Berenberg Markets Monitor

23.06.2025

Current market commentary

The escalation of the Middle East conflict took the markets by surprise. However, the immediate market reaction was merely a sharp rise in oil prices. Since June 10, the price of Brent crude oil has risen by more than USD 10 per barrel. Even the direct intervention by the US over the weekend has not led to widespread market panic so far. However, if Iran actually closes the Strait of Hormuz, as already approved by parliament, which would affect 20% of global oil and 30% of LNG supplies, this would lead to a sell-off on the stock markets and stagflation risks. However, this is not our base scenario, as it would also anger ally China, which is dependent on energy imports. The US and Saudi Arabia would also likely join forces to suppress such an attempt by force. Given its weakened defense capabilities, Iran is unlikely to be able to withstand such pressure for long. Geopolitical stock market turmoil is usually short-lived, but a residual risk remains. In any case, the rise in oil prices complicates the situation for the Fed, as it weakens growth and increases inflation.

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

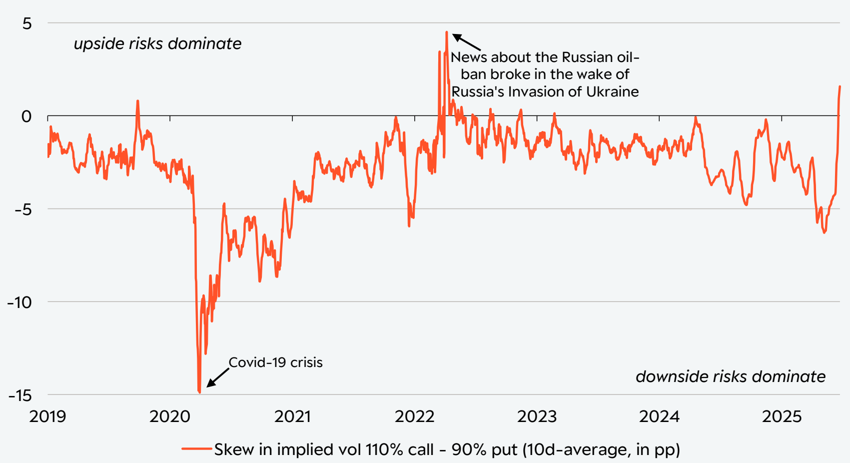
End of the reporting season, ECB and OPEC+ at a glance.

After the recent focus on the many central bank meetings, attention is now likely to shift back to the economic data being released in Europe and the US. The NATO summit in The Hague on Tuesday and Wednesday and the subsequent EU summit will also be in the spotlight. In addition to the war in Ukraine and the Israel-Iran conflict, the main topic of discussion is likely to be Trump's demand for defense spending of 5% of GDP.

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

Today, the purchasing managers' indices (June) for the eurozone will be published. Several sentiment indicators and GDP (Q1) for the US economy will follow in the course of the week. On Friday, we will receive the US PCE deflator (May). The following week will see the release of GDP figures (Q1) for the United Kingdom, German retail sales (June), US purchasing managers' indices (June), and European consumer (June) and producer prices (May).

Change in sentiment on the oil market likely to be short-lived



- At the beginning of the month, the oil market was still very pessimistic about the coming months due to OPEC+ production increases.
- With the escalation between Israel and Iran, the mood has recently taken a 180-degree turn - upward risks now predominate. However, the past shows that geopolitical uncertainty only provides temporary tailwinds. Only if the conflict actually restricts oil production is the oil price likely to remain higher in the long term.

Source: Bloomberg, Time period: 01.01.2019 – 20.06.2025

Performance

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (23/05/25 - 20/06/25)	YTD (31/12/24 - 20/06/25)	20/06/24 20/06/25	20/06/23 20/06/24	20/06/22 20/06/23	20/06/21 20/06/22	19/06/20 20/06/21
Brent	17.1	-2.9	-5.9	28.3	-21.5	106.1	59.6
MSCI Frontier Markets	2.0	4.3	10.6	16.6	-6.4	-5.7	28.8
MSCI World	0.6	-5.3	3.8	23.9	15.5	-3.3	27.9
EUR Coporates	0.5	1.7	6.0	6.2	1.3	-13.7	3.4
REITs	0.5	-7.5	0.1	4.2	-9.1	-2.2	17.9
MSCI Emerging Markets	0.3	0.5	3.2	13.2	0.6	-15.1	30.7
Euro overnight deposit	0.2	1.2	3.1	3.9	1.5	-0.6	-0.5
EUR Sovereign Debt	0.1	1.6	4.9	3.2	-1.5	-9.3	0.4
Global Convertibles	-0.3	-7.2	4.8	4.9	5.2	-15.4	33.1
Gold	-1.1	15.3	32.6	24.4	1.3	17.6	-4.6
USDEUR	-1.4	-10.1	-7.1	2.0	-3.7	12.9	-5.8
Industrial Metals	-1.5	-6.0	-8.2	12.4	-13.6	29.1	36.5

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: 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.

- With the escalation of the Middle East conflict between Israel and Iran, the previously weak Brent oil price recently rose to over USD 75 per barrel.
- Global equities, on the other hand, have been moving sideways over the past four weeks despite the conflicts.
- The US dollar continued its trend since the beginning of the year and lost slightly. Despite geopolitical tensions, the price of gold also declined slightly in the last four weeks.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 20/06/2020 – 20/06/2025

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (23/05/25 - 20/06/25)	YTD (31/12/24 - 20/06/25)	20/06/24 20/06/25	20/06/23 20/06/24	20/06/22 20/06/23	20/06/21 20/06/22	19/06/20 20/06/21
S&P 500	1.4	-8.4	2.6	29.1	16.5	1.5	28.8
MSCI USA Small Caps	1.3	-13.1	-0.4	12.7	10.8	-9.7	47.5
MSCI EM Asia	0.9	-0.3	2.9	15.8	-1.4	-16.0	31.4
Stoxx Europe Defensives	0.5	4.9	1.2	13.7	9.3	6.2	9.7
Stoxx Europe Small 200	-0.3	6.9	4.8	13.5	4.0	-17.9	36.2
MSCI EM Latin America	-0.4	12.7	1.9	-5.5	24.0	-1.9	30.3
MSCI UK	-1.0	5.6	8.3	15.5	10.0	8.6	20.8
Stoxx Europe Cyclicals	-1.1	14.3	17.1	23.8	17.9	-11.6	36.3
DAX	-1.2	17.3	27.9	13.3	21.5	-14.1	25.3
Stoxx Europe 50	-1.4	5.1	0.4	17.3	20.4	-0.9	18.7
Euro Stoxx 50	-1.7	9.0	8.3	16.8	28.4	-12.8	27.6
MSCI Japan	-2.7	-3.8	3.6	10.5	18.8	-12.4	16.1

S&P 500: S&P 500 TR (US-Equity); Stoxx Europe 50: Stoxx Europe 50 TR; Euro Stoxx 50: Euro Stoxx 50 TR; MSCI Japan: MSCI Japan TR; Stoxx Europe Small 200: Stoxx Europe Small 200 TR; MSCI USA Small Caps: MSCI USA Small Caps TR; Stoxx Europe Cyclicals: Stoxx Europe Cyclicals TR; Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kindom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR; MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- Over the past four weeks, US equities have performed slightly better than the rest of the world in euro terms. Even US small caps, which have been the biggest losers since the beginning of the year, benefited.
- German and European equities, on the other hand, recorded slight losses over the past four weeks. Cyclical stocks in particular were left behind.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 20/06/2020 – 20/06/2025

