Berenberg Markets Monitor

18.08.2025

Current market commentary

Global equity markets are continuing their upward trend after the latest US consumer price inflation data confirmed expectations of a Fed rate cut in September. The strong Q2 reporting season in the US has also reassured investors about the resilience of the economy, thanks in particular to strong results from large technology companies. Sentiment (see IPOs) and investor positioning have become more optimistic in August as investors appear to be assuming a 'Goldilocks' scenario in which controlled inflation could pave the way for monetary easing, accompanied by robust economic growth driven by AI. Nevertheless, there is a risk that the markets have dismissed the 'tariff shock' too quickly, as its economic impact has not yet been fully felt. The tariffs are probably not strong enough to cause a recession, but they could dampen purchasing power in the coming months and make consumers and companies cautious. In addition, the question remains as to how robust the US labour market really is. Recently, the likelihood of a stock market setback has increased.

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

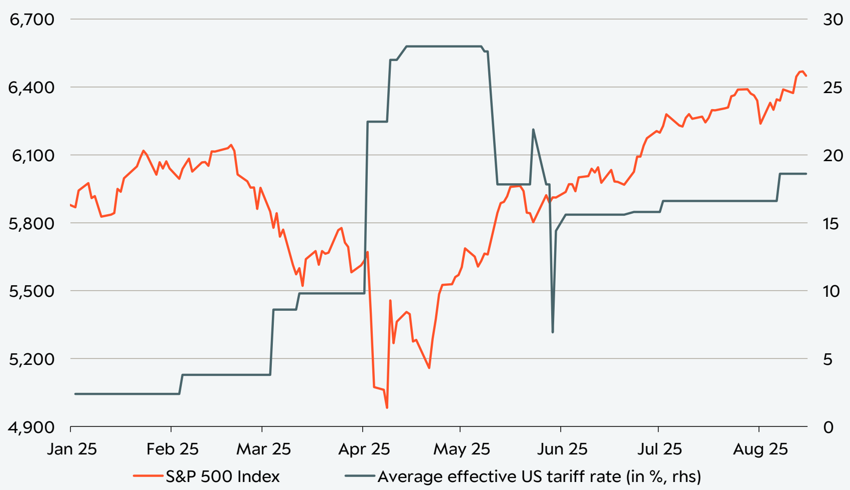
End of the reporting season, ECB and OPEC+ at a glance.

The reporting season for the second quarter of 2025 is drawing to a close. In recent weeks, 90% of S&P 500 companies have reported their results. Of these, 81% reported positive EPS and revenue surprises. The S&P 500's year-on-year earnings growth rate is 11.8%. In terms of monetary policy, the focus is on the release of the Fed's minutes from its July meeting on 20 August and the Jackson Hole meeting from 21 to 23 August.

Fed minutes, purchasing managers' indices, as well as inflation and labor market data are the focus of the markets.

The Chinese and British consumer price indices (July) will be published on Tuesday and Wednesday, respectively. The producer price index (July) for the UK and Germany is expected on Wednesday. This will be followed on Thursday by the preliminary purchasing managers' indices (August) for the eurozone, the US, Germany and the UK. The following week, US GDP (Q2) will be announced on Thursday. On 29 August, the consumer price index (August) and retail sales figures (July) for Germany and the PCE price index (July) for the US will be published. This will be followed by the Chinese PMI (August) on 31 August.

S&P 500 (still) immune to high punitive tariffs



- The S&P 500 is hitting all-time highs, even though the average US tariff rate has risen significantly again after Trump's initial backtracking.
- So far, US consumers have been spared thanks to the frontloading of imports. However, higher prices are now likely to gradually weigh on consumption and thus the economy.
- With strong market concentration and high positioning of systematic investors, the market is now more susceptible to a set-back.

Source: Bloomberg, The Budget Lab
Time period: 01/01/2025 – 15/08/2025

Performance

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (18/07/25 - 15/08/25)	YTD (31/12/24 - 15/08/25)	15/08/24 15/08/25	15/08/23 15/08/24	15/08/22 15/08/23	15/08/21 15/08/22	14/08/20 15/08/21
MSCI Frontier Markets	5.6	19.5	29.1	5.7	-6.5	-1.9	37.3
MSCI World	2.1	0.5	11.3	22.2	-1.7	7.1	33.5
MSCI Emerging Markets	1.4	6.5	13.4	11.8	-7.4	-5.4	19.8
EUR Coporates	0.2	2.3	4.7	7.9	-4.0	-9.8	3.0
Euro overnight deposit	0.1	1.5	2.8	4.0	2.1	-0.6	-0.6
EUR Sovereign Debt	-0.1	1.5	2.9	5.6	-5.9	-6.5	1.0
Global Convertibles	-0.4	-3.1	9.9	4.4	-9.0	-3.7	29.5
USDEUR	-0.7	-11.5	-6.2	-0.6	-6.8	16.1	0.4
Gold	-1.1	12.4	27.3	28.4	-0.4	16.1	-8.1
REITs	-2.1	-9.8	-8.0	12.4	-25.0	10.5	29.1
Brent	-3.9	-14.3	-12.2	7.5	-5.4	94.8	57.3
Industrial Metals	-9.2	-8.4	-1.9	7.4	-14.3	14.0	42.8

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.

- Frontier market equities have performed best over the past four weeks.
- The eagerly awaited meeting between Donald Trump and Vladimir Putin and the associated reduced likelihood of new sanctions against Russian oil have recently weighed on Brent oil.
- Despite its slightly negative performance over the past four weeks, gold remains the second-best asset class since the beginning of the year.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 14/08/2020 – 15/08/2025

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (18/07/25 - 15/08/25)	YTD (31/12/24 - 15/08/25)	15/08/24 15/08/25	15/08/23 15/08/24	15/08/22 15/08/23	15/08/21 15/08/22	14/08/20 15/08/21
MSCI Japan	10.9	5.8	14.9	13.2	0.2	-0.7	20.2
MSCI EM Latin America	3.8	15.5	0.0	3.4	3.6	15.7	28.2
Stoxx Europe Cyclicals	2.9	22.4	28.6	20.9	7.8	-10.1	39.6
MSCI UK	2.8	9.9	11.8	18.7	0.1	11.7	30.0
S&P 500	1.9	-2.3	10.6	26.1	-2.1	13.2	35.0
Euro Stoxx 50	1.8	13.6	16.1	14.9	16.1	-8.1	30.3
Stoxx Europe 50	1.5	8.2	5.3	16.0	9.9	3.2	26.0
Stoxx Europe Defensives	1.2	5.5	-1.1	16.0	5.1	6.7	18.5
MSCI EM Asia	1.0	5.4	14.4	13.0	-8.0	-6.4	16.9
MSCI USA Small Caps	0.8	-8.1	3.2	13.2	-8.6	8.8	45.5
Stoxx Europe Small 200	0.3	11.3	10.9	10.6	-2.9	-17.2	39.8
DAX	0.3	22.4	34.0	15.3	14.1	-13.5	23.8

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

- Global equity markets have recorded broad gains over the past four weeks.
- European cyclicals have continued to build on their upward trend since the beginning of the year over the past four weeks.
- The German DAX has recently been treading water, but continues to share first place in the performance rankings since the beginning of the year.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 14/08/2020 – 15/08/2025

