Berenberg Markets

Monitor

21.07.2025

Current market commentary

The global equity markets experienced a positive first half of July in line with historical seasonality. The first results of the reporting season are solid. However, the outlook for companies remains cautious due to the US trade war. The macro data has also hardly shown any signs so far following the US tariff chaos: US inflation surprised to the downside once again and the US labor market remains robust. The markets were therefore not bothered by the fact that Trump once again increased the pressure on his trading partners - this time by letter. What investors did not like at all, however, was the supposed letter of resignation to Powell. Equities, bonds and the US dollar fell sharply, but recovered just as quickly following the denial. The coming weeks are likely to be more volatile. The positioning of discretionary and, above all, systematic investors has increased considerably in recent weeks, which has increased the risk of falls in the event of bad news. In addition, we believe that the equity markets are still (too) relaxed about the postponed deadline for the tariff break. The negotiations to date show that even if a deal is reached, a significant portion of the US tariffs will often remain in place.

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

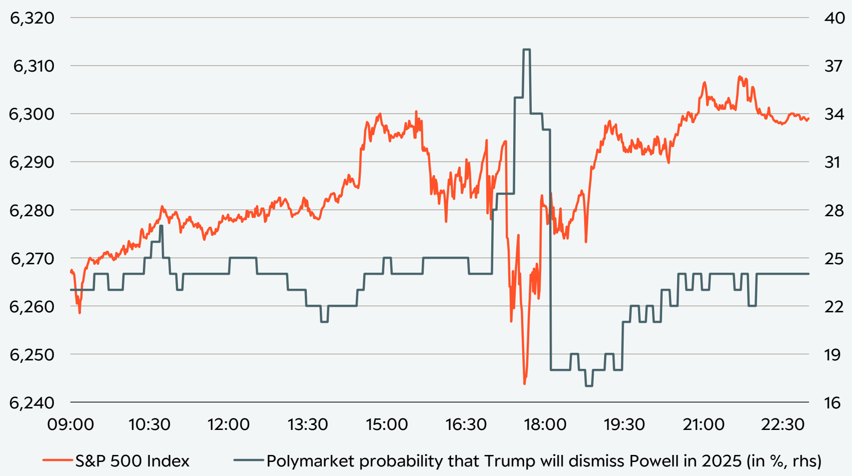
Start of the reporting season and interest rate decisions at a glance.

The current reporting season for the second quarter of 2025 is overshadowed by Trump's tariff policy and the weak dollar. The latter could lead to positive earnings surprises for US companies. Things also remain exciting on the customs front - the US government's tariffs will come into force on August 1. Donald Trump recently announced tariffs of 30% on goods from the EU. Monetary policy will also be interesting. The ECB meets on July 24, the Fed just under a week later on July 30.

Markets focus on PMIs, consumer price indices and GDP.

The preliminary purchasing managers' figures (July) for the eurozone, the UK and the US will be published on Thursday. We are also expecting the Japanese consumer price index (Jul). The retail sales figures (Jun) for the UK will follow on Friday. The following week will see the GDP data for the second quarter of 2025 for Germany, the eurozone and the US on Wednesday. This will be followed on Thursday by the German consumer price index (Jul) and the inflation figures for the eurozone (Jul) and the USA (Jun).

Rumors of the Fed chair's dismissal moved the markets on Wednesday



- Trump's trial balloon? Reports about the possible dismissal of Fed Chairman Powell by Donald Trump triggered strong market reactions.
- Until the denial, shares and the US dollar fell sharply, 30-year US yields rose above 5% and yield curves steepened noticeably. Only gold made gains.
- Investors seem to fear that if Powell is dismissed, the US will not only pursue an irresponsible fiscal policy, but also an irresponsible monetary policy.

Source: Bloomberg, As of: 16/07/2025

Performance

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	🟥 4W (20/06/25 - 18/07/25)	▪ YTD (31/12/24 - 18/07/25)	18/07/24 18/07/25	18/07/23 18/07/24	18/07/22 18/07/23	18/07/21 18/07/22	17/07/20 18/07/21
MSCI Frontier Markets	8.5	13.1	19.5	13.8	-6.4	-3.5	31.9
Industrial Metals	7.3	0.9	5.5	9.2	-6.9	8.4	38.8
Global Convertibles	4.8	-2.7	9.4	4.9	-0.6	-9.9	28.3
MSCI Emerging Markets	4.5	5.0	8.4	14.0	-2.8	-12.6	25.2
MSCI World	4.0	-1.6	8.1	22.7	9.3	0.1	29.5
EUR Coporates	0.4	2.1	5.2	6.5	-0.8	-11.7	3.4
Euro overnight deposit	0.1	1.3	2.9	4.0	1.8	-0.6	-0.5
EUR Sovereign Debt	-0.1	1.5	3.8	3.8	-3.7	-7.5	0.7
REITs	-0.4	-7.9	-4.5	9.3	-15.7	0.2	26.8
USDEUR	-0.9	-11.0	-6.3	3.0	-9.7	16.4	-3.2
Gold	-1.4	13.7	28.4	27.3	4.6	9.8	-3.1
Brent	-8.1	-10.8	-11.9	22.4	-17.8	98.4	62.8

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.

- Over the last four weeks, shares in the frontier markets have topped the performance rankings. These equities have also been well ahead of other equity regions since the start of the year.
- While global convertible bonds have recently shown some strength, euro government bonds are trending almost unchanged.
- Crude oil has lost more ground in the last four weeks, while industrial metals have performed positively.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 18/07/2020 – 18/07/2025

Equities

	4-week & YTD		12-month periods over that last 5 years				
	🟥 4W (20/06/25 - 18/07/25)	▪ YTD (31/12/24 - 18/07/25)	18/07/24 18/07/25	18/07/23 18/07/24	18/07/22 18/07/23	18/07/21 18/07/22	17/07/20 18/07/21
MSCI USA Small Caps	5.1	-8.8	0.2	14.2	6.4	-1.7	44.0
S&P 500	4.7	-4.0	8.0	26.9	9.7	4.4	31.9
MSCI EM Asia	4.6	4.3	8.8	16.4	-5.4	-13.0	24.6
DAX	4.0	22.0	32.3	13.8	24.4	-16.6	20.3
Stoxx Europe Cyclicals	4.0	18.9	22.5	21.1	19.9	-12.6	31.9
Stoxx Europe Small 200	3.8	10.9	8.3	11.3	5.7	-18.6	36.9
Euro Stoxx 50	2.5	11.6	12.7	14.2	27.6	-10.7	22.1
Stoxx Europe 50	1.4	6.6	4.1	15.7	15.2	2.4	17.4
MSCI UK	1.1	6.8	9.8	17.4	4.8	11.2	22.5
Stoxx Europe Defensives	-0.6	4.3	0.3	14.9	5.0	9.4	9.5
MSCI Japan	-0.8	-4.6	-2.1	19.0	10.0	-7.5	18.5
MSCI EM Latin America	-1.2	11.3	-1.0	-1.5	23.9	-4.3	28.6

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 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.

