Current market commentary

After the stock markets had ignored the increased interest rates for a long time, US equities in particular recently experienced a correction. Last Thursday, the S&P 500 fell below the important 200-day moving average for the first time since mid-January, weighed down by increasing problems in the US banking sector and in the cryptocurrency space. This could be a first sign that the downstream effects of the restrictive monetary policy are slowly showing up in the real economy. The fundamental question remains how the Fed will react in the coming months to the ambivalent picture of a hitherto robust US labour market coupled with a weakening housing market and continued high inflation rates. The market is pricing two more Fed rate hikes until summer, before the first rate cuts are expected in the winter. For the time being, we remain broadly and diversifiedly positioned, with a slight underweight in equities. We think that there should be even better opportunities this year to ramp up risk assets again.

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

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

Short-term outlook

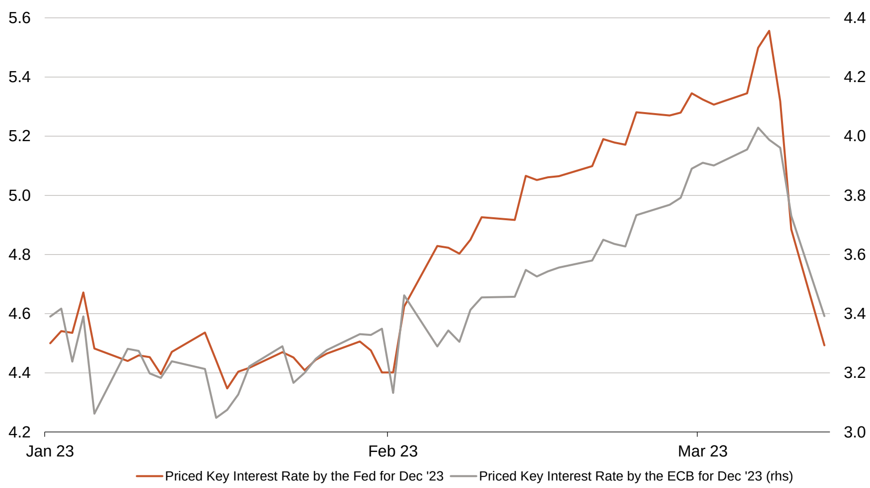
Monetary policy sets the tone.

The next two weeks will be intriguing in terms of monetary policy. The ECB meets on 16 March, the Fed on 22 March and the BoE on 23 March. The market expects the biggest rate hike to come from the ECB with a 50 basis points (bp) increase. It is more likely to be 25 than 50bp for the Fed, while 25bp looks the most likely for the BoE.

Inflation and economic data in investors' sights.

This Tuesday, labour market data for the UK (Jan.), industrial production (Jan.) for Italy and US inflation data (Feb.) are due. On Wednesday, eurozone and Chinese industrial production (Feb.), Chinese retail sales (Feb.), US purchase price index (Feb.), the Empire State index (Feb.) and US retail sales (Feb.) will be released. Meanwhile, US housing market data (Feb.) and the Philadelphia Fed Index (Feb.) will follow on Thursday, and US industrial production and consumer confidence (Feb.) will be released on Friday. The following week will see the ZEW index (Mar.), UK inflation data (Feb.) and Eurozone consumer confidence (Mar.).

Higher for longer - already over again or just on hold?



- The key interest rate priced in for December has risen significantly for the Fed and the ECB since the end of January. Recently, however, markets priced out a large part of these rate hikes because of the crisis at regional US banks.
- Whether this really marks a turnaround in monetary policy remains questionable, because the inflation problem does not seem to be solved yet. The incidents in the banking sector show, however, that higher rates are not without consequences. Accordingly, we have recently positioned ourselves more cautiously.

Source: Bloomberg, Time period: 01/01/2023 - 10/03/2023

Multi Asset

	4-week & YTD: 4W (10/02/23 - 10/03/23)	YTD (30/12/22 - 10/03/23)	12-month periods over that last 5 years: 10/03/22 10/03/23	10/03/21 10/03/22	10/03/20 10/03/21	10/03/19 10/03/20	09/03/18 10/03/19
Gold	0.5	3.0	-3.4	25.6	-1.0	26.5	7.4
USDEUR	0.3	0.6	3.2	8.6	-5.4	-0.4	9.5
Euro overnight deposit	0.2	0.4	0.5	-0.6	-0.5	-0.4	-0.4
EUR Sovereign Debt	-0.7	0.6	-9.2	-3.1	0.4	3.0	1.7
EUR Coporates	-1.1	1.2	-8.6	-5.3	2.5	3.6	1.1
MSCI Frontier Markets	-2.0	2.8	-13.4	16.5	17.4	-9.0	-7.7
Brent	-3.5	-2.6	-1.1	95.0	47.5	-35.8	14.4
Global Convertibles	-3.5	2.8	-6.5	-2.8	55.7	5.3	11.8
MSCI World	-4.4	2.8	-3.1	13.7	30.5	1.3	6.7
Industrial Metals	-5.0	-4.2	-28.0	76.0	31.1	-12.9	-0.1
MSCI Emerging Markets	-5.7	0.4	-8.2	-7.9	33.4	-4.6	-4.2
REITs	-10.0	-2.1	-19.3	27.9	-6.4	4.2	19.9

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

- In the last few weeks, markets have suffered a risk-off as initially central banks continued to be hawkish. Most recently, worries about regional banks in the US dominated.
- Only gold, the US dollar and the euro overnight deposit (i.e. cash) posted positive returns.
- Cyclical segments such as emerging market equities, industrial metals and REITs recorded the biggest losses.

Total return for selected asset classes, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/03/2018 – 10/03/2023

Equities

	4-week & YTD: 4W (10/02/23 - 10/03/23)	YTD (30/12/22 - 10/03/23)	12-month periods over that last 5 years: 10/03/22 10/03/23	10/03/21 10/03/22	10/03/20 10/03/21	10/03/19 10/03/20	09/03/18 10/03/19
DAX	0.8	10.8	14.8	-7.6	38.8	-8.6	-7.2
Euro Stoxx 50	0.8	11.7	18.8	-2.6	33.9	-9.0	-1.4
Stoxx Europe 50	-0.6	6.1	14.1	8.8	21.3	-5.8	3.9
MSCI Japan	-0.7	5.3	0.2	-1.5	26.7	-1.0	-0.2
MSCI UK	-1.1	5.1	8.1	14.4	17.2	-14.5	5.6
MSCI EM Eastern Europe	-1.1	4.6	-0.9	-76.3	22.6	-11.6	3.5
Stoxx Europe Cyclicals	-1.3	9.4	8.9	0.4	39.4	-10.4	-7.2
Stoxx Europe Defensives	-1.3	3.3	7.6	13.5	13.2	-3.9	11.4
Stoxx Europe Small 200	-1.7	6.7	-2.9	-3.8	39.2	-6.3	-3.4
S&P 500	-5.4	1.3	-5.0	20.1	30.8	6.4	10.0
MSCI EM Asia	-6.9	0.3	-8.6	-11.4	38.2	0.4	-3.5
MSCI USA Small Caps	-7.5	2.0	-4.9	2.6	57.2	-9.7	8.1

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

- Stocks have fallen across the board over the last month.
- The S&P 500, for example, has only gained about 1% since the beginning of the year, down from a peak of 9%.
- US small caps were hit the hardest. Initially they suffered from the gloomy economic outlook. Recently, however, the sell-off was exacerbated by the crisis surrounding Silicon Valley Bank (SVB).

Total return (including reinvested dividends) for selected stock indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/03/2018 – 10/03/2023