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (23/05/25 - 20/06/25)	YTD (31/12/24 - 20/06/25)	20/06/24 20/06/25	20/06/23 20/06/24	20/06/22 20/06/23	20/06/21 20/06/22	19/06/20 20/06/21
EUR High Yield	0.8	2.6	0.2	5.4	-13.1	-16.7	-5.5
BTPs	0.7	1.9	7.5	9.0	5.2	-20.1	7.0
EUR Financials	0.6	2.1	8.1	10.1	6.7	-12.7	10.9
Bunds	0.5	-0.1	11.4	0.0	6.7	-15.0	5.8
EUR Non-Financials	0.5	1.5	7.1	4.5	0.1	-14.4	5.0
USD Corporates	0.3	-7.4	6.1	6.5	4.1	5.7	2.0
EM Hard Currency Bonds	0.2	-6.7	-2.8	6.9	-1.2	-6.1	-2.7
USD High Yield	0.1	-7.1	6.4	6.9	1.2	-11.6	3.1
Gilts	0.0	-1.2	2.2	2.3	-3.6	-13.6	-1.6
Treasuries	-0.3	-7.6	5.8	5.8	1.3	-14.8	3.6
EM Local Currency Bonds	-0.6	-2.5	1.8	12.2	3.3	0.5	4.5
Chinese Sovereign Bonds	-0.9	-7.8	-3.4	3.4	-4.4	1.8	-8.3

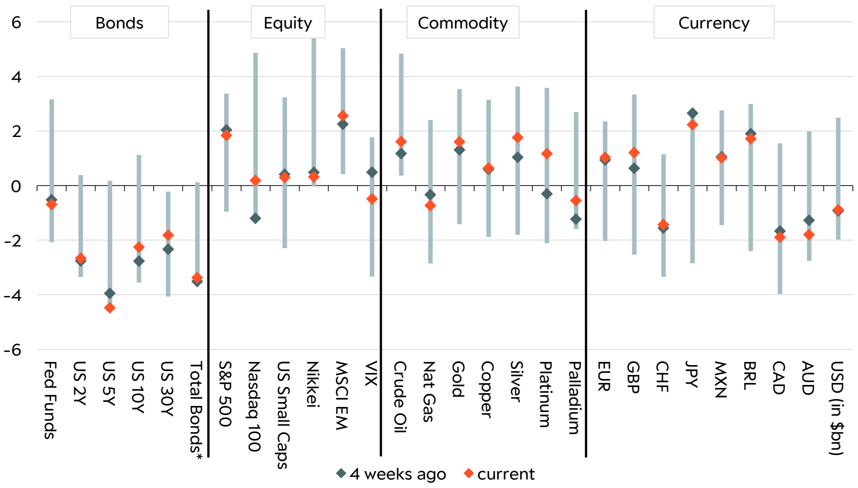
Bunds: ICE BofA German Government Index; BTPs: ICE BofA Italy Government Index; Treasuries: ICE BofA US Treasury TR; Gilts: ICE BofA UK Gilt Index; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: ICE BofA Euro Financial Index; EUR Non-Financials: ICE BofA Euro Non-Financial Index; EUR High Yield: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

- In addition to high-yield EUR bonds and EUR financial bonds, Italian government bonds were also among the biggest winners over the past four weeks.
- The strong euro weighed on Chinese government bonds and, above all, local emerging market bonds. USD bonds, on the other hand, ended up in the middle of the pack, weakened by the depreciating US dollar.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 20/06/2020 – 20/06/2025

Positioning

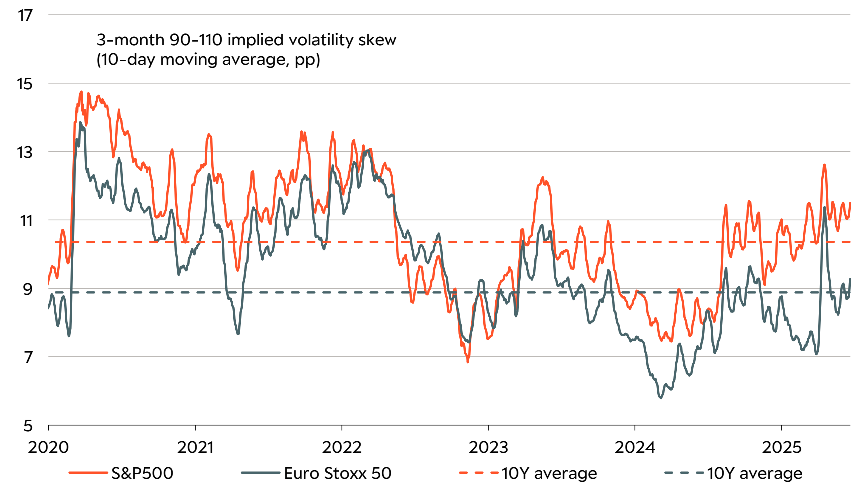
Non-commercial Positioning



- Speculative investors have recently closed their significant short positions in US technology stocks.
- In oil, net long positions were increased as the conflict between Israel and Iran intensified. ICE data also points to significant short covering.

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: 17/06/2015 – 17/06/2025

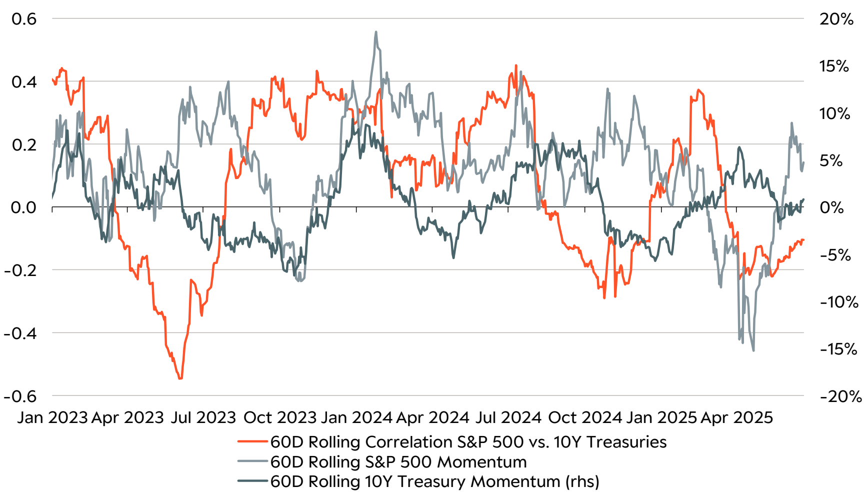
Put-Call-Skew



- The put-call skew has changed little in recent weeks. The divergence between Europe and the US remains significant, even when taking into account that the skew in the S&P 500 is structurally steeper due to the higher number of stocks. The options market therefore also shows relative optimism for Europe.

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: 20/06/2015 – 20/06/2025

60-Day Momentum and Correlation

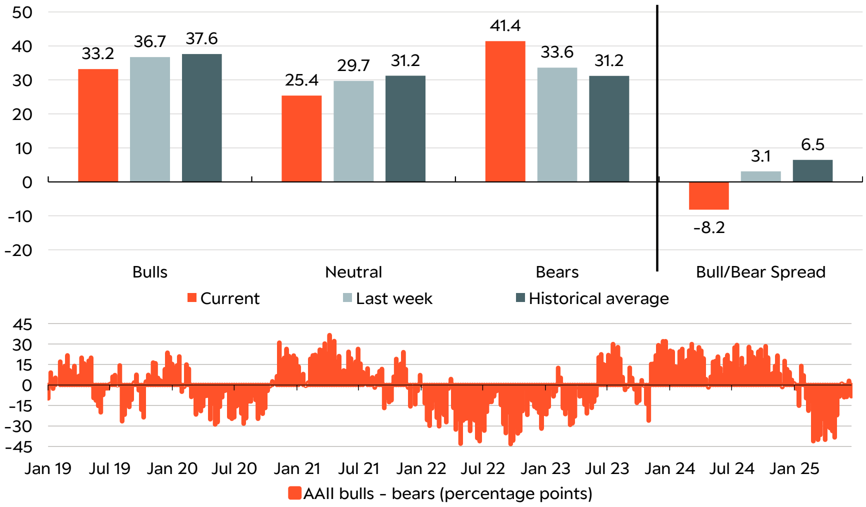


- The momentum of the S&P 500 has only slowed slightly in recent weeks despite the escalation in the Middle East. Accordingly, CTAs are likely to have reduced their equity allocations only slightly so far.
- US government bonds currently show only a slightly negative correlation with

