

Current market commentary

In the last few days, the music on the global stock markets has been playing below the surface. Europe was able to catch up somewhat with the US. The US suffered from year-end shifts – many investors have to reduce their strategic allocation of US equities, as these have performed significantly better than all other regions or asset classes this year, with the exception of gold. In return, “loser assets” such as French equities are being increased. In addition, European equities are currently benefiting from hopes of an early peace in Ukraine under Donald Trump and hopes of more reform-friendly policies in Germany after the February elections. Both the SNB and the ECB continued their cycle of interest rate cuts last week. Gold recovered accordingly from its recent mini-sell-off. Historically, the turn of the year has been a good phase for equities – stock markets are likely to remain supported until Trump's inauguration.

Short-term outlook

After the ECB's December meeting last week, investors will now focus on the Fed's meeting on 18 December and the Bank of England's meeting on 19 December until the end of the year, before the Christmas holidays are likely to make things quieter until the end of the year.

On the economic front, US and German preliminary purchasing managers' indices (Dec) are due today, while US retail sales (Nov), US industrial production (Nov) and German ifo (Dec) and ZEW (Dec) indices are due tomorrow. US Housing Starts (Nov.) are due on Wednesday and US GDP (Q3) on Thursday. US consumer spending data (Nov.) will follow on Friday. The final PMIs for the US, China and the Eurozone will be released between the holidays.

The Multi Asset Strategy & Research team at Berenberg Bank wishes you happy holidays and all the best for the New Year.

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

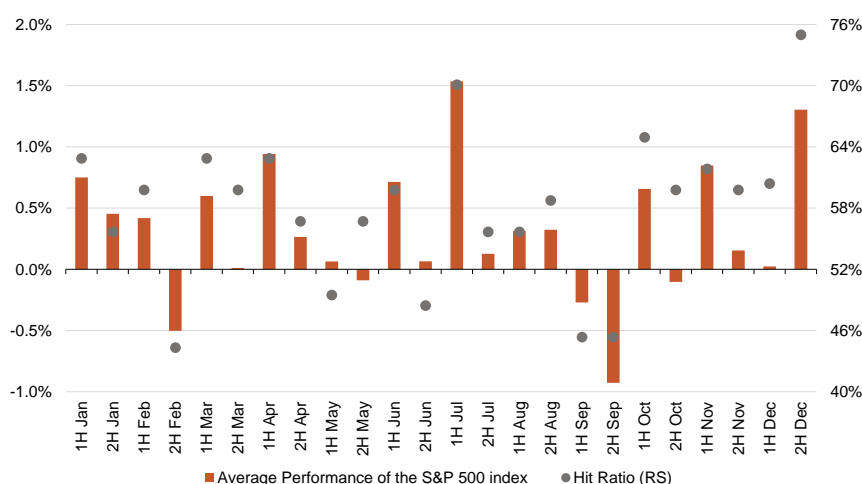
- Performance
- Positioning
- Sentiment
- Surprise Indicators
- Economics
- Foreign Exchange
- Equities
- Sovereign Bonds & Central Banks
- Corporate Bonds
- Commodities

Central banks in market focus.

Purchasing managers' indices in the USA, China and the eurozone in the investor's eye.

We wish you happy holidays and a good start to the New Year!

Seasonality remains very supportive until mid-January



- From a seasonal perspective, the end of the year and the beginning of the new year promise a continuation of the good stock market performance. This is due, among other things, to seasonally strong fund inflows and optimism for the new year.
- Since 1928, the S&P 500 Index has returned an average of 1.3% in the second half of December, with a 75% hit rate. This makes it the second-best half of the month of the year. Prices also tend to trend positively at the beginning of January.

Source: Bloomberg, Time period: 01/01/1928 - 13/12/2024



Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (15/11/24 - 13/12/24)	YTD (29/12/23 - 13/12/24)	13/12/23	13/12/22	13/12/21	13/12/20	13/12/19
Brent	5.9	14.3	15.4	0.2	48.4	76.1	-37.8
Gold	3.7	34.9	37.3	7.9	7.6	4.2	14.4
MSCI World	3.5	28.7	28.3	14.3	-7.1	31.2	5.4
Global Convertibles	3.4	18.3	18.1	4.1	-14.2	10.1	34.5
MSCI Emerging Markets	2.6	16.6	19.7	1.9	-14.1	7.2	8.5
Industrial Metals	2.1	12.6	16.6	-16.9	10.9	30.6	9.3
MSCI Frontier Markets	1.9	16.9	16.6	3.5	-17.5	30.3	-7.3
EUR Corporates	0.8	5.0	6.5	4.0	-12.6	-0.6	2.8
EUR Sovereign Debt	0.7	2.8	4.0	1.7	-10.0	-1.0	2.0
USDEUR	0.4	5.1	3.6	-2.2	6.1	7.3	-8.2
Euro overnight deposit	0.2	3.6	3.8	3.2	-0.1	-0.6	-0.5
REITs	-0.9	9.3	9.5	-2.9	-15.7	40.5	-14.6

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.

- In the past four weeks, gold continued its positive performance since the beginning of the year and, despite higher bond yields and a stronger dollar, is also among the top performers at the end of the year.
- Hopes of further easing by the Chinese government boosted industrial metals and crude oil.
- REITs have continued to trend in the past four weeks due to higher bond yields.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
 Source: Bloomberg, Time period: 13/12/2019 - 13/12/2024

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (15/11/24 - 13/12/24)	YTD (29/12/23 - 13/12/24)	13/12/23	13/12/22	13/12/21	13/12/20	13/12/19
DAX	6.2	21.8	21.7	15.6	-7.2	19.1	-1.3
Euro Stoxx 50	3.8	12.6	12.4	16.5	-2.3	22.3	-4.6
S&P 500	3.7	35.5	33.9	17.2	-6.9	38.7	8.0
MSCI UK	3.3	15.6	17.9	4.1	9.2	24.0	-17.7
Stoxx Europe Cyclical	3.2	17.0	19.7	14.1	-6.8	25.7	-2.7
Stoxx Europe 50	3.1	10.2	10.8	10.0	5.2	23.8	-6.1
MSCI EM Asia	3.0	21.0	24.0	-0.3	-15.2	5.4	16.9
MSCI USA Small Caps	2.8	23.6	25.2	7.6	-6.0	27.5	7.6
MSCI Japan	2.5	14.8	16.1	12.4	-10.3	12.3	2.3
Stoxx Europe Small 200	1.3	5.9	10.1	3.8	-18.0	24.5	0.5
Stoxx Europe Defensives	0.6	7.4	7.7	5.9	6.5	19.3	-6.1
MSCI EM Latin America	-17.2	-3.0	-13.9	25.2	15.8	-1.6	-19.9

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

- Recently, European equities have risen significantly and also held their own against US equities. In the process, cyclical equities rose sharply against defensive stocks, which fell slightly.
- In addition to European stocks, equities in Japan and Asia also rose slightly in euro terms.
- Equities from Latin America continue to lag behind and have lost slightly in the past 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: 13/12/2019 - 13/12/2024

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (15/11/24 - 13/12/24)	YTD (29/12/23 - 13/12/24)	13/12/23	13/12/22	13/12/21	13/12/20	13/12/19
EM Hard Currency Bonds	1.9	13.8	14.1	4.6	-11.3	6.6	-3.3
Chinese Sovereign Bonds	1.9	8.5	9.4	4.8	3.4	6.1	2.4
USD High Yield	1.4	14.4	13.9	5.9	-1.5	12.0	-4.0
USD Corporates	1.4	8.1	6.6	2.8	-9.9	7.0	1.0
BTPs	1.3	6.1	7.6	2.4	-14.5	-1.2	7.1
EM Local Currency Bonds	1.1	4.7	6.0	7.8	-6.3	-1.8	-4.7
Gilts	1.0	1.2	3.1	-1.8	-26.2	4.9	-0.8
Treasuries	1.0	6.6	5.4	-0.5	-5.8	5.2	-1.0
EUR High Yield	0.9	8.8	10.5	9.0	-10.5	3.5	2.9
EUR Non-Financials	0.9	4.3	5.8	3.5	-13.0	-0.8	3.1
Bunds	0.9	1.1	2.3	-0.7	-15.2	-1.5	2.8
EUR Financials	0.7	6.0	7.4	4.7	-12.0	-0.2	2.3