Fixed Income

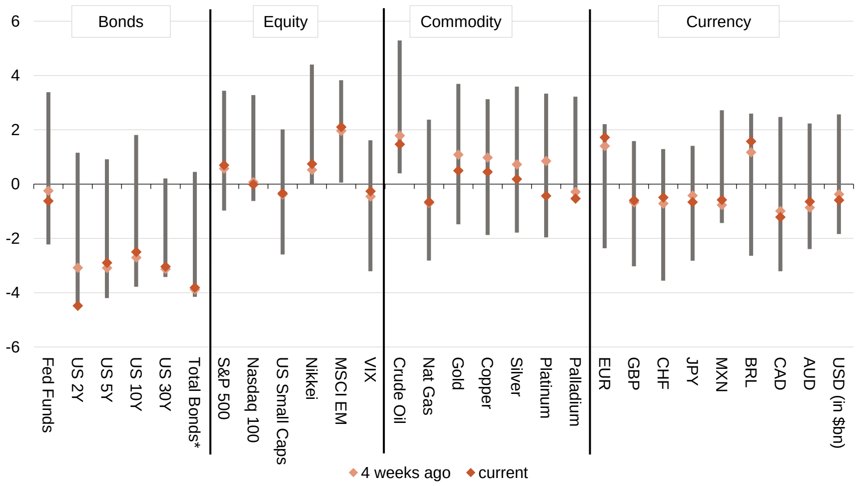
	4-week & YTD: 4W (10/02/23 - 10/03/23)	YTD (30/12/22 - 10/03/23)	12-month periods over that last 5 years: 10/03/22 10/03/23	10/03/21 10/03/22	10/03/20 10/03/21	10/03/19 10/03/20	09/03/18 10/03/19
Treasuries	0.5	1.4	-4.7	5.0	-7.4	12.9	13.9
Chinese Gov Bond	0.3	0.4	3.4	5.8	-0.4	7.1	8.1
USD Corporates	-0.4	1.9	-6.6	-4.8	3.0	13.4	3.6
EM Local Currency Bonds	-0.6	2.0	1.6	-4.5	-2.0	3.2	1.9
Bunds	-0.8	0.7	-14.9	-3.3	-4.6	7.6	4.4
Gilts	-0.9	1.1	-23.1	-4.1	-5.1	15.0	7.2
BTPs	-0.9	2.3	-11.8	-5.9	6.8	9.3	-1.1
EUR Non-Financials	-1.0	1.2	-9.0	-5.7	2.3	3.9	1.3
EM Hard Currency Bonds	-1.0	0.8	-3.3	-1.7	-1.6	5.7	12.5
USD High Yield	-1.2	1.9	-4.6	-0.5	12.4	2.5	3.9
EUR Financials	-1.3	1.1	-8.1	-4.8	2.7	3.2	0.9
EUR High Yield	-1.3	2.8	-3.2	-3.9	10.0	1.2	0.2

Bunds: IBOXX Euro Germany Sov TR ; BTPs: IBOXX Euro Italy Sov TR ; Treasuries: ICE BofA US Treasury TR;
Gilts: IBOXX Sterling Gilts Overall TR; Chinese Gov Bonds: ICE BofA China Govt; EUR Financials.: IBOXX Euro Fin. Overall TR;
EUR Non-Financials: IBOXX Euro Non-Fin. Overall TR; EUR High Yield: ICE BofA EUR Liquid HY TR; USD Corporates: ICE BofA USD Corp TR;
USD High Yield: ICE BofA USD Liquid HY TR; EM Hard Currency: JPM EMBI Glo Div Unh. EUR TR; EM Local Currency: JPM GBI-EM Glo Div Comp Unh. EUR TR

- The rise in interest rates continued over the last month with strong economic data and further restrictive actions by central banks.
- At the end of last week, however, the news about the bankruptcy of SVB brought about an abrupt turnaround and the interest rates of safe government bonds, above all US government bonds, fell sharply. In addition, credit spreads widenend.

Total return (including reinvested coupons) for selected bond indices, in euros and in per cent, sorted by 4-week performance.
Source: Bloomberg, Time period: 10/03/2018 – 10/03/2023

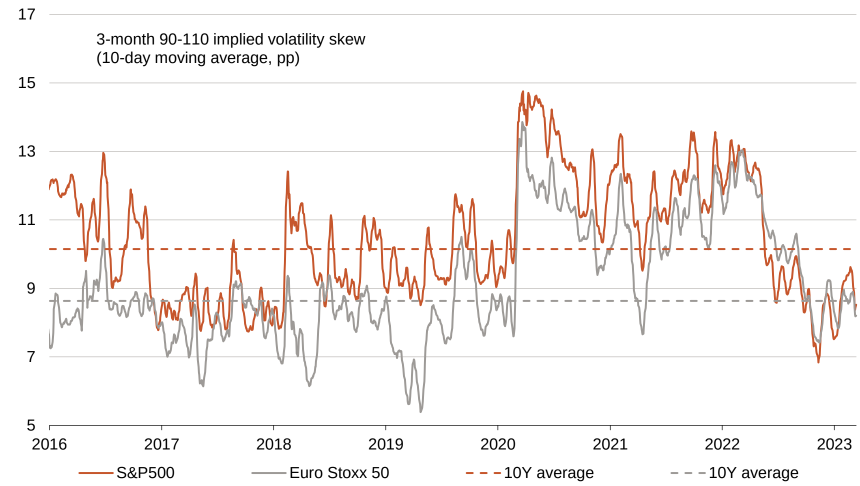
Non-Commercial Positioning



- The CFTC is currently still publishing its reports with a delay following data problems. The data shown here are from the end of February.
- Compared to the previous month, hedge funds have reduced their long positions, especially in commodities. Meanwhile, they have significantly increased their short positions in 2Y Treasuries.

The Commodity Futures Trading Commission (CFTC) publishes the Commitments of Traders report every Friday. The chart shows the historical, normalised distribution in standard deviations and focuses on the net futures position (long positions minus short positions) of "non-commercial traders" (bonds, currencies), "asset managers/institutional" & "leveraged funds" (equities) and "managed money" (commodities) and shows how speculative investors are positioned.
*Weighted with the respective duration
Source: Bloomberg, CFTC, Time period: 21/02/2013 - 21/02/2023

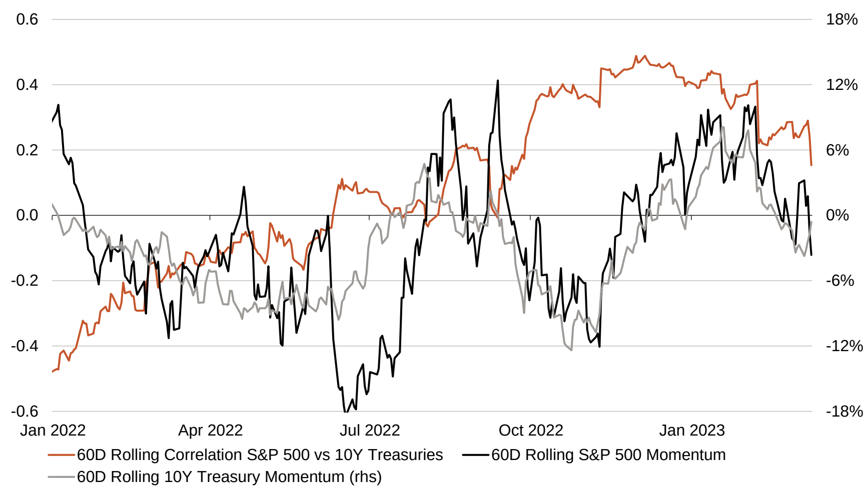
Put-Call-Skew



- The put-call skew has fallen more sharply again in the last two weeks, especially in the US.
- The flattening was mainly driven by the lower put skew (90-100). Investors seem to demand fewer hedges despite the numerous risks. One reason could be the still low positioning.

The put-call skew (90-110) indicates the difference in implied volatility of puts versus calls whose strike is 10% away from the current underlying in each case. It is a measure of how much more investors are willing to pay for hedging (puts) versus upside participation (calls). The higher (lower) the skew, the more cautious (optimistic) market participants are. Moreover, the skew typically increases with the level of implied volatility.
Source: Bloomberg, period: 10/03/2013 - 10/03/2023

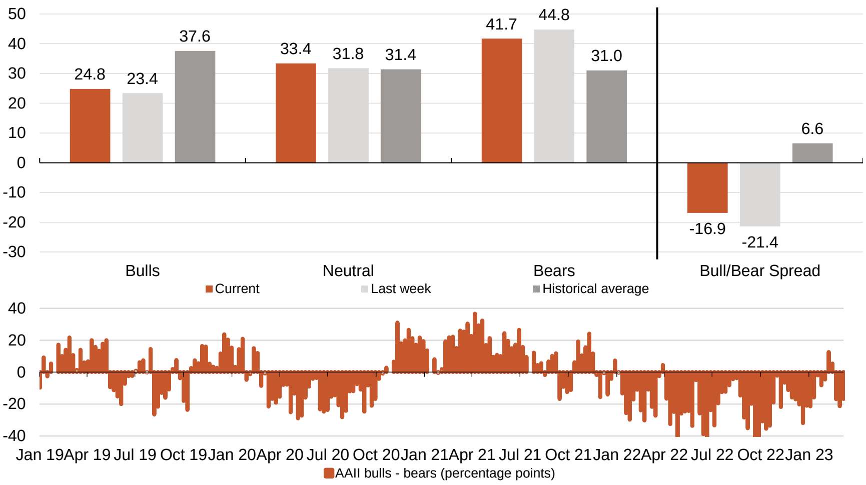
60-Day Momentum and Correlation



- The positive 3M momentum for US equities was short-lived. For US Treasuries it remained negative.
- In terms of positioning, "short Treasuries" is one of the consensus trades among investors. Accordingly, interest rates are susceptible to temporarily sharp downward movements.