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 – 20/06/2025

Sentiment

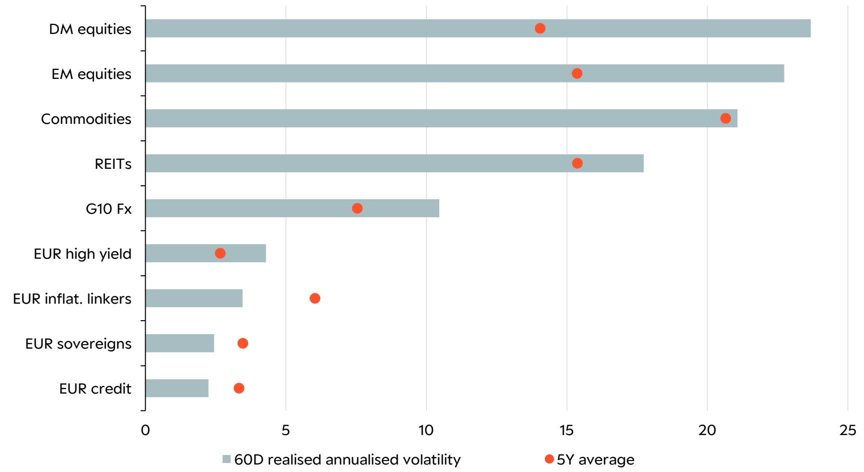
AAII Markt Sentiment Survey (Bull vs Bears)



- The improved sentiment of last week did not last long. The bull/bear spread currently stands at -8 pp, which is still well above the average of -18 pp since the beginning of the year. The conflict in the Middle East seems to be causing less concern among US investors than the trade war.

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 – 19/06/2025

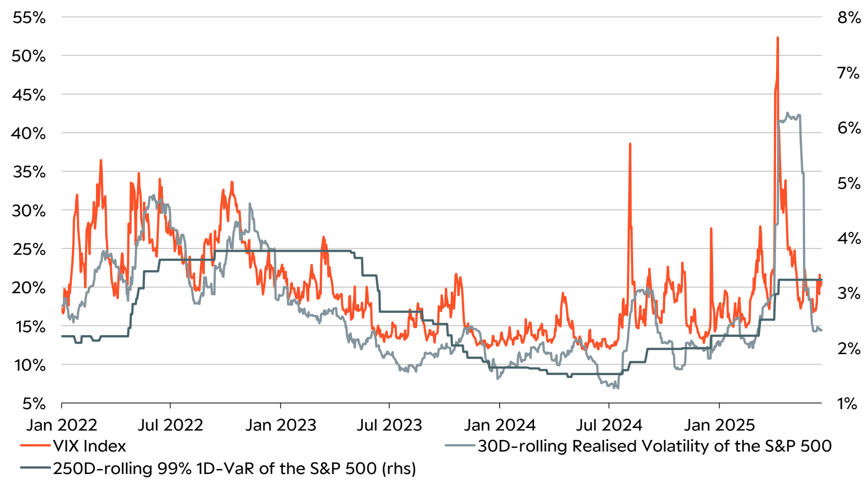
Realised Volatilities



- The realised volatility of commodities has risen again recently with the spike in crude oil prices due to Israeli attacks on Iranian nuclear and military targets.
- As investors have focused on growth rather than inflation concerns in recent months, high-yield bonds are currently showing the highest volatility within the bond segments, contrary to the last five years.

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: 20/06/2020 - 20/06/2025

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

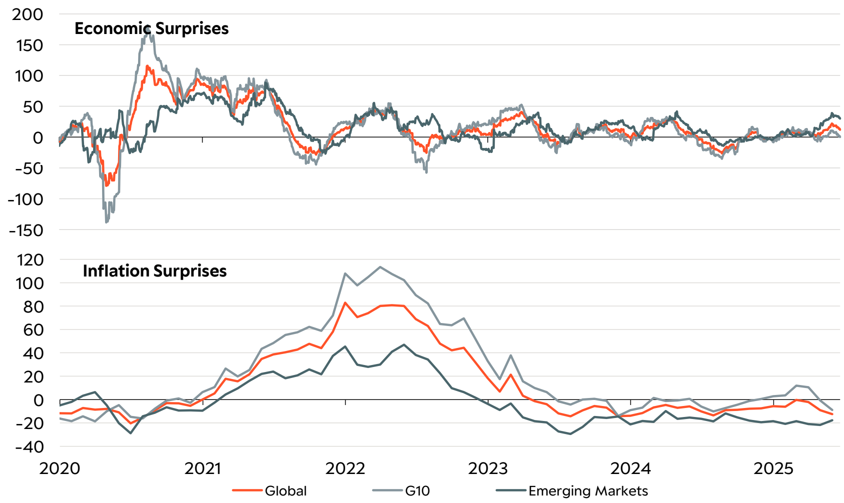


- After falling to 16 in the first half of the month, the VIX rose again to 20 with the flare-up of the Iran-Israel conflict, but the market does not currently seem to be pricing in an escalation to neighbouring countries in the Middle East.

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 – 20/06/2025

Surprise Indicators

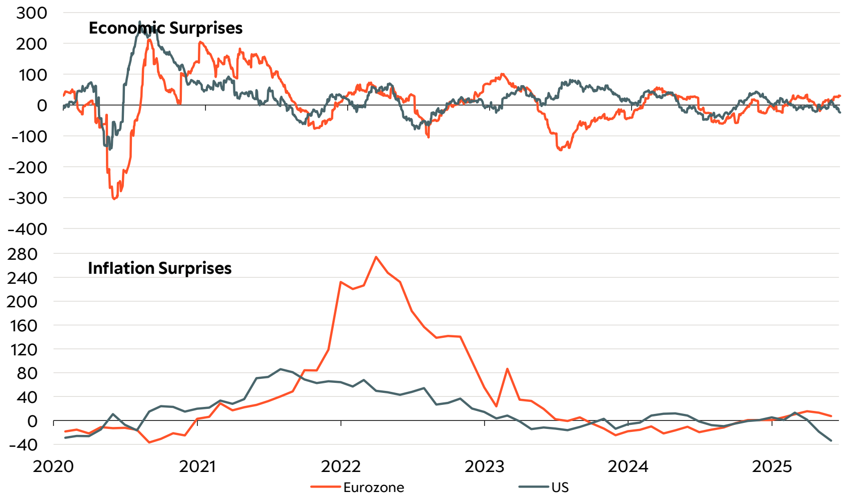
Global



- Over the past two weeks, economic surprises in emerging markets have continued to be predominantly positive, while those in industrialized countries have recently turned slightly negative.
- In Canada, industrial sales disappointed in April, while the number of housing starts surprised on the upside in May.
- In China, retail sales surprised on the upside in May, while industrial production was only slightly disappointing.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 20/06/2025

