

### Current market commentary

The good mood in capital markets continued. Equities, bonds and crude oil rallied, driven by continued cautious central banks and better economic data from emerging markets. Cyclical equity sectors and regions benefitted accordingly. Over the last six months, Europe has performed slightly better than the US - despite uncertainty around Brexit, weak economic data and strong outflows of European equity funds. Market participants are counting on the recent stabilisation of the Chinese economy and an improvement in the European economy. Relaxation tendencies in the trade dispute between the US and China as well as the (temporary) avoidance of a hard Brexit were also supportive. This helps European equities, which on average are more cyclical, especially European exporters. The coming economic data must support this picture so that risky assets can continue to develop positively.

### Short-term outlook

The US reporting season for the first quarter has picked up speed. Following recent negative earnings revisions, analysts expect Q1 profits for the S&P500 to be down 2% vs. the previous year. We are slightly more optimistic and expect positive surprises leading to almost unchanged earnings. In Europe, on the other hand, the latest economic data and even higher earnings expectations might lead to disappointments.

On Tuesday, the focus will be on the ZEW Index for economic expectations. On Wednesday, China's industrial production for March and GDP for Q1 will be released, which are expected to provide signals for growth stabilisation. The PMIs for Germany, France and the Eurozone should reveal on Thursday whether the European economy is also stabilising. On the same day, retail sales and the Philadelphia Fed Index are published in the US. In addition, an OPEC meeting will take place.

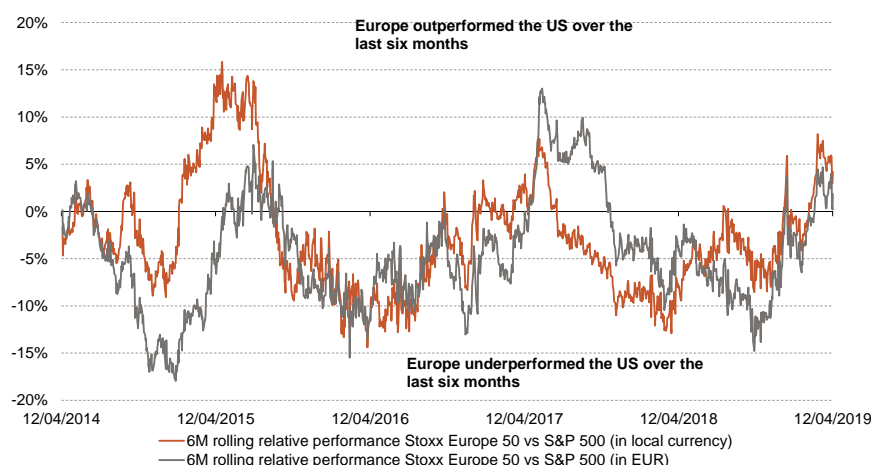
The bi-weekly *Monitor* gives you a structured overview of the current capital market environment and highlights important developments:

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

*The corporate reporting season for the first quarter is picking up speed.*

*Economic data is expected to provide signals for a stabilisation of growth.*

### Recently, European equities performed relatively well - also vs. the US



- European equities have underperformed their US peers in recent years. Above all, the different index composition (Europe has more banks and cyclicals while the US is more tech-heavy) is accountable for the difference in performance.
- Over the past six months however, European equities have performed better, despite disappointing economic data. The prospect of a stabilisation of the global economy supported this move.

Relative total return performance of European vs. US equities  
Source: Bloomberg, Time period: 12/04/2014 - 12/04/2019



Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (15/03/19 - 12/04/19)	YTD (31/12/18 - 12/04/19)	12/04/18	12/04/17	12/04/16	12/04/15	11/04/14
			12/04/19	12/04/18	12/04/17	12/04/16	12/04/15
Brent	6.7	34.3	12.6	11.2	18.9	-41.7	-33.6
MSCI Emerging Markets	3.3	14.7	3.5	8.0	26.6	-23.4	36.9
REITs	2.9	18.1	26.7	-18.0	6.3	-4.2	49.0
MSCI World	2.8	16.9	15.0	-0.6	22.7	-12.2	45.2
MSCI Frontier Markets	1.8	10.0	-5.3	7.2	22.9	-20.2	22.8
Global Convertibles	1.6	10.5	3.1	14.2	12.0	-5.4	3.8
Industrial Metals	1.5	13.9	1.1	5.3	29.7	-26.8	17.7
Global Corporates	1.0	3.9	1.2	6.1	1.0	2.4	-2.0
Global Treasuries	0.3	1.0	-1.9	7.0	-3.5	7.6	-6.9
USDEUR	0.2	1.5	9.1	-13.5	6.8	-6.9	31.0
Eonia	0.0	-0.1	-0.4	-0.4	-0.3	-0.2	0.0
Gold	-0.7	2.1	5.5	-10.2	9.4	-3.2	20.0

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; Global Treasuries: Bloomberg Barclays Global Agg Treasuries TR; Global Corporates: Bloomberg Barclays Global Aggregate Credit TR; Global Convertibles: Bloomberg Barclays Global Convertibles Composite TR; Gold: Gold US Dollar Spot; Brent Crude: Bloomberg Brent Crude Subindex TR; Industrial Metals: Bloomberg Industrial Metals Subindex TR; Eonia: Eonia Capitalization Index; USDEUR: Price of 1 USD in EUR.

- OPEC-production cuts, production issues in Libya and US sanctions against Iran and Venezuela have pushed up the price of crude oil further. Brent has already gained over 34% since the beginning of the year.
- Equities continued their rally, while the gold price moved sideways in the current risk-on sentiment.

Total return of selected asset classes, in euros and in percent, sorted by 4-week performance.  
Source: Bloomberg, Time period: 11/04/2014 - 12/04/2019

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (15/03/19 - 12/04/19)	YTD (31/12/18 - 12/04/19)	12/04/18	12/04/17	12/04/16	12/04/15	11/04/14
			12/04/19	12/04/18	12/04/17	12/04/16	12/04/15
MSCI EM Eastern Europe	4.0	14.9	20.2	1.7	24.6	-16.5	13.3
Stoxx Europe Cyclical	3.9	18.7	1.3	4.8	26.2	-21.9	23.6
MSCI EM Asia	3.9	15.8	3.6	10.2	28.1	-24.2	50.5
S&P 500	3.3	18.2	21.5	-0.4	24.7	-6.7	55.0
Stoxx Europe Small 200	2.7	17.2	2.9	6.8	18.3	-11.3	24.1
DAX	2.7	13.6	-3.3	2.1	24.5	-21.1	32.8
Russell 2000	2.3	19.6	12.6	-0.2	33.8	-17.4	51.3
Euro Stoxx 50	2.1	15.5	2.9	1.8	21.4	-20.9	25.8
MSCI UK	1.9	16.4	7.1	0.3	15.7	-17.6	27.9
Stoxx Europe 50	1.7	15.5	7.3	-0.9	18.0	-19.7	28.1
Topix	1.0	8.4	-0.1	4.2	23.8	-14.1	58.3
Stoxx Europe Defensives	-0.6	10.3	10.2	-1.0	9.3	-14.8	32.4

S&P 500: S&P 500 TR (US-Equity); Stoxx Europe 50: Stoxx Europe 50 TR; Euro Stoxx 50: Euro Stoxx 50 TR; Topix: Topix TR (Japanese Equity); Stoxx Europe Small 200: Stoxx Europe Small 200 TR; Russell 2000: Russell 2000 TR (US Small Caps); Stoxx Europe Cyclical: Stoxx Europe Cyclical TR; Stoxx Europe Defensives: Stoxx Europe Defensives TR; DAX: DAX TR; MSCI United Kingdom: MSCI UK TR; MSCI EM Asia: MSCI EM Asia TR; MSCI EM Eastern Europe: MSCI EM Eastern Europe TR.

- Emerging market equities performed best over a 4-week period. This development has been driven by an improvement in local economic data, which also benefited cyclical companies in Europe.
- The Japanese Topix continues to lag behind and is the only equity region not to have recorded a double-digit return since the beginning of the year.

