BERENBERG
Markets

MONITOR

07 October 2024

Current market commentary

The Chinese stimulus measures and the Fed's sharp interest rate cut support our positive medium-term outlook for the capital markets. Especially since both the Fed and the ECB are ready and willing to cut interest rates further. Liquidity is likely to increase globally in Q4 (China stimulus + interest rate cuts by central banks) and a recession is not on the horizon, at least not in the next few months – on the contrary, we expect the loose financial conditions of recent months to lead to positive economic surprises in Q4, similar to what we experienced in Q1 of this year. In the short term, however, geopolitical risks and the US elections are likely to cause increased volatility. We are therefore maintaining our balanced positioning with a slight overweighting of risky assets (equities, commodities and high-yield bonds). In bonds, we are avoiding duration risks, particularly in the US, as we believe that the interest rate cuts that have been priced in – apart from a recession – are too high.

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

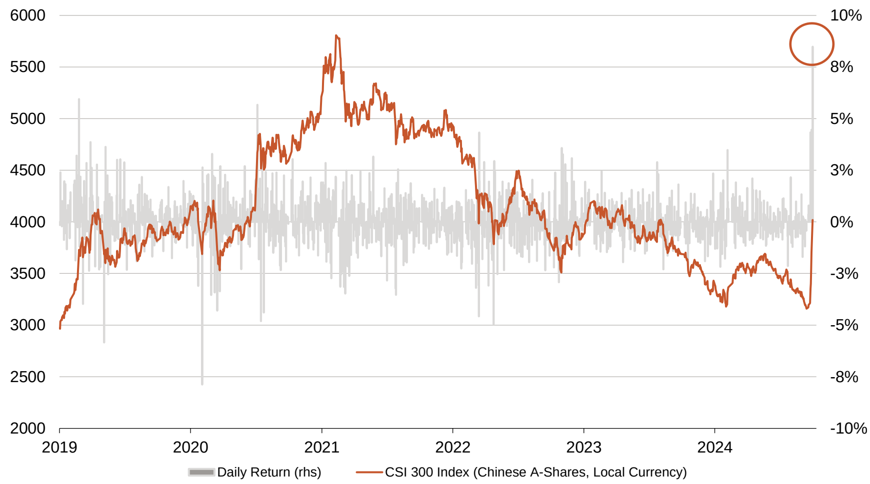
The Q3 reporting season begins this week with the first business figures from US companies on Friday. Over the next two weeks, around 11% of the companies in the S&P 500, based on market capitalisation, will report. At the index level, earnings are expected to grow by 4.6% and sales by 4.8% year-on-year in the third quarter. On the (monetary) policy front, the first summit between the EU and the Gulf Cooperation Council will take place in Brussels on 16 October, followed by the next ECB interest rate meeting on 17 October.

Focus on the start of the Q3 reporting season and the ECB's interest rate decision.

On Tuesday, German industrial production data (Aug.) will be released, followed on Thursday by Italian industrial production (Aug.), US inflation data (Sep.) and weekly US initial jobless claims. On Friday, the UK's monthly GDP (Aug.) and US producer price inflation (Sep.) will be announced.

Industrial production and inflation data in the markets' focus.

Chinese 'Whatever it takes' moment? Rally in Chinese equities



- At the end of September, China intervened more strongly than it has done for a long time due to the ongoing weak growth. In addition to providing a large liquidity injection into the stock market, the PBoC cut its key rates more sharply than expected and relaxed all conditions for the property market. Fiscal stimulus was also promised.
- The CSI 300 Chinese stock index then recorded its largest single-day gain since 2008 and, in just one week, became the best performing stock market since the beginning of the year.

Source: Bloomberg, Time period: 01/01/2021 - 04/10/2024

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	■4W (06/09/24 - 04/10/24)	■YTD (29/12/23 - 04/10/24)	04/10/23 04/10/24	04/10/22 04/10/23	04/10/21 04/10/22	04/10/20 04/10/21	04/10/19 04/10/20
Industrial Metals	14.7	14.9	13.9	-7.8	8.5	43.2	-6.3
Brent	11.8	12.6	-0.2	0.4	64.4	116.0	-41.1
MSCI Emerging Markets	11.1	18.8	25.0	1.1	-13.4	17.6	4.1
Gold	7.4	29.4	39.4	0.3	13.5	-6.1	18.3
MSCI World	6.4	19.2	28.1	7.9	-0.7	29.6	4.5
Global Convertibles	6.3	7.3	10.3	-3.8	-9.4	23.0	24.0
REITs	1.1	9.0	24.8	-15.3	-5.2	22.8	-17.3
USDEUR	1.0	0.6	-4.3	-4.9	16.4	0.8	-6.3
MSCI Frontier Markets	0.6	10.3	10.9	-0.2	-13.5	33.6	-8.0
EUR Coporates	0.5	3.6	10.0	1.6	-14.6	1.5	0.4
Euro overnight deposit	0.3	3.0	4.0	2.6	-0.5	-0.6	-0.5
EUR Sovereign Debt	0.3	2.0	7.5	-2.1	-10.0	-0.5	0.2

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 performance of the asset classes shown has been consistently positive over the last four weeks. The comprehensive stimulus measures announced in China boosted industrial metals and emerging market equities in particular, while Brent crude oil also benefited from the political tensions between Israel and Iran.
- The US dollar recently appreciated sharply following better-than-expected US labour market data.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 04/10/2019 – 04/10/2024

Equities

	4-week & YTD		12-month periods over that last 5 years				
	■4W (06/09/24 - 04/10/24)	■YTD (29/12/23 - 04/10/24)	04/10/23 04/10/24	04/10/22 04/10/23	04/10/21 04/10/22	04/10/20 04/10/21	04/10/19 04/10/20
MSCI EM Asia	13.3	24.2	29.0	2.8	-15.8	13.0	14.6
S&P 500	7.6	23.0	31.3	8.5	4.3	31.5	8.3
MSCI USA Small Caps	7.4	11.2	23.7	-3.7	-2.2	47.4	-3.4
Stoxx Europe Cyclicals	5.5	14.6	31.0	15.0	-13.7	34.8	-1.9
Euro Stoxx 50	4.6	12.1	23.9	20.6	-10.6	27.6	-5.4
DAX	4.5	14.1	26.6	19.2	-15.7	18.5	5.6
MSCI EM Latin America	3.9	-11.2	4.7	-1.5	28.1	28.3	-34.8
Stoxx Europe Small 200	2.6	7.5	21.7	6.4	-25.6	33.3	3.2
MSCI UK	2.1	14.3	20.0	9.2	5.4	31.1	-17.6
Stoxx Europe 50	1.8	10.9	18.2	14.7	2.0	22.4	-4.9
MSCI Japan	1.7	11.1	19.2	9.7	-11.9	21.1	-0.7
Stoxx Europe Defensives	-1.9	11.7	16.0	10.7	2.0	19.6	-4.5

S&P 500: S&P 500 TR (US-Equity); Stoxx Europe 50: Stoxx Europe 50 TR; Euro Stoxx 50: Euro Stoxx 50 TR; MSCI Japan: MSCI Japan TR;
Stoxx Europe Small 200: Stoxx Europe Small 200 TR; MSCI USA Small Caps: MSCI USA Small Caps TR; Stoxx Europe Cyclicals: Stoxx Europe Cyclicals TR;
Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kindom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR;
MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- The stimulus measures announced by the Chinese government and central bank catapulted emerging market equities in Asia to the top of the global stock performance list in just one week.
- Despite disappointing forecasts for economic growth in Germany this year, the German DAX index reached a new all-time high in the last four weeks.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 04/10/2019 – 04/10/2024

