Current market commentary

Easing fears about tariffs and growing hopes for peace in Ukraine have recently given a further boost to the euro and European equities, particularly those with a direct or indirect link to Eastern Europe. Hong Kong stocks were also among the biggest gainers, while bonds continued to trade directionless due to uncertainty as to whether the current environment is actually inflationary or disinflationary. After all, there are good arguments for both sides, such as the possible productivity boost from artificial intelligence or the stronger deglobalization through the "American First" policy. In any case, the latest US inflation figures were higher than expected and than in the previous month. Precious metals continue to show a strong upward trend. Gold is approaching the USD 3,000 mark, also driven by the ongoing uncertainty and the fear of a further increase in (US) debt. In any case, the markets remain exciting and, in view of the uncertainty, have so far been surprisingly less volatile.

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

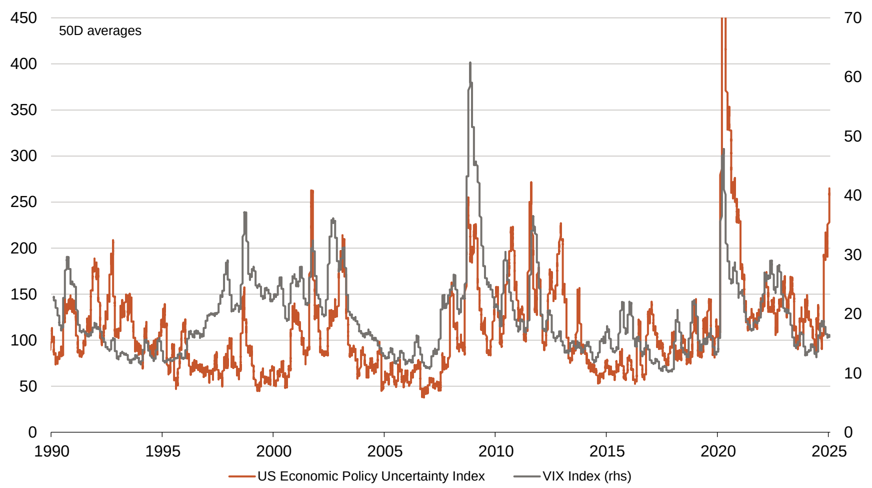
Short-term outlook

A number of important decisions are pending over the next two weeks. On the one hand, the parliamentary elections in Germany, which will be held on February 23. On the other hand, the G20 foreign ministers will meet at the beginning of the week, followed by the G20 finance and central bank ministers on February 26 and 27. At the end of the reporting season, just under 21% of S&P 500 companies will report. On Tuesday, the ZEW Indicator of Economic Sentiment for Germany (Feb.) will be reported, followed by the consumer price index for the UK on Wednesday. This will be followed on Thursday by the initial jobless claims and the Philadelphia Fed Manufacturing Index (Feb.) for the US. At the end of the week, the preliminary PMI's for the manufacturing and services sectors (Feb.) for Germany, the UK, the US and the eurozone will be released. Next week, the ifo business climate (Feb.), GDP (Q4) and the consumer price index for Germany are on the agenda.

The federal election is in the spotlight.

The Consumer Price Index and PMIs are in focus for investors.

So far, little volatility despite high economic policy uncertainty in the US



- Economic policy uncertainty in the US has increased significantly since Donald Trump's election victory. The current level was previously only observed during economic crises.
- Historically, this has usually been accompanied by a high degree of volatility on the stock market (VIX index).
- The current calm on the stock markets is surprising. If Trump continues in this way, the economic and political uncertainty is likely to make US equities, which are already highly valued, more susceptible to corrections.

Source: Bloomberg, Time period: 01/01/1990 - 14/02/2025

Multi Asset

	4W (17/01/25 - 14/02/25)	YTD (31/12/24 - 14/02/25)	14/02/24 14/02/25	14/02/23 14/02/24	14/02/22 14/02/23	14/02/21 14/02/22	14/02/20 14/02/21
	4-week & YTD		12-month periods over that last 5 years				
Gold	4.4	8.4	48.0	7.5	4.3	9.9	2.9
MSCI Emerging Markets	2.9	3.2	17.8	1.0	-9.8	-6.5	18.0
MSCI Frontier Markets	1.1	3.3	16.3	8.5	-16.8	21.7	-5.6
EUR Coporates	1.1	0.8	6.3	5.3	-9.3	-4.5	1.4
MSCI World	1.0	3.7	23.7	18.0	0.1	16.1	5.3
EUR Sovereign Debt	0.8	0.4	3.9	3.7	-8.6	-3.8	0.7
Euro overnight deposit	0.2	0.4	3.6	3.5	0.3	-0.6	-0.5
REITs	0.2	1.8	11.7	-6.9	-6.6	21.8	-20.2
Global Convertibles	-0.4	2.8	15.4	4.4	-5.0	-11.1	38.2
Industrial Metals	-1.3	4.5	19.2	-14.5	-3.7	40.0	18.6
USDEUR	-2.1	-1.3	2.2	0.1	5.3	7.2	-10.6
Brent	-6.8	0.9	7.5	5.8	20.8	82.5	-17.1

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.

- Renewed tariff threats from US President Donald Trump and the resulting prospect of global trade wars have lifted gold to new all-time highs over the past four weeks.
- Last week's phone call between Donald Trump and Vladimir Putin, which raised the possibility of a normalisation of relations between the US and Russia and the lifting of sanctions against Russia, weighed on Brent crude oil recently.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 14/02/2020 – 14/02/2025

Equities

	4W (17/01/25 - 14/02/25)	YTD (31/12/24 - 14/02/25)	14/02/24 14/02/25	14/02/23 14/02/24	14/02/22 14/02/23	14/02/21 14/02/22	14/02/20 14/02/21
	4-week & YTD		12-month periods over that last 5 years				
MSCI EM Latin America	8.1	12.9	-9.2	19.7	8.8	10.8	-20.4
DAX	7.7	13.1	32.9	10.2	1.8	7.6	2.2
Euro Stoxx 50	6.8	12.4	19.6	13.9	7.0	12.1	-1.8
Stoxx Europe Cyclicals	6.6	11.1	27.2	10.2	0.9	14.1	1.2
Stoxx Europe 50	5.3	9.3	14.6	10.0	9.3	18.1	-6.1
Stoxx Europe Small 200	4.6	6.4	12.5	1.2	-8.2	6.3	6.3
MSCI UK	4.1	6.1	22.4	2.0	5.6	26.1	-14.3
Stoxx Europe Defensives	3.6	6.6	13.2	4.2	7.9	15.5	-8.6
MSCI Japan	3.6	0.7	9.3	18.3	-3.7	-1.0	9.8
MSCI EM Asia	2.6	2.1	21.4	-2.0	-8.3	-12.1	28.6
S&P 500	-0.1	2.5	26.6	22.8	0.7	21.6	6.0
MSCI USA Small Caps	-2.0	1.7	18.5	5.3	5.1	3.0	18.5

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 global equity markets have recorded broad-based gains over the past four weeks.
- The risk premium for European equities has recently been priced out somewhat. The prospect of the start of negotiations on a ceasefire in Ukraine has lifted the DAX and the Euro Stoxx 50 to new all-time highs.
- By contrast, US equities have been treading water since the beginning of the year, as a lot of positive things had already been priced in following Trump's election victory.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 14/02/2020 – 14/02/2025

