BERENBERG Markets

MONITOR

12 May 2025

Current market commentary

The market has recently priced in a lot of hope again. Although analysts have at least slightly reduced their earnings estimates for this year due to the increased economic risks and heightened uncertainty for companies, the stock markets have recovered significantly. They are now even higher again than before Liberation Day on 2 April, when Trump surprised the world with his much higher than expected tariffs. Private investors in particular have bought the stock correction and pumped massive amounts of money into the market, supported by Trump's partial backpedalling on the tariffs. The improved price momentum and lower volatility have also recently pushed more systematic investment strategies back into the market. Although equity positioning is not as optimistic as it was at the beginning of the year, the market's vulnerability has nevertheless increased significantly. And this at a time when many market participants are expecting significantly worse macro data over the coming months.

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

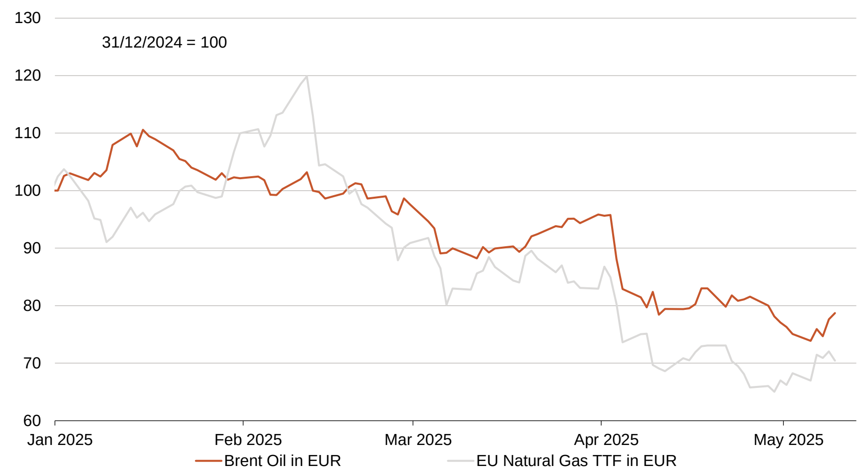
Final stages of the Q1 reporting season

The next two weeks will be quieter when it comes to central banks. The Q1 reporting season, which is drawing to a close, is likely to remain the focus of investors. Around 81% of S&P 500 companies have already reported. Over the next two weeks, primarily companies from the technology and consumer sectors will report.

Market focus on US inflation data and purchasing managers' indices

On Tuesday, the ZEW economic expectations (May) for Germany and the consumer price inflation data (Apr.) for the USA are due. This will be followed on Thursday by GDP figures (Q1) for the UK and the eurozone, as well as retail sales (Apr.), industrial production data (Apr.) and producer prices (Apr.) for the USA. Friday sees the release of GDP figures (Q1) for Japan and housing data (Apr.) as well as preliminary consumer confidence (May) from the University of Michigan for the US. The following week will see the preliminary purchasing managers' indices (May) for the USA and the eurozone.

Energy costs in Euro fall with US dollar and oil and gas prices



- European consumers and companies are benefiting twice over: from falling energy prices and the weak US dollar.
- The euro price for Brent oil has fallen by around 20% this year, while the price of natural gas for delivery in the Netherlands has fallen by 31%. The latter is around 90% below its peak in 2022.
- The cost of European natural gas has now fallen back to 2018 levels: Fears of the death of the European industry were greatly exaggerated.

Source: Bloomberg, Time period: 31/12/2024 - 09/05/2024

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (11/04/25 - 09/05/25)	YTD (31/12/24 - 09/05/25)	09/05/24 09/05/25	09/05/23 09/05/24	09/05/22 09/05/23	09/05/21 09/05/22	08/05/20 09/05/21
MSCI Emerging Markets	9.6	-1.9	5.0	13.0	-3.8	-11.6	34.8
REITs	8.1	-5.3	3.8	2.3	-15.4	11.9	14.0
Global Convertibles	7.7	-6.9	5.3	10.2	-3.7	-8.4	35.8
MSCI World	7.5	-7.5	5.6	25.1	3.4	4.5	30.9
MSCI Frontier Markets	4.0	-1.0	8.8	15.1	-16.2	9.4	24.5
Gold	3.7	16.6	35.9	17.2	5.7	16.6	-4.1
Industrial Metals	2.5	-5.8	-9.8	10.7	-15.3	27.5	50.3
USDEUR	0.9	-8.0	-4.2	1.7	-3.7	15.2	-10.9
EUR Coporates	0.9	1.0	5.4	5.8	-3.1	-9.7	5.4
EUR Sovereign Debt	0.5	1.4	4.8	2.9	-4.2	-6.5	1.2
Brent	0.5	-17.4	-16.8	23.1	-14.5	108.9	80.4
Euro overnight deposit	0.2	0.9	3.3	3.9	1.1	-0.6	-0.5

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.

- The announcement of initial talks on a possible trade agreement between China and the US eased investor concerns on the global equity markets and recently supported emerging market equities in particular.
- The precious metal gold, the beneficiary of the global trade uncertainty following Liberation Day, has performed the best of the asset classes presented here since the beginning of the year and has continued to rise in the last four weeks.

Total return for selected asset classes, in euros and in per-cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 08/05/2020 – 09/05/2025

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (11/04/25 - 09/05/25)	YTD (31/12/24 - 09/05/25)	09/05/24 09/05/25	09/05/23 09/05/24	09/05/22 09/05/23	09/05/21 09/05/22	08/05/20 09/05/21
DAX	15.3	18.0	25.8	17.1	19.2	-13.1	41.2
Stoxx Europe Cyclicals	14.5	13.0	16.5	25.4	13.5	-10.1	51.2
MSCI EM Latin America	13.9	12.8	-9.2	17.6	10.6	5.3	42.6
Stoxx Europe Small 200	12.4	5.9	4.7	10.5	3.3	-14.4	43.4
Euro Stoxx 50	11.9	9.9	7.6	19.8	25.7	-10.5	41.8
MSCI Japan	11.3	-2.0	4.9	17.6	5.0	-4.3	19.7
MSCI UK	10.3	3.7	7.4	13.2	9.8	9.8	23.6
Stoxx Europe 50	9.7	5.2	2.1	14.2	19.1	3.9	23.8
MSCI EM Asia	9.6	-3.7	5.8	12.9	-3.8	-14.3	34.5
MSCI USA Small Caps	9.5	-14.5	-4.0	22.6	-1.3	-5.3	55.1
Stoxx Europe Defensives	7.4	3.1	0.9	8.4	11.4	12.0	11.2
S&P 500	6.0	-11.2	5.3	30.7	1.3	9.9	31.1

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.

