

### Current market commentary

Global stock markets initially performed well in recent weeks thanks to a strong reporting season and solid macroeconomic data. The S&P 500 reached new all-time highs, while European indices fluctuated sideways. However, the chaos surrounding the trade war and weak US labour market data ultimately weighed on the stock markets. Trump's tariff policy also caused surprises on the commodity markets. Contrary to expectations, copper imports remain largely tariff-free, causing the COMEX copper price to fall by more than 20%. The coming weeks are likely to be tougher. Positive triggers such as the passing of the One Big Beautiful Bill Act, deals in the tariff dispute and the reporting season are ebbing away. At the same time, discretionary and systematic investors have increased their positioning. In addition, August and September are historically difficult months on the stock markets, and risks such as the threat of secondary sanctions against Russia or weaker US growth remain. On the other hand, the starting position is solid, with positive US earnings revisions and robust economic data so far. The next two months are likely to be more volatile.

### Short-term outlook

The US tariff policy remains the dominant topic on the markets alongside the ongoing reporting season. The introduction of most tariffs was scheduled for 1 August, but has been postponed again and is currently announced for 7 August. All deals negotiated by Trump include significant punitive tariffs. On 7 August, the Bank of England's interest rate decision will also be of interest in terms of monetary policy.

On Tuesday, the purchasing managers' indices (July) for China, the eurozone and the US will be published. Retail figures (June) for the eurozone will be announced on Wednesday. This will be followed on 9 August by the consumer price index (July) for China. The following week, the labour market figures (July) for the UK and the US consumer price index (July) will be released on Tuesday. On 14 August, GDP data (Q2) for the UK, the eurozone and Japan are expected. Retail data (July) for the US and China will follow on 15 August, together with the Michigan Consumer Sentiment Index (August).

### US stock market has caught up, but only in local currency



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

*End of the reporting season, ECB and OPEC+ at a glance.*

*Fed minutes, purchasing managers' indices, as well as inflation and labor market data are the focus of the markets.*



- European equities are still ahead in terms of a single currency since the beginning of the year, but the US stock market has recently caught up, especially in local currency terms.
- A solid US reporting season, especially for the Magnificent Seven, and not least thanks to the weak dollar, positive growth surprises in the US and a deal in the tariff dispute that was less favourable for Europe have reduced the performance gap in recent weeks.

Source: Bloomberg, Time period: 01/01/2025 – 01/08/2025



# Performance

## Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (04/07/25 - 01/08/25)	YTD (31/12/24 - 01/08/25)	01/08/24	01/08/23	01/08/22	01/08/21	31/07/20
MSCI Frontier Markets		7.5	22.7	7.3	-4.2	-2.0	38.2
Brent	-8.6	5.1	-6.4	8.1	-8.4	89.4	71.2
Global Convertibles		2.7	7.8	3.2	-1.1	-8.7	31.3
Gold		2.4	28.0	28.1	2.5	13.0	-8.9
MSCI Emerging Markets		1.7	7.7	8.8	1.0	-7.6	19.9
USDEUR	-10.6	1.7	-6.9	1.8	-6.6	15.6	-0.7
MSCI World		1.1	8.4	19.2	5.6	5.0	34.3
Euro overnight deposit		0.1	2.9	4.0	2.0	-0.6	-0.6
EUR Corporates		2.3	4.5	7.6	-3.9	-9.5	3.2
REITs	-9.0	-0.1	-8.7	10.3	-19.0	7.0	26.3
EUR Sovereign Debt		1.7	3.2	5.0	-6.1	-5.9	0.7
Industrial Metals	-8.6	-4.8	-2.0	0.5	-7.2	12.2	44.3

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: ICE BofA 1-10 Year Euro Government Index; EUR Corporates: ICE BofA Euro Corporate Index;  
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.

- Frontier market equities performed best over the past four weeks. Crude oil prices rose significantly due to further threats of sanctions by the US against Russia.
- Despite a slightly stronger dollar, emerging market equities outperformed those from industrialised nations.
- Industrial metals suffered due to a slump in copper prices.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.

Source: Bloomberg, Time period: 31/07/2020 – 01/08/2025

## Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (04/07/25 - 01/08/25)	YTD (31/12/24 - 01/08/25)	01/08/24	01/08/23	01/08/22	01/08/21	31/07/20
MSCI Japan		3.3	3.8	14.9	5.1	1.3	24.9
MSCI EM Asia		2.0	8.0	10.6	-0.2	-8.1	17.5
MSCI UK		2.0	9.4	15.2	3.5	14.8	30.3
S&P 500	-4.2	1.2	8.5	22.9	5.8	9.8	35.7
Stoxx Europe Cyclical		0.4	21.9	17.9	13.9	-9.1	41.4
MSCI USA Small Caps	-10.3	-0.8	-2.5	12.2	1.8	2.7	50.6
Stoxx Europe Small 200		8.4	6.9	8.3	1.1	-15.4	42.4
Stoxx Europe Defensive	-1.0	3.6	-2.6	15.1	6.1	9.8	16.0
DAX	-1.5	17.7	29.5	11.3	20.5	-13.3	26.2
Stoxx Europe 50	-1.9	3.7	1.4	13.5	12.8	5.6	25.1
Euro Stoxx 50	-2.3	7.7	11.0	10.8	22.0	-7.0	31.2
MSCI EM Latin America	-4.9	11.0	0.6	-7.2	21.4	5.1	24.6

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 Cyclical: Stoxx Europe Cyclical TR;  
Stoxx Europe Defensive: Stoxx Europe Defensive TR; DAX: DAX TR; MSCI United Kingdom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR;  
MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- Despite inconsistent tariff announcements from the US, stocks from Japan and Asia have performed best over the past four weeks.
- European stocks, on the other hand, have lagged behind and most recently lost ground more significantly following subdued quarterly figures and ongoing global tariff uncertainty.
- Stocks from Latin America have recently suffered the most significant losses 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: 31/07/2020 – 01/08/2025

## Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (04/07/25 - 01/08/25)	YTD (31/12/24 - 01/08/25)	01/08/24	01/08/23	01/08/22	01/08/21	31/07/20
EM Hard Currency Bonds	-3.6	3.7	-3.7	6.9	-11.1	6.0	-3.3
USD Corporates	-5.4	3.5	-2.1	9.6	-9.6	0.0	0.5
USD High Yield	-4.8	3.4	1.7	13.1	-4.0	7.7	8.1
Treasuries	-6.2	3.4	7.9	10.8	4.5	-10.6	10.0
Chinese Sovereign Bonds	-7.5	2.2	8.3	9.0	4.1	-18.2	3.4
EM Local Currency Bonds	-0.6	1.7	-1.6	7.5	-18.7	-13.3	-4.2
EUR High Yield		0.9	5.0	7.9	-3.0	-7.7	2.8
EUR Financials		0.1	4.1	7.5	-4.4	-10.4	3.4
EUR Non-Financials		0.0	4.8	7.3	-5.0	-11.6	4.2
Gilts	-2.2	-0.1	4.6	6.8	4.2	4.4	4.2
BTPs	-0.3	2.1	-0.4	4.7	-11.1	-8.6	-0.8
Bunds	-0.6	-0.9	10.1	0.9	7.4	-14.4	3.4

Bunds: ICE BofA German Government Index; BTPs: ICE BofA Italy Government Index; Treasuries: ICE BofA US Treasury TR;  
Gilts: ICE BofA UK Gilt Index; Chinese Gov Bonds: MSCI USA China Gov; EUR Financials: ICE BofA Euro Financial Index;  
EUR Non-Financials: ICE BofA Euro Non-Financial Index; 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

- Over the past four weeks, emerging market hard currency bonds and USD corporate and high-yield bonds have topped the performance rankings.
- In addition to US government bonds, Chinese and local currency bonds from emerging markets have also performed well.
- British, Italian and German government bonds, on the other hand, are trending slightly negative.

