BERENBERG
Markets

MONITOR

28 April 2025

Current market commentary

In the absence of any new bad news, the stock markets were able to recover somewhat, helped by a Q1 reporting season that was better than feared. The fact that Donald Trump has recently backtracked on some issues has also helped. A possible dismissal of Fed Chairman Powell is reportedly no longer an issue. He has also recently sent more friendly signals towards China. China itself appears to be looking to stimulate its domestic economy more in this uncertain environment. The capital markets have welcomed these signals. As a safe haven, gold has recently weakened slightly, but is still the best asset class by a wide margin since the beginning of the year. The US dollar has not depreciated any further, at least in recent days. Economic data in Europe and the USA, on the other hand, have started to disappoint. Accordingly, the market is keeping a keen eye on Donald Trump's next steps and how the Fed will react.

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

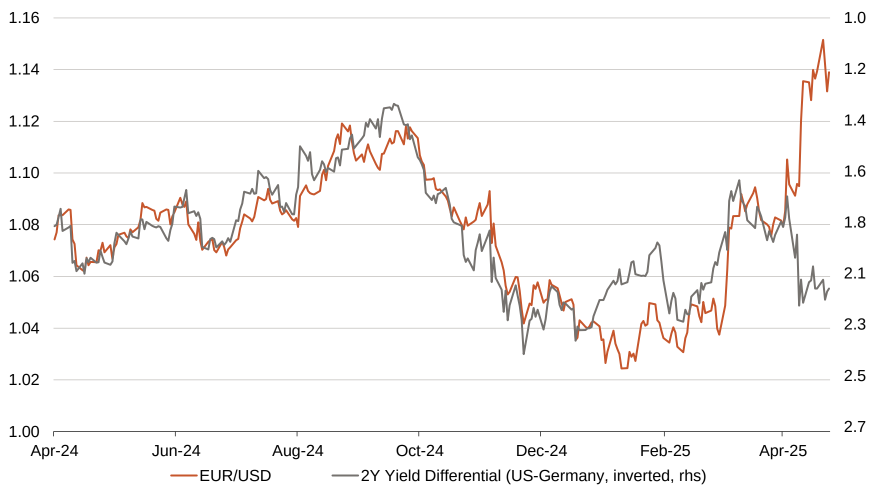
The Q1 reporting season is in full swing: of the S&P 500 companies that have reported so far (around 34%), almost 77% have beaten earnings expectations. Important monetary policy meetings are coming up. The meetings of the Bank of Japan, the US Fed and the Bank of England will take place on 1, 7 and 8 May.

Focus on Q1 reporting season and central banks.

The ESI economic confidence data (Apr.) for the eurozone and the consumer confidence data (Apr.) from the US Conference Board will be published tomorrow. Purchasing managers data (Apr.) for China, GDP figures (Q1) for Germany and the eurozone, and ADP employment figures (Apr.) for the US will follow on Wednesday. Thursday and Friday will see the purchasing managers' data (Apr.) for the USA and the Eurozone. Friday also sees the release of US labour market data on the unemployment rate (Apr.) and non-farm payrolls (Apr.). In the following week, data on the US trade balance (Mar.) and inflation data (Apr.) for some eurozone countries are due.

PMIs and labour market data in the spotlight.

End of US exceptionalism? Flight from the dollar and Treasuries



- Trump's erratic trade policy is leaving further traces on the financial markets. While the dollar is generally seen as a safe haven, it has recently weakened significantly despite the market turmoil - particularly against the euro.
- This is remarkable given the growing interest rate differential between the USA and Germany, which should generally support the dollar.
- However, this development clearly illustrates the dwindling confidence of international investors in the USA and the flight to other currency areas.

Source: Bloomberg, Time period: 01/04/2024 - 25/04/2025

Multi Asset

	4-week & YTD: 4W (28/03/25 - 25/04/25)	4-week & YTD: YTD (31/12/24 - 25/04/25)	12-month periods over that last 5 years: 25/04/24 25/04/25	25/04/23 25/04/24	25/04/22 25/04/23	25/04/21 25/04/22	24/04/20 25/04/21
Gold	2.5	15.2	34.4	19.4	2.8	20.6	-7.9
EUR Sovereign Debt	1.4	1.5	5.6	2.7	-5.9	-5.5	2.0
EUR Coporates	1.0	1.2	6.4	5.2	-5.4	-7.8	6.0
Euro overnight deposit	0.2	0.9	3.4	3.8	0.9	-0.6	-0.5
Global Convertibles	-4.5	-9.8	3.5	9.3	-11.8	-4.7	47.7
USDEUR	-4.7	-8.9	-5.6	2.3	-2.4	12.9	-10.5
MSCI World	-5.1	-10.7	4.8	23.1	-3.7	11.7	34.4
MSCI Frontier Markets	-6.0	-2.5	8.8	12.4	-16.8	12.1	29.4
MSCI Emerging Markets	-6.6	-6.5	3.2	11.8	-7.2	-10.9	40.3
REITs	-6.8	-9.2	3.3	-0.5	-25.7	26.3	16.2
Industrial Metals	-10.0	-5.2	-9.1	11.6	-24.1	51.4	41.7
Brent	-12.8	-15.8	-19.2	24.5	-6.8	106.0	116.3

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.

- The defensive positioning of many investors has once again characterized the picture over the last four weeks. Gold once again leads the performance rankings, although the precious metal has recently lost some of its value. EUR government bonds and corporate bonds also performed slightly positively.
- Meanwhile, the US dollar continued to depreciate against the euro, but recently showed signs of stabilizing slightly.
- Cyclical industrial metals and oil were once again among the losers.

Total return for selected asset classes, in euros and in per-cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 24/04/2020 – 25/04/2025

Equities

	4-week & YTD: 4W (28/03/25 - 25/04/25)	4-week & YTD: YTD (31/12/24 - 25/04/25)	12-month periods over that last 5 years: 25/04/24 25/04/25	25/04/23 25/04/24	25/04/22 25/04/23	25/04/21 25/04/22	24/04/20 25/04/21
MSCI EM Latin America	0.8	9.6	-8.9	19.1	-2.1	18.2	47.8
DAX	-1.0	11.7	24.1	12.9	14.0	-8.9	47.8
Stoxx Europe Small 200	-2.0	1.3	4.5	7.0	-7.1	-4.2	48.3
Stoxx Europe Cyclicals	-2.9	7.5	15.6	20.7	5.3	-1.4	56.8
Euro Stoxx 50	-2.9	6.1	6.9	15.8	19.8	-4.5	45.9
MSCI UK	-4.6	1.2	8.3	10.0	5.7	17.4	24.0
Stoxx Europe 50	-5.2	2.1	2.1	10.5	14.4	10.4	24.7
MSCI Japan	-5.5	-6.2	1.5	18.7	2.5	-4.2	23.8
S&P 500	-5.7	-14.1	4.7	28.7	-5.8	17.5	33.8
Stoxx Europe Defensives	-6.2	1.1	1.5	5.3	8.2	17.3	11.8
MSCI EM Asia	-7.7	-8.7	3.5	11.7	-6.6	-14.9	40.8
MSCI USA Small Caps	-7.7	-18.6	-5.1	18.8	-9.7	3.0	67.4

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.

