Breaking new ground

LBBW

Capital Markets Compass June

War and peace -
Hope and fear

2 June 2026 Macro | Rates | Credits | Equities

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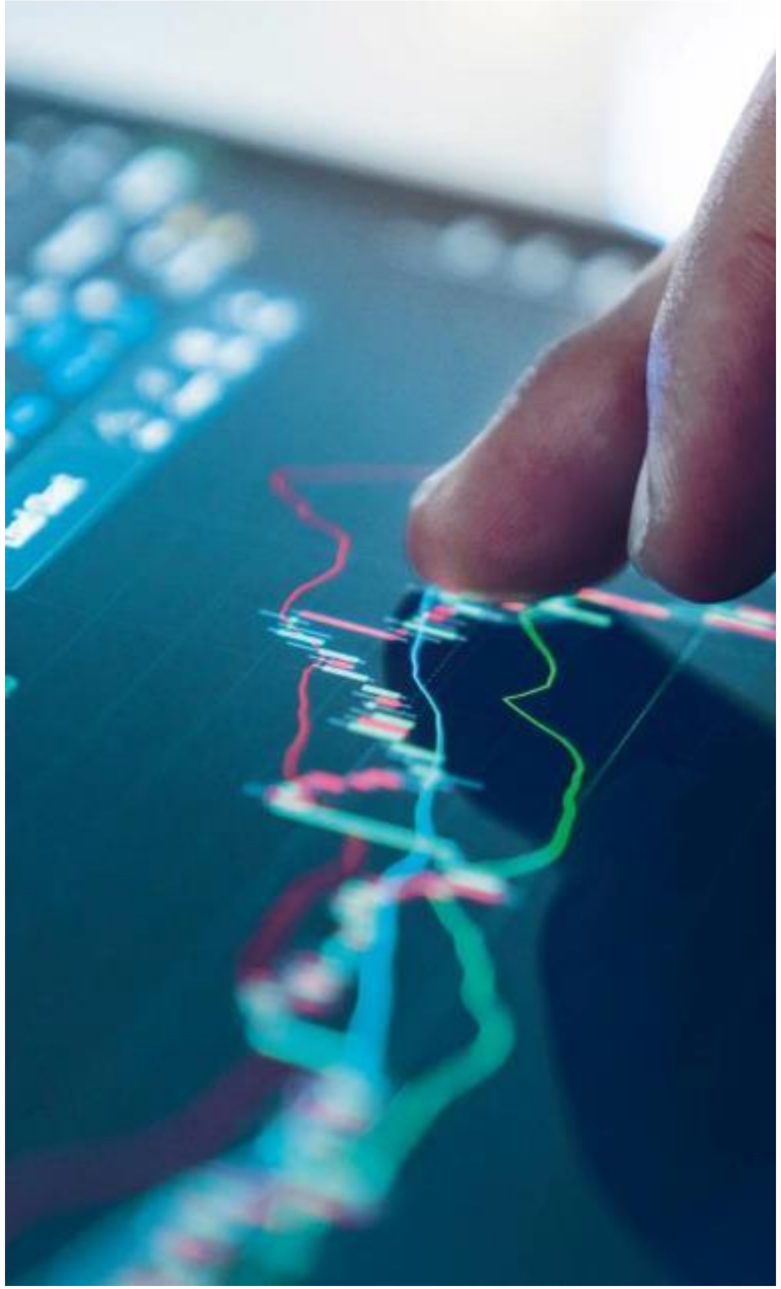

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Foreword and introduction

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"The ECB must focus solely on price stability."

The "beast" inflation is back. The majority of indicators suggest price pressure, which is unlikely to reverse immediately even after the opening of the Strait of Hormuz, which is written in the stars. At the same time, the economy is being hit hard. The bad word "stagflation" is doing the rounds. Based on the experience of 2022/23, we do not expect the ECB to let inflation run its course with regard to the real economy. Unlike the Fed, it does not have a "dual mandate". Speaking of the Fed: When Kevin Warsh takes office, the financial markets will have to adjust to a new form of communication. Even if we do not see Warsh as a puppet of the US president, the markets could initially be in for some turbulent times.

The most important dates in June

CW23							CW24							CW25							CW26							CW27	
Mon 1	Tue 2	Wed 3	Thu 4	Fri 5	Sat 6	Sun 7	Mon 8	Tue 9	Wed 10	Thu 11	Fri 12	Sat 13	Sun 14	Mon 15	Tue 16	Wed 17	Thu 18	Fri 19	Sat 20	Sun 21	Mon 22	Tue 23	Wed 24	Thu 25	Fri 26	Sat 27	Sun 28	Mon 29	Tue 30

- 2.6. Inflation Euro area May
- 5.6. US Payrolls May
- 10.6. US Inflation May
- **11.6.** ECB rate decision (incl. new staff projections)
- 11.6. Ecofin Meeting
- 11.6. FIFA Football World Chapionship in USA, Canada and Mexiko begins
- 15./16.6. G7 summit in France
- **17.6.** Fed rate decision (incl. new "dot plot")
- 18./19.6. EU summit of Heads of states and governments
- 24.6. ifo business climate June
- ECB syposium in Sintra (till July 1) **29.6.**
- Inflation Germany June 30.6.

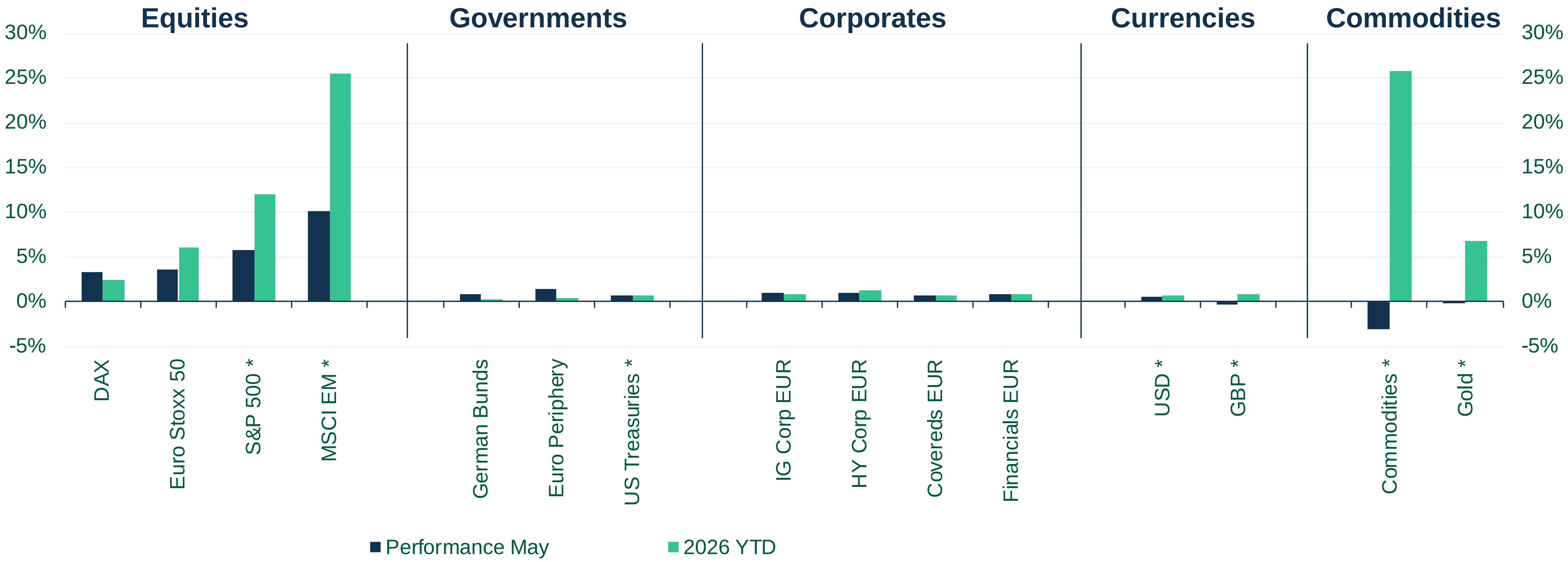
- Fed: The rate pause is also likely to remain in place at the first meeting chaired by Kevin Warsh.
- ECB: The new inflation projections are likely to provide the basis for the first key interest rate hike since fall 2023.
- G7: Can the rift between US President Trump and the other G7 heads of government be patched up, or is a new scandal looming?
- The "mega World Cup" in North America is the biggest sporting event of the year.

Sources: Bloomberg, LBBW Research

Stocks rose in May

Selected assets

Total return in percent



Source: LSEG, LBBW Research

LBBW forecasts

(changes since the Capital Markets Compass update in May)

Economy

		2024	2025	2026e	2027e
Germany	GDP	-0.5	0.4	0.3 –	0.8 –
	Inflation	2.3	2.2	3.0 +	2.5 +
Euro Area	GDP	0.9	1.5	0.8 –	1.0 –
	Inflation	2.4	2.1	3.0 +	2.5 +
USA	GDP	2.8	2.1	2.2	1.6
	Inflation	3.0	2.7	3.8 +	2.2 +
China	GDP	5.0	3.7	3.5	3.2
	Inflation	0.2	0.0	1.2 +	1.5
World	GDP	3.2	3.3	2.7	2.8
	Inflation	3.5	3.4	3.8 +	3.0 +

Equity Markets

	Spot	09/30/26	12/31/26	06/30/27
DAX	25 003	25 000	25 500 +	26 500
Euro Stoxx 50	6 035	5 900	6 000 +	6 200
S&P 500	7 600	7 300	7 500 +	7 800 +
Nikkei	66 934	63 000	64 000 +	67 000 +

Interest Rates and Spreads

	Spot	09/30/26	12/31/26	06/30/27
ECB Deposit Rate	2.00	2.50	2.75 +	2.75 +
Bund 10 Years	3.01	3.20	3.35 +	3.35 +
Fed Funds	3.75	3.75	3.75	3.75 +
Treasury 10 Years	4.46	4.65	4.75 +	4.65 +
BBB Bundspread (bps)	90	130	125	120

Currencies and Commodities

	Spot	09/30/26	12/31/26	06/30/27
US-Dollar per Euro	1.16	1.20	1.22	1.24
Swiss Franc per Euro	0.91	0.92	0.93	0.94
Pound per Euro	0.86	0.85	0.85	0.85
Gold (USD/Troy Ounce)	4 464	4 600	4 800 –	5 000 –
Oil (Brent - USD/Barrel)	95	95	85	75

+ Raised
– Lowered

LBBW scenarios

60 % **Main scenario**	1) Iran war: Shipping traffic in the Strait of Hormuz normalizes over the course of the summer, energy supply and some supply chains are disrupted; inflation rises due to second-round effects from energy price surge. US economy weakens slightly as AI investment boom loses momentum. Growth in China continues to slow. EU/DE: Only low growth, further increase in national debt in industrialized countries. 2) Fight against inflation prompts ECB to raise key interest rates several times, growth burdens are accepted. Fed refrains from cutting key interest rates; yields rise slightly further from already elevated level. 3) Stock markets: Consolidation over the summer, investors torn between AI hopes, interest rate fears, war worries and fears of the AI bubble bursting; credit spreads rise with setbacks on the stock market.
20 % **Negative scenario I** ***"Energy price shock"***	1) Iran war: Permanent massive disruption to shipping traffic in the Strait of Hormuz, energy supply and supply chains need to be restructured; inflation rises sharply due to second-round effects from the energy price surge and high government spending and increasing protectionism. Some countries are reporting surprisingly high deficits and giving corresponding outlooks for the coming years. 2) Central banks go on a clear restrictive course to combat inflation. Yields are rising across the board. 3) "Risk-off": Slump on the stock markets. Credit spreads rise sharply. Price slump on the real estate market.
10 % **Negative scenario II** ***"AI bubble" /*** ***"China-Taiwan"***	1) China-Taiwan tensions rising; hybrid attacks on Western institutions; Ukraine remains under pressure. 2) Bursting of the AI bubble: Massive write-downs on AI investments, crisis in the private debt market 3) Fed and ECB cut key interest rates. Bund yields fall due to economic fears and monetary easing by central banks. 4) "Risk-off": Stock markets correct sharply, credit spreads rise significantly.
10 % **Positive scenario** ***"Relaxation"***	1) Stabilization in the Gulf region. Ceasefire in the Ukraine war; geopolitical conflict between the USA and China eases. 2) USA switches to a more moderate trade policy line. US economy grows more strongly again, AI boom continues. 3) Productivity gains through AI. Inflation rates stable as energy prices fall quickly. The economy is accelerating. 4) "Risk-on": Stock markets continue to rise as AI rally continues. Credit spreads fall, real estate prices recover.

02

Macro: Less growth, more inflation

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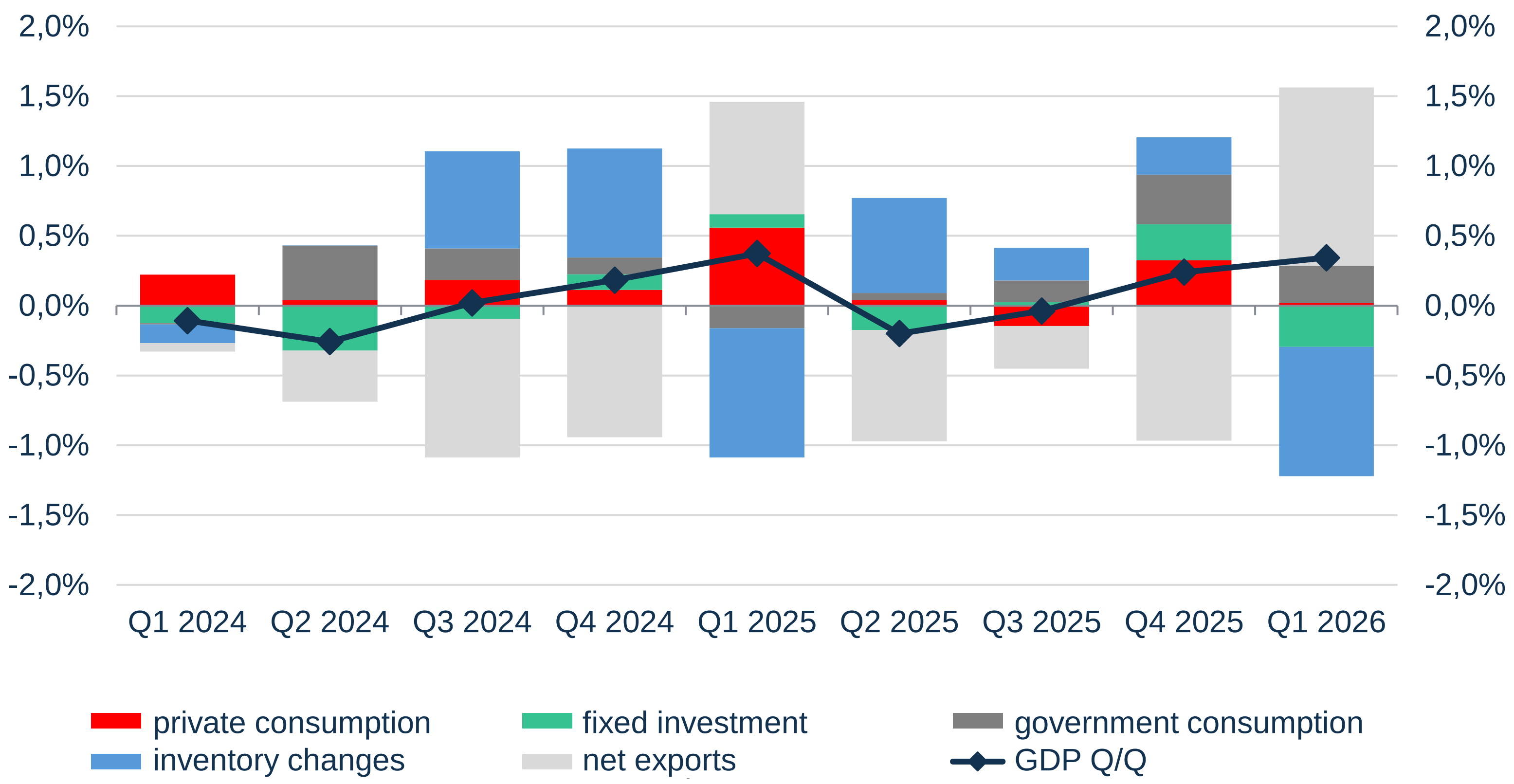
Germany: GDP details with surprises

GDP QoQ and sector contributions

Quarterly figures



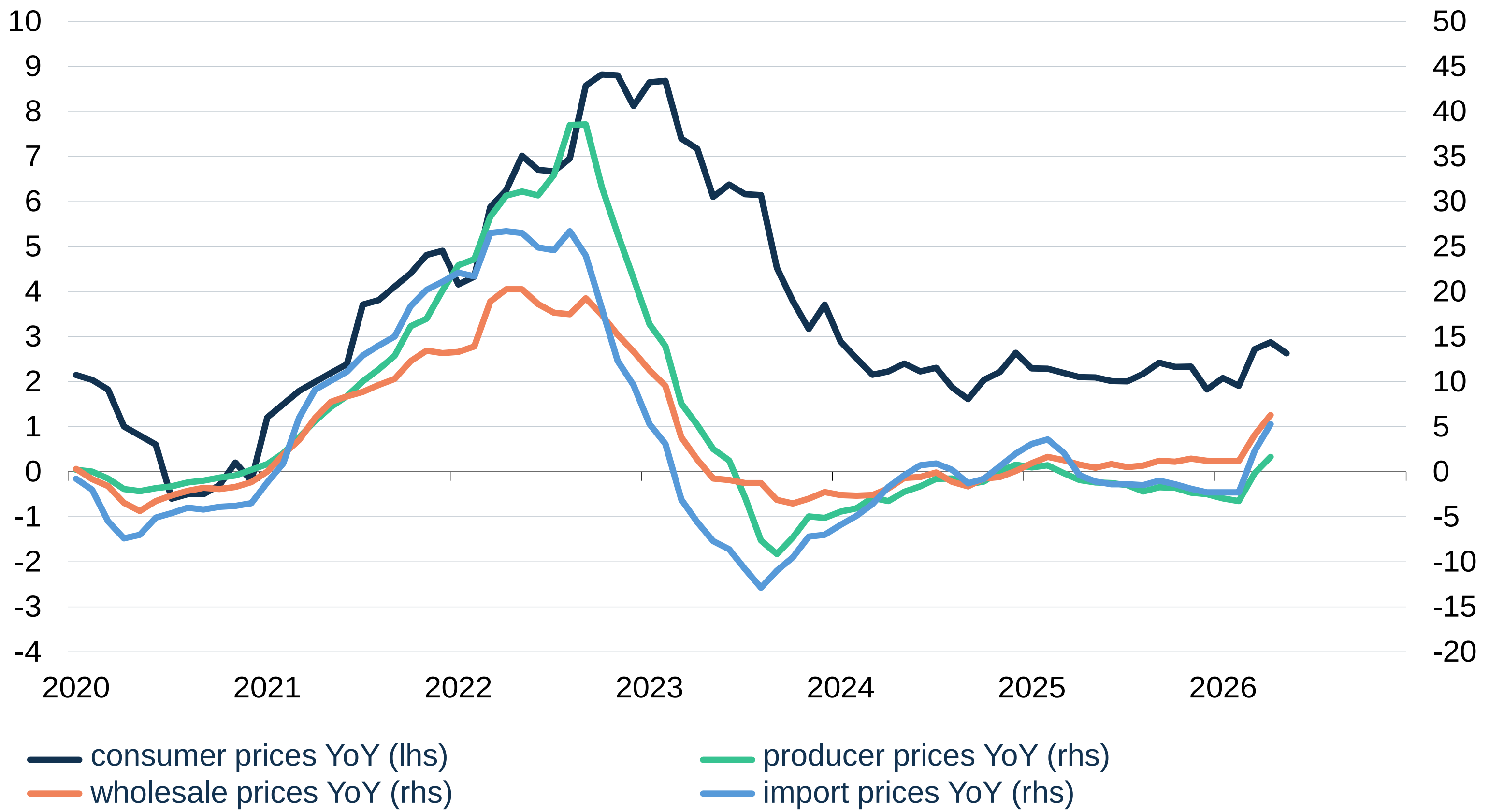
- Growth was recently driven by government consumption and foreign trade. This may come as a surprise, given the news from the Strait of Hormuz and the (temporary) closure of air corridors to East Asia. It is likely that pull-forward effects also played a role here. The reduction in inventories indicates that exports were made from stocks. In recent quarters, inventories and foreign trade have often mirrored each other.
- Fixed asset investments developed disappointingly. This suggests that there are likely to be significant setbacks for the economy in the coming quarters. We are lowering our forecast for 2026 from 0.5% to 0.3%.

Source: LSEG, LBBW Research

Germany: Fuel discount only provides respite

Inflation and upstream levels

Monthly data



Source: LSEG, LBBW Research

- The German inflation rate (national CPI) fell from 2.9% to 2.6% in May.
- In contrast, the core rate of inflation rose from 2.3% to 2.5%.
- The reason for the fall in the inflation rate was probably the "fuel discount", i.e. the reduction in energy taxes by a gross 17 cents per liter. The year-on-year rise in energy prices slowed from 10.1% to 6.6%.
- The sharp increase in the upstream stages suggests that price pressure will accelerate again after the expiry of the "fuel discount" in July.
  We are raising our forecast, for the current year from 2.7% to 3.0%, for 2027 from 2.4% to 2.5%.

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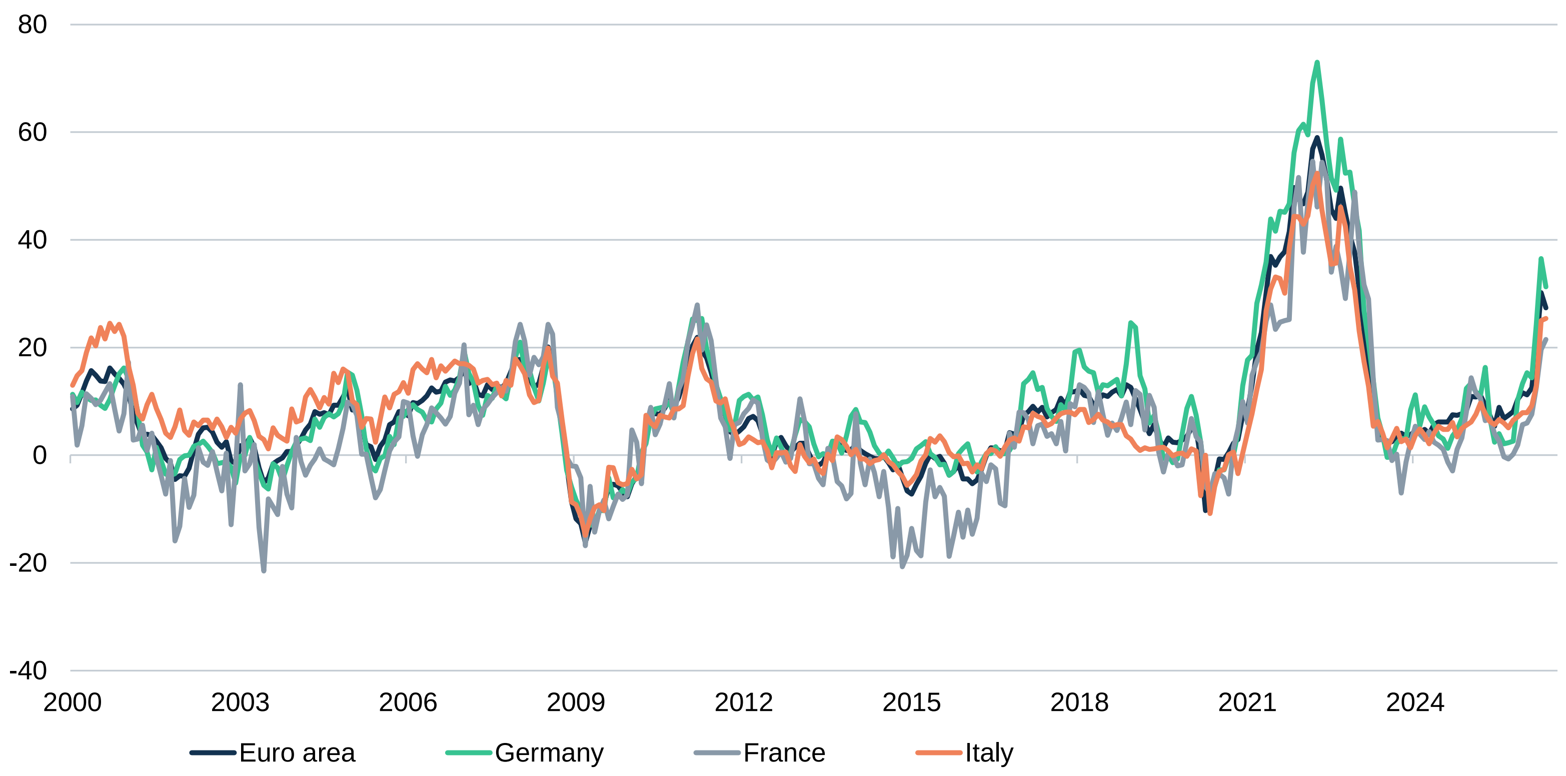
EMU: Price pressure remains high

Selling Price Expectations

Monthly data

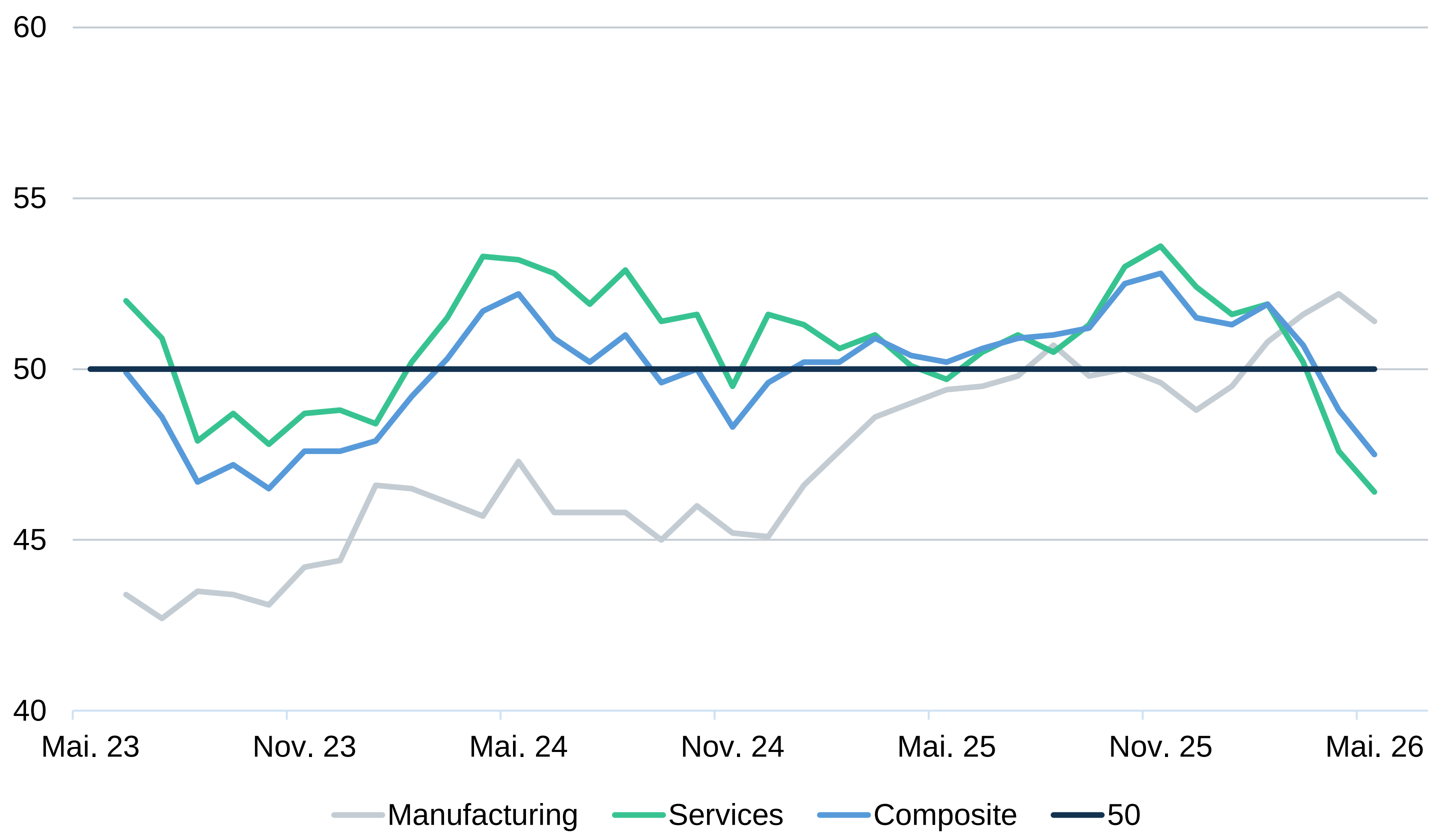


- Good news or bad news? The selling price expectations of companies in the eurozone fell slightly in May. However, they are still higher than at any other time with the exception of the 2021-23 inflation period.
- There was some relief on the wage side. The wage indicator stood at 2.5% in the first quarter of 2026, compared with 2.9% previously.
- The ECB is closely monitoring both indicators - selling price expectations and the wage indicator.