Total return of selected equity indices, in euros and in percent, sorted by 4-week performance.  
Source: Bloomberg, Time period: 11/04/2014 - 12/04/2019

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (15/03/19 - 12/04/19)	YTD (31/12/18 - 12/04/19)	12/04/18	12/04/17	12/04/16	12/04/15	11/04/14
			12/04/19	12/04/18	12/04/17	12/04/16	12/04/15
USD High Yield	2.0	10.2	16.8	-10.8	21.6	-10.5	34.4
USD Corporates	1.7	6.4	14.8	-12.6	11.1	-5.8	38.5
EUR High Yield	1.3	5.7	2.3	3.4	7.2	-1.2	4.5
BTPs	0.9	2.3	-1.4	5.1	-2.9	1.0	15.0
EM Local Currency Bonds	0.8	3.1	-2.8	10.1	3.4	-1.6	-6.0
EM Hard Currency Bonds	0.8	4.5	3.8	3.9	8.3	2.7	0.6
EUR Financials	0.8	3.3	2.1	1.8	3.3	0.3	6.4
EUR Non-Financials	0.7	3.2	2.4	0.9	2.5	0.3	7.7
Treasuries	0.6	2.4	13.0	-14.3	6.1	-4.1	36.7
EUR Inflation Linkers	0.3	1.5	-1.0	4.7	0.4	-3.1	8.8
Bunds	0.2	1.2	3.5	-1.6	0.5	0.6	11.2
Gilts	-1.3	5.4	3.3	-3.4	1.7	-6.8	30.1

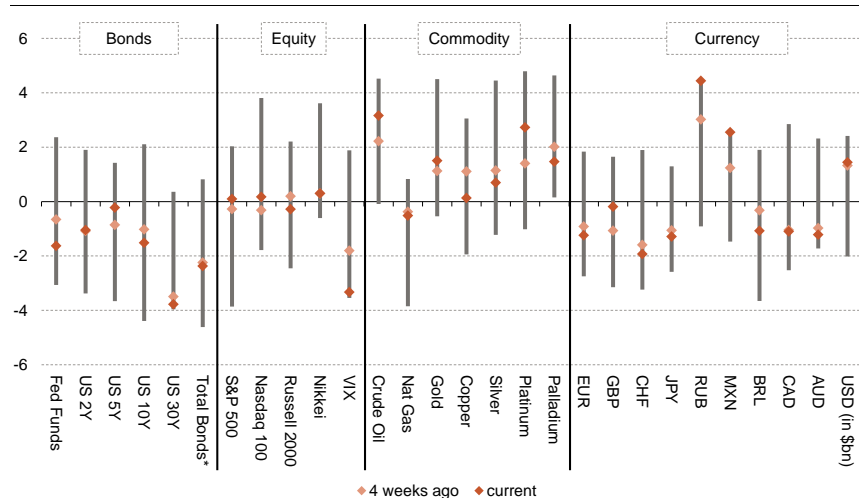
Bunds: Barclays Germany Govt All Bonds TR; BTPs: Barclays Italy Govt All Bonds TR; Treasuries: Barclays US Treasury TR; Gilts: Barcl. UK Govt All Bonds TR; EUR Inflation Linkers: Barcl. Euro Govt Inflation-Linked Bond All Maturities TR; EUR Financials: iBOXX Euro Fin. Overall TR; EUR Non-Financials: iBOXX Euro Non-Fin. Overall TR; EUR High Yield: Markt iBOXX EUR Liquid HY TR; USD Corporates: iBOXX USD Corporates TR; USD High Yield: iBOXX USD Liquid HY TR; EM Hard Currency: Barcl. EM Hard Currency Agg Govt Related TR; EM Local Currency: Barcl. EM Local Currency Govt TR.

- Within the fixed income spectrum, USD-denominated bonds performed best recently. The continued positive development of equity markets and the expectation of a rate cut at the end of the year have helped.
- UK gilts declined somewhat after the recent Brexit deferral, in addition to a weaker British pound.

Total return of selected fixed income indices, in euros and in percent, sorted by 4-week performance.  
Source: Bloomberg, Time period: 11/04/2014 - 12/04/2019



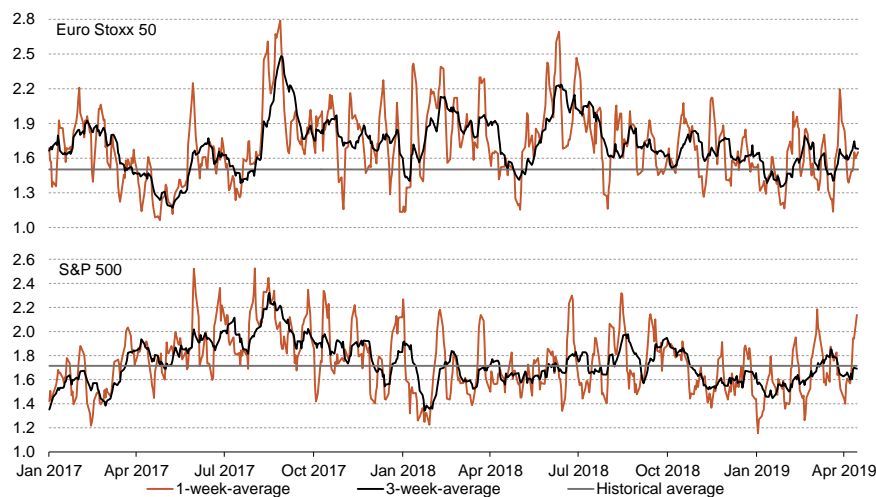
Non-Commercial Positioning



- Speculative investors have further reduced their short positions in US bonds, but have increased them in the very short end (Fed Funds Rate).
- The pronounced long positions in crude oil and the Russian ruble are remarkable.

The Commodity Futures Trading Commission (CFTC) publishes the Commitments of Traders Reports every Friday. A distinction is made between "non-commercial" and "commercial traders" positions. Non-commercial traders enter into purely speculative positions. Commercial traders hedge underlying transactions with futures or options. The chart shows the historical, normalized distribution in standard deviations and focuses on the net future position (long positions minus short positions) of non-commercial traders, thus indicating how speculative investors have positioned themselves.  
 \*Duration weighted average bond position.  
 Source: Bloomberg, CFTC, Time period: 12/04/2009 - 12/04/2019

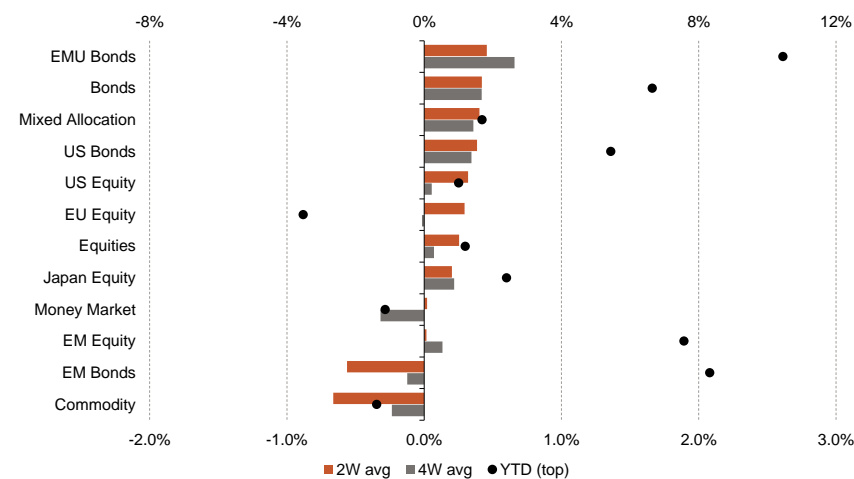
Put-Call Ratio



- The put-call ratios for European and US equities are neither exceptionally high nor exceptionally low at the moment. Improved leading indicators from China have helped industrials in particular. However, the rise in Chinese consumer prices has not led to extensive optimism among option market participants.

The put-call ratio is the ratio of traded put options (speculation on falling prices) to call options (speculation on rising prices) across all maturities. The higher (lower) the ratio, the more cautious (optimistic) are the market participants. The data have been available for the S&P 500 since 20 December 1993 and for the Euro Stoxx 50 since 24 February 2006.  
 Source: Bloomberg, Time period: 20/12/1993 - 12/04/2019

ETF Flows

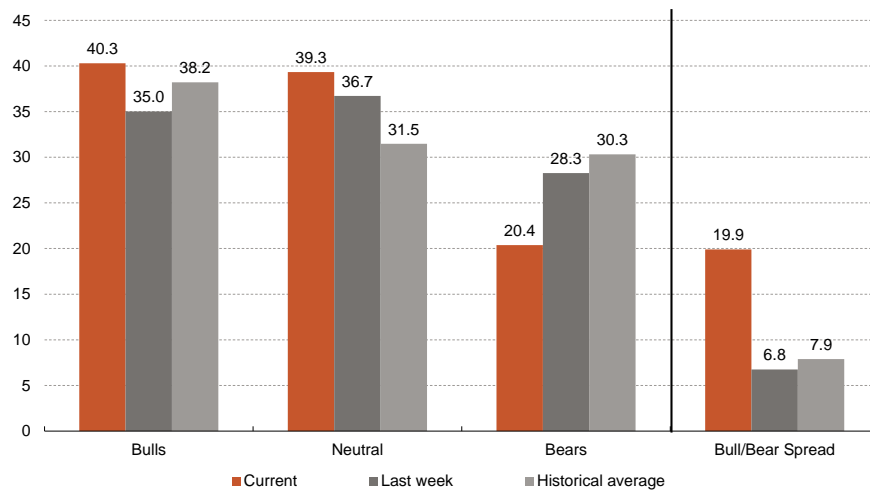


- Eurozone bond ETFs have experienced the largest ETF inflows again and are now also leading from an YTD perspective (in % of AUM).
- European equity ETFs have also recorded inflows recently, reducing the net outflows since the beginning of the year to c. USD -3.6bn.
- Commodity ETFs suffered from profit taking and recorded the largest net outflows relative to AUM.

