BERENBERG *Markets*

MONITOR

18 November 2024

Current market commentary

In the end, the market got it right: Trump won the US elections, and by a landslide at that. Among the winners were Bitcoin, US equities and the US dollar. By contrast, US bonds suffered from rising inflation and sovereign debt fears. Gold was unable to benefit and instead fell sharply, due to rising real yields, the strong US dollar and a rotation out of gold and into Bitcoin. European and emerging market equities had a difficult time, weighed down by the prospect of higher tariffs. In particular, the US equity markets are now pricing in an almost perfect economic scenario, with valuation levels at the index level now at a similar level to those seen during the technology bubble around the turn of the millennium. However, equities should remain supported by share buyback programmes and seasonality into the new year. Especially since there is plenty of dry powder parked on the sidelines. Next year, however, should see a return to volatility.

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

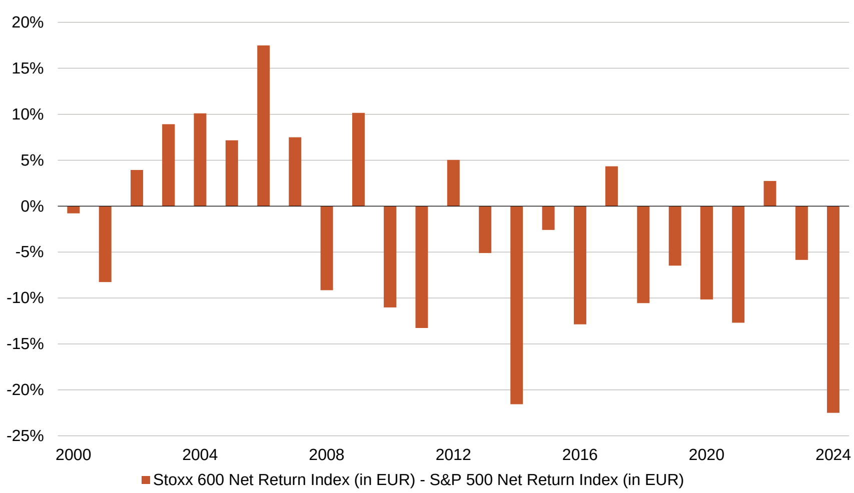
After two politically eventful weeks, things will calm down a bit over the next two weeks. In addition, the Q3 reporting season is drawing to a close. In the coming weeks, only around 5% of S&P 500 companies will report. At the beginning of the week, the focus is on the G20 summit of heads of state and government and a speech by Chicago Fed Chairman Goolsbee, while in the US, Thanksgiving Day is celebrated next Thursday.

End of Q3 reporting season, G20 summit and Goolsbee speech in focus.

This week's data releases will focus on the consumer prices (Oct.) and retail sales (Oct.) from the UK, as well as the preliminary purchasing managers' indices (Nov.) for the manufacturing and services sectors in Germany, the US, the eurozone and the UK. Next week, the ifo Business Climate (Nov.) and Retail Sales (Oct.) for Germany, the preliminary US GDP annualised (Q3) and the Consumer Price Index (Nov.) for the Eurozone and Germany will be reported.

Consumer prices, retail sales and purchasing managers' indices in the investor's view.

European equities lag US equities more than ever



- European equities have performed the worst this year against US equities in the current millennium.
- AI-related speculation, decent quarterly figures and a robust US economy, coupled with the Fed's first interest rate cuts, led to a significant rally in US equities.
- By contrast, a slowdown in growth, weaker quarterly figures due to a high dependence on China and Donald Trump's election victory weighed on European equities.

Source: Bloomberg, Time period: 01/01/2000 - 15/11/2024

Multi Asset

	4-week & YTD: 4W (18/10/24 - 15/11/24)	4-week & YTD: YTD (29/12/23 - 15/11/24)	15/11/23 15/11/24	15/11/22 15/11/23	15/11/21 15/11/22	15/11/20 15/11/21	15/11/19 15/11/20
Global Convertibles	4.4	14.5	20.3	-3.5	-17.5	25.3	27.3
USDEUR	3.1	4.7	2.9	-4.6	9.8	4.1	-6.6
MSCI Frontier Markets	2.5	14.7	17.8	6.2	-24.0	35.4	-6.8
MSCI World	1.9	24.4	30.2	8.1	-7.5	34.4	5.2
Brent	1.1	7.9	1.5	-6.9	60.2	112.5	-42.8
Euro overnight deposit	0.3	3.4	3.9	3.0	-0.3	-0.6	-0.5
EUR Coporates	0.0	4.2	8.1	3.8	-14.3	0.0	2.1
EUR Sovereign Debt	-0.4	2.1	5.5	0.5	-10.5	-0.9	1.6
Industrial Metals	-1.5	10.3	10.8	-16.2	14.1	36.9	3.2
REITs	-1.6	10.3	20.3	-10.2	-13.8	30.1	-13.2
Gold	-2.9	30.1	34.6	5.1	4.9	2.6	20.2
MSCI Emerging Markets	-3.3	13.5	16.3	0.6	-15.8	14.8	8.3

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.

- Global capital markets have been mixed over the past four weeks. While the performance of global convertible bonds in EUR benefited from the stronger US dollar, the recent rise in real interest rates weighed on the precious metal gold.
- Trump's election victory and the associated risks - the introduction of tariffs, trade restrictions and a general review of relations with emerging markets - have recently weighed on emerging market equities.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 15/11/2019 – 15/11/2024

Equities

	4-week & YTD: 4W (18/10/24 - 15/11/24)	4-week & YTD: YTD (29/12/23 - 15/11/24)	15/11/23 15/11/24	15/11/22 15/11/23	15/11/21 15/11/22	15/11/20 15/11/21	15/11/19 15/11/20
MSCI USA Small Caps	4.3	20.2	32.3	-5.1	-8.8	45.7	2.4
S&P 500	3.2	30.6	36.0	9.8	-5.1	37.6	9.4
MSCI Japan	0.6	12.0	17.3	8.7	-11.9	17.8	0.5
Stoxx Europe Cyclicals	-2.2	13.3	22.6	9.4	-12.0	35.5	-3.6
MSCI EM Latin America	-2.2	-14.7	-7.8	11.3	22.9	13.6	-25.7
DAX	-2.3	14.7	22.0	9.5	-11.0	23.5	-1.2
Stoxx Europe Small 200	-3.4	4.5	11.6	2.1	-23.6	35.1	1.6
MSCI UK	-3.5	11.9	17.0	5.2	3.9	28.0	-16.3
Euro Stoxx 50	-3.8	8.6	13.9	13.0	-8.5	30.2	-5.6
MSCI EM Asia	-3.9	17.5	19.5	0.2	-17.6	11.1	18.3
Stoxx Europe 50	-4.8	6.9	11.7	9.1	0.2	27.3	-6.2
Stoxx Europe Defensives	-6.0	6.7	9.6	6.4	1.3	21.6	-5.1

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

- As we expected, the certainty of the outcome of the US presidential election led to the unwinding of market hedges and a risk-on rally in the US equity market the day after the election, which benefited Trump trades such as US small caps.
- Weak growth forecasts, political uncertainty in Europe's largest economy and the prospect of a possible trade war with the US have recently weighed on European equity indices.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 15/11/2019 – 15/11/2024