Source: LSEG, LBBW Research

EMU: Service providers continue downward trend

Purchasing managers' indices
Monthly data, seasonally adjusted



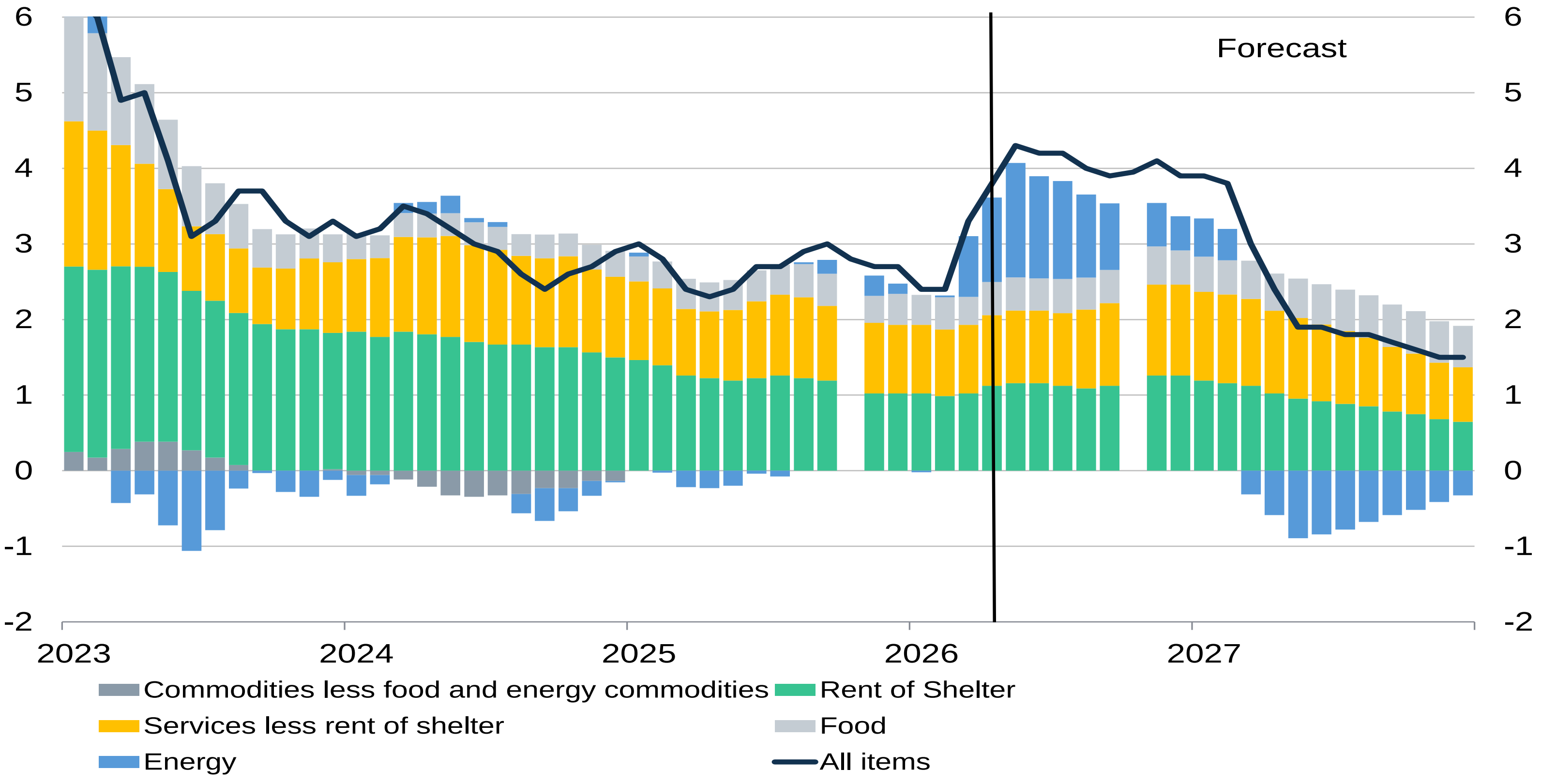
- The purchasing managers' indices for May surprised. Although the purchasing managers' index for industry fell from 52.2 points, it remained in the expansion zone above 50 index points at 51.4 points.
- Service providers continued to fall in the contraction zone
(46.4 points after 47.6 points).
The composite index
was pulled down further.
- GDP growth in the eurozone is likely to slow further in view of the underlying conditions. We are lowering our forecast for 2026 from 1.0% to 0.8%.

Source: LSEG, LBBW Research

US inflation forecast raised / I

US consumer price index (with forecast)

Change compared to the same month of the previous year, in % or contribution, in percentage points*



- The latest price developments at the pumps, combined with an increase in our crude oil price forecast, have prompted us to revise our US inflation forecast.
- The higher crude oil prices are likely to be reflected with a time lag in higher food prices. There are also reports of a decrease in delivery speed. In addition to the forecast for energy prices, we raise our forecast for food and goods prices.
- The US inflation rate should remain above the 4% mark for much of 2026. In 2027, the inflation rate is likely to drop below the 2% mark due to an assumed decline in crude oil prices.

* The sum of the contributions only approximates the overall inflation rate

Source: LSEG, LBBW Research

US inflation forecast raised / II

US consumer price index

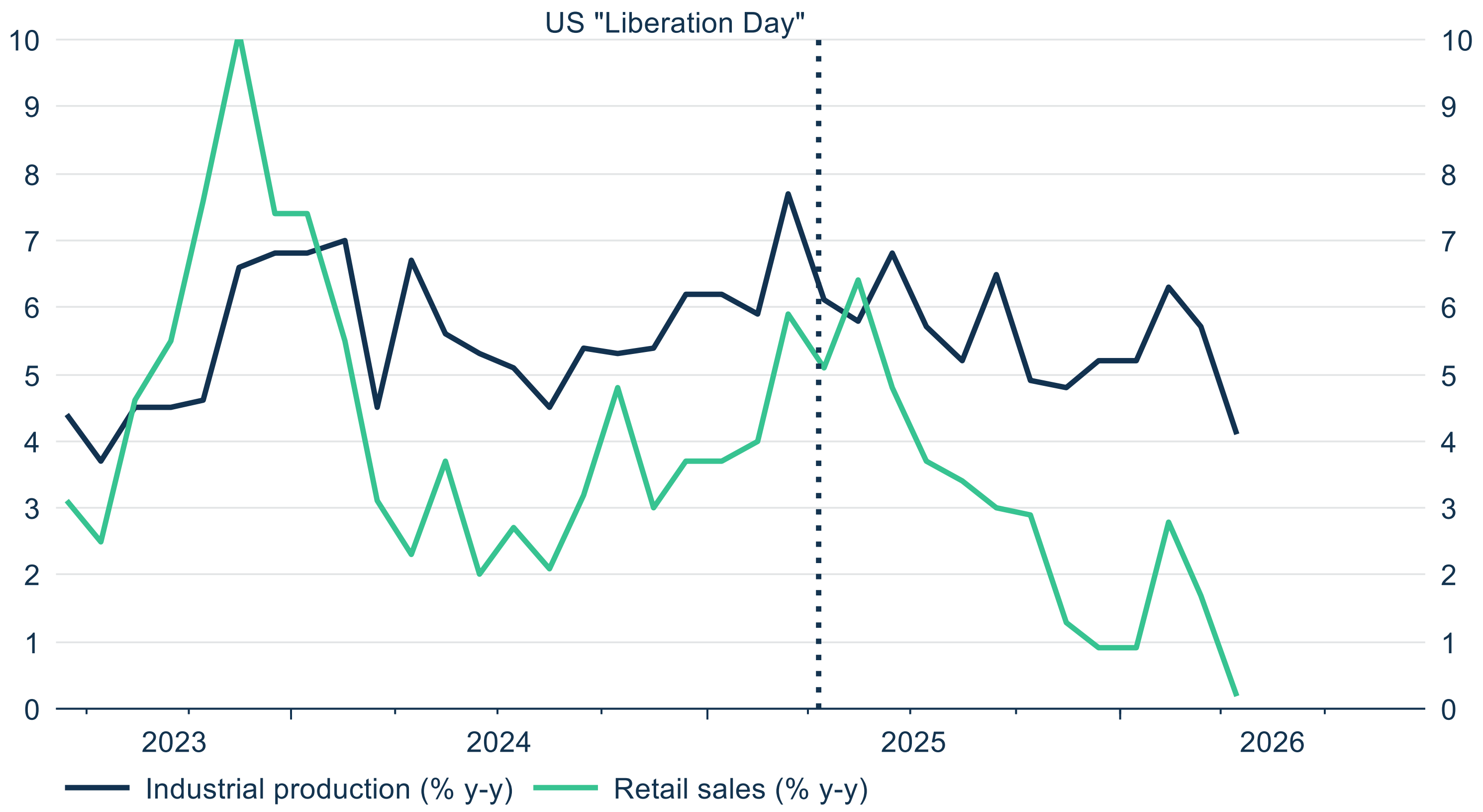
	Goods excluding food and energy	Services without rent of shelter	Rent of shelter	Food	Energy	In total	Crude oil price (Brent)
JD	in %	in %	In %	in %	in %	In %	in US dollars
2025	0,7	3,6	3,5	2,8	-0,0	2,6	81
2026 (f)	1,7	3,9	3,4	3,3	12,9	3,8	95
2027 (f)	1,5	3,6	2,7	3,8	-6,9	2,2	77

Source: LSEG, LBBW Research

Domestic demand in China shows weakening momentum

China: Industrial production & retail sales

in %, YoY



Source: LSEG, LBBW Research

- China's economy is increasingly feeling the fallout from the war in Iran as well.
- After an already muted start to the year, retail sales lost further momentum, rising by just 0.2% in April – the weakest increase in three years.
- At the same time, industrial production growth slowed noticeably, cooling to 4.1%.
- Exports (high-tech, green technologies) and state-driven fixed asset investment are increasingly becoming the only drivers of growth in the economy.

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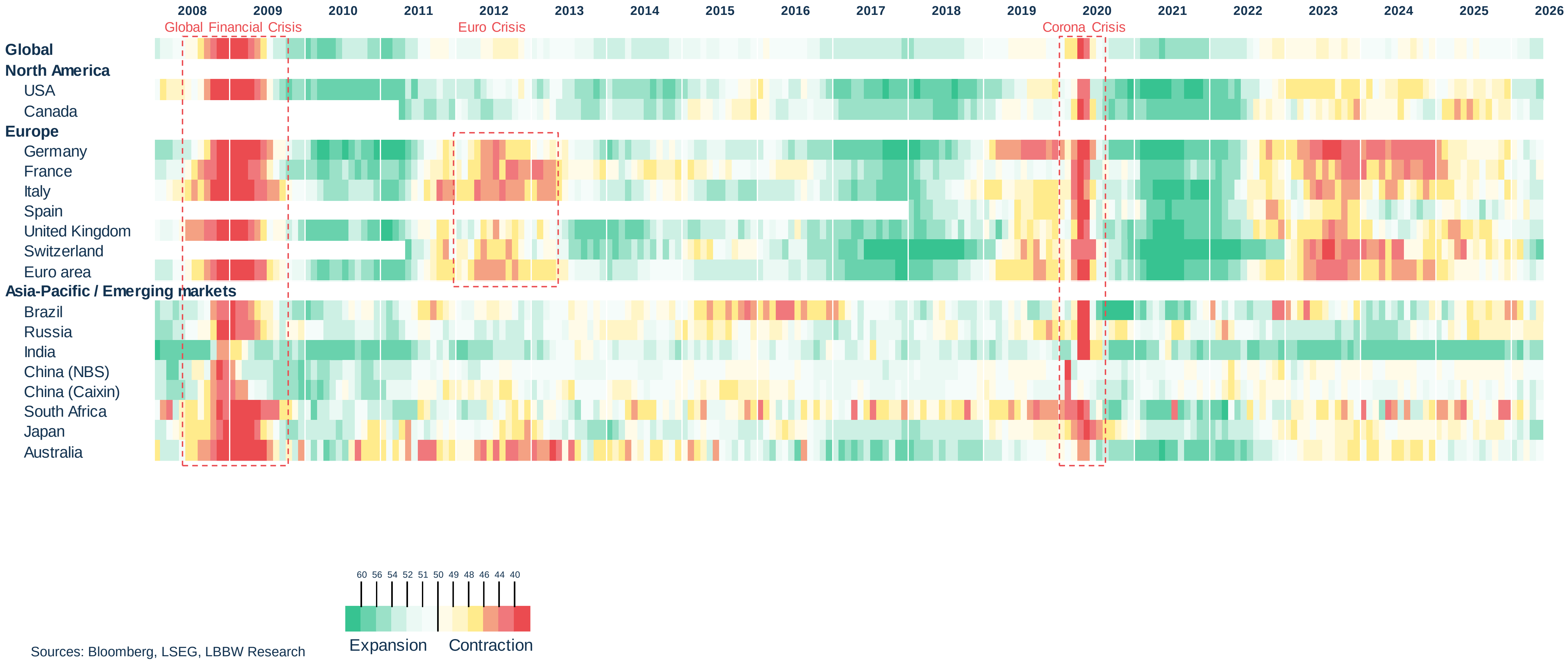
Global purchasing managers' indices in the manufacturing sector



Sources: Bloomberg, LSEG, LBBW Research

03

Rates:
ECB tightens, Fed keeps its feet still

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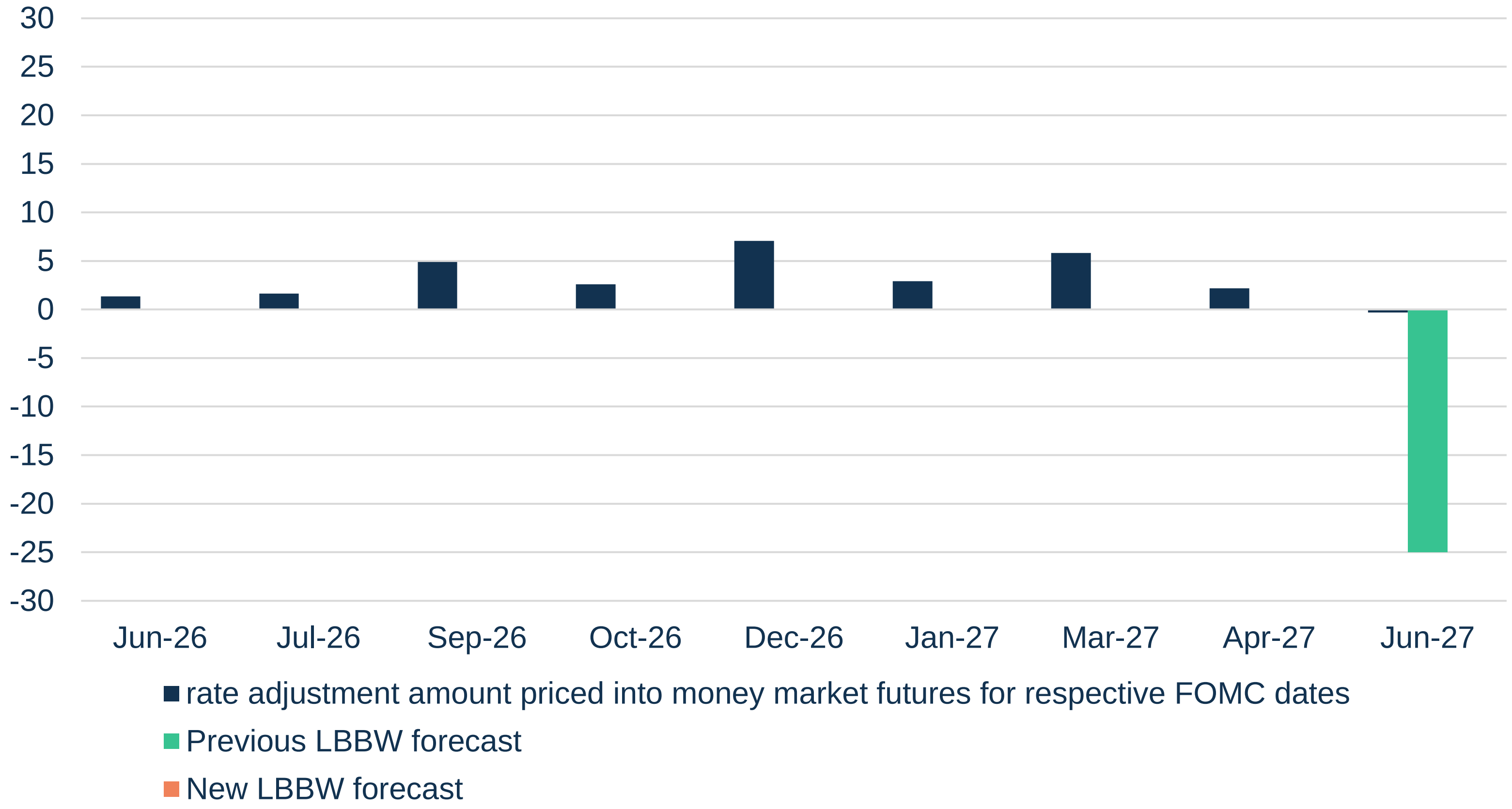
Fed: Focus on new chairman in June – rate hike now more likely than cut

Key interest rate change expected on the market per FOMC meeting (in bp) with new and previous LBBW forecast



Sources: Bloomberg, LBBW Research

- Recent statements from the Fed underpin this: The central bank is sticking to its wait-and-see approach for the time being.
- FOMC Vice Chairman Williams signals a move away from the previous "easing bias" for the June meeting: Would be "almost crazy" to talk about interest rate cuts in the near future.
- In our modified main scenario, it is now a "close call" as to whether the next interest rate move will be up or down.
- We prefer unchanged interest rates over our entire forecast horizon. For 2026, a rate hike is more likely than a cut.
- At the June meeting, all eyes will be on Kevin Warsh. Will he use a rather "hawkish" or a "dovish" wording?

Fed: Warsh's signals regarding the Fed's balance sheet eagerly awaited

Fed balance sheet total and government bond holdings with monthly change (in USD billion)

- One focus is likely to be on the further development of the Fed's balance sheet.
- Since fall 2025, bond holdings have been growing slightly again because the Fed has been purchasing short-term treasury bills to smooth out volatility on the money market.
- Kevin Warsh is considered a supporter of a lean Fed balance sheet.
- It is not yet clear whether or in what time frame the new Fed chairman will actually push for a balance sheet shrinkage.
- Any indications of plans for new quantitative tightening could lead to increased price fluctuations on the US Treasury market.
- We believe that the Fed symposium in Jackson Hole at the end of August might shed more light on the topic.

Sources: Bloomberg, LBBW Research

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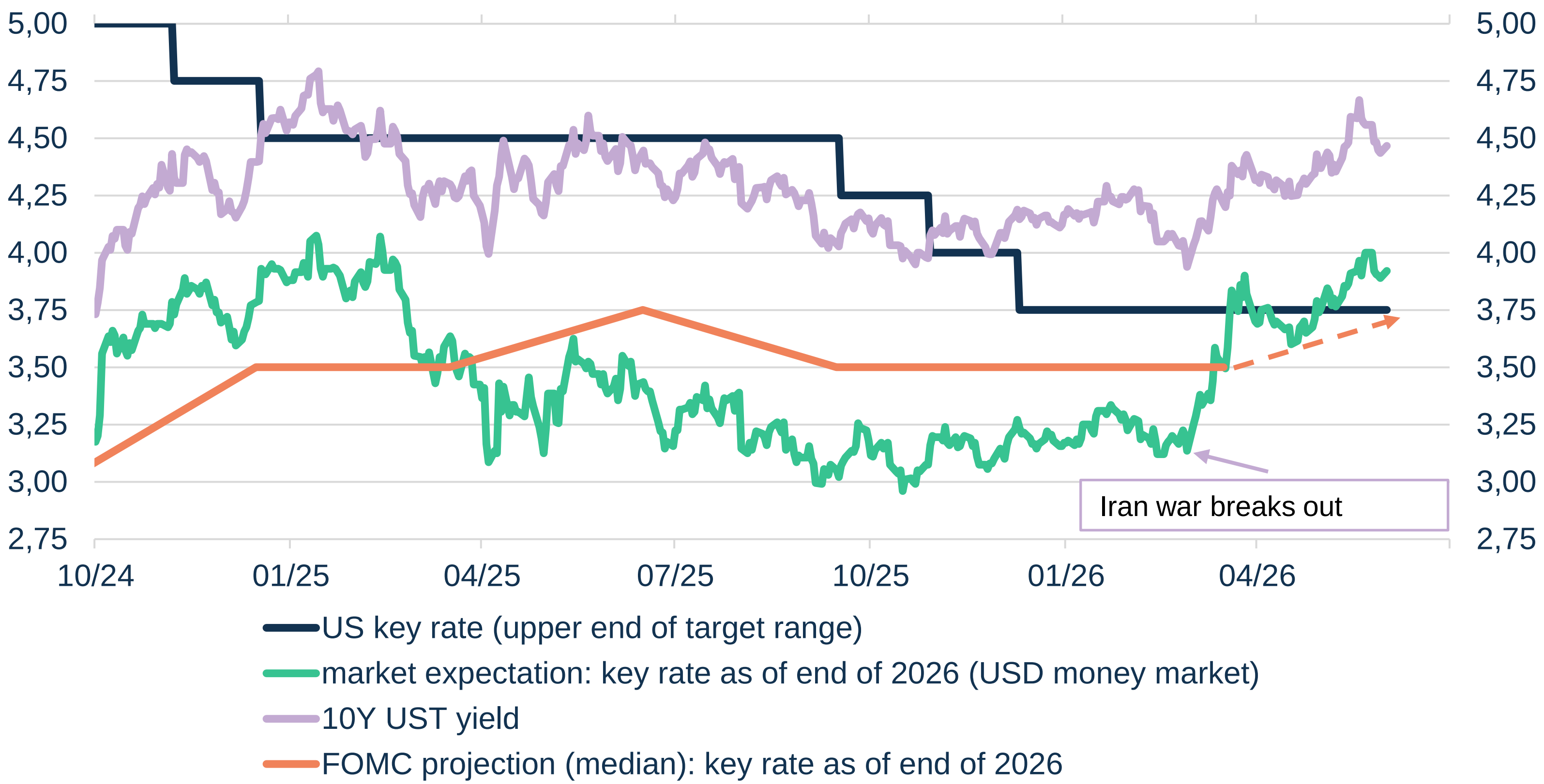
USD bond market: Will the new "dot plot" show a tilt towards a rate hike?

Fed key interest rate and market expectation at the end of 2026 and yield on 10-year US Treasuries

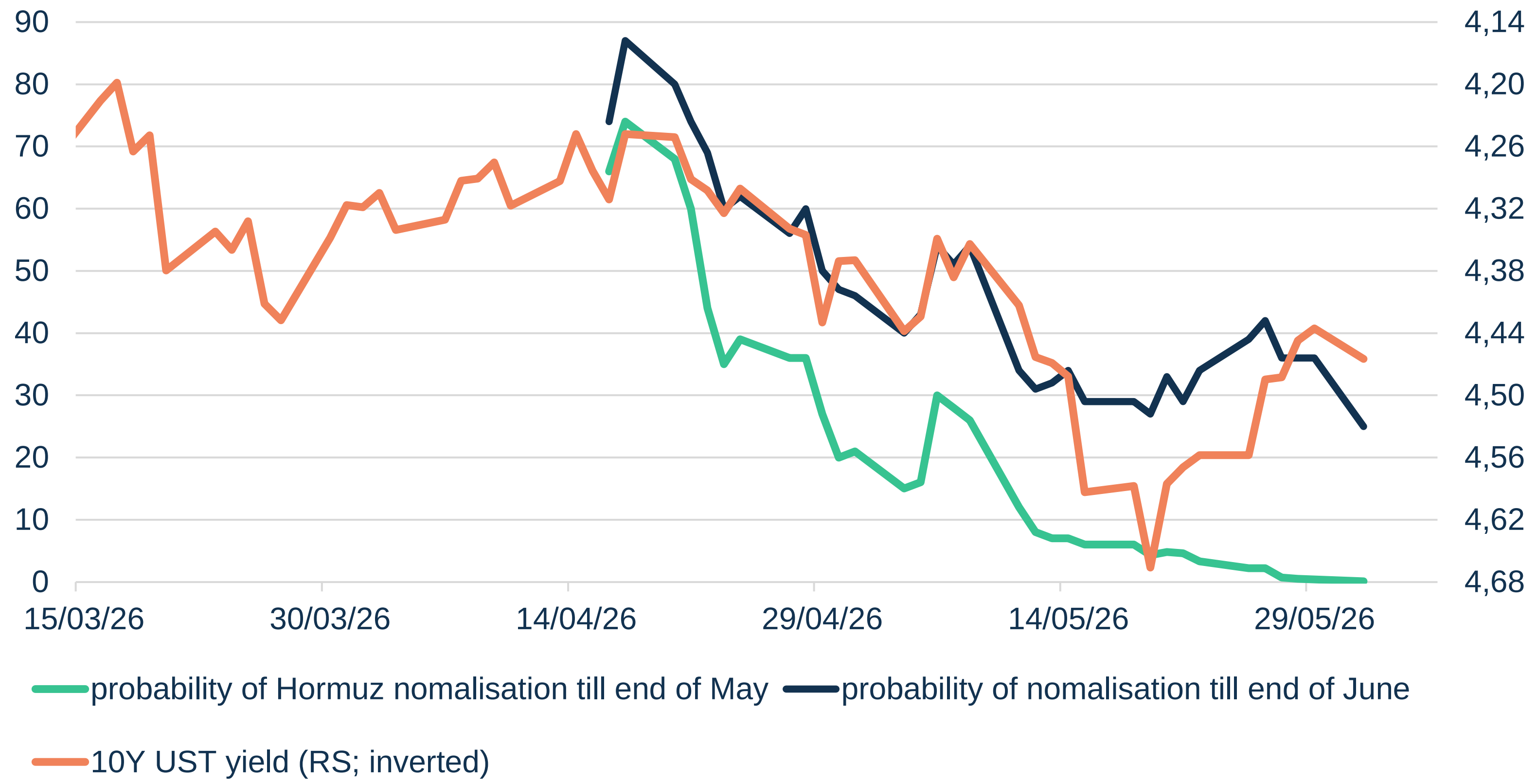


Sources: Bloomberg, LBBW Research

- In addition to Warsh's wording, the Fed's new "dot plot" will be at the center of attention on June 17.
- The key rate projection so far envisages one further cut by the end of 2026.
- A departure from the easing bias would suggest that the "dot plot" will also (at least) shift to "neutral" or "sideways".
- The market consensus has been leaning towards a rate hike for several weeks.
- In our opinion, the distribution of the new "dot plot" is likely to be crucial for the USD bond market: Will there be a significant minority or even a majority of the monetary authorities which is already leaning towards tightening by the end of the year?

USD bond market: Hope for lasting Middle East détente has stopped the bears (for now)

Yield on 10-year US Treasuries and probability of the reopening of the Strait of Hormuz according to betting odds (in %)

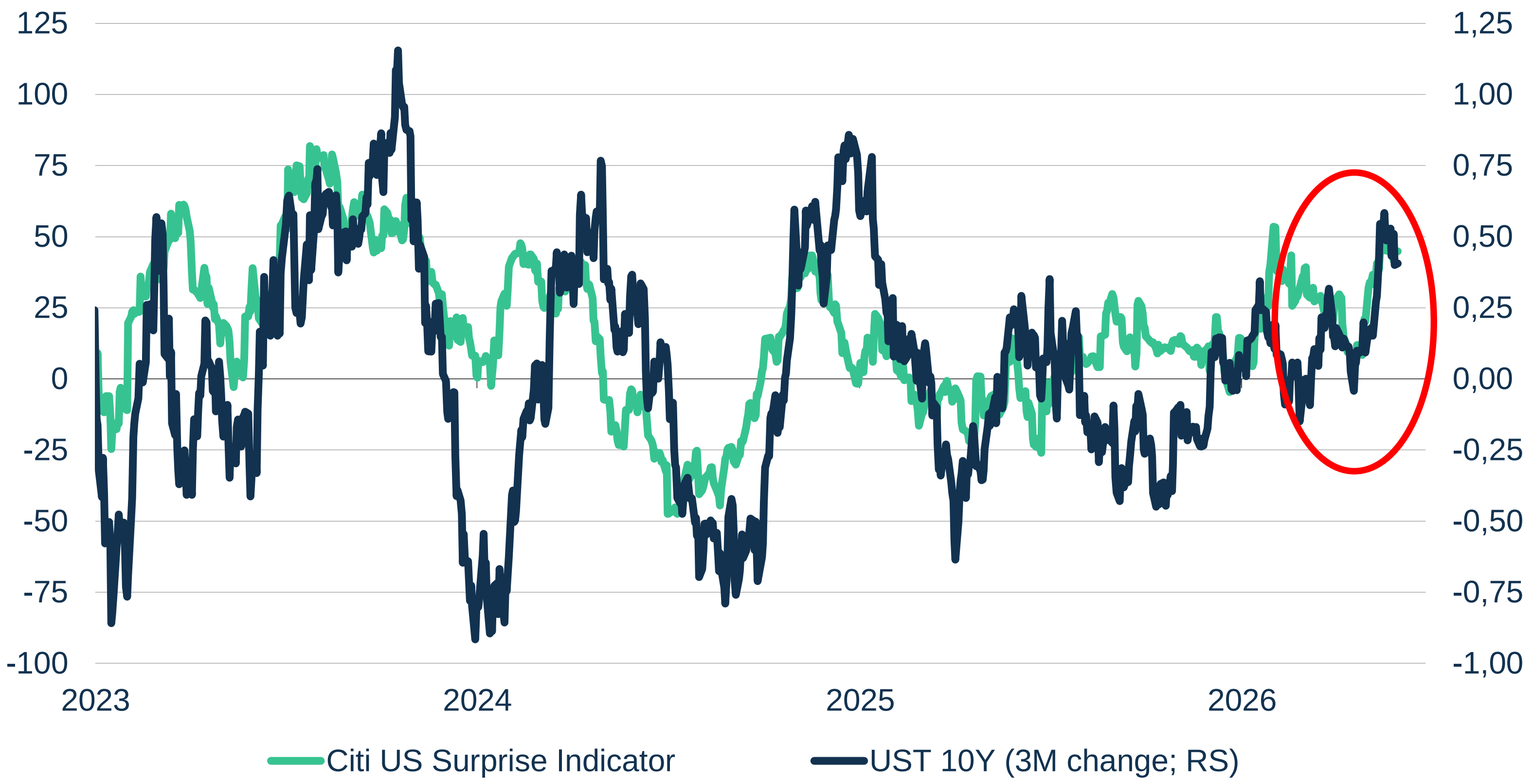


- Key rate speculation and yield trends on long-dated US Treasuries recently mainly under the spell of news from the Middle East.
- The announcement of an agreement between the USA and Iran to open the Strait of Hormuz initially raised hopes that shipping would soon return to normal.
- Risk of a downward price spiral capped. A prerequisite for lastingly calming market: Middle East agreement actually comes and lasts.
- In our opinion, the interim price shock in May warns against complacency: Renewed tension in the Middle East or a "hawkish" Fed could once again catch some investors on the wrong foot!