- Global equities have rallied across the board over the last four weeks.
- European equities have rallied over the past four weeks, with the German DAX index hitting a record high as global trade tensions eased and European Central Bank policymakers signalled the prospect of another rate cut next month.
- The weakness of the US dollar weighed on the performance of the S&P 500 Index calculated in euros.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 08/05/2020 – 09/05/2025

Fixed Income

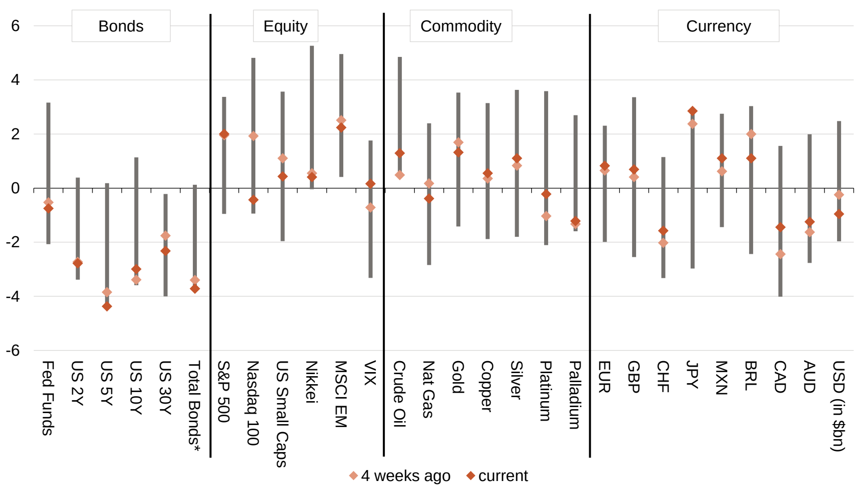
	4-week & YTD		12-month periods over that last 5 years				
	4W (11/04/25 - 09/05/25)	YTD (31/12/24 - 09/05/25)	09/05/24 09/05/25	09/05/23 09/05/24	09/05/22 09/05/23	09/05/21 09/05/22	08/05/20 09/05/21
Gilts	4.3	-0.8	2.3	1.9	-17.5	-8.5	-7.0
USD High Yield	3.6	-6.3	4.1	12.1	-0.7	6.0	3.8
EM Local Currency Bonds	3.2	6.7	8.7	1.3	5.5	-14.8	11.6
EM Hard Currency Bonds	3.1	2.0	7.0	8.4	1.8	-16.9	13.1
USD Corporates	2.5	-6.8	0.2	5.5	-3.1	-0.5	-4.7
EUR High Yield	2.4	1.4	7.8	10.8	1.5	-8.9	17.0
Treasuries	1.4	-5.9	0.5	0.7	-4.6	5.8	-13.7
BTPs	1.1	1.1	6.0	6.4	-4.6	-10.9	7.5
EUR Financials	1.0	1.2	6.0	7.3	-3.4	-9.1	5.6
EUR Non-Financials	0.9	0.8	5.0	4.7	-2.9	-10.1	5.2
Chinese Sovereign Bonds	0.3	0.7	6.8	6.2	3.9	5.3	-0.4
Bunds	-0.3	-0.5	2.5	1.0	-8.1	-8.7	-2.7

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 global bond markets performed largely positively last month.
- After the regular meeting on 8 May, the BoE Council cut the key interest rate by 25 basis points, which, together with the stronger pound sterling, gave British government bonds the top position in euro terms.
- Local emerging market bonds continued their upward trend that began at the start of the year last month.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 08/05/2020 – 09/05/2025

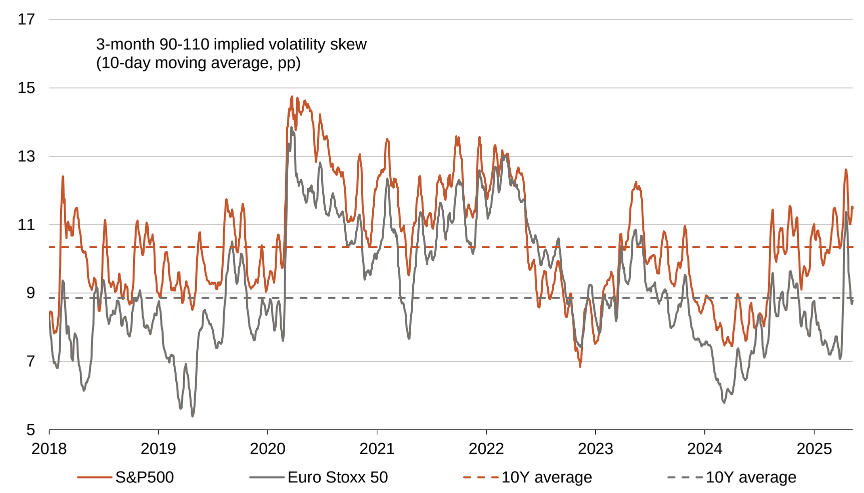
Non-Commercial Positioning



- Speculative investors have recently reduced equity market risks. They have reduced long positions in US technology stocks in particular. In the VIX, on the other hand, positioning has flipped from short to long.

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: 06/05/2015 - 06/05/2025

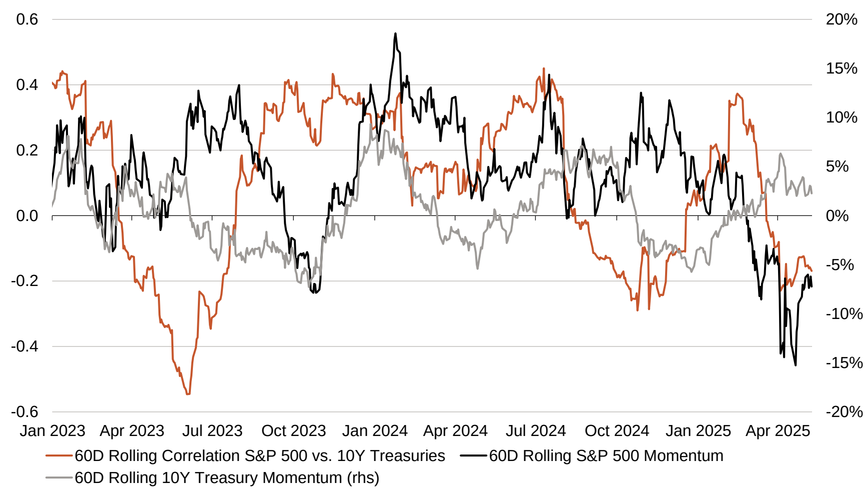
Put-Call-Skew



- The skew in the Euro Stoxx 50 has levelled off considerably in recent weeks. Although it has also fallen slightly for the S&P 500, it remains significantly higher. Although this is also due to the lower level of implied volatility, investors appear to be more optimistic about European equities overall.

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: 09/05/2015 - 09/05/2025

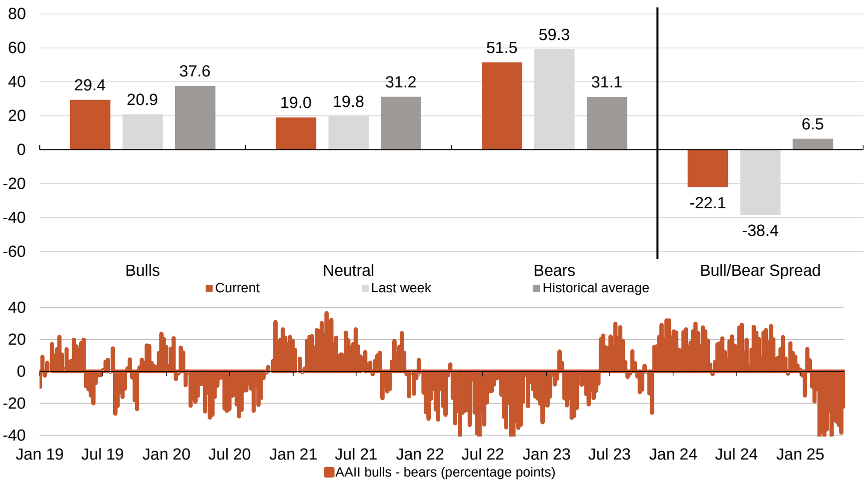
60-Day Momentum and Correlation



- The momentum on equity markets over 60 trading days remains negative. However, it has been strongly positive over 20 trading days, so the first CTAs are likely to have already built up long positions in US equities again.

