BERENBERG Markets

MONITOR

31 March 2025

Current market commentary

Following the technical recovery rally due to reflation and the major decline in options, the stock market upswing has stalled again. The main reasons for this are likely to be concerns about a stronger economic slowdown in the US and the uncertainty surrounding US tariffs. Last week, US President Donald Trump announced special tariffs of 25 per cent on all cars not manufactured in the US. He plans to announce further details of his tariff plans on 2 April. The high level of uncertainty is weighing on the mood of companies, which currently have no planning certainty. Accordingly, profit estimates for US companies have recently been revised downwards. One relative beneficiary of the high level of uncertainty is gold, which reached new all-time highs last week. The government bond markets, on the other hand, continue to fluctuate sideways in a volatile manner, caught between growth and inflation concerns. If 2 April brings more clarity, this would be good for the markets.

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

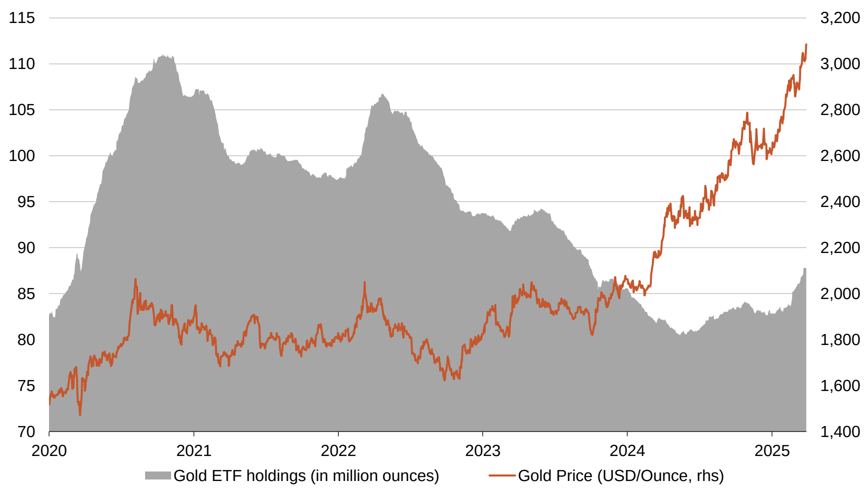
Trump's tariff announcements on 2 April determine politics and markets.

In terms of monetary policy, things will be quieter in the coming weeks until the ECB meeting on 17 April. Instead, the announcement of Trump's tariffs on 2 April is likely to be exciting in terms of trade policy. On Liberation Day, Trump plans to impose additional tariffs on countries that export significantly more to the US than they import.

Investors focus on Q1 reporting season, purchasing managers' indices, labour market and inflation data.

In economic terms, the week starts with the purchasing managers' indices for China (Mar.) and the preliminary inflation data (Mar.) for Germany. This will be followed on Tuesday by the purchasing managers' indices (Mar.) for the USA and the eurozone. Wednesday will see the ADP employment figures for the USA (Mar.) and Thursday the trade balance (Feb.) and purchasing managers' indices for the services sector (Mar.). Friday will be exciting with the important US labour market data (Mar.). In the following week, in addition to the start of the Q1 reporting season, investors will focus on the US inflation data (Mar.) for consumers and producers.

Global uncertainty prompts investors to shift towards gold



- Gold recently reached a new all-time high of USD 3,085 per troy ounce. In addition to the ongoing central bank purchases, strong purchases of gold ETFs also provided support recently amid uncertainty caused by Donald Trump's policies.
- Global holdings in gold ETFs have risen by almost 5 million ounces since the beginning of the year, the fastest increase since the start of the war in early 2022.
- Despite the price surge, investors likely have further potential to expand their gold holdings.

Source: Bloomberg, Time period: 01/01/2025 - 28/03/2025

Multi Asset

	4W (28/02/25 - 28/03/25)	YTD (31/12/24 - 28/03/25)	28/03/24 - 28/03/25	28/03/23 - 28/03/24	28/03/22 - 28/03/23	28/03/21 - 28/03/22	27/03/20 - 28/03/21
	4-week & YTD		12-month periods over that last 5 years				
Gold	3.4	12.4	38.2	13.3	3.9	19.2	0.9
Industrial Metals	1.6	5.3	14.6	-7.4	-21.6	57.2	49.1
Euro overnight deposit	0.2	0.7	3.5	3.7	0.7	-0.6	-0.5
EUR Sovereign Debt	-0.6	0.1	3.1	3.3	-6.9	-4.5	1.4
MSCI Frontier Markets	-0.7	3.7	12.4	15.8	-16.4	16.5	28.5
EUR Coporates	-0.9	0.2	4.4	7.1	-7.7	-6.2	9.0
MSCI Emerging Markets	-1.6	0.2	10.0	10.6	-9.9	-5.7	49.2
Brent	-3.3	-3.4	-4.7	24.1	-10.2	108.3	78.8
USDEUR	-4.2	-4.4	-0.4	0.5	1.3	7.3	-5.6
Global Convertibles	-6.6	-5.5	5.1	11.9	-13.5	0.2	64.2
REITs	-7.1	-2.6	3.2	9.6	-24.1	24.0	21.3
MSCI World	-8.0	-5.9	7.0	29.7	-8.9	18.3	47.2

MSCI World: MSCI World Net Return; MSCI Emerging Markets: MSCI EM Net Return; MSCI Frontier Markets: MSCI Frontier Markets Net Return;
REITs: MSCI World REITs Index; EUR Sovereign Debt: 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.

- Donald Trump's ongoing economic and tariff policy continues to make itself felt on the capital markets. Due to the uncertainty, gold reached a new all-time high of USD 3,085 per troy ounce and, with industrial metal prices rising at the same time, has been at the top of the performance rankings over the last four weeks.
- Shares in industrialised nations continued to lose ground in this tense environment, while emerging market equities and the euro outperformed government bonds in relative terms.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 27/03/2020 – 28/03/2025

Equities

	4W (28/02/25 - 28/03/25)	YTD (31/12/24 - 28/03/25)	28/03/24 - 28/03/25	28/03/23 - 28/03/24	28/03/22 - 28/03/23	28/03/21 - 28/03/22	27/03/20 - 28/03/21
	4-week & YTD		12-month periods over that last 5 years				
MSCI EM Latin America	1.6	8.8	-13.0	26.3	-10.1	32.1	38.7
DAX	-0.4	12.8	21.5	22.1	5.0	-2.2	53.1
MSCI Japan	-0.4	-0.7	1.5	27.2	-3.9	-2.3	29.5
Stoxx Europe Cyclicals	-1.1	10.7	16.7	28.0	-2.9	6.1	56.5
Stoxx Europe Defensives	-1.3	7.8	8.7	12.6	1.9	17.5	20.8
Stoxx Europe Small 200	-1.3	3.3	3.4	14.6	-12.7	2.1	57.6
MSCI EM Asia	-2.0	-1.1	12.1	8.7	-8.7	-10.1	51.3
MSCI UK	-2.2	6.1	15.4	13.7	-0.5	20.3	29.7
Euro Stoxx 50	-2.3	9.2	7.5	25.0	10.1	2.5	44.7
Stoxx Europe 50	-2.8	7.7	6.9	18.4	6.6	15.1	28.1
S&P 500	-9.8	-9.0	7.4	35.0	-10.5	25.2	49.7
MSCI USA Small Caps	-9.9	-11.7	-2.7	24.4	-11.0	6.6	85.7

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.

