



# Horizon

The Berenberg Capital Market Outlook  
Wealth and Asset Management

## Economic 'business as usual'

The economy appears stable, with expectations rising slightly recently. Growth in 2026 is expected to remain at this year's level, with no change in fiscal and monetary policy. A more pronounced weakening of the US labour market and the US economy remains a risk.

## Don't fight Trump

With Trump's growing influence on the Fed, investors should be even less inclined to bet against him in the short term. Until the 2026 mid-term elections, he will do everything he can to achieve low interest rates, a robust economy and a bull market in equities. The worst is yet to come.

## Focus on real assets

Fiscal risks in the US and Europe are rising due to high deficits. The consequences are steeper yield curves and sustained demand for scarce assets. The weakening of US institutions is also favouring a weaker dollar. The bull market in equities and precious metals is likely to continue, but a sharp rise in yields remains a major risk for the markets.

Q4 2025

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# Foreword



*Prof Dr Bernd Meyer  
Chief Investment Strategist*

Dear readers,

Three months ago, we titled our outlook 'Some relaxation after the tariff theatre' and argued that it was only a matter of time before US equities reached new all-time highs. Since then, the tariff situation has become clearer, Trump's tax cuts have been passed, and uncertainty on the markets has decreased – as evidenced by falling volatility. Systematic investment strategies, which still had low equity positions in June, built up their equity holdings. Positive economic data dominated in Europe and the US, US corporate earnings surprised on the upside – thanks in part to the weak US dollar – and the US Federal Reserve (Fed) cut interest rates again despite high inflation. The bull market continued, with US equities in particular racing from one high to the next. However, gold and silver performed even better, fuelled by Trump's attacks on the Fed.

In the fourth quarter, the effects of tariffs, US immigration restrictions, expansionary fiscal policy and fiscal dominance are likely to become even more pronounced: in the US, real growth is expected to be somewhat weaker, but nominal growth robust, with interest rates falling despite tariff-induced inflation. Our economists expect a slight upturn in Europe. The return of high positioning among systematic investors makes the stock markets more vulnerable to a correction. Discretionary investors, however, are less optimistic and less heavily positioned. However, the decisive factor for market performance until the end of the year will be whether market participants are optimistic or pessimistic about the coming year. The consensus expectation for economic growth in the regions suggests a 'business as usual' scenario, with growth rates similar to those seen this year. However, the recent weakness in the US labour market highlights the risk of a weaker US economy. Looking ahead to 2026, the US mid-term elections are gaining in importance. Given his low approval ratings, Donald Trump needs a robust labour market, noticeable economic growth, a sustained bull market in equities and lower interest rates. He will do everything he can to achieve this. Investors should not oppose this. In the past, the saying was: 'Don't fight the Fed' – don't bet against the Fed, because it has deeper pockets and therefore market power. Now, the saying should probably be 'Don't fight Trump', especially since he is also seeking control

over the Fed. However, political risks remain high, also with regard to Russia's war in Ukraine. A weakened independence of the central bank, interest rate cuts despite rising inflation and fiscal excesses are a recipe for high bond yields, a steeper yield curve, a weaker dollar and sustained demand for scarce tangible assets. The biggest risk is a sharp rise in long-term bond yields, including in Europe (the UK, France). As long as this does not happen, the bull market in equities and precious metals is likely to continue. Equities outside the US are likely to gain in importance.

In the Insights interview on page 14, Ulrich Urbahn, Head of Multi Asset Strategy & Research, explains the major changes that have taken place in the market structure in recent years, what has become more important for investors and how we at Berenberg are responding to this. I hope you enjoy reading it.

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# Don't fight Trump – equity bull market continues

## In a nutshell

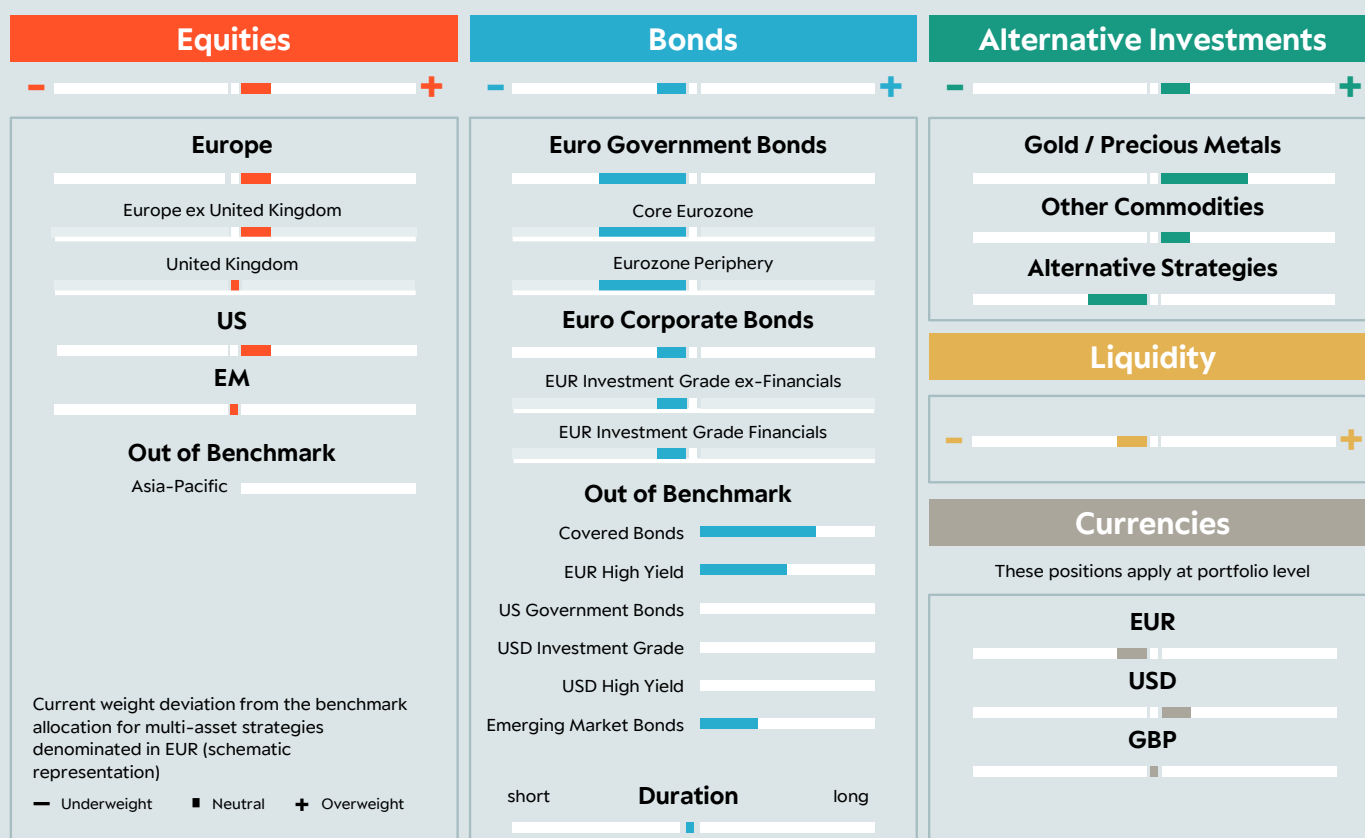
- High positioning by systematic investors increases the vulnerability of risky assets. Stable economic and earnings growth, interest rate cuts and trends such as artificial intelligence and defence are supporting the bull market in equities. Setbacks offer opportunities.
- Political risks, fiscal dominance and financial repression remain key issues. A sharp rise in yields therefore remains a major risk for the markets and tangible assets and scarce investments remain supported.
- We continue to favour equities and precious metals. In bonds, our focus remains on capturing risk premiums with shorter and medium durations. Gold has been supplemented by silver and remains the largest overweight.

