



# Horizon

The Berenberg Capital Market Outlook  
Wealth and Asset Management

## Less upside potential in 2026

Global economic growth is likely to be roughly on par with last year's level. Capital markets remain supported by fiscal and monetary policy. However, high valuations and (geo)political risks suggest less upside potential than in 2025.

## Diversification more sensible than ever

While the US is likely to lose some momentum, low positioning outside the US and regional growth drivers, such as the fiscal package in this country, argue in favour of a broad, balanced positioning to exploit all diversification advantages.

## Real assets structurally supported

Fiscal dominance, financial repression and rising budget deficits will continue to favour of a focus on real assets in 2026. In addition, the dollar is likely to continue to depreciate, albeit less than this year.

Q1 2026

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# Foreword



*Dejan Djukic*  
*Head of Portfolio Management*

Dear readers,

2026 is likely to be a year of solid growth, with the global economy maintaining roughly the same pace as in 2025 and capital markets continuing to benefit from monetary policy and fiscal support. At the same time, (geo)political risks are likely to remain elevated and volatility spikes are likely to recur. We therefore recommend a cautious but not overly pessimistic positioning. The European economy is likely to receive a slight boost from higher investment in defence and infrastructure, while the US economy is losing some momentum. Asian markets are expected to prove resilient overall, supported in part by Beijing's new five-year plan focusing on AI, high tech and productivity.

Massive investments in data centres and energy infrastructure will ensure that artificial intelligence remains a key growth driver in 2026. In the run-up to the US-midterm elections, US-politics will focus on curbing tariff-driven inflation, for example through selective easing of trade agreements. With a new Fed chair from May and a tendency towards pro-cyclical stimulus measures, the environment for risk assets is improving. Markets can thus detach themselves more strongly from the major macro issues of 2025 and refocus on sector- and company-specific stories that are likely to drive returns over the next 12 months. If the Fed's policy becomes more expansionary in the long term, market breadth is likely to increase again. This should benefit sectors and small caps that have suffered from the rise in interest rates in recent years.

The independence of central banks remains an important anchor, but has recently become less politically uncontroversial than in the past. As long as inflation expectations and thus US interest rates remain anchored and no political interference massively damages the credibility of monetary policy, the liquidity environment can support valuation levels in the markets.

2026 is shaping up to be a positive year for capital markets, with a more moderate upside potential for equities and gold compared to 2025. The US midterm elections in November are likely to cause uncertainty in the run-up to the vote, so we can

expect share prices to follow a similar pattern to the historical trend – a strong start to the year, fluctuations from spring/summer onwards and a recovery towards the end of the year. Structural factors such as fiscal dominance, financial repression and budget deficits support real assets such as gold and equities against the dollar and government bonds. As long as there is no threat of tightening by the Fed and no recession, we remain optimistic on equities – despite high valuations and likely setbacks. A bond crisis scenario remains possible in the long term, but is unlikely for 2026, so the stock market bull run is likely to continue with solid gains.

In the Insights interview on p14, Susette Mantzel, Head of Private Markets Solutions, discusses Berenberg's private market investments in more detail. We hope you enjoy reading this issue and wish you a happy end to the year surrounded by your loved ones.



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# Monetary policy and inflation are decisive for 2026

## In a nutshell

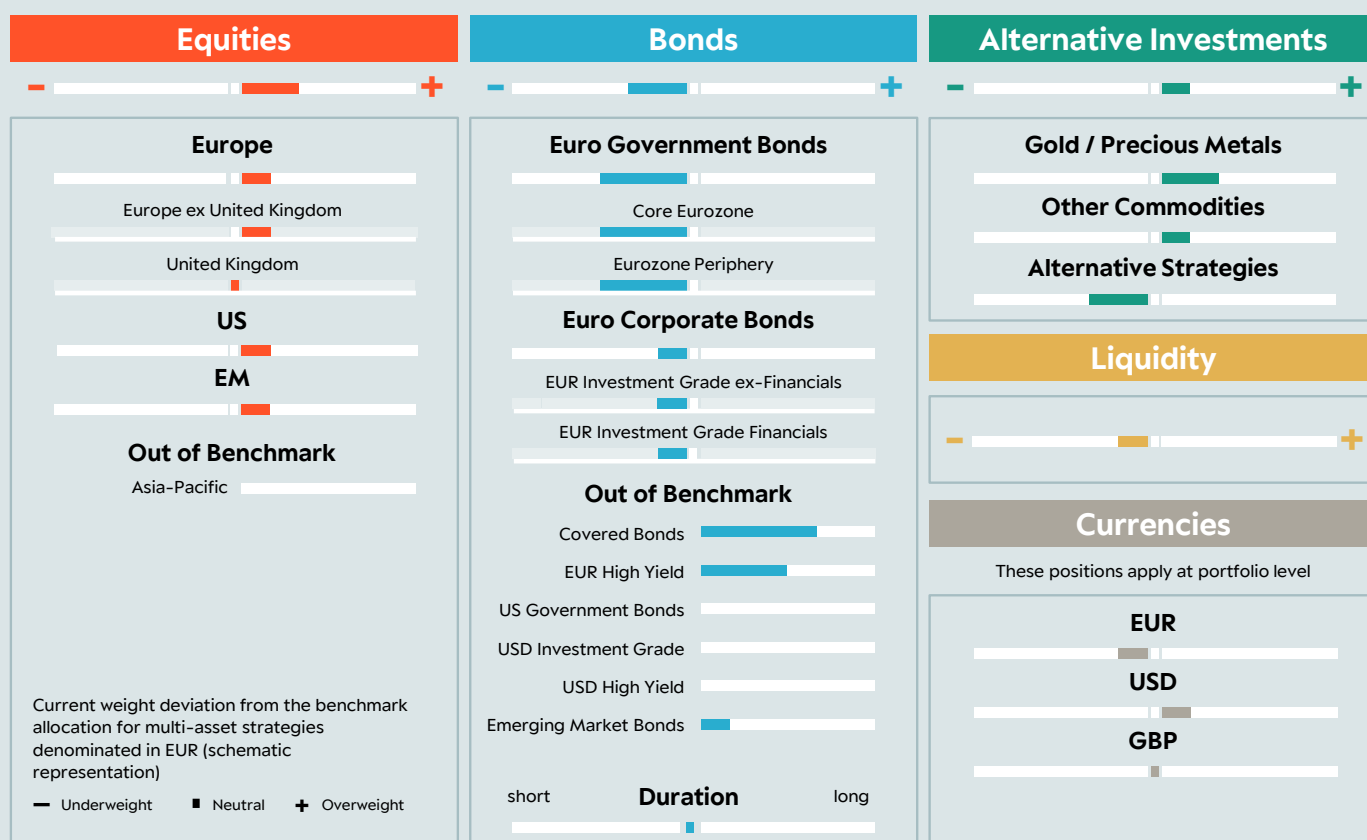
- The global economy is likely to grow at a similar pace in 2026 as in 2025, but regional dynamics will shift. Europe will catch up somewhat thanks to fiscal investment programmes.
- Monetary policy, inflation and the US midterm elections will be the focus of attention next year. However, macroeconomic uncertainty is likely to ease somewhat and markets are likely to be driven more idiosyncratically than in 2025.
- We continue to favour equities and precious metals, supported by solid nominal corporate earnings and financial repression. Without tighter monetary policy from the Federal Reserve or a recession, investors should not underweight equities.

our portfolios thanks to a broad diversification. At the turn of the year, we are maintaining our overweight position in equities, without any major regional preferences. We are optimistic thanks to favourable corporate outlooks, low investor positioning and support from share buyback programmes. If the outlook remains unchanged, we believe that a setback would even present a buying opportunity. However, we are very vigilant with regard to economic and valuation risks.

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 in the portfolio. Accordingly, our largest overweight position remains in precious metals. 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.

