BERENBERG
Markets

MONITOR

03 February 2025

Current market commentary

Just as Trump announced investments in AI infrastructure totalling USD 500bn dubbed ‘Stargate’, the Chinese start-up DeepSeek took the lead in AI research with a fraction of the funding and caused the expensive tech sector to tremble. Chip manufacturer NVIDIA recorded the biggest one-day loss in history at almost USD 600bn. Despite this, the S&P 500 remained robust - consumer staples, healthcare and banks were among the relative winners. The European equity markets have so far only known one direction: upwards. Lower positioning, lower valuations and hopes of political change have fuelled the rally. However, the just-announced tariffs are likely to lead to profit-taking. With Trump's erratic policies, the ongoing reporting season and the US Treasury's Quarterly Refunding Announcement, volatility is likely to remain elevated. We reduced our equity overweight to neutral last week.

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

Q4 reporting season and the Bank of England meeting in the eyes of investors.

The Q4 reporting season is in full swing – of the S&P 500 companies that have reported so far (around 33%), almost 79% have beaten earnings expectations. A further 42% of S&P 500 companies will report over the next two weeks, while the Bank of England meets on Thursday.

Consumer prices, retail sales and Michigan Consumer Sentiment in focus.

Today sees the release of the eurozone's preliminary CPI (Jan.) and the US manufacturing PMI (Jan.), followed by the US ADP employment report (Jan.) and the US services PMI on Tuesday. Eurozone Retail Sales (Dec.) will follow on Thursday, before US Non-Farm Payrolls (Jan.) are released on Friday. The following week will bring preliminary GDP (Q4) for the UK and the Eurozone, German CPI (Jan.), US Retail Sales (Jan.) and the preliminary Michigan Consumer Sentiment Index (Feb.)

Nvidia – record loss after AI surprise from China

	Company	Biggest Single-Day Market Capitalization Losses (in Billion USD)	Date
1	Nvidia	-592	27. Jan 25
2	Nvidia	-279	03. Sep 24
3	Meta	-251	03. Feb 22
4	Nvidia	-228	07. Jan 25
5	Nvidia	-212	19. Apr 24
6	Nvidia	-208	24. Jun 24
7	Amazon	-206	29. Apr 22
8	Nvidia	-205	17. Jul 24
9	Nvidia	-205	24. Jul 24
10	Nvidia	-197	29. Aug 24

- The chipmaker NVIDIA lost 592 billion US dollars of its market capitalization after the publication of the AI model R1 from DeepSeek, thereby recording the largest daily loss in history.
- NVIDIA is among the ten largest daily losses eight times. The strong market reaction underscores the high positioning in the stock, which is particularly popular among retail investors.
- However, the news also has a positive side: the cheaper models should further accelerate the adoption rate of AI in the economy.

Source: Bloomberg, as of 31/01/2025

Multi Asset

	4W (03/01/25 - 31/01/25)	YTD (31/12/24 - 31/01/25)	31/01/24 31/01/25	31/01/23 31/01/24	31/01/22 31/01/23	31/01/21 31/01/22	31/01/20 31/01/21
	4-week & YTD		12-month periods over that last 5 years				
Gold	5.5	6.6	43.3	6.2	11.0	5.1	6.3
MSCI World	1.5	2.8	26.4	17.2	-4.4	26.0	5.5
Industrial Metals	1.3	0.7	11.4	-17.4	5.8	45.1	14.7
MSCI Emerging Markets	0.7	1.1	19.5	-2.8	-9.3	0.3	16.8
EUR Coporates	0.7	0.5	4.9	6.0	-11.1	-2.3	1.4
MSCI Frontier Markets	0.6	2.3	16.2	8.0	-17.6	24.4	-6.9
EUR Sovereign Debt	0.4	0.1	2.7	4.2	-9.9	-2.1	0.7
Global Convertibles	0.4	2.4	17.5	4.4	-8.3	-1.8	35.0
Euro overnight deposit	0.2	0.3	3.7	3.5	0.2	-0.6	-0.5
REITs	-0.2	0.8	10.2	-7.0	-10.8	32.4	-16.9
USDEUR	-0.5	-0.1	4.4	0.4	3.4	8.0	-8.6
Brent	-0.8	2.2	11.3	5.2	26.8	93.4	-23.9

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.

- Gold continues to lead the list of winners after an extremely good performance last year and reached a new all-time high of 2,798 USD per troy ounce at the end of the month.
- Equities in the industrialized nations also started the new year with strong performance, already achieving around 3% in January.
- Crude oil trended unchanged at the end of the month, after a temporary price increase, after sanctioned Russian oil exports were quickly shifted to other tankers.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/01/2020 - 31/01/2025

Equities

	4W (03/01/25 - 31/01/25)	YTD (31/12/24 - 31/01/25)	31/01/24 31/01/25	31/01/23 31/01/24	31/01/22 31/01/23	31/01/21 31/01/22	31/01/20 31/01/21
	4-week & YTD		12-month periods over that last 5 years				
DAX	9.2	9.2	28.6	11.7	-2.2	15.2	3.5
MSCI EM Latin America	8.7	8.8	-11.8	15.1	15.1	14.4	-22.2
Euro Stoxx 50	8.6	8.1	16.6	14.5	2.3	22.2	-2.4
Stoxx Europe Cyclicals	7.0	7.1	22.2	12.5	-2.1	22.7	1.3
Stoxx Europe 50	6.8	7.0	12.4	12.3	5.6	25.0	-6.1
MSCI UK	4.5	4.8	19.8	5.7	3.7	29.9	-15.3
Stoxx Europe Small 200	4.3	4.7	10.6	3.7	-12.3	13.7	7.2
Stoxx Europe Defensives	4.3	5.4	10.3	9.0	3.2	20.0	-7.1
MSCI USA Small Caps	1.0	2.9	24.7	3.2	2.2	14.1	15.3
MSCI Japan	0.7	1.2	9.9	18.5	-3.7	5.7	4.8
S&P 500	0.5	2.1	31.6	21.0	-5.2	33.3	7.1
MSCI EM Asia	-0.2	0.0	23.9	-5.8	-8.3	-5.1	28.1

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

- The stock markets got off to a strong start in January, with US equities lagging behind their European counterparts. While the S&P 500 rose by around 2% in the first four weeks of the year, the DAX gained over 9% in the same period.
- The strong performance in Europe was also broad-based, although cyclical stocks outperformed defensive stocks and small caps.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/01/2020 - 31/01/2025