Fixed Income

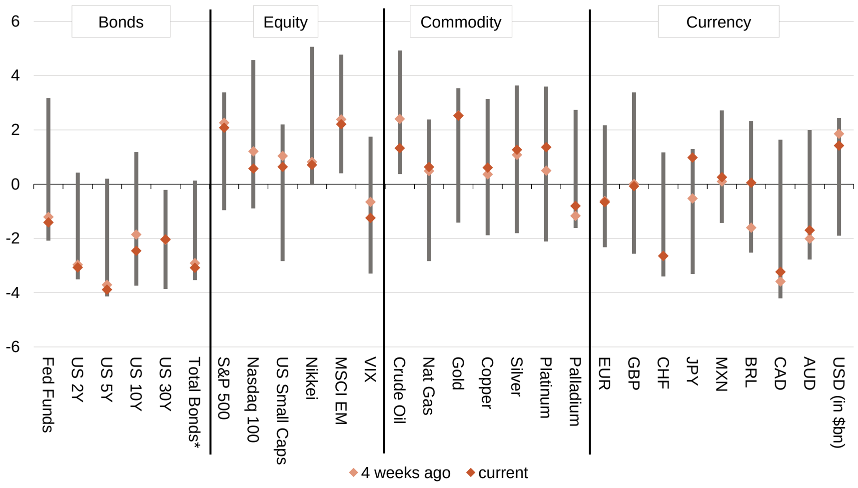
	4W (17/01/25 - 14/02/25)	YTD (31/12/24 - 14/02/25)	14/02/24 14/02/25	14/02/23 14/02/24	14/02/22 14/02/23	14/02/21 14/02/22	14/02/20 14/02/21
	4-week & YTD		12-month periods over that last 5 years				
Gilts	3.0	0.5	3.7	1.5	-23.0	-3.2	-3.8
EM Local Currency Bonds	1.5	2.0	6.0	6.6	-5.0	-1.2	-7.5
EUR High Yield	1.4	1.3	9.2	8.5	-4.4	-1.8	3.0
EUR Financials	1.1	0.9	7.2	5.5	-8.4	-4.1	1.2
EUR Non-Financials	1.1	0.7	5.6	5.1	-9.9	-4.8	1.5
BTPs	0.9	0.4	6.4	5.1	-10.6	-7.6	4.9
Bunds	-0.1	0.9	2.4	2.3	-14.4	-4.3	-0.1
Chinese Sovereign Bonds	0.2	0.5	8.2	6.2	2.9	6.4	0.6
EM Hard Currency Bonds	-0.2	0.7	12.8	7.3	-7.3	1.3	-8.6
USD Corporates	-0.6	0.0	7.5	4.0	-5.2	1.1	-5.5
Treasuries	-1.0	-0.5	5.7	1.1	-3.3	2.7	-7.0
USD High Yield	-1.4	0.2	12.7	9.3	1.5	5.5	-6.1

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

- Many bond markets have performed well over the past four weeks.
- The GBP appreciation coupled with the BoE's interest rate cut on 6 February helped British government bonds to top the performance rankings.
- By contrast, the weaker US dollar has weighed on the performance of US government bonds, USD high-yield bonds and USD corporate bonds in EUR over the past four weeks.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 14/02/2020 – 14/02/2025

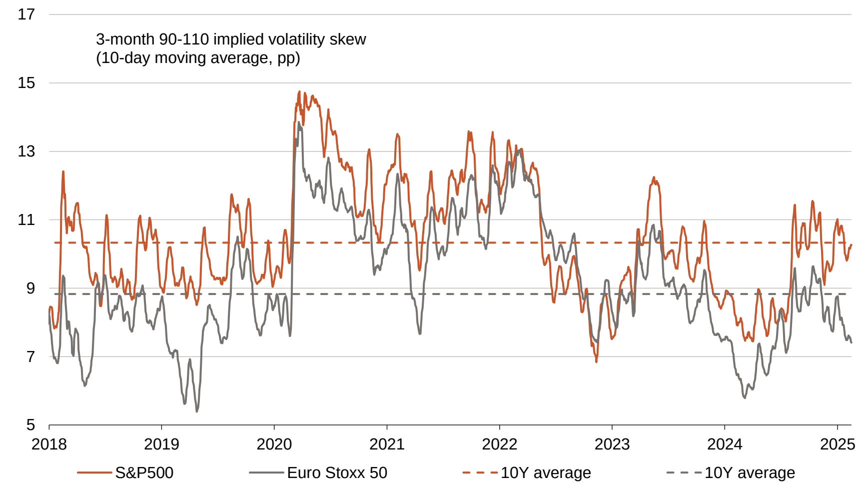
Non-Commercial Positioning



- Future positioning in the US dollar seems to have passed its peak. Hopes for peace in Ukraine and the as-yet modest tariff measures have led to speculative long positions being covered.
- Within equities, hedge funds have reduced longs, but at the same time increased short positions in the VIX.

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: 11/02/2015 - 11/02/2025

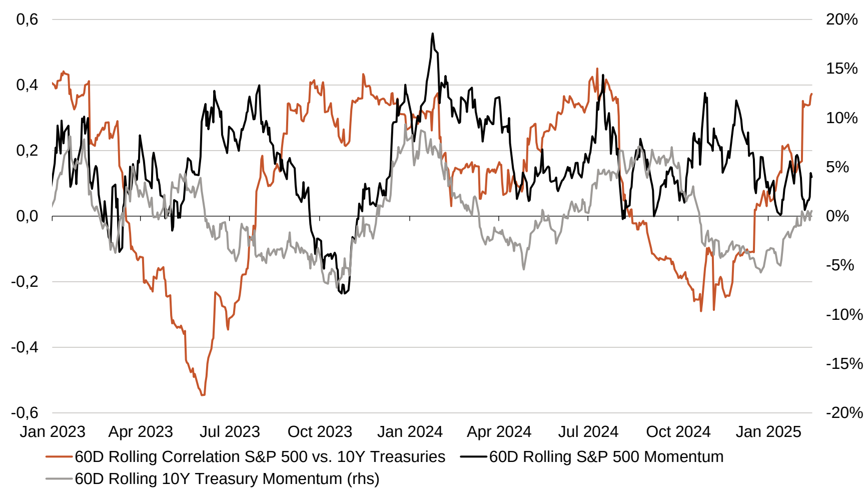
Put-Call-Skew



- The gap between the skew in the US and the skew in Europe has widened further in recent weeks.
- While the skew of the S&P 500 is stagnating, it has continued to flatten in the Euro Stoxx 50. This is mainly due to increased demand for calls. Many investors seem to be chasing the rally in Europe.

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: 14/02/2015 – 14/02/2025

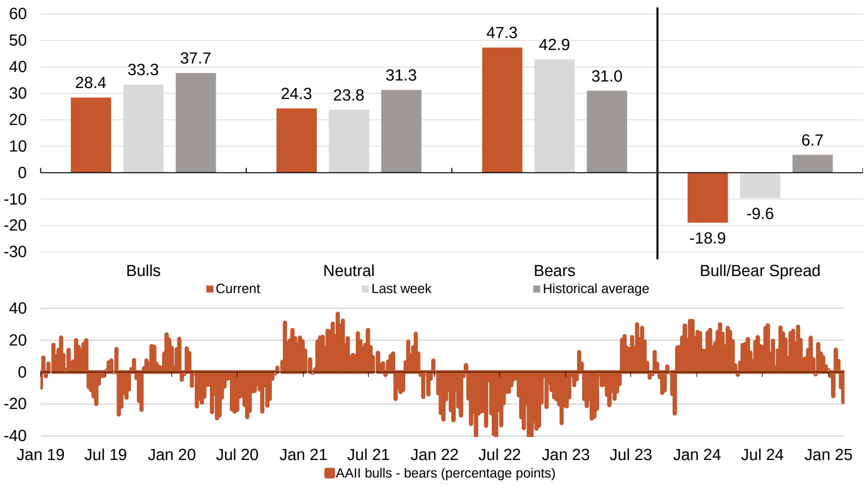
60-Day Momentum and Correlation



- With inflation back in investors' focus, equities and bonds have moved in tandem over the past few weeks. Accordingly, the correlation between the S&P 500 and US Treasuries is now close to its highest levels in recent years.
- The momentum in US Treasuries has not yet turned sustainably.