## Portfolio positioning at a glance

Thanks to our constructive view on equities and precious metals, our multi-asset portfolios performed very well in the fourth quarter. The minor sell-off in November had little impact on



### Review of the fourth quarter – healthy correction

The fourth quarter was characterised by greater volatility. After gold and other precious metals had staged a phenomenal rally from September to mid-October, there was a significant profit-taking phase. Gold fell by almost 10% from its all-time high, but then recovered significantly and is now up more than 40% in euro terms YTD. Global equity markets declined subsequently from mid-November onwards due to growing concerns about tech valuations and the temporary pricing out of Fed interest rate cuts. They then recovered once it became clear that the Fed would most likely cut interest rates in December after all. All three equity regions gained more than 3% in the fourth quarter. Overall, the fourth quarter was positive for our structural overweight positions, equities and gold, but was characterised by increased volatility. Bonds, on the other hand, remained flat.

### Economic outlook – slight regional shifts

The global economy is expected to grow at a similar rate in 2026 as in 2025, but regional dynamics will shift (upper figure, p5). The US economy is likely to lose some momentum due to a weakening labour market and declining domestic demand. Europe is likely to experience a slight recovery thanks to investments in defence and infrastructure. China and Asia are likely to remain resilient overall, supported by China's 15th Five-Year Plan, to be announced in spring 2026, which will focus on AI, high tech and productivity. Artificial intelligence remains a global growth driver thanks to massive capital investments in data centres and energy infrastructure. In the run-up to the midterm elections in November, the White House is likely to focus on curbing tariff-related inflation.

We believe further easing of some trade agreements and measures to cap food prices are possible. Ultimately, the development of US inflation in the new year is likely to have a major impact on the outcome of the elections – and Donald Trump has some ground to make up in this area. His approval ratings have plummeted this year, particularly on the issue of inflation (middle figure, p5). Higher tariffs, looser fiscal policy and more restrictive immigration rules are likely to fuel inflation, even if the net economic effect is less clear. Deregulation and AI productivity gains are likely to counteract this. In addition, Trump is likely to do everything he can to keep energy prices low. So far, inflation expectations have remained anchored thanks to the credibility that central banks have built up over decades. However, the independence of monetary policy can no longer be taken for granted – in a world where even politicians in major industrialised countries such as the US are increasingly taking unorthodox positions.

### 2026 is likely to be more micro-driven

US monetary policy under a new Fed chair from May onwards and pro-cyclical stimulus measures should create a favourable environment for capital markets: markets can turn away from global macro issues in 2025 and instead focus on sector-specific idiosyncrasies that are likely to drive returns over the next 12 months. In contrast to 2025, when trade conflicts and political uncertainty dominated events, especially in the first half of the year, markets are likely to follow their own rules more closely in 2026.

### YTD winners continued to gain ground in Q4: Precious metals and equities ahead, oil behind, US dollar recovered somewhat

Total return	YTD and in Q4 25 (in %, in EUR)		12-month periods of the last five years (in %, in EUR)					CAGR*	Std. Dev.*
	YTD (31/12/24–08/12/25)	Q4 25 (30/09/25–08/12/25)	08/12/24	08/12/23	08/12/22	08/12/21	08/12/20		
Gold	42.1	9.5	44.5	33.7	10.0	7.8	1.7	18.4	13.7
DAX	20.8	0.7	18.0	21.6	17.5	-9.1	18.1	12.6	16.4
MSCI EM	17.1	4.3	16.3	18.3	1.2	-13.5	7.9	5.4	15.3
Stoxx Europe 50	14.8	4.3	12.0	11.6	11.1	3.5	23.7	12.2	13.2
S&P 500	4.8	3.6	3.2	36.7	15.8	-7.8	37.5	15.7	16.9
EUR Corporates	2.8	0.0	2.1	7.3	3.3	-12.1	-0.7	-0.2	3.5
Euro Overnight Deposit	2.1	0.4	2.3	3.8	3.1	-0.2	-0.6	1.7	0.1
EUR Sovereigns	1.9	0.0	1.1	4.8	0.9	-9.4	-1.2	-0.9	3.6
EM Sovereigns	3.3	0.1	-0.1	13.9	3.4	-9.0	6.6	2.7	7.6
US Sovereigns	1.3	-5.8	-5.8	1.5	-2.5	-4.4	4.3	-0.3	7.0
USDEUR	0.8	-11.0	-9.2	1.9	-1.9	7.4	6.7	0.8	7.5
Brent	-3.0	-15.5	-9.0	7.3	7.4	39.6	82.3	21.7	32.2

Time period: 08/12/2020–08/12/2025.

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

We expect market breadth to pick up again next year if the Fed continues to ease monetary policy. This would give many sectors that have been weak in recent years due to high interest rates the potential to catch up, especially small caps.

### Equities and gold preferred, but with less potential in 2026

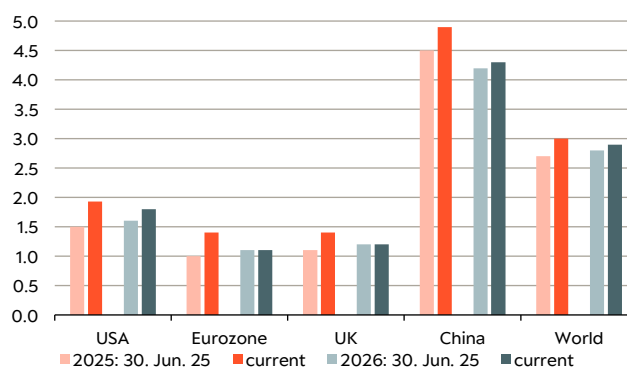
We expect 2026 to be a positive year for capital markets, albeit with more moderate upside potential for equities and gold than this year. Volatility is likely to increase, not least because of the US midterm elections in November, which historically caused some market turmoil. In fact, the last two midterm election years, 2018 and 2022, were anything but positive for equity investors (lower figure, p5). Nevertheless, several factors favour risky assets: fiscal dominance, financial repression and high budget deficits should continue to support real and scarce assets over the US dollar and government bonds. The dollar should continue to weaken in the medium term, but at a much more moderate pace than this year. As long as no financial crisis with sharply rising bond yields forces a fiscal correction in the US or parts of Europe – a long-term risk that we do not expect in the short term – the bull market in equities and precious metals is likely to continue in 2026. As we have argued in the past: Without tighter monetary policy from the Federal Reserve or a recession, investors should not underweight equities. Without one of these scenarios, it still makes sense to hold equities at least neutral to the benchmark. Although setbacks are more likely after the strong recovery since April and in view of high valuations, President Trump is likely to act in a supportive manner for the economy and markets in view of the midterm elections. We would therefore be sceptical of overly pessimistic positions on risk assets. Historically, equities perform well in midterm election years until March/April. After that, volatility increases, and it is only after the elections that the market picks up again. We can imagine this pattern repeating itself in 2026.

For government bonds, we expect the interplay between growth concerns and inflation fears to keep bond yields within a certain range, as was the case this year. An M&A renaissance and increased credit-financed AI investments are also likely to lead to further IG spreads and greater heterogeneity in corporate bonds.

Ulrich Urbahn, Head of Multi Asset Strategy & Research

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

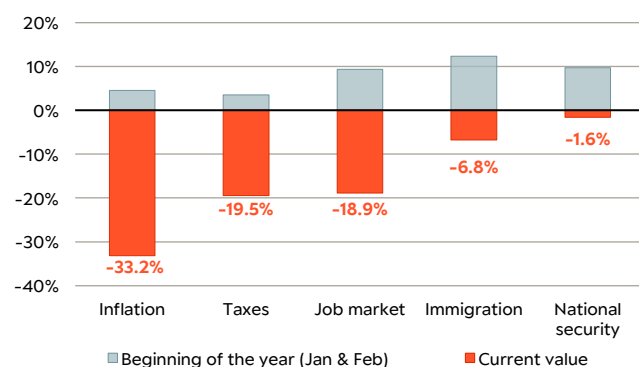
The consensus growth expectations (%) of economists have been fairly stable recently; growth in 2026 is expected to be at a similar level to 2025.