Fixed Income

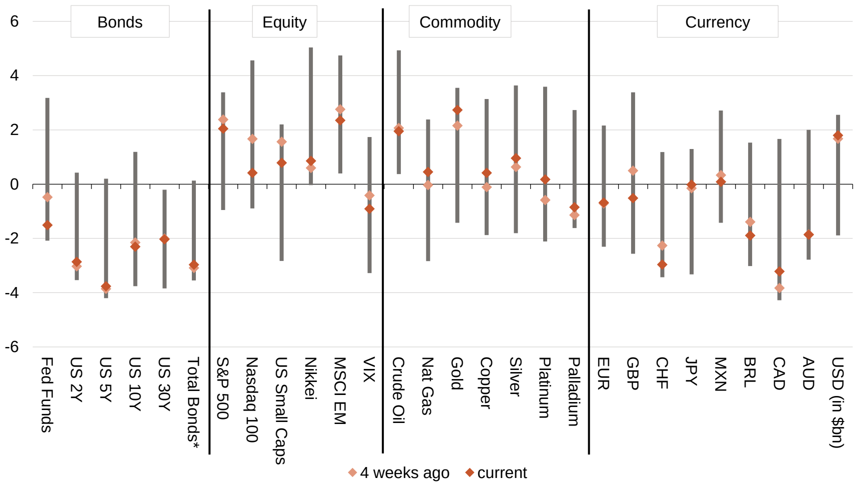
	4W (03/01/25 - 31/01/25)	YTD (31/12/24 - 31/01/25)	31/01/24 31/01/25	31/01/23 31/01/24	31/01/22 31/01/23	31/01/21 31/01/22	31/01/20 31/01/21
	4-week & YTD		12-month periods over that last 5 years				
EM Local Currency Bonds	1.0	1.7	5.7	6.4	-4.9	0.0	-6.1
EUR Financials	0.8	0.6	5.9	6.4	-10.3	-1.9	1.3
EUR Non-Financials	0.6	0.4	4.2	5.7	-11.7	-2.5	1.4
EUR High Yield	0.5	0.6	8.4	9.4	-7.2	1.3	3.0
BTPs	0.4	0.1	5.2	6.3	-14.2	-3.0	3.9
EM Hard Currency Bonds	0.1	1.0	14.1	6.6	-9.9	4.5	-6.5
Gilts	0.0	-0.4	0.9	1.8	-24.1	-1.7	-2.2
Chinese Sovereign Bonds	0.0	0.5	8.3	6.3	2.5	6.6	2.0
Bunds	-0.1	-0.5	0.7	2.7	-15.2	-3.3	0.4
USD High Yield	-0.1	0.7	14.3	8.5	-1.3	9.5	-3.8
USD Corporates	-0.4	-0.1	6.1	4.2	-7.5	4.2	-2.6
Treasuries	-0.4	0.1	5.9	1.2	-5.6	4.9	-4.8

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

- Since the beginning of the year, emerging market local currency bonds in euro terms have performed best. Hard currency bonds also delivered a positive return in the last four weeks, but lost recently due to a slight weakening of the dollar.
- By contrast, European and US government bonds were left behind and fell slightly since the beginning of the year due to higher interest rates.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/01/2020 - 31/01/2025

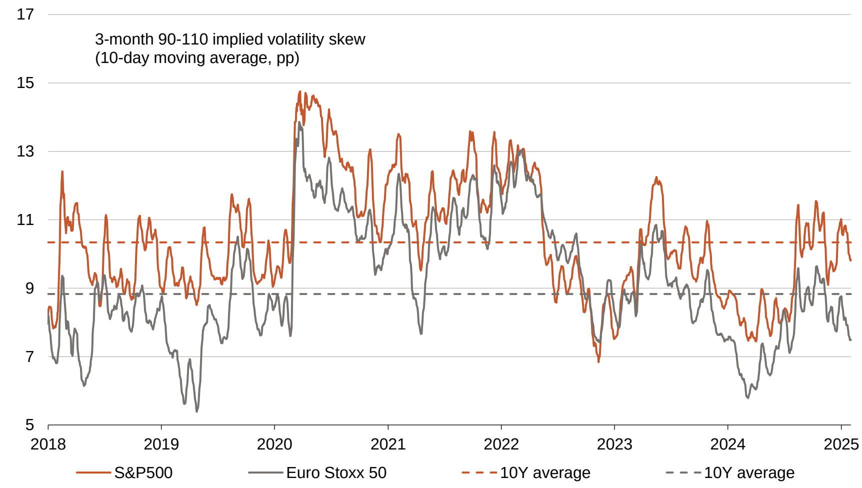
Non-Commercial Positioning



- Speculative investors have reduced their positions in US equities, particularly tech stocks and small caps, in recent weeks and, in turn, further increased their longs in commodities.
- In particular, positioning in gold is now extremely optimistic. Net long positions are at the 95th percentile since records began in 2006.

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: 28/01/2015 - 28/01/2025

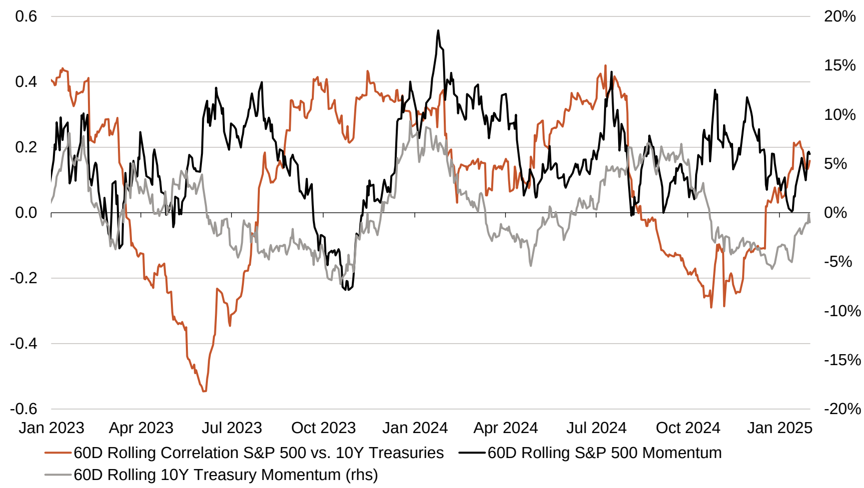
Put-Call-Skew



- The skew has recently fallen for both the Euro Stoxx 50 and the S&P 500 in recent weeks and is now below the average for the last 10 years for both indices.
- However, the put skew (90-100) has increased over the same period. This suggests that the need for hedging has not decreased, but at the same time investors are increasingly positioning themselves for rising markets again.

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: 31/01/2015 - 31/01/2025

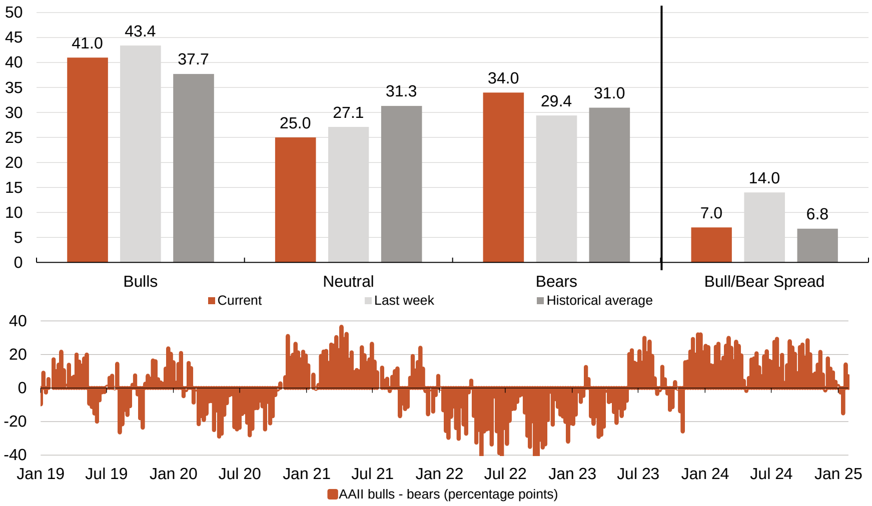
60-Day Momentum and Correlation



- The momentum for US government bonds is about to turn positive. Should interest rates continue to fall, CTAs are likely to switch to the long side.
- Momentum for US equities is still positive. All other things being equal, CTAs are likely to add to their longs.

