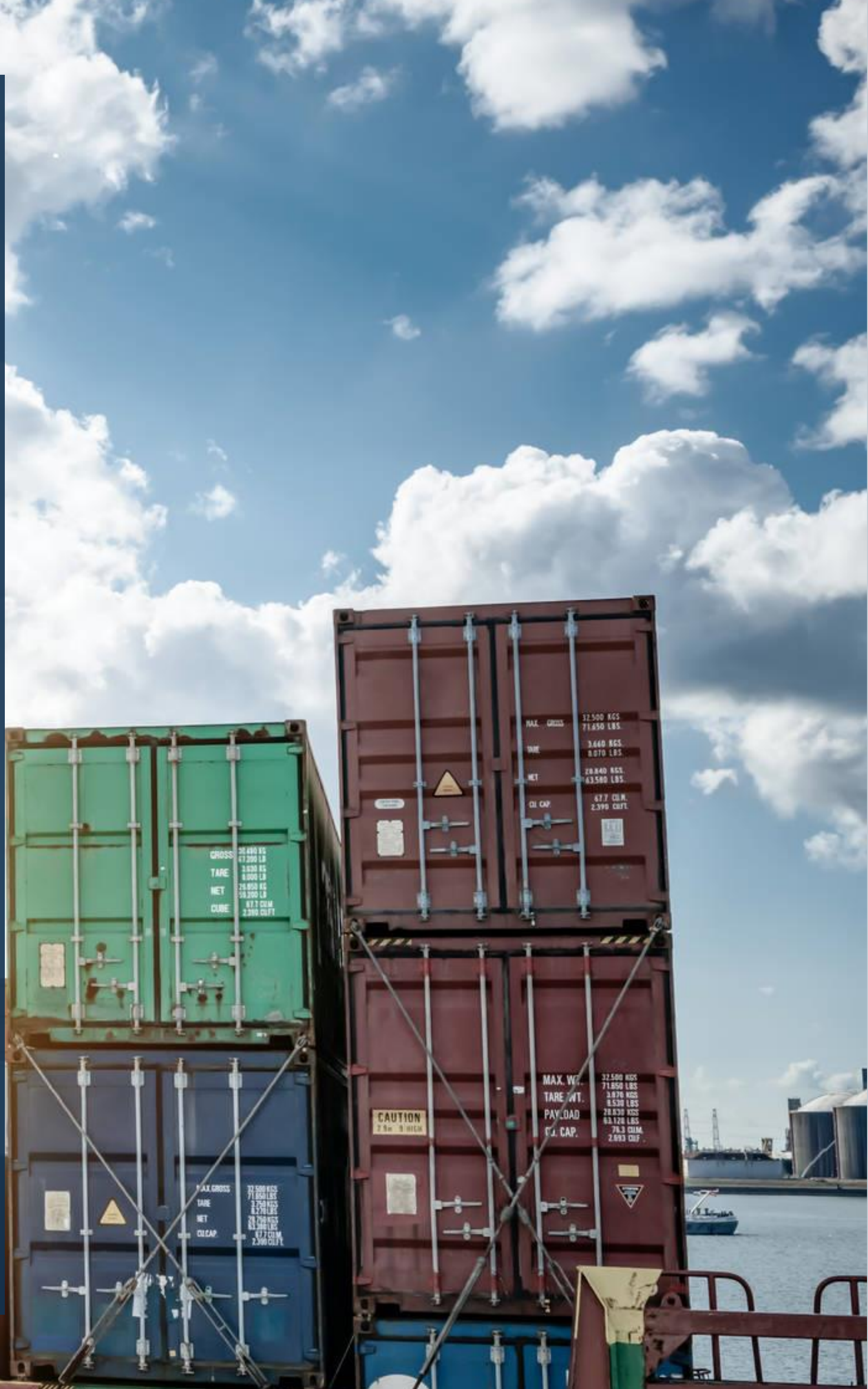
Breaking new ground

LBBW

Capital Markets Compass: September

Germany's economy is showing signs of life



1 Sept 2026 Macro | Interest Rates | Credits | Stocks

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Research Division

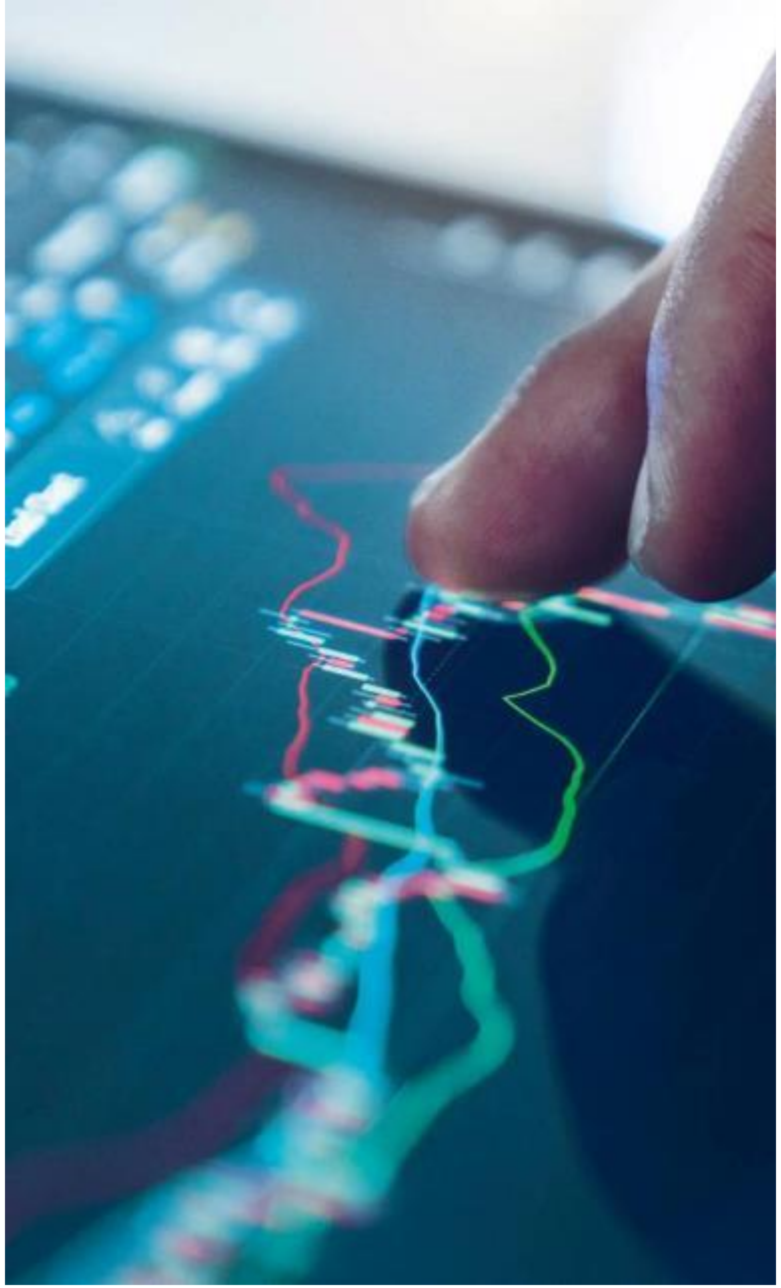
Annual Outlook by LBBW Research

Dear Customers,

This year, too, your questions will be the focus of LBBW Research’s annual outlook. What concerns you regarding the future of the capital markets? How can we assist you with our expert insights?
We look forward to receiving many emails and suggestions.
You can read answers to selected questions starting November 17 at in our LBBW Capital Markets Outlook 2027.
Please submit your contribution by October 9, 2026, to LBBWResearch@LBBW.de.
Due to space limitations, we will likely not be able to address all questions. Nevertheless, we consider all submissions to be valuable input and will try to address them in our publications.

Thank you very much for your cooperation.

Contents



01

Foreword and Introduction

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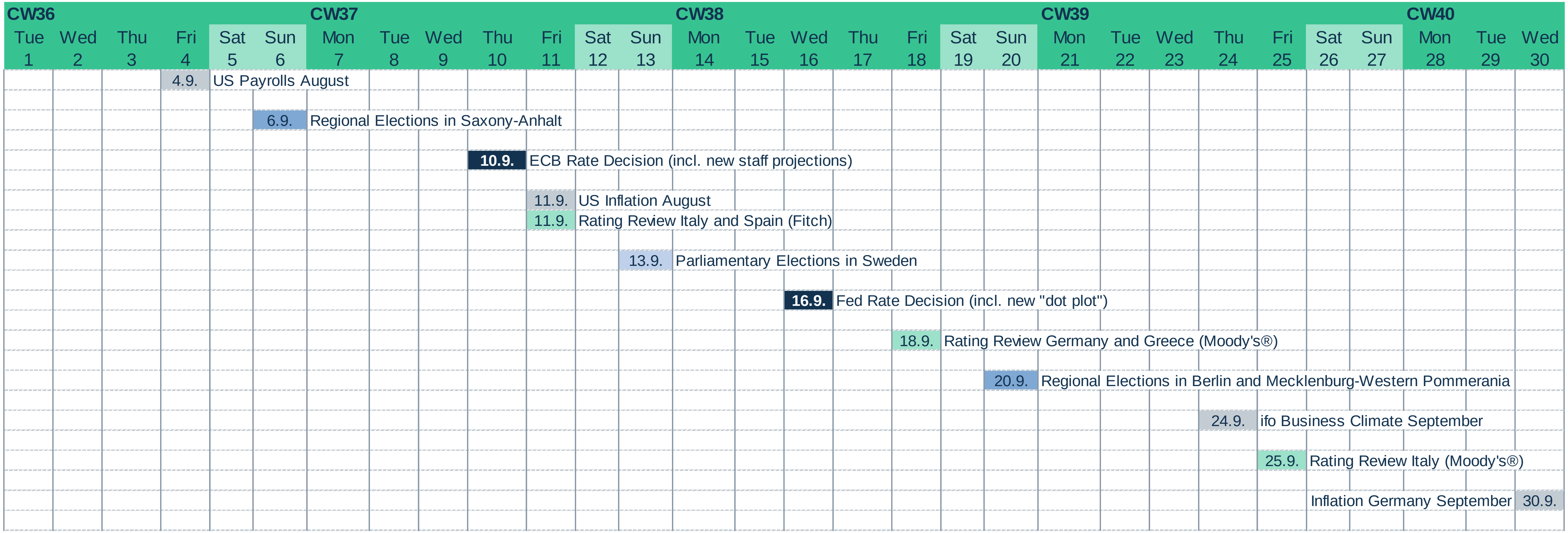
LBBW

Dr. Moritz Kraemer
Chief Economist | Head of Research

"Germany's economy is showing signs of life"

The German economy is performing better than feared. The upwardly revised GDP growth figure for the second quarter shows: Germany has weathered the energy price shock resulting from the war in Iran relatively well. The main source of momentum came from foreign trade—a robust global economy helps. Domestic economic activity, on the other hand, remains weak. In addition, drought and low river levels are likely to have a dampening effect in the second half of the year; the Bundesbank expects, at best, a slight increase in the third quarter. We are raising our growth forecast for 2026 moderately, from 0.5% to 0.7%. Globally, the situation remains difficult: No sign of a de-escalation in the Strait of Hormuz. Although the imbalance between oil supply and demand is gradually narrowing, oil products remain expensive due to refining bottlenecks. The ECB is likely to raise interest rates again in 2026—despite the negative impact on growth.

Key Dates in September



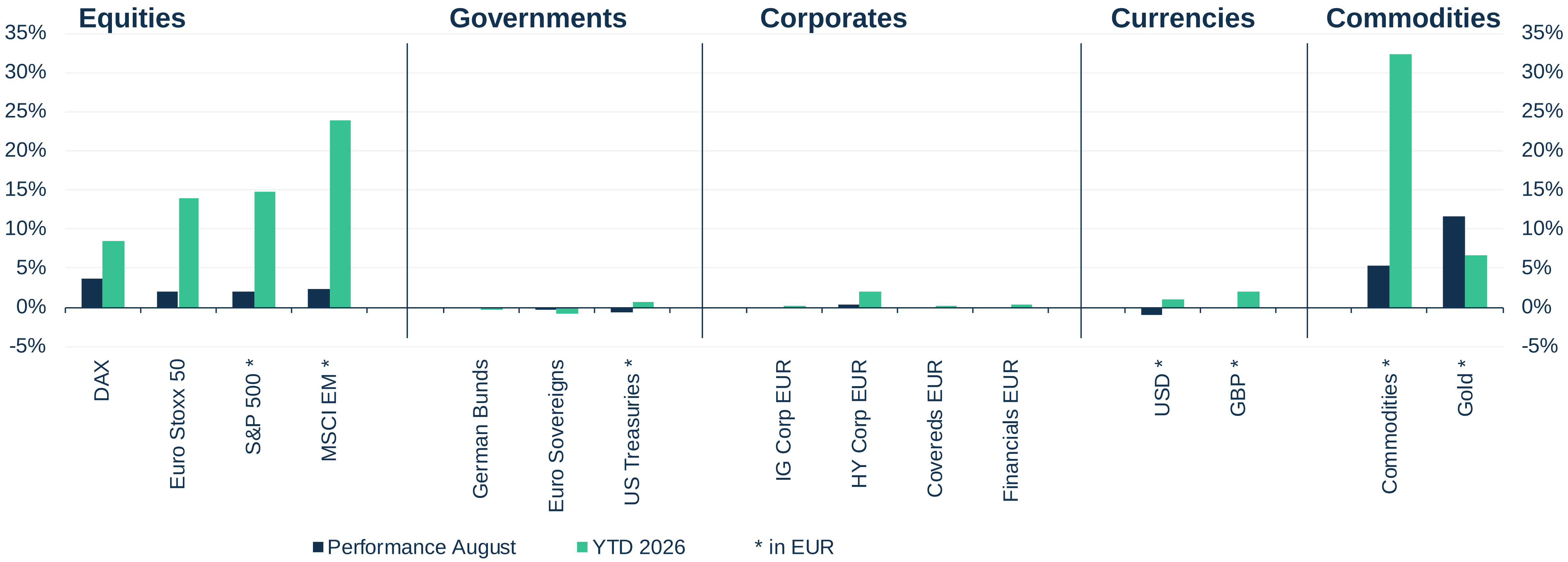
- Fed: The outcome of the rate decision seems very much uncertain, depending on the Middle East conflict and the next inflation figures.
- ECB: Central bankers are likely to lean clearly toward another interest rate hike, barring any major surprises.
- Germany is watching Saxony-Anhalt with keen interest: Will the AfD win an absolute majority of seats in the state parliament?
- Elections will also be held in Berlin and Mecklenburg-Western Pomerania. Will they have repercussions on federal policy?

Sources: Bloomberg, LBBW Research

Gold Back in Positive Territory

Selected Assets

Total Return in Percent



Source: LSEG, LBBW Research

02

Special Topic: War in the Middle East – Road closed, Oil market eases. Is the crisis over?

1 Sept 2026

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U.S.-Iran Relations Are Strained; Oil Markets Are Less Concerned Than They Were in Early March

Brent crude oil price

in USD per barrel

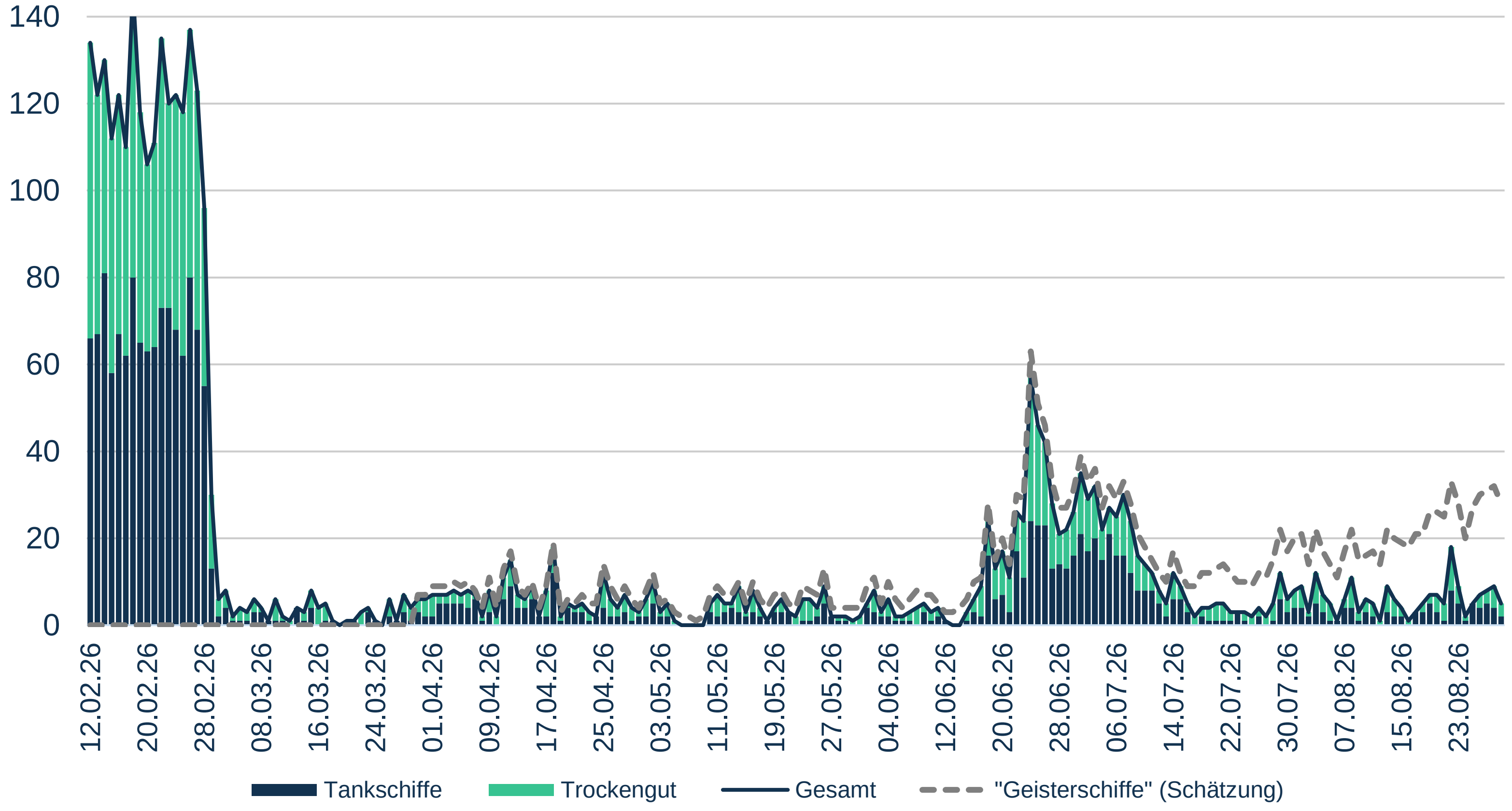
- June 17: Signing of the MoU
- July 8: Ceasefire collapses;
  IRGC resumes drone and missile attacks,
  U.S. launches counterattacks.
- July 23: Regional expansion by the Houthis (Bab al-Mandeb Strait).
- Since August: Targeted attacks by Iran on individual cargo ships in the Strait of Hormuz.

Source: LSEG, LBBW Research

Under the Radar:
A stopgap measure becomes a permanent solution

Ship traffic through the Strait of Hormuz

Number of passages (by ship type), officially reported/tracked & estimated



- What was once a stopgap measure is now a widespread practice: The deactivation of the transponders around the SvH.
- In particular, since the collapse of the ceasefire and the lack of an agreement between According to media reports, numerous shipping companies in the U.S. and Iran are resorting to this measure.
- The documented oil shipments by the SvH are likely underestimated by up to 50% at (6–8 mbpd instead of the official 3–4 mbpd).
- Massive fleet of cargo ships off the coast of Oman (150 vs. 40 (Early January) suggests something similar: ("Shuttle trade").
- Traffic through Bab al-Mandeb (Average Day H1: 40) with only a slight decline.

Source: Bloomberg; Estimate based on Bloomberg and Reuters reports; LBBW Research

Crude oil production in Middle East under pressure, but has been on the rise since May

Oil production: Gulf States

in mbpd

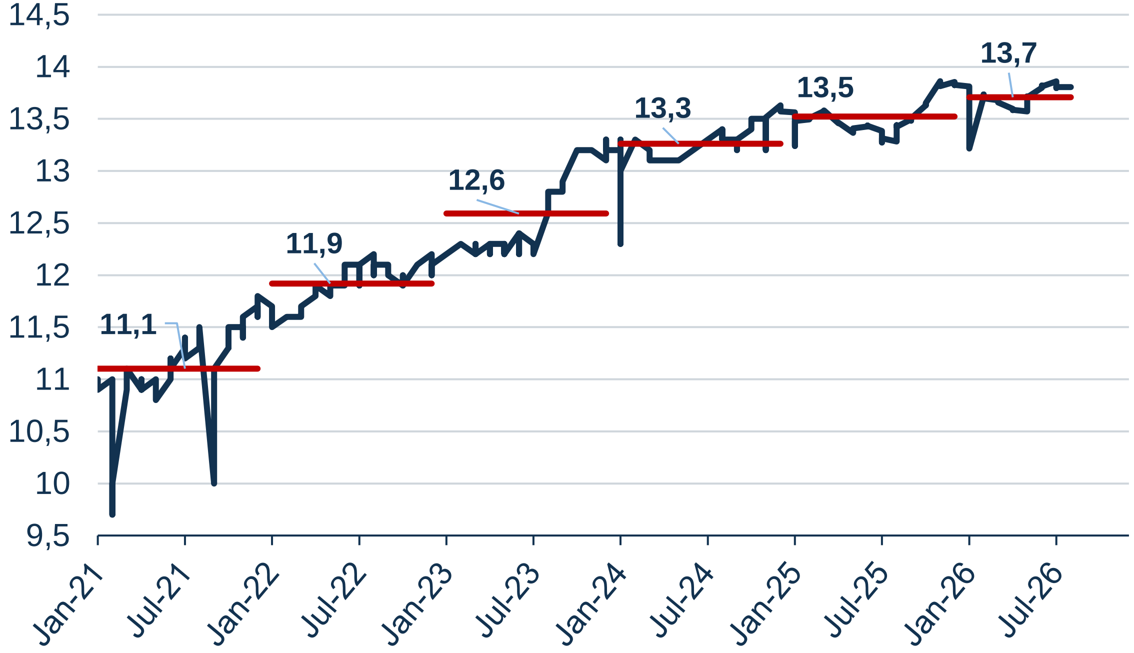
Country/Group	Oct. 25	Nov. 25	Dec. 25	Jan. 26	Feb. 26	March 26	Apr 26	May 26	June 26	Jul 26	% Change Jul./Feb.
Saudi Arabia	9,968	9,944	9,939	10,084	**10,256**	7,408	6,617	6,693	7,016	**7,686**	-25.1%
Iraq	4,279	4,244	4,240	4,276	**4,376**	1,625	1,389	1,451	2,109	**2,700**	-38.3%
Kuwait	2,570	2,567	2,574	2,573	**2,566**	1,174	560	578	1,476	**1,792**	-30.2%
Oman	785	808	812	807	**799**	834	843	863	873	**826**	3.4%
Bahrain	185	185	190	118	**182**	54	24	27	37	**60**	-67.0%
Iran	3,377	3,330	3,337	3,314	**3,434**	3,256	3,079	2,459	2,575	**2,703**	-21.3%
UAE	3,927	3,992	3,937	3,972	**4,032**	2,150	2,620	3,300	4,100	**3,900**	-3.3%
Gulf States (formerly the UAE)	**21,164**	**21,078**	**21,092**	**21,172**	**21,613**	**14,351**	**12,512**	**12,071**	**14,086**	**15,767**	**-27.0%**

Source: Bloomberg, LBBW Research

U.S. Oil Sector Reacts to Rising Prices

U.S. Oil Production

in mbpd & annual average (2026: (YTD)



- U.S. crude oil production at approximately 13.81 mbpd most recently near a record high.
- Operational efficiency as the primary driver of the increase in production volume.

Source: Bloomberg, LSEG, LBBW Research

U.S. oil drilling ("rig counts")

Number of active drilling rigs

- The U.S. currently has about 450 oil rigs – well below the peak of 750+, but the number has been rising rapidly since the Iran War.
- Growth is concentrated primarily in the Permian Basin (New Mexico/West Texas) and the dominant U.S. shale oil region.

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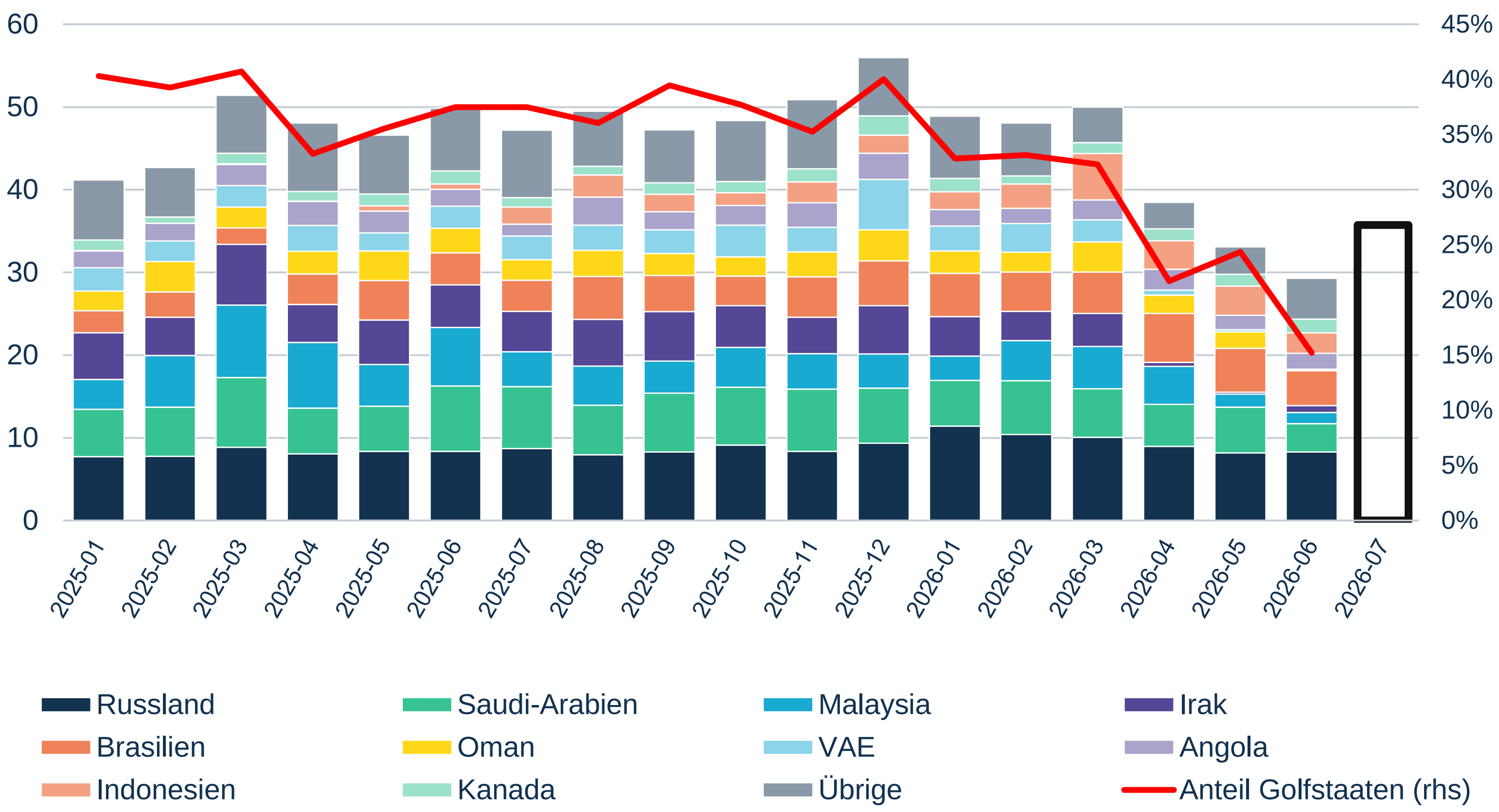
China as a “Swing Player” in the Oil Market

China: Crude Oil Imports by Country of Origin & Share of Gulf States (right-hand scale)

Monthly figure, in millions of metric tons or percentage share (right-hand side); Gulf States excluding Iran



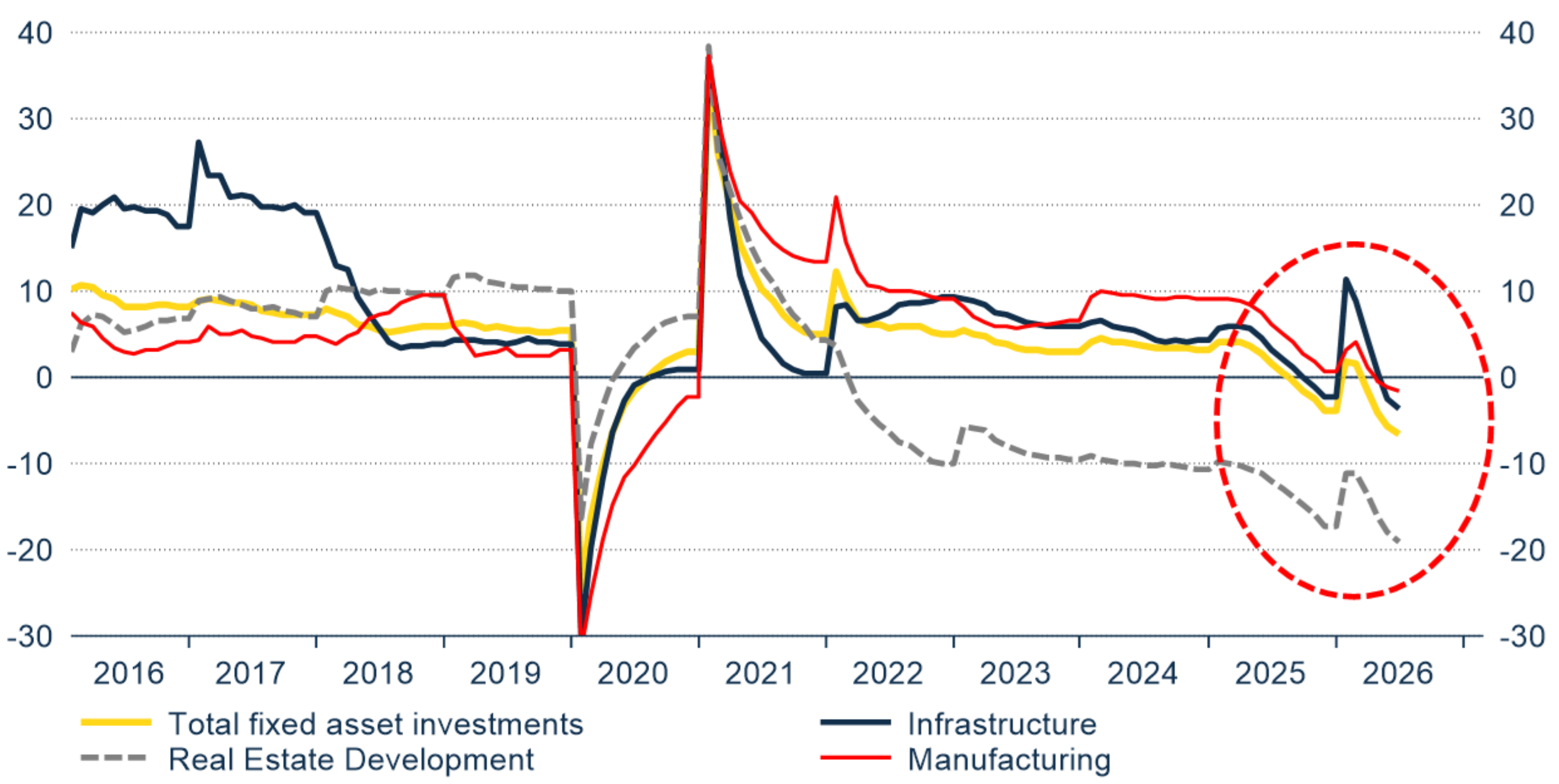
- China, the world's largest oil importer, has drastically reduced its crude oil imports since March.
- The decline amounted to 4 to 5 million barrels per day, or about one-third. In July, imports rose again, but remained well below prewar levels.
- The loss of shipments from the Gulf region (UAE, Saudi Arabia, Oman) was hardly offset.
- Since the outbreak of the war, China has imported a cumulative total of about 350 to 400 million fewer barrels.
- Massive reserves (estimated at approximately 1.2 to 1.4 billion barrels before the outbreak of the war) proved to be a key balancing factor.
- Also, refinery throughput declined significantly (-15% to -20% compared with the previous year).

Source: Bloomberg, ITC Trade Map, LBBW Research

A weak domestic economy further reduces demand for oil

China: Investments (total and by sector/industry)

in %, YTD



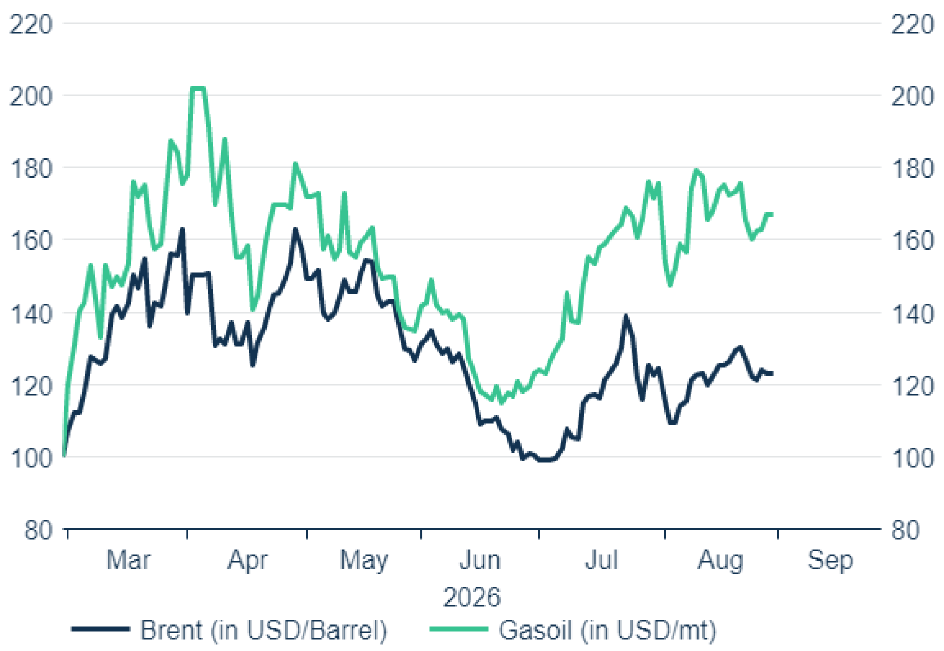
- China's Economy is currently under significant pressure.
- Margin pressure, global uncertainties, and weak government spending are dampening the willingness to invest in the industrial sector.
- YTD Investment Growth (YoY):
  Infrastructure: -3.6%
  Manufacturing: -1.7%
  Real estate development: -19.2%
- Job insecurity, deflation concerns, and the ongoing real estate crisis are also weighing on consumer spending (Retail: June: only 0.6% year-over-year).

Source: LSEG, LBBW Research

Refinery bottlenecks drive up prices of petroleum products; natural gas prices surge

Oil products with a premium over Brent

Gas Oil vs. Brent (indexed since late February)

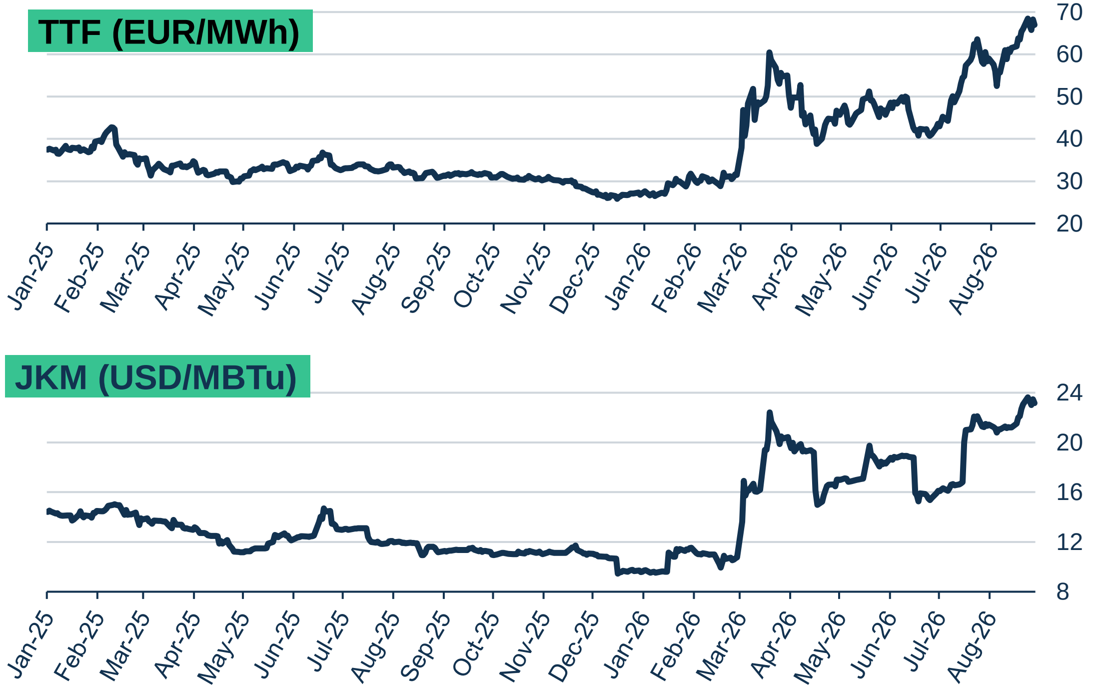


- Damage to refineries in the Middle East, disruptions due to the Russia-Ukraine war; currently has about 4 to 5 mbpd of capacity offline.
- Due to refinery bottlenecks, gasoil (the feedstock for diesel and heating oil) has risen much more sharply than Brent since the outbreak of the Iran war.