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (18/07/25 - 15/08/25)	YTD (31/12/24 - 15/08/25)	15/08/24 15/08/25	15/08/23 15/08/24	15/08/22 15/08/23	15/08/21 15/08/22	14/08/20 15/08/21
EM Hard Currency Bonds	2.5	-4.1	8.5	12.5	0.3	-16.8	2.7
USD Corporates	1.4	-6.5	9.6	5.7	3.4	-12.6	3.4
Gilts	1.3	-2.3	-2.9	10.5	-10.9	0.2	2.4
Treasuries	1.0	-7.5	8.2	11.2	2.8	-9.5	9.1
EUR High Yield	1.0	4.3	-4.3	6.2	-11.0	5.1	-1.8
EM Local Currency Bonds	0.9	-0.7	-2.6	9.4	-18.5	-15.3	-1.7
USD High Yield	0.6	-6.2	5.3	8.2	-3.3	-7.9	2.5
BTPs	0.5	2.3	2.1	11.4	-5.6	9.7	9.0
EUR Financials	0.4	2.9	4.3	7.7	-4.4	-10.8	3.3
EUR Non-Financials	0.3	2.3	4.3	8.3	-5.6	-12.1	4.4
Bunds	-0.1	-1.1	-0.9	5.3	-10.8	-9.6	0.3
Chinese Sovereign Bonds	-0.7	-9.1	4.4	6.6	3.9	4.9	4.5

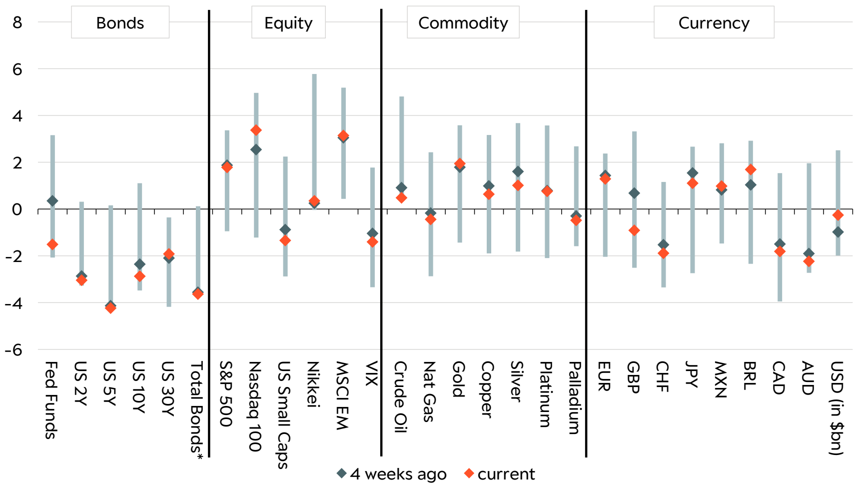
Bunds: ICE BofA German Government Index; BTPs: ICE BofA Italy Government Index; Treasuries: ICE BofA US Treasury TR; Gilts: ICE BofA UK Gilt Index; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: ICE BofA Euro Financial Index; EUR Non-Financials: ICE BofA Euro Non-Financial Index; EUR High Yield: 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 Index

- Over the past four weeks, emerging market hard currency bonds and USD corporate bonds have topped the performance rankings.
- Chinese government bonds have been in last place since the beginning of the year. However, their poor performance is primarily 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: 14/08/2020 – 15/08/2025

Positioning

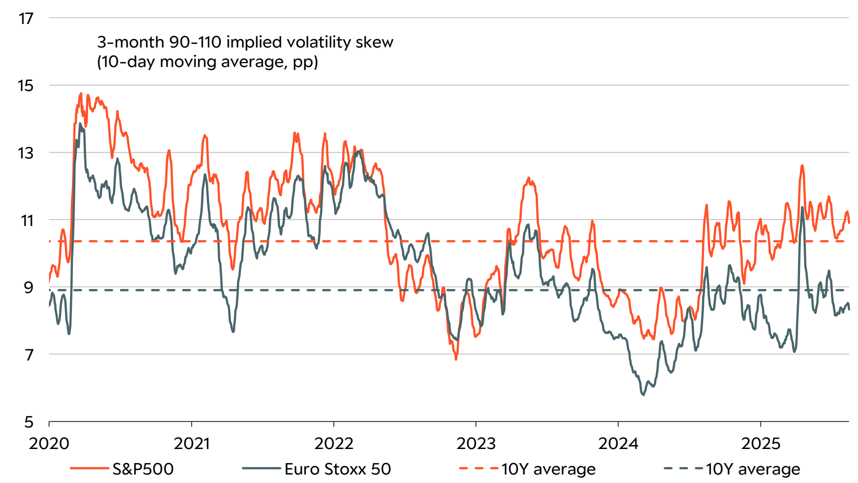
Non-commercial Positioning



- Speculative investors continue to buy US-tech and have further increased their short positions in US small caps.
- On the other hand, they have recently covered their short positions in the US dollar after the greenback's depreciation lost momentum.

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: 12/08/2015 – 12/08/2025

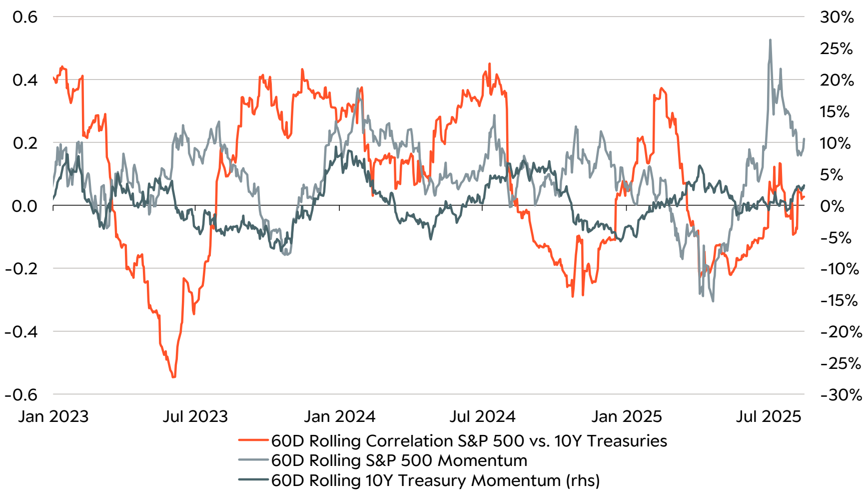
Put-Call-Skew



- The skew has steepened slightly again in recent weeks in both the US and Europe, but overall it remains close to historical averages.
- However, implied volatility is very low, especially for the S&P 500, meaning that the normalised skew is currently extremely steep.

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: 15/08/2015 – 15/08/2025

60-Day Momentum and Correlation

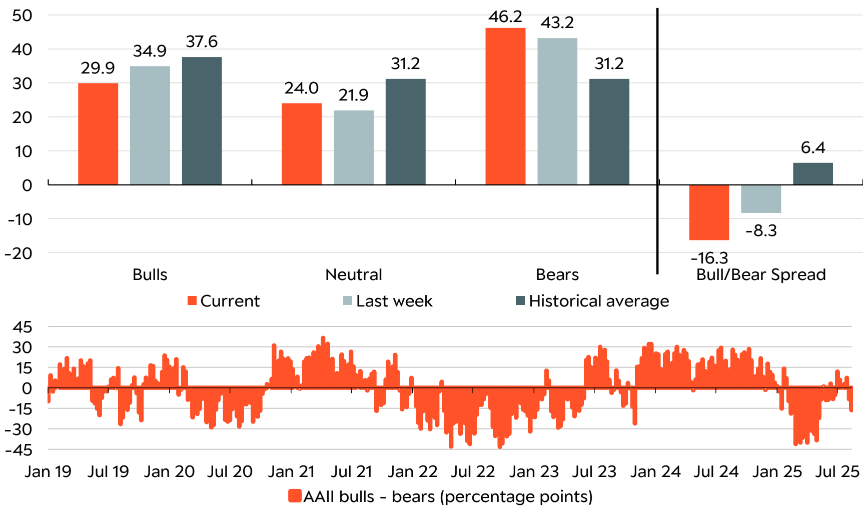


- Although momentum on the US stock market has slowed, it is still very strong at 10% in three months. Coupled with low realised volatility, this suggests high equity allocations for trend-following strategies.

