Berenberg Markets Monitor

07.07.2025

Current market commentary

Both the Nasdaq 100 and the S&P 500 recently reached new all-time highs. They were boosted by a weak US dollar, AI and interest rate cut fantasies, and non-fundamental flows. Quant strategies in particular have recently had to continue to stock up on equities, driven by falling volatility and improved price momentum. We estimate that this support is likely to continue until at least mid-July, also benefiting from record-breaking share buyback programs. So, barring any major external shocks, the stock markets are unlikely to fall, especially since the first two weeks of July are historically among the two best weeks of the calendar year. With the passage of the US tax plans ("One Big Beautiful Bill"), the ongoing fiscal stimulus should continue to support the economy and the markets. The debate over the US debt ceiling is thus also off the table. Accordingly, we remain overweight in equities (for the time being). The upcoming Q2 reporting season and Trump's expiring tariff deadlines are likely to give the market new impetus in the near future, which we will then analyze carefully.

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

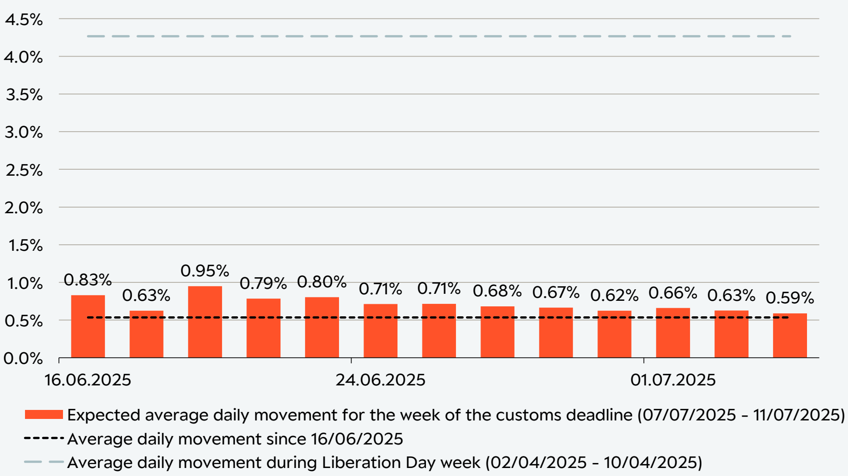
End of US tariff pause in the focus of the markets.

Following the recent focus on US labour market figures, we can expect the release of several consumer price indices and the start of the US reporting season, which traditionally begins with the banks. However, the main focus this week is likely to be on the 90-day tariff pause, which ends on 9 July. So far, US President Donald Trump has made only a few trade agreements, and most negotiations are proceeding slowly.

Consumer price indices and labor market data in the focus of the markets.

On Monday, European retail sales figures for May will be published. These will be followed by consumer price indices (June) for China on Wednesday and for Germany on Thursday. Chinese GDP for the second quarter is expected the following week on Tuesday. The consumer price indices for June in the US and the UK will also be published later in the week. UK labour market data (May) and US retail sales figures (June) will be released on Thursday. The following week will conclude with the release of the Michigan Consumer Sentiment Index (July) on Friday.

Stock markets are (too) relaxed about the deadline for the tariff pause



- The deadline for the tariff truce is fast approaching. Nevertheless, the stock markets are surprisingly relaxed about this week.
- The S&P 500 is currently pricing in an average daily movement of around 0.6%, which is hardly higher than the fluctuations of recent weeks. In the days around Liberation Day, however, the fluctuations were more than seven times higher.
- There is therefore significant potential for surprise if no amicable agreements are reached.

Source: Bloomberg, Time period: 02/04/2025 – 03/07/2025

Performance

Multi Asset

	4-week & YTD: 4W (06/06/25 - 04/07/25)	YTD (31/12/24 - 04/07/25)	12-month periods over that last 5 years: 04/07/24 - 04/07/25	04/07/23 - 04/07/24	04/07/22 - 04/07/23	04/07/21 - 04/07/22	03/07/20 - 04/07/21
Brent	1.7	-13.0	-17.5	33.1	-24.0	99.9	64.2
Industrial Metals	1.2	-4.0	-6.4	15.8	-7.2	11.0	41.2
MSCI Frontier Markets	1.2	6.9	13.5	13.8	-5.9	-6.1	31.1
MSCI Emerging Markets	1.1	2.2	4.8	13.3	-0.1	-14.5	26.9
EUR Coporates	0.8	2.3	6.4	6.5	-0.2	-12.6	3.5
MSCI World	0.4	-2.9	5.9	22.9	12.6	-2.8	31.8
EUR Sovereign Debt	0.3	1.8	5.3	3.5	-4.0	-7.6	0.5
Euro overnight deposit	0.2	1.3	3.0	4.0	1.7	-0.6	-0.5
Global Convertibles	-0.7	-6.0	5.9	3.6	3.5	-15.1	33.6
Gold	-2.5	11.8	30.0	23.2	1.9	15.2	-4.6
REITs	-3.2	-8.8	-0.8	1.5	-13.0	2.9	18.7
USDEUR	-3.2	-12.1	-8.2	0.6	-4.2	13.8	-5.2

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: ICE BofA 1-10 Year Euro Government Index; EUR Corporates: ICE BofA Euro Corporate Index; 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.

- Although crude oil prices have fallen significantly again recently due to the ceasefire in the Middle East, crude oil has performed best alongside metals over the past four weeks.
- Shares in industrialized nations, emerging markets, and frontier markets also performed well.
- The increased risk appetite on the capital markets also led to slight profit-taking in gold, despite the continued weakness of the dollar.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 03/07/2020 – 04/07/2025

Equities

	4-week & YTD: 4W (06/06/25 - 04/07/25)	YTD (31/12/24 - 04/07/25)	12-month periods over that last 5 years: 04/07/24 - 04/07/25	04/07/23 - 04/07/24	04/07/22 - 04/07/23	04/07/21 - 04/07/22	03/07/20 - 04/07/21
MSCI EM Latin America	3.0	16.7	3.9	-3.7	26.1	-4.8	31.4
MSCI USA Small Caps	2.0	-9.6	3.8	10.2	8.4	-9.3	53.0
S&P 500	1.5	-5.3	5.6	27.6	12.9	1.5	33.9
MSCI EM Asia	0.9	0.8	4.1	15.8	-2.4	-15.0	26.1
Stoxx Europe Small 200	0.0	9.5	7.9	11.8	7.3	-21.1	38.9
MSCI Japan	-1.0	-2.9	-0.2	17.1	13.9	-9.3	18.6
Stoxx Europe Cyclicals	-1.9	16.2	18.5	23.5	21.6	-15.1	36.4
Stoxx Europe Defensives	-1.9	4.7	1.0	13.2	6.2	8.9	11.6
DAX	-2.1	19.5	28.9	15.0	25.6	-18.4	24.9
Euro Stoxx 50	-2.5	10.2	8.6	16.5	30.4	-13.3	26.4
MSCI UK	-2.6	5.2	8.3	15.8	7.4	8.7	25.0
Stoxx Europe 50	-2.6	5.8	1.3	16.8	18.0	0.9	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 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.