- While the performance analysis over the last four weeks shows negative value developments for all share indices, individual segments have stabilized or even recovered, particularly over the last two weeks. The DAX, for example, has gained around 10 % since mid-April.
- This means that European equities, particularly cyclical segments, have recently been among the strongest performers and have significantly outperformed US equities, the worst-performing market since the start of the year in euro terms.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 24/04/2020 – 25/04/2025

Fixed Income

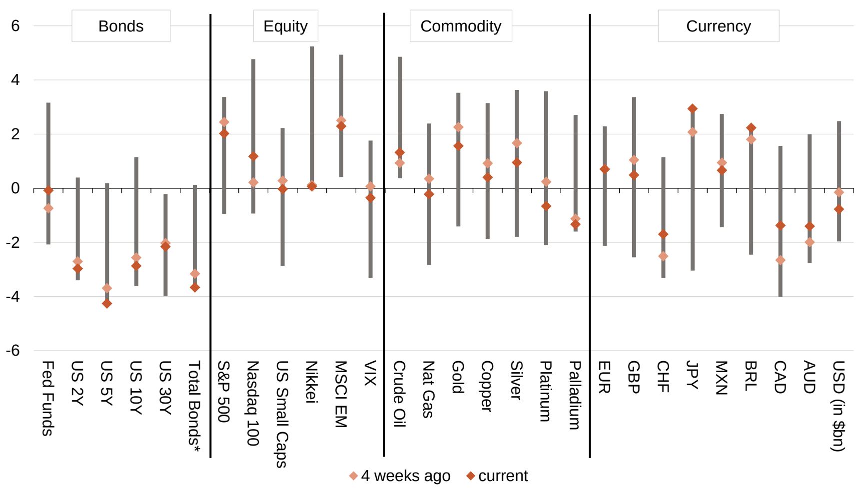
	4-week & YTD: 4W (28/03/25 - 25/04/25)	4-week & YTD: YTD (31/12/24 - 25/04/25)	12-month periods over that last 5 years: 25/04/24 25/04/25	25/04/23 25/04/24	25/04/22 25/04/23	25/04/21 25/04/22	24/04/20 25/04/21
EM Local Currency Bonds	2.1	5.5	9.2	0.8	1.5	-11.2	13.6
Bunds	1.9	0.0	4.1	0.4	-9.9	-7.3	-2.2
BTPs	1.8	1.2	7.3	5.3	-7.6	-8.8	9.4
Chinese Sovereign Bonds	1.1	0.3	6.0	7.2	3.4	5.4	-0.6
EUR Non-Financials	1.1	1.1	6.1	4.2	-5.2	-8.3	5.8
EUR Financials	0.8	1.2	6.9	6.6	-5.5	-7.1	6.2
EUR High Yield	0.1	1.0	8.1	10.4	-2.5	-5.3	16.8
EM Hard Currency Bonds	0.1	2.1	9.2	6.5	-2.0	-13.2	15.8
Gilts	-0.3	-1.2	3.6	0.7	-20.7	-5.2	-6.6
Treasuries	-4.5	-6.2	1.0	-0.9	-3.5	4.5	-14.2
USD High Yield	-4.6	-7.7	3.6	10.5	-2.1	7.5	5.1
USD Corporates	-4.9	-7.0	1.9	1.6	-2.2	0.0	-6.7

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

- The flight from the USA can also be felt on the bond markets. In euro terms, all US bond segments fell significantly in the last four and two weeks and underperformed European bond segments in particular.
- German government bonds benefited international investors in particular as a safe haven, supported by more dovish statements from the ECB.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 24/04/2020 – 25/04/2025

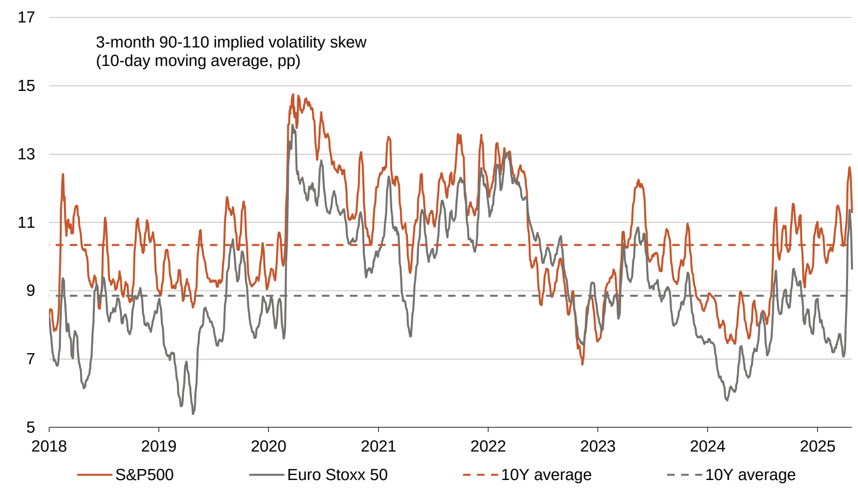
Non-Commercial Positioning



- Hedge funds have recently reduced long positions in commodities in particular.
- Within currencies, shorts in the US dollar were increased and, in turn, longs in the Japanese yen, among others, were further increased. As a result, the position in the Asian safe haven is now at a 10-year high.

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: 22/04/2015 - 22/04/2025

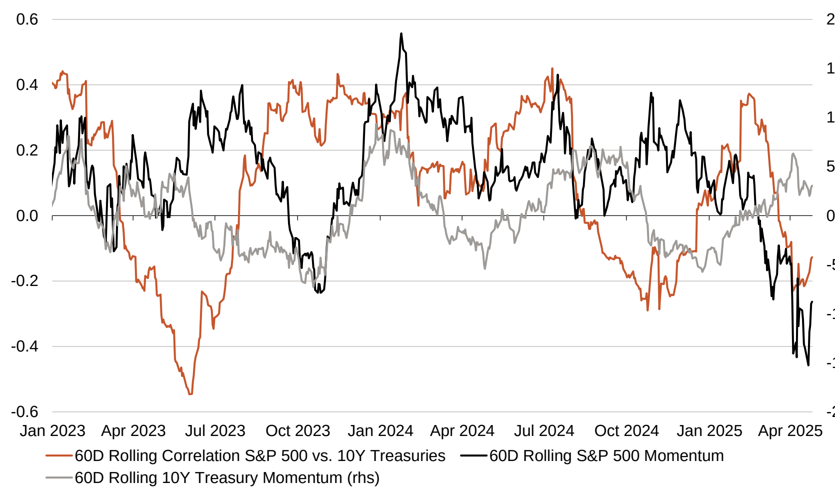
Put-Call-Skew



- The put-call skew has recently flattened again on both the S&P 500 and the Euro Stoxx 50. Investors' need to hedge is therefore likely to have decreased recently.
- Looking only at the put skew (90-100), it is currently almost identical in Europe and the US. The skew of the Euro Stoxx is therefore flatter primarily due to higher call demand.

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: 25/04/2015 - 25/04/2025

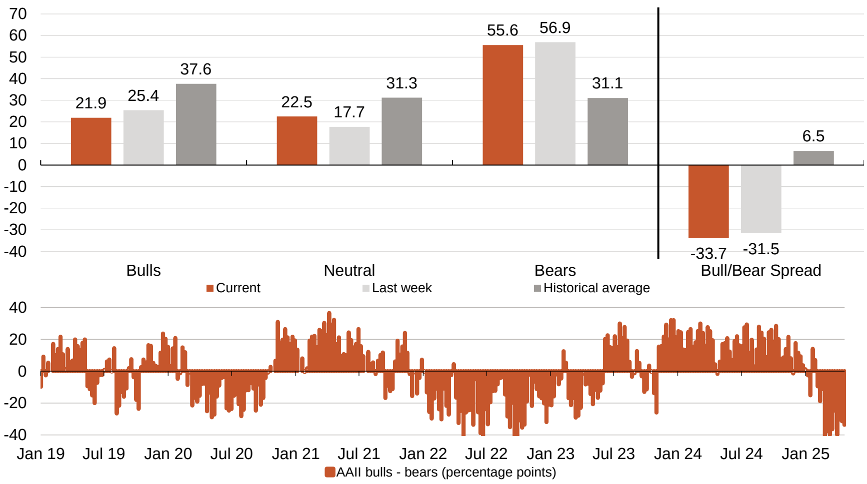
60-Day Momentum and Correlation



- Despite the recent recovery, the 60d momentum of the US equity market remains negative and would not turn positive until the beginning of June if the S&P 500 remains unchanged. Momentum over one month, on the other hand, could already turn at the beginning of May, meaning that demand from CTAs is likely to increase in the coming weeks.

