Current market commentary

The last few weeks have been characterised by historic volatility due to Donald Trump's erratic tariff policy. Following the announcement of massive punitive tariffs, the S&P 500 suffered its fourth-largest two-day loss since the Second World War, only to record its best day since the global financial crisis a short time later and one tariff pause later. The bond markets were no less volatile: risk premiums on corporate bonds rose considerably. And even US government bonds recently recorded rising yields despite recession worries, as margin calls triggered by the market stress forced hedge funds to liquidate so-called 'basis trades'. Despite somewhat more conciliatory tones from Washington recently, uncertainty is likely to weigh on consumption and investment as long as Trump does not make any concrete deals, meaning that companies are likely to revise their outlooks downwards during the reporting season. We took advantage of the recent turmoil to temporarily overweight equities, which we have already liquidated profitably.

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

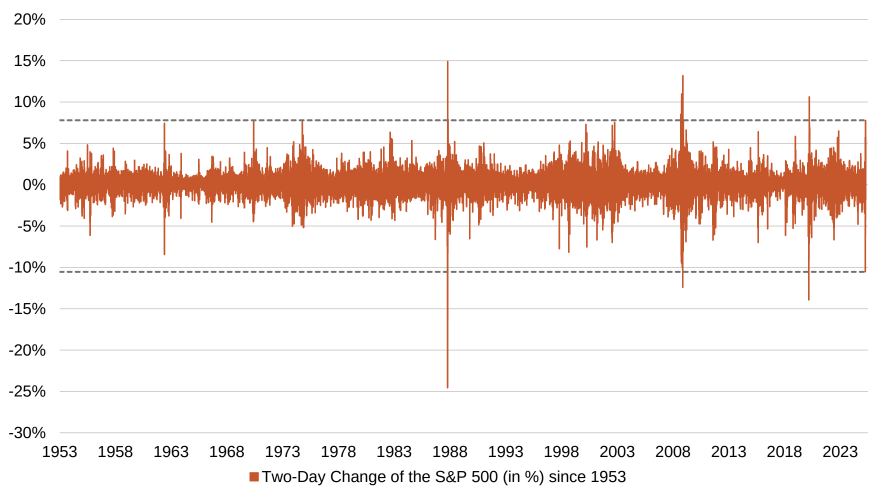
Q1 reporting season and ECB meeting in the investors' eye.

The US first-quarter earnings reporting season is gathering pace: Nearly 40% of the S&P 500 market cap will report in the next two weeks. Markets are entering the reporting season with the most uncertainty since 2020, as supply chain uncertainty is currently very high due to Trump's tariff policy. Monetary policy will be in focus on 17 April with the ECB's interest rate decision.

Market focus on purchasing managers' indices and consumer prices in the eurozone.

On the economic front, Chinese import data (Mar.) will be released today and German industrial production data (Feb.) and ZEW economic expectations (Apr.) will be released tomorrow. On Wednesday, euro zone consumer prices (Mar.) and US retail sales (Mar.) and industrial production (Mar.) are on the agenda. US housing data (Mar.) and the Philadelphia Fed index (Apr.) will follow on Thursday. The following week will see the release of the flash PMIs (Apr.) for the US, Germany and the rest of the eurozone.

Trump's customs policy leads to distortions on the stock markets



- Donald Trump's unpredictable tariff policy triggered extreme volatility on the global financial markets.
- The S&P 500 recorded its biggest 2-day loss since the coronavirus crisis, falling by more than 10%. The DAX also lost double digits, the Hang Seng even lost more than 13% in just one day, the Nasdaq 100 slipped into a bear market and the VIX rose above 50.
- The surprising tariff pause led to the strongest daily rise in the S&P 500 since 2008, at almost 10%. Without concrete deals from Trump, it may remain volatile.

Source: Bloomberg, Time period: 06/01/1953 - 11/04/2025

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (14/03/25 - 11/04/25)	YTD (31/12/24 - 11/04/25)	11/04/24 11/04/25	11/04/23 11/04/24	11/04/22 11/04/23	11/04/21 11/04/22	10/04/20 11/04/21
Gold	3.9	12.5	28.6	20.7	2.3	22.5	-5.0
EUR Sovereign Debt	1.5	0.8	4.5	2.8	-5.7	-5.5	2.0
EUR Coporates	0.6	0.1	4.6	6.0	-6.2	-7.1	7.7
Euro overnight deposit	0.2	0.8	3.4	3.8	0.8	-0.6	-0.5
USDEUR	-4.2	-8.8	-5.5	1.7	-0.3	9.3	-8.1
MSCI Frontier Markets	-6.1	-4.8	3.6	14.1	-18.1	17.2	30.4
Global Convertibles	-8.3	-13.5	-3.2	9.8	-11.0	-4.4	57.3
MSCI World	-8.7	-14.0	-1.6	25.2	-4.5	13.3	37.8
REITs	-9.3	-12.4	-3.4	0.4	-22.9	27.5	6.8
MSCI Emerging Markets	-9.9	-10.5	-3.8	10.6	-7.9	-6.6	40.7
Brent	-11.1	-17.7	-22.0	18.7	4.5	101.2	54.4
Industrial Metals	-12.4	-8.1	-7.2	3.4	-23.3	57.1	43.5

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 erratic tariff policy has led to a classic risk-off on the capital markets over the last four weeks. Gold once again shone as a safe haven and EUR government bonds have also recently made slight gains following the sell-off caused by the German fiscal stimulus.
- The dollar, usually a safe haven for many investors in uncertain times, fell significantly despite a rise in yields on US government bonds.
- Cyclically sensitive industrial metals and oil also suffered double-digit losses.

Total return for selected asset classes, in euros and in per-cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/04/2020 – 11/04/2025

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (14/03/25 - 11/04/25)	YTD (31/12/24 - 11/04/25)	11/04/24 11/04/25	11/04/23 11/04/24	11/04/22 11/04/23	11/04/21 11/04/22	10/04/20 11/04/21
S&P 500	-8.4	-16.2	-0.9	30.7	-5.4	18.6	38.3
MSCI EM Latin America	-8.8	-1.0	-20.9	20.0	-6.1	30.0	30.6
Stoxx Europe Small 200	-9.5	-5.8	-4.5	8.9	-9.2	-1.1	46.9
MSCI Japan	-9.7	-11.9	-9.1	26.5	0.0	-5.5	28.1
Stoxx Europe Defensives	-9.8	-4.0	-2.4	5.5	1.8	23.0	14.1
MSCI UK	-10.3	-5.9	2.5	8.7	1.0	21.9	22.4
MSCI EM Asia	-10.4	-12.1	-2.7	9.2	-6.3	-11.4	44.0
Euro Stoxx 50	-11.2	-1.7	-1.2	17.5	15.8	-1.6	40.4
Stoxx Europe 50	-11.3	-4.1	-3.6	12.2	8.6	15.0	24.0
DAX	-11.4	2.3	13.5	14.7	10.3	-6.8	44.2
MSCI USA Small Caps	-11.6	-22.0	-11.4	18.3	-6.5	2.9	67.1
Stoxx Europe Cyclicals	-12.1	-1.3	5.2	21.9	2.7	1.4	51.1

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.

