Breaking new ground

LBBW

Capital Markets Compass November

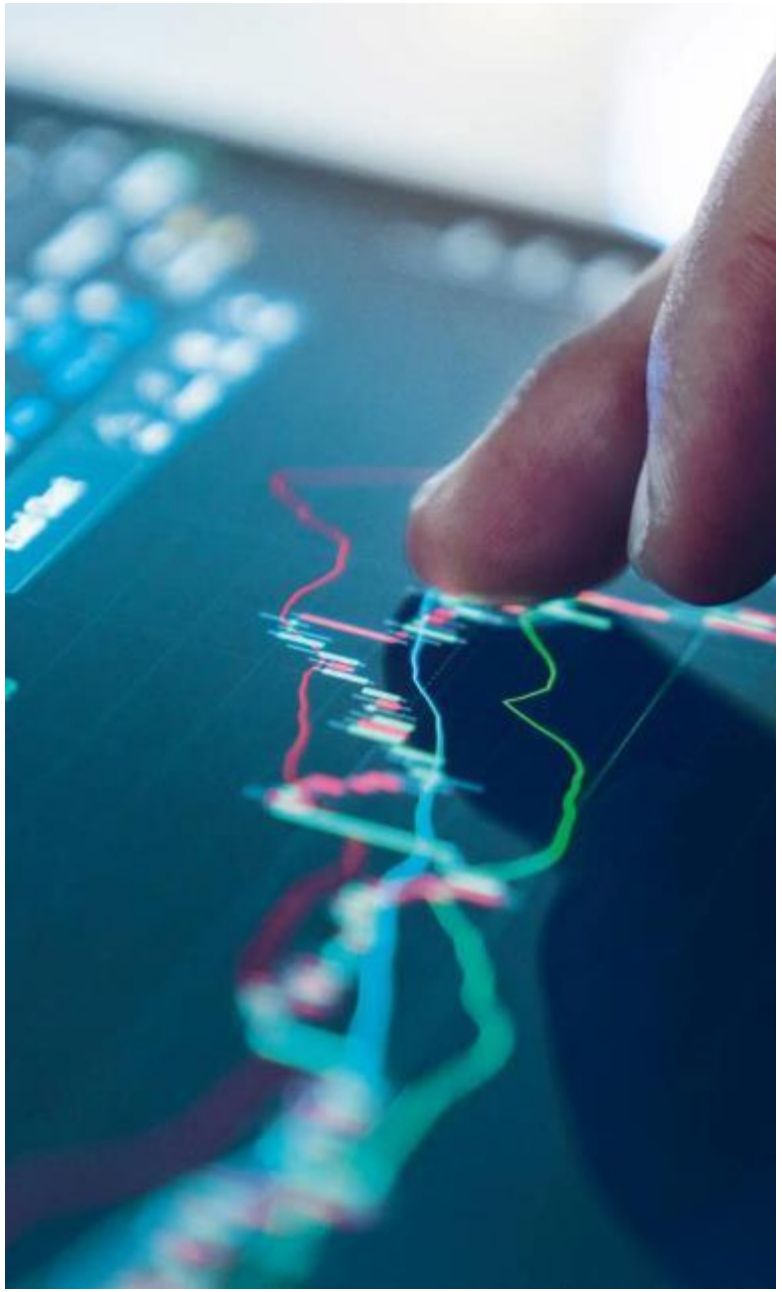
France‘s Autumn of Uncertainty

04 Nov 2026 Macro | Rates | Credits | Equities



Contents

01	Foreword and Introduction	03
02	Special Topic: France	08
03	Macro	15
04	Interest: A Turning Point in the Bond Market?	28
05	Credits: Spread Forecasts Raised	42
06	Stocks: AI Boom Stalls	48
07	Forecasts and Asset Allocation	58
08	Appendix: Foreign Exchange, Commodities, Stocks, Yield Overviews	68



01

Foreword and Introduction

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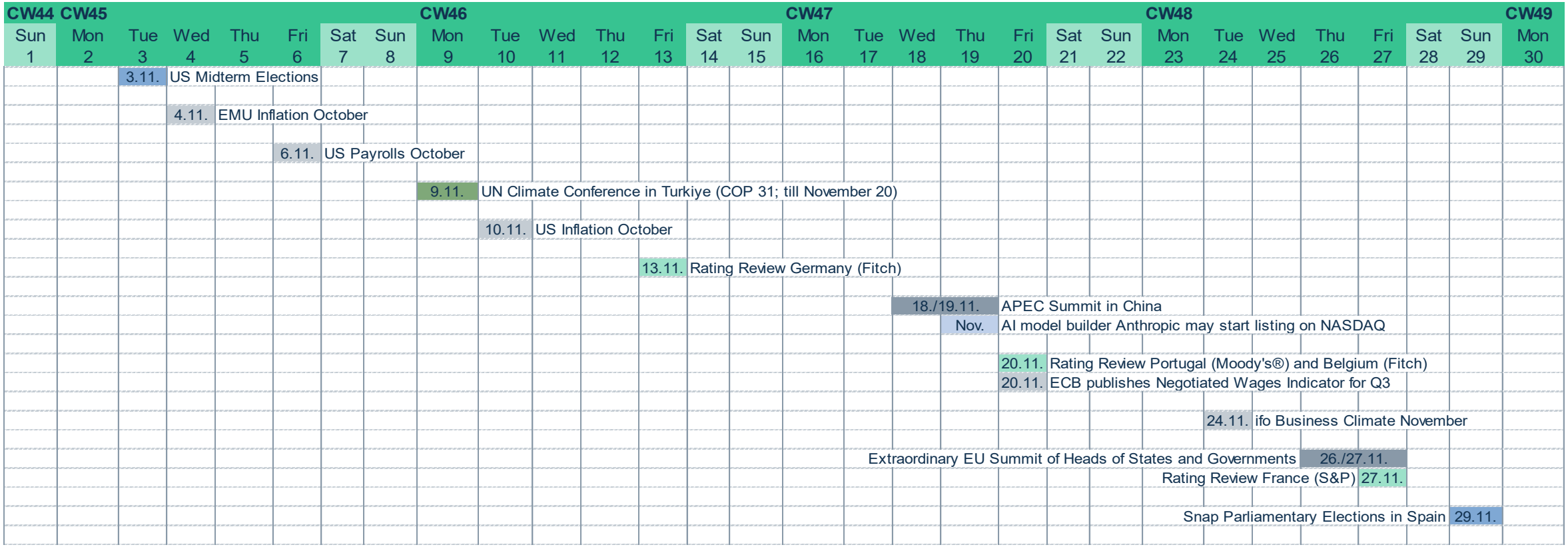


Dr. Moritz Kraemer
Chief Economist | Head of Research

"It is up to the capital markets to ensure discipline through higher returns."

The French government is unable to get the country's finances under control. Presidential elections will be held in 2027. The center is crumbling, and the political fringes are reaching for power. Recently, protests have broken out in many cities, including acts of arson and looting. The financial markets reacted with alarm, and government bond yields rose. France is indispensable to the EU and, therefore, to the euro and. What happens there has far-reaching consequences – including for monetary policy.
The problems in Paris are not making it any easier for the ECB to combat inflationary pressures in the eurozone. She'll do it anyway. The situation is similar in the U.S. – while the president would like to see low interest rates, the Fed must respond to inflation. You can't do both at the same time.
The markets are likely to remain volatile in the final weeks of the year.

Key Dates in November



- ECB: EU heads of state and government are discussing the succession of ECB President Lagarde at an extraordinary summit. The current BIS General Manager, Pablo Hernandez des Cos, is considered the favorite.

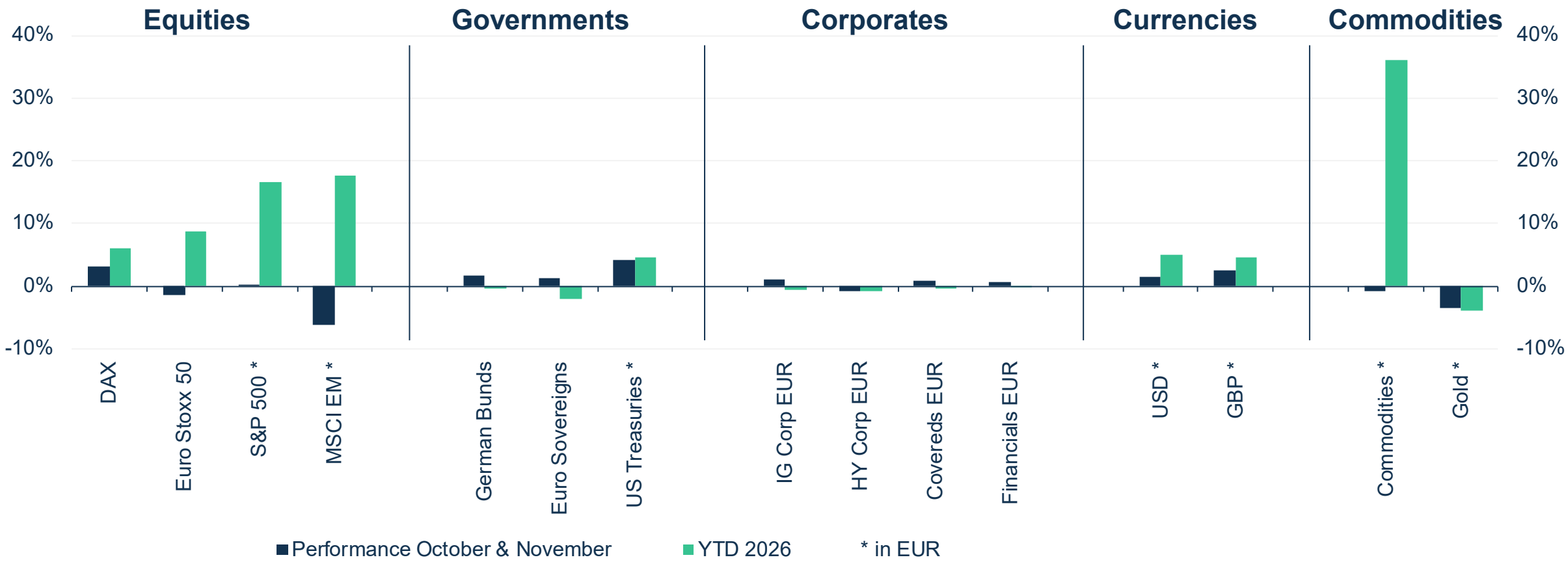
- The U.S. midterm elections will determine the extent of Donald Trump's political leeway until the end of his term.
- In Spain, recent polls for the parliamentary election suggest a shift to the right and a change in government.

Sources: Bloomberg, LBBW Research

Mixed Performance in October

Selected Assets

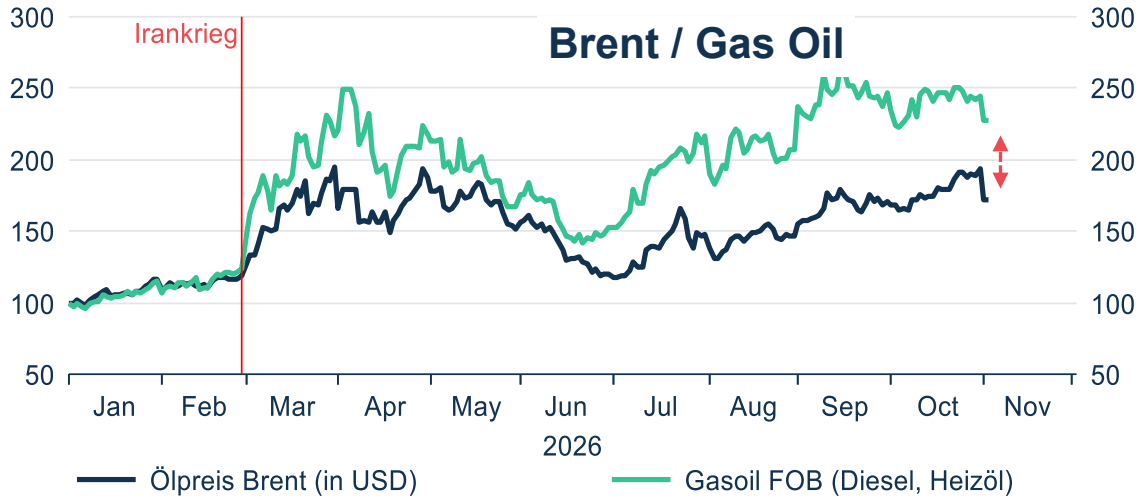
Total Return in Percent

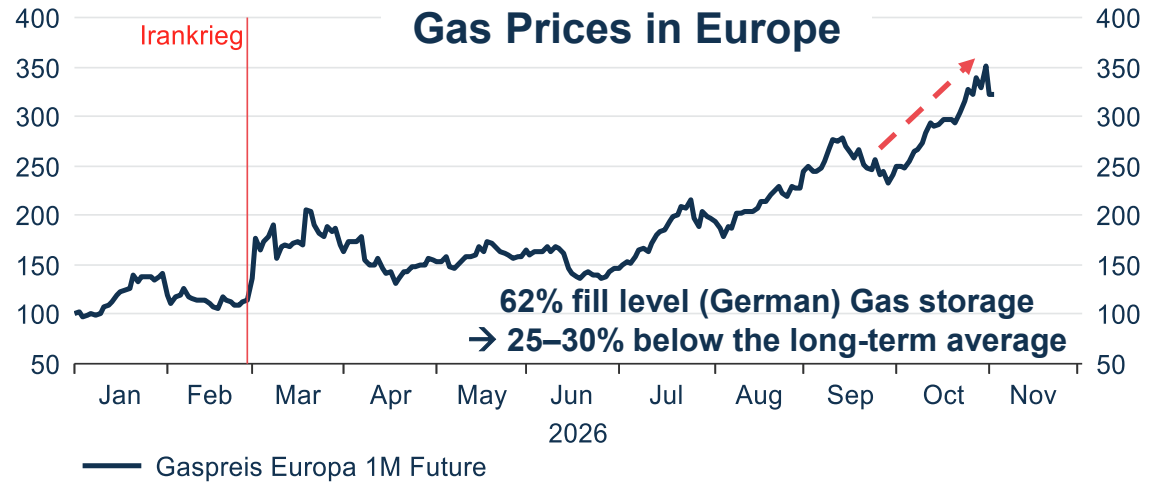


Source: LSEG, LBBW Research

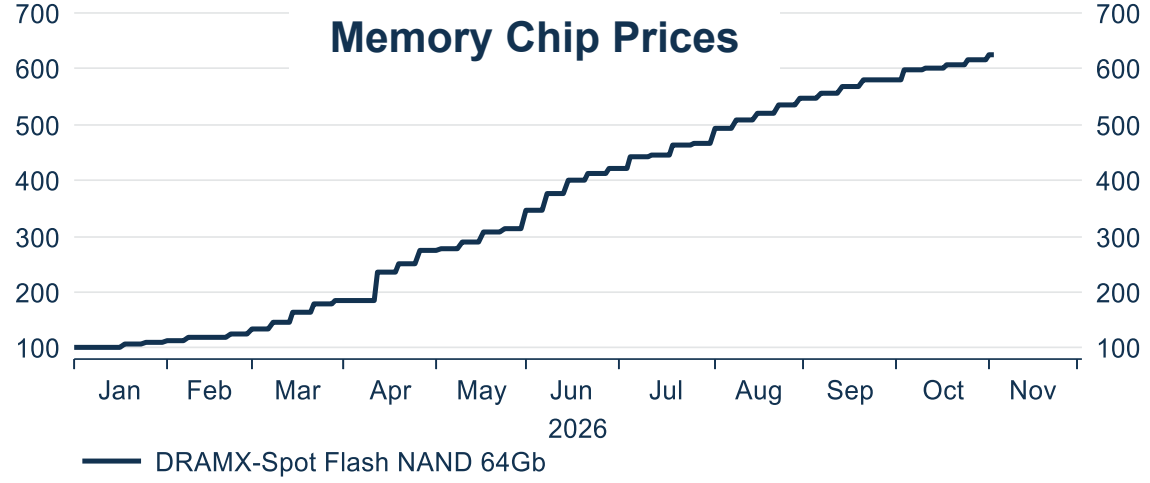
Global Inflation Drivers

Oil, Gas, Food, and Memory Chips









Source: LSEG, LBBW Research; all charts indexed to 100 at the beginning of the year



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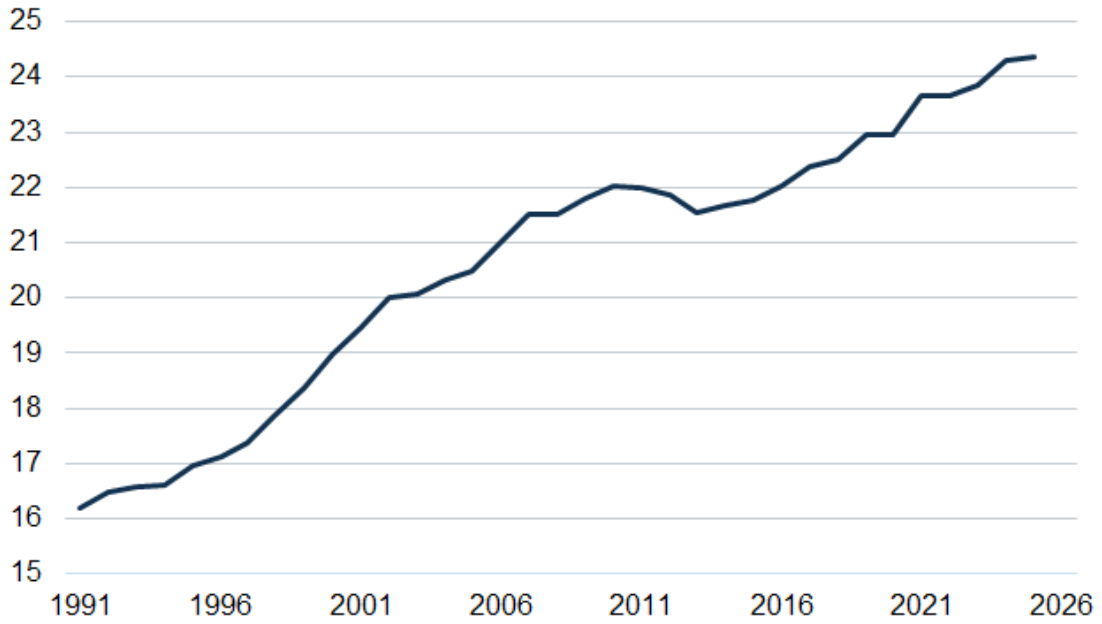
Special Topic: France

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France: The Social Question (I of II)

Real per capita income

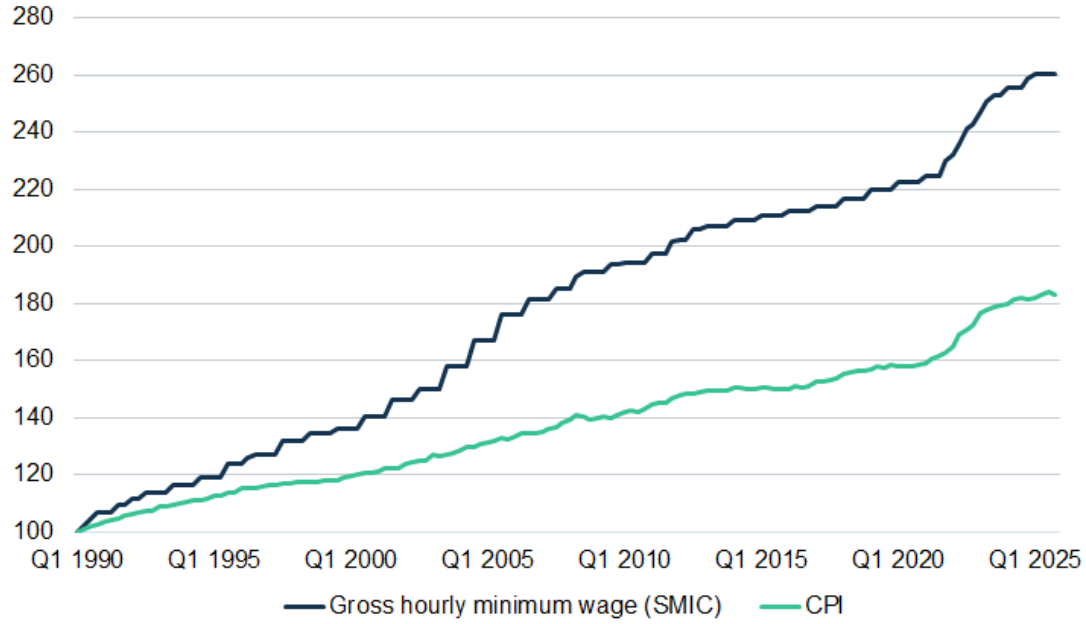
Annual figures in thousands of euros, adjusted for inflation



- The recent street protests in France were seen by some as a protest against the bleak future prospects facing young people in the suburbs. Despite all this, real per capita income in France has generally increased in recent years.

Minimum Wage and Consumer Prices

Index



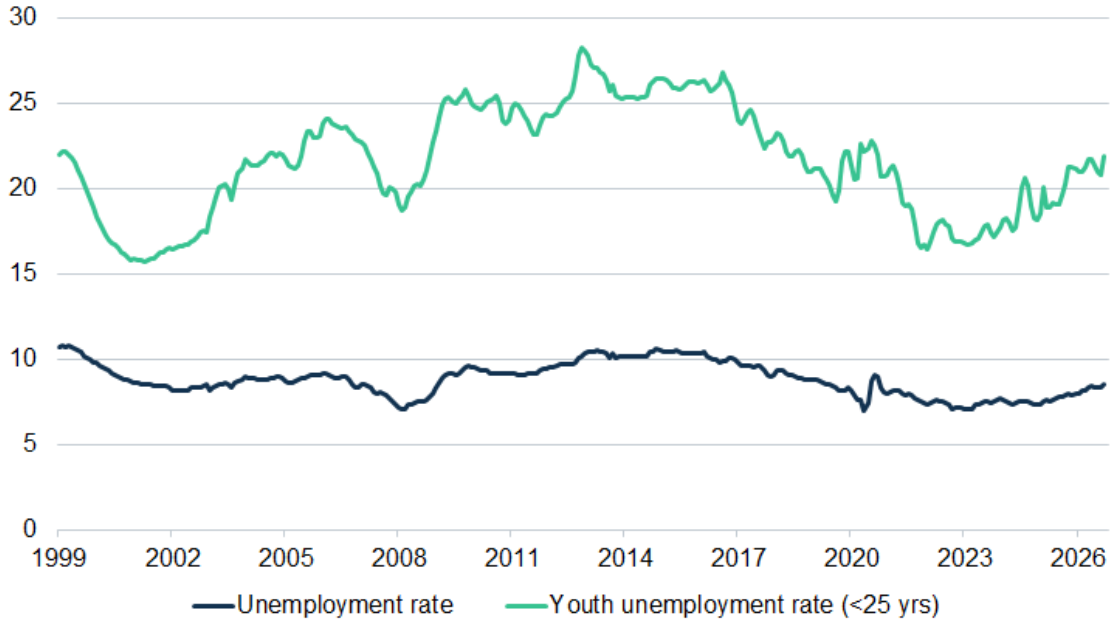
- For the lower wage groups – who earn the minimum wage or wages based on it, the following applies:
  Real income has risen steadily over the years.

Source: LSEG, INSEE, LBBW Research

France: Social Issues (Part II of II)

Unemployment Rates

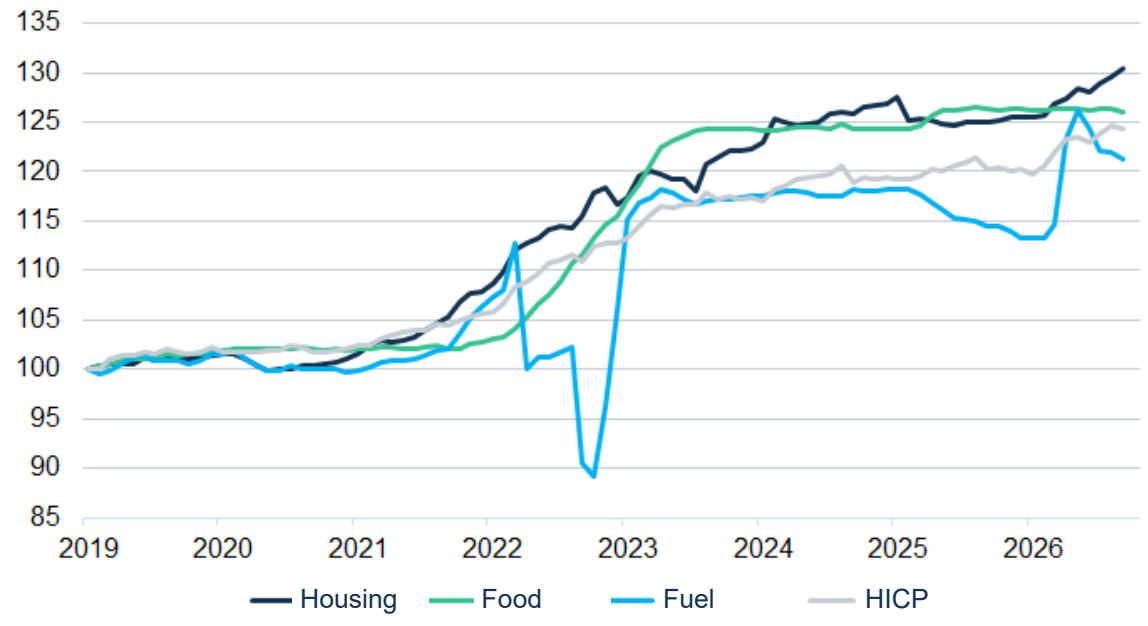
Monthly figures in %



- The current situation in the French labor market is no worse than the historical average.
  Although youth unemployment is significantly higher than the national average, it is also no higher than it used to be.

Price Indices for Everyday Goods

1/2019 = 100, monthly values



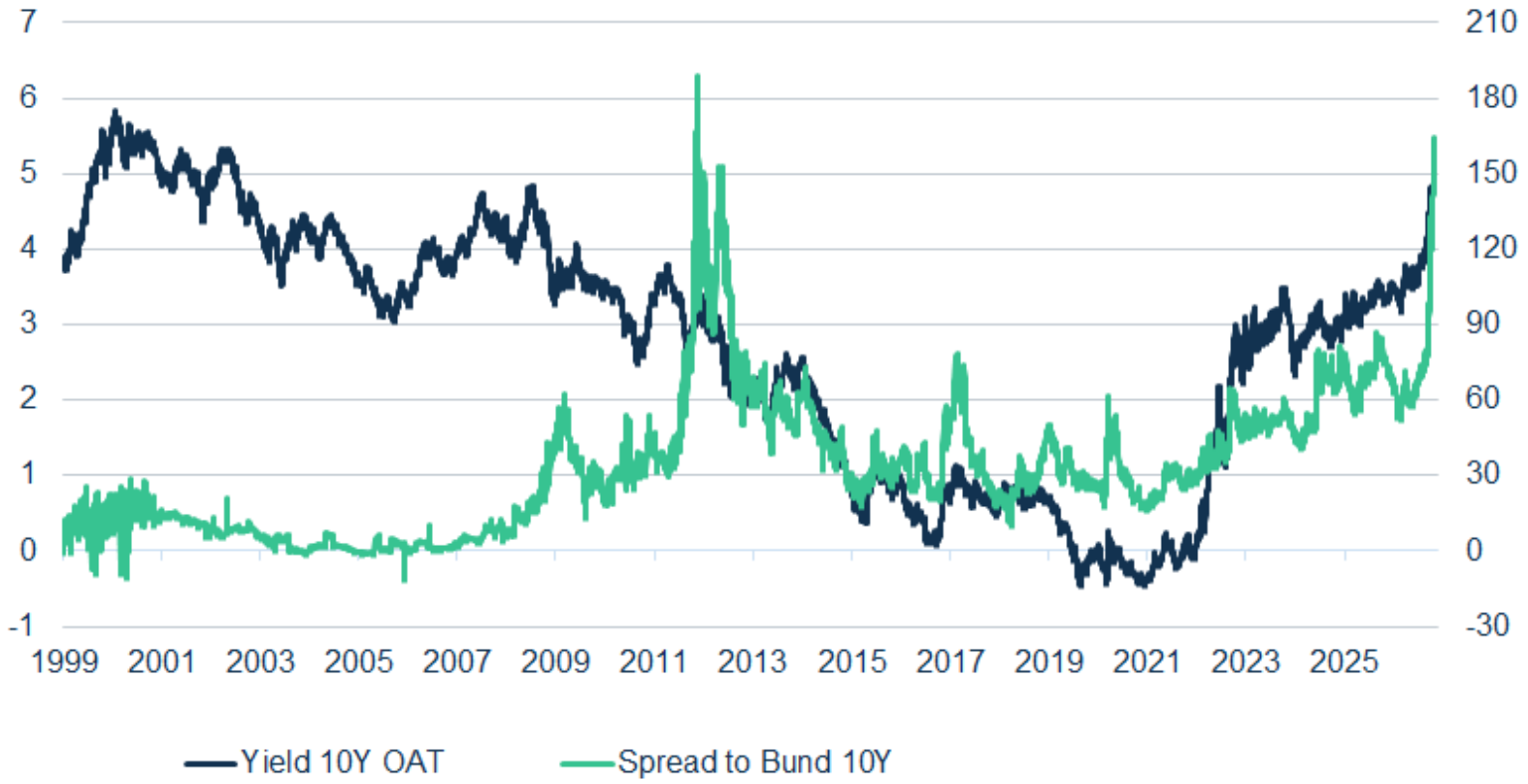
- The financial situation of lower-income households may be disproportionately affected by rising prices for everyday goods.
  However, this applies only to housing costs.
  Food and fuel prices have risen at a slower rate.

Source: LSEG, LBBW Research

10-Year OAT Yield and Spread vs. Federal Bonds

10-Year OAT Yield and Spread vs. Federal Bonds (Bund)

Daily Values



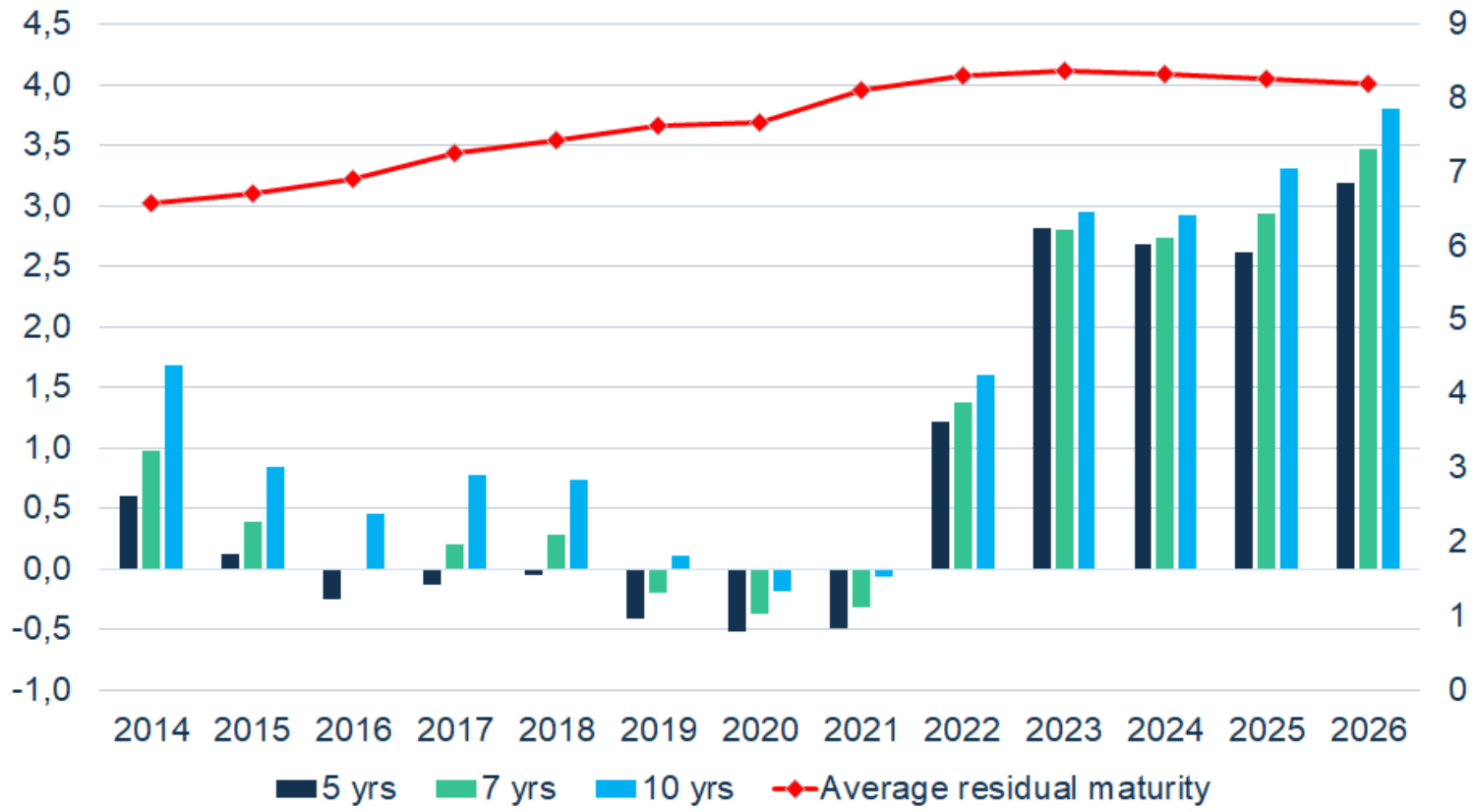
- The market is now demanding a substantial risk premium for France. vs. Spreads to German government bonds have risen to nearly the same level as during the height of the debt crisis.
- The absolute yield level (for 10-year OATs) is just under 5% - a level last seen in 2002.