Fixed Income

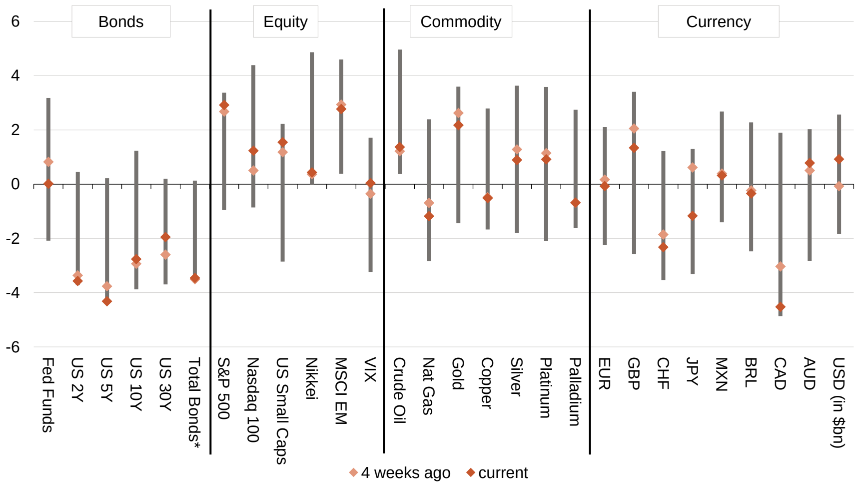
	4-week & YTD: 4W (18/10/24 - 15/11/24)	4-week & YTD: YTD (29/12/23 - 15/11/24)	15/11/23 15/11/24	15/11/22 15/11/23	15/11/21 15/11/22	15/11/20 15/11/21	15/11/19 15/11/20
USD High Yield	2.9	12.8	16.6	2.2	-1.0	10.6	-2.9
EM Hard Currency Bonds	1.7	11.6	18.2	0.7	-11.8	4.5	-2.1
Treasuries	1.4	5.5	8.8	-4.8	-3.4	0.6	0.7
USD Corporates	0.9	6.5	13.0	-2.0	-10.3	3.7	3.1
EUR High Yield	0.4	7.8	12.2	7.9	-11.8	6.0	2.1
Chinese Sovereign Bonds	0.4	6.5	7.7	4.1	4.2	5.9	2.9
EUR Financials	0.1	5.2	9.0	4.7	-13.7	0.4	1.7
EM Local Currency Bonds	0.1	3.5	5.8	6.6	-6.8	0.3	-5.5
EUR Non-Financials	-0.1	3.4	7.5	3.0	-14.7	-0.2	2.3
Bunds	-0.6	0.2	5.0	-2.1	-16.2	-1.6	1.5
BTPs	-0.7	4.7	9.6	1.0	-15.5	-0.9	6.6
Gilts	-3.2	0.2	6.8	-5.8	-24.4	2.8	0.6

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 stronger US dollar over the past four weeks has helped the EUR-denominated performance of USD high yield, US Treasuries and hard currency emerging market bonds.
- The BoE's upward revision of inflation forecasts and Governor Bailey's warning that interest rates could not be cut very sharply and quickly weighed on UK gilts recently.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 15/11/2019 – 15/11/2024

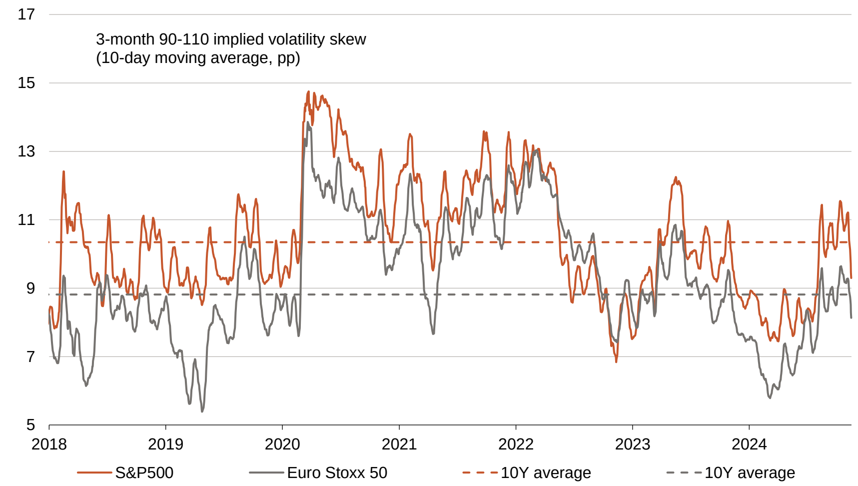
Non-Commercial Positioning



- Speculative investors have built up short positions in natural gas as a result of the US election. With Trump as president-elect and the Republican motto 'Drill, baby, drill', investors are expecting low energy prices.
- The US dollar, on the other hand, is one of the big winners of the election outcome. Accordingly, positioning has turned from net short to long.

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: 12/11/2014 - 12/11/2024

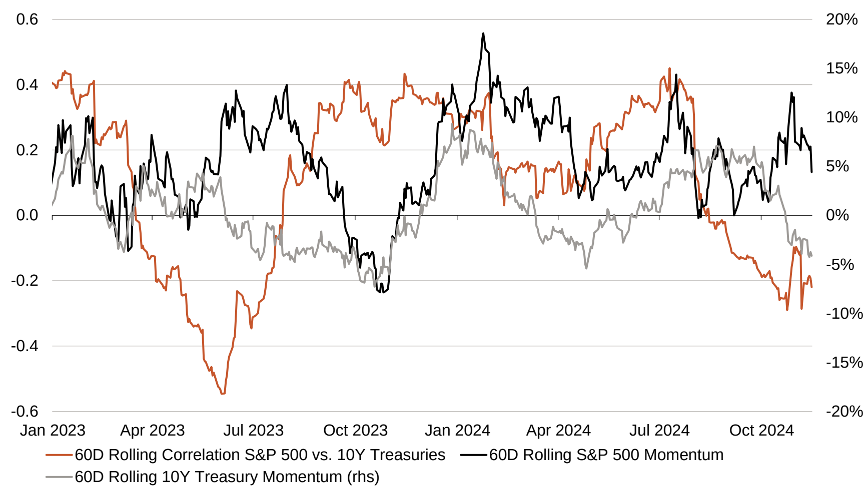
Put-Call-Skew



- The skew has flattened significantly in recent weeks, particularly in the US, but is now also below the 10y average in Europe.
- Now that the uncertainty surrounding the US elections is behind us, the prices for out-of-the-money put options have fallen compared to call options.

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: 15/11/2014 - 15/11/2024

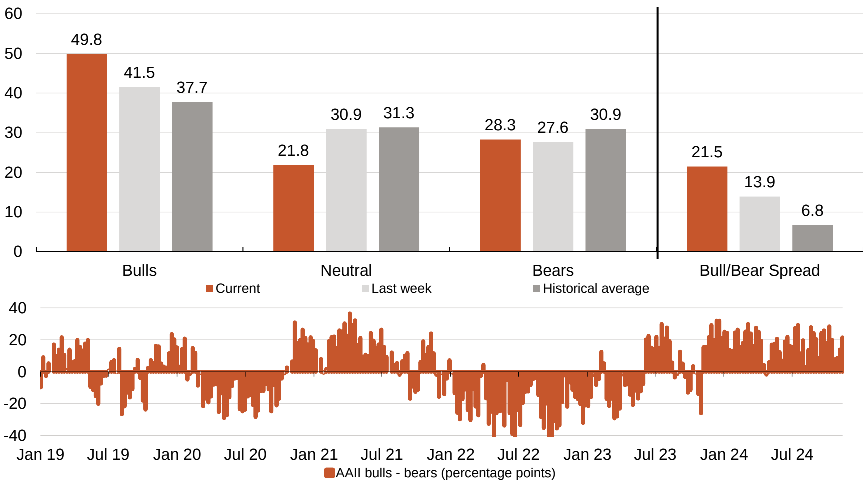
60-Day Momentum and Correlation



- The 3M momentum of the S&P 500 remains positive even after the US election. Overall, momentum has been positive almost continuously this year, with the exception of a few days at the beginning of August.
- US government bonds have been on a downward trend for several weeks, resulting in a negative 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 - 15/11/2024