Fixed Income

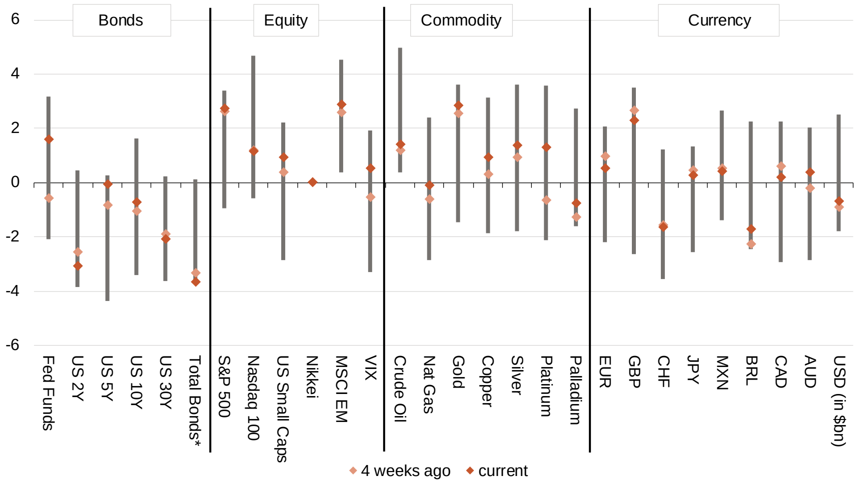
	4-week & YTD		12-month periods over that last 5 years				
	■4W (06/09/24 - 04/10/24)	■YTD (29/12/23 - 04/10/24)	04/10/23 04/10/24	04/10/22 04/10/23	04/10/21 04/10/22	04/10/20 04/10/21	04/10/19 04/10/20
EM Hard Currency Bonds	2.4	8.9	15.2	0.4	-9.7	4.8	-5.3
EM Local Currency Bonds	2.4	3.9	9.2	2.8	-5.5	3.2	-8.7
USD High Yield	2.3	8.6	12.4	0.2	2.9	10.5	-4.3
EUR High Yield	1.1	6.8	13.4	9.1	-14.6	8.9	0.2
BTPs	0.8	4.4	13.0	-1.8	-16.2	0.7	2.6
USD Corporates	0.6	5.3	11.6	-5.1	-6.2	2.9	1.2
EUR Financials	0.6	4.4	10.6	2.4	-14.0	1.8	0.4
EUR Non-Financials	0.5	2.9	9.5	1.0	-15.0	1.3	0.4
Treasuries	0.1	3.4	4.5	-7.2	2.2	-2.2	0.1
Bunds	-0.2	0.5	7.8	-6.1	-13.8	-2.5	-0.6
Chinese Sovereign Bonds	-0.2	5.6	7.2	3.5	4.7	5.7	2.7
Gilts	-0.9	2.3	12.4	-3.4	-26.2	-0.7	0.7

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

- Emerging market sovereign debt led the performance ranking in the last four weeks, with the stronger dollar providing additional support for hard-currency bonds.
- Weaker than expected economic growth data in the UK in the second quarter and the resulting weaker pound weighed on the euro-denominated performance of UK government bonds.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 04/10/2019 – 04/10/2024

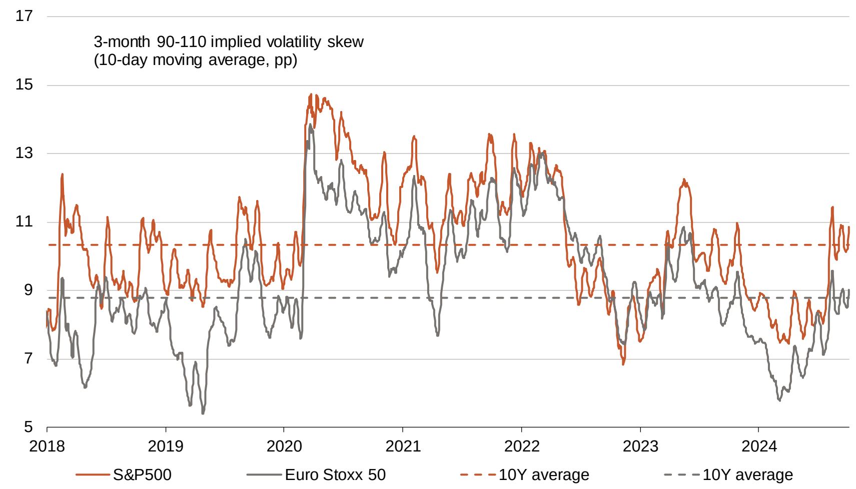
Non-Commercial Positioning



- Speculative investors have recently slightly increased their long positions in crude oil due to geopolitical uncertainties.
- Chinese stimulus measures also prompted speculative investors to further increase their long positions in copper.

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: 03/10/2014 - 03/10/2024

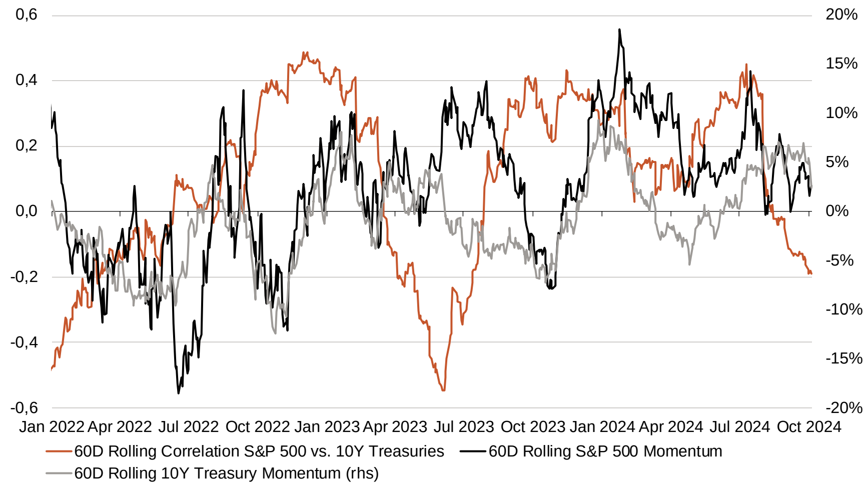
Put-Call-Skew



- The put-call skew has trended sideways in both the US and Europe in recent weeks.
- The difference between the implied volatilities of puts and calls is a measure of investors' hedging needs and was recently only slightly above the average level of recent years on both sides of the Atlantic.

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: 04/10/2014 – 04/10/2024

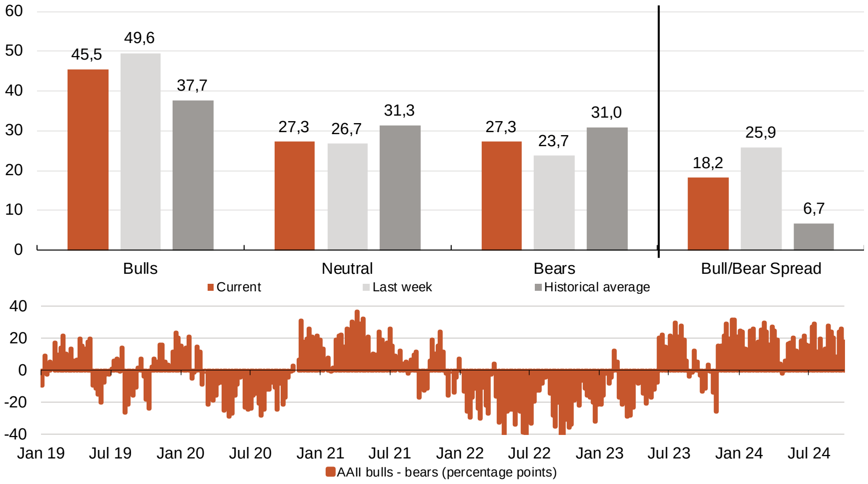
60-Day Momentum and Correlation



- The correlation between equities and bonds has fallen further in the last two weeks, recently reaching its most negative level since August 2023.
- The momentum in the US stock market has recently increased slightly, which should have a positive effect on the equity exposure of trend-following strategies.