- Over the last four weeks, global equities have lost ground across the board amid high volatility. The S&P 500 was the best performer, falling by more than 8% in euro terms. Stocks from Europe brought up the rear.
- While cyclical stocks performed the worst, defensive stocks were able to hold their own relatively well.
- Small caps, however, performed very differently from region to region. In Europe they lost 'only' 9.5%, in the USA almost 12%.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/04/2020 – 11/04/2025

Fixed Income

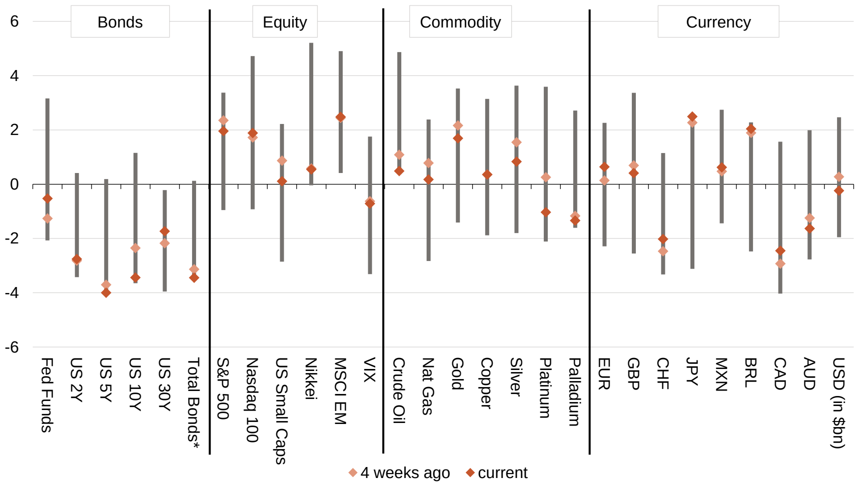
	4-week & YTD		12-month periods over that last 5 years				
	4W (14/03/25 - 11/04/25)	YTD (31/12/24 - 11/04/25)	11/04/24 11/04/25	11/04/23 11/04/24	11/04/22 11/04/23	11/04/21 11/04/22	10/04/20 11/04/21
Bunds	2.7	-0.2	2.8	0.8	-9.8	-7.3	-0.9
BTPs	1.7	0.0	5.4	5.4	-7.9	-8.4	7.8
Chinese Sovereign Bonds	1.3	0.4	6.7	6.9	3.2	6.0	-1.0
EUR Non-Financials	0.7	-0.1	4.1	4.9	-5.9	-7.7	8.2
EUR Financials	0.5	0.2	5.3	7.4	-6.7	-6.3	6.9
EM Local Currency Bonds	-0.6	3.4	5.0	2.8	-1.7	-7.3	12.0
EUR High Yield	-1.6	-1.0	5.7	10.8	-3.7	-4.2	18.3
EM Hard Currency Bonds	-3.2	-1.1	4.6	7.3	-3.5	-10.4	13.5
Gilts	-3.6	-4.9	-1.6	-0.3	-19.2	-4.8	-5.4
Treasuries	-4.6	-7.2	-0.6	-0.4	-2.0	2.3	-11.8
USD Corporates	-6.0	-9.0	-1.6	2.7	-2.2	-0.6	-3.5
USD High Yield	-6.1	-9.6	1.1	10.6	-0.7	5.0	7.4

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: ICE BofA US Emer. Mark. External Sov.Index; EM Local Currency: ICE BofA Local Debt Markets Plus Index

- Donald Trump's tariff policy also triggered significant movements on the bond markets. Following the already sharp setback in European government bonds as a result of the German financial package, government bonds have recently risen significantly again.
- US government bonds, on the other hand, which tend to be a safe haven in troubled times, fell significantly despite the increasing likelihood of a recession.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/04/2020 – 11/04/2025

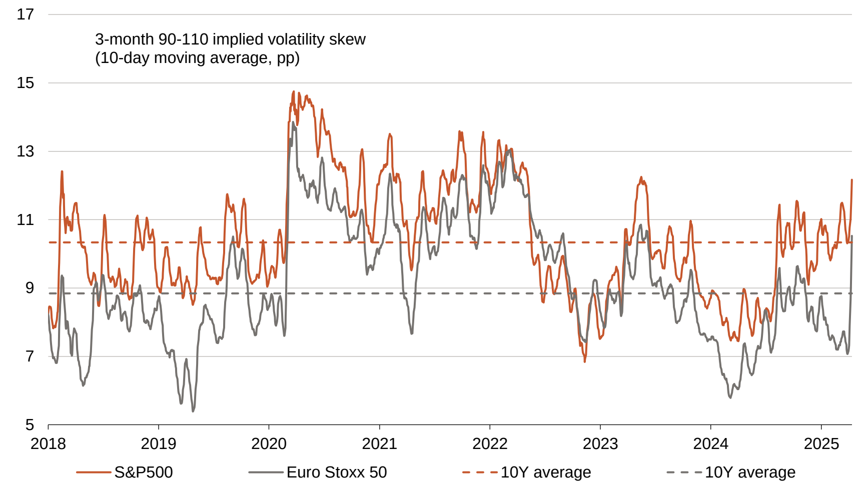
Non-Commercial Positioning



- Speculative investors have recently reduced long positions in commodities. Due to the surprising increase in production by OPEC+, positioning in crude oil is now at its lowest level in the last 10 years.
- USD positioning has recently turned negative again.

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: 08/04/2015 - 08/04/2025

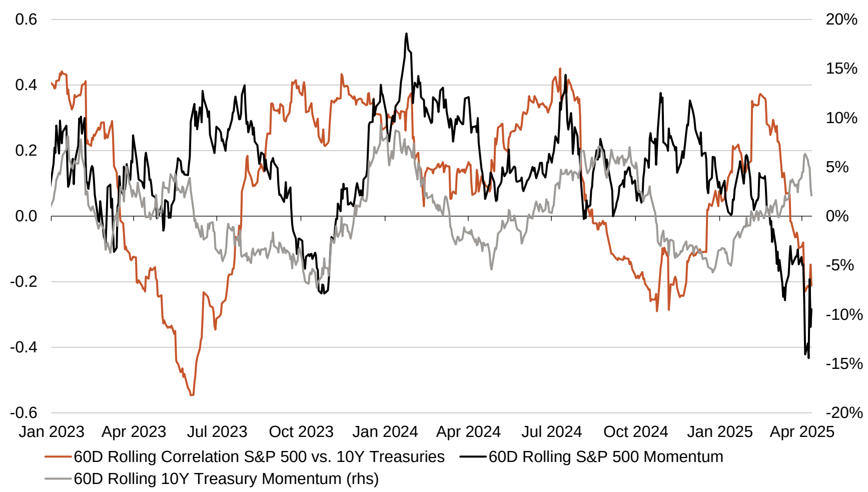
Put-Call-Skew



- The skew has steepened considerably in the wake of the sharp sell-off in equity markets, particularly in Europe, although it was also significantly flatter here beforehand. Besides, the increase in the skew shown here is due to the increase in implied volatility. If the level were normalised around the latter, the skew in both regions would actually have fallen.

The put-call skew (90-110) indicates the difference in implied volatility of puts versus calls whose strike is 10% away from the current underlying in each case. It is a measure of how much more investors are willing to pay for hedging (puts) versus upside participation (calls). The higher (lower) the skew, the more cautious (optimistic) market participants are. Moreover, the skew typically increases with the level of implied volatility.
Source: Bloomberg, Time period: 11/04/2015 - 11/04/2025

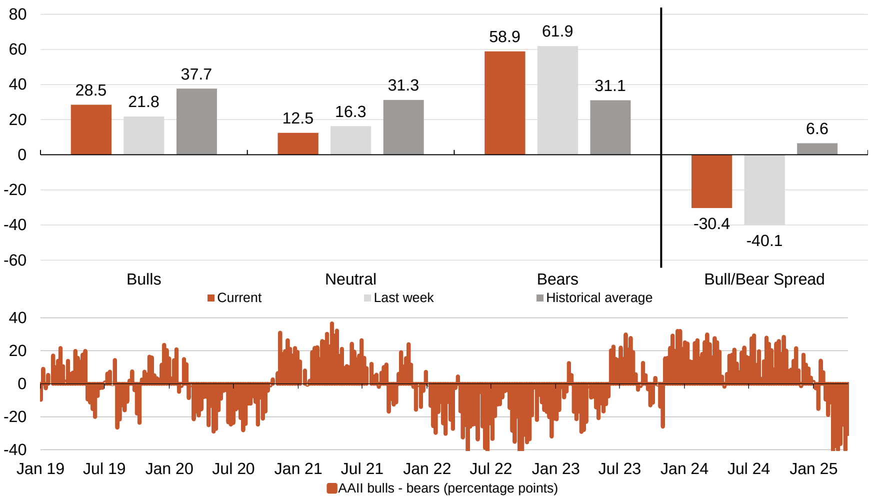
60-Day Momentum and Correlation



- Following the announcement of US tariffs, the 60d-momentum of the S&P 500 was comparable to covid-19.
- Although the momentum of US Treasuries is positive, it has also weakened recently due to significant liquidations of 'basis trades'.
- Nevertheless, the correlation between equities and bonds remained negative.