Source: LSEG, LBBW Research

Interest expenses will continue to rise

Annual Average Returns and Average Life of the Portfolio

Annual averages



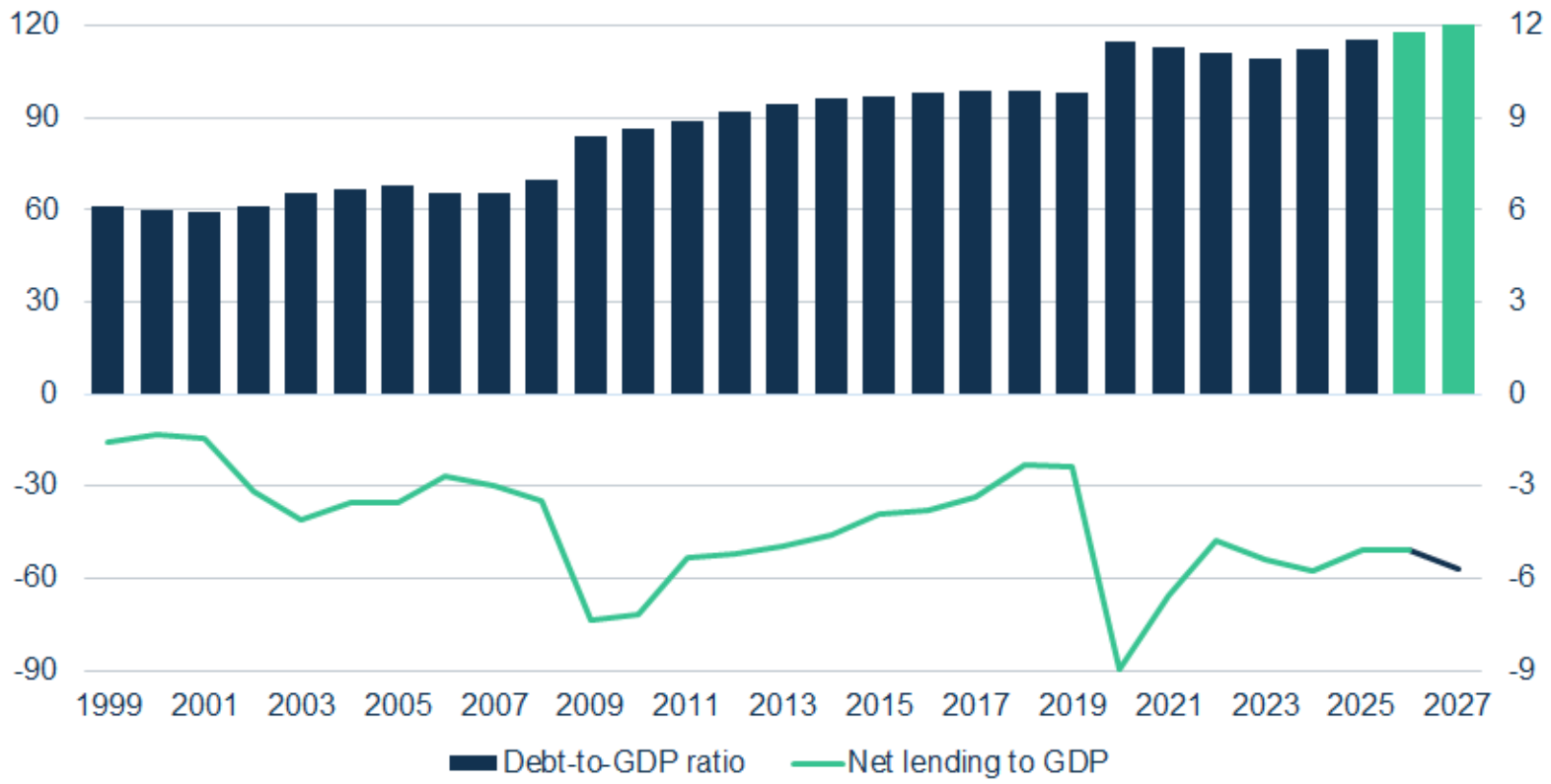
- In the coming years, France's interest expenses will continue to rise.
- In addition to rising debt, bonds with very low coupons issued during the years of low interest rates will mature in the near future and will then be replaced with bonds bearing significantly higher coupons.
- According to projections by the European Commission – which may already be outdated – the costs will rise from 67 billion euros in 2025 to 80 billion euros and 88 billion euros, respectively, in the following two years.

Source: LSEG, LBBW Research

Debt-to-income ratio rises in spurts

France: Debt and Deficits

as a percentage of GDP



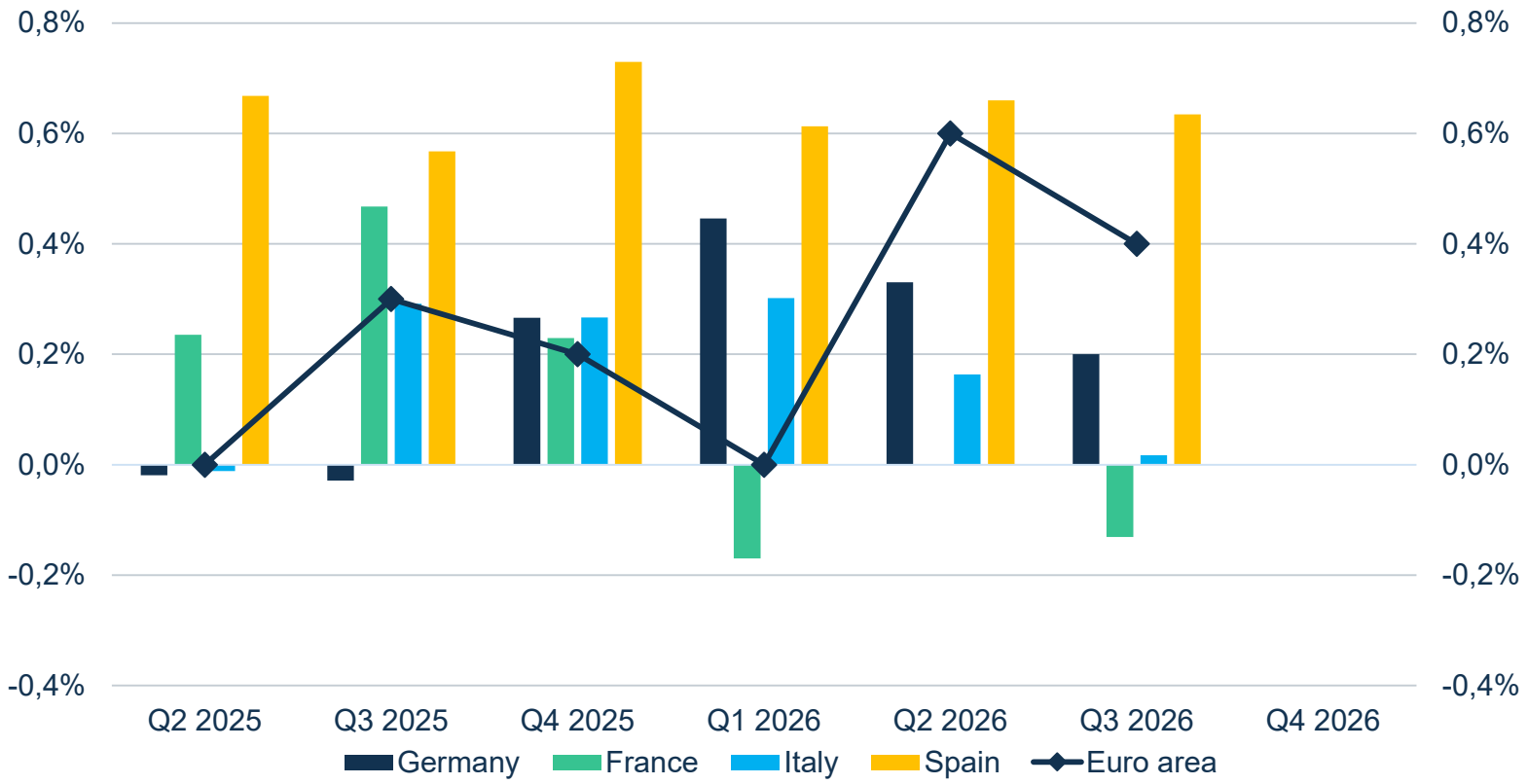
- At the start of the monetary union, France was right on track. The debt-to-GDP ratio stood at 60% and was even falling slightly.
- The financial crisis, the EMU debt crisis, and the COVID-19 crisis then caused the debt crisis to escalate in waves.
- The deficit has now become chronically too high. With the current rise in interest rates, the problem will continue to worsen.

Source: LSEG, LBBW Research

France: Now Bringing Up the Rear in the EMU

GDP QoQ

Quarterly Results

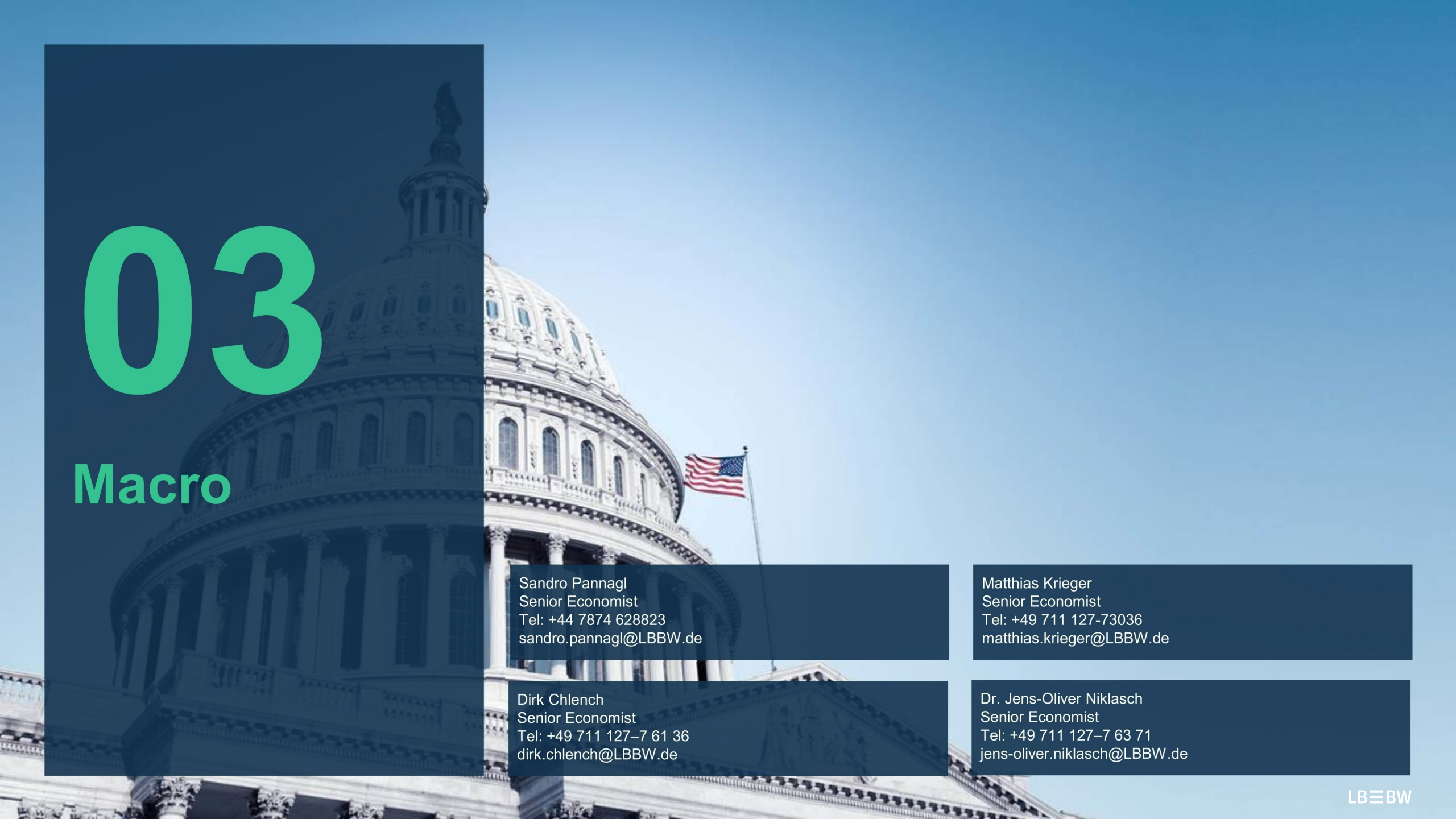


- Rising interest rates are accompanied by persistent weak growth.
- In the third quarter, France was (once again) the weakest of the major countries in the eurozone.
- On balance, GDP has been stagnant for a year.
- In each of the previous four quarters, France ranked last.

Source: LSEG, LBBW Research

03

Macro



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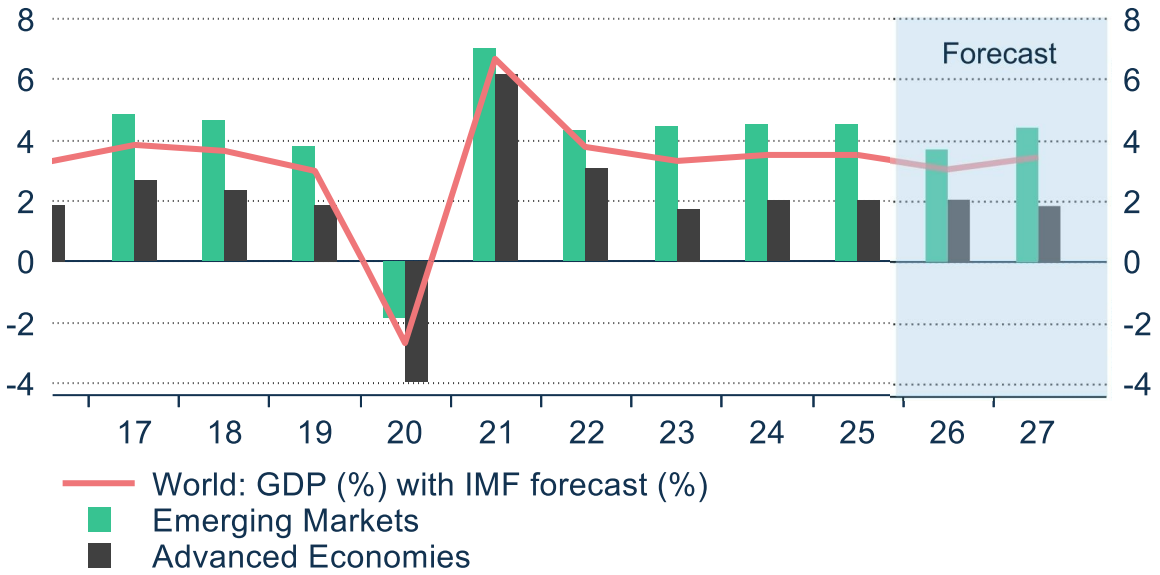
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World Economic Outlook 10/2026: IMF Forecasts a Modest Recovery in the Global Economy in 2027

World: GDP Growth and IMF Forecasts

in %



- In its latest World Economic Outlook (WEO 10/2026), the IMF projects global GDP growth for 2027 at 3.4% (2026: 3.1%). Emerging markets are expected to grow significantly faster in 2027, at 4.4% (2026: 3.7%), than developed economies (2027: 1.8%; 2026: 2.1%).

Forecasts IMF - WEO 10/2026

GDP (%)	2026	2027
World	**3,1**	**3,4**
USA	2,3	2,3
Euro area	1,1	1,2
- Germany	1,3	1,1
Japan	0,7	0,7
China	4,5	4,0
Developing Asia	5,1	4,9
Latin America	2,3	2,5
Middle East & North Africa	-2,0	7,0
World Trade Volume	4,6	4,7
World CPI	4,7	4,1

- According to the IMF, the Developing Asia region remains the engine of growth for the global economy. Latin America is experiencing moderate growth, and the Gulf region (Middle East) has room for growth following the shock of the Iran War.
- According to the IMF, global trade continues to perform well, and the inflation rate is falling again following the energy price shocks of 2026.

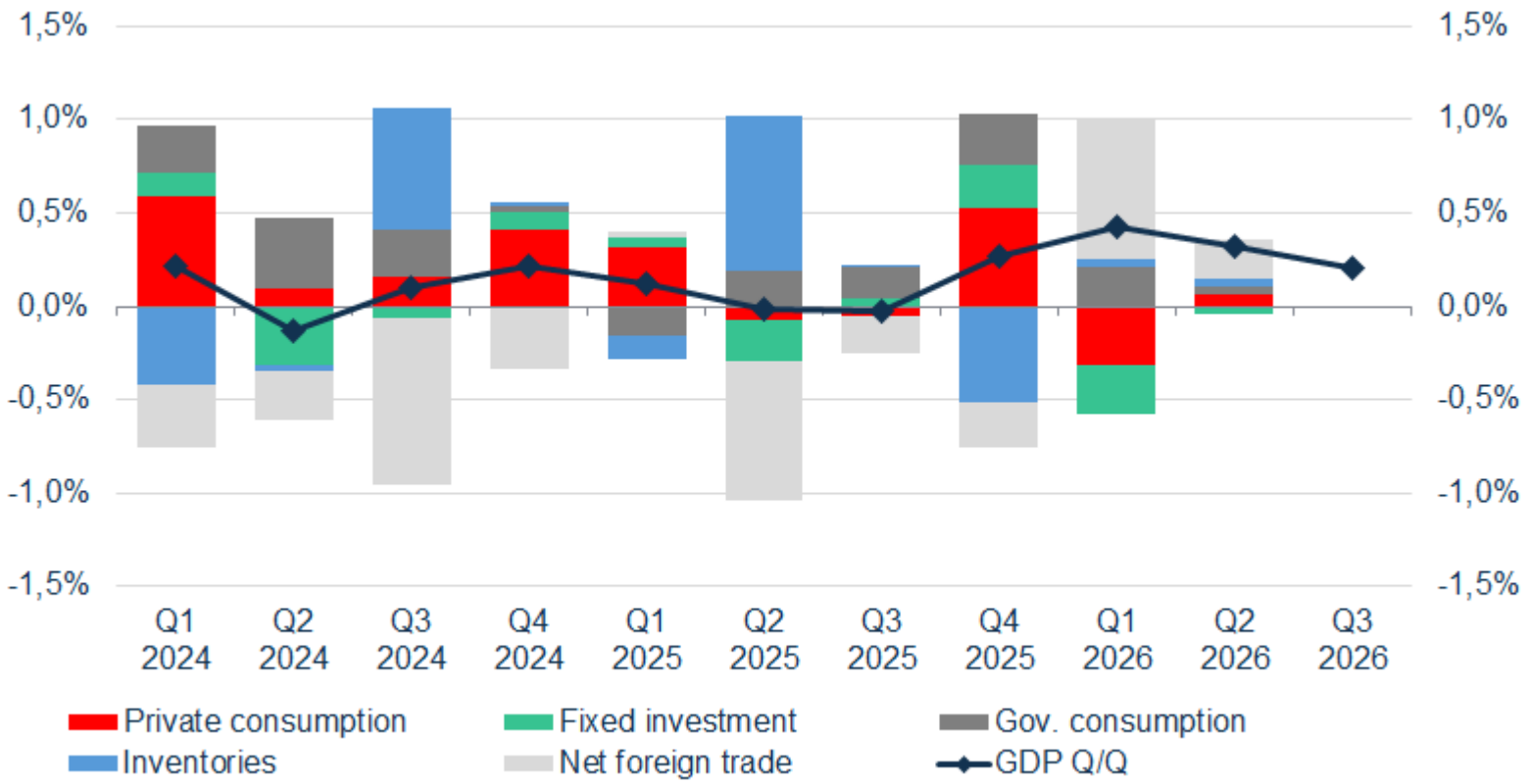
Source: LSEG, IMF WEO 10/2026, LBBW Research

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Germany: Positive Results in Q3 as Well

GDP Q/Q and Composition

Quarterly Results



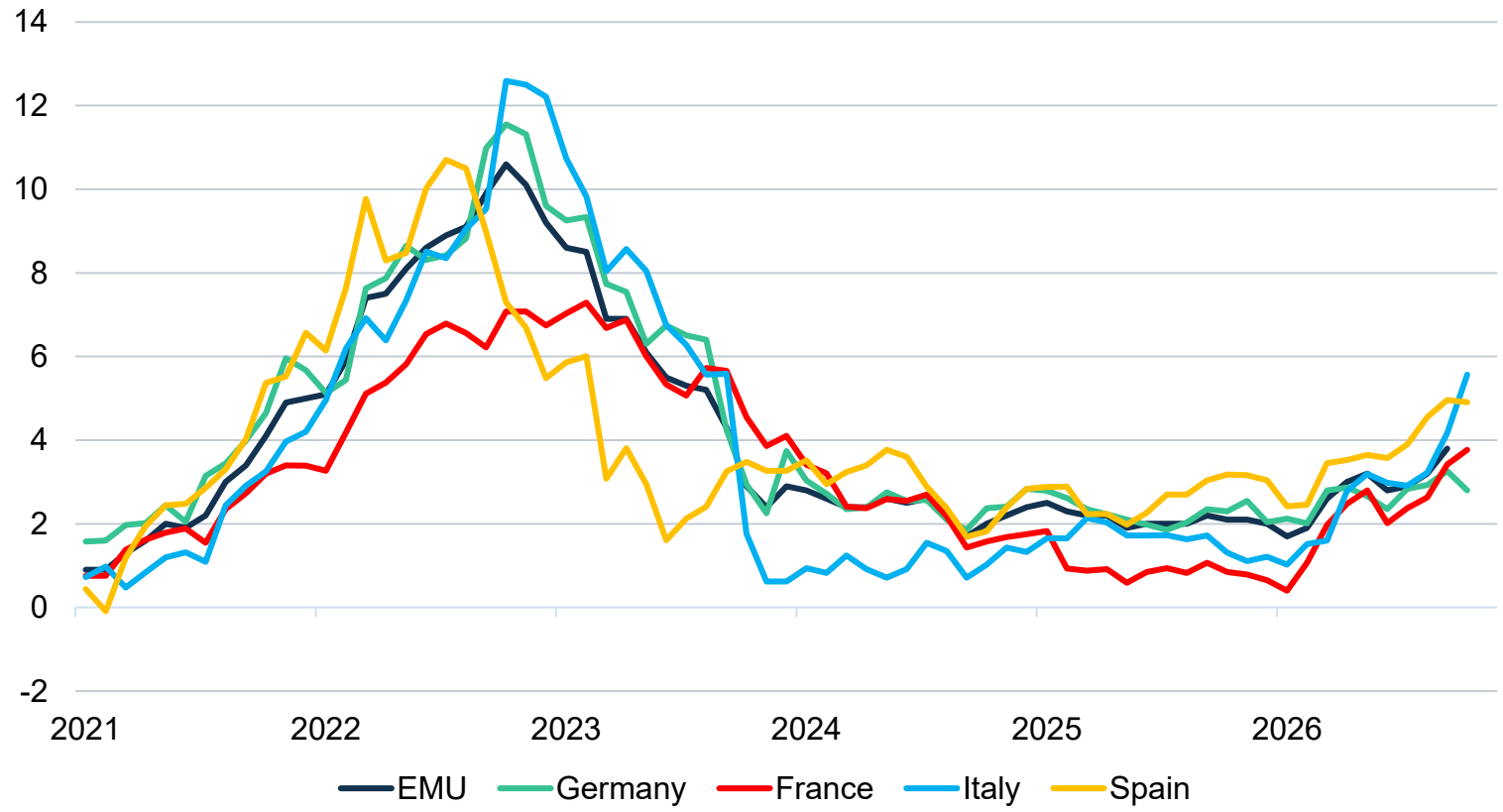
- GDP growth in Q3 slowed from +0.3% to +0.2%. Nevertheless, this is good news. This is because the earlier “whispered estimates” had predicted only minimal growth.
- The reasons for this were the drought-stricken summer (with the Rhine's water levels at record lows), a slump in the automotive industry, and the aftermath of the Iran War.
- In fact, according to Destatis, exports have slowed. But apparently there were other factors that were able to at least partially offset what was mentioned earlier.

Source: LSEG, LBBW Research

Inflation Is Picking Up Again

Inflation in the EMU and the E-4

Monthly figures



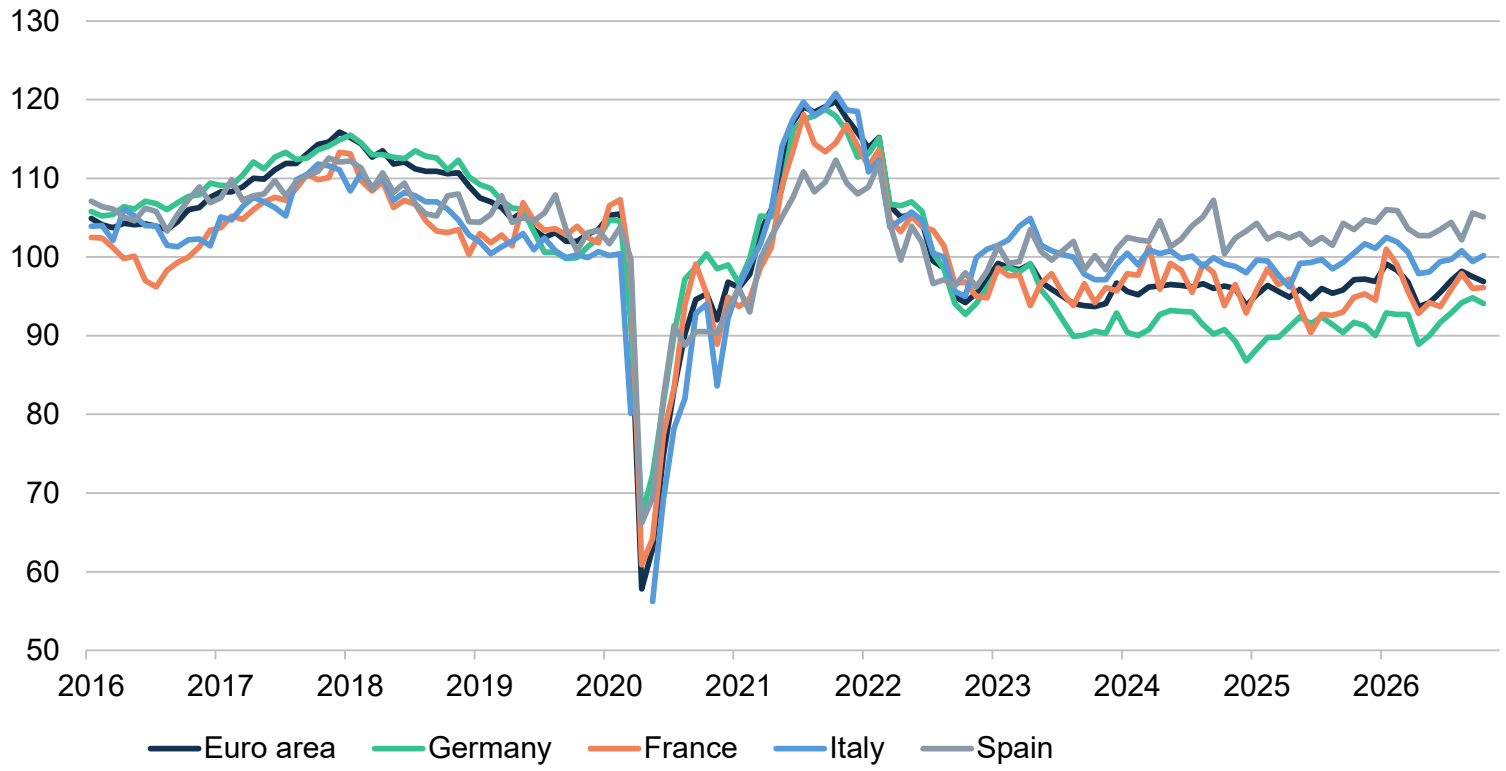
- The inflation rate rose in almost all countries in October.
- The exception was Germany, where the “fuel rebate” (temporary reduction) in the energy tax helped curb rising prices.
- However: “There’s no such thing as a free lunch!” – The taxpayer foots the bill. In the end, it's more or less "from the left pocket to the right pocket." The fuel subsidy will also lead to slightly higher inflation next year.

Source: LSEG, LBBW Research

Economic Outlook: It remains to be seen

Economic Sentiment in the EMU and the E-4

Monthly figures



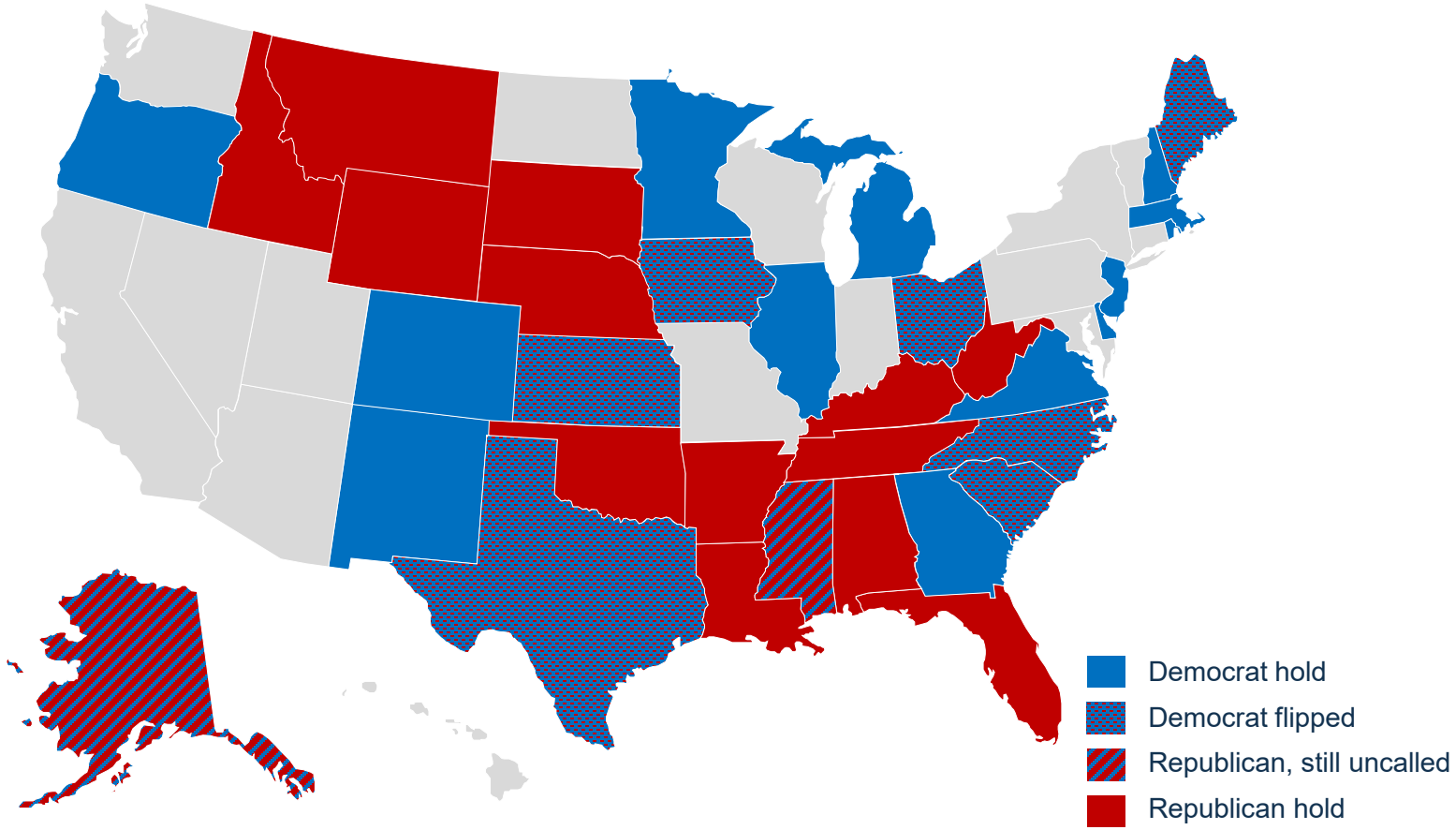
- The most recent leading indicators were mixed. At the EMU level, economic sentiment declined. Only in Italy was there a slight upturn.
- Overall, economic sentiment in the EMU countries has been moving roughly sideways since the end of 2023(!). This does not suggest that the underlying economic trend will change in the foreseeable future.

Source: LSEG, LBBW Research

U.S. Politics: Democrats Win Control of the Senate and the House of Representatives

Senate: Seats Up for Election

by political party



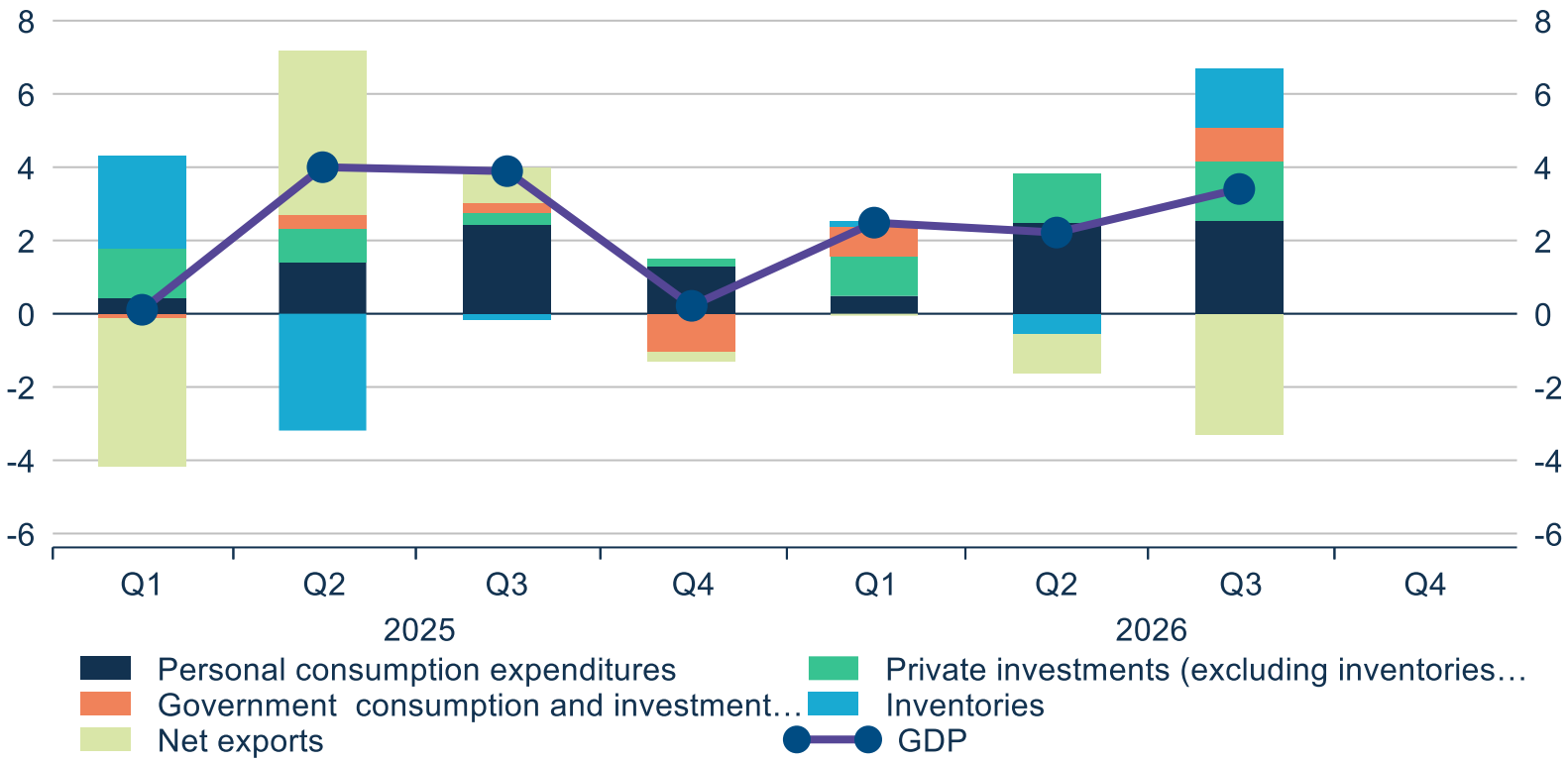
- The Democrats have won at least seven Senate seats, and possibly Alaska as well.
- In Mississippi, the race is too close to call.
- The results show roughly the same number of votes for the Democrats as in 2024. The Republicans, on the other hand, have lost a massive number of voters. The exception is Texas, where the Democrats saw a significant increase in votes.
- In the House of Representatives, projections stand at 257 to 178.
- Democrats will also hold the governorships in Texas, Georgia, Kansas, and Iowa.
- Congress holds the budget reins, while President Trump is threatening to veto any legislation.