- Over the past four weeks, emerging market equities from Latin America have performed best in euro terms.
- US equities also performed well, with small caps outperforming the broad S&P 500 Index.
- European equities and equities from Japan and the UK, on the other hand, lost more than 2% in some cases.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 03/07/2020 – 04/07/2025

Fixed Income

	4-week & YTD: 4W (06/06/25 - 04/07/25)	YTD (31/12/24 - 04/07/25)	12-month periods over that last 5 years: 04/07/24 - 04/07/25	04/07/23 - 04/07/24	04/07/22 - 04/07/23	04/07/21 - 04/07/22	03/07/20 - 04/07/21
EUR Financials	0.8	2.6	13.4	0.5	7.4	-15.4	5.5
EUR Non-Financials	0.8	2.1	9.9	8.0	5.8	-19.9	5.7
BTPs	0.5	2.4	6.7	7.2	-0.3	-10.5	2.9
EUR High Yield	0.4	3.0	6.2	6.1	-0.2	-13.8	3.8
Bunds	0.2	-0.3	1.0	4.6	-15.8	-14.2	-6.2
EM Local Currency Bonds	-0.8	-2.3	6.1	6.3	4.6	5.1	2.3
EM Hard Currency Bonds	-1.0	-7.1	7.9	5.1	-3.1	-12.7	4.9
USD Corporates	-1.5	-8.6	8.2	10.8	8.9	-14.7	11.0
USD High Yield	-1.6	-7.9	2.9	1.4	-6.4	-11.2	-1.6
Gilts	-1.7	-2.1	-2.5	5.6	-3.4	-4.2	-2.8
Treasuries	-2.1	-9.3	1.7	10.9	3.7	-0.5	7.2
Chinese Sovereign Bonds	-2.4	-9.5	-4.1	2.9	-7.5	4.2	-8.0

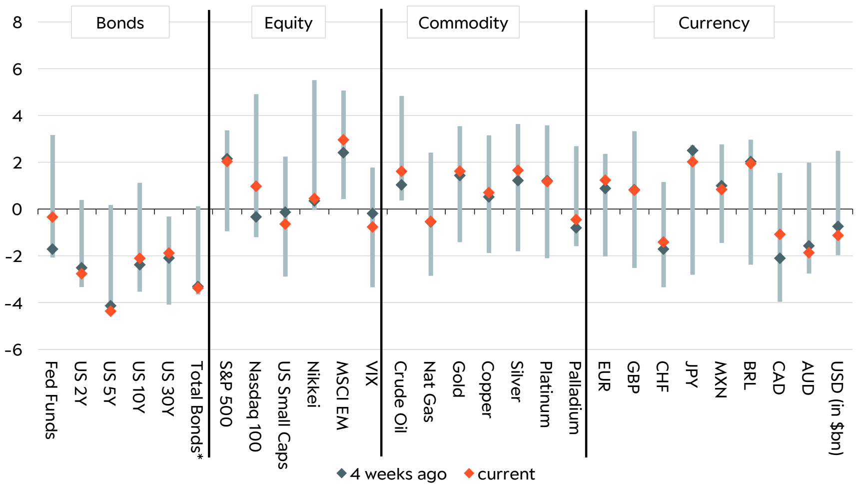
Bunds: ICE BofA German Government Index; BTPs: ICE BofA Italy Government Index; Treasuries: ICE BofA US Treasury TR; Gilts: ICE BofA UK Gilt Index; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: ICE BofA Euro Financial Index; EUR Non-Financials: ICE BofA Euro Non-Financial Index; EUR High Yield: 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: ICE BofA US Emer. Mark. External Sov.Index; EM Local Currency: ICE BofA Local Debt Markets Plus Inde:

- The trends since the beginning of the year were also reflected in developments over the last four weeks. Euro financial and non-financial bonds performed best, alongside Italian government bonds and euro high-yield bonds.
- In addition to Chinese, British, and US government bonds, USD high-yield and corporate bonds, as well as local and hard currency bonds from emerging markets, have also recently lost out due to currency devaluation.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 03/07/2020 – 04/07/2025

Positioning

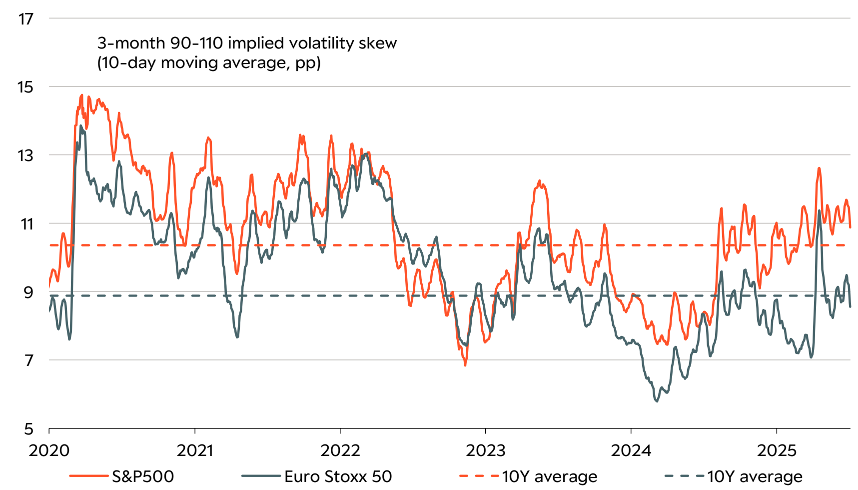
Non-commercial Positioning



- The US dollar remains a consensus short. Although there are fundamentally sound reasons for a weaker dollar, the one-sided positioning increases the risk of stronger counter-movements of the greenback.

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: 24/06/2015 – 24/06/2025

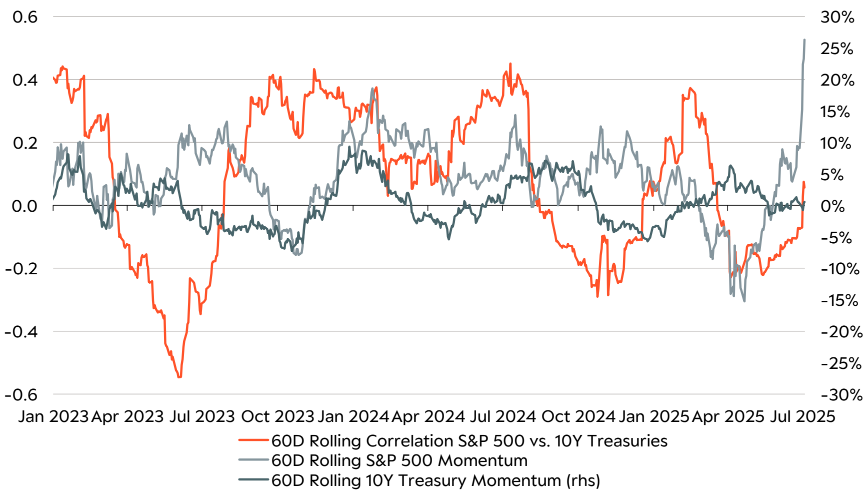
Put-Call-Skew



- The skew has become somewhat steeper again in recent weeks, both in Europe and in the US.
- It is surprising that not only the volatility of 90 puts but also that of 110 calls has risen relative to the volatility at the money. Investors are therefore positioning themselves for more movement in the markets.

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, Time period: 04/07/2015 – 04/07/2025

60-Day Momentum and Correlation

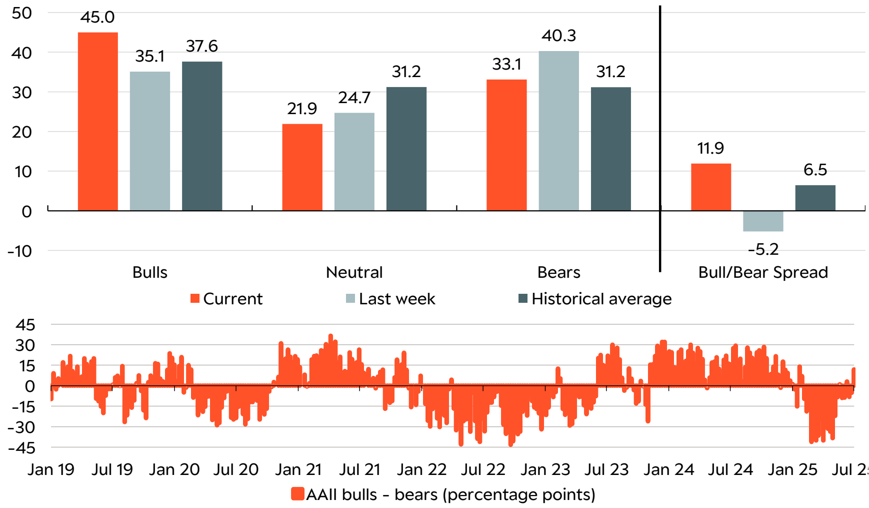


- The 60d momentum has recently exploded because the days around Liberation Day are now falling outside the calculation window. As the markets have recovered quickly, momentum is likely to normalise again.
- The correlation between equities and bonds has recently turned positive again.