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 – 04/10/2024

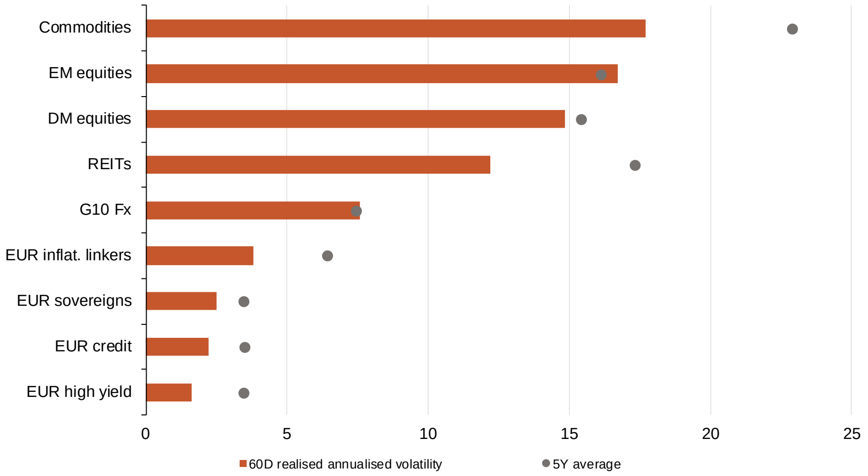
AAII Sentiment Survey (Bulls vs Bears)



- At just under 46%, bulls among US private investors continue to hold a simple majority.
- The bull/bear spread has narrowed considerably compared to the previous week, but has remained above the 15 pp mark for the third week in a row.

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 – 03/10/2024

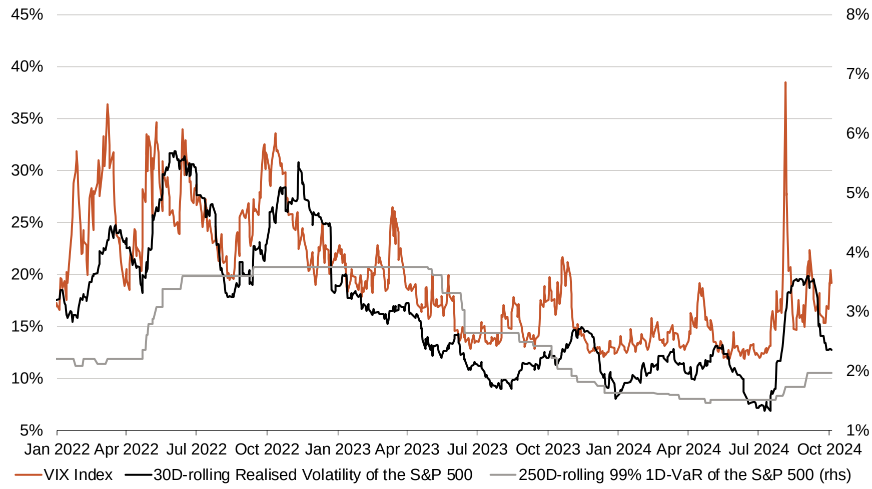
Realised Volatilities



- The volatility after the announcement of far-reaching Chinese stimulus measures has increased significantly, especially for commodities and emerging market equities. The latter is even above the average of the last five years. However, the increase in volatility was not driven by negative returns, as is usually the case, but by positive returns.
- The interest rate meetings of the G10 central banks also led to increased volatility in currencies.

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: 04/10/2019 - 04/10/2024

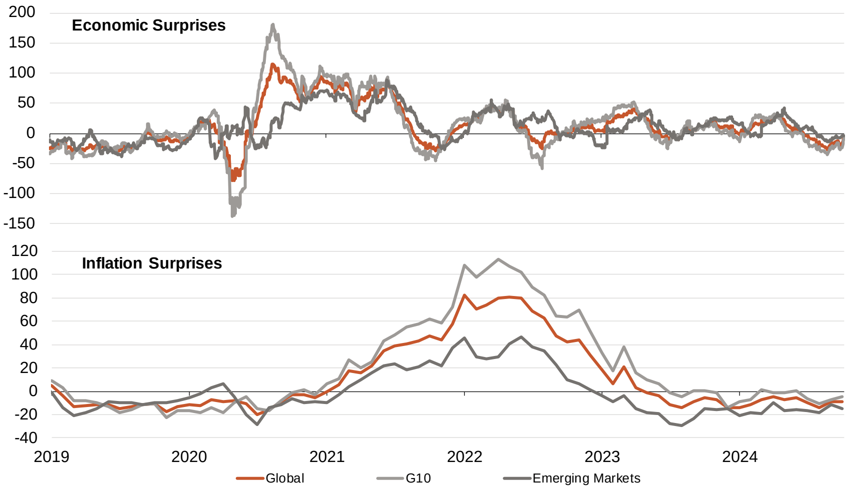
Volatility and Value-at-Risk of the S&P 500



- The realised volatility of the S&P 500 over the last 30 days has fallen further in the last two weeks and was recently just under 13%.
- By contrast, the VIX has risen to over 20%. The volatility premium is currently very high.

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 – 04/10/2024

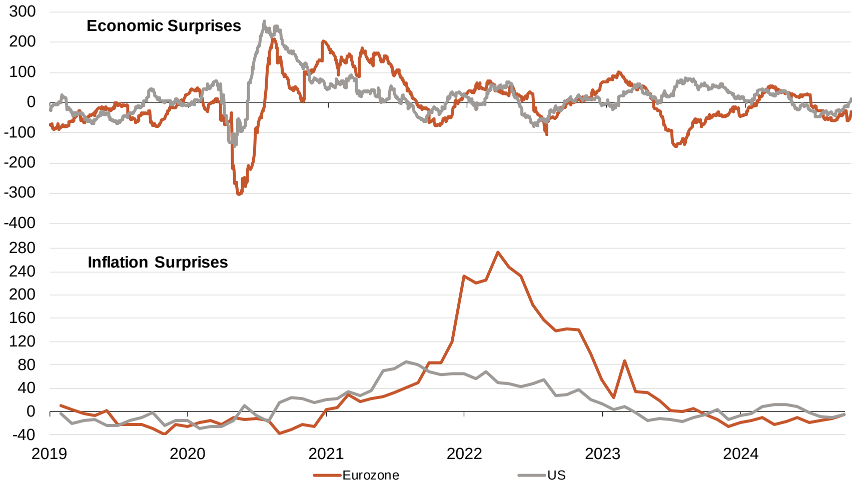
Global



- The number of negative economic surprises continued to decline in both industrialised and emerging market economies in the last two weeks.
- In Canada, the July GDP growth rate exceeded expectations. In Switzerland, the September purchasing managers' index for the manufacturing industry surprised on the upside.
- In Mexico, July retail sales and August unemployment surprised on the upside. In India, the current account deficit in the second quarter was better than expected.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 04/10/2024

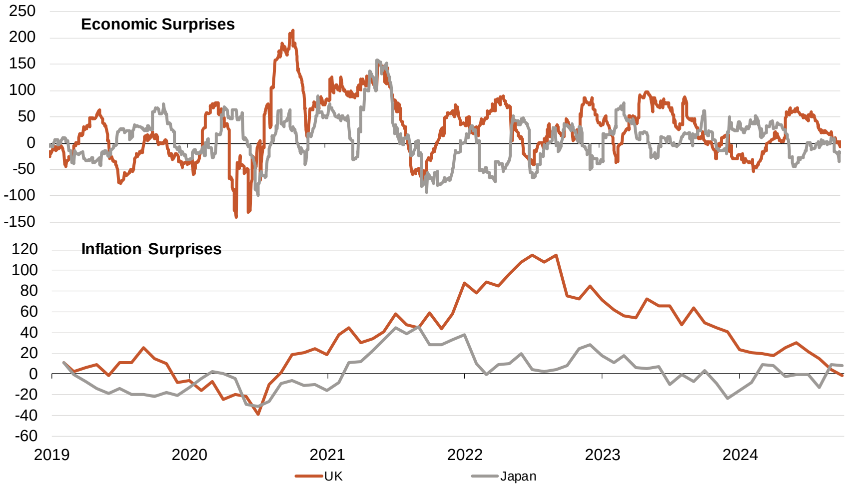
Eurozone and US



- In the US, the latest initial jobless claims were slightly above expectations, while the number of new hires in September surprised on the upside. The GDP growth rate in the second quarter exceeded expectations, while new orders for durable goods in August surprised on the upside.
- In the Eurozone, the unemployment rate in August and consumer price inflation in September were in line with expectations, while the purchasing managers' index for services in September surprised on the upside.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 04/10/2024