## Portfolio positioning at a glance

Thanks to our cautiously constructive outlook and investors' low positioning in June, we started the second half of the year moderately overweight in equities, without having a clear

preference for Europe or the US. We have maintained this position since then and remain constructive on equities in the medium term. If the outlook remains unchanged, we believe a setback would be a buying opportunity. Our largest overweight position remains in gold. At the end of August, we switched our position in industrial metals to silver. In addition to positive market fundamentals, silver's favourable valuation compared to gold was another factor in its favour. Furthermore, the first central banks are now also buying silver. We remain optimistic about industrial metals in the long term, but do not expect much upside potential in the short term due to the tariff issue.

Our view that, in an environment of exploding government debt and structurally higher inflation, real assets should be preferred over nominal government bonds is clearly reflected. Bonds, especially government bonds, are underweighted. In bonds, we prefer covered bonds, high-yield bonds and niche segments such as local currency bonds from frontier markets or catastrophe bonds.



### Review of the third quarter – declining uncertainty helps

Agreements in the trade dispute gradually brought more clarity in the third quarter, Trump's tax cuts under the 'One Big Beautiful Bill Act' were swiftly passed and US earnings developed surprisingly positively, thanks in part to low expectations and the weak US dollar. Together, this was a recipe for significantly lower volatility (upper figure, p. 5). In the third quarter, volatility was below the average for the last five years for all asset classes. Systematic investment strategies that had only minor positions in equities at the end of the second quarter built up positions there. In addition, all asset classes recorded significant fund inflows. This supported the markets. Stock markets, especially US equities, climbed to new highs in July and August. After the losses in the first half of the year, the US dollar trended sideways with volatility. From the perspective of a euro investor, all asset classes posted gains in the third quarter, led by gold, silver, equities from emerging markets and the US. European equities and emerging market bonds also gained ground. Government bonds recorded the lowest gains.

### Economic outlook – More or less 'business as usual'

The mix of inflation and growth remains uncertain, particularly in the US. Tariffs are likely to cause inflation to rise in the coming months. US import prices, measured in US dollars and before tariffs, have been relatively stable so far. The depreciation of the dollar has therefore not caused any imported inflation so far. Either suppliers had hedged the currency or they are accepting lower prices in their currency. This is one of the reasons for weaker corporate results in Europe. However, stable import prices in the US also mean that US companies and consumers are bearing the burden of tariffs. The Fed, however,

considers tariffs to be temporary drivers of inflation. For the Fed, the risk of weaker economic growth and, in particular, a weaker labour market outweighs this. For this reason, it cut interest rates again on 17 September after a long pause. The market expects at least four further interest rate cuts by the end of 2026. We consider this to be overly optimistic. Our economists expect only one further cut in October of this year. The unchanged expansionary fiscal policy, looser monetary policy and weaker US dollar are supporting economic growth in the US. Despite the burden of tariffs, the economy is likely to grow at a similar rate in 2026 as in 2025 (middle figure on p. 5). According to the consensus of economists, there are no signs of a clear acceleration or slowdown in the economy in other regions either.

### Steeper yield curves up to curve control

Even though yield curves are already significantly steeper again, the spread between yields on 10-year and two-year government bonds is still below the historical average: in Germany, the spread is approximately 20 basis points, and in the US, 40–50 basis points (lower figure on p. 5). Further interest rate cuts by the Fed are therefore unlikely to lead to lower yields for longer maturities. This is all the more true given that high and rising debt, dwindling confidence in the Fed's independence and interest rate cuts despite a too high and rising inflation are a recipe for rising long-term inflation expectations and higher term premiums. Yields on 30-year government bonds in particular have risen further since the end of June for most regions: Germany +12bp, UK +14bp, Japan +29bp. In the US, the US government is likely to use debt management (lower issuance volumes for longer maturities,

### Many gains in the third quarter: precious metals, equities and oil have risen significantly, corporates ahead of sov. bonds, dollar stable

Total return	YTD and in Q3 25 (in %, in EUR)		12-month periods of the last five years (in %, in EUR)					CAGR*	Std. Dev.*
	■ YTD (31/12/24–15/09/25)	■ Q3 25 (30/06/25–15/09/25)	15/09/24	15/09/23	15/09/22	15/09/21	15/09/20	15/09/20	15/09/20
Gold	23.4	11.6	34.3	29.0	8.4	9.7	-8.0	13.7	13.3
DAX	19.3	-0.7	27.0	17.7	22.7	-17.0	18.1	12.4	16.9
MSCI EM	10.7	9.2	18.1	8.5	-1.1	-9.7	18.6	6.3	15.3
Stoxx Europe 50	8.9	3.3	6.5	13.0	17.8	1.6	20.8	11.7	13.6
EUR Corporates	2.7	0.8	4.2	8.4	1.2	-13.5	2.0	0.2	3.1
EUR Sovereigns	1.9	0.2	2.3	6.5	-1.8	-9.9	0.1	-0.7	3.3
Euro Overnight Deposit	1.7	0.4	2.7	4.0	2.4	-0.5	-0.6	1.6	0.1
S&P 500	7.0	-0.1	12.3	23.5	8.8	4.3	34.3	16.1	17.1
EM Sovereigns	4.5	-3.0	2.3	10.6	-1.5	-5.4	4.5	2.0	7.7
US Sovereigns	2.2	-6.9	-4.3	5.1	-7.8	3.1	-2.0	-1.3	6.9
Brent	4.8	-11.7	2.0	-16.4	10.5	77.1	89.0	25.8	32.8
USDEUR	0.2	-12.0	-5.8	-3.8	-6.2	18.1	0.3	0.1	7.5

Time period: 15/09/2020–15/09/2025.

Source: Bloomberg \* CAGR = annualised return (in %, in EUR); Std. dev. = Annualised standard deviation (in %, in EUR).

repurchases of long-term bonds), financial regulation and other instruments to counter higher yields at the long end. The Fed could also buy bonds again (QE). This means we are moving ever more obviously into an environment of financial repression, in which investors are unlikely to achieve an adequate real return on government bonds. For this reason, we continue to consider government bonds attractive only in a scenario of a significant economic slowdown or recession.

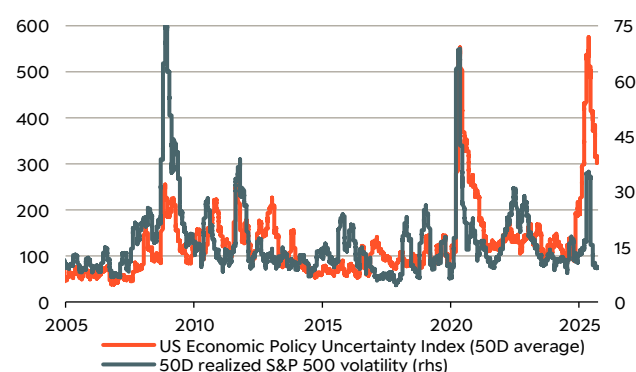
### Equities and precious metals to be supported in the medium term

Fiscal dominance, financial repression and high budget deficits favour real and scarce assets over the US dollar and government bonds. The dollar is likely to weaken in the medium term, which should lead to better relative performance for investments outside the US. As long as no financial crisis with sharply rising bond yields forces a fiscal U-turn in the US or parts of Europe – a risk that we consider possible in the long-term but do not expect in the short term – the bull market in equities and precious metals should continue over the next six to twelve months. It is supported by solid nominal earnings and further fuelled by Fed interest rate cuts, which may be comparable to those of 1998 in the wake of the Russia/LTCM crisis. Experience shows that bear markets are triggered by interest rate hikes, not cuts. If the stock market bull run were to come to an end in the short term, it would be rather short and weak by historical standards. Admittedly, following the strong recovery since the correction in April and in view of the high positioning of rule-based investment strategies and political risks, a renewed counter-movement has become more likely, especially as October is historically the month with the highest volatility. However, with next year's mid-term elections in mind, President Trump is likely to act in support of the economy and the markets in such a case. We therefore believe it would be wrong to become too pessimistic about risky investments in the medium term. After the typically volatile months of September and October, equities are likely to remain supported for the time being. In mid-term election years, equities have historically performed well until March/April. After that, these years have often become more volatile, and it is only after the elections that the upward trend has continued.