Quelle: https://www.presentationgo.com/presentation/usa-editable-powerpoint-map, LBBW Research

AI Investments are boosting U.S. growth

Gross Domestic Product and Contributions to Growth

Seasonally adjusted quarterly figures, annual rate, in % or percentage points



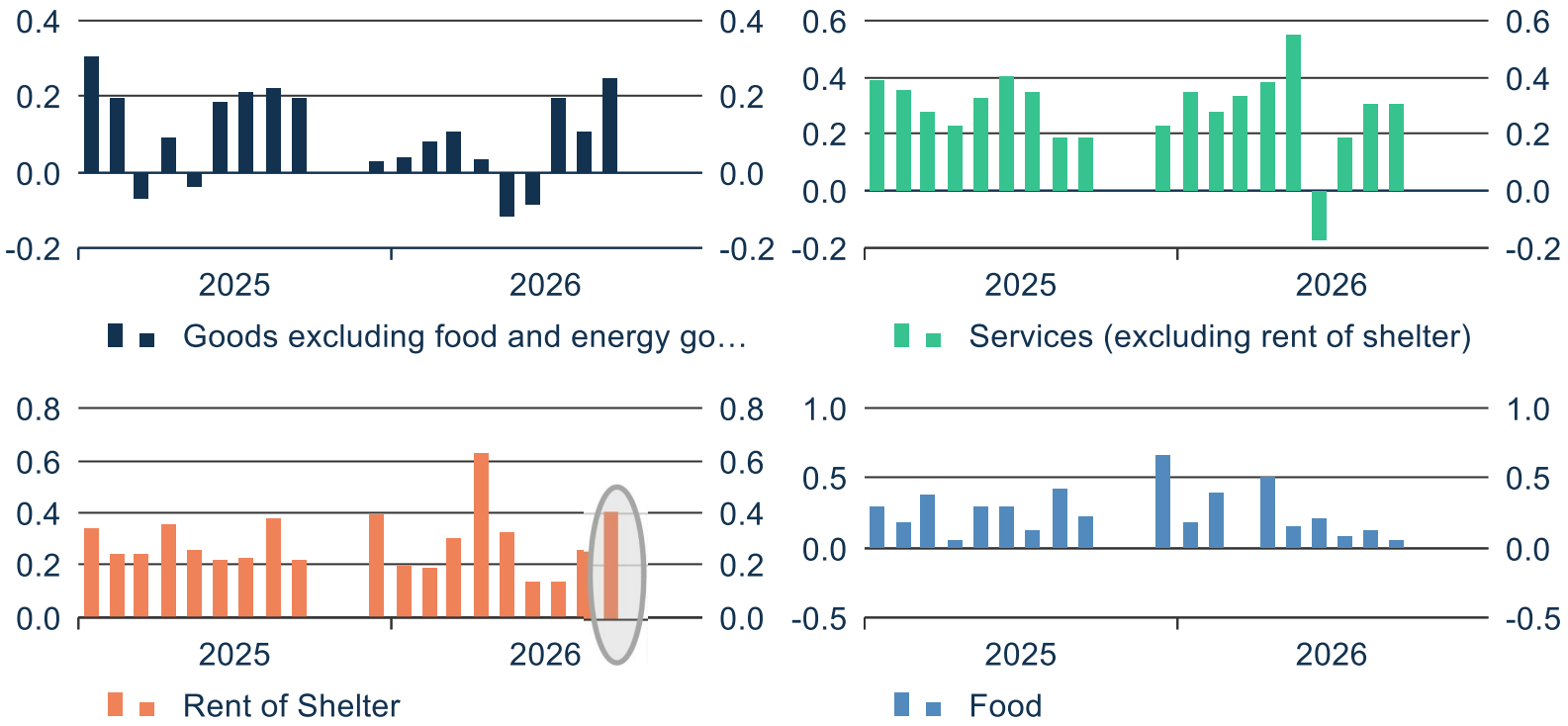
- The U.S. economy grew at an annual rate of 3.4% in the third quarter compared with the previous quarter.
- Domestic private demand excluding inventories – a kind of core GDP – actually rose at a rate of just under 5%.
- The AI boom is the main driver of this growth. This not only stimulates corporate investment but also supports personal consumption through the wealth effect generated by the bull market in AI stocks.
- According to our calculations, gross domestic product – calculated excluding investments in IT equipment, investments in software, and investments in data centers – grew at an annual rate of 1.9% in the third quarter.

Source: LSEG, LBBW Research

U.S. Inflation in September: Higher increases in housing costs are driving inflation

Consumer Price Groups

Seasonally adjusted monthly figures, change from the previous month, in %



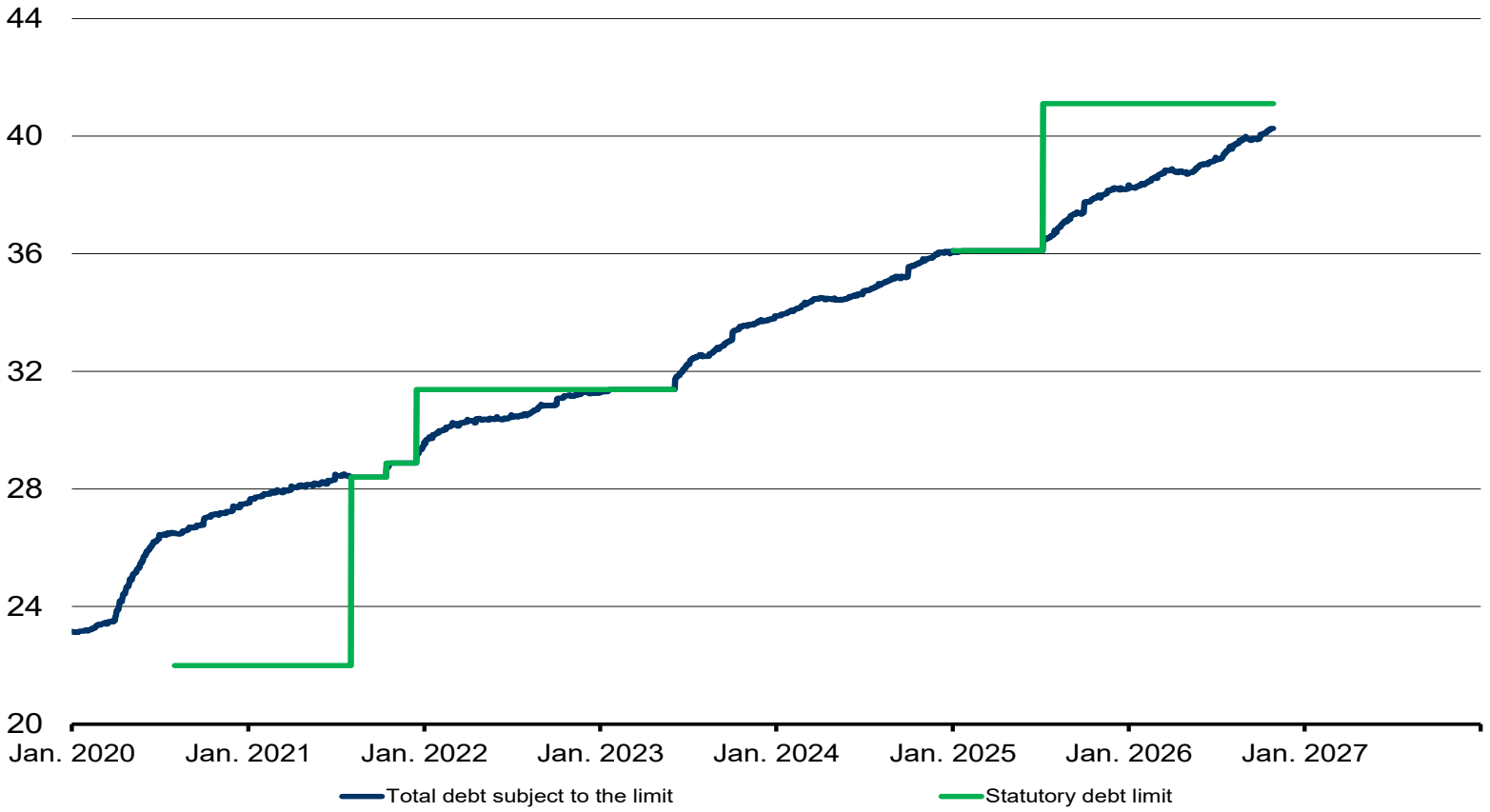
- The U.S. consumer price index (CPI) rose 0.6% in September compared with the previous month. Higher fuel prices have been a major contributing factor in this. The CPI excluding food and energy rose by 0.3% compared with the previous month.
- A closer look at the details reveals that the rise in housing costs accelerated from 0.3% to 0.4%. However, this was due less to actual apartment rents than to higher imputed owner rents and another sharp rise in hotel room rates.
- Food prices, however, remained flat in September, following a monthly increase of just 0.1% in August.

Source: LSEG, LBBW Research

The sovereign debt crisis is just around the corner

U.S. national debt and the U.S. debt ceiling

Central Government, Daily Figures, in Trillions of U.S. Dollars



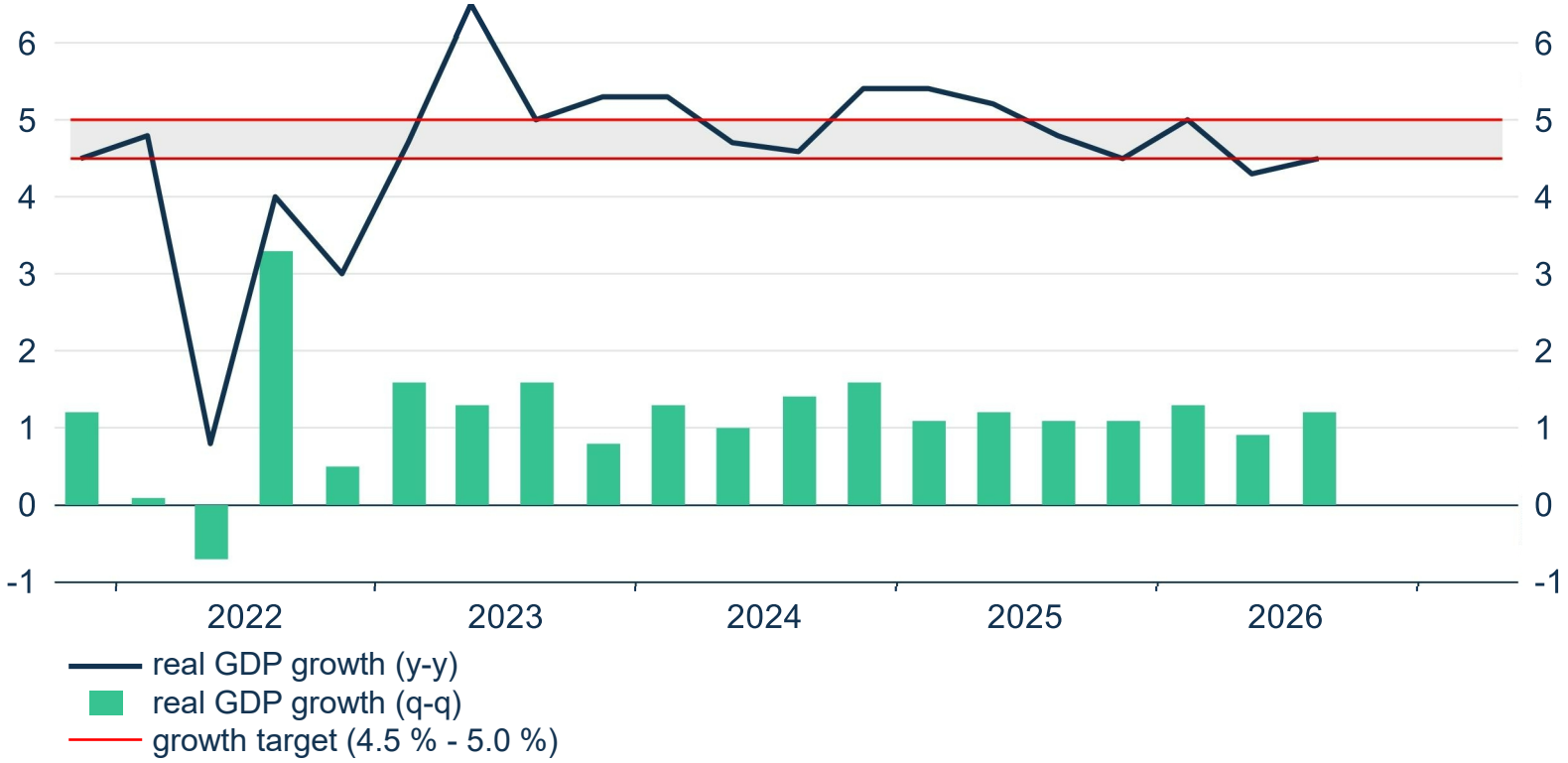
Source: Bloomberg, LBBW Research

- According to estimates by the National Taxpayers Union, the national debt ceiling will be reached between February 2027 and July 2027.
- The U.S. Treasury Department could then use extraordinary measures to gain an additional six to nine months of financial flexibility. This means that the so-called "X-Day" – the day on which these possibilities are exhausted – could fall at the turn of the year 27/28.
- As X-Day approaches, the dispute between the Trump administration and a House of Representatives that is expected to be controlled by Democrats over raising the debt ceiling is likely to weigh increasingly on the U.S. dollar.

China: GDP growth ticking up slightly, but situation remains uneven

China: GDP Growth Rates

Quarterly figures, in %, year-over-year, quarter-over-quarter



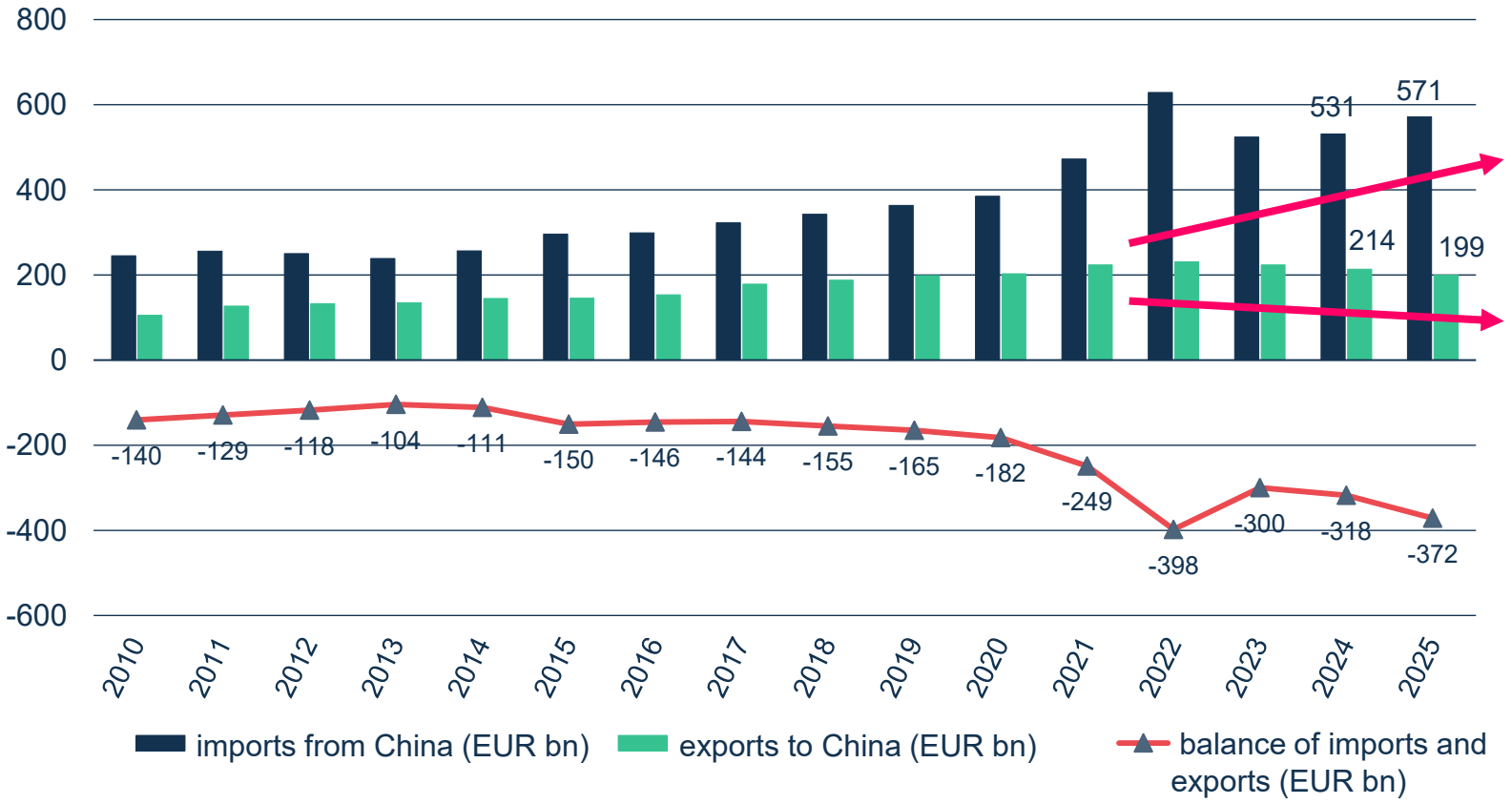
- China's GDP grew by 4.5% (y-y) and 1.2% (q-q) in the third quarter according to the NBS.
- Growth in Q3 was slightly higher than the 4.3% in Q2 (which was the weakest since the end of 2022).
- Manufacturing remains the backbone of the economy, particularly high-tech and equipment manufacturing.
- On the other hand, the retail sector faces continued headwinds, while the construction and housing sector remain in crisis mode.
- In our view, the figures once more underscore the need to address frictions in the domestic economy more effectively.

Source: LSEG, LBBW Research

EU-China: Growing imbalances forces Europe to take action

EU-China trade: Exports, imports, and balance

in billions of EUR



- EU countries are coming under increasing pressure in their trade with China.
- Exports to China have declined every year since 2022 , while imports have continued to rise.
- The trade deficit of -371.6 billion EUR (revised from an initial figure of approximately -360 billion EUR) is the second-highest on record after the exceptional year of 2022 (see also Emerging Markets & Global Economy Quarterly Q3/26 on EU-China trade relations).
- In October, the European Commission and the Chinese Ministry of Commerce reached an initial agreement to address the imbalances.

Source: Eurostat, LBBW Research

October agreement temporarily eases conflict, but does not resolve it

EU-China: Agreement on October 9

Element	Contents	Status
Hybrid cars	**Quota Agreement**: 350,000 vehicles in the first year, +6% per annum over a 4 year period **Implementation: country-specific** import quotas instead of tarifs; implemented in December 2026 for 200 days, to be confirmed by a majority of EU member states thereafter	**Partially confirmed (details from the EU)**
Tariff cut by China	**Unilateral reduction of MFN tariffs:** including, among others, auto parts, olive oil, etc. Estimated **EU export value affected: approximately € 4 billion**; estimated customs savings: approximately € 225 million; effective January 1, 2027, for four years.	**Partially confirmed (scope to be determined)**
Rare Earths	**"Green Channel":** Accelerated licensing of exports to EU end-users; whitelist of regular customers (according to EU representatives)	**Confirmed**
EU Exports	**Facilitation of dual-use licenses** for China in consultation with member states. **Exclusion of Chinese inverters from** EU-funded projects re-evaluated	**Confirmed**

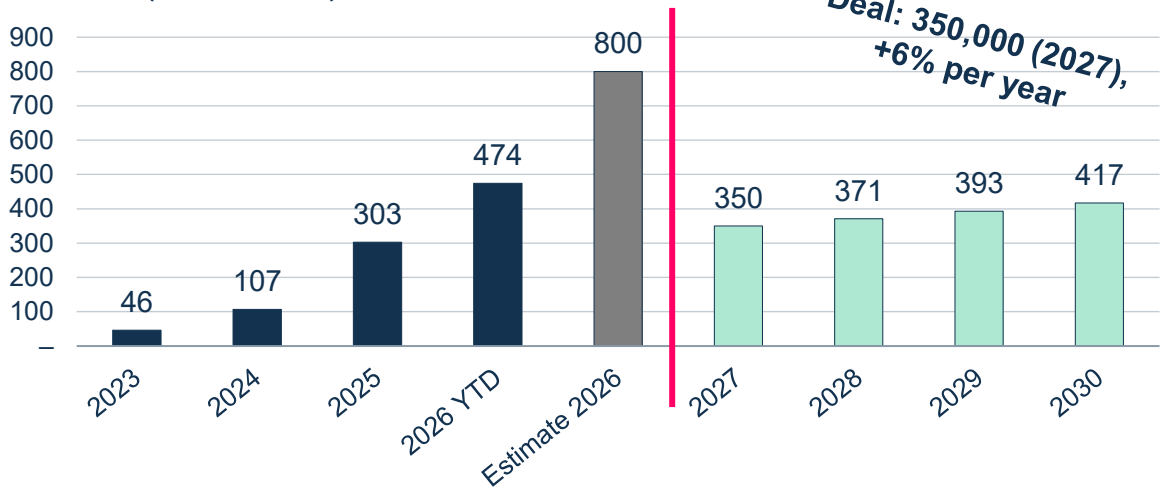
Concessions by China

Concessions by EU

Source: Eurostat, Bloomberg, European Commission, LBBW Research

EU: Hybrid car imports from China & plan

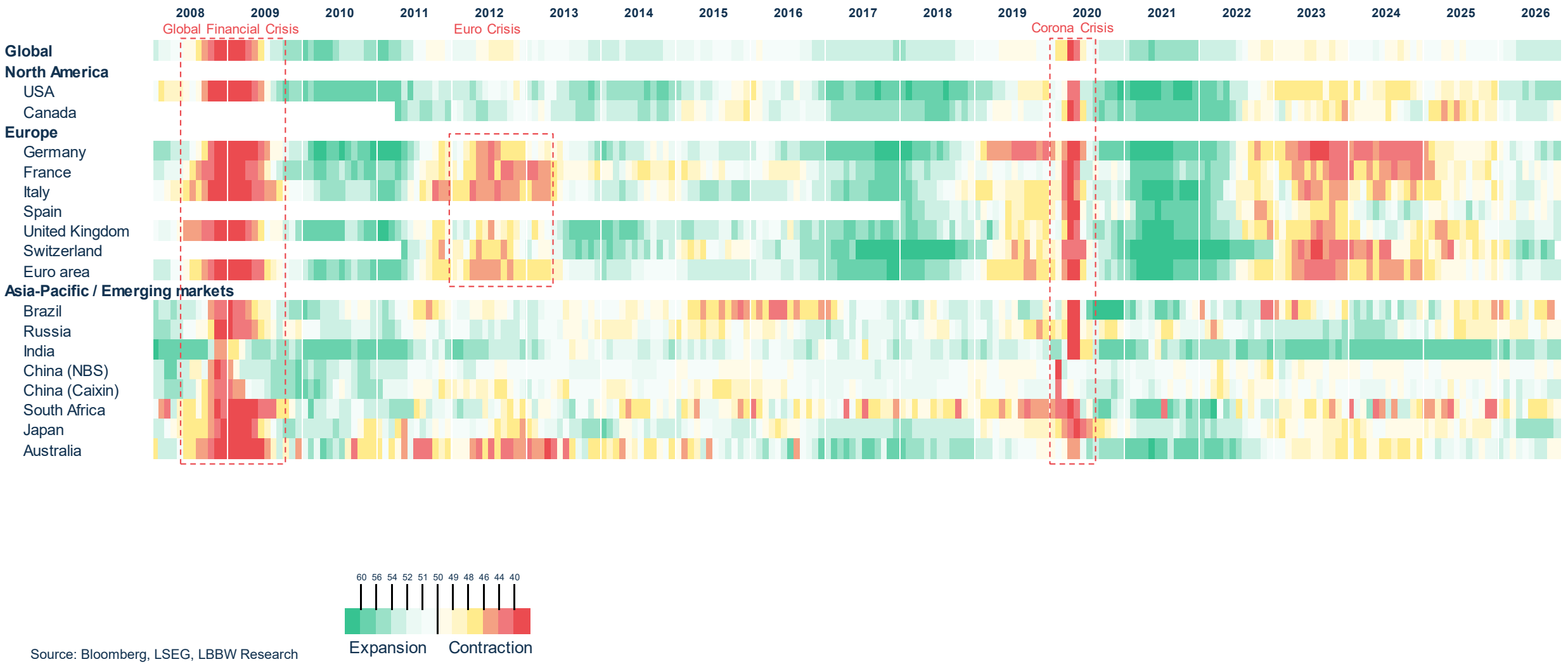
in units (thousands)



- The centerpiece of the October agreement is a cap on imports of Chinese hybrid vehicles into the EU. A quota of 350,000 units has been set for 2027, which will be increased by 6% annually in subsequent years. The main purpose of the cap is to protect the domestic automotive industry.
- Imports of hybrid cars in the first eight months of the year— at around 474,000 units — were already nearly 60% higher than the total of 2025. For 2026, the European Commission expected an increase to 800,000 units.
- According to our estimates, the recent agreement is unlikely to have a big impact on the EU's growing trade deficit with China given its limited scope. The prospect of a deterioration of relations and a trade escalation remains on the table.

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Global Purchasing Managers' Indices for the Manufacturing Sector



Source: Bloomberg, LSEG, LBBW Research

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04

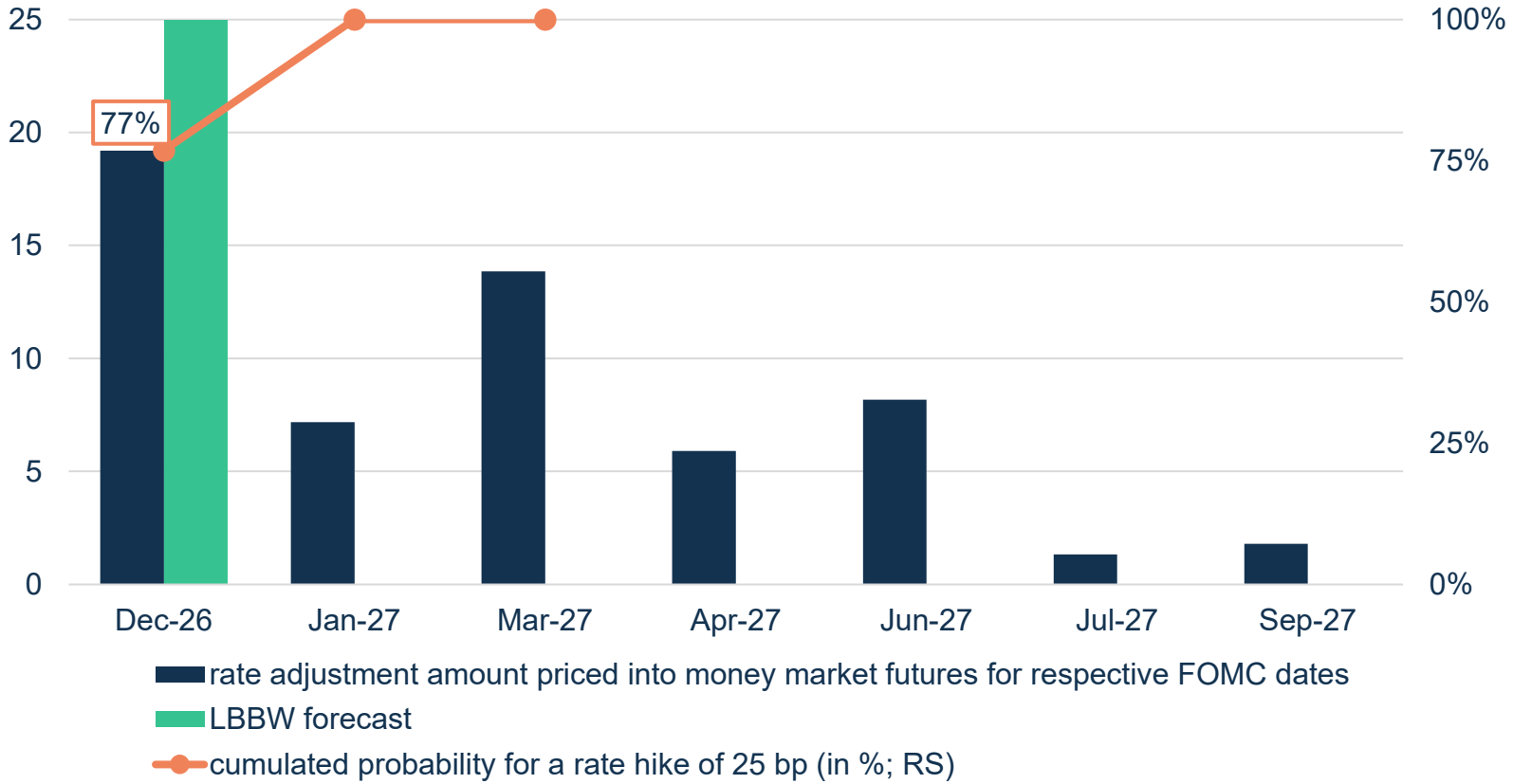
Rates: A Turning Point in the Bond Market?



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Fed: One more rate hike in December – AI risks pose a potential “stumbling block”

Market expectations for changes in the federal funds rate per Fed meeting (in bps) and cumulative probability of another 25-bp hike

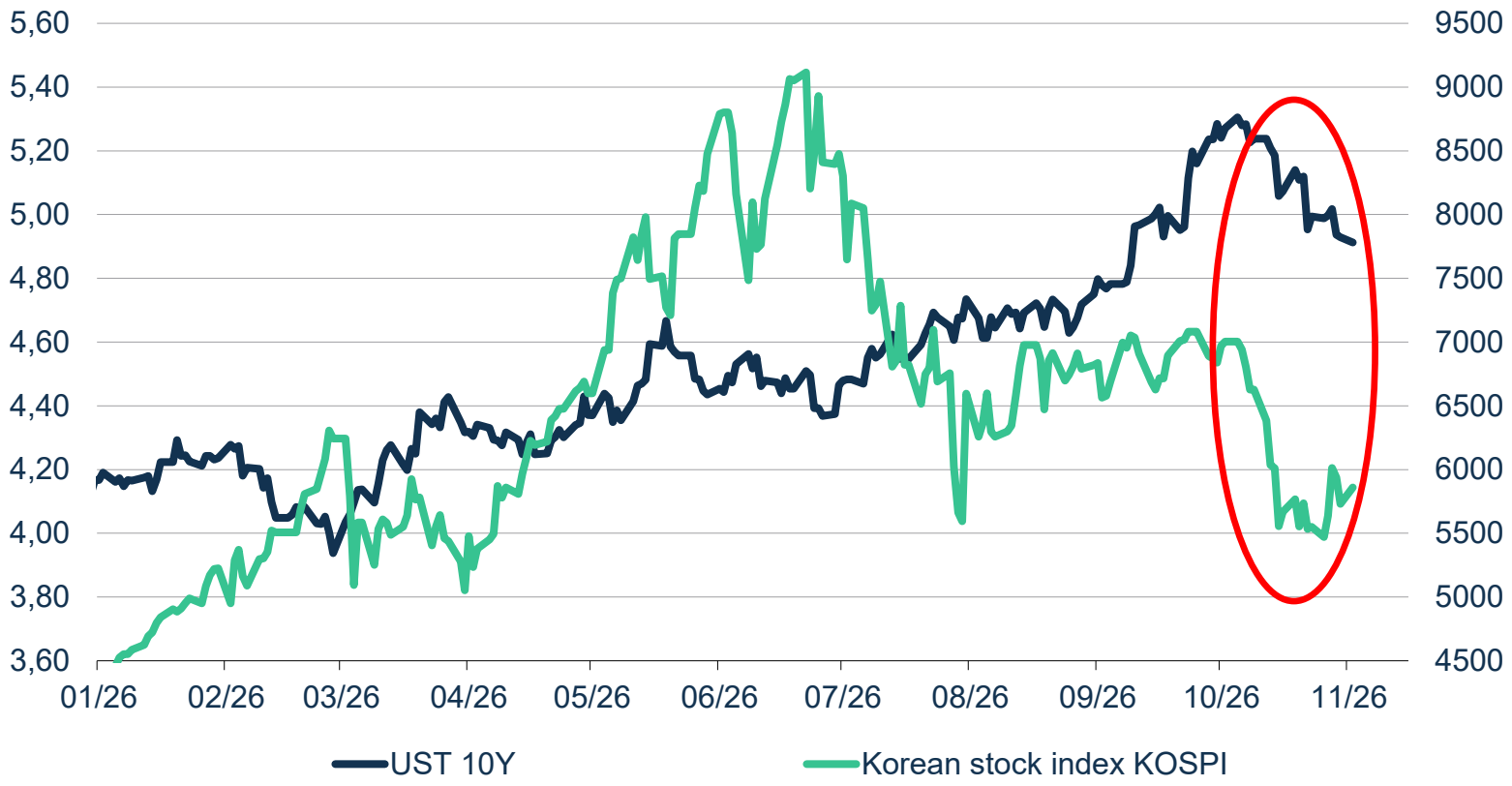


- Fed Chairman Warsh remained true to his stance at the October meeting, refraining from providing any rate “guidance”.
- Two FOMC members voted in favor of another interest rate hike. In contrast, Warsh's reference to tighter financing conditions added a "dovish" note.
- Growing concerns about AI in the market tend to play into the hands of the doves, while the “strong” economy favors the hawks.
- The U.S. rates market is less certain about a rate hike in December than it was before the most recent meeting.
- We maintain our forecast of a hike in December, followed by a peak phase. Given the latest CPI data, the risks to our forecast are more on the upside.

Sources: Bloomberg, LBBW Research

U.S. Bond Market: AI concerns present opportunities for the bond bulls, …

Yields on 10-Year U.S. Treasuries and the Korean Stock Index

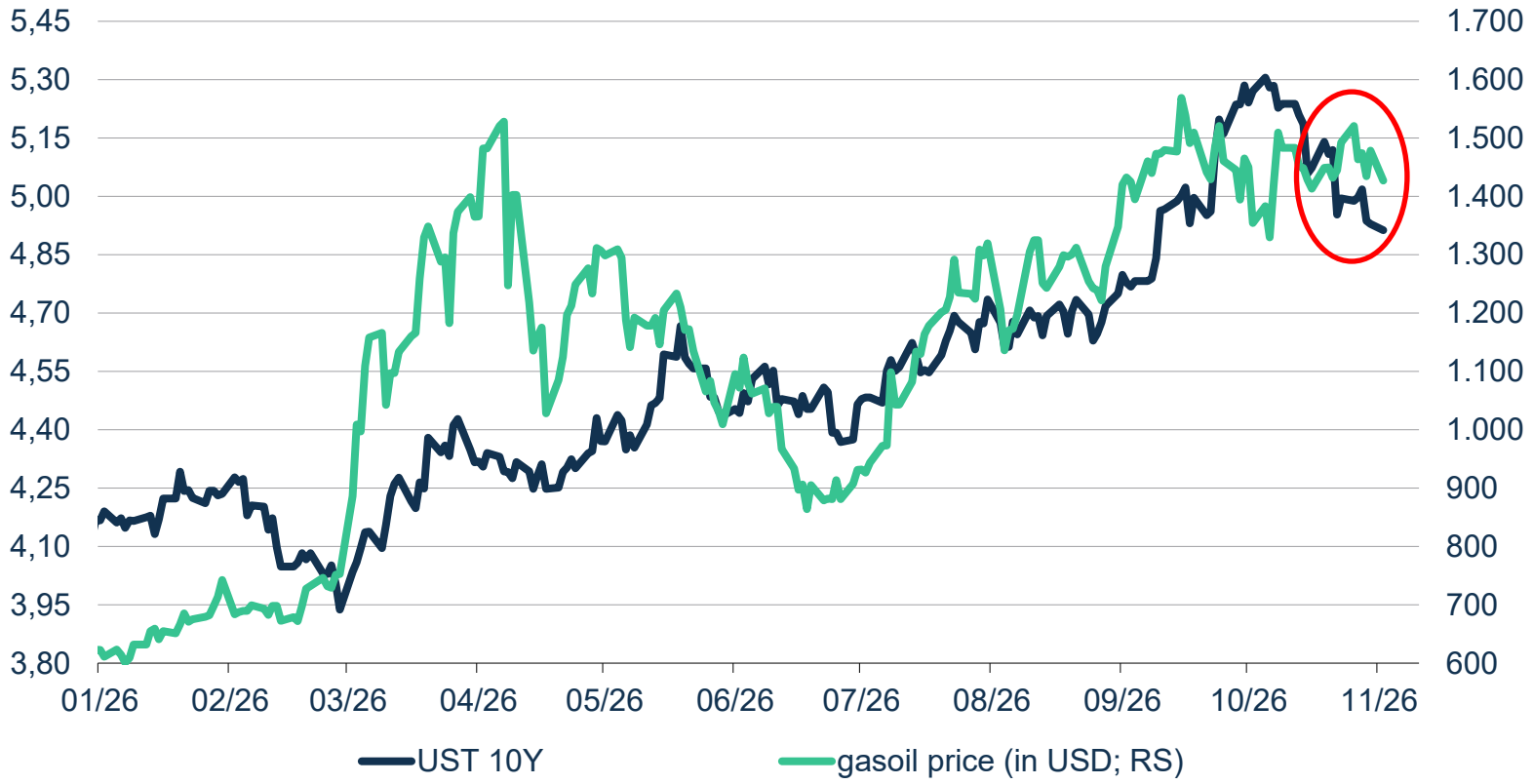


- A key factor behind the preliminary inflection point in yield trends in the U.S. Treasury market: Investors' growing unease about earnings prospects in the AI sector.
- The yield on 10-year Treasuries has fallen back below the psychologically important 5% threshold. From a chartist perspective, this increases the likelihood of a turnaround in sentiment.
- A short-covering rally likely further fueled the price recovery.
- => It seems the peak in yields has likely passed – at least for now.