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 – 14/02/2025

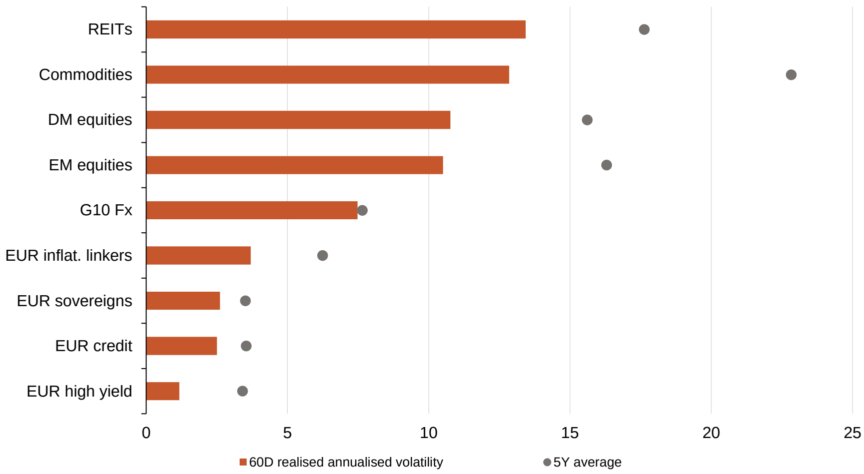
AAII Sentiment Survey (Bulls vs Bears)



- Almost half of US private investors are pessimistic about the next six months. Reasons for this are likely to be inflation concerns due to the threatened tariffs from Trump and the recent disappointing performance of tech stocks, which are popular among private investors. At -19 pp, the bull/bear spread is at its lowest level since November 2023.

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 – 13/02/2025

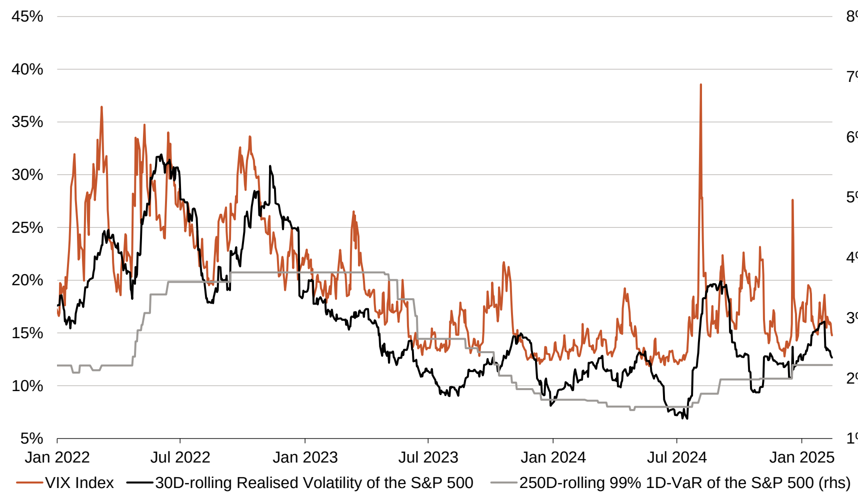
Realised Volatilities



- The realized volatility for all the asset classes shown here is currently below their medium-term average.
- The volatility of commodities, normally the most volatile asset class, has fallen further in recent weeks and is now lower than the volatility of REITs for the first time since the middle of last 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, period: 14/02/2020 - 14/02/2025

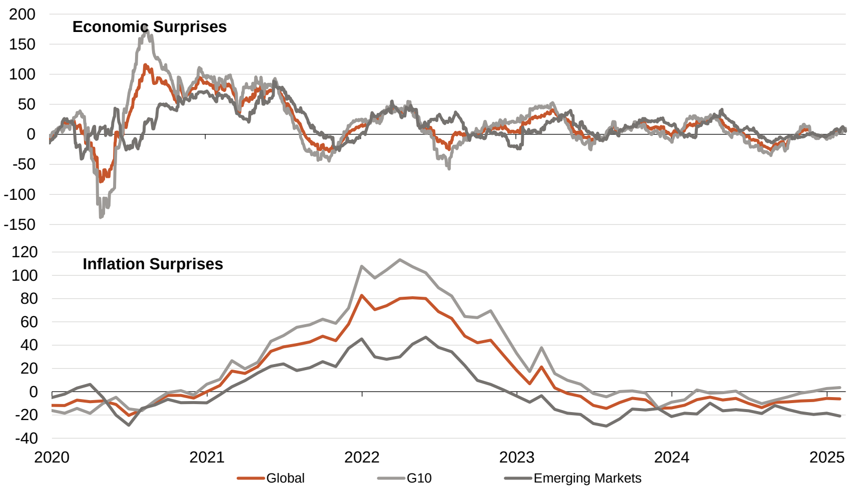
Volatility and Value-at-Risk of the S&P 500



- The realized 30-day volatility has recently fallen again, causing the volatility premium to widen somewhat.
- The VIX has only traded below 15 on two days since the beginning of the year. With various trade conflicts, stubborn inflation and high valuations, there are many reasons for volatility in the coming months.

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 - 14/02/2025

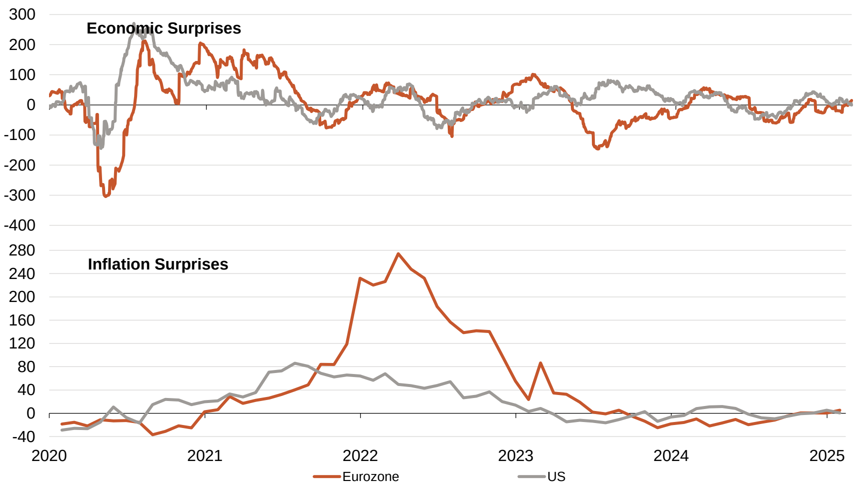
Global



- Over the past two weeks, positive economic surprises have deteriorated slightly in emerging markets, while they have remained marginally positive in developed markets.
- In Switzerland, the unemployment rate in January was higher than expected, while consumer price inflation was in line with expectations. In Canada, the number of building permits in December exceeded expectations.
- In Turkey, consumer price inflation was higher than expected in January, while in Brazil it was slightly below expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 - 14/02/2025