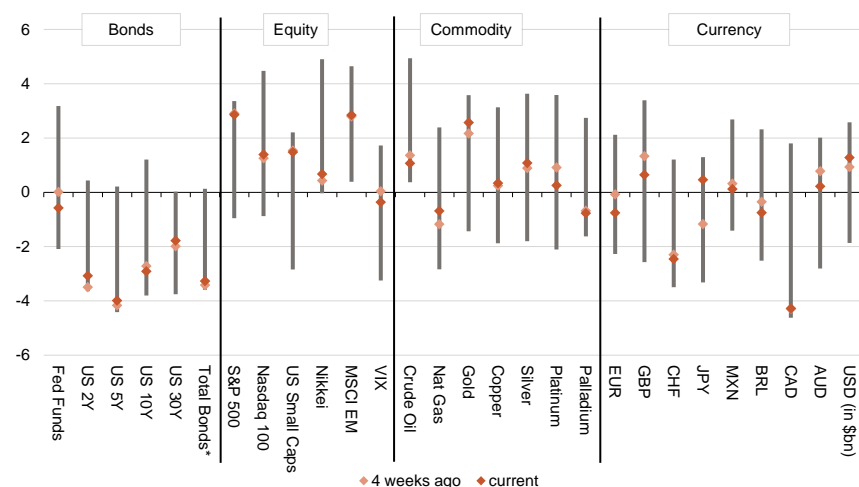
Bunds: IBOXX Euro Germany Sov TR; BTPs: IBOXX Euro Italy Sov TR; Treasuries: ICE BofA US Treasury TR;
 Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials: IBOXX Euro Fin. Overall TR;
 EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE BofA EUR Liquid HY TR; USD Corporates: ICE BofA USD Corp TR;
 USD High Yield: ICE BofA USD Liquid HY TR; EM Hard Currency: JPM EMBI Glo Div Unh. EUR TR; EM Local Currency: JPM GBI-EM Glo Div Comp Unh. EUR TR

- Over the past four weeks, all bond segments developed positively in euro terms. In addition to hard-currency and local-currency bonds from emerging markets, US government bonds also benefited from the stronger dollar.
- Euro financial bonds, which have performed very well since the beginning of the year, posted moderate gains.

Total return (including reinvested coupons) for selected bond indices, in euros and in percent, sorted by 4-week performance.
 Source: Bloomberg, Time period: 13/12/2019 - 13/12/2024



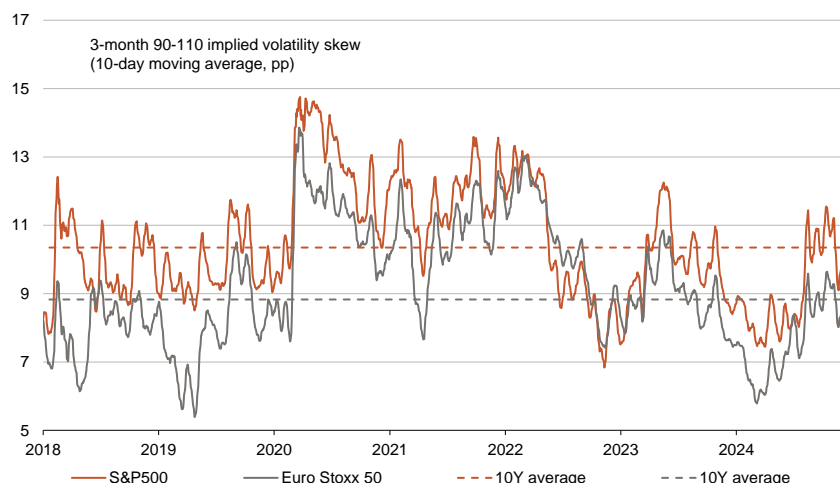
Non-Commercial Positioning



- The US dollar is increasingly becoming a consensus trade: hedge funds have further expanded their long positions in the last month.
- The short-term platinum euphoria, triggered by possible US sanctions against Russian metal, has quickly evaporated and speculative investors have reduced their long positions again.

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: 10/12/2014 - 10/12/2024

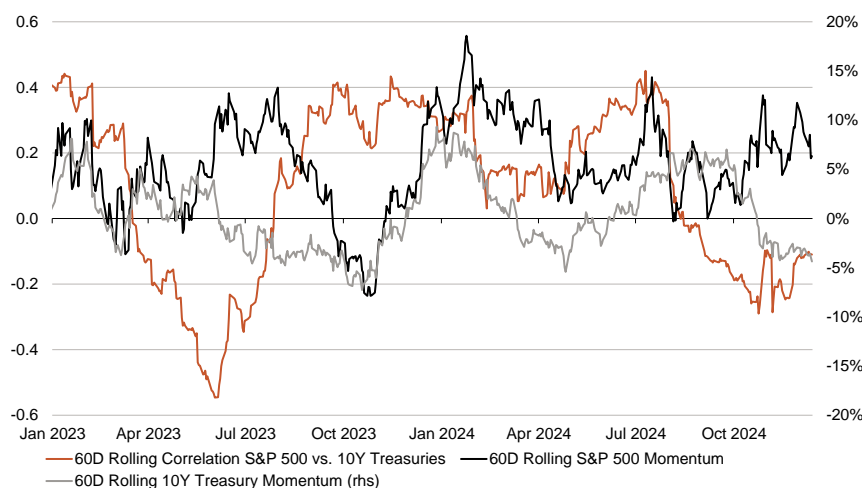
Put-Call-Skew



- The put-call skew has fallen further in the last two weeks, especially in the Euro Stoxx 50.
- Although not only Europe's trade policy future with Donald Trump, but also its domestic policy future with the upcoming elections in Germany and France appears uncertain, investors' need for hedging seems relatively low.

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: 13/12/2014 - 13/12/2024

60-Day Momentum and Correlation

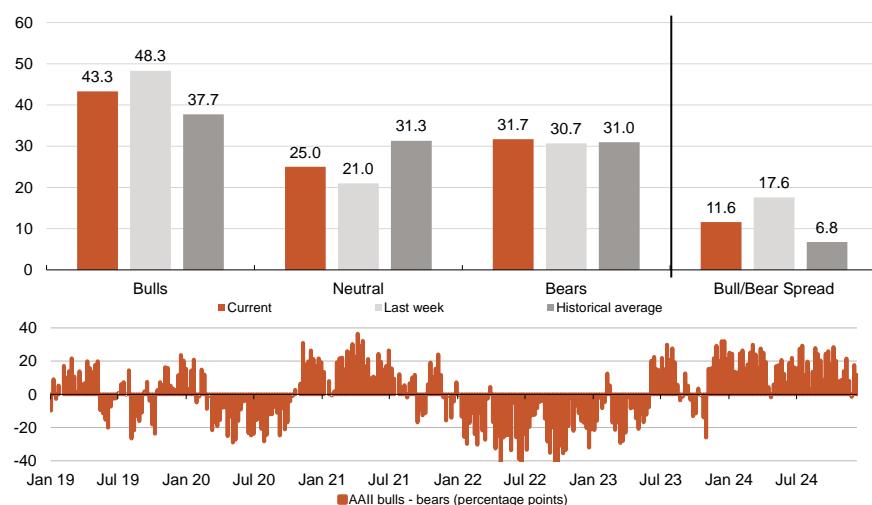


- The rally on US stock markets has slowed somewhat since the beginning of December, so the positive momentum has weakened a little recently.
- By contrast, the momentum remains negative for bonds, so CTAs should continue to be (significantly) short.