Source: Bloomberg, LSEG, LBBW Research

Gas Prices

Europe (top panel), Asia (bottom panel)

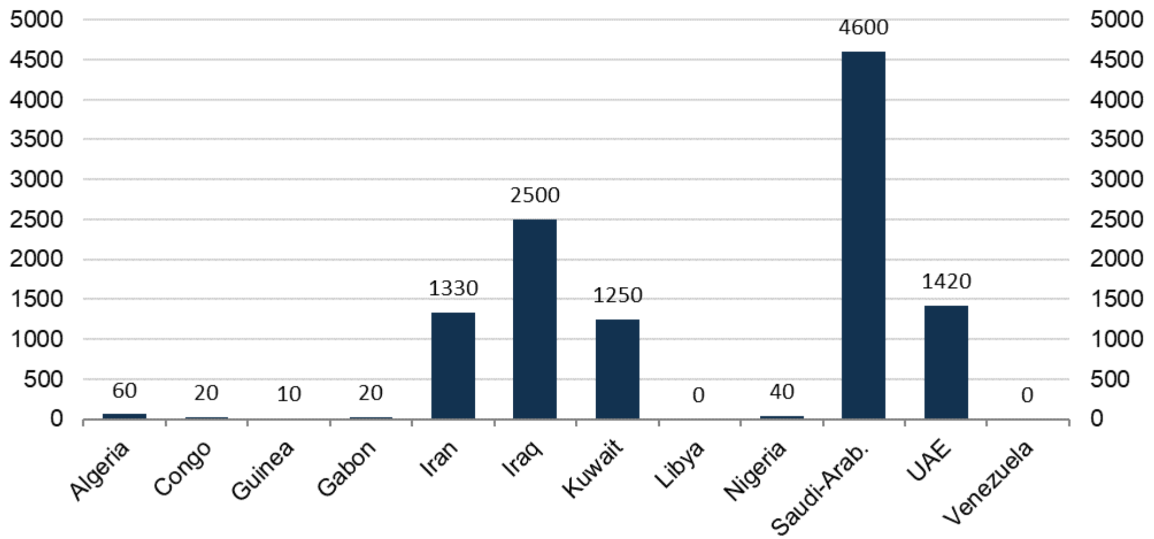


- There are currently no signs of the natural gas situation easing. Qatar's exports remain severely restricted.
- Heat wave in Europe and ; rivers running dry as additional factors driving up prices.

Spare Capacity Remains High in the Oil Market

Spare Capacity of OPEC Countries (+UAE)

in 1,000 bpd

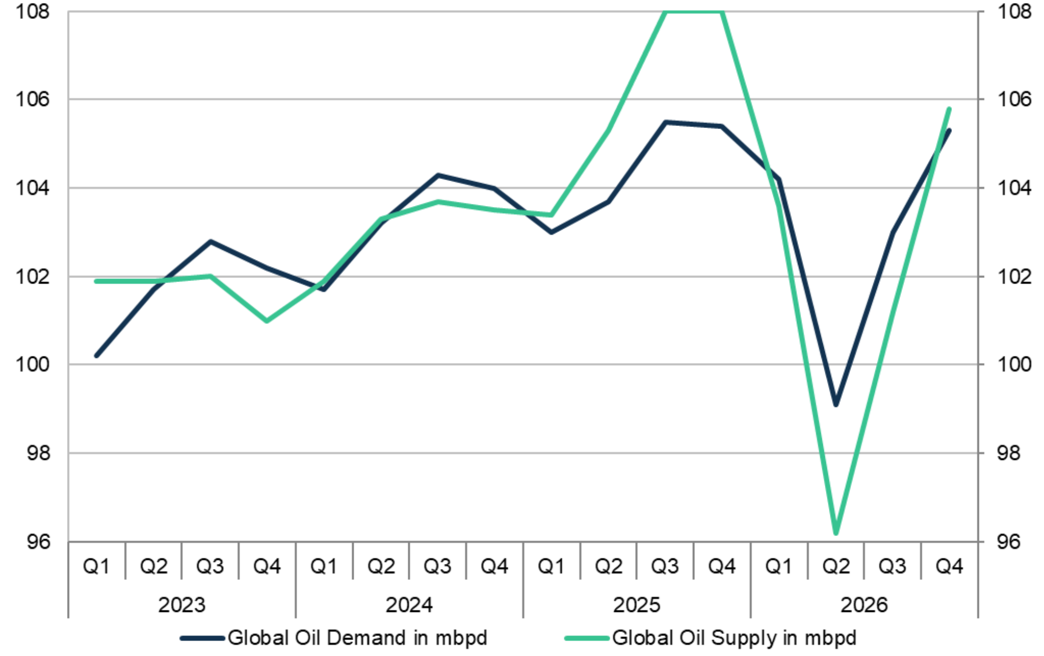


- Current spare capacity in OPEC (+ UAE): 11.2 mbpd.
  Due to war damage to oil infrastructure, approximately 3–4 mbpd are expected to be affected.
- Very high spare capacity could quickly more than make up for the supply shortfall
  .

Source: Bloomberg, LSEG, LBBW Research

Oil Supply and Demand

in mbpd



- Oil supply plummeted in Q2/26 to approximately 96 mbpd .
  Oil consumption in 2026 is expected to fall by 1.6 mbpd compared to the previous year—not least due to high prices.
- According to , Q3/26, a supply deficit of nearly 2 mbpd is still expected. For Q4/26 , we again expect a slight surplus .

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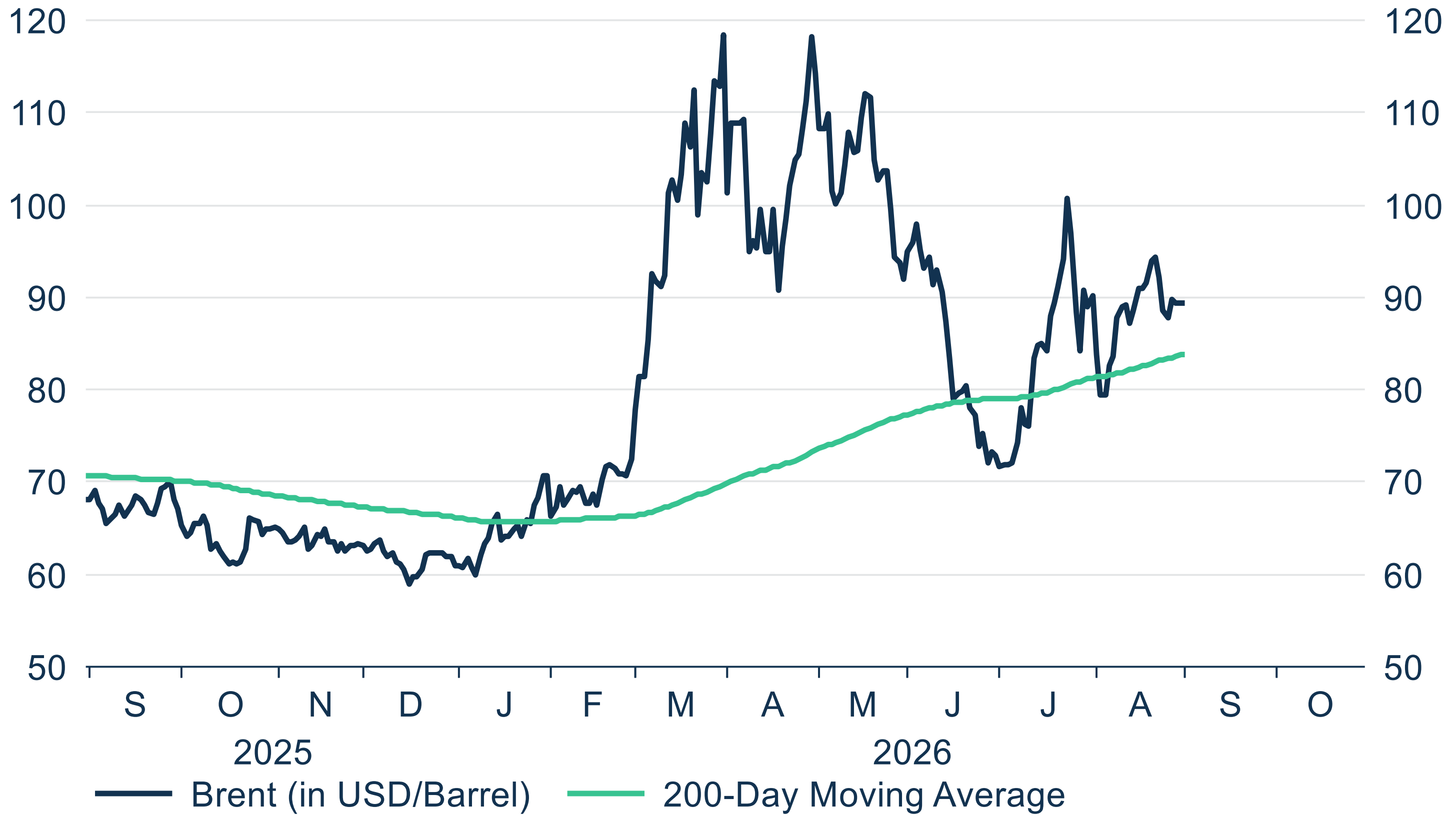
Brent: Excess supply starting in Q4/26 are causing prices to fall; prices are above prewar levels

Brent Oil Price

USD per barrel



Source: LSEG, LBBW Research

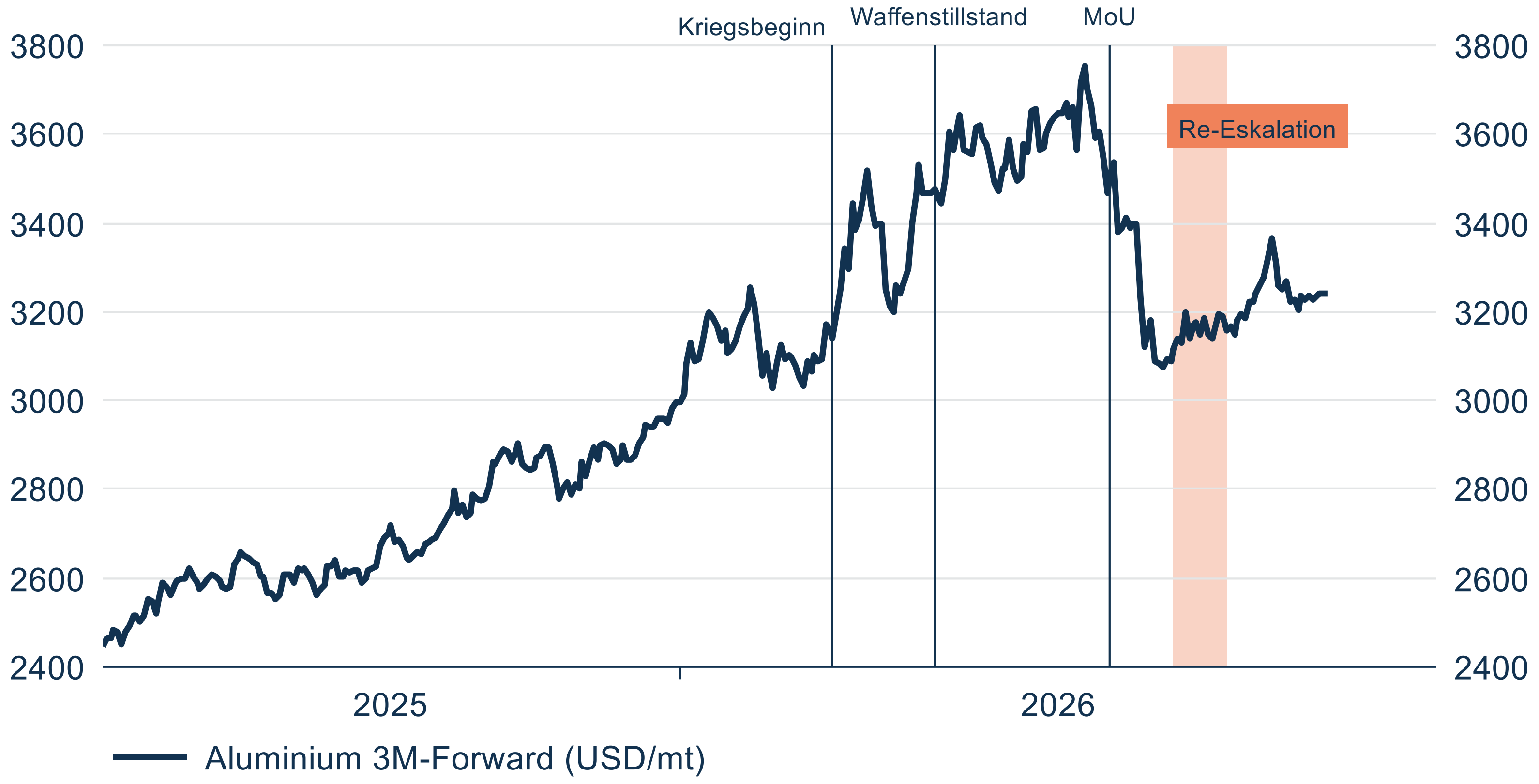
Brent Crude Oil Forecast (in USD/barrel)			
Current	**Q4/26**	**Q2/27**	**Q4/27**
89	80	75	70

- The supply surplus in the oil market is expected to in the fourth quarter of 2026 be around 0.5 mbpd . The trend continues to rise toward 1. First half of 2027.
- Non-OPEC countries are expected to increase output in 2026 by 1.4 mbpd.
- A weak global economy (especially in China) and the war in Iran are dampening demand for oil. Consumption is expected to fall by about 1 mbpd in 2026.
- The U.S. rig count has risen by 12% since the end of February. U.S. output is on track to set a new record in 2026.
- 2027/2028: New pipelines to bypass the SvH (including the UAE, Saudi Arabia, and Iraq).
- **But:** During the Iran-Iraq War, production facilities, refineries, and oil infrastructure with a capacity of 3–4 mbpd were destroyed.
- Ship traffic in the Strait of Hormuz remains disrupted.
- Building up strategic reserves will generate additional demand in the long term.

Aluminum Prices Fall Following Agreement, but the Situation Remains Tense

LME aluminum prices: Three-month contract

USD/metric ton



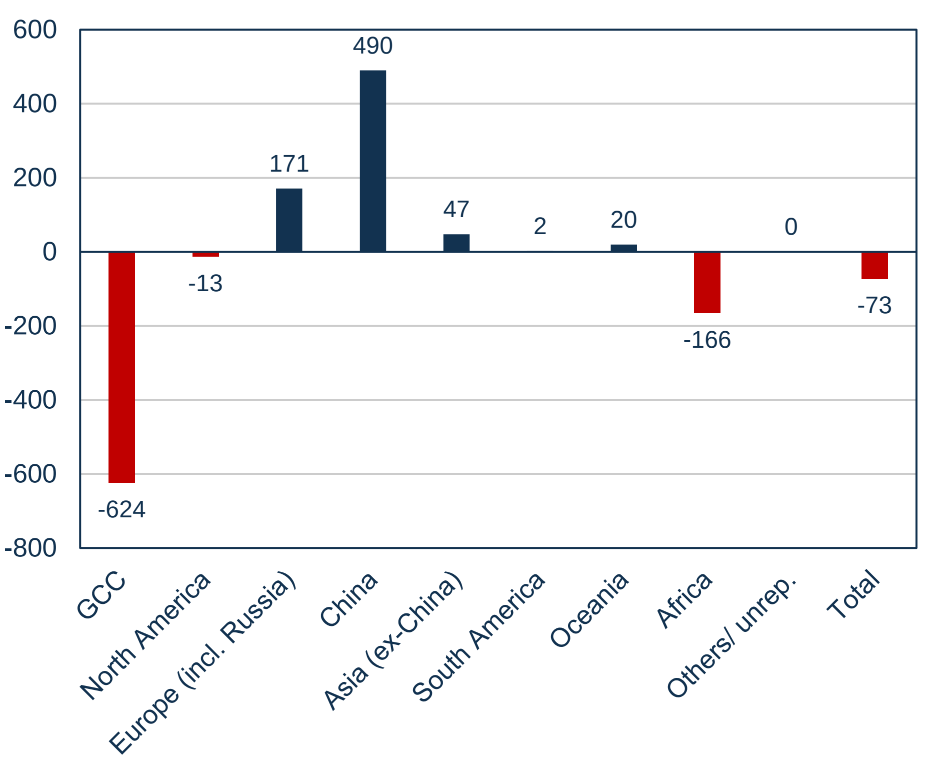
- Aluminum prices have fallen significantly following a sharp rise at the beginning of the year.
- As recently as early June, prices rose to nearly 3,800 USD/t.
- Most recently, the three-month contract on the LME stood at 3,280 USD/t: an increase of 9% since the beginning of the year.
- Similar to the situation with oil, hopes for a timely easing of tensions play a role in price trends.
- Meanwhile, reports that demand from China has been subdued recently.

Source: LSEG, LBBW Research

Aluminum Production in Gulf States Under Pressure; China's Smelters Step In (For Now)

Global Aluminum Production

in thousands of metric tons, change in H1 compared



Source: Global Aluminum Institute, LBBW Research

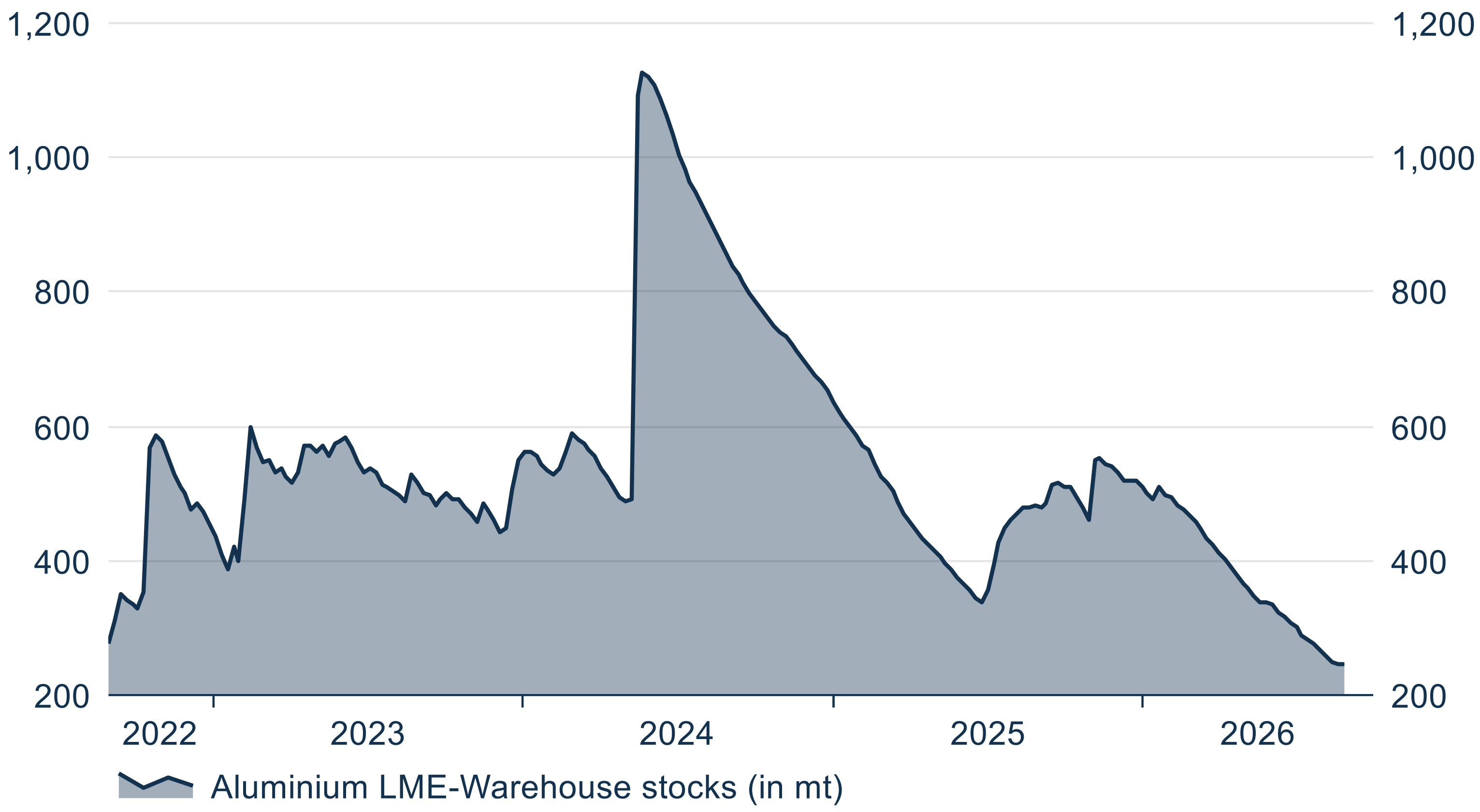
Strait of Hormuz & Neighboring Countries

- GCC countries: account for 9 to 10% of global aluminum production.
- Since the beginning of the year, output at the has fallen by more than 600,000 metric tons.
- Global production has nevertheless declined only slightly so far in the first half of the year; the main reason: China.
- increased its aluminum production by nearly 500,000 metric tons:
  This move offset a large portion of the supply shortfall from the Middle East.
- **But:** China is already producing close to its self-imposed cap of 45 million metric tons.
- There are no signs of a situation easing in the Middle East => This will lead to a tightening of the aluminum supply situation and a widening of the deficit in the coming months.

LME inventories have reached critical levels

Aluminum: Inventories on the LME

in thousandsd Tonnen



Source: LSEG, LBBW Research

- May 2024: 2-year high, primarily due to the expansion of inventories in Malaysia.
- The imposition of 50% tariffs on aluminum imports into the U.S. caused LME inventories to rise briefly in 2025; they have been declining rapidly since the outbreak of the war with Iran.
- Since the beginning of the year, LME inventories have fallen by nearly 50%.
- With the latest figure of — approximately 255,000 metric tons — inventories fell below the historically low level of 2022 following Russia's invasion of Ukraine and the imposition of sanctions on Russian aluminum.
- While additional aluminum from China is currently stabilizing the markets, the low inventory levels show just how tight the supply situation is.

Aluminum: Supply risks persist; another price increase on the horizon

LME Aluminum 3M Forward & 200-Day Moving Average

USD/metric ton

Source: LSEG, LBBW Research

Aluminum Forecast (in USD)			
Current	**Q4/26**	**Q2/26**	**Q4/27**
3,280	3,600	4,000	4,000

- **Geopolitical supply risks**: The recent escalation in the Middle East is exacerbating volatility; logistics problems and rising energy prices are weighing on aluminum production worldwide.
- **Chinese smelters** have so far offset the loss of supply from the GCC countries, but given the government-imposed production cap, the country has little room to further ramp up operations.
- **Weak economic performance** in China is currently dampening inflation to some extent.
- **Global shortages in the copper market** , on the other hand, are supporting demand for aluminum.
- Globally **, rising defense spending** , as well as initiatives to **build up strategic reserves** of base metals, will also drive demand in the medium term.
- We consider the decline in prices since mid-June **to be temporary**. The supply situation remains tight, and a rapid recovery in shipping within SvH seems unlikely. We expect the price to rise to $4,000 per metric ton by the end of the year.

03

Macro: Low Point Overcome

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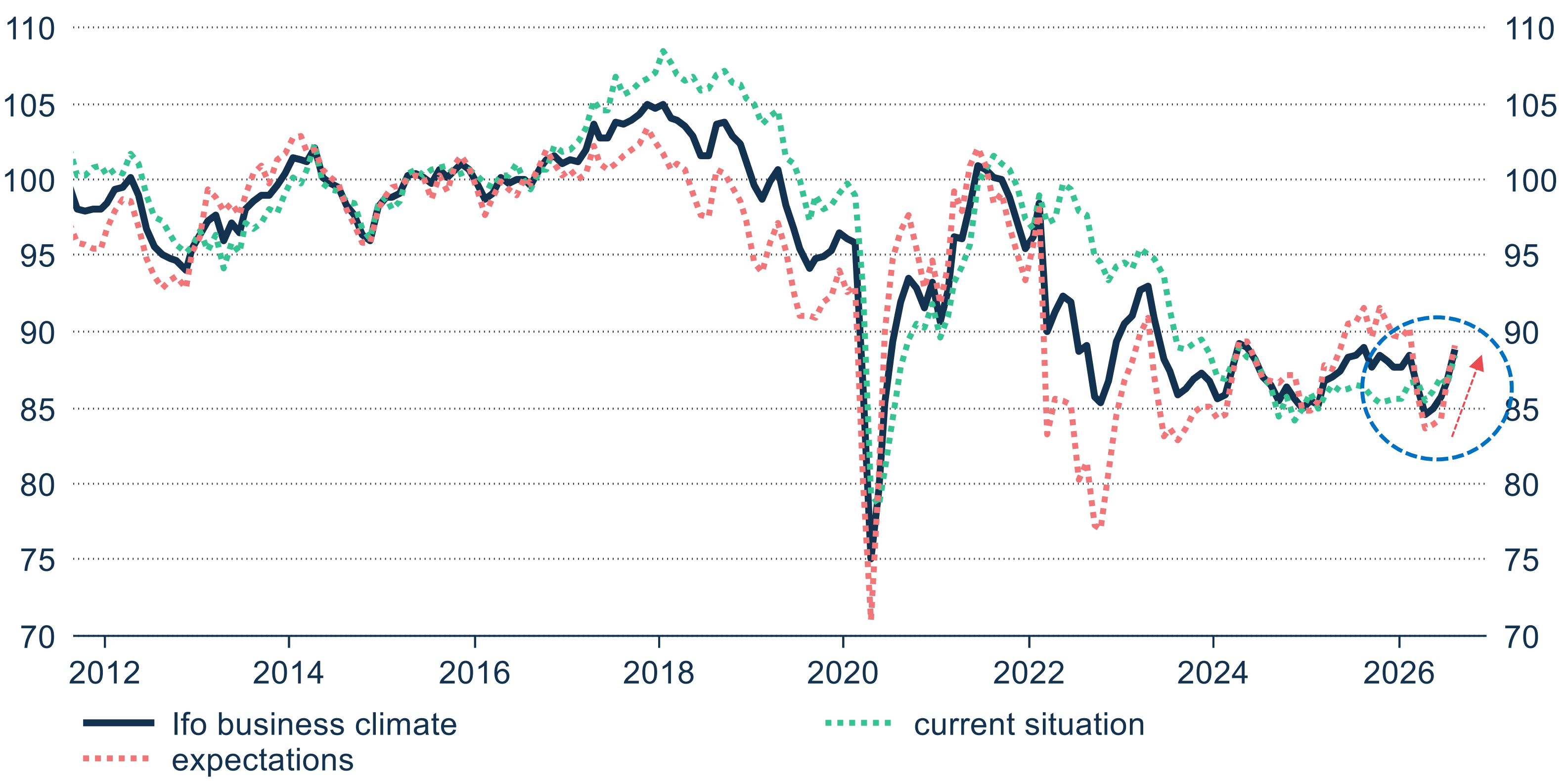
Germany: Early indicators offer hope

ifo Business Climate Index, Including Current Conditions and Expectations

Index values



- The ifo Business Climate Index recently improved for the fourth consecutive time: In August, it rose from 86.7 points to 88.8 points. “Expectations” are also on the rise.
- The leading indicator thus confirms an improvement in sentiment within the severely battered German economy, as also signaled by the ZEW Econ. Expectations Index and, most recently, by the sharp rise in the GfK Consumer Climate Index.
- In a longer-term comparison, all of these indicators remain at a fairly low level.

Source: LSEG, LBBW Research

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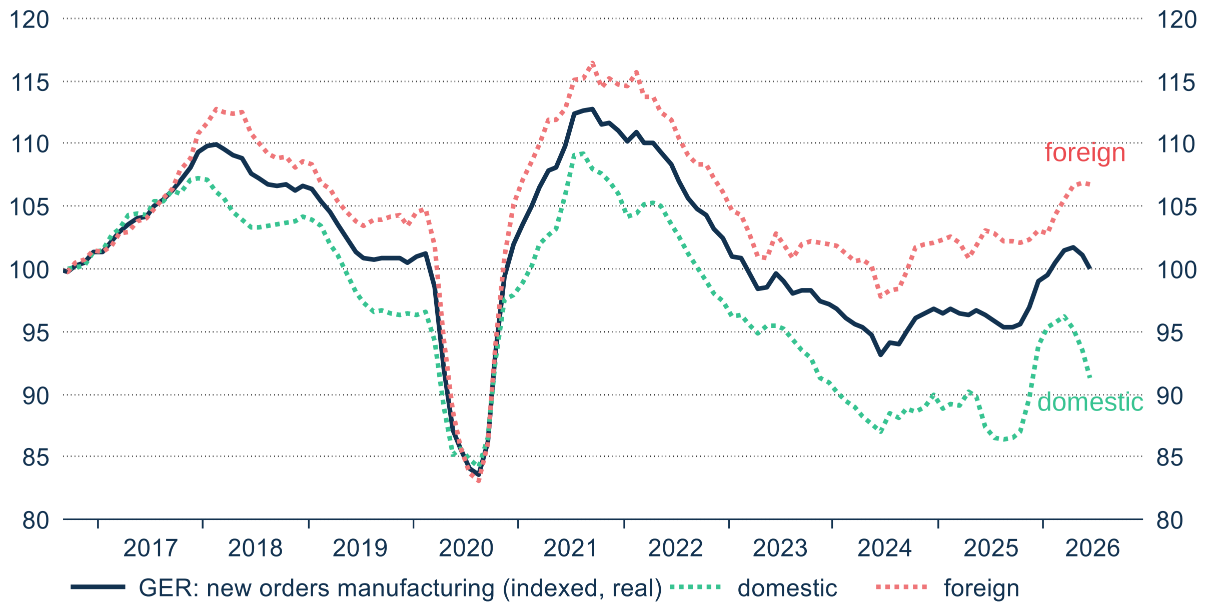
Germany: New orders from abroad are strong, while domestic orders remain “shaky”

Manufacturing: New Orders

indexed to 100 (real)



- Domestic orders are suffering primarily from Germany's locational disadvantages, disappointment with the government's infrastructure package, and slow progress on the reform agenda.
- In contrast, foreign orders are propping up the German economy.

Manufacturing: Order Backlog

in months

- All in all:
  The order backlog in the manufacturing sector has increased to about nine months: This provides a solid cushion.

Source: LSEG, LBBW Research

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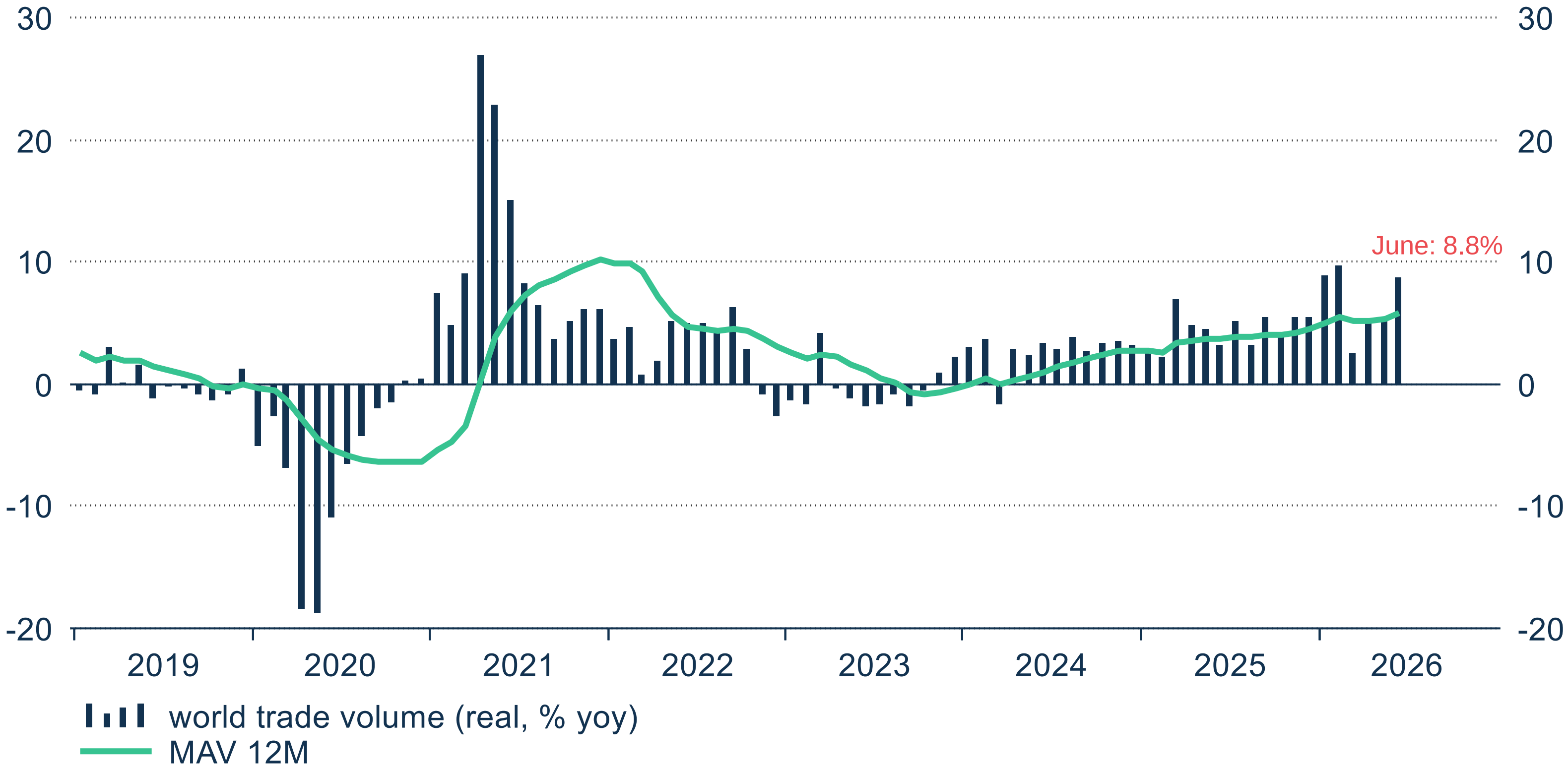
Germany / World: Global Trade Boosts Exports

Global trade volume (in real terms) is rising steadily

in % yoy with MAV 12M



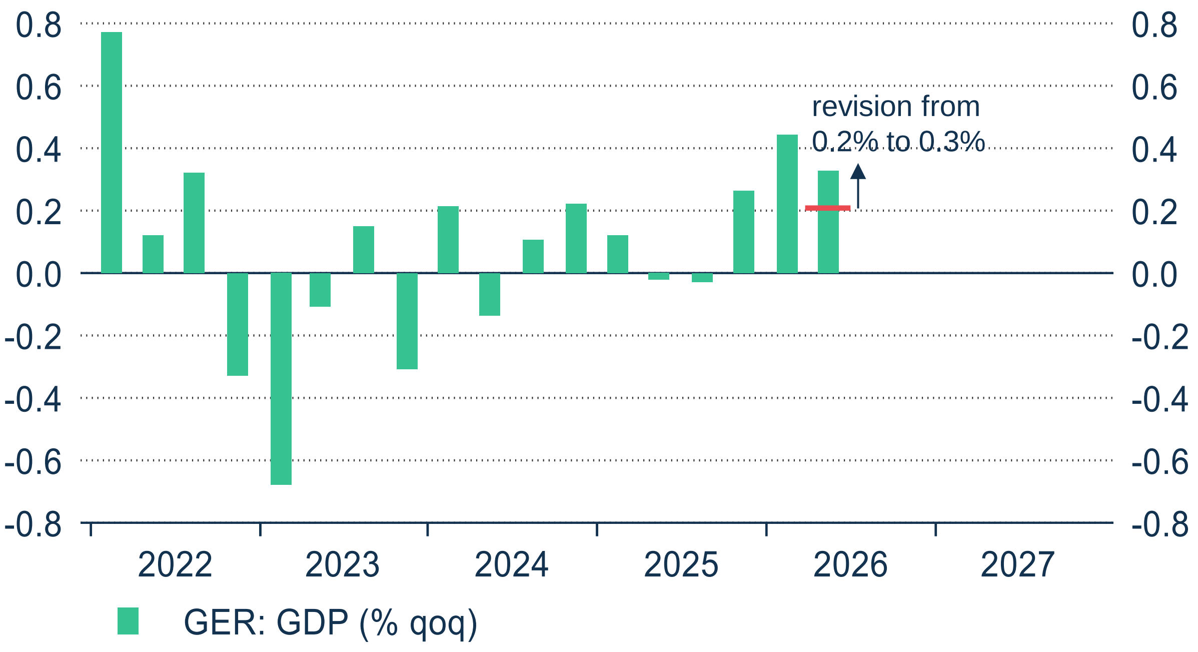
- Global trade is defying all odds. Most recently (in June), its volume rose by 8.8% in real terms (year-over-year).
- Germany's economy also benefits from this. In the first half of 2026, exports rose 3.9% year-over-year to 817.8 billion euros.