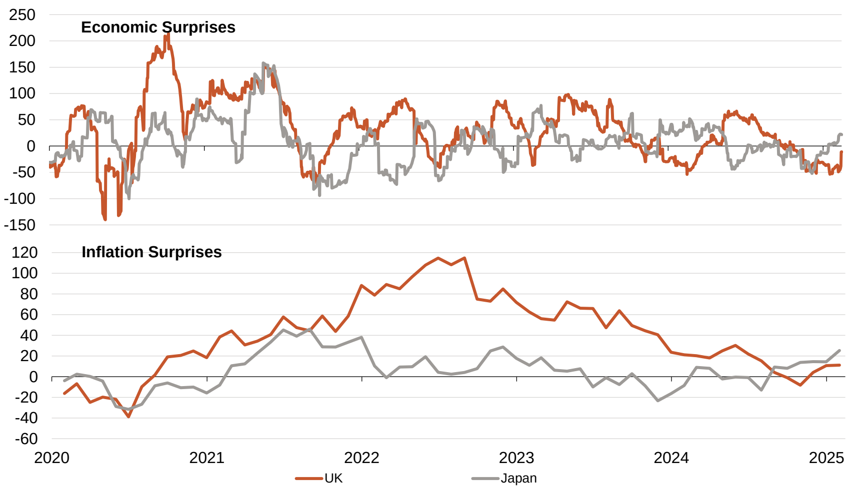
Eurozone and US



- While positive economic surprises in the US have declined over the past two weeks, negative economic surprises in the eurozone have recently turned positive.
- In the US, both producer and consumer prices came in higher than expected in January, while initial jobless claims surprised only slightly to the downside.
- In Germany, industrial orders came in better than expected in December, while in France the fourth-quarter unemployment rate was lower than expected.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 - 14/02/2025

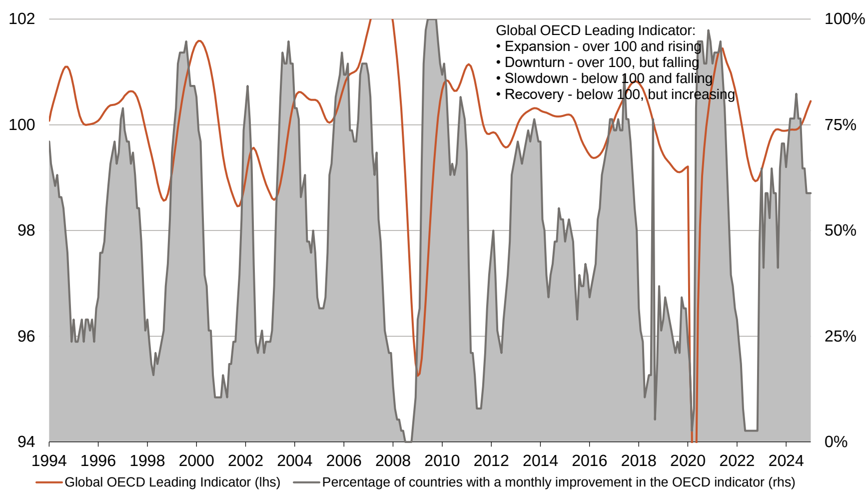
UK and Japan



- In the UK, fourth-quarter GDP growth beat expectations, while industrial production surprised on the upside in December.
- In Japan, nominal wages increased in December by the largest amount since 1997.

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 - 14/02/2025

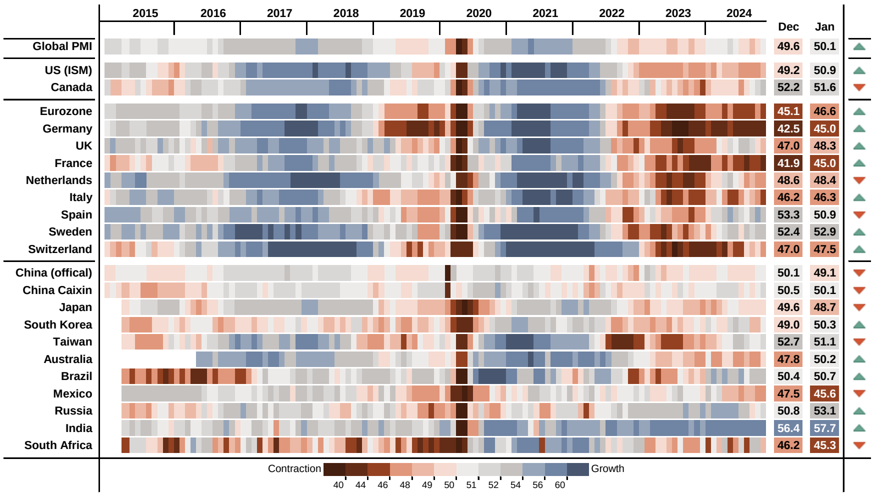
OECD Leading Indicator



- The global economy continues to expand. The revised OECD leading indicator stood at 100.5 in December, above the 100 mark for the fifth month in a row.
- According to the revised leading indicator, economic conditions improved in 59% of the countries surveyed in January compared with the previous month, with Turkey and Canada recording the largest increases and Brazil the largest decrease.

The OECD Leading Indicator is composed of a set of selected economic indicators whose composition provides a robust signal of future turning points. A turning point usually signals a turning point in the business cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly identified.
Source: Bloomberg, Time period: 31/01/1994 - 14/02/2025

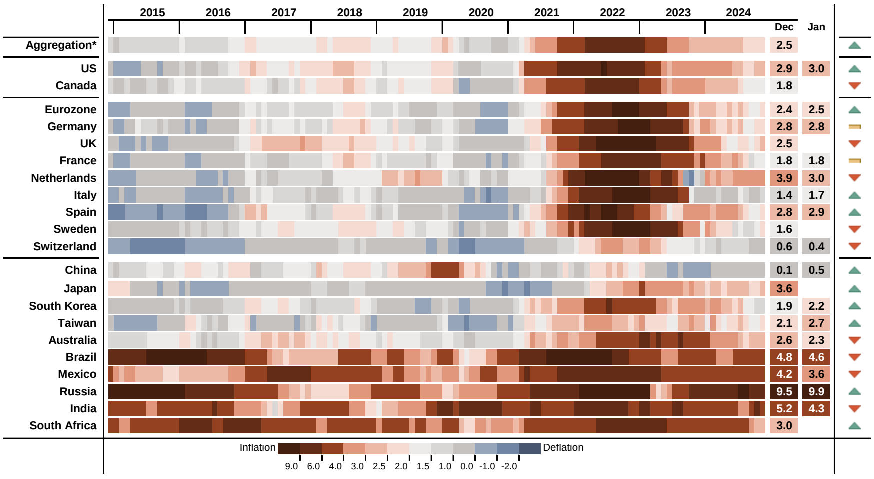
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The global Purchasing Managers' Index (PMI) showed a slight increase in industrial activity in January compared with the previous month. While aggregate PMI data for the eurozone and the US improved in January, China and Japan recorded a decline on a monthly basis.

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 - 14/02/2025

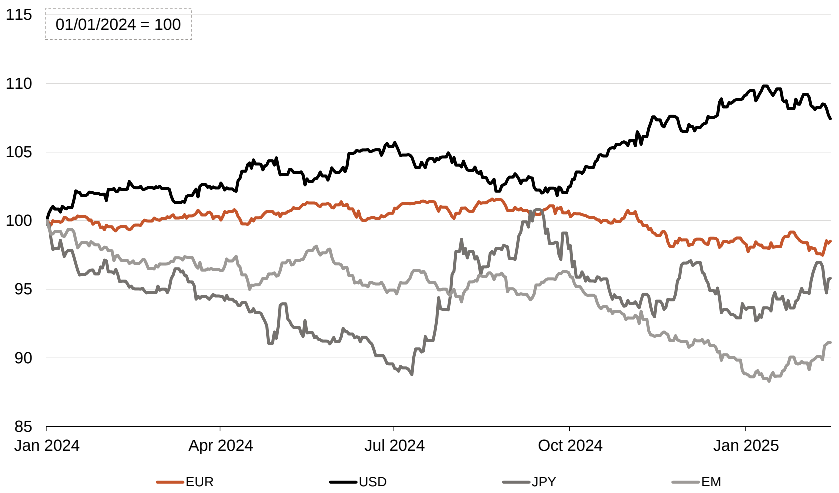
Headline Inflation



- January's inflation data showed that the central banks' fight against inflation on both sides of the Atlantic is not yet over. In the US, volatile components such as used car prices, airline fares and auto insurance were the main contributors to the unexpectedly high rate of consumer price inflation in January.