Sources: Polymarket, Bloomberg, LBBW Research

USD bond market: Robust US economy underpins upward trend in yields

Citigropup Economic Surprise Index for the USA and 3M change in the yield on 10-year US Treasuries

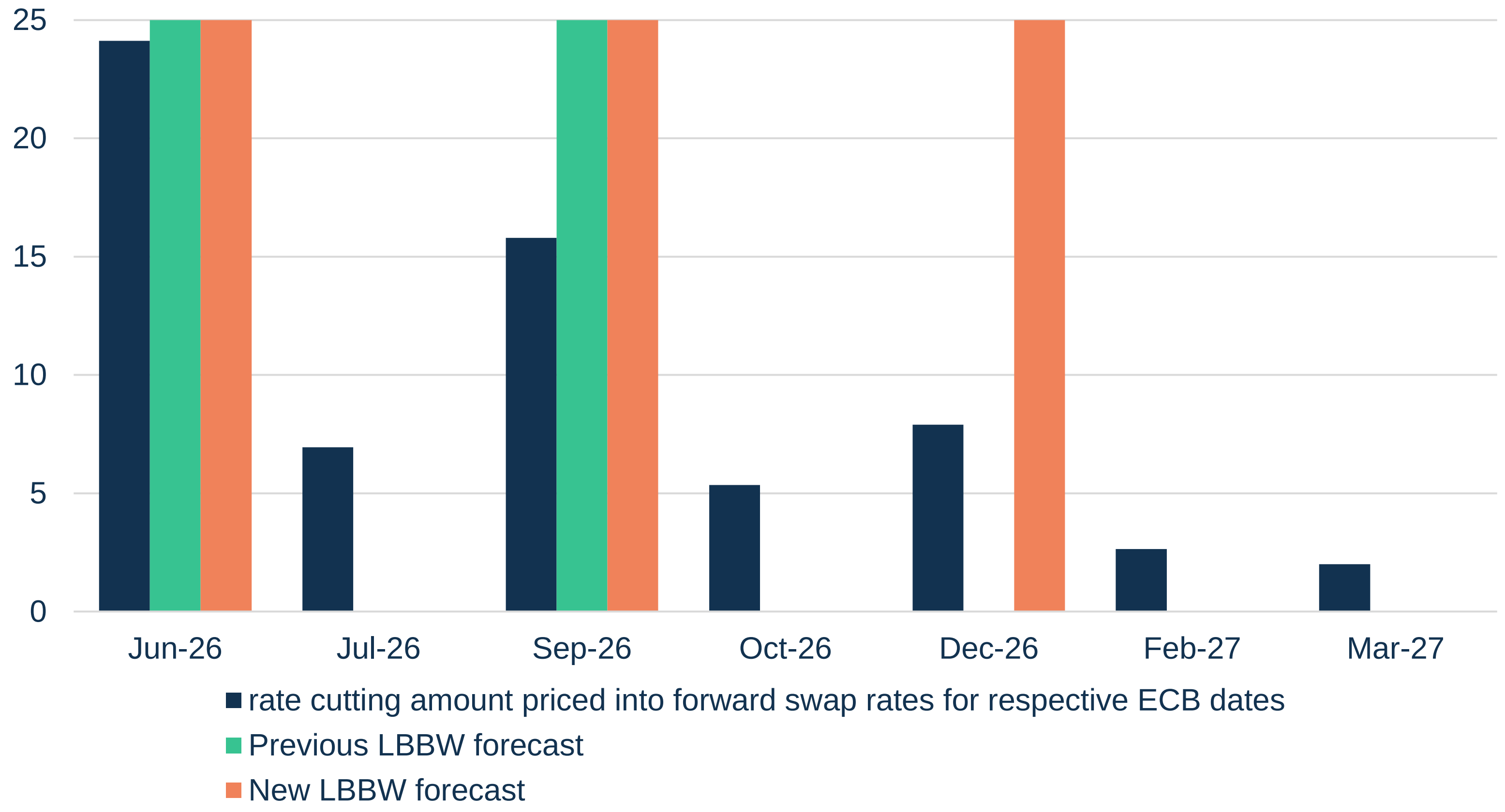


- Overall, US macro data continues to favor the bond bears.
- US inflation is likely to have crossed the 4% mark in May.
- In terms of the economy, positive surprises have been dominating the picture, despite a veritable energy price shock.
- If the trend continues, this suggests a continuation of the upward trend in yields of the past three months.

Sources: Polymarket, Bloomberg, LBBW Research

ECB: Forecast raised from two to three interest rate hikes by the end of 2026

Key interest rate change expected on the market per ECB meeting (in bp) with previous and new LBBW forecast



Sources: Bloomberg, LBBW Research

- Interest rate hike on June 11 seems almost a foregone conclusion: The majority of recent statements from the ECB Governing Council point in this direction.
- Member of the Board of Directors Schnabel: An Increase is necessary, even if Iran war "ends today".
- New staff projections for growth and inflation are likely to assume more second-round effects from the energy price shock and take a noticeable step towards the previous "adverse scenario".
- In our new main scenario, we assume that the ECB will decide on two further interest rate hikes after June, each by 25 bp, i.e. three in total, due to a time-delayed Hormuz normalization.

EUR bond market: Bearish positioning speaks against positive trend reversal

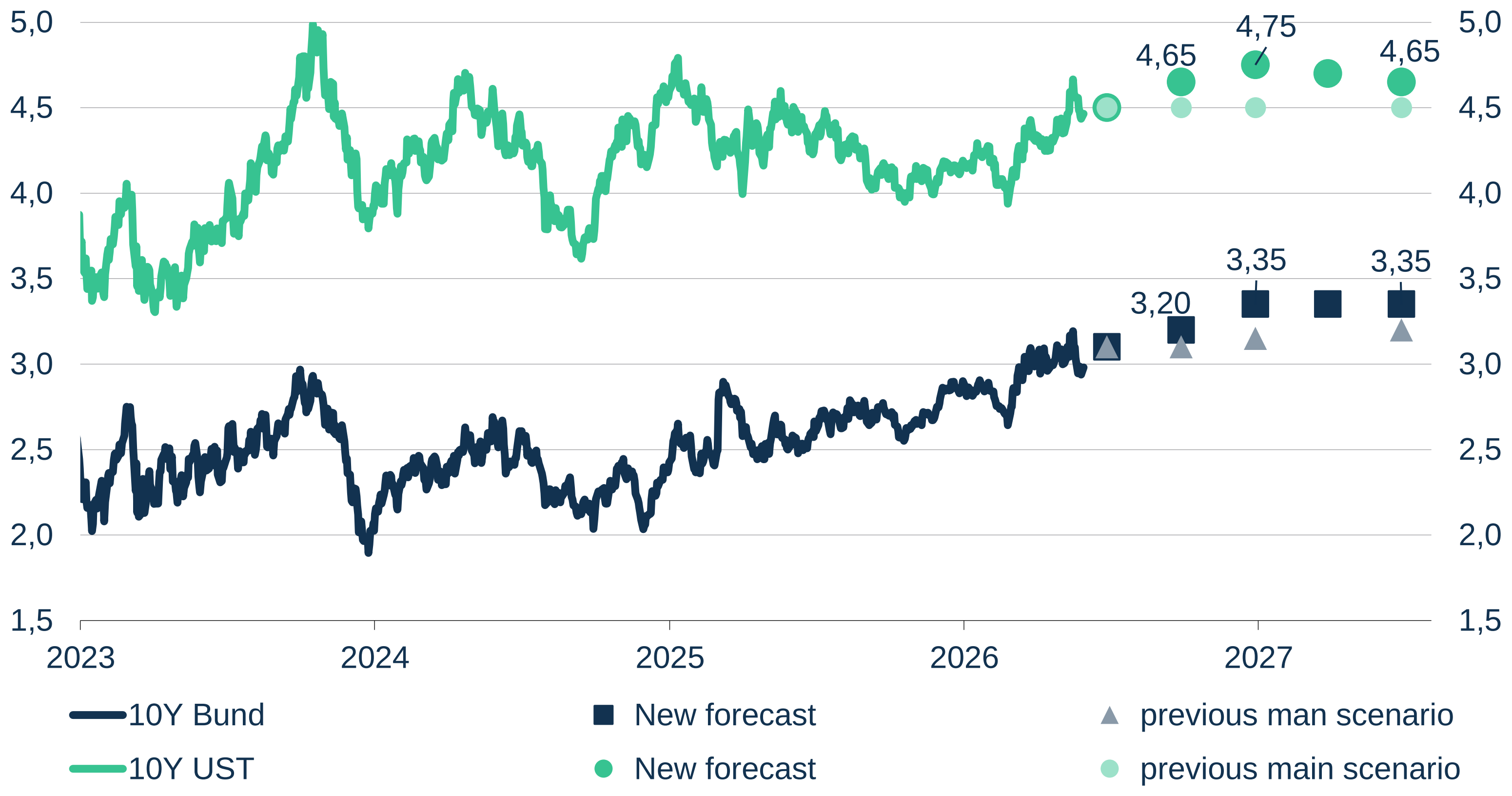
Bund future and ratio of call to put options

- Rollercoaster ride of emotions on the EUR bond market in May.
- Yield on 10-year Bunds temporarily jumps to a new annual high of just under 3.20 %, opening the door to a new bearish trend from a chartist perspective.
- However, easing tension in the Middle East reversed the trend (initially): Was the previous breakout therefore a false signal?
- In June, both a high positive net supply on the government bond market and the seasonal pattern argue against further price increases.
- In addition, the continuing dominance of bearish bets on the options market is dampening hopes of a sustained upward turnaround.

Sources: Bloomberg, LBBW Research

Forecasts for long-term interest rates raised moderately across the board!

Yields on 10-year US Treasuries and 10-year Bunds with previous and new LBBW forecasts



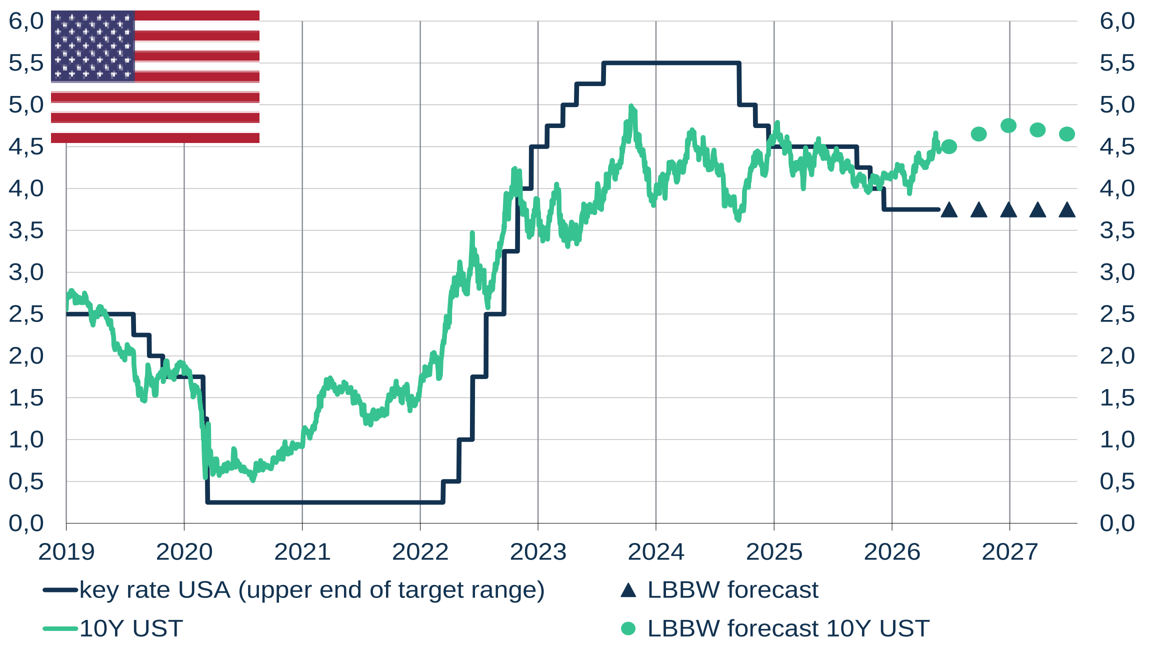
Sources: Bloomberg, LBBW Research

- Revised key rate paths underline our overall bearish outlook for the bond market.
- On the one hand: Rapid Hormuz normalization could well keep the development close to the previous main scenario.
- On the other hand: Second-round effects on inflation will only become apparent over time and could repeatedly fuel investors' concerns about inflation over the summer.
- In addition, concerns about an ongoing increase in government debt are simmering, which speaks in favor of rising term premiums.
- => We have raised our 10Y Bund forecast from 3.15% to 3.35% as at the end of 2026 and our 10Y US Treasury forecast from 4.50% to 4.75%.

Conclusion: Fed to keep its feet still, ECB to raise deposit rate to 2.75%

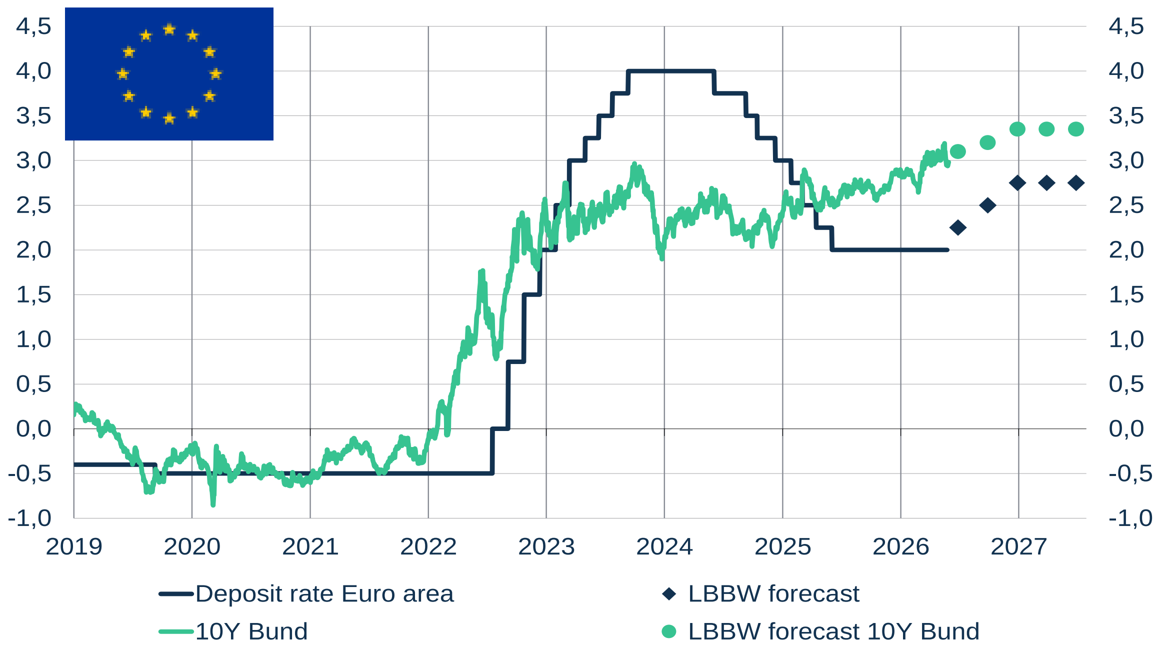
USD interest rates and forecast

in %



EUR interest rates and forecast

in %



- Fed shifts back to inflation focus: No change in interest rates, increase more likely than cut by mid-2027.
- In the US Treasury market, the dangers to its status as a safe haven and the debt risks are underestimated.

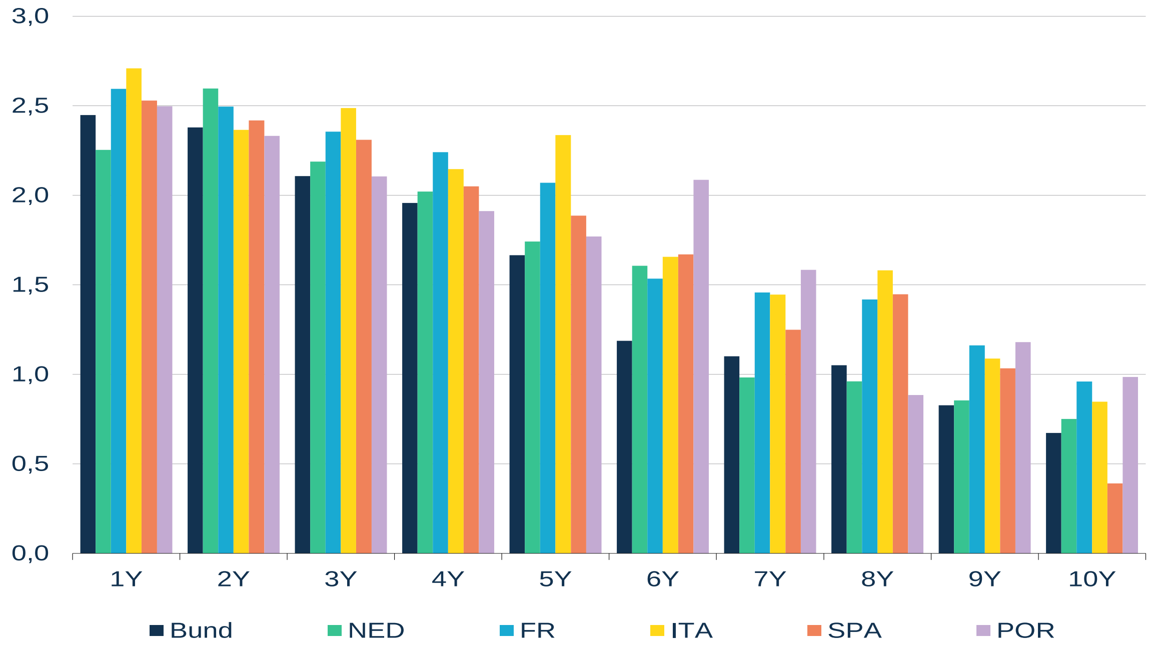
- Second-round effects put the ECB under pressure. A total of three rate hikes by December 2026, interest rate plateau at 2.75%.
- Long-term interest rates: Inflation concerns and rising term premiums harbor potential for further increases.

Sources: Bloomberg, LBBW Research

Performance expectations for euro government bonds / US Treasuries

EUR government bonds on 12M view

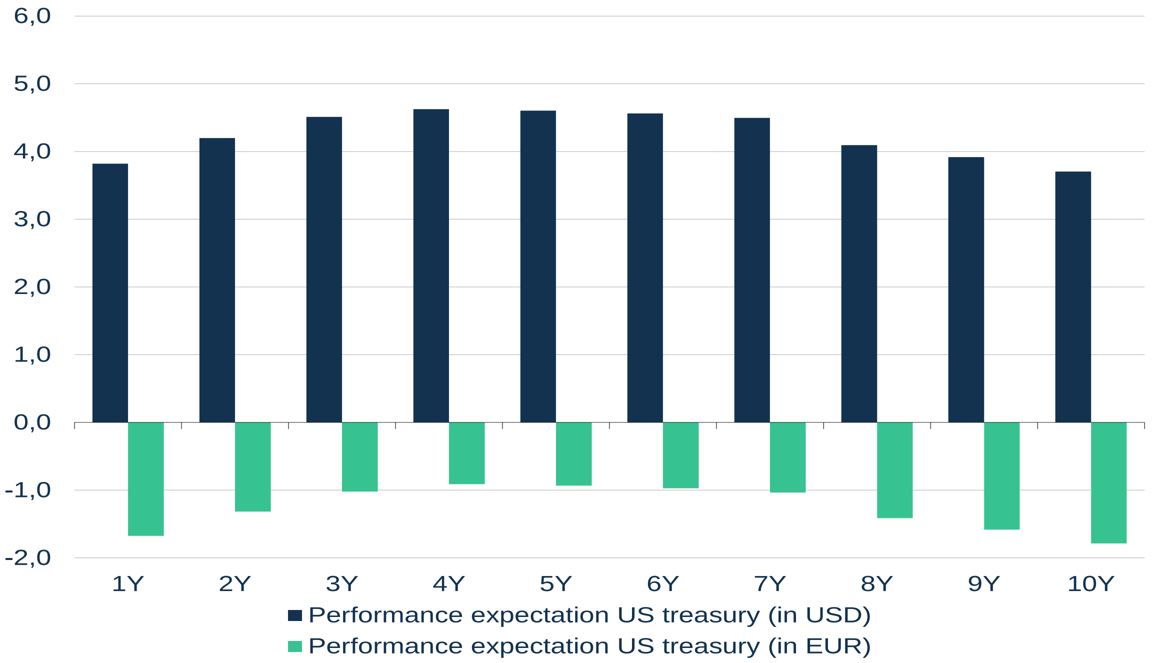
(in %; Assumption: moderate spread widening of 20 %)



- Moderate tightening of monetary policy priced in, but long-term bonds remain burdened by debt risks.
- Peripheral spreads: Rating upgrades speak in favor of narrowing, widening risks predominate in the medium term.

US Treasuries on 12M view

(in %; in USD and EUR)



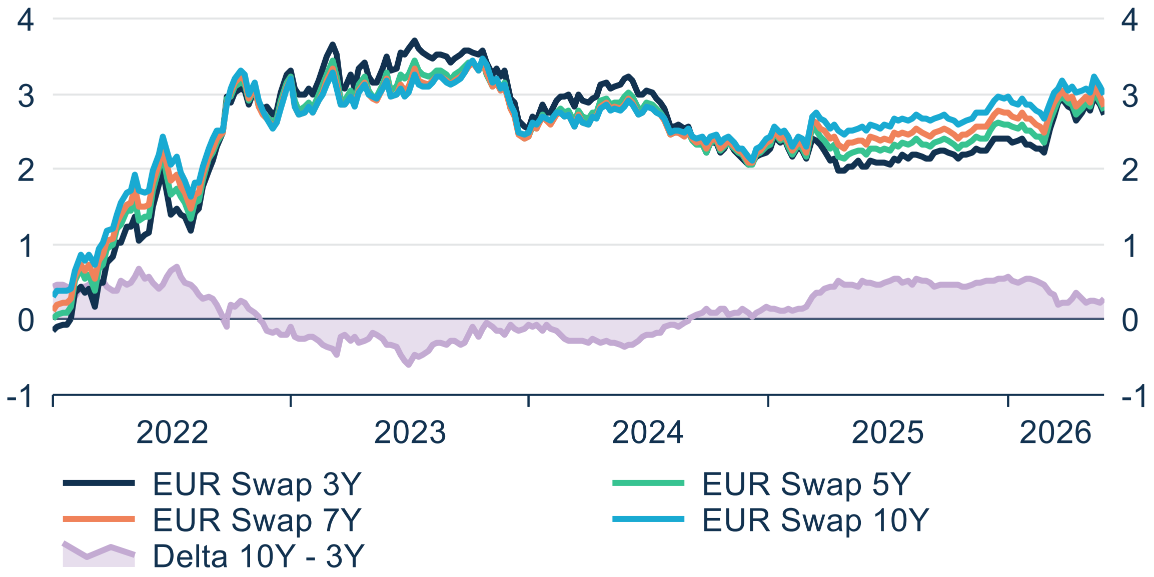
- US dollar: Doubts about reserve status growing .In the medium term, the risk of a return to the depreciation trend predominates.
- Risk of a sustained fall in the price of long-dated US Treasuries argues in favor of underweighting duration.