The 60-day momentum indicates the rolling return of the last 60 days. The more the momentum rises (falls), the more systematic momentum strategies build up (reduce) their positions in the corresponding asset class. Changes in the sign of the return mark important turning points. The 60-day correlation indicates how equitably stocks and bonds move. The higher (lower) the correlation, the fewer (more) equities demand risk-based investment strategies.
Source: Bloomberg, Time period: 31/12/2021 - 10/03/2023

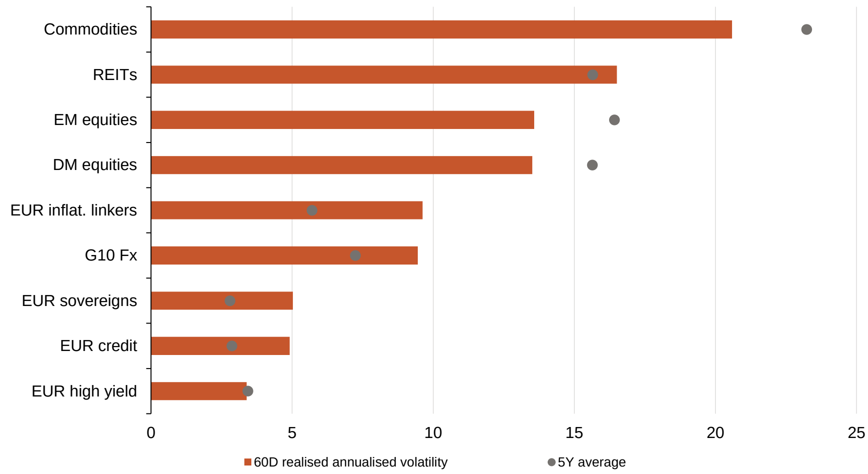
AAII Sentiment Survey (Bulls vs Bears)



- The sentiment of US private investors is only marginally better than it was in the previous week.
- Since the bull/bear spread of -17 pp roughly corresponds to last year's average, its significance as a contrarian indicator has probably been somewhat reduced by now.

The Sentiment Survey, conducted by the American Association of Individual Investors, determines the percentage of individual investors who are optimistic, pessimistic or neutral about the US stock market over a six-month period. It has been conducted since 1987. The survey is conducted from Thursday to Wednesday and the results are published every Thursday. For the stock market, it tends to be supportive when there is a high proportion of bears and a low proportion of bulls. On the other hand, it tends to be negative when there are significantly more optimists than pessimists.
Source: Bloomberg, AAII, Time period: 23/07/87 – 10/03/2023

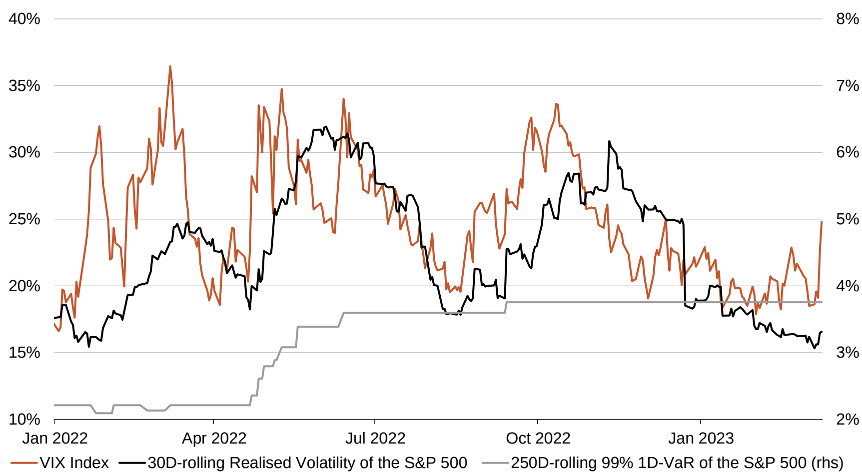
Realised Volatilities



- Realised volatilities are largely unchanged from a fortnight ago.
- Meanwhile, volatility is below the 15% mark for both developed and emerging market equities. Given the multitude of risks and the still hawkish tones of central banks, volatility has been surprisingly subdued.

The realised volatility (in per cent) measures the fluctuation range of a time series and is defined here as the standard deviation of the daily return over the last 60 trading days. Volatility is often used as a measure of risk.
Source: Bloomberg, period: 10/03/2018 - 10/03/2023

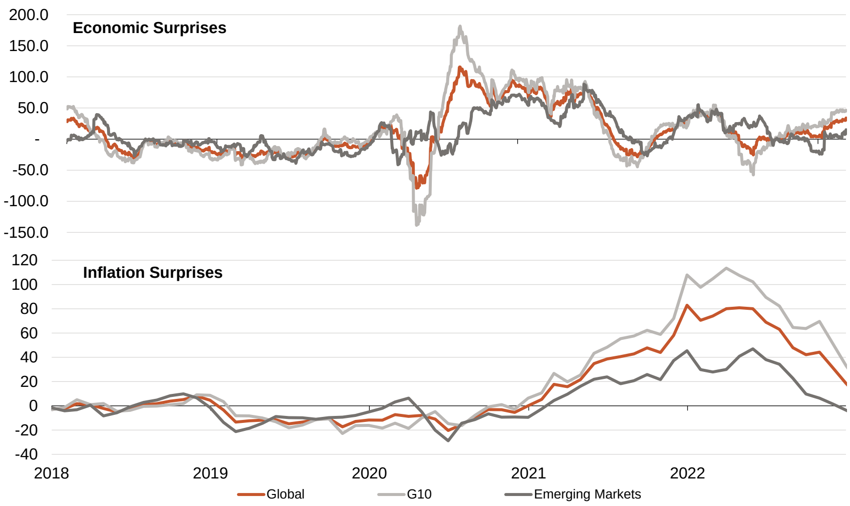
Volatility and Value-at-Risk of the S&P 500



- Realised volatility is currently almost 8 pp below implied volatility.
- At 25%, the latter is the highest it has been since December of last year. Investors therefore expect that the crisis surrounding SVB (and other US banks) could continue to shake up markets in the coming days.

The VIX index is a measure of the implied volatility of the S&P 500 priced in options over approximately the next 30 days. Realised volatility indicates the range of variation in daily returns. The historical 99% value-at-risk indicates the minimum loss of the days that belong to the worst 1% of the observation period. The higher (lower) the VIX, realised volatility and value-at-risk, the fewer (more) stocks demand risk-based investment strategies.
Source: Bloomberg, period: 31/12/2021 – 10/03/2023

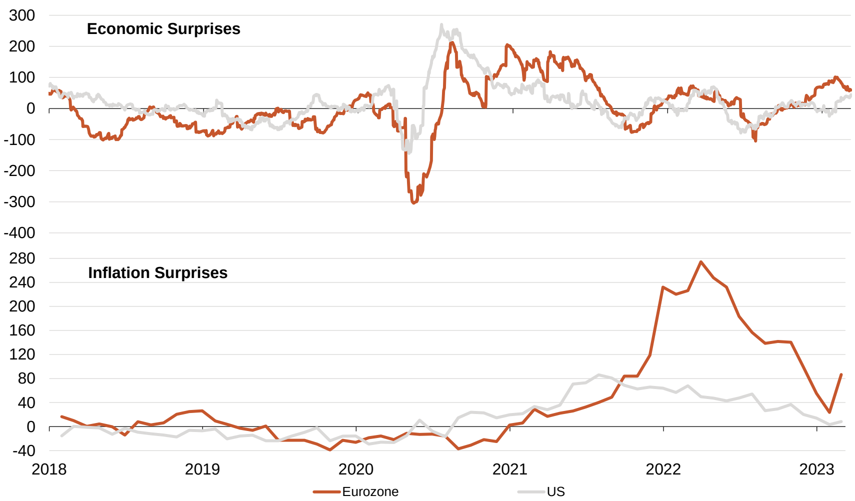
Global



- Global economic surprises continue to be positive. Recently, there has been an increasing tailwind from the emerging markets, in particular.
- Positive surprise from China (purchasing managers' indices) and Russia (retail sales, labour market data) drove the positive surprise in emerging markets.
- Global inflation data continue to surprise to the upside, albeit less strongly than in 2022. The surprise drivers remain the industrialised countries, as negative surprises still predominate across emerging markets.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 – 10/03/2023

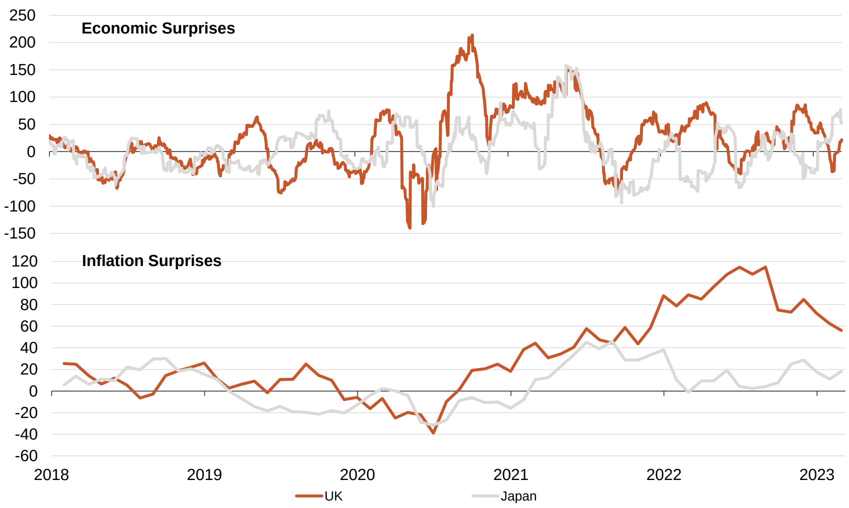
Eurozone and US



- Economic data has continued to surprise to the upside in the eurozone and the US. However, the recent prevalence of positive surprises, especially in the eurozone, seems to be behind us. The ZEW index and the EUR services PMI surprised to the upside, while labour market data slightly disappointed.
- Meanwhile, the positive inflation surprises have recently been stronger again - especially in the eurozone.