- Almost all stock markets have performed positively over the past four weeks. US equities, which have been trending negatively in euros since the beginning of the year, performed best.
- Small caps once again performed well and recently outperformed their large-cap counterparts in both Europe and the US.
- Japanese and Latin American equities have recently lagged behind.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 18/07/2020 – 18/07/2025

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	🟥 4W (20/06/25 - 18/07/25)	▪ YTD (31/12/24 - 18/07/25)	18/07/24 18/07/25	18/07/23 18/07/24	18/07/22 18/07/23	18/07/21 18/07/22	17/07/20 18/07/21
EM Local Currency Bonds	0.9	-1.6	11.0	0.0	11.3	-16.5	4.7
EUR High Yield	0.7	3.3	7.8	7.9	9.9	-22.3	5.5
EUR Financials	0.5	2.6	7.9	11.1	7.5	-13.6	10.5
EUR Non-Financials	0.4	2.0	5.8	7.0	-0.5	-9.7	3.0
USD High Yield	0.4	-6.7	2.4	13.5	-3.1	4.3	7.6
EM Hard Currency Bonds	0.3	-6.4	4.9	6.2	-1.0	-12.8	3.7
BTPs	0.1	1.9	5.7	6.3	4.4	4.5	4.1
USD Corporates	-0.2	-7.6	5.1	5.8	-1.9	-13.1	4.8
Chinese Sovereign Bonds	-0.4	-8.2	-2.3	8.6	-8.7	-1.9	-1.7
Bunds	-0.7	-0.8	0.8	2.1	-7.2	-10.6	-0.9
Treasuries	-0.8	-8.3	-3.4	5.5	-10.9	4.6	-5.9
Gilts	-1.9	-3.0	-1.6	5.9	-15.0	-15.7	-4.7

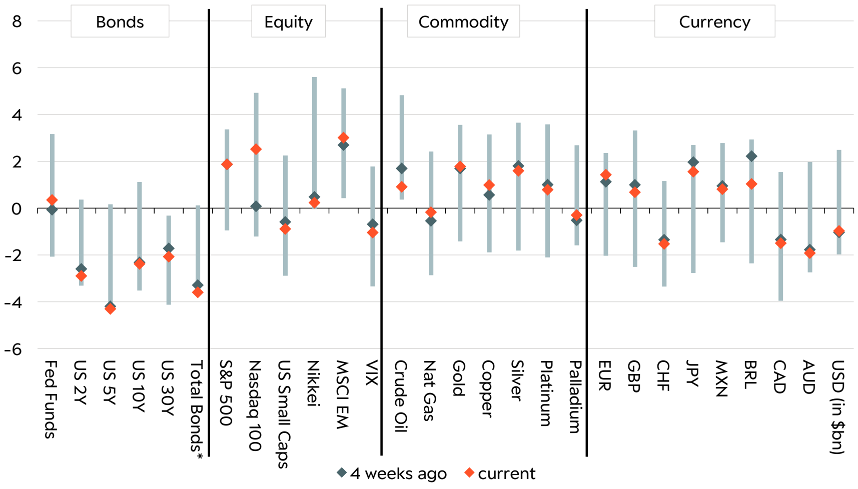
Bunds: ICE BofA German Government Index; BTPs: ICE BofA Italy Government Index; Treasuries: ICE BofA US Treasury TR; Gilts: ICE BofA UK Gilt Index; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: ICE BofA Euro Financial Index; EUR Non-Financials: ICE BofA Euro Non-Financial Index; EUR High Yield: 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 Inde

- In addition to local currency bonds from emerging markets, euro high-yield bonds and financial and non-financial bonds have again benefited in the last four weeks. USD high-yield bonds also rose slightly.
- By contrast, government bonds were among the biggest losers over the past four weeks, particularly those from the UK, the US, Germany and China.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 18/07/2020 – 18/07/2025

Positioning

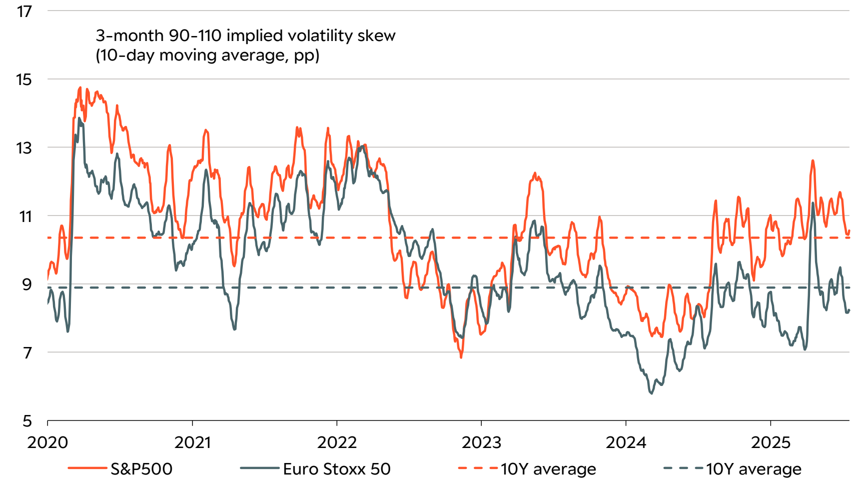
Non-commercial Positioning



- US big tech was only briefly out of fashion and is now back in vogue. Hedge funds have built up significant long positions in the Nasdaq 100 over the past month. Speculative investors, on the other hand, remain positioned on the short side for US small caps.

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: 15/07/2015 – 15/07/2025

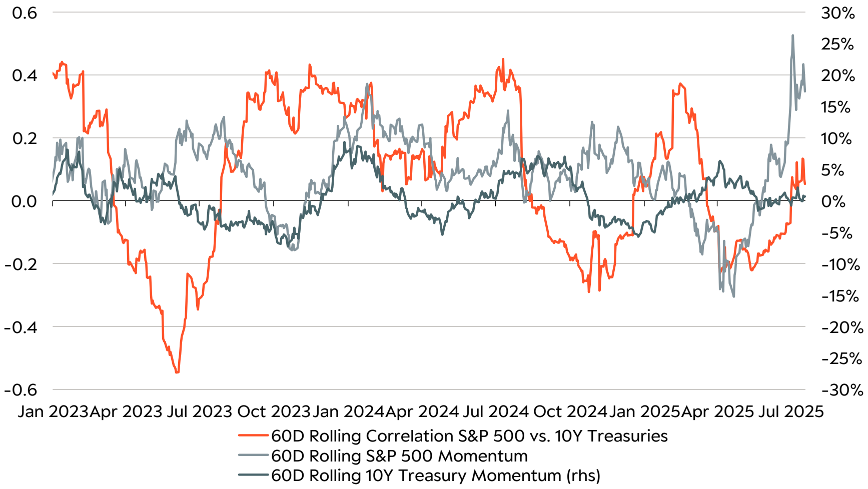
Put-Call-Skew



- The put-call skew has fallen slightly again in recent weeks. In both Europe and the US, this is mainly driven by the call skew (100-110). Despite the strong performance in recent weeks, investors seem to be continuing to bet on rising prices.

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: 18/07/2015 – 18/07/2025

60-Day Momentum and Correlation

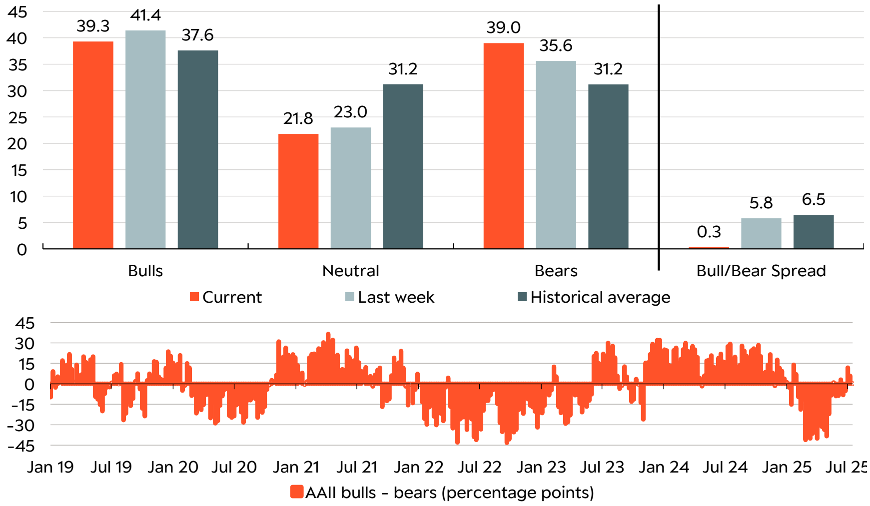


- Momentum on the US stock market remains strong and realised volatility low. Accordingly, trend-following strategies are likely to be close to their maximum equity allocations by now. This means that stock markets have become more vulnerable to falling prices again.