Time period: 30/06/2025–28/11/2025  
Source: Bloomberg, own calculations

### Trump has to deliver on inflation

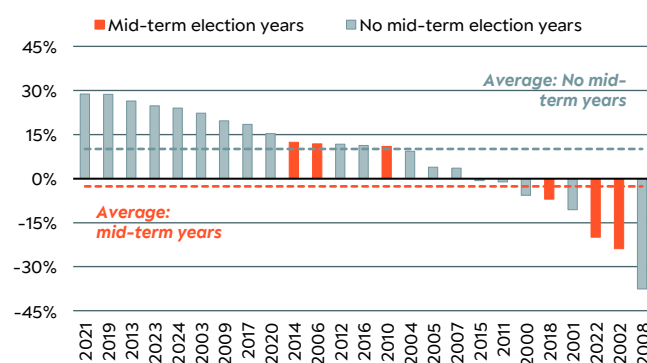
Net approval by political issue (%)



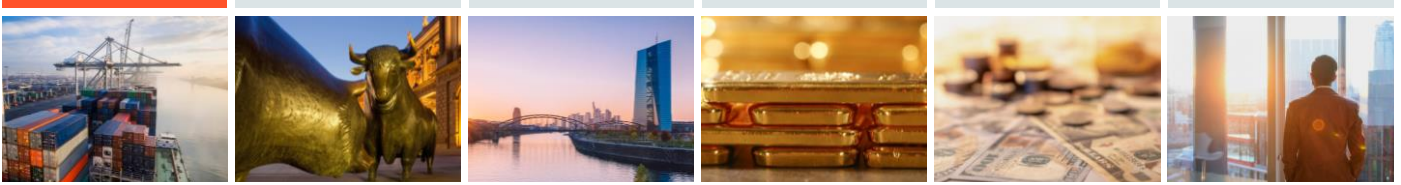
As of: 17/11/2025  
Source: The Economist

### Upward potential likely to be limited next year

US mid-term election years tend to be associated with lower stock market returns; total return per calendar year since 2000



Time period: 01/01/2000–31/12/2024  
Source: Bloomberg, own calculations



# Europe remains robust, US benefits from AI boom

## In a nutshell

- Following a robust third quarter, the eurozone is expected to continue growing steadily in the coming year.
- Fiscal stimulus will boost the German economy in 2026, but further reforms are necessary.
- Trump's policies are weighing on the economy, so the current AI boom is coming at just the right time for the president.

## Uneven growth in the eurozone

Despite Trump's tariff chaos and the Chinese export glut, the eurozone economy grew by 0.3% in the third quarter compared to the previous quarter. Growth was particularly strong in Spain, at 0.6%. While the former problem children of the eurozone continue to grow robustly, it is now the large economies of Western Europe that are bringing up the rear in terms of growth. Economic output in Spain and Greece is now 10% higher than before the coronavirus pandemic. In France, the figure is only 6%. Germany continues to stagnate at pre-pandemic levels.

Overall, however, the eurozone economy surprised slightly on the upside in the third quarter and could even gain momentum next year. Supportive factors include the fact that the labour market in the eurozone remains stable despite subdued growth, uncertainty in the trade dispute with the US has eased, and the European Central Bank's (ECB) interest rate cuts are increasingly having an impact on the real economy. In addition, rising fiscal spending, particularly in Germany, is expected to

provide further tailwinds in 2026. Meanwhile, the greatest threat to the eurozone comes from political instability and high debt levels in France.

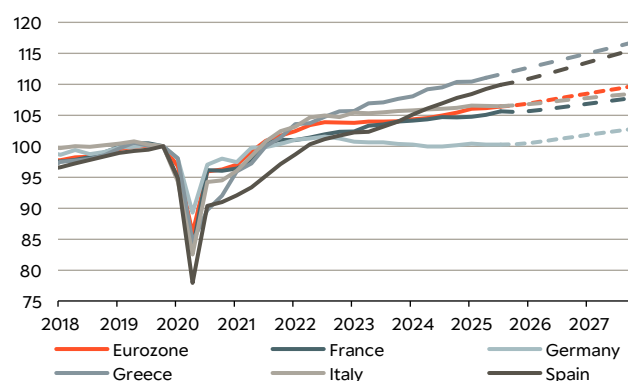
*Germany's economic power continues to stagnate at the same level as before the pandemic.*

## Germany: Reforms must accompany the fiscal package

The German economy did not grow in the third quarter. Exports had a negative impact, declining compared with the previous quarter. Capital expenditure, on the other hand, increased, possibly indicating the first effects of additional government spending, particularly in the defence sector. The mood in the German economy is currently mixed. In the service sector, companies assess the situation as significantly better than in the manufacturing sector. Here, high energy prices, the shortage of skilled workers, increasing Chinese competition and ongoing uncertainties in global trade continue to weigh on sentiment. German companies' assessment of the current situation has hardly improved recently. Expectations for the next six months, on the other hand, have risen significantly. This optimism is mainly due to the relaxation of the debt brake and the associated significant expansion of government spending. However, the government must continue to push ahead with reforms so that the additional spending does not just lead to a flash in the pan, but increases Germany's potential growth. In this context, it is worrying that the coalition is shifting at least some of the investments from the core budget to special

## Eurozone: The south-north divide

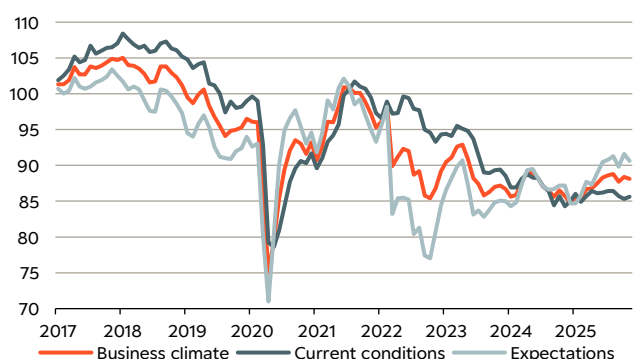
Post-pandemic recovery: Germany brings up the rear



Real GDP, Q4 2019 = 100. Quarterly data. Period: 01/2017–12/2027.  
Sources: Eurostat, Berenberg

## Germany: Waiting for fiscal stimulus

Ifo Business Climate Index: Expectations support the overall index



Index (2015 = 100); expectations: for the next six months; seasonally adjusted. Monthly data.  
Period: 01/2017–11/2025, source: Ifo

funds in order to close financing gaps. From an economic perspective, however, expanding debt only makes sense if the additional funds are channelled into additional investments to increase potential growth. Some minor reforms by the government, such as the investment booster, the construction turbo and the planned reduction in electricity tax are a step in the right direction. However, the rest of the pension package is currently not only causing frictions within the coalition, but also incomprehension among economists. Pensions must be put on a sustainable footing through radical reforms, and the rise in non-wage labour costs must be limited. This would not only improve intergenerational justice, but also strengthen Germany as a business location.

#### AI boom in the US comes at the right time for Trump

Supported by the boom in artificial intelligence, the US economy continues to show its robust side. The major US tech companies are expected to invest around 1% of gross domestic product this year. A significant portion of this will go into artificial intelligence. This economic boost is very welcomed by President Trump. As he continues his determined restructuring of the country, his policies are increasingly having a negative impact on the economy. Tariff and migration policies are slowing labour growth and driving inflation. The US government's increasing undermining of institutions will also erode the attractiveness of the US as a business location over time. In the medium term, we therefore expect trend growth to fall to 1.5%.