Estimated ETF flows in percent of assets under management, sorted by 2-week average.  
 Source: Bloomberg, Time period: 31/12/2018 - 12/04/2019



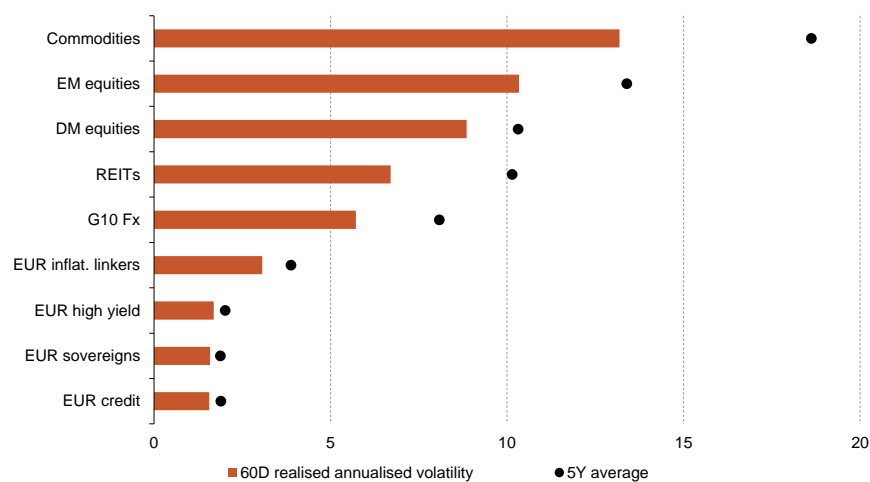
**AAII Sentiment Survey (Bulls vs Bears)**



- The share of bulls has risen by five percentage points compared to the previous week. On the other side, the share of bears has fallen by eight percentage points.
- Consequently, the bull/bear spread has jumped to 19.9% and reflects a much more optimistic stance among investors.

The sentiment survey conducted by the American Association of Individual Investors determines the percentage of private investors who are optimistic, pessimistic or neutral regarding the US equity market outlook for the upcoming six months. It has been carried out 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. However, it is a negative indicator when there are significantly more optimists than pessimists.  
 Source: Bloomberg, AAII, Time period: 23/07/87 - 11/04/19

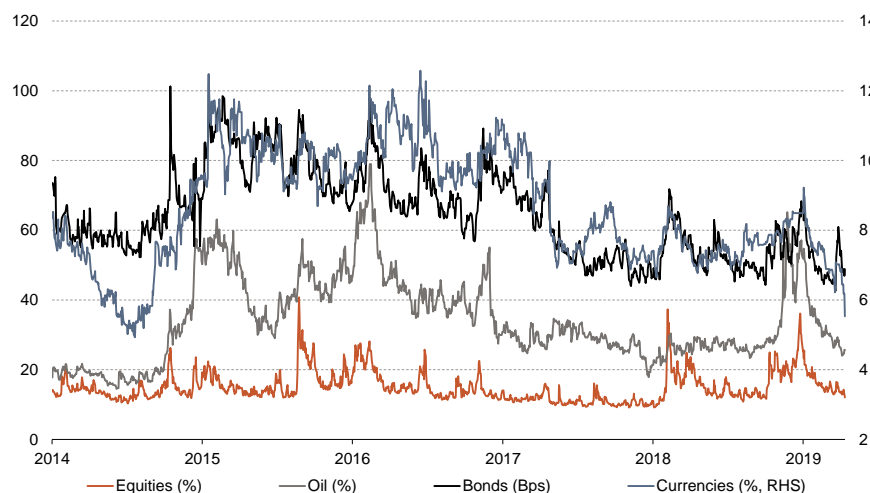
**Realised Volatilities**



- On a 2-week-view, realised 60-day-volatilities of commodities and emerging market equities have fallen. By contrast, REITs and the G10 currencies experienced slightly higher volatilities.
- Compared to the 5-year-average of realised volatilities, 60-day-volatilities are relatively low across asset classes and sub-segments. This is consistent with the recent rally.

Realised volatility (in percent) measures the historical range of variation of a time series and is defined here as the standard deviation of the daily returns over the last 60 trading days. Volatility is often used as a measure of risk.  
 Source: Bloomberg, Time period: 12/04/2014 - 12/04/2019

**Implied Volatilities**

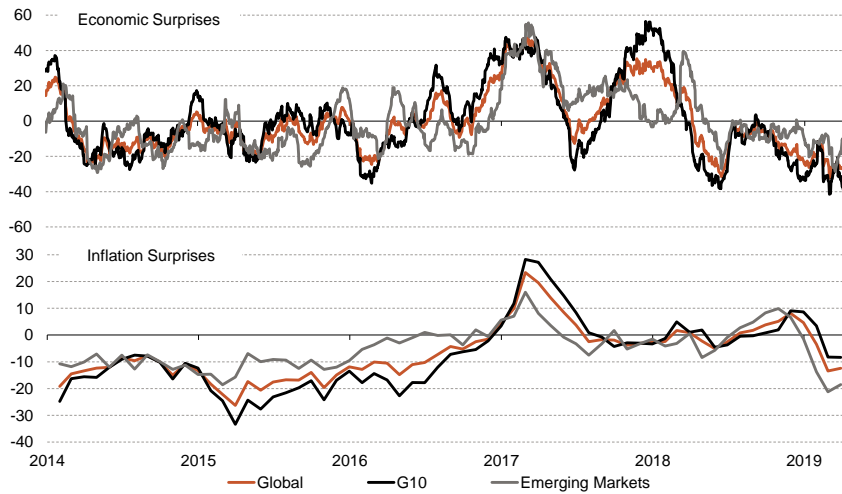


- The implied volatilities of oil and currencies reached new lows since the beginning of the year.
- Implied equity volatilities remain at low levels, while the implied volatilities of government bonds have recently picked up following the postponement of the ECB's interest rate turnaround.

The price of options depends on the volatility of the underlying instrument. Implied volatility can therefore be interpreted as a measure of the currently expected fluctuation range of the underlying compared to the market over the remaining term of the option. It is a measure of prevailing uncertainty in the financial markets.  
 Stocks = VIX Index, Oil = OVX Index, Government Bonds = MOVE Index, Currencies = CVIX Index  
 Source: Bloomberg, Time period: 12/04/2014 - 12/04/2019



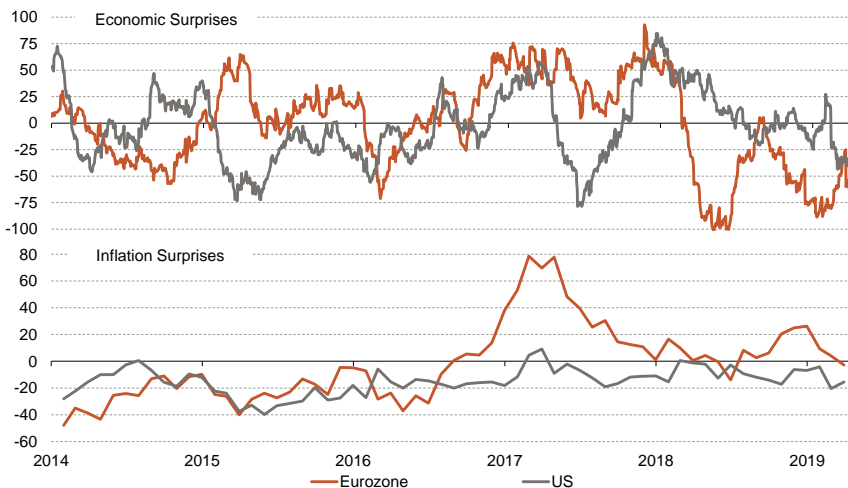
## Global



- Economic data in emerging markets continued to recover, while disappointments among the G10-countries intensified. China and Russia recorded better purchasing manager indices. The service PMI in China rose to a 14-month high of 54.4 points in March, while exports rose by 14.2% (yoy).
- Inflation is on the decline both in emerging and developed countries with surprises tilting to the downside.