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 – 18/07/2025

Sentiment

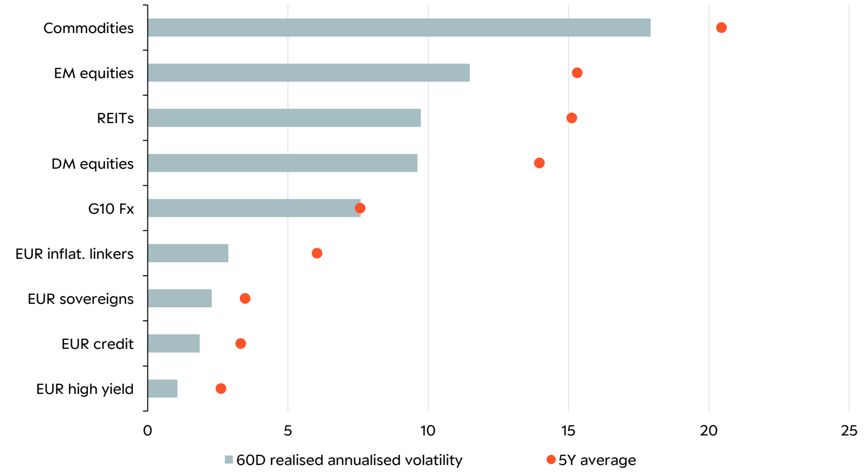
AAII Markt Sentiment Survey (Bull vs Bears)



- Despite record highs on the stock markets, optimism among US private investors is still lacking – the future of trade and monetary policy appears too uncertain. Should the uncertainty subside, incremental buyers would likely emerge.

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 – 17/07/2025

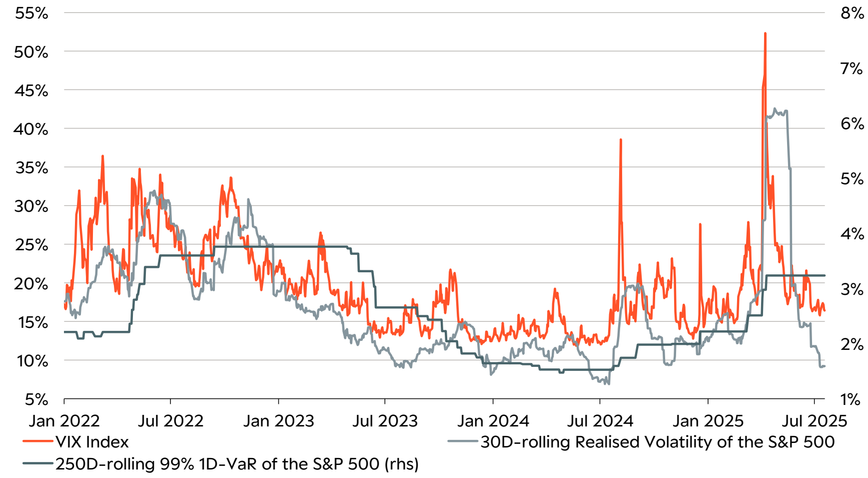
Realised Volatilities



- Realised volatility is now below its medium-term average for all asset classes except currencies.
- With the sharp fluctuations around Liberation Day no longer included in the calculation window, high-yield EUR bonds are now once again the asset class with the lowest volatility.

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: 18/07/2020 - 18/07/2025

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

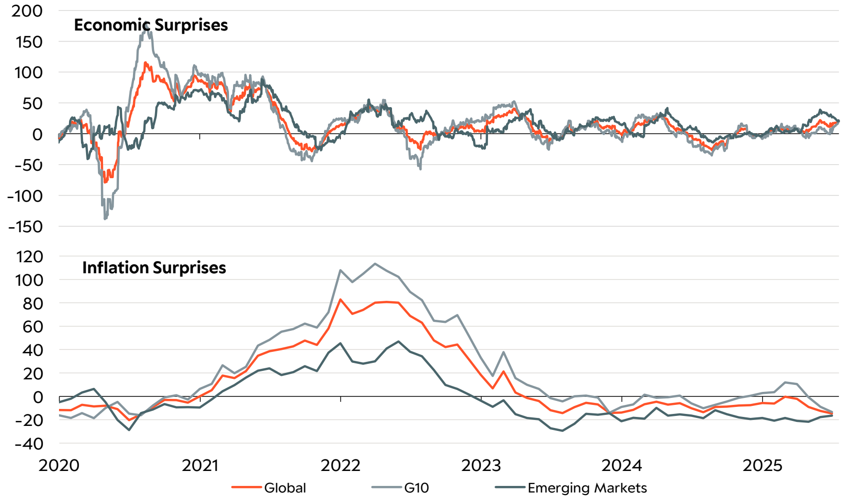


- Realised 30-day volatility has recently fallen below 10%. The VIX, however, is stagnating above the 15 mark. The volatility premium, which is very high by historical standards, signals that investors do not believe the calm of recent weeks will continue.

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 – 18/07/2025

Surprise Indicators

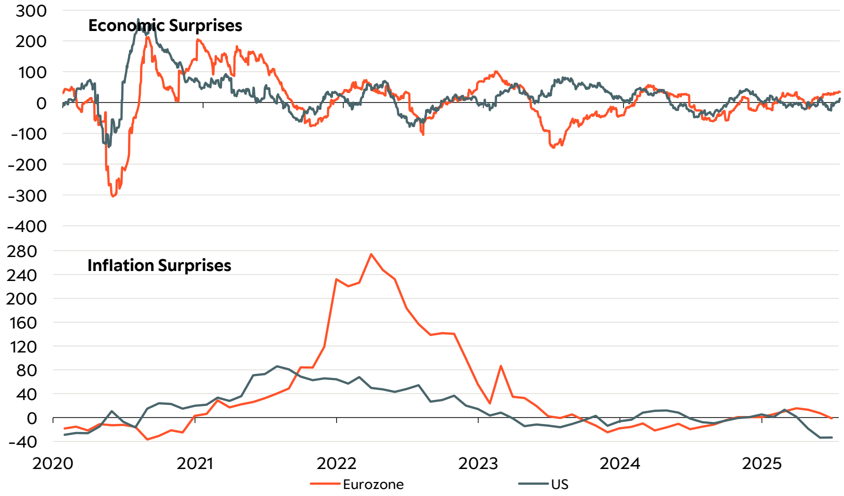
Global



- Over the past two weeks, economic surprises have been increasingly positive in both industrialised and emerging markets.
- In Canada, the unemployment rate in June was lower than expected, while retail sales in May surprised on the upside. In Australia, the number of people in employment in June was disappointing.
- In Brazil, consumer price inflation was slightly above expectations in June, while it surprised on the downside in India.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 18/07/2025

