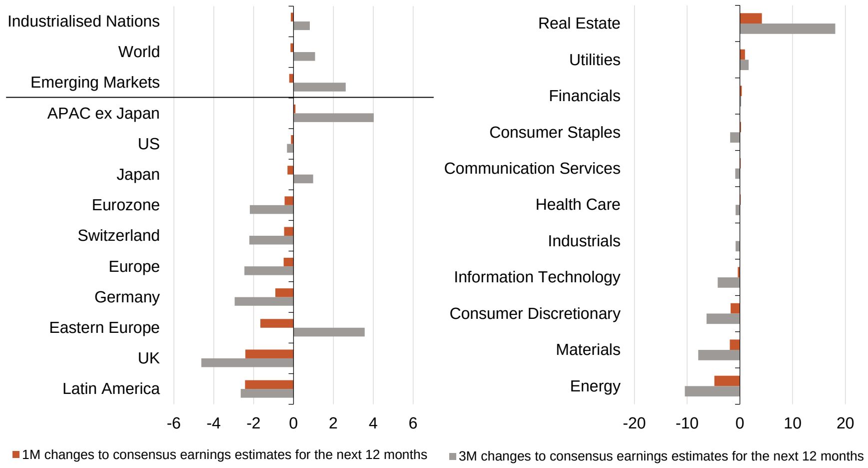
	4-week & YTD		12-month periods over that last 5 years				
	4W (23/08/24 - 20/09/24)	YTD (30/12/23 - 20/09/24)	20/09/23 20/09/24	20/09/22 20/09/23	20/09/21 20/09/22	20/09/20 20/09/21	20/09/19 20/09/20
Utilities	3.9	7.5	11.3	11.7	-1.9	11.7	5.4
Telecommunications	3.6	15.4	17.2	9.6	-9.2	22.2	-21.2
Finance	2.5	20.2	27.2	21.6	2.3	35.8	-22.9
Industrials	1.6	12.9	25.9	26.8	-20.2	33.4	2.4
Value	0.8	11.5	14.3	19.9	1.6	24.9	-17.9
Materials	0.7	2.6	11.5	12.9	-8.5	23.6	8.6
Consumer Staples	-0.9	0.8	-1.9	4.1	1.4	11.2	-5.1
Growth	-2.5	7.8	13.8	15.1	-15.6	25.5	6.7
Energy	-3.8	-0.7	-3.7	22.3	43.8	41.1	-44.8
Health Care	-4.0	15.7	12.6	17.8	-2.2	10.2	11.3
Information Technology	-4.8	8.6	28.3	18.2	-30.6	44.1	15.9
Consumer Discretionary	-5.8	-2.1	-0.5	21.8	-15.5	33.7	-2.6

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.

- With the Fed's first interest rate cut last week, the sector performance of recent weeks continued: once again, interest rate sensitive and defensive sectors such as telecoms, utilities and financials were the top performers in Europe over the last four weeks. In contrast, information technology and consumer discretionary stocks lagged.
- That said, last week saw a reversal into cyclicals and short covering.

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: 20/09/2019 – 20/09/2024

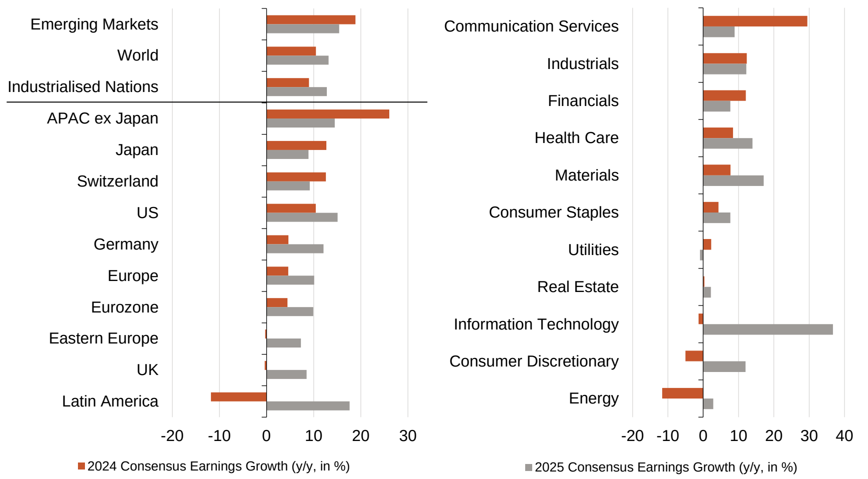
Changes in Consensus Earnings Estimates



- In the run-up to the Q3 reporting season, the regional aggregate saw only marginal revisions to consensus earnings estimates. Only the UK and Latin America saw more pronounced negative earnings revisions last month.
- In Latin America, analysts are more pessimistic due to political risks related to government reforms in Mexico and elections in 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 20/09/2024