- US equities are currently the hardest hit by Trump's tariff policy and have lost significantly in euro terms over the last four weeks. Small cap stocks are having a particularly hard time.
- After the previous euphoria over the infrastructure package, European equities lost comparatively less in the same period. Cyclical shares performed better than defensive stocks.
- Shares from Latin America performed best in euro terms and lead the list of winners.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 27/03/2020 – 28/03/2025

Fixed Income

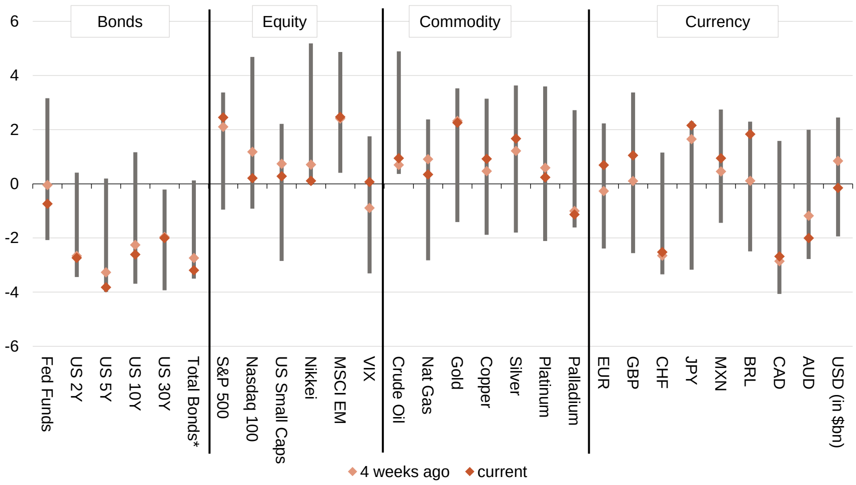
	4W (28/02/25 - 28/03/25)	YTD (31/12/24 - 28/03/25)	28/03/24 - 28/03/25	28/03/23 - 28/03/24	28/03/22 - 28/03/23	28/03/21 - 28/03/22	27/03/20 - 28/03/21
	4-week & YTD		12-month periods over that last 5 years				
Chinese Sovereign Bonds	-0.5	-0.8	6.0	6.6	3.5	5.6	-0.1
EUR Financials	-0.8	0.4	5.2	8.5	-8.0	-5.5	9.8
EUR High Yield	-0.8	0.8	7.8	11.6	-4.7	-3.5	23.0
EUR Non-Financials	-1.0	0.0	3.8	6.0	-7.4	-6.6	8.5
BTPs	-1.4	-0.6	3.7	6.3	-9.9	-7.0	6.7
Bunds	-2.0	-1.9	0.0	1.9	-11.5	-5.7	-1.4
EM Local Currency Bonds	-2.5	-0.3	3.7	6.3	1.1	-3.1	5.4
Gilts	-2.6	-0.9	0.2	1.9	-20.6	-4.7	-1.1
Treasuries	-4.0	-1.8	4.0	0.9	-3.1	2.6	-10.1
USD Corporates	-4.5	-2.2	3.9	6.0	-5.2	1.3	4.0
EM Hard Currency Bonds	-4.6	-2.1	6.6	12.6	-5.8	-1.6	9.3
USD High Yield	-4.9	-3.3	7.7	12.9	-2.8	5.5	14.3

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

- Over the past four weeks, all bond segments in euro have performed negatively. Since the beginning of the year, only EUR financial bonds, EUR high-yield bonds and local currency bonds from emerging markets have shown a slightly positive trend.
- US government bonds, USD high-yield bonds and USD corporate bonds as well as hard currency bonds from the emerging markets have recently performed much more negatively in euro terms.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 27/03/2020 – 27/03/2025

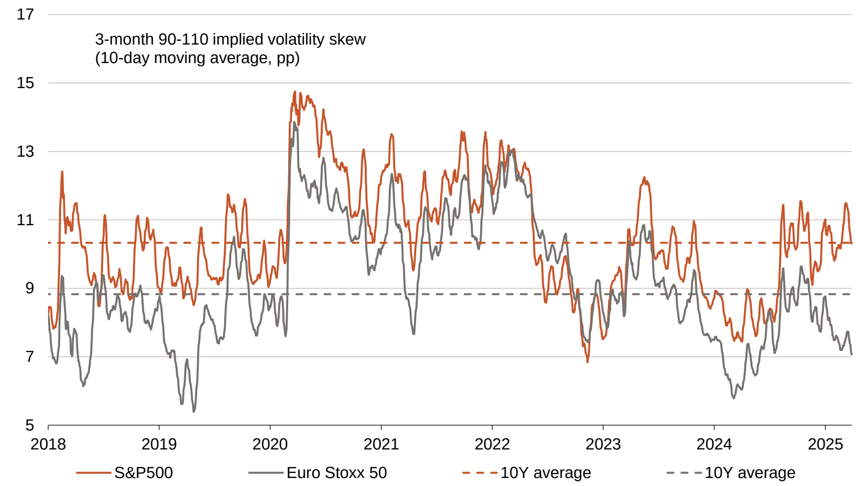
Non-Commercial Positioning



- Speculative investors have almost completely closed their long positions in the Nasdaq with the correction of US tech stocks.
- In currencies, they have again reduced long positions in the US dollar and, in turn, reduced shorts or built longs in almost every other currency shown here.

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: 25/03/2015 - 25/03/2025

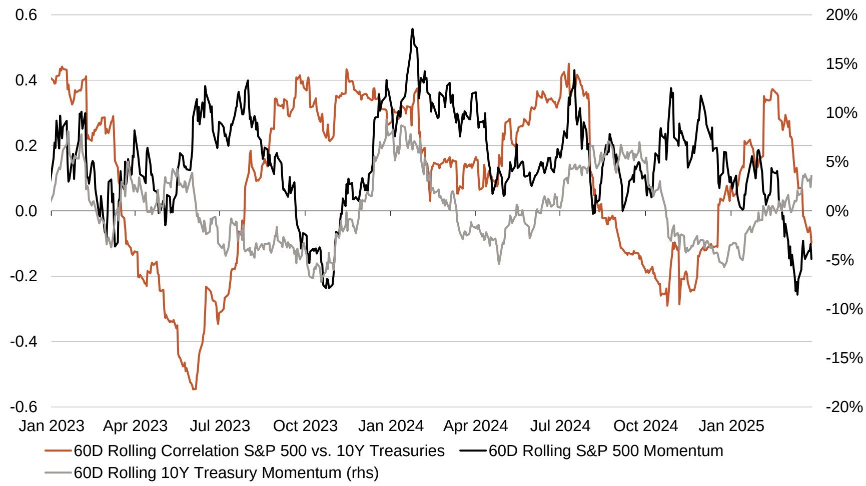
Put-Call-Skew



- The put-call skew has recently fallen for both the S&P 500 and the Euro Stoxx 50, but is still significantly lower for the Euro Stoxx 50.
- For US equities, the put skew in particular has fallen significantly, which suggests that investors in the options market do not expect the correction to continue.