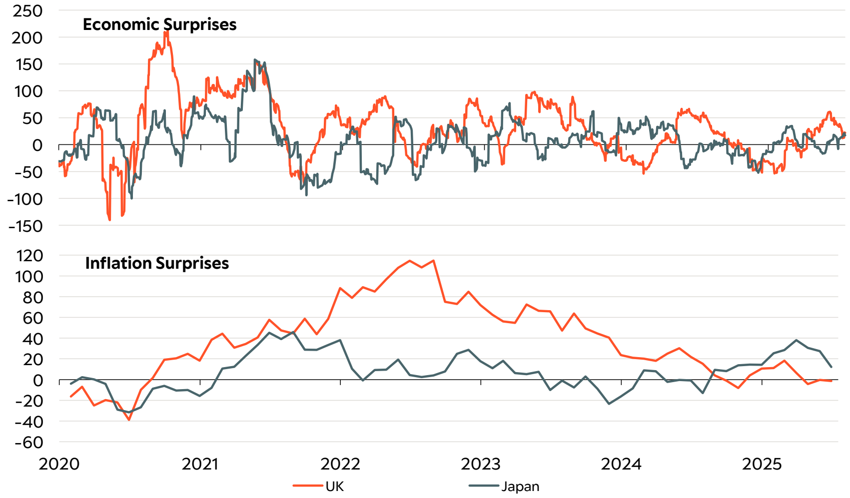
Eurozone and US



- Over the past two weeks, economic surprises in the US have increasingly turned positive, while they remained positive in Europe.
- In the US, the latest initial jobless claims were below expectations, while retail sales in June surprised on the upside.
- In the eurozone, industrial production in May exceeded expectations, while consumer price inflation in June was in line with expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 18/07/2025

UK and Japan

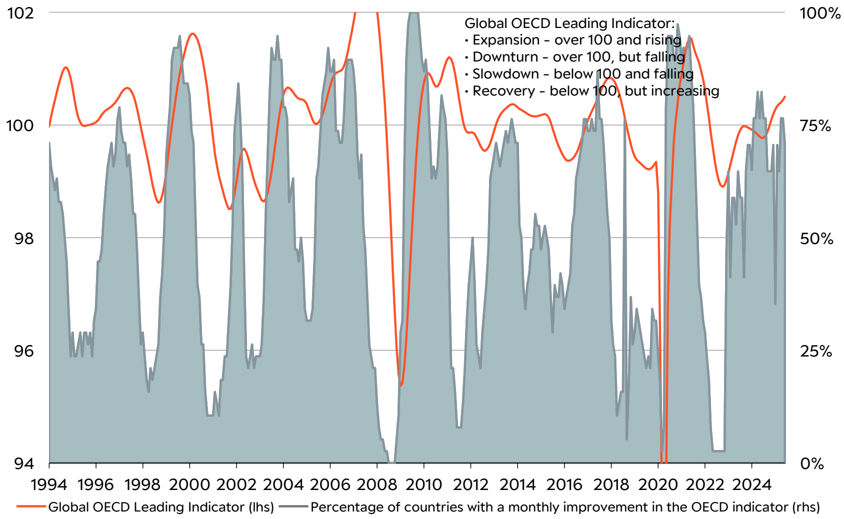


- In the UK, GDP growth in the first quarter and industrial production in May came in lower than expected.
- In Japan, producer price inflation in June and industrial orders in May were below expectations.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.
Source: Bloomberg, Time period: 01/01/2020 – 18/07/2025

Economics

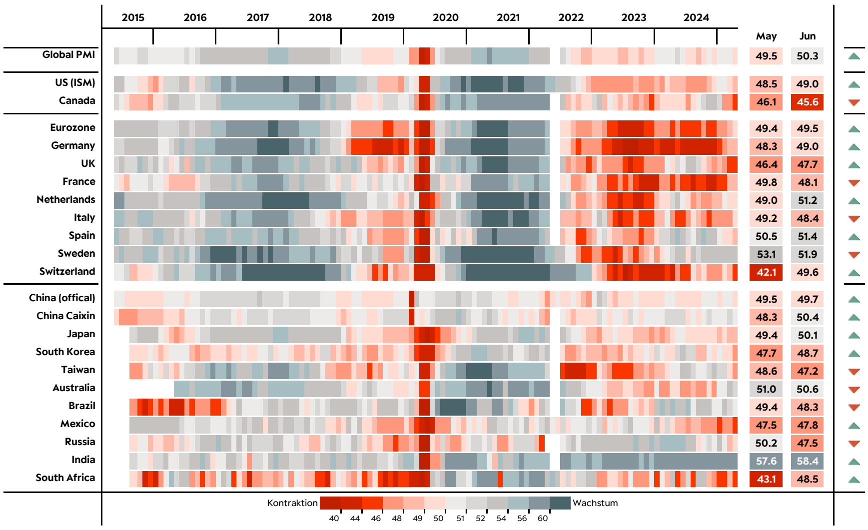
OECD Leading Indicator



- 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 – 18/07/2025

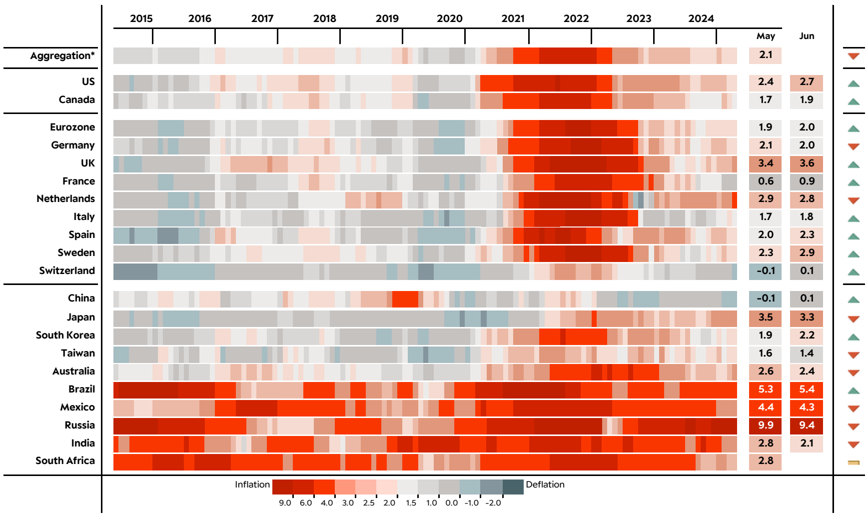
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- PMI data for June pointed to a recovery in global industrial activity. In Germany, the PMI index rose in June compared with the previous month but remained below the 50 mark.

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 – 18/07/2025

Headline Inflation

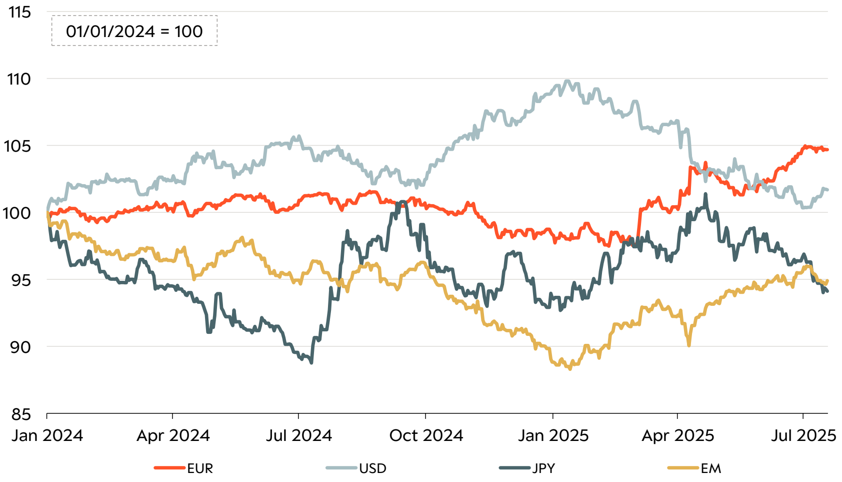


- Consumer price inflation data for June point to regional differences. The annual inflation rate in the US rose in June compared with the previous month, while it fell in Japan and Germany. In Germany, falling energy prices contributed significantly to the decline in the inflation rate compared with the previous month.

