

Current market commentary

Recently, the risk-on mood has continued, the S&P 500 has reached an all-time high, while gold has fallen as a safe haven. Oil rose markedly, driven by hopes of further production cuts from OPEC. Investor positioning is no longer as pessimistic as it was in September or October, but not yet euphoric. Investors shifted funds from US to European equities in particular. A warning signal, however, is the pronounced VIX net short positioning of speculators. If the volatility rises contrary to expectations, these investors would be forced to close their shorts, which would further increase the volatility. Our baseline scenario, however, is that the phase one trade deal between the US and China will be finalised and uncertainty surrounding Brexit will continue to decline. Stocks should therefore continue to rise until the end of the year, which would also fit in well with the usual seasonality. We remain quietly optimistic, especially because Donald Trump is always full of surprises.

Short-term outlook

In the eurozone, the positive momentum of economic surprises has continued. Our economists expect the economy to recover from 2020 onwards. The recent rise in industrial purchasing managers' indices also supports this view. It is particularly encouraging that the new orders component in the global Purchasing Managers' Index has recently developed positively as a leading indicator.

This week, leading economic indicators such as the Philadelphia Fed Index (21.11.), the Purchasing Managers' Index for Germany, France and the Eurozone (22.11.), but also consumer confidence in the US (22.11.) will provide further insight into the question of whether industrial production will stabilise before private consumption is to be hit harder. The ifo business climate index and consumer confidence for Germany will be published between 25 November and 29 November.

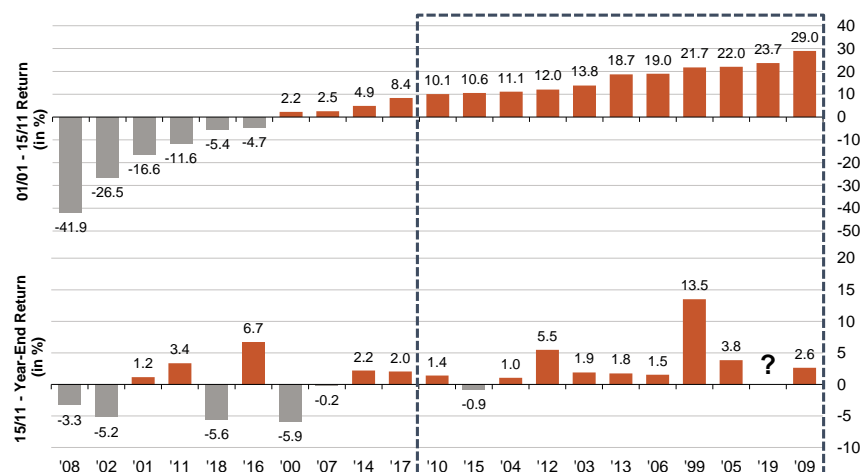
The bi-weekly *Monitor* gives you a structured overview of the current capital market environment and highlights important developments:

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

Improved economic data and decreasing political uncertainties are leading to increasing optimism.

Purchasing managers' indices in November will provide information on further economic development.

Good prospects for the stock rally to continue until the end of the year



- With the strong performance of stocks since the beginning of the year, there are good opportunities for a positive year-end.
- Over the past 20 years, the Stoxx 600 has made further gains in 9 out of 10 cases where the first 10.5 months of the year made a return of over 9%. The same applies to the last 50 years in US.
- This year, however, developments in the trade war and in the Brexit question will be significant for the direction.

Return of the Stoxx Europe 600, sorted according to the development from the beginning of the year to 15.11 of a calendar year.

Source: Bloomberg, Period: 31.12.1998 - 15.11.2019



Multi Asset

	4-week & YTD		12-month periods over that last 5 years				
	4W (18/10/19 - 15/11/19)	YTD (31/12/18 - 15/11/19)	15/11/18	15/11/17	15/11/16	15/11/15	14/11/14
Brent	8.2	31.1	4.2	20.0	11.5	-12.0	-44.1
MSCI World	5.1	27.8	17.6	6.5	10.1	4.9	14.5
MSCI Emerging Markets	3.4	15.1	12.3	-5.7	22.8	4.8	-1.0
Global Convertibles	2.8	17.3	12.7	4.4	6.5	4.1	14.5
MSCI Frontier Markets	2.1	16.6	12.8	-5.7	14.2	-2.9	-1.1
USDEUR	1.1	3.7	2.5	4.1	-9.1	0.5	16.3
Global Corporates	0.7	13.2	13.4	1.0	-2.5	3.9	12.0
Global Treasuries	0.0	8.7	10.8	1.9	-6.1	5.5	11.1
Eonia	0.0	-0.3	-0.4	-0.4	-0.4	-0.3	-0.1
Gold	-0.4	18.8	24.0	-1.2	-5.4	13.9	6.0
Industrial Metals	-0.9	9.9	3.7	-5.6	6.7	21.2	-19.2
REITs	-2.0	26.6	19.0	1.2	1.3	1.3	13.1

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.

- The risk-on environment has continued recently. The S&P 500, for example, climbed to an all-time high last week.
- Over the last four weeks, Brent oil (+8.2%) performed best, followed by equities and convertible bonds.
- Safe havens such as gold and government bonds underperformed, as did REITs, which suffered from rising bond yields.

Total return of selected asset classes, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 14/11/2014 - 15/11/2019

Equities

	4-week & YTD		12-month periods over that last 5 years				
	4W (18/10/19 - 15/11/19)	YTD (31/12/18 - 15/11/19)	15/11/18	15/11/17	15/11/16	15/11/15	14/11/14
MSCI EM Eastern Europe	6.3	32.4	27.9	7.2	17.3	12.6	-5.2
S&P 500	5.7	31.3	19.4	13.2	9.2	10.1	18.1
Topix	5.2	22.1	13.3	-0.2	11.1	2.1	27.4
Russell 2000	5.1	24.1	8.8	9.9	3.7	15.2	15.5
DAX	4.8	25.4	16.6	-12.5	20.9	0.2	15.7
Stoxx Europe Cyclical	4.8	23.9	15.3	-8.1	19.1	-2.2	9.6
Stoxx Europe Small 200	4.2	24.2	17.0	-3.4	20.2	-4.2	18.9
Stoxx Europe 50	3.9	24.8	17.9	-3.3	14.2	-7.5	9.5
MSCI EM Asia	3.8	15.9	12.7	-7.9	27.5	3.7	6.1
Euro Stoxx 50	3.8	26.9	19.6	-7.6	19.2	-6.5	12.6
Stoxx Europe Defensives	3.1	19.7	15.5	4.2	11.3	-10.1	11.1
MSCI UK	3.1	17.9	11.3	1.0	8.6	-5.8	6.7

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.

- All equity regions have recently gained ground. Cyclical equities tended to outperform defensive equities. Hopes of a rapprochement in the trade dispute between the US and China were the main drivers, along with a better than feared reporting season.
- Eastern European equities made the strongest gains, supported by rising oil prices.