The 60-day momentum indicates the rolling return of the last 60 days. The more the momentum rises (falls), the more systematic momentum strategies build up (reduce) their positions in the corresponding asset class. Changes in the sign of the return mark important turning points. The 60-day correlation indicates how equitably stocks and bonds move. The higher (lower) the correlation, the fewer (more) equities demand risk-based investment strategies.
Source: Bloomberg, Time period: 31/12/2022 – 15/08/2025

Sentiment

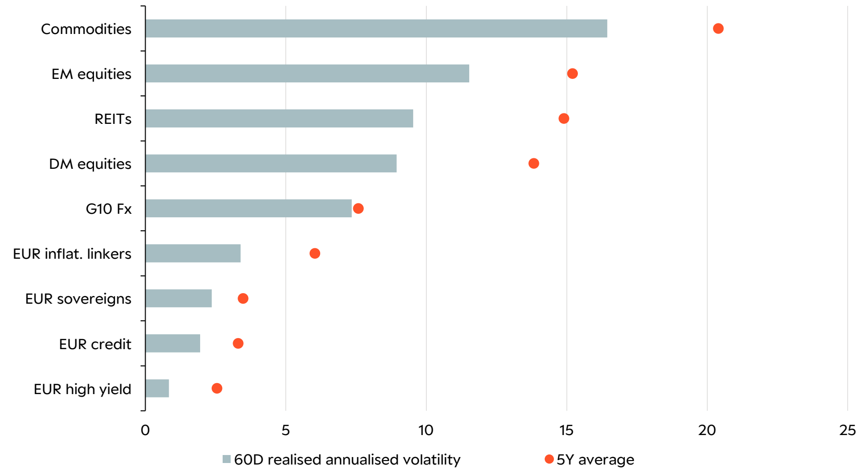
AAII Markt Sentiment Survey (Bull vs Bears)



- The slightly improved mood among US private investors lasted just over a month. Now the bears are back in the (simple) majority and the bull/bear spread is at its lowest level since early May, even though US equities are currently trading around 15% higher.

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 – 14/08/2025

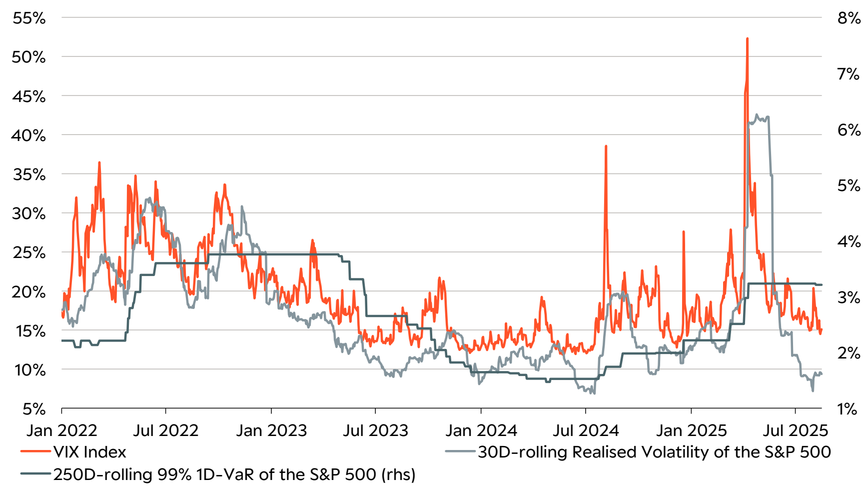
Realised Volatilities



- The realised 60d volatility for all asset classes shown here is below the medium-term average.
- The realised volatility of European high-yield bonds is now at its lowest level since the beginning of the year.
- For equities in developed markets, it is even at its lowest level in about a year.

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: 15/08/2020 - 15/08/2025

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

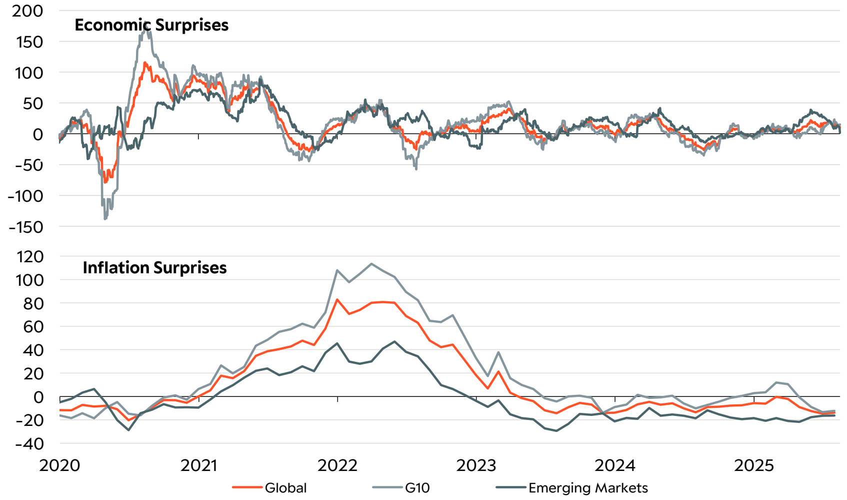


- Last week, the VIX fell below the 15 mark for only the fourth time this year.
- However, realised volatility over the last 30 days remains below 10%, meaning that the volatility premium is still considerable.

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 – 15/08/2025

Surprise Indicators

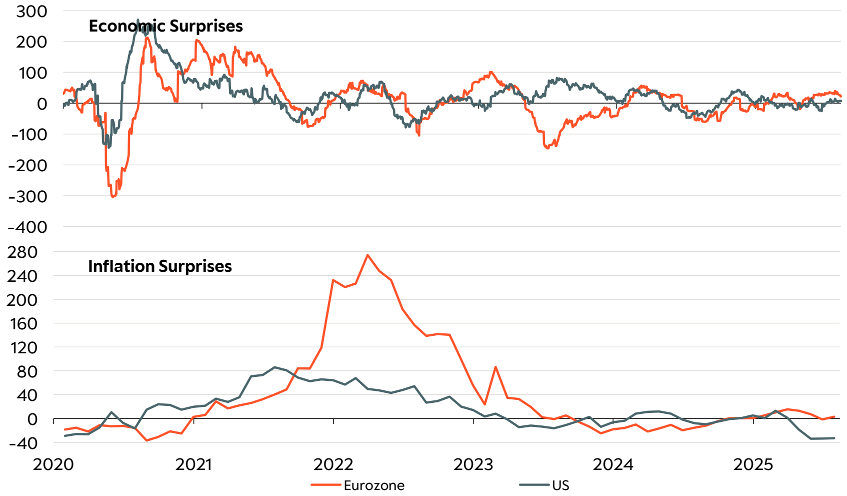
Global



- Economic surprises continued to be positive in both industrialised and emerging markets over the past two weeks.
- In Switzerland, the unemployment rate was in line with expectations in July, while in Canada it surprised on the downside.
- In China, industrial production and retail sales surprised on the downside in July, while the unemployment rate was higher than expected.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 15/08/2025