#### Fed with little room for interest rate cuts, ECB in twilight mode

The negative effects of Trump's economic policy have so far been most noticeable in the labour market. The unemployment rate rose to 4.4% in September. This presents the Federal Reserve (Fed) with a difficult situation: on the one hand, the cooling labour market calls for interest rate cuts to support the economy, while on the other hand, US tariffs and Trump's restrictive migration policy are causing inflation to rise, which would actually require a strict monetary policy. In addition, although the budget deadlock in the US ended on 12 November after 43 days, the economic data for October will be published late or not at all due to the shutdown. This comes at an unfortunate time, as the Fed is currently particularly dependent on an accurate picture of the situation in order to fine-tune its monetary policy. The labour market currently seems to be causing the Fed more concern than inflation. However, the ongoing price pressure leaves little room for interest rate cuts. We expect the Fed's target range to be lowered to 3.25-3.5% by summer 2026.

In contrast to its US counterpart, the ECB is in a much more comfortable position. The inflation rate has been close to the 2% target for some time, while the eurozone economy is showing its robust side and is expected to gain further momentum in 2026. Thus, there is currently no reason for the ECB to lower its key interest rate further. The next interest rate move could even be an increase. However, it is likely to take until mid-2027 before rising inflation prompts the ECB to slowly raise its policy rate back towards 3%.

Dr. Felix Schmidt, Senior Economist

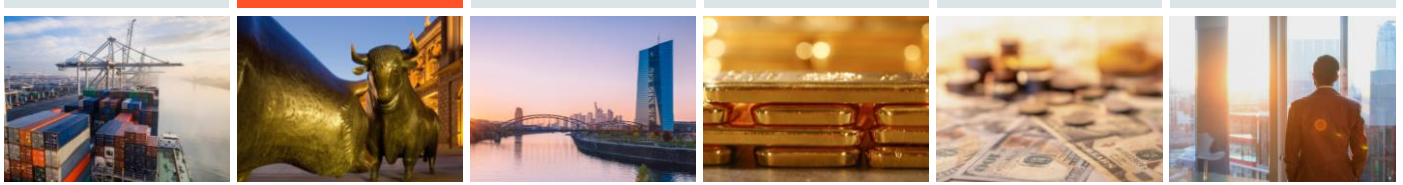
#### Growth and inflation forecasts

	GDP Growth (in %)						Inflation (in %)					
	2025		2026		2027		2025		2026		2027	
		Ø**		Ø**		Ø**		Ø**		Ø**		Ø**
<b>USA</b>	2.0	2.0	1.8	2.0	1.5	2.0	2.8	2.8	3.0	2.9	2.5	2.5
<b>Eurozone</b>	1.4	1.4	1.2	1.1	1.5	1.4	2.1	2.1	2.0	1.8	2.2	2.0
Germany	0.3	0.3	0.8	1.0	1.3	1.5	2.3	2.2	2.1	2.0	2.2	2.0
France	0.8	0.8	0.8	1.0	1.1	1.2	1.0	1.0	1.4	1.4	2.1	1.8
Italy	0.6	0.5	0.7	0.7	0.9	0.9	1.7	1.7	1.8	1.4	2.1	1.8
Spain	2.8	2.9	2.2	2.1	2.4	1.8	2.7	2.6	2.3	2.0	2.4	2.0
<b>UK</b>	1.4	1.4	0.8	1.1	1.6	1.4	3.4	3.4	2.4	2.5	2.0	2.1
<b>Japan</b>	1.2	1.3	0.6	0.7	1.0	0.8	3.2	3.1	2.1	1.9	1.9	2.0
<b>China</b>	4.9	4.9	4.3	4.5	4.1	4.3	0.0	0.0	0.9	0.8	1.4	1.0
<b>World*</b>	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 11/12/2025.





# Less upside potential for equities than in previous years

## In a nutshell

- Global benchmarks posted further gains after a volatile fourth quarter. The DAX underperformed other stock indices.
- Earnings forecasts for US equities were revised upwards again. The market seems to be forecasting another strong year for US stocks in 2026.
- We expect the equity bull market to continue next year. Nevertheless, elevated valuations and US macro risks suggest that the equity rally could very well be weaker and more volatile than in previous years.

## US equities are likely to continue their rally in 2026

Analysts have once again significantly raised their earnings expectations for US equities over the past 3 months. The market now forecasts an earnings growth rate of 14% for S&P 500 companies in 2026, following already 12% in 2025. You can't really blame equity analysts for this. At least on paper, there is no reason to believe that the earnings growth frenzy in US stocks will take a breather next year. The combination of lower interest rates, a Trump administration that is likely to pull out all the policy stops to ensure a good result in the upcoming midterm elections, as well as solid US profit margins that could expand further thanks to AI-driven savings paint a positive picture for US equities in 2026.

## German stocks trail their peers in the fourth quarter

Despite several setbacks, global equity benchmarks posted further gains in the fourth quarter. However, German stocks underperformed other indices. A stronger euro, softer economic data and, above all, a significant correction among defence companies weighed on the performance of the DAX. Nevertheless, pan-European stock indices rose by almost 4% in this quarter, also because defensive sectors such as healthcare gained some ground. Concerns about excessive valuations in the technology sector, combined with somewhat more hawkish expectations regarding the Federal Reserve (Fed), led to a short-lived market correction in US stocks in November. For euro investors, this was somewhat cushioned by an appreciation of the dollar. Emerging market equities proved to be a good portfolio diversifier and generated solid returns over the last three months.

## But already high expectations limit the upside potential

However, the market backdrop for US equities is not quite as upbeat as it may seem. Very expensive US valuations and structurally higher equity positioning from individual investors suggest that at least some of the positive drivers mentioned above are already in the price. A more sluggish US economy or fewer interest rate cuts by the Fed, as our economists expect, could ultimately cause the rally in US equities to be weaker than the very bullish market consensus currently seems to expect. There is also the risk of a second Deepseek moment – i.e. the emergence of even more high-quality AI competition in China. Given these risks, it's more important than ever for us to maintain broad regional and sector diversification in the coming year.

## Although the DAX has been lagging peers, in a common currency European equities have still outpaced US equities in 2025

Total return	YTD and in Q4 25 (in %, in EUR)	12-month periods of the last 5 years (in %, in EUR)					P/B*	Div.*	P/E*
	<div> <div>■ YTD (31/12/24–08/12/25)</div> <div>■ Q4 25 (30/09/25–08/12/25)</div> </div>	08/12/24	08/12/23	08/12/22	08/12/21	08/12/20	08/12/20	08/12/20	08/12/20
MSCI EM Latin America	34.7	28.9	-13.8	19.6	17.9	1.1	1.8	5.2	10.6
Stoxx Europe Cyclical	27.8	25.0	20.6	16.6	-10.2	25.8			
DAX	0.7	18.0	21.6	17.5	-9.1	18.1	1.9	2.5	15.6
Euro Stoxx 50	19.8	17.8	12.8	18.3	-5.0	22.4	2.3	2.8	15.9
MSCI EM Asia	16.2	15.7	22.4	-0.7	-14.5	5.5	2.2	1.9	14.2
MSCI UK	15.6	14.2	17.9	5.4	7.4	23.5	2.2	3.3	13.1
Stoxx Europe 50	14.8	12.0	11.6	11.1	3.5	23.7	2.8	3.1	15.5
Stoxx Europe Small 200	13.3	10.5	11.1	6.6	-21.2	25.1	1.5	3.4	13.7
MSCI Japan	10.9	10.4	18.2	13.2	-11.8	14.3	1.7	2.1	16.6
Stoxx Europe Defensives	10.7	7.6	9.5	7.4	4.9	18.6			
S&P 500	3.8	3.2	36.7	15.8	-7.8	37.5	5.3	1.2	22.3
MSCI USA Small Caps	-0.3	-5.4	31.3	4.6	-8.9	31.1	1.8	1.8	18.9

Time period: 08/12/2020–08/12/2025.