See explanations below.
Source: Bloomberg, Time period: 01/01/2018 – 10/03/2023

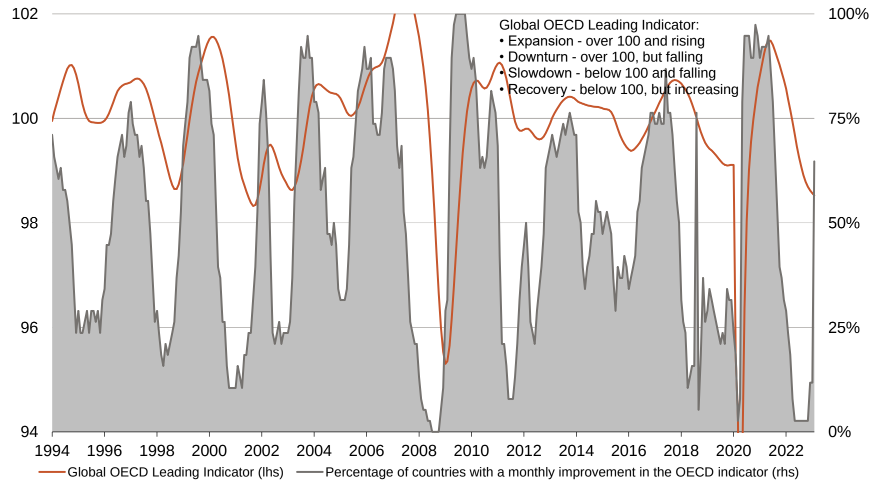
UK and Japan



- In the UK, PMIs and consumer confidence, among others, exceeded expectations.
- In Japan, there were positive surprises in labour market data and retail sales. However, industrial production data was a negative surprise.

The Citigroup Economic Surprise Indices are defined as weighted historical normalised data surprises (actual releases vs. Bloomberg survey median) over the past three months. A positive value of the index indicates that, on balance, economic data have outperformed consensus. The indices are calculated daily in a rolling three-month window. The indices use a time decay function to replicate the markets' limited memory, i.e. the weight of a data surprise decreases over time.
Source: Bloomberg, Time period: 01/01/2018 – 10/03/2023

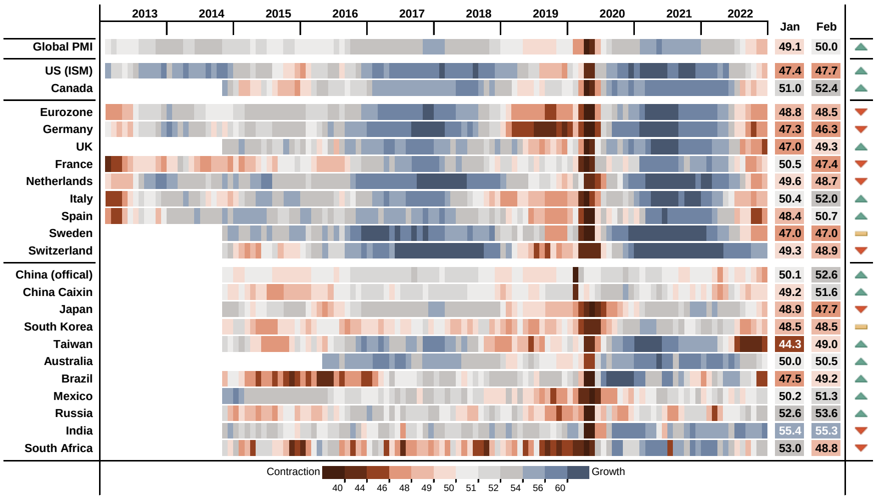
OECD Leading Indicator



- The globale OECD Leading Indicator continues to point to an economic slowdown.
- However, a look at the countries surveyed shows that there are signs of an economic recovery. Just over 60% of the countries experienced an improvement in the OECD indicator compared to the previous month.

The OECD Leading Indicator is composed of a set of selected economic indicators whose composition provides a robust signal of future turning points. A turning point usually signals a turning point in the business cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly identified.
Source: Bloomberg, Time period: 31/01/1994 - 28/02/2023

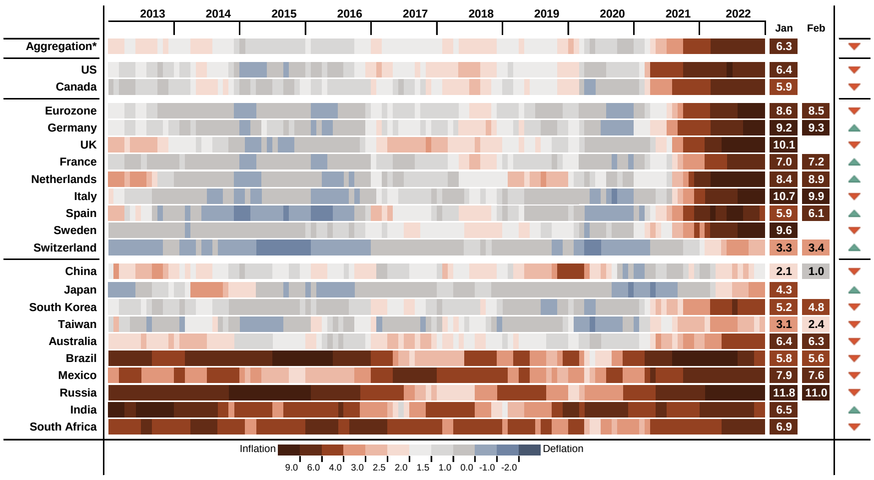
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The global PMI regained the important 50 mark in February; therefore it thus indicates growth.
- In the emerging markets in particular, the PMIs improved in February, with most of them above 50.

The PMI is an overall index that provides a general overview of the economic situation in industry. The PMI is derived from a total of eleven sub-indices, which reflect the respective change from the previous month. A value of 50 points is regarded as neutral, a value of over 50 points as an indicator of rising and a value of under 50 points as an indicator of declining activity in industry compared to the previous month. On average, the index has a lead time before actual industrial production of three to six months. The PMI is based on a survey of a relevant selection of purchasing managers on the development of key indicators such as new orders.
Source: Bloomberg, Time period: 28/02/2013 - 10/03/2023

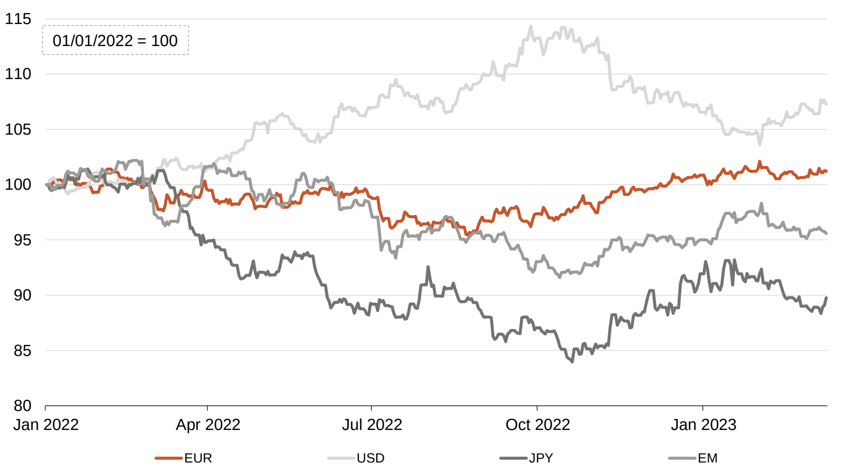
Headline Inflation



- Inflation in the Eurozone continued to be high in February. Compared to the previous month, however, YoY inflation fell slightly. Indeed, countries like Germany and France saw higher YoY inflation values than in January.
- In the emerging markets, price pressures appear to be easing further. China, in particular, experienced a significant drop in inflation.