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: 28/03/2015 - 28/03/2025

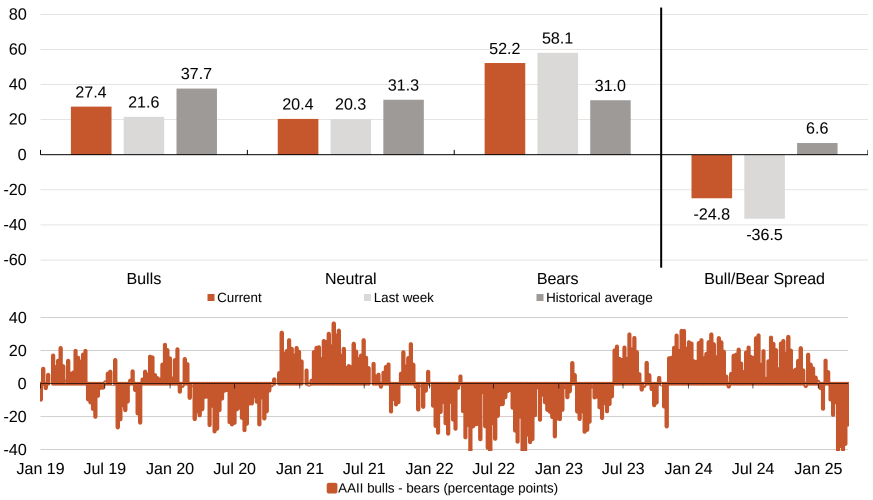
60-Day Momentum and Correlation



- The correlation between US equities and US government bonds has turned negative for the first time this year. This is because investors are increasingly focusing on growth risks and less on inflation risks.
- Due to the negative momentum, many CTAs are likely to have built up short positions by now.

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 - 28/03/2025

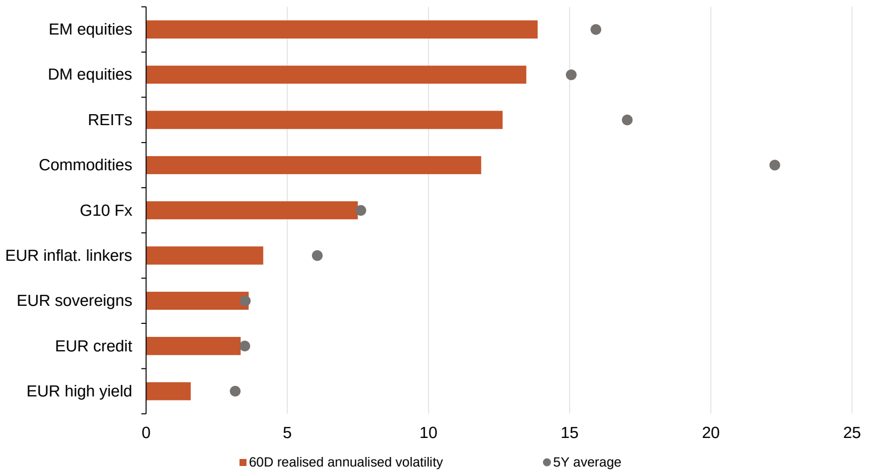
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment among US private investors improved last week, but remains very poor overall, with a bull/bear spread of -25 ppts.
- This is in line with consumer surveys conducted by the Conference Board and the University of Michigan.

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 – 27/03/2025

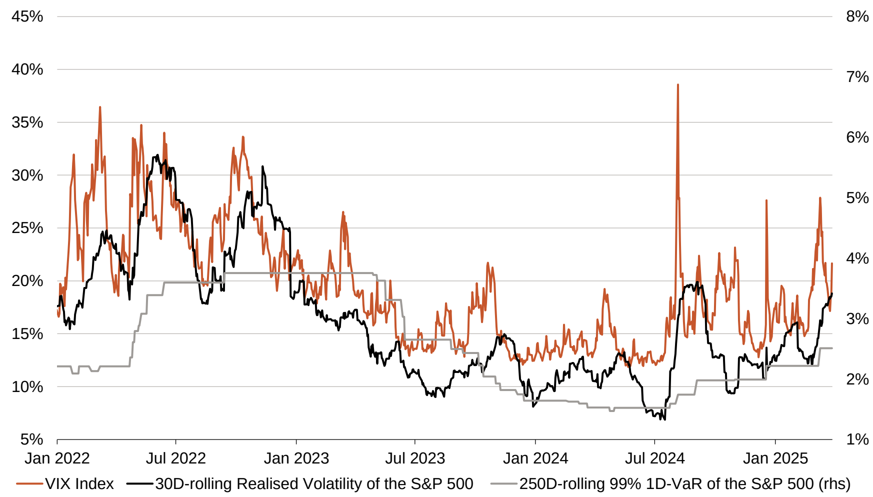
Realised Volatilities



- The stock markets are now showing the highest realised volatility of all the asset classes shown here. Since days with low volatility will be dropped from the calculation window in the coming weeks, volatility is likely to remain elevated or even increase slightly for the time being, ceteris paribus.
- Volatility in commodities is currently remarkably low. This applies to all sub-asset classes within commodities: precious metals, industrial metals and energy commodities.

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: 28/03/2020 - 28/03/2025

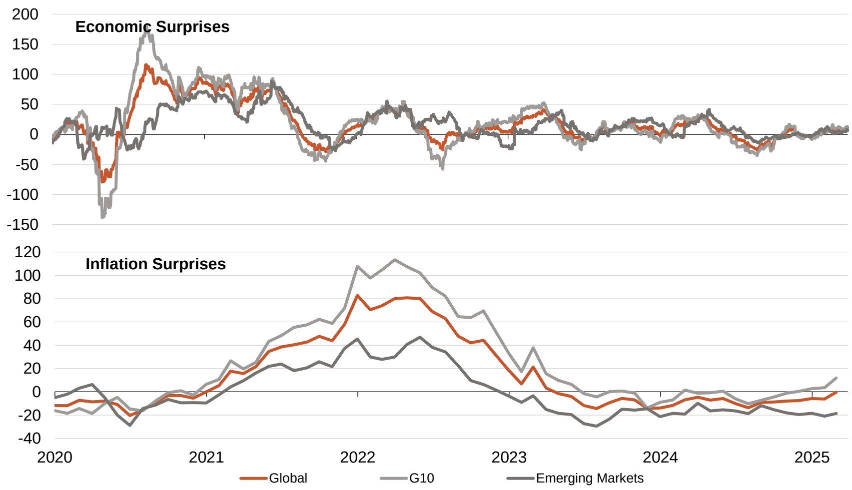
Volatility and Value-at-Risk of the S&P 500



- The VIX has fallen in recent weeks, but realised volatility has increased significantly, causing the volatility premium to turn negative at times. Just before 'liberation day', however, implied volatility rose again.

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 - 28/03/2025

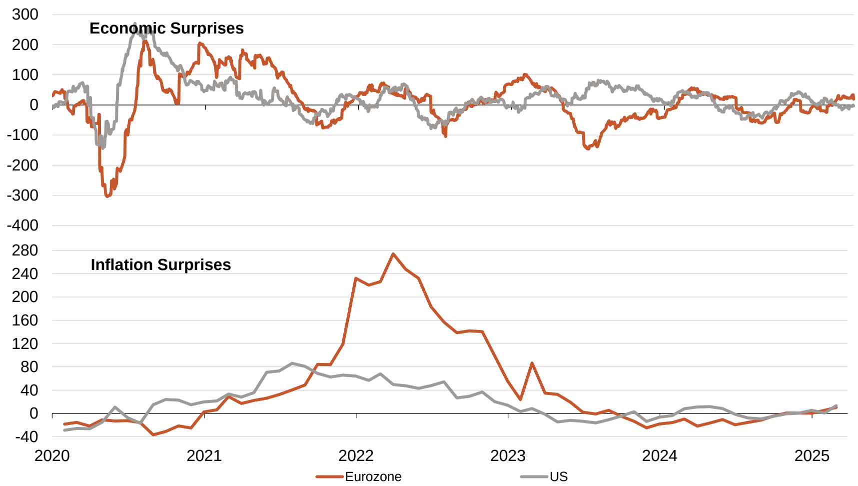
Global



- Global economic data has recently surprised to the upside again. This has been driven mainly by increasingly positive economic surprises from the industrialised countries, especially the euro area countries.
- Positive inflation surprises are also on the rise globally, again mainly driven by the G10 industrialised countries.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 - 28/03/2025