Sources: Bloomberg, LBBW Research

… but the volatile situation in the Middle East calls for caution!

Yields on 10-year U.S. Treasuries and the price of gas oil (in USD/metric metric ton)

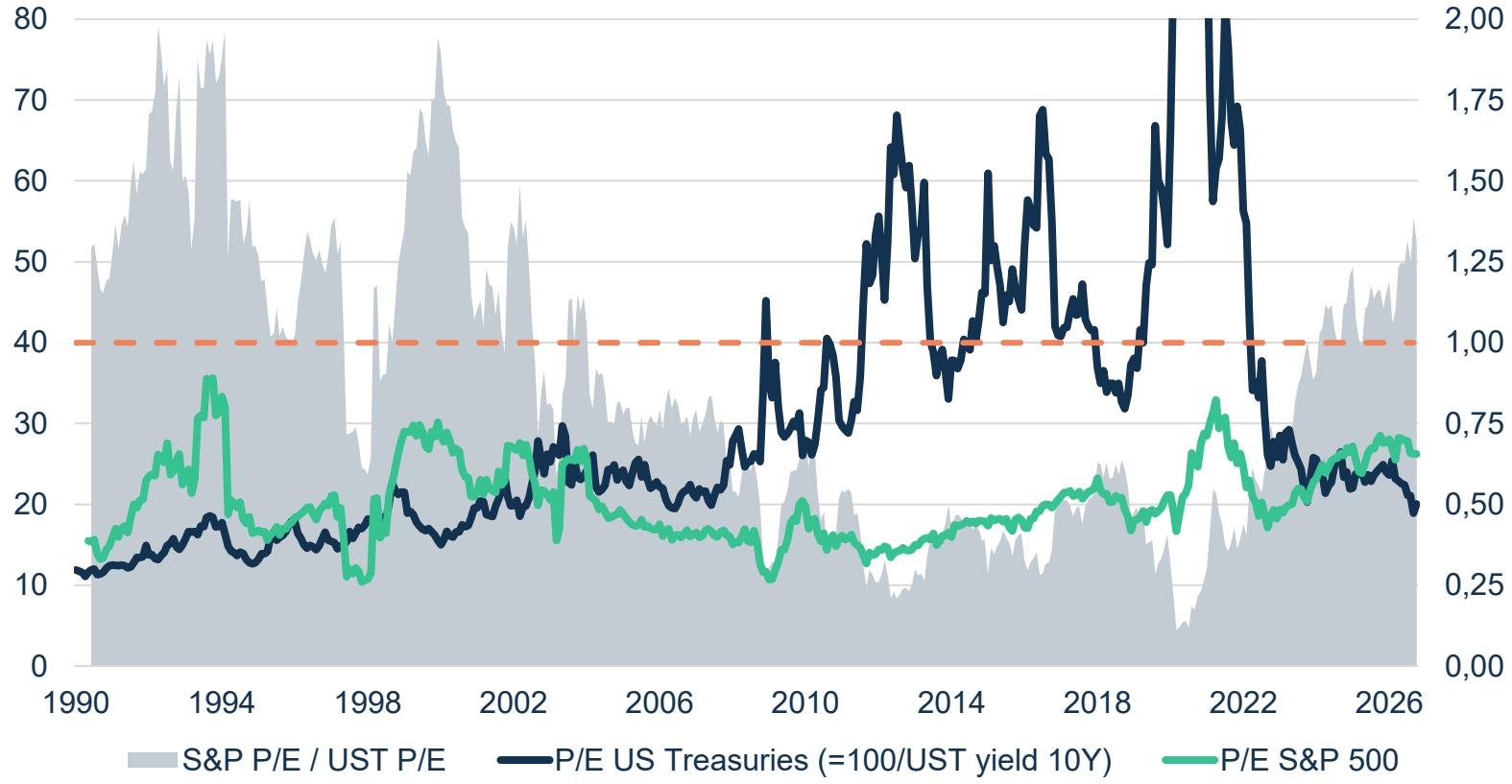


- However, the continued high uncertainty about developments in the Middle East calls for caution against excessive euphoria in the bond market.
- Oil prices are hovering near their annual highs amid a “geopolitical risk premium.”
- This threatens to put sustained upward pressure on U.S. inflation in the fourth quarter.
- A nerve-wracking question: What will happen after the U.S. midterm elections? A new wave of conflict could cause energy prices to rise even further.
- => The U.S. bond market has corrected bearish excesses. But it is too early to declare the start of a prolonged downward trend in yields.

Sources: Bloomberg, LBBW Research

U.S. Bond Market: Relative attractiveness hits a 24-year high

S&P 500 P/E Ratio (actual) and implied P/E ratio based on the U.S. Treasury market (= 100 / yield on 10-year Treasury bonds)

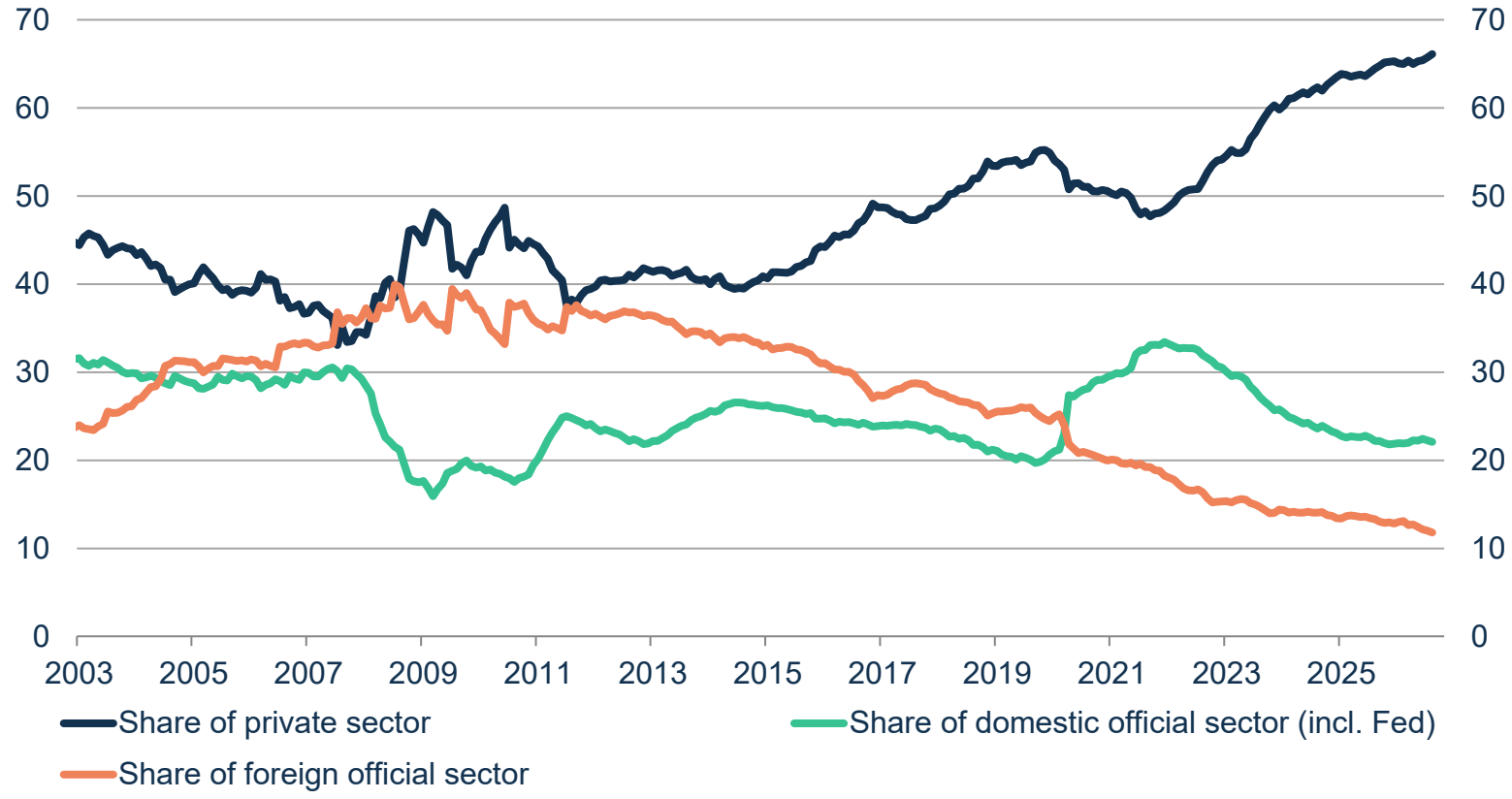


- The U.S. government's ongoing debt spiral remains the biggest Achilles' heel of the U.S. Treasury market, especially with regard to long-term bonds.
- At the same time, the relative attractiveness of U.S. Treasuries compared to the U.S. stock market rose to its highest level since 2022 at the end of the third quarter.
- The ratio of the “bond P/E” to the stock P/E (S&P 500) is currently most favorable for the bond market in about 24 years.

Sources: Bloomberg, LBBW Research

U.S. Treasury Market: Reliance on “opportunistic” investors has been mounting

Share of selected investor groups in the U.S. Treasury market (in %)

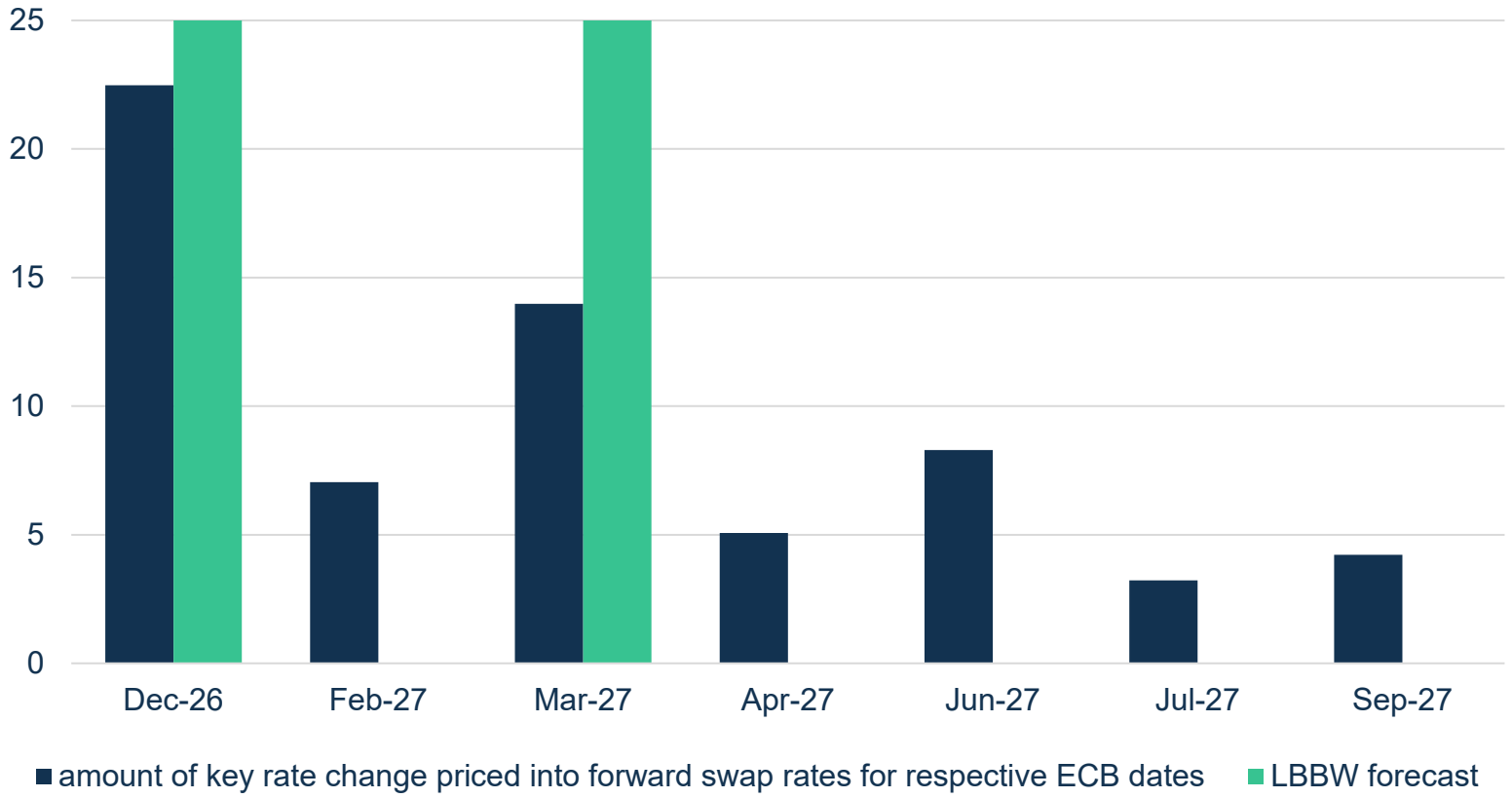


- In our view, long-term shifts in the creditor structure of the U.S. Treasury market could make bond prices structurally more vulnerable to abrupt turnarounds in market sentiment – for example, with regard to the topic of debt.
- In 2015, public-sector investors still held a larger share of the Treasury market (approximately 60 percent) than private-sector investors.
- Since then, the ratio has shifted to 2:1 in favor of the private sector, primarily because foreign central banks and sovereign wealth funds have significantly reduced their holdings of Treasuries.
- Investors in the private sector are said to be more willing to make short-term portfolio adjustments.

Sources: Federal Reserve, Bloomberg, LBBW Research

ECB: Turmoil in France is unlikely to derail a rate hike in December

Market expectations for key interest rate changes per ECB meeting (in bps), with LBBW forecast

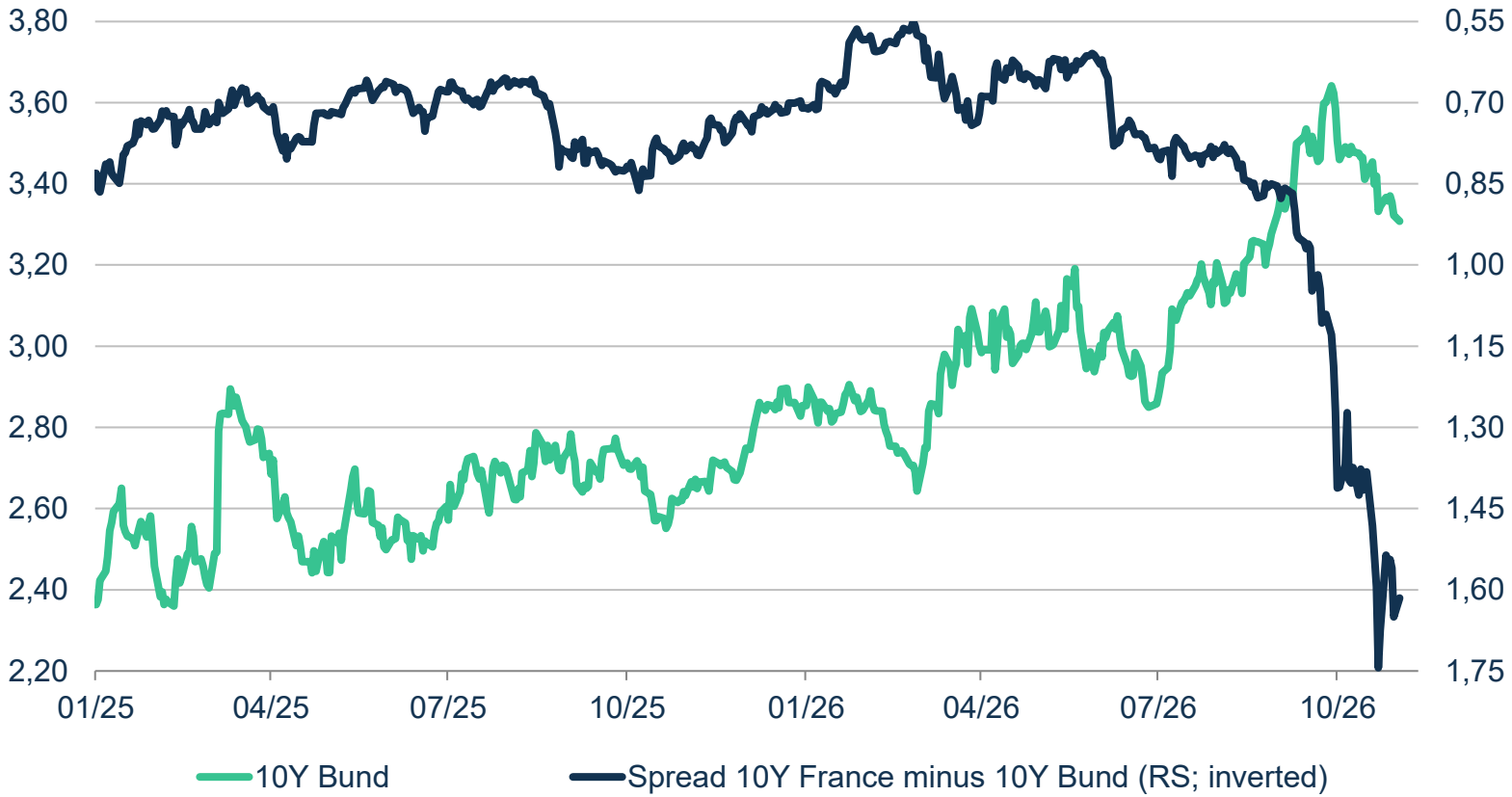


- As expected, the ECB Governing Council paused in October, citing, among other things, tighter financing conditions.
- ECB President Lagarde hinted, however, that a further interest rate hike has merely been postponed: It is “relatively clear where things are headed” if there are no surprises.
- => Given the rise in energy prices, the likelihood that the ECB will raise interest rates again in December remains high (market: 90%).
- We expect a total of two more hikes.
- In our view, the early leadership change at the ECB in February 2027 is unlikely to have a significant impact on the course of monetary policy.

Sources: Bloomberg, LBBW Research

EUR Bond Market: France's plight gives Bunds a boost …

Yield on 10-year German government bonds and risk premium on 10-year French government bonds

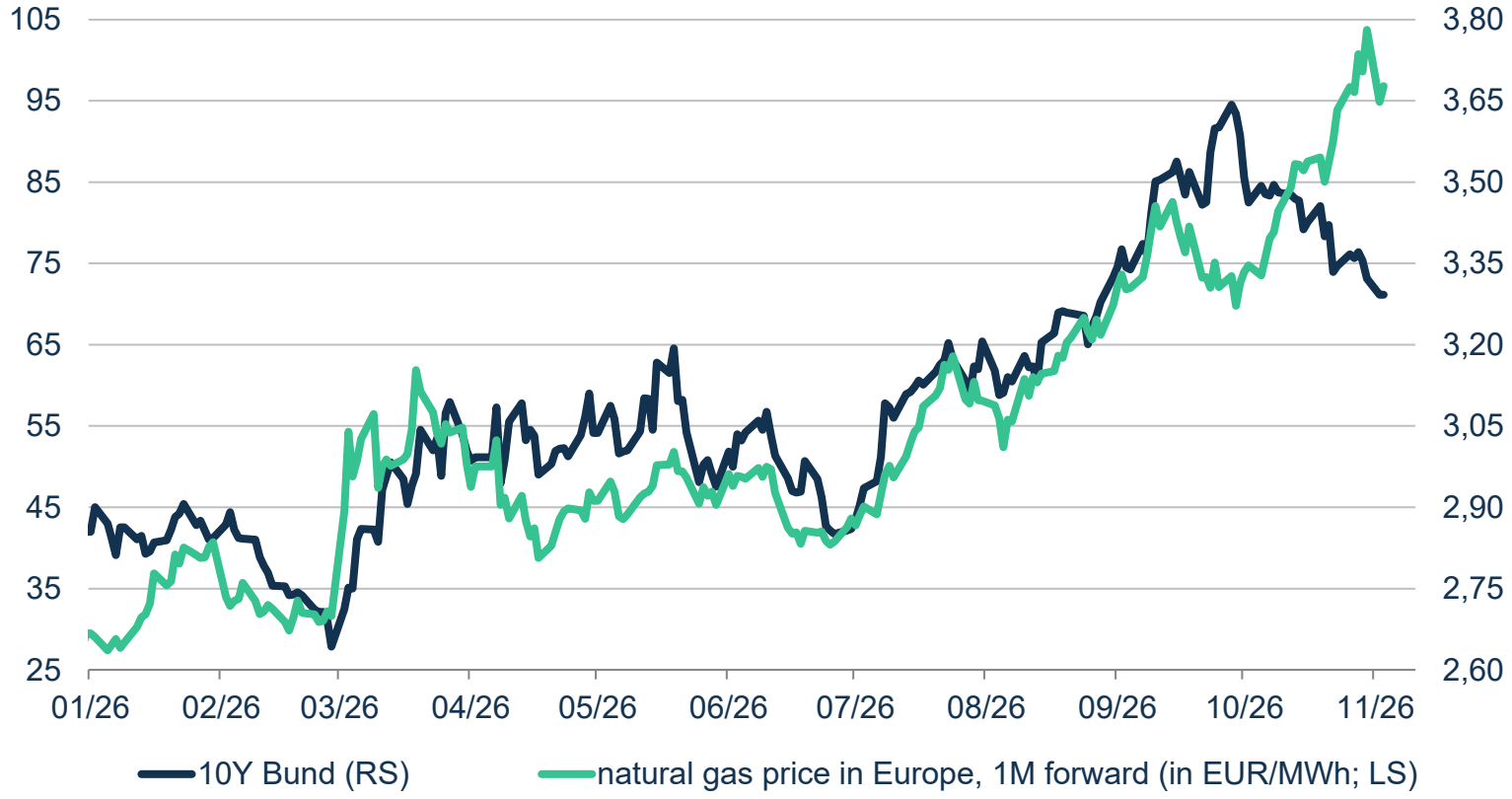


- The massive exodus of investors from the French government bond market, driven by growing doubts about France's ability to consolidate its budget, has driven investors into the arms of the Bunds.
- "Safe-haven" flows are likely to have played a significant role in the shift in sentiment since early October.
- => The more the market focuses on France, the less likely it is that yields on Bunds will return to their multi-year highs.

Sources: Bloomberg, LBBW Research

… but the upward spiral of energy prices serves as a warning against market euphoria!

Yields on 10-Year German Government Bonds and Natural Gas Prices in Europe (in EUR/MWh; 1M Forward)

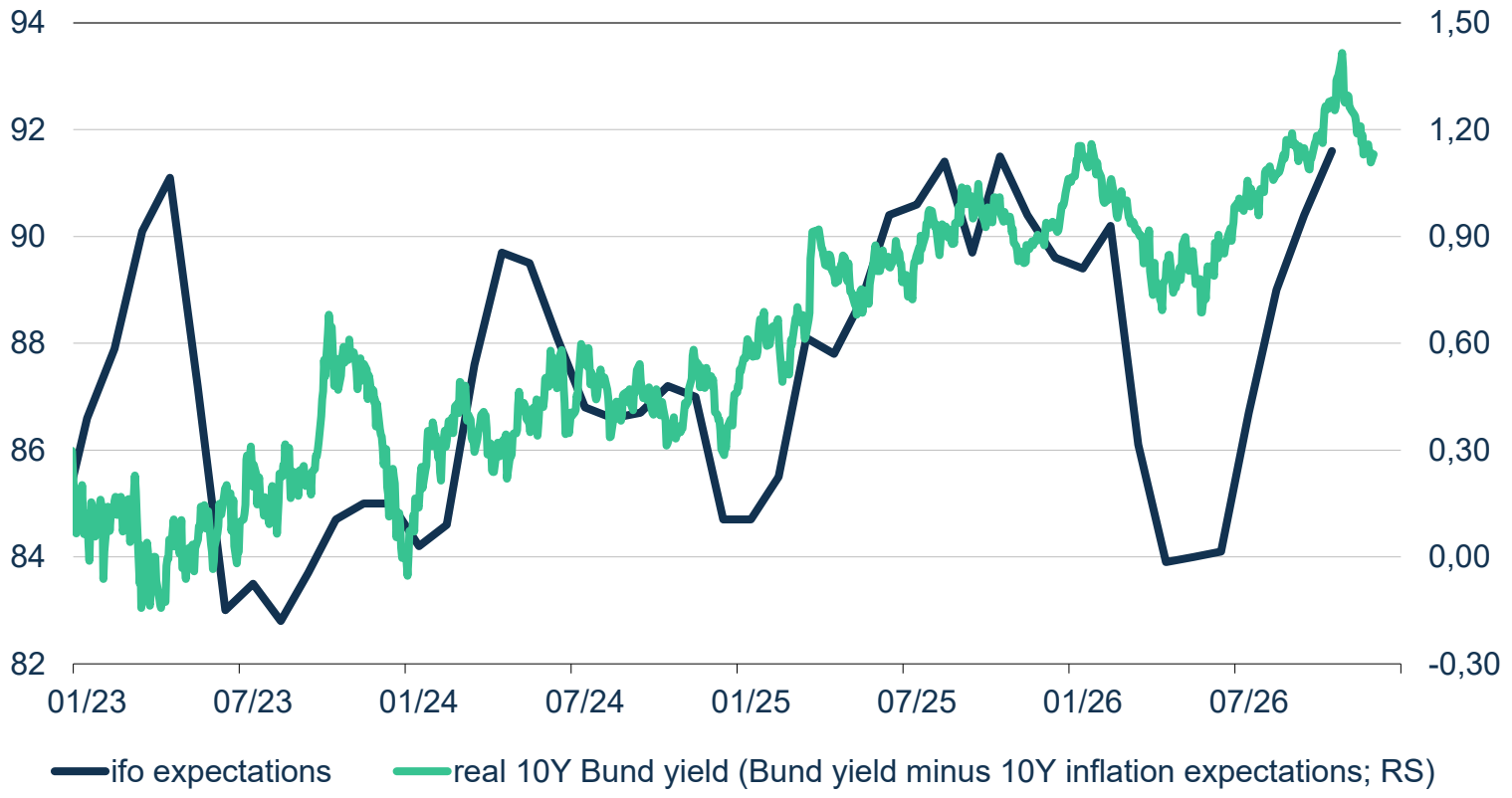


- "Safe-haven" flows have contributed to decoupling German government bond yields from the continued surge in energy prices, particularly European natural gas prices.
- The recovery in the price of German government bonds appears fragile in this respect: Investors' sensitivity to inflation risks could rise once again!
- => In our view, it would be premature to declare that a sustained downward trend in German government bond yields has started!

Sources: Bloomberg, LBBW Research

EUR Bond Market: Economic optimism runs counter to a bond-positive turnaround

Real Yield on 10-Year Bunds and the ifo expectations component

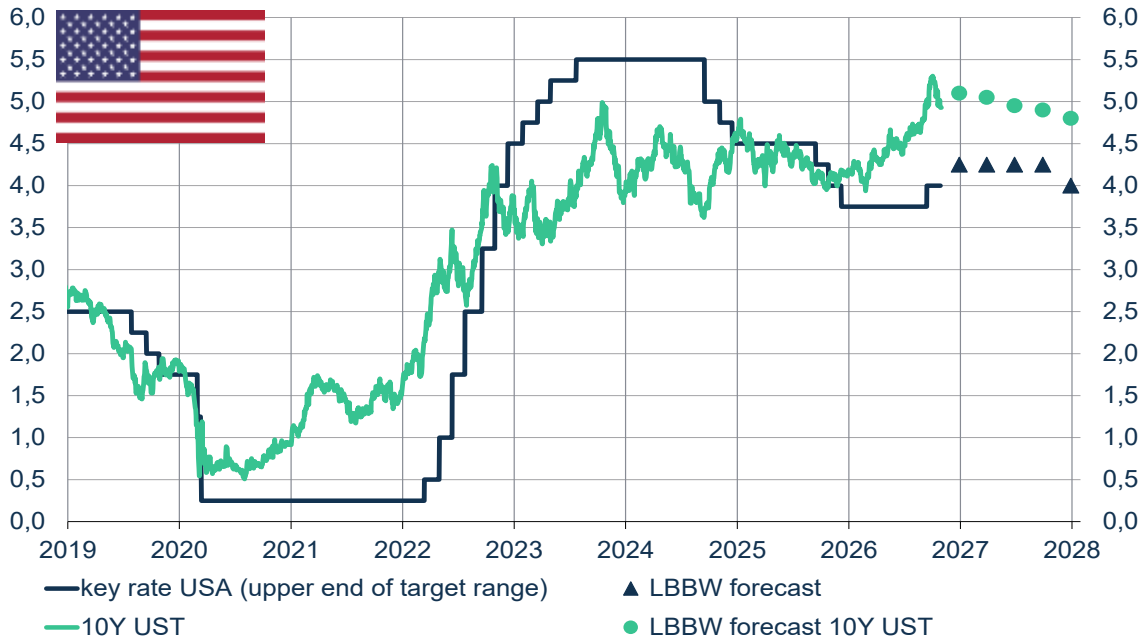


- The ECB did recently issue another warning about the economic risks posed by the ongoing energy price shock.
- However, economic data for the eurozone so far appears to be relatively unaffected by these risks.
- GDP growth in the third quarter exceeded expectations both in Germany and in the eurozone as a whole.
- The ifo Index for October was driven by further improvements in expectations, marking the sixth consecutive increase.
- => The recent decline in German government bond yields is correcting the excesses on the upside. However, in our view, a continued decline in the (real) yield does not seem appropriate given the economic recovery.

Sources: Bloomberg, LBBW Research

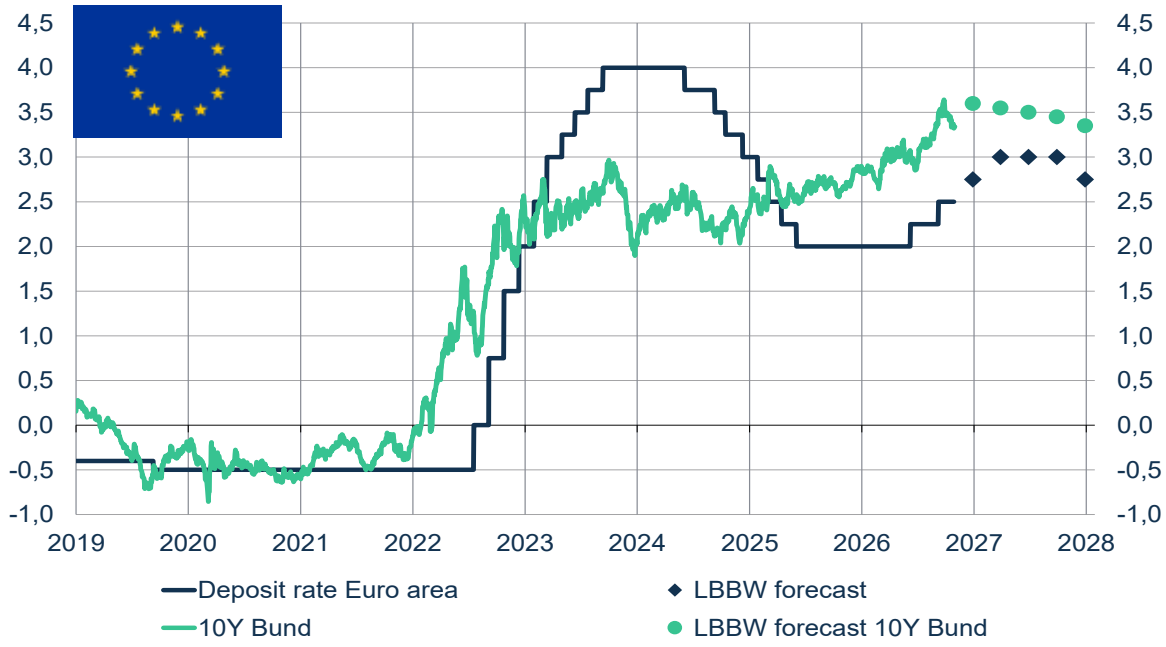
Fed set to raise interest rates once again, ECB to hike the deposit rate to 3.0%

US interest rates and forecast
as a percentage



- Fed: One further interest rate hike by the end of 2026. The door for an interest rate cut opens towards the end of 2027.
- Long-dated US Treasuries caught between a wave of debt and hopes that key rates are moving towards a peak.

EUR interest rates and forecast
as a percentage



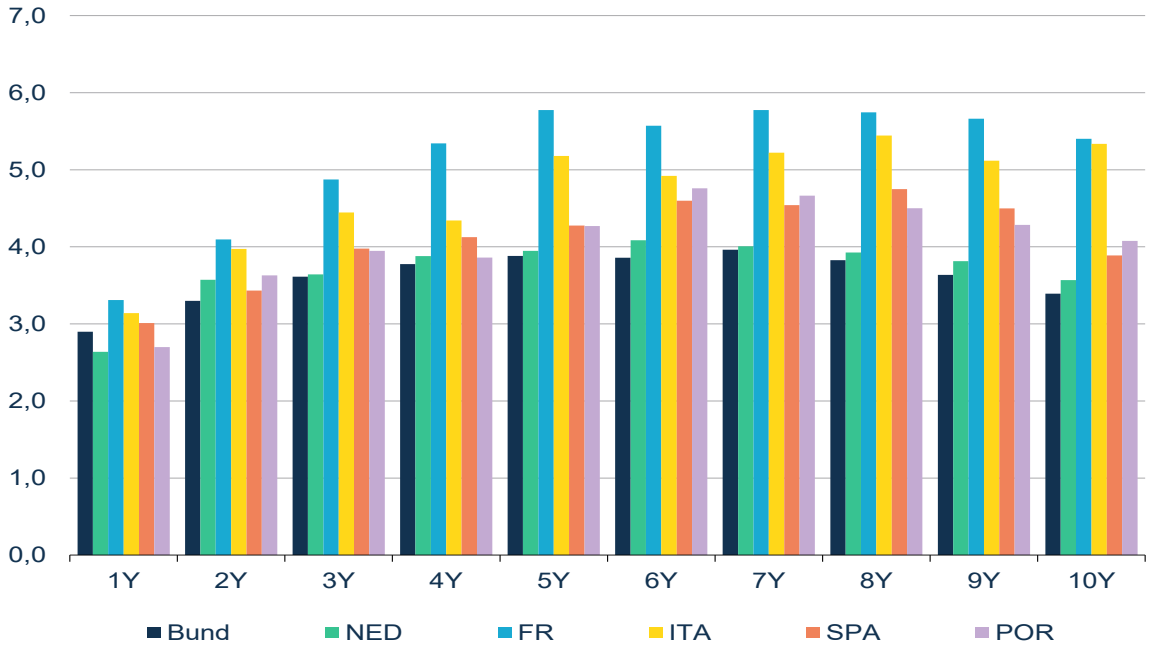
- ECB: Countering second-round effects is high on the agenda. Two further rate hikes by spring 2027.
- Long-term rates: Medium-term top formation expected, but there are still upside risks from mounting term premiums.