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 - 14/02/2025

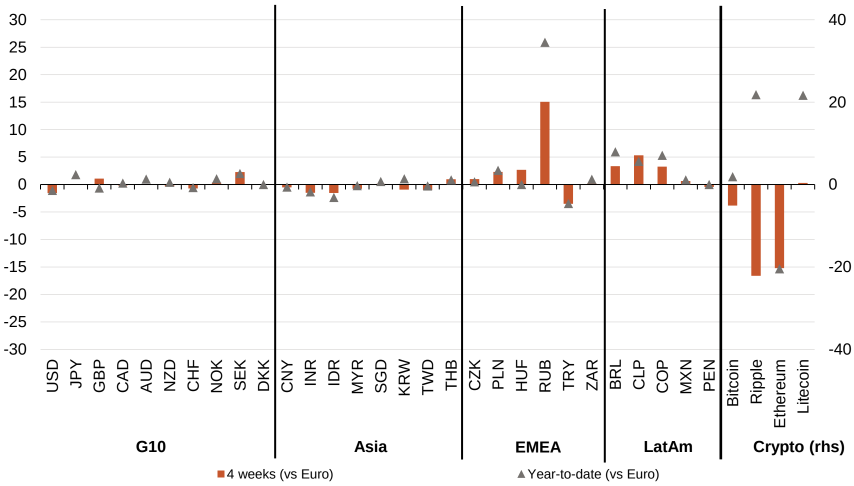
Trade-Weighted Currency Development



- Despite further tariff threats from Donald Trump and higher-than-expected US consumer and producer price inflation in January, the trade-weighted US Dollar Index has fallen over the past two weeks.
- Last week's phone call between Donald Trump and Vladimir Putin and the prospect of negotiations for a ceasefire and an end to the war in Ukraine gave the Euro a boost.

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 - 14/02/2025

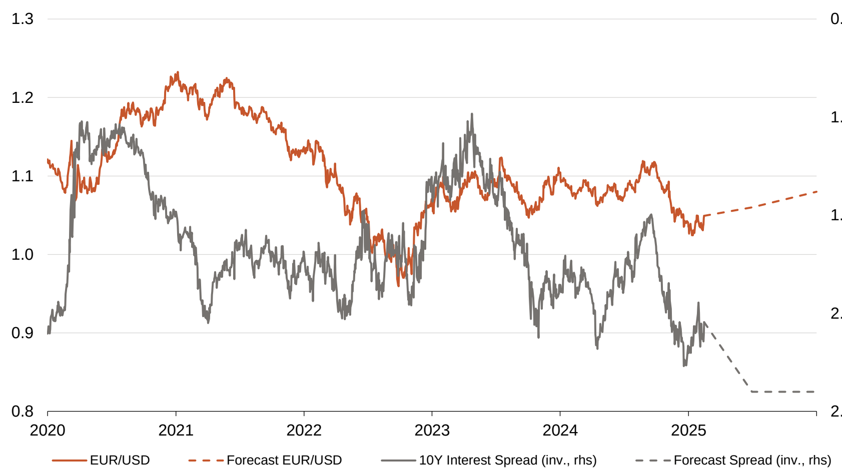
Currency Moves vs Euro



- The agreement between the US and Mexico to postpone the introduction of tariffs until March recently supported the Mexican peso.
- The sharpest rise in nominal wages in Japan since 1997 in December supported investors' expectations that the BoJ would implement further interest rate hikes and recently gave the Japanese yen a slight boost.
- As expected, the Polish central bank left its key interest rate unchanged after its meeting on 5 February, which recently supported the Polish zloty.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 - 14/02/2025

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



- The continued robust US labour market and the surprisingly high consumer and producer price inflation in the US in January prompted Fed Chairman Jerome Powell to say at last week's congressional hearing that the Fed's fight against inflation was not yet over. The interest rate differential between US and German government bonds recently remained above the 200bp 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

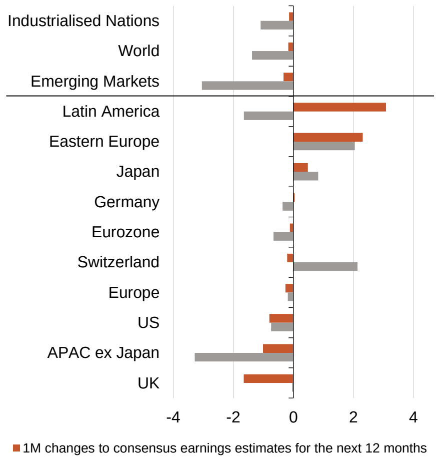
	4-week & YTD		12-month periods over that last 5 years				
	4W (17/01/25 - 14/02/25)	YTD (31/12/24 - 14/02/25)	14/02/24 14/02/25	14/02/23 14/02/24	14/02/22 14/02/23	14/02/21 14/02/22	14/02/20 14/02/21
Telecommunications	10.6	14.1	29.7	3.7	-4.5	13.2	-12.1
Consumer Discretionary	8.3	12.0	9.5	5.5	4.0	9.5	11.6
Finance	6.9	12.0	40.7	7.8	4.5	27.8	-15.1
Value	6.3	9.8	24.5	4.2	4.3	21.8	-11.2
Industrials	6.3	10.4	24.2	17.1	2.8	10.4	5.0
Materials	5.7	9.0	13.0	-0.4	-1.7	15.3	16.7
Health Care	5.3	6.2	7.0	9.2	7.7	9.8	-3.7
Growth	5.0	8.6	9.9	11.4	2.6	7.5	4.9
Information Technology	4.1	12.2	11.1	29.8	0.5	2.7	15.9
Consumer Staples	3.8	2.8	0.6	-1.6	-0.1	15.7	-8.1
Energy	1.8	9.9	6.3	-0.9	25.9	53.1	-26.6
Utilities	-0.4	0.7	10.9	0.7	1.2	3.0	-3.6

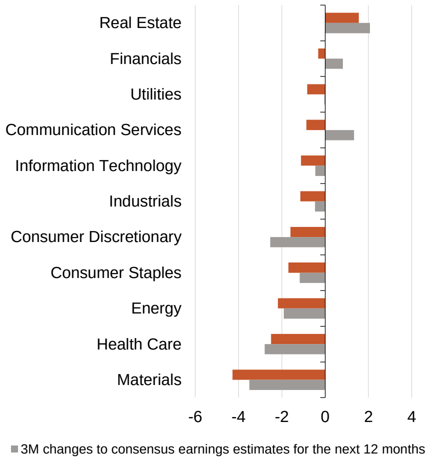
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech.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

- Unfazed by the prospect of Trump imposing tariffs, equities in Europe continued to rise, driven by hopes of a ceasefire in Ukraine.
- At sector level, telecommunications, consumer discretionary and financials continue to lead the way, while energy and utilities are bringing up the rear and have seen less of an upward movement.