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 - 31/01/2025

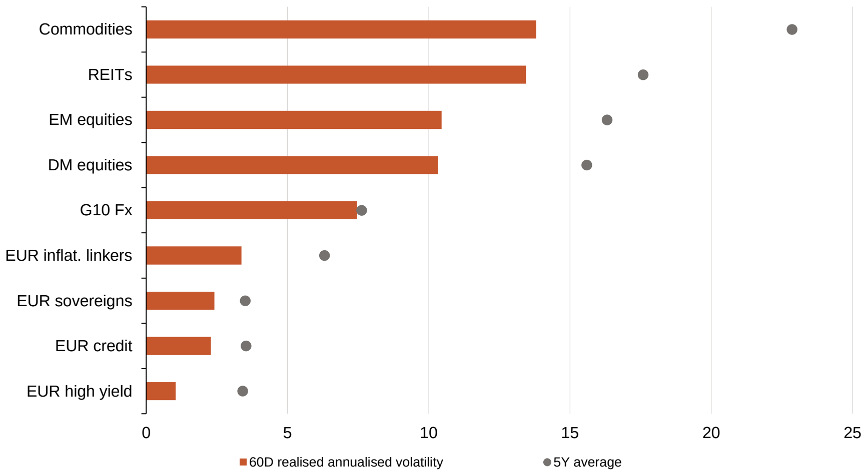
AAII Sentiment Survey (Bulls vs Bears)



- After the pessimistic sentiment at the start of the year, the sentiment among US private investors has improved again in the last two weeks.
- At 7 pp, the bull/bear spread currently equals the historical baseline optimism.

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 – 30/01/2025

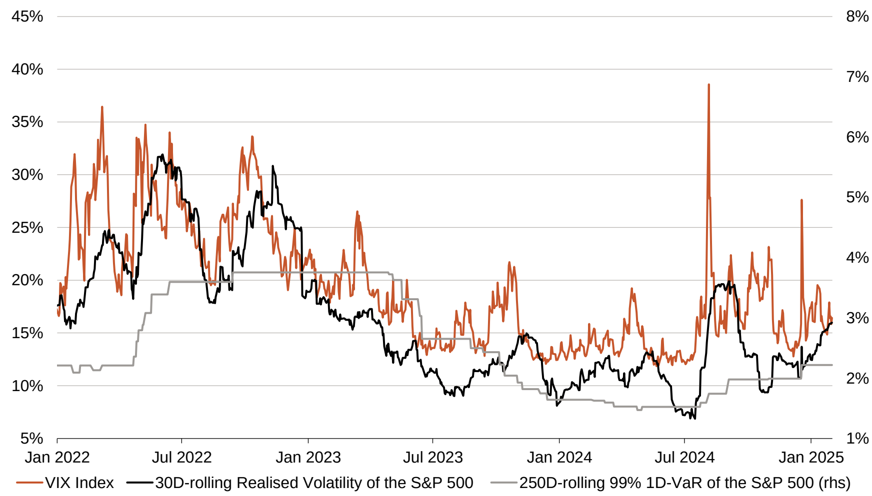
Realised Volatilities



- Realised volatility has fallen further in recent weeks, particularly for commodities, and at 14% is at its lowest level since August last year.
- Realised volatility is currently very low for gold, oil and industrial metals. By contrast, the correlation between the different commodities is high, which is therefore not a reason for the low volatility of the commodities complex.

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: 31/01/2020 - 31/01/2025

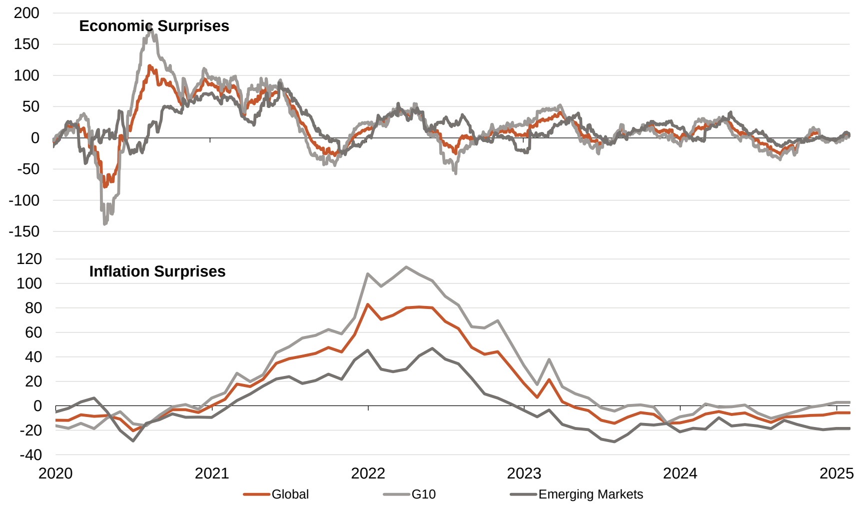
Volatility and Value-at-Risk of the S&P 500



- Realised volatility has risen in recent weeks, while the VIX has stagnated, meaning that the volatility premium is currently close to zero.
- Investors are therefore relaxed about the coming weeks, despite the recent turbulence in the technology sector and Trump's continued threats in trade policy.

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 - 31/01/2025

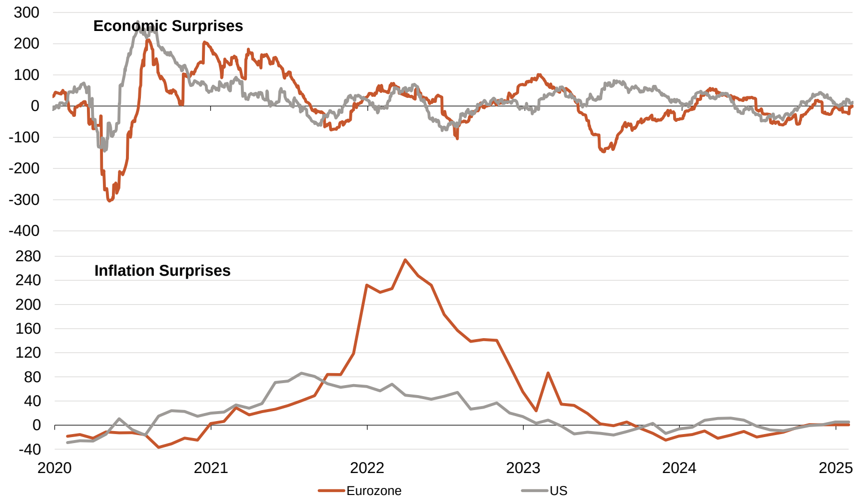
Global



- In the last two weeks, the positive economic surprises in the emerging markets have worsened slightly, while they were only slightly positive in the industrialised countries.
- In Canada, retail sales in November were below expectations, while consumer price inflation in December was in line with expectations.
- In Mexico, GDP growth in the fourth quarter of 2024 and retail sales in November surprised to the downside.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 31/01/2025

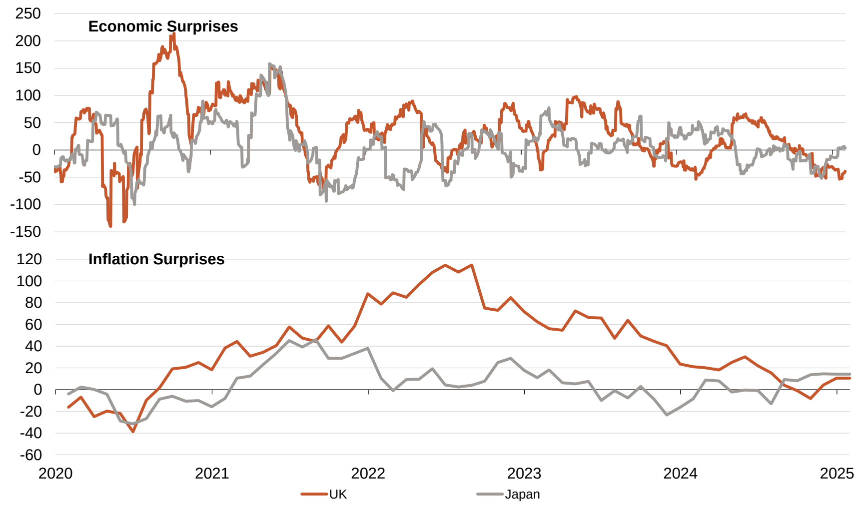
Eurozone and US



- In the US, the latest initial jobless claims and GDP growth in the fourth quarter were below expectations. New orders for durable goods surprised to the downside in December, while consumer confidence disappointed in January.
- In the eurozone, the unemployment rate in December was in line with expectations, while GDP growth in the fourth quarter of 2024 surprised to the downside. In Germany, the Ifo Economic Sentiment Index also disappointed in January.