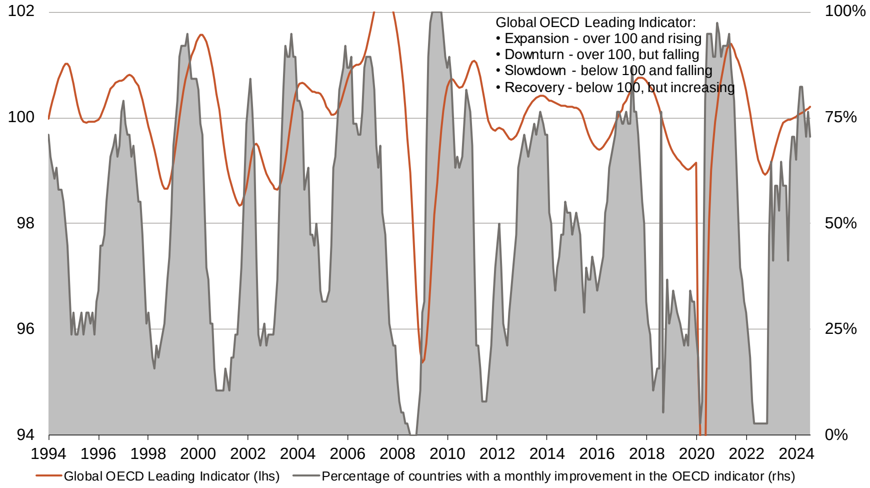
UK and Japan



- In the UK, the GDP growth rate in the second quarter was below expectations, while the PMI for the construction industry surprised on the upside in September.
- In Japan, retail sales surprised on the upside in August.

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 - 04/10/2024

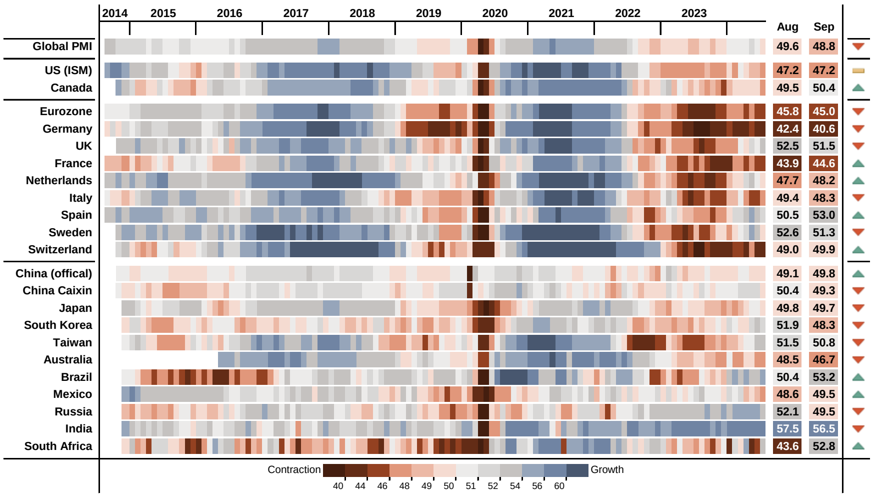
OECD Leading Indicator



- 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.
- According to the revised leading indicator, the economic situation in August 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 - 04/10/2024

Manufacturing Purchasing Managers Index (Manufacturing PMI)

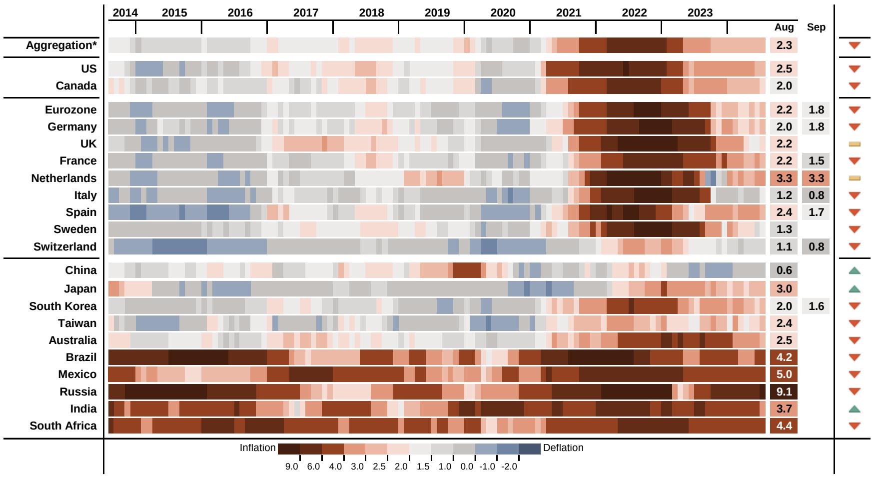


	Aug	Sep	
Global PMI	49.6	48.8	▼
US (ISM)	47.2	47.2	▬
Canada	49.5	50.4	▲
Eurozone	45.8	45.0	▼
Germany	42.4	40.6	▼
UK	52.5	51.5	▼
France	43.9	44.6	▲
Netherlands	47.7	48.2	▲
Italy	49.4	48.3	▼
Spain	50.5	53.0	▲
Sweden	52.6	51.3	▼
Switzerland	49.0	49.9	▲
China (offical)	49.1	49.8	▲
China Caixin	50.4	49.3	▼
Japan	49.8	49.7	▼
South Korea	51.9	48.3	▼
Taiwan	51.5	50.8	▼
Australia	48.5	46.7	▼
Brazil	50.4	53.2	▲
Mexico	48.6	49.5	▲
Russia	52.1	49.5	▼
India	57.5	56.5	▼
South Africa	43.6	52.8	▲

- The global PMI data for September indicated a slight weakening of industrial activity in September compared to the previous month for the third month in a row. In Germany, the Purchasing Managers' Index reached its lowest level since September last year. This marked the 27th consecutive month of decline in industrial activity.

The PMI is an overall index that provides a general overview of the economic situation in industry. The PMI is derived from a total of eleven sub-indices, which reflect the respective change from the previous month. A value of 50 is regarded as neutral, a value of over 50 points as an indicator of rising and a value of under 50 points as an indicator of declining activity in industry compared to the previous month. On average, the index has a lead time before actual industrial production of three to six months. The PMI is based on a survey of a relevant selection of purchasing managers on the development of key indicators such as new orders.
Source: Bloomberg, Time period: 01/01/2014 - 04/10/2024