Source: LSEG, LBBW Research

Germany:
Upward Revision of GDP Growth in Q2 2026

Germany: GDP Growth

in % qoq

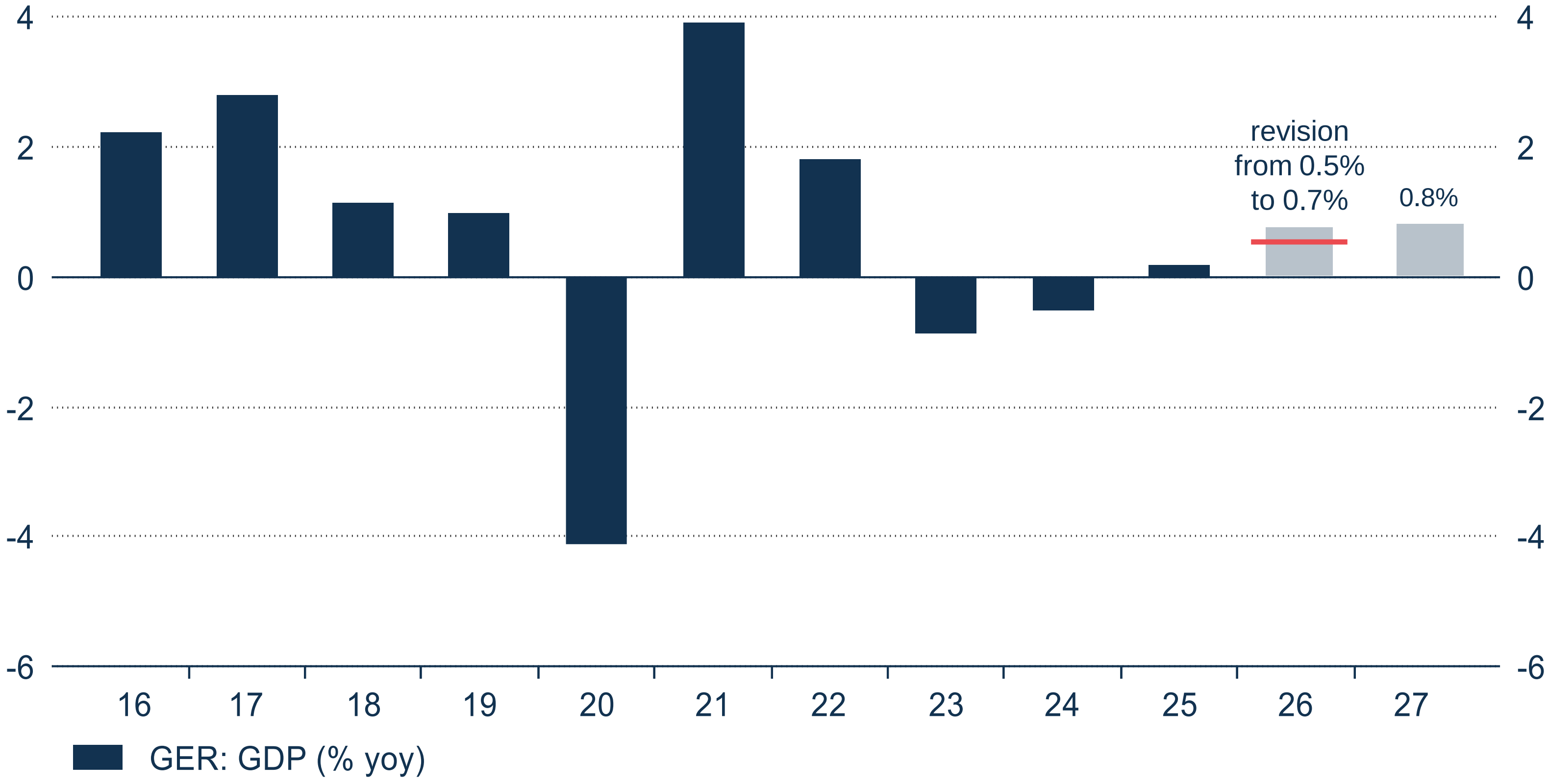


Source: LSEG, LBBW Research

- German GDP growth (% qoq) for the second quarter of 2026 was revised upward from 0.2% to 0.3%. Sales in the wholesale and retail sectors performed better than expected. At the same time, exports were revised significantly upward based on new information regarding trade in goods in June 2026.
- Our assessment:
  The upwardly revised GDP figure for the second quarter underscores that the German economy has weathered the energy price shock resulting from the war in Iran better than feared. In recent months, the main source of momentum has been foreign trade — in other words, the German economy is benefiting from a robust global economy.
- The domestic economy, on the other hand, is still not running smoothly. In the second quarter, investment in equipment was particularly weak. The government must therefore not slacken in its reform efforts. In the second half of the year, the German economy is likely to (temporarily) slow down again because the effects of the low-water crisis are acting as a drag . According to its latest monthly report, the Bundesbank expects, at best, a slight increase in GDP for the second half of 2026 .

Germany:
Revision of Our GDP Growth Forecast for 2026

Germany: GDP Growth According to LBBW's Forecast
in %



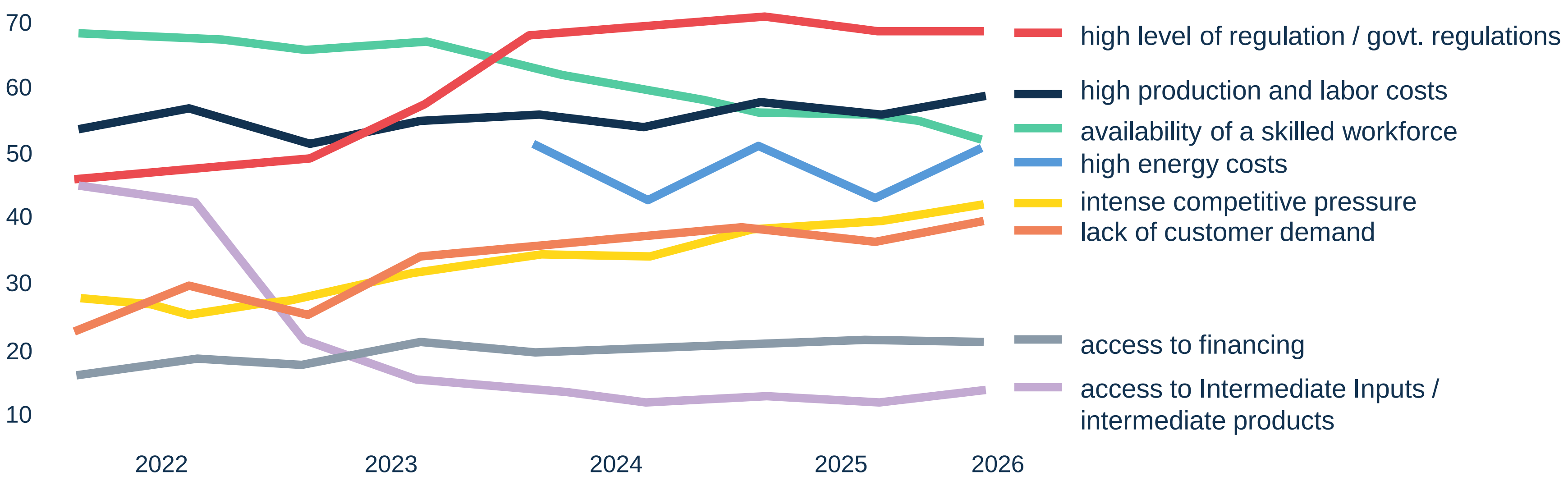
- Overall, we at have revised our GDP growth forecast for 2026 in light of the encouraging second-quarter figures and given the positive trend in leading indicators (ifo, ZEW, …) revised upward, albeit only moderately, specifically from 0.5% to 0.7%.

Source: LSEG, LBBW Research

Germany: Known Location Issues

Bundesbank: Survey on Location-Related Challenges Faced by Companies in Germany

as a percentage of all respondents (population: 7,000 companies in Germany; Q3 2025)



- Top entries currently:
  - BUREAUCRACY,
  - high labor costs,
  - shortage of skilled workers,
  - high energy costs
- Conclusion:
  The majority of the main problems facing the German economy are apparently "home-grown".
- The German government should once again step up its reform efforts - it would be worth it!

- Question: "How much of a problem will … be for your company over the next 6 months?"

  Answers: "Urgent" or "very urgent"

Source: Deutsche Bundesbank Monthly Report, July 2026, LBBW Research

Germany: Bureaucratic costs have risen sharply

Bureaucratic Costs for Businesses According to the Bundesbank

as a percentage of annual revenue (survey: 7,000 companies in Germany; Q3 2025)

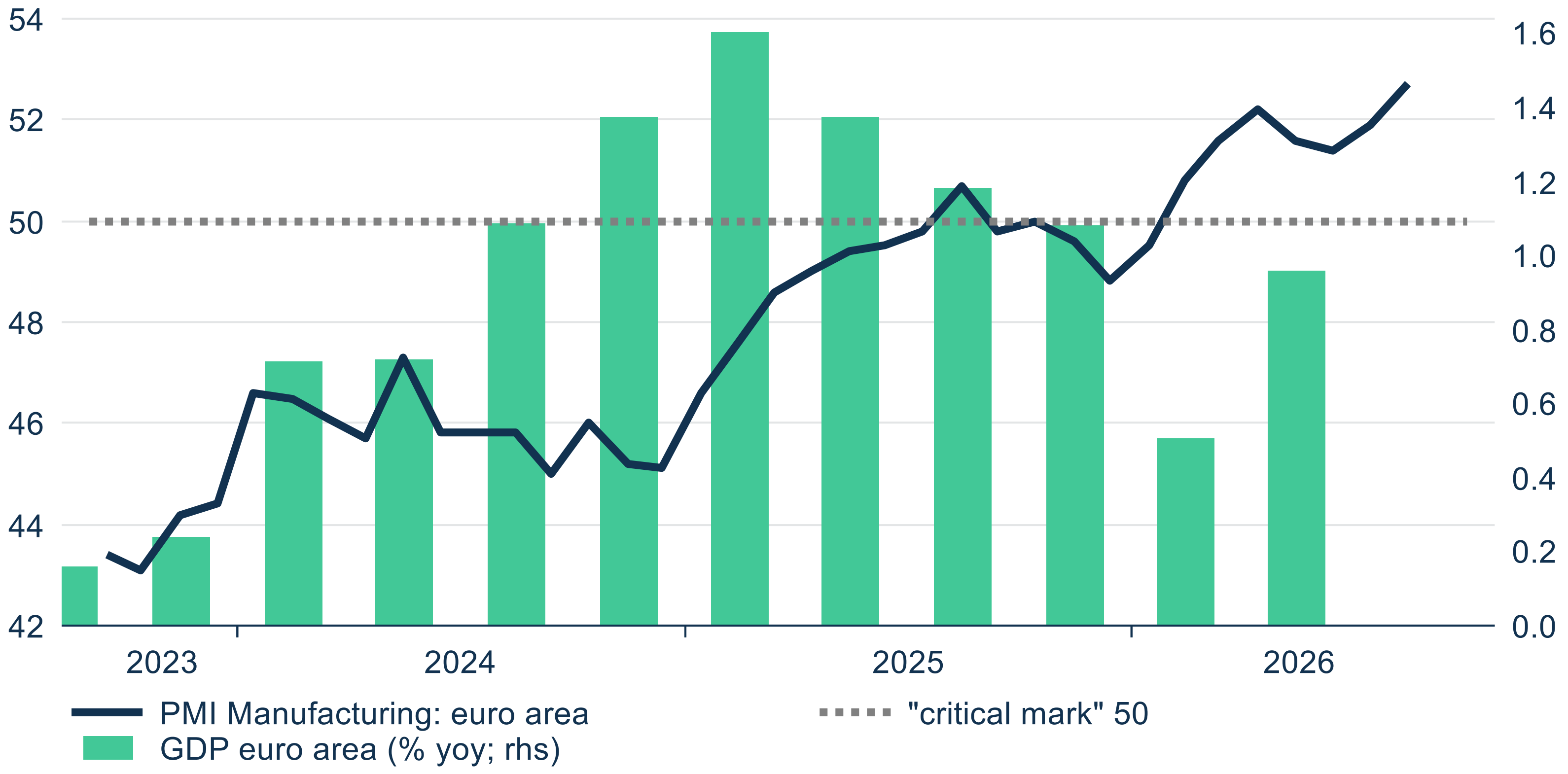
- German Council of Economic Experts: Costs resulting from disclosure require-ments in 2024: approx. 193 billion EUR.
- IAB-Study:
  Between 2022 and 2025, one in ten businesses hired additional staff to meet documentation requirements and legal obligations.
- Companies in the KfW SME Panel:
  On average, German employees spend 7% of their working time on bureaucratic processes triggered by government regulations.

Source: Deutsche Bundesbank Monthly Report, July 2026, LBBW Research

Eurozone: PMI Offers Hope for Growth

PMI Manufacturing in the Eurozone vs. GDP Growth

Index value / % yoy



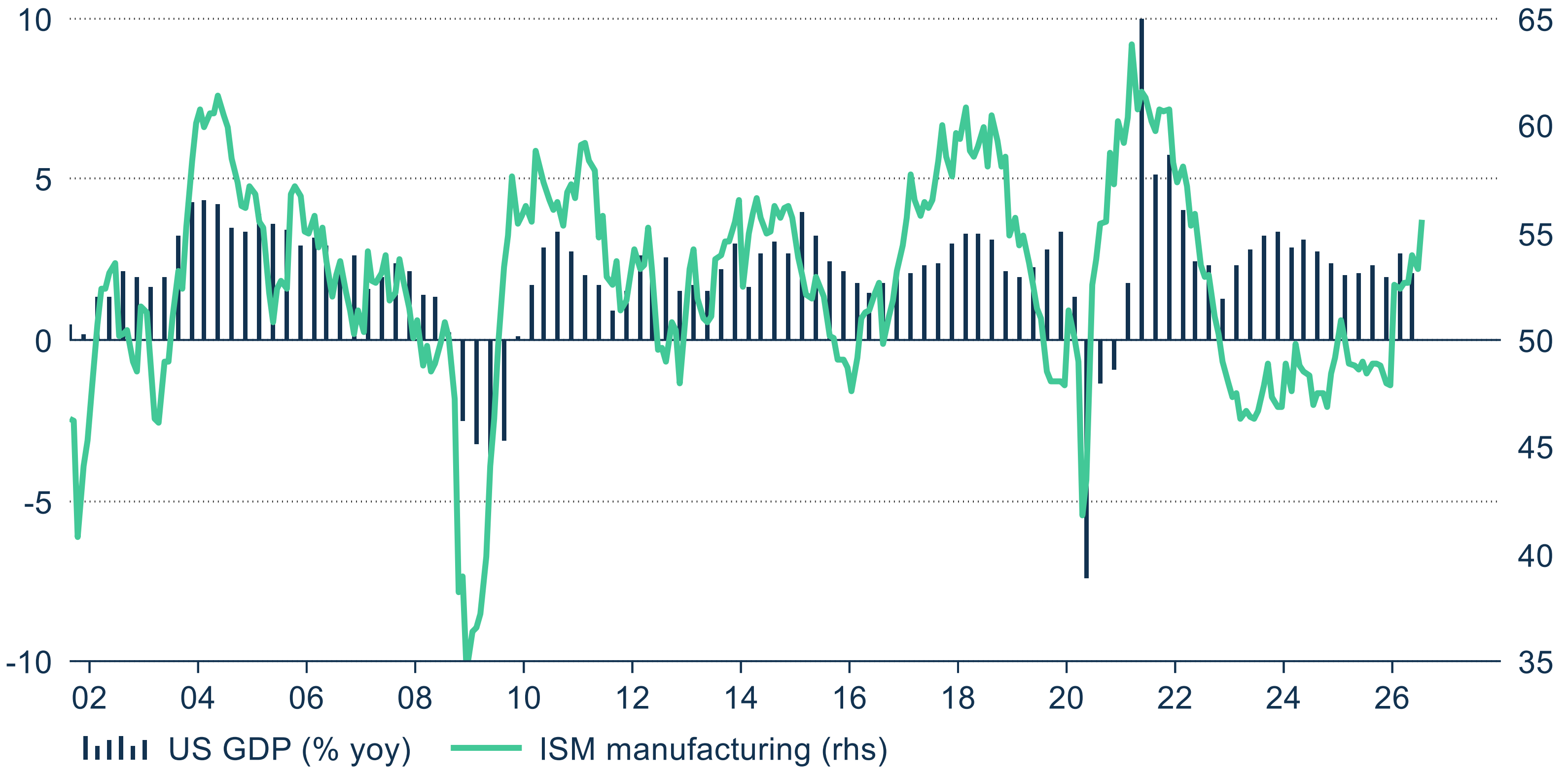
- The PMI Manufacturing index for the eurozone has settled above the “critical mark” of 50 points (August: 52.8 points). This offers hope for further economic growth.

Source: LSEG, LBBW Research

United States: ISM Manufacturing Index Rises

GDP Growth and the ISM Manufacturing Index

in % year-over-year / index values



- The ISM Manufacturing Index rose to 55.6 points in July.
- This signals continued growth in the U.S. economy.
- Above all, massive investments by the so-called “hyperscalers” are currently supporting aggregate economic demand.

Source: LSEG, LBBW Research

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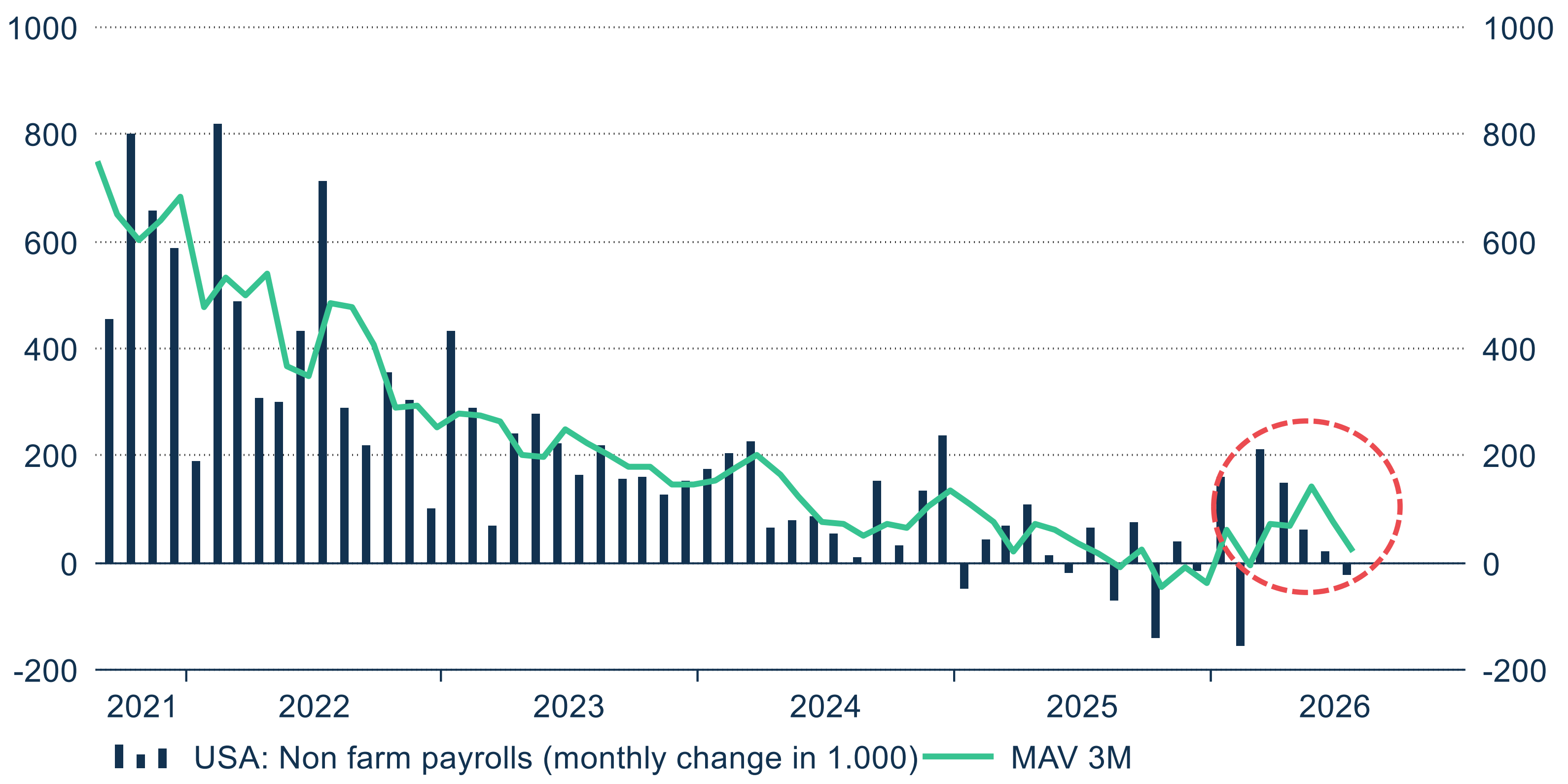
United States: Labor Market Significantly Weaker

Nonfarm Payrolls with 3-Month Moving Average

in 1,000



Source: LSEG, LBBW Research

- In July, the U.S. economy lost a net total of 23,000 nonfarm jobs. For the U.S. economy which is generally referred to as a “job engine” this is a rather troubling development that is also likely to weigh on private consumption, which accounts for about 68% of U.S. GDP.
- But: High U.S. stock prices and the resulting “wealth effect” are still supporting consumer spending in the U.S.
- However, not all Americans own stocks, and the AI boom is showing signs of cracking. The enormous investments made by the “hyperscalers,” which currently dominate the U.S. stock market and U.S. economic growth, are increasingly being questioned in terms of their profitability. A more severe correction in the stock market would significantly dampen U.S. growth.

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World: Inflation Risks Remain (1)

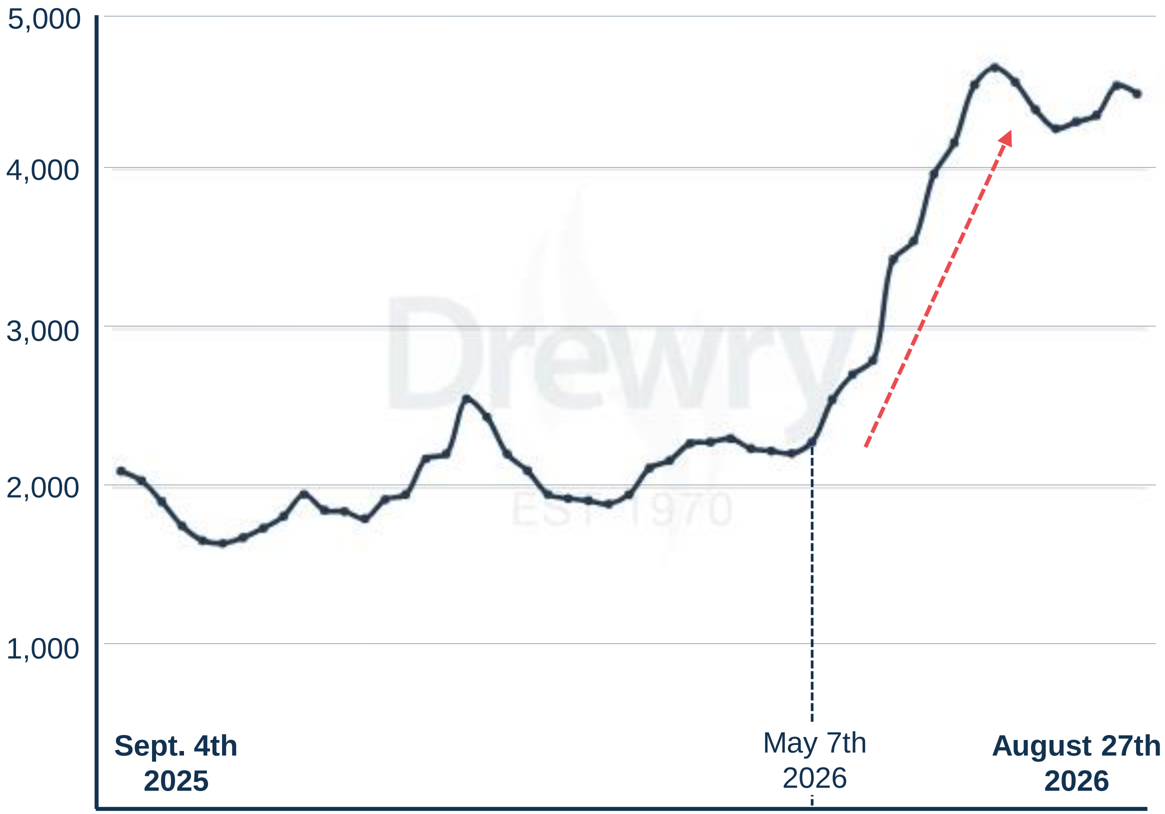
Oil Price (Brent)

USD/barrel

- Inflation risks remain: The conflict over the Strait of Hormuz could send oil prices soaring at any time. In addition, the cost of shipping has risen sharply recently.
- Price risks arise from the possibility of rising food prices (drought, El Niño, fertilizer shortages) and low water levels.
- There is also a real risk of second-round effects resulting from wage increases. According to WSI calculations, wages in Germany are expected to rise by an average of 3.1% in 2026.

Shipping costs: World Container Index (Drewry)

Shipping freight: Cost of a 40-foot container (in U.S. dollars)

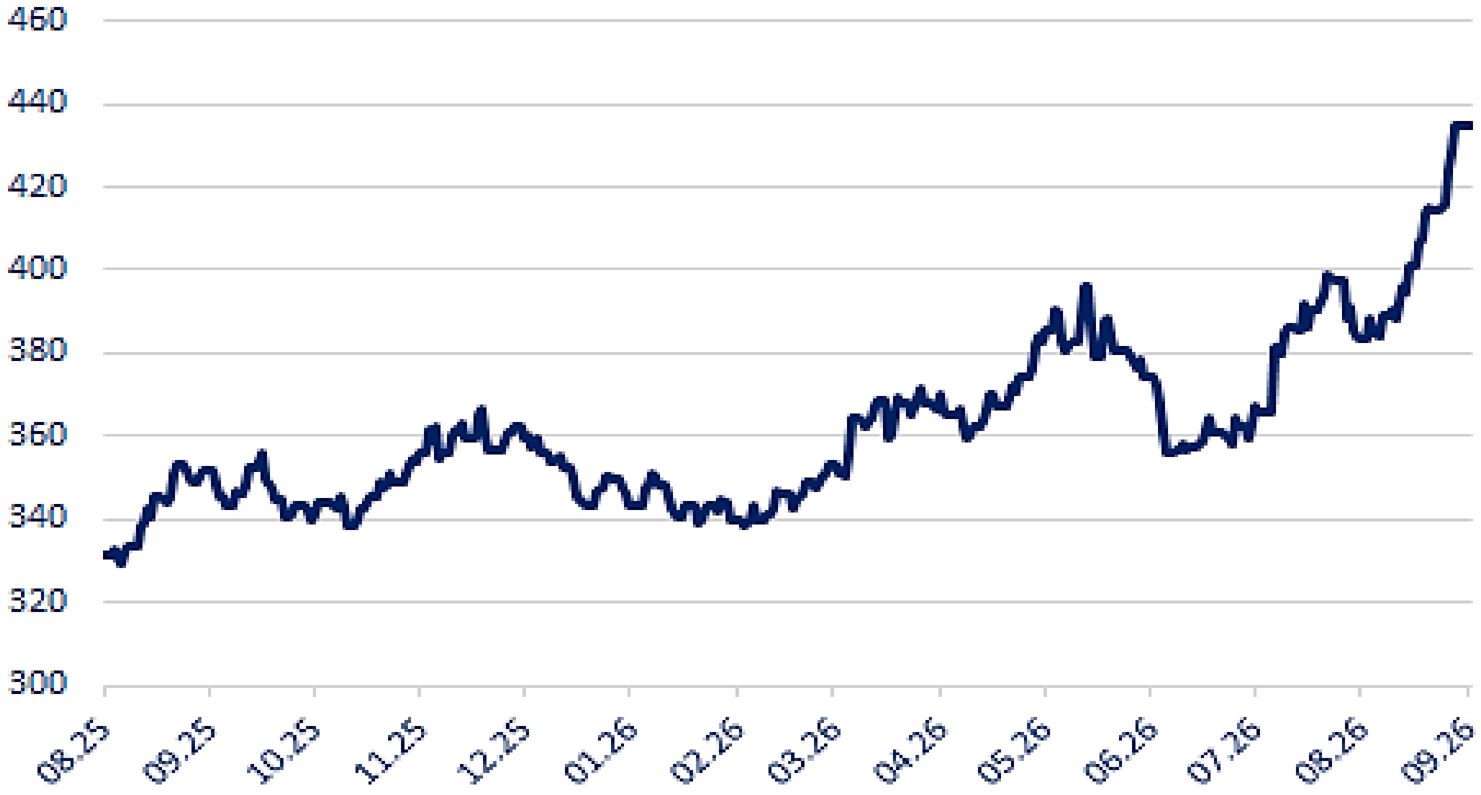


Source: https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry, LSEG, LBBW Research

World: Food Prices Significantly Higher (2)

World: Food Prices

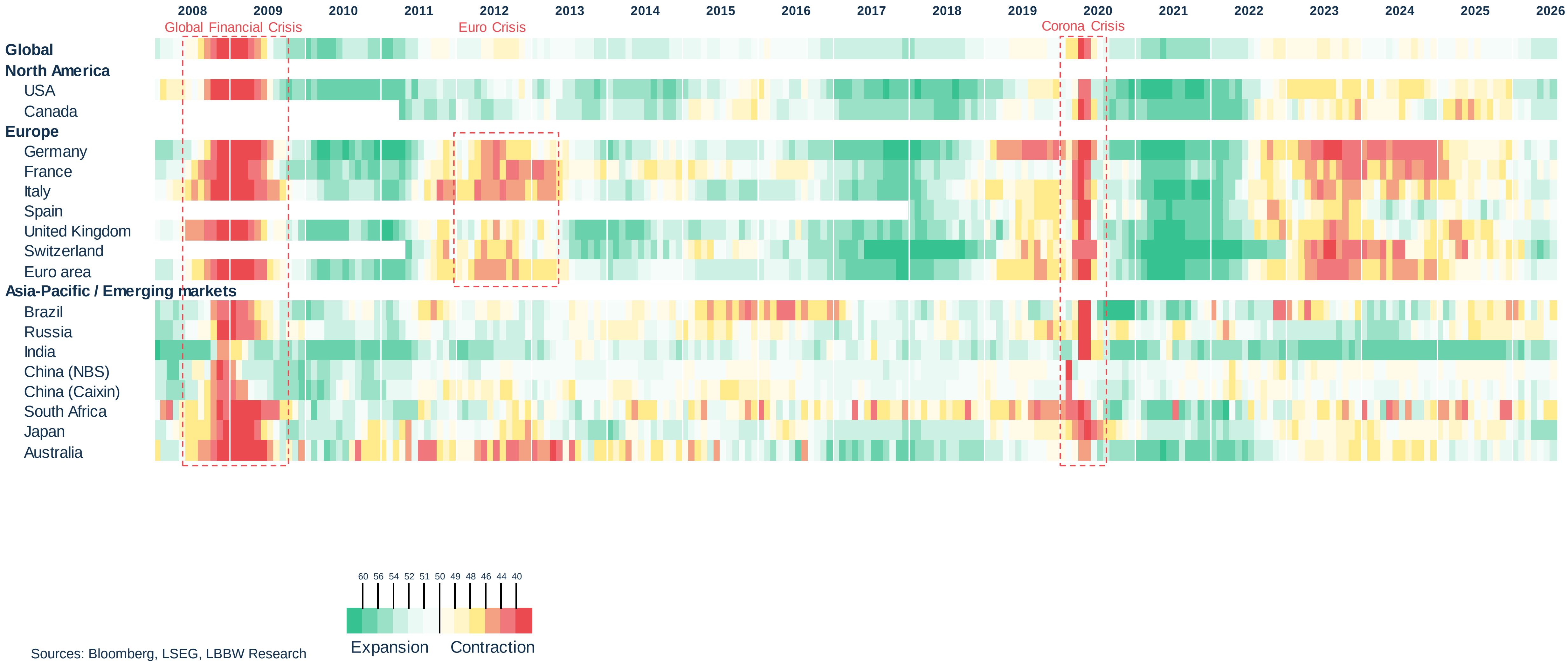
indexed



- Global food prices have risen significantly in recent months (year-to-date: +26.7%).
- The consequences of rising energy prices, drought, and fertilizer shortages caused by the blockade of the Strait of Hormuz could further fuel this trend.