Sources: Bloomberg, LBBW Research

Performance Expectations for Euro-Denominated Government Bonds / US Treasuries

EUR Government Bonds Over a 12M Horizon

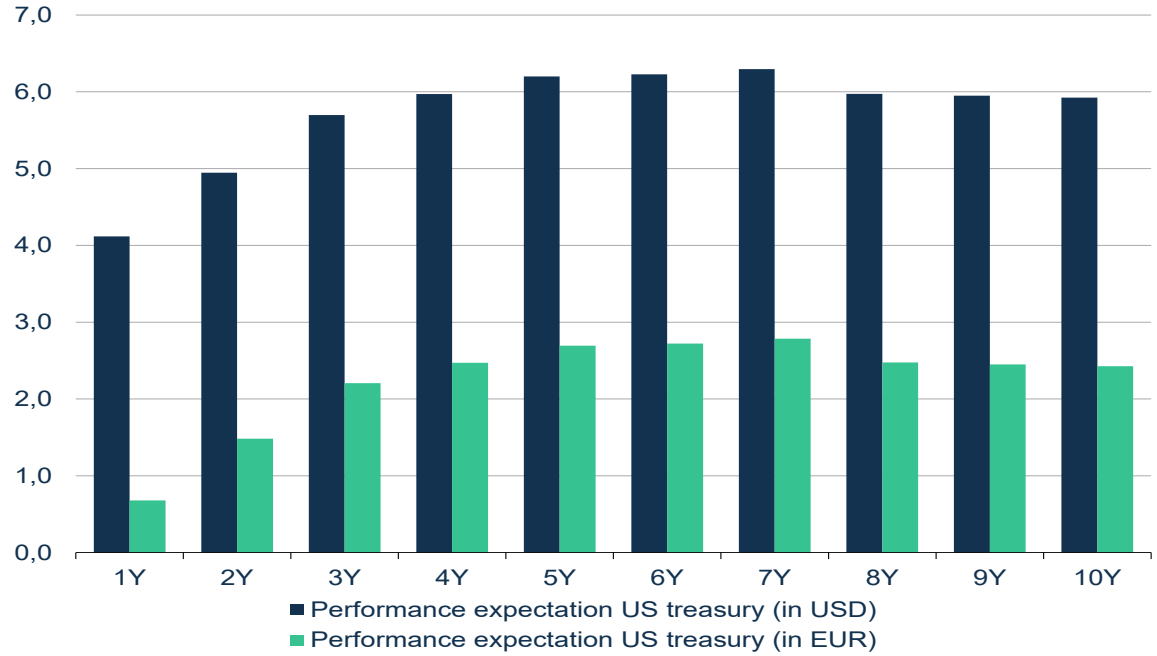
(in %; Assumption: Spreads Are Stabilizing)



- The policy tightening priced into the market is roughly appropriate; long-term bonds, however, may remain burdened by debt risks.
- Sovereign Spreads: Stabilization depends on fiscal policy decisions; France remains in the spotlight.

U.S. Treasuries: 12M Outlook

(in %; in USD and EUR)



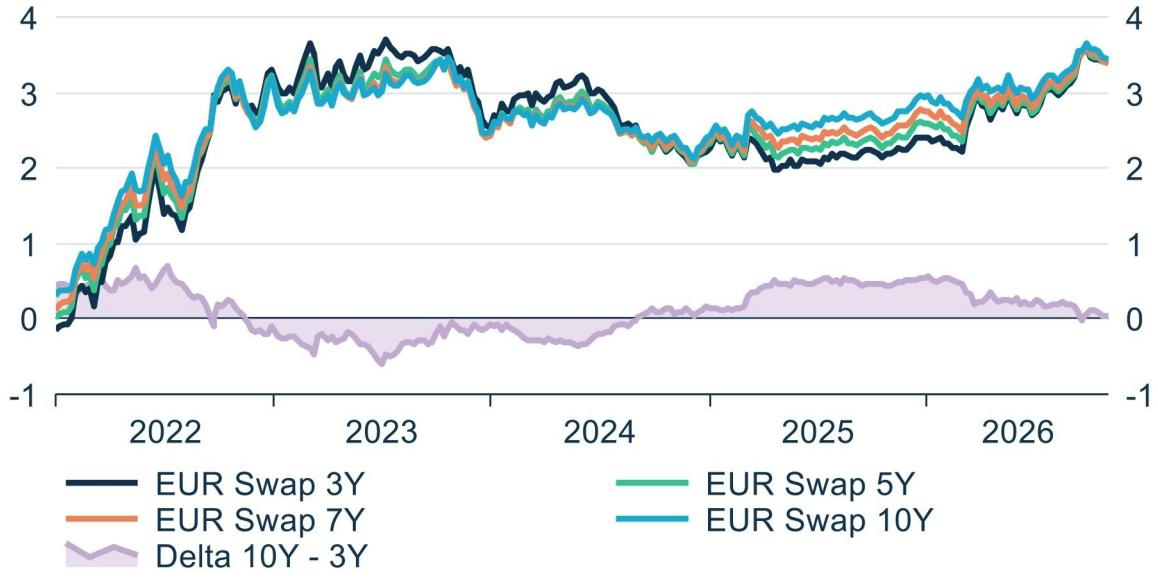
- U.S. dollar: Doubts about the reserve status remain. In the medium term, the risk of a moderate depreciation trend predominates.
- The risk/reward ratio for long-term U.S. Treasuries is roughly “balanced”; our allocation is “neutral.”

Sources: Bloomberg, LBBW Research

Swap Yields

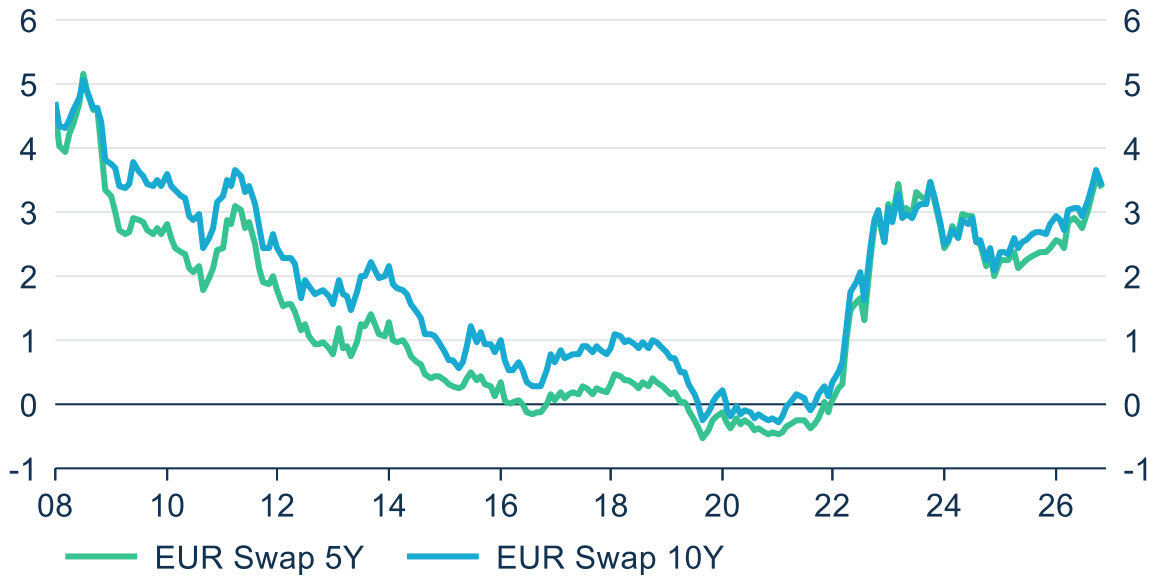
EUR Swap Yields in %

Terms ranging from three to ten years, since 2022



EUR Swap Yields in %

Five- and ten-year terms, since 2008



Source: LSEG, LBBW Research

Interest Rate Forecasts in Detail

		Spot	Forecast 31-Dec-26	30-Jun-27	31-Dec-27
Euro area					
ECB Main Refinancing Rate		2.65	2.90	3.15	2.90
ECB Deposit Rate		2.50	2.75	3.00	2.75
Overnight Rate (€STR)		2.44	2.70	2.95	2.75
3M Euribor		2.71	2.85	3.05	2.75
Swap 2Y		3.36	3.50	3.25	2.75
Swap 5Y		3.37	3.60	3.35	3.00
Swap 10Y		3.41	3.65	3.50	3.30
Bund 2Y		3.02	3.25	3.05	2.60
Bund 5Y		3.11	3.40	3.20	2.90
Bund 10Y		3.29	3.60	3.50	3.35
USA					
Fed Funds Target Rate		4.00	4.25	4.25	4.00
Overnight Rate (SOFR)		3.95	4.15	4.15	3.90
3M Money Market		4.85	4.30	4.15	3.90
Swap 2Y (SOFR-OIS)		4.44	4.60	4.15	3.75
Swap 5Y (SOFR-OIS)		4.42	4.60	4.25	3.95
Swap 10Y (SOFR-OIS)		4.52	4.70	4.50	4.30
Treasury 2Y		4.58	4.75	4.35	3.95
Treasury 5Y		4.70	4.90	4.60	4.30
Treasury 10Y		4.90	5.10	4.95	4.80
Other industrialized countries					
Japan	Overnight Rate (TONAR)	1.23	1.55	1.80	2.05
Japan	10Y Government Bond	2.77	3.15	3.25	3.30
UK	Overnight Rate (SONIA	3.74	3.95	4.20	3.95
UK	10Y Government Bond	5.29	5.30	5.20	5.00
Switzerland	Overnight Rate (SARON)	-0.05	-0.05	0.20	0.20
Switzerland	10Y Government Bond	0.47	0.60	0.60	0.50

Source: LSEG, LBBW Research

05

Credits: Spread Forecasts Raised



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LBBW

Risk premiums have risen significantly

iTraxx Crossover vs. NASDAQ (inverted)

in basis points or index points



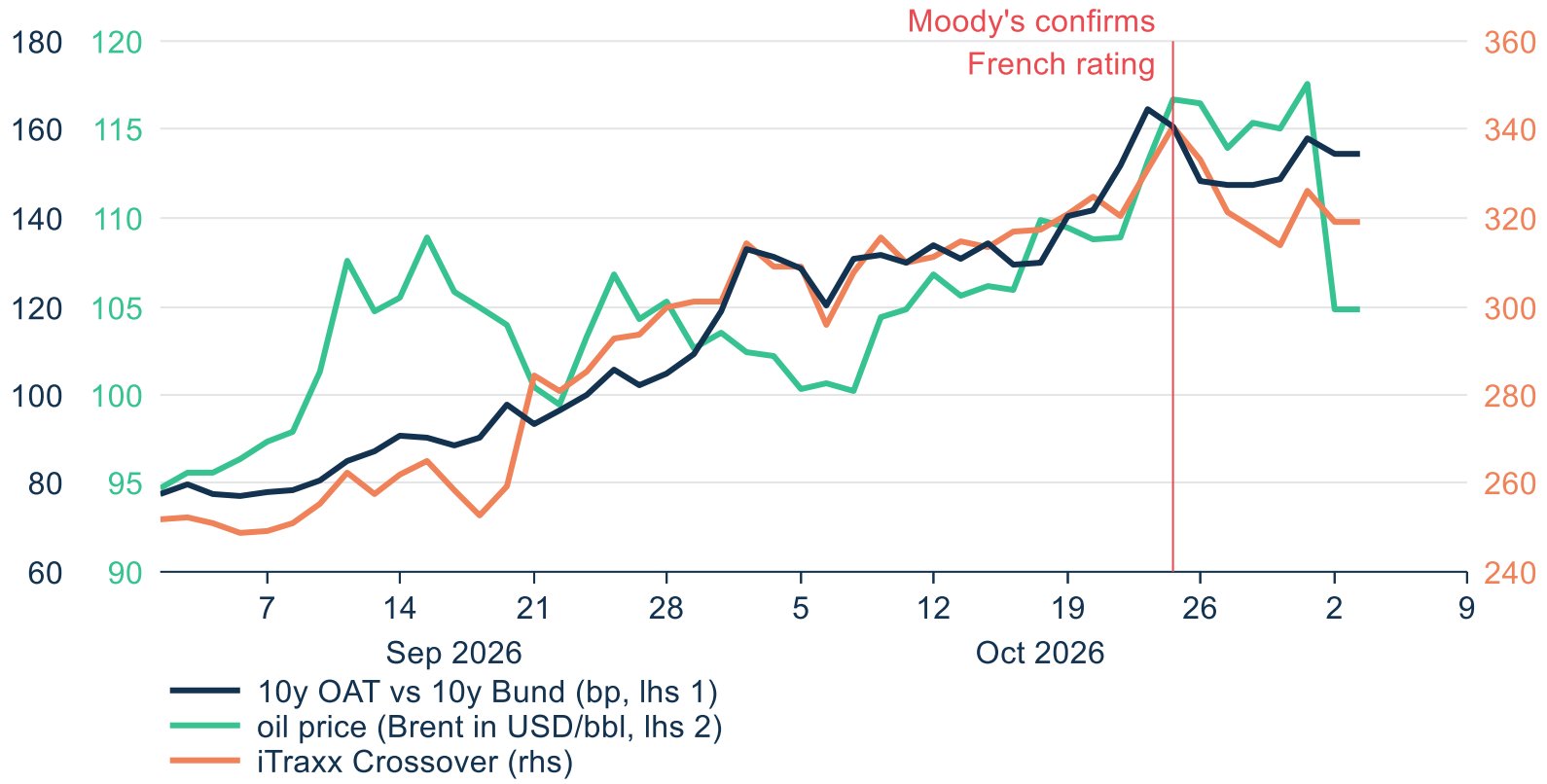
- Risk premiums have risen noticeably in recent weeks.
- In the case of the iTraxx Crossover, this was partly due to the jump caused by the roll in September.
- As usual, the index rebalancing involved a change in index constituents as well as a maturity adjustment. The maturity of the 5-year CDSs (credit default swaps) included in the indices was increased from 4.5 years back to their original maturity of 5 years.
- For the iTraxx Crossover, these index-rebalancing effects resulted in an increase of approximately 38 basis points compared with the previous series.

Source: LSEG, LBBW Research

Oil Prices and France as Negative Factors

iTraxx Crossover vs. Oil Price and French Spread

in basis points or USD per barrel



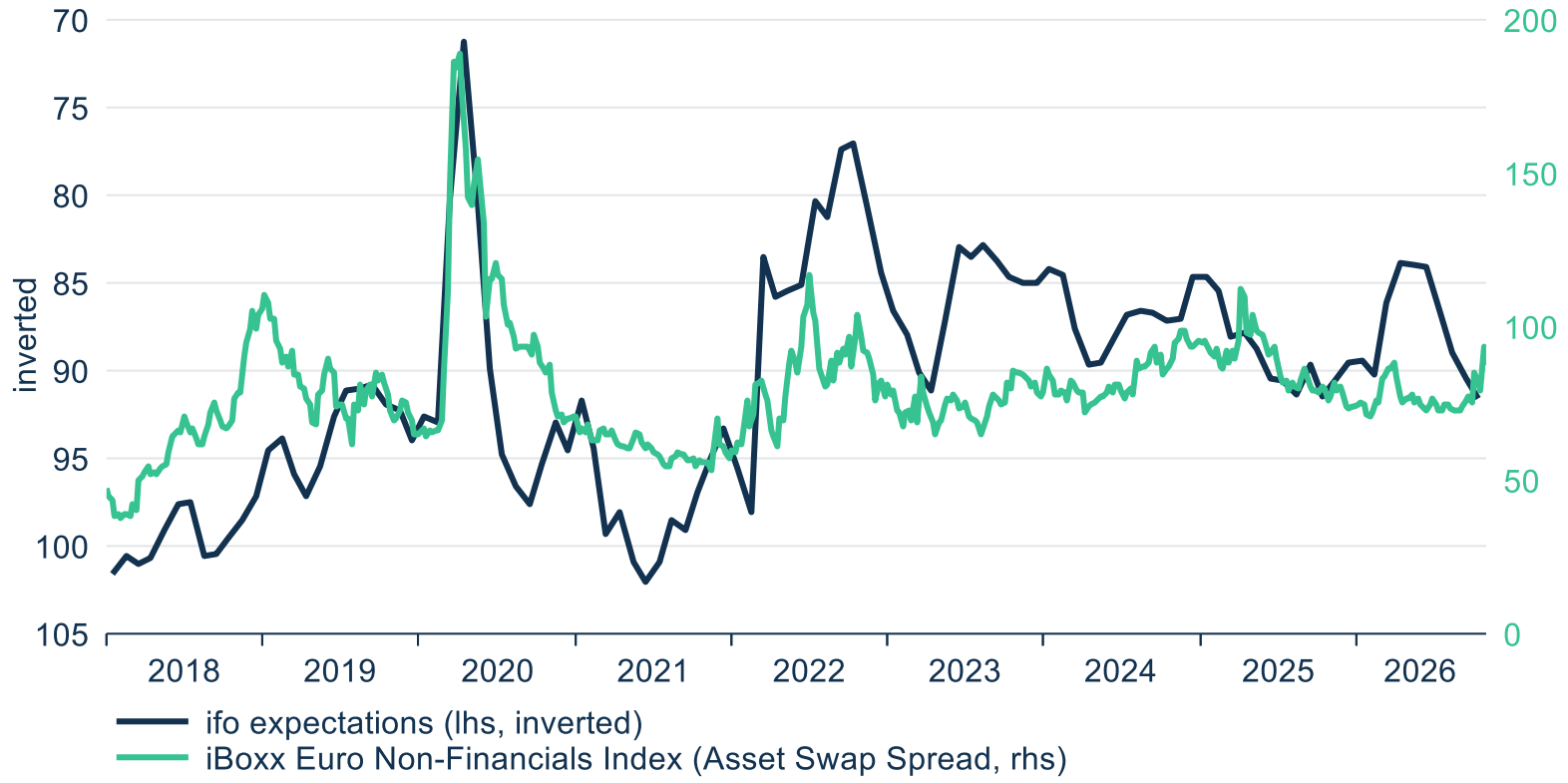
- Among the factors driving the recent widening of spreads were, not least, the continued rise in oil prices and the massive widening of the spread between French government bonds and German government bonds.
- Recently, there was some short-term relief due to slightly falling oil prices and the fact that Moody's did not carry out the feared credit rating downgrade for France.
- Both of these negative factors will continue to influence the market going forward. It is therefore still too early to give the all-clear.

Source: LSEG, LBBW Research

Fundamental Outlook Continues to Improve

ifo Expectations vs. EUR Non-Financial Spreads

in index points or basis points



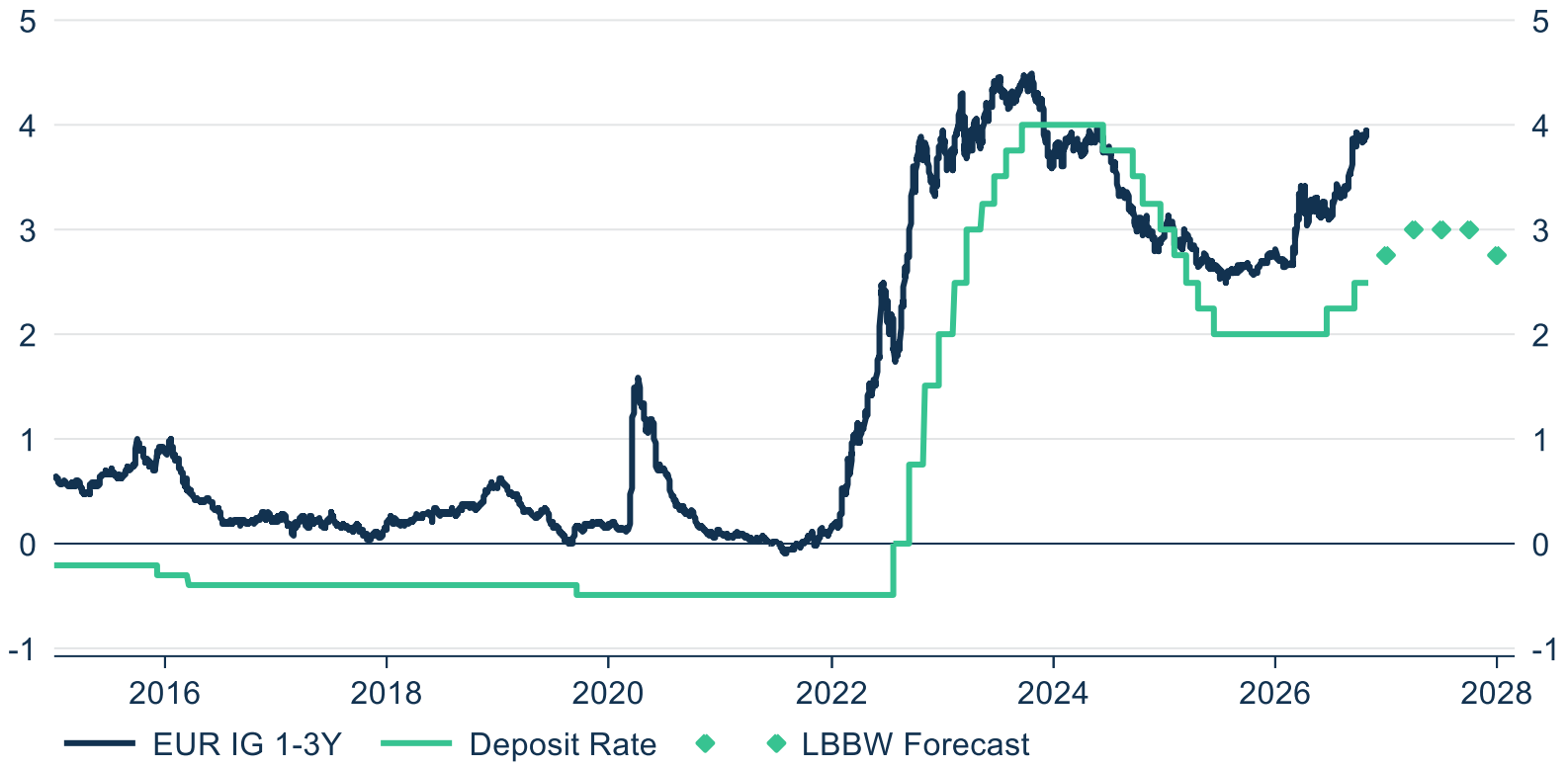
- Spread levels have recently received fundamental support from largely positive macroeconomic data.
- Leading indicators, in particular, have shown significant improvements in recent months. For example, the ifo Business Climate Index rose for the sixth consecutive time.
- The chart illustrates the traditionally close relationship between the ifo expectations component (inverted) and asset swap spreads.

Source: LSEG, LBBW Research

Interest rate hikes are largely priced in

EUR IG Corporate Bond Yield (1–3Y) vs. ECB Policy Rate

as a percentage



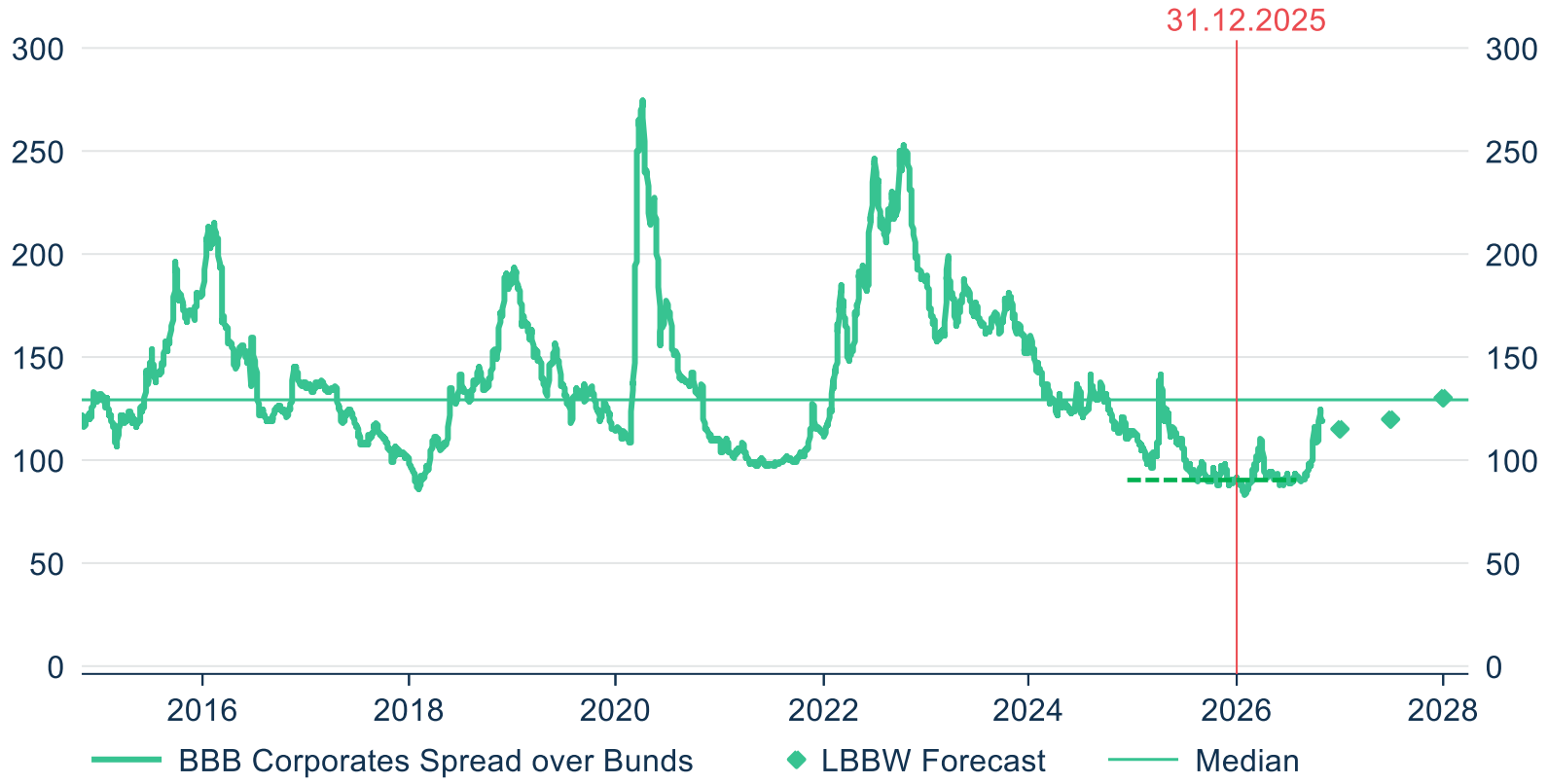
- Corporate bond yields have traditionally moved in close tandem with key interest rates, particularly at the short end of the curve. We expect the ECB to raise interest rates two more times by spring 2027.
- However, the expected rate hikes are largely priced into corporate bond yields.
- Accordingly, further upward pressure on yields should remain manageable, provided that expectations for key interest rates do not deteriorate significantly again due to negative surprises in inflation data.

Sources: LSEG, LBBW Research

BBB Forecasts: Upward Revision of Forecasts

BBB Corporate Spread vs. Bunds, including LBBW Forecast

OAS in basis points



- Even after the recent rise, the spreads between BBB-rated corporate bonds and German government bonds remain at a comparatively low level.
- The capital markets are currently facing a multitude of uncertainties that are likely to lead to increased volatility in the coming months (war with Iran, France, AI uncertainty).
- In the medium term, we expect normalization to continue, with a further moderate rise toward the historical median.
- Forecast Revisions:
  Dec. 31, 2026: from 100 to 115 bps.
  June 30, 2027: from 105 to 120 bps.
  Dec. 31, 2027: from 110 to 130 bps.

Source: LSEG, LBBW Research

06

Stocks:
AI Boom Stalls

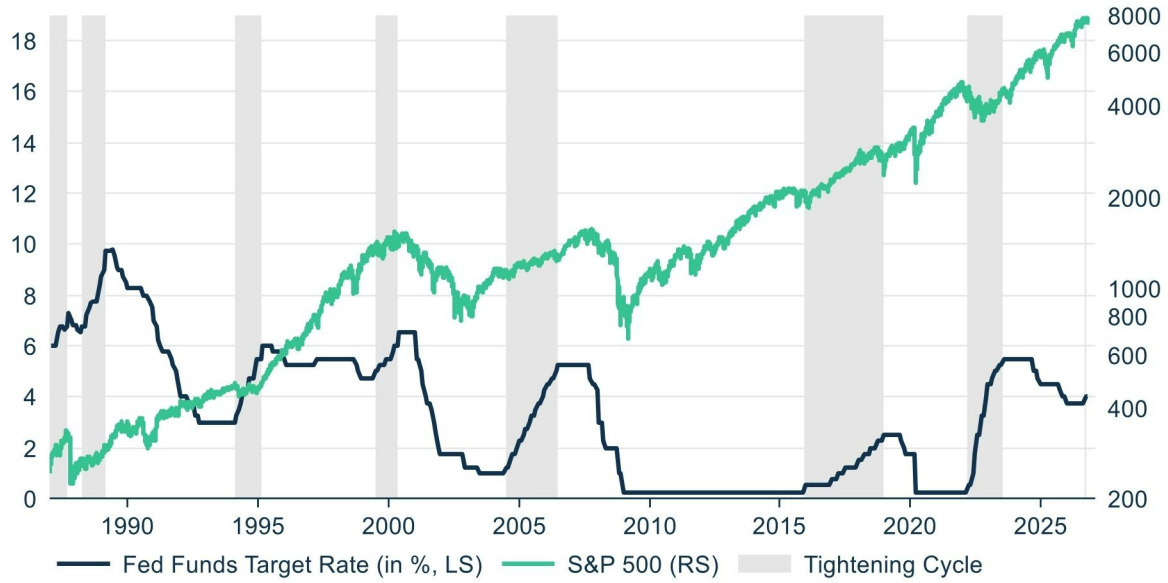


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The S&P 500 Amid Rising Interest Rates:
Weak at first, then positive again

S&P 500 and Fed Funds Target Rate

in points or as a percentage



Periods of Interest Rate Hikes: The Fed and the S&P 500

Table

		Duration	Performance S&P 500		
Start	End	in month	+3M	+12M	whole cycle
16.12.1986	04.09.1987	21,8	15,3%	-0,8%	26,7%
29.03.1988	24.02.1989	27,7	5,2%	16,6%	14,2%
04.02.1994	01.02.1995	30,2	-3,3%	5,4%	3,0%
30.06.1999	16.05.2000	26,8	-6,2%	7,2%	7,9%
30.06.2004	29.06.2006	60,8	-1,9%	6,3%	15,7%
17.12.2015	19.12.2018	91,5	0,5%	13,0%	30,6%
16.03.2022	26.07.2023	41,4	-15,5%	-7,6%	7,2%
16.09.2026					
	Median:	30,2	-1,9%	6,3%	14,2%

- How do the stock markets perform during such a phase? We have examined this over the past 40 years using the S&P 500 as an example. During this period, there were a total of seven phases of interest rate hikes.

- During all seven phases, the leading U.S. index rose over the course of the entire cycle, by as little as 3% in the worst-case scenario and as much as 30.6% in the best-case scenario. In the short term, stocks mostly reacted negatively; the median loss after three months was 1.9%.

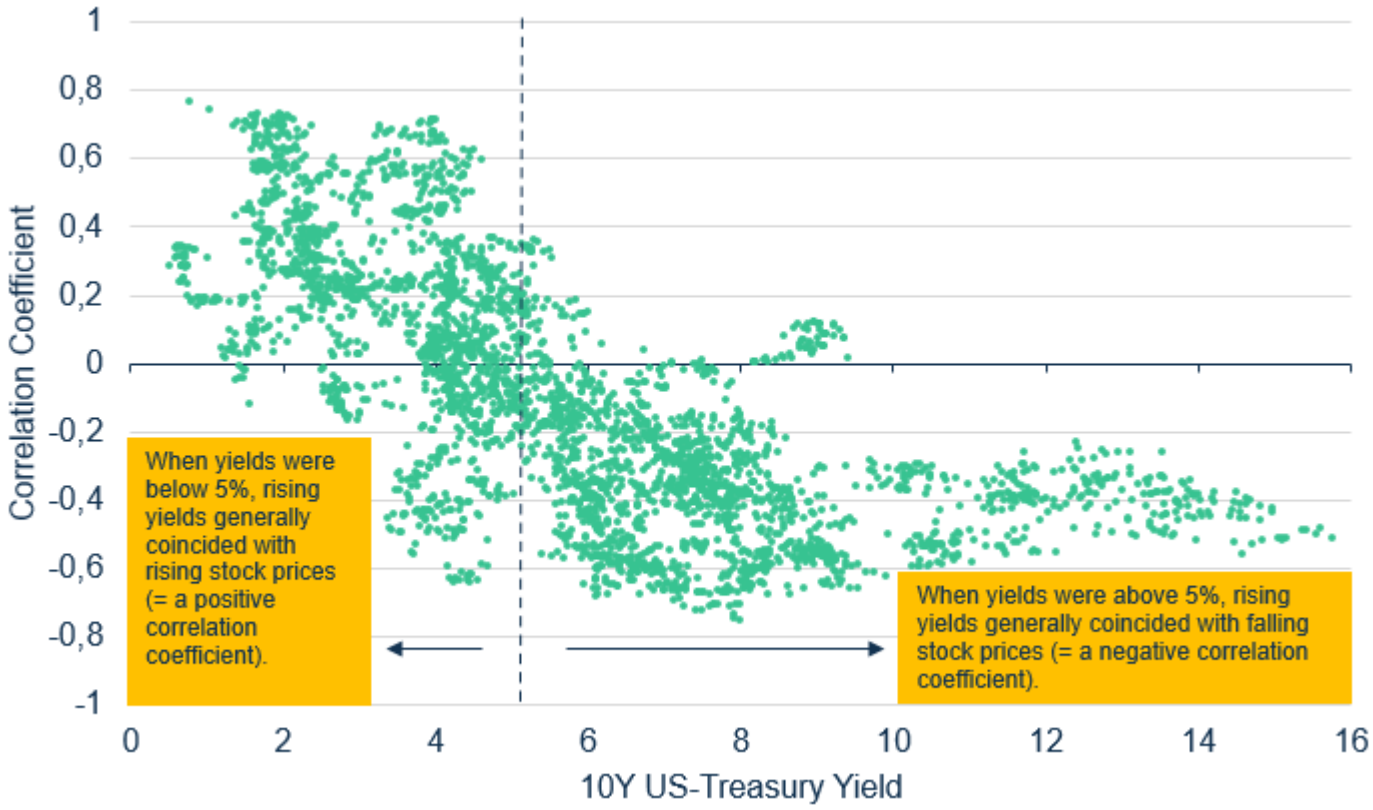
Source: LSEG, LBBW Research

LBBW

Stock markets are negatively correlated; as soon as 10-year Treasuries rise above 5%

Correlation Between Weekly Stock Market Returns and Changes in Yields

Weekly S&P 500 Returns, Rolling 52-Week Correlation (January 1962 – August 2026)



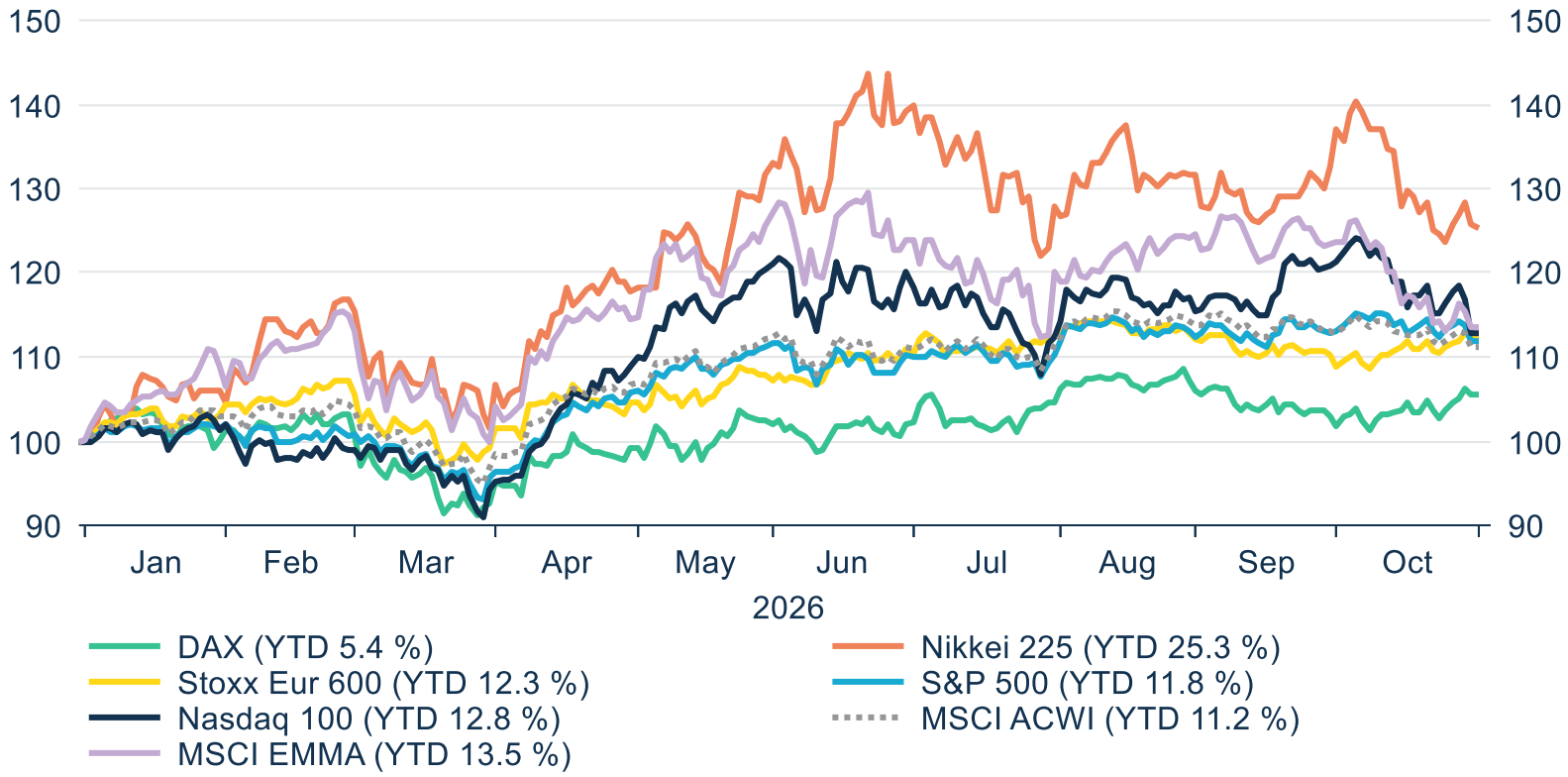
- It appears that rising yields generally went hand in hand with rising stock prices when the yield level was relatively low. However, this does not apply during periods of higher yields (above 5%). In such cases, rising yields were generally accompanied by falling stock prices. The two asset classes were therefore negatively correlated.
- The observed significance of a threshold of approximately 5% could be related to the fact that an upward trend in returns below this threshold is more likely the result of positive economic developments. When yields exceed 5%, a rising yield trend is viewed with skepticism, as this development may indicate financing problems or inflation risks.

