Berenberg Markets Monitor

26.05.2025

Current market commentary

The stock markets have recovered significantly. The DAX recently reached several all-time highs and US equities in USD terms are also not far off their all-time highs. The market recovery was driven by massive share purchases by private investors, Trump's turnaround on customs policy and the reversal in fiscal policy: instead of budget deficit reductions, there will now be even greater US debt if Trump's tax plans are implemented. This has led to a sharp rise in long-term interest rates worldwide and a steepening of yield curves. In combination with Moody's rating downgrade of the USA, this has prompted us to further increase our gold overweight in the multi-asset strategies. After all, real assets should benefit from the rising money supply and higher inflation in the medium term. In the short term, there is a good chance that the equity markets will be supported by share buyback programs and purchases by underinvested investors. However, we expect more volatility again from the summer onwards when the tariff breaks expire, macro data deteriorates and liquidity decreases.

The bi-weekly Monitor gives you a structured overview of the current capital market environment and highlights important developments:

- Performance
- Positioning
- Sentiment
- Surprise Indicators
- Economics
- Foreign Exchange
- Equities
- Sovereign Bonds & Central Banks
- Corporate Bonds
- Commodities

Short-term outlook

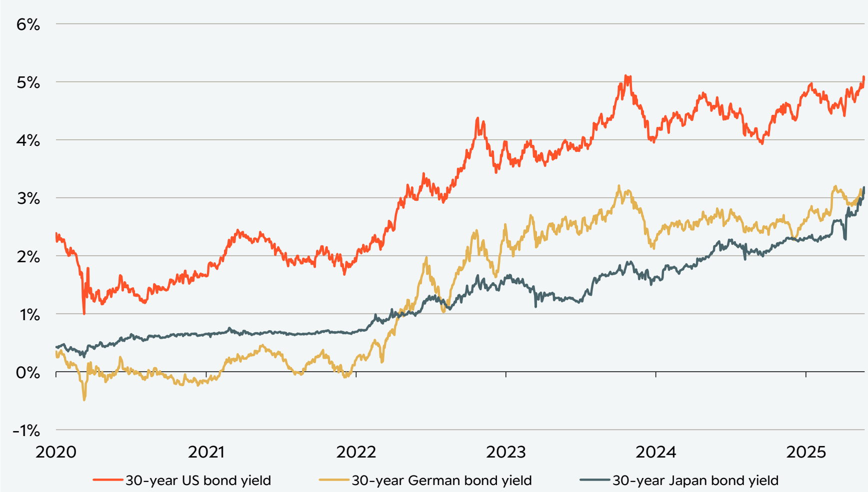
The Q1 reporting season is drawing to a close. 79% of S&P 500 companies have so far exceeded earnings expectations. Nevertheless, earnings estimates outside the emerging markets have been reduced further (see p. 9). Over the next two weeks, reporting will focus primarily on companies from the technology and consumer sectors. On the monetary policy front, the ECB's interest rate meeting on June 5 will be exciting. The OPEC+ meeting on future oil production policy will also take place on June 1.

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

On Tuesday, US durable goods orders (Apr.) and Conference Board consumer confidence (May) will be published. On Wednesday and Thursday, the minutes of the last Fed meeting (May) and the US GDP figures (Q1) are due. This will be followed on Friday by preliminary inflation data (May) for Germany, the US core PCE deflator (Apr.) and consumer confidence from the University of Michigan (May). The following week will see the purchasing managers' indices (May) for the US and Europe as well as US labor market data (May).

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

Escalating government debt drives 30-year yields ever higher



- Yields on long-term government bonds rose significantly around the world. In the USA in particular, the downgrade by Moody's and Trump's planned tax cuts weighed on bonds. The most recent Treasury auctions were also moderate. International investors in particular are increasingly demanding a higher risk premium for holding long-dated US government bonds.
- At the same time, yields on 30-year government bonds in Japan rose above the 3 % mark for the first time.

Source: Bloomberg, Time period: 01.01.2020 – 23.05.2025

Performance

Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (25/04/25 - 23/05/25)	YTD (31/12/24 - 23/05/25)	23/05/24 23/05/25	23/05/23 23/05/24	23/05/22 23/05/23	23/05/21 23/05/22	22/05/20 23/05/21
MSCI Emerging Markets	7.1	0.2	4.7	14.0	-3.4	-9.4	34.2
MSCI World	5.4	-5.9	6.6	23.7	5.1	6.2	29.0
MSCI Frontier Markets	4.7	2.2	10.2	15.1	-9.9	2.2	24.6
Global Convertibles	3.2	-6.9	5.7	7.4	-2.0	-6.8	31.9
REITs	1.4	-7.9	2.6	2.0	-16.6	12.6	16.6
Gold	1.1	16.5	37.2	17.4	5.8	12.3	-3.0
Industrial Metals	0.7	-4.6	-12.1	21.3	-21.8	38.6	42.9
Euro overnight deposit	0.2	1.0	3.2	3.9	1.2	-0.6	-0.5
USDEUR	0.0	-8.9	-4.8	-0.4	-0.7	13.9	-10.5
EUR Coporates	0.0	1.2	6.0	6.1	-4.1	-8.8	4.9
EUR Sovereign Debt	0.0	1.5	5.3	3.0	-5.1	-5.9	0.7
Brent	-1.6	-17.1	-14.3	18.2	-16.7	123.1	60.4

MSCI World: MSCI World Net Return; MSCI Emerging Markets: MSCI EM Net Return; MSCI Frontier Markets: MSCI Frontier Markets Net Return;
REITs: MSCI World REITs Index; EUR Sovereign Debt: IBOXX Eurozone Sovereign 1-10Y TR; EUR Corporates: IBOXX Euro Corporates Overall TR;
Global Convertibles: SPDR Convertible Securities ETF; Gold: Gold US Dollar Spot; Brent Crude: Bloomberg Brent Crude Subindex TR;
Industrial Metals: Bloomberg Industrial Metals Subindex TR; Euro overnight deposit: ICE BofA Euro Overnight Deposit Rate Index; USDEUR: Price of 1 USD in I

- Over the past four weeks, equities have performed positively across the board. In euro terms, emerging market equities performed slightly better than equities from industrialized nations, followed by frontier markets and global convertible bonds.
- Crude oil, on the other hand, recorded a slightly negative price trend and is one of the losers of the last four weeks.

Total return for selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 23/05/2020 – 23/05/2025

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (25/04/25 - 23/05/25)	YTD (31/12/24 - 23/05/25)	23/05/24 23/05/25	23/05/23 23/05/24	23/05/22 23/05/23	23/05/21 23/05/22	22/05/20 23/05/21
MSCI EM Asia	8.3	-1.2	5.1	14.7	-3.1	-11.9	35.3
Stoxx Europe Cyclicals	7.5	15.6	17.0	25.7	8.6	-3.4	49.5
DAX	6.2	18.7	26.4	15.7	13.9	-8.2	39.4
Stoxx Europe Small 200	5.8	7.2	3.6	12.8	-2.7	-8.6	41.7
MSCI UK	5.5	6.7	9.6	13.9	4.6	15.8	25.0
MSCI Japan	5.4	-1.1	5.0	15.4	6.0	-0.5	17.3
MSCI USA Small Caps	5.3	-14.3	-2.0	17.0	1.0	-1.9	48.8
S&P 500	5.3	-9.6	6.3	28.4	5.3	10.5	27.9
Euro Stoxx 50	4.4	10.8	8.4	18.9	20.0	-5.4	41.6
Stoxx Europe 50	4.4	6.6	2.7	14.7	14.9	7.9	24.6
MSCI EM Latin America	3.2	13.1	-6.3	12.3	1.0	19.8	36.3
Stoxx Europe Defensives	3.2	4.3	1.3	9.0	5.5	16.8	12.5

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.

- Following the decline on the equity markets at the beginning of April, global equities performed clearly positively and were even able to overcome the index levels prior to Trump's tariff announcements in some cases.
- Cyclical shares from Europe performed best alongside Asian shares from the emerging markets, while defensive shares trended slightly positively over the last four weeks.