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 - 09/05/2025

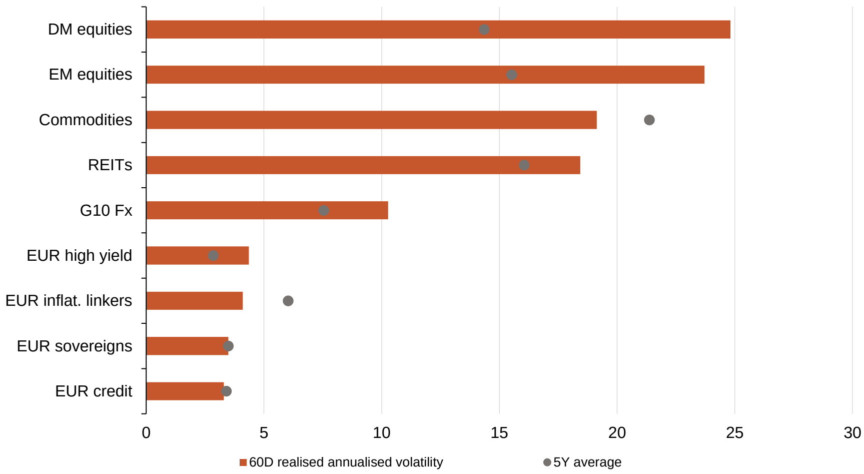
AAII Sentiment Survey (Bulls vs Bears)



- Although sentiment among US private investors is better than in the previous week, it is still very poor in a historical context.
- The bull/bear spread was negative for 16 of the first 19 weeks of the year. Donald Trump's record since his inauguration is therefore disappointing so far.

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 – 08/05/2025

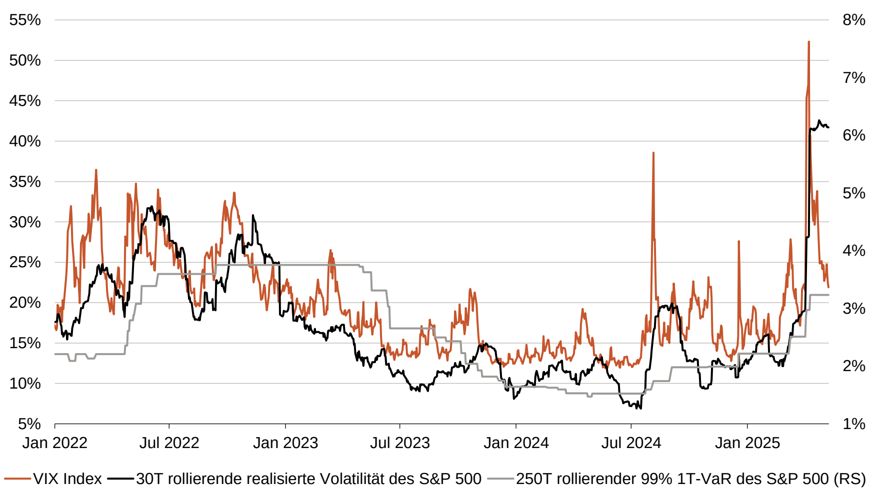
Realised Volatilities



- High-yield bonds are currently the most volatile asset class in the bond segment. After interest rates have dominated the volatility in the fixed income markets in the last few years, it has recently been the risk premiums again.
- In contrast, higher-quality corporate bonds are less volatile, not least because the offsetting effects of interest rates and risk premiums are more balanced here.

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: 09/05/2020 - 09/05/2025

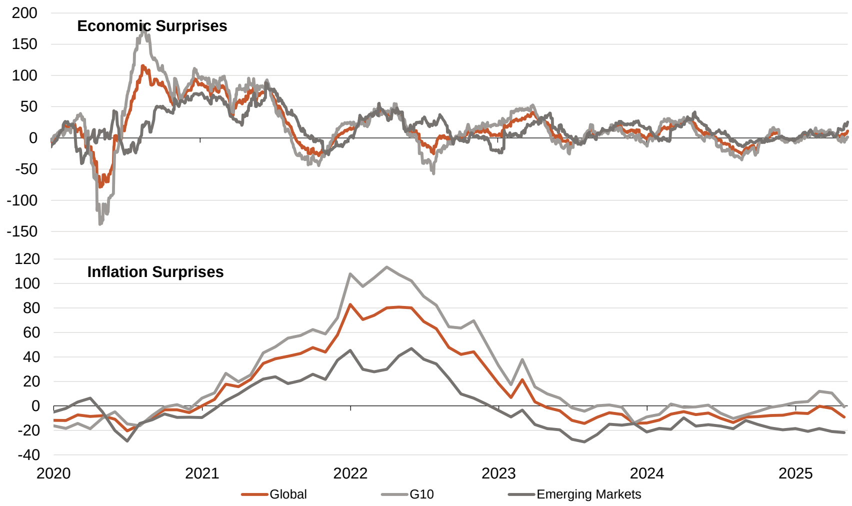
Volatility and Value-at-Risk of the S&P 500



- The VIX has levelled off between 20 and 25 in recent weeks. Realised volatility, on the other hand, is still very high, but should fall significantly in the coming days. The realised volatility over 10 trading days, for example, stands at just 11%.

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 – 09/05/2025

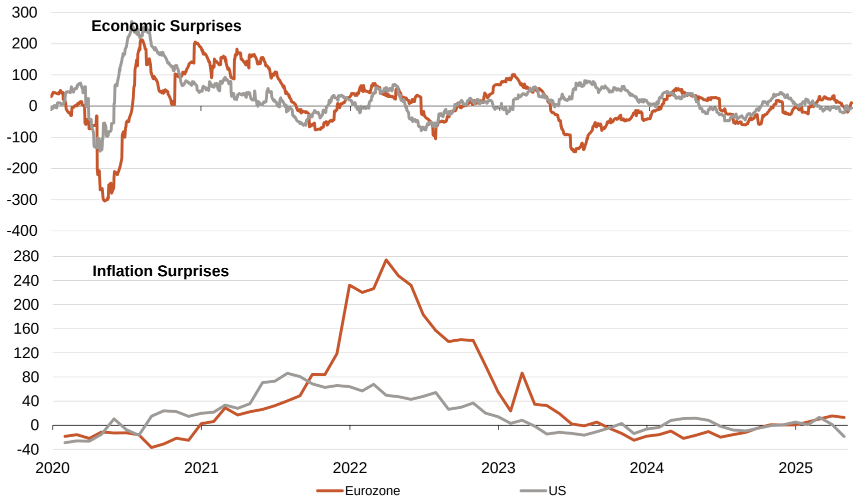
Global



- In the last two weeks, economic surprises in the emerging markets have been increasingly positive, while they have fluctuated around zero in the industrialised countries.
- In Mexico, the GDP growth rate in the first quarter was above expectations, while it surprised to the downside in Indonesia and the Philippines.
- In Switzerland, the unemployment rate and consumer price inflation were below expectations in April. Consumer price inflation surprised to the upside in Brazil and to the downside in Turkey in April.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 - 09/05/2025

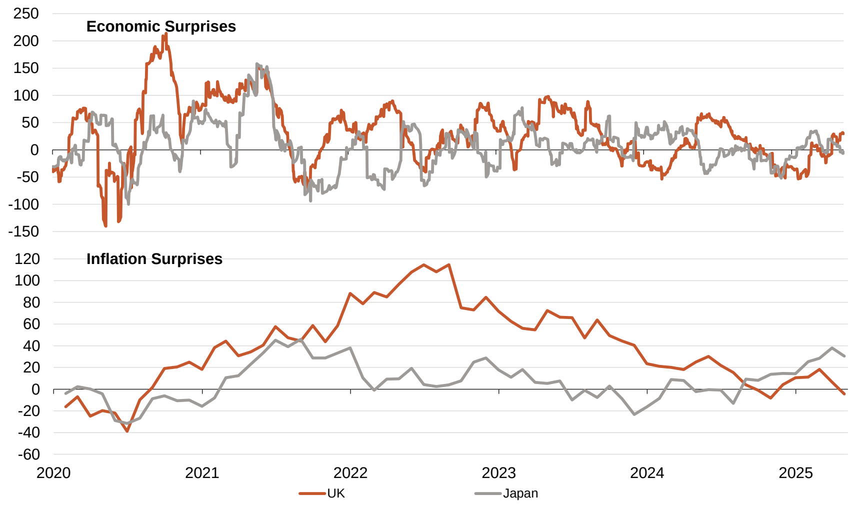
Eurozone and US



- While economic surprises in the US have remained negative over the last two weeks, they have recently turned positive in the eurozone.
- In the eurozone, industrial confidence in April was slightly below expectations, while the GDP growth rate in the first quarter surprised to the upside. In Germany, both incoming industrial orders and industrial production exceeded expectations in March.
- In the USA, the GDP growth rate in the first quarter surprised to the downside, while the number of new jobs created in April was disappointing.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 - 09/05/2025