Source: Bloomberg, LBBW Research

Manufacturing:
Global Purchasing Managers' Indices



Sources: Bloomberg, LSEG, LBBW Research

04

Rates: Debt Bonanza Fuels Concerns

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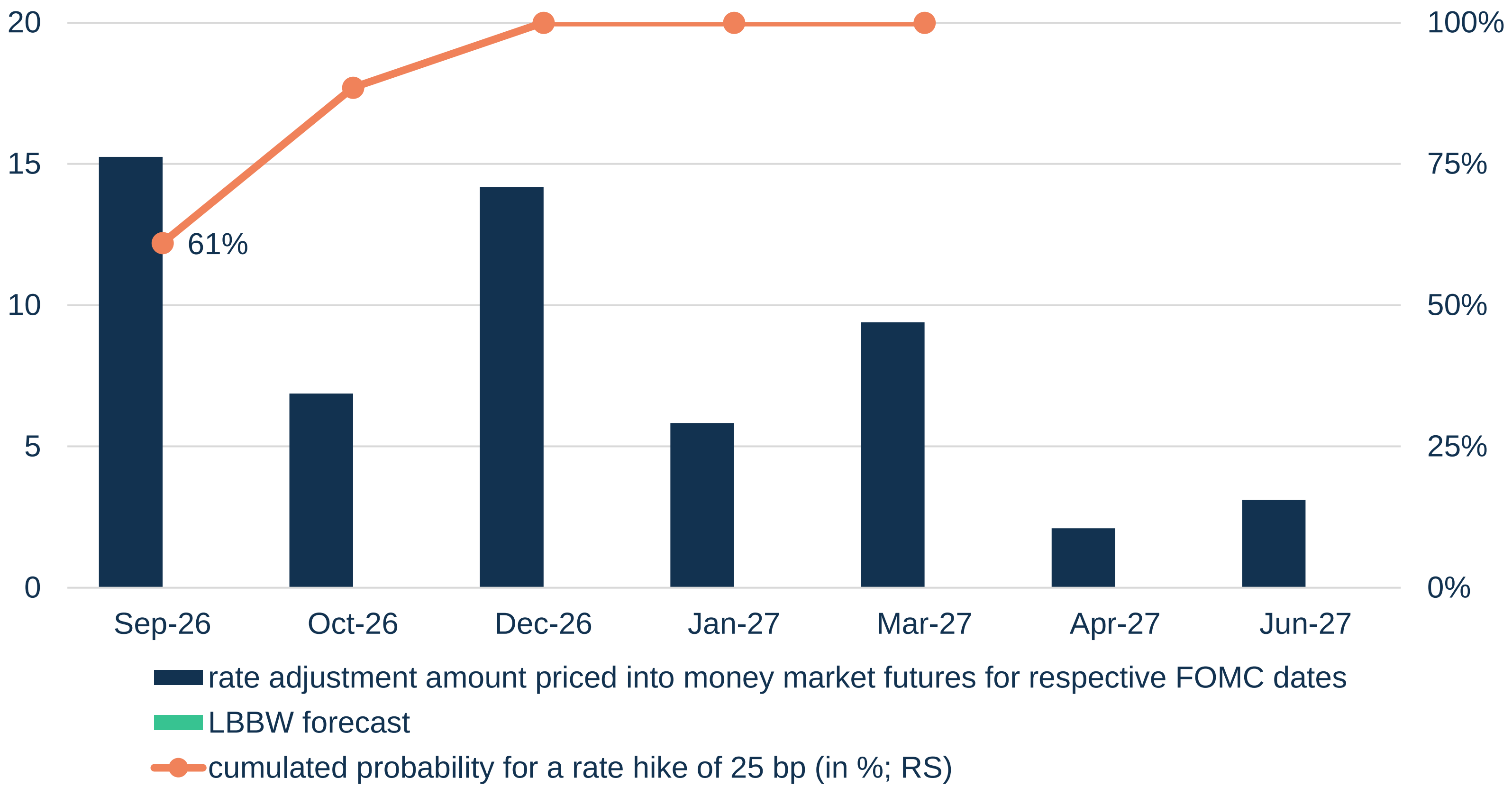
Fed: Warsh adopts a "more hawkish" tone – Market divided ahead of September decision

Market expectations for key rate change per Fed meeting (in bps) and cumulative total probability of a 25-bp rate hike

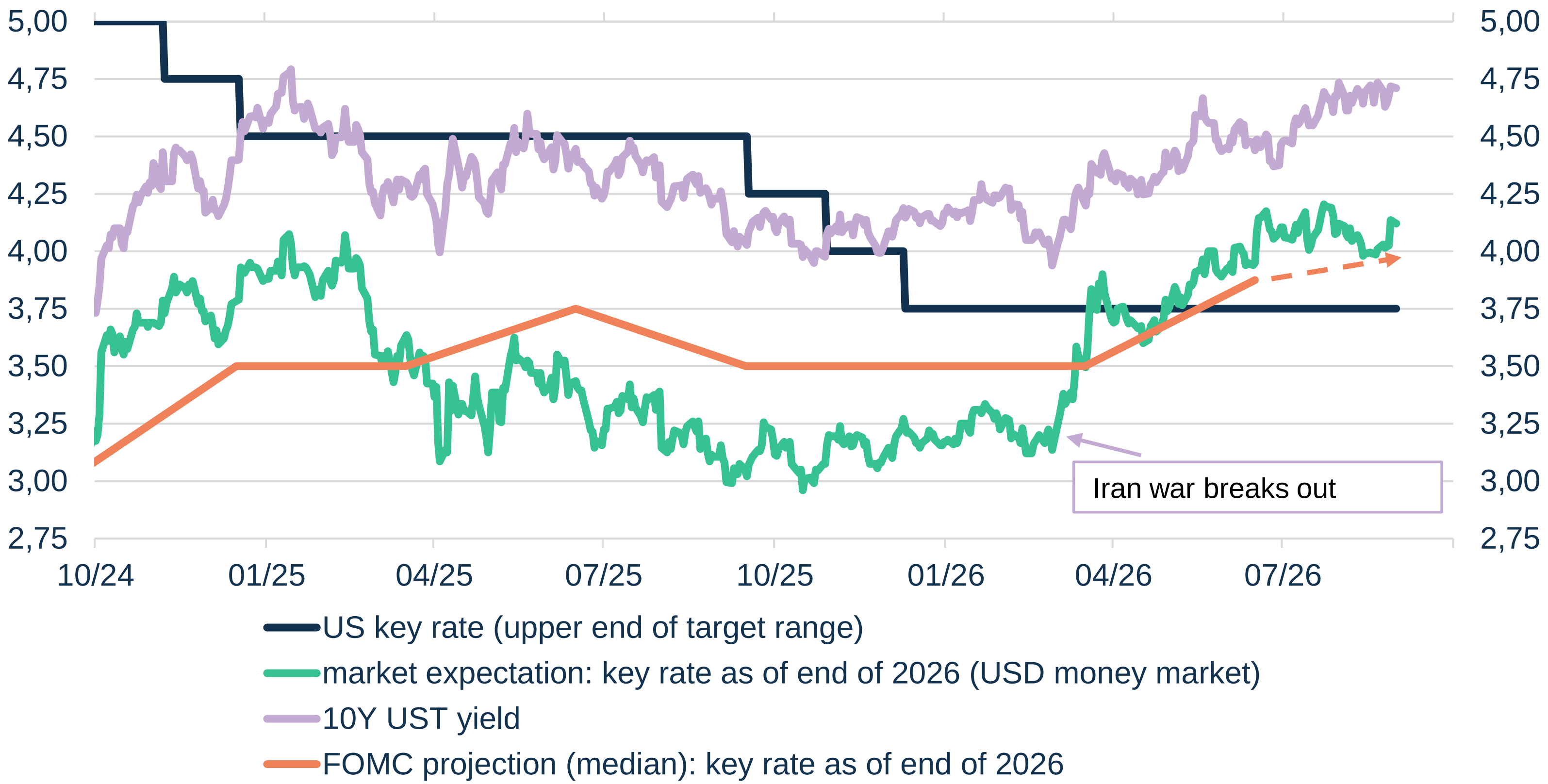


Sources: Bloomberg, LBBW Research

- Jackson Hole: Warsh emphasizes willingness to act in light of high inflation. If it doesn't go down "soon," they will have "work to do", he says.
- We view the clearly “hawkish” signal in part as a reaction to the uncertainty among market participants in light of Warsh’s very vague wording at the July FOMC meeting.
- Looking ahead to the September meeting, Warsh has not provided any further forward guidance.
- Disappointing job data and moderate inflation in July have recently played into the hands of the doves.
- All things considered, we believe the September decision is still up in the air. The CPI data (especially the core rate) for August is likely to be the deciding factor.

Fed: Will the “dot plot” suggest a hiking bias?

U.S. key rate, market expectations, and Fed projections as of the end of 2026, as well as yield on 10-year U.S. Treasuries

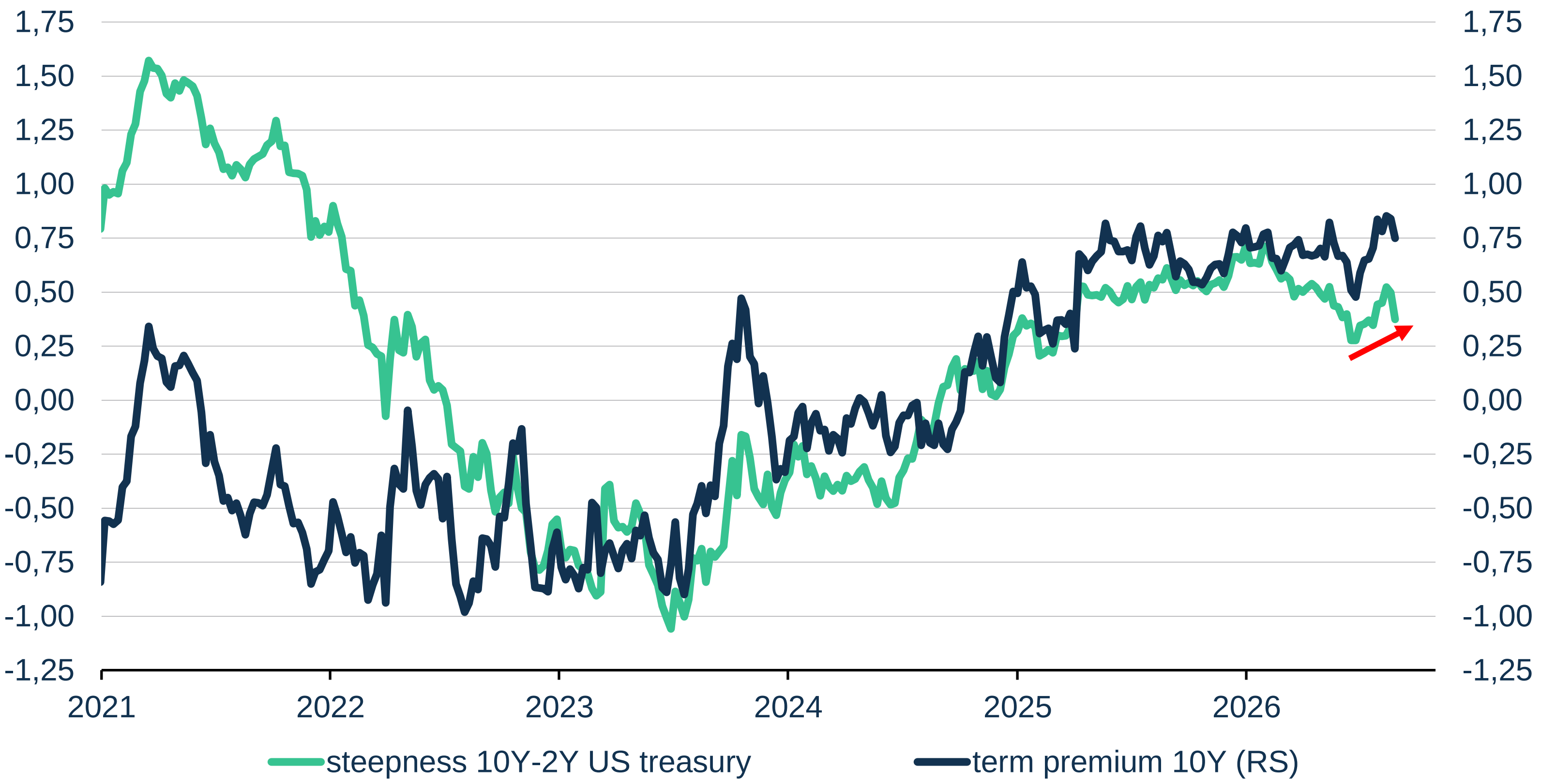


- Admittedly, the Fed's quarterly interest rate projections are on Kevin Warsh's "hit list."
- In September, however, these figures are likely to once again provide market participants with an important hint at the policy direction for the rest of the year.
- In June, the committee was evenly split on whether monetary policy tightening would be appropriate through the end of 2026.
- The situation in the Middle East has not improved since then, and concerns about inflation are unlikely to have subsided.
- If the bias toward a (further) rate hike solidifies, this would likely provide fresh fuel for the bond bears in the U.S. Treasury market.

Sources: Bloomberg, LBBW Research

U.S. Bond Market: Has Warsh dispelled the doubts about his credibility?

10-year to 2-year yield spread on the U.S. Treasury yield curve and term premium for 10-year U.S. Treasury securities

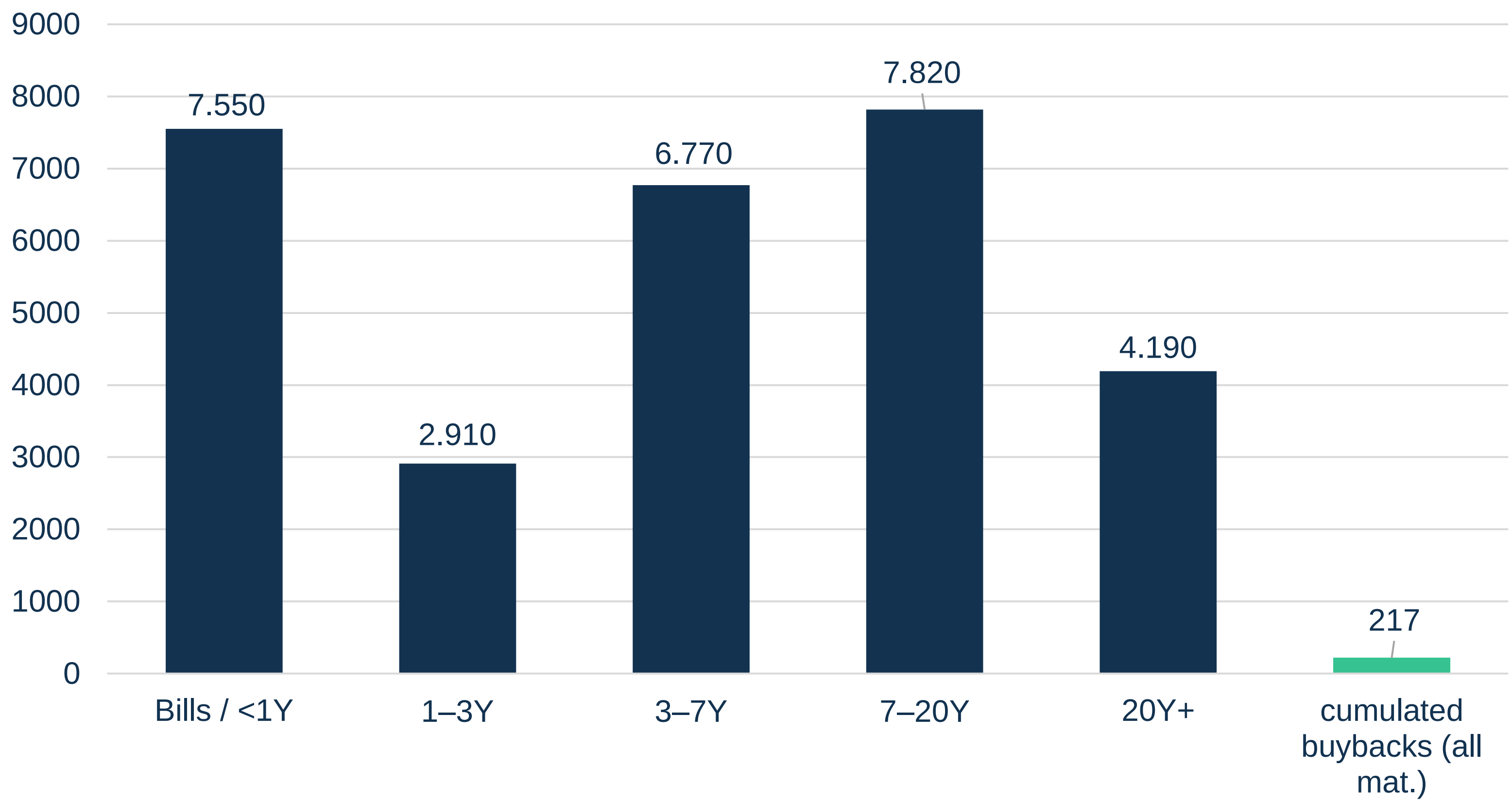


- From the perspective of bond investors, Kevin Warsh's credibility as an inflation fighter appears to have been bolstered by his remarks at Jackson Hole to some extent.
- The term premiums (= uncertainty premiums) for long-term U.S. Treasuries have recently retreated a bit from a 12-year high.
- It remains to be seen whether this sense of calming down will last. As long as the Fed doesn't "deliver," investor confidence will remain fragile.
- In addition to the (lack of) credibility of the Fed chair, market participants’ concerns about further escalating government debt have once again been a key driver of movements in term premiums.

Sources: Bloomberg, LBBW Research

U.S. Bond Market: Bessent's buyback intervention has had only limited impact

Outstanding Volume of U.S. Treasuries by maturity band (excl. TIPS) and buybacks since May 2024 (in USD bn.)

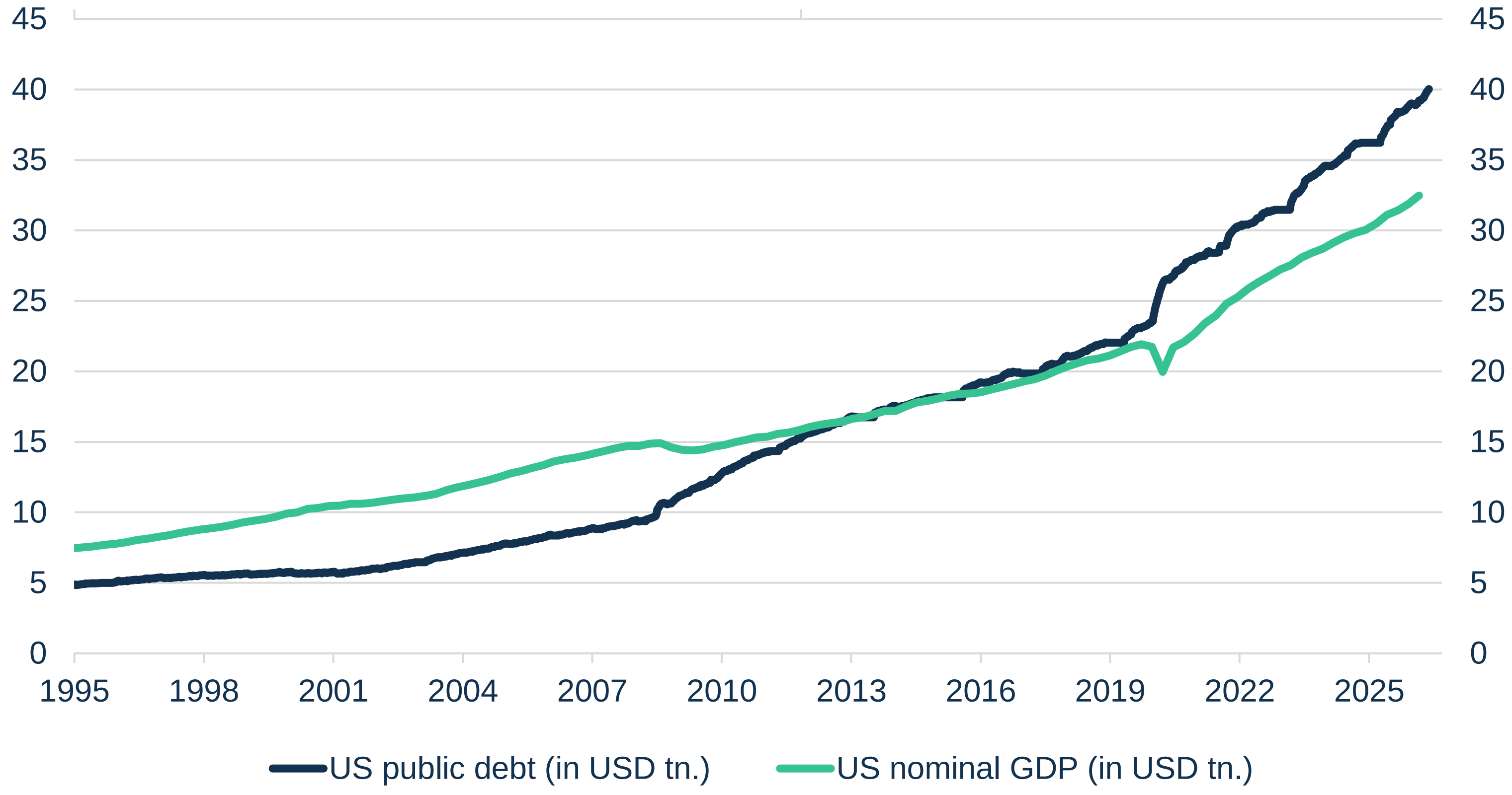


Sources: Bloomberg, LBBW Research

- Since May 2024, the U.S. Treasury has been regularly buying back “older” securities – in order to support market liquidity.
- Purchases are spread across all maturity segments. In return, the government issues more short-term Treasury bills (T-bills).
- According to the announcement dated August 19, the maximum repurchase volume for transactions in the maturity ranges 10Y-20Y and 20Y-30Y is to be at least doubled, to $4 billion. This applies to operations scheduled on or after Sep 9.
- Yields on U.S. long-term bonds fell only briefly. A certain effect is evident in a flatter curve beyond 10 years.
- => In our view, the intervention lacks the credibility to have a lasting impact on yield levels. U.S. funding is even more skewed to the front end!

U.S. Bond Market: Only addressing the debt spiral can bring lasting stability

U.S. Public Debt and Nominal U.S. GDP (in billions of USD)

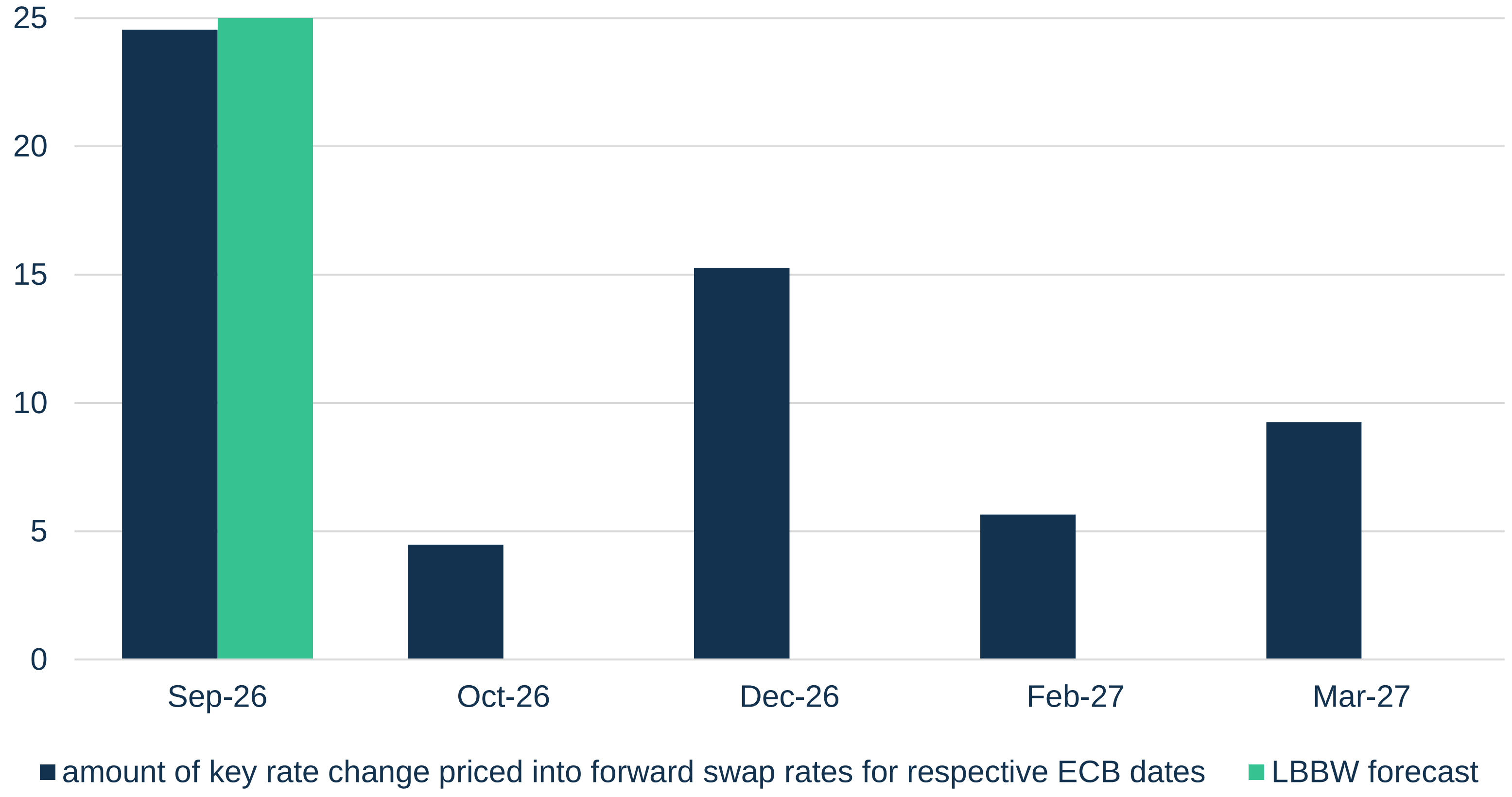


Sources: Bloomberg, LBBW Research

- U.S. debt has surpassed the 40-trillion-USD threshold for the first time. These news are likely to have reignited investors' concerns about a looming debt crisis.
- Public debt has doubled since 2017. Nominal GDP did also rise strongly during this period, but only by a little over 60%.
- => The Treasury Department's buybacks are nothing more than window dressing. This is unlikely to stop speculation against long-term U.S. Treasuries lastingly.
- In our opinion, only two options would be “effective”:
- 1) Credible fiscal consolidation. That doesn't seem likely for the time being.
- 2) New massive bond purchases by the Fed. This would be in direct conflict with the goals of Fed Chairman Warsh!

ECB: Little doubt a September hike; will it drop any hints at what comes next?

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

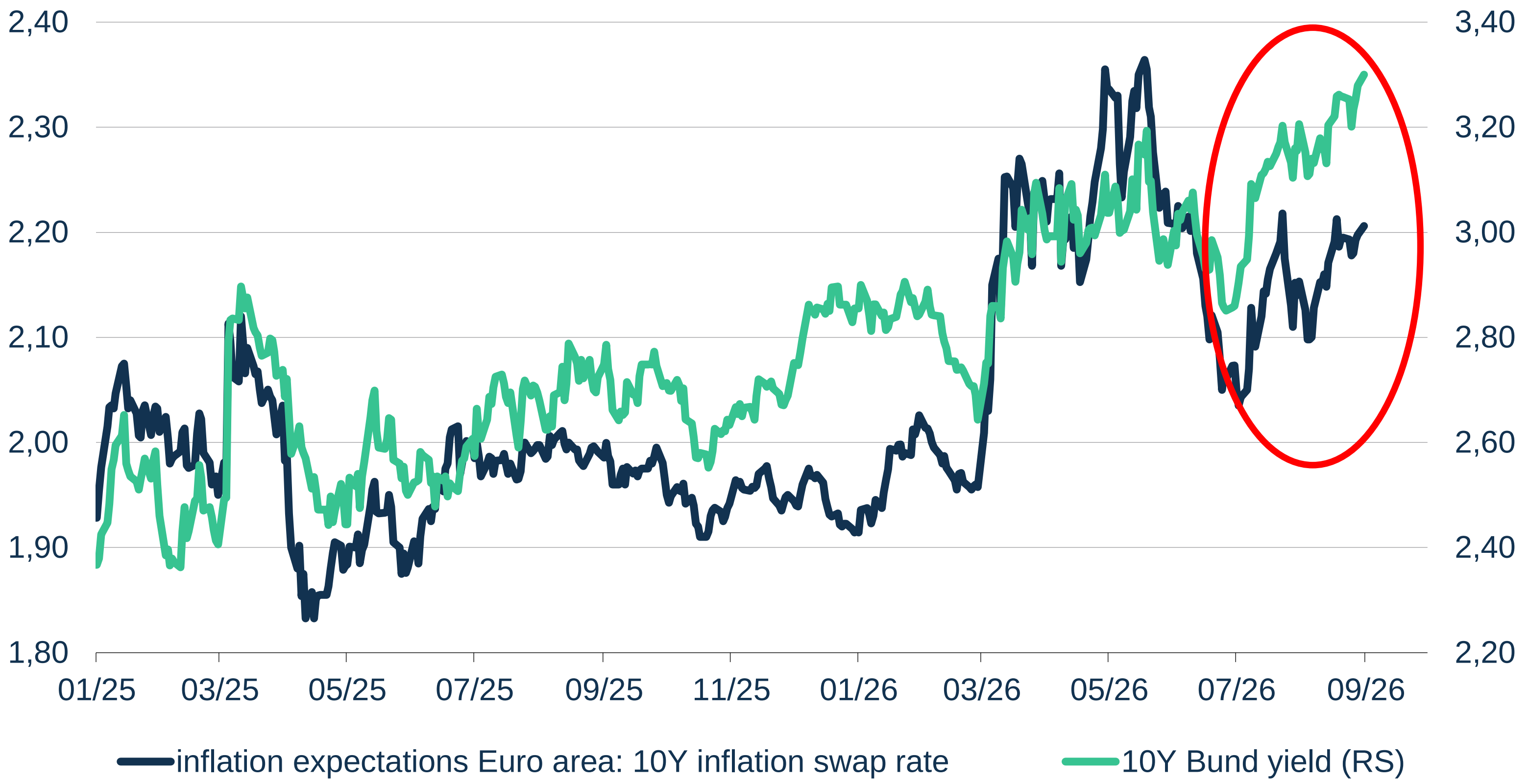


Sources: Bloomberg, LBBW Research

- We currently see no signs that would cast doubt on the expectation of an interest rate hike at the September 10 meeting.
- It is true that there are still no signs of second-round effects on inflation. Wage growth was also relatively modest in the second quarter.
- However, the lack of prospects for a de-escalation in the Middle East and the resulting prospect of rising inflation in the fall are keeping the ECB on a tightening path.
- The market is unlikely to abandon its expectation of (at least) a third interest rate hike anytime soon. We continue to believe that the extent of hiking speculation is exaggerated.

EUR Bond Market: Inflation concerns do not fully explain the jump in yields

Yields on 10-Year Bunds and long-term market-based inflation expectations

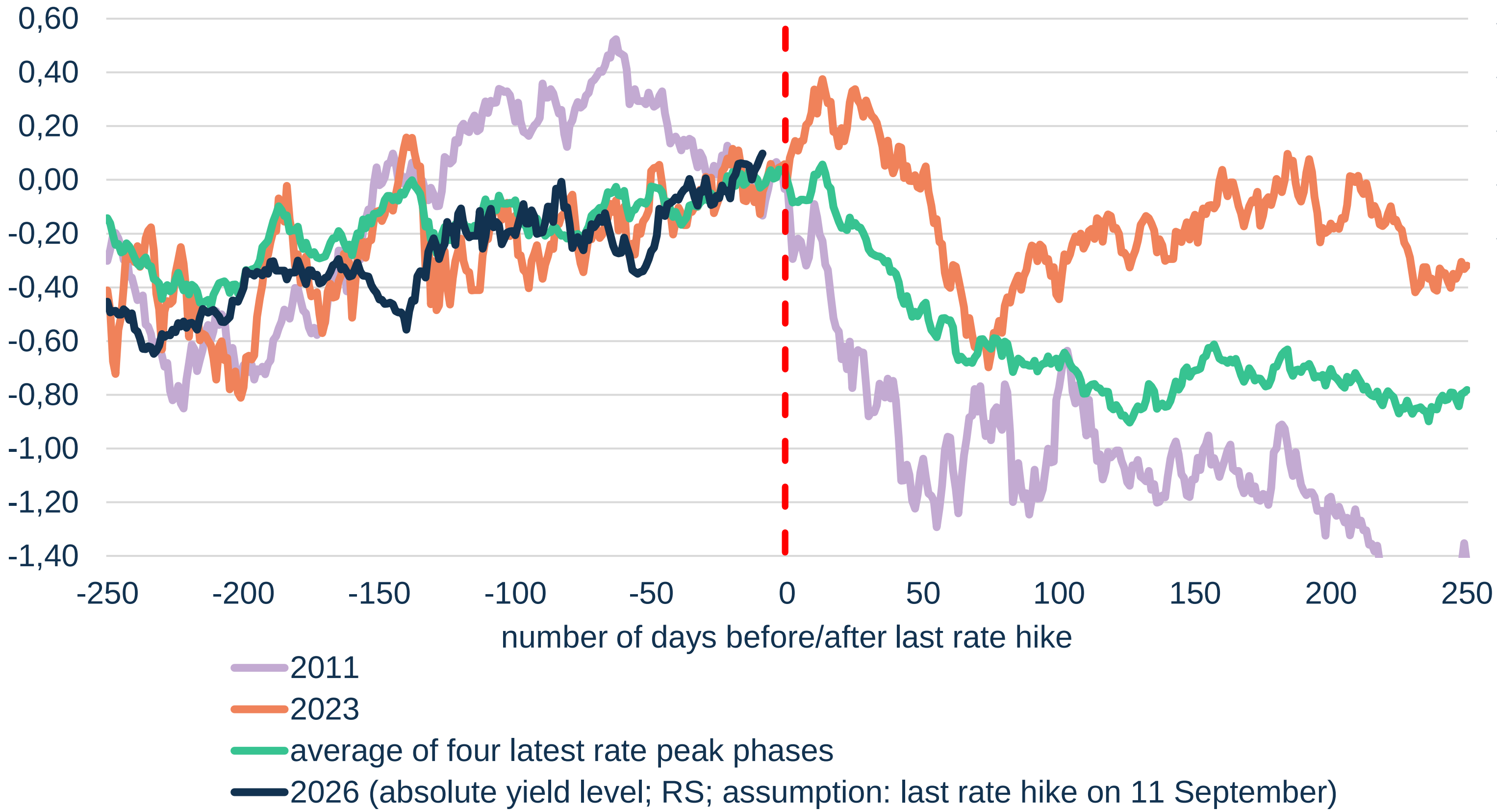


- The yield on 10-year German government bonds reached 3.30%, marking its highest level since spring 2011.
- In our view, fears of inflation fueled by the war in Iran only partially explain the upward surge.
- Long-term inflation expectations, at 2.2% (10-year inflation swap), are clearly lower than in May and no higher than they were after Trump's withdrawal from the U.S.-Iran agreement in mid-July.
- Market psychology likely intensified selling pressure after yields jumped past the key threshold of 3.20%.
- The sharp rise in yields also suggests that German government bonds are likewise caught up in the wake of the debt concerns originating in the U.S.

Sources: Bloomberg, LBBW Research

EUR Bond Market: Looming ECB rate plateau points to falling yields in the medium term

Yields on 10-Year Bunds and cumulative yield changes during historical phases of ECB key rate plateau

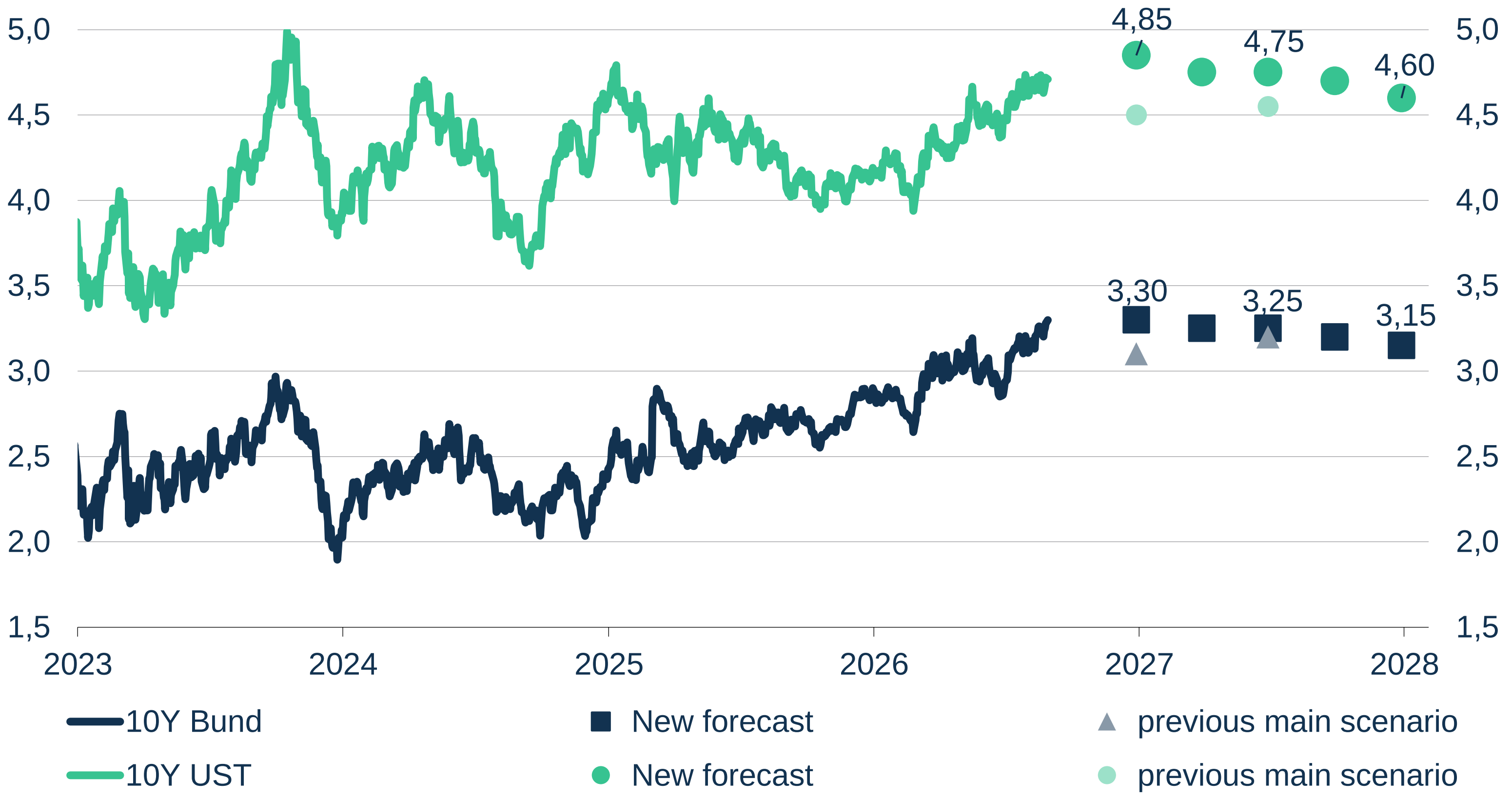


- If our forecast proves correct, that the ECB will reach its peak policy rate in September (at 2.50%), or by Q4 2026 at the latest (at 2.75%), this generally suggests a decline in yields over the medium term.
- The yield on 10-year Bunds fell by more than half a percentage point on average over the past four periods of peak interest rates, based on a 12-month outlook following the last rate hike.
- Limitation: During prolonged peak rate periods, such as in 2023–24 (nine months), the trend in yields resembled a volatile top formation rather than a sustained downward trend.
- => The more the prospect of further interest rate hikes fades, the more likely it is that yields will also peak.