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: 31/12/2022 – 04/07/2025

Sentiment

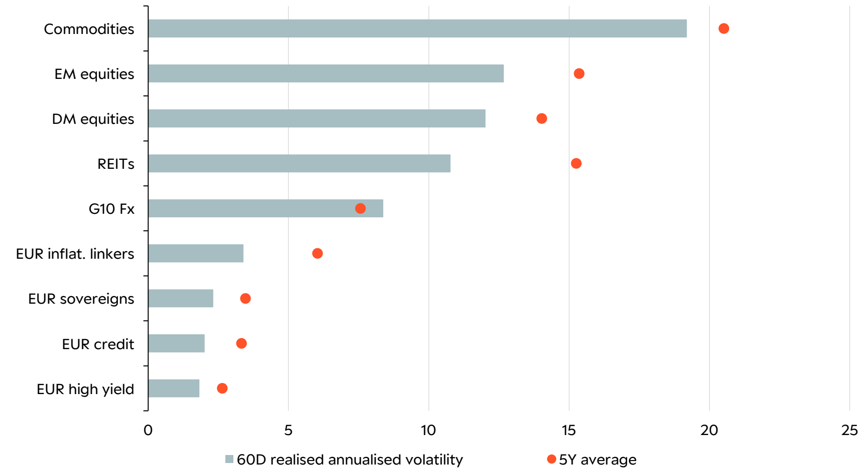
AAII Markt Sentiment Survey (Bull vs Bears)



- US private investors have regained their optimism. At 12 ppts, the bull/bear spread is at its highest level since January. However, there is still no sign of euphoria at this level.

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 – 03/07/2025

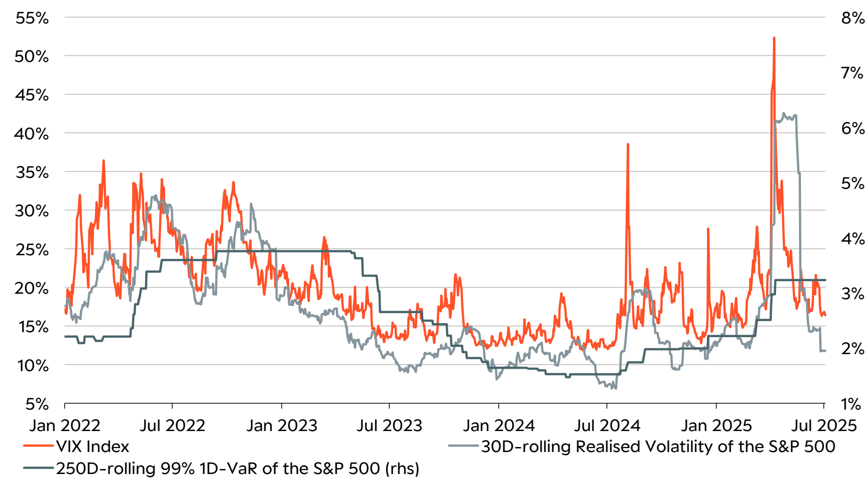
Realised Volatilities



- The realised volatility of equities, both in emerging markets and in industrialised countries, has fallen significantly recently and is now back below 15%.
- Only commodities have seen average daily movements of more than 1% over the last three months.

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, Time period: 04/07/2020 - 04/07/2025

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

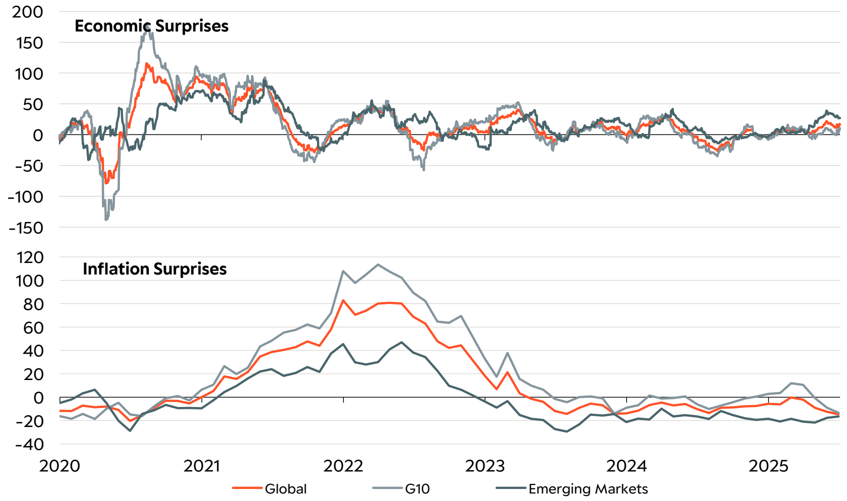


- The VIX reached its lowest level since February at the end of June, although there is no shortage of risks: the tariff deadline is fast approaching and the Middle East conflict has only been paused, not resolved. However, other risks are no longer relevant. With the passing of the 'Big Beautiful Bill', there will be no debate the US debt ceiling.

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, Time period: 31/12/2021 – 04/07/2025

Surprise Indicators

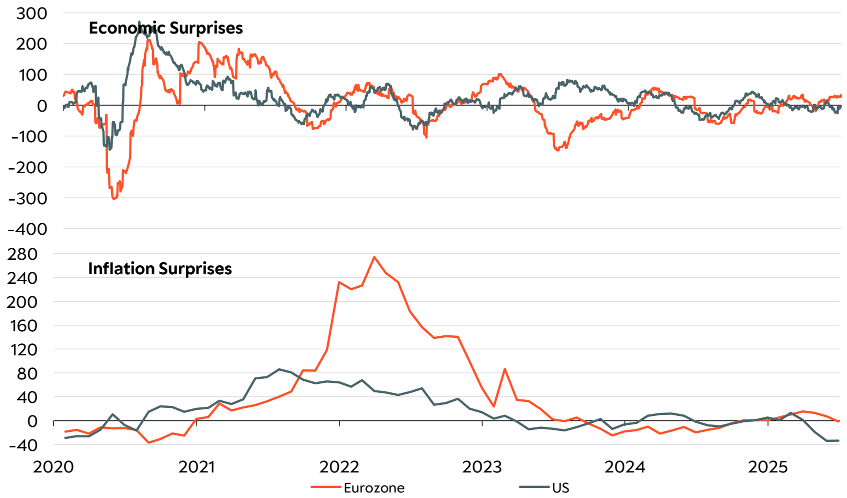
Global



- In the last two weeks, the economic surprises in both industrialised and emerging markets have been increasingly positive.
- In Canada, retail sales in April were slightly below expectations, while the GDP growth rate compared to the previous year and the consumer price inflation rate in May came in as expected.
- In China, the manufacturing PMI was above expectations in June.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 04/07/2025