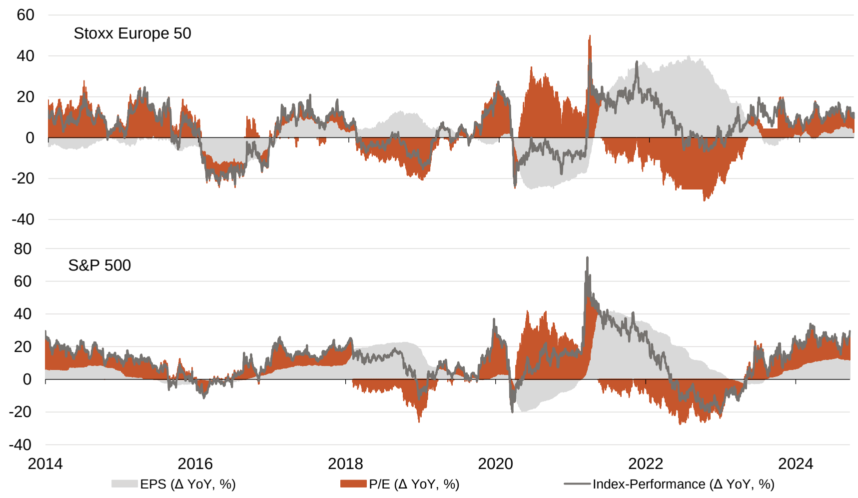
Earnings Growth



- In Europe, analysts remain positive for the year, particularly for the telecoms sector. Consensus expectations for year-on-year earnings growth in the sector currently stand at just under 30%.
- Looking ahead to 2025, analysts are particularly bullish on the Information Technology sector, with earnings expectations of over 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 20/09/2024

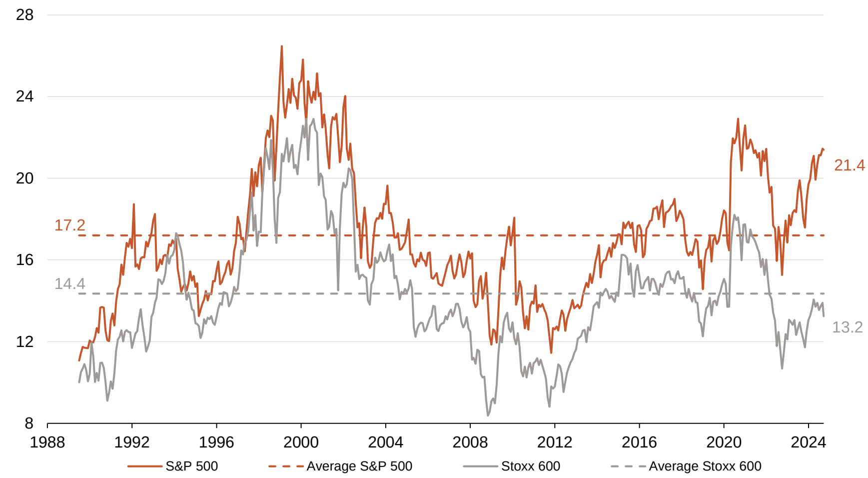
Contribution Analysis



- In Europe, stock market performance over the past 12 months is still largely driven by valuation expansion, accounting for almost 70%.
- In the US, on the other hand, 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 - 20/09/2024