See explanations below.
Source: Bloomberg, Time period: 01/01/2019 - 31/01/2025

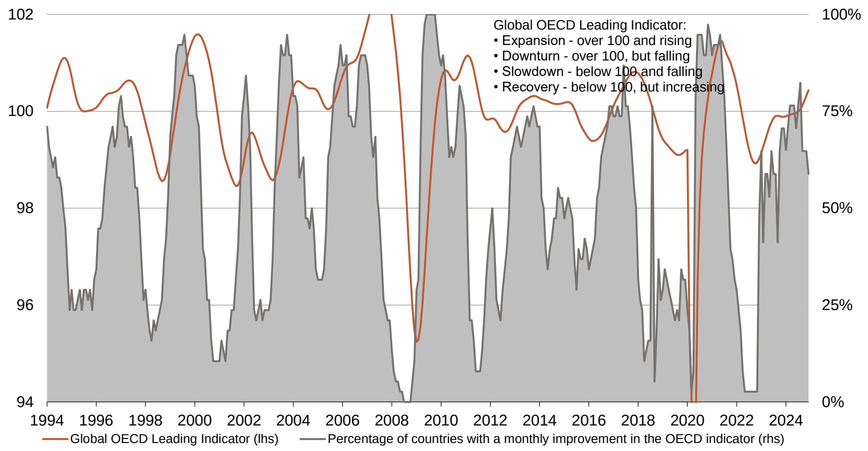
UK and Japan



- In the UK, the unemployment rate in November was in line with expectations, while consumer confidence in January was disappointing.
- In Japan, consumer price inflation surprised to the upside in December.

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 - 31/01/2025

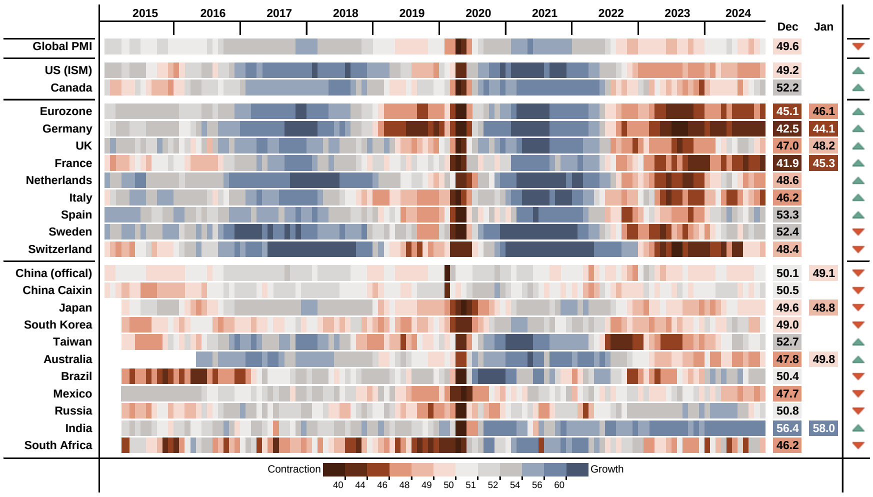
OECD Leading Indicator



- The global economy continues to expand. At 100.4, the revised OECD leading indicator was above the 100 mark for the fifth time in a row in December.
- According to the revised leading indicator, the economic situation in October improved in 59% of the countries included compared to the previous month, with Turkey and Canada recording the strongest increase and Brazil 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 – 31/01/2025

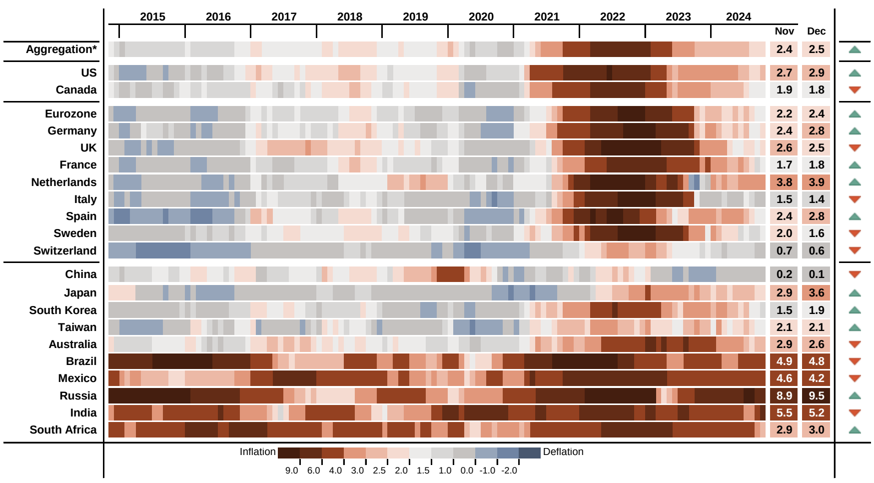
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- While the aggregated PMI data for the eurozone improved in January compared to the previous month, China and Japan recorded a decline. The official Chinese purchasing managers' index for January showed a decline in industrial activity compared to the previous month.

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 – 31/01/2025

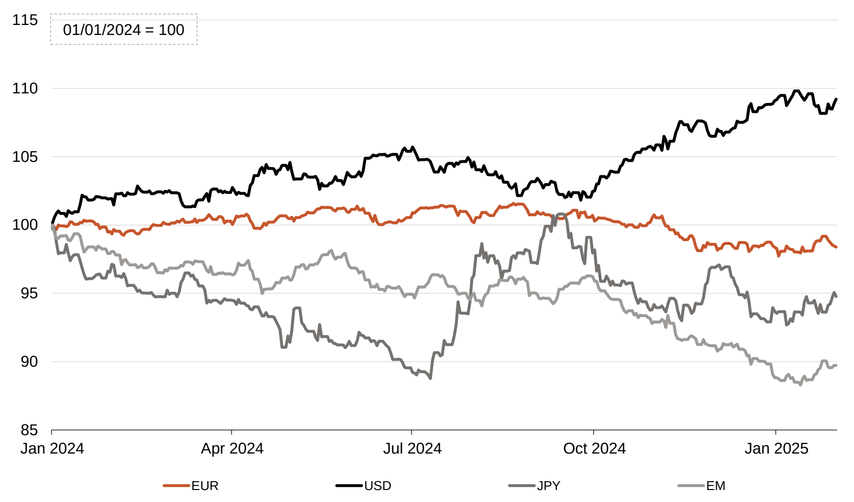
Headline Inflation



- The inflation data for December showed regional differences. While the annual inflation rate in China continued to fall in December compared to the previous month, fuelling fears of deflation, it rose month-on-month in the USA. In Germany, the service sector in particular drove up the inflation rate in December in a month-on-month comparison.