Prof. Dr. Bernd Meyer, Chief Investment Strategist

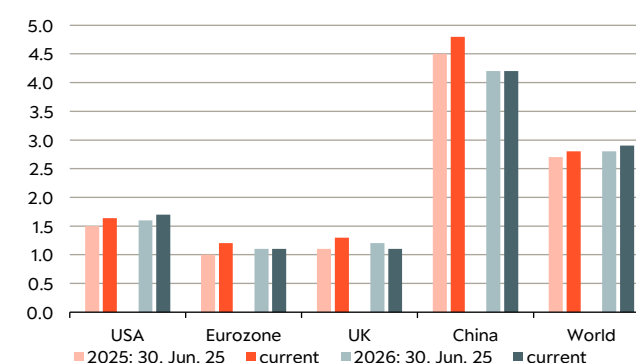
### Declining uncertainty made investors more courageous again

Volatility on the financial markets fell to its lowest level of the year in the third quarter; systematic investors consequently bought shares



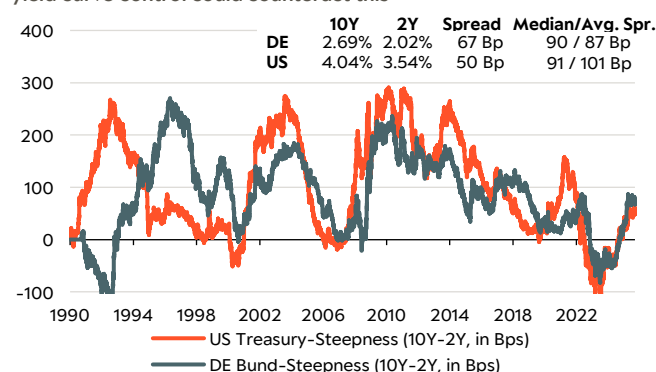
### Hardly any impetus from growth changes for the markets

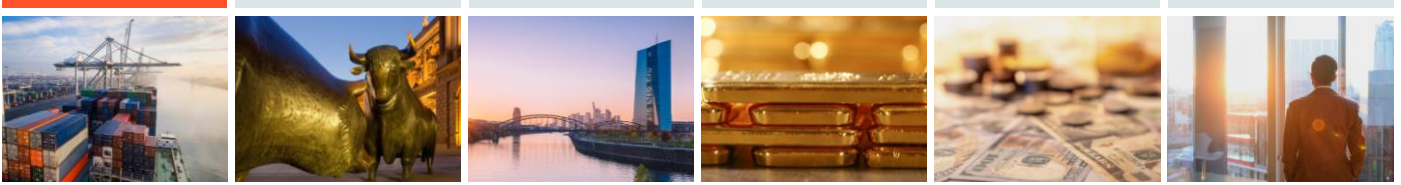
Consensus growth expectations (%) among economists have been fairly stable recently; growth in 2026 expected to be at a similar level to 2025



### Yield curves: further steepening likely

High deficits and fiscal dominance point to further steepening; QE or yield curve control could counteract this





# Europe is waiting for the upturn

## In a nutshell

- The trade agreement with the US paves the way for an upturn in the eurozone at the end of the year.
- The mood in Germany has brightened somewhat recently. Now it is up to the government to deliver.
- Trump's policies are weighing on growth and complicating the work of the Fed.

## Europe: Upswing expected for the end of the year

After real gross domestic product in the eurozone rose by 0.6% in the first quarter of 2025 compared with the previous quarter, the economy grew by only 0.1% in the second quarter. One of the reasons for this is that the stronger growth in the first three months of the year was based on an increase in exports. Companies wanted to pre-empt the impending US tariffs. In return, exports were weaker in the second quarter, weighing on gross domestic product.

The trade agreement concluded in August between the US and the European Union (EU) provides for tariffs of 15% on most imports from the EU to the US. Tariffs on US industrial goods, on the other hand, are to be reduced to zero. In addition, the EU has committed itself to importing US energy and making investments. Although the trade agreement can be criticised as unbalanced, the alternative of a bitter trade war between the EU and the US would have been far worse – both for the economy and for geopolitics.

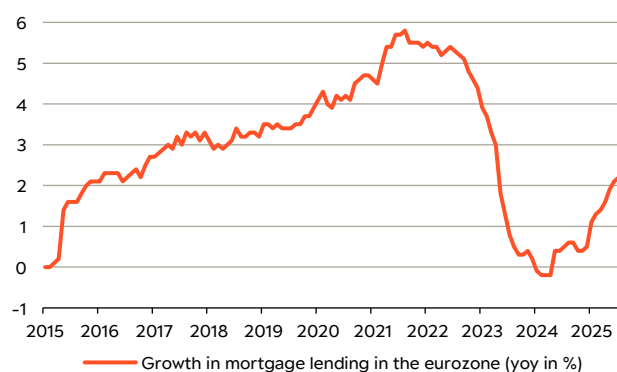
The trade agreement ends the uncertainty and, following a third quarter that is expected to be even weaker, could serve as a catalyst for an incipient upturn in the eurozone in the final quarter. This is also indicated by the purchasing managers' index for the eurozone, which in August was above the 50-point threshold signalling growth for the eighth month in a row. Meanwhile, the labour market remains stable: the unemployment rate falling to 6.2% in July, reaching a historical low. The ECB's monetary easing and the German government's extensive fiscal package are expected to provide additional tailwinds. The biggest risk to the upturn currently comes from France, where political instability and rising debt are increasingly seen as a significant threat, not least on the financial markets.

## Germany: The mood has brightened somewhat recently

The German economy contracted more sharply in the second quarter than previously assumed. GDP fell by 0.3% between April and June compared with the previous quarter. An initial estimate had predicted a decline of only 0.1%. Similar to the eurozone as a whole, the advance effects on exports in the first quarter were followed by a setback in the second quarter. Overall, this means that the first half of the year saw stagnation. For the third quarter, the slightly improved ifo business climate, the rise in purchasing managers' indices and the increase in new orders point to slight growth. Towards the end of the year, the German government's extensive spending package is likely to have an impact on the real economy, with the economy expected to gain some momentum from the fourth quarter onwards. The mood in the country – and thus

## The ECB's loose monetary policy is having an effect

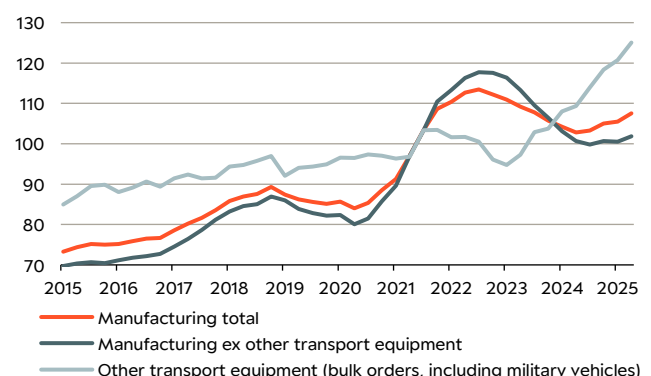
Growth in mortgage loans compared to the previous year, in %



Mortgage loans granted by monetary financial institutions in the euro area; year-on-year growth, in %. Time period: 01/01/2015–01/07/2025, Source: ECB

## Order books in Germany are slowly filling up again

Order backlog in the manufacturing sector



Open orders, volume index 2021 = 100: calendar and seasonally adjusted, quarterly data. Time period: 01/2015–06/2025, Source: Federal Statistical Office



the economy – would also benefit if the government argued less and delivered more. The coalition has achieved a great deal, but it would be desirable to see more progress in dismantling regulations. In addition, signals that the government will also tackle genuine reforms in pensions and care in order to curb rising social spending would be welcome. So far, this has been almost completely lacking.