Total return of selected equity indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 14/11/2014 - 15/11/2019

Fixed Income

	4-week & YTD		12-month periods over that last 5 years				
	4W (18/10/19 - 15/11/19)	YTD (31/12/18 - 15/11/19)	15/11/18	15/11/17	15/11/16	15/11/15	14/11/14
USD High Yield	1.2	16.3	12.8	6.0	-1.9	9.0	12.1
USD Corporates	1.1	16.8	17.3	1.3	-4.3	5.1	17.2
EM Local Currency Bonds	1.0	10.5	12.1	2.2	0.1	4.8	2.5
Treasuries	0.4	10.6	12.5	2.3	-7.5	1.8	18.0
EUR High Yield	0.3	7.8	5.9	-1.4	6.3	3.8	2.0
Gilts	0.2	13.4	13.6	1.3	-1.3	-10.9	18.0
EUR Non-Financials	0.1	6.6	6.4	-1.2	2.5	4.6	-0.4
EUR Financials	-0.1	6.1	5.7	-1.2	3.8	3.2	0.8
Bunds	-0.3	4.3	5.2	1.1	-0.5	3.1	2.6
EM Hard Currency Bonds	-0.5	7.5	8.4	-5.9	6.5	5.7	0.6
EUR Inflation Linkers	-0.6	6.8	7.2	-1.7	3.7	0.5	1.7
BTPs	-1.9	11.1	16.8	-7.2	3.2	-0.3	7.6

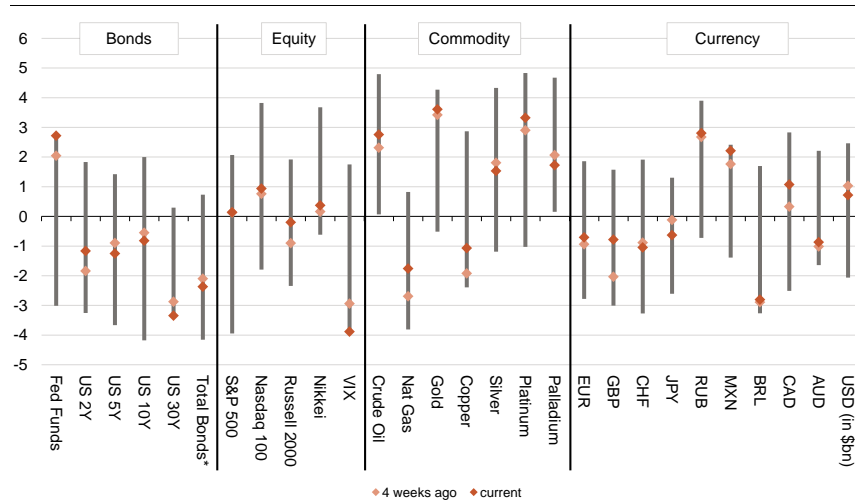
Bunds: Barclays Germany Govt All Bonds TR; BTPs: Barclays Italy Govt All Bonds TR; Treasuries: Barclays US Treasury TR; Gilts: Barcl. UK Govt All Bonds TR; EUR Inflation Linkers: Barcl. Euro Govt Inflation-Linked Bond All Maturities TR; EUR Financials: iBOXX Euro Fin. Overall TR; EUR Non-Financials: iBOXX Euro Non-Fin. Overall TR; EUR High Yield: Market 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.

- The development of various bond markets over the last four weeks has been mixed. Italian government bonds suffered from rising yields and spreads - the disappointing results of regional elections for the governing coalition weighed on investor sentiment.
- High yield bonds, on the other hand gained in the USA and Europe - boosted by a general risk-on sentiment.

Total return of selected fixed income indices, in euros and in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 14/11/2014 - 15/11/2019



Non-Commercial Positioning

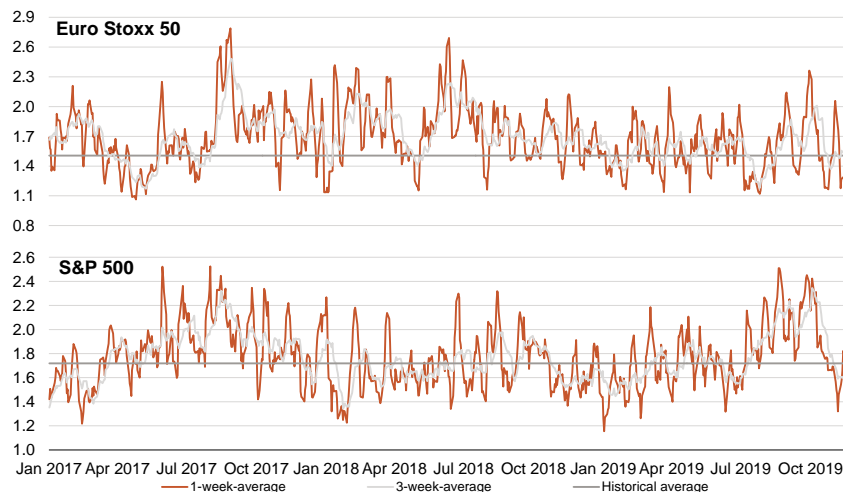


- Speculative investors remain moderately invested in equities. However, they have recently significantly expanded their net short position in VIX futures. Should the volatility rise contrary to expectations, hedge funds would be forced to reduce their shorts, which would further increase the volatility.

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: 12/11/2009 - 12/11/2019

Put-Call Ratio



- While the put-call ratio for eurozone equities is historically low and signals that there is hardly any need for hedging of investors, the ratio for US equities is in-line with its historic average.

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 - 15/11/2019

ETF Flows



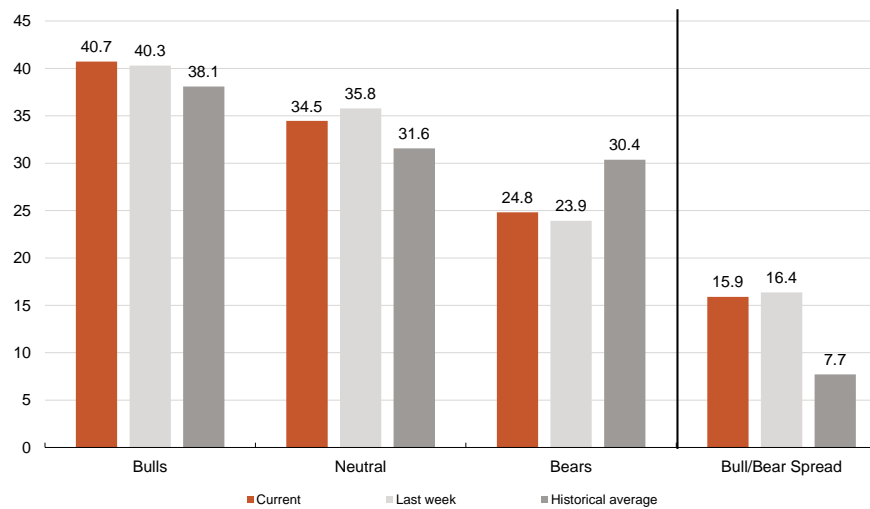
- European equities have recently seen the strongest ETF inflows (as a percentage of assets under management). This has not been the case for months.
- The avoidance of a hard break at the end of October and more conciliatory tones in the trade dispute between the USA and China have brightened investor sentiment. As a region with a particularly large number of cyclical companies, Europe is benefiting in particular from this.

Estimated ETF flows in percent of assets under management, sorted by 2-week average.