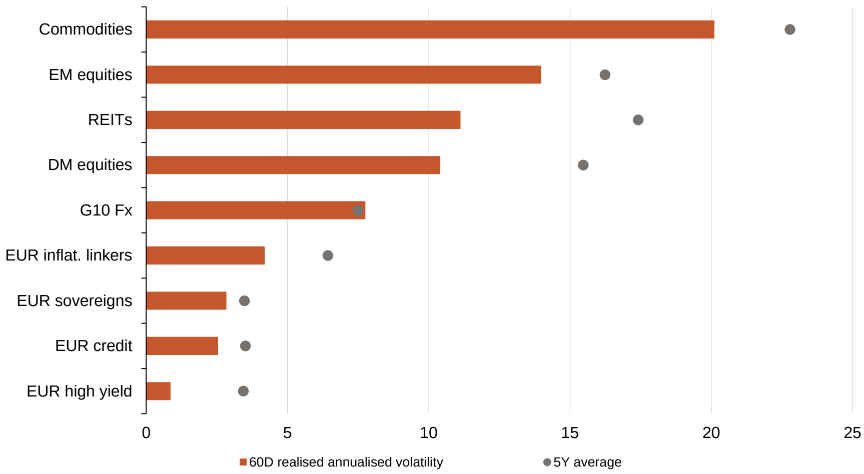
AAII Sentiment Survey (Bulls vs Bears)



- The exuberant sentiment of US private investors is back. The bulls are almost in the absolute majority and the bull/bear spread is at a 5-week high of over 20 ppts.
- Not only private investors, but also professional fund managers are very positive about the coming months, according to a survey by Bank of America.

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 – 14/11/2024

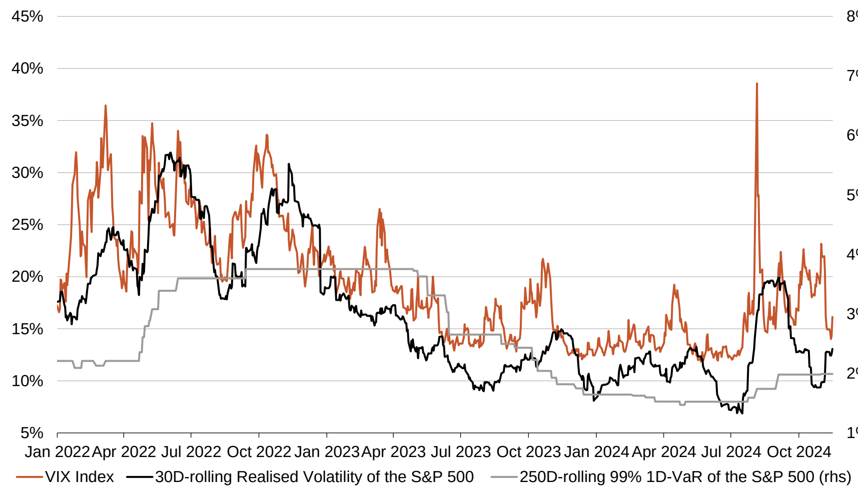
Realised Volatilities



- The realised volatility over the last 60 days exceeds the 5-year average for the G10 currencies. The US election resulted in a significant appreciation of the dollar against other currencies.
- Within the other asset classes, volatility remains below the medium-term average.

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: 15/11/2019 – 15/11/2024

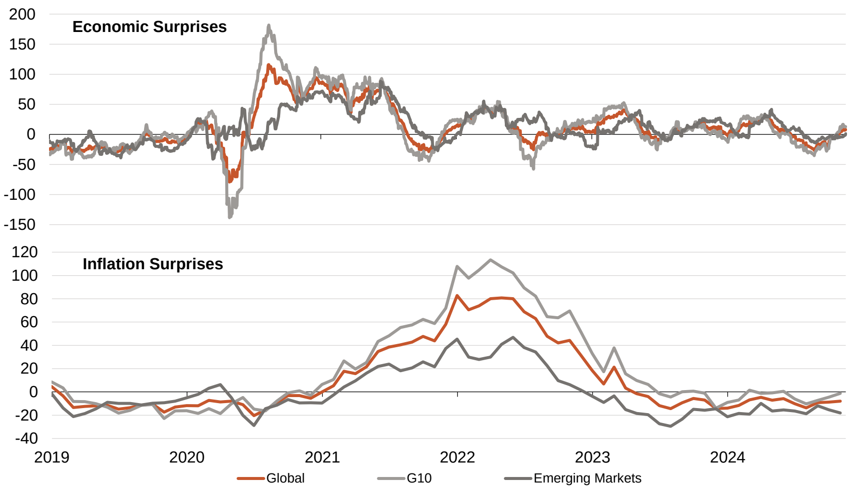
Volatility and Value-at-Risk of the S&P 500



- The volatility premium narrowed rapidly from both sides after the US election. The VIX fell from over 20 to under 15 and the realised 30-day volatility exceeded the 10% mark.
- Investors therefore expect only moderate fluctuations in equity markets towards the end of the year.

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 – 15/11/2024

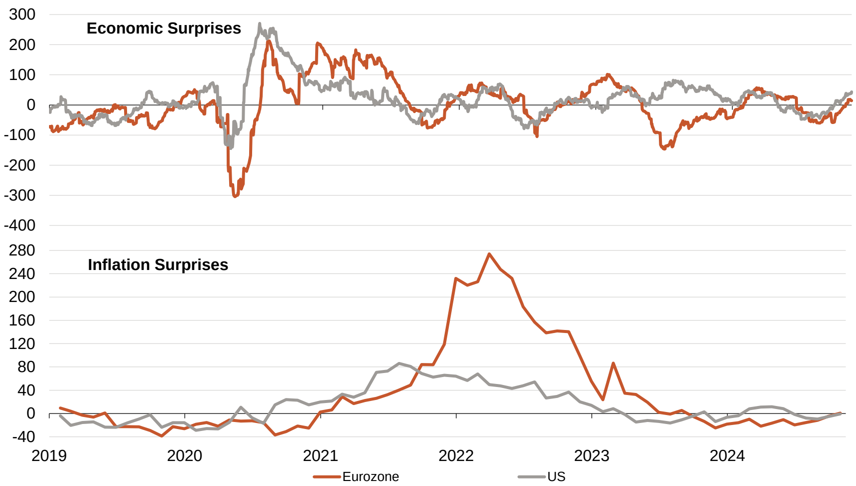
Global



- Over the past two weeks, negative economic surprises in emerging markets have increasingly diminished, while positive economic surprises in developed markets have continued to increase.
- In Canada, the unemployment rate came in below expectations in October, while building permits surprised on the upside in September.
- In India, industrial production beat expectations in September, while retail sales in China surprised on the upside in October.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 15/11/2024