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 - 11/04/2025

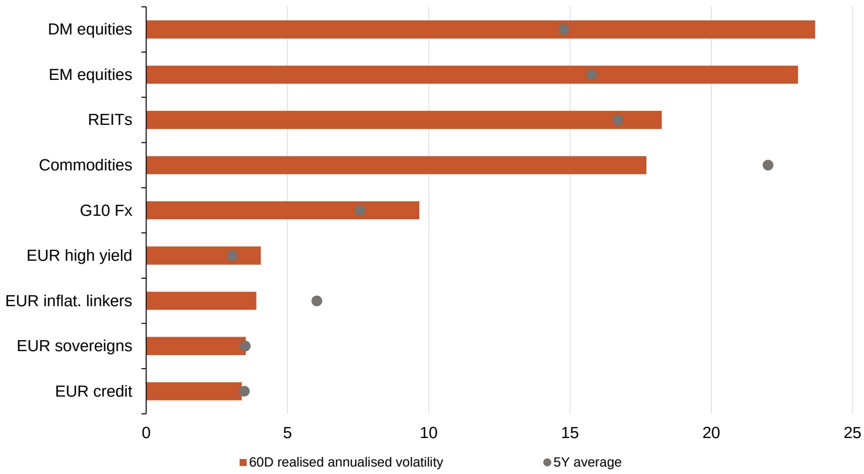
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment of US private investors remains very poor due to Trump's erratic policies. Since his inauguration, the bull/bear spread has been negative for 10 out of 12 weeks.
- What is particularly striking right now is the low proportion of respondents who take a neutral view of the coming months.

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 – 10/04/2025

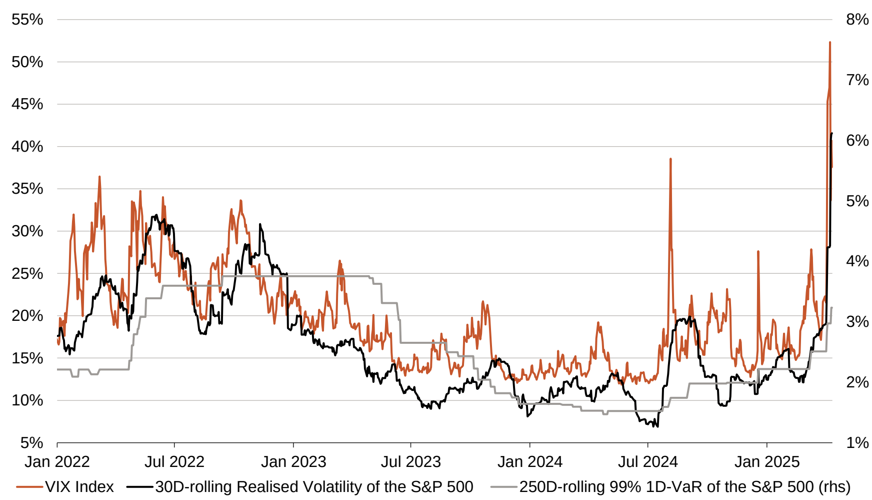
Realised Volatilities



- The realised volatility in risky assets has increased significantly in recent weeks.
- The stock markets have recently seen the highest levels of volatility.
- However, the sharpest increase in volatility was seen in high-yield bonds. Although the volatility over the last 60 days of 4% does not appear to be high in absolute terms, it is the highest reading in over two years and more than three times as high as at the end of February.

The realised volatility (in per cent) measures the fluctuation range of a time series and is defined here as the standard deviation of the daily return over the last 60 trading days. Volatility is often used as a measure of risk.
Source: Bloomberg, Time period: 11/04/2020 - 11/04/2025

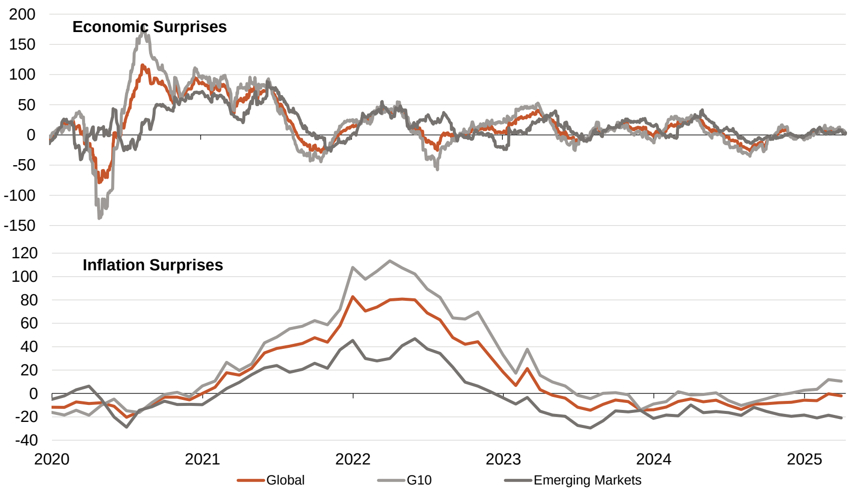
Volatility and Value-at-Risk of the S&P 500



- The VIX reached 52 last week, its highest level since covid-19 and one of the sharpest weekly increases in history.
- Due to the extreme market movements, realised volatility and VaR have also jumped significantly. Risk-based investment strategies are therefore likely to have significantly reduced equities.

The VIX index is a measure of the implied volatility of the S&P 500 priced in options over approximately the next 30 days. Realised volatility indicates the range of variation in daily returns. The historical 99% value-at-risk indicates the minimum loss of the days that belong to the worst 1% of the observation period. The higher (lower) the VIX, realised volatility and value-at-risk, the fewer (more) stocks demand risk-based investment strategies.
Source: Bloomberg, Time period: 31/12/2021 – 11/04/2025

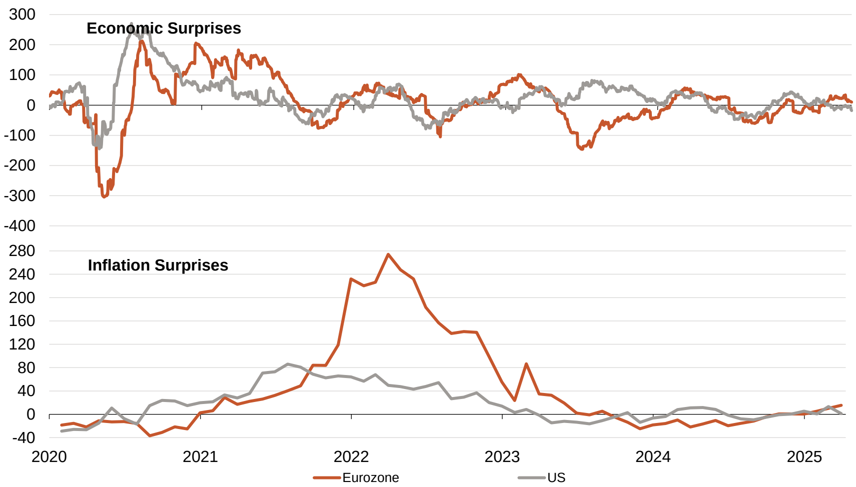
Global



- The global economic surprises in the last two weeks were slightly positive in both the industrialised and emerging markets.
- In Canada, the unemployment rate in March was in line with expectations, while the number of building permits in February surprised to the upside. In Brazil, retail sales in February were in line with expectations, while industrial production surprised to the downside.
- In Mexico, consumer price inflation in March was in line with expectations, while in China it surprised to the downside.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 11/04/2025