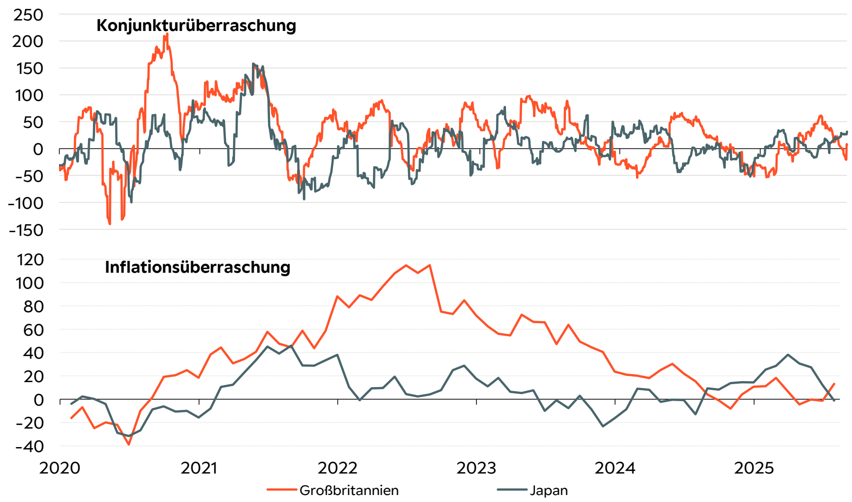
Eurozone and US



- Economic surprises in the US and the eurozone have been positive over the past two weeks.
- In the US, retail sales and industrial production in July were slightly lower than expected, while producer price inflation and core consumer price inflation exceeded expectations.
- In the eurozone, industrial production in June was lower than expected, while retail sales were in line with expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 15/08/2025

UK and Japan

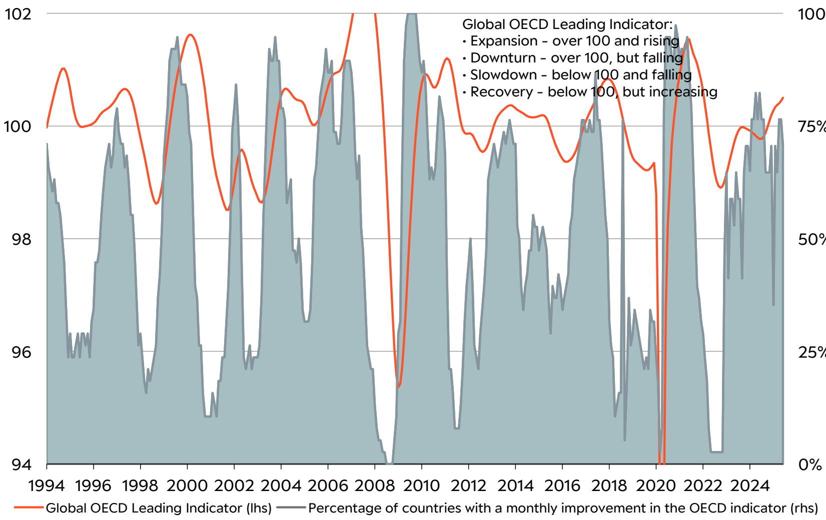


- In the United Kingdom, economic surprises recently turned positive, while they remained positive in Japan.
- In the United Kingdom, GDP growth in the second quarter exceeded expectations.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.
Source: Bloomberg, Time period: 01/01/2020 – 15/08/2025

Economics

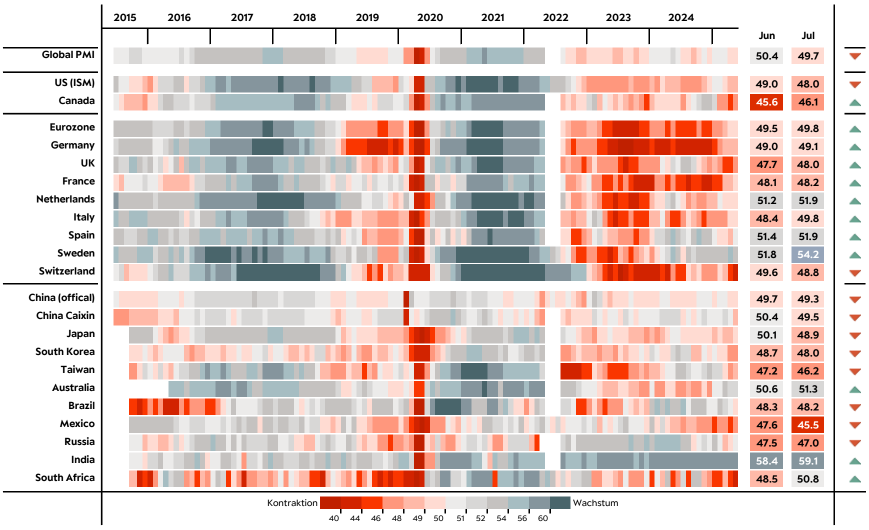
OECD Leading Indicator



- Global economic expansion continues. The revised OECD leading indicator stood at 100.5 in June, exceeding the 100 mark for the eighth consecutive month.
- According to the revised leading indicator, the economic situation improved in 71% of the countries surveyed in June compared with 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 – 15/08/2025

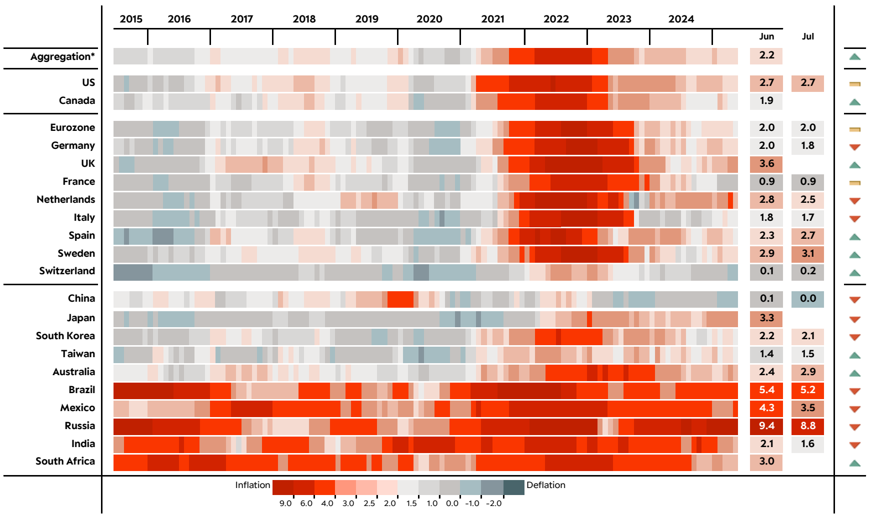
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- PMI data for July point to regional differences. The PMI index rose in the eurozone in July compared with the previous month, while the purchasing managers' index in the US fell below the previous month's level.

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 – 15/08/2025

Headline Inflation

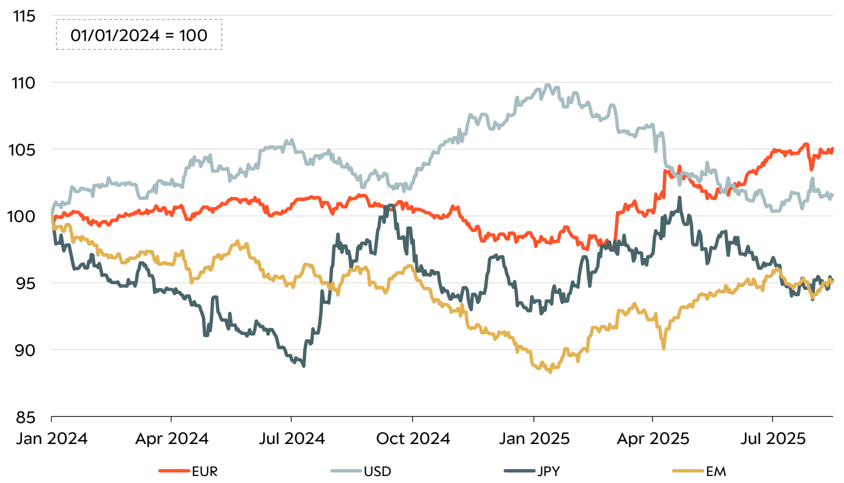


- Consumer price indices for July pointed to a further slowdown in inflation in most eurozone countries. In Germany, falling energy prices contributed significantly to the decline in the harmonised annual inflation rate compared with the previous month. In France, however, the annual harmonised inflation rate remained at the previous month's level.