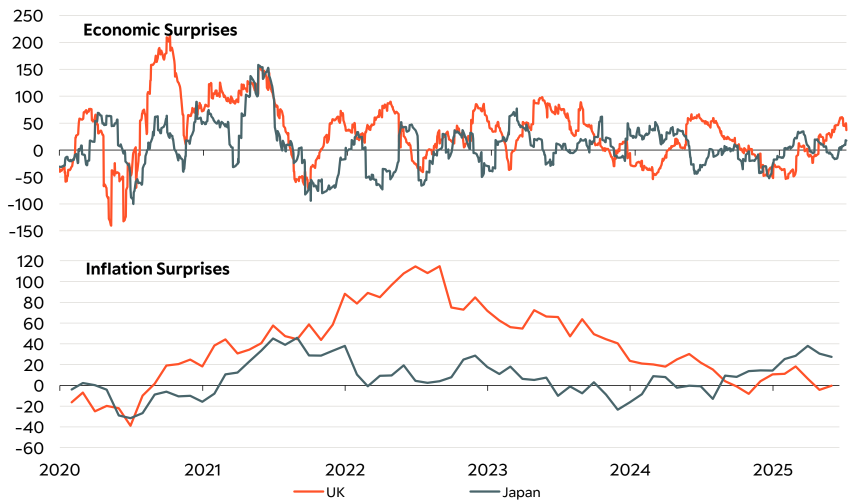
Eurozone and US



- In the US, economic surprises have recently been predominantly negative, while in the eurozone they have continued to be positive.
- In the US, industrial production and retail sales surprised on the downside in May, while builder confidence in June was at its lowest level since December 2022.
- In Germany, the ZEW Economic Expectations Index exceeded expectations in June.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 20/06/2025

UK and Japan

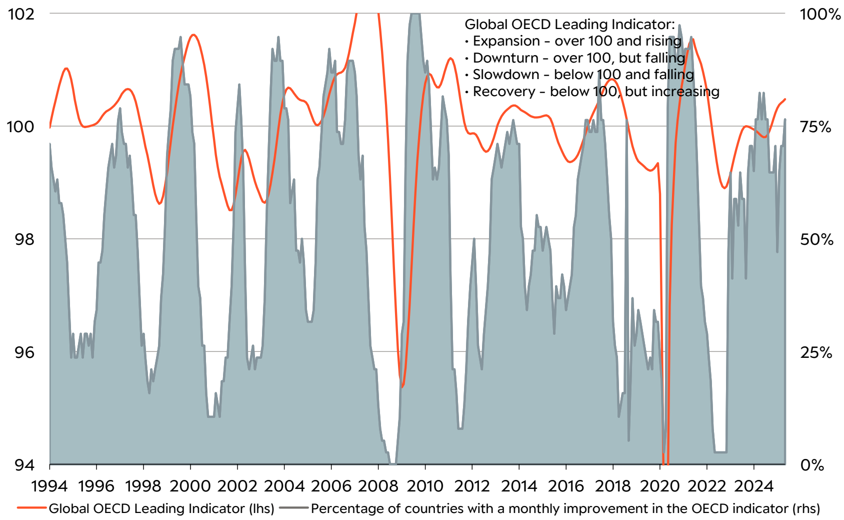


- In the UK, consumer price inflation surprised on the upside in May, while GDP growth disappointed in April.
- In Japan, first-quarter GDP growth and April industrial production surprised on the upside.

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 – 20/06/2025

Economics

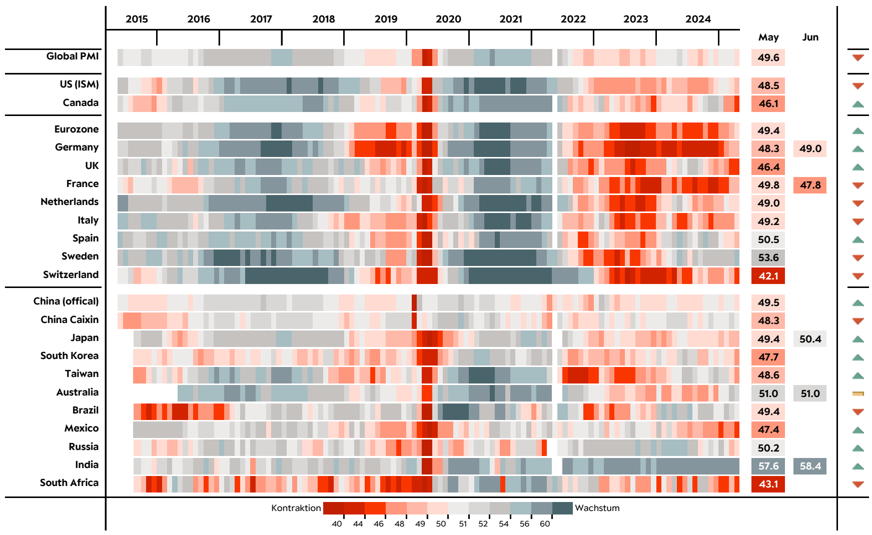
OECD Leading Indicator



- Global economic expansion continues. The revised OECD leading indicator stood at 100.5 in May, above the 100 mark for the eighth consecutive month.
- According to the revised leading indicator, the economic situation improved in May in 76% of the countries surveyed 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 – 20/06/2025

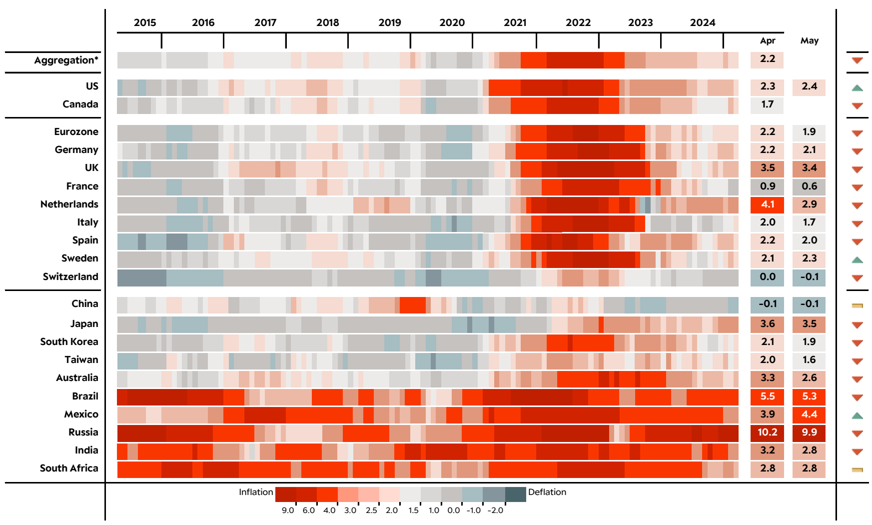
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The first PMI data for June indicate differences in the development of industrial activity in the eurozone. While the PMI value in France fell compared to the previous month, it rose in Germany in June.

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 – 20/06/2025

Headline Inflation

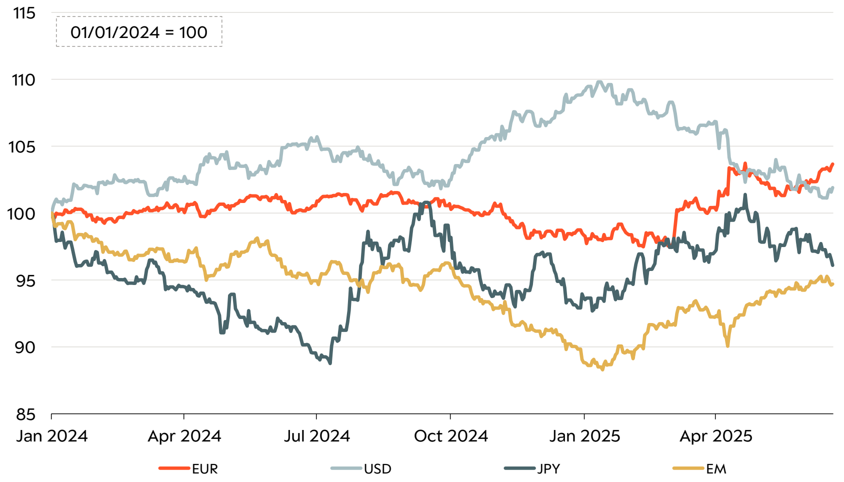


- Inflation data for May indicate a slowdown in annual inflation compared to the previous month in almost all regions. In the eurozone, the annual inflation rate fell below the 2 percent mark last month for the first time since September 2024. In the US, however, it accelerated only slightly compared to 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 – 20/06/2025