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 23/05/2020 – 23/05/2025

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (25/04/25 - 23/05/25)	YTD (31/12/24 - 23/05/25)	23/05/24 23/05/25	23/05/23 23/05/24	23/05/22 23/05/23	23/05/21 23/05/22	22/05/20 23/05/21
EM Local Currency Bonds	2.1	7.7	9.0	3.0	2.1	-12.6	9.0
USD High Yield	0.9	-6.9	3.8	10.0	2.1	5.1	1.8
EUR High Yield	0.8	1.8	7.8	10.7	1.3	-8.1	15.2
EUR Financials	0.2	1.5	6.5	7.4	-4.1	-8.1	5.1
EM Hard Currency Bonds	0.1	2.2	7.0	10.1	-0.5	-16.0	8.8
Chinese Sovereign Bonds	0.1	0.4	6.5	5.9	3.8	5.3	0.6
BTPs	0.1	1.2	6.5	6.6	-5.6	-10.0	5.8
Gilts	-0.1	-1.3	1.5	5.1	-20.2	-8.1	-4.8
EUR Non-Financials	-0.2	0.9	5.6	5.1	-4.1	-9.4	4.8
Bunds	-0.7	-0.7	3.1	1.2	-9.4	-7.6	-3.0
Treasuries	-1.0	-7.1	-0.5	-0.4	-3.4	5.8	-14.4
USD Corporates	-1.1	-8.0	-0.8	4.2	-1.7	-0.7	-7.4

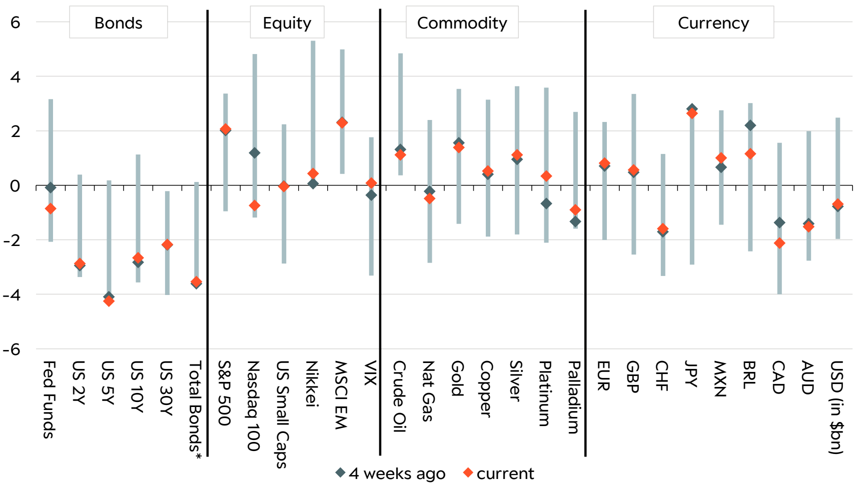
Bunds: IBOXX Euro Germany Sov TR ; BTPs: IBOXX Euro Italy Sov TR ; Treasuries: ICE BofA US Treasury TR;
Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: IBOXX Euro Fin. Overall TR;
EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE BofA EUR Liquid HY TR; USD Corporates: ICE BofA USD Corp TR;
USD High Yield: ICE BofA USD Liquid HY TR; EM Hard Currency: ICE BofA US Emer. Mark. External Sov.Index; EM Local Currency: ICE BofA Local Debt Markets Plus In

- In the course of the recovery on the equity markets, USD and EUR high-yield bonds also performed among the best in euro terms. Local currency bonds from the emerging markets also benefited from the risk-on movement.
- However, government bonds have largely declined over the last four weeks. USD corporate bonds denominated in euros brought up the rear.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 23/05/2020 – 23/05/2025

Positioning

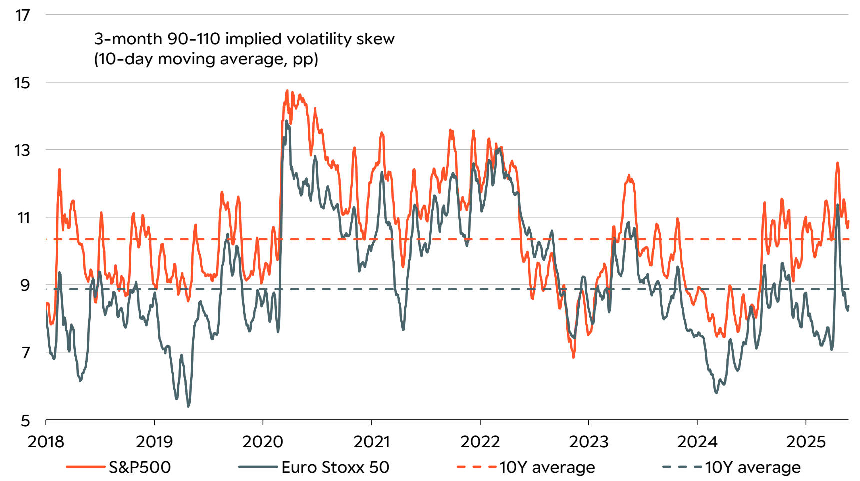
Non-commercial Positioning



- Over the past four weeks, speculative investors have continued to reduce equity market risks, particularly via US technology stocks. The Nasdaq-100 positioning has now turned short.

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: 23/05/2015 – 23/05/2025

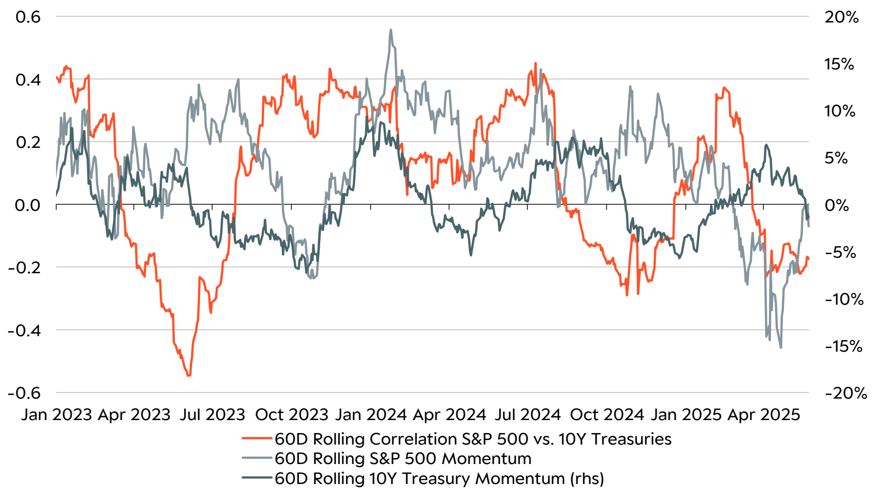
Put-Call-Skew



- The put-call skew in Europe has fallen below the 10-year average again. In the US, the skew has also flattened, but is still above the long-term average.
- In both regions, it is back at the level before the 'Liberation Day' - the concern of a major sell-off appears to be history.