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 – 31/01/2025

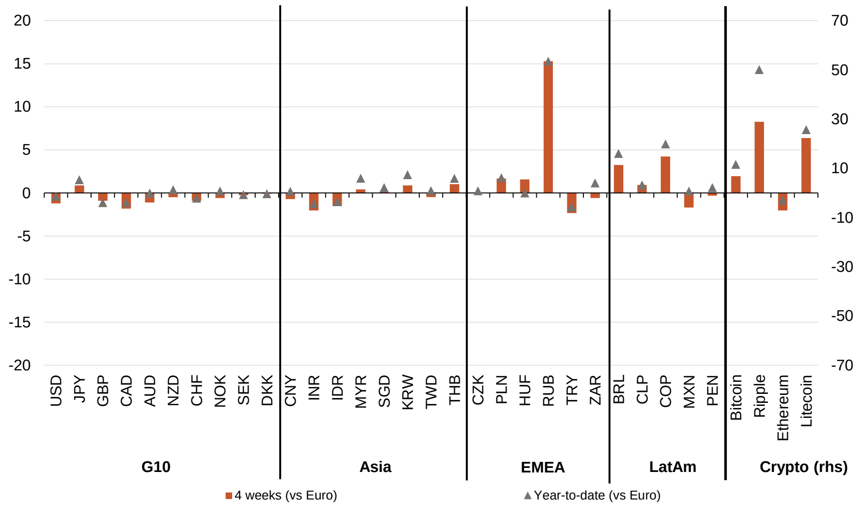
Trade-Weighted Currency Development



- While strong US economic data and US President Donald Trump's tariff threats against neighbouring and trading countries gave the US dollar a boost at the end of last year, it has recently weakened again somewhat. The tariffs announced against Canada, Mexico and China on 1 February are likely to boost the US dollar once again.
- The BoJ's interest rate hike on 24 January recently 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: 01/01/2023 - 31/01/2025

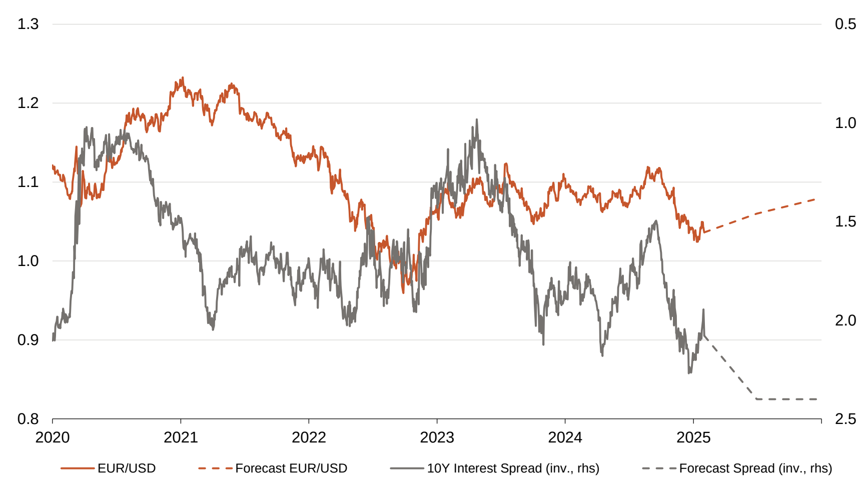
Currency Moves vs Euro



- As expected, the Turkish National Bank lowered its key interest rate by 250 basis points after its scheduled meeting the week before last, which recently weighed on the Turkish lira.
- While the Norwegian central bank left the key interest rate unchanged after last week's meeting as expected, central bank chief Ida Wolden Bache hinted at an easing of monetary policy at the next interest rate meeting in March.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 31/01/2025

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



- While the Fed left its key interest rate unchanged after the scheduled meeting on 29 January, as expected by investors, the ECB continued its cycle of interest rate cuts after the meeting on 30 January, as expected. The weak economy in the eurozone continues to give the ECB room for manoeuvre for further interest rate cuts this year.
- The EUR/USD exchange rate recently traded below the 1.04 mark.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US government bonds and 10-year Bunds. The forecasts were prepared by Berenberg Economics.
Source: Bloomberg, Time period: 01/01/2019 - 31/12/2025

European Sector & Style Performance

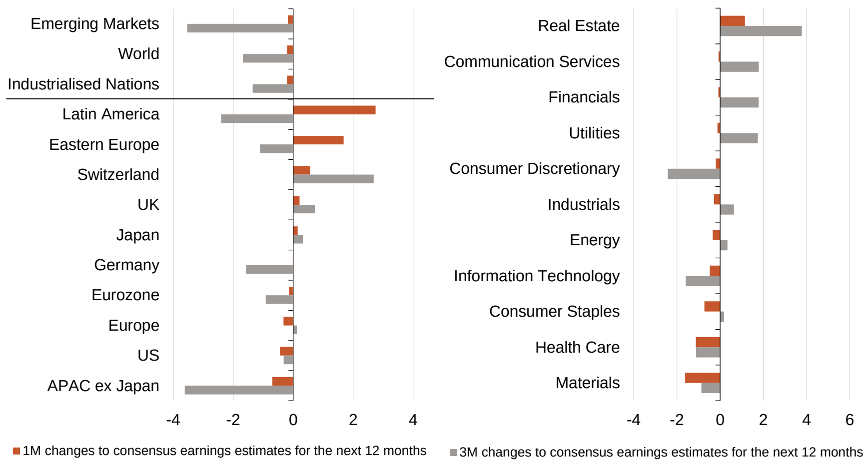
	4-week & YTD		12-month periods over that last 5 years				
	4W (03/01/25 - 31/01/25)	YTD (30/12/23 - 31/01/25)	31/01/24 31/01/25	31/01/23 31/01/24	31/01/22 31/01/23	31/01/21 31/01/22	31/01/20 31/01/21
Consumer Discretionary	10.2	11.6	9.1	3.5	-1.0	20.8	9.2
Information Technology	8.5	22.3	11.5	29.5	-7.0	16.6	17.4
Finance	8.2	35.9	34.4	11.0	3.2	37.4	-15.4
Telecommunications	7.4	24.6	20.3	9.7	-6.0	14.5	-11.8
Growth	6.7	13.1	9.8	11.8	-3.3	17.4	4.5
Industrials	6.3	22.4	21.4	18.7	-1.8	18.5	3.6
Health Care	6.0	11.0	6.9	12.6	1.7	17.2	-3.2
Value	6.0	18.1	18.0	8.5	2.7	26.2	-10.8
Materials	5.0	1.8	5.7	0.3	0.2	20.8	16.7
Energy	2.8	0.9	2.9	6.3	21.5	49.9	-26.9
Consumer Staples	2.5	-0.2	-1.1	0.4	-2.4	18.8	-7.0
Utilities	0.2	3.1	6.5	7.2	-3.8	7.0	2.1

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

- The positive trend in equity markets has continued over the past four weeks. Markets have benefited from a further cut in the ECB's key interest rate and an encouraging Q4 reporting season so far, which has been particularly supportive of European equity markets.
- In particular, the consumer discretionary, information technology and financials sectors have been on a stronger uptrend of late.

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: 31/01/2019 – 31/01/2025

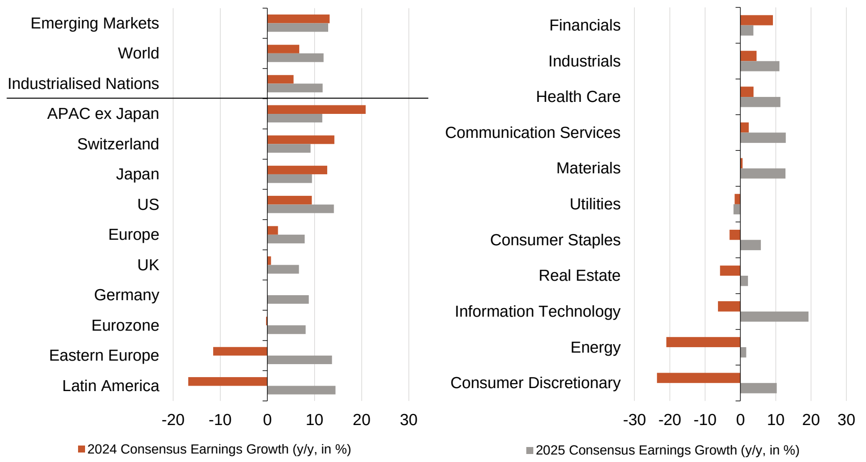
Changes in Consensus Earnings Estimates



- The current Q4 reporting season has seen some consensus revisions. At the sector level, negative earnings revisions on a one-month basis have been seen in all European sectors except real estate.
- Latin America, which has been one of the strongest regions this year, has recently seen positive earnings revisions.