Source: Bloomberg, Time period: 31/12/2018 - 15/11/2019



AAII Sentiment Survey (Bulls vs Bears)

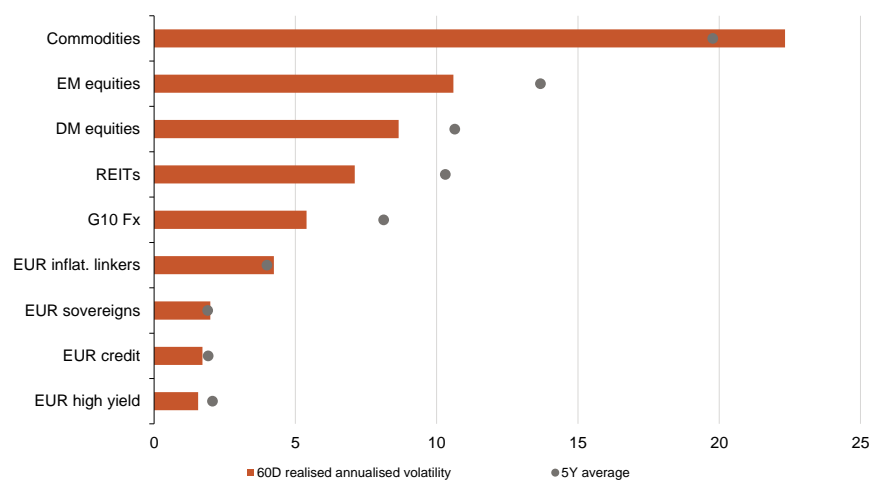


- Seemingly fading political risks and the bottoming out of some economic indicators recently made US private investors very optimistic. The Bull-Bear spread is well above the historical average.
- The positive sentiment boosted US equity markets, allowing them to climb to new all-time highs.

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 - 14/11/19

Realised Volatilities

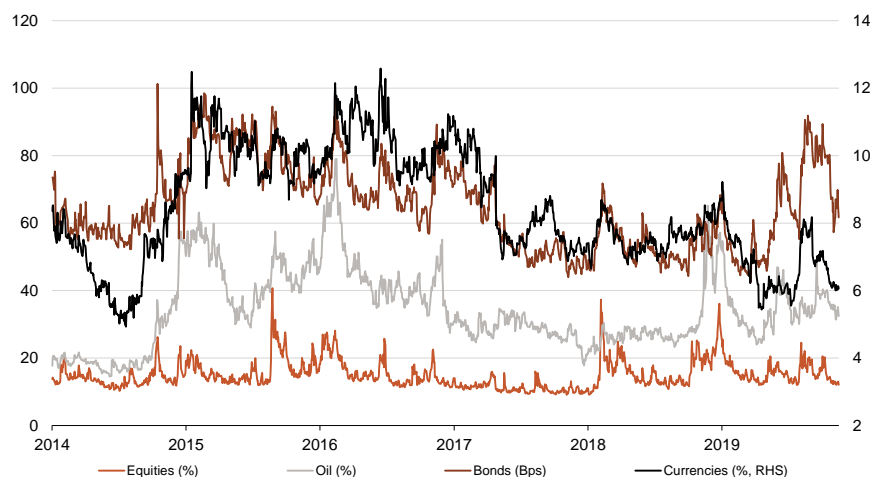


- The realized 60-day volatility of developed market equities has recently declined and is now again below its 5-year average. Emerging market equities, on the other hand, were more volatile again.
- Bonds are now exhibiting slightly less volatility than two weeks ago.
- Commodities remain by far the most volatile asset class.

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: 23/07/2014 - 15/11/2019

Implied Volatilities



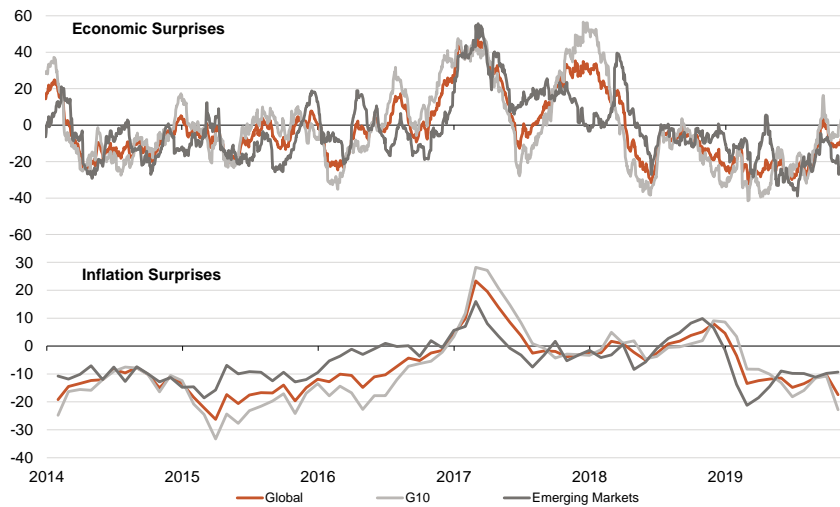
- The rise in government bond yields - due to the strong risk on movement - was accompanied by an increase in implied volatility compared to two weeks ago.
- In contrast, implied volatility on stock markets and oil has continued to fall.

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: 01/01/2014 - 15/11/2019



Global

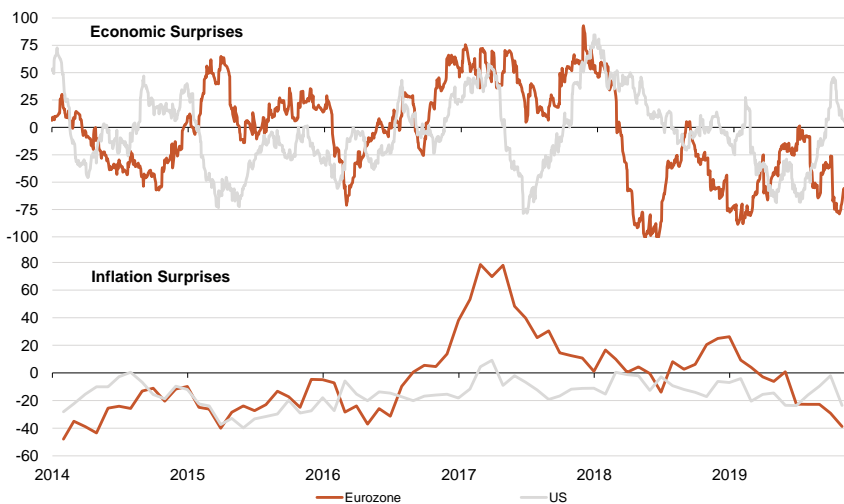


- Economic data in the industrialized countries have surprised on average to the downside in the last three months. The emerging markets also surprised negatively on average. In China, industrial production and retail sales were disappointing in October. However, real estate investment rose by over 10% year-on-year.
- Inflation recently took all three regions by surprise.

See explanations below.

Source: Bloomberg, Time period: 01/01/2014 - 15/11/2019

Eurozone and US

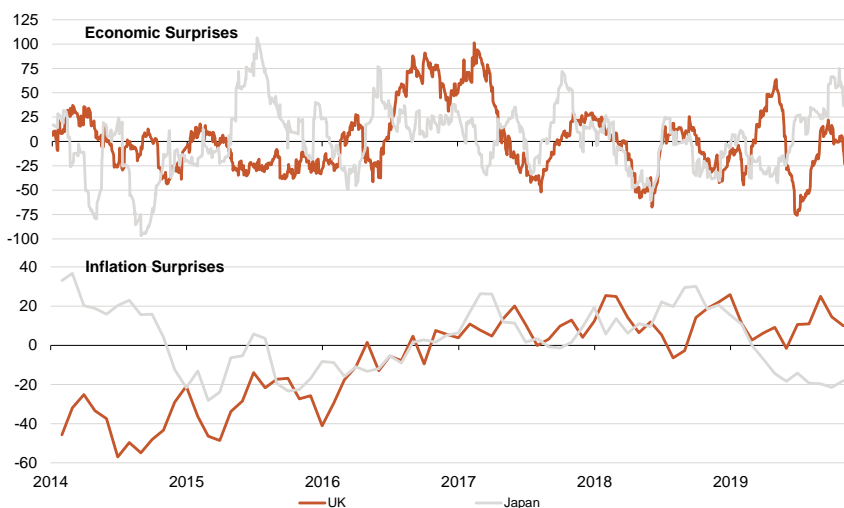


- The positive momentum of economic surprises in the eurozone has continued recently. In Germany, the ZEW indicator for business expectations and Q3 economic growth (0.1% QoQ) surprised to the upside. A technical recession could thus be avoided.
- The USA remains in positive territory with regard to economic surprises. The Empire Manufacturing business indicator and industrial production from October have surprised to the downside.