The put-call skew (90-110) indicates the difference in implied volatility of puts versus calls whose strike is 10% away from the current underlying in each case. It is a measure of how much more investors are willing to pay for hedging (puts) versus upside participation (calls). The higher (lower) the skew, the more cautious (optimistic) market participants are. Moreover, the skew typically increases with the level of implied volatility.
Source: Bloomberg, period: 23/05/2015 – 23/05/2025

60-Day Momentum and Correlation

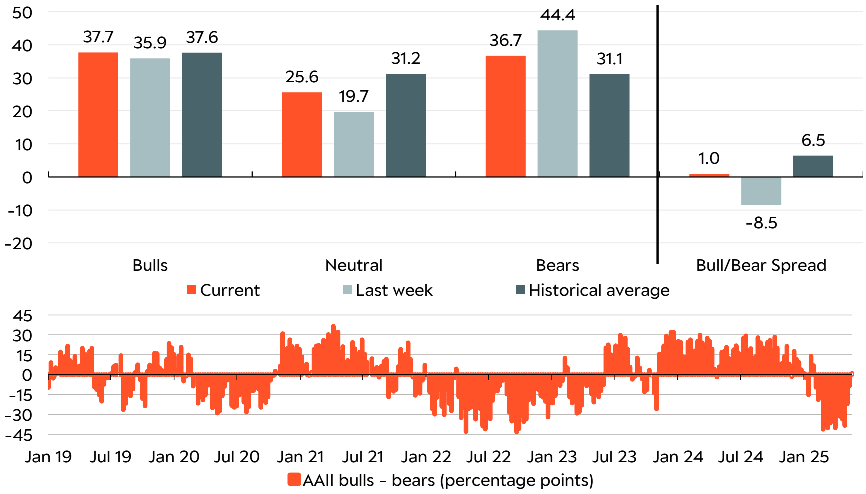


- The 60d momentum of the S&P 500 is about to turn positive. If there are no sell-offs, trend-following strategies should continue to buy equities.
- The momentum of US Treasuries has recently turned negative.

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 – 23/05/2025

Sentiment

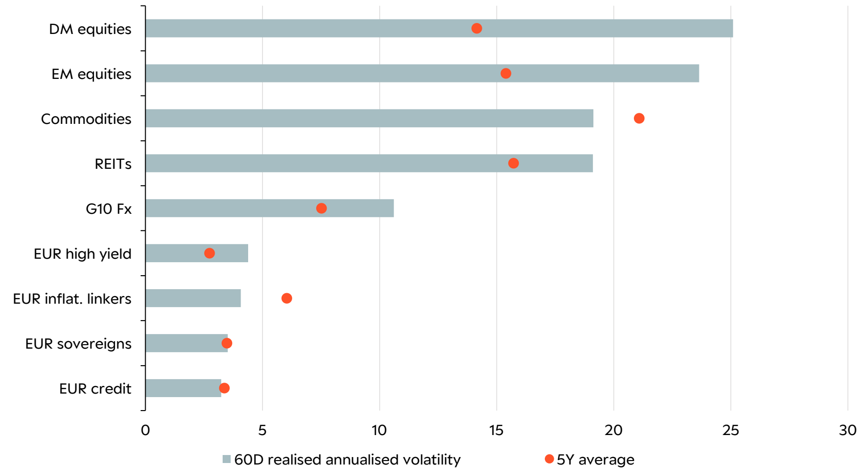
AAII Markt Sentiment Survey (Bull vs Bears)



- The sentiment of US private investors has improved noticeably with the strong recovery of equity markets.
- Although the bull/bear spread is positive for the first time in 15 weeks at 1 pp, there is still no sign of optimism.

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 – 22/05/2025

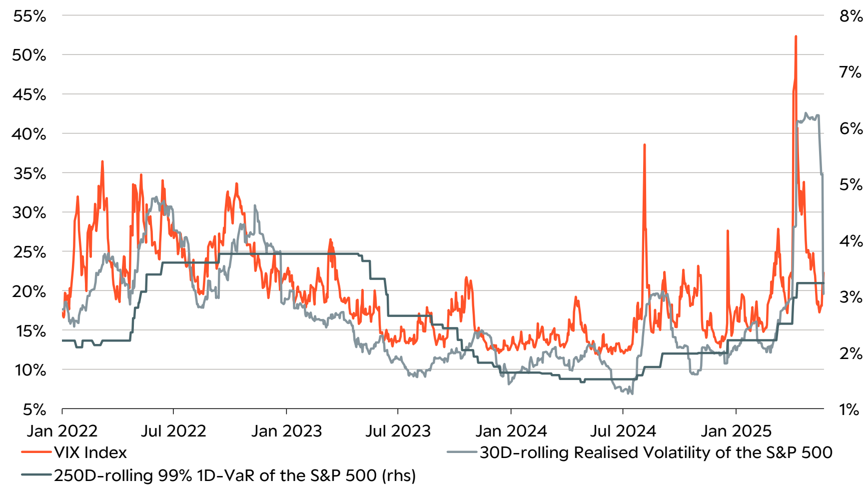
Realised Volatilities



- Realised volatility is currently above the medium-term average for all risk assets with the exception of commodities and corporate bonds.
- The 60d volatility of developed markets equities is not only the highest in absolute terms, but also relative to the average of the last 5 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, period: 23/05/2020 - 23/05/2025

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

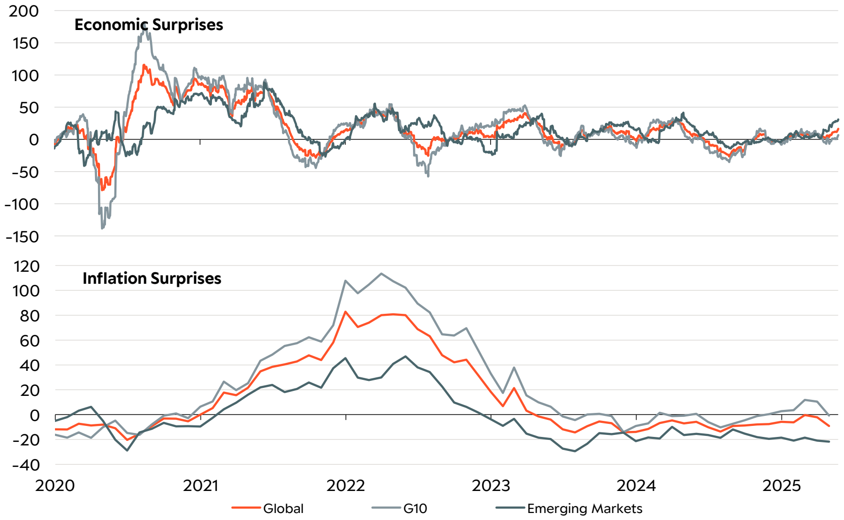


- The VIX is currently fluctuating around the 20 mark, so investors are expecting daily movements of around 1 to 1.5% over the next month.
- As the strong daily moves in April are gradually falling outside the calculation window, realised volatility has recently fallen significantly.

The VIX index is a measure of the implied volatility of the S&P 500 priced in options over approximately the next 30 days. Realised volatility indicates the range of variation in daily returns. The historical 99% value-at-risk indicates the minimum loss of the days that belong to the worst 1% of the observation period. The higher (lower) the VIX, realised volatility and value-at-risk, the fewer (more) stocks demand risk-based investment strategies.
Source: Bloomberg, period: 31/12/2021 – 23/05/2025

Surprise Indicators

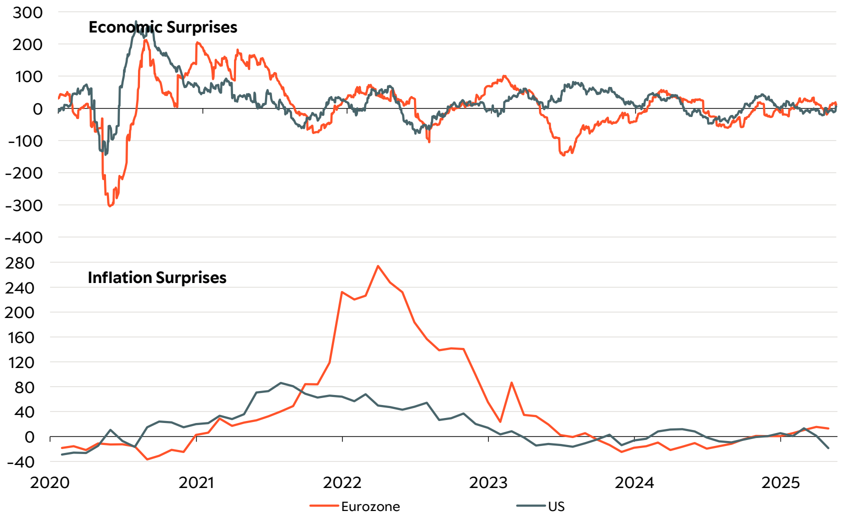
Global



- In the last two weeks, the economic surprises in both industrialised and emerging markets have been increasingly positive.
- In Canada, retail sales in March exceeded expectations, while in Australia the number of new jobs created in April surprised to the upside.
- In Mexico, GDP growth in the first quarter was in line with expectations, while in Thailand it exceeded expectations.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 24/05/2025