Headline Inflation

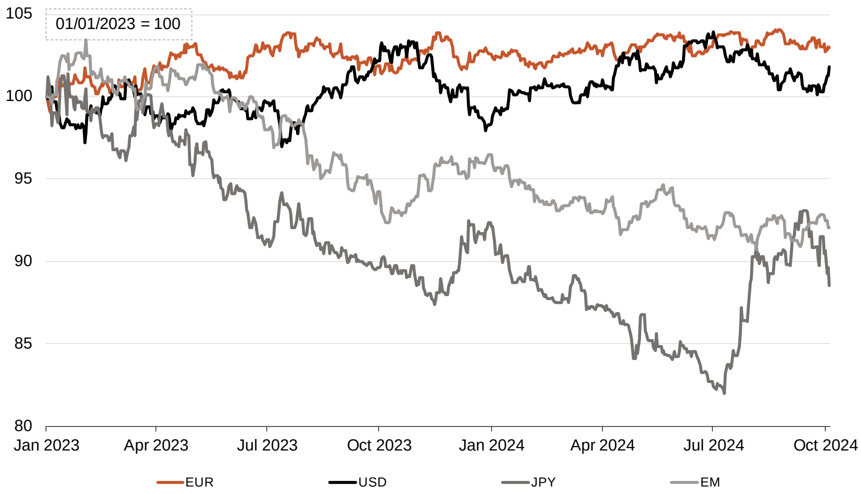


	Aug	Sep	
Aggregation*	2.3		▼
US	2.5		▼
Canada	2.0		▼
Eurozone	2.2	1.8	▼
Germany	2.0	1.8	▼
UK	2.2		▬
France	2.2	1.5	▼
Netherlands	3.3	3.3	▬
Italy	1.2	0.8	▼
Spain	2.4	1.7	▼
Sweden	1.3		▼
Switzerland	1.1	0.8	▼
China	0.6		▲
Japan	3.0		▲
South Korea	2.0	1.6	▼
Taiwan	2.4		▼
Australia	2.5		▼
Brazil	4.2		▼
Mexico	5.0		▼
Russia	9.1		▼
India	3.7		▲
South Africa	4.4		▼

- The first inflation data for September suggest that the global trend towards disinflation is continuing. In Germany, annual consumer price inflation fell to its lowest level since February 2021, mainly due to falling energy prices, while services saw above-average price increases.

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 - 04/10/2024

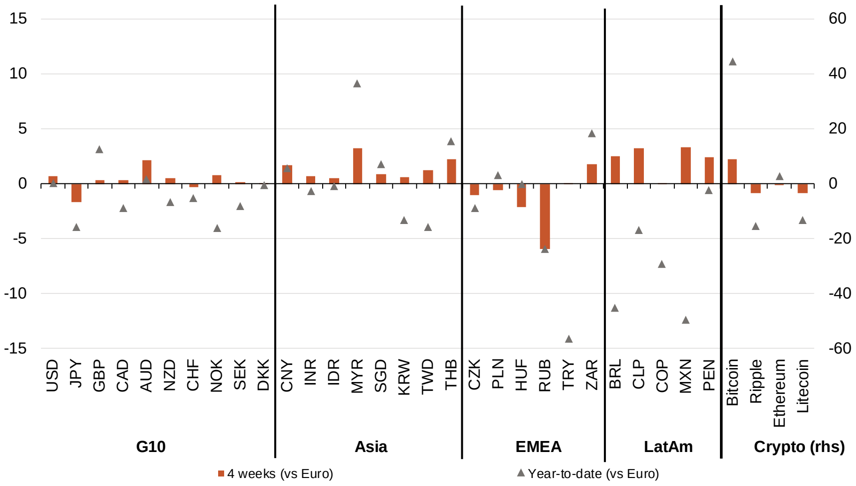
Trade-Weighted Currency Development



- The surprisingly strong economic data in the US, particularly the robust US labour market, dampened market participants' expectations of a further major interest rate cut at the next Fed meeting and therefore recently supported the US dollar.
- Most recently, comments by the new Japanese Prime Minister Shigeru Ishiba dampened the prospect of further interest rate hikes by the BoJ, thereby weighing on 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 - 04/10/2024

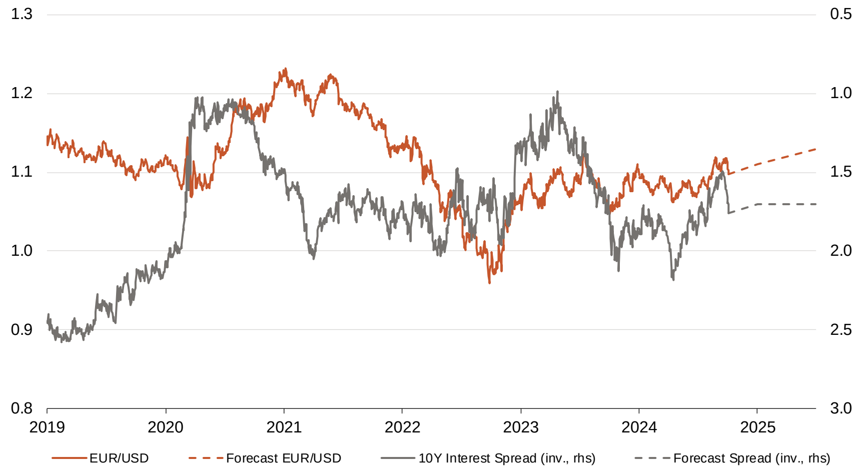
Currency Moves vs Euro



- The momentum of Hungarian core and headline inflation improved significantly in August, enabling the Hungarian central bank to cut the key interest rate by a further 25 basis points after its meeting the week before last. This weighed on the Hungarian forint.
- A 25 basis point interest rate cut by the Mexican central bank, which was smaller than market participants had expected, recently supported the Mexican peso.
- The dovish statements following the SNB's interest rate cut weighed on the Swiss franc.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 04/10/2024

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



- The robust US labour market and the fact that the annual inflation rate in the eurozone was below the ECB's inflation target for the first time since June 2021 in September led to an increase in the interest rate differential between 10-year US Treasuries and German Bunds to almost 180 basis points.
- The EUR/USD exchange rate recently fell below the 1.10 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 - 31/12/2024

European Sector & Style Performance

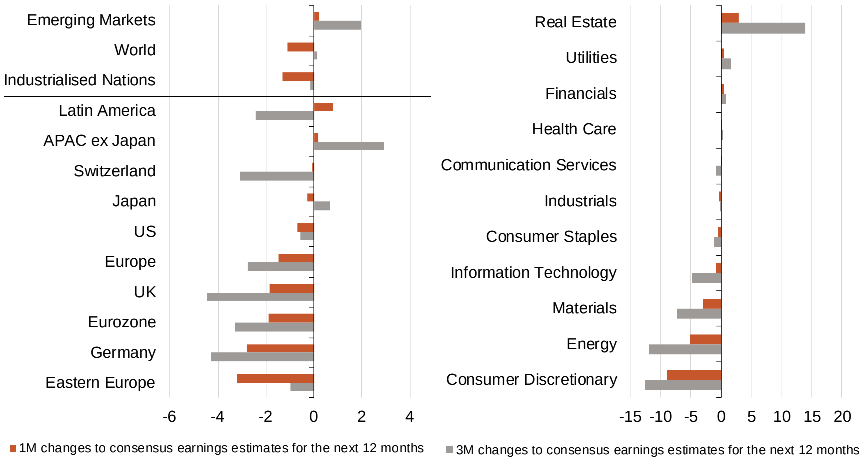
	4-week & YTD		12-month periods over that last 5 years				
	4W (06/09/24 - 04/10/24)	YTD (30/12/23 - 04/10/24)	04/10/23 04/10/24	04/10/22 04/10/23	04/10/21 04/10/22	04/10/20 04/10/21	04/10/19 04/10/20
Materials	8,5	7,6	22,3	4,3	-5,3	27,0	10,5
Information Technology	7,5	11,2	32,4	14,7	-22,4	32,5	19,4
Industrials	6,1	14,3	32,5	18,5	-15,3	30,9	4,7
Consumer Discretionary	5,5	3,4	10,8	16,2	-16,2	34,4	1,4
Energy	4,3	1,6	2,8	13,5	30,3	76,8	-47,2
Finance	3,5	20,0	32,2	21,2	-5,8	46,9	-21,7
Growth	2,8	9,4	20,3	8,8	-11,8	22,5	8,8
Value	2,1	12,1	20,6	15,9	-2,4	31,9	-16,8
Telecommunications	0,4	14,8	22,8	5,5	-9,8	23,6	-21,1
Consumer Staples	-0,9	2,4	4,4	0,5	0,7	9,3	-2,8
Utilities	-1,5	5,8	22,9	4,9	-4,4	5,3	8,6
Health Care	-5,0	13,1	14,5	11,5	0,5	12,7	10,1

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.