See explanations below.  
Source: Bloomberg, Time period: 01/01/2014 - 12/04/2019

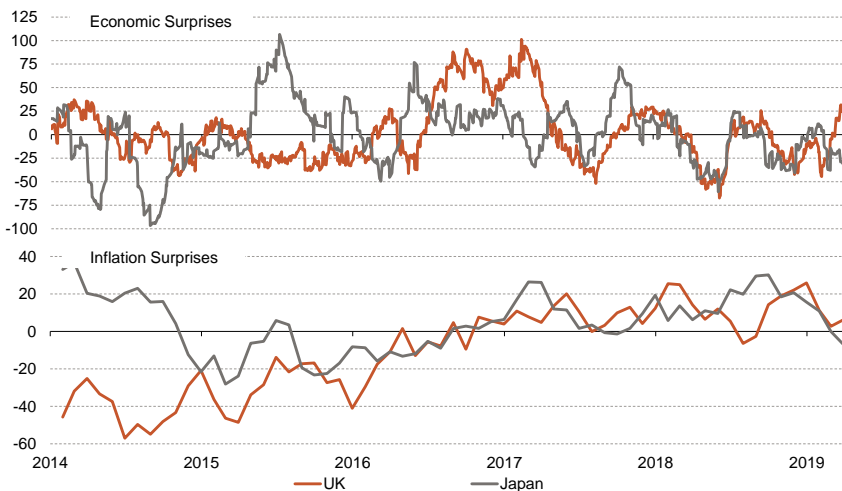
## Eurozone and US



- The US-economy is on the path towards normalisation and has increasingly experienced economic disappointments. For example, the Markit Industry PMI and the ISM Service Index were worse than expected, while the ISM Manufacturing Index surprised positively.
- Economic data releases in the Eurozone have also disappointed. The Eurozone Manufacturing PMI in March came in at 47.5 and industrial orders in Germany fell by 4.7% (mom) in February.

See explanations below.  
Source: Bloomberg, Time period: 01/01/2014 - 12/04/2019

## UK and Japan

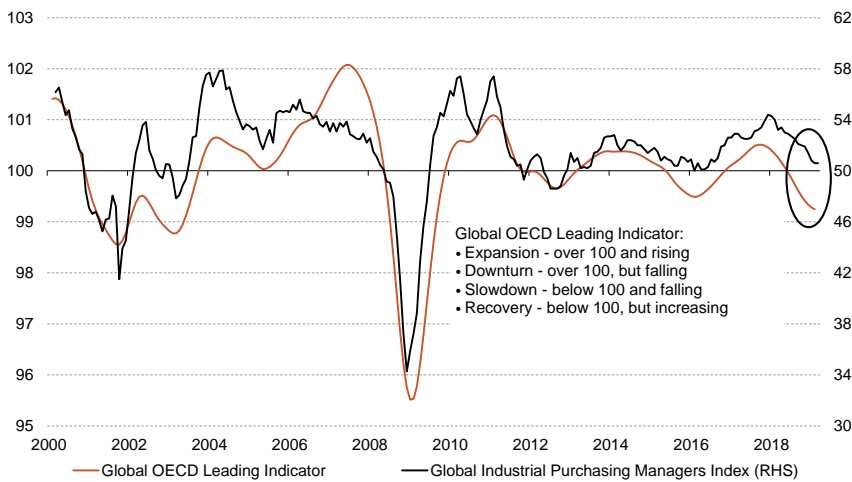


- Positive economic surprises in the UK have continued. Industrial production, for example, rose by 0.6% (mom) in February which has been supported, among other things, by the stock build-up in the run-up to Brexit.
- Economic data in Japan continues to disappoint even more.

Citigroup Economic Surprise Indices are defined as weighted historical, normalized data surprises (actual releases vs. Bloomberg survey median) over the last three months. A positive value of the index indicates that the economic data have exceeded the consensus on balance. The indices are calculated daily based on a rolling three-month period. 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: 01/01/2014 - 12/04/2019



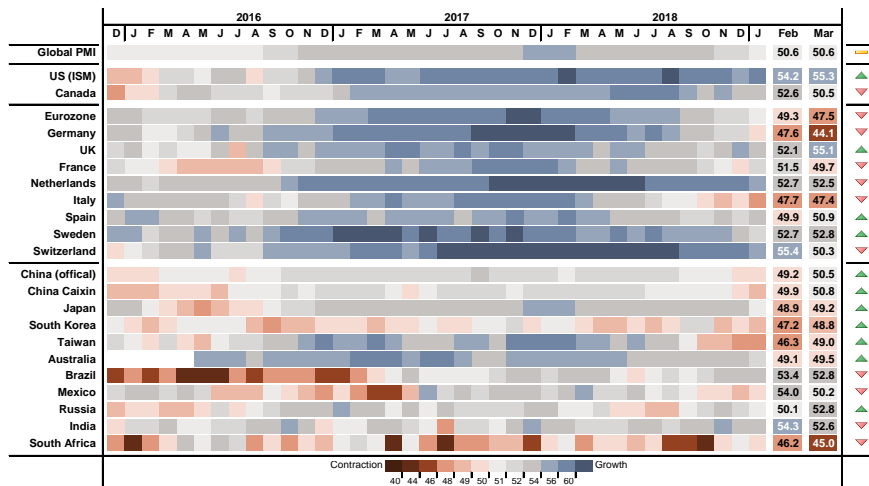
OECD Leading Indicator and Global Purchasing Managers Index



- Contrary to market expectations, the global PMI did not fall below 50 points. It stabilised at 50.6 points in March, driven by stronger results among emerging markets.
- The global OECD leading indicator is also losing downward momentum and could turn into a "recovery" in the coming months.

The OECD Leading Indicator is composed of a series of selected economic indicators whose composition provides a robust signal for future turning points. A turning point in the indicator usually signals a turning point in the economic cycle in 6-9 months. However, lead times are sometimes outside this range and turning points are not always correctly detected. Source: Bloomberg, Time period: 31/01/2000 - 31/03/2018

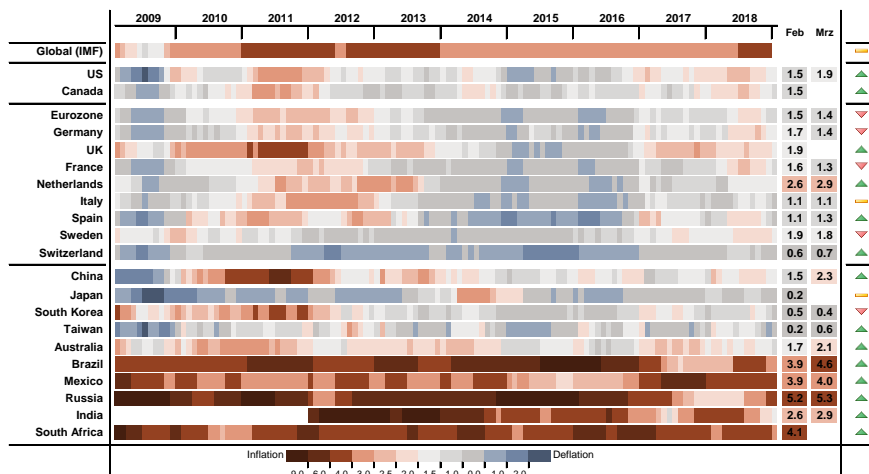
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The ISM index in the US and the PMI in the UK rose above 55 points in March.
- In emerging markets and especially in Asia, PMIs tended to rise. In Brazil, Mexico, India and South Africa, however, they have fallen.

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 change from the previous month. A value of 50 is regarded as neutral, a value of over 50 points as an indicator of rising activity in industry and a value of less than 50 points for falling activity in industry compared with the previous month. The index has an average 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 regarding the development of parameters such as incoming orders. Source: Bloomberg, Time period: 31/12/2015 - 31/03/2019

Headline Inflation

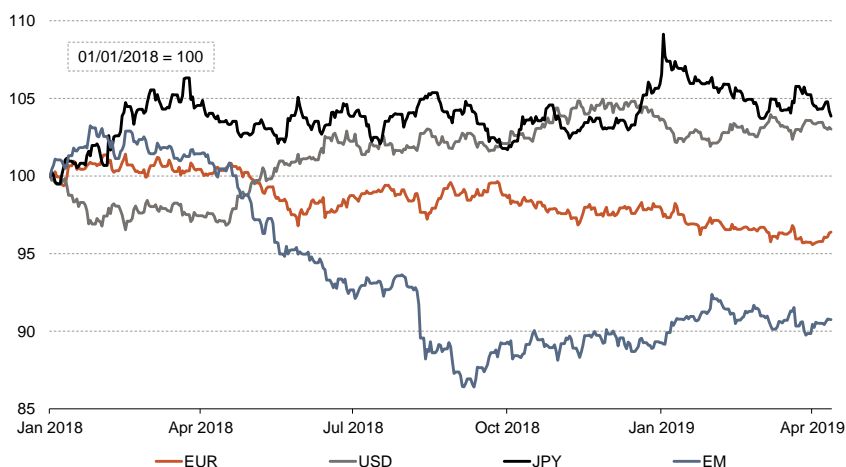


- Inflation in Europe remains low. Only in the Netherlands prices rose significantly recently.
- In China, prices have risen sharply again, which could indicate the effectiveness of the economic stimulus measures. Inflation in March was 2.3%, 0.8pp above the February level.