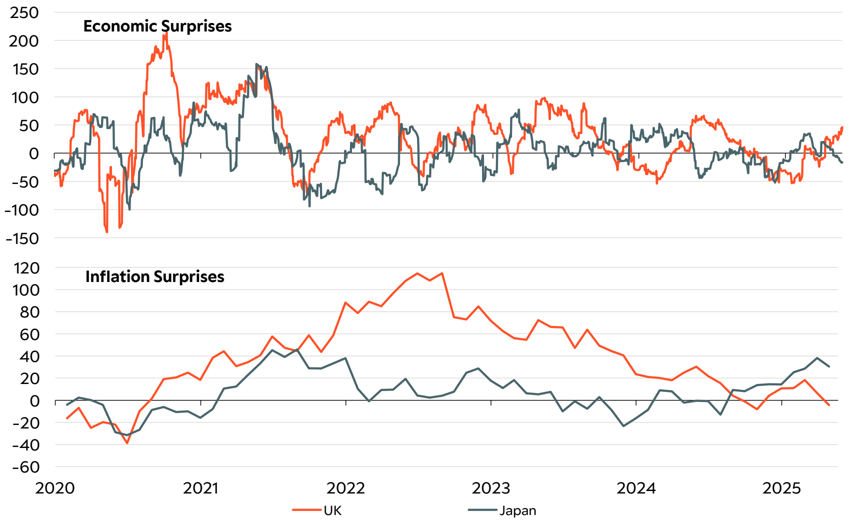
Eurozone and US



- In the US, economic surprises have recently turned positive, while the trend in the eurozone remains positive.
- In the US, retail sales in April exceeded expectations, while the latest initial jobless claims surprised to the downside.
- In the eurozone, industrial production exceeded expectations in March, while GDP growth in the first quarter was slightly disappointing.

See explanations below.
Source: Bloomberg, Time period: 01/01/2020 – 24/05/2025

UK and Japan

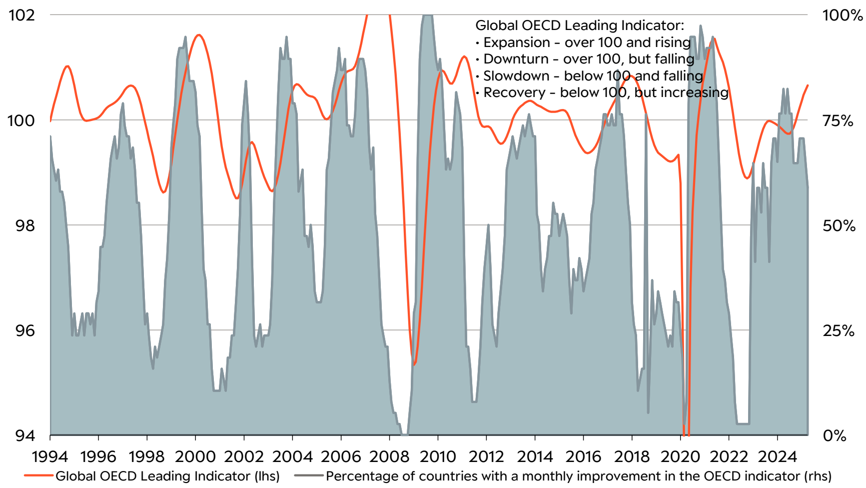


- In the UK, industrial production in March was disappointing, while GDP growth in the first quarter surprised slightly on the upside.
- In Japan, GDP growth in the first quarter was below expectations.

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 – 24/05/2025

Economics

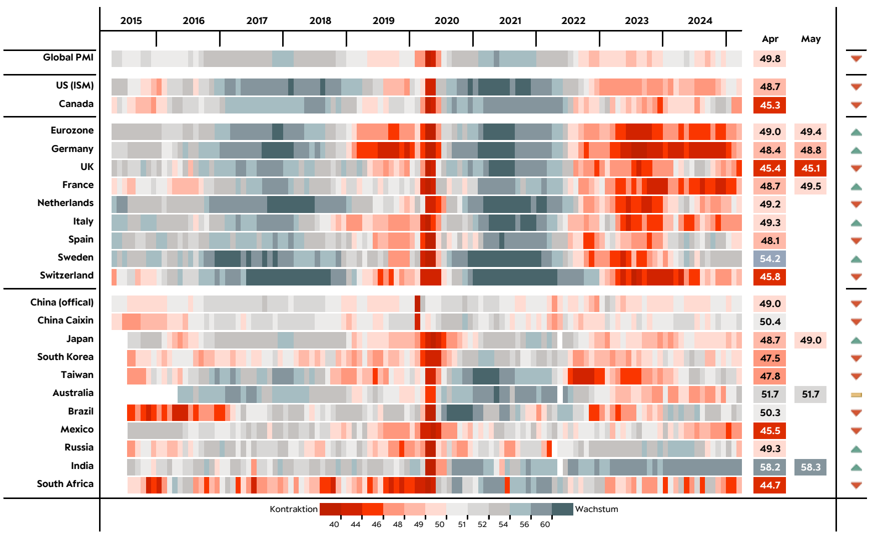
OECD Leading Indicator



- The global economic expansion continues. At 100.7, the revised OECD leading indicator was above the 100 mark for the sixth time in a row in April.
- According to the revised leading indicator, the economic situation improved in 59% of the countries surveyed in March compared to 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 – 24/05/2025

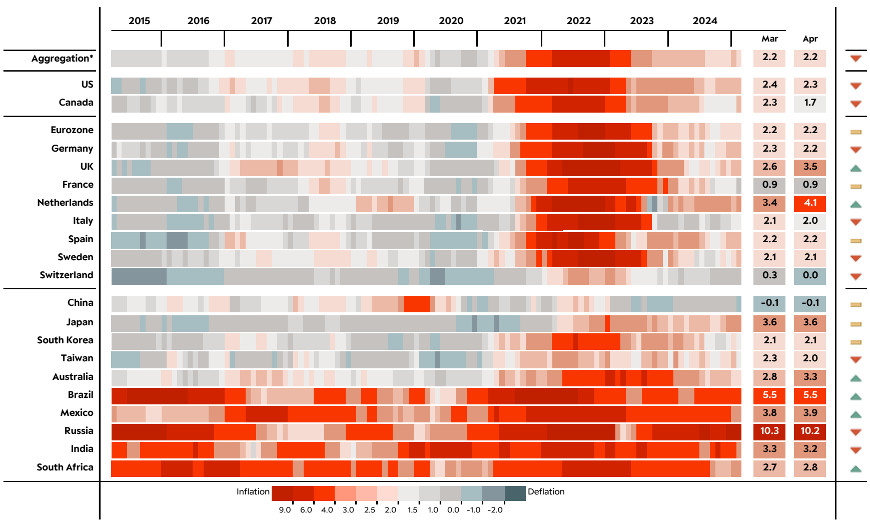
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The first PMI data for May indicate regional differences in the development of industrial activity. PMI values in the eurozone remained below the 50 mark, while industrial activity in India increased.