- The stimulus from China also raised hopes of an economic recovery in Europe, leading to a significant sector rotation. In particular, cyclical and industry-related sectors that had suffered from the economic downturn in recent months benefited.
- Defensive sectors such as healthcare, utilities and telecommunications, on the other hand, were left behind.

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: 04/10/2019 – 04/10/2024

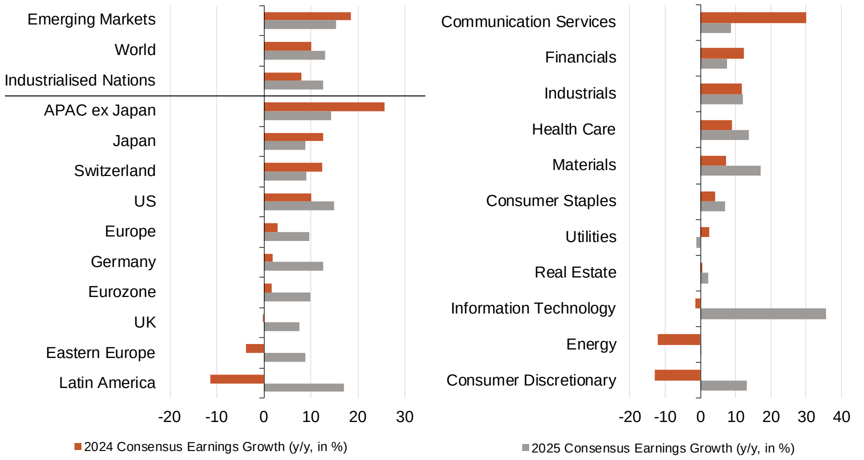
Changes in Consensus Earnings Estimates



- The ongoing economic weakness in Germany led to further negative earnings revisions last month. In addition to the euro area and Europe as a whole, the United Kingdom also saw a renewed decline in earnings revisions due to an increasing number of negative economic surprises.
- In Latin America, however, earnings estimates were revised upwards again somewhat.

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 04/10/2024

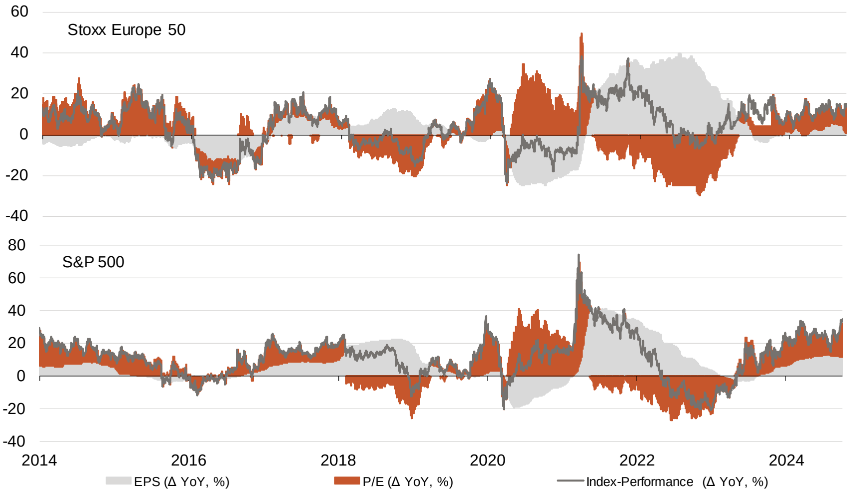
Earnings Growth



- Expectations for profit growth this year have recently been raised significantly, particularly for the Asia-Pacific region. Analysts expect growth of over 20% for the full year 2024.
- In Europe, analysts expect negative earnings growth this year, particularly for cyclical consumer goods and energy stocks.

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 04/10/2024

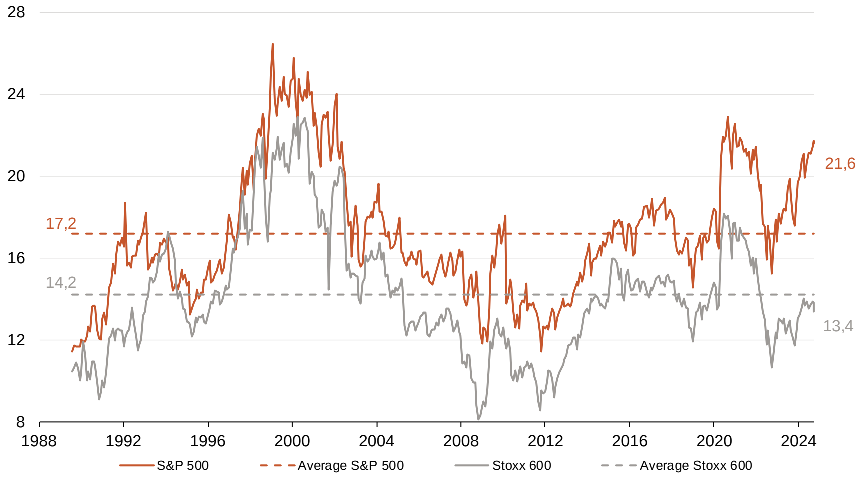
Contribution Analysis



- In Europe, equity market performance over the past 12 months continued to be largely determined by rising valuations, which now contribute around 80% to index performance.
- By contrast, the stock market movement in the US was more clearly driven by a simultaneous rise in earnings.

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 - 04/10/2024

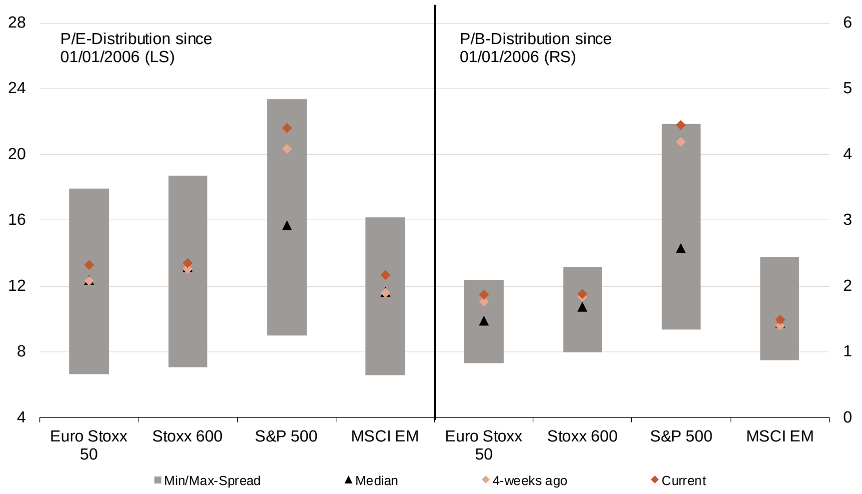
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The price-earnings ratio of European equities has recently changed little, while valuations in the US have continued to widen. As a result, European equities continue to have a historically large valuation discount compared to US equities.
- Even on an absolute basis, European equities are favourably valued in historical terms, while the valuation in the US is well above the long-term average.