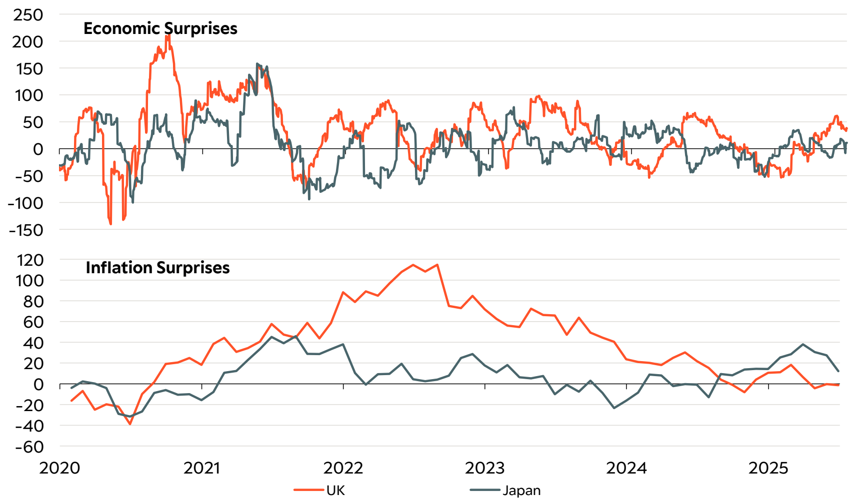
Eurozone and US



- Economic surprises in the eurozone have been increasingly positive in the last two weeks, while in the US they have remained negative.
- In the eurozone, consumer confidence in June was in line with expectations, while industrial confidence surprised slightly on the downside.
- In the US, the number of new jobs created in June surprised to the upside, while the GDP growth rate in the first quarter surprised to the downside.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 04/07/2025

UK and Japan

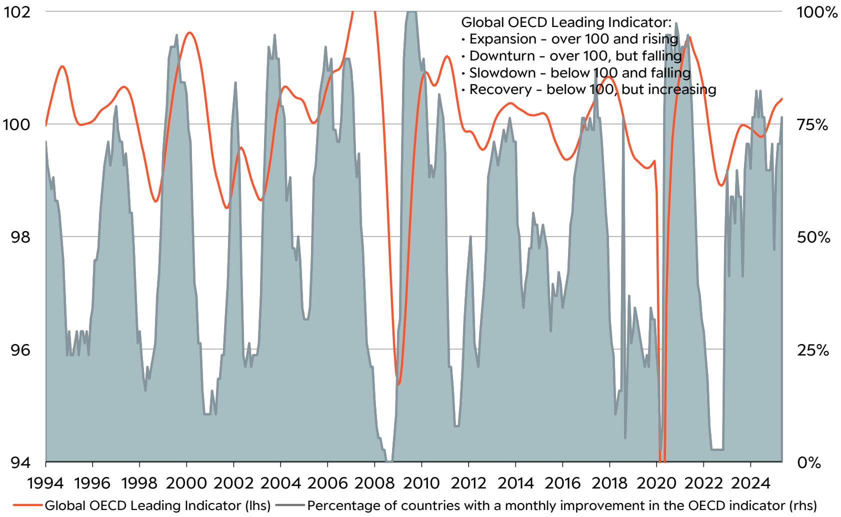


- In the UK, the GDP growth rate in the first quarter was in line with expectations.
- In Japan, industrial production surprised to the downside in May.

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: 01/01/2020 – 04/07/2025

Economics

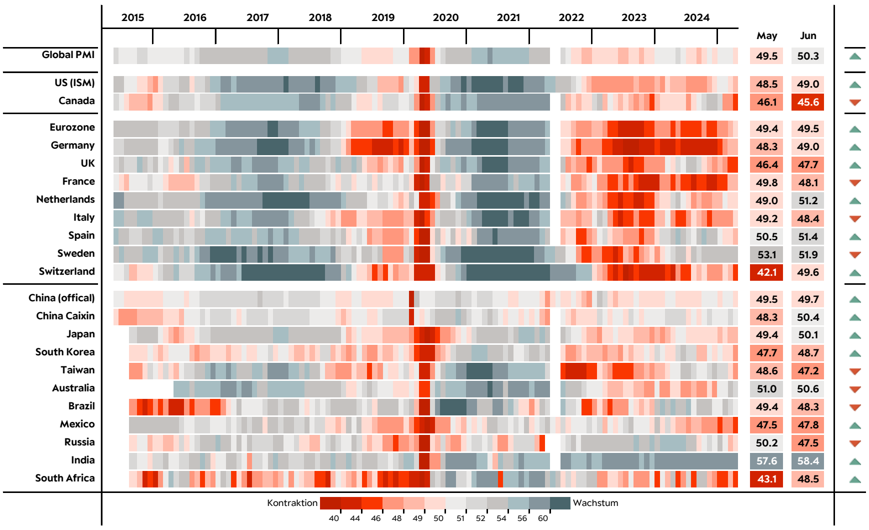
OECD Leading Indicator



- The global economy continues to expand. At 100.5, the revised OECD leading indicator was above the 100 mark for the eighth time in a row in May.
- According to the revised leading indicator, the economic situation improved in 76% of the countries surveyed in May compared to the previous month.

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 – 04/07/2025

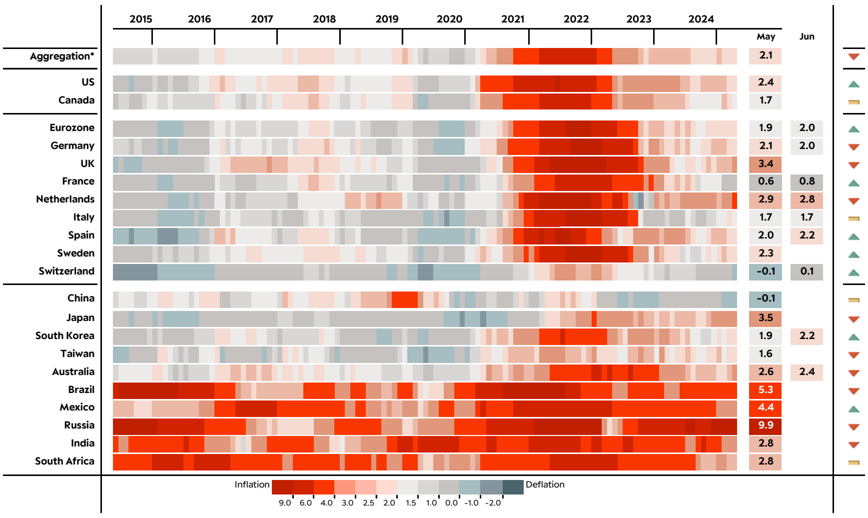
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The PMI data for June pointed to a recovery in global industrial activity. In Germany, the PMI index rose in June compared to the previous month, but remained 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 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: 01/01/2015 – 04/07/2025

Headline Inflation

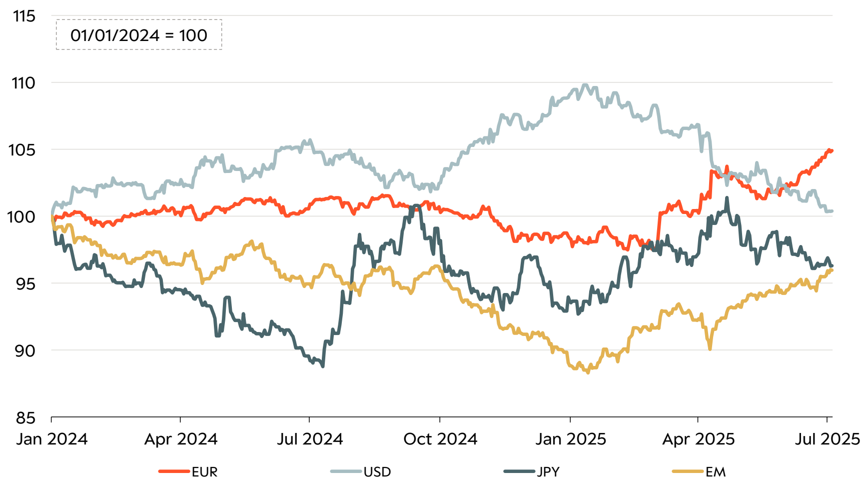


- The first consumer price inflation data for June indicate regional differences. For example, the annual inflation rate in Spain rose in June compared to the previous month, while it fell in Australia and Germany. In Germany, falling energy prices contributed significantly to the decline in the inflation rate compared to 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: 01/01/2015 – 04/07/2025