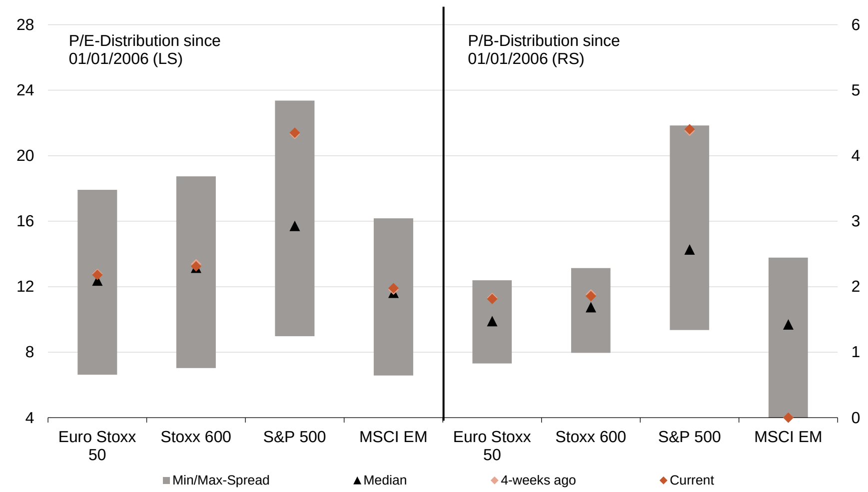
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Valuation levels for European and US equities have continued to diverge recently.
- While P/E ratios (based on earnings estimates for the next 12 months) in the US have reached new highs this year, making US equities as expensive as they were last seen in 2021, valuation levels for European equities have continued to narrow. They are now as cheap as they were at the start of the year.

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 - 20/09/2024

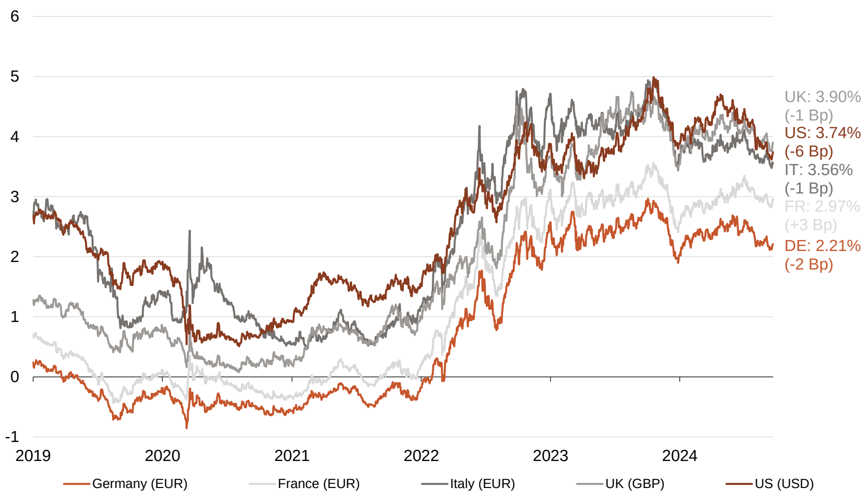
Historical Distribution: Price/Earnings and Price/Book Ratio



- On a four-week basis, European equities have become cheaper on both a P/E and P/B basis. However, US equities are close to their historical highs since 2006 on a P/B basis.
- Emerging market equities have also become slightly cheaper and are currently close to their historical median.

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 - 20/09/2024

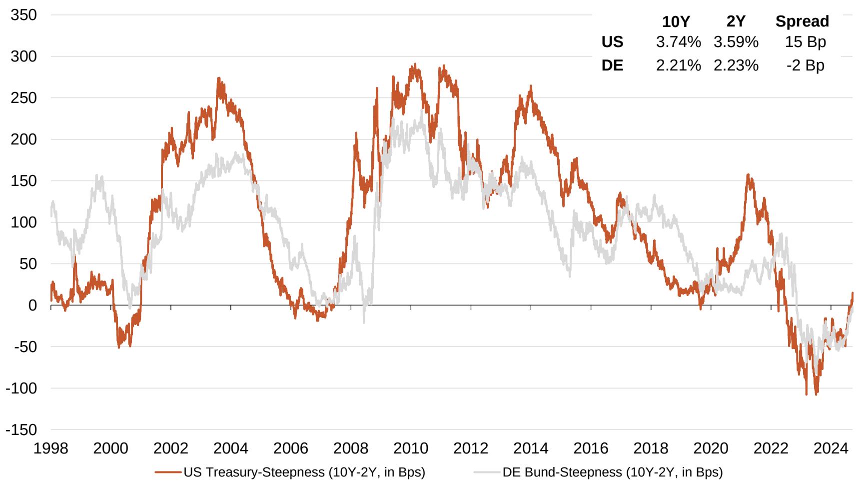
10-Year Government Bond Yields



- The last few weeks have been dominated by central banks. Last week the Fed finally decided on its first interest rate cut. The size of the cut, 50 basis points, came as a surprise anyway – the market had priced in a 50/50 chance of a cut of between 25 and 50 basis points.
- The yield on 10-year US Treasuries has fallen by 6 basis points over the past four weeks. This means that they now yield less than 10-year UK government bonds.