*The mood in Germany, and thus the economy, would benefit if the government argued less and delivered more.*

#### US: A hint of stagflation

In recent months, the White House has concluded several trade agreements and agreed with China to extend the tariff pause until 10 November. An agreement is expected to follow. Despite everything we expect the average US tariff to be around 18% in the future. That would be about seven times higher than at the beginning of Trump's second term. The high tariffs will cause inflation to rise further and put pressure on US consumers. The US government's restrictive immigration policy, which significantly limits the supply of labour, is also having a dampening effect on the economy. Overall, economic momentum in the US appears to be slowing, while prices continue to rise. Added to this is the increasing erosion of institutions by the US government, which will undermine the attractiveness of the US as a business location over time. We expect trend growth in the US to decline from 2.0% to 1.5%.







#### Fed in a quandary, ECB in a comfortable position

The Fed is currently in a difficult position. On the one hand, the labour market in the US is cooling down and, on the other hand, the increased tariffs are slowly becoming noticeable in prices. Core inflation remained at 3.1% in August. The increased import duties are expected to push inflation even further away from the Fed's 2% target in the coming months. At present, the Fed appears to be more concerned about the labour market than the risk of inflation. On 17 September, the Fed lowered its key interest rate by 25 basis points to 4.00–4.25%. On 30 October, the Fed is expected to follow up with another interest rate cut of the same magnitude. However, due to ongoing inflationary pressure, this will probably be the last interest rate move.

In contrast to the Fed, the European Central Bank (ECB) is in a very comfortable position. Although the inflation rate rose slightly from 2.0% to 2.1% in August, overall, the ECB's assessment that inflation in the eurozone is under control has been confirmed. Meanwhile, the tariff fog has lifted somewhat and sentiment indicators point to an economic upturn at the end of the year. The ECB therefore left the deposit rate unchanged at 2.0% at its meeting on 11 September, and we do not expect any further interest rate cuts. In the medium term, the ECB is likely to be forced to raise its key interest rate again slightly from the mid of 2027 onwards in view of expansionary fiscal policy (especially in Germany) and wage cost inflation due to demographic change. We expect the deposit rate to reach 3.0% by the beginning of 2028.

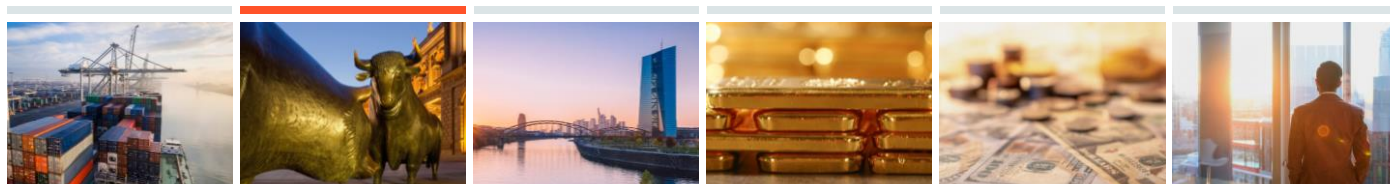
Dr. Felix Schmidt, Senior Economist

#### Growth and inflation forecasts

	GDP Growth (in %)						Inflation (in %)					
	2025		2026		2027		2025		2026		2027	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
USA	1.8	1.6	1.7	1.7	1.5	2.0	2.8	2.8	2.9	2.8	2.6	2.5
Eurozone	1.2	1.2	1.2	1.1	1.5	1.5	2.1	2.1	1.9	1.8	2.2	2.0
Germany	0.3	0.3	1.1	1.1	1.4	1.6	2.1	2.2	1.8	1.9	2.2	2.0
France	0.6	0.6	0.8	0.9	1.1	1.2	1.2	1.1	1.9	1.8	2.1	1.9
Italy	0.6	0.5	1.0	0.8	0.9	0.9	1.9	1.8	1.9	1.6	2.2	1.9
Spain	2.6	2.5	2.2	1.9	2.4	1.8	2.6	2.5	2.5	2.0	2.8	2.0
UK	1.3	1.3	1.1	1.1	1.5	1.5	3.4	3.4	2.7	2.5	2.2	2.0
Japan	1.3	1.1	0.9	0.7	1.0	0.8	3.1	3.0	1.9	1.8	1.7	2.0
China	4.8	4.8	4.1	4.2	3.9	4.0	0.1	0.1	1.3	0.8	1.9	1.3
World*	2.5	-	2.4	-	2.3	-	-	-	-	-	-	-

\* Berenberg data at actual exchange rates, not purchasing power parities (PPPs). PPPs lend more weight to the fast-growing emerging-market countries.

\*\* Average, Bloomberg consensus as of 18/09/2025.



# The year-end is likely to bring further stock gains

## In a nutshell

- US equities caught up significantly in the third quarter but remain at the bottom of the table since the beginning of the year.
- Earnings expectations for US companies have been revised upwards during the Q2 reporting season and in light of strong AI companies. Europe will see no earnings growth in 2025.
- Seasonality points to a sustained stock market rally. Asian emerging markets are becoming increasingly attractive.

growth in the AI sector has also helped. The weak US dollar has also helped emerging market equities. Earnings estimates have recently been revised upwards, particularly for Latin America. In contrast, the strong euro and uncertainty surrounding US tariffs have weighed on local exporters. In addition, there have been special issues such as weakening demand for luxury goods and sales problems at Novo Nordisk. Analysts now expect negative profit growth for Europe this year. For 2026, analysts again anticipate positive growth of 8%.

## Market has already priced in Fed easing

Even though the US labour market has weakened recently and the Fed responded with its first interest rate cut in September, the US stock market is not pricing in an economic slowdown. On the contrary: the Fed's lower key interest rates are raising hopes of a significantly looser monetary policy and lower interest rates. For the stock markets, the medium and long end of the yield curve is particularly important. This is where companies typically borrow, and it is also where profit estimates are discounted in analysts' models. Given the still very high valuation levels for US stock indices, the market seems to be betting that this time long-term interest rates will also come down – and that bond yields will not rise, as they did after the Fed's last interest rate cut in 2024. However, whether this actually happens depends on how inflation figures develop. If they remain stubbornly high, interest rates are unlikely to fall, given the enormous level of global debt, meaning that a further expansion of valuations from here would not be justified, at least from a fundamental perspective. However, we cannot rule this out. This is because the increasing proportion of non-

## US equities caught up in the third quarter

Overall, the third quarter was a good one for equities. Almost all major equity regions posted gains, with US equities performing strongest, driven by the big AI winners. Asian equity markets followed in the performance rankings, while European equities recently stagnated. The strong euro, mixed economic data and political turmoil, such as in France, weighed on investor sentiment. Since the beginning of the year, however, European equities have continued to significantly outperform US equities in the single currency.