Foreign Exchange

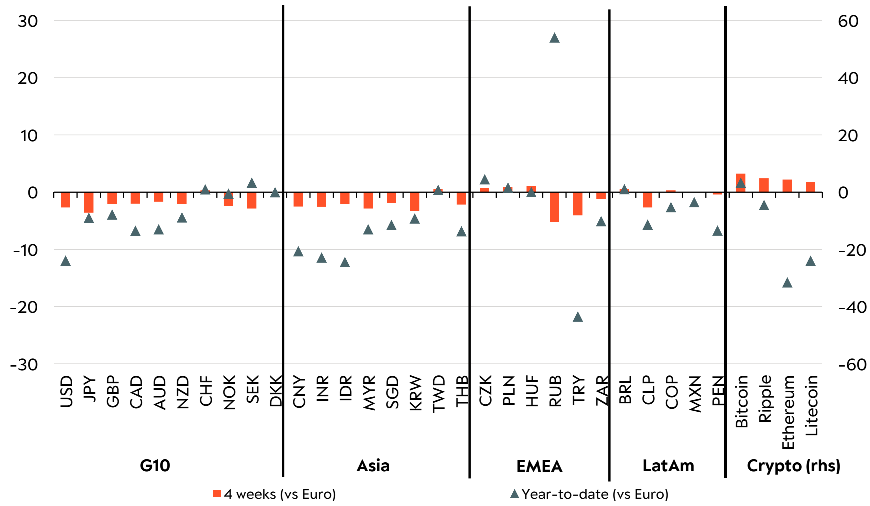
Trade-Weighted Currency Development



- The US dollar has continued its downward trend that began at the start of the year over the past two weeks.
- The euro and the emerging market currencies, on the other hand, proved to be the beneficiaries of the new currency regime and gained further on a trade-weighted basis in the last two weeks.
- The hawkish comments by BoJ member Tamura ultimately supported 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: 01/01/2024 – 04/07/2025

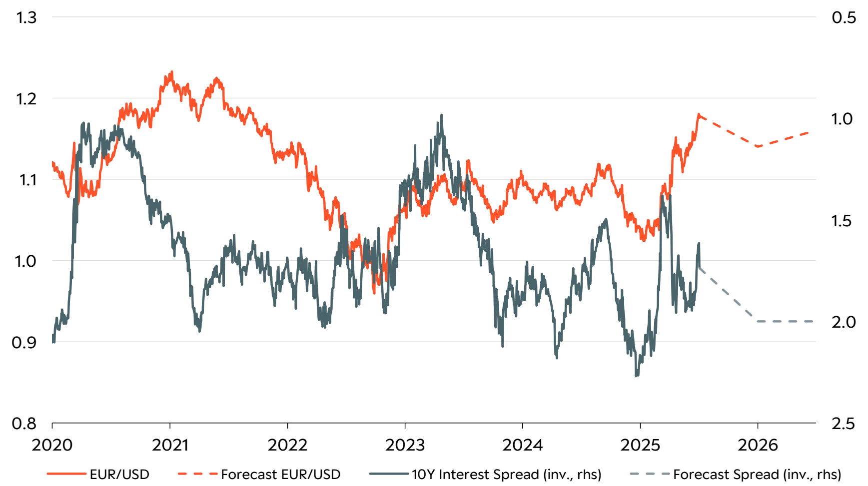
Currency Moves vs Euro



- In the last four weeks, the euro has appreciated against most of the currencies shown here.
- The Polish central bank lowered its key interest rate by 25 basis points after its scheduled meeting last week. The Hungarian central bank, on the other hand, left its key interest rate unchanged.
- The Turkish lira has continued its downward trend since the beginning of the year over the last four weeks.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 01/01/2025 – 04/07/2025

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



- The interest rate differential between German and US government bonds recently narrowed to around 170 basis points due to the rise in yields on German government bonds.
- In contrast, the euro continued to appreciate against the US dollar and currently stands at almost 1.18.

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: 01/01/2020 – 30/06/2026

Equities – Performance & Earnings

European Sector & Style Performance

	4W (06/06/25 - 04/07/25)	YTD (31/12/24 - 04/07/25)	04/07/24 04/07/25	04/07/23 04/07/24	04/07/22 04/07/23	04/07/21 04/07/22	03/07/20 04/07/21
Energy	3.0	3.0	-11.2	20.1	9.7	40.4	23.9
Utilities	2.0	21.0	23.3	-0.2	13.5	-1.5	9.6
Industrials	-1.3	16.0	19.1	22.7	27.3	-17.7	40.5
Consumer Discretionary	-1.7	-6.1	-7.6	-1.1	35.2	-23.1	52.8
Value	-1.8	13.7	15.9	16.3	13.9	-0.6	26.6
Materials	-2.2	2.5	-5.0	15.4	10.1	-10.7	41.8
Telecommunications	-2.6	16.9	23.6	14.0	-4.8	-1.5	18.7
Growth	-2.8	3.4	-1.8	14.1	17.9	-13.2	27.7
Information Technology	-2.8	2.4	-8.4	33.8	37.2	-26.3	33.2
Finance	-3.0	21.7	32.1	26.7	21.8	-3.5	31.7
Consumer Staples	-4.2	5.1	3.5	-4.5	4.0	0.0	14.5
Health Care	-4.2	-3.9	-12.1	17.0	3.1	7.8	7.8

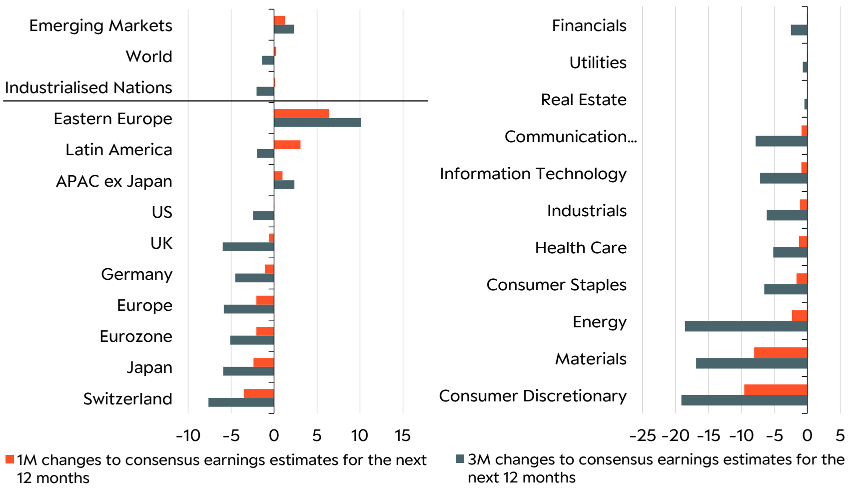
(4-week & YTD; 12-month periods over that last 5 years)

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 stock markets in Europe have recently faltered. In particular, healthcare and technology stocks as well as consumer staples fell in the last four weeks.
- Energy shares, on the other hand, rose by 3.0%. Against the backdrop of the Middle East conflict, the situation on the energy market remains tense.