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 – 24/05/2025

Headline Inflation

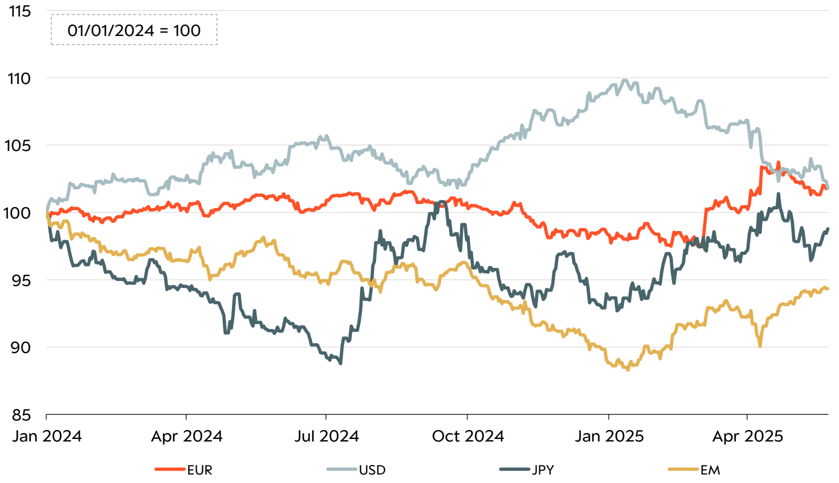


- The inflation data for April is very mixed. While annual consumer price inflation in Germany, France and Switzerland fell compared to the previous month, it accelerated in Australia, Mexico and the Netherlands. Significantly lower energy costs led to a lower inflation rate in Germany, among other countries.

Inflation (in %, compared to the previous year) is measured using a consumer price index, also called a basket of goods. This basket contains all goods and services that a household purchases on average per year. * = Weighting according to gross domestic product.
Source: Bloomberg, Time period: 01/01/2015 – 24/05/2025

Foreign Exchange

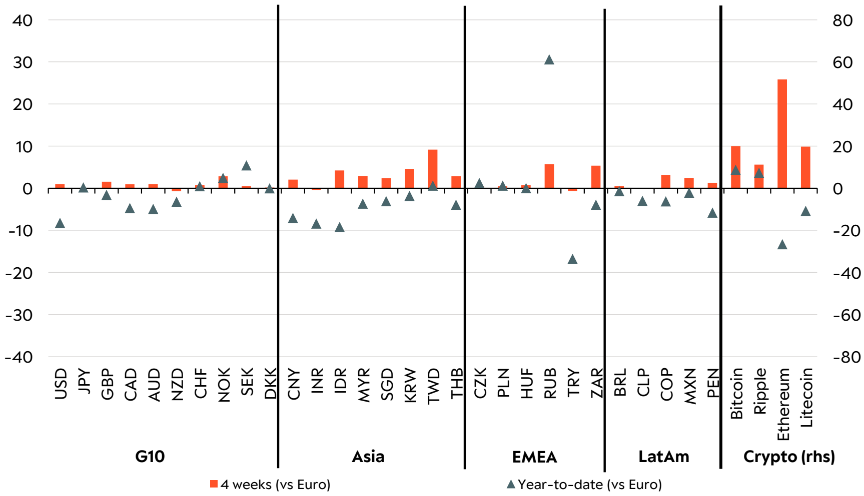
Trade-Weighted Currency Development



- Donald Trump's new tariff threats against the US technology company Apple and the European Union at the end of last week unsettled investors once again with regard to the economic policy direction of the US government and therefore also with regard to the role of the US dollar as a safe haven. The increased trade uncertainty, on the other hand, boosted 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 – 24/05/2025

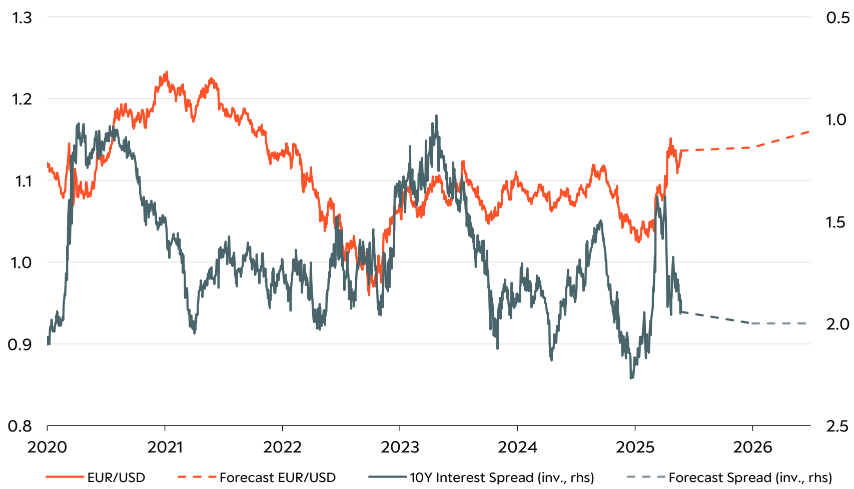
Currency Moves vs Euro



- In the last four weeks, the euro has lost value against most of the currencies shown here.
- Despite investors' expectations that the Australian RBA would cut its key interest rate by 25 basis points, the Australian dollar has appreciated over the last four weeks due to the latest labour market data and ongoing wage pressure.
- The Turkish lira has continued its downward trend since the beginning of the year in the last four weeks.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 01/01/2025 – 24/05/2025

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



- The weak auction in the 20-year US government bond segment weighed on US bonds last week and led to a renewed rise in US yields. The yield on 30-year government bonds exceeded the 5 per cent mark for the first time since October 2023.
- The EUR/USD exchange rate remained at a level of 1.136 last week.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US government bonds and 10-year Bunds. The forecasts were prepared by Berenberg Economics.
Source: Bloomberg, Time period: 01/01/2020 – 30/06/2026

Equities – Performance & Earnings

European Sector & Style Performance

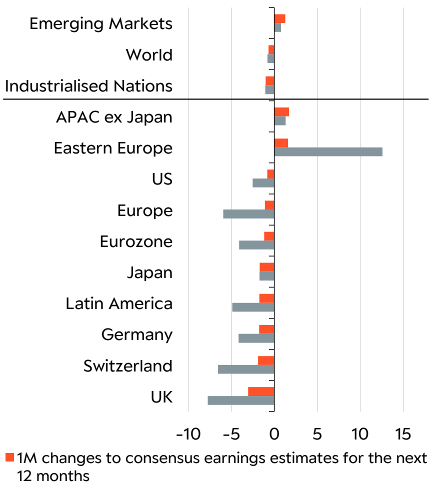
	4-week & YTD		12-month periods over that last 5 years				
	4W (25/04/25 - 23/05/25)	YTD (31/12/24 - 23/05/25)	23/05/24 23/05/25	23/05/23 23/05/24	23/05/22 23/05/23	23/05/21 23/05/22	22/05/20 23/05/21
Industrials	8.2	14.8	15.4	25.6	16.2	-6.5	50.9
Information Technology	8.1	1.3	-4.3	31.2	14.7	-8.7	37.9
Telecommunications	7.3	18.6	27.3	6.6	-1.9	3.5	23.8
Finance	6.4	23.0	32.9	27.6	13.7	1.7	52.2
Growth	5.7	4.0	-1.8	13.6	14.8	-5.0	27.9
Utilities	5.3	19.3	20.9	1.7	1.0	6.3	28.2
Value	5.2	14.4	16.5	15.8	6.1	7.9	37.9
Materials	4.7	4.6	-5.4	18.4	-4.6	5.2	50.9
Consumer Staples	3.9	9.8	6.0	-5.4	7.9	1.7	15.7
Consumer Discretionary	3.1	-3.7	-7.8	3.7	31.2	-19.0	60.7
Health Care	2.9	-3.0	-10.5	9.9	7.7	15.8	0.6
Energy	0.4	-3.1	-14.3	15.8	4.2	54.2	21.8

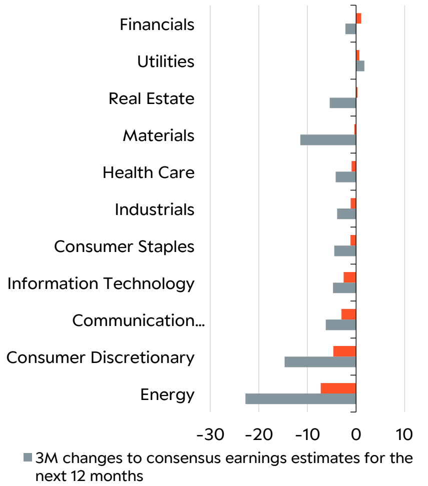
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech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

- Trump's U-turn on tariff policy in mid-April led to a strong recovery in European equities, which also benefited from a narrowing valuation gap compared to the US. Cyclical stocks in particular led the way, both domestically and internationally. Conversely, healthcare, energy and consumer stocks were lagging behind.