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



### High US valuations make diversification more attractive

Indeed, European and EM equities are valued much more favourably than their US counterparts and also in comparison to their own history. Earnings revisions, which have recently continued to rise for US equities, were also significantly weaker in Europe. Such lower expectations, combined with regional growth drivers such as the economic stimulus package being rolled out in Germany, the peace negotiations in Ukraine, Beijing's new five-year plan, and the increasingly dominant role that Asian economies are playing in the 'AI boom' make both EM and European stock markets interesting as regional diversifiers in 2026 as well. On a sector level, pharmaceutical and commodity stocks are likely to play a much greater role in 2026 than in previous years. Both segments have more attractive valuations and lower positioning levels compared to the overall market. At the same time, they could offer investors a degree of diversification should the market consensus proves to be wrong and rising inflation momentum prompt central banks to adopt a less expansionary monetary policy.

Although 2026 is likely to be another positive year for equities, the already very high market expectations are limiting the upside potential for the coming year. We therefore expect the equity bull market to continue in 2026, but to be less pronounced than in previous years. In the long term, high valuations are likely to weigh on the return potential of US equities.

Fabian Birli, Analyst Multi Asset Strategy & Research

### What is on companies' minds?

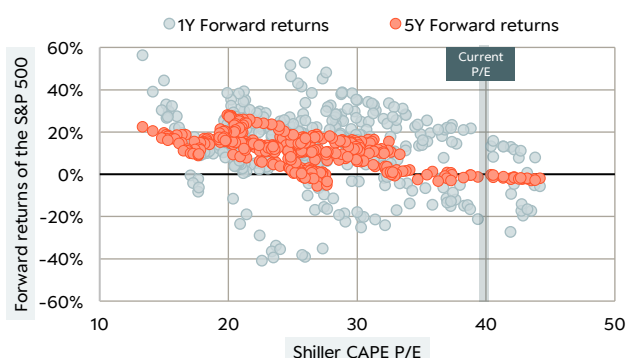
#### Signs of recovery

The economy and AI continue to dominate our discussions with companies. There are now positive signs from industry, but also from the healthcare sector. The global software sector is struggling with continued outflows as investors gradually increase their exposure to semiconductor stocks in order to benefit from the AI boom. Media companies have also continued to lose ground despite stable quarterly results, as fears of disruption from automated agents remain high. This contrasts with positive developments in the healthcare sector, particularly in biotech. However, sentiment in the pharmaceutical sector has also gradually improved in recent months. Companies have been able to conclude initial deals on drug prices with the US government, thereby averting worst-case scenarios. At the same time, industrial demand in the US has shown initial positive trends. Accordingly, companies are reporting that orders have bottomed out, while the topic of reindustrialisation in the US is gaining slight momentum. Financial stocks have recently maintained their strength. The latest reports of a possible peace in Ukraine have also given a boost to European infrastructure companies, especially cement producers, which would benefit from reconstruction efforts.

Peter Kraus, Head of Portfolio Management Equities

### Valuations limit upside potential in the long term

One-year and five-year forward returns of the S&P 500 (y-axis) when the S&P 500 has reached a certain P/E ratio (Shiller CAPE) (x-axis)



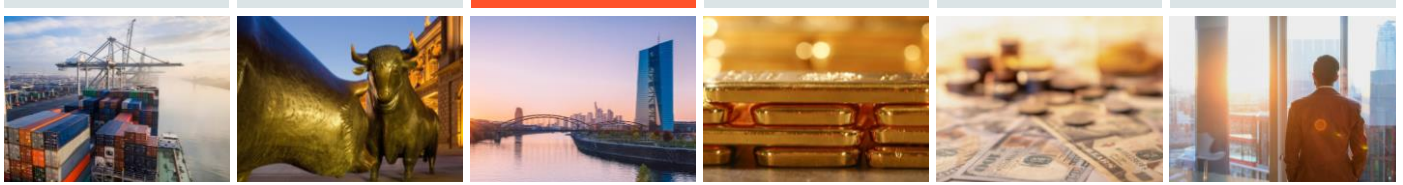
Time period: 01/01/1989–30/11/2025.  
Source: Bloomberg, Berenberg

### Forecast summary: Rally continuous, but weaker than before

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

	08/12/2025	30/06/2026	31/12/2026	In 12 months
<b>Index forecasts</b>	<b>Currently</b>			<b>Ø*</b>
<b>S&amp;P 500</b>	6,847	7,250	7,400	7,901
<b>DAX</b>	24,046	25,500	26,000	28,360
<b>Euro Stoxx 50</b>	5,726	5,900	6,100	6,388
<b>MSCI UK</b>	2,750	2,950	3,000	3,075
<b>Index potential (in %)</b>				
<b>S&amp;P 500</b>	-	5.9	8.1	15.1
<b>DAX</b>	-	6.0	8.1	17.9
<b>Euro Stoxx 50</b>	-	3.0	6.5	11.6
<b>MSCI UK</b>	-	7.3	9.1	11.8

\* Average, consensus bottom-up as of 08/12/2025.  
Source: Bloomberg, FactSet, Berenberg.



# Bonds: Outlook remains bright to cloudy

## In a nutshell

- Safe government bonds only promise significant nominal returns in the UK. Still, from a euro perspective, this asset class remains unattractive.
- Corrections in European corporate bonds could offer entry opportunities, particularly in the high-yield segment.

## New year with some familiar themes

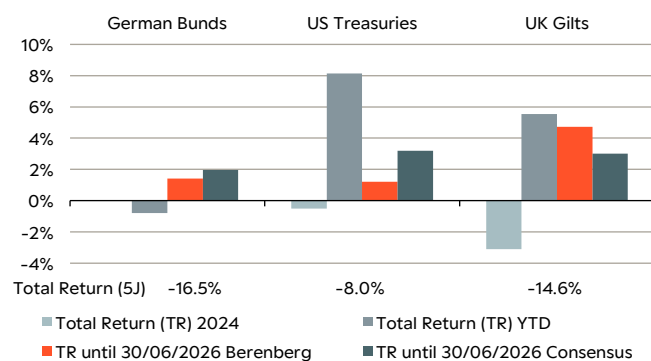
At the political level, familiar issues remain virulent. For example, rising government debt on both sides of the Atlantic, tariff-related inflation risks in the US and the end of Fed Chair Powell's term of office in May will continue to be topics of discussion on the government bond markets in 2026. The corporate bond segment, on the other hand, is facing the question of where opportunities can be found despite low credit spreads following a strong performance. We are therefore at the beginning of a challenging year for bonds – where do we see opportunities in this demanding environment?

## Safe government bonds: steeper curves in the eurozone and US

After the Fed followed up its September 2025 interest rate cut with another two 25bps, we now anticipate only one more interest rate cut in 2026 in view of an expected US inflation rate of just under 3%. In the eurozone the ECB should also see no need for an interest rate cut in the coming months. Although prices in this region are not rising faster than the ECB's target, positive economic surprises and an economic recovery supported by German fiscal spent suggest that there is no urgent need for monetary support. Rather, the yield curve is likely to

## Safe government bonds: ripe for the island?

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



Time period: 10/12/2020–10/12/2025, returns in local currency  
Source: Bloomberg, own calculations, ICE BofA Government Bond Indices (7–10 years, TR)



steepen further, because unlike at the short end, the economic recovery and public debt will cause yields on ten-year German government bonds to rise moderately (fig. below right). We expect yields on US Treasuries to rise somewhat more sharply. As a result, neither German nor American government bonds are likely to generate attractive returns. Moving from mainland Europe to the British Isles, the picture is different. The Bank of England is likely to lower its policy rates. Despite slightly rising capital market yields, UK gilts offer the prospect of an attractive nominal return due to the relatively high level of current interest rates (fig. below left). However, risks around the exchange rate and inflation must both be taken into account. For euro investors, safe government bonds therefore remain unattractive across the board and are at best suitable as a hedging instrument for temporary market upsets.