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 - 04/10/2024

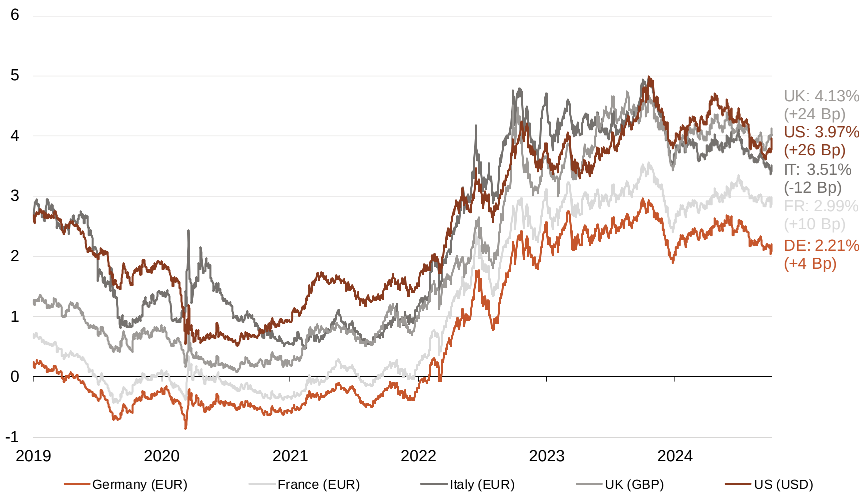
Historical Distribution: Price/Earnings and Price/Book Ratio



- In the last four weeks, US equities have continued to rise in price on a P/E and P/B basis.
- Equities from emerging markets have also risen in price on a P/E basis, particularly due to the stimulus measures from China, but they are still close to the long-term median when looking at the price-to-book ratio.

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 - 04/10/2024

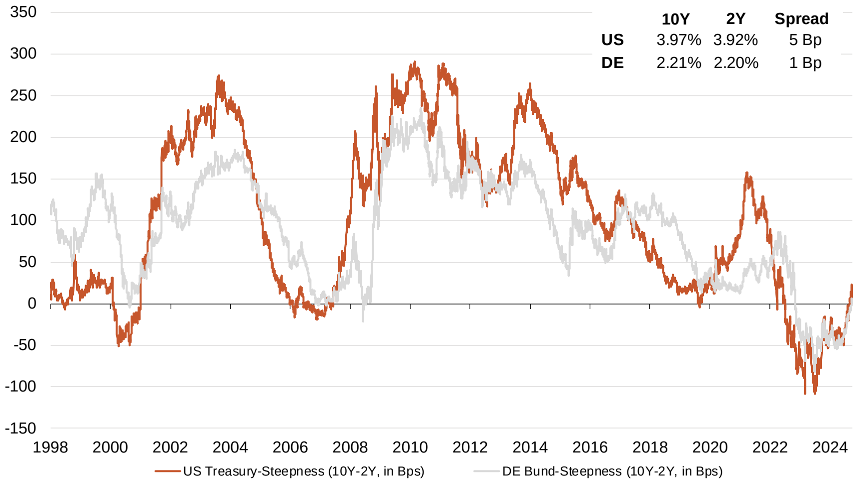
10-Year Government Bond Yields



- The yields on 10-year US Treasuries have recently risen significantly after an increasing number of positive economic surprises were reported from the US and the expectation of further sharp interest rate cuts by the Fed was priced out.
- German Bund yields initially continued to fall due to the weaker economy but were pulled up by the strong US labour market report last Friday.

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 - 04/10/2024

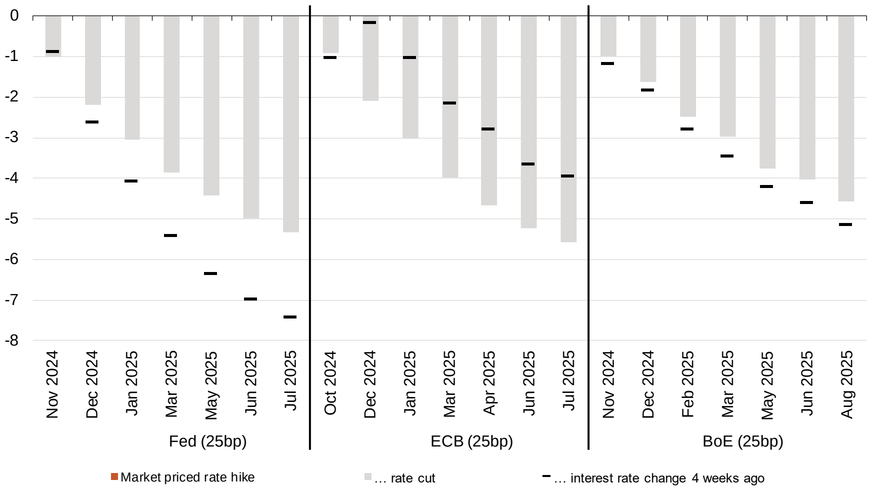
Yield Curve Steepness (10Y - 2Y)



- After the interest rate spread between two- and ten-year US government bonds widened to 25 basis points, positive economic surprises and strong US labour market data led to a rise in yields in particular at the short end, resulting in a flattening of the yield curve.

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 - 04/10/2024

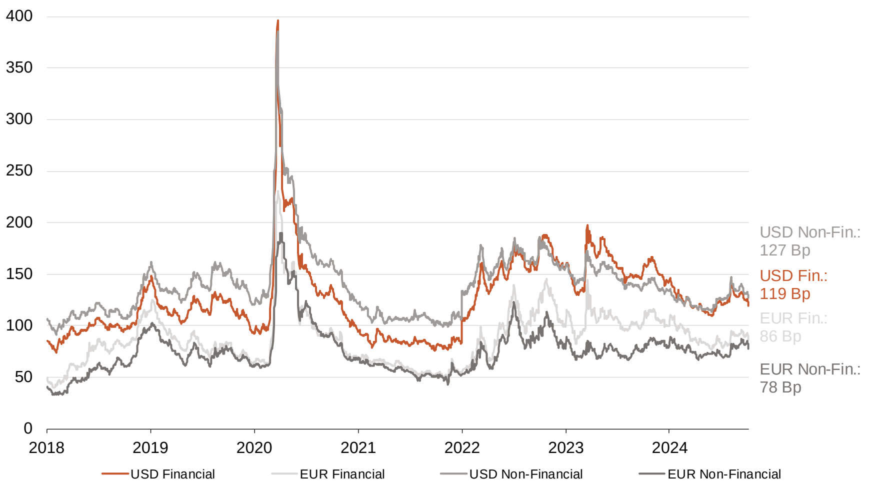
Implicit Changes in Key Interest Rates



- Better economic data from the US has led to the very sharp interest rate cuts that had been priced in until the middle of next year being partially unwound again. By the end of this year, only two interest rate cuts are increasingly expected from the Fed.
- On the BoE side, interest rate expectations remained largely unchanged despite Governor Bailey's dovish statements.

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: 22/02/2024 - 04/10/2024

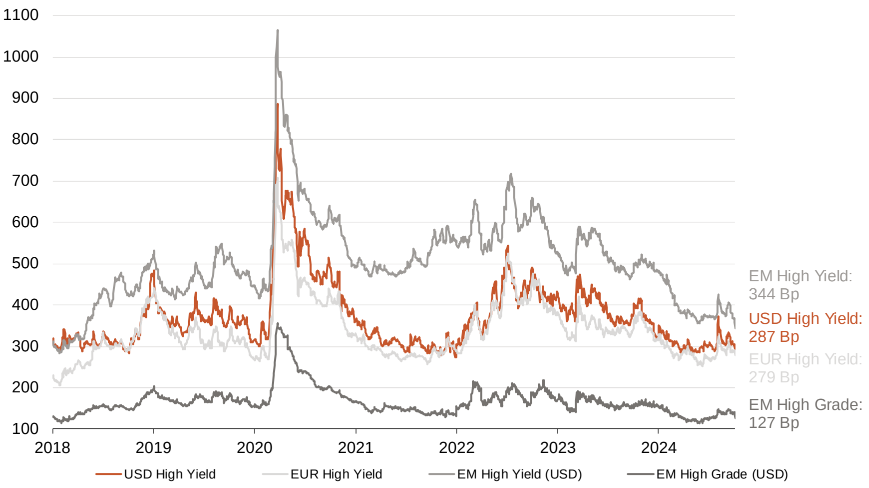
Credit Spreads Financial and Non-Financial Bonds



- Despite the geopolitical uncertainty caused by the conflict between Israel and Iran, risk premiums in the Euro investment grade area narrowed slightly by 3 basis points in the last two weeks.
- Risk premiums for investment-grade US corporate bonds also fell slightly, narrowing by 4 basis points.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2019 – 04/10/2024

Credit Spreads High Yield and Emerging Markets Bonds



- Spreads also narrowed further in the high-yield segment due to better economic data from the US.
- In particular, last Friday's strong labour market report further dampened economic concerns. Spreads tightened by 19 basis points in the USD high-yield market, while EUR high-yield corporate bonds tightened by 6 basis points.