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 - 20/09/2024

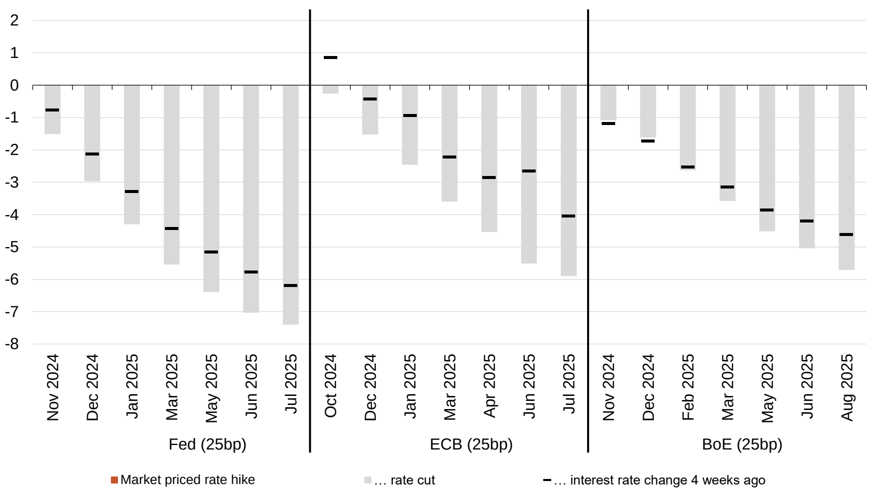
Yield Curve Steepness (10Y - 2Y)



- Over the past four weeks, yields at the short end in the US have fallen more sharply than those at the long end.
- Over the same period, the interest rate differential between two- and ten-year US government bonds even turned positive, rising from -12 basis points to +15 basis points.

The yield 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 - 20/09/2024

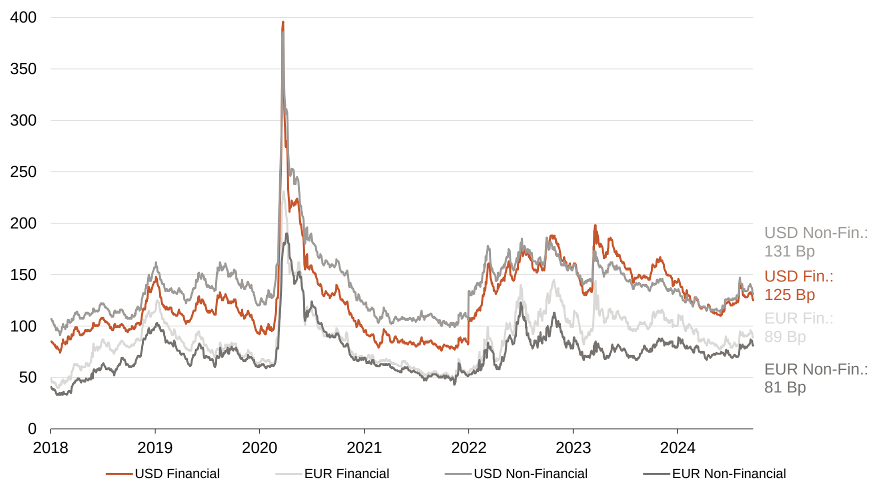
Implicit Changes in Key Interest Rates



- The dot plot of Fed policymakers' projections suggests a further 1.5 percentage point cut (6 25bp moves) by the end of next year.
- However, the market is currently pricing in an even more dovish Fed policy. By the end of this year, the market expects three cuts of 25 basis points each. By the end of 2025, the market is pricing in as many as 7-8 cuts.

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: 20/09/2024 - 20/09/2024

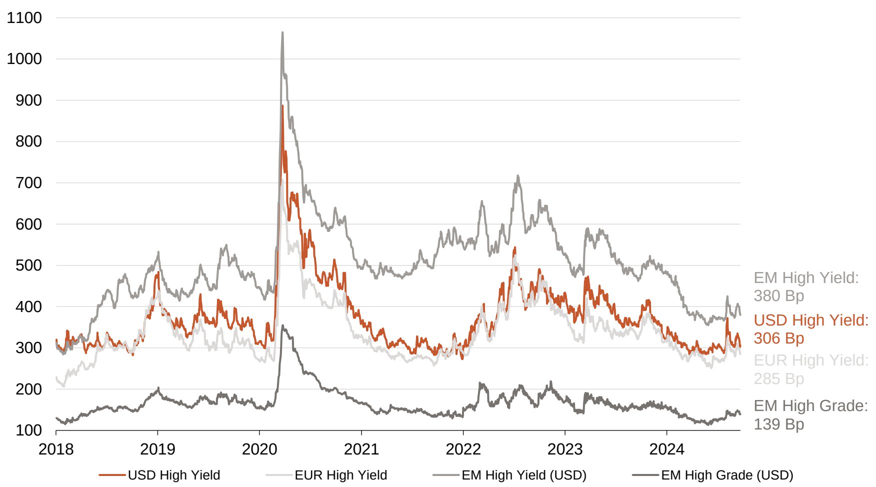
Credit Spreads Financial and Non-Financial Bonds