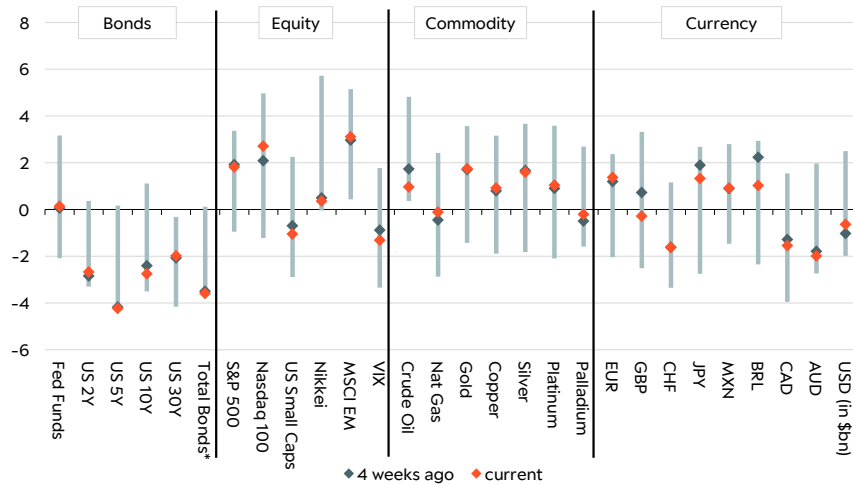
Total return (including reinvested coupons) for selected bond indices, in euros and in percent, sorted by 4-week performance.

Source: Bloomberg, Time period: 31/07/2020 – 01/08/2025



# Positioning

## Non-commercial Positioning



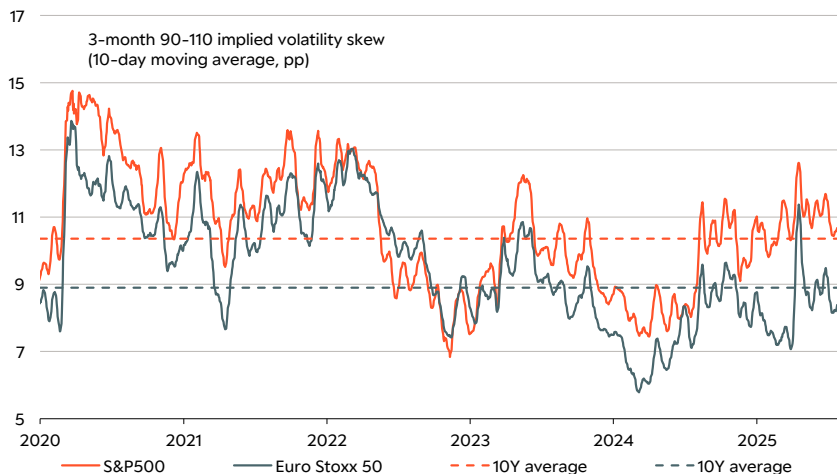
- Hedge funds have further increased their long positions in US tech stocks.
- Shorts were covered in the US dollar after the trade became (too) strong a consensus.

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: 01/08/2015 – 01/08/2025

## Put-Call-Skew

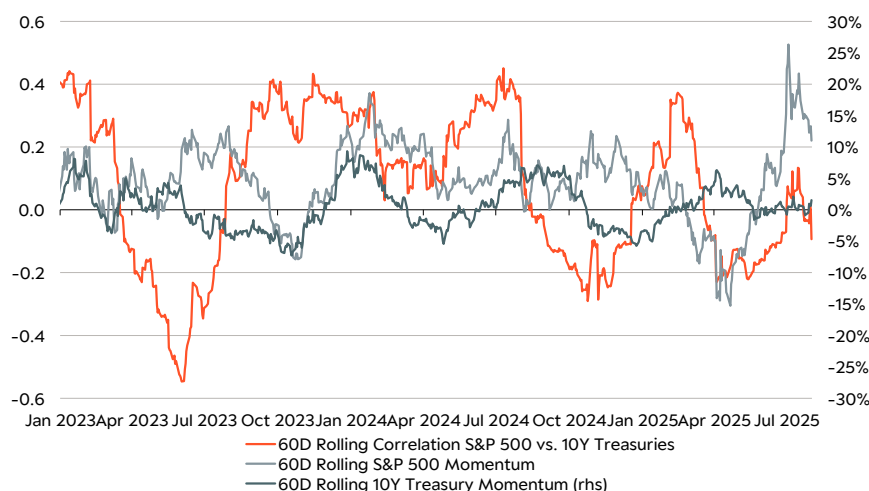


- The put-call skew has fluctuated sideways over the past two weeks.
- In the US, it is slightly above the long-term average, in Europe slightly below.
- In the US, the 100-95 skew in particular is steep by historical standards, meaning that at-the-money put spreads are currently attractively priced.

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: 01/08/2015 – 01/08/2025

## 60-Day Momentum and Correlation



- The momentum on the US equity market has weakened somewhat, but remains bullish. Analyses by various brokers indicate that CTAs are now running equity allocations above the 90th percentile. This makes the markets susceptible to rapid setbacks.

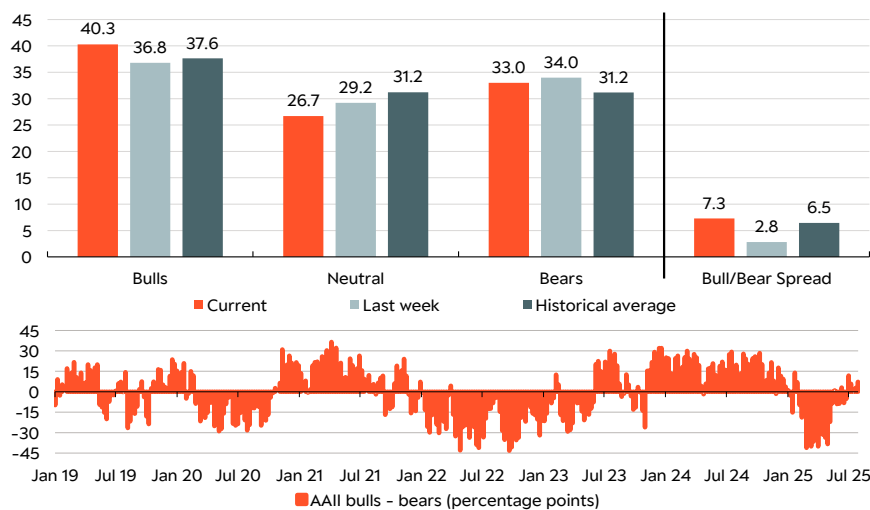
The 60-day momentum indicates the rolling return of the last 60 days. The more the momentum rises (falls), the more systematic momentum strategies build up (reduce) their positions in the corresponding asset class. Changes in the sign of the return mark important turning points. The 60-day correlation 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 – 01/08/2025



# Sentiment

## AII Markt Sentiment Survey (Bull vs Bears)

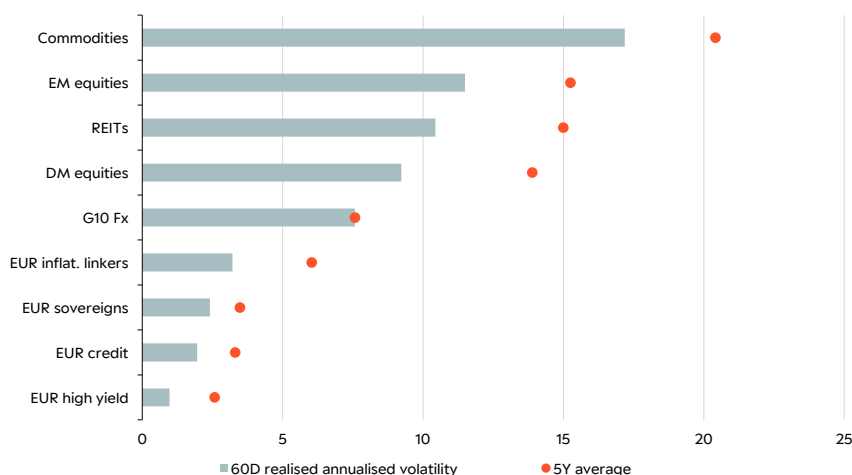


- US private investors seem to have regained their basic optimism.
- The bull/bear spread has now been consistently positive for 5 weeks. Optimism has never lasted this long so far this year.