Inflation (in %, compared to the previous year) is measured using a consumer price index, also called a basket of goods. This basket contains all goods and services that a household purchases on average per year. * = Weighting according to gross domestic product.
Source: Bloomberg, Time period: 28/02/2013 - 10/03/2023

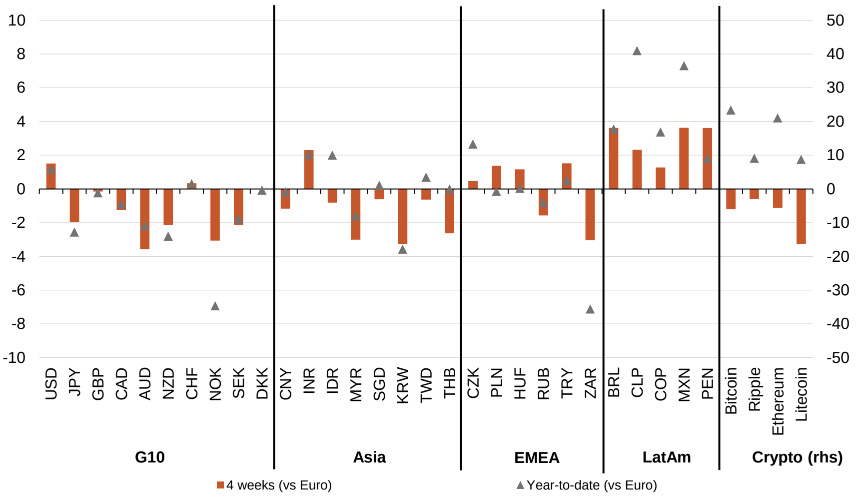
Trade-Weighted Currency Development



- The US dollar is trending sideways since the beginning of the year.
- Emerging market currencies and the euro have also moved sideways recently.
- The temporary strengthening of the yen is due to lower difference in yields and the risk-off in markets. However, since the new president of the BoJ wants to continue its dovish policy, the recent move is unlikely to be a trend reversal for the yen.

A trade-weighted index is used to measure the effective value of an exchange rate against a basket of currencies. The importance of other currencies depends on the share of trade with the country or currency zone.
Source: Bloomberg, Time period: 01/01/2022 - 10/03/2023

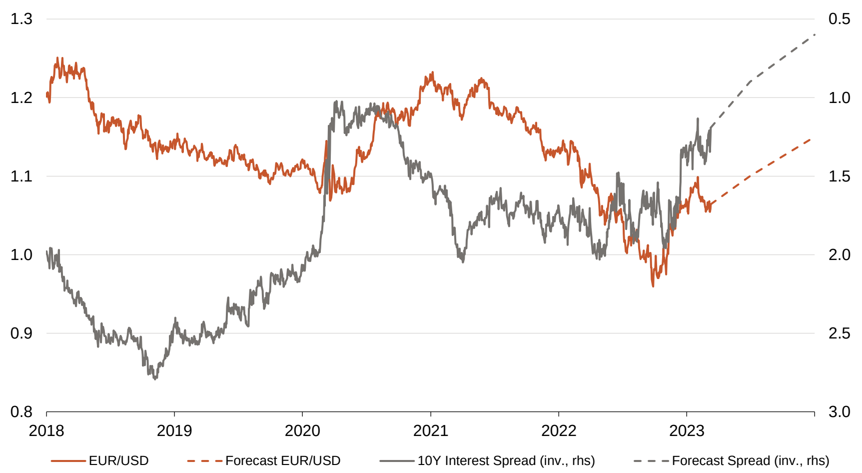
Currency Moves vs Euro



- Currency developments against the euro were mixed over the last month. While Asian currencies depreciated across the board, Latin American currencies all gained.
- The Australian dollar was one of the big losers over the last month. The Reserve Bank of Australia raised its policy rate last week, but indicated that inflation had peaked and that the risk of a wage-price spiral was low.

Performance of selected currencies against the euro, in percent.
Source: Bloomberg, Time period: 31/12/2022 - 10/03/2023

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



- When Jerome Powell opened the door to a faster pace of rate hikes in his speech, the EUR/USD exchange rate corrected towards 1.05.
- Recently, however, the exchange rate rose again to 1.07 due to the US banking crisis, as markets now consider larger interest rate hikes by the Fed to be unlikely again.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US government bonds and 10-year Bunds. The forecasts were prepared by Berenberg Economics.
Source: Bloomberg, Time period: 01/01/2018 - 31/12/2023

European Sector & Style Performance

	4-week & YTD: 4W (10/02/23 - 10/03/23)	YTD (30/12/22 - 10/03/23)	10/03/22 10/03/23	10/03/21 10/03/22	10/03/20 10/03/21	10/03/19 10/03/20	09/03/18 10/03/19
Telecommunications	3.7	14.3	5.1	0.5	16.0	-16.6	-4.6
Communication Services	1.5	11.4	9.6	1.1	40.6	-3.4	-1.8
Consumer Discretionary	1.1	16.1	23.2	-11.6	52.1	-9.1	-2.7
Consumer Staples	0.8	2.1	5.5	8.2	9.2	-2.9	9.8
Utilities	0.0	2.8	1.7	4.6	13.4	11.8	18.5
Growth	-0.6	7.2	6.3	3.5	26.7	1.9	3.6
Value	-0.7	7.3	12.3	4.9	26.1	-16.7	-1.2
Finance	-1.5	10.0	19.6	0.8	28.2	-15.2	-12.3
Information Technology	-1.9	13.9	5.3	1.5	39.8	3.6	1.0
Energy	-2.0	5.5	28.6	24.5	27.3	-37.0	13.6
Materials	-2.0	3.1	-0.8	6.8	56.5	-13.5	-0.9
Health Care	-2.8	-1.1	0.9	17.4	8.4	8.6	14.4

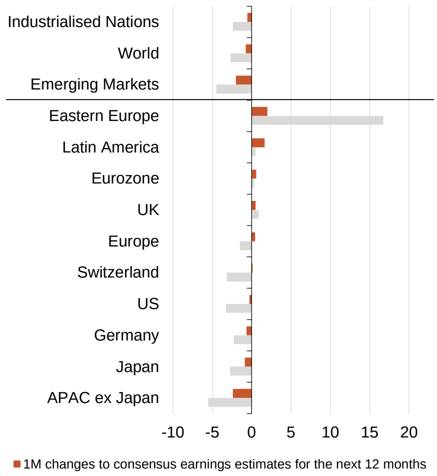
(12-month periods over that last 5 years)

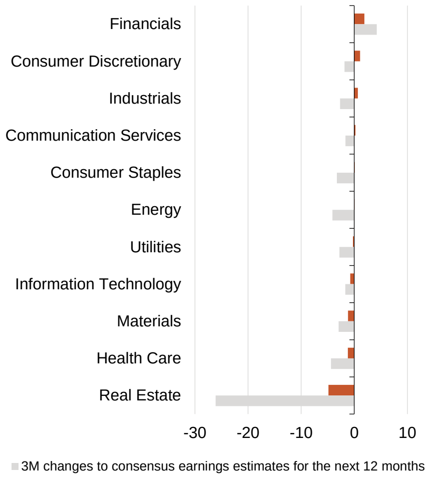
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Stables: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech. NR; Materials: MSCI Europe Materials NR; Communication Services: MSCI Europe Communication Services NR; Utilities: MSCI Europe Utilities NR; Value: MSCI Europe Value NR; Growth: MSCI Europe Growth NR.

- In the last four weeks, telecom stocks have performed the best. Industrial shares occupy second place.
- Basic materials and energy stocks, on the other hand, lost considerable ground. Recession worries and scepticism about China weighed on the sector.
- Healthcare and technology stocks were also among the losers.