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: 22/05/2020 – 23/05/2025

Changes in Consensus Earnings Estimates

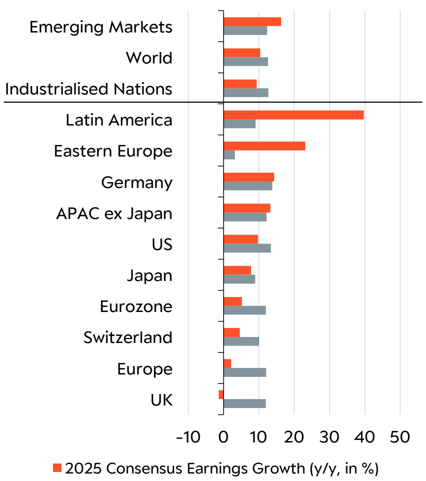


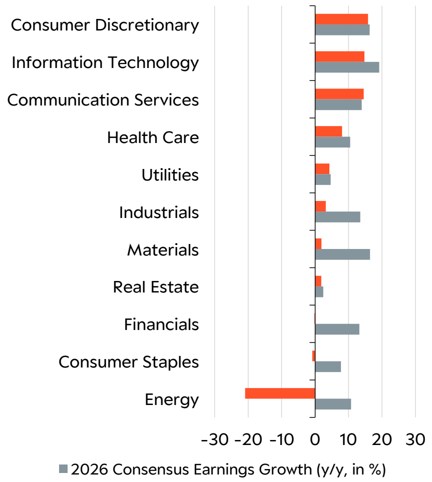


- In the last four weeks, analysts have mainly increased their earnings forecasts for emerging markets. Although the market is currently pricing in renewed optimism, analysts have become more pessimistic about industrialised nations over the last four weeks.
- Analysts are particularly optimistic about Eastern Europe, Latin America and Asia. However, they are more critical of earnings prospects in the UK and the eurozone.

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 23/05/2025

Earnings Growth



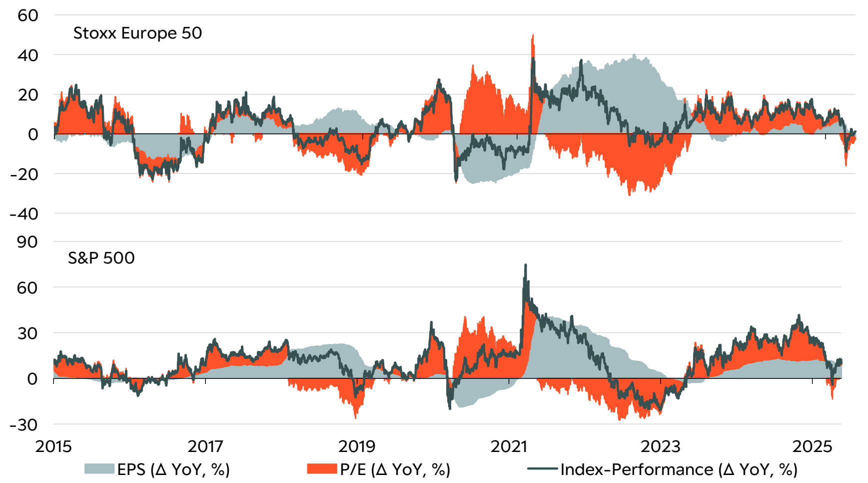


- For 2025, analysts expect stronger earnings growth of around 15% in Germany than in the USA, where it is expected to be just under 10%. For the eurozone, however, they predict earnings growth of only 5%.
- The analysts expect the sharpest fall in earnings, of around 20%, to be in the energy sector. However, this should recover from 2026 onwards.

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 23/05/2025

Equities – Valuation

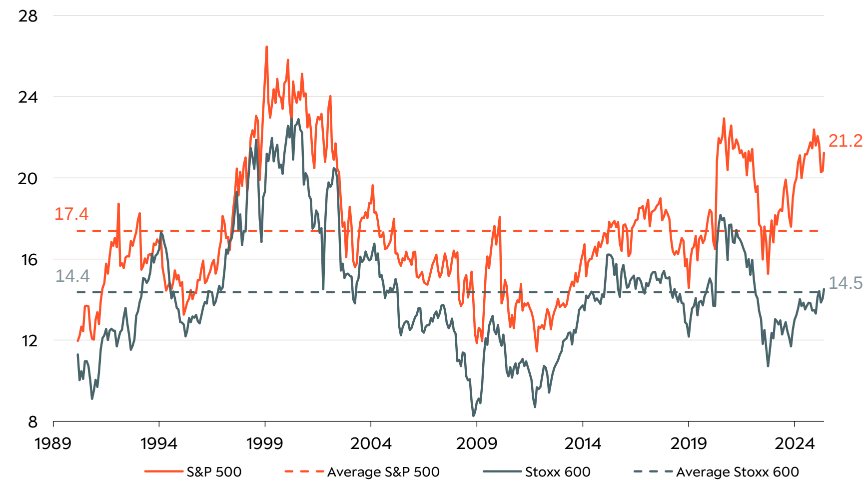
Contribution Analysis



- Despite recent negative earnings revisions, the S&P 500's performance over the last 12 months is predominantly earnings-driven. This is in contrast to last year's performance, which was largely valuation-driven. For the Stoxx Europe 50, the slight increase in earnings and the minor valuation contraction over the past 12 months are currently cancelling each other out, meaning that the European share index has remained unchanged over the past 12

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 – 23/05/2025

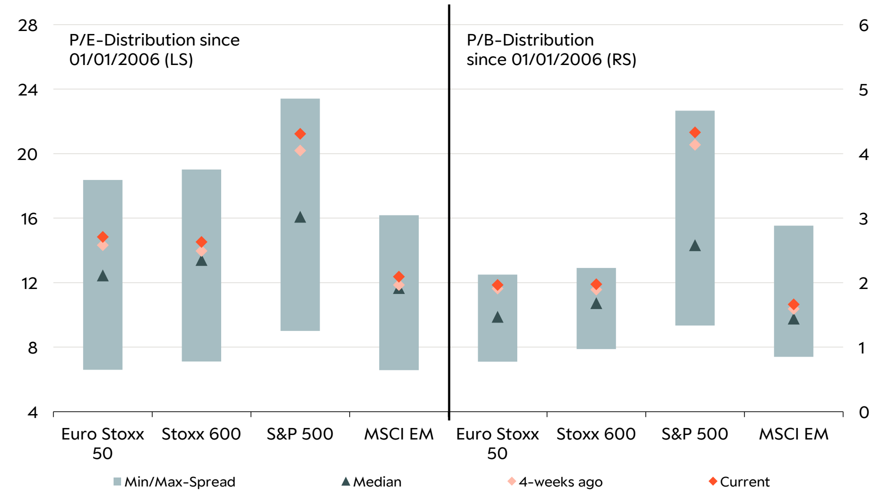
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- With the recovery of the markets since the correction at the beginning of April, valuation levels based on the price-earnings ratio have widened.
- European equities are now trading above their historical average P/E ratio for the first time since January 2022.