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 - 25/04/2025

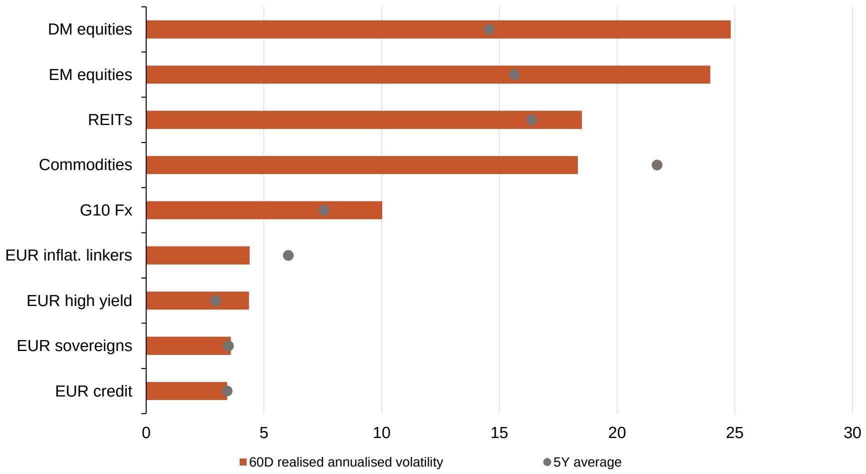
AAII Sentiment Survey (Bulls vs Bears)



- \- Sentiment among US private investors remains bearish. The bull/bear spread has been below -30 ppts for four weeks.
- \- Over the last 9 weeks, the average stands at -35 ppts. Sentiment has not been this poor for such a long time, not even in 2022 or during the outbreak of covid-19.

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 – 24/04/2025

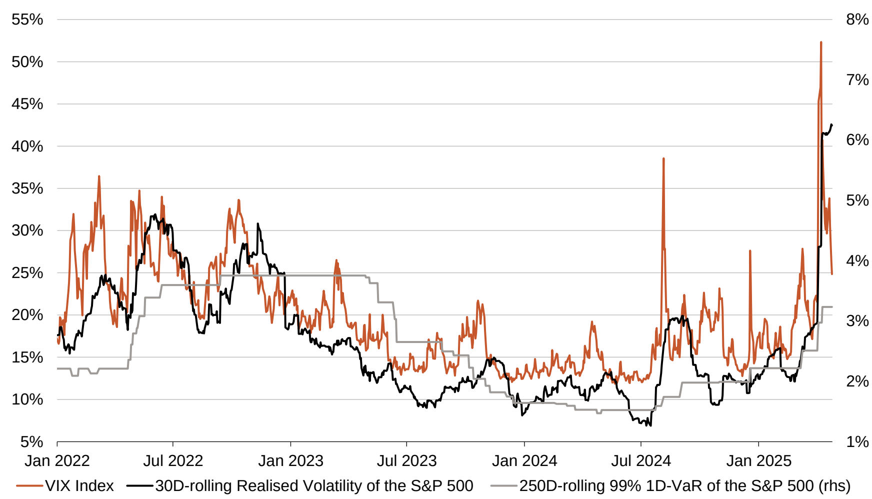
Realised Volatilities



- Equities from developed countries remain the most volatile asset class over the last 60 days, closely followed by emerging market equities.
- Although commodities have also fluctuated strongly compared to other asset classes, their volatility is currently actually below average relative to their own history due to the low correlation between gold and other commodities currently.

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: 25/04/2020 - 25/04/2025

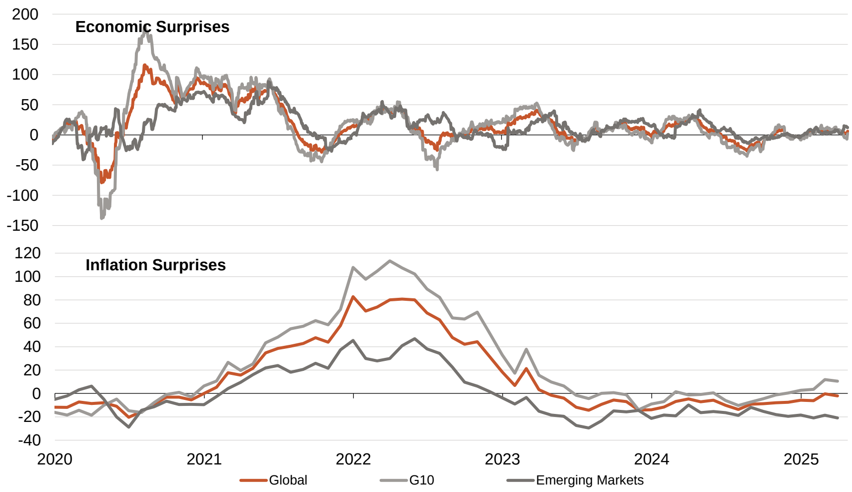
Volatility and Value-at-Risk of the S&P 500



- The VIX appears to be stabilising around the 25 mark.
- Although realised volatility is still very high, it should fall again c.p. in the coming weeks if the strong fluctuations of early April fall out of the calculation window. As a result, risk-based strategies are likely to increase their equity allocations.

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 – 25/04/2025

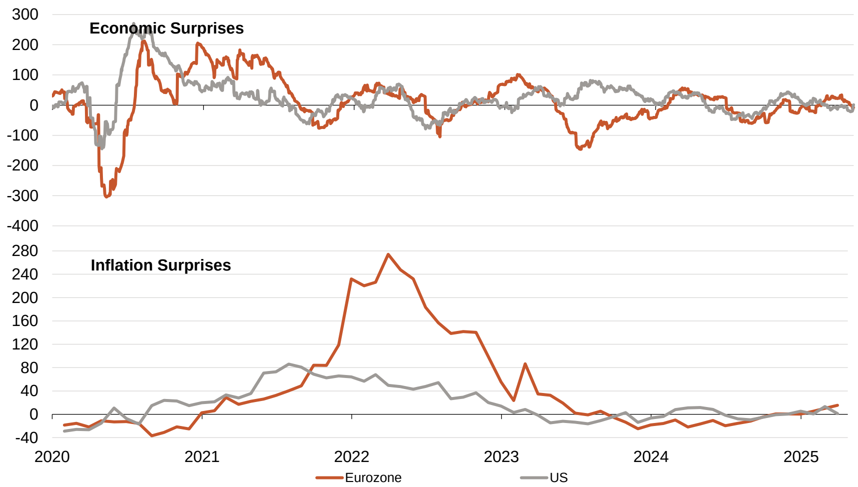
Global



- While the economic surprises in the emerging markets have been positive in the last two weeks, they have recently turned negative in the industrialised countries.
- In Canada, economic surprises have recently been increasingly positive, with industrial sales surprising to the upside in February and consumer price inflation to the downside in March.
- In China, the GDP growth rate in the first quarter exceeded expectations, while industrial production in the first quarter and retail sales in March surprised to the upside.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 - 25/04/2025