Total return of European equity sectors and European style indies, in euros and in percent, sorted by 4-week performance. The difference between Value and Growth lies in the valuation. A growth stock is highly valued because the company is expected to grow strongly. Value stocks usually have less growth potential and are valued lower.
Source: Factset, Time period: 09/03/2017 – 10/03/2023

Changes in Consensus Earnings Estimates

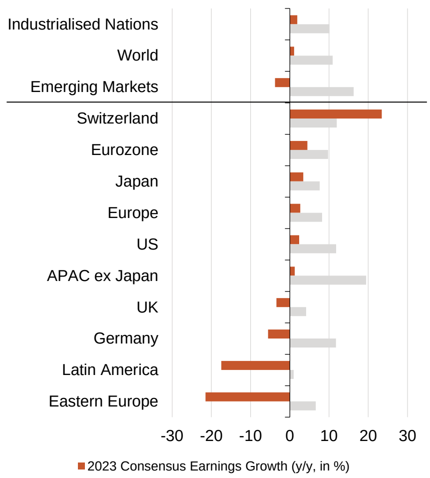


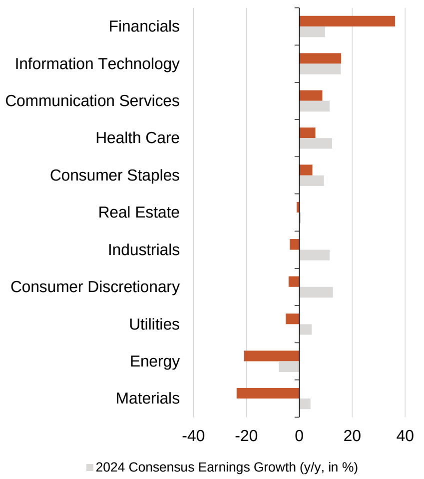


- The earnings outlook for global companies was further dampened. In both emerging and developed markets, the consensus reduced earnings estimates for the next twelve months. APAC ex Japan and Japan were the most affected. Meanwhile, the outlook for Latin America and Eastern Europe improved.
- Among European sectors, financials, consumer cyclicals and industrials saw positive revisions. Real estate companies saw very negative revisions.

1-month and 3-month changes in consensus earnings estimates for the next 12 months of the regional and Europe sector MSCI indices, in per cent.
Source: FactSet, as of 10/03/2023

Earnings Growth

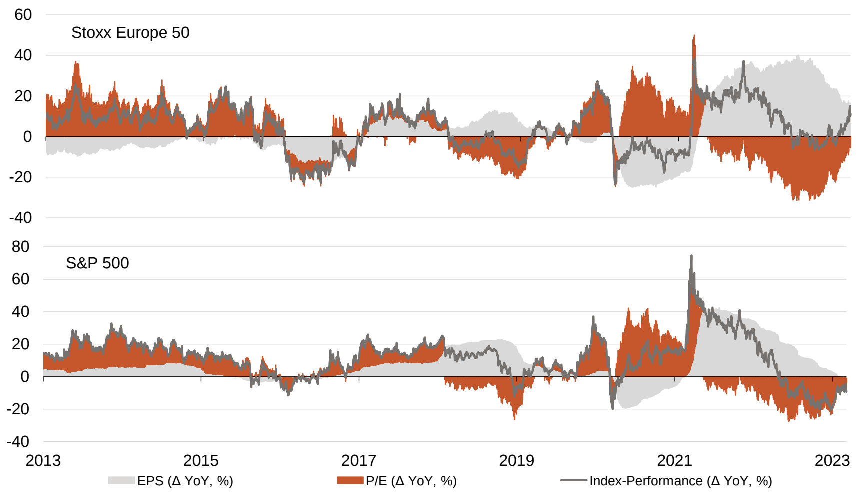




- For 2023, the analysts forecast hardly any global earnings growth. They are most sceptical on Eastern Europe, Latin America and Germany. At the same time, Switzerland and the Eurozone are likely to see positive growth.
- The analysts are also positive about finance and technology companies, while they expect clearly negative growth in energy and basic materials stocks.

Consensus expected calendar year earnings growth for selected equity regions, year-on-year and in percent. The earnings estimates of the individual companies are aggregated upwards using the index weights ("bottom-up"). Regional and Europe Sector MSCI Indices. APAC ex Japan = Asia Pacific excluding Japan
Source: FactSet, as of 10/03/2023

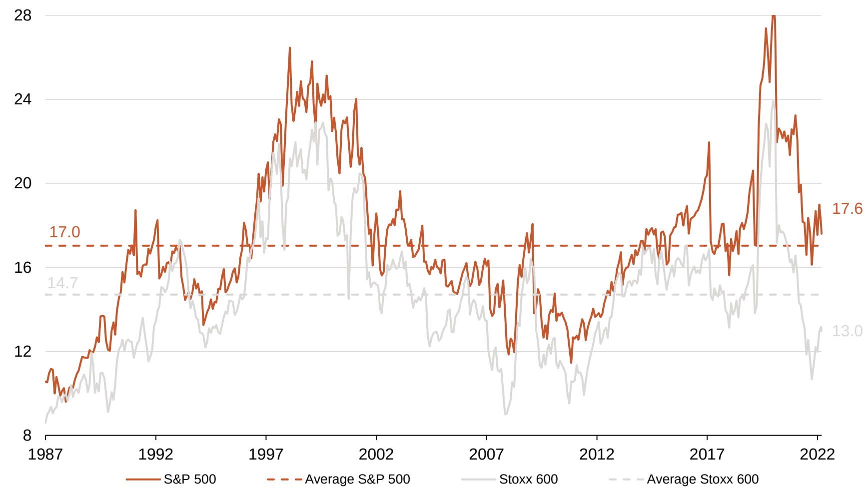
Contribution Analysis



- The Stoxx Europe 50 demonstrates a clearly positive year-on-year development, also because the time window now starts after the start of the Ukraine war. Valuations are therefore little changed year-on-year and corporate earnings have risen.
- The growth-heavy S&P 500, on the other hand, performed negatively over the past twelve months, driven by falling earnings and a persistent valuation squeeze.

Analysis of the drivers of stock market development over the last 12 months. The change in earnings estimates and the change in valuation (price-earnings ratio) are taken into account. EPS = earnings per share
Source: Bloomberg, Time period: 01/01/2013 – 10/03/2023

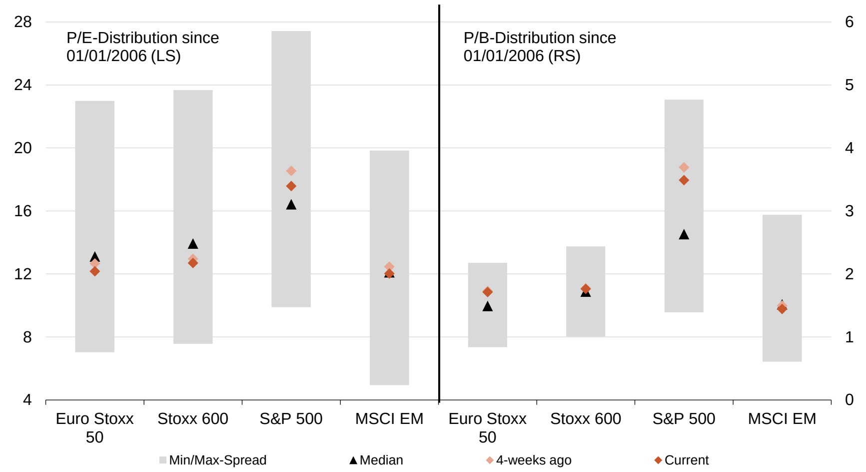
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- The valuation of the S&P 500 and the Stoxx 600 have fallen with the recent risk-off environment. Despite the recent correction, the S&P 500 remains slightly expensive in historical terms. A significant valuation expansion is, therefore, unlikely.
- The Stoxx 600, on the other hand, still has some room for improvement based on valuation.

P/E valuation based on earnings estimates for the next twelve months of European and US equities as well as the respective P/E average since 1988. *For the Stoxx 600, the history before 2000 was taken from MSCI Europe.
Source: Bloomberg, Factset, Time period: 31/12/1987 – 10/03/2023

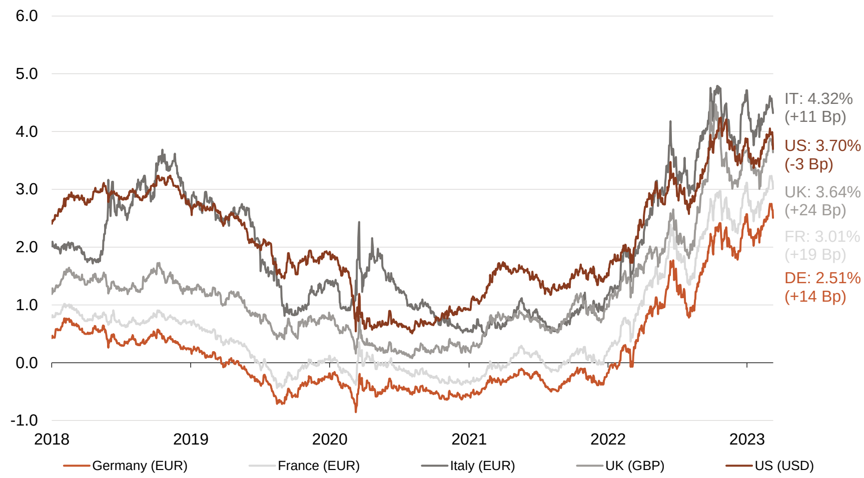
Historical Distribution: Price/Earnings and Price/Book Ratio



- Based on the P/E ratio and on the P/B ratio, all stock indices shown have lost ground in the last four weeks.
- European equities trade at near-fair valuations historically, while US equities are expensive on both P/E and P/B ratios.