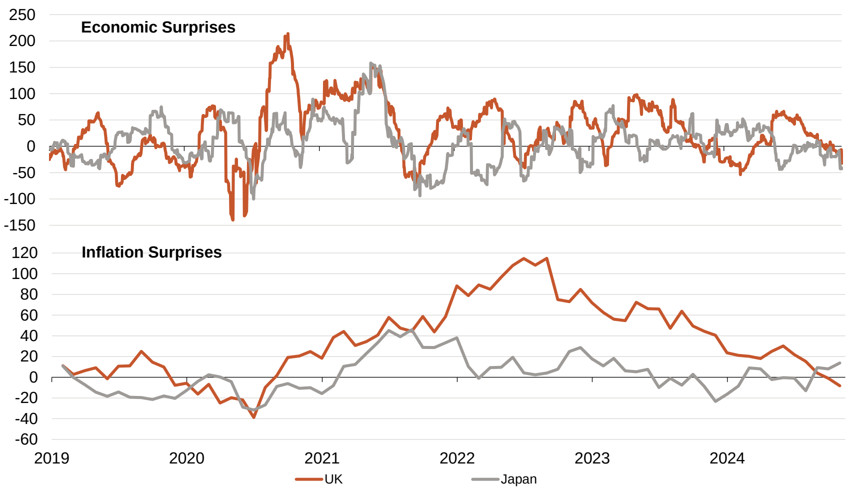
Eurozone and US



- Positive economic surprises have increased on both sides of the Atlantic over the past two weeks.
- In the US, the latest initial jobless claims came in below expectations, while wholesale sales and durable goods orders surprised on the upside in September.
- In the eurozone, third-quarter GDP growth was in line with expectations, while September industrial production disappointed.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 15/11/2024

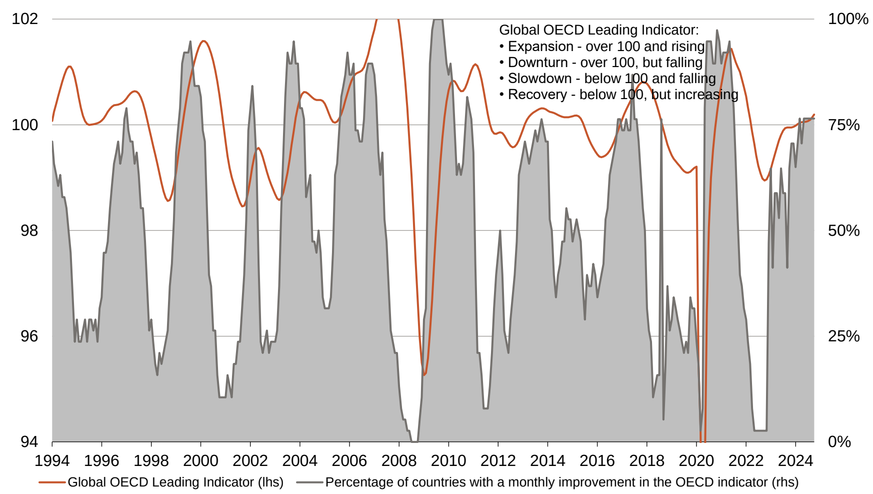
UK and Japan



- In the UK, third quarter GDP growth came in below expectations, while the September unemployment rate surprised on the upside.
- In Japan, GDP growth surprised on the upside in the third quarter.

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 - 15/11/2024

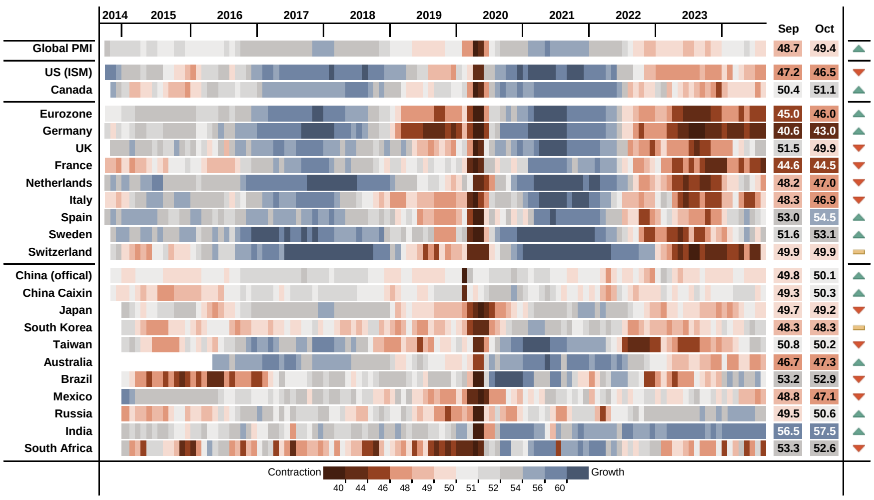
OECD Leading Indicator



- The global economy continues to expand. In October, the OECD's revised leading indicator stood at 100.2, above the 100 mark for the ninth consecutive month.
- According to the revised leading indicator, economic conditions improved in 76% of the countries surveyed in October compared with the previous month, with Canada again recording the largest increase and the UK the largest 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 – 15/11/2024

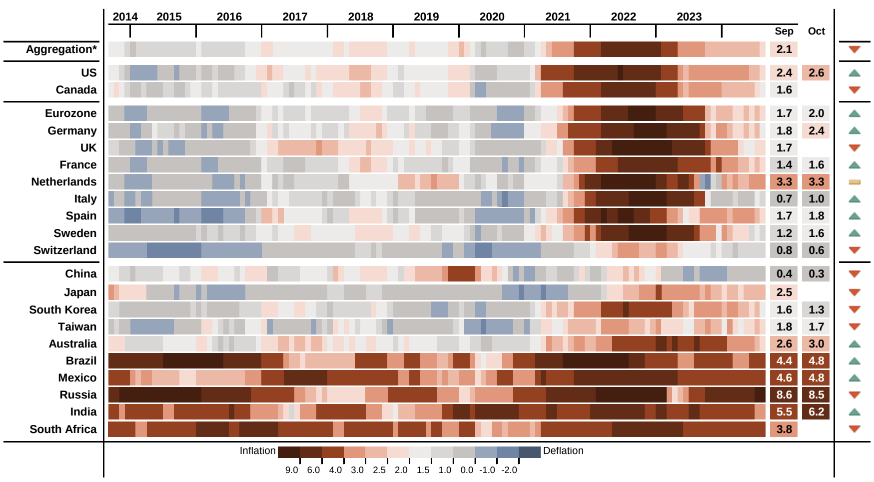
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The global Purchasing Managers' Index improved in October compared with the previous month, but global industrial activity remains below the growth threshold of 50 points. In Germany, the PMI index was above expectations but still well below the 50 mark.

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 points 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 – 15/11/2024

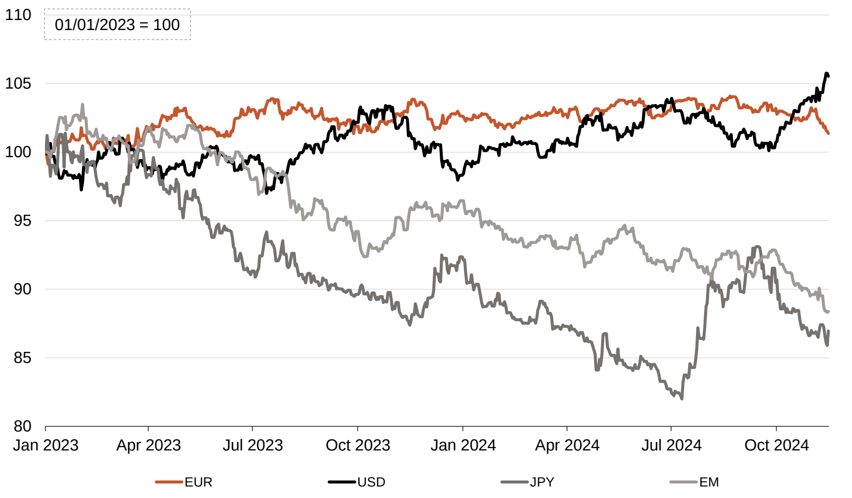
Headline Inflation



- Consumer price inflation data for October show that, despite the disinflationary trend of recent months, the fight against inflation is not yet over. In the US, higher prices for used cars in particular led to an increase in the annual inflation rate compared with the previous month.