## Mixed earnings revisions

In the wake of the strong Q2 reporting season, analysts have significantly raised their earnings estimates for the S&P 500. The consensus now expects earnings growth of 11% for this year and as much as 13% for next year. In addition to the significant depreciation of the US dollar this year, unabated

## US equities have recently caught up significantly, but remain at the bottom of the table in euro terms since the start of the year

Total return	YTD and in Q3 25 (in %, in EUR)		12-month periods of the last 5 years (in %, in EUR)					P/B*	Div.*	P/E*
	■ YTD (31/12/24–15/09/25)	■ Q3 25 (30/06/25–15/09/25)	15/09/24	15/09/23	15/09/22	15/09/21	15/09/20			
MSCI EM Latin America	8.6	24.1	11.4	-4.2	11.5	15.5	24.6	1.7	5.4	10.1
Stoxx Europe Cyclical	5.2	23.2	26.8	22.6	16.5	-14.8	37.0			
DAX	-0.7	19.3	27.0	17.7	22.7	-17.0	18.1	1.9	2.6	15.0
Euro Stoxx 50	2.8	13.4	15.0	15.6	24.3	-12.3	26.6	2.1	3.1	15.0
MSCI UK	6.0	11.5	13.0	13.9	10.7	8.7	28.7	0.2	3.4	13.1
Stoxx Europe Small 200	1.7	11.3	9.1	13.1	7.8	-24.4	36.3	1.5	3.3	13.4
MSCI EM Asia	10.1	9.8	19.3	9.7	-1.6	-10.6	15.3	1.0	2.4	14.9
Stoxx Europe 50	3.3	8.9	6.5	13.0	17.8	1.6	20.8	2.5	3.3	14.9
MSCI Japan	6.3	7.8	11.9	9.2	15.8	-14.6	27.4	1.6	2.3	16.6
Stoxx Europe Defensives	1.6	5.1	-2.1	11.9	14.0	4.7	16.2			
S&P 500	-0.1	7.0	12.3	23.5	8.8	4.3	34.3	5.1	1.2	22.6
MSCI USA Small Caps	-4.4	9.0	6.2	13.9	-1.4	1.0	49.1	2.1	2.0	19.7

Time period: 15/09/2020–15/09/2025.

Source: Bloomberg \* PBV = Price/book value ratio; Div. = Dividend yield (%); PER = Price/earnings ratio. Values based on estimates for the next 12 months.



fundamental investors (eg ETF savings plans) is likely to continue to drive valuations upwards structurally. If global liquidity were to grow further as a result of the possible reintroduction of quantitative easing by central banks, we could see a significant overshoot in the stock market.

#### Asian emerging markets attractive as an addition to portfolios

Within the equity regions, we find the Asian emerging markets increasingly attractive. Apart from India, these are not only cheaper than US equities in particular but have also recently demonstrated relative strength. The Chinese government is also implementing targeted economic stimulus measures, easing monetary policy and promoting consumption and innovative industries. These measures have stabilised the Chinese equity markets in recent months and are creating investment opportunities, as many investors in the region are underinvested. However, reforms and infrastructure projects are also being pushed forward in many other Asian emerging markets, such as South Korea. This should ensure greater stability and growth prospects in the coming years.

From a seasonal perspective, the end of the year and the beginning of the new year promise a continuation of the positive stock market performance. This is due, among other things, to seasonally strong fund inflows and optimism for the new year.

Ulrich Urbahn, Head of Multi-Asset Strategy & Research

#### What is on companies' minds?

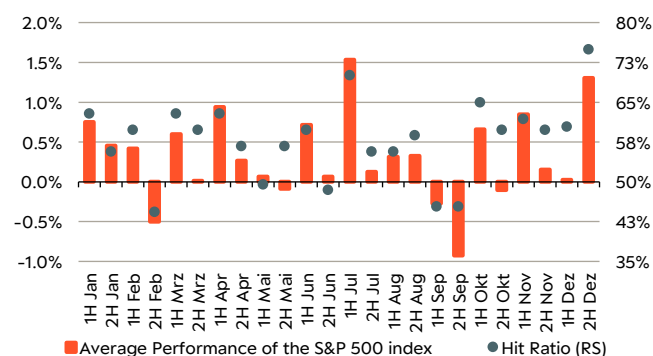
##### Focus on politics and AI

Our discussions with companies continue to be dominated by news about artificial intelligence and political decisions – especially from the US. The One Big, Beautiful Bill (OB BB) was recently approved there to strengthen domestic investment, which mainly revolves around tax breaks. This is currently boosting the medium-term outlook for the expansion of the American industrial base and will most likely lead to a resurgence in commercial construction activity. Tax breaks for renewable energies, which are likely to lead to pull-forward effects, have also been finalised. Regulation continues to dominate the healthcare sector as well. After Trump publicly threatened to impose tariffs of up to 250% on pharmaceutical products from the EU, the 15% tariff that has now been set came as a positive surprise. In addition to higher investment in production capacity in the US, high margins are helping companies to cushion the negative effect. In contrast, software providers came under pressure globally after concerns grew that AI could at least partially undermine their business models. Meanwhile, AI-driven demand for high-performance chips boosted the share prices of manufacturers, who were increasingly optimistic about 2026.

Martin Hermann, Senior Portfolio Manager Equities

#### Seasonality supportive until mid-February

Historical performance of the S&P 500 for all half-months and the relative share of positive performance during this period



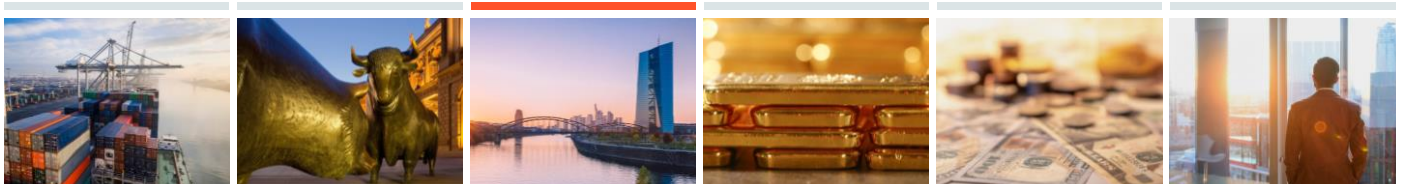
Time period: 01/01/1928–31/12/2024.  
Source: Bloomberg, Berenberg

#### Forecast summary: Equities likely to continue gaining

Berenberg and consensus forecasts compared, figures for mid and end of 2026

	15/09/2025	30/06/2026	31/12/2026	In 12 months
<b>Index forecasts</b>	<b>Aktuell</b>			<b>Ø*</b>
<b>S&amp;P 500</b>	6,615	7,000	7,200	7,262
<b>DAX</b>	23,749	25,500	26,500	27,137
<b>Euro Stoxx 50</b>	5,440	5,800	6,000	6,026
<b>MSCI UK</b>	2,643	2,800	2,900	2,960
<b>Index potential (in %)</b>				
<b>S&amp;P 500</b>	-	5.8	8.8	9.8
<b>DAX</b>	-	7.4	11.6	14.3
<b>Euro Stoxx 50</b>	-	6.6	10.3	10.8
<b>MSCI UK</b>	-	5.9	9.7	12.0

\* Average, consensus bottom-up as of 15/09/2025.  
Source: Bloomberg, FactSet, Berenberg.



# Bonds: no risk, no return

## In a nutshell

- Safe government bonds remain unattractive in view of public debt and economic recovery.
- Valuations for European corporate bonds call for caution. The financial sector remains the favourite one.
- Emerging market bonds look promising; we favour bonds from frontier markets.

## Politics continues to play a role

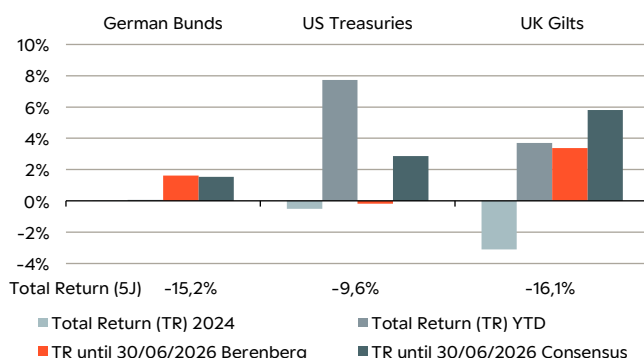
While uncertainty surrounding Trump's erratic tariff policy eased in the third quarter, his attacks on the Fed raised concerns about its independence. On this side of the Atlantic, French Prime Minister Bayrou's vote of confidence stirred emotions and yields. Bond markets remain political in some respects. What other factors do we consider important?