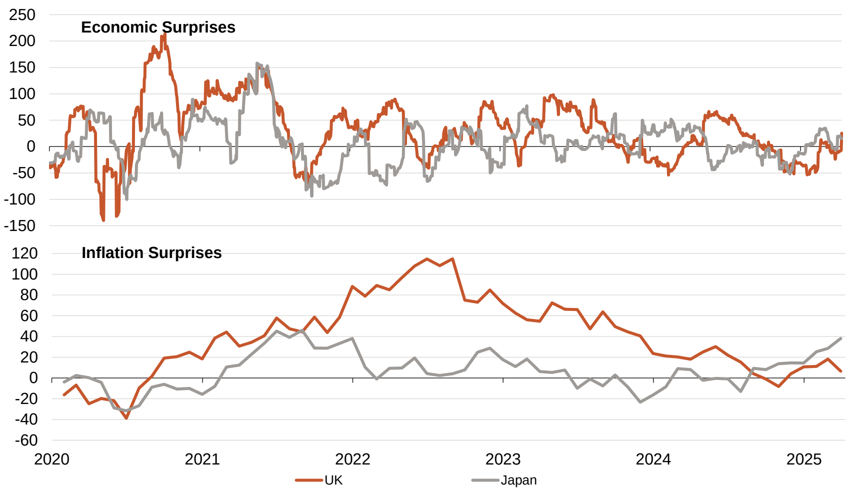
Eurozone and US



- Economic surprises in the US have recently remained negative, while they have been positive in the eurozone. In the US, the non-farm payrolls for March were above expectations, but the figures for January and February were revised downwards, meaning that the unemployment rate actually rose. In addition, both general inflation and core inflation surprised to the downside.
- In the eurozone, the unemployment rate surprised to the downside in March, while retail sales surprised to the upside in February.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 11/04/2025

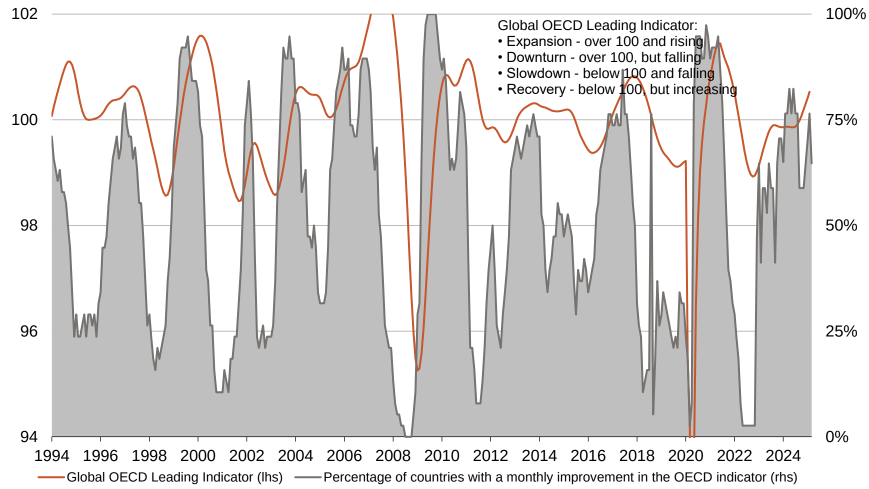
UK and Japan



- The economic surprises in both the UK and Japan have been positive in the last two weeks. In Japan, producer price inflation in March exceeded expectations.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.
Source: Bloomberg, Time period: 01/01/2020 – 11/04/2025

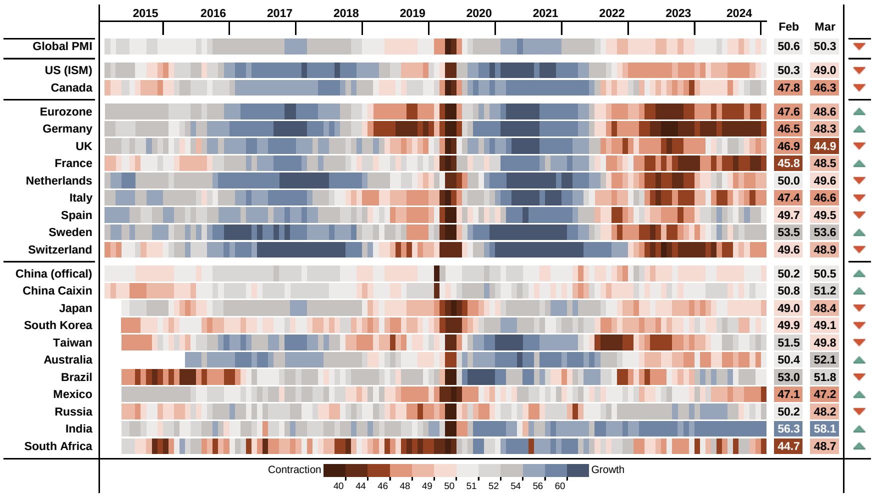
OECD Leading Indicator



- The global economic expansion is continuing. At 100.6, the revised OECD leading indicator was above the 100 mark for the fifth time in a row in March.
- According to the revised leading indicator, the economic situation improved in 65% of the countries surveyed in March compared to the previous month, with China and France recording the strongest increase and India and Indonesia 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 – 11/04/2025

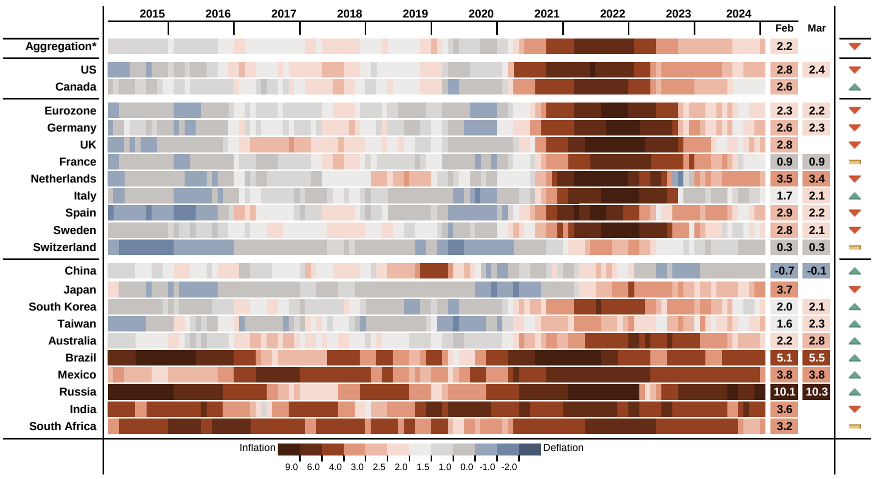
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The PMI data indicated regional differences in March. While the aggregated PMI data for Germany, France and the eurozone improved in March, the US, UK, Brazil and Canada recorded month-on-month declines.

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 – 11/04/2025

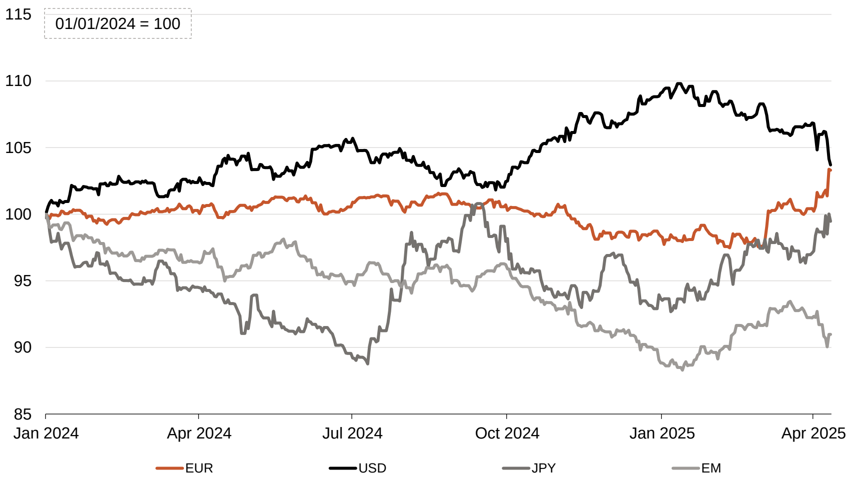
Headline Inflation



- The inflation data for March shows regional differences. While annual consumer price inflation in the USA and the eurozone fell compared to the previous month, it accelerated in Australia, Brazil and South Korea. Lower energy prices led to a downward inflation surprise in the USA in March, among others.