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 – 15/11/2024

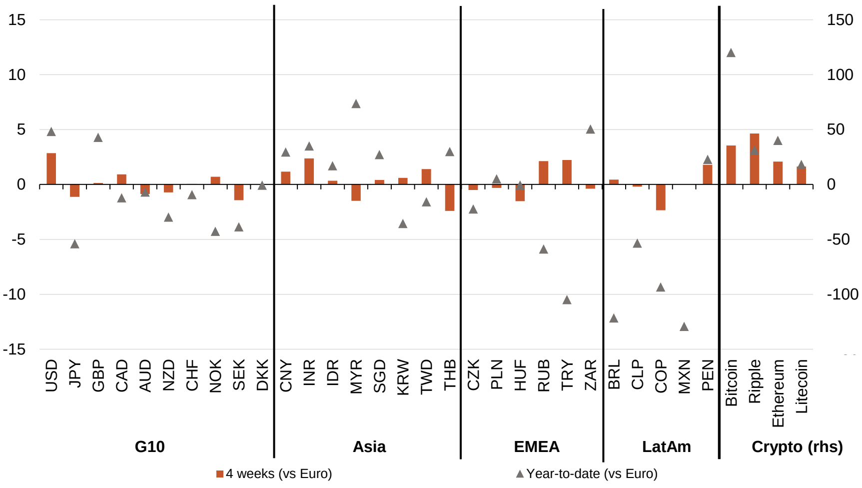
Trade-Weighted Currency Development



- Donald Trump's victory in the US presidential election and the Republican Party's majority in both houses of Congress lifted the US dollar to its highest level on a trade-weighted basis since November 2022.
- The prospect of tariffs and trade wars, as well as a fundamental rebalancing of US relations with Europe and emerging markets, weighed on both the euro and emerging market currencies.

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 - 15/11/2024

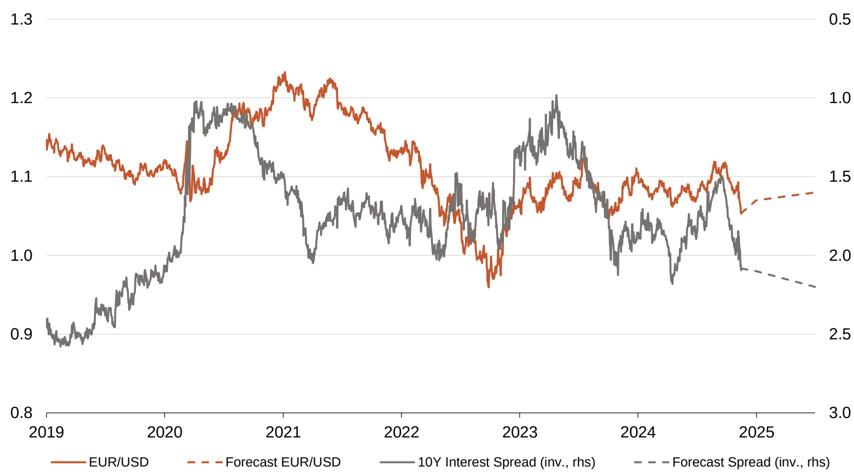
Currency Moves vs Euro



- Better-than-expected Turkish current account figures for September and higher-than-expected consumer price inflation in October supported the Turkish lira over the past four weeks.
- The prospect of a rebalancing of trade relations with the US and the Mexican central bank's interest rate cut recently weighed on the Mexican peso, which has been weak since the start of the year.
- Bitcoin continued its winning streak, recently trading above the $90,000 mark.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 15/11/2024

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



- In line with market expectations, the Fed cut the federal funds rate by 25 basis points after its scheduled meeting two weeks ago. Although consumer price inflation was in line with expectations in October, Jerome Powell warned that interest rate decisions would be made very cautiously in a strong economy and that inflation was still on an uneven path.

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

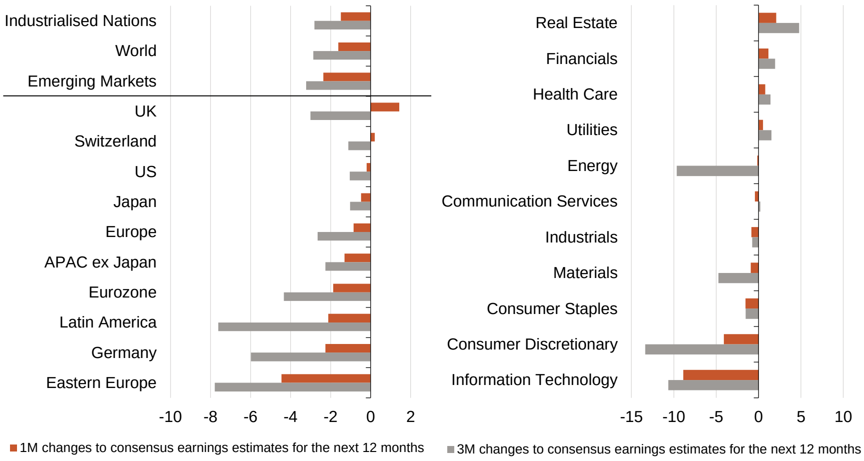
	4W (18/10/24 - 15/11/24)	YTD (30/12/23 - 15/11/24)	15/11/23 15/11/24	15/11/22 15/11/23	15/11/21 15/11/22	15/11/20 15/11/21	15/11/19 15/11/20
	4-week & YTD		12-month periods over that last 5 years				
Energy	-0.4	-2.1	-3.7	8.7	37.7	51.5	-41.6
Finance	-1.3	22.4	30.7	14.6	-5.5	38.2	-17.1
Industrials	-2.1	14.6	26.6	11.8	-13.4	30.9	2.1
Information Technology	-2.5	4.9	12.8	10.5	-22.1	53.4	8.1
Value	-2.9	10.7	16.7	9.4	-0.4	26.9	-14.9
Telecommunications	-3.4	15.4	20.3	5.6	-8.8	15.8	-15.6
Consumer Discretionary	-4.2	-1.5	1.7	9.0	-16.7	35.6	1.6
Growth	-5.5	4.2	10.1	5.8	-14.6	31.5	5.9
Utilities	-5.7	3.2	10.1	6.0	-4.7	7.6	14.4
Materials	-5.8	-0.7	6.3	0.9	-1.8	30.8	3.4
Consumer Staples	-6.3	-3.0	-1.5	-0.2	-6.1	16.5	-0.5
Health Care	-9.2	5.5	10.2	4.4	-3.5	20.5	5.0

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.

- Over the past four weeks, fears of tariffs following Donald Trump's election victory have weighed heavily on European equities. Defensive sectors such as Healthcare, Consumer Staples and Utilities have lost the most ground.
- None of these sectors have posted gains over the past four weeks.