Sources: Bloomberg, LBBW Research

Swap yields

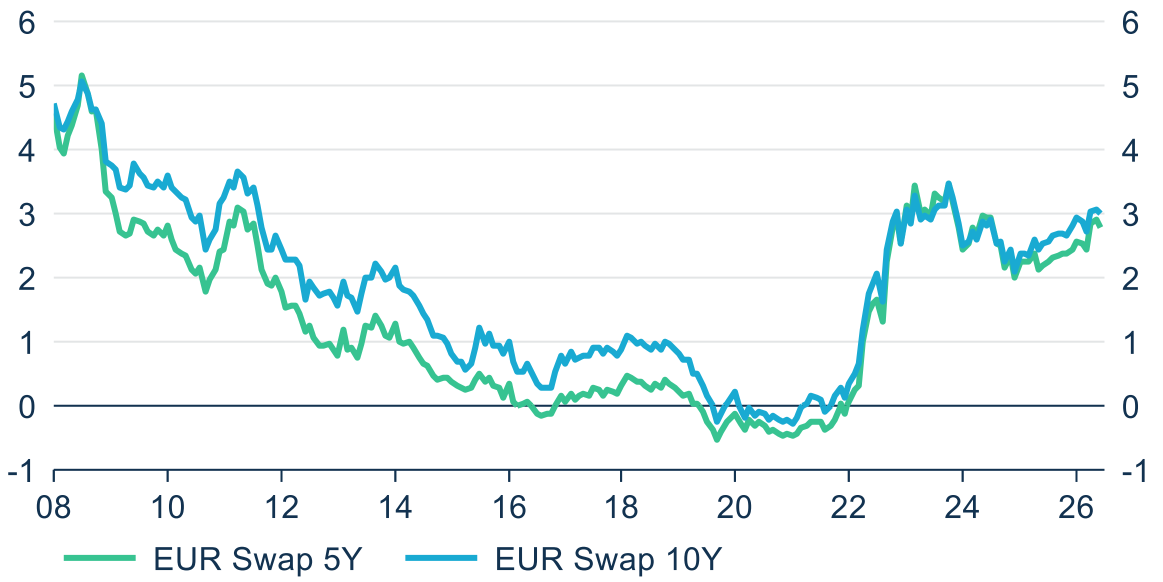
EUR Swap yields in %

Terms of three to ten years, since 2022



EUR Swap yields in %

Terms of five and ten years, since 2008



Source: LSEG, LBBW Research

Interest rate forecasts in detail

		Spot	30-Sep-26	Forecast 31-Dec-26	30-Jun-27
Euro area					
ECB Main Refinancing Rate		2.15	2.65	2.90	2.90
ECB Deposit Rate		2.00	2.50	2.75	2.75
Overnight Rate (€STR)		1.93	2.45	2.70	2.70
3M Euribor		2.25	2.55	2.80	2.80
Swap 2Y		2.82	2.95	3.05	2.95
Swap 5Y		2.85	3.05	3.15	3.10
Swap 10Y		3.05	3.25	3.35	3.30
Bund 2Y		2.49	2.75	2.90	2.85
Bund 5Y		2.62	2.90	3.05	3.05
Bund 10Y		2.90	3.20	3.35	3.35
USA					
Fed Funds Target Rate		3.75	3.75	3.75	3.75
Overnight Rate (SOFR)		3.63	3.65	3.65	3.65
3M Money Market		4.85	3.75	3.75	3.65
Swap 2Y (SOFR-OIS)		3.90	3.90	3.90	3.65
Swap 5Y (SOFR-OIS)		3.89	3.95	3.95	3.80
Swap 10Y (SOFR-OIS)		4.05	4.20	4.25	4.10
Treasury 2Y		3.98	4.05	4.10	3.85
Treasury 5Y		4.13	4.25	4.30	4.15
Treasury 10Y		4.43	4.65	4.75	4.65
Other industrialized countries					
Japan	Overnight Rate (TONAR)	0.73	1.05	1.05	1.30
Japan	10Y Government Bond	2.63	2.75	2.80	2.85
UK	Overnight Rate (SONIA	3.73	3.95	4.20	4.20
UK	10Y Government Bond	4.82	5.00	5.15	5.00
Switzerland	Overnight Rate (SARON)	-0.04	-0.05	-0.05	-0.05
Switzerland	10Y Government Bond	0.37	0.50	0.55	0.55

Sources: LSEG, LBBW Research (data query spot prices: 01.06.2026)

04

Credits: Companies very robust, despite Iran war

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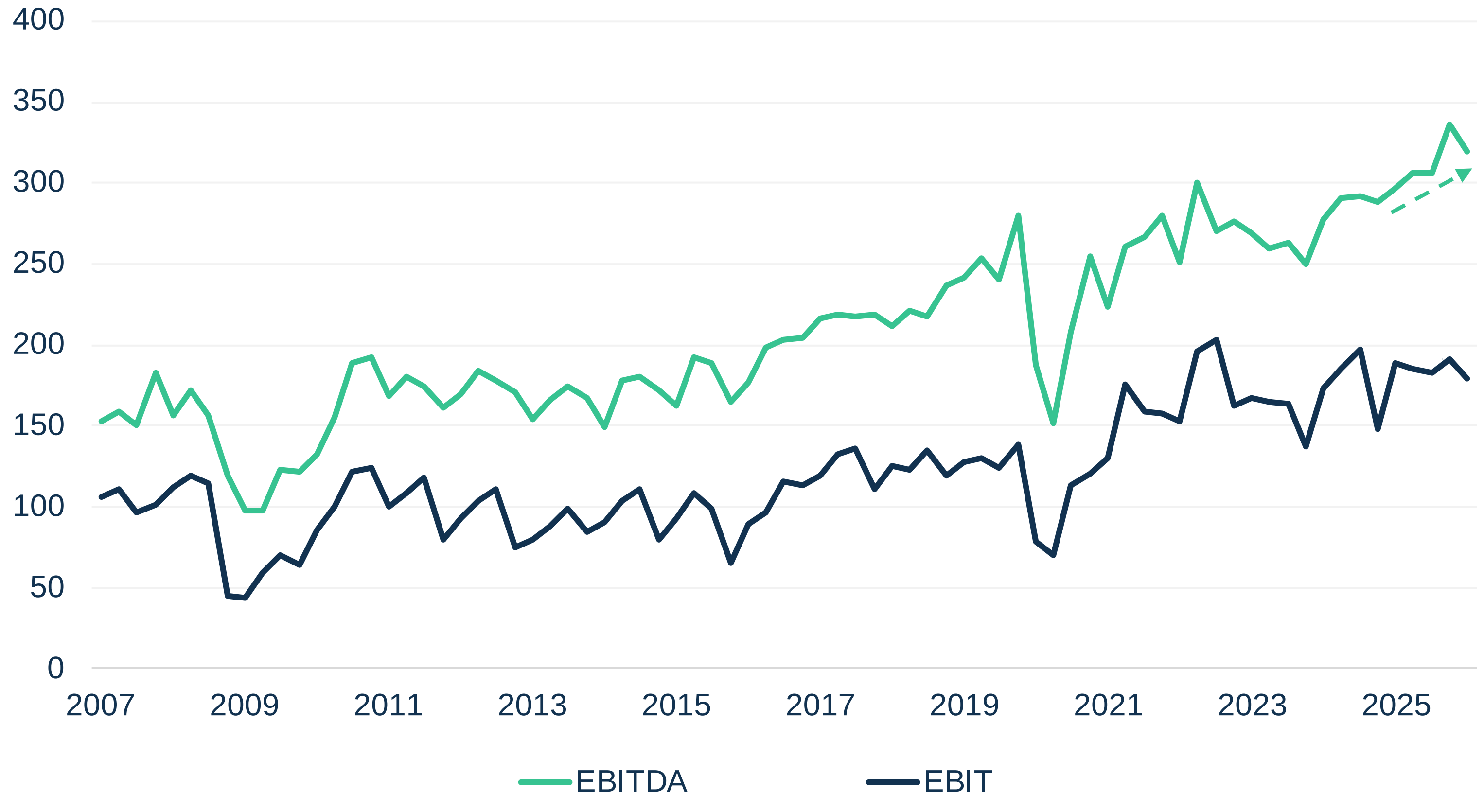
High earnings in Q1, despite Iran war

Earnings performance of European companies

Median STOXX Europe 600 by quarter (in EUR million)



Source: Bloomberg, LBBW Research

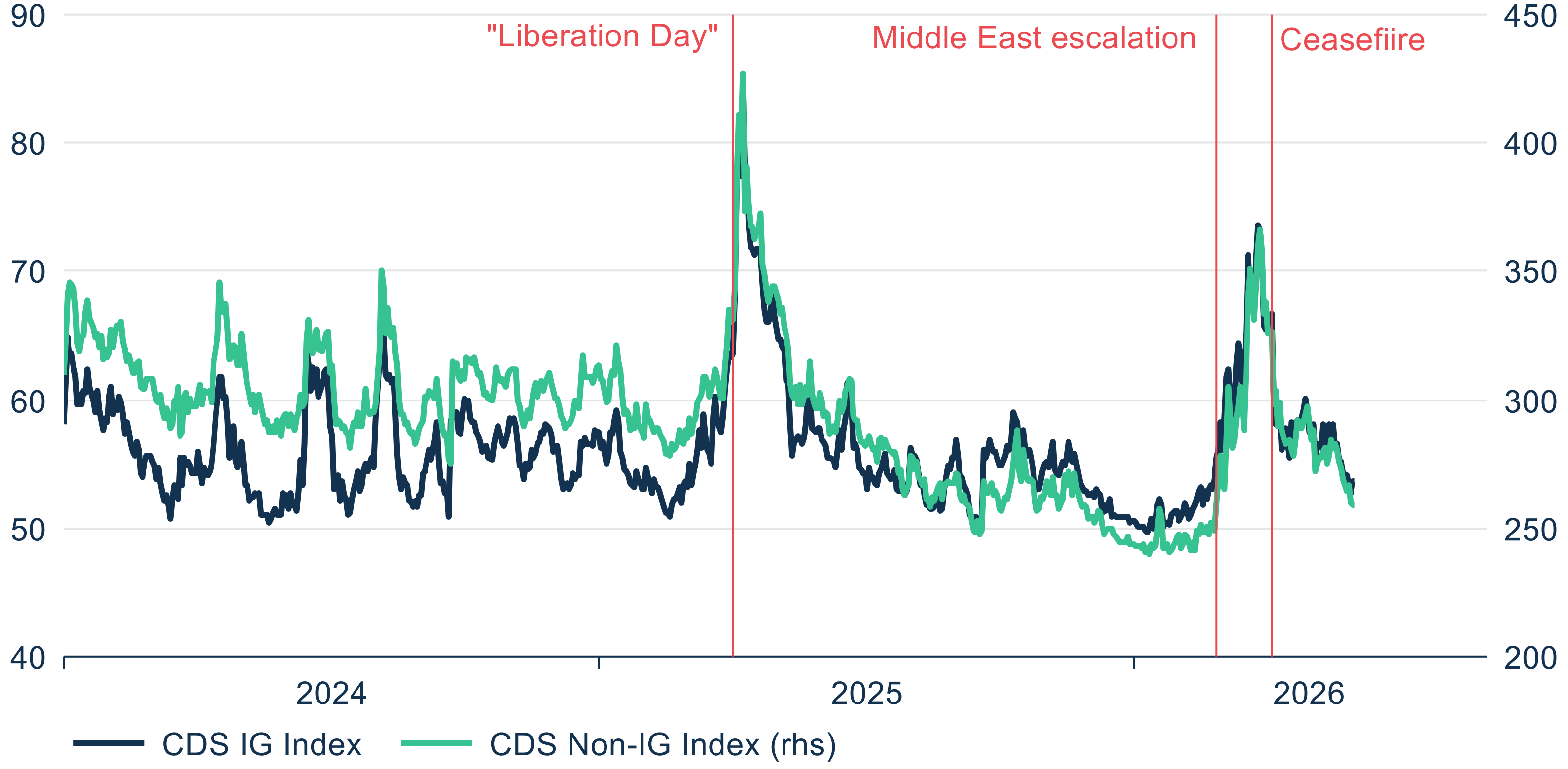
- Most companies represented in the European share index STOXX Europe 600 increased their earnings in Q1/2026 YoY.
- Median EBITDA even reached a new record result for a first quarter (+8% YoY).
- EBIT remained at a high level, even though there was a decline compared to the previous year's Q1 record (-5% YoY).

LBBW

Risk premiums almost as low as before the Iran war

Corporates Risk premiums for 5Y CDS

Premium for corporates in basis points, investment grade (IG) and non-IG index



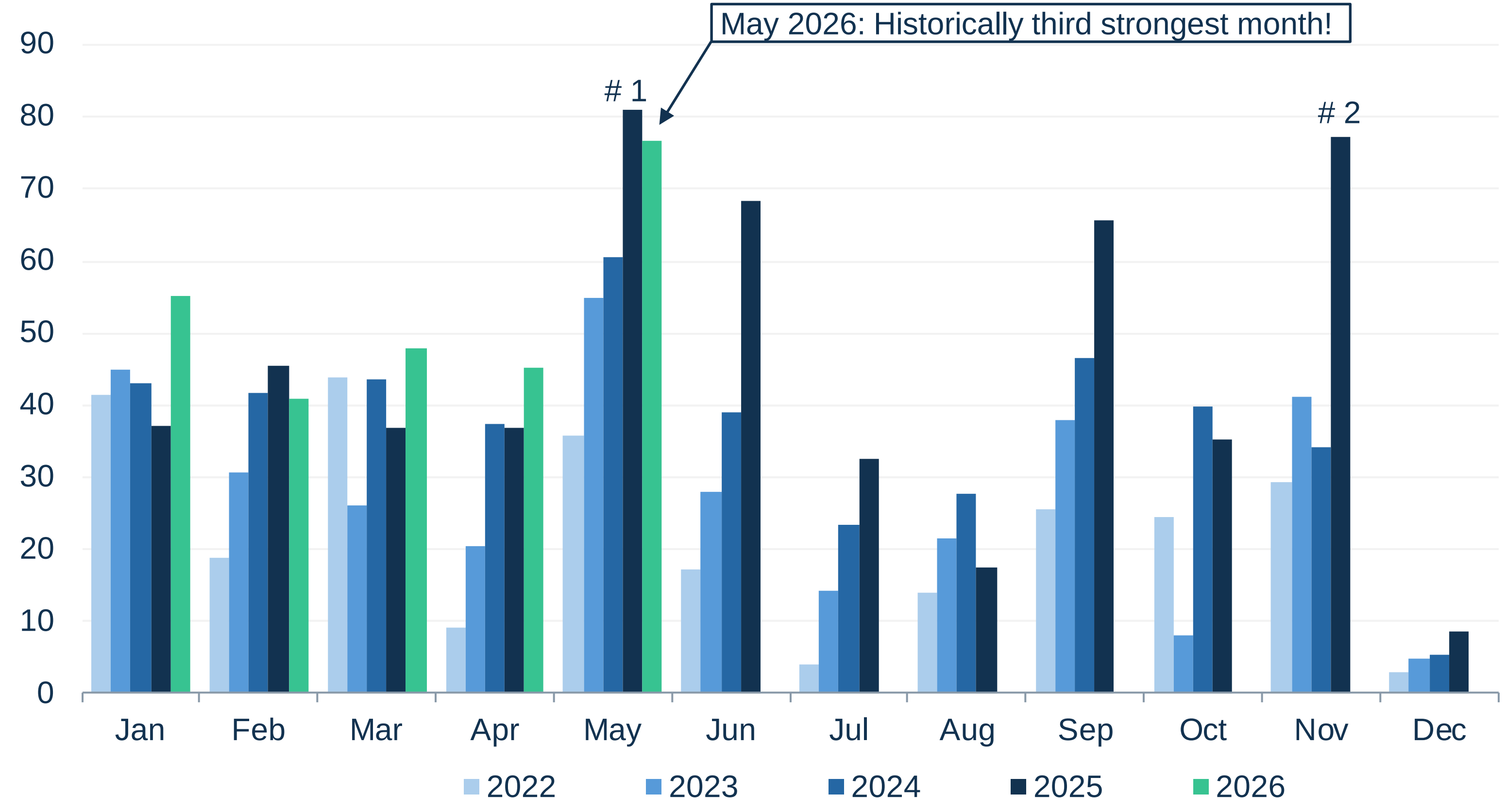
- In the wake of the Iran war, risk premiums for companies rose sharply in March 2026.
- Hopes for an end to the war and a normalization of energy supplies led to a significant recovery - in line with the stock markets.
- Currently, CDS premiums are almost at their lowest level in recent years.
- In our opinion, the continuing risks do not appear to be fully taken into account in the valuations.

Source: LSEG, LBBW Research

Record volume of new issues YTD

Monthly EUR new issues of corporate bonds since 2022

Volume in billion euros



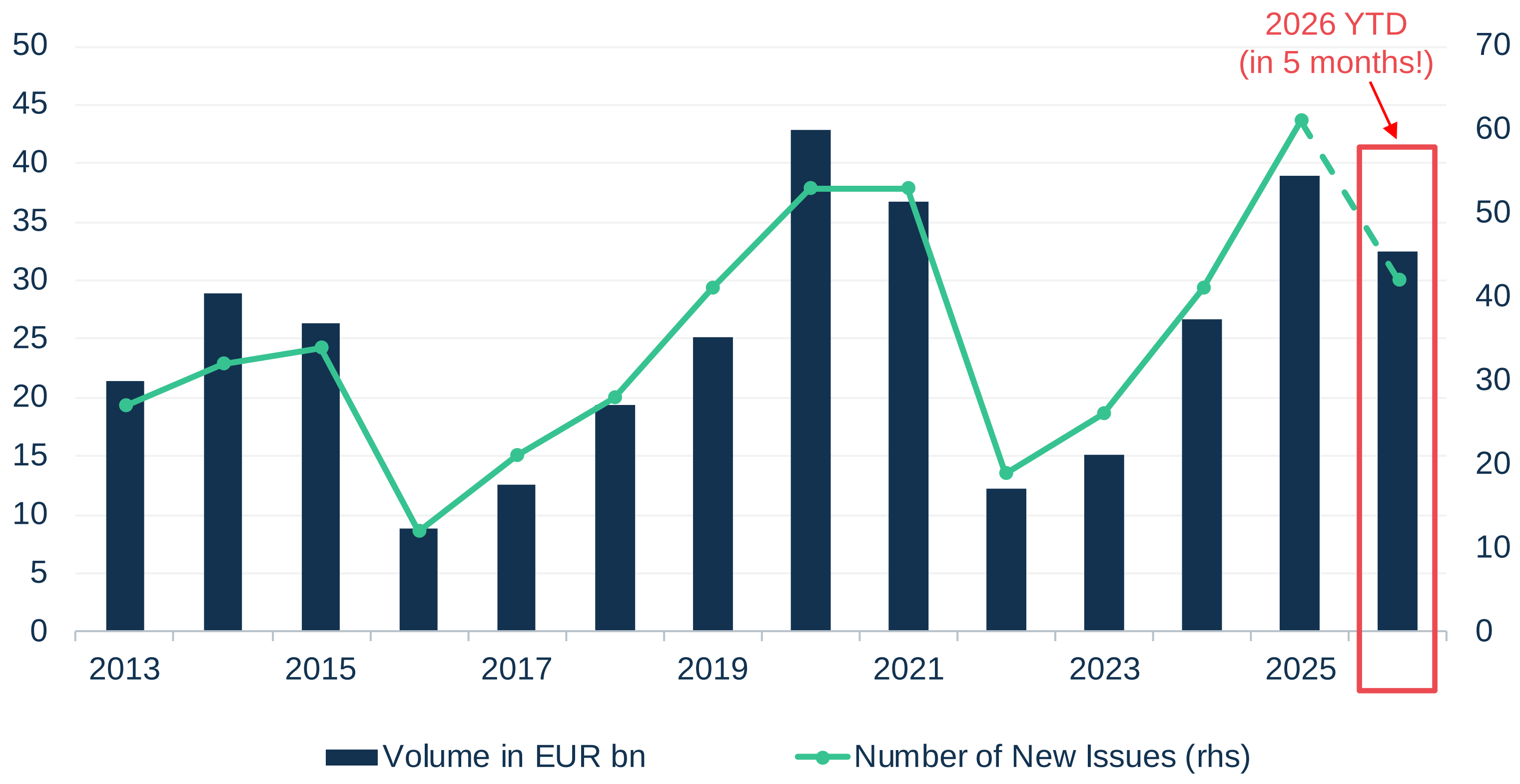
- Despite a difficult market environment (start of the Iran war on February 28), companies placed a high volume of new EUR bonds in March (+30 % YoY!).
- In May 2026, they even issued around EUR 77 billion, the third-highest monthly volume in history!
- In total, companies placed new bonds with a record volume of EUR 266 billion in the first five months of 2026 (+12 % YoY).
- Around a quarter of these came from US companies.
  In March 2026, Amazon achieved the largest EUR transaction of all time with EUR 14.5 billion.
  Alphabet followed in May with EUR 9.0 billion (historically the fourth largest transaction).

Source: Bloomberg, LBBW Research

Corporate hybrids on record course

EUR new issues of corporate hybrid bonds

Annual volume in billion euros and number of new bonds



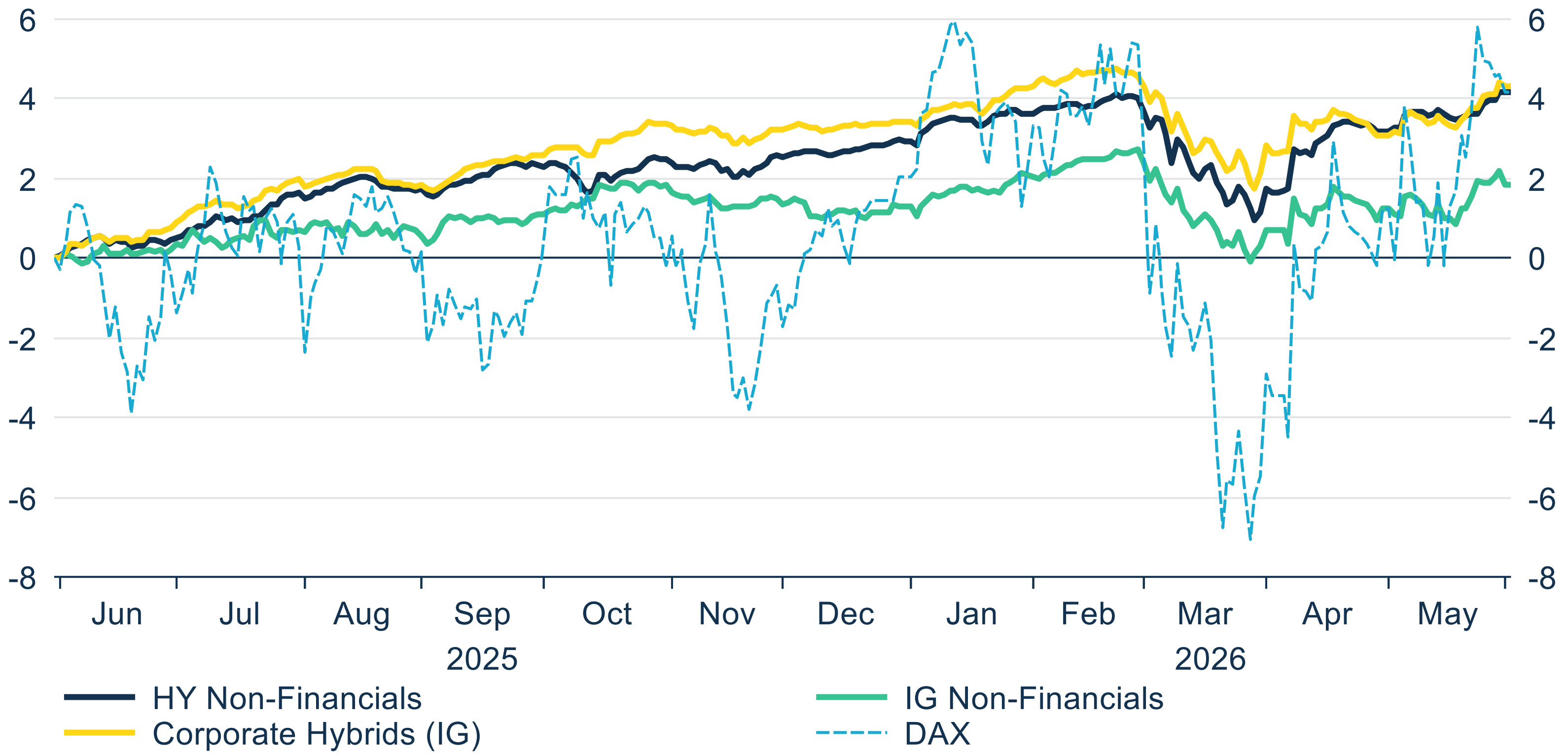
- The trend towards hybrid bonds continues: By the end of May 2026, companies had issued the fourth-largest annual volume of EUR hybrid bonds!
- The share of the hybrid bond volume in new issues YTD reached an exceptionally high level of 12% (in 2025 it was 7%).
- Advantages for investors: The subordinated hybrid bonds offer a yield premium over senior bonds.
- Advantages for companies: Due to their subordination, hybrid bonds are usually counted half as equity by the rating agencies.

Source: LSEG, LBBW Research

More stable performance compared to the DAX

Total return of corporate bonds and DAX

In % since 01.06.2025



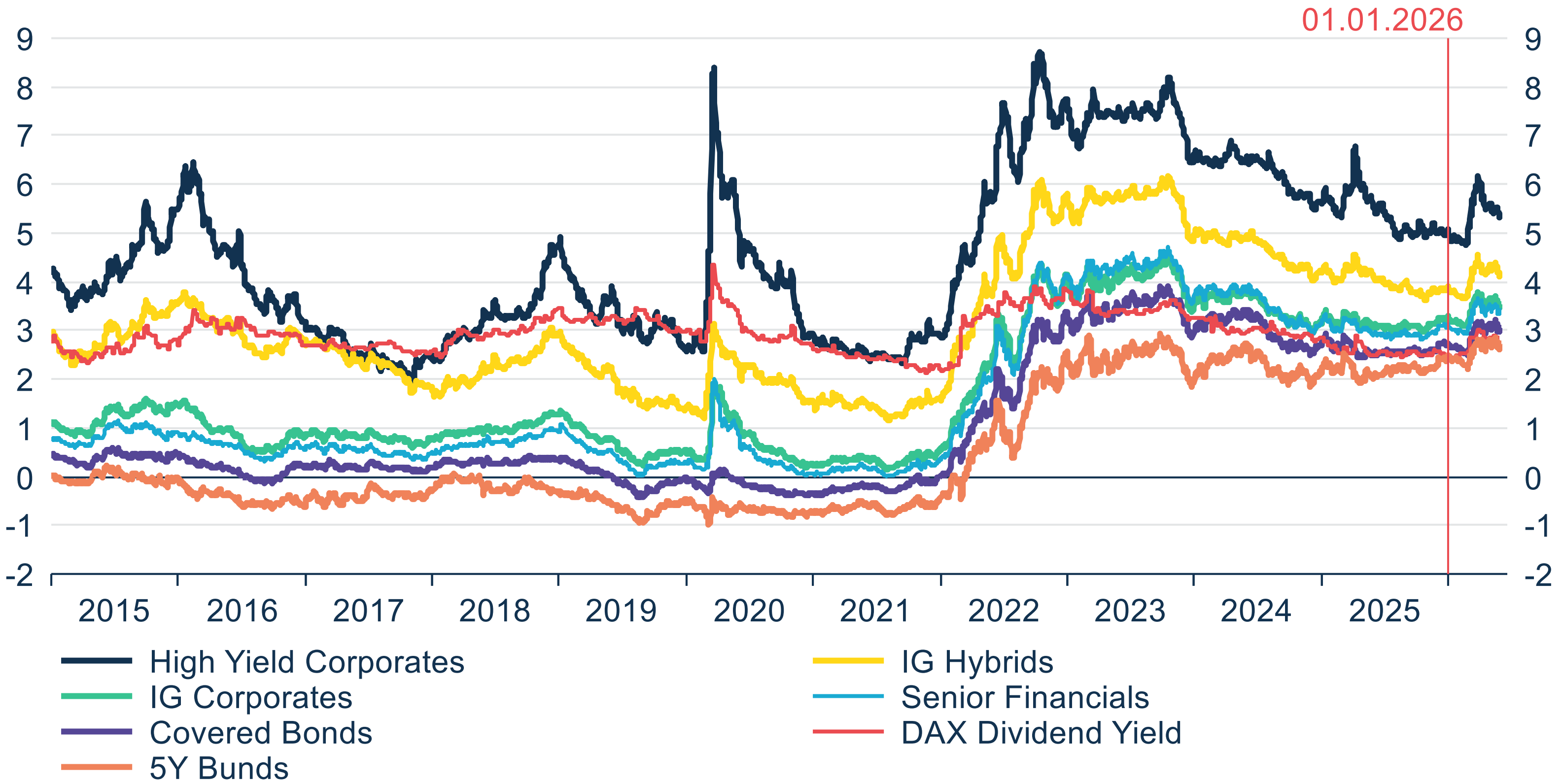
- The lower fluctuations in the EUR corporate bond indices can be seen here, for example, in a comparison with the German equity index DAX.

Source: LSEG, LBBW Research

Yields at a higher level

Yields in comparison

Indices for corporate bonds and other asset classes (yields in % p.a. to maturity)



- However, the consequences of the Iran war are visible in bond yields:
- In the wake of higher energy prices, yields on government bonds have also risen significantly (5Y Bunds close to 10-year high).
- As a result, index yields on corporate bonds also climbed to new annual highs in the meantime.
- If inflation risks increase, yields could rise further (as at the start of the Ukraine war in 2022).
- In the medium term, the higher yields offer an interesting risk/reward profile for investors - especially for corporate bonds with IG ratings.

Source: LSEG, LBBW Research

05

Equities between "the trend is your friend" and "the jug goes to the well, until it breaks".

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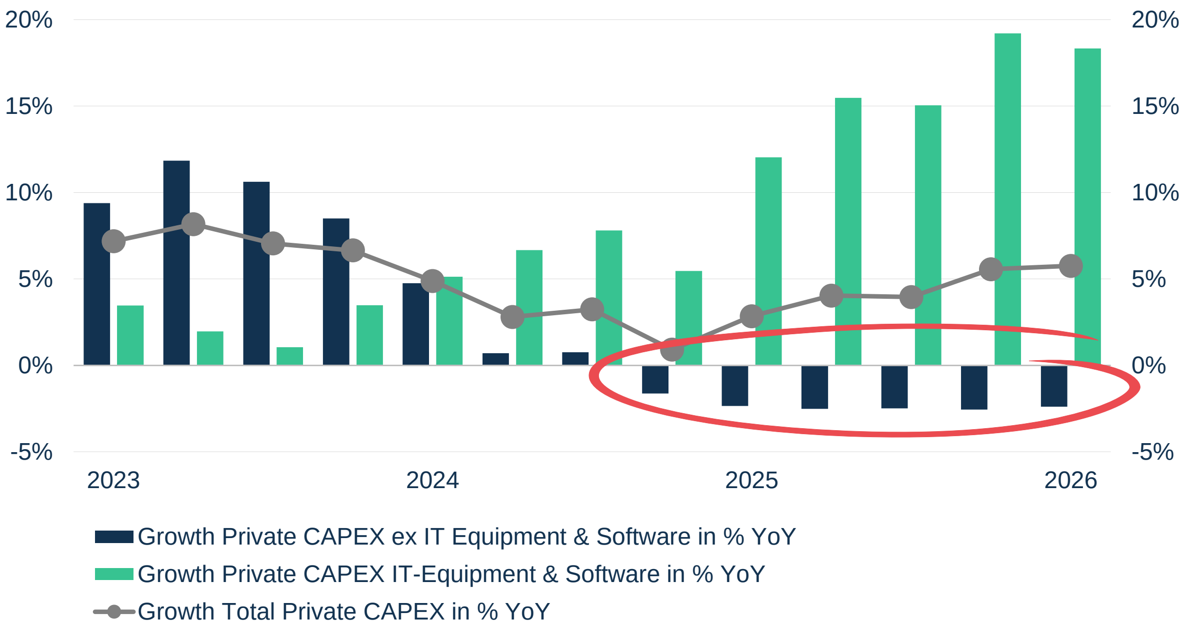
America with a "k-shaped economy" - one branch of the economy strong, the other brittle

Private US CAPEX

in % YoY

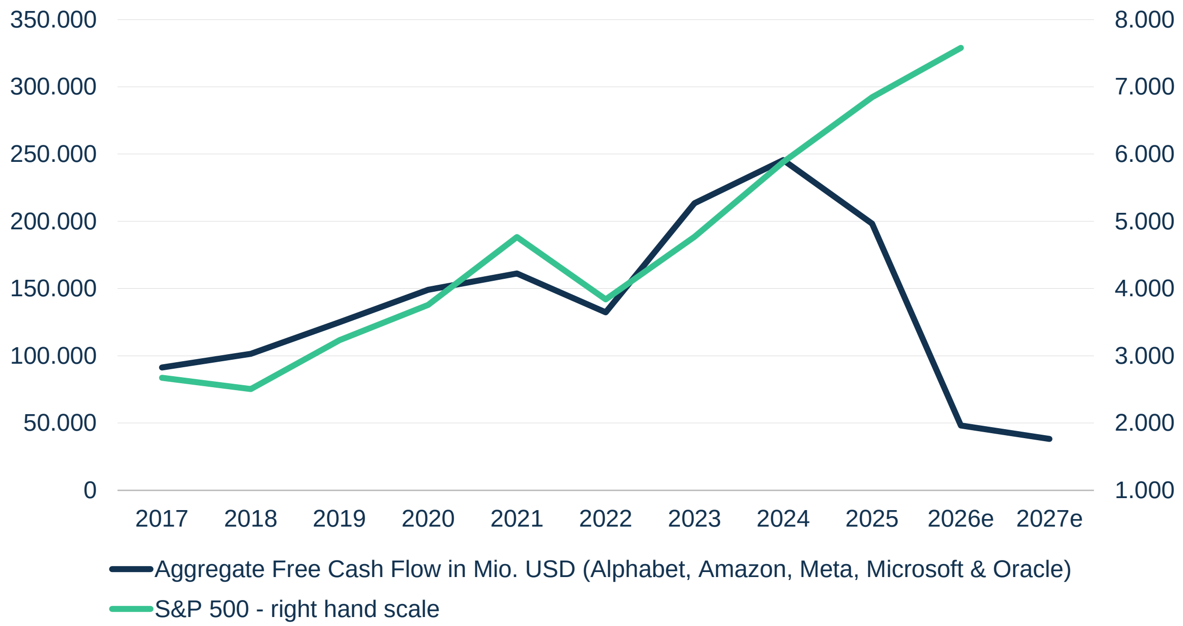


Source: LSEG, LBBW Research

- In 2023, private capital expenditure excluding IT equipment and software was still growing strongly in the US. It has been shrinking for six quarters now.
- On the other hand, investments in IT equipment and software rose sharply, thereby supporting the US economy.