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: 14/02/2019 – 14/02/2025

Changes in Consensus Earnings Estimates

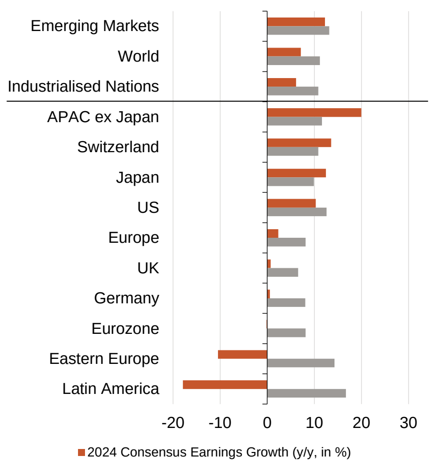


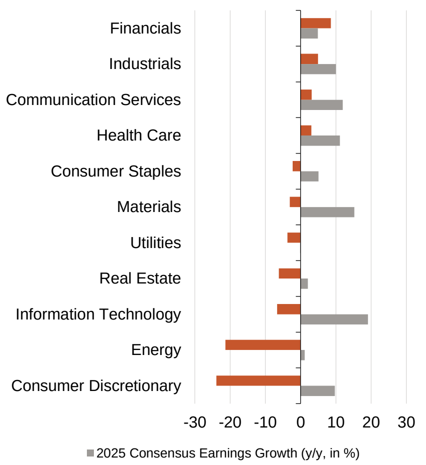


- Despite the good annual performance, analysts seem to be trending towards pessimism. Analysts have significantly revised downwards their earnings estimates for European sectors, with materials, health and energy seeing the most negative earnings revisions.
- At the regional level, however, expectations for Eastern Europe and Japan improved, while estimates for the UK were significantly lowered.

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 14/02/2025

Earnings Growth

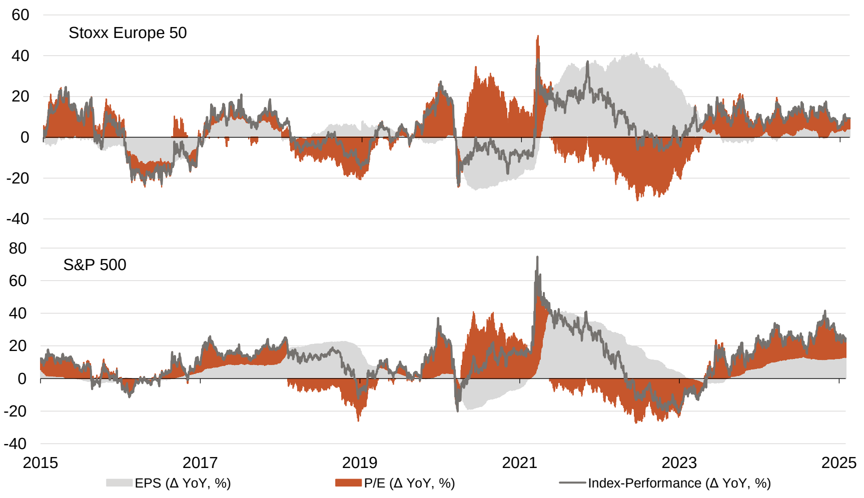




- For 2025, analysts expect noticeably better earnings growth for Latin America and Eastern Europe compared to the previous year. By contrast, Asia is expected to see lower growth.
- Analysts also expect positive earnings growth for all European sectors in 2025. In particular, information technology stocks are expected to grow by almost 20%.

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 14/02/2025

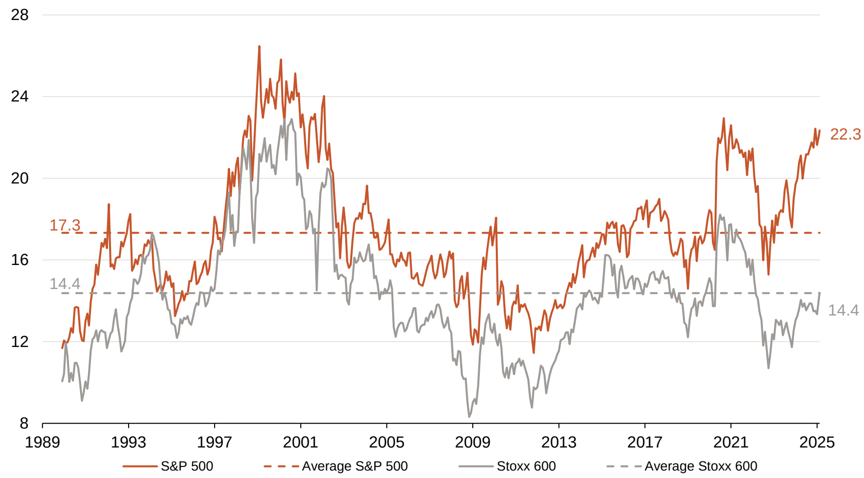
Contribution Analysis



- The index performance of the Stoxx Europe 50 over the last twelve months is at least partly due to higher corporate earnings compared to the previous year. However, there was also a valuation expansion.
- The situation is similar in the US.

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 - 14/02/2025

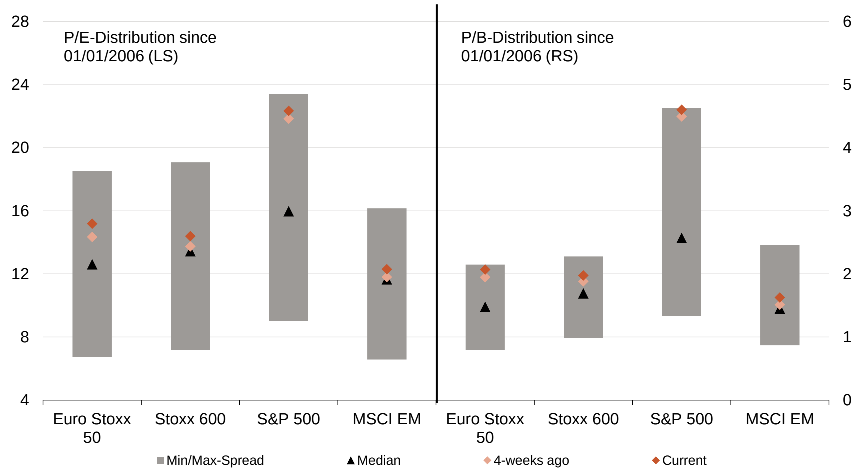
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- US equities have again experienced a slight widening of valuations over the last two weeks. The P/E ratio of the S&P 500 is around 22, close to its 2021 highs.
- In Europe, too, valuations, as measured by the Stoxx 600 price-to-earnings ratio, have increased and, at 14.4, are exactly in line with their historical average for the first time since 2022.

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 - 14/02/2025

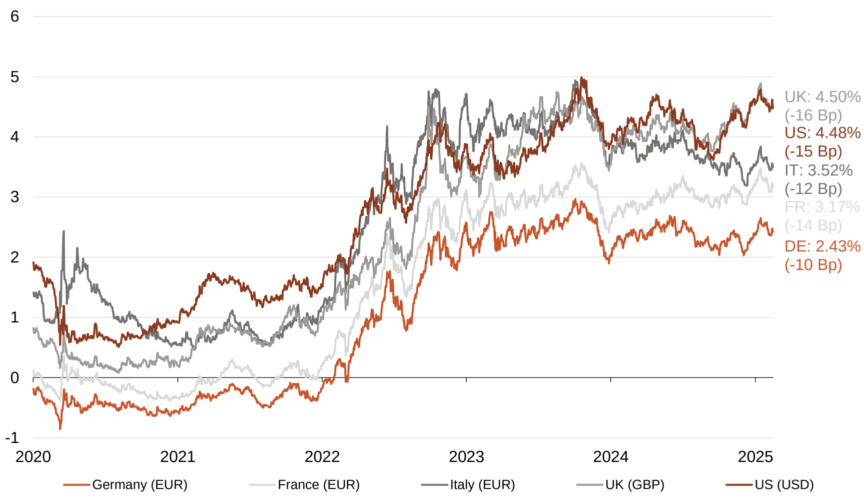
Historical Distribution: Price/Earnings and Price/Book Ratio



- In the last four weeks, all equity regions showed a valuation expansion on both a P/E and a P/B basis.
- The S&P 500 traded at the upper end of its historical maximum on a price-to-book ratio for the first time since the beginning of the year, following the latest valuation expansion.