See explanations below.

Source: Bloomberg, Time period: 01/01/2014 - 15/11/2019

UK and Japan



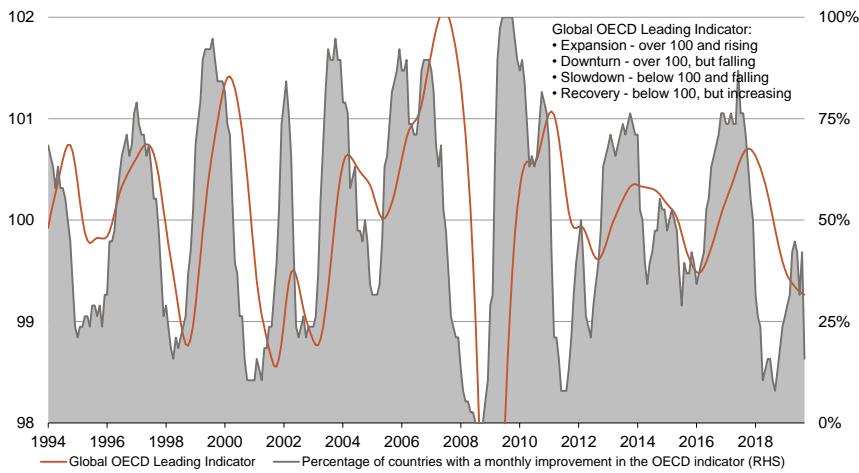
- In the UK, preliminary Q3 economic growth (0.3% QoQ) and industrial production in September surprised negatively.
- The situation in Japan is similar. Preliminary Q3 economic growth (0.1% QoQ) and industrial production in September have disappointed.

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 - 15/11/2019



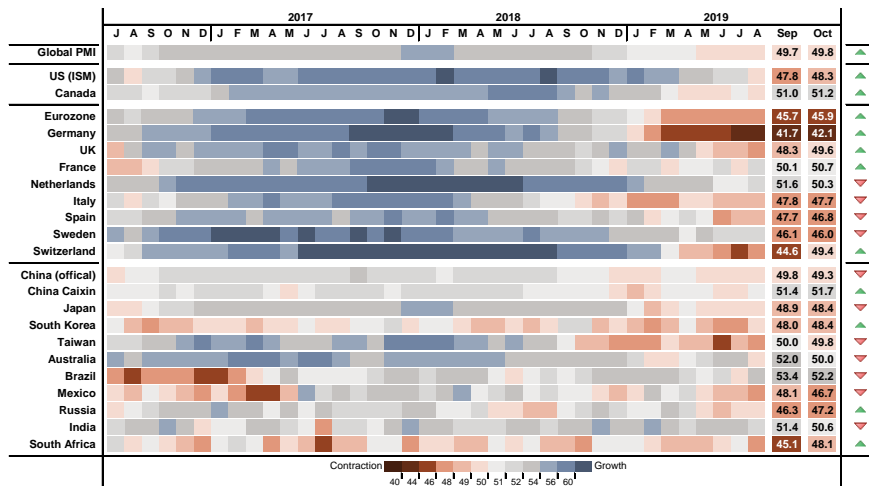
OECD Leading Indicator



- OCED leading indicators from September continue to show a gloomy economic picture. The proportion of countries with a monthly improvement has fallen to below 20%. According to OCED data, a transition from the economic slowdown to the recovery could still take some time.

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: 31/01/1994 - 30/09/2019

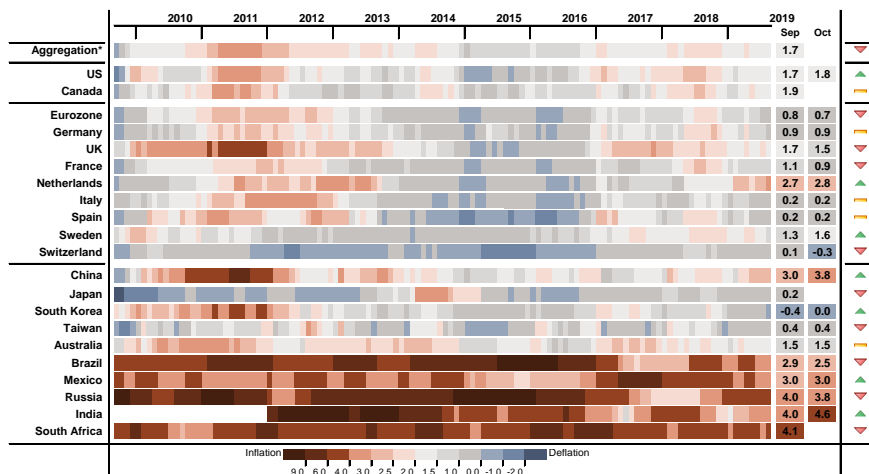
Manufacturing Purchasing Managers Index (Manufacturing PMI)



- The global purchasing managers' index rose for the third time in a row in October and is approaching the important growth threshold of 50 points. The New Orders component has risen to its highest level since April. A stabilisation of the global industry thus appears to be on the horizon.

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: 31/08/2016 - 31/10/2019

Headline Inflation

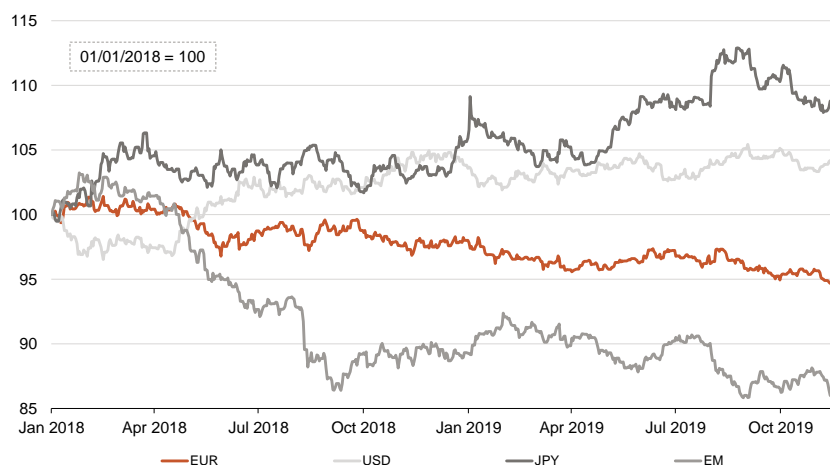


- Inflation in the US rose to 1.8% in October. The main driver of rising inflation was higher energy prices.
- China also recorded higher inflation of 3.8% in October. The main reason for this was rising food prices.
- In Great Britain, inflation reached a new 3-year low of 1.5% in October.