- Spreads on EUR and USD investment grade corporate bonds tightened over the last two weeks. EUR financial and EUR non-financial spreads tightened by 3 basis points each.
- For USD corporate bonds, the movement was much more pronounced. Spreads on USD financial and USD non-financial bonds tightened by 6 and 8 basis points respectively.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2019 – 20/09/2024

Credit Spreads High Yield and Emerging Markets Bonds



- The strongest move over the past two weeks has been in the USD high yield market, where spreads have narrowed by 13 basis points. This means that the bond market has largely priced out the severe growth concerns of early August and the uncertainty surrounding the first US rate cut.

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 – 20/09/2024

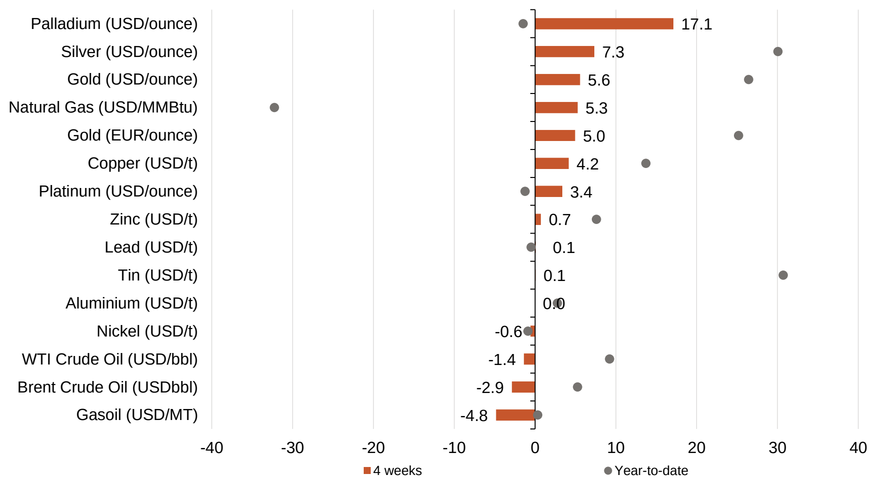
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	20/09/23 20/09/24	20/09/22 20/09/23	20/09/21 20/09/22	20/09/20 20/09/21	20/09/19 20/09/20
EUR Government	2.74	-0.07	7.1	-	-	-	0.3	1.3	7.5	-2.7	-16.7	-0.5	0.9
Germany	2.22	-0.05	7.3	-	-	-	0.1	0.4	6.1	-4.3	-14.8	-1.4	-0.4
EUR Corporate	3.41	-0.12	4.4	84	0	63	0.6	3.3	8.6	2.2	-14.5	1.9	0.6
Financial	3.56	-0.15	3.7	89	-2	54	0.8	3.8	8.7	2.9	-12.7	1.8	0.7
Non-Financial	3.32	-0.10	4.9	81	1	72	0.6	2.9	8.5	1.8	-15.5	2.0	0.6
EUR High Yield	6.17	-0.28	3.1	285	-10	23	1.3	6.4	11.7	8.2	-13.4	8.4	0.2
US Treasury	3.72	-0.22	6.3	-	-	-	1.1	4.3	9.1	-1.4	-13.2	-2.1	8.8
USD Corporate	4.76	-0.24	6.9	129	-5	41	1.6	5.9	12.8	2.4	-17.0	2.8	9.0
Financial	4.80	-0.28	5.1	125	-5	51	1.5	6.6	12.7	2.8	-14.2	2.5	8.7
Non-Financial	4.73	-0.22	7.7	131	-5	37	1.6	5.6	12.8	2.2	-18.3	3.0	9.1
USD High Yield	7.25	-0.33	3.9	306	-7	12	2.1	7.9	14.4	7.8	-11.5	10.7	2.7
EM High Grade	4.76	-0.24	5.4	139	-1	13	1.4	6.2	11.6	2.6	-15.5	2.8	5.0
EM High Yield	7.83	-0.26	3.9	380	-4	10	1.5	11.1	17.0	8.3	-21.7	5.7	7.1