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 – 23/05/2025

Historical Distribution: Price/Earnings and Price/Book Ratio

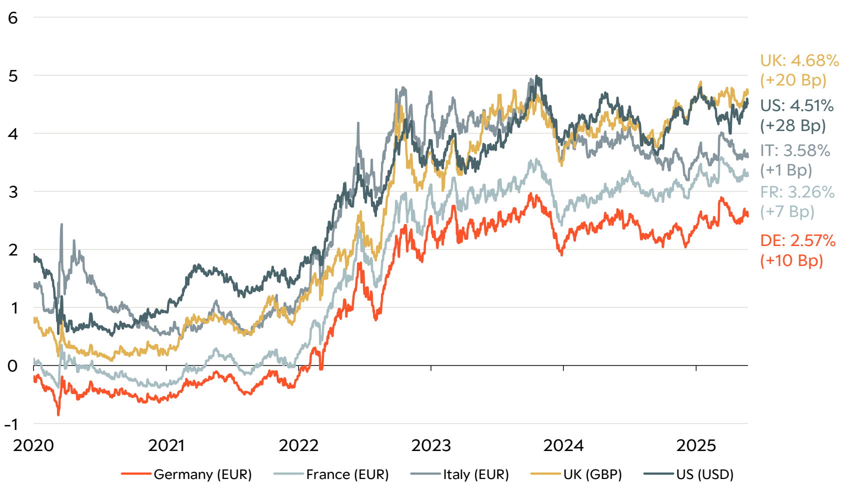


- Based on the price-to-earnings (P/E) ratio and the price-to-book (P/B) ratio, all of the share indices shown here have become more expensive over the past four weeks.
- The Euro Stoxx 50 and the S&P 500 have been trading close to their historical valuation maximums since 2006, particularly on a P/E basis.

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 – 23/05/2025

Sovereign Bonds & Central Banks

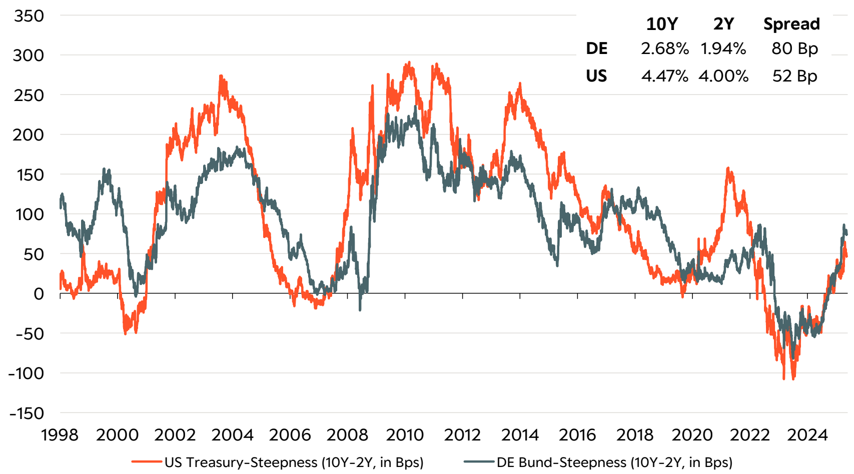
10-Year Government Bond Yields



- In the past two weeks, yields on government bonds have risen more sharply, particularly at the long end of the curve. In addition to the downgrade of US government bonds by the rating agency Moody's, concerns about a widening of the US deficit as a result of Trump's tax plans weighed on the market. A subdued auction of 20-year US government bonds and the sharp rise in long-term interest rates in Japan also weighed on bonds.

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 – 23/05/2025

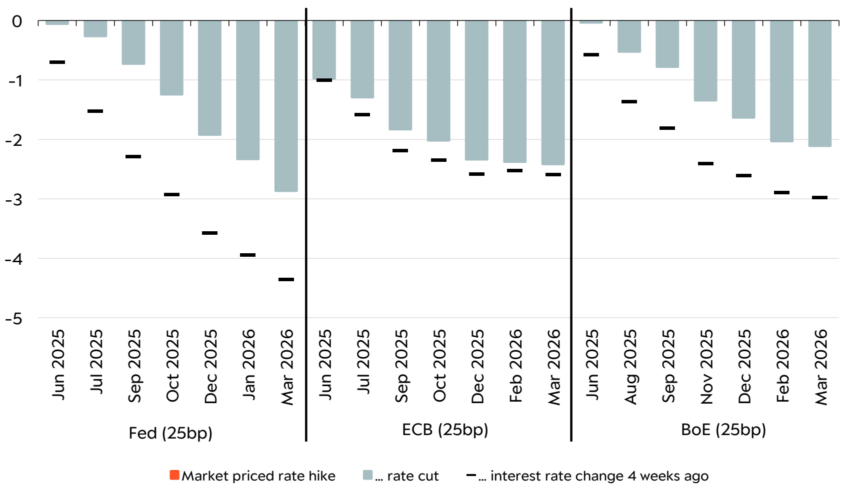
Yield Curve Steepness (10Y - 2Y)



- As a result of the rating downgrade of US government bonds and the planned expansion of the US deficit, the yield curve in the US steepened, particularly at the long end of the yield curve.
- Long-term government bonds from Germany also lost ground slightly, resulting in a steepening 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 – 23/05/2025

Implicit Changes in Key Interest Rates

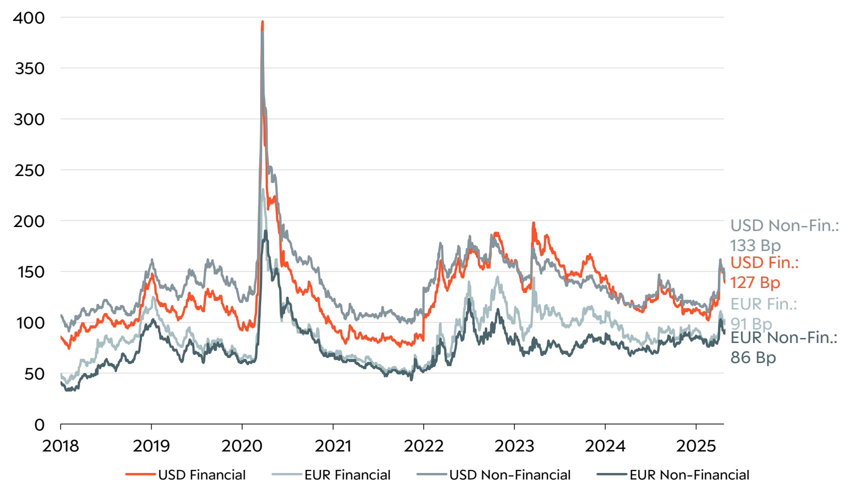


- With the recovery on the risk markets, the implied key interest rate cuts by central banks have also been reduced over the past four weeks.
- While around three to four interest rate cuts were recently priced in for the Fed by the end of the year, the market now only expects around two rate cuts this year.
- Meanwhile, the ECB's next interest rate cut of 25 basis points is expected almost entirely at the beginning of June.

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 – 23/05/2025

Corporate Bonds

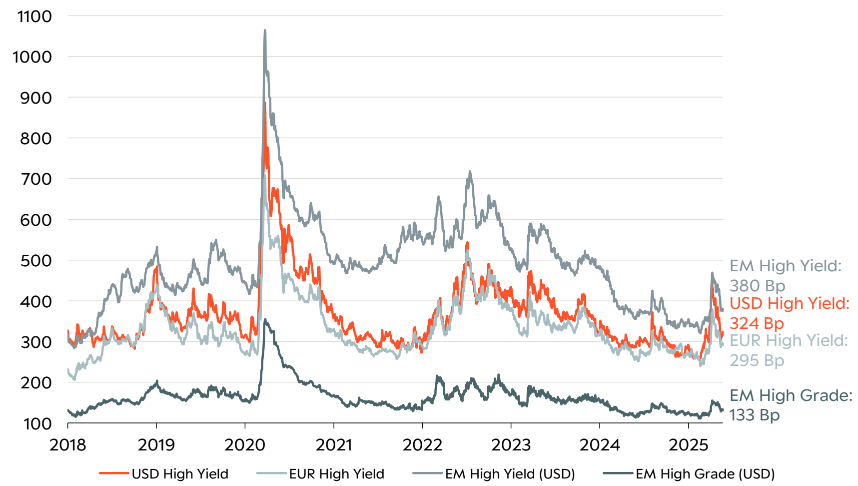
Credit Spreads Financial and Non-Financial Bonds



- In the last four weeks, the risk premiums on EUR and USD corporate bonds have continued to fall.
- The sharpest decline in asset swap spreads was recorded by USD financial bonds, at 23 basis points. Spreads on EUR financial and non-financial bonds fell by 11 and 5 basis points, respectively.