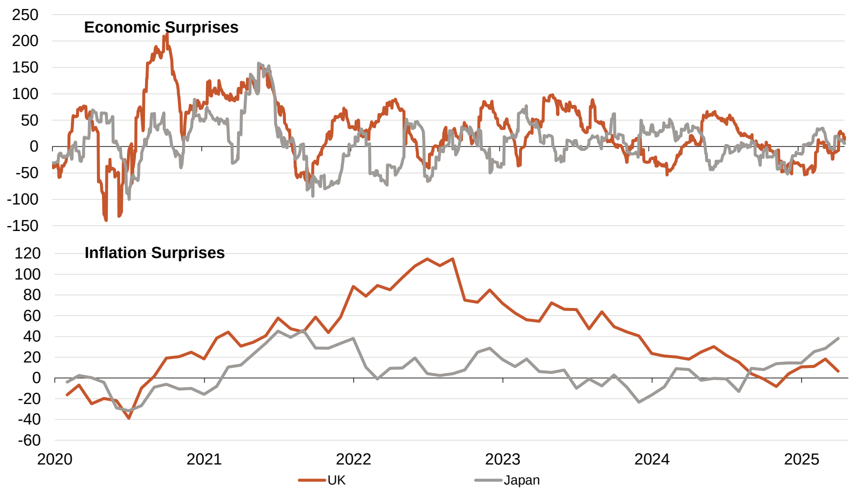
Eurozone and US



- In the last two weeks, economic surprises in the US have remained negative, while in Europe they have recently turned negative.
- In Germany, the ZEW Economic Sentiment Index was well below expectations in April, while the Ifo Business Climate Index surprised only slightly on the upside.
- In the US, resales of existing homes in March were below expectations and thus at their lowest level since October 2024, while the latest initial jobless claims were in line with expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 - 25/04/2025

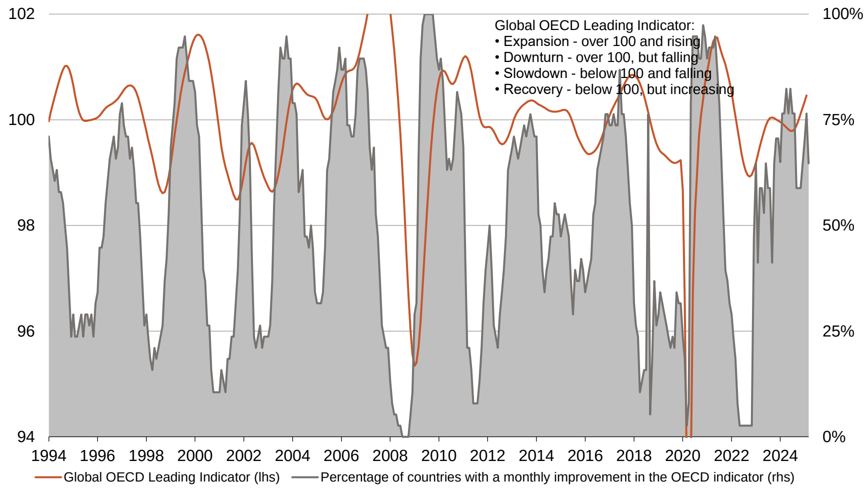
UK and Japan



- Economic surprises have recently been positive in both the UK and Japan.
- While consumer price inflation in the UK surprised to the downside in March, it exceeded expectations in Japan.

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 - 25/04/2025

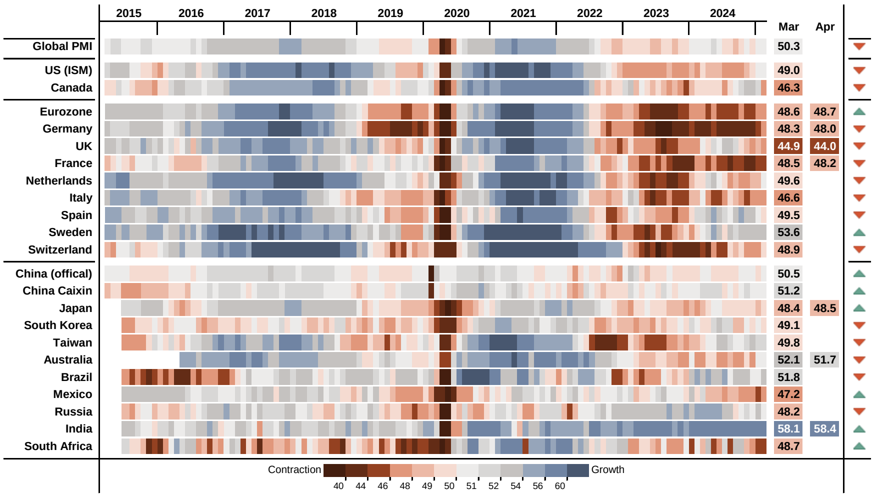
OECD Leading Indicator



- The global economic expansion is continuing. The revised OECD leading indicator was above the 100 mark for the fifth time in a row in March with a value of 100.6.
- 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 – 25/04/2025

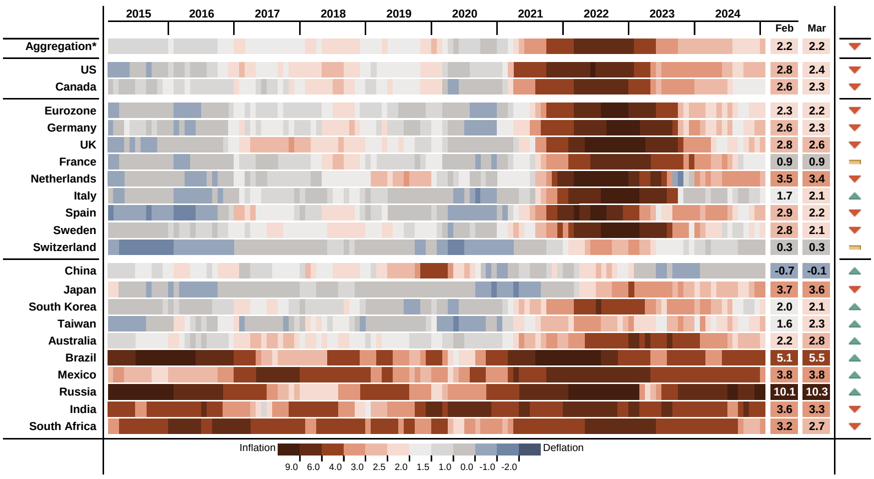
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The first data on industrial activity in April point to regional differences. While the aggregated PMI data for Japan and India improved in April, Germany, the UK, France and Australia 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 – 25/04/2025

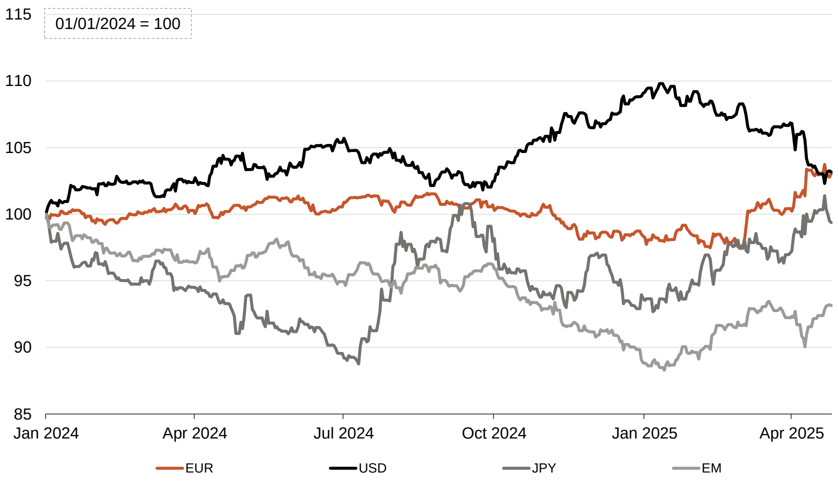
Headline Inflation



- The inflation data for March showed 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 – 25/04/2025