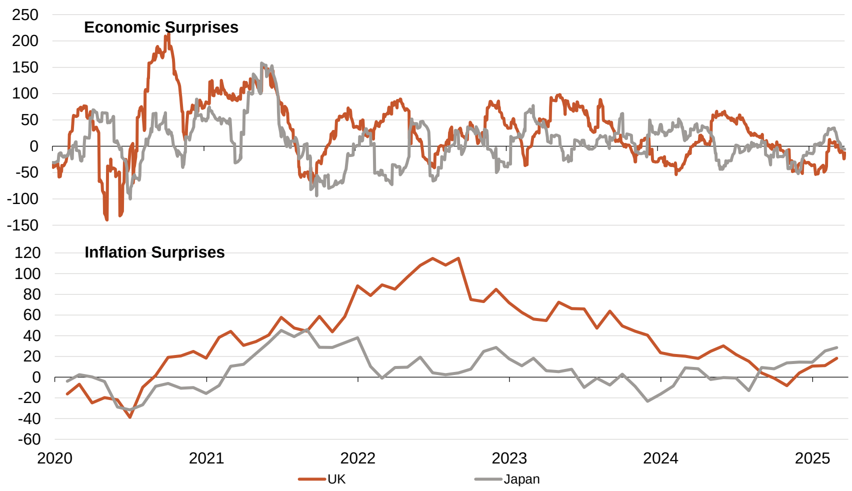
Eurozone and US



- In the US, the recent economic weakness seems to be easing for the time being. GDP data (Q4), home sales (Feb.) and selected labour market data (Feb.) have surprised on the upside. However, private consumption (Feb.) has disappointed.
- In the euro area, the economic recovery continues. Positive economic surprises have also dominated recently. The purchasing managers' indices for the manufacturing sector (Mar., preliminary) have surprised positively in many euro area countries.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 - 28/03/2025

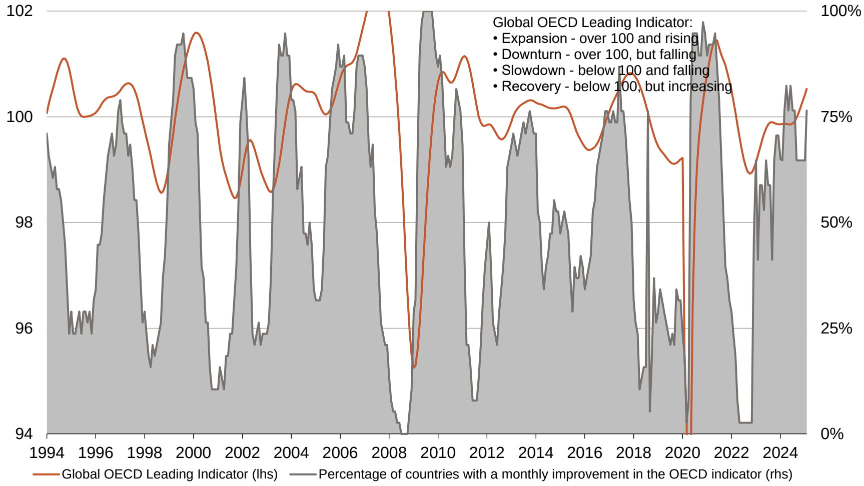
UK and Japan



- In contrast to the eurozone, the economic picture in the UK and Japan appears to be deteriorating. In both regions, negative economic surprises have predominated recently.
- In both countries, the purchasing managers' indices for the manufacturing sector (Mar., preliminary) were disappointing.

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 - 28/03/2025

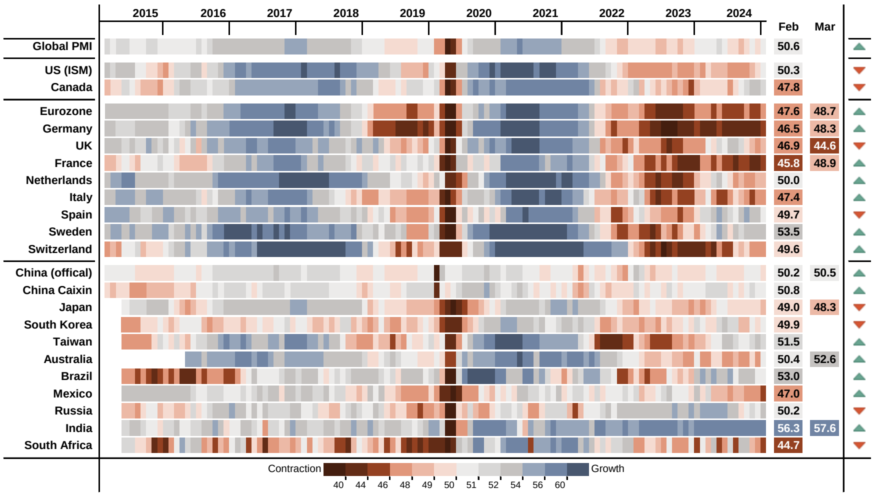
OECD Leading Indicator



- The global economic expansion is continuing. At 100.5, the revised OECD leading indicator was above the 100 mark for the fifth time in a row in February.
- According to the revised leading indicator, the economic situation improved in 76% of the countries surveyed in January compared to the previous month, with China and Turkey 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 - 28/03/2025

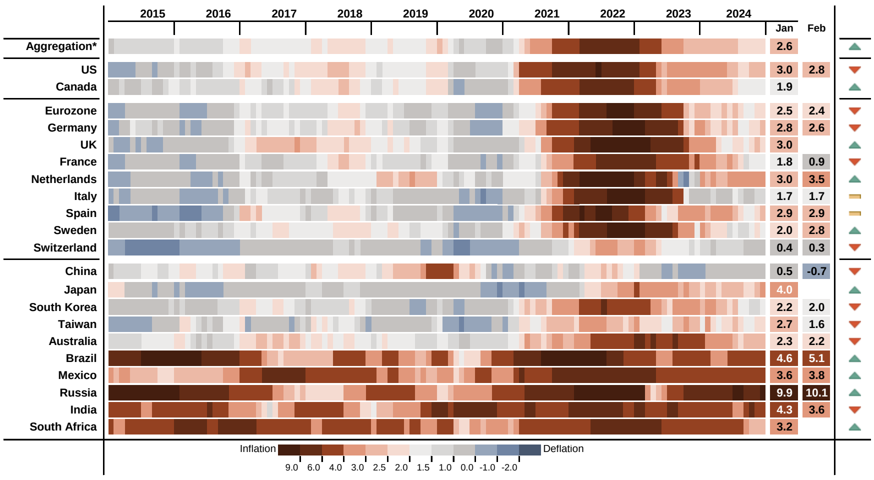
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The first PMI data for the month of March indicate a slight recovery, particularly in the eurozone and Germany. Industrial activity in France, Australia and India also improved slightly.
- In contrast, the PMI data for the UK and Japan show a decline in industrial activity.