Historical distribution of valuation ratios for selected equity regions since 2006. In addition to the current value, the observation four weeks ago and the historical median, the maximum (upper limit of the grey bar) and minimum (lower limit of the grey bar) are shown.
Source: Bloomberg, Time period: 01/01/2006 – 10/03/2023

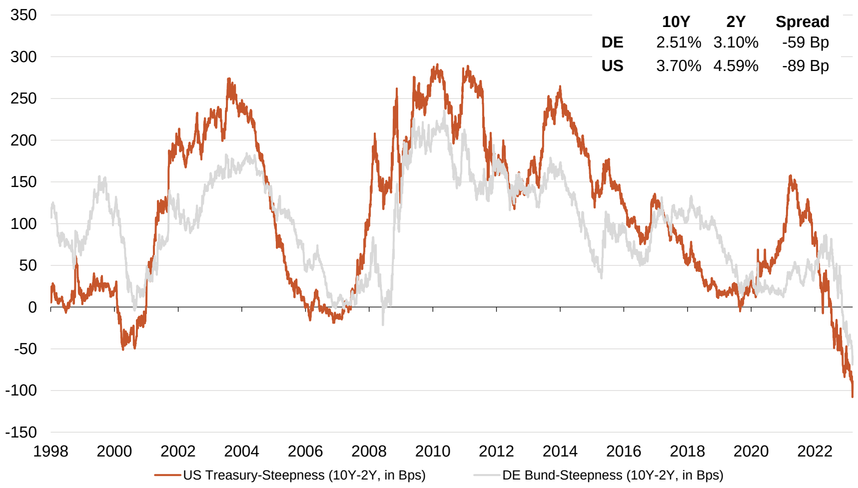
10-Year Government Bond Yields



- The higher-than-expected inflation data and restrictive central bank comments caused yields to temporarily rise significantly.
- However, the emerging panic in connection with the SVB crisis (US bank) caused yields to fall significantly recently. The first cracks in the real economy could indicate limits to the restrictive central bank policy.
- Yields on 10-year US government bonds temporarily reached the 4% mark, only to fall back below 3.7%.

Effective yield on 10-year government bonds and change over the last four weeks in basis points (in brackets).
Source: Bloomberg, Time period: 01/01/2018 - 10/03/2023

Yield Curve Steepness (10Y - 2Y)

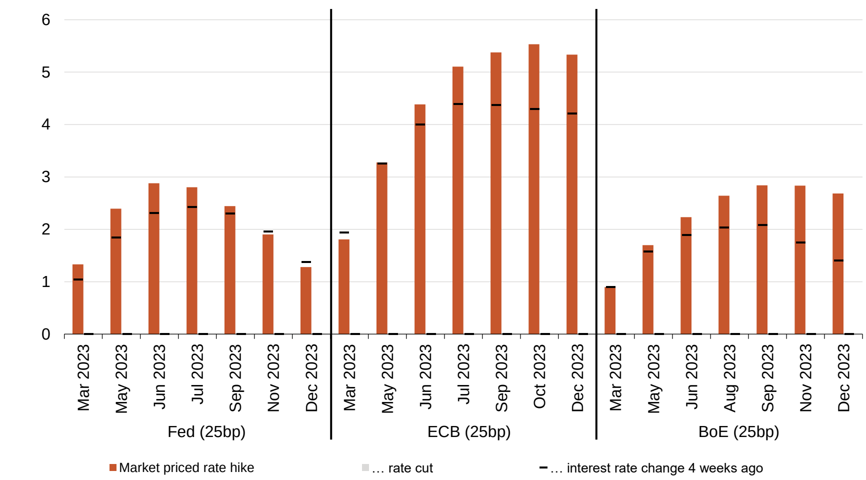


	10Y	2Y	Spread
DE	2.51%	3.10%	-59 Bp
US	3.70%	4.59%	-89 Bp

- The inversion of the German and US yield curves has continued over the past two weeks. Historically, an inversion has often been accompanied by a delayed recession.
- However, with the SVB (US Bank) crisis, there was a clear countermovement, as market participants bet on a central bank policy that would support them in case of doubt.

The yield curve distinguishes between the so-called short end and the long end. The reason for this is the way in which factors influence yields. Central banks control the short end of the curve through their monetary policy and key interest rates. In contrast, the long end is influenced less by central banks and more by inflation expectations, supply, demand and risk premiums.
Source: Bloomberg, Time period: 01/01/1998 - 10/03/2023

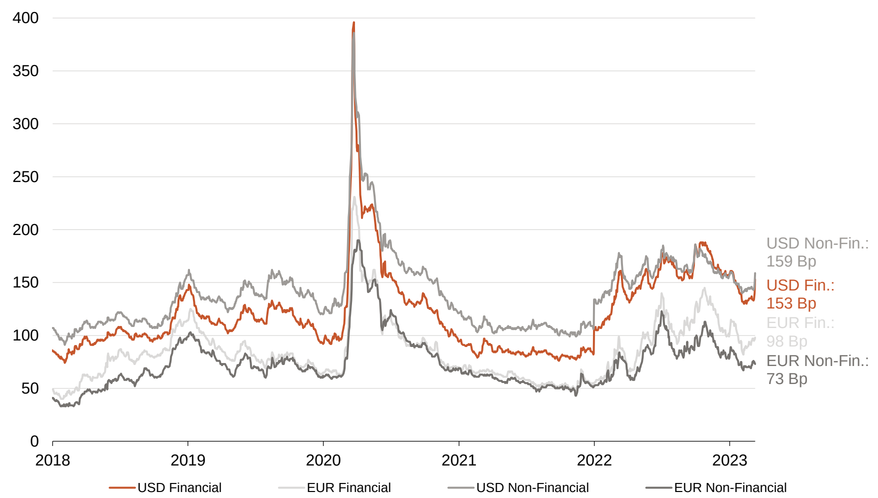
Implicit Changes in Key Interest Rates



- In the last four weeks, interest rate hike expectations have increased slightly, also due to persistent inflation data and restrictive central bank comments. However, the SVB crisis has put a damper on the interest rate fantasy.
- As of Friday, the Fed is expected to raise rates three more times at 25bp each and the ECB is even expected to raise rates more than five times.
- For the BoE, the market sees three more rate hikes upwards.

Derivatives on money market interest rates - such as the fed funds futures - can be used to determine the change (number of steps) in the key interest rate priced by the market.
Source: Bloomberg, Time period: 10/02/2023 - 10/03/2023

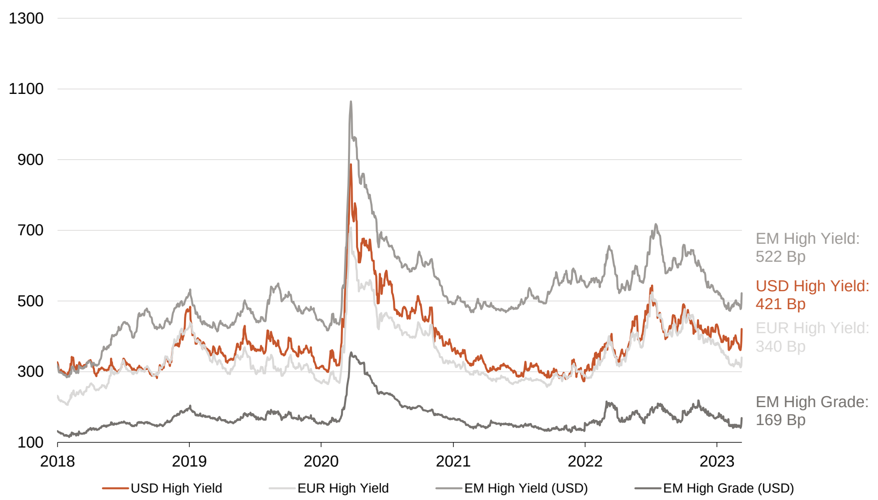
Credit Spreads Financial and Non-Financial Bonds



- Spreads for USD investment grade corporate bonds have risen significantly in the last two weeks in the wake of the risk-off environment and the SVB crisis (US bank). Spreads have risen by more than 15 basis points.
- For EUR-IG corporate bonds, on the other hand, spreads have only risen slightly.

Explanations see middle and lower figure.
Source: FactSet, Time period: 01/01/2018 – 10/03/2023

Credit Spreads High Yield and Emerging Markets Bonds



- High-yield bonds experienced significantly rising spreads with the onset of the SVB crisis.
- The most pronounced spread widening in the last two weeks was seen in USD and EM high-yield bonds. There, the spread has risen by more than 20 basis points. In the emerging markets, spreads are now clearly above 500 bp again.