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 - 13/12/2024



AAll Sentiment Survey (Bulls vs Bears)

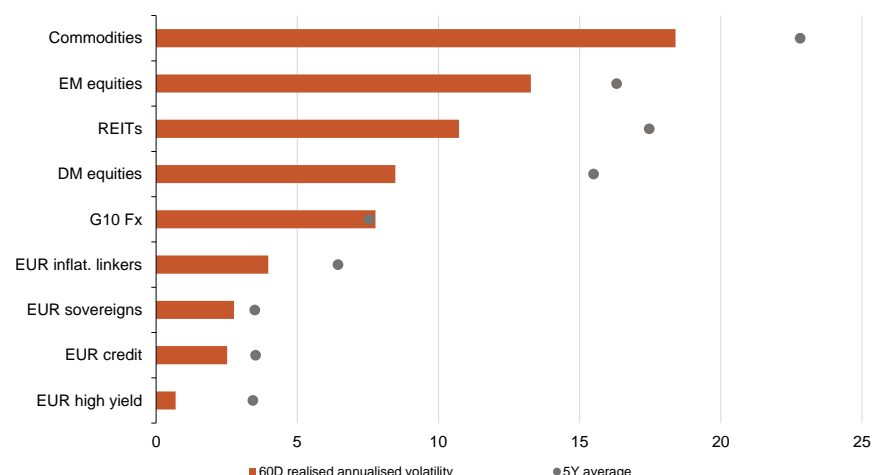


- The bull/bear spread is positive again. If it stays that way until the end of the year, the spread would have been negative for only two weeks this year. There would only be one year since records began in which US private investors were more optimistic: in 1999, there was only one week in which the bears were in the majority.

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

Source: Bloomberg, AAll, Time period: 23/07/87 - 21/03/2024

Realised Volatilities

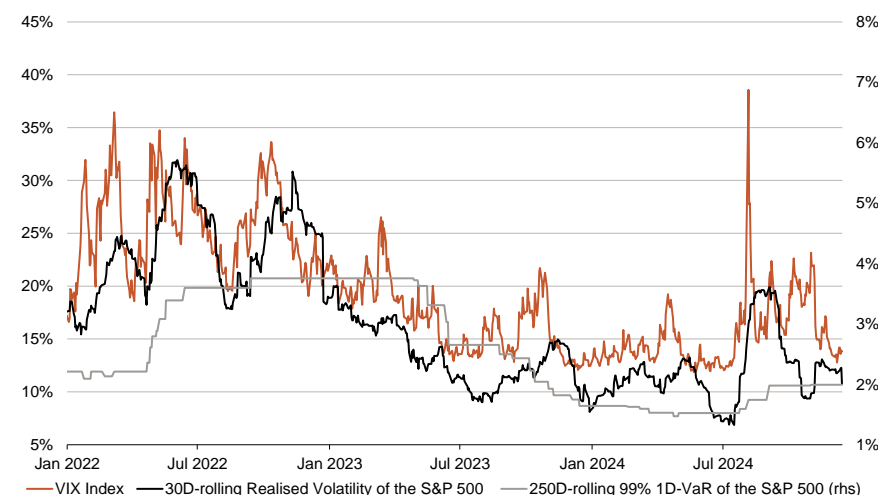


- Realised volatility is below its medium-term average in all asset classes except currencies.
- For EUR high yield bonds, the 60-day annualised realised volatility is only 0.74%, which corresponds to a daily fluctuation of less than 5 basis points.

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: 13/12/2019 - 13/12/2024

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



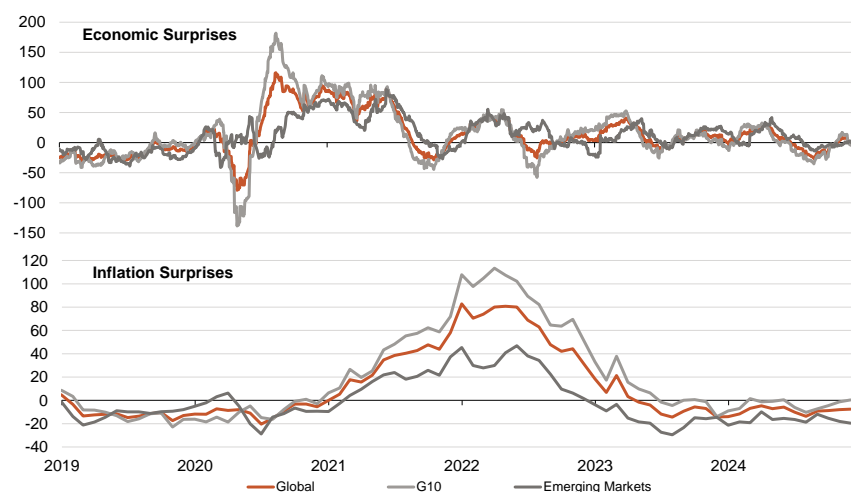
- Both realised and implied volatility on the S&P 500 are currently very low. Investors do not appear to have a great need for hedging at the moment.
- In the last ten years, the VIX has risen seven times in January. So it remains to be seen whether the markets will remain so calm. In any case, the markets have recently become more vulnerable.

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 - 13/12/2024



Global

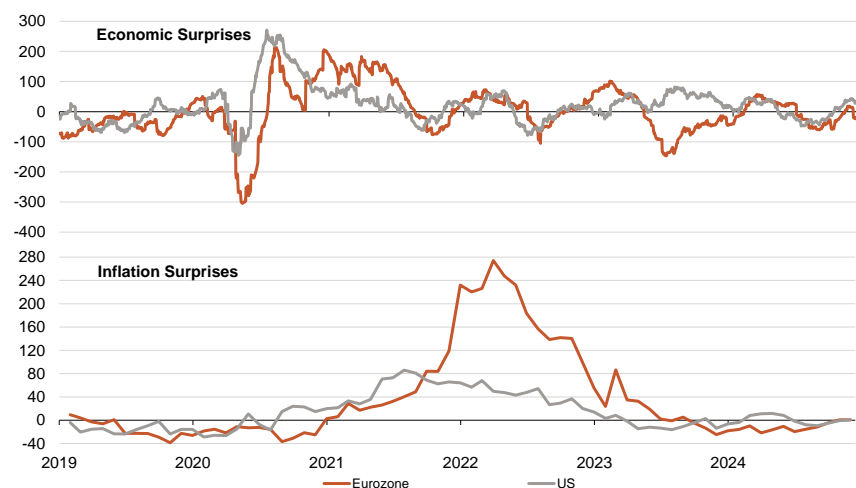


- In the last two weeks, the economic surprises in both industrialised and emerging markets have deteriorated further.
- In Australia, GDP growth in the third quarter fell short of expectations, while Brazil surprised slightly on the upside. In Canada, the unemployment rate exceeded expectations in November, while in Switzerland it surprised slightly on the downside.
- In Turkey and Brazil, consumer price inflation was higher than expected in November.

See explanations below.

Source: Bloomberg, Time period: 01/01/2019 - 13/12/2024

Eurozone and US

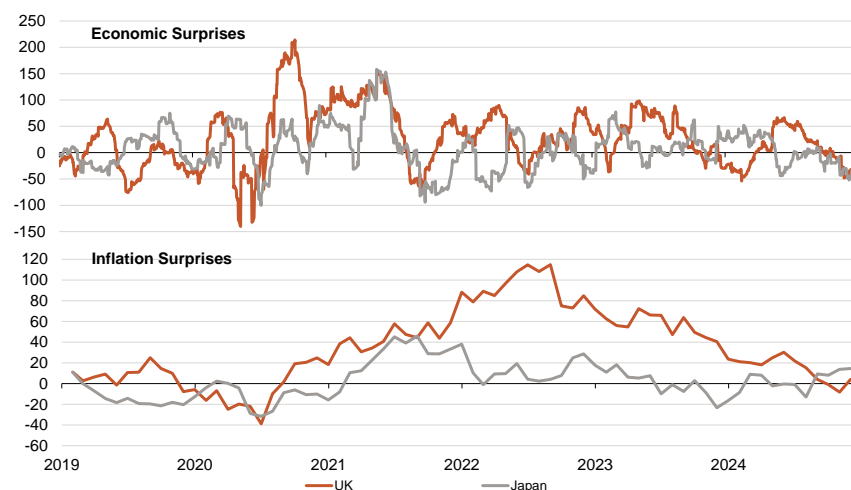


- Over the last two weeks, the negative economic surprises in the eurozone have remained unchanged, while the positive surprises in the US have weakened slightly.
- In the US, the latest initial jobless claims, the unemployment rate and producer price inflation surprised to the upside in November.
- In the eurozone, GDP growth in the third quarter was in line with expectations, while retail sales in October surprised to the downside.