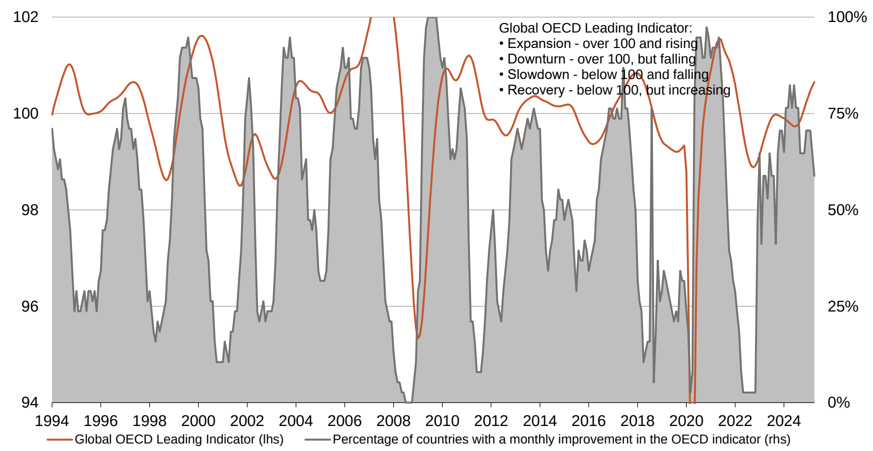
UK and Japan



- In Japan, economic surprises recently turned negative, while in the UK they continued to be increasingly positive.
- In April, inflation data surprised to the upside in Japan and to the downside in the UK.

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 - 09/05/2025

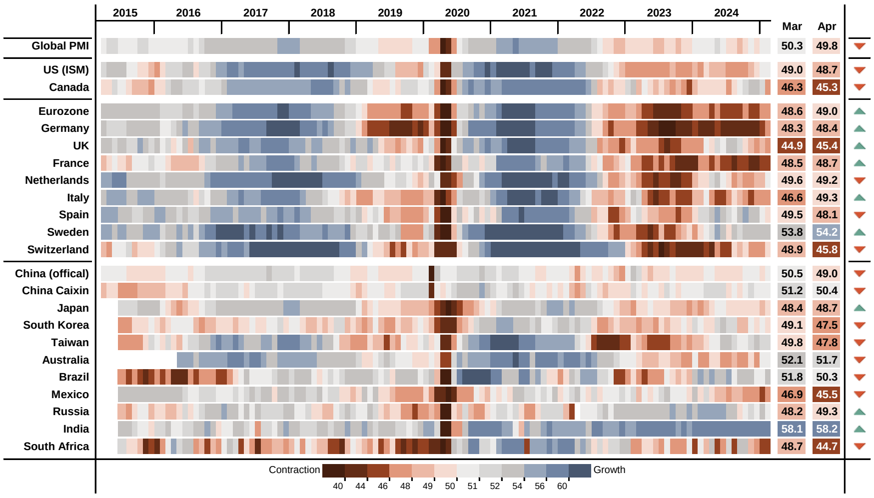
OECD Leading Indicator



- The global economic expansion is continuing. The revised OECD leading indicator was above the 100 mark for the sixth time in a row in April with a value of 100.7.
- According to the revised leading indicator, the economic situation in March improved in 59% of the countries surveyed compared to the previous month, with China and France recording the strongest increase and Turkey 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 - 09/05/2025

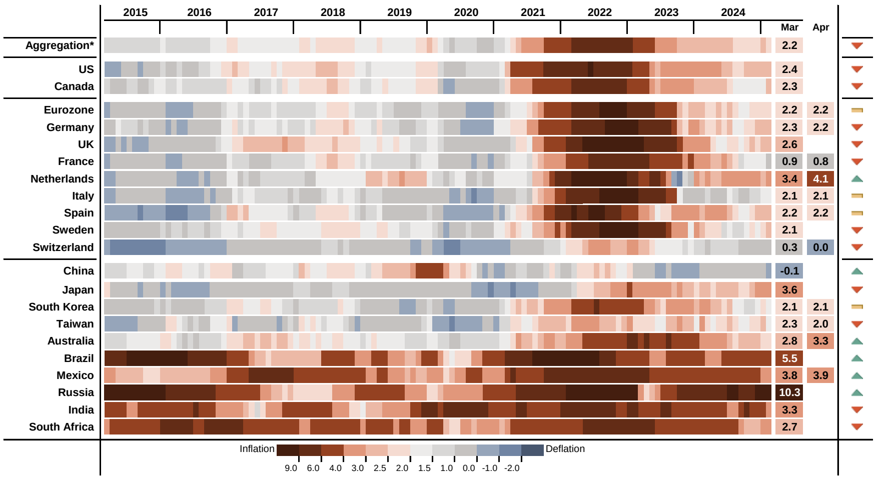
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The PMI data indicated regional differences in April. While the aggregate PMI data for the eurozone, Japan and India improved in April, the USA, China, Australia, 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 - 09/05/2025

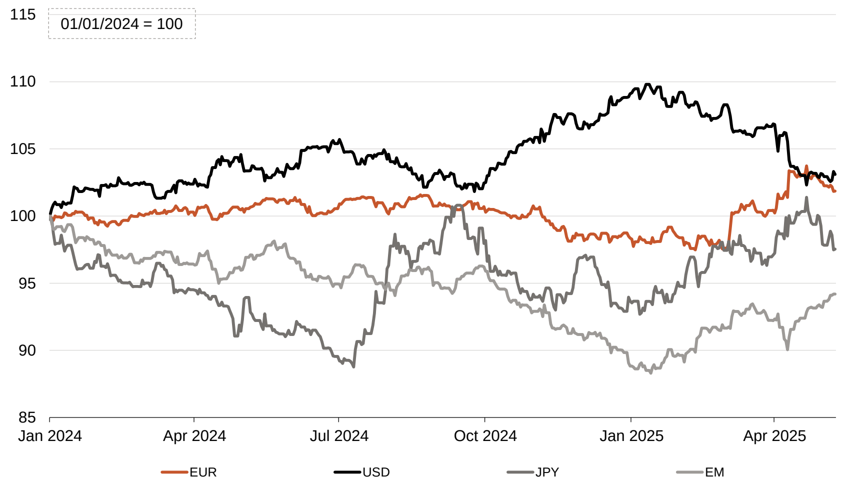
Headline Inflation



- The first inflation data for April show regional differences. While annual consumer price inflation in Germany, France and Switzerland fell compared to the previous month, it accelerated in Australia, Mexico and the Netherlands. Significantly lower energy costs led to a lower inflation rate in Germany, among other countries.