Explanations: see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 23/05/2025

Credit Spreads High Yield and Emerging Markets Bonds



- The market for high-yield bonds appears to be pricing out some economic risks once again. Although Trump's renewed tariff announcements against Europe (50%) and tech manufacturer Apple (25%) have recently led to a countermovement in spreads, asset swap spreads on USD high-yield bonds have narrowed by more than 30 basis points in the last four weeks.

How high the risk associated with the corporate bond is shown by its asset swap spread (in bp). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term as compensation for its credit risk. See further explanation below.
Source: FactSet, Time period: 01/01/2018 – 23/05/2025

Bond Segments Overview

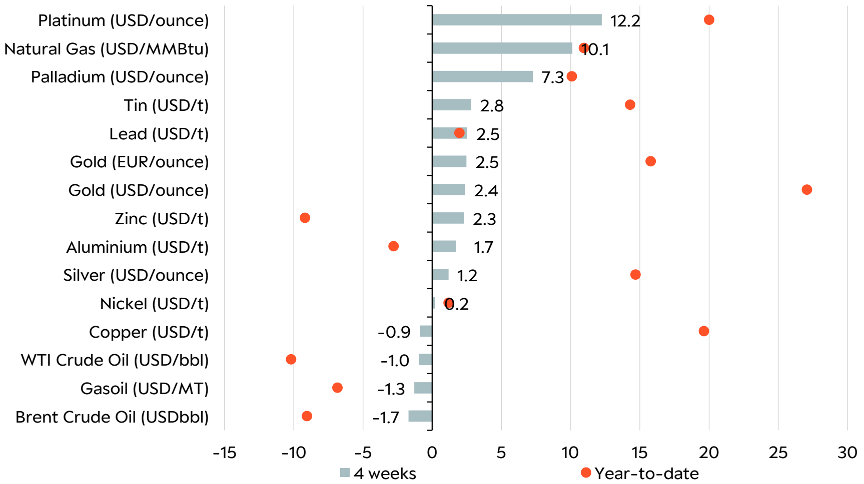
	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	23/05/24 23/05/25	23/05/23 23/05/24	23/05/22 23/05/23	23/05/21 23/05/22	23/05/20 23/05/21
EUR Government	2.76	0.13	6.9	-	-	-	-0.4	0.2	3.2	4.0	-8.8	-8.9	0.3
Germany	2.33	0.20	7.0	-	-	-	-1.0	-0.7	2.1	1.7	-9.7	-7.2	-3.0
EUR Corporate	3.24	0.07	4.4	88	-7	67	0.0	1.1	5.6	6.4	-4.3	-8.5	4.9
Financial	3.27	0.03	3.7	91	-11	54	0.3	1.4	5.9	7.0	-3.6	-7.0	4.5
Non-Financial	3.22	0.09	4.8	86	-5	77	-0.1	0.9	5.4	6.0	-4.7	-9.3	5.1
EUR High Yield	5.95	-0.30	3.1	295	-45	35	1.7	1.8	7.9	10.6	1.3	-8.1	15.2
US Treasury	4.32	0.12	5.8	39	-3	99	0.0	2.0	3.7	0.3	-3.2	-6.9	-4.5
USD Corporate	5.39	-0.04	6.4	131	-19	46	1.1	1.7	4.4	5.6	-0.9	-10.9	4.2
Financial	5.31	-0.05	4.9	127	-23	53	1.1	2.3	5.8	6.7	-0.6	-9.3	4.9
Non-Financial	5.42	-0.04	7.1	133	-18	43	1.1	1.5	3.8	5.1	-1.0	-11.6	3.9
USD High Yield	7.82	-0.43	3.7	324	-66	30	2.5	2.4	8.4	11.1	3.5	-7.8	16.9
EM High Grade	5.20	0.00	5.2	133	-15	12	0.9	2.2	5.4	5.1	0.5	-11.0	5.3
EM High Yield	8.20	-0.44	3.9	380	-59	16	2.6	2.7	9.3	15.1	0.4	-19.3	16.9

- Since the beginning of the year, high-yield bonds in emerging markets in local currencies have been the strongest of the bond segments shown here, while German government bonds have been the weakest.

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: 23/05/2015 – 23/05/2025

Commodities

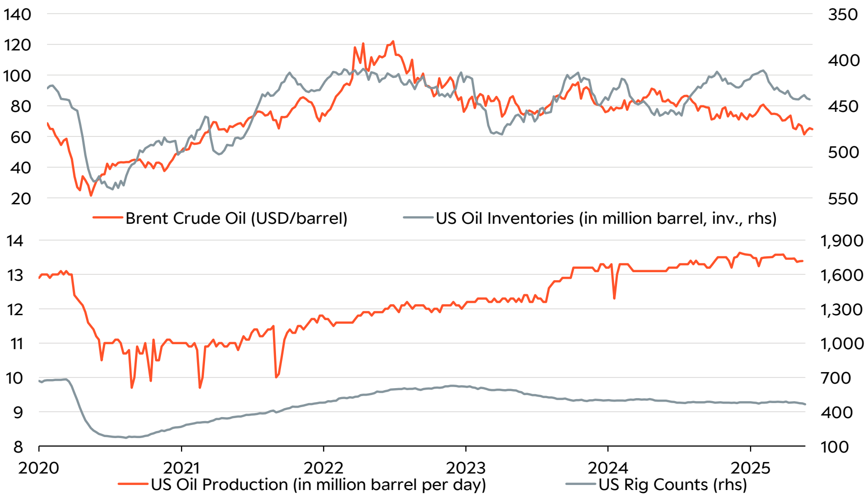
Commodities Performance



- Platinum has recently broken out. The supply of the precious metal is likely to be in deficit for the third year in a row in 2025. It is also very cheap relative to gold in a historical context. Recently, however, the price is likely to have been driven primarily by news from China. Demand from the jewellery industry and private investors has recently accelerated noticeably due to its relative attractiveness to gold, resulting in Chinese platinum imports being at their highest level for a year.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 31/12/2024 – 23/05/2025

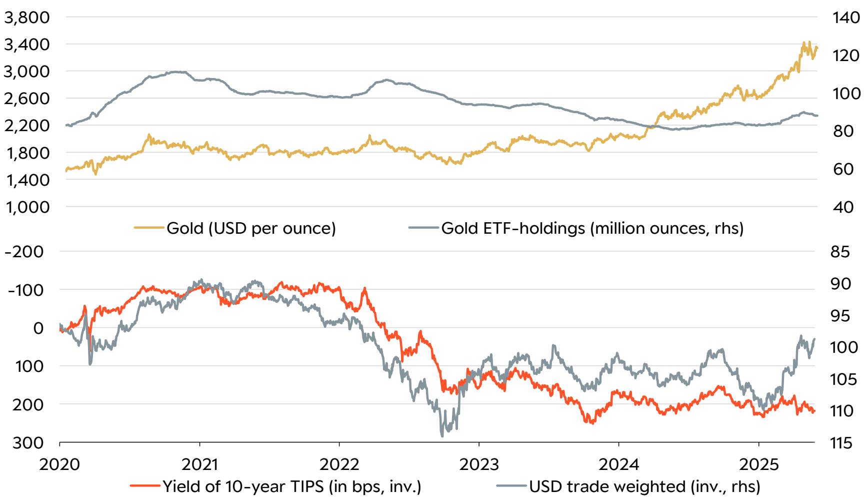
Crude Oil



- The price of oil (Brent) recovered somewhat following the announcement of the tariff pause between the US and China and is now trading at around USD 65 per barrel.
- Meanwhile, OPEC+ appears to be focusing less on the price and more on production. According to insiders, the cartel is discussing increasing production in July by 411 thousand barrels per day for the third month in a row.

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 – 23/05/2025

Gold



- The price of gold temporarily fell by more than 7% from its all-time high at the beginning of May, but has recently recovered and is now trading at around USD 3,300 per ounce.
- The recent recovery is likely to have been driven in part by the prospects of a further increase in the US budget deficit in the coming years.

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 – 23/05/2025

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