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: 03/07/2020 – 04/07/2025

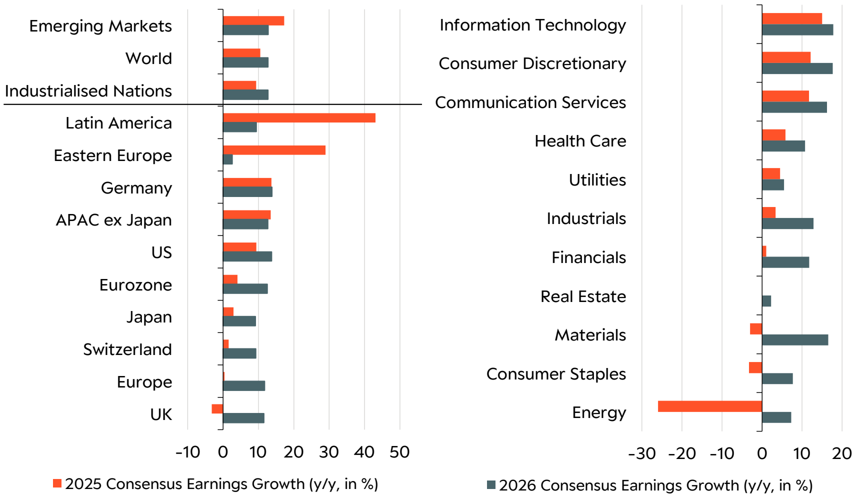
Changes in Consensus Earnings Estimates



- In the last four weeks, analysts have raised their earnings forecasts for emerging markets in particular. On the other hand, earnings revisions in the USA were neutral and remained negative for Europe.
- The Eastern European countries are an exception to this. Here, analysts see good earnings prospects and raised their earnings estimates by around 6%.

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 04/07/2025

Earnings Growth

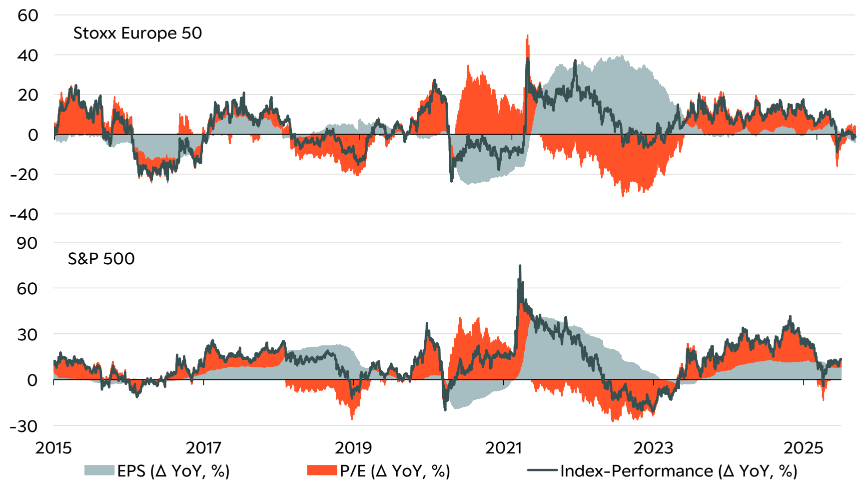


- At over 40% compared to the previous year, analysts expect massive profit growth in Latin America in the current year. For the UK, they even anticipate negative earnings growth of around 4%.
- Global profit growth is forecast to be 11% compared to the previous year.

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 04/07/2025

Equities — Valuation

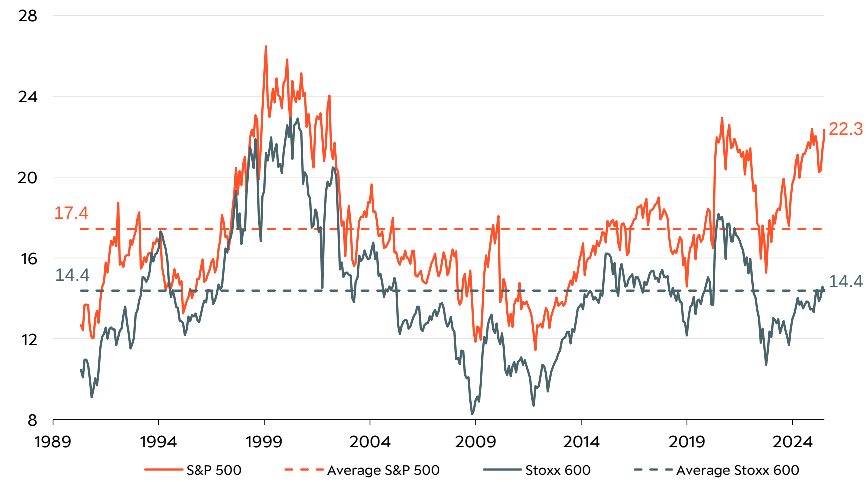
Contribution Analysis



- Movements on the stock markets in Europe have recently been driven equally by earnings growth and valuation trends. While the P/E ratio has recently expanded compared to the previous year, earnings have declined slightly compared to the previous year.
- In the US, on the other hand, stock market performance has been largely driven by earnings growth.

Analysis of the drivers of stock market development over the last 12 months. The change in earnings estimates and the change in valuation (price-earnings ratio) are taken into account. EPS = earnings per share
Source: Bloomberg, Time period: 01/01/2015 – 04/07/2025

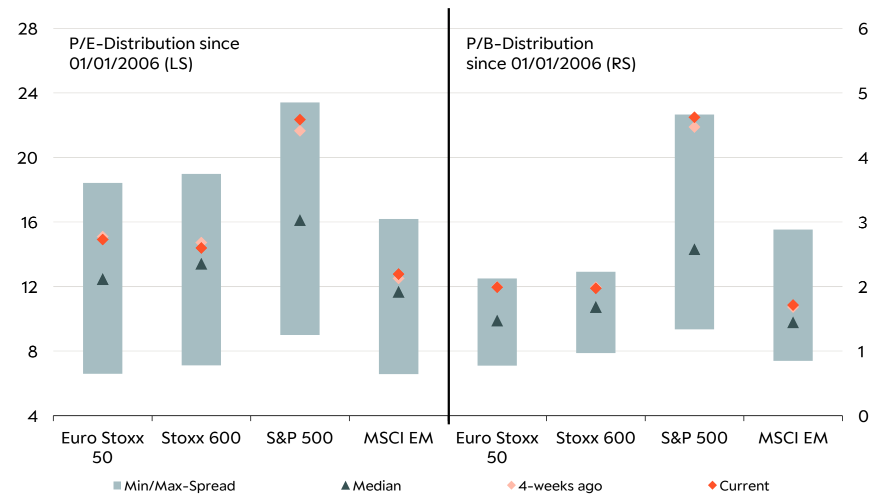
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- In the wake of rising stock markets, valuations in the US have also risen again. With a P/E ratio of around 22, the US stock market is trading at almost the same level as at the beginning of the year.
- Valuations in Europe are also continuing to rise, but with a P/E ratio of 14.4, they are trading at their 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 – 04/07/2025

Historical Distribution: Price/Earnings and Price/Book Ratio

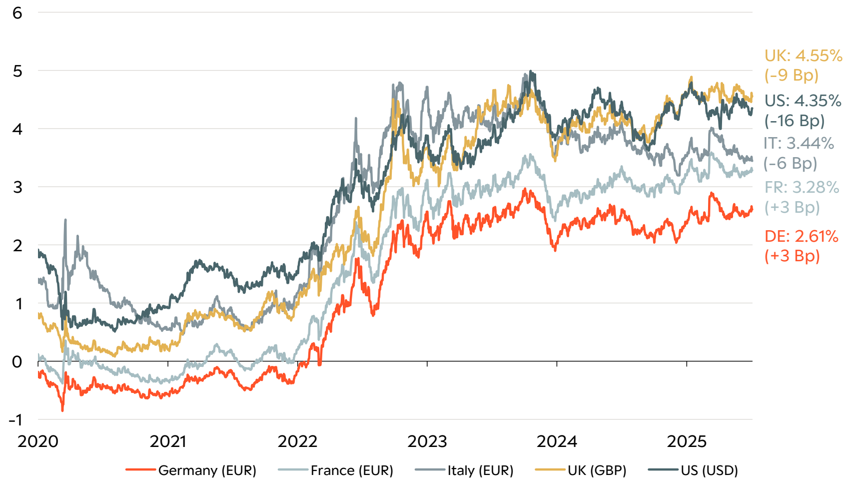


- The recent expansion in stock market valuations, particularly in the US, is also evident when looking at historical distributions. All stock markets are trading above their long-term median, with US stocks increasingly approaching their historical maximum.
- On a P/B basis, US and, increasingly, European stocks appear expensive.