Free cash flow of US hyperscalers vs. S&P 500

in million US dollars or in index points



Source: Bloomberg, LBBW Research

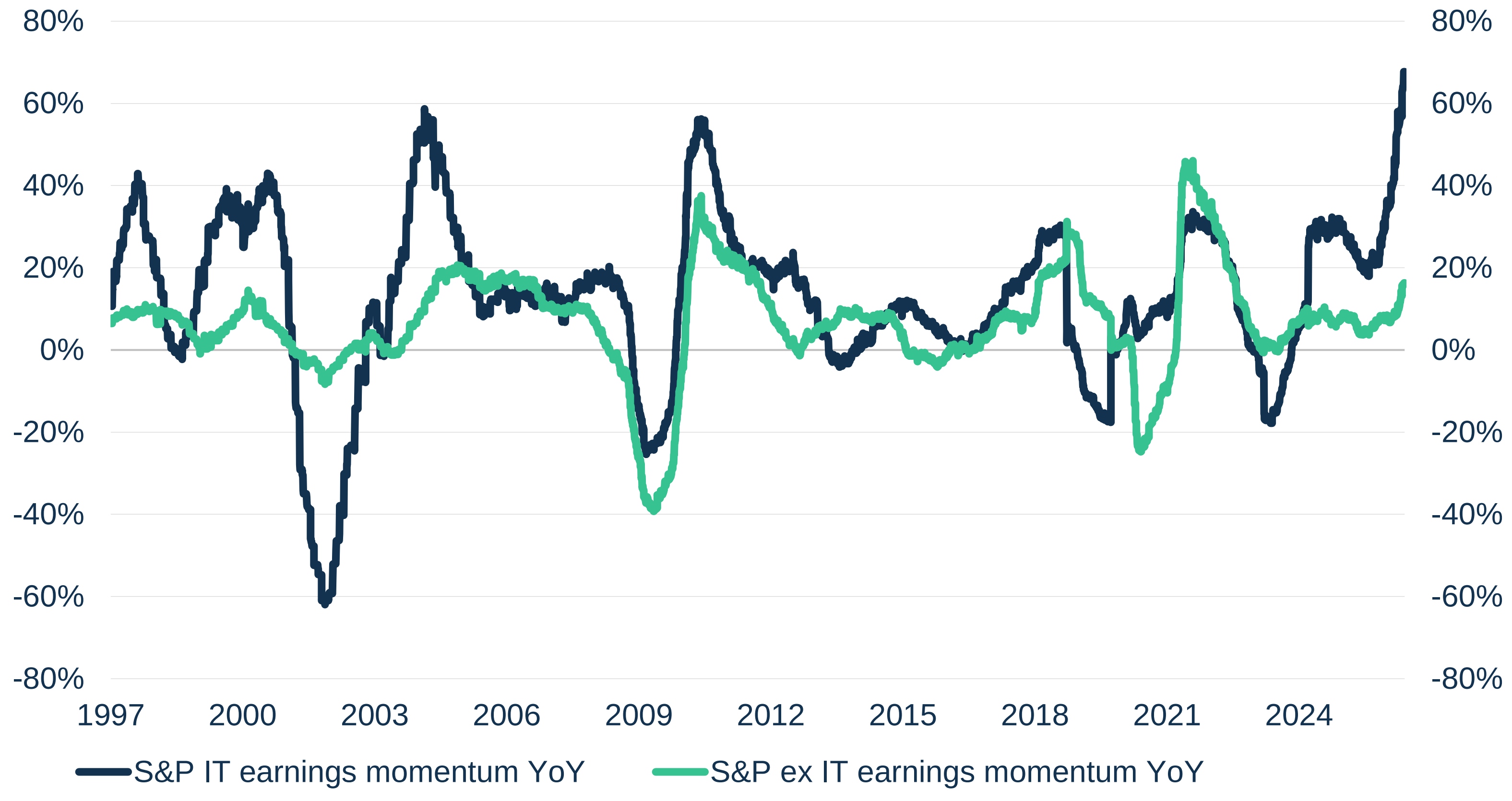
- For years, the free cash flows of today's "hyperscalers" developed in line with the S&P 500.
- Most recently, their spending on AI chips and data centers swallowed up such immense sums that their aggregate free cash flow dropped like a stone, while the S&P 500 continued to rise.

LBBW

Sunshine for US earnings: They have rarely risen so dynamically - in the IT sector never before

Earnings momentum in the S&P 500

Rate of change in 12-month forward earnings in % YoY



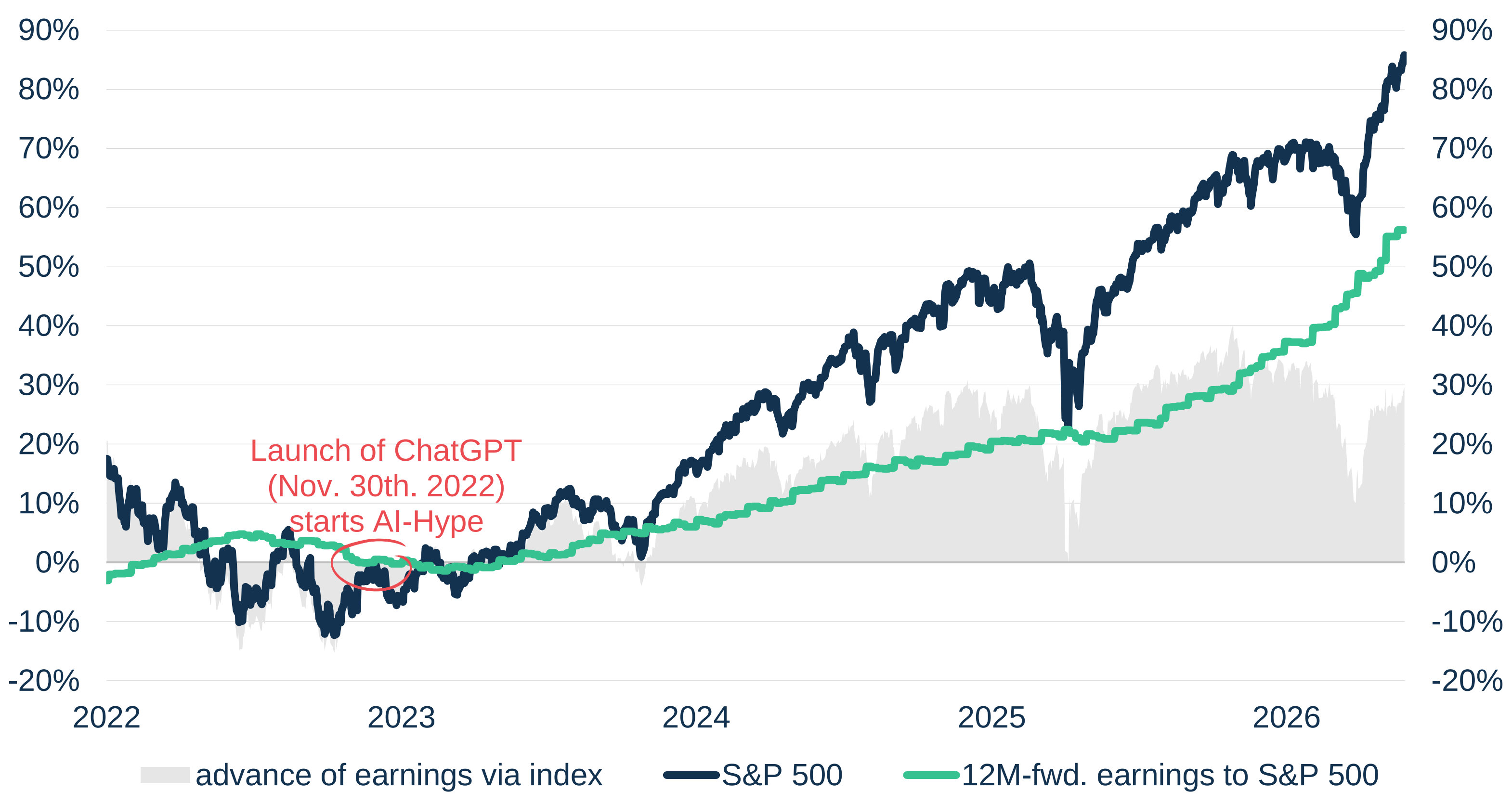
Source: LSEG, LBBW Research

- Profits in the US IT sector have never grown as dynamically as they are now. Due to their significantly increased sector weighting, this also has a much greater impact on the S&P 500 index gain than in the past.
- The "Energy" and "Materials" sectors (including petrochemicals) are also benefiting from the special "Iran war" boom.
- At first glance, therefore, there appear to be good reasons for prices to continue rising.
- However, the earnings dynamic is unlikely to be much better than it is now. After all, it is already five times the long-term median in the IT sector and twice the long-term median outside this sector.
- Instead of extrapolating the present, investors would probably be well advised to anticipate a weaker future.

Despite strong earnings - S&P 500 has outpaced its earnings by 30% since the start of the AI hype

S&P 500 versus its 12-month forward earnings

indexed in percent (30.11.2022 = Launch on ChatGPT = 0 %)



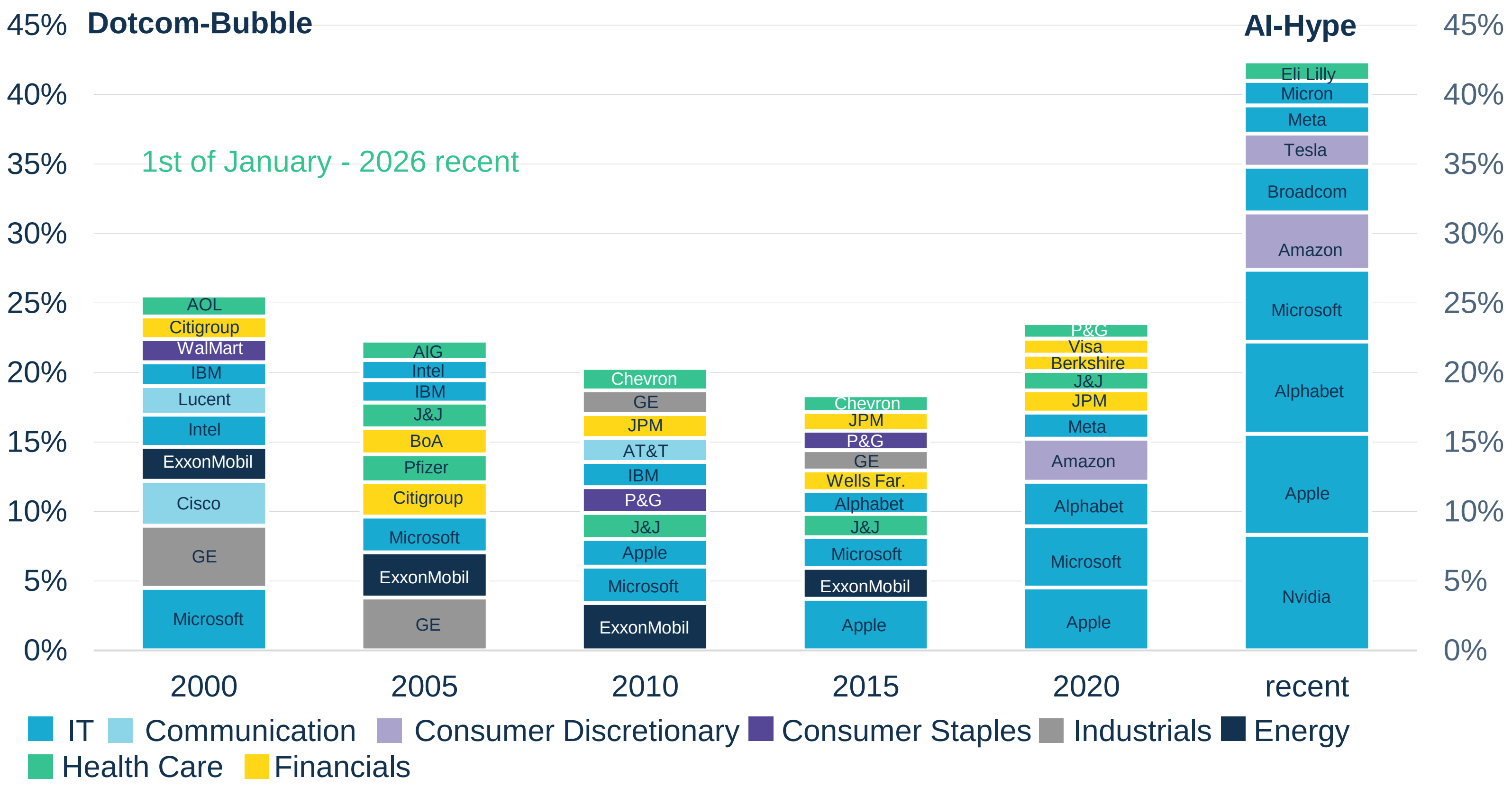
Source: LSEG, LBBW Research

- Although US index earnings have been so rapid since the start of the AI hype, the S&P 500 has risen even more strongly.
- Compared to the end of November 2022, when the AI hype started with the launch of ChatGPT, the leading US index mostly ran ahead of its earnings performance.
- Only in the wake of "Liberation Day" in spring 2025, and to a lesser extent at the beginning of the war in Iran, did the index and earnings performance largely correspond.
- Over the past nine weeks, the S&P 500 has again risen much more dynamically than its 12M fwd. earnings. Since the start of the AI hype, the cumulative advance of the S&P 500 over its 12M fwd. earnings is currently 30%.

Cluster risks in the S&P 500 higher than ever - at both stock and sector level

Ten largest stocks in the S&P 500 by capitalization

in percent



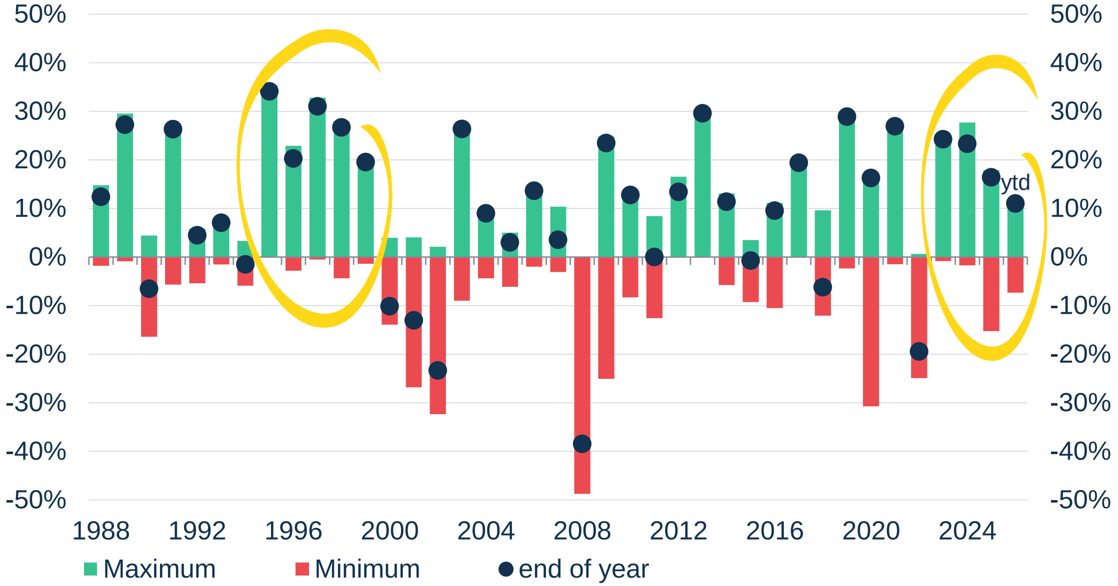
- At the height of the dotcom bubble, the ten largest stocks in the S&P 500 together accounted for 25.5% of the index capitalization. At the time, it was thought that a higher concentration was hardly possible.
- They now even account for 42.4%. Seven of these ten companies also come from a single sector, namely IT. Another IT company, AMD, is already lurking in twelfth place. And Amazon (because of it's daughter AWS) and Tesla are also dependent on AI.
- In terms of earnings, the dependency is even stronger. Over the past twelve months the IT sector (not including Amazon and Tesla!) acounted for more then 58% of the earnings growth of the whole S&P 500. That was around twice as high as in March 2000, when the bubble burst.

Source: LBBW Research

Behavioral finance sends its regards: Between "learned carelessness" and "fear of missing out"

S&P 500: Annual share price performance

in % with annual low, annual high and year-end

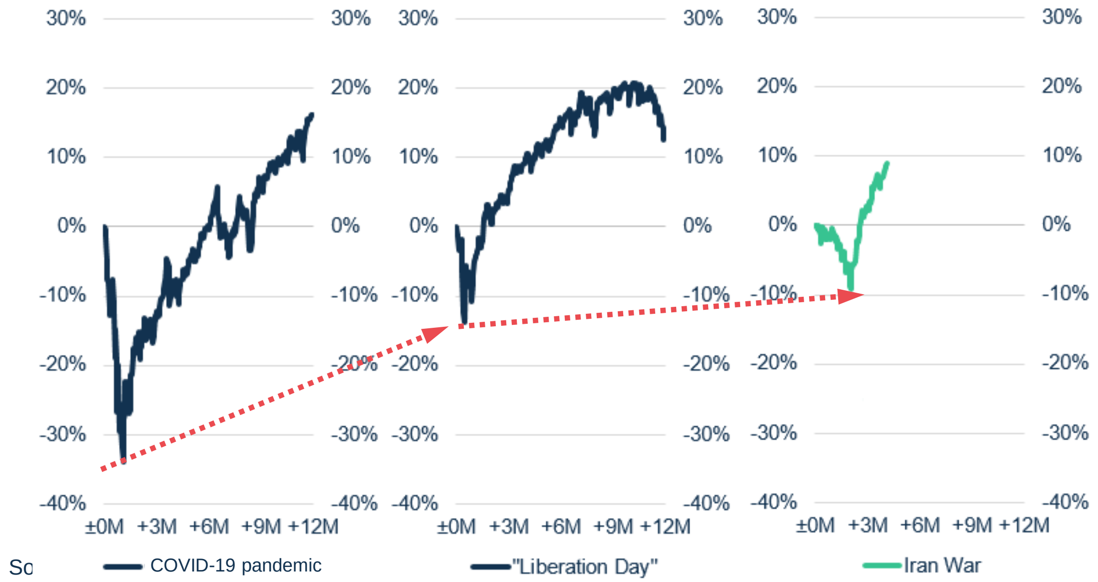


Source: LSEG, LBBW Research

- From 1995 to 1999, the S&P 500 not only rose sharply. During the year, it barely dipped below its starting value. And it also closed in the region of its highs for the year.
- As a result, investors "forgot" that shares involve risks. They became careless, in many cases even bought more and were caught on the wrong foot with high tech exposures in the bursting dotcom bubble.

Recent v-shaped recoveries in the S&P 500

in % indexed

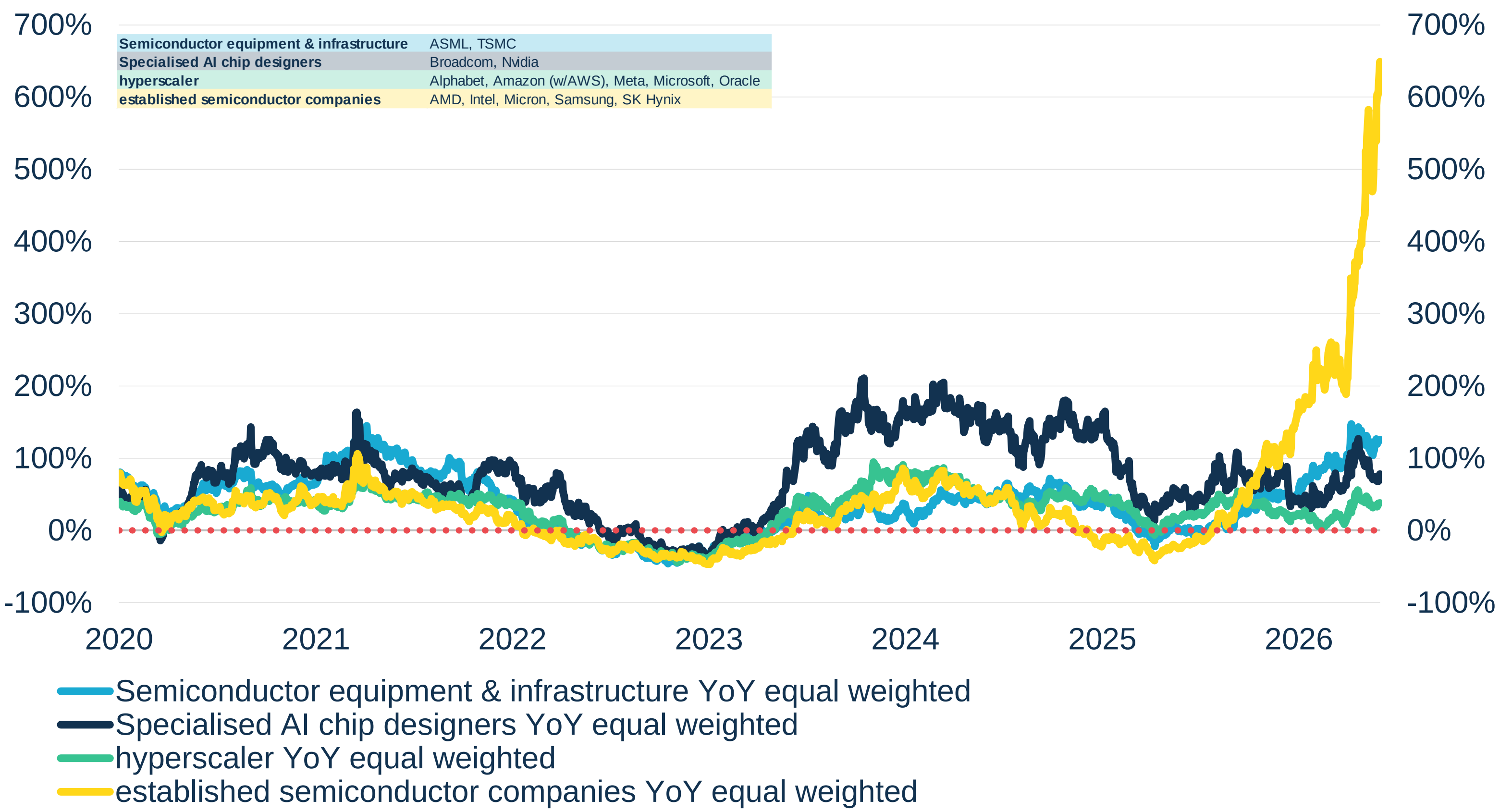


- The pattern since 2023 resembles the picture from back then. The setbacks in the wake of "Liberation Day" and the war in Iran were too brief, which is why the renewed lack of concern persists.
- In the past, crises usually led to extensive soil formation. However, prices recovered in a V-shape in the course of the pandemic. Investors therefore had to chase after them. They didn't want to experience this again, which is why they have been accessing it ever more quickly ever since.

Exuberant rally of established semiconductor companies shows clear signs of overheating

Price dynamics of the major IT stocks by field of activity

in percent YoY



Source: LSEG, LBBW Research

- To visualize how individual sub-segments developed during the AI rally, we divided them into different groups. The upward price momentum was strongest in 2021 (in anticipation of ChatGPT and the AI hype) and in 2024.
- At first glance, the typical products of established semiconductor companies, such as DDR SDRAM (main memory) or NAND SSD (flash mass storage), have little to do with AI. But every GPU cluster needs huge amounts of these, which is why they are now in short supply.
- This sub-group has recently seen an almost explosive rise in its share price - far more than any other. This is a clear sign of overheating and should be seen as a warning signal.

06

Forecasts and asset allocation

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Our big picture in a nutshell

Economic situation

- Germany: GDP likely to increase only minimally in 2026. Government spending stimulates demand, investments in particular are likely to benefit. Foreign trade slows down.
- High inflation and economic risks due to rising oil prices in the wake of the war in the Persian Gulf. Trade conflict with the USA continues to be a burden.

Stock markets

- Stock markets bet on end of Iran war and continuing AI boom.
- Bull market has gripped the entire AI ecosystem, risk of overspeculation is increasing.
- Rising interest rates are likely to slow down the investment boom.

Interest rate environment

Money market / Central banks

- Fed:
  Central bankers keep key interest rate unchanged for the foreseeable future. Increase more likely than a further reduction.
- ECB:
  Swing towards monetary policy tightening is imminent. Three interest rate hikes expected by the end of 2026, deposit rate then at 2.75 % for a longer period.

Returns

- EUR long-term interest rates:
  Upside risks dominate in view of growing inflation concerns and debt risks.

Foreign exchange

- The yield advantage of short-term US government bonds over German Bunds is likely to diminish.
- Erratic actions by the US president undermine confidence in the US dollar.
- The flight to the "safe haven" of the US dollar is unlikely to last.

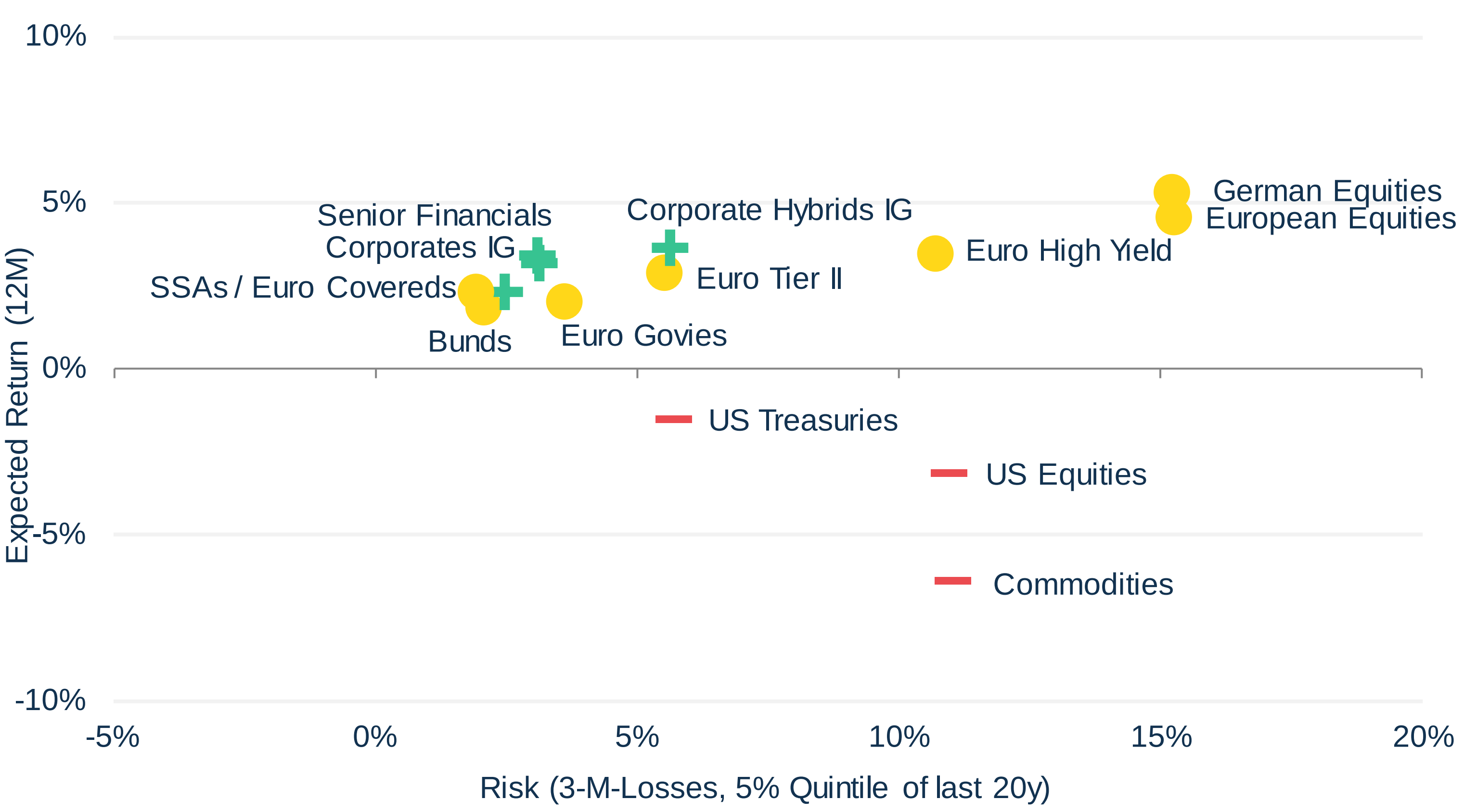
Raw materials

- Commodities with sharp price rises. Bloomberg Commodity Index reaches new all-time high.
- Supply risks for base metals support price trend. Upward trend in gold comes to a halt due to Middle East war.
- Iran war leads to oil boom. Significant correction potential once the Strait of Hormuz is fully passable again.