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: 31/10/2008 - 31/12/2019



Trade-Weighted Currency Development

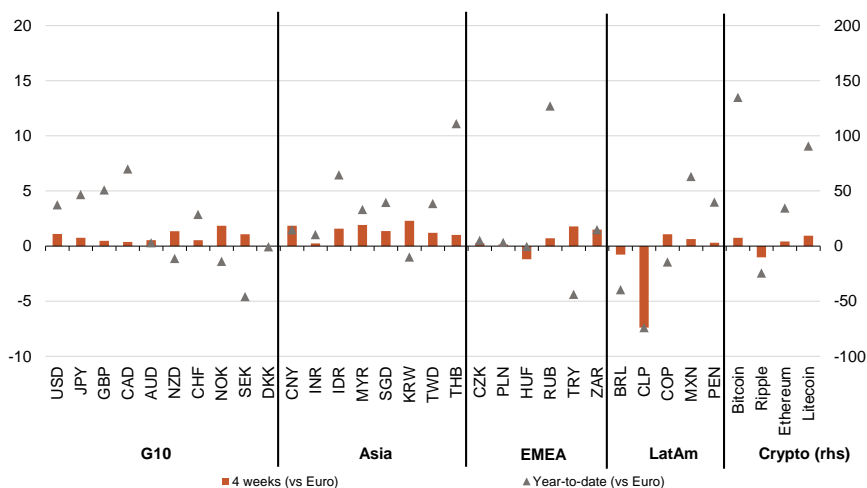


- The US dollar has become more attractive in recent weeks thanks to rising yields of US Treasuries and was able to gain on a trade-weighted basis. The big losers from this move were emerging market currencies, but the euro also weakened slightly.
- Despite the current risk-on attitude in equity markets, the Japanese yen continued to be in demand as a safe haven and remained stable.

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 - 15/11/2019

Currency Moves vs Euro

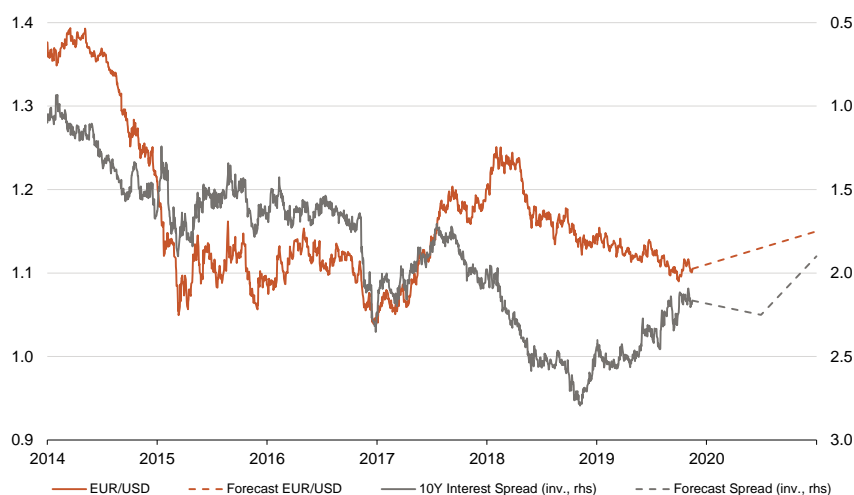


- Over the past four weeks, the euro has been losing against all other G10 currencies. It also failed to hold its ground against most emerging market currencies. In particular, the ECB's expansive monetary policy weighed on the euro.
- The Chilean peso fell sharply by over 7% as a result of the ongoing mass demonstrations in Chile.

Performance of selected currencies against the euro, in percent.

Source: Bloomberg, Time period: 31/12/2018 - 15/11/2019

EUR/USD exchange rate and interest rate differential



- Following the upward momentum in recent weeks, the euro has again lost some ground and is currently trading at around 1.11 US dollars per euro.
- Similarly, US Treasuries have recently widened their spreads relative to German Bunds. The current interest rate differential is at 2.2%.
- In contrast, our economists see both a narrowing of spreads and a stronger euro by the end of 2020.

EUR/USD exchange rate and interest rate differential (in percentage points) of 10-year US Treasuries and 10-year Bunds.

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 (18/10/19 - 15/11/19)	YTD (31/12/18 - 15/11/19)	15/11/18	15/11/17	15/11/16	15/11/15	14/11/14
			15/11/19	15/11/18	15/11/17	15/11/16	15/11/15
Industrials	8.1	33.4	25.8	-6.7	20.9	3.7	12.5
Energy	6.0	11.2	3.4	10.9	16.5	9.3	-9.3
Materials	6.0	22.8	13.9	-2.8	19.6	15.2	-3.1
Information Technology	5.1	34.4	26.0	-1.8	32.9	-2.9	23.1
Health Care	4.9	26.3	20.9	5.8	4.9	-11.7	14.3
Growth	4.5	29.3	22.2	-2.3	16.3	-7.6	19.2
Consumer Discretionary	4.2	29.8	21.4	-5.7	15.2	-7.9	20.4
Value	2.8	16.9	9.8	-4.1	14.7	-2.5	4.1
Finance	2.0	18.0	9.0	-11.1	16.9	-7.4	10.3
Consumer Staples	1.0	23.0	16.6	-1.8	12.2	-6.0	23.0
Utilities	-0.5	23.6	24.0	-0.3	20.6	-12.0	2.6
Telecommunications	-2.4	5.5	5.2	-7.4	7.0	-21.6	18.7

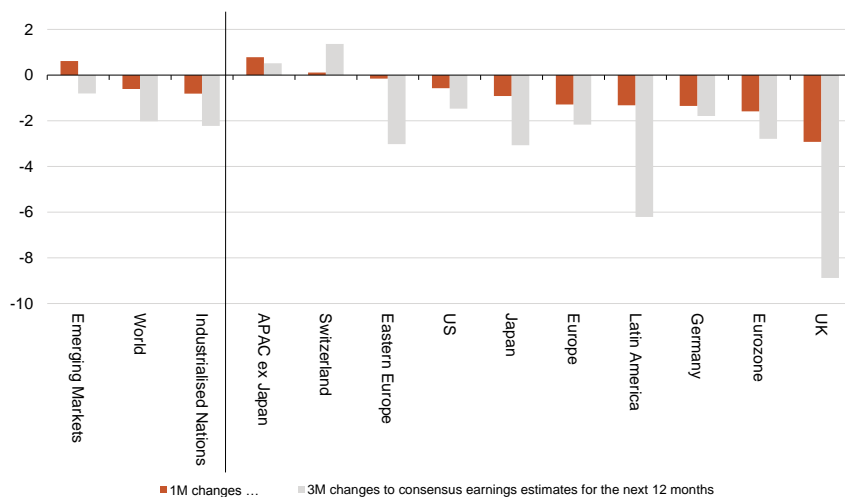
Consumer Discretionary: MSCI Europe Consumer Discretionary NR; Consumer Staples: MSCI Europe Cons. Staples NR; Energy: MSCI Europe Energy NR; Finance: MSCI Europe Financials NR; Health Care: MSCI Europe Health Care NR; Industrials: MSCI Europe Industrials NR; Information Tech.: MSCI Europe Inform. Tech.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

- Within European equity sectors, cyclical saw the strongest gains, above all in the industrial sector – supported by a cautious investor positioning, relatively favourable valuations, a rapprochement in the trade dispute and some encouraging economic data.
- The telecommunications sector, on the other hand, lost value.