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 - 09/05/2025

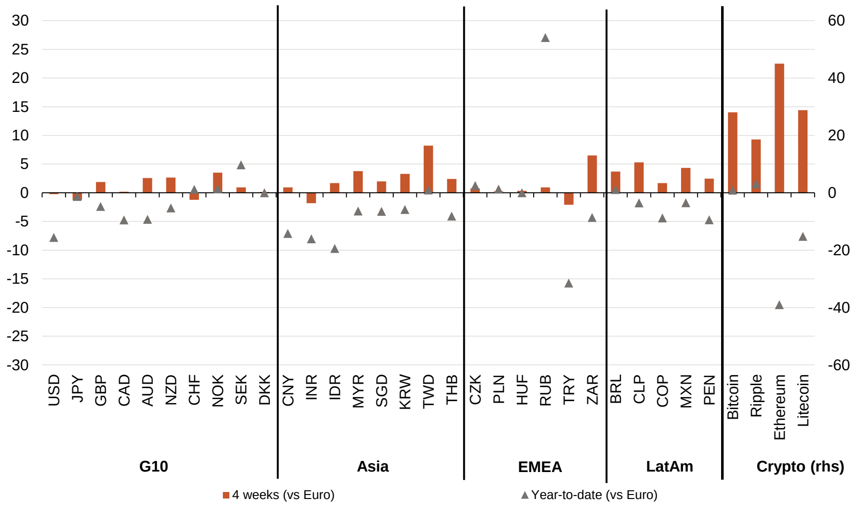
Trade-Weighted Currency Development



- The announcement of initial talks on a possible trade agreement between China and the US last weekend in Switzerland and the first framework agreement with the UK caused optimism among investors and recently halted the downward trend of the US dollar.
- The beneficiary of global uncertainty and the risk-off regime following 'Liberation Day', the Japanese yen, recently weakened following the BoJ's dovish comments.

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 - 09/05/2025

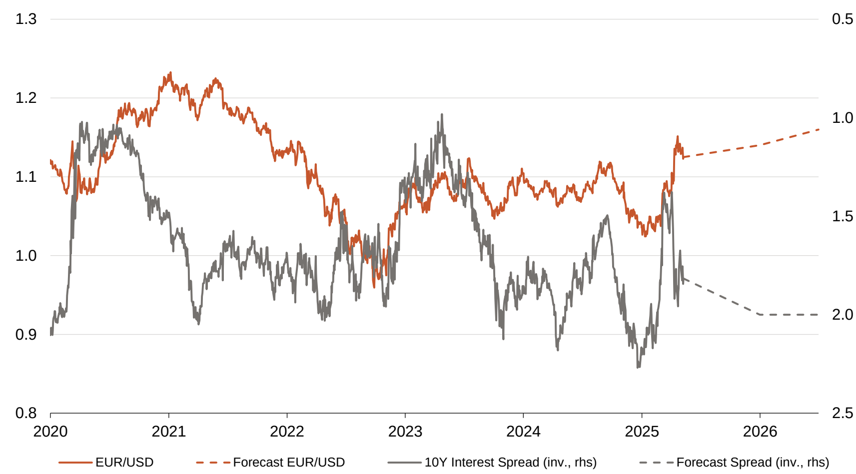
Currency Moves vs Euro



- In the last four weeks, the euro has lost value against most of the currencies shown here.
- Despite a surprise interest rate hike by the Turkish central bank, the Turkish lira has continued its downward trend since the beginning of the year over the last four weeks.
- Unexpectedly high consumer price inflation in Australia in April has recently supported the Australian dollar.
- The stronger FX hedging by Taiwanese life insurers in the wake of the weak US dollar has recently boosted the Taiwanese dollar.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2024 - 09/05/2025

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



- As expected, the Fed left the key interest rate unchanged after its regular meeting on 7 May. In his press conference, Fed Chairman Jerome Powell pointed out the increased risks of both higher unemployment and higher inflation due to US tariff policy and emphasised that the Fed had not been confronted with conflicting objectives for a long time.

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

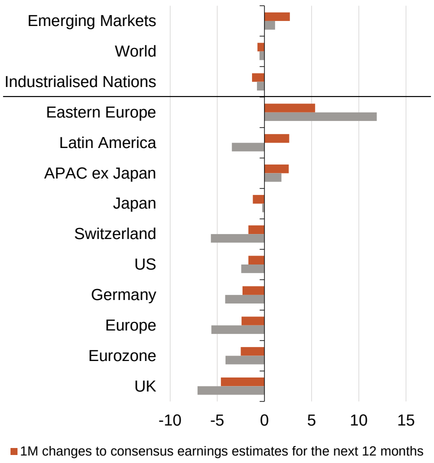
	4-week & YTD		12-month periods over that last 5 years				
	4W (11/04/25 - 09/05/25)	YTD (31/12/24 - 09/05/25)	09/05/24 09/05/25	09/05/23 09/05/24	09/05/22 09/05/23	09/05/21 09/05/22	08/05/20 09/05/21
Finance	15.1	21.0	33.5	27.5	19.6	-4.2	45.5
Industrials	14.8	11.9	14.3	24.9	20.0	-11.5	54.7
Information Technology	13.7	-0.4	-2.5	33.5	15.0	-15.4	43.3
Value	11.6	12.3	15.3	15.2	12.1	1.8	35.7
Telecommunications	10.6	14.8	25.2	3.8	3.6	-1.4	24.6
Growth	10.5	2.4	-1.8	12.4	18.0	-7.8	28.6
Energy	9.8	-2.6	-16.0	20.8	11.5	41.6	19.6
Materials	9.5	2.2	-6.8	16.0	2.3	-4.1	59.2
Consumer Discretionary	8.0	-4.7	-9.4	3.6	38.2	-22.5	59.4
Utilities	7.0	14.7	15.5	0.6	9.9	0.7	27.1
Health Care	6.6	-4.0	-9.1	7.2	11.0	14.7	-0.4
Consumer Staples	6.5	8.9	5.0	-7.5	10.9	3.3	12.0

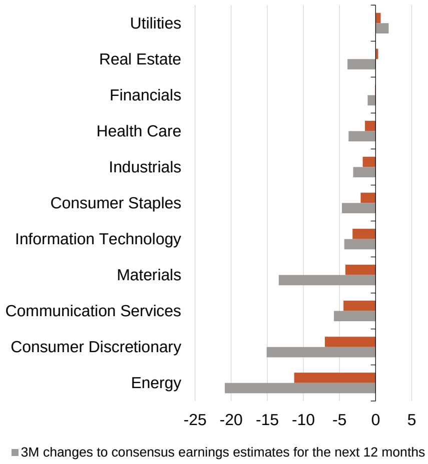
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR;
Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech.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

- Equity markets have rebounded strongly recently. In addition to the softening of Trump's tariff demands and more dovish statements from the ECB, buying by private investors after the sharp correction in April has helped in particular.
- Financials, winners since the start of the year, have led with industrials and technology stocks in Europe over the past four 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: 08/05/2020 – 09/05/2025

Changes in Consensus Earnings Estimates

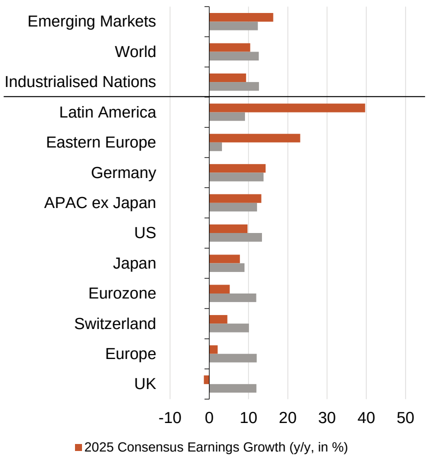


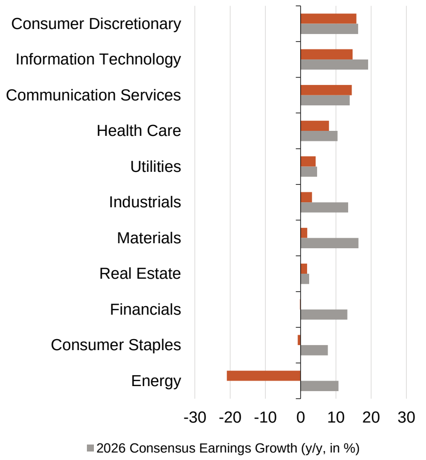


- Although the market is currently pricing in more optimism, analysts remain more critical due to concerns about the economy and corporate earnings. Analysts' earnings estimates have been revised slightly lower on an aggregate basis over the past month.
- At the sector level, estimates for energy stocks and consumer discretionary in particular were revised lower. The only sectors where analysts are more optimistic are utilities and real estate.