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 – 18/07/2025

Foreign Exchange

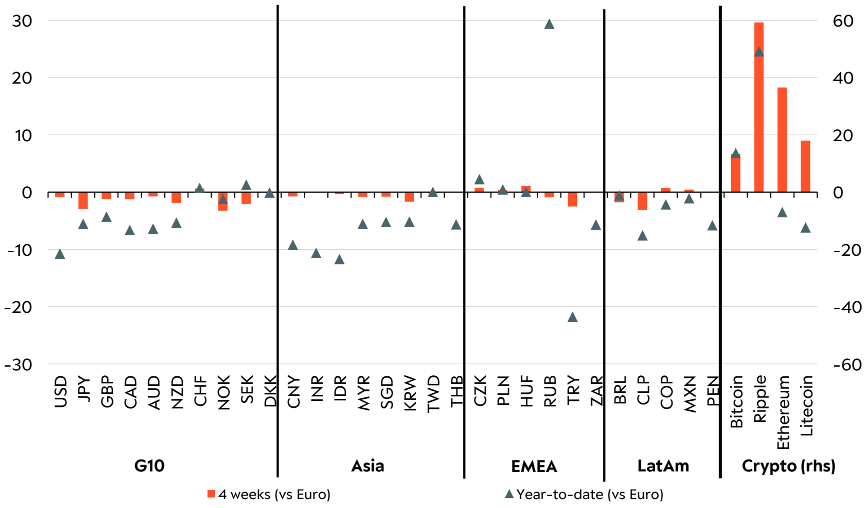
Trade-Weighted Currency Development



- The US dollar reversed its downward trend since the beginning of the year in the last two weeks and appreciated on a trade-weighted basis.
- The recent negative momentum in positive economic surprises in Japan and lower-than-expected producer price inflation in June weighed on the Japanese yen.

A trade-weighted index is used to measure the effective value of an exchange rate against a basket of currencies. The importance of other currencies depends on the share of trade with the country or currency zone.
Source: Bloomberg, Time period: 01/01/2024 – 18/07/2025

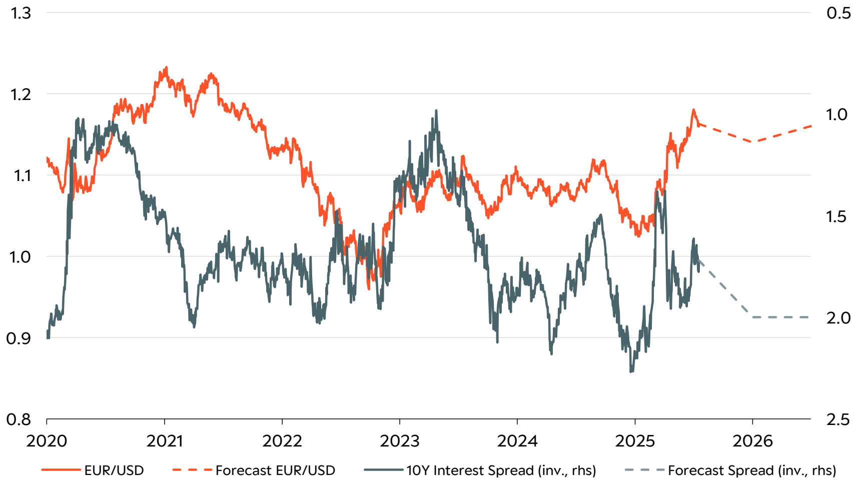
Currency Moves vs Euro



- Over the past four weeks, the euro has gained value against most of the currencies shown here.
- Contrary to investor expectations, the Reserve Bank of Australia (RBA) left its key interest rate unchanged after its regular meeting in July. However, as the Australian labour market appears to be cooling somewhat, the RBA could cut interest rates in August.
- The Turkish lira continued its downward trend of the year in the last four weeks.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 01/01/2025 – 18/07/2025

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 170 basis points.
- By contrast, the euro depreciated against the US dollar 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 – 18/07/2026

Equities – Performance & Earnings

European Sector & Style Performance

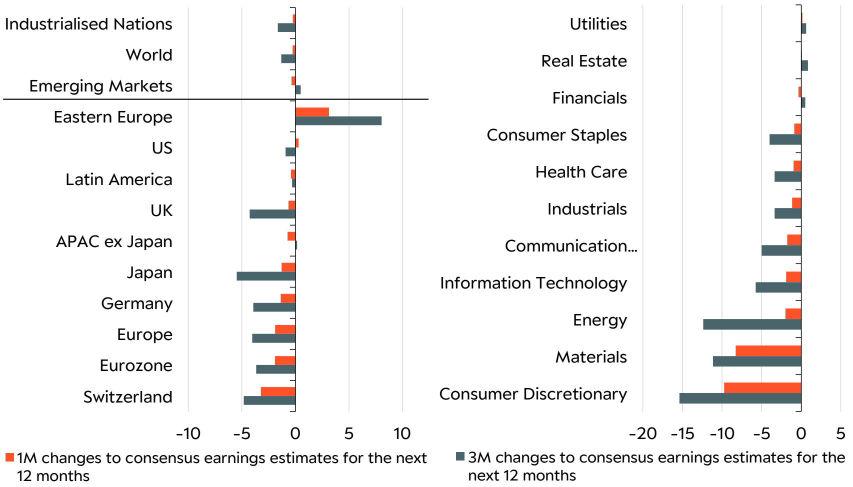
	4-week & YTD		12-month periods over that last 5 years				
	🟥 4W (20/06/25 - 18/07/25)	■ YTD (31/12/24 - 18/07/25)	18/07/24 18/07/25	18/07/23 18/07/24	18/07/22 18/07/23	18/07/21 18/07/22	17/07/20 18/07/21
Industrials	5.5	20.0	25.0	19.7	21.8	-12.9	36.6
Finance	3.5	24.7	34.5	26.3	24.7	-3.1	26.5
Consumer Discretionary	3.3	-5.8	-6.5	-1.4	28.4	-17.2	45.7
Growth	2.2	4.4	1.7	11.4	12.6	-9.7	25.2
Information Technology	2.1	2.5	0.1	22.6	27.9	-22.2	31.7
Materials	1.6	2.9	-3.0	12.3	11.3	-11.3	35.6
Value	1.4	14.8	16.0	17.4	14.1	0.4	22.8
Utilities	-0.2	19.9	20.5	4.5	9.0	-1.7	7.4
Telecommunications	-0.4	15.4	19.2	17.7	-5.9	-0.5	17.1
Consumer Staples	-1.3	4.8	1.1	-1.0	-0.1	1.7	14.6
Health Care	-1.9	-5.4	-13.4	16.8	0.6	9.3	6.8
Energy	-1.9	3.9	-7.4	19.3	12.9	41.4	16.9

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 sectors have shown mixed performance over the past four weeks. Shares in the industrial and financial sectors as well as cyclical consumer goods performed particularly well.
- With a return of 24.7 per cent since the beginning of the year, the financial sector is the best performing sector.