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: 14/11/2014 - 15/11/2019

Changes in Consensus Earnings Estimates



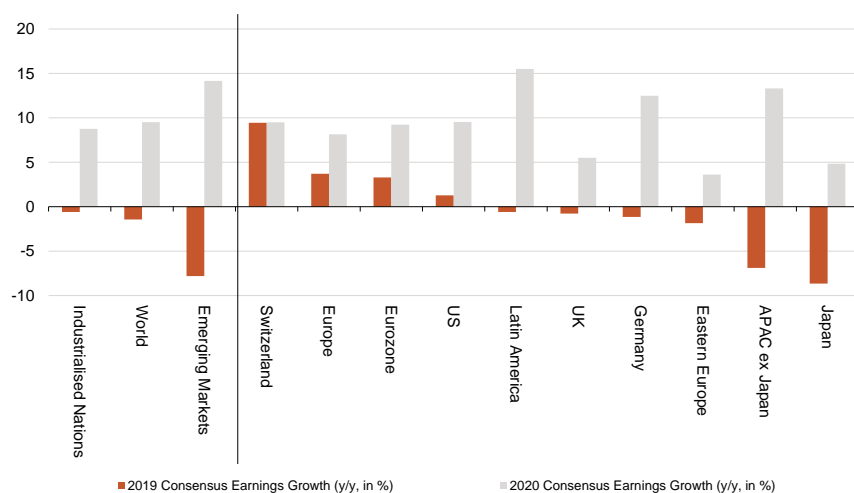
- After earnings estimates had stabilised in some regions just a few weeks ago, little of this can be seen with the exception of Asia and Switzerland.
- Analysts have lowered their expectations especially for the UK and Latin America, but also for the US and Germany.

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 15/11/2019

Earnings Growth



- For developed markets equities, the expected earnings growth for 2020 has meanwhile fallen below 10 percent, which we still consider to be too high. In particular, this is due to the fact that sales growth is likely to be in the mid single-digit range and we do not anticipate any material increase in profit margins.

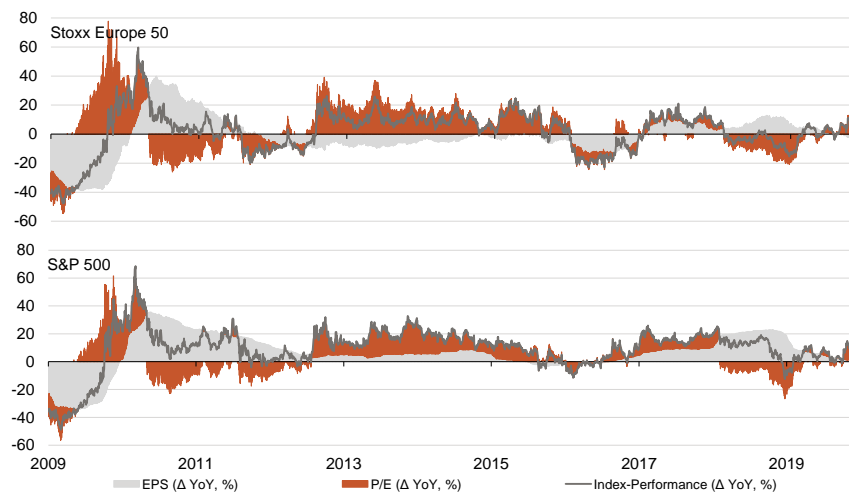
Calendar year earnings growth expected to the consensus for selected equity regions, compared to the previous year and in percent. The earnings estimates of the individual companies are aggregated using the index weights (bottom-up).

APAC ex Japan = Asia Pacific ex Japan

Source: FactSet, as of 15/11/2019



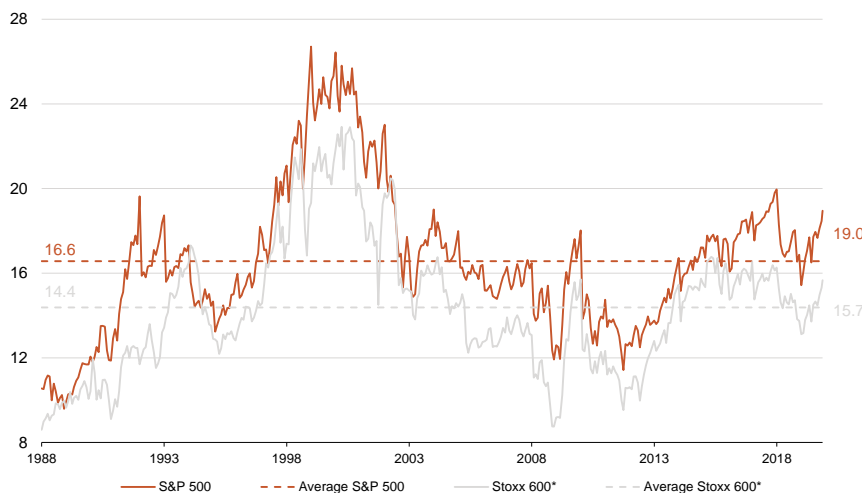
Contribution Analysis



- While earnings estimates have more or less stagnated over the past year, valuations have shot up. At the end of 2018, stock markets had still priced in a sharp economic downturn, while an economic recovery is now expected.
- In order for the markets not to fall, the hard economic data must now prove that this hope is justified.

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: 01/01/2009 - 15/11/2019

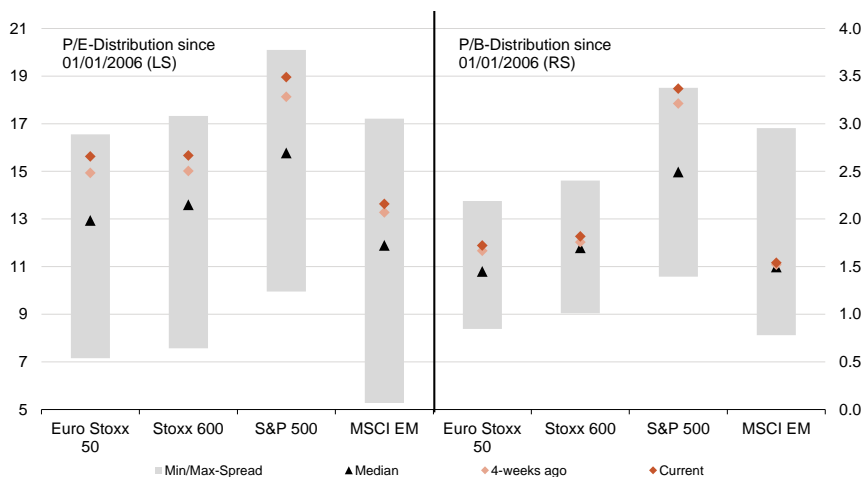
Price-Earnings Ratio (P/E Ratio) of European and US Equities



- Earnings estimates have fallen recently, while equity markets have risen sharply. The S&P 500 even climbed to an all-time high.
- Accordingly, valuations have recently risen sharply. US equities are now noticeably more expensive than the average over the past 30 years. Compared with other asset classes such as bonds, however, they are still attractive.

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 - 15/11/2019

Historical Distribution: Price/Earnings and Price/Book Ratio

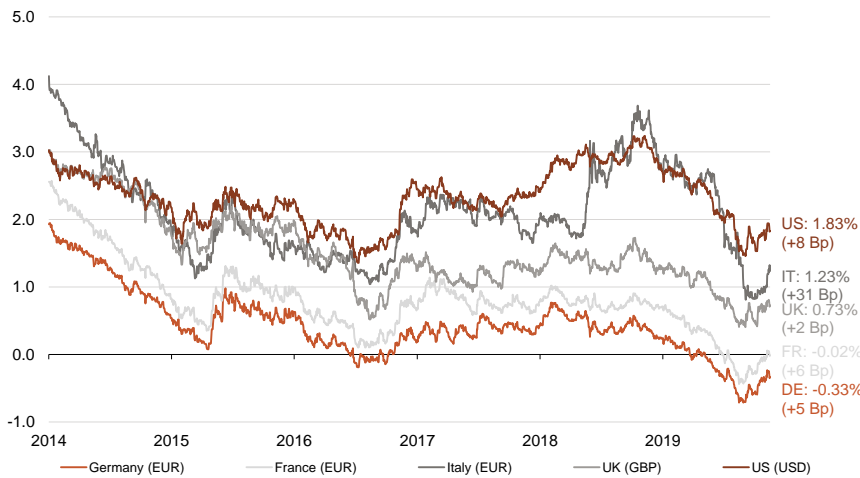


- Stock markets across all regions are valued dearly in relation to their own history - especially the USA, which has now reached a new high on a P/B basis since 2006.
- Relative to all other equity regions, emerging market equities have the lowest valuation.