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 - 28/03/2025

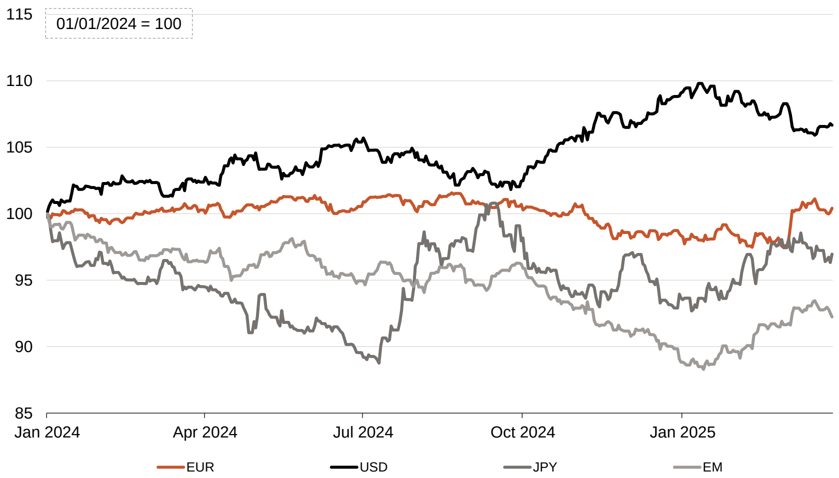
Headline Inflation



- The inflation data for February shows a mixed picture globally. While consumer prices in the major economic areas of the USA, the eurozone and China have recently continued to fall, the inflation rate in Brazil, Mexico and Russia has risen further.
- Overall, however, the inflation risks for the US central banks remain on the upside due to Trump's tariff policy.

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 - 28/03/2025

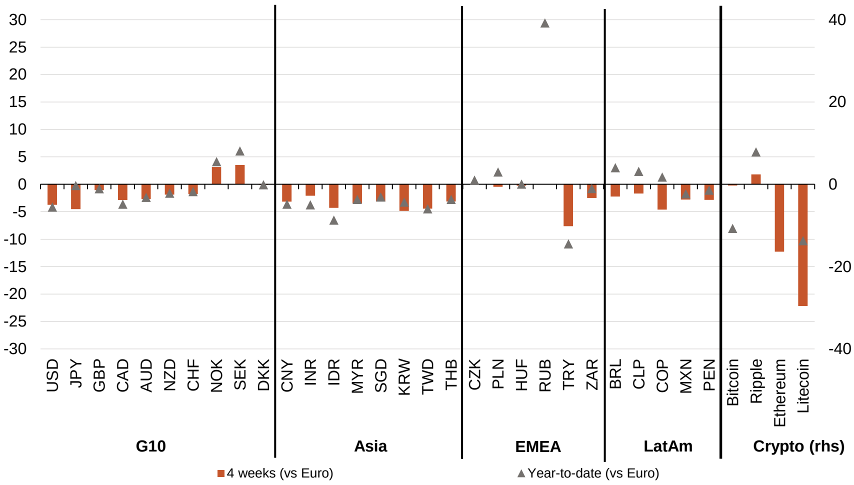
Trade-Weighted Currency Development



- After the sharp appreciation at the beginning of March, the euro has settled at the now higher level in recent weeks.
- The Japanese yen recently depreciated again due to weaker economic data and lower inflation. In particular, wage growth of only 2.8% in nominal terms and thus -1.8% in real terms raised doubts as to whether the Japanese economy would accelerate.

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 – 28/03/2025

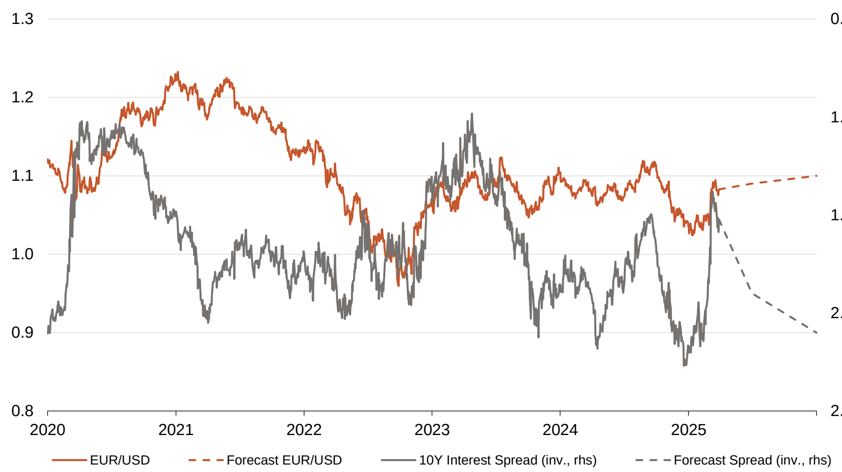
Currency Moves vs Euro



- The euro appreciated against most currencies over the last month on the back of expectations of more fiscal stimulus in Europe.
- The Turkish lira has recently been weighed down by domestic political unrest. The arrest of Erdogan's biggest rival, Imamoglu, shook the confidence of international investors and forced the Turkish central bank to intervene heavily to halt the lira's decline.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2023 – 28/03/2025

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



- The EUR/USD exchange rate has hovered around the 1.08 mark in the last two weeks.
- Meanwhile, the interest rate differential between US Treasuries and German Bunds has widened again. While interest rates in the US have stagnated, they have recently fallen back somewhat in Europe.

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 – 31/12/2025Source: Bloomberg, Time period: 01/01/2020 – 31/12/2025

European Sector & Style Performance

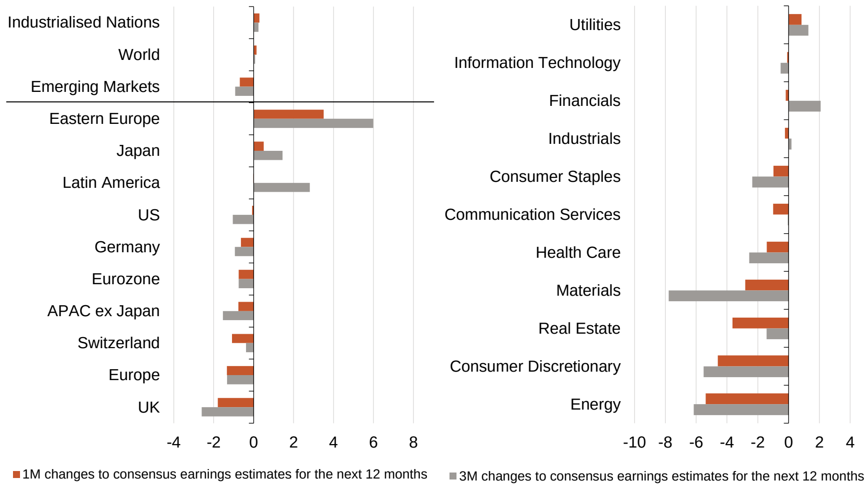
	4-week & YTD: 4W (28/02/25 - 28/03/25)	YTD (30/12/23 - 28/03/25)	12-month periods over that last 5 years: 28/03/24 - 28/03/25	28/03/23 - 28/03/24	28/03/22 - 28/03/23	28/03/21 - 28/03/22	27/03/20 - 28/03/21
Utilities	5.5	11.8	17.6	3.1	2.0	3.0	28.0
Energy	3.4	6.3	2.2	16.5	13.0	37.3	28.1
Finance	1.0	48.3	33.6	33.2	1.8	8.6	43.2
Value	0.5	25.3	19.5	17.8	1.9	10.0	40.2
Consumer Staples	-0.8	3.2	4.3	-3.9	2.3	11.5	15.9
Industrials	-0.8	25.6	14.5	27.7	2.0	5.3	59.5
Telecommunications	-3.0	27.7	22.3	6.6	-2.9	4.8	28.3
Materials	-3.3	0.4	-3.3	16.0	-8.9	13.1	69.3
Growth	-5.8	8.4	-1.7	18.6	0.1	8.8	35.9
Health Care	-6.7	6.9	-1.0	14.1	-1.9	23.6	12.6
Information Technology	-7.5	10.0	-6.6	39.0	-4.9	5.9	57.1
Consumer Discretionary	-10.6	1.1	-9.9	12.9	15.4	-7.2	66.7

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 recovery in Europe has stalled recently. In particular, healthcare, information technology and consumer discretionary stocks have fallen the most in Europe over the past four weeks.
- While consumer staples and industrials have limited their losses, energy and utilities have actually risen. Overall, value stocks have outperformed growth stocks in Europe in recent weeks.