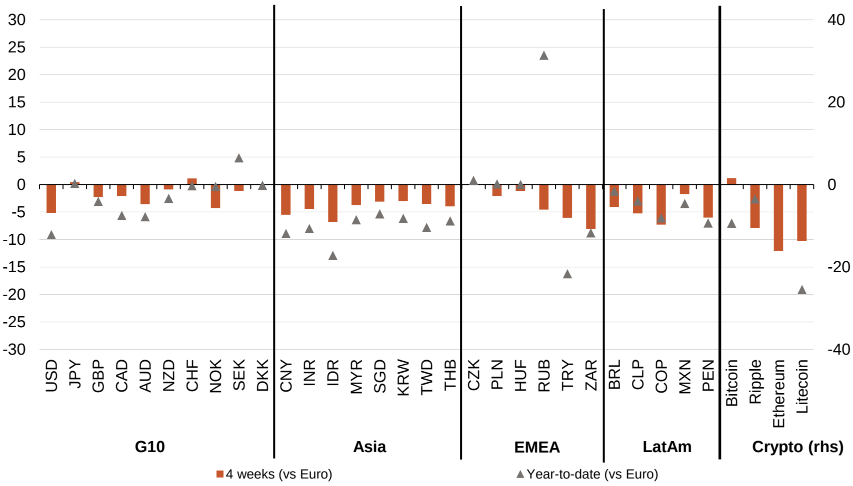
Trade-Weighted Currency Development



- Donald Trump's highly erratic tariff policy since Liberation Day on 2 April is increasingly eroding investor confidence in the US dollar as a safe haven. In addition to the unpredictable tariff policy, Donald Trump has also recently put further pressure on Fed Chairman Jerome Powell and raised the possibility of his dismissal, which could jeopardise the Fed's independence and put further pressure on the US dollar.

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 - 25/04/2025

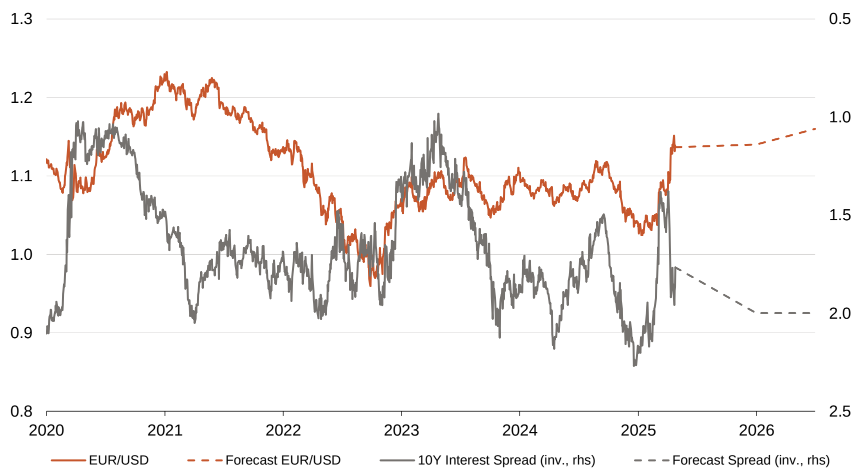
Currency Moves vs Euro



- In the last four weeks, the euro has gained against most of the currencies shown here.
- Despite an unexpected interest rate hike by the Turkish central bank on 17 April, the Turkish lira has continued its downward trend since the beginning of the year.
- The cooling of the Australian labour market and thus the prospect of possible interest rate cuts by the RBA have recently weighed on the Australian dollar.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2024 - 25/04/2025

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



- Rising yields in the USA and falling yields in Germany recently led to a significant widening of the interest rate differential between US government bonds and German government bonds to 177 basis points.
- The EUR/USD exchange rate remained at a level of 1.137 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

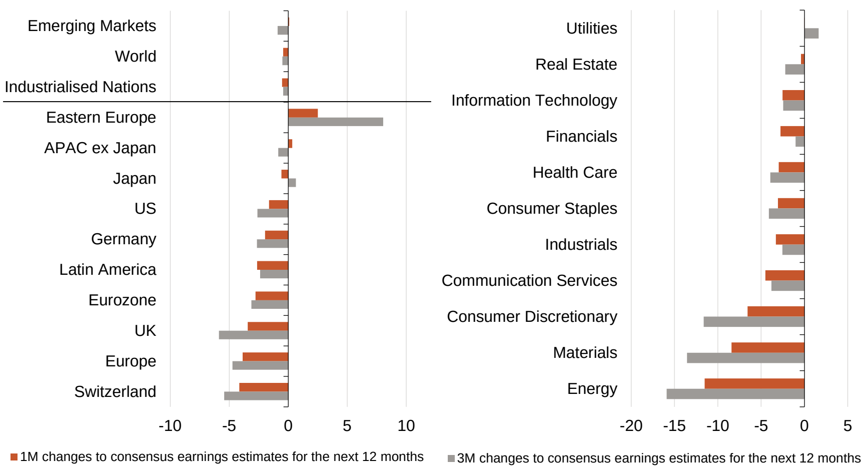
	4-week & YTD		12-month periods over that last 5 years				
	4W (28/03/25 - 25/04/25)	YTD (31/12/24 - 25/04/25)	25/04/24 25/04/25	25/04/23 25/04/24	25/04/22 25/04/23	25/04/21 25/04/22	24/04/20 25/04/21
Utilities	2.2	13.3	21.2	-4.2	4.1	4.1	32.7
Consumer Staples	0.1	5.7	5.5	-10.9	5.7	10.4	11.5
Telecommunications	-0.6	10.5	22.9	1.1	-0.7	6.3	25.3
Finance	-2.2	15.6	32.5	23.1	11.7	6.9	48.4
Materials	-2.8	-0.1	-5.6	12.9	-3.0	4.0	60.2
Industrials	-3.0	6.1	14.3	18.9	10.6	-3.2	62.2
Value	-3.5	8.8	15.0	12.2	8.1	8.4	37.4
Growth	-3.7	-1.6	-2.4	8.4	8.7	0.5	32.2
Information Technology	-4.2	-6.3	-5.6	31.1	4.2	-9.4	51.8
Consumer Discretionary	-4.5	-6.6	-10.5	3.0	27.1	-15.6	68.3
Health Care	-8.1	-5.7	-8.5	4.2	5.2	21.7	-0.2
Energy	-13.6	-3.5	-17.5	19.0	20.6	42.6	14.7

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.

- Nearly four weeks after Trump's "liberation day," markets are still pricing in the uncertainty surrounding Trump's tariff policy and its impact on the global economy - with a small rally of late. In Europe, only utilities have outperformed over the past four weeks, while consumer staples have been flat. The other European sectors shown here lost ground over the same period.