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 – 15/08/2025

Foreign Exchange

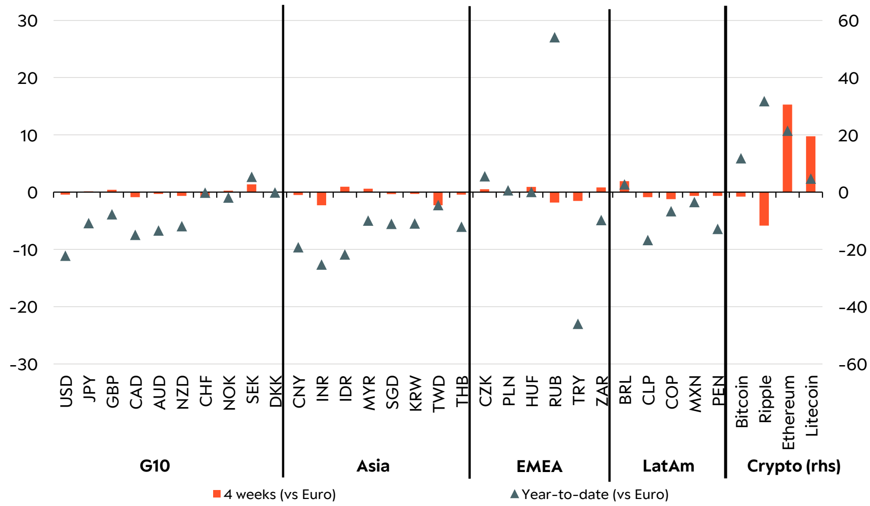
Trade-Weighted Currency Development



- The Japanese yen has recently gained ground after US Treasury Secretary Scott Bessent said he expected Japan to raise interest rates to curb inflation.
- Initial signs of a slowdown in the US labour market increased the likelihood of an interest rate cut in September despite heightened inflation risks. This weighed on the US dollar recently.

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 – 15/08/2025

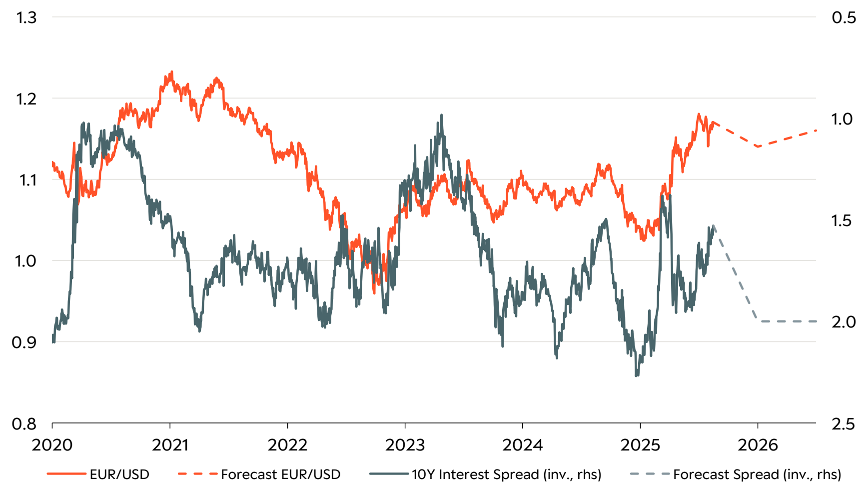
Currency Moves vs Euro



- Over the past four weeks, the euro has shown mixed performance against the currencies shown here.
- Following its scheduled meeting, the Mexican central bank lowered its key interest rate by 25 basis points, as expected.
- As expected, the Norwegian central bank left its key interest rate unchanged, while the dovish comments of the bank's board weighed on the Norwegian krone recently.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 01/01/2025 – 15/08/2025

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



- Due to a similar decline in yields, the interest rate differential between German and US government bonds remained at around 150 basis points.
- By contrast, the euro appreciated against the US dollar and is currently trading at around 1.17.

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

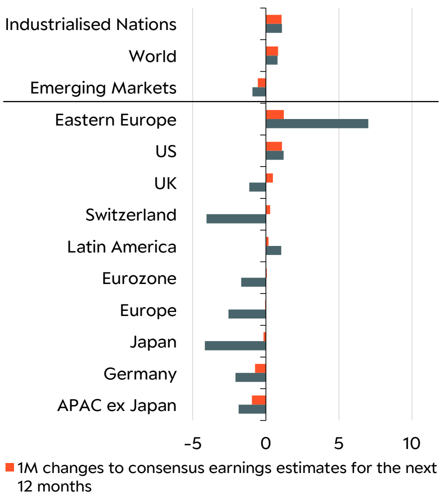
	4-week & YTD		12-month periods over that last 5 years				
	4W (18/07/25 - 15/08/25)	YTD (31/12/24 - 15/08/25)	15/08/24 15/08/25	15/08/23 15/08/24	15/08/22 15/08/23	15/08/21 15/08/22	14/08/20 15/08/21
Finance	7.2	33.7	46.9	23.8	14.6	-1.8	39.1
Value	4.4	19.8	22.8	16.1	8.5	0.7	30.9
Energy	2.5	6.5	-3.3	11.6	10.2	44.5	27.8
Telecommunications	1.5	17.2	22.7	18.5	-7.0	-4.1	23.4
Health Care	1.3	-4.2	-16.5	18.5	7.2	2.1	17.8
Materials	0.5	3.5	1.7	11.5	-0.9	-9.3	43.8
Utilities	0.4	20.3	20.1	9.1	-1.7	2.4	11.7
Industrials	-0.1	19.9	25.7	22.2	10.1	-10.8	40.5
Consumer Staples	-0.3	4.5	1.6	-1.3	-3.9	5.1	15.8
Growth	-1.4	2.9	-0.1	13.8	3.6	-7.9	32.4
Consumer Discretionary	-1.8	-7.5	-4.6	-1.1	12.1	-13.2	52.2
Information Technology	-5.9	-3.5	-5.3	30.1	5.4	-17.1	42.5

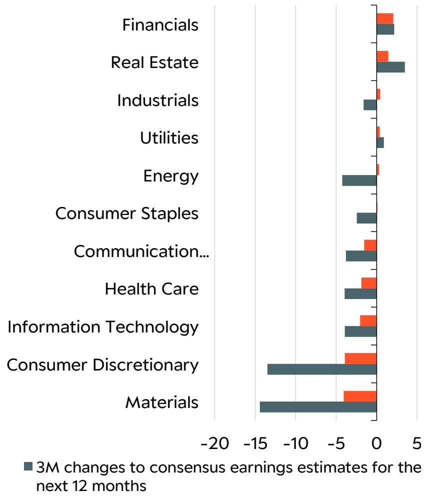
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. 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.

- European equity sectors posted mixed performances over the past four weeks. Financial and value stocks rose significantly, driven by the current second-quarter reporting season.
- Cyclical consumer goods and IT stocks, on the other hand, performed very poorly.