Foreign Exchange

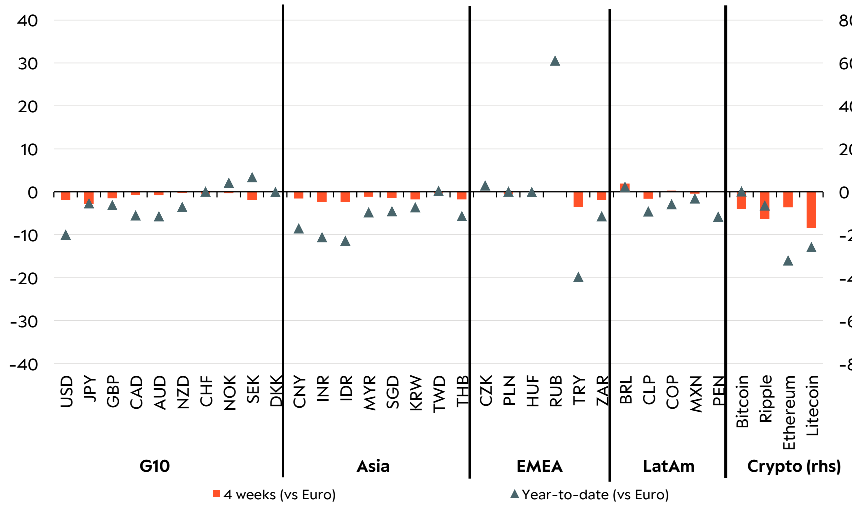
Trade-Weighted Currency Development



- Despite the recent conflict between Israel and Iran and the US strike against Iran, the US dollar has continued to depreciate over the past four weeks.
- Meanwhile, the Japanese yen is being influenced by the BOJ's monetary policy decisions. A further rise in inflation and low real yields are giving the central bank increasing reason to raise its key interest rate slightly.

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 – 20/06/2025

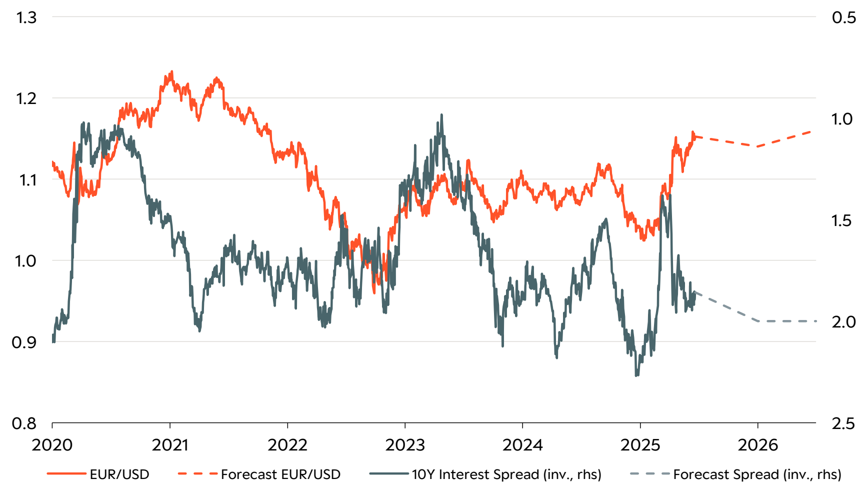
Currency Moves vs Euro



- Over the past four weeks, the euro has gained value against most of the currencies shown here.
- As expected by investors, the Swedish central bank lowered its key interest rate by 25 basis points. It also hinted at a further interest rate cut this year, which recently weighed on the Swedish krona.
- The Turkish lira continued its downward trend since the beginning of the year over the past four weeks.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 01/01/2025 – 20/06/2025

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 has recently remained at around 190 basis points.
- The euro, on the other hand, continued to appreciate against the US dollar and is currently trading at around 1.15.

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 – 20/06/2026

Equities – Performance & Earnings

European Sector & Style Performance

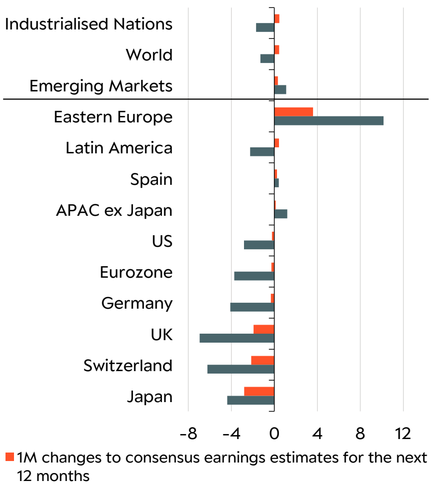
	4-week & YTD		12-month periods over that last 5 years				
	4W (23/05/25 - 20/06/25)	YTD (31/12/24 - 20/06/25)	20/06/24 20/06/25	20/06/23 20/06/24	20/06/22 20/06/23	20/06/21 20/06/22	19/06/20 20/06/21
Energy	9.3	6.0	-4.5	18.0	9.9	39.3	17.1
Utilities	0.7	20.1	22.8	0.2	12.7	-1.9	12.2
Health Care	-0.6	-3.6	-13.2	16.7	10.6	3.2	4.5
Information Technology	-0.8	0.4	-9.4	33.8	31.1	-21.7	32.7
Industrials	-0.9	13.8	16.2	22.3	27.5	-15.6	39.9
Value	-1.1	13.2	16.3	16.3	11.7	1.1	25.9
Growth	-1.7	2.2	-4.2	15.8	21.0	-14.3	25.8
Finance	-2.1	20.4	31.5	27.5	18.1	-2.1	34.2
Telecommunications	-2.2	16.0	22.8	15.6	-5.1	-1.8	17.5
Materials	-3.2	1.3	-6.2	17.3	4.4	-3.8	37.1
Consumer Staples	-3.3	6.3	1.9	-0.9	7.1	-3.7	11.8
Consumer Discretionary	-5.3	-8.9	-11.0	0.8	35.7	-24.0	54.6

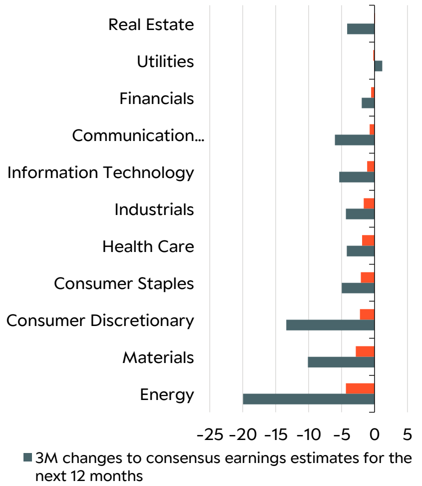
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech.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

- Energy shares in particular have risen sharply in Europe, with a performance of over 9% in the last four weeks.
- The escalation of the conflict in the Middle East has led to a significant increase in oil prices. One potential consequence of the conflict would be the closure of the Strait of Hormuz, which could affect over 20% of the global oil and LNG supply.