Sources: Bloomberg, LBBW Research

Long-term rates: Forecast profile adjusted – Topformation amid waning rate hiking speculation

Yields on 10-year U.S. Treasuries and 10-year Bunds, with previous and new forecasts

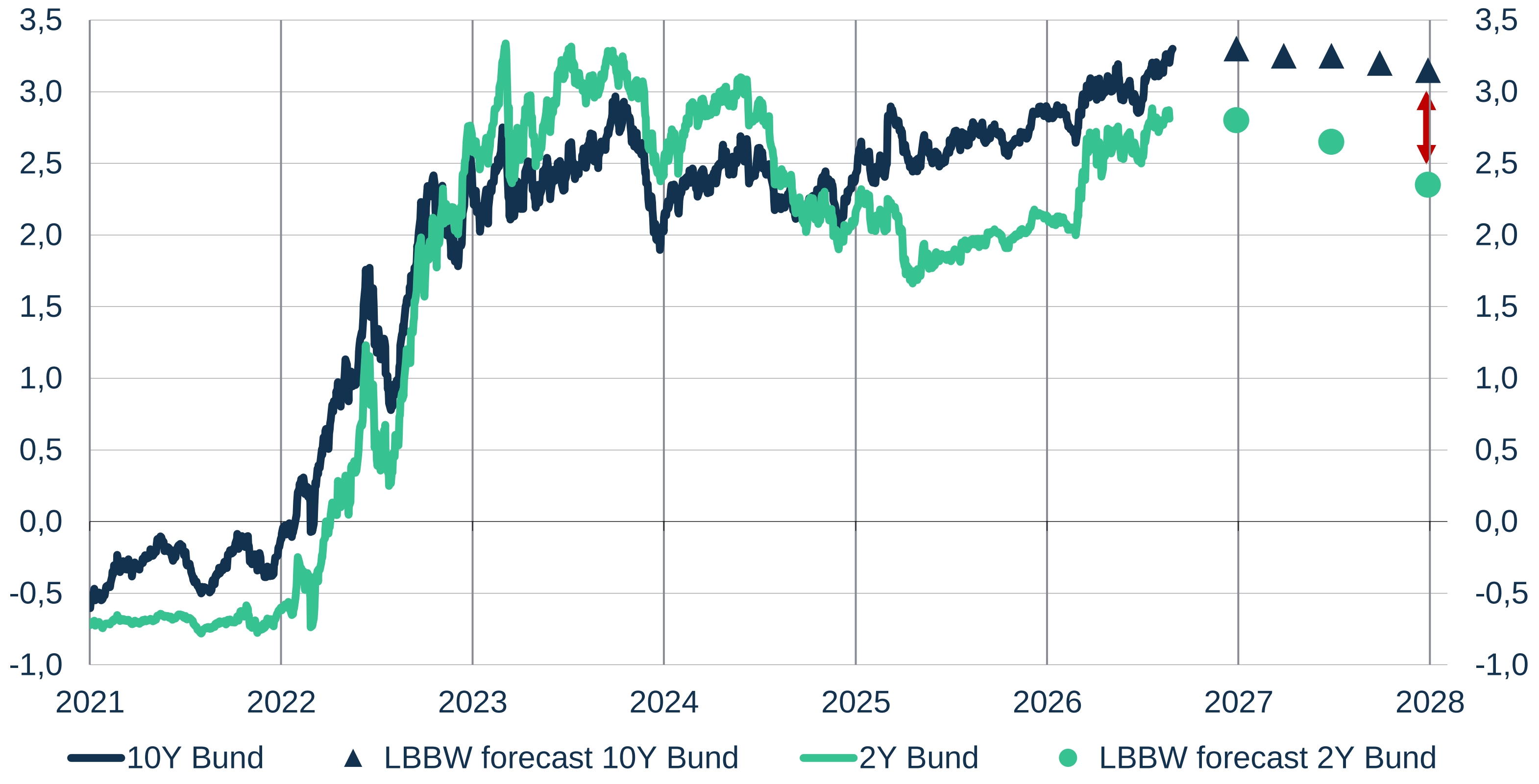


- Conclusion: Upside risks stemming from the ongoing stalemate in the Middle East and the recurring debt debate.
- We raised our year-end 2026 forecast for both the 10-year Bund and, particularly, for the 10-year U.S. Treasury yield.
- (Excessive) tightening speculation offers the potential for a medium-term price recovery, or, at the very least, the formation of a top in long-term yields.
- Our medium-term forecast takes into account historical trends, which show that yields have tended to decline when the key rate (ECB) has plateaued. However, the lack of prospects for a near-term policy easing limits the downside potential for yields.

Sources: Bloomberg, LBBW Research

Prospect of a steeper curve reinforced

Yields on 2-Year and 10-Year German Bunds, with LBBW forecasts

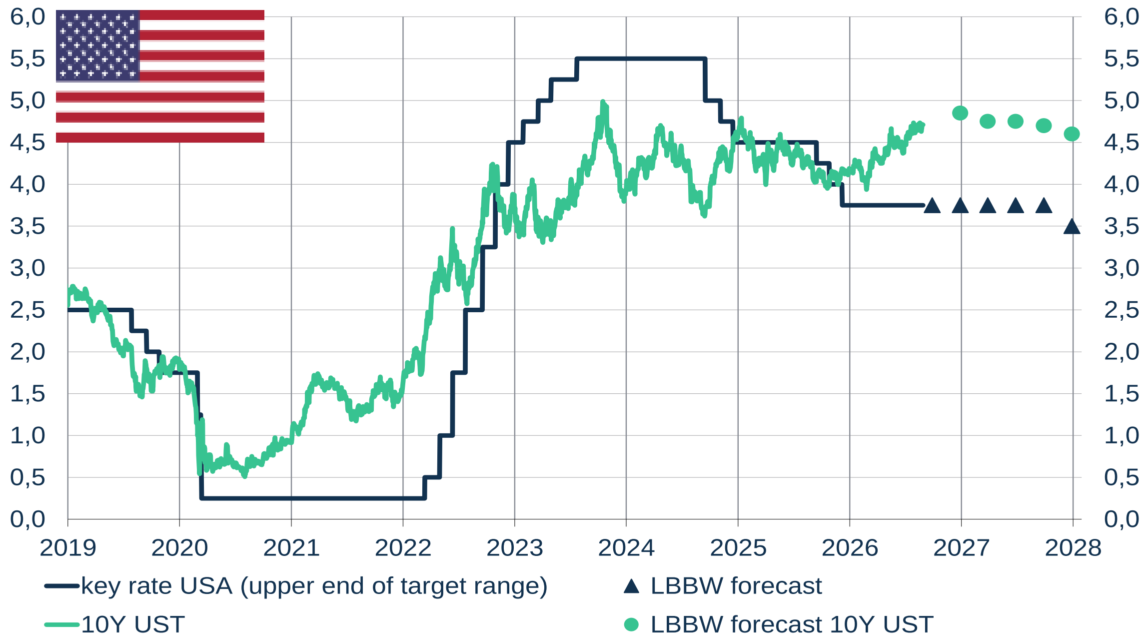


- Conclusion: Reconfirmed outlook for a medium-term steepening of the yield curve.
- 1) A correction in excessive rate hiking speculation is likely to provide a tailwind for prices, especially at the short end.
- 2) Concerns about escalating government debt are driving rising term premiums globally.
- 3) Especially since massive AI-driven bond issuances by tech companies are putting the government bond market (especially in the U.S.) under "competitive pressure."
- 4) In the eurozone, the Dutch pension reform that is still being implemented (through the end of 2027) is dampening demand for long-term bonds.

Sources: Bloomberg, LBBW Research

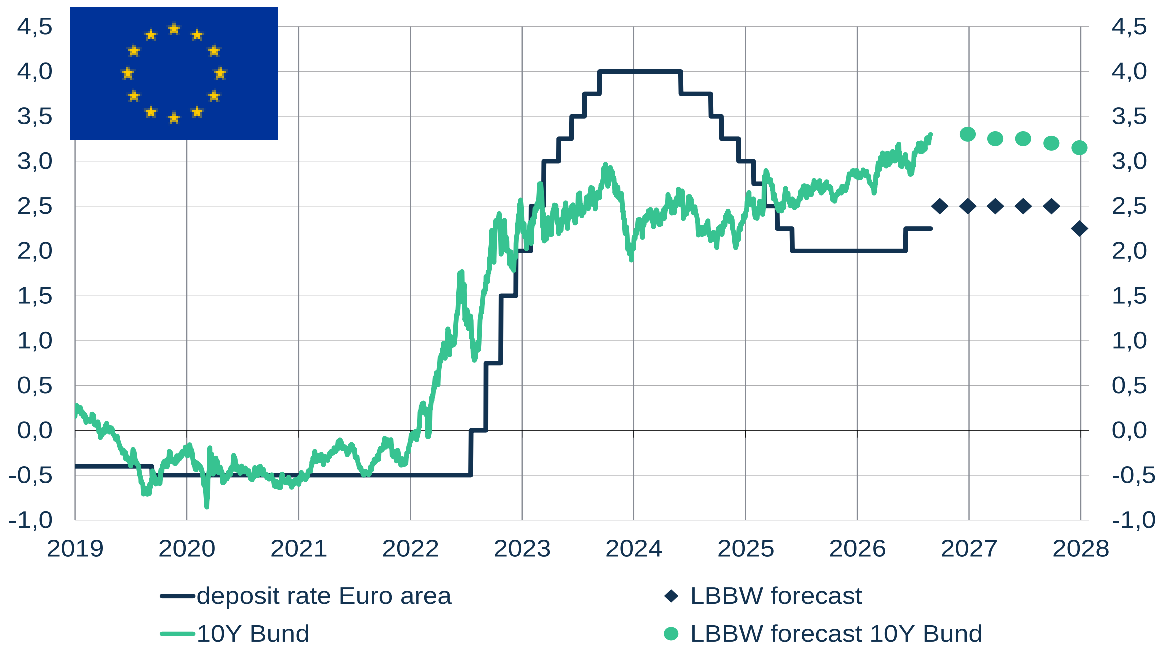
Fed to stay steady, ECB to raise deposit rate to 2.5%

USD interest rates and forecast
in %



- Fed: Wait-and-see approach until at least mid-2027. The direction of the next step remains up in the air for the time being.
- Long-term U.S. Treasuries are under pressure due to concerns about their status as a safe haven and the surge in debt.

EUR interest rates and forecast
in %



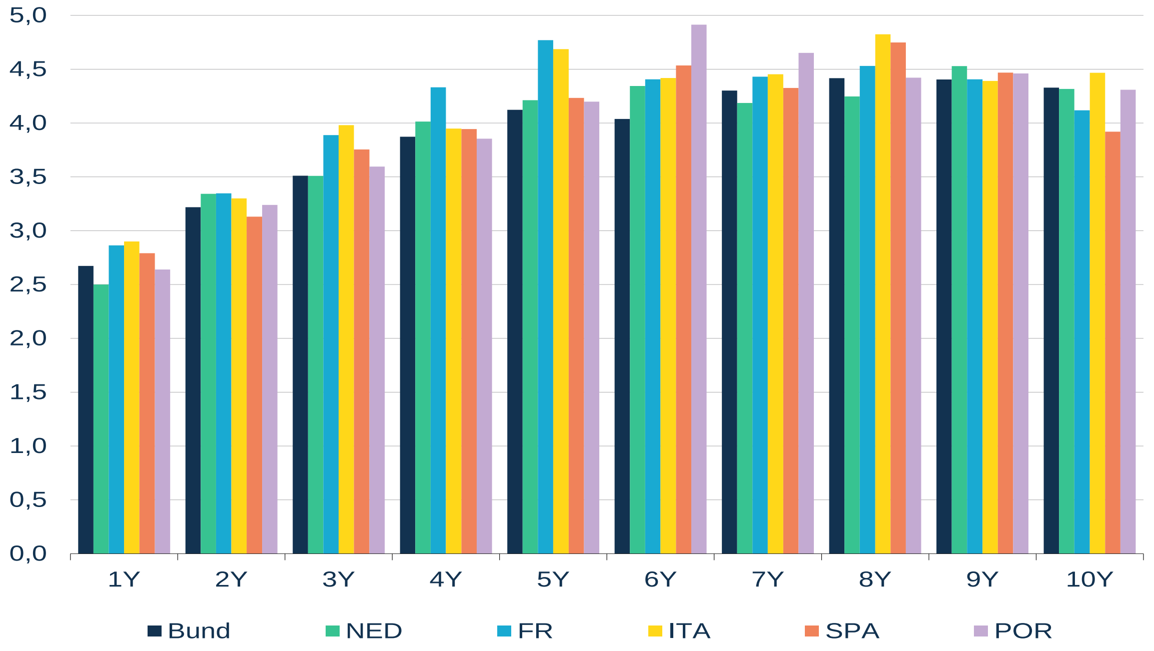
- ECB: Preventing second-round effects is at the top of the agenda. At least one more interest rate hike by the end of 2026.
- Long-term interest rates: Persistent inflation risks and rising term premiums suggest the potential for further increases.

Sources: Bloomberg, LBBW Research

Performance expectations for EUR government bonds and for U.S. Treasuries

EUR government bonds: 12-month outlook

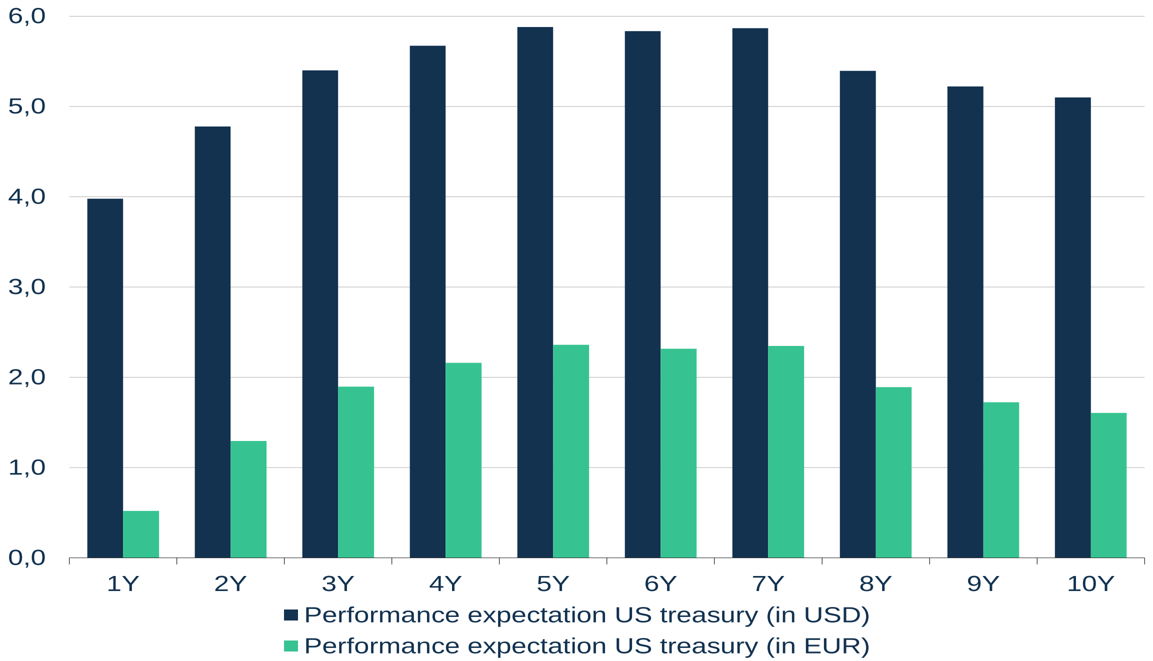
(in %; Assumption: moderate spread widening of 25%)



- Amount of ECB tightening priced into the market is overdone; Long-term bonds, on the other hand, remain burdened by debt risks.
- Periphery spreads: Rating upgrades appear to have come to an end for now; in the medium term, risks of spread widening predominate.

U.S. Treasuries: 12-month outlook

(in %; in USD and EUR)



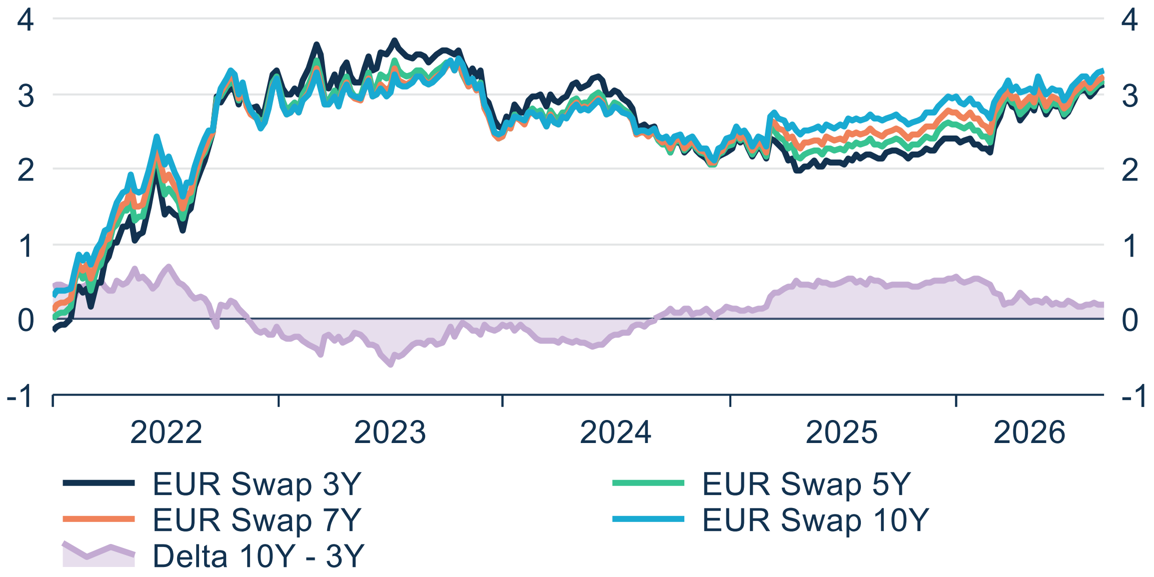
- U.S. dollar: Doubts about its reserve status are growing. In the medium term, the risk of a downward trend prevails.
- The risk of a continued decline in prices for long-term U.S. Treasuries argues for underweighting duration.

Sources: Bloomberg, LBBW Research

Swap Rates

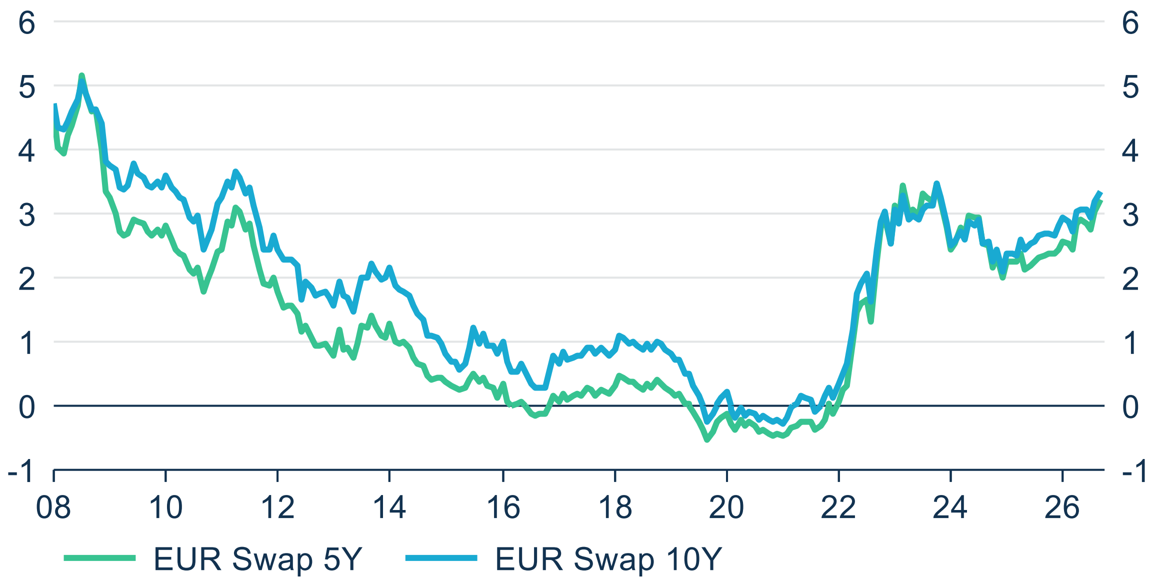
EUR Swap Yields in %

Terms of 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	31-Dec-26	Forecast 30-Jun-27	31-Dec-27
Euro area					
ECB Main Refinancing Rate		2.40	2.65	2.65	2.40
ECB Deposit Rate		2.25	2.50	2.50	2.25
Overnight Rate (€STR)		2.19	2.45	2.45	2.20
3M Euribor		2.57	2.55	2.55	2.30
Swap 2Y		3.11	3.00	2.80	2.50
Swap 5Y		3.17	3.10	2.95	2.75
Swap 10Y		3.32	3.30	3.20	3.10
Bund 2Y		2.89	2.80	2.65	2.35
Bund 5Y		2.99	2.95	2.85	2.65
Bund 10Y		3.24	3.30	3.25	3.15
USA					
Fed Funds Target Rate		3.75	3.75	3.75	3.50
Overnight Rate (SOFR)		3.64	3.65	3.65	3.40
3M Money Market		4.85	3.75	3.65	3.40
Swap 2Y (SOFR-OIS)		4.22	4.05	3.65	3.35
Swap 5Y (SOFR-OIS)		4.22	4.15	3.85	3.60
Swap 10Y (SOFR-OIS)		4.35	4.40	4.25	4.10
Treasury 2Y		4.34	4.20	3.85	3.55
Treasury 5Y		4.48	4.45	4.20	3.95
Treasury 10Y		4.72	4.85	4.75	4.60
Other industrialized countries					
Japan	Overnight Rate (TONAR)	0.98	1.25	1.30	1.50
Japan	10Y Government Bond	2.91	2.90	2.95	3.00
UK	Overnight Rate (SONIA	3.73	3.95	3.95	3.70
UK	10Y Government Bond	5.15	5.10	5.00	4.85
Switzerland	Overnight Rate (SARON)	-0.05	-0.05	-0.05	-0.05
Switzerland	10Y Government Bond	0.40	0.45	0.45	0.40

Sources: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

05

Credits: Summer Break in August

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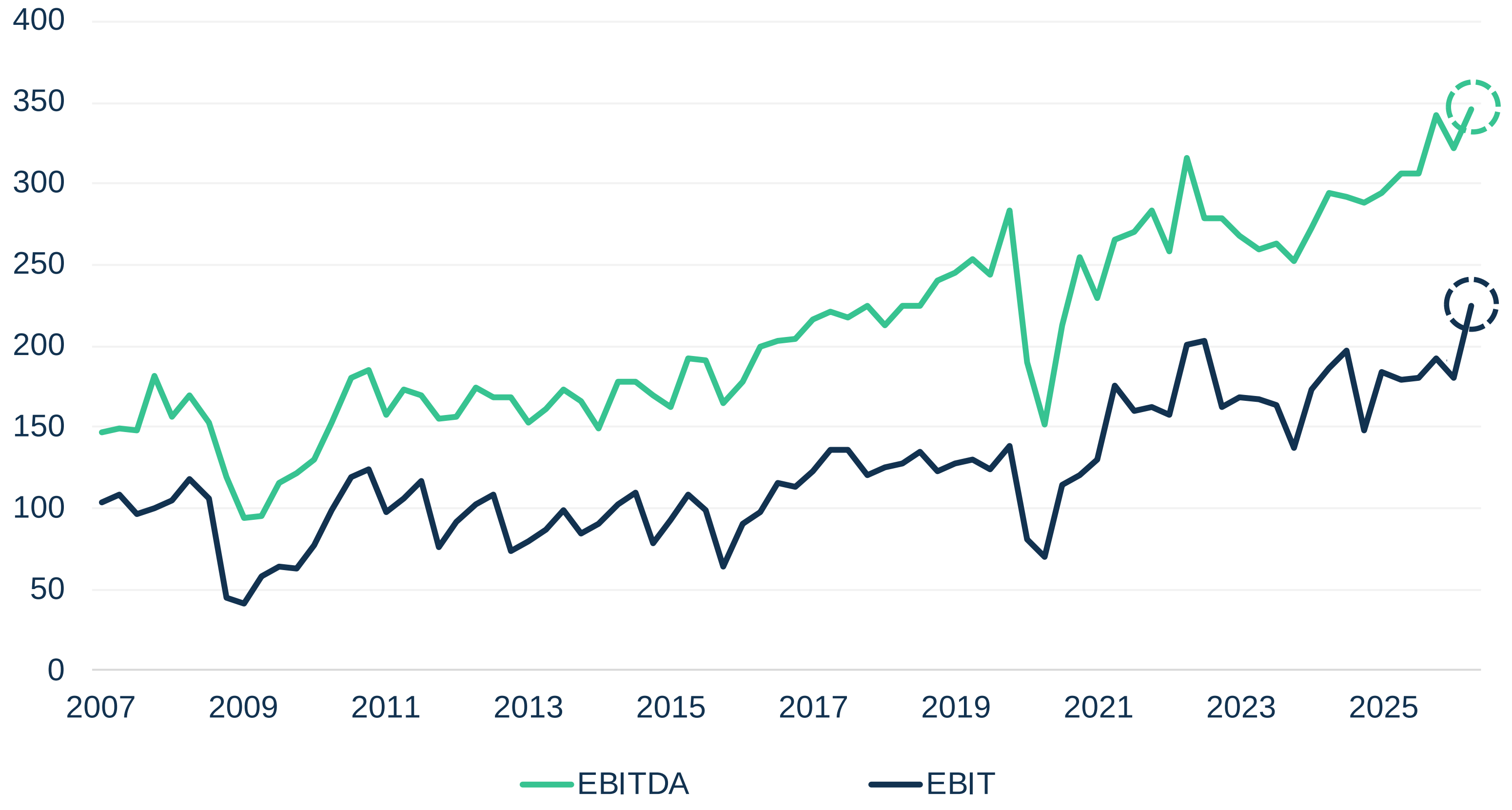
Record earnings in Q2 – despite the war in Iran

Earnings Trends at European Companies

Median STOXX Europe 600 by Quarter (in millions of EUR)



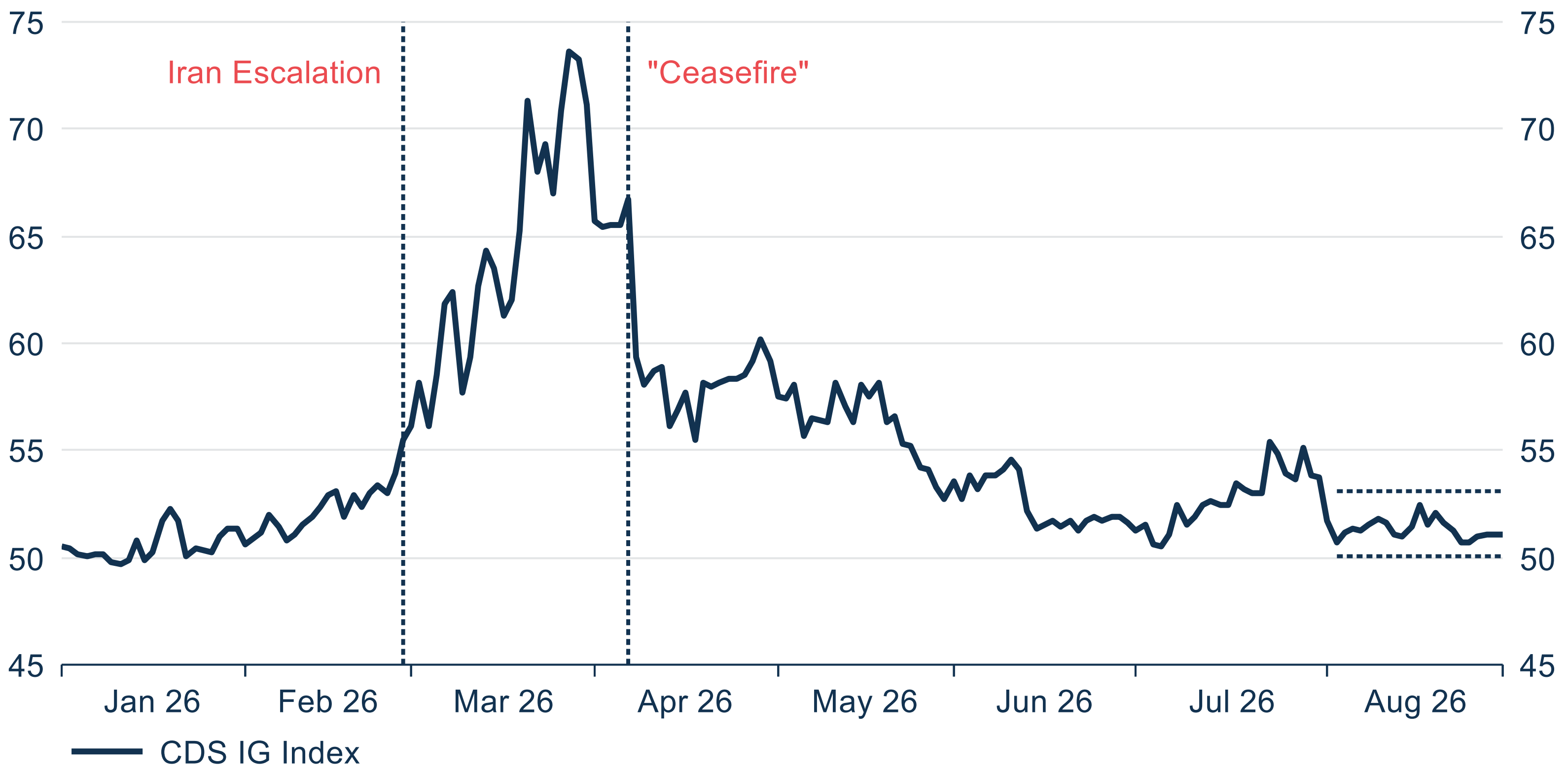
Source: Bloomberg, LBBW Research

- Despite setbacks caused by the Iran War, earnings at European companies performed well in Q1 and Q2 2026.
- Profits were not only higher than expected, but also significantly higher than the previous year's figures. Only a few industries saw declines (e.g., the automotive industry). The energy and technology sectors performed the best.
- Overall, the companies included in the Stoxx Europe 600 European stock index posted record earnings in Q2.
- Net financial debt also rose to new record highs in Q2, due in part to dividend payments.
- The median net debt-to-EBITDA ratio remained at 1.7x (as of December 31, 2025).

Summer Break in August

Corporate Risk Premiums for 5-Year CDSs

Premium for corporates in basis points, investment-grade index



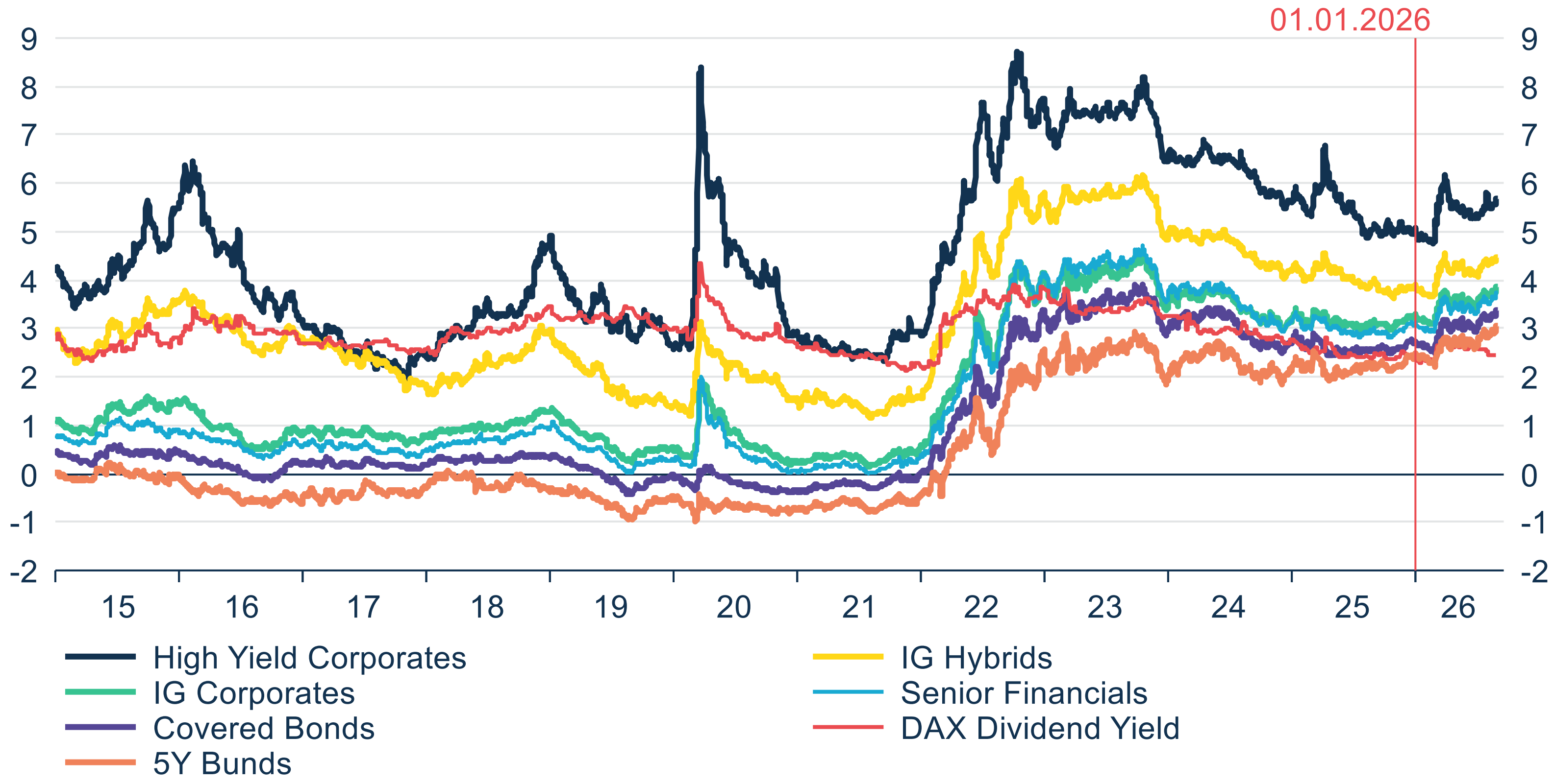
- The markets for EUR corporate bonds remained largely quiet in August. As usual, companies and investors took a brief summer break.
- For example, there were only three new issuances in the first half of August.
  In the end of the month companies issued a large volume of new bonds (30 new issues in calendar week 35).
- Risk spreads fluctuated within a narrow range in August. They remain at very low levels.
- For September, we expect CDS premiums in the index to rise. One of the reasons is the usual semiannual extension of CDS maturities from 4.5 to five years.

Source: LSEG, LBBW Research

Yields at elevated levels

Comparison of Yields

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



Source: LSEG, LBBW Research

- Yields also showed only slight fluctuations in August.
- Since the beginning of the year, yields have risen significantly, primarily due to higher German government bond yields.
- We continue to see a favorable risk-reward profile for investors in corporate bonds, particularly those with investment-grade ratings.