## Safe government bonds remain an unattractive asset class

In August, Fed Chairman Powell signalled at the Jackson Hole conference that potential weaknesses in the US labour market could be weighted more heavily than concerns about tariff-related inflationary effects, at least in the short term. In view of this, we expect US key interest rates to fall by a further 25 basis points by the end of the year. No central bank stimulus is expected in the eurozone or the UK in the final quarter; the Bank of England is also unlikely to take action again until 2026. At the longer end of the yield curve, we see little potential for falling yields in the medium term

## Safe government bonds: UK with the best outlook

Performance of 10-year government bonds, total effect of price/yield changes, coupon income and roll-down effect



Time period: 31/12/2023–17/09/2025, returns in local currency.

Source: Bloomberg, own calculations, ICE BofA Government Bond Indices (7–10 years, TR)



(fig. below right). This is countered by the combination of rising public debt, a stable economy in the eurozone and structurally higher inflation in the US. The outlook for German government bonds and US Treasuries is correspondingly limited or even negative. In local currency terms, we expect only UK government bonds to benefit from high carry with roughly unchanged yields (fig. below left), although the inflation rate must still be deducted for a real assessment. We remain cautious about France, whose yields have risen to the level of Italy and Greece amid uncertainty about the status and future of fiscal reforms.

## Corporate bonds: spread levels call for caution

European corporate bonds continued to perform well throughout the summer. Risk premiums on euro-denominated investment-grade securities traded at levels last seen during the ECB's extensive purchases in the COVID-19 crisis. This development urges us to act more cautiously in the coming months. On the one hand, technical factors such as a seasonally high number of new issues could weigh on the market segment. On the other hand, corporate earnings are likely to deteriorate due to the effects of US tariff policy on economic data. In addition, Japan does not yet seem to have emerged from the low interest rate phase, which is likely to lead to further headwinds. Due to low domestic interest rates, Japanese investors have often invested in international bond markets. This trend could reverse as local interest rates rise. In addition, fiscal policy uncertainties in France could dampen market sentiment. Although corporate bonds are not at the forefront, they are unlikely to remain completely unaffected by these developments. By contrast, financial bonds should continue to

## Forecasts: base interest rates and government bond yields (in %)

Berenberg and consensus forecasts compared, figures for mid and of 2026

	17/09/2025	30/06/2026	31/12/2026
<b>USA</b>			
Base interest rate	Aktuell 4.00–4.25	Ø* 3.75–4.00	Ø* 3.75–4.00
10Y US yield	4.09	4.55	4.15
<b>Eurozone</b>			
Base interest rate**	2.00	2.00	1.96
10Y Bund yield	2.67	2.80	2.81
<b>UK</b>			
Base interest rate	4.00	3.50	3.45
10Y Gilt yield	4.62	4.70	4.37

\* Average, consensus as of 18/09/2025, \*\*Deposit rate

Source: Bloomberg.

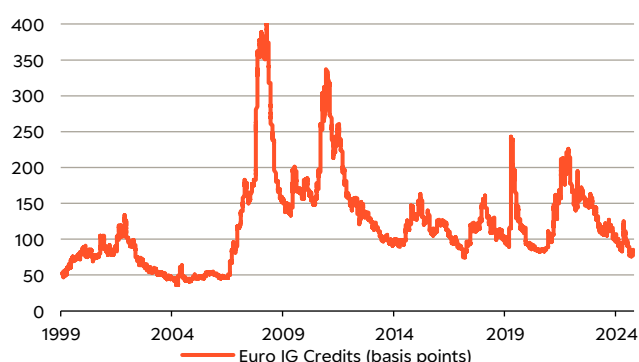
perform well. Positive earnings momentum has continued in the most recent reporting period, justifying current valuation levels. However, given the risks, we prefer a more defensive approach here as well, focusing on Tier 2 bonds and the senior segment.

### Emerging market bonds: frontier markets preferred

The at least partial easing of trade disputes and the prospect of interest rate cuts by the Fed amid a continuing robust US economy have recently had a positive impact on emerging market bonds. In the hard currency segment, they benefited from the constructive mood, with risk premiums falling to multi-year lows. Growing uncertainty about political influence on the Fed, rising government debt and initial signs of a weakening labour market resulted in a steepening of the US yield curve, with short- and medium-term interest rates falling and longer-term rates rising. In the emerging markets themselves, the prospect of further interest rate cuts and the search for alternatives to USD-denominated investments led to inflows into local currency bonds and corresponding declines in yields. Furthermore, the worrying increase in government debt in developed countries, combined with the US government's political attacks on universities, courts and the central bank, has led to a loss of confidence in supposedly safe government bonds. Emerging markets are perceived as more attractive overall due to their more orthodox monetary and fiscal policies. Accordingly, there is a clear divergence between the yields of developed and emerging markets. While developed countries have to pay higher risk premiums, local emerging market bonds are benefiting from falling yields (fig. below right). Against this backdrop, we are focusing in particular on local

### Corporate bonds: valuations urge caution

Risk premiums on Euro IG corporate bonds at levels last seen during the ECB's massive purchases in the coronavirus crisis



emerging market bonds from frontier markets. They not only offer solid fundamentals and attractive interest rates, but are also likely to benefit from the expected further decline in yields – as inflation has largely been overcome and their economies are already cooling down as a result of tariffs.

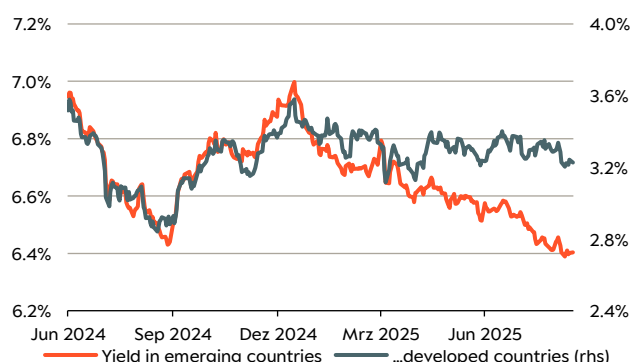
### Conclusion: opportunities in finance and frontier markets

Government bonds remain the least attractive segment among the bond sectors we cover. European corporate bonds are more interesting, although we are increasingly cautious given the low risk premiums. By contrast, we take a much more positive view of the financial bond sub-segment, particularly senior and Tier 2 bonds. In emerging and frontier markets, we continue to favour bonds denominated in local currencies, which offer further potential given low inflation, among other factors.

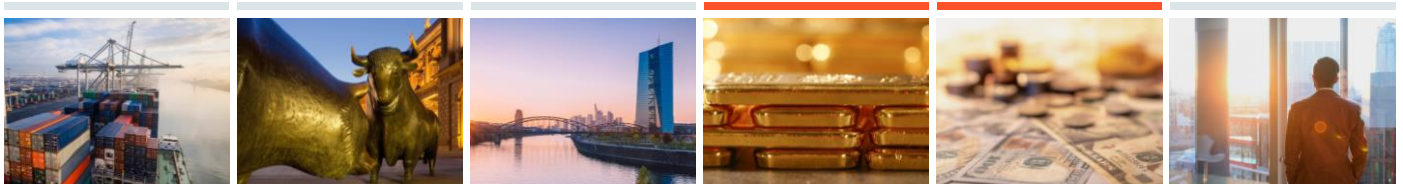
Martin Mayer, Senior Portfolio Manager Multi Asset  
Felix Stern, Senior Portfolio Manager Fixed Income Euro  
Sebastian Burbank, Portfolio Manager Fixed Income Emerging Markets

### EM bonds sought after over developed countries

While yields on government bonds from developed countries are rising, those on emerging market securities are on the decline







# A golden environment for precious metals

## Oil market is likely to remain oversupplied for the time being

In view of the de-escalation of the Middle East conflict and the now complete withdrawal of voluntary OPEC+ production cuts of almost 2.5 million barrels per day, the oil price has fallen significantly since the end of July and has since stabilised below the USD70 per barrel mark. This means that North Sea Brent crude is trading at around 20% lower in euro terms than at the beginning of the year. Although OPEC+ production is expected to stabilise from this point onwards, the oil market is likely to remain oversupplied for the time being due to the expansionary course of non-OPEC countries and overall subdued demand. However, a likely decline in US shale oil production, low inventories outside China and possible US sanctions against India for purchasing Russian oil are preventing a sharp drop in prices.