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 - 14/02/2025

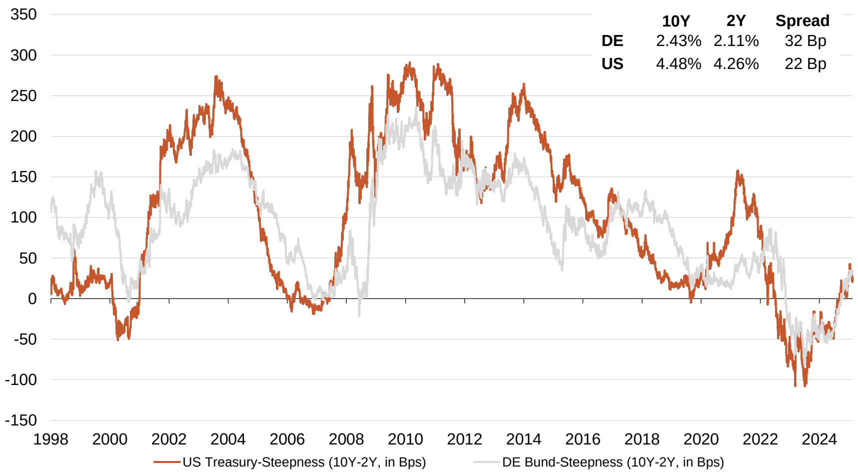
10-Year Government Bond Yields



- Concerns about an expansion of tariffs by Donald Trump, as well as mixed economic and inflation figures, have led to a volatile sideways phase in US government bonds in recent weeks.
- For European and particularly British government bonds, 10-year yields have recently fallen significantly.

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 – 14/02/2025

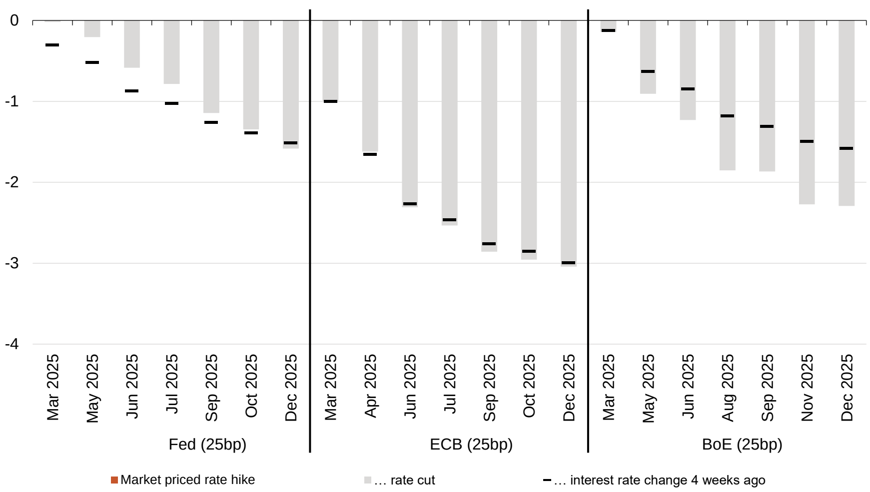
Yield Curve Steepness (10Y - 2Y)



- The US yield curve flattened further in the last two weeks after marking its high at around 42 bp in mid-January. In particular, the increasing pricing out of more than one further interest rate cut led to a rise in 2-year bond yields.
- Meanwhile, the German yield curve remains almost unchanged.

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 – 14/02/2025

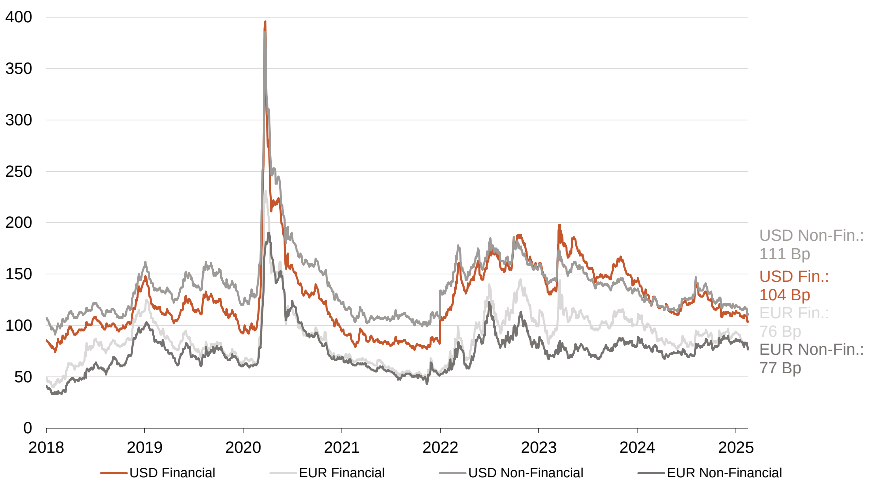
Implicit Changes in Key Interest Rates



- Robust economic data and a higher-than-expected rate of inflation, coupled with rising inflation expectations, led to a further pricing out of interest rate cut expectations. While three interest rate cuts by the ECB are expected by the end of the year, the market is currently only expecting one cut by the Fed.
- A stronger GDP for the past fourth quarter led to the pricing out of interest rate cuts by the BoE.

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: 14/01/2025 – 14/02/2025

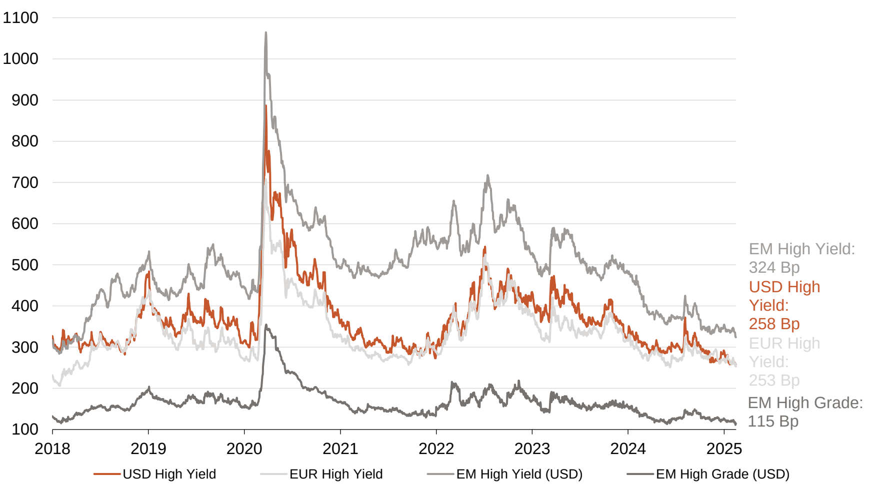
Credit Spreads Financial and Non-Financial Bonds



- On the corporate bond side, the narrowing of risk premiums has continued, particularly in the US. USD corporate and financial bonds narrowed by a further 8 basis points in the last two weeks.
- EUR financial bonds also saw a slight narrowing of risk premiums of 4 basis points, while EUR non-financial bonds remained unchanged.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 14/02/2025

Credit Spreads High Yield and Emerging Markets Bonds



- The increased risk appetite of investors in the wake of Trump's cautious implementation of tariffs to date is also reflected in the risk premiums for high-yield bonds and corporate bonds from emerging markets. USD high-yield bonds narrowed by a further 7 basis points, while asset swap spreads for high-yield bonds from emerging markets narrowed by 21 basis points and for investment grade bonds by 6 basis points.