See explanations below.

Source: Bloomberg, Time period: 01/01/2019 - 13/12/2024

UK and Japan



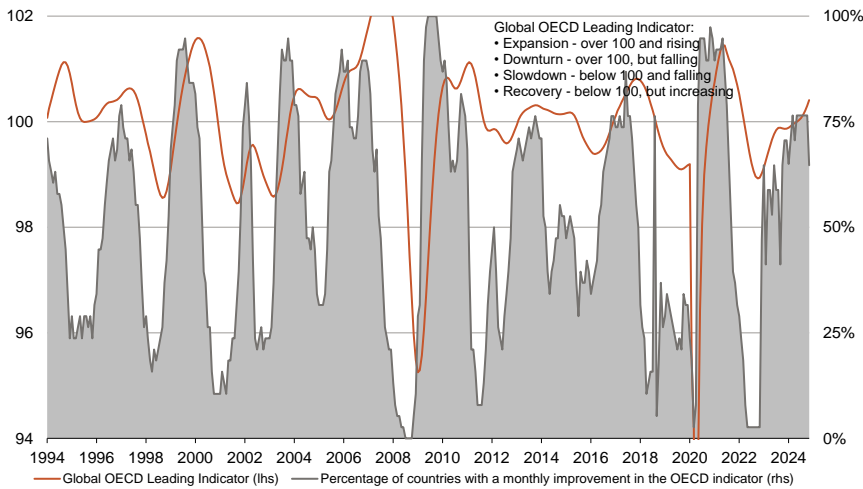
- In the UK, the GDP growth rate in October was below expectations, while the purchasing managers' index surprised to the upside in November.
- In Japan, GDP growth surprised to the upside in the third quarter.

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 - 13/12/2024



OECD Leading Indicator

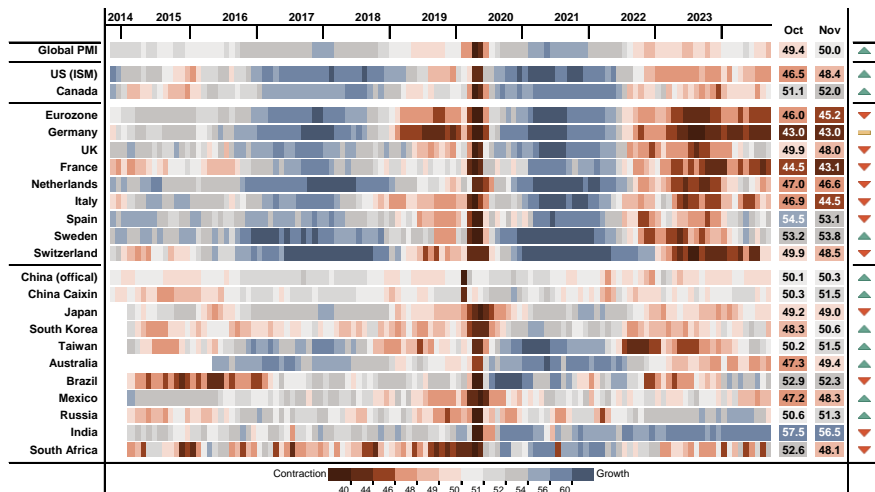


- The global economic expansion is continuing. The revised OECD leading indicator was above the 100 mark for the sixth time in a row in November with a value of 100.4.
- According to the revised leading indicator, the economic situation in October improved in 65% of the countries included compared to the previous month, with China and Turkey recording the strongest increase and Mexico the strongest decline.

The OECD Leading Indicator is composed of a set of selected economic indicators whose composition provides a robust signal of future turning points. A turning point usually signals a turning point in the business cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly identified.

Source: Bloomberg, Time period: 31/01/1994 - 13/12/2024

Manufacturing Purchasing Managers Index (Manufacturing PMI)

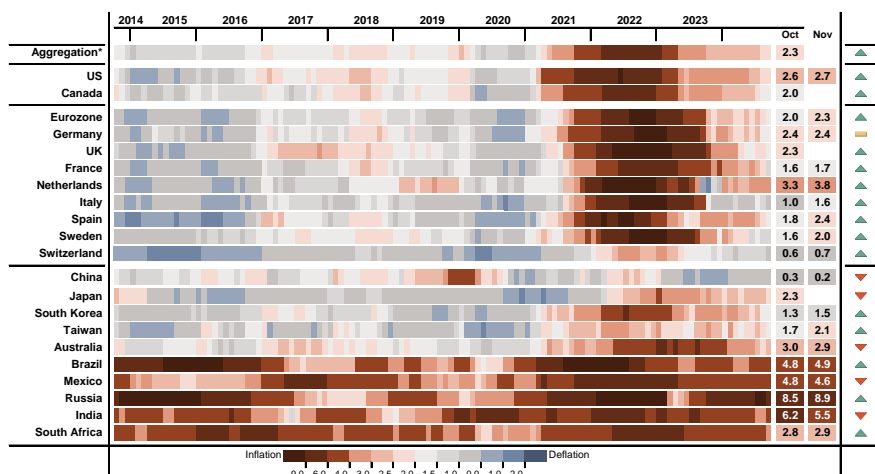


- Global PMI data in November pointed to regional differences in the development of industrial activity. While PMI data for the manufacturing sector in the US and China improved compared to the previous month, they continued to fall in the eurozone.

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 - 13/12/2024

Headline Inflation



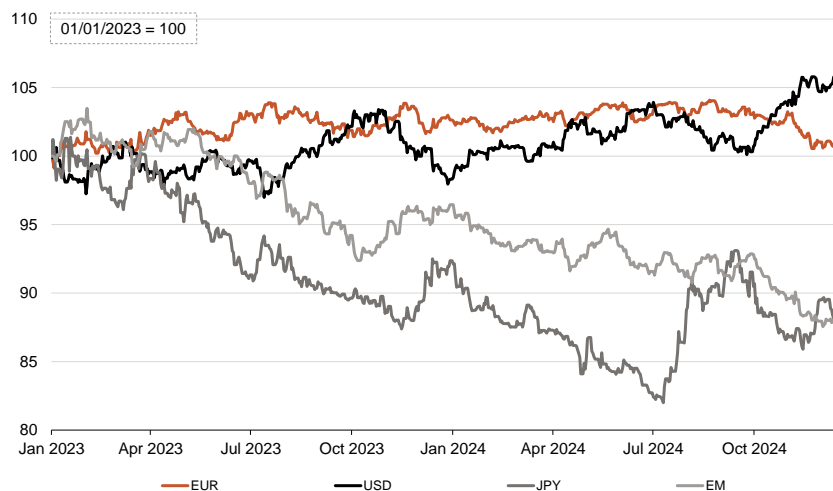
- As in October, the inflation data for November shows that the battle against inflation is not yet over. In both the eurozone and the USA, the annual inflation rate rose in November compared to the previous month, with the services sector making the largest contribution to the annual inflation rate in the eurozone.