How high the risk associated with the corporate bond is is shown by its asset swap spread (in bp). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term as compensation for its credit risk. See further explanation below.
Source: FactSet, Time period: 01/01/2018 – 10/03/2023

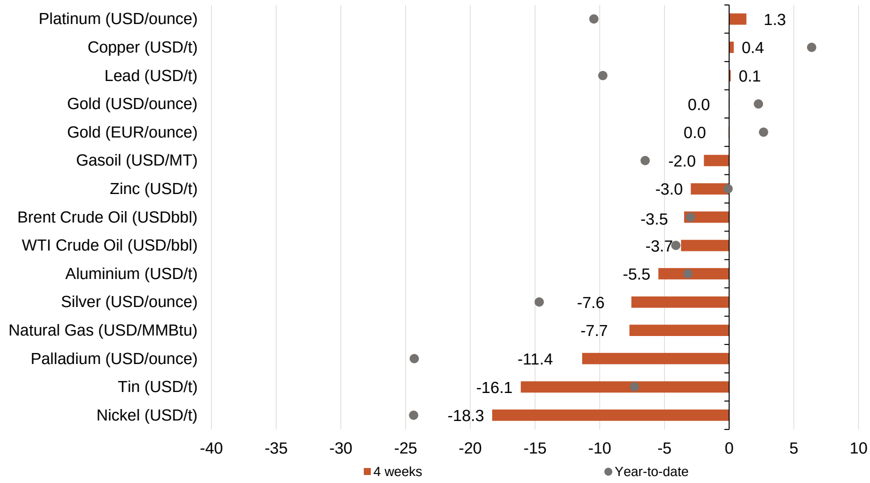
Bond Segments Overview

	Key figures			Asset Swap Spread			Total Return (%, local)						
	Yield (in %)	Δ-1M	Modified Duration	Spread (Bps)	Δ-1M	10Y-Percentile	1M	YTD	10/03/22 10/03/23	10/03/21 10/03/22	10/03/20 10/03/21	10/03/19 10/03/20	10/03/18 10/03/19
EUR Government	3.23	0.22	7.2	-	-	-	-1.0	0.7	-14.3	-5.1	-0.4	8.3	2.6
Germany	2.66	0.20	7.2	-	-	-	-0.8	0.2	-14.9	-3.4	-4.5	7.6	4.4
EUR Corporate	4.30	0.33	4.6	82	4	59	-1.1	1.0	-8.6	-5.2	2.4	3.6	1.2
Financial	4.52	0.40	3.8	98	10	66	-1.1	0.8	-7.3	-4.3	2.7	2.8	1.0
Non-Financial	4.16	0.30	5.0	73	2	55	-1.1	1.1	-9.3	-5.7	2.2	4.1	1.3
EUR High Yield	7.44	0.59	3.2	340	21	51	-1.3	2.8	-3.2	-3.9	10.0	1.2	0.2
US Treasury	4.16	0.01	6.5	-	-	-	0.6	1.7	-7.7	-2.8	-3.5	14.7	3.9
USD Corporate	5.48	0.16	6.9	157	18	78	-0.4	1.9	-6.6	-4.8	3.0	13.4	3.6
Financial	5.66	0.23	5.1	153	21	83	-0.6	1.8	-5.0	-4.5	3.9	11.4	4.0
Non-Financial	5.39	0.13	7.8	159	16	75	-0.3	1.9	-7.3	-5.0	2.6	14.2	3.4
USD High Yield	8.87	0.43	4.2	421	35	67	-1.2	1.9	-4.6	-0.5	12.4	2.5	3.9
EM High Grade	5.78	0.26	5.2	169	23	39	-0.7	1.2	-6.0	-6.0	2.3	10.3	3.4
EM High Yield	10.41	0.55	3.8	522	37	44	-1.4	1.6	-1.6	-14.9	10.8	5.4	2.7

- In the last four weeks, only US government bonds were able to gain, as there was hardly any change in yields. European government bonds, on the other hand, saw rising yields, which weighed on the asset class.
- Corporate bonds also suffered from rising spreads.

ICE BofA indices in the following sequence: Euro Government; German Government; Euro Corporate; Euro Financial; Euro Non-Financial; Euro High Yield; US Treasury; US Corporate; US Financial; US Non-Financial; US High Yield; High Grade Emerging Markets Corporate Plus; High Yield Emerging Markets Corporate Plus. EM indices are hard currency bonds.
Source: FactSet, Time Period : 10/03/2017 – 10/03/2023

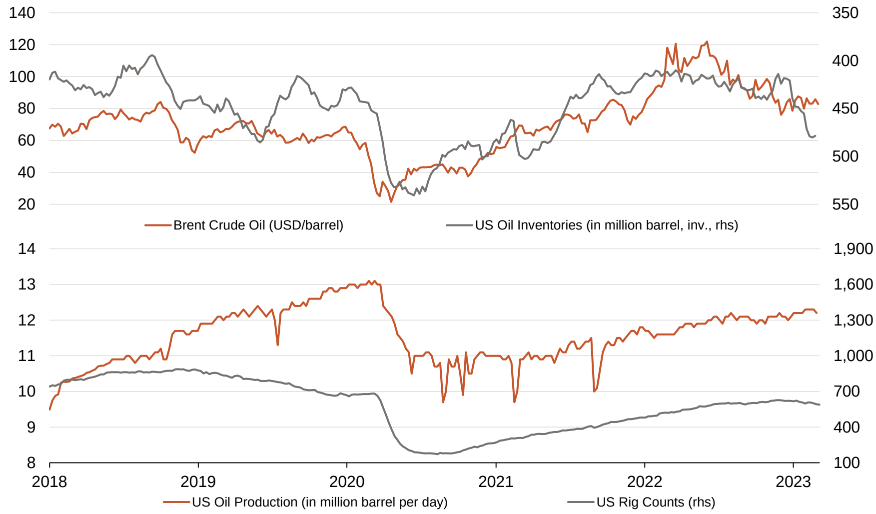
Commodities Performance



- Commodities fell across the board in the last four weeks. However, the picture was not consistent. Precious metals and industrial metals were both in first and last place.
- Palladium is one of the biggest losers both over the last month and since the beginning of the year. Fundamentally, palladium is suffering from its increasingly frequent substitution by platinum in catalytic converters. In the short term, however, speculative investors are probably responsible for the extent of the sell-off.

Total return of selected commodity indices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period:31/12/2021 - 10/03/2023

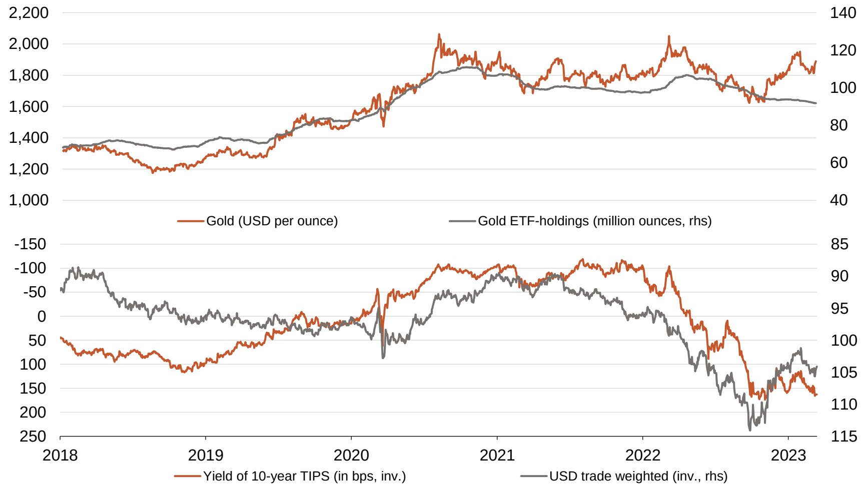
Crude Oil



- Crude oil (Brent) has continued to fluctuate erratically sideways above the USD 80 per barrel mark in recent weeks.
- Currently, the market is again worried about the demand outlook, but producers are also already reacting. The number of US drilling rigs has been falling since the beginning of the year, while OPEC wants to maintain its cuts until the end of the year and Russia is also reducing its production.

Higher oil production and higher inventories tend to weigh on oil prices and vice versa. An increase in active oil wells indicates higher oil production in the future.
Source: Bloomberg, Time period: 01/01/2018 - 10/03/2023

Gold



- Gold recently rose to around USD 1,880 per ounce. Jerome Powell's hawkish speech only temporarily weighed on the gold price. With the recently emerging concerns about regional banks in the US, gold was again more in demand as a safe haven.

The US dollar and the real, i.e. inflation-adjusted, interest rate are among the fundamental price factors of the gold price. Rising real interest rates tend to weigh on the gold price, while falling real interest rates have a supportive effect. The same applies to the US dollar. The development of gold ETF holdings reflects financial investors' demand for gold.
Source: Bloomberg, Time period: 01/01/2018 - 10/03/2023

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IMPORTANT NOTICES

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