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 - 15/11/2019



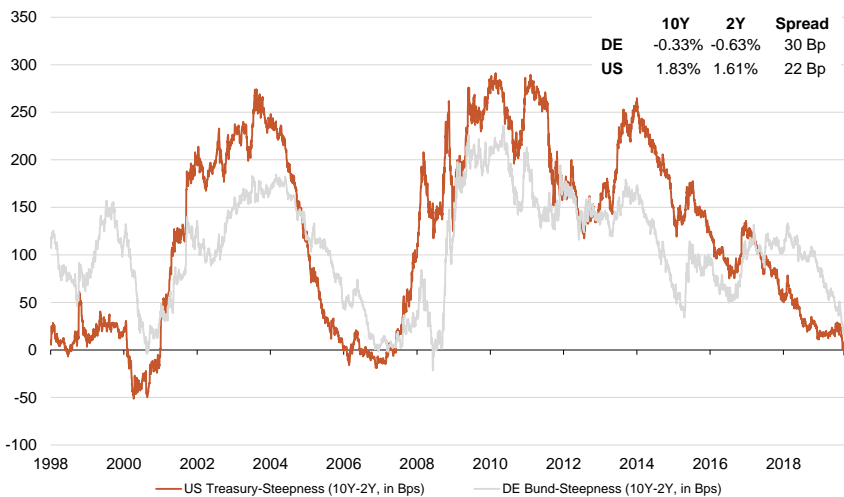
10-Year Government Bond Yields



- The consolidation of yields on safe government bonds continues. The negative yield on German 10-year government bonds has almost halved to around -0.3% in a month-on-month comparison.
- The yield on 10-year US government bonds approached the 2% mark in November. The more conciliatory stance in the trade dispute and the hawkish Fed led to rising yields.

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 - 15/11/2019

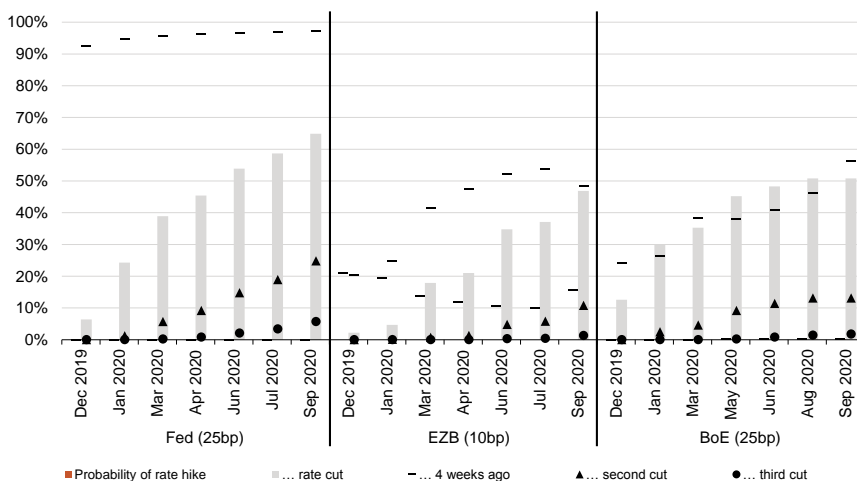
Yield curve steepness (10Y - 2Y)



- The steepness of the German and above all the US yield curve has visibly increased in the last two weeks. According to this indicator, market participants' fears of a recession have thus declined significantly.

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 - 15/11/2019

Implicit Probabilities for Changes in Key Interest Rates

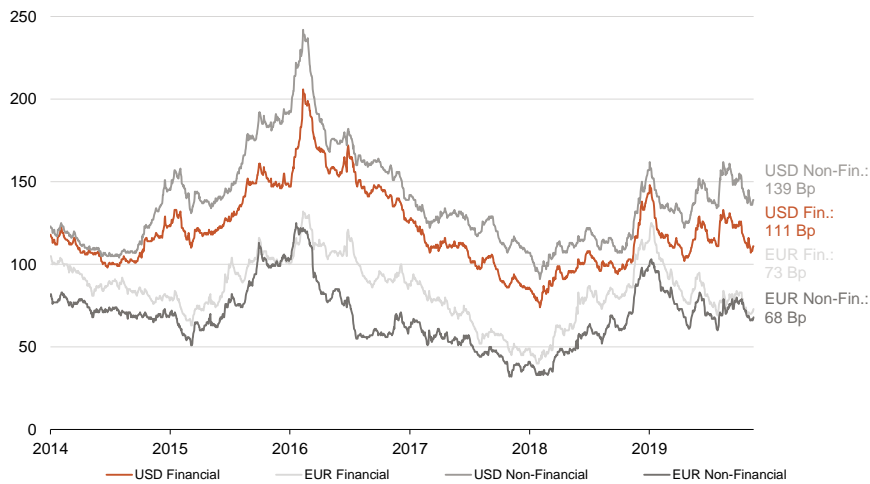


- After the Fed interest rate cut in October, the market does not expect any further rate cuts for the rest of 2019. And the probability of an interest rate cut by the Fed in 2020 has also decreased significantly.
- The same applies to an interest rate cut by the ECB or the BoE. Therefore, no further central bank impulses are expected in 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: 18/10/2019 - 15/11/2019



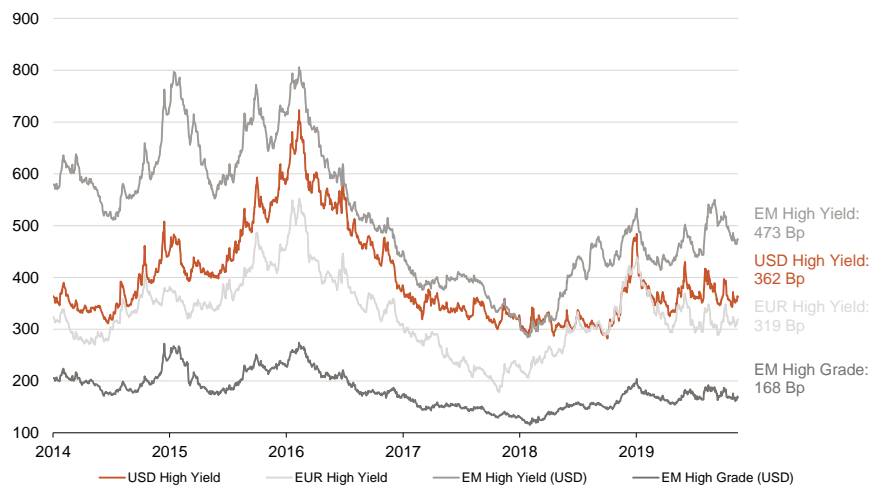
Credit Spreads Financial and Non-Financial Bonds



- Spreads on corporate bonds have fallen over the month, despite record-breaking new issues. In particular, cyclical sectors such as the transport industry for EUR bonds or the basic material industry for USD bonds saw the greatest spread narrowing.
- Compared to two weeks ago, USD corporate bonds saw greater spread tightening than EUR corporate bonds.