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 - 13/12/2024



Trade-Weighted Currency Development

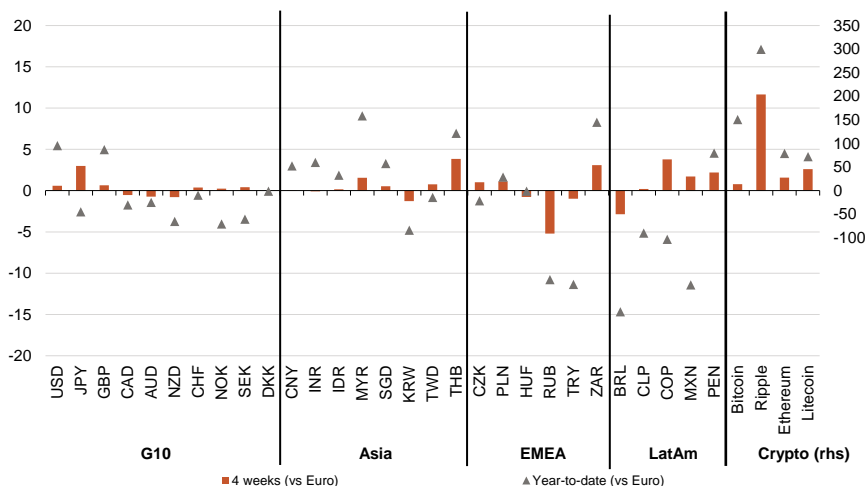


- Stubborn inflation in the US in November and investor expectations of Donald Trump's pro-inflationary agenda supported the trade-weighted dollar index, which has remained close to its two-year high over the past two weeks.
- Emerging market currencies have remained under pressure over the past two weeks due to the risks associated with the introduction of tariffs and trade restrictions by the US.

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 - 13/12/2024

Currency Moves vs Euro

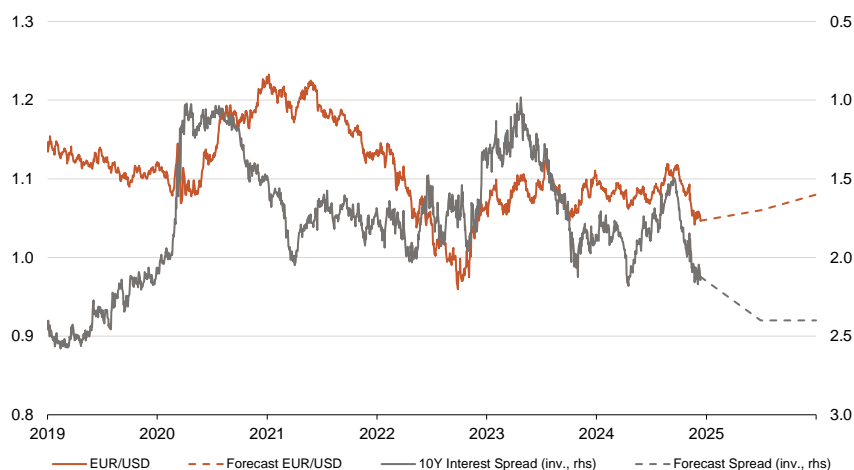


- After its scheduled meeting, the Swiss central bank cut its key interest rate by 50 basis points, surprising economists who had only expected a consensus cut of 25 basis points. Lower-than-expected food and energy inflation gave the central bank the confidence to cut interest rates more quickly in order to minimise 'the likelihood of a repeat of negative interest rates', according to SNB President Schlegel, which had weighed on the Swiss franc in the past days.

Performance of selected currencies against the euro, in percent.

Source: Bloomberg, Time period: 31/12/2023 - 13/12/2024

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



- As expected, the ECB cut its key interest rate by 25 basis points after its scheduled meeting last week, with some members of the Council even considering a rate cut of 50 basis points due to concerns over the trade dispute and tariffs with the US. According to President Lagarde, growth risks currently outweigh inflation risks, which gives the ECB room for manoeuvre for further interest rate cuts in 2025.

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 - 31/12/2025



European Sector & Style Performance

	4-week & YTD		12-month periods over that last 5 years					
	4W (15/11/24 - 13/12/24)	YTD (30/12/23 - 13/12/24)	13/12/23	13/12/22	13/12/21	13/12/20	13/12/19	13/12/20
Information Technology	8.7	14.0	14.3	18.4	-16.8	39.8	8.1	
Consumer Discretionary	6.5	4.9	4.3	10.6	-11.2	26.2	2.8	
Growth	4.1	8.5	9.8	8.6	-10.7	28.1	4.6	
Finance	3.4	26.6	27.9	18.3	2.6	26.3	-17.1	
Telecommunications	2.9	18.7	18.4	11.5	-7.4	11.4	-14.3	
Consumer Staples	2.3	-0.7	0.0	-2.0	-3.4	19.4	-3.6	
Industrials	2.2	17.1	20.4	17.6	-9.3	26.8	1.8	
Health Care	1.6	7.2	8.8	3.3	1.8	22.0	0.1	
Value	1.5	12.4	14.1	11.1	4.9	19.7	-13.7	
Materials	1.3	0.6	4.8	3.6	-2.6	24.1	8.1	
Utilities	-1.5	1.7	1.4	10.0	-1.6	9.0	9.2	
Energy	-2.5	-4.6	-3.2	5.6	41.7	28.1	-29.8	

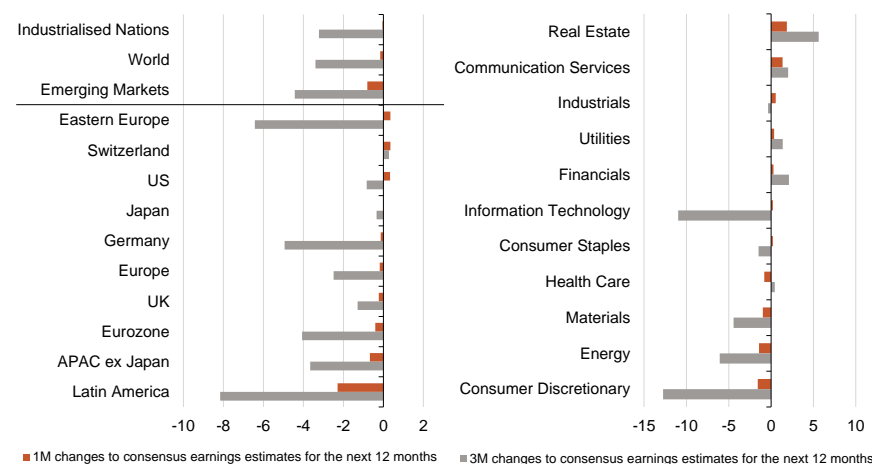
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Staples: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR;
 Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. NR;
 Materials: MSCI Europe Materials NR; Communication Services: MSCI Europe Communication Services NR; Utilities: MSCI Europe Utilities NR;
 Value: MSCI Europe Value NR; Growth: MSCI Europe Growth NR.

- The optimistic mood is likely to continue into the end of the year. With the exception of utilities and energy stocks, all sectors ended the last four weeks in positive territory. In Europe, cyclical and technology stocks have been particularly strong.
- In contrast to the year as a whole, European growth stocks outperformed value stocks over the last four weeks.

Total return of European equity sectors and European style indices, in euros and in percent, sorted by 4-week performance. The difference between Value and Growth lies in the valuation. A growth stock is highly valued because the company is expected to grow strongly. Value stocks usually have less growth potential and are valued lower.