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 bulls and a low proportion of bears. On the other hand, it tends to be negative when there are significantly more pessimists than optimists.

Source: Bloomberg, AII, Time period: 23/07/87 – 31/07/2025

## Realised Volatilities

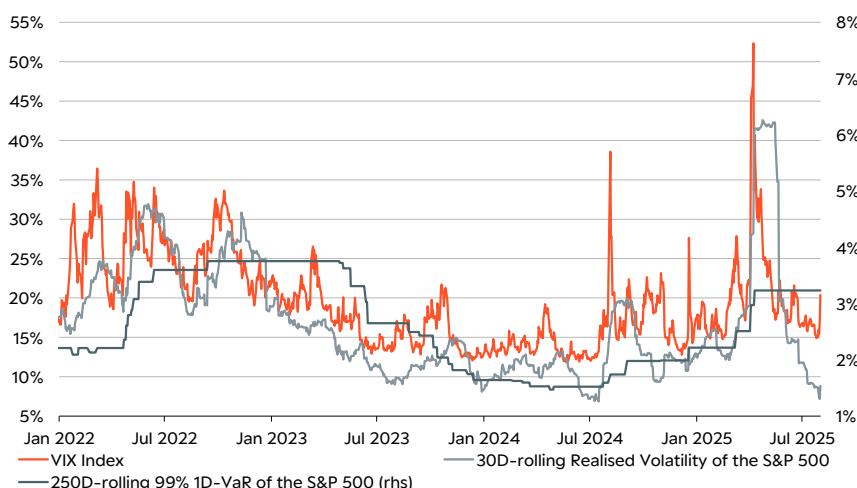


- Realised volatility is now below its medium-term average for all investments shown here.
- In view of the major uncertainties surrounding the further development of the tariff drama and the smouldering geopolitical conflicts, the last three months have been surprisingly quiet on capital markets.

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: 01/08/2020 - 01/08/2025

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



- At less than 10%, realised 30d volatility is at the lows of last year.
- By contrast, the VIX recently jumped to over 20, making the volatility premium extremely high by historical standards. Nevertheless, hedges at this level of implied volatility are priced relatively attractively.

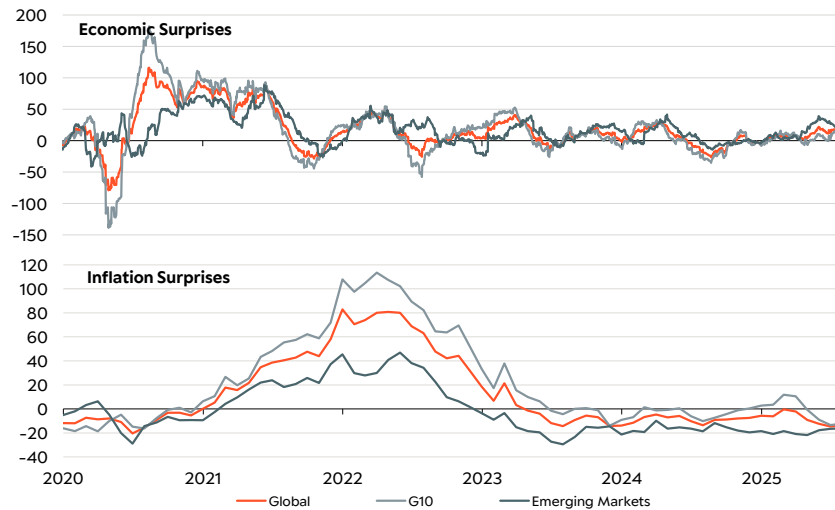
The VIX index is a measure of the implied volatility of the S&P 500 priced in options over approximately the next 30 days. Realised volatility indicates the range of variation in daily returns. The historical 99% value-at-risk indicates the minimum loss of the days that belong to the worst 1% of the 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 – 01/08/2025



# Surprise Indicators

## Global

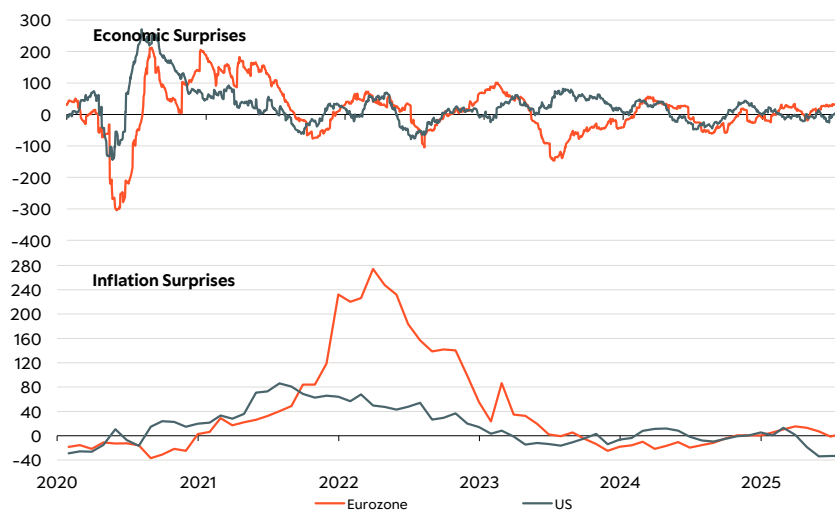


- Over the past two weeks, economic surprises have continued to be positive in both industrialised and emerging economies.
- In South Korea and Mexico, GDP growth in the second quarter exceeded expectations, while in Australia it fell short of expectations. In Canada, GDP growth in May was in line with expectations.
- In India, industrial production in June exceeded expectations.

See explanations below.

Source: Bloomberg, Time period: 01/01/2020 – 01/08/2025

## Eurozone and US

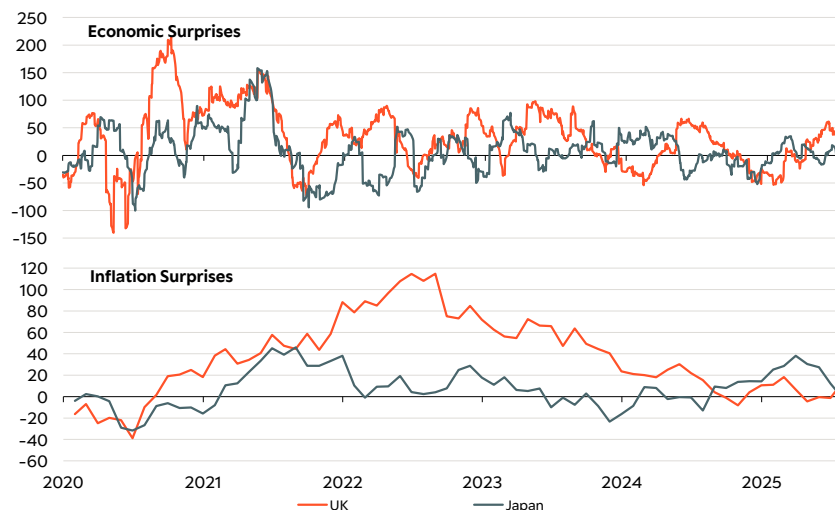


- Over the past two weeks, economic surprises have been positive in both the US and the eurozone.
- In the US, nonfarm payrolls came in significantly lower than expected, but the unemployment rate was in line with expectations. GDP growth in the US exceeded expectations in the second quarter.
- In the eurozone, the unemployment rate in June came in lower than expected.