Total return of European equity sectors and European style indies, in euros and in percent, sorted by 4-week performance. The difference between Value and Growth lies in the valuation. A growth stock is highly valued because the company is expected to grow strongly. Value stocks usually have less growth potential and are valued lower.
Source: Factset, Time period: 15/11/2019 – 14/11/2024

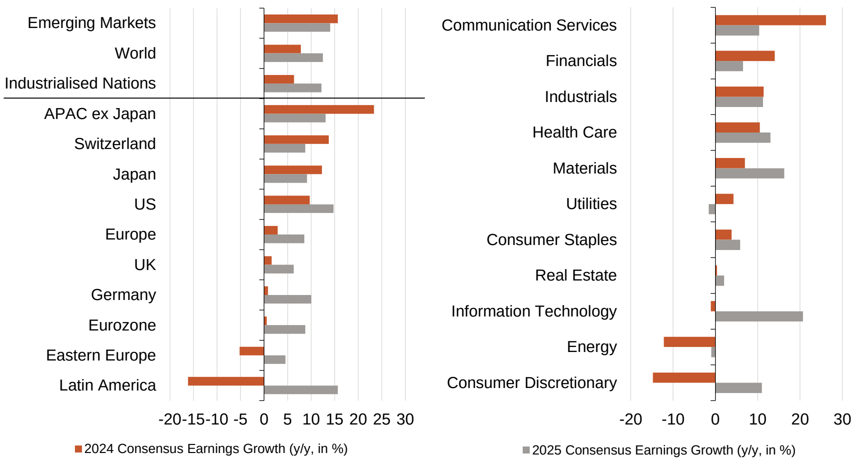
Changes in Consensus Earnings Estimates



- In the wake of the strong reporting season, analysts' earnings expectations have recently been revised up slightly. In absolute terms, however, only the UK and Switzerland saw slightly positive earnings revisions last month.
- At the European sector level, only real estate and financials have seen positive earnings revisions. IT companies and consumer discretionary stocks, on the other hand, continue to be weighed down by lower estimates.

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 15/11/2024

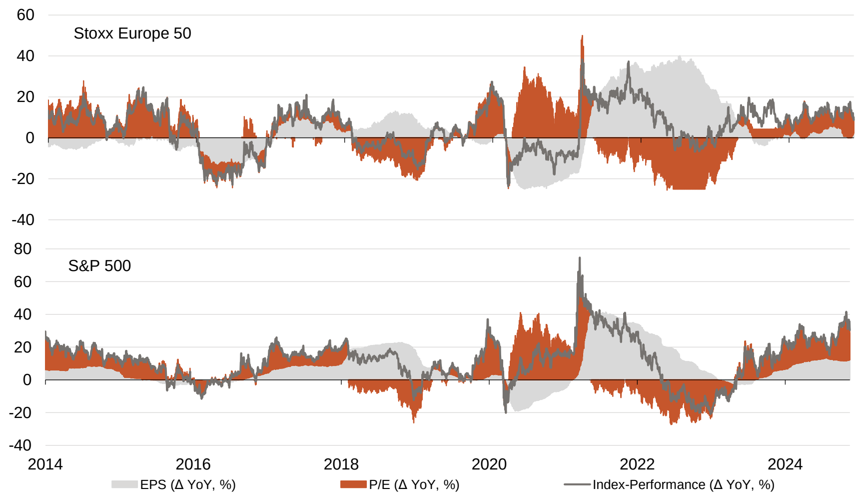
Earnings Growth



- Analysts are expecting earnings to rise significantly in some cases next year, not only regionally but also at the sector level. Estimates for information technology stocks are the highest at over 20%. Only for utilities and energy companies does the consensus expect no or slightly negative earnings growth.

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 15/11/2024

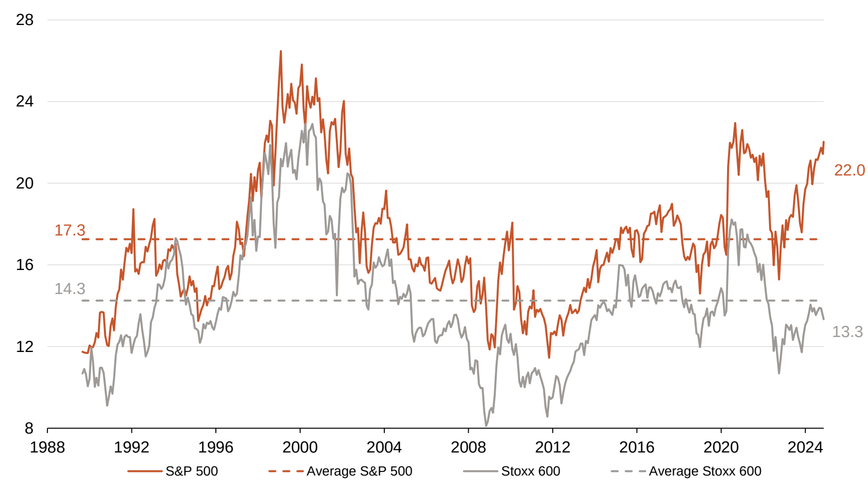
Contribution Analysis



- The widening of valuations in the US has continued with the election of Donald Trump. However, in contrast to Europe, part of the stock market's performance in recent months can be explained by higher earnings. In Europe, prices are currently being driven almost entirely by a widening of valuations.

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 - 15/11/2024

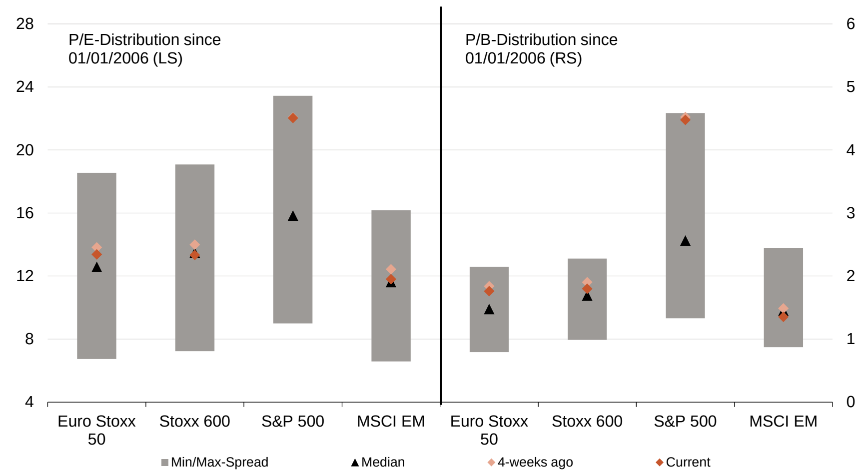
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Donald Trump's election victory has led to a further increase in the valuation of US equities. With a P/E ratio of 22, the S&P 500 is now well above its long-term average of around 17.
- By contrast, the valuation of European equities has fallen slightly further in the wake of the price declines. As a result, the already wide valuation gap between the US and Europe has widened further.

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 - 15/11/2024

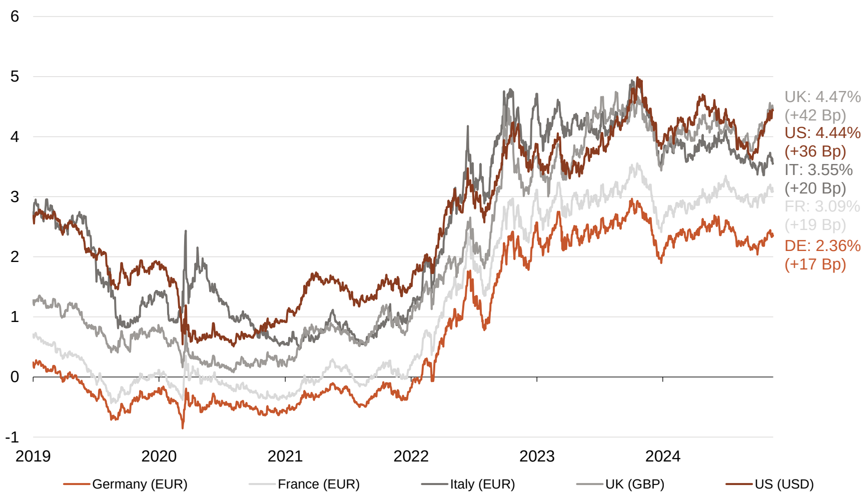
Historical Distribution: Price/Earnings and Price/Book Ratio



- Current valuation levels in the US are approaching historical highs on both a P/E and P/B basis. While European equity indices and emerging market equities are only slightly off their median valuation, the gap is very wide for US equities.