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 blue bar) and minimum (lower limit of the blue bar) are shown.
Source: Bloomberg, Time period: 01/01/2006 – 04/07/2025

Sovereign Bonds & Central Banks

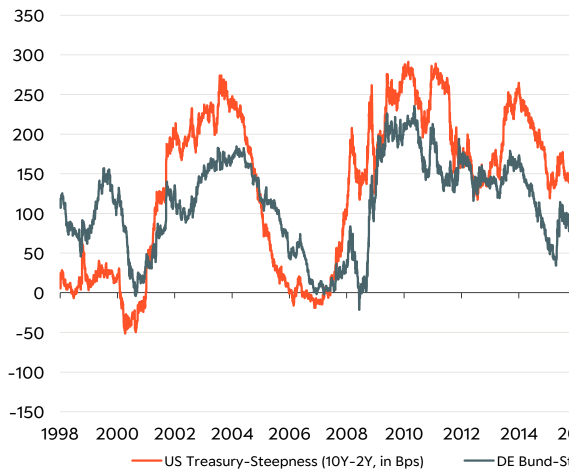
10-Year Government Bond Yields



- Over the past four weeks, US government bonds have outperformed their European counterparts. Yields on 10-year Treasuries fell by 16 basis points, while German government bonds recorded a yield increase of 3 basis points.
- Despite the short-term rise in yields in the UK, British government bonds recorded an overall decline in yields of 9 basis points over the past four weeks.

Effective yield on 10-year government bonds and change over the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2020 – 04/07/2025

Yield Curve Steepness (10Y - 2Y)

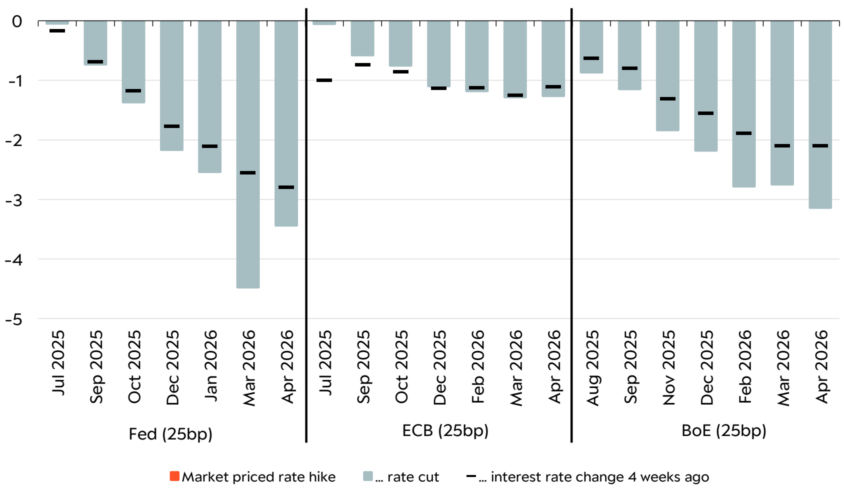


	10Y	2Y	Spread
DE	2.68%	1.94%	79 Bp
US	4.47%	4.00%	47 Bp

- The yield curve in Germany has recently steepened slightly again. This movement was driven primarily by a rise in yields at the long end of the curve.
- In the US, on the other hand, the yield curve flattened only marginally and continues to trade at a level of around 50 basis points.

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 – 04/07/2025

Implicit Changes in Key Interest Rates

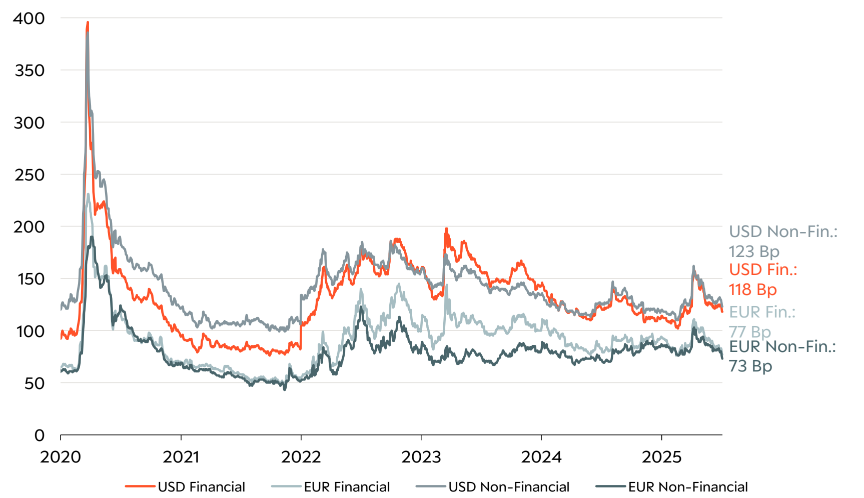


- While the market had recently been pricing in two to three rate cuts by the Fed before the end of the year, market participants are now increasingly expecting only two rate cuts before the end of the year following stronger labor market data.
- The likelihood of further rate cuts by the ECB is also increasingly reduced following the latest rate decision. Market participants now expect only one interest rate cut by the end of the year.

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: 25/04/2025 – 04/07/2025

Corporate Bonds

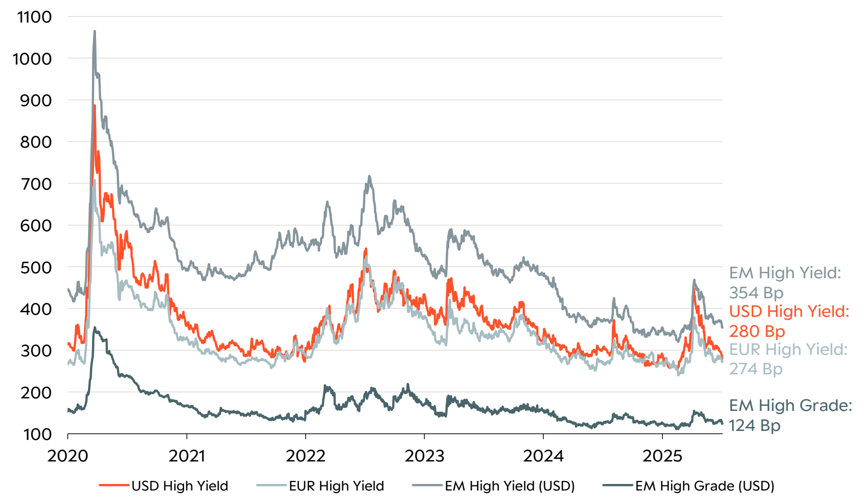
Credit Spreads Financial and Non-Financial Bonds



- Spreads on high-quality corporate bonds have fallen further in recent weeks.
- In Europe, risk premiums are at their lowest level since July last year, with non-financials continuing to trade slightly below financials. In the US, the picture is reversed.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2020 – 04/07/2025

Credit Spreads High Yield and Emerging Markets Bonds



- Risk premiums on high-yield bonds have also fallen further and are close to their historical lows.
- Emerging market bonds in the high-yield segment continue to offer more attractive yields than their counterparts in developed markets, but here too, risk premiums are already very narrow by historical standards.