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: 19/06/2020 – 20/06/2025

Changes in Consensus Earnings Estimates

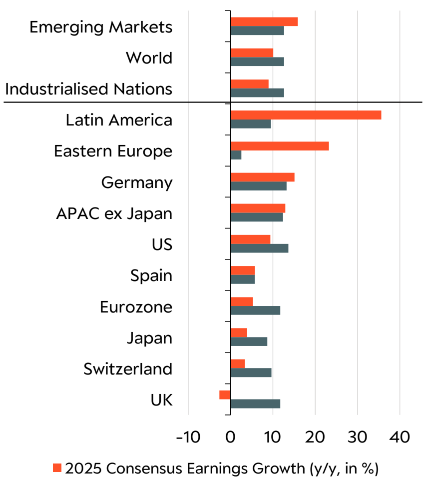


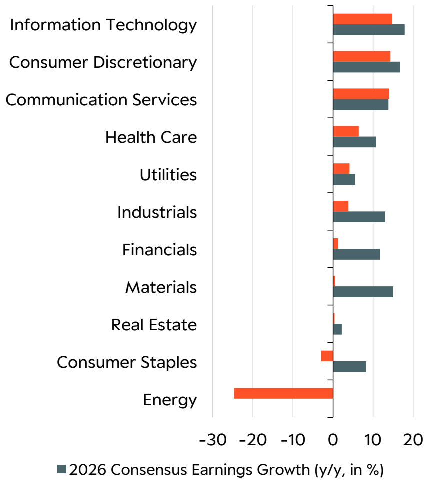


- Negative earnings revisions are still occurring in Europe and the US, but they have lost momentum over the past month. At a global level, 1-month earnings revisions are positive.
- Spain is one of the few eurozone countries with positive earnings revisions. Solid economic data — Spain, for example, is one of the few eurozone countries with a PMI above 50 — is supporting the earnings outlook there.

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 20/06/2025

Earnings Growth



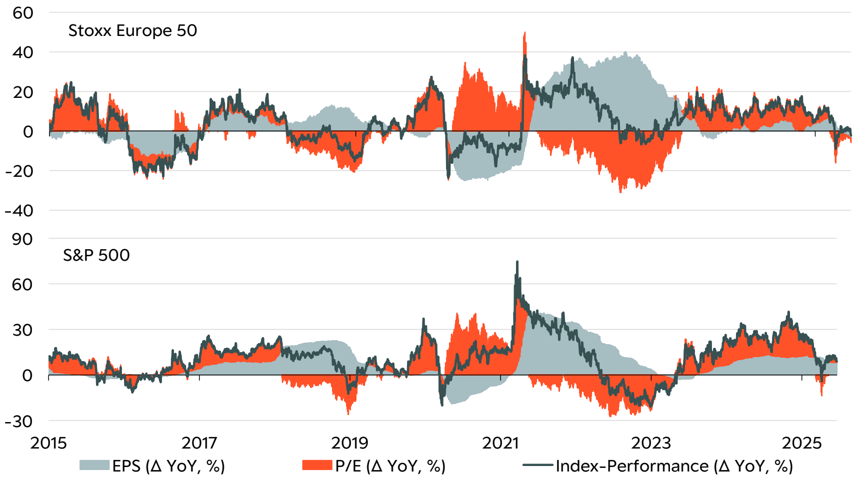


- Analysts are forecasting global earnings growth of around 10% for 2025, primarily driven by emerging markets. They forecast earnings growth of around 6% for Germany in 2025, which is higher than the average for industrialised countries.

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 20/06/2025

Equities – Valuation

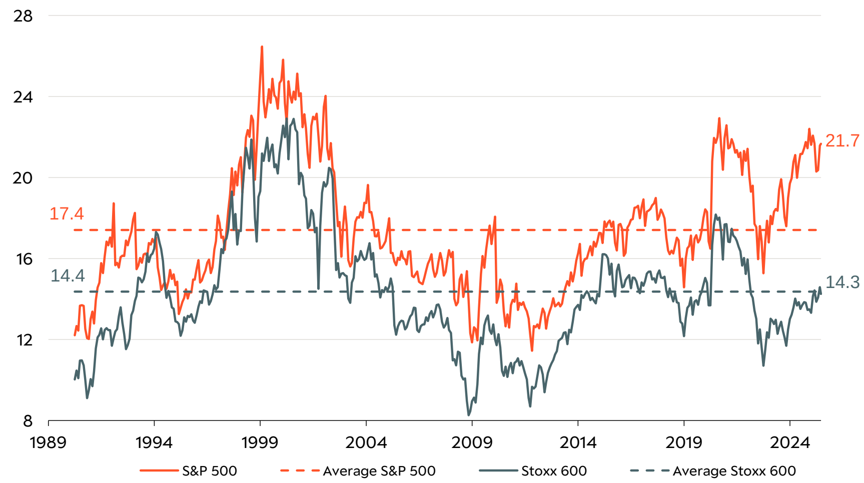
Contribution Analysis



- The rolling one-year index development has recently turned negative for the Stoxx Europe 50, whereas it remains positive for the S&P 500.
- Although the increase in valuations contributed positively to both indices, the 12-month earnings trend had a positive effect only on the S&P 500 and a negative effect only on the Stoxx Europe 50.

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 – 20/06/2025

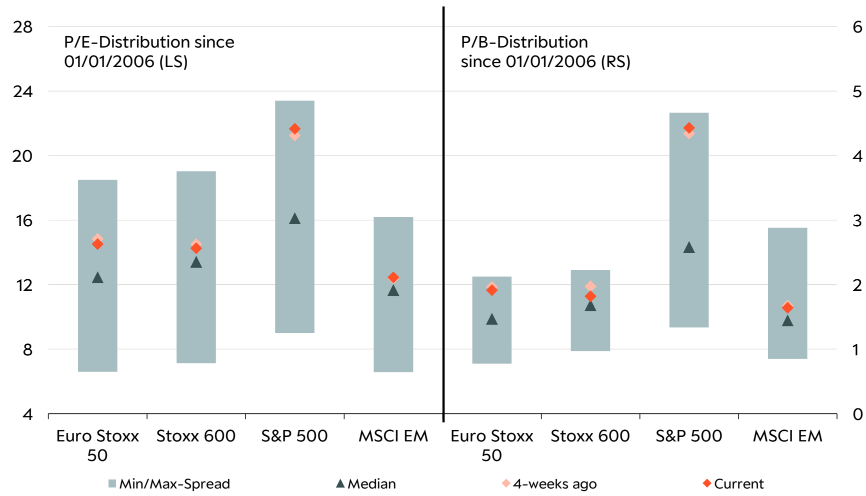
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Following Europe's recent weaker performance, valuations of European equities have narrowed.
- With a price-to-earnings ratio of 14.3, European equities are once again trading below their historical average since 1989, whereas US equities remain expensive by historical standards.

P/E valuation based on earnings estimates for the next twelve months of European and US equities as well as the respective P/E average since 1988. *For the Stoxx 600, the history before 2000 was taken from MSCI Europe.
Source: Bloomberg, Factset, Time period: 31/12/1987 – 20/06/2025

Historical Distribution: Price/Earnings and Price/Book Ratio

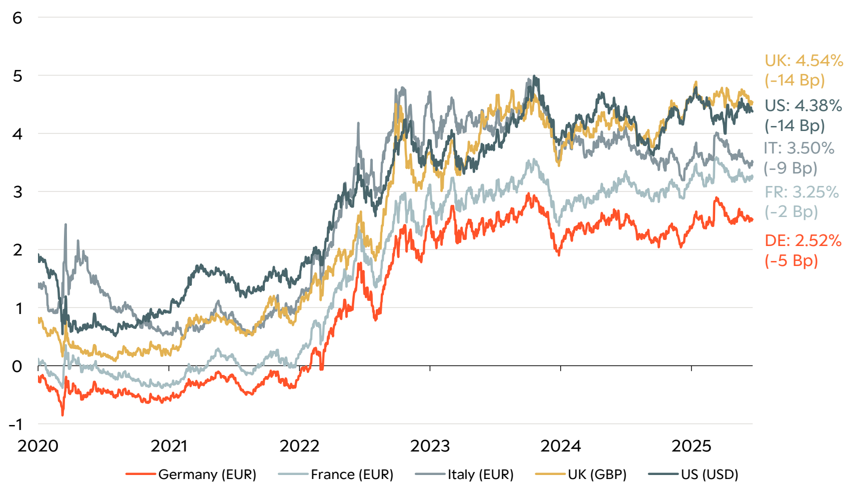


- Of the equity regions shown here, only US equities have increased in value over the last four weeks, both in terms of price-to-book (P/B) and price-to-earnings (P/E) ratios.
- European and emerging market equities, on the other hand, have approached the historical median since 2006 over the last four weeks.