See explanations below.

Source: Bloomberg, Time period: 01/01/2020 – 01/08/2025

## UK and Japan



- In the UK, retail sales figures for June came in lower than expected.
- In Japan, industrial production and retail sales exceeded expectations in June, while consumer confidence disappointed in July.

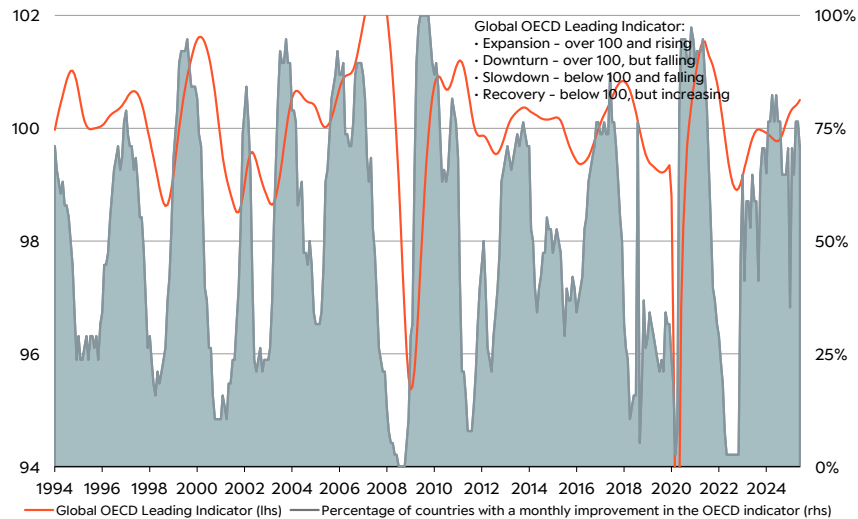
The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated 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 – 01/08/2025



# Economics

## OECD Leading Indicator

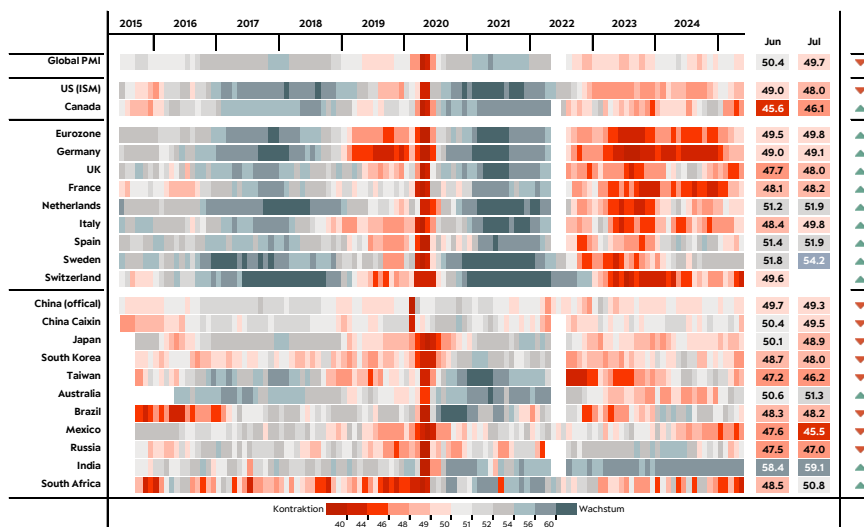


- Global economic expansion continues. The revised OECD leading indicator stood at 100.5 in June, exceeding the 100 mark for the eighth consecutive month.
- According to the revised leading indicator, the economic situation improved in 71% of the countries surveyed in May compared with the previous month.

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 – 01/08/2025

## Manufacturing Purchasing Managers Index (Manufacturing PMI)

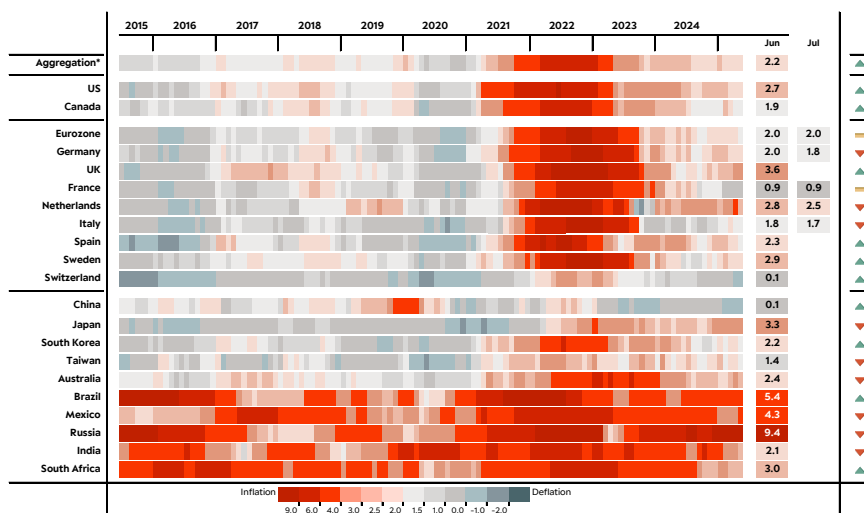


- The first PMI data for July point to regional differences. The PMI index rose in the eurozone in July compared with the previous month, while the purchasing managers' index in the US fell below the previous month's level.

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 – 01/08/2025

## Headline Inflation



- The first consumer price indices for July point to a further slowdown in inflation. In Germany, falling energy prices contributed significantly to the decline in the harmonised annual inflation rate compared with the previous month. In France, however, the annual harmonised inflation rate remained at the previous month's level.

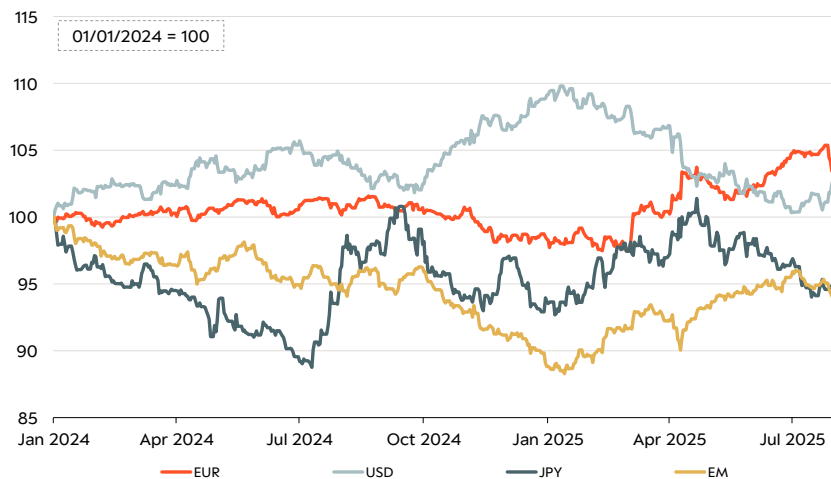
Inflation (in %, compared to the previous year) is measured using a consumer price index, also called a basket of goods. This basket contains all goods and services that a household purchases on average per year. \* = Weighting according to gross domestic product.