Inflation is measured (in percent, year-on-year comparison) using a consumer price index, also known as a shopping basket of goods. This shopping basket contains all goods and services that a household purchases on average per year. Source: Bloomberg, Time period: 31/09/2009 - 31/03/2019



Trade-Weighted Currency Development

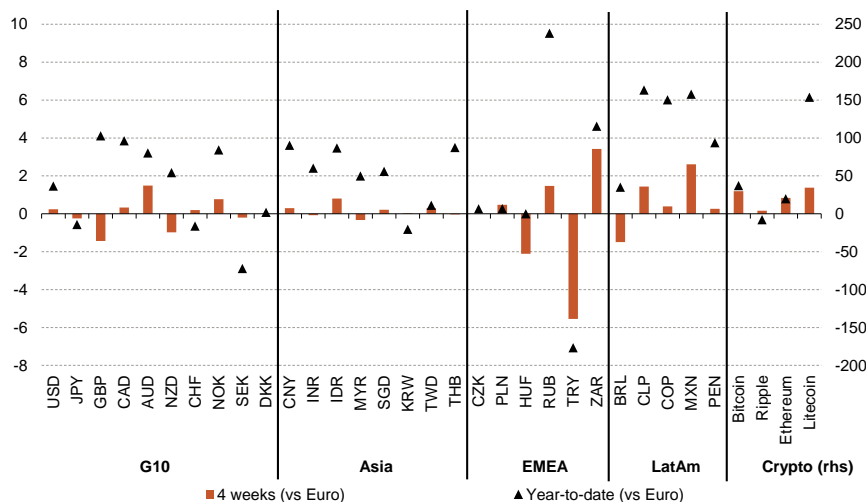


- The trade-weighted Japanese yen and US dollar fell slightly in the recent risk-on environment.
- Accordingly, the euro as well as emerging market currencies went up on a trade-weighted basis. This move has been supported by the additional extension of the Brexit deadline and better economic data from China.

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: 01/01/2018 - 12/04/2019

Currency Moves vs Euro

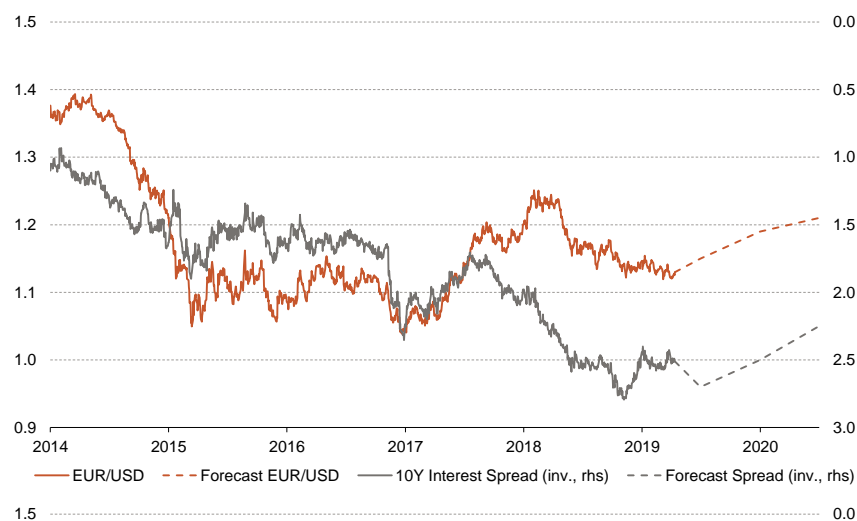


- The recent movements of the G10 currencies against the euro have been moderate. The Brexit delay had no major consequences. The postponement of the ECB's interest rate turnaround continues to weigh on the euro.
- The Turkish lira declined after the municipal elections and due to the economic contraction in Q4.
- The South African rand and the Russian ruble have benefited from rising commodity prices.
- Crypto currencies have recently grown at a double-digit rate.

Performance of selected currencies against the euro, in percent.

Source: Bloomberg, Time period: 31/12/2018 - 12/04/2019

EUR/USD exchange rate and interest rate differential



- The EUR/USD exchange rate continues to trade sideways in the range between 1.12 and 1.14. With political risks ebbing and growth recovering in Europe, our economists expect the euro to recover moderately in the second half of the year.
- The interest rate differential between 10-year Bunds and 10-year US Treasuries remains around 2.5 percentage points.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US Treasuries and 10-year Bunds. Forecasts are made by Berenberg economists.

Source: Bloomberg, Time period: 01/01/2014 - 30/06/2020



## European Sector & Style Performance

	4-week & YTD		12-month periods over that last 5 years				
	4W (15/03/19 - 12/04/19)	YTD (31/12/18 - 12/04/19)	12/04/18	12/04/17	12/04/16	12/04/15	11/04/14
			12/04/19	12/04/18	12/04/17	12/04/16	12/04/15
Materials	5.9	22.5	9.4	7.1	37.1	-23.7	18.2
Consumer Discretionary	4.5	19.6	0.1	6.4	15.5	-19.2	37.0
Industrials	3.8	19.1	7.0	1.4	24.3	-12.4	21.9
Finance	3.1	15.7	-4.8	5.9	25.8	-27.3	25.7
Information Technology	2.7	19.9	10.9	9.0	24.5	-11.1	35.9
Growth	2.1	16.8	8.5	0.8	14.1	-12.9	33.7
Value	2.0	14.4	2.6	2.5	21.7	-22.0	23.5
Energy	1.6	14.8	10.9	10.4	27.2	-18.6	5.0
Consumer Staples	1.2	16.1	12.2	-6.6	11.3	-3.5	35.2
Telecommunications	-0.5	3.5	-2.3	-4.6	-3.6	-11.5	33.8
Utilities	-0.9	10.4	13.8	0.8	7.0	-11.2	17.7
Health Care	-1.8	10.3	13.3	-7.5	7.6	-18.5	50.3

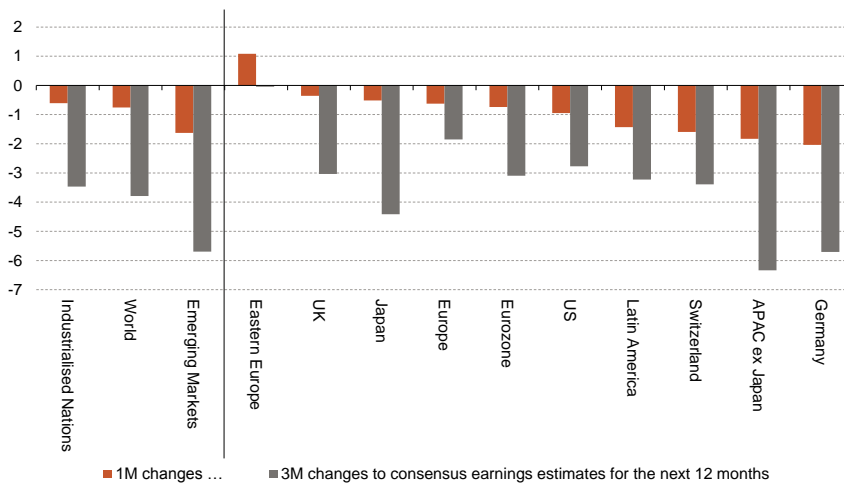
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Staples: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech.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

- Over the past four weeks, almost all sectors in Europe have yielded positive returns.
- With basic materials, consumer discretionary, IT and industrials, cyclicals performed significantly better than defensives such as telecommunications, utilities and health care.

Total return of European equity sectors and European style indices, 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 generally have less growth potential and are valued lower.