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: 27/03/2020 – 28/03/2025

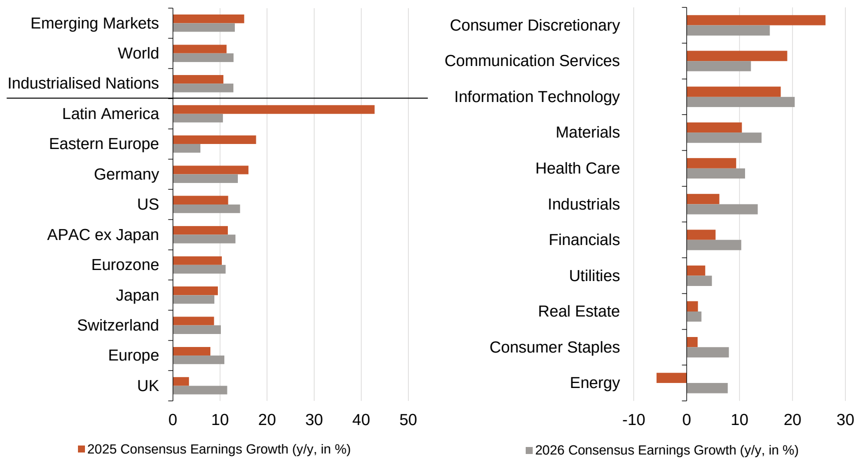
Changes in Consensus Earnings Estimates



- Analyses for the US and Europe have recently become more pessimistic. In particular, there have been negative earnings revisions in Switzerland and the UK over the past month.
- At the sector level, analysts have become more pessimistic in Europe, particularly for the energy and consumer discretionary sectors. They have become more optimistic only for the utilities sector.

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 28/03/2025

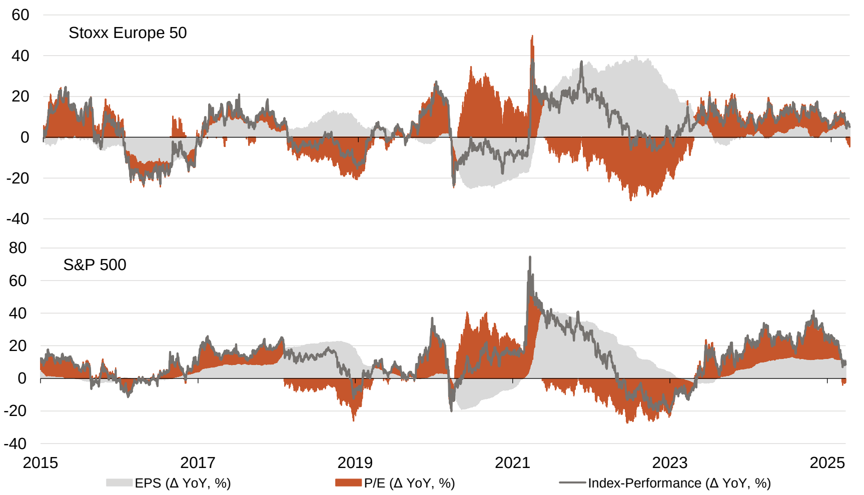
Earnings Growth



- For the current year, the analysts expect massive profit growth of over 40%, particularly for Latin America, after a politically difficult year for the region in 2024 (earnings decline of over 30%).
- For Germany, the analysts currently expect earnings growth of 16% in 2025.

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 28/03/2025

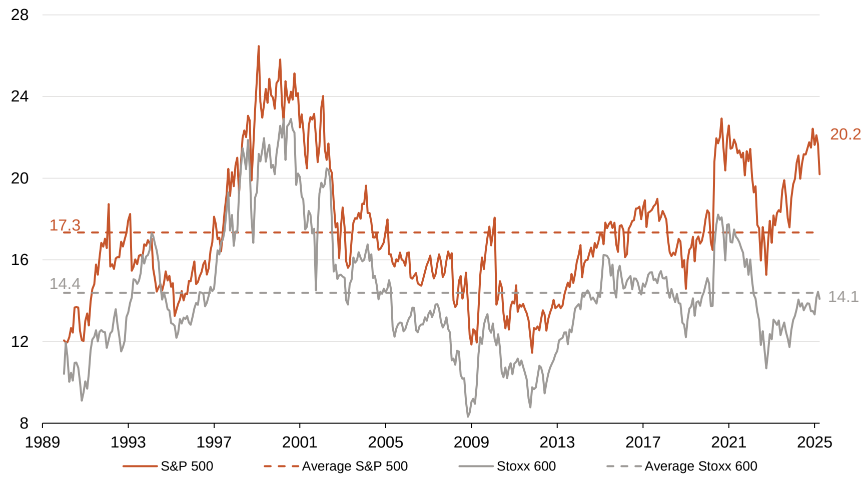
Contribution Analysis



- The performance of the S&P 500 over the past 12 months has been driven entirely by earnings growth. In contrast, the decline in valuations compared to 12 months ago has had a negative impact.
- In Europe, too, earnings growth remains the dominant driver of equity market performance 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 – 28/03/2025

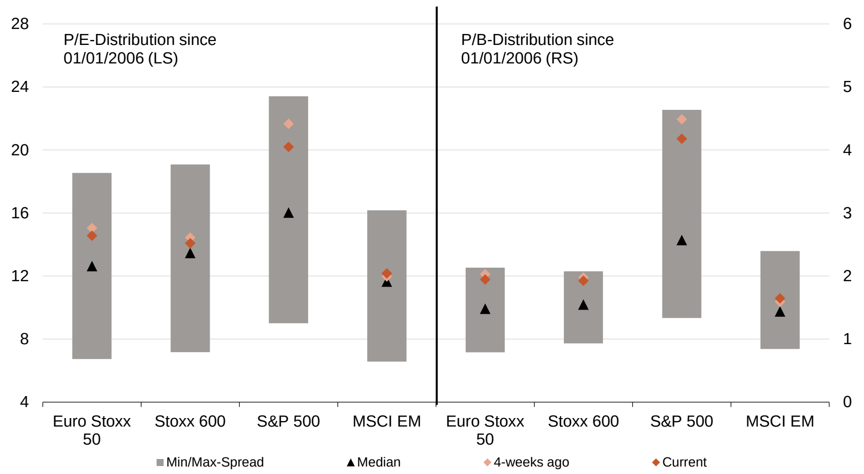
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The valuation gap between US and European equities has narrowed significantly in recent weeks with the correction in US markets and the rally in European markets.
- However, while US equities remain expensive by historical standards even after the valuation contraction, European equities are trading close to their historical average since 1989.

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 – 28/03/2025

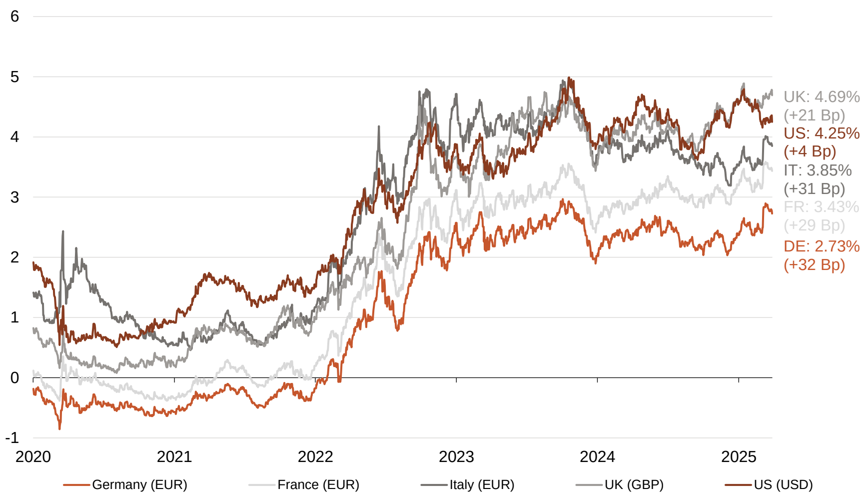
Historical Distribution: Price/Earnings and Price/Book Ratio



- All of the equity regions presented here are currently trading above their historical medians since 2006 on both a price-to-book and price-to-earnings basis.
- In particular, emerging markets remain the most attractively valued relative to the historical median on both measures.