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 – 25/04/2025

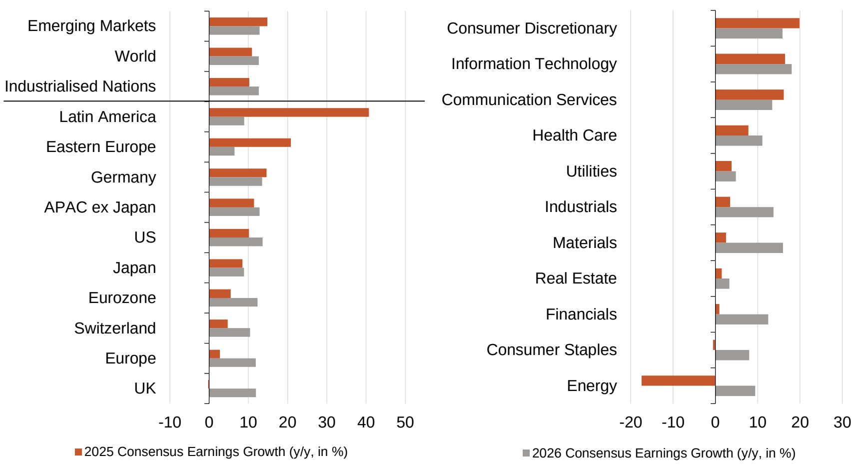
Changes in Consensus Earnings Estimates



- Given the potential impact of tariffs on growth, analysts have started to revise their 12-month earnings forecasts for both the US and the eurozone downwards over the past four weeks.
- Overall, analysts now expect EPS growth to be just under 1.6% lower for the US and just under 3% lower for the eurozone than four weeks ago.

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 25/04/2025

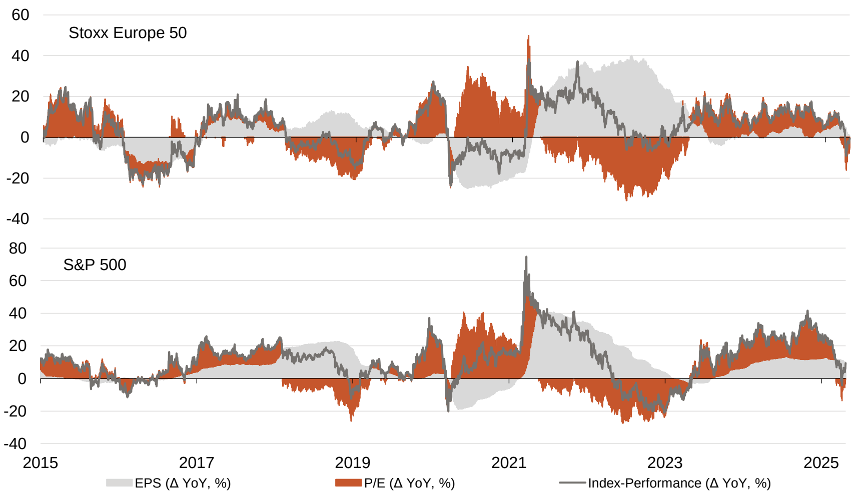
Earnings Growth



- Nevertheless, analysts remain (over)optimistic, especially for the US.
- They still expect US earnings to grow by 10% in 2025. They are more pessimistic for the eurozone, expecting earnings growth of 5.5%.

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 25/04/2025

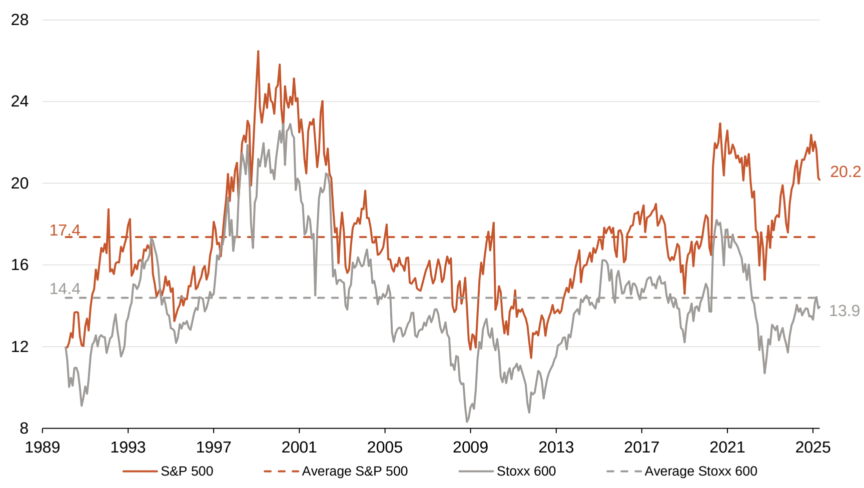
Contribution Analysis



- The negative performance of European equity markets over the past 12 months has been driven mainly by valuation discounts on a year-on-year basis.
- In the case of the S&P 500, the positive earnings performance over the past 12 months has been the main driver of the index's positive performance, while valuation discounts have had little negative 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 - 25/04/2025

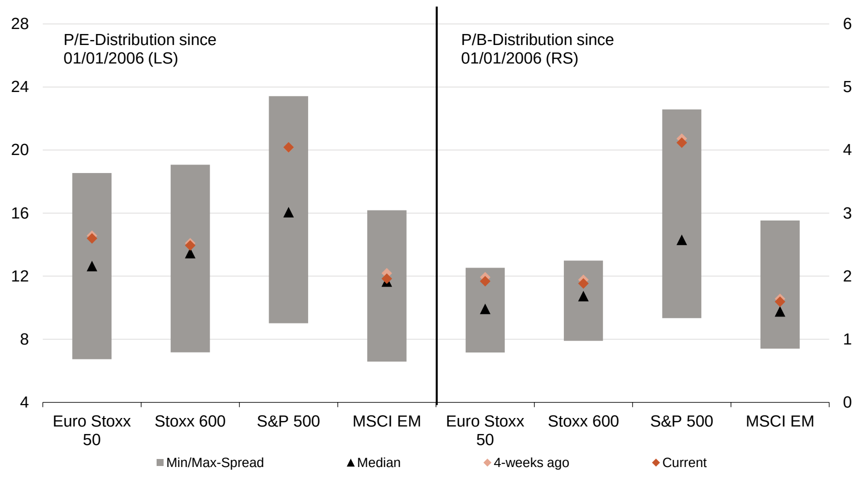
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Equity market volatility over US tariff policy is also reflected in valuations.
- Triggered by the " liberation day " at the beginning of April, the price-earnings ratio of the S&P 500 fell to below 19 times, the lowest level since 2023. However, as markets have rallied since mid-April, valuations have risen again. At over 20 times, US equities remain expensive by historical standards.

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 - 25/04/2025

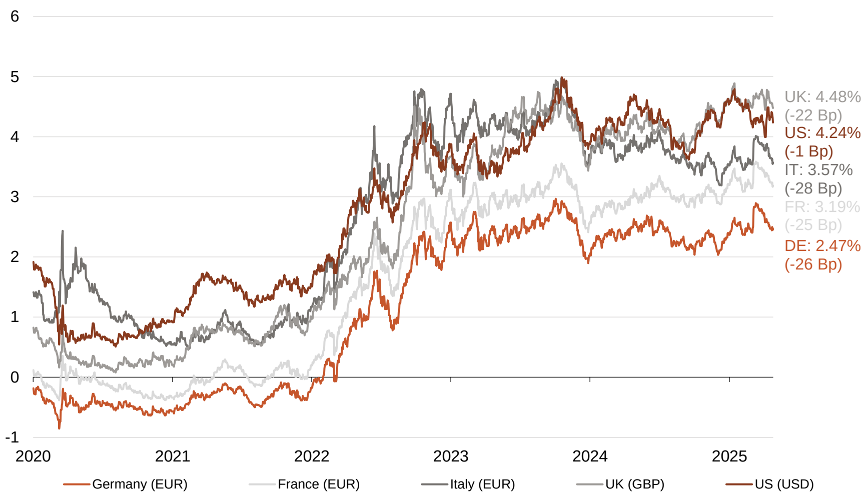
Historical Distribution: Price/Earnings and Price/Book Ratio



- With the exception of the S&P 500, all equity regions shown here have experienced a valuation contraction on a P/E basis over the last four weeks, and all regions shown here have experienced a valuation contraction on a P/B basis.
- Compared to their own history since 2006, all equity regions shown here are therefore expensive.