Source: Factset, Time period: 13/12/2019 - 13/12/2024

Changes in Consensus Earnings Estimates

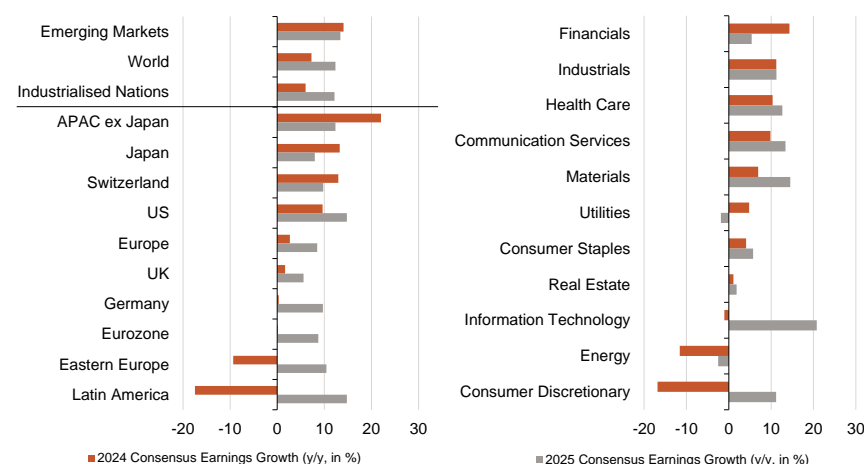


- Over the past four weeks, analysts have barely adjusted their earnings estimates on a global level due to the uncertain economic outlook for 2025.
- The exception is Latin America. Here, analysts have become much more pessimistic over the past four weeks.

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 13/12/2024

Earnings Growth



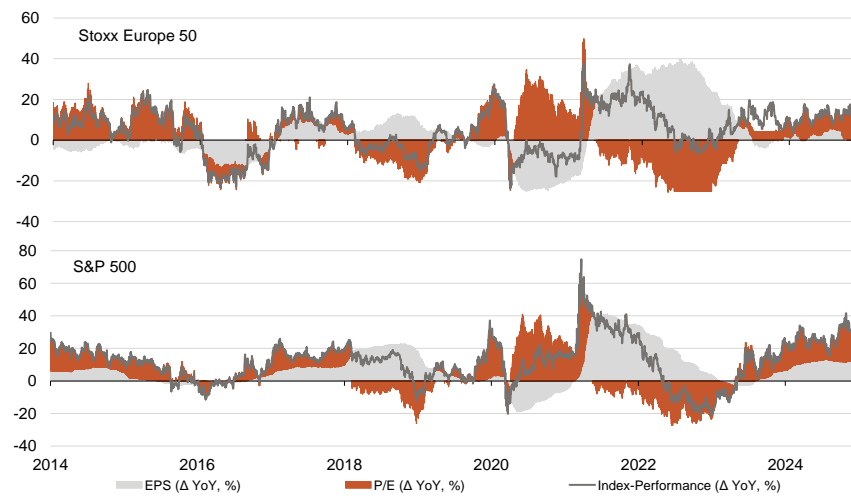
- Looking ahead to 2024, analysts expect global earnings growth of just above 7%. This optimistic growth outlook is driven primarily by emerging markets, especially Asia.
- In the developed world, analysts expect earnings growth of just under 10% for the US and only 3% for Europe.

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 13/12/2024



Contribution Analysis

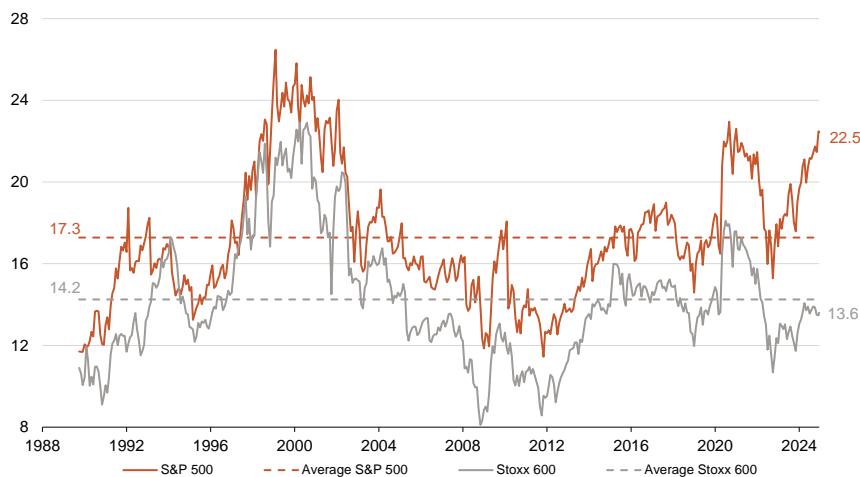


- In both Europe and the US, performance over the past 12 months has been largely driven by valuation expansion.
- Valuation expansion has been the dominant performance driver, accounting for an average of 51% and 74% of the performance over 2024 for the S&P and Stoxx Europe 50, respectively.

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 - 13/12/2024

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

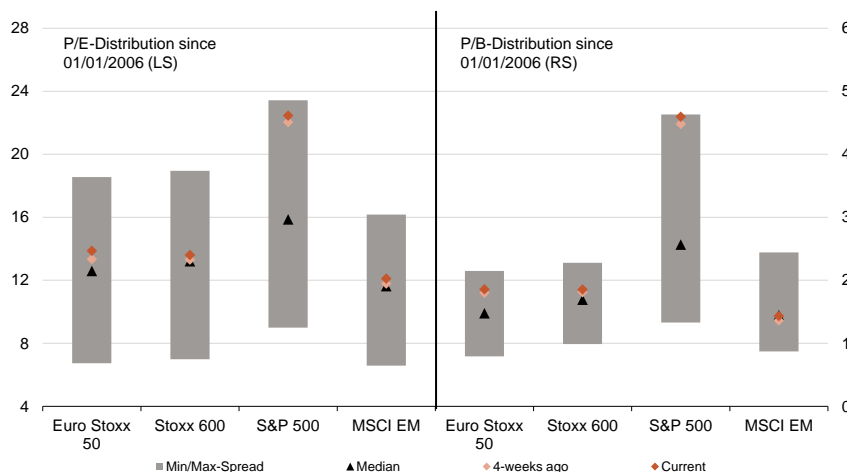


- Valuation expansion in the US has continued over the past two weeks, while European equities remain undervalued by historical standards.
- US equities are now more expensive than at the end of 2020, meaning that the valuation gap between US and European equities is the widest it has been since 1988.

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 - 13/12/2024

Historical Distribution: Price/Earnings and Price/Book Ratio



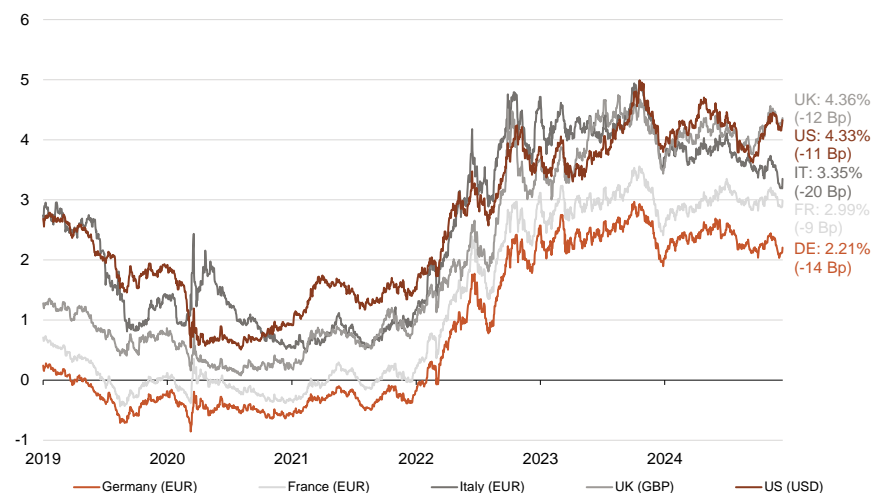
- US equities remain at the upper end of their historical valuation range on a price/earnings basis. Only emerging market equities are currently fairly valued on a P/E basis.
- On a P/E basis, all equity regions shown here have experienced valuation expansion over the past four weeks, particularly the Euro Stoxx 50.