Source: Bloomberg, Time period: 11/04/2014 - 12/04/2019

## Changes in Consensus Earnings Estimates



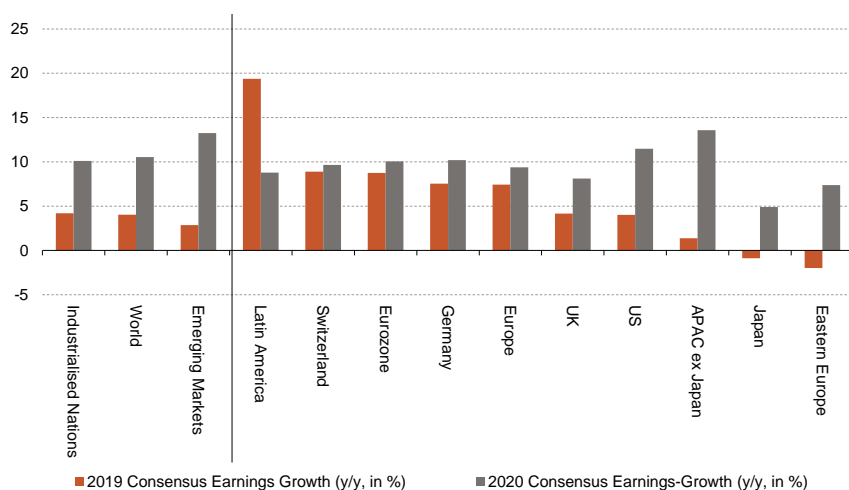
- Consensus earnings estimates remain negative with the exception of Eastern Europe and Latin America.
- Yet, on a 1-month basis, revisions among developed markets are only slightly negative. Japan in particular appears to be stabilising recently. Contrary to the performance on the stock market, Germany is performing worse on both a 1-month and 3-month basis.

1-month and 3-month changes in consensus earnings estimates for the next 12 months, in percent.

APAC ex Japan = Asia Pacific ex Japan

Source: FactSet, as of 12/04/2019

## Earnings Growth



- Consensus profit growth expectations remained stable at the global level.
- For Germany (7.9%) and Europe (7.8%), analysts expect almost twice as strong profit growth in 2019 as for the US (4.1%), which in our opinion represents a very ambitious forecast.
- For Latin America, analysts now expect earnings growth of almost 23% in 2019.

Calendar year earnings growth expected to the consensus for selected equity regions, compared to the previous year and in percent. The earnings estimates of the individual companies are aggregated using the index weights (bottom-up).

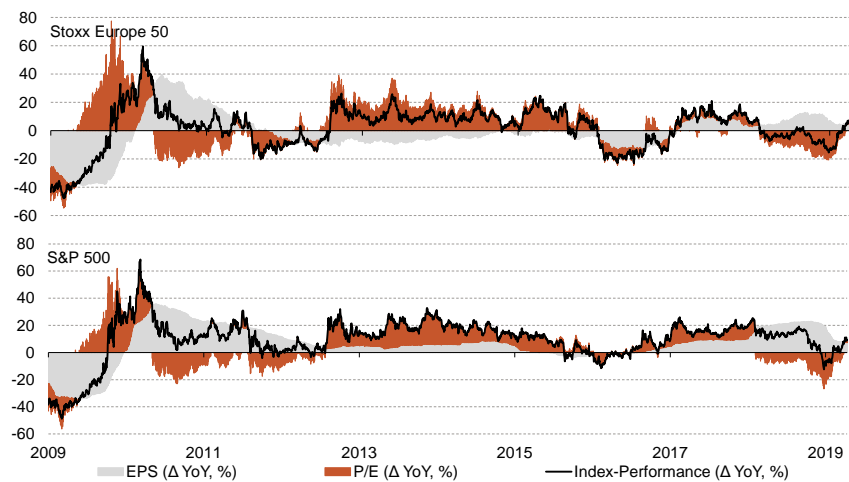
APAC ex Japan = Asia Pacific ex Japan

Source: FactSet, as of 12/04/2019





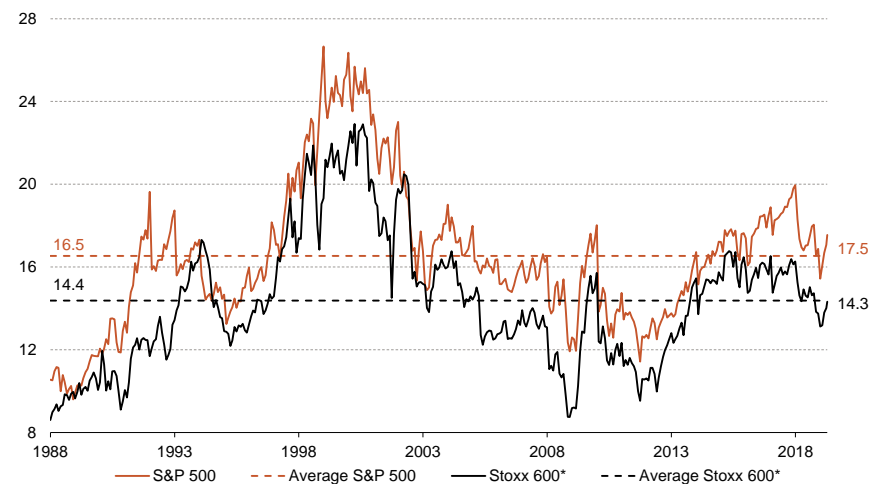
## Contribution Analysis



- Equity markets in Europe and the US have been positive over the last twelve months.
- The upward trend is attributable to rising earnings, while the P/E ratio for both regions fell slightly over the past year.

Analysis of the stock market drivers over the last 12 months. This takes into account the change in earnings estimates and the change in valuation (price/earnings ratio). EPS = earnings per share  
Source: Bloomberg, Time period: 01/01/2008 - 12/04/2019

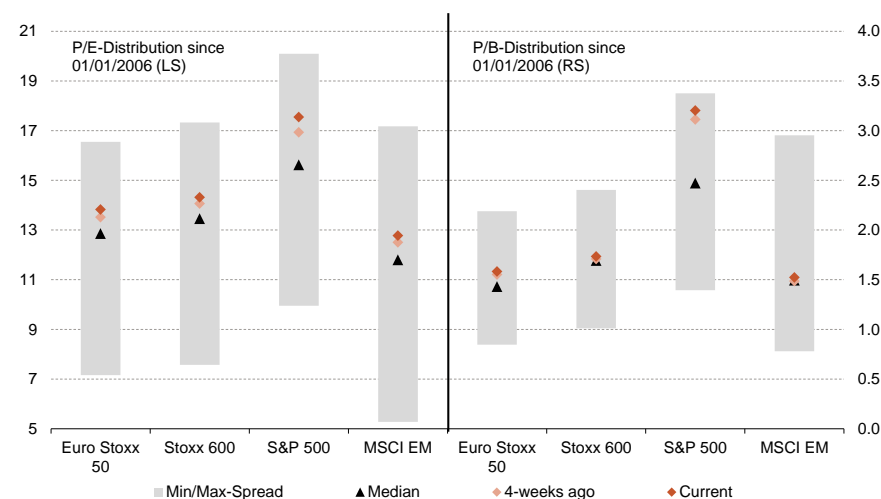
## Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Recently, negative earnings revisions and rising share prices have pushed up the price-earnings ratios on both sides of the Atlantic.
- With a P/E ratio of 14.3, the Stoxx 600 is now only marginally below its historical average of 14.4.

P/E valuation based on earnings estimates for the next twelve months for European and US equities and the respective P/E average since 1988 \* For the Stoxx 600, the history prior to 2000 is of MSCI Europe.  
Source: Bloomberg, Time period: 31/12/1987 - 12/04/2019

## Historical Distribution: Price/Earnings and Price/Book Ratio

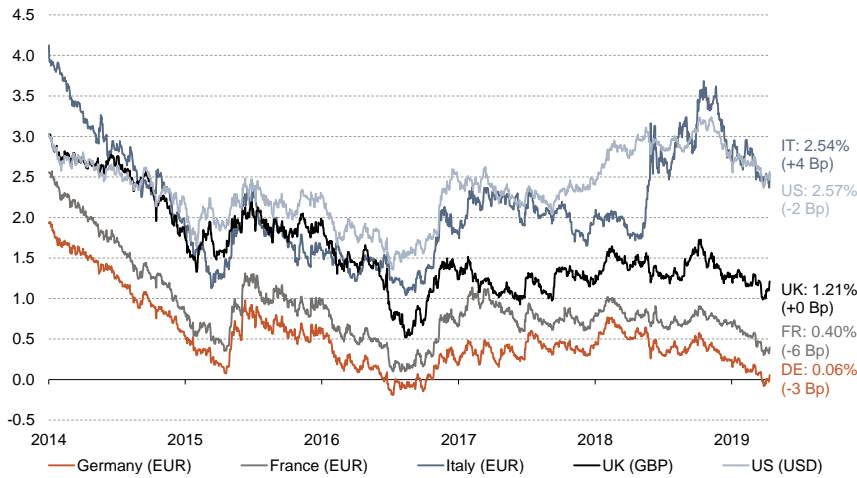


- Within the past four weeks, valuations have risen across all regions and have made a considerable leap upwards, especially on a P/E basis.
- US equities appear to be expensive on a P/E and P/B basis, both in terms of their own history and relative to the other equity markets.