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 - 25/04/2025

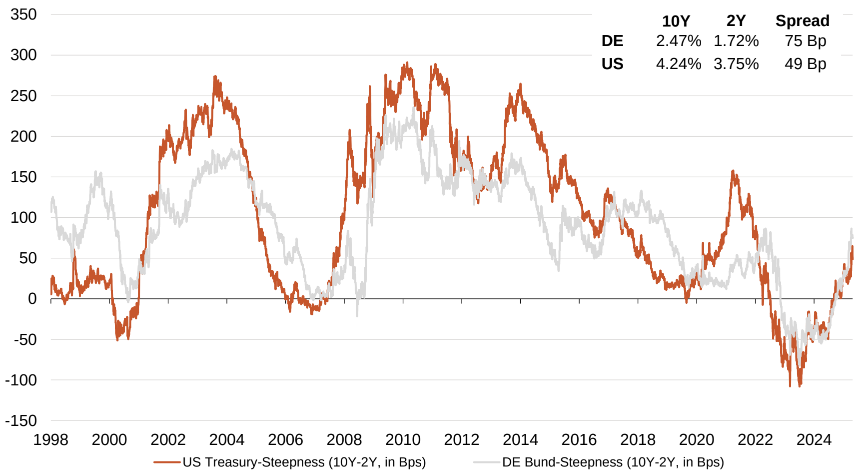
10-Year Government Bond Yields



- Yields on 10-year European government bonds have fallen by around 25 basis points across the board over the past four weeks. Yields on US government bonds with the same maturity fell by just one basis points in the same period.
- This impressively illustrates the dwindling confidence of international investors in the USA and the flight to other safe currency areas.

Effective yield on 10-year government bonds and change over the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2020 – 25/04/2025

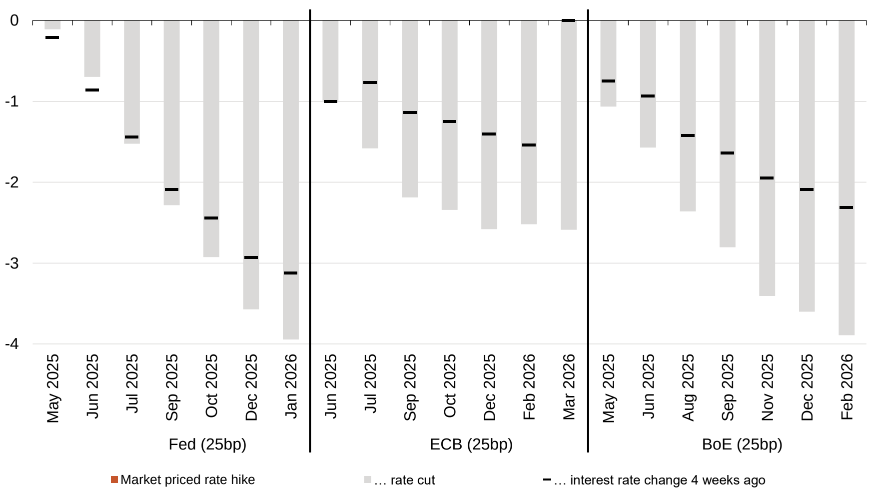
Yield Curve Steepness (10Y - 2Y)



- Despite the sometimes significant movements on the bond markets, the yield curve hardly changed in either the USA or Germany.
- Rather than changing their curvature, the curves have shifted downwards overall. Interest rates have fallen equally at both the short and the long end.

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 – 25/04/2025

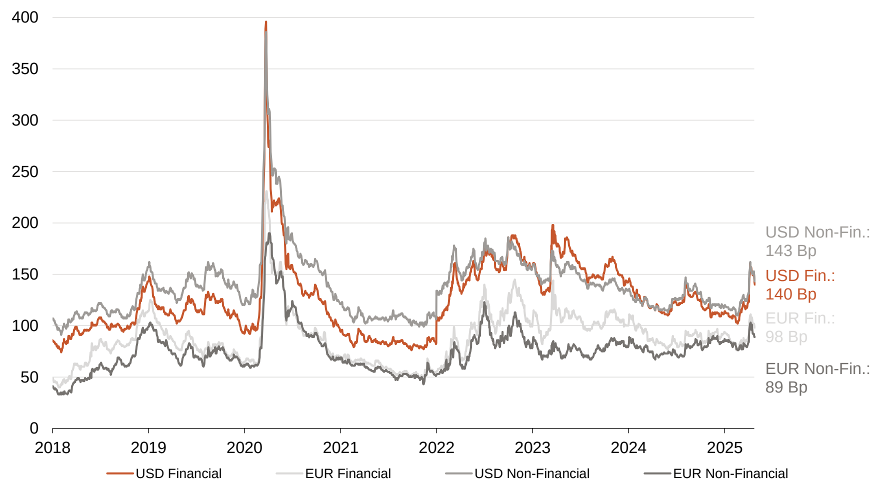
Implicit Changes in Key Interest Rates



- Donald Trump's erratic trade policy and the subsequent increase in the recession likelihood increased the Fed's implicit interest rate cuts priced in by the market.
- Whereas four weeks ago, 2 to 3 interest rate cuts by the end of the year were still being priced in, 3 to 4 cuts are now expected.
- Expectations of disinflationary effects and weaker GDP have also recently significantly increased the BoE's expectations of interest rate cuts.

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: 27/03/2025 – 25/04/2025

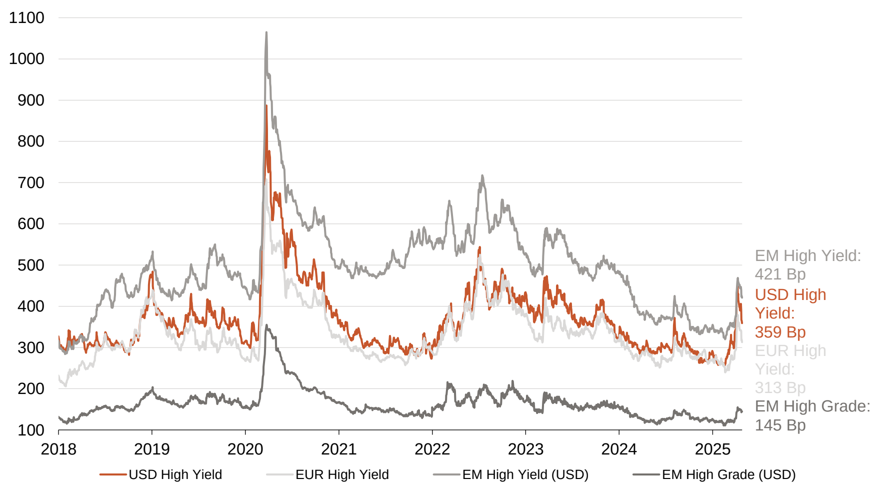
Credit Spreads Financial and Non-Financial Bonds



- As equity markets have rallied since mid-April, corporate bond spreads have also narrowed. Over the past two weeks, asset swap spreads on USD financial and non-financial bonds have narrowed by 17 and 14 basis points respectively. A similar, albeit less pronounced, pattern has been observed for European corporate bonds.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 25/04/2025

Credit Spreads High Yield and Emerging Markets Bonds



- The high yield market also seems to be pricing out at least some of the economic risks.
- Asset swap spreads on USD high yield bonds have narrowed by more than 70 basis points over the past two weeks. EUR and emerging market high yield spreads have narrowed by 40 basis points each.