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 - 13/12/2024



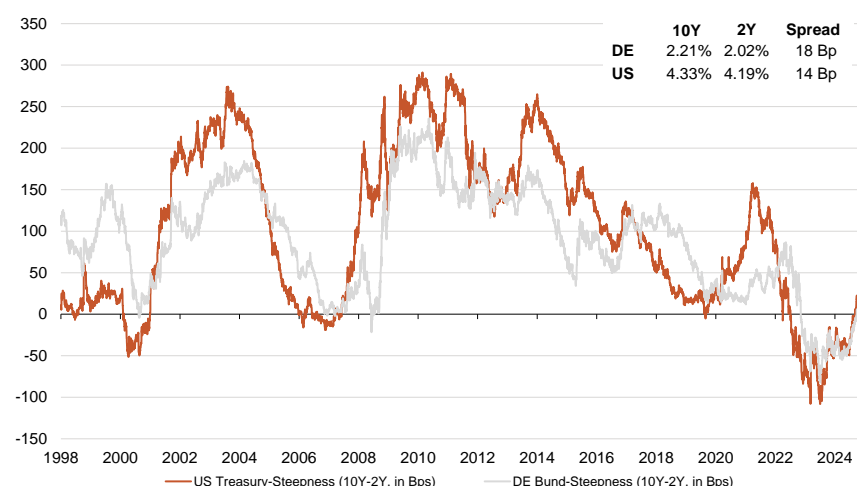
10-Year Government Bond Yields



- In the past four weeks, government bond yields have fallen overall, although they recently rose slightly again in the short term and yields on longer-dated bonds in particular rose again due to higher consumer prices and higher-than-expected producer prices in the US.
- Risk premiums for French government bonds narrowed again slightly after widening sharply at the beginning of December.

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 - 13/12/2024

Yield Curve Steepness (10Y - 2Y)

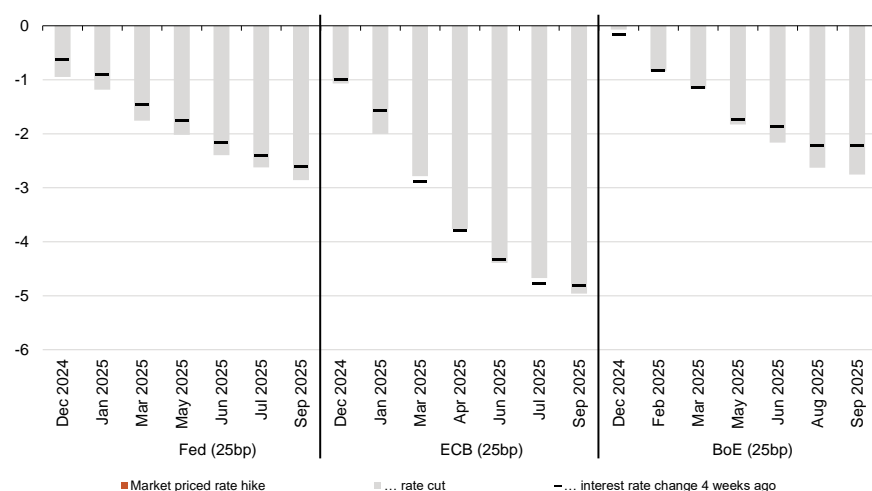


- A slight steepening of the yield curve occurred over the past two weeks as a result of rising consumer and producer prices, coupled with a higher number of job openings and an increase in initial jobless claims in the US.
- The yield curve in Germany also steepened in line with interest rate movements in the US.

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 - 13/12/2024

Implicit Changes in Key Interest Rates



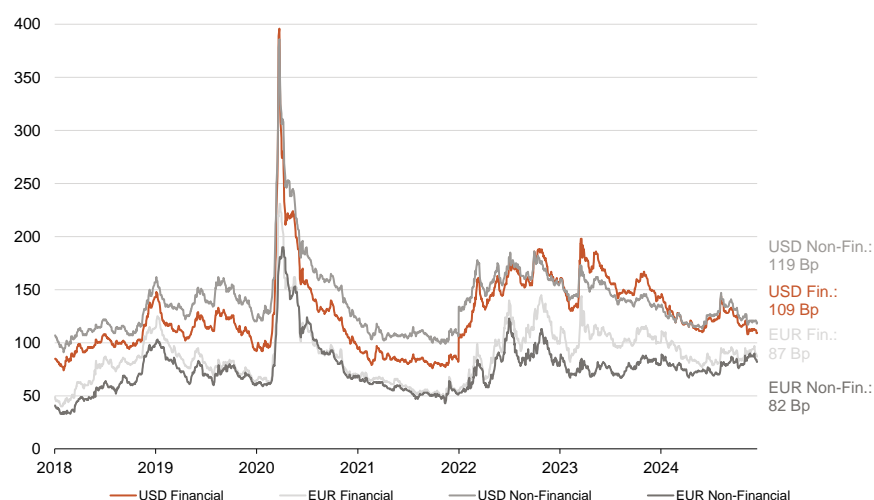
- The market has almost fully priced in the expectation of a key interest rate cut by the Federal Reserve this Wednesday. Three further rate cuts are expected by the end of 2025.
- While the market expects the ECB to cut interest rates in each of the next three meetings in view of the weakening economy in Europe, expectations of the BoE are much more cautious.

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 - 13/12/2024



Credit Spreads Financial and Non-Financial Bonds

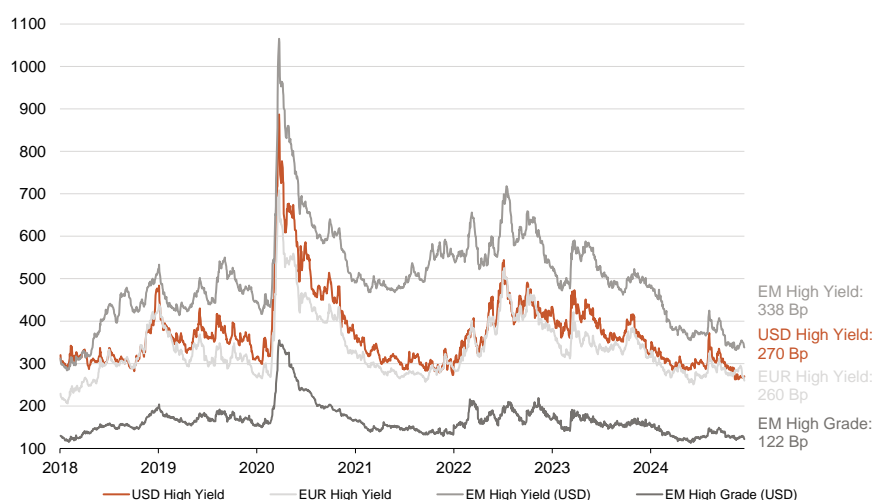


- USD investment grade bonds have seen little movement over the past two weeks. Spreads on USD financial bonds tightened by 4 basis points, while the risk premiums on non-financial bonds tightened by 2 basis points.
- Movements in EUR bonds have been more pronounced. EUR financial and non-financial spreads tightened by 7 and 5 basis points respectively in the wake of the recent risk-on.

Explanations: see middle and lower figure.

Source: FactSet, Time period: 01/01/2019 - 13/12/2024

Credit Spreads High Yield and Emerging Markets Bonds



- While the USD high yield market has shown little movement in recent weeks, the risk premiums on EUR high yield bonds have fallen significantly.
- Spreads fell by 34 basis points to their lowest level since June of this year.