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: 18/07/2020 – 18/07/2025

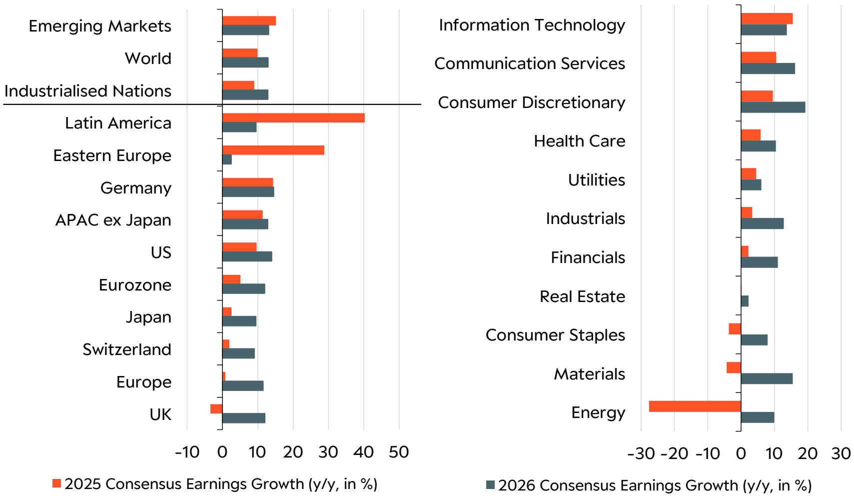
Changes in Consensus Earnings Estimates



- Against the backdrop of potential growth implications from the tariffs, analysts have further revised down their earnings forecasts for the next 12 months in almost all European sectors and regions over the past four weeks.
- The only exception is Eastern Europe, where earnings forecasts have been revised upwards again.

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 18/07/2025

Earnings Growth

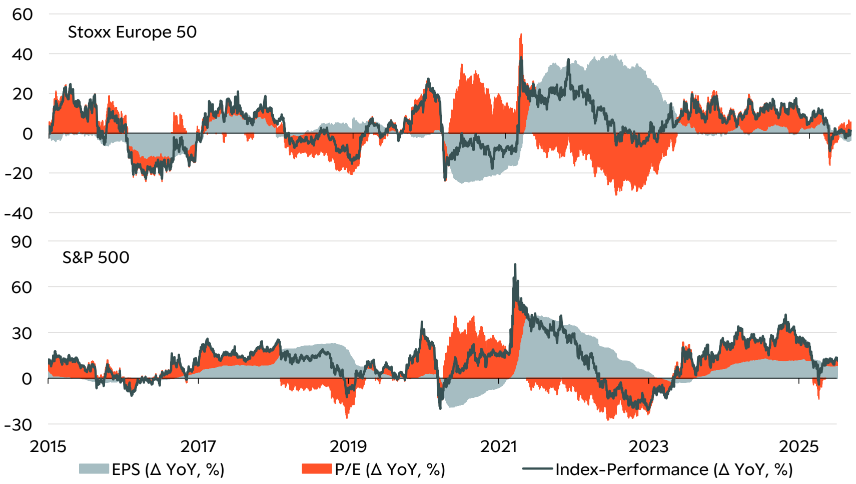


- Overall, analysts remain positive. Global profit growth of around 10% is expected for 2025. For the coming year, the forecast is even higher at around 13%.
- A significant decline in profits is expected for energy stocks this year. Here, analysts are forecasting a decline of 28% compared to the previous 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 18/07/2025

Equities — Valuation

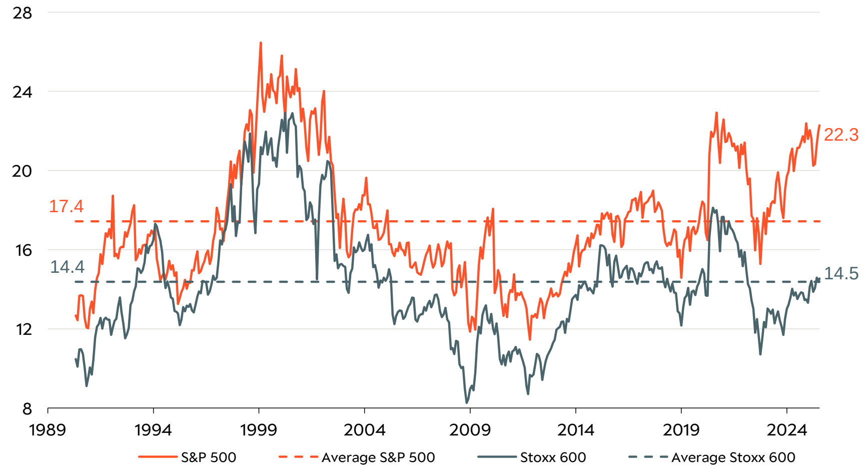
Contribution Analysis



- While earnings estimates for European equities have fallen over the last 12 months, valuations have risen, partly due to looser fiscal policy in Europe.
- In the USA, on the other hand, the trend continues to be driven largely by an increase in profits, although the slight increase in valuations has also recently supported the stock market trend.

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 – 18/07/2025

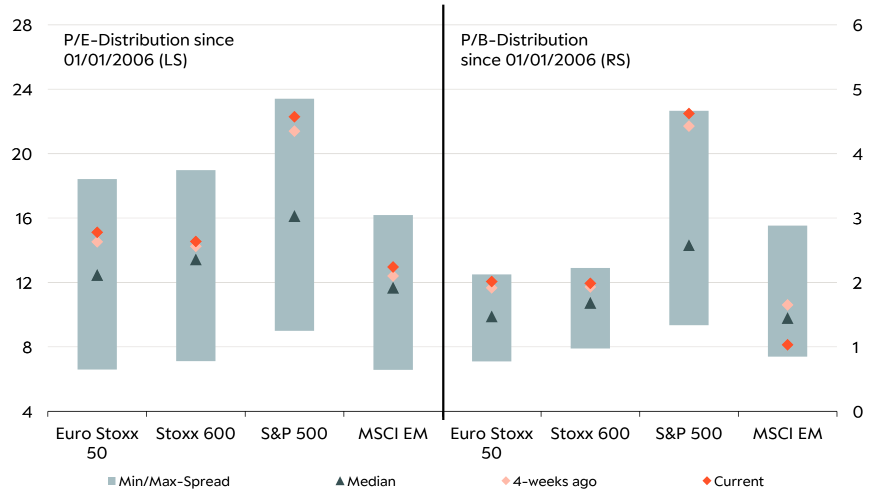
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- With a P/E ratio of over 22, US equities can still be considered increasingly expensive by historical standards. Although the level is still well below the high from 1999, it is also only close to the highs of the recent past.
- European equities, on the other hand, are still trading at the average of the historical data.

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 - 18/07/2025

Historical Distribution: Price/Earnings and Price/Book Ratio

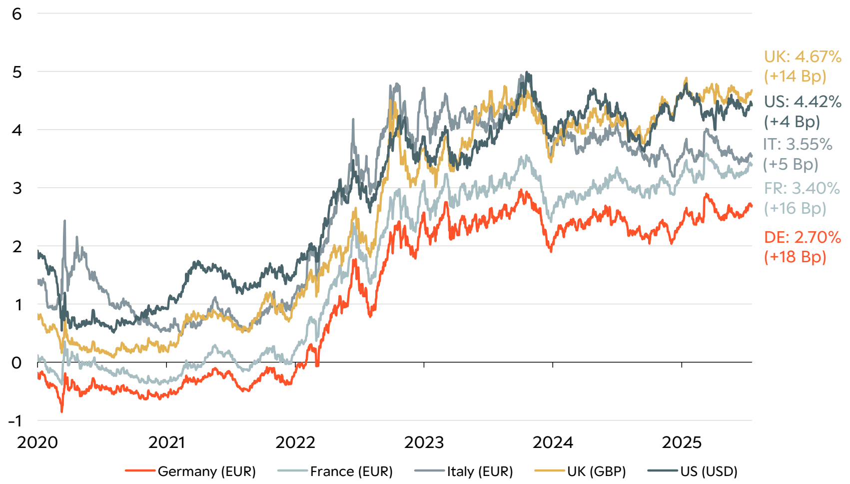


- While US equities continue to trade close to their valuation highs in a historical comparison, European equity markets and emerging market equities still appear relatively more attractive in terms of valuation.
- On a P/B basis, emerging market equities still appear to be the most attractive, while US equities remain historically 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 blue bar) and minimum (lower limit of the blue bar) are shown.
Source: Bloomberg, Time period: 01/01/2006 – 18/07/2025