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: 14/08/2020 – 15/08/2025

Changes in Consensus Earnings Estimates

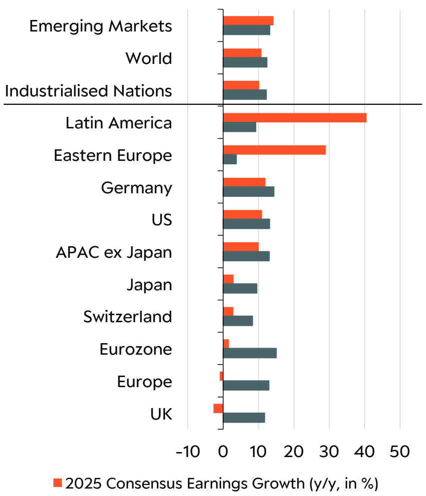


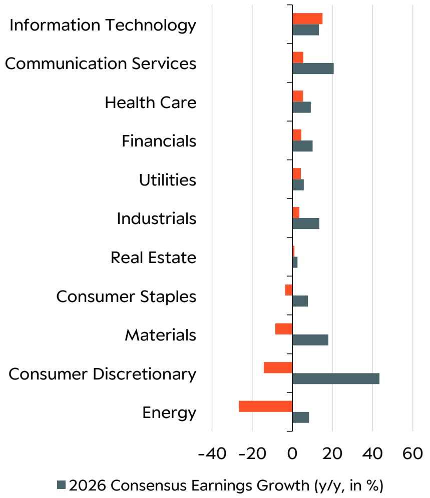


- Analysts have revised their earnings estimates downwards in most European sectors. The financial sector is an exception, with earnings expected to be higher than four weeks ago.
- Earnings expectations by region show no significant changes over the past four weeks. Global earnings estimates have been revised slightly upwards again.

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 15/08/2025

Earnings Growth



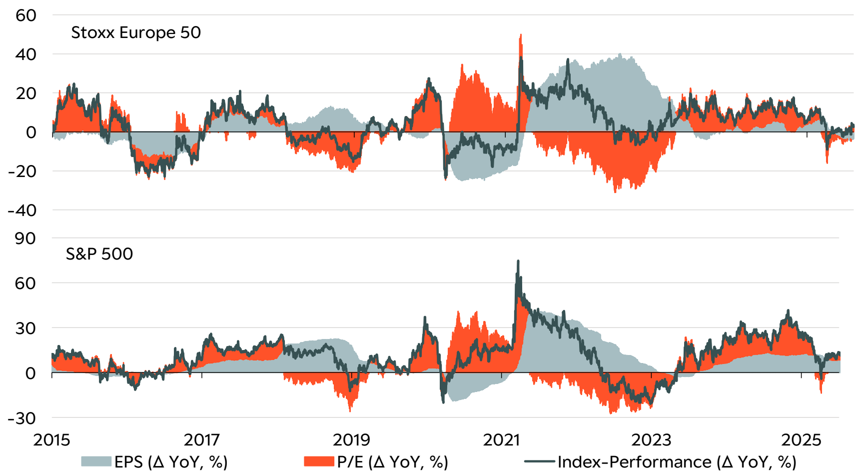


- Overall, earnings expectations for 2025 are positive. Global earnings growth of around 10% is expected. Analysts only expect negative earnings growth for Europe and the United Kingdom.
- A decline in earnings is expected this year in the European consumer goods, basic materials and energy sectors.

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 15/08/2025

Equities – Valuation

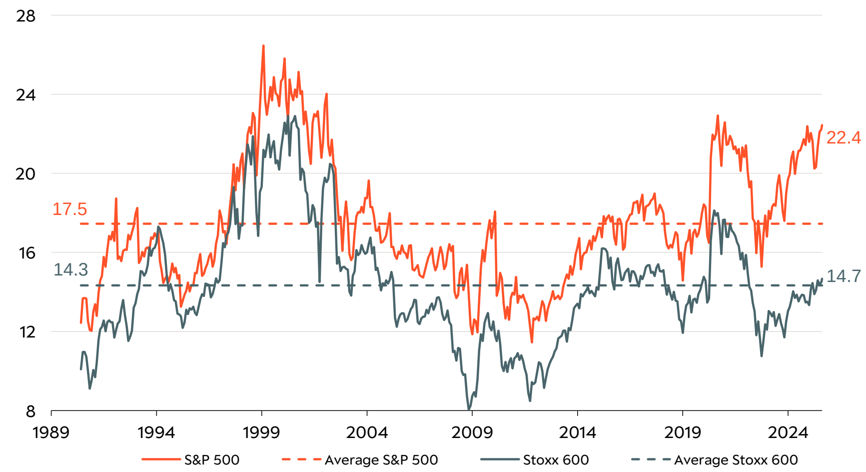
Contribution Analysis



- The performance of the European stock market has recently continued to be driven by an expansion of the P/E ratio, which has risen by up to 7% compared to the previous year. At the same time, profits continue to decline compared to the previous year.
- In the US, however, the P/E ratio expanded by almost 10% compared to the previous year. Here, however, profits also rose to a similar extent.

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 – 15/08/2025

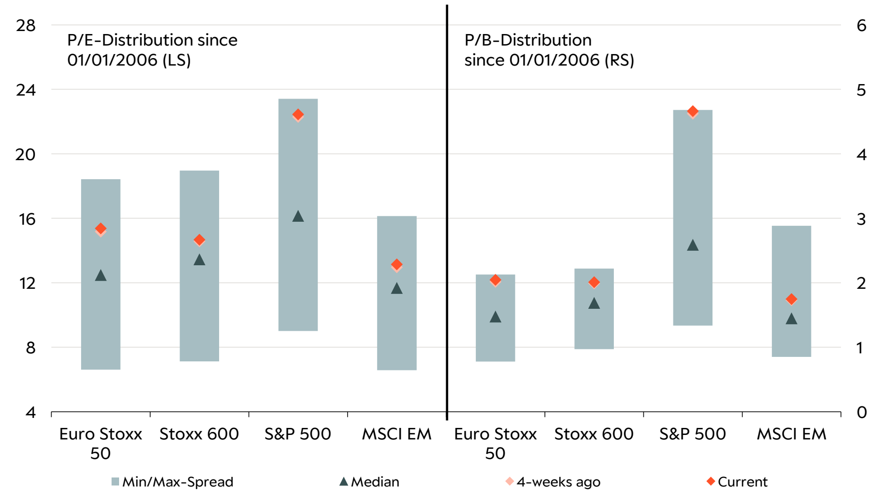
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The new highs on the US stock markets have also led to further increases in valuations. With a P/E ratio of 22.5, US equities are as expensive as they were in mid-2020.
- By contrast, the valuation of European equities has risen only marginally recently and, with a P/E ratio of 14.6, is trading at around its 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 – 15/08/2025

Historical Distribution: Price/Earnings and Price/Book Ratio

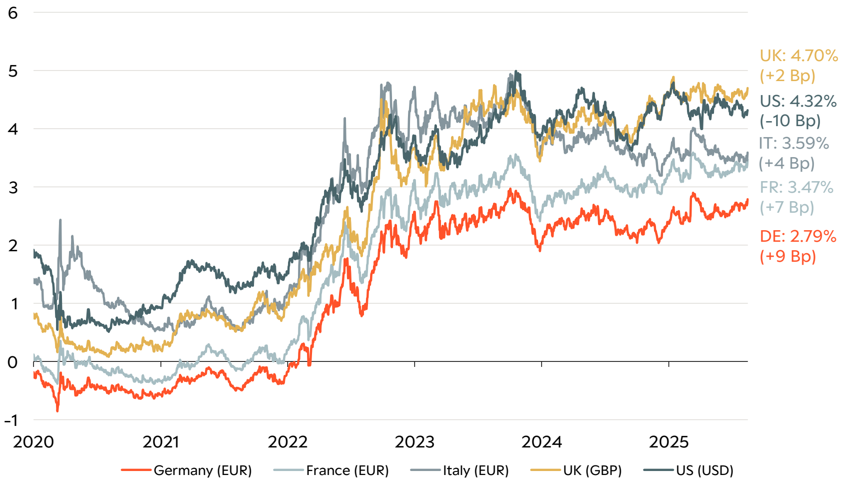


- Looking at the historical distribution for all major economic regions, the P/E ratio is above the median and has continued to widen over the last four weeks.
- While the P/B ratio in the US is at the upper end of its long-term distribution, emerging market equities are trading only slightly above the P/B ratio median of the historical data.