## Corporate bonds: cautiously optimistic

Both in the last quarter and for 2025 as a whole, corporate bonds in the investment-grade and high-yield segments once again held their own. However, risk premiums rose slightly in the wake of the recent stock market correction. At the same time, the market had to absorb a high volume of new issues, but this did not prove to be a burden as investment funds in the credit segment continued to record inflows. This trend is likely to continue in the future, as returns on fixed-term deposits are now unattractive following the ECB's interest rate cuts and investors are increasingly looking for higher-yielding alternatives. Many are focusing on absolute returns, while risk premiums ("credit spreads") remain unattractive and call for caution.

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

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

	11/12/2025	30/06/2026		31/12/2026	
<b>USA</b>					
Currently			Ø*		Ø*
Base interest rate	3.50-3.75	3.25-3.50	3.43	3.25-3.50	3.25
10Y US yield	4.15	4.30	4.04	4.60	4.06
<b>Eurozone</b>					
Base interest rate**	2.00	2.00	1.95	2.00	1.97
10Y Bund yield	2.87	2.90	2.83	3.00	2.93
<b>UK</b>					
Base interest rate	4.00	3.25	3.43	3.00	3.31
10Y Gilt yield	4.50	4.20	4.43	4.00	4.34

\* Average, consensus as of 11/12/2025. \*\*Deposit rate  
Source: Bloomberg.

On the other hand, several factors point to structurally lower credit spreads for euro high-yield bonds, including a higher proportion of secured bonds and a historically low interest rate risk (fig. below left). In the investment-grade segment, AI was the dominant theme. The three AA-rated issuers Meta, Google and Amazon alone raised more than USD100bn through bonds and private placements in the course of the year. The maturities of up to 40 years were critically questioned in relation to technological life cycles. However, investors reacted calmly to the increase in debt due to the issuers' good credit ratings, with the result that the bonds last issued in November were in high demand. Given the continuing high level of investment demand, AI-related financing activities on the bond market are likely to remain at a high level in 2026. We remain positive about financial bonds. The ECB has recently emphasised that banks should prepare for financial shocks, with geopolitical tensions, changing trade policies and climate and natural crises playing a particularly important role as challenges. In this respect, a stress test planned for the coming months could lead to higher capital requirements for banks, which would, however, be beneficial for creditors in the long term. For more defensive investors, we also consider mortgage bonds and covered bonds to be attractive. Compared to government bonds, they offer lower volatility in negative market phases despite low-risk premiums and, in many cases, a strong credit rating with a yield advantage over high-quality government bonds.

Overall, we are therefore cautiously positive about the corporate bond markets for 2026. This is particularly true relative to government bonds, whose credit quality could come under further structural pressure due to rising public debt, weak trend growth and a lack of political will to reform. In the credit segment, on the other hand, we view temporary corrections as opportunities to selectively increase risk exposure.

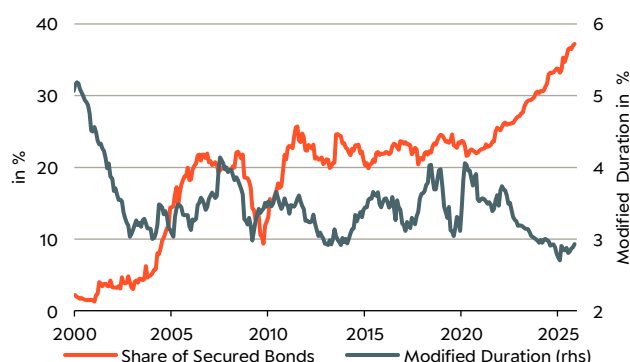
### Conclusion: Moderate confidence beyond government bonds

Despite unattractive risk premiums, corporate bonds offer interesting returns, and the high-yield segment has also seen structural improvements in terms of collateralisation and interest rate sensitivity. Here, we see selective opportunities similar to those offered by financial bonds. More cautious investors may also want to consider covered bonds, which offer a number of advantages over government bonds. The latter should prove their resilience in turbulent market phases, but beyond that, they remain unattractive when inflation and exchange rate risks are taken into account.

Martin Mayer, Senior Portfolio Manager Multi Asset  
Felix Stern, Senior Portfolio Manager Fixed Income Euro

### High-yield euro segment has improved structurally

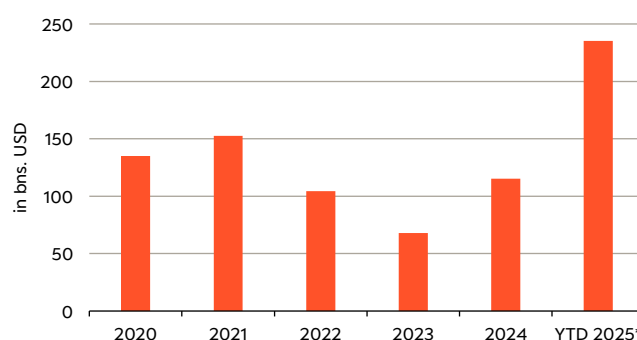
The proportion of secured bonds has risen steadily, whereas the modified duration and thus interest rate sensitivity has fallen



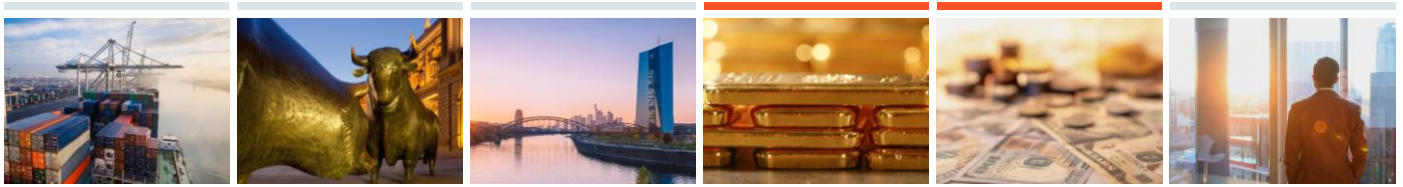
Time period: 01/01/2000–30/11/2025.  
Source: ICE. Index: ICE BofA Euro High Yield Index (HE00)

### AI investments drive new issues in the technology sector

Huge investments in AI infrastructure lead to record-breaking new issuance volume among hyperscalers



Time period: 01/01/2020–30/11/2025. Source: Bloomberg. \*Issuers: Amazon, Apple, Alibaba, Meta, Booking, Electronic Arts, HP Enterprises, Microsoft, Netflix, Roper, Tencent, Uber



# Real assets likely to remain in demand

## Oil market remains oversupplied despite robust demand

The price of crude oil (Brent) continued its downward trend, which has persisted since the beginning of the year, in the final months of the year. Although demand remained robust, particularly from China, and further US sanctions against Russian oil companies were announced, concerns about rising oversupply due to the ongoing reduction of production cuts by OPEC+ prevailed on the oil market. Although the cartel has no plans to increase production in the first three months of the new year, it is likely to continue striving to gain further market share. However, the significant increase in seaborne oil stocks as a result of US sanctions is likely to make it difficult for OPEC+ to regain market share quickly. Nevertheless, the continuing negative expectations of some market participants and stronger than expected demand could open the door for some positive surprises.

## Gold still an important portfolio component in the medium term

After the gold price initially continued its exceptionally strong performance in the fourth quarter, the precious metal witnessed a brief sell-off at the end of October due to technically overheated indicators and a resulting positioning flush out. Recently, however, the gold price has stabilised above the USD4,000/ounce mark despite a stronger USD. Looking ahead to the coming year, the precious metal is likely to remain an important component of portfolios in an environment of ongoing geopolitical uncertainty, increased inflation volatility, fiscal dominance and continued central bank purchases, even though the biggest price increases are likely to be behind us. Smaller than expected interest rate cuts and already positive sentiment could at least raise the bar for further, significant, price increases next year.