Sovereign Bonds & Central Banks

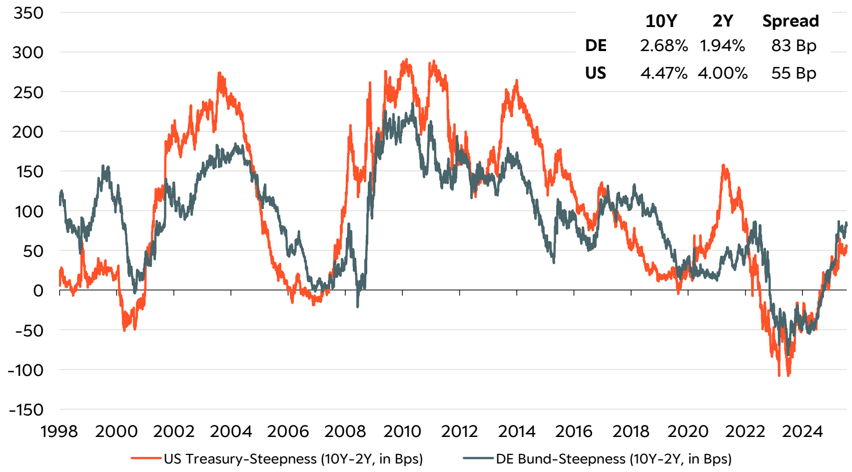
10-Year Government Bond Yields



- Yields on long-dated government bonds have recently risen more sharply again. In addition to higher-than-expected inflation rates in the UK and uncertainty ahead of the elections to the upper house of parliament in Japan, the rumor of Donald Trump's dismissal of Fed Chairman Jerome Powell also weighed heavily last week.
- Rising government debt and concerns about a renewed rise in inflation are also weighing on share prices.

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 – 18/07/2025

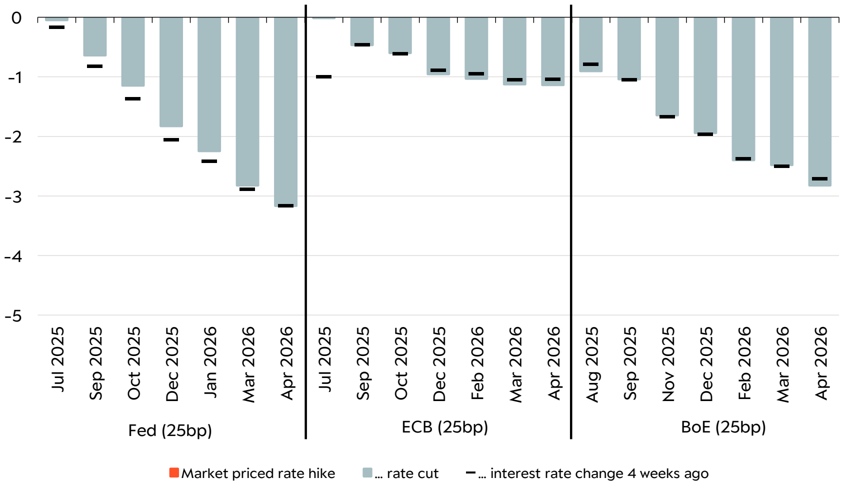
Yield Curve Steepness (10Y - 2Y)



- The yield curves in the US and Germany steepened in the wake of Powell's dismissal rumors.
- The assumption of early interest rate cuts under a new central bank chairman appointed by Trump, combined with a still high inflation rate, led to a steepening on both sides of the Atlantic.

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 – 18/07/2025

Implicit Changes in Key Interest Rates

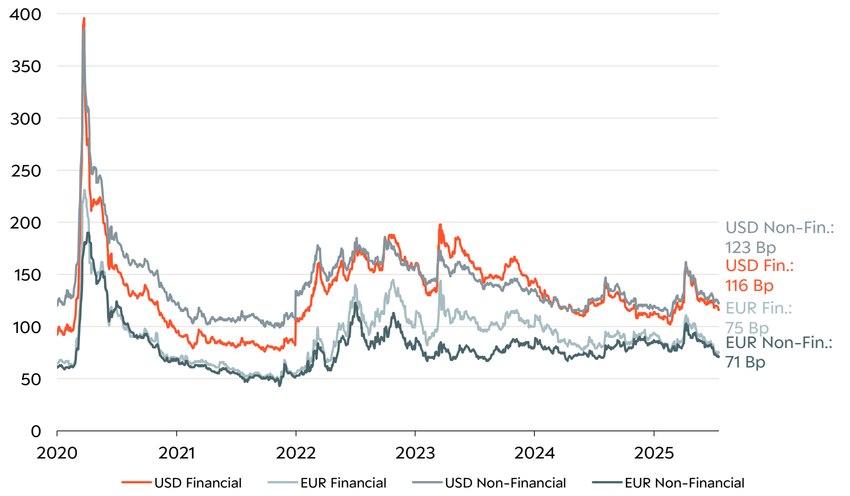


- Market participants expect around two more interest rate cuts from the Fed this year. Increasingly, one rate cut is expected in October and one in December.
- In contrast, it is assumed that the ECB has come close to its target rate. Market participants expect only one interest rate cut.
- In the UK, two more interest rate cuts are expected by the end of the year despite higher inflation rates.

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: 18/06/2025 – 18/07/2025

Corporate Bonds

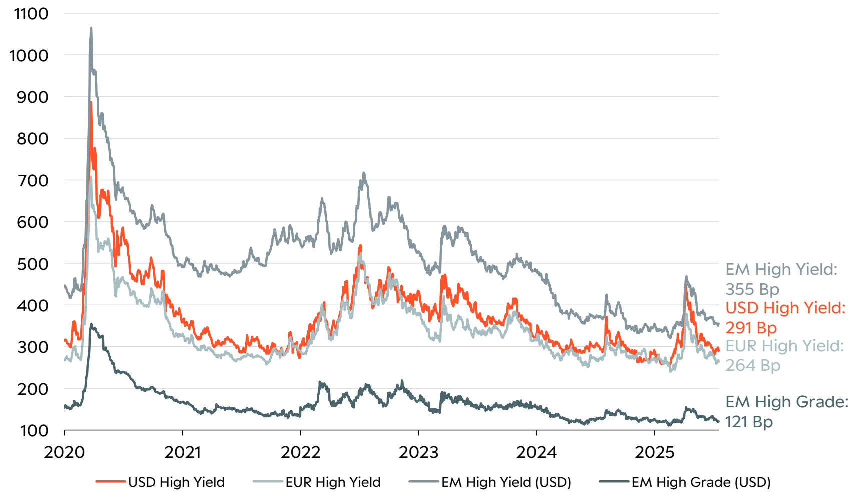
Credit Spreads Financial and Non-Financial Bonds



- Risk premiums for EUR corporate bonds have fallen further in recent weeks and are now at their lowest level this year.
- In the US, spreads have also narrowed, but still have more than 10 basis points to go before reaching the lows of mid-February.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2020 – 18/07/2025

Credit Spreads High Yield and Emerging Markets Bonds



- European high-yield bonds also saw credit spreads decline in recent weeks, but unlike corporate bonds, spreads here are still a good 25 basis points above this year's lows.
- In the US, risk premiums have recently stagnated.