06

Stocks:
High valuation weighs on the Perspectives

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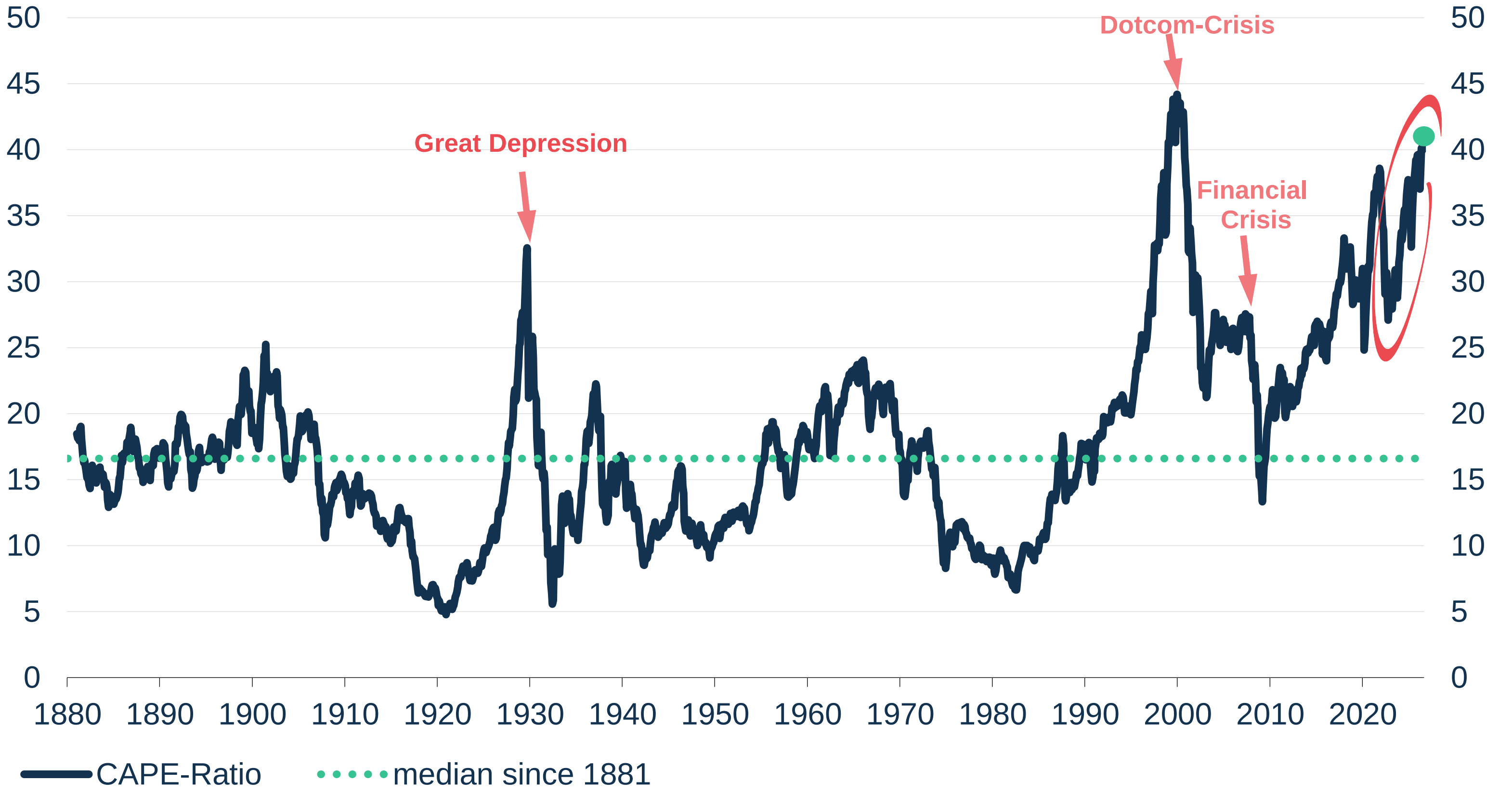
According to the Shiller P/E ratio, U.S. stocks have only been more expensive during the dot-com bubble

CAPE Ratio (= Shiller P/E)

Multiple



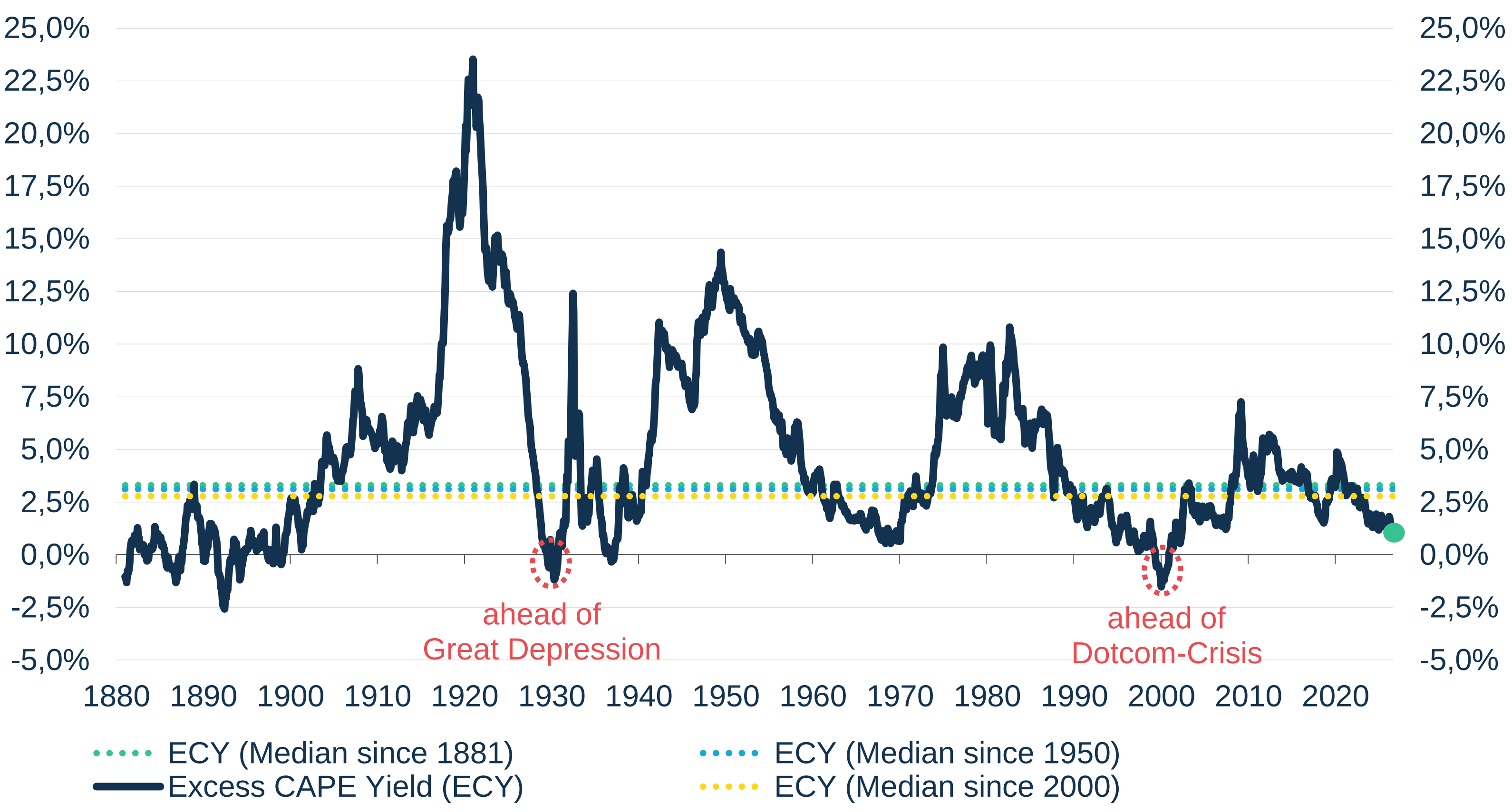
Source: Robert J. Shiller, LBBW Research

- Because the 12-month forward P/E ratio can be severely distorted by the business cycle, as well as by inflation or deflation, and because the use of earnings estimates is prone to error, the CAPE ratio – developed by Nobel Prize-winning economist Robert J. Shiller – is considered the “better” P/E ratio.
- This metric is based on the actual average earnings over the past ten years rather than on the nominal 12M forward earnings, which is why the two metrics are not comparable in terms of their absolute levels.
- Since the launch of ChatGPT, the S&P 500's CAPE ratio has risen by 51%. At 40.7 currently, U.S. stocks are thus more expensive than they were in the run-up to the great depression or the financial crisis. Only during the dot-com bubble did the CAPE ratio reach an even higher level.

Unlike in 1929 and 2000, the equity risk premium is currently still slightly positive

Excess CAPE Yield

A specific form of the equity risk premium, expressed as a percentage



Source: Robert J. Shiller, LBBW Research

- In the run-up to the global economic crisis and the bursting of the dot-com bubble, the situation was further complicated by the fact that the Excess CAPE Yield (ECY) – also developed by Shiller – was negative. This is a specific equity risk premium. Not only were U.S. stocks expensive, but their expected ex ante returns were also lower than those of 10-year U.S. Treasuries.
- At present, however, the ECY is still in positive territory. Ex ante, therefore, it is expected that the higher risk associated with an investment in the S&P 500 will still yield an excess return compared to bonds.
- However, based on historical data, it can be inferred that an adequate ECY would have to be between 280 and 360 Bp. In fact, how-ever, it currently stands at only 107 basis points, which is slightly lower than it was in the run-up to the financial crisis.

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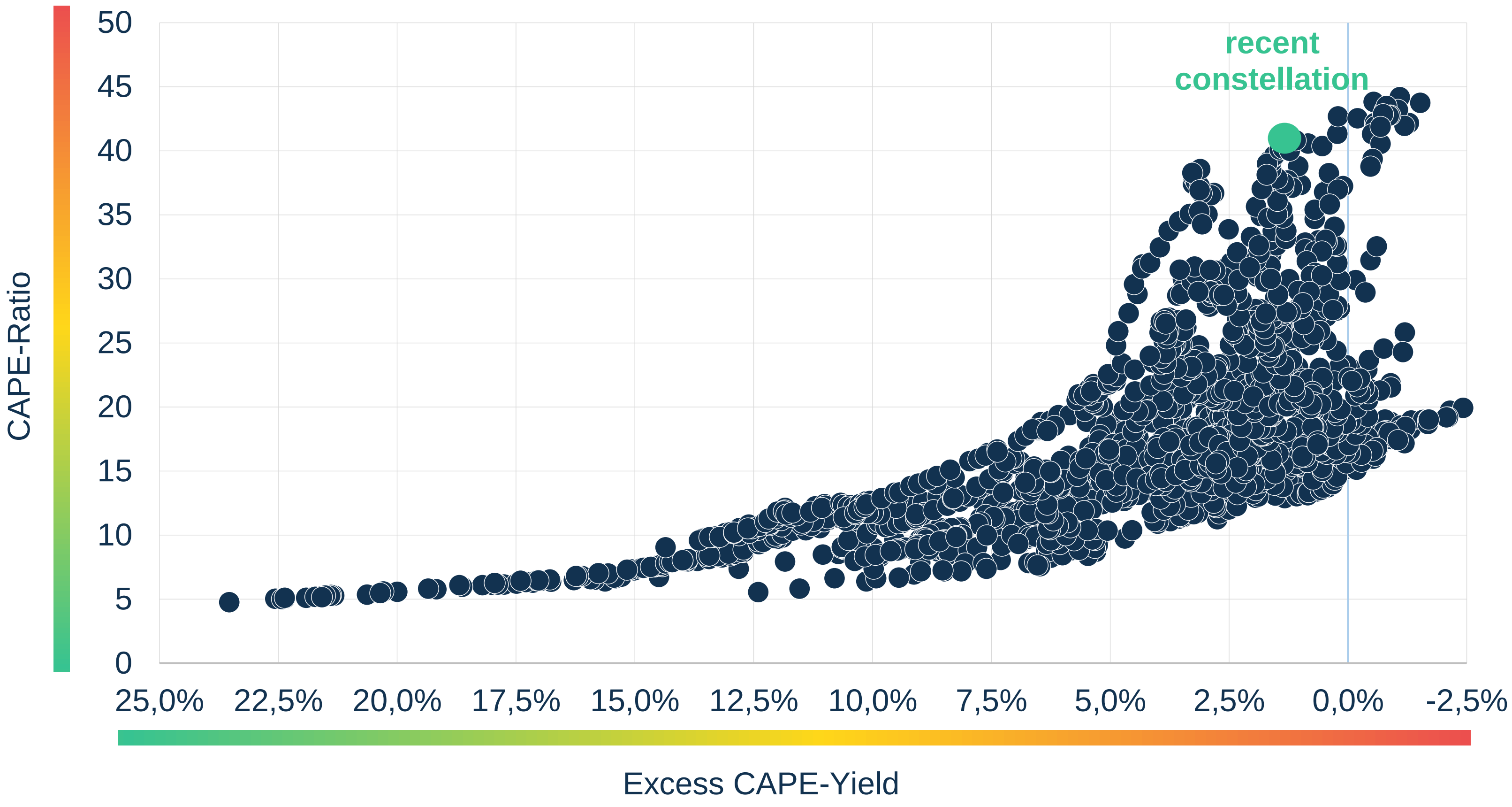
The current combination of the CAPE ratio and the ECY is one of the most unfavorable scenarios

Current CAPE and ECY Ratio in a Historical Context

Combination of the CAPE ratio and the ECY risk premium



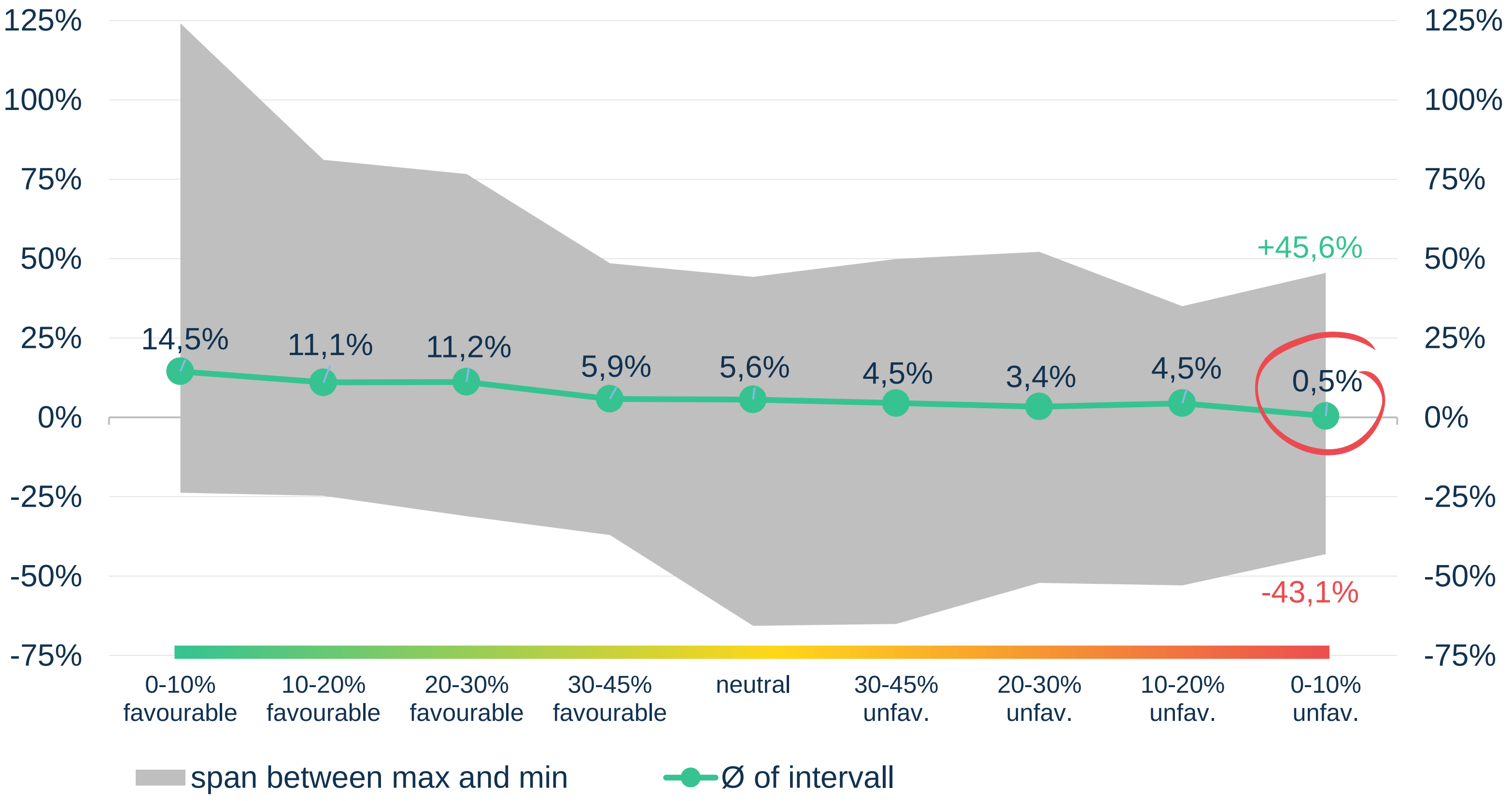
- In the 1,748-month history of the two metrics developed by Shiller – or more than 145 years – the CAPE ratio has been higher than it is today in only 18 months in total.
- The Excess CAPE-Yield was even lower 344 months ago than it is now.
- The current combination of high valuations and a risk premium that is clearly below average falls within the 10th percentile of the most unfavorable scenarios ever recorded.

Source: Robert J. Shiller, LBBW Research

The risk-reward ratio has deteriorated significantly, but further price increases are still possible

Performance of the S&P 500 over the following twelve months

depending on the combination of the CAPE ratio and ECY, expressed as a percentage



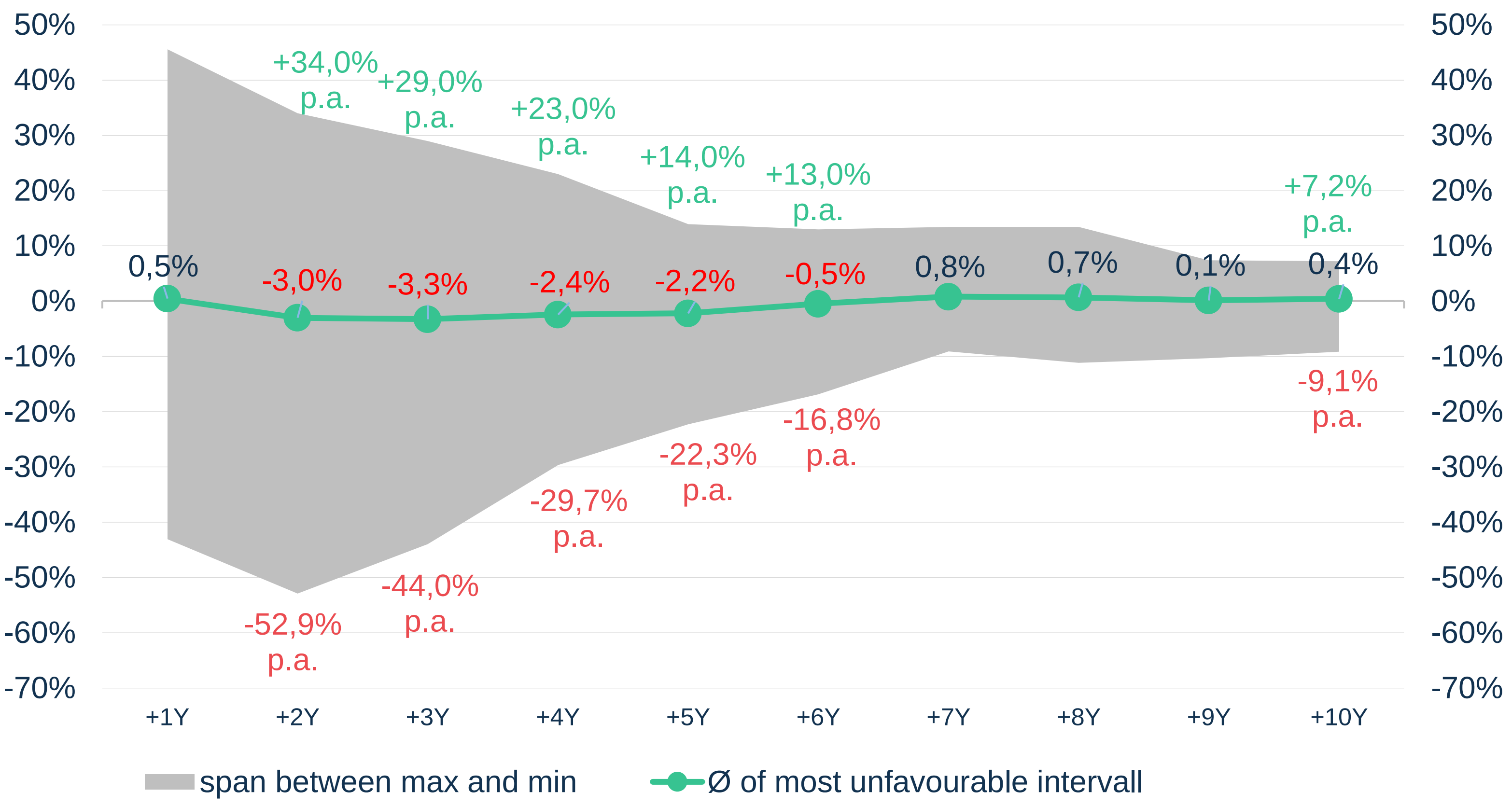
- Despite the fact that the current combination falls within the 10th percentile of the most unfavorable scenarios, this does not necessarily mean that a crash is imminent.
- Despite all the doom and gloom, in a scenario that fell within the 10% worst-case range, a further price increase of 45.6% was even possible in the best-case scenario over the next twelve months. In the worst-case scenario, the S&P 500 plummeted by 43.1%.
- However, it is clear that the risk-reward ratio is significantly diminished under such unfavorable conditions when one considers the average return for all investments in this interval, which stands at only +0.5% - the lowest of any subcategory.

Source: Robert J. Shiller, LBBW Research

This unfavorable situation will clearly have a negative impact in the medium term

Performance of the S&P 500 in the 10%-Worst-Case Scenario

in the 1 to 10 years following each of these periods, as a percentage per annum



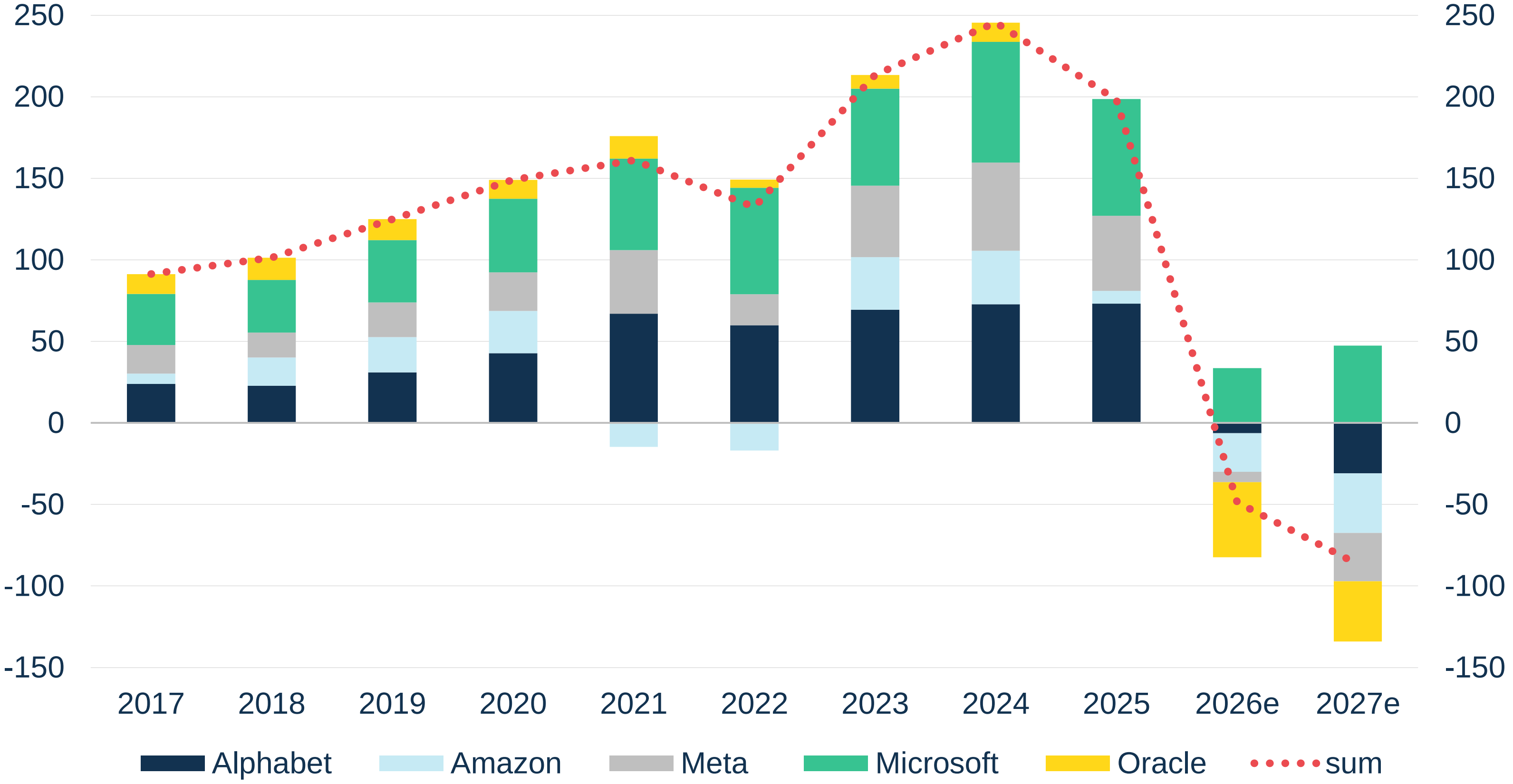
Source: Robert J. Shiller, LBBW Research

- From a medium-term perspective, the situation looks even worse: In fact, over two (-3.0% p.a.), three (-3.3% p.a.), four (-2.4% p.a.), five (-2.2% p.a.), and even six years (-0.5% p.a.), the average of all results for the worst-performing 10% quantile was actually negative in each case.
- In all of the cases mentioned, the potential for loss was greater than the chance of profit.
- However, when the time horizon was seven years or longer, the average was once again above the zero line. But even over a ten-year horizon, the risk-reward ratio - at +7.2% per year in the best-case scenario, +0.4% per year on average, and -9.1% per year in the worst-case scenario - remains clearly below average.
- Conclusion: Sooner or later, an overvalued stock market will be brought back down to earth.

Investment momentum among hyperscalers appears to be slowing in 2027

Free Cash Flows of the Hyperscalers

in billions of U.S. dollars



Source: Bloomberg, LBBW Research

- The massive investments made by hyperscalers in AI data centers have caused profits in many industries to skyrocket in recent years. The rally in the U.S. stock market is therefore underpinned by strong earnings growth, which, however, could now be losing momentum.
- In 2024, those investments increased compared to 50% by 2023. Despite a higher baseline, their growth accelerated even further in 2025, reaching 69%. And this year, it even looks like there will be another increase of 122% (!).
- Although another increase in investment is currently expected for 2027, it is projected to be “only” 31%. The hyperscalers seem to be gradually finding their hands tied. Because capital expenditures have been rising faster than operating cash flow, the company's free cash flow is now mostly negative.

September:
Typically the toughest month for stocks

Four-Column Table on the DAX for August and September

Number of years or percentage shares (for the period from 1988 through 2025)

number of years		… September than …		
		+	-	in total
August was like …	+	7	11	**18**
	-	8	12	**20**
		15	**23**	**38**

with a procentual share of		… September than …		
		+	-	in total
August was like …	+	38,9%	61,1%	**47,4%**
	-	40,0%	60,0%	**52,6%**
		39,5%	**60,5%**	**100,0%**

- In its 38 full years, the DAX fell by an average of 1.87% in August. So far this year, it not only broke even during this period but actually rose by 2.45% in August.
- From a historical perspective, however, September was an even more critical month. with an average return of -2.05%, fell even further than it had in August. The ratio of ascents to the number of declines in September – 15 out of 23 – was also significantly worse than in August, when the figure was 18 out of 20.
- However, from a statistical standpoint, whether the DAX rose or fell in August –as it did this year – had no significant impact on its performance in September. At 61.1%, the probability that it's price would fall in September was only slightly higher than if it had already fallen in August (60.0%).

Source: LSEG, LBBW Research

06

Forecasts and Asset Allocation

Opportunity/Risk Profile Points to Fixed-Income Investments

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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 increasing. 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.

Stock Markets

- Companies are posting 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 downward pressures on stock markets.

Interest Rate Environment

Money Market / Central Banks

- Fed:
  The central bank will keep its key interest rate unchanged until at least the summer of 2027. For now, a rate hike is more likely than another rate cut.
- ECB:
  Another interest rate hike is expected by the end of 2026; the deposit rate is expected to remain at 2.50% for an extended period thereafter. An interest rate cut will not occur until the end of 2027 at the earliest.

Returns

- Long-term euro interest rates:
  Upside risks predominate given existing inflation concerns and rising debt.

Foreign Currency

- The yield advantage of short-term U.S. Treasury bonds over German government bonds is likely to narrow moderately.
- The U.S. president's erratic behavior is undermining confidence in the U.S. dollar.
- The flight to the “safe haven” of the U.S. dollar is unlikely to last.

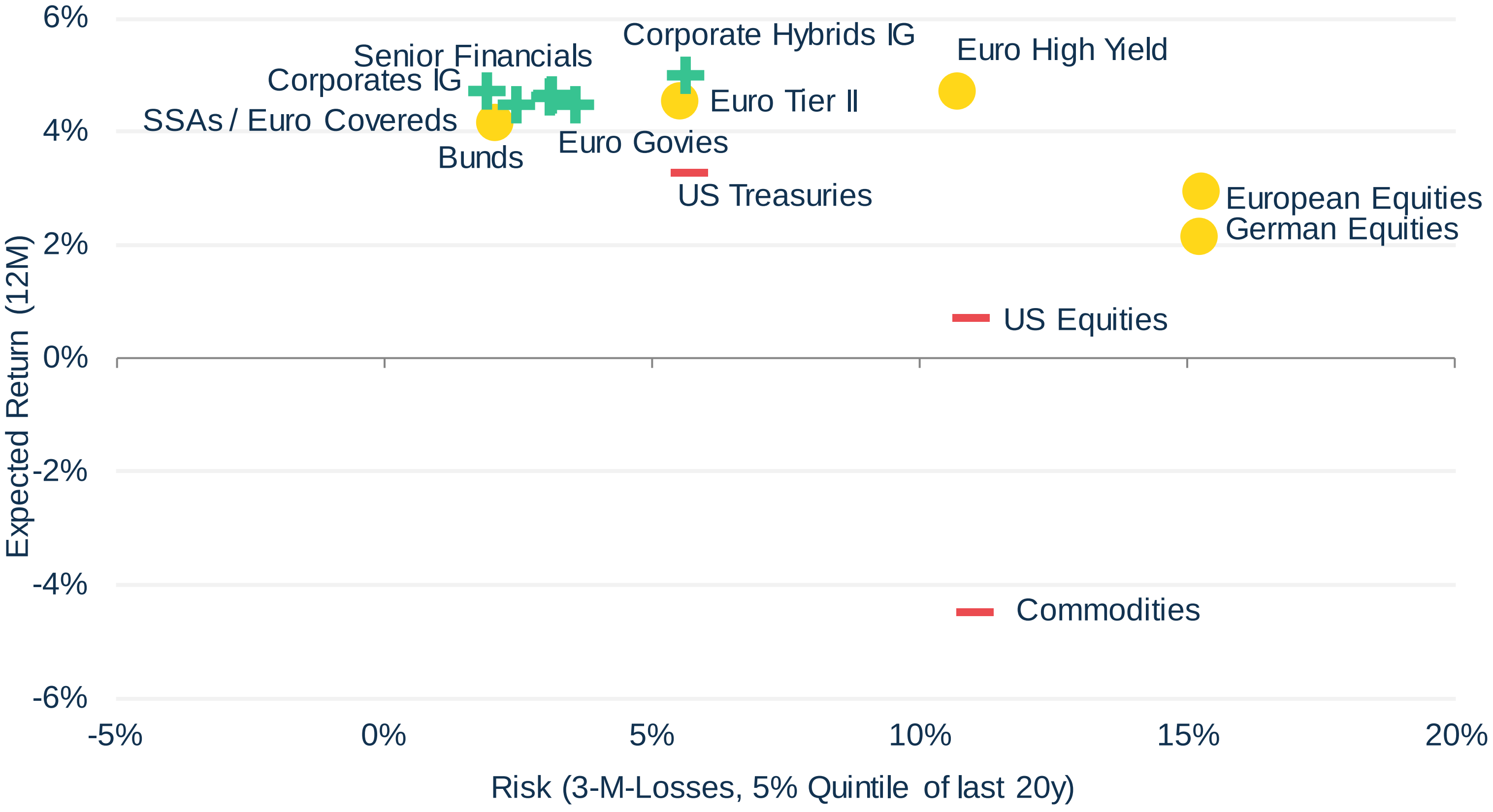
Raw Materials

- Bloomberg Commodity Index likely to consolidate after rebound.
- The ongoing conflict between the U.S. and Iran is keeping oil prices high. If the Strait of Hormuz reopens, oil prices are likely to drop significantly again.
- Sentiment toward gold has improved significantly recently. A tailwind from central bank purchases and gold ETCs.

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 record high.
- Even if yields rise slightly, bonds could still generate positive returns.
- 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 3%.

Source: LSEG, LBBW Research

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

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

Source: LBBW Research

LBBW Forecasts

Changes Since the August Capital Markets Compass

Economy

		2024	2025	2026e	2027e
Germany	GDP	0.0	0.4	0.7 +	0.8
	Inflation	2.3	2.2	2.7	2.3
Euro Area	GDP	1.0	1.5	0.8	1.0
	Inflation	2.4	2.1	2.9	2.4
USA	GDP	2.8	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	25 970	25 500	26 500	27 500
Euro Stoxx 50	6 369	6 300	6 400	6 600
S&P 500	7 631	7 500	7 800	8 000
Nikkei	66 215	66 000	67 000	68 000

Interest Rates and Spreads

	Spot	12/31/26	06/30/27	12/31/27
ECB Deposit Rate	2.25	2.50	2.50	2.25
Bund 10 Years	3.31	3.30 +	3.25 +	3.15
Fed Funds	3.75	3.75	3.75	3.50
Treasury 10 Years	4.79	4.85 +	4.75 +	4.60
BBB Bundspread (bps)	93	100 –	105 –	110

Currencies and Commodities

	Spot	12/31/26	06/30/27	12/31/27
US-Dollar per Euro	1.16	1.18	1.19	1.20
Swiss Franc per Euro	0.94	0.93	0.94	0.95
Pound per Euro	0.86	0.85	0.85	0.85
Gold (USD/Troy Ounce)	4 357	4 800 +	5 000 +	5 200
Oil (Brent - USD/Barrel)	89	80 +	75 +	70

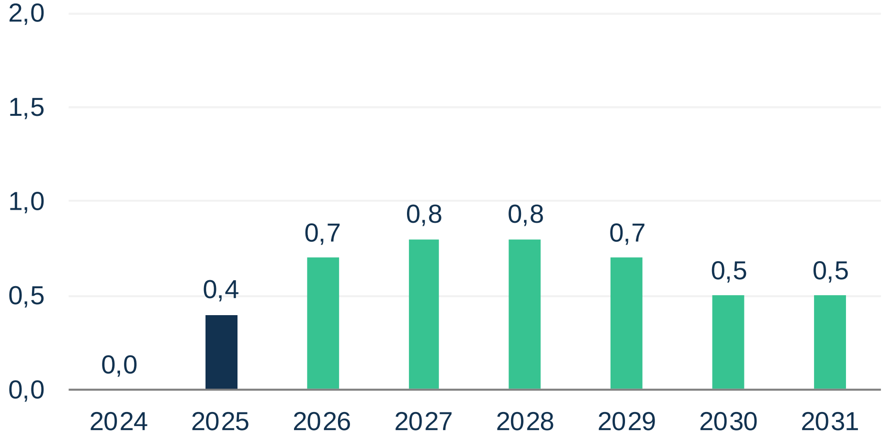
+ Raised
– Lowered

LBBW Scenarios

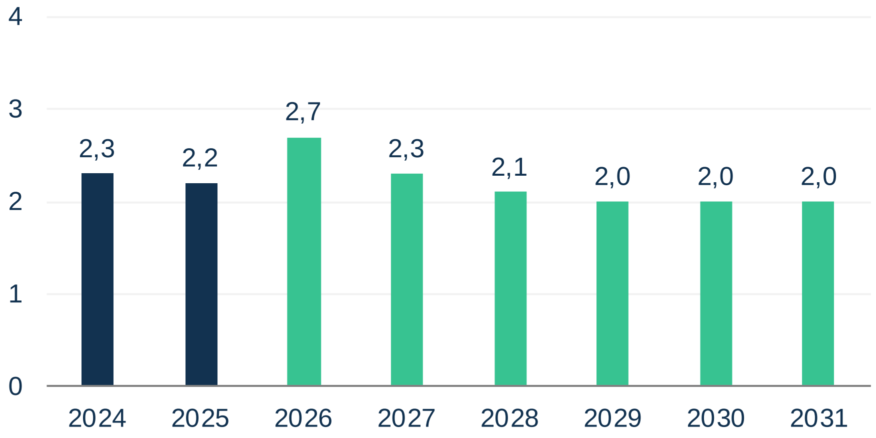
55% **Main Scenario**	1) War with Iran: Although the imbalance between oil supply and demand is gradually narrowing, oil products remain, due to Refinery bottlenecks are costly. Inflation is rising due to higher energy and food prices, while second-round effects remain limited. The U.S. economy will slow slightly in 2027 as the AI investment boom loses momentum. Growth in China continues to slow. EU/Germany: Only slight growth. Further increase in government debt in industrialized nations. 2) Efforts to combat inflation prompt the ECB to raise its key interest rate again in 2026, despite the resulting drag on growth. No changes to the Fed's key interest rate until mid-2027; yields will rise slightly further from their current elevated levels. 3) Stock Markets: Consolidation in the second half of 2026; investors torn between hopes for AI, fears of rising interest rates, concerns about war, and doubts about the AI boom; credit spreads widen amid setbacks in the stock market.
25% Negative Scenario I, ***“Inflation Spike”***	1) The war in Iran 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 are further increasing inflationary pressure. Some countries are reporting surprisingly high deficits and providing corresponding outlooks for the coming years. 2) Central banks are adopting a highly restrictive stance to combat inflation. Yields are rising across the board. 3) "Risk-off": A downturn in the stock markets. Credit spreads are rising sharply. A slump in real estate prices.
10% **Negative Scenario II** ***“Sharp Correction in the AI Boom”***	1) AI boom ends: Fragile financing structures unravel, investment slows sharply, and productivity gains disappoint. 2) Fed and ECB cut rates: German government bond yields fall amid growth fears and monetary easing. 3) "Risk-off": Stock markets are experiencing sharp corrections, and credit spreads are rising significantly. 4) Tensions between China and Taiwan are escalating. Increased hybrid attacks by Russia on EU countries.
10% **Positive Scenario** ***“Relief”***	1) Stabilization in the Gulf region. Ceasefire in the war in Ukraine; geopolitical tensions between the U.S. and China ease. 2) The U.S. is shifting to a more moderate trade policy. The U.S. economy is growing at a faster pace again. 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”: Equities rise on the continued AI rally, credit spreads tighten, and property prices recover.