Historical distribution of valuation indicators for selected stock regions since 2006, showing the current value, the observation four weeks ago and the historical median, the maximum (upper limit of the grey bar) and the minimum (lower limit of the grey bar).  
Source: Bloomberg, Time period: 01/01/2006 - 12/04/2019



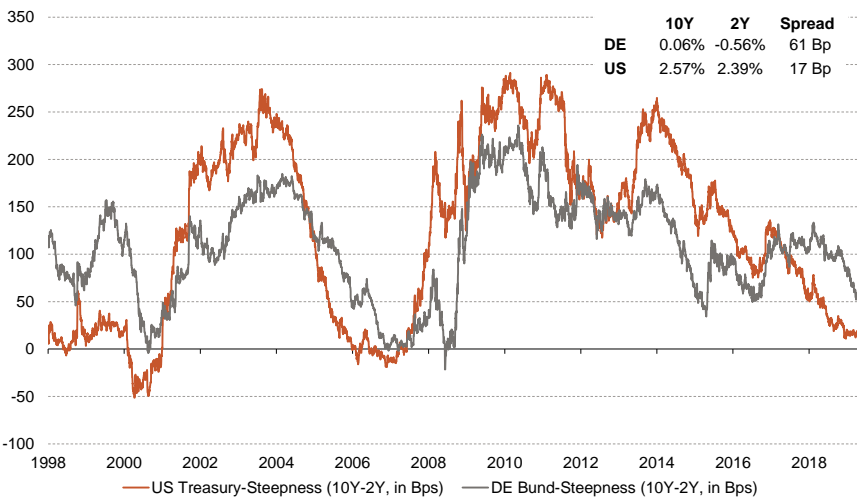
10-Year Government Bond Yields



- The hunt for safe heaven bonds has caused yields on government bonds to fall in a four-week comparison. Yields on German government bonds remain close to zero at 0.06%.
- Following the recent economic warnings, Italian government bonds have lost positive momentum and have seen yields increase by 4 bp in the last four weeks.

Effective yield of 10-year government bonds and change in the last four weeks in basis points (in brackets).  
Source: Bloomberg, Time period: 01/01/2014 - 12/04/2019

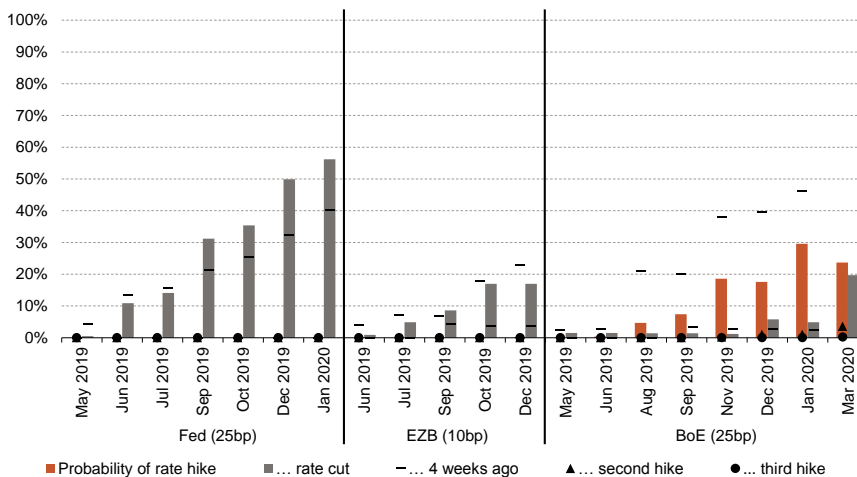
Yield curve steepness (10Y - 2Y)



- The steepness of the US and German yield curve has hardly moved recently.
- The US curve is 17 basis points and the German curve 61 basis points away from an inversion.

The yield curve distinguishes between the so-called short and the long end. The reason for this lies in the way in which factors influence returns. Central banks control the short end of the curve through their monetary policy and key rates. By contrast, the long end is influenced less by central banks than by inflation expectations, supply, demand and risk premia.  
Source: Bloomberg, Time period: 01/01/1998 - 12/04/2019

Implicit Probabilities for Changes in Key Interest Rates

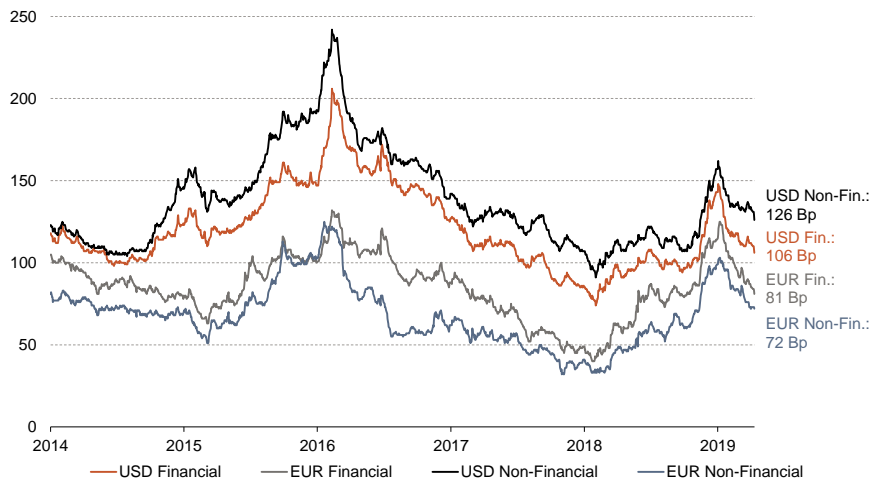


- The chaos surrounding Brexit is restricting the British central bank's rate hike course. The market has therefore lowered its expectations of an interest rate hike.
- The probability of an interest rate hike in 2019 in the Eurozone and the USA remains at zero. The market is pricing a rate cut in the USA of close to 50% for December 2019.

Derivatives on money market rates - such as the Fed funds futures - can be used to determine the probability of a change in the key interest rate priced by the market  
Source: Bloomberg, Time period: 15/03/2019 - 12/04/2019



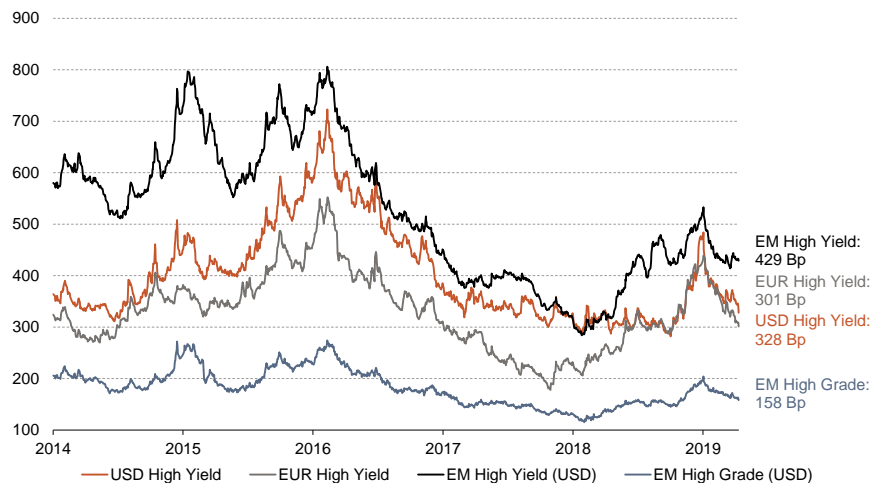
**Credit Spreads Financial and Non-Financial Bonds**



- The spreads for financial and non-financial bonds have recently fallen further. In a two-week comparison, however, spreads only moved by a few basis points.
- In EUR corporate bonds, however, the retail and insurance sectors have experienced a significant narrowing of spreads. The Euro Retail sector benefited from recent positive sales figures in February (+2.8% YoY).