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 – 18/07/2025

Bond Segments Overview

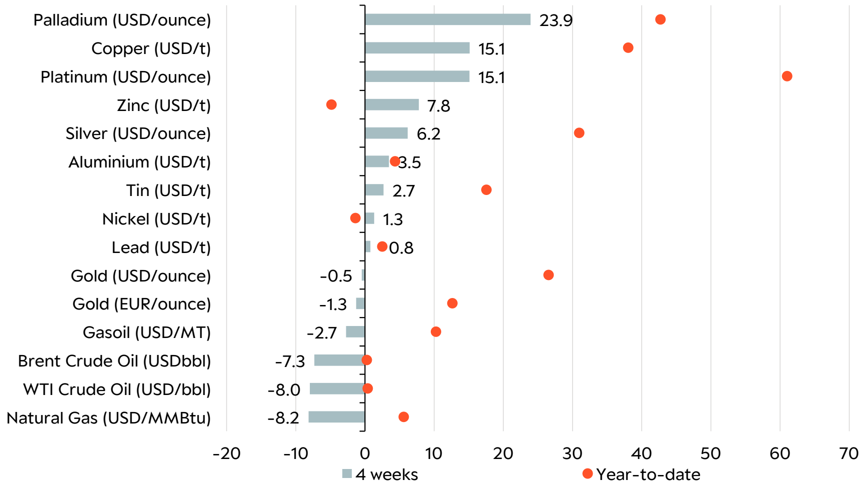
	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	18/07/24 18/07/25	18/07/23 18/07/24	18/07/22 18/07/23	18/07/21 18/07/22	18/07/20 18/07/21
EUR Government	2.79	0.09	6.9	-	-	-	-0.8	0.1	2.2	3.6	-5.4	-12.7	0.7
Germany	2.35	0.10	7.0	-	-	-	-1.0	-1.0	0.8	2.1	-7.2	-10.6	-0.9
EUR Corporate	3.13	-0.02	4.5	72	-11	37	0.3	2.1	5.2	6.5	-0.8	-11.7	3.4
Financial	3.15	-0.03	3.8	75	-10	28	0.4	2.5	5.8	7.0	-0.5	-9.7	3.0
Non-Financial	3.11	-0.03	4.9	71	-11	45	0.3	1.9	4.9	6.2	-1.0	-12.8	3.7
EUR High Yield	5.66	-0.17	3.2	264	-16	12	0.6	3.3	7.9	11.1	7.5	-13.6	10.5
US Treasury	4.22	-0.01	5.9	40	2	98	0.1	2.8	2.9	2.3	-2.0	-9.9	-2.9
USD Corporate	5.16	-0.07	6.4	120	-7	31	0.6	3.6	4.7	6.2	1.3	-13.9	2.5
Financial	5.08	-0.09	4.9	116	-7	41	0.8	4.1	6.0	7.5	1.6	-11.8	2.6
Non-Financial	5.19	-0.06	7.2	123	-5	29	0.5	3.4	4.2	5.6	1.2	-14.9	2.5
USD High Yield	7.38	-0.22	3.7	291	-17	7	1.3	4.6	8.7	10.8	7.6	-10.7	13.2
EM High Grade	5.01	-0.05	5.4	121	-7	2	0.8	4.1	5.7	6.1	3.4	-14.2	3.8
EM High Yield	7.79	-0.22	4.0	355	-13	10	1.2	4.8	9.7	13.7	12.0	-26.0	11.6

- Over the past month, all segments shown here recorded falling yields with the exception of government bonds. Accordingly, performance was driven by spread narrowing rather than falling interest rates. The higher the credit risk, the better the performance.

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 Finan-cial; 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: 18/07/2015 – 18/07/2025

Commodities

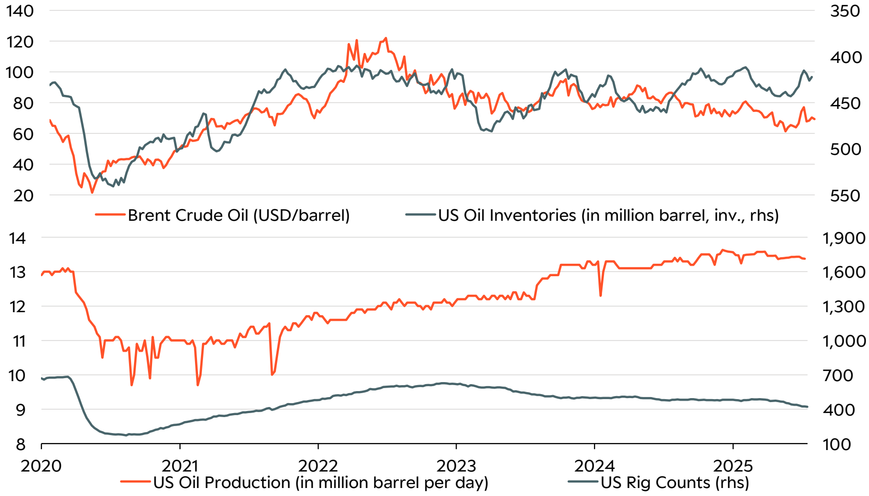
Commodities Performance



- Silver has performed significantly better than gold over the past two weeks and is now also ahead since the beginning of the year. Platinum metals also rose sharply.
- Following the announcement of US import tariffs on copper, the price of copper rose significantly on the COMEX, while falling on the London Metal Exchange. However, the rally is likely to come to a halt once the tariffs come into effect.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2024 – 18/07/2025

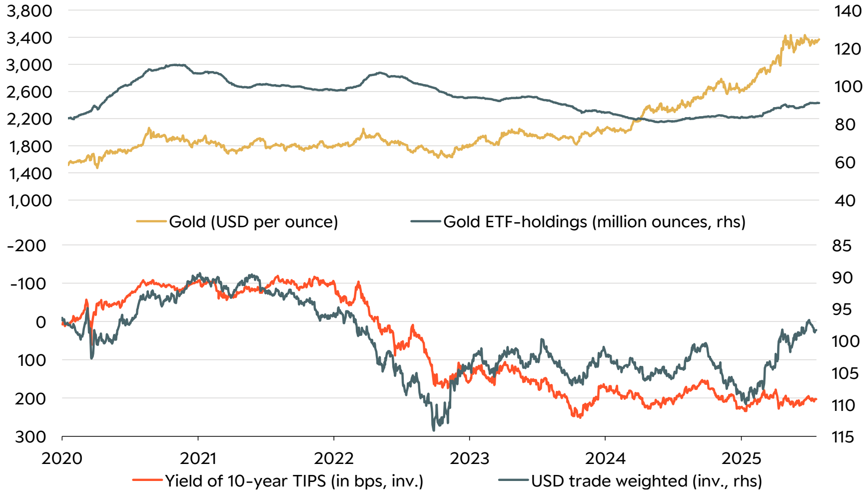
Crude Oil



- Despite significant production increases by OPEC+ over the past few weeks, oil prices have remained flat. Currently, oil prices are likely to benefit from typically higher demand in the summer.
- However, the market expects a further production increase of 550 kbpd in September. This would mean that OPEC+ would have completely reversed its voluntary cuts.

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 – 18/07/2025

Gold



- The price of gold has fluctuated below the USD 3,400 per ounce mark in recent weeks.
- Currently, there seems to be a lack of momentum for new all-time highs. Such momentum could come from the early discharge of Fed Chairman Powell. Gold was one of the few assets that performed well amid rumours last week.

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 – 18/07/2025

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