Source: LSEG, LBBW Research

International Stock Markets:
Tech Stocks in Reverse

International Stock Markets

Indexed to 12/31/2025=100, in local currency; MSCI=USD



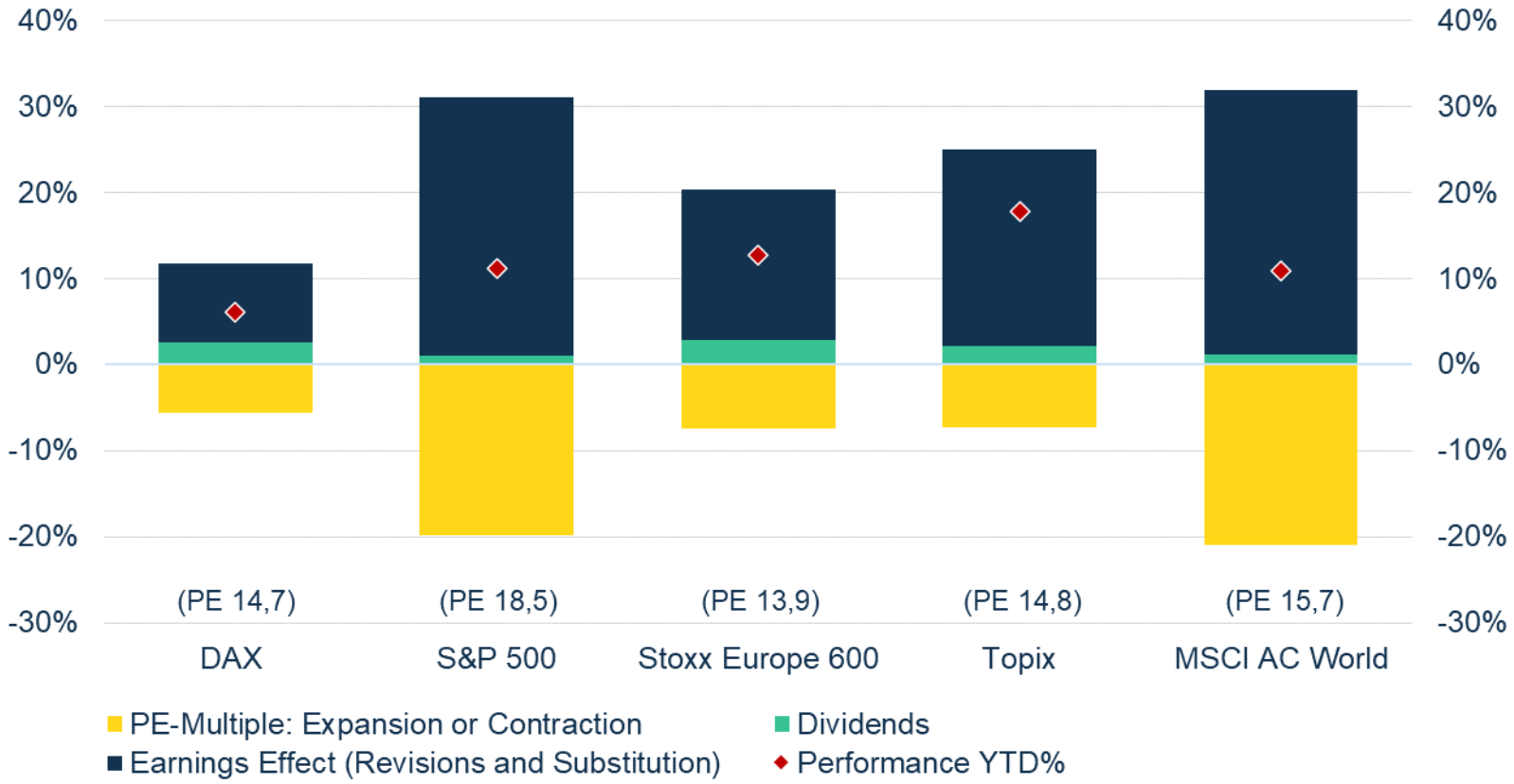
- Global stock markets have gained just under 11% since the start of the year, as measured by the dollar performance of the MSCI All Country World Index.
- Since June 2, the wind has shifted slightly: On that day, the U.S. technology stock exchange Nasdaq reached an intraday high.
- This was particularly noticeable in technology-heavy markets; both the Nikkei 225 and the MSCI EMMA have lost ground since then.
- European stocks held steady, and the DAX also gained ground. With a year-to-date return of 5.4%, it nevertheless ranks last in the index universe under review.

Source: LSEG, LBBW Research

Earnings Growth vs. Lower Valuations –
Are the massive earnings increases sustainable?

Performance by Region

Year-to-Date Performance (%)



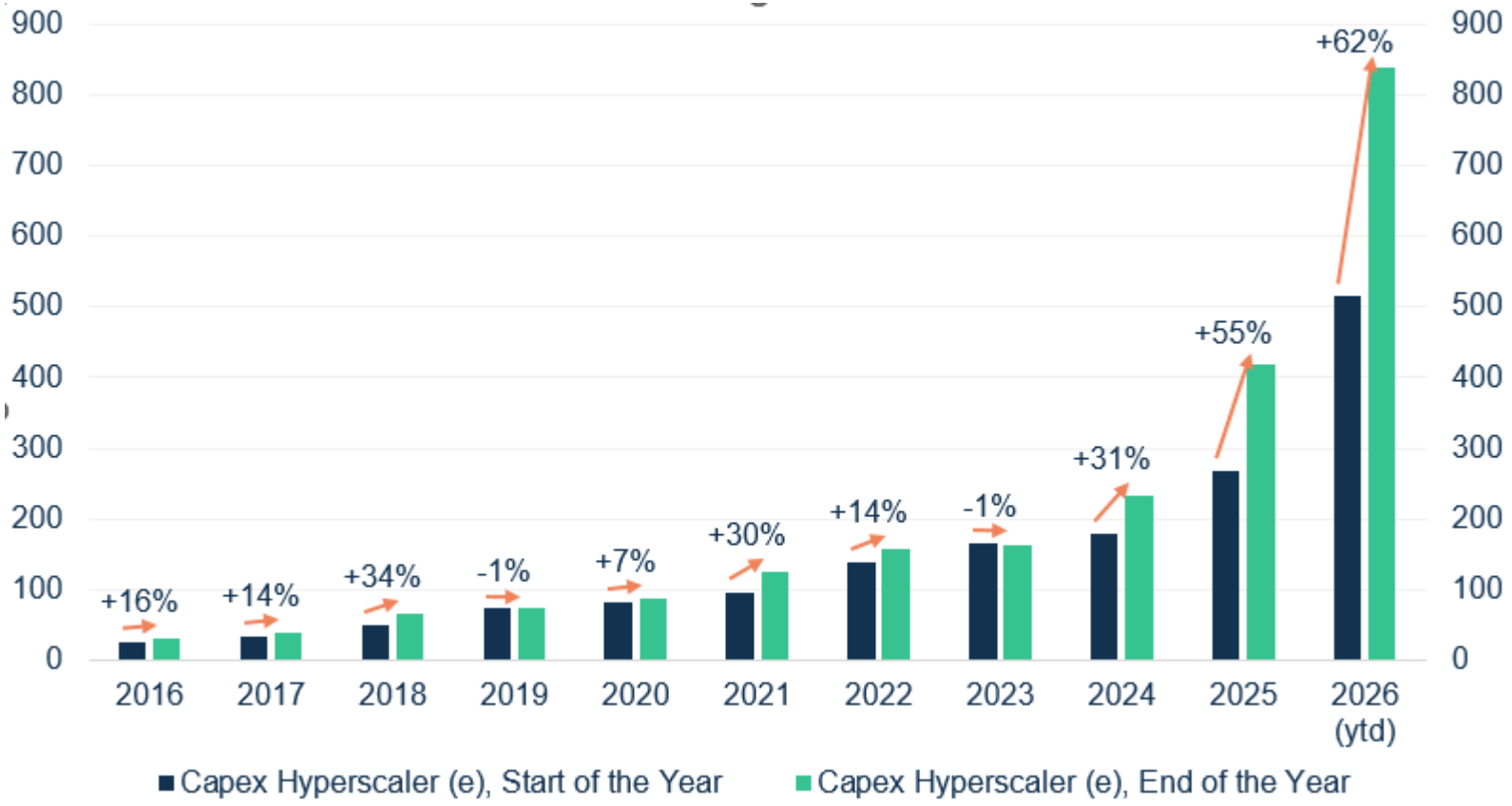
- All regions have had a positive impact on performance year-to-date.
- The profit effect (midnight blue bars) reflects the cumulative effect of revisions and substitution—that is, a longer-term outlook. The 12-month forward earnings figure now reflects more than 80% of the (significantly higher) 2027 earnings estimates.
- The U.S. market, in particular, is experiencing a pronounced contraction in price-to-earnings multiples; the S&P 500 is now trading at a P/E ratio of 18.5. This remains at a historically high level and calls for caution.
- And: Such high increases in profits should not simply be extrapolated into the future: Are there any disappointments in store here?

Source: LSEG, I/B/E/S, LBBW Research

AI Investments Fueled the Bull Market – How Much Longer?

Investment Plans of the Hyperscalers

in billions of USD, by fiscal year, % = surprise



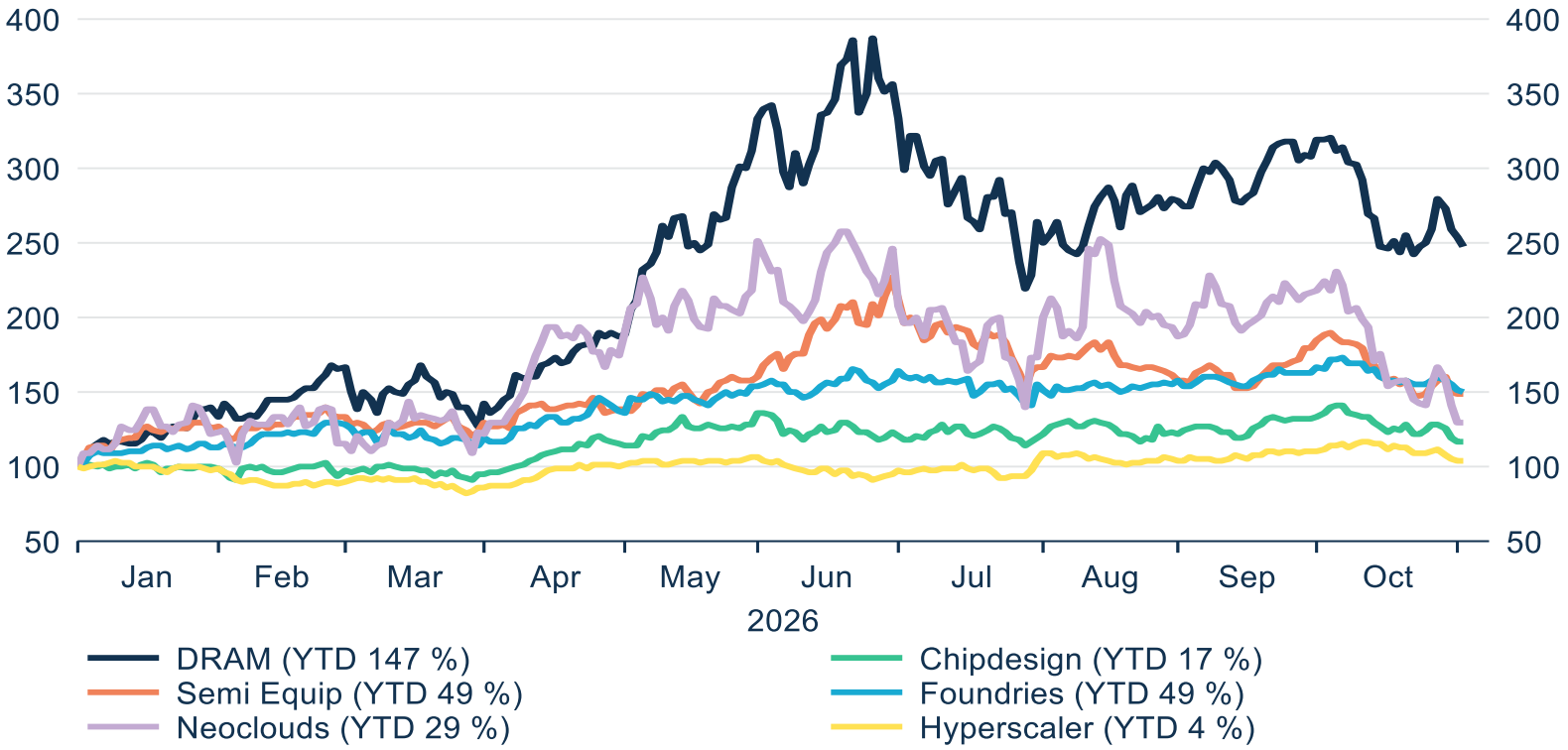
Source: LSEG, I/B/E/S, LBBW Research

- As long as the “investment bonanza” in data centers continues, there will be many who stand to profit. The bull market was fueled by transactions from which the so-called “shovel manufacturers” (including semiconductor companies) in particular are benefiting and reaping profits.
- AI stocks are at risk of underperforming if investors fear that the investment boom is stalling. Since 2024, investment plans have been revised upward at an increasingly rapid pace.
- Doubts about the profitability of AI business models (i.e., the use of expensive infrastructure) would call investment plans into question and would be detrimental.
- Such doubts have grown in recent weeks, as evidenced by Neoclouds' performance and the reaction to various quarterly reports.

AI Stocks Come Under Pressure —
DRAM Shows High Volatility, Neoclouds Weak

AI-Stocks by Subsector

YTD%, indexed to 12/31/2025=100



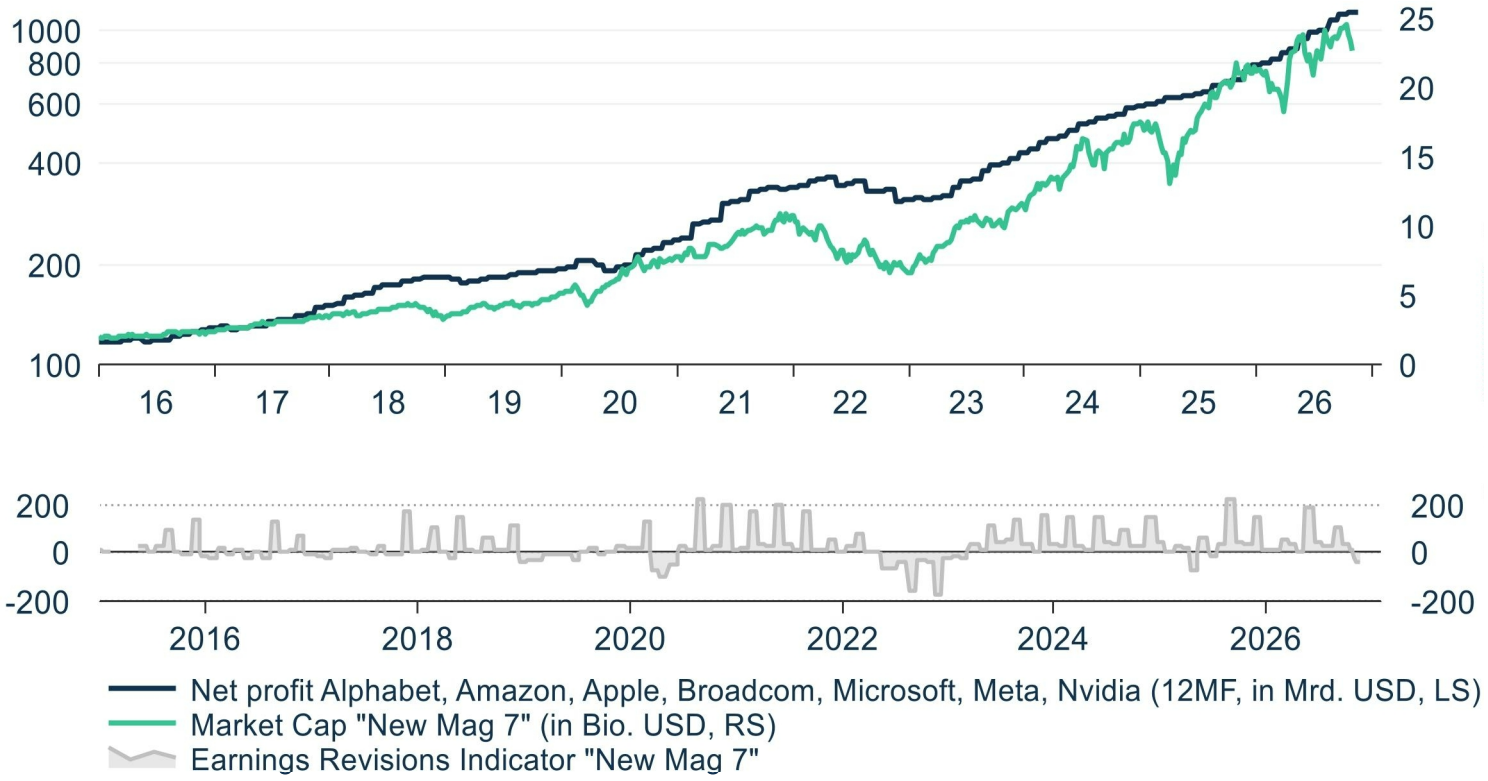
Source: LSEG, LBBW Research. Index Members: DRAM (SK Hynix, Micron, Samsung, Kioxia), Semiconductors (Nvidia, Broadcom, ARM, AMD), Equipment Manufacturers (ASML, KLA, Applied, Tokyo Electron), Foundries (TSMC), Neoclouds (Nebius, Coreweave), hyperscalers (Amazon, Alphabet, Meta, Microsoft, Oracle)

- Artificial intelligence is currently the dominant topic.
- The narrative behind the rising prices is: The massive AI investment cycle is already delivering huge profit increases to some beneficiaries, and investors in AI infrastructure are laying the groundwork for future booming profits.
- The first part of this narrative—the booming profits of the “shovel manufacturers”—has been evident for quite some time. In 2026, the DRAM shortage gave them new momentum.
- However, doubts have recently arisen about the profitability of AI business models, which has put pressure primarily on those who stood to gain the most in the short term from the investment cycle.

After six strong quarters in a row, negative surprises are on the rise among the “New Mag 7”

Earnings and Market Cap of “New Mag 7”

in millions of USD (profits, left scale) and in billions of USD (market cap, right scale)



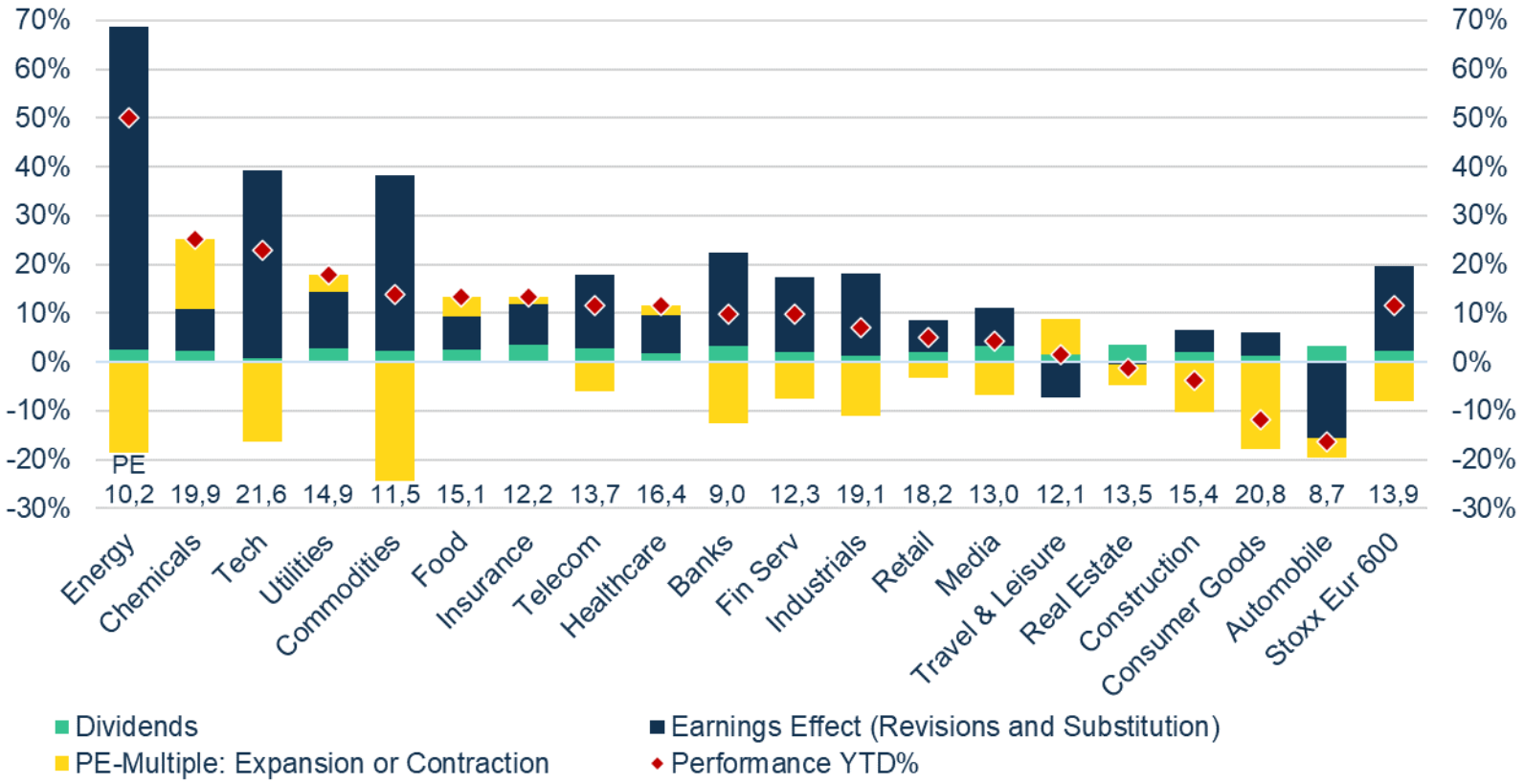
- As long as the earnings trend remains intact, high valuations are not a problem.
- Only when earnings fall short of expectations do the elevated valuation levels become a burden.
- That seems to be the case now.
- Investors have already reacted negatively to the earnings reports from Alphabet, Amazon, and Meta; Microsoft, on the other hand, was well received.

Source: LSEG, I/B/E/S, LBBW Research

European Industries: Energy, Technology and Commodities: Profits are pouring in

Contribution Analysis

YTD performance in %, adjusted log. Returns

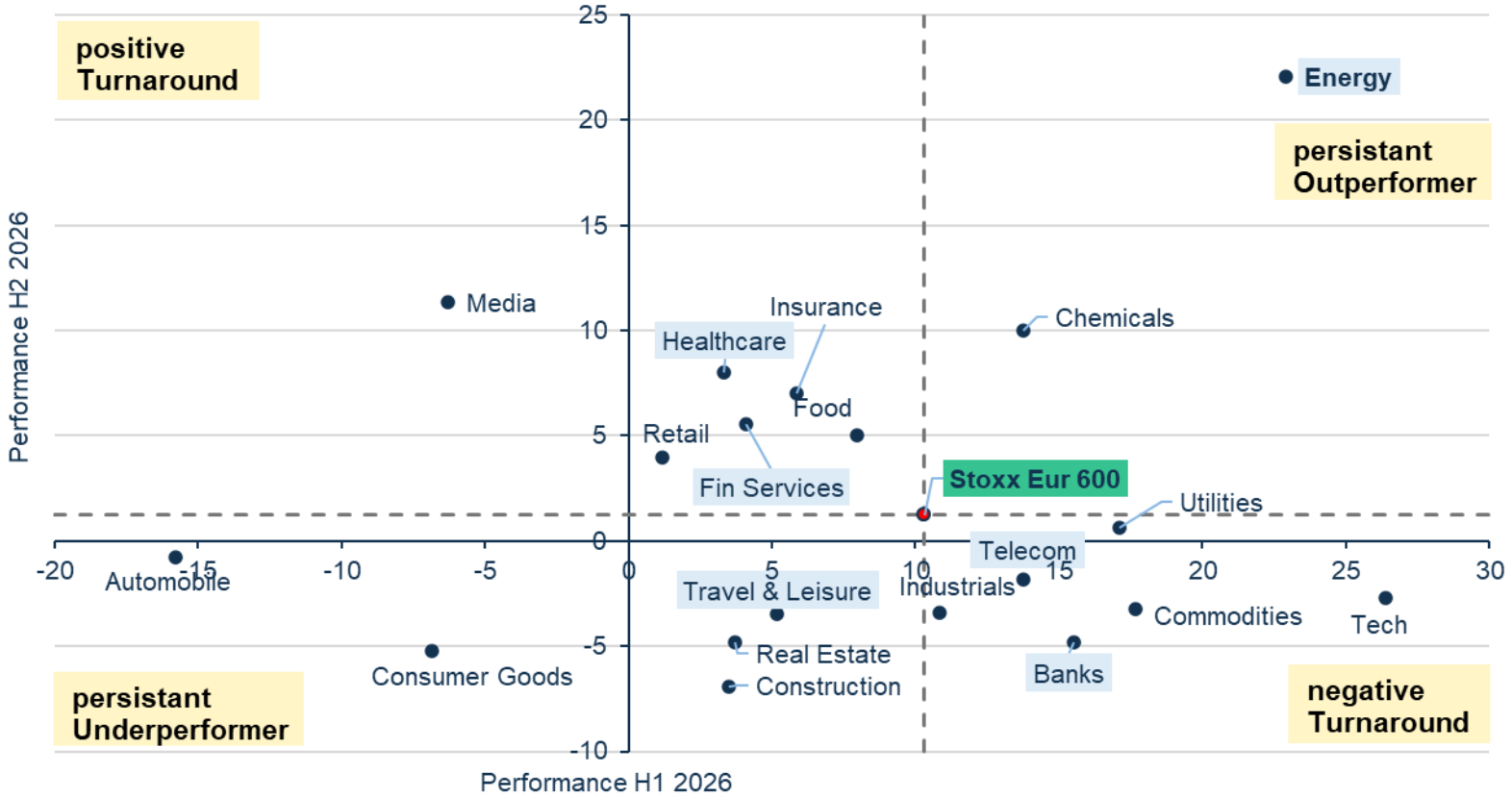


- The contribution analysis shows the extent to which the earnings trend is supporting the performance of the sector indices or whether changes in valuations are also at play.
- Overall, the Stoxx 600 Europe's performance is driven by rising profits. Only a few sectors are actually reporting declining profits.
- The primary drivers of earnings are the sector and technology. Bank stocks have risen in price from low levels as profits have increased.
- The situation is interesting in the consumer goods sector, which is one of the laggards: With earnings remaining stable, P/E ratios have become significantly more attractive – but in absolute terms, they remain high (P/E ratio of 20.8).

Source: LSEG, I/B/E/S, LBBW Research

Stoxx Sectors Europe:
Energy and Chemicals Continue to Outperform

Stoxx Sector Performance
in % YTD



- Since the start of the second half of the year, the Stoxx Europe 600 has been trading sideways, following a positive return of just under 10% in the first half of the year. Beneath the surface of an overall market that has been trending sideways in the second half of the year, however, there is a wide range of performance across the various sectors.
- Relative to the overall market, the sectors can be classified—based on their positioning within the quadrants bounded by the dotted lines—as sustained outperformers (energy, chemicals), consistent underperformers (automotive, consumer goods), as well as positive (including healthcare, media) and negative (including banking, technology) turnaround sectors.

Source: LSEG, LBBW Research; highlighted in light blue = currently favored sectors

06

Forecasts and Asset Allocation



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Our Big Picture at a Glance

Economy

- Germany: GDP grew steadily in the first half of the year. Government spending and exports stimulate demand. The order backlog is growing. Private investment remains subdued.
- Inflation and economic risks stemming from rising energy prices in the wake of the war in the Persian Gulf. The trade conflict with the U.S. continues to weigh on the market.

Foreign Currency

- The yield advantage of short-term U.S. Treasury bonds over German government bonds is likely to narrow moderately.
- The foreseeable dispute over raising the U.S. debt ceiling is likely to undermine confidence in the U.S. dollar; however, the euro is currently under pressure due to France's budget situation.

Stock Markets

- Companies are reporting strong earnings growth this year
- Stock markets are taking an increasingly critical view of the AI investment boom.
- A smoldering war with Iran and rising yields are acting as latent headwinds for the stock markets.

Raw Materials

- The Bloomberg Commodity Index is likely to consolidate after an all-time high.
- The conflict between the U.S. and Iran is keeping oil prices high. Once the conflict ends, oil prices are likely to drop significantly again.
- Rate hikes are creating headwinds for gold. price is supported by purchases by central banks and gold ETCs.

Interest Rate Environment

Money Market / Central Banks

- Fed:
  One more interest rate hike by the end of 2026; the benchmark interest rate will remain unchanged at 4.25% for some time thereafter.
- ECB:
  Two more interest rate hikes through spring 2027; the deposit rate peaks at 3.00%.

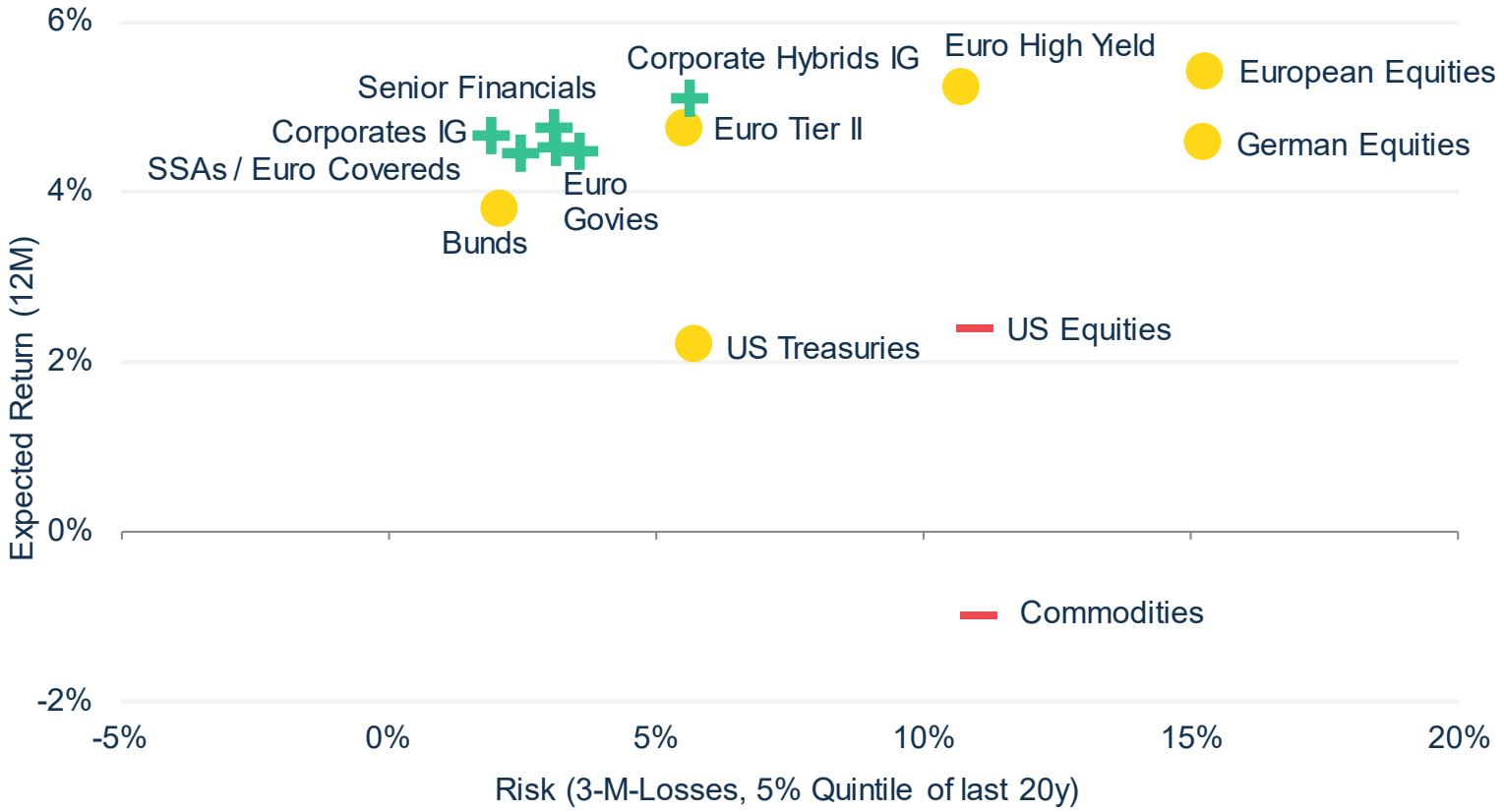
Returns

- Long-term EUR interest rates:
  In the short term, upside risks dominate amid growing inflation concerns and rising debt; in the medium term, a reversal is expected.