## The environment for gold could hardly be better at present

After gold gained significantly in value at the beginning of the year, the precious metal remained within a narrow trading range for a long time since the end of April. In addition to declining demand due to the increased price level, the increased risk appetite of many investors, who preferred alternative asset classes, also limited further price increases. However, anticipation of the Fed's recent interest rate cut, concerns about the central bank's dwindling independence under Trump and a sharp rise in ETF holdings have recently given the precious metal a new boost. Structural demand from central banks, ongoing geopolitical tensions and rising government debt are likely to continue to support the gold price in the medium term, alongside a further weakening of the dollar, increasing inflation risks and cautious positioning.

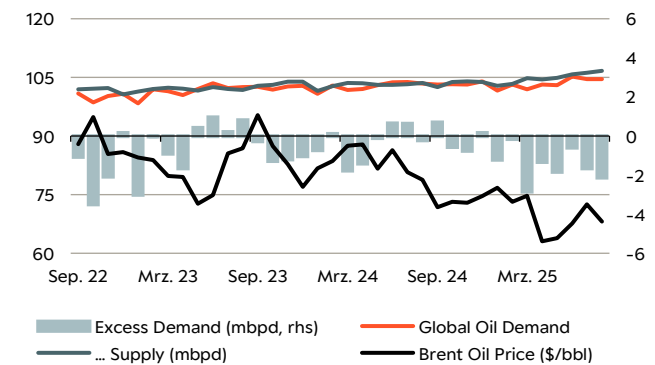
## Metals caught between conflicting market forces

Industrial metals have recently failed to find a clear direction after Trump's tariff policy led to some significant movements: after the copper price rose sharply due to tariff concerns, copper traded on COMEX suddenly lost value at the end of July following the announcement of an import tariff on semi-finished copper products. Looking ahead, demand is likely to flatten out initially due to advance purchases and high inventories. Despite small steps by China to support demand, a dollar that is likely to continue to weaken and structural demand (electrification, rearmament), industrial metals are likely to trend sideways for the time being without a significant economic upturn.

Mirko Schmidt, Analyst Multi-Asset Strategy & Research

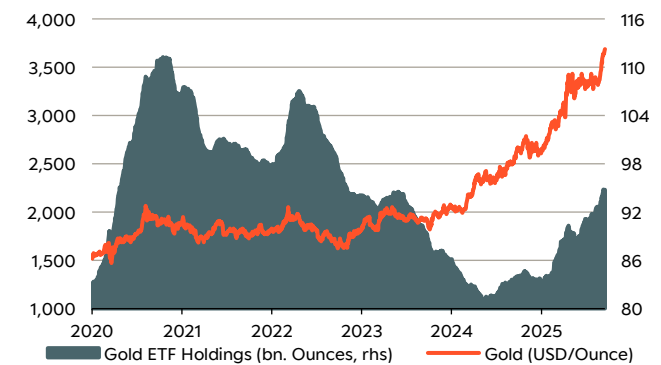
## Oil market has been in supply surplus for nine months

Brent oil price per barrel (in USD) and global supply and demand structure (in million barrels per day)



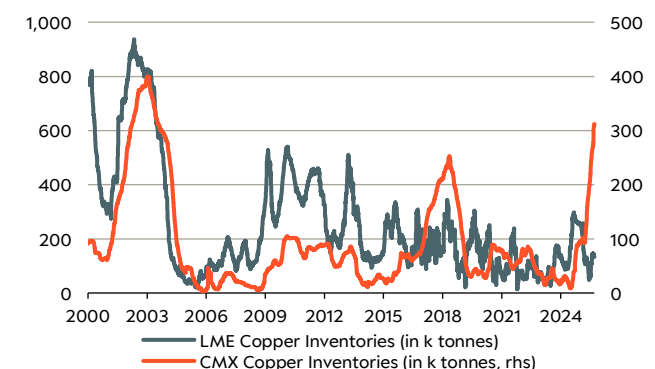
## Gold ETF holdings have risen notably since the start of the year

Gold price development (in USD) and gold ETF holdings (in billion ounces)



## COMEX inventories at their highest level since 2003

Copper stocks traded on COMEX and LME



# Dollar remains weak, Swiss franc flat despite duty

## There is currently little to recommend the US dollar

Trump's immigration and tariff policies are having a lasting negative impact on US economic growth. The slower economic momentum will tend to weigh on the US dollar. Meanwhile, the Fed is countering the cooling labour market with further interest rate cuts. This reduces the key interest rate differential with other central banks, such as ECB. Capital outflows from the US are the likely consequence. This could put additional pressure on the dollar. In addition, President Trump is increasingly attempting to extend his influence over a wide range of US institutions. The independence of the Fed is also increasingly under threat, which will increase inflation risks in the medium term. The market is responding to this with a weaker dollar and rising yields on long-term US government bonds. The continuing rapid rise in US government debt is also a cause for concern. Overall, there is little to recommend the greenback at present. We expect the dollar to depreciate further against the euro in the coming year, although there is a risk that the political uncertainty in France could become the Achilles heel of the euro's strength.

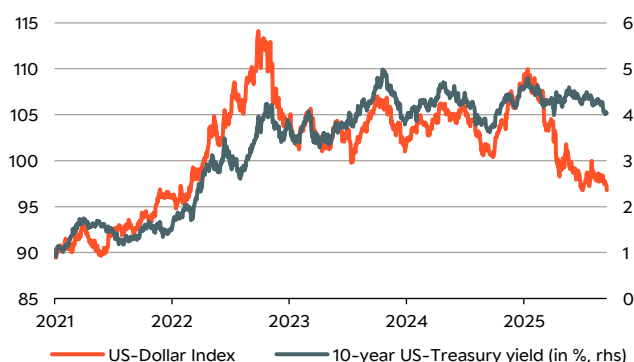
## Trump's tariff hammer hits Switzerland with full force

The Swiss economy grew by only 0.1% in the second quarter compared to the previous quarter. Industrial value added and exports performed particularly poorly. The US tariff hammer has hit Switzerland hard, with import duties at 39% higher than for all other industrialised nations. The US is Switzerland's most important trading partner after the EU. The further economic development of the Alpine republic will therefore depend heavily on whether it will be possible to reduce US tariffs in negotiations with the White House. However, if the US were to introduce tariffs on pharmaceutical products, as it has repeatedly threatened to do, this would have a significant impact on Switzerland. The Swiss National Bank (SNB) would like to support the economy by further easing monetary policy, but the key interest rate has been at 0.0% since 20 June. It is considered unlikely that the SNB will decide to introduce negative interest rates again. However, this cannot be ruled out entirely, as in addition to the weak economy, the Swiss inflation rate was once again only just positive at 0.2% in August. The Swiss franc weakened slightly in the meantime due to these events, but overall it remains fairly stable at around 0.93 francs per euro. We expect further sideways movement. However, the next steps taken by the White House will also be decisive for Switzerland and the Swiss franc.