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 09/05/2025

Earnings Growth

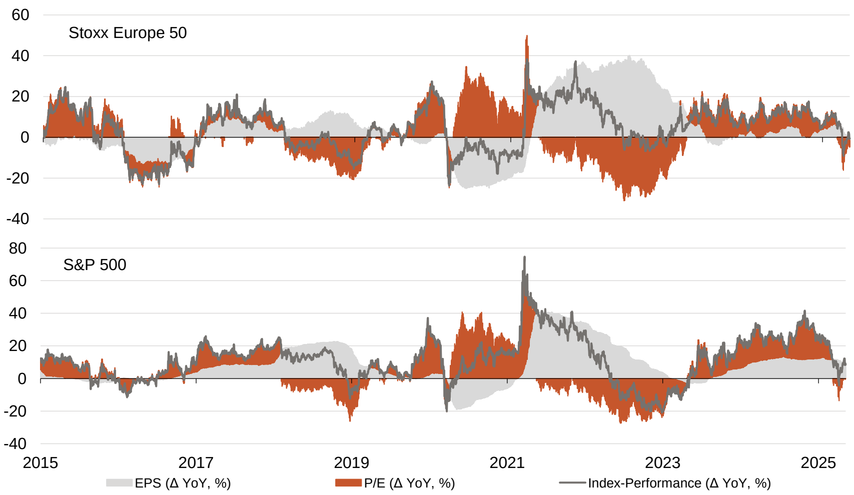




- For the current year, analysts expect global earnings growth of just under 10% over last year. The analysts believe that growth will be driven regionally by emerging markets, with earnings growth of more than 15% year-on-year, and sectorally by consumer discretionary.

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 09/05/2025

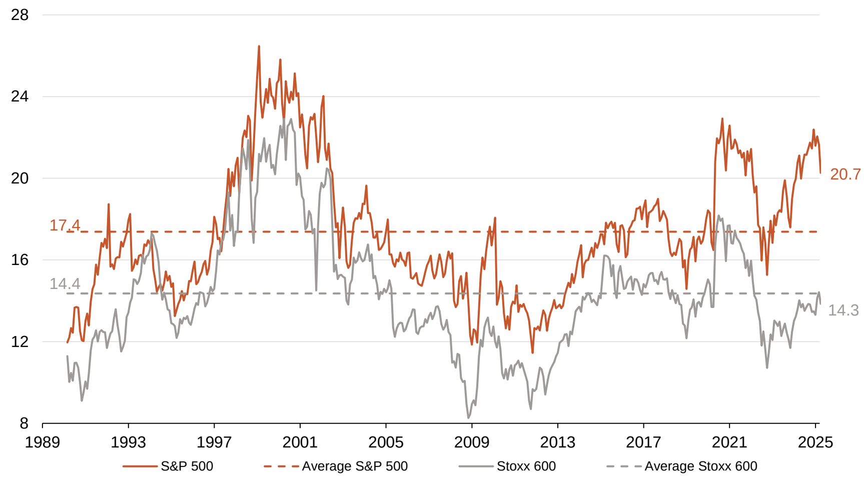
Contribution Analysis



- The rolling 12-month trend for the S&P 500 is positive. This has mainly been driven by an increase in earnings estimates. In contrast, the 12-month performance of the European equity index has been negatively impacted by the significant decline in valuations, resulting in a negative 12-month equity market performance.

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 - 09/05/2025

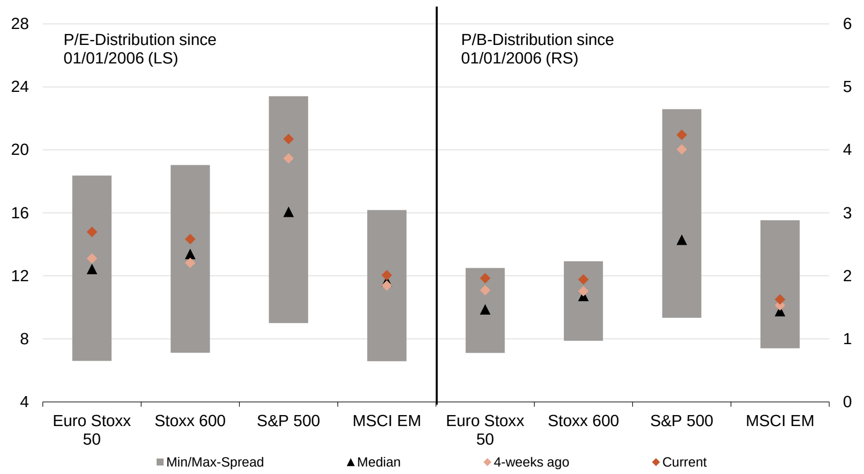
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- With the recovery in US equity markets, the P/E ratio of US equities has risen slightly recently. At 20.7x, the valuation is still above the long-term average of around 17x.
- European equities, on the other hand, 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 - 09/05/2025

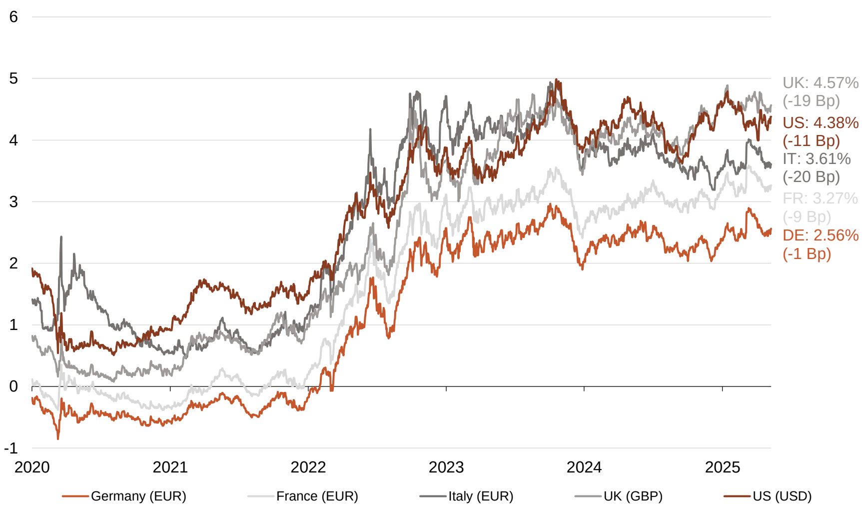
Historical Distribution: Price/Earnings and Price/Book Ratio



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

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 - 09/05/2025

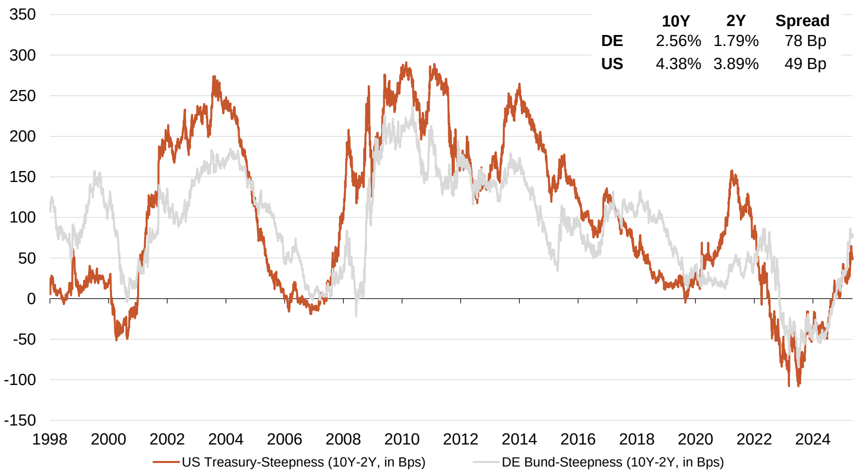
10-Year Government Bond Yields



- The yield on 10-year UK government bonds has fallen by almost 20 basis points over the past four weeks. The Bank of England cut its key interest rate by 25 basis points to 4.25%.
- Even the new trade agreement with the US (10% basic tariff with exemptions for steel, aluminium and the car industry), which reduces the weighted tariff rate for UK exports from 11.2% to around 8.5%, has failed to allay central bankers' concerns about tariffs. The BoE significantly lowered its growth forecast for 2026.