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 - 13/12/2024

Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (% local)							
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Per-centile	1M	YTD	13/12/23 13/12/24	13/12/22 13/12/23	13/12/21 13/12/22	13/12/20 13/12/21	13/12/19 13/12/20	
EUR Government	2.63	-0.16	7.2	-	-	-	1.3	2.6	4.0	0.3	-15.9	-1.9	4.5	
Germany	2.15	-0.13	7.3	-	-	-	1.1	1.1	2.4	-0.7	-15.3	-1.5	2.7	
EUR Corporate	3.16	-0.13	4.5	84	-5	62	1.0	5.1	6.6	4.0	-12.5	-0.5	2.7	
Financial	3.27	-0.12	3.7	87	-4	50	0.8	5.7	7.0	4.4	-10.6	-0.1	2.1	
Non-Financial	3.09	-0.14	4.9	82	-5	72	1.0	4.8	6.3	3.7	-13.6	-0.7	3.0	
EUR High Yield	5.74	-0.26	3.2	260	-23	10	1.0	8.7	10.5	9.0	-10.5	3.5	2.9	
US Treasury	4.37	-0.04	6.1	-	-	-	0.5	1.2	2.3	0.7	-11.5	-2.0	7.8	
USD Corporate	5.24	-0.04	6.7	116	-1	23	0.7	3.8	5.1	4.5	-13.7	0.0	9.0	
Financial	5.23	-0.04	5.0	109	-2	28	0.6	5.3	6.5	5.3	-11.4	-0.1	8.4	
Non-Financial	5.24	-0.04	7.4	119	-1	22	0.7	3.0	4.5	4.2	-14.7	0.1	9.3	
USD High Yield	7.39	-0.05	3.8	270	4	0	0.6	8.8	11.3	8.4	-8.4	5.6	6.1	
EM High Grade	5.17	-0.02	5.4	122	-1	1	0.5	5.1	7.0	4.3	-13.7	0.4	5.8	
EM High Yield	7.84	-0.03	4.0	338	2	4	0.7	13.3	15.9	6.7	-15.4	-2.4	8.8	

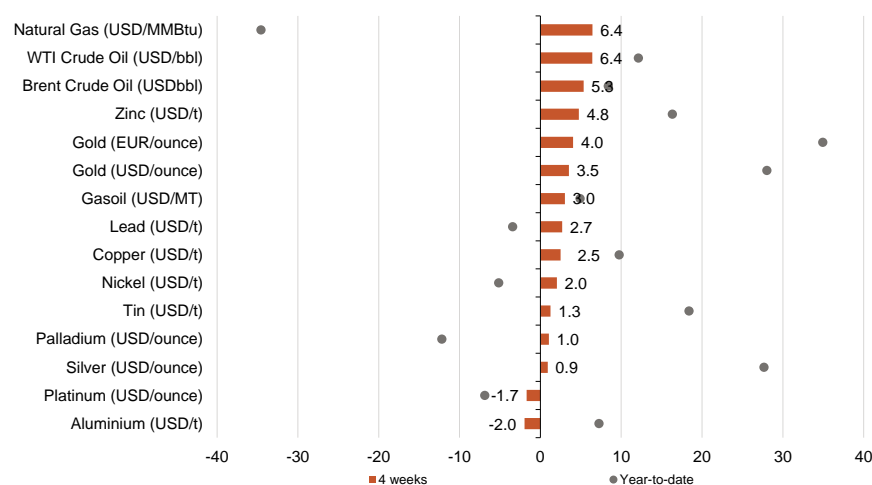
- Yields have fallen in all the segments shown here over the last four weeks. European high yield bonds in particular have seen yields fall.
- However, the strongest bond segment over the last four weeks has been EUR government bonds. Since the beginning of the year, however, emerging market high yield bonds have been the clear leader.

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: 13/12/2014 - 13/12/2024



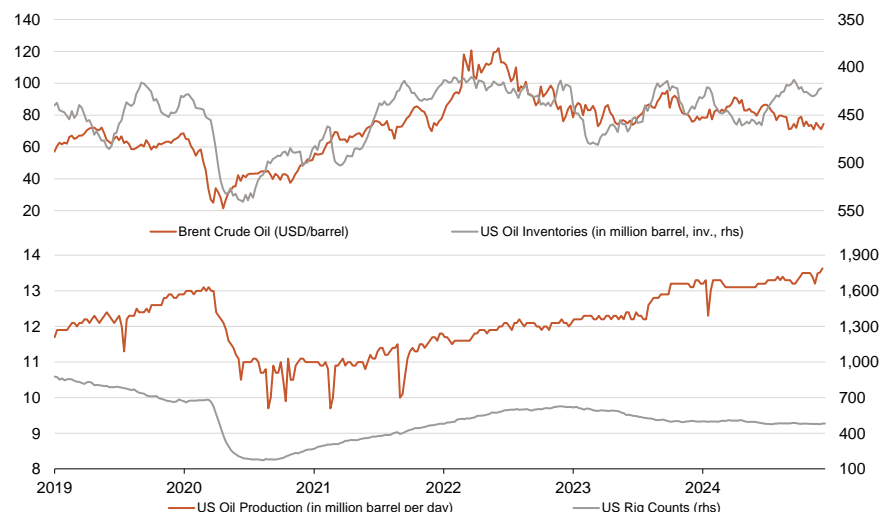
Commodities Performance



- Commodity markets have continued to stabilise over the past four weeks. Only platinum and aluminium have posted a slightly negative performance over the last month.
- Since the beginning of the year, only five commodities have posted a negative performance.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2022 - 13/12/2024

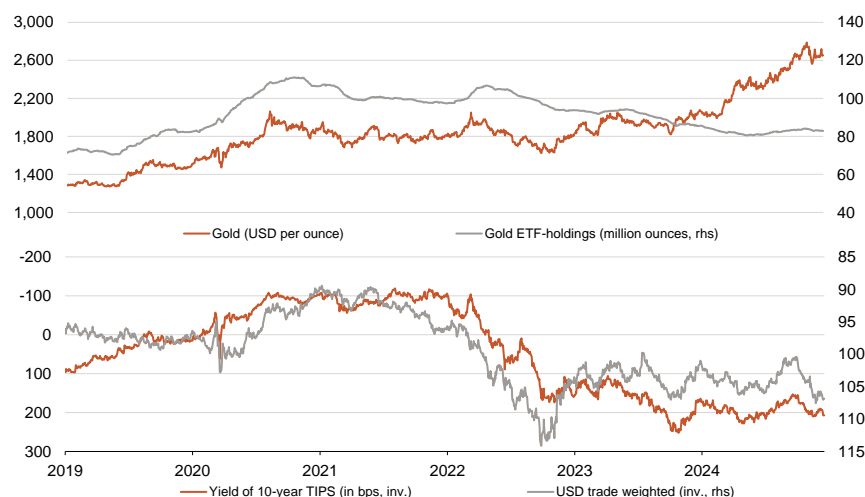
Crude Oil



- The oil price has continued its sideways movement just above the USD 70 per barrel mark in recent weeks.
- Meanwhile, OPEC+ has again extended its production cuts, but not just for a month as before, but this time for the entire first quarter of 2025, to counteract a supply overhang. The cartel recently lowered its demand forecast for the coming year for the fifth month in a row.

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 - 13/12/2024

Gold



- The price of gold recovered only slightly in recent weeks from its mid-November low, as the US dollar remained strong and real interest rates trended sideways.
- After the outflows in the first half of November, ETF holdings stagnated in the last few weeks.

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 - 13/12/2024

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PUBLISHING INFORMATION

PUBLISHER

Prof Dr Bernd Meyer, CFA | Chief Strategist Wealth and Asset Management

EDITORS



Ulrich Urbahn, CFA | Head Multi Asset Strategy & Research
focuses on the multi-asset investment process, the development of investment ideas and capital market communications
+49 69 91 30 90-501 | ulrich.urbahn@berenberg.de



Ludwig Kemper, CFA | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-224 | ludwig.kemper@berenberg.de



Philina Louisa Kuhzarani | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-533 | philina.kuhzarani@berenberg.com



Dr Konstantin Ignatov | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-502 | konstantin.ignatov@berenberg.de



Mirko Schmidt | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-2726 | Mirko.schmidt@berenberg.com

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Joh. Berenberg, Gossler & Co. KG
Neuer Jungfernstieg 20
20354 Hamburg (Germany)
Phone +49 40 350 60-0
Fax +49 40 350 60-900
www.berenberg.com
MultiAssetStrategyResearch@berenberg.de



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