Explanations see middle and bottom illustration.
Source: FactSet, Time period: 01/01/2014 - 15/11/2019

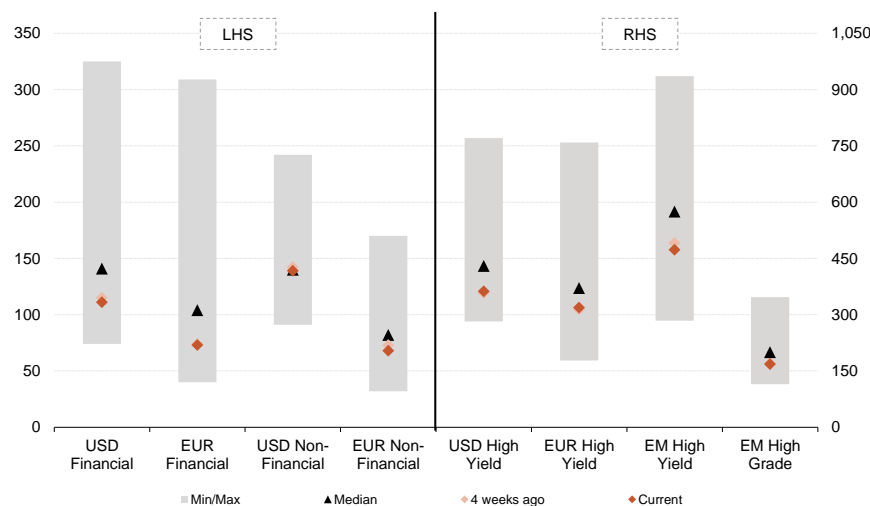
Credit Spreads High Yield and Emerging Markets Bonds



- In the case of high-yield bonds, emerging market bonds in particular saw a spread narrowing in a two-week comparison. The spreads narrowed by seven basis points.
- In the case of USD and EUR high yield bonds, both sides saw a spread tightening by three basis points.

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 - 15/11/2019

Historical Distribution of Credit Spreads (in bp)

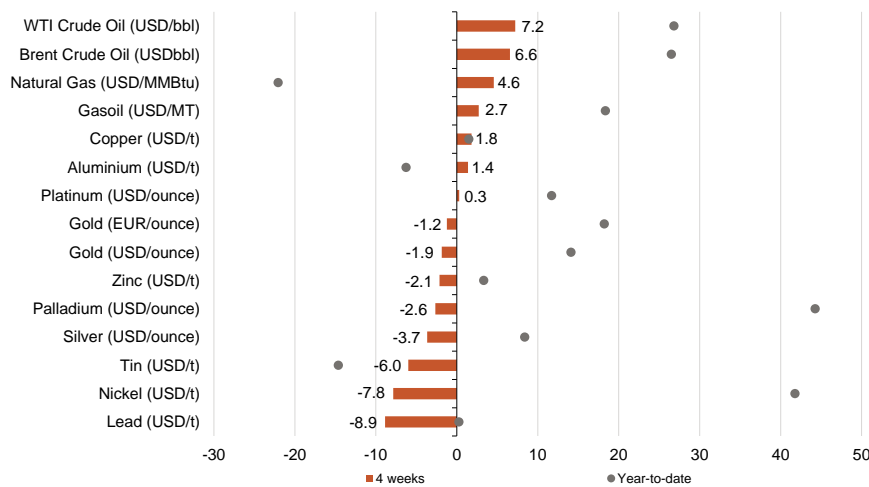


- Spreads on corporate bonds are close to or below the historical 10-year median in all segments. Thus, corporate bonds are historically rather expensive. Only USD non-financial bonds trade at a historically fair level.

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: 15/11/2009 - 15/11/2019



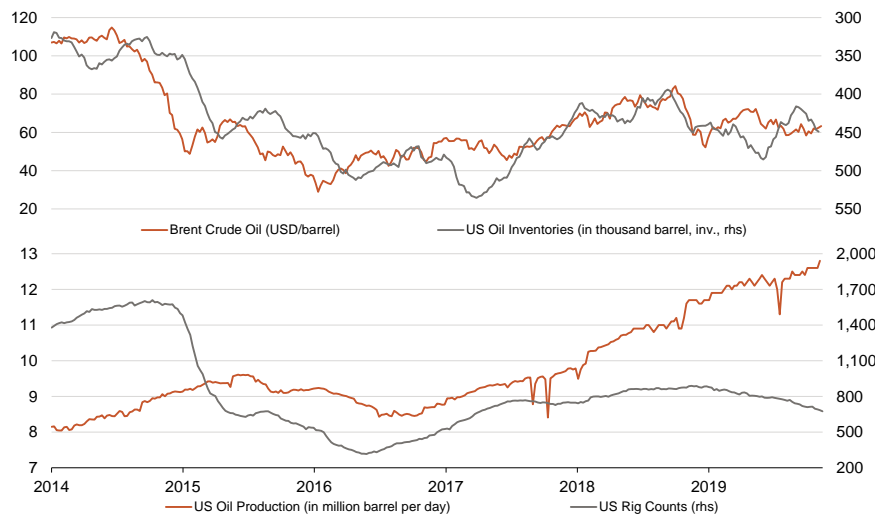
Commodities Performance



- Energy commodities have exhibited the strongest performance in the last four weeks and show a positive return across the board.
- Precious metals have seen slight losses in recent weeks as market participants have become more willing to take risks.
- Industrial metals have not yet been able to participate in the strong performance of cyclical stocks. There is still catch-up potential here if the economic outlook brightens.

Total return of selected commodity prices, in percent, sorted by 4-week performance.
Source: Bloomberg, Time period: 01/01/2019 - 15/11/2019

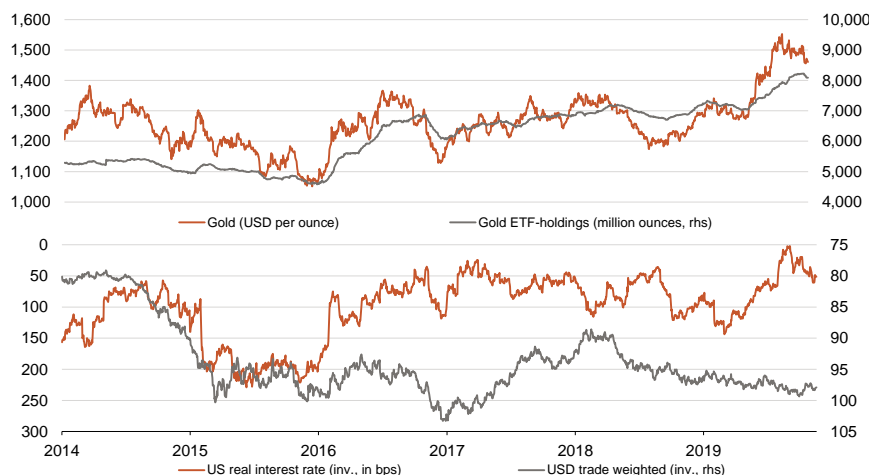
Crude Oil



- Crude oil has performed well in recent weeks thanks to optimism regarding the trade dispute and speculation about further cuts by OPEC.
- Saudi Aramco's upcoming IPO on 11th December should support the oil price until the end of the year.
- US oil production has recently picked up again slightly despite the continued decline in the rig count. In the medium term, the market is threatened by over-supply.

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 - 15/11/2019

Gold



- Over the past two weeks, the price of gold has temporarily fallen to USD 1,450 an ounce - a new 3-month low. The reasons for the price drop were rising yields of government bonds and a strengthening US dollar.
- In addition, the first signs of profit-taking are emerging among ETF investors, which puts additional pressure on the price.

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 - 15/11/2019

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Date: 18 November 2019

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