Base-case scenario (55%)

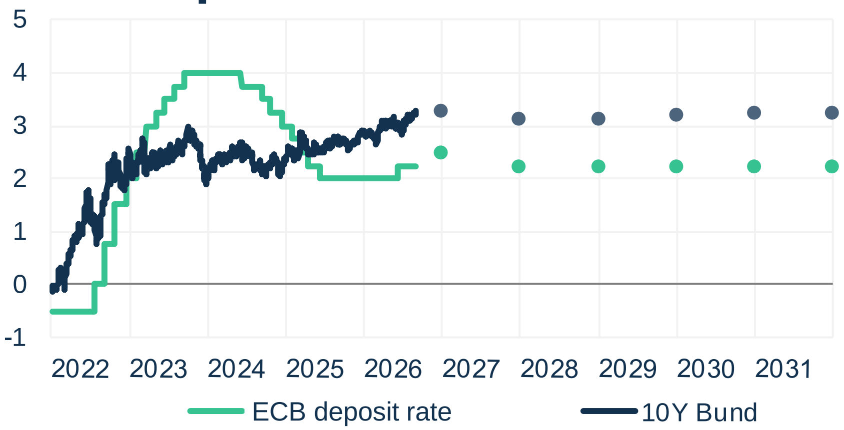
Germany GDP Growth (YoY)*



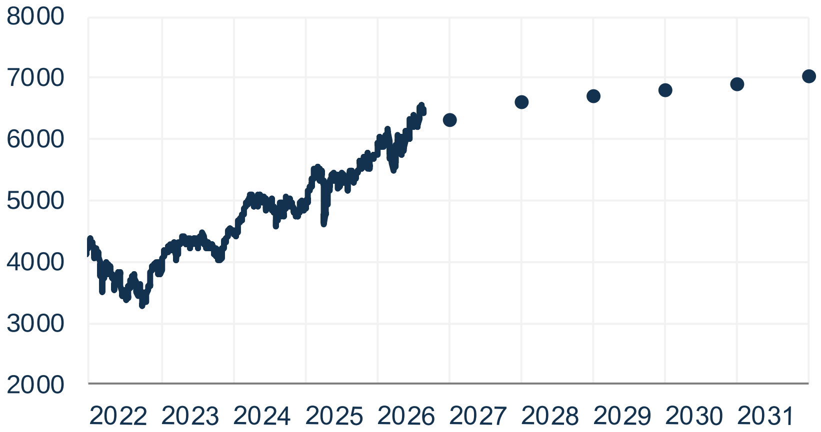
Germany Inflation (Y/Y)*



ECB Deposit Rate & 10Y Bund Yield*



Euro Stoxx 50*

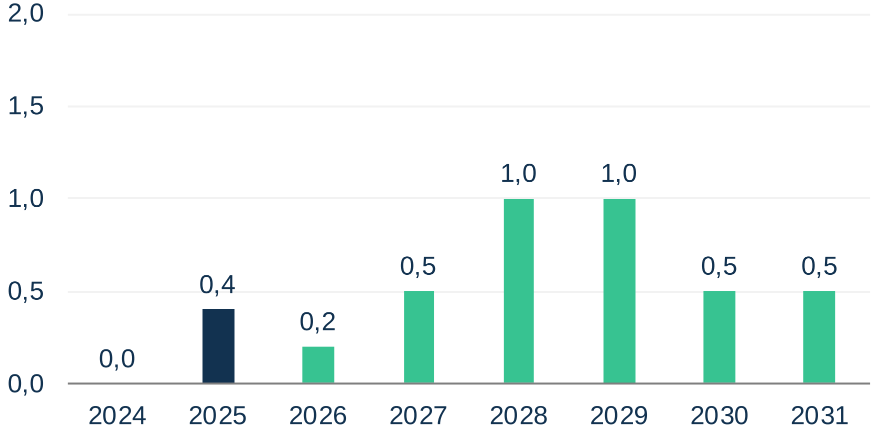


Sources: Bloomberg, LBBW Research

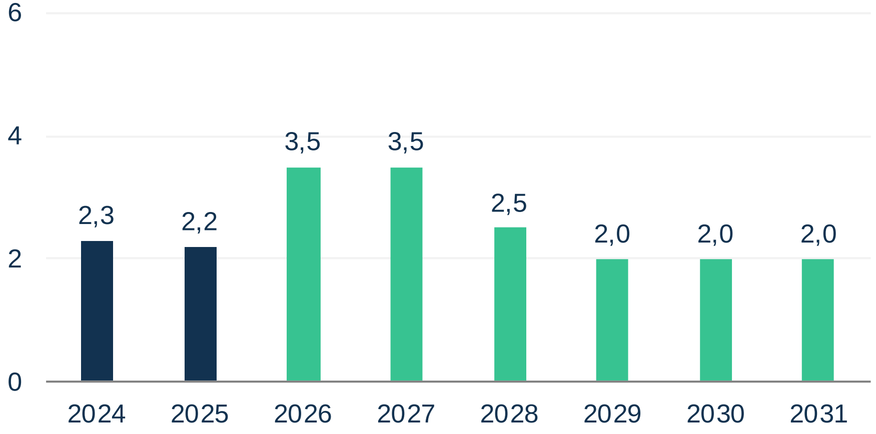
*GDP and inflation are annual averages; interest rates and the Euro Stoxx 50 are year-end figures in the forecasts

Negative Scenario 1)
"Energy Price Shock" (25%)

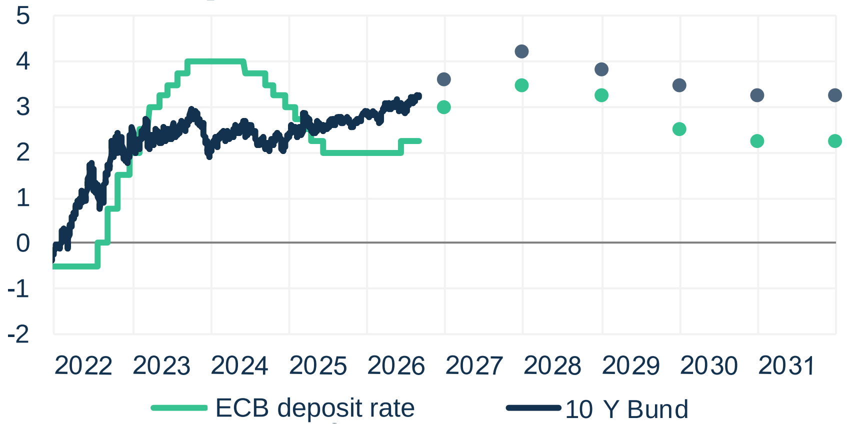
Germany GDP Growth (YoY)*



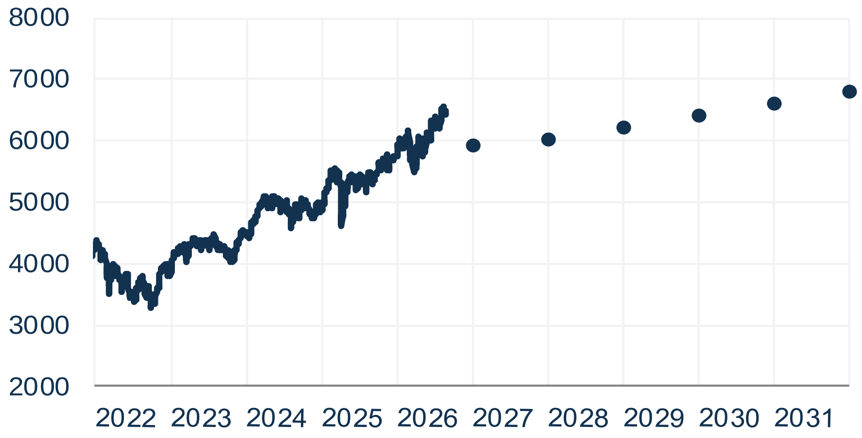
Germany Inflation (Y/Y)*



ECB Deposit Rate & 10Y Bund Yield*



Euro Stoxx 50*

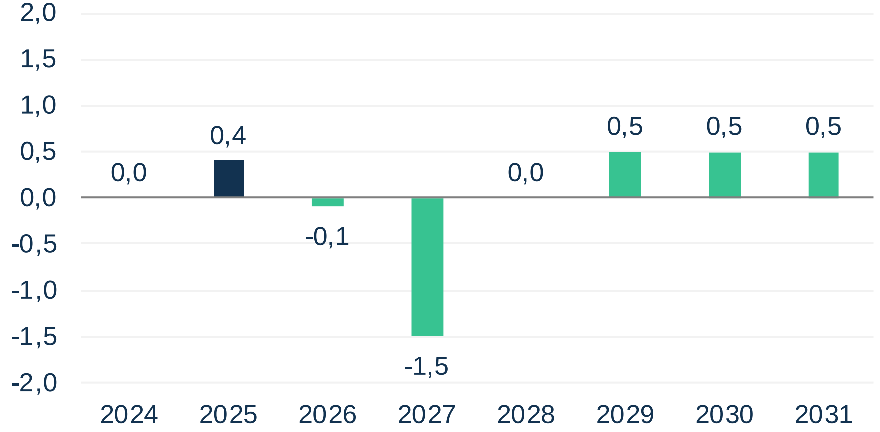


Sources: Bloomberg, LBBW Research

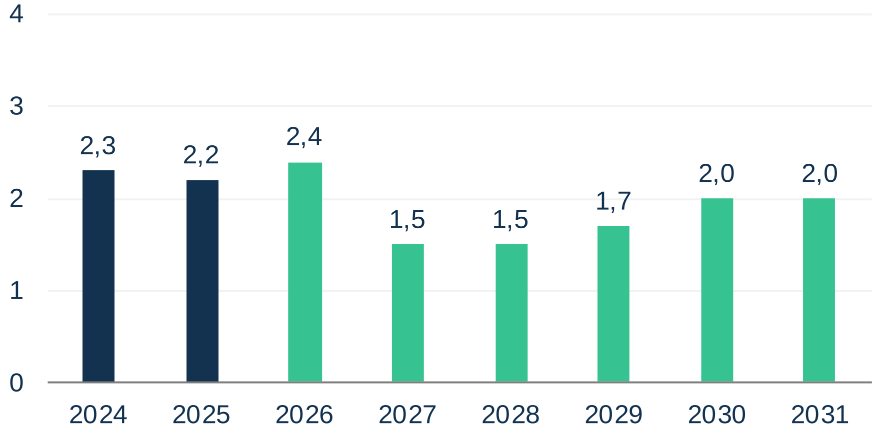
*GDP and inflation are annual averages; interest rates and the Euro Stoxx 50 are year-end figures in the forecasts

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

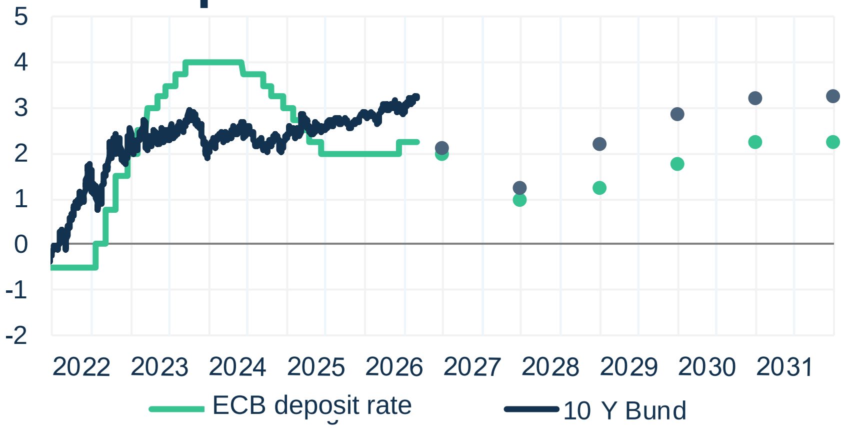
Germany GDP Growth (YoY)*



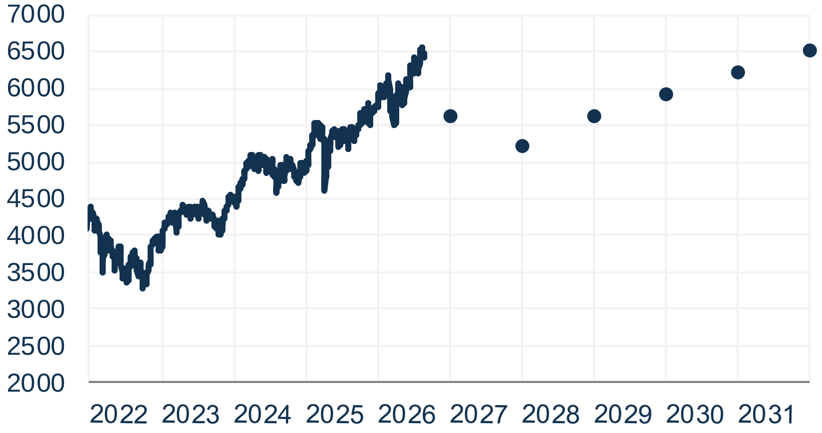
Germany Inflation (Y/Y)*



ECB Deposit Rate & 10Y Bund Yield*



Euro Stoxx 50*

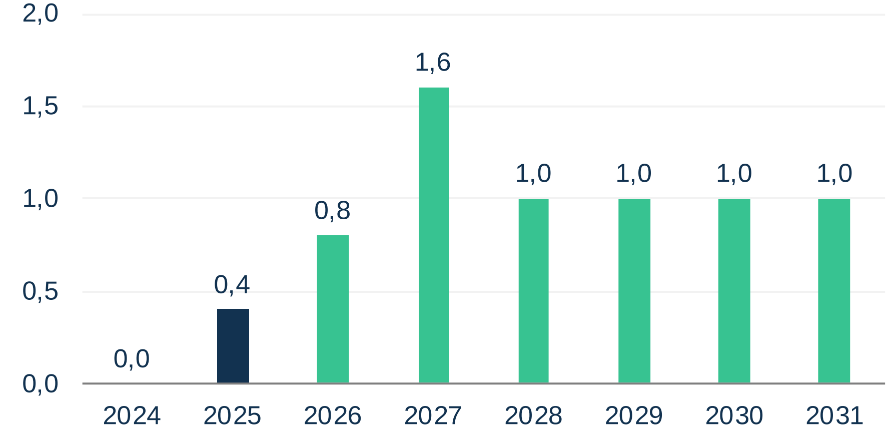


Sources: Bloomberg, LBBW Research

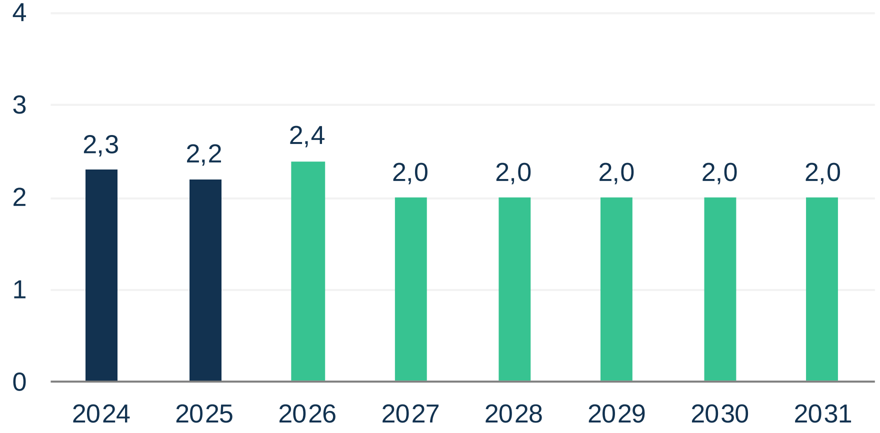
*GDP and inflation are annual averages; interest rates and the Euro Stoxx 50 are year-end figures in the forecasts

Positive scenario (10 %)

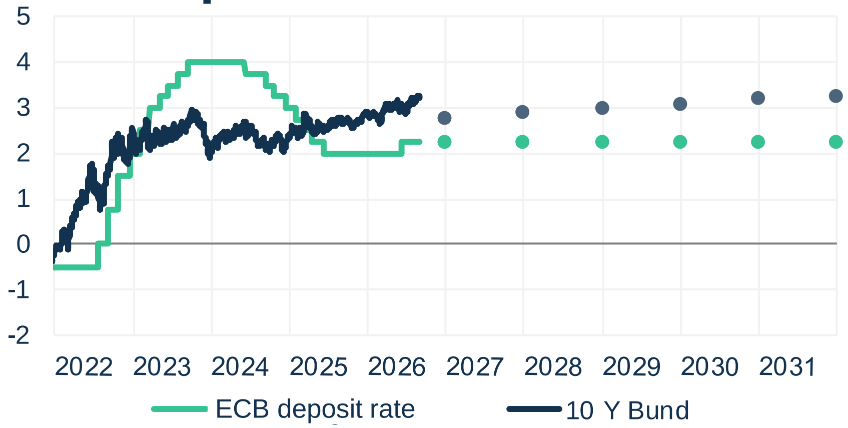
Germany GDP Growth (YoY)*



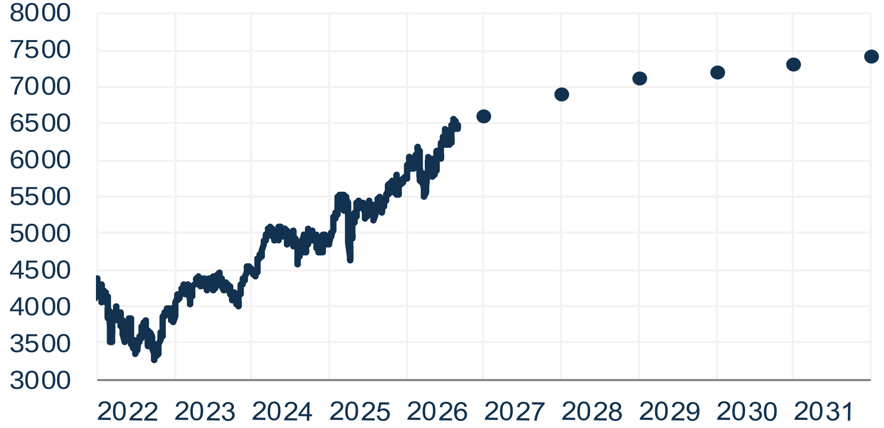
Germany Inflation (Y/Y)*



ECB Deposit Rate & 10Y Bund Yield*



Euro Stoxx 50*



Sources: Bloomberg, LBBW Research

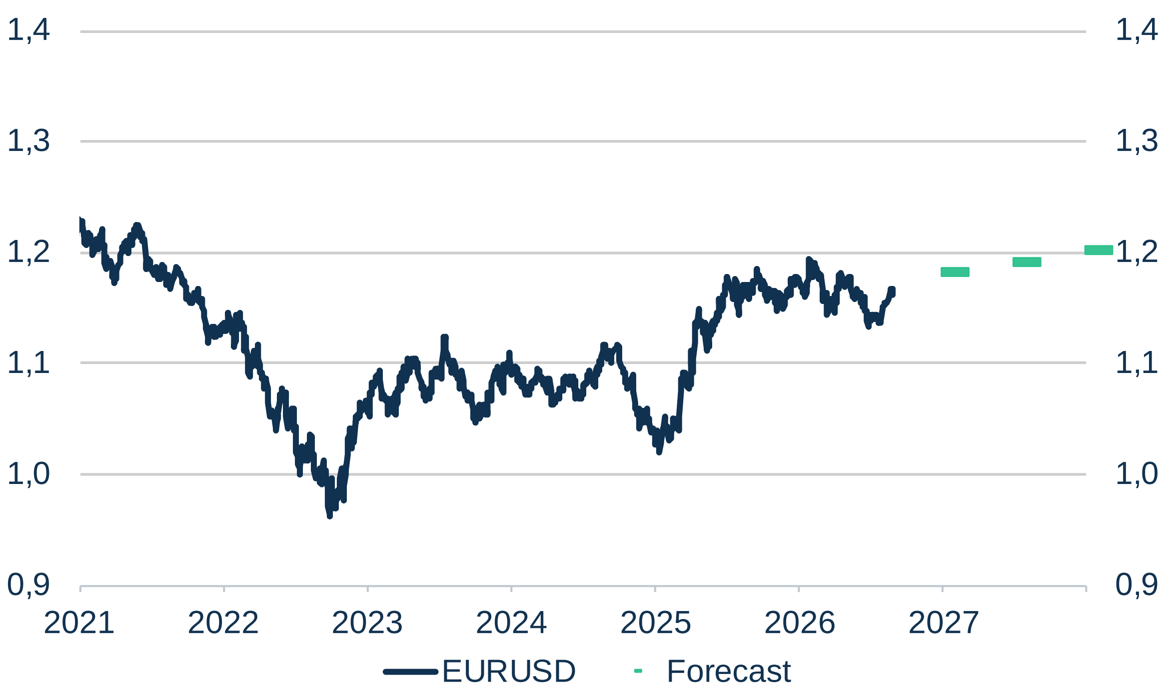
*GDP and inflation are annual averages; interest rates and the Euro Stoxx 50 are year-end figures in the forecasts

07

Appendix

EURUSD: ECB Interest Rate Hike Is Good News for the Euro

FX EUR/USD



	Spot	Historical Data			Forecast		
		Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURUSD	1.16	1.13	1.17	1.17	1.18	1.19	1.20

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

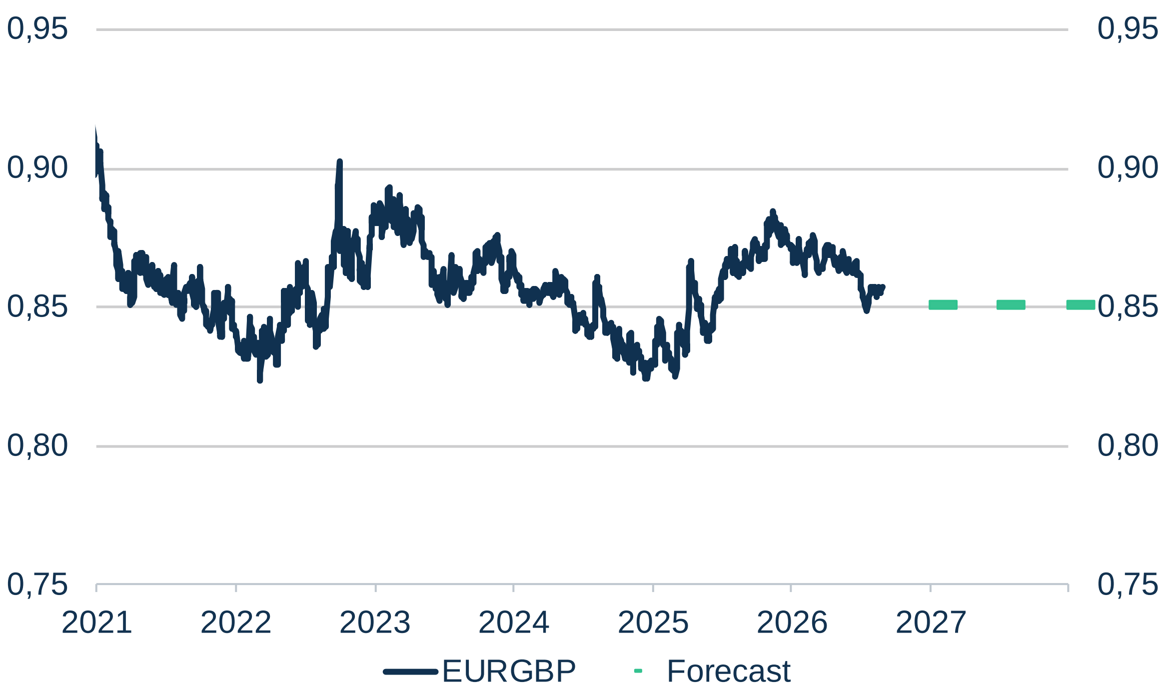
- Given the U.S. dollar's role as the world's reserve currency, the high level of U.S. national debt has not yet had a negative impact on the greenback's exchange rate. But at some point, unchecked debt threatens to go too far.
- Donald Trump has unsettled the foreign exchange markets with his comments on 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.
- While we forecast that the ECB will raise its key interest rates again very soon, the Fed is not expected to make any changes to its key interest rates.

Against the euro

- 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: Based on purchasing power parity, the pound sterling remains undervalued against the Euro

FX EUR/GBP



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

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

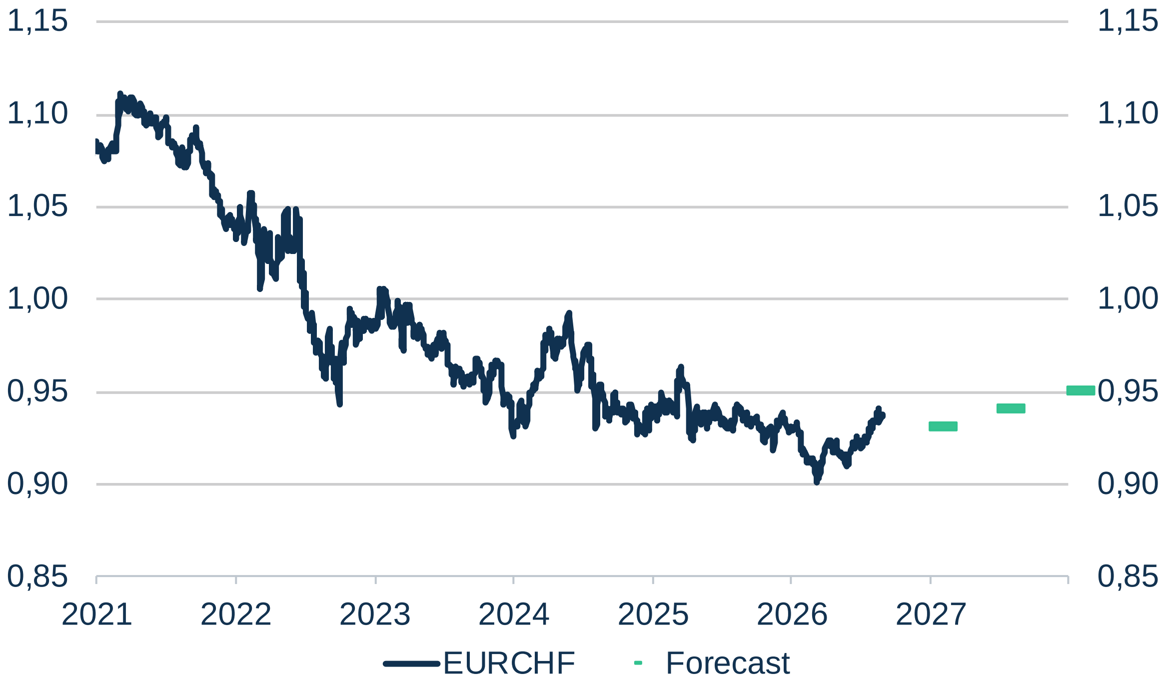
- The OBR forecasts that the government debt-to-GDP ratio will remain high, at just under 100 percent, through the end of the decade.
- There is uncertainty about the direction the new Prime Minister, Andy Burnham, will take. If Reform UK were to win the House of Commons elections, there would be a risk of a second “Liz Truss moment.”

Against the euro

- According to purchasing power parity, the pound sterling is significantly undervalued against the euro.
- The high share of services in the UK's value added should be viewed as an advantage in the trade dispute with the U.S.—the UK is significantly less dependent on goods exports than key eurozone countries.
- The significant yield advantage of British government bonds over their eurozone counterparts is expected to persist.

EURCHF: Interest Rate Disadvantage Weakens the Swiss Franc

FX EUR/CHF



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

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per CHF

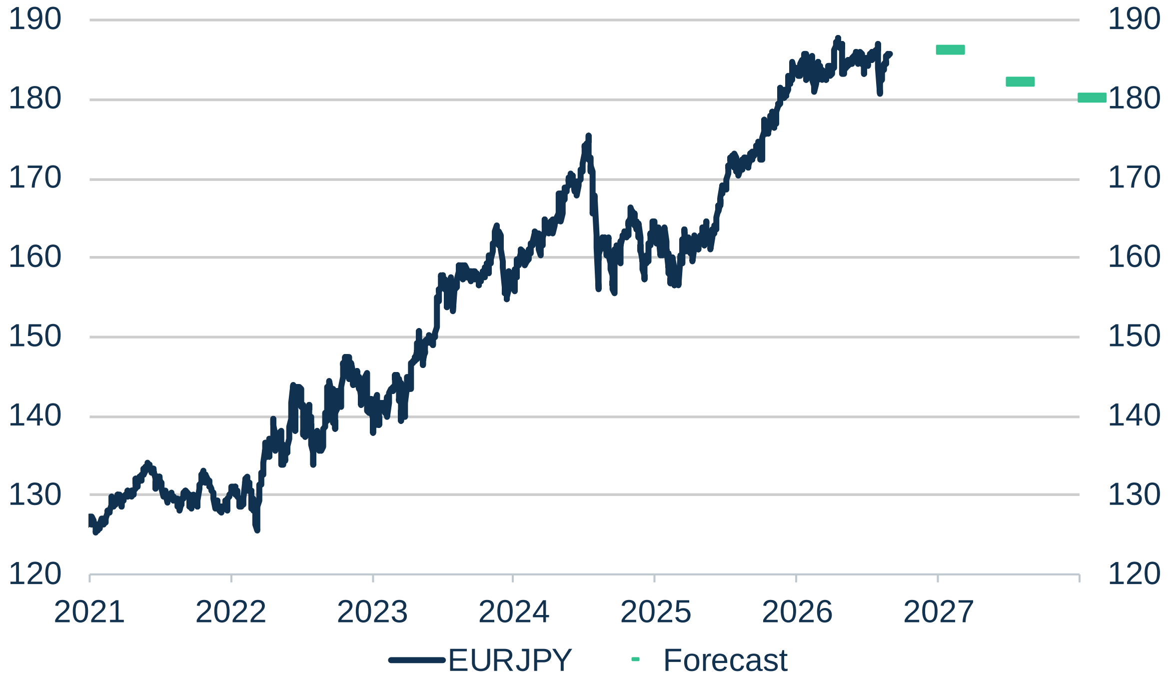
- According to our calculations based on purchasing power parity (PPP), the Swiss franc is slightly undervalued against the euro.
- Geopolitical conflicts and political risks are fueling the flight to the "safe haven" of the Swiss franc.

Against CHF

- The SNB has kept its key interest rate steady at 0% since June 2025. If necessary, the SNB is prepared to intervene in the foreign exchange market to prevent the franc from appreciating too sharply.
- The ECB is on the verge of another interest rate hike. The Swiss franc's interest rate disadvantage relative to the euro is likely to continue to widen.
- U.S. customs policies are hitting Switzerland's export-oriented economy hard.

EURJPY: FX Interventions Fizzled Out Without Effect

FX EUR/JPY



	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURJPY 185.92	169.08	184.09	184.44	186.00	182.00	180.00

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

- The ECB's interest rates are higher than those of the BoJ, and the ECB is expected to raise rates again soon.
- Japan's economy remains weak, and the war in Iran is driving up the cost of Japan's energy supply.
- Prime Minister Takaichi advocates for low interest rates on the yen.
- The foreign exchange interventions by the BoJ and the U.S. Fed in support of the yen have had virtually no effect.

Against the euro

- The yen's weakness is increasing pressure on the BoJ to take further interest rate action.
- Pressure from the U.S. to strengthen the yen against the dollar through interest rate hikes continues.
- The growing political polarization in Europe (France, …) concerns about the eurozone are also fueling this.

EURCNY: Economic Slowdown and the PBoC Hinder the Yuan's Rally

FX EUR/CNY

	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURCNY 7.82	8.13	8.20	8.01	7.91	7.62	7.62
USDCNY 6.73	7.19	6.99	6.87	6.70	6.40	6.35

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Pro EUR

- The easing of tensions on international energy markets should provide a boost to the European economy.
- The European Central Bank continues to signal its readiness to raise interest rates in the near term.
- The fundamental weakness of the Chinese real estate market persists; China's growth continues to slow as summer draws to a close.

Con 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 People's Bank of China (PBoC) has allowed a gradual appreciation against the USD over the last months, which is expected to continue in the medium term. .

EURBRL: Decline in Inflation Rate Allows for Another Key Interest Rate Cut in September

FX EUR/BRL

	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURBRL	6.01	6.31	6.44	6.01	6.10	6.00	5.95

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

- High public debt is weighing on Brazil's public budget; fiscal consolidation is proceeding only slowly.
- The general elections scheduled for October are increasing political uncertainty.

Against the euro

- With a prime rate of 14.00%, 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 last year—driven by oil, soybeans, and iron ore.

EURHUF: Central Bank Considers Lowering Inflation Target from 3% to 2%

FX EUR/HUF

	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURHUF 364.79	397.84	385.15	372.48	355.00	350.00	345.00

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

- Hungary's fiscal policy has led to high budget deficits so far. Fiscal consolidation under the new administration 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.

Against the euro

- Hungary's government plans to adopt the euro in the medium term. This requires major reforms that will boost investor confidence.
- Move toward the EU following the change in 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.

EURMXN: Stronger growth and a sustained interest rate advantage have supported the peso so far

FX EUR/MXN

	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURMXN 19.73	21.67	21.12	20.39	21.80	22.50	22.90
USDMXN 16.98	19.17	17.98	17.48	18.47	18.91	19.08

Per EUR

- Mexico's economic growth is slowing and is expected to be below 1% this year.
- The peso's interest rate advantage is likely to diminish as the ECB raises its key interest rates over the course of the year.
- There is heightened uncertainty due to the upcoming renegotiation of the North American Free Trade Agreement, as well as institutional risks.
- A deteriorating fiscal situation led to a credit rating downgrade

Against the euro

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

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

EURPLN: Despite strong growth in the second quarter, the budget deficit is weighing on the zloty

FX EUR/PLN

	Spot	Historical Data Ø 2025	Dec-25	Ø H1 26	Forecast Dec-26	Jun-27	Dec-27
EURPLN	4.34	4.24	4.22	4.24	4.36	4.36	4.37

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

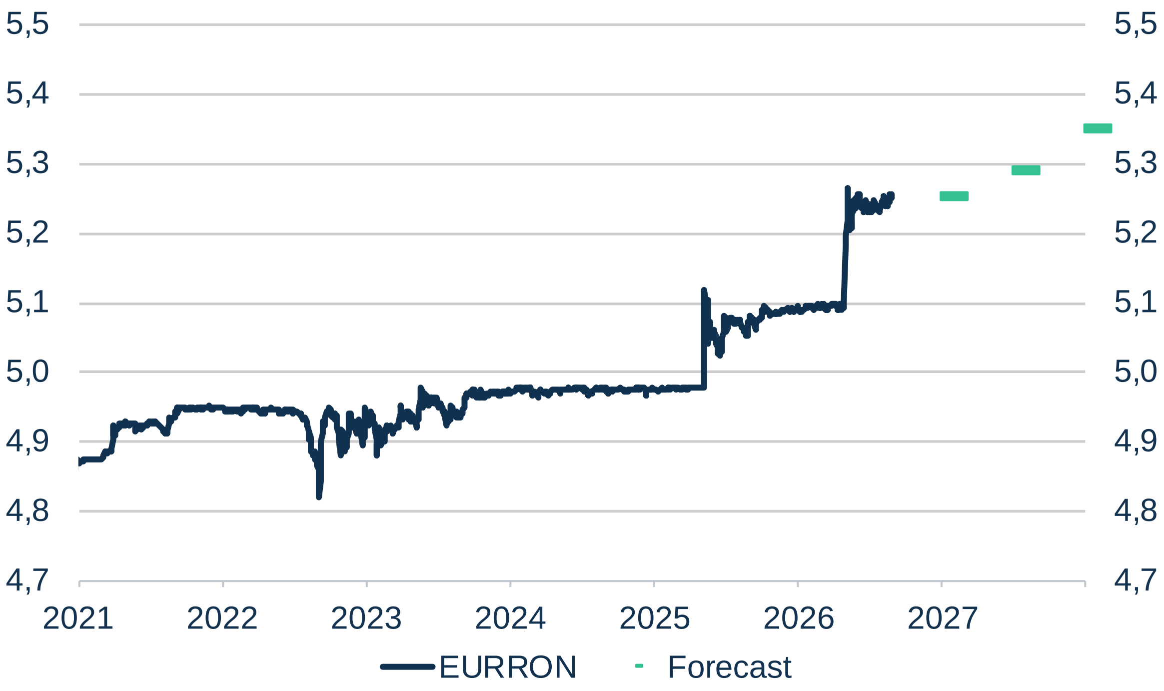
- Poland's fiscal policy remains a weak point. The budget deficit stood at about 6.9% in 2025, causing public debt to rise toward 60%.
- Political tensions between the government and the president are complicating the implementation of economic policy.
- Rising inflation limits the scope for interest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

Against the euro

- As in previous years, Poland's economy is likely to continue growing at a faster pace 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: Inflation falls more slowly than expected, tempering rate-cut expectations.