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 31/01/2025

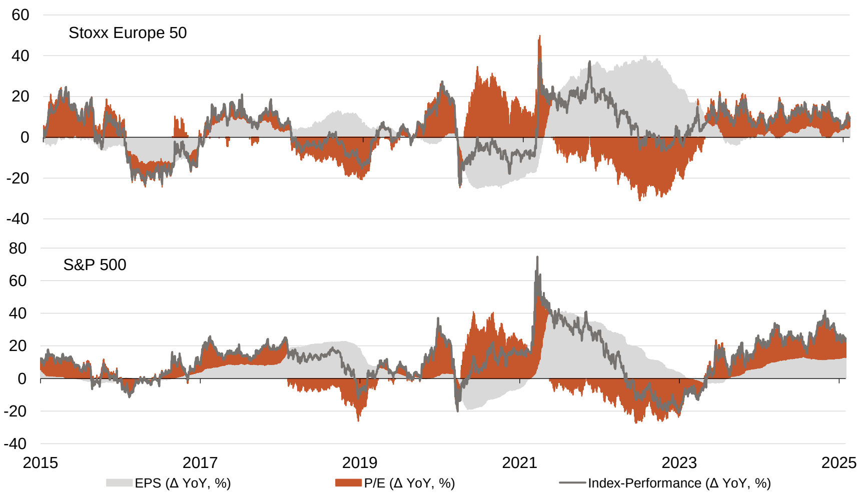
Earnings Growth



- In 2024, analysts expect global earnings growth of just under 7%. This will be driven mainly by emerging Asia, where earnings growth is expected to exceed 20% in 2024.
- In 2025, the analysts expect earnings growth to be more regionally diversified, with earnings growth of over 10% for both emerging and developed markets.

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 31/01/2025

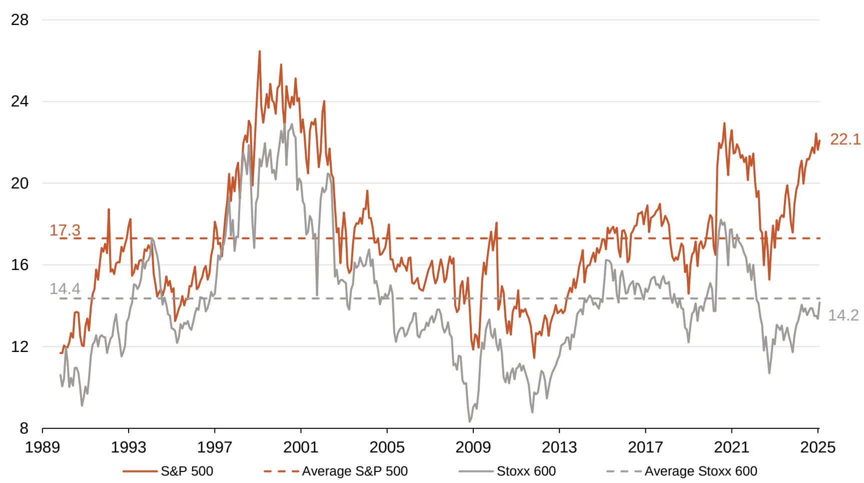
Contribution Analysis



- Over the past 12 months, the Stoxx Europe 50 has again been driven more by higher corporate earnings (EPS) year-on-year.
- In contrast, the S&P 500 has been driven almost equally by rising corporate earnings (EPS) and a solid increase in valuation (P/E ratio) over the past 12 months.

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 - 31/01/2025

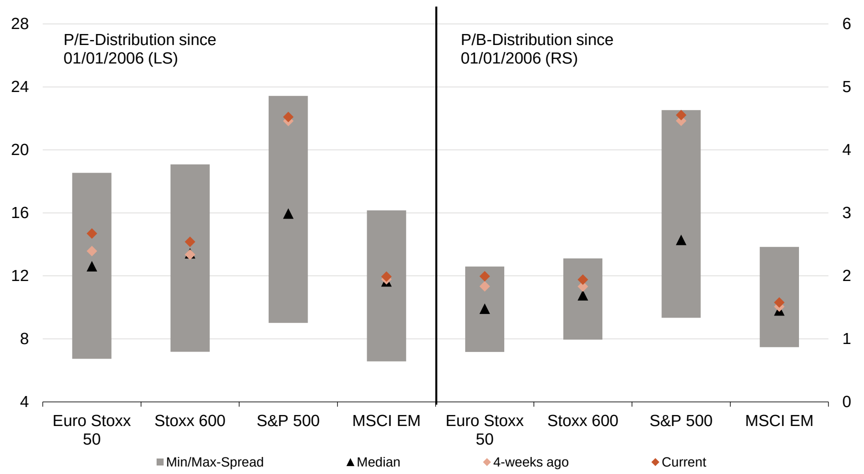
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The P/E ratio for US equities has recently risen moderately to 22.1, approaching its peak in 2020. European equities have also risen slightly from 13.8 to 14.2 times, approaching their historical average.
- Despite the stronger increase in valuation levels in Europe, the historical valuation discount to the US remains clearly visible.

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: 01/01/1989 - 31/01/2025

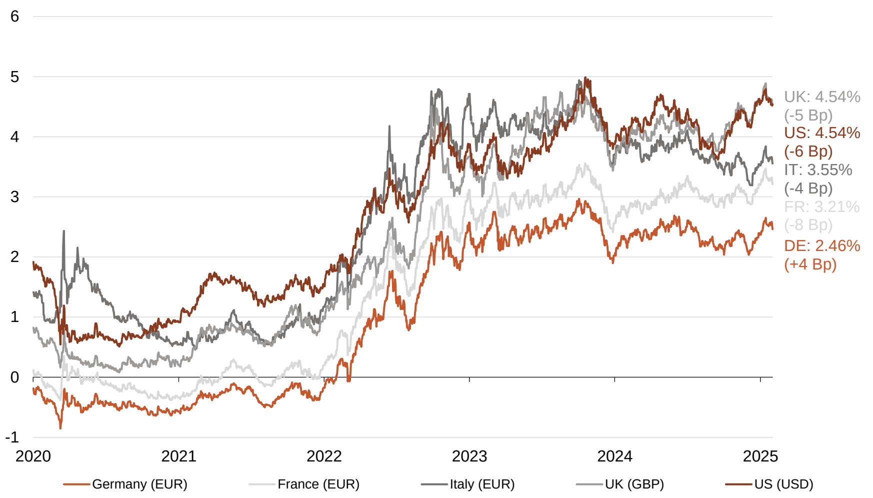
Historical Distribution: Price/Earnings and Price/Book Ratio



- Following the inauguration of Donald Trump, US equities have recently become even more expensive on a price-to-book basis and are at the upper end of their historical valuation range. US equities have also become more expensive on a price/earnings basis.
- However, the recent rise in valuations has also been felt in emerging market equities.