Dr. Felix Schmidt, Senior Economist

## Trump's dangerous game

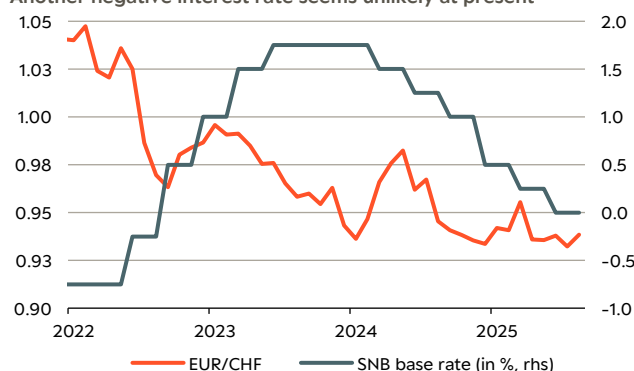
Market responds to US policy with high yields and weak dollar



Daily data. The US dollar index represents the ratio of six currencies against the US dollar. Time period: 01/01/2021–15/09/2025. Source: Refinitiv

## Swiss franc stable despite zero interest rate policy

Another negative interest rate seems unlikely at present



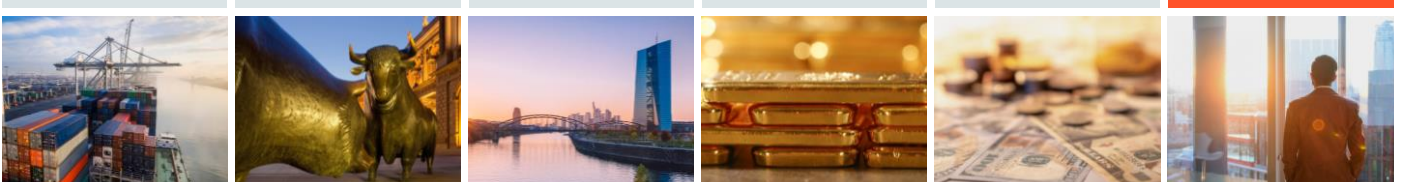
Time period: 01/01/2022–31/08/2025. Source: Haver Analytics

## Exchange rate forecasts

Berenberg and consensus forecasts compared, figures for mid and end of 2026

	18/09/2025	30/06/2026	31/12/2026
	Currently		
<b>Exchange rate forecast</b>			
EUR/USD	1.18	1.19	1.21
EUR/GBP	0.87	0.87	0.87
EUR/CHF	0.93	0.95	0.97
EUR/JPY	174	170	164
<b>Change against the euro (in %)</b>			
USD	-	-0.8	-2.5
GBP	-	0.0	0.0
CHF	-	-2.2	-4.3
JPY	-	2.3	5.7

\* Average, consensus as of 18/09/2025. Source: Bloomberg



# Interview with Ulrich Urbahn

**Mr Urbahn, you are Head of Multi Asset Strategy & Research. What exactly does that involve?**

In addition to preparing capital market publications and running the Investment Committee, my team generates investment ideas from a bird's eye view. This primarily includes asset allocation, tactical approaches and commodity investments. We also manage two mutual funds.

**Has your area of responsibility changed in recent years?**

Definitely, both operationally and in terms of content. We have increasingly automated processes for capital market publications and are making greater use of artificial intelligence, for example to translate or summarise texts. The market structure itself has also changed – not least because of the increasing number of ETF savings plans and the stronger influence of rule-based investment strategies: in addition to fundamental indicators, sentiment, flow and positioning analyses are now much more important. Due to interest rate and macroeconomic volatility, so-called style volatility is playing a greater role. Our multi-asset strategies are therefore more broadly positioned. It was particularly interesting this year that the stocks in the S&P 500 were hardly correlated with each other – therefore, the decisive factor was not so much the overall equity allocation, but rather the selection of the right sectors and investment styles.

**How do you put these findings into practice?**

In addition to fundamental analysis, we are paying even closer attention to liquidity indicators such as money supply growth and positioning data, and are increasingly incorporating the options market. This market has grown enormously since the coronavirus crisis, not least due to the influence of US private investors and ETF solutions involving options. Share buyback programmes have also become more relevant. Ultimately, it is important to understand how key investor groups are currently positioned – extreme positions are particularly interesting here – in which direction they are currently changing their positions and whether trend reversals could be on the horizon. Analysing investor sentiment is also important in this regard.

**You are also involved in the fund management of two Berenberg funds. Can you tell us more about them?**

Firstly, we are responsible for Berenberg Variato, a flexible, benchmark-free multi-asset fund with a return target of more than 4% p.a. after costs. Since its inception, or rather in the last six calendar years, we have achieved this target five times, with a very good risk/return ratio. We are also doing very well so far this year. This is because we had already started to partially hedge the US dollar in January, after the consensus had become too optimistic for the US currency and positioning had



become too one-sided. However, what helped most was that we had already reduced the equity allocation by more than 15 percentage points at its peak through sales and hedging before 'Liberation Day'. We then used the sell-off to unwind equity hedges and selectively buy back equities that we find attractive in the long term. From the end of May, we then raised the equity allocation again more significantly. In addition, our portfolio construction, which focuses heavily on 'true multi-asset', has proven its worth. We are correspondingly heavily invested in real assets and have an allocation of more than 14% in gold, silver and the corresponding mining companies. We are also broadly diversified regionally, which has allowed us to benefit from the favourable developments in China and other Asian countries.

The second fund, Berenberg Guardian, was launched in November 2023. Its objective is to generate positive returns when equity markets are falling and to minimise losses when markets are rising. Investors have now entrusted us with over €200 million in this strategy, which shows that the hedging approach is convincing. What investors particularly appreciate is that the maximum loss to date has been less than 2%, even though, with a few exceptions, the markets have only moved in one direction since the end of 2023: upwards.

**What were the reasons for setting up the protection fund?**

Since 2022, equities and government bonds have often moved in the same direction – mainly due to the return of inflation.



In addition, many investors are increasingly concerned about rising government debt worldwide. In the past, bonds often acted as a counterweight when equities fell. Today, this buffer no longer works as reliably. That is why we believe new solutions are needed in portfolio construction: 1) broader diversification in the portfolio, for example with gold or commodities, and 2) hedging strategies with options that offer protection in difficult market phases – as with Berenberg Guardian. It is important that the insurance premiums for the hedges are as low as possible. Traditional hedging strategies are often expensive because they operate independently of the volatility environment and systematically purchase hedges. These hedges are then usually held until maturity. Our approach is more flexible: we invest more in hedges when they are cheap and less when they are expensive. To do this, we work with a fixed budget that we spread over several months. We can also adjust the hedges to the current market environment and take some of the profits generated by the hedges during market corrections so that they are not completely lost again if there is a rapid recovery ('V-shaped recovery'), as has often been observed recently. Another advantage is that more and more funds and ETFs are selling risk and volatility and betting on calm markets. This makes hedges cheaper – but at the same time makes stock markets more vulnerable to sudden shocks. Both of these factors play into our strategy.

**If you look to the future, what will have the greatest impact on fund management in the coming years?**

I expect the influence of technology and artificial intelligence to continue to grow, whether in data analysis, idea generation or trading decisions. Fundamentally, structural inflation, rising bond yields, depreciation of the US dollar and the search for tangible assets and alternative hedges are likely to be the defining trends of the coming years. These trends, combined with the geopolitical situation, will continue to cause significant volatility in the markets. For fund managers, this means acting even more flexibly, viewing markets from multiple perspectives and, where necessary, incorporating unconventional forms of investment.

#### Brief biography

Mr Urbahn is an experienced investment professional with proven expertise in multi-asset strategies. After several years in one of the world's leading sell-side research teams, he moved to the buy-side in 2017. At Berenberg, he heads the Multi-Asset Strategy & Research department, where he and his team implement flexible investment concepts, develop investment ideas for asset and advisory clients, and publish analyses on structural market changes. In addition, Mr Urbahn is a voting member of the Investment Committee, a regular contact for the media and has received industry awards including the GOMBOC Award from Two Sigma.



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focuses on the multi-asset investment process, the development of investment ideas and capital market communications

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