Asset allocation on a 12-month view: Risk & forecasts at a glance

Performance expectations versus risk (LBBW assessments)

in percent



Source: LSEG, LBBW Research

- There is also a risk that the Iran conflict will continue for longer and affect energy supplies. The risk/reward ratio for equities therefore appears unfavorable at the current high level.
- Bonds could still achieve a positive performance even if longer-term yields rise slightly.
- Assets in USD are suffering significantly from our forecast weakening of the USD: US Equities & Treasuries and Commodities include a negative currency effect of around 6%.

Asset allocation over 6-12 months: Assessments at a glance

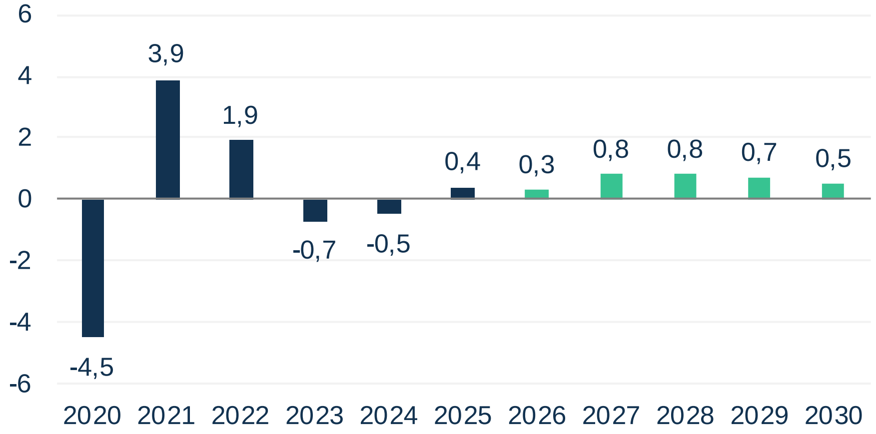
Allocation overview (under observation of 6 - 12 months)

Exposure	Recommendation		Segments		Regions	Strategies
Rates	0	0	0-3 years	0/+	Euro periphery	Multi-Callables
		0/+	4-7 years	0	German Bunds	Inflation-linked bonds
		0/-	8-10 years	0/-	USD-Bonds	
Credit	0/+	0/+	Corporate Inv. Grade	0/-	Emerging Markets Debt	
		0	Corporate High Yield			
		0/+	Corporate Hybrids (IG)			
		0/+	Senior Financials			
		0/+	Covered Bonds/SSAs			
		0	Tier 2 Inv. Grade/ Sen. Non-Pref.			
Equity	0/-	+	Banks	0/-	USA	Value
			Energy	0/+	Japan	Dividend Strategies
			Healthcare	0/+	Europe ex Germany	Mid Caps
			Real Estate	0/+	Germany	
			Industrials	0	China	
			Telecoms	0/+	EMMA ex China	
			Technology			
Currencies	0/+		vs. Euro	+	GBP	Selective
				0	USD, CNY	
				-	CHF, JPY	
Commodities	0	0/+	Precious metals	+	Gold	Selective
		0/+	Base metals	+	Copper	
		-	Energy	-	Brent	
Real Estate	0/-	0/+	Residential, Local Supplier, Logistics	0	Germany	
		0	"High Street" Retail			
		0/-	Office			

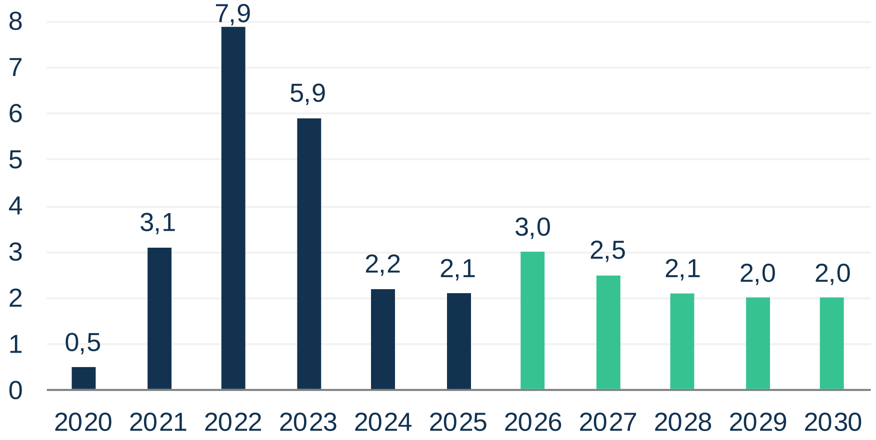
Source: LBBW Research

Main scenario (60 %)

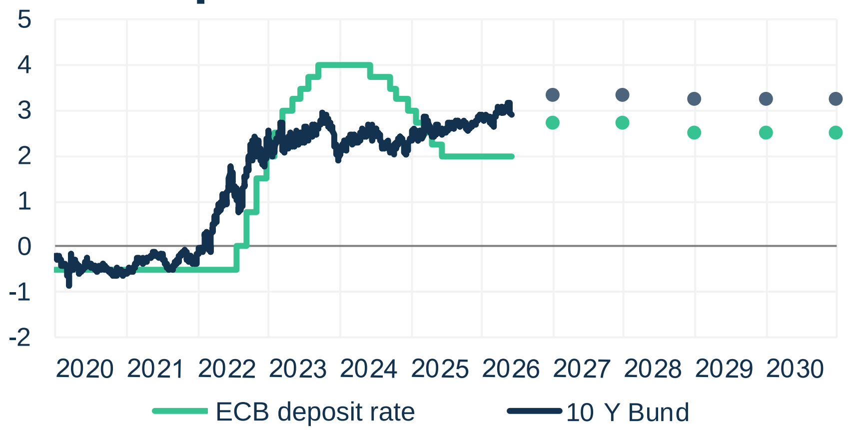
Germany GDP growth (YoY)*



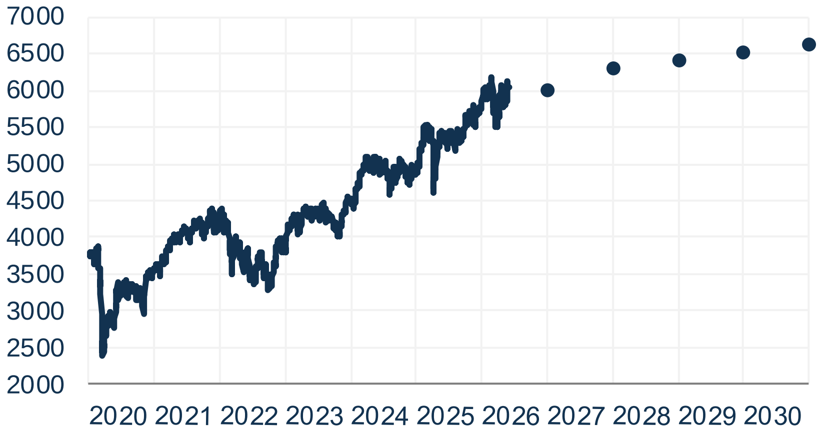
Germany Inflation (YoY)*



ECB deposit rate & 10 J Bund*



Euro Stoxx 50*



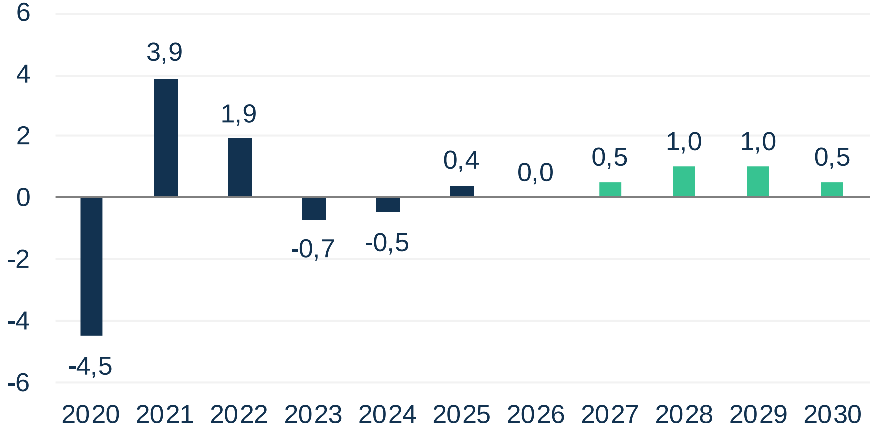
Sources: Bloomberg, LBBW Research

*GDP and inflation are annual averages, interest rates and Euro Stoxx 50 are year-end values in the forecasts

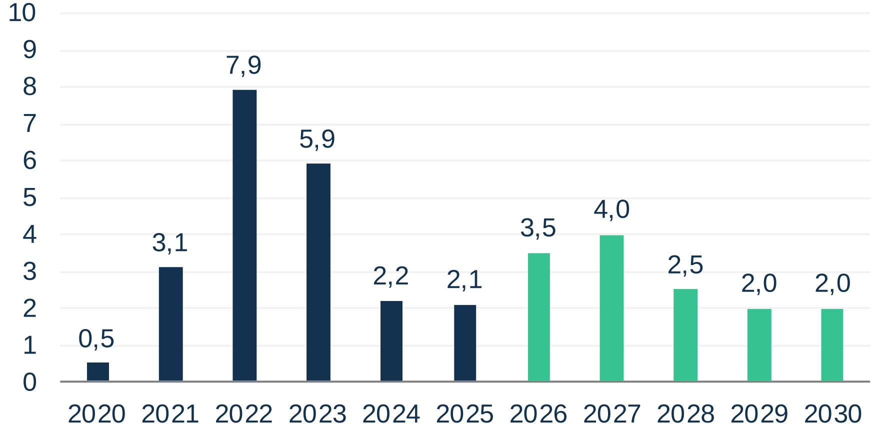
LBBW

Negative scenario 1)
"Energy price shock" (20 %)

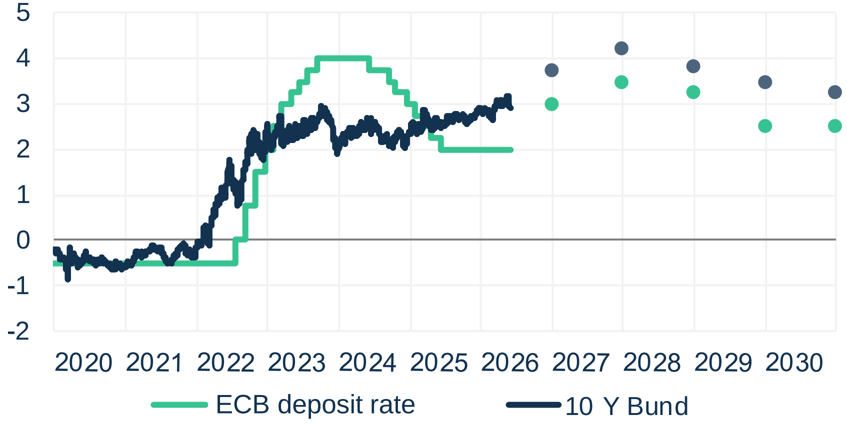
Germany GDP growth (YoY)*



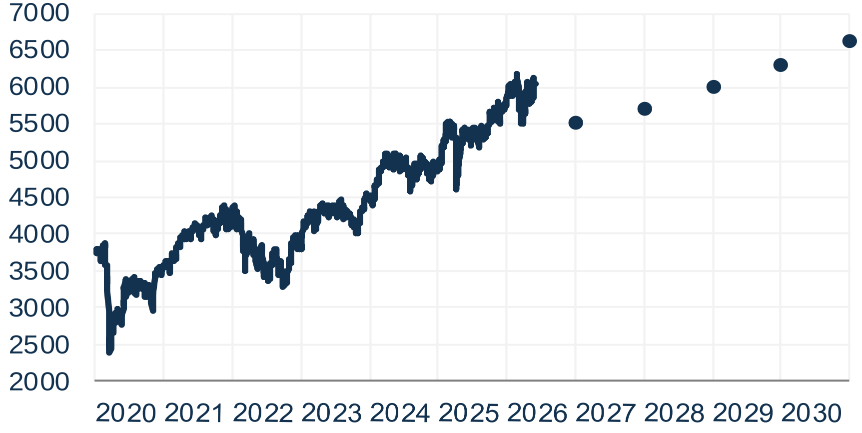
Germany Inflation (YoY)*



ECB deposit rate & 10 J Bund*



Euro Stoxx 50*

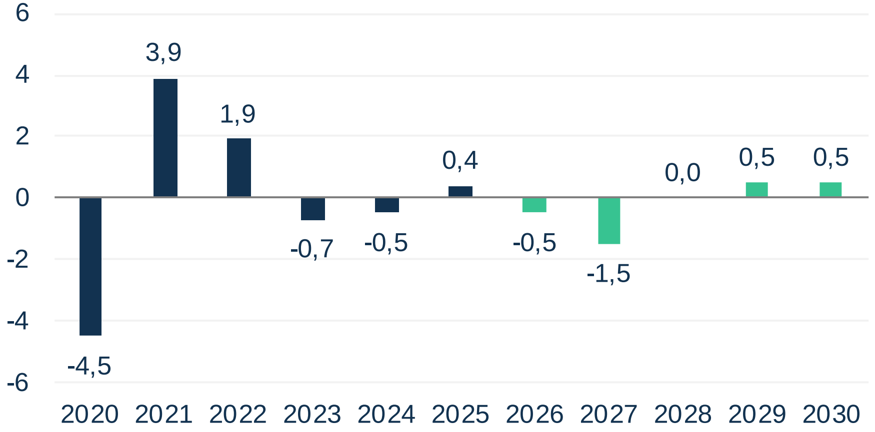


Sources: Bloomberg, LBBW Research

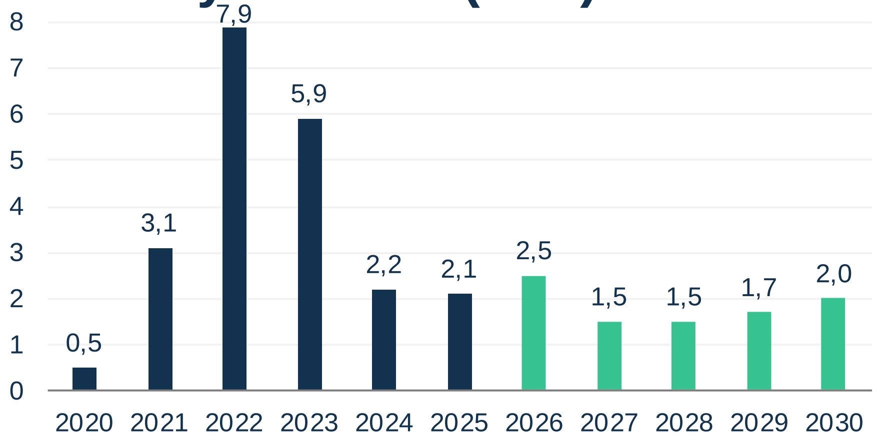
*GDP and inflation are annual averages, interest rates and Euro Stoxx 50 are year-end values in the forecasts

Negative scenario 2)
"AI bubble" / "China-Taiwan" (10 %)

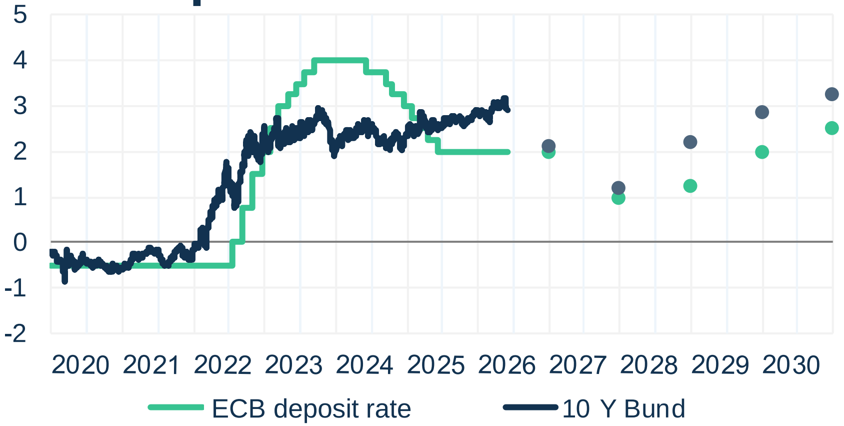
Germany GDP growth (YoY)*



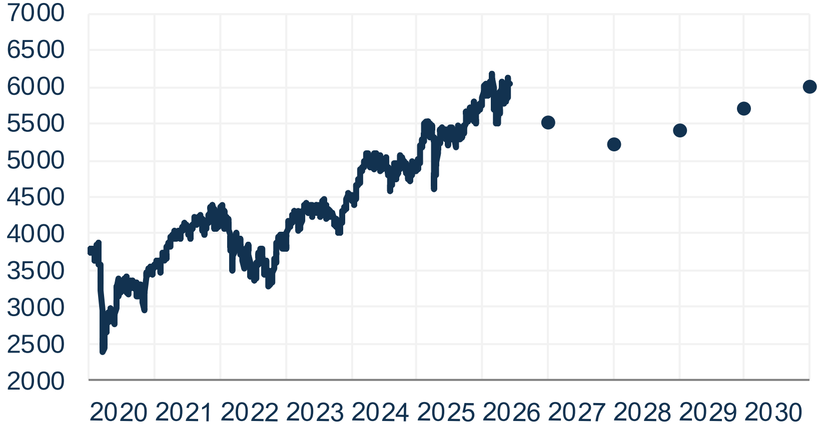
Germany Inflation (YoY)*



ECB deposit rate & 10 J Bund*



Euro Stoxx 50*

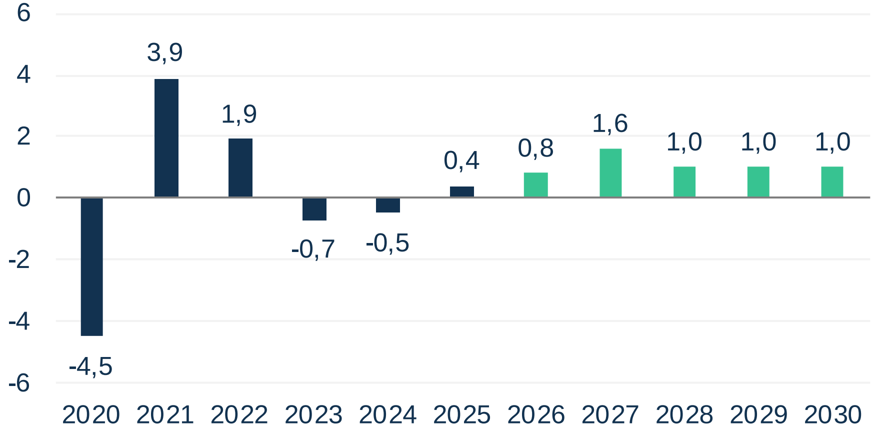


Sources: Bloomberg, LBBW Research

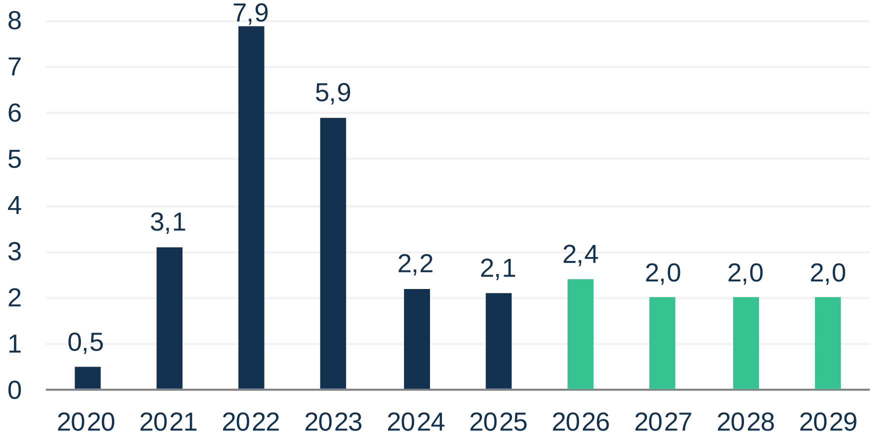
*GDP and inflation are annual averages, interest rates and Euro Stoxx 50 are year-end values in the forecasts

Positive scenario (10 %)

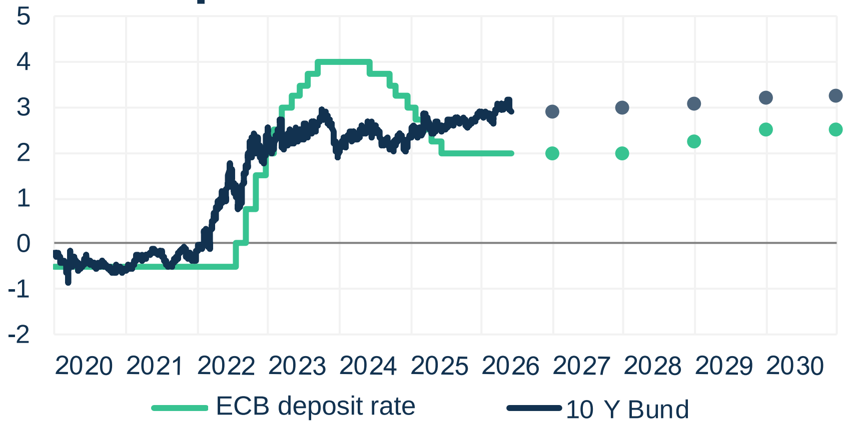
Germany GDP growth (YoY)*



Germany Inflation (YoY)*



ECB deposit rate & 10 J Bund*



Euro Stoxx 50*

Sources: Bloomberg, LBBW Research

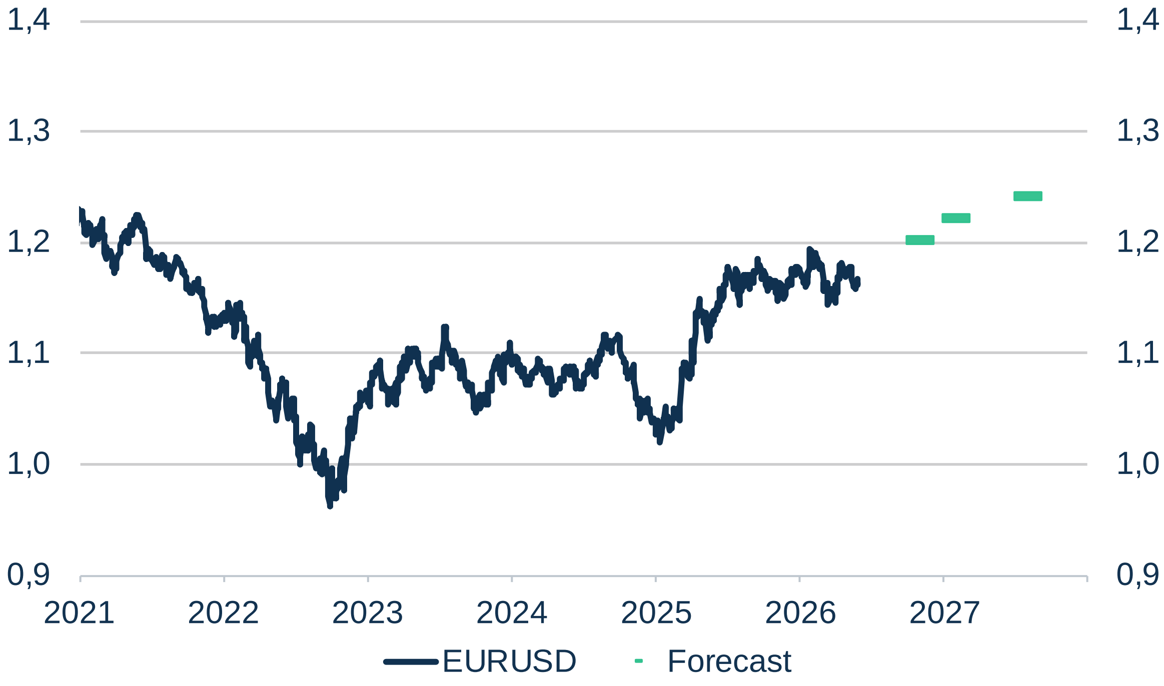
*GDP and inflation are annual averages, interest rates and Euro Stoxx 50 are year-end values in the forecasts

07

Appendix

EURUSD: ECB interest rate hikes should boost the euro

FX EUR/USD



	Spot	Historical Data			Forecast		
		Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURUSD	1.17	1.13	1.17	1.17	1.20	1.22	1.24

Source: LSEG, LBBW Research

Pro EUR

- Due to the role of the US dollar as the world's reserve currency, the high level of US government debt has so far not been a disadvantage for the greenback. But unbridled debt threatens at some point to overstretch the limits.
- Donald Trump irritates the currency markets with comments about the benefits of a weak dollar.
- Erratic actions by the US President in customs matters and the undermining of the Fed's independence are causing uncertainty and spooking currency markets.
- While we forecast that the ECB will raise its key interest rates three times in 2026, the Fed is unlikely to make any changes to its key interest rates.

Contra EUR

- Political uncertainty could increase in the run-up to the French presidential elections in April 2027.
- High national debt in France threatens to restrict the ECB's room for maneuver.

EURGBP: Pound sterling is undervalued against the euro according to purchasing power parity

FX EUR/GBP

		Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURGBP	0.87	0.86	0.87	0.87	0.85	0.85	0.85

Source: LSEG, LBBW Research

Pro EUR

- According to OBR forecasts, the UK's national debt will rise to 96% of GDP by the end of the decade despite recent tax increases.

Contra EUR

- According to purchasing power parity, the pound sterling is significantly undervalued against the euro.
- The high proportion of services in British value creation should also prove to be an advantage in the customs dispute - the UK is significantly less reliant on goods exports than major eurozone countries.
- The large yield advantage of British government bonds over their eurozone counterparts should continue.

EURCHF: Swiss franc interest rate disadvantage likely to increase further

FX EUR/CHF

		Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURCHF	0.91	0.94	0.93	0.93	0.92	0.93	0.94

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro CHF

- According to our purchasing power parity (PPP) calculation, the Swiss franc is slightly undervalued against the euro.
- Geopolitical conflicts and political risks are fueling the flight to the "safe haven" of the franc.

Contra CHF

- The SNB has kept the key interest rate constant at 0 % since June 2025. The monetary authorities are also emphasizing their increased willingness to intervene in the foreign exchange market. The interest rate disadvantage of the Swiss franc against the euro is likely to increase further.
- The Swiss franc is at a historically strong level against the euro.
- The US tariff policy is hitting the export-oriented Swiss economy hard.

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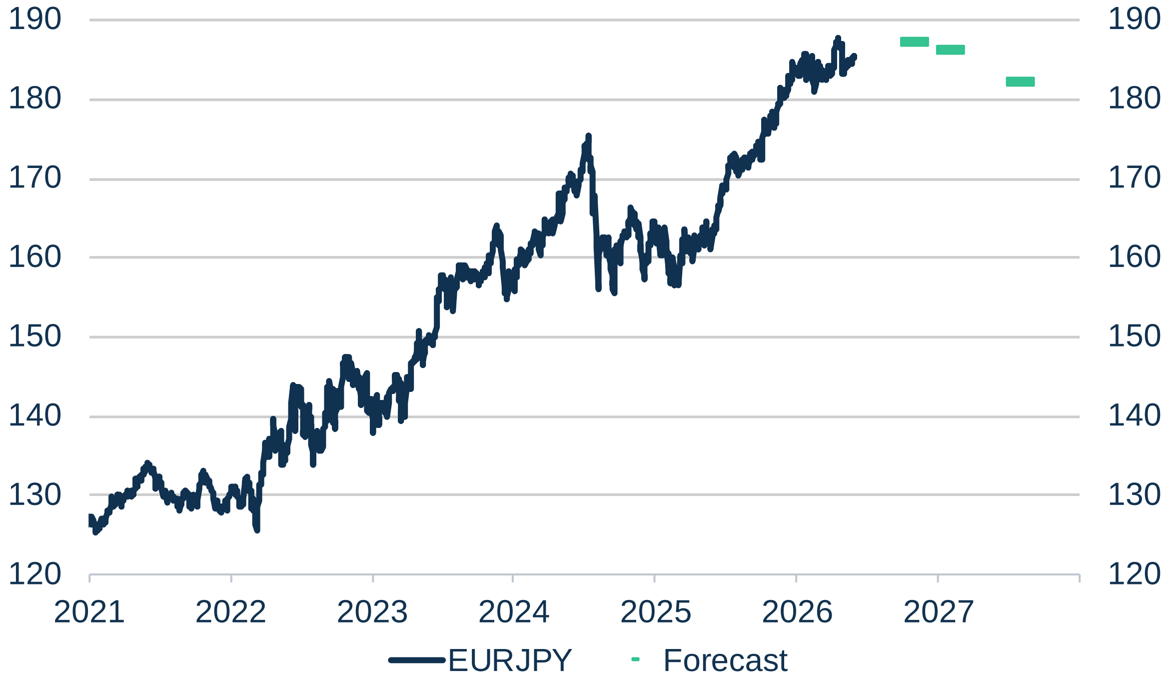
EURJPY: Bank of Japan intervenes in the foreign exchange market in favor of the yen

FX EUR/JPY



	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURJPY 185.45	169.08	184.09	175.82	187.00	186.00	182.00

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

- ECB interest rates are already higher than those of the BoJ and the Iran war with its inflation risks increases the likelihood of euro interest rates rising further in the near future.
- Japan's economy remains weak and the Iran war is now also jeopardizing Japan's energy supply.
- Prime Minister Takaichi is in favor of higher government spending and propagates low interest rates.