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 – 11/04/2025

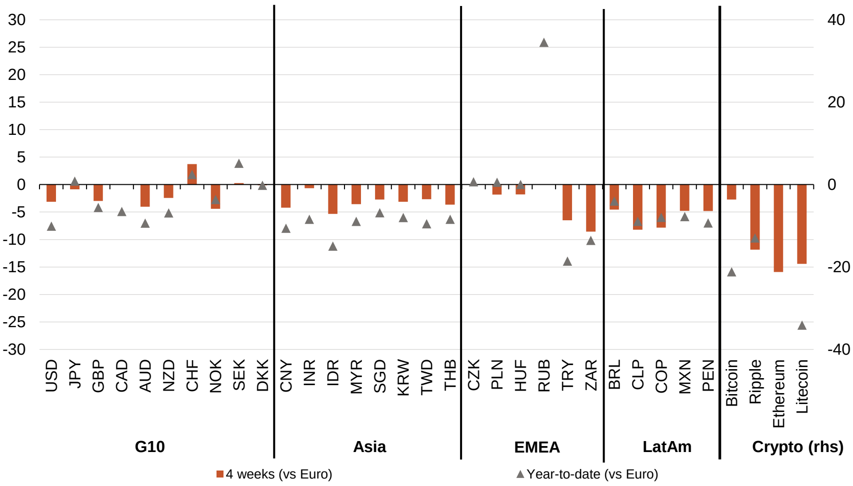
Trade-Weighted Currency Development



- The US dollar has continued its downward trend that began at the start of the year in the last two weeks. The high tariffs announced by Donald Trump on 'Liberation Day', 2 April, against most trading partners, especially China, have increased global fears of recession and called the US dollar into question as a safe haven.
- Global uncertainty has recently fuelled the Japanese yen.

A trade-weighted index is used to measure the effective value of an exchange rate against a basket of currencies. The importance of other currencies depends on the share of trade with the country or currency zone.
Source: Bloomberg, Time period: 01/01/2024 - 11/04/2025

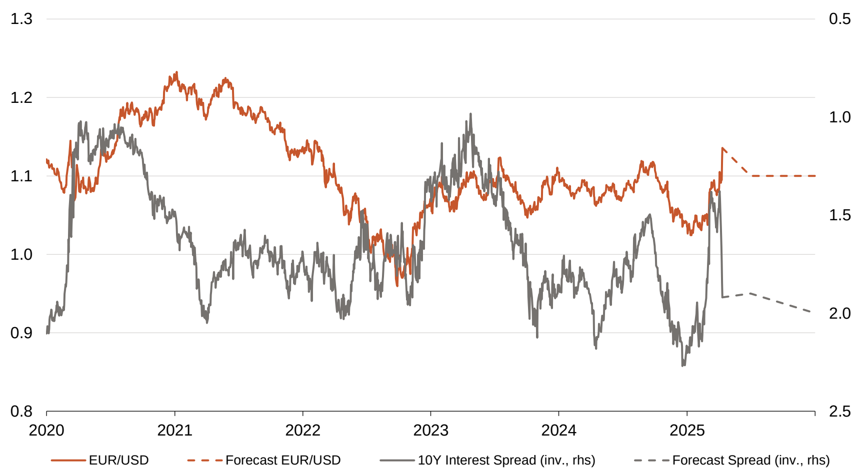
Currency Moves vs Euro



- Over the past four weeks, the euro has appreciated against most of the currencies shown here.
- The Swiss franc recently appreciated strongly due to global uncertainty and was able to prove its status as a safe haven.
- The extremely high punitive tariffs imposed by Donald Trump on China have recently weighed on the Chinese renminbi.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2024 - 11/04/2025

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



- Rising yields in the US and falling yields in Germany recently led to a significant widening of the interest rate differential between US government bonds and German Bunds to 192 basis points.
- Nevertheless, the EUR/USD exchange rate reached its highest level since February 2022 at 1.135 last week.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US government bonds and 10-year Bunds. The forecasts were prepared by Berenberg Economics.
Source: Bloomberg, Time period: 01/01/2020 - 30/06/2026

European Sector & Style Performance

	4W (14/03/25 - 11/04/25)	YTD (31/12/24 - 11/04/25)	11/04/24 11/04/25	11/04/23 11/04/24	11/04/22 11/04/23	11/04/21 11/04/22	10/04/20 11/04/21
Utilities	2.0	7.2	17.4	-6.0	3.0	5.3	28.7
Consumer Staples	-2.6	2.3	4.3	-10.2	2.4	11.7	12.1
Telecommunications	-6.2	3.8	16.6	0.4	-1.9	7.6	21.7
Finance	-10.0	5.1	21.1	23.6	6.6	8.4	42.7
Value	-10.1	0.6	7.5	11.8	4.5	10.7	33.2
Growth	-11.2	-7.3	-8.9	12.1	3.2	5.4	32.3
Consumer Discretionary	-12.4	-11.8	-16.4	6.7	21.1	-12.0	60.8
Information Technology	-12.6	-12.4	-15.7	32.8	6.3	-5.8	48.8
Materials	-13.0	-6.7	-12.6	13.2	-7.6	11.8	55.3
Industrials	-13.4	-2.5	4.2	23.2	7.7	-2.6	57.0
Health Care	-13.7	-10.0	-11.7	7.3	-5.2	31.3	7.3
Energy	-16.4	-11.3	-23.9	16.4	17.3	46.8	8.4

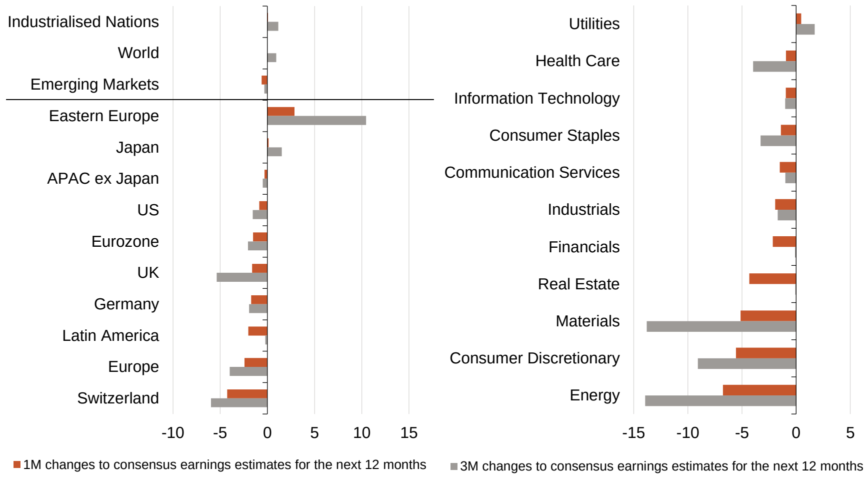
4-week & YTD; 12-month periods over that last 5 years

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

- Trump's 'liberation day' has kept markets on tenterhooks since early April. With the exception of utilities, which have been winners since the beginning of the year, all the European sectors shown here have been in the red over the last four weeks.
- In particular, energy stocks (due to the weak oil price) and healthcare stocks (due to the threat of US tariffs) have fallen in Europe over the last four