How high the risk associated with the corporate bond is shown by its asset swap spread (in bp). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term as compensation for its credit risk. See further explanation below.
Source: FactSet, Time period: 01/01/2018 – 14/02/2025

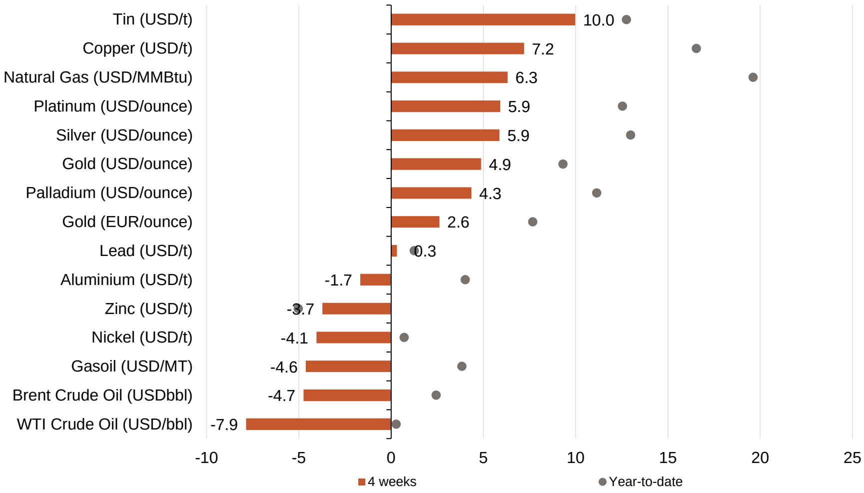
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	14/02/24 14/02/25	14/02/23 14/02/24	14/02/22 14/02/23	14/02/21 14/02/22	14/02/20 14/02/21
EUR Government	2.74	-0.25	7.1	-	-	-	2.1	0.3	3.8	3.6	-13.8	-6.1	1.5
Germany	2.27	-0.20	7.1	-	-	-	1.7	-0.1	2.5	2.3	-14.4	-4.3	0.0
EUR Corporate	3.19	-0.30	4.4	76	-10	47	1.7	0.8	6.4	5.3	-9.2	-4.4	1.3
Financial	3.25	-0.33	3.7	76	-14	30	1.7	0.9	6.9	5.5	-7.6	-3.7	1.2
Non-Financial	3.16	-0.28	4.8	77	-7	59	1.8	0.7	6.0	5.2	-10.2	-4.8	1.4
EUR High Yield	5.72	-0.34	3.2	253	-22	9	1.8	1.3	9.2	8.5	-4.4	-1.8	3.0
US Treasury	4.41	-0.23	6.0	-	-	-	2.0	1.1	3.5	0.9	-8.7	-4.2	3.9
USD Corporate	5.30	-0.27	6.6	109	-7	16	2.5	1.3	5.7	4.4	-8.9	-4.6	5.3
Financial	5.27	-0.25	5.0	104	-8	25	2.1	1.2	6.6	4.9	-6.7	-4.2	5.9
Non-Financial	5.31	-0.28	7.3	111	-7	12	2.6	1.3	5.3	4.2	-9.8	-4.7	5.1
USD High Yield	7.36	-0.32	3.7	258	-19	0	1.7	1.6	10.3	9.8	-4.2	-0.8	6.4
EM High Grade	5.21	-0.24	5.3	115	-4	0	1.9	1.1	6.3	4.4	-9.4	-3.5	3.5
EM High Yield	7.82	-0.34	4.0	324	-15	3	2.1	2.1	13.2	7.9	-9.2	-8.1	6.9

- USD high-yield bonds continue to lead the performance ranking since the beginning of the year. However, along with corporate bonds from emerging markets, they have a 10-year percentile of zero and are therefore susceptible to spread widening. The relatively high absolute yield compared to government bonds, however, continues to attract investors.

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: 14/02/2015 – 14/02/2025

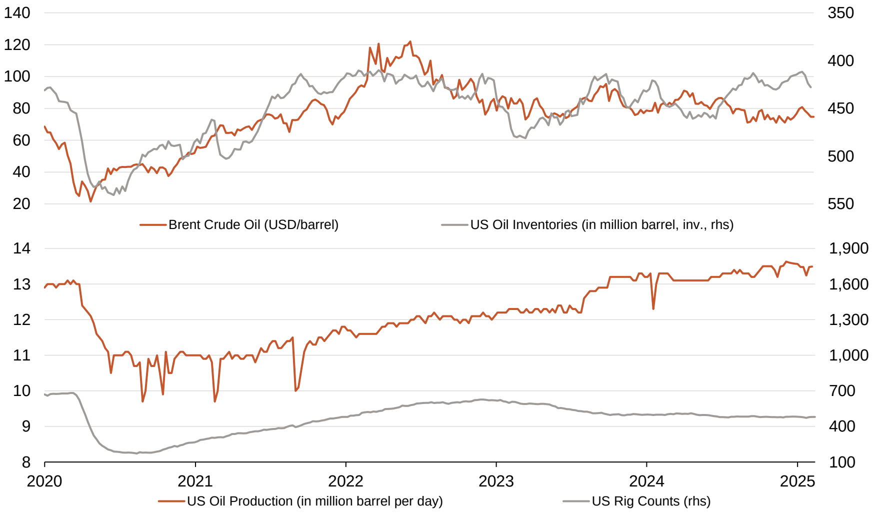
Commodities Performance



- Precious and some industrial metals rose sharply over the last month. Energy commodities, on the other hand, were left behind.
- Copper was one of the best performers over the last month. In addition to the tight supply, however, Trump's tariff threats in particular boosted the COMEX copper price shown here. LME-traded copper has performed less dynamically over the last few weeks.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2024 – 14/02/2025

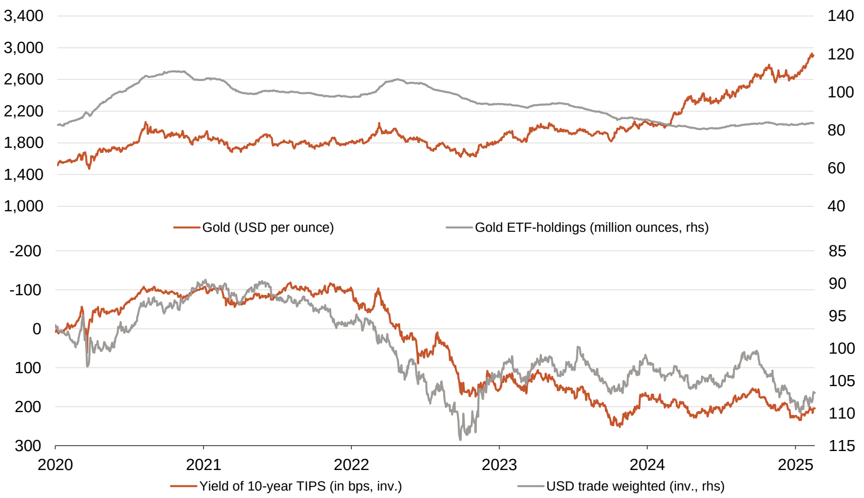
Crude Oil



- After the brief rally at the beginning of January, the oil price marked a new low this year last week.
- The likelihood of possible supply losses from Russia or Iran has decreased with the latest statements from Donald Trump.
- At the same time, supply remains abundant and spare capacity is high, so the oil price is currently unlikely to rise sustainably.

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 – 14/02/2025

Gold



- Gold has broken through the next major hurdle on its way to 3,000 USD per ounce at 2,900.
- The rally has been accelerated recently by Trump's broad-based tariffs, as traders are trying to get as much precious metal out of Europe and into the US as possible before the tariffs come into force.

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 – 14/02/2025

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