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 – 28/03/2025

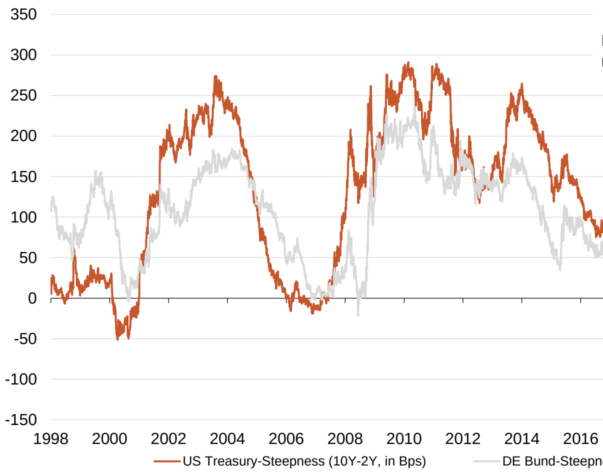
10-Year Government Bond Yields



- Germany's 500 billion fiscal package and Donald Trump's tariff policy have also left their mark on the bond markets. Yields on government bonds have risen significantly in some cases over the last four weeks. Yields on French and German government bonds are now close to their highs from 2023.
- Yields on US government bonds, on the other hand, have only risen slightly recently due to increasing growth concerns.

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 - 28/03/2025

Yield Curve Steepness (10Y - 2Y)

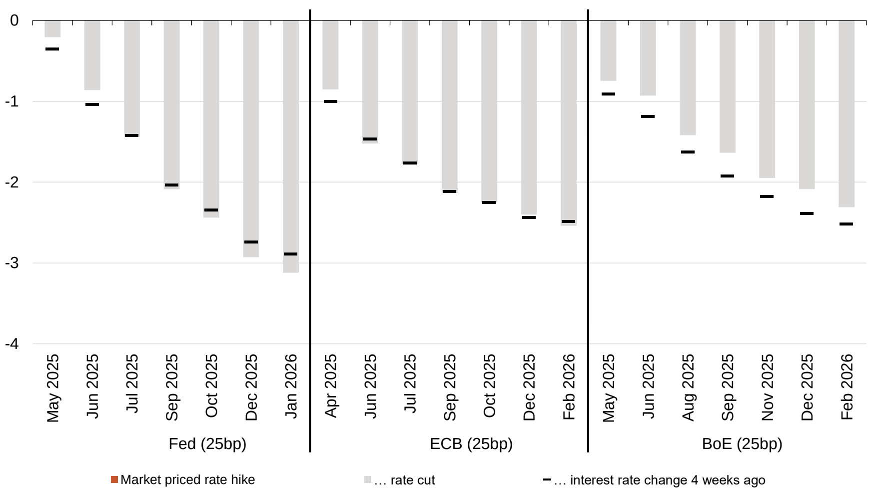


	10Y	2Y	Spread
DE	2.73%	2.02%	71 Bp
US	4.25%	3.91%	34 Bp

- Following the sharp rise in the German yield curve as a result of the fiscal package, the yield curve has remained virtually unchanged over the past two weeks.
- The yield curve in the USA has steepened only slightly in the same period, driven by a fall in two-year yields and a slight rise in ten-year yields.

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 - 28/03/2025

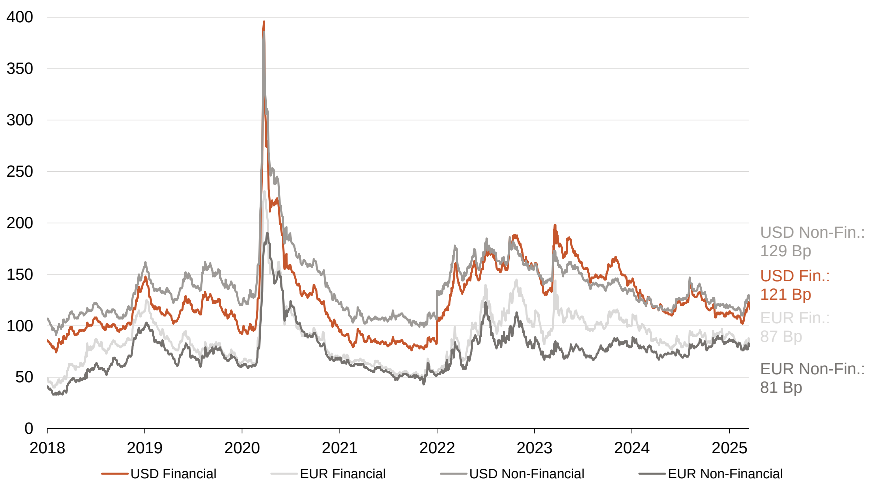
Implicit Changes in Key Interest Rates



- Despite hawkish statements from some central bankers following the interest rate decision, expectations regarding key interest rate changes in the US have only changed slightly in the last two weeks due to mixed economic data.
- While the expected interest rate cuts by the end of the year for the ECB were increased slightly, expectations for the BoE were lowered slightly following robust retail sales data.

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: 28/02/2025 - 28/03/2025

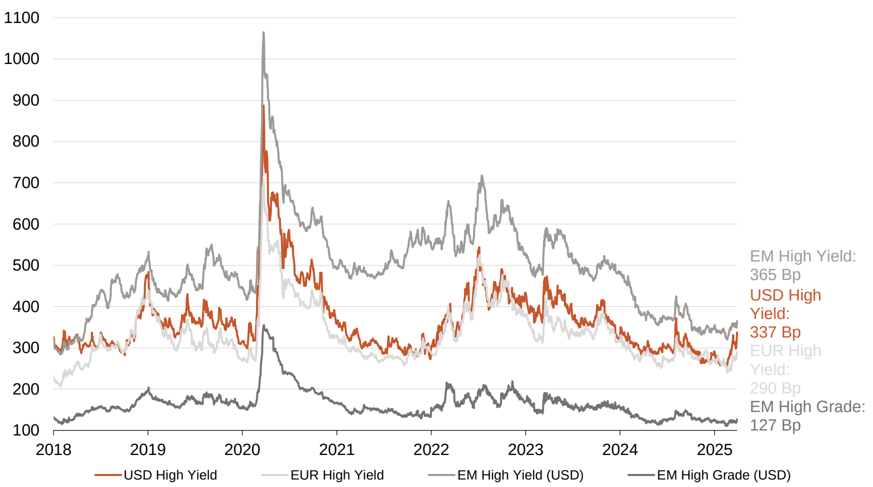
Credit Spreads Financial and Non-Financial Bonds



- The recent economic weakness in the US is also reflected in corporate bond spreads. Asset swap spreads on USD financial and non-financial bonds have widened by 11 basis points each over the past four weeks.
- Risk premiums on European corporate bonds have been less sensitive. EUR financial and non-financial spreads widened by 5 basis points and 2 basis points respectively.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 28/03/2025