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 - 09/05/2025

Yield Curve Steepness (10Y - 2Y)

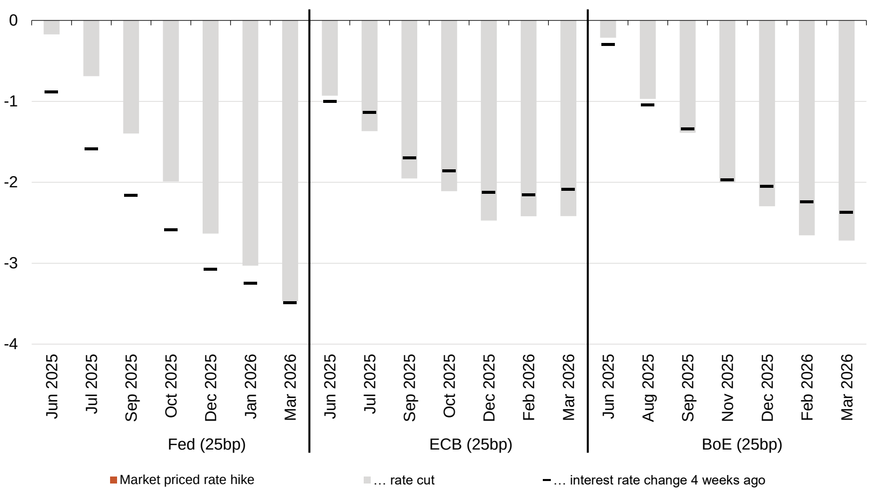


	10Y	2Y	Spread
DE	2.56%	1.79%	78 Bp
US	4.38%	3.89%	49 Bp

- Over the past four weeks, US yields have fallen more sharply at the long end than at the short end.
- The spread between two-year and ten-year US government bonds narrowed from 53 to 49 basis points. By contrast, the spread between two-year and ten-year German government bonds remained unchanged at 78 basis points compared to four weeks ago.

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 - 09/05/2025

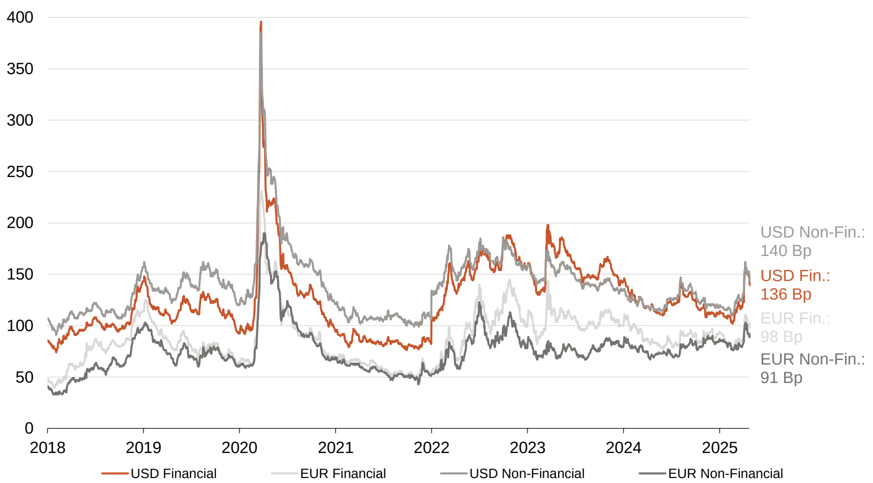
Implicit Changes in Key Interest Rates



- On a four-week comparison, the market has significantly lowered its expectations for a rate cut by the Fed.
- As a result, the market now hardly expects a rate cut in June, but rather the next full US rate cut in the current interest rate cycle in September. By contrast, the market has left its expectations for 2026 virtually unchanged.

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: 09/04/2025 - 09/05/2025

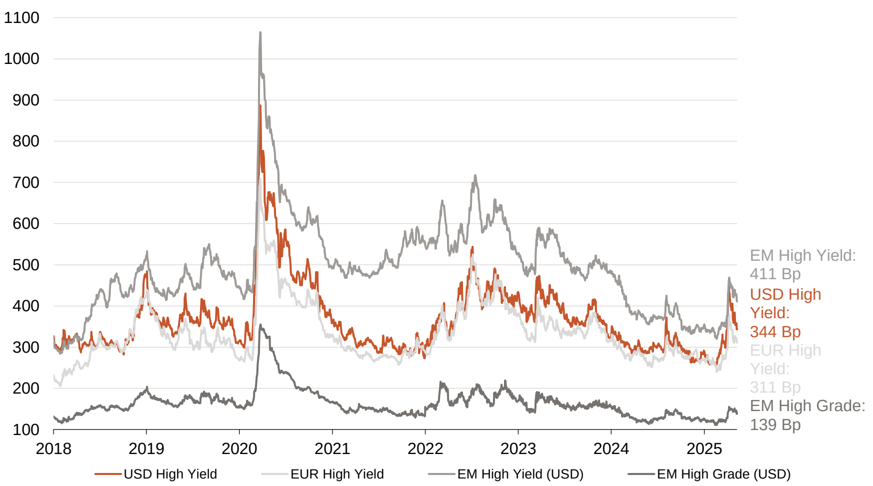
Credit Spreads Financial and Non-Financial Bonds



- With Trump recently appearing to backtrack on tariffs, bond markets appear to be pricing out the likelihood of a recession, at least to some extent. Over the past four weeks, asset swap spreads on EUR and USD corporate bonds have fallen sharply.
- At 19 basis points, USD financials have seen the sharpest decline in spreads over the past four weeks. EUR financial and non-financial spreads have fallen by 13 and 12 basis points respectively.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 09/05/2025

Credit Spreads High Yield and Emerging Markets Bonds



- Hope was also evident in the high yield market. Asset swap spreads on USD and EUR high yield bonds have narrowed by 77 and 68 basis points respectively over the last four weeks. This takes risk premiums on USD high yield bonds to their lowest level since the end of March. The widening of spreads in the wake of Liberation Day has now been fully priced out.