Contra EUR

- The BoJ is likely to take another interest rate step upwards. This is underpinned by rising inflation rates due to energy prices.
- The pressure from the USA to strengthen the yen against the USD by raising interest rates continues.
- The BoJ recently intervened several times on the currency market to support the yen.

LBBW

EURCNY: Rising interest rate differential slows yuan rally

FX EUR/CNY

		Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURCNY	7.90	8.13	8.20	8.31	8.22	8.17	7.94
USDCNY	6.77	7.19	6.99	7.13	6.85	6.70	6.40

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

- In the absence of a solution to the Iran war, the European Central Bank signals readiness to raise interest rates in the near future; euro yields rise.
- A global decline in demand is weighing on momentum in China's manufacturing industry.
- The fundamental weakness of the Chinese real estate market continues; liquidity concerns in the sector are causing unrest.

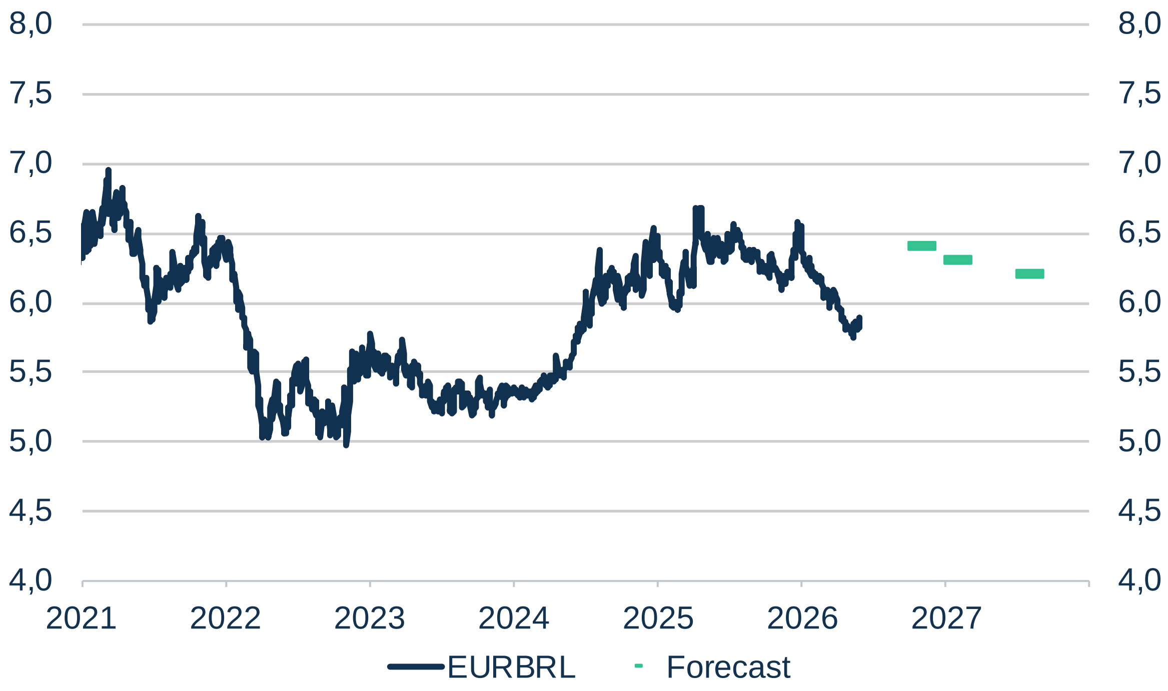
Contra EUR

- The energy price shock hits Europe's economy relatively harder due to its high dependence on fossil fuels.
- In the medium term, China's industry will benefit from an accelerated energy transition at a global level.
- In view of global risks, the Chinese central bank (PBoC) currently prefers a firmer exchange rate.

LB☰BW

EURBRL: Interest rate reduction cycle in Brazil likely to end earlier than previously expected

FX EUR/BRL



		Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURBRL	5.87	6.31	6.44	6.33	6.40	6.30	6.20

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

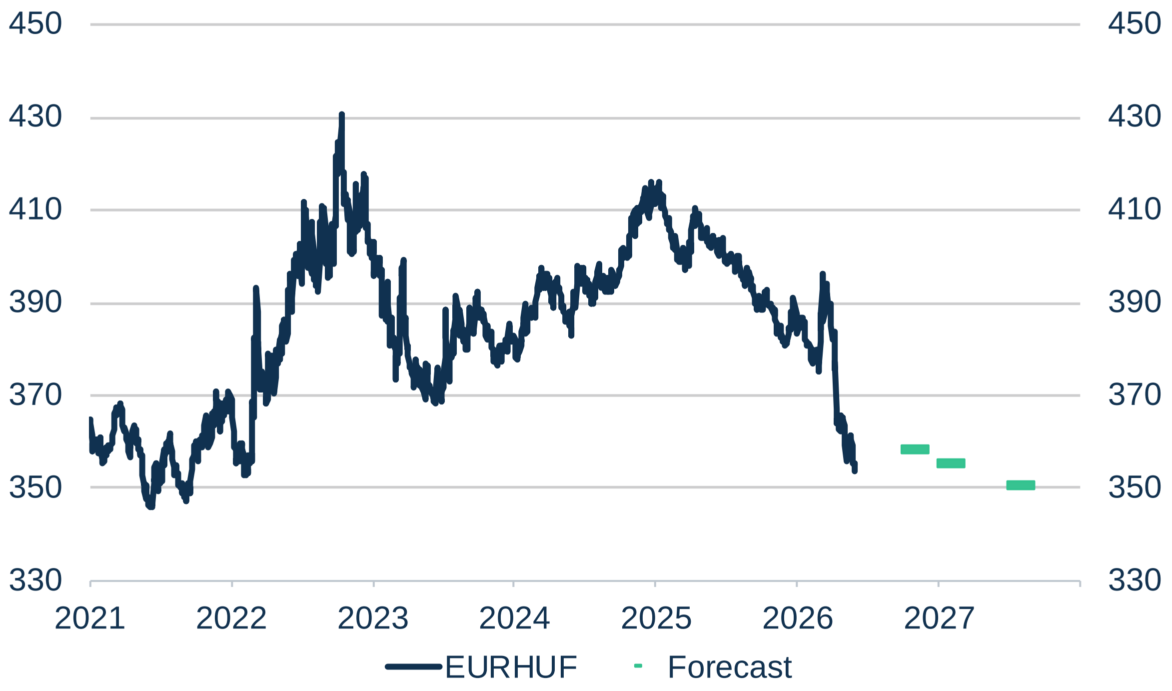
- The high national debt is a burden on Brazil's public budget; consolidation is only progressing slowly.
- The upcoming general elections in October are increasing political uncertainty.

Contra EUR

- With a key interest rate of 14.50 %, the real continues to offer a clear yield advantage.
- Brazil's economy is expected to grow by just under 2% in 2026, slightly faster than the eurozone.
- The trade surplus should remain robust and increase compared to the previous year - driven by oil, soy and iron ore.

EURHUF: The Hungarian government agrees with the EU to release frozen funds

FX EUR/HUF



	Spot	Historical Data Ø 2025	Dec-25	Ø H2 25	Forecast Sep-26	Dec-26	Jun-27
EURHUF	353.69	397.84	385.15	391.20	358.00	355.00	350.00

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

- Hungary's fiscal policy has so far led to high budget deficits. Budget consolidation under the new government will only be implemented slowly.
- The Hungarian central bank is ready to ease. Interest rate cuts would reduce the forint's interest rate advantage.

Contra EUR

- Hungary's government wants to introduce the euro in the medium term. This requires important reforms that strengthen investor confidence.
- The rapprochement with the EU following the change of government is likely to lead to the release of additional frozen EU funds in the future. These will support the economy.
- The forint continues to offer a clear interest rate advantage.

LBBW

EURMXN: Mexico's credit rating downgraded due to persistently weak fiscal situation

FX EUR/MXN

	Spot	Historical Data			Forecast		
		Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURMXN	20.19	21.67	21.12	21.54	22.40	22.30	22.10
USDMXN	17.30	19.17	17.98	18.46	18.67	18.28	17.82

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

- Mexico's economic growth is slowing and is likely to be below 1% this year.
- The peso's interest rate advantage is likely to decline as the ECB raises its key rates over the course of the year.
- There is increased uncertainty due to the upcoming renegotiation of the North American Free Trade Agreement and institutional risks.
- Deteriorating fiscal situation leads to credit rating downgrade.

Contra EUR

- The peso continues to offer an interest rate advantage over the euro.
- Nearshoring and close ties to the USA remain structural pillars for exports and investments.

EURPLN: Poland's growth falls short of expectations in the first quarter

FX EUR/PLN

	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURPLN 4.23	4.24	4.22	4.25	4.32	4.36	4.36

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

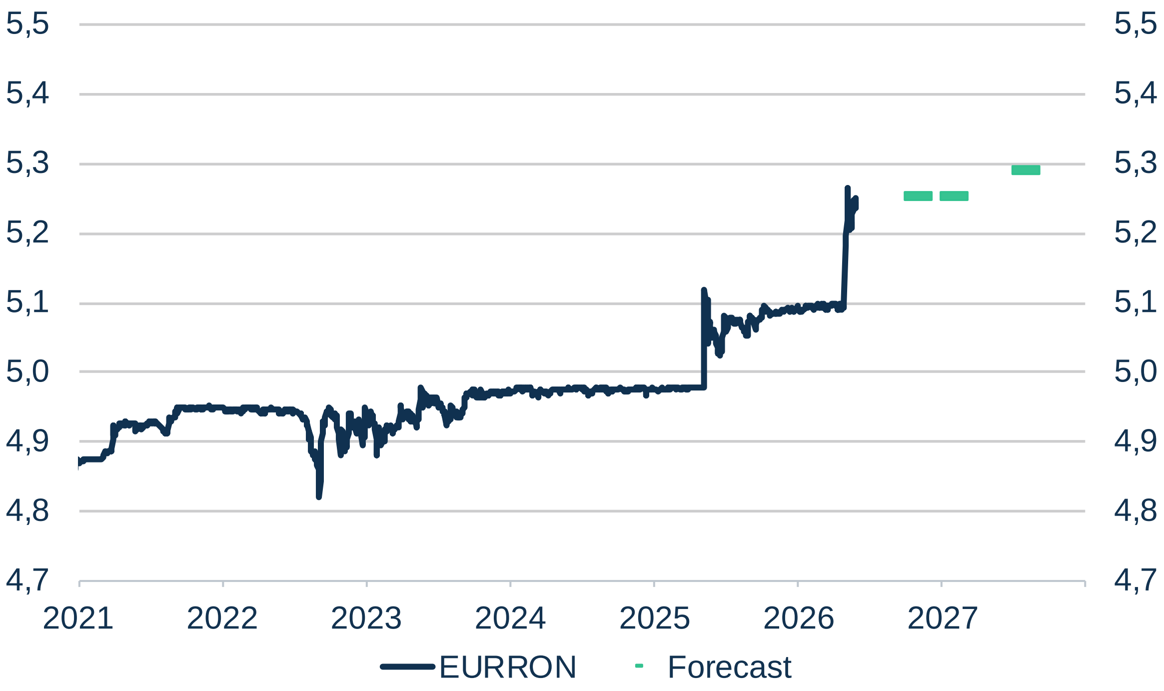
- Poland's fiscal policy remains a weak point. The budget deficit was around 6.9% in 2025, pushing government debt towards 60%.
- Political tensions between the government and the president are complicating the economic policy course.
- The rise in inflation limits the scope for interest rate cuts. This could slow down growth.

Contra EUR

- As in previous years, Poland's economy is likely to continue to grow faster than that of the eurozone.
- With a key interest rate of 3.75%, the zloty continues to offer an interest rate advantage over the euro.

EURRON: Rapid formation of government and continuation of the reform course necessary

FX EUR/RON



	Spot	Historical Data Ø 2025	Dec-25	Ø H2 25	Forecast Sep-26	Dec-26	Jun-27
EURRON	5.25	5.04	5.10	5.08	5.25	5.25	5.29

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

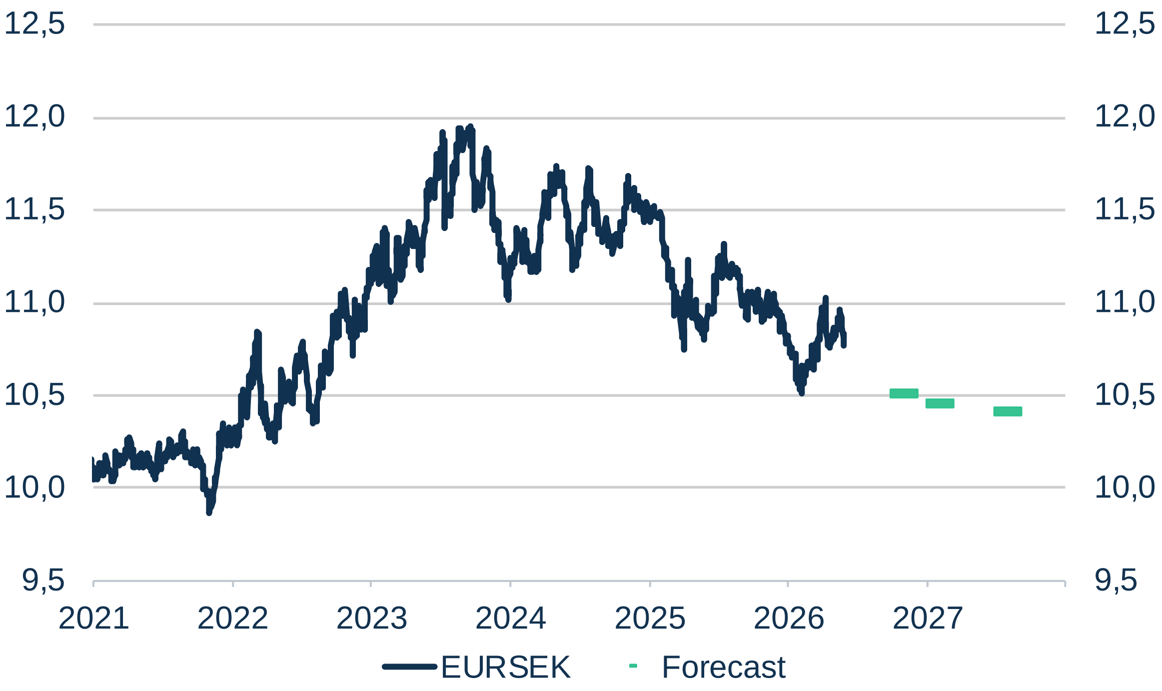
- The fiscal risks remain high. After 7.7% in the previous year, the budget deficit is expected to fall to around 6.2% in 2026 - still the highest in the eurozone.
- The break-up of the governing coalition is increasing political uncertainty and weighing on the Leu.
- The VAT increase has pushed up inflation and limits the scope for interest rate cuts.
- The economy is only expected to grow by just under 1% this year.

Contra EUR

- The high inflow of EU funds should support growth.
- With a key interest rate of 6.5%, the leu continues to offer an interest rate advantage over the euro.

EURSEK: Low inflation makes a further interest rate cut possible

FX EUR/SEK



	Historical Data			Forecast			
	Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURSEK	10.77	11.06	10.83	11.03	10.50	10.45	10.40

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

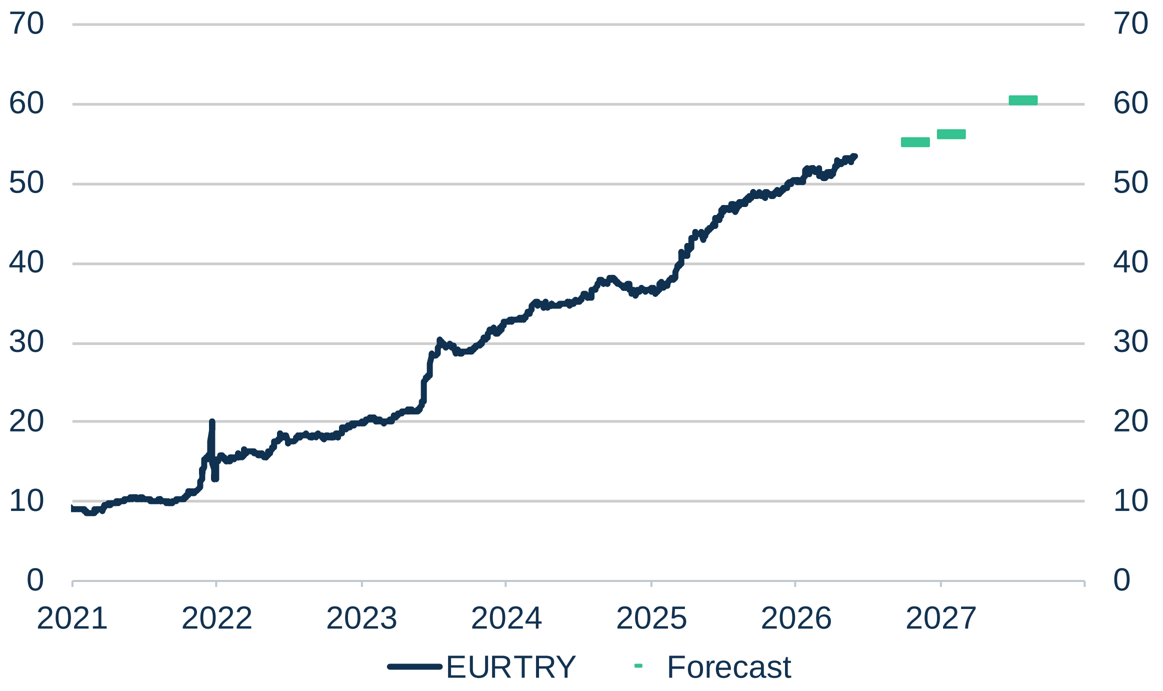
- Following significant interest rate cuts, the Swedish krona is at an interest rate disadvantage against the euro.
- The Swedish economy is recovering, but remains vulnerable to global uncertainty and higher energy prices.

Contra EUR

- Sweden's economy is growing faster than that of the eurozone. Growth is expected to be around 2.6% in 2026.
- Inflation has fallen. Real wages are rising. This supports private consumption.
- Ongoing shifts of investments from abroad into Swedish assets are strengthening the krona.

EURTRY: Turkish central bank adjusts inflation target upwards

FX EUR/TRY



	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURTRY 53.43	44.81	50.48	48.43	54.90	56.00	60.20

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

- Turkey remains a high-inflation country. Disinflation is progressing more slowly than announced by the central bank.
- As an energy importer, Turkey is affected by rising energy prices. Higher prices weigh on growth and drive inflation.
- Foreign currency interventions to support the lira are weighing on the already low currency reserves.
- Tense domestic politics weaken investor confidence.

Contra EUR

- The lira continues to offer a clear yield advantage over the euro.
- Political influence on the central bank has waned.

LBBW

EURZAR: Rating agency raises South Africa's credit rating outlook to 'positive'

FX EUR/ZAR

	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURZAR 18.89	20.18	19.44	20.26	19.20	19.00	18.70

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

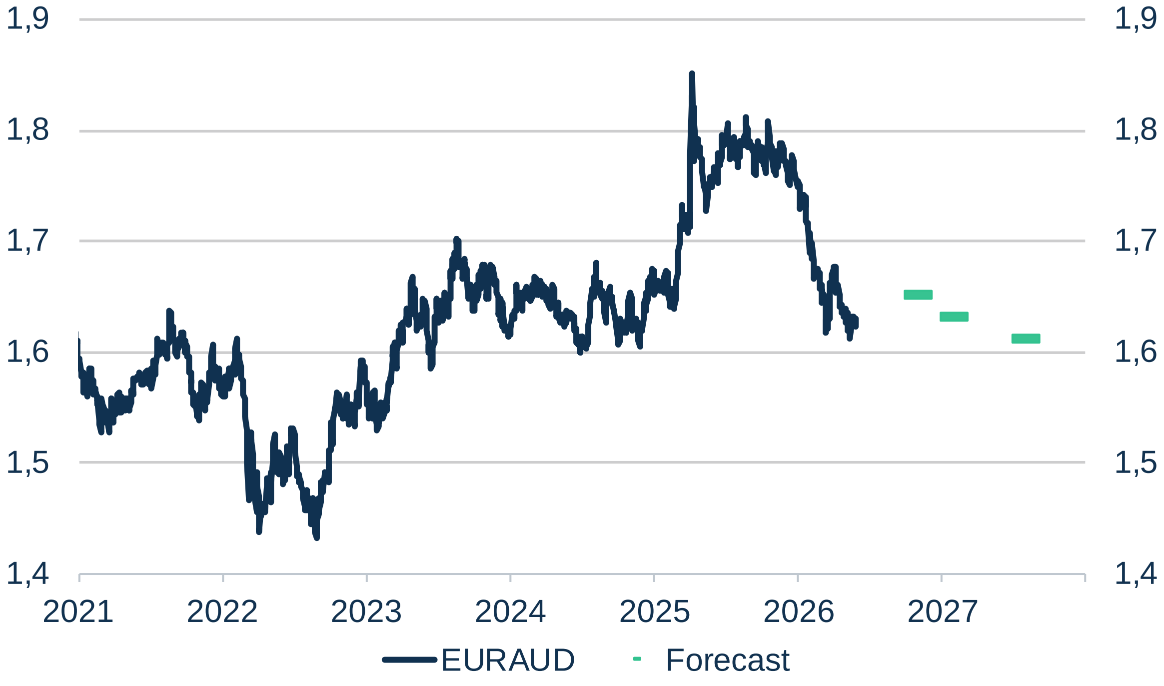
- South Africa's economic growth is weak and remains susceptible to structural problems despite positive signals.
- The rand remains heavily dependent on investors' appetite for risk.

Contra EUR

- With a key interest rate of 6.75%, the rand offers a clear yield advantage over the euro.
- The central bank's new inflation target supports a continued restrictive monetary policy.
- Urgently needed investments in transportation and energy infrastructure improve growth prospects.
- Government debt is likely to fall sooner than expected.

EURAUD: Australia's rate hike cycle could end soon

FX EUR/AUD



	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURAUD 1.63	1.75	1.75	1.78	1.65	1.63	1.61

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

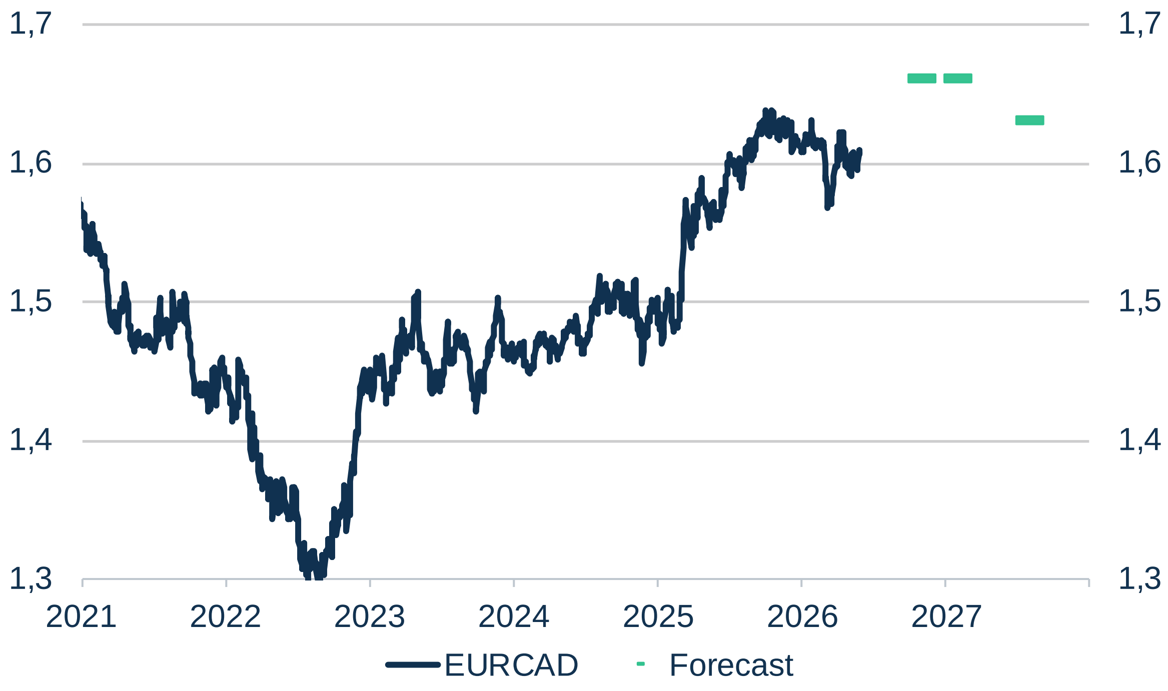
- Australia's economy is sensitive to economic cycles. It is heavily dependent on China's growth and commodity prices.
- The interest rate advantage of the Australian dollar is unlikely to increase further as a result of the ECB's interest rate hikes.
- Australia's growth advantages over the eurozone are diminishing.

Contra EUR

- The Australian dollar offers a clear interest rate advantage over the euro. The central bank remains restrictive and could raise the key interest rate again.
- Australia's economy is likely to grow slightly faster than the eurozone in 2026.

EURCAD: Inflation rise in Canada reaches highest level since May 2024 at 2.8 % in May

FX EUR/CAD



		Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURCAD	1.61	1.58	1.61	1.62	1.66	1.66	1.63

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

- Canada's economy remains vulnerable to US trade policy and tariffs. The upcoming renegotiation of the North American trade agreement is increasing uncertainty on the market.
- The close ties with the US economy are having a negative impact; a slowdown in the USA is weakening the Canadian dollar.
- A timely end to the Iran war is likely to weaken the recently important support provided by the oil price.

Contra EUR

- Canada is a major oil exporter. High oil prices support the Canadian dollar through trade and government revenues.
- A prolonged closure of the Strait of Hormuz would support the Canadian dollar through higher oil prices.

LBBW

EURCZK: Weak industrial sector continues to hold back Czech growth

FX EUR/CZK

		Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURCZK	24.28	24.69	24.24	24.38	23.90	23.80	23.65

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

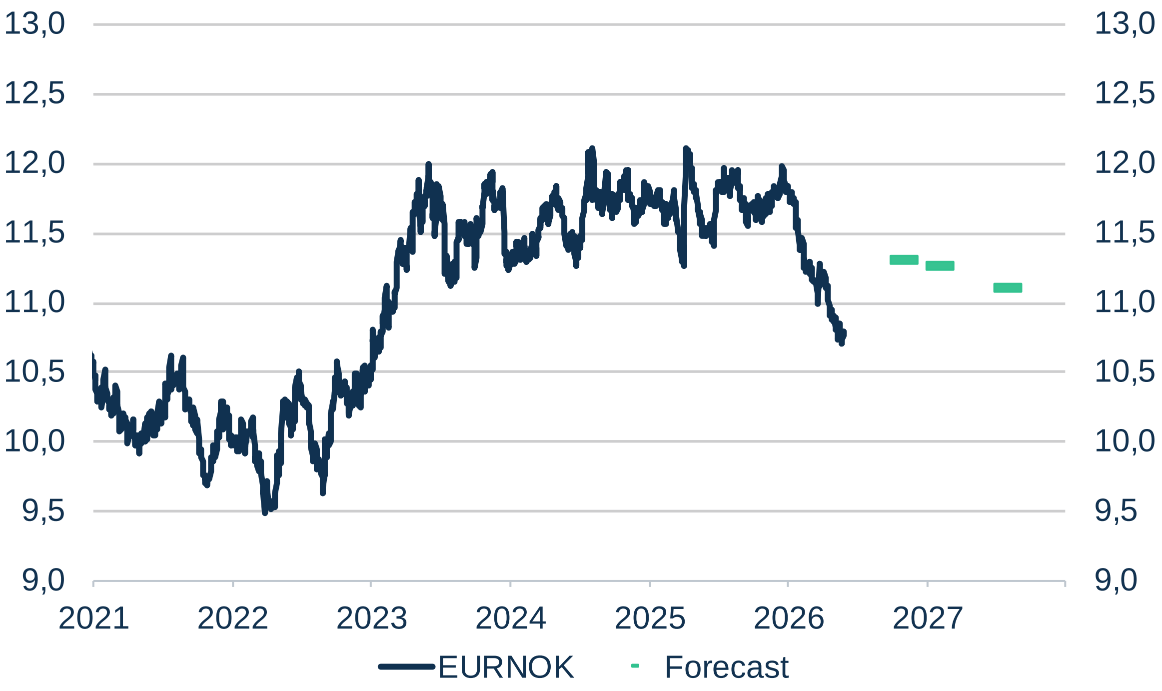
- The export-dependent economy remains vulnerable to international trade risks and geopolitical conflicts.
- The Czech koruna's interest rate advantage is likely to diminish as the inflation rate falls.