Source: Bloomberg, Time period: 01/01/2015 – 01/08/2025



# Foreign Exchange

## Trade-Weighted Currency Development

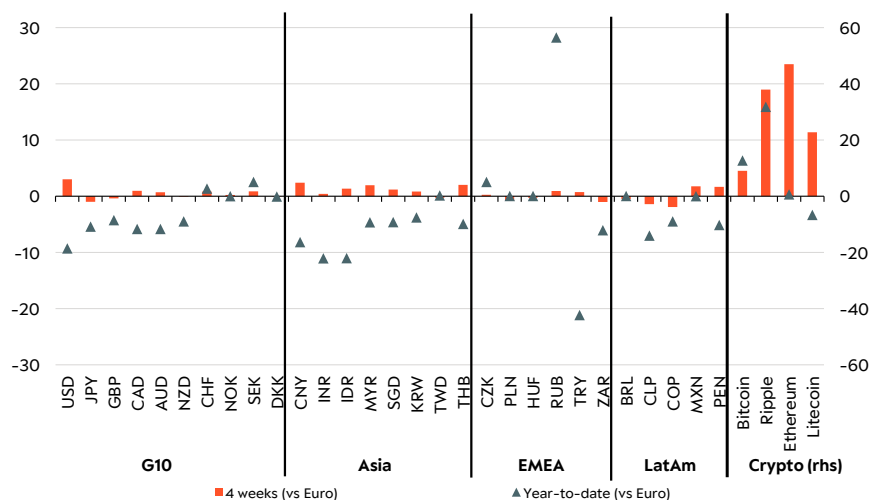


- The US dollar reversed its downward trend, which had persisted since the beginning of the year, in the last four weeks and appreciated on a trade-weighted basis. As expected, the US Federal Reserve left its key interest rate unchanged after its regular meeting in August. However, initial signs of a weakening US labour market increase the likelihood of an interest rate cut in September.

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 – 01/08/2025

## Currency Moves vs Euro

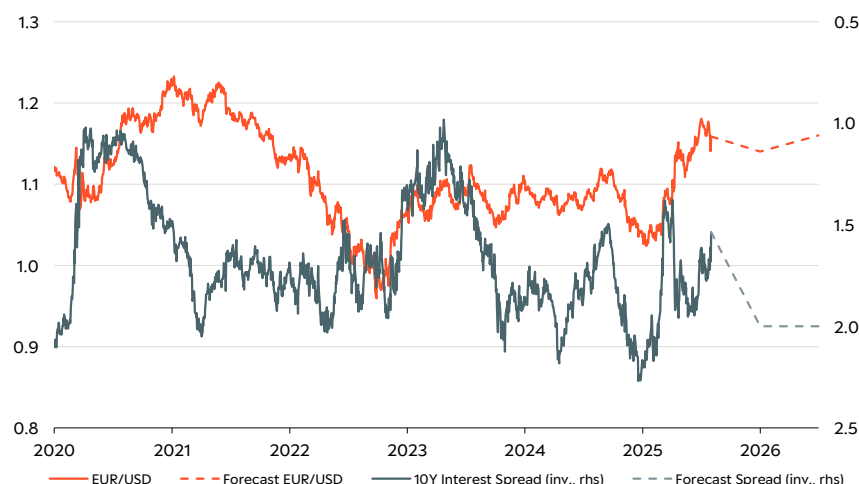


- Over the past four weeks, the euro has lost value against most of the currencies shown here.
- The upgrade of Turkey's credit rating by Moody's and Fitch recently gave the Turkish lira a boost.
- The 90-day extension of the tariff pause between the US and Mexico supported the Mexican peso.
- Bitcoin gained ground over the past four weeks, recently reaching a value of just under USD 115,000.

Performance of selected currencies against the euro, in percent.

Source: Bloomberg, Time period: 01/01/2025 – 01/08/2025

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



- Due to a similar decline in yields, the interest rate differential between German and US government bonds remained at around 155 basis points.
- By contrast, the euro continued to depreciate against the US dollar in the last two weeks and is currently trading at around 1.16.






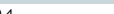


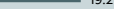


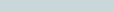
EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US government bonds and 10-year Bunds. The forecasts were prepared by Berenberg Economics.

Source: Bloomberg, Time period: 01/01/2020 – 30/06/2026



# Equities – Performance & Earnings

## European Sector & Style Performance

	4-week & YTD		12-month periods over that last 5 years				
	■ 4W (04/07/25 - 01/08/25)		01/08/24	01/08/23	01/08/22	01/08/21	31/07/20
	■ YTD (31/12/24 - 01/08/25)		01/08/25	01/08/24	01/08/23	01/08/22	01/08/21
Finance		2.6 24.9	37.2	21.6	21.2	-0.5	39.1
Energy		1.1 4.1	-6.0	14.0	11.7	45.9	31.3
Value		0.4 14.2	16.3	14.3	12.8	2.6	32.5
Industrials		0.4 16.5	21.8	18.7	15.0	-9.4	45.9
Utilities		-1.5 19.2	18.0	5.7	4.6	3.1	9.6
Consumer Staples		-2.3 2.6	-0.5	-3.3	-1.5	6.1	14.4
Materials		-2.6 -0.1	-4.8	8.7	7.4	-8.9	45.2
Growth		-2.7 0.6	-2.0	10.6	7.1	-6.0	31.5
Health Care		-3.0 -6.7	-18.2	18.7	3.8	8.0	14.2
Telecommunications		-3.4 13.0	19.1	13.8	-4.2	-0.3	24.6
Consumer Discretionary		-3.9 -9.8	-7.0	-5.2	19.7	-12.8	57.9
Information Technology		-7.4 -5.1	-6.6	23.4	12.0	-15.4	41.3

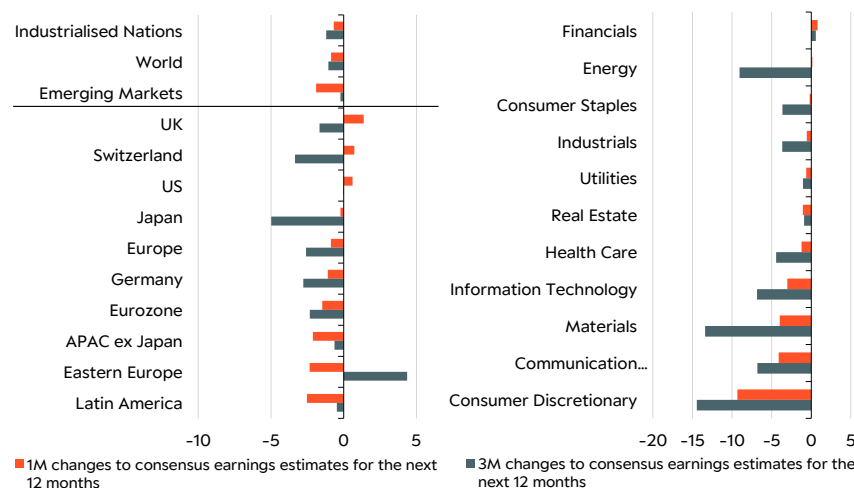
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Staples: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech.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

- Most European equity sectors have declined over the past four weeks. The IT sector in particular took a beating after disappointing quarterly reports and is now back in negative territory since the beginning of the year.
- By contrast, the financial sector is the best-performing sector since the beginning of the year, with a gain of 24.9 per cent.