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 – 15/08/2025

Sovereign Bonds & Central Banks

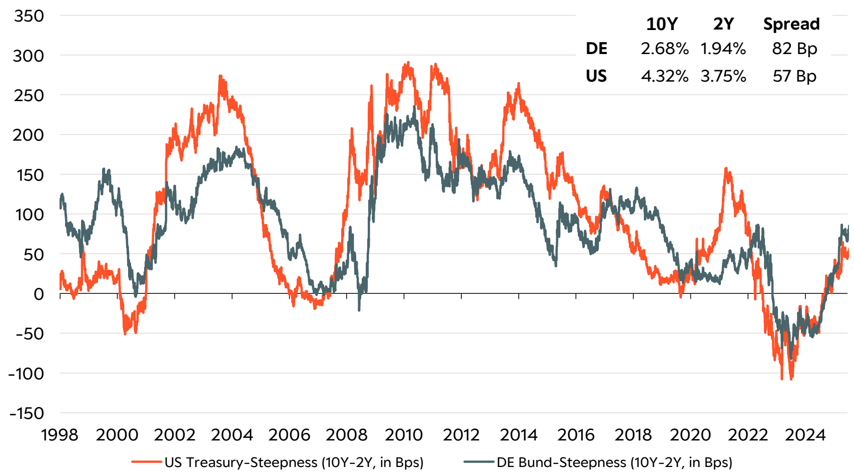
10-Year Government Bond Yields



- In the wake of consumer price data published for July, which so far showed only marginal signs of a tariff-induced rise in inflation, yields on US government bonds came under greater pressure. However, higher-than-expected producer prices partially counteracted this movement.

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 – 15/08/2025

Yield Curve Steepness (10Y - 2Y)

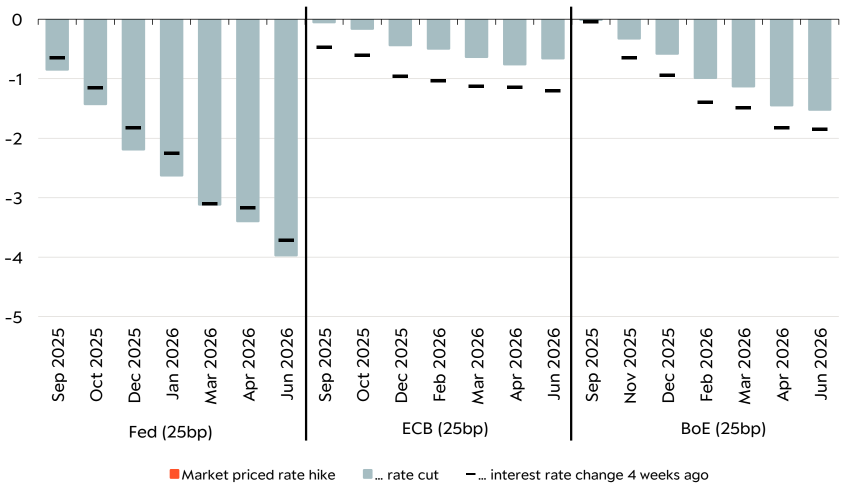


	10Y	2Y	Spread
DE	2.68%	1.94%	82 Bp
US	4.32%	3.75%	57 Bp

- In the US, the yield curve steepened slightly again with the publication of US consumer prices and, at 57 basis points, is close to the highs of recent years.
- The steepness of Bunds is currently close to the average of the last 20 years.

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 – 15/08/2025

Implicit Changes in Key Interest Rates

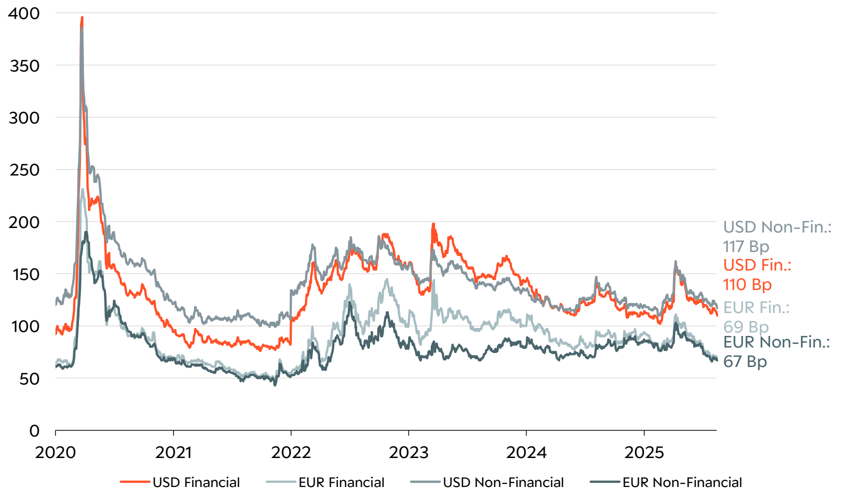


- The US inflation figures have hardly changed expectations for the upcoming FOMC meeting: a 25 bp interest rate cut in September seems a given. At least one further cut is also expected by the end of the year.
- The ECB is expected to pause for the time being. It remains to be seen whether there will be an interest rate cut at 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: 18/07/2025 – 15/08/2025

Corporate Bonds

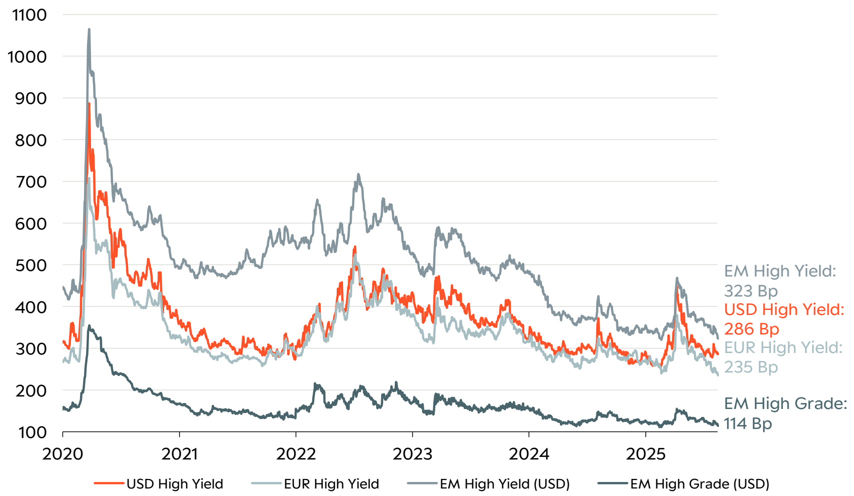
Credit Spreads Financial and Non-Financial Bonds



- Risk premiums on corporate bonds have stagnated at a low level over the past two weeks.
- Corporate bonds are very expensive by historical standards, especially in Europe. Government bonds from France, Italy, Spain and Greece currently offer higher yields.
- In the US, however, Treasuries still yield less than corporate bonds.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 15/08/2025