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: 10/04/2020 – 11/04/2025

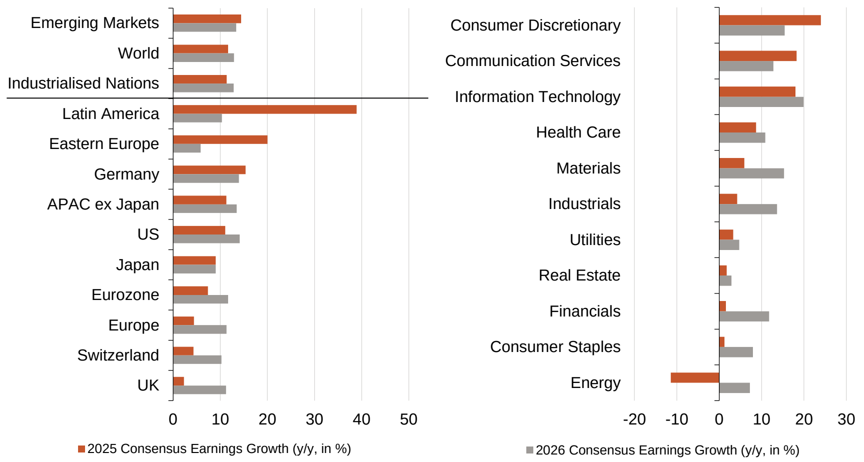
Changes in Consensus Earnings Estimates



- Analysts' earnings estimates have been trimmed slightly overall over the past month, amid growing concerns about US growth.
- At the sector level, estimates for energy stocks and consumer discretionary in particular have been revised downwards. Utilities are the only sector where analysts are more optimistic.

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 11/04/2025

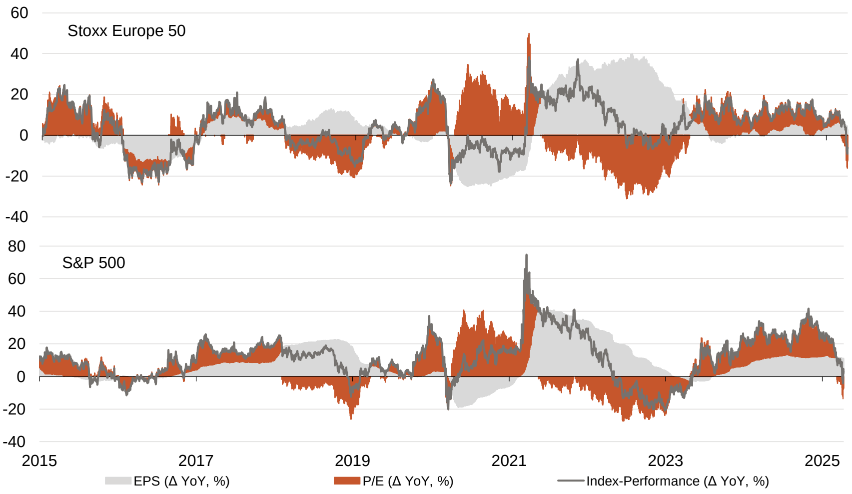
Earnings Growth



- Analysts are most optimistic about earnings growth this year in Latin America and Eastern Europe, and most pessimistic in the UK.
- In Europe, the highest earnings growth in 2025 is expected in consumer discretionary.

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 11/04/2025

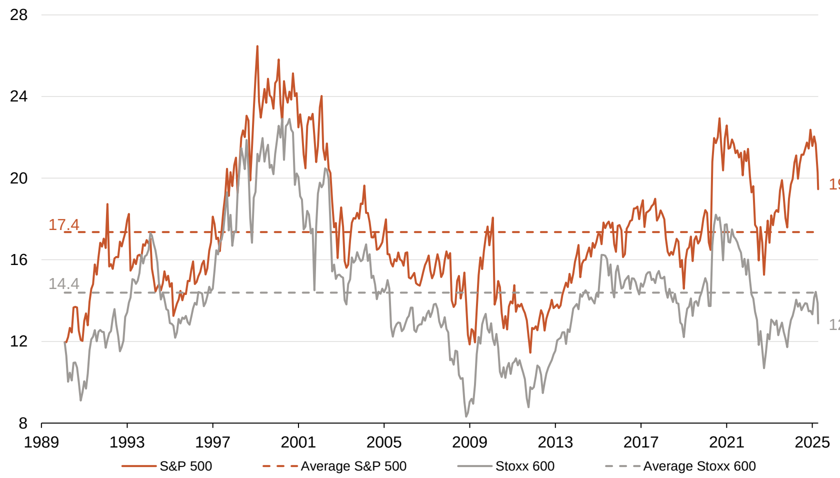
Contribution Analysis



- The performance of the European equity index over the last 12 months has been negatively affected by the significant decline in valuations, resulting in a negative equity market performance over the last 12 months.
- The picture is similar in the US, where the significant decline in valuations has had a negative impact on the 12-month performance of the index, while the change in earnings estimates has had a positive impact.

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 - 11/04/2025

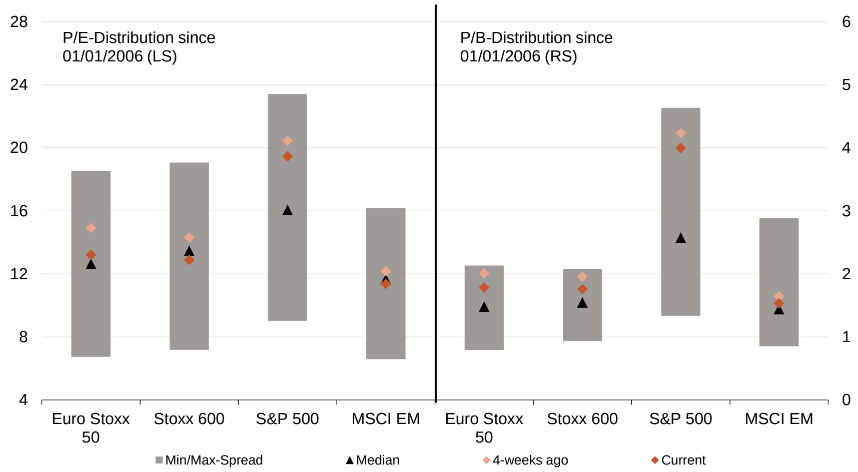
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- With the decline in US equity markets, the P/E ratio of US equities has recently fallen significantly. However, at 19.5x, the valuation is still well above the long-term average of around 17x.
- European equities have also recently become cheaper. In contrast to the US, the P/E ratio is actually well below the historical average.

P/E valuation based on earnings estimates for the next twelve months of European and US equities as well as the respective P/E average since 1988. *For the Stoxx 600, the history before 2000 was taken from MSCI Europe.
Source: Bloomberg, Factset, Time period: 31/12/1987 - 11/04/2025

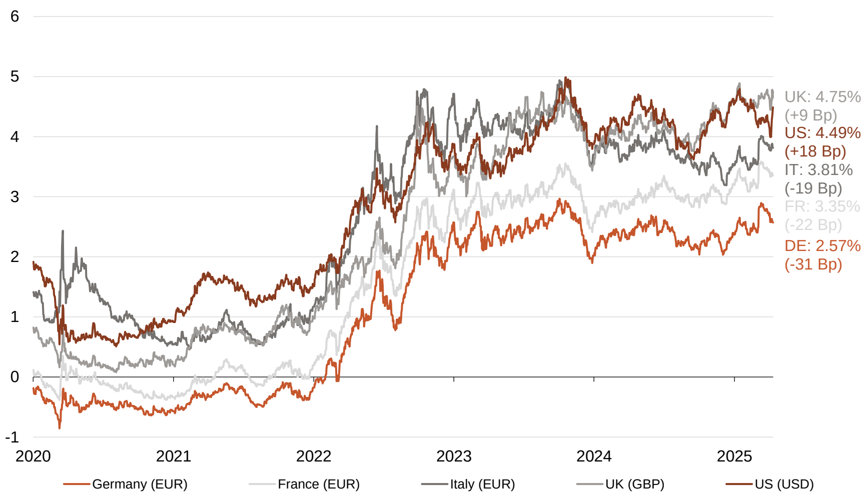
Historical Distribution: Price/Earnings and Price/Book Ratio



- The significant decline in US equity valuations is particularly evident when looking at the historical distribution of price/earnings ratios. The price-to-book ratio has also fallen slightly.
- Despite the fall in prices and the associated tightening of valuations for US equities, Europe and emerging markets continue to offer the most attractive valuations.