Historical distribution of valuation ratios for selected equity regions since 2006. In addition to the current value, the observation four weeks ago and the historical median, the maximum (upper limit of the grey bar) and minimum (lower limit of the grey bar) are shown.
Source: Bloomberg, Time period: 01/01/2006 - 31/01/2025

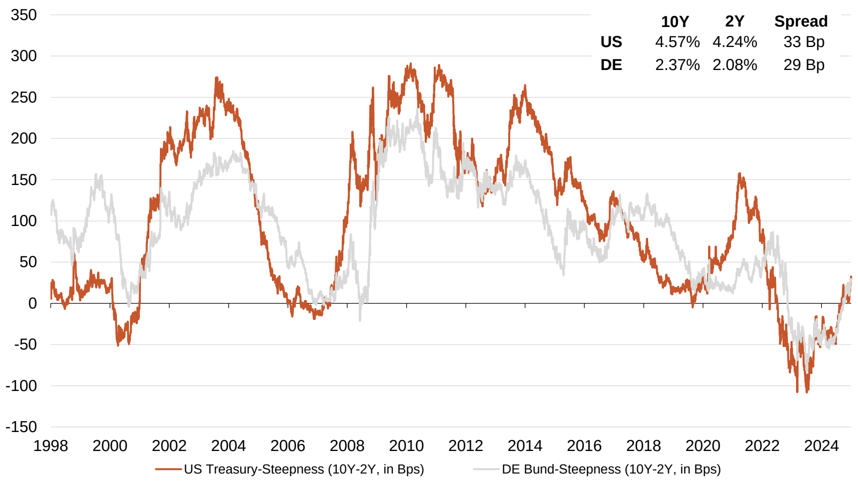
10-Year Government Bond Yields



- Government bond yields have fallen slightly in the past two weeks and are trending close to the levels seen at the start of the year in the US.
- Among other things, a lower purchasing managers' index, weaker consumer confidence and lower-than-expected fourth-quarter GDP contributed to the decline in yields.
- Meanwhile, yields on German government bonds fell due to lower-than-estimated inflation.

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 - 31/01/2025

Yield Curve Steepness (10Y - 2Y)

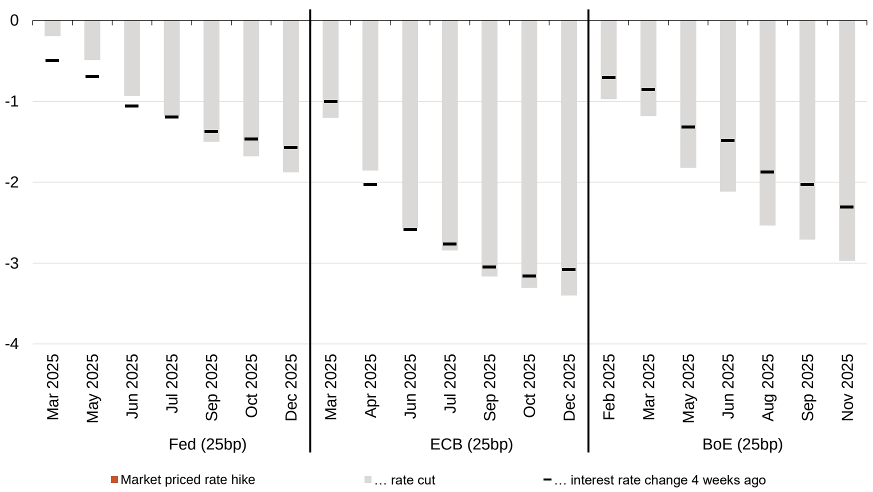


	10Y	2Y	Spread
US	4.57%	4.24%	33 Bp
DE	2.37%	2.08%	29 Bp

- Over the last two weeks, the US yield curve has remained almost unchanged. Both two-year and ten-year yields fell by around five basis points during the period under review.
- By contrast, the German yield curve steepened slightly after the ECB cut its key interest rate and the preliminary inflation rate for January was lower.

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 - 31/01/2025

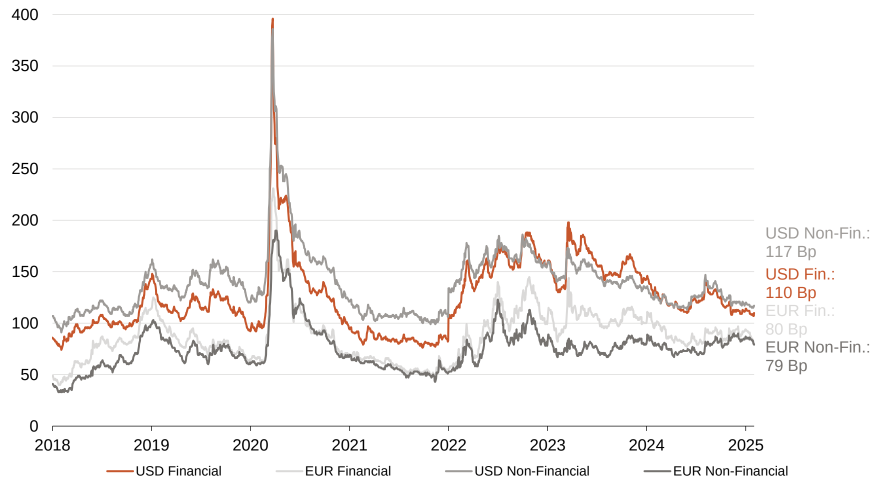
Implicit Changes in Key Interest Rates



- While the Fed left the key interest rate unchanged at its last meeting and Fed Chairman Powell emphasized that the monetary policy course would only be changed slowly, the ECB lowered its key interest rate by a further 25 basis points due to the still weak economy in the eurozone.
- By the end of the year, the market now expects the Fed to cut interest rates by a further two times and the ECB to cut interest rates by a further three times.

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: 31/12/2024 - 31/01/2025

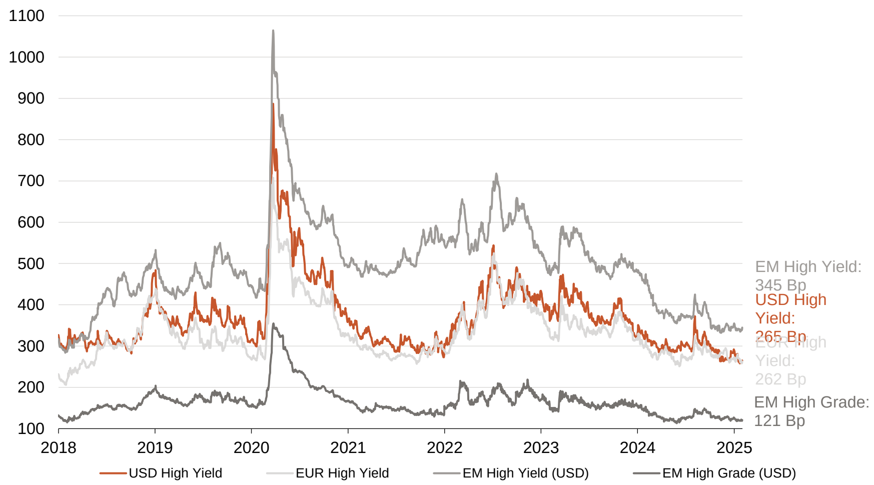
Credit Spreads Financial and Non-Financial Bonds



- Spreads on EUR and USD IG corporate bonds have changed little over the past two weeks. In particular, spreads on USD financial and non-financial bonds have remained stable recently, widening by only 1 basis point over the last two weeks.
- In contrast, spreads on EUR financial and non-financial bonds have narrowed by 10 and 7 basis points respectively over the same period.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 31/01/2025

Credit Spreads High Yield and Emerging Markets Bonds



- The high-yield bond market experienced stronger movements. USD and EUR high yield swap spreads tightened by 5 and 9 basis points respectively. As Trump failed to deliver on his promise of tough tariffs by the end of January, investors have at least partially priced out the risks associated with Trump's foreign policy and the resulting economic burdens.
- The new tariff threats at the beginning of February are likely to bring movement again.