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 - 15/11/2024

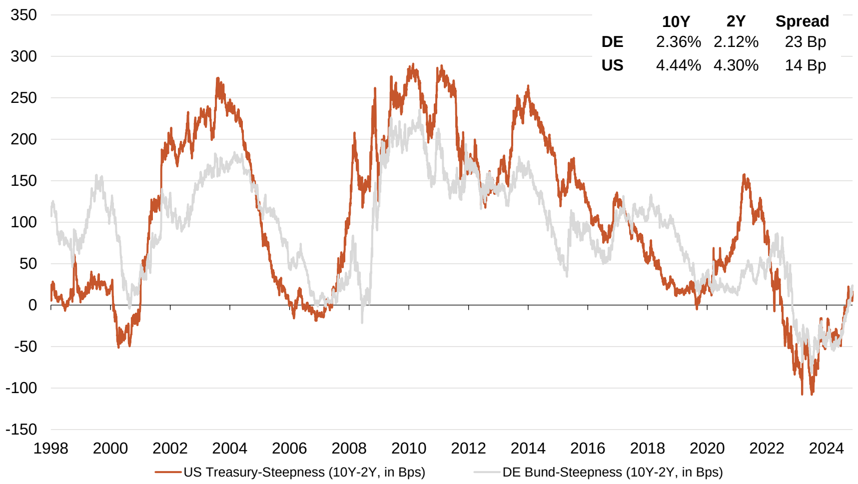
10-Year Government Bond Yields



- Donald Trump's election victory led to a rise in US 10-year government bond yields on fears of higher inflation and a larger budget deficit.
- In contrast, European government bond yields have fallen slightly, at least over the last two weeks. During this period, the yield on 10-year German government bonds fell by 5 basis points to 2.36%. This has further widened the interest rate differential between German and US bonds, weighing on the euro.

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 - 15/11/2024

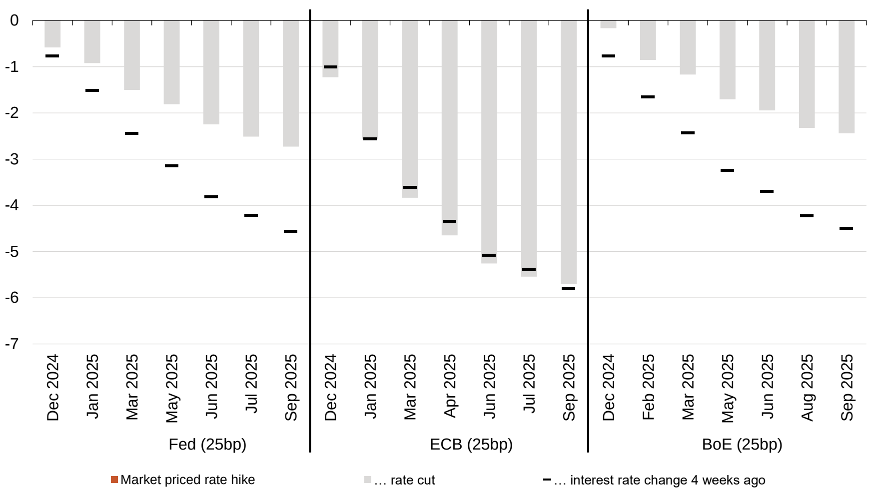
Yield Curve Steepness (10Y - 2Y)



- The stronger rise in yields on shorter-dated US Treasuries led to a slight flattening of the yield curve.
- The increased likelihood of further interest rate cuts by the ECB has led to a sharper decline in yields on shorter-dated German government bonds and a steepening of the German 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 - 15/11/2024

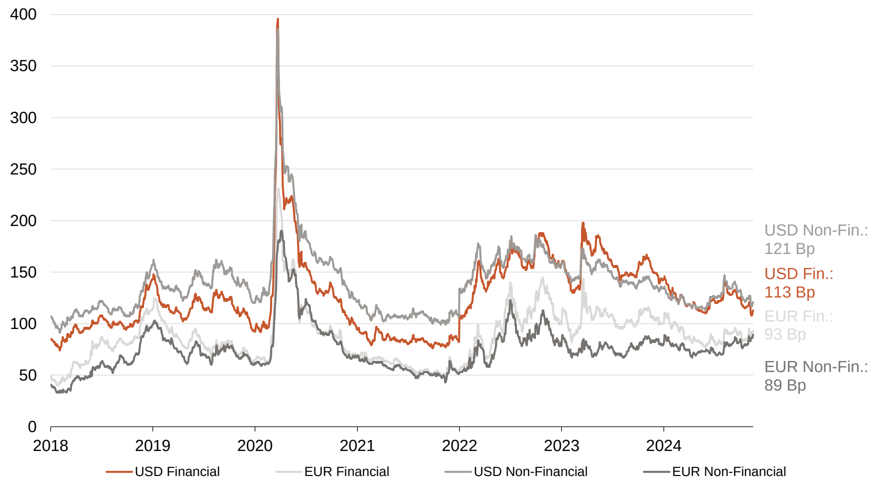
Implicit Changes in Key Interest Rates



- Donald Trump's election victory, the associated expectation of higher inflation due to tariffs and looser fiscal policy, as well as hawkish comments from Fed Chairman Powell, led to a more pronounced pricing out of Fed rate expectations for 2025.
- The tendency towards a negative impact from Trump and an already slowing economy in Europe led to a slight increase in expectations for ECB rate 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: 22/02/2024 - 15/11/2024

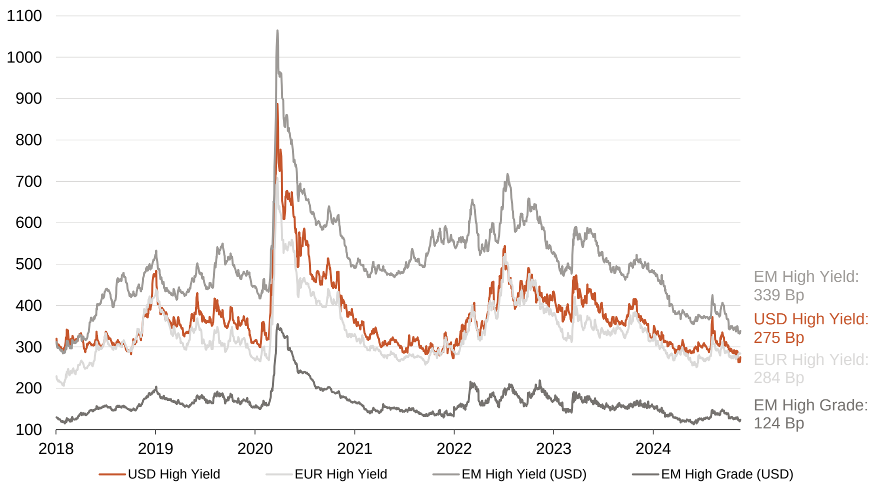
Credit Spreads Financial and Non-Financial Bonds



- In the wake of the general risk appetite of the past two weeks, risk premiums on USD corporate bonds have also fallen further and are trading close to their early 2022 levels. Historically, the segment tends to be expensive, although the absolute yield still looks attractive.
- Meanwhile, spreads on euro-denominated corporate bonds remain at low levels.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2019 – 15/11/2024

Credit Spreads High Yield and Emerging Markets Bonds



- Risk premiums on high-yield bonds have followed the trend since the beginning of the year and, in line with the general risk-on environment, have narrowed further, similar to the investment-grade segment.
- Spreads on both US and emerging market high-yield bonds have recently narrowed by more than 5 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 – 15/11/2024