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 - 11/04/2025

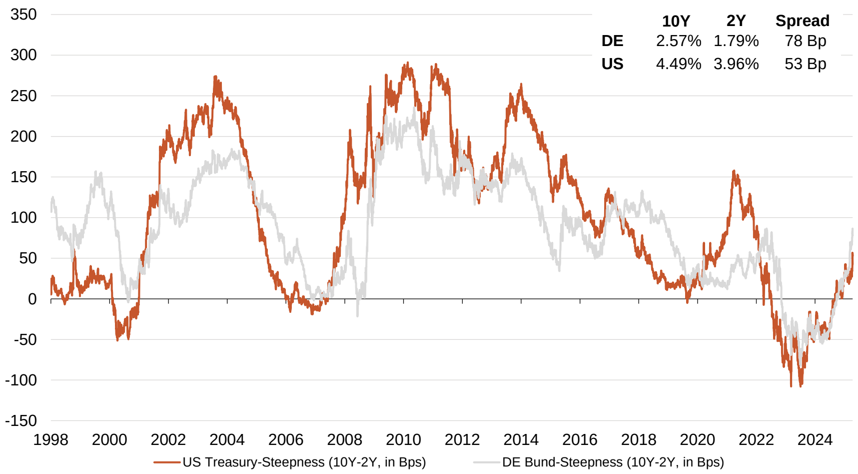
10-Year Government Bond Yields



- Yields on US government bonds have risen significantly by 23 basis points over the past four weeks. This includes the sharpest five-day change since 2022, which was probably also triggered by Donald Trump's erratic tariff policy and the unwinding of the so-called ‘basis trade’ by some hedge funds.
- Yields on European and especially German government bonds, on the other hand, have fallen considerably due to increased economic 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 – 11/04/2025

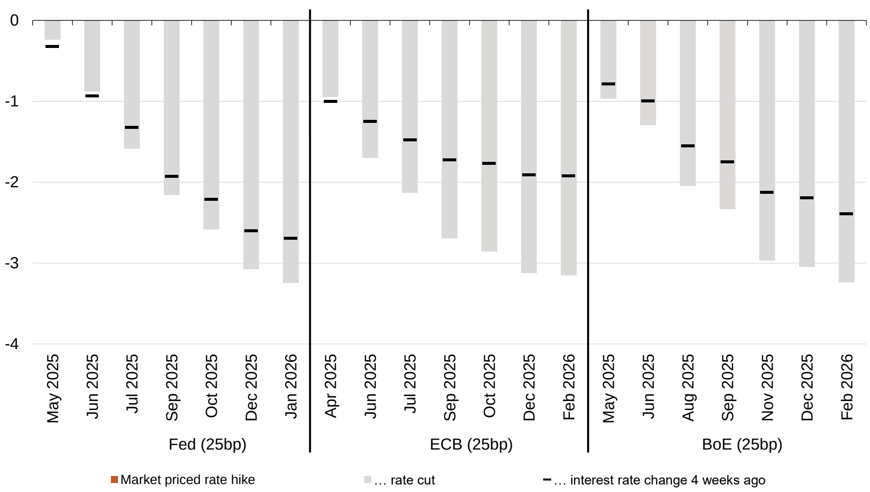
Yield Curve Steepness (10Y - 2Y)



- Over the past two weeks, the yield curve in Germany and the USA has steepened further. While the movement in Germany is mainly due to the stronger decline in yields on short-term government bonds, rising yields on longer maturities also contributed to a steepening in the USA.

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 – 11/04/2025

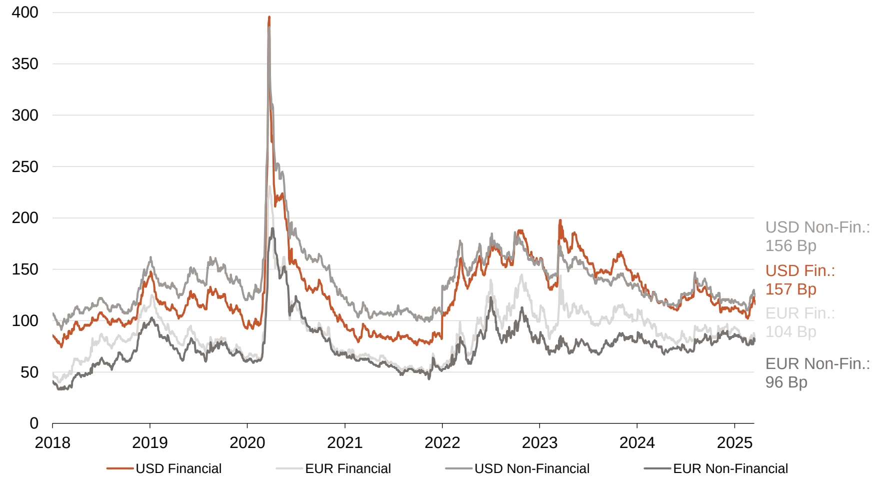
Implicit Changes in Key Interest Rates



- The increase in the probability of recession caused by the harsh customs policy recently led to a significant increase in expected key interest rate cuts.
- In the USA, around three interest rate cuts are being priced in by the end of the year. The next full interest rate hike is expected in June.
- The key interest rate expectations for the ECB and the BoE have also recently been significantly lowered until the end of the year.

Derivatives on money market interest rates - such as the fed funds futures - can be used to determine the change (number of steps) in the key interest rate priced by the market.
Source: Bloomberg, Time period: 28/02/2025 – 11/04/2025

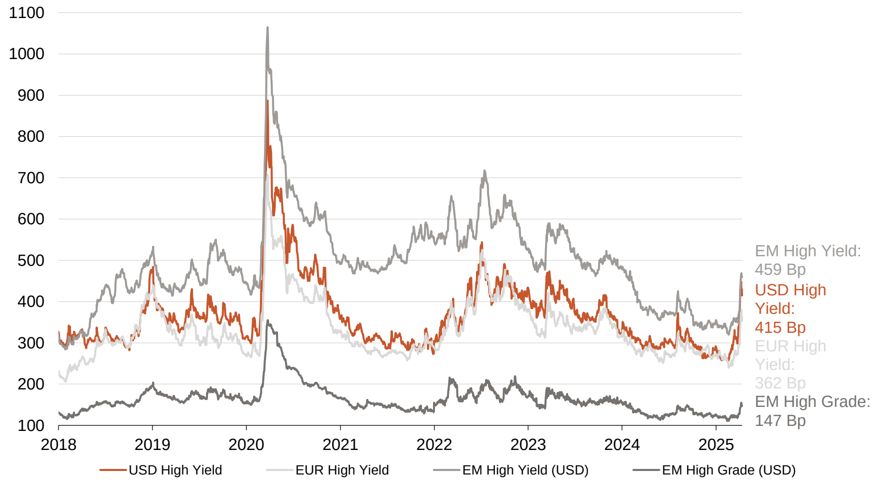
Credit Spreads Financial and Non-Financial Bonds



- In the wake of the equity market correction, risk premiums on corporate bonds have also widened significantly, particularly in the US. Over the past two weeks, asset swap spreads for USD financial and non-financial bonds widened by 39 and 30 basis points respectively.
- The movement has been less pronounced for European corporate bonds. EUR financial and non-financial spreads widened by 18 and 16 basis points respectively.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 11/04/2025

Credit Spreads High Yield and Emerging Markets Bonds



- High-yield risk premiums have widened further since Trump's tariff package in early April.
- Asset swap spreads on emerging market high yield bonds have risen by more than 100 basis points over the last two weeks, while spreads on USD and EUR high yield bonds have widened by 97 and 78 basis points respectively.