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: 01/01/2020 – 04/07/2025

Bond Segments Overview

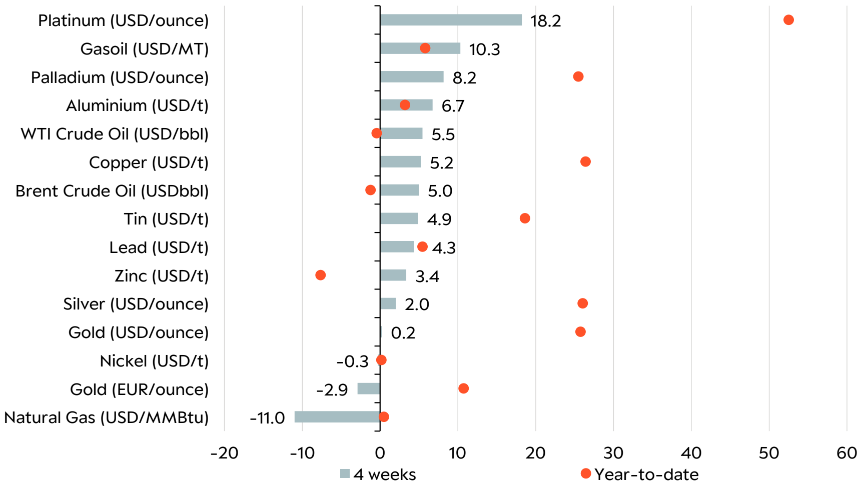
	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	04/07/24 04/07/25	04/07/23 04/07/24	04/07/22 04/07/23	04/07/21 04/07/22	04/07/20 04/07/21
EUR Government	2.70	0.03	7.0	-	-	-	0.0	0.8	4.6	2.9	-5.4	-12.8	0.3
Germany	2.27	0.02	7.1	-	-	-	-0.1	-0.3	2.9	1.4	-6.4	-11.2	-1.6
EUR Corporate	3.08	-0.08	4.5	75	-11	42	0.7	2.3	6.4	6.5	-0.2	-12.6	3.5
Financial	3.10	-0.08	3.8	77	-12	29	0.7	2.6	6.7	7.2	-0.3	-10.5	2.9
Non-Financial	3.06	-0.07	5.0	73	-11	48	0.6	2.1	6.2	6.1	-0.2	-13.8	3.8
EUR High Yield	5.70	-0.09	3.3	274	-8	18	0.5	3.0	8.2	10.8	8.9	-14.7	11.0
US Treasury	4.19	-0.01	6.0	40	2	98	0.5	3.2	4.4	1.8	-3.0	-8.7	-3.2
USD Corporate	5.12	-0.10	6.5	121	-6	32	1.1	4.0	6.3	5.7	1.0	-13.7	3.3
Financial	5.07	-0.10	5.0	118	-5	43	1.0	4.2	7.1	7.2	0.9	-11.4	3.1
Non-Financial	5.14	-0.10	7.3	123	-6	29	1.2	3.9	6.0	5.0	1.0	-14.7	3.3
USD High Yield	7.33	-0.36	3.7	280	-36	2	1.7	4.7	10.4	10.4	8.7	-12.6	14.9
EM High Grade	5.01	-0.07	5.4	124	-8	5	1.1	4.1	6.8	5.8	1.8	-13.0	4.2
EM High Yield	7.74	-0.33	4.0	354	-26	10	1.7	4.9	10.9	13.4	7.6	-23.5	12.4

- Most bond segments posted positive performance over the past month, with lower quality tending to outperform.
- Only EUR government bonds saw interest rates rise. US government bonds, on the other hand, saw interest rates fall significantly. The narrowing of the interest rate differential led to a further depreciation of the USD.

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 Finan-cial; 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: 04/07/2015 – 04/07/2025

Commodities

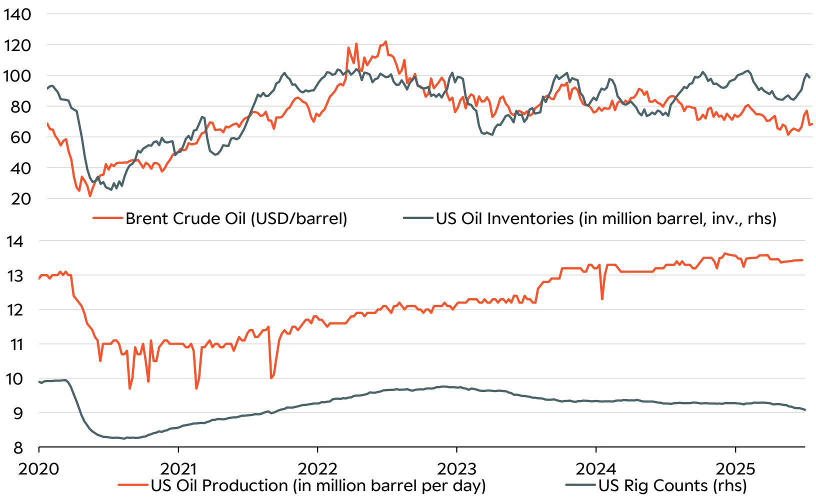
Commodities Performance



- The price of platinum continues to rise and has now risen by 40% in six weeks. The main driver is likely to be an overly high discount to gold.
- The underperformer among commodities in the first half of the year is zinc, which has fallen by 7.5% since the start of the year. This is likely due to an increase in production as well as low demand from the steel industry.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2024 – 04/07/2025

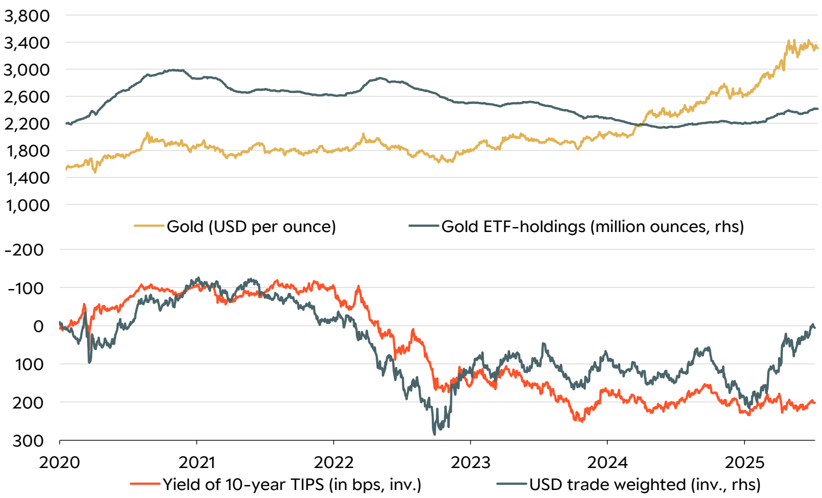
Crude Oil



- Due to the escalation of the conflict between Israel and Iran, the oil price briefly rose significantly, but has since stabilised below USD 70 per barrel.
- Last weekend, OPEC+ decided to increase its oil production by 548 thousand barrels per day. This fourth production increase is likely to lead to a considerable oversupply in the medium term.

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: 01/01/2020 – 04/07/2025

Gold



- The publication of data on the persistently robust US labour market had a negative short-term impact on the gold price.
- However, concerns over US fiscal policy are likely to continue to support the gold price in the medium term. The high debts resulting from Trump's 'Big Beautiful Bill' will probably contribute to this.

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: 01/01/2020 – 04/07/2025

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