Contra EUR

- As in previous years, the Czech economy is likely to grow more strongly than the eurozone economy. A more expansive fiscal policy is supporting growth momentum.
- With a key interest rate of 3.5%, the krona offers an interest rate advantage that is likely to be maintained in the event of a restrictive monetary policy.
- The Czech economy is likely to benefit disproportionately from a recovery in the European industrial sector.

EURNOK: Surprise interest rate hike and high energy prices strengthen the krona

FX EUR/NOK



	Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
EURNOK	10.77	11.72	11.84	11.77	11.30	11.25	11.10

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro EUR

- Norway's mainland agriculture is growing more slowly than expected.
- The krona is sensitive to the economy. Weaker growth in European industry is weighing on the krona.
- Falling oil prices following the opening of the Strait of Hormuz could weigh on the Norwegian krone.

Contra EUR

- Norway's krona has a clear interest rate advantage over the euro. The restrictive central bank believes that a further increase in the key interest rate from the current 4.25 % is possible.
- Higher oil and gas prices improve Norway's terms of trade and support the krone.
- Norway has a solid fiscal position, supported by the sovereign wealth fund and high energy revenues.

LBBW

Market data overview Currencies

Exchange rates to EUR	Date	-1M %	-3M %	-1J %	YTD %	Max 52W	Min 52W
AUD	1.63	0.25	1.86	8.45	8.27	1.81	1.61
BRL	5.84	-0.17	3.68	11.43	10.20	6.55	5.75
GBP	0.86	-0.08	1.58	-2.63	0.99	0.88	0.84
CNY	7.86	2.32	3.00	3.94	4.43	8.44	7.86
JPY	185.56	-0.65	-0.66	-11.72	-0.79	187.56	163.12
CAD	1.61	-0.67	0.14	-2.93	0.12	1.64	1.56
NZD	1.96	1.33	0.23	-3.15	4.03	2.06	1.89
NOK	10.78	0.96	4.17	7.57	9.86	11.99	10.72
PLN	4.24	0.15	-0.45	0.32	-0.36	4.31	4.20
RUB	83.79	5.33	8.93	6.53	10.87	99.54	82.46
SEK	10.83	-0.34	-1.67	0.65	-0.06	11.32	10.51
CHF	0.91	0.23	-0.71	1.98	1.74	0.94	0.90
ZAR	19.01	2.56	-1.16	7.81	2.35	20.97	18.70
CZK	24.29	0.34	-0.26	2.77	-0.48	24.90	24.11
TRY	53.33	-0.30	-2.69	-16.46	-5.38	53.55	44.58
HUF	356.15	1.56	5.81	13.44	7.80	404.00	354.05
USD	1.16	1.30	1.64	-2.28	1.10	1.20	1.14
Exchange rates to USD							
JPY	159.74	-1.93	-2.26	-9.67	-1.87	160.15	142.65
CNY	6.77	0.93	1.38	6.43	3.38	7.21	6.77

Sources: LSEG, LBBW Research (data query spot prices: 01.06.2026)

FX: at-the-money volatility

Period	EUR/USD bid	EUR/USD ask	EUR/CHF bid	EUR/CHF ask	EUR/JPY bid	EUR/JPY ask	EUR/GBP bid	EUR/GBP ask	EUR/HUF bid	EUR/HUF ask	EUR/PLN bid	EUR/PLN ask	EUR/CZK bid	EUR/CZK ask	EUR/CNY bid	EUR/CNY ask	USD/CNH bid	USD/CNH ask
1 month	5.03	5.23	3.84	4.24	5.44	5.94	3.48	3.78	7.94	8.94	2.64	3.44	1.21	2.36	4.15	4.85	2.16	2.46
2 months	5.08	5.23	3.87	4.27	5.70	6.20	3.56	3.91	7.92	8.92	2.93	3.68	1.38	2.48	4.28	4.83	2.41	2.66
3 months	5.11	5.26	3.93	4.28	6.05	6.40	3.70	3.85	8.03	8.93	3.21	3.91	1.51	2.61	4.38	4.78	2.59	2.84
6 months	5.46	5.66	4.28	4.58	6.62	7.02	4.04	4.29	8.28	9.08	3.75	4.35	1.90	2.75	4.55	5.20	3.07	3.27
9 months	5.75	5.90	4.53	4.83	7.03	7.43	4.33	4.58	8.34	9.14	4.02	4.57	2.01	2.86	4.86	5.31	3.33	3.53
1 year	6.13	6.23	4.83	5.13	7.43	7.88	4.59	4.89	8.41	9.31	4.24	4.79	2.34	3.19	5.16	5.61	3.59	3.74
2 years	6.52	6.67	5.21	5.51	7.68	8.18	5.01	5.21	8.54	9.49	4.25	5.05	2.45	3.40	5.56	5.91	3.81	4.11
3 years	6.43	7.38	5.09	6.14	7.71	8.46	5.12	5.67							5.23	6.53	3.80	4.50
5 years	6.88	7.78	5.61	6.71	7.90	8.80	5.65	6.40									4.07	4.67

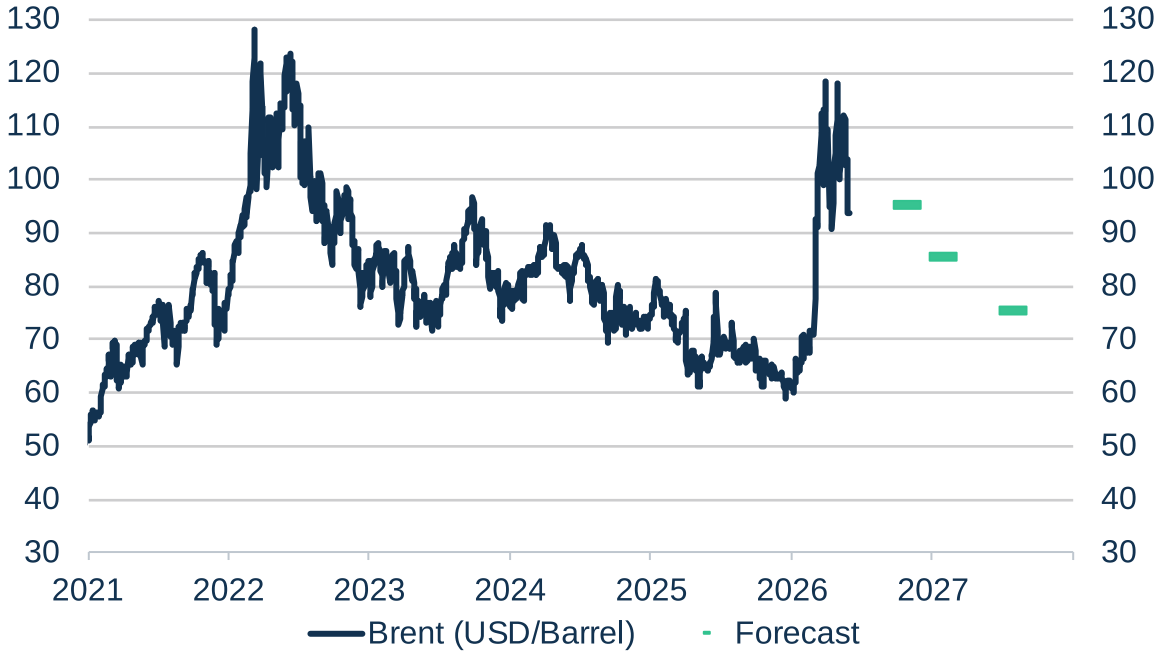
Data as of: 06/02/2026 5:41 AM

Sources: LSEG, LBBW Research

Brent: Oil market still undersupplied in the short term

Brent oil price & forecast

in USD



		Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
Brent (USD/Barrel)	93.77	68.32	60.85	65.68	95.00	85.00	75.00

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro

- Iran war leads to blockade of the Strait of Hormuz. The oil market continues to lack 12-15 million barrels per day.
- Production facilities, refineries and oil infrastructure are destroyed in the Iran war.

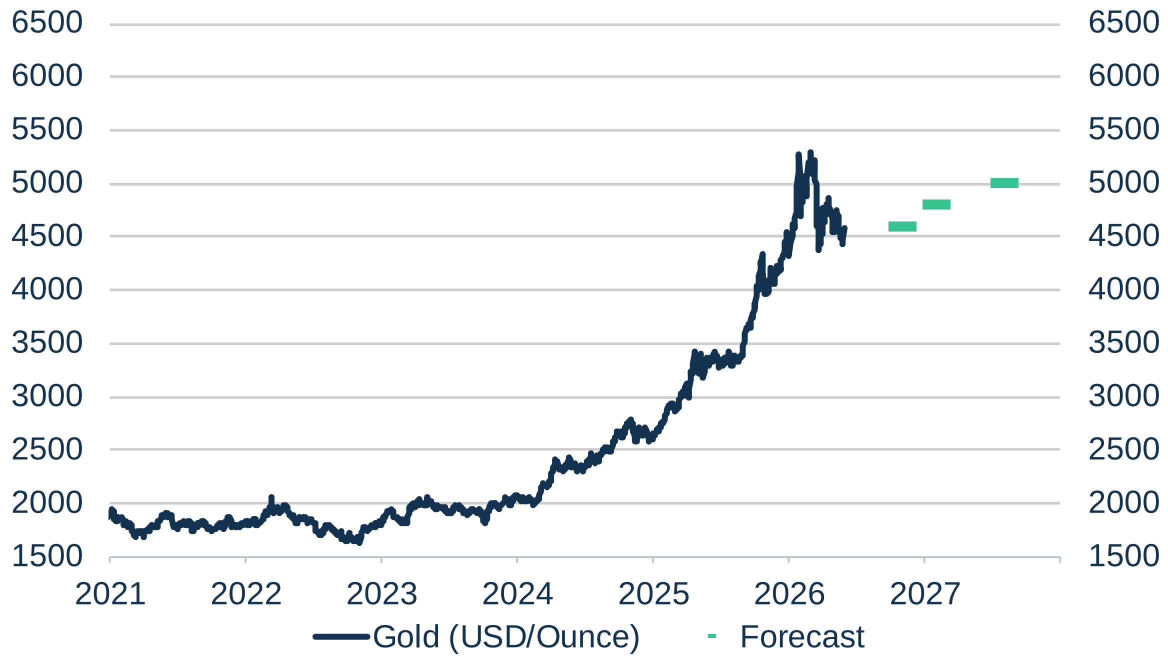
Contra

- Surplus supply on the oil market likely in Q2 The figure for the first half of 2026 will be around 0.5 mbpd again.
- Cloudy economic outlook dampens demand for oil. Consumption unlikely to increase in 2026.
- Non-OPEC countries are likely to increase output by 0.6 mbpd in 2026.
- OPEC+ likely to further increase production quotas over the course of the year.
- Sanctions against Russian oil are eased due to Iran war. IEA and USA release strategic oil reserves.

Gold: Inflation worries put the brakes on gold bull market

Gold price & forecast

in USD



	Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H2 25	Sep-26	Dec-26	Jun-27
Gold (USD/Ounce)	4 591	3 444	4 325	3 806	4 600	4 800	5 000

Source: LSEG, LBBW Research (data query spot prices: 29.05.2026)

Pro

- Demand for coins and bars increases significantly by 42% or 140 tons in Q1/26 compared to same quarter of previous year.
- Mine production rises very slowly in Q1/26 by 2.4% or 20 tons.
- Erratic US trade policy and the Iran war mean that gold remains in demand as a safe haven.
- Cryptocurrencies are increasingly becoming an important source of demand for physical gold.
- Expected depreciation of the US dollar should support gold price.

Contra

- Jewelry demand falls by 23% (90 t) in Q1/26. Central bank purchases almost unchanged vs. Previous year (+2.8 % or 7 t)
- Recycling of old gold increases by 5% or 18 tons in Q1/26.
- High oil prices make interest rate cuts less likely.

Market data overview commodities

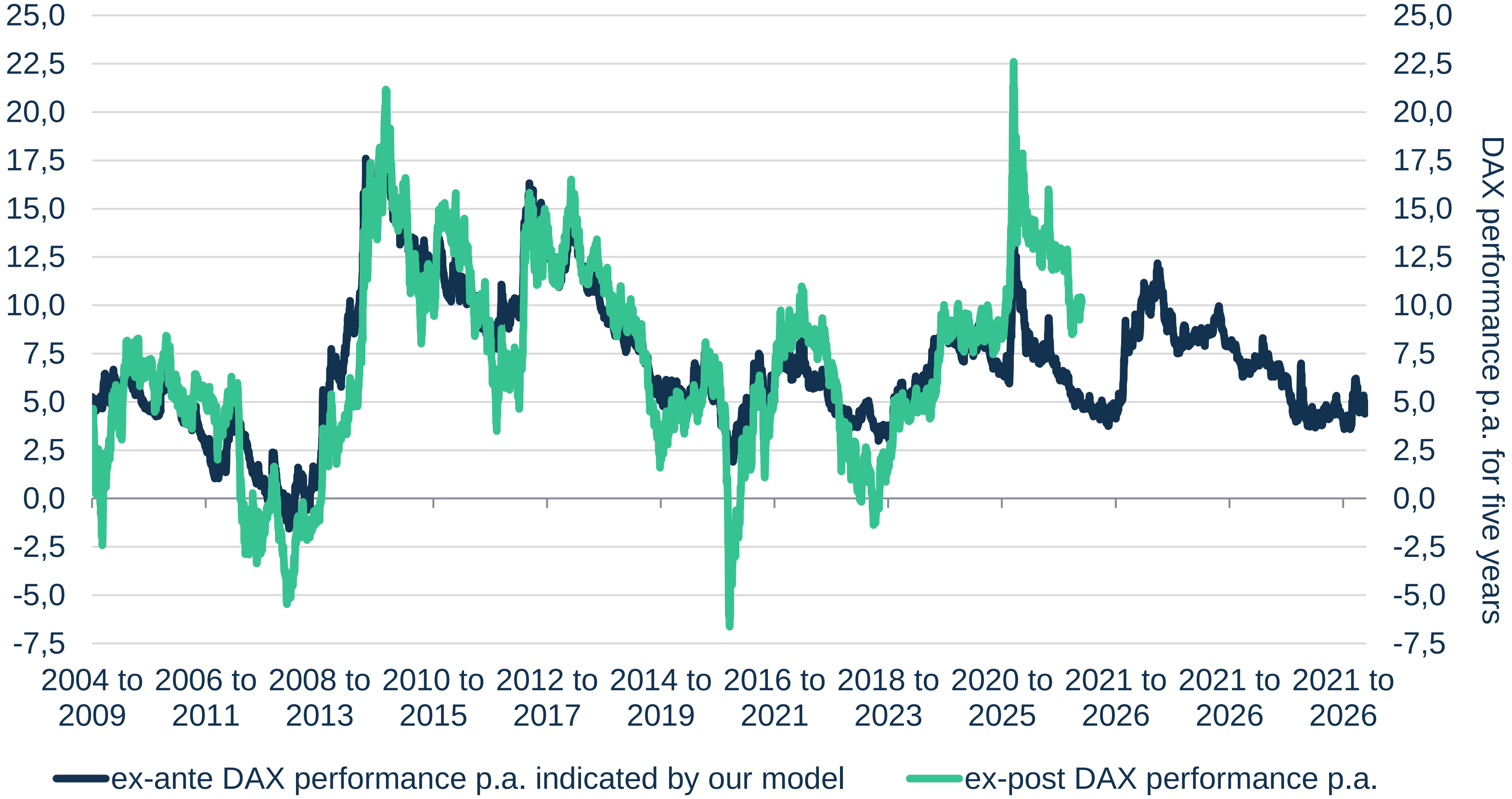
Energy (Spot)	Unit	Date	-1M %	-3M %	-1Y %	YTD %	Max 52W	Min 52W
Crude Oil Brent	USD/bbl	92.03	-14.95	18.31	42.24	51.24	118.34	58.98
Crude Oil WTI	USD/bbl	95.96	-8.94	34.91	51.67	67.59	114.58	55.44
Precious Metals (Spot)								
Gold	USD/oz	4 464	-3.69	-15.73	32.29	3.23	5 298	3 273
Silver	USD/oz	75.66	3.44	-20.04	127.57	5.09	118.45	33.25
Platinum	USD/oz	1 933	-2.86	-17.00	84.45	-4.64	2 811	1 048
Palladium	USD/oz	1 358	-11.18	-23.79	37.45	-13.34	2 106	988
Industrial Metals (3M Future)								
LME Aluminium	USD/MT	3 716	5.51	16.32	50.69	24.05	3 716	2 451
LME Copper	USD/MT	13 832	6.43	5.52	43.84	11.34	14 153	9 611
LME Lead	USD/MT	2 007	2.95	2.27	1.29	-0.22	2 100	1 888
LME Zinc	USD/MT	3 578	6.98	7.87	32.62	14.77	3 585	2 623
LME Tin	USD/MT	56 649	14.62	5.52	84.47	39.68	57 728	30 709
LME Nickel	USD/MT	19 251	-0.59	12.19	23.90	15.65	19 642	14 263

Sources: LSEG, LBBW Research (data query spot prices: 01.06.2026)

DAX five-year model still forecasts a performance well below average

LBBW DAX five-year model

in percent p.a. for each of the next five years



Two input factors

1. dividend yield
(return component)
2. market cap in relation
to money supply M3
3. (valuation component)

Forecast

Since more than 21 years very reliable prediction of geometric DAX-mean performance

4.6 % **p.a.** **(inluding dividends)**

performance forecast

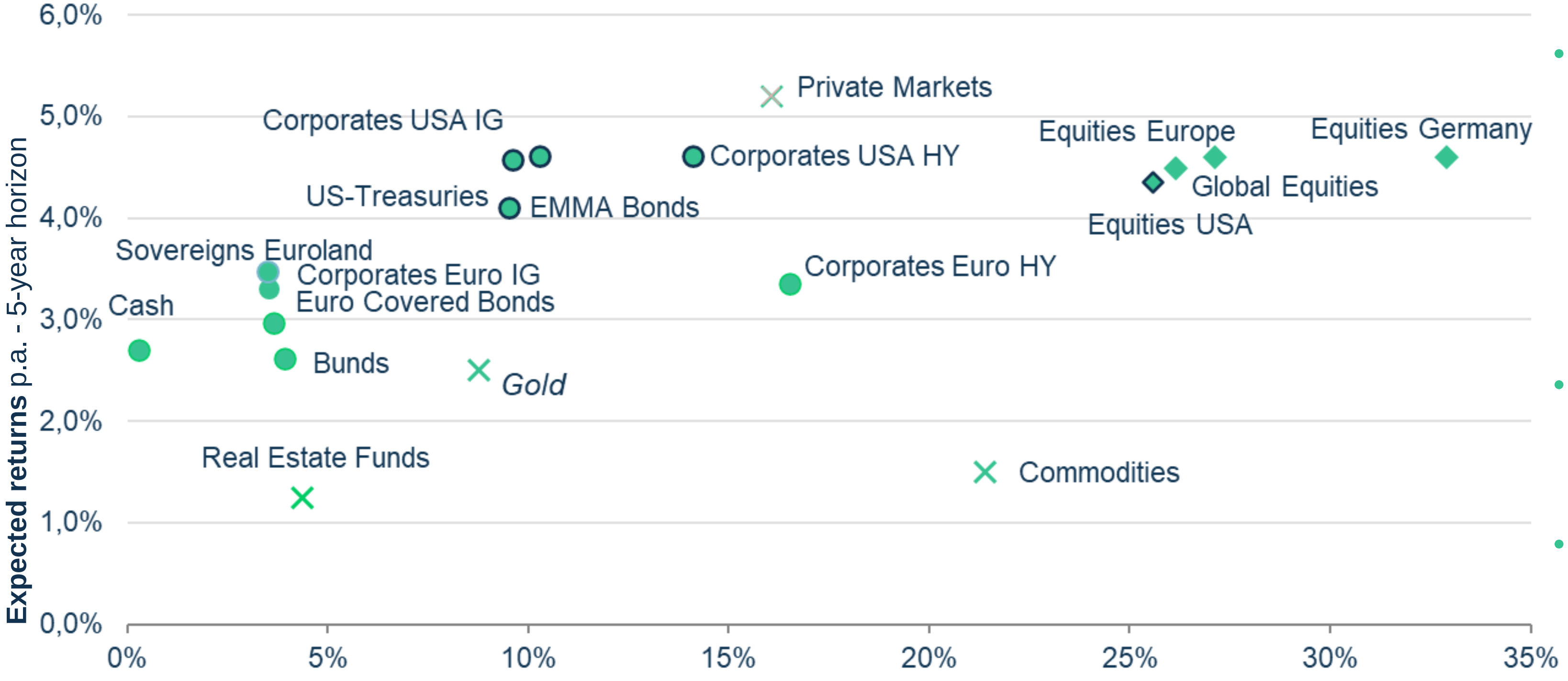
5 years

Source: LSEG, LBBW Research

Return risk of the asset classes on a 5-year view

Expected return versus risk with LBBW assessments

in percent



Risk: VAR=12-month losses since 1999, 5% quantile

- Yield expectations for bonds:
  Basis: Current yield of the respective bond indices. In the case of high yield and emerging markets, these were adjusted for historically plausible assumptions on defaults and recovery rates. Further premise: constant yield curve.
- Return expectations for equities:
  Combination of five-year DAX model and long-term equity risk premiums.
- Currency analysis:
  In the risk analysis, unhedged portfolios were measured from the perspective of the euro investor. The same applies to the return assumptions, which are based on the assumption of constant exchange rates.

Sources: LSEG, LBBW Research - As at: 01.06.2026. IG=Investment Grade; HY=High Yield. The bond indices have a duration of between three and seven years.
Risk/VAR: Loss that the respective total return index, as a proxy for a portfolio of this asset class, has not exceeded with a probability of 95% since 1999.

Yield curves EUR Sovereigns

Yields by rating and term

in percent

Average Yield EUR Sovereigns														
28.05.2026	Maturity in Years													
Country	1	2	3	4	5	6	7	8	9	10	15	20	25	30
Germany	2,47	2,55	2,59	2,64	2,69	2,75	2,82	2,90	2,97	3,05	3,39	3,53	3,57	3,62
France	2,61	2,74	2,82	2,93	3,05	3,19	3,33	3,46	3,59	3,71	4,13	4,36	4,55	4,71
Italy	2,58	2,74	2,86	2,99	3,13	3,28	3,42	3,56	3,68	3,80	4,25	4,50	4,68	4,81
Spain	2,54	2,63	2,70	2,79	2,89	3,01	3,13	3,25	3,37	3,48	3,90	4,09	4,23	4,25
Netherlands	2,42	2,55	2,64	2,71	2,78	2,85	2,92	2,99	3,06	3,12	3,39	3,56	3,64	3,67
Austria	2,48	2,57	2,65	2,74	2,82	2,91	2,99	3,07	3,15	3,22	3,53	3,73	3,83	3,88
Belgium	2,54	2,64	2,73	2,83	2,95	3,07	3,20	3,32	3,44	3,55	4,02	4,35	4,54	4,60
Ireland	2,44	2,56	2,64	2,71	2,78	2,85	2,93	3,01	3,09	3,17	3,49	3,69	-	-
Portugal	2,52	2,56	2,62	2,70	2,81	2,92	3,04	3,17	3,28	3,40	3,82	4,06	4,17	4,20
Finland	2,54	2,62	2,68	2,77	2,86	2,96	3,06	3,16	3,25	3,35	3,70	3,86	3,93	4,01
EUR Swap in %	2,70	2,76	2,77	2,79	2,82	2,86	2,90	2,94	2,98	3,02	3,19	3,24	3,21	3,17

Yield over 4.0 %

Source: LSEG, LBBW Research

Yield curves EUR Non-Financials

Interpolated yields by rating and maturity

in percent

Average Yield EUR Non-Financials										
28.05.2026	Maturity in Years (Call-Date)									
Rating	1	2	3	4	5	6	7	8	9	10
AA	2,36	2,77	3,00	3,17	3,30	3,40	3,49	3,57	3,64	3,70
AA-	2,41	2,83	3,04	3,20	3,32	3,42	3,51	3,58	3,65	3,71
A+	2,52	2,88	3,09	3,24	3,36	3,46	3,54	3,60	3,67	3,72
A	2,61	2,95	3,15	3,30	3,41	3,50	3,57	3,64	3,70	3,75
A-	2,58	2,96	3,18	3,34	3,46	3,56	3,65	3,72	3,79	3,85
BBB+	2,67	3,04	3,26	3,41	3,53	3,63	3,71	3,78	3,84	3,90
BBB	2,79	3,15	3,36	3,51	3,63	3,72	3,80	3,87	3,93	3,99
BBB-	2,97	3,35	3,57	3,73	3,85	3,95	4,03	4,11	4,17	4,23
BB+	3,27	3,77	4,05	4,26	4,42	4,55	4,66	4,75	4,83	4,91
BB	3,54	4,16	4,52	4,78	4,98	5,14	5,28	5,40	5,50	5,60
BB-	3,59	4,32	4,75	5,05	5,29	5,48	5,64	5,78	5,91	6,02
B+	3,77	4,85	5,48	5,93	6,28	6,56	6,80	7,01	7,19	7,36
B	4,89	5,78	6,31	6,68	6,96	7,20	7,40	7,57	7,72	7,86
B-	5,96	6,56	6,91	7,16	7,35	7,50	7,64	7,75	7,85	7,94
EUR Swap in %	2,70	2,76	2,77	2,79	2,82	2,86	2,90	2,94	2,98	3,02

Yield over 4.0 %

Source: LSEG, LBBW Research

Yield curves EUR Senior Banks Preferred

Interpolated yields by rating and maturity
in percent

Average Yield EUR Banks Senior Preferred										
28.05.2026	Maturity in Years (Call-Date)									
Rating	1	2	3	4	5	6	7	8	9	10
AA	2,75	2,98	3,11	3,20	3,28	3,34	3,39	3,43	3,47	3,50
AA-	2,77	3,00	3,13	3,22	3,29	3,35	3,40	3,45	3,48	3,52
A+	2,72	3,02	3,20	3,32	3,42	3,50	3,56	3,62	3,67	3,72
A	2,70	3,00	3,17	3,30	3,39	3,47	3,54	3,60	3,65	3,69
A-	2,88	3,14	3,30	3,41	3,50	3,57	3,63	3,68	3,73	3,77
BBB+	3,00	3,24	3,38	3,48	3,55	3,62	3,67	3,72	3,76	3,79
BBB	3,17	3,38	3,50	3,58	3,65	3,71	3,75	3,79	3,83	3,86
BBB-	3,36	3,43	3,47	3,49	3,52	3,53	3,55	3,56	3,57	3,58
EUR Swap in %	2,70	2,76	2,77	2,79	2,82	2,86	2,90	2,94	2,98	3,02

Yield over 4.0 %

Source: LSEG, LBBW Research

Yield curves EUR Covered Bonds

Yields by rating and term

in percent

Average Yield EUR Covered Bonds											
28.05.2026	Maturity (Call-Date)										
Country	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
AU	2,77	2,97	2,96	3,01	3,03	3,14	3,13	3,19			
AT	2,83	2,88	2,94	3,03	3,08	3,17	3,26	3,21	3,43		3,46
BE	2,83	2,92	2,97	2,99	3,08	3,18		3,34			
CA	2,78	2,90	3,00	3,04	3,10	3,21	3,13				3,52
DK	2,79	3,00	2,94	2,95	3,19	3,39					
FI	2,87	2,87	2,93	3,04	3,13	3,06	3,09	3,34	3,34		
FR	2,81	2,90	2,97	3,05	3,14	3,22	3,30	3,38	3,49	3,52	3,62
DE	2,77	2,87	2,92	2,97	3,02	3,09	3,14	3,19	3,28	3,35	3,47
GR											
IE											
IT	2,83	2,93	3,02	3,06	3,22	3,23	3,32	3,40		3,53	
LU	2,77										
NL	2,83	2,88	2,93	3,04	3,07	3,14	3,21	3,27	3,41		3,46
NZ		2,85	2,99	2,97	3,03	3,10	3,17				
NO	2,79	2,90	2,97	3,01	3,11	3,11	3,21	3,20		3,50	3,42
PL				2,96			3,20				
PT	2,81	2,89		3,02	3,07	3,18	3,21		3,38		
SG	2,81	2,94	2,94	3,02	3,17	3,13				3,31	
ES	2,82	2,89	3,01	2,99	3,10	3,13	3,25	3,30		3,37	
SE	2,80	2,88	2,96	3,02	3,14	3,12	3,13		3,29		
CH	2,89		2,98	3,09	3,22		3,26				
UK	2,86	2,92	2,94	2,97	3,10	3,12		3,24	3,19	3,38	
JP	2,73	2,97	3,05		3,10	3,11				3,46	
KR		2,79	2,96	3,06	3,09	3,17					
SK	2,92	3,02	3,05	3,07	3,16	3,25					
EUR Swap in %	2,70	2,76	2,77	2,79	2,82	2,86	2,90	2,94	2,98	3,02	3,06

Yield over 4.0 %

Source: LSEG, LBBW Research

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