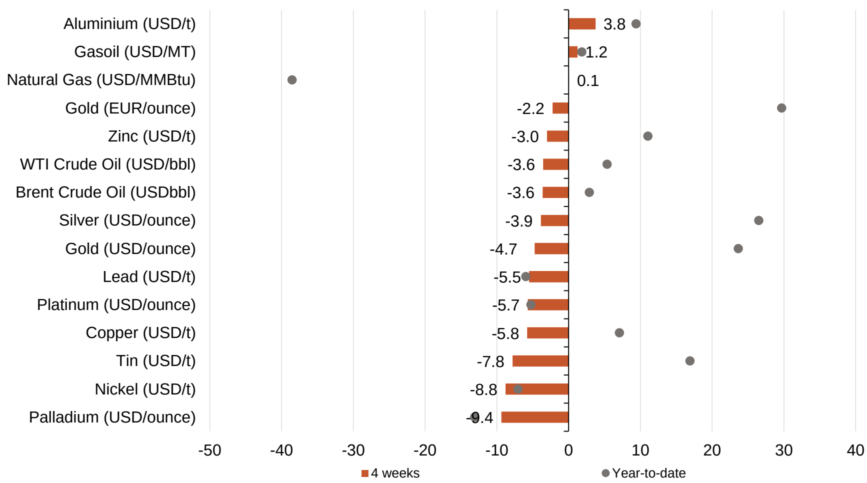
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	15/11/23 15/11/24	15/11/22 15/11/23	15/11/21 15/11/22	15/11/20 15/11/21	15/11/19 15/11/20
EUR Government	2.74	0.04	7.1	-	-	-	-0.1	1.6	6.7	-1.1	-16.8	-2.0	3.7
Germany	2.24	0.04	7.3	-	-	-	-0.3	0.3	5.0	-2.1	-16.2	-1.7	1.5
EUR Corporate	3.27	-0.06	4.4	91	9	75	0.4	4.3	8.2	3.7	-14.1	0.1	2.0
Financial	3.37	-0.08	3.7	93	8	61	0.4	4.9	8.5	4.3	-12.2	0.2	1.7
Non-Financial	3.20	-0.04	4.9	89	9	83	0.3	3.9	8.0	3.3	-15.2	0.0	2.2
EUR High Yield	5.96	-0.04	3.2	284	8	23	0.7	7.8	12.2	7.9	-11.8	6.0	2.1
US Treasury	4.41	0.36	6.0	-	-	-	-1.9	0.7	5.5	-0.4	-12.7	-2.9	7.9
USD Corporate	5.30	0.33	6.6	119	-2	26	-1.9	2.9	9.7	3.2	-16.3	0.5	8.9
Financial	5.30	0.30	5.0	113	-3	34	-1.3	4.5	10.0	4.2	-13.5	0.2	8.5
Non-Financial	5.30	0.34	7.4	121	-2	24	-2.1	2.2	9.5	2.8	-17.5	0.7	9.0
USD High Yield	7.50	0.20	3.8	275	-16	0	0.1	7.8	13.5	7.7	-10.6	8.2	5.1
EM High Grade	5.21	0.25	5.4	124	-7	2	-1.0	4.4	9.4	4.9	-16.2	0.8	5.5
EM High Yield	7.92	0.21	4.0	339	-11	4	0.0	12.2	18.3	9.0	-19.8	1.2	6.4

- High risk appetite and the further narrowing of asset swap spreads extended the good annual performance of both emerging market and USD high yield bonds. However, credit spreads are now trading close to 10-year lows.
- US government bonds have fallen the most over the last four weeks.

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: 15/11/2014 – 15/11/2024

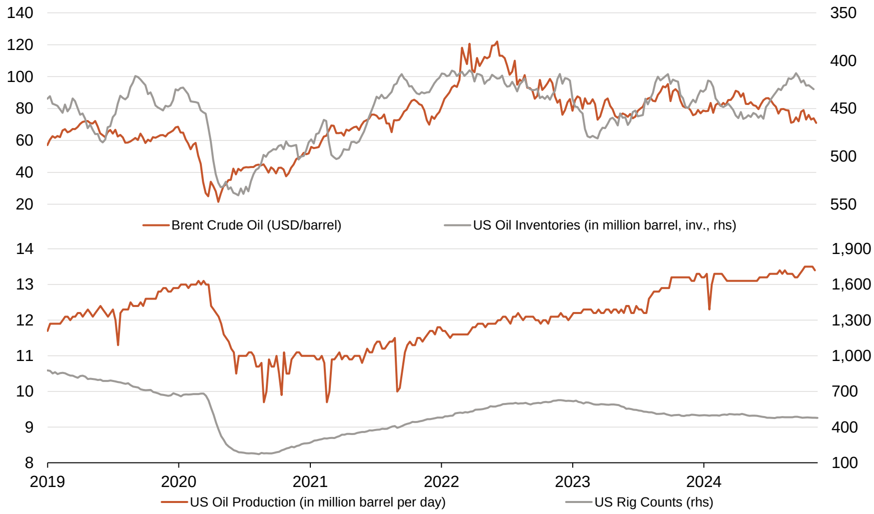
Commodities Performance



- Commodity markets have come under pressure across the board in the last four weeks.
- The stronger US dollar weighed on the prices of all commodities. Cyclical commodities also suffered from the disappointing stimulus measures taken by the Chinese central government so far. Precious metals, on the other hand, were mainly affected by the rise in interest rates.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2023 – 15/11/2024

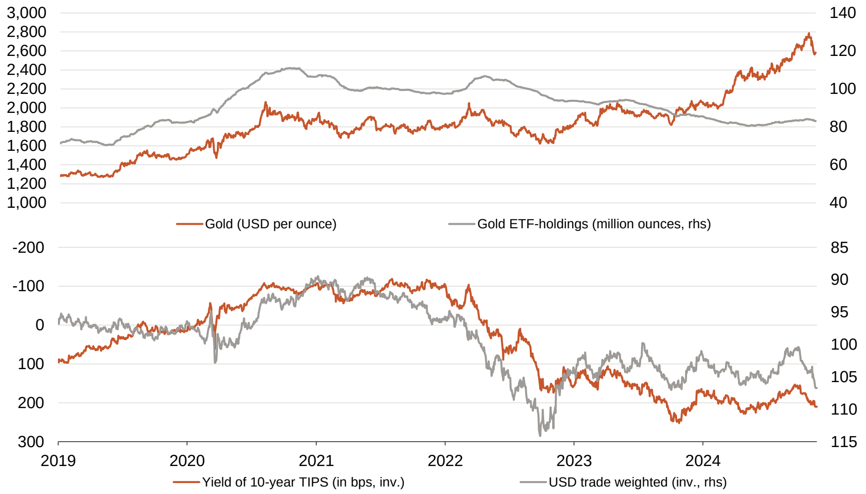
Crude Oil



- The oil price (Brent) has fluctuated between USD 70 and 75 per barrel in recent weeks. Although supply and demand currently appear balanced, the market is looking ahead to next year with concern, as supply appears to be abundant.
- OPEC+ is trying to counteract this by extending existing production cuts. Most recently, the cartel again revised its demand forecast downwards.

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 – 15/11/2024

Gold



- The rally in gold came to an abrupt end with the US election. Headwinds came from all sides: the US dollar appreciated sharply, real interest rates rose significantly in advance of the election and, most recently, investors reduced their positions in futures and ETFs. The latter recorded outflows of almost 600,000 ounces since the beginning of the month.

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 – 15/11/2024

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