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 – 04/10/2024

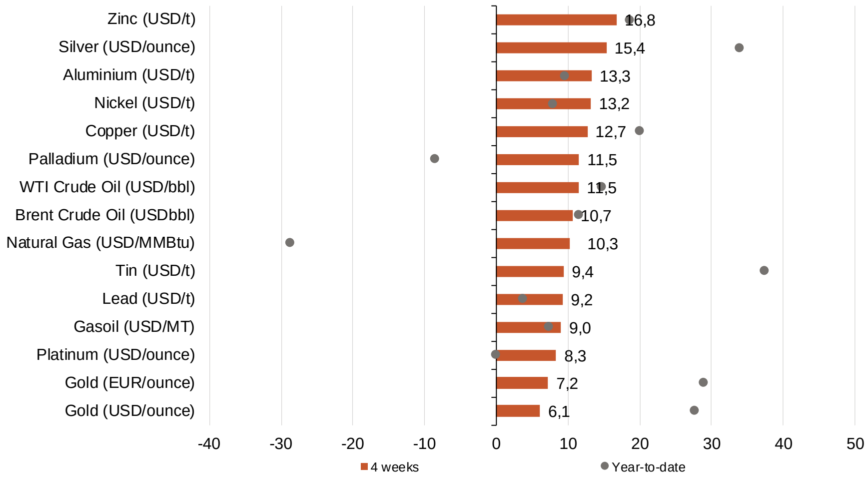
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	04/10/23 04/10/24	04/10/22 04/10/23	04/10/21 04/10/22	04/10/20 04/10/21	04/10/19 04/10/20
EUR Government	2.70	-0.06	7.2	-	-	-	0.4	1.6	9.8	-4.7	-15.9	-1.8	0.9
Germany	2.19	-0.05	7.3	-	-	-	0.2	0.6	7.8	-6.0	-14.0	-2.4	-0.6
EUR Corporate	3.33	-0.15	4.5	81	-4	58	0.8	3.7	10.1	1.7	-14.5	1.5	0.4
Financial	3.47	-0.19	3.8	86	-6	49	0.8	4.2	10.1	2.4	-12.8	1.6	0.5
Non-Financial	3.25	-0.13	5.0	78	-3	65	0.8	3.3	10.0	1.2	-15.5	1.5	0.3
EUR High Yield	6.01	-0.31	3.2	279	-14	19	1.2	6.8	13.4	9.1	-14.6	8.9	0.2
US Treasury	4.01	0.19	6.3	-	-	-	-1.0	2.8	9.5	-2.5	-12.8	-3.1	6.9
USD Corporate	4.96	0.06	6.8	124	-12	33	0.0	4.9	14.4	1.4	-17.2	2.2	6.9
Financial	4.99	0.03	5.1	119	-12	43	0.1	5.9	13.8	2.3	-14.6	2.1	7.0
Non-Financial	4.95	0.07	7.6	127	-11	31	-0.1	4.4	14.6	1.0	-18.4	2.3	6.9
USD High Yield	7.28	-0.29	3.9	287	-37	1	1.4	7.8	17.1	6.6	-12.3	11.3	2.8
EM High Grade	4.88	-0.03	5.5	127	-17	4	0.4	5.8	12.9	2.4	-16.2	2.4	4.1
EM High Yield	7.65	-0.44	4.0	344	-47	5	2.3	12.3	20.5	9.2	-23.1	6.5	5.1

- In the last four weeks, yields initially fell across almost all bond segments. However, last Friday's strong US labour market report and the somewhat better economic data from the US have recently led to a renewed rise in yields, particularly for US Treasuries.
- High-yield spreads in emerging markets narrowed more significantly.

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: 04/10/2014 – 04/10/2024

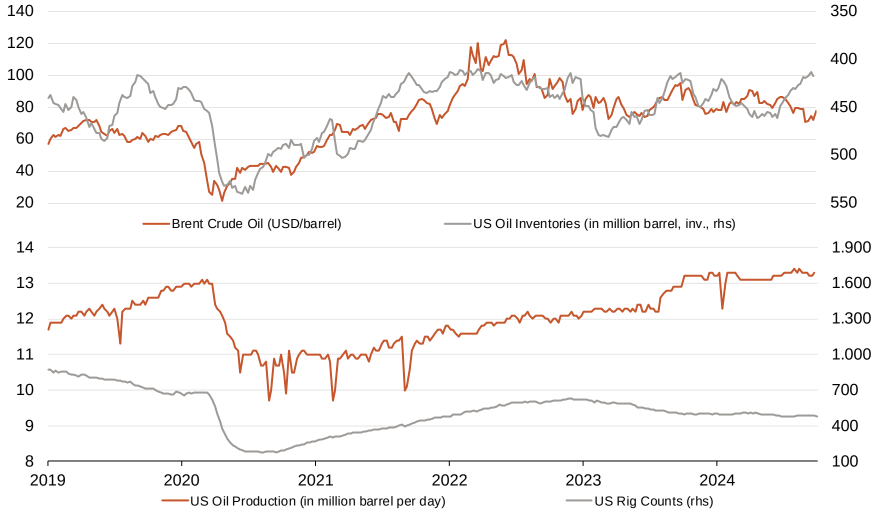
Commodities Performance



- In the last month, commodities have performed very well across the board. In particular, industry-related commodities such as silver, copper and aluminium benefited from the stimulus measures in China. The geopolitical uncertainty between Israel and Iran also led to uncertainties regarding the supply of oil, which in turn supported the prices of WTI and Brent crude.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 04/10/2024

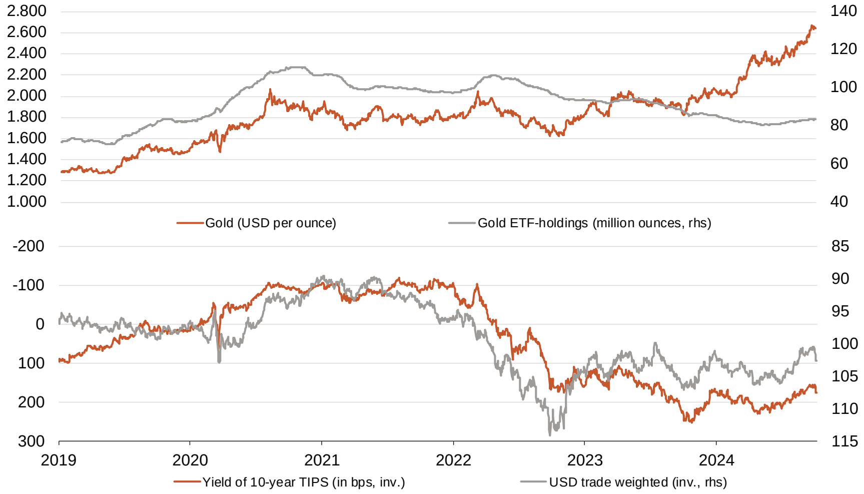
Crude Oil



- Since the end of September, the oil price (Brent) rose by around USD 5 to around USD 78 per barrel in just a few days. The main reasons for this are the conflict between Israel and Iran and President Biden's statements calling on the US to refrain from attacking Iran's oil infrastructure. Although this statement is to be seen as positive, it also showed that Israel at least did not rule out such a scenario.

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 - 04/10/2024

Gold



- After a strong rally in recent months, the gold price has been consolidating at a high level since the end of September.
- In the short term, the upward potential for the precious metal appears to be limited, as the better-than-expected economic data from the US continue to rule out sharp interest rate cuts and the dollar is appreciating again.

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 - 04/10/2024

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