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 – 11/04/2025

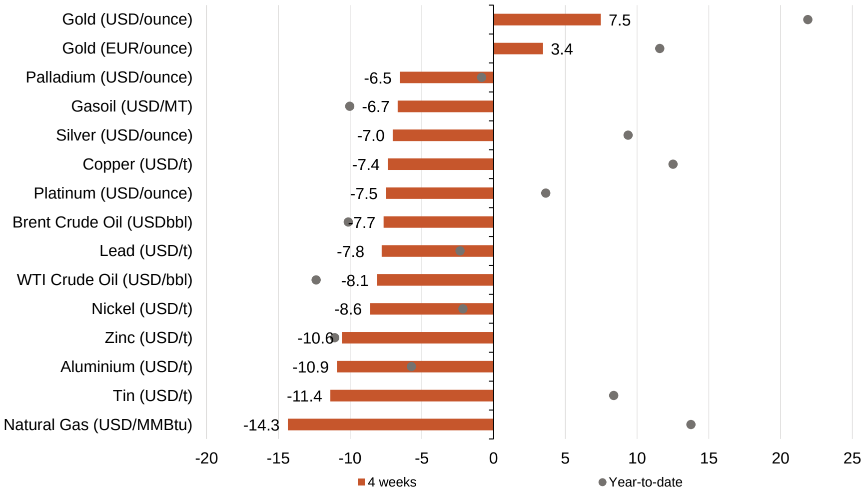
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Per-centile	1M	YTD	11/04/24 11/04/25	11/04/23 11/04/24	11/04/22 11/04/23	11/04/21 11/04/22	11/04/20 11/04/21
EUR Government	2.75	-0.28	7.0	-	-	-	2.1	-0.2	3.3	2.9	-9.7	-8.4	2.7
Germany	2.22	-0.38	7.1	-	-	-	2.8	-0.2	2.8	0.8	-9.8	-7.3	-0.9
EUR Corporate	3.34	-0.07	4.4	99	20	85	0.4	0.2	4.8	6.0	-6.2	-7.0	7.5
Financial	3.40	-0.07	3.7	104	22	76	0.4	0.4	5.3	6.7	-5.6	-5.8	6.0
Non-Financial	3.30	-0.06	4.8	96	19	87	0.5	0.0	4.5	5.5	-6.5	-7.7	8.4
EUR High Yield	6.58	0.60	3.1	362	94	68	-2.0	-1.0	5.7	10.8	-3.7	-4.2	18.3
US Treasury	4.30	0.12	5.9	42	9	99	-0.8	1.6	5.2	-2.6	-2.0	-6.3	-4.5
USD Corporate	5.59	0.36	6.4	156	30	74	-2.1	-0.2	4.5	2.2	-1.7	-8.0	7.3
Financial	5.56	0.38	4.9	157	36	82	-1.7	0.2	5.5	4.3	-1.6	-7.1	6.9
Non-Financial	5.61	0.36	7.2	156	27	70	-2.3	-0.4	4.1	1.3	-1.8	-8.4	7.5
USD High Yield	8.61	0.96	3.7	415	99	70	-2.8	-1.5	6.1	9.6	-1.0	-3.3	20.9
EM High Grade	5.31	0.27	5.2	147	25	26	-1.5	0.7	5.6	3.4	-1.4	-8.8	9.1
EM High Yield	9.02	1.08	3.9	459	100	35	-3.3	-1.3	7.4	10.7	-2.7	-14.3	25.0

- Over the past month USD-denominated high yield bonds and emerging market high yield bonds in particular have fallen in value on a total return basis. This is not surprising given the huge widening of spreads.
- It is also worth noting that the risk premium on US government bonds is now trading at the 99th 10-year-percentile.

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: 11/04/2015 – 11/04/2025

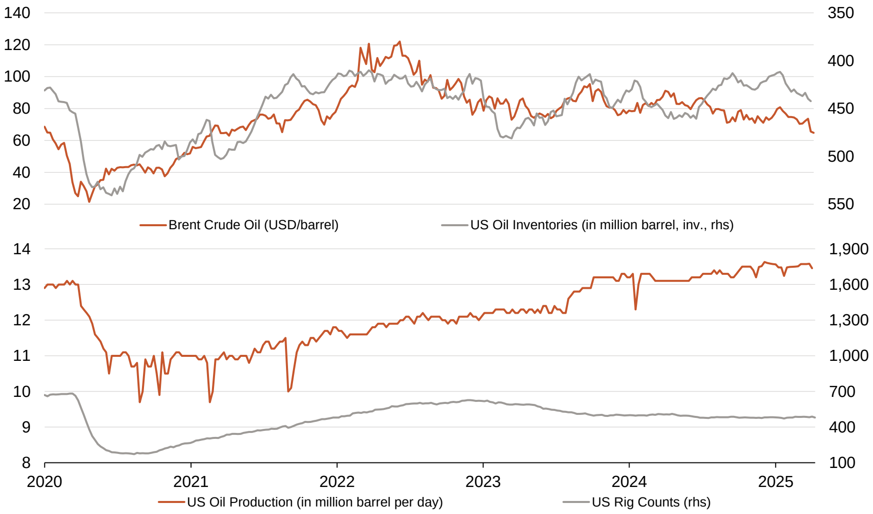
Commodities Performance



- The escalation of the US trade war has also left its mark on commodity markets. With the exception of gold, the only safe haven, all commodities have fallen over the last month.
- After industrial metals had benefited from the tariff threats in the previous weeks, sentiment recently took a turn for the worse as the probability of an economic slowdown increased.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2024 - 11/04/2025

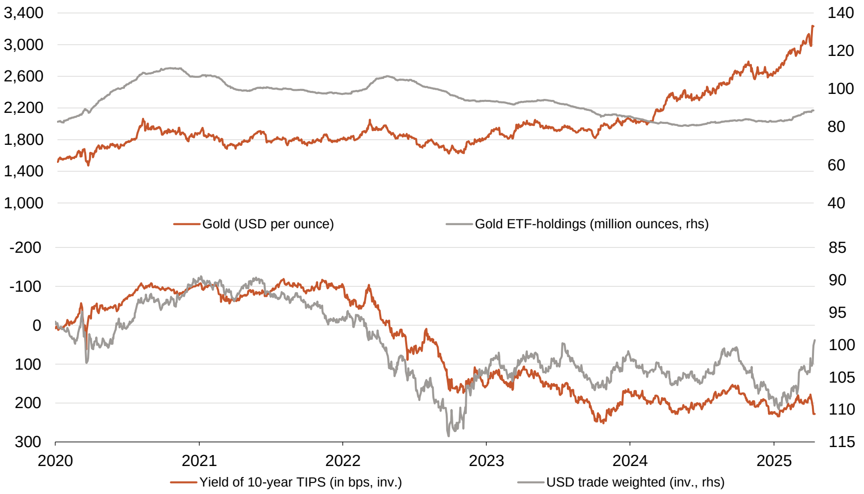
Crude Oil



- Crude oil (Brent) lost more than 20% from peak to trough in the wake of the liberation day and is currently trading at its lowest level since 2021.
- However, Trump was not the only cause of the price shock. On the same day, OPEC+ announced that it would triple its planned production increase in May to punish non-compliant member states for producing too much.

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 - 11/04/2025

Gold



- Gold reached new all-time highs in the turmoil of recent weeks, thanks to the weakness of the US dollar, after it also fell briefly, presumably for liquidity reasons.
- Gold ETFs recorded the second-highest daily inflow since the beginning of the year, at almost 550,000 ounces last Wednesday.

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 - 11/04/2025

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