Total return of European equity sectors and European style indices, 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: 31/07/2020 – 01/08/2025

## Changes in Consensus Earnings Estimates

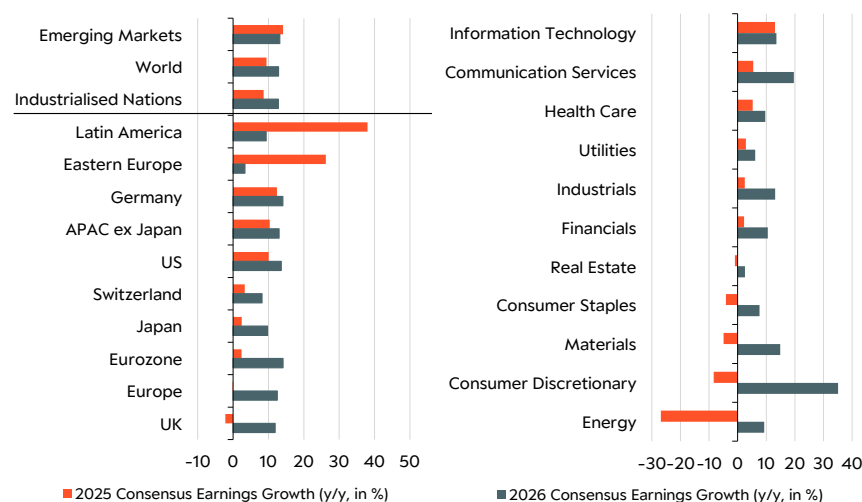


- Against the backdrop of potential growth implications from US tariffs, analysts have revised their earnings forecasts for the next 12 months downwards for most regions over the past four weeks.
- Earnings revisions in European sectors have shown a mixed picture over the past four weeks. The largest negative earnings revisions were in the cyclical consumer goods sector.

1-month and 3-month changes in consensus earnings estimates for the next 12 months of the regional and Europe sector MSCI indices, in per cent.

Source: FactSet, as of 01/08/2025

## Earnings Growth



- Overall, analysts remain positive. Global profit growth of around 10% is expected for 2025. For the coming year, the forecast is even higher at around 13%.
- A significant decline in profits is expected for energy stocks this year. Here, analysts are forecasting a decline of 26% compared with the previous year.

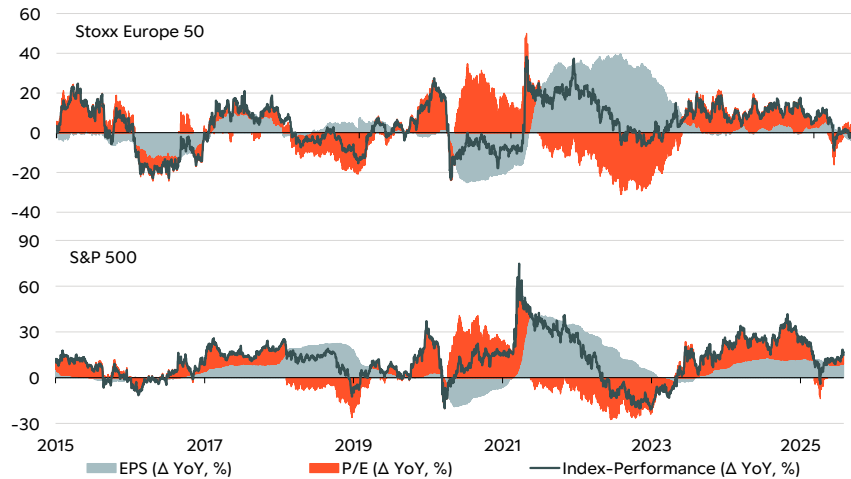
Consensus expected calendar year earnings growth for selected equity regions, year-on-year and in percent. The earnings estimates of the individual companies are aggregated upwards using the index weights ("bottom-up"). Regional and Europe Sector MSCI Indices. APAC ex Japan = Asia Pacific excluding Japan

Source: FactSet, as of 01/08/2025



# Equities — Valuation

## Contribution Analysis

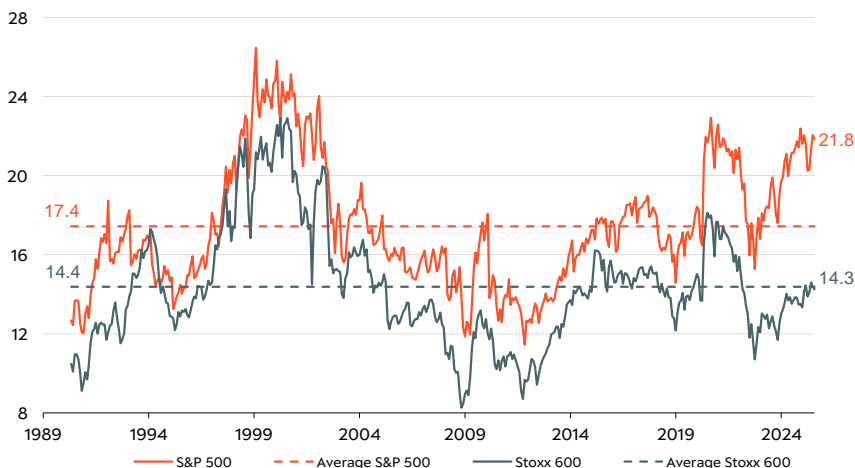


- The performance of European equities has recently continued to be driven by a rise in valuations, while earnings continue to decline compared with the previous year.
- In the US, on the other hand, performance continues to be largely driven by a rise in earnings expectations, although the rise in valuations has recently come to the fore.

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 – 01/08/2025

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

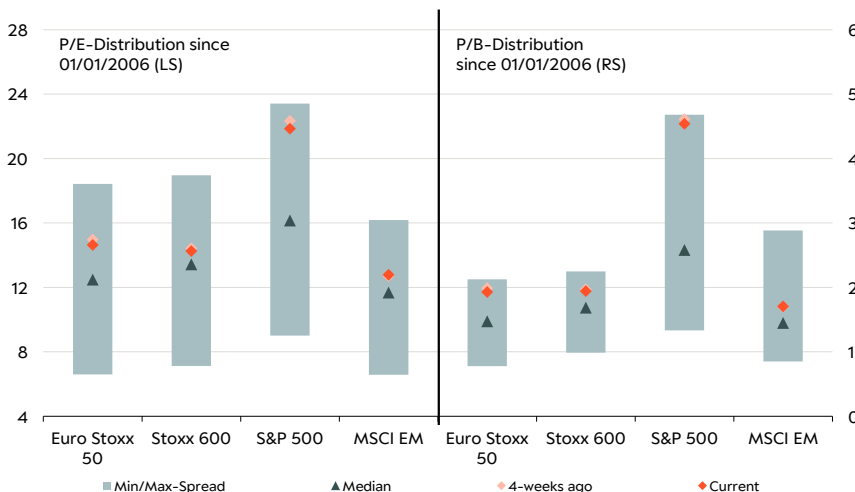


- Despite the recent market correction, valuations in the US have declined only marginally over the past two weeks and can therefore still be considered increasingly expensive.
- European equities, on the other hand, continue to trade close to their historical average.

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 – 01/08/2025

## Historical Distribution: Price/Earnings and Price/Book Ratio



- In historical context, valuation metrics have hardly changed over the past four weeks. US equities are trading close to their valuation highs, while equities from Europe and emerging markets still appear relatively more attractive.

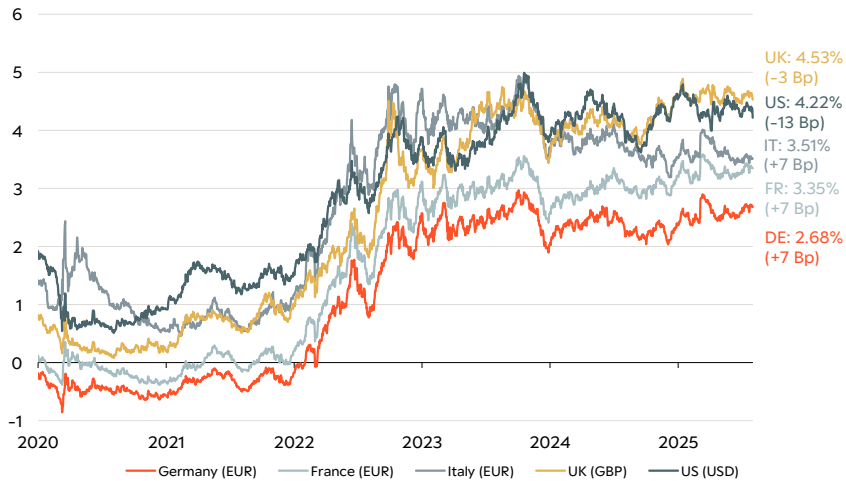
Historical distribution of valuation ratios for selected equity regions since 2006. In addition to the current value, the observation four weeks ago and the historical median, the maximum (upper limit of the blue bar) and minimum (lower limit of the blue bar) are shown.