FX EUR/RON



	Historical Data			Forecast			
	Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURRON	5.26	5.04	5.10	5.14	5.25	5.29	5.35

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

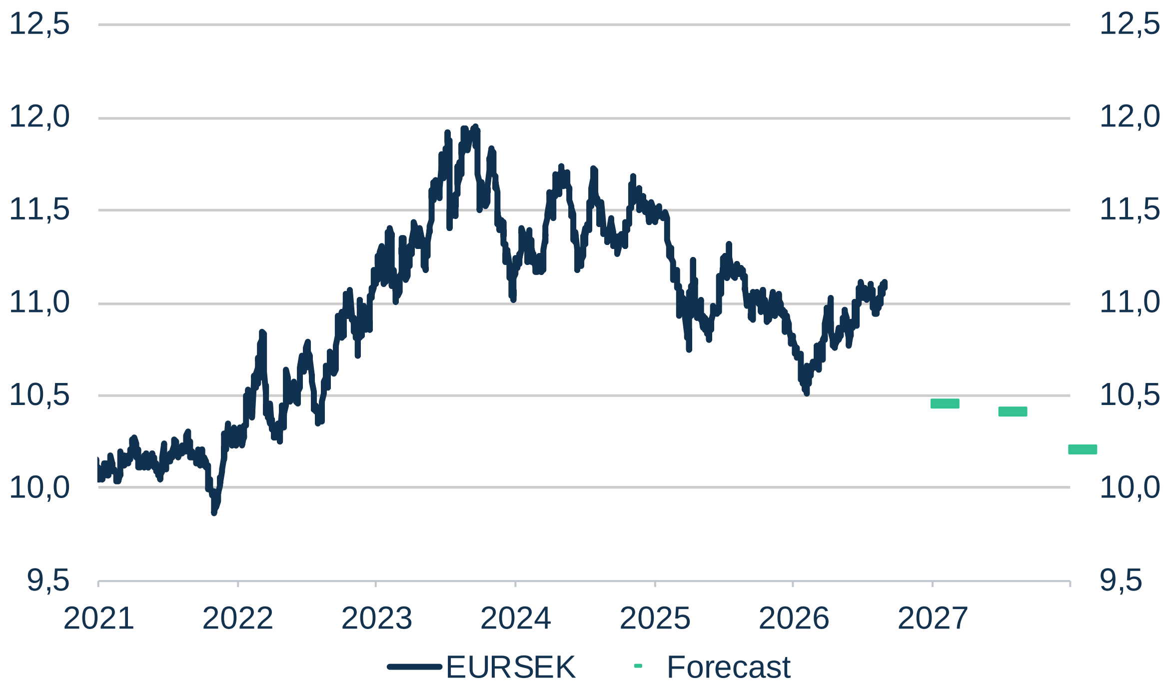
- Fiscal risks remain high. After reaching 7.7% last year, the budget deficit is expected to fall to about 6.2% in 2026—still the highest in the eurozone.
- The collapse of the governing coalition is increasing political uncertainty and putting pressure on the leu.
- The VAT increase has driven up inflation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

Against the euro

- 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: Stronger growth fails to offset the rate disadvantage for the krona

FX EUR/SEK



		Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURSEK	11.11	11.06	10.83	10.79	10.45	10.40	10.20

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

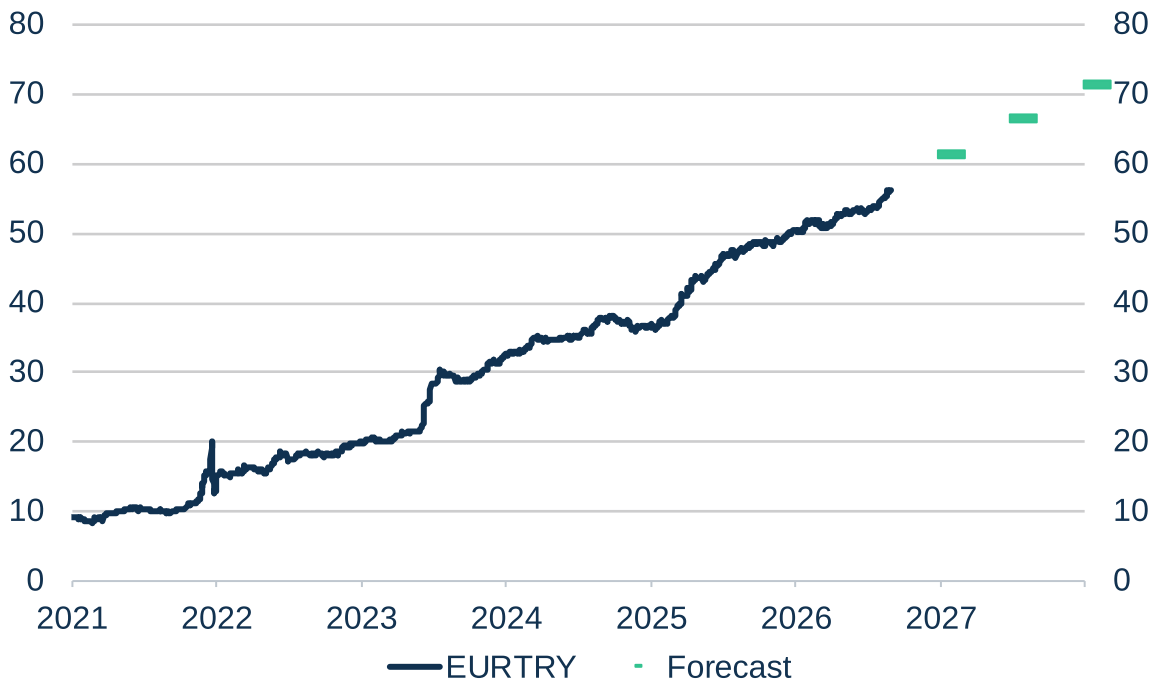
- Following significant cuts in key interest rates, the Swedish krona is at a interest rate disadvantage relative to the euro.
- The Swedish economy is recovering but remains vulnerable to global uncertainty and higher energy prices.

Against the euro

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

EURTRY: Turkey's Central Bank Raises Year-End Inflation Target from 26% to 28%

FX EUR/TRY



	Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURTRY	56.17	44.81	50.48	52.05	61.10	66.20	71.20

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per 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 holding back growth and driving up inflation.
- Foreign exchange interventions to prop up the lira are putting a strain on the country's already low foreign exchange reserves.
- Tense domestic political conditions are undermining investor confidence.

Against the euro

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

EURZAR: Unemployment rate of 33.6% underscores the need for further reforms

FX EUR/ZAR

		Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURZAR	18.63	20.18	19.44	19.15	19.00	18.70	18.20

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

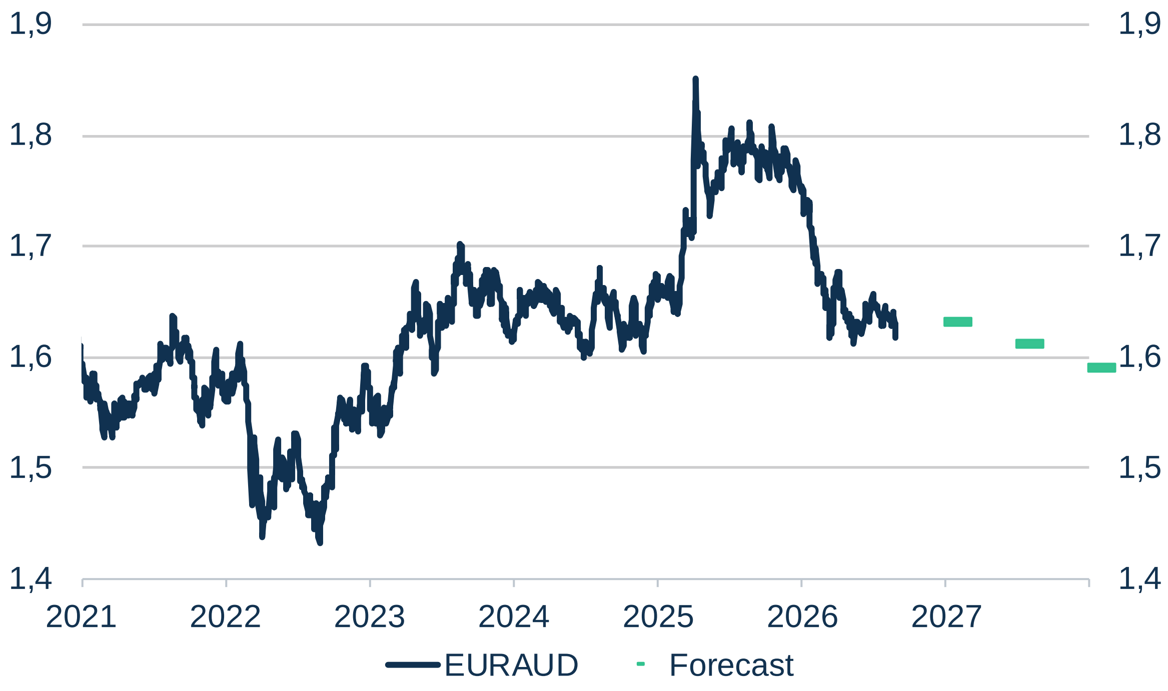
- South Africa's economic growth is sluggish and, despite positive signs, remains vulnerable to structural problems.
- The margin remains heavily dependent on investors' risk appetite.

Against the euro

- With a benchmark interest rate of 7.00%, 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 the outlook for growth.
- Public debt is likely to decline sooner than expected.

EURAUD: The drop in inflation to 3.5% points to an end to rate hikes

FX EUR/AUD



	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURAUD 1.62	1.75	1.75	1.66	1.63	1.61	1.59

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

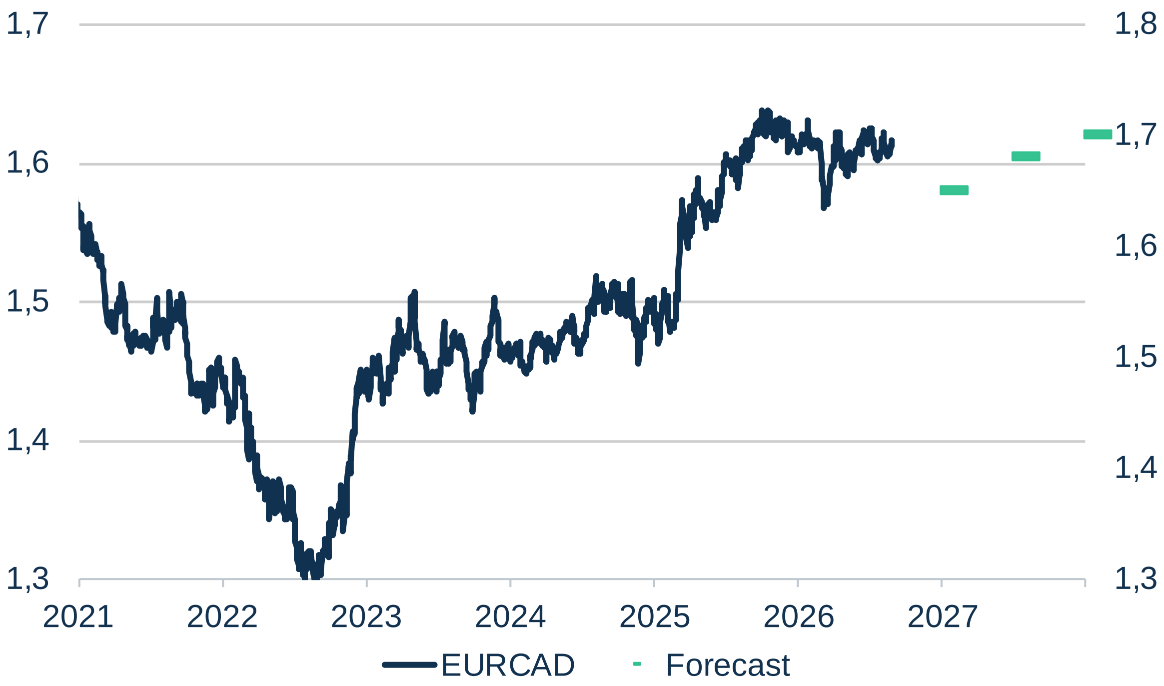
- Australia's economy is sensitive to economic cycles. It is heavily dependent on China's growth and commodity prices.
- The ECB's interest rate hikes are unlikely to cause the Australian dollar's interest rate advantage to widen further.
- Australia's growth advantages over the eurozone are diminishing.

Against the euro

- 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: Escalating trade conflict with the U.S. weighs on the Canadian dollar

FX EUR/CAD



	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURCAD 1.61	1.58	1.61	1.61	1.65	1.68	1.70

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

- Canada's economy remains vulnerable to U.S. trade policy and tariffs. The upcoming renegotiation of the North American trade agreement is increasing uncertainty in the market.
- The close ties to the U.S. economy are weighing on the market; a 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.

Against the euro

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

EURCZK: Growth is gaining some momentum in the second quarter

FX EUR/CZK

	Historical Data			Forecast		
Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURCZK 24.15	24.69	24.24	24.32	24.20	24.00	23.70

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per 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.

Against the euro

- 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 key interest rate of 3.75%, the krone offers an interest rate advantage that is likely to remain intact under a restrictive monetary policy.
- The Czech economy is likely to benefit disproportionately from a recovery in the European industrial sector.

EURNOK: Expectations of another interest rate hike are supporting the krone despite lower oil prices

FX EUR/NOK

	Historical Data			Forecast			
	Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
EURNOK	10.86	11.72	11.84	11.17	11.25	11.10	10.90

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Per EUR

- Norway's mainland agriculture is growing more slowly than expected.
- 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.

Against the euro

- The Norwegian krone offers a significant interest rate advantage over the euro. The hawkish central bank considers a further increase in the key interest rate from its current level of 4.25% to be possible.
- Higher oil and gas prices are improving Norway's terms of trade and supporting the krone.
- Norway has a solid 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	1.62	1.04	0.72	10.58	8.90	1.80	1.61
BRL	6.05	-3.60	-2.78	4.39	6.46	6.55	5.75
GBP	0.86	0.06	1.30	0.89	1.99	0.88	0.85
CNY	7.81	-1.34	1.12	6.67	5.09	8.43	7.70
JPY	185.78	0.44	-0.17	-7.67	-0.91	187.56	171.86
CAD	1.61	-0.45	-0.24	-0.41	-0.20	1.64	1.57
NZD	1.96	0.61	0.45	1.36	4.28	2.06	1.95
NOK	10.88	1.40	-0.74	8.13	8.91	11.99	10.72
PLN	4.34	-0.25	-2.56	-1.64	-2.69	4.34	4.20
RUB	100.12	-10.58	-17.57	-6.16	-7.21	100.62	82.46
SEK	11.11	-0.39	-2.86	-0.36	-2.58	11.11	10.51
CHF	0.94	-0.64	-2.52	-0.19	-0.78	0.94	0.90
ZAR	18.69	2.04	1.46	10.50	4.14	20.71	18.55
CZK	24.13	0.21	0.61	1.70	0.16	24.57	24.08
TRY	56.07	-3.78	-4.65	-14.56	-10.00	56.13	47.89
HUF	364.93	-0.95	-2.98	8.78	5.21	396.85	349.33
USD	1.16	-2.02	0.23	0.43	1.06	1.20	1.13
Exchange rates to USD							
JPY	159.87	2.51	-0.40	-8.06	-1.95	163.94	146.35
CNY	6.73	0.66	0.79	6.01	3.97	7.14	6.72

Sources: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

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	5.45	5.65	3.78	4.28	5.98	6.48	2.88	3.18	7.66	8.66	4.31	4.91	1.93	3.08	4.35	5.05	1.61	1.86
2 months	5.60	5.75	3.81	4.21	6.25	6.75	3.42	3.72	7.63	8.48	4.20	4.85	1.90	3.00	4.57	5.12	1.98	2.18
3 months	5.60	5.80	3.85	4.20	6.56	6.91	3.54	3.84	7.57	8.37	4.18	4.78	1.91	3.01	4.49	5.39	2.22	2.42
6 months	5.86	6.01	4.20	4.55	6.96	7.41	3.90	4.15	7.63	8.33	4.35	4.90	1.91	2.76	4.80	5.30	2.66	2.81
9 months	6.19	6.34	4.58	4.93	7.35	7.85	4.39	4.64	7.59	8.29	4.49	4.94	2.04	2.89	5.14	5.54	2.98	3.13
1 year	6.30	6.45	4.75	5.10	7.63	8.08	4.58	4.88	7.70	8.40	4.64	5.09	2.17	3.02	5.23	5.68	3.21	3.36
2 years	6.76	6.96	5.10	5.45	7.91	8.36	4.95	5.20	7.80	8.65	4.78	5.48	2.26	3.41	5.65	6.10	3.63	3.83
3 years	6.61	7.71	5.00	6.15	7.64	8.79	5.13	5.58							5.07	6.67	3.70	4.35
5 years	7.18	7.88	5.60	6.60	7.80	9.30	5.70	6.30									4.21	4.76

Data as of: 08/31/2026 1:05 PM

Sources: LSEG, LBBW Research

Brent: Oil Prices Remain Highly Volatile

Brent Oil Price & Forecast

in USD

		Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
Brent (USD/Barrel)	88.97	68.32	60.85	87.55	80.00	75.00	70.00

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Pro

- Crude oil supply plummeted by about 9 mbpd (YoY) in Q2/26.
- During the Iran War, production facilities, refineries, and oil infrastructure totaling 3–4 mbpd were destroyed.
- Ship traffic in the Strait of Hormuz remains disrupted.

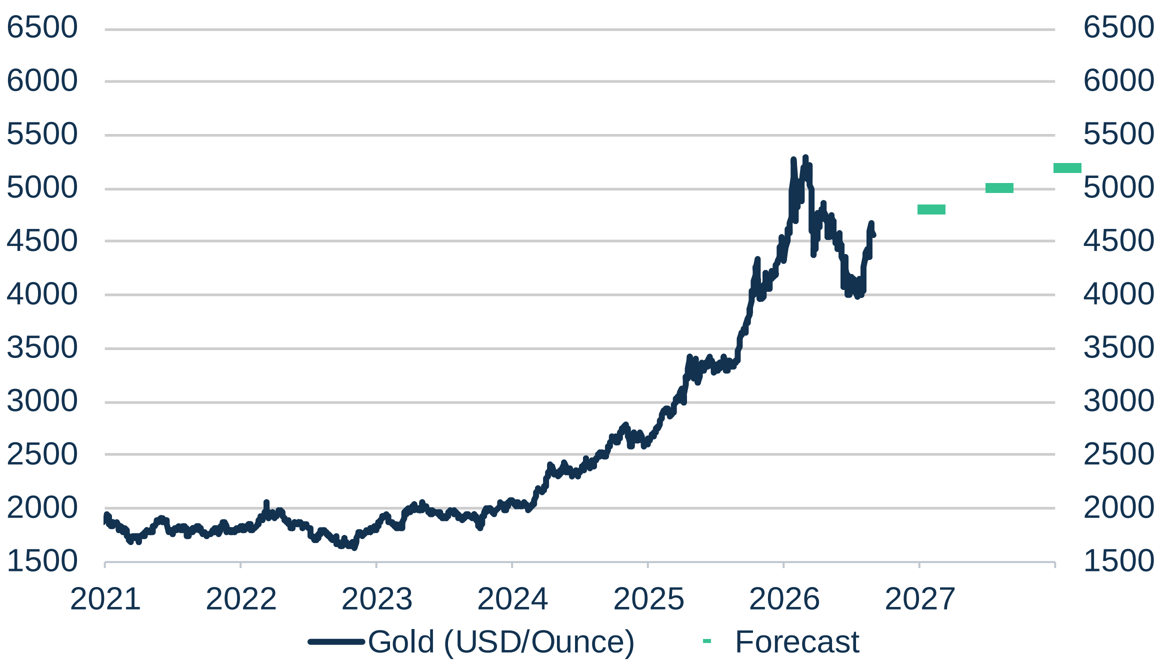
Cons

- An oversupply in the oil market is expected to begin in Q1 2027.
- Gloomy economic outlook and the war in Iran are dampening demand for oil. Consumption fell by 4.5 mbpd (year-over-year) in Q2/26.
- OPEC (+ UAE) currently has spare capacity of about 11 mbpd.
- The U.S. rig count has risen by 12% since the end of February. U.S. output is on track to set a new record in 2026.
- UAE Sets New Output Record Following Withdrawal from OPEC.
- Oil reserves in the Gulf states remain very high.

Gold: Central Banks Are Significantly Increasing Their Gold Purchases

Gold Price & Forecast

in USD



		Historical Data			Forecast		
	Spot	Ø 2025	Dec-25	Ø H1 26	Dec-26	Jun-27	Dec-27
Gold (USD/Ounce)	4 561	3 444	4 325	4 687	4 800	5 000	5 200

Source: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

Pro

- Gold mine production rose only very slowly in Q2/26, by 2% or 18 metric tons (year-over-year). Recycling of scrap gold fell by 6% or 20 metric tons.
- Central banks increased their gold purchases by 62%—or 111 metric tons—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 US dollar weakness should support gold prices.

Cons

- Demand for jewelry fell by 12% or 44 metric tons in Q2/26.
- ETCs are divesting their gold holdings and have sold about 50 metric tons so far in 2026.
- High inflation rates make interest rate hikes more likely.

Commodities Market Data Overview

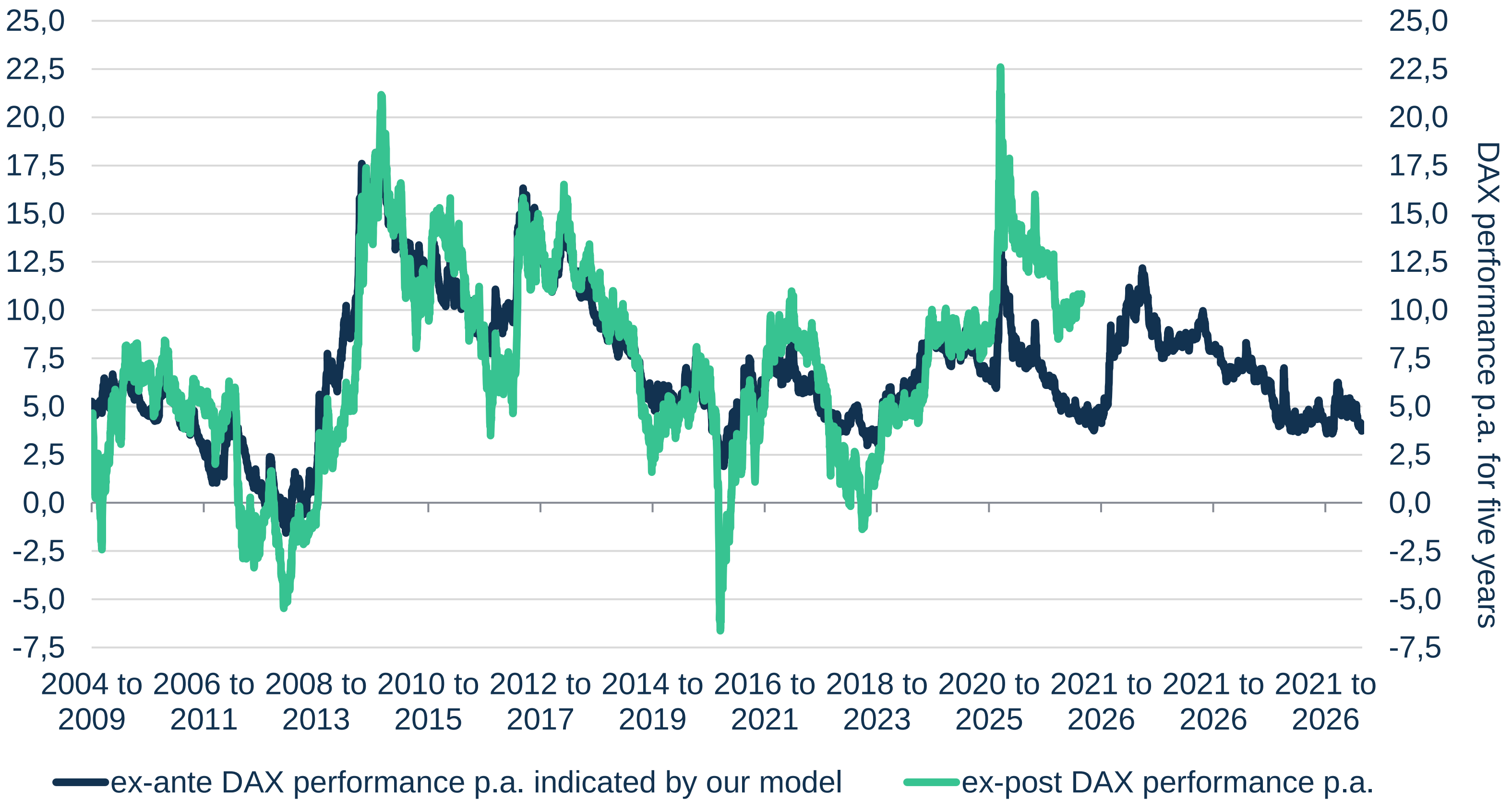
Energy (Spot)	Unit	Date	-1M %	-3M %	-1Y %	YTD %	Max 52W	Min 52W
Crude Oil Brent	USD/bbl	89.40	6.21	-4.66	30.17	46.92	118.34	58.98
Crude Oil WTI	USD/bbl	84.57	4.52	-8.72	30.19	47.69	114.58	55.44
Precious Metals (Spot)								
Gold	USD/oz	4 561	13.06	2.01	33.69	5.46	5 298	3 441
Silver	USD/oz	70.26	22.90	-3.78	80.46	-2.40	118.45	38.80
Platinum	USD/oz	1 884	17.39	-1.05	40.07	-7.06	2 811	1 347
Palladium	USD/oz	1 444	14.02	6.25	31.03	-7.86	2 106	1 094
Industrial Metals (3M Future)								
LME Aluminium	USD/MT	3 242	3.00	-11.41	24.45	8.23	3 753	2 592
LME Copper	USD/MT	14 294	4.45	4.32	45.59	15.06	14 350	9 884
LME Lead	USD/MT	1 906	0.58	-5.57	-3.93	-5.25	2 100	1 852
LME Zinc	USD/MT	3 883	8.55	9.35	39.63	24.55	3 893	2 819
LME Tin	USD/MT	55 223	3.06	0.26	58.68	36.16	57 960	33 711
LME Nickel	USD/MT	16 861	-0.64	-11.73	10.47	1.29	19 642	14 263

Sources: LSEG, LBBW Research (Spot Price Data Query: August 28, 2026)

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 influencing factors

1. Dividend Yield (Income Component)
2. Market capitalization relative to the M3 money supply (valuation component)

Model Notice

For more than 21 years, highly reliable predictions of the geometric DAX Average Performance

5 years

4.0% **p.a.** (including dividends)

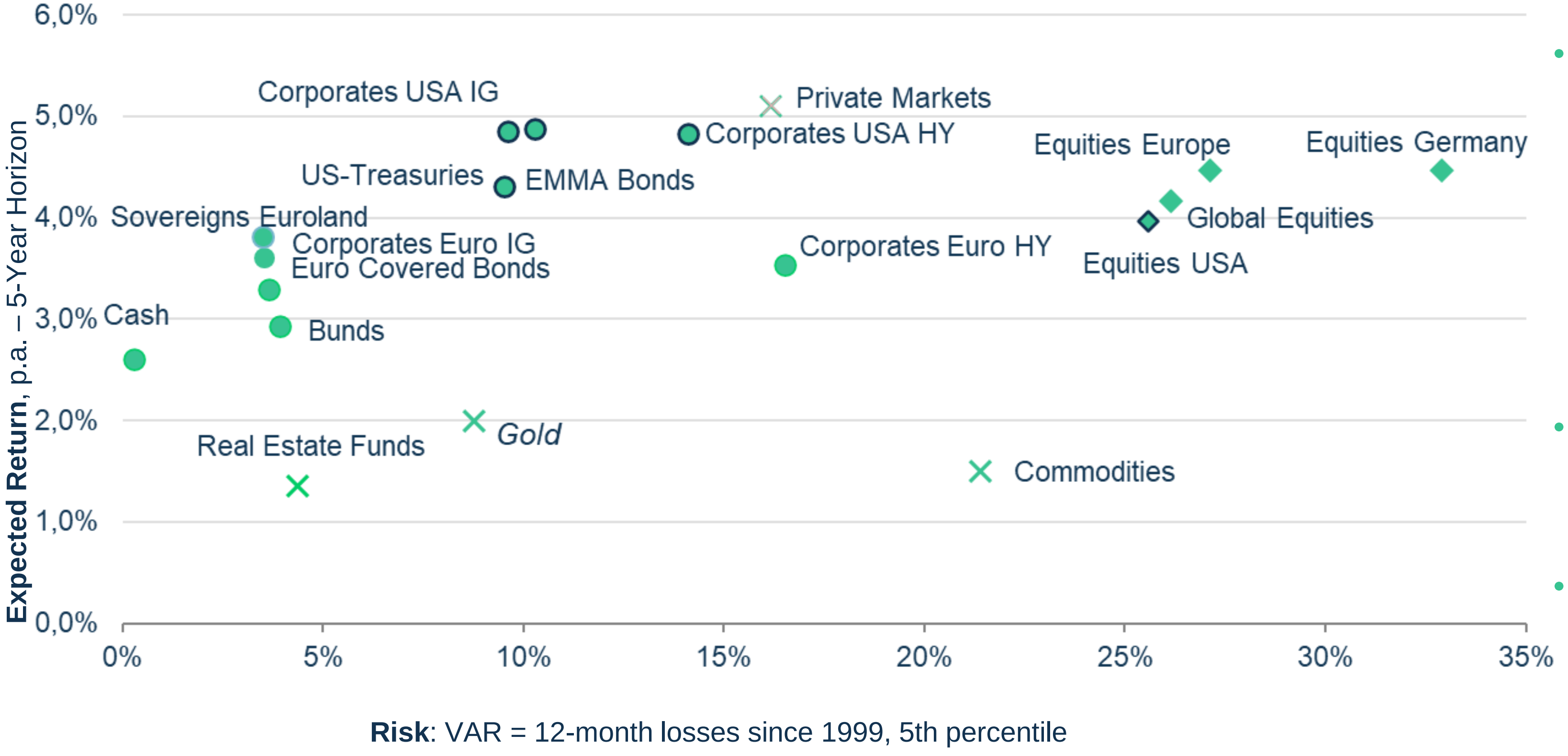
Expected Return

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



Sources: LSEG, LBBW Research – As of August 24, 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.

- 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 relationships.

Yield Curves for EUR Sovereigns

Yields by Rating and Maturity

as a percentage

Average Yield EUR Sovereigns														
26.08.2026	Maturity in Years													
Country	1	2	3	4	5	6	7	8	9	10	15	20	25	30
Germany	2,69	2,77	2,82	2,86	2,91	2,97	3,04	3,10	3,17	3,25	3,57	3,71	3,76	3,80
France	2,82	2,98	3,10	3,24	3,38	3,54	3,69	3,83	3,97	4,09	4,52	4,76	4,95	5,11
Italy	2,83	3,00	3,14	3,28	3,42	3,56	3,71	3,84	3,96	4,08	4,51	4,76	4,94	5,05
Spain	2,74	2,86	2,95	3,04	3,13	3,24	3,36	3,47	3,59	3,69	4,09	4,29	4,43	4,44
Netherlands	2,64	2,77	2,86	2,93	2,99	3,06	3,12	3,19	3,25	3,32	3,58	3,75	3,82	3,82
Austria	2,73	2,85	2,94	3,03	3,11	3,20	3,27	3,35	3,42	3,49	3,77	3,95	4,04	4,09
Belgium	2,78	2,89	2,99	3,10	3,22	3,35	3,47	3,60	3,71	3,82	4,29	4,63	4,82	4,87
Ireland	2,68	2,77	2,84	2,91	2,99	3,07	3,15	3,24	3,32	3,40	3,67	3,80	-	-
Portugal	2,74	2,81	2,88	2,97	3,07	3,18	3,29	3,41	3,51	3,62	4,03	4,26	4,37	4,40
Finland	2,72	2,83	2,92	3,01	3,11	3,20	3,30	3,39	3,48	3,57	3,90	4,06	4,13	4,17
EUR Swap in %	2,95	3,02	3,04	3,05	3,07	3,10	3,13	3,16	3,20	3,23	3,37	3,41	3,38	3,33

Yield over 4.0%

Source: LSEG, LBBW Research

LBBW

Yield Curves for EUR Non-Financials

Interpolated Yields by Rating and Maturity

as a percentage

Average Yield EUR Non-Financials										
26.08.2026	Maturity in Years (Call-Date)									
Rating	1	2	3	4	5	6	7	8	9	10
AA	2,51	2,96	3,22	3,40	3,55	3,66	3,76	3,85	3,92	3,99
AA-	2,60	2,96	3,18	3,33	3,45	3,55	3,63	3,70	3,77	3,82
A+	2,69	3,06	3,27	3,42	3,54	3,64	3,72	3,79	3,85	3,91
A	2,78	3,13	3,34	3,49	3,60	3,70	3,78	3,84	3,90	3,96
A-	2,75	3,14	3,36	3,52	3,65	3,75	3,84	3,91	3,98	4,04
BBB+	2,81	3,20	3,43	3,59	3,72	3,82	3,91	3,98	4,05	4,11
BBB	2,91	3,30	3,54	3,70	3,83	3,93	4,02	4,10	4,17	4,23
BBB-	3,02	3,46	3,71	3,90	4,04	4,15	4,25	4,34	4,41	4,48
BB+	3,49	3,88	4,11	4,28	4,40	4,51	4,60	4,67	4,74	4,80
BB	3,61	4,15	4,46	4,68	4,86	5,00	5,12	5,22	5,31	5,39
BB-	3,86	4,66	5,12	5,45	5,70	5,91	6,09	6,24	6,38	6,50
B+	4,57	5,34	5,79	6,12	6,36	6,57	6,74	6,89	7,02	7,14
B	4,75	5,86	6,50	6,96	7,32	7,61	7,86	8,07	8,26	8,43
B-	5,53	6,88	7,67	8,23	8,67	9,02	9,32	9,58	9,81	10,02
EUR Swap in %	2,95	3,02	3,04	3,05	3,07	3,10	3,13	3,16	3,20	3,23

Yield over 4.0%

Source: LSEG, LBBW Research

Yield Curves for EUR Senior Bank Preferred Securities

Interpolated Yields by Rating and Maturity

as a percentage

Average Yield EUR Banks Senior Preferred										
26.08.2026	Maturity in Years (Call-Date)									
Rating	1	2	3	4	5	6	7	8	9	10
AA	2,90	3,14	3,29	3,39	3,46	3,53	3,58	3,63	3,67	3,71
AA-	2,94	3,17	3,30	3,40	3,47	3,53	3,58	3,63	3,67	3,70
A+	2,90	3,20	3,39	3,51	3,61	3,69	3,76	3,82	3,88	3,92
A	2,94	3,22	3,38	3,49	3,58	3,65	3,71	3,76	3,81	3,85
A-	3,02	3,31	3,47	3,59	3,68	3,76	3,82	3,88	3,92	3,97
BBB+	3,17	3,40	3,53	3,63	3,70	3,76	3,81	3,86	3,89	3,93
BBB	3,19	3,45	3,61	3,72	3,81	3,88	3,94	3,99	4,04	4,08
BBB-	3,29	3,45	3,55	3,62	3,67	3,72	3,75	3,78	3,81	3,84
EUR Swap in %	2,95	3,02	3,04	3,05	3,07	3,10	3,13	3,16	3,20	3,23

Yield over 4.0%

Source: LSEG, LBBW Research

Yield Curves for EUR Covered Bonds

Yields by Rating and Maturity

as a percentage

Average Yield EUR Covered Bonds											
26.08.2026	Maturity (Call-Date)										
Country	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
AU	3,04	3,13	3,16	3,21	3,23	3,33	3,35	3,38			3,60
AT	2,98	3,06	3,14	3,23	3,28	3,36	3,43	3,39	3,58		3,61
BE	2,93	3,10	3,16	3,22	3,27	3,35		3,50			
CA	2,87	3,07	3,18	3,24	3,29	3,37	3,37				
DK	2,93	3,16	3,19	3,16	3,41	3,68					
FI	3,00	3,06	3,13	3,26	3,35	3,29	3,47		3,51		
FR	2,93	3,09	3,18	3,27	3,35	3,43	3,49	3,57	3,69	3,71	3,80
DE	2,90	3,04	3,11	3,18	3,22	3,29	3,33	3,37	3,45	3,52	3,64
GR											
IE											
IT	2,93	3,13	3,23	3,27	3,41	3,44	3,51	3,60		3,72	3,84
LU											
NL	2,98	3,07	3,14	3,22	3,28	3,36	3,36	3,52	3,59	3,50	3,65
NZ		3,01	3,17	3,19	3,27	3,29	3,37				
NO	2,95	3,09	3,15	3,23	3,30	3,28	3,40	3,40		3,66	3,63
PL				3,17			3,36				
PT	2,93	3,06		3,25	3,28	3,36	3,41		3,55		
SG		3,16	3,13	3,23	3,31	3,33					
ES	2,89	3,07	3,21	3,20	3,32	3,32	3,43	3,49		3,55	
SE	2,97	3,08	3,16	3,23	3,35	3,32	3,37		3,48		
CH	3,06		3,17	3,30	3,33		3,46				
UK	3,00	3,09	3,15	3,18	3,31	3,30		3,41			
JP	2,92	3,15	3,26		3,27	3,31				3,62	
KR		2,92	3,15	3,27	3,29	3,38					
SK	3,07	3,19	3,22	3,31	3,37	3,44					
EUR Swap in %	2,95	3,02	3,04	3,05	3,07	3,10	3,13	3,16	3,20	3,23	3,26

Yield over 4.0%

Source: LSEG, LBBW Research

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