Credit Spreads High Yield and Emerging Markets Bonds



- Risk premiums on European high-yield bonds fell last week to their lowest level since 2018.
- By contrast, US high-yield spreads have recently stagnated and are still around 30 basis points away from their lows at the beginning of the 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: 01/01/2018 – 15/08/2025

Bond Segments Overview

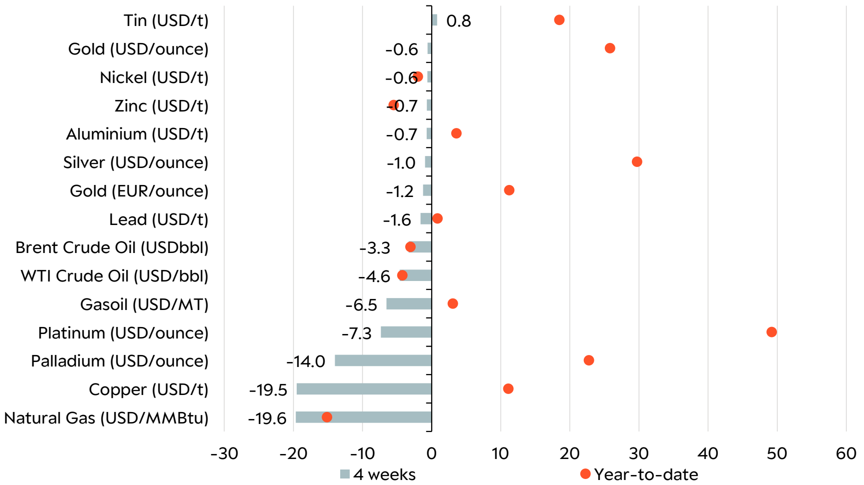
	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	15/08/24 15/08/25	15/08/23 15/08/24	15/08/22 15/08/23	15/08/21 15/08/22	15/08/20 15/08/21
EUR Government	2.86	0.07	6.9	-	-	-	-0.2	-0.2	1.0	6.6	-9.4	-11.4	1.4
Germany	2.45	0.09	6.9	-	-	-	-0.5	-1.5	-0.9	5.3	-10.8	-9.6	0.3
EUR Corporate	3.16	0.02	4.4	68	-4	29	0.2	2.3	4.7	7.9	-4.0	-9.8	3.0
Financial	3.18	0.02	3.8	69	-5	22	0.3	2.8	5.3	8.2	-3.3	-7.9	2.5
Non-Financial	3.14	0.03	4.9	67	-4	37	0.1	2.0	4.3	7.7	-4.4	-10.8	3.3
EUR High Yield	5.36	-0.29	3.3	235	-28	6	1.0	4.3	8.2	11.2	2.8	-9.5	9.1
US Treasury	4.09	-0.20	5.9	37	-3	96	1.3	3.8	1.8	6.7	-4.8	-9.3	-2.4
USD Corporate	5.00	-0.22	6.5	114	-8	22	1.9	5.1	4.3	10.3	-2.7	-12.1	2.2
Financial	4.93	-0.23	5.0	110	-8	30	1.7	5.4	5.5	10.3	-1.2	-10.2	2.1
Non-Financial	5.04	-0.22	7.2	117	-6	21	2.0	5.0	3.7	10.3	-3.4	-13.0	2.2
USD High Yield	7.19	-0.25	3.7	286	-8	4	1.0	5.5	8.5	12.2	1.9	-5.9	10.3
EM High Grade	4.85	-0.20	5.4	114	-6	0	1.6	5.5	5.5	9.2	0.0	-12.6	2.3
EM High Yield	7.25	-0.53	4.1	323	-27	3	2.0	6.9	10.4	15.8	4.7	-20.6	7.6

- Over the past month, yields on riskier segments such as high yield have fallen particularly sharply.
- Yields on US Treasuries have also fallen over the past month, while European government bond yields have tended to rise.

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: 15/08/2015 – 15/08/2025

Commodities

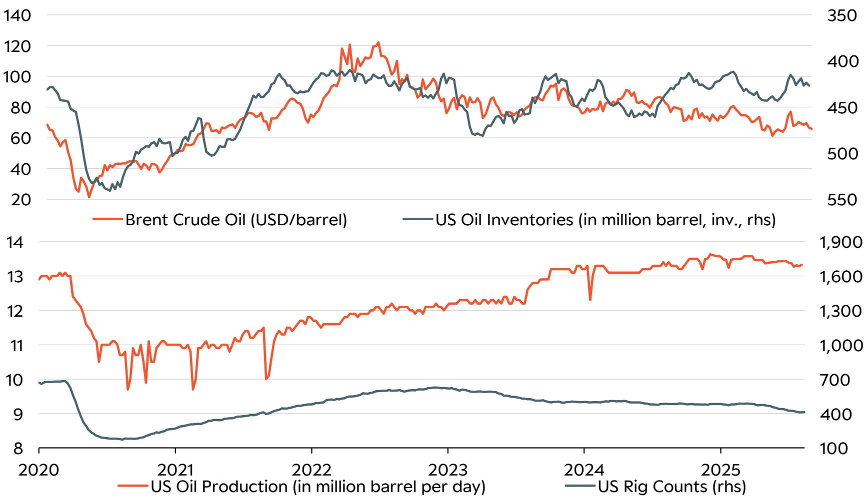
Commodities Performance



- In recent months, copper has been trading at a premium on COMEX in anticipation of US import tariffs. After the tariffs failed to materialise, the price of copper on COMEX fell significantly and aligned itself with the LME price. The price of copper on the LME has fallen by only 0.5% in the last four weeks.
- After previously rising significantly, palladium lost 7.4% of its value in the last four weeks.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2024 – 15/08/2025

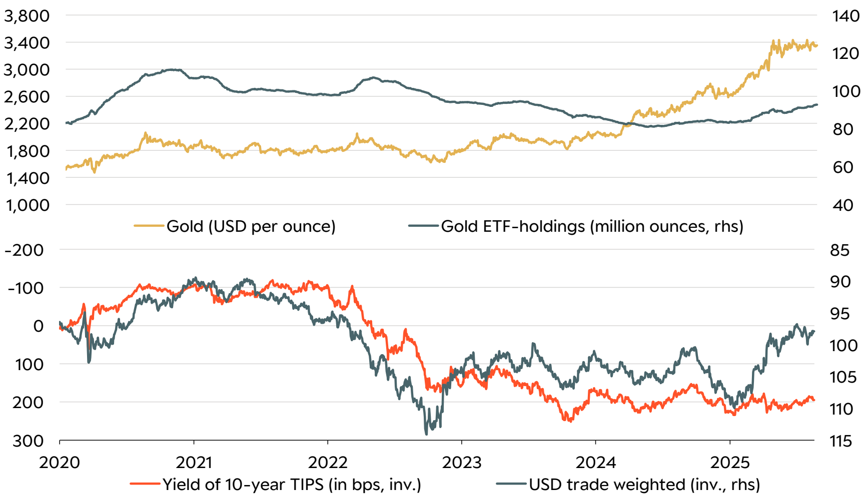
Crude Oil



- Most recently, the price of oil (Brent) fell to its lowest level in two months. This is likely due to rising supply from OPEC+ countries, weaker US economic data and peace negotiations in the Russia-Ukraine war.
- Another burden in the coming months could be the typically weaker demand in autumn.

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 – 15/08/2025

Gold



- On 8 August, the US Customs Service announced that gold would be classified as subject to customs duties. Trump denied this on social media, and an official statement from the US government is still pending.
- A successful outcome to the negotiations in the Ukraine war is likely to reduce demand for gold as a safe haven.

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 – 15/08/2025

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