Source: Bloomberg, Time period: 01/01/2006 – 01/08/2025



# Sovereign Bonds & Central Banks

## 10-Year Government Bond Yields

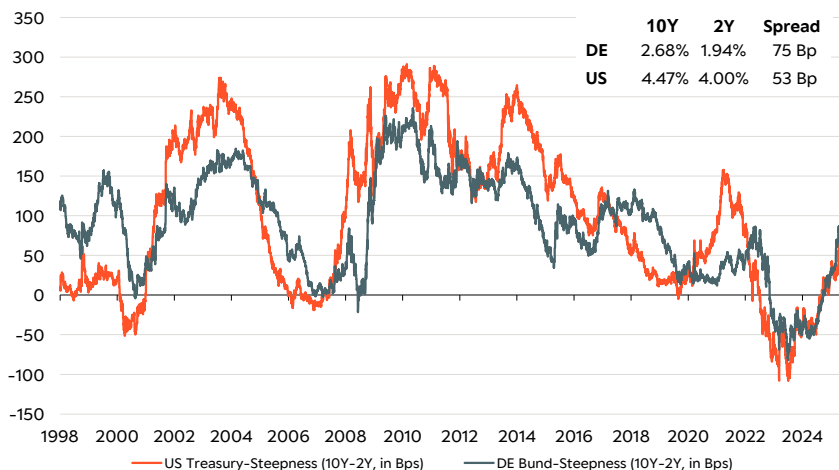


- Yields on US government bonds fell significantly to 4.22% at the end of the week following a worse-than-expected labour market report and weaker stock markets.
- European government bond yields, on the other hand, largely bucked this trend and have tended to be around 7 basis points higher over the last four weeks.

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 – 01/08/2025

## Yield Curve Steepness (10Y - 2Y)

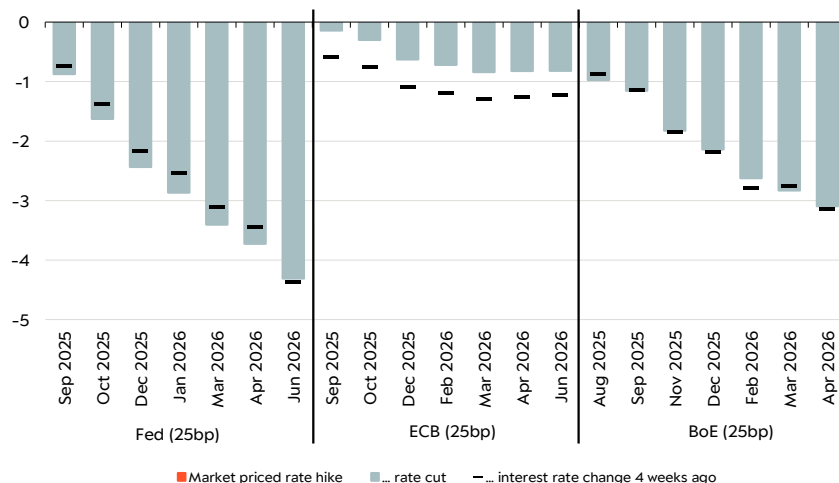


- The yield curve flattened significantly in Germany recently, contrary to the trend of recent months.
- While developments in Europe were driven in particular by the rise in short-term government bonds, the curve in the US flattened further due to the decline in longer-term interest rates.

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 – 01/08/2025

## Implicit Changes in Key Interest Rates



- Despite Powell's hawkish statements, investors raised their expectations for future Fed interest rate cuts following the weaker US labour market report. While a cut in September had been almost priced in until recently, the probability of this now stands at 89%.
- Expectations of a final interest rate cut by the ECB have recently been reduced slightly.

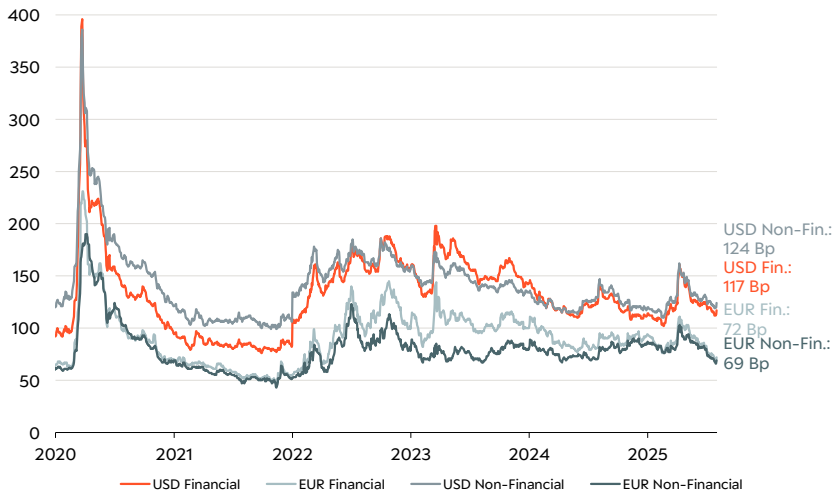
Derivatives on money market interest rates – such as the fed funds futures – can be used to determine the change (number of steps) in the key interest rate priced by the market.

Source: Bloomberg, Time period: 04/07/2025 – 01/08/2025



# Corporate Bonds

## Credit Spreads Financial and Non-Financial Bonds

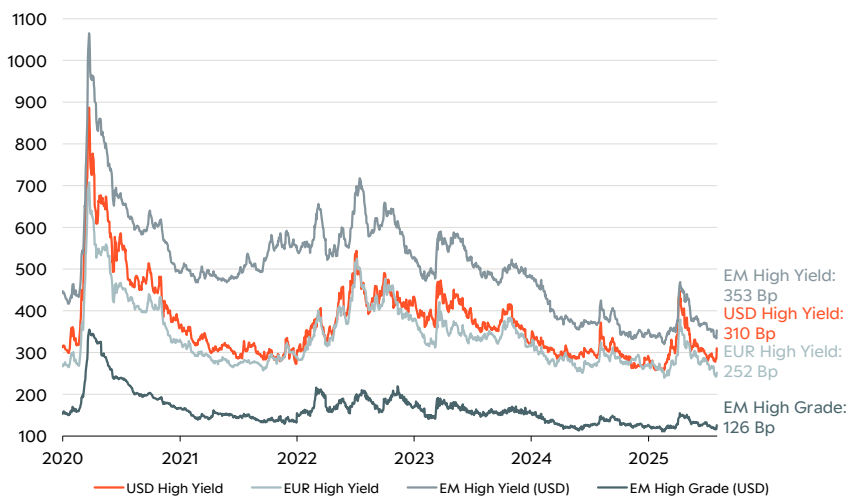


- Spreads on European corporate and financial bonds have fallen further in the last two weeks.
- As the swap spread has reached historic lows this year, risk premiums relative to government bonds are even at their lowest level since 2018.
- In the US, on the other hand, risk premiums have stagnated.

Explanations: see middle and lower figure.

Source: FactSet, Time period: 01/01/2020 – 01/08/2025

## Credit Spreads High Yield and Emerging Markets Bonds



- The risk premiums on EUR high-yield bonds have fallen significantly in recent weeks and are now close to their February lows.
- In the US, on the other hand, risk premiums have risen abruptly with the poor US labour market data.