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 – 20/06/2025

Sovereign Bonds & Central Banks

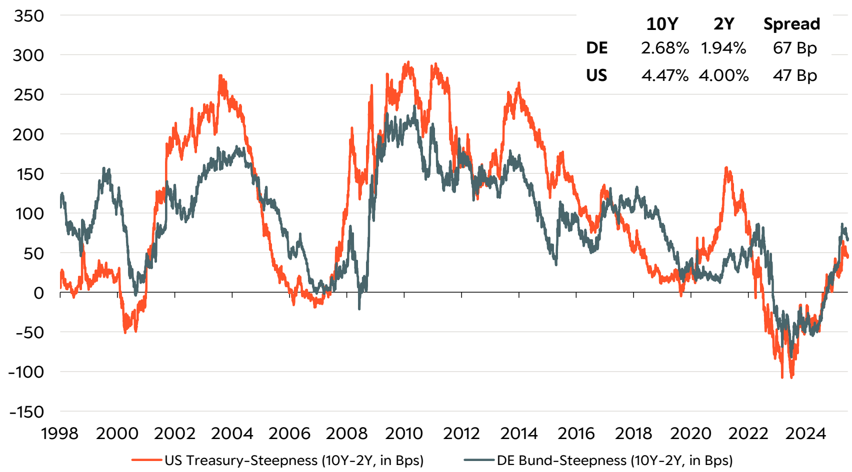
10-Year Government Bond Yields



- Over the past four weeks, government bonds have seen an overall decline in yields. British and US government bond yields fell the most, by 14 basis points.
- While the spread between Italian and German government bonds remained at around 100 basis points recently, French government bonds performed slightly weaker.

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 – 20/06/2025

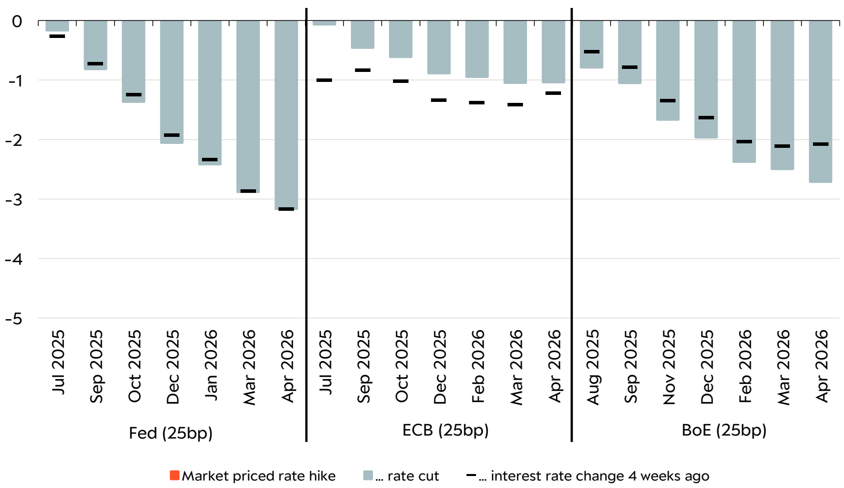
Yield Curve Steepness (10Y - 2Y)



- Over the past two weeks, yield curves in both Germany and the US have flattened only marginally. This development was primarily driven by the long end of the yield curve.

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 – 20/05/2025

Implicit Changes in Key Interest Rates

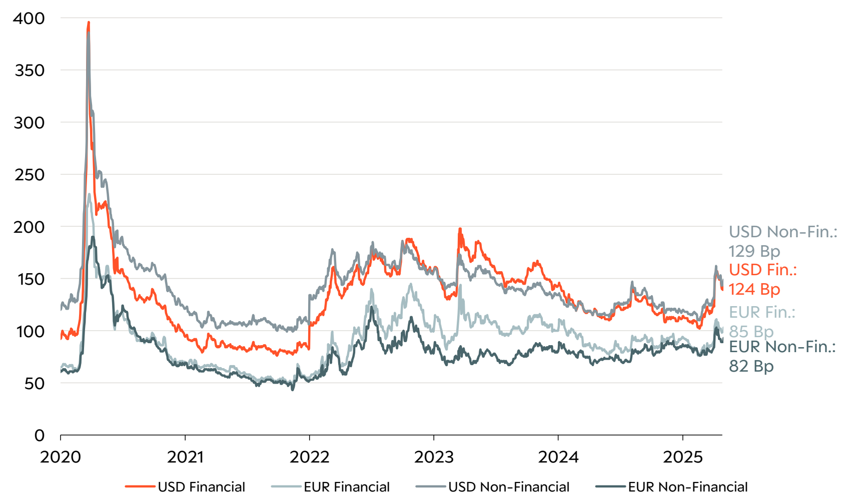


- At its regular meeting in July, the US Federal Reserve kept the deposit rate unchanged at 4.25 to 4.50%. On average, members expect two further interest rate cuts before the end of the year. However, the Federal Reserve also pointed to upside risks for inflation and lowered its forecast for economic growth slightly. The market also expects two further interest rate cuts this year.

Derivatives on money market interest rates - such as the fed funds futures - can be used to determine the change (number of steps) in the key interest rate priced by the market.
Source: Bloomberg, Time period: 25/04/2025 – 20/05/2025

Corporate Bonds

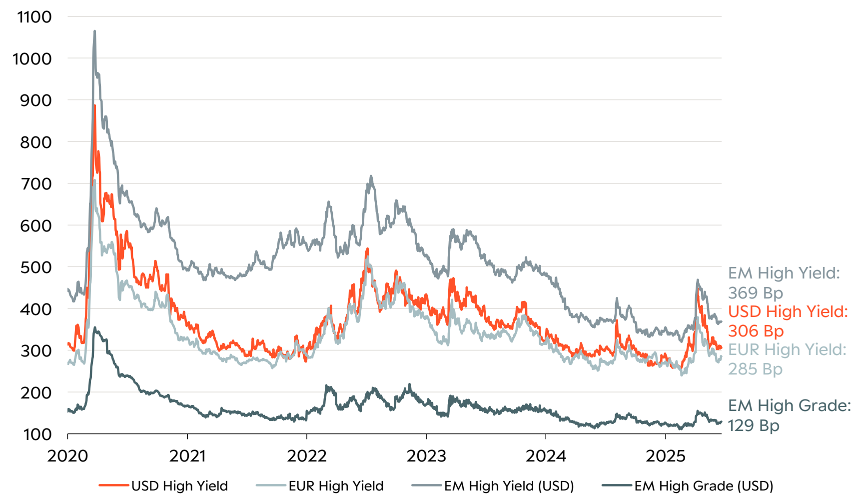
Credit Spreads Financial and Non-Financial Bonds



- The slide in risk premiums on corporate bonds appears to have bottomed out recently. Over the past four weeks, spreads on USD financial and non-financial bonds have narrowed only slightly. With an asset swap spread of 127 for USD-IG corporate bonds, spreads are now at the same level as before 'Liberation Day' on 2 April.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2020 – 20/06/2025

Credit Spreads High Yield and Emerging Markets Bonds



- The high-yield bond markets appear to have almost fully priced out the economic risks triggered by Trump's tariff policy since April.
- The asset swap spreads of USD high-yield bonds are now trading below the levels seen before 'liberation day' at the beginning of April.