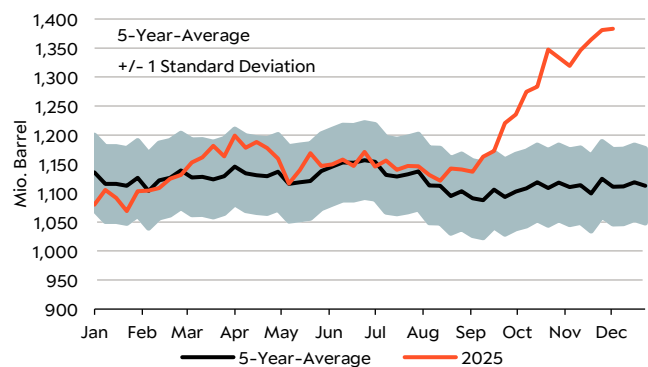
## A tight supply is likely to continue to support industrial metals

Industrial metal prices have developed positively overall in recent months, but under the hood, they have shown some idiosyncrasies. While increasing production losses have led to a shortage in copper supply and rising prices, the nickel price has suffered from an oversupply. While copper demand was boosted this year from China's solar industry, it is likely going to be significantly lower next year. Incremental purchases from Europe and a recovery in demand from the US are nevertheless likely to lead to a growing supply deficit for copper in 2026. The same applies to aluminium, where Chinese production capacity has already been maxed out for some time.

Mirko Schmidt, Analyst Multi Asset Strategy & Research

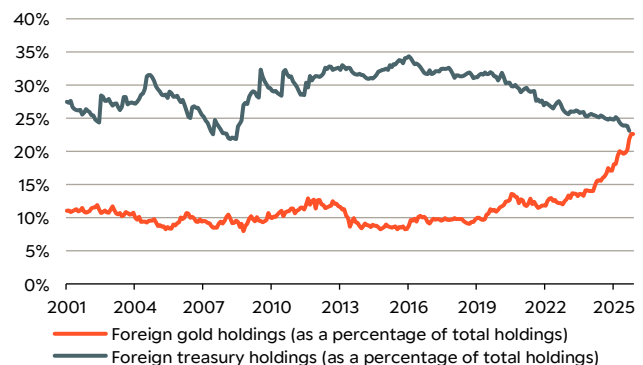
## Seaborne oil stocks rise significantly due to US sanctions

This year's global seaborne oil stocks (in million barrels) as well as the five-year average and its first standard deviation



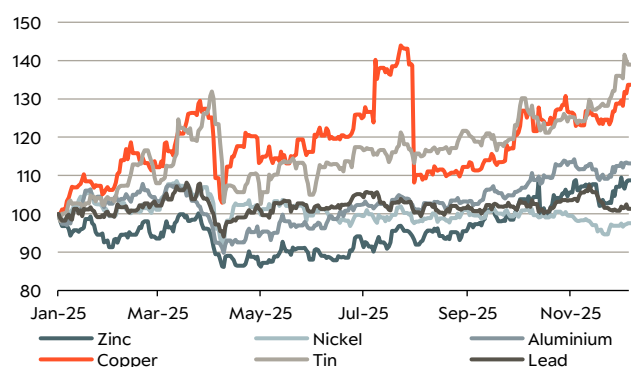
## Share of foreign gold reserves rises significantly

Officially reported foreign gold and treasury holdings as a percentage of total reserves



## Mixed picture on industrial metals since the start of the year

Development of zinc, nickel, aluminium, copper, tin and lead indexed to 100 on 1 January 2025





# Central banks drive exchange rates

## The less the Fed does, the better for the dollar

At the beginning of November, it seemed as if the Federal Reserve (Fed) was more concerned about inflation than the labour market and thus might refrain from easing monetary policy further. The market subsequently priced out interest rate cuts, which gave the dollar some tailwind in the meantime. Recently, however, sentiment has shifted again. Weaker US economic data is raising hopes on the markets that US monetary policy will be loosened further after all. We expect the Fed's target interest rate range to be lowered to 3.25–3.5 % by summer 2026. The market currently considers this to be the most likely scenario. However, if further interest rate cuts are priced in, the USD could weaken further. In addition, other factors also suggest that the greenback will remain under pressure in the medium term. Trump's attacks on the independence of the Fed are undermining the US as a financial centre. The sharp rise in government debt comes on top. We also expect economic momentum in the US to slow in the coming months, while the eurozone economy is likely to pick up slightly. We therefore anticipate that the EUR/USD exchange rate will move toward the 1.20 handle in 2026. Meanwhile, the euro's Achilles heel remains rising debt in Europe and the political risks in France.

## The weak yen is causing concern for the Bank of Japan

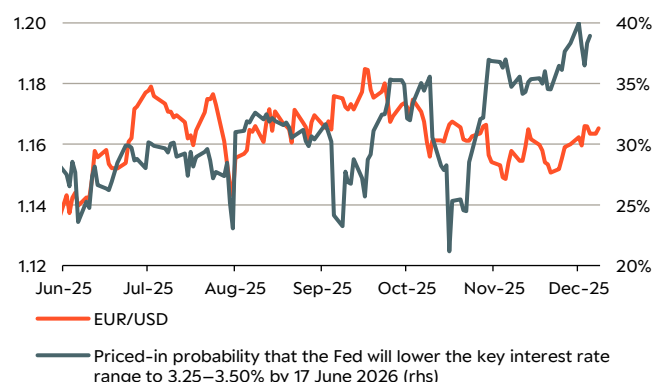
In the third quarter, the Japanese economy contracted for the first time in five quarters compared with the previous quarter. Gross domestic product fell by 0.6%. However, this is attributable to the now resolved trade dispute with the US and new environmental regulations in the real estate sector. Domestic demand remains robust. In 2026, the economic stimulus package announced by the new government, worth JPY21.3trn (EUR117bn), will also have a supportive effect. However, the markets are concerned about the financial viability of the growing mountain of debt. JGB yields have risen recently, while the yen has lost some of its value.

The USD now costs almost JPY160. Last year, crossing this red line prompted the Bank of Japan (BoJ) to buy yen on behalf of the Ministry of Finance in order to support the domestic currency. This time, however, the JPY is likely to be helped mainly by the BoJ continuing its monetary tightening. While all other major central banks are lowering interest rates or leaving them unchanged, further increases in the BoJ policy rate could help the JPY out of its current phase of weakness.

Dr. Felix Schmidt, Senior Economist

## Fed to ease monetary policy further in 2026

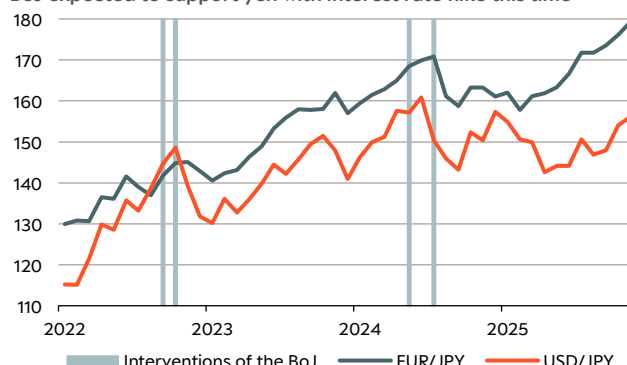
The more interest rate cuts, the worse for the dollar



Time period: 01/06/2025–08/12/2025. Daily data.  
Source: CME Group, Federal Reserve Board.