- Over the past four weeks, yields have fallen significantly across all the bond segments shown here.
- In particular, yields on USD high yield bonds have fallen. Accordingly, this bond segment was the strongest 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: 20/09/2014 – 20/09/2024

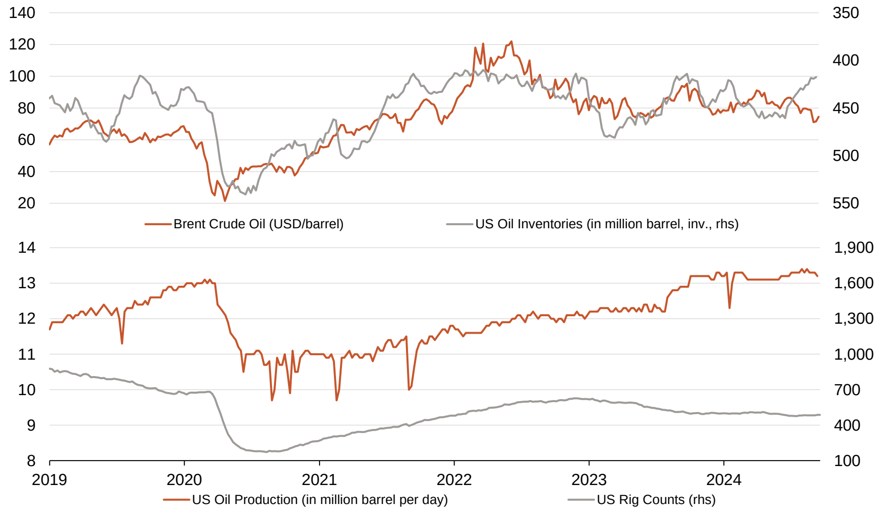
Commodities Performance



- Palladium was by far the best performer last month. The surprising rally of the metal, which is mainly used in the troubled automotive industry, was due to comments made by Putin about possible export restrictions. As Russia is the largest producer, accounting for around 40% of global supply, this could lead to a significant shortage.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 20/09/2024

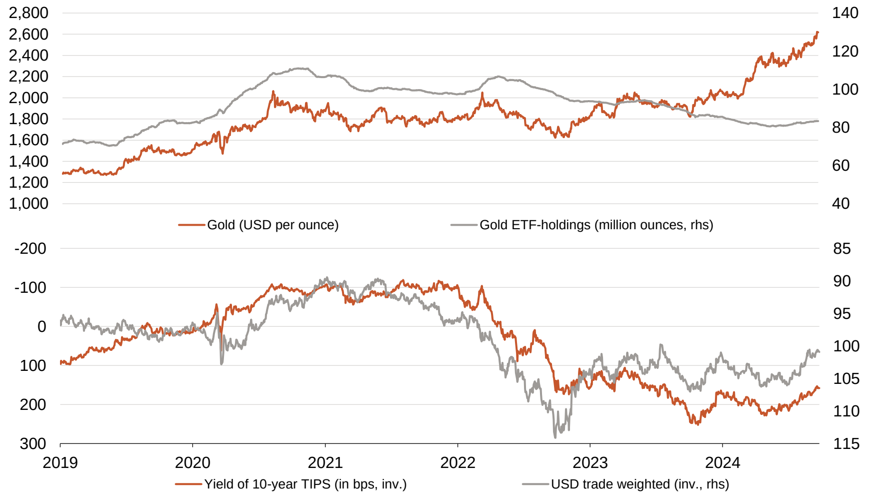
Crude Oil



- After a very weak first half of September, oil (Brent) recently stabilised below 75 USD per barrel.
- The pessimistic demand outlook has not changed, but now appears to be priced in. Brent futures positioning is negative for the first time on record.
- On the supply side, there has recently been some disruption again: the Gulf of Mexico was hit by Hurricane Francine, the maintenance season is starting in Kazakhstan and the unrest in Libya continues.

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 - 20/09/2024

Gold



- The gold price rally seems unstoppable. In the second half of the year alone, gold has gained almost 12%; since the beginning of the year, the safe haven is up more than 25%.
- Tailwinds have recently come from all sides: real interest rates have fallen, the dollar has lost in trade-weighted terms and ETF holdings continue to rise.

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 - 20/09/2024

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