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 – 31/01/2025

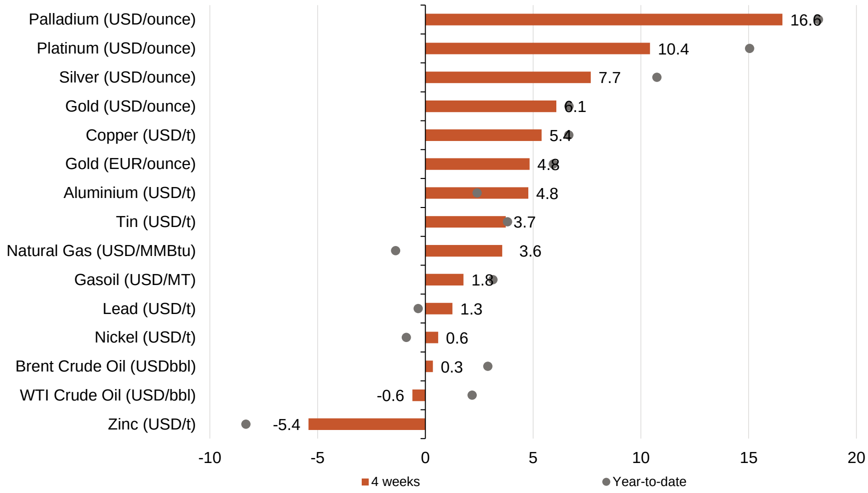
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	31/01/24 31/01/25	31/01/23 31/01/24	31/01/22 31/01/23	31/01/21 31/01/22	31/01/20 31/01/21
EUR Government	2.78	0.04	7.1	-	-	-	-0.1	-0.1	2.2	4.0	-15.6	-3.9	1.8
Germany	2.30	0.08	7.1	-	-	-	-0.4	-0.4	0.8	2.6	-15.2	-3.3	0.5
EUR Corporate	3.24	-0.03	4.4	80	-9	54	0.5	0.5	5.1	6.0	-11.0	-2.2	1.4
Financial	3.30	-0.07	3.7	80	-14	37	0.6	0.6	5.7	6.1	-9.2	-1.6	1.3
Non-Financial	3.19	-0.01	4.9	79	-8	64	0.4	0.4	4.7	5.9	-12.1	-2.5	1.4
EUR High Yield	5.88	0.00	3.2	262	-11	11	0.6	0.6	8.4	9.4	-7.2	1.4	2.9
US Treasury	4.43	-0.04	6.0	-	-	-	0.6	0.6	1.2	1.1	-8.9	-3.1	4.3
USD Corporate	5.35	-0.04	6.6	114	-4	21	0.6	0.6	3.2	4.5	-9.3	-2.9	5.9
Financial	5.31	-0.06	5.0	110	-4	29	0.7	0.7	4.7	5.1	-7.4	-2.5	6.2
Non-Financial	5.37	-0.03	7.3	117	-3	20	0.6	0.6	2.5	4.2	-10.2	-3.0	5.9
USD High Yield	7.42	-0.24	3.8	265	-25	0	1.4	1.4	9.7	9.2	-5.1	2.1	6.6
EM High Grade	5.27	-0.04	5.3	121	-5	1	0.6	0.6	5.0	4.4	-10.2	-1.9	3.9
EM High Yield	8.03	-0.11	4.0	345	-10	7	1.1	1.1	12.4	6.1	-9.0	-6.1	7.1

- USD high yield, one of last year's strongest bond segments, continues to lead at the start of the year. With a year-to-date performance of 1.4%, it is the strongest of the bond segments shown here, ahead of emerging market high yield bonds with a performance of 1.1%.

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: 31/01/2015 – 31/01/2025

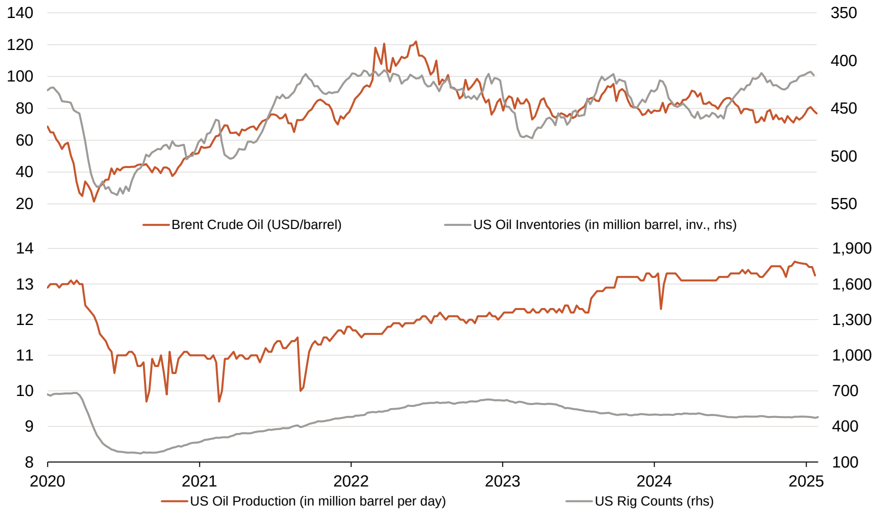
Commodities Performance



- The commodities markets got off to a flying start in the new year. In particular, precious metals recorded strong gains.
- While gold marked a new all-time high, silver also rose sharply. Palladium recovered in recent weeks and broke through the USD 1,000 per ounce mark for the first time since November. The reason for this is the expected decline in production.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2024 – 31/01/2025

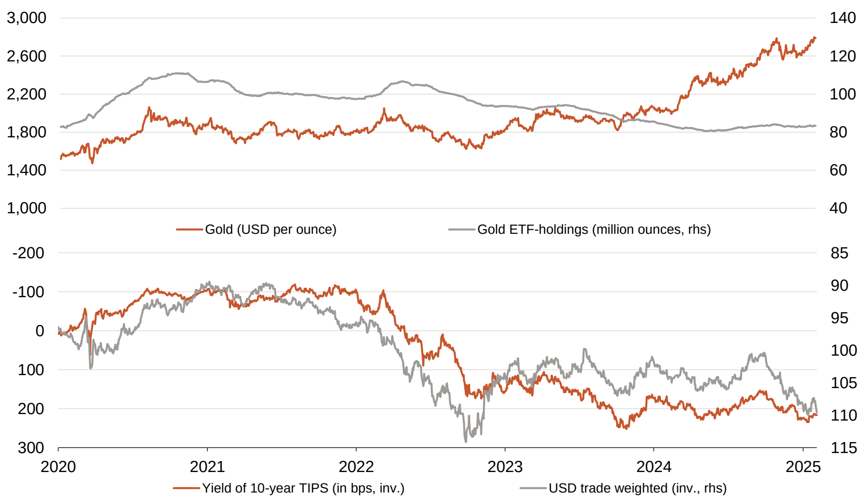
Crude Oil



- Since mid-January, oil prices have fallen by almost USD 7, with Brent crude trading at around USD 76 per barrel. In particular, the astonishingly rapid shift of Russian oil to non-sanctioned tankers weighed on the oil price. Trump's call to OPEC to increase production probably also contributed to the decline.
- Recently, US oil production fell slightly due to weather conditions.

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 – 31/01/2025

Gold



- Last week, the gold price reached a record high of USD 2,798 per troy ounce.
- Gold currently seems to be benefiting from every type of newsflow. If the risk of US tariffs decreases, gold's opportunity costs fall. If the risk of tariffs or geopolitical tensions increases, gold benefits 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 – 31/01/2025

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