## Japanese yen under pressure

BoJ expected to support yen with interest rate hike this time



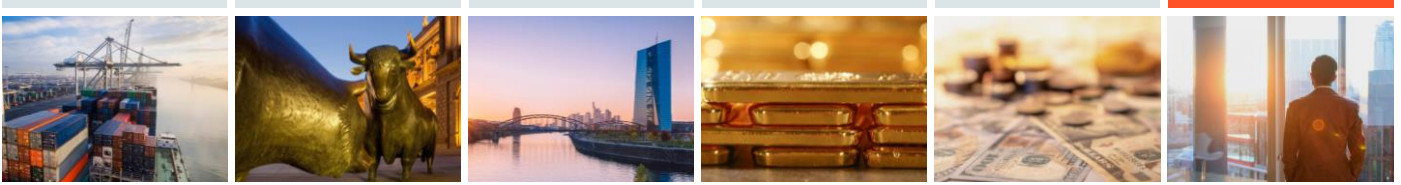
Time period: 01/2022–11/2025. Monthly data.  
Source: Haver Analytics

## Exchange rate forecasts

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

	11/12/2025	30/06/2026	31/12/2026
	Currently		
<b>Exchange rate forecast</b>			
EUR/USD	1.17	1.19	1.20
EUR/GBP	0.88	0.89	0.91
EUR/CHF	0.93	0.93	0.93
EUR/JPY	182	176	173
<b>Change against the euro (in %)</b>			
USD	-	-1.7	-2.5
GBP	-	-1.1	-3.3
CHF	-	0.0	-2.1
JPY	-	3.7	5.5

\* Average, consensus as of 11/12/2025.  
Source: Bloomberg



# Interview with Susette Mantzel

**Ms Mantzel, you are responsible for the Private Markets Solutions team at Berenberg. Can you explain what this entails and what exactly your team's responsibilities are?**

Berenberg offers its wealth management clients access toward private markets investments. Our team is responsible for facilitating access to these investments. The term "private market investments" refers to non-publicly traded stakes in real estate and companies, both on the equity and debt sides. Furthermore, investments in infrastructure projects are also regularly included in this category. There are also a number of subcategories; for example, in the private equity segment, a distinction is made between buyout, growth and venture strategies, depending on the development phase of the company.

The investment opportunities come from both our own company and from cooperation partners. For example, our Corporate Banking division sets up private debt funds in which professional and, in some cases, semi-professional investors can invest. We select and review the offers for our clients and support our colleagues in Wealth Management with regard to the investment and the onboarding of clients.

**To what extent do private market investments differ from public market investments, and are they suitable for all investor groups?**

When we talk about private equity, we are talking about equity investments, i.e. investments in companies such as stocks. Unlike public markets, however, the companies in which you invest are typically not listed on the stock exchange, meaning that the equity investment is not publicly tradeable. This also applies to private debt. These are debt investments which, unlike traditional corporate or government bonds, are not publicly tradeable.

Private market investments are generally suitable for long-term wealth accumulation for all investors. However, they are often only available to wealthy or institutional investors. This is because, as already explained, they are not easily tradeable and are therefore illiquid. Private market investors should therefore have a long-term investment horizon and, above all, the financial resources to offset these liquidity risks. We therefore recommend seeking detailed advice on such investments.

**What added value do investments in private markets offer?**

Private market investments open up large parts of the economy to investors that are not represented on public markets and stock exchanges. For many companies, the effort involved in listing on the stock exchange and complying with extensive disclosure requirements is too high. This is particularly true given that there are attractive alternative financing opportunities on the private markets. In recent years, we have seen a



shift in value creation away from the stock exchanges and towards private markets. As an investor, private market investments give me access to this segment, which in turn has a positive effect on my portfolio.

**What is the reason for this positive portfolio effect?**

Private market investments allow investors to further diversify their portfolio, i.e. distribute risks more broadly and thus achieve a target return with lower risk or a higher return with the same risk. The less frequent valuation of investments also means that the hysteria we see from time to time on the stock market is not reflected in the prices of private market investments, or only to a lesser extent. In addition to illiquidity, this can help investors hold on to their investments even in difficult phases. However, this should not give the impression that the underlying economic risk is lower than that of publicly traded investments. An equity investment remains an equity investment, whether listed on the stock exchange or not.

In addition to diversification, private market investments can also offer investors additional return potential. In addition to the illiquidity premium, i.e. a return premium for the fact that the investments cannot be liquidated at will, investors have the opportunity to generate a so-called economically explainable excess return by investing in private equity funds, for example.

In their role as strategic and financially strong partners, private equity funds often implement ambitious growth strategies in companies and can, in turn, distribute attractive returns to their investors.

**Your team recently expanded its cooperation with BlackRock to include private market investments. You now enable investments via ELTIFs. What is this new vehicle for private market investments all about, and what advantages does it offer investors?**

ELTIFs aim to democratise access to private markets. With this fund structure, the European Union has created a regulatory framework that now enables more private investors to invest in private assets. The main political aim was to make it easier for small and medium-sized enterprises to access financing, but also to mobilise capital from smaller investors by lowering the minimum investment amount. In addition, we believe that ELTIFs offer a number of interesting features, which we like to refer to as convenience factors. Unlike traditional closed-end funds, ELTIFs are booked in the custody account like a classic mutual fund. This means that there are no additional identification requirements, no deviating tax characteristics and, for most of the funds offered, no irregular capital calls. Investors are therefore invested directly. In addition, the current trend is clearly towards semi-liquid funds, i.e. "Evergreens". This means that, in contrast to closed-end funds, liquidity windows are offered on a regular basis and the fund does not usually have a limited term.

**Looking ahead: How might the market for private investments develop over the next few years? How do you assess the development of the ELTIF market in Germany and Europe?**

More than 230 funds in Europe are now authorised as ELTIFs, and many providers are still in the starting blocks. Some funds are in the development phase and are therefore still subject to longer-term sales restrictions. Furthermore, no uniform standards have yet been established for the structuring of these funds, as is the case with traditional mutual funds. The pioneers in the use of ELTIFs are Italy and France. These funds established themselves there at an early stage. In addition, digital platforms operating across Europe have recently integrated ELTIFs into their product range. By August 2025, the ESMA had already registered as many ELTIFs as in all of 2024.

I therefore expect ELTIFs to become increasingly popular in Germany as well, and that their structuring standards will converge with those of mutual funds. In our view, ELTIFs offer many advantages for long-term wealth accumulation and the development of individual retirement provisions. In a few years' time, investors should be able to choose from a sufficiently large number of established and competing ELTIFs to build a diversified portfolio component.

Alternatively, they can also opt for a so-called multi-asset ELTIF. These combine various segments such as private equity, private debt, infrastructure and real estate in a single fund. Some such vehicles have recently been launched or are currently in the process of being established.

#### Brief biography

With around 30 years of experience in the financial sector, Susette Mantzel now heads up the Private Market Solutions team at Berenberg. The team is responsible for the financial instruments and products used in the wealth management advisory business for illiquid asset classes. Prior to this, Susette Mantzel worked for more than 20 years in the equities segment for Berenberg's institutional clients in the Benelux region and subsequently advised UHNWIs and HNWIs within wealth management. Her experience is complemented by her management of various projects, for example in the area of product governance. Susette Mantzel has a degree in banking and is a CFA charterholder.



# Publishing information

## Publisher

Ulrich Urbahn | Head of Multi Asset Strategy & Research

## Authors

### **Fabian Birli | Analyst Multi Asset Strategy & Research**

analyses financial markets, supports the multi-asset investment process and participates in capital market publications

### **Martin Mayer, CEFA | Senior Portfolio Manager Multi Asset**

manages multi asset mandates and analyses bond markets with a special emphasis on defensive government bonds

### **Dr Felix Schmidt | Senior Economist**

analyses economic – especially macroeconomic – developments and is responsible for the currency forecasts

### **Mirko Schmidt | Analyst Multi Asset Strategy & Research**

analyses financial markets, supports the multi-asset investment process and participates in capital market publications

### **Felix Stern | Senior Portfolio Manager Fixed Income Euro**

is responsible for the investment strategy for euro bonds and manages the Berenberg Euro Target 2028 and Berenberg Euro Bonds funds

### **Ulrich Urbahn, CFA | Head of Multi Asset Strategy & Research**

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

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Joh. Berenberg, Gossler & Co. KG  
Überseering 28  
22297 Hamburg  
Phone +49 40 350 60-0  
[www.berenberg.com](http://www.berenberg.com)  
[multiasset@berenberg.com](mailto:multiasset@berenberg.com)