Explanations see middle and bottom illustration.  
Source: FactSet, Time period: 01/01/2014 - 12/04/2019

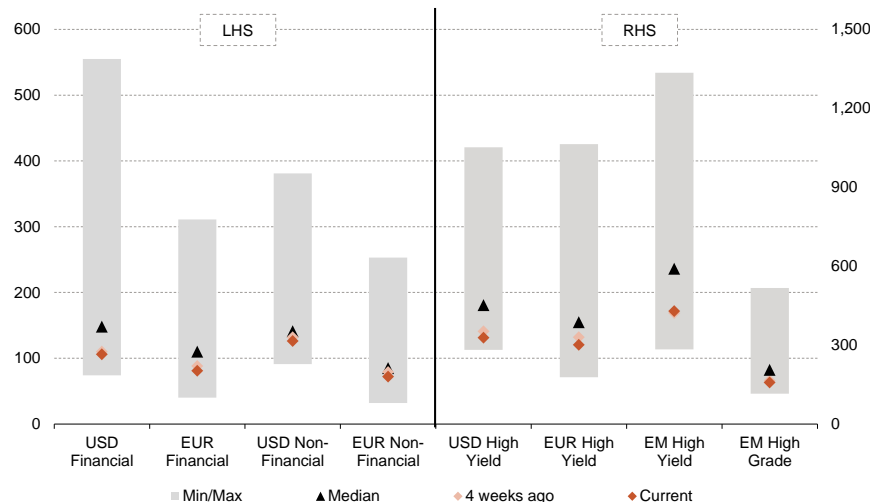
**Credit Spreads High Yield and Emerging Markets Bonds**



- In line with equity markets, EUR and USD high-yield bonds have developed positively in the last two weeks. Spreads have narrowed by up to 27 basis points.
- The risk premiums on EM high-yield bonds, on the other hand, have hardly decreased as conflicts in individual emerging markets have created uncertainty.

The extent of the risk associated with a corporate bond is shown by its asset swap spread (in basis points). This indicates the yield that the issuer must pay in addition to the swap rate for the respective term to offset its credit risk. See further explanations below.  
Source: FactSet, Time period: 01/01/2014 - 12/04/2019

**Historical Distribution of Credit Spreads (in bp)**

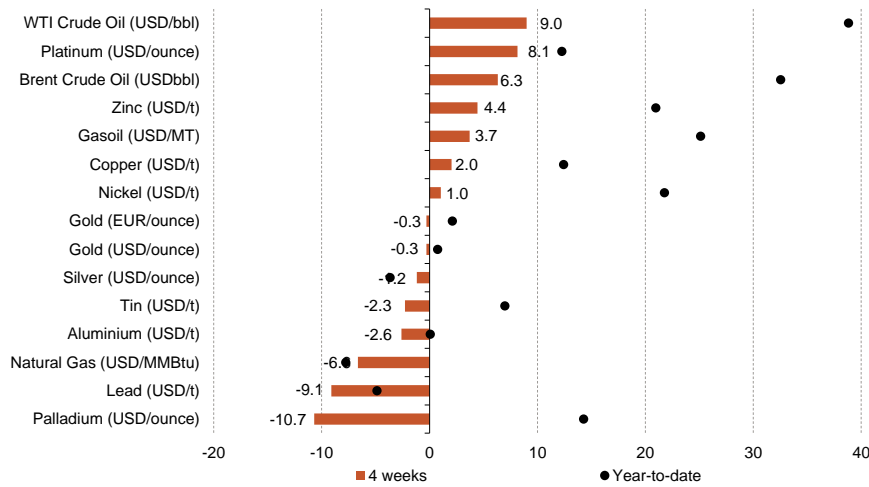


- With the exception of USD and EUR non-financial bonds, the spreads in various bond segments are well below the historical 10-year median.
- The biggest movement in the four-week comparison was seen in EUR high-yield bonds.

USD Financial = ICE BofAML US Financial; EUR Financial = ICE BofAML Euro Financial; USD Non-Financial = ICE BofAML US Non-Financial; EUR Non-Financial = ICE BofAML Euro Non-Financial; USD High Yield = ICE BofAML US High Yield; EM High Yield = ICE BofAML High Yield Emerging Markets Corporate Plus; EM High Grade = ICE BofAML High Grade Emerging Markets Corporate Plus. The EM indices shown here are hard currency bonds.  
Source: FactSet, Time period: 12/04/2009 - 12/04/2019



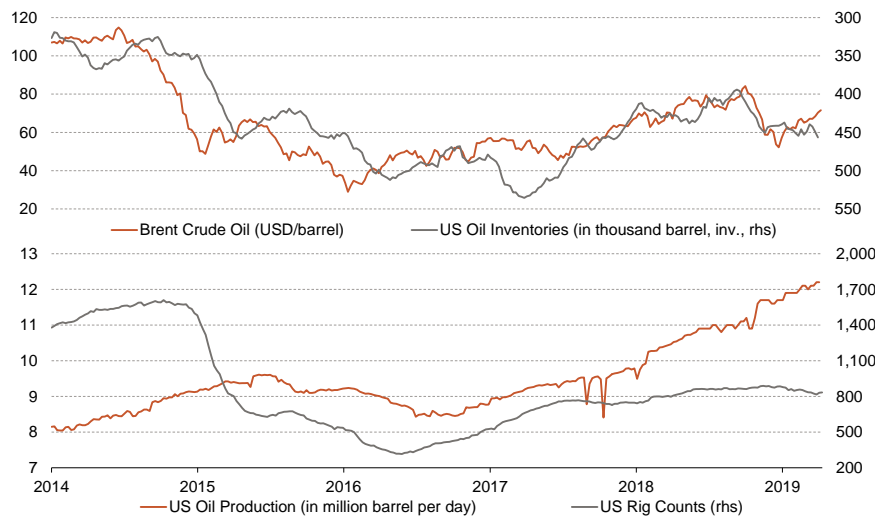
Commodities Performance



- On a 4-week view, the price development of commodities is very mixed. On the one hand, economic concerns have diminished, while on the other hand the strong US dollar is weighing on the asset class.
- One of the biggest winners is oil, whose price has continued to rise due to supply scarcity.
- In addition, the positioning of long palladium and short platinum has been covered. Platinum benefited accordingly, while palladium lost in value.

Total return of selected commodity prices, in percent, sorted by 4-week performance.  
Source: Bloomberg, Time period: 01/01/2019 - 12/04/2019

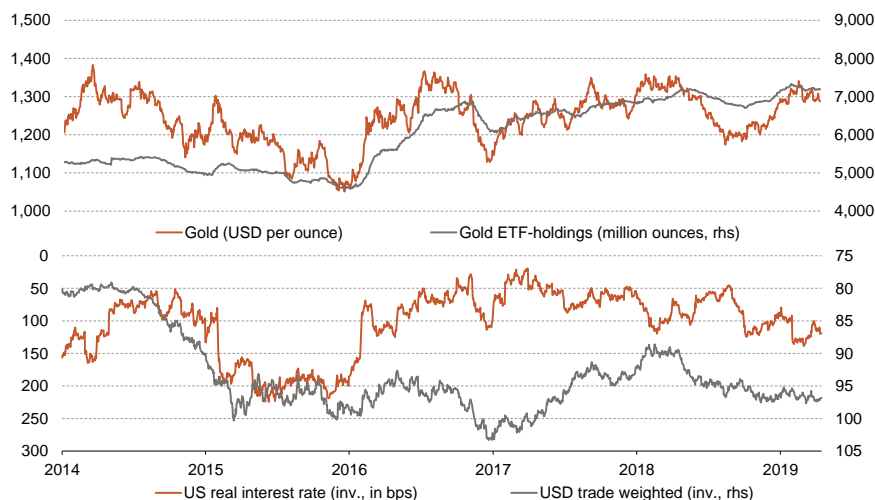
Crude Oil



- Brent crude has risen above USD 70 per barrel, despite a slight increase in US inventories and record highs in US production.
- OPEC+ and Saudi Arabia in particular have cut oil production more sharply than expected. At the same time, Venezuela and Iran are experiencing production failures due to US sanctions. In Libya and Algeria, production has fallen due to the political unrests. Hence, the oil supply is scarce and driving up the price.

Higher oil production and higher inventories tend to depress oil prices and vice versa. An increase in active oil rigs indicates a future increase in oil production.  
Source: Bloomberg, Time period: 01/01/2014 - 12/04/2019

Gold



- The gold price is trading around 1,300 US dollar per ounce.
- This is a solid development considering the strong US dollar, the current risk-on sentiment and lower inflation.
- In the medium term, gold should benefit from the expected end of the US dollar strength, higher investor positioning and possible ETF inflows.

The US dollar and the real interest rate, i.e. adjusted for inflation, are among the fundamental price factors of the gold price. Rising real interest rates tend to depress the price of gold, while falling real interest rates have a supportive effect. The same applies to the US dollar. The development of gold ETF holdings reflects the demand for gold from financial investors.  
Source: Bloomberg, Time period: 01/01/2014 - 12/04/2019

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