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 – 09/05/2025

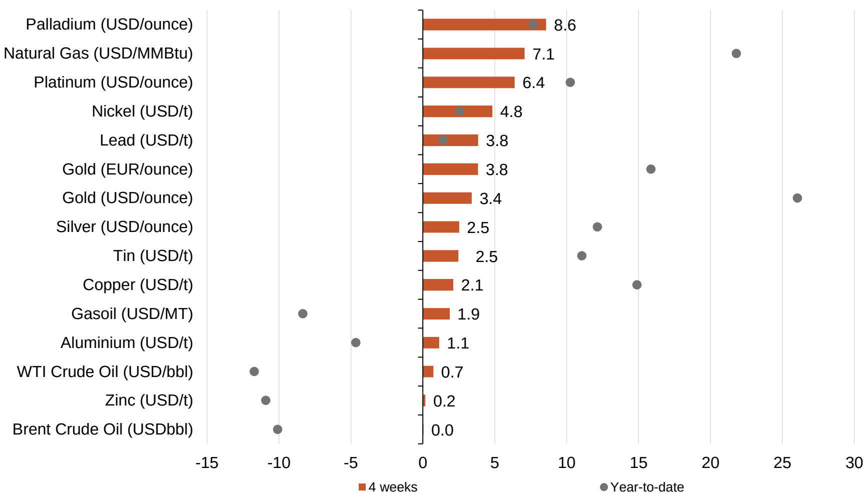
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)							
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	09/05/24 09/05/25	09/05/23 09/05/24	09/05/22 09/05/23	09/05/21 09/05/22	09/05/20 09/05/21
EUR Government	2.71	-0.06	7.0	-	-	-	0.8	0.2	3.5	3.4	-7.5	-10.1	1.2
Germany	2.26	0.03	7.1	-	-	-	0.0	-0.5	2.5	1.0	-8.2	-8.6	-2.7
EUR Corporate	3.22	-0.17	4.4	94	-12	80	1.2	1.0	5.5	5.8	-3.2	-9.5	5.4
Financial	3.27	-0.17	3.7	98	-13	67	1.1	1.3	5.9	6.8	-2.8	-8.1	4.9
Non-Financial	3.19	-0.17	4.8	91	-12	84	1.2	0.8	5.3	5.2	-3.4	-10.3	5.6
EUR High Yield	6.04	-0.68	3.2	311	-68	44	3.0	1.4	7.8	10.8	1.5	-8.9	17.0
US Treasury	4.21	0.03	5.9	38	0	98	-0.1	2.4	5.0	-1.2	-0.6	-8.6	-4.0
USD Corporate	5.35	-0.14	6.5	139	-17	55	1.1	1.6	5.3	4.2	1.0	-11.9	6.6
Financial	5.30	-0.16	4.9	136	-19	62	1.3	2.0	6.2	5.8	0.5	-9.9	6.5
Non-Financial	5.38	-0.13	7.2	140	-16	52	1.0	1.3	4.8	3.5	1.2	-12.8	6.7
USD High Yield	7.94	-0.65	3.7	344	-77	40	3.0	1.5	8.2	10.7	2.6	-7.3	19.6
EM High Grade	5.15	-0.14	5.3	139	-13	18	1.2	2.1	6.3	3.9	1.5	-11.5	7.1
EM High Yield	8.44	-0.60	3.9	411	-58	24	2.8	1.5	9.0	13.2	-0.1	-18.1	21.0

- Over the last four weeks, most of the bond segments shown here have posted gains. Only US government bonds have suffered losses. However, this segment is still ahead in local currency terms for the year, while German government bonds are currently bringing up the rear.

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: 09/05/2015 – 09/05/2025

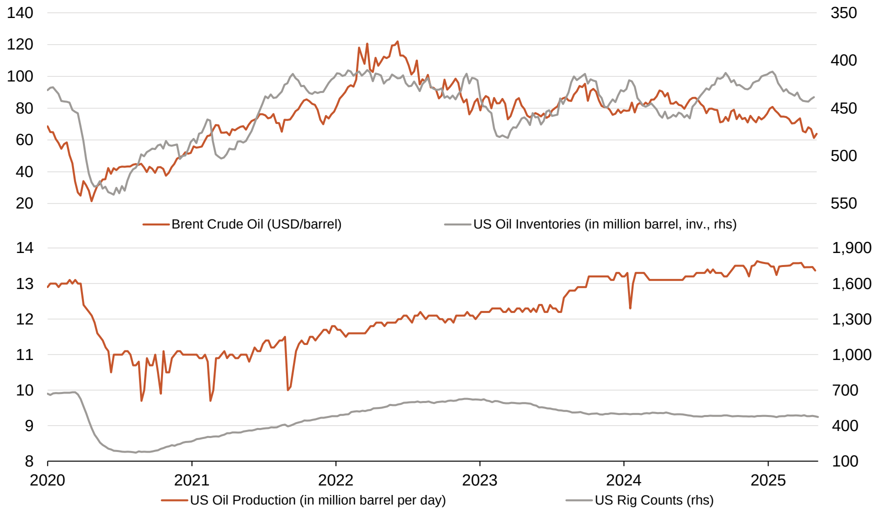
Commodities Performance



- Over the past month, all the commodities shown here have posted positive returns.
- Palladium and platinum have performed particularly well recently. The WPIC (World Platinum Investment Council) expects a supply deficit for the latter again this year after 2023 and 2024. Demand for palladium, on the other hand, is largely dependent on the currently weakened automotive sector.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2024 – 09/05/2025

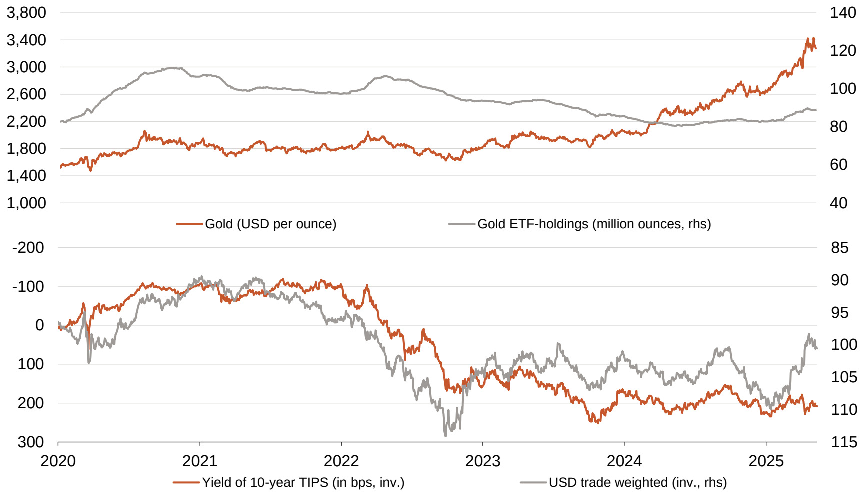
Crude Oil



- The oil price (Brent) reached its lowest level in over four years at the beginning of May after OPEC+ announced that it would also increase production by more than 400 thousand barrels per day in June, even though the market had already reacted very negatively to the quota increase for May in the previous month.
- Although the oil price has recovered in the short term, the inverted futures curve shows that investors are expecting prices to fall.

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 – 09/05/2025

Gold



- The price of gold is defying the recent appreciation of the dollar and is trading at around USD 3,300 per ounce.
- Inflows into gold ETFs have recently lost momentum. However, foreign central banks appear to be continuing to buy heavily. It was recently announced that the PBoC increased its reserves for the sixth month in a row in April.

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 – 09/05/2025

PUBLISHING INFORMATION

PUBLISHER

Prof Dr Bernd Meyer, CFA | Chief Strategist Wealth and Asset Management

EDITORS

Ulrich Urbahn, CFA | Head Multi Asset Strategy & Research
focuses on the multi-asset investment process, the development of investment ideas and capital market communications
+49 69 91 30 90-501 | ulrich.urbahn@berenberg.de

Ludwig Kemper, CFA | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-224 | ludwig.kemper@berenberg.de

Philina Louisa Kuhzarani | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-533 | philina.kuhzarani@berenberg.com

Dr Konstantin Ignatov | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-502 | konstantin.ignatov@berenberg.de

Mirko Schmidt | Analyst Multi Asset Strategy & Research
analyses financial markets, supports the multi-asset investment process and participates in capital market publications
+49 69 91 30 90-2726 | Mirko.schmidt@berenberg.com

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Joh. Berenberg, Gossler & Co. KG
Neuer Jungfernstieg 20
20354 Hamburg (Germany)
Phone +49 40 350 60-0
Fax +49 40 350 60-900
www.berenberg.com
MultiAssetStrategyResearch@berenberg.de

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