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: 01/01/2020 – 01/08/2025

## 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	01/08/24	01/08/23	01/08/22	01/08/21	01/08/20
									01/08/25	01/08/24	01/08/23	01/08/22	01/08/21
EUR Government	2.79	0.08	7.0	-	-	-	-0.4	0.4	1.6	5.7	-9.5	-10.3	0.6
Germany	2.38	0.08	7.0	-	-	-	-0.5	-0.9	-0.4	4.7	-11.1	-8.5	-0.8
EUR Corporate	3.14	0.00	4.5	71	-9	35	0.3	2.3	4.5	7.6	-3.9	-9.5	3.2
Financial	3.17	0.01	3.8	72	-10	26	0.3	2.7	5.0	7.9	-3.0	-7.7	2.8
Non-Financial	3.12	0.00	4.9	69	-9	40	0.3	2.1	4.1	7.5	-4.4	-10.4	3.4
EUR High Yield	5.45	-0.30	3.4	252	-28	9	1.0	3.8	7.9	10.8	4.5	-10.6	10.0
US Treasury	4.03	-0.07	6.0	38	-2	96	0.6	4.3	2.9	5.0	-5.2	-8.4	-3.3
USD Corporate	5.00	-0.08	6.5	122	-4	34	0.8	5.0	5.1	8.0	-2.0	-12.1	1.7
Financial	4.93	-0.10	5.0	117	-5	43	0.9	5.3	6.2	8.7	-0.7	-10.2	2.0
Non-Financial	5.03	-0.07	7.3	124	-3	30	0.7	4.9	4.7	7.6	-2.5	-12.9	1.6
USD High Yield	7.39	0.04	3.8	310	20	21	0.2	4.8	8.4	11.3	3.6	-7.5	10.7
EM High Grade	4.91	-0.08	5.5	126	-3	8	0.9	5.1	5.8	7.4	1.0	-12.5	2.5
EM High Yield	7.45	-0.34	4.1	353	-12	10	1.2	6.0	10.0	14.4	7.3	-21.2	8.1

- The trends of recent months have recently continued: segments with greater credit risk and shorter maturities were in the lead and government bonds in Europe in particular recorded losses.

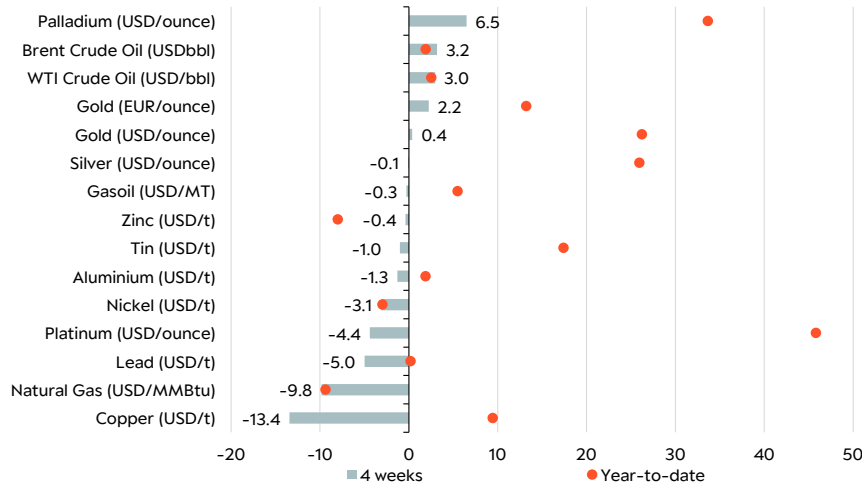
ICE BofA indices in the following sequence: Euro Government; German Government; Euro Corporate; Euro Financial; Euro Non-Financial; Euro High Yield; US Treasury; US Corporate; US Financial; US Non-Financial; US High Yield; High Grade Emerging Markets Corporate Plus; High Yield Emerging Markets Corporate Plus. EM indices are hard currency bonds.

Source: FactSet, Time period: 01/08/2015 – 01/08/2025



# Commodities

## Commodities Performance

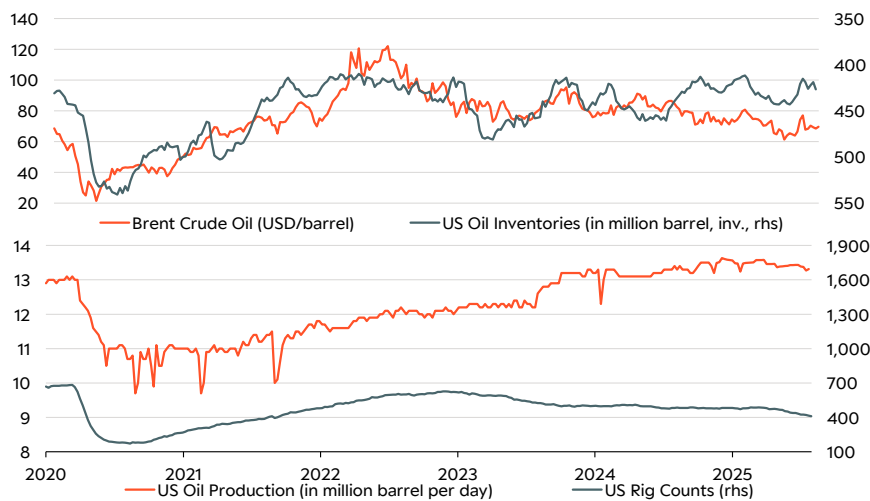


- In anticipation of the US import tariffs on copper, the price difference between the copper price on the LME and the COMEX had widened to around 30% in recent weeks. Following Trump's announcement that these import duties would only be levied on semi-finished copper products, the copper price on the COMEX fell significantly. Currently, prices on the LME and COMEX are back on par.

Total return of selected commodity indices, in percent, sorted by 4-week performance.

Source: Bloomberg, Time period: 31/12/2024 – 01/08/2025

## Crude Oil

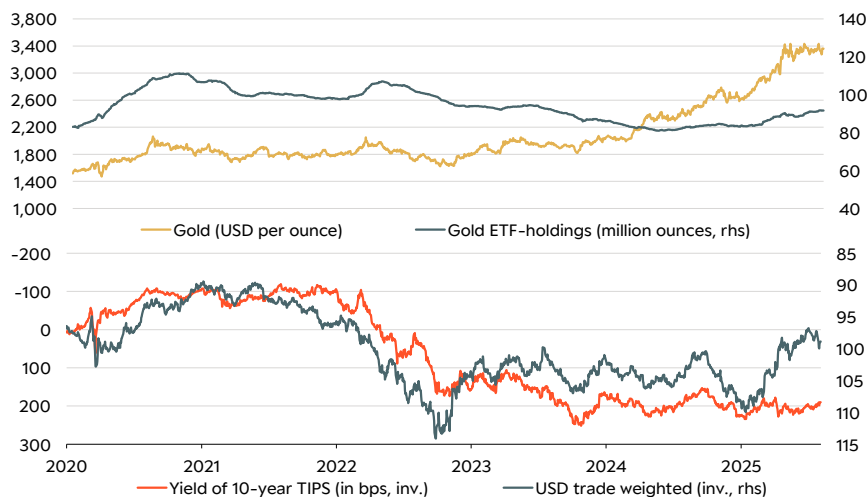


- On Sunday, OPEC+ decided to further increase its oil production by 550 thousand barrels per day.
- Despite these significant production increases, the oil price has remained stable over the last few weeks. The seasonally high demand, low stock levels and the risk of US sanctions on Russian oil exports are providing support. Should the latter materialise, the oil price could rise significantly.

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 – 01/08/2025

## Gold



- Following the agreement between the EU and the US in the tariff conflict and the Fed meeting, the price of gold fell temporarily and dropped below USD 3,300 per ounce.
- However, the recent weak US labour market data gave the precious metal a positive boost.

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 – 01/08/2025



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