Credit Spreads High Yield and Emerging Markets Bonds



- The USD high yield market was not immune to the slowing US economy. Asset swap spreads on USD high-yield bonds recently peaked at 330 basis points, the highest level since the summer of 2024, although spreads narrowed slightly over the course of last week. Bond markets therefore appear to be pricing out at least some of the economic risks 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 – 28/03/2025

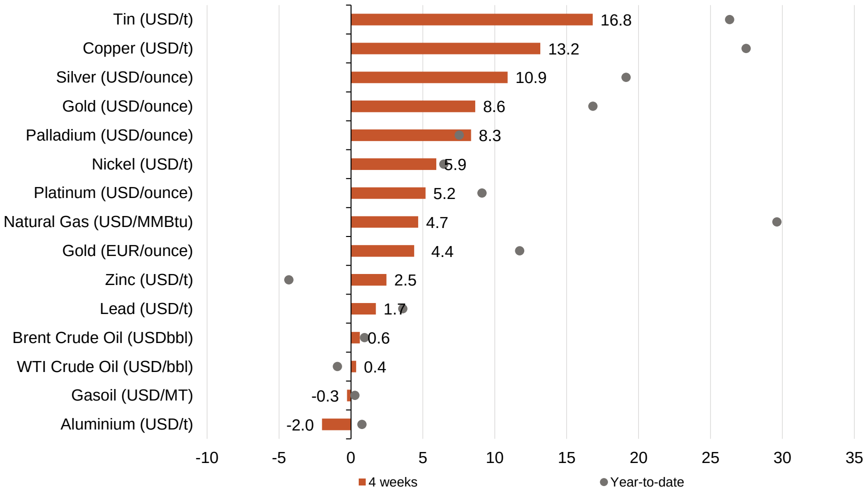
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	28/03/24 28/03/25	28/03/23 28/03/24	28/03/22 28/03/23	28/03/21 28/03/22	28/03/20 28/03/21
EUR Government	2.88	0.18	6.9	-	-	-	-1.8	-1.2	1.3	3.8	-11.7	-6.9	1.9
Germany	2.44	0.21	6.9	-	-	-	-2.1	-1.9	0.0	1.9	-11.6	-5.7	-1.4
EUR Corporate	3.31	0.17	4.3	83	1	59	-0.9	0.2	4.5	7.1	-7.7	-6.0	8.8
Financial	3.37	0.15	3.7	87	3	49	-0.7	0.5	5.0	7.9	-7.0	-4.9	9.5
Non-Financial	3.28	0.18	4.8	81	0	68	-1.0	0.0	4.1	6.5	-8.1	-6.5	8.4
EUR High Yield	6.02	0.32	3.1	290	34	30	-0.8	0.8	7.8	11.6	-4.7	-3.5	23.0
US Treasury	4.16	0.00	6.0	33	2	95	-0.1	2.7	4.2	0.3	-4.5	-4.6	-4.6
USD Corporate	5.19	0.06	6.5	126	6	40	-0.5	2.1	5.1	5.7	-5.0	-5.5	10.8
Financial	5.14	0.03	4.9	121	7	47	-0.2	2.2	6.2	7.0	-4.0	-5.4	10.6
Non-Financial	5.22	0.07	7.3	129	6	37	-0.7	2.1	4.5	5.1	-5.5	-5.6	10.9
USD High Yield	7.81	0.42	3.7	337	53	36	-1.0	1.0	7.7	13.0	-4.2	-1.1	24.7
EM High Grade	5.05	0.00	5.3	127	3	8	0.0	2.3	6.1	5.7	-4.0	-7.4	9.9
EM High Yield	7.94	0.11	3.9	365	18	11	-0.1	2.3	10.8	12.9	-4.3	-13.6	26.8

- Among the bond segments shown here, German government bonds have been the worst performers over the past four weeks – not surprising given the sharp rise in German government bond yields in the wake of the new fiscal package and the associated high level of new German debt.

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: 28/03/2015 – 28/03/2025

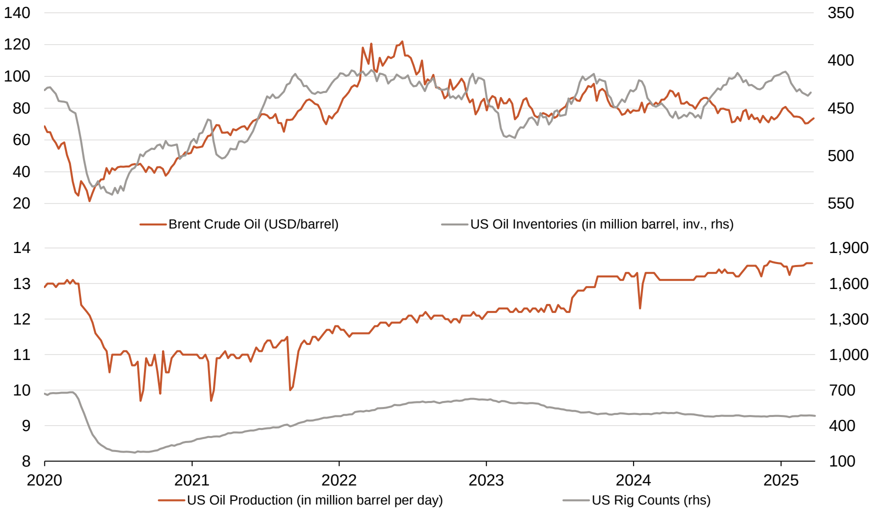
Commodities Performance



- While global stock markets sold off, almost all commodities posted positive returns over the last month, although growth risks were the dominant theme in the capital markets.
- The reasons for the positive performance are manifold. Industrial metals benefited in part from tariffs, gold from uncertainty and crude oil from potential US sanctions.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2024 - 28/03/2025

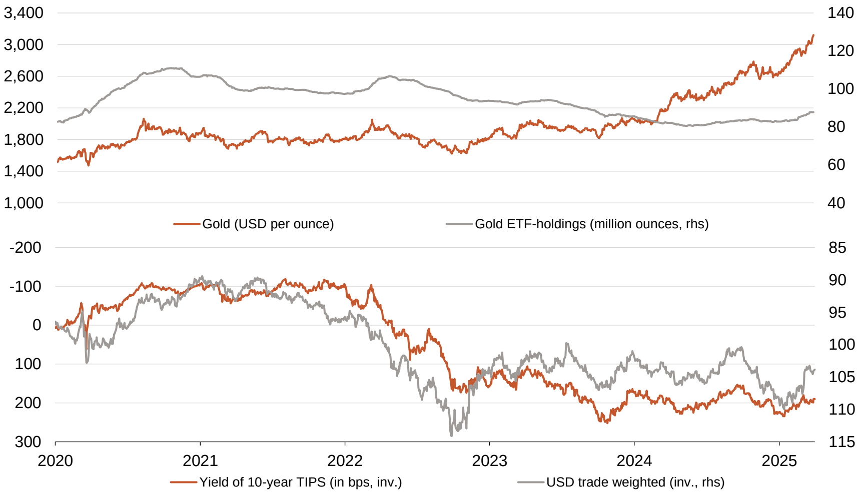
Crude Oil



- After Brent fell below 70 USD per barrel at the beginning of March, the oil price recovered again in recent weeks.
- On the one hand, oil benefited from Donald Trump's threats to impose tougher sanctions on Venezuelan and Iranian oil. On the other hand, US inventories fell surprisingly sharply, contrary to seasonality.

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 - 28/03/2025

Gold



- The sky's the limit with gold. In recent weeks, the precious metal has again reached new all-time highs and now appears to have sustainably broken through the USD 3,000 per ounce mark.
- Above all, ETF inflows appear to be fuelling the rally right now: since the beginning of February, gold ETFs have recorded inflows of more than 4 million ounces.

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 - 28/03/2025

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