Asset Allocation Over a 12-Month Period: Risk & Forecasts at a Glance

Performance Expectations Versus Risk (LBBW Estimates)

as a percentage



- For stocks, the risk-reward ratio appears unfavorable at its current high level.
- Even if yields rise slightly, bonds could still generate a positive return.
- Assets denominated in USD are being impacted by the weakening of the USD that we forecast:
  U.S. stocks, Treasuries, and commodities are subject to a negative currency effect of approximately 4%.

Source: LSEG, LBBW Research

Asset Allocation for the Next 6–12 Months: Overview of Assessments

Exposure	Recommendation	Segments		Regions	Strategies
Rates	0/+	0	0-3 years	0/+ Euro Governments	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/-	+	Financial Services	0/- USA	Value
			Banks	0/- Japan	Dividend Strategies
			Technology	0/+ Europe ex Germany	Mid Caps
			Telecoms	0/+ Germany	
			Travel & Leisure	0 China	
			Industry	0/+ EMMA ex China	
			Energy		
Currencies	0/+		vs. Euro	0 USD, CNY, GBP, CHF	Selective
				- JPY	
Commodities	0/-	0/+	Precious metals	0/+ 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

LBBW Forecasts

(Changes since the Capital Markets Compass update on October 20, 2026)

Economy

		2024	2025	2026e	2027e
Germany	GDP	0.0	0.4	1.0	1.0
	Inflation	2.3	2.2	2.8	2.6
Euro Area	GDP	1.2	1.5	1.0	1.3
	Inflation	2.4	2.1	3.0	2.5
USA	GDP	3.0	2.1	2.2	1.6
	Inflation	3.0	2.7	3.6	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	12/31/26	06/30/27	12/31/27
DAX	25 981	25 500	26 500	27 500
Euro Stoxx 50	6 176	6 100 −	6 200 −	6 400 −
S&P 500	7 541	7 500	7 800	8 000
Nikkei	63 082	63 000 −	65 000 −	67 000 −

Interest Rates and Spreads

	Spot	12/31/26	06/30/27	12/31/27
ECB Deposit Rate	2.50	2.75	3.00	2.75
Bund 10 Years	3.27	3.60	3.50	3.35
Fed Funds	4.00	4.25	4.25	4.00
Treasury 10 Years	4.91	5.10	4.95	4.80
BBB Bundspread (bps)	120	115 ✚	120 ✚	130 ✚

Currencies and Commodities

	Spot	12/31/26	06/30/27	12/31/27
US-Dollar per Euro	1.12	1.15	1.15	1.17
Swiss Franc per Euro	0.92	0.93	0.94	0.95
Pound per Euro	0.84	0.85	0.85	0.85
Gold (USD/Troy Ounce)	3 961	4 200	4 500	4 800
Oil (Brent - USD/Barrel)	105	100 ✚	85 ✚	75 ✚

✚ Raised
− Lowered

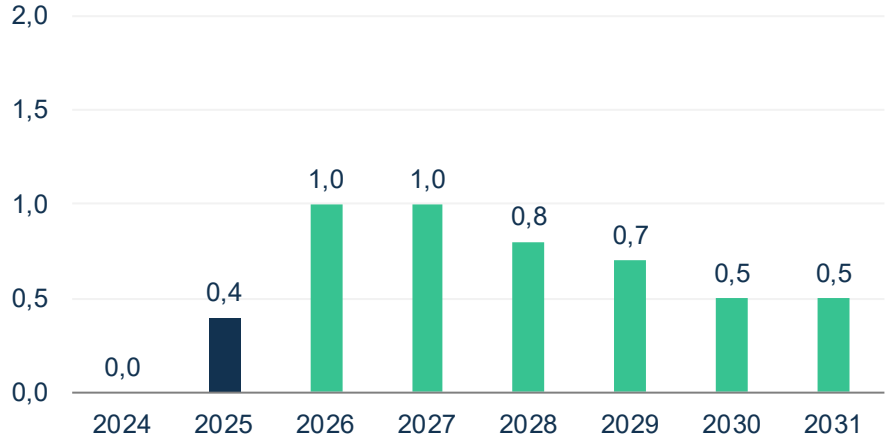
LBBW

LBBW Scenarios

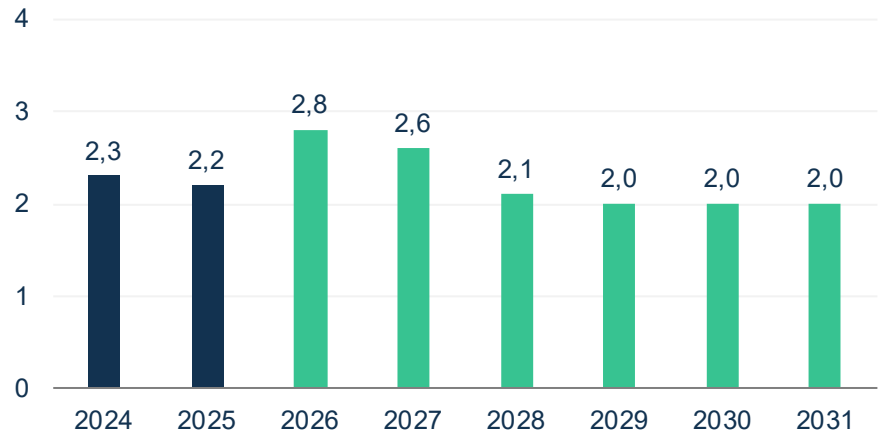
55% **Main Scenario**	1) War with Iran: The oil supply gap will gradually narrow by the end of the year, but oil products will remain scarce due to Refinery bottlenecks are costly. Inflation is rising due to higher energy and food prices, but second-round effects remain limited. The U.S. economy will slow slightly in 2027 as the AI investment boom loses momentum. Growth in China continues to slow. EU/Germany: Only modest growth and a further rise in government debt in industrialized nations. 2) Efforts to combat inflation will prompt the ECB and the Fed to raise key interest rates at least once more in 2026, with the resulting drag on growth being accepted; yields will peak and then trend slightly downward again in the medium term. 3) Stock Markets: The bull market is losing momentum; investors are torn between hopes for AI, fears of rising interest rates, concerns about the war, and doubts about the AI boom; credit spreads are widening amid setbacks in the stock market.
25% Negative Scenario I: ***"Inflation Spike"***	1) War in the Middle East is escalating. Energy supplies and supply chains must be restructured; inflation is rising sharply due to surging energy prices, significantly rising food prices, high government spending, and increasing protectionism. Second-round effects continue to increase inflationary pressure. Concerns about France's debt sustainability are mounting. Other countries are reporting rising deficits and providing corresponding outlooks for the coming years. 2) Central banks are adopting a highly restrictive stance to combat inflation. Yields continued their upward trend. 3) "Risk-off": A downturn in the stock markets. Credit spreads are rising sharply. A sharp drop in prices in the real estate market.
10% **Negative Scenario II** ***"Sharp Correction in the AI Boom"***	1) The AI boom comes to an end: Security concerns are growing, problematic financing structures are collapsing, and investment momentum is slowing. The Fed and the ECB cut key interest rates. Government bond yields are falling due to economic concerns and monetary easing by central banks. 2) "Risk-off": Stock markets are experiencing a sharp correction, and credit spreads are rising significantly. 3) Tensions between China and Taiwan are escalating. Increased hybrid attacks by Russia on EU member states.
10% **Positive Scenario** ***"Relaxation"***	1) Stabilization in the Gulf region. Ceasefire in the war in Ukraine; geopolitical tensions between the U.S. and China ease. 2) U.S. is shifting toward a more moderate trade policy. U.S. economy is growing at a faster pace again, and the AI boom continues. 3) Productivity Gains Through AI. Inflation rates remain stable as energy prices fall rapidly. The economy is picking up speed. 4) "Risk-on": Stock markets continue to rise amid the ongoing AI rally. Credit spreads are falling, real estate prices are recovering.

Main scenario (55%)

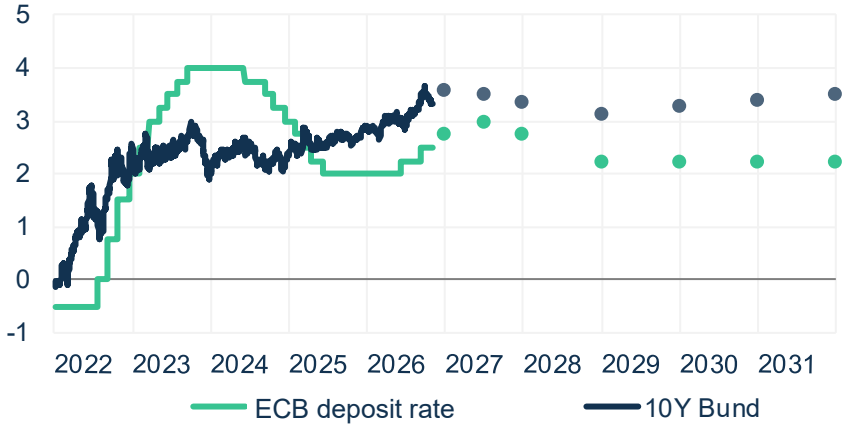
Germany GDP Growth (Year-over-Year)*



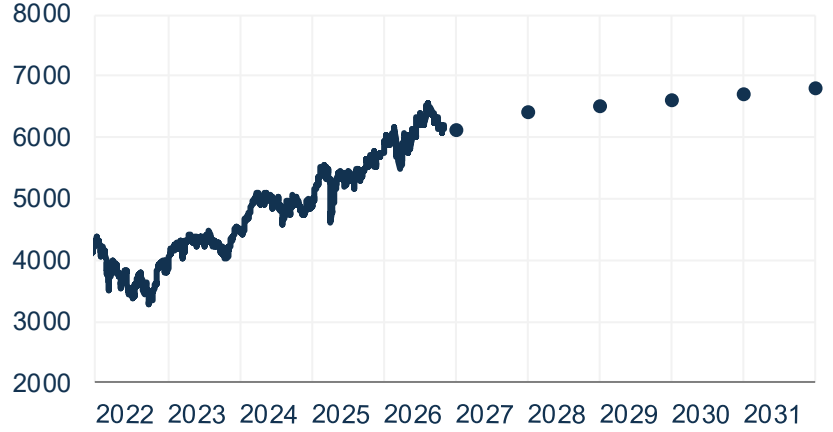
Germany Inflation (Y/Y)*



ECB Deposit Rate & 10y Bund Yield*



Euro Stoxx 50*

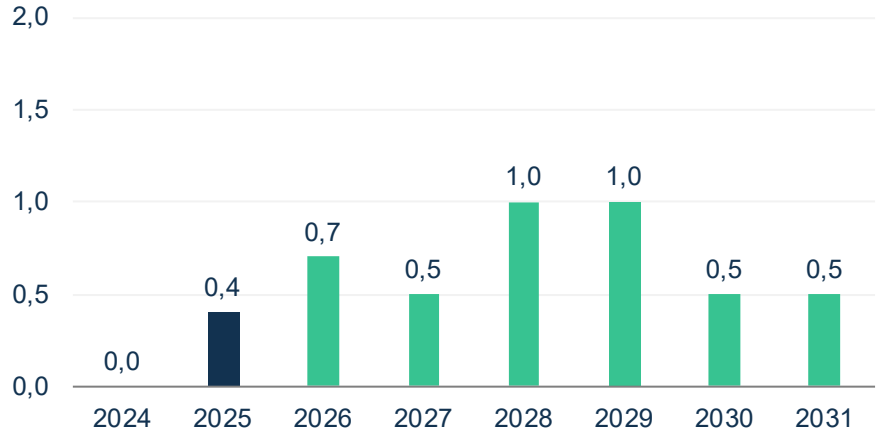


Sources: Bloomberg, LBBW Research

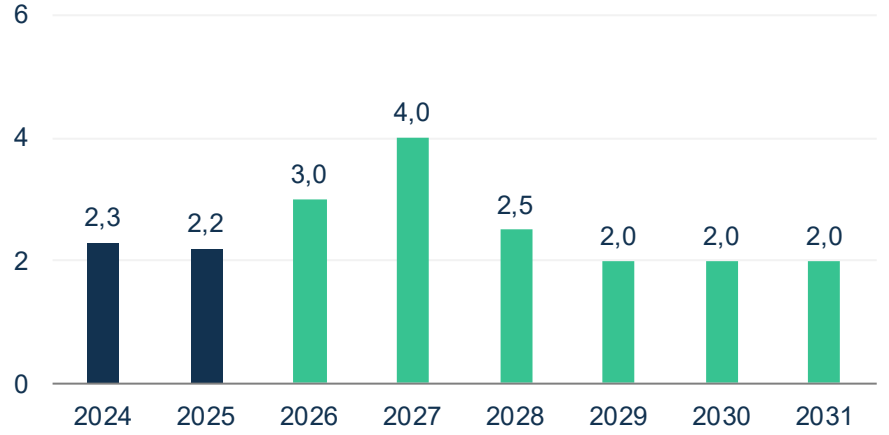
*GDP and inflation are annual averages; interest rates and the Euro Stoxx 50 are year-end figures in the forecasts

Negative Scenario 1) “Energy Price Shock” (25%)

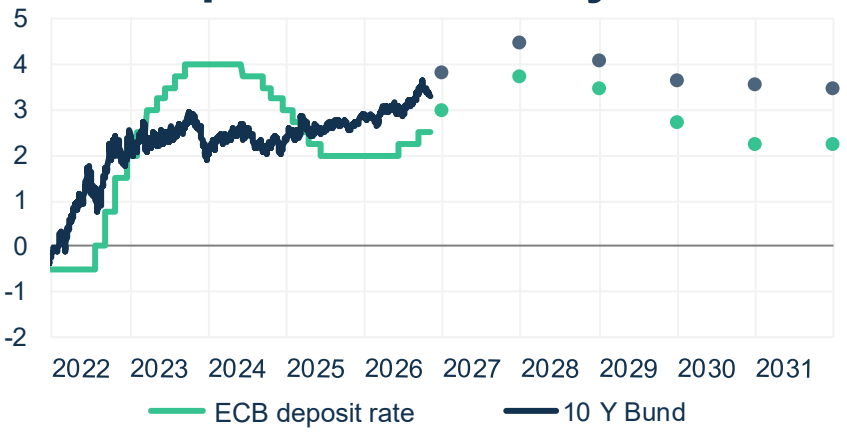
Germany GDP Growth (Year-over-Year)*



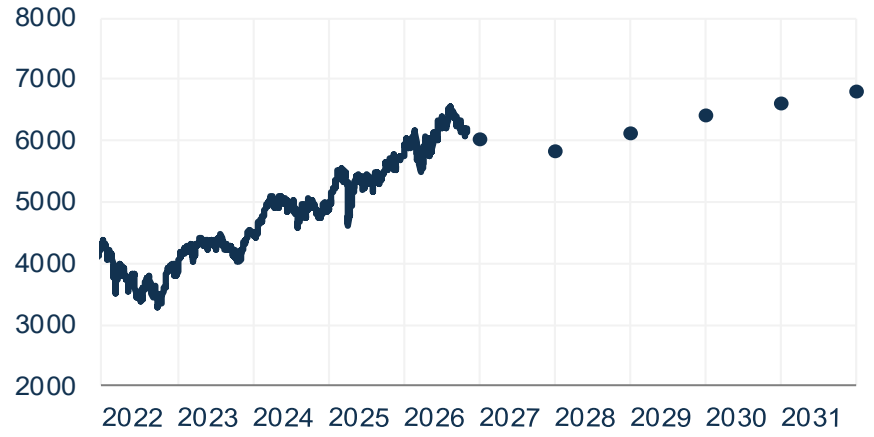
Germany Inflation (Y/Y)*



ECB Deposit Rate & 10y Bund Yield*



Euro Stoxx 50*

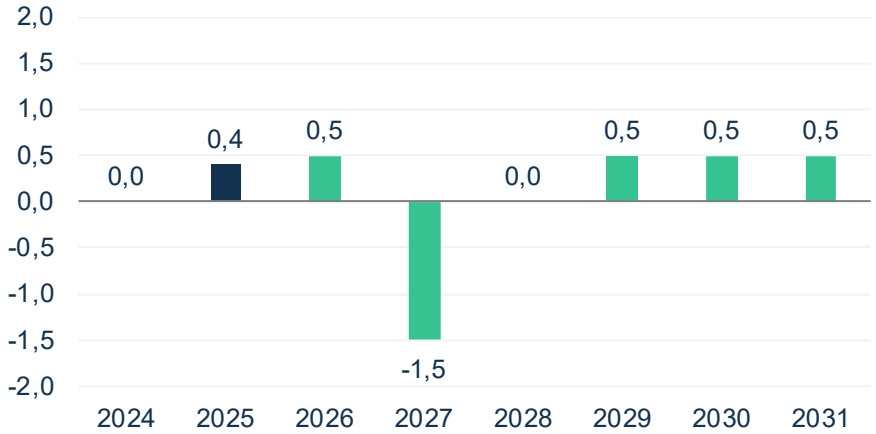


Sources: Bloomberg, LBBW Research

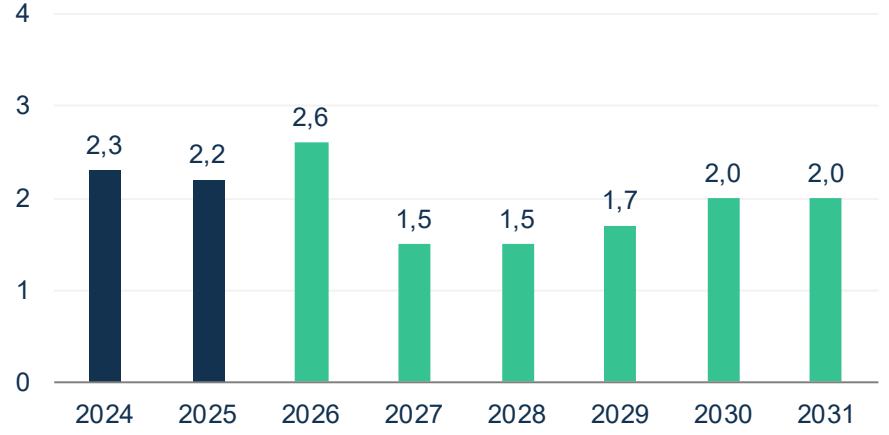
*GDP and inflation are annual averages; interest rates and the Euro Stoxx 50 are year-end figures in the forecasts

Negative Scenario 2) “AI Bubble” (10%)

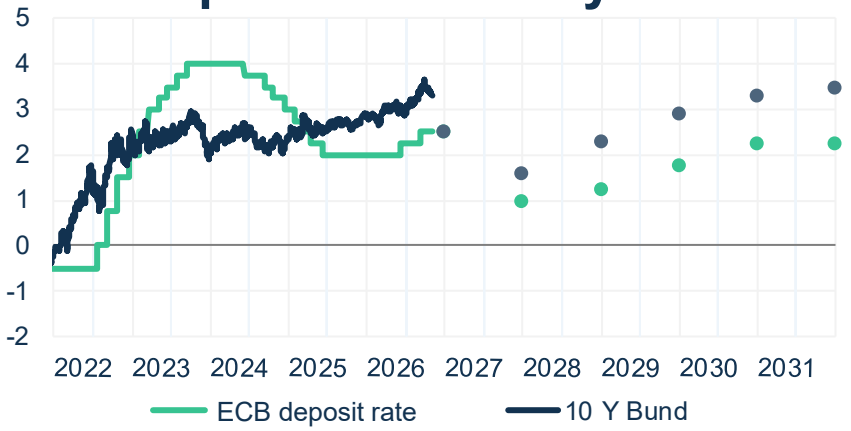
Germany GDP Growth (Year-over-Year)*



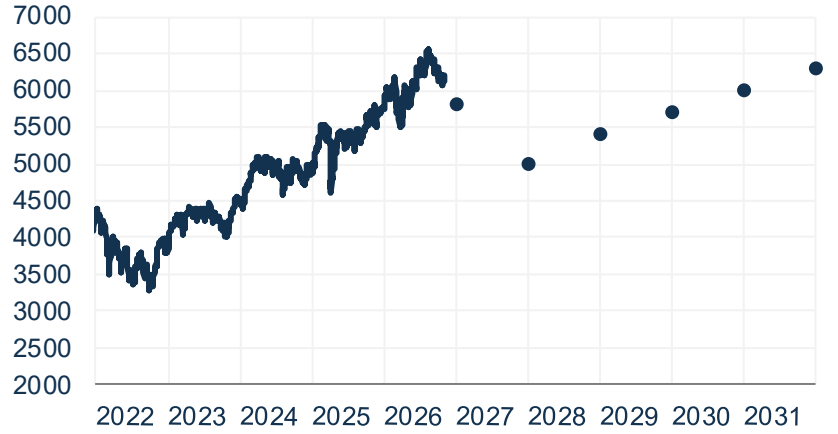
Germany Inflation (Y/Y)*



ECB Deposit Rate & 10y Bund Yield*



Euro Stoxx 50*

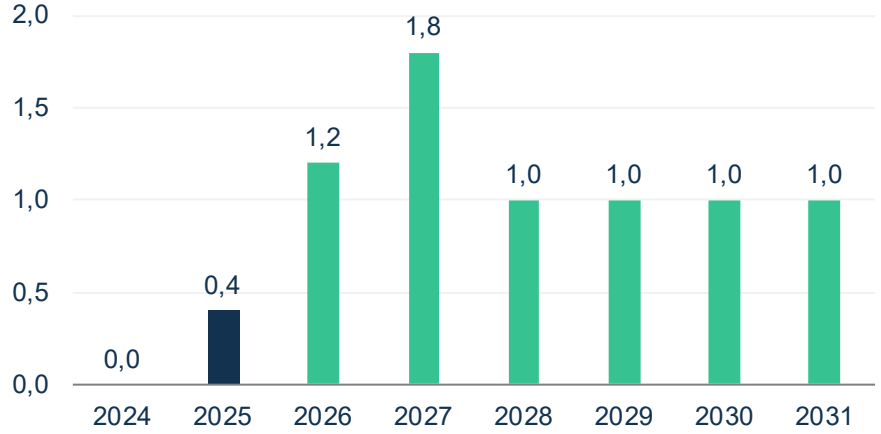


Sources: Bloomberg, LBBW Research

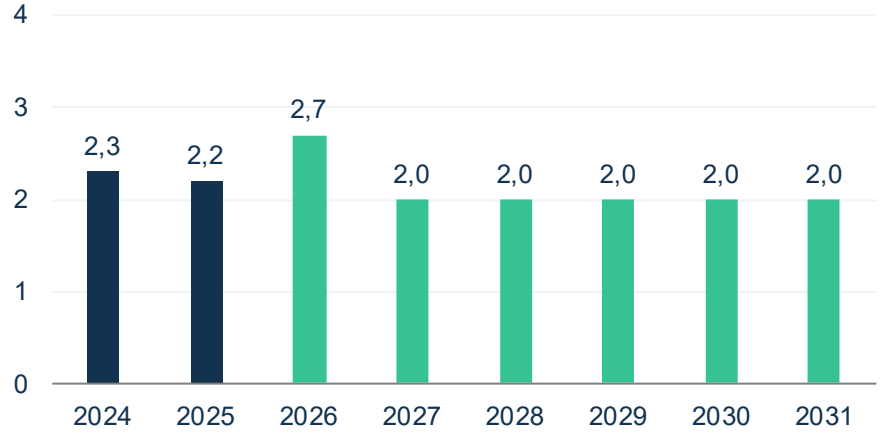
*GDP and inflation are annual averages; interest rates and the Euro Stoxx 50 are year-end figures in the forecasts

Best-case scenario (10 %)

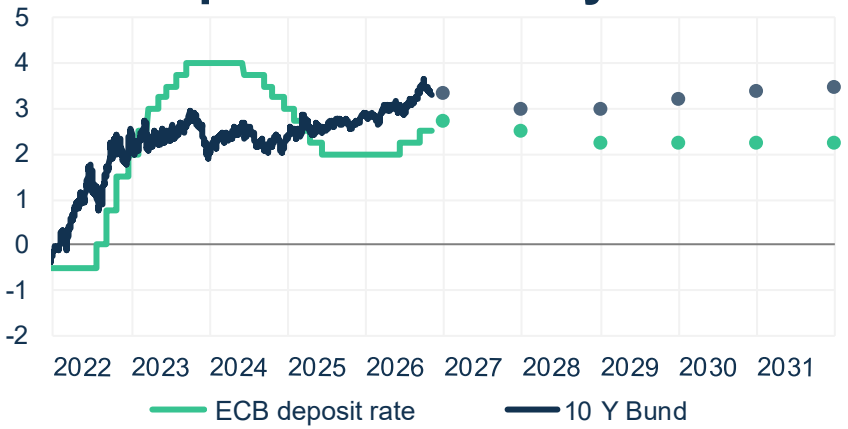
Germany GDP Growth (Year-over-Year)*



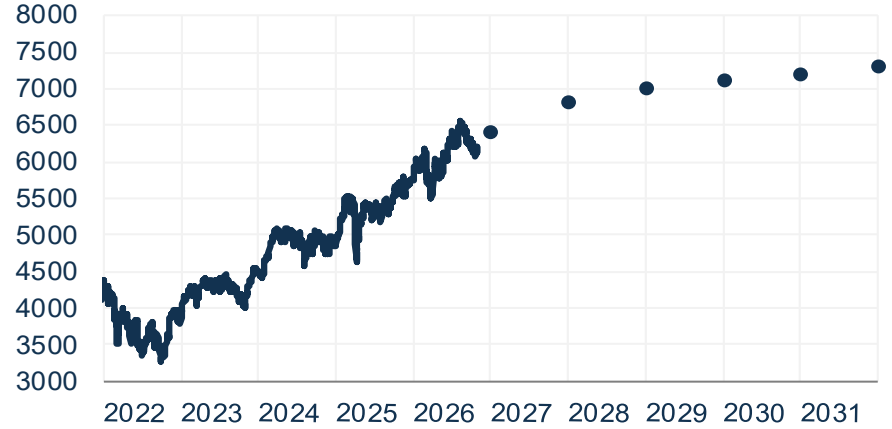
Germany Inflation (Y/Y)*



ECB Deposit Rate & 10y Bund Yield*



Euro Stoxx 50*



Sources: Bloomberg, LBBW Research

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

07

Appendix



EURUSD: Concerns About France Weigh on the Euro

FX EUR/USD



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURUSD	1.12	1.13	1.17	1.17	1.15	1.15	1.17

Source: LSEG, LBBW Research

Pro EUR

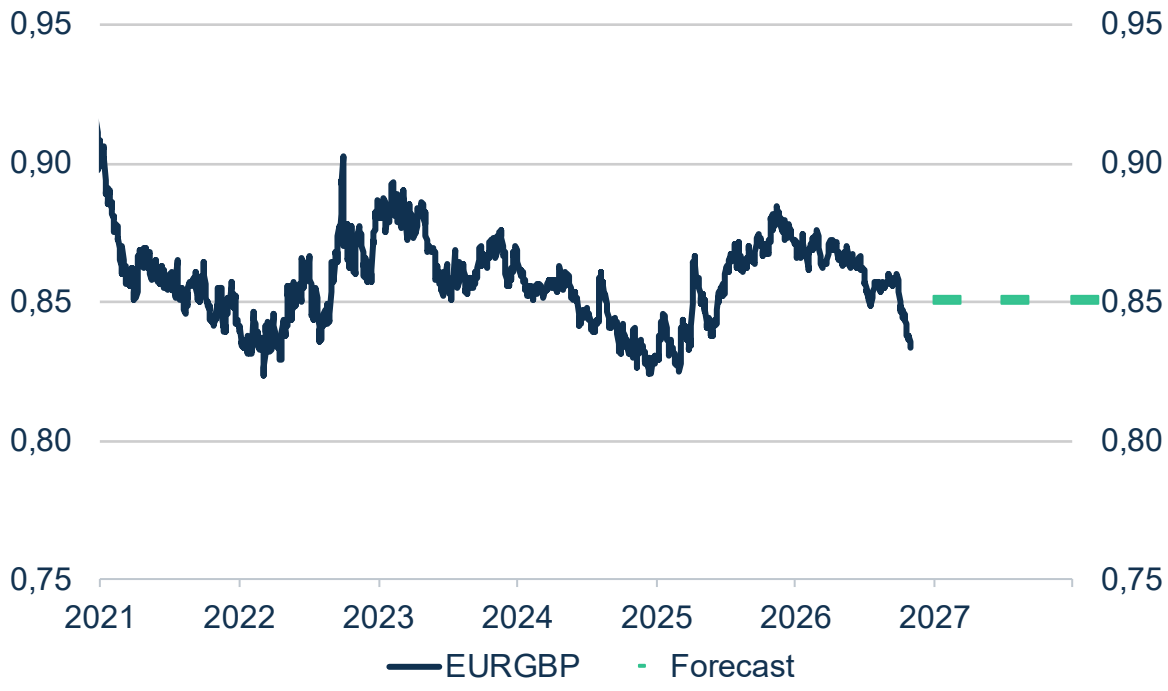
- Given the U.S. dollar's role as the world's reserve currency, the high level of U.S. national debt has not yet had a negative impact on the greenback's exchange rate. But at some point, unchecked debt threatens to go too far. In addition, another dispute over the debt ceiling carries the risk of a politically induced U.S. default.
- Donald Trump is unsettling the foreign exchange markets with his remarks about the benefits of a weak dollar.
- The U.S. president's erratic actions on tariff issues, as well as his undermining of the Fed's independence, are causing uncertainty and spooking the foreign exchange markets.

Contra EUR

- In the run-up to the French presidential election in April 2027, political uncertainty could increase.
- High government debt in France and other eurozone countries threatens to limit the ECB's room to maneuver.

EURGBP: The Pound Sterling Remains Undervalued Based on Purchasing Power Parity

FX EUR/GBP



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURGBP	0.84	0.86	0.87	0.87	0.85	0.85	0.85

Source: LSEG, LBBW Research

Pro EUR

- The public debt-to-GDP ratio in the United Kingdom is significantly higher than that of the eurozone.
- The persistently high current account deficit makes the United Kingdom dependent on foreign capital inflows and thus leaves the pound vulnerable to shifts in market sentiment.
- An election victory for Reform UK in the House of Commons elections could—depending on its economic policy—trigger another “Liz Truss moment” in the foreign exchange markets.

Contra EUR

- According to purchasing power parity, the pound sterling is significantly undervalued against the euro.
- The high share of services in the U.K.'s value added makes the United Kingdom less vulnerable to U.S. tariffs than the more industry- and export-oriented economies of the eurozone.
- During severe crises, differing national interests within the eurozone can give rise to risks of fragmentation and redenomination and put pressure on the euro.

EURCHF: The Franc Is Appreciating Against the Euro

FX EUR/CHF



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURCHF	0.92	0.94	0.93	0.92	0.93	0.94	0.95

Source: LSEG, LBBW Research

Pro CHF

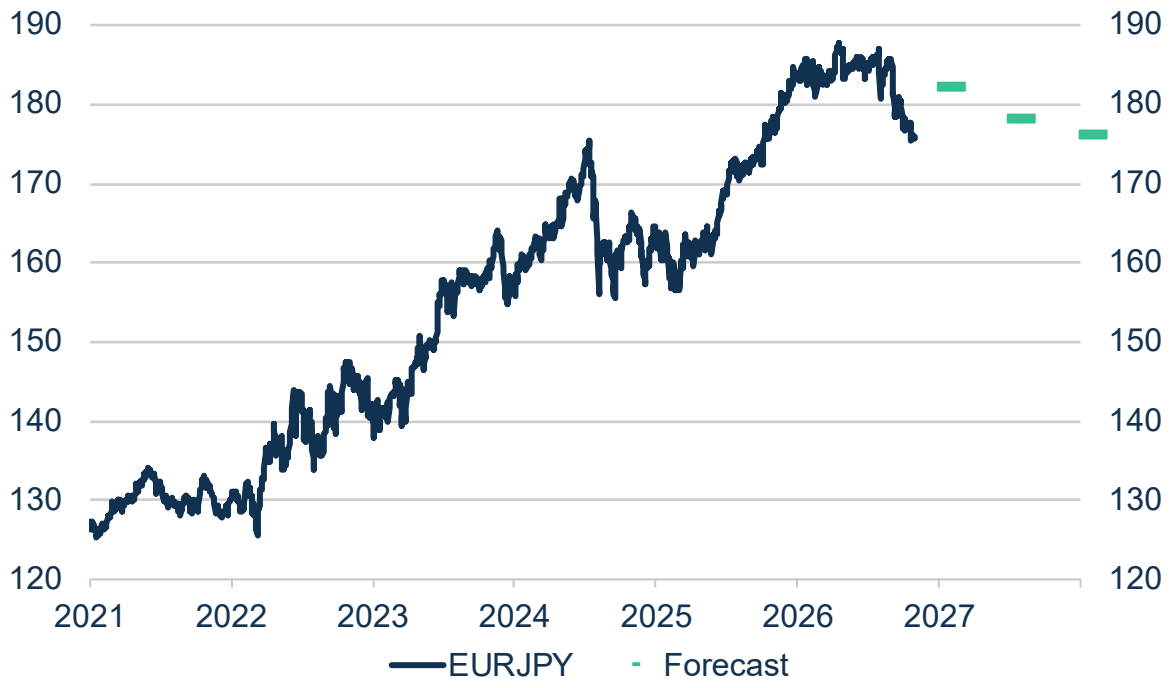
- According to our calculations based on purchasing power parity (PPP), the Swiss franc is slightly undervalued against the euro.
- Geopolitical conflicts and political risks are fueling the flight to the “safe haven” of the Swiss franc.
- In the first half of 2026, the Swiss economy remained robust despite global headwinds.

Contra CHF

- The SNB has kept its key interest rate steady at 0% since June 2025.
- The ECB remains on track to raise interest rates. The Swiss franc's interest rate disadvantage relative to the euro is likely to continue to widen.
- The Swiss franc is still trading at a historically strong level against the euro.

EURJPY: Another BoJ Interest Rate Hike in the Works

FX EUR/JPY



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURJPY	177.10	169.08	184.09	184.44	182.00	178.00	176.00

Source: LSEG, LBBW Research

Pro EUR

- The ECB's interest rates are higher than those of the BoJ, and the ECB is expected to raise its interest rates further. This runs counter to the expected further interest rate hike by the BoJ.
- Japan's economy remains weak, and the war in Iran is driving up the cost of Japan's energy supply.
- The BoJ's foreign exchange interventions in support of the yen do not have a lasting effect and can only be carried out for a limited time.

Contra EUR

- The weak yen is increasing pressure on the BoJ to take further interest rate actions.
- Pressure from the U.S. to strengthen the yen against the dollar through interest rate hikes continues.
- The growing political polarization in Europe (France, …) also fuels concerns about the eurozone.

EURCNY: Concerns About France are weighing on the Euro

FX EUR/CNY



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURCNY	7.45	8.13	8.20	8.01	7.71	7.36	7.43
USDCNY	6.65	7.19	6.99	6.87	6.70	6.40	6.35

Source: LSEG, LBBW Research

Pro EUR

- The ECB continues to signal its readiness to raise interest rates in the near future.
- Europe's economy has recently surprised on the upside.
- The fundamental weakness of the Chinese real estate market continues; China's growth continues to slow as summer draws to a close.

Contra EUR

- China's export strength serves as a structural pillar for the yuan.
- Given its low volatility, the Chinese bond market is emerging as a safe haven.
- The French presidential election is already casting a shadow; concerns about the sustainability of France‘s debt are weighing on the common currency.

EURBRL: Lula da Silva's Surprising Election Victory Causes Market Turmoil

FX EUR/BRL



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURBRL	6.10	6.31	6.44	6.01	6.10	6.00	5.90

Source: LSEG, LBBW Research

Pro EUR

- High public debt is weighing on Brazil's public budget; fiscal consolidation is likely to proceed only slowly under the re-elected president.
- The global rise in interest rates is eroding the real's yield advantage.