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 – 25/04/2025

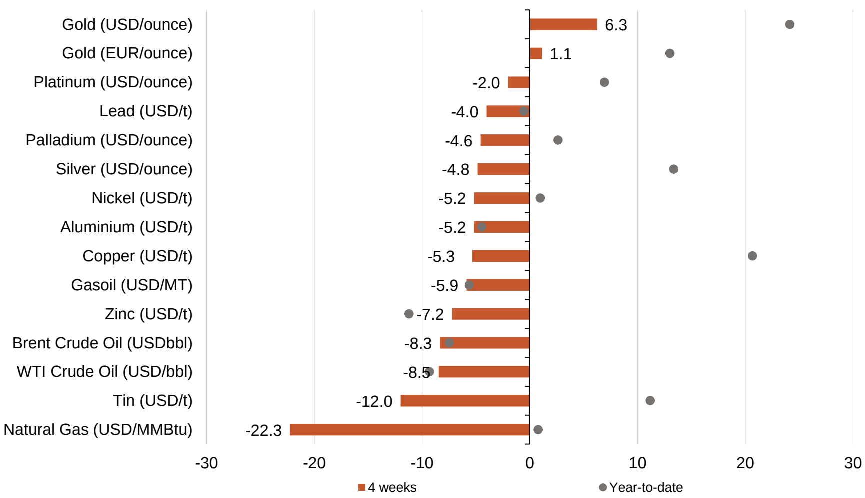
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	25/04/24 25/04/25	25/04/23 25/04/24	25/04/22 25/04/23	25/04/21 25/04/22	25/04/20 25/04/21
EUR Government	2.64	-0.31	7.0	-	-	-	2.2	0.6	5.0	2.5	-9.7	-8.6	2.5
Germany	2.18	-0.34	7.1	-	-	-	2.4	0.0	4.1	0.4	-10.0	-7.3	-2.2
EUR Corporate	3.15	-0.22	4.4	92	11	76	1.3	1.2	6.6	5.3	-5.4	-7.6	5.9
Financial	3.22	-0.21	3.7	98	13	67	1.1	1.3	6.7	6.0	-4.7	-6.4	5.4
Non-Financial	3.11	-0.23	4.8	89	10	82	1.4	1.1	6.4	4.8	-5.9	-8.3	6.2
EUR High Yield	6.04	0.06	3.1	313	41	45	-0.1	1.0	8.1	10.4	-2.5	-5.3	16.8
US Treasury	4.10	-0.13	6.0	39	7	99	0.6	3.0	7.2	-3.6	-1.2	-7.2	-4.7
USD Corporate	5.25	0.04	6.5	142	20	59	0.0	2.0	7.7	0.9	0.2	-9.7	5.4
Financial	5.20	0.03	4.9	140	23	65	0.1	2.2	8.2	3.0	0.2	-8.3	5.7
Non-Financial	5.28	0.04	7.2	143	19	58	-0.1	1.9	7.6	-0.1	0.1	-10.4	5.3
USD High Yield	7.94	0.35	3.7	359	58	48	-0.7	1.0	9.2	8.8	0.0	-4.1	20.8
EM High Grade	5.09	0.02	5.2	145	24	23	-0.1	2.2	7.7	2.6	-0.2	-9.9	8.1
EM High Yield	8.38	0.52	3.9	421	71	26	-1.3	1.2	10.5	10.7	-1.5	-16.1	22.9

- Since the beginning of the year, US government bonds have remained the strongest of the bond segments in local currency shown here, with German government bonds currently bringing up the rear.
- Asset swap spreads on US government bonds remain 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: 25/04/2015 – 25/04/2025

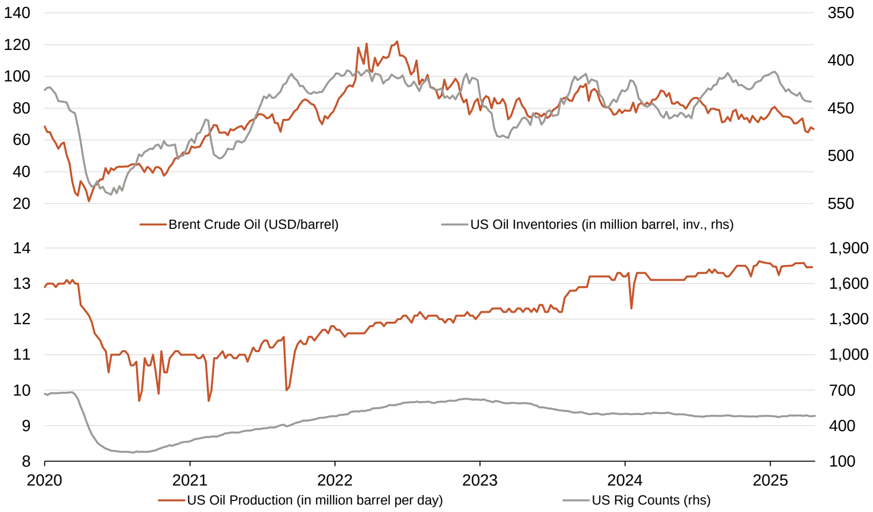
Commodities Performance



- In recent weeks, all of the commodities shown here and quoted in US dollars have fallen, with the exception of gold. In euro terms, the picture would look even gloomier due to the depreciation of the dollar.
- However, there have also been some bright spots since the beginning of the year, particularly in industrial metals. Copper traded on the CME, for example, is still up more than 20% since the beginning of the year.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2024 - 25/04/2025

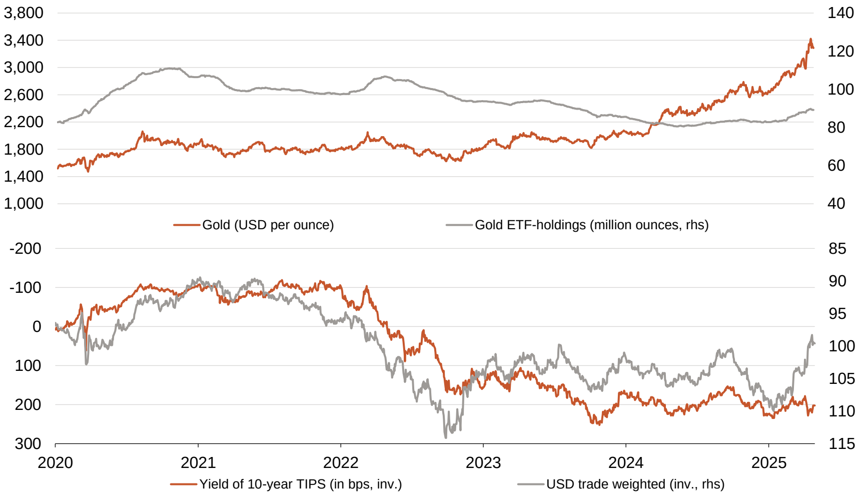
Crude Oil



- The price of a barrel of Brent has stabilised above the USD 65 mark in recent weeks.
- Although OPEC+ will officially increase its production by more than 400 kbpd in May, some member states that have produced too much in recent months have already announced that they now intend to adhere more closely to the prescribed quotas. Overall, the increase in supply could therefore be limited.

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 - 25/04/2025

Gold



- Gold has once again reached new all-time highs in recent weeks. Last week, the price of the safe haven even rose to over USD 3,500 per ounce for a brief moment.
- Since the beginning of April, more than 1.3 million ounces have already flowed into gold ETFs.

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 - 25/04/2025

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