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 – 20/06/2025

Bond Segments Overview

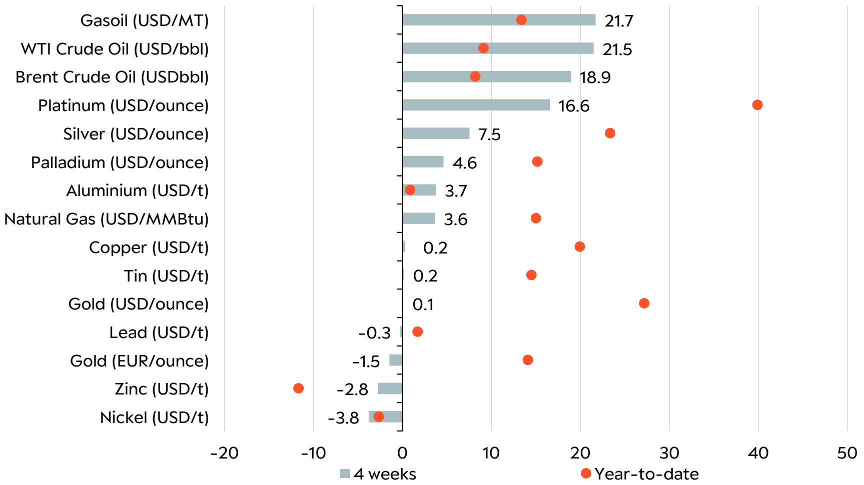
	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	20/06/24 20/06/25	20/06/23 20/06/24	20/06/22 20/06/23	20/06/21 20/06/22	20/06/20 20/06/21
EUR Government	2.72	-0.02	7.0	-	-	-	0.6	0.7	4.0	3.0	-2.4	-14.8	0.2
Germany	2.27	-0.04	7.1	-	-	-	0.8	-0.1	2.2	2.3	-3.6	-13.6	-1.6
EUR Corporate	3.16	-0.05	4.4	83	-5	57	0.6	1.8	6.0	6.2	1.3	-13.7	3.4
Financial	3.19	-0.06	3.7	85	-5	43	0.6	2.1	6.4	6.9	1.2	-11.6	3.1
Non-Financial	3.14	-0.05	4.9	82	-4	68	0.7	1.5	5.8	5.8	1.3	-14.8	3.6
EUR High Yield	5.86	-0.07	3.2	285	-7	28	0.7	2.6	8.1	10.1	6.7	-12.7	10.9
US Treasury	4.21	-0.07	5.9	38	-1	97	0.9	2.8	3.6	1.5	-0.4	-10.4	-3.0
USD Corporate	5.22	-0.11	6.5	127	-2	41	1.3	3.0	5.2	5.6	2.4	-14.5	3.6
Financial	5.16	-0.11	4.9	124	0	49	1.0	3.4	6.3	6.9	2.1	-12.1	3.3
Non-Financial	5.25	-0.11	7.2	129	-2	38	1.5	2.9	4.6	5.0	2.5	-15.6	3.8
USD High Yield	7.59	-0.13	3.7	306	-8	16	1.0	3.4	9.2	10.4	7.3	-10.9	13.0
EM High Grade	5.05	-0.11	5.3	129	-3	10	1.1	3.3	5.8	5.7	2.6	-13.3	4.4
EM High Yield	8.01	-0.14	4.0	369	-8	12	0.8	3.6	9.6	13.1	5.2	-21.7	12.9

- Over the past four weeks, all bond segments shown recorded price gains in local currency. USD non-financial bonds in particular rose, while European government and corporate bonds recorded only slight gains. Since the beginning of the year, only German government bonds have 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 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: 20/06/2015 – 20/06/2025

Commodities

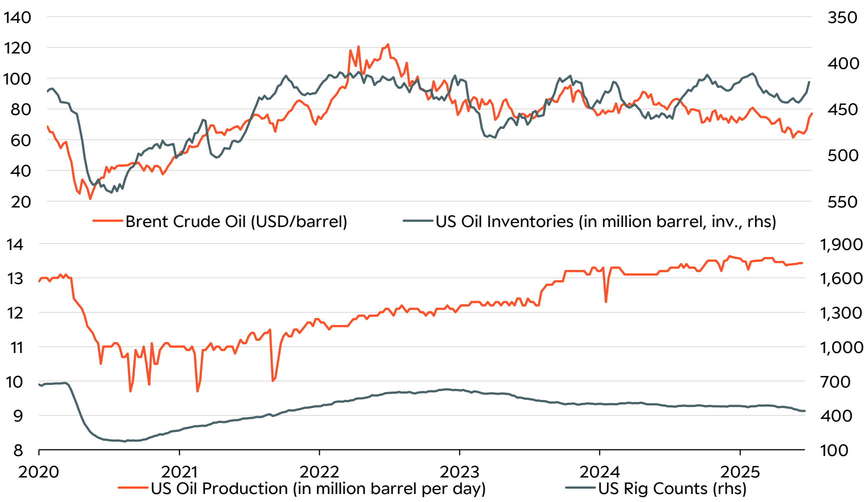
Commodities Performance



- Platinum recently reached its highest level in almost 11 years at USD 1,350 per ounce and has even recorded a price increase of around 40% since the beginning of the year. This puts platinum ahead of gold.
- In addition to platinum, silver has also risen significantly recently compared to gold. Despite the price increase, both metals remain undervalued compared to gold by historical comparison.
- Palladium is not following the trend. Demand, particularly from the automotive industry, is expected to decline significantly.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2024 – 20/06/2025

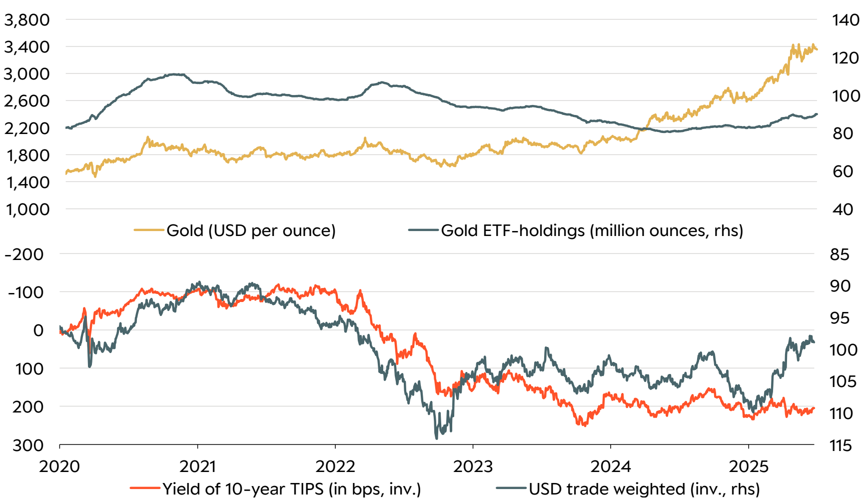
Crude Oil



- As a result of the escalation of the Israel-Iran conflict, the price of oil has risen sharply recently. In a short period of time, Brent rose by 13% to USD 78 per barrel.
- The main reason for the price increase was the risk of an Iranian blockade of the Strait of Hormuz. Although only around 4% of global crude oil exports come from Iran, around 20% of the world's oil supply is transported through the strait.

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 – 20/06/2025

Gold



- The escalation of the conflict between Israel and Iran and persistent inflation expectations have supported the gold price in recent weeks. However, the Middle East conflict has not provided any new impetus so far.
- According to a WGC survey, 95% of central banks also expect an increase in central bank gold reserves.

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 – 20/06/2025

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