Contra EUR

- With a prime rate of 13.75%, Real continues to offer a significant yield advantage.
- Brazil's economy is expected to grow by just under 2% in 2026, slightly more than that of the eurozone.
- The trade surplus is expected to remain robust and increase compared with the previous year—driven by oil, soybeans, and iron ore.

EURHUF: Economic growth is losing momentum in the third quarter

FX EUR/HUF



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURHUF	364.50	397.84	385.15	372.48	370.00	368.00	362.00

Source: LSEG, LBBW Research

Pro EUR

- Hungary's fiscal policy has led to high budget deficits so far. Fiscal consolidation under the new government will be implemented only gradually.
- The Hungarian Central Bank is lowering its key interest rate to 5.50%. Further easing measures will reduce the forint's interest rate advantage.

Contra EUR

- Hungary's government plans to adopt the euro in the medium term. This requires major reforms that will boost investor confidence.
- Hungary's move toward the EU following the change in government is likely to lead to the release of frozen EU funds in the future. These will support the economy.
- The forint continues to offer a clear interest rate advantage.

EURMXN: Unwinding of carry trades puts pressure on the peso

FX EUR/MXN



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURMXN	21.00	21.67	21.12	20.39	21.20	21.40	22.00
USDMXN	18.75	19.17	17.98	17.48	18.43	18.61	18.80

Source: LSEG, LBBW Research

Pro EUR

- Mexico's economic growth is slowing and is expected to be less than 1% this year.
- The peso's appeal is likely to decline as a result of interest rate hikes by the ECB and the Federal Reserve.
- The upcoming reviews of the North American Free Trade Agreement and institutional risks are increasing uncertainty.
- A deteriorating fiscal situation led to a credit rating downgrade

Contra EUR

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

EURPLN: The persistently high inflation rate could lead to a key interest rate hike in early 2027

FX EUR/PLN



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURPLN	4.42	4.24	4.22	4.24	4.34	4.29	4.25

Source: LSEG, LBBW Research

Pro EUR

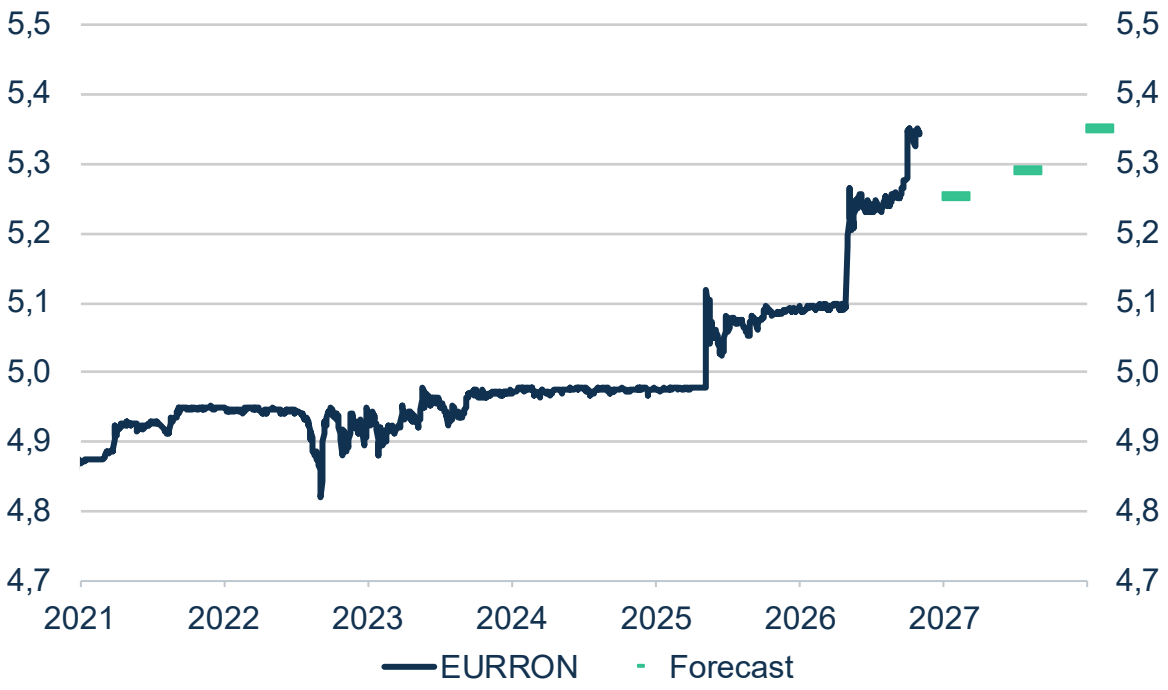
- Poland's fiscal policy remains a weak point. The budget deficit stood at about 6.9% in 2025, causing public debt to rise toward 60%.
- Political tensions between the government and the president are complicating the implementation of economic policy.
- Rising inflation limits the scope for interest rate cuts. This could slow growth.

Contra EUR

- As in previous years, Poland's economy is likely to continue growing at a faster rate 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: Despite the economic slowdown, the inflation rate is falling only slowly

FX EUR/RON



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURRON	5.34	5.04	5.10	5.14	5.25	5.29	5.35

Source: LSEG, LBBW Research

Pro EUR

- Fiscal risks remain high. After reaching 7.7% last year, the budget deficit is expected to fall to about 6.2% in 2026 — still the highest in the eurozone.
- The collapse of the governing coalition is increasing political uncertainty and putting pressure on the leu.
- The VAT increase has driven up inflation and is limiting the scope for interest rate cuts.
- The economy is expected to grow by less than 1% this year.

Contra EUR

- The large inflow of EU funds is likely to support growth.
- With a key interest rate of 6.5%, the Leu continues to offer an interest rate advantage over the euro.

EURSEK: The rise in the inflation rate is likely to lead to an interest rate hike in the near future

FX EUR/SEK



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURSEK	10.97	11.06	10.83	10.79	10.80	10.60	10.20

Source: LSEG, LBBW Research

Pro EUR

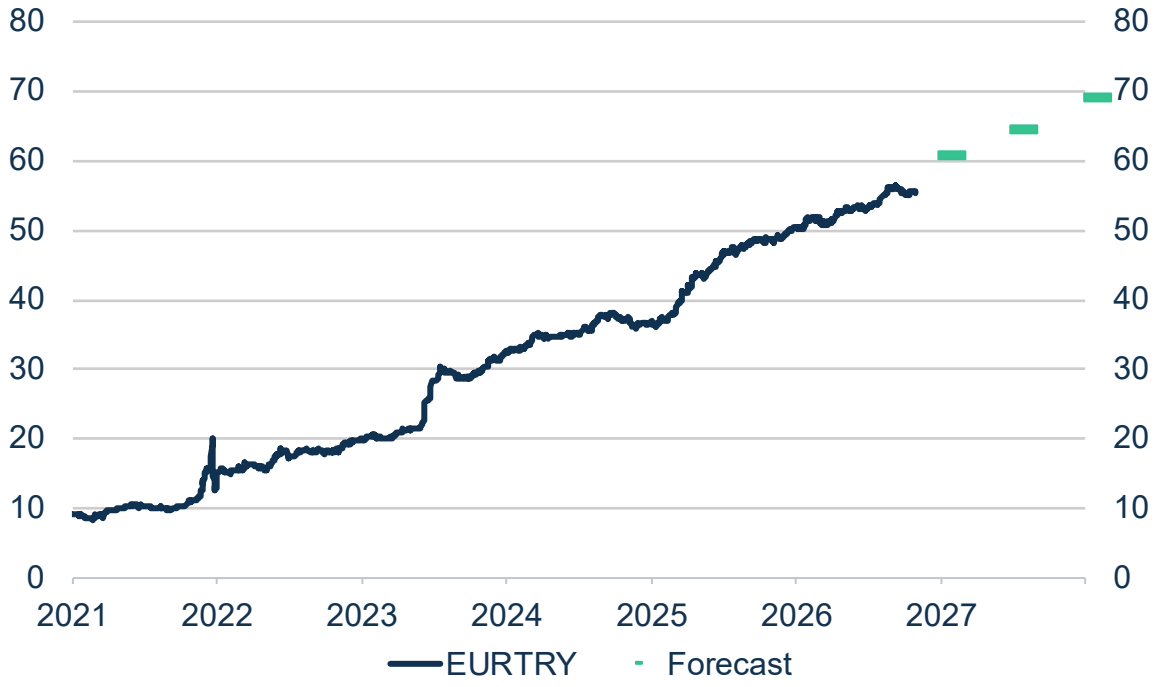
- Following significant cuts in key interest rates, the Swedish krona is at a interest rate disadvantage relative to the euro.
- The Swedish economy is recovering but remains vulnerable to global uncertainty and higher energy prices.

Contra EUR

- Sweden's economy is growing faster than that of the eurozone. Growth for 2026 is expected to be around 2.6%.
- The inflation rate is below the central bank's target. Real wages are rising. This supports private consumption.
- Ongoing shifts of investment from abroad into Swedish assets are strengthening the krona.

EURTRY: The central bank has resumed its cycle of interest rate cuts

FX EUR/TRY



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURTRY	56.04	44.81	50.48	52.05	60.50	64.20	69.00

Source: LSEG, LBBW Research

Pro EUR

- Turkey remains a country with high inflation. Disinflation is proceeding more slowly than the central bank had announced.
- As an energy importer, Turkey is affected by rising energy prices. Higher prices are weighing on growth and driving inflation.
- Tense domestic political conditions are undermining investor confidence.

Contra EUR

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

EURZAR: The central bank is taking a restrictive stance and may raise the key interest rate again

FX EUR/ZAR



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURZAR	18.66	20.18	19.44	19.15	19.00	18.70	18.20

Source: LSEG, LBBW Research

Pro EUR

- South Africa's economic growth remains sluggish and, despite positive signs, continues to be vulnerable to structural problems.
- The margin remains heavily dependent on investors' risk appetite.

Contra EUR

- With a key interest rate of 7.25%, the rand offers a significant 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 are improving growth prospects.
- Public debt is likely to decline sooner than expected.

EURAUD: The inflation rate rose to 4.3% in September, paving the way for another interest rate hike

FX EUR/AUD



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURAUD	1.59	1.75	1.75	1.66	1.61	1.59	1.58

Source: LSEG, LBBW Research

Pro EUR

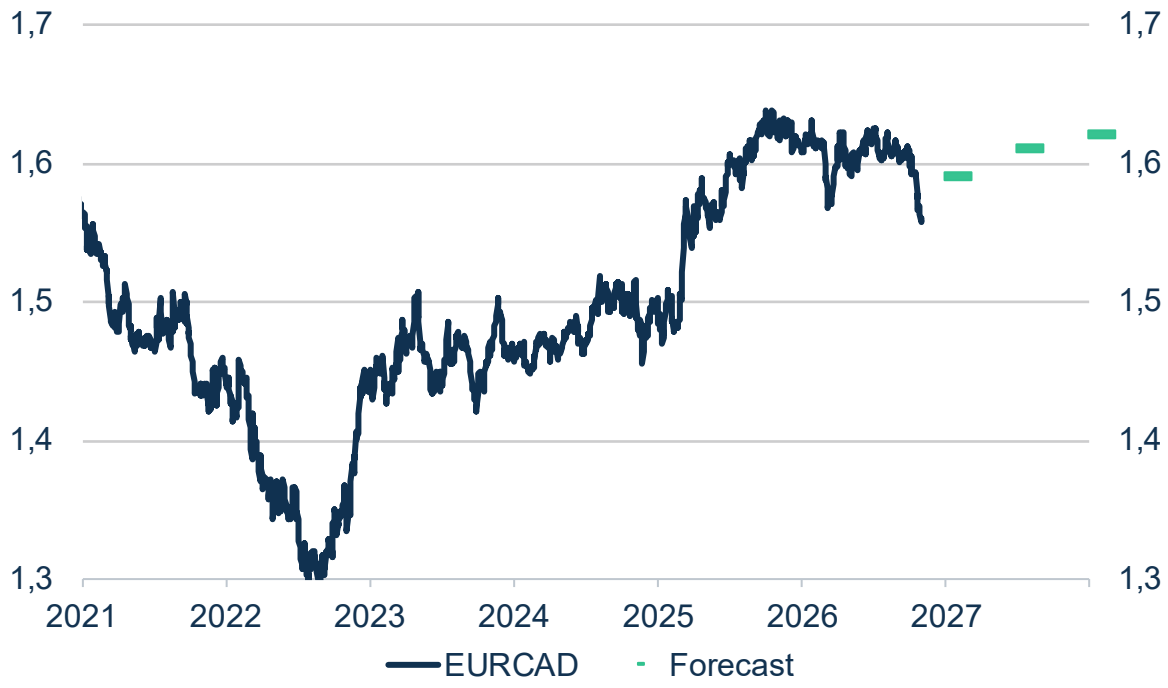
- Australia's economy is sensitive to economic cycles. It is heavily dependent on China's growth and commodity prices.
- The ECB's interest rate hikes are unlikely to cause the Australian dollar's interest rate advantage to widen further.

Contra EUR

- The Australian dollar offers a significant interest rate advantage over the euro. The central bank continues to maintain a restrictive stance.
- Australia's economy is expected to grow slightly faster than that of the eurozone in 2026.

EURCAD: The September interest rate hike reduces the interest rate disadvantage

FX EUR/CAD



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURCAD	1.57	1.58	1.61	1.61	1.59	1.61	1.62

Source: LSEG, LBBW Research

Pro EUR

- Canada's economy remains vulnerable to U.S. trade policy and higher tariffs.
- The close ties to the U.S. economy are weighing on the market; an economic slowdown in the U.S. weakens the Canadian dollar.
- A prompt end to the war in Iran is likely to weaken the oil price, which has recently been a key source of support.

Contra EUR

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

EURCZK: Persistent inflationary pressures point to an imminent increase in the key interest rate

FX EUR/CZK



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURCZK	24.35	24.69	24.24	24.32	24.10	23.90	23.60

Source: LSEG, LBBW Research

Pro EUR

- The export-dependent economy remains vulnerable to international trade risks and geopolitical conflicts.
- The Czech koruna's interest rate advantage is diminishing amid a global trend of rising interest rates.

Contra EUR

- As in previous years, the Czech economy is expected to grow at a significantly faster rate than that of the eurozone. A more expansionary fiscal policy supports growth momentum.
- With a prime rate of 3.75%, Krone offers a competitive interest rate. Thanks to the central bank's restrictive monetary policy, this is likely to remain the case.
- The Czech economy is likely to benefit disproportionately from a recovery in the European industrial sector.

EURNOK: Interest rate advantages and high energy prices are boosting the Norwegian krone

FX EUR/NOK



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURNOK	10.38	11.72	11.84	11.17	10.50	10.70	10.70

Source: LSEG, LBBW Research

Pro EUR

- The krone is sensitive to economic conditions. Slower growth in European industry is weighing on the krona.
- Falling oil prices following the reopening of the Strait of Hormuz could put pressure on the Norwegian krone.

Contra EUR

- The Norwegian krone offers a significant interest rate advantage over the euro. The central bank remains restrictive following the Federal Reserve's ( ) most recent increase in the benchmark interest rate to 4.50%.
- Higher oil and gas prices are improving Norway's terms of trade and supporting the krone.
- Norway has a sound fiscal position, supported by its sovereign wealth fund and high energy revenues.

Market Data Overview: Currencies

Exchange rates to EUR	Date	-1M %	-3M %	-1J %	YTD %	Max 52W	Min 52W
AUD	1.60	1.41	2.65	10.48	10.36	1.79	1.58
BRL	6.09	-3.10	-4.01	2.06	5.68	6.55	5.57
GBP	0.83	2.01	2.44	5.26	4.63	0.88	0.83
CNY	7.44	1.63	4.33	10.33	10.29	8.32	7.43
JPY	176.77	0.60	3.63	0.59	4.14	187.56	175.63
CAD	1.56	2.67	3.22	3.42	2.96	1.63	1.56
NZD	1.99	0.84	-1.58	1.32	2.66	2.06	1.95
NOK	10.39	4.26	4.98	12.34	13.97	11.99	10.28
PLN	4.42	-0.91	-2.53	-3.62	-4.44	4.42	4.20
RUB	90.84	3.99	0.70	2.67	2.27	101.21	82.46
SEK	10.97	3.04	0.08	-0.10	-1.28	11.34	10.51
CHF	0.92	1.82	1.42	0.95	1.38	0.95	0.90
ZAR	18.57	1.00	2.55	7.74	4.80	20.09	18.40
CZK	24.33	0.43	-0.54	0.03	-0.65	24.57	24.08
TRY	55.95	-0.93	-2.27	-13.26	-9.82	56.46	48.32
HUF	364.25	1.05	0.10	6.47	5.41	394.20	349.33
USD	1.12	0.73	2.76	3.08	4.89	1.20	1.11
Exchange rates to USD							
JPY	157.88	-0.13	0.86	-2.42	-0.72	163.94	152.67
CNY	6.65	0.85	1.55	7.06	5.20	7.13	6.65

Source: LSEG, LBBW Research

FX: at-the-money volatility

Period	EUR/USD		EUR/CHF		EUR/JPY		EUR/GBP		EUR/HUF		EUR/PLN		EUR/CZK		EUR/CNY		USD/CNH	
	bid	ask	bid	ask	bid	ask	bid	ask	bid	ask	bid	ask	bid	ask	bid	ask	bid	ask
1 month	5.89	6.14	5.15	5.55	7.15	7.65	3.44	3.79	5.67	6.57	3.93	4.63	1.72	2.37	4.89	6.14	1.54	1.79
2 months	5.97	6.17	5.10	5.50	7.29	7.74	3.60	3.90	5.87	6.67	3.90	4.55	1.78	2.38	5.13	5.88	1.74	1.94
3 months	5.97	6.17	4.95	5.45	7.48	7.83	3.70	4.05	5.94	6.69	4.05	4.55	1.78	2.38	5.02	5.92	1.92	2.12
6 months	6.36	6.56	5.35	5.70	7.88	8.28	4.30	4.60	6.48	7.18	4.35	4.85	2.05	2.60	5.35	6.10	2.34	2.49
9 months	6.57	6.77	5.47	5.82	8.01	8.51	4.63	4.93	6.68	7.38	4.55	5.05	2.18	2.73	5.49	6.19	2.59	2.79
1 year	6.67	6.87	5.45	5.75	8.10	8.50	4.75	5.10	6.80	7.50	4.72	5.22	2.33	2.88	5.57	6.22	2.83	2.98
2 years	6.95	7.15	5.72	6.17	8.25	8.65	5.08	5.43	6.98	7.78	4.85	5.30	2.15	3.20	5.86	6.36	3.33	3.58
3 years	6.80	7.90	5.38	7.03	7.95	9.00	5.23	5.88							5.01	7.46	3.43	3.93
5 years	7.13	8.38	5.92	7.52	8.03	9.23	5.81	6.51									3.78	4.28

Data as of: 11/02/2026 3:23 PM

Source: LSEG, LBBW Research

Brent: Oil Prices Remain High

Brent Oil Price & Forecast

in USD



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
Brent (USD/Barrel)	104.85	68.32	60.85	87.55	100.00	85.00	75.00

Source: LSEG, LBBW Research

Pro

- Crude oil supply plummeted by a good 7 mbpd (yoy) in Q3/26.
- In the wars in Iran and Ukraine, refineries and oil infrastructure totaling 3–4 mbpd were destroyed.
- Ship traffic in the Strait of Hormuz remains disrupted. Oil transportation costs reach a new record high.

Contra

- Oil market is expected to see a supply surplus starting in Q2/27.
- Gloomy economic outlook and war in Iran are dampening demand for oil. Consumption fell by 2.5 mbpd (yoy) in Q3/26.
- OPEC (+ UAE) spare capacity currently stands at over 9 mbpd.
- The U.S. rig count has risen by 13.5% since the end of February. U.S. production rises to a new record high of about 14 mbpd.
- UAE Sets New Production Record After Withdrawing from OPEC.

Gold: Interest Rate Hikes Create Headwinds

Gold Price & Forecast

in USD



	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
Gold (USD/Ounce)	3 961	3 444	4 325	4 687	4 200	4 500	4 800

Source: LSEG, LBBW Research

Pro

- Mine production rose only slightly in Q2/26, by 2% or 18 metric tons (yoy). Recycling of scrap gold fell by 6% or 20 metric tons.
- Central banks increased purchases by 62% in Q2/26.
- Erratic U.S. trade policy and ongoing political... Tensions are keeping gold in demand as a safe haven.
- Cryptocurrencies are increasingly becoming a major driver of demand for physical gold.
- Expected depreciation of USD should support the price of gold.
- ETCs will return to the buy side starting in mid-July. 2026 annual balance: +60 metric tons.

Contra

- Demand for jewelry fell by 12% or 44 metric tons (yoy) in Q2/26.
- The ECB and the Fed are responding to high inflation by raising key interest rates. Interest rate hikes are not expected to come to an end until the first half of 2027.

LBBW

Commodities Market Data Overview

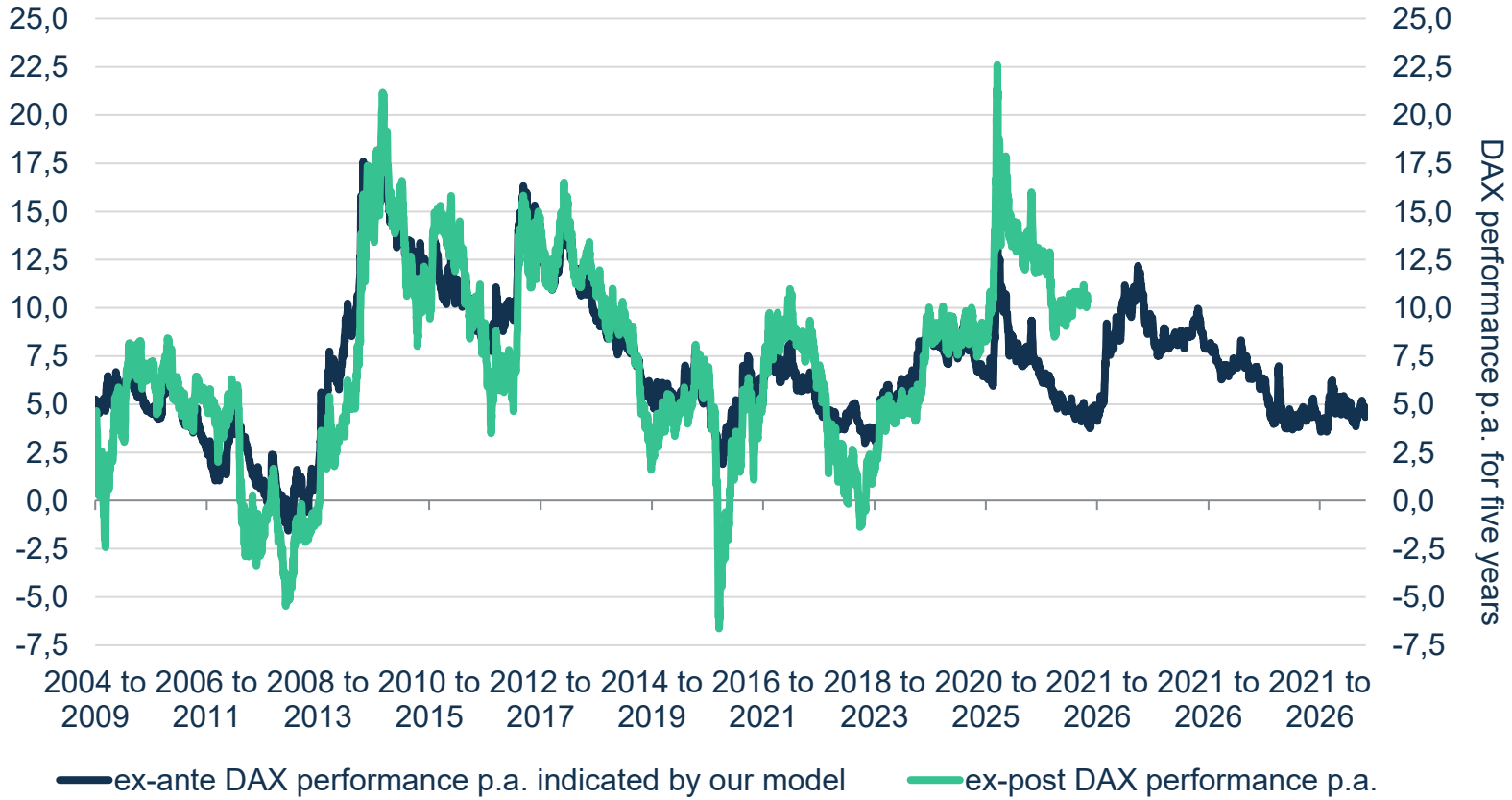
Energy (Spot)	Unit	Date	-1M %	-3M %	-1Y %	YTD %	Max 52W	Min 52W
Crude Oil Brent	USD/bbl	104.85	2.54	25.07	61.63	72.31	118.34	58.98
Crude Oil WTI	USD/bbl	100.06	8.34	22.08	61.94	74.75	114.58	55.44
Precious Metals (Spot)								
Gold	USD/oz	3 961	-4.46	-1.81	-1.09	-8.42	5 298	3 896
Silver	USD/oz	50.13	-17.88	-13.53	2.77	-30.37	118.45	47.61
Platinum	USD/oz	1 443	-17.23	-10.72	-8.65	-28.79	2 811	1 427
Palladium	USD/oz	973	-18.66	-21.98	-33.47	-37.89	2 106	973
Industrial Metals (3M Future)								
LME Aluminium	USD/MT	3 094	-0.21	-3.96	6.62	3.29	3 753	2 780
LME Copper	USD/MT	14 345	0.61	3.42	32.15	15.47	14 768	10 664
LME Lead	USD/MT	1 906	2.92	2.06	-5.99	-5.25	2 100	1 852
LME Zinc	USD/MT	3 893	4.90	6.91	25.56	24.86	4 053	2 981
LME Tin	USD/MT	49 659	-8.06	-10.44	37.76	22.45	57 960	35 649
LME Nickel	USD/MT	15 556	-0.45	-8.82	2.73	-6.55	19 642	14 263

Source: LSEG, LBBW Research

The DAX five-year model continues to indicate a performance well below average

LBBW DAX Five-Year Model

as a percentage per annum 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

4.5 % p.a. (inluding dividends) **performance forecast**

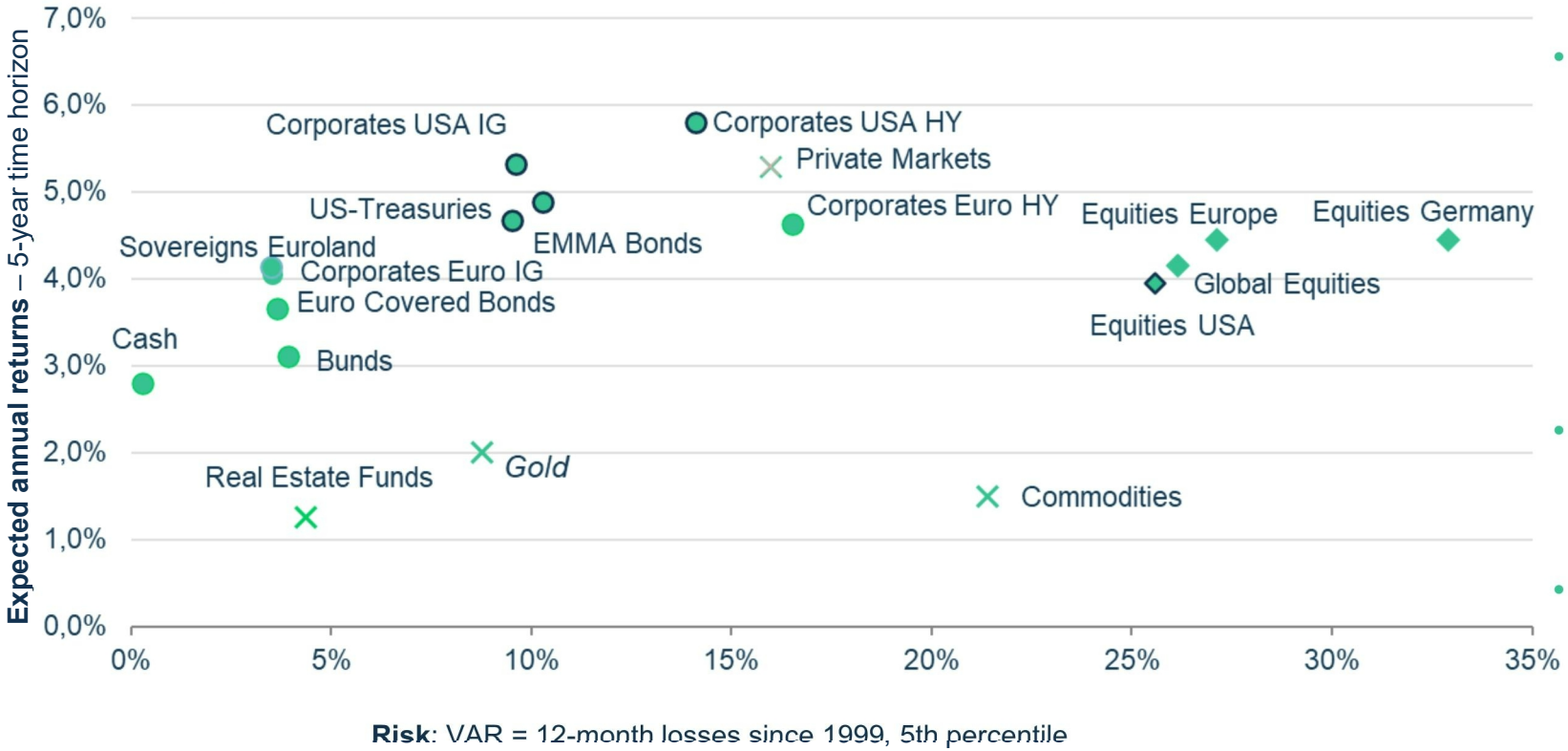
5 years

Source: LSEG, LBBW Research

Risk-Adjusted Returns of Asset Classes Over a 5-Year Period

Expected Returns Versus Risk: LBBW's Assessments

as a percentage



- Expected Bond Yields:
  Basis: Current yields of the respective bond indices. In the case of high-yield and emerging markets, these figures were adjusted based on historically plausible assumptions regarding defaults and recovery rates. Additional assumption: a constant yield curve.
- Expected Returns on Stocks:
  Combination of the five-year DAX model and long-term equity risk premiums.
- Currency Analysis:
  In the risk analysis, unhedged portfolios were evaluated from the perspective of a euro-denominated investor. The same applies to the return assumptions, which are based on the assumption of constant exchange rate ratios.

Sources: LSEG, LBBW Research – As of November 2, 2026. IG = Investment Grade; HY = High Yield. The bond indices have a duration ranging from three to seven years. Note on Risk/VAR: The loss that the respective total return index—used as a proxy for a portfolio in this asset class—has not exceeded with a 95% probability since 1999.

Yield Curves for EUR Sovereigns

Yields by Rating and Maturity

as a percentage

Average Yield EUR Sovereigns														
30.10.2026	Maturity in Years													
Country	1	2	3	4	5	6	7	8	9	10	15	20	25	30
Germany	2,93	3,04	3,09	3,13	3,17	3,21	3,25	3,30	3,35	3,40	3,65	3,75	3,75	3,75
France	3,35	3,68	3,91	4,11	4,30	4,46	4,61	4,75	4,87	4,97	5,30	5,43	5,52	5,58
Italy	3,19	3,48	3,68	3,84	3,99	4,12	4,24	4,36	4,46	4,55	4,88	5,04	5,15	5,20
Spain	3,05	3,23	3,33	3,42	3,51	3,61	3,72	3,82	3,93	4,02	4,35	4,49	4,55	4,54
Netherlands	2,89	3,06	3,16	3,21	3,24	3,28	3,33	3,38	3,43	3,48	3,68	3,77	3,78	3,71
Austria	2,92	3,10	3,21	3,29	3,37	3,44	3,51	3,57	3,63	3,68	3,88	3,98	4,01	3,98
Belgium	3,15	3,36	3,52	3,66	3,81	3,95	4,08	4,20	4,31	4,42	4,84	5,09	5,20	5,16
Ireland	2,87	3,03	3,10	3,15	3,21	3,27	3,34	3,41	3,48	3,55	3,74	3,82	-	-
Portugal	3,01	3,11	3,19	3,29	3,39	3,49	3,60	3,70	3,79	3,88	4,22	4,38	4,41	4,36
Finland	2,93	3,15	3,27	3,36	3,43	3,50	3,58	3,65	3,73	3,80	4,09	4,20	4,21	4,19
EUR Swap in %	3,23	3,37	3,40	3,41	3,41	3,41	3,42	3,43	3,44	3,46	3,51	3,48	3,40	3,31

Yield over 4.0%

Source: LSEG, LBBW Research

Yield Curves for EUR Non-Financials

Interpolated Yields by Rating and Maturity

as a percentage

Average Yield EUR Non-Financials										
30.10.2026	Maturity in Years (Call-Date)									
Rating	1	2	3	4	5	6	7	8	9	10
AA	2,94	3,36	3,61	3,78	3,92	4,03	4,12	4,20	4,28	4,34
AA-	3,14	3,43	3,60	3,72	3,81	3,88	3,95	4,00	4,05	4,10
A+	3,26	3,54	3,70	3,82	3,91	3,98	4,04	4,10	4,14	4,18
A	3,31	3,61	3,79	3,91	4,01	4,09	4,15	4,21	4,26	4,31
A-	3,34	3,65	3,83	3,96	4,06	4,14	4,21	4,27	4,33	4,37
BBB+	3,36	3,70	3,91	4,05	4,16	4,25	4,33	4,40	4,46	4,51
BBB	3,51	3,85	4,05	4,19	4,30	4,39	4,46	4,53	4,59	4,64
BBB-	3,66	4,05	4,27	4,44	4,56	4,66	4,75	4,83	4,89	4,95
BB+	4,26	4,72	4,99	5,18	5,33	5,45	5,55	5,64	5,72	5,78
BB	4,08	4,85	5,29	5,61	5,86	6,06	6,23	6,38	6,51	6,62
BB-	4,45	5,44	6,01	6,42	6,74	7,00	7,22	7,41	7,58	7,73
B+	5,95	6,52	6,86	7,09	7,28	7,43	7,55	7,66	7,76	7,84
B	5,95	6,72	7,17	7,49	7,74	7,94	8,11	8,26	8,39	8,51
B-	6,84	8,33	9,19	9,81	10,29	10,68	11,01	11,29	11,54	11,77
EUR Swap in %	3,23	3,37	3,40	3,41	3,41	3,41	3,42	3,43	3,44	3,46

Yield over 4.0%

Source: LSEG, LBBW Research

Yield Curves for EUR Senior Bank Preferred Bonds

Interpolated Yields by Rating and Maturity

as a percentage

Average Yield EUR Banks Senior Preferred										
30.10.2026	Maturity in Years (Call-Date)									
Rating	1	2	3	4	5	6	7	8	9	10
AA	3,39	3,63	3,78	3,88	3,96	4,02	4,07	4,12	4,16	4,20
AA-	3,48	3,69	3,81	3,90	3,97	4,03	4,07	4,11	4,15	4,18
A+	3,49	3,78	3,94	4,06	4,15	4,22	4,29	4,34	4,39	4,43
A	3,49	3,76	3,92	4,03	4,12	4,19	4,25	4,30	4,34	4,38
A-	3,62	3,85	3,98	4,08	4,15	4,22	4,27	4,31	4,35	4,39
BBB+	3,75	3,96	4,09	4,18	4,25	4,31	4,35	4,40	4,43	4,47
BBB	3,79	4,01	4,14	4,23	4,31	4,36	4,41	4,46	4,50	4,53
BBB-	4,07	4,15	4,19	4,22	4,25	4,27	4,28	4,30	4,31	4,32
EUR Swap in %	3,23	3,37	3,40	3,41	3,41	3,41	3,42	3,43	3,44	3,46

Yield